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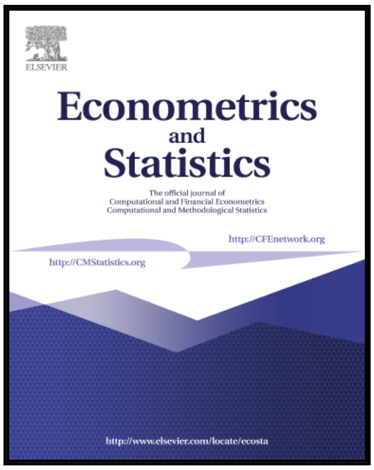

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Meta-analytic cointegrating rank tests for dependent panels

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Abstract

Two new panel cointegrating rank tests which are robust to cross-sectional dependence are proposed. The dependence in the data generating process is modelled using unobserved common factors. The new tests are based on a meta-analytic approach, in which the p-values of the individual likelihood-ratio (LR) type test statistics computed from defactored data are combined into the panel statistics. A simulation study shows that the tests have reasonable size and power properties in finite samples. The application of the tests is illustrated by investigating the monetary exchange rate model for a panel data of nineteen countries.

Keywords: Panel cointegration; p-value; common factors; rank test; cross-sectional dependence

JEL Classification: C12, C15, C33

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The data which is used for the empirical analysis is available online as supplementary material.