

**EVALUATING THE RATIONALITY OF BUSINESS EXPECTATIONS FOR  
SELECTED SECTORS**

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## **ABSTRACT**

In this research, it analyses the panel of actual and expected data of semiannual surveys on capital expenditure, gross revenue, and employment of four sectors; namely Logging, Constructions, Manufacturing, and Finance which compiled from various issues of the 'Business Expectations Survey of Limited Companies'. The period of study is from 1984:I to 2001:I giving a total of thirty-six time series observations. In this study, the variables are subjected to the Unit Root test, Cointegration test, Unbiased test, Serial Correlation, and Weak Form Efficiency test.

The objective of this study is to present some empirical evidence on the rationality of business firms' expectations for three variables; namely, gross revenue, capital expenditure and employment, in Finance, Manufacturing, Logging and Constructions by using survey data. The aim is to investigate whether the forecasts documented by such surveys are accurate, that is, whether business firms in the chosen industry make rational forecasts regarding the three variables mentioned above and if not, ways to produce improved forecasts must be found.

The empirical evidence on the whole discovered that this paper does not give conclusive support to the rational expectations hypothesis except certain series namely; Capital and revenue in Logging sector, revenue and employment in both Manufacturing and Construction sector, and revenue in Finance sector.

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## **TABLE OF CONTENTS**

	<b>PAGES</b>
Abstract	ii
Acknowledgement	iii
Tables of contents	iv
List of Tables	vii
List of figures	viii
 <b>CHAPTER I : INTRODUCTION</b>	
1.0 Rational Expectations : An Overview	1
1.1 Analytical Background	3
1.2 Problem Statement	8
1.3 Objective	10
1.4 Analytical Framework	10
1.5 Significance of the Study	11
1.6 Organization of Study	11
 <b>CHAPTER II : LITERATURE REVIEW</b>	
2.0 Introduction	13
2.1 Non-Financial sector	13
2.2 Financial sector	19
2.3 Conclusion	28

## **CHAPTER III : REVIEW OF THEORY OF RATIONAL EXPECTATIONS**

3.0 Introduction to Rational Expectations	30
3.1 The Rational Expectations Hypothesis	32
3.2 Need for Theory of Expectations	34
3.3 Theoretical Analysis and Critiques	43
3.4 Conclusion	47

## **CHAPTER IV : METHODOLOGY**

4.0 Introduction	48
4.1 Sample selection	48
4.2 Data	49
4.3 The Model	50
4.4 Method of Analysis	51
4.4.1 Unit Root Test	51
4.4.1.1 Augmented Dickey-Fuller Test	53
4.4.1.2 Phillips-Perron Test	54
4.4.2 Cointegration Test	54
4.4.3 Test for Unbiasedness	57
4.4.4 Serial correlation Test	58
4.4.5 Weak Form Efficiency Test	59
4.4.6 Lagrange Multiplier (LM)	60
4.5 Conclusion	60

## **CHAPTER V : RESULTS AND FINDINGS**

5.0 Introduction	62
5.1 Results of Unit Root Test	62
5.2 Result of Cointegration Test	69
5.3 Result of Unbiasedness Test	70
5.4 Result of Serial Correlation Test	76
5.5 Result of Efficiency Test	80
5.6 Summary of Results	84
5.7 Conclusion	84
5.8 Appendix V	86

## **CHAPTER VI : CONCLUSIONS**

6.0 Introduction	98
6.1 Summary of Findings	99
6.2 Policy Implications	101
6.3 Limitations and Recommendations of the Study	103
Bibliography	105

## **LIST OF TABLES**

Table 1A: Results of Unit Root Test (Logging)

Table 1B: Results of Unit Root Test (Manufacturing)

Table 1C: Results of Unit Root Test (Constructions)

Table 1D: Results of Unit Root Test (Finance)

Table 2A: Results of Cointegration Test and Unbiasedness Test (Logging)

Table 2B: Results of Cointegration Test and Unbiasedness Test (Manufacturing)

Table 2C: Results of Cointegration Test and Unbiasedness Test (Constructions)

Table 2D: Results of Cointegration Test and Unbiasedness Test (Finance)

Table 3A: Results of the Serial Correlation Test (Logging)

Table 3B: Results of the Serial Correlation Test (Manufacturing)

Table 3C: Results of the Serial Correlation Test (Constructions)

Table 3D: Results of the Serial Correlation Test (Finance)

Table 4A: Results of the Weak Form Efficiency Test (Logging)

Table 4B: Results of the Weak Form Efficiency Test (Manufacturing)

Table 4C: Results of the Weak Form Efficiency Test (Constructions)

Table 4D: Results of the Weak Form Efficiency Test (Finance)

## LIST OF FIGURES

Figure 1A: Actual and Expected Capital Expenditure for Logging Sector (1984-2001)

Figure 1B: Actual and Expected Gross Revenue for Logging Sector (1984-2001)

Figure 1C: Actual and Expected Employment for Logging Sector (1984-2001)

Figure 2A: Actual and Expected Capital Expenditure for Manufacturing Sector (1984-2001)

Figure 2B: Actual and Expected Gross Revenue for Manufacturing Sector (1984-2001)

Figure 2C: Actual and Expected Employment for Manufacturing Sector (1984-2001)

Figure 3A: Actual and Expected Capital Expenditure for Constructions Sector (1984-2001)

Figure 3B: Actual and Expected Gross Revenue for Constructions Sector (1984-2001)

Figure 3C: Actual and Expected Employment for Constructions Sector (1984-2001)

Figure 4A: Actual and Expected Capital Expenditure for Finance Sector (1984-2001)

Figure 4B: Actual and Expected Gross Revenue for Finance Sector (1984-2001)

Figure 4C: Actual and Expected Employment for Finance Sector (1984-2001)

Figure 3.1 Labor Supply Curves Consistent with  $N = N\left(\frac{W}{P}\right)$