

Purchasing power parity in OECD countries: nonlinear unit root tests revisited

Juan Carlos Cuestas* and **Paulo José Regis****

The aim of this paper is to provide additional evidence on the purchasing power parity empirical fulfillment in a pool of OECD countries. We apply the Harvey et al. (2008) linearity test and the Kruse (2010) nonlinear unit root test. The results point to the fact that the purchasing power parity theory holds in a greater number of countries than has been reported in previous studies.

JEL classification: C32, F15

Keywords: Real exchange rates, purchasing power parity, nonlinearities, unit root tests.

***Corresponding author:** J. C. Cuestas, Department of Economics, University of Sheffield, 9 Mappin Street, Sheffield, S1 4DT, United Kingdom, email: j.cuestas@sheffield.ac.uk. Juan Carlos Cuestas acknowledges financial support from the CICYT project ECO2008-05908-C02-01/ECON and Junta de Castilla y León project SA003B10-1. The usual disclaimer applies.

****Xi'an Jiaotong-Liverpool University**