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

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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.