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**DOES LONG RUN PURCHASING POWER  
PARITY (PPP) HOLD WITHIN THE  
SOUTHERN AFRICAN CUSTOMS UNION (SACU)?**

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# DOES LONG RUN PURCHASING POWER PARITY (PPP) HOLD WITHIN THE SOUTHERN AFRICAN CUSTOMS UNION (SACU)?

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## ABSTRACT

This paper employs panel data unit root and co-integration tests, in the spirit of Pedroni (1995, 1997, 1998) and Larsson et al. (1998), to investigate the validity or otherwise of the PPP hypothesis within the SACU area. The Larsson et al.'s (1998) procedure is an extension of Johansen's (1988, 1991, 1995) methodology that allows for estimation of the number of co-integrating relations. This, therefore, offers an interesting alternative to Pedroni's (1995, 1996, 1997, 1998, 2000, 2001) residual based co-integration tests.

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