



**THE DETERMINANTS OF INFLATION RATE IN MALAYSIA  
(1985-2018)**

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## ABSTRACT

Sustaining a low and stable inflation rate has become one of the challenges in the macroeconomics (Cheng & Tan, 2002). Among others, Malaysia has a very unique experience in terms of inflation. The aim of this study is to investigate the determinants of inflation rate in Malaysia in the period of 1985-2018. Inflation rate has always been a major economy topic discussed for the development of a country. This sticky situation became very serious with the high price level on goods and services in Malaysia (Rabiul Islam et al, 2017). This is due to the increase of cost of imported intermediary goods on 1998. As the matter of fact, since 1998 inflation rate of Malaysia fluctuated between a low of 0.6 percent in 2009 and a high of 5.4 percent in 2008 averaging at 2.5 between 1998 and 2017 (Knoema, 2018). For unemployment rate, it is consider as the big problem of domestic economic and political issues in any country when high unemployment occurs (Furuoka & Munir, 2014). Besides, Hall (2018) reported gross domestic product is adjusted for inflation rate. Thus, the selected variables or the independent variable consists of money supply, gross domestic product, interest rate, unemployment rate and exchange rate for a period from 1985 to 2018 while the dependent variable is inflation rate. The relationship is examined by undertaking regression analysis using time series data that are collected from the Thomsons Reuters Eikon. Both Single Linear Regressions and Multiple Linear Regressions are used to identify the relationship between dependent variable and independent variables. The result implies that all the variables used are insignificant related to inflation rate except only for unemployment rate where it is significant and negative related to inflation rate. The result of this research is useful to assist economic institutions in order to minimize the negative effects of inflation rate.