

**DETECTING THE EARLY EVIDENCE OF REAL MONETARY
CONVERGES FOR ASEAN 5 PLUS THREE AFTER ASIAN
FINANCIAL CRISIS.**



**UNIVERSITI TEKNOLOGI MARA
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BY:

**MAIZATUL SAADIAH MOHAMAD
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DISEMBER 2012

LETTER OF REPORT SUBMISSION

31 DISEMBER 2012

Prof. Dr. Abu Bakar Abdul Majid
Penolong Naib Canselor (Penyelidikan)
Institut Pengurusan Penyelidikan
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40450 Shah Alam

Yang Berbahagia Prof.

SUBMISSION OF FINAL REPORT

Attached is the report titled "Detecting The Early Evidence of Real Monetary Converges for ASEAN 5 plus three after Asian Financial crisis." to fulfill the requirement as needed by UiTM for confirmation purposes.

Thank you.

Yours sincerely,



MAIZATUL SAADIAH BINTI MOHAMAD
Project Leader
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ABDUL RAHIM BIN RIDZUAN
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PROJECT TEAM MEMBERS

MAIZATUL SAADIAH BINTI MOHAMAD

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Tandatangan

ABDUL RAHIM BIN RIDZUAN

Project Member



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Tandatangan

Imi : 600-RMI/SSP/DANA 5/3/Dsp (267 /2011)
: 8 Jun 2011



Maizatul Saadiah Mohamad
Pengurus Perniagaan
Universiti Teknologi MARA Cawangan Melaka
Jalan Lendu
Lor Gajah, Melaka

Y. Brs. Profesor./Tuan/Puan

KELULUSAN PERMOHONAN DANA KECEMERLANGAN 06/2011

Tajuk Projek : Investigating the Real and Monetary Convergence for ASEAN 4+3 Countries
Kod Projek : 600-RMI/SSP/DANA 5/3/Dsp (267 /2011)
Kategori Projek : Kategori F (2011)
Tempoh : 15 Jun 2011 – 14 Jun 2012 (12 bulan)
Jumlah Peruntukan : RM 5,000.00
Ketua Projek : Pn Maizatul Saadiah Mohamad

Dengan hormatnya perkara di atas adalah dirujuk.

2. Sukacita dimaklumkan pihak Universiti telah meluluskan cadangan penyelidikan Y Brs Profesor/tuan/puan untuk membiayai projek penyelidikan di bawah Dana Kecemerlangan UiTM.

3. Bagi pihak Universiti kami mengucapkan tahniah kepada Y. Brs. Profesor/tuan/puan kerana kejayaan ini dan seterusnya diharapkan berjaya menyiapkan projek ini dengan cemerlang.

4. Peruntukan kewangan akan disalurkan melalui tiga (3) peringkat berdasarkan kepada laporan kemajuan serta kewangan yang mencapai perbelanjaan lebih kurang 50% dari peruntukan yang diterima.

Peringkat Pertama	20%
Peringkat Kedua	40%
Peringkat Ketiga	40%

5. Untuk tujuan mengemaskini, pihak Y. Brs. Profesor/tuan/puan adalah diminta untuk melengkapkan semula kertas cadangan penyelidikan sekiranya perlu, mengisi borang setuju terima projek penyelidikan dan menyusun perancangan semula bajet yang baru seperti yang diluluskan. Sila lihat lampiran bagi tatacara tambahan untuk pengurusan projek.

Sekian, harap maklum.

“SELAMAT MENJALANKAN PENYELIDIKAN DENGAN JAYANYA”

Yang benar


DR OSKAR HASDINOR HASSAN
Ketua Penyelidikan (Sains Sosial dan Pengurusan)

/RS...

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ABSTRACT

Abstract—This paper is aiming to investigate the possibilities of monetary convergence in selected Asian countries. The paper evaluates the level of real (represented by GDP) and monetary (represented by CPI and interest rate) converges for the combination for the ASEAN 5+3 countries namely Malaysia, Singapore, Indonesia, Thailand and Philippines as well as Japan, Korea and China. This paper applied various advance time series econometric techniques such as Unit root tests, Johansen Juselius cointegration test to be followed by Vector Error Correction model (VECM) to capture the long run and short run relationship among the variables. Next we used the VECM temporal causality test in order to capture the temporary deviation and generalized variance decomposition is used to determine the leading variables within the system. The outcome suggests a mixed evidence of cointegration between the GDP, CPI and interest rate for the ASEAN 5+3 economies. The integration process may take longer than expected due to the lack of political commitment, economic stability and unpredictable natural disasters. In order to form the economic cointegration, ASEAN 5+3 has to revamp its current financial systems as well as to formulate reasonable and workable economic integration guidelines by setting a clear, consistent and simplified trade procedure and regulation.

Keywords- Real and monetary converge, CPI, Interest rate, ASEAN5+3