

Recent Global Business Cycles: Characteristics and Implications

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I. Introduction

The global economy has undergone significant changes in recent years, particularly since the COVID-19 pandemic. This study examines how economic growth patterns across different countries have been changing from late 1999 to 2023. By analyzing data from 45 major economies, we investigate how national economies move together or independently, and what this means for economic policy.

Traditionally, when international trade was limited, each country's economy mainly responded to its own domestic changes—things like institutional reforms, cultural shifts, or changes in workforce and productivity. However, as trade between countries has increased, economies have become more interconnected. When one country experiences economic changes, these effects can now spread to other countries more easily.

For example, when countries sign free trade agreements (FTAs), removing trade barriers means that economic conditions in one country can more directly affect its trading partners. As international trade and movement have increased and economic alliances strengthened, events happening in one region or continent—whether political, economic, or diplomatic—can now have significant effects on economies worldwide.

This study takes a different approach from traditional economic analysis. Instead of focusing on specific aspects like technology levels, financial markets, or government policies, we look at how different economies influence each other. Our analysis helps us understand not just how economies are connected globally, but also how these connections work within regions and individual countries.

II. Analysis of Global Economic Patterns

1. Changes in Global Economic Connections

Our analysis shows that while economies around the world remain connected, the nature of these connections has been changing, especially since the pandemic. Before COVID-19, global factors had a strong influence on many advanced economies. For example, global economic conditions explained about 22% of economic changes in the United States, and even more in European countries like France (47%) and Belgium (53%).

During major economic events, these global connections became particularly apparent. The 2008 financial crisis showed how deeply connected the world's economies had become. During this period, economic indicators dropped sharply across regions, with North American measures falling from 1.11 to -0.98, and European measures showing an even more dramatic decline from -0.35 to -6.93.

The European debt crisis of 2011-2013 provided another clear example of how economic challenges can spread across regions. During this period, European economic measures fell from 1.05 to 0.10, and eventually to -0.23. This pattern of decline was also seen in South American economies, though regions like North America, Asia, and Oceania remained relatively stable.

2. Regional Economic Patterns

Different regions of the world show distinct patterns in how their economies move together. European economies tend to move very closely with each other, with global factors accounting for about 33% of their economic changes on average. However, this varies significantly among European countries, from as low as 4% in Iceland to as high as 68% in France, reflecting different levels of economic integration within Europe.

North American economies show varying degrees of connection. While the United States and Canada maintain moderate levels of global economic influence, Mexico shows particularly strong reactions to both global (2.417) and regional (0.656) economic changes. This reflects Mexico's unique position in North American economic integration and its sensitivity to international economic conditions.

3. Asian Economic Dynamics

Asian economies show notably different patterns from other regions. The influence of global factors is remarkably weaker in Asia, explaining only about 5-6% of economic changes in the region. China shows a particularly interesting pattern, with a negative correlation (-0.392) to global trends but strong influence over regional patterns (1.755). This suggests that China's economy increasingly moves independently of global trends while

having significant influence over other Asian economies.

Korea shows a similar pattern of independence from global factors, with only 6.1% of its economic changes explained by global trends. This suggests that Korea's economy is more influenced by domestic factors and regional connections than by global economic movements. This pattern is common among many Asian economies, indicating the region's growing economic independence while maintaining strong connections within Asia.

4. COVID-19 Impact Analysis

The pandemic created unprecedented changes in how economies moved together. The initial impact and recovery patterns varied significantly across regions:

North American economies experienced a sharp decline, with regional measures falling from 1.42 to -2.26 in early 2020. European economies showed similar volatility, eventually declining to -3.60. South American measures fell from 1.12 to -3.29, while Asian economies recorded the steepest decline to -5.59. Oceanian economies showed more moderate changes, falling to -0.76 before recovering to 2.76.

The recovery phase revealed even more interesting patterns. Our analysis shows that 27 out of 45 countries became less connected to global economic trends after the pandemic. Among countries that previously showed

above-average connection to global trends (16% or higher), 13 showed a significant decrease in this connection, dropping by an average of 12 percentage points.

III. Policy Implications

1. National Economic Strategies

The study's findings suggest important changes in how countries should manage their economies. As global influences become less dominant and regional factors gain importance, countries need to develop more flexible economic policies. The experience of many economies during recent crises shows that having strong domestic economic frameworks while maintaining the ability to respond to international changes is crucial.

The varying sensitivity to global factors presents a particular challenge. For example, while Korea typically shows lower sensitivity to global economic changes during stable periods, this sensitivity increases significantly during crises. This pattern suggests that countries need policy frameworks that can adapt to different economic conditions while maintaining domestic economic stability.

2. Regional Cooperation Enhancement

The increasing importance of regional factors makes stronger cooperation between neighboring countries essential. Our analysis shows

that regions with strong institutional frameworks for economic cooperation demonstrated greater resilience during crises. The European experience, despite showing varying degrees of connection among member countries, demonstrates the benefits of coordinated regional responses to economic challenges.

The findings of the research indicate that regional financial safety nets and coordination mechanisms need significant strengthening. This becomes particularly important as global factor influence declines and regional connections become more crucial for economic stability.

3. Crisis Management Capabilities

The COVID-19 experience provides important lessons for managing economic crises. During the early stages of the pandemic, some countries showed almost complete alignment with global trends, with correlation rates reaching nearly 100%. However, as the crisis evolved, different regions began showing distinct recovery patterns, highlighting the need for flexible response strategies that can address both global and regional economic changes.

4. Trade and Economic Integration Policies

The changing patterns of economic connections suggest a need to reconsider trade and integration policies. While international trade remains important, the ways in which economic changes spread between countries has

evolved significantly. Countries need to develop trade strategies that reflect the declining influence of global factors while strengthening regional economic partnerships. This is particularly relevant given that most countries in our study showed decreased sensitivity to global factors after the pandemic.

IV. Conclusion

The analysis of economic patterns from late 1999 to 2023 reveals significant changes in how the world's economies connect with each other. Our research shows a clear trend toward more varied economic patterns, with regional and country-specific factors becoming more important than global influences. This shift became particularly noticeable after the COVID-19 pandemic, where we saw global factors having less influence on national economies than before.

The study's findings have important implications for economic policy making. Countries need to develop flexible approaches that can adapt to both global and regional economic changes. At the same time, they must strengthen regional economic cooperation while maintaining domestic economic stability. The findings also highlight the importance of building better systems for responding to economic crises, while considering both regional and global factors in economic policy decisions.

These changes suggest that the global economy is becoming more complex, with different regions and countries showing more independent movement than before. As this trend

continues, the ability to balance global, regional, and domestic economic relationships will become increasingly important for maintaining economic stability and promoting growth. **KIEP**