



**THE EFFECT OF MACROECONOMIC VARIABLES ON  
PASSENGER VEHICLE SALES IN MALAYSIA**

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**Submitted in Partial Fulfillment  
of the Requirement for the  
Bachelor of Business Administration  
(Hons) Finance**

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**7th DECEMBER 2014**

## **ACKNOWLEDGEMENT**

Foremost, I wish to count my blessings and thanked Allah s.w.t for providing me the mental and physical strength as well as other positive attributes notably perseverance to complete this challenging research paper.

I take this opportunities to express my profound gratitude and deep regards to my research advisor Madam Nur Liyana Bt Mohamed Yousop for her guidance, monitoring and constant encouragement throughout the course of this thesis. Her constructive comments and suggestions greatly assist in the successful completion of this project paper. The blessing, help and guidance given by her time to time shall carry me a long way in the journey of life on which I am about to embark.

I also take this opportunity to extend my appreciation to all those who have assisted directly or indirectly in the completion of this research paper. Sincere thanks to all my friends and office colleagues for their understanding, kindness and moral support during the testing time undertook to complete this assignment. Last but not least, my deepest gratitude to my beloved parents for their unwavering support, invaluable assistance and sincere blessings.

Thank you.

## **ABSTRACT**

Transportation is very important to each of people in the modern world. Transportation is needed by people to move from one place to another place. Day to day, demand towards transportation increasing especially on passenger vehicle. To meet this demand, foreign and local automotive companies producing various types and model of vehicles. In Malaysia, there are two national car manufacturers which are Proton and Perodua. Both, car manufacturers continuously produced new cars model in order to compete with foreign car manufacturers which give high competition. However, it seems like foreign cars model tried to dominate local automobile market when many manufacturers and assembler option for CKD (complete knocked-down) to easy access to the Malaysian market. The reduction on taxes for imported cars will increase on consumer purchasing power might give higher threat to national car sales. Moreover, economic condition also will influence the demand on passenger vehicle in Malaysia. These situations giving high threat to national automobiles. Due to that circumstances, this paper aims at finding out the effect of Macroeconomic Variables on the passenger vehicle sales in Malaysia. The variables considered are index of industrial production (IIP), consumer price index (CPI), and oil price (OP). The sample of this study comprises of 60 observations each of the independent and dependent variables on monthly basis over five years period from January 2008 to December 2012. Methodology used for this study is by using Multiple Linear Regression with time series data sourced from Ministry of Commerce and Consumer Affairs, Bank Negara Malaysia and Malaysian Automotive Association (MAA). The result of the study is IIP which is proxy to GDP has significant relationship and simultaneously affect on passenger vehicle sales in Malaysia. The future researcher can depend on IIP as a strong variable that influence passenger vehicle sales.

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# CHAPTER 1

## INTRODUCTION

### 1.1. SCENARIO OF PASSENGER VEHICLE SALES IN MALAYSIA

In Malaysia, there are two national cars manufacturer which are Proton and Perodua. Proton established on 1983 following by Perodua on 1993.

It all began in 1979, Malaysia's Father of Modernization, Tun Mahathir Mohamad (currently advisor to Proton) inspired the idea of establishing an automotive assembling and manufacturing industry in our country. His dream became one step closer to reality when the Cabinet approved the National Car Project in 1982. Proton was officially incorporated on May 7, 1983 under the name Perusahaan Otomobil Nasional Berhad. Proton first model, the Proton Saga was commercially launched on July 9, 1985. The name "Saga" was chosen by Ismail Jaafar, and derived from "saga" a type of seed commonly found in Malaysia. Proton Saga was distributed in Bangladesh, Brunei, New Zealand, Sri Lanka and United Kingdom.

In 1989, Proton progressed toward in-house engine operations in order to upgrade technological prowess. A Transmission Assembly Plant was also set up in Shah Alam. Proton further cemented its success with the introduction of its first MPV, the Proton Exora in 2009. In 2012, from a Government-Linked Company, the national car-maker is now a private entity following its takeover by DRB HICOM Berhad. In September 2012, Proton would begin selling electric vehicles by end of 2014. National car