

News Release

OECD Composite Leading Indicators signal continued positive outlook for major global economies

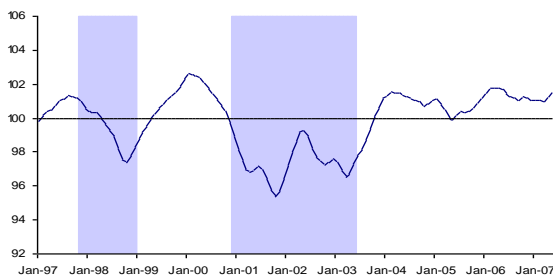
The latest composite leading indicators (CLIs) suggest that moderate economic expansion will continue in the OECD area. May 2007 data indicate an improved outlook for all the major seven economies except Italy. The latest data for major OECD non-member economies point to continued steady expansion in China, India and Brazil and an improved outlook for Russia.

The CLI for the **OECD area** rose 0.3 point in May and is at a similar level as noted a year ago. The CLI for the **United States** increased by 0.4 point in May and is 0.5 point higher than a year ago. The **Euro area's** CLI decreased by 0.1 point in May and stands 0.7 point lower than a year ago. In May 2007, the CLI for **Japan** rose by 0.4 point following four months of decreases which may put an end to the slowdown which sees the CLI still 2.4 points lower than a year ago.

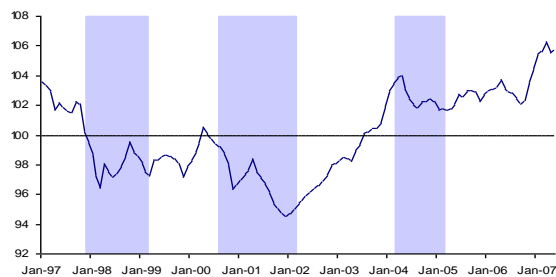
The CLI for the **United Kingdom** increased by 0.6 point in May and is 0.9 point higher than a year ago. The CLI for **Canada** increased by 0.3 point in May and the value stands 0.4 point higher than a year ago. For **France**, the CLI rose by 0.5 point in May, but is still slightly below its long-term average. The CLI for **Germany** rose by 0.2 point in May and although standing 0.6 point lower than a year ago is still well above its long-term average. For **Italy** the CLI fell by 0.6 point in May and is 2.1 points lower than a year ago.

The CLI for **China** rose 0.2 point in May 2007 and stands 2.5 points higher than a year ago. The CLI for **India** increased by 0.6 points in April and is 1.1 points higher than a year ago. The CLI for **Russia** rose by 0.6 point in May 2007, but the level is 4.6 points lower than a year ago. In May 2007 the CLI for **Brazil** increased by 1.5 points and stands 6.1 points higher than a year ago.

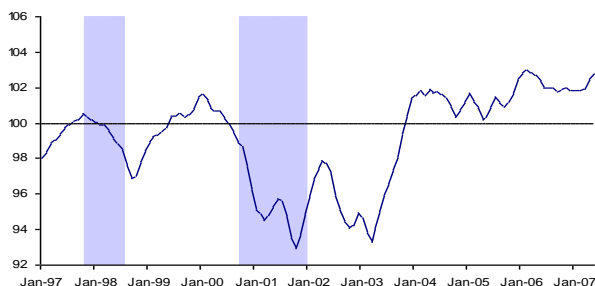
Moderate expansion in the OECD area



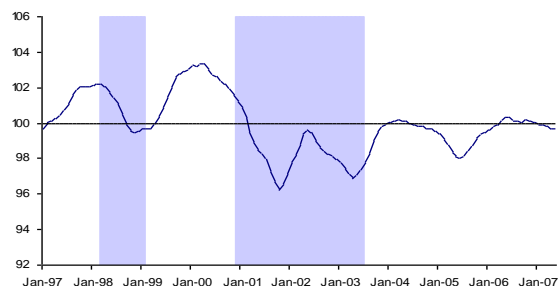
Strong expansion in China



Moderate expansion in the United States



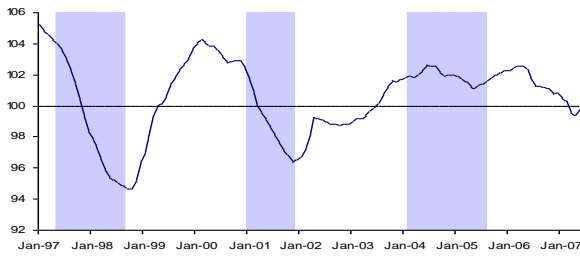
Possible downturn in the Euro area



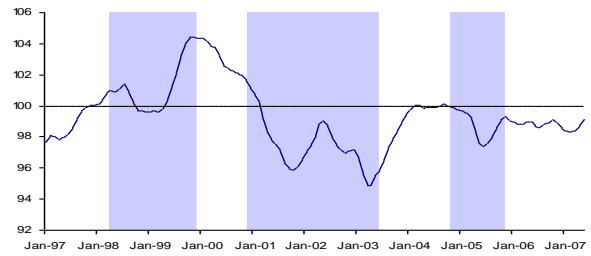
The above graphs show each countries growth cycle outlook based on the CLI which may signal turning points in economic activity approximately six months in advance. Shaded areas represent observed growth cycle downswings (measured from peak to trough) in the reference series (economic activity).



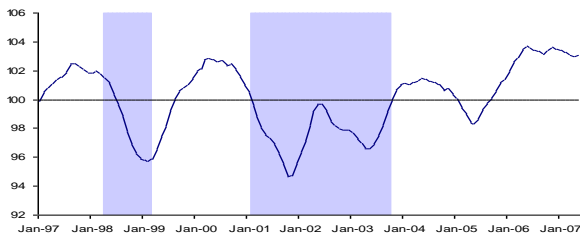
Downturn halted in Japan?



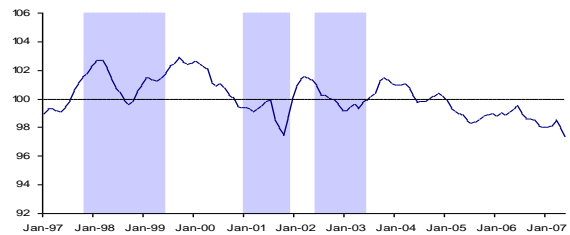
Slow recovery in France



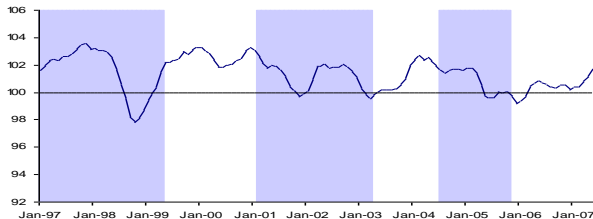
Continued expansion in Germany at a stable level well above its long-term average since April 2006.



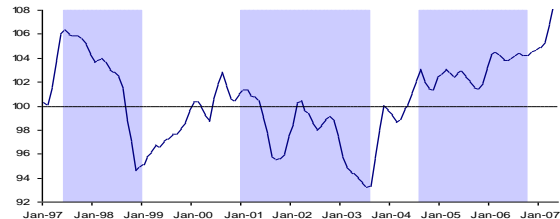
Continued slowdown in Italy, since January 2005



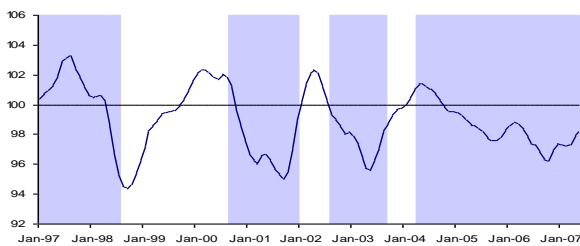
Slow expansion in the United Kingdom



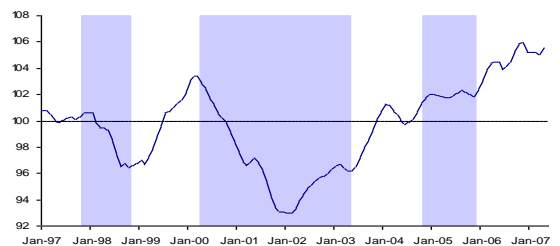
Accelerating expansion in Brazil



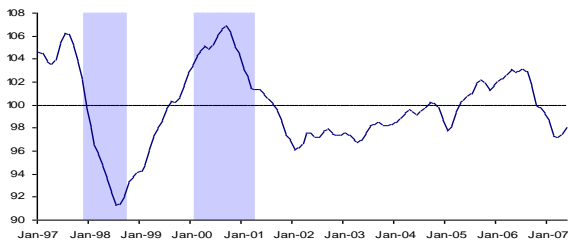
Continued recovery in Canada since October 2006



Strong expansion for India.



Slowdown halted in Russia?



The above graphs show each countries growth cycle outlook based on the CLI which may signal 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 (long-term average =100)					Change from previous month (point)					Change from same month a year ago (point)	Growth cycle Outlook**
	2007					2007						
	Jan	Feb	Mar	Apr	May	Jan	Feb	Mar	Apr	May	Latest month	
OECD area	101.1	101.1	101.0	101.3	101.6	0.0	0.0	0.0	0.3	0.3	-0.1	Moderate expansion
Euro area	99.9	99.9	99.9	99.7	99.7	-0.1	0.0	0.0	-0.2	-0.1	-0.7	Possible downturn
Major 5 Asia*	104.5	104.6	104.7	104.6	105.0	0.4	0.1	0.1	-0.1	0.4	1.6	Strong expansion
Major Seven	101.1	101.0	101.0	101.3	101.6	-0.1	0.0	0.0	0.3	0.3	-0.2	Moderate expansion
Canada	97.3	97.2	97.3	97.9	98.2	-0.1	-0.1	0.1	0.6	0.3	0.4	Moderate recovery
France	98.4	98.3	98.4	98.7	99.2	-0.1	0.0	0.1	0.3	0.5	0.2	Slow recovery
Germany	103.4	103.3	103.1	103.0	103.1	-0.1	-0.2	-0.2	-0.1	0.2	-0.6	Strong expansion
Italy	98.0	98.1	98.5	97.9	97.3	0.0	0.1	0.4	-0.6	-0.6	-2.1	Strong slowdown
Japan	100.5	100.3	99.5	99.4	99.8	-0.3	-0.2	-0.8	-0.1	0.4	-2.4	Downturn halted
United Kingdom	100.4	100.4	100.8	101.2	101.8	0.2	0.0	0.4	0.3	0.6	0.9	Slow expansion
United States	101.8	101.9	101.9	102.5	102.8	0.0	0.0	0.1	0.5	0.4	0.5	Moderate expansion
Brazil	104.9	105.4	106.9	108.6	110.1	0.2	0.5	1.5	1.7	1.5	6.1	Strong expansion
China	105.4	105.6	106.3	105.5	105.7	0.9	0.2	0.6	-0.7	0.2	2.5	Strong expansion
India	105.3	105.2	105.0	105.6		0.0	-0.1	-0.2	0.6		1.1	Strong expansion
Russia	98.6	97.3	97.2	97.5	98.2	-0.7	-1.3	-0.1	0.3	0.6	-4.6	Slowdown halted

* 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

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

	CLI Historical Performance				Recent confirmed cyclical turning point dates in reference series				
	Start date	Median	Mean	Standard deviation	Peak	Trough	Peak	Trough	Peak
OECD area	1965	5	5	3.8	Aug 2000	Dec 2001			
Euro area	1965	6	7	8.4	Dec 2000	May 2003			
Major Five Asia*	1995	4	6	6.3	Aug 2000	Feb 2002			
Major Seven	1965	5	5	4.5	Dec 2000	Nov 2001			
Canada	1966	6	6	8.0	Aug 2000	Dec 2001	Jul 2002p	Aug 2003p	Mar 2004p
France	1967	7	7	5.7	Nov 2000	May 2003	Oct 2004p	Oct 2005p	
Germany	1961	3	4	4.3	Feb 2001	Sep 2003			
Italy	1965	8	8	10.7	Dec 2000	Nov 2001	Jul 2002p	Jan 2005p	
Japan	1959	8	7	5.4	Dec 2000	Nov 2001	Jan 2004p	Jul 2005p	
United Kingdom	1972	7	7	5.0	Jan 2001	Jun 2002	Jun 2004p	Oct 2005p	
United States	1955	6	7	3.6	May 2000	Dec 2001			
Brazil	1979	4	5	4.5	Dec 2000	Jul 2003	Aug 2004p	Sep 2006p	
China	1983	4	6	6.5	Jul 2000	Feb 2002	Feb 2004p	Feb 2005p	
India	1995	1	1	0.8	Mar 2000	Apr 2003	Oct 2004p	Nov 2005p	
Russia	1994	10	7	9.3	Aug 2001	Dec 2002			

* China, India, Indonesia, Japan and Korea

p provisional (see Methodological Notes on next page)

Methodological Notes

The OECD CLI is designed to provide early signals of turning points (peaks and troughs) between upswings and downswings in the growth cycle of economic activity. The CLI is an instrument of analysis that has to be used carefully. Whilst it has a long-term average = 100, the CLI provides qualitative information on short-term economic movements rather than quantitative measures. Therefore, the main message of CLI movements over time is the direction up or down in the growth cycle where the cyclical phases are defined as follows: expansion – CLI increasing and above 100; downturn – CLI decreasing but above 100; slowdown – CLI decreasing and below 100; recovery – CLI increasing but below 100.

The CLIs are aggregated time series which summarise information contained in a number of key short-term economic indicators known to be linked to GDP, and have been compiled using a modified version of the method developed by the US National Bureau of Economic Research. The CLI comprises a set of component series selected from a wide range of key short-term economic indicators (224 in total, about 5-10 for each country). The component series selected are those known to provide an indication of future economic activity. They will also be suitable when changes in economic structures occur in future.

Cyclical turning points are directly captured in the (amplitude adjusted) de-trended or ratio to trend form of the CLI as compiled from its de-trended component series. The monthly change (point) of the CLI provides information on short-term movements while the change (point) from the same month previous year supplies short-term trend information (Table 1). In practice, turning points in industrial production or GDP have been found about six months (on average) after the signals of turning points had been detected in the CLI. The historical performance (lead/lag at turning points) of the CLIs for individual countries and areas are set out in Table 2.

In general, the monthly index of industrial production covering all industry sectors (IIP) is used as the reference series as a proxy measure for quarterly GDP, as historical turning points of IIP have coincided with those of GDP for most OECD countries. Recent confirmed turning points in the reference series are set out in Table 2, where the most recent ones are noted provisional until they have been verified against those of the quarterly GDP. This is done in order to ensure consistency between the final reference chronology and GDP

Access to time series data and methodological information for OECD *Composite Leading Indicators* (CLI), *standardised consumer and business confidence indicators*, *business tendency survey indicators* by sector and *consumer opinion survey 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** covers the following 12 countries: Austria, Belgium, Finland, France, Germany, Greece, Italy, Ireland, Luxembourg, the Netherlands, Portugal, and Spain.

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

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