

OECD Composite Leading Indicators

News Release

OECD Composite Leading Indicators signal a mixed outlook for major global economies in June 2006

Slowing expansion lies ahead in the OECD area according to the latest composite leading indicators (CLIs) with June data showing weakening performance in the CLI's six month rate of change in the Major Seven economies. The latest data for major OECD non-member economies point to continued strong expansion in China, India and Russia, while the CLI for Brazil signals a weaker outlook.

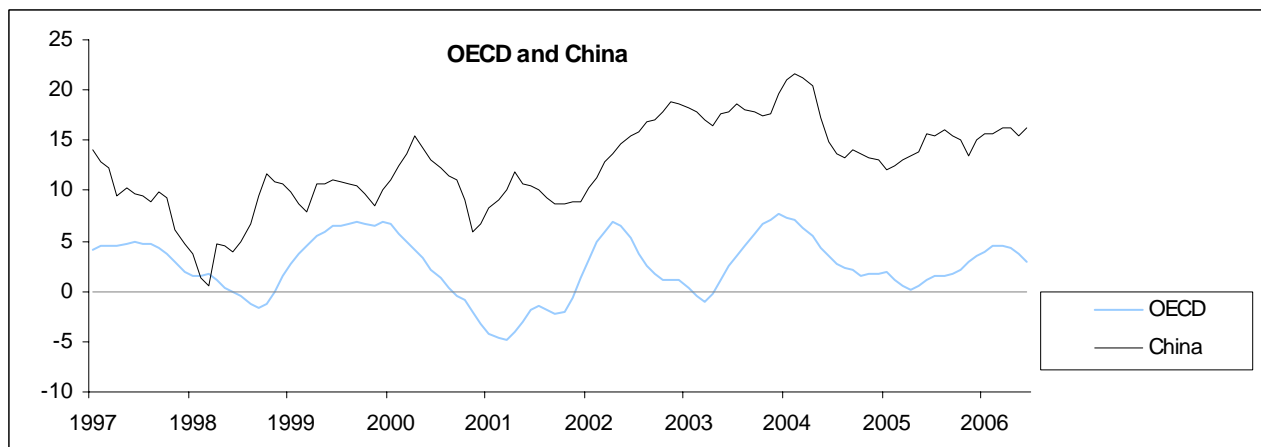
The CLI for the **OECD area** decreased by 0.1 point in June to 109.7 from 109.8 in May, and its six-month rate of change was down for the third consecutive month.

The CLI for the **United States** fell by 0.2 point in June, and its six-month rate of change was down for the fourth consecutive month. The **Euro area's** CLI increased by 0.2 point in June, but its six-month rate of change decreased for the first time since May 2005. In June, the CLI for **Japan** decreased by 0.9 point with its six-month rate of change showing a downward trend since March 2006.

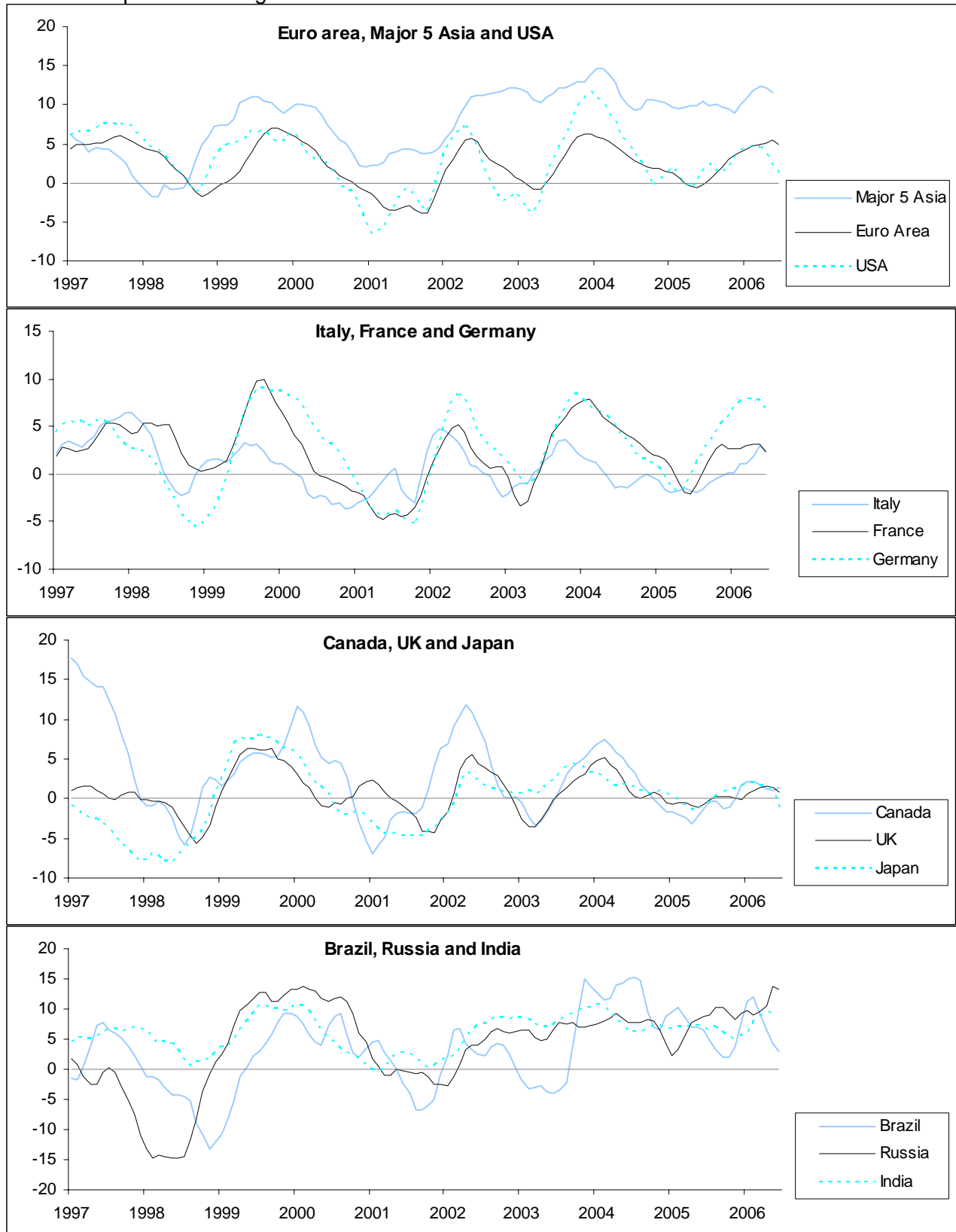
The CLI for the **United Kingdom** decreased in June by 0.3 point and its six-month rate of change has decreased for the last two months. The CLI for **Canada** increased by 0.3 point in June, but its six-month rate of change shows a slight downward trend since February 2006. For **France** the CLI decreased by 0.1 point in June, with its six-month rate of change decreasing for the second consecutive month. The CLI for **Germany** rose by 0.1 point in June, but its six-month rate of change was decreased for the third consecutive month. For **Italy** the CLI decreased by 0.2 point in June and its six-month rate of change also fell.

The CLI for **China** rose by a strong 3.5 points in June, and its six-month rate of change shows an upward trend since February 2005. The CLI for **India** increased by 0.9 point in May and its six-month rate of change rose for the sixth consecutive month. The CLI for **Russia** increased by 0.9 point in June and its six-month rate of change now shows an upward trend since March 2005. In June the CLI for **Brazil** fell by 0.4 point and its six-month rate of change was down for the fourth consecutive month.

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					
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
OECD Area	106.0	106.4	106.5	106.8	107.2	107.7	108.2	108.7	109.2	109.5	109.8	109.8	109.7
EU 15	104.4	104.8	105.3	105.7	106.2	106.6	106.9	107.3	107.8	108.2	108.6	109.1	109.2
Euro Area	104.4	104.8	105.3	105.8	106.4	106.9	107.3	107.7	108.2	108.6	109.1	109.6	109.8
Major Seven	102.5	102.9	102.9	103.1	103.4	104.0	104.4	104.8	105.1	105.3	105.4	105.2	104.9
Canada	101.6	102.0	101.9	101.3	101.2	101.7	102.6	102.9	102.9	102.8	102.6	102.6	102.9
France	103.8	104.3	105.0	105.7	106.4	106.8	106.7	106.8	106.9	107.2	107.5	107.7	107.6
Germany	106.4	107.2	107.9	108.4	109.2	110.0	110.6	111.5	112.2	112.9	113.5	114.1	114.2
Italy	96.4	96.3	96.3	96.6	96.7	96.8	96.9	96.8	97.2	97.2	97.7	98.3	98.1
Japan	99.9	99.9	100.3	100.5	100.7	100.8	101.1	101.2	101.3	101.3	101.4	101.1	100.2
United Kingdom	100.8	101.1	101.3	101.2	101.3	101.1	101.0	101.4	101.6	101.9	102.0	102.1	101.8
United States	103.8	104.4	104.0	104.0	104.4	105.3	106.1	106.5	106.9	107.0	107.0	106.4	106.2
Major Five Asia*	153.9	154.9	156.3	157.4	158.4	159.2	161.3	163.1	165.1	167.1	168.5	169.5	
Brazil	123.3	122.8	122.4	121.9	122.4	124.0	127.1	130.1	131.3	130.6	129.4	128.5	128.1
China	193.8	195.9	198.8	200.7	202.7	203.4	207.2	210.2	212.9	216.1	218.8	220.8	224.3
India	133.3	133.9	134.8	135.1	135.4	135.6	136.7	137.7	139.5	141.1	142.4	143.3	
Russia	129.4	130.3	131.8	132.7	133.0	133.0	134.6	136.0	136.7	138.2	140.0	143.4	144.3

* 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					
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
OECD Area	1.1	1.5	1.6	1.8	2.2	2.9	3.5	4.0	4.5	4.6	4.4	3.7	2.9
EU 15	-0.1	0.6	1.4	2.0	2.7	3.2	3.4	3.8	4.3	4.5	4.7	4.9	4.3
Euro Area	-0.3	0.4	1.2	2.0	2.9	3.6	3.9	4.3	4.7	4.9	5.2	5.4	5.0
Major Seven	0.1	0.8	0.9	1.1	1.6	2.4	3.1	3.4	3.7	3.6	3.4	2.5	1.5
Canada	-1.3	-0.3	-0.3	-1.2	-1.0	0.1	1.7	2.2	2.1	1.7	1.2	1.0	1.3
France	-2.1	-1.1	0.1	1.4	2.7	3.1	2.7	2.6	2.7	2.9	3.2	3.1	2.4
Germany	-0.1	1.2	2.4	3.2	4.4	5.4	5.9	7.1	7.6	7.9	7.8	7.7	6.6
Italy	-1.8	-1.9	-1.6	-1.0	-0.5	-0.2	0.2	0.2	1.1	1.0	1.9	2.9	2.3
Japan	-0.7	-0.6	0.3	0.8	1.0	1.3	1.7	1.8	1.9	1.7	1.7	0.8	-1.1
United Kingdom	-0.7	-0.1	0.3	0.2	0.3	0.1	0.0	0.5	0.9	1.4	1.6	1.4	0.8
United States	1.4	2.3	1.5	1.3	1.9	3.2	4.2	4.3	4.7	4.5	3.8	2.1	1.3
Major Five Asia*	10.4	9.9	10.1	9.8	9.5	8.9	10.1	10.9	11.7	12.3	12.2	11.5	
Brazil	6.5	4.7	3.3	2.0	2.1	3.8	7.7	11.4	11.9	9.5	6.4	4.2	2.9
China	15.6	15.4	16.0	15.5	15.1	13.4	15.0	15.6	15.7	16.3	16.2	15.5	16.2
India	7.0	6.6	6.9	6.1	5.5	4.9	5.5	6.1	7.6	8.8	9.4	9.4	
Russia	8.9	9.0	10.1	10.2	9.4	8.1	9.2	9.8	9.1	9.6	10.5	13.8	13.2

* 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. The OECD CLI is designed to provide 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 its preferred 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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