Interdependence of ASEAN Business Cycles

Hway-Boon Ong

Chin-Hong Puah

Muzafar Shah Habibullah

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.

JEL Classification: C32, E32, O53

1 Lecturer, Economics Unit, Faculty of Management, Multimedia University, 63100 Cyberjaya, Selangor, West Malaysia, tel : 6-03-83125665, fax : 6-03-83125590, hhong@mmu.edu.my
2 Lecturer, Faculty of Economics and Business, Universiti Malaysia Sarawak, 94300 Kota Samarahan, Sarawak, East Malaysia, tel : 082-671000(144), fax : 082-671794, chpuah@feb.unimas.my
3 Professor, Department of Economics, Faculty of Economics and Management, Universiti Putra Malaysia, 43400 Serdang, Selangor, Malaysia, tel : 6-03-89467635, muzafar@putra.upm.edu.my

69