THE IMPACT OF MACROECONOMIC VARIABLES TOWARDS INFLATION RATE IN MALAYSIA

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UNIVERSITI TEKNOLOGI MARA

MELAKA CITY CAMPUS

JUNE 2016
DECLARATION OF ORIGINAL WORK

BACHELOR OF BUSINESS ADMINISTRATION WITH HONOURS
(FINANCE)

FACULTY OF BUSINESS MANAGEMENT
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“DECLARATION OF ORIGINAL WORK”

We, AMIRA NURUL AFIQAH BINTI ABDUL RASHID, (I/C Number: 930708145290) and NURSUHADAH BINTI ISMAIL (I/C Number: 931114045246)

Hereby, declare that:

• This work has not previously been accepted in substance for any degree, locally or overseas, and is not being concurrently submitted for this degree or any other degrees.

• This project-paper is the result of our independent work and investigation, except where otherwise stated.

• All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature: __________________, ______________ Date: ______________
LETTER OF TRANSMITTAL

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The Head of Program
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Dear Sir/Madam

Attached is the project title “THE IMPACT OF MACROECONOMIC VARIABLES TOWARDS INFLATION RATE IN MALAYSIA” to fulfil the requirement as needed by the Faculty of Business Management, Universiti Teknologi MARA.

Thank you.

_________________________  ________________________
Yours Sincerely,            Yours Sincerely,

AMIRA NURUL AFIQAH          NURSUHADAH BINTI ISMAIL
BINTI ABDUL RASHID          2014871962  2014236094
ACKNOWLEDGEMENT

_In the name of Allah, the Most Compassionate, the Most Merciful_

We are really grateful because we managed to complete this study within the time given.

Here we would like to take this opportunity to thank our advisor, Prof Madya Rahimah Binti Hp Shawkataly for her continuous encouragement, guidance and supporting in finishing this study. Her comments and valuable suggestions to our research very helpful for us to improve the quality of this project paper.

We also sincerely thank to our parents for their patience, support and guidance for this research.

Furthermore, big thank also to our beloved friend for their support in preparing our study. They always give us ideas and comments on our research so that we can improve our research in many ways.

Lastly, we would like to express our gratitude to all directly and indirectly contributes invaluable support, assistance and cooperation in the completion of this study. Hope that all the effort will give us a lot of benefits.

Thank you.
ABSTRACT

The aim of this study is to investigate the impact of macroeconomics variables towards inflation rate in Malaysia. The selected macroeconomic variables or the independent variables used are government spending, money supply and unemployment for period from 1982 to 2014, which the total number of observation is 33, while the dependent variable is inflation rate. The relationship is examined by undertaking regression analysis using time series data that collected from World Bank Database. Both Single Linear Regression and Multiple Linear Regression are used to identify the relationship between dependent and independent variables. From the result, the study shows that government spending and money supply has positive significant relationship towards inflation meanwhile, unemployment has negative insignificant relationship towards inflation. This indicates that government spending and money supply give impacts towards inflation while changes in unemployment does not give impact to inflation rate in Malaysia. The relationship discovered should be useful for public, industries and policy makers as well.