



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. (CST), MONDAY, NOVEMBER 23, 2009

The Conference Board®  
Mexico Business Cycle Indicators<sup>SM</sup>  
**THE CONFERENCE BOARD LEADING ECONOMIC INDEX™  
(LEI) FOR MEXICO**  
**AND RELATED COMPOSITE ECONOMIC INDEXES FOR SEPTEMBER 2009**

**The Conference Board Leading Economic Index™ (LEI)** for Mexico increased 0.4 percent and **The Conference Board Coincident Economic Index™ (CEI)** increased 0.7 percent in September.

- The Conference Board LEI for Mexico increased for the seventh consecutive month in September. Net insufficient inventories and stock prices made large positive contributions to the index this month, more than offsetting the substantial negative contribution from the real exchange rate. The leading economic index increased 10.1 percent (a 21.2 percent annual rate) between March and September 2009, a sharp reversal from the decline of 13.8 percent (a -25.7 percent annual rate) for the previous six months. In addition, the strengths among the leading indicators have remained widespread in recent months.
- The Conference Board CEI for Mexico increased for the third straight month in September, with all its components again making positive contributions. The six-month change in the index has increased to 0.4 percent (a 0.8 percent annual rate) in the period through September, up from -5.5 percent (a -10.8 percent annual rate) for the previous six months. However, the weaknesses among the coincident indicators have remained more widespread than the strengths in recent months. Meanwhile, real GDP declined at a 4.4 percent annual rate in the second quarter of 2009, a large improvement from the contraction of 21.2 percent annual rate in the first quarter of the year.
- The Conference Board LEI for Mexico, which was on a steep downtrend between July 2008 and February 2009, has risen sharply for more than half a year now amid widespread strength among its components. Meanwhile, The Conference Board CEI for Mexico has increased for the past three months, and its six-month change has turned positive for the first time since July 2008. All in all, the recent behavior of the composite indexes suggests that the downturn in economic activity is bottoming out, and that economic conditions will continue to improve in the near term.

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

The next release is scheduled for Monday, December 21, 2009 at 11:00 A.M. (ET)  
*In Mexico – Monday, December 21, 2009 at 10:00 A.M. (CST)*

With the 0.4 percent increase in September, The Conference Board LEI for Mexico now stands at 111.3 (2004=100). Based on revised data, this index increased 0.6 percent in August and increased 1.2 percent in July. During the six-month span through September, the index increased 10.1 percent, with five of the six components increasing (diffusion index, six-month span equals 83.3 percent).

COINCIDENT INDICATORS. All the components that make up The Conference Board CEI for Mexico increased in September. The positive contributors—from the largest positive contributor to the smallest one—are industrial production, number of people employed (measured by IMSS beneficiaries), and retail sales\*.

With the increase of 0.7 percent in September, The Conference Board CEI for Mexico now stands at 106.3 (2004=100). Based on revised data, this index increased 0.6 percent in August and increased 0.4 percent in July. During the six-month span through September, the index increased 0.4 percent, with one of the three components increasing (diffusion index, six-month span equals 33.3 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. November 20, 2009. Some series are estimated as noted below.

NOTE: The series in The Conference Board CEI for Mexico based on The Conference Board estimates is retail sales.

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THE CYCLICAL INDICATOR APPROACH. The composite economic indexes are the key elements in an analytic system designed to signal peaks and troughs in the business cycle. The leading and coincident economic indexes are essentially composite averages of several 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 Conference Board LEI for Mexico have occurred before those in aggregate economic activity, while the cyclical turning points in The Conference Board CEI for Mexico 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 Economic Indexes: Components and Standardization Factors

<u>Leading Economic Index</u>	<u>Factor</u>
1. Industrial Production, Construction Component	.1848
2. Stock Prices	.0545
3. U.S. Refiners' Acquisition Cost of Domestic and Imported Crude Oil	.0867
4. Net Insufficient Inventories	.4190
5. Federal Funds Rate	.0975
6. Real Exchange Rate	.1575
 <u>Coincident Economic Index</u>	
1. Industrial Production	.3883
2. Retail Sales	.1948
3. Employment	.4169

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.

These factors were revised effective on the release for January 2009, and all historical values for the two composite economic indexes were revised at this time to reflect the changes. Under normal circumstances, updates to the leading and coincident indexes only incorporate revisions to data over the past six months. The factors above for The Conference Board LEI for Mexico were calculated using January 1990 to December 2007 as the sample period for measuring volatility. Separate sets of factors for the January 1980 to April 1981 period, May 1981 to January 1983 period, and February 1983 to January 1990 period are available upon request. The factors above for The Conference Board CEI for Mexico were calculated using February to December 2007 as the sample period. Separate sets of factors for the April 1980 to March 1986 period, and April 1986 to January 2007 period are available upon request. These multiple sample periods are the result of different starting dates for the component data. When one or more components are 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>.

The trend adjustment factor for The Conference Board LEI for Mexico is 0.0171 (calculated over the 1980 to 2007 period).

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 economic 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 2009 schedule for “**The Conference Board Leading Economic Index™ (LEI)** for Mexico” news release is:

October 2009 Data..... Monday, December 21, 2009

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

### **About The Conference Board**

The Conference Board is a global, independent business membership and research association working in the public interest. Our mission is unique: To provide the world’s leading organizations with the practical knowledge they need to improve their performance *and* better serve society. The Conference Board is a non-advocacy, not-for-profit entity holding 501 (c) (3) tax-exempt status in the United States.

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Mexico Business Cycle Indicators Internet Subscription	\$ 635 per year (1 user)
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Individual Data Series	\$ 35 per series downloaded
Monthly BCI Report	\$ 275 per year
<i>(Sample available at <a href="http://www.conference-board.org/publications/describeBCI.cfm">http://www.conference-board.org/publications/describeBCI.cfm</a>)</i>	
BCI Handbook (published 2001)	\$ 20
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**The Conference Board Mexico Business Cycle Indicators**

**Table 1.--Summary of Mexico Composite Economic Indexes**

	2009						
	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.
Leading index	101.1	104.1	106.5	108.9 r	110.2 r	110.9 r	111.3
Percent change	1.5	3.0	2.3	2.3 r	1.2	0.6 r	0.4
Diffusion index	50.0	91.7	83.3	83.3	83.3	75.0	58.3
Coincident index	105.9	105.7	104.7	104.6	105.0	105.6	106.3 p
Percent change	-0.7	-0.2	-0.9	-0.1	0.4	0.6	0.7 p
Diffusion index	66.7	16.7	0.0	16.7	83.3	100.0	100.0
	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	-13.8	-5.4	1.5	7.1 r	10.2 r	11.3 r	10.1
Diffusion index	16.7	33.3	83.3	83.3	100.0	83.3	83.3
Coincident index							
Percent change	-5.5	-5.5	-5.7	-4.2	-2.3	-0.9	0.4 p
Diffusion index	0.0	0.0	0.0	0.0	0.0	0.0	33.3

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.

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# The Conference Board Mexico Business Cycle Indicators

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

Component	2009						
	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.
Mexico Leading Economic Index component data							
Industrial Production, Construction Component, SA Index, 2003=100 .....	113.9 r	115.0 r	111.8 r	115.2 r	116.3 r	112.6	112.2
Stock Prices, IPC35 (BOLSA)							
October 1978=0.78 .....	19626.75	21898.85	24331.71	24368.38	27043.50	28129.95	29232.24
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel .....	45.57	48.78	55.96	65.71	63.58	67.99 r	68.65
Net Insufficient Inventories							
Difference, (3 month moving average), Survey .....	-15.49 r	-15.54 r	-13.89 r	-13.00 r	-11.35 r	-11.23 r	-10.07
Federal Funds, Money Market Rate*							
Percentage, Monthly Average .....	7.64	6.68	5.78	5.26	4.92	4.89	4.91
Real Exchange Rate, (Central Bank Settlement Rate)*							
Peso/US\$, Monthly Average .....	23.20	21.15	20.81	21.12	21.10	20.57	21.12
<b>LEADING INDEX (2004=100).....</b>	<b>101.1</b>	<b>104.1</b>	<b>106.5</b>	<b>108.9 r</b>	<b>110.2 r</b>	<b>110.9 r</b>	<b>111.3</b>
Percent change from preceding month.....		3.0	2.3	2.3 r	1.2	0.6 r	0.4
Mexico Leading Economic Index net contributions							
Industrial Production, Construction Component, SA Index, 2003=100 .....	....	0.17 r	-0.51 r	0.55 r	0.16 r	-0.60 r	-0.07
Stock Prices, IPC35 (BOLSA)							
October 1978=0.78 .....	....	0.60	0.57	0.01	0.57	0.21	0.21
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel .....	....	0.59	1.19	1.39	-0.29	0.58 r	0.08
Net Insufficient Inventories							
Difference, (3 month moving average), Survey .....	....	-0.02	0.69 r	0.37 r	0.69 r	0.05 r	0.49
Federal Funds, Money Market Rate*							
Percentage, Monthly Average .....	....	0.09	0.09	0.05	0.03	0.00	0.00
Real Exchange Rate, (Central Bank Settlement Rate)*							
Peso/US\$, Monthly Average .....	....	1.46	0.26	-0.23	0.01	0.40	-0.42

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; U.S. Department of Energy; Thomson Financial

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# The Conference Board Mexico Business Cycle Indicators

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

Component	2009						
	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.
Mexico Coincident Economic Index Component Data							
Industrial Production, SA Index, (2003=100), 3 month moving average	105.0	105.0 r	103.8 r	103.7	104.6	105.5 r	106.5
Retail Sales, SA Index, (2000=100), 3 month moving average	115.2	115.1	114.2	113.7	113.7	114.3	114.5 **
Employment, IMSS Beneficiaries Thousands, monthly average .....	14040	13980	13868	13871	13887	13919	13992
<b>COINCIDENT INDEX (2004=100)</b>	<b>105.9</b>	<b>105.7</b>	<b>104.7</b>	<b>104.6</b>	<b>105.0</b>	<b>105.6</b>	<b>106.3</b>
Percent change from preceding month.....		-0.2	-0.9	-0.1	0.4	0.6	0.7
Mexico Coincident Economic Index net contributions							
Industrial Production, SA Index, (2003=100), 3 month moving average	....	0.01 r	-0.45 r	-0.03 r	0.34	0.33 r	0.39
Retail Sales, SA Index, (2000=100), 3 month moving average	....	-0.02	-0.15	-0.08	0.00	0.10	0.04 **
Employment, IMSS Beneficiaries Thousands, monthly average .....	....	-0.18	-0.34	0.01	0.05	0.10	0.22

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; IMSS; Thomson Financial**

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## Mexico

