International Transmission of Business Cycles: Evidence from Dynamic Correlations

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We exploit dynamic correlations defined in the frequency domain to estimate determinants of output comovement of OECD countries between 1990 and 2008. We show that trade intensity, degree of financial integration and specialization pattern have significantly different effects on comovements at different frequencies. This can bias the results using aggregate data or statistical filters. For example, financial integration is showed to have the highest positive effect for the business frequencies, while it is insignificant for the short-term frequencies.

JEL-Numbers: E32, F15, F41.

Key words: Business cycle, Transmission, Financial Integration, Dynamic Correlation.

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