



A tool for analysing short-term economic perspectives and risk management

The **OECD Asian Business Cycle Indicators (OECD ABCIs)** will be a tool to provide comparable information on the short-term economic climate and potential macroeconomic risks of Asian economies as close to real time as possible.

- ✓ **OECD Quarterly:** OECD ABCIs are jointly produced by the OECD Development Centre and the OECD Statistics Directorate. Quarterly news release will be publicly available on a regular basis from July 2010 (www.oecd.org/dev/asiapacific).
- ✓ **Scope:** The purpose of these indicators is to produce *comparable information* on the short-term economic situation in different countries; *early warning of potential macroeconomic risks*; a tool to trace *business cycle synchronisation* in Asia. These indicators can be seen in the **Southeast Asian Economic Outlook** published by the OECD Development Centre in November 2010.
- ✓ **Coverage:** ASEAN countries, China and India.

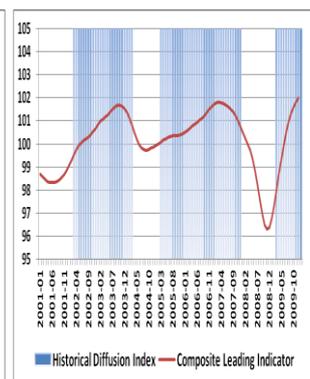
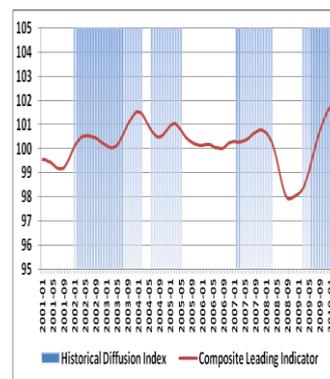
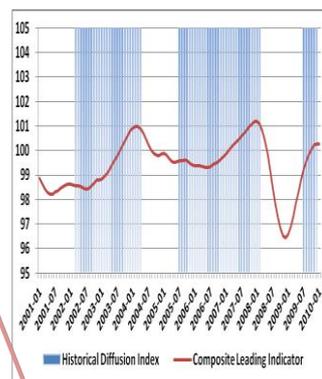
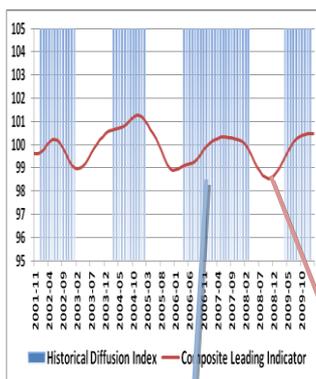
Samples of OECD Asian Business Cycle Indicators

Indonesia

Malaysia

Thailand

China



Historical
Diffusion
Index

Composite
Leading
Indicator

Contacts:

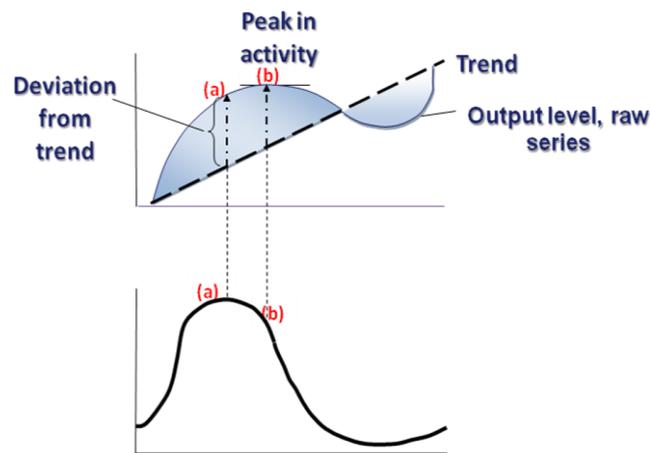
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What are the OECD Asian Business Cycle Indicators?

The OECD ABCIs are based on the "growth cycle" approach in which cycles are measured as deviations of economic activity from their long-term trend (See point (a) below).

Growth cycle approach



(Source) OECD

The OECD ABCIs identify cycles by using both composite indicators (i.e. composite leading and coincident indicators) and a diffusion index (i.e. historical diffusion index of coincident indicators). Each provides different types of information and, as such, they are complementary: While the composite index reveals "changes" in economic fluctuations, the diffusion index gives a broader picture of the overall economic situation and its movement. The Historical Diffusion Index (DI) of OECD ABCIs reflects the overall economic activity of the country.

The composite Leading indicators of OECD ABCIs recognise four cyclical phases: expansion; downturn; slowdown; recovery*, while, the historical diffusion index has only 2 phases: upwards and downwards. The historical DI is defined by the share of series with plus signs**. The turn of the business cycle by the historical diffusion index will be judged by overall economic activities. OECD ABCIs thus grasp business cycles by using comprehensive sources of information.

*) *expansion*- the curve is increasing and it is above 100, *downturn* - the curve is decreasing and it is above 100, *slowdown* - the curve is decreasing and it is below 100, *recovery* - the curve is increasing and it is below 100.

***) In principle, the turning points will be detected by whether the historical DI is above or below 50%. The trough of the cycle will be the month before the diffusion index crosses the 50% threshold from below and the peak will be the month before it passes from above.