Abstract

This paper focuses on issue of business cycle synchronization. Survey of literature on the optimal currency area theory reviews the development of business cycle synchronization analysis over the past decades till nowadays. Main findings of several empirical studies are summarized. Findings of different analysis are often not consistent. This paper discusses main methods of isolation of cyclical component from time series and examines business cycle correlation using GDP and industrial production data of thirty countries. There is some evidence, that business cycle synchronization has increased compared to period 1995Q1-2003Q2. Some impact of the 2009-2011 world economic crisis has also been confirmed. Possible determinants of the business cycle synchronization in the European Union are examined subsequently. According to the results, specialization of industry and membership in monetary union are found to be the leading factors of the business cycle synchronization in the European Union. Positive role of bilateral trade has also been confirmed.