

Composite Leading Indicators signal deep slowdown in OECD area and other major economies

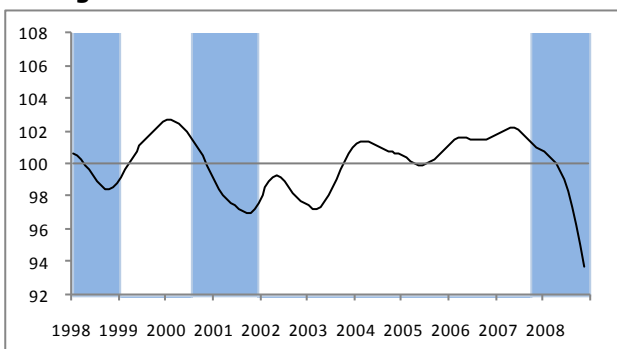
OECD composite leading indicators (CLIs) for November 2008 point to deep slowdowns in the major seven economies and in major non-OECD member economies, particularly China, India and Russia.

The CLI for the **OECD area** decreased by 1.3 point in November 2008 and was 7.3 points lower than in November 2007. The CLI for the **United States** fell by 1.7 point in November and was 8.7 points lower than a year ago. The **Euro area's** CLI decreased by 1.1 point in November and stood 7.6 points lower than a year ago. In November, the CLI for **Japan** decreased by 1.6 point, and was 5.5 points lower than a year ago.

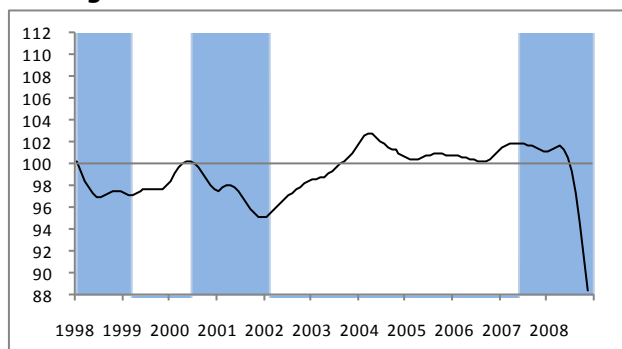
The CLI for the **United Kingdom** fell by 0.6 point in November 2008 and was 6.7 points lower than a year ago. The CLI for **Canada** decreased by 1.2 point in November and was 6.1 points lower than a year ago. For **France**, the CLI decreased by 0.8 point in November and was 5.7 points lower than a year ago. The CLI for **Germany** fell by 2.0 points in November and was 10.7 points lower than a year ago. For **Italy**, the CLI fell by 0.2 point in November and stood 5.0 points lower than a year ago.

The CLI for **China** decreased 3.1 points in November 2008 and was 12.9 points lower than a year ago. The CLI for **India** fell by 1.2 point in November 2008 and was 7.6 points lower than in November 2007. The CLI for **Russia** decreased by 4.3 points in November and was 13.8 points lower than a year ago. In November 2008 the CLI for **Brazil** decreased by 1.1 point and was 2.9 points lower than a year ago.

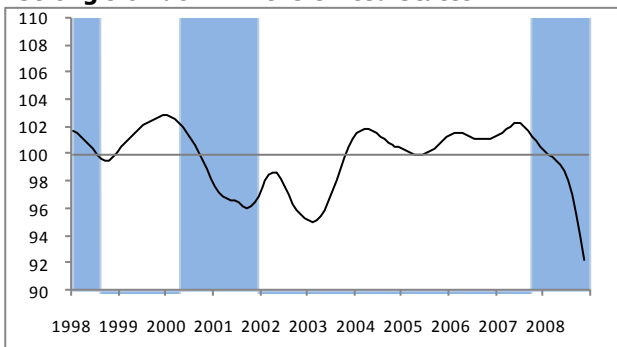
Strong slowdown in the OECD area



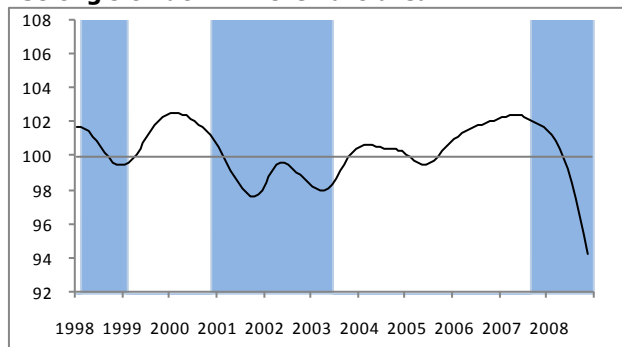
Strong slowdown in China



Strong slowdown in the United States

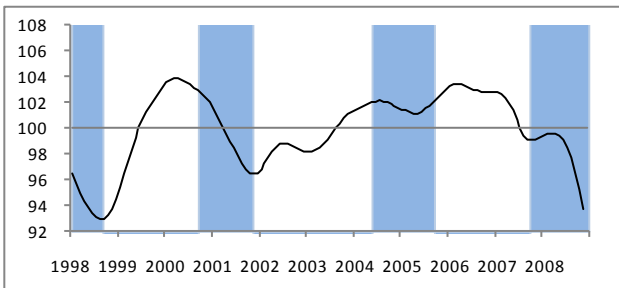


Strong slowdown in the Euro area

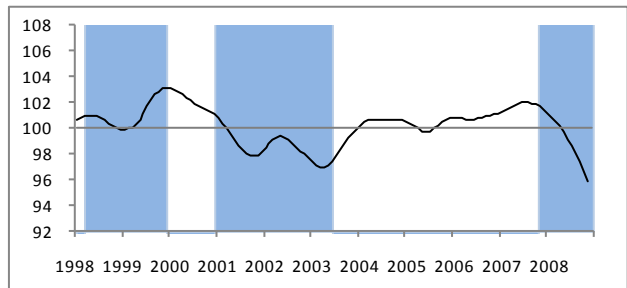


The above graphs show each country's growth cycle outlook based on the CLI which attempts to indicate turning points in economic activity approximately six months in advance. Shaded areas represent observed growth cycle downturns (measured from peak to trough) in the reference series (economic activity).

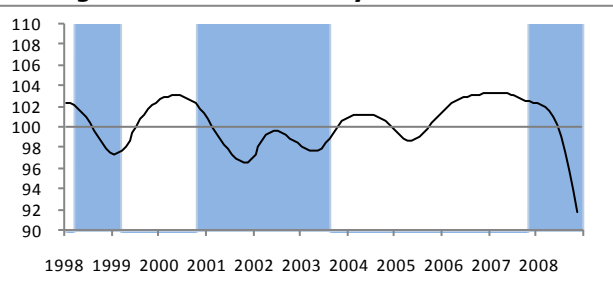
Strong slowdown in Japan



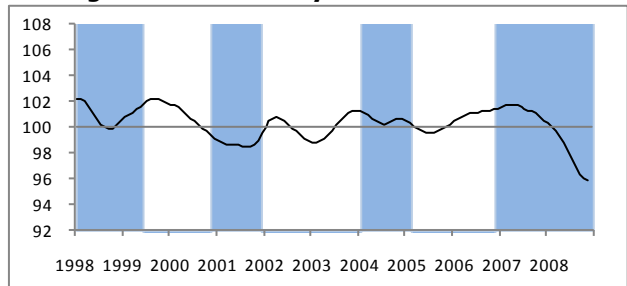
Strong slowdown in France



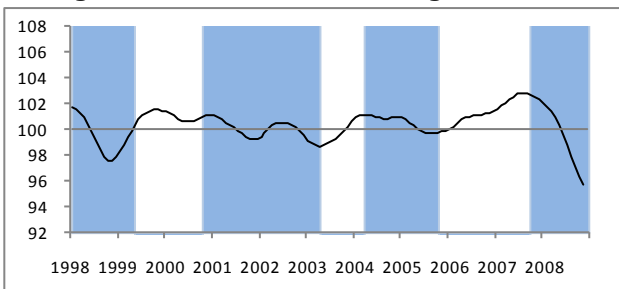
Strong slowdown in Germany



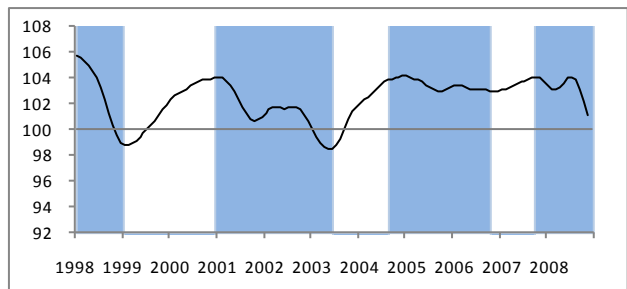
Strong slowdown in Italy



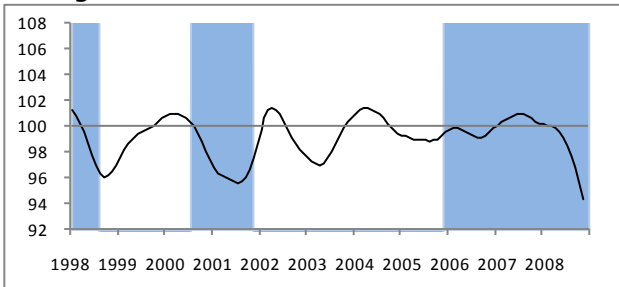
Strong slowdown in the United Kingdom



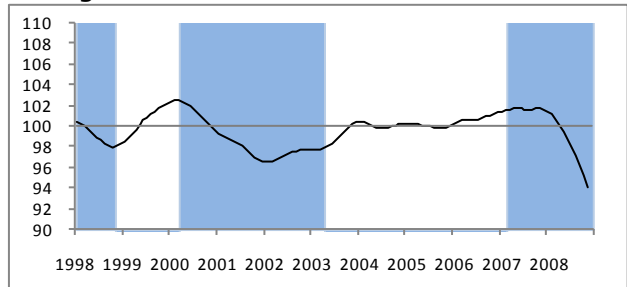
Downturn in Brazil



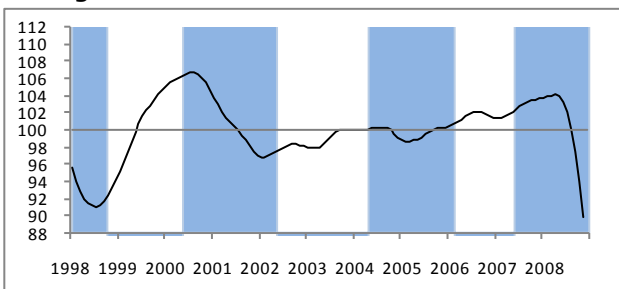
Strong slowdown in Canada



Strong slowdown in India



Strong slowdown in Russia



The above graphs show each country's growth cycle outlook based on the CLI, which attempts to indicate turning points in economic activity approximately six months in advance. Shaded areas represent observed growth cycle downturns (measured from peak to trough) in the reference series (economic activity).

Table 1: Composite Leading Indicators

	Ratio to trend, amplitude adjusted					Change from previous month					Year on Year change (points)	Growth cycle outlook**
	(long term average =100)					(points)						
	2008					2008						
	Jul	Aug	Sep	Oct	Nov	Jul	Aug	Sep	Oct	Nov	Latest month	
OECD Area	98.4	97.4	96.3	95.1	93.8	-0.7	-0.9	-1.1	-1.3	-1.3	-7.3	strong slowdown
Euro Area	98.4	97.5	96.5	95.4	94.3	-0.8	-0.9	-1.0	-1.1	-1.1	-7.6	strong slowdown
Major Five Asia*	99.1	97.7	95.9	93.8	91.6	-1.0	-1.4	-1.8	-2.1	-2.2	-9.5	strong slowdown
Major Seven	98.4	97.4	96.2	94.8	93.3	-0.7	-1.0	-1.2	-1.4	-1.5	-7.7	strong slowdown
Canada	98.6	97.8	96.7	95.5	94.3	-0.6	-0.8	-1.0	-1.2	-1.2	-6.1	strong slowdown
France	98.6	98.0	97.3	96.7	95.9	-0.6	-0.6	-0.6	-0.7	-0.8	-5.7	strong slowdown
Japan	98.5	97.7	96.6	95.3	93.7	-0.6	-0.9	-1.1	-1.3	-1.6	-5.5	strong slowdown
Germany	98.9	97.4	95.6	93.7	91.6	-1.2	-1.5	-1.8	-2.0	-2.0	-10.7	strong slowdown
Italy	97.5	96.9	96.4	96.1	95.8	-0.7	-0.6	-0.5	-0.3	-0.2	-5.0	strong slowdown
United Kingdom	98.8	97.9	97.1	96.3	95.7	-0.8	-0.9	-0.8	-0.8	-0.6	-6.7	strong slowdown
United States	98.1	97.0	95.6	93.9	92.2	-0.7	-1.1	-1.4	-1.7	-1.7	-8.7	strong slowdown
Brazil	104.1	103.9	103.2	102.3	101.2	0.1	-0.3	-0.6	-1.0	-1.1	-2.9	downturn
China	99.4	97.3	94.7	91.6	88.5	-1.4	-2.1	-2.7	-3.1	-3.1	-12.9	strong slowdown
India	97.9	97.1	96.1	95.1	93.9	-0.7	-0.8	-0.9	-1.0	-1.2	-7.6	strong slowdown
Russia	102.1	100.1	97.4	94.1	89.8	-1.3	-2.0	-2.7	-3.3	-4.3	-13.8	strong slowdown

* China, India, Indonesia, Japan and Korea.

** Growth cycle phases of the CLI are defined as follows: expansion (increase above 100), downturn (decrease above 100), slowdown (decrease below 100), recovery (increase below 100). 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

Table 2: Historical Performance of CLI and Recent Cyclical Turning Points in the Reference Series

	CLI Historical Performance			Recent confirmed Turning Point dates in the reference series					
	Lead (+) / Lag (-) at all turning points			Dates marked with (P) are provisional turning points					
	start year	mean	st. dev.	peak	trough	peak	trough	peak	trough
OECD Area	1965	5	3.8	Aug 2000	Dec 2001			Oct 2007 P	
Euro Area	1965	7	8.4	Dec 2000	Jun 2003			Sep 2007 P	
Major Five Asia*	1995	6	6.3	Aug 2000	Dec 2001	Mar 2004 P	Nov 2005 P	Sep 2007 P	
Major Seven	1965	5	4.5	Aug 2000	Dec 2001			Oct 2007 P	
Canada	1956	8	3.5	Aug 2000	Nov 2001	Dec 2005 P			
France	1962	7	5.1	Jan 2001	Jun 2003			Nov 2007 P	
Japan	1959	6	4.2	Oct 2000	Dec 2001	Jun 2004	Sep 2005 P	Oct 2007 P	
Germany	1961	6	4.2	Nov 2000	Aug 2003			Nov 2007 P	
Italy	1973	5	5.4	Dec 2000	Dec 2001	Feb 2004	Feb 2005 P	Dec 2006 P	
United Kingdom	1958	6	5.7	Nov 2000	Apr 2003	Apr 2004	Oct 2005 P	Oct 2007 P	
United States	1955	5	3.5	May 2000	Dec 2001			Oct 2007 P	
Brazil	1978	2	5.3	Jan 2001	Jun 2003	Sep 2004	Oct 2006 P	Oct 2007 P	
China	1983	3	4.2	Jul 2000	Feb 2002			Jun 2007 P	
India	1994	4	5.6	Apr 2000	Apr 2003			Mar 2007 P	
Russia	1994	0	3.2	Jun 2000	May 2002	May 2004	Feb 2006 P	Jun 2007 P	

* China, India, Indonesia, Japan and Korea

P= provisional (see Methodological Notes on next page)

Methodological Notes

Purpose

The OECD CLI is designed to provide early signals of turning points in business cycles – fluctuations of economic activity around its long term potential level. The approach, focusing on turning points (peaks and troughs), results in CLIs that provide qualitative rather than quantitative information on short-term economic movements. Four cyclical phases form the basis of this qualitative approach: *expansion* – CLI increasing and above 100; *downturn* – CLI decreasing and above 100; *slowdown* – CLI decreasing and below 100; *recovery* – CLI increasing and below 100. Although the CLIs attempt to predict movements in the output gap, they should not be interpreted as providing exact forecasts.

Reference Series

OECD CLIs are constructed from economic time series that have similar cyclical fluctuations to those of the business cycle but which precede those of the business cycle. Typically movements in GDP are used as a proxy for the business cycle but, because they are available on a more timely and monthly basis, the OECD CLI system uses instead indices of industrial production (IIP) as proxy reference series. Moreover despite their tendency towards higher volatility historical turning points of IIPs coincide well with those of GDP for most OECD countries. Table 2, above, shows recent turning points in the reference series and these are marked provisional until they have been verified with the turning points of de-trended quarterly GDP estimates.

Summary Methodology

The OECD CLIs are composite indicators: with components that target the early stages of production, respond rapidly to changes in economic activity, are sensitive to expectations of future activity or are control variables that measure policy stances. All components are passed through a series of filters before aggregation (seasonal adjustment, trend-removal, smoothing and normalisation). The composite indicator is constructed to: preserve the leading properties of the components, have more stable lead times, and have fewer missed or extra turning-points when compared to the reference series than the components alone. The historical performance (lead/lag at turning points) of the CLIs for individual countries and areas are set out in Table 2.

More information on methodology is available in the following document: "[OECD system of composite leading indicators](#)".

Data

A large set of component series, selected from a wide range of economic indicators, are used in constructing CLIs (224 series are used in total, about 5-10 for each country). CLIs are calculated for 29 OECD countries and 9 zones. They are calculated in three forms: amplitude adjusted, trend-restored, and year-on-year growth rate. These are comparable, respectively, with the de-trended reference series, the original reference series and the year-on-year growth rate of the reference series. The press release focuses on the amplitude adjusted form of the CLI, and includes the major countries and zones.

Access to time series data and methodological information for OECD *Composite Leading Indicators* (CLI) and *Consumer and Business Confidence Indicators* is provided by the OECD Business Cycle Analysis Database available at the OECD web site at <http://stats.oecd.org/mei/default.asp?rev=2>

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** (only Euro area countries that are members of OECD) covers the following 12 countries: Austria, Belgium, Finland, France, Germany, Greece, Italy, Ireland, Luxembourg, the Netherlands, Portugal, and Spain.

The **Major Five Asia area** covers China, India, Indonesia, Japan and Korea.

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