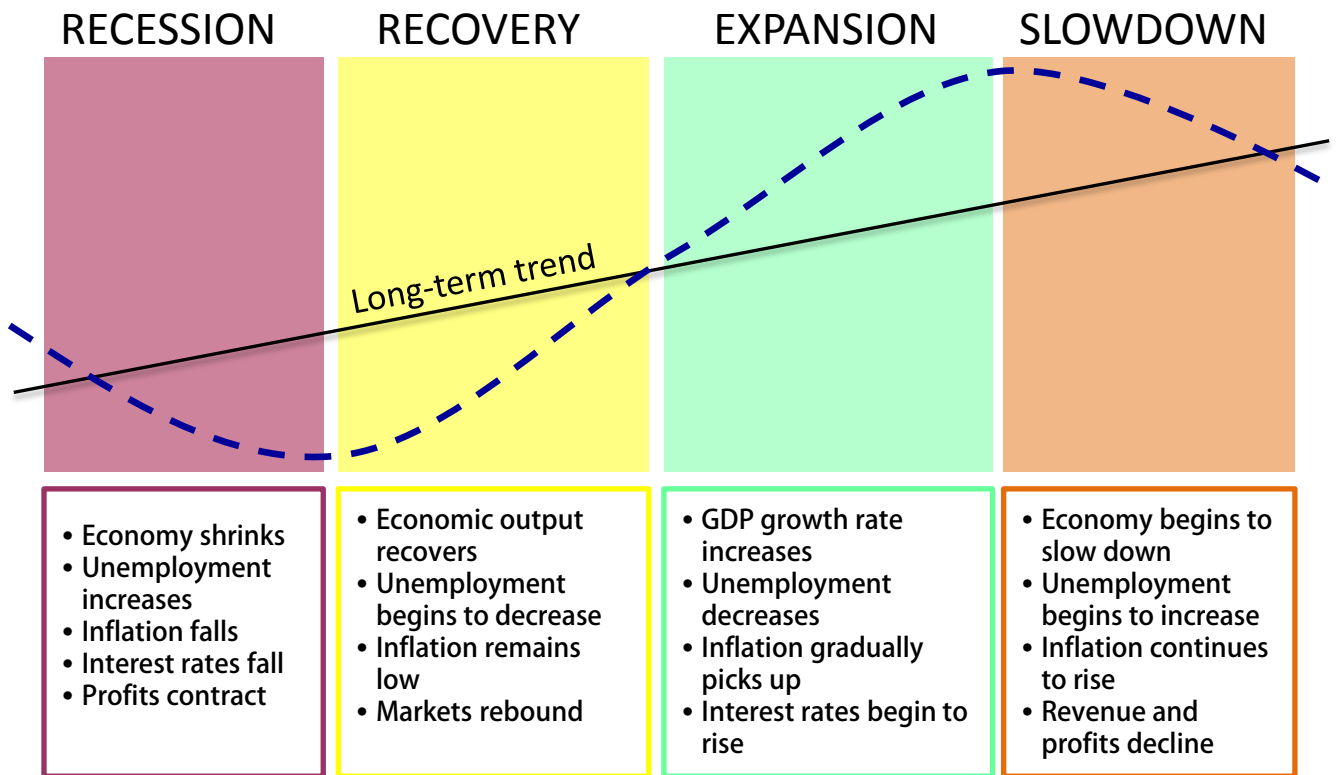




MALAYSIAN ECONOMIC INDICATORS: LEADING, COINCIDENT & LAGGING INDEXES

ECONOMIC CYCLE

While the Malaysian economy has grown over time, the growth has not been in a straight line. The variations in the pace of growth around the long-term trend are called economic cycle also known as business cycle, which have four distinct stages.



WHY COUNTRY SHOULD HAVE BUSINESS CYCLE INDICATORS?

- Business cycles are recurrent
- Provides early signal to alert policymakers
- Provides significant impact on the medium /long term national policies /agenda

All these can be tracked by Malaysian Economic Indicators:
Leading, Coincident & Lagging Indexes

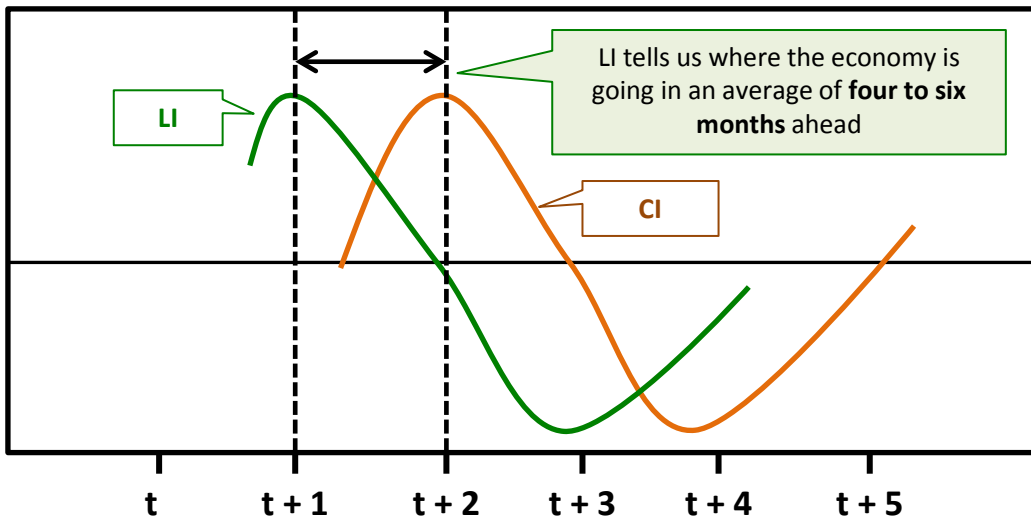




TYPES OF COMPOSITE INDEX

Leading Index (LI)	Coincident Index (CI)	Lagging Index (LG)
Measures anticipations of the overall economic activity in the months ahead	Comprehensive measure of the overall current economic performance	Validate the signal of the LI and CI

LEADING INDEX VS COINCIDENT INDEX



The LI provides the early signal of turning point of CI. For example, the LI increases and reaches the maximum point (peak) at time $t + 1$, indicates that the CI will also reach the maximum point (peak) in an average of four to six months ahead ($t + 2$).

COINCIDENT INDEX VS LAGGING INDEX

