



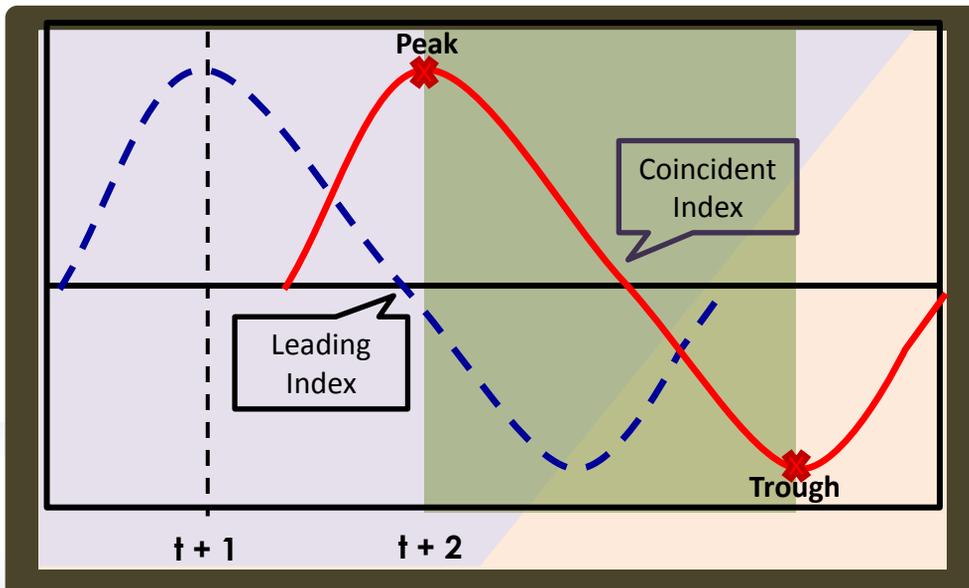
# NEWSLETTER

## MALAYSIAN ECONOMIC INDICATORS: LEADING, COINCIDENT & LAGGING INDEXES

### WHAT IS COINCIDENT INDEX (CI) ?

The CI is a comprehensive measure of the overall current economic performance and serves as a proxy indicator for the aggregate economic activity of the country. It is used as an alternative to the economists to gauge the direction of the economy. For the purpose of historical analysis, the CI is used to establish the reference cycle based on the period of expansion and contraction of economic activity.

Chart 1: Theory of Coincident Index



Note:

- Leading Index shows where the economy is going.
- Coincident Index indicates the current state of the economy.
- Recession period -

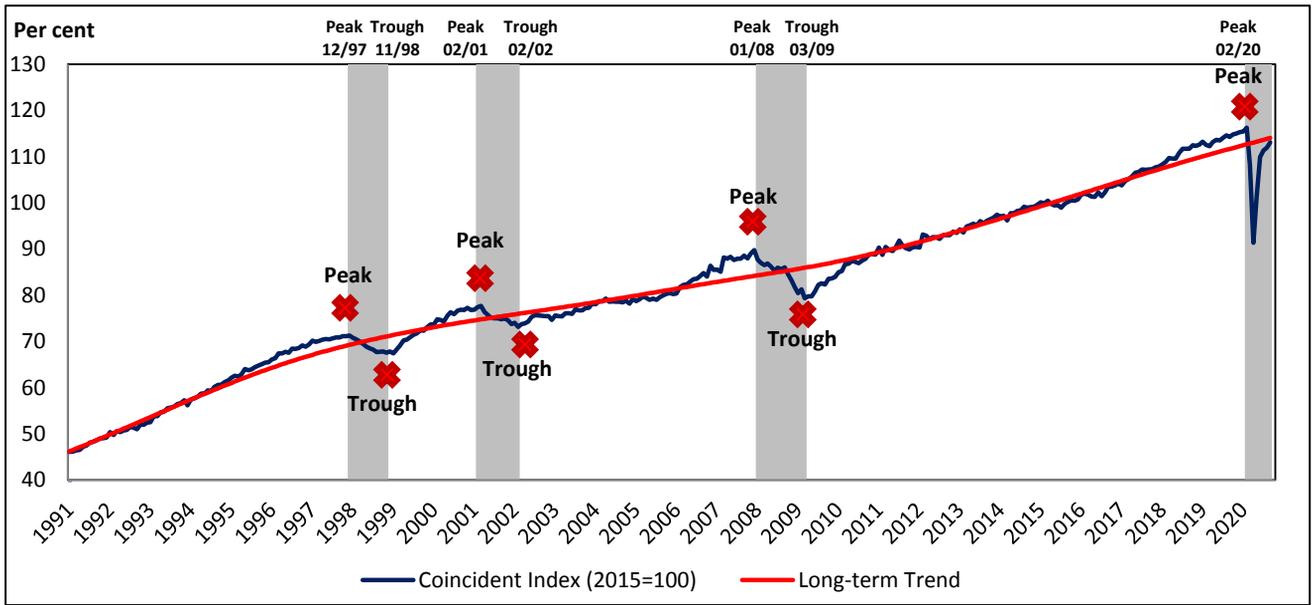
The CI aims to show the current economic direction.

The CI would change accordingly as the overall economic performance changes.

Assisting economists, investors and the public to determine which phase of the business cycle the economy is currently experiencing.



**Chart 2: Coincident Index (2015=100) and Business Cycle, January 1991 to September 2020**



Referring to Chart 2, Malaysia underwent three complete recession periods from 1991 as of to date. In 1997/1998, Malaysia experienced a recession due to the Asian financial crisis, and followed by the dot-com crisis in 2001/2002. The recession in 2008/2009 was an effect of the sub-prime crisis in the US and the Eurozone. The CI detected all the three recession periods. Subsequently, the beginning of the latest business cycle was identified in February 2020 due to global trade tension and the spread of COVID-19 pandemic.

## CI COMPONENTS

There are six economic indicators representing the current economic performance in terms of composite index as follows:



**Total Employment, Manufacturing**  
Refers to the total number of employment in manufacturing sector, which covers full-time and part-time employees.



**Volume Index of Retail Trade**  
The retail trade index shows the monthly activity of the retail sector in volume.



**Real Salaries & Wages, Manufacturing**  
Refers to cash payments made to all employees during the reference month.



**Capacity Utilisation, Manufacturing**  
Refers to the actual quantities of product in the reference month compared to the maximum amount that can be produced by a factory.



**Industrial Production Index**  
Measures the production level of the Malaysian economy, which covers the mining, manufacturing and electricity activities.



**Real Contributions, EPF**  
Refers to the EPF contributions of an employee which made up from the employee's and employer's share.