

## Real Exchange Rate and Foreign Trade Relationship: The Case of Hungary

**MSc. Ardit Boka**

*"Ankara HBV University", Ankara, Turkey*

### Abstract

Hungary's foreign trade has scored progress in recent years. The result of this progress has brought a positive effect on the country's trade deficit. This situation also raised the question of whether foreign trade is affected by exchange rates. The purpose of this study is to evaluate the factors affecting the real exchange rate in Hungary from 1995 to 2020. In this study, the Granger causality analysis is used to measure the effects of macroeconomic factors on the real exchange rate. This study considers macroeconomic factors like exports and imports. Data of the study have been collected from the World Bank. The results show that there is a significant and positive effect of exports on real exchange rate. Also, there is a bidirectional causality relationship from exports to imports.

**Keywords:** real exchange rate, exports and imports.

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