

Exchange Rate Volatility and Its Effect on Unemployment in the MENA Region

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Abstract

High unemployment rates are a significant challenge for many developing countries. Understanding the relationship between macroeconomic variables and unemployment is crucial for identifying the factors that influence unemployment levels. Among these variables, exchange rate fluctuations play a critical role, with their impact varying depending on the type of economy and currency system of each country. This research aims to empirically examine the effect of exchange rate volatility on unemployment in developing countries. Using data from the Middle East and North Africa (MENA) region from 1999 to 2021, the study employs the Panel Mean Group (PMG) method to measure exchange rate uncertainty and a panel data model to analyze its effect on unemployment. The findings indicate that exchange rate instability increases unemployment. Additionally, investment and economic growth negatively affect unemployment rates, while inflation positively affects unemployment.

Keywords: Exchange Rate; Labor Market; Employment; Middle East and North Africa (MENA).

JEL Classification: C22, D63, E25, E69.

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