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Dynamic linkages between price indices and inflation in Malaysia

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Abstract

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This study examines the dynamic linkages among consumer price , producer price , industrial production and import price indices in Malaysia by using monthly data from 2005 to 2013. The empirical results based on Johansen multivariate cointegration test reveal that there is a long-run relationship among these indices . The long-run estimations indicate that industrial production and import prices are statistically signifcant determinants of consumer price index , which indicates that Malaysian inflation is due to demand-pull and international transmission, or imported inflation in the long-run. However, the higher producer price is associated with higher inflation or costpush inflation in the short-run.

SciVal Topic Prominence

Topic: Inflation Uncertainty | Output Growth | Macroeconomic Volatility

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Author keywords

Cost-push inflation | Demand-pull inflation | Imported inflation | Inflation | International transmission of inflation

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