



**CORRELATION BETWEEN INFLATION
RATE AND EMPLOYMENT WITH GROSS
DOMESTIC PRODUCT**

**TEH SOFIA BINTI ALIAS
2008789615**

**BACHELOR OF BUSINESS ADMINISTRATION
(HONS) FINANCE MANAGEMENT
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
DUNGUN TERENGGANU**

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DECLARATION OF ORIGINAL WORK



BACHELOR OF BUSINESS ADMINISTRATION (HONS) FINANCE FACULTY OF BUSINESS MANAGEMENT UNIVERSITI TEKNOLOGI MARA

I, TEH SOFIA BINTI ALIAS (2008789615), I/C Number 870919-14-5088

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TABLE OF CONTENT

CONTENTS	PAGE
DECLARATION OF ORIGINAL WORK	i
LETTER OF SUBMISSION	ii
ACKNOWLEDGEMENT	iii
LIST OF TABLE	iv
LIST OF FIGURE	v
ABSTRACT	vii
Chapter 1: INTRODUCTION	
1.1 Background	1
1.2 Problem Statement	3
1.3 Objectives	4
1.4 Significant	4
1.5 Scope	5
1.6 Theoretical Framework	6
1.7 Hypothesis	6
1.8 Limitation	7
Chapter 2: LITERATURE REVIEW	
2.1 Dependent Variable	9
2.1.1 Gross Domestic Product	9
2.2 Independent Variables	10
2.2.1 Inflation Rate	10
2.2.2 Employment	15

Chapter 3:	RESEARCH METHODOLOGY	
3.1	Model Specification	17
	3.1.1 Dependent Variable	17
	3.1.2 Independent Variable	18
3.2	Data Set and Methodology	18
3.3	Technique Analysis Data	19
	3.3.1 Unit Root Test	19
	3.3.2 Cointegration Test	20
	3.3.2.1 Trace Test	22
	3.3.2.2 Maximal Eigenvalue Test	22
	3.3.3 Vector Error Corrected Model	23
	3.3.4 Stability Test	23
	3.3.5 Granger Causality Test	24
Chapter 4:	RESULT AND DISCUSSION	
4.1	Variables Trend	27
	4.1.1 Gross Domestic Product	27
	4.1.2 Inflation Rate	28
	4.1.3 Total Employment	30
4.2	Descriptive Statistics	30
4.3	Unit Root Test	32
	4.3.1 Gross Domestic Product	33
	4.3.2 Inflation Rate	35
	4.3.3 Employment	36
4.4	Cointegration Test	38
4.5	Stability Test	40
	4.5.1 Autocorrelation Test	40
	4.5.2 Normality Test	42
4.6	Granger Causality Test	43
4.7	Impulse Response Function	46

ABSTRACT

This paper attempts to study the correlation exist between inflation rate and employment with gross domestic product. The variables were selected based on relevant economic theories that allow for the interaction among inflation rate and total employment in addition to response to gross domestic product. In order to achieve this objective, the Vector Error Corrected Model (VECM) is employed to determine the relationship between the variables selected in the long run. As a result, the researcher found that inflation rate is not affect the gross domestic product in the long run but employment has negative relation with gross domestic product. Besides that, Granger Causality is applied to test the causality between the variables. The findings revealed that both of independent variables have uni- directional with gross domestic product in the short run.