UNIVERSITI TEKNOLOGI MARA

# FACTOR THAT AFFECTING THE INFLATION IN MALAYSIA

**NUR FARHANA BINTI ROSLI**

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## ABSTRACT

Inflation refers to the increase in the price of most daily or daily-use goods and services, such as food, clothing, housing and consumer necessities. Inflation measures the average price change of a goods and services. This research is conducted to figure out with macroeconomic factor that will affect the inflation in Malaysia. The variables that will be used in this research paper are consumer price index, money supply, exchange rate, unemployment rate, gross domestic product and interest rate. The study will include dependent and independent variable from year 1988 to 2019. The method used in this research is multiple linear regression. The annual data are gained from The World Bank and Indexmundi. To observe the relationship between the dependent and independent variable, an economic test will be conducted. E-view software will be used for testing and analysing the data. The research objective is to determine the factor that affecting inflation in Malaysia. The research results will provide us with guidance and may lay an important foundation for policy makers to promote economic growth.

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# CHAPTER ONE

# INTRODUCTION

## 1.0 Introduction

The purpose of this research is to determines the factor that affecting Malaysia's inflation. This chapter will briefly introduce the research background, research problem statement, research problem, research objective, significant of study and summary of chapter one.

In the background study, this study will discuss dependent variables and independent variables. The dependent variable of this study is Malaysia's inflation rate, which is measured using the Consumer Price Index. Inflation reduces the purchasing power of each currency unit, causing the prices of goods and services to rise over time. This is an economic term and means that the cost of living will increase. According to data from Bank Negara Malaysia, from 2018 to 2019, the inflation rate was below 1%. However, by 2021, the inflation rate is expected to rise by 1% to 3%. The Federal Reserve believe considers the acceptable inflation rate to be about 2% or lower. The independent variables are money supply, exchange rate, unemployment rate, gross domestic product and interest rate. It is speculated that the selected macroeconomic variables will have a positive impact on Malaysia's inflation. This influence becomes the subject of the problem statement of this research.

The theoretical framework for this study would drive the formulation of research questions. The research question is separated into two sections: the main research question and the specific research question. Main research questions help researchers focus on research by providing access to the research and writing process. The specific research question aims to support the validity of the results of the main research question.

The research objective is split into two: the main research objective and the specific research objectives. The significance of the study will be outlined, and will include some valuable information for people, investors and governments.