



**MACROECONOMICS FACTOR THAT AFFECT CRUDE PALM OIL
PRICE IN MALAYSIA**

**AZLAN TAHA BIN BAHARIM
2015804734**

**BACHELOR OF BUSINESS ADMINISTRATION
WITH HONOURS (FINANCE)
FACULTY OF BUSINESS MANAGEMENT
MARA UNIVERSITY OF TECHNOLOGY
PASIR GUDANG**

DECEMBER 2019

ABSTRACT

Crude palm oil (CPO) contributes significantly to the Malaysian economy. Malaysia currently holds the position as the world's second-largest palm oil producer after Indonesia. Malaysia and Indonesia are the largest and second largest producers and exporters of palm oil products in the world where together they contribute 83.5% of production and 89.6% of palm oil trade in the world. Both countries export CPO and processed palm oil (PPO). This research will study the macroeconomic factors that affect CPO price in Malaysia from 1999 to 2018.

Through this research, the researcher can examine the relationships between the dependent variable, CPO price and independent variables, Exchange rate, Inflation, Money Supply and Gross Domestic Product (GDP). The research uses secondary data collected from the World Bank and Data stream, and applies Correlation Test, Descriptive Analysis, Augmented Dickey-Fuller test (ADF), Normality Test and Regression Analysis. Through this research, the researcher can conclude the findings and correlation between macroeconomic factors with CPO price in Malaysia.

Keywords: Crude Palm Oil (CPO) price, Exchange rate, Inflation, Money Supply and Gross Domestic Product (GDP)

ACKNOWLEDGEMENT

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

I wish to acknowledge the contribution of many people who have in one way or another made this research a reality.

My greatest appreciation goes to my advisor Mr Mohamad Azwan Bin Md Isa, Lecturer of Finance, for guidance and support throughout the whole research. His patient and advices ensured this thesis to be on the right track and proceed smoothly. I sincerely appreciate what he had done to guide me.

Most importantly, none of this could have happened without my beloved family, friends and course mates, for their helpful suggestions, advices and moral support throughout the time of completing my industrial training and report paper

Last but not least, I would like to thank to those who have helped me either directly or indirectly, throughout the completion of my industrial training and this report. It would not have been possible without them. All of contribution and mankind was mostly appreciated. Thank you.

TABLE OF CONTENTS

	Page
TITLE PAGE	i
AUTHOR'S DECLARATION	ii
LETTER OF TRANSMITTAL	iii
ABSTRACT	iv
ACKNOWLEDGEMENT	v
TABLE OF CONTENT	vi
LIST OF FIGURES	x
LIST OF TABLES	xi
LIST OF ABBREVIATIONS	xii
CHAPTER ONE INTRODUCTION	
1.1 Research Background	1-3
1.2 Problem Statement	4-5
1.3 Research Obejectives	6
1.4 Research Questions	6
1.5 Significance of the Study	7
1.6 Scope of the Study	8
1.7 Limitation of the Study	8
1.8 Definition of Key Terms	9-10
1.9 Summary	11
CHAPTER TWO LITERATURE REVIEW	
2.1 Introduction	12

2.2	Crude Palm Oil Price	12-13
2.3	Empirical Literature	14
2.3.1	Exchange Rate	14-15
2.3.2	Inflation	15
2,3,3	Money Supply (M3)	16
2.3.4	Gross Domestic Product (GDP)	16-17
2.4	Theoretical Framework	18
CHAPTER THREE RESEARCH METHODOLOGY		
3.1	Introduction	19
3.2	Sample Data	19
3.3	Data Collection	19
3.4	Variables	20
3.4.1	Dependent Variable	20
3.4.2	Independent Variable	20
3.5	Research Design	22
3.5.1	Purpose of the study	21
3.5.2	Types of investigation	21
3.5.3	Time Horizon	21
3.6	Hypotheses Statement	22
3.7	Data Analysis	23
3.7.1	Descriptive Analysis	23
3.7.2	Stationery Test	23
3.7.3	Correlation Test	23
3.7.4	Regression Test	24
3.7.5	F-Test	24-25
3.7.6	Coefficient of Determination (R2)	25
3.7.7	Adjusted R2	25