

IMPACT OF MACROECONOMIC VARIABLES ON PAKISTAN'S EXCHANGE RATE

By

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Supervisor-Student Meeting Record

No.	Date	Place of Meeting	Topic Discussed	Signature of Student
5	21-10-15	Class room	Data integration	
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ABSTRACT

Purpose of the Study: The purpose of this study is to identify the impact of macroeconomic variables which brings fluctuation in Pakistan's exchange rate. For this purpose the main macroeconomic variable has been used are inflation rate, gross domestic product and current account to identify its impact on Pakistan's exchange rate. The study is conducted to find out the combined effect of inflation rate, gross domestic product and current account on Pakistan's exchange rate

Research Method: Research approach for this study is deductive approach. The nature of this study is explanatory. Inflation rate, gross domestic product and current account are the independent variables whereas Pakistan's exchange rate is dependent variable. For this purpose, annual secondary data has been taken for the time period of 1994-2014. The hypotheses build to find out the combined impact of inflation rate, current account and gross domestic product on Pakistan's exchange rate.

Finding of the research: The finding of this study suggests that there is strong positive correlation between gross domestic product and exchange rate. The study further shows that the second important variable which brings more volatility in Pakistan's exchange rate is current account balance. Whereas the findings demonstrate that inflation rate has no significant impact on exchange rate.

Practical implication of the research: Based on the findings of this study it is recommended that government of Pakistan should make an effective link between exchange rate and current account deficit. As the result shows that current account deficit has a significant negative impact on exchange rate so in order to get rid of this deficit balance, Pakistan government need to make such policies in favor of current account balance so this will also bring positive influence on Pakistan's exchange rate . This study will help investors to take the precautionary steps and analyze macroeconomic variables before they invest in foreign currency.

Keywords: Exchange rate, GDP, Inflation rate, Current account balance.

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