



UNIVERSITI
TEKNOLOGI
MARA

**BACHELOR OF BUSINESS ADMINISTRATION
(HONS) FINANCE FACULTY OF BUSINESS
MANAGEMENT UNIVERSITY TECHNOLOGY MARA
TERENGGANU**

**THE RELATIONSHIP BETWEEN GROSS DOMESTIC
PRODUCT WITH FUEL PRICES, STOCK PRICES
AND INTEREST RATE**

PREPARED BY:

NOR ANISAH BT ISMAIL

2009594567

PREPARED FOR:

PROF DR WAN MANSOR B WAN MAHMOOD

(ADVISOR)

ACKNOWLEDGMENTS



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

Assalamualaikum Warahmatullah

First of all, I want to express my gratitude to Allah the Almighty for the fitness and blessing. Because Him, I had complete my project paper on time.

Very special thank to respectable advisor, Prof Dr Wan Mansor b Wan Mahmood for the advice and guidance towards preparing the project paper from the beginning until the finish.

A very special acknowledgement to my second examiner, Prof Hj Wan Manan b Wan because given me a useful comments and suggestion. Besides that, thanks to all lecturers and friends for their kindness and information in helping me.

I also would like to convey my big thank to my beloved parents and family for their support and encourage me to do the best for this project paper.

Last but not least a very special to all who help me

NOR ANISAH BT ISMAIL

JUN, 2012

Dungun, Terengganu

ABSTRACT

As we know, gross domestic product (GDP) measures the monetary value of final goods and services. GDP is composed of goods and services produced for sale in the market and also include some nonmarket production, such as defense or education services provided by the government. This study was conducted to analyze the relationship between gross domestic with fuel prices, stock price and interest rate using time series analysis method. Johansen cointegration technique, error correction model and Granger causality tests were used to estimate those relationships. For future recommendation, the researchers should attempt to use panel data and forecast more the variables to get the accuracy data.

Keyword: Gross Domestic Product, Fuel Price, Interest Rate, Stock Price, Performance

TABLE OF CONTENT

Declaration of Original Work.....	i
Letter of Submission.....	ii
Acknowledgement.....	iii
Abstract	iv
CHAPTER 1 - INTRODUCTION.	
1.1. Background of study.....	1
1.2. Overview of study.....	3
1.3. Problem statement.....	5
1.4. Research objective.....	5
CHAPTER 2 – LITERITURE REVIEW	
2.1. Gross Domestic Product and Stock Price.....	7
2.2. Gross domestic product and fuel prices.....	10
2.3. Gross Domestic Product and interest rate.....	13
2.4. Theoretical framework.....	15
CHAPTER 3 – RESEARCH METHODOLOGY	
3.1. Data collection.....	16
3.2. Method.....	16
3.2.1. Unit root test.....	18
3.2.2. Granger causality test.....	18
3.2.3. Augmented dickey fuller.....	18
3.2.4. Johansen test.....	19
3.2.5. Vector error correction method.....	19

CHAPTER 4 – FINDING & ANALYSIS

4.1. Introduction.....21
4.2. Unit Root Test.....21
4.3. Johansen Cointegration Test.....23
4.4. Vector Error Correction Method.....24
4.5. Granger Causality Test.....25

CHAPTER 5 – CONCLUSION & RECOMMENDATION.....26

References.....27

Appendices.....29