



**UNIVERSITI TEKNOLOGI MARA**

**EXCHANGE RATE AND MACROECONOMIC  
VARIABLES: A STUDY IN THE UNITED  
STATES AND AUSTRALIA**

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## **ABSTRACT**

Exchange rate indicates the country's overall financial and economic performance. These factors are spacious indicators that could determine the financial growth or the decline that can affect the country's economy. At the present time, counties around the world are facing with a situation where its financial and economic performance could drop at any time. The exchange rate management and its relation to the macroeconomic affect the financial and economic performance of a country as the depreciation and appreciation of the currencies due to the development of the exchange rate policy. Thus, by considering these issues, the aim of this research is to determine what macroeconomic variable that could influence the exchange rate in the United States and Australia. The study is performed using multiple macroeconomic variable such as the Gross Domestic Product (GDP), inflation rate, money supply and interest rate. The data are collected from various sources such as journal, article on internet, World Data Bank and many more. This study is using secondary data from the year 2000 to 2020. The collected data examined using panel data in this research and panel least square method are applied to study the relationship between the dependent variable and independent variables. Results of study revealed that inflation rate, money supply and interest rate have significant relationship with exchange rate in both the United States and Australia.

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# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 INTRODUCTION**

This study is to track down the macroeconomic variable that could impact the exchange rate in the United States and Australia on the nation's exhibition. Each created country has a solid power that upholds its back which can be found in the monetary and financial exhibition of the actual nation. The United States and Australia are one of the created nations on the world with the number of inhabitants in 331 million and 25.7 million individually as of 2020. Even though Australia dollar nature is volatile, it is still one of the top five most traded currency which makes it's a suitable country to be chosen for the study. Besides that, United States is a country that has a strong economy thus it can continue the role in the global market. For example, even though there are other country that could rival United States in present time, the used of currency still need to refer to the United States dollar. There are pointers that assume a key part in knowing the exhibition of a country.

Exchange rate shows the countries in general monetary and financial exhibition. These elements are open markers that could decide the monetary development or the decay that will influence the nation's economy. The exchange rate is fundamental to a country as it considers the difference in the public money into another, so it can work with save move among countries and worldwide trade for work and items that grants assessment of cost of product in different countries (Nicholas, 2017). In any case this, a part of the world's most critical exchange rates changes frequently on account of the premium and supply watching out (Shohel, 2019). The headway of macroeconomics has incited a significantly further developed perception of how to fight discontinuous monetary crises and how to vivify financial advancement with the objective that the public authority can deal with the most recognizably dreadful excesses of the business cycle in the country (Bala, 2018).

Nevertheless, a portion of the world's most significant trade rates change oftentimes because of the interest and supply on the lookout (Shohel et al, 2019). The advancement of macroeconomics has prompted a greatly improved comprehension of how to battle intermittent financial emergencies and how to animate monetary development with the goal that the public authority can handle the most noticeably awful overabundances of the business cycle in the nation (Bala et al, 2018).