DECLARATION OF ORIGINAL WORK

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Hereby declare that:

• This work has not previously been accepted in substance for any degree, any locally or overseas, and is not being concurrently submitted for this degree or any other degrees.

• The project paper is the result of our independent work and investigation, except where otherwise stated.

• All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature: Date: 4th July 2017

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ABSTRACT

This research investigates the determinants that influence the price of crude oil in Malaysia. The study used Ordinary Least Square (OLS) method to determine significant relationship between dependent variable and independent variables, covering data in monthly periods which are from January 2009 until December 2016. This study used three independent variables that affect the crude oil prices in Malaysia which are exchange rate, Malaysia oil production and world crude oil price. The studies have found there is negatively significant relationship between exchange rate and Malaysia oil production. Therefore the world crude oil prices show the positively significant relationship toward crude oil prices in Malaysia.

Keywords: Malaysia Crude Oil Prices, Ordinary Least Square, World Crude Oil Price, Malaysia oil production, exchange rate.

CHAPTER 1 RESEARCH OVERVIEW

1.1   INTRODUCTION

Crude oil is one of the main natural resources that fuel energy and its represents the most important macroeconomic factor in the world economy stated by Noor (2009). Since the crude oil price shocks on 1973 until 1974 and 1979 until 1980, many researchers have explores the relationship between crude oil price shocks and the economic variables. Crude oil prices one of the leading indicators in global economy. When the crude oil prices increase, many sectors suffer from surging costs and declining profits. According to David and George (2013) examined that the oil & gas sector , and also the mining sector tends to be positively affected by positive changes in oil prices, whereas the reverse hold true for the others sectors, such as transportation, manufacturing, food, chemicals, medical, computer , real estate and general services. When the crude oil price booming in the market, the disposable income will decline and as the result the inflation will occur. These could indicate that crude oil has important role in the economy.

The movement crude oil prices were determined based on the international market on the forces of demand and supply of crude oil. Organization of the Petroleum Exporting Countries (OPEC) is the organizations that responsible to determined world crude oil price. Organization of the Petroleum Exporting countries is a group consisting of 12 of the major oil exporting nations and was founded in 1990 in purpose to coordinate the petroleum policies of its members. These organizations intend to ensure the stabilization of oil in the global oil markets. The crude oil price shows the interesting dynamic trend throughout the century. During the post world war II, crude oil price only ranged between $2.50 and $3.00 from 1948 through the end of the 1960. However, the prices of crude oil changes drastic a lot