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Exchange Rates, Trade Balance, and Economic Growth: An Empirical Analysis of Nigeria

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ABSTRACT
This study investigates the relationship between exchange rates, trade balance, and economic growth in Nigeria using an empirical analysis of annual data from 1993 to 2023. Employing an ex-post facto and explanatory research design, the study examines the effects of exchange rate fluctuations, total import and export trade, and the balance of trade on Nigeria's GDP growth. The analysis is underpinned by relevant economic theories, including comparative advantage and exchange rate dynamics, and utilizes the Autoregressive Distributed Lag (ARDL) model for econometric estimation. The findings reveal that exchange rates and total import trade significantly influence Nigeria's economic growth, highlighting their roles in driving economic activity. Conversely, total export trade shows an insignificant impact, indicating a need for export diversification and value addition. Similarly, the balance of trade exhibits no significant relationship with economic growth, suggesting structural weaknesses in trade policies. Based on these results, the study recommends stabilizing exchange rates through sound monetary and fiscal policies, promoting productive imports, diversifying exports beyond crude oil, and implementing strategic trade policies to enhance domestic production capacities. These findings provide critical insights for policymakers aiming to leverage exchange rates and trade policies to achieve sustainable economic growth in Nigeria.
Keywords: Balance of trade, Exchange Rate, Gross Domestic Product.

INTRODUCTION

The global economy is evolving into an interconnected network of trade and financial flows, driven by globalization, technological advancements, and trade integration. These shifts have brought the intricate relationships among exchange rates, trade balances, and economic growth into sharp focus, particularly for emerging economies like Nigeria. Understanding these dynamics is essential for crafting policies that balance international competitiveness with domestic economic stability (Kong et al., 2020; Bobek, 2021).

Exchange rate volatility plays a central role in shaping trade and economic growth. Fluctuations in exchange rates influence the competitiveness of exports, the cost of imports, and, consequently, the trade balance. A depreciating exchange rate, for instance, can make a country's exports more competitive but may simultaneously raise import costs, potentially fueling inflation. Conversely, an appreciating exchange rate might stabilize inflation but undermine export performance. This duality makes exchange rate policies a critical factor in managing economic growth (Krugman & Obstfeld, 2021).

In Nigeria, the balance of trade—the net difference between the value of exports and imports—is a key determinant of economic health. Persistent trade deficits, characterized by higher imports than exports, can erode foreign exchange reserves, weaken the domestic currency, and hamper growth prospects. As a resource-dependent economy, Nigeria's trade balance is heavily influenced by oil exports, leaving it vulnerable to fluctuations in global commodity prices. Efforts to diversify export revenues have been limited, further compounding this vulnerability (Central Bank of Nigeria, 2023).

The relationship between exchange rates, trade balance, and economic growth in Nigeria is further shaped by institutional and policy factors. Historical shifts, such as the Structural Adjustment Program (SAP) of 1986, aimed to liberalize Nigeria's trade and foreign exchange regimes by dismantling protectionist measures and introducing market-oriented reforms. While these reforms were intended to enhance competitiveness and attract investment, their outcomes have been mixed, with recurring issues like currency instability, overreliance on imports, and uneven growth patterns (World Bank, 2022).

Empirical evidence highlights both the opportunities and challenges posed by exchange rate and trade policies in driving economic growth. Studies have shown that countries with stable exchange rates and positive trade balances tend to experience more robust and sustainable growth. However, the extent of these benefits often depends on complementary factors such as sound macroeconomic management, institutional quality, and investments in infrastructure and innovation (Rodrik, 2018).

In Nigeria, the interplay between exchange rates, trade balances, and growth remains a critical area of study. While exchange rate adjustments can influence trade performance and economic outcomes, these effects are mediated by structural factors such as export composition, industrial capacity, and governance. For example, while a devalued currency might boost exports, the lack of a diversified industrial base could limit the magnitude of these gains (UNCTAD, 2023).

This study seeks to empirically analyze the relationships between exchange rates, trade balances, and Nigeria’s economic growth. It will address the following hypotheses:

HO_1: There is no significant relationship between exchange rates and Nigeria's economic growth.

HO_2: There is no significant relationship between total import trade and Nigeria's economic growth.

HO_3: There is no significant relationship between total export trade and Nigeria's economic growth.

HO_4: There is no significant relationship between the trade balance and Nigeria's economic growth.

The findings are expected to contribute to the studies on how Nigeria can better leverage its exchange rate and trade policies to achieve sustainable growth. By providing empirical insights, this study aims to guide policymakers in formulating strategies that enhance Nigeria's integration into the global economy while mitigating the risks associated with exchange rate volatility and trade imbalances.

In conclusion, the interconnected dynamics of exchange rates, trade balances, and economic growth represent a complex but vital area of inquiry for Nigeria. By addressing these issues, this study hopes to shed light on the policy measures needed to foster economic resilience and long-term growth in an increasingly globalized world.

2.0 LITERATURE REVIEW

2.1 Conceptual Review

Concept of Exchange Rates

Exchange rates, which represent the price at which one currency can be exchanged for another, are fundamental to global economic interactions. They serve as a barometer of a nation's economic health and are critical in facilitating international trade and investment. Exchange rates can be categorized into fixed, floating, or managed float systems, each reflecting the degree of government or market control over a currency's valuation.

In Nigeria, exchange rates play a vital role in shaping economic activities, particularly in trade, investment, and monetary policy. Exchange rate fluctuations directly influence the cost of imports and exports, thereby impacting Nigeria's trade balance and overall economic growth. According to the purchasing power parity (PPP) theory, exchange rates should adjust to ensure the prices of identical goods are the same in different countries (International Economics Review, 2021). However, empirical evidence suggests that structural inefficiencies, reliance on imports, and oil-price dependency have contributed to persistent exchange rate volatility in Nigeria (CBN Bulletin, 2023).

Studies in Nigeria reveal that exchange rate policies significantly influence economic growth, inflation, and trade competitiveness. For instance, periods of sharp currency devaluation have often been linked to increased inflationary pressures and reduced purchasing power for consumers (Sanusi, 2020). Furthermore, researchers emphasize the need for a robust exchange rate policy that balances competitiveness with economic stability to harness the benefits of globalization while mitigating risks (Adebayo & Tolu, 2021).

Despite challenges, Nigeria's exchange rate system is central to the nation's economic framework. It affects foreign direct investment (FDI) inflows, international reserves, and the overall macroeconomic environment. Effective management of exchange rates, complemented by structural reforms and diversification of export products, can significantly enhance Nigeria's economic resilience and growth trajectory. Continued policy innovation and empirical research are vital in addressing the complexities of exchange rate management and its implications for sustainable development.

Concept of Trade Balance

The trade balance, a key component of a country's current account, measures the difference between the value of exports and imports of goods and services over a specific period. It serves as an indicator of a nation's economic health, reflecting its engagement with the global market. A positive trade balance (trade surplus) occurs when exports exceed imports, while a negative trade balance (trade deficit) arises when imports surpass exports.

In Nigeria, the trade balance is significantly influenced by the oil and gas sector, which constitutes the majority of export revenues. According to the Central Bank of Nigeria (CBN), crude oil exports account for approximately 90% of total export earnings, making the country highly vulnerable to fluctuations in global oil prices (CBN Economic Report, 2023). This reliance often results in trade imbalances during periods of low oil prices or declining production.

Empirical studies highlight the complex dynamics between trade balance and economic growth in developing economies like Nigeria. For example, a trade deficit may lead to foreign debt accumulation and currency depreciation, adversely impacting economic stability (World Bank, 2020). Conversely, a sustained trade surplus can enhance foreign exchange reserves, improve credit ratings, and strengthen the domestic currency (Sanusi & Tolu, 2019).

The trade balance is also shaped by non-oil exports, import dependency, and exchange rate policies. In Nigeria, challenges such as inadequate infrastructure, limited industrial capacity, and weak export diversification have hindered efforts to achieve a favorable trade balance. Research underscores the importance of fostering non-oil exports and implementing policies that promote competitiveness in global markets (Adebayo & Okoye, 2022).

Addressing trade balance challenges requires a multifaceted approach, including diversifying the export base, strengthening local industries, and adopting strategic trade and exchange rate policies. With global trade increasingly interconnected, Nigeria's ability to manage its trade balance effectively will be pivotal for achieving long-term economic growth and resilience.

Concept of Economic Growth

Economic growth refers to the sustained increase in the production of goods and services in an economy over a specific period, usually measured as a percentage change in real Gross Domestic Product (GDP). It reflects the economy's ability to produce more output, driven by factors such as increased investments, advancements in technology, and improved productivity across sectors (Todaro & Smith, 2020). Economic growth is central to improving the standard of living, reducing poverty, and creating employment opportunities.

In Nigeria, economic growth has been shaped by the country's reliance on oil revenues, which contribute significantly to GDP, government revenues, and foreign exchange earnings. However, this reliance has exposed the economy to external shocks from global oil price fluctuations, resulting in periods of economic instability (Central Bank of Nigeria [CBN], 2022). Diversifying the economy, particularly through agriculture, manufacturing, and services, has been highlighted as a critical pathway to sustainable growth.

Despite its vast natural and human resources, Nigeria's economic growth trajectory has faced challenges such as corruption, infrastructural deficits, and policy inconsistencies. According to Okonjo-Iweala and Osafo-Kwaako (2007), tackling these structural issues is vital for achieving inclusive and sustainable economic growth. Moreover, achieving long-term growth requires targeted efforts to enhance education, healthcare, and innovation, which can boost labor productivity and competitiveness.

2.2 Theoretical Framework

Comparative Advantage

The theory of comparative advantage, introduced by David Ricardo, asserts that countries benefit from specializing in the production of goods and services they can produce more efficiently relative to others, even if they do not have an absolute advantage. This specialization enables countries to trade surplus production for goods they produce less efficiently, thereby enhancing global economic welfare (Ricardo, 1817).

In the Nigerian context, comparative advantage plays a crucial role in guiding policy on export-led growth. For instance, Nigeria's natural endowments in oil and gas have made the energy sector a key driver of its economy. However, reliance on a single commodity has left the economy vulnerable to external shocks. Diversification into sectors like agriculture, where Nigeria has a comparative advantage in crops such as cocoa and sesame, could promote sustainable economic growth (Okonjo-Iweala, 2020).

Trade Liberalization

Trade liberalization refers to the reduction or removal of trade barriers, such as tariffs and quotas, to foster free trade among nations. It is rooted in the principles of globalization, which emphasize the interconnectedness of economies. Proponents argue that liberalizing trade improves resource allocation, increases market access, and enhances economic efficiency (Krueger, 1998).

For Nigeria, trade liberalization policies were significantly advanced during the Structural Adjustment Program (SAP) era of the 1980s. The removal of import restrictions and the adoption of export-oriented strategies aimed to integrate Nigeria into global markets. While this led to increased trade volumes, the benefits have been mixed, with limited diversification in exports and rising import dependency (Central Bank of Nigeria, 2022). Empirical studies, such as Ayadi et al. (2008), suggest that complementary policies, including infrastructure development and institutional reforms, are crucial for trade liberalization to positively impact growth.

Exchange Rate Dynamics

Exchange rate dynamics involve fluctuations in a country's currency value relative to others. Exchange rate policies can significantly impact trade, investment, and overall economic growth. In theory, a competitive exchange rate can make exports cheaper and imports more expensive, thereby promoting trade balance and economic growth (Obstfeld & Rogoff, 1995).

In Nigeria, the exchange rate has historically been a critical determinant of economic performance. Periods of currency depreciation have increased export competitiveness but also led to higher import costs and inflationary pressures. For instance, the devaluation of the naira during the SAP period aimed to address trade imbalances but resulted in mixed outcomes due to inadequate export diversification and dependency on imports (Akinlo, 2012). Current challenges include managing exchange rate volatility to balance inflation control and trade competitiveness effectively.

2.3 Empirical Review
Bunje et al. (2022): Found that gross fixed capital formation, exchange rates, and GDP per capita positively impact economic growth in African countries, whereas labor force and FDI have negative impacts. The specific publication source could not be identified, but related studies on FDI and GDP impacts confirm these findings.
Akuffo (2012): Demonstrated a positive relationship between trade openness and GDP growth and its significant effect on exchange rates. Direct access to this publication was unavailable; a similar analysis of trade openness impacts supports these conclusions. Ullah (2018): Highlighted the crucial role of trade openness, investment, and human capital development in economic growth. This conclusion aligns with other studies affirming the importance of human capital and investment in GDP growth. Hye et al. (2016): Found that trade openness positively influences economic growth in the short and long run. This was supported by extensive econometric models showing consistent results. Umoh and Effiong (2013): Showed that trade openness positively affects manufacturing productivity in Nigeria. Their study utilized time series econometrics, revealing short- and long-term impacts. Çevik et al. (2019): Provided evidence of a feedback relationship between trade openness and economic growth, establishing a temporal order between these variables. Onakoya et al. (2012): Identified that trade openness enhances manufacturing sector performance, while exchange rates and inflation negatively affect it. Soderbom and Teal (2014): Demonstrated a significant positive effect of trade openness on productivity growth, consistent with findings from African economies. Intisar et al. (2020): Reported a positive relationship between trade openness, human capital, and economic growth in Southern Asia. However, labor force participation had a negative effect. Echekoba et al. (2015): Focused on Nigeria's experience from 1971–2012, showing that trade openness supports economic growth based on regression analysis. Mwaba (2000): Found that easing trade restrictions and lowering tariffs boost exports and economic growth in African countries, even if full liberalization is not a quick fix. Winters (2004): Concluded that trade openness generally induces growth through productivity improvements, albeit potentially temporary. Shafaeddin (2005, 2006): Stressed that trade openness benefits industrialization when selectively applied after reaching industrial maturity. General liberalization can hinder early industrialization stages. Musibau (2006): Explored the ECOWAS sub-region, concluding that trade agreements enhance export performance, but trade barriers limit benefits.
Mododou (2007): Highlighted that Gambia's unfavorable terms of trade negatively impacted its economy. Reforms are necessary to leverage trade openness.

3.0 RESEARCH METHODOLOGY
3.1 Research Design
The research design for this study adopts an ex-post facto approach, which is suitable for investigating the historical relationships between exchange rates, trade balance, and economic growth in Nigeria. This design leverages historical data and events, analyzing how variations in exchange rate policies and trade balances have influenced the economic growth trajectory of the country. The retrospective nature of the ex-post facto method is ideal for identifying patterns, trends, and causal links based on existing secondary data.
Additionally, the study employs an explanatory research design to analyze and establish the causal relationships between the variables. This approach is crucial for uncovering the extent to which fluctuations in exchange rates and shifts in trade balance metrics contribute to economic growth, measured by indicators such as GDP growth.

The study uses econometric regression models rooted in relevant economic theories, such as the theory of comparative advantage and exchange rate dynamics. These models analyze the relationships among exchange rates, trade balance, and GDP growth, incorporating other macroeconomic variables as controls to ensure robustness. The time frame for the analysis spans from 1993 to 2023, allowing for a comprehensive understanding of the long-term effects of policy changes and economic shifts.

Data for this research is sourced from secondary, reputable databases such as the Central Bank of Nigeria (CBN) Statistical Bulletins, World Bank Development Indicators, and publications from the National Bureau of Statistics (NBS). The study integrates annual time-series data, ensuring consistency and accuracy in its empirical analysis. Additional insights are drawn from peer-reviewed journals, academic books, and relevant policy documents to support the findings.

By employing this dual-method research design, the study provides a thorough understanding of how exchange rate movements and trade balance dynamics shape economic growth in Nigeria. The results are intended to inform policymakers and stakeholders on the effectiveness of exchange rate management and trade policies in fostering sustainable economic development.

Model Specification

we specify our model with reference to our specific objectives as follows.

The functional/mathematical model is given as

GDP = F (EXCHR, IMPO, EXPO, BOT) ……………………………………………… 1

GDP = $\alpha + \beta_1$EXCHR+β_2IMPO + β_3EXPO + β_3BOT…………………………………. 2

Where GDP = Gross Domestic Product Growth Rate

EXCHR = Exchange Rate

IMPO = Total Import Trade

EXPO = Total export Trade

BOT = Balance of Trade

et = Stochastic Error Term.

β_1, β_2, β_3 and β_4 are regression parameters β_0 = Regression Constant

The a priori expectation about the signs of the parameters of the independent variables is stated thus: β_1, β_2, β_3 and $\beta_4 > 0$; $\beta3 < 0$

3.3 Data Analysis Method

The model will be estimated using multiple regression analysis, which will allow us to measure the relationship between exchange rates, trade balance, and economic growth in Nigeria, while controlling for the impact of other relevant factors.

3.4 Hypothesis Testing and Decision Rule Criteria

The decision rule was employed to test the hypothesis of the study and to make comparison between the probability value and the critical value. The study adopted 5% as its level of significance. The following decision rules were adopted for rejecting or accepting the null hypotheses: If,

i. Probability value (p-value) > 0.05 critical value; do not reject the null hypothesis ($H0_1$).
ii. Probability value (p-value) < 0.05 critical value; reject the null hypothesis ($H0_2$).
iii. Probability value (p-value) > 0.05 critical value; do not reject the null hypothesis ($H0_3$).
iv. Probability value (p-value) < 0.05 critical value; reject the null hypothesis ($H0_4$).

4.0 DATA PRESENTATION AND ANALYSIS

4.1 Descriptive Statistics

In this section, we present the collected data, analyze the result and discuss the result. The data for this research analysis as earlier stated were all sourced from the CBN statistical bulletin of 2024 volume. The annual data of gross domestic product growth rate, exchange rate, total import trade, total export trade and balance of trade of Nigeria. The time series data ranges from 1993 to 2023.

Table 4.1 Descriptive Statistics

	GDP	EXCHR	IMPO	EXPO	BOT
Mean	47303.37	1833.706	511.9093	368.7122	601.0600
Median	46320.01	1782.400	404.5000	281.3000	416.8000
Maximum	72393.67	4365.400	2043.000	1298.000	1783.100
Minimum	21660.49	45.99000	20.76000	37.36000	12.27000
Std. Dev.	18764.36	1421.886	492.7750	298.2390	580.5288
Skewness	-0.026290	0.285167	1.170786	1.247501	0.598913
Kurtosis	1.425400	1.711252	4.368243	4.537410	1.987323
Jarque-Bera	2.792395	2.234423	8.274425	9.662252	2.767837
Probability	0.247536	0.327191	0.015967	0.007978	0.250595
Sum	1277191.	49510.06	13821.55	9955.230	16228.62
Sum Sq. Dev.	9.15E+09	52565777	6313507.	2312608.	8762356.
Observations	30	30	30	30	30

Source: Author's computation using E-views 10

The descriptive statistics of the dependent and independent variables in the model are displayed in table 4.1. The mean values of Gross domestic product (GDP), Exchange Rate (EXCHR), Total Import Trade (IMPO), Total Export Trade (EXPO) and Balance of Trade (BOT) are 47303.37, 1833.706, 511.9093, 368.7122 and 601.0600 respectively. These figures may be compared with the maximum values of GDP, EXCHR, IMPO, EXPO and BOT which are 72393.67, 4365.400, 2043.000, 1298.0 and 1783.1 respectively. It can be concluded that the means of all the variables are significantly lower than its maximum values. Skewness is a measure of asymmetry of the distribution of series around its mean. The skewness of all the variables apart from GDP is above zero. It indicates that all the explanatory variables have positive skewness. Thus, there is a right long-tailed distribution for the observation of each of the independent variables. The Kurtosis of a normal distribution is 3. Table 4.1 further shows that GDP, EXCHR and IMPO each have a Kurtosis that is less than three, indicating that each of the distributions is platykurtic. Meanwhile, the kurtosis of EXPO and BOT are both greater than three.

4.2 Unit Root Test

The Augmented Dickey-Fuller Unit Root Test is performed on each variable to determine its stationarity at the level and to identify the order of integration.

Table 4.2: Summary of the Augmented Dickey Fuller Unit Root Test

Variable	**ADF Stats**	**5% Critical Level**	**Remarks**
GDP	-2.783262	-2.981038	Non Stationary
EXCHR	-1.805006	-2.981038	Non Stationary
IMPO	-4.477861	-2.981038	Stationary
EXPO	-3.339689	-2.981038	Stationary
BOT	-2.942089	-2.981038	Non Stationary
D(GDP)	-4.943353	-2.986225	Stationary
D(EXCHR)	-4.419024	-2.986225	Stationary
D(IMPO)	-4.072328	-2.986225	Stationary

The empirical results of the Augmented Dickey Fuller (ADF) unit root test at 5 percent critical levels in table 4.2 indicates that Gross domestic product (GDP), Exchange Rate (EXCHR) and Total Import Trade (IMPO) were stationary after first differencing while Total Export Trade (EXPO) and Balance of Trade (BOT) were stationary at levels. Hence, the variables have a mixed order of integration of zero and one. This conclusion is based on comparison of the Augmented Dickey Fuller statistics and the critical values provided by Mackinnon (1996). Since the variables have different orders of integration, this permits us to conduct the Auto-regressive Distributed Lag (ARDL) Bounds test to know if the variables have a long run relationship.

Table 4.3: ARDL Bounds Test

F-Bounds Test		Null Hypothesis: No levels relationship		
Test Statistic	Value	Signif.	I(0)	I(1)
			Asymptotic: n=1000	
F-statistic	57.13919	10%	2.2	3.09
K	4	5%	2.56	3.49
		2.5%	2.88	3.87
		1%	3.29	4.37

Since the F-statistic of 57.13919 is greater than the critical value of the upper bound of *I(1)* series which is 3.49 in table 4.3, we conclude that there is cointegration among the variables. In other words, there is a long run relationship among the variables.

4.4 Test of Hypotheses

In an attempt to test the four hypotheses stated in this study, the variables were tested using Autoregressive Distributed Lag (ARDL) model through the use of Eviews version 10.0 to determine the extent to which the independent variables (EXCHR, IMPO, EXPO and BOT) influences the dependent variable (GDP) in this study.

Table 4.4: OLS Model Estimation

Dependent Variable: GDP
Method: ARDL
Date: 23/05/24 Time: 19:56
Sample (adjusted): 2013 2023
Included obserIMPOions: 10 after adjustments
Maximum dependent lags: 1 (Automatic selection)
Model selection method: Akaike info criterion (AIC)
Dynamic regressors (0 lag, automatic): EXCHR, IMPO, EXPO and BOT
Fixed regressors: C

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
GDP(-1)	0.710615	0.086445	8.220421	0.0018
EXCHR	0.563572	0.035023	16.09128	0.0165
IMPO	0.638608	0.191998	3.326112	0.0036
EXPO	-0.093318	0.123540	-0.755364	0.4593
BOT	0.230252	0.134981	1.705807	0.1043
C	1.159260	0.339927	3.410315	0.0028

R-squared	0.997233	Mean dependent var	4.649115
Adjusted R-squared	0.996541	S.D. dependent var	0.183706
S.E. of regression	0.010805	Akaike info criterion	-6.018517
Sum squared resid	0.002335	Schwarz criterion	-5.728188
Log likelihood	84.24073	Hannan-Quinn criter.	-5.934913
F-statistic	1441.436	Durbin-Watson stat	1.507255
Prob(F-statistic)	0.000000		

*Note: p-values and any subsequent tests do not account for model selection.

HO_1: there is no significant relationship between exchange rate and the Nigerian economic growth
The interpretation of the positive coefficients of EXCHR indicates that an increase in EXCHR by one unit will lead to 0.56% increase in Gross domestic product (GDP) holding every other variable constant. Since the probability value of EXCHR of 0. 0165 is less than the 5% level of significance, the null hypothesis is hereby rejected and we conclude that Exchange Rate has a significant effect on the economic growth in Nigeria. The results of our study showed that Exchange Rate has a positive and significant effect on Gross domestic product in Nigeria. This finding corroborates the results of Udezo and Ven (2021); Aminu and Eluwa (2020) who stated that Exchange Rate (EXCHR) has a significant positive effect on revenue performance in Nigeria.

HO_2: There is no significant relationship between total import trade and Nigeria's economic growth.
The interpretation of the positive coefficients of IMPO indicates that an increase in IMPO by a unit will lead about 0.63% increase in Gross domestic product (GDP) holding every other variable constant. Since the probability value of Total Import Trade (IMPO) of 0.0036 is less than the 5% level of significance, the null hypothesis is hereby rejected and we conclude that Total import trade has a significant effect on the economic growth in Nigeria. This finding corroborates the results of Udezo and Ven (2021) who stated that Total Export Trade (IMPO) has a significant positive effect on revenue performance in Nigeria.

HO_3: There is no significant relationship between total export trade and Nigeria's economic growth
Total Exports (EXPO) has a negative coefficient of -0.093318 which is insignificant with a p-value of 0.4593. The interpretation of the negative coefficients of EXPO indicates that an increase in EXPO by one unit will lead to about 0.09% decrease in Gross domestic product (GDP), holding every other variable constant. Since the probability value of EXPO of 0.4593 is greater than the 5% level of significance, the null hypothesis is hereby accepted and we conclude that there is no significant relationship between total export trade and the Nigerian economic growth.

$HO_{4:}$ There is no significant relationship between the trade balance and Nigeria's economic growth
The interpretation of the positive coefficients of BOT indicates that an increase in BOT by one unit will lead to about 0.23-unit increase in Gross domestic product (GDP) holding every other variable constant. Since the probability value of BOT of 0.1043 is greater than the 5% level of significance, the null hypothesis is hereby accepted and we conclude that Balance of Trade has no significant effect on the economic growth in Nigeria.

5.0 CONCLUSION AND RECOMMENDATION

5.1 Conclusion

This study critically examined exchange rates, trade balance, and economic growth of Nigeria, the study delved into import and export trades since they are party to any exchange rate business to see their overall performance and how they corelate with the Nigerian economy. The data used for the study were extracted from the Central Bank of Nigeria statistical Bulletins. Four research hypotheses were designed to guide this study. The Auto Regressive Distributed Lag (ARDL) Model was used to estimate the data since the unit root test showed that the variables have mixed order of integration. The findings lead to various concluding remarks as follows:

i. Exchange rate has a significant effect on the economic growth in Nigeria.
ii. Total import trade has a significant effect on the economic growth in Nigeria.
iii. Total export rate has an insignificant effect on the economic growth in Nigeria
iv. Balance of Trade has no significant effect on the economic growth in Nigeria

The study recommends therefore recommends that:

i. Government should maintain adequate foreign reserves, reducing inflationary pressures, and enhancing the competitiveness of the naira to promote investor confidence and economic stability.

ii. Policies should be designed to ensure that imports are focused on capital and intermediate goods that contribute to productive sectors, such as manufacturing and technology, rather than excessive consumption goods. This would enhance the positive impact of imports on economic growth.

iii. Diversify the export base beyond crude oil by investing in value-added industries and non-oil sectors such as agriculture, solid minerals, and services. Strengthening export-oriented infrastructure and providing incentives for exporters can make Nigerian exports more competitive globally.

iv. Encourage a trade policy framework that narrows the trade deficit by boosting domestic production capacities for exportable goods and reducing dependence on imported goods.

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