

Abstract

This work aims to provide with the procedure of bivariate causality testing based on Granger (1969). We focused on exploration of forecasting capability of GDP components on output itself. We examine, which of five components defined in accordance with the expenditure approach can be useful in forecasting economic growth. Overall, the causal relationship is examined on national accounts data from three member states of the European Union: Austria, France and Germany. For the sake of general inference, the Granger causality tests are executed on panel data, too. We concluded, that consumption and investment possess ability to forecast economic growth. In contrast, GDP was found to be useful in forecasting government expenditures.