LINKING MONEY SUPPLY WITH THE GROSS DOMESTIC PRODUCT IN ROMANIA

Author **Daniela Zapodeanu**
N/A
Author **Mihail Ioan Cociuba**
N/A

Abstract:

Evolution of money supply and gross domestic product are in a close relationship, in this paper we analysis this relationship in order to construct a function which will explicit this connection for Romania. Evolution of gross domestic product is one with a seasonal component so from the data series we will be eliminating seasonality with the X-12 ARIMA method. Analyzing the data of money supply (M3) and of GDP over ten years through the Augmented Dickey-Fuller we obtained that both series are non-stationary. Applying the co-integration analysis method Engle- Granger we conclude that the two series have a cointegration relationship between them. We will propose a model explanation of the link between the two sets of data type, a DVAR model.

Keywords: money supply (M3), GDP, seasonality, stationarity, cointegration, DVAR.

JEL codes:: G17, C51