



THE CONFERENCE BOARD

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FOR RELEASE: 11:00 A.M. ET, MONDAY, DECEMBER 17, 2007

The Conference Board® Mexico Business Cycle IndicatorsSM
MEXICO LEADING ECONOMIC INDICATORS
AND RELATED COMPOSITE INDEXES FOR OCTOBER 2007

The Conference Board announced today that the leading index for Mexico increased 1.3 percent and the coincident index increased 0.3 percent in October.

- The leading index increased sharply again in October, and the gain was concentrated in oil prices, real exchange rate, and stock prices. With this month's increase, the growth rate of the leading index continued to pick up, and the leading index grew 4.8 percent (a 9.8 percent annual rate) from April to October, well above the 1.0 to 2.1 percent decline in the beginning of this year (about a -3.0 to -4.0 percent annual rate).
- The coincident index increased slightly in October, but September's small increase was revised down to a small decline as actual data for industrial production and retail sales became available. The strength in this index of current economic activity has been widespread in recent months despite weakness in all components except employment in the last two months.
- The leading index has been on a somewhat volatile but rising trend since February, and the strengths among the leading indicators have been widespread in recent months. At the same time, real GDP growth picked up to a 5.9 percent annual rate in the third quarter of 2007, up from the 3.4 percent average annual rate in the first half of 2007. Despite short-term volatility, the recent behavior in both the leading and coincident indexes so far suggests that the economy should continue growing at a moderate to strong pace in the near term.

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

With the 1.3 percent increase in October, the leading index now stands at 168.9 (1990=100). Based on revised data, this index increased 0.8 percent in September and declined 0.1 percent in August. During the six-month span through October, the index increased 4.8 percent, with five of the six components increasing (diffusion index, six-month span equals 83.3 percent).

*See notes under data availability.

The next release is scheduled for Wednesday, January 16, 2008 at 11:00 A.M. (ET)
In Mexico – Wednesday, January 16, 2008 at 10:00 A.M. (MEX)

COINCIDENT INDICATORS. Only one of the four components that make up the coincident index increased in October. The positive contributor was number of people employed (measured by IMSS beneficiaries)*. Industrial production and retail sales* declined, while the (inverted) unemployment rate remained unchanged in October.

With the increase of 0.3 percent in October, the coincident index now stands at 119.7 (1990=100). Based on revised data, this index decreased 0.1 percent in September and increased 0.1 percent in August. During the six-month span through October, the index increased 1.2 percent, with three of the four components increasing (diffusion index, six-month span equals 87.5 percent).

*See notes under data availability.

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. December 13, 2007. 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 industrial production and 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 2008 schedule for the Mexico “Leading Economic Indicators” news release is:

November 2007 Data ... Wednesday, January 16, 2008

December 2007 Data ... Thursday, February 14, 2008

January 2008 Data ... Thursday, March 13, 2008

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	\$ 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>	
Monthly News Release (fax or email)	\$ 59 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 U.K. are available at \$575 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

	2007						
	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.
Leading index	161.2	162.9 r	163.4 r	165.6	165.4	166.7 r	168.9 p
Percent change	0.6	1.1 r	0.3	1.3 r	-0.1	0.8	1.3 p
Diffusion index	58.3 r	83.3	41.7	75.0	41.7	75.0	83.3
Coincident index	118.3	118.9	119.3	119.4	119.5	119.4 r	119.7 p
Percent change	0.1	0.5	0.3	0.1	0.1	-0.1 r	0.3 p
Diffusion index	75.0	100.0	87.5	75.0	75.0	25.0	37.5
	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	0.9	2.1 r	1.9	4.1	4.2	4.1	4.8 p
Diffusion index	33.3	33.3	50.0	50.0	66.7	83.3	83.3
Coincident index							
Percent change	-0.1	0.2	0.6	0.8	1.1	1.0 r	1.2 p
Diffusion index	75.0	75.0	100.0	100.0	100.0	100.0	87.5

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	2007						
	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.
Mexico Leading index component data							
Industrial Production, Construction Component Index, 2000=100 **	116.1 r	117.5	118.0	118.8	120.6	121.0 r	121.1 **
Stock Prices, IPC35 (BOLSA) October 1978=0.78.....	28996.71	31398.96	31151.05	30659.66	30347.86	30296.19	31458.67
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel	60.65	61.64	65.07	71.20	69.45	73.43 r	79.58
Net Insufficient Inventories Difference, (3 month moving average), Survey	-11.99 r	-11.50 r	-12.11	-11.34 r	-10.98 r	-10.62 r	-10.54
Federal Funds, Money Market Rate* Percentage, Monthly Average.....	7.47	7.70	7.70	7.70	7.71	7.70	7.73
Real Exchange Rate, (Central Bank Settlement Rate)* Peso/US\$, Monthly Average.....	18.53	18.47	18.49	18.37	18.68	18.60	18.24
LEADING INDEX (1990=100).....	161.2	162.9 r	163.4 r	165.6	165.4	166.7 r	168.9 p
Percent change from preceding month.....		1.1 r	0.3	1.3 r	-0.1	0.8	1.3 p
Mexico Leading index net contributions							
Industrial Production, Construction Component Index, 2000=100 **	....	0.25 r	0.08	0.14 r	0.31 r	0.07 r	0.00 **
Stock Prices, IPC35 (BOLSA) October 1978=0.78.....	....	0.43	-0.04	-0.09	-0.06	-0.01	0.21
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel .....	....	0.16	0.52	0.87	-0.24	0.54 r	0.78
Net Insufficient Inventories Difference, (3 month moving average), Survey .....	....	0.19	-0.24 r	0.30 r	0.14 r	0.14 r	0.03
Federal Funds, Money Market Rate* Percentage, Monthly Average.....	....	-0.02	0.00	0.00	0.00	0.00	0.00
Real Exchange Rate, (Central Bank Settlement Rate)* Peso/US\$, Monthly Average.....	....	0.05	-0.02	0.10	-0.27	0.07	0.31

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

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The Conference Board Mexico Business Cycle Indicators

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

Component	2007						
	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.
	Mexico Coincident Index Component Data						
Industrial Production, SA Index, (1993=100), 3 month moving average..	143.9	148.5	150.0	151.8	153.0 r	151.4 r	151.1 **
Retail Sales Index, (2000=100), 3 month moving average..	116.1 r	116.3	117.1	118.7	119.7	119.6 r	119.5 **
Employment, IMSS Beneficiaries Thousands, monthly average.....	15733	15759	15754	15762	15836	15951	16144
Unemployment Rate* Percentage, 3 month moving average.....	3.88	3.61	3.36	3.48	3.71	3.91	3.91
COINCIDENT INDEX (1990=100)	118.3	118.9	119.3	119.4	119.5	119.4 r	119.7 p
Percent change from preceding month.....		0.5	0.3	0.1	0.1	-0.1 r	0.3 p
	Mexico Coincident index net contributions						
Industrial Production, SA Index, (1993=100), 3 month moving average..	....	0.28	0.09	0.11	0.07	-0.09 r	-0.02 **
Retail Sales Index, (2000=100), 3 month moving average..	....	0.01	0.05	0.09	0.06	-0.01 r	-0.01 **
Employment, IMSS Beneficiaries Thousands, monthly average.....	....	0.03	-0.01	0.01	0.09	0.14	0.23
Unemployment Rate* Percentage, 3 month moving average.....	....	0.17	0.2	-0.08	-0.15	-0.13	0.00

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).

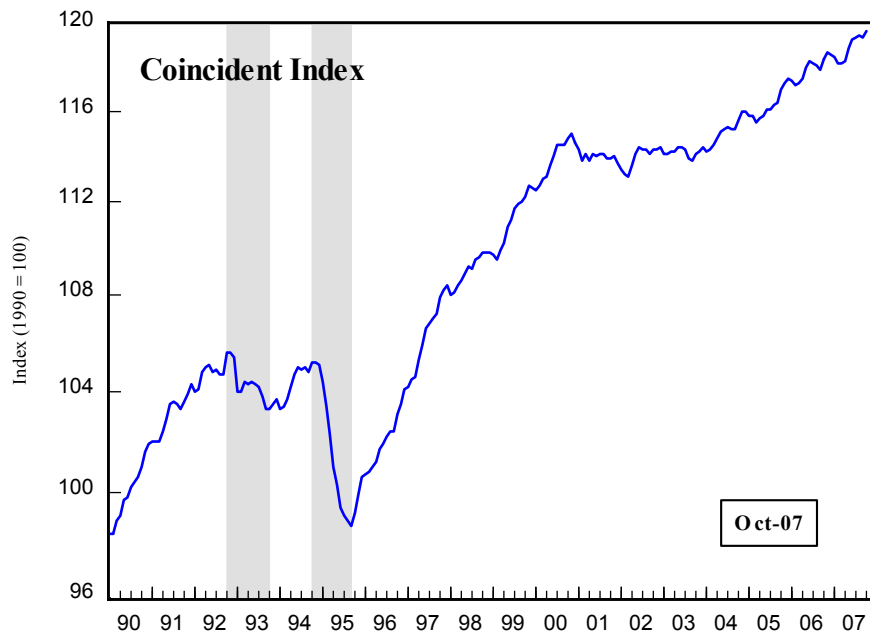
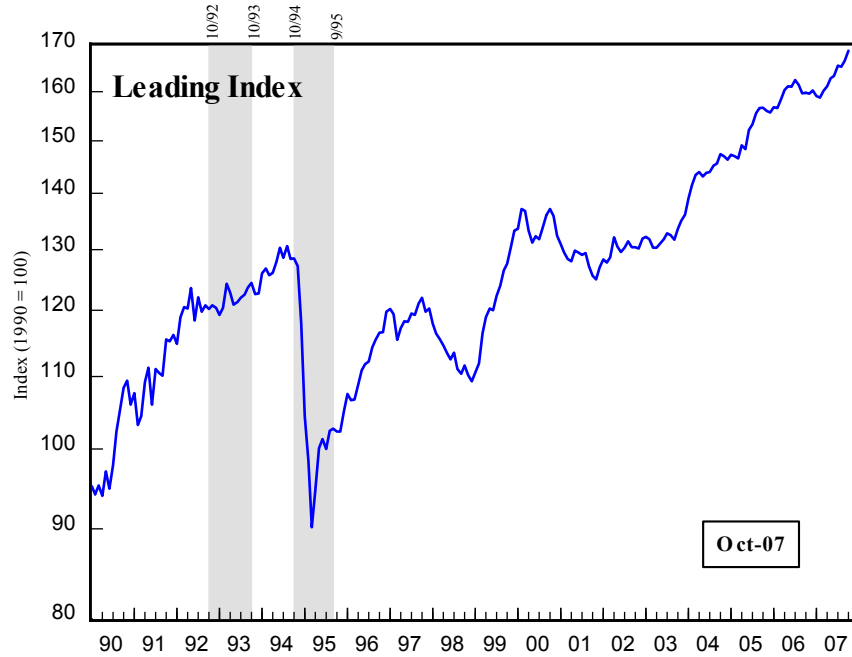
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Mexico



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