

## **Terms-of-trade and trade balance : Some empirical evidence of Asian economies**

### **Abstract**

This study examines the impact of terms-of-trade and oil price on trade balance in Asian economies. Generally, the results of the normalized cointegrating vectors show that the impact of terms-of-trade on trade balance is different across economies. An increase in oil price or permanent oil price will lead to a decrease in terms-of-trade while the impact of an increase in temporary oil price on terms-of-trade is ambiguous. Generally, terms-of-trade, domestic demand, foreign demand, and oil price (permanent oil price, temporary oil price) are important in the determination of trade balance in the short run and long run.