

## An update of the OECD CLI for Italy

The composite leading indicator (CLI) for Italy was revised in 1997 with CLIs for other G7 countries. The main purpose of the current study is to find a replacement for the long-term interest rate. Opportunity has been taken to test other component series for Italy and to check the reference chronology.

The main conclusion of the current study is to keep the current CLI with a replacement of the long-term interest by the Euribor.

- Italian CLI performed the best with Euribor over various interest rates considered. The candidates were Euribor, Italian 10-year interest rates, spread between long- and short-term interest rates in Euro zone;
- Some component series are found to be useful in the future. They are Finished goods stocks in level (from the business survey) and imports. While performance of CLI with these series does not provide noticeable improvement for the whole period, it performed better in the recent years.

### I. Reference chronology (Industrial production)

	Old	New
T	7/59	7/59
P	(6/60)	(6/60)
T	(12/60)	(12/60)
P	(1/62)	(1/62)
T	(6/62)	(6/62)
P	9/63	9/63
T	3/65	3/65
P	(2/67)	(2/67)
T	(3/68)	(3/68)
P	7/69	7/69
T	4/71	4/71
P	6/74	6/74
T	9/75	9/75
P	(1/77)	(1/77)
T	(3/78)	(3/78)

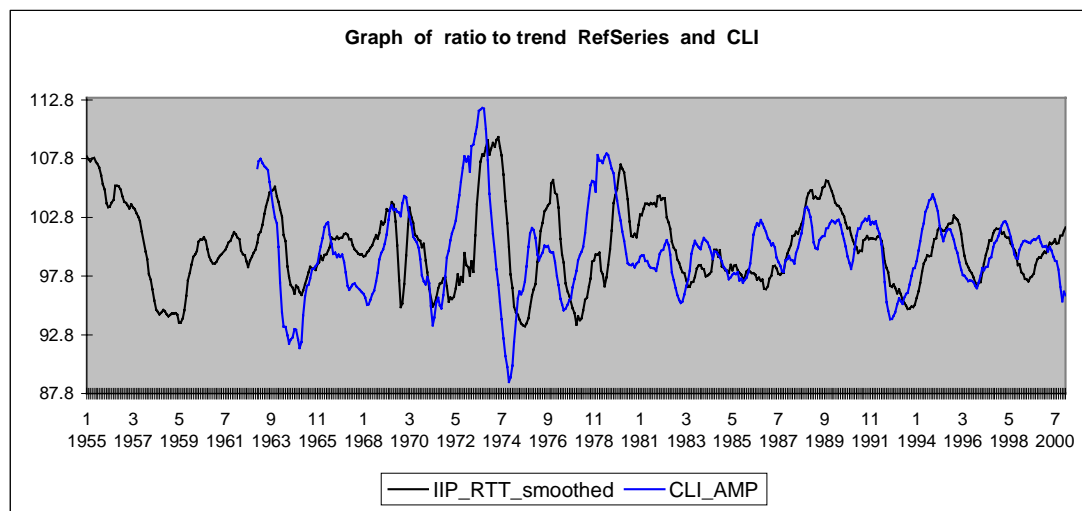
	Old	New <sup>1</sup>
P	3/80	3/80
T	(9/80)	(9/80)
P	(1/82)	(1/82)
T	6/83	<b>5/83</b>
P	(8/84)	(8/84)
T	(9/86)	<b>(1/87)</b>
P	12/89	12/89
T	(7/91)	<b>(4/91)</b>
P	(5/92)	<b>(9/91)</b>
T	12/93	10/93
P	12/95	12/95
T		12/96
P		10/97
T		5/99

<sup>1</sup> In bold, the TPs which differ from the old chronology. Minor cycles appear in brackets.

## II. Performance of the component series

	Mean lead/lag at All TP	Mean lead/lag at Peaks	Mean lead/lag at Troughs	Median lead/lag at All TP	Median lead/lag at Peaks	Median lead/lag at Troughs	Standard deviation	Delay in release	Missing cycles	Extra cycles
Mfg - Net new orders	3.44	2.60	4.50	6.00	6.00	5.00	6.71	2	0	0
Consumer confidence indicator	4.13	4.50	3.75	5.00	4.00	5.00	9.30	1	0	0
Terms of trade	16.38	19.17	14.00	17.00	15.50	19.00	10.02	3	1	1
Production: Future tendency	5.69	6.17	5.29	6.00	10.00	6.00	5.99	1	0	0
Order books demand: Future tendency	7.69	9.50	6.14	7.00	13.50	7.00	6.32	1	0	0
Euribor (inverted) <sup>1</sup>	14.9	16.0	14.0	14.0	19.0	13.5	3.80	1	0	0

## III The new CLI



The performances of this indicator are as follows :

	Mean lead/lag at "All T.P."	Mean lead/lag at "Peaks"	Mean lead/lag at "Troughs"	Median lead/lag at "All T.P."	Median lead/lag at "Peaks"	Median lead/lag at "Troughs"	Standard deviation	Missing cycles	Extra cycles
New CLI	6.0	7.0	5.1	7.0	9.0	5.0	5.69		1

<sup>1</sup> Bank of Italy 3-month interest rate before 1994

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