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**IMPACT OF MACROECONOMIC VARIABLES ON
TRADE BALANCE AND EXPORTS OF PAKISTAN**



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ABSTRACT

Topic: *Impact of Macroeconomic Variables on Trade Balance and Exports of Pakistan*

The study is segregated into two categories first the impact of remittances and trade liberalization on trade balance of Pakistan are analyzed and in second equation impact of Real Effective Exchange rate, Capital investment and Foreign direct investment on Exports of Pakistan are examined. Econometric technique of Augmented Dicky fuller is used to investigate the stationarity of variables, subsequently Engel granger is used to determine whether there exist a long run relationship among variables or not and after conformity of variables are integration of order one Johansen Co-integration is applied to examine the long run relationship among variables.

The results showed that in the first equation there exist a significant long run negative impact of remittances and trade liberalization on trade balance of Pakistan and in the second equation Capital Investment has positive impact on exports of Pakistan, in contrast FDI and REER have significant long-run negative impact on exports of Pakistan.it means currency devaluation policy to restrict trade deficit does not hold true in case of Pakistan because exports comprised of few primary commodities.

Keywords: *Remittances, Trade Liberalization, Trade Balance, FDI, Capital Investment, REER, Exports.*

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