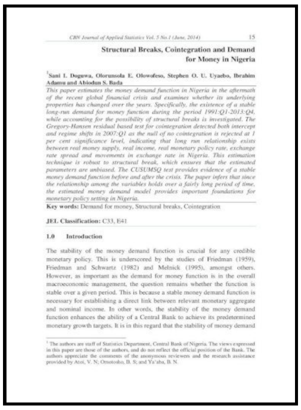
Demand for international reserves - an error correction model for Ghana.

- - Analysis of the determinants of foreign direct investment in Ghana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Structural Breaks, Cointegration and Demand for Money in Nigeria

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This paper estimates the money demand function in Nigeria in the aftermath of the recent global financial crisis and examines whether its underlying properties has changed over the years. Specifically, the existence of a stable long-run demand for money function during the period 1991:Q1-2013:Q4, while accounting for the possibility of structural breaks is investigated. The Gregory-Hansen residual based test for cointegration detected both intercept and regime shifts in 2007:Q1 as the null of no cointegration is rejected at 1 per cent significance level, indicating that long run relationship exists between real money supply, real income, real monetary policy rate, exchange rate spread and movements in exchange rate in Nigeria. This estimation technique is robust to structural break, which ensures that the estimated parameters are unbiased. The CUSUMSQ test provides evidence of a stable money demand function before and after the crisis. The paper infers that since the relationship among the variables holds over a fairly long period of time, the estimated money demand model provides important foundations for monetary policy setting in Nigeria.

Key words: Demand for money, Structural breaks, Cointegration

JEL Classification: C33, E41

1.0 Introduction

The stability of the money demand function is crucial for any credible monetary policy. This is underscored by the studies of Friedman (1959), Friedman and Schwartz (1982) and Melnick (1995), amongst others. However, as important as the demand for money function is in the overall macroeconomic management, the question remains whether the function is stable over a given period. This is because a stable money demand function is necessary for establishing a direct link between relevant monetary aggregate and nominal income. In other words, the stability of the money demand function enhances the ability of a Central Bank to achieve its predetermined monetary growth targets. It is in this regard that the stability of money demand

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برآورد تابعی تقاضای ذخایر ارزی برای کشورهای صادرکننده مواد خام

Second, most African countries realize that debt service is a burden in their attempt to mobilize capital for domestic development projects.

Macroeconomic Factors and Stock Market Movement: Evidence from Ghana

A FDI in Ghana refers to the monetary resources foreigners invest in companies or their subsidiaries listed on the Ghana Stock Exchange. For example, from 1980—1989 to 1990—1998, FDI to Sub-Saharan Africa SSA grew by 59 percent. Base on the above trend, it is obvious that there is regular fall in FDI inflow in Ghana from 2008 to 2013 except 2010 and 2011.

Macroeconomic Factors and Stock Market Movement: Evidence from Ghana

Throughout the medium-term and long-term horizon, the innovations to exchange rate LNEXR and TU serve as the important sources of variations to FDI. This is because exports are replaced by closer production in the host country market. This means that in Ghana, there is unidirectional causality between FDI inflows and interest rate.

Analysis of the determinants of foreign direct investment in Ghana

The empirical evidence revealed the following findings: both the long-run and short-run results found statistically significant positive effects of the log of GDP, log of electricity production and telephone on FDI in Ghana.

Macroeconomic Factors and Stock Market Movement: Evidence from Ghana

This means that holding all other factors constant in the long run, as time passes by, FDI will grow by about 0.

Macroeconomic Factors and Stock Market Movement: Evidence from Ghana

It is evident from that both the trace statistic and the maximum-eigenvalue statistic indicate the presence of cointegration among the variables. This is consistent with the long-run result.

Analysis of the determinants of foreign direct investment in Ghana

The Jarque—Bera statistic which indicates the null hypothesis that all the series are drawn from a normally distributed random process cannot be rejected for FDI and the associated explanatory variables. This confirms the existence of a stable long-run relationship among FDI and the explanatory variables.

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