

# **FEASIBILITY OF AN OPTIMUM CURRENCY AREA IN ASEAN REGION**

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## **ABSTRACT**

With increased globalization and trade integration amongst nations, common currency can ensure a smooth flow of goods and services with minimal transaction costs. The goal of a single currency is to contribute to the financial stability of a regional economy, including price stability. The following paper examines the potential feasibility of an Optimum Currency Area (OCA) in the Association of South East Asian Nations (ASEAN). This briefly encompasses various theories and literature on Optimum Currency Area. Several macroeconomic variables such as inflation, exchange rates, sector-wise GDP composition and openness of the economy are compared between the countries in the ASEAN region. A regression analysis of the output is performed on its own lag and the correlation of the disturbance term is obtained. The paper also consists of a cointegration analysis of real exchange rates in the ASEAN region. The empirical results thus obtained suggests that an Optimum Currency Area is feasible for the ASEAN community