

This Quarter in Asia

Quarterly publication on business cycles and
near-term economic trends in Asia



July - September 2012, Volume 9
Asian Business Cycle Indicators

THIS QUARTER IN ASIA

Asian Business Cycle Indicators (ABCIs), Vol.9

July – September 2012

Source: OECD Development Centre



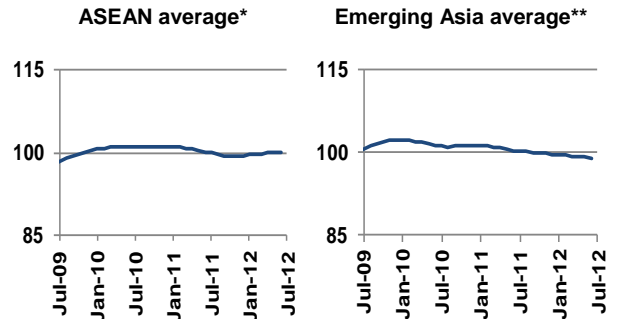
CONTINUED SLOWDOWN OF CHINA MIGHT AFFECT ASEAN ECONOMIES

14 September 2012 - Growth in China and India continues to be weak in the coming months. Overall growth momentum in ASEAN economies still shows some resilience, though some signs of slowing are observed, according to the latest Asian Business Cycle Indicators (ABCIs).

Continued Euro-area uncertainty will remain a major downside risk for the ASEAN economies. It affects the ASEAN economies mainly through the trade channel. The degree to which ASEAN is affected may differ by country. For instance, a relatively large potential impact can be envisaged in Singapore. Indonesia will face a decrease of exports, though strong investment will cushion the negative impact to some extent. On the other hand, the Philippine economy remains relatively resilient due to its strong domestic demand and Thailand's recovery continues to be robust, driven by strong domestic investment under the uncertainty.

In addition, "indirect channels" of Euro-area uncertainty through China - via weakening China's exports to Europe - will have a non-negligible impact on Southeast Asia. In this sense, recovery of the two giant economies will be important for the near-term outlook in the region. In China, declining and weak firm profit remains a challenge; while in India, domestic demand (both investment and consumption) is unlikely to be an engine for growth - partly due to the still high inflationary pressure.

Figure 1. 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.

Figure 2. Business cycles in Emerging Asia



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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.

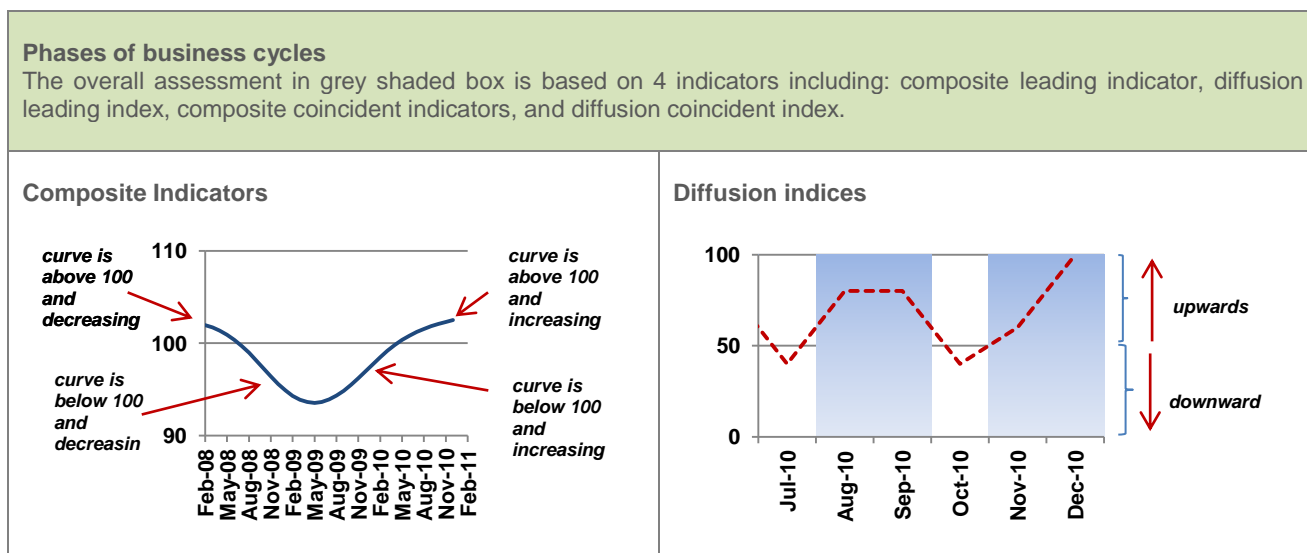
3 The ABCIs are based on the **growth cycle** approach. For more detailed information on the list of variables used for ABCIs, please consult www.oecd.org/dev/asiapacific/abcis

4 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

5 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**



6 The next **THIS QUARTER IN ASIA** will be available on 10 December 2012. For previous analysis, please consult: www.oecd.org/dev/asiapacific/abcis .

7 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 is gratefully acknowledged.

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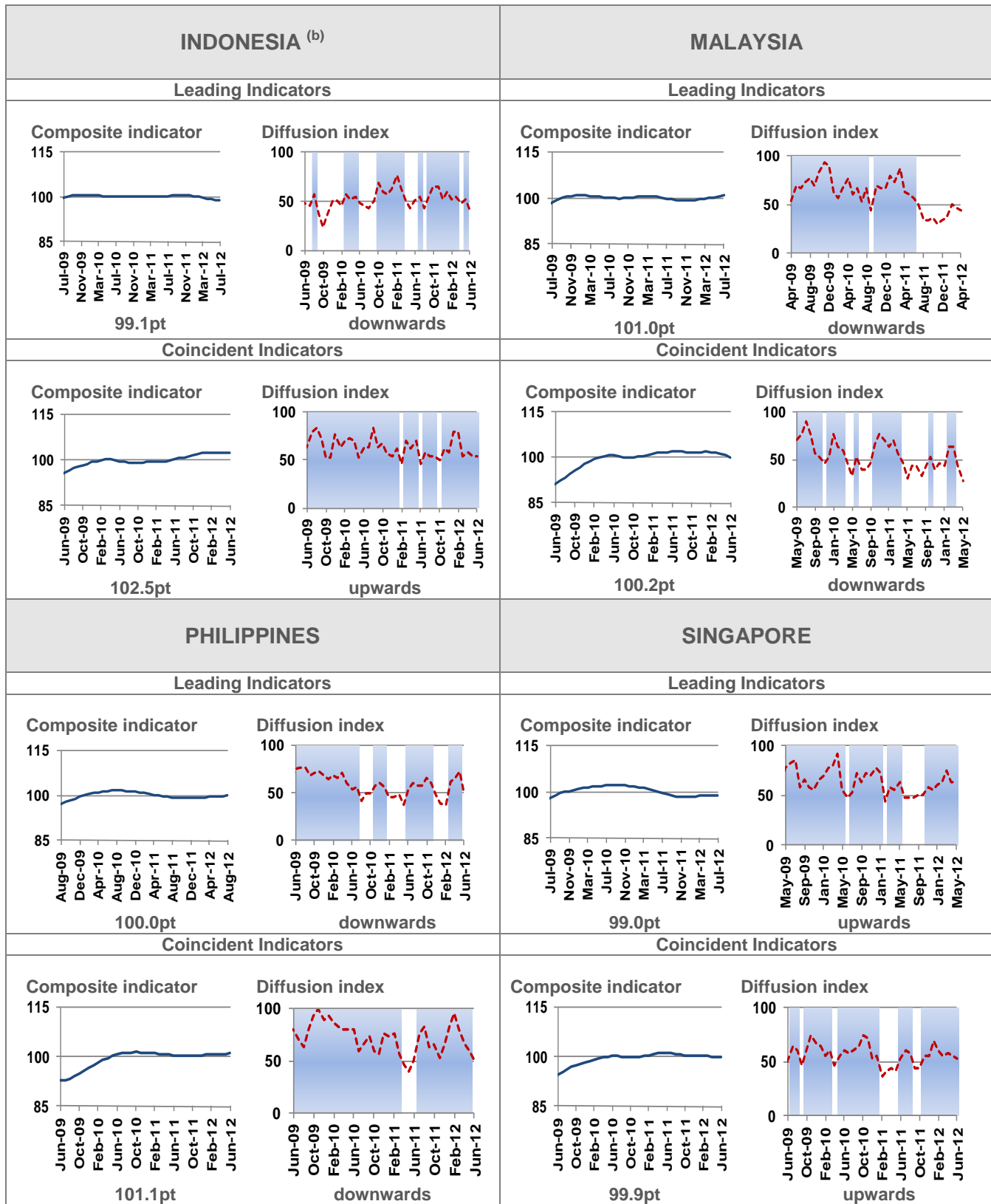
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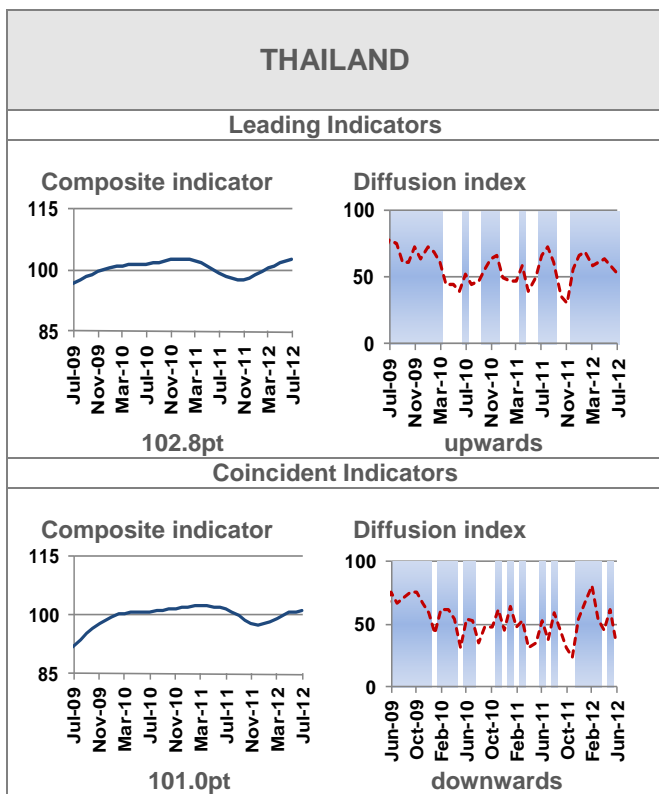


Country-specific outlook: ASEAN countries (a)

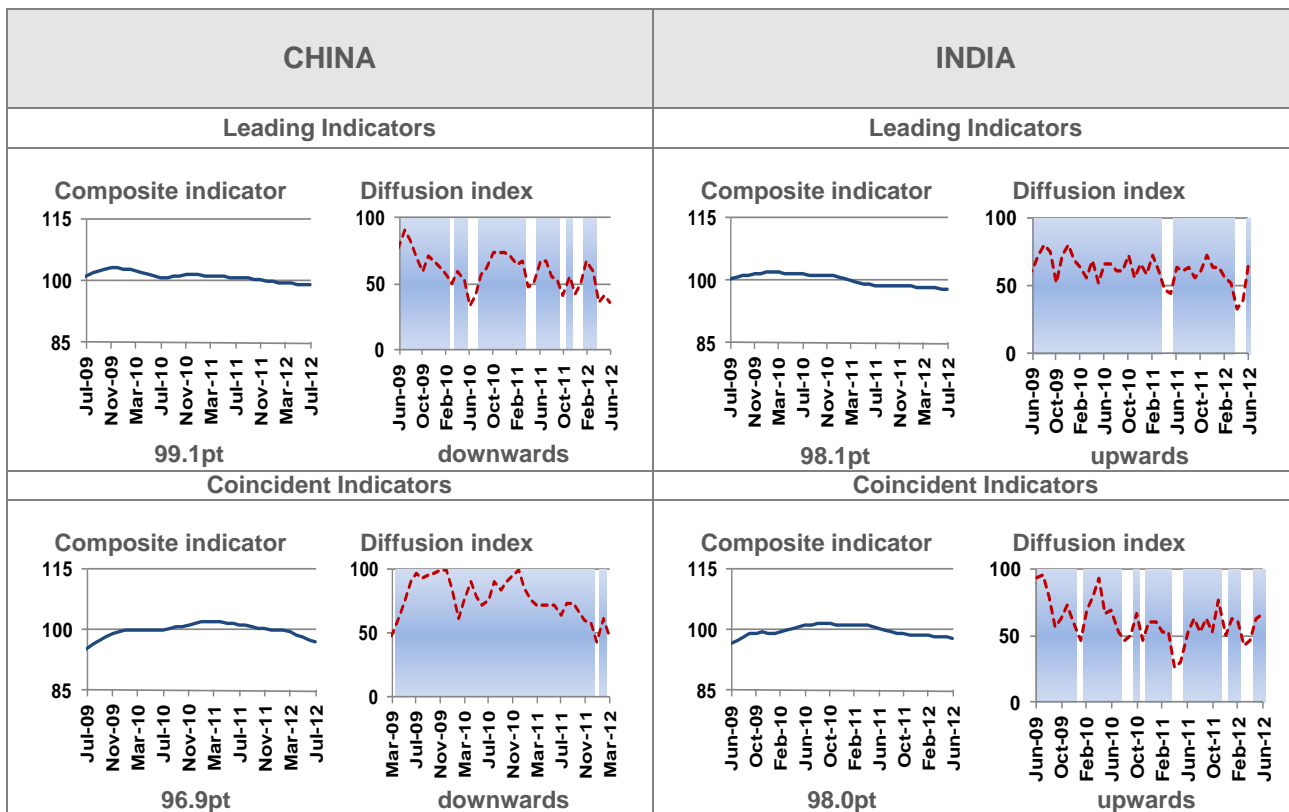


(a) Points below the figures reflect the latest results for each country.

(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). 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).



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). 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.