Paris, 8 June 2009
OECD Composite Leading Indicators
News Release

Composite Leading Indicators point to an easing pace of deterioration in some major economies

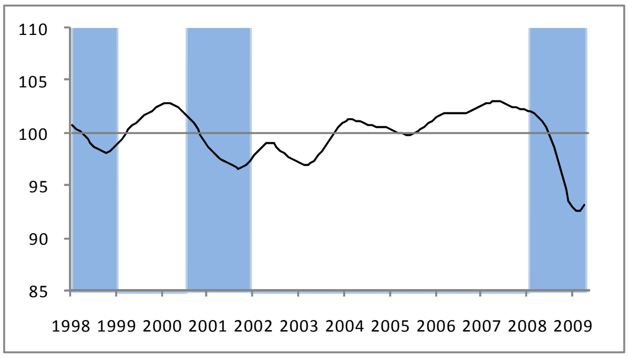
While is still too early to assess whether it is a temporary or a more durable turning point, OECD composite leading indicators (CLIs) for April 2009 point to a reduced pace of deterioration in most of the OECD economies with stronger signals of a possible trough in Canada, France, Italy and the United Kingdom. The signals remain tentative but they are present in the majority of the CLI component series for these countries. Compared to last month, positive signals are also emerging in Germany, Japan and the United States. However, major non-OECD economies still face deteriorating conditions, with the exception of China and India, where tentative signs of a trough have also emerged.

The CLI for the **OECD area** increased by 0.5 point in April 2009 but was 8.3 points lower than in April 2008. The CLI for the **United States** increased by 0.2 point in April but was 10.8 points lower than a year ago. The **Euro area's** CLI increased by 0.8 point in April but stood 6.3 points lower than a year ago. In April, the CLI for **Japan** increased by 0.1 point but was 11.9 points lower than a year ago.

The CLI for the **United Kingdom** increased by 0.7 point in April 2009 but was 4.2 points lower than a year ago. The CLI for **Canada** increased by 0.4 point in April but was 7.6 points lower than a year ago. For **France,** the CLI increased by 1.2 point in April but was 1.2 point lower than a year ago. The CLI for **Germany** increased by 0.1 point in April but was 13.4 points lower than a year ago. For **Italy,** the CLI increased by 2.1 points in April but stood 0.6 point lower than a year ago.

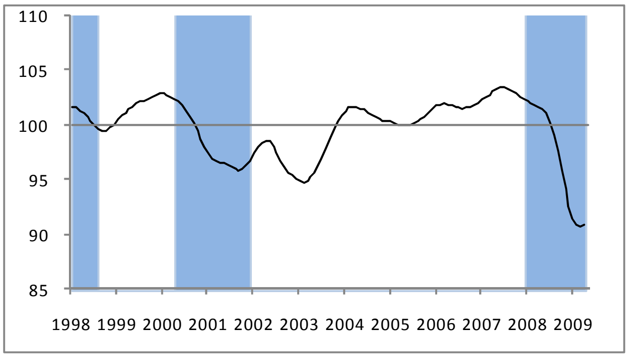
The CLI for **China** increased 0.9 point in April 2009 but was 8.3 points lower than a year ago. The CLI for **India** increased by 0.4 point in April 2009 but was 7.9 points lower than in April 2008. The CLI for **Russia** decreased by 0.3 point in April and was 21.3 points lower than a year ago. In April 2009 the CLI for **Brazil** decreased by 0.7 point and was 12.8 points lower than a year ago.

Possible trough in the OECD area

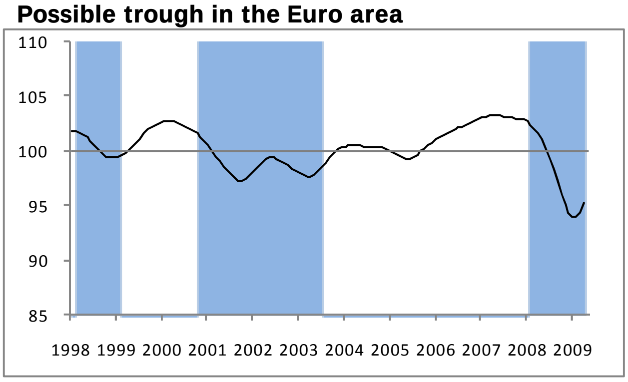


Possible trough in China

Slowdown in the United States

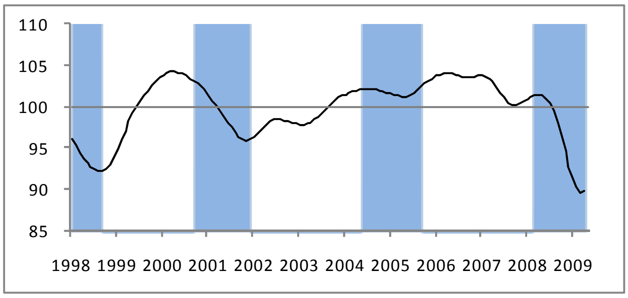


Possible trough in the Euro area



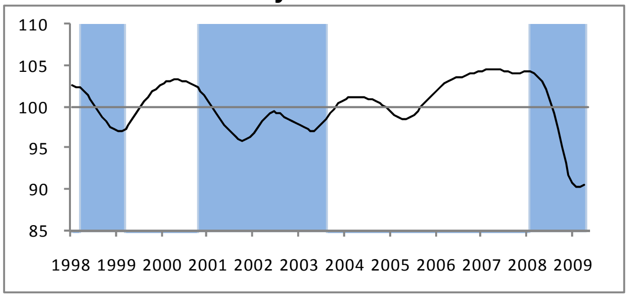
The above graphs show each country's growth cycle outlook based on the CLI which attempts to indicate turning points in economic activity approximately six months in advance. Shaded areas represent observed growth cycle downswings (measured from peak to trough) in the reference series (economic activity).

Slowdown in Japan



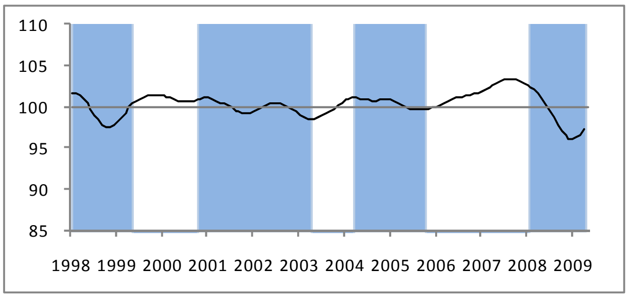
Possible trough in France

Slowdown in Germany

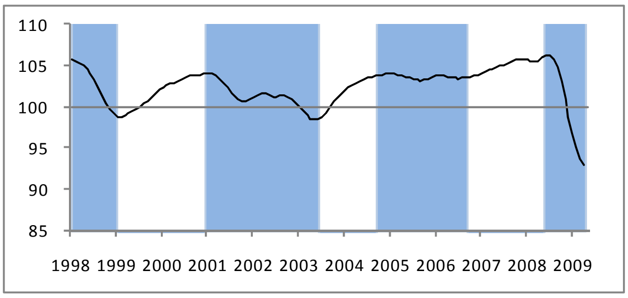


Possible trough in Italy

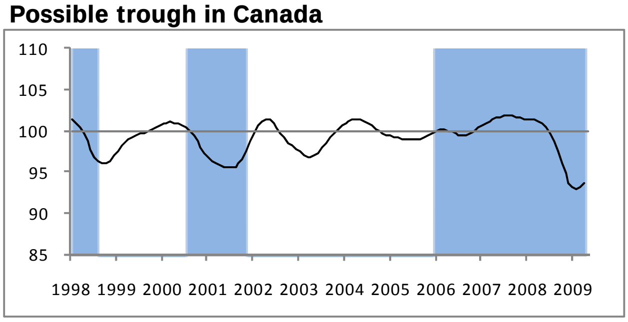
Possible trough in the United Kingdom



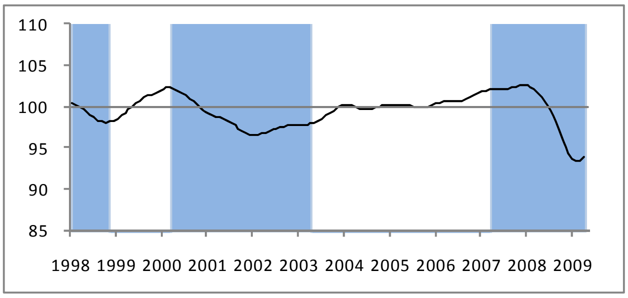
Strong slowdown in Brazil



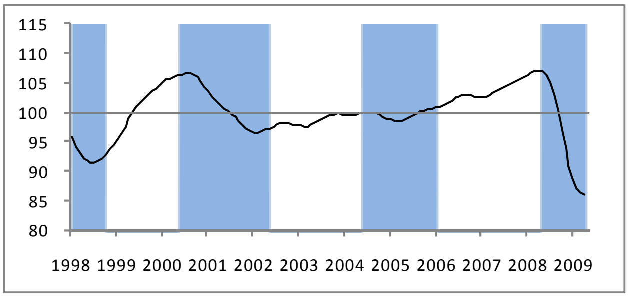
Possible trough in Canada



Slowdown in India



Strong 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).

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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	2009				2008	2009				Latest month	
	Dec	Jan	Feb	Mar	Apr	Dec	Jan	Feb	Mar	Apr		
OECD Area	93.6	92.9	92.6	92.7	93.2	-1.1	-0.7	-0.3	0.1	0.5	-8.3	possible trough
Euro Area	94.3	94.0	94.0	94.5	95.3	-0.7	-0.3	0.0	0.4	0.8	-6.3	possible trough
Major Five Asia*	93.0	92.4	92.3	92.7	93.3	-1.1	-0.6	0.0	0.3	0.7	-8.9	possible trough
Major Seven	93.3	92.5	92.0	92.0	92.4	-1.2	-0.8	-0.4	0.0	0.4	-9.2	slowdown
Canada	93.8	93.2	93.0	93.2	93.6	-1.0	-0.6	-0.2	0.2	0.4	-7.6	possible trough
France	96.0	96.2	96.7	97.8	99.0	-0.1	0.2	0.5	1.1	1.2	-1.2	possible trough
Japan	92.6	91.3	90.2	89.4	89.5	-1.9	-1.3	-1.1	-0.8	0.1	-11.9	slowdown
Germany	91.7	90.8	90.3	90.2	90.3	-1.5	-1.0	-0.5	-0.1	0.1	-13.4	slowdown
Italy	95.3	95.7	96.3	97.3	99.4	0.0	0.4	0.6	1.0	2.1	-0.6	possible trough
United Kingdom	96.2	96.1	96.3	96.7	97.4	-0.3	-0.1	0.1	0.4	0.7	-4.2	possible trough
United States	92.6	91.5	90.9	90.7	90.9	-1.5	-1.1	-0.6	-0.2	0.2	-10.8	slowdown
Brazil	98.8	96.7	95.0	93.6	92.9	-2.2	-2.1	-1.7	-1.4	-0.7	-12.8	strong slowdown
China	92.5	92.2	92.6	93.4	94.3	-1.0	-0.3	0.4	0.8	0.9	-8.3	possible trough
India	94.4	93.8	93.6	93.5	93.9	-0.9	-0.6	-0.3	-0.1	0.4	-7.9	slowdown
Russia	90.7	88.4	87.0	86.2	85.9	-2.9	-2.2	-1.5	-0.8	-0.3	-21.3	strong 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

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

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