

## Impacts of Exchange Rate and Inflation Rate on Foreign Direct Investment in Pakistan

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**Abstract :** The study identifies the impact of inflation and foreign exchange rate on foreign direct investment in Pakistan. Inflation and exchange rates are used as independent variables and foreign direct investment is taken as dependent variable. Discreet time series data has been used from the period of 1999 to 2009. The results of regression analysis reveal that high inflation has negative impact on foreign direct investment and higher exchange rates has positive impact on foreign direct investment in Pakistan. The inflation and foreign exchange rates both are insignificant in the analysis.

**Keywords :** inflation rate, foreign exchange rate, foreign direct investment, foreign assets

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