

ABSTRACT

This research investigates the effect of exchange rates and crude oil prices on inflation in emerging economies, spanning 2000 to 2018. Using the fixed effect least square dummy variable (LSDV) methodology, the study classifies the sample into four diverse regional groups: Asia, Africa, America, and Europe. This method permits a nuanced investigation of regional differences and comparisons in the association between exchange rates, crude oil prices, and inflation.

The results emphasize a noteworthy effect of exchange rates and crude oil prices on inflation across these emerging economies. The study exposes those economies in these regions, profoundly reliant on imports, experiencing distinct inflationary compressions due to disparities in exchange rates and crude oil prices. These fringe economic variables wield erratic degrees of effect on the domestic inflation rates of each region, shimmering their inimitable financial structures and dependencies.

Additionally, the study highlights the restraining role of interest rates and foreign direct investment (FDI) in vindicating inflationary compressions. By inspecting the interchange between these aspects, the research provides intuitions into how varied monetary strategies can soothe economies against exterior tremors. The conclusions propose robust and wide-ranging monetary policies crucial for emerging economies to manage their economic vulnerabilities effectively.

Keywords: Inflation, Exchange Rates, World Crude Oil Prices, Emerging Economies, LSDV, Panel Data.