

OECD Composite Leading Indicators

News Release

OECD Composite Leading Indicators signal a weakening outlook for major global economies in July 2006

The latest composite leading indicators (CLIs) suggest that slowing economic expansion lies ahead in the OECD area, with July data showing weakening performance in the CLI's six month rate of change in all the Major Seven economies except Canada. The latest data for major OECD non-member economies point to a slightly weakening outlook for China and steady expansion in India, Russia and Brazil.

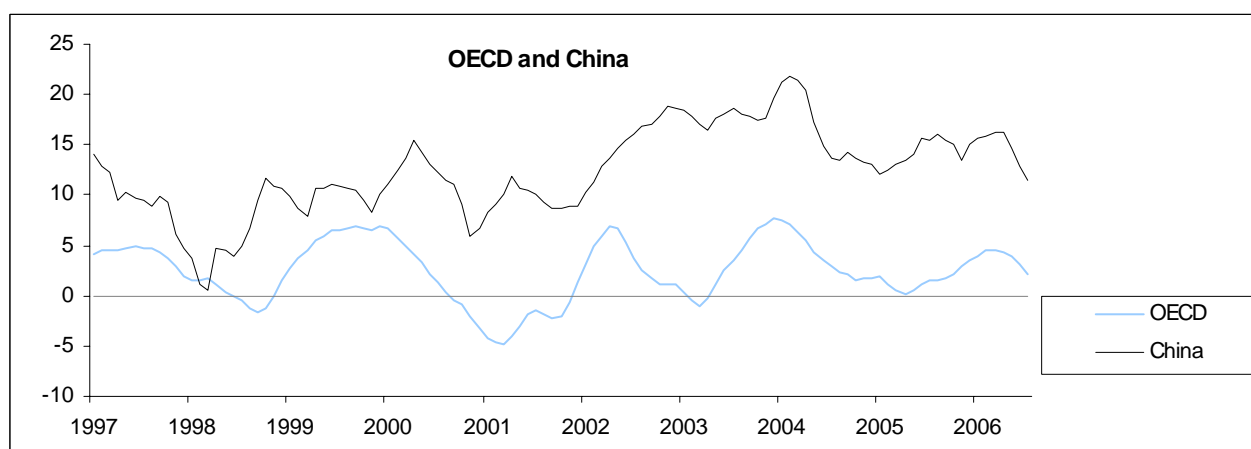
The CLI for the **OECD area** decreased by 0.3 point in July to 109.5 from 109.8 in June, and its six-month rate of change was down for the fourth consecutive month.

The CLI for the **United States** was unchanged in July, while its six-month rate of change was down for the fifth consecutive month. The **Euro area's** CLI decreased by 0.3 point in July, and its six-month rate of change has decreased for the last two months. In July, the CLI for **Japan** fell by 1.1 point with its six-month rate of change showing a downward trend since March 2006.

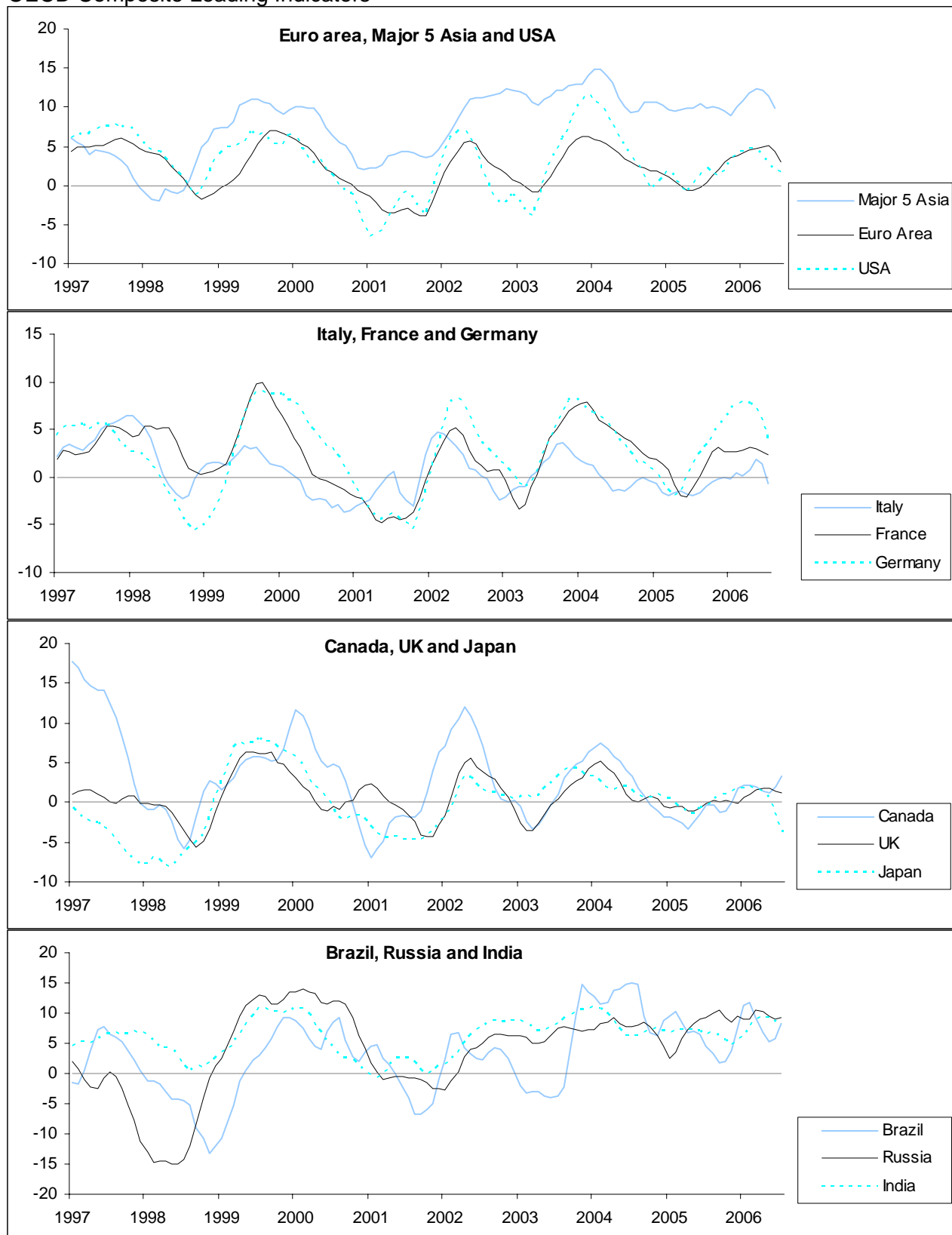
The CLI for the **United Kingdom** increased in July by 0.1 point, but its six-month rate of change decreased for the third time in a row. The CLI for **Canada** rose by 0.8 point in July, with its six-month rate of change up for the second month. For **France** the CLI increased by 0.1 point in July, but its six-month rate of change decreased for the third consecutive month. The CLI for **Germany** decreased by 0.5 point in July and its six-month rate of change was down for the fourth time in a row. For **Italy** the CLI fell by 0.9 point in July and its six-month rate of change has decreased for the last two months.

The CLI for **China** rose by 1.0 point in July, but its six-month rate of change was down for the third consecutive month. The CLI for **India** increased by 0.4 point in June, but its six-month rate of change decreased for the first time since November 2005. The CLI for **Russia** rose by 1.1 point in July and its six-month rate of change has been relatively stable since June 2005. In July, the CLI for **Brazil** rose by 2.1 points and its six-month rate of change was up for the second 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						
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
OECD Area	106.4	106.5	106.8	107.2	107.7	108.2	108.7	109.2	109.5	109.7	109.9	109.8	109.5
EU 15	104.8	105.3	105.7	106.2	106.6	106.8	107.2	107.7	108.0	108.5	108.9	109.0	108.7
Euro Area	104.8	105.3	105.8	106.4	106.9	107.2	107.6	108.0	108.4	108.8	109.4	109.4	109.1
Major Seven	102.9	102.9	103.1	103.4	104.0	104.4	104.7	105.1	105.2	105.3	105.3	105.0	104.7
Canada	102.0	101.8	101.2	101.2	101.7	102.5	102.8	102.9	102.8	102.6	102.7	103.3	104.1
France	104.2	104.9	105.6	106.4	106.7	106.6	106.7	106.8	107.0	107.3	107.5	107.7	107.8
Germany	107.2	107.9	108.4	109.2	110.0	110.5	111.5	112.2	112.9	113.4	113.9	113.7	113.2
Italy	96.3	96.4	96.7	96.8	96.9	96.9	96.7	96.9	96.8	97.1	97.7	97.5	96.6
Japan	100.0	100.5	100.7	100.8	101.0	101.3	101.4	101.5	101.5	101.5	101.1	100.0	98.9
United Kingdom	101.0	101.2	101.2	101.2	101.1	101.0	101.3	101.5	101.9	102.1	102.2	102.1	102.2
United States	104.3	104.0	103.9	104.4	105.3	106.1	106.4	106.8	107.0	107.0	106.7	106.6	106.6
Major Five Asia*	155.0	156.5	157.6	158.6	159.3	161.5	163.3	165.4	167.4	168.8	169.7	169.9	
Brazil	122.4	122.0	121.5	122.0	123.6	126.6	129.6	130.8	130.1	129.0	128.8	129.7	131.8
China	196.2	199.0	201.0	202.9	203.7	207.5	210.5	213.2	216.5	219.1	220.3	220.9	221.9
India	134.1	135.1	135.4	135.6	135.9	136.9	138.0	139.8	141.6	142.7	143.6	144.0	
Russia	130.4	131.7	132.7	132.9	133.2	134.7	135.4	136.6	138.7	139.8	140.4	141.1	142.2

* 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						
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
OECD Area	1.5	1.6	1.8	2.2	2.9	3.5	4.0	4.5	4.5	4.2	3.9	3.1	2.1
EU 15	0.6	1.4	2.0	2.7	3.2	3.3	3.7	4.1	4.3	4.5	4.6	4.0	2.9
Euro Area	0.4	1.2	2.0	2.9	3.5	3.8	4.2	4.5	4.6	4.9	5.1	4.4	3.1
Major Seven	0.8	0.9	1.0	1.6	2.4	3.0	3.3	3.6	3.6	3.3	2.6	1.6	0.8
Canada	-0.4	-0.4	-1.2	-1.0	0.1	1.7	2.2	2.2	1.9	1.4	1.3	2.0	3.2
France	-1.1	0.1	1.4	2.7	3.1	2.7	2.6	2.7	2.8	3.1	3.0	2.7	2.4
Germany	1.3	2.4	3.2	4.4	5.4	5.9	7.0	7.6	7.9	7.7	7.4	5.8	3.8
Italy	-1.9	-1.6	-1.0	-0.5	-0.2	0.0	-0.2	0.4	0.2	0.8	1.9	1.4	-0.7
Japan	-0.5	0.3	0.8	1.0	1.3	1.7	1.9	1.9	1.7	1.4	0.5	-1.8	-3.7
United Kingdom	-0.1	0.3	0.2	0.3	0.1	0.0	0.5	0.9	1.6	1.8	1.7	1.4	1.2
United States	2.3	1.5	1.3	1.8	3.1	4.1	4.3	4.7	4.5	3.9	2.7	2.0	1.6
Major Five Asia*	9.9	10.1	9.8	9.5	8.9	10.1	10.9	11.7	12.4	12.2	11.5	9.9	
Brazil	4.6	3.2	1.9	2.0	3.7	7.5	11.2	11.7	9.3	6.6	5.3	5.8	8.2
China	15.5	16.0	15.5	15.1	13.4	15.0	15.6	15.8	16.3	16.3	14.7	12.8	11.4
India	6.5	6.9	6.0	5.4	4.8	5.4	6.0	7.7	9.0	9.3	9.3	8.6	
Russia	9.3	10.1	10.4	9.3	8.6	9.4	8.9	9.1	10.4	10.3	9.6	9.1	9.1

* 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 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.

This Press Release can be found on the OECD web page, see [OECD Internet Site](http://www.oecd.org/dataoecd/35/22/36414874.pdf)

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