OUTPUT GROWTH AND MACROECONOMIC VARIABLES IN MALAYSIA: EVIDENCE FROM GRANGER CAUSALITY TEST

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Abstract

This paper aim to determine the long run relationship between macroeconomic variable and GDP and to examine causality relationship between growth GDP and macroeconomic variable in Malaysia for the period 1981 until 2010. The statistical techniques applied are unit Root Test, Johanson Co integration test, and Granger Causality Test. The variable involve in these investigation are Gross Domestic Product (GDP), export, import, population and capital formation. Johansen cointegration test found that there are two cointegrating vector that indicate a long-run relationship between macroeconomic variables and GDP Growth and Granger causality test found that only export, import and population have relationship with GDP at 5%and 10% level of significant with unidirectional relationship. This means population, export and import led to economic growth in Malaysia.

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