



**UNIVERSITI TEKNOLOGI MARA**

**FACTORS THAT AFFECT THE  
EXPORT SECTOR IN MALAYSIA**

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## **ABSTRACT**

Export sector has been one of the important part to determine the performance and economic growth of each country. In export, each country always concerned about the benefits on exporting in international trade and also to the country. However, the risk and reason on the possibility for the declining in export also should be concerned. Hence, a better understanding is needed to explore the changes in export and the factors that influenced the movement in Malaysia export. Thus, it is crucial to maximize the export sector in order to sustain the growth. As we know, Malaysian is one of the exporter in goods and services. Not only that, export also is one of the biggest contribution toward Malaysia economic growth. However, due to the economic crisis happened that knocks down many countries included Malaysia, it has resulted a drastic drop and volatile in demand for goods and services from main countries. Thus, the instability in economic has hurt the Malaysian exporting performance. Due to the issue, this study conducted to reveal whether import, inflation rate, foreign direct investment (FDI) and exchange rate are affecting the export sector in Malaysia. It is important to reveal the relationship between all the variables towards the export sector in Malaysia. All the data taken from 1980 to 2015 and it is yearly basis. Time series data will be used to conduct this study. Methods used in this study are, statistical analysis, multicollinearity, normality, heterocedasticity, serial correlation and multiple linear regression analysis.

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# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Introduction**

In this chapter, it will discuss about the topic selected which is export sector in Malaysia. This study carried out to enhance our knowledge about the factors that will affect the export sector in Malaysia. Hence, this chapter is generally explaining about the background of the study, problem statement, research questions and objectives, limitations in the study, significance of study and also the scope of the study.

### **1.2 Research Background**

Economic growth can be defined as how active the production of economy compare to the previous period. To be accurate, the evaluation must eliminate the effect of inflation. The businesses are more profitable when the economy produced more. The profitability gained can be a capital to companies to make an investment and reduce unemployment. Reducing in unemployment rate can increase the income. In the economic growth, gross domestic products are the best way for the measurement. It involves all the goods and services that produce to sale whether sold domestically or outside the country. Cannot be denied that most of the country over the world want a positive economic growth.

Malaysia as listed in Asian country is one of the country that has a good economic growth in the previous decades. Malaysia has wide of economic sector that contributes to the income of the country. Malaysian economic industry consists of mining and manufacturing, while for the services consists of tourism, financial services and retail.

Over the three decades the outward looking strategies of Malaysia has made Malaysia as a remarkable economic performance. Since 1970, Malaysia like other first generation tigers (Korea, Taiwan, Singapore and Hong Kong) has used export as their engine of growth. Malaysia's economic growth continued to improve after the economic crisis in 1997 within an environment of low inflation and unemployment.

Malaysia has move forward of their economy to manufacturing and services where previously it was a commodity sector. The economic structure had changed from