Title of Article: An Analysis of the Effect of oil price shock and exchange rate instability on Economic Growth in Nigeria

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Abstract: This paper seeks to assess the impact of oil price shock and real exchange rate instability on real economic growth in Nigeria on the basis of quarterly data from 1986 to 2012. Time series data was used to examine the nature of causality among the variables. The Johansen VAR-based cointegration technique is applied to examine the sensitivity of real economic growth to changes in oil prices and real exchange rate volatility in the long-run while the short run dynamics was checked using a Vector Error Correction Model (VECM). Results from ADF and PP tests show evidence of unit root in the data and Granger pairwise causality test revealed unidirectional causality from oil prices to real Gross Domestic Product (GDP). The findings of the study shows that oil price shock and appreciation in the level of exchange rate exert positive impact on real economic growth in Nigeria. It recommends greater diversification of the economy through investment in key productive sectors of the economy to guard against the vicissitude of oil price shock and exchange rate volatility.