

EconWorld2014@Prague

Panel Causality Analysis of Relationship Between Current Account Deficit and Economic Growth: Example of The G7 Countries

Filiz Erataş¹¹Celal Bayar University, Turkey

A B S T R A C T

The purpose of this study is to determine the causality relationship between the current account deficit and economic growth for the “G7 “ countries (Canada, France, Germany, Italy, Japon, United Kingdom and United States). In this context, an empirical model has been developed in the scope of the panel data analysis using annual data for the period of 1980-2012. Firstly, heterogeneity of the variables were investigated using the delta test, and then dependence between cross-sectional units that make series were examined by the CADF test. After the existence of the cointegration relationship between the series proved by using the Westurlund ECM cointegration test, Dumitrescu-Hurlin panel causality test was applied. According to the empirical results, in the long term there are causal relationships from current accounts to economic growth in the G7 countries.

KEYWORDS Current Account Deficit; Economic Growth; Panel Data Analysis; Panel Causality Analysis

JEL F32, F43, C33