



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. (CDT), THURSDAY, OCTOBER 28, 2010

The Conference Board®
Mexico Business Cycle IndicatorsSM
**THE CONFERENCE BOARD LEADING ECONOMIC INDEX®
(LEI) FOR MEXICO**
AND RELATED COMPOSITE ECONOMIC INDEXES FOR AUGUST 2010

The Conference Board Leading Economic Index® (LEI) for Mexico increased 0.8 percent and **The Conference Board Coincident Economic Index® (CEI)** increased 0.5 percent in August.

- The Conference Board LEI for Mexico increased in August, and July's gain was revised to no change due mainly to a downward revision in the oil price component. Apart from stock prices, most of the components contributed positively to the index this month. The six-month growth rate in the index has slowed to 0.9 percent (a 1.9 percent annual rate) in the period through August 2010, down from 3.4 percent (a 6.9 percent annual rate) for the previous six months. However, the strengths among the leading indicators have been widespread in recent months.
- The Conference Board CEI for Mexico increased again in August, and all of its components continued to advance. The six-month change in the index stands at 2.3 percent (a 4.6 percent annual rate), moderately lower than the increase of 2.9 percent (about a 5.9 percent annual rate) for the previous six months. In addition, the strengths among the coincident indicators have remained very widespread, with all three components increasing over the past six months. Real GDP increased at a 13.5 percent annual rate in the second quarter of 2010, following a decline of 2.5 percent annual rate in the first quarter.
- After rising strongly from early 2009 through April 2010, The Conference Board LEI for Mexico has moved sideways in recent months, and its six-month growth rate has fallen rapidly. Meanwhile, The Conference Board CEI for Mexico, a measure of current economic activity, has continued to increase, although its six-month growth rate has moderated slightly. Taken together, the behavior of the composite indexes suggests that economic activity will continue to recover, but at a slower pace in the near term.

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

With the 0.8 percent increase in August, The Conference Board LEI for Mexico now stands at 117.5 (2004=100). Based on revised data, this index remained unchanged in July and declined 0.1 percent in June. During the six-month span through August, the index increased 0.9 percent, with four of the six components increasing (diffusion index, six-month span equals 75.0 percent).

The next release is scheduled for Wednesday, November 24, 2010 at 11:00 A.M. (ET)
In Mexico – Wednesday, November 24, 2010 at 10:00 A.M. (CT)

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

With the increase of 0.5 percent in August, The Conference Board CEI for Mexico now stands at 112.0 (2004=100). Based on revised data, this index increased 0.3 percent in July and increased 0.2 percent in June. During the six-month span through August, the index increased 2.3 percent, with all three components increasing (diffusion index, six-month span equals 100.0 percent).

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. October 25, 2010.

NOTES: None of the series in The Conference Board LEI for Mexico and The Conference Board CEI for Mexico were based on our estimates this month.

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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/data/bci.cfm>.

Mexico Composite Economic Indexes: Components and Standardization Factors

<u>Leading Economic Index</u>	<u>Factor</u>
1. Industrial Production, Construction Component	.1826
2. Stock Prices	.0548
3. U.S. Refiners' Acquisition Cost of Domestic and Imported Crude Oil	.0793
4. Net Insufficient Inventories	.4277
5. Federal Funds Rate	.0993
6. Real Exchange Rate	.1563
 <u>Coincident Economic Index</u>	
1. Industrial Production	.3888
2. Retail Sales	.1993
3. Employment	.4119

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 2010, 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 2008 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 1994 to December 2008 as the sample period. Separate sets of factors for the April 1980 to March 1986 period, and April 1986 to January 1994 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 <http://www.conference-board.org/data/bci.cfm>.

The trend adjustment factor for The Conference Board LEI for Mexico is 0.0466 (calculated over the 1980 to 2008 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 2010 schedule for “**The Conference Board Leading Economic Index[®] (LEI)** for Mexico” news release is:

September 2010 Data.....Wednesday, November 24, 2010
October 2010 Data.....Wednesday, December 22, 2010

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

About The Conference Board

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The Conference Board Mexico Business Cycle Indicators

Table 1---Summary of Mexico Composite Economic Indexes

	2010						
	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.
Leading index	116.4	117.8	118.8	116.7	116.6	116.6 r	117.5
Percent change	0.1	1.2	0.8	-1.8	-0.1	0.0 r	0.8
Diffusion index	41.7	75.0	58.3	16.7	33.3	58.3	75.0
Coincident index	109.5	110.0	110.7	110.9	111.1	111.4	112.0
Percent change	0.7	0.5	0.6	0.2	0.2	0.3	0.5
Diffusion index	100.0	100.0	100.0	83.3	66.7	100.0	100.0
	Aug. to Feb.	Sep. to Mar.	Oct. to Apr.	Nov. to May.	Dec. to Jun.	Jan. to Jul.	Feb. to Aug.
Leading index							
Percent change	3.4	4.3	4.9	1.0	0.3	0.3	0.9
Diffusion index	75.0	91.7	91.7	58.3	41.7	58.3	75.0
Coincident index							
Percent change	2.9	2.8	3.3	2.6	2.5	2.5	2.3
Diffusion index	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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.

For more information, visit our Web site at www.conference-board.org/economics/bci

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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	2010						
	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.
Mexico Leading Economic Index component data							
Industrial Production, Construction Component, SA Index, 2003=100	112.5 r	114.7 r	113.7 r	113.7	112.4	113.1	114.2
Stock Prices, IPC35 (BOLSA)							
October 1978=0.78	31634.54	33266.43	32687.32	32038.53	31156.97	32308.74	31679.85
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel	74.58	77.43	80.83	72.66	72.66	73.73 r	77.39
Net Insufficient Inventories							
Difference, (3 month moving average), Survey	-7.92 r	-8.58 r	-7.92 r	-8.58 r	-8.03	-8.69 r	-8.32
Federal Funds, Money Market Rate*							
Percentage, Monthly Average	4.92	4.92	4.94	4.94	4.94	4.92	4.90
Real Exchange Rate, (Central Bank Settlement Rate)*							
Peso/US\$, Monthly Average	20.02	19.36	18.84	19.61	19.65	19.84	19.67
LEADING INDEX (2004=100).....	116.4	117.8	118.8	116.7	116.6	116.6 r	117.5
Percent change from preceding month.....		1.2	0.8	-1.8	-0.1	0.0 r	0.8
Mexico Leading Economic Index net contributions							
Industrial Production, Construction Component, SA Index, 2003=100 .....	....	0.36 r	-0.16 r	-0.01	-0.20 r	0.12 r	0.17
Stock Prices, IPC35 (BOLSA)							
October 1978=0.78 .....	....	0.28	-0.10	-0.11	-0.15	0.20	-0.11
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel .....	....	0.30	0.34	-0.84	0.00	0.12 r	0.38
Net Insufficient Inventories							
Difference, (3 month moving average), Survey .....	....	-0.28 r	0.28 r	-0.28 r	0.24	-0.28 r	0.16
Federal Funds, Money Market Rate*							
Percentage, Monthly Average .....	....	0.00	0.00	0.00	0.00	0.00	0.00
Real Exchange Rate, (Central Bank Settlement Rate)*							
Peso/US\$, Monthly Average .....	....	0.52	0.43	-0.63	-0.03	-0.15	0.13

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	2010						
	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.
Mexico Coincident Economic Index Component Data							
Industrial Production, SA Index, (2003=100), 3 month moving average	110.2	110.4	111.3	111.7	112.1	112.3	112.9
Retail Sales, SA Index, (2000=100), 3 month moving average	115.8	116.1	116.5	116.5	116.0	116.6 r	117.0
Employment, IMSS Beneficiaries Thousands, monthly average	14205	14341	14409	14434	14480	14518	14594
COINCIDENT INDEX (2004=100)	109.5	110.0	110.7	110.9	111.1	111.4	112.0
Percent change from preceding month.....		0.5	0.6	0.2	0.2	0.3	0.5
Mexico Coincident Economic Index net contributions							
Industrial Production, SA Index, (2003=100), 3 month moving average	....	0.06	0.33	0.13	0.15	0.07	0.21
Retail Sales, SA Index, (2000=100), 3 month moving average	....	0.04	0.08	0.01 r	-0.09	0.11 r	0.07
Employment, IMSS Beneficiaries Thousands, monthly average .....	....	0.39	0.19	0.07	0.13	0.11	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

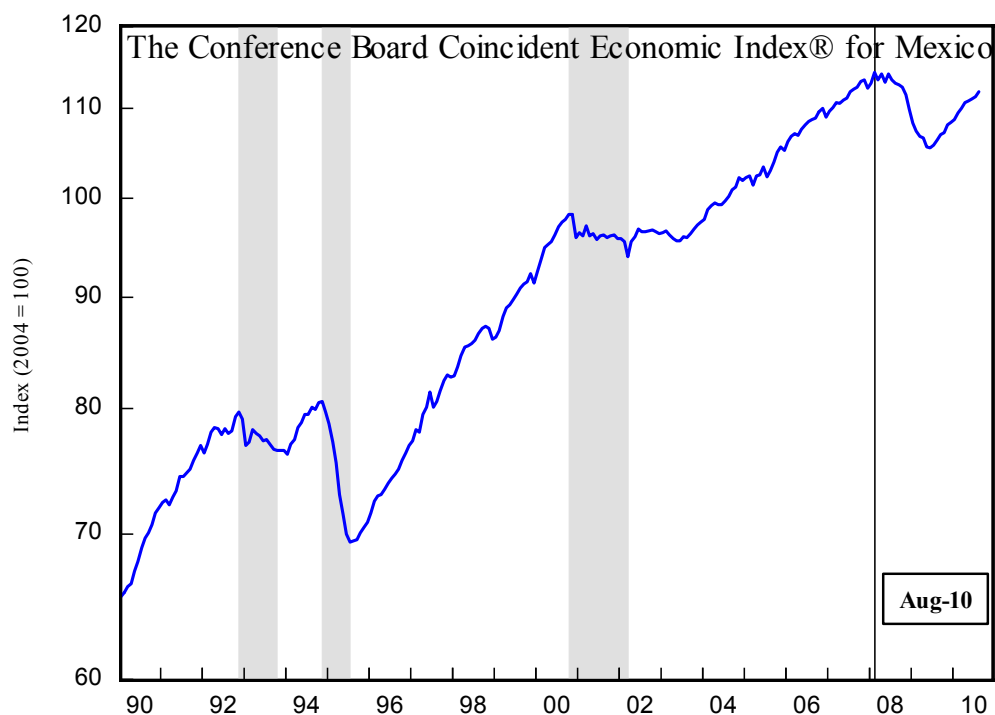
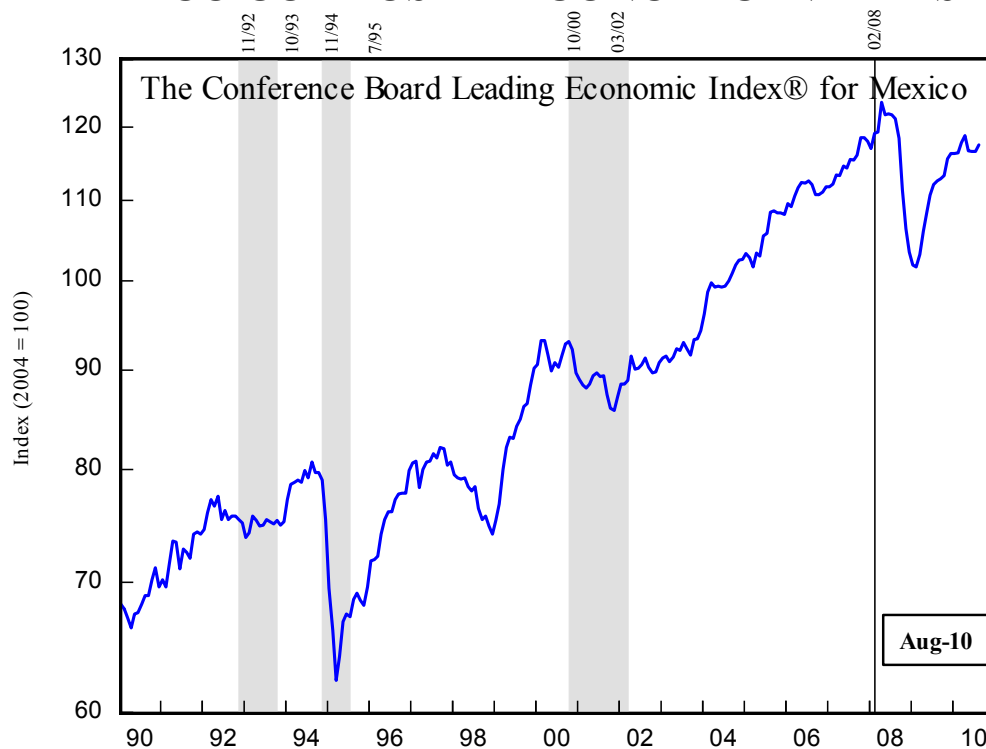
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MEXICO COMPOSITE ECONOMIC INDEXES



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.