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**FACULTY OF BUSINESS, BACHELOR OF BUSINESS ADMINISTRATION AND  
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**INV667**

**INDUSTRIAL TRAINING PROJECT PAPER**

**DETERMINANTS OF GROSS DOMESTIC PRODUCT (GDP) IN MALAYSIA**

**PREPARED BY**

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### **ABSTRACT**

Gross Domestic Product (GDP) has been serving as one of the indicators that show how well the country is doing in terms of their sources of economic growth. Economic conditions in Malaysia have been through some challenging times such as the recent lockdown due the pandemic breakout in 2020. In this study, the researcher will investigate the determinants of GDP in Malaysia such as Foreign Direct Investment (FDI), Foreign Portfolio Investment (FPI), Inflation rate, unemployment rate, Crude Palm Oil price (CPO) and tourism revenue per year. The time series data will be annually starting from 1990 to 2020. Among the techniques of analysis that will be used are Ordinary Least Square (OLS), descriptive analysis, correlation analysis and regression analysis. The outcome of this research can be used for the future researchers to use as guidance and references.

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## **CHAPTER ONE : INTRODUCTION**

### **1.1 Introduction**

Gross domestic product (GDP) is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period. As a broad measure of overall domestic production, it functions as a comprehensive scorecard of a given country's economic health. Though GDP is typically calculated on an annual basis, it is sometimes calculated on a quarterly basis as well. For example, the government releases an annualised GDP estimate for each fiscal quarter and also for the calendar year. The individual data sets included in this report are given in real terms, so the data is adjusted for price changes and is, therefore, net of inflation. Of all the components that make up a country's GDP, the foreign balance of trade is especially important. The GDP of a country tends to increase when the total value of goods and services that domestic producers sell to foreign countries exceeds the total value of foreign goods and services that domestic consumers buy. When this situation occurs, a country is said to have a trade surplus.

### **1.2 Problem Statement**

For the research problem, economic growth is often related with an economy's health of a certain country and the main indicator to characterizing the economic growth is gross domestic product. The studies of GDP have been done for decades and it is quite important for decision makers such as the government, investors and businesses to understand the growth of GDP could bring a direct effect to the economy. However, there are vast variables of potential factors that can be used to determine the significance of GDP growth. Therefore, there are many differences in the availability of data and possibilities depending on which country it is. In this problem statement, the researcher going to use the potential factors such as foreign direct investment (FDI), foreign portfolio investment (FPI), inflation rate, unemployment rate, palm oil price changes per year, and tourism revenue changes per year can affect gross domestic products (GDP) performance in Malaysia.

### **1.3 Research Question**

- 1) Does FDI affect GDP performance in Malaysia?
- 2) Does FPI affect GDP performance in Malaysia?
- 3) Does Inflation affect GDP performance in Malaysia?
- 4) Does unemployment rate affect GDP performance in Malaysia?
- 5) Does palm oil price changes affect GDP performance in Malaysia?
- 6) Does the tourism revenue per year changes affect GDP performance in Malaysia?