

Documents

Al-Jafari, M.K., Altaee, H.H.A.

Determinants of inflation sources in Iraq: An application of autoregressive distributed lag (ARDL) model
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Abstract

Most economists agree that the emergence of substantial inflationary pressure in Iraq was due to the monetary growth arising from large increase in the money supply by government to finance enormous budget deficit. This was true especially during the comprehensive sanction imposed on the country between 1990 till 2003. Others point out to exchange rate depreciations as another cause to inflation. Such controversy about the causes of inflation in Iraq has necessitated studying this phenomenon quantitatively. Our main contribution is to assess empirically the effects of money supply, exchange rate, and import on inflation in Iraq over the period 1995-2015. Using the ARDL bounds testing approach, we estimated the long-run effects of those variables on real inflation. In addition, we attempt to draw attention to the impact of changes in global prices on the phenomenon of inflation in Iraq. It is analyzed that money supply, exchange rate and import, change inflation to 0.59, -0.85, and 0.11 percentage points respectively by one percent rise in long-run. The Error Correction Model with a negative sign remained statistically significant with approximately 34% speed of adjustment to restore the equilibrium in the long-run, which was convergent quickly. © 2015-2017 Academic Research Publishing Group.

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