

## Composite Leading Indicators continue to show signs of improvement in most OECD economies

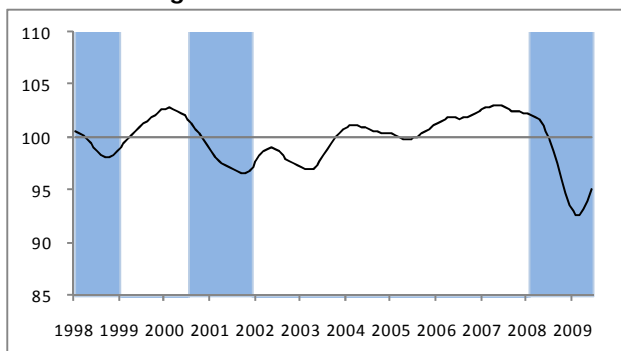
OECD composite leading indicators (CLIs) for May 2009 point to tangible signs of improvement in the outlook of most OECD economies. Potential recovery signals are emerging in Italy and France, with indications of troughs emerging in Canada, the United Kingdom, the United States, China and India. The trough signals are more tentative in Russia.

The CLI for the **OECD area** increased by 0.8 point in May 2009 but was 7.3 points lower than in May 2008. The CLI for the **United States** increased by 1.0 point in May but was 9.4 points lower than a year ago. The **Euro area's** CLI increased by 1.0 point in May but stood 4.7 points lower than a year ago. In May, the CLI for **Japan** decreased by 0.3 point and was 14.1 points lower than a year ago.

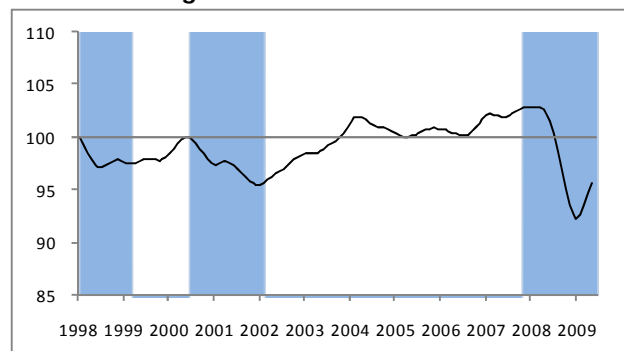
The CLI for the **United Kingdom** increased by 0.8 point in May 2009 but was 2.7 points lower than a year ago. The CLI for **Canada** increased by 0.9 point in May but was 6.3 points lower than a year ago. For **France**, the CLI increased by 1.3 point in May and was 0.7 point greater than a year ago. The CLI for **Germany** increased by 0.5 point in May but was 11.8 points lower than a year ago. For **Italy**, the CLI increased by 1.7 point in May and stood 1.1 point greater than a year ago.

The CLI for **China** increased 1.1 point in May 2009 but was 6.5 points lower than a year ago. The CLI for **India** increased by 1.4 point in May 2009 but was 4.4 points lower than in May 2008. The CLI for **Russia** increased by 0.7 point in May but was 20.7 points lower than a year ago. In April 2009 the CLI for **Brazil** decreased by 0.8 point and was 13.7 points lower than a year ago.

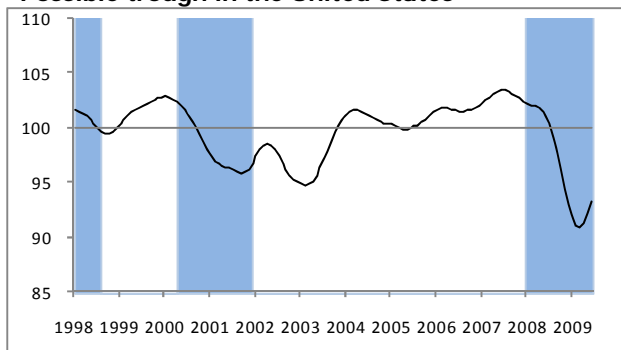
**Possible trough in the OECD area**



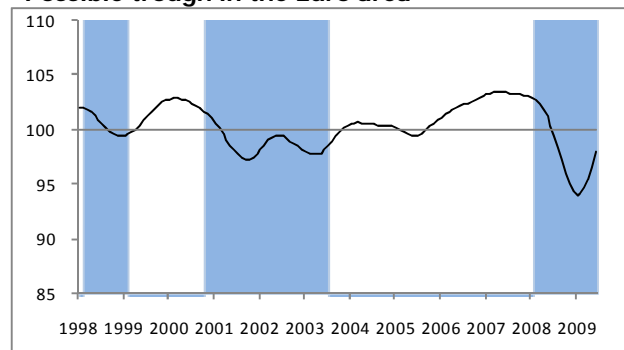
**Possible trough in China**



**Possible trough in the United States**

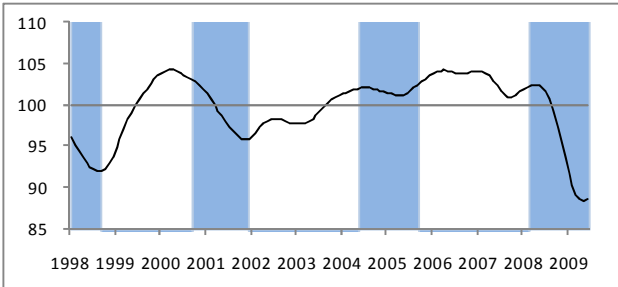


**Possible trough in the Euro area**



The above graphs show each country's growth cycle outlook based on the CLI which attempts to indicate turning points in economic activity approximately six months in advance. Shaded areas represent observed growth cycle downturns (measured from peak to trough) in the series (economic activity).

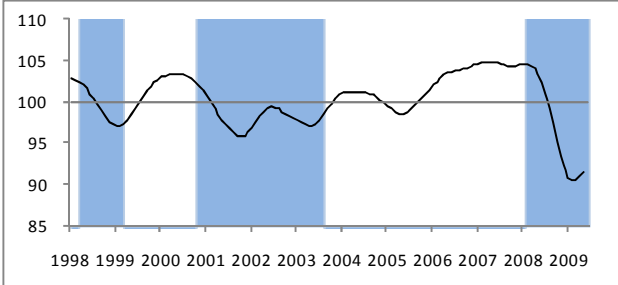
**Slowdown in Japan**



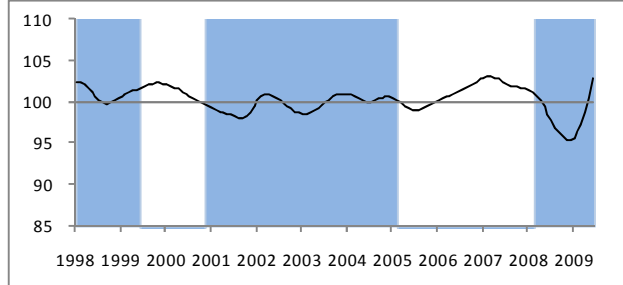
**Trough in France**



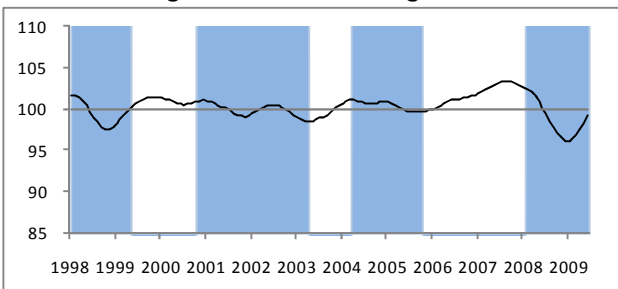
**Possible trough in Germany**



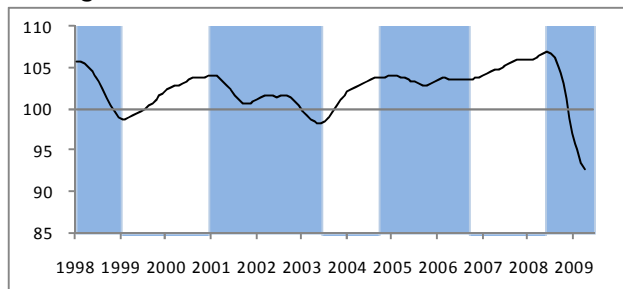
**Trough in Italy**



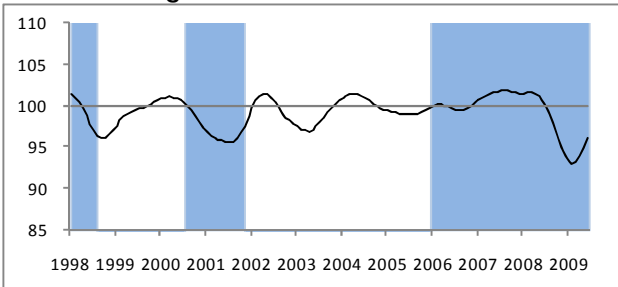
**Possible trough in the United Kingdom**



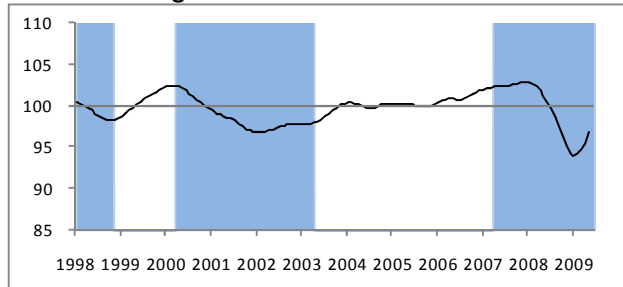
**Strong slowdown in Brazil**



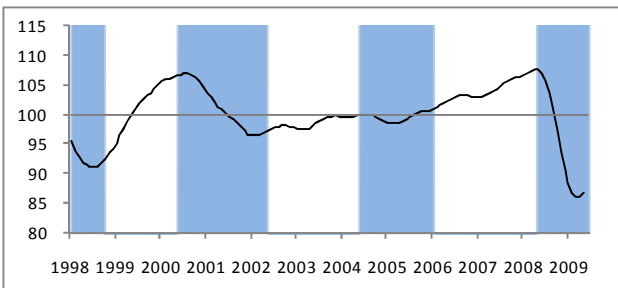
**Possible trough in Canada**



**Possible trough in India**



**Slowdown in Russia**



The above graphs show each country's growth cycle outlook based on the CLI, which attempts to indicate turning points in economic activity approximately six months in advance. Shaded areas represent observed growth cycle downswings (measured from peak to trough) in the reference series (economic activity).

Table 1: Composite Leading Indicators

	Ratio to trend, amplitude adjusted					Change from previous month					Year on Year change (points)	Growth cycle outlook**
	(long term average =100)					(points)						
	2009					2009						
	Jan	Feb	Mar	Apr	May	Jan	Feb	Mar	Apr	May	Latest month	
<b>OECD Area</b>	92.9	92.6	92.7	93.2	94.0	-0.7	-0.3	0.1	0.5	0.8	-7.3	possible trough
<b>Euro Area</b>	94.0	94.1	94.6	95.5	96.5	-0.3	0.1	0.5	0.9	1.0	-4.7	possible trough
<b>Major Five Asia*</b>	92.5	92.5	92.9	93.6	94.5	-0.6	0.0	0.4	0.7	0.9	-7.5	possible trough
<b>Major Seven</b>	92.6	92.1	92.1	92.5	93.3	-0.9	-0.5	0.0	0.4	0.8	-8.3	possible trough
<b>Canada</b>	93.1	92.9	93.2	93.9	94.8	-0.7	-0.2	0.3	0.7	0.9	-6.3	possible trough
<b>France</b>	96.2	96.8	97.8	99.0	100.4	0.3	0.7	1.0	1.2	1.3	0.7	trough
<b>Japan</b>	91.8	90.3	89.1	88.7	88.4	-1.9	-1.5	-1.2	-0.4	-0.3	-14.1	slowdown
<b>Germany</b>	90.8	90.5	90.6	91.0	91.5	-0.9	-0.4	0.1	0.4	0.5	-11.8	possible trough
<b>Italy</b>	95.7	96.2	97.3	98.8	100.5	0.4	0.6	1.1	1.5	1.7	1.1	trough
<b>United Kingdom</b>	96.1	96.3	96.8	97.5	98.3	-0.1	0.2	0.5	0.7	0.8	-2.7	possible trough
<b>United States</b>	91.6	91.0	90.9	91.2	92.2	-1.1	-0.6	-0.1	0.3	1.0	-9.4	possible trough
<b>Brazil</b>	96.8	95.1	93.6	92.8		-2.1	-1.8	-1.5	-0.8		-13.7	strong slowdown
<b>China</b>	92.2	92.6	93.6	94.6	95.7	-0.3	0.4	0.9	1.0	1.1	-6.5	possible trough
<b>India</b>	93.8	94.0	94.5	95.3	96.7	-0.4	0.2	0.5	0.8	1.4	-4.4	possible trough
<b>Russia</b>	88.4	87.0	86.3	86.2	86.9	-2.3	-1.4	-0.7	-0.1	0.7	-20.7	slowdown

\* China, India, Indonesia, Japan and Korea.

\*\* Growth cycle phases of the CLI are defined as follows: expansion (increase above 100), downturn (decrease above 100), slowdown (decrease below 100), recovery (increase below 100). CLI data for 29 OECD member countries and 6 OECD non-member economies available at: [http://stats.oecd.org/wbos/default.aspx?datasetcode=MEI\\_CLI](http://stats.oecd.org/wbos/default.aspx?datasetcode=MEI_CLI)

Table 2: Historical Performance of CLI and Recent Cyclical Turning Points in the Reference Series

	CLI Historical Performance			Recent confirmed Turning Point dates in the reference series					
	Lead (+) / Lag (-) at all turning points			Dates marked with (P) are provisional turning points					
	start year	mean	st. dev.	peak	trough	peak	trough	peak	trough
<b>OECD Area</b>	1965	5	3.8	Aug 2000	Dec 2001			Feb 2008 P	
<b>Euro Area</b>	1965	7	8.4	Nov 2000	Jul 2003			Feb 2008 P	
<b>Major Five Asia*</b>	1995	6	6.3	Aug 2000	Dec 2001	Mar 2004 P	Jul 2005 P	Mar 2008 P	
<b>Major Seven</b>	1965	5	4.5	Aug 2000	Dec 2001			Feb 2008 P	
<b>Canada</b>	1956	8	3.5	Aug 2000	Nov 2001	Jan 2006 P			
<b>France</b>	1962	7	5.1	Dec 2000	Jun 2003			Feb 2008 P	
<b>Japan</b>	1959	6	4.2	Oct 2000	Dec 2001			Mar 2008 P	
<b>Germany</b>	1961	6	4.2	Nov 2000	Aug 2003			Feb 2008 P	
<b>Italy</b>	1973	5	5.4	Dec 2000			Feb 2005 P	Mar 2008 P	
<b>United Kingdom</b>	1958	6	5.7	Nov 2000	Apr 2003	Apr 2004	Oct 2005 P	Feb 2008 P	
<b>United States</b>	1955	5	3.5	May 2000	Dec 2001			Jan 2008 P	
<b>Brazil</b>	1978	2	5.3	Jan 2001	Jun 2003	Oct 2004	Sep 2006 P	Jun 2008 P	
<b>China</b>	1983	3	4.2	Jul 2000	Feb 2002			Nov 2007 P	
<b>India</b>	1994	4	5.6	Apr 2000	Apr 2003			Apr 2007 P	
<b>Russia</b>	1994	0	3.2	Jun 2000	May 2002	Jun 2004	Jan 2006 P	May 2008 P	

\* China, India, Indonesia, Japan and Korea

P= provisional (see Methodological Notes on next page)

## Methodological Notes

### Purpose

The OECD CLI is designed to provide early signals of turning points in business cycles – fluctuations of economic activity around its long term potential level. The approach, focusing on turning points (peaks and troughs), results in CLIs that provide qualitative rather than quantitative information on short-term economic movements. Four cyclical phases form the basis of this qualitative approach: *expansion* – CLI increasing and above 100; *downturn* – CLI decreasing and above 100; *slowdown* – CLI decreasing and below 100; *recovery* – CLI increasing and below 100. Although the CLIs attempt to predict movements in the output gap, they should not be interpreted as providing exact forecasts.

### Reference Series

OECD CLIs are constructed from economic time series that have similar cyclical fluctuations to those of the business cycle but which precede those of the business cycle. Typically movements in GDP are used as a proxy for the business cycle but, because they are available on a more timely and monthly basis, the OECD CLI system uses instead indices of industrial production (IIP) as proxy reference series. Moreover despite their tendency towards higher volatility historical turning points of IIPs coincide well with those of GDP for most OECD countries. Table 2, above, shows recent turning points in the reference series and these are marked provisional until they have been verified with the turning points of de-trended quarterly GDP estimates.

### Summary Methodology

The OECD CLIs are composite indicators: with components that target the early stages of production, respond rapidly to changes in economic activity, are sensitive to expectations of future activity or are control variables that measure policy stances. All components are passed through a series of filters before aggregation (seasonal adjustment, trend-removal, smoothing and normalisation). The composite indicator is constructed to: preserve the leading properties of the components, have more stable lead times, and have fewer missed or extra turning-points when compared to the reference series than the components alone. The historical performance (lead/lag at turning points) of the CLIs for individual countries and areas are set out in Table 2.

More information on methodology is available in the following document: "[OECD system of composite leading indicators](#)".

### Data

A large set of component series, selected from a wide range of economic indicators, are used in constructing CLIs (224 series are used in total, about 5-10 for each country). CLIs are calculated for 29 OECD countries and 9 zones. They are calculated in three forms: amplitude adjusted, trend-restored, and year-on-year growth rate. These are comparable, respectively, with the de-trended reference series, the original reference series and the year-on-year growth rate of the reference series. The press release focuses on the amplitude adjusted form of the CLI, and includes the major countries and zones.

Access to time series data and methodological information for OECD *Composite Leading Indicators* (CLI) and *Consumer and Business Confidence Indicators* is provided by the OECD Business Cycle Analysis Database available at the OECD web site at <http://stats.oecd.org/mei/default.asp?rev=2>

The **OECD-Total** covers the following 29 countries: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Spain, Sweden, Switzerland, Turkey, United Kingdom, and United States.

The **G7 area** covers Canada, France, Germany, Italy, Japan, United Kingdom and United States.

The **Euro area** (only Euro area countries that are members of OECD) covers the following 12 countries: Austria, Belgium, Finland, France, Germany, Greece, Italy, Ireland, Luxembourg, the Netherlands, Portugal, Slovak Republic and Spain.

The **Major Five Asia area** covers China, India, Indonesia, Japan and Korea.

This Press Release can be found on the OECD web page, see [OECD Internet Site](#)

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