



# Purchasing power parity and unit root tests using panel data

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## Abstract

This paper reports the results of unit root tests for real exchange rates using a panel framework. This panel approach provides greatly improved power compared to conventional univariate time series unit root tests. We obtain evidence supporting PPP over the recent flexible exchange rate period for G-6 and OECD countries. We show explicitly that failure to find such evidence in previous research was due to the low power of the tests.

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