



UNIVERSITI TEKNOLOGI MARA

**THE CHINA'S MACROECONOMIC IMPACT
TOWARDS THE GLOBAL METAL PRICES**

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2020971865

Final Year Project submitted in fulfilment of the requirements
for degree of Bachelor of Business Administration (Hons)
Investment Management

Faculty of Business and Management

FEBRUARY 2022

ABSTRACT

This research paper explores if the relationship of China macroeconomic would significantly impact the commodity prices. The SVAR model has been used in this research paper in other to evaluate the relationship between China macroeconomics and commodity prices. In the literature review of this paper, it was provided with previous literature that tells the previous research paper analysis either there is significant impact or not between the China macroeconomics and commodity prices.

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

Recently, China is known as the world largest importer group of commodities and highly dependence on imported commodities. China also known as the second largest economy and largest holder of foreign reserves. In addition, China is also has become a big player in commodity markets (Klotz, Lin, and Hsu, 2014). Due to this matter, commodity market is exposed to China's macroeconomic development (Hamilton, 2009). Today, Asia was acknowledged as the largest user globally of every industrial metal (Fernandez, 2018). In Asia, China was noted as the biggest consumer followed by Japan, South Korea, and India (Fernandez, 2018).

Other than that, London Metals Exchange (LME) traded metal in 2011 recorded that China control about 39.96% Aluminum, 50.18% lead, 33.66% zinc, 42.47% tin and 13.88 gold (BGS, 2013). However, in 2012, China recognized as major producer of 22 out of 41 elements and elements group that are economic value (BGS, 2012). According to Pitfield, 2010, stated that the country is just not the biggest producer but also the main consumer for many metals and minerals.

According to Liao, Qian, and Xu in 2018, China has become the main importer and buyer of major commodities. In addition, it is about 40% and 12.58% of oil consumption and copper worldwide in 2015 according to International Copper Study Group (ICGS) and Energy Information Administration (EIA). Due to higher demand, China plays a big role in global commodities (Liao, Qian, and Xu, 2018).