

Regime Dependent Impulse Response Analysis

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An Analysis of the Relationships among Exports, Imports, Physical Capital and Economic Growth in Pakistan

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Abstract

This review emphasized the relationship among capital formation, economic growth, exports and imports in case of Pakistan scenario using time series data from 1976 to 2015. Augmented Dickey Fuller Test, Johansen Co-integration, Vector error correction model and Granger Causality techniques have been used to check the relationships among exports, imports and economic growth. The results from this study show that the exports, imports, real GDP and gross fixed capital formation have a long run relationship and are co-integrated. This study uses the data of Pakistan and concludes that GDP doesn't granger cause with the export and import while export and imports do granger cause with the GDP in the long run. Finding of the study also displays that physical capital formation has no impression over GDP. Previous study shows the positive relation among exports, imports, capital formation and economic growth while this study shows that in the long run capital formation and economic growth has no effect. Government subsidizes the exports and also increases the duty bills on imports that help boost the domestic industries manufacture the goods and motivate to produce the best quality of goods.

Keywords: Economic Growth, Exports, Imports, Capital Formation, Real GDP, Granger Causality.

JEL Classification Codes: F2: O47

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