

**A DYNAMIC ANALYSIS OF ECONOMIC INTERACTION BETWEEN PRICE  
INSTABILITY, UNEMPLOYMENT AND ECONOMIC GROWTH IN NIGERIA: A  
COINTEGRATION AND CAUSALITY ANALYSIS**

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**ABSTRACT**

This is a study on dynamic analysis of economic interaction between price instability, unemployment and economic growth in Nigeria from 1986 to 2015. The research employed annual time series, sourced from the statistical bulletins published by World Bank Development Indicators (WBDI) 2015. The study adopts diagnostic tests to ascertain stationary properties and the long run relationship of the series with the model. Also, an error correction mechanism together with multivariate granger causality test (block exogeneity test) is conducted through the Vector Autoregressive (VAR) technique. Empirical evidence, emanating from the cointegration analysis, indicated the existence of a unique long run equilibrium relationship between the series in the model. In addition to this, the ECM output revealed a time frame of three years and eight months as the period required to bring the economy back to a point of convergence, again after deviating from its long run path. Evidence from the granger causality testing revealed that a rise in the volume of money in circulation in an economy without the requisite production capability gives rise to increases in the prices of goods and services. It was further revealed that a rise or decline in economic growth, the unemployment rate and exports in Nigeria is a function of the exchange rate policy in place at any given time. The study recommended amongst others that the monetary authority of the country should strive to maintain a manageable inflation rate, in order to motivate foreign investors. Finally, government should revitalize the various ailing industries and establish new ones to encourage massive industrialization. With functional industries working to full capacity, our agricultural products often exported in their raw form would have value added before they are eventually exported. This strategy will boost economic growth, bring in more forex and create massive jobs for our teeming graduates.

**KEYWORDS:** Price Instability, Unemployment, Economic Growth & Co integration and Causality