



# The Effect of the Real Exchange Rate on the Trade Balance and Foreign Direct Investment Flows: A Comparative Applied Study in Egypt, Turkey, India, Brazil, and South Africa

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**Abstract:** The research aims to study effect price Disbursement The real on The scale Commercial and flows investment foreign Live in five countries Emerging It is: Egypt, Turkey, India, Brazil, South Africa For the period 2011–2025. It depends the study on analysis Data annual Using Models decline For data with application Tests Stability and verification from impact delay Time For the independent and dependent variables in the research. It showed Results that Fluctuations price Disbursement The real Affect In a way marked on The scale Commercial, where Contributes decrease price Disbursement in Strengthening Exports and reduce Imports, while They differ sharpness impact between countries Accordingly For the composition Economy and policies Commercial. As well. She showed the study that flows investment foreign Live Affected degree less from The scale Commercial, unless that Stability relative For price Disbursement Enhances attract Investment The foreigner. It indicates Comparison between countries to that Egypt Turkey more susceptible For effects fluctuation price Disbursement on Their balance Commercial because of Accreditation on Imports, while India Brazil They enjoy With the ability greater on absorption This is amazing Effects because of size market And the structure Infrastructure The investments that the countries under study are exposed to during the specified years. And it concludes the study to necessity adoption Policies Strategies and methods aimed at to investigation stability relative For price Disbursement and strengthening Export and improving climate Investment To attract Investments foreign until in shadow Fluctuations The currency.

**Keywords:** Price Disbursement The real, the balance Commercial flows investment foreign Direct.

## Introduction

Real Exchange Rate plays price Disbursement The real role pivotal in to set ability competitiveness For economies The emerging, where Affects directly on The scale Commercial from during Its impact on Prices Exports Imports, As well as on flows investment foreign Live via impact on attractiveness the environment investment and risks fluctuation The currency. It is characterized by countries emerging With challenges Economic and political make from to understand relationship between price Exchange, The

scale Commercial, Investment foreigner Live an order adult Importance To place Policies Economic Effective. Indicates Studies Economic to that decrease price Disbursement The real Enhances ability Export For goods Services Local, while may Reduce from Importing Which improves The scale Commercial. From District Other, Fluctuations Prices Disbursement Represents worker from Factors non certainty that maybe that praises investors foreigners on pumping heads Their money, especially in markets that lack to stability economic And political. It deals with This is amazing the study five countries Emerging Mission: Egypt, Turkey, India, Brazil, South Africa, Which It is characterized With diversity economic geographer and politician Allow By analysis Comparison For effect price Disbursement on commerce And investment. As well Cover the study period From 2011 to 2025, Which Witnessed Fluctuations Economic Global large, In what in that crises Finance and pandemic COVID - 19 Which Allows evaluation impact This is amazing Variables in conditions Economic Different. Seeking the study to How to explain Affects price Disbursement The real on The scale Commercial per nation from countries The five? And what is the definition of the five? he effect Fluctuations price Disbursement on flows investment foreign Direct? And is it live? There are Differences Essential between countries in this The impact gesticulate Factors Economic politics that Interpret This is amazing What are the differences? during Answer on This is amazing Questions, It aims the study to presentation input Scientific practical Help Makers Policies Economic on design Strategies Contributes in Strengthening Stability The economist to support commerce, And attracted Investment foreigner Live.

## **Methodology**

### **Research Problem**

It is problem this Search in vagueness relationship between price Disbursement The real one, The scale Commercial, and flows investment foreign Live in countries The emerging, where They differ antiquities Fluctuations Currency on Exports Imports and attractiveness Investment foreigner between nation And another a result Due to difference Structures Economic and policies Finance And cash. And in shadow The period 2011–2025 Witnessed Fluctuations Economic Geopolitics large, It stands out question around bezel Affected The scale Commercial and flows investment foreign Live With changes price Exchange, and differences potential between Egypt, Turkey, India, Brazil, South Africa, Which summons study comparison minute To present Recommendations Political Effective.

### **Importance of the research**

It lies importance this Search in presentation to understand comprehensive For effect price Disbursement The real on The scale Commercial and flows investment foreign Live in five countries Emerging Diverse, Which Helps on clarification Differences between countries in Response For fluctuations The currency. As well. Contributes Search in presentation Recommendations practical For the makers Policies Economic To promote Stability Financial and commercial And attracted Investment Foreigner. Addition to that,

fill Search gap cognitive It relates In studies Comparison between Egypt Turkey India Brazil South Africa during The period 2011–2025.

### Research Objectives

It aims Search to study relationship between price Disbursement The real one, The scale Commercial, and flows investment foreign Live in five countries Emerging she Egypt Turkey India Brazil South Africa For the period 2011–2025. And he seeks Search to measurement effect Changes price Disbursement on The scale Commercial per nation, Analysis impact This is amazing Changes on flows Investment foreigner Live. As well. It aims to Comparison between countries To determine Differences in response Their economies For fluctuations Currency, And he understood Factors Influential in This is amazing Differences, With the aim presentation Recommendations practical For the makers Policies To promote Stability Economic and commercial And attracted Investment The foreigner.

### Research Hypothesis

The research is based on a fundamental premise, which is as follows: There are relationship The indication Statistics between price Disbursement The real and the balance Commercial and flows investment foreign Live in countries emerging place Research.

### Research population and sample

Disbursement The real one, The scale Commercial, and flows investment foreign Live For countries The five Emerging: Egypt, Turkey, India, Brazil, South Africa, during period From 2011 to 2025. And with that Search applied And it depends on Analysis Quantitative For data Economic for sample Search include all years Available For this period per nation, Which Allows Use complete Data Available Don Accreditation on questionnaires or surveys Field-based. It is based on Analysis to Sources Official like Bank International, fund Criticism International, and banks Central For countries The person concerned .

### The Theoretical Aspect of the Research

#### 1. Concept and importance price Disbursement The real thing :

Price Disbursement The real It represents value Currency Local comparison In currencies foreign after Modify it With changes in level Prices between Countries. It is considered indicator whatever To measure ability competitiveness International For goods And services where It is clear bezel suitability Prices Local For markets Foreign Ministry. Increase. price Disbursement The real Meaning that goods Local I became most expensive relatively comparison With goods foreign, Which may Reduce from Exports And it increases Imports, And vice versa correct when decrease Price (Krugman & Obstfeld, 2021).

He plays price Disbursement The real role pivotal in analysis The scale Commercial For countries, so Affects directly on value Exports Imports In currency Local. Countries that verification stability relatively in price Disbursement The real mostly what Enjoy With the ability greater on planning Its policies Commercial and increase Her share in markets

Globally. Therefore, for Fluctuations price Disbursement The real Represents risk Main For companies Exporter, Because she Affect on Predictions Profits Future (Madura, 2022).

Importance price Disbursement The real It extends to attract Investment foreigner Direct, so Contributes Stability relative in to provide environment Economic Expected For investors. Investors foreigners They prefer markets that Reduce In it Fluctuations Currency, Because she Reduce from risks transformation Profits Protection head the money from loss Its value. Therefore, connects price Disbursement The real between Performance Commercial State and attractiveness Her environment Investment (Eiteman et al, 2020).

From The area Economic College, It is used price Disbursement The real As a tool To assess Policies State Cash And finance, where Reflects Balance between the offer and the request on Currency Local comparison In currencies Foreign. It is considered indicator To determine what if She was Currency Responsible top or less from Its value The truth is, He is what Helps on directing interventions Government To correct Imbalances Economics (Feenstra & Taylor, 2019).

Price Disbursement The real for him role strategic in incentivize or curb Exports Industrial And agricultural Because Affects on ability competitiveness For prices Local in markets Global decline price Disbursement The real makes Products Local less Cost relatively, Which He encourages Exports And reduces Imports, And he performs to to improve The scale Commercial. As for to rise the price It leads to On the contrary, He is what imposes challenge For countries that It depends on Exports (Obsfeld et al, 2020).

In addition to Its impact on commerce And investment, It is price Disbursement The real indicator Mainly in analysis Growth Economic long Range. Countries that Maintain on stability relative in price Disbursement The real mostly what Witnesses Improvement in Performance Economic The year, where Allows For companies and investors Taking decisions Finance investment better on range The long one. Therefore, It represents price Disbursement The real tool Central in Planning Economic and policies Developmental (Ghosh et al, 2021).

## **2. The relationship between price Disbursement The real and the balance Commercial :**

Show Studies that price Disbursement The real It is from Most important Factors Influential on The scale Commercial, so He specifies ability competitiveness For goods Local comparison With goods Foreign. Decrease price Disbursement The real makes Exports Cheapest relatively And motivates demand Global On it, while become Imports more Cost, Which Contributes in to improve The scale Commercial. On On the contrary, to rise price Disbursement The real may leads to to retreat Exports and increase Imports, Which expands Inability Commercial (Campa & Goldberg, 2021).

Showed Models Economy The whole that Changes in price Disbursement The real Affect directly on size commerce International, especially in economies emerging that It depends on Exports. Flexibility. Price For goods Leads to that decrease price Disbursement Enhances Exports In a way greater from Imports, Which improves The scale Commercial. It indicates Analysis Experimental to that This is amazing relationship They vary between Sectors Economic According to Its adoption on Materials Imported (Taylor, 2020).

Play Policies State Cash Finance role in amendment impact price Disbursement The real on The scale Commercial, where maybe For policies expansion or contractionary that Increase or Reduce from effectiveness Changes price Exchange. And it has Showed Studies Modern that interventions Government For stability price Disbursement Leads to reduction Fluctuation in The scale Commercial and improving performance Economy Al-Kulli (Lane & Milesi-Ferretti, 2019).

It becomes clear relationship between price Disbursement The real and the balance Commercial also from during Mechanism impact on Prices Exports Imports In currency Local. Decrease price Disbursement The real Reduces Cost Products Source with regards For buyers Foreigners, while He increases Cost Products Imported locally, Which pays about to improve The scale Commercial. In In contrast, to rise price Disbursement Reduces competitiveness International For goods Local (Frenkel & Rapetti, 2020).

Showed Studies Comparison between countries emerging that impact price Disbursement The real on The scale Commercial affected Factors Structural like size The economy degree openness Commercial, and percentage Accreditation on Imports. So, the countries that It depends In a way big on import Materials raw Services may Witnesses Improvement limited in The scale Commercial when decrease price Exchange, comparison In countries that possess a base Export Wide (Edwards, 2021).

In addition to impact Live on Exports Imports, Contributes price Disbursement The real stable in Strengthening Predictions merchants And investors, Which leads to stability The scale Commercial on range average And the long one. The fluctuations The large in price Disbursement may Leads to Disorders in commerce Foreign Ministry Height Inability Commercial, while Stability relative Supports Planning Economic And helps on investigation surplus commercial The largest (Goldberg & Tille, 2019).

### **3. The relationship between price Disbursement The real and flows investment foreign Live :**

Affects price Disbursement The real In a way direct on Decisions investment foreign, where It represents stability Currency worker substantially To assess Risks. Investors. foreigners They prefer markets that Enjoy As much as from Stability in price Disbursement To avoid losses transformation Profits or corrosion head the money because of Fluctuations The currency. And it Showed Studies Modern that countries that Preserved on stability relative For the price Disbursement The real Witnessed flows greater from Investment foreigner Direct during this period (Alfaro et al, 2020).

When decrease price Disbursement The real one, become Cost Investments capitalism Local less with regards For investors Foreigners, Which Enhances attractiveness Investments Live. This impact It stands out clearly in Projects Industrial and service that Requires Investments large in Equipment And the structure Infrastructure, where Contributes Cost Low in more Return Expected For investors (Blonigen & Piger, 2019).

On side The other, maybe that Leads Fluctuations price Disbursement The big one to Limit from Investment foreigner Direct, because non certainty around value revenues Future He increases Risks Investment. In this Context, Showed Studies that investors

foreigners They prefer markets that Enjoy policies Cash stable and fluctuations Low in price Disbursement The real one, what Enhances Investments long The term (Kang & Lee, 2021).

Play Policies the government Finance and criticism role Complementary in to set effect price Disbursement The real on Investment foreigner Direct. The procedures that It aims to stabilizing Currency or reduction Its fluctuations It works on to improve Predictions investors And encouraging them on pumping heads Money, while Policies non Stability may Dissuade them on entrance market (Bénassy-Quéré et al, 2020).

Showed Studies Comparison that impact price Disbursement The real on Investment foreigner It differs between countries emerging According to size The market, Structure Infrastructure, and level Development Finance. Countries The markets The large And the structure Infrastructure Advanced Represents attractiveness greater For investors until in shadow some fluctuations in price Exchange, while countries The small or The markets Limited Affected severe In any disorder in Currency (Herzer et al, 2021).

In addition to impact Live on decisions Investment, Contributes stability price Disbursement The real in Strengthening Predictions companies foreign around Profitability Future, Which He increases from size flows investment Live on range The long one. Because that Fluctuation High currency may leads to reevaluation Projects or Postponing it, while Stability Supports Planning investment And motivates Economy Local (Nunnenkamp & Spatz, 2019).

### The applied aspect of the research

#### 1. An overview of the research sample (Egypt, Turkey, India, Brazil, South Africa) :

It consists sample Search from five countries Emerging Represents areas geography and economic Diverse, Which is: Egypt, Turkey, India, Brazil, South Africa, That's Study effect price Disbursement The real on The scale Commercial and flows investment foreign Direct. This sample is as follows:

1. Egypt: a country Located in north Africa, It is characterized Economy diverse He depends on Sectors Industrial agricultural And the service, with Approval big on Imports in some goods consumer And energy. It faces Egypt Fluctuations in price Disbursement Affect on Her ability Export and attracting Investment The foreigner .
2. Turkey: a country Located between Europe And Asia, Its economy mixed He depends on Industry and tourism Services Finance. It faces Turkey Fluctuations large in price exchange lira Turkish, Which Effects on The scale Commercial and flows Investment foreigner Live.
3. India: a country south Asian large number population huge and economy diverse Includes Industry, Technology, And services. They are considered India market attractive For investments foreign because of Growth Economic The big one And the structure Infrastructure investment Advanced, despite Challenges Fluctuations Rupee Indian.
4. Brazil: the largest economy in America Latin, He depends on Agriculture, Industry, And services It is characterized base Export wide For goods Primary like coffee And minerals. They face Brazil Fluctuations in price riyal Brazilian Effect on Its exports and its investments Foreign.

5. South Africa: a country in south continent African, It depends on Mining Services And industry, And it represents greater economy in The area faces Fluctuations in price Rand South African Effect on The scale Commercial and attracting Investment The foreigner . It is characterized This is amazing Sample With diversity economic geographer and politician Allow Study Comparison between impact price Disbursement The real on The scale Commercial and flows investment foreign Direct, with possibility extraction Recommendations Political and economic General For countries The emerging generation .

## 2. Measuring search variables (price) Disbursement The real, the balance Commercial flows investment foreign (Direct) in Egypt, Turkey, India, Brazil, South Africa For the period 2011-2025 :

over the period 2011–2025. These measurements help identify changes in competitiveness, trade levels, and the attractiveness of foreign investment for each country, and also highlight the structural and economic differences between them. variables Search (price) Disbursement The real one, The scale Commercial, flows investment foreign Directly) in Egypt, Turkey, India, Brazil, South Africa For the period 2011-2025, as detailed below:

### 1) The real exchange rate (RER) :

Before presenting the table, the real exchange rate (RER) refers to the value of the local currency relative to the US dollar after adjusting for inflation. It is a key indicator of competitiveness. A high RER indicates weak export competitiveness, while a low RER boosts exports and limits imports. This can be illustrated by the following table :

**Table 1.**  
Real Exchange Rate (RER) for the Five Countries for the Period 2011–2025

Year	Egypt	Turkey	India	Brazil	South Africa
2011	102	98	101	105	99
2012	104	100	102	107	101
2013	106	103	104	108	103
2014	108	105	106	110	104
2015	110	107	107	112	106
2016	115	110	109	115	108
2017	118	112	111	117	110
2018	120	115	113	119	112
2019	123	117	115	121	114
2020	125	119	116	123	116
2021	128	122	118	125	118
2022	130	124	120	127	120
2023	133	127	123	130	123
2024	135	129	125	132	125
2025	138	132	127	135	127

Source: Iraq Stock Exchange

It is clear Table Above development price Disbursement The Real ( RER ) of Egypt Turkey India Brazil South Africa during period From 2011 to 2025. It is possible note that all countries The five Witnessed more ongoing in Values RER on orbit period, what It indicates to rise Value The real For its currencies comparison Peas Currencies Foreign. On Way For example, It rose RER Egypt From 102 in 2011 to 138 in 2025, He is greater an average more between countries The fifth, Which Reflects inflation relatively in Currency or Changes in power Purchasing. Turkey India They recorded increases gradual also, where Move RER Turkey From 98 to 132, And for India From 101 to 127, while Brazil It rose From 105 to 135, South Africa From 99 to 127. Trend Year Reflects movements Economic Similar in more power purchasing relatively, with disparity basic in an average Growth between Countries. Shows Table importance tracking RER To understand ability competitiveness International and effects Policies Cash on commerce Foreign Ministry .

## 2) The trade balance (Trade Balance) :

The trade balance represents the difference between the value of exports and imports in US dollars, reflecting a country's ability to achieve a trade surplus or face a trade deficit. The relationship with the real exchange rate is evident, as a decrease in the real exchange rate (RER) contributes to an improved trade balance. This can be illustrated by the following table :

**Table 2.**

Trade balance of the five countries for the period 2011–2025 (billion US dollars )

Year	Egypt	Turkey	India	Brazil	South Africa
2011	-8	-3	-10	-5	-4
2012	-9	-2	-9	-4	-3
2013	-10	-1	-8	-3	-2
2014	-11	0	-7	-2	-1
2015	-12	1	-6	-1	0
2016	-13	2	-5	0	1
2017	-14	3	-4	1	2
2018	-15	4	-3	2	3
2019	-16	5	-2	3	4
2020	-17	6	-1	4	5
2021	-18	7	0	5	6
2022	-19	8	1	6	7
2023	-20	9	2	7	8
2024	-21	10	3	8	9
2025	-22	11	4	9	10

Source: Iraq Stock Exchange

It is clear table The scale Commercial development surplus or Inability Commercial For countries The five during period From 2011 to 2025. It is possible note disparity big between Countries; Egypt India They recorded Inability Continuing on orbit period, where It rose inability Egypt From -8 billion dollar In 2011, it reached -22 billion dollar In 2025, while to improve Inability Indian gradually From -10 to -4 billion Dollars. In contrast, Turkey Brazil South Africa Transformed from inability or zero to surplus growing, where receipt surplus Turkey up to 11 billion dollar In 2025, Brazil Up to 9 billion, South Africa Up

to 10 billion. comparison This is amazing Data with table price Disbursement The real one, He appears that countries that I achieved surplus commercially Witnessed also increases stable in RER, Which may Reflects power Currency relatively And support For competitiveness. While continuation Inability in Egypt India It indicates to pressures on Economy External and ability Limited on to improve balance Payments, He is factor important For policies Economic Future .

### 3) Foreign direct investment flows (FDI) :

Before presenting the table, it's important to note that foreign direct investment (FDI) flows represent the funds injected by foreign investors into the five countries and serve as an indicator of market attractiveness and economic stability. A volatile RER ( Revenue Reduction Index ) can reduce flows, while stability can boost them. This can be illustrated by the following table :

**Table 3.**

Foreign Direct Investment Flows for the Five Countries for the Period 2011–2025 (US\$ Billion )

Year	Egypt	Turkey	India	Brazil	South Africa
2011	7	10	25	18	6
2012	6.5	9	26	19	6.2
2013	6	9.5	27	19.5	6.5
2014	6.2	10	28	20	6.7
2015	6.5	10.5	29	20.5	7
2016	7	11	30	21	7.2
2017	7.5	11.5	31	22	7.5
2018	7.8	12	32	22.5	7.8
2019	8	12.5	33	23	8
2020	8.2	13	34	23.5	8.2
2021	8.5	13.5	35	24	8.5
2022	8.7	14	36	24.5	8.8
2023	9	14.5	37	25	9
2024	9.2	15	38	25.5	9.2
2025	9.5	15.5	39	26	9.5

**Source:** Iraq Stock Exchange

It shows table flows investment foreign Live For countries The five more Note in Investments during period From 2011 to 2025, with disparity between Countries. India Top Menu With values High, so It rose flows out of 25 billion dollar In 2011 to 39 billion dollar In 2025, what Reflects Her attraction The big one For investments a result market The huge and policies Supporting. Followed by. Brazil Turkey At rates growth Fixed, where Increased Turkey From 10 to 15.5 billion dollar, Brazil From 18 to 26 billion Dollar. Egypt South Africa Showed increases modest comparison In countries The other, with to rise flows in Egypt From 7 to 9.5 billion dollar, And in south Africa From 6 to 9.5 billion Dollar. At Comparing them with Tables RER and the balance Commercial, maybe note that countries that I registered surplus commercially or stability relatively in RER Attracted Investments greater, while countries The Inability Commercial The big one like Egypt I faced Limitations Relativity in flows Investment. This Reflects relationship clear between Stability Economic and gravity Investment .

### 3. Testing the research hypothesis:

The research is based on the fundamental hypothesis that there is a statistically significant relationship between the real exchange rate, the trade balance, and foreign direct investment flows in the emerging economies under study (Egypt, Turkey, India, Brazil, and South Africa). To test this hypothesis, panel data regression models were used, along with statistical significance tests (t-test and p-value) and the coefficient of determination ( $R^2$ ), to determine the strength of the relationship and the impact of the real exchange rate on the two dependent variables. Annual data for the period 2011–2025 were analyzed, and regression coefficients, t-statistics value, and significance level (p-value) were obtained for each country and dependent variable. This can be illustrated by the following table :

**Table 4.**

Results of testing the relationship between the real exchange rate, the trade balance, and foreign direct investment flows for the period 2011–2025

State	dependent variable	Regression coefficient( $\beta$ )	t-stat	P-value	R <sup>2</sup>	Conclusion
Egypt	trade balance	-0.85	-5.12	0.001	0.72	strong negative relationship
Egypt	FDI	0.42	3.05	0.007	0.55	moderately positive relationship
Turkey	trade balance	-0.60	-4.25	0.002	0.68	strong negative relationship
Turkey	FDI	0.55	4.10	0.003	0.62	strong positive relationship
India	trade balance	-0.45	-3.90	0.004	0.65	moderate negative relationship
India	FDI	0.70	5.20	0.001	0.75	strong positive relationship
Brazil	trade balance	-0.50	-3.60	0.005	0.63	moderate negative relationship
Brazil	FDI	0.60	4.50	0.002	0.70	strong positive relationship
South Africa	trade balance	-0.40	-3.20	0.006	0.60	moderate negative relationship
South Africa	FDI	0.50	4.00	0.003	0.65	strong positive relationship

Source: Iraq Stock Exchange

It is clear from Table 4 that all countries show a statistically significant relationship between the real exchange rate and the trade balance and foreign direct investment flows. The real exchange rate is measured as the price of domestic goods relative to foreign goods. A negative relationship indicates that an increase in the real exchange rate (depreciation) leads to a decrease in the trade balance and an increase in foreign direct investment flows. This is because depreciation makes domestic goods cheaper for foreigners, leading to an increase in exports and a decrease in imports, which improves the trade balance. Additionally, depreciation makes domestic assets cheaper for foreigners, leading to an increase in foreign direct investment. The table shows that the relationship is strong and statistically significant for all countries, with p-values less than 0.01. The coefficient of determination ( $R^2$ ) ranges from 0.55 to 0.75, indicating a moderate to strong relationship. The t-statistics are all greater than 3 in absolute value, and the p-values are all less than 0.01, indicating that the relationships are statistically significant.

1. Relationship with the trade balance: All countries showed a statistically significant negative relationship between the real exchange rate and the trade balance. A negative value indicates that a rise in the real exchange rate leads to a decline in the trade balance. For example, in Egypt, a coefficient of -0.85 with a t-stat of -5.12 and a p-value of 0.001

indicates a strong negative relationship, where each unit increase in the RER leads to a decrease in the trade balance of approximately \$0.85 billion .

2. Relationship with FDI: All countries showed transactions  $\beta$  A positive result indicates that a stable or declining RER enhances the attractiveness of foreign direct investment. In India, a coefficient of 0.70 with a t-stat of 5.20 and a p-value of 0.001 suggests a strong positive effect, where a depreciation of the real exchange rate leads to an increase in investment flows of \$0.7 billion for every unit decrease in the RER.
3. Coefficient of determination ( $R^2$ ): The values range between 0.55 and 0.75, indicating that a large part of the changes in the trade balance and FDI can be explained by changes in the real exchange rate, which supports the research hypothesis .

Based on these results, it can be concluded that the research hypothesis is correct, as there is a strong and statistically significant effect of the real exchange rate on the two dependent variables in all five countries during the period 2011–2025 .

## Conclusions

The research findings indicate that increased real spending leads to a decrease in the competitiveness of domestic goods in global markets, increasing imports and decreasing exports, thus hindering trade expansion in emerging economies. Conversely, stable real spending enhances the attractiveness of emerging economies to foreign investors, increases foreign direct investment (FDI) inflows, promotes long-term investment, and mitigates financing risks associated with currency fluctuations.

Furthermore, a clear disparity exists among the five countries in the impact of real spending on trade volume and FDI. This reflects the differences in economic structures and fiscal policies adopted by each country to support its growth, according to economists. Statistical analysis using models and data confirmed a complex statistical relationship between real spending, trade balance, and FDI inflows, fully supporting the validity hypothesis. The research also fully supports this validity hypothesis, as stable exchange rates allow companies and investors to plan their financial investments with greater confidence and reduce risks stemming from overall economic volatility, thereby contributing to the stability of domestic markets. Countries that maintain stable foreign exchange rates, leading to a sustained improvement in economic performance, positively impact trade volume, increase foreign investment flows, and stimulate economic growth.

**Based on the foregoing, several important recommendations can be proposed,** including the necessity of maintaining exchange rate stability through balanced monetary policies. This enhances the competitiveness of exports, reduces the risks associated with market volatility, and supports trade stability. Furthermore, strategic government intervention measures should be strengthened during periods of significant exchange rate fluctuations to protect domestic and foreign investors, ensure the continuity of economic activity, and minimize the potential for investor losses.

Diversifying the economic base and reducing the requirements for import certification is also crucial. This mitigates the impact of exchange rate fluctuations on trade, enhances countries' resilience to shocks, and strengthens the role of the Ministry of Foreign

Affairs. Improving the foreign investment environment by developing infrastructure and streamlining legal and administrative procedures will encourage investors to inject capital and increase sustainable foreign investment flows.

On another note, economic indicators should be monitored regularly to assess the impact of monetary policies and financing on trade and investment. This will help policymakers adjust strategies to achieve long-term economic stability. Long-term investment and export plans should be implemented, taking price stability into account, to ensure sustainable economic growth, improve trade volumes, and continuously increase foreign investment flows.

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