



**THE IMPACT OF SELECTED MACROECONOMIC VARIABLE TOWARD
THE INFLATION IN MALAYSIA FROM THE YEAR 1985 UNTIL 2018**

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10 DECEMBER 2019

DECLARATION OF ORIGINAL WORK



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TABLE OF CONTENTS

		Page
TITLE PAGE		i
DECLARATION OF ORIGINAL WORK		ii
LETTER OF SUBMISSION		iii
ACKNOWLEDGEMENT		iv
TABLE OF CONTENTS		v
LIST OF FIGURESE		vii
LIST OF TABLES		viii
LIST OF ABBREVIATIONS AND SYMBOLS		ix
ABSTRACT		x
REFERENCES		xi
CHAPTER 1	INTRODUCTION 1.0 Introduction 1 1.1 Background of Study 1-3 1.2 Problem Statement 4 1.3 Research Objective 5 1.3.1 General Objective 5 1.3.2 Specific Objective 5 1.4 Research Question 5 1.5 Hypothesis Research 6 1.5.1 Foreign Direct Investment 6 1.5.2 Unemployment Rate 6 1.5.3 Exchange Rate 6 1.5.4 Agriculture 6 1.5.5 Government Spending 6 1.6 Importance of Study 7	
CHAPTER 2	LITERATURE REVIEW 2.0 Introduction 8 2.1 Review of Literature 8 2.1.1 The Connection between FDI and Inflation 8 2.1.2 The Connection between Exchange Rate and inflation 9 2.1.3 The Connection between	

LIST OF TABLES

Table	Page
Table 3.1 The Summary of Data Sources and Variables	15
Table 4.1 Descriptive Statistic	22
Table 4.2 for Augmented Dickey-Fuller (ADF) and PhillipsPerron (PP)	24
Table 4.3 Ordinary Least Square outcome	27
Table 4.4 Hypothesis testing	31
Table 4.5 Autoregressive Conditional Heteroscedasticity	32
Table 4.6 variance inflation factors	33
Table 4.7 Breusch Godfrey Serial Correlation LM Test	34
Table 4.8 Jarque-Bera test	34
Table 5.1 Summary of Diagnostic Checking	35

ABSTRACT

This study examines the relationship between macroeconomic variables and inflation rate in Malaysia from the period year of 1985 to 2018, which consisted of annually data in the total of 34 observations. Time series econometrics was used to capture the effect of macroeconomic variables toward inflation rate in Malaysia. Moreover, this study also examines the long run, short run, stability, normality, and specification errors of the empirical model.

Macroeconomic determinants such as foreign direct investment (FDI), Exchange Rate (ER), Unemployment Rate (UR), Agriculture (AGR) and Government spending are selected in this study. The empirical results concluded that only three from the five of the determinants above are significant towards inflation rate in Malaysia which is foreign direct investment (FDI), exchange rate (ER) and agriculture (AGR) is significant with positive relationship while unemployment rate (ER) and government spending (GS) is not significant with negative relationship. Therefore, Malaysia's government should strive for an economy growth rate that is stable and consistent with the growth rate of inflation, rather than beating inflation first to strike for a faster growth.