

CONTENTS

	Page
ABSTRACT.....	(1)
ACKNOWLEDGEMENT.....	(2)
CONTENTS.....	(3)
LIST OF TABLES	(6)
 CHAPTER	
1. INTRODUCTION.....	1
1.1 Statement of the Problem.....	1
1.2 Objective of the Study	4
1.3 Scope of the Study	4
1.4 Organization of the Study	6
 2. REVIEW OF LITERATURE.....	7
2.1 Traditional Studies: Time Series Approach.....	7
2.1.1 Unit Root Test of Real Exchange Rate	7
2.1.2 Time Series Cointegration Test	10
2.2 Cross Countries Studies: Panel Data Approach.....	11
2.2.1 First Generation Panel Unit Root Test.....	12
2.2.2 Second Generation Panel Unit Root Test	14
2.2.3 Panel Cointegration Test.....	15
2.3 PPP Evidences of Thailand and Asian Countries	16

3. THEORETICAL FRAMEWORK AND METHODOLOGY	20
3.1 Theoretical Background.....	20
3.1.1 Real Exchange Rate	20
3.1.2 Law of One Price	21
3.1.3 Absolute and Relative Purchasing Power Parity	21
3.1.4 Weak and Strong Purchasing Power Parity	22
3.2 Related Econometric Concepts.....	23
3.2.1 Univariate Unit Root Test.....	23
3.2.2 Cointegration Test.....	24
3.2.3 Panel Unit Root Test.....	29
3.2.4 Panel Cointegration Test.....	35
3.2.5 Test of Parameter Constancy	38
3.3 Model and Test Procedure	39
3.3.1 Testing for Evidence Supporting PPP via Time Series Analysis.....	41
3.3.2 Testing for Evidence Supporting PPP via Panel Analysis	42
3.4 Data Sources and Definition	44
4. EMPIRICAL RESULTS	45
4.1 Testing for PPP Based on Time Series Analysis	45
4.1.1 Testing Validity of PPP Based on Real Exchange Rate ..	45
4.1.2 Testing Weak and Strong PPP Based on Engle-Granger Cointegration Test.....	46
4.1.3 Testing Weak and Strong PPP Based on Johansen Multivariate Cointegration.....	48
4.2 Testing for PPP Based on Panel Analysis.....	51
4.2.1 Testing Validity of PPP Based on Panel of Real Exchange Rate	51
4.2.2 Testing for Panel Cointegration between Exchange Rate and Price Ratio.....	52
4.3 Testing for PPP Based on the US Dollar Numeraire	55

5. CONCLUSIONS	58
5.1 Conclusions.....	58
5.2 Limitations and Suggestions for Further Studies.....	61
APPENDIX	63
EMPIRICAL RESULTS BASED ON THE US DOLLAR.....	64
BIBLIOGRAPHY	68