

DECLARATION OF ORIGINAL WORK



BACHELOR OF BUSINESS ADMINISTRATION WITH HONOURS (FINANCE) FACULTY
OF BUSINESS MANAGEMENT UNIVERSITI TEKNOLOGI MARA
“DECLARATION OF ORIGINAL WORK“

I, Mohd Shahreza Bin Mohd Salleh,

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 my independent work and investigation, except where otherwise stated.

All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature:

Date: 01/01/15

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ABSTRACT

Eurozone is the part of Euro Area in European Union that is using a single currency, which is Euro (€). In order to stabilize its currency and overall economic zone in Euro Area, European Central Bank has a unilateral mandate to pursue for Price Stability by announced to all the state member of Eurozone that they need to follow an annual basis in Harmonised Index of Consumer Price (HICP) for the euro area of below 2 percent. This research was conducted with the focus to scrutinize the relationship between dependent variables (Price Stability with CPI as a proxy) and independent variables (Value Added Tax, Government Debt, Money Supply, Subsidies) of the entire state member in Eurozone. Additionally, the researcher also wants to know which independent variables have the most influential to the Price Stability. To distinguish which independent variable has the most influential on the dependent variables, the Pooled Generalized Least Method (PGLS) has been tested as the data analysis of panel data. The data are all gathered from 17 countries located in Euro Area or Eurozone with the tenure of study of 10 years started from 2004 till 2013. Based on this research, it was revealed that only money supply and government debt are remarkable influence on the Price Stability with positive and negative relationship respectively. As a strongly recommendation for the future study, it is recommended to have a long tenure of study and to have a wider scope of other independent variable. The macroeconomic policy should be considered for the future research.

Key Words: Eurozone, Price Stability, Consumer Price Index (CPI), Value Added Tax, Government Debt, Money Supply, Subsidies, Pooled Generalized Least Square.