



THE CONFERENCE BOARD

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FOR RELEASE: 10:30 A.M. ET, TUESDAY, AUGUST 16, 2005

The Conference Board[®] The U.K. Business Cycle IndicatorsSM **U.K. LEADING ECONOMIC INDICATORS** **AND RELATED COMPOSITE INDEXES FOR JUNE 2005**

The Conference Board announced today that the leading index for the U.K. decreased 0.4 percent, while the coincident index increased 0.2 percent in June.

- The leading index fell for the fourth consecutive month in June, and the weakness among the leading indicators continued to be widespread. The leading index was essentially flat in the second half of 2004, and although it rose slightly at the end of the year, this strength was not sustained in the first half of 2005. The growth rate of the leading index has slowed to about a -2.0 percent annual rate in recent months, down from the peak growth rate of almost 7.0 percent reached by mid-2004.
- The coincident index, a measure of current economic activity, increased slightly again in June. The growth rate of the coincident index has moderated since mid 2004; it is now growing at less than a 1.0 percent annual rate down from about 2.0 percent. Strength in the disposable income and sales components of the coincident index was offset by the lack of growth in the industrial sector and employment this year.
- At the same time, real GDP growth slowed to a 1.5 percent average annual rate in the first half of 2005 (including a 1.5 percent rate in the second quarter) and has increased at a 1.8 percent average rate over the last three quarters, down from a 3.7 percent average rate in the second half of 2003 and first half of 2004. The continued weakness in the leading index in recent months indicates that economic growth is likely to remain sluggish in the near term.

LEADING INDICATORS. Four of the eight components that make up the leading index increased in June. The positive contributors – from the largest positive contributor to the smallest – were the fixed interest price index, stock prices, productivity for the whole economy*, and operating surplus of corporations*. Order book volume, volume of expected output, consumer confidence, and new orders for engineering industries* declined in June.

With the 0.4 percent decline in June, the leading index now stands at 132.4 (1990=100). Based on revised data, this index declined 0.6 percent in May and declined 0.5 percent in April. During the six-month span through June, the leading index declined 1.0 percent, with three of the eight components advancing (diffusion index, six-month span equals 37.5 percent).

*See notes under data availability

COINCIDENT INDICATORS. Three of the four components that make up the coincident index increased in June. The positive contributors – from the largest positive contributor to the smallest – were retail sales, employment*, and real household disposable income*. Industrial production declined in June.

With the increase of 0.2 percent in June, the coincident index now stands at 115.7 (1990=100). Based on revised data, this index increased 0.1 percent in both May and April. During the six-month period through June, the coincident index increased 0.4 percent, with three of the four components advancing (diffusion index, six-month span equals 75.0 percent).

The next release is scheduled for September 14, 2005 at 10:30 A.M. ET
In the U.K. –September 14, 2005 at 3:30 P.M. (GMT)

DATA AVAILABILITY:

The data series used by The Conference Board to compute the two composite indexes reported in the tables in this release are those available “as of” 10 A.M. ET on August 15, 2005. Some series are estimated as noted below.

NOTES: Series in the leading index that are based on The Conference Board estimates are new orders in engineering industries, productivity of the whole economy, and operating surplus of corporations. Series in the coincident index that are based on The Conference Board estimates are employment and real household disposable income.

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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 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.

U.K. Composite Indexes: Components and Standardization Factors

<u>Leading Index</u>	<u>Factor</u>
1 Order Book Volume	0.0746
2 Expected Output Volume	0.0584
3 Consumer Confidence	0.1158
4 Fixed Interest Price Index	0.1283
5 All Share Price Index	0.0397
6 New Orders, Engineering Industries	0.0829
7 Productivity, Whole Economy	0.3865
8 Operating Surplus, Corporations	0.1138

<u>Coincident Index</u>	
1 Industrial Production	0.0652
2 Retail Sales	0.0634
3 Employment	0.6984
4 Real Household Disposable Income	0.1730

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 with the December 15, 2003 release, and all historical values for the two composite 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 leading index were calculated using 1977-2002 as the sample period for measuring volatility. Separate sets of factors for the 1975-1977 period, the 1974-1975 period, as well as the 1970-1974 period, are available upon request. The factors above for the coincident index were calculated using 1992-2002 as the sample period; separate sets of factors for the 1978-1992 period and the 1970-1978 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 their 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 monthly data revisions are now a regular part of the U.S. Business Cycle and Global Indicators program. The main advantage of this procedure is to utilize in the leading index the data such as bond yields, stock prices, and change in consumer confidence that are available sooner than other data on “real” aspects of the economy such as housing starts and new orders. 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 next release for the "U.K. Leading Economic Indicators" is:

July 2005 Data

Wednesday, September 14, 2005

All releases are at 10:30 A.M. (ET), 3:30 P.M. (GMT)

ABOUT THE CONFERENCE BOARD. Founded in 1916, The Conference Board is the premier business membership and research network. 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 Board's Economics Program, under the direction of Chief Economist Gail Fosler, is a recognized source of forecasts, economy 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, German, Korea, Japan, Mexico 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.

AVAILABLE FROM THE CONFERENCE BOARD

U.K. 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 France, Germany, Japan, Korea, Mexico, Spain and the U.S. 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 U.K. Business Cycle Indicators

Table 1.--Summary of U.K. Composite Indexes

	2004							2005
	Dec,	Jan.	Feb.	Mar.	Apr.	May	Jun.	
Leading index	133.7	133.9	134.5	134.4 p	133.7 p	132.9 p	132.4 p	
Percent change	0.1	0.1	0.4	-0.1 p	-0.5 p	-0.6 p	-0.4 p	
Diffusion index	68.8	56.3	56.3	37.5	37.5	56.3	43.8	
Coincident index	115.2	115.5	115.5	115.3 p	115.4 p	115.5 p	115.7 p	
Percent change	0.1	0.3	0.0	-0.2 p	0.1 p	0.1 p	0.2 p	
Diffusion index	75.0	75.0	50.0	25.0	87.5	87.5	75.0	
	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	.2	0.1	1.0	0.7 p	0.0 p	-0.4 p	-1.0 p	
Diffusion index	75.0	62.5	75.0	75.0	62.5	62.5	37.5	
Coincident index								
Percent change	0.4	0.7	0.6	0.3 p	0.3 p	0.3 p	0.4 p	
Diffusion index	50.0	75.0	75.0	50.0	75.0	50.0	75.0	

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 U.K. Business Cycle Indicators

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

Component	2004						2005
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.
U.K. Leading index component data							
Order Book Volume, CBI Monthly Enquiry (3 month moving average).....	-10.7	-11.0	-9.0	-12.0	-15.7	-19.7	-23.7
Volume of Expected Output, CBI Monthly Enquiry (3 month moving average).....	4.3	3.0	7.7	12.7	11.0	4.3	-0.3
Consumer Confidence (3 month moving average).....	-0.7	-0.2	0.0	0.9	1.0	-0.1	-1.9
FT Fixed Interest Price Index (1928=100).....	138.7	138.8	138.6	138.3	138.4	140.0	142.1
Stock prices, FT all share prices index (Apr. 10, 1962=100).....	2374.8	2422.1	2509.7	2489.6	2451.3	2455.6	2529.1
New Orders, Engineering Industries (3 month moving average, constant price)....	79.0 r	80.7 r	80.2 r	78.3 r	77.5 r	77.6 r	77.5 **
Productivity, Whole Economy Index (2000=100, Q)	104.6	104.7	104.7	104.8 **	104.9 **	105.0 **	105.1 **
Total Gross Operating Surplus of Corporations Index (Deflated with IPD, Q)	63895.7	63503.6	63118.7	62914.1 **	62824.2 **	62807.0 **	62836.2 **
LEADING INDEX (1990=100).....	133.7	133.9	134.5	134.4 p	133.7 p	132.9 p	132.4 p
Percent change from preceding month.....		0.1	0.4	-0.1 p	-0.5 p	-0.6 p	-0.4 p
U.K. Leading index net contributions							
Order Book Volume, CBI Monthly Enquiry (3 month moving average).....	....	-0.02	0.15	-0.22	-0.28	-0.30	-0.30
Volume of Expected Output, CBI Monthly Enquiry (3 month moving average).....	....	-0.08	0.27	0.29	-0.10	-0.39	-0.27
Consumer Confidence (3 month moving average).....	....	0.06	0.02	0.10	0.01	-0.13	-0.21
FT Fixed Interest Price Index (1928=100).....	....	0.01	-0.02	-0.03	0.01	0.15	0.19
Stock prices, FT all share prices index (Apr. 10, 1962=100).....	....	0.08	0.14	-0.03	-0.06	0.01	0.12
New Orders, Engineering Industries (3 month moving average, constant price)....	....	0.18 r	-0.05 r	-0.20 r	-0.09 r	0.01 r	-0.01 **
Productivity, Whole Economy Index (2000=100, Q)	....	0.01	0.01	0.03 **	0.03 **	0.04 **	0.04 **
Total Gross Operating Surplus of Corporations Index (Deflated with IPD, Q)	....	-0.07	-0.07	-0.04 **	-0.02 **	0.00 **	0.01 **

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

* 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: National Statistics, Datastream, Bank of England, Confederation of British Industry and The European Commission

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 U.K. Business Cycle Indicators

Table 3.--Data and Net Contributions for U.K. Coincident Index

Component	2004						2005
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.
	U.K. Coincident index component data						
Industrial Production (2000=100).....	100.7	99.6	99.6	98.3	99.0 r	99.3 r	99.2
Retail Sales, Volume (2000=100).....	124.0	125.2	125.2	124.8	125.3 r	125.3 r	127.0
Employment, (average, thousands).....	28567.0	28639.0	28608.0	28578.0	28567.0 r	28582.0 **	28604.0 **
Real Household Disposable Income (2000 Constant Price, Q).....	187494.0	188222.0	188950.0	189534.0 **	190039.1 **	190501.4 **	190940.6 **
COINCIDENT INDEX (1990=100).....	115.2	115.5	115.5	115.3 p	115.4 p	115.5 p	115.7 p
Percent change from preceding month.		0.3	0.0	-0.2 p	0.1 p	0.1 p	0.2 p
	U.K. Coincident index net contributions						
Industrial Production (2000=100).....	....	-0.07	0.00	-0.09	0.05 r	0.02 r	-0.01
Retail Sales, Volume (2000=100).....	....	0.06	0.00	-0.02	0.03	0.00	0.09
Employment, (average, thousands).....	....	0.18	-0.08	-0.07	-0.03 r	0.04 **	0.05 **
Real Household Disposable Income (2000 Constant Price, Q).....	....	0.07	0.07	0.05 **	0.05 **	0.04 **	0.04 **

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

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

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

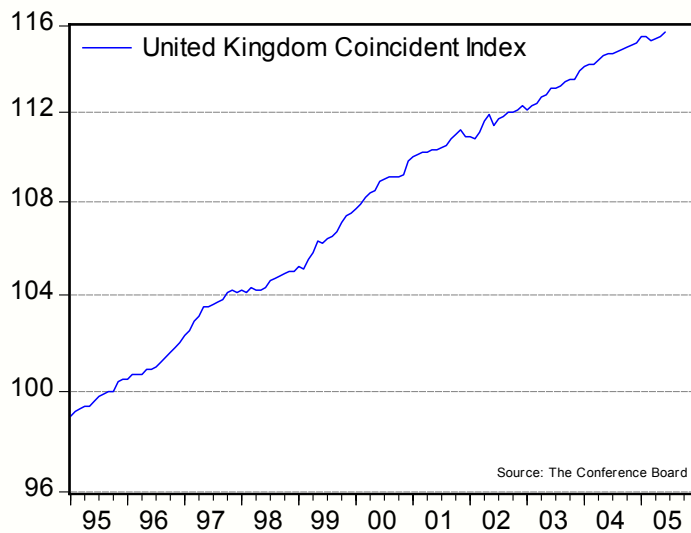
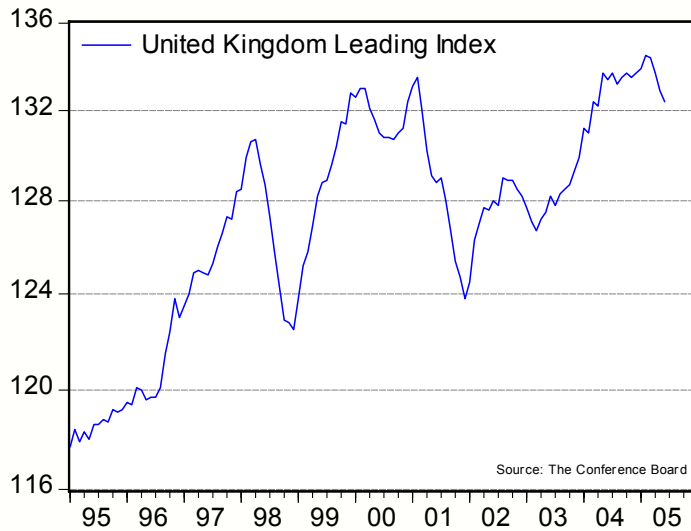
Q Quarterly series; these series are converted to monthly through a linear interpolation.

Data Sources: National Statistics, Datastream

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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United Kingdom Composite Indexes



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