

Exchange rate volatility and bilateral exports of Malaysia to Singapore, China, Japan, the United States and Korea

Abstract

This study examines the impact of exchange rate volatility on bilateral exports of Malaysia to Singapore, China, Japan, the USA and Korea. Exchange rate volatility is estimated by an autoregressive conditional heteroscedasticity model. The Johansen cointegration method and the dynamic ordinary least squares estimator are used in the estimations. There is some evidence of exchange rate volatility to have significant impact on real total exports in the long run, but more evidence of exchange rate volatility is found to have significant impact on sub-categories of real total exports in the short run. The impact of exchange rate volatility differs across bilateral exports. The impact of exchange rate volatility on exports can be negative or positive. Generally, exchange rate volatility is not harmful to bilateral exports of Malaysia.