



UNIVERSITI TEKNOLOGI MARA

**THE RELATIONSHIP OF MALAYSIAN ECONOMICS
VARIABLES AND CRUDE PALM OIL PRICE**

ATIQA H BINTI ABUZA

2020986039

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ABSTRACT

Crude palm oil (CPO) is a significant contributor to Malaysia's economy. Malaysia is currently the world's second largest producer and exporter of palm oil, trailing only Indonesia. However, there is uncertainty around the price of CPO, and the pattern indicates significant volatility over the last decade. The purpose of this study is to analyse the link and relationship of four economics variables on the Malaysian CPO price, specifically the exchange rate (EXC), inflation (INF), money supply (M3), and gross domestic product (GDP). The emphasis is on macroeconomic factors affecting CPO prices in Malaysia between 2010 and 2020. Secondary data from the World Bank is incorporated into the study. The data are analyzed using descriptive statistics, correlation, and normality test. The researcher may conclude from this research that there is a relationship between macroeconomic conditions and CPO prices in Malaysia.

Keywords: Crude palm oil price (CPO), Inflation (INF), Money supply (M3), Gross domestic product (GDP), Economics variable, Malaysia.

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

Oil palms are extremely productive and have made a substantial contribution to Malaysia's economy. By increasing community incomes, the growth of oil palm plantations benefited rural communities and raised issues of welfare, human rights, equity, and demographic change Mohd Hanafiah (2021). Among the projected benefits for the oil palm business are biodiversity and environmental management, sustainability certification, improved social corporate responsibility, and a review of employment policies.

In 2017, Malaysia ranked second in the world in terms of oil palm exports, with a total value of USD 9.7 billion. Malaysia ranked second in palm oil output in the same year, with 21 million metric tons produced. In 2016, the agriculture industry contributed RM89.5 million to the Malaysian GDPP, accounting for 8.1 percent of the total. The oil palm sector alone accounted for 43.1 percent of the GDPP by Department of Statistics, (2017).

The palm oil business is viewed as a crucial industry that contributes significantly to Malaysia's Gross National Income (GNI). The Malaysian Palm Oil Council (MPOC) was founded in 1990 to promote its goods and market expansion by improving the image of palm oil and promoting its acceptability through new technology, economic benefits, and environmental sustainability.

The Malaysian palm oil sector, according to Khalid et al, (2018), not only contributes to economic development but also improves the country's socioeconomic status. The contributions of Malaysia's palm oil sector, which is the fourth largest contributor to the country's GNI, demonstrate this. Because price is one of the factors that influences income, specifically GNI, it is critical to understand what causes pricing. In the palm oil sector, this is referred to as the CPO price.