THE RELATIONSHIP OF MACROECONOMIC VARIABLES TOWARDS ECONOMIC GROWTH IN MALAYSIA

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ABSTRACT

Economic growth has always been treated as the one of the current issue that have investigated by many researchers due to the volatility of economic growth. The aim of this study is to examine and investigate the relationship between macroeconomic variables which include interest rate, net export, exchange rate and foreign direct investment towards economic growth in Malaysia. The Ordinary Least Square method has been selected for the analysis. The sources of data are Index Mundi and World Bank which secondary data has been collected from the year 1987 to 2016. The study shows that interest rate, net export and exchange rate have negative relationship towards economic growth. In the other hand, foreign direct has positive relationship with the economic growth. In this study, the net export, exchange rate and foreign direct investment are significant with the economic growth which at 10% significant level for the net export and exchange rate while foreign direct investment at 1% significant level. Based on the result, it is crucial to know the variables that can influence the economic growth since to avoid the circumstances in the future.