

Piriya Khensomboon 2008: Factors Affecting the Policy Interest Rate in Thailand.

Master of Economics, Major Field: Economics, Department of Economics.

Thesis Advisor: Mr. Arun Kiarasarn, Diplome de III<sup>me</sup> Cycle. 117 pages.

Policy Interest Rate is an important tool to improve the stability of economic system. Because Policy Interest Rate is the leading interest which influenced interest rates in domestic monetary system and the production cost of production sector. Therefore, the study of factors affecting the policy interest rate can influence the direction of the economy.

Monthly data over the period of January 1998 to December 2006 ( totally 72 months) are used for estimating factors effecting policy interest rate. Regression and cointegration techniques are used for estimating the coefficient of the factors affecting the policy interest rate and analyzing the magnitude and the direction of policy interest rate.

The empirical results indicated that in the long-run, Core inflation, Inter bank rate, and Minimum loan rate have positive effects, while Fed fund rate, Headline inflation and Saving rate have negative effects on Policy interest rate. In the shot-run, It is found that Policy interest rate is affected by the same factors, except the Fed fund rate.



Student's signature



Thesis Advisor's signature

01 / 05 / 51