

"Do Soaring Global Oil Prices Heat Up the Housing Market? Evidence from Malaysia"

Overview

This paper seeks to investigate the macroeconomic effect of oil prices on housing prices in an oil-exporting country. This is an interesting question and the author describes why, theoretically, demand could be shifted out (e.g., in migration) or shifted in (e.g., Dutch Disease) following a positive shock to oil prices. Thus, an empirical exercise is well-motivated.

The author has data from Malaysia, an oil-exporting country which has experienced a rapid increase in housing values over the last two decades. Multiple economic studies have sought to explain such price increases, yet none have included oil prices (according to the author). This paper finds that oil prices have a significant effect on housing prices, with the net effect being positive.

My main issue lies in the fact that both the model and the empirical implementation of the model have almost no description. This makes it difficult to understand what exactly is being done here for a general-interest reader. The description that is included is focused less on the "big picture" and more on technical details.

Comments

- It would help to write down the system of equations being estimated. Buried on page 4 (within the Literature Review), we are told that there are four endogenous variables besides housing price growth in the estimated model. It would be nice to make this more transparent.

- Equations 1, 2, and 3 in the Results section have no description. The author states that they "compute modified versions of the cointegration ADF tests of Engel and Granger, as well as modified Z_t and Z_{α} tests of Phillips and Ouliaris". How are these tests modified? What are the variables in these equations? What do the model specifications C, C/T, and C/S stand for?
- A more detailed description of the data would be helpful, including a table of summary statistics.
- In the second paragraph of the "Empirical Framework" section, the author refers to a TY procedure, which has not yet been defined.
- It would be nice to have more description of the geography in Malaysia and how it relates to the oil industry. In other words, given that Malaysia is not contiguous, would certain areas be impacted more or less by oil shocks?
- Could we get an idea of how Malaysia compares worldwide in its housing price growth and involvement in oil? In other words, would these findings be of interest for other countries?
- There is too much going on in the Results section. I think that the paper would benefit from creating another section that describes the methodology and moving some content there.
- I would suggest expanding the motivation a bit more.