Suvimol Wangrak 2011: Effects of Government Spending Money Supply and Exchange Rate on Output. Master of Economics, Major Field: Economics, Department of Economics. Thesis Advisor: Ms. Supanee Harnphattananusorn, Ph.D. 93 pages.

This paper analyzes the effect of government spending, money supply and exchange rate on GDP using Vector Autoregression (VAR) methodology. The study period is 1998:Q1 – 2010:Q4.

The result shows that the direction of response of GDP to the government spending shock is positive. And the direction of response of GDP to money supply shock is positive too. According to the magnitude, the effect of government spending on GDP is greater than money supply because the government spending can stimulate the output directly. The response of GDP on exchange rate shock is negative. This shows that exchange rate affects GDP due to the fact that Thailand is a free trade country which has free trades and capital flows.

The result from variance decomposition analysis shows that the fluctuation in GDP is mostly influenced by exchange rate which can be shown in the ratio as 65%. The government spending and money supply influence GDP around 24% and 10% respectively while the GDP influences itself less than government spending and money supply.

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