Foreword

This Special Issue of the International Journal of Economics and Management (IJEM), titled Issues in Applied Macroeconomics is dedicated to publishing selected manuscripts presented at the 2nd National Research & Innovation Conference for Graduate Students in Social Sciences, held at the Corus Paradise Resort Port Dickson, Negeri Sembilan, Malaysia on December 5 – 7, 2014. This issue comprises of ten selected manuscripts contributed by the graduate students who participated in the conference organized by Universiti Putra Malaysia (UPM) and Ministry of Education, Malaysia (MOE). We had a great conference, in which a total of 101 papers were presented in twenty sessions. All of the selected manuscripts were reviewed by both guests' editors for initial selection and the Journal's formal peer review process for final selection. We hope that this special issue succeeds in making a significant contribution to the field of economics.

The first three articles focuses on international trade issues covering export demand, foreign direct investment (FDI) and research and development (R&D) spill over effects from developed to developing countries. The first paper under this theme by Norashida Othman, Mohd Azlan Shah Zaidi, Zulkefly Abdul Karim and Zulkornain Yusop provided an interesting insights on the impact of foreign shocks and domestic shocks on Malaysia's total E&E export demand. The foreign shocks are measured by using the world oil prices index, income and the policy rate for three main trading partner countries of Malaysia namely United States, Japan and Singapore. While the domestic shocks consist of national income, inflation, interest rates and the real effective exchange rate. Estimation using the SVAR model with non-recursive identification structure reveals that foreign shocks are important and dominant variables in explaining the variability of the aggregate exports of E&E in medium term horizon. As for the trading partners, the findings indicate that Singapore is an important foreign factor compared to US and Japan. The next paper by Alhaji Jibrilla Aliyu and Normaz Wana Ismail examines another notable issue in international trade whereby they examined the empirical link between foreign direct investment, energy consumption, and environmental pollution on 19 African countries. Relying upon the PMG estimation technique, the findings demonstrated that energy consumption does have a positive elasticity effect on carbon dioxide emissions. The study also found that energy intensity associated with FDI inflows has a significant increasing effect on the greenhouse gas emissions, thereby validating the presence of pollution haven hypothesis for carbon dioxide emissions. On the other hand, Tee Chee Lip, W.N.W. Azman-Saini, Saifuzzaman Ibrahim and Normaz Wana Ismail examined the role of economic freedom in mediating R&D spillovers from developed to developing countries. Two channels, namely; import and international student flows were analysed. The empirical results based on system GMM on a panel of 75 developing countries showed that spill over effects through import and international student flow are significant, but the latter channel appeared to be more important in terms of magnitude.

The succeeding three articles cover another interesting issue on stock market and commodity markets. The first article under this theme by Tan Kim Leng, Chin Wen Cheong and Tan Siow Hooi studied the stylized facts of three international Shariah stock markets and its responses to the oil price shocks. Results denote the presence of volatility clustering and long memory volatility in the three international Shariah stock markets. Besides that, FTSE China Shariah and S&P Pan Asia Shariah stock markets illustrate the existence of leverage effect whereby bad news influences the volatility greatly as compared to good news, while there is no leverage effect captured in the FTSE Bursa Malaysia Emas Shariah stock market. Additionally the effect of shocks to the conditional volatility displays a hyperbolic rather than an exponential decaying rate. In terms of impact of oil price shocks to the three international Shariah stock markets, Brent and WTI crude oil returns demonstrated significant responsive to the three international Shariah stock returns. The next article by Ahmad Hakimi Tajuddin, Rasidah Mohd Rashid, Nur Adiana Hiau Abdullah and Ruzita Abdul Rahim studied the effects of the involvement of informed investors and the presence of information asymmetry in fixed-price mechanism on over-subscription ratio in the Malaysian IPO. The study found an insignificant positive relationship between informed investors and over-subscription. However, the relationship between information asymmetry and over-subscription is strongly negative. They argued that the negative effect of company size suggests that big companies that are considered to have lower information asymmetry receive less investors' interest, as investments in low risks companies are expected to provide lower initial returns. The third article by Razali Haron and Salami Monsurat Ayojimi employed GARCH model to examine on the Malaysian crude palm oil market volatility. The results indicated a persistent volatility as well as volatility clustering in Malaysian CPO market. This reflects the frequency of occurrence of the CPO markets volatility while volatility clustering provides useful information on the broadness of the shock. They emphasized that an adequate understanding on the degree of volatility of the market can instigate informed decision by policy makers which may mitigate persistent uncertainty of returns. Business communities will consistently be alert on market volatility and ready to make sound decision on any events of the market.

The subsequent two articles studied issues relating to oil price. Fatemeh Razmi, Azali Mohamed, Lee Chin and Muzafar Shah Habibullah investigates the monetary transmission mechanism alongside oil price and the US industrial production, as two causes of recent crisis, during the pre-and post-crisis of 2007-2009 in Thailand. The study found that monetary transmission mechanism barely has an effect on consumer price index and industrial production while oil price strongly affects both industrial production and consumer price index and the US industrial production robustly influences consumer price index during pre-crisis. However, oil price and the US industrial production greatly lose their effects on consumer price index and industrial production after the crisis period, nevertheless, the oil price is still mostly explains the variation of the consumer price index. The stock price is found to be the most effective conduit for monetary policy to industrial production during post-crisis period. On the other hand, Poh Paik Xuan and Lee Chin studied the pass-through effect of actual diesel price and subsidized retail diesel price into Malaysia's consumer price. Essentially, this paper highlights on whether there will be difference in the transmission effect of diesel price into consumer price at both aggregated as well as the disaggregated level. Estimation by ARDL revealed that the transmission effect of actual diesel price is more prominent whereby no subsidy is given comparatively to the retail diesel price whereby the price is subsidizes by the government.

The final two articles addressed the issue of consumption in totally different perspectives, whereby the former focuses on consumption and housing wealth, while the latter explores the issue of food consumption or food insecurity. The study by Wong Wang-Li, Law Siong-Hook, Rusmawati Said and Lee Chin was largely motivated by the fluctuations in house values over recent years in Malaysia, which had led to an economic policy debate on the effects of housing wealth on determining household consumption behaviour. The findings indicated that the price variation in the Malaysia housing market is associated with consumer spending, but in a different manner when compared with most of the existing literature. House wealth which is represented by housing price was found to be affecting consumption negatively in the long-run due to both financial regulation and consumers' perception. Meanwhile, Nur Marina Abdul Manap, Shaufique Fahmi Ahmad Sidique and Normaz Wana Ismail examined the impact of food policy in food insecurity in developing countries using three different proxies for food insecurity. The findings showed that an increase in food production, food import, purchasing power parity and water improvement are found to have positive impacts on improving food insecurity. Undoubtedly we believe that all these ten articles make an interesting reading for those dealing in the field of international trade, in particular and economics, in general.

We would like to thank, the IJEM editorial advisory board members and administrative staff for extending their guidance and support while we were guest editing this special issue. This has been a very enriching and humbling experience for us, and we are grateful to the editorial advisory board colleagues for this opportunity. We would like to thank the authors for their contributions and the anonymous referees for the detailed and timely comments they provide for ensuring the high quality of the IJEM. We hope that this special issue will provide useful sources for researchers, practitioners and students in their pursuit of knowledge.

Guest Editors
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