THE DETERMINANTS OF INFLATION RATE IN MALAYSIA

(FINAL REPORT)

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UNIVERSITI TECHNOLOGI MARA

JOHOR

JUNE 2015

DECLARATION OF ORIGINAL WORK

BACHELOR OF BUSINESS ADMINISTRATION (Hons.) FINANCE

FACULTY OF BUSINESS MANAGEMENT

UNIVERSITI TEKNOLOGI MARA

JOHOR

THE DETERMINANTS OF INFLATION RATE IN MALAYSIA

I, Solehah binti Mohamad   (I/C Number: 910217-11-5478)

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 extinguished by quotation marks and sources of our information have been specifically acknowledged.

Signature: _____   Date: _____

LETTER OF SUBMISSION

Date: 21st June 2015

Madam Shashazrina Rosli
Depertment of Finance
School of Business and Management
UiTM Johor, Segamat, Johor
Box 527, 85000 Segamat Johor,
Malaysia.

Dear Madam,
SUBMISSION OF PROJECT PAPER
Attached is the project paper titled " The Determinants of Inflation Rate in Malaysia" to fulfill the requirement as needed by the Faculty of Business Management, Universiti Teknologi MARA.

Thank you,
Yours sincerely,

_____
Bachelor of Business Administration (Hons) Finance

THE DETERMINANTS OD INFLATION RATE IN MALAYSIA

Prepared by:

Solehah Binti Mohamad 2012506777

Submitted in Partial Fulfillment of the Requirement for the Bachelor of Business
Administration (Hons) Finance

FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA JOHOR

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ABSTRACT

The main purpose of this research is to examine the determinant factors of inflation in Malaysia. The relationship between macroeconomic factors namely money supply, unemployment rate, exchange rate, gross domestic product and oil price with inflation are studied. This research study covers quarterly data for the time period for the period of first quarter 2007 to fourth quarter 2014. The time series data for the entire dependent and independent variables are to be non-stationary at the level but stationary at first difference. The results show both long-run and short-run relationships between money supply, unemployment rate, exchange rate, gross domestic product and oil price with inflation.

The study employs Multiple Linear Regression Method to analyze the relationship between independent and dependent variable. The time series data are collect by quarterly basis from the data stream which is the main source to obtain the quantitative data. The scope of study is based on the macroeconomic factors in Malaysia which the study will be focus on the influence of these factors towards inflation in Malaysia. In this research, the expected result is the independent variables will have significant and insignificant relationship with the inflation in Malaysia.