

## Volume 37, Issue 1

### Oil Price Shocks and Sectoral Outputs: Empirical Evidence from Malaysia

Venus khim-sen Liew  
*Universiti Malaysia Sarawak*

Arunnan Balasubramaniam  
*Universiti Tunku Abdul Rahman*

#### Abstract

This article examines the oil price-output nexus for the case of Malaysia between the years 1970 to 2014. Autoregressive Distributed Lag (ARDL) modeling approach is adopted to investigate long-run relationships among oil-price and real aggregate GDP as well as the real outputs of agriculture, manufacturing, industrial and service sectors. The outcomes of linear ARDL cointegration analysis fails to reveal any long-run relationship among the variables. Subsequently, all models are re-estimated by deploying the nonlinear ARDL approach to cointegration. The evidence of nonlinear long-run relationship is found for oil price and the Malaysian manufacturing and industrial outputs. Notably, the long-run parameter estimates reveal that oil price increase enhances outputs significantly, whereas oil price decrease has significant negative impact on these two sectoral outputs. It is suggested in this article that policy-makers need to consider the nonlinear effect of oil price shocks to formulate policy which is able to maintain favorable environment that enhances economic growth.

---

We would like to acknowledge the Higher Ministry of Education, Malaysia for its partial financial support via UNIMAS RIMC grant number F01/SpFRC/1435/16/3 funded to the Center for Business, Economics, Finance Forecasting, Faculty of Economics and Business, UNIMAS. We owe a special thank to Professor Dr John P. Conley for his editorial advice and encouragement. We are grateful to the Reviewer for the valuable comments that help to improve the quality of this manuscript substantially. The remaining errors are solely our responsibility.

**Citation:** Venus khim-sen Liew and Arunnan Balasubramaniam, (2017) "Oil Price Shocks and Sectoral Outputs: Empirical Evidence from Malaysia", *Economics Bulletin*, Volume 37, Issue 1, pages 38-47

**Contact:** Venus khim-sen Liew - [ksliew@unimas.my](mailto:ksliew@unimas.my), Arunnan Balasubramaniam - [arunnan@utar.edu.my](mailto:arunnan@utar.edu.my).

**Submitted:** August 30, 2016. **Published:** January 13, 2017.