

## Abstract

The aim of this thesis is to examine the applicability of Purchasing Power Parity Theory (PPP) to the Malaysian economy from 1970 to 1990. A sketch of the Malaysian economy during the period provides the background. It has been concluded that PPP does not explain the Malaysian exchange rate experience during the decades of 1970 - 1990.

A variety of statistical tests were used in the examination including regression analysis and Granger - causality. It would appear that the massive inflows of international investments into Malaysia since the early 1980's have had an overwhelming impact on all other determinants of the Ringgit's exchange rate with other major currencies.