THE INTERDEPENDANCE OF PETROLEUM PRICE BETWEEN SELECTED MIDDLE EAST COUNTRIES AND MALAYSIA : ANALYSIS BASED ON QUANTITATIVE INDICES

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DECLARATION OF ORIGINAL WORK

BACHELOR OF BUSINESS ADMINISTRATION (HONS) FINANCE

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BANDARAYA MELAKA

We, Nasreen Athirah Binti Aludin (I/C Number: 931023105952) and Mohamad Nazarin Bin Mohamad Napi (I/C Number: 940513146439)

Hereby, declare that,

- ✓ This work has not previously been accepted in substance for any degree, locally or overseas and is not being concurrently submitted for this degree or any other degrees.
- ✓ This 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 our information have been specifically acknowledged.

Signature: ______________

Signature: ______________ Date: _______________

LETTER OF SUBMISSION

30th June 2016

Miss Nurhaslinda Binti Hashim

Faculty of Business Management

Universiti Teknologi MARA

Malacca City Campus

Dear Miss,

SUBMISSION OF PROJECT PAPER

Attached is the project paper titled "**THE INTERDEPENDANCE OF PETROLEUM PRICE BETWEEN SELECTED MIDDLE EAST COUNTRIES AND MALAYSIA : ANALYSIS BASED ON QUANTITATIVE INDICES"** to fulfill the requirement as needed by the Faculty of Business Management, University Teknologi MARA.

Thank you.

Sincerely,

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Bachelor of Business Administration (Hons) Finance

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ABSTRACT

The study examined the interdependence of oil price between the selected Middle East countries and Malaysia with quantitative indices. The methodology is panel regression method approach. The dependent variable of this study is the Oil Price (OP), meanwhile the independent variables used for analysis were Foreign Exchange Rate (FER), Inflation Rate (IR), Gross Domestic Product (GDP), Import of Fuel (IF), and Export of Fuel (EF) in Saudi Arabia, United Arab Emirates, Kuwait, Qatar, Iran, and Malaysia. These variables were considered appropriate indicators of oil price responses. The main tool of analysis was a random regression model which examines the relationship between oil prices and the variables in selected countries from 1984 until 2013. Data on the variables were used to estimate parameters of the model through the Panel Regression Random Effect Model. Estimates of model parameters were evaluated based on relevant statistics from the regression. The results show positive relationship exists between FER and EF with the OP. Meanwhile, IR has negative relationship with the OP. Another two variables which are GDP and IF shows no significant relationship with the OP. However, the overall effect showed increase in the variables increase the price of oil in all countries selected.