

The Impact of Oil and Liquefied Natural Gas (LNG) Prices on Economic Sectors in Malaysia

ABSTRACT

The aim of this paper is to examine the impact of oil and LNG (Liquefied Natural Gas) prices fluctuation to economy sectors in Malaysia. We investigate four economics sectors in Malaysia namely industry, manufacturing, agriculture and services sector. Annual time series data were collected from 1985 to 2015. Econometrics methods like unit root, co-integration, VECM and causality test were tested to identify a long run relationship and causality from energy prices to economic sector. Data for economic sectors and energy prices were extracted from World Bank and Energy Information Administration (EIA). The empirical results found that all series are associated and move together in a long run but there is no short-run dynamics exist. Pairwise Granger causality test suggested that oil and LNG prices affect industrial and manufacturing sectors in Malaysia.