FACTOR AFFECTING INFLATION RATE IN MALAYSIA

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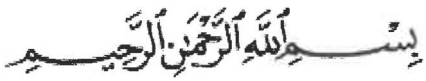

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ABSTRACT

This study aims to determine the relationship of independent variables towards Inflation to rate in Malaysia and to analyze the impact of independent variables on Inflation rate in Malaysia as well as to determine the most significant factor that affects the Inflation rate. The Inflation rate in Malaysia is kept on increasing. Besides that, the economic condition shows the unstable performance of the Malaysian economy. The study will add more reference to an analyst in analyzing the debt offered to the consumer. The study used 30 years period from 1989 to 2019. Other than that, three independent variables are determined to be included in this study, such as Gross Domestic Product (GDP), Money Supply (MS) and Exchange rate (ER). The relationship of variables and Inflation rate will be tested using Descriptive Analysis, Augmented Dickey Fully (ADF) Unit Root Test, Normality Test, and Regression Analysis. Secondary data from reliable sources will be gathered. Based on Multiple Regression Model Test, the results show that the Gross Domestic Product (GDP), Exchange Rate (IF) and Money Supply (MS) has a significant variable with the inflation rate, which indicates that the rise of these independent variables determines the rise of the inflation rate. The data are taken from Databank, World Development Indicator, Bloomberg, UiTM Server as well as Bank Negara Malaysia. Therefore, the findings of this study could provide some guidance to policymakers in controlling the inflation rate and help in realizing the national economic goals. Similarly, economists have capabilities to enhance which part will help in improving decision making by knowing the effects of macroeconomic factors on the inflation rate in Malaysia. Some recommendations have created for future research on how to expend more knowledge and reliable result such as use different data structure, research on other countries and add more macroeconomic variables.

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