

News Release

OECD Composite Leading Indicators signal a continued moderating outlook for major OECD Member countries

The latest composite leading indicators (CLIs) suggest that some moderation in economic expansion lies ahead in the OECD area. February 2007 data show weakening performance in the CLI's six month rate of change in most of the Major Seven economies. The spreads between short and long-term interest rates are contributing negatively to the performance of the CLIs in all the Major Seven economies, while business confidence is contributing positively in these same countries except Germany. The latest data for major OECD non-member economies point to strong expansion in China, moderating expansion in India and Brazil, but a weakening outlook for Russia.

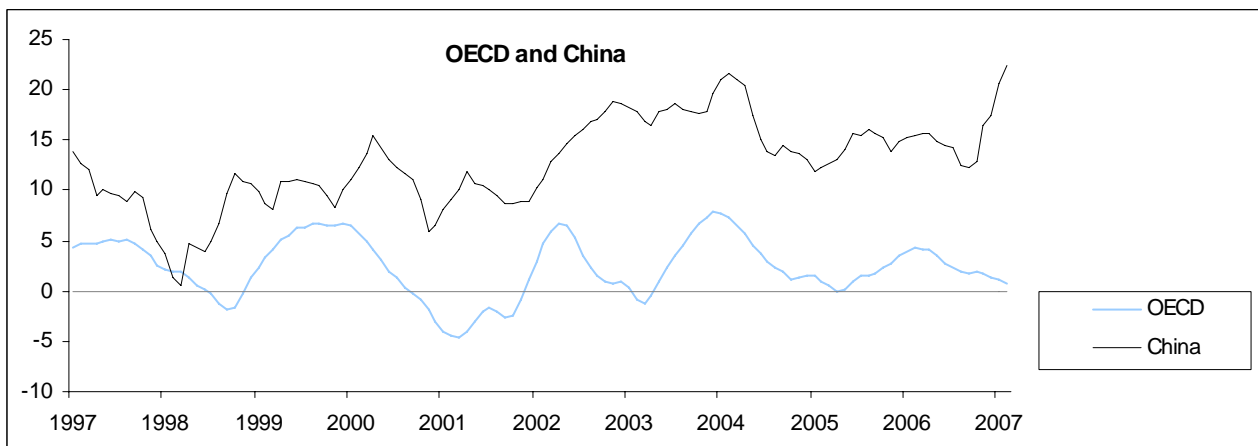
The CLI for the **OECD area** was unchanged in February 2007 at 109.5, but its six-month rate of change shows a downward trend since March 2006.

The CLI for the **United States** decreased by 0.3 point in February with its six-month rate of change showing a downward trend since March 2006. The **Euro area's** CLI was unchanged in February and its six-month rate of change has fallen since June 2006. In February 2007, the CLI for **Japan** fell by 0.1 point and its six-month rate of change has a downward trend since March 2006.

The CLI for the **United Kingdom** decreased by 0.1 point in February and its six-month rate of change shows a downward trend since May 2006. The CLI for **Canada** decreased by 0.3 point in February, and its six-month rate of change is also down over the last two months. For **France** the CLI rose by 0.2 point in February, but its six-month rate of change has a downward trend since December 2005. The CLI for **Germany** fell by 0.3 point in February and its six-month rate of change shows a downward trend since May 2006. For **Italy** the CLI decreased by 0.1 point in February and its six-month rate of change shows a downward trend since July 2006.

The CLI for **China** showed a strong 5.6 points rise in February 2007 and its six-month rate of change increased for the fifth consecutive month. The CLI for **India** remained unchanged in January 2007. Its six-month rate of change was down for the second month in a row. The CLI for **Russia** decreased by 0.1 point in February 2007, and its six-month rate of change shows a downward trend since April 2006. In February 2007, the CLI for **Brazil** decreased by 0.1 point and its six-month rate of change is also down over the last two months.

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



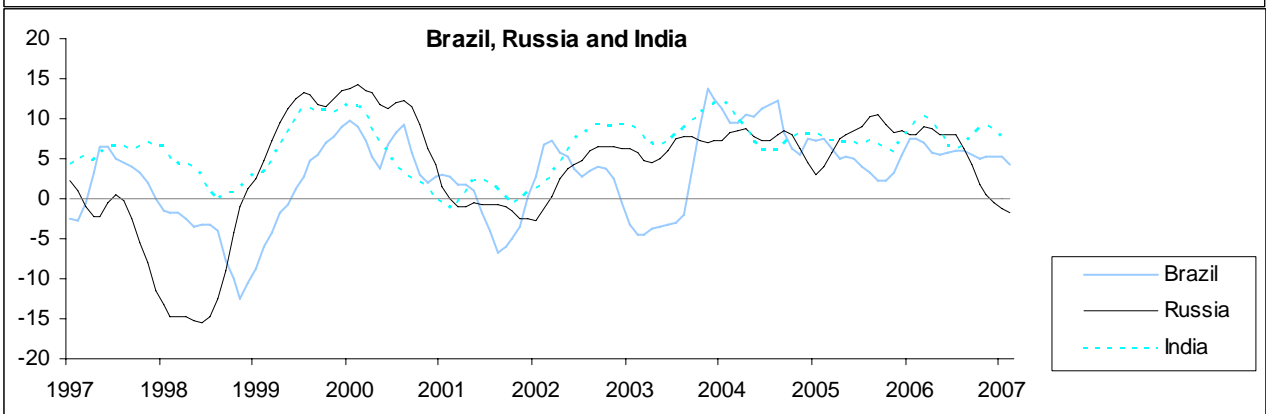
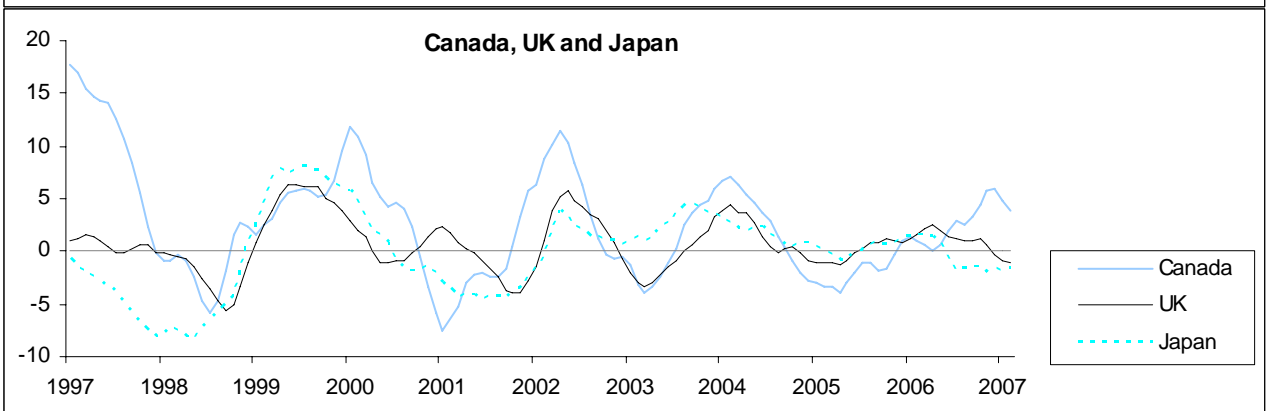
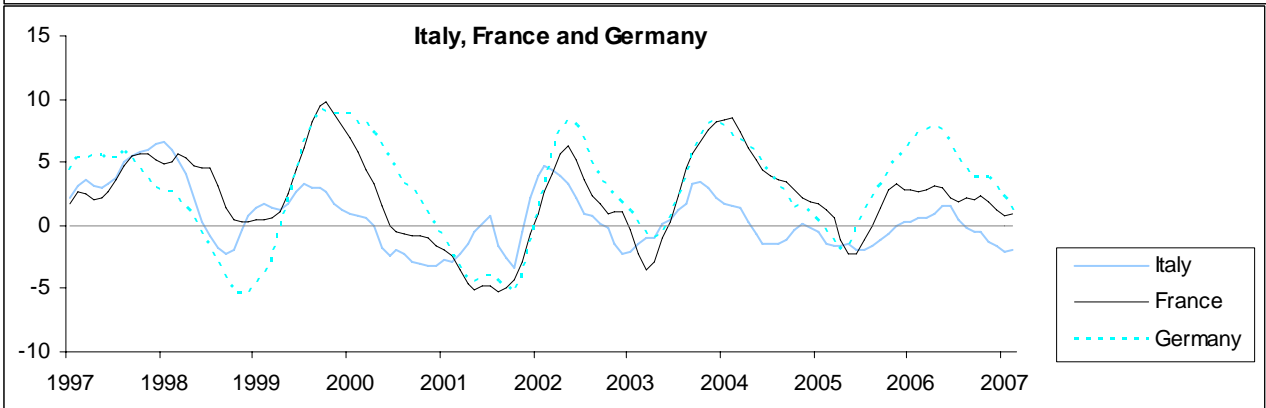
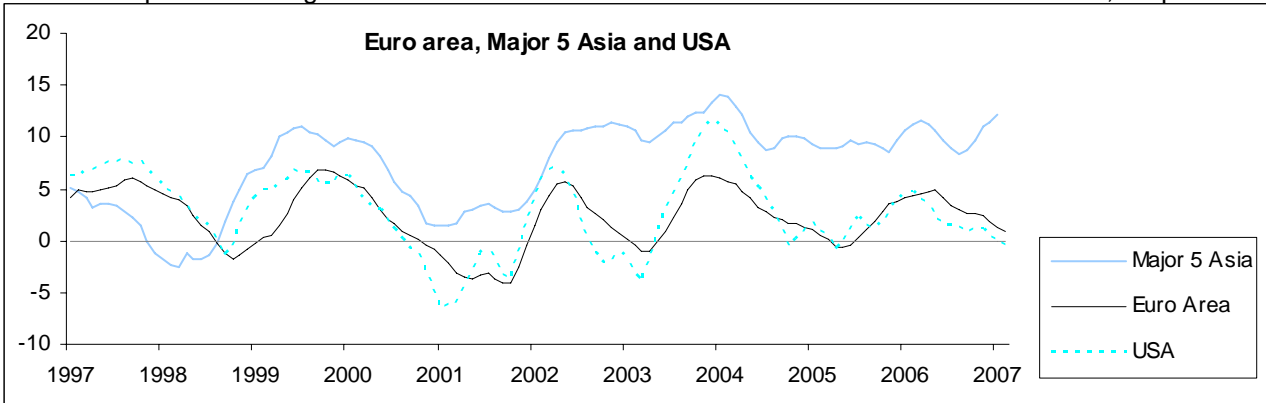


Table 1: Trend restored Composite Leading Indicators

| | 2006 | | | | | | | | | | | 2007 | |
|-------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb |
| OECD Area | 108.4 | 108.6 | 108.8 | 108.9 | 108.8 | 108.8 | 108.9 | 109.0 | 109.4 | 109.5 | 109.5 | 109.5 | 109.5 |
| EU 15 | 107.0 | 107.3 | 107.8 | 108.1 | 108.2 | 108.1 | 108.3 | 108.4 | 108.7 | 108.8 | 108.7 | 108.6 | 108.5 |
| Euro Area | 107.4 | 107.7 | 108.2 | 108.6 | 108.7 | 108.7 | 108.9 | 109.0 | 109.3 | 109.4 | 109.4 | 109.3 | 109.3 |
| Major Seven | 105.0 | 105.0 | 105.2 | 105.1 | 104.9 | 104.9 | 105.0 | 105.0 | 105.3 | 105.4 | 105.3 | 105.1 | 104.9 |
| Canada | 99.3 | 99.0 | 98.8 | 99.2 | 99.9 | 100.5 | 100.4 | 101.0 | 101.8 | 102.9 | 103.3 | 103.1 | 102.8 |
| France | 105.7 | 105.9 | 106.3 | 106.4 | 106.3 | 106.4 | 106.9 | 107.1 | 107.5 | 107.4 | 107.1 | 107.0 | 107.2 |
| Germany | 112.0 | 112.6 | 113.4 | 113.9 | 113.9 | 114.0 | 114.1 | 114.1 | 114.6 | 115.1 | 115.2 | 115.0 | 114.7 |
| Italy | 97.2 | 97.2 | 97.4 | 97.7 | 97.8 | 97.3 | 97.1 | 97.0 | 96.9 | 96.6 | 96.4 | 96.1 | 96.0 |
| Japan | 102.5 | 102.6 | 102.6 | 102.4 | 101.7 | 101.1 | 101.1 | 101.2 | 101.2 | 100.8 | 100.9 | 100.7 | 100.6 |
| United Kingdom | 101.1 | 101.5 | 101.8 | 101.7 | 101.6 | 101.6 | 101.7 | 101.7 | 101.9 | 101.8 | 101.3 | 101.0 | 100.9 |
| United States | 106.4 | 106.4 | 106.4 | 106.1 | 105.9 | 106.1 | 106.2 | 106.1 | 106.4 | 106.7 | 106.5 | 106.4 | 106.1 |
| Major Five Asia* | 159.6 | 161.2 | 162.3 | 163.2 | 163.8 | 164.6 | 165.3 | 166.9 | 168.9 | 171.5 | 173.2 | 175.5 | |
| Brazil | 123.9 | 124.0 | 123.9 | 124.3 | 125.0 | 125.7 | 126.2 | 126.5 | 126.8 | 127.7 | 128.4 | 129.0 | 128.9 |
| China | 212.6 | 215.5 | 218.2 | 220.0 | 222.2 | 224.6 | 225.2 | 227.5 | 230.4 | 236.8 | 240.8 | 247.5 | 253.1 |
| India | 142.2 | 143.6 | 144.0 | 144.1 | 143.9 | 144.5 | 145.6 | 147.3 | 149.1 | 150.3 | 151.2 | 151.2 | |
| Russia | 135.6 | 137.3 | 138.3 | 138.8 | 139.6 | 140.5 | 140.2 | 139.5 | 138.2 | 137.9 | 137.5 | 137.2 | 137.1 |

* 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 | |
|-------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb |
| OECD Area | 4.3 | 4.1 | 4.0 | 3.5 | 2.8 | 2.3 | 2.0 | 1.7 | 2.0 | 1.8 | 1.4 | 1.0 | 0.8 |
| EU 15 | 4.1 | 4.2 | 4.5 | 4.4 | 3.8 | 3.1 | 2.7 | 2.3 | 2.4 | 2.1 | 1.6 | 1.0 | 0.7 |
| Euro Area | 4.4 | 4.5 | 4.8 | 4.8 | 4.2 | 3.4 | 3.1 | 2.6 | 2.6 | 2.3 | 1.9 | 1.3 | 1.0 |
| Major Seven | 3.6 | 3.4 | 3.2 | 2.6 | 1.7 | 1.3 | 1.1 | 0.8 | 1.1 | 0.9 | 0.5 | 0.1 | -0.3 |
| Canada | 1.1 | 0.6 | 0.1 | 0.6 | 1.9 | 2.9 | 2.5 | 3.3 | 4.5 | 5.8 | 6.0 | 4.8 | 3.8 |
| France | 2.6 | 2.7 | 3.2 | 2.9 | 2.2 | 1.8 | 2.2 | 2.0 | 2.4 | 1.9 | 1.2 | 0.8 | 0.9 |
| Germany | 7.4 | 7.6 | 7.9 | 7.6 | 6.4 | 5.4 | 4.6 | 3.7 | 3.7 | 3.8 | 3.2 | 2.2 | 1.2 |
| Italy | 0.6 | 0.5 | 0.9 | 1.5 | 1.5 | 0.5 | -0.2 | -0.5 | -0.6 | -1.3 | -1.5 | -2.0 | -2.0 |
| Japan | 1.6 | 1.5 | 1.3 | 0.8 | -0.6 | -1.9 | -1.6 | -1.5 | -1.4 | -2.0 | -1.7 | -1.8 | -1.7 |
| United Kingdom | 1.6 | 2.1 | 2.4 | 2.0 | 1.4 | 1.2 | 1.1 | 1.0 | 1.2 | 0.7 | -0.4 | -0.9 | -1.2 |
| United States | 4.6 | 4.0 | 3.6 | 2.4 | 1.5 | 1.4 | 1.3 | 0.8 | 1.0 | 1.1 | 0.5 | 0.2 | -0.4 |
| Major Five Asia* | 11.3 | 11.6 | 11.2 | 10.6 | 9.6 | 9.0 | 8.3 | 8.8 | 9.7 | 11.1 | 11.4 | 12.2 | |
| Brazil | 7.6 | 6.9 | 5.8 | 5.6 | 5.8 | 6.1 | 6.1 | 5.4 | 4.9 | 5.2 | 5.3 | 5.2 | 4.3 |
| China | 15.4 | 15.7 | 15.7 | 14.8 | 14.4 | 14.2 | 12.4 | 12.3 | 12.8 | 16.4 | 17.4 | 20.6 | 22.4 |
| India | 9.7 | 10.3 | 9.4 | 8.2 | 6.6 | 6.3 | 6.6 | 7.7 | 8.8 | 9.1 | 8.7 | 7.3 | |
| Russia | 8.1 | 9.0 | 8.9 | 8.1 | 8.0 | 7.9 | 6.2 | 4.2 | 1.7 | 0.6 | -0.4 | -1.3 | -1.7 |

* 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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