

Exploring the interrelation between Inflation, interest rate, exchange rate and economic growth: role of COVID-19 cases: Evidence from the UK

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ABSTRACT

Aim: The aim of this research was to understand the interrelationship between inflation, interest rate, economic growth, and exchange rate in the context of the UK. Further, it has also considered the role of inflation.

Method: In the research method a secondary quantitative research method was used, and data has been extracted from Statista and WDI website on inflation, interest rate, economic growth, and exchange rate from 2001 to 2021. For data analysis, descriptive statistics, lag order selection criteria, unit root test, VAR model, and impulse response test was used through using Eviews software.

Findings: Findings from descriptive and figures revealed that Covid-19 causes uncertainties in the exchange rate, inflation, economic growth, and especially in the interest rate of the UK. Further findings from the VAR model revealed that GDP is positive and significantly related to interest rate and inflation, whereas negative and insignificant are related to the exchange rate. Further, findings have also demonstrated that the exchange rate has a significant and positive relationship with interest rates.

Future Implications: Findings of the current study can be used by researchers and policymakers in the UK and other countries to effectively control the rate of inflation and sustainable economic growth.

Keywords: *GDP, Economic Growth, Unemployment, Inflation rate, Consumer price index, and exchange rate.*

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