

## ABSTRACT

*This paper studies the dynamics of price indices for countries participating in the same regional economic association, such as ASEAN, before and after the introduction of AFTA. Based on monthly national CPI data, over an observation of more than four hundred, and using panel unit root tests which counting jointly for the cross-section and time dimension, we examine the convergence of consumer prices inflation. The results indicate that, for both period, inflation rates among countries mean revert. Thus, the deviations from relative PPP are minimised or negligible. However, prices in AFTA period converge more slowly than prices in pre-AFTA period, reflecting the insignificant impact of AFTA in converging the prices through increased integration among the nations.. Given this result, it is believed that for the foreseeable future, the creation of an ASEAN monetary union and the corresponding currency area may be suitable and will be recommended for enhancing economic integration in this region.*