

# **Inflation and inflation uncertainty in the ASEAN-5 economies**

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## **Abstract:**

This study explores the linkage between inflation and inflation uncertainty in the ASEAN-5 countries over the period 1970:01-2007:12. Inflation uncertainty is estimated as a conditional variance in an AR(p)-EGARCH(1,1) model. Granger causality tests show that rising inflation increases inflation uncertainty and that rising inflation uncertainty increases inflation in all five countries. The ASEAN-5 have had low inflation rates relative to other emerging markets. Thus, our study shows that even in low inflation emerging markets inflation can lead to inflation uncertainty and uncertainty can lead to inflation. Given current inflationary pressures in these countries, our results warn of possible costs of not keeping inflation in check.

**Keywords:** Inflation; uncertainty; GARCH; EGARCH (search for similar items in EconPapers)

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