

ABSTRACT

This thesis investigates the impact of Foreign Direct Investment (FDI), exchange rate fluctuations, and inflation on automobile production in Pakistan. By analyzing data spanning from 1995 to 2022, this study employs GLM model to identify and quantify the impact of these macroeconomic variables on the output of the automobile industry. The findings indicate that FDI has a significantly positive effect on automobile production, enhancing production capacity, technology transfer, and competitive dynamics within the industry. Exchange rate stability is shown to support production by reducing the cost of imported materials. Inflation presents a complex relationship with production as high and unpredictable inflation erodes purchasing power and increases production costs, thereby constraining output. This study also validated the results with measures such as MAPE, Theil Inequality Coefficient and Ramsey RESET test. These results underscore the importance of strategic policy measures to attract FDI, manage exchange rate stability, and control inflation to foster a robust automobile industry in Pakistan. The study provides valuable insights for policymakers and industry stakeholders, suggesting targeted strategies to enhance industrial growth and economic performance.