ABSTRACT

This study aims to investigate the effects of exchange rate movements on the adjustments of export prices of Thailand’s eight major manufactured exports, namely rubber products, canned seafood, iron & steels, furniture and parts, motor cars and their parts and accessories, garments, plastic products and chemical products. The other investigation is to test whether the export price adjustment is asymmetric between appreciations and depreciations of the Thai Baht. This study takes into account the predominant role of the US dollar as an invoicing currency of Thailand’s exports.

The long-run relationship between the exchange rate and export prices denominated in US dollar is investigated under the Johansen cointegration framework. In general, the empirical results indicate that the exchange rate of Baht vis-à-vis the US dollar has limited impact on the adjustment of export prices in US dollar terms. The degree of exchange rate pass-through to export prices denominated in US dollar varies across export industries, ranging from 0.04 to 0.65. Pass-through is relatively higher in the case of canned seafood and motor car industries. Export industries with larger share in total world’s exports tend to have higher degree of pass-through. Furthermore, it is found that asymmetric pass-through is rejected in all export industries except plastic products.

The results mostly support the small country assumption that export prices are likely to be stable in foreign currency when exchange rate varies. While stabilizing export prices in US dollar terms may help maintaining the relative prices in global market, exporters; however, have to experience varying markups when the exchange rate fluctuates.