

THE DETERMINANTS OF THE EXCHANGE RATES IN MALAYSIA

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ABSTRACT

The study aims to measure the relationship between exchange rates and macroeconomics variables that can influence the movement or the trends of the exchange rates for the year 2008 to 2018. This study is conducted by using Ordinary Least Square (OLS) Method that used regression model to determined 3 indicators of inflation rates (INF), gross domestic products (GDP) and interest rates (INT). The regression method used the time series data of 11 years quarterly data from year 2008 to 2018 that have 44 observations. As a result, exchange rates (ER) showed positive relationship between inflation rates (INF) and gross domestic products (GDP). Meanwhile, interest rates (INT) showed a negative relationship with the exchange rates (ER). Moreover, the most significant level of variable that influences exchange rates is gross domestic product (GDP) at 1%.

Keyword: *exchange rate, inflation rate, exchange rate and gross domestic product*