

AN EMPIRICAL STUDY TO FIND THE RELATIONSHIP BETWEEN TRADE DEFICIT AND BUDGET DEFICIT IN PAKISTAN

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ABSTRACT

In this paper an attempt has been made to investigate the relationship between trade deficit and budget deficit in case of Pakistan. Annual data has been used for the period from 1980 to 2009. Also causality between the two has been checked via Granger Causality test to find that which variable is responsible for causing the other. While for simple regression OLS technique is used in the study. The result of the study showed that in case of Pakistan the budget deficit is mainly caused by trade deficit and causality run from trade deficit to budget deficit.

Key words: Budget deficit, Trade deficit, Pakistan