



**A STUDY ON THE DETERMINANTS
OF INFLATION IN MALAYSIA**

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In the Name of Allāh, the Most Gracious, the Most Merciful

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ABSTRACT

Low and stable inflation has been one of the main features of the Malaysian economy in last two decades. Inflation is one of the global economic phenomenon that always evokes heated debates among economic researchers. The word inflation itself refer to the persistent rise in the price level of commodities and services adversely affects the economic performance of a country. Hence, the economic goal of every government is to maintain low and relatively stable levels of inflation. A high rate of inflation has brought the country many problems such as loss of investment, economic recession, slowdown of economic growth and most important of all, the drop in the value of the Malaysian Ringgit. This research study will use inflation rate as a dependent variable. While for independent variables, there are unemployment rate, money supply, oil price and gross domestic product (GDP). The main objective of this research to examine the major factor that determine inflation in Malaysia. The study employs Multiple Linear Regression Method to analyse the relationship between independent variables and the dependent variable. This research study covers a time series data of quarterly basis for the time period from year 2000 to 2014 which is collected from data stream. It is assume that money supply and GDP will have a significant relationship with inflation rate in Malaysia.