

# THIS QUARTER IN ASIA

## Asian Business Cycle Indicators (ABCIs)

December 2010 – March 2011

Source: OECD Development Centre



### INFLATIONARY AND FINANCIAL PRESSURES ARE MOUNTING IN ASIA

14th March 2011 - Overall, ASEAN economies are likely to maintain the growth momentum in the first quarter of 2011 according to the latest Asian Business Cycle Indicators (ABCIs). In particular, relatively positive developments in Indonesia, the Philippines and Thailand are associated not only with strong export demand but also sound domestic demand and improved business sentiment. The recovery of China's economy is driven by robust investment. Activity is showing some signs of slowing in India.

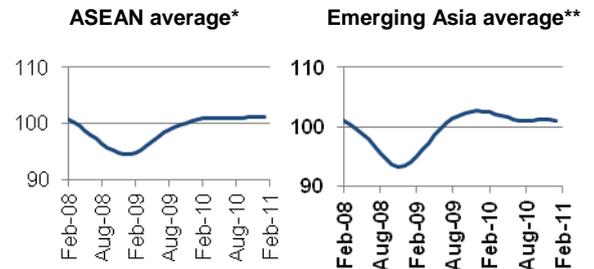
Growing confidence in the ASEAN economies, coupled with economic uncertainties still lingering in most OECD countries, has boosted capital inflows in the region. Policy makers in Southeast Asia are concerned about such inflows and potential reversals which might jeopardize the region's macroeconomic stability. Countries are reacting differently; for instance, Indonesia introduced a minimum holding period of central bank notes, while Thailand adopted a withholding tax on foreign investment in Thai bonds.

Inflationary pressures are posing another important challenge to policy makers in the region. Geo-political tensions in the Middle East and North Africa have pushed up oil prices once again. In addition, droughts in China might add to the already significant pressures on food prices. Countries in the region are considering a broad range of options, including subsidies and price caps and likely to tighten their monetary stance as inflationary pressures feed into core inflation expectations.

In sum, ASEAN economies in the first half of 2011 (and beyond) are facing the double policy challenges of tightening interest rate policy to quell inflationary pressures, while avoiding additional capital inflows and maintaining competitiveness.

Inflationary pressures are also mounting in China and India stemming from different sources: soaring real estate prices in China and food prices in India.

#### 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 and Pacific 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.

**3** The map illustrates leading indicators with a lead time of five to six months.

**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)

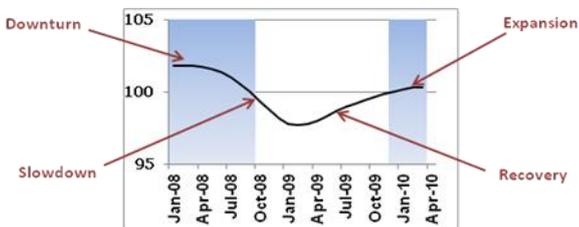
**5** Two phases are identified by the diffusion index:  
**upwards** when the diffusion index crosses the 50% threshold from below  
**downwards** when the diffusion index passes the threshold from above

**6** Four cyclical phases are identified by composite indicators:  
**expansion**, when the composite indicator curve is above 100 points and increasing  
**downturn**, when the composite indicator curve is above 100 but decreasing  
**slowdown**, when the curve is below 100 and decreasing  
**recovery**, when the curve is below 100 but increasing

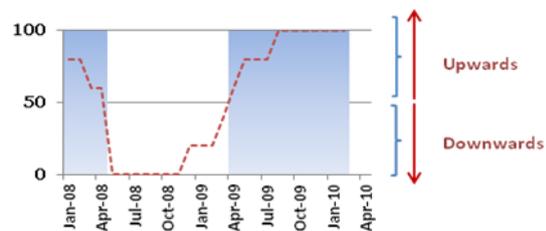
### Phases of business cycles

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

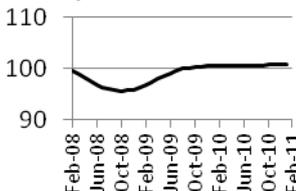
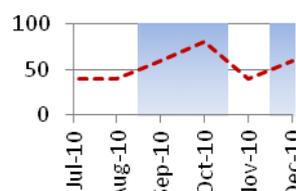
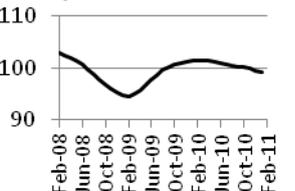
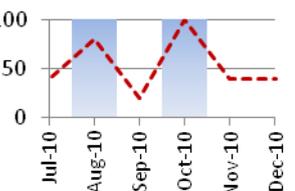
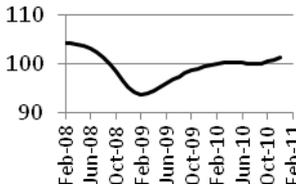
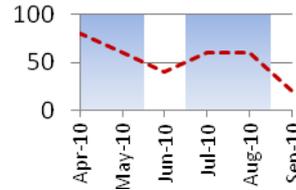
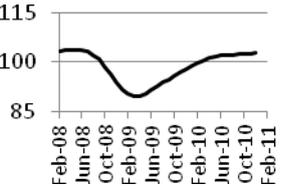
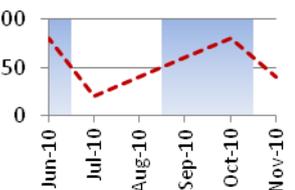
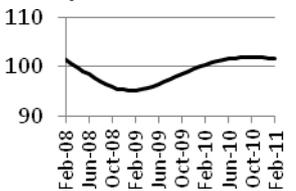
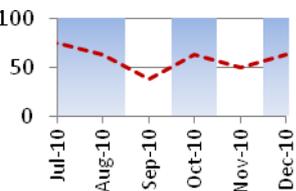
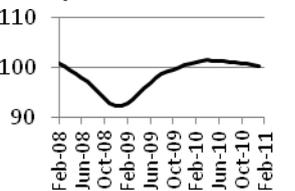
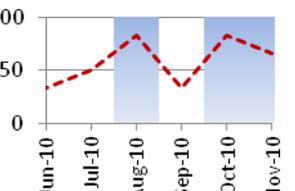
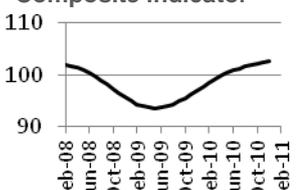
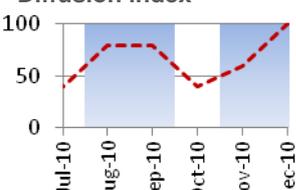
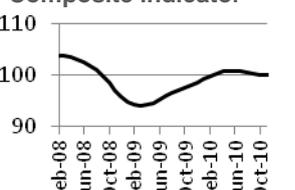
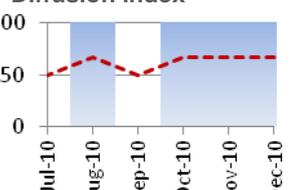


**7 Overall assessments** based on 4 indicators (i.e. composite leading indicator, diffusion leading index, composite coincident indicator, diffusion coincident index) are in the grey-shaded boxes for each country in section 3 (page 3-4).

**8 The next THIS QUARTER IN ASIA will be available on 14<sup>th</sup> June 2011.** For previous analysis, please consult [www.oecd.org/dev/asiapacific/abcis](http://www.oecd.org/dev/asiapacific/abcis) .

**9 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.

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

<p><b>INDONESIA (b)</b></p> <p>Overall, several indicators suggest increasing trends. Production and trade related data remain strong, while financial data weakened.</p>	<p><b>MALAYSIA</b></p> <p>Overall, several indicators suggest moderation of activities. Weak production data and increasing inflationary pressure dominate the trend.</p>
<p style="text-align: center;"><b>Leading Indicators</b></p> <div style="display: flex; justify-content: space-around;"> <div data-bbox="95 571 391 837"> <p><b>Composite indicator</b></p>  <p style="text-align: center;"><b>100.8pt</b></p> </div> <div data-bbox="406 571 702 837"> <p><b>Diffusion index</b></p>  <p style="text-align: center;"><b>57%</b></p> </div> </div>	<p style="text-align: center;"><b>Leading Indicators</b></p> <div style="display: flex; justify-content: space-around;"> <div data-bbox="774 571 1069 837"> <p><b>Composite indicator</b></p>  <p style="text-align: center;"><b>99.2pt</b></p> </div> <div data-bbox="1085 571 1380 837"> <p><b>Diffusion index</b></p>  <p style="text-align: center;"><b>40%</b></p> </div> </div>
<p style="text-align: center;"><b>Coincident Indicators</b></p> <div style="display: flex; justify-content: space-around;"> <div data-bbox="95 891 391 1158"> <p><b>Composite indicator</b></p>  <p style="text-align: center;"><b>101.3pt</b></p> </div> <div data-bbox="406 891 702 1158"> <p><b>Diffusion index</b></p>  <p style="text-align: center;"><b>20%</b></p> </div> </div>	<p style="text-align: center;"><b>Coincident Indicators</b></p> <div style="display: flex; justify-content: space-around;"> <div data-bbox="774 891 1069 1158"> <p><b>Composite indicator</b></p>  <p style="text-align: center;"><b>102.7pt</b></p> </div> <div data-bbox="1085 891 1380 1158"> <p><b>Diffusion index</b></p>  <p style="text-align: center;"><b>40%</b></p> </div> </div>
<p><b>PHILIPPINES</b></p> <p>Most indicators suggest increasing trends. Strong trade related data support this trend with certain volatility in financial data.</p>	<p><b>SINGAPORE</b></p> <p>Most indicators suggest the gradual moderation of activity. Financial data and increasing inflation pressure dominate the trend.</p>
<p style="text-align: center;"><b>Leading Indicators</b></p> <div style="display: flex; justify-content: space-around;"> <div data-bbox="95 1411 391 1693"> <p><b>Composite indicator</b></p>  <p style="text-align: center;"><b>101.6pt</b></p> </div> <div data-bbox="406 1411 702 1693"> <p><b>Diffusion index</b></p>  <p style="text-align: center;"><b>63%</b></p> </div> </div>	<p style="text-align: center;"><b>Leading Indicators</b></p> <div style="display: flex; justify-content: space-around;"> <div data-bbox="774 1411 1069 1693"> <p><b>Composite indicator</b></p>  <p style="text-align: center;"><b>100.1pt</b></p> </div> <div data-bbox="1085 1411 1380 1693"> <p><b>Diffusion index</b></p>  <p style="text-align: center;"><b>67%</b></p> </div> </div>
<p style="text-align: center;"><b>Coincident Indicators</b></p> <div style="display: flex; justify-content: space-around;"> <div data-bbox="95 1724 391 1998"> <p><b>Composite indicator</b></p>  <p style="text-align: center;"><b>102.5pt</b></p> </div> <div data-bbox="406 1724 702 1998"> <p><b>Diffusion index</b></p>  <p style="text-align: center;"><b>100%</b></p> </div> </div>	<p style="text-align: center;"><b>Coincident Indicators</b></p> <div style="display: flex; justify-content: space-around;"> <div data-bbox="774 1724 1069 1998"> <p><b>Composite indicator</b></p>  <p style="text-align: center;"><b>100.0pt</b></p> </div> <div data-bbox="1085 1724 1380 1998"> <p><b>Diffusion index</b></p>  <p style="text-align: center;"><b>67%</b></p> </div> </div>

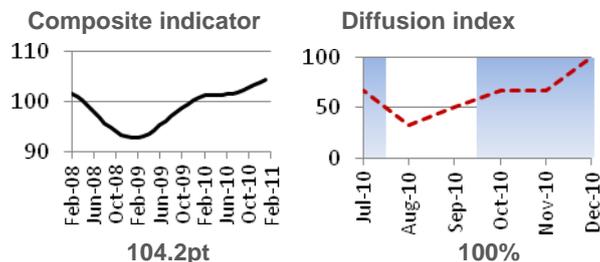
(a) Points and percentages below the figures reflect the latest results for each country.

(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)).

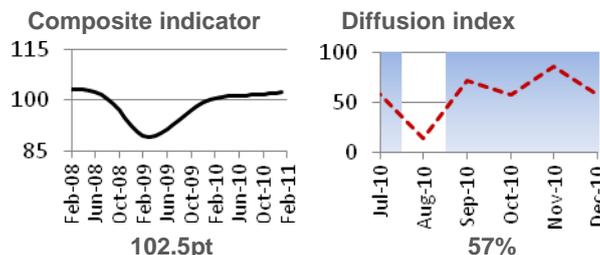
## THAILAND

Most indicators suggest increasing trends. Consumption contributes to the strong expansion, while financial data show weakening signs.

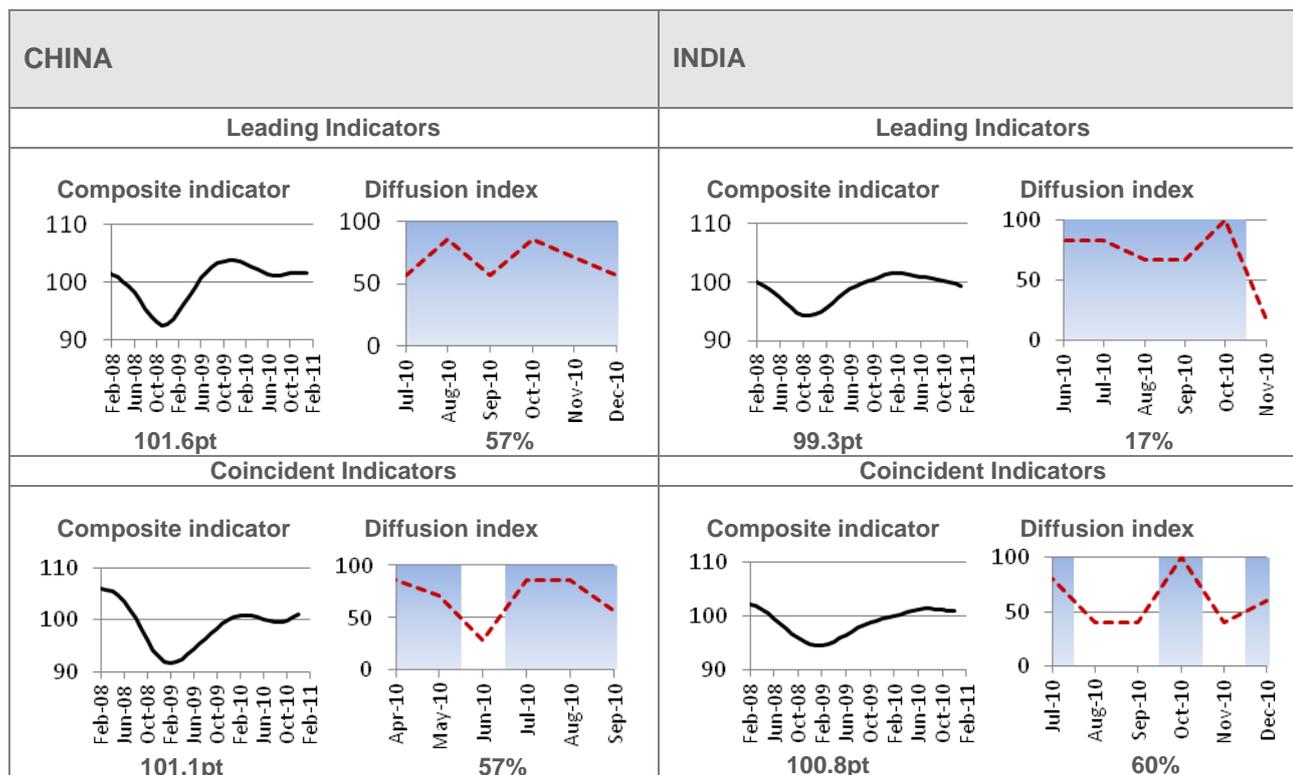
### Leading Indicators



### Coincident Indicators



## Country-specific outlook: Other emerging Asia (China and India) (c)



(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).

**Table 1** Current phases of composite indicators

	Leading	Coincident
<b>Southeast Asia</b>		
Indonesia	Downturn	Expansion
Malaysia	Possible moderate slowdown	Expansion
Philippines	Downturn	Expansion
Singapore	Downturn	Recovery
Thailand	Expansion	Expansion
<b>Other emerging Asia</b>		
China	Possible moderate Downturn <sup>(d)</sup>	Expansion
India	Slowdown <sup>(d)</sup>	Downturn

**Table 2** Current phases of diffusion indices

	Leading	Coincident
<b>Southeast Asia</b>		
Indonesia	Upwards	Downwards
Malaysia	Downwards	Downwards
Philippines	Upwards	Upwards
Singapore	Upwards	Upwards
Thailand	Upwards	Upwards
<b>Other emerging Asia</b>		
China	Upwards	Upwards
India	Downwards	Upwards

(d) The current phases for China and India coincide with those of the OECD Composite Leading Indicators.