
Volume 28, Issue 15**Research Announcement****IS REAL EXCHANGE RATE STATIONARY FOR TURKEY? EVIDENCE
FROM THE TWO-BREAK LM UNIT ROOT TEST**

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Abstract

This paper aims to analyze the stochastic behavior of Turkey's real exchange rate for the period 1990-2006. For this purpose, the minimum LM unit root test with two structural breaks is applied to real exchange rate data, which consists of monthly series of CPI-based real exchange rate index. The test results indicate that real exchange rate is stationary, supporting the validity of the purchasing power parity (PPP) hypothesis in the long run. This result also suggests that shocks do not have any permanent effect on the real exchange rate in Turkey.

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