

Asymmetric Effects of Oil Price Shocks, Oil Price Uncertainty and Economic Sanctions on Economic Growth and Inflation in Iran

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Abstract

This study investigated the asymmetric effects of oil price shocks, its uncertainty and economic sanctions on economic growth and inflation in Iran. For this purpose, annual data 1979-2019 and nonlinear auto-regressive distributed lag (NARDL) approach has been used. Furthermore, two models have been estimated. The first model the asymmetric effects of oil price shocks, its uncertainty and economic sanctions on economic growth, the second model those variables on inflation are examined. The results of estimating the first model indicate that, positive oil price logarithm shock (LOIL_POS) has a positive effect and negative shock (LOIL_NEG) has a negative effect on economic growth. In addition, the effect of uncertainty on oil price, economic sanctions, labor, government spending and exchange rates on economic growth is negative and significant, and capital stock has a positive and significant effect on it. The results of second model, show that a LOIL_POS has a negative effect and a LOIL_NEG has a positive effect on inflation. In addition, economic sanctions, trade liberalization and government spending have a positive and significant effect on inflation. The effect of oil price uncertainty and the logarithm of GDP on inflation is negative and significant. Wald test show that the effects of oil price shocks on economic growth and inflation is asymmetric both in the short (at the 10% level) and long run.

Keywords: Oil price; Asymmetric effects; Oil price uncertainty; Economic sanctions; Economic growth; Inflation rate.

JEL Classification: C22, F51, O47, P44, Q43.

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