



**MACROECONOMIC EFFECTS OF OIL PRICE CHANGES IN MALAYSIA**

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Dear Sir/Madam

**SUBMISSION OF FULL RESEARCH PAPER**

Attached is an original research paper entitled '**MACROECONOMIC EFFECTS OF OIL PRICE CHANGES IN MALAYSIA**' that is for your kind perusal and evaluation to fulfill the requirement which are needed by the faculty.

Thank You.

Yours sincerely,

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**ABSTRACT**

Oil is an input in many production and consumption activities also as one of the main commodities across the globe. Therefore, relationship between oil price and macroeconomic is worth attention. Most of the existing studies in theoretical and empirical understanding of the macroeconomic consequences of oil price shocks have been focused on the US economy. In contrast to these studies, the purpose of this paper is to investigate whether economic world growth can be explained by changes in the oil price by using variables such as GDP growth, inflation, unemployment and trade balance in Malaysia. The main findings may be summarized as follows: the interaction between oil price changes and economic growth, unemployment and trade balance is said to have a significant impact while inflation indirectly affected. In the event of policymakers are faced with policy options of either to increase or decrease the oil price, they should be aware that oil price changes gives significant effect to the economy.