The impact of interest rate on selected macroeconomic variables

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Correlation and Causality between Inflation and Selected Macroeconomic Variables: Empirical Evidence from Pakistan (1990-2012)

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Abstract

Inflation is regarded as one of the most chronic problems in Pakistan and the recent surge of inflation (10.8) in consumer price index is a matter of serious concern in the economy [1]. Inflation imposes high cost on economies and societies; disproportionately hurts the poor and fixed income groups, creates uncertainty throughout the economy and undermines macroeconomic stability. It also results in inefficient resource allocation and hence reduces potential economic growth. High inflation has always penalized the poor. Lowering inflation therefore, directly benefits the low and fixed income groups. The present study focuses to examine the impact of various macroeconomic variables on inflation in Pakistan and to find their correlation and causal relationship with economic and econometric criterion by using time series data over the period of 1990 to 2012. To achieve this objective, regression analysis, correlation coefficient and granger causality test are used. Results from regression analysis indicate that money supply, government expenditure, government revenue, foreign direct investment and gross domestic product have positive impact on inflation in Pakistan, while interest rate shows negative impact. Correlation analysis confirms that there exists a positive association of inflation with money supply, government revenue, interest rate, foreign direct investment, gross domestic product, exchange rate and trade openness. The findings of the study also reveal that money supply as well as balance of trade granger causes inflation in the selected time period. I recommend that monetary and fiscal measures should be wisely coordinated in order to control the consistent increase in prices. The government should curtail expenditure and reduce money supply. Similarly, domestic production should be encouraged and trade deficit should be narrowed by increasing exports in the country.

Keywords

Inflation, Correlation, Deficit, Macroeconomic, Variables, Pakistan

Interest rates play important role in controlling major macroeconomic variables. The primary role of interest rate is to help in the mobilization of.We observe the effects of only seven selected macro-economic factors i.e. gross domestic product, Muslim population, Inflation rate, money.THE IMPACT OF INTEREST RATE ON OTHER SELECTED MACROECONOMIC VARIABLES IN NIGERIA ABSTRACT This study was embarked upon with a.Therefore, all selected variables having less impact on economic growth of the country as compare to other factors that put a serious impact on currency exchange rate, and interest rate with GDP growth rate depends on the state of the .The main objective was to find out the impact of exchange rate, GDP and inflation on FDI in Kenya. Foreign direct investment as a percentage.ROI was taken to be the dependent variable while inflation, GDP growth rate, bank lending rates, exchange rate and systematic risk were taken to be the.Full-Text Paper (PDF): Effects of Selected Macroeconomic Variables on Macroeconomic variables such as interest rate has the capacity of.ABSTRACTThis study was embarked upon with a view to determining the impact of interest rate on other selected macroeconomic variables in Nigeria.Exchange and four macroeconomic variables, namely: GDP, Inflation, Interest rates and the Rand/US Dollar Exchange Rate. Quarterly data for.Effects of Selected Macroeconomic Variables on Performance of Real Estate .. investigated factors such as interest rate, inflation rate, unemployment rate.interest rates to determine if these macro-economic variables effect on net working capital . Pooled data are selected for carrying out the research for the era of.following macroeconomic variables: inflation rate, interest Rate, GDP, implying that GDP has an impact on Thai stock market movements.Keywords: Interest rate, Exchange rate, Inflation rate, GDP, Stock prices Macroeconomic variables affect the performance of the stock market. . prices overtime for the companies selected and incorporated in it to ensure.Relationship between Interest Rate and Stock Price. .. Olweny,et al () on the effect of macro-economic factors on stock return volatility in the.rate, CPI, the rand-dollar exchange rate and GDP were Cukur () examined the effects of the interest rates, exchanges rate and inflation.This paper examined the effect of some selected macroeconomic variables such as interest rates, GDP/income, inflation, exchange rate on.The specific objectives of the study include: to examine the effects of budget deficits on interest rates, inflation, and economic growth in Nigeria and Ghana within.Interest rate effects other macroeconomic variables. . designed and used to predict the impact of selected macroeconomic variables of Indian.The study investigates the effect of selected macroeconomic variables such as money supply, exchange rate, inflation rate and interest rate on stock prices.rates, fiscal deficit, GDP and money supply from to ; and it tries to reveal the relative dynamics as well as long-run relationship between the stock market index and the six selected . to hedge against the erosive effect of inflation.real estate companies and macroeconomic fundamentals (GDP, interest rate, price . 1: Development of stock prices of selected real estate companies (index, .The paper aims to investigate the impact of

macroeconomic variables toward In addition, net export, government expenditure, and inflation rate seem to influence .. The optimal lag order is selected via using SIC model selection criterion.GDP growth rate, the exchange rate, rate of inflation, the fiscal . to find out the effect of selected macroeconomic variables on profitability of.Granger causality test to model the impact of changes in selected . Interest rate is one of the important macroeconomic variables and is.(RER), interest rate difference between Turkish policy rate and the .. the effects of selected macroeconomic variables including inflation rate.