Paweena Leetrakul 2006: Impact of Real Exchange Volatility on Output. Master of Economics, Major Field: Economics, Department of Economics. Thesis Advisor: Mr. Bundit Chaivichayachat, Ph.D. 124 pages.
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The effects ofthe real exchange rate volatility on the economic growth have not been widely accepted. This could be an obstacle for policy makers to conduct the macroeconomic policy. Thus, one of the objectives of this research is to examine the impact of the real exchange rate volatility on the output and economic growth. The other objective is to reveal sources of the fluctuation in real exchange rate in Thailand. This research used the secondary data collected from January 2000 to October 2005 and analyzed by Structural Vector Autoregressive (SVAR) model , Impulse Response Function and Variance decomposition in order to identify the long-run adjustment.

The empirical evidences indicate that the real exchange rate volatility influences the real output only in the short run with minimal effects. At significant level 0.05, the real exchange rate volatility influences the output only in second and third period. However, the output will automatically adjust itself in long run. Furthermore, the fluctuation in the real exchange rate is generated aggregate demand and aggregate supply in first to third period. Afterwards since fourth period, source of real exchange rate volatility will be originated by supply side. Thus conclude, the short-run fluctuation in the real exchange rate comes from both aggregate demand and aggregate supply. Nevertheless, only supply side can have the long-runimpact .

The finding results show that if the policymaker confronts the real exchange rate volatility, the policymaker should be introduced the policy to cope its effect on output. However, the growth of country's output will not be intervened by the real exchange rate volatility in long-run For source of real exchange rate volatility, the policymaker should consider the short run fluctuation in the real exchange rate, which generate from demand side and supply side. However, for the long-run real, the policymaker should be focused only on the supply side.

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