THE RELATIONSHIP BETWEEN UNEMPLOYMENT, INFLATION AND ECONOMIC GROWTH IN DEVELOPING COUNTRIES

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TABLE OF CONTENT **Page**

LIST OF TABLES

ABSTRACT

Unemployment and inflation are the main components in the macroeconomics. They can bring any harm or intricate the economic condition. The studies examine the relationship between unemployment, inflation and economic growth in developing countries. There are 384 observations in 48 developing countries for the period of 2009 to 2016. The result of unit root test of the entire variable are stationary except for economic growth that only stationary at first order difference while unemployment and population only stationary at second order difference. First, is unemployment and inflation are correlated to the economic growth in the developing country. Second, there is a negative relationship between unemployment and inflation towards the economic growth in the developing countries. Third, population also appear to have a negative relationship with gross domestic product. Based on the findings researchers suggest that authorities should create more jobs and implement more policies to reduce unemployment. For inflation, researchers suggest to control the inflation rate through monetary and fiscal policy.