

## **Effect of Oil Price on the Malaysian Economic Growth: Does Exchange Rate Matters?**

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In this paper, the interaction effect of oil price and exchange rate on the economic growth of Malaysia, a net oil-exporting country, is investigated. The empirical analysis employs a multiplicative interaction model. Evidence suggests that an interaction effect does indeed exist. Specifically, results reveal that the effect of crude oil price on economic growth improves as the Malaysian ringgit depreciates against the US dollar and the depreciation of the Malaysian ringgit further improves the economic growth of Malaysia as the price of crude oil increases. This suggests that excluding exchange rate when modelling the oil price-growth nexus may lead to misleading results.

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