THE IMPACT OF MACROECONOMIC FACTORS ON MONEY SUPPLY IN MALAYSIA

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ABSTRACT

Many researchers have examined the relationship between money supply and gross domestic product (GDP). However, there are only few studies related to the relationship between money supply and macroeconomic factors. Thus, this paper with annual series data from 1979 to 2018 is applied to analyse the impact of macroeconomic factors (the real GDP, unemployment rate, exchange rate and inflation rate towards money supply (M_3) under ordinary least square (OLS) model in Malaysia. After performing an empirical analysis, conclusion can be obtained that an increase in all variables, the real GDP, unemployment rate, exchange rate and inflation rate can result in increase in the money supply. Therefore, by adjusting the change of real GDP, unemployment rate, exchange rate and inflation rate, a better control of the money supply can be accomplished for the policy-makers in Malaysia.

Keywords: Money Supply, Macroeconomic Factors, OLS Model