

The impact of macroeconomic variables toward agricultural productivity in Malaysia

ABSTRACT

The paper aims to investigate the impact of macroeconomic variables toward agricultural productivity in Malaysia using annually data spanning the period 1980 to 2014. Agriculture sector plays a decisive role in economic growth and development. This sector still significantly becomes the main engine or a contributor to gross domestic product (GDP). The specific aims of this study are to examine the short run and long run links between agricultural productivity and some key macroeconomic fundamentals in Malaysia. Through the Autoregressive-Distributed Lag (ARDL) approach, we find that there is a long- run relationship between agricultural productivity and macroeconomic variables, namely net export, inflation rate, interest rate, nominal exchange rate, government expenditure and money supply. The notable result is only nominal exchange rate shows significant impact on agricultural productivity in the long run while the other variables do not have a significant impact upon agricultural productivity in the long run. In addition, net export, government expenditure, and inflation rate seem to influence agricultural productivity in the short run.