

Abstract

This thesis examines the factors that contributed to the rise of inflation in Somalia during the period (1990-2005). These factors include the fake shilling, wars, and lack of central authority. It also identifies the various impacts of inflation on Somali economy especially its impacts of economic growth, income distribution, and saving and consumption and balance of payment.

In order to assess the causes and impact of inflation on Somali economy, the researcher adopted an analytical descriptive approach; two types of data had been used, namely primary data which include questionnaire conducted with different groups of people (e.g. merchants, household, and bankers), secondary data which include references, NGOs and UN publications, Somali central bank publications.

The thesis reveals that inflation has a negative impact on many aspects of Somali economy the most important of which is its impact on poverty and employment, decline in the Somali people's real income, and hampering the business activity of Somali people by creating uncertainty among savers and investors.

To stop the continuous rise of rates of inflation in Somalia, a national unity government which includes all Somalis should be formed; this government should introduce economic policies that aim at increasing the productivity, inducing public saving, allowing Somali shilling to appreciate and controlling the growth of money supply.

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