

OECD Composite Leading Indicators signal intensified slowdown in the OECD area

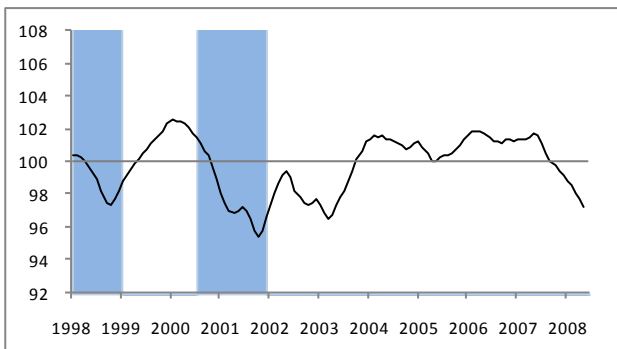
The latest composite leading indicators (CLIs) point strongly to a slowdown in economic activity in the OECD area. May 2008 data indicate a continued weakening outlook for all the major seven economies, except Japan and Italy. The latest data for major OECD non-member economies tentatively point to expansion in China but a downturn in Brazil and India and continued expansion in Russia.

The CLI for the **OECD area** decreased by 0.5 point in May 2008 and was 4.6 points lower than in May 2007. The CLI for the **United States** fell by 0.4 point in May and it was 4.9 points lower than a year ago. The **Euro area's** CLI decreased by 0.5 point in May and stood 4.3 points lower than a year ago. In May, the CLI for **Japan** increased by 0.5 point, but it was 4.9 points lower than a year ago.

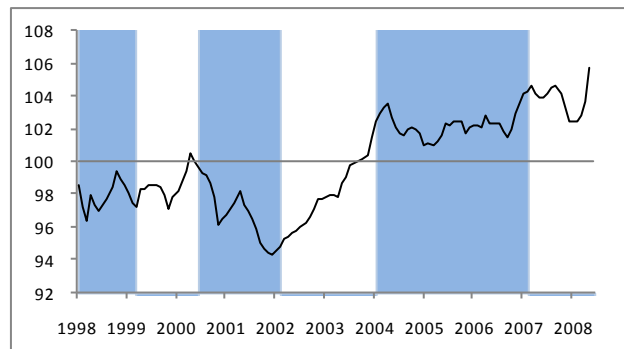
The CLI for the **United Kingdom** fell by 0.5 point in May 2008 and it was 3.8 points lower than a year ago. The CLI for **Canada** decreased by 0.8 point in May and was 3.0 points lower than a year ago. For **France**, the CLI decreased by 0.6 point in May and was 4.2 points lower than a year ago. The CLI for **Germany** fell by 0.4 point in May and was 4.4 points lower than a year ago. For **Italy**, the CLI increased by 0.2 point in May but stood 3.3 points lower than a year ago.

The CLI for **China** was up by 2.0 points in May 2008 and stood 1.9 point higher than a year ago. The CLI for **India** fell by 0.7 point in April 2008 and was 4.1 points lower than in April 2007. The CLI for **Russia** increased by 0.9 point in April, and its level was 2.9 points higher than a year ago. In May 2008 the CLI for **Brazil** increased by 0.1 point, but it was 1.6 point lower than a year ago.

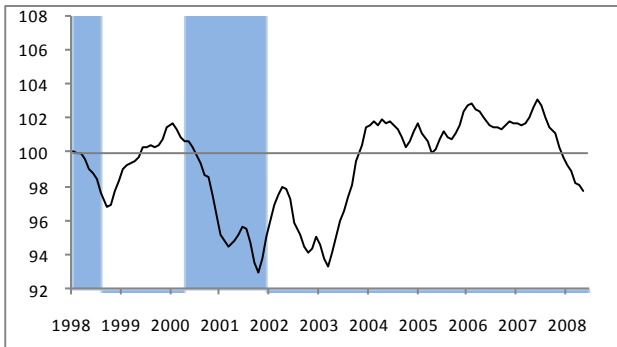
Slowdown in the OECD area



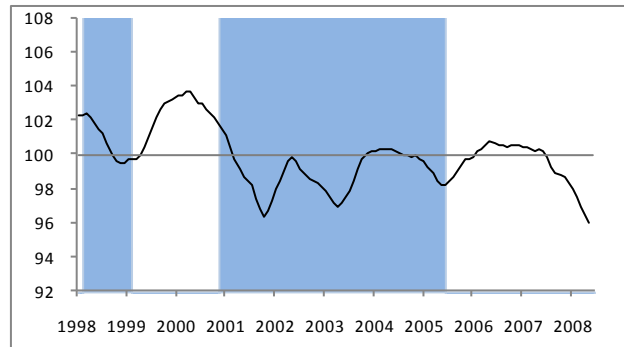
Signs of expansion in China



Slowdown in the United States

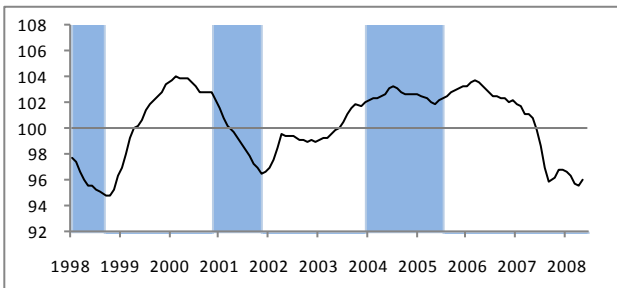


Slowdown in the Euro area

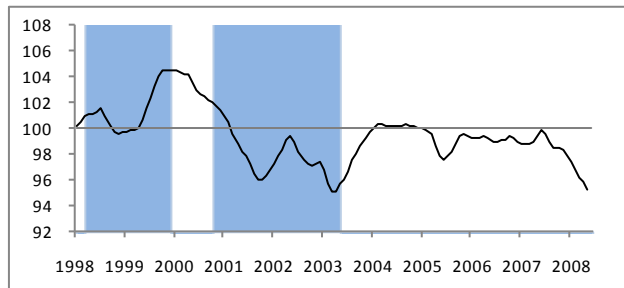


The above graphs show each country's growth cycle outlook based on the CLI, which attempts to indicate turning points in economic activity approximately six months in advance. The above graphs show each country's growth cycle outlook based on the CLI which may signal turning points in economic activity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

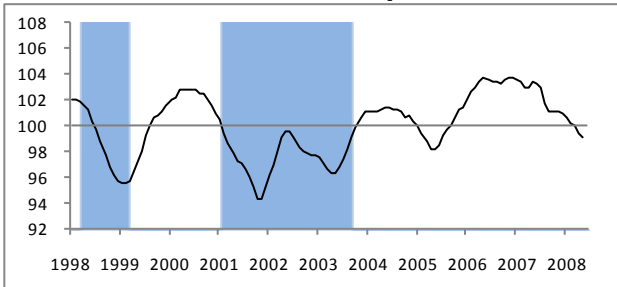
Slowdown in Japan



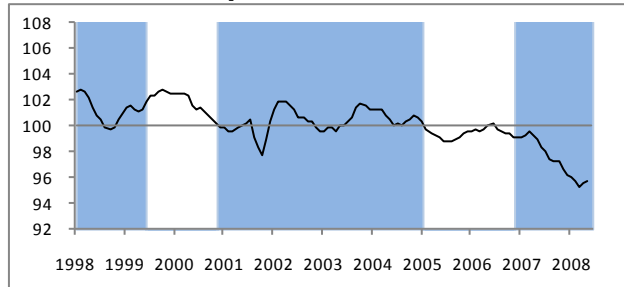
Slowdown in France



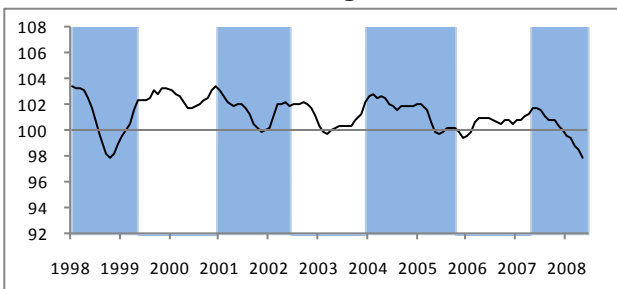
Moderate slowdown in Germany



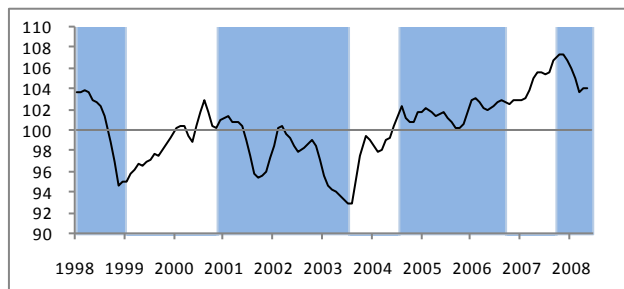
Slowdown in Italy



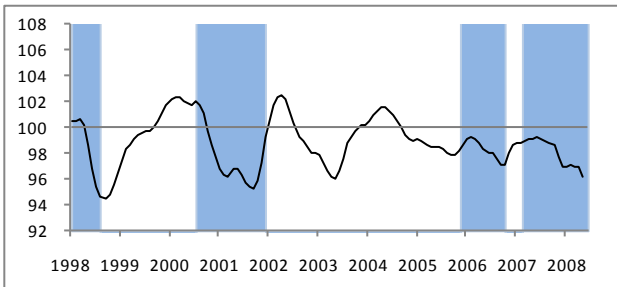
Slowdown in the United Kingdom



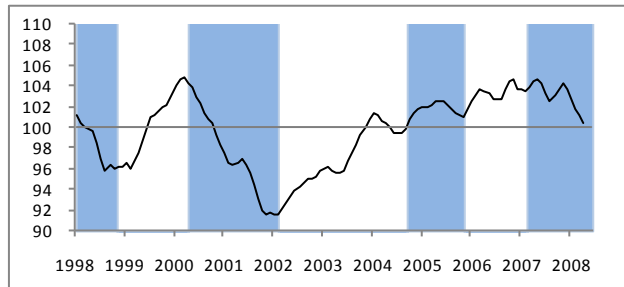
Downturn in Brazil



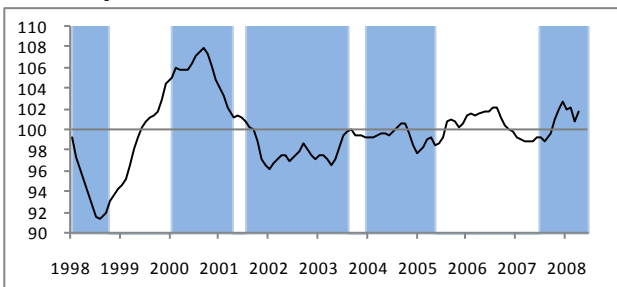
Slowdown in Canada



Downturn in India



Slow expansion 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 downturns (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 (points)					Year on Year change (points)	Growth cycle outlook**
	2008					2008						
	Jan	Feb	Mar	Apr	May	Jan	Feb	Mar	Apr	May		
OECD Area	98.8	98.6	98.1	97.7	97.2	-0.3	-0.2	-0.5	-0.4	-0.5	-4.6	slowdown
Euro Area	98.0	97.5	96.9	96.4	96.0	-0.3	-0.5	-0.6	-0.5	-0.5	-4.3	slowdown
Major Five Asia*	101.9	101.8	101.6	101.8	103.0	-0.1	-0.1	-0.1	0.2	1.2	-0.8	signs of expansion
Major Seven	98.6	98.3	97.7	97.5	97.3	-0.4	-0.3	-0.5	-0.2	-0.3	-4.6	slowdown
Canada	96.9	97.0	96.9	96.8	96.1	0.1	0.0	0.0	-0.1	-0.8	-3.0	slowdown
France	97.4	96.8	96.2	95.8	95.2	-0.5	-0.6	-0.6	-0.4	-0.6	-4.2	slowdown
Japan	96.5	96.2	95.7	95.4	95.9	-0.2	-0.3	-0.6	-0.3	0.5	-4.9	slowdown
Germany	100.6	100.2	99.9	99.5	99.0	-0.3	-0.5	-0.2	-0.5	-0.4	-4.4	moderate slowdown
Italy	95.9	95.7	95.2	95.4	95.6	-0.2	-0.2	-0.5	0.2	0.2	-3.3	slowdown
United Kingdom	99.6	99.4	98.8	98.4	97.9	-0.4	-0.1	-0.7	-0.4	-0.5	-3.8	slowdown
United States	99.2	98.9	98.3	98.1	97.7	-0.5	-0.3	-0.6	-0.2	-0.4	-4.9	slowdown
Brazil	105.9	105.1	103.7	104.0	104.1	-0.8	-0.9	-1.4	0.3	0.1	-1.6	downturn
China	102.4	102.5	102.8	103.7	105.8	-0.1	0.1	0.3	0.9	2.0	1.9	signs of expansion
India	102.8	101.8	101.2	100.4		-0.9	-1.0	-0.6	-0.7		-4.1	downturn
Russia	102.0	102.2	100.8	101.7		-0.8	0.2	-1.4	0.9		2.9	slow expansion

* 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 Turning Point dates in the reference series					
	Lead (+) / Lag (-) at all turning points				Dates marked with (P) are provisional turning points					
	start year	median	mean	st. dev.	peak	trough	peak	trough	peak	trough
OECD Area	1965	5	5	3.8	Aug 2000	Dec 2001				
Euro Area	1965	6	7	8.4	Dec 2000			May 2005 P		
Major Five Asia*	1995	4	6	6.3	Aug 2000	Feb 2002			Jun 2007 P	
Major Seven	1965	5	5	4.5	Dec 2000	Nov 2001				
Canada	1966	6	6	8.0	Aug 2000	Dec 2001	Dec 2005	Sep 2006 P	Mar 2007 P	
France	1967	7	7	5.7	Nov 2000	May 2003				
Japan	1959	8	7	5.4	Dec 2000	Nov 2001	Jan 2004	Jul 2005 P		
Germany	1961	3	4	4.3	Feb 2001	Sep 2003 P				
Italy	1965	8	8	10.7	Dec 2000			Jan 2005 P	Dec 2006 P	
United Kingdom	1972	7	7	5.0	Jan 2001	Jun 2002	Jan 2004 P	Oct 2005 P	May 2007 P	
United States	1955	6	7	3.6	May 2000	Dec 2001				
Brazil	1979	4	5	4.5	Dec 2000	Jul 2003	Aug 2004	Sep 2006 P	Oct 2007 P	
China	1983	4	6	6.5	Jul 2000	Feb 2002	Feb 2004 P	Feb 2007 P		
India	1995	1	1	0.8	May 2000	Feb 2002	Oct 2004 P	Nov 2005 P	Mar 2007 P	
Russia	1994	10	7	9.3	Aug 2001	Aug 2003	Jan 2004 P	May 2005 P	Jul 2007 P	

* 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. They have been compiled using a modified version of the method developed by the US National Bureau of Economic Research. The CLI system comprises a set of component series selected from a wide range of economic indicators all sharing the common property of indicating swings in future economic activity (224 series are used in total, about 5-10 for each country).

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 for the reference series as a proxy measure for quarterly GDP, because 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** (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, and Spain.

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

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