UNIVERSITI TEKNOLOGI MARA

MACROECONOMIC FACTORS THAT INFLUENCED MALAYSIA
HOUSING PRICE MOVEMENT

FINAL YEAR PROJECT

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ABSTRACT

This study is conduct with the purpose of to determine the effect of macroeconomic factors on housing price movement in Malaysia. This study will use the housing price change as its dependent variable and Stock Market Index (SMI), Interest Rate (IR), Inflation Rate (IR), Gross Domestic Product (GDP) as well as Unemployment Rate (UR) as its independent variables. This research uses the secondary data that obtained from 4 websites which FRED, World Bank Data, Macro Trend Data and Department of Statistic Malaysia. This study is based fully on Malaysia which is the researcher's country. The data collected from the period of 1995 until 2020. Hence, to collect the data researcher used panel data and run it through E-views from version 11. In addition, there are some methodologies are applied to evaluate the significance and also the relationship between the variables such as descriptive analysis, classical assumption test, correlation test as well as the regression analysis. From the overall result, there is a significant for stock market index (SMI), interest rate (IR) and gross domestic product (GDP) meanwhile it is insignificant for inflation rate (IR) as well as unemployment rate (UR).

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CHAPTER ONE: INTRODUCTION

1.1 Overview of the Chapter

First and foremost, the house price, will be presented in this chapter as a main topic of this research paper. The roles and use of the housing price may justify this. Aside from that, the subtopics that follow will go through the problem statement, research questions, and research objectives. This chapter will also discuss the study's significance in developing a better understanding of this research study. Furthermore, in able to focus the study's attention, the actual purpose of the research, the scope of the investigation, and its limitations will be specified. Finally, in order to provide a comprehensive picture of the findings, this chapter will define key terms.

1.2 Background of the Study

The home is an important factor for people to have shelter and to have social functions. According to Maslow's Hierarchy of Demands, house ownership is linked to five tiers of requirements, ranging from the most basic physiological towards the most sophisticated self-actualization needs. It is also a useful asset for economic purposes for persons who are financially capable of purchasing a large number of properties, since it may be utilised to generate a profit from rental and property sale. According to Pinjaman & Kogid, (2020) , Bank Negara Malaysia (BNM) has already recognised the significance of the property market to the Malaysian economy, as evidenced by its dominance in the financial sector. Bank lending, which involves debt securities carried by banks, is undoubtedly narrowly focused on real estate, especially the residences section, followed by other market sectors of the economy.

It also stated that, as of the end of 2012, the banking system's aggregate funding for real estate projects and acquisition equal to RM454.3 billion, or 41% of overall funds. Banks' exposure to the real estate sector on the basis of financial support for house buying amounted to RM303.9 billion, or 27.4 percent of total borrowing in the banking system, with RM19 billion allocated to working capital and development real estate linked with loans. Since this housing market is so large in comparison to the financial sector, whatever