

Analyzing And Measuring the Impact of Exchange Rate Flutuations on Economic Growth in Trinidad and Tobago

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Abstract

The article discusses exchange rate fluctuations as a key factor in economic growth. The purpose of this study was to examine how changes in exchange rates impact Trinidad and Tobago's economic growth. The time period utilized was a 20-year period of annual data ranging from 2003 – 2023 inclusive obtained from the Central Bank of Trinidad and Tobago as well as the World Bank. In the efforts to determine the relationship between the dependent variable, exchange rate (EXCH) and the independent variables gross domestic product (GDP), gross national product (GNP) and inflation (INF), the time series methods (Augmented Dickey Fuller, Johansen test, Ordinary Least Square method) were utilized with the assistance of E-views application. The study findings were that exchange rate fluctuation had a positively significant relationship with economic growth in Trinidad and Tobago. However, based on extant literature, exchange rate fluctuation can have both good and negative effects on a nation's economic growth.

Keywords: exchange rate fluctuations; macroeconomics; economic policy; gross domestic product; inflation; foreign exchange markets