



**AN EMPIRICAL ANALYSIS ON FACTORS THAT AFFECT
UNEMPLOYMENT IN MALAYSIA**

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ABSTRACT

This research determines macroeconomic variables influencing unemployment rate in Malaysia from 1985 to 2017. Factors like gross domestic product, inflation, foreign direct investment inflows, foreign direct investment outflows and exchange rate are discussed. The objectives of this research is to identify the relationship between independent variables and dependent variables, to identify the most significant independent variable and to propose a good model of unemployment. Methodologies that applied is Multiple Linear Regression (MLR). MLR is used to study the relationship effect between unemployment rate and related factors. This approach can only be used when Unit Root Test which are ADF Test and PP Test have been passed. As a result, there are 3 negative relationship between independent variables and dependent variable which is inflation, foreign direct investment inflows and foreign direct investment outflows. The other two variables are positive relationship with unemployment. Foreign direct investment outflows and exchange rate are significant to unemployment rate. But the most significant is exchange rate. Data limitations and excluding appropriate factors are possible explanations for obtaining such results. Consequently, some suggestions indicate that future researchers or policy makers increase the sample size and use panel data analysis so that further judgement can be made on the validity of studies towards different nations other than Malaysia.