

Dynamic Modeling of the Exchange Rate in Tunisia: Theoretical and Empirical Study

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Abstract : The relative failure of simultaneous equation models in the seventies has led researchers to turn to other approaches that take into account the dynamics of economic and financial systems. In this paper, we use an approach based on vector autoregressive model that is widely used in recent years. Their popularity is due to their flexible nature and ease of use to produce models with useful descriptive characteristics. It is also easy to use them to test economic hypotheses. The standard econometric techniques assume that the series studied are stable over time (stationary hypothesis). Most economic series do not verify this hypothesis, which assumes, when one wishes to study the relationships that bind them to implement specific techniques. This is cointegration which characterizes non-stationary series (integrated) with a linear combination is stationary, will also be presented in this paper. Since the work of Johansen, this approach is generally presented as part of a multivariate analysis and to specify long-term stable relationships while at the same time analyzing the short-term dynamics of the variables considered. In the empirical part, we have applied these concepts to study the dynamics of of the exchange rate in Tunisia, which is one of the most important economic policy of a country open to the outside. According to the results of the empirical study by the cointegration method, there is a cointegration relationship between the exchange rate and its determinants. This relationship shows that the variables have a significant influence in determining the exchange rate in Tunisia.

Keywords : stationarity, cointegration, dynamic models, causality, VECM models

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