# UNIVERSITI TEKNOLOGI MARA

# THE REAL EXCHANGE RATE EQUILIBRIUM: CASE OF VENEZUELA BOLIVAR


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# AUTHOR'S DECLARATION

I declare that the work in this final year project paper was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Undergraduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

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# ABSTRACT

The effective exchange rate is really important in order to know the economic growth of the country and the value of the currency. However real effective exchange rate can be determine by several factors which is internal and external factors. Internal factors can be come from the country itself and for the external factors is from the other indicators. This research will be carried out in order to determine various macroeconomic variables leading to acute variations in real effective exchange rate of the country. There are four independent variables that will be considered in this study which are interest rate (IR), gross domestic product (GDP), oil prices (OP) and government expenditure (GE) while dependent variable is real effective exchange rate. The samples of this study comprised of 30 observations each of the independent and dependent variables on yearly basis period from year 1985 to year 2014. Methodology of used for this study is using multiple linear regression with time series data sourced from World Bank and IMF data. Hypothesis testing used to measure the significant of study. Interactive package E-Views also used to testing and analysing data collected. The study is attempt to investigate the relationship of chosen macroeconomic variables towards Venezuela real effective exchange rate.

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# TABLE OF CONTENT