The impact of international oil prices on industrial production: the case of Thailand

Document Information:

Title: The impact of international oil prices on industrial production: the case of Thailand

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Citation: Jiranyakul, K. , (2006) " The impact of international oil prices on industrial production: the case of Thailand", **NIDA Economic Review**, Vol. 1, No. 2, pp. 35 – 42.

Article type: Research paper

Abstract

This paper analyzes the impact of international oil prices on Thailand's industrial production using Johansen cointegration test. The results show that U.S. dollar real exchange rate does not affect the economy's industrial production index, while oil prices and real money supply significantly impose a positive impact on the index. The positive relationship between industrial production index and oil prices indicates that the manufacturing sector can adjust itself to higher costs of production in the long run. In the short run, industrial production is affected by real money supply, real exchange rate and international oil prices. However, any deviation from a stationary long-run equilibrium in the short run will be corrected in a short period of time.

JEL Classification*: C22; E10*

Keywords: *Industrial production ; oil prices, VAR; Cointegration*

Full text: http://journal.nida.ac.th/journal/attachments/a109_en.pdf

Cited by

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