



**THE RELATIONSHIP BETWEEN GROSS DOMESTIC PRODUCT, INFLATION  
RATE AND INTEREST RATE TOWARDS MALAYSIA EXCHANGE RATE**

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**JANUARY 2016**

## **ACKNOWLEDGEMENT**

*In the name of Allah, The Most Gracious, The Most Merciful and The Most Compassionate,* Alhamdulillah all thanks and praises are due to Allah SWT for making things possible, all the strength, spiritual and inspiration that have been given to me in completing this project paper. Praised to Almighty Allah SWT for giving me the strong will and courage to perform this project paper titled “The Relationship between Gross Domestic Product, Inflation Rate and Interest Rate towards Malaysia Exchange Rate”. After all the hard work, I am thankful as I had spent much time on my final semester to finish this task and proudly to say that I am very pleased with the result. My deep appreciation goes to my advisor, Madam Shareena Binti Daud and also to my second advisor who is also as the examiner, Madam Hafidzah Binti Idris, for their patience and effort of giving up their knowledge and willingness to share their idea and perspective and, for guidance from the beginning of this task until it finished. Their ideas and advised were valuable contribution upon completing this task. Finally, I would like to thank my family members, friends and classmate, for their helps and assistance and support morally, commitment and cooperation in completing this task. Lastly, I would like to express my profound gratitude to all parties and individuals who had rendered their help directly or indirectly in completing this project paper. In future, I hope this project paper can give benefits not only me, but also for others for references. In Shaa Allah.

Thank You,

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## ABSTRACT

In this paper investigated the relationship between Gross Domestic Product, Inflation Rate and Interest Rate towards Malaysia Exchange Rate. For that purpose, the data were taken at Thomson Reuters DataStream and used in quarterly time series from 2005(Q2) until 2015(Q2) to analyse the significant of relationship between Malaysia Exchange Rate with Gross Domestic Product, Inflation Rate and Interest Rate. The methods that used to gain the result is by using the two models of Linear Regression which is Single Linear Regression and Multiple Linear Regression. The outcome displays that there are negative significant relationship between Gross Domestic Product and Inflation Rate towards Malaysia Exchange Rate but Interest Rate give positive significant relationship. In addition, the variables that give most influence to Malaysia Exchange Rate are Interest Rate and followed by Gross Domestic Product and Inflation Rate which give less influence towards Malaysia Exchange Rate. The collected data was analysed by using Eviews7 software and Microsoft Excel as well as statistical methods of unit root tests. These findings were then interpreted and explained based on the findings, some suggestions were proposed in order to develop the findings related from the model to other researchers. The research questions and objectives of this study have been achieved.

**Key Words:** *Malaysia Exchange Rate, Gross Domestic Product, Inflation Rate, Interest Rate, Single Linear Regression, Multiple Linear Regression, Unit Root Test*

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