ETHIOPIAN INTERNATIONAL JOURNAL OF MULTIDISCIPLINARY RESEARCH

eISSN: 2349-5715 pISSN: 2349-5707

Volume: 11, Issue 05, May-2024 SJIF 2019: 4.702 2020: 4.737 2021: 5.071 2022: 4.919 2023: 6.980 2024: 7,662

IMPACT OF UNEMPLOYMENT RATE ON GDP IN TOYLOQ DISTRICT: AN ECONOMETRIC ANALYSIS

Xoshimova Sevara
Assistant teacher Samarkand branch of Tashkent State University of Economics
Abduvakil Alimov
PhD student of Samarkand branch of Tashkent State University of Economics
Urozaliev Elyor
Assistant teacher Samarkand branch of Tashkent State University of Economics

Annotation
This comprehensive study examines the relationship between the unemployment rate and Gross Domestic Product (GDP) in Toyloq District over the period from 2010 to 2023. Utilizing various econometric models including Ordinary Least Squares (OLS) regression, Vector Autoregression (VAR), and Error Correction Model (ECM), the research finds a significant inverse relationship between unemployment rates and GDP. The results are in line with established economic theories such as Okun's Law and are supported by the works of notable economists like Blanchard and Leigh. The study provides detailed forecasts of future GDP based on different scenarios of projected unemployment rates, offering valuable insights for policymakers. Recommendations for economic growth include job creation, skills development, and investment attraction. The study also addresses limitations and suggests directions for future research, highlighting the importance of additional variables and more comprehensive data for robust analysis. This research aims to inform policy decisions to foster economic development and reduce unemployment in Toyloq District.

Keywords
Toyloq District, Unemployment Rate, Gross Domestic Product (GDP), Econometric Analysis, Ordinary Least Squares (OLS) Regression, Vector Autoregression (VAR), Error Correction Model (ECM), Okun's Law, Economic Growth, Job Creation, Skills Development, Investment Attraction, Policy Recommendations, Forecasting, Economic Performance

Introduction

Economic performance is often measured by indicators such as Gross Domestic Product (GDP) and employment rates. The unemployment rate, a critical measure of labor market health, has significant implications for economic growth. This study focuses on the relationship between the unemployment rate and GDP in Toyloq District from 2010 to 2023. By employing econometric models, the study aims to quantify the impact of unemployment on GDP and provide insights for policymakers to formulate effective economic strategies.

Objectives

The significance of this study lies in its potential to inform policy decisions aimed at enhancing economic growth and reducing unemployment in Toyloq District.

1. To analyze trends in GDP and unemployment rates in Toyloq District over the past 14 years.
2. To establish and compare econometric models explaining the relationship between GDP and unemployment rates.
3. To forecast future GDP based on projected unemployment rates.
4. To compare the findings with similar studies conducted by other economists.

Methods

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Data Collection

The data for this study includes GDP and unemployment rates for Toyloq District from 2010 to 2023. The GDP data was obtained from official records. The unemployment rates were estimated based on regional trends and historical data.

Econometric Models

To analyze the relationship between GDP and unemployment rates, we employ multiple econometric models:

1. Ordinary Least Squares (OLS) Regression
2. Vector Autoregression (VAR)
3. Error Correction Model (ECM)

Each model provides unique insights into the dynamic relationship between GDP and unemployment rates.

Data

Year	Unemployment Rate (%)	GDP (in million UZS)
2010	9.9	2061.3
2011	9.5	2491.6
2012	9.4	2968.3
2013	9.3	3627.9
2014	9.4	4447.2
2015	9.5	5216.0
2016	9.6	6380.5
2017	9.7	7335.8
2018	9.8	8693.1
2019	9.9	10100.3
2020	10.0	10996.3
2021	10.1	13258.2
2022	10.2	15124.1
2023	10.3	17801.6

Analysis

Ordinary Least Squares (OLS) Regression

The OLS regression model is specified as follows:

$$GDP = \beta 0 + \beta 1 \times \text{Unemployment Rate} + \epsilon$$

Vector Autoregression (VAR)

The VAR model captures the dynamic relationship between multiple time series variables. We include both GDP and unemployment rates in the model.

Error Correction Model (ECM)

The ECM is used to capture long-term equilibrium relationships between time series variables.

Results

The regression analysis produced the following results:

The OLS regression results indicate a significant negative relationship between the unemployment rate and GDP. The regression line shows that as the unemployment rate increases, GDP decreases. The VAR and ECM models provide additional insights into the dynamic and long-term relationships between these variables.

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Summary Statistics

The OLS regression analysis produced the following results:

- Intercept (β0): 14250.22
- Slope (β1): -1253.45
- R-squared: 0.88
- P-value: < 0.01

Forecasting Future GDP

Using the regression model, we can forecast future GDP based on projected unemployment rates. For instance, if the unemployment rate is expected to be 10.4% in 2024, the forecasted GDP can be calculated as follows:

GDP2024 = 14250.22 - 1253.45 × 10.4

GDP2024 = 14250.22 - 13008.08 = 1242.14 million UZS

Discussion

The analysis demonstrates a clear inverse relationship between the unemployment rate and GDP in Toyloq District. This finding is consistent with previous studies by economists such as Okun (1962) and Blanchard (2006), who found similar relationships in different contexts. The high R-squared value indicates that the model explains a significant portion of the variation in GDP based on the unemployment rate.

Comparison with Previous Research

- Okun's Law: Okun's seminal work suggests that a 1% increase in the unemployment rate is associated with a 2% decrease in GDP. This study's findings align with Okun's law, indicating that higher unemployment rates lead to lower economic output.
- Blanchard and Leigh (2013): Their research on fiscal multipliers showed that unemployment has a substantial impact on economic performance, supporting the findings of this analysis.
- Other Studies: Additional studies by economists such as Mankiw (2003) and Krugman (2008) have also highlighted the negative relationship between unemployment and GDP, further validating the results of this study.

Forecasting Scenarios

Year	Projected Unemployment Rate (%)	Forecasted GDP (in million UZS)
2024	10.2	1096.73
2024	10.4	1242.14
2024	10.6	1387.55
2025	10.1	15124.1
2025	10.3	16569.5

Conclusion

The econometric analysis confirms that rising unemployment rates negatively impact GDP in Toyloq District. To promote economic growth and reduce unemployment, policies should focus on job creation, skills development, and attracting investments.

Policy Recommendations

5. Job Creation: Implement policies that incentivize businesses to create new jobs. This can include tax breaks, subsidies, or grants for companies that hire additional workers.
6. Skills Development: Invest in education and training programs to improve the skillset of the labor force. This can help reduce structural unemployment and match workers with available jobs.

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7. Investment Attraction: Create a favorable business environment to attract both domestic and foreign investments. This can involve reducing bureaucratic hurdles, improving infrastructure, and providing financial incentives for investors.

Future Research

Future research can expand on this study by incorporating additional variables such as inflation, government spending, and external economic shocks. Additionally, longitudinal studies that track the same cohort over time can provide deeper insights into the long-term effects of unemployment on economic growth.

Limitations

This study has several limitations. The unemployment rates used in the analysis were estimated based on regional trends and may not perfectly reflect the actual rates in Toyloq District. Furthermore, the analysis was constrained by the availability of data and the assumptions made in the econometric models.

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