OECD Composite Leading Indicators

Gyorgy Gyomai
OECD – Statistics Directorate
Outline

- The OECD CLI – main characteristics
- The building blocks
- What will change, and why?
  - The filtering process change
  - The integration of production and analysis
Main characteristics of the CLI system

- The goals:
  - Draw a broad brush picture of the economic outlook
  - Serve as benchmark
- As a consequence:
  - Focus on turning-points
  - Robust, non-parametric, non-optimizing
Building blocks

Pre-selection
Reference series
Components series

Filtering
Periodicity
Seasonal adjustment
Outlier detection
Cycle identification
Normalisation

Evaluation
Length of the lead
Cyclical conformity
Extra/missing cycles
Performance

Presentation
Amplitude adjusted
Trend restored
12-month rate of change

Aggregation
Weighting
Lag-shifting & inversion
Aggregation
From PAT to HP

- A quasi real time experiment comparing revision properties of the:
  - Phase Average Trend (PAT)
  - Double Hodrick-Prescott filter
  - Christiano-Fitzgerald filter
- Baseline scenario controlled for a pass-band of 6 to 96 month
- Comparing revision size, bias and signal stability
The filtered Business Climate Indicator
USA
Overall revision size

Mean absolute revision
HP smallest revisions

Cumulated absolute revisions
CF smallest revision
Bias in Cycle Estimation

**PAT** show larger bias than **HP** and **CF**

**HP** shows strong positive autocorrelation
Revision to Cyclical Signal

Sign change
HP performs best

Direction change
Hp performs best
CF performs worst
Turning Point Estimation History for Net New Orders series

PAT
TP estimates often change

HP
Fewer large jumps, no oscillations
Final touches

- Short-term stabilizing forecasts
- Adjusting the band pass for 12-120 month
- Changing the sequence of the filters in the filtering process
The changes in the OECD CLI system will take effect in December 2008