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THE IMPACT OF GLOBAL FINANCIAL CENTERS ON THE ECONOMY (UNITED KINGDOM, UNITED STATES, SINGAPORE, UNITED ARAB EMIRATES)

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Abstract

By concentrating capital, investments, and financial institutions, major financial centers like the UK, US, Singapore, and the UAE are essential to the global economy. They have an impact on global economic policies, promote the effective movement of capital across borders, and help ensure the smooth functioning of international financial markets. The effects of these significant financial centers on their national economies are examined in this study, with an emphasis on economic development, foreign direct investment (FDI), commerce, inflation, and the service industry. The study utilizes panel data regression analysis, using data from 2010 to 2024, to determine how these variables influence GDP in these nations. The research emphasizes FDI's crucial role in fostering economic growth, even if inflation and the value of services have a detrimental impact. In the near term, trade has a less important and weaker connection with GDP. This research adds to our understanding of the economic impact of global financial hubs and offers policymakers advice on how to foster financial stability and sustainable development.

1. Introduction

Global financial centers are major hubs in the world's financial system, where large amounts of capital, investments, and financial institutes are concentrated. They play a key role in keeping global financial markets running smoothly, making it easy for money to move between countries and regions, and influencing economic policies at the international level. With globalization, and the global financial market is emerging for the first time, and the financial sector is becoming more important in the world economy. At the same time, new international financial institutions are developing, foreign investment is investing, and capital is being accumulated at a fast pace. The global financial system is also gradually changing from being dominated by a single center to a more multipolar and diversified structure, where several centers share influence (Svitlana Sidenko, 2022). In this situation, international financial centers are becoming even more important, as they not only support economic growth in their own countries but also affect the stability and development of the global economy.

Global financial centers such as the UK, US, Singapore and the are major hubs of the world financial system, where larger flows of capital, investment resources and financial institutes are concentrated.They help global financial markets work, make it easy for money to move between countries and regions, and play a key role in shaping the economic policy at an international level. In the UK, the financial and related professional services industry contributed £243.7 billion, about 12% of the UK real Gross Value Added (GVA) in 2023 (PwC for City of London Corporation, 2023). In Singapore, assets under management (AUM) hit $6.07 trillion at the end of 2024, with the financial sector growing by 6.8% year-on-year (Monetary Authority of Singapore via The Business Times, 2025). In New York State, the finance and insurance industry generated US $326.4 billion of GDP in 2024, being the largest single constituent of the state's economy (U.S. Bureau of Economy Analysis via USAFasts, 2024). Meanwhile, the Dubai International Financial Center (DIFC) reported that its assets under management rose from US $444 billion to US $700 billion (and 58% increase) in early 2024, underlining its growing regional role. Together these figures illustrate how international financial centers are increasingly significant in supporting economic growth, channeling investment and shaping the multipolar structure of the global financial system.

The UK, US, Singapore and the UAE are some of the most important financial centers in the world. They play a key role in moving money, attracting investments, supplying trade, and

creating new financial services. East city affects its own economy in different ways of benefiting from differences in financial systems, rules, and the level of market development. Even those countries are very influential, there is still limited research that compares how easy it is to influence economic growth, investment, trade, and financial stability. This makes it hard for governments, businesses, and researches to fully understand their benefits and possible risks.

The main goal of this study is to look at and compare how these global financial centers affect their economies. The study will focus on the countries as the UK, US, Singapore and the UAE to economic growth, their role in attracting foreign investment and moving capital, and their impact on trade. In addition, the study will examine how these centers influence inflation and services, and the overall competitiveness of their economies.

The study consists of six sections. Section 2 gives a review of the literature, Section 3 illustrations and data description, methods of research. Following that, Section 4 shows the results of the research, and Section 5 discussions the results from the date. Finally, Section 6 inclusions and conclusion of the study and recommendations.

2. Literature Review

Countries as the UK, US, Singapore and the UAE as major centers for financial activities, investment, and services asross borders, for that reason, it has been increasing attention from academia as well as from polysympants over the past several desades. Academia has invested in how financial centers explorers various factories that conference is to their prominence, including economic growth, regulatory frameworks, infrastructure, and their role in global trade and investment. It has been widely studied in advanced and emerging markets, but there are few studies of its impact in the top major countries as the UK, US, Singapore and the UAE context, where impact of these centers extends beyond financial markets; their influence national economics, drive innovation, and attractive talent and resources. This literature review examines the existing findings of research on the topic, providing methodologies, debates in the field. By analyzing preliminary studies, the review aims to identify gaps where further research is needed and analyze impast of global financial centers on the Economy of the UK, US, Singapore and the UAE.

Svitlana Sidenko (2022) conducted an in-depth study on the role of global cities as key hubs of financial, economic, and social development. In her research, more emphasized that concentration of financial capital, multinational corporations, and major financial institutes within these cities plays a crucial role in driving global economic dynamics. Sidenko argued that international financial centers not only facilitate the efficient allocation of capital and promotion innovation in financial services but also serve as gateways for integrating national economics into the broader global financial system. Moreover, she pointed out that the development of dry centers enhances a country's competitiveness, attracts foreign investment, and fosters job creation and urban development. Furthermore, Jessie P.H. Poon (2021) analyzed the complex relationship between illegal financial transactions and legitimate financial flows that move through international financial centers and offshore jurisdictions. Her study reviewed how these intertwined networks influence global financial stability and regulation efficiency. He underscored the pilot role of the United States in monitoring and regulating sush activities through its extensive legal and institutional frameworks. She also emphasized how multilevel com pliance systems and strong enforcement mechanisms—particularly evident in Singapore—enhance both US oversight efforts and Singapore’s standing as a reliable and transparent financial center.

In the research of determinants in the development of financial centers Giang Phung, Ha Truong and Hai Hong Trinh (2023) highlighted by the key factors influencing the formation of international financial centers. Not highlighted that their development dependencies on economic growth, government and business environment, financial development, labor force quality,

infrastructure, and the country's reputation and stability. They also emphasized the impact of recent political and technological changes on the future of global financial centers. Furthermore, Dariusz Wojcik and Stefanos Loannou (2020) discussed potential impastes of COVID-19 to financial sector, analyzing how the pandemic affected to global financial markets and centers. It predicts slower regulation progress, continuous firm consolidation, and growth in financial-related services. The spread of new financial technologies especially in retail banking is accelerated to accelerate but not uncessarily be led by FinTech firms. Local centers will face more challenges than major global ones, and the dominance of the U.S. dollar suggestions and major shift of financial power to Asia is unique.

Alami and Annina Kaltenbrunner (2023) studied why Development and Emerging Economics (DEEs), despite having different levels of economic strength, still hold a weaker position in the global financial system. Not pointed out that while many studies in international political economy and economics discuss this issue, their findings are otten scattered. To bring them together they introduced the idea of the International Financial Subordination (IFS), which explains how global financial power keeps DEEs dependent and unequal. Using ideas from democratic theory, post-Keynesian economics, and Marxism, he linked this financial subordination to history and post-colonial development.

Although the role of golobal financial centers in shapingeonomic development has been widely studied in the context of majoreoniacies, how this relationship operates in specicic financial hubs dry as the UK, US, Singapore and the UAE requests further examination. Most existing studies focus on broad financial systems or larger national economies, highlighting factors such as capital flows, financial regulation, and institutional frameworks. However, detailed analyzes of how individual global financial centers directly influence national and regional economic growth, investment attraction, and integration into the global financial system reform limited. In particular, empirical studies examining the relationship between the concentration of financial institutes, capital markets, and economic performance indicators in these cities are scarce. The main aim of this study is to address this gap by investing the economic impact of leading global financial centers and their role in driving financial development, investment, and overall economic integration.

3. Research Methodology

3.1 Theoretical framework

Global financial centers (GFCs) are urban hubs characterized by a high concentration of financial institutions, advanced capital markets, and skilled labor. They serve as critical nodes in the global economy by facilitating capital flows, risk management, and investment allocation. The theoretical understanding of their impact on economic performance draws from financial intermediation theory, agglomeration economics, and macroeconomic and globalization perspectives.

From the perspective of financial intermediation theory, GFCs enhance economic efficiency by channeling savings into productive investments, reducing transaction costs, and improving capital allocation. This can be formally expressed using a production function:

$$Y = A \cdot F(K, L, I)$$

where (Y) represents economic output (GDP), (K) is physical capital, (L) is labor, (A) is total factor productivity, and (I) captures financial intermediation services. The activity of a GFC GFCi contributes to financial intermediation, which can be modeled as:

$$I = \alpha_0 + \alpha_1 GFC_i + \epsilon$$

Substituting this into the production function shows that increases in GFC activity directly enhance GDP through improved capital allocation:

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$$Y = A \cdot F(K, L, \alpha_0 + \alpha_1 GFC_i + \epsilon)$$

Agglomeration economics explains another mechanism of GFC influence. Clustering financial institutions generates productivity spillovers, knowledge transfer, and operational efficiencies. This can be captured by modeling productivity Ai as a function of the number of financial institutions FIi in a region:

$$A_i = A_0 + \beta \cdot \log(FI_i)$$

where ß> 0 represents the elasticity of productivity with respect to the concentration of financial institutions. The more densely financial activities are clustered, the greater the spillover effects for the local and national economy.

GFCs also influence macroeconomic outcomes through investment and foreign direct investment (FDI). Following a Keynesian framework, GDP can be expressed as:

Y = C + I + G + NX

where (C) is consumption, (I) is investment, (G) is government spending, and (NX) is net exports. Investment itself is affected by the presence of a GFC:

$$I = I_0 + \gamma GFC_i$$

Integrating this relationship, the impact of GFCs on GDP can be expressed as:

$$Y = C + (I_0 + \gamma GFC_i) + G + NX$$

Additionally, GFCs attract foreign investment, which further supports economic growth. FDI inflows can be modeled as:

$$FDI_i = \delta_0 + \delta_1 GFC_i + \delta_2 Trade_i + u_i$$

where Tradei represents international trade and δ1 > 0 measures the effect of GFC activity on FDI. The resulting impact on GDP is:

$$\Delta Y = \phi \cdot FDI_i$$

Bringing these channels together, the overall theoretical relationship between GFCs and economic output can be represented as:

$$Y = F\Big(K, L, A_0 + \beta \log(FI_i), I_0 + \gamma GFC_i, \phi(\delta_0 + \delta_1 GFC_i + \delta_2 Trade_i)\Big)$$

This integrated framework illustrates multiple pathways through which GFCs influence the economy: enhancing financial intermediation and investment efficiency, generating productivity spillovers through agglomeration, and attracting foreign investment through global integration.

3.2 Empirical framework

This section examines the relationship between global financial centers and the economy. To carry out this analysis, it is necessary to obtain relevant data from reliable sources from the countries overseeing the study. The study obtained panel data on five variables from the World Bank Open Data Platform. Five economic indicators were examined that reflect the global financial centers of the UK, US, Singapore and UAE. The observation period is from 2010 to 2024. The paper analyzes the relationship between independent variables such as foreign direct investment (FDI), service value added (SV), trade (TR) and inflation (INF), with GDP growth (GPD) being the dependent variable. Selecting these variables provides insight into the economic effects associated with global financial centers. In this study, Microsoft Excel 2010 and STATA 17.0 were used as the main software tools for data management and econometric analysis. Before the empirical analysis, several preliminary procedures were carried out to ensure the reliability and suitability of the data for the study.

Table 1: Data description, source, and format

Sign	Variables	Definition	Source	Format

FDI	Foreign direct investment. net inflows (% of GDP)	Net inflows of foreign investment relative to the size of the economy.	World Bank (WDI), 2025	CSV/Excel
SV	Services. value added (% of GDP)	Share of GDP generated by the services sector, including financial services.	World Bank (WDI), 2025	CSV/Excel
TR	Trade (% of GDP)	Degree of economic openness measured by total trade relative to GDP.	World Bank (WDI), 2025	CSV/Excel
INF	Inflation GDP deflator (annual %)	Annual percentage change in the overall price level of the economy.	World Bank (WDI), 2025	CSV/Excel
GPD	GDP growth (annual %)	Annual rate of increase in real economic output.	World Bank (WDI), 2025	CSV/Excel

Source: processed by the author.

Following this, a panel data regression model with random effects was employed as the main analytical method. The random effects model was chosen because it accounts for unobserved heterogeneity across countries while assuming that these individual-specific effects are uncorrelated with the explanatory variables. This approach allows for more efficient and unbiased estimates when compared to pooled OLS in the presence of cross-sectional differences. The main random effects regression model used in this study is specified as follows:

$$ln(GDPit) = \beta 0 + \beta 1\ FDIit + \beta 2\ SVit + \beta 3\ TRit + \beta 4\ INFit + ui + \varepsilon it$$

Where:

- β_0 – intercept of the model
- β_1 – coefficient of *Foreign direct investment, net inflows (% of GDP)*
- β_2 – coefficient of *Services value added (% of GDP)*
- β_3 – coefficient of *Trade (% of GDP)*
- β_4 – coefficient of *Inflation, GDP deflator (annual %)*
- ***i*** - indexes countries (financial hubs), ttt indexes time,
- ***ui*** - captures country-specific unobserved effects,
- ***εit*** – error term.

4. Result

This section presents the empirical results of a study examining impact of global financial centers on the economy of UK, USA, Singapore and UAE. The study's main purpose is to determine how indicators associated with these financial centers, such as foreign direct investment, services value added, trade, and inflation, affects to GDP growth. In order to achieve this goal, descriptive statistics are first presented to show the distribution and basic characteristics of the variables used first. Next, a correlation matrix is analyzed to identify the strength and direction of the relationships between these economic indicators and GDP growth, then panel panel unit root tests to determine the stationarity of key macroeconomic variables, ensuring the validity of the regression analysis by addressing potential unit roots. Finally, a panel data regression model with random effects regression analysis is conducted to statistically assess the impact of the selected variables on economic growth. Each result is interpreted in the context of the study's objectives and the economic influence of global financial centers.

4.1. Descriptive statistics

Table 2 illustrates descriptive statistics of the key variables used in this study. On average, Foreign Direct Investment (FDI) net inflows amount to approximately 8.02% of GDP, ranging from -0.87% to 33.30%, indicating variability in foreign investment across countries. The

services sector (SV) contributes significantly to the economy, with a mean value added of 67.87% of GDP. Trade openness (TR), measured as total trade relative to GDP, shows a high average of 149.53%, reflecting the strong integration of these economies into global markets. Inflation (INF), measured by the GDP deflator, has a moderate average annual rate of 2.36%, with some countries experiencing deflation as low as -16.27%. Lastly, GDP growth (Gdp) averages 2.92% annually, with significant variation from -10.30% to 14.52%, illustrating differing economic performance within the sample.

Table 2. Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Gdp	60	2.92	3.362	-10.297	14.52
FDI	60	8.019	9.945	-.873	33.305
SV	60	67.869	10.571	42.271	80.011
TR	60	149.526	123.243	23.08	379.099
INF	60	2.363	5.39	-16.267	16.528

Source: created by the author in STATA 17.0

The graph 1 (Figure 1) shows the evolution of net foreign direct investment (FDI) inflows as a percentage of GDP for Singapore, the UAE, the UK and the US. Overall, the comparative analysis shows that Singapore stands out for its high levels and volatility of FDI, while the US is characterized by stability and the UK the most volatile investment flows. These differences highlight the importance of taking into account country specificities when analyzing the role of foreign direct investment in global financial centers.

Singapore has the highest FDI values among the countries considered: in some years, inflows exceed 30% of GDP, with significant fluctuations over time. This reflects the high investment openness of the economy and its sensitivity to global financial conditions. In the UAE, FDI values are significantly lower and at the beginning of the period are around 2–3% of GDP, but in subsequent years there is a gradual increase, reaching approximately 7–8% of GDP.

The UK demonstrates marked instability in foreign direct investment inflows. In some years there are sharp spikes exceeding 10% of GDP, followed by periods of decline to values close to zero. Such dynamics may be associated with external economic shocks and structural changes in the economy. In the US, by contrast, FDI inflows remain relatively stable throughout the period and tend to fluctuate within a narrow range of around 1–3% of GDP, indicating a mature and resilient investment climate.

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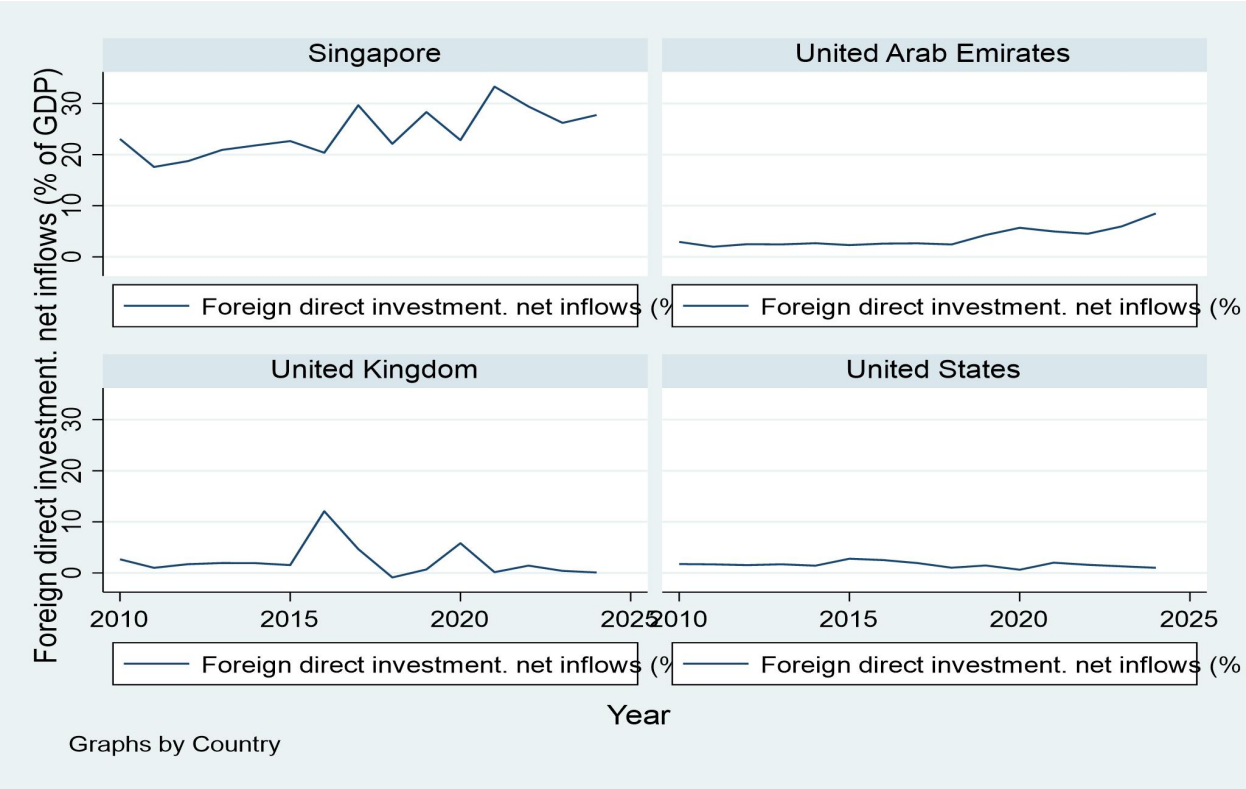

Source: created by the author in STATA 17.0

Figure 1 illustrates the trends in foreign direct investment (FDI) net inflows (% of GDP) for four major global financial centers from 2010 to 2024.

The chart (Figure 2) shows the value added of services as a percentage of GDP in Singapore, UAE, UK and US between 2010 and 2024/2025. In Singapore, the share of services is gradually increasing from just over 65% in 2010 to around 70–72% by 2024, indicating a steady shift towards a more service-oriented economy. In the UAE, services account for only 47–50% of GDP at the beginning of the period, increase to around 55–60% between 2013 and 2018, and then fluctuate, falling around 2020, before recovering towards the end of the period. In contrast, the UK has consistently recorded one of the highest and most consistent service shares, remaining at 70–75% throughout the period, while the US follows a very similar trajectory with only minor fluctuations. There has been a clear convergence between the UK and the US throughout the years, while Singapore is gradually moving towards the same range. Although the UAE remains below the other three countries, its growth trend suggests a gradual move towards a more service-oriented economic structure. Overall, the data highlight the structural dominance and stability of the services sector in advanced economies, a progressive but uneven transformation in the UAE.

This graph (Figure 3) shows the most striking feature is the exceptionally high trade-to-GDP ratio in Singapore compared with the other three economies. In Singapore, trade accounted for over 300% of GDP at the beginning of the period under review, gradually declining to approximately 250–270% by 2024. While this figure is declining, it remains extremely high, reflecting Singapore's dependence on international trade and its role as a global logistics and re-export hub. In contrast, in the UAE, the share of trade is significantly lower but gradually increasing, rising from about 90–100% to approximately 110–120% before declining slightly toward the end of the period. The UK has a relatively stable trade-to-GDP ratio of around 55–65%, with minor fluctuations.

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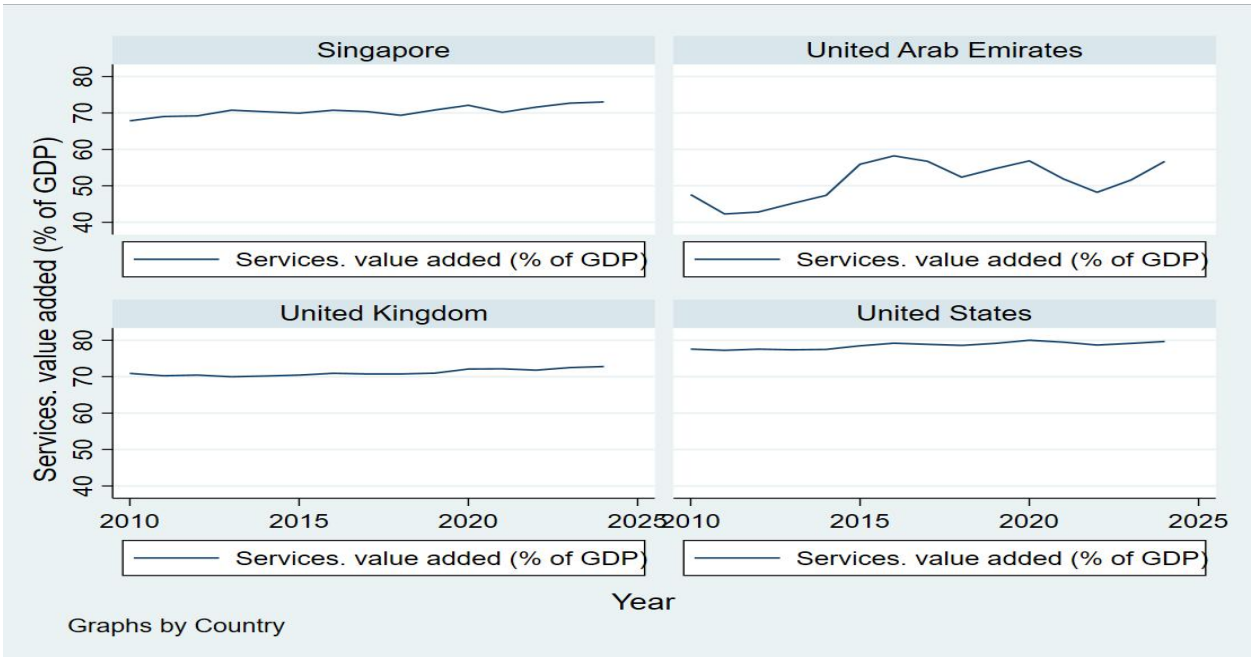
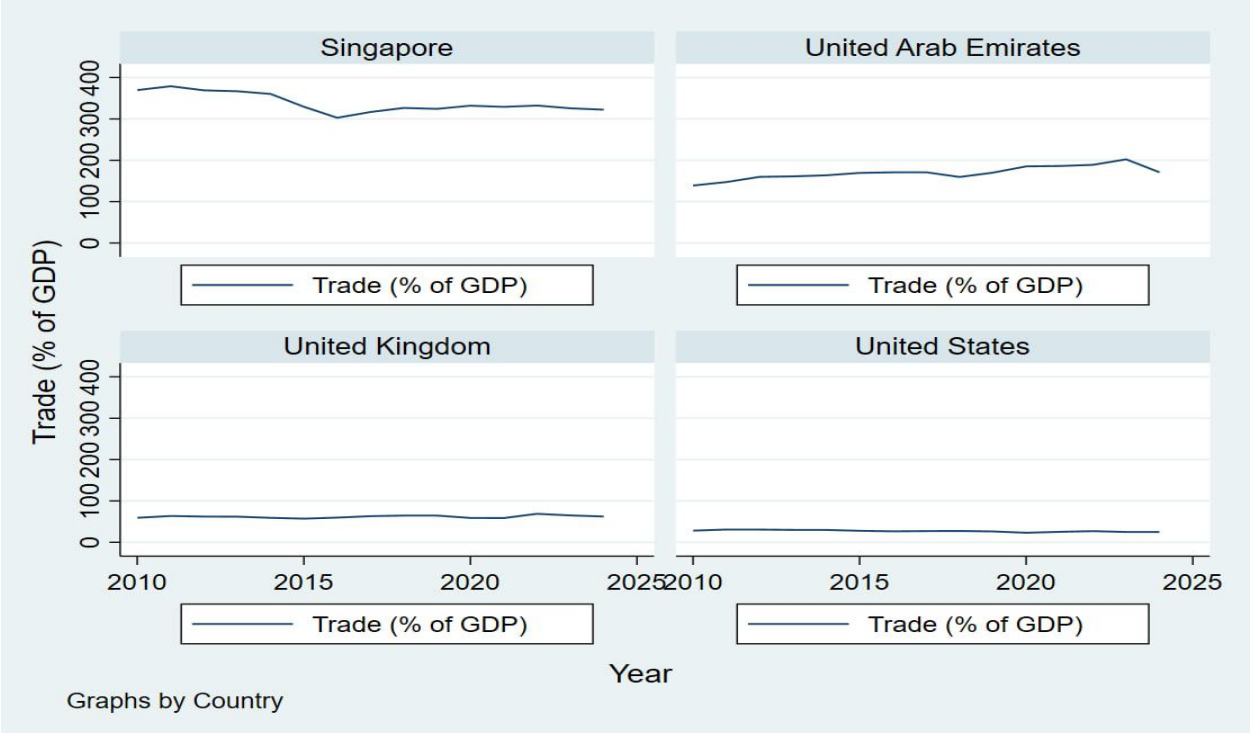


Source: created by the author in STATA 17.0

Figure 2 illustrates the share of services value added as a percentage of GDP in Singapore, the UAE, the UK, and the US between 2010 and 2024.



Source: created by the author in STATA 17.0

Figure 3 illustrates the share of trade added as a percentage of GDP in Singapore, the UAE, the UK, and the US between 2010 and 2024.

In the US, this ratio is the lowest: trade accounts for only around 25–30% of GDP, demonstrating a relatively closed structure compared to other countries, driven by a large domestic market. Overall, the data highlight significant structural differences: Singapore is highly dependent on trade, the UAE is also largely open, albeit less stable, while the UK and especially the US are much more reliant on domestic economic activity.

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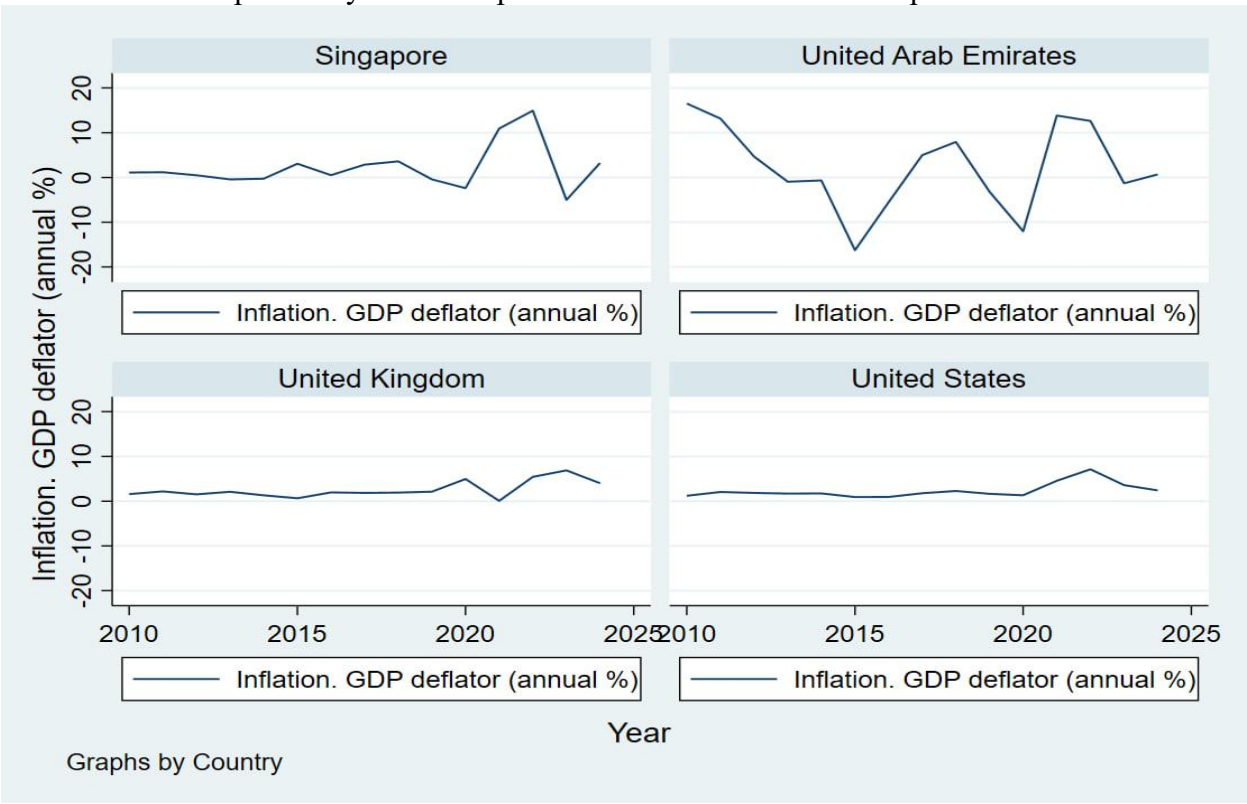
Figure 4 shows annual GDP-deflator inflation rates in four global financial hubs. In Singapore, inflation fluctuated around low positive values for most of the period, although there were a few notable spikes, including a sharp rise to double-digit inflation followed by an equally sharp decline. The UAE exhibited the greatest volatility, with inflation falling from relatively high levels at the start of the period to negative values around the mid-2010s, before recovering and rising sharply again around 2018–2019, followed by further fluctuations. In contrast, inflation in the UK remained mostly in a narrow positive range, with only moderate changes over time. A similar pattern is observed in the US, where inflation also remained relatively stable before temporarily rising around 2021–2022 and then declining. The data suggest that inflation dynamics have been much more volatile in Singapore and particularly in the UAE, while the UK and US have seen comparatively smoother price movements over the same period.



Source: created by the author in STATA 17.0

Figure 4 present the annual GDP-deflator inflation rates in Singapore, the UAE, the UK, and the US over the period from 2010 to 2024.

The graph (Figure 5) shows displays of annual GDP growth in 4 different countries from 2010 to 2024. At the start of the period, Singapore's economy is expanding at a rate of over 10%, but by 2020, it has slowed to 2–5% before entering negative territory. Following this, there is a quick return to about 10%, and then the pace of expansion slows down to a moderate rate. The UAE also exhibits cyclical behavior, with numerous periods of acceleration and deceleration, notably the severe fall in 2020 followed by a robust rebound. The UK's growth rate is still low for the majority of the time, hovering between 1 and 3%, but in 2020 it falls sharply to almost -10% before quickly recovering and eventually leveling out. Of the four economies, the US has the most consistent pattern, with consistent moderate growth that was only broken by a fall in 2020 and a subsequent recovery high between 2021 and 2022. These trends demonstrate the structural resilience of the US and UK economies, while Singapore and the UAE have a greater potential for rebound despite their higher cyclical sensitivity.

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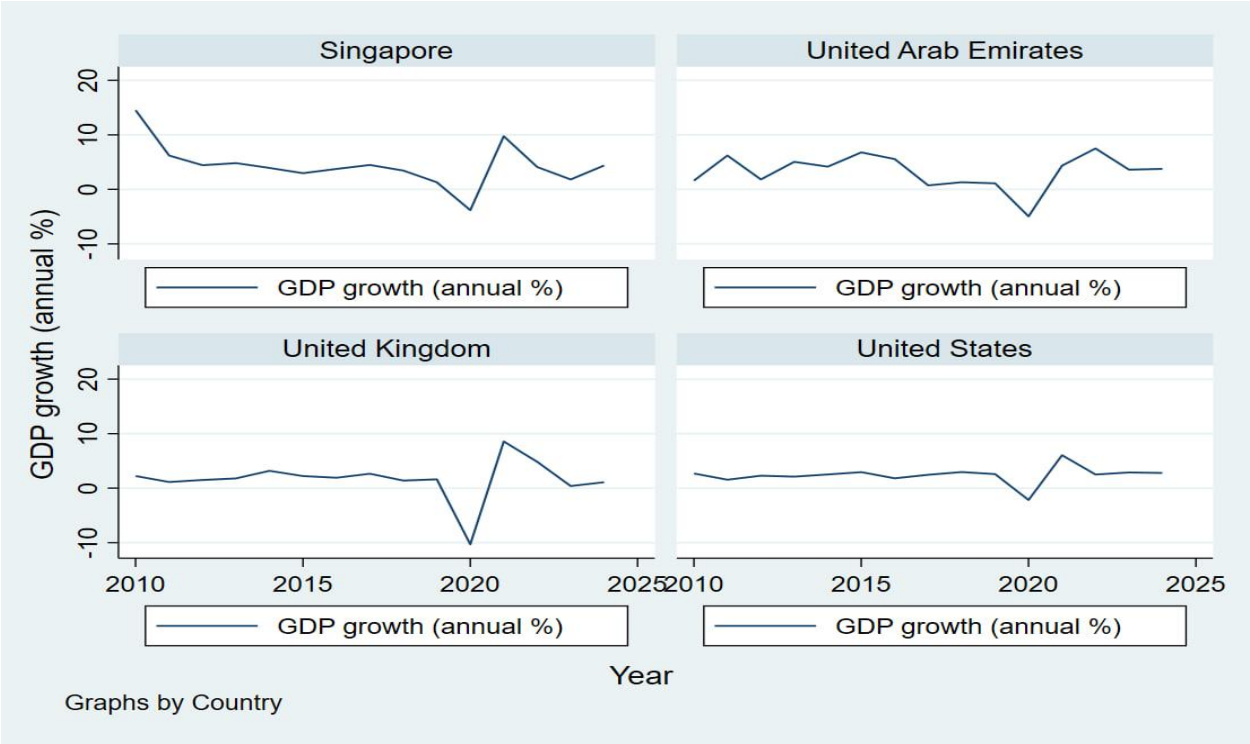

Source: created by the author in STATA 17.0

Figure 5 displays annual GDP growth in Singapore, the UAE, the UK, and the US between 2010 and 2024.

4.2 Correlation Matrix

A pairwise correlation test is used in Table 3 to illustrate the connections between the major variables in this study. These correlation coefficients help to comprehend the relationship's intensity and direction. The significance levels ($p < 0.01$, $p < 0.05$, and $p < 0.1$) indicate that these relationships are statistically significant.

Table 3. Pairwise Correlation test results

Variables	(1)	(2)	(3)	(4)	(5)
(1) Gdp	1.000				
(2) FDI	0.236	1.000			
(3) SV	-0.141	0.080	1.000		
(4) TR	0.307	0.880	-0.275	1.000	
(5) INF	0.123	0.029	-0.107	-0.040	1.000

Source: created by the author in STATA 17.0

Correlation analysis revealed a combination of positive and negative links between the variables being studied. Foreign direct investment (FDI = 0. 236) and trade openness (TR = 0. 307) are both positively correlated with GDP, which suggests a possible connection between economic expansion, investment activity, and international economic integration. However, the link between GDP and the value of services (SV = -0.141) is weak and negative, but the correlation with inflation is only somewhat positive (INF = 0.123).

The strong positive correlation between foreign direct investment and trade (FDI-TR = 0.880) shows that there is a strong link between investment flows and trade activity in the economies of the world's financial hubs. The value of services and trade has a negative correlation (SV–TR = −0.275), whereas inflation has a weak and negative correlation (SV–INF =

−0.107). The link between trade and inflation is likewise weak and negative (TR–INF = -0.040) and there are no significant connections between inflation and other factors.

4.3 Panel unit root test result

Panel unit root tests (Levin-Lin-Chu) were performed for all model variables in order to assess the effects of international financial hubs on the economy. The test revealed that GDP is a stationary variable with a p-value of 0.0000, indicating that its mean and variance remain constant throughout time. Inflation (INF, p-value = 0. 0003) and trade (TR, p-value = 0.0020) were both found to be stationary. On the other hand, FDI (p-value = 0.5886) and service value (SV) (p-value = 0.1406) showed a non-stationary result, pointing to the existence of a trend or long-term fluctuations in these factors. The first differences of FDI and SV were used, which were labeled dFDI and dSV and included in the subsequent regression model, in order to properly account for non-stationary variables in the regression analysis. This makes sure that statistical predictions are accurate and prevents false regression.

4.4.Regression results

Analyzing the results of the panel regression model with random effects involves estimating the coefficient values, testing their statistical significance, and determining how well the model describes the overall data (Table 4).

Empirical findings show that the model is statistically significant overall ($\chi 2$ = 40.49; $p<0.01$), with an overall R-squared of 0. 352, indicating that the model accounts for around 35% of the total variation in economic growth. As demonstrated by an intra R-squared of 0.504 and an inter R-squared of 0.212, the explanatory power is greater for intra-group variation over time. According to the coefficient estimates, economic growth is negatively and significantly impacted by lnINF. For example, all other factors being equal, a 1% rise in inflation is correlated with a roughly 0.26% decline in GDP. This finding supports the idea that macroeconomic stability is weakened and economic activity is hampered by inflationary pressures. At the 5% level, the SV variable likewise shows a negative and statistically significant impact. A unit increase in SV results in a 4. 3% decrease in GDP, which may be the consequence of income shifting from consumption to SV in the near term.

Table 4. Regression results

lnGdp	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
lnINF	-.256	.093	-2.76	.006	-.437	-.075	***
SV	-.043	.02	-2.15	.031	-.081	-.004	**
lnTr	-.571	.324	-1.76	.078	-1.205	.064	*
FDI	.08	.028	2.85	.004	.025	.135	***
Constant	6.144	2.601	2.36	.018	1.045	11.243	**

Mean dependent var	1.013	SD dependent var	0.675
Overall r-squared	0.352	Number of obs	46
Chi-square	40.490	Prob > chi2	0.000
R-squared within	0.504	R-squared between	0.212

*** p<.01, ** p<.05, * p<.1

Source: created by the author in STATA 17.0

Although lnTr has a detrimental impact on economic development, this link is only statistically significant at the 10% level. The evidence for the effect of commerce on GDP is therefore inconclusive and should be viewed with skepticism. On the other hand, FDI has a beneficial and significant impact on economic development. The crucial role of foreign capital

inflows in encouraging economic activity and boosting productive capacity is seen by the fact that a one-unit increase in FDI leads to an estimated 8% rise in GDP.

5. Discussion

This study examines the impact of global financial centers on the economy of United Kingdom, United States, Singapore, United Arab Emirates these countries between 2010 and 2024. From the above results, variations in lnINF, SV, lnTR, and FDI in the chosen financial hubs have a statistically significant effect on GDP. Rose and Spiegel (2009) suggested that greater distance from major financial hubs may exacerbate macroeconomic instability.

In contrast, Krill, Hubert, and Labondance (2015) found that financial instability negatively affects economic growth, while Sinan Esen and Korhan Gokmenoglu (2016) showed that GDP growth has a positive impact on the economy, fostering its long-term development. Therefore, macroeconomic instability rises with distance from financial centers, potentially slowing GDP growth.

It should be noted that the absence of significant statistical significance for certain variables does not indicate that the data is unreliable or that the model is insufficient. Instead, it suggests that GDP in the financial centers and throughout the period under consideration is only moderately affected by short-term changes in the macroeconomic variables analyzed. These results emphasize the intricacy of the ways in which international financial hubs impact economic expansion and highlight the necessity for more thorough studies that take into account long-term consequences, take into account more explanatory factors, and investigate various model specifications.

6. Conclusion

Between 2010 and 2024, this study analyzed the effects of significant macroeconomic factors, such as foreign direct investment (FDI), service value (SV), trade (TR), and inflation (INF), on GDP in key financial centers like the United Kingdom, the United States, Singapore, and the United Arab Emirates. The findings demonstrate, utilizing panel data and random-effects regression techniques, that FDI has a positive and statistically significant impact on GDP, whereas service value (SV) and inflation have negative and significant effects. Although trade shows have a negative relationship with GDP, their impact is only marginally important. As unobserved time-invariant country-specific variables may have an impact on GDP, model diagnostics indicated that a random-effects specification was acceptable.

The significance of these results is that they emphasize that changes in these macroeconomic factors have a little impact on GDP in the near term, while long-term structural and institutional factors seem to have a greater impact on economic expansion in sophisticated financial hubs. The beneficial impact of FDI implies that foreign capital inflows encourage economic activity, while the detrimental effect of service value and inflation suggests that rising prices or instability in these sectors may limit growth in the near future. Policymakers should prioritize managing inflation, promoting stable investment climates, and fortifying the long-term institutional and structural underpinnings of their economies.

However, the research has some drawbacks. The results might be less reliable due to the small sample size and lack of data points. Additionally, the model ignores other possible variables that might influence GDP, such as technological advancements, financial market expansion, or worldwide economic crises. Additionally, the linear model only accounts for immediate consequences and ignores any potential lag or dynamic effects of macroeconomic fluctuations. In order to better comprehend the intricate mechanisms by which financial hubs affect economic development, future research may broaden the dataset, incorporate more explanatory variables, and use more advanced econometric techniques.

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