UNIVERSITI TEKNOLOGI MARA

EMPIRICAL ANALYSIS ON MACROECONOMIC VARIABLES AND OIL PRICE IN MALAYSIA

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**Bachelor of Business Administration
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AUTHOR'S DECLARATION

I declare that the work in this final year project paper was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Undergraduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

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ABSTRACT

The oil and gas industry as a whole figure prominently in a Malaysia economy, having contributed fully one-fifth of its GDP over the past decade. On a standalone basis, the Malaysian gas industry produced and sold into the local market gas valued at over RM 10 billion in 2017. As with any commodity, stock, or bond, the laws of supply and demand cause oil prices to change. When supply exceeds demand, prices fall; the inverse is also true, when demand outpaces supply. While supply and demand impact oil prices, it is actually oil futures that set the price of oil. Due to that circumstances, the aim of this study is to investigate the factors affecting the fluctuation of oil prices and its relationship towards the macroeconomics variables from 1990 to 2019, a yearly basis. Using the Ordinary Least Square (OLS) method, the researched topic will be examined. Data from the Malaysia oil price is used a dependent variable while the other four (4) variables namely a gross domestic product (GDP), foreign direct investment (FDI), inflation rate, and interest rate are used as independent variables. Findings from this study shows real interest rate have a significant relationship with the crude oil price.

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