MACROECONOMIC DETERMINANTS OF HOUSING PRICE IN MALAYSIA: TIME SERIES APPROACH

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ABSTRACT

This research paper involves the econometric analysis of the relationship between house price index, population, base lending rate, inflation, household final consumption expenditure, gross domestic product per capita and labor force in Malaysia housing industry. This research adopted four types of method, which is Unit Root, Ordinary Least Squares, Johansen & Juselius Cointegration, and Granger Causality. Using the time series data from year 1990 until 2015 which is 25 year data. The finding results shows that the results are different for all the method being used. In unit root after the first order difference all the variables are significant but in when tested using OLS there is heterokesdacitiy exists and being correct by use the dummy variables. For Cointegration, there are only 4 cointegration at 0.05 which is population, base lending rate, inflation and household final consumption expenditure. Other two independent variables is able to reject the null hypothesis. For Granger Causality, the HPI does not GC BLR, POP does not GC INF, LF does not GC POP, BLR does not GC INF, GDPPC does not GC BLR and HFCE does not GC INF because the p-value is less than 1%, 5% and 10%.

Keyword: House Price, OLS, Granger Causality, Cointegration, Unit Root