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**FOR RELEASE: 9:00 A.M. ET, WEDNESDAY, AUGUST 22, 2007**

### The Conference Board® Spain Business Cycle Indicators<sup>SM</sup> **SPAIN LEADING ECONOMIC INDICATORS** **AND RELATED COMPOSITE INDEXES FOR JUNE 2007**

The next release of The Conference Board's Spain Leading Economic Indicators and Related Composite Indexes, scheduled for September 17, 2007, will incorporate benchmark revisions to bring the history of the composite indexes up-to-date with data revisions in their existing components and update the standardization factors used in the calculations. This is a maintenance procedure typically done once a year, which usually does not change the cyclical properties of the indexes and has, as expected, relatively small effects. The benchmark revisions will also introduce methodological changes to both the coincident and leading indexes. For more details, please see page 3.

The Conference Board announced today that the leading index for Spain declined 0.3 percent, while the coincident index increased 0.2 percent in June.

- The leading index declined in June, following a large gain in May which offset the decline in April. Spanish contribution to Euro M2 was the only positive contributor to the leading index in June. As a result, the growth rate of the leading index has slowed to 1.3 percent from December to June (a 2.5 percent annual rate), significantly down from the 7.0 percent annualized growth rate through the end of 2006. In the six months from December to June, the number of leading index components rising has been slightly greater than the number of components falling, suggesting strengths and weaknesses among the leading indicators have been roughly balanced.
- The coincident index increased slightly again in June. The strength among the coincident indicators continued to be widespread, but the growth rate of the coincident index has also moderated since the beginning of 2007. At the same time, real GDP grew at about a 4.0 percent average annual rate in the first half of 2007 (including the second quarter's 3.2 percent annual rate), only slightly below the 4.1 percent average rate in the second half of 2006. Despite short-term volatility, the slower growth in both the leading and coincident indexes so far suggests that moderate economic growth is likely to continue in the near term.

**LEADING INDICATORS.** Only one of the six components that make up the leading index increased in September. The positive contributor was the Spanish contribution to Euro M2. The negative contributors—in order from the largest negative contributor to the smallest—are the inverted long-term government bond yield, job placings, the Spanish equity price index, order books survey, and the capital equipment component of industrial production.

With the decrease of 0.3 percent in June, the leading index now stands at 152.4 (1990=100). Based on revised data, this index increased 0.6 percent in May and declined 0.6 percent in April. During the six-month span through June, the index increased 1.3 percent, and four of the six components advanced (diffusion index, six-month span equals 66.7 percent).

The next release is scheduled for Monday, September 17, 2007 at 9:00 A.M. (ET)  
*In Spain – Monday, September 17, 2007 at 3:00 P.M. (CET)*

**COINCIDENT INDICATORS.** All four components that make up the coincident index increased in June. The positive contributors — in order from the largest positive contributor to the smallest — are final household consumption\*, industrial production excluding construction, real imports\*, and retail sales survey.

With the increase of 0.2 percent in June, the coincident index now stands at 160.5 (1990=100). Based on revised data, this index increased 0.5 percent in May and decreased 0.4 percent in April. During the six-month span through June, the index increased 1.2 percent, and all four components advanced (diffusion index, six-month span equals 100.0 percent).

FOR TABLES AND CHARTS, SEE BELOW

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. (ET) August 21, 2007. Some series are estimated as noted below.

NOTES: Series in the coincident index based on The Conference Board estimates include final household consumption and real imports. There are no series in the leading index based on The Conference Board estimates.

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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/> .

## **SEPTEMBER 2007 BENCHMARK REVISIONS TO SPAIN LEADING ECONOMIC INDICATORS AND RELATED COMPOSITE INDEXES**

The next release on September 17, 2007 will introduce one major revision to the composite coincident index of economic indicators (CEI) and one major revision to the composite leading index of economic indicators (LEI) for Spain: 1) the composition of the CEI will be revised to include national accounts employment series, and 2) a new trend adjustment will be added to the LEI methodology. The employment series is an important coincident indicator that adds relevant information on labor market developments to the CEI. The trend adjustment facilitates interpretation and use of the LEI.

The benchmark revisions will also bring the history of the composite indexes up-to-date with data revisions in their existing components and update the standardization factors used in the calculations. This is a maintenance procedure typically done once a year, which usually does not change the cyclical properties of the indexes and has, as expected, relatively small effects.

Next month's revision institutes an old and well-known trend adjustment procedure to the leading index. Similar methodological changes were introduced into the US LEI in 2005 and will be incorporated into the LEIs of other countries covered by The Conference Board's global indicators program. This procedure does not affect the cyclical properties of the LEI, but it offers two advantages:

1. The long-term trend in the LEI will be equated to the trend that is measured by the average growth rate in the coincident index (CEI). Hence, the trend of the LEI will not vary with changes in the composition of the index, i.e. the set of indicators used to calculate it. This facilitates the interpretation of the indexes as cyclical measures, and provides a more consistent framework for their use.
2. The trend adjustment makes the long term growth of the leading index more similar to that of the coincident index. In turn, the levels of these indexes are more meaningful since the coincident index is a measure of current economic activity. While the composite indexes are mainly used to indicate directional changes in aggregate economic activity, many users also regard them as measures of the level of economic activity. The trend adjustment facilitates this use.

These changes are the result of research at The Conference Board (TCB) and regular consultations with its Business Cycle Indicators Advisory Panel and other experts. The Conference Board continuously monitors the behavior and performance of the composite indexes and their components and makes changes from time to time. This revision is consistent with long-standing TCB policy to make changes to the indexes when research indicates substantial improvements are possible. Because of these revisions, the composite indexes and their monthly changes are no longer directly comparable with previous releases.

Detailed descriptions and discussion of the changes will be posted on our web site. Please visit <http://www.conference-board.org/economics/bci>.

Spain Composite Indexes: Components and Standardization Factors

<u>Leading Index</u>	<u>Factor</u>
1. Capital Equipment Component of Industrial Production	.0591
2. Contribution to Euro M2	.2648
3. Stock Price Index	.0262
4. Long term Government Bond Yield	.4560
5. Order Books Survey	.1249
6. Job Placings	.0689

Coincident Index

1. Final Household Consumption	.6447
2. Industrial Production, Excluding Construction	.2264
3. Retail Sales Survey	.0601
4. Real Imports	.0688

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 1984-2001 as the sample period for measuring volatility for the leading index and 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 Spain “Leading Economic Indicators” news release is:

July 2007 Data.....	Monday, September 17, 2007
August 2007 Data.....	Tuesday, October 23, 2007
September 2007 Data.....	Wednesday, November 14, 2007
October 2007 Data.....	Thursday, December 13, 2007

All releases are at 9:00 A.M (ET), 3:00 P.M. (CET)

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 212-339-0345, or email [indicators@conference-board.org](mailto:indicators@conference-board.org).

### AVAILABLE FROM THE CONFERENCE BOARD

Spain Business Cycle Indicators Internet Subscription <i>(Includes monthly release, data, charts and commentary)</i>	\$ 575 per year (1 user)
Individual Data Series	\$ 30 per series downloaded
Monthly BCI Report <i>(Sample available on request)</i>	\$ 250 per year
Monthly News Release (fax or email)	\$ 59 per year
BCI Handbook (published 2001)	\$ 20
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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.

# The Conference Board Spain Business Cycle Indicators

**Table 1.--Summary of Spain Composites Indexes**

	2006 Dec.	Jan.	Feb.	2007 Mar.	Apr.	May.	Jun.
Leading index	150.5	151.4	151.5 r	152.9 r	152.0	152.9	152.4
Percent change	0.7	0.6	0.1	0.9	-0.6 r	0.6	-0.3
Diffusion index	50.0	83.3	50.0	91.7	0.0	66.7	16.7
Coincident index	158.6	159.2	159.3	160.1	159.4 p	160.2 p	160.5 p
Percent change	0.1	0.4	0.1	0.5	-0.4 p	0.5 p	0.2 p
Diffusion index	75.0	100.0	50.0	100.0	50.0	100.0	100.0
	Jun to Dec	Jul to Jan	Aug to Feb	Sep to Mar	Oct to Apr	Nov to May	Dec to Jun
Leading index							
Percent change	3.6	3.0	2.9 r	3.0 r	2.1	2.3	1.3
Diffusion index	58.3	50.0	83.3	66.7	66.7	66.7	66.7
Coincident index							
Percent change	2.3	2.2	1.7	1.9	1.1 p	1.1 p	1.2 p
Diffusion index	100.0	100.0	100.0	100.0	100.0	100.0	100.0

p Preliminary. r Revised (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 Spain Business Cycle Indicators

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

Component	2006			2007			
	Dec.	Jan.	Feb.	Mar.	Apr.	May.	Jun.
Spain Leading Index component data							
Capital Equipment Component of							
Industrial Production(3 month moving average, s.a.).....	114.3 r	116.1 r	115.4 r	117.7 r	116.9 r	118.5 r	118.0
Spanish Contribution to Euro M2 (s.a.).....	760456.91 r	769614.52 r	774877.94 r	790003.89 r	783008.28 r	794597.63 r	796379.19
Spanish Equity Price Index.....	156.3	162.1	159.0	163.1	160.4	169.9	164.9
Longterm Government Bond Yield (Inverted).....	3.790	4.000	4.070	3.960	4.180	4.310	4.590
Order Books Survey (3 month moving average, s.a.).....	6.40 r	7.30	7.80 r	7.80	6.60	6.30	6.00
Job Placings (3 month moving average, s.a.).....	1473.8 r	1486.0 r	1486.8 r	1522.3 r	1508.1 r	1524.0 r	1497.8
<b>LEADING INDEX (1990=100).....</b>	<b>150.5</b>	<b>151.4</b>	<b>151.5 r</b>	<b>152.9 r</b>	<b>152.0</b>	<b>152.9</b>	<b>152.4</b>
Percent change from preceding month.....	0.7	0.6	0.1	0.9	-0.6 r	0.6	-0.3
Spain Leading index net contributions							
Capital Equipment Component of							
Industrial Production(3 month moving average, s.a.).....	....	0.09	-0.04	0.12	-0.04 r	0.08	-0.03
Spanish Contribution to Euro M2 (s.a.).....	....	0.32 r	0.18 r	0.51 r	-0.24	0.39 r	0.06
Spanish Equity Price Index.....	....	0.10	-0.05	0.07	-0.04	0.15	-0.08
Longterm Government Bond Yield (Inverted).....	....	-0.10	-0.03	0.05	-0.10	-0.06	-0.13
Order Books Survey (3 month moving average, s.a.).....	....	0.11 r	0.06	0.00	-0.15 r	-0.03 r	-0.04
Job Placings (3 month moving average, s.a.).....	....	0.06	0.00 r	0.16	-0.06 r	0.07 r	-0.12

p Preliminary. r Revised. s.a. Seasonally Adjusted

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

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

Q Quarterly series; these series are converted to a monthly series through a linear interpolation.

**Data Sources:** Ministerio de Economia y Hacienda, IMF, OECD, Thomson Financial

**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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# The Conference Board Spain Business Cycle Indicators

**Table 3.--Data and Net Contributions for Spain Coincident Index**

Component	2006		2007				
	Dec.	Jan.	Feb.	Mar.	Apr.	May.	Jun.
Spain Coincident index component data							
Final Household Consumption (Q).....	116.0	116.1	116.2	116.3 r	116.5 **	116.8 **	117.0 **
Industrial Production, Excluding Construction 2000=100(3 month moving average).....	109	108.8	109.0 r	109.2 r	109.4 r	109.5 r	109.7
Real Imports , millions of Euro, 1995 prices..... (3 month moving average)	20761.20	21567.00	21549.30	22019.30	21299.80	21520.70 r	21618.50 **
Retail Sales Survey (s.a.) #.....	107.7	108.4	108.1	112.0 r	106.3 r	110.1 r	110.3
<b>COINCIDENT INDEX (1990=100).....</b>	<b>158.6</b>	<b>159.2</b>	<b>159.3</b>	<b>160.1</b>	<b>159.4 p</b>	<b>160.2 p</b>	<b>160.5 p</b>
Percent change from preceding month.....	0.1	0.4	0.1	0.5	-0.4 p	0.5 p	0.2 p
Spain Coincident index net contributions							
Final Household Consumption (Q).....	....	0.06	0.05	0.08 r	0.11 **	0.13 **	0.14 **
Industrial Production, Excluding Construction 2000=100(3 month moving average).....	....	0.06	0.05 r	0.04 r	0.03 r	0.04 r	0.04
Real Imports , millions of Euro, 1995 prices.....	....	0.23	0.00	0.13	-0.20	0.06 r	0.03 **
Retail Sales Survey (s.a.) #.....	....	0.04	-0.02	0.24	-0.36	0.24 r	0.02

p Preliminary. r Revised. s.a. Seasonally Adjusted

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

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

# Since April 2002, the Retail Sales Survey rebased from 1995=100 to 2001=100

**Data Sources:** Ministerio de Economia y Hacienda, IMF, OECD, Thomson Financial

**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).

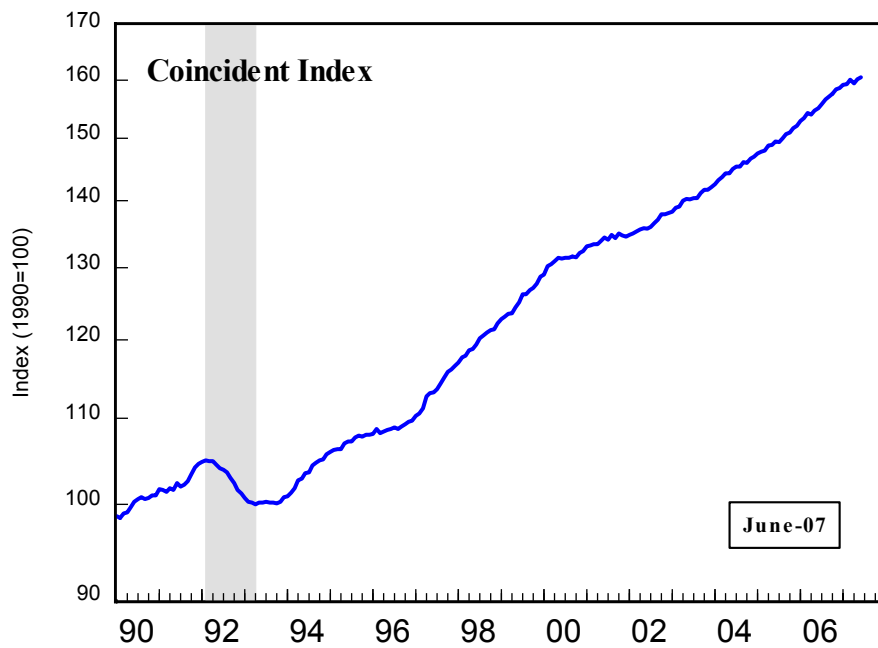
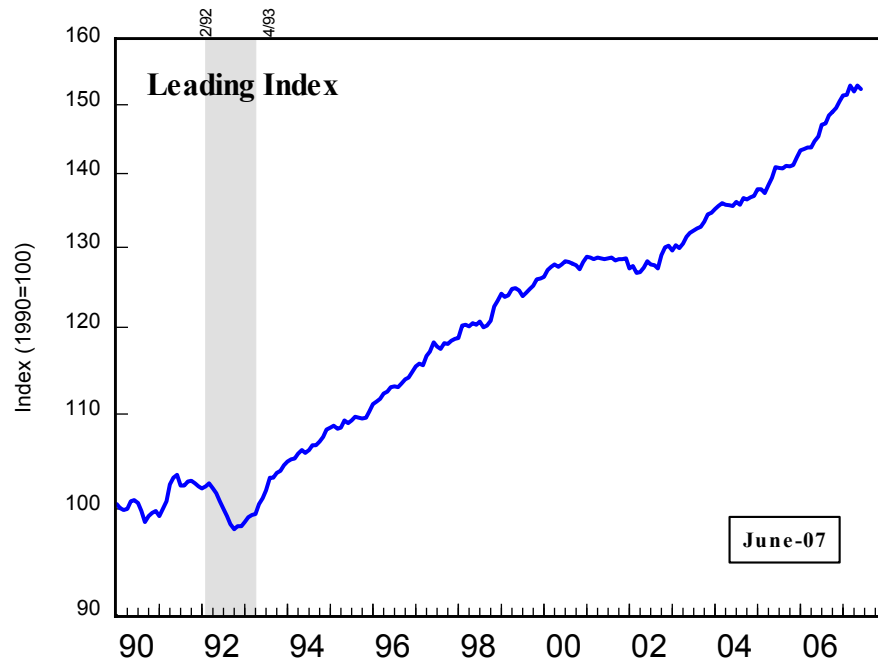
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# Spain



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