How to combat inflation

Finance, Financial Analysis

Recommendations Based on the results generated from the multiple regression analysis of this research, there are few recommendations that can be implemented to combat the inflation in Malaysian economy. The recommendations are: 1. Malaysia government should focus on producing export goods than importing goods from other countries in order to encourage appreciation of Ringgit Malaysia currency value. In turn, it will decrease the inflation rate and trigger the purchasing power to other currencies namely, dollar, euro and pound. This is because countries with high inflation rate will experience depreciation in their currency.

However, even though the ringgit appreciation can reduce the import prices, consumers may not able to get the benefit from the reduction. According to Central Bank, the vigorous appreciation of ringgit currency can slow down the export competitiveness that can directly impact income and weaken domestic demand. 2. GDP and CPI is directly impact each other. Income is adjusted according to the CPI level. In order to reduce the inflation rate, government should monitor the growth of GDP. If GDP is increase too fast, CPI also will increase too fast and subsequently, increase the cost of living.

In addition, the government is slower than the market, making it almost impossible for government to keep up with the income adjustments needed to provide good quality of life to Malaysians. 3. It is Central Bankresponsibilityto decide the most appropriate deposit rate to be imposed on themoneysavers. One of the ways to reduce the inflation rate in Malaysia is by increasing the deposit rate so that people will save more and spends less. Increase in deposit rate can discourage borrowing, and somehow reduce the consumer spending and consequently reduce the inflation rate.