



UNIVERSITI TEKNOLOGI MARA

**THE DETERMINANTS OF
CONSUMER PRICE INDEX IN
MALAYSIA**

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Thesis submitted in fulfillment
of the requirements for the degree of
Bachelor of Business Administration
(Hons.) (Finance)

Faculty of Business and Management

June 2017

ABSTRACT

This paper is aim to identify the factor that influences consumer price index in Malaysia. The issue of this study is to understand the reason of rising prices as inflation is unavoidable phenomenon. Thus, the factors that may influences the consumer price index will be observe closely. The dependent variable in this study is consumer price index (CPI) inflation that will be measure by consumer price index. Five selected independent variables in this study are gross domestic product, money supply, interest rate, import of goods and services, and government expenditure. This study used quantitative secondary data which is time series model represented by the ordinary least squares (OLS) as the technique to look factor that influences the consumer price index in Malaysia over the period 1980 until 2015. The sources of data will be find through DataStream and World Bank data. The CPI determinants, which only money supply and import of goods and services have positive relationship with consumer price index, while gross domestic product, interest rate, and government expenditure have negative relationship with consumer price index. The limitations of study are based on consumer price index (CPI) in Malaysia of data set over 36 years.

ACKNOWLEDGEMENT

Alhamdulillah, all praise to ALLAH, the most merciful and the most benevolent for giving me the opportunities in completing this research paper on time in order to fulfill the graduation requirement of Bachelor of Business Administration (Hons.) Finance. It would be possible for me to spent time to complete this study without the grace and help of ALLAH s.w.t.

First of all, I want to thank and express my deepest appreciation to my research advisor Sir Basaruddin Shah bin Basri for valuable guidance and advice. He inspired me greatly to work on this project. His willingness to motivate me contributed tremendously to my project. Without his encouragement, suggestions, ideas, and comment throughout this study, this research could not be completed.

Besides that, I would like to thank to Universiti Teknologi MARA (UiTM) for providing me with a good environment and facilities to complete this project and also my second advisor Sir Mohd Hakimi bin Harman.

I dedicate this research to my beloved parents for their understandings and supports on me in completing this project and also to the rest of my families. I want them to know that I really appreciate what they have done to me.

Not be forgotten, I wish to express my deepest attitude to all my friends that involve directly and indirectly who share the experience, time and commitment. Without helps of the particular mention above, I would face many difficulties while doing this.

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

The first chapter of the study is overview and pre-information about the background and reasonableness for carrying the study. Several sections will be considered in this chapter starting with the background of the consumer price index in the section 1.2. Next, section 1.3 will describes the problem statements that led to this study. Furthermore, a research objective and research question of conducting this study will be stated on section 1.4 and 1.5 respectively. While, the significant of study will be illustrate on section 1.6. After that, section 1.7 and 1.8 will represent the scope of the study and limitation of study respectively. Last, definition of term on this study will be explained in section 1.9, while section 1.10 will be the summarization of this chapter.