



The Nexus Between Export and Economic Growth in Tanzania

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Abstract

This study explored the causal relationship between exports and economic growth (GDP) in Tanzania. It analysed time series data for the period of 1980 to 2015. Economic growth, in this study, is measured in terms of growth per cent while exports are measured in percentage change of goods and services sold abroad. The purpose of this study was to examine the effectiveness of exports to economic growth in Tanzania. This was analysed by testing for the presence of unit root, co-integration and causality. The unit root test was performed and after the first difference data were stationary. Further, the Johansen co-integration and Granger causality tests were employed to examine the long-run relationship among variables. The results of co-integration indicate the existence of one co-integrating equation. The causality test results exhibited causality which runs from economic growth to exports. The results conclude that in the long run, production alone can cause exports growth. This means that export is not an effective stimulus to the economic growth of Tanzania. This study suggests that the Government should make efforts to enhance the production side or the supply side which is expected, in the long run, to develop trade and eventually the economy. The study, further, suggests that the government should take care of the import substitution industrialisation policies which encourage domestic production.

Keywords: Economic Growth, Exports, Co-integration, Granger Causality, Unit root