



THE GROSSDOMESTIC PRODUCTS, OIL CONSUMPTION
IN MALAYSIA

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ABSTRACT

This paper investigates the interactions between gross domestic products and oil prices toward oil consumption in context of Malaysia's economy. In case of Malaysia, the previous study has come out with the mixed conclusion about it relationship and still open for debate. This study covers from 1980 – 2010 and before applying any econometric method, unit root test which is Augmented Dickey-Fuller will be done in order to get the stationary data and to avoid spurious regression. The results reveal that there is positive relationship between gross domestic products and oil consumption whereas negative relationship between oil prices with oil consumption among them. Also, this paper indicates that the changes of oil prices also affect the total oil consumption in Malaysia but only little bit impact on Malaysia's economy. Then, the paper shows that the effect of gross domestic products and oil consumption was influenced toward total consumption including macroeconomic performance. The relationship between the gross domestic products and oil prices seen have the statistically significant relationship to the oil consumption whether in single regression or multiple regression in Malaysia's economy perspectives. After all, it's back to govern itself on how the play their role and responsibility especially in corrected with more pleasant policies and actions. Given the dominant effects of gross domestic products and oil price on oil consumption, better response and right mechanism of energy conservation policies should exist to curb the non-renewable energy use and to shift extensively to the inter fuel substitution towards indigenous resources, mainly renewable energy.