



THE CONFERENCE BOARD

Brussels      Copenhagen      Frankfurt      Hong Kong      London      Mexico City      New Delhi      Ottawa  
New York      Chicago      San Francisco      Washington

**FOR RELEASE: 10:00 A.M. ET, THURSDAY, February 21, 2008**

The Conference Board® U.S. Business Cycle Indicators<sup>SM</sup>  
**U.S. LEADING ECONOMIC INDICATORS**  
**AND RELATED COMPOSITE INDEXES FOR JANUARY 2008**

The Conference Board announced today that the U.S. leading index decreased 0.1 percent, the coincident index increased 0.1 percent and the lagging index remained unchanged in January.

- The leading index declined for the fourth straight month in January. Stock prices were the largest negative contributor to the index this month, followed by housing permits. Money supply (real M2), index of consumer expectations, and initial claims for unemployment insurance (inverted) made positive contributions to the index. With this month's decline, the leading index has fallen 2.0 percent (a decline of 4.0 percent annual rate) from July 2007 to January 2008, the largest six-month decline in the index since early 2001. In addition, the weaknesses among its components have been more widespread than the strengths in recent months.
- The coincident index increased again in January, although its growth rate has slowed in recent months. The strengths among the coincident indicators have remained fairly widespread. For this month, positive contributions from personal income less transfer payments, real manufacturing and trade sales, and industrial production more than offset the small decline in nonagricultural payroll employment. Despite the gain in January, the six-month growth rate in the coincident index has slowed to 0.4 percent (a 0.8 percent annual rate) from July 2007 to January 2008, down from a 1.1 percent rate from January to July 2007 (a 2.3 percent annual rate). The lagging index remained unchanged in January, and as a result, the ratio of the coincident to lagging index increased slightly this month.
- The leading index has continued to decline since its most recent highest value reached in July 2007, and the weakness among the leading indicators has become more widespread. However, the coincident index has mostly increased during this period, although its growth rate has slowed considerably in recent months. At the same time, real GDP growth decreased to 0.6 percent in the fourth quarter of 2007, down from an average of about a 2.2 percent annual rate in the first half of 2007 and a 4.9 percent annual rate in the third quarter. Taken together, the current behavior of the composite indexes suggests increasing risks for further economic weakness, and that sluggish economic growth will likely continue in the near term.

**LEADING INDICATORS.** Four of the ten indicators that make up the leading index increased in January. The positive contributors – beginning with the largest positive contributor – were real money supply\*, average weekly initial claims for unemployment insurance (inverted), index of consumer expectations and vendor performance. The negative contributors – beginning with the largest negative contributor – were stock prices, building permits, manufacturers' new orders for nondefense capital goods\*, and interest rate spread. Average weekly manufacturing hours, and manufacturers' new orders for consumer goods and materials\* held steady in January.

The next release is scheduled for March 20, Thursday at 10 A.M. ET.

The leading index now stands at 135.8 (1996=100). Based on revised data, this index decreased 0.1 percent in December and decreased 0.4 percent in November. During the six-month span through January, the leading index decreased 2.0 percent, with two out of ten components advancing (diffusion index, six-month span equals 20 percent).

COINCIDENT INDICATORS. Three of the four indicators that make up the coincident index increased in January. The positive contributors to the index – beginning with the largest positive contributor – were personal income less transfer payments\*, manufacturing and trade sales\*, and industrial production. The negative contributor was employees on nonagricultural payrolls.

The coincident index now stands at 125.2 (1996=100). This index increased 0.1 percent in December and remained unchanged in November. During the six-month period through January, the coincident index increased 0.4 percent.

LAGGING INDICATORS. The lagging index stands at 130.7 (1996=100) in January, with five of the seven components advancing. The positive contributors to the index – beginning with the largest positive contributor – were commercial and industrial loans outstanding\*, change in CPI for services, ratio of manufacturing and trade inventories to sales\*, ratio of consumer installment credit to personal income\*, and change in labor cost per unit of output\*. The negative contributors – beginning with the larger negative contributor – were average duration of unemployment (inverted) and the average prime rate charged by banks. Based on revised data, the lagging index increased 0.2 percent in December and increased 0.3 percent in November.

#### DATA AVAILABILITY AND NOTES.

The data series used by The Conference Board to compute the three composite indexes and reported in the tables in this release are those available “as of” 12 Noon on February 20, 2008. Some series are estimated as noted below.

\* Series in the leading index that are based on The Conference Board estimates are manufacturers’ new orders for consumer goods and materials, manufacturers’ new orders for nondefense capital goods, and the personal consumption expenditure used to deflate the money supply. Series in the coincident index that are based on The Conference Board estimates are personal income less transfer payments and manufacturing and trade sales. Series in the lagging index that are based on The Conference Board estimates are inventories to sales ratio, consumer installment credit to income ratio, change in labor cost per unit of output, the consumer price index, and the personal consumption expenditure used to deflate commercial and industrial loans outstanding.

The procedure used to estimate the current month’s personal consumption expenditure deflator (used in the calculation of real money supply and commercial and industrial loans outstanding) now incorporates the current month’s consumer price index when it is available before the release of the U.S. Leading Economic Indicators.

Effective with the September 18, 2003 release, the method for calculating manufacturers’ new orders for consumer goods and materials (A0M008) and manufacturers’ new orders for nondefense capital goods (A0M027) has been revised. Both series are now constructed by deflating nominal aggregate new orders data instead of aggregating deflated industry level new orders data. Both the new and the old methods utilize appropriate producer price indices. This simplification remedies several issues raised by the recent conversion of industry data to the North American Classification System (NAICS), as well as several other issues, e.g. the treatment of semiconductor orders. While this simplification caused a slight shift in the levels of both new orders series, the growth rates were essentially the same. As a result, this simplification had no significant effect on the leading index.

On February 1, 2008, a technical database error that affected two components of the LEI was corrected. The two components were 1) manufacturers’ new orders for consumer goods and materials and 2) manufacturers’ new orders for nondefense capital goods. As a result, the level of the index for July to December 2007 reported on January 18, 2008 was slightly lower, but the monthly change reported for December 2007 remained the same. The recent and historical cyclical behavior of the leading index was not affected by either the database error or its correction.

**NOTE ON BENCHMARK REVISIONS:**

The Conference Board will announce its regular annual benchmark revisions to the U.S. LEADING ECONOMIC INDICATORS AND RELATED COMPOSITE INDEXES at the end of March 2008. In the past, these benchmark revisions were completed in January. However, because a number of underlying data series – such as industrial production and employment – will be revised in early 2008 by the source agencies, a later annual benchmark for the LEI and related composite indexes will allow for the incorporation of more up-to-date component data. These annual benchmark revisions to the composite indexes bring them up-to-date with revisions in the source data, and usually do not change the cyclical properties of the indexes. The indexes are updated every month, but only for the previous six months. Data revisions that fall outside of the moving six-month window are not incorporated until the annual benchmark revisions when the histories of the indexes are recomputed.

For more information please visit our website at <http://www.conference-board.org/economics/bci/> or contact us by email or phone at [indicators@conference-board.org](mailto:indicators@conference-board.org) or 212-339-0330.

###

Professional Contacts at The Conference Board:

Ken Goldstein: 212-339-0331  
Indicators Program: 212-339-0330  
Email: [indicators@conference-board.org](mailto:indicators@conference-board.org)  
Website: [www.conference-board.org/economics/bci](http://www.conference-board.org/economics/bci)

Media Contacts:

Frank Tortorici: 212-339-0231  
Carol Courter: 212-339-0232

THE CYCLICAL INDICATOR APPROACH. The composite indexes are the key elements in an analytic system designed to signal peaks and troughs in the business cycle. The leading, coincident, and lagging indexes are essentially composite averages of between four and ten individual leading, coincident, or lagging indicators. (See page 3 for details.) They are constructed to summarize and reveal common turning point patterns in economic data in a clearer and more convincing manner than any individual component—primarily because they smooth out some of the volatility of individual components.

Historically, the cyclical turning points in the leading index have occurred before those in aggregate economic activity, while the cyclical turning points in the coincident index have occurred at about the same time as those in aggregate economic activity. The cyclical turning points in the lagging index generally have occurred after those in aggregate economic activity.

U.S. Composite Indexes: Components and Standardization Factors

<u>Leading Index</u>		<u>Factor</u>
1	Average weekly hours, manufacturing	0.2565
2	Average weekly initial claims for unemployment insurance	0.0310
3	Manufacturers' new orders, consumer goods and materials	0.0763
4	Vendor performance, slower deliveries diffusion index	0.0672
5	Manufacturers' new orders, nondefense capital goods	0.0186
6	Building permits, new private housing units	0.0270
7	Stock prices, 500 common stocks	0.0384
8	Money supply, M2	0.3530
9	Interest rate spread, 10-year Treasury bonds less federal funds	0.1037
10	Index of consumer expectations	0.0283
<u>Coincident Index</u>		
1	Employees on nonagricultural payrolls	0.5411
2	Personal income less transfer payments	0.1908
3	Industrial production	0.1491
4	Manufacturing and trade sales	0.1190
<u>Lagging Index</u>		
1	Average duration of unemployment	0.0374
2	Inventories to sales ratio, manufacturing and trade	0.1235
3	Labor cost per unit of output, manufacturing	0.0624
4	Average prime rate	0.2808
5	Commercial and industrial loans	0.1113
6	Consumer installment credit to personal income ratio	0.1891
7	Consumer price index for services	0.1955

**Notes:**

The component factors are inversely related to the standard deviation of the month-to-month changes in each component. They are used to equalize the volatility of the contribution from each component and are “normalized” to sum to 1. When one or more components are missing, the other factors are adjusted proportionately to ensure that the total continues to sum to 1.

These factors were revised effective on the release for January 2007, and all historical values for the three composite indexes were revised at this time to reflect the changes. (Under normal circumstances, updates to the leading, coincident, and lagging indexes only incorporate revisions to data over the past six months.) The factors for the leading index were calculated using 1984-2005 as the sample period for measuring volatility. A separate set of factors for the 1959-1983 period is available upon request. The primary sample period for the coincident and lagging indexes was 1959-2005. For additional information on the standardization factors and the index methodology see: “Benchmark Revisions in the Composite Indexes,” *Business Cycle Indicators* December 1997 and “Technical Appendix: Calculating the Composite Indexes” *Business Cycle Indicators* December 1996, or the Web site: [www.conference-board.org/economics/bci](http://www.conference-board.org/economics/bci).

The trend adjustment factor for the leading index is -0.0188, and the trend adjustment factor for the lagging index is 0.1714.

To address the problem of lags in available data, those leading, coincident and lagging indicators that are not available at the time of publication are estimated using statistical imputation. An autoregressive model is used to estimate each unavailable component. The resulting indexes are therefore constructed using real and estimated data, and will be revised as the unavailable data during the time of publication become available. Such revisions are part of the monthly data revisions, now a regular part of the U.S. Business Cycle Indicators program. The main advantage of this procedure is to utilize in the leading index data such as stock prices, interest rate spread, and manufacturing hours that are available sooner than other data on real aspects of the economy such as manufacturers’ new orders. Empirical research by The Conference Board suggests that there are real gains in adopting this procedure to make all the indicator series as up-to-date as possible.

**U.S. Leading Economic Indicators news release schedule for 2008:**

Thursday, March 20, 2008	for February 2008 data
Thursday, April 17, 2008	for March 2008 data
Monday, May 19, 2008	for April 2008 data
Thursday, June 19, 2008	for May 2008 data
Monday, July 21, 2008	for June 2008 data
Thursday, August 21, 2008	for July 2008 data
Thursday, September 18, 2008	for August 2008 data
Monday, October 20, 2008	for September 2008 data
Thursday, November 20, 2008	for October 2008 data
Thursday, December 18, 2008	for November 2008 data

All releases are at 10:00 AM ET.

ABOUT THE CONFERENCE BOARD. The Conference Board is the premier business membership and research network founded in 1916. It has become a global leader in helping executives build strong professional relationships, expand their business knowledge and find solutions to a wide range of business challenges. Its Economics Program, under the direction of Chief Economist Gail Fosler, is a recognized source of forecasts, analysis and objective indicators such as Leading Economic Indicators and Consumer Confidence.

This role is part of a long tradition of research and education that stretches back to the compilation of the first continuous measure of the cost of living in the United States in 1919. In 1995, The Conference Board assumed responsibility for computing the composite indexes from the U.S. Department of Commerce. The Conference Board now produces business cycle indexes for the U.S., Australia, France, Germany, Korea, Japan, Mexico, Spain and the U.K. To subscribe to any of these indexes, please visit [www.conference-board.org/economics/bci](http://www.conference-board.org/economics/bci) or contact the customer service department at 212-339-0345 or email [indicators@conference-board.org](mailto:indicators@conference-board.org).

AVAILABLE FROM THE CONFERENCE BOARD

U.S. Business Cycle Indicators Internet Subscription	\$ 575 per year (1 user)
<i>(Includes monthly release, data, charts and commentary)</i>	
Individual Data Series	\$ 30 per series downloaded
Monthly BCI Report	\$ 250 per year
<i>(Sample available on request)</i>	
BCI Handbook (published 2001)	\$ 20
Corporate Site License	contact Indicators Program at (212) 339-0330

Business Cycle Indicators for Australia, France, Germany, Japan, Korea, Mexico, Spain and the UK are available at \$575 per country per year (1 user). Discounts are available to Associates of The Conference Board and accredited academic institutions.

THESE DATA ARE FOR NEWS ANALYSIS PURPOSES ONLY. NOT FOR  
REDISTRIBUTION, PUBLISHING, OR PUBLIC POSTING WITHOUT EXPRESS WRITTEN  
PERMISSION.

**Table 1.--Summary of Composites Indexes**

	2007							
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
Leading index	138.6	137.1	r 137.5	r 136.7	r 136.1	r 136.0	r 135.8	p
Percent change	.7	-1.1	r .3	r -.6	r -.4	r -.1	r -.1	p
Diffusion index	75.0	10.0	70.0	25.0	30.0	50.0	50.0	
Coincident index	124.7	124.9	125.0	125.0	125.0	r 125.1	p 125.2	p
Percent change	.3	.2	.1	.0	.0	r .1	p .1	p
Diffusion index	87.5	75.0	87.5	50.0	50.0	100.0	87.5	
Lagging index	128.5	129.0	129.6	130.0	r 130.4	p 130.7	p 130.7	p
Percent change	-.2	.4	.5	.3	r .3	p .2	p .0	p
Diffusion index	35.7	64.3	57.1	42.9	71.4	28.6	64.3	
Coincident-lagging ratio	97.0	96.8	96.5	96.2	95.9	p 95.7	p 95.8	p
	Jan to	Feb to	Mar to	Apr to	May to	Jun to	Jul to	
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
Leading index								
Percent change	.5	.0	-.3	-.7	-1.3	-1.2	-2.0	
Diffusion index	60.0	60.0	50.0	50.0	40.0	30.0	20.0	
Coincident index								
Percent change	1.1	1.1	1.0	.8	.7	.6	.4	
Diffusion index	100.0	100.0	100.0	100.0	100.0	100.0	87.5	
Lagging index								
Percent change	.5	.6	1.3	1.7	1.8	1.5	1.7	
Diffusion index	42.9	35.7	50.0	35.7	35.7	42.9	42.9	

p Preliminary. r Revised (noted only for index levels and one-month percent changes). c Corrected.

CALCULATION NOTE: The diffusion indexes measure the proportion of the components that are rising. Components that rise more than 0.05 percent are given a value of 1.0, components that change less than 0.05 percent are given a value of 0.5, and components that fall more than 0.05 percent are given a value of 0.0.

The full history of composite and diffusion indexes is available by subscription on our web site at [www.conference-board.org/economics/bci](http://www.conference-board.org/economics/bci)

**THESE DATA ARE FOR NEWS ANALYSIS PURPOSES ONLY. NOT FOR  
REDISTRIBUTION, PUBLISHING, OR PUBLIC POSTING WITHOUT EXPRESS WRITTEN  
PERMISSION.**

**Table 2.--Data and Net Contributions for Components of the Leading Index**

Component	2007						
	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Leading index component data							
Average workweek, production workers, mfg. (hours).....	41.4 r	41.3 r	41.4 r	41.2	41.3	41.1 r	41.1
Average weekly initial claims, state unemployment insurance (thousands)*.....	306.0	324.9	313.1	327.5	340.4	343.3	335.4
Manufacturers' new orders, consumer goods and materials (mil. 1982 dol.).....	146,086	144,331 r	141,880	142,978	141,115 r	141,858 r	141,811 **
Vendor performance--slower deliveries diffusion index (percent).....	52.0	50.0	51.9	50.6	51.7	52.6 r	52.8
Manufacturers' new orders, nondefense capital goods (mil. 1982 dol.).....	54,152	47,707 r	50,023	48,779	51,238 r	54,037 r	52,807 **
Building permits (thous.).....	1,389	1,322	1,261	1,170	1,162	1,080 r	1,048
Stock prices, 500 common stocks (c) (index: 1941-43=10).....	1,520.70	1,454.62	1,497.12	1,539.66	1,463.39	1,479.23	1,378.76
Money supply, M2 (bil. chn. 2000 dol.).....	6,173.8 r	6,217.0 r	6,224.9 r	6,227.7 r	6,220.6 r	6,235.8 r	6,259.1 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	-0.26	-0.35	-0.42	-0.23	-0.34	-0.14	-0.20
Index of consumer expectations (c) (1966:1=100).....	81.5	73.7	74.1	70.1	66.2	65.6	68.1
LEADING INDEX (1996=100).....	138.6	137.1 r	137.5 r	136.7 r	136.1 r	136.0 r	135.8 p
Percent change from preceding month.....	0.7	-1.1 r	0.3 r	-0.6 r	-0.4 r	-0.1 r	-0.1 p
Leading index net contributions							
Average workweek, production workers, mfg.....	....	-.06	.06	-.12	.06	-.12 r	.00
Average weekly initial claims, state unemployment insurance.....	....	-.19	.11	-.14	-.12	-.03	.07
Manufacturers' new orders, consumer goods and materials.....	....	-.09	-.13	.06	-.10	.04 r	.00 **
Vendor performance--slower deliveries diffusion index.....	....	-.13	.13	-.09	.07	.06 r	.01
Manufacturers' new orders, nondefense capital goods.....	....	-.24	.09	-.05	.09 r	.10 r	-.04 **
Building permits.....	....	-.13	-.13	-.20	-.02	-.20 r	-.08
Stock prices, 500 common stocks (c)	....	-.17	.11	.11	-.20	.04	-.27
Money supply, M2.....	....	.25 r	.04 r	.02 r	-.04 r	.09 r	.13 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	....	-.04	-.04	-.02	-.04	-.01	-.02
Index of consumer expectations (c)	....	-.22	.01	-.11	-.11	-.02	.07

p Preliminary. r Revised. c Corrected.

\* Inverted series; a negative change in this component makes a positive contribution to the index.

\*\* Statistical Imputation (See page 3 for more details)

(c) Copyrighted. Series from private sources are provided through the courtesy of the compilers and are subject to their copyrights: Stock prices, Standard & Poor's Corporation; Index of consumer expectations, University of Michigan's Survey Research Center.

CALCULATION NOTE--The percent change in the index does not always equal the sum of the net contributions of the individual components (because of rounding effects and base value differences).

**THESE DATA ARE FOR NEWS ANALYSIS PURPOSES ONLY. NOT FOR  
REDISTRIBUTION, PUBLISHING, OR PUBLIC POSTING WITHOUT EXPRESS WRITTEN  
PERMISSION.**

**Table 3.--Data and Net Contributions for Components of the Coincident and Lagging Indexes**

Component	2007						
	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Coincident index component data							
Employees on nonagricultural payrolls (thousands).....	137,682 r	137,756 r	137,837 r	137,977 r	138,037 r	138,119 r	138,102
Personal income less transfer payments (ann. rate, bil. chn. 2000 dol.).....	8,477.9	8,513.5	8,534.6	8,522.9 r	8,522.8 r	8,529.4 r	8,551.4 **
Industrial production (index: 2002=100).....	114.239	114.104	114.207	113.548 r	113.983 r	114.127 r	114.233
Manufacturing and trade sales (mil. chn. 2000 dol.).....	973,244	977,926	977,810	986,369 r	976,892 r	981,558 **	983,006 **
COINCIDENT INDEX (1996=100).....	124.7	124.9	125.0	125.0	125.0 r	125.1 p	125.2 p
Percent change from preceding month.....	0.3	0.2	0.1	0.0	0.0 r	0.1 p	0.1 p
Coincident index net contributions							
Employees on nonagricultural payrolls.....	....	.03 r	.03 r	.05 r	.02 r	.03 r	-.01
Personal income less transfer payments.....	....	.08 r	.05 r	-.03	.00 r	.01 r	.05 **
Industrial production.....	....	-.02	.01	-.09 r	.06 r	.02 r	.01
Manufacturing and trade sales.....	....	.06	.00	.10 r	-.11 r	.06 **	.02 **
Lagging index component data							
Average duration of unemployment (weeks)*.....	17.3	16.9	16.6	17.0	17.2	16.6	17.5
Ratio, manufacturing and trade inventories to sales (chain 2000 dol.).....	1.315	1.310	1.313	1.301 r	1.311 r	1.310 **	1.311 **
Change in index of labor cost per unit of output, mfg. (6-month percent, ann. rate).....	-3.0	-2.6	-3.0	-.20 r	.4 r	.2	.3 **
Average prime rate charged by banks (percent).....	8.25	8.25	8.03	7.74	7.50	7.33	6.98
Commercial and industrial loans outstanding (mil. chn. 2000 dol.).....	726,391 r	737,818 r	753,844 r	771,463 r	773,770 r	777,702 r	781,390 **
Ratio, consumer installment credit out- standing to personal income (percent).....	21.05 r	21.13 r	21.08 r	21.08 r	21.14 r	21.08	21.09 **
Change in CPI for services (6-month percent, ann. rate).....	3.4 r	2.9 r	3.1 r	3.1 r	3.2	3.1 r	3.3
LAGGING INDEX (1996=100).....	128.5	129.0	129.6	130.0 r	130.4 p	130.7 p	130.7 p
Percent change from preceding month.....	-.2	.4	.5	.3 r	.3 p	.2 p	.0 p
Lagging index net contributions							
Average duration of unemployment.....	....	.09	.07	-.09	-.04	.13	-.20
Ratio, manufacturing and trade inventories to sales.....	....	-.05	.03	-.11 r	.09 r	-.01 **	.01 **
Change in index of labor cost per unit of output, mfg.....	....	.02	-.02	.17 r	.04 r	-.01 r	.01 **
Average prime rate charged by banks.....	....	.00	-.06	-.08	-.07	-.05	-.10
Commercial and industrial loans outstanding.....	....	.17	.24	.26 r	.03	.06	.05 **
Ratio, consumer installment credit out- standing to personal income.....	....	.07	-.04	.00 r	.05	-.05 r	.01 **
Change in CPI for services.....	....	-.10	.04	.00 r	.02 r	-.02 r	.04

CPI Consumer Price Index. For additional notes see table 2.

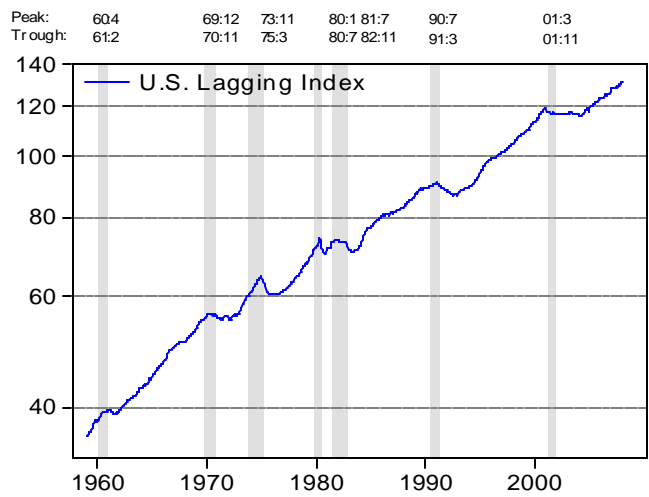
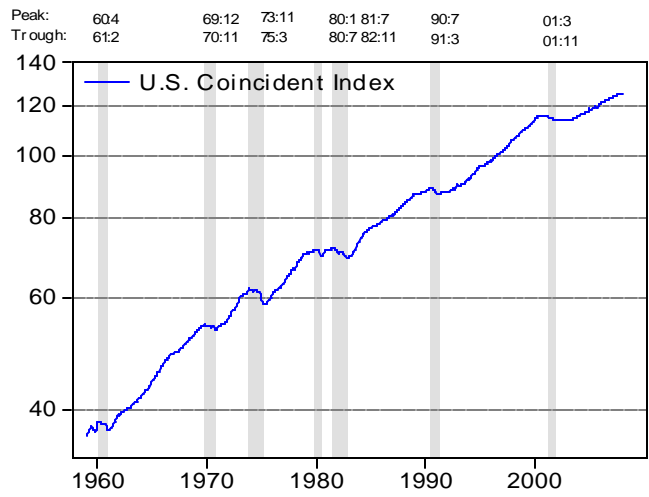
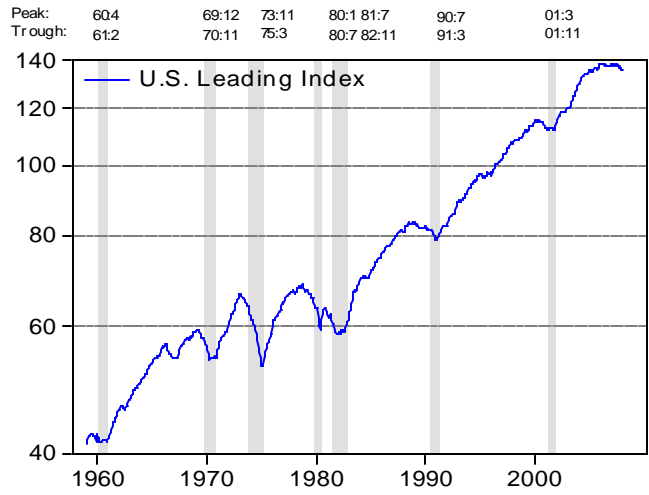
\* Inverted series; a negative change in this component makes a positive contribution to the index.

\*\* Statistical Imputation (See page 3 for more details)



THESE DATA ARE FOR NEWS ANALYSIS PURPOSES ONLY. NOT FOR REDISTRIBUTION OR PUBLIC POSTING WITHOUT EXPRESS PERMISSION.

### U.S. Composite Indexes (1996=100)



Shaded areas represent recessions.

Source: The Conference Board