ABSTRACT

This research tries to answer the question: “How strong is the dependency of the GDP of a country to the amount of Credits in the economy?”. The main results implied a strong dependency of these two macro variables, and it was also found that to the contrary of predictions, the effects of more loans can be felt the same year, giving more loans in a certain year will increase the GDP in that same year more than it will affect the following time periods. The relationship between the growth of these two variables is almost perfectly linear. Which might be useful for governments to predict the economy growth if they can know the increase of loans that will be given in the economy. A very interesting side-finding was the dependency of countries to each other and the global impact a financial crisis will have on all economies.

Introduction

If we can summarize an economy in a single number, it would definitely be the gross domestic product, it is the most exhaustive variable in use, tough imperfect, but it remains very useful. This index was heavily used in this research.

All economists in the world and governments are concerned with this macro index as it reflects much of what’s happening in the economy, being able to predict it can be surely very valuable, the main purpose of this study is getting an estimation of the expected growth rate of the economy from an expected increase of loans, another thing that will be discussed is the dependence of economies to each other, and how are they correlated.

Conclusion

The results are astonishing, there is an almost perfect linear relationship between the changes of GDP with changes of Loans.

Using these results, we can understand now how analysts and officials make estimations about the expected growth about the economy, in this research, only one variable was taking into consideration as an explaining factor, but we can create a model that take many other variables and run a multiple regression that will estimates the GDP growth.