THE FACTORS THAT INFLUENCE INFLATION RATE IN MALAYSIA (2005 -2017)

NUR ATIQAH BINTI HJ MA'AROF
2016729947
NUR FATIN AINUN BINTI AZMI
2016307187

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ABSTRACTS

Inflation is a very important macroeconomic indicator, which can measures the general price changes of goods and services in a particular country. Inflation also may occur due to several factors and can give negative impact to a certain country if the level of inflation rate is too high. Basically, every country will experience inflation either high or low. The purpose of this study is to determinants of factors that affecting inflation in Malaysia. In this study, it consists of quantitative method and the econometric model is used for identify the relationship between the dependent and independent variables. Besides, this study also had been discussed the autocorrelation, multicollinearity, Heteroscedasticity and Multiple Linear Regression. On the other hand, this study used time series data for the period 2005 to 2017. The result show that interest rate, unemployment rate and gross domestic product has a positive relationship towards independent variable namely inflation rate while government expenditure goes negatively towards inflation rate in Malaysia.

Keywords: inflation, government expenditure, interest rate, gross domestic product, autocorrelation, multicollinearity, heteroscedasticit