

# THIS QUARTER IN ASIA

## Asian Business Cycle Indicators (ABCIs), Vol.5

April – June 2011

Source: OECD Development Centre



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## ASEAN ECONOMIES SHOW RESILIENCE UNDER EASING HEADLINE INFLATION

14th June 2011 – In general, ASEAN economies show resilience in growth in the second quarter of 2011 according to the latest Asian Business Cycle Indicators (ABCIs).

However, the general trend masks diverse country performances. For instance, **Malaysia** and **Thailand** show upward movement in business cycles. Activity is picking up in Malaysia on the back of sound export performance (in particular electronics) and robust private consumption. Thailand, though had experienced a temporary impact of the Great Touhoku Earthquake in Japan, is recovering led by strong investment.

**Indonesia** and **Singapore** maintained their growth momentum though not as robustly as in Malaysia and Thailand. Sound private consumption and investment, as well as stable business sentiment support growth despite weaker government spending in Indonesia. Continuing capital inflows and their volatility still constitute a challenge for policymakers. In Singapore, strong manufacturing output has contributed to the positive outlook.

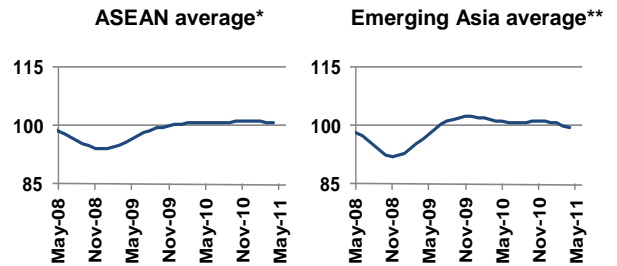
In the **Philippines**, the weaker outlook is due to a slowdown in export growth and remittances partly as a result of the Great Touhoku Earthquake and geo-political tensions in the Middle East and North Africa.

Some signs of slowing appeared in **China** and **India**. Weaker consumption and sluggish exports to OECD countries will be the reason in China. Weak domestic sales (in particular cars) and the adverse impact of commodity price hikes explain the weaker prospect in India.

A policy challenge in the region is to cope with inflationary pressures. Although headline inflation has peaked out in most Southeast Asian countries (except Vietnam), inflationary pressures still remain - as core inflation rates are high in Southeast Asia. Interest rates have been raised in most countries and additional increases are expected. In addition to interest rates, allowing more flexibility for exchange rates would be an option for some countries, such as Indonesia.

The Great Touhoku Earthquake in Japan has had a temporary impact on activity and exports in some countries, such as Indonesia, the Philippines and Thailand but in general the magnitude of the negative impact appears to have so far been limited.

Regional overview  
(composite leading indicators)



\* ASEAN average includes Indonesia, Malaysia, the Philippines, Singapore and Thailand.

\*\* Emerging Asia average includes ASEAN average plus China and India.



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## Notes

**1 THIS QUARTER IN ASIA** includes data from 7 major Asian economies - China, India, Indonesia, Malaysia, The Philippines, Singapore, and Thailand – and provides comparable information and early warning of potential macroeconomic risks in Asia.

**2** This quarter in Asia is prepared under the responsibility of the OECD Development Centre and the outlook for the region described in this report is based entirely on the analysis of the Asia Desk of the OECD Development Centre. The Asian business cycle indicators (ABCIs) are constructed jointly by the OECD Development Centre and OECD Statistics Directorate. Fulop Gabor, Statistician, contributed significantly to this Quarterly.

**4** The ABCIs are based on the **growth cycle** approach. For more detailed information on the list of variables used for ABCIs, please consult [www.oecd.org/dev/asiapacific/abcis](http://www.oecd.org/dev/asiapacific/abcis)

**5** Two phases are identified by the **diffusion index**:

- **upwards** when the diffusion index crosses the 50% threshold from below
- **downwards** when the diffusion index passes the 50% threshold from above

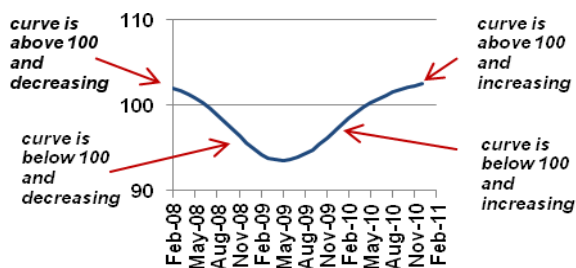
**6** Four cyclical phases are identified by the **composite indicator**:

- the composite indicator curve is **above the long-term trend** (i.e. horizontal line at 100) and **decreasing**
- the composite indicator curve is **below the long-term trend** (i.e. horizontal line at 100) and **decreasing**
- the composite indicator curve is **below the long-term trend** (i.e. horizontal line at 100) and **increasing**
- the composite indicator curve is **above the long-term trend** (i.e. horizontal line at 100) and **increasing**

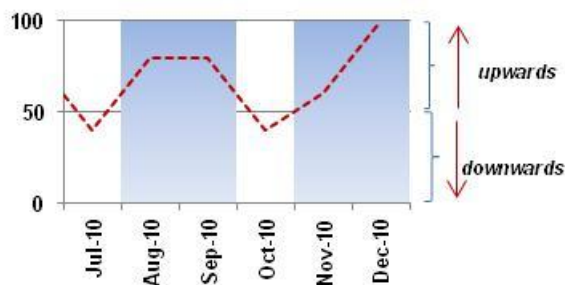
### Phases of business cycles

The overall assessment in grey shaded box is based on 4 indicators including: composite leading indicator, diffusion leading index, composite coincident indicators, and diffusion coincident index.

#### Composite Indicators



#### Diffusion indices



**7** The next **THIS QUARTER IN ASIA** will be available on 12 September 2011. For previous analysis, please consult: [www.oecd.org/dev/asiapacific/abcis](http://www.oecd.org/dev/asiapacific/abcis) .

**8 Acknowledgements:** This Quarter in Asia benefited from the inputs from government and central bank experts of Southeast Asian countries. Financial support from the Governments of Japan, Korea and Switzerland, the Economic Research Institute for ASEAN and East Asia (ERIA) in Jakarta is gratefully acknowledged.

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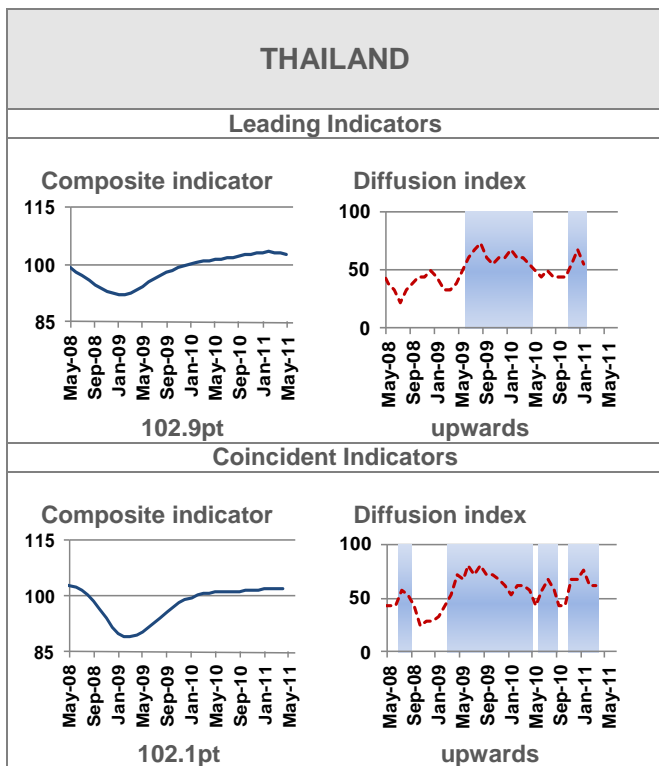


## Country-specific outlook: ASEAN countries (a)

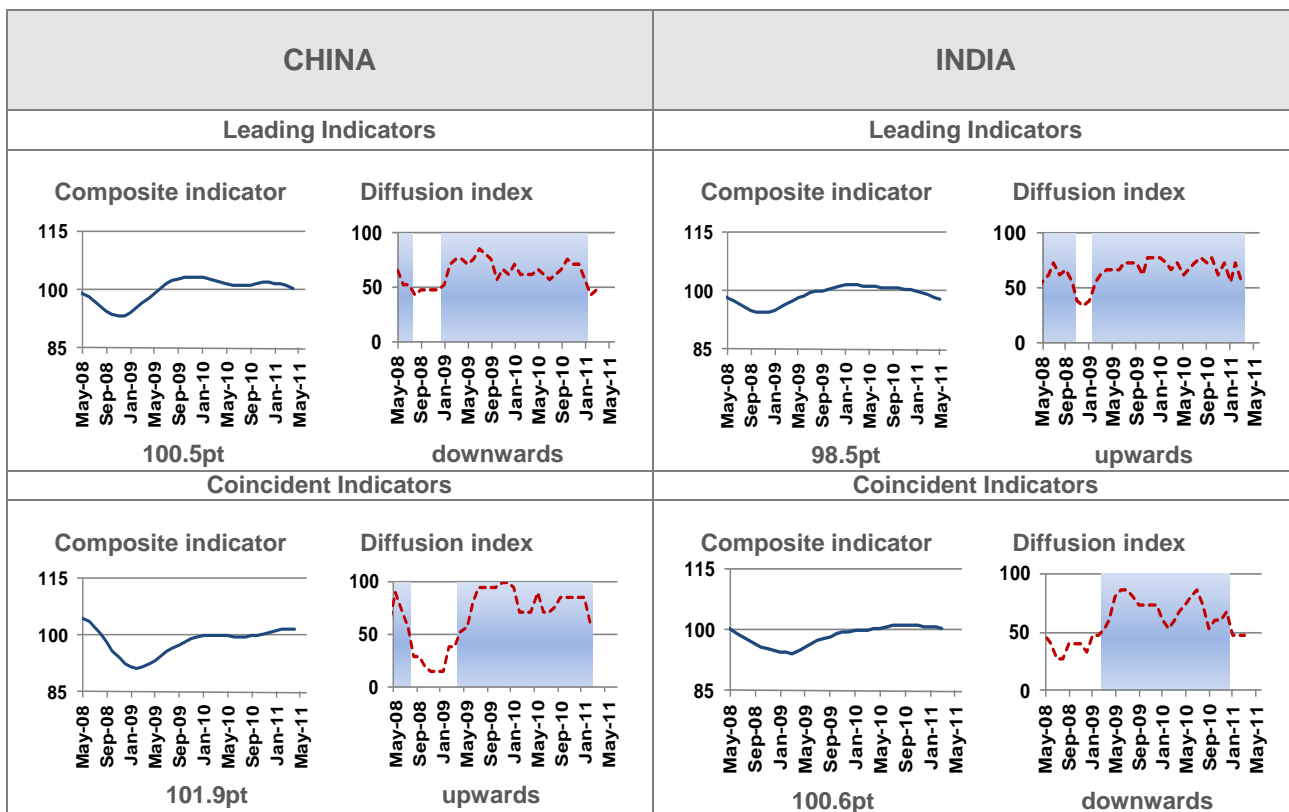


(a) Points and phases below the figures reflect the latest results for each country.

(b) The leading indicator for Indonesia corresponds to that used for the calculation of the "Major Five Asia" average published in the OECD Composite Leading Indicators on a monthly basis by the OECD ([www.oecd.org/std/cli](http://www.oecd.org/std/cli)). For more information on the diffusion index and components of coincident indicators, please see the home page of OECD Development Centre ([www.oecd.org/dev/asiapacific/abcis](http://www.oecd.org/dev/asiapacific/abcis)).



### Country-specific outlook: Other Emerging Asia (China and India) <sup>(c)</sup>



(c) The leading indicators for China and India below are those published on a monthly basis by the OECD ([www.oecd.org/std/cli](http://www.oecd.org/std/cli)). The diffusion indices of leading indicators are based on the same set of components as composite leading indicators. For more information on the components of coincident indicators, please see the home page of [www.oecd.org/dev/asiapacific/abcis](http://www.oecd.org/dev/asiapacific/abcis).