ABSTRACT

Railways are usually considered as the life line of the country. Pakistan railways facing deficit from early 70’s. Most importantly, rail freight earnings have declined gradually that in 2012-13 it downshifted to only 11% share whereas it remained more than 60% up to 70’s. This study aims to examine the factors affecting rail freight demand in the short and long run by incorporating macroeconomic variables. For this purpose annual time series data for the period of 1981-2012 have been used and obtained from different sources. For analysis of short and long run impact of variables on rail freight demand growth, Autoregressive Distributed Lag approach (ARDL) to cointegration have been employed. The results showed that GDP and share of manufacturing sector to GDP has positive impact on rail freight demand in the short and long run. Furthermore, the study finds negative influence of freight rate and domestic oil prices in both the dynamics. The implications of the study that government may adopt policies for lowering oil prices, and promoting manufacturing sector and taking measures to reduce freight rates.

Keywords: Rail freight demand, freight rate, GDP, ARDL, Pakistan