

OECD Composite Leading Indicators signal a downswing in all major OECD economies

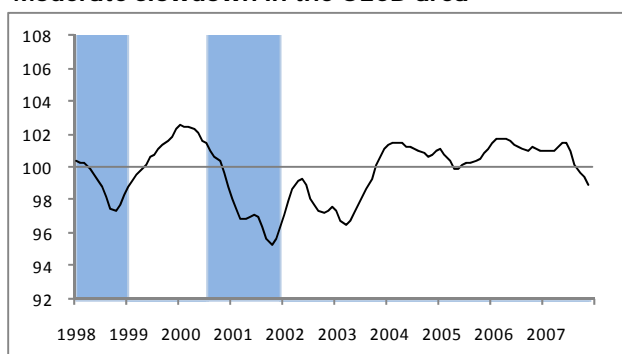
The latest composite leading indicators (CLIs) suggest that a moderate slowdown in economic activity lies ahead in the OECD area. November 2007 data indicate a slowdown in all major seven economies except the United States, Germany and the United Kingdom where only a downturn is observed. The latest data for major OECD non-member economies point to continued steady expansion in China and Brazil, improved performance in Russia but a weakening outlook for India.

The CLI for the **OECD area** decreased by 0.5 point in November 2007 and is 2.2 points lower than a year ago. The CLI for the **United States** fell by 0.8 point in November and it is 1.5 point lower than a year ago. The **Euro area's** CLI decreased by 0.3 point in November and stands 2.3 points lower than a year ago. In November, the CLI for **Japan** fell by 0.2 point, and it is 6.3 points lower than a year ago. The "dwellings started" component of the CLI for Japan reflects a backlog due to administrative changes in the Building Standard Law, and it explains part of the large fall in the CLI. The CLI for Japan shows, however, the same tendency even when the effect of this component is filtered out.

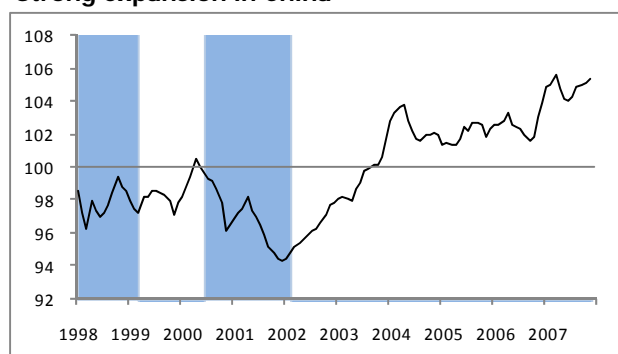
The CLI for the **United Kingdom** decreased by 0.6 point in November 2007 and it is 0.4 point lower than a year ago. The CLI for **Canada** decreased 0.7 point in November and is at the same level as a year ago. For **France**, the CLI decreased by 0.1 point in November and is 1.2 point lower than a year ago. The CLI for **Germany** fell by 0.2 point in November and it is 3.0 points lower than a year ago. For **Italy** the CLI decreased by 0.4 point in November and it stands 2.7 points lower than a year ago.

The CLI for **China** increased by 0.2 point in November 2007 and stands 2.3 points higher than a year ago. The CLI for **India** rose by 0.9 points in October 2007 but it is 0.4 points lower than a year ago. The CLI for **Russia** fell by 0.4 point in November, but its level is 0.9 points higher than a year ago. In November 2007 the CLI for **Brazil** rose by a revised 1.0 point and stands 6.3 points higher than a year ago.

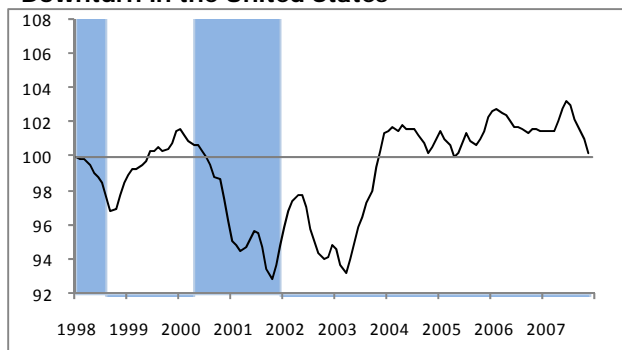
Moderate slowdown in the OECD area



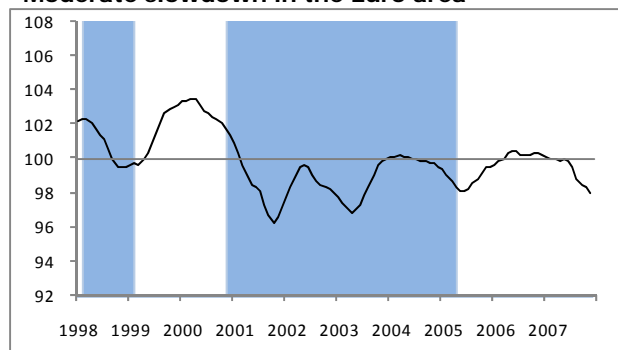
Strong expansion in China



Downturn in the United States

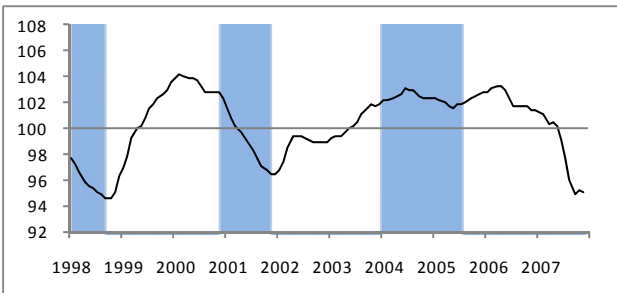


Moderate slowdown in the Euro area

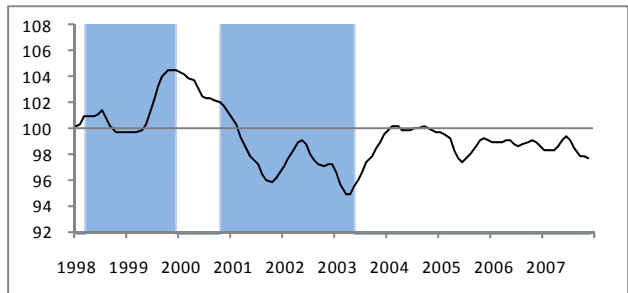


The above graphs show each country's growth cycle outlook based on the CLI which may signal turning points in economic activity approximately six months in advance. Shaded areas represent observed growth cycle downturns (measured from peak to trough) in the reference series (economic activity).

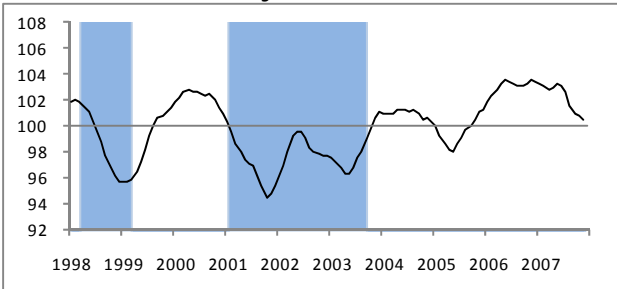
Slowdown in Japan



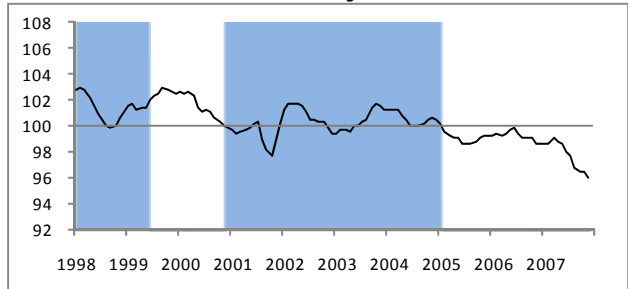
Moderate slowdown in France



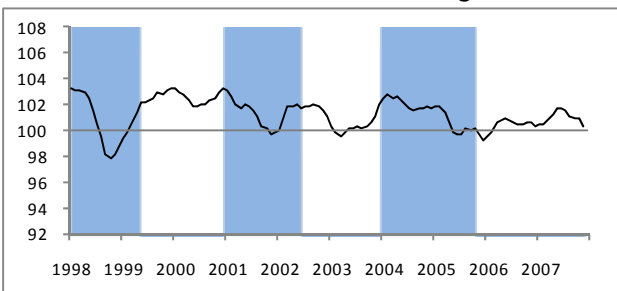
Downturn in Germany



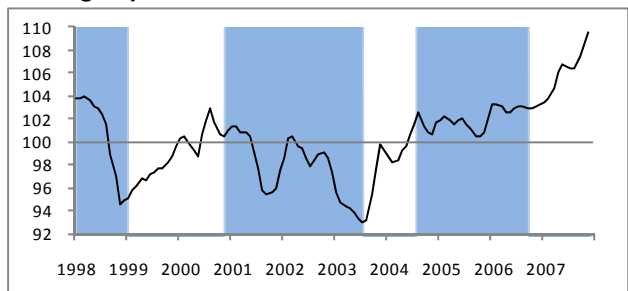
Continued slowdown in Italy



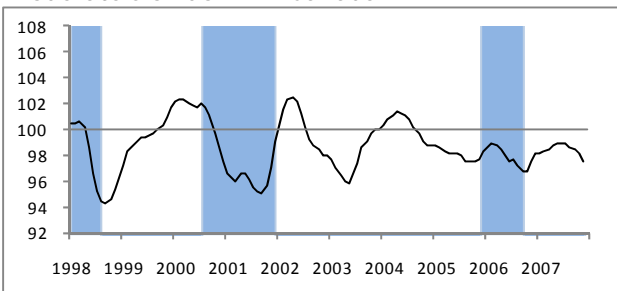
Moderate downturn in the United Kingdom



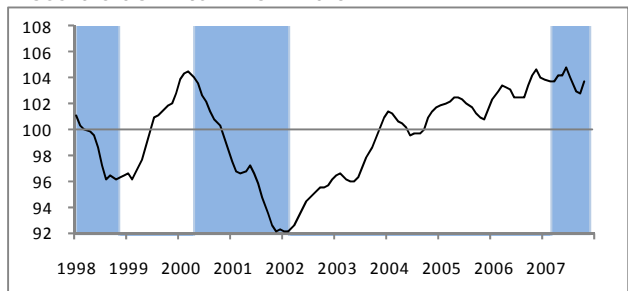
Strong expansion in Brazil



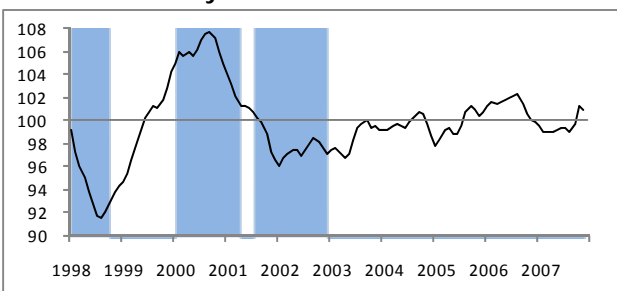
Moderate slowdown in Canada



Possible downturn for India



Possible recovery 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 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 (point)					Year on Year change (point)	Growth cycle outlook**
	2007					2007						
	Jul	Aug	Sep	Oct	Nov	Jul	Aug	Sep	Oct	Nov		
OECD Area	101.0	100.2	99.7	99.5	99.0	-0.5	-0.8	-0.5	-0.2	-0.5	-2.2	moderate slowdown
Euro Area	99.6	98.9	98.4	98.3	98.1	-0.3	-0.7	-0.5	-0.1	-0.3	-2.3	moderate slowdown
Major Five Asia*	103.0	102.5	102.4	102.7	102.8	-0.5	-0.5	-0.1	0.3	0.1	-0.5	moderate downturn
Major Seven	101.3	100.4	99.7	99.5	98.9	-0.4	-0.9	-0.6	-0.3	-0.6	-2.3	moderate slowdown
Canada	98.8	98.7	98.5	98.2	97.5	-0.1	-0.2	-0.2	-0.3	-0.7	0.0	moderate slowdown
France	99.2	98.4	97.9	97.8	97.7	-0.2	-0.7	-0.5	-0.1	-0.1	-1.2	moderate slowdown
Japan	97.7	95.9	95.0	95.3	95.0	-1.4	-1.8	-1.0	0.3	-0.2	-6.3	slowdown
Germany	102.7	101.6	101.0	100.8	100.6	-0.4	-1.2	-0.6	-0.2	-0.2	-3.0	downturn
Italy	97.6	96.8	96.3	96.4	96.0	-0.4	-0.9	-0.4	0.0	-0.4	-2.7	slowdown
United Kingdom	101.5	101.1	100.9	100.9	100.3	-0.1	-0.5	-0.2	0.0	-0.6	-0.4	moderate downturn
United States	102.9	102.2	101.5	100.9	100.1	-0.3	-0.8	-0.7	-0.5	-0.8	-1.5	downturn
Brazil	106.3	106.4	107.4	108.5	109.5	-0.2	0.0	1.0	1.1	1.0	6.3	strong expansion
China	104.2	104.8	105.0	105.0	105.3	0.2	0.6	0.2	0.1	0.2	2.3	strong expansion
India	104.0	102.9	102.8	103.7		-0.8	-1.1	-0.1	0.9		-0.4	possible downturn
Russia	99.4	99.1	99.8	101.4	101.0	-0.1	-0.3	0.7	1.6	-0.4	0.9	possible recovery

* 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			Mar 2005 P		
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	Dec 2005	Sep 2006 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		
United Kingdom	1972	7	7	5.0	Jan 2001	Jun 2002	Jan 2004 P	Oct 2005 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		
China	1983	4	6	6.5	Jul 2000	Feb 2002				
India	1995	1	1	0.8	May 2000	Feb 2002			Mar 2007 P	
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. 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** (not including Slovenia) 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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