

Impact of Macroeconomic Factors with mediation of Years in Pakistani
Economy



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Abstract

Macroeconomic factors play a fundamental role in attracting the growth the country. This research examined the impact of various macroeconomic factors on Economy of Pakistan for the period of 2004-2018. The core objective of this research was to check the impact of interest rate, Foreign Direct investment and exports of Goods and Services on development of Pakistan and how it significantly impact inflation of a country. The tool for analysis was multiple regression models. This research used Descriptive Statistics, Multi-co linearity, Heteroscedsticity, Serial Correlation, Pearson Correlation, Variance Inflation Factor, Breusch Pagan, Durbin – Watson Test and lastly Regression Analysis. The results of this study show that inflation exerts negative significant effect on Pakistan GDP whereas investment shows positive significant effect Moreover net export has been highly positive significant on Pakistan GDP.

From several years Pakistan is suffering from double digit inflation. The studies consist of the subject matter either suffer from unsuitable model specification or focused only on monetary sources of inflation. The studies which focused on monetary and structural variables also did not take into account all relevant variables. Besides, the models are tested separately for high and low inflation period, as well as, for long period. Furthermore, impacts of inflation on savings and economic growth are also analyzed. Based upon practical findings, policy implications are proposed to control inflation.

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