

Explaining the Resistance Economy with a Focus on Oil: An Application of the Asymmetric Approach in Iran's Economy

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Abstract

High oil price fluctuations expose exporting countries to many challenges. One of these challenges is the decline in GDP due to oil prices decrease. Economies that can offset the negative impact of oil price decreases on GDP are so-called resilient. Therefore, to test the resilience of Iran's economy against oil price decreases, this study attempts to test the effect of real oil price on real GDP and real non-oil GDP using seasonal data during the period of 1980:1 to 2018:4 with an autoregressive distributed lags (ARDL) method. In the long run, the results of this study show that both in the first model and in the second model, increases and decreases in real oil prices directly affect real oil GDP and real non-oil GDP. The distinction is that in the first model, the effect of increases in real oil prices was greater than the effect of decreases on real GDP, but in the second model, the effect of decreases was greater than the effect of increases on real non-oil GDP. Also, considering the negative impact of real oil price decreases on Iran's real GDP and real non-oil GDP, the hypothesis of this study that Iran's economy is not resistant to real oil price decreases is not rejected.

Keywords: Resistance Economy; Asymmetric Approach; Oil.

JEL Classification: C22, D24, Q4.

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