Nonlinear Effects of Global Oil Price Changes on Consumers’ Cost of Living: A Comparative Study of Net Oil Consuming and Net Oil Producing Countries

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In this paper we implement a number of causality tests including linear models and nonlinear nonparametric Hiemstra-Jones and parametric Mackey–Glass to compare the causal relationship between global oil price changes and consumers’ cost of living among large net oil consuming and producing countries. Our findings indicate that despite the inconclusive relationships drawn from the extant literature, global oil price affects consumers’ cost of living mostly linearly across net oil consuming countries through the country-specific mechanisms. Such effects are reported to be nonlinear in net oil producing countries. Finally, possible nonlinear causations are asymmetric.

*Keywords:* global oil price, consumer cost of living, oil consuming/producing countries, panel linear causality, nonlinear causality

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