



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. (CT), WEDNESDAY, DECEMBER 22, 2010

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

Next month's release will incorporate annual benchmark revisions to the composite indexes. These regular benchmark revisions bring the indexes up-to-date with revisions in the source data. The 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 incorporated when the benchmark revision is made and the entire histories of the indexes are recomputed. As a result, the revised indexes and their month-over-month changes will no longer be directly comparable to those issued prior to the benchmark revision.

For more information, please visit our website at <http://www.conference-board.org/data/bci.cfm> or contact indicators@conference-board.org.

The Conference Board Leading Economic Index[®] (LEI) for Mexico increased 1.5 percent and **The Conference Board Coincident Economic Index[®] (CEI)** increased 0.4 percent in October.

- The Conference Board LEI for Mexico increased sharply in October. Oil prices, the real exchange rate (inverted), and stock prices made large positive contributions to the index this month, more than offsetting the negative contributions from industrial production (construction component) and net insufficient inventories. The six-month change in the index stands at 0.6 percent (a 1.2 percent annual rate) in the period through October 2010, down substantially from 4.9 percent (a 9.9 percent annual rate) for the previous six months. However, the strengths among the leading indicators have been more widespread than the weaknesses over the past six months.
- The Conference Board CEI for Mexico continued to increase in October, with employment and retail sales contributing positively to the index. The index rose 2.0 percent (a 4.0 percent annual rate) between April and October 2010, slower than the growth of 3.3 percent (a 6.6 percent annual rate) for the previous six months. However, the strengths among the coincident indicators have remained very widespread, with all three components increasing over the past six months. Real GDP expanded at a 3.0 percent annual rate in the third quarter of 2010, following an increase of 9.5 percent annual rate in the second quarter.
- The Conference Board LEI for Mexico has risen for the past four consecutive months, after declining modestly in the middle of 2010. Still, its six-month growth rate has slowed sharply from earlier this year. Meanwhile, The Conference Board CEI for Mexico, a measure of current economic activity, has continued to increase, although its six-month growth rate has gradually moderated. Taken together, the behavior of the composite indexes suggests that despite the recent volatility, the economy will continue to grow, but at a moderate pace in the near term.

The next release is scheduled for Friday, January 28, 2011 at 11:00 A.M. (ET)
In Mexico – Friday, January 28, 2011 at 10:00 A.M. (CT)

LEADING INDICATORS. Three of the six components that make up The Conference Board LEI for Mexico increased in October. 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, the (inverted) real exchange rate, and stock prices. The construction component of industrial production and net insufficient inventories decreased, while the (inverted) federal funds rate remained unchanged in October.

With the 1.5 percent increase in October, The Conference Board LEI for Mexico now stands at 119.5 (2004=100). Based on revised data, this index increased 0.3 percent in September and increased 0.5 percent in August. During the six-month span through October, the index increased 0.6 percent, with four of the six components increasing (diffusion index, six-month span equals 66.7 percent).

COINCIDENT INDICATORS. Two of the three components that make up The Conference Board CEI for Mexico increased in October. The positive contributors—from the larger positive contributor—are number of people employed (measured by IMSS beneficiaries) and retail sales. Industrial production declined in October.

With the increase of 0.4 percent in October, The Conference Board CEI for Mexico now stands at 112.9 (2004=100). Based on revised data, this index increased 0.4 percent in September and increased 0.4 percent in August. During the six-month span through October, the index increased 2.0 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. December 20, 2010. Some series are estimated as noted below.

NOTES: There were no estimated series this month.

Professional Contacts at The Conference Board:
Indicator Program: 1-212-339-0330

Media Contacts:
Barbara Rosen: 1-212-339-0441
Carol Courter: 1-212-339-0232

Website: <http://www.conference-board.org/data/bci.cfm>

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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 2011 schedule for “**The Conference Board Leading Economic Index[®] (LEI)** for Mexico” news release is:

November 2010 Data.....	Friday, January 28, 2011
December 2010 Data.....	Friday, February 25, 2011
January 2011 Data.....	Thursday, March 24, 2011
February 2011 Data.....	Thursday, April 28, 2011
March 2011 Data.....	Wednesday, May 25, 2011
April 2011 Data.....	Thursday, June 23, 2011
May 2011 Data.....	Thursday, July 28, 2011
June 2011 Data.....	Thursday, August 25, 2011
July 2011 Data.....	Thursday, September 29, 2011
August 2011 Data.....	Thursday, October 27, 2011
September 2011 Data.....	Wednesday, November 23, 2011
October 2011 Data.....	Wednesday, December 21, 2011

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

About The Conference Board

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AVAILABLE FROM THE CONFERENCE BOARD

Mexico Business Cycle Indicators Internet Subscription

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(Sample available at <http://www.conference-board.org/data/monthlybci.cfm>)

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BCI Handbook (published 2001)

\$ 25

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The Conference Board Mexico Business Cycle Indicators

Table 1.--Summary of Mexico Composite Economic Indexes

	2010						
	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.
Leading index	118.8	116.7	116.6	116.7 r	117.3	117.7 r	119.5
Percent change	0.8	-1.8	-0.1	0.1 r	0.5 r	0.3 r	1.5
Diffusion index	58.3	16.7	33.3	58.3	75.0	41.7	58.3
Coincident index	110.7	111.0	111.2	111.4	111.9	112.4 r	112.9
Percent change	0.6	0.3	0.2	0.2	0.4	0.4	0.4
Diffusion index	100.0	83.3	66.7	83.3	100.0	100.0	66.7
	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	4.9	1.0	0.3	0.3	0.8	-0.1	0.6
Diffusion index	91.7	58.3	41.7	58.3	66.7	41.7	66.7
Coincident index							
Percent change	3.3	2.7	2.6	2.5	2.2	2.2	2.0
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						
	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.
Mexico Leading Economic Index component data							
Industrial Production, Construction Component, SA Index, 2003=100	117.9	117.8 r	116.6	117.9 r	119.1	121.9 r	120.0
Stock Prices, IPC35 (BOLSA) October 1978=0.78	32687.32	32038.53	31156.97	32308.74	31679.85	33330.34	35568.22
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel	80.83	72.66	72.66	73.73	74.58	73.85 r	82.94
Net Insufficient Inventories Difference, (3 month moving average), Survey	-7.80	-8.47	-7.89 r	-8.72 r	-8.34 r	-8.80 r	-9.06
Federal Funds, Money Market Rate* Percentage, Monthly Average	4.94	4.94	4.94	4.92	4.90	4.90	4.87
Real Exchange Rate, (Central Bank Settlement Rate)* Peso/US\$, Monthly Average	18.84	19.61	19.65	19.84	19.67	19.79	19.09
LEADING INDEX (2004=100).....	118.8	116.7	116.6	116.7 r	117.3	117.7 r	119.5
Percent change from preceding month.....		-1.8	-0.1	0.1 r	0.5 r	0.3 r	1.5
Mexico Leading Economic Index net contributions							
Industrial Production, Construction Component, SA Index, 2003=100 .....	....	-0.01	-0.19	0.21 r	0.18 r	0.43 r	-0.28
Stock Prices, IPC35 (BOLSA) October 1978=0.78 .....	....	-0.11	-0.15	0.20	-0.11	0.28	0.36
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel .....	....	-0.84	0.00	0.12	0.09	-0.08 r	0.92
Net Insufficient Inventories Difference, (3 month moving average), Survey .....	....	-0.29	0.25 r	-0.35 r	0.16 r	-0.20	-0.11
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 .....	....	-0.63	-0.03	-0.15	0.13	-0.10	0.56

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						
	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.
Mexico Coincident Economic Index Component Data							
Industrial Production, SA Index, (2003=100), 3 month moving average	111.9	112.4	112.8	112.8 r	113.0	113.2 r	113.2
Retail Sales, SA Index, (2000=100), 3 month moving average	116.5	116.5	116.0	116.6	117.1 r	117.7 r	118.2
Employment, IMSS Beneficiaries Thousands, monthly average	14409	14434	14480	14518	14594	14701	14830
COINCIDENT INDEX (2004=100)	110.7	111.0	111.2	111.4	111.9	112.4 r	112.9
Percent change from preceding month.....		0.3	0.2	0.2	0.4	0.4	0.4
Mexico Coincident Economic Index net contributions							
Industrial Production, SA Index, (2003=100), 3 month moving average	....	0.16 r	0.14	-0.01 r	0.10	0.06 r	-0.02
Retail Sales, SA Index, (2000=100), 3 month moving average	....	0.01	-0.09	0.11	0.08 r	0.11 r	0.08
Employment, IMSS Beneficiaries Thousands, monthly average .....	....	0.07	0.13	0.11	0.22	0.30	0.36

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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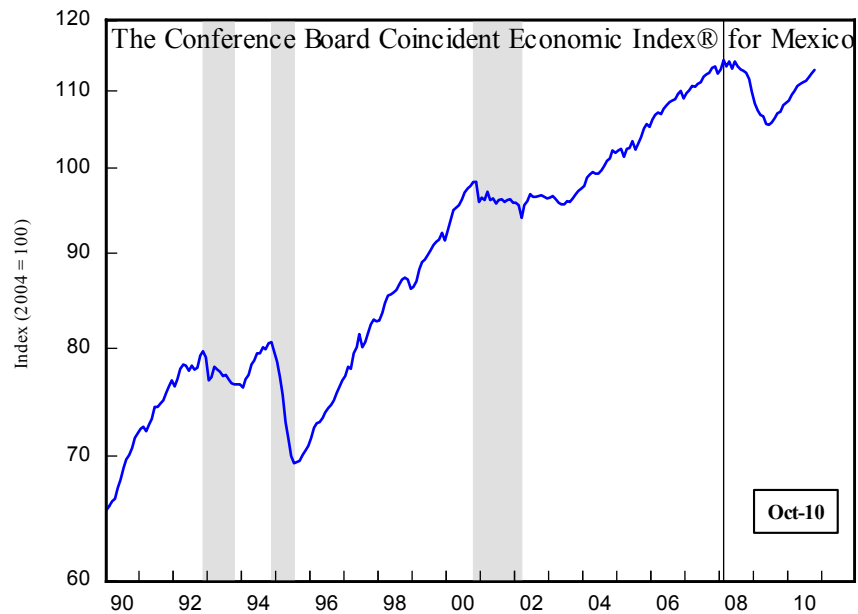
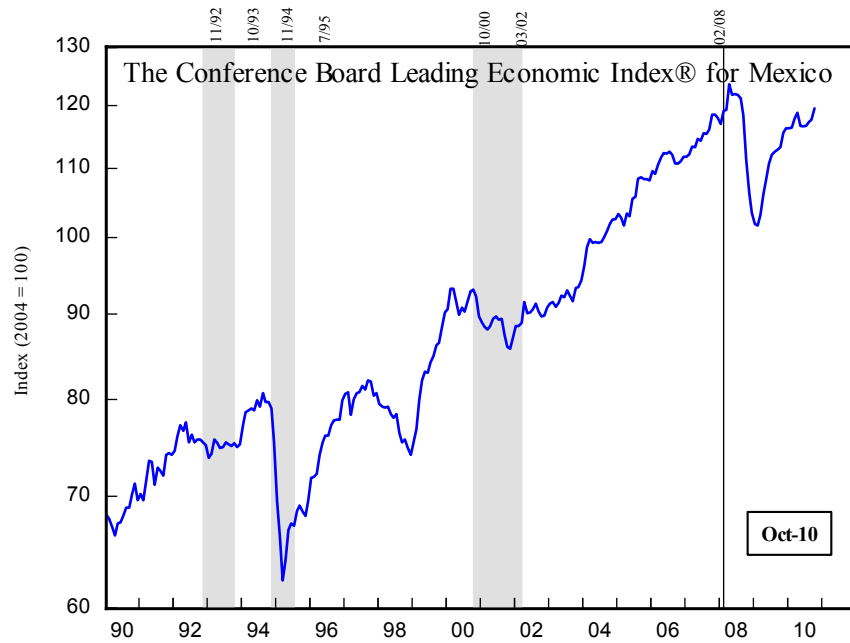
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Mexico



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.