

Ploypailin Silaket 2012: Factors Affecting the Likelihood of Currency Crisis in Socialist Republic of Vietnam. Master of Economics, Major Field: Economics, Department of Economics. Thesis Advisor: Associate Professor. Santiya Eag-ark, Ph.D. 123 pages.

This study examines the effects of various factors on the probability of Currency Crisis in Socialist Republic of Vietnam, using secondary data from the third quarter of 1995 to the fourth quarter of 2010. The study uses descriptive analysis and quantitative analysis by applying Binary Response technique with Probit Model, which is used to describe the qualitative dependent variable. Currency crisis in this study was defined as the pressure on foreign exchange which is calculated from the weighted average change of exchange rate and change in international reserve.

The results show that during the third quarter of 1995 to the fourth quarter of 2010, the currency crisis occurred 5 times including the fourth quarter of 1997, the first and the second quarter of 1998 and the third and the fourth quarter of 2010. The unemployment rate affected the probability of the crisis in the same direction at the confidence level of 90 percent, with the likelihood of the crisis occurrence probability increased by 0.128422. The expansion of domestic credit and foreign exchange rate affected the probability of the crisis in the opposite direction at the confidence level of 90 percent, with the likelihood of the crisis occurrence probability decreased by 0.023104 and 0.000420, respectively. The proportions of international reserve to short-term foreign debt and the trade balance affected the probability of currency crisis in the opposite direction at the confidence level at 95 percent, with the likelihood of the crisis occurrence probability decreased by 0.752995 and 0.000017, respectively. And the government budget deficits affected the probability of the crisis in the same direction at the confidence level of 95 percent, with the likelihood of the crisis occurrence probability increased by 0.000041.

From the results of this study, government should have the financial policy in keeping the international reserve at the proper level. Moreover, the government should focus and monitor on the unemployment rate in order to set the financial crisis warning system. In addition, the government should have the independent international trade policy and should consider the strength of economic in countries both inside and outside the region.

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Thesis Advisor's signature