

This study empirically investigates the impact of macroeconomic and institutional variables on the current account balances of nine selected developing Asian countries over the period of 1984-2012. The Fixed Effect (FE) technique has been used to observe the effect of macroeconomic variables on current account. The results indicate that trade openness; domestic relative income and real effective exchange rate are the variables which are significant and positively associated with the current account balances of developing Asian countries. However, when the institutional variables are included i.e. higher corruption, law & order and bureaucratic quality has turned out to have the significant effect on current account.

Key Words: Current account; Developing Asian Countries; trade openness; real effective exchange rate; fixed effect; institutional variables