

## Monetary Policy and Economic Growth in West African Business Cycles: Markov Switching Approach

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**Abstract :** This study empirically examined the monetary policy and economic growth in the classical cycles in 8 member countries of the West African Economic and Monetary Union (WAEMU), using the Markov switching model for the Two-phase Regime, covering the period 1980Q1 to 2020Q4. Our estimates suggest that these countries demonstrate to have similar business cycles, and the economies stay more in an expansion regime than a recession regime. The result further shows that the union has an average duration period of 3.1 and 15.9 quarters for contraction and expansion periods, respectively. The business cycle duration, on average, suggests 19 quarters, varying from country to country. Therefore, the formulation of policies that can enhance aggregate demand by member countries in the union is an antidote for recession and is necessary to drive the economy into equilibrium. Also, a low-interest rate and reduced inflation rate would ginger long-run economic growth.

**Keywords :** monetary policy, business cycle, economic growth, Markov switching

**Conference Title :** ICEBA 2023 : International Conference on Economics and Business Administration

**Conference Location :** Vancouver, Canada

**Conference Dates :** August 03-04, 2023