

THE MACROECONOMIC EFFECTS OF OIL PRICE SHOCKS ON ASEAN-5 ECONOMICS

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SYNOPSIS

- Examination of the macroeconomic effects of oil price shocks on ASEAN-5
- Identification of the drivers behind oil price shocks – oil supply, global activity, and oil-specific demand shocks.
- Use of SVAR with block exogeneity
 - Oil block: oil production, dry cargo shipping rate index, real oil price
 - trade balance, output, inflation, interest rate and exchange rate
- Monthly data spanning from 2000 to 2013

SYNOPSIS

- It is a very well written work and well articulated.
- The econometric implementation is competently executed
- Interesting Findings and Implications
 - Oil supply shocks are insignificant during the period
 - Global activity shocks: \uparrow output, \uparrow inflation, \uparrow interest rate
 - Oil-specific shocks: \uparrow inflation, \uparrow interest rate, \downarrow output
 - Recent shocks are demand driven
 - Implications: CBs of these economies can tighten their monetary policy to contain the inflationary effect of oil shocks. The implication of tight monetary policy on output should not be a major concern.

FEW COMMENTS

- Malaysia and Indonesia seem to be interesting cases out of the ASEAN-5, especially in relation to their oil self-sufficiency (depicted in Table 9).
- It has been reasonably established, at least theoretically, that oil price shocks affect oil-importing and oil-exporting countries differently.
- Thus, the question is: to what extent the changes in the oil self-sufficiency have influences on the macroeconomic effects of oil shocks in these two economies?
- It would be interesting to give more discussion on the differences in the results between Malaysia and Indonesia on one hand and the other economies on the other hand.

FEW COMMENTS

- The finding that the oil-specific demand shocks (and also the global activity shocks) results in appreciation of the currencies in these economies require further elaboration. To appeal to tightened monetary policy to have such a strong impacts on these economies may be quite too strong, especially when they are mostly oil-importing countries.
- SVAR has its strength, i.e. the restrictions made to identify the shocks are theoretically based. However, its results tend to depend on the identifying restrictions. Perhaps, a robustness exercise can be carried out. More precisely, the policy reaction function can be modified to, for example, reflect information delays.
- Finally, in the discussion of the IRFs, some care should be given especially as to the significance of the responses.

THANK YOU