

How do world commodity prices affect Asian commodity exporting economies? : the role of financial frictions

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This note examines how the recent volatile fluctuations of world commodity prices affect Asian commodity exporting economies. A drop in world commodity prices has a significant negative impact on output, consumption, and investment of sample countries in common. As for its impact on trade balance, some countries result in a positive trade balance, while the others result in a negative trade balance. The difference is attributable to whether world commodity prices affect each country's borrowing terms or not.

Keywords: commodity prices; Asian emerging economies; financial frictions; SVAR.

JEL Classification: E69, F32, F38, F41.