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MARA

FACULTY OF BUSINESS AND ADMINISTRATION

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MGT666
INDUSTRIAL TRAINING REPORT

THE DETERMINANTS OF INFLATION RATE IN MALAYSIA

CLASS:

RBA2426D

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EXECUTIVE SUMMARY

This study examines the key determinants of inflation in Malaysia, focusing on a comprehensive set of macroeconomic variables. The analysis employs inflation as the dependent variable and evaluates the influence of five critical independent variables such as money supply, exchange rate, unemployment rate, interest rate, and economic growth.

Our findings show that money supply and the exchange rate are insignificantly directly related to inflation, implying that changes in the money supply and exchange rate fluctuations are not major determinants of inflationary pressures in Malaysia. This may mean that other mechanisms could be at work apart from the traditionally hypothesized roles of these variables in inducing inflation in Malaysia. The unemployment rate is inversely related, indicating that high unemployment suppresses inflation, which is consistent with the framework of the Phillips curve. Interest rates, as a function of monetary policy, are significantly negatively correlated with inflation and, therefore, confirm their power in demand management for keeping inflation at bay. Lastly, economic growth shows a significant positive relationship with inflation, indicating the rise in demand-pull inflationary pressures in a growing economy. These findings provide some very useful implications for the Malaysian policymakers in asserting the need for a balanced approach toward money supply management, exchange rate stabilization, unemployment reduction, and interest rate adjustments that ensure sustained economic growth with controlled inflationary pressures.

This research also provides a profile of the internship place, Permodalan Nasional Berhad (PNB). Permodalan Nasional Berhad is Malaysia's premier investment management company, formed in 1978 to make available and ensure an equitable distribution of wealth and adequate economic participation among Malaysians. It is a trust institution that manages and grows hard-earned savings for millions of Malaysians across various investment schemes, unit trusts, and institutional funds. For decades, PNB has been at the forefront of the country's economic progress through the provision of investments in its varied portfolio assets consisting of equities, real estate, and fixed income instruments.

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COMPANY PROFILE



Name	Permodalan Nasional Berhad
Location	Aras 91, Menara Merdeka 118, Presint Merdeka 118, 50118, Kuala Lumpur
Website	www.pnb.com.my
Number	03-26393118
Office Hours	Monday to Friday, 8.00 am - 5.00 pm
CEO	Dato Abd Rahman

Table 1.0 The Background of PNB

Permodalan Nasional Berhad, commonly known as PNB, is among the major Malaysian government-linked investment corporations that was established on March 17, 1978. PNB was wholly conceived as a strategic program to rebalance economic imbalances in Malaysia, for the proper distribution of wealth among the multi-ethnic populations in the country. Following its domination in the financial sector of Malaysia, it is considered one of the country's biggest fund management firms. The establishment of PNB is anchored in the New Economic Policy that this country had charted in the early 1970s, with the main objectives of eliminating poverty and restructuring the ownership and distribution of wealth in society. Essentially, its business pertains to increasing Bumiputera participation in the corporate sector as a way of contributing to broader socio-economic equity.

Over the years, PNB has built up substantial and diversified investments in equities, fixed income investments, properties, and other asset classes. The management of unit trusts, particularly the Amanah Saham Nasional and Amanah Saham Bumiputera schemes, is among the hallmark initiatives of PNB, which has been providing accessible investment opportunities with attractive returns to millions of Malaysians. PNB has enabled further public participation in the corporate sector and facilitated nationwide financial literacy via such vehicles. Backed by the investment prudent strategies and robust governance framework, PNB has provided sustainable returns time and again to the unit holders and stakeholders. Strategic investments made by the Company are involved in various sectors, extending from banking and plantation to property development, hence rendering great support toward Malaysia's economic growth and resilience. Beyond this, PNB has been very proactive in embracing digital transformation and innovation for improved operational efficiencies and customer experience. This would enable PNB to be competitive and dynamic in responding to the changing conditions of the market.

VISION & MISSION, OBJECTIVE & GOAL

- Vision**

To be a Distinctive World-class Investment House

- Mission**

To enhance the economic wealth of the Bumiputera community and all Malaysians, for the prosperity of the nation.

- Objective**

To monitor and evaluate the effectiveness of internal controls and to ensure that the finance statements comply with the Malaysian Financial Reporting Standards