

News Release ([last issue focusing on the trend restored CLI¹](#))

OECD Composite Leading Indicators signal a weakening outlook for most major global economies

The latest composite leading indicators (CLIs) suggest that a moderation in economic expansion lies ahead in the OECD area. August 2007 data show weakening performance in the CLI's six month rate of change in all the major seven economies. The latest data for major OECD non-member economies point to moderating expansion in China, India and Brazil, but an improved outlook for Russia.

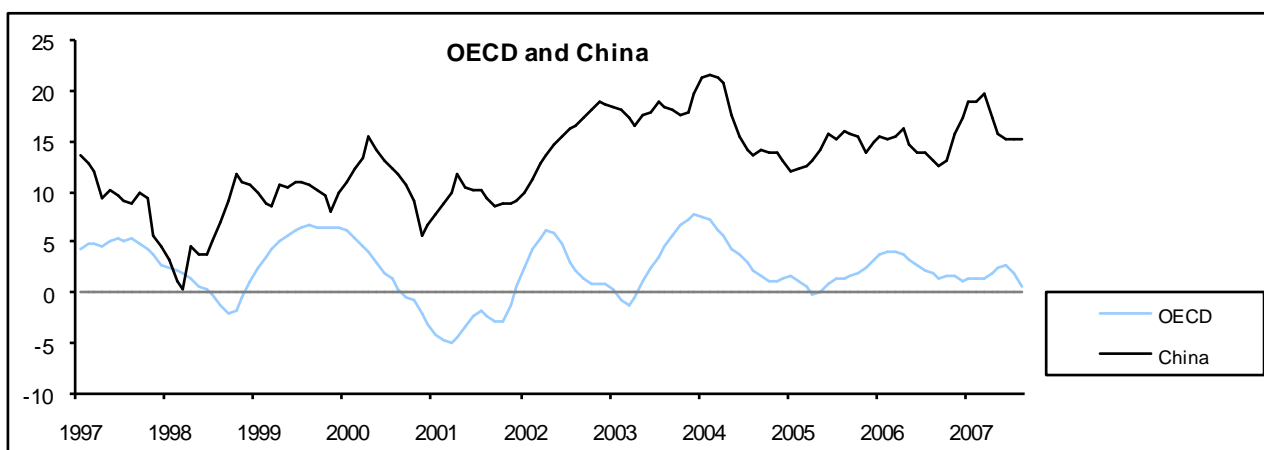
The CLI for the **OECD area** decreased 0.6 point in August to 109.6 from 110.2 in July and its six-month rate of change decreased for the second month in a row.

The CLI for the **United States** fell by 0.7 point in August and its six-month rate of change decreased for the second time after a sequence of increases over the previous six months. The **Euro area's** CLI decreased by 0.5 point in August and its six-month rate of change has a downward trend since June 2006. In August 2007, the CLI for **Japan** fell by 0.8 point and its six-month rate of change has a downward trend since April 2006.

The CLI for the **United Kingdom** fell by 0.6 point in August and its six-month rate of change decreased for the second consecutive month. The CLI for **Canada** decreased by 0.2 point in August and its six-month rate of change decreased for the second month in a row. For **France**, the CLI fell by 0.7 point in August and its six-month rate of change decreased for the second consecutive month. The CLI for **Germany** fell by 0.9 point in August and its six-month rate of change decreased for the third month in a row. For **Italy** the CLI fell by 1.0 point in August while its six-month rate of change has had a downward trend since July 2006.

The CLI for **China** rose by 3.5 points in August 2007 and its six-month rate of change continues to stay well above long term growth rate level. The CLI for **India** decreased 0.5 point in July and its six-month rate of change decreased for the first time following increases over the previous three months. The CLI for **Russia** rose by 0.3 point in August 2007. Its six-month rate of change has also increased for six consecutive months. In August 2007 the CLI for **Brazil** increased by 0.4 point but its six-month rate of change decreased for the third consecutive month.

Charts: Trend restored CLI (annualised 6-month rate of change)
Percentage change



¹ Starting from November 2007 the CLI news release will focus on the amplitude adjusted form of the CLI, see: <http://www.oecd.org/dataoecd/17/38/39430336.pdf>

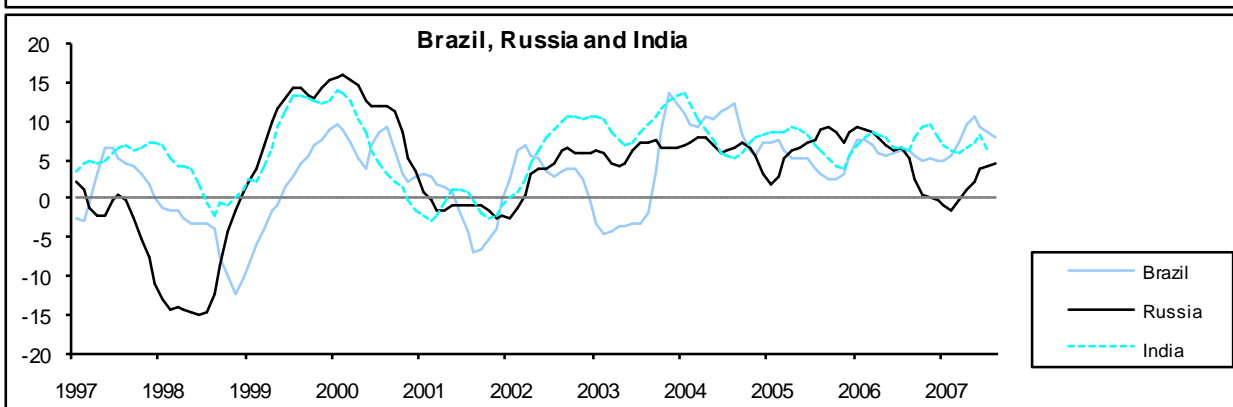
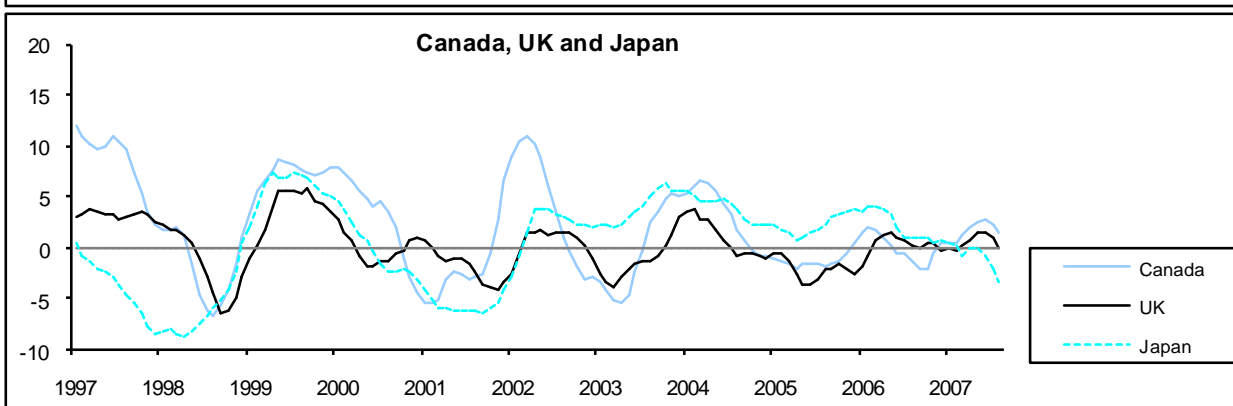
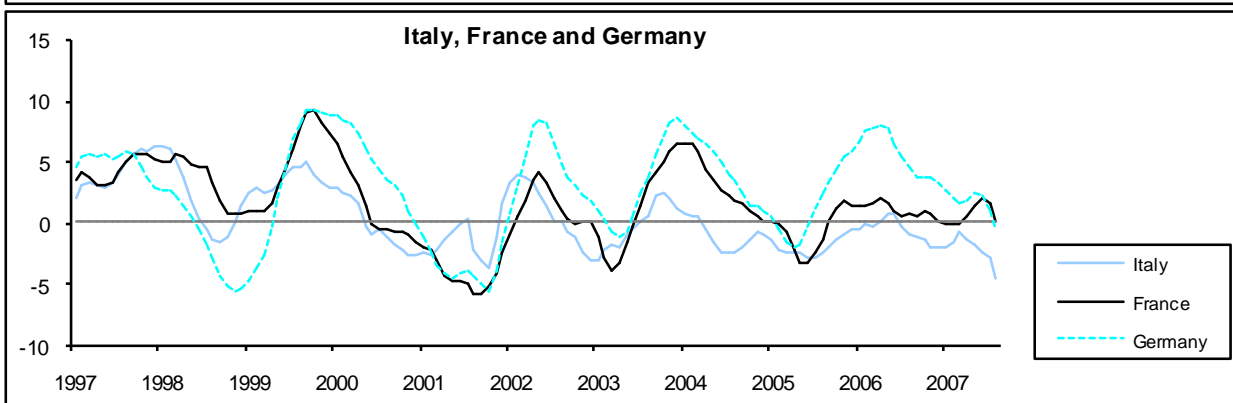
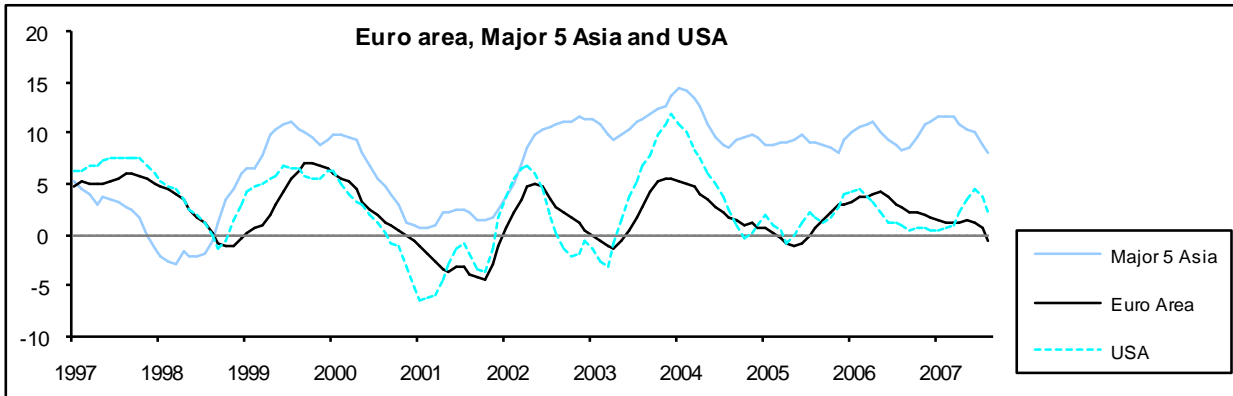


Table 1: Trend restored Composite Leading Indicators

	2006					2007							
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
OECD Area	108.2	108.3	108.6	108.8	108.8	109.0	109.1	109.2	109.7	110.2	110.4	110.2	109.6
EU 15	105.4	105.5	105.7	105.8	105.8	105.9	105.9	106.1	106.2	106.5	106.5	106.2	105.7
Euro Area	107.0	107.0	107.3	107.5	107.5	107.6	107.6	107.7	107.8	108.1	108.1	107.8	107.3
Major Seven	104.8	104.7	105.0	105.1	105.1	105.1	105.2	105.2	105.7	106.2	106.5	106.3	105.5
Canada	97.9	97.5	97.5	98.3	98.8	98.8	98.8	99.1	99.5	99.8	100.0	99.8	99.6
France	101.5	101.6	101.9	101.8	101.5	101.4	101.4	101.5	101.8	102.3	102.7	102.6	101.9
Germany	114.2	114.3	114.8	115.2	115.4	115.5	115.4	115.4	115.7	116.3	116.4	115.9	115.0
Italy	95.2	95.1	94.9	94.5	94.5	94.4	94.4	94.7	94.4	94.1	93.5	93.1	92.1
Japan	106.6	106.8	106.9	106.8	107.1	106.9	107.0	106.4	106.7	106.7	106.2	105.5	104.7
United Kingdom	96.6	96.5	96.7	96.7	96.4	96.5	96.5	96.9	97.1	97.5	97.6	97.4	96.8
United States	106.1	106.0	106.2	106.4	106.4	106.5	106.6	106.8	107.5	108.4	109.1	109.0	108.3
Major Five Asia*	162.5	163.9	165.9	168.2	170.0	171.9	173.3	174.8	175.7	176.7	177.7	178.3	178.9
Brazil	125.5	125.7	126.0	126.8	127.4	127.9	128.8	130.4	132.6	134.0	134.1	134.4	134.8
China	226.7	228.5	231.6	237.0	241.8	246.7	249.9	254.2	255.0	256.3	258.9	262.0	265.5
India	145.4	147.3	149.2	150.6	150.4	150.9	151.2	151.8	152.9	154.1	155.8	155.3	
Russia	137.2	135.9	134.8	135.0	135.1	134.7	134.3	135.4	136.3	137.3	138.5	139.0	139.3

* China, India, Indonesia, Japan and Korea

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 (If data does not load please click Refresh)

Table 2: Six-month rate of change of the trend restored CLI (annualised)
Percentage change

	2006					2007							
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
OECD Area	1.8	1.5	1.7	1.6	1.2	1.3	1.3	1.3	1.9	2.5	2.7	2.0	0.7
EU 15	2.2	1.8	1.9	1.8	1.4	1.2	1.0	1.0	1.0	1.3	1.2	0.6	-0.5
Euro Area	2.6	2.2	2.2	2.0	1.8	1.5	1.3	1.2	1.1	1.3	1.1	0.5	-0.6
Major Seven	1.0	0.6	0.8	0.7	0.5	0.4	0.5	0.5	1.3	2.1	2.5	1.8	0.2
Canada	-1.3	-2.1	-2.1	-0.5	0.4	0.4	0.6	1.1	2.1	2.5	2.7	2.1	1.4
France	0.7	0.6	1.0	0.6	0.0	-0.2	-0.2	-0.1	0.4	1.4	2.0	1.5	0.1
Germany	4.5	3.8	3.8	3.7	3.3	2.7	2.1	1.5	1.7	2.4	2.1	1.0	-0.5
Italy	-1.0	-1.2	-1.4	-2.0	-1.9	-2.0	-1.6	-0.8	-1.4	-1.7	-2.5	-2.8	-4.5
Japan	1.0	0.9	0.9	0.4	0.7	0.3	0.3	-0.8	-0.1	-0.1	-0.9	-2.1	-3.4
United Kingdom	0.3	0.1	0.4	0.4	-0.4	-0.1	-0.3	0.3	0.7	1.5	1.5	1.1	-0.1
United States	1.0	0.4	0.7	0.7	0.3	0.5	0.7	1.0	2.2	3.5	4.4	3.8	2.1
Major Five Asia*	8.4	8.7	9.6	10.8	11.2	11.7	11.6	11.7	10.9	10.4	10.0	9.0	8.0
Brazil	6.1	5.4	4.9	5.1	4.9	5.0	5.6	7.3	9.6	10.5	9.2	8.4	7.7
China	13.1	12.5	13.2	15.7	17.5	19.0	19.0	19.8	17.5	15.9	15.4	15.3	15.4
India	6.3	7.9	9.2	9.6	7.7	7.0	6.3	5.9	6.5	7.0	8.1	6.2	
Russia	5.2	2.5	0.4	0.1	-0.3	-1.1	-1.8	-0.3	1.0	2.2	3.8	4.1	4.4

* China, India, Indonesia, Japan and Korea

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Methodological Notes

The OECD CLI is designed to provide early signals of turning points (peaks and troughs) between expansions and slowdowns of economic activity. The CLI is an instrument of analysis that has to be used carefully. It 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 rather than levels.

The OECD uses the six-month rate of change of the CLI as a pointer to possible turning points. This rate is calculated on the trend restored CLI and thus includes long-term growth rate in addition to purely cyclical movements. The six-month rate of change of the CLI is calculated by using the ratio between the figure for a given month m and the average of the figures from $m-12$ to $m-1$. Thus, the six-month rate of change is less volatile and provides earlier and clearer signals for future turning points than the CLI itself. In practice, turning points in GDP have been found about six to nine months (on average) after the signals of turning points had been detected in the six-month rate of change. The OECD has compiled CLIs, which summarise information contained in a number of key short-term economic indicators known to be linked to GDP, for 23 member countries since the 1980s.

The CLIs are aggregated time series, and have been compiled using a modified version of the method developed by the US National Bureau of Economic Research. In general, the index of industrial production covering all industry sectors (IIP) is used as a proxy measure for GDP as historical turning points of IIP have coincided with those of the entire economies for most OECD countries. 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.

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 **EU15 area** covers the Euro area plus Denmark, Sweden, and United Kingdom.

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

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