

Analysis on the evolution of inflation and unemployment rates

[Literature](#), [Russian Literature](#)



Analysis on the Evolution of Inflation and Unemployment Rates Inflation and unemployment have an inverse relationship. This relationship was first analyzed by A. W Phillips in 1958. Phillips curve demonstrate this trade-off between inflation and unemployment rates. In an economy with low unemployment rate, wage rates increases for the workers. This increase in wages results in firms passing forward the cost to the consumer goods. The high prices for goods and services results in inflationary buildups and vice versa.

Inflation rates in Qatar have been fairly average from 2005 to early 2014. According to the World Bank statistics on inflation rates in Qatar, since 2005 to 2014 inflation rates averaged about 3. 73%. The highest inflation rate recorded was 16. 59% in June 2008 while the lowest recorded rate was -9. 96% in December 2009. Currently the inflating in Qatar is 2. 70% .

Unemployment rates from 2001 to 2013 averaged about 2. 73% proving the relationship between inflation and unemployment rate as inverse. Currently , unemployment rate is about 0. 3 %(World Bank 2015).

Inflation rates in United Arab Emirates from 1990 to 2014 averaged 2. 15%. December 2008 recorded the highest inflation rate in United Arab Emirate of 2. 15%. The lowest recorded inflation rate was -1. 6% in January 2011. Currently the inflation rate stands at 3. 60%. Unemployment rates averaged 3. 12% from 1985 to 2012. The highest unemployment rate recorded was 4. 60% in 2011. This rate decreased to about 4. 20% as of 2012 (World Bank 2015).

According to those statistics, inflation and unemployment relates inversely. Consequently policy makers can only target either low inflation rates or low

unemployment rates but not both simultaneously. If the rates of unemployment and inflation were plotted, the resulting curve is the Phillip's curve.

Phillips curve

References

Data | The World Bank. (n. d.). Retrieved April 9, 2015, from <http://data.worldbank.org/>