Regional Workshop on Short-term Economic Indicators and Service Statistics to Support 2008 SNA Implementation

Business Cycle Composite Indicators (Special Topics)

Chiba, Japan
25 – 27 September 2017

PRESENTATION OUTLINE

A. INTRODUCTION

B. COMPILATION AND COMPONENTS

C. METHODOLOGY TO IDENTIFY CYCLE

D. HOW IS USED & DISSEMINATED AND WHO IS THE MAIN USERS

E. ISSUE AND CHALLENGES

A. INTRODUCTION

The Composite Indexes in the MBCCI consists of:

- ❖ Leading Index (LI)
- ❖ Coincident Index (CI)
- ❖ Lagging Index (LG)

Diffusion Indexes (DI):

- ❖ Helps to determine turning points of business cycle reference period

B. COMPILATION AND COMPONENTS

i. **SELECTION CRITERIA**

ii. **COMPILATION METHOD**

iii. **LIST OF COMPONENTS**

B. COMPILATION AND COMPONENTS

i. SELECTION CRITERIA

Selection of each component is based on the guideline in the Business Cycle Indicators Handbook, The Conference Board, United States, namely:

- ❖ Conformity to business cycle
- ❖ Consisten timing
- ❖ Economic significance
- ❖ Statistical adequacy
- ❖ Smoothness
- ❖ Promptness

B. COMPILATION AND COMPONENTS

ii. COMPILATION METHOD

❖ Composite Indexes

  Adopted The Conference Board's (TCB) approach

❖ Diffusion Index

  Adopted the Economic And Social Research Institute's (ESRI), Japan approach

B. COMPILATION AND COMPONENTS

iii. LIST OF COMPONENTS

Leading Index	Coincident Index	Lagging Index
1. Real Money Supply, M1 2. Bursa Malaysia Industrial Index 3. Real Imports of Semi Conductors 4. Real Imports of Other Basic Precious & Other Non-ferrous Metal 5. Number of Housing Units Approved 6. Expected Sales Value, Mfg 7. Number of New Companies Registered	1. Total Employment, Mfg 2. Real Salaries & Wages, Mfg 3. Industrial Production Index 4. Real Contributions, EPF 5. Capacity Utilisation, Mfg 6. Volume Index of Retail Trade	1. Unit Labour Cost, Mfg 2. Number of Investment Projects Approved 3. Number of New Vehicles Registered 4. Exports of Natural Gas & Crude Oil 5. CPI for Services

C. METHODOLOGY TO IDENTIFY CYCLE

Growth Cycle Reference Period	Business/Classical Cycle Reference Period
❖ Trend estimation by using the Hodrick Prescott (HP) Filter method ❖ The determination of growth cycle peak and trough is generated through the deviation of the index from its long term trend ❖ Thus, Department establish the growth cycle reference period	❖ Fluctuation (expantions and contractions) in the levels of aggregate economic activity ❖ The phase of business/classical cycle recession is determined by declining of the level of Coincident Index (CI) for at least 6 months successively

D. HOW IS USED & DISSEMINATED AND WHO IS THE MAIN USERS

i. **LEAD/LAG ANALYSIS**

ii. **DATA DISSEMINATION**

iii. **THE MAIN USERS**

i.   Lead Lag Analysis

LEAD/LAG TABLE FOR LEADING INDEX (LI)

Growth Cycle Reference Period		Leading Index (LI)	
Peak	Trough	Peak	Trough
Jan-92	Jan-93	Jul-91 -6	Oct-92 -3
Jan-98	Jan-99	Jan-97 -12	Aug-98 -5
Aug-00	Feb-02	Aug-00 0	Aug-01 -6
Apr-04	Nov-05	Mar-04 -1	Apr-06 5
Jan-08	Mar-09	Dec-07 -1	Jan-09 -2
Mar-12	Sep-12	Dec-10 -15	Sep-12 0
Average (lead/lag)		-6	-2
Overall (lead/lag)		-4	

i.   Lead Lag Analysis

LEAD/LAG TABLE FOR LEADING INDEX (LI)

Business Cycle Reference Period		Leading Index (LI)	
Peak	Trough	Peak	Trough
Dis-97	Nov-98	Jan-97 -11	Ogos-98 -3
Feb-01	Feb-02	Ogo-00 -6	Apr-01 -10
Jan-08	Mac-09	Dis-07 -1	Jan-09 -2
Average (lead/lag)		-6	-5
Overall (lead/lag)		-6	

ii.   Data Dissemination

The MBCCI disseminated via Department website (www.statistics.gov.my):

❖   [Statistical released](#)

❖   [Free download of full publication](#)

iii. The Main Users

The main users of MBCCI:

- ❖ Central Bank of Malaysia (BNM)

- ❖ Economic Planning Unit

- ❖ Ministry of Finance

E. ISSUE AND CHALLENGES

❖   It is difficult to obtain a quality indicators that reflect the overall economic activity

       ❖   The limited indicators

       ❖   The issue of obsolete indicators

❖   Continue review the existing components as well as the potential components

❖   To develop the business cycle clock for Malaysia

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