

*“Natural Gas Consumption and Economic Growth in European Union”*

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**Abstract:**

The objective of this Master thesis is an evaluation of relationship between natural gas consumption and economic growth in Europe. The sample includes panel time series data over the period from 1997 to 2011 for 26 EU member states (countries of the Euro zone). Based on neoclassical growth model, a multivariate model including gross fixed capital formation and total labor forces of a country as additional explanatory variables was created. Using recent econometric techniques: panel cointegration tests and error correction modeling, it was found that there existed long-run relationship between economic growth, natural gas consumption, labor and capital. In addition, it was investigated that in the short-run there existed bidirectional causality between natural gas consumption and economic growth. It appears that the causality between economic growth and the natural gas consumption is positive. On the other hand, the reverse causality (a relationship between natural gas consumption and economic growth) appears to be negative.