



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. ET, MONDAY, October 20, 2008

The Conference Board®
U.S. Business Cycle IndicatorsSM
U.S. LEADING ECONOMIC INDICATORS
AND RELATED COMPOSITE INDEXES FOR SEPTEMBER 2008

The Conference Board announced today that the U.S. leading index increased 0.3 percent, the coincident index decreased 0.5 percent and the lagging index decreased 0.2 percent in September.

- The leading index increased in September, the first increase in the last five months. Real money supply, consumer expectations, the interest rate spread, and the index of supplier deliveries all made large positive contributions to the index in September, more than offsetting the negative contributions from building permits, stock prices, initial claims for unemployment insurance (inverted) and the average workweek in manufacturing. From March to September, the leading index decreased 1.3 percent (a -2.5 percent annual rate), declining modestly slower than the 1.7 percent decrease (a -3.4 percent annual rate) that prevailed in the previous six months. However, the weaknesses among the leading indicators have remained widespread over the past six months.
- The coincident index decreased sharply in September and it has declined or held steady since October 2007. Industrial production fell steeply this month, while employment continued to decline. The six-month decline in the coincident index has picked up to 0.8 percent (a -1.7 percent annual rate), from a decrease of 0.3 percent (a -0.6 percent annual rate) in the previous six months, while the weaknesses among the coincident indicators remained very widespread. In September, the coincident index decreased more than the lagging index, and the coincident-to-lagging ratio continued to decline as a result.
- With consistently widespread weakness among its components, the leading index has been falling since July 2007. Following the leading index, the coincident index, a monthly measure of current economic conditions, has also been decreasing, and its rate of decline has accelerated in recent months. Meanwhile, real GDP growth slowed to a 1.8 percent average annual rate in the first half of the year, down from an average annual rate of 2.3 percent in the second half of 2007. Taken together, the behavior of the composite indexes suggests that the economy is unlikely to improve in the near term.

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

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

The leading index now stands at 100.6 (2004=100). Based on revised data, this index decreased 0.9 percent in August and decreased 0.7 percent in July. During the six-month span through September, the leading index decreased 1.3 percent, with two out of ten components advancing (diffusion index, six-month span equals 20 percent).

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

The coincident index now stands at 106 (2004=100). This index remained unchanged in August and decreased 0.2 percent in July. During the six-month period through September, the coincident index decreased 0.8 percent, with one out of four components advancing (diffusion index, six-month span equals 25 percent).

LAGGING INDICATORS. The lagging index stands at 112.2 (2004=100) in September, with two of the seven components advancing. The positive contributors to the index – beginning with the larger positive contributor – were commercial and industrial loans outstanding* and the ratio of manufacturing and trade inventories to sales*. The negative contributors – beginning with the largest negative contributor – were average duration of unemployment (inverted), change in CPI for services, and change in labor cost per unit of output*. The average prime rate charged by banks, and ratio of consumer installment credit to personal income* held steady in September. Based on revised data, the lagging index increased 0.2 percent in August and increased 0.5 percent in July.

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 October 17, 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.

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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 several 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	0.2552
2	Average weekly initial claims for unemployment insurance	0.0307
3	Manufacturers' new orders, consumer goods and materials	0.0773
4	Index of supplier deliveries – vendor performance	0.0668
5	Manufacturers' new orders, nondefense capital goods	0.0183
6	Building permits, new private housing units	0.0271
7	Stock prices, 500 common stocks	0.0391
8	Money supply, M2	0.3550
9	Interest rate spread, 10-year Treasury bonds less federal funds	0.1021
10	Index of consumer expectations	0.0284
<u>Coincident Index</u>		
1	Employees on nonagricultural payrolls	0.5426
2	Personal income less transfer payments	0.1890
3	Industrial production	0.1493
4	Manufacturing and trade sales	0.1191
<u>Lagging Index</u>		
1	Average duration of unemployment	0.0373
2	Inventories to sales ratio, manufacturing and trade	0.1239
3	Labor cost per unit of output, manufacturing	0.0615
4	Average prime rate	0.2822
5	Commercial and industrial loans	0.1112
6	Consumer installment credit to personal income ratio	0.1880
7	Consumer price index for services	0.1959

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 April 2008, 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 1984-2006 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 1959-2006. 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.

The trend adjustment factor for the leading index is -0.0164, and the trend adjustment factor for the lagging index is 0.1644.

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, 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. The Conference Board's Economics Program is a recognized source of forecasts, economic analysis and objective indicators such as the Leading Economic Indicators and the Consumer Confidence Index.

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 or contact the customer service department at 212-339-0345 or email indicators@conference-board.org.

AVAILABLE FROM THE CONFERENCE BOARD

U.S. Business Cycle Indicators Internet Subscription <i>(Includes monthly release, data, charts and commentary)</i>	\$ 635 per year (1 user)
Individual Data Series	\$ 35 per series downloaded
Monthly BCI Report <i>(Sample available at http://www.conference-board.org/publications/describeBCI.cfm)</i>	\$ 275 per year
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 \$635 per country per year (1 user). Discounts are available to Associates of The Conference Board and accredited academic institutions.

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PERMISSION.**

Table 1.--Summary of Composites Indexes

	2008						
	Mar	Apr	May	Jun	Jul	Aug	Sep
Leading index	101.9	102.0	101.9	101.9 r	101.2 r	100.3 r	100.6 p
Percent change	.0	.1	-.1	.0 r	-.7	-.9 r	.3 p
Diffusion index	50.0	50.0	25.0	45.0	40.0	30.0	60.0
Coincident index	106.9	106.9	106.8	106.7 r	106.5 r	106.5 p	106.0 p
Percent change	.0	.0	-.1	-.1 r	-.2 r	.0 p	-.5 p
Diffusion index	37.5	37.5	12.5	25.0	25.0	50.0	50.0
Lagging index	112.0	111.9	111.6 r	111.6 r	112.2	112.4 p	112.2 p
Percent change	.2	-.1	-.3 r	.0	.5 r	.2 p	-.2 p
Diffusion index	57.1	57.1	28.6	64.3	78.6	21.4	42.9
Coincident-lagging ratio	95.4	95.5	95.7 r	95.6 r	94.9 r	94.8 p	94.5 p
	Sep to Mar	Oct to Apr	Nov to May	Dec to Jun	Jan to Jul	Feb to Aug	Mar to Sep
Leading index							
Percent change	-1.7	-1.2	-.9	-.7	-.9	-1.6	-1.3
Diffusion index	30.0	30.0	30.0	40.0	30.0	20.0	20.0
Coincident index							
Percent change	-.3	-.4	-.4	-.5	-.7	-.4	-.8
Diffusion index	12.5	.0	.0	.0	.0	25.0	25.0
Lagging index							
Percent change	1.8	1.5	.9	.6	.9	.5	.2
Diffusion index	85.7	85.7	71.4	42.9	71.4	42.9	35.7

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

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

Component	2008						
	Mar	Apr	May	Jun	Jul	Aug	Sep
Leading index component data							
Average workweek, production workers, mfg. (hours).....	41.2	41.0	41.0	41.0	41.0	40.9	40.7
Average weekly initial claims, state unemployment insurance (thousands)*.....	374.8	367.3	369.0	390.5	420.1	439.9	474.3
Manufacturers' new orders, consumer goods and materials (mil. 1982 dol.).....	138,204	136,653	134,632	136,275	135,092 r	129,981 r	130,750 **
Index of supplier deliveries -- vendor performance (percent).....	53.6	54.0	53.7	55.1	55.1	50.3	52.5
Manufacturers' new orders, nondefense capital goods (mil. 1982 dol.).....	49,757	48,268	48,225	47,001	48,281 r	44,416 r	45,801 **
Building permits (thous.).....	932	982	978	1,138	937	857 r	786
Stock prices, 500 common stocks (c) (index: 1941-43=10).....	1,316.94	1,370.47	1,403.22	1,341.25	1,257.33	1,281.47	1,217.01
Money supply, M2 (bil. chn. 2000 dol.).....	6,317.6 r	6,313.6 r	6,292.8 r	6,243.4 r	6,236.9 r	6,227.0 r	6,305.6 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	0.90	1.40	1.90	2.10	2.00	1.89	1.88
Index of consumer expectations (c) (1966:1=100).....	60.1	53.3	51.1	49.2	53.5	57.9	67.2
LEADING INDEX (2004=100).....	101.9	102.0	101.9	101.9 r	101.2 r	100.3 r	100.6 p
Percent change from preceding month.....	0.0	0.1	-0.1	0.0 r	-0.7	-0.9 r	0.3 p
Leading index net contributions							
Average workweek, production workers, mfg.....	....	-.12	.00	.00	.00	-.06	-.13
Average weekly initial claims, state unemployment insurance.....	....	.06	-.01	-.17	-.22	-.14	-.23
Manufacturers' new orders, consumer goods and materials.....	....	-.09	-.12	.09	-.07 r	-.30 r	.05 **
Index of supplier deliveries -- (vendor performance).....	....	.03	-.02	.09	.00	-.32	.15
Manufacturers' new orders, nondefense capital goods.....	....	-.06	.00	-.05	.05 r	-.15 r	.06 **
Building permits.....	....	.14	-.01	.41	-.53	-.24 r	-.23
Stock prices, 500 common stocks (c).....	....	.16	.09	-.18	-.25	.07	-.20
Money supply, M2.....	....	-.02 r	-.12	-.28 r	-.04 r	-.06 r	.45 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	....	.14	.19	.21	.20	.19	.19
Index of consumer expectations (c).....	....	-.19	-.06	-.05	.12	.12	.26

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)

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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).

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

Component	2008						
	Mar	Apr	May	Jun	Jul	Aug	Sep
Coincident index component data							
Employees on nonagricultural payrolls (thousands).....	137,831	137,764	137,717	137,617	137,550 r	137,477 r	137,318
Personal income less transfer payments (ann. rate, bil. chn. 2000 dol.).....	8,465.1	8,460.5 r	8,452.6 r	8,417.6 r	8,405.2 r	8,438.1 r	8,449.4 **
Industrial production (index: 2002=100).....	112.024	111.441 r	111.298 r	111.452 r	111.435 r	110.360 r	107.254
Manufacturing and trade sales (mil. chn. 2000 dol.).....	954,909	965,041 r	962,718 r	960,562 r	955,920 r	959,014 **	960,415 **
COINCIDENT INDEX (2004=100).....	106.9	106.9	106.8	106.7 r	106.5 r	106.5 p	106.0 p
Percent change from preceding month.....	0.0	0.0	-0.1	-0.1 r	-0.2 r	0.0 p	-0.5 p
Coincident index net contributions							
Employees on nonagricultural payrolls.....	....	-.03	-.02	-.04	-.03 r	-.03	-.06
Personal income less transfer payments.....	....	-.01 r	-.02 r	-.08 r	-.03	.07 r	.03 **
Industrial production.....	....	-.08	-.02	.02 r	.00 r	-.14 r	-.43
Manufacturing and trade sales.....	....	.13	-.03	-.03	-.06 r	.04 **	.02 **
Lagging index component data							
Average duration of unemployment (weeks)*.....	16.2	16.9	16.6	17.5	17.1	17.4	18.4
Ratio, manufacturing and trade inventories to sales (chain 2000 dol.).....	1.341	1.323	1.322	1.325 r	1.335 r	1.334 **	1.335 **
Change in index of labor cost per unit of output, mfg. (6-month percent, ann. rate)....	2.9	3.5	2.2	3.30 r	3.2 **	3.1 **	2.9 **
Average prime rate charged by banks (percent).....	5.66	5.24	5.00	5.00	5.00	5.00	5.00
Commercial and industrial loans outstanding (mil. chn. 2000 dol.).....	788,482 r	800,001 r	794,707 r	778,096 r	778,908 r	795,695 r	796,960 **
Ratio, consumer installment credit out- standing to personal income (percent).....	21.29	21.31 r	20.97 r	21.02 r	21.18 r	21.01 r	21.01 **
Change in CPI for services (6-month percent, ann. rate).....	3.5	3.6	3.9	4.3	4.8	4.7	4.0
LAGGING INDEX (2004=100).....	112.0	111.9	111.6 r	111.6 r	112.2	112.4 p	112.2 p
Percent change from preceding month.....	.2	-.1	-.3 r	.0	.5 r	.2 p	-.2 p
Lagging index net contributions							
Average duration of unemployment.....	....	-.16	.07	-.20	.09	-.06	-.21
Ratio, manufacturing and trade inventories to sales.....	....	-.17	-.01	.03 r	.09 r	-.01 **	.01 **
Change in index of labor cost per unit of output, mfg.....	....	.04	-.08	.07	-.01 **	-.01 **	-.01 **
Average prime rate charged by banks.....	....	-.12	-.07	.00	.00	.00	.00
Commercial and industrial loans outstanding.....	....	.16	-.07	-.23	.01	.24 r	.02 **
Ratio, consumer installment credit out- standing to personal income.....	....	.02 r	-.30 r	.04 r	.14 r	-.15 r	.00 **
Change in CPI for services.....	....	.02	.06	.08	.10	-.02	-.14

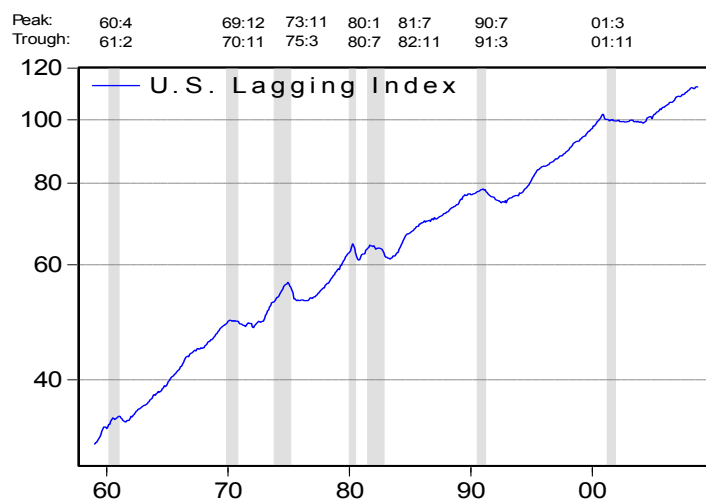
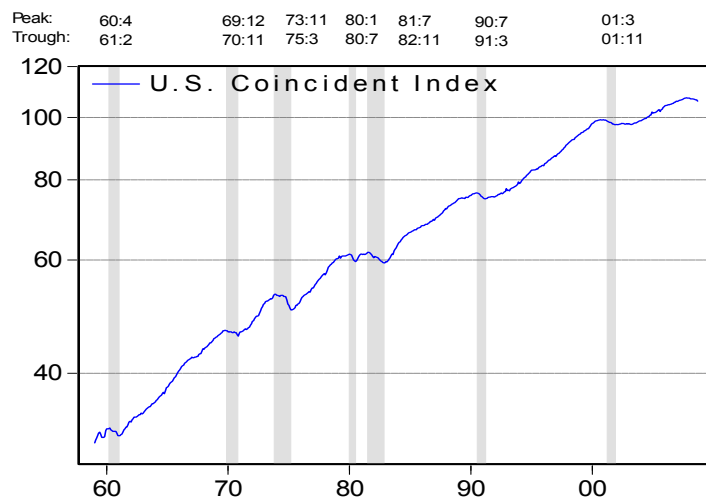
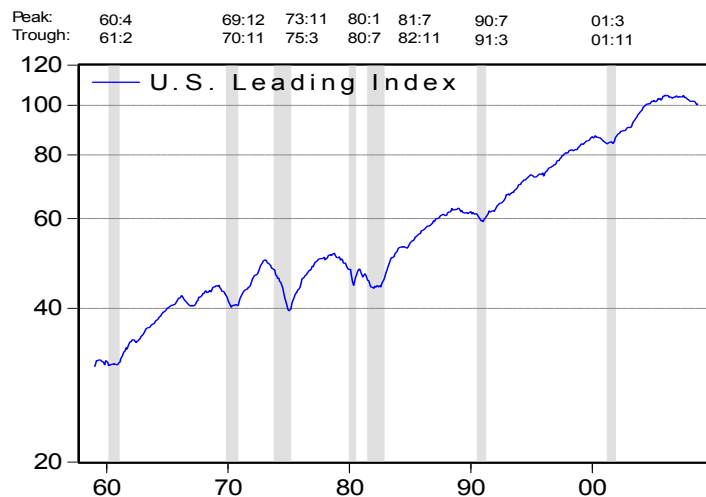
CPI Consumer Price Index For additional notes see table 2.

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

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

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U.S. Composite Indexes (2004=100)



Shaded areas represent recessions.

Source: The Conference Board