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Threshold cointegration and purchasing power parity in the pacific nations

Walter Enders & Kamol Chumrusphonlert

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Abstract

The paper uses a threshold cointegration methodology to explore the properties of long-run purchasing power parity (PPP) in the Pacific nations. Using Japan and the USA as base countries, it is shown that long-run PPP holds for most Asian countries but that the adjustment mechanism is asymmetric. In contrast to symmetric error-correction models, it is found that asymmetric adjustments of nominal exchange rates play an important role in eliminating deviations from long-run PPP.

Related Research Data

Real and Monetary Causes of Real Exchange Rate Movements in the Pacific Rim

Source: Southern Economic Journal

Cointegration and Tests of Purchasing Power Parity

Source: Review of Economics and Statistics

Does the real exchange rate follow a random walk? The Pacific Basin perspective

Source: Journal of International Money and Finance

Use of Deviations of Purchasing Power Parity and Interest Rate Parity to Clarify the 1997 Asian Financial Crisis

Source: Review of Pacific Basin Financial Markets and Policies

Purchasing power parity as a long-run relation

Source: Journal of Applied Econometrics

Purchasing power parity and unit root tests using panel data

Source: Journal of International Money and Finance

Co-integration and Error Correction: Representation, Estimation, and Testing

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