

Asian Business Cycles Quarterly

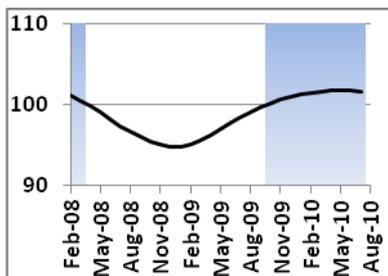
OECD Development Centre Asian Business Cycle Indicators 13 September

1. Quarterly Economic Outlook: OECD Development Centre Asian Business Cycle Indicators

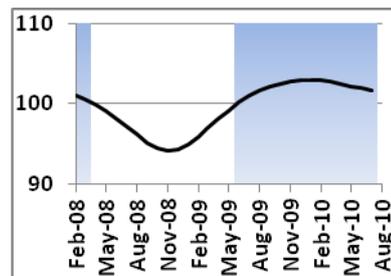
ASEAN Recovery Keeps on Track with Some Signs of Moderation

- Both leading and coincident indicators for **ASEAN economies** point towards steady growth based on sound exports and strong domestic demand supported by improved business sentiment.
- However, the leading indicators suggest that growth in many ASEAN countries, while still robust, may be weakening in the next quarter.
- Overall, growth prospects are stronger on average for the ASEAN economies than for the Emerging Asia area including China and India.
- Continued signs of slowing of the Chinese economy constitute a negative factor for the outlook for ASEAN economies, while uncertainty about growth prospects for OECD economies remain.

1) ASEAN average (composite leading indicators) ^(a)



2) Emerging Asia average (composite leading indicators) ^(b)



(a) **ASEAN average** includes Indonesia, Malaysia, the Philippines, Singapore and Thailand.

(b) **Emerging Asia average** includes ASEAN average plus China and India.

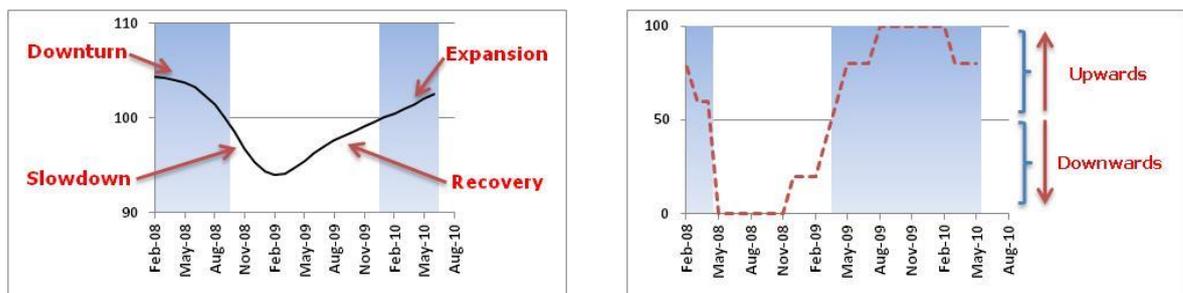
2. How to interpret the Asian Business Cycle indicators?

- **Composite and diffusion indices:** The OECD Development Centre Asian Business Cycle Indicators (ABCIs) identify cycles by using both i) composite indicators (i.e. leading and coincident indicators) and ii) diffusion indices (i.e. leading and coincident indices). Each provide different information and, as such, are complementary: the composite index reveals “**change**” in economic fluctuations and the diffusion index provides a broader picture of “**the overall economic activity of the country**”.
- **Leading and coincident indicators:** The ABCIs use leading and coincident indicators. Coincident indicators are selected mainly by economic relevance and statistical fitness to quarterly GDP. Leading indicators are created based on the coincident indicators and the lead time is in general **5-6 months**.

For more detailed information on the list of variables used for **ABCIs**, please see the home page of www.oecd.org/dev/asiapacific/abcis

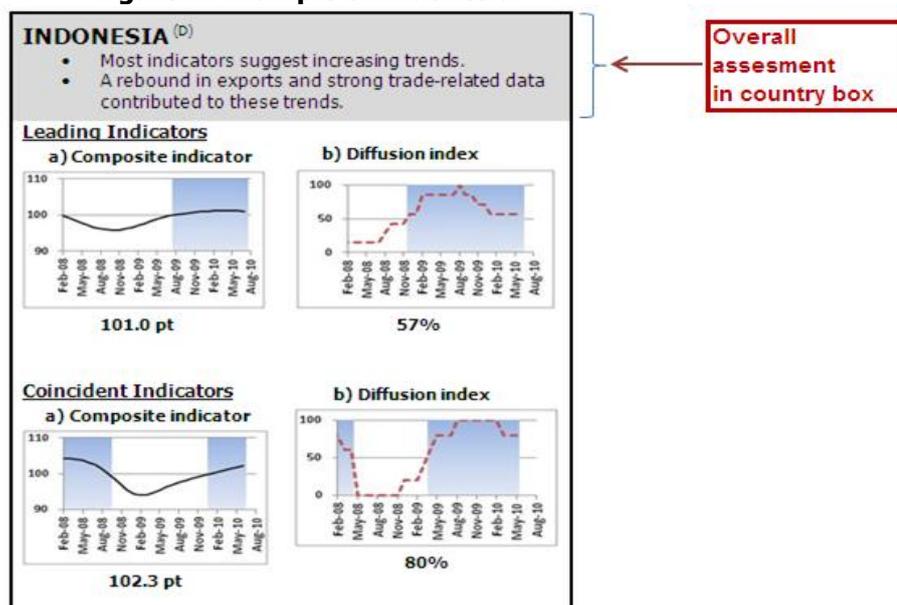
- **Phases of business cycles:** Evaluation of the phase of business cycle is done **comprehensively by using four sets of information:** i) Leading indicators of both composite and diffusion and ii) coincident indicators of both composite and diffusion. More precisely, four cyclical phases are identified 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 and **recovery**, when the curve is below 100 but increasing. On the other hand, the diffusion index identified two phases; **upwards** when the diffusion index crosses the 50% threshold from below and **downwards** when the diffusion index passes the threshold from above. (See **Figure 1**)

Figure1: Phases of business cycles



- **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). (See **Figure 2**)

Figure 2: Example of Indonesia



3. Country – specific outlook (ASEAN and other emerging Asia) ^(c)

(c) Points and percentages below the figures reflect the latest results for each country. Point changes and status (i.e. increase/decrease) in parentheses in blue indicate the change compared with the figure for the previous quarter.

ASEAN Countries			
INDONESIA ^(d) <ul style="list-style-type: none"> Most indicators suggest sound recovery. Financial data support these trends. 		MALAYSIA <ul style="list-style-type: none"> Most indicators suggest sound recovery. Production and exports data contributed to these trends. 	
Leading Indicators		Leading Indicators	
a) Composite indicator 	b) Diffusion index 	a) Composite indicator 	b) Diffusion index
100.9 pt (0.5 pt decrease)	57% (decrease)	101.1 pt (0.2 pt decrease)	80% (decrease)
Coincident Indicators		Coincident Indicators	
a) Composite indicator 	b) Diffusion index 	a) Composite indicator 	b) Diffusion index
102.5 pt (1.4 pt increase)	80% (decrease)	104.6 pt (2.3 pt increase)	80% (increase)
PHILIPPINES <ul style="list-style-type: none"> Most indicators suggest sound recovery. Strong sales and business sentiments support these trends. 		SINGAPORE <ul style="list-style-type: none"> Most indicators suggest sound recovery. Sound production and trade data are leading these trends. 	
Leading Indicators		Leading Indicators	
a) Composite indicator 	b) Diffusion index 	a) Composite indicator 	b) Diffusion index
103.3 pt (0.8 pt decrease)	88% (decrease)	101.1 pt (1.3 pt decrease)	83% (decrease)
Coincident Indicators		Coincident Indicators	
a) Composite indicator 	b) Diffusion index 	a) Composite indicator 	b) Diffusion index
103.9 pt (1.3 pt increase)	100% (increase)	101.0 pt (no change)	83% (no change)

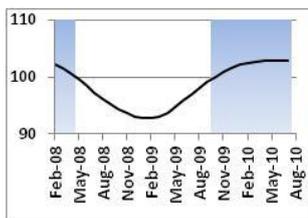
(d) The leading indicator for Indonesia corresponds to that used for the calculation of the "Major Five Asia" average published in the OECD Composite Leading Indicators on a monthly basis by the OECD (www.oecd.org/std/cli). For more information on the diffusion index and components of coincident indicators,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

THAILAND

- Most indicators suggest sound recovery.
- Strong investment and sales-related indicators contributed to these trends.

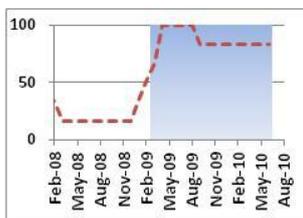
Leading Indicators

a) Composite indicator



102.8 pt (1.2 pt increase)

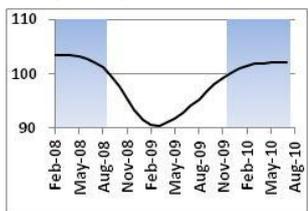
b) Diffusion index



83% (no change)

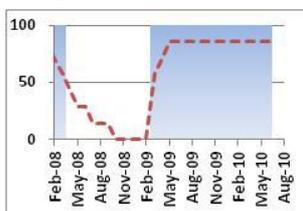
Coincident Indicators

a) Composite indicator



102.1 pt (0.8 pt decrease)

b) Diffusion index



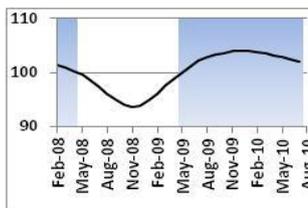
86% (increase)

Other Emerging Asia (China and India) ^(e)

CHINA

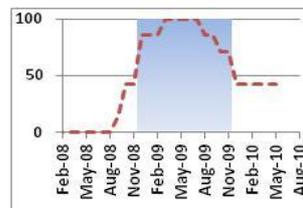
Leading Indicators

a) Composite indicator



102.1 pt (1.0 pt decrease)

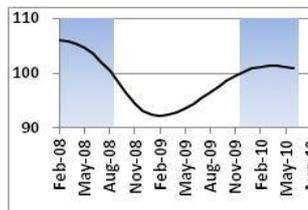
b) Diffusion index



43% (decrease)

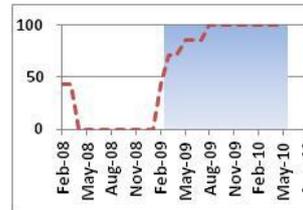
Coincident Indicators

a) Composite indicator



101.0 pt (1.0 pt decrease)

b) Diffusion index

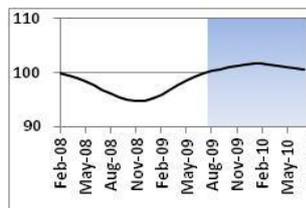


100% (no change)

INDIA

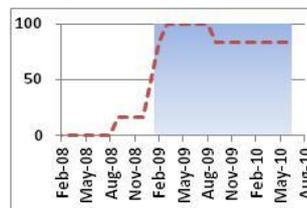
Leading Indicators

a) Composite indicator



100.6 pt (0.7 pt decrease)

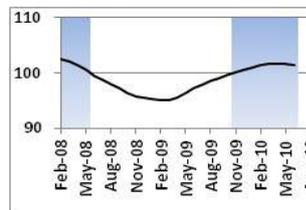
b) Diffusion index



83% (no change)

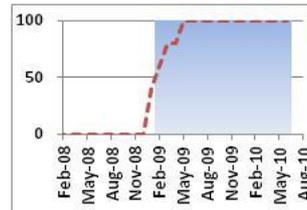
Coincident Indicators

a) Composite indicator



101.4 pt (0.4 pt decrease)

b) Diffusion index



100% (no change)

(e) 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.

Table 1: Current phases of Composite Indicators

	Leading	Coincident
Southeast Asia		
Indonesia	Downturn	Expansion
Malaysia	Downturn	Expansion
Philippines	Expansion	Expansion
Singapore	Downturn	Expansion
Thailand	Expansion	Expansion
Other emerging Asia		
China	Downturn ^(f)	Downturn
India	Downturn ^(f)	Downturn

Table 2: Current phases of Diffusion Indices

	Leading	Coincident
Southeast Asia		
Indonesia	Upwards	Upwards
Malaysia	Upwards	Upwards
Philippines	Upwards	Upwards
Singapore	Upwards	Upwards
Thailand	Upwards	Upwards
Other emerging Asia		
China	Downwards	Upwards
India	Upwards	Upwards

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

Notes

- This *Asian Business Cycles Quarterly* is prepared under the responsibility of the OECD Development Centre and the outlook for the region described in this Quarterly is based entirely on the analysis of the Asia and Pacific Desk of the OECD Development Centre.
- The ABCIs will be a tool to provide comparable information on the very short term (i.e. the following quarter) economic climate of Asian economies. The ABCIs are constructed jointly by the OECD Development Centre and the OECD Statistics Directorate.
- The ABCIs will be discussed in detail in the *Southeast Asian Economic Outlook* to be published by the OECD Development Centre in November 2010.
- From this quarterly, we present the composite indicators by using their amplitude adjusted form. (The procedure of amplitude adjustment rescales the composite indicator to match the amplitudes of the de-trended reference series.)

The next *Asian Business Cycles Quarterly* will be available on **13 December 2010**.

Further information

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Acknowledgements

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