



DETERMINANTS OF THE FOREIGN EXCHANGE RATE IN MALAYSIA

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ABSTRACT

The foreign exchange rate is important to every country in the world in order to strengthen their economic health. Thus, the objective of this study is to determine the factor that affects foreign exchange rate in Malaysia from the year 1977 to 2017. The independent variables used include the export of goods and services, import of goods and services and gross domestic product. Ordinary Least Squares (OLS) method was used to analyze the data collected from World Bank, Bank Negara Malaysia (BNM) and Thomson Reuters Eikon in order to understand the determinants of the foreign exchange rate in Malaysia. The results revealed that import of goods and services has negative and significant relationship foreign exchange rate in Malaysia. Besides, gross domestic product and export of goods and services have a positive significant relationship with the foreign exchange rate in Malaysia. The finding of this paper will help to give a clear relationship to the further researcher to access the information about the factor affecting the foreign exchange rate in Malaysia.

Keywords: Foreign exchange rate, gross domestic product, export and import of goods and services, Malaysia Ringgit