



**THE IMPACT OF MACROECONOMIC FUNDAMENTALS ON ECONOMIC
GROWTH IN MALAYSIA**

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Abstract

This study aims to analyze the impact of macroeconomics fundamental on the growth of the Malaysian economy and to ascertain whether there is a relationship between gross domestic product (GDP) and macroeconomics fundamental. Time series data for the period 1960 – 2017 and Ordinary Least Square (OLS) method were used to examine the impact of macroeconomics fundamental on Malaysia's economic growth which obtained from World Development Indicators. Multiple regression analysis (MLR) was used to analyzed and interpret the data. Gross domestic product (GDP) as the dependent variable, meanwhile, general government final consumption (GGFC), gross capital formation (GCF), trade openness (TRADE) and inflation (INF) as the independent variable. The results demonstrate that general government final consumption and inflation have a positive and significant relationship with economic growth, meanwhile, trade openness have positive but insignificantly impact on the growth and gross capital formation has obtained negative and insignificantly impact to the economic growth. Inflation and gross capital formation have a different result with the official result prediction. In conclusion, some of the macroeconomic fundamentals have an impact on economic growth and some of the macroeconomic fundamental does not have an impact on the economic growth in Malaysia.

Keywords: Gross Domestic Product, General Government Final Consumption, Gross Capital Formation, Trade Openness, Inflation