

Impact of Export Instability of Economic growth in Tanzania

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This paper investigates the consequence of export earnings instability on growth in Tanzania. Applying time-series econometric technique on annual data for the period 1968-2008, a long-run relationship between export instability and growth is confirmed to be negative for aggregate exports. However, the relationship is stronger for traditional exports which dominate the export basket. This is consistent with the findings in most commodity-dependent developing countries that export instability is detrimental to economic growth. Reducing export instability is possible through diversification of the export basket and destination markets, with policy attention on resolving constraints to domestic production for exporting and export competitiveness and technological and skills upgrading.

Keywords: Tanzania, developing countries, export instability, economic growth, traditional exports, commodity price volatility, export diversification

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