

## ABSTRACT

*Acknowledging that cyclicalities become one of major issues in the macroeconomic policy implementation, this paper investigates the cyclicalities in Asian Emerging Economies over the period from 2000 to 2012. At the first stage, the cyclicalities are identified using Hodrick-Prescott Filter. At the second stage, the impact of the cyclicalities on the macroeconomic variability measured with Hodrick-Prescott method is investigated using random effect panel data.*

*The result shows that the cyclicalities vary among Asian emerging economies. Expansion on fiscal policy appears to be effective in stabilizing output variability regardless whether it is procyclical or counter-cyclical. However the policy has no effect on inflation variability. The effect of fiscal policy expansion on exchange rate variability is differentiated by the cyclicalities. Countercyclical fiscal expansion appears to be able to stabilize exchange rate variability, while procyclical fiscal expansion does not.*

*On the monetary policy, the result shows that different monetary framework has different behavior on the effect of cyclicalities. Inflation targeting monetary policy is effective to stabilize inflation variability as well as exchange rate variability when the policy is countercyclical. When the policy is procyclical, the inflation targeting monetary policy is not significantly able to stabilize inflation and exchange rate variability. On the other hand, the money base monetary policy does not show significant effect on macroeconomic stability and even seems to lead to higher instability. This paper gives sturdy insight that inflation targeting monetary framework is effective to target macroeconomic stability when it is countercyclical.*

*For the policy implication, it could be suggested that there is room for larger fiscal policy expansion since fiscal pro-cyclicalities are effective in stabilizing output variability without sacrificing inflation variability. On the monetary policy, countercyclical has been able to target inflation and exchange rate stability. Thus, it might be the appropriate time to ease the monetary stance by lowering the central bank rate.*

***Keywords: procyclical, countercyclical, macroeconomic stability, Hodrick-Prescott Filter, Random Effect Panel Data***