

Capital Mobility in Savings and Investment across China and the ASEAN-5: Evidence from Recursive Cointegration

Authors : Chang Lee Shu-Jung, Mei-Se Chien, Chien-Chiang Lee, Hui-Ting Hu

Abstract : This paper applies recursive cointegration analysis to examine the dynamic changes in Feldstein-Horioka saving-investment (S-I) coefficients across China and the ASEAN-5 countries over time. To the extent that the S-I coefficients measure international capital mobility, the main empirical results are as follows. The recursive trace statistics show that the investment-savings nexus varies in these six countries. There is no cointegration between investment and savings in three countries (China, Malaysia, and Singapore), which means that the mobility of the capital markets in the three is high and that domestic investment in them will be financed by the global pool of capital. As to the other three countries (Indonesia, Thailand, and Philippines), there is cointegration between investment and savings for part of the sample period in the three, including before 2002 for Thailand, before 2001 for Indonesia, and before 2002 for Philippines. This shows these three countries achieved highly mobile and open capital markets later.

Keywords : investment, savings, recursive cointegration test, ASEAN, China

Conference Title : ICMEM 2014 : International Conference on Mathematics, Economics and Management

Conference Location : Prague, Czechia

Conference Dates : July 10-11, 2014