

Are Thai Manufacturing Exports and Imports of Capital Goods Related?

Author

Komain Jiranyakul

ABSTRACT

This paper examines the relationship between manufacturing exports and imports of capital goods in Thailand using monthly data from January 2000 to July 2011. The results from bounds testing for cointegration show that there exists long-run equilibrium relationship between exports and imports of capital goods in manufacturing sector. In addition, the positive relationship between the growth rate of imports of capital goods and the growth rate of manufacturing exports is observed. The results support the notion that foreign capital is essential in the process of industrialization, and thus economic growth. A decline in imports of capital goods will reduce manufacturing exports and impedes economic growth in the future. It is also likely that exports of manufactured products are the main source of foreign exchanges to finance imports of capital goods which cannot be produced in the country due to comparative disadvantage.

Keywords: Manufacturing Exports; Imports of Capital Goods; Economic Growth; Cointegration; Causality

Cite this paper

Jiranyakul, K., "Are Thai Manufacturing Exports and Imports of Capital Goods Related?," *Modern Economy*, Vol. 3 No. 2, 2012, pp. 237-244.

Sources: Scientific Publishing

<http://www.scirp.org/journal/PaperInformation.aspx?paperID=18157#abstract>