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Impact of Oil Prices, Energy Consumption and Economic Growth on the Inflation Rate in Malaysia

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Abstract: Oil prices, energy consumption, and economic growth have made a significant effect on inflation rates in Malaysia. This study attempts to examine this effect through secondary data collected on specific macroeconomic indicators such as inflation and country's oil prices, energy consumption, and gross domestic product. For this purpose, year to year information from 1986 to 2019 series was utilized. This research study used the E- views regression model, correlation model, and descriptive analysis to break down the information about oil prices, energy consumption, economic growth, and inflation rate. It investigated how oil prices, energy consumption, and economic growth have a positive association with the inflation rate in Malaysia. It is premised in this study that the rate of oil and renewable energy consumption enhances the economic growth and also improves the inflation rate in the country. This finding helps the Malaysian government in entering into essential leadership deal with oil prices, and energy consumption to manage inflation rates.

1. Introduction

Economic growth is one of the most important constructs of fluctuation in inflation (Nawaz et al., 2021). Normally increase in economic growth triggers the rise in inflation. Karimi (2018) implies that a change occurs in the economic growth when inflation fluctuates with a proportional speed. Malaysia is a developing upper-middle-income economy. Its economy has been rising consistently as once it was only developing lower-middle-income economy. In 2016, the economic growth of Malaysia was 1.5 percent which increased to 2.37 percent in 2017 with certain advancements in economic areas. As time passed, this economic growth rate went to 2.9 percent in 2018. In 2020, the economic growth rate was 5.8 percent which is expected to increase up to 6.7 percent in 2021. (Ridzuan, Marwan, Khalid, Ali, & Tseng, 2020) have proven that as the Malaysian economy has grown, the inflation rate in the economy has also increased, though it

has been controlled by taking certain measures by the government and economists.

The rising cost of oil and income generated from it has globally played a vital role. The oil prices have also influenced the state of the Malaysian economy. A few studies (Al-hajj, Al-Mulali, & Solarin, 2018; Husaini, Puah, & Lean, 2019) in the past have investigated the influence of oil price and conversion scale and its contribution in the growth of Malaysia. These studies also examined macroeconomic indicators such as GDP, inflation, per capita income as common economic determinants in most global economies. In 2008, the Chinese and Malaysian governments broadened the oil price by around 18% (June 19, 2008). This resulted in an expansion of the Malaysian economy, particularly due to individuals experiencing lower buying rates (Al-Mulali, Gholipour, & Al-hajj, 2020; Maji, Saari, Habibullah, & Utit, 2017). One of the reasons of this inflation was the high increase in the cost of the oil. The inflation trends in Malaysia are shown in Figure 1.
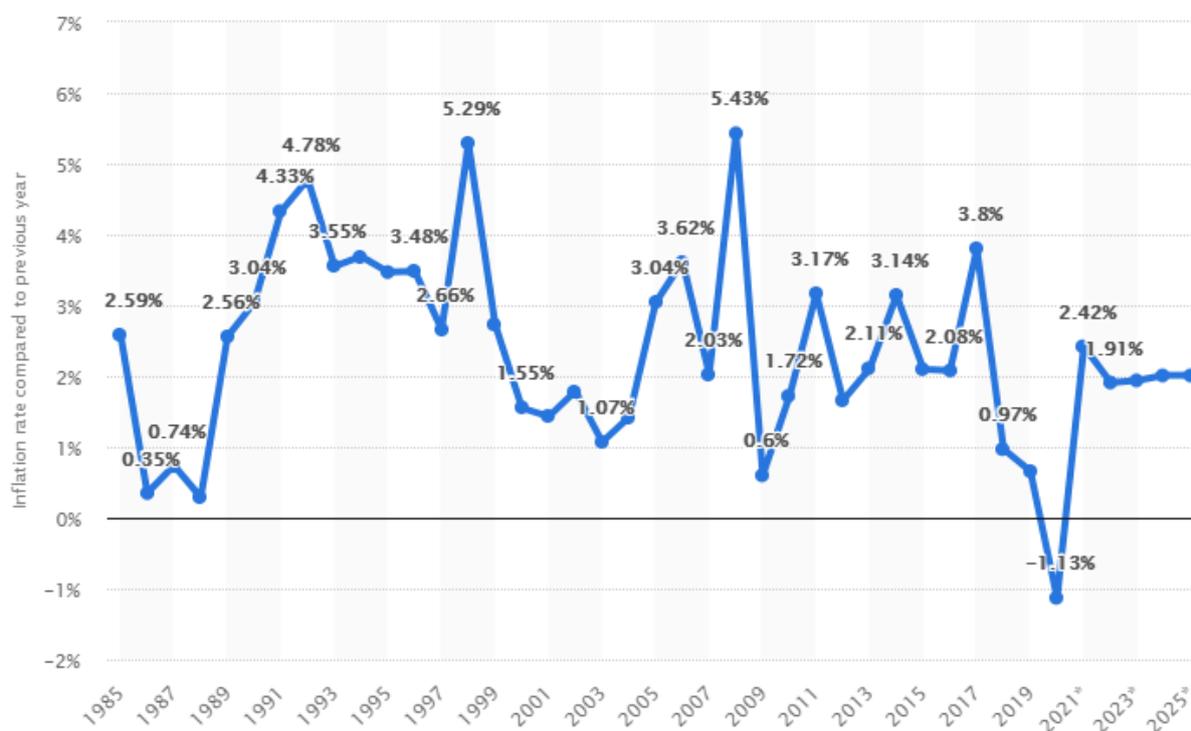

Figure 1: Inflation Rate in Malaysia

Although China also experienced increase in oil prices but it felt fewer effects, say approximately, 4.9% inflation. But this also activated an outrage among natives as an increase in petroleum prices in China was a sensitive issue. China proactively resorted to remedial measures and made several moves to control the increased prices (Wei, Qin, Li, Zhu, & Wei, 2019).

In the development-based literature, one of the growing concerns is to estimate the impact of energy consumption on macroeconomic performance. The main concern of this debate is that energy consumption, as an important factor for general economic growth, also influences the price levels of commodities, including oil (Dwaikat & Ali, 2018). Especially in emerging countries like Malaysia, energy consumption has been a fast driving force for economic activities. For example, without energy consumption, no sector of the economy can function effectively and efficiently. Troster, Shahbaz, and Uddin (2018) observed that the amount of energy consumption in the economy of Malaysia has increased with the passage of time. In all the economic sectors like service, production, and agriculture, energy resources are required by consumers to undertake several activities. To meet the energy

requirements, both renewable and non-renewable energy resources are utilized. Renewable energy sources include hydropower, wind power, solar power, and tidal power, biomass, and biofuel, while non-renewable energy resources consist of fossil fuels and nuclear power. Both types of energy sources are consumed by different economic organizations in Malaysia. The organizations which use renewable energy resources have less total and per-unit cost and, thus, less share in the inflation (Shahbaz, Van Hoang, Mahalik, & Roubaud, 2017).

This study aims to analyse the impact of oil prices, energy consumption and economic growth on the inflation rate in Malaysia. The fundamental argument of this study is to examine whether an improvement in oil prices and export levels in Malaysia can help in its economy. This study also enhances those aspects of oil industries that influence more significantly the oil prices and subsequently the inflation rate. The rest of the study is framed as follows: The introductory section examined the background of oil prices and the macroeconomic factors in the Malaysian context. The next section presents past studies and critical opinion about the subject under study. Section three discusses the Research

methodology; Section Four presents the results of the study, followed by section 5 on discussion. The last segment of the study included conclusion, suggestions and limitations.

2. Literature Review

This section examines past studies on oil prices, energy consumption, and economic growth and their effect on the inflation rate. It also highlights research observations and discussions regarding oil price, use of different energy resources in both domestic and commercial areas, and the economic growth rate of a country. There are also a few studies that have discussed inflation fluctuations and come to conclusion that the inflation rate changes day by day and its effect on a nation's economy highlights essential indicators for encouraging the profitability of the nation. Today the world is facing problems in dealing with oil prices, increase in the use of energy resources in both domestic and commercial activities, the change in economic growth, and also that inflation rates influencing levels (Kamber & Wong, 2020; Kehagias & Riotto, 2018). The primary aim of this literature review is to explore the role played by oil prices and energy consumption in a nation's economy and all its decision-making processes. It consists of reviews of studies papers from various countries including Pakistan, Malaysia, Yemen, U.K., Bangladesh, India, Nigeria, and Jordan. However, there are also studies that show oil prices, energy consumption, and consistent economic growth made less impact on the inflation of a nation's economy.

Choi, Furceri, Loungani, Mishra, and Poplawski-Ribeiro (2018) reviewed the real impact of oil prices on the economic growth in Taiwan. While they found oil prices a principal factor in the development of the country, their findings revealed oil prices altogether influenced the development across the nation, yet it is still in the transient stages. The findings show that the impact was not noteworthy despite that Taiwan is a source of crude oil, which is disengaged through drilling and sold as a pure liquid fuel source. Regionally, it is utilized for transportation, oil-based goods, and manufacturing plastic goods. Oil is a major money-related trade in numerous countries and it is capable to paralyse any economy. This research (Kamber & Wong, 2020) revealed that reaction to any other monetary trade in oil-producing countries is more consistent and more grounded than in oil-importing countries. The inflation rate in these economies is quantitatively large since the standard cost measurement of oil increases over time. This steady increase in oil prices covers full portion of the costs, to the extent that nations are unable to buy the quantity what they could buy in the past.

Rehman, Ali, and Shahzad (2019) found out that the impact of oil price on inflation rate is different from the credit cost, which additionally affects the real inflation rate as well as economic growth. The study highlighted that although inflation rate is considered an essential factor in any economy, the oil price impact on the fluctuation in the inflation rate is a good sign. When oil prices increase, the inflation rate also increases, when oil prices decrease, the inflation rate also decreases. The study thus established a a significant and correlated relationship between inflation and oil prices. Qiang et al. (2019) investigated oil prices and rate of inflation in Algeria and determined the relationship between the two. They collected the data related to inflation rate and oil price fluctuation though a time series from 1970 to 2014. By using the autoregressive model (nonlinear ARDL approach), the findings revealed an important relationship between increase in oil price and inflation rate. It also found a a meaningful relationship between decrease in oil price and the inflation rate. Wesseh Jr and Lin (2018) measured the impact of oil prices on a conversion scale for instability growth. The authors used the data based on monthly series of Malaysia from 2005 to 2011. The study used various models, for example, VAR-VECM and Granger causality model. After breaking down, the findings revealed that oil prices could make an impact on inflation rates if the oil prices fluctuate. This study thus established the close connection between oil price and inflation rates.

Nouira, Amor, and Rault (2019) studied how oil prices sustain inflation by monitoring the fluctuation rating. They used data from 19 different industrialized countries and found a high or less degree of oil price sustaining the effect of inflation in national and international industrial markets. In another study, Ding, Liu, Zhang, and Long (2017) studied the inevitability in the association among oil price, financial improvement, and work in all countries. They utilized two different quarterly courses of action ranging between two periods to study this relationship. An employable effect was detected among oil prices and work in the first-time frame, while irrelevant result was set up in the secondary data. Likewise, Herrera, Karaki, and Rangaraju (2019) associated co-incorporation approach to examine the association between oil-prices and joblessness in Malaysia. The study found oil prices as an essential factor for the rise of unemployment in the country.

Husaini et al. (2019) analysed the effect of oil price on the compensation regulations between oil-producing and oil-importing countries. The study examined the economy of several countries but did not find any significant association except the expenditure on oil production in all GCC countries. Alekhina and Yoshino (2019) studied inflation targets and systematics in oil prices. In this study, they focused specifically on inflation and targeted different IT countries as control groups. Data from large sample sizes from these countries was collected through time series method from 1970 to 2017. The study used various models including the Granger causality model before breaking down. The results revealed that the relationship between oil prices and inflation rate had a more significant effect in IT countries rather than non-IT countries. Hence, when the oil price increases, they also increase the inflation rate. The use of different robustness models revealed that when oil price fell, the inflation rate rose above the target.

Shangle and Solaymani (2020) investigate oil prices and inflation as economic activity in Asian countries. Data was collected from six Asian countries from 1975 to 2002. The outcomes recommended that oil prices have a positive or noteworthy impact on the inflation rate and economic activities. It also suggested that both were correlated with each other and also created a significant effect.

There is a great evidence in past studies that consumption of energy resources including oil in both domestic and commercial areas to meet the energy needs affects the general prices of products. In other words, consumption of energy resources does affect the inflation rate of a country. For example, when a business organization uses optimally the energy resources in its operations, manufacturing or production, it helps to minimize the costs of energy sources. In such a scenario, there is not much increase in the prices of production. Howeever, at the same time, if organizations do not employ the energy resources optimally, they utilize more energy resources. This increases the overall energy costs resulting in the enhanced per-unit cost. The careless and excessive use of energy resources thus leads to an increase in the price of products and causes high inflation (Wasti & Zaidi, 2020).

In another scenario, excessive consumption of energy resources by government authorities and domestic or commercial entities increases the aggregate demand for energy resources. This exceeds the aggregate supply of energy resources. When there is a gap between the aggregate demand and supply of energy resources, the prices of energy resources increase. When these enhanced priced energy resources are utilized for production, it leads to an increase in the production costs and rise in the prices of the final products (Erdogan, Akalin, & Oypan, 2020).

In case of an excessive use of energy resources, the government issues more budget. When there is a greater money in circulation, it ultimately leads to a high rise in the price level, which is an indication of high inflation rate. Elheddad, Djellouli, Tiwari, and Hammoudeh (2020) investigated inflation dynamics and highlighted that the

choice of employing resources for energy purposes affects the cost and price of products. Both renewable energy and non-renewable energy resources are responsible for the fluctuation in the inflation rate, but non-renewable energy resources are more likely to trigger the inflation rate. The use of renewable energy resources for energy purposes in business organizations is less costly as these resources can be recycled or these resources are spontaneously replenished.

The use of these resources in operation and production procedures does not add much to the costs of the products. Thus, the price level can be maintained, and inflation does not rise. While the non-renewable energy resources are more costly as compared to renewable energy resources, they may also affect the quantity of production in case the use of non-renewable energy resources affect the health of workers responsible for production. When there is less production with high costs energy resources, it increases the price of products and thereby increases the inflation rate (Mensah et al., 2019). The economic growth rate of a country also affects its inflation rate. Both the higher and the lower economic growth in a country bring fluctuations in the inflation rate (Sun et al., 2020). The large rise in prices or higher inflation rate most often occurs due to high economic growth. In case a country has a higher economic growth rate, its people are prosperous and have a high living standard. As they have more incomes, they need more products in large quantities. As a result, there is a high rise in the demand for products. When the aggregate demand for products gets higher than their supply, the suppliers raise the prices of products, which indicates an increase in the inflation rate. Thus, when an economy expands, inflation is more likely to increase (Chu, Cozzi, Furukawa, & Liao, 2017).

Khan and Hanif (2020) also stated that when a country has a strong economy, there are more employment opportunities and more earnings. The high living standard of the denizens of a country allows them to import goods of high value. Some traders even buy expensive goods from foreign countries and sell them in their country at higher prices. Thus, the import of goods also brings inflation. Similarly, Oikawa and Ueda (2018) examine the influence of change in the growth of a country's economy and how it leads to fluctuation in inflation rates. According to this study, when an economy is strong, the production level is high. In such a situation, the demands for business loans are high. The increase in the aggregate demand for loans is higher than the aggregate supply of loans. The increasing gap between the demand and supply of loans increases the interest rate on loans. The increase in the interest rate leads to an increase in inflation as the producers or traders do not want to bear the burden of higher interest. They shift this burden to the customers by increasing the cost of their products in the same proportion. Thus, the higher interest rates on loans in a strong economy can also increase the prices or cause inflation.

When the economic growth is high, there is fluency in economic activities as a result of which there is more productivity. For such increasing economic activities and carrying operational and production procedures in different economic sectors, services of a large number of workers are required. Gradually, a stage comes in the economy when demand for labour is higher but the workers are unavailable. In such a situation, workers demand higher wages which the business organizations have to pay to carry their operations, which is compensated by increasing the product price. In this way, the rise in the economic activities of a country can also enhance the inflation rate (Aloui, Hkiri, Hammoudeh, & Shahbaz, 2018). It is likely that there may be price rise and higher growth rate, in a low economy state. In a weak economy, there exist low productivity of raw-material, semi-finished products, or energy resources. Business organizations need to pay more for getting resources and raw material. The high costs of material add to the total cost of the products

resulting in the increase in the inflation rate (Behera & Mishra, 2017).

This research paper attempts to show the impact of oil prices, energy consumption, and economic growth on the inflation rate in Malaysia. The ongoing previously research studies have evidence of investigations done in developed countries to measuring the oil price effects on the economy, with fewer studies in small developing countries like Malaysia. As a result, there is a dearth of knowledge about macroeconomic factors and causes of fluctuations in inflation rate (Sun et al., 2020). It was therefore essential to attempt a study like the current one and discuss the effect of oil prices on inflation rate (Maji et al., 2017) This study therefore is one of the first studies conducted in Malaysia. In this research study, we have elaborated on the gaps between two variables, viz., oil price and economic indicators such as inflation. The findings of this study will help in the formulation and decision making of corporate finance sectors' financial decision-making related to economic factors.

3. Research Methodology

This research study is an attempt to examine the impact of oil prices, economic growth and energy consumption on inflation rate in the Malaysian economy. Based on secondary data, the nature of this study is quantitative. The data was collected from world development indicators (WDI) and other economy sites. The fundamental motivation behind this study was to survey the impact of oil prices, energy consumption, and economic growth on the inflation rate in Malaysia from 1986 to 2019. The independent variables included oil prices, energy consumption and economic growth, while inflation rate was used as the dependent variable.

The Error Correction Model (ECM) was used to test the relationship between variables oil prices, energy consumption, economic growth, and inflation rate. This model relied on the total recursive residuals subject to the primary arrangement of recognitions (Nasir, Al-Emadi, Shahbaz, & Hammoudeh, 2019).

The variables of the study are mentioned in the equation given below:

$$INF_t = \alpha_0 + \beta_1 OP_t + \beta_2 EC_t + \beta_3 EG_t + \beta_4 FDI_t + e_t$$

(1)

Where;
INF = Inflation
t = Time Period
OP = Oil Prices
EC = Energy Consumption
EG = Economic Growth
FDI = Foreign Direct Investment

This study has used inflation as dependent variable and measures as inflation, consumer prices (annual percentage). In addition, three predictors are used such as oil price that is measured as the changes in oil prices (base year 1980), energy consumption that is measured as the energy consumption (% of GDP) and economic growth that is measured as the GDP growth (annual %). Finally, FDI is used as the control variable and measured as the foreign direct investment, net (% of GDP). These variables have been mentioned in Table 1 with measurements.

Table 1: Variables with Measurements

S#	Variables	Measurement	Sources
01	Inflation	Inflation, consumer prices (annual percentage)	World Development Indicators
02	Oil Prices	Changes in oil prices (base year 1980)	World Development Indicators
03	Energy Consumption	Energy consumption (% of	World Development

		GDP)	Indicators
04	Economic Growth	GDP growth (annual %)	World Development Indicators
05	Foreign Direct Investment	Foreign direct investment, net (% of GDP)	World Development Indicators

The present research has examined the stationarity of the variables by using Augmented Dickey-Fuller Test (ADF). The estimation equation is given below:

$$d(Y_t) = \alpha_0 + \beta t + YY_{t-1} + d(Y_t(-1)) + \varepsilon_t$$
(2)

The stationarity of the variables has been examined individually, thus the individual ADF equations are given below:

$$d(INF_t) = \alpha_0 + \beta t + YINF_{t-1} + d(INF_t(-1)) + \varepsilon_t$$
(3)

$$d(OP_t) = \alpha_0 + \beta t + YOP_{t-1} + d(OP_t(-1)) + \varepsilon_t$$
(4)

$$d(EC_t) = \alpha_0 + \beta t + YEC_{t-1} + d(EC_t(-1)) + \varepsilon_t$$
(5)

$$d(EG_t) = \alpha_0 + \beta t + YEG_{t-1} + d(EG_t(-1)) + \varepsilon_t$$
(6)

$$d(FDI_t) = \alpha_0 + \beta t + YFDI_{t-1} + d(FDI_t(-1)) + \varepsilon_t$$
(7)

The research has examined the nexus among the variables with the help of Error Correction Model (ECM). The prime assumption of ECM is that "all the constructs are stationary at the first difference". ECM equations are given as under:

a) Long Run Estimation Equation

$$Y_t = \acute{\alpha}_0 + \beta_1 X_t + \beta_2 X_t + \beta_3 X_t + \beta_4 X_t + \varepsilon_t \qquad \textbf{(8)}$$

b) Short Run Estimation Equation

$$\Delta Y_t = \acute{\alpha}_0 + \beta_1 \Delta X_t + \beta_2 \Delta X_t + \beta_3 \Delta X_t + \beta_4 \Delta X_t + \varepsilon_t \qquad \textbf{(9)}$$

The next assumption of ECM is that the "error term should be stationary at the level". The equation with error term for ECM is as under:

$$\Delta Y_t = \acute{\alpha}_0 + \beta_1 \Delta X_t + \beta_2 \Delta X_t + \beta_3 \Delta X_t + \beta_4 \Delta X_t + YECT_{t-1} \varepsilon_t$$
(10)

4. Results

Table 2 shows the results of the descriptive analysis. The mean of oil price 0.294 disclosure for 34 years in the sample. The table shows the mean and standard deviation (SD) for all factors. The mean indicates a reasonable measure, and the standard deviation indicates the variation of significant worth from the mean. The oil price minimum value is 0.193, and maximum value is 0.609, and the standard deviation is 0.085. The mean value of energy consumption is 0.437, that of economic growth is 2.625 and of FDI is 0.987. Inflation is the dependent variable in this study whose mean is 1.294. The minimum value of inflation is 0.187 and the maximum value is 2.663, while its standard deviation is 0.625. These values have been mentioned in Table 2.

Table 2: Descriptive Statistics

Variable	Mean	Std. Dev.	Min	Max
INF	1.294	0.625	0.187	2.663
OP	0.294	0.085	0.193	0.609
EC	0.437	0.332	0.382	0.832
EG	2.625	0.852	0.989	4.404
FDI	0.987	0.541	0.283	1.989

Table 3 represents the relationship between oil prices, economic growth, FDI, energy consumption and inflation rate in terms of autonomous and ward factors (that is, the quality of one variable influencing the other variable). So, the oil price economic growth, FDI, energy consumption and inflation rate are much correlated with each other. These values are mentioned in Table 3.

Table 3: Correlation Matrix

Variables	INF	OP	EC	EG	FDI
INF	1.000				
OP	0.376	1.000			
EC	0.391	-0.619	1.000		
EG	0.545	0.404	-0.540	1.000	
FDI	0.570	0.312	-0.601	-0.559	1.000

This study also carried out the ADF test to examine the stationarity of variables. The values indicate that all the variables are stationary because the probability values are less than 0.05 at each level. These values are mentioned in Table 4.

Table 4: Unit Root Test

Augmented Dickey-Fuller Test (ADF)	Level	t-statistics	p-values
INF	I (1)	-4.682	0.009
OP	I (1)	-5.156	0.020
EC	I (1)	-7.699	0.000
EG	I (1)	-6.773	0.007
FDI	I (1)	-5.956	0.000

This study also made the co-integration rank test to examine the co-integration in the model. The findings show that six co-integrations exist in the model. These values are highlighted in Table 5.

Table 5: Unrestricted Co-integration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.802545	177.9858	127.3466	0.0000
At most 1 *	0.647755	129.5850	99.34145	0.0000
At most 2 *	0.517248	60.00024	45.24578	0.0015
At most 3 *	0.492809	31.42697	23.01090	0.0023
At most 4 *	0.324110	9.98773	7.39771	0.0312
At most 5 *	0.174088	4.885634	1.841466	0.0234

Overall, the outcomes of the backslide model are seen close to the impact of the related concentration of the estimation of R^2 = 0.524336, which shows that variable explain 0.524336 scales.

Table 6 illustrates the positive and the progressively meaningful connection between oil price, economic growth, FDI, energy consumption and inflation in Malaysia at 5% critical dimension. The nexus among the variables are positive because the positive signs are associated with beta values and the nexus are significant because the t-values are larger than 1.64 and p-values are smaller than 0.05.

Table 6: Error Correction Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.853117	0.275765	3.093638	0.0012
D(OP)	0.558805	0.177587	3.146655	0.0010
D(EC)	0.537786	0.161058	3.339083	0.0007
D(EG)	15.14365	4.059701	3.730238	0.0000
D(FDI)	2.056732	0.570923	3.602468	0.0000

ECT (-1)	-1.661802	0.141878	-11.71284	0.0000
R-squared	0.524336	Mean dependent var		-0.424639
Adjusted R-squared	0.468078	S.D. dependent var		2.309422

5. Discussion and Implication

The study results reveal that oil prices have a positive relationship with the inflation rate. There is an evidence that that the rise in the price level of oil resources leads to an increase in the inflation rate as the oil is used by many economic organizations for energy purposes. The increase in the oil price also increases the price of different products. These results are in line with the past study of Taghizadeh-Hesary, Yoshino, Rasoulinezhad, and Chang (2019), which shows that since oil is used as a final product or as an energy resource in many economic organizations, the rise in oil prices brings a great change in the inflation rate.

The study results have also revealed that energy consumption has a positive link with the inflation rate. These results are supported by the past study of Chen et al. (2019), which reveals that the increase in the consumption of energy resources leads to the increase in the aggregate demand of energy resources which exceeds the aggregate supply and causes inflation. The study results have also indicated that the economic growth rate of the country is linked with the inflation rate in a positive manner. These results are consistent with the past study of Hung (2017), which shows that when a country has a high economic growth rate, the people are prosperous, and there is a high employment rate. So, the aggregate demand for the products and labour is higher than the aggregate supply; hence the prices and wage rate are high, which causes a high inflation rate.

Both the theoretical and empirical implications have been made in the present study. The study is theoretically significant as it contributes to the literature on inflation. This study examines the influences of three economic factors viz., oil prices, energy consumption, and economic growth rate of a country. This study has a great empirical significance in an emerging economy like Malaysia as it provides a guideline to the economists on how to control the inflation rate to keep the economy and society prosperous. It guides how to control the inflation rate by controlling the oil prices, managing energy consumption, and organizing the economic conditions in the country.

6. Conclusion

The current study attempted to examine the large rise in the general prices or inflation fluctuations in the emerging economy like Malaysia. In this regard, it analysed the oil prices, consumption of energy resources, and economic growth and analysed their impact on the inflation rate on the economy. All augmentations in the oil price since 2004 have been thought by policymakers and every single full-scale financial expert alike. There have been dynamic research concerning the inflationary impact of oil price and its impact on other economic variables.

Past researches had rightly claimed a critical connection between oil price and inflation rate with both negative or positive relationship between them. This research thus neglected the null hypothesis and accepted the second hypothesis, and created a relationship between its variables. The study attempted to find out about the inflationary effects of oil price increments, which will assist economists and financial experts to embrace a befitting strategy to adopt these findings. This research also showed a decrease in the inflationary impact of oil price increments when oil price changes. Further, this study also explored some potential clarifications for refusing to go through and inferred that

valuation for private money or an increasingly dynamic fiscal approach is the cause of inflation.

The increase in oil price is deeply connected to the fluctuation in inflation rates in Malaysia. In the short-run, oil price seems to suggest a development phase in Malaysia. From a strategic point of view, this paper makes three inferences: first, the oil prices are ordinarily related to the inflation; second, they are likely to control the Malaysian markets; third, a productive progression in the market and profit are due to the oil prices.

The study also examined the impact of energy consumption on inflation. The study suggests that the high consumption of energy resources meet the energy requirements of both domestic and commercial entities. This excessive use of energy resources enhances the aggregate demand for energy resources, which exceeds the aggregate supply. This differentiation between the aggregate demand and supply leads to the sudden and high rise in the prices of energy resources and leads to the high increase in the inflation rate. The use of energy resources in excess therefore increases the costs of products, prices of end products and enhances the inflation rate.

The study also suggests that the economic growth of the country affects the inflation fluctuation in the country. Though both the higher and lower economic growth rate of the country affects the inflation fluctuation, the higher economic growth most often causes the rise in the country's inflation. Under the higher economic growth of the country, the denizens of the country are prosperous, having high living standards. Thus, the demand from them is great. In this way, the aggregate demand exceeds the overall supply of the relevant products. The gap between the higher aggregate demands and the lower aggregate supply leads to the high increase in inflation rate.

7.

imitations

The current study bears a number of limitations which would motivate the scholars in future to make attempts in removing these limitations while replicating the propositions of this study. First of all, the time period used to collect data in this study is from 1986 to 2019. The data acquired from the limited time period is limited in both completeness and validity. Thus, the data must be acquired by scholars in future from a relatively greater time period. The current study has thrown light only on three economic factors like oil prices, energy consumption, and economic growth, which determine the inflation fluctuation. There are many other economic factors which also have make deep impact on inflation and are neglected in this study. These factors can be explored by future scholars.

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