



اوپنوسيتي تكنولوجي مارا

UNIVERSITI TEKNOLOGI MARA

**ANALYSIS OF RELATIONSHIP BETWEEN WORLD  
CRUDE OIL PRICE AND INFLATION IN MALAYSIA**

**NAWAL AFIFAH BINTI KHAIRUDDIN  
2008285254**

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

**OCTOBER 2010**



**BACHELOR OF BUSINESS ADMINISTRATION (HONOURS)**

**FINANCE**

**FACULTY OF BUSINESS AND MANAGEMENT**

**UNIVERSITI TEKNOLOGI MARA**

**“DECLARATION OF ORIGINAL WORK”**

I, NAWAL AFIFAH BINTI KHAIRUDDIN

(I/C Number: 871202-07-5056)

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 SUBMISSION**

12<sup>TH</sup> NOVEMBER 2010

The Program Coordinator

Bachelor of Business Administration (Hons.) Finance

Faculty of Business Management

Universiti Teknologi MARA

Kampus Bandaraya Melaka

110 Off Jalan Hang Tuah

75300 Melaka

Dear Sir,

**SUBMISSION OF PROJECT PAPER (FIN 667)**

Attached is the project paper titled “**Analysis of Relationship between World Crude Oil Price and Inflation in Malaysia**” to fulfill the requirement as needed by the Faculty of Business Management, Universiti Teknologi MARA.

Thank You.

Yours sincerely,

.....

NAWAL AFIFAH BINTI KHAIRUDDIN

2008285254

Bachelor of Business Administration (Hons) Finance

# TABLE OF CONTENTS

## CHAPTERS

DECLARATION OF ORIGINAL WORK

LETTER OF SUBMISSION

ACKNOWLEDGEMENT

I

TABLE OF CONTENT

II

LIST OF TABLES

V

LIST OF GRAPHS

V

ABSTRACT

VI

### 1.0 INTRODUCTION

1.0 Introduction

1

1.1 Problem Statement

3

1.2 Research Questions

4

1.3 Research Questions

4

1.4 Significance of Study

4

1.5 Scope of Study

5

1.6 Limitations of Study

6

## **ABSTRACT**

Previous researches have been conducted in order to investigate the relationship between crude oil price and inflation rate in the developed and emerging countries in literatures such as Kiseok Lee and Shawn Ni (2001), Ferderer (1996), and Georgio et al. (2007). A study by a significant increase in crude oil price will lead to a substantial rise in production costs hence upwarding the pressure on crude oil and also inflation. There are two objectives in this study which are to identify the relationship between crude oil price and inflation and to identify the factors that contribute to fluctuations of oil price. The data of crude oil price and inflation rate range from year 1989 until year 2009, and the data were derived from software named Data Stream and Bank Negara Malaysia. The result of simple regression analysis showed that, there is a negative relationship between the crude oil price and inflation rate.