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The Conference Board® U.S. Business Cycle Indicators℠

U.S. LEADING ECONOMIC INDICATORS

AND RELATED COMPOSITE INDEXES FOR OCTOBER 2007

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

- The leading index decreased sharply in October, following a small increase in September. Most of the leading indicators contributed negatively to the index in October, led by large declines in housing permits, initial claims for unemployment insurance (inverted), and index of consumer expectations. Stock prices, real money supply (M2)*, and manufacturers' new orders for consumer goods and materials* were the only components that contributed positively to the index this month. The leading index fell 0.5 percent (a decline of 1.0 percent annual rate) from April to October, and the strengths among its components remained balanced with the weaknesses during the past six months.

- The coincident index was unchanged in October, for the first time in 2007, following steady increases since the beginning of the year. Employees on nonagricultural payrolls, personal income less transfer payments, and manufacturing trade and sales made small positive contributions to the index this month, but these gains were offset by the decline in industrial production. The coincident index increased 0.9 percent (a 1.8 percent annual rate) from April to October, which is modestly below the 1.1 percent pace in recent months (about a 2.3 percent annual rate). However, the strengths among the coincident indicators remain very widespread. In addition, the lagging index continued to increase in October, and as a result, the ratio of the coincident index to the lagging index continued to decrease. (This ratio tends to have long leads in the business cycle).

- The leading index has been essentially flat in 2007, continuing the yearlong pattern of alternating monthly increases and decreases, and it has gradually returned to its August 2006 level. Meanwhile, real GDP grew at a 3.9 percent annual rate in the third quarter, moderately stronger than the 2.2 percent average annual rate in the first half of the year. The behavior of the composite indexes so far continues to suggest that risks for economic weakness persist, but economic growth should continue in the near term, albeit at a slower pace.

LEADING INDICATORS. Three of the ten indicators that make up the leading index increased in October. The positive contributors – beginning with the largest positive contributor – were stock prices, real money supply*, 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), index of consumer expectations, vendor performance, average weekly manufacturing hours, manufacturers' new orders for nondefense capital goods*, and interest rate spread.

The leading index now stands at 136.9 (1996=100). Based on revised data, this index increased 0.1 percent in September and decreased 0.9 percent in August. During the six-month span through October, the leading index decreased 0.5 percent, with five out of ten components advancing (diffusion index, six-month span equals 50 percent).

The next release is scheduled for December 20, 2007, Thursday at 10 A.M. ET.

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

The coincident index now stands at 125.1 (1996=100). This index increased 0.2 percent in September and increased 0.2 percent in August. During the six-month period through October, the coincident index increased 0.9 percent.

LAGGING INDICATORS. The lagging index stands at 129.9 (1996=100) in October, 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, change in labor cost per unit of output*, ratio of manufacturing and trade inventories to sales* and ratio of consumer installment credit to personal income*. The negative contributors – beginning with the larger negative contributor – were average duration of unemployment (inverted) and average prime rate charged by banks. Based on revised data, the lagging index increased 0.4 percent in September and increased 0.3 percent in August.

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 November 20, 2007. 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.

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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 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

Leading Index		Factor
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
Coincident Index		
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
Lagging Index		
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.

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 2007:

Thursday, December 20, 2007 for November 2007 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 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.

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U.S. Business Cycle Indicators Internet Subscription *(Includes monthly release, data, charts and commentary)*	$ 575 per year (1 user)
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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.

Table 1.--Summary of Composites Indexes

	2007											
	Apr	May	Jun	Jul	Aug		Sep		Oct	
Leading index	137.6	137.9	137.6	138.6	137.4		137.6	r	136.9	p
Percent change	-.2	.2	-.2	.7	-.9	r	.1	r	-.5	p
Diffusion index	30.0	55.0	35.0	70.0	20.0		60.0		30.0	
Coincident index	124.0	124.1	124.3	124.7	124.9	r	125.1	p	125.1	p
Percent change	.2	.1	.2	.3	.2	r	.2	p	.0	p
Diffusion index	100.0	62.5	75.0	100.0	100.0		100.0		75.0	
Lagging index	127.8	128.1	128.8	128.6	r	129.0	p	129.5	p	129.9	p
Percent change	-.2	.2	.5	-.2	r	.3	p	.4	p	.3	p
Diffusion index	42.9	50.0	57.1	28.6		64.3		57.1		64.3	
Coincident-lagging ratio	97.0	96.9	96.5	97.0		96.8	p	96.6	p	96.3	p
	Oct to Apr	Nov to May	Dec to Jun	Jan to Jul	Feb to Aug		Mar to Sep		Apr to Oct	
Leading index										
Percent change	.0	.2	-.6	.5	.2		-.2		-.5	
Diffusion index	40.0	40.0	40.0	60.0	60.0		50.0		50.0	
Coincident index										
Percent change	.8	.9	.7	1.1	1.1		1.1		.9	
Diffusion index	100.0	100.0	100.0	100.0	100.0		100.0		100.0	
Lagging index										
Percent change	1.6	1.1	.9	.6	.6		1.2		1.6	
Diffusion index	50.0	35.7	21.4	21.4	35.7		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

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

Component	2007						
	Apr	May	Jun	Jul	Aug	Sep	Oct
	Leading index component data						
Average workweek, production workers, mfg. (hours)	41.1	41.1	41.4	41.3	41.4	41.3 r	41.2
Average weekly initial claims, state unemployment insurance (thousands)*.	328.9	307.6	319.6	306.0	324.9	313.1	327.5
Manufacturers' new orders, consumer goods and materials (mil. 1982 dol.)	143,336	142,862	142,582 r	146,187	144,405 r	142,132 r	142,525 **
Vendor performance--slower deliveries diffusion index (percent)	50.2	50.3	49.7	52.0	50.0	51.9	50.6
Manufacturers' new orders, nondefense capital goods (mil. 1982 dol.)	52,400	48,786	51,800 r	54,152	47,643 r	49,860 r	48,844 **
Building permits (thous.)	1,457	1,520	1,413	1,389	1,322	1,261 r	1,178
Stock prices, 500 common stocks (c) (index: 1941-43=10)	1,463.65	1,511.15	1,514.49	1,520.70	1,454.62	1,497.12	1,539.66
Money supply, M2 (bil. chn. 2000 dol.)	6,174.0 r	6,161.3 r	6,162.6	6,176.8 r	6,233.9 r	6,247.1 r	6,253.4 **
Interest rate spread, 10-year Treasury bonds less federal funds	-0.56	-0.50	-0.15	-0.26	-0.35	-0.42	-0.23
Index of consumer expectations (c) (1966:1=100)	75.9	77.6	74.7	81.5	73.7	74.1	70.1
LEADING INDEX (1996=100)	137.6	137.9	137.6	138.6	137.4	137.6 r	136.9 p
Percent change from preceding month	-0.2	0.2	-0.2	0.7	-0.9 r	0.1 r	-0.5 p
	Leading index net contributions						
Average workweek, production workers, mfg	....	.00	.19	-.06	.06	-.06 r	-.06
Average weekly initial claims, state unemployment insurance	....	.21	-.12	.13	-.19	.11	-.14
Manufacturers' new orders, consumer goods and materials	....	-.03	-.01 r	.19 r	-.09 r	-.12	.02 **
Vendor performance--slower deliveries diffusion index	....	.01	-.04	.15	-.13	.13	-.09
Manufacturers' new orders, nondefense capital goods	....	-.13	.11	.08	-.24 r	.08 r	-.04 **
Building permits	....	.11	-.20	-.05	-.13	-.13 r	-.18
Stock prices, 500 common stocks (c)	....	.12	.01	.02 r	-.17 r	.11 r	.11
Money supply, M2	....	-.07 r	.01 r	.08	.32 r	.07 r	.04 **
Interest rate spread, 10-year Treasury bonds less federal funds	....	-.05	-.02	-.03	-.04	-.04	-.02
Index of consumer expectations (c)	....	.05	-.08	.19	-.22	.01	-.11

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)

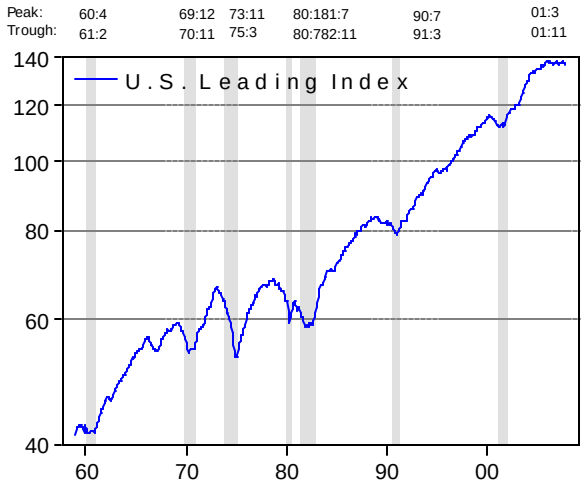
CALCULATION NOTE--The percent change in the index does not always equal the sum of the net contributions of the individual components (because of rounding effects and base value differences).

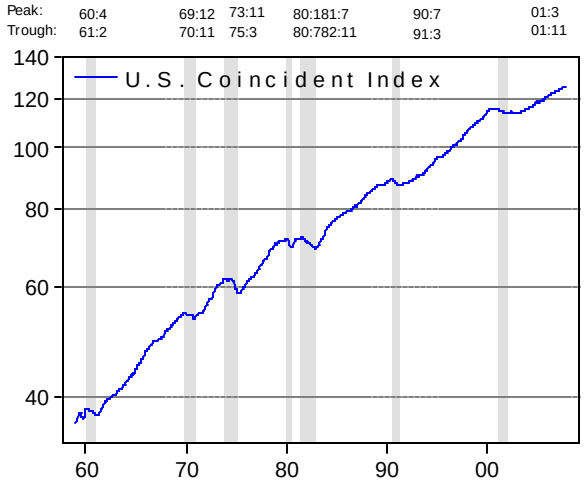
Table 3.--Data and Net Contributions for Components of the Coincident and Lagging Indexes

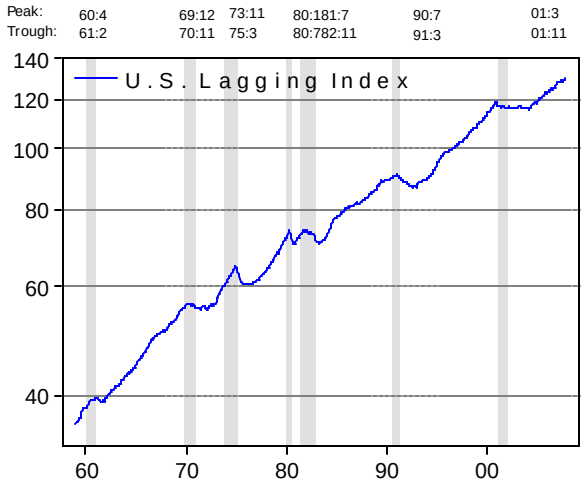
Component	2007						
	Apr	May	Jun	Jul	Aug	Sep	Oct
Coincident index component data							
Employees on nonagricultural payrolls (thousands)	137,716	137,904	137,973	138,066	138,159 r	138,255 r	138,421
Personal income less transfer payments (ann. rate, bil. chn. 2000 dol.)	8,449.2	8,448.9	8,481.0	8,512.3 r	8,549.3 r	8,569.9 r	8,588.9 **
Industrial production (index: 2002=100)	113.062	112.951	113.503	114.239 r	114.378 r	114.575 r	113.996
Manufacturing and trade sales (mil. chn. 2000 dol.)	965,251	970,266	964,686	973,941 r	978,233 r	979,827 **	982,026 **
COINCIDENT INDEX (1996=100)	124.0	124.1	124.3	124.7	124.9 r	125.1 p	125.1 p
Percent change from preceding month	0.2	0.1	0.2	0.3	0.2 r	0.2 p	0.0 p
Coincident index net contributions							
Employees on nonagricultural payrolls	....	.07	.03	.04	.04 r	.04 r	.06
Personal income less transfer payments	....	.00 r	.07 r	.07	.08 r	.05 r	.04 **
Industrial production	....	-.01	.07	.10 r	.02	.03 r	-.08
Manufacturing and trade sales	....	.06	-.07 r	.11 r	.05	.02 **	.03 **
Lagging index component data							
Average duration of unemployment (weeks)*	17.1	16.7	16.8	17.2	16.9	16.5	17.1
Ratio, manufacturing and trade inventories to sales (chain 2000 dol.)	1.323	1.315	1.323	1.314 r	1.308 r	1.309 **	1.310 **
Change in index of labor cost per unit of output, mfg. (6-month percent, ann. rate)	3.5	3.1	3.7	-.20 r	0 r	-.2 r	.0 **
Average prime rate charged by banks (percent)	8.25	8.25	8.25	8.25	8.25	8.03	7.74
Commercial and industrial loans outstanding (mil. chn. 2000 dol.)	689,405 r	695,236 r	714,332 r	722,000 r	733,419 r	749,652 r	767,842 **
Ratio, consumer installment credit outstanding to personal income (percent)	20.90	20.95 r	20.94 r	20.95 r	20.98 r	20.93 r	20.94 **
Change in CPI for services (6-month percent, ann. rate)	3.7	3.5	3.4	3.2	2.7	2.9	3.0
LAGGING INDEX (1996=100)	127.8	128.1	128.8	128.6 r	129.0 p	129.5 p	129.9 p
Percent change from preceding month	-.2	.2	.5	-.2 r	.3 p	.4 p	.3 p
Lagging index net contributions							
Average duration of unemployment	....	.09	-.02	-.09	.07	.09	-.13
Ratio, manufacturing and trade inventories to sales	....	-.07 r	.07 r	-.08 r	-.06 r	.01 **	.01 **
Change in index of labor cost per unit of output, mfg	....	-.02	.04	-.24 r	.01 r	-.01 r	.01 **
Average prime rate charged by banks	....	.00	.00	.00	.00	-.06	-.08
Commercial and industrial loans outstanding	....	.09	.30 r	.12 r	.17	.24	.27 **
Ratio, consumer installment credit outstanding to personal income	....	.05 r	-.01	.01	.03 r	-.05 r	.01 **
Change in CPI for services	....	-.04	-.02	-.04	-.10	.04	.02

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)

U.S. Composite Indexes (1996=100)







Shaded areas represent recessions.

Source: The Conference Board