

ABSTRACT

**Thesis Title : The Demand for Money in Thailand under Managed Float
Exchange Rate**

Student's Name : Miss Paranee Chanloha

Degree Sought : Master of Economics

Academic Year : 2001

Advisory Committee :

- | | |
|---|-------------|
| 1. Assoc. Prof. Ati Thaiyanan | Chairperson |
| 2. Assoc. Prof. Asambhinabong Shatragom | |
| 3. Assoc. Prof. Sukanya Tantanawat | |

The purposes of this thesis are to study magnitude and direction of the relation between demand for money and economic factors in the short and long run and to find the speed of adjustment to the stability of the demand for money.

The secondary data were monthly collected from July 1997 to December 2000 where Managed Float Exchange Rate was used. The data were tested by Cointegration and Error Correction technique in accordance with Two-step approach of Engle and Granger.

The result of Cointegration test indicates that income and price level are related in the same direction with narrow demand for money (M1) whereas interest rate, financial innovation and exchange rate are related in the opposite direction, but interest rate is not statistically significant. Income, price level and financial innovation are related in the same direction with board demand for money (M2) whereas interest

TE 129688

rate and exchange rate are related in the opposite direction, but interest rate is not statistically significant.

Short-run money demand functions in the form of ECMs are found to be stable with correctly signed coefficients. The narrow demand for money have been effected by exchanged rates lagged 1 and 2 whereas the board demand for money have been effected by exchange rates lagged 2.