



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. GMT, TUESDAY, JANUARY 13, 2009

The Conference Board®  
The U.K. Business Cycle Indicators<sup>SM</sup>

**THE CONFERENCE BOARD**  
**LEADING ECONOMIC INDEX (LEI) FOR THE U.K.**  
**AND RELATED COMPOSITE INDEXES FOR NOVEMBER 2008**

This month's release incorporates annual benchmark revisions to the composite economic indexes, which bring them up-to-date with revisions in the source data. Also, the base year of the composite economic indexes has been changed to 2004=100 from 1990=100. These revisions do not change the cyclical properties of the indexes. The indexes are updated throughout the year, but only for the previous six months. Data revisions that fall outside of the moving six-month window are not incorporated until the benchmark revision is made and the entire histories of the indexes are recomputed. As a result, the revised indexes will not be comparable to those issued prior to the benchmark revision.

For more information, please visit our website at <http://www.conference-board.org/economics/bci/> or contact us at [indicators@conference-board.org](mailto:indicators@conference-board.org).

The Conference Board Leading Economic Index (LEI) for the U.K. declined 1.0 percent, and The Conference Board Coincident Economic Index (CEI) remained unchanged in November.

- The leading economic index has now fallen for more than a year, as order book volume and the volume of expected output continued to make very large negative contributions in November. Since May 2008, the LEI has decreased 6.3 percent (about a -12.3 percent annual rate), well below the 2.7 percent decline (about a -5.3 percent annual rate) between November 2007 and May 2008. In addition, the weaknesses among the leading indicators continue to be very widespread.
- The coincident economic index, a measure of current economic activity, remained unchanged in November. In the six months from May to November, the CEI has fallen by 0.4 percent (about a 0.8 percent annual rate), a sharp reversal from its 0.5 percent increase (about a 1.0 percent annual rate of growth) during the previous six months. At the same time, the weaknesses among the coincident indicators have become more widespread. In addition, real GDP contracted at a 2.5 percent annual rate (revised) in the third quarter, the first time since the early 1990s that its growth rate has turned negative.
- The leading economic index has been declining since October of 2007, and in recent months the pace of this decline has picked up sharply and its six month growth rate has reached its lowest point since 1980. The coincident economic index has declined slightly since May. The accelerating and widespread decline in LEI suggests that the economy will remain weak in the near term, and that the contraction in economic activity is likely to become deeper.

The next release is scheduled for Tuesday, February 10, 2009 at 10:00 A.M. (GMT)  
*In the U.S.. – February 10, 2009 at 5:00 A.M. (ET)*

LEADING INDICATORS. Three of the seven components that make up the leading economic index increased in November. The positive contributors – from the largest positive contributor to the smallest – were yield spread, productivity for the whole economy\* and operating surplus of corporations\*. The negative contributors – from the largest negative contributor to the smallest – were order book volume, volume of expected output, consumer confidence, and stock prices.

With the 1.0 percent decrease in November, the leading economic index now stands at 94.4 (2004=100). Based on revised data, this index declined 1.8 percent in October and declined 1.2 percent in September. During the six-month span through November, the leading index decreased 6.3 percent, with two of the seven components advancing (diffusion index, six-month span equals 28.6 percent).

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

After remaining unchanged in November, the coincident economic index now stands at 103.9 (2004=100). Based on revised data, this index decreased 0.1 percent in October and remained unchanged in September. During the six-month period through November, the coincident index decreased 0.4 percent, with one of the four components advancing (diffusion index, six-month span equals 25.0 percent).

DATA AVAILABILITY:

The data series used by The Conference Board to compute The Conference Board Leading Economic Index (LEI) for the U.K. and The Conference Board Coincident Economic Index (CEI) for the U.K. reported in this release are those available “as of” 10 A.M. ET on Friday January 9, 2009. Some series are estimated as noted below.

\* Series in the leading economic index that are based on The Conference Board estimates are productivity of the whole economy, and operating surplus of corporations. Series in the coincident economic 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 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 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 *Business Cycle Indicators* report and Web site: <http://www.conference-board.org/economics/bci/>.

U.K. Composite Indexes: Components and Standardization Factors

<u>Leading Economic Index</u>	<u>Factor</u>
1 Order Book Volume	0.0608
2 Expected Output Volume	0.0480
3 Consumer Confidence	0.0996
4 All Share Price Index	0.0341
5 Yield Spread	0.0838
6 Productivity, Whole Economy	0.5587
7 Operating Surplus, Corporations	0.1150
 <u>Coincident Economic Index</u>	
1 Industrial Production	0.0583
2 Retail Sales	0.0566
3 Employment	0.7297
4 Real Household Disposable Income	0.1553

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 January 13, 2009 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 1977-2007 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 1992-2007 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/>.

The trend adjustment factor for the leading index is -0.0672, calculated over the 1970-2007 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 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:

December 2008 Data	Tuesday, February 10, 2009
January 2009 Data	Thursday, March 12, 2009
February 2009 Data	Thursday, April 09, 2009
March 2009 Data	Thursday, May 14, 2009
April 2009 Data	Thursday, June 11, 2009
May 2009 Data	Thursday, July 09, 2009
June 2009 Data	Thursday, August 06, 2009
July 2009 Data	Thursday, September 10, 2009
August 2009 Data	Thursday, October 08, 2009
September 2009 Data	Tuesday, November 10, 2009
October 2009 Data	Thursday, December 10, 2009

All releases are at 5:00 A.M. (ET), 10:00 A.M. (GMT)

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## AVAILABLE FROM THE CONFERENCE BOARD

U.K. Business Cycle Indicators Internet Subscription <i>(Includes monthly release, data, charts and commentary)</i>	\$ 635 per year (1 user)
Individual Data Series	\$ 35 per series downloaded
Monthly BCI Report <i>(Sample available at <a href="http://www.conference-board.org/publications/describeBCI.cfm">http://www.conference-board.org/publications/describeBCI.cfm</a>)</i>	\$ 275 per year
BCI Handbook (published 2001)	\$ 20
Corporate Site License	contact Indicators Program at (212) 339-0330

Business Cycle Indicators for France, Germany, Japan, Korea, Mexico, Spain and the U.S. are available at \$635 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 Economic Indexes

	2008						
	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.
Leading index	100.8	99.7	98.9 p	98.3 p	97.1 p	95.4 p	94.4 p
Percent change	-0.7	-1.1	-0.8 p	-0.6 p	-1.2 p	-1.8 p	-1.0 p
Diffusion index	35.7	28.6	28.6	28.6	14.3	35.7	35.7
Coincident index	104.3	104.1	104.0 r	104.0 r	104.0 p	103.9 p	103.9 p
Percent change	0.2	-0.2	-0.1	0.0	0.0 p	-0.1 p	0.0 p
Diffusion index	50.0	37.5	50.0	62.5	25.0	37.5	75.0
	Nov to May	Dec to Jun	Jan to Jul	Feb to Aug	Mar to Sep	Apr to Oct	May to Nov
Leading index							
Percent change	-2.7	-3.3	-3.8	-4.1	-5.0	-6.0	-6.3
Diffusion index	21.4	14.3	14.3	14.3	14.3	28.6	28.6
Coincident index							
Percent change	0.5	0.3	0.2	0.2	0.1	-0.2	-0.4
Diffusion index	75.0	75.0	50.0	50.0	50.0	50.0	25.0

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 Economic Index**

Component	2008						
	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.
U.K. Leading index component data							
Order Book Volume, CBI Monthly Enquiry (3 month moving average).....	-5.3	-7.3	-5.7	-6.7	-15.7	-26.0	-34.3
Volume of Expected Output, CBI Monthly Enquiry (3 month moving average).....	6.0	0.7	-1.7	-6.0	-12.0	-20.0	-29.7
Consumer Confidence (3 month moving average).....	-12.5	-16.0	-20.3	-23.4	-24.2	-24.4	-25.3
Stock prices, FT all share prices index (Apr. 10, 1962=100).....	3148.4	2940.7	2726.5	2784.1	2666.0	2162.6	2110.7
Yield Spread, 10 years minus Official Bank Rate.....	-0.1	0.2	0.0	-0.3	-0.4	0.0	1.0
Productivity, Whole Economy Index (2000=100, Q)	107.9	107.7	107.6	107.4 r	107.3 **	107.3 **	107.4 **
Total Gross Operating Surplus of Corporations Index (Deflated with IPD, Q)	71661.4	71839.6	72017.5	72189.4	72332.7 **	72458.2 **	72572.4 **
<b>LEADING INDEX (1990=100).....</b>	<b>100.8</b>	<b>99.7</b>	<b>98.9 r</b>	<b>98.3</b>	<b>97.1 p</b>	<b>95.4 p</b>	<b>94.4 p</b>
Percent change from preceding month.....		-1.1	-0.8 r	-0.6	-1.2 p	-1.8 p	-1.0 p
U.K. Leading index net contributions							
Order Book Volume, CBI Monthly Enquiry (3 month moving average).....	....	-0.12	0.10	-0.06	-0.55	-0.63	-0.50
Volume of Expected Output, CBI Monthly Enquiry (3 month moving average).....	....	-0.25	-0.12	-0.21	-0.29	-0.38	-0.47
Consumer Confidence (3 month moving average).....	....	-0.35	-0.43	-0.31	-0.08	-0.02	-0.09
Stock prices, FT all share prices index (Apr. 10, 1962=100).....	....	-0.23	-0.26	0.07	-0.15	-0.71	-0.08
Yield Spread, 10 years minus Official Bank Rate.....	....	0.02	0.00	-0.03	-0.03	0.00	0.08
Productivity, Whole Economy Index (2000=100, Q)	....	-0.09	-0.09	-0.08	-0.03 **	0.00 **	0.02 **
Total Gross Operating Surplus of Corporations Index (Deflated with IPD, Q)	....	0.03 r	0.03	0.03	0.02 **	0.02 **	0.02 **

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, Thomson Financial, 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 of the U.K. Coincident Economic Index**

Component	2008						
	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.
	U.K. Coincident index component data						
Industrial Production (2000=100).....	99.7	99.4	99.0	98.3 r	98.0	96.4 r	94.2
Retail Sales, Volume (2000=100).....	144.1 r	138.1 r	139.3 r	140.9	140.0	139.7 r	140.1
Employment, (average, thousands).....	29505.0	29491.0	29419.0	29407.0	29377.0 r	29383.4 **	29400.2 **
Real Household Disposable Income (2000 Constant Price, Q).....	202394.0	203270.0	204146.0	205021.0	205677.3 **	206210.6 **	206674.9 **
<b>COINCIDENT INDEX (1990=100).....</b>	<b>104.3</b>	<b>104.1</b>	<b>104.0</b>	<b>104.0</b>	<b>104.0 p</b>	<b>103.9 p</b>	<b>103.9 p</b>
Percent change from preceding mont		-0.2	-0.1	0.0	0.0 p	-0.1 p	0.0 p
	U.K. Coincident index net contributions						
Industrial Production (2000=100).....	....	-0.02	-0.02	-0.04 r	-0.02 r	-0.10 r	-0.13
Retail Sales, Volume (2000=100).....	....	-0.24	0.05 r	0.06	-0.04	-0.01 r	0.02
Employment, (average, thousands).....	....	-0.03	-0.18	-0.03	-0.07 r	0.02 **	0.04 **
Real Household Disposable Income (2000 Constant Price, Q).....	....	0.07	0.07 r	0.07	0.05 **	0.04 **	0.03 **

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, 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).

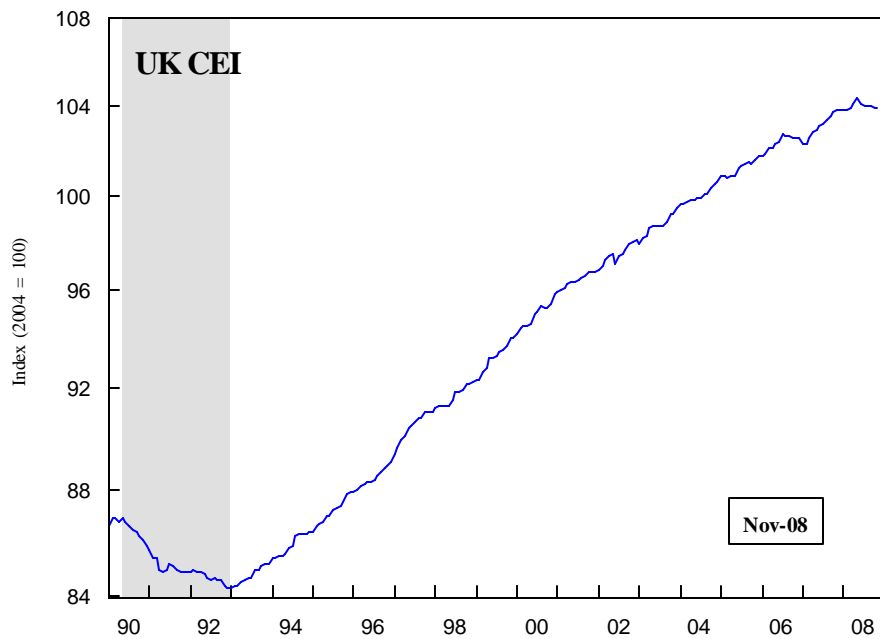
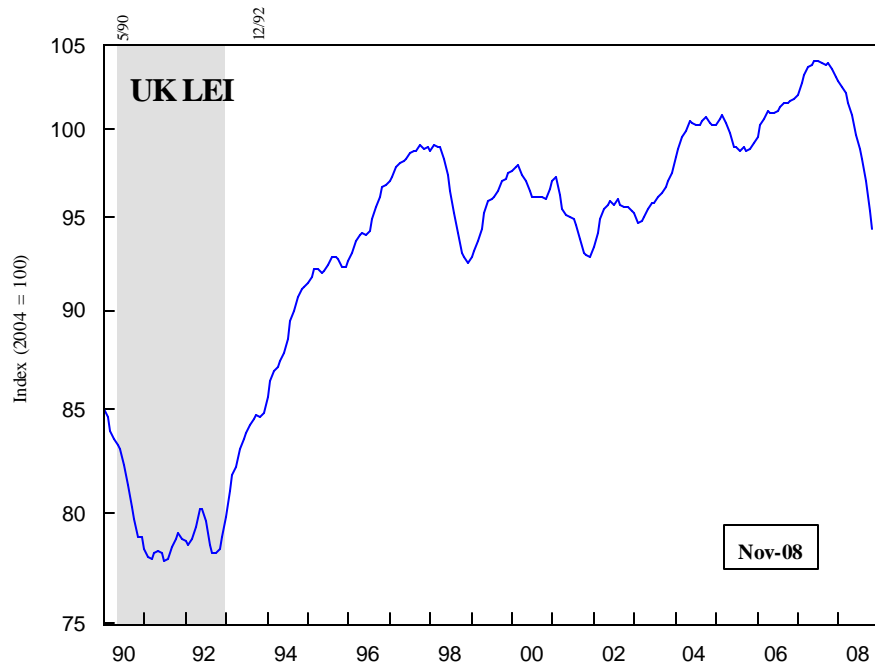
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## United Kingdom Composite Indexes

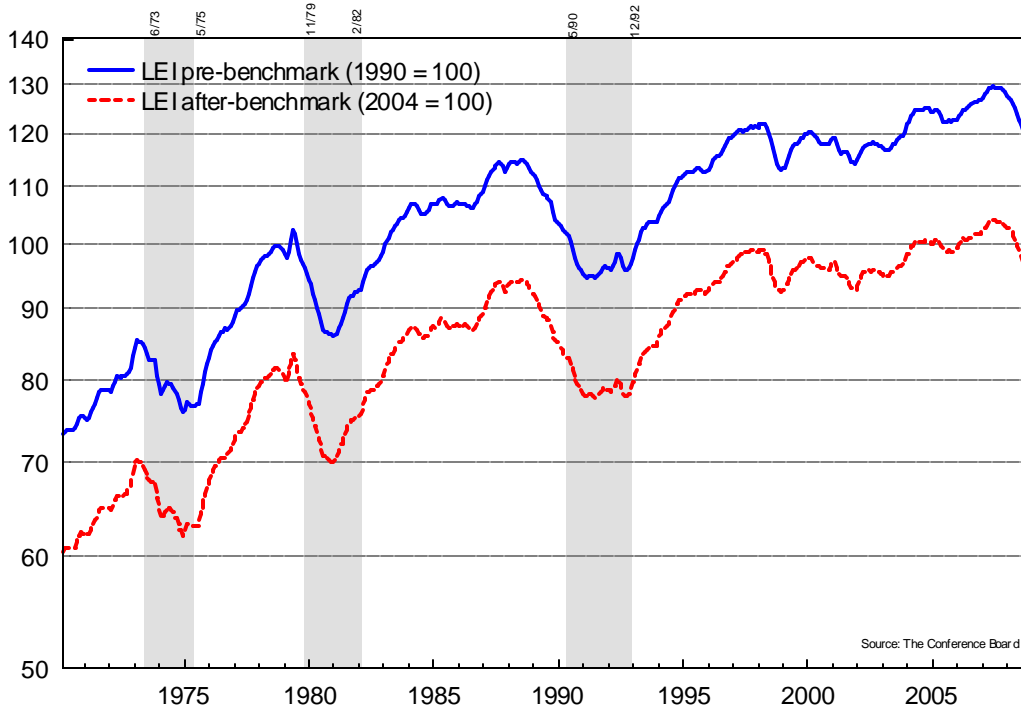


Note: The shaded areas represent business cycle recessions.  
The peaks and troughs are designated by The Conference Board  
based on the coincident index and real GDP.

Source: The Conference Board



The Conference Board Leading Economic Index (LEI) for the U.K. before and after benchmark revision



The Conference Board Coincident Economic Index (CEI) for the U.K. before and after benchmark revision

