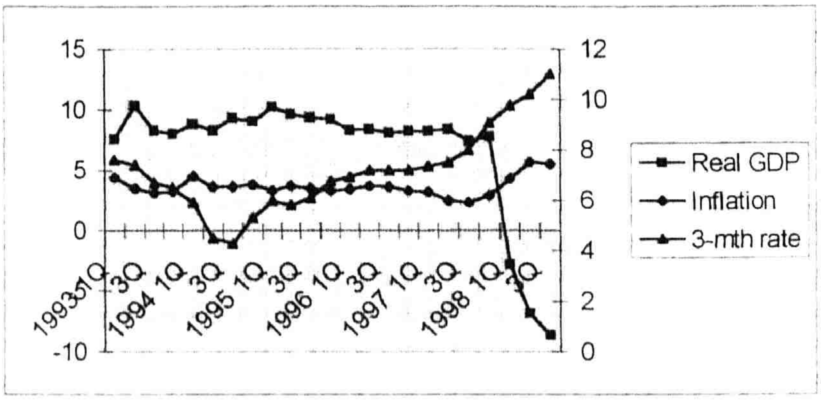
CHAPTER 7.
CONCLUSION.

The Malaysia's experiences confirmed that the inflation indeed was a monetary phenomenon. As such, monetary policy could reduce the inflation. Knowing the fact that, monetary policy alone could not effectively control the inflation; the monetary authorities implemented blended macro-policies to address that issue. These evident can be seen from the constantly implementation of the fiscal and monetary policy by the monetary authorities to address macroeconomics issues. The Malaysia's experiences showed that to maintain both internal and external price stability, it requires a well-balanced and delicate use of monetary policy through the implementation of a package of monetary instruments. The broader monetary aggregate M3, as the intermediate targets, could influence capital flows, interest rates movements, and exchange rate developments and in turn affect the employment and long-term output growth. The implementation of a single instrument alone would not be effective. While their own strengths and weaknesses complement each other, they would enhance the attainment of the desired goals.

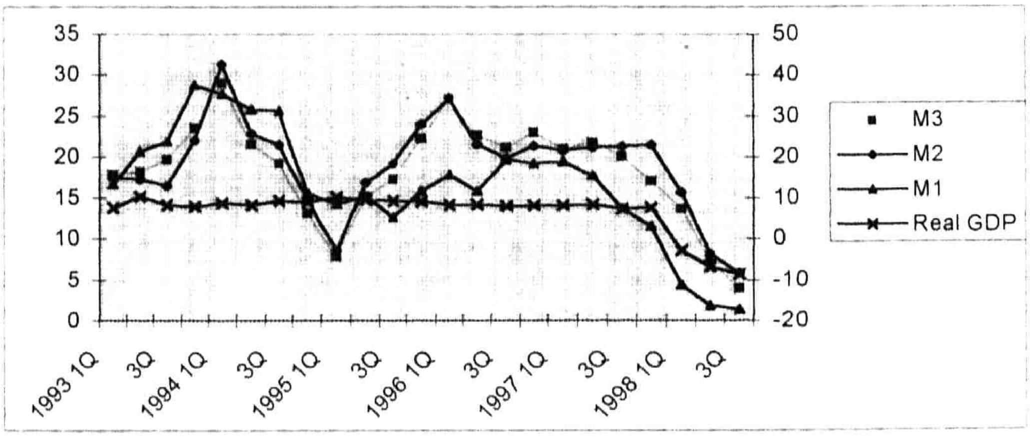
Malaysia, as a developed country, still needs to develop its financial structure, in particularly the capital markets and derivative markets, in order to implement monetary policy effectively. A good financial structure provides an important link to the transmission mechanism of monetary policy. A study should be done to explore this important link and understand the transmission process because it's essential to the appropriate design and implementation of monetary policy.

Appendixes.

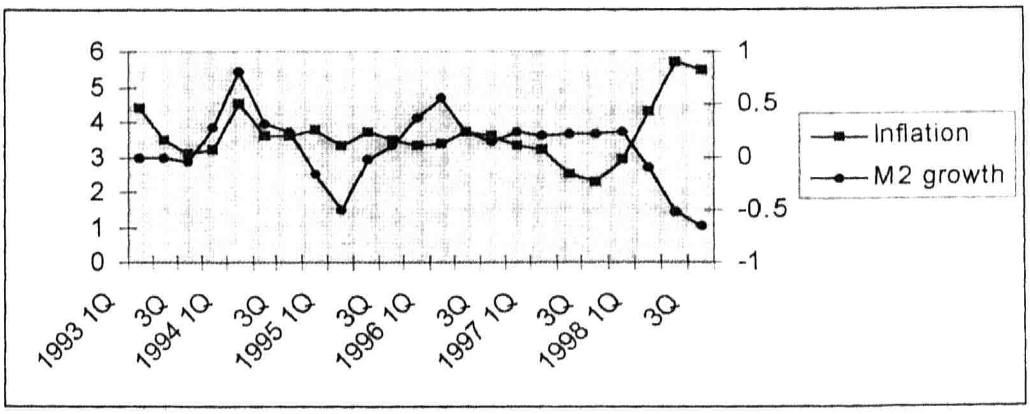
Graph A1: Inflation, 3-Month Rate & Real GDP.



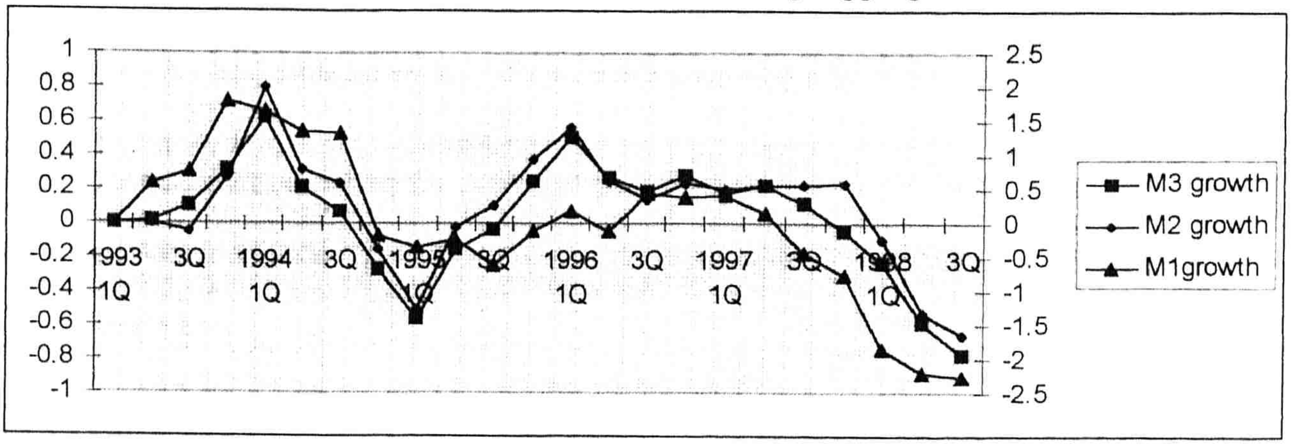
Graph A2: M1, M2, M3 & Real GDP.



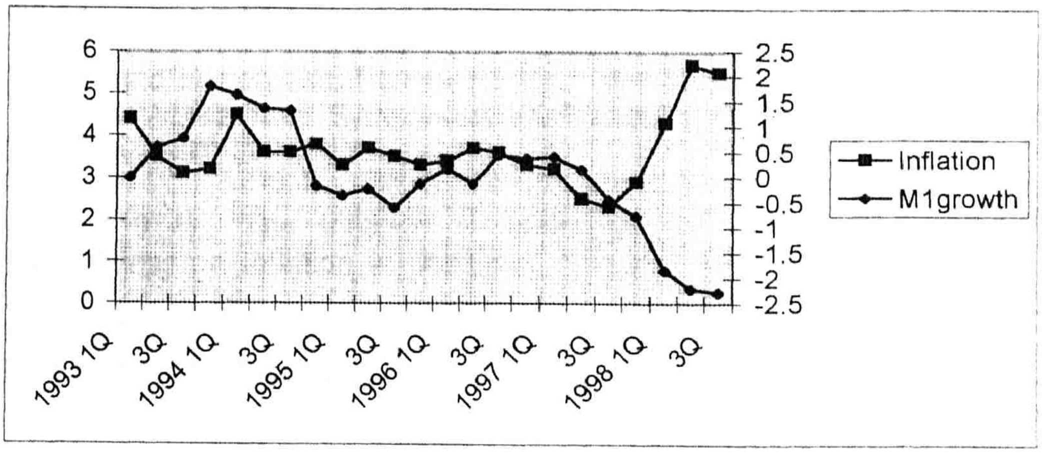
Graph A3: M2 growth & Inflation.



Graph A4: Growth of Monetary Aggregates



Graph A5: M1 Growth and Inflation



Graph A6: M1, M2, M3 and 3-month Interest Rate