

# **An Effect of Inflation on the Exchange Rate in Japan**

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## *Abstract*

This paper provides empirical research of the effect of inflation on the exchange rate in Japan. Japan had experienced badly linger deflation for 20 years. In this terrible situation Japanese government has been trying to improve the economic situation. In recent regime, Japanese government set the inflation target at 2 % to make its economy better. So this paper is trying to find the effect how inflation works in Japanese economy on the exchange rate through empirical research which is a least-squares model.

*Key words:* Exchange rate Inflation

*JEL category:* F00