

Table 3.1.1

**Business Cycle Synchronization and Trade Integration<sup>1</sup>**

Dependent Variable: Quasi-correlation of output growth rates	A: Trade Integration			B: Financial Integration & Policy Synchronization			C: Crisis vs. Non-crisis	
	OLS (1)	OLS (2)	OLS (3)	IV (4)	IV (5)	IV (6)	IV (7)	IV (8)
Trade Intensity (Gross)	0.0399 (0.0262)							
Trade Intensity		0.0488*** (0.0154)	0.0632*** (0.0152)	0.295*** (0.0709)	0.575*** (0.0898)	0.851*** (0.280)	0.466*** (0.180)	0.430*** (0.0987)
Intra-industry Trade			0.00313*** (0.00116)	0.00326*** (0.00119)				
Trade Specialization Correlation			1.261*** (0.157)	1.419*** (0.166)				
Banking Integration					-0.0343*** (0.0127)	-0.0488*** (0.0140)	-0.0543*** (0.0125)	-0.00410 (0.0124)
Portfolio Integration						-4.897* (2.620)		
FDI Integration						-1.338 (0.952)		
Fiscal Policy Coordination							0.0587*** (0.0127)	
Monetary Policy Divergence							-0.00339** (0.00149)	
Exchange Rate Volatility							-0.136*** (0.0168)	
Trade Intensity * GFC dummy								0.753*** (0.170)
Banking Integration * GFC dummy								0.383*** (0.0633)
R-squared	0.58	0.58	0.58	0.58	0.65	0.77	0.66	0.68
Observations	18224	18619	18619	18614	12159	2860	9095	12115

Source: IMF staff estimates.

<sup>1</sup> Standard errors, clustered at country-pair level, are given in parentheses. GFC stands for Global Financial Crisis. \* p < 0.10, \*\* p < 0.05, \*\*\* p < 0.01.