

ABSTRACT

Exchange rate regimes and interest rates continue to be hot topics in international finance as in emerging countries, with more economies adopting trade liberalization as a prerequisite for economic progress. The current study aimed at investigating the impact of exchange rate volatility on export performance in Tanzania using time series data from 1990 to 2022. The researcher collected data from World Bank Development Indicator with a sample size of 33 years from 1990 to 2021 where quantitative approach was employed to investigate the phenomenon. The researcher investigated the existence of long-run relationship among the variables by employing Johansen Co-integration test and the coefficient of long-run relationship was estimated using Dynamic Least Square regression. On the other hand, short-run relationship was estimated using Vector Error Correction Model and the causal relationship among the variables by Granger Causality. The findings has indicated that, there is a negative long-run relationship between exchange rate and export equivalent to the coefficient values of -0.528011 respectively, means that any unit increase in exchange rate would result to 0.528011 decrease in export performance in country. However, the ECM have declared non-existence of short-run relationship among the variables whereas Granger causality has shown that, there is a uni-directional causal relationship from export performance to exchange rate in Tanzania, meaning that, export granger causes exchange rate in Tanzania. The researcher recommended that, the government through Bank of Tanzania should take appropriate measures to control exchange rate volatility since it has a great impact on export performance.