

# This Quarter in Asia

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

**January - March 2012, Volume 7**  
**Asian Business Cycle Indicators**

# THIS QUARTER IN ASIA

## Asian Business Cycle Indicators (ABCIs), Vol.7

January – March 2012

Source: OECD Development Centre

### ASIA'S GROWTH MOMENTUM REMAINS WEAK WITH SOME SIGNS OF IMPROVEMENTS

12<sup>th</sup> March 2012 – Growth momentum in Asia will remain weak in the coming months, though some signs of improvements can be observed in several countries, according to the latest Asian Business Cycle Indicators (ABCIs).

Global uncertainty – mainly stemming from the Euro area debt crisis – is still a major source of downside risk in the region, in particular, for export-dependent countries such as Singapore and Malaysia. Exports of electronics were affected negatively also in the Philippines.

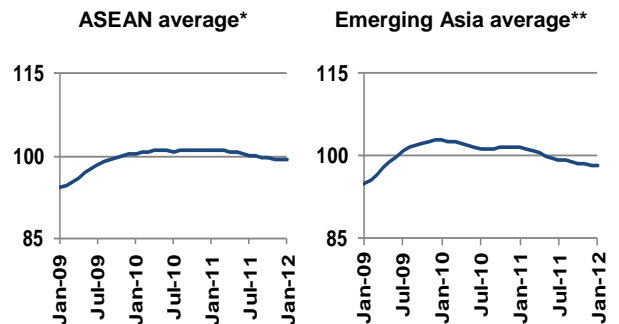
The positive signs are mainly related to robust domestic demand in Southeast Asia, notably in Indonesia. It keeps providing resilience to external shocks.

Suffering from the floods, Thailand's economic performance was at historical low in Q4 of 2011. Though the fallout from the flood crisis continues to impact the supply chains, recent leading indicators show some signs of recovery at the macro-economic level.

Growth momentum in China and India will also remain weak. The major concern in China is the signs of weakening domestic demand, which is manifest, for instance in private housing starts and fixed investments.

Overall, headline inflationary pressure is easing in the region, though the level of pressure varies largely among countries. In particular, inflation still needs to be carefully monitored in India, Indonesia and Viet Nam. At the same time, the relatively high level of global oil prices and their volatility will still remain near-term concerns in the region. In particular, Indonesia, which has a large share of fuel subsidies in its budget and which is planning to phase them out gradually, will need to cope with renewed 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.



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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

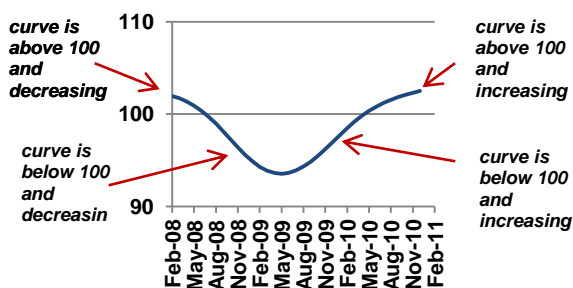
**6** Four cyclical phases are identified by the **composite indicator**:

- 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**

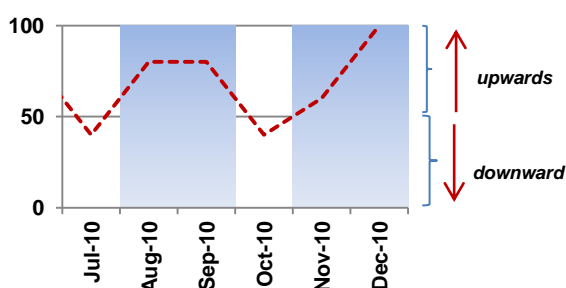
### Phases of business cycles

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



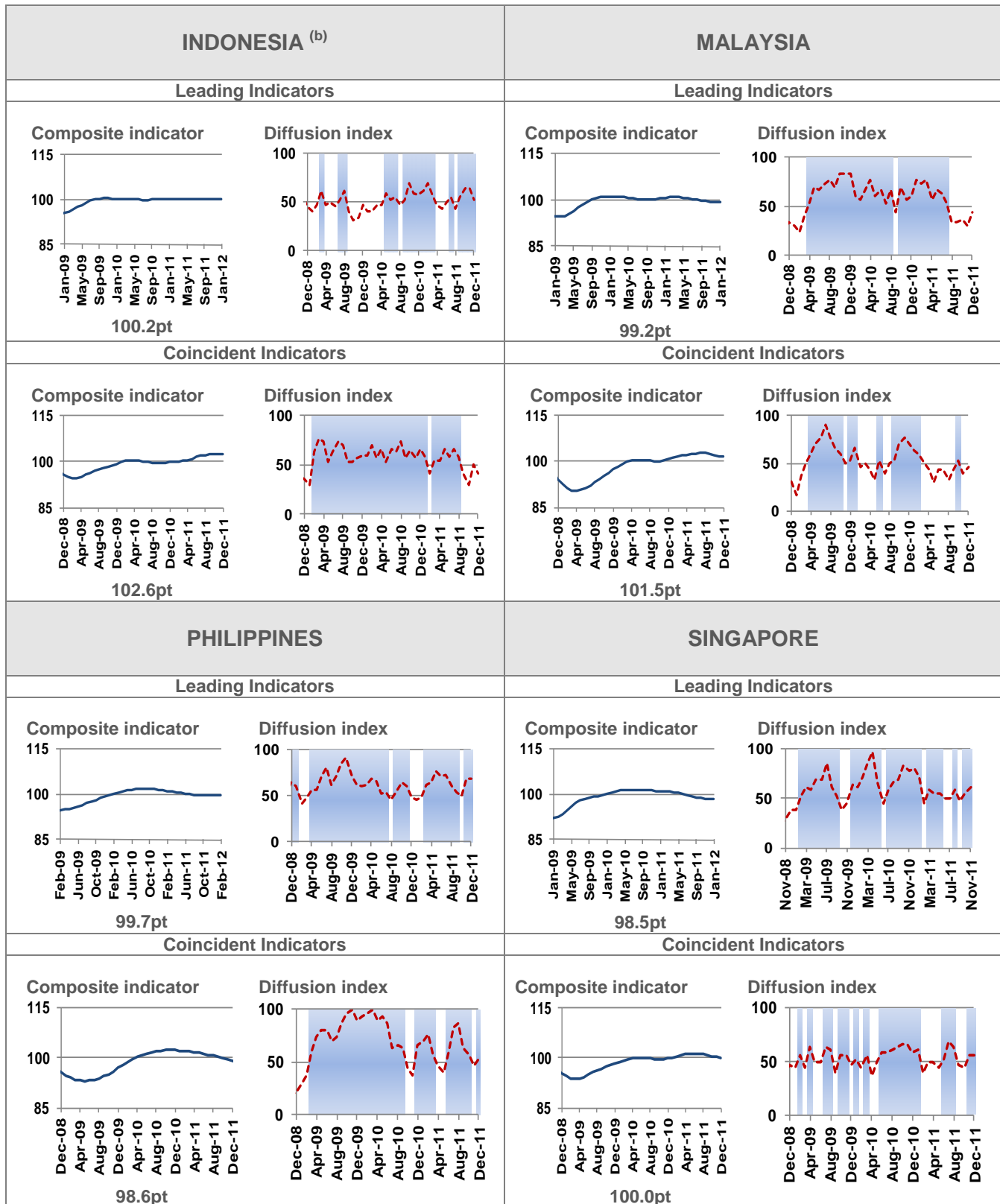
#### Diffusion indices



**7** The next **THIS QUARTER IN ASIA** will be available on 11 June 2012. For previous analysis, please consult: [www.oecd.org/dev/asiapacific/abcis](http://www.oecd.org/dev/asiapacific/abcis).

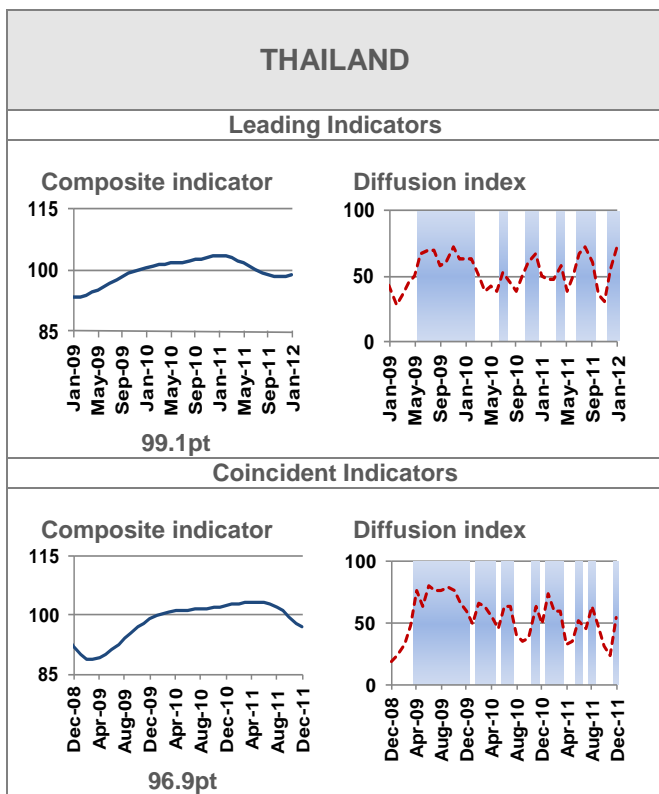
**8 Acknowledgements:** This Quarter in Asia benefited from the inputs from government and central bank experts of Southeast Asian countries. Financial support from the Governments of Japan, Korea and Switzerland is gratefully acknowledged.

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

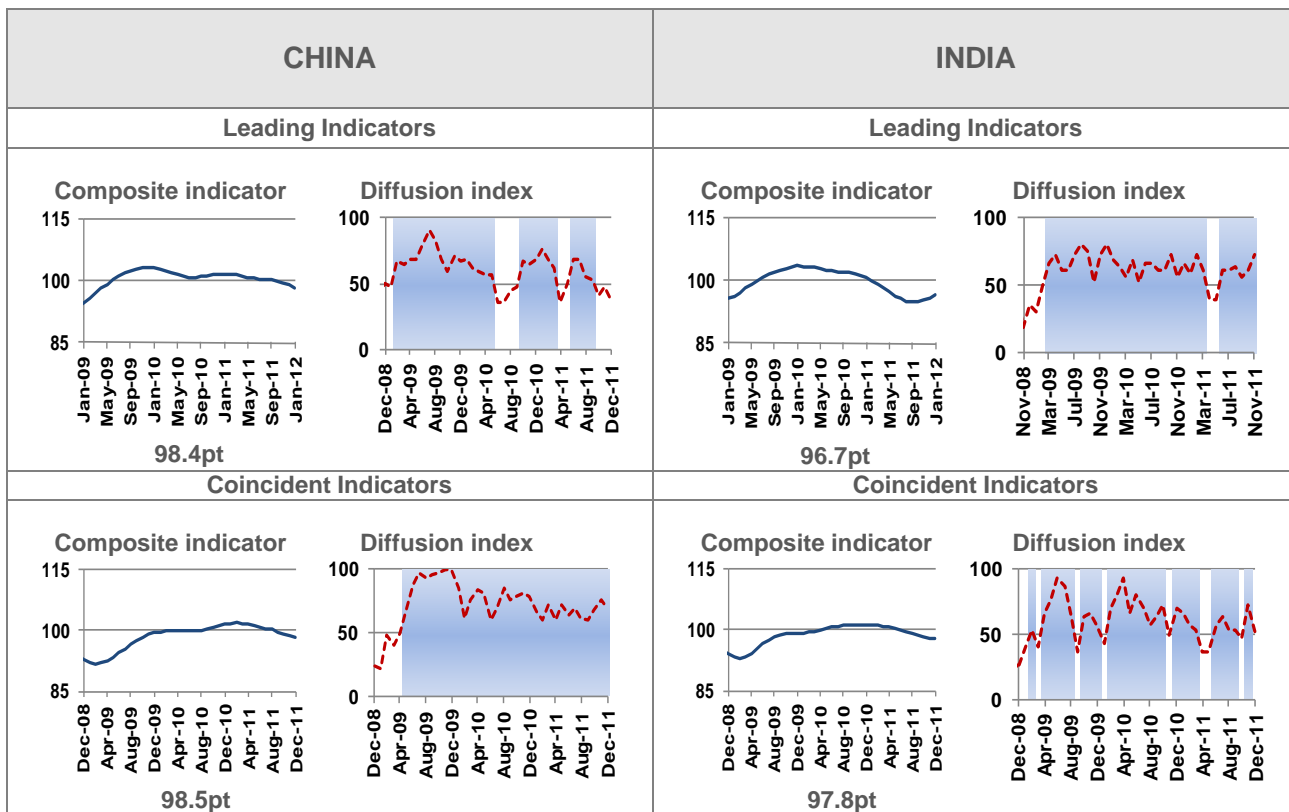


(a) Points below the figures reflect the latest results for each country.

(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](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).