

THE IMPACT OF IMPORT ON INFLATION IN NAMIBIA

Mika Munepapa
Namibia University of Science
and Technology
NAMIBIA
mmunepapa@gmail.com

Johannes P S Sheefeni¹
University of Namibia
NAMIBIA
peyavali@gmail.com

ABSTRACT

This study examined the impact of imports on inflation in Namibia using quarterly data from the period 1991Q1 to 2013Q4. The model estimated used imports as a dependent variable, while gross domestic product, money supply (M2), lending rate, and exchange rate as the explanatory variables. An error correction modelling approach was applied on the double log functional form in order to investigate the significance and effect of explanatory variables to inflation in Namibia. The results for the unit root test showed that all the variables were stationary in first difference. The residual based test to cointegration revealed that there is cointegration among the variables. The error correction model showed that imports have a positive effect on inflation in the long run while in the short run the effect is insignificant.

Keywords: Error correction model, import, inflation, Namibia.

¹ Corresponding author