



THE CONFERENCE BOARD

FOR RELEASE: 10:30 A.M. ET, THURSDAY, DECEMBER 4, 2008

The Conference Board®
The U.K. Business Cycle IndicatorsSM
U.K. LEADING ECONOMIC INDICATORS
AND RELATED COMPOSITE INDEXES FOR OCTOBER 2008

Next month's release will incorporate annual benchmark revisions to the composite indexes, which bring them up-to-date with revisions in the source data. Also, the base year of the composite indexes will be 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 no longer 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.

The Conference Board announced today that the leading index for the U.K declined 1.7 percent, and the coincident index increased 0.1 percent in October.

- The leading index fell sharply again in October, as a result of very large negative contributions from stock prices, order book volume, and the volume of expected output. Since April, the leading index has decreased 5.7 percent (a -11.1 percent annual rate), falling substantially faster than the 2.6 percent rate of decline (a -5.2 percent annual rate) during the previous six-month period. In addition, the weaknesses among the leading indicators continue to be very widespread.
- The coincident index increased slightly in October, after remaining unchanged in the previous two months. The six-month change in the coincident index has fallen to -0.1 percent (a -0.2 percent annual rate) for the period ending in October 2008, down from 0.7 percent (a 1.3 percent annual rate) between October 2007 to April 2008. However, the strengths and weaknesses among the coincident indicators have remained balanced in recent months. Meanwhile, real GDP contracted at a 2.1 percent annual rate in the third quarter, the first time since the early 1990's that its growth rate has turned negative.
- The leading index has been falling for more than a year now, and the pace of its decline has picked up sharply in recent months, while the weaknesses among its components have remained very widespread. The coincident index, a measure of current economic activity, has weakened this year, with the six-month rate of change becoming negative. The accelerating and widespread decline in the leading index suggests that the economy will remain weak going into 2009, and that the contraction in economic activity may deepen in the near term.

The next release is scheduled for Tuesday, January 13, 2009 at 10:00 A.M. (GMT)

In the U.S. – January 13, 2009 at 05:00 A.M. ET

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

With the 1.7 percent decrease in October, the leading index now stands at 118.7 (1990=100). Based on revised data, this index declined 1.1 percent in September and declined 0.6 percent in August. During the six-month span through October, the leading index decreased 5.7 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 index increased in October. The positive contributors – from the largest positive contributor to the smallest – were employment *, real household disposable income*, and industrial production. Retail sales declined in October.

With the increase of 0.1 percent in October, the coincident index now stands at 120.1 (1990=100). Based on revised data, this index remained unchanged in September and in August. During the six-month period through October, the coincident index decreased 0.1 percent, with two of the four components advancing (diffusion index, six-month span equals 50.0 percent).

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 December 2, 2008. Some series are estimated as noted below.

* Series in the leading index that are based on The Conference Board estimates are 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 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.

U.K. Composite Indexes: Components and Standardization Factors

<u>Leading Index</u>		<u>Factor</u>
1	Order Book Volume	0.0617
2	Expected Output Volume	0.0487
3	Consumer Confidence	0.0993
4	All Share Price Index	0.0342
5	Yield Spread	0.0837
6	Productivity, Whole Economy	0.5506
7	Operating Surplus, Corporations	0.1218

<u>Coincident Index</u>		
1	Industrial Production	0.0565
2	Retail Sales	0.0549
3	Employment	0.7332
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 July 13, 2007 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 1977-2005 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 1992-2005 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 -0.0594, calculated over the 1970-2005 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:

November 2008 Data	Tuesday, January 13, 2009
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 10:00 A.M. (GMT), 05:00 A.M. (ET)

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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 http://www.conference-board.org/publications/describeBCI.cfm)</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 Indexes

	2008						
	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.
Leading index	125.9	125.1	123.8 p	122.9 p	122.2 p	120.8 p	118.7 p
Percent change	-0.7	-0.6	-1.0 p	-0.7 p	-0.6 p	-1.1 p	-1.7 p
Diffusion index	28.6	28.6	21.4	21.4	35.7	21.4	42.9
Coincident index	120.2	120.4	120.1 p	120.0 p	120.0 p	120.0 p	120.1 p
Percent change	0.2	0.2	-0.2 p	-0.1 p	0.0 p	0.0 p	0.1 p
Diffusion index	62.5	50.0	37.5	50.0	62.5	37.5	75.0
	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	-2.6	-2.9	-3.4	-3.7	-3.8	-4.7	-5.7
Diffusion index	28.6	28.6	14.3	14.3	14.3	28.6	28.6
Coincident index							
Percent change	0.7	0.7	0.3	0.1	0.1	0.0	-0.1
Diffusion index	50.0	50.0	75.0	50.0	50.0	50.0	50.0

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	2008						
	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.
U.K. Leading index component data							
Order Book Volume, CBI Monthly Enquiry (3 month moving average).....	-1.0	-5.3	-7.3	-5.7	-6.7	-15.7	-26.0
Volume of Expected Output, CBI Monthly Enquiry (3 month moving average).....	9.7	6.0	0.7	-1.7	-6.0	-12.0	-20.0
Consumer Confidence (3 month moving average).....	-10.6	-12.5	-16.0	-20.3	-23.4	-24.2	-24.4
Stock prices, FT all share prices index (Apr. 10, 1962=100).....	3057.2	3148.4	2940.7	2726.5	2784.1	2666.0	2162.6
Yield Spread, 10 years minus Official Bank Rate.....	-0.4	-0.1	0.2	0.0	-0.3	-0.4	0.0
Productivity, Whole Economy Index (2000=100, Q)	107.6	107.5	107.5 **	107.6 **	107.6 **	107.7 **	107.9 **
Total Gross Operating Surplus of Corporations Index (Deflated with IPD, Q)	72824.0	72473.1	72288.0 **	72206.7 **	72190.4 **	72214.8 **	72264.6 **
LEADING INDEX (1990=100).....	125.9	125.1	123.8 p	122.9 p	122.2 p	120.8 p	118.7 p
Percent change from preceding month.....		-0.6	-1.0 p	-0.7 p	-0.6 p	-1.1 p	-1.7 p
U.K. Leading index net contributions							
Order Book Volume, CBI Monthly Enquiry (3 month moving average).....	....	-0.27	-0.12	0.10	-0.06	-0.56	-0.64
Volume of Expected Output, CBI Monthly Enquiry (3 month moving average).....	....	-0.18	-0.26	-0.12	-0.21	-0.29	-0.39
Consumer Confidence (3 month moving average).....	....	-0.19	-0.35	-0.43	-0.31	-0.08	-0.02
Stock prices, FT all share prices index (Apr. 10, 1962=100).....	....	0.10	-0.23	-0.26	0.07	-0.15	-0.71
Yield Spread, 10 years minus Official Bank Rate.....	....	-0.01	0.02	0.00	-0.03	-0.03	0.00
Productivity, Whole Economy Index (2000=100, Q)	....	-0.03	0.01 **	0.03 **	0.04 **	0.05 **	0.06 **
Total Gross Operating Surplus of Corporations Index (Deflated with IPD, Q)	....	-0.06	-0.03 **	-0.01 **	0.00 **	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, 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 for U.K. Coincident Index

Component	2008						
	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.
	U.K. Coincident index component data						
Industrial Production (2000=100).....	100.6	99.9	99.8	99.5 r	98.8	98.6 r	98.7 **
Retail Sales, Volume (2000=100).....	138.8 r	144.1 r	138.2 r	139.4	141.0	140.2 r	140.0
Employment, (average, thousands).....	29541.0	29505.0	29491.0	29419.0	29407.0 r	29420.0 **	29439.0 **
Real Household Disposable Income (2000 Constant Price, Q).....	200122.0	201220.0	201989.0 **	202574.0 **	203056.0 **	203480.0 **	203871.0 **
COINCIDENT INDEX (1990=100).....	120.2	120.4	120.1 p	120.0 p	120.0 p	120.0 p	120.1 p
Percent change from preceding month		0.2	-0.2 p	-0.1 p	0.0 p	0.0 p	0.1 p
	U.K. Coincident index net contributions						
Industrial Production (2000=100).....	....	-0.04	-0.01	-0.02 r	-0.04 r	-0.01 r	0.01 **
Retail Sales, Volume (2000=100).....	....	0.21	-0.23 r	0.05	0.06	-0.03 r	-0.01
Employment, (average, thousands).....	....	-0.09	-0.03	-0.18	-0.03 r	0.03 **	0.05 **
Real Household Disposable Income (2000 Constant Price, Q).....	....	0.08	0.06 **	0.04 **	0.04 **	0.03 **	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

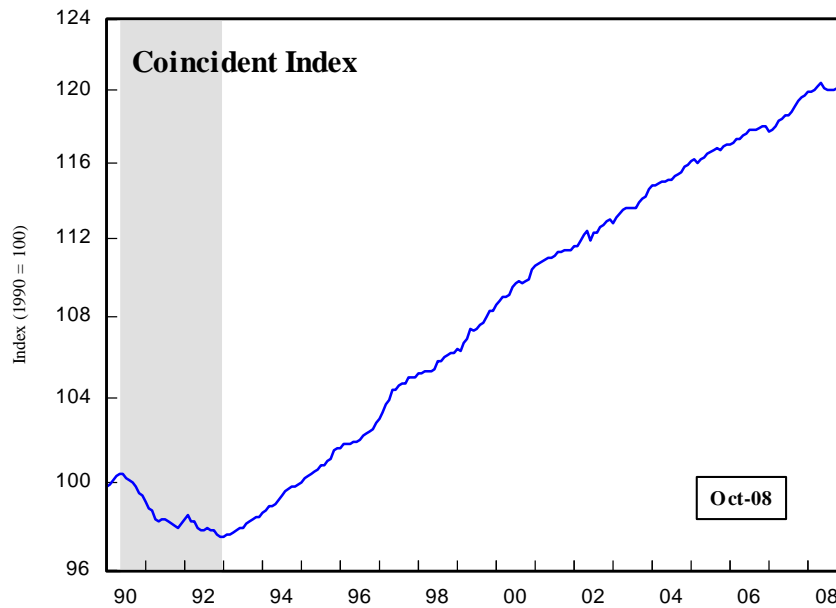
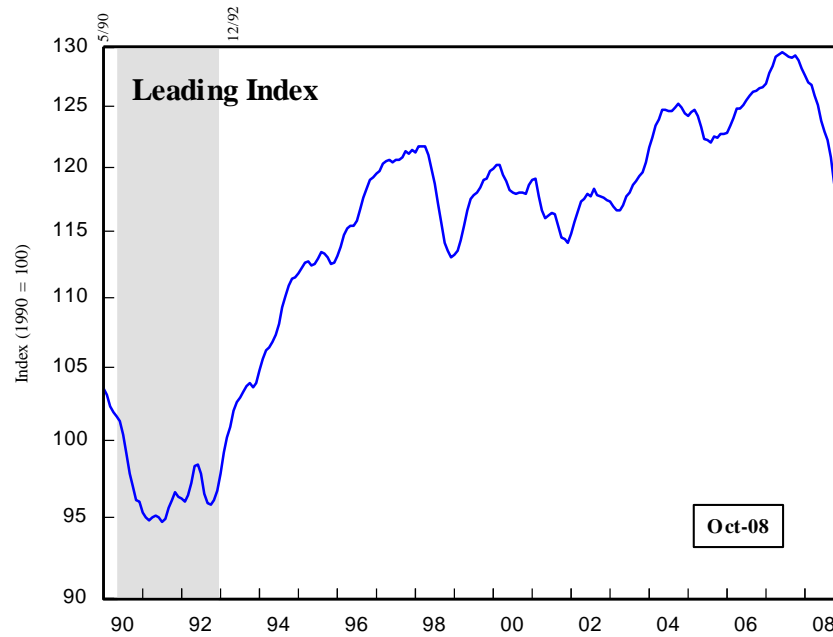
CALCULATION NOTE--The percent change in the index does not always equal the sum of the net contributions of the individual components (because of rounding effects and base value differences).

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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