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**UNDERSTANDING THE FACTORS BEHIND CURRENT ACCOUNT
DEFICIT PROBLEM: A PANEL LOGIT APPROACH ON 16 OECD
MEMBER COUNTRIES**

Abstract:

In this paper, we aim to empirically test the relationship between current account deficit and different macroeconomic variables by using panel logit model. For this research, we selected 16 OECD member countries over the years of 2005-2009. Our empirical results indicate that there is a significant positive relationship between the current account deficit and public expenditure. On the other hand, significant negative relationships have been obtained between consumer price index (CPI), unemployment rate and the current account deficit. These three variables not only have a direct effect on the crisis indicator, but also have an indirect effect on the economies of 16 OECD member countries by increasing the probability of a volatile regime.

Keywords:

Panel logit, Current Account Deficit, OECD Member Countries, Financial Crisis, Macroeconomic Variables.

JEL Classification: C58, E44, C33