ABSTRACT

The intention of this study is to scrutinize co-integration and Granger causality between steel production and economic growth in Pakistan. The data is collected from world steel association. It is an annual data for Pakistan covering time period of 1980-2012. This time span allows us 42 observations for our time series analysis. Data on GDP, crude steel production and Blast furnace iron production it is used as a proxy. Steel production and GDP used after logarithm transformation. Stationarity tests of Augmented Dickey Fuller (ADF) and Phillip Peron (PP) test with the assumption that GDP and Steel in logarithmic form divulge intercept and trend are applied. Both variables are non stationary at level, and stationary at first difference after using ADF and PP test. GDP and PP test are stationary at first difference. To check long run association between steel and GDP Growth we apply the test of cointegration presented by Johansen (1988). Empirical results show the presence of cointegration between steel production and economic growth. Finally we applied Granger causality test to find the direction of casual relationship between both variables. There is long run association between steel production and economic growth.