

Testing for Panel Cointegration in high dimensional data

by

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This paper suggests some new methods to test for panel unit root in the error correction framework. These methods are proposed since the previous approaches does not perform well when the number of cross-sectional units (N) are approximately equal to the number of time periods (T). By means of Monte Carlo simulations we investigate the size and power properties when the number of cross-sectional units (N) and the number of time periods (T) increases simultaneously i.e. $N/T \rightarrow c$ where $0 < c \leq 1$. Based on the simulated results we may recommend some methods of testing for panel cointegration in the increasing dimension and in the presence of cross-sectional dependency.