

## **Does PPP hold between Asian and Japanese economies? Evidence using panel unit root and panel cointegration**

### **ABSTRACT**

This paper presents an empirical analysis of panel unit root and panel cointegration tests of long-run absolute purchasing power parity (PPP) for seven Asian developing economies (ADE). The evidence shows that the panel parametric and non-parametric tests either with a trend term or without a trend term support the hypothesis of cointegration between the bilateral exchange rates and relative prices against the selected foreign country — Japan.

**Keyword:** Panel unit root, Panel cointegration, Purchasing power parity, Asian economies, Japanese economy