Interdependence of ASEAN Business Cycles

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Abstract

This paper examines the interdependent relationship of five ASEAN business cycles, namely, Indonesia, Malaysia, Philippines, Singapore and Thailand. We conducted an augmented VAR of Granger non-causality test and discovered that there is strong interdependence among the ASEAN countries under study. Our empirical findings revealed the existence of bi-directional causality among ASEAN countries, especially Malaysia and Singapore. That is to say, economic shocks or policy implementation by any neighbouring countries may be easily transmitted to another.

Keywords: Granger non-causality, augmented-VAR, MWald test, business cycles, ASEAN.

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