

ABSTRACT

This study aimed to test purchasing power parity vs exchange rate in Tanzania. The study used case study design and documentary review analysis where both primary data and secondary data test purchasing power parity vs exchange rate in Tanzania.

A total of 75 respondents from BOT and normal citizens in Dar es Salaam were used to answer the questionnaire and the reliable statistical data from BOT and World Economic Indicator of the World Bank were used for analysis using spss.

Findings shows that there negative correlation between the purchasing power parity and exchange rate in Tanzania, purchasing power parity has positive correlation with inflation economy and exchange rate is statistically significance to explain the purchasing power parity

It is recommended that there is a need to ensure exchange rate is reliable by encouraging export economy rather than import economy which will help control balance of payment and raise welfare of people in the economy.

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