THE IMPACT OF MACROECONOMIC VARIABLES TOWARDS THE GROSS DOMESTIC PRODUCT (GDP) IN MALAYSIA

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ABSTRACT

This study investigates the relationship between macroeconomics variables and GDP growth in Malaysia over the period from 1986 until 2015 which is 30 years. The macroeconomics elements that have been chosen are Inflow Foreign Direct Investment (FDI), Outflow Foreign Direct Investment (FDI), Inflation rate and Trade. Ordinary Least Square (OLS) method is used to examine the level of influences these variables towards GDP growth in Malaysia. By using this approach, there are positive relationship between FDI Inflow and FDI Outflow towards GDP. Meanwhile, Inflation and Trade had negative correlation. The only significant variables are FDI Inflow, while the others are insignificant, but the level of the insignificant are not high. This finding suggests that Malaysian government should commit political and fiscal supports of human capital to attract the inflow of FDI which would contribute in economy by an intensive to provide more skilled workers by prepared some trainings for employees. Next, the government should control the level of general price in order to keep as low as possible the inflation rate by considering the factors that influence the general price level, such as exchange rate volatility and money supply to boosting the economic development. Last but not least, the government can reduce some taxes charges to producers which is it can lower the cost of producing goods and services. Thus, it will reduce the price of the goods, and the quantity demanded for that product will increase. This situation will increase the total export of goods and services more than imported