



UNIVERSITI TEKNOLOGI MARA

**THE IMPACT OF MACROECONOMIC
VARIABLES ON KUALA LUMPUR INDUSTRIAL
PRODUCT**

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ABSTRACT

This study examined the impact of macroeconomic variables on Kuala Lumpur Industrial Product in Malaysia. Due to Covid-19, the performance of the Kuala Lumpur Industrial Product index has fluctuated. This issue leads to the study of the impact of macroeconomic variables on the Kuala Lumpur Industrial Product index. There are four macroeconomic variables such as exchange rates, money supply, inflation, and crude palm oil price. The data was collected monthly and consisted of 73 observations from January 2016 until January 2022. Multiple regression tests the relationship between Kuala Lumpur Industrial Product and four macroeconomic variables. The results indicate that the stock market has significant relationship with money supply and crude palm oil price while the stock market showing insignificant relationship with exchange rate and inflation.

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CHAPTER 1: INTRODUCTION

1.1 Introduction

This study examines the macroeconomic factors that affect the Kuala Lumpur Industrial Product index. This section of the chapter will briefly discuss the background of the study, problem statement, research questions, research objectives, the study's significance, the study's scope, the limitation of the study, and a summary of this chapter.

1.2 Background of Study

The stock market is an important part of Malaysia, and it plays an essential role for every party involved in the stock market. It can affect the economy's performance and impact the country. One of the reasons central banks, governments, and investors keep analyzing and looking at stock market index performance is to control and plan their strategy efficiently and effectively. Next, it can help the development of the country. Besides, the stock market also helps predict the economy's future (Comincioli, 1995).

The stock market index may be affected for various reasons. One of the reasons that can affect the stock market index is macroeconomic variables. As stated by Qayyum and Anwar (2011), monetary policy has a positive and significant impact on the stock market's volatility. Hence, this research focuses more on macroeconomic variables, which affect stock market indexes. Macroeconomic variables have an impact on the volatility of the stock market index. Sharman and Mahendru (2010) also stated that the stock market was highly affected by changes in macroeconomic variables. In addition, this research focuses on Malaysia's stock market every month.

The independent variable in this study is the macroeconomic variables, including the exchange rates, the money supply, inflation, and the crude palm oil price. Furthermore, the Kuala Lumpur Industrial Product index is the dependent variable in this study.