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Export Diversification as A Driver of Economic Growth: A Time Series Analysis

R Nishimwe-Niyimbanira

PhD, University of Mpumalanga, School of Development Studies, South Africa

Abstract

It is frequently suggested that export diversification contributes to an acceleration of growth in developing countries. This study attempts to determine the hypothesis that export diversification is linked to economic growth by using annual secondary time series data from the years 1993 to 2022. The variables included in the study are GDP, export diversification, export growth rate, FDI, and the real interest rate. The study uses the Augmented Dickey-Fuller (ADF) and the Phillips-Perron (PP) tests to determine whether the time series variable is stationary at level or first difference. The Autoregressive Distributed Lag (ARDL) model and the Error Correction Model (ECM) model are used to investigate the long-run relationship and short-run impact of export diversification and economic growth. Other analyses used to achieve the objective of the study include diagnostic tests namely, multicollinearity, heteroskedasticity, autocorrelation, normality test, and stability testing. All tests in the study are performed using EViews 12. From the study, it was found that export diversification has a negative and significant relationship with economic growth. Hence, to achieve gains from the export sector, South African policymakers should take into consideration export concentration instead of diversifying its exports. A negative relationship was also obtained between the real interest rate and economic growth; however, a positive relationship was obtained between export growth rate, FDI, and economic growth.

Keywords: Autoregressive Distributed Lag (ARDL), Cointegration, Economic Growth, Error Correction Model (ECM), Export diversification, South Africa