

ABSTRACT

This paper examined exchange rate and industrial sector growth in Nigeria. The study utilized annual time series data sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin and National Bureau of Statistics (NBS) covering the period of 1980 to 2015 using the vector autoregressive (VAR) modeling. The vector error correction result showed that labour stock exerts a negative significant effect on industrial output while exchange rate volatility and capital formation do not show a significant effect on industrial output in Nigeria. This result indicated that despite the volatility in the naira exchange rate, it has not endangered the growth prospect in the industrial sector. The implication of this is that, the sluggish growth in industrial productivity in Nigeria is traceable to the poor quality of labour force in the country. It is therefore recommended that government should improve the quality of labour force through on- the –job training, study programme for adults, increase expenditure on health facilities and services that affect life expectancy, strength, stamina and vigour of labour force. Also, better organisation of work, creation of appropriate attitude, incentives and better management of labour force will go a long way to improve industrial sector output in Nigeria.

Key words: Exchange rate volatility, Labour, Capital, Industrial sector.