



UNIVERSITI TEKNOLOGI MARA

**THE RELATIONSHIP BETWEEN
MACROECONOMIC VARIABLES AND EXPORT
GROWTH IN MALAYSIA**

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Final Year Project Paper submitted in fulfillment
of the requirements for the degree of
Bachelor of Business Administration
(Finance)

Faculty of Business and Management

December 2018

ABSTRACT

The relationship between macroeconomic variables and export growth differs from countries to countries. Past research have conducted countries such as Costa Rica, African countries, Egypt, India and many more on both developed and developing countries. This research will be solely focused on Malaysia, thus my research topic will be 'The relationship between macroeconomic variables and export growth in Malaysia'. The final results of the analysis shows gross domestic product has a negative insignificant relationship with export growth. Foreign direct investments are also found to give a negative and insignificant effect on export growth. There is a positive significant effect of real exchange rates on export growth. Also, there is a negative but significant effect of inflation on export growth. The results of the analysis were obtained by using the ordinary least square method (OLS) and regression analysis with E-Views 10.

Keywords: Export Growth, Economic Growth, Foreign Direct Investments, Real Exchange Rate, Malaysia

ACKNOWLEDGEMENT

Firstly, I wish to thank God for giving me the opportunity to embark on my PhD and for completing this long and challenging journey successfully. My gratitude and thanks go to my supervisor Rohanizan Binti Md Lazan.

Finally, this thesis is dedicated to my parents who have sacrificed so much to support me and the family. I hope to make you guys proud. This piece of victory is dedicated to both of you.

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

Exports has been one among the oldest types of economic transfer and occur on an outsized scale between nations that have fewer restrictions on trade, like tariffs or subsidies. Most of the big firms in operation in advanced economies derive a considerable portion of their annual revenues from exports to different countries. Exports are component of aggregate demand. Rising exports will help increase aggregate demand which cause higher economic growth. Furthermore, export contributes to improving the payments of balance, rate of employment, and living standards. The relationship between economic process and export that is a crucial element of international trade has taken the eye of the many students. Though export led growth has been investigated intensively, the direction of relation remains below discussion that means that the conclusion remains inconclusive.

In 2016, Malaysia was the 18th largest export economy in the world. According to the Observatory of Economic Complexity in 2016, Malaysia exported \$250 billion, imported \$167 billion, resulting in a positive trade balance of \$83B and a gross domestic product of Malaysia was \$296 billion. As stated by the 'The Sun Daily' online newspaper, total imports rose 19.9% to RM838.1 billion, lifting the 2017 trade surplus 10.3% to RM97.25 billion, the highest surplus recorded since 2012. Total trade surpassed RM1.7 trillion in 2017. Whereas, Malaysia's total exports saw an increase of 18.9% to RM935.4 billion in 2017, the highest growth since 2005. As for Malaysia's economic performance, information gathered through the oxford business group. GDP has expanded by 4.05% in the first half of 2016, followed by growth of 4.15% for the first nine months, according to the central bank (Bank Negara). This statement supports the IMF's report in October 2016, 4.3% GDP growth estimate issued with the fund expecting this figure to rise to 4.6% in 2017 and 5% by the end of the decade.

The main objective of this study is to analyse to what extent macroeconomic variables has an impact on the export growth in Malaysia. The study is organised as follows. Firstly, summarize and gathering old studies done by various researchers through the years to further explore each macroeconomic variable; secondly,