

Inflation and Output Growth Uncertainty and their Relationship with Inflation and Output Growth*

Stilianos Fountas¹ Menelaos Karanasos² Jinki Kim³

Working Paper No. 53

May 2001

Department of Economics
National University of Ireland, Galway

<http://www.nuigalway.ie/ecn/>

* Correspondence to: Menelaos Karanasos, Department of Economics and Related Studies, University of York, Heslington, York, YO10 5DD, U.K.; e-mail: mk16@york.ac.uk; fax: +44(0) 1904-433799.

¹ Department of Economics, National University of Ireland, Galway, Galway, Ireland.

² Department of Economics and Related Studies, University of York, York, UK

³ Department of Economics and Related Studies, University of York, York, UK

Abstract

Using a bivariate GARCH model of inflation and output growth we find evidence that higher inflation and more inflation uncertainty lead to lower output growth in the Japanese economy. These results support the argument of a price stability objective for the monetary authority.

Keywords: Inflation, Output Growth, Uncertainty, Granger-causality, Bivariate GARCH.

JEL Classification: C22, C51, C52, E0.