The Effects of Import Commodity Price Volatilities – Nigeria Perspective (1980 – 2015)

AFOLABI,
Olusesan Samuel
Department of Economics
Joseph Ayo Babalola University
Ikeji Arakeji, Osun State, Nigeria

doctoroluafolabi@gmail.com

ABSTRACT

The study assesses the effects of the dynamics of import commodity price in Nigerian economy. The study has established a strong relationship between the factors that determine the dynamics of import prices in Nigeria using Johansen Cointegration and Autoregressive Distributed Lags (ARDL) methods to examine the existence of long run relationship in time series analysis. However, their usage depends on the unit root test to test for their level of stationarity. It was found that both the short-run and the long-run impact of trade openness are significant and it shows significant impact on import commodity price volatility. Diagnostic tests are conducted before the result can be accepted to be reliable; these tests include the normality test, serial correlation and test for heteroskedasticity. It was shown that the data is normally distributed and this is a good result. Moreover, import commodity price volatility was shown to have the greatest influence on macroeconomic activities in Nigeria. This further joins some empirical results about the injury excessive importation does to the Nigerian economy.

Keywords: *Dynamics, Determinants, Import, Commodity, Cointegration*

Introduction

The rise of commodity prices has created fiscal burdens, particularly for a country like Nigeria that is highly dependent on imported commodity products for domestic need. Increased subsidy costs reduce the fiscal capacity of government to finance other important public services, including eradication of poverty and hunger which led to an increased poverty, and reduced welfare of the people. In some cases, staple foods price hike also created disturbance on social life, leading to protests in several developing countries (UNECA, 2010). In fiscal policy, every country has the instruments to deal with the commodity price issue such as through improving productive capacity, pricing policy, and infrastructure facilitation. It should be kept in mind that millions of people are suffering from the impact of rising commodities price, most notably on import commodities (Watson, 2008). However, despite all these arrangements from the fiscal policy arena that can be used to tackle import commodities price dynamics, it appears that the efforts of the government are yet to show any significant manifestation by reducing the import commodity price volatility. Thus, it is important to further explore alternative concrete actions through empirical studies that can help stem the tide of import commodity price dynamics.

Conceptual Review

Over the years, issues around economic instability and their causes have continued to occupy the front burner in development economics researches. Different approaches have been engaged by various researchers to unravel the cause and solution to the problems of economic instability in many developing countries. According to Ojo (2008) there has been a consensus in development economics that unstable nature of some macro-economic variables had direct linkages with economic instability.

Furthermore, some of these studies believed that inability of the policy makers in various developing countries to understand the exact relationship existing between economic growth and dynamic nature of import commodities constitute a major policy challenge facing many developing countries (World Bank, 2010). The import price level which is a major macroeconomic variable has been identified by various studies as having a great influence on growth (UNCTAD, 2011).

However, concerns over the dynamics of import commodity price and inflation are warranted not just because they raise costs for producers of goods and consumers of raw materials, but also because there is evidence to support that they have worked their way into increasing overall consumer prices (Dehn, 2000). Evans and Fischer (2011) argue that while commodity price inflation was strongly correlated with US CPI inflation in the 1970s, later on the link between commodities and the CPI became very stronger. Studying the nature of the general price level and its effect on growth in an economy

might not be completed until a special attention is given to import commodity prices fluctuations.

Since the Consumer Price Index (CPI) is a key indicator used by Central Banks, Kirchene (2008) argues that it will be risky to ignore fluctuations in prices of import commodity and other asset markets that do not show up in the CPI. According to him, if Central Bankers are truly concerned about promoting economic growth through control of general price level then attention must be given to dynamics of import commodity prices now.

In addition, the nature of volatility in commodity prices have been characterized by either asymmetric or symmetric effects. Researchers are of the opinion that the volatility of import commodities variable could have a more detrimental implication on growth if the effect is asymmetric.

Again, movements in import commodity prices have been suggested as a leading indicator of inflation in the economy in general and its assessment can best be done by investigating the factors that usually cause its cyclical changes in commodity prices (Olaniyi, 2009). This, according to the authors, offers more pragmatic approach to solving inflation and growth problems of many developing countries. Past studies have concentrated more on the effects of commodity price volatility without much attention being given to the causes. Consequently, this study among others investigated those external and internal factors that are responsible for the volatility or the dynamic nature of import commodity prices in Nigeria.

More importantly, it is clear that previous empirical studies were focused on prices of commodities rather than the causes of price volatility of import commodities which has been described as one of the major factors that determines economic stability of a country. This study, therefore, empirically assess the dynamic nature of import commodity prices in Nigeria and its effects on economic growth of the country.

Empirical Review

Akanji (2006) used an endogenously clustered dynamic factor model to gain a better under-standing of commodity price co-movements and their determinants in Nigeria. From a large dataset of commodity price, he extracted the fundamental sources behind the imported price dynamics and that commodity price co-movements are mostly the result of sparse cluster factors that represent correlations of distinct group of commodities.

Aliyu (2011), also reports a significant correlation between movements in nations' relative import prices and the extent to which they specialized in resource extraction and processing activities. The author argues that specialization in resource intensive activities exacerbate terms of trade shocks because resource specialization is often associated with a lack of industrial diversification and because import commodity prices are inherently more volatile than the prices of other goods and services that have more price

sensitive supply responses.

This result, taken together with the evidence presented by Ley (2010) show that particularly high levels of import concentration among late twentieth century resource intensive economies is strongly negatively related to growth performance. This suggests that there is a robust correlation connecting resource specialization and import commodity price shocks to terms of trade and real exchange rate shocks, macroeconomic dynamics, and eventually slower real GDP per capita growth.

Jing He (2009) investigated macrocosmic response to crude oil price dynamics in China by using the Input-Output Models (IOM). The contribution of the study was twofold. First, he developed a new model of Input-Output (IO) price analysis based on the discrete time functions to measure the impact of oil price. Second, he applied the Price Dynamics Model (PDM) to explain the macroeconomic responses between 1999 and 2004. He identified the dynamics rate of price in the other sections and the effects resulting from changes in oil price. This process enabled him to establish the feedback measure not only between the oil prices and the price system but also between theory and application. It was a great advantage and an important tool for planners and decision-makers.

Landgraf and Chowdhury (2010) assessed the relationship between global liquidity and commodities in the emerging market economies. The study examined the cause of the mid-2000s world commodity price "bubble" and the recent commodity price growth during the economic recovery after the 2007-2008 recession. According to them, the classical "supply and demand" interpretation offered by some observers suggested that rapid global industrial growth over the past decade – the so-called "demand channel" – is the key driver of price growth. They further stated that others have argued that recent bouts of commodity price dynamics were directly related to central banks, especially the U.S. Federal Reserve, injecting too much money or "liquidity" into the financial system. They asserted that high commodity price was a result of excessively loose monetary policy. The study incorporated emerging economies, the BRIC (Brazil, Russia, India, and China) nations specifically, into global measures. According to them, it was hypothesized that factoring BRIC nations into the analysis provided useful information for examining the relationship between commodity prices and global liquidity that was not captured by advanced country data alone. The statistical model in their study accounted for the two-way relationships that can exist between output, price, and monetary variables in a globally interconnected system. Various tests of the model consistently suggested that the "demand channel" plays a large part in explaining commodity price growth whether BRIC countries are included or excluded from the analysis. However, excess liquidity may also play a part in explaining price growth. In addition, factoring in BRIC country data led to the conclusion that unexpected movements in liquidity eventually explained more

of the variation in commodity prices than unexpected demand shocks. They maintained that this specific result was not caught in the sample that only incorporated advanced economies. Therefore, policymakers and researchers should not ignore emerging markets when examining commodity prices and monetary factors in a global context. Studies that excluded these countries lose key information on the effects of global monetary fluctuations.

Hassan and Salim (2011) examined whether the import commodity prices predict inflation, unemployment and short-term interest rate in Australia. Advanced time series econometric modelling such as vector autoregressive model, co integration and granger causality were used for this purpose. The empirical results showed that three commodity prices (rice, cotton and coffee) preceded inflation. However, no evidence of reverse causation was found. According to them these findings had important implication for monetary authority. In their opinion, inflation targeting experience has so far been hit by positive supply shocks. In case of negative supply shock, import commodity price may be useful in singling out the likely direction of inflation.

Bingcheng and Eric (2007) in their paper proposed a new approach for the econometric analysis of the dynamics of import commodity price discovery using a structural cointegration model for price changes in arbitrage linked markets. Their methodology characterises the dynamics of price discovery based on the impulse response functions from an identified structural cointegration model, and they measure the efficiency of a market's price discovery by the absolute magnitude of cumulative pricing errors in the price discovery process. They apply their methodology to investigate the extent to which the US dollar contributes to the price discovery of the Yen/Euro exchange rate. Their results show that substantial price discovery of Euro occurs through the dollar, and that the efficiency of the dollar's price discovery is positively related to the relative liquidity of the dollar market versus the cross-rate market.

Yoonseok (2013), proposed an alternative to the common but rather restricted specification in dynamic panel models - linear autoregressive panel models. He employed nonparametric estimation on the lagged terms in European economy. In addition, he still postulated an additively separable structure so that neither an individual effect nor the error term was included in the unknown function. Non-separability can be allowed for at the cost of more restrictions which is required for a proper identification. He considered nonparametric estimation of autoregressive panel data models with fixed effects. A within-group type series estimator is developed and its convergence rate and asymptotic normality are allowed. It is found that the series estimator is asymptotically biased and the bias could reduce the mean square convergence rate compared with the cross-section cases. A bias corrected non parametric estimator is developed.

Duation and Laroque (2012), using sample of commodity spot price indexes

over a period of 1947-2010 examined predictability of import commodity prices at the monthly, quarterly, and annual horizons in France. They established out-of-sample predictability by means of variable such as bond-spreads, growth in money supply and industrial production. Predictability is strongest for raw industrials and metals indexes and weakest for foods and textiles. Some variables, such as the inflation rate have little or no predictive power over import commodity spot prices at the quarterly and annual horizon. Their results suggest that predictability of commodity returns from macroeconomic variables such as inflation, industrial production and money supply is stronger during economic recessions than during expansions. This finding carries over the models for realized import commodity volatility, where economic state variables add predictive power to a simple auto regression mostly during recessions.

Anzuini *et al.* (2010) in their paper studied the relationship between dynamics of import commodity prices and monetary policy instruments. They considered a set of heterogeneous countries (the US, the Euro area, Brazil, India, Russia and South Africa). The analysis is performed over the period spanning from January 1999 to August 2007. They model import commodity prices using EGARCH-M models in order to highlight some stylized facts regarding the volatility of these prices. The aim of this point is to compare this volatility to the dynamics of monetary policy instruments. Then, they examined the links between monetary policy instruments and the fluctuations of import commodity prices. More precisely, they look for the co-movement between the import commodity prices cycles and that of the instruments of monetary policy.

Methodology

Model Specification

Considering the following equation that expressed dynamics of import commodities:

$$dV_t = f(EX_t, IN_t) \quad \text{..... (1)}$$

Where,

dV_t measures commodity price dynamism

EX_t are the external factors

IN_t are the internal factors.

The model used for the effects of import commodity price in Nigeria is expressed thus:

$$COMPVOL_t = f(Q_t, E_t, INV_t, EXR_t\ WQ_t, USCPI_t, OPN_t) \quad \text{..... (2)}$$

Where:

$COMPOL_t$ is the import commodity price volatility which will be measured by EGARCH.

Internal factors

Q_t is the output which will be measured by GDP growth rate
INV_t is aggregate investment which is measured by gross capital formation
E_t is the index of energy consumption
OPN_t is the degree of openness
EXR_t is the average exchange rate

External factors

WQ_t is the world output
$USCPI_t$ is the United State Consumer Price Index

Estimation Technique

To investigate the effects of import commodity price volatility, long run impact of each of the variable on commodity price volatility is considered. The Johansen Cointegration method and Autoregressive Distributed Lags (ARDL) methods are the two prominent approaches to examining the existence of long run relationship in time series analysis. However, their usage depends on the unit root test. Consequently, the first test to be conducted is the stationarity test and it is explained as follows:

Unit Root Test

Unit root test is performed majorly to avoid spurious results, because of possible stationarity properties of variables (Gujarati and Sangeetha 2007). Before estimating the empirical model, it is very important to test for stochastic properties of the variables to be estimated. Thus, such situations are averted through the conduct of a unit root test. This test is not without its own shortcoming because of the number of observations it can allow coupled with the fact that a minimum of 20 observations are required to get reliable result and then infer appropriately (Dickey and Fuller, 1981).

The unit root test is employed to detect the order of integration of the variables using Augmented Dickey Fuller (ADF) test by Dickey and Fuller (1981). The analysis began with the unit root test to determine whether the time series data are stationary at levels of first difference because of the adoption of time series data. The unit root test was conducted on each variable in the model. If the series is integrated at a level, then it is integrated of order 0, that is I(0), and integrated of order one when it is stationary at first difference, that is I(1).

As a general rule, non-stationary time series variables should not be used in a regression model as it can lead to the problem of spurious correlation or nonsense regression. But there is an exception to this rule. However, if the time series variables in the regression model are individually non-stationary at levels, but they are integrated of the same order I(d), and there exists a linear combination of them that is integrated of a lower order I(d-b) where

b>0, then these variables are said to be co-integrated of order (d-b). for this study, unit root is conducted to check the stationarity of the variables under study (Gujarati, 2013).

Co-Integration and Error Correction Model

Co-integration analysis in time series econometrics was introduced in the mid-1980s, and has been regarded by many econometricians as the most important recent development in empirical modeling (Deadman, 1992). Co-integration means that these variables have long-run equilibrium relationship in the economic sense. Two variables are said to be co-integrated if they have long-run equilibrium relationship existing between them. If two variables are dependent or independent and individually non-stationary but their residual (combination) is stationary, those variables are co-integrated in the long-run (Gujarati 2013). In this case, the researcher used the Johansen co-integration test for co-integration since it is the only test that can estimate more than one co-integration relationship if the data set contains two or more co-integrated variables (Sekuma, 2011).

In statistics, the Johansen test named after Soren Johansen is a procedure for testing co-integration of several, say K, I, (I) time series. This test permits more than one co-integrating relationship hence, it is more generally applicable than the Engle-Granger test which is based on the Dickey-Fuller (or the Augmented) test for unit root in the residual from a single (estimated) co-integrating relationship. A co-integration relationship exists if the calculated co-integrating statistics of Maximum Eigen and Trace statistics are greater than their corresponding critical values, otherwise no co-integration noted.

Since this study involves time series data, the Ordinary Least Square (OLS) method cannot be applied unless it is established that the variables concerned are stationary, also there is a basic assumption that the value of the error terms is independent of the predictor variables, therefore, the Autoregressive Distributed Lag (ADRL) model was used.

Autoregressive Distributed Lags (ARDL) Model

The choice of this estimation procedure is primarily informed by the fact that it passes the fitness-for-the-purpose-test. For instance, one option available to perform the co-integration test is the Engle-Granger approach (1987), but its weakness lies in the fact that it is only able to use two variables. A multivariate analysis, such as that considered in this study, leads to the use of the Johansen and Joselius co-integration analysis or ARDL model. The statistical equivalence of the economic theoretical notion of a stable long-run equilibrium is provided by these two models, but the choice will depend on the characteristics of the data (Shi et al., 2012).

The guide that will be followed in this study is that if all variables are

stationary, I(0), an Ordinary Least Square (OLS) model is appropriate and for all variables integrated of same order, say I(1), Johansen's method is very suitable when we have fractionally integrated variables, variables at different levels of integration [but not at I(2) level] or cointegration amongst I(1) variables.

The ARDL model would then be performed with the formulation of a Conditional Error Correction Model (Pesaran, 2006) as below:

$$\Delta COMPVOL_t = \Delta Q_t + \sum_{i=1}^{p} \alpha_i \Delta E_{t-1} + \sum_{j=0}^{q_1} \beta_j \Delta INV_{t-j} + \sum_{k=0}^{q_2} \varphi_{1k} \Delta EXR_{t-k} + \sum_{l=0}^{q_3} \varphi_{2l} \Delta OPN_{t-l} + \sum_{m=0}^{q_4} \varphi_{3m} \Delta WQ_{t-m} + \sum_{v=0}^{q_5} e_v \Delta USCPI_{t-1} + \theta_0 COMPVOL_{t-1} + \theta_1 Q_{t-1} + \theta_2 E_{t-1} + \theta_3 INV_{t-1} + \theta_4 EXR_{t-1} + v_t \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (3)$$

where q_1..... q_5 represent appropriate maximum lags.

The next analysis has to do with the effects of import commodity price volatility. Literature has confirmed some variables that are major determinants of commodity price volatility, they comprise both external and internal factors. It should be noted that the import commodity price volatility that is used in the following analysis is generated through the EGARCH (I,1) process as explained earlier.

Discussion Of Result

Unit Root Test

Variables used in the model are first assessed for unit root test so that their order of integration can be ascertained. This is a precondition for conducting co-integration test. The results of unit root test are presented in table 1

Table 1: *Unit Root Test for Effects of Commodity Price Volatility*

Variables	Test Statistics	Order of integration
D(COMPVOL)	-7.584321	I(1)
D(ELECR)	-5.214284	I(1)
D(EXR)	-8.670973	I(1)
GCFGR	-3.538127	I(0)
D(GDPGR)	-5.372797	I(1)
D(OPNX)	-14.97344	I(1)
D(USCPI)	-3.908369	I(1)
D(WGDPGR)	-2.693014	I(1)

The results of the unit root test show that all the variables are integration

of order one, that is I(1), except the Gross Capital Formation Growth Rate. The implication is that seven out of the eight variables in the model are non-stationary and thus a linear combination of them can be stationary. This is the essence of cointegration. However, the choice of the cointegration technique depends on the order of integration of the variables. Since not all the variables are I(1) then, Johansen cointegration technique cannot be applied hence Autoregressive Distributed Lags (ARDL) bound test is used.

The process of ARDL approach to cointegration analysis begins with the lag length selection. Customarily, the Akaike Information Criterion (AIC) and Schwartz Information Criterion (SIC) are used to determine the optimum lag length to be applied.

Table 2: *ARDL Estimated Regression Model for the effects of Commodity Price Volatility*

Variables	**Coefficient**	**Standard Error**
COMPCOL(-1)	0.341774	0.078215
COMPVOL(-2)	0.161332	0.081765
COMPVOL(-3)	-0.141404	0.083173
COMPVOL(-4)	-0.117662	0.082820
GDPGR	-0.243263	0.443331
GCFGR	0.063245	0.024541
EXR	0.042077**	0.026570
ELECR	0.035219	0.059274
OPNX	-1.476005**	5.414295
OPNX(-1)	-6.234737	8.172060
OPNX(-2)	-1.794227	7.881720
OPNX(-3)	11.78163	5.037492
USCPI	3.063807	1.612763
USCPI(-1)	-0.156204	2.352908
USCPI(-2)	-3.184247	1.561976
WGDPGR	7.430191	3.344641
WGDPGR(-1)	0.333132	5.285303
WGDPGR(-2)	-6.337994	3.410149

R square = 0.99, F stat = 338.18, Prob (F stat) = 0.000, D.W = 2.008359

(**) Statistical significance at 5%

Table 3: *ARDL Bound Test*

Null Hypothesis: No long-run relationships exist				
Test Statistic	Value	K		
F-statistic	5.877528	7		

Table 4: Critical Value Bounds				
Significance	10 Bound	11 Bound		
10%	1.92	2.89		
5%	2.17	3.21		
2.5%	2.43	3.51		
1%	2.73	3.9		

Table 3 is the ARDL bound test results. Firstly, the result shows that there is a long run relationship between import commodity price volatility and the identified determinants. This is shown through the bound test in Table 3, the F statistics is 5.877528. This value is greater than the critical values at both the lower and upper bounds. Thus, indicating the existence of long run relationship among the variables. In other words, the result of the bound test has shown that all the determinants have permanent effect on import commodity price volatility in Nigeria.

After the confirmation of the co-integration or co-movement, the next is the cointegration regression which will show the long run form of the model.

Table 5: *The Cointegration Regression*

Variables	**Coefficient**	**Standard Error**	**Probability**
SRD[COMPVOL(-1)]	0.093216	0.096886	0.3375
D[COMPVOL(-2)]	0.0255957	0.091737	0.0059
D[COMPVOL(-3)]	0.116186	0.0788869	0.1427
D(GDPGR)	0.669713	2.116639	0.7521
D(GCFGR)	-0.033860	0.143687	0.8140
D(EXR)	0.118372**	0.172270	0.4930
D(ELECR)	-0.117377	0.235009	0.6182
D(OPNX)	0.202715**	6.661952	0.9758
D(OPNX(-1)	-10.130973	5.098469	0.0487
D(OPNX(-2)	-12.040284	4.730438	0.0119
D(USCPI)	3.028792**	1.589399	0.0585
D(USCPI(-1)	3.080446	1.371760	0.0261
D(WGDPGR)	6.122525**	4.465159	0.1723
D(WGDPGR(-1)	6.177420	3.109146	0.0487

(**) Statistical significance at 5%

Considering the individual variable long run relationship and impact on import commodity price volatility, the result is an indication that one out of the internal factors has significant long run relationship with import commodity price volatility while four fail to have significant long run impact. The only one

variable that has significant influence on import commodity price shock in the long run is Trade Openness (OPN_t). While GDP Growth Rate ($GDPGR_t$), Investment measured by Gross Capital Formation (INV_t), Exchange Rate (EXR_t) and Electricity Generation ($ELECR_t$) are the four variables that do not have significant impact on import commodity price volatility.

The implication of this result is that, the level of trade openness in the economy is very important to determine the degree or severity of import commodity price volatility in Nigeria.

Trade openness that exhibits a significant long run relationship with import commodity price shock has positive coefficient, that is, 0.202715. Therefore, the more an economy is opened, the more susceptible the import commodity prices will be to volatility. In other words, the results indicate that increase in trade openness aggravates import commodity price volatility.

Out of the two external factors used in the model, only the US CPI is significant at 5%. This means that it shows long run relationship with import commodity price volatility while the world GDP (WQt) is insignificant therefore it has no effect on the import commodity price volatility. This further confirms that the vulnerability of import commodity price in Nigeria does not depend on all the external cyclical changes.

Under the short run aspect of the cointegration regression, the result indicates that only trade openness and exchange rate have short run significant impact on import commodity price volatility. This shows that the effect of only trade openness is sustained from the short run through the long run.

Diagnostic Tests

Before the result can be accepted to be reliable, some diagnostic tests are conducted. These include the normality test, serial correlation and test for heteroskedasticity.

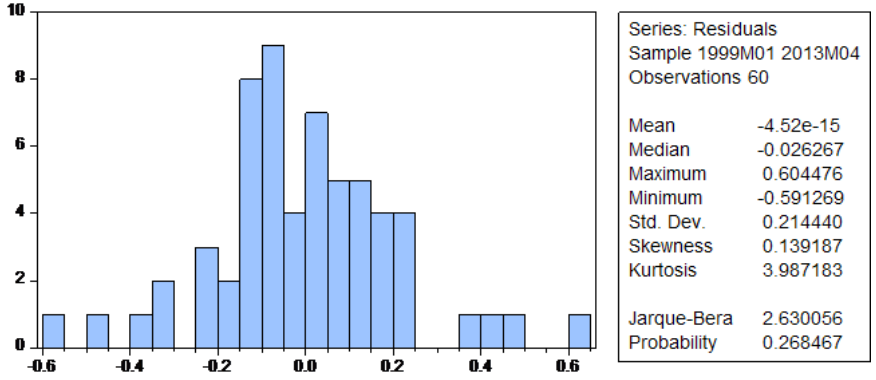

Figure 1: *ARDL Normality Test*

The Jarque-Bera value is 2.630056 with the probability of 0.268467. The implication of this is that the data is normally distributed and this is a good result that shows that the skewness and kurtosis values are in order.

Table 6: *ARDL Heteroskedasticity Test*

Heteroskedasticity Test: Breusch-Pagan-Godfrey			
F-statistic	0.500027	Prob. F(24,6)	0.8946
Obs*R-squared	20.66703	Prob. Chi-Square(24)	0.6583
Scaled explained SS	2.134677	Prob. Chi-Square(24)	1.0000

The results of the heteroskedasticity test are presented in table 6. The null hypothesis is that there is no heteroskedasticity. Using the F statistics, it is discovered that the probability of F shows that the null hypothesis is to be accepted. Therefore, we conclude that our model is not having the problem of heteroskedasticity which may affect the validity of our results.

Table 7: *ARDL Serial Correlation LM Test*

Breusch-Godfrey Serial Correlation LM Test:			
F-statistic	0.551953	Prob. F(2,154)	0.5770
Obs*R-squared	1.245511	Prob. Chi-Square(2)	0.5365

The null hypothesis here is that there is no serial correlation. Considering the F statistics and the probability, it is obvious that the null hypothesis is to be accepted while we reject the alternative hypothesis that there is serial correlation. Consequently, the estimates from our model are valid and can be used for forecasting.

Conclusion and Recommendations

Conclusion

Considering the results on the topic to assess the effects of import commodity price volatilities in Nigeria, the ARDL approach to cointegration is employed because the unit root test result shows that not all the variables are integration of order one i.e. I(1). Particularly, Gross Capital Formation which is used as part of the determinant and a proxy for investment is integrated of order zero that is I(0). The ARDL cointegration result shows that all the variables used as the determinants exhibit long run relationship with commodity price volatility. Precisely, the long run impact of trade openness is significant both in the long run and in the short run model. This shows significant impact on import commodity price volatility. However, out of the two external factors used in the model namely; US CPI and world GDP only US CPI shows sustained significant impact on import commodity price volatility through the short run

to the long run period thus affirming the vulnerability of import commodity price volatility in Nigeria to external influence.

Import commodity price dynamics has influence on macroeconomic activities in Nigeria. This conclusion further joins previous empirical conclusions about the injury excessive importation does to the Nigerian economy. The rising import bills of Nigeria are an attestation to what the dynamics in import commodity prices portend for the Nigerian economic growth.

Recommendations

Nigeria has been identified as an importing country by many previous empirical findings. This assertion has been corroborated with the findings from this study. Nigeria imports virtually everything that is used domestically including crude oil products that the country is naturally endowed with. Food imports hit unprecedented summit in the recent times despite large and abundant arable lands naturally gifted to the country. The soaring import bills have been shown to be inimical to the growth of the Nigerian economy. Consequently, the effect of import commodity price volatility will be greatly reduced if Nigeria can curtail the current excessive importation of consumable goods.

The government of Nigeria should encourage the indigenous producers in order to reduce the importation of produced goods from foreign countries. This will boost Nigerian economy and provide employment for the teeming youth population in the country.

The government should stop importation of some commodities especially the consumable items so that import commodity price volatility will be drastically reduced in Nigeria.

Export oriented industries should be encouraged by the government of Nigeria so as to reduce the importation of goods from foreign countries to the barest minimum. Moreover, the government should educate the citizens of Nigeria to be contented with made-in-Nigeria goods rather than imported goods.

The government should guide Nigerian boarders jealously to stop the importation of certain items that are smuggled into the country. The import duties in form of taxation should be increased to discourage the importation of certain items that are manufactured in Nigeria so that the consumption of such goods will be discouraged and Nigeria will not suffer from competition with foreign firms.

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