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OIL PRICE SHOCKS AND THEIRS CONSEQUENCES ON SUDAN'S GDP GROWTH AND UNEMPLOYMENT RATES

Abstract:

Since the advent of oil production and export in late 1999, Sudan economy became more reliant on oil exports proceeds. This situation has exposed the economy to the negative effect of oil price fluctuations. In general, oil exporting countries exhibit positive impact on their economy to oil price increase, while oil importing economies suffer. Unlike developing economies, there is paucity of research in developing countries with regards to the relationship between macro-economy and oil price shocks. In this regard, Sudan has been neglected from serious studies related to oil price shocks. This research attempts to contribute towards filling this gap. In doing so, Vector Auto-Regression model is employed to investigate the impact of oil price shocks on the real GDP growth and unemployment rates over the period 2000 - 2014. The Granger causality test suggests that unemployment has statistically and significantly influenced real GDP growth. Results from the Impulse Response Functions and Forecast Error Variance Decomposition analysis suggest that decrease in oil price has a greater influence on GDP growth. Interestingly, oil price decrease has a significant positive impact on unemployment rate.

Keywords:

VAR model, GDP growth, Unemployment rate, Sudan.

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