

The Evolution of Industry Comovement in Korea: A Wavelet Analysis

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This paper uses the wavelet correlation analysis to investigate the evolution of comovement across 27 Korean industries during 1970:Q1~2011:Q4. (1) After peaking at its highest level during the 1997~98 financial crisis, the average degree of industry comovement has remained at a slightly higher level in recent years than before the crisis. (2) A similar pattern has emerged for the comovement between industries within the same group. (3) By contrast, the comovement has significantly weakened for most pairs of more aggregated groups of industries. The exception is that the comovement between service and construction has strengthened, especially between finance and construction.

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