

ABSTRACT

This study investigates the net effects of exchange rate on the domestic producer price during 1985-1999. It also aims to develop a model to explain the domestic producer prices that are affected by exchange rate.

In explanation of domestic producer price, there are four variables to be tested. They are index of wage, GNP, exchange rate and expected exchange rate.

The study on domestic producer price, the analysis is conducted on data from 1985-1999. All data is collected from BOT library, United Nations, Ministry of wage and social welfare and Department of technical and economic cooperation. OLS regression is used to estimate the parameters of the model.

The Research Methodologies used was regression model adopted from industrial organization model(Feinberg,1986). Stepwise method in selection for included variables and remove the excluded variables.

The findings show that the exchange rate can explain the domestic producer price at 95 per cent level of confidence. This result indicates that exchange rate is the factor in increasing or decreasing the domestic producer price. While the others factors such as wage,GNP and expected exchange rate are excluded in this model.

It is hoped that this study will benefit academic and the owners of manufacture: The owners of manufacture can use this study as a planning strategy to optimize the price. The academicians can use this study to explain the relationship between exchange rate and domestic producer price.