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ON THE DETERMINANTS OF THE THB/USD EXCHANGE RATE

Abstract:

The exchange rate behavior model is among the unsolved research issues, and it should be addressed because of the crucial significance of exchange rates for the economy. This article investigates the macroeconomic fundamentals that may explain the behavior of the exchange rate of the Thai Baht against the US dollar. We use monthly data for the period 2004-2013. Based on a multiple regression approach, our empirical results reveal that the terms of trade and international reserves have a statistically significant impact on the nominal exchange rate THB/USD. However, the interest rates differential, the manufacturing production index, the monetary base and government debt do not exhibit a significant relationship with the exchange rate in Thailand.

Keywords:

nominal exchange rate,
macroeconomic fundamentals,
exchange rate regimes

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