Tests of different monetary aggregates for the monetary models of the exchange rate in five ASEAN countries.

ABSTRACT

This study examines the usefulness of divisia money, relative to simple sum money, for exchange rate modelling in a period of rapid financial deregulation. This comparison is conducted using the monetary model of the exchange rate. In the long-run modelling, the divisia money is significantly superior to simple sum money in the case of Malaysia and the Philippines while indifferent for Indonesia, Singapore and Thailand.

Keyword: Monetary aggregates; Exchange rates; Asean.