

Financial Cycles and Business Cycles in East Asian Emerging Economies:
Features, Interactions, and Changes

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Abstract

The purposes of this study are to analyze the financial cycles in East Asian emerging economies (South Korea, Hong Kong, Singapore, Taiwan, Thailand, Malaysia, and Indonesia) and examine synchronizations between the business and financial cycles therein. The main question posed by this study is what strengthens the synchronization of business and financial cycles? Our hypothesis is that economies with more highly developed household credit see a higher degree of synchronization between financial and business cycles. Our findings, obtained in terms of a concordance index between cycles after identifying financial and business cycles, are that the patterns of changes in the degree of synchronization vary across economies and that the degree of synchronization between output cycles and credit, housing-price, or equity-price cycles has increased in the 2000s at a rate exceeding that in the 1980s and 1990s for economies with more highly developed household credits, for example, South Korea, Hong Kong, and Malaysia.

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