

INDUSTRIAL PRODUCTION AND RETAIL SALES

During the crisis, industrial production plunged in all OECD countries, while retail trade decreased significantly less. A rebound in industrial production started in the spring of 2009 and continued thereafter.

Definition

The industrial production index covers mining and quarrying, manufacturing and public utilities, while excluding construction. The classification of economic activities is based on the International Standard of Industrial Classification of all Economic Activities Revision 3 (ISIC Rev 3). The index of retail trade is based on turnover in the retail sector deflated by changes in retail prices.

The OECD system of Composite Leading Indicators (CLI) is designed to give early signals of turning points in economic activity, as measured by industrial production. The CLI for any given country is composed of a set of economic indicators. Turning points in the CLI tend to lead those in (de-trended) industrial production by between 6 to 9 months.

Overview

In the year to April 2009, industrial production fell by 30% in Japan, by more than 20% in the Euro area and by more than 12% in the United States. The decline in industrial production exceeds that of GDP due to its greater cyclical sensitivity. Since April 2009, industrial production has recovered in all countries considered except Ireland, with a strong rebound (exceeding 10%) in Brazil, India, Japan, Korea, Luxembourg and Slovak Republic. The rebound for the OECD area is limited to 4.3%, i.e. around one fourth of the decline recorded in the year to April 2009.

The decline in retail trade is generally less than that recorded for industrial production, reflecting the greater resilience of private consumption during the crisis. In Brazil and some European countries, retail trade continued to increase in the year to April 2009. Since then, retail trade has recovered in around half of the countries considered (as well as for the OECD average), while falling further in several European countries.

The OECD CLIs for the OECD area and for the five major countries in Asia (China, India, Indonesia, Japan and Korea) have shown strong signals of a recovery since early 2009. This should translate into a recovery of industrial production in the second half of 2009, possibly pushing it above its long-term trend in 2010. There are however large uncertainties in the estimates of this long-term trend when economic activity falls sharply.

Comparability

Indices of industrial production generally follow the principles set out in the United Nations *Index Numbers of Industrial Production, 2009*. Data for some countries may depart from these principles because of the use of different classification systems (e.g. ISIC, NACE, NAICS etc) and different statistical units than the ones recommended. The industrial production index for Mexico includes construction.

Coverage of retail trade may differ across countries for a variety of reasons (e.g. administrative constraints, differences in the coverage of production units classified in the retail sector). For Japan and the United States (since April 2007) national data have been adjusted by the OECD for changes in consumer price inflation.

Sources

- OECD (2010), *Main Economic Indicators*, OECD, Paris.

Further information

Analytical publications

- Nilsson, R. and E. Guidetti (2007), *Current Period Performance of OECD Composite Leading Indicators (CLIs)*, OECD Statistics Working Papers, No. 2007/1, OECD, Paris.
- Nilsson, R. (2006), *Composite Leading Indicators and Growth Cycles in Major OECD Non-Member Economies and Recently New OECD Member Countries*, OECD Statistics Working Papers, No. 2006/5, OECD, Paris.
- Nilsson, R. and O. Brunet (2006), *Composite Leading Indicators For Major OECD Non-Member Economies: Brazil, China, India, Indonesia, Russian Federation, South Africa*, OECD Statistics Working Papers, No. 2006/1, OECD, Paris.

Online databases

- *Main Economic Indicators*.

Methodological publications

- United Nations (2009), *International Recommendations for the Index of Industrial Production*, United Nation, New York.
- OECD (2002), *Main Economic Indicators: Comparative Methodological Analysis: Industry, Retail and Construction Indicators Volume 2002 Supplement 1*, OECD, Paris.
- OECD System of Composite Leading Indicators.

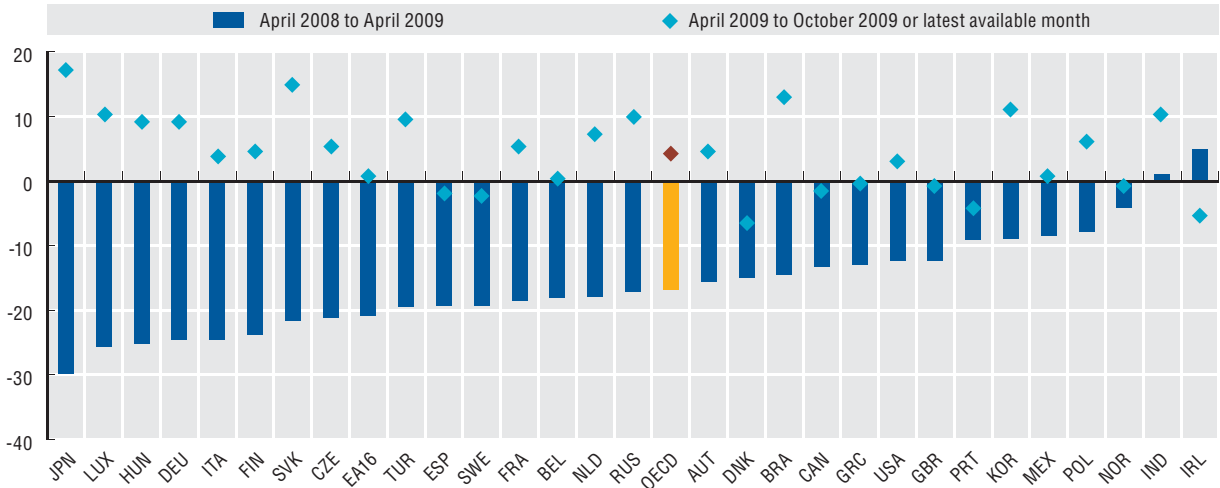
Web sites

- OECD Main Economic Indicators, www.oecd.org/std/mei.
- OECD Composite Leading Indicators, www.oecd.org/std/cli.

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Industrial production index

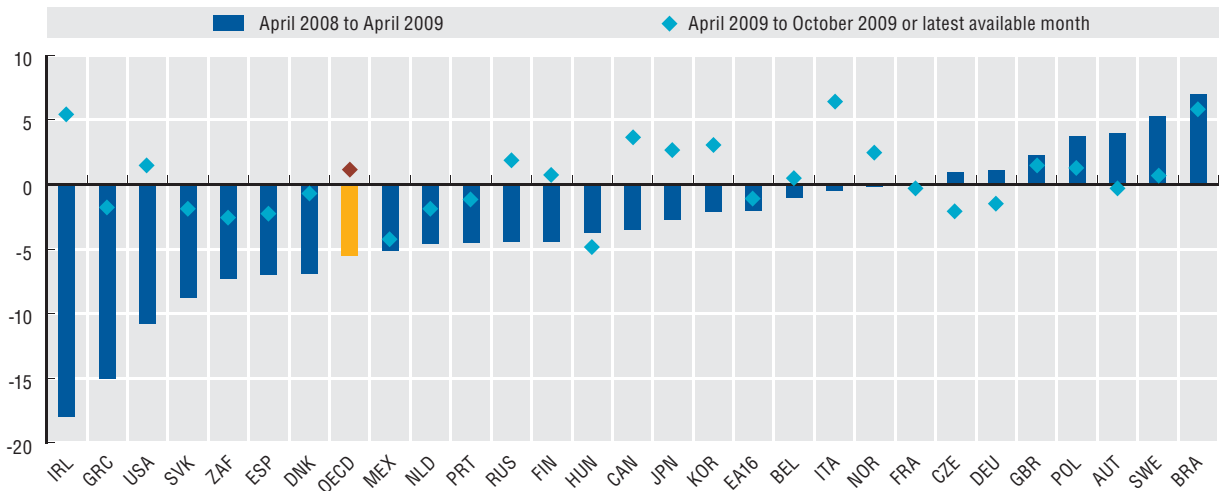
Cumulative change in percentage, seasonally adjusted



StatLink <http://dx.doi.org/10.1787/822823146248>

Retail trade volume

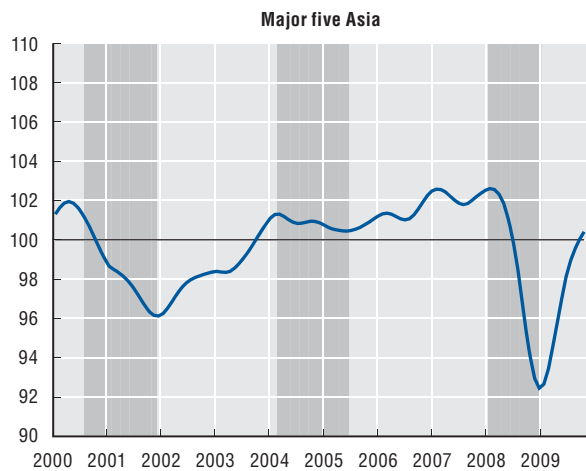
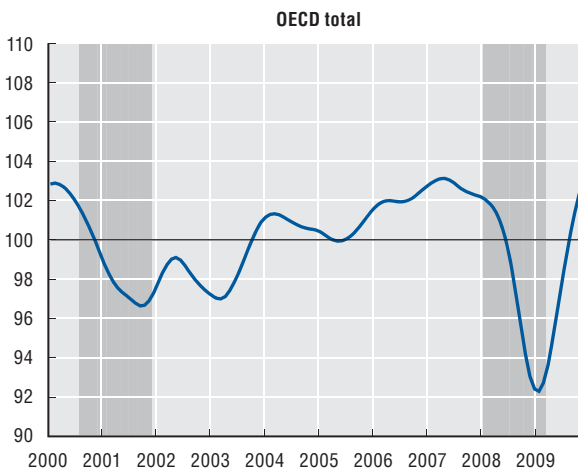
Cumulative change in percentage, seasonally adjusted



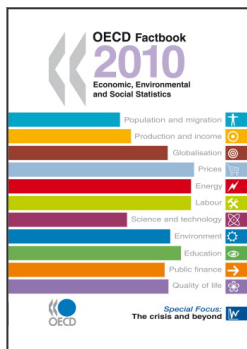
StatLink <http://dx.doi.org/10.1787/822823268034>

Composite Leading Indicator

Amplitude adjusted, long-term trend = 100



StatLink <http://dx.doi.org/10.1787/823002426041>



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