

## An Econometric Analysis Of The Impacts Of Inflation On The Economic Growth Of South Africa

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**Abstract :** The rising rates of inflation are hindering economic growth in developing nations. Hence, this study investigated the effects of inflation rates on the economic growth of South Africa using the secondary time series data from 1987 to 2022. The main objectives of this study were to investigate the long run relationship between inflation and economic growth, and also to determine the causality direction between these two variables. The study utilized the Autoregressive Distributed Lag (ARDL) bounds test of co-integration to investigate whether there is a long-run relationship between inflation and economic growth. The Pairwise Granger causality approach was employed to determine the second objective, which is the direction of causality. The study discovered only one co-integration relationship between our variables and it was between inflation and economic growth. The results showed that there is a negative and significant relationship between inflation and economic growth. There appeared to be a positive and significant relationship between economic growth and exchange rate. The interest rates have shown to be negative and insignificant in explaining economic growth. The study also established that inflation does Granger cause economic growth which is given as GDP. Similarly, the study discovered that inflation Granger causes exchange rates. Therefore, the study recommends that inflation should be decreased in South Africa, in order for economic growth to increase. Contrary, this study recommends that South Africa should increase its exchange rates, in order for economic growth to also increase.

**Keywords :** inflation rate, economic growth, South Africa, autoregressive distributed lag model

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