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PURCHASING POWER PARITY IN SELECTED LATIN AMERICAN COUNTRIES

Abstract:

The Purchasing Power Parity hypothesis has important policy implications for countries. Therefore it is important to determine the validity of the Purchasing Power Parity. This study investigates the validity of the long run Purchasing Power Parity for selected Latin American countries, in a sample of 4 countries, namely, Brazil, Colombia, Chili and Mexico utilizing Panel unit root tests using monthly data from the period of January 2000 to December 2014. The results show Purchasing Power Parity holds for the selected Latin American Countries. The results show that PPP can be used to determine the equilibrium exchange rate for Brazil, Colombia, Chili and Mexico under this study.

Keywords:

Purchasing Power Parity, Panel unit root tests, Latin American Countries

JEL Classification: C23, F31