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**AUSTRALIA MINING BOOM AND DUTCH DISEASE: ANALYSIS
USING VAR METHOD****Abstract:**

Australia has experienced several episodes of mining boom in its economy. Studies on the impact of mining booms on the economic growth and development indicates that, mining boom either through rise in commodity prices or mining investment tend to result in appreciation of currency thus harming the manufacturing and other sectors in the economy, while the overall gross domestic product increases and this is termed-Dutch Disease. The aim of this work is to investigate the dynamic relationship between mining GDP, manufacturing GDP, service GDP and exchange-rate using vector autoregressive (VAR) approach consisting of Impulse Response Functions (IRFs) and Variance Decomposition (VDCs). Using annual data for the sample period 1975-2013 sourced from Australian Bureau of Statistics, we find mixed evidence presented by the IRFs, while the VDCs reveal that mining sector have impact on the exchange rate hence manufacturing sector. Additionally mining GDP contribute to the variation in the service sector. The study concludes by suggesting promotion of international competitiveness in other sectors such as manufacturing and tourism, to also promote innovation and technical know-how to help combat Dutch Disease effects that can turn mining boom into a resource curse.

Keywords:

Mining boom, Australia, Dutch Disease, VAR analysis