

Rattachai Pichainsoonthorn 2006: The Effects of Macroeconomic Factors on Inflation Rate and Output under Managed Floating Exchange Rate Regime. Master of Economics, Major Field: Economics, Department of Economics. Thesis Advisor: Mr. Saksit Budsayaplakorn, Ph.D. 129 pages. ISBN 974-16-2783-1

Bank of Thailand adopted the managed floating exchange rate regime as exchange rate policy and also adopted the inflation targeting framework as a national monetary policy following the concept of price stability for sustainable economic growth. As a result, most economic policies focus mainly on inflation rate and output.

The objective of this study is to determine the effects of macroeconomic factors on inflation rate and output under the managed floating exchange rate regime. This paper employs the quarterly data during 1993-2004 based on the theoretical Mundell-Fleming macroeconomic model and the distributed lag model with almon polynomial lag procedure.

The results of this study indicate that inflation rates are affected most by the growth rates of money supply M1 and M2 following by government expenditures, balance of payments and gross domestic products, respectively and these factors are lagged approximately 9 quarters. The output is affected most by various definitions of real money supply following by real government expenditures and balance of payments, respectively and the lags of these factors are approximately 7-10 quarters. Moreover, the dummy variable for exchange rate policies significantly affects inflation rate and output.

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