



**FACTORS THAT AFFECTING OIL PRICE IN
MALAYSIA**

BY

NOORAZLIENA ARYANTIE BINTI ABDUL GHANI

2015180257

BACHELOR IN BUSINESS ADMINISTRATION (HONS) FINANCE

UNIVERSITI TEKNOLOGI MARA (UiTM)

MELAKA CITY CAMPUS

JANUARY 2018

ACKNOWLEDGEMENT

Without the assistance, cooperation and guidance of several parties, this research study would not be completed. I would like to take this opportunity to thank everyone who give their hands and guided me in completing this project paper.

First thing foremost, I would like to express my heartfelt gratitude and appreciation to my advisor, Miss Amizatul Hawariah Binti Awang who had guided me throughout the duration in completing this study. I'm appreciating much the valuable time, guidance and advices she has given for the completion of this project paper.

Apart from that, I would also like to thank the other lecturers of UiTM who have guided me directly and indirectly with new insights and ideas on the path of completing this study. Besides, I'm deeply appreciate the moral support, understanding and endless love in which my family have given unconditionally throughout the process.

Last but not least, the cooperation and support received from all the group members who contributed ideas in this study was very important for the success of this project. The ideas, suggestions, and perspective given greatly enhanced this project paper. Once again, I'm are in grateful and in appreciation of all the assistance contributed for my completion of this study.

TABLE OF CONTENTS

	Page
TITLE PAGE	
DECLARATION OF ORIGINAL WORK	i
ACKNOWLEDGEMENT	ii
TABLE OF CONTENTS	iii-vi
LIST OF TABLES	vii
LIST OF FIGURES	viii
LIST OF ABBREVIATIONS	ix
LIST OF APPENDICES	xi
ABSTRACT	xii
 CHAPTER 1: RESEARCH OVERVIEW	
1.0 Research Background	1-2
1.1 Problem Statement	3-5
1.2 Limitation of study	5
1.3 Objectives	6
1.4 Research Questions	6
1.5 Hypotheses of the Study	7
1.6 Scope of study	8
1.7 Definition of term	8
1.7.1 Oil price	8-9

1.7.2	Inflation	9
1.7.3	Gross Domestic Product (GDP)	9
1.7.4	Exchange of Currency	10
1.7.5	Trade balance	10
1.8	Significance of the Study	10-11

CHAPTER 2: LITERATURE REVIEW

2.0	Introduction	12
2.1	Review of the literature	12
2.1.1	Oil price	12-14
2.1.2	Inflation	14-16
2.1.3	Exchange of currency	16-18
2.1.4	GDP	18-19
2.1.5	Trade balance	19-20
2.2	Theoretical framework	21-22

CHAPTER 3: METHODOLOGY

3.0	Research Design	23-24
3.1	Data Collection Methods	24-26
3.2	Data Processing	26
3.3	Data Analysis	27
3.3.1	Eviews	27-28
3.3.2	Multiple Linear Regressions	28-30
3.3.3	F-test Statistic	30-31
3.3.4	T-test Statistic	31-32

ABSTRACT

This research is to study about the Factors that Affecting Oil Price in Malaysia. There are four independent variables that have been choosing for this research. The independent variables are inflation (IF), exchange rate of currency (EC), gross domestic product (GDP) and trade balance (TB). This research use time series data between the years 1988-2016 which the total number of observation is 29 years. Multiple linear regression models have been applied to study the relationship between independent variables and dependent variable. From the empirical result off equation has shown that only inflation and trade balance significantly affects oil price. However, exchange rate of currency and gross domestic product show an insignificant relationship on oil price.