World Academy of Science, Engineering and Technology
International Journal of Mathematical and Computational Sciences
Vol:15, No:04, 2021

Statistical Model to Examine the Impact of the Inflation Rate and Real Interest Rate on the Bahrain Economy

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Abstract : Introduction: Oil is one of the most income source in Bahrain. Low oil price influence on the economy growth and the investment rate in Bahrain. For example, the economic growth was 3.7% in 2012, and it reduced to 2.9% in 2015. Investment rate was 9.8% in 2012, and it is reduced to be 5.9% and -12.1% in 2014 and 2015, respectively. The inflation rate is increased to the peak point in 2013 with 3.3 %. Objectives: The objectives here are to build statistical models to examine the effect of the interest rate inflation rate on the growth economy in Bahrain from 2000 to 2018. Methods: This study based on 18 years, and the multiple regression model is used for the analysis. All of the missing data are omitted from the analysis. Results: Regression model is used to examine the association between the Growth national product (GNP), the inflation rate, and real interest rate. We found that (i) Increase the real interest rate decrease the GNP. (ii) Increase the inflation rate does not effect on the growth economy in Bahrain since the average of the inflation rate was almost 2%, and this is considered as a low percentage. Conclusion: There is a positive impact of the real interest rate on the GNP in Bahrain. While the inflation rate does not show any negative influence on the GNP as the inflation rate was not large enough to effect negatively on the economy growth rate in Bahrain.

Keywords : growth national product, egypt, regression model, interest rate
Conference Title : ICAMS 2021 : International Conference on Advances in Mathematics and Statistics
Conference Location : New York, United States
Conference Dates : April 22-23, 2021