

**A STUDY ON FACTORS THAT CAUSE INFLATION IN
MALAYSIA**

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Abstract

Following the inflation situation in Malaysia, there are several problems rise in the country. Inflation causes the general price of goods and services to increase while the purchasing power of the currency to decrease. Inflation is not necessarily bad for economy. Only high rate of inflation tends to become problematic for consumers and potential investors. Low level of inflation is beneficial because purchasing power will increase and motivate consumer to spend. It is government's duty to ensure the low rate of inflation. A lot of factors can be contributed to this problem. Therefore, this particular study is conducted in order to determine the factors that cause inflation in Malaysia. All the data were collected in quarterly from year 2005 to 2014 which consist of 40 samples. This research had applied multiple regressions in explaining the selected predictors related to the inflation rate. Assumptions of autocorrelation and multicollinearity were analyzed with each dataset obtained from the Department of Statistics, Ministry of Finance and Bank Negara Malaysia before the estimations of the regression. These tests helped the researcher to come up with more credible results. The results found that all the factors relating significantly affect the inflation in Malaysia.