The effect of oil price in Malaysia economy sectors

Abstract

The objective of this study is to examine long-run relationship between oil price and Malaysia’s economy sectors, which include of agriculture, manufacturing and services sectors. Time series data for the period from 1980 to 2014 is applied such as Unit Root test, Johansen Cointegration test and Granger Causality test. Augmented Dickey-Fuller and Phillip-Perron tests results indicated that the variable proved to be integrated in order one I(1) at first difference. After testing Cointegration test, a long-run relationship between the variables was found and oil price does granger cause sectoral output in short-run. Hence, this study is important for policy makers to restructure economic policies on oil price in Malaysia economy sectors.