



MACROECONOMIC DETERMINANTS OF UNEMPLOYMENT RATE
IN MALAYSIA

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DECLARATION OF ORIGINAL WORK



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ABSTRACT

This study investigates the relationship between unemployment rate and macroeconomic determinants (gross domestic product, inflation, foreign direct investment and interest rate) in Malaysia. The period of time used in this study is from 1982 to 2017 which is total of 36 years. The methods used in this study is Augmented Dickey Fuller (ADF) and Phillips-Perron (PP) which is to investigate the stationary of the data. Besides that, other method used is Granger Causality Test which the method is to examine the causality relationship between dependent variable (unemployment rate) and independent variables (gross domestic product, inflation, foreign direct investment and interest rate). The main finding is the independent variables does not have effect on unemployment rate in Malaysia. From regression analysis using Ordinary Least Square, the gross domestic product and foreign direct investment have negative relationship with unemployment rate while inflation and interest rate have positive relationship with unemployment rate in Malaysia.