

Determinants of foreign direct investment inflow in ASEAN countries: Panel Threshold approach and panel smooth transition regression approach

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Abstract. This study analyzes the factor affecting to foreign direct investment (FDI) inflows in ASEAN countries over the period 2000 to 2016 using Panel Threshold approach and Panel Smooth Transition Regression approach as a tool for this study. In addition, we test the non-linear relationship between the macroeconomic factors and FDI inflow using Akaike Information criteria. There sults show that the reexists a threshold effect on our FDI regression. In addition, we compare the performance of two non-linear models and find that Panel Smooth Threshold approach perform relative well in our empirical study. The estimation results also suggest that the real effective exchange rate has a negative effect to FDI inflows in good economic condition regimes. Nevertheless, other factors are not show a strong evidence to explain the effect on the FDI inflows.