

OECD Composite Leading Indicators

News Release

OECD Composite Leading Indicators signal a mixed outlook for major global economies

The latest composite leading indicators (CLIs) suggest that slow economic expansion lies ahead in the OECD area. September 2006 data show improved performance in the CLI's six month rate of change in the United States and Japan, but weakening performance in the Euro area. The latest data for major OECD non-member economies point to a weakening outlook for Russia and India, moderating growth in China and steady expansion in Brazil.

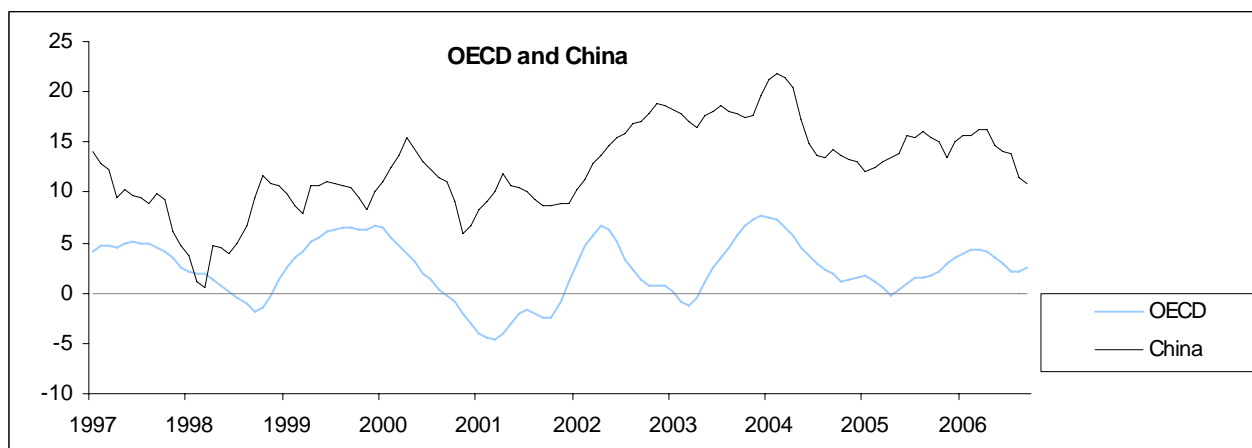
The CLI for the **OECD area** increased by 0.5 point in September to 109.6 from 109.1 in August, and its six-month rate of change increased for the first time since March 2006.

The CLI for the **United States** rose by 1.0 point in September, and its six-month rate of change was up for the second month after previously haven fallen since February 2006. The **Euro area's** CLI increased by 0.1 point in September, but its six-month rate of change has fallen for the last four months. In September, the CLI for **Japan** rose by 0.1 point and its six-month rate of change has increased for the last two months.

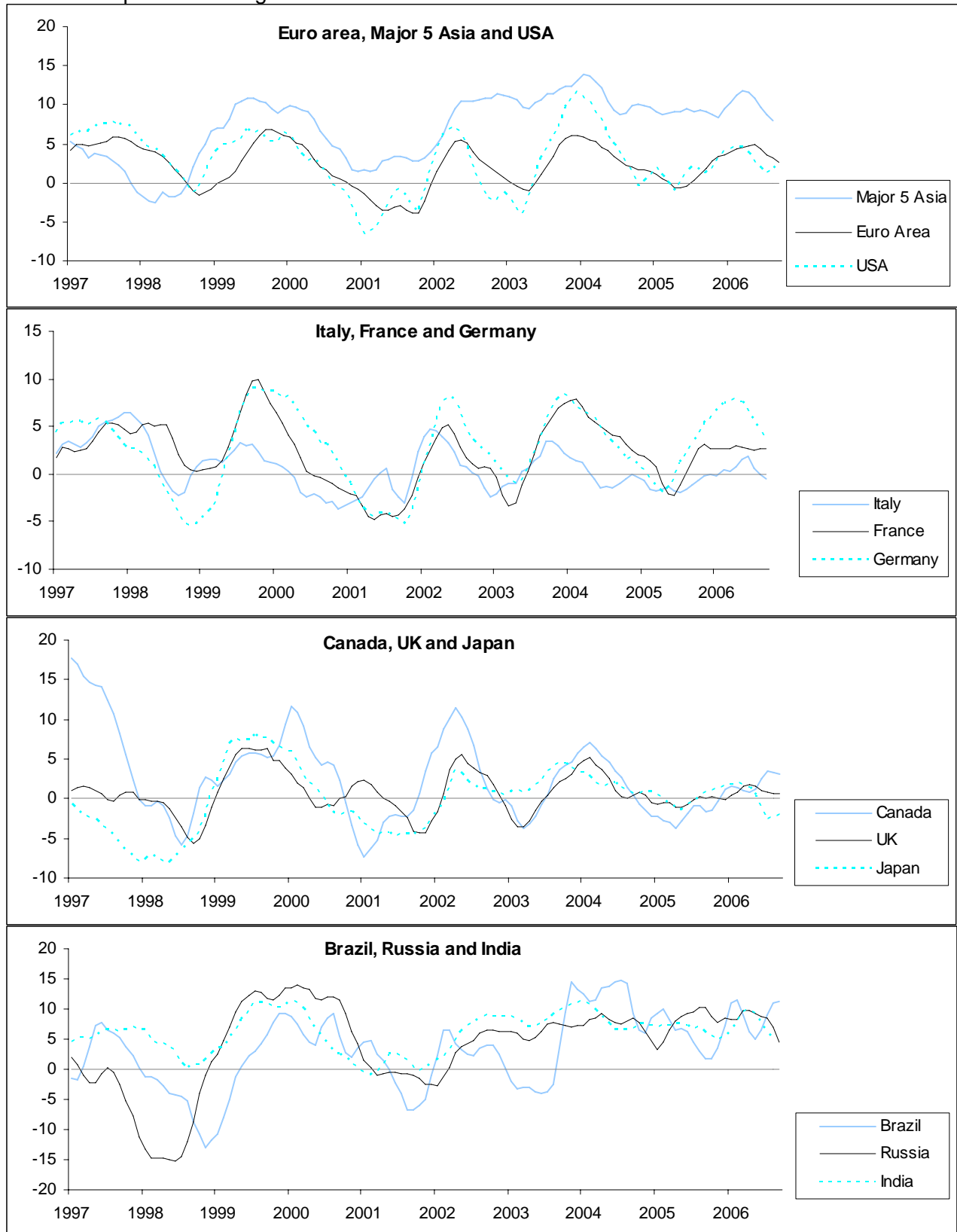
The CLI for the **United Kingdom** increased in September by 0.1 point, although its six-month rate of change shows a downward trend since May 2006. The CLI for **Canada** increased by 0.1 point in September, but its six-month rate of change has decreased for the last two months. For **France** the CLI rose by 0.4 point in September, and its six-month rate of change has been relatively stable since October 2005. The CLI for **Germany** increased by 0.1 point in September but its six-month rate of change was down for the fifth time in a row. For **Italy** the CLI fell by 0.2 point in September and its six-month rate of change has decreased for the last three months.

The CLI for **China** increased by 1.8 point in September, but its six-month rate of change fell for the sixth consecutive month. The CLI for **India** increased by 0.1 point in August, but its six-month rate of change was down for the fourth month in a row. The CLI for **Russia** decreased by 1.0 point in September and its six-month rate of change dropped for the fifth consecutive month. In September, the CLI for **Brazil** rose by 1.2 point and its six-month rate of change was up for the fourth time in a row.

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



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Table 1: Trend restored Composite Leading Indicators

	2005				2006								
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
OECD Area	106.2	106.5	107.1	107.6	108.0	108.5	108.7	109.0	109.0	109.0	108.9	109.1	109.6
EU 15	105.2	105.7	106.1	106.3	106.7	107.1	107.5	107.9	108.3	108.4	108.4	108.5	108.6
Euro Area	105.3	105.9	106.4	106.7	107.1	107.5	107.8	108.3	108.8	108.9	108.9	109.0	109.1
Major Seven	103.1	103.5	104.0	104.5	104.8	105.1	105.3	105.4	105.3	105.2	105.0	105.2	105.6
Canada	98.8	98.7	99.2	99.9	100.1	100.0	99.9	99.8	100.2	100.9	101.6	101.7	101.8
France	105.4	106.2	106.5	106.4	106.5	106.6	106.7	107.1	107.2	107.4	107.6	108.0	108.4
Germany	108.2	109.0	109.8	110.3	111.1	111.9	112.5	113.3	113.8	113.9	113.9	114.0	114.1
Italy	96.6	96.8	96.9	96.9	96.7	97.0	96.8	97.1	97.5	97.8	97.2	97.0	96.8
Japan	101.0	101.1	101.3	101.5	101.7	101.8	101.7	101.7	101.4	100.5	99.8	99.9	100.0
United Kingdom	100.9	101.0	100.9	100.8	101.1	101.3	101.7	101.9	101.9	101.7	101.7	101.7	101.8
United States	104.0	104.5	105.3	106.1	106.5	106.9	107.0	107.0	106.7	106.6	106.5	106.7	107.7
Major Five Asia*	151.9	152.9	153.6	155.5	157.2	159.1	160.9	162.2	162.9	163.4	163.9	164.5	
Brazil	120.7	121.2	122.7	125.7	128.7	129.8	129.0	128.0	127.8	129.3	131.4	133.6	134.8
China	200.8	202.8	203.5	207.3	210.3	213.0	216.3	218.9	220.1	222.2	224.4	224.3	226.1
India	135.6	135.9	136.2	137.2	138.5	140.5	142.3	143.4	144.1	143.7	143.4	143.5	
Russia	132.8	132.7	133.0	134.4	135.1	136.3	138.4	139.4	140.2	140.7	141.7	141.5	140.5

* China, India, Indonesia, Japan and Korea

CLI data for 29 OECD member countries and 6 OECD Non-member economies available at:

http://www.oecd.org/document/60/0,2340,en_2649_34349_36674300_1_1_1_1,00.html

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

	2005				2006								
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
OECD Area	1.8	2.2	2.9	3.4	3.8	4.3	4.3	4.1	3.6	2.9	2.2	2.1	2.5
EU 15	1.9	2.6	3.0	3.2	3.5	3.9	4.1	4.4	4.4	3.9	3.2	2.8	2.4
Euro Area	1.9	2.8	3.4	3.6	3.9	4.4	4.4	4.8	4.9	4.4	3.6	3.1	2.7
Major Seven	1.0	1.6	2.5	3.1	3.3	3.7	3.6	3.3	2.6	1.8	1.2	1.1	1.6
Canada	-1.7	-1.5	-0.4	1.2	1.6	1.4	1.1	0.8	1.3	2.5	3.5	3.4	3.1
France	1.4	2.7	3.2	2.7	2.6	2.6	2.7	3.0	2.9	2.6	2.4	2.6	2.7
Germany	3.1	4.3	5.4	5.9	6.6	7.4	7.6	7.9	7.6	6.5	5.4	4.6	3.8
Italy	-1.1	-0.6	-0.2	0.0	-0.2	0.4	0.2	0.8	1.5	1.8	0.6	0.0	-0.5
Japan	0.8	1.0	1.3	1.7	1.8	1.9	1.7	1.4	0.5	-1.3	-2.6	-2.4	-2.0
United Kingdom	0.1	0.3	0.1	-0.1	0.5	0.9	1.6	1.8	1.6	1.0	0.9	0.7	0.7
United States	1.3	1.8	3.1	4.1	4.3	4.7	4.5	3.8	2.6	1.9	1.3	1.4	2.6
Major Five Asia*	9.1	8.8	8.4	9.5	10.3	11.1	11.8	11.5	10.7	9.6	8.7	7.9	
Brazil	1.6	1.7	3.5	7.3	10.9	11.4	9.0	6.3	5.1	6.6	8.9	11.0	11.2
China	15.5	15.1	13.4	15.0	15.6	15.7	16.3	16.2	14.7	14.1	13.9	11.5	11.0
India	6.0	5.4	4.8	5.5	6.3	8.1	9.5	9.7	9.4	7.5	6.1	5.1	
Russia	10.2	8.7	7.8	8.6	8.2	8.4	9.8	9.8	9.3	8.7	8.6	7.1	4.5

* 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.

The OECD has developed CLIs for the major six OECD non-member economies (Brazil, China, India, Indonesia, Russian Federation and South Africa) monitored by the organisation and six recently new OECD member countries (Korea, New Zealand, Czech Republic, Hungary, Poland and Slovak Republic). CLI's for above countries were published for the first time in April 2006. Detailed methodological information on compilation of CLIs for these 12 countries can be found on the OECD web site at <http://www.oecd.org/dataoecd/35/22/36414874.pdf>.

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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