



**THE RELATIONSHIP BETWEEN MACROECONOMIC VARIABLES AND
INFLATION IN MALAYSIA**

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ABSTRACT

This paper attempts to investigate the relationship between the macroeconomic variables with the inflation in Malaysia. The data used in this study were collected from the period of 1980 to 2004. From the study, it was revealed that on the unit root test confirms the stationary of all variables at the first difference. This study also aimed to examine which variables that contributes significantly to inflation. The analysis is carried out based on the time series approach. From the study, it was revealed that two from three independent variables significant and positively impacted on the rate of inflation in Malaysia during the period under review.