



THE CONFERENCE BOARD

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FOR RELEASE: 11:00 A.M. ET, MONDAY, APRIL 17, 2006

The Conference Board® Mexico Business Cycle IndicatorsSM
MEXICO LEADING ECONOMIC INDICATORS
AND RELATED COMPOSITE INDEXES FOR FEBRUARY 2006

The Conference Board announced today that the leading index for Mexico increased 0.1 percent while the coincident index decreased 0.1 percent in February.

- The leading index increased slightly in February following a sharp increase in January. Real exchange rate was the largest contributor to this month's small gain in the leading index, offset by declines in stock prices and oil prices in February. With February's small gain, the growth rate of the leading index has slowed to about a 1.0 to 2.0 percent annual rate in recent months, down from the rapid growth of an average of over 10 percent through the end of the third quarter of 2005. However, the strength among the leading indicators has continued to be somewhat widespread in recent months.
- The coincident index decreased slightly in February, and it is now on a flat to slightly declining trend. In addition, most of the weakness in the coincident index comes from the retail sales component in recent months. At the same time, real GDP growth slowed to a 2.9 percent annual rate in the fourth quarter of 2005, down from the 4.8 percent rate in the third quarter. Despite short-term volatility, the recent behavior of the leading index suggests that economic growth should continue in the near term, but it's likely to be slow to moderate.

LEADING INDICATORS. Four of the six components that make up the leading index increased in February. The positive contributors to the index—from the largest positive contributor to the smallest one—are the (inverted) real exchange rate, net insufficient inventories, the (inverted) federal funds rate, and the industrial production construction component*. The US refiners' acquisition cost of domestic and imported crude oil and stock prices decreased in February.

With the 0.1 percent increase in February, the leading index now stands at 156.9 (1990=100). Based on revised data, this index increased 0.8 percent in January and declined 0.3 percent in December. During the six-month span through February, the index increased 0.8 percent, with four of the six components increasing (diffusion index, six-month span equals 66.7 percent).

The next release is scheduled for May 18, 2006 at 11:00 A.M. (ET)
In Mexico – May 18, 2006 at 10:00 A.M. (MEX)

*See notes under data availability.

COINCIDENT INDICATORS. Two of the four components that make up the coincident index increased in February. The positive contributors —from the larger positive contributor to the smaller one—are number of people employed (measured by IMSS beneficiaries) and the (inverted) unemployment rate. Industrial production and retail sales*declined in February.

With the decrease of 0.1 percent in February, the coincident index now stands at 116.6 (1990=100). Based on revised data, this index decreased 0.1 percent in January and decreased 0.2 percent in December. During the six-month span through February, the index increased 0.3 percent, with two of the four components increasing (diffusion index, six-month span equals 37.5 percent).

DATA AVAILABILITY. The data series used to compute the two composite indexes reported in the tables in this release are those available “as of” 10 A.M. April 13, 2006. Some series are estimated as noted below.

NOTES: Series in the leading index based on The Conference Board estimates include industrial production - construction component. The series in the coincident index based on The Conference Board estimates include retail sales.

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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 and coincident indexes are essentially composite averages of between four and nine individual leading or coincident 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.

Further explanations of the cyclical indicator approach and the composite index methodology appear in The Conference Board’s *Business Cycle Indicators* report and Web site: <http://www.conference-board.org/economics/bci/>.

Mexico Composite Indexes: Components and Standardization Factors

<u>Leading Index</u>	<u>Factor</u>
1. Industrial Production, Construction Component	.2040
2. Stock Prices	.0546
3. U.S. Refiners' Acquisition Cost of Domestic and Imported Crude Oil	.0966
4. Net Insufficient Inventories	.3875
5. Federal Funds Rate	.0970
6. Real Exchange Rate	.1603

<u>Coincident Index</u>	
1. Industrial Production	.0883
2. Retail Sales	.0693
3. Employment	.1931
4. Unemployment Rate	.6493

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. (Under normal circumstances, updates to the leading and coincident indexes only incorporate revisions to data over the past six months.)

The factors above were calculated using 1985-2002 as the sample period for measuring volatility for the leading index, and 1986-2002 as the sample period for the coincident index. There are additional sample periods as the result of different starting dates for the component data. When one or more components is missing, the other factors are adjusted proportionately to ensure that the total continues to sum to 1. For additional information on the standardization factors and the index methodology visit our Web site: <http://www.conference-board.org/economics/bci/> .

To address the problem of lags in available data, those leading and coincident indicators that are not available at the time of publication are estimated using statistical imputation. An autoregressive model is used to estimate each component. The resulting indexes are constructed using real and estimated data, and will be revised as the data unavailable at 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 the data, such as stock prices, that are available sooner than other data on “real” aspects of the economy, such as new orders and changes in inventory. Empirical research by The Conference Board suggests there are real gains in adopting this procedure to make all the indicator series as up-to-date as possible.

NOTICES

The 2005 schedule for the Mexico “Leading Economic Indicators” news release is:

March 2006 Data ... Thursday, May 18, 2006

April 2006 Data ... Tuesday, June 20, 2006

All releases are at 11:00 A.M. (ET) and 10:00 A.M. (MEX).

ABOUT THE CONFERENCE BOARD. Founded in 1916, The Conference Board is the premier business membership and research network. The Conference Board 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 Board’s Economics Program, under the direction of Chief Economist Gail Fosler, 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 contact customer service at 212-339-0312, or email indicators@conference-board.org.

AVAILABLE FROM THE CONFERENCE BOARD

Mexico Business Cycle Indicators Internet Subscription <i>(Includes monthly release, data, charts and commentary)</i>	\$ 535 per year (1 user)
Individual Data Series	\$ 25 per series downloaded
Monthly BCI Report <i>(Sample available on request)</i>	\$ 235 per year
BCI Handbook (published 2001)	\$ 20
Corporate Site License	\$2,600 per year

Business Cycle Indicators for Australia, France, Germany, Japan, Korea, Mexico, Spain and the U.K. are available at \$535 per country per year (1 user). Discounts are available to Associates of The Conference Board and accredited academic institutions.

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The Conference Board Mexico Business Cycle Indicators

Table 1.--Summary of Mexico Composites Indexes

	2005					2006	
	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.
Leading index	155.6	156.6	156.8 r	156.0 r	155.6	156.8 r	156.9 p
Percent change	1.5	0.6	0.1	-0.5	-0.3 r	0.8	0.1 p
Diffusion index	58.3	66.7	50.0	66.7	83.3	66.7	66.7
Coincident index	116.3	116.4	116.8	117.0 r	116.8 r	116.7 r	116.6 p
Percent change	0.2	0.1	0.3	0.2 r	-0.2	-0.1 r	-0.1 p
Diffusion index	87.5	50.0	75.0	50.0	12.5	12.5	37.5
	Feb to Aug.	Mar to Sep.	Apr to Oct.	May to Nov.	Jun to Dec.	Jul to Jan.	Aug to Feb.
Leading index							
Percent change	5.9	6.8	5.2 r	5.1	2.2	2.3	0.8 p
Diffusion index	83.3	100.0	83.3	100.0	83.3	83.3	66.7
Coincident index							
Percent change	0.4	0.8	1.0	1.0 r	0.6 r	0.5 r	0.3 p
Diffusion index	50.0	100.0	100.0	100.0	50.0	50.0	37.5

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

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.

For more information, visit our Web site at www.conference-board.org/economics/bci

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The Conference Board Mexico Business Cycle Indicators

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

Component	2005 Aug.	Sep.	Oct.	Nov.	Dec.	2006 Jan.	Feb.
Mexico Leading index component data							
Industrial Production, Construction Component Index, 2000=100 **	108.3	110.1	111.2 r	111.9	114.9 r	114.4 r	114.6 **
Stock Prices, IPC35 (BOLSA) October 1978=0.78	14243.19	16120.08	15759.73	16830.96	17802.71	18907.10	18706.32
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel	59.29	60.18	57.17	52.13	52.51	57.32 r	56.12 p
Net Insufficient Inventories Difference, (3 month moving average), Survey	-6.56 r	-7.24 r	-5.76 r	-7.18	-10.77 r	-11.81 r	-11.65
Federal Funds, Money Market Rate* Percentage, Monthly Average	9.98	9.65	9.41	8.96	8.72	8.41	7.97
Real Exchange Rate, (Central Bank Settlement Rate)* Peso/US\$, Monthly Average	18.35	18.69	18.77	18.29	18.05	17.98	17.81
LEADING INDEX (1990=100)	155.6	156.6	156.8 r	156.0 r	155.6	156.8 r	156.9 p
Percent change from preceding month		0.6	0.1	-0.5	-0.3 r	0.8	0.1 p
Mexico Leading index net contributions							
Industrial Production, Construction Component Index, 2000=100 **	....	0.35 r	0.19	0.13 r	0.55 r	-0.10 r	0.04 **
Stock Prices, IPC35 (BOLSA) October 1978=0.78	....	0.68	-0.12	0.36	0.31	0.33	-0.06
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel	....	0.14	-0.50	-0.89	0.07	0.85 r	-0.20 p
Net Insufficient Inventories Difference, (3 month moving average), Survey	....	-0.26	0.57 r	-0.55 r	-1.39 r	-0.40 r	0.06
Federal Funds, Money Market Rate* Percentage, Monthly Average	....	0.03	0.02	0.04	0.02	0.03	0.04
Real Exchange Rate, (Central Bank Settlement Rate)* Peso/US\$, Monthly Average	....	-0.29	-0.07	0.42	0.21	0.06	0.15

p Preliminary. r Revised. n.a. Not available.

CPI used to calculate the EX is forecasted

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

** Statistical Imputation (See page 2 for more details)

Data Sources: INEGI, Bank of Mexico, OECD, IMF, Thomson Financial

The Conference Board Mexico Business Cycle Indicators

Table 3.--Data and Net Contributions for Mexico Coincident Index

Component	2005					2006	
	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.
	Mexico Coincident Index Component Data						
Industrial Production, Index, (1993=100), 3 month moving average	141.6	140.9	143.0	142.5	142.2	141.0 r	139.6
Retail Sales Index, (2000=100), 3 month moving average..	116.5 r	117.2 r	117.7 r	117.2 r	116.1	115.6 r	115.3 **
Employment, IMSS Beneficiaries Thousands, monthly average.....	14546	14642	14848	14968	14916	14904 r	14931
Unemployment Rate* Percentage, 3 month moving average.....	3.70	3.75	3.82 r	3.70 r	3.70 r	3.69 r	3.67
COINCIDENT INDEX (1990=100) Percent change from preceding month.....	116.3	116.4	116.8	117.0 r	116.8 r	116.7 r	116.6 p
		0.1	0.3	0.2 r	-0.2	-0.1 r	-0.1 p
	Mexico Coincident index net contributions						
Industrial Production, Index, (1993=100), 3 month moving average	....	-0.04	0.13	-0.03	-0.02	-0.08 r	-0.09
Retail Sales Index, (2000=100), 3 month moving average..	....	0.04 r	0.03 r	-0.03 r	-0.07 r	-0.03 r	-0.02 **
Employment, IMSS Beneficiaries Thousands, monthly average.....	....	0.13	0.27	0.16	-0.07	-0.02 r	0.03
Unemployment Rate* Percentage, 3 month moving average.....	....	-0.03	-0.04 r	0.07 r	0.00 r	0.01	0.01

p Preliminary. r Revised. n.a. Not available.

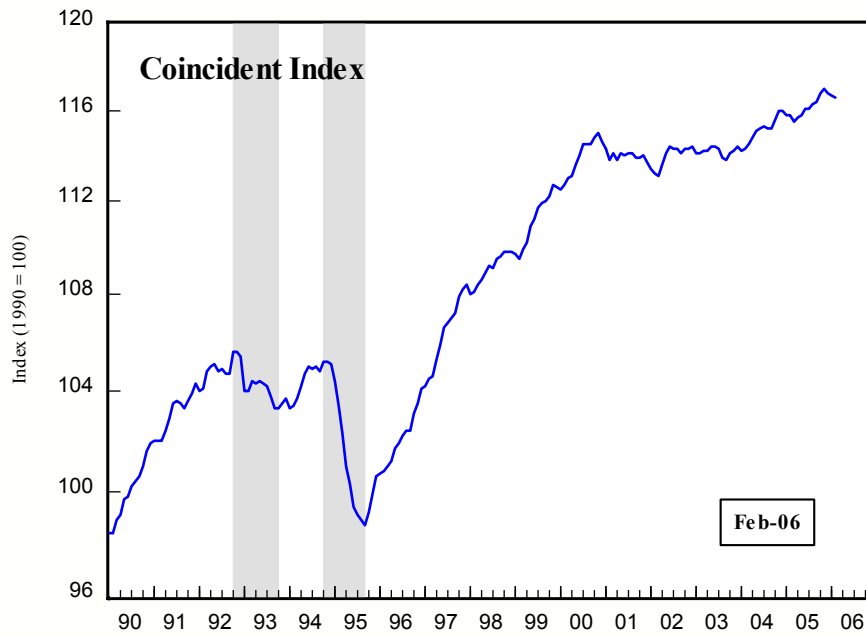
* Inverted series; a negative change in this component makes a positive contribution to the index.

** Statistical Imputation (See page 2 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).

Data Sources: INEGI, Bank of Mexico, OECD, IMF, Thomson Financial

Mexico



Note: The shaded areas represent business cycle recessions. The peaks and troughs are designated by The Conference Board based on the coincident index and real GDP.

Source: The Conference Board