



**THE IMPACT OF MACROECONOMIC VARIABLE TOWARDS
INFLATION RATE IN MALAYSIA**

FLORISSA ANAK LINANG

2015460806

**BACHELOR OF BUSINESS ADMINISTRATION (HONS) FINANCE
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA MELAKA
KAMPUS BANDARAYA**

JANUARY 2018

**THE IMPACT OF MACROECONOMIC VARIABLE TOWARDS
INFLATION RATE IN MALAYSIA**

FLORISSA ANAK LINANG

2015460806

**Submitted In Partial Fulfilment Of The
Requirement For The
Bachelor of Business Administration (Hons) Finance**

JANUARY 2018

DECLARATION OF ORIGINAL WORK



BACHELOR OF BUSINESS ADMINISTRATION (HONS) FINANCE
FACULTY OF BUSINESS MANAGEMENT UNIVERSITI TEKNOLOGI MARA

“DECLARATION OF ORIGINAL WORK”

I, Florissa Anak Linang , (I/C Number: 920803-13-5964)

Hereby, declare that:

- This work has not previously been accepted in substance for any degree, locally or overseas, and is not being concurrently submitted for this degree or any other degrees.
- This project paper is the result of my independent work and investigation, except where otherwise stated.
- All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature: _____ Date: _____

LETTER OF TRANSMITTAL

January 2018

Faculty of Business Management
Universiti Teknologi MARA Melaka
Kampus Bandaraya Melaka
110 Off Jalan Hang Tuah
75300, Melaka

Head of Program

Bachelor of Business Administration (Hons) Finance
Faculty of Business Management
Universiti Teknologi MARA Melaka
Kampus Bandaraya Melaka
110 Off Jalan Hang Tuah
75300, Melaka

Dear Sir/Madam,

Attached is the project entitled “The Impact of Macroeconomic Variables towards Inflation Rate in Malaysia” to fulfill the requirement as per needed by the Faculty of Business Management, Universiti Teknologi MARA.

Yours Sincerely,

Florissa Anak Linang

2015460806

ABSTRACT

The literature about inflation indicates that the economists have spent plenty of time to understand the reasons that cause inflation. The economists have succeeded to give details about the sources of the inflation. But, until now the relation of the inflation and the other macroeconomic variables such as the government expenditures has remained debatable. The aim of this study is to investigate the impact of macroeconomics variables towards inflation rate in Malaysia. The selected macroeconomic variables or the independent variables used are government spending, money supply and unemployment for period from 1986 to 2016, where the total number of observation is 31, while the dependent variable is inflation rate. The relationship is examined by undertaking regression analysis using time series data that collected from World Bank Database. Both Single Linear Regression and Multiple Linear Regression are used to identify the relationship between dependent and independent variables. From the result, the study shows that government spending and unemployment rate has negative insignificant relationship towards inflation meanwhile; money supply has negative significant relationship towards inflation. This indicates that money supply give impacts towards inflation while government spending and unemployment does not give impact to inflation rate in Malaysia. The relationship discovered should be useful for public, industries and policy makers as well.