Reply to Referee 1

According to our view, the introduction conveys the research problem by stating that the Pakistan industrial sector has been confronting serious and sharp decline in the manufacturing (large as well as small scale) output. The introduction part also states the contribution in the literature by mentioning that the previous studies regarding the energy and output relationship conducted for Pakistan took only the aggregate economy (GDP). In our study we concentrate only on the industrial sector in order to realize the importance of energy to the industrial growth, furthermore, we also check out the relationship of industrial output with the disaggregate energy variables so that the policy makers would find and develop energy policies particularly for the industrial sector as well as to fulfill disaggregate energy demand for the industries, since we could not sketch the same policies for agriculture, services and industrial sector. Still, I would reconsider the introduction part in order to elaborate the research problem and its importance. Regarding the language mistakes and links of the references to the journal websites, we would definitely improve in the revised version of the paper.

Secondly, since the data on energy prices are not available for the sample period, therefore it is reasonable to use CPI as a proxy for energy prices. Because, Pakistan’s economy is dependent on energy and energy imports. Secondly, it is used to measure the reaction of disaggregate energy consumption towards the changes in price level. We understand the referee’s view; we will explain the reasons to use CPI as a proxy of energy prices in the revised version of the paper.

There are few reasons which make the sample size reasonable:

1. East Pakistan (presently Bangladesh) was separated in 1971, therefore it is quite sensible to use data from 1972 to analyze and used for the forecasting.

2. By using the Monte-Carlo technique, many scholars conducted comparison of several cointegration tests. Their findings suggest that, in small samples the performance of the tests also appear good enough in terms of size and power. Though, the efficiency and consistency of the result could be improved by increasing the sample size. Furthermore, the lag length also affects the sample size, but in our case the lag selection is nominal that doesn’t make any huge difference in the power of the tests.

3. At last, M. Naisr & Faiz Ur Rehman (2011), M. Shahbaz & H.H Lean (2012), Anjum Aqeel & M. Sabhiuddin Butt (2001), Chien-Chiang Lee & Chun-Ping Chang (2005) and George Hondroyiannis, Sarantis Lolos & Evangelia Papapetrou are the few examples who used the small samples on the similar topic by utilizing the cointegration and unit root tests.