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A Panel Cointegration Analysis: An Application to South East Asia Macroeconomic Recessions

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Abstract

This paper sought to find the long-run relationships among of macroeconomic variables such as GDP, interest rate, money supply, exchange rate and consumer price index for the period of *1996 to 2008*. During recessions and a bear stock market the crisis fluctuate from America to Europe, and Asia. This paper used the standard panel unit root tests such as LLC (2002) panel unit root test, Breitung (2000) panel unit root test, IPS (2003) panel unit root test, Maddala and Wu (1999) and Choi (2001) panel unit root test and Handri (1999) panel unit root test. Moreover, the panel cointegration test based on Kao residual cointegration tests was used to test in panel among the variables. The Random-effects ML regression and The Random-effects GLS regression were also used to find better solutions in terms of the long-run relationship among of macroeconomic variables during economic recessions. This paper presents the empirical results regarding long-run results indicated that money supply in selected South East Asia countries (Malaysia, Philippines, Thailand, Vietnam, Cambodia and Lao) have a positive influence on GDP. In addition, the exchange rate of those countries has negative impact on GDP. The findings were consistent with its applications in these areas. Consequently, the theoretical framework of economic theory shows macroeconomic movement consistent with the hypothesis for a set of macroeconomic variables.

Keywords: Macroeconomic variables; South East Asia; Recession; Panel unit root test; Panel cointegration test; Long-run relationship.

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