



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. ET, THURSDAY, November 20, 2008

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

The Conference Board announced today that the U.S. leading index decreased 0.8 percent, the coincident index increased 0.2 percent and the lagging index increased 0.1 percent in October.

- The leading index declined sharply in October as stock prices, building permits, consumer expectations and the index of supplier deliveries made large negative contributions to the index, despite continued positive contributions from real money supply and the interest rate spread. In the past two months, without the very large positive contributions from inflation-adjusted money supply (the largest in seven years), the leading index would have been substantially weaker. Between April and October 2008, the leading index declined 2.4 percent (a -4.7 percent annual rate), falling considerably faster than the 1.2 percent decrease (a -2.3 percent annual rate) over the previous six months. In addition, the weaknesses among the leading indicators have remained widespread in recent months.
- The coincident index increased in October, following five consecutive monthly declines. Industrial production recovered from its sharp September drop (partially due to two large hurricanes during that month), more than offsetting the continued decline in employment. Index levels were revised lower for August and September due to downward revisions for most of the components. In October, the coincident index increased slightly more than the lagging index, and the coincident-to-lagging ratio rose as a result. Since April, the coincident index has decreased 1.2 percent (a -2.4 percent annual rate), falling at a much quicker pace than the 0.4 percent rate of decline (a -0.7 percent annual rate) for the previous six months, and all of the coincident indicators decreased over the past six months.
- Both the leading and coincident indexes have been on a downward trend for at least a year now, and the pace of their declines have accelerated in recent months. The composite indexes are now decreasing at rates last seen in 2001, with widespread weakness among their components. Meanwhile, real GDP contracted at a 0.3 percent annual rate in the third quarter. Taken together, the persistent and extensive deterioration of the composite indexes continues to suggest that the economy is unlikely to improve soon, and economic activity may contract further in the near term.

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 real money supply*, interest rate spread, and manufacturers’ new orders for consumer goods and materials*. The negative contributors – beginning with the largest negative contributor – were stock prices, building permits, index of consumer expectations, index of supplier deliveries (vendor performance), average weekly initial claims for unemployment insurance (inverted), and manufacturers’ new orders for nondefense capital goods*. Average weekly manufacturing hours held steady in October.

The next release is scheduled for December 18, Thursday at 10 A.M. ET.

The leading index now stands at 99.6 (2004=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 2.4 percent, with three out of ten components advancing (diffusion index, six-month span equals 30 percent).

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 industrial production, personal income less transfer payments* and manufacturing and trade sales*. The negative contributor was employees on nonagricultural payrolls.

The coincident index now stands at 105.6 (2004=100). This index decreased 0.7 percent in September and decreased 0.4 percent in August. During the six-month period through October, the coincident index decreased 1.2 percent, with none of the four components advancing (diffusion index, six-month span equals 0.0 percent).

LAGGING INDICATORS. The lagging index stands at 113.3 (2004=100) in October, with two of the seven components advancing. The positive contributors to the index – beginning with the largest positive contributor – were commercial and industrial loans outstanding* and ratio of consumer installment credit to personal income*. The negative contributors – beginning with the largest negative contributor – were average duration of unemployment (inverted), average prime rate charged by banks, change in CPI for services, and the change in index of labor cost per unit of output, manufacturing. The ratio of manufacturing and trade inventories to sales** held steady in October. Based on revised data, the lagging index increased 0.3 percent in September and increased 0.4 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 19, 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, 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)
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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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Table 1.--Summary of Composites Indexes

	2008						
	Apr	May	Jun	Jul	Aug	Sep	Oct
Leading index	102.0	101.9	101.9	101.2	100.3	100.4	r 99.6
Percent change	.1	-.1	.0	-.7	-.9	.1	r -.8
Diffusion index	50.0	25.0	45.0	40.0	30.0	50.0	35.0
Coincident index	106.9	106.8	106.7	106.5	106.1	r 105.4	p 105.6
Percent change	.0	-.1	-.1	-.2	-.4	r -.7	p .2
Diffusion index	37.5	12.5	25.0	37.5	25.0	25.0	75.0
Lagging index	111.9	111.7	r 111.6	112.4	r 112.9	r 113.2	p 113.3
Percent change	-.1	-.2	r -.1	r .7	r .4	r .3	p .1
Diffusion index	57.1	28.6	64.3	92.9	50.0	50.0	28.6
Coincident-lagging ratio	95.5	95.6	r 95.6	94.8	r 94.0	r 93.1	p 93.2
	Oct to	Nov to	Dec to	Jan to	Feb to	Mar to	Apr to
	Apr	May	Jun	Jul	Aug	Sep	Oct
Leading index							
Percent change	-1.2	-.9	-.7	-.9	-1.6	-1.5	-2.4
Diffusion index	30.0	30.0	40.0	30.0	20.0	20.0	30.0
Coincident index							
Percent change	-.4	-.4	-.5	-.7	-.7	-1.4	-1.2
Diffusion index	.0	.0	.0	.0	.0	.0	.0
Lagging index							
Percent change	1.5	1.0	.6	1.1	1.0	1.1	1.3
Diffusion index	85.7	71.4	42.9	85.7	57.1	57.1	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

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

Component	2008						
	Apr	May	Jun	Jul	Aug	Sep	Oct
	Leading index component data						
Average work week, production workers, mfg. (hours).....	41.0	41.0	41.0	41.0	40.9	40.6 r	40.6
Average weekly initial claims, state unemployment insurance (thousands)*.	367.3	369.0	390.5	420.1	439.9	474.3	477.8
Manufacturers' new orders, consumer goods and materials (mil. 1982 dol.).....	136,653	134,568 r	136,275	135,092	129,208 r	128,412 r	128,573 **
Index of supplier deliveries -- vendor performance (percent).....	54.0	53.7	55.1	55.1	50.3	52.5	49.2
Manufacturers' new orders, nondefense capital goods (mil. 1982 dol.).....	48,268	48,162 r	47,001	48,281	44,462 r	44,594 r	44,415 **
Building permits (thous.).....	982	978	1,138	937	857	805 r	708
Stock prices, 500 common stocks (c) (index: 1941-43=10).....	1,370.47	1,403.22	1,341.25	1,257.33	1,281.47	1,217.01	968.80
Money supply, M2 (bil. chn. 2000 dol.)....	6,313.7 r	6,292.8	6,243.5 r	6,238.8 r	6,229.7 r	6,303.7 r	6,430.9 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	1.40	1.90	2.10	2.00	1.89	1.88	2.84
Index of consumer expectations (c) (1966:1=100).....	53.3	51.1	49.2	53.5	57.9	67.2	57.0
LEADING INDEX (2004=100).....	102.0	101.9	101.9	101.2	100.3	100.4 r	99.6 p
Percent change from preceding month..	0.1	-0.1	0.0	-0.7	-0.9	0.1 r	-0.8 p
	Leading index net contributions						
Average work week, production workers, mfg.....	....	.00	.00	.00	-.06	-.19 r	.00
Average weekly initial claims, state unemployment insurance.....	....	-.01	-.17	-.22	-.14	-.23	-.02
Manufacturers' new orders, consumer goods and materials.....	....	-.12	.10	-.07	-.34 r	-.05 r	.01 **
Index of supplier deliveries -- (vendor performance).....	....	-.02	.09	.00	-.32	.15	-.22
Manufacturers' new orders, nondefense capital goods.....	....	.00	-.04 r	.05	-.15	.01 r	-.01 **
Building permits.....	....	-.01	.41	-.53	-.24	-.17 r	-.35
Stock prices, 500 common stocks (c)	....	.09	-.18	-.25	.07	-.20	-.89
Money supply, M2.....	....	-.12	-.28	-.03 r	-.05	.42 r	.71 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	....	.19	.21	.20	.19	.19	.29
Index of consumer expectations (c)	....	-.06	-.05	.12	.12	.26	-.29

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						
	Apr	May	Jun	Jul	Aug	Sep	Oct
Coincident index component data							
Employees on nonagricultural payrolls (thousands).....	137,764	137,717	137,617	137,550	137,423 r	137,139 r	136,899
Personal income less transfer payments (ann. rate, bil. chn. 2000 dol.).....	8,460.5	8,452.6	8,417.6	8,394.6 r	8,416.6 r	8,397.4 r	8,423.7 **
Industrial production (index: 2002=100).....	111.441	111.218 r	111.329 r	111.412 r	110.071 r	105.946 r	107.285
Manufacturing and trade sales (mil. chn. 2000 dol.).....	965,041	962,718	960,562	951,940 r	941,747 r	945,783 **	946,846 **
COINCIDENT INDEX (2004=100).....	106.9	106.8	106.7	106.5	106.1 r	105.4 p	105.6 p
Percent change from preceding month....	0.0	-0.1	-0.1	-0.2	-0.4 r	-0.7 p	0.2 p
Coincident index net contributions							
Employees on nonagricultural payrolls.....	....	-.02	-.04	-.03	-.05 r	-.11	-.10
Personal income less transfer payments...	....	-.02 r	-.08	-.05 r	.05 r	-.04 r	.06 **
Industrial production.....	....	-.03 r	.01 r	.01 r	-.18 r	-.57 r	.19
Manufacturing and trade sales.....	....	-.03	-.03	-.11 r	-.13 r	.05 **	.01 **
Lagging index component data							
Average duration of unemployment (w eeks)*.....	16.9	16.6	17.5	17.1	17.4	18.4	19.7
Ratio, manufacturing and trade inventories to sales (chain 2000 dol.).....	1.323	1.322	1.325	1.341 r	1.353 r	1.352 **	1.352 **
Change in index of labor cost per unit of output, mfg. (6-month percent, ann. rate)	3.5	2.4 r	3.5 r	4.30 r	5.1 r	12.3	12.0 **
Average prime rate charged by banks (percent).....	5.24	5.00	5.00	5.00	5.00	5.00	4.56
Commercial and industrial loans outstanding (mil. chn. 2000 dol.).....	797,271 r	791,824 r	775,071 r	776,055 r	792,789 r	794,639 r	829,461 **
Ratio, consumer installment credit out- standing to personal income (percent).....	21.31	20.97	21.02	21.24 r	21.11 r	21.13 r	21.14 **
Change in CPI for services (6-month percent, ann. rate).....	3.6	3.9	4.3	4.8	4.7	4.0	3.4
LAGGING INDEX (2004=100).....	111.9	111.7 r	111.6	112.4 r	112.9 r	113.2 p	113.3 p
Percent change from preceding month....	-.1	-.2 r	-.1 r	.7 r	.4 r	.3 p	.1 p
Lagging index net contributions							
Average duration of unemployment.....	....	.07	-.20	.09	-.06	-.21	-.25
Ratio, manufacturing and trade inventories to sales.....	....	-.01	.03	.15 r	.11 r	-.01 **	.00 **
Change in index of labor cost per unit of output, mfg.....	....	-.07 r	.07	.05 r	.05 r	.44	-.02 **
Average prime rate charged by banks.....	....	-.07	.00	.00	.00	.00	-.12
Commercial and industrial loans outstanding.....	....	-.08	-.24	.01	.24	.03 r	.48 **
Ratio, consumer installment credit out- standing to personal income.....	....	-.30	.04	.20 r	-.12 r	.02 r	.01 **
Change in CPI for services.....	....	.06	.08	.10	-.02	-.14	-.12

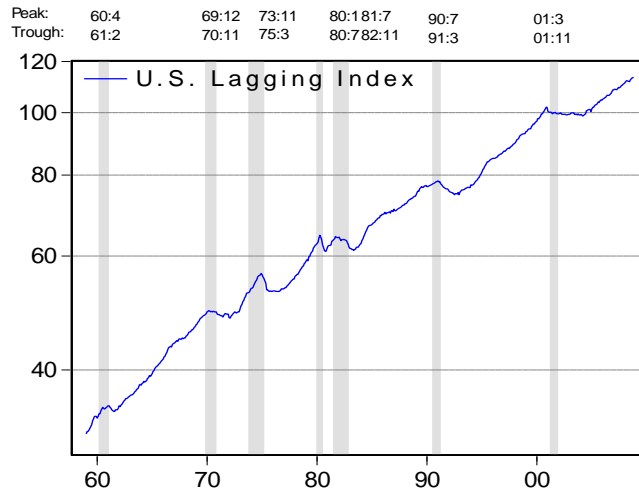
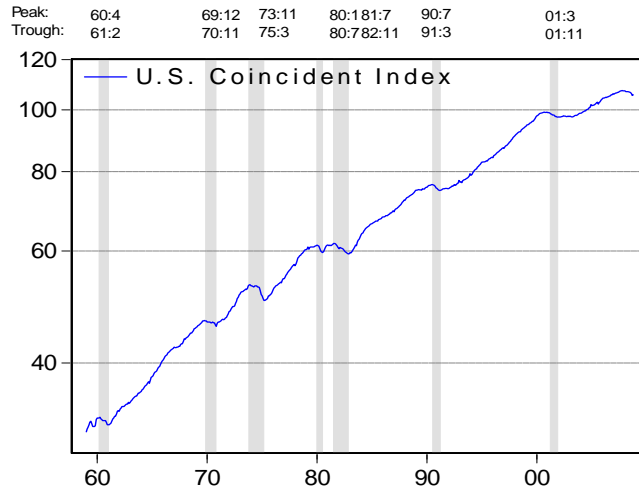
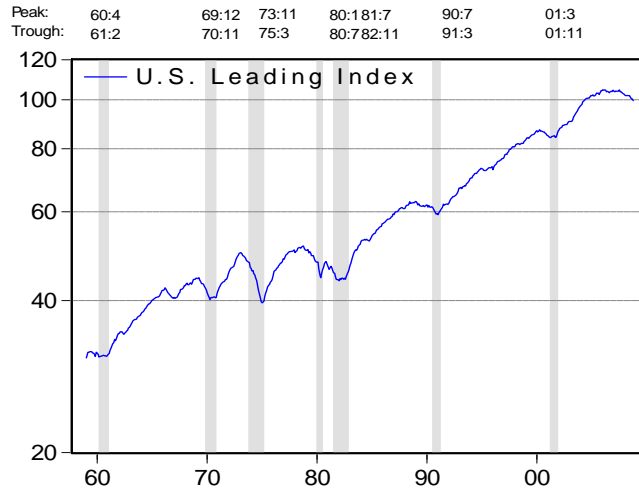
CPI Consumer Price Index. For additional notes see table 2.

* 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