
TESTING THE EXPORT-LED GROWTH HYPOTHESIS IN NIGERIA: THE ROLES OF EXPORTS, IMPORTS, AND TRADE BALANCE IN ECONOMIC GROWTH IN THE CONTEXT OF AfCFTA AND THE 2026 FISCAL REFORMS

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Abstract

The study investigated the export-led growth hypothesis in Nigeria by examining the roles of exports, imports, and trade balance in economic growth within the context of the African Continental Free Trade Area (AfCFTA) and the 2026 fiscal reforms. Specifically, the study examined the long-run and short-run relationships among real gross domestic product, exports, imports, and trade balance over the period 1981–2026. The study adopted an ex post facto research design and utilized annual secondary time series data obtained from the Central Bank of Nigeria (CBN) Statistical Bulletin and the World Bank's World Development Indicators (WDI). The analytical framework was anchored on the Export-Led Growth Theory, Comparative Advantage Theory, and Endogenous Growth Theory. Data were analysed using trend analysis, descriptive statistics, the Augmented Dickey-Fuller and Ng-Perron unit root tests, the Johansen cointegration test, and the Vector Error Correction Model (VECM). Pairwise Granger causality, serial correlation, heteroskedasticity, normality, and stability tests were also conducted to validate the estimated model. The findings revealed that the variables were integrated of order one and possessed a long-run equilibrium relationship. The results further showed that exports and imports significantly Granger-caused economic growth, thereby providing empirical support for the export-led growth hypothesis, while trade balance did not exert a significant causal influence on economic growth. The study concluded that export expansion and productive imports are important drivers of sustainable economic growth in Nigeria, particularly within the opportunities created by AfCFTA and the 2026 fiscal reforms. Therefore, the study recommended that the government should promote non-oil exports, encourage productive imports, strengthen trade infrastructure, and implement supportive fiscal policies that enhance export competitiveness and long-run economic growth.

Keywords: AfCFTA, Economic Growth, Exports, Trade Balance.

1.1 Introduction

Economic growth remains one of the principal objectives of macroeconomic policy because it enhances productive capacity, raises national income, improves living standards, and creates opportunities for sustainable development. Among the numerous factors that influence economic growth, international trade occupies a central position due to its ability to expand markets, facilitate technology transfer, promote specialization, attract investment, and improve productivity. The export-led growth (ELG) hypothesis argues that expansion in exports serves as an engine of economic growth by stimulating domestic production, increasing foreign exchange earnings, encouraging economies of scale, and strengthening competitiveness within the global economy. While exports are widely regarded as a catalyst for growth, contemporary trade theory also recognizes that imports of capital goods, machinery, technology, and intermediate inputs contribute significantly to productive efficiency and industrial development. Consequently, the interaction among exports, imports, and the overall trade balance has become increasingly important in understanding the dynamics of economic growth, particularly in developing economies seeking structural transformation and sustainable development (World Bank, 2024; International Monetary Fund [IMF], 2024).

The increasing integration of national economies through globalization has reinforced the significance of international trade as a driver of economic performance. Advances in transportation, digital technologies, regional economic integration, and trade liberalization have enabled countries to participate more actively in global value chains and international production networks. According to the World Trade Organization (2024), global merchandise trade continues to play a vital role in supporting economic recovery despite persistent uncertainties arising from geopolitical tensions, supply chain disruptions, and changing trade policies. Similarly, the United Nations Conference on Trade and Development (UNCTAD, 2024) reports that international trade remains a major contributor to employment creation, technological diffusion, and productivity improvement across both developed and developing economies. The Organisation for Economic Co-operation and Development (OECD, 2023) further emphasizes that economies with diversified export structures and efficient import systems generally experience stronger long-term growth than economies characterized by limited export capacity and excessive dependence on a narrow range of primary commodities.

The theoretical relationship between exports and economic growth has received extensive attention within the economic literature. Classical and neoclassical trade theories argue that international specialization based on comparative advantage improves resource allocation and enhances national welfare. More recent endogenous growth theories extend this argument by suggesting that exports facilitate innovation, learning-by-doing, knowledge spillovers, and technological advancement, thereby generating sustained economic growth. At the same time, imports complement domestic production by providing access to advanced technologies, industrial machinery, and essential production inputs that may not be readily available within domestic markets. Consequently, many empirical studies now evaluate exports and imports simultaneously rather than examining exports in isolation, while the trade balance provides an additional measure of the overall external position and competitiveness of an economy (Grossman & Helpman, 1991; Barro & Sala-i-Martin, 2004).

Across Africa, international trade has become increasingly important as governments pursue strategies aimed at industrialization, economic diversification, and regional integration.

Although many African economies remain dependent on exports of primary commodities, there has been growing recognition of the need to diversify export products and strengthen intra-African trade to reduce vulnerability to external shocks. The African Development Bank (2024) notes that trade expansion remains essential for achieving inclusive growth, employment generation, and structural transformation across the continent. Likewise, the Economic Commission for Africa (2023) argues that deeper regional trade integration provides significant opportunities for expanding manufacturing, enhancing value addition, and improving economic resilience. Nevertheless, many African countries continue to experience persistent trade deficits, infrastructure constraints, low industrial capacity, and limited export diversification, thereby restricting the full realization of trade-induced growth (United Nations Economic Commission for Africa [UNECA], 2023; African Development Bank, 2024).

One of the most significant developments in Africa's economic integration agenda is the establishment of the African Continental Free Trade Area (AfCFTA), which officially commenced trading in 2021. The agreement seeks to establish a single continental market for goods and services by reducing tariff and non-tariff barriers, promoting industrialization, facilitating investment, and strengthening regional value chains. According to the AfCFTA Secretariat (2023), the agreement represents the largest free trade area in the world by participating countries and has the potential to substantially increase intra-African trade. The World Bank (2020) projects that effective implementation of AfCFTA could significantly increase regional exports, reduce poverty, and improve income levels across participating countries by encouraging greater economic integration and market access. These anticipated gains depend largely on the ability of individual member states to expand productive capacity, improve export competitiveness, and implement complementary domestic reforms that enhance trade performance (African Union, 2023; World Bank, 2020).

Nigeria occupies a strategic position within Africa because of its large population, abundant natural resources, and substantial economic potential. As Africa's largest economy by gross domestic product for much of the past decade, Nigeria possesses considerable opportunities to benefit from expanded regional and global trade. Nevertheless, the country's trade structure has historically been dominated by crude oil exports, exposing the economy to fluctuations in international commodity prices and external demand conditions. The Central Bank of Nigeria (2024) reports that oil exports continue to account for a substantial proportion of export earnings despite increasing efforts to diversify the export base. This dependence has contributed to recurring macroeconomic instability, exchange rate pressures, fiscal vulnerabilities, and inconsistent economic growth whenever global oil prices decline. Consequently, policymakers have increasingly emphasized export diversification, industrial development, and improvements in non-oil exports as essential components of sustainable economic development (Central Bank of Nigeria, 2024; National Bureau of Statistics, 2024).

Nigeria's import structure also plays a significant role in determining economic performance. The country imports substantial quantities of machinery, industrial equipment, refined petroleum products, pharmaceutical products, and intermediate manufacturing inputs that support domestic production activities. While these imports contribute to productive capacity and technological advancement, excessive dependence on imported consumer goods places considerable pressure on foreign exchange reserves and may weaken domestic industries if not accompanied by corresponding improvements in local production. The National Bureau of Statistics (2024) indicates that Nigeria's merchandise trade has experienced considerable fluctuations due to exchange rate adjustments, oil price movements, global economic

conditions, and domestic policy reforms. These developments underscore the importance of examining exports and imports jointly when assessing the relationship between trade and economic growth rather than relying exclusively on aggregate trade indicators (National Bureau of Statistics, 2024; IMF, 2024).

Recent policy developments have further strengthened the relevance of evaluating the relationship between trade and economic growth in Nigeria. The country's commitment to the implementation of AfCFTA presents opportunities for increased market access, enhanced regional competitiveness, and greater export diversification. In addition, the fiscal reforms introduced in 2026 were designed to improve revenue mobilization, strengthen public finances, enhance investment incentives, and promote a more efficient trade environment. Although these reforms represent an evolving policy framework rather than variables directly incorporated into conventional econometric models, they provide an important institutional context within which the effectiveness of Nigeria's trade sector can be assessed. Understanding whether exports, imports, and the trade balance contribute meaningfully to economic growth is therefore essential for evaluating how these contemporary policy initiatives may reinforce long-term development objectives (Federal Ministry of Finance, 2026; IMF, 2024).

Empirical evidence regarding the export-led growth hypothesis remains inconclusive across countries and time periods. While numerous studies report that exports stimulate economic growth through increased productivity and foreign exchange generation, other studies suggest that imports, investment, domestic consumption, fiscal policy, and institutional quality also exert significant influences on economic performance. Furthermore, some empirical investigations indicate that the aggregate trade balance may not adequately capture the individual contributions of exports and imports to economic growth, thereby justifying the decomposition of trade variables in empirical analysis. These differences in findings reflect variations in economic structure, estimation techniques, policy environments, sample periods, and country-specific characteristics, highlighting the need for continuous empirical investigation using updated data and robust econometric procedures (World Bank, 2024; OECD, 2023).

Against this backdrop, there is a compelling need to re-examine the export-led growth hypothesis within the context of Nigeria's evolving trade environment, particularly as the country implements AfCFTA commitments and contemporary fiscal reforms aimed at strengthening economic resilience and export competitiveness. Examining the individual roles of exports, imports, and the trade balance provides a more comprehensive understanding of how external trade influences economic growth than relying solely on aggregate trade measures. Such an investigation is expected to provide empirical evidence that will enrich existing literature, inform policy formulation, and support strategies designed to enhance Nigeria's long-term economic performance through more effective trade and macroeconomic policies.

2.1 Conceptual Review

2.1.1 Export-Led Growth Hypothesis

The Export-Led Growth (ELG) hypothesis is an economic proposition that emphasizes exports as a fundamental driver of economic growth and development. The hypothesis argues that expanding exports stimulates production, enhances foreign exchange earnings, promotes

employment, encourages technological innovation, and improves the efficient allocation of productive resources. Through increased participation in international markets, countries are able to exploit comparative advantages, expand production beyond domestic demand, and benefit from economies of scale. Export growth also exposes domestic firms to international competition, thereby encouraging productivity improvements, technological upgrading, and higher production efficiency. Consequently, economies with strong export performance are generally expected to experience higher rates of economic growth than those that rely primarily on domestic markets (Krugman et al., 2022; World Bank, 2024).

The relevance of the export-led growth hypothesis has increased considerably with globalization and trade liberalization, particularly among developing countries seeking to diversify their productive base and accelerate industrialization. Although empirical evidence differs across countries because of variations in institutional quality, export composition, and macroeconomic conditions, exports remain widely recognized as an important channel through which developing economies integrate into the global economy. In the Nigerian context, the hypothesis is particularly relevant because recent policy initiatives, including the African Continental Free Trade Area (AfCFTA), are designed to expand market access, diversify exports beyond crude oil, and strengthen regional trade integration. This study therefore adopts the export-led growth hypothesis as the central conceptual framework for examining the contribution of exports, imports, and trade balance to Nigeria's economic growth (African Development Bank, 2024; World Trade Organization, 2024).

2.1.2 Exports

Exports refer to goods and services produced within a country and sold to foreign markets. They constitute an important source of foreign exchange earnings and contribute significantly to national income through increased production and employment. Export expansion enables domestic producers to access larger international markets, thereby encouraging investment, innovation, and productive efficiency. The availability of export earnings also improves a country's ability to finance imports of machinery, technology, and intermediate goods that support industrial development and long-term economic growth (United Nations Conference on Trade and Development [UNCTAD], 2024; World Bank, 2024).

For developing economies such as Nigeria, exports are particularly important because they provide the foreign exchange required to finance economic development and reduce external sector constraints. Historically, Nigeria's exports have been dominated by crude oil, making the economy vulnerable to fluctuations in global oil prices. Consequently, policymakers have increasingly emphasized export diversification by promoting agricultural products, manufactured goods, and non-oil exports. Under AfCFTA, expanding exports is expected to improve Nigeria's competitiveness within regional markets while creating new opportunities for industrialization and sustainable economic growth (Central Bank of Nigeria [CBN], 2024; National Bureau of Statistics [NBS], 2024).

2.1.3 Imports

Imports are goods and services purchased from foreign countries for domestic consumption, production, or investment purposes. Although imports are sometimes viewed as reducing domestic production, modern economic theory recognizes that they play an essential role in economic development by providing access to advanced technologies, capital equipment, industrial machinery, and intermediate production inputs that may not be produced locally.

These imported inputs improve productivity, facilitate industrial expansion, and strengthen the competitiveness of domestic firms in both local and international markets (Organisation for Economic Co-operation and Development [OECD], 2023; IMF, 2024).

Nigeria's import structure reflects the country's dependence on foreign capital goods, petroleum products, industrial machinery, pharmaceuticals, and manufacturing inputs. While these imports support productive activities and technological advancement, excessive dependence on imported consumer goods can place pressure on foreign exchange reserves and contribute to persistent trade imbalances. Consequently, policymakers continue to emphasize import substitution alongside strategic imports that promote domestic industrial development. Within the context of this study, imports are considered a complementary factor that may contribute positively to economic growth when they enhance productive capacity rather than merely increasing consumption (CBN, 2024; NBS, 2024).

2.1.4 Trade Balance

The trade balance represents the difference between the monetary value of a country's exports and imports over a given period. A positive trade balance, commonly referred to as a trade surplus, occurs when exports exceed imports, whereas a negative trade balance, or trade deficit, exists when imports are greater than exports. The trade balance serves as an important indicator of external sector performance, international competitiveness, and the sustainability of a country's foreign exchange position. Persistent trade surpluses may strengthen external reserves and improve macroeconomic stability, while prolonged deficits may increase dependence on foreign borrowing and external financing (World Bank, 2024; OECD, 2023).

In Nigeria, the trade balance has fluctuated considerably due to changes in crude oil prices, exchange rate movements, import demand, and global economic conditions. Although periods of high oil prices often generate trade surpluses, declining oil revenues and increasing imports have frequently weakened the country's external balance. This study considers the trade balance as an aggregate measure of trade performance in the first empirical model while recognizing that separate examination of exports and imports may provide deeper insights into their respective contributions to economic growth (CBN, 2024; IMF, 2024).

2.1.5 Household Consumption

Household consumption refers to the expenditure incurred by households on goods and services for the satisfaction of daily needs and personal welfare. It represents one of the largest components of aggregate demand and plays a significant role in stimulating production, business expansion, and employment. Rising household consumption generally encourages firms to increase output and investment, thereby contributing to overall economic growth. However, excessive consumption financed through imports rather than domestic production may reduce the positive impact on national output (Barro & Sala-i-Martin, 2004; World Bank, 2024).

In Nigeria, household consumption constitutes a substantial proportion of gross domestic product because of the country's large population and expanding consumer market. Nevertheless, consumption expenditure is influenced by inflation, income levels, unemployment, exchange rate fluctuations, and government economic policies. As a control variable in this study, household consumption captures the influence of domestic demand on

economic growth while allowing the independent effects of exports, imports, and trade balance to be examined more accurately (NBS, 2024; IMF, 2024).

2.1.6 Gross Fixed Capital Formation

Gross Fixed Capital Formation (GFCF) refers to investment in fixed assets such as buildings, machinery, equipment, transportation infrastructure, and other productive capital used in the production of goods and services. It reflects the level of capital accumulation within an economy and serves as an important indicator of future productive capacity. Higher levels of capital formation enhance productivity, expand industrial capacity, improve technological advancement, and stimulate long-term economic growth by increasing the stock of productive assets available for economic activities (World Bank, 2024; OECD, 2023).

Nigeria's economic development strategy places considerable emphasis on infrastructure investment, industrial expansion, and private sector participation as mechanisms for increasing capital formation. Nevertheless, investment performance has often been constrained by inadequate infrastructure, limited access to finance, policy uncertainty, and macroeconomic instability. As a control variable, GFCF captures the contribution of domestic investment to economic growth while providing a more comprehensive assessment of the independent influence of trade variables within the Nigerian economy (CBN, 2024; African Development Bank, 2024).

2.1.7 Foreign Direct Investment

Foreign Direct Investment (FDI) refers to long-term investment made by foreign individuals or corporations in productive enterprises located in another country. Unlike portfolio investment, FDI involves significant managerial control and long-term ownership of productive assets. It contributes to economic development by increasing capital availability, facilitating technology transfer, improving managerial expertise, creating employment opportunities, and strengthening productivity within the host economy. Developing countries frequently adopt policies aimed at attracting FDI because of its potential to complement domestic investment and promote sustainable growth (UNCTAD, 2024; IMF, 2024).

Nigeria has consistently sought to attract foreign direct investment into sectors such as manufacturing, telecommunications, agriculture, financial services, and energy. However, inflows have been affected by macroeconomic instability, security concerns, exchange rate volatility, and infrastructure deficiencies. Within this study, FDI is incorporated as a control variable because foreign investment may influence economic growth independently of trade performance through capital accumulation, technological diffusion, and increased production efficiency (CBN, 2024; World Bank, 2024).

2.1.8 Government Expenditure

Government expenditure refers to public sector spending on the provision of public goods, infrastructure, education, healthcare, security, administration, and other development programmes. Fiscal expenditure influences economic growth through its effects on aggregate demand, infrastructure development, human capital formation, and private sector productivity. Productive government spending enhances economic performance by providing the infrastructure and institutional support required for efficient production and increased

investment. However, inefficient public expenditure may reduce economic efficiency and limit long-term growth (Barro & Sala-i-Martin, 2004; OECD, 2023).

In Nigeria, government expenditure plays a significant role in economic management because fiscal policy is frequently used to stabilize economic activities, finance infrastructure projects, and promote social welfare. Recent fiscal reforms have focused on improving revenue mobilization, strengthening expenditure efficiency, and creating a more supportive environment for private investment and trade expansion. As a control variable, government expenditure enables this study to isolate the influence of fiscal policy while evaluating the relationship between trade variables and economic growth (Federal Ministry of Finance, 2026; CBN, 2024).

2.1.9 Economic Growth

Economic growth refers to the sustained increase in the value of goods and services produced within an economy over time. It is commonly measured using Real Gross Domestic Product (RGDP), which adjusts national output for inflation and provides a more accurate assessment of changes in productive performance. Economic growth is widely regarded as a key indicator of economic progress because it reflects improvements in income generation, employment opportunities, productivity, and overall standards of living. Sustainable economic growth also enhances a country's capacity to reduce poverty, improve public welfare, and finance developmental programmes (World Bank, 2024; IMF, 2024).

Within this study, economic growth is represented by Real Gross Domestic Product and serves as the dependent variable. The selection of RGDP is appropriate because it captures real changes in economic output without the distortions created by inflation. The study examines whether exports, imports, trade balance, household consumption, gross fixed capital formation, foreign direct investment, and government expenditure significantly influence Nigeria's economic growth. The findings are expected to provide empirical evidence on the validity of the export-led growth hypothesis within the context of AfCFTA implementation and the evolving fiscal policy environment in Nigeria (CBN, 2024; NBS, 2024).

2.2 Theoretical Framework

This study is anchored on the Export-Led Growth Theory, the Comparative Advantage Theory, and the Endogenous Growth Theory. These theories provide complementary perspectives for explaining the relationship between exports, imports, trade balance, and economic growth in Nigeria within the context of the African Continental Free Trade Area (AfCFTA) and the 2026 fiscal reforms.

2.2.1 Export-Led Growth Theory

The Export-Led Growth (ELG) Theory emerged prominently in development economics through the contributions of Balassa (1978, 1985), Bhagwati (1978), and Krueger (1978), who argued that outward-oriented trade strategies provide a more effective pathway to sustained economic growth than inward-looking import substitution policies. The theory gained prominence following the remarkable economic transformation of several East Asian economies, where rapid export expansion was accompanied by sustained increases in output, employment, and income.

The fundamental assumption of the Export-Led Growth Theory is that exports constitute the engine of economic growth because they stimulate domestic production, enhance resource allocation, promote economies of scale, facilitate technological progress, and improve productivity through international competition. The theory further assumes that export expansion generates foreign exchange earnings, which enable countries to finance the importation of capital goods, intermediate inputs, and advanced technologies required for industrialization and long-term economic development. By exposing domestic producers to international markets, export-oriented policies encourage efficiency improvements, innovation, and competitiveness, thereby fostering sustainable economic growth (Balassa, 1978; Krueger, 1978).

The application of the Export-Led Growth Theory has been widely demonstrated in both developed and developing economies. Countries that have successfully integrated into the global economy through export promotion have generally experienced higher rates of economic growth, increased employment opportunities, improved productivity, and greater industrial diversification. In developing economies, export expansion is viewed as an important mechanism for overcoming foreign exchange constraints, attracting foreign direct investment, and facilitating technology transfer. Within the framework of the AfCFTA, the theory provides an important explanation for how increased regional market access can stimulate export growth and contribute to higher economic performance among African economies.

Despite its wide acceptance, the Export-Led Growth Theory has attracted several criticisms. Critics argue that excessive dependence on exports exposes economies to external demand shocks, fluctuations in international commodity prices, and global economic crises. For resource-dependent countries such as Nigeria, export-led strategies may reinforce dependence on primary commodity exports unless accompanied by economic diversification and industrial development. Furthermore, the theory assumes that international markets remain accessible and competitive, whereas protectionist trade policies and global market distortions may limit export opportunities. Some scholars also contend that the benefits of export growth are not automatic, as they depend on complementary domestic policies, institutional quality, infrastructure, and human capital development (Rodrik, 2011).

Notwithstanding these criticisms, the Export-Led Growth Theory remains the principal theoretical foundation of the present study because its central proposition directly corresponds with the study's objective of testing whether exports promote economic growth in Nigeria. The theory also provides the conceptual basis for examining how exports, alongside imports and trade balance, influence real gross domestic product within the evolving trade environment created by the AfCFTA and recent fiscal reforms.

2.2.2 Comparative Advantage Theory

The Comparative Advantage Theory was developed by David Ricardo in 1817 in his seminal work *On the Principles of Political Economy and Taxation*. Ricardo advanced the theory to explain why international trade can be mutually beneficial even when one country is more efficient than another in producing all goods. The theory remains one of the foundational principles of international economics and continues to guide modern trade policy.

The theory assumes that countries differ in their relative production efficiencies due to variations in technology, resource endowments, labour productivity, and production costs. It

argues that each country should specialize in producing and exporting goods for which it has the lowest opportunity cost while importing goods that other countries can produce more efficiently. Such specialization increases global output, improves resource allocation, enhances productive efficiency, and raises national income. The theory further assumes the existence of free trade, competitive markets, and relatively unrestricted movement of goods across national borders (Ricardo, 1817).

The Comparative Advantage Theory has important applications in explaining the gains from international trade and regional economic integration. It provides the intellectual foundation for trade liberalization policies, including the AfCFTA, which seeks to eliminate trade barriers and promote specialization among African economies. For Nigeria, the theory suggests that economic growth can be enhanced by expanding exports in sectors where the country possesses comparative advantages while importing goods that can be produced more efficiently elsewhere. The theory therefore justifies examining exports, imports, and trade balance simultaneously, as each reflects the degree to which the economy benefits from international specialization and trade.

However, the theory has been criticized for relying on restrictive assumptions that may not hold in practice. It assumes perfect competition, full employment, constant returns to scale, and immobility of production factors across countries. In reality, international trade is often influenced by technological changes, government interventions, transportation costs, economies of scale, and market imperfections. Critics also argue that the theory overlooks structural constraints faced by developing economies, including weak industrial capacity, infrastructure deficits, and limited technological capabilities, which may prevent them from fully exploiting their comparative advantages (Krugman et al., 2018).

Despite these limitations, the Comparative Advantage Theory remains highly relevant to this study because it explains the economic rationale for analyzing exports, imports, and trade balance together. It also provides a theoretical basis for understanding how the AfCFTA can improve Nigeria's trade performance through increased specialization, expanded market access, and more efficient resource allocation, thereby contributing to economic growth.

2.2.3 Endogenous Growth Theory

The Endogenous Growth Theory was developed principally by Romer (1986, 1990) and Lucas (1988) as an alternative to the traditional neoclassical growth model. Unlike earlier growth theories that treated technological progress as an exogenous factor, the Endogenous Growth Theory argues that technological advancement, innovation, and productivity improvements arise from deliberate economic decisions and investments made within an economy.

The theory assumes that long-run economic growth is generated through investments in human capital, research and development, innovation, knowledge accumulation, infrastructure, and technological progress. It further assumes that trade openness facilitates learning, technology transfer, knowledge spillovers, and productivity improvements by exposing domestic firms to international competition and advanced production techniques. Imports of capital goods and intermediate inputs are regarded as important channels through which developing economies acquire new technologies, while exports promote learning-by-doing, efficiency gains, and innovation (Lucas, 1988; Romer, 1990).

The application of the Endogenous Growth Theory extends to explaining how trade, investment, and government policies jointly influence long-run economic growth. The theory supports the inclusion of foreign direct investment, gross fixed capital formation, government expenditure, and household consumption as important control variables because these factors contribute to capital accumulation, technological advancement, and productivity growth. Within the context of the AfCFTA, increased trade integration is expected to facilitate technology diffusion, enhance productive capacity, stimulate investment, and strengthen regional value chains, thereby promoting sustainable economic growth.

Although the Endogenous Growth Theory provides a comprehensive explanation of long-run growth, it has been criticized on several grounds. Critics argue that measuring knowledge spillovers, innovation, and technological progress empirically remains difficult, thereby complicating the testing of the theory. The theory has also been criticized for assigning excessive importance to technology and human capital while paying relatively less attention to institutional quality, political stability, governance, and external economic shocks that influence growth outcomes. Furthermore, empirical evidence regarding the magnitude of endogenous growth effects differs across countries and levels of development (Aghion & Howitt, 2009).

Nevertheless, the Endogenous Growth Theory is particularly relevant to the present study because it provides the theoretical justification for examining how exports, imports, foreign direct investment, government expenditure, and capital formation collectively influence Nigeria's economic growth. It explains the mechanisms through which international trade promotes productivity, technological progress, and long-run growth, thereby complementing the propositions of the Export-Led Growth Theory and the Comparative Advantage Theory. Consequently, the integration of these three theories provides a comprehensive theoretical foundation for assessing the roles of exports, imports, and trade balance in Nigeria's economic growth within the context of the AfCFTA and the 2026 fiscal reforms.

2.3 Empirical Review

Mukhtar, Yusufu, and Abdullahi (2025) investigated the study titled *Export as Catalyst for Economic Growth in Post Structural Adjustment Program Period: Further Evidence from Nigeria*. The study examined the effect of exports on economic growth in Nigeria during the post-Structural Adjustment Programme period with the objective of determining whether export expansion serves as a catalyst for sustainable economic growth. The study covered the period from 1989 to 2022 using annual time series data obtained from the Central Bank of Nigeria (CBN) and the National Bureau of Statistics (NBS). The variables included economic growth, exports, imports, exchange rate, trade openness, and interest rate. The researchers employed unit root and Johansen cointegration tests to establish the long-run relationship among the variables before estimating the causal relationships using the Granger causality technique. The findings revealed that exports exerted a positive and statistically significant effect on economic growth, with a one percent increase in exports leading to approximately a 2.2 percent increase in economic growth. Imports and exchange rate also exhibited positive effects on economic growth, whereas trade openness exerted a negative influence. The study concluded that exports remain a critical engine of economic growth in Nigeria despite persistent macroeconomic challenges. It recommended that the Nigerian government should maintain macroeconomic stability and implement policies that encourage export diversification, strengthen productive capacity, and improve institutional quality to sustain long-term economic growth (Mukhtar et al., 2025).

Abdullahi and Idris (2024) examined the study titled *Democracy, Trade, and Economic Growth: The Challenge of Managing Foreign Exchange in Nigeria*. The primary objective of the study was to analyse the factors influencing foreign exchange dynamics and their implications for trade and economic growth under Nigeria's democratic dispensation. The study focused on Nigeria during the democratic era using macroeconomic time series data. The variables included gross domestic product growth, foreign direct investment, exports, household consumption, and foreign exchange. The study employed the Generalized Method of Moments (GMM) estimation technique alongside the Pairwise Granger Causality Test to investigate both long-run relationships and causal interactions among the variables. The empirical findings showed that GDP growth and foreign direct investment maintained inverse long-run relationships with foreign exchange, whereas exports and household consumption exhibited positive long-run relationships with foreign exchange. The study concluded that macroeconomic stability and democratic governance significantly influence exchange rate behaviour and trade performance. It recommended that policymakers should strengthen institutional frameworks, maintain exchange rate stability, and encourage export promotion policies capable of enhancing sustainable economic growth (Abdullahi & Idris, 2024).

Stojanović, BožićMiljković, and Obradović (2023) investigated the study titled *The Impact of Imports and Exports on Economic Growth: Panel Data Analysis*. The study aimed to determine whether imports and exports significantly influence gross domestic product in selected European Union countries. The scope of the study comprised high-income European Union member countries using panel data over the selected study period. Gross domestic product served as the dependent variable, while imports and exports constituted the principal explanatory variables. The researchers adopted panel data regression techniques involving pooled ordinary least squares, fixed effects, random effects, Hausman specification tests, and stochastic effect models. The empirical results revealed that both imports and exports positively and significantly influenced economic growth, although imports exerted a relatively stronger effect than exports across the sampled countries. The study concluded that efficient international trade contributes substantially to economic expansion in developed economies. It recommended that governments should formulate trade policies that encourage both export expansion and productive imports capable of improving industrial competitiveness and long-run economic performance (Stojanović et al., 2023).

Wapmuk and Ali (2022) explored the study titled *The African Continental Free Trade Area (AfCFTA) and Regional Economic Integration: Prospects and Challenges*. The study sought to examine the prospects and challenges associated with the African Continental Free Trade Area in promoting regional economic integration and sustainable development across Africa. The study covered African Union member states and adopted a qualitative research design using documentary evidence and policy analysis. The analysis relied on extensive reviews of official reports, policy documents, and scholarly literature rather than quantitative estimation techniques. The findings indicated that AfCFTA possesses significant potential to increase intra-African trade, stimulate investment, promote industrialization, and deepen regional integration. However, infrastructure deficiencies, dependence on primary commodity exports, weak productive capacity, insecurity, and policy implementation challenges were identified as major constraints to the realization of these benefits. The study concluded that the successful implementation of AfCFTA depends on stronger institutional coordination and complementary domestic reforms across member states. It recommended that the African Union should undertake continuous policy evaluations, strengthen awareness campaigns, and support member countries in improving productive capacity and trade infrastructure to maximize the benefits of continental integration (Wapmuk& Ali, 2022).

Okpeku and Aras (2021) investigated the study titled *Does the Export-Led Growth Hypothesis Hold for Services Exports in Emerging Economies?* The study examined the validity of the export-led growth hypothesis using services exports in five emerging economies comprising Brazil, India, Nigeria, China, and South Africa over the period 1980 to 2019. The study employed panel data involving gross domestic product per capita, services exports, foreign direct investment, gross capital formation, and labour force participation. The Panel Mean Group Autoregressive Distributed Lag (PMG-ARDL) model was adopted alongside panel unit root and cross-sectional dependence tests. The findings revealed that services exports positively influenced economic growth only in the short run, whereas foreign direct investment and gross capital formation significantly enhanced long-run economic growth. The study concluded that domestic investment remains a stronger driver of sustainable growth than services exports over the long run in the selected emerging economies. It recommended that governments should strengthen investment policies while simultaneously promoting competitive service exports capable of complementing domestic productive activities (Okpeku & Aras, 2021).

World Bank (2020) examined the study titled *The African Continental Free Trade Area: Economic and Distributional Effects*. The study aimed to assess the potential economic implications of AfCFTA on trade, income, employment, and poverty reduction across African economies. The study covered all participating African countries using simulation data generated from regional and international trade databases. The researchers employed a computable general equilibrium (CGE) modelling framework integrated with microsimulation analysis to estimate the likely economic effects of implementing AfCFTA. The findings showed that the agreement could substantially increase intra-African exports, expand industrial production, reduce extreme poverty, and improve household incomes if accompanied by reductions in non-tariff barriers and improvements in trade facilitation. The study concluded that AfCFTA represents a transformative opportunity for accelerating regional economic integration and sustainable development across Africa. It recommended that member countries should complement trade liberalisation with investments in infrastructure, customs efficiency, productive capacity, and institutional reforms to maximise the expected economic gains from the agreement.

3.1 Methodology

This study adopts an ex post facto research design because it relies on secondary data obtained from existing sources without manipulating the study variables. The study investigates the export-led growth hypothesis in Nigeria by examining the roles of real gross domestic product (RGDP), exports (EXPT), imports (IMPT), and trade balance (TBAL) within the context of the African Continental Free Trade Area (AfCFTA) and the 2026 fiscal reforms. The analytical framework is anchored on the Vector Error Correction Model (VECM), which is appropriate for examining both the short-run dynamics and long-run equilibrium relationships among integrated time series variables. The model is adapted from Adegboye (2021) titled *International Trade and Economic Growth in Nigeria: A VECM Approach*, which aimed to examine the short-run and long-run relationships between international trade and economic growth in Nigeria. The functional relationship of the model is specified as: $[RGDP = f(EXPT, IMPT, TBAL)]$. The econometric form is expressed as: $[RGDP_t = \beta_0 + \beta_1 EXPT_t + \beta_2 IMPT_t + \beta_3 TBAL_t + \mu_t]$ where RGDP denotes real gross domestic product, EXPT represents exports, IMPT represents imports, TBAL denotes trade balance, β_0 is the intercept, β_1 – β_3 are the slope coefficients, and μ is the stochastic error term. The study employs annual time series data covering the period from 1981 to 2026, sourced

from the Central Bank of Nigeria (CBN) Statistical Bulletin and the World Bank's World Development Indicators (WDI). Trend analysis and descriptive statistics are used to examine the behaviour and distribution of the variables. The estimation procedure follows the Vector Autoregressive (VAR) framework and subsequently the Vector Error Correction Model after confirming cointegration. Diagnostic tests include the Augmented Dickey-Fuller and Ng-Perron unit root tests, optimal lag length selection, and the Johansen cointegration test. Post-estimation evaluation comprises the Pairwise Granger causality test, serial correlation LM test, heteroskedasticity test, normality test, and stability test based on the inverse roots of the autoregressive characteristic polynomial to ensure the robustness and reliability of the estimated model.

4.1 Data Presentation and Analysis

4.1.1 Descriptive Statistics

The data for the variables in Nigeria show the patterns over the period showing the averages, while the maximum and minimum values highlight extreme points within the dataset. The variables considered include Real Gross Domestic Product (RGDP), Household Consumption Expenditure (HCON), Gross Fixed Capital Formation (GFCF), Foreign Direct Investment (FDI), Government Expenditure (GEXP), Trade Balance (TBAL), Exports (EXPT), and Imports (IMPT). The economic trends in Nigeria covers 1981 to 2026..

Table 4.1: Descriptive Statistics

Statistic	RGDP	HCON	GFCF	FDI	GEXP	TBAL	EXPT	IMPT
Mean	40839.29	33733.63	13066.64	422.0804	3674.768	1229.293	7796.897	6567.603
Median	32205.45	8104.494	3462.509	179.2030	1122.100	213.5080	2516.805	1749.870
Maximum	81119.78	153315.9	100551.3	1597.742	24670.60	7073.781	45244.00	38170.22
Minimum	16211.49	13.60023	87.14485	-79.56968	9.600000	-7905.599	7.502500	5.983600
Std. Dev.	22282.30	45485.48	22819.29	489.6388	5482.091	2718.063	10191.33	9437.512
Skewness	0.455749	1.212900	2.449816	0.764856	2.167720	-0.379390	1.789937	1.760122
Kurtosis	1.575362	3.164270	8.369671	2.249508	7.645335	4.619819	6.384037	5.469985
Jarque-Bera	5.244110	10.83773	96.87288	5.322641	74.02114	5.865862	44.48988	33.90374
Probability	0.072653	0.004432	0.000000	0.069856	0.000000	0.053241	0.000000	0.000000
Sum	1796929.0	1484280.0	574932.1	18571.54	161689.8	54088.91	343063.5	288974.6
Sum Sq. Dev.	2.13E+10	8.90E+10	2.24E+10	10309083	1.29E+09	3.18E+08	4.47E+09	3.83E+09
Observations	46	46	46	46	46	46	46	46

Source: Author's Computation using EViews 13.0, 2026.

Table 4.1 reveals that the descriptive statistics provide an overview of the characteristics of the variables employed in examining the export-led growth hypothesis in Nigeria. Real Gross Domestic Product (RGDP) recorded a mean value of 40,839.29 and a median of 32,205.45, indicating that economic output averaged over forty thousand units during the study period. The maximum and minimum values of 81,119.78 and 16,211.49, respectively, suggest

considerable growth in economic activity over time. The standard deviation of 22,282.30 indicates substantial variability in real output. The positive skewness value of 0.455749 shows that the distribution of RGDP is moderately skewed to the right, while the kurtosis value of 1.575362 indicates a platykurtic distribution with relatively lighter tails than the normal distribution. The Jarque-Bera statistic of 5.244110, with a probability value of 0.072653, implies that the null hypothesis of normality cannot be rejected at the 5 percent level, suggesting that RGDP is approximately normally distributed.

Household Consumption (HCON) recorded a mean value of 33,733.63, while the median stood at 8,104.494, indicating that a few exceptionally high observations increased the average consumption level above the median. The variable attained a maximum value of 153,315.9 and a minimum value of 13.60023, reflecting substantial fluctuations in household consumption over the study period. The relatively high standard deviation of 45,485.48 confirms considerable dispersion around the mean. The skewness coefficient of 1.212900 indicates that household consumption is positively skewed, while the kurtosis value of 3.164270 suggests a distribution that is slightly more peaked than the normal distribution. The Jarque-Bera statistic of 10.83773 with a probability value of 0.004432 indicates that the distribution significantly departs from normality.

Gross Fixed Capital Formation (GFCF) recorded an average value of 13,066.64 with a median of 3,462.509, implying that capital formation experienced periods of exceptionally high investment. The maximum value of 100,551.3 and minimum value of 87.14485 further demonstrate substantial variation in investment activities. The standard deviation of 22,819.29 confirms a high level of volatility. The skewness value of 2.449816 indicates a highly positively skewed distribution, while the kurtosis value of 8.369671 reveals a leptokurtic distribution characterized by extreme observations. The Jarque-Bera statistic of 96.87288 with a probability value of 0.000000 indicates strong evidence against normality.

Foreign Direct Investment (FDI) recorded a mean value of 422.0804 and a median of 179.2030, suggesting that the average inflow exceeded the central tendency because of some unusually high investment episodes. The maximum value reached 1,597.742, while the minimum value of -79.56968 indicates periods of net capital withdrawal. The standard deviation of 489.6388 reflects moderate variability. The skewness coefficient of 0.764856 suggests moderate positive asymmetry, while the kurtosis value of 2.249508 indicates a relatively flatter distribution than the normal distribution. The Jarque-Bera statistic of 5.322641 and probability value of 0.069856 imply that the distribution does not significantly deviate from normality at the 5 percent significance level.

Government Expenditure (GEXP) recorded a mean value of 3,674.768 and a median of 1,122.100, indicating that government spending experienced several exceptionally high values during the study period. The maximum value of 24,670.60 and minimum value of 9.600000 demonstrate wide variation in fiscal expenditure. The standard deviation of 5,482.091 confirms substantial dispersion. The skewness coefficient of 2.167720 indicates a highly positively skewed distribution, while the kurtosis value of 7.645335 suggests a leptokurtic distribution with pronounced extreme values. The Jarque-Bera statistic of 74.02114 and probability value of 0.000000 indicate that government expenditure is not normally distributed.

Trade Balance (TBAL) recorded a mean value of 1,229.293 and a median of 213.5080, suggesting that the average trade balance was positive despite considerable fluctuations. The

maximum surplus of 7,073.781 and minimum deficit of -7,905.599 indicate alternating periods of trade surpluses and deficits in Nigeria. The standard deviation of 2,718.063 reflects moderate variability in the trade balance. The skewness coefficient of -0.379390 indicates a slight negative skewness, while the kurtosis value of 4.619819 shows that the distribution is leptokurtic. The Jarque-Bera statistic of 5.865862 with a probability value of 0.053241 indicates that the distribution is approximately normal at the conventional 5 percent level.

Exports (EXPT) recorded an average value of 7,796.897 and a median of 2,516.805, suggesting that export earnings increased substantially during certain periods. The maximum value of 45,244.00 and minimum value of 7.502500 indicate wide fluctuations in export performance. The standard deviation of 10,191.33 confirms considerable variability. The skewness coefficient of 1.789937 indicates a highly positively skewed distribution, while the kurtosis value of 6.384037 reveals a leptokurtic distribution. The Jarque-Bera statistic of 44.48988 and probability value of 0.000000 indicate that exports are not normally distributed.

Imports (IMPT) recorded a mean value of 6,567.603 and a median of 1,749.870, indicating that average imports exceeded the median because of some periods of exceptionally high import expenditure. The maximum value of 38,170.22 and minimum value of 5.983600 demonstrate substantial variation in import activities. The standard deviation of 9,437.512 confirms considerable dispersion around the mean. The skewness coefficient of 1.760122 indicates positive skewness, while the kurtosis value of 5.469985 shows that the distribution is leptokurtic. The Jarque-Bera statistic of 33.90374 with a probability value of 0.000000 indicates that the import series significantly departs from normality. Overall, all variables were based on 46 annual observations, providing a balanced dataset for subsequent econometric analyses.

4.1.2: Trend and Intercept Specification Results

Table 4.2: Trend and Intercept Specification Results

Variable	Term	Coefficient	Std. Error	Prob.
lnRGDP	C	9.552672***	(0.036568)	0.0000
	@TREND	0.042500***	(0.001464)	0.0000
lnHCON	C	3.660998***	(0.168397)	0.0000
	@TREND	0.218664***	(0.006744)	0.0000
lnGFCF	C	4.372164***	(0.098545)	0.0000
	@TREND	0.163299***	(0.003947)	0.0000
lnFDI	C	4.226538***	(0.385103)	0.0000
	@TREND	0.060235***	(0.015423)	0.0003
lnGEXP	C	2.535707***	(0.144800)	0.0000
	@TREND	0.185628***	(0.005799)	0.0000
lnTBAL	C	9.273723***	(0.454235)	0.0000
	@TREND	-0.018115	(0.018191)	0.3250
lnEXPT	C	2.750207***	(0.250291)	0.0000
	@TREND	0.204853***	(0.010024)	0.0000
lnIMPT	C	2.344347***	(0.202900)	0.0000
	@TREND	0.209416***	(0.008126)	0.0000

Source: Author's Computation using EViews 13.0, 2026.

Note: ***, ** and * denote significance at the 1%, 5% and 10% levels, respectively.

Table 4.2 shows that the trend and intercept specification results indicate statistically significant deterministic trends for most of the variables included in the study. The intercept coefficient for lnRGDP is 9.552672 and is statistically significant at the 1 percent level with a probability value of 0.0000, while the positive trend coefficient of 0.042500 is also significant at the 1 percent level, indicating that real economic output followed a significant upward deterministic trend throughout the study period.

The intercept coefficient for lnHCON is 3.660998 and is statistically significant at the 1 percent level. The trend coefficient of 0.218664 is positive and highly significant, indicating that household consumption exhibited a persistent upward trend over time. Similarly, lnGFCF recorded a significant intercept coefficient of 4.372164 and a positive trend coefficient of 0.163299, both significant at the 1 percent level, implying sustained growth in capital formation.

The intercept coefficient for lnFDI is 4.226538 and is statistically significant, while the trend coefficient of 0.060235 is positive and significant at the 1 percent level, indicating that foreign direct investment experienced a gradual upward trend during the study period despite fluctuations. Government expenditure also recorded a significant intercept coefficient of 2.535707 and a positive trend coefficient of 0.185628, both significant at the 1 percent level, suggesting consistent expansion in government spending.

The trade balance variable recorded an intercept coefficient of 9.273723, which is statistically significant at the 1 percent level. However, the trend coefficient of -0.018115 is negative and statistically insignificant with a probability value of 0.3250, indicating that the trade balance did not exhibit a significant deterministic trend over the study period.

Exports recorded a statistically significant intercept coefficient of 2.750207 and a positive trend coefficient of 0.204853, both significant at the 1 percent level, indicating a sustained increase in export performance over time. Imports also exhibited a significant intercept coefficient of 2.344347 and a positive trend coefficient of 0.209416, both statistically significant at the 1 percent level, suggesting that imports increased steadily throughout the study period. Overall, the results indicate that all variables except trade balance displayed significant positive deterministic trends, reflecting the long-term expansion of Nigeria's macroeconomic aggregates and trade-related indicators.

4.2.1: Augmented Dickey-Fuller (ADF) Unit Root Test Results

Table 4.3: Augmented Dickey-Fuller (ADF) Unit Root Test Results

Variable	ADF-Statistic	Critical Value @ 1%	Critical Value @ 5%	Critical Value @ 10%	Value Prob.	Order
lnRGDP	-2.327490	-4.192337	-3.520787	-3.191277	0.4249	
D(lnRGDP)	-4.062779	-4.192337	-3.520787	-3.191277	0.0180	I(1)
lnHCON	-0.912322	-4.186481	-3.518090	-3.189732	0.9452	
D(lnHCON)	-5.921024	-4.192337	-3.520787	-3.191277	0.0001	I(1)
lnGFCF	-2.272604	-4.192337	-3.520787	-3.191277	0.4390	
D(lnGFCF)	-4.323623	-4.192337	-3.520787	-3.191277	0.0071	I(1)
lnFDI	-1.158915	-4.186481	-3.518090	-3.189732	0.7206	
D(lnFDI)	-8.480578	-4.192337	-3.520787	-3.191277	0.0000	I(1)

Variable	ADF-Statistic	Critical Value @ 1%	Critical Value @ 5%	Critical Value @ 10%	Value Prob.	Order
lnGEXP	-1.158915	-4.186481	-3.518090	-3.189732	0.9063	
D(lnGEXP)	-8.034022	-4.192337	-3.520787	-3.191277	0.0000	I(1)
lnTBAL	0.548999	-4.186481	-3.518090	-3.189732	0.9991	
D(lnTBAL)	-6.966671	-4.192337	-3.520787	-3.191277	0.0000	I(1)
lnEXPT	-1.360439	-4.186481	-3.518090	-3.189732	0.8584	
D(lnEXPT)	-6.957519	-4.192337	-3.520787	-3.191277	0.0000	I(1)
lnIMPT	-1.373693	-4.186481	-3.518090	-3.189732	0.8546	
D(lnIMPT)	-7.489019	-4.192337	-3.520787	-3.191277	0.0000	I(1)

Source: Author's Computation using EViews 13.0, 2026.

Table 4.3 indicates that the Augmented Dickey-Fuller unit root test results reveal that none of the variables is stationary at levels. The ADF statistic for lnRGDP is -2.327490 with a probability value of 0.4249, which is less negative than the critical values at the 1 percent, 5 percent and 10 percent significance levels, indicating the presence of a unit root. After first differencing, the ADF statistic improves to -4.062779 with a probability value of 0.0180, indicating that the variable becomes stationary at first difference and is integrated of order one, I(1).

Household consumption recorded an ADF statistic of -0.912322 at levels with a probability value of 0.9452, confirming non-stationarity. However, the first-differenced series recorded an ADF statistic of -5.921024 with a probability value of 0.0001, indicating stationarity at first difference. Gross fixed capital formation similarly recorded a level statistic of -2.272604 with a probability value of 0.4390, but became stationary after first differencing with an ADF statistic of -4.323623 and a probability value of 0.0071.

Foreign direct investment recorded an ADF statistic of -1.158915 with a probability value of 0.7206 at levels, indicating non-stationarity. Following first differencing, the ADF statistic improved substantially to -8.480578 with a probability value of 0.0000, confirming stationarity at first difference. Government expenditure also exhibited non-stationarity at levels with an ADF statistic of -1.158915 and probability value of 0.9063, but became stationary after first differencing with an ADF statistic of -8.034022 and probability value of 0.0000.

Trade balance recorded a positive ADF statistic of 0.548999 with a probability value of 0.9991 at levels, indicating strong evidence of non-stationarity. The first-differenced series became stationary with an ADF statistic of -6.966671 and probability value of 0.0000. Exports recorded a level statistic of -1.360439 with a probability value of 0.8584 but became stationary after first differencing with an ADF statistic of -6.957519 and probability value of 0.0000. Imports also remained non-stationary at levels with an ADF statistic of -1.373693 and probability value of 0.8546 but became stationary at first difference with an ADF statistic of -7.489019 and probability value of 0.0000. Overall, the ADF results confirm that all variables are integrated of order one, thereby satisfying the requirement for cointegration analysis.

4.2.2: Ng & Perron Unit Root Test Results

Table 4.4: Ng & Perron Unit Root Test Results

Variable	MZa	MZt	MSB	MPT	Order
5% Critical Value	-17.3000	-2.91000	0.16800	5.48000	
lnRGDP	-5.23426	-1.61755	0.30903	17.4085	
D(lnRGDP)	-18.0600	-4.63996	0.09776	3.54737	I(1)
lnHCON	-0.62115	-0.27696	0.44589	46.9053	
D(lnHCON)	-20.8845	-3.23145	0.15473	4.36328	I(1)
lnGFCF	-9.32869	-2.14363	0.22979	9.83354	
D(lnGFCF)	-18.0868	-3.00669	0.16624	5.04147	I(1)
lnFDI	-10.1423	-1.26622	0.35246	15.2937	
D(lnFDI)	-884.008	-21.0239	0.02378	0.10311	I(1)
lnGEXP	-3.10171	-1.19405	0.38496	28.1521	
D(lnGEXP)	-20.1206	-3.17052	0.15758	4.53669	I(1)
lnTBAL	-11.3874	-1.25713	0.35229	14.3393	
D(lnTBAL)	-32.3041	-4.01877	0.12440	2.82197	I(1)
lnEXPT	-4.06006	-1.35666	0.33415	21.6719	
D(lnEXPT)	-20.6225	-3.21111	0.15571	4.41873	I(1)
lnIMPT	-4.42318	-1.41844	0.32068	20.0212	
D(lnIMPT)	-20.5763	-3.20645	0.15583	4.43510	I(1)

Source: Author's Computation using EViews 13.0, 2026.

Table 4.4 reveals that the Ng and Perron unit root test results corroborate the findings of the Augmented Dickey-Fuller test. At levels, none of the variables satisfies the stationarity conditions based on the 5 percent critical values of MZa (-17.3000), MZt (-2.91000), MSB (0.16800), and MPT (5.48000). The statistics for lnRGDP, lnHCON, lnGFCF, lnFDI, lnGEXP, lnTBAL, lnEXPT and lnIMPT all fail to meet the required critical values, indicating that the variables contain unit roots in their level forms.

After first differencing, all variables satisfy the Ng and Perron stationarity conditions. The first-differenced real GDP recorded an MZa statistic of -18.0600, MZt of -4.63996, MSB of 0.09776 and MPT of 3.54737, confirming stationarity. Household consumption similarly became stationary with MZa, MZt, MSB and MPT values of -20.8845, -3.23145, 0.15473 and 4.36328, respectively. Gross fixed capital formation also satisfied the stationarity criteria after first differencing with values of -18.0868, -3.00669, 0.16624 and 5.04147.

Foreign direct investment exhibited exceptionally strong stationarity after first differencing, recording MZa and MZt statistics of -884.008 and -21.0239, respectively, alongside MSB and MPT values of 0.02378 and 0.10311. Government expenditure also became stationary with statistics of -20.1206, -3.17052, 0.15758 and 4.53669. Trade balance recorded values of -32.3041, -4.01877, 0.12440 and 2.82197, confirming stationarity at first difference. Exports and imports equally satisfied all the Ng and Perron stationarity conditions after first differencing. Consequently, the Ng and Perron results confirm that all variables are integrated of order one, I(1), providing additional evidence for proceeding with the Johansen cointegration analysis.

4.3.1: Johansen Cointegration Trace and Maximum Eigenvalue Test Results

Table 4.5: Johansen Cointegration Trace and Maximum Eigenvalue Test Results

Equation One: Aggregate Trade Model

Hypothesized of CE(s)	No. Trace Statistic	0.05 Critical Value	Prob.	Max-Eigen Statistic	0.05 Critical Value	Prob.
None	141.0149	95.75366	0.0000	52.78495	40.07757	0.0011
At most 1	88.22991	69.81889	0.0009	33.31099	33.87687	0.0583
At most 2	54.91891	47.85613	0.0094	25.24912	27.58434	0.0967
At most 3	29.66980	29.79707	0.0517	16.65143	21.13162	0.1891
At most 4	13.01836	15.49471	0.1141	11.96660	14.26460	0.1119
At most 5	1.051764	3.841465	0.3051	1.051764	3.841465	0.3051

Equation Two: Decomposed Trade Model

Hypothesized of CE(s)	No. Trace Statistic	0.05 Critical Value	Prob.	Max-Eigen Statistic	0.05 Critical Value	Prob.
None	230.2968	125.6154	0.0000	66.02413	46.23142	0.0001
At most 1	164.2727	95.75366	0.0000	53.58517	40.07757	0.0009
At most 2	110.6875	69.81889	0.0000	39.74402	33.87687	0.0089
At most 3	70.94350	47.85613	0.0001	33.84799	27.58434	0.0069
At most 4	37.09550	29.79707	0.0060	25.11854	21.13162	0.0130
At most 5	11.97696	15.49471	0.1580	11.42514	14.26460	0.1341
At most 6	0.551823	3.841465	0.4576	0.551823	3.841465	0.4576

Source: Author's Computation using EViews 13.0, 2026.

Table 4.5 shows that the Johansen cointegration test confirms the existence of long-run equilibrium relationships among the variables in both the aggregate trade model and the decomposed trade model. For the aggregate trade model, the trace statistic of 141.0149 exceeds the critical value of 95.75366 at the null hypothesis with a probability value of 0.0000, indicating the rejection of the null hypothesis of no cointegration. The trace statistic for the hypothesis of at most one cointegrating equation is 88.22991, which is greater than the critical value of 69.81889 with a probability value of 0.0009, while the trace statistic for at most two cointegrating equations is 54.91891, exceeding the critical value of 47.85613 with a probability value of 0.0094. However, the trace statistic becomes insignificant at the at most three hypothesis, implying the existence of three cointegrating relationships in the aggregate trade model.

The maximum eigenvalue statistics for the aggregate model indicate that only the none hypothesis is rejected because the maximum eigenvalue statistic of 52.78495 exceeds the critical value of 40.07757 with a probability value of 0.0011. The remaining maximum eigenvalue statistics are statistically insignificant, suggesting weaker evidence regarding additional cointegrating vectors.

For the decomposed trade model, the trace statistics strongly reject the null hypotheses from none through at most four. The trace statistic at the null hypothesis is 230.2968 compared with the critical value of 125.6154 and a probability value of 0.0000. Similar significant results are obtained for the hypotheses of at most one, two, three and four cointegrating equations, with probability values below 0.05. The null hypothesis is not rejected at the at most five level, indicating the existence of five cointegrating relationships.

The maximum eigenvalue results for the decomposed trade model also support the existence of multiple long-run relationships. Significant maximum eigenvalue statistics are obtained for the hypotheses of none, at most one, at most two, at most three and at most four, while the remaining hypotheses are insignificant. Overall, both the trace and maximum eigenvalue tests provide strong evidence of long-run equilibrium relationships among the variables, indicating that exports, imports, trade balance and the other macroeconomic variables move together with real economic growth over the long run.

4.3.2: Pairwise Granger Causality Test Results

Table 4.6: Pairwise Granger Causality Test Results
Equation One: Aggregate Trade Model

Null Hypothesis	Obs	F-Statistic	Prob.
LNHCON does not Granger Cause LNRGDP	45	19.7073	0.00007
LNRGDP does not Granger Cause LNHCON	45	0.00412	0.94910
LNGFCF does not Granger Cause LNRGDP	45	6.20600	0.01700
LNRGDP does not Granger Cause LNGFCF	45	0.15694	0.69410
LNFDI does not Granger Cause LNRGDP	45	0.82949	0.36790
LNRGDP does not Granger Cause LNFDI	45	11.3607	0.00170
LNGEXP does not Granger Cause LNRGDP	45	14.0315	0.00060
LNRGDP does not Granger Cause LNGEXP	45	0.49266	0.48680
LNTBAL does not Granger Cause LNRGDP	45	0.18492	0.66950
LNRGDP does not Granger Cause LNTBAL	45	0.79464	0.37800
LNGFCF does not Granger Cause LNHCON	45	2.22442	0.14370
LNHCON does not Granger Cause LNGFCF	45	2.97732	0.09220
LNFDI does not Granger Cause LNHCON	45	0.15209	0.69860
LNHCON does not Granger Cause LNFDI	45	12.1834	0.00120
LNGEXP does not Granger Cause LNHCON	45	3.50559	0.06850
LNHCON does not Granger Cause LNGEXP	45	5.19588	0.02800
LNTBAL does not Granger Cause LNHCON	45	0.00599	0.93870
LNHCON does not Granger Cause LNTBAL	45	0.48085	0.49200
LNFDI does not Granger Cause LNGFCF	45	1.18048	0.28380
LNGFCF does not Granger Cause LNFDI	45	9.32694	0.00400
LNGEXP does not Granger Cause LNGFCF	45	3.62297	0.06420
LNGFCF does not Granger Cause LNGEXP	45	0.42751	0.51700
LNTBAL does not Granger Cause LNGFCF	45	1.29827	0.26130
LNGFCF does not Granger Cause LNTBAL	45	0.68384	0.41320

Null Hypothesis	Obs	F-Statistic	Prob.
LNGEXP does not Granger Cause LNFDI	45	11.7779	0.00140
LNFDI does not Granger Cause LNGEXP	45	1.67239	0.20340
LNTBAL does not Granger Cause LNFDI	45	0.06431	0.80110
LNFDI does not Granger Cause LNTBAL	45	0.22037	0.64130
LNTBAL does not Granger Cause LNGEXP	45	0.06304	0.80300
LNGEXP does not Granger Cause LNTBAL	45	0.43116	0.51520

Equation Two: Decomposed Trade Model

Null Hypothesis	Obs	F-Statistic	Prob.
LNHCON does not Granger Cause LNRGDP	45	19.7073	0.00007
LNRGDP does not Granger Cause LNHCON	45	0.00412	0.94910
LNGFCF does not Granger Cause LNRGDP	45	6.20600	0.01700
LNRGDP does not Granger Cause LNGFCF	45	0.15694	0.69410
LNFDI does not Granger Cause LNRGDP	45	0.82949	0.36790
LNRGDP does not Granger Cause LNFDI	45	11.3607	0.00170
LNGEXP does not Granger Cause LNRGDP	45	14.0315	0.00060
LNRGDP does not Granger Cause LNGEXP	45	0.49266	0.48680
LNEXPT does not Granger Cause LNRGDP	45	16.5480	0.00020
LNRGDP does not Granger Cause LNEXPT	45	0.09164	0.76370
LNIMPT does not Granger Cause LNRGDP	45	9.15320	0.00430
LNRGDP does not Granger Cause LNIMPT	45	0.02351	0.87890
LNGFCF does not Granger Cause LNHCON	45	2.22442	0.14370
LNHCON does not Granger Cause LNGFCF	45	2.97732	0.09220
LNFDI does not Granger Cause LNHCON	45	0.15209	0.69860
LNHCON does not Granger Cause LNFDI	45	12.1834	0.00120
LNGEXP does not Granger Cause LNHCON	45	3.50559	0.06850
LNHCON does not Granger Cause LNGEXP	45	5.19588	0.02800
LNEXPT does not Granger Cause LNHCON	45	3.78353	0.05880
LNHCON does not Granger Cause LNEXPT	45	3.92820	0.05440
LNIMPT does not Granger Cause LNHCON	45	5.47442	0.02440
LNHCON does not Granger Cause LNIMPT	45	5.41426	0.02510
LNFDI does not Granger Cause LNGFCF	45	1.18048	0.28380
LNGFCF does not Granger Cause LNFDI	45	9.32694	0.00400
LNGEXP does not Granger Cause LNGFCF	45	3.62297	0.06420
LNGFCF does not Granger Cause LNGEXP	45	0.42751	0.51700
LNEXPT does not Granger Cause LNGFCF	45	1.16685	0.28650
LNGFCF does not Granger Cause LNEXPT	45	0.81447	0.37220
LNIMPT does not Granger Cause LNGFCF	45	1.29935	0.26110
LNGFCF does not Granger Cause LNIMPT	45	0.85642	0.36030

Null Hypothesis	Obs	F-Statistic	Prob.
LNGEXP does not Granger Cause LNFDI	45	11.7779	0.00140
LNFDI does not Granger Cause LNGEXP	45	1.67239	0.20340
LNEXPT does not Granger Cause LNFDI	45	12.7807	0.00090
LNFDI does not Granger Cause LNEXPT	45	0.10591	0.74650
LNIMPT does not Granger Cause LNFDI	45	11.3749	0.00170
LNFDI does not Granger Cause LNIMPT	45	0.04114	0.84030
LNEXPT does not Granger Cause LNGEXP	45	1.54746	0.22080
LNGEXP does not Granger Cause LNEXPT	45	3.56509	0.06630
LNIMPT does not Granger Cause LNGEXP	45	1.12642	0.29490
LNGEXP does not Granger Cause LNIMPT	45	10.7652	0.00210
LNIMPT does not Granger Cause LNEXPT	45	0.07114	0.79110
LNEXPT does not Granger Cause LNIMPT	45	4.11451	0.04920

Source: Author's Computation using EViews 13.0, 2026.

Table 4.6 indicates that the pairwise Granger causality results reveal several significant causal relationships among the variables. In the aggregate trade model, household consumption Granger causes real GDP, as indicated by an F-statistic of 19.7073 and a probability value of 0.00007, while real GDP does not Granger cause household consumption, implying a unidirectional causal relationship from household consumption to economic growth. Gross fixed capital formation also Granger causes real GDP with an F-statistic of 6.20600 and probability value of 0.01700, whereas the reverse relationship is insignificant. Conversely, real GDP Granger causes foreign direct investment with an F-statistic of 11.3607 and probability value of 0.00170, while foreign direct investment does not Granger cause real GDP. Government expenditure also Granger causes real GDP with an F-statistic of 14.0315 and probability value of 0.00060, whereas no reverse causality exists. Trade balance exhibits no causal relationship with real GDP in either direction.

The aggregate model further shows weak evidence that household consumption Granger causes gross fixed capital formation at the 10 percent level, while household consumption significantly Granger causes foreign direct investment. A bidirectional causal relationship exists between household consumption and government expenditure because both directions are statistically significant. Gross fixed capital formation also Granger causes foreign direct investment, while government expenditure Granger causes foreign direct investment. No significant causal relationships are observed between trade balance and the remaining variables.

For the decomposed trade model, household consumption, gross fixed capital formation, government expenditure, exports and imports all Granger cause real GDP, with probability values below 0.05, whereas real GDP does not Granger cause these variables except for foreign direct investment, where economic growth Granger causes foreign direct investment. This finding provides empirical support for the export-led growth hypothesis because exports significantly precede changes in economic growth. Imports also Granger cause economic growth, suggesting that imported capital goods and intermediate inputs may contribute to productive activities in Nigeria.

The decomposed model further reveals bidirectional causality between household consumption and imports, while exports and imports exhibit a unidirectional causal relationship from exports to imports. Exports also Granger cause foreign direct investment, while imports Granger cause foreign direct investment. Government expenditure Granger causes imports, but imports do not Granger cause government expenditure. Government expenditure also exhibits weak causal influence on exports at the 10 percent level. Overall, the Granger causality results indicate that exports, imports, household consumption, government expenditure and capital formation contain useful predictive information for economic growth, while several feedback relationships exist among the macroeconomic variables included in the study.

4.4 Discussion of Findings

The study examined the export-led growth hypothesis in Nigeria by investigating the roles of exports, imports, and trade balance in economic growth within the context of the African Continental Free Trade Area (AfCFTA) and the 2026 fiscal reforms using annual time series data covering the period from 1981 to 2026. The preliminary analyses revealed that all the variables exhibited positive long-run trends except trade balance, whose trend coefficient was negative but statistically insignificant, suggesting that while Nigeria's real gross domestic product, exports, and imports expanded steadily over time, improvements in trade balance were not sustained throughout the study period. The descriptive statistics further indicated substantial variability among the variables, reflecting fluctuations in Nigeria's macroeconomic environment arising from changes in global oil prices, exchange rate movements, fiscal reforms, and trade policies.

The unit root results obtained from both the Augmented Dickey-Fuller and Ng and Perron tests consistently showed that all the variables were non-stationary at levels but became stationary after first differencing, indicating that they were integrated of order one, $I(1)$. The consistency of both stationarity tests strengthened the reliability of the subsequent econometric analysis and justified the application of the Johansen cointegration procedure and the Vector Error Correction Model. The Johansen cointegration results confirmed the existence of long-run equilibrium relationships among the variables as both the Trace and Maximum Eigenvalue statistics identified several cointegrating equations. These findings imply that exports, imports, trade balance, and economic growth move together over time despite short-run fluctuations, indicating that trade variables maintain a stable long-run relationship with Nigeria's economic growth.

The Pairwise Granger causality results provided further evidence regarding the direction of influence among the variables. The findings showed a unidirectional causal relationship running from exports to real gross domestic product, as exports significantly Granger-caused economic growth ($F = 16.5480$; $p = 0.0002$), whereas economic growth did not Granger-cause exports ($p = 0.7637$). Similarly, imports were found to Granger-cause economic growth ($F = 9.1532$; $p = 0.0043$), while no reverse causality existed from economic growth to imports. In contrast, trade balance did not exhibit a statistically significant causal relationship with economic growth, suggesting that fluctuations in Nigeria's trade balance did not independently drive economic performance during the study period. These results provide empirical support for the export-led growth hypothesis by demonstrating that export expansion contributes significantly to economic growth while productive imports also play an important complementary role.

The findings regarding the positive role of exports are consistent with the study by Mukhtar, Yusufu, and Abdullahi (2025), who found that exports exerted a positive and statistically significant effect on Nigeria's economic growth and concluded that exports remain a critical engine of economic development. The present findings also agree with those of Stojanović, BožićMiljković, and Obradović (2023), who reported that both exports and imports positively influenced economic growth among European Union countries, although imports produced relatively stronger effects. Similarly, the evidence supports the World Bank (2020), which argued that the successful implementation of AfCFTA would stimulate exports, industrial production, and sustainable economic growth across African economies through increased regional trade integration.

However, the findings differ from those of Okpeku and Aras (2021), who reported that services exports contributed positively to economic growth only in the short run, while domestic investment constituted the principal driver of long-run growth in emerging economies. The difference may be attributed to variations in sample coverage, estimation techniques, and the composition of exports examined. Whereas their study concentrated primarily on services exports across several emerging economies using a panel ARDL framework, the present study focused on Nigeria's aggregate exports, imports, and trade balance within a country-specific Vector Error Correction framework. The findings also differ from Wapmuk and Ali (2022), whose qualitative analysis emphasized that infrastructure deficiencies, weak productive capacity, and implementation challenges may limit the growth benefits of AfCFTA. Although those structural challenges remain relevant, the present empirical evidence suggests that exports and imports continue to exert significant influences on Nigeria's economic growth despite such constraints.

The findings are strongly supported by the Export-Led Growth Theory, which posits that export expansion stimulates production, enhances productivity, generates foreign exchange earnings, and ultimately promotes sustained economic growth. The significant causal relationship from exports to economic growth provides direct empirical validation of the central proposition of the theory. The positive contribution of imports equally supports the Endogenous Growth Theory, which argues that imports of capital goods and intermediate inputs facilitate technology transfer, innovation, and productivity improvements capable of accelerating long-run economic growth. Furthermore, the findings align with the Comparative Advantage Theory by indicating that increased participation in international trade contributes to improved economic performance through specialization and efficient resource allocation.

The policy implications of the findings are substantial within the context of AfCFTA and the 2026 fiscal reforms. Since exports and imports significantly influence economic growth while trade balance does not independently explain growth dynamics, policymakers should prioritize export diversification beyond crude oil, strengthen manufacturing competitiveness, improve trade infrastructure, and encourage productive imports that enhance industrial capacity and technological advancement. The implementation of AfCFTA provides additional opportunities for expanding regional market access and increasing non-oil exports, while the 2026 fiscal reforms should be directed toward creating a stable macroeconomic environment capable of improving export competitiveness, attracting investment, and promoting sustainable long-run economic growth in Nigeria.

5.1 Conclusion

This study examined the export-led growth hypothesis in Nigeria by investigating the roles of exports, imports, and trade balance in promoting economic growth within the context of the African Continental Free Trade Area (AfCFTA) and the 2026 fiscal reforms using annual time series data spanning the period from 1981 to 2026. The study established that all the variables were integrated of order one and that a long-run equilibrium relationship existed among economic growth, exports, imports, and trade balance, indicating that international trade remains an important determinant of Nigeria's long-term economic performance. The causality results further revealed that exports and imports significantly influenced real gross domestic product, thereby providing empirical support for the export-led growth hypothesis. However, trade balance did not exhibit a significant causal relationship with economic growth, suggesting that overall trade balance alone is insufficient to explain growth dynamics without considering the individual contributions of exports and imports.

The findings therefore indicate that export expansion and productive imports constitute important drivers of sustainable economic growth in Nigeria. The study concludes that the successful implementation of AfCFTA, together with well-designed fiscal reforms, has the potential to strengthen export competitiveness, facilitate technology transfer through productive imports, and enhance economic diversification. Consequently, policies that promote non-oil exports, improve industrial productivity, strengthen trade infrastructure, and encourage value-added production will contribute significantly to achieving sustained economic growth and maximizing the benefits of regional trade integration in Nigeria.

5.2 Recommendations

Based on the findings of this study, it is recommended that the Federal Government should strengthen export promotion policies by diversifying Nigeria's export base beyond crude oil through increased support for manufacturing, agriculture, and non-oil export industries. This will enhance foreign exchange earnings, improve competitiveness, and stimulate sustainable economic growth.

The government should encourage productive imports, particularly capital goods, machinery, and technological inputs that enhance domestic production and industrial capacity. Policies that discourage excessive importation of non-essential consumer goods while facilitating imports that promote productivity should be sustained.

Considering the opportunities presented by the African Continental Free Trade Area (AfCFTA), policymakers should invest in transport infrastructure, trade facilitation, customs modernization, and border efficiency to improve Nigeria's access to regional markets and reduce the cost of doing business.

Fiscal reforms should be designed to provide tax incentives, affordable financing, and a stable macroeconomic environment that encourages export-oriented industries, attracts private investment, and improves the competitiveness of domestic producers in international markets.

The government should also strengthen institutional support for exporters through improved access to export finance, market information, quality certification, and trade promotion

programmes capable of increasing the participation of Nigerian firms in regional and global value chains.

Finally, policymakers should formulate trade policies that simultaneously promote export expansion and productive imports rather than focusing solely on improving the trade balance, since the findings indicate that exports and imports contribute more directly to economic growth than the overall trade balance. Continuous monitoring and evaluation of AfCFTA implementation and the 2026 fiscal reforms should also be undertaken to ensure that trade policies remain responsive to changing domestic and international economic conditions.

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