International Economics 140 (2014) 49–70

Contents lists available at ScienceDirect

International Economics

journal homepage: www.elsevier.com/locate/inteco

Assessment of the global financial crisis effects on energy consumption and economic growth in Malaysia: An input–output analysis

Hussain Ali Bekhet *, Tahira Yasmin

Graduate Business School, College of Graduate Studies, Universiti Tenaga Nasional (UNITEN), 43000 Kajang-Salengor, Malaysia

ARTICLE INFO

Available online 23 August 2014

JEL classifications:
C67
F43
G01
N75
O23
Q43

Keywords:
Global financial crisis
Energy consumption
Economic growth
Input–output model
Malaysia

ABSTRACT

During the last three decades, dependence on foreign trade has increased sharply in Malaysia, causing the Malaysian economy to become increasingly export-oriented. The global financial crisis (GFC) affected Malaysia's economic growth tremendously in the fourth quarter of 2008, and policy makers subsequently adopted effective measures to avoid future crises. The government unveiled two stimulus packages; the first—totalling RM7 billion (US$1.9 billion), accounting for 1.04% of the GDP—was launched in November 2008 while the second—totalling RM60 billion (US $16.2 billion), or 9% of the GDP—was launched in March 2009. The objectives of this paper are to (1) discuss the influence of the GFC on Malaysia's trade and energy consumption and (2) analyse the effect of the Malaysian government's stimulus plans for economic revival using an input–output model. The results indicate that the drop in exports caused by the GFC led to a 13% decrease in GDP and a 16% reduction in energy consumption. The stimulus packages led to 1.83% and 4.64% increases in economic growth and energy consumption, respectively.

© 2014 CEPII (*Centre d'Etudes Prospectives et d'Informations Internationales*), a center for research and expertise on the world economy Published by Elsevier Ltd. All rights reserved.

* Corresponding author. Tel.: +60 3 89287326.
E-mail addresses: profhussain@uniten.edu.my, drbekhet1953@hotmail.com (H. Ali Bekhet), yasmin_t35@yahoo.com (T. Yasmin).

http://dx.doi.org/10.1016/j.inteco.2014.07.003
2110-7017/© 2014 CEPII (*Centre d'Etudes Prospectives et d'Informations Internationales*), a center for research and expertise on the world economy Published by Elsevier Ltd. All rights reserved.

1. Introduction

The global financial crisis (GFC) of 2008–2009, originated from the United States, has brought enormous consequences for the world economy. The crisis originated from the asset bubble and resulted in an array of financial derivatives that drove the sub-prime mortgage boom, exploded into housing and banking crisis with a dismount effect on consumer and investment demand. From a housing crisis, it quickly grew into a banking crisis with the investment and merchant banks first absorbing the impact before it spread to the commercial banks (Krugman, 2009). The severe effects appeared in the first half of 2009, where the global economy experienced the sharpest contraction since the Second World War. The full impact of the 2008 international financial crisis on the real economy was felt in the first quarter of 2009, when a large number of economies experienced significant contractions in real GDP. Asian economies, particularly those with a higher degree of trade openness, were affected by the collapse in world trade that resulted from the sudden plunge in demand from the advanced economies. The deterioration in the trade-related sectors subsequently impacted the remaining economies as household and business confidence was adversely affected.

The financial crisis is, in part, an embarrassment for economic theory. Economists tended to think that severe business cycles had been conquered; that free markets require no regulations to constrain self-interest; and that large, established companies could be trusted to monitor their own behaviour so as to preserve their reputational capital. These three beliefs have proved to be inaccurate. On the other hand, economists justifiably believe that as a process of creative destruction, capitalism requires institutions that allow for innovation and the reallocation of resources toward firms that have successfully innovated. This suggests that we should not condemn wholesale even the financial innovations that played a role in the crisis, which have been remarkably productive and will continue to be, given the right regulations. Nor should economists hesitate to say that political reactions to the crisis that hamper such innovation and reallocation may do far more harm than good (Acemoglu, 2009).

Claessens et al. (2009) elaborated that during the financial crisis of 2007–2008 the interactions between macroeconomic and financial variables can play a major role in determining the severity and duration of a recession. Specifically, they found evidence that recessions associated with credit crunches and house price busts tend to be deeper and longer than other recessions. Furthermore, in another study by Claessens et al. (2012) provided a comprehensive empirical characterization of the linkages between key macroeconomic and financial variables around business and financial cycles, total of 44 countries, 21 “advanced” OECD countries and 23 emerging market countries. The main results indicate that the duration and amplitude of recessions and recoveries are often shaped by linkages between business and financial cycles. In particular, recessions accompanied with financial disruption episodes, notably house and equity price busts, tend to be longer and deeper. Recoveries combined with rapid growth in credit and house prices tend to be stronger. Overall, they found movements in house prices to be most closely associated with the depth of recessions and strength of recoveries. Furthermore, they highlighted financial cycles tend to be longer, deeper, and sharper than business cycles. Moreover, both business and financial cycles tend to be more pronounced in emerging markets than those in advanced countries.

Due to widening spread of GFC, it has also affected the oil prices and energy sector, the price hikes brought about significant revenue for energy companies and producers. The trends of oil prices, which were around $12 pb in the late 1990s, rose steeply from 2002, reaching $25 pb in 2003, hitting the $100 pb mark on January 2008 and a peak of $147.27 on 11 July 2008. The prices then crashed, falling below a 5-year low of $33 pb on 19 December 2008 and just over $46 on January 2009. This sharp energy price decline, together with the global financial and economic crisis, has now chilled such incentives. This will in turn lead to higher long-term prices and reduced energy availability and sustainability, unless appropriate measures are taken to improve the supply of energy (EIA, 2008).

Hence, although the Malaysian economy was insulated from the direct effects of financial exposure because the new derivatives were not allowed into the country, the global financial crisis has cast doubt on the Government's plans to achieve vision 2020 due to a collapse in exports and a slowdown in foreign direct investment (FDI). The Malaysian economy has rapidly moved along the development path due to its large proportion of trade. According to the World Trade Organization's (WTO) Trade

دریافت فوری ← متن کامل مقاله

ISIArticles
مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات