

- 1.
2. >
3. [Journals](#)
4. >
5. [Journal of Central Banking Theory and Practice](#)
6. >
7. [Volume 8 \(2019\): Issue 2 \(May 2019\)](#)
8. >
9. [Monetary Policy and Economic Growth in Lebanon](#)



Monetary Policy and Economic Growth in Lebanon

[Journal of Central Banking Theory and Practice](#)
[Volume 8 \(2019\): Issue 2 \(May 2019\)](#)

By: [Ali Awdeh](#)



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[Abstract](#)



Abstract

The central bank of Lebanon adopted exchange rate targeting in 1994 and it has exploited several instruments (particularly interest rate) since then to stimulate foreign financial inflows. This study aims at testing the impact of this strategy on economic performance and welfare in both the short- and long-run. In this regard, we exploit monthly data covering the period January 2002-June 2017 and implement cointegration analysis and VEC model. The empirical results suggest that monetary tools exploited by the central bank of Lebanon depress economic growth in the long-run. Moreover, despite their importance for external balance, financial inflows may hinder economic activity in both short- and long-run. On the other

hand, monetary policy transmission channels through bank credit and capital play a constructive role for GDP growth.

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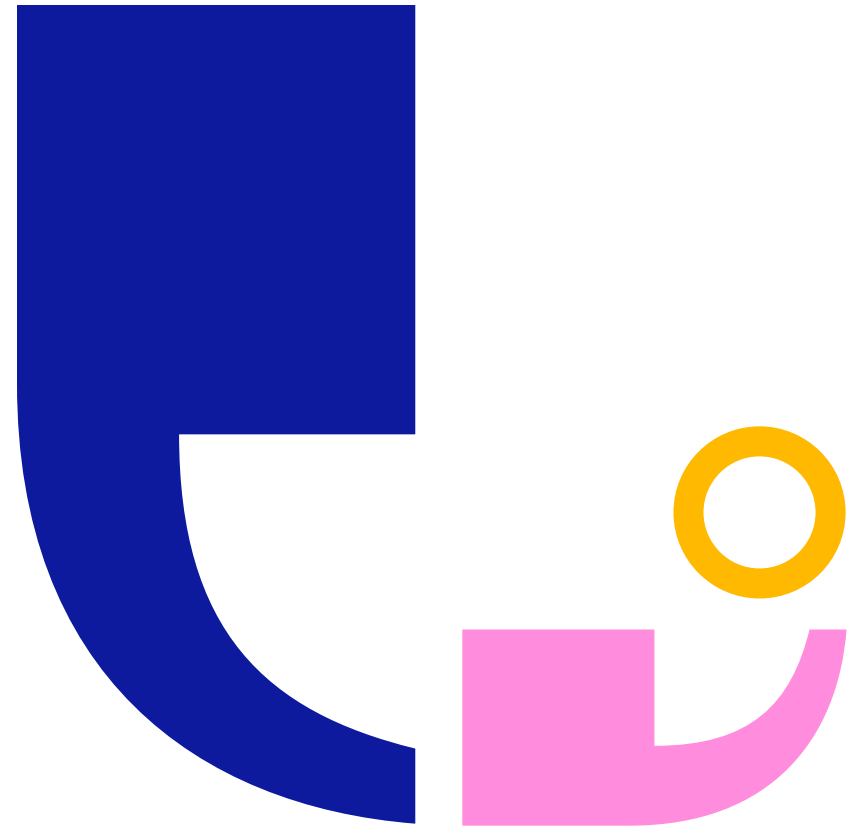
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[< Previous article](#)


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