The Impact of the Global Financial Crisis on Thailand: Transmission Channels and Policy Responses [1]

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Abstract:

In this study, we focus on the effects of global financial crisis on Thailand's macroeconomy and separated the study into three main parts. First, we examine the transmission channels of global crisis to domestic economy. The results indicate that the international trade channel has significant impact to the economic activities, while the financial linkage provides only marginal effect. Most of the drop in export, investment and consumption could be explained by a shrink in world import value. Second, the effects of policy responses are investigated. The transmission mechanisms of fiscal and monetary policies are computed. The results show that the impacts from the monetary and fiscal policy responses are considerably smaller than those of the slump in global trading value. Finally, we analyze economic outlook of Thailand. The economy is expected to rebound with 3.7 and 3.6 percentage growths in 2010 and 2011, respectively. Moreover, three risk factors - political instability, tightening monetary policy and economic recovering in advanced countries - are also taken in consideration. Similar to international transmission channels, the strength of recovery in global economic activities will play the most important role for recovery process in Thailand.

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