MONEY SUPPLY AND EMPLOYMENT IN THE PHILIPPINES 1983-2012

THESIS

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ABSTRACT

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Employment is one of the most important economic factors in the economy that the government monitors in order to achieve economic growth.

The research made use of secondary data which were collected from the *Banko Sentral ng Pilipinas*, National Statistics Office, and National Statistics Coordination Board. The data were collected for the period of 30 years from 1983 to 2012. The study employed quantitative analysis approach. The variables considered appropriate indices for monetary policy were money supply, Consumer Price Index, Gross Domestic Product, total investments and employment. The study aimed to empirically analyze the relationship of monetary policy through money supply (M3) on the employment in the Philippines. Aside from that, the relationship of Consumer Price Index, Gross Domestic Product and investment on money supply and employment were also investigated.

Using Ordinary Least Square (OLS) model and employing the Markov autoregression method, the study revealed that Consumer Price Index and Gross Domestic Product has a significant positive effect on money supply. The study also found out that employment was also significantly related with Gross Domestic Product at five percent level. Gross Domestic Product also had a positive effect on the employment of the country.

After illustrating the strong relation of Gross Domestic Product with money supply on the first model and on employment in second model, the study revealed the functional relationship between money supply and employment. Based on the result, the null hypothesis that there is no significant relationship between money supply and employment was rejected and accepted the result that the variation in money supply was significantly related, and can influence the variation in the employment of the Philippines.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF APPENDIX TABLES

LIST OF APPENDIX FIGURES

MONEY SUPPLY AND EMPLOYMENT IN THE PHILIPPINES 1983-2012

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A thesis manuscript submitted to the faculty of the Department of Economics, College of Economics, Management and Development Studies, Cavite State University, Indang, Cavite in partial fulfillment of the requirements for graduation with the degree of Bachelor of Science in Economics major in Business Economics with Contribution No.__________. Prepared under the supervision of Ms. Maria Soledad M. Lising.

INTRODUCTION

Monetary policy is a mechanism used by government to regulate the money supply in the country. During inflation, the government contracts money supply and interest rate; during recession, the government does the reverse (Villegas & Abola, 2001 p.50).

The idea of creating a body that could foster international monetary cooperation started at the Bretton Woods conference that took place in New Hampshire, United States in July 1944. Two years later in 1946, 46 countries came together to create the International Monetary Fund (IMF, 2014). Currently, this organization has a membership of 188 countries. The IMF is responsible in setting up a global monetary policy to foster monetary stability, facilitate trade, and fix balance-of-payments problems by making it easy for member countries to access short term financing.

A monetary policy framework is the monetary authorities' guide for conducting