



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. (CDT), TUESDAY, AUGUST 24, 2010

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

The Conference Board Leading Economic Index® (LEI) for Mexico increased 0.1 percent and **The Conference Board Coincident Economic Index® (CEI)** increased 0.3 percent in June.

- The Conference Board LEI for Mexico increased slightly in June, following a sharp decline in May. Index levels were revised slightly downwards for the last several months as a result of revisions to underlying data and seasonal factors. In June, positive contributions from oil prices and net insufficient inventories more than offset the negative contributions from industrial production (construction component) and stock prices. Between December 2009 and June 2010, the leading economic index increased 0.6 percent (about a 1.2 percent annual rate), substantially slower than the increase of 5.1 percent (about a 10.4 percent annual rate) during the last half of 2009. In addition, the strengths among the leading indicators have only been slightly more widespread than the weaknesses in recent months.
- The Conference Board CEI for Mexico continued to increase in June, as a result of gains in industrial production and employment. During the first half of 2010, the coincident economic index increased 2.6 percent (about a 5.2 percent annual rate), in line with the increase of 2.7 percent (about a 5.6 percent annual rate) during 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 by a 13.5 percent annual rate in the second quarter of 2010, after declining by a 2.5 percent annual rate in the previous quarter.
- The Conference Board LEI for Mexico increased slightly in June, following a large decline in May -- its first decline in over a year. As a result of the recent weakness in the LEI, its six-month growth rate has fallen sharply from the second half of 2009. Meanwhile, The Conference Board CEI for Mexico has continued to increase, and its six-month growth rate has been fairly stable in recent months. Despite the recent volatility, the behavior of the composite indexes still suggests that economic activity is likely to continue recovering, but at a slower pace in the near term.

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

The next release is scheduled for Thursday, September 30, 2010 at 11:00 A.M. (ET)
In Mexico – Thursday, September 30, 2010 at 10:00 A.M. (CT)

With the 0.1 percent increase in June, The Conference Board LEI for Mexico now stands at 117.0 (2004=100). Based on revised data, this index declined 1.8 percent in May and increased 1.0 percent in April. During the six-month span through June, the index increased 0.6 percent, with three of the six components increasing (diffusion index, six-month span equals 58.3 percent).

COINCIDENT INDICATORS. Two of the three components that make up The Conference Board CEI for Mexico increased in June. The positive contributors -- from the larger positive contributor to the smaller one -- are industrial production and the number of people employed (measured by IMSS total beneficiaries). Retail sales* remained unchanged in June.

With the increase of 0.3 percent in June, The Conference Board CEI for Mexico now stands at 111.2 (2004=100). Based on revised data, this index increased 0.2 percent in May and increased 0.6 percent in April. During the six-month span through June, the index increased 2.6 percent, with all three components increasing (diffusion index, six-month span equals 100.0 percent).

*See notes under data availability.

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. August 20, 2010. Some series are estimated as noted below.

NOTES: None of the series in The Conference Board LEI for Mexico are based on The Conference Board estimates. The series in The Conference Board CEI for Mexico based on The Conference Board estimates are retail sales.

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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:

July 2010 Data.....Thursday, September 30, 2010
August 2010 Data.....Thursday, October 28, 2010
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

The Conference Board is a global, independent business membership and research association working in the public interest. Our mission is unique: To provide the world’s leading organizations with the practical knowledge they need to improve their performance *and* better serve society. The Conference Board is a non-advocacy, not-for-profit entity holding 501 (c) (3) tax-exempt status in the United States.

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Mexico Business Cycle Indicators Internet Subscription

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\$25

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The Conference Board Mexico Business Cycle Indicators

Table 1.--Summary of Mexico Composite Economic Indexes

	2009		2010				
	Dec.	Jan.	Feb.	Mar.	Apr.	May.	Jun.
Leading index	116.3	116.3 r	116.4 r	117.9 r	119.1 r	116.9 r	117.0
Percent change	0.6	0.0 r	0.1 r	1.3	1.0 r	-1.8 r	0.1
Diffusion index	58.3	58.3	41.7	75.0	58.3	8.3	41.7
Coincident index	108.4	108.7	109.5	110.0	110.7 r	110.9 r	111.2 p
Percent change	0.3	0.3	0.7	0.5	0.6 r	0.2	0.3 p
Diffusion index	66.7	100.0	100.0	100.0	100.0	83.3	83.3

	Jun. to	Jul. to	Aug. to	Sep. to	Oct. to	Nov. to	Dec. to
	Dec.	Jan.	Feb.	Mar.	Apr.	May.	Jun.
Leading index							
Percent change	5.1	3.7 r	3.4 r	4.4	5.1	1.1	0.6
Diffusion index	83.3	75.0	75.0	91.7	91.7	58.3	58.3
Coincident index							
Percent change	2.7	2.7	2.9	2.8	3.3	2.6	2.6
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	2009		2010				
	Dec.	Jan.	Feb.	Mar.	Apr.	May.	Jun.
Mexico Leading Economic Index component data							
Industrial Production, Construction Component, SA Index, 2003=100	111.7 r	109.3	112.2 r	114.5 r	113.6 r	113.5 r	112.2
Stock Prices, IPC35 (BOLSA) October 1978=0.78	32120.47	30391.61	31634.54	33266.43	32687.32	32038.53	31156.97
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel	72.95	75.48	74.58	77.43	80.83	72.68 r	75.35
Net Insufficient Inventories Difference, (3 month moving average), Survey	-7.45 r	-7.12 r	-8.10 r	-8.70 r	-7.74 r	-8.40 r	-7.97
Federal Funds, Money Market Rate* Percentage, Monthly Average	4.93	4.91	4.92	4.92	4.94	4.94	4.94
Real Exchange Rate, (Central Bank Settlement Rate)* Peso/US\$, Monthly Average	20.15	19.90	20.02	19.36	18.84	19.60	19.67
LEADING INDEX (2004=100).....	116.3	116.3 r	116.4 r	117.9 r	119.1 r	116.9 r	117.0
Percent change from preceding month.....		0.0 r	0.1 r	1.3	1.0 r	-1.8 r	0.1
Mexico Leading Economic Index net contributions							
Industrial Production, Construction Component, SA Index, 2003=100 .....	....	-0.41 r	0.48 r	0.38 r	-0.15 r	-0.01 r	-0.21
Stock Prices, IPC35 (BOLSA) October 1978=0.78 .....	....	-0.30	0.22	0.28	-0.10	-0.11	-0.15
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel .....	....	0.27	-0.10	0.30	0.34	-0.84 r	0.29
Net Insufficient Inventories Difference, (3 month moving average), Survey .....	....	0.14 r	-0.42 r	-0.26 r	0.41 r	-0.28 r	0.18
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 .....	....	0.20	-0.09	0.52	0.43	-0.62	-0.06

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	2009			2010			
	Dec.	Jan.	Feb.	Mar.	Apr.	May.	Jun.
Mexico Coincident Economic Index Component Data							
Industrial Production, SA Index, (2003=100), 3 month moving average	109.2 r	109.5 r	110.1 r	110.3 r	111.3	111.7 r	112.1
Retail Sales, SA Index, (2000=100), 3 month moving average	115.2	115.3	115.8	116.0	116.4	116.4	116.5 **
Employment, IMSS Beneficiaries Thousands, monthly average	14006	14076	14205	14341	14409	14434	14480
COINCIDENT INDEX (2004=100)	108.4	108.7	109.5	110.0	110.7 r	110.9 r	111.2 p
Percent change from preceding month.....		0.3	0.7	0.5	0.6 r	0.2	0.3
Mexico Coincident Economic Index net contributions							
Industrial Production, SA Index, (2003=100), 3 month moving average	....	0.10 r	0.23	0.06 r	0.34 r	0.14 r	0.15
Retail Sales, SA Index, (2000=100), 3 month moving average	....	0.02	0.08	0.03	0.07	0.00	0.00 **
Employment, IMSS Beneficiaries Thousands, monthly average .....	....	0.21	0.38	0.39	0.19	0.07	0.13

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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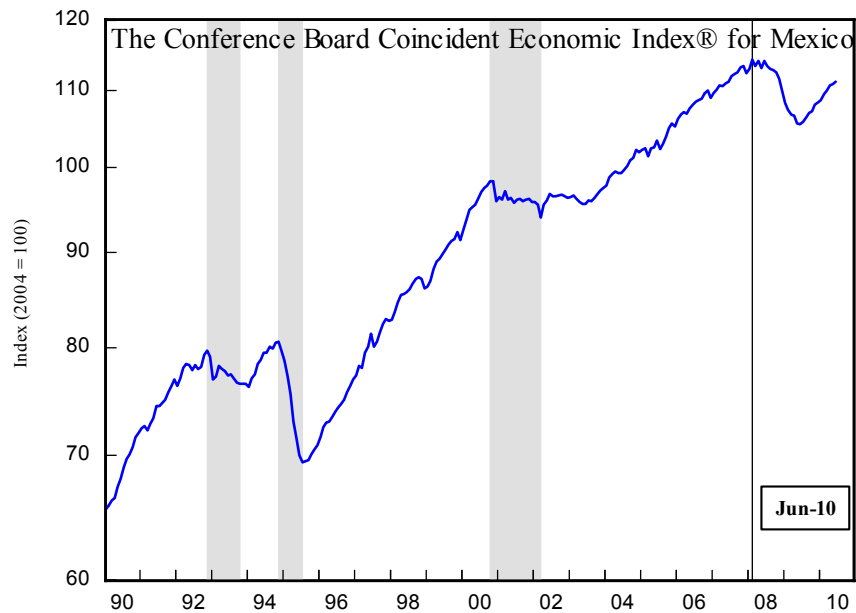
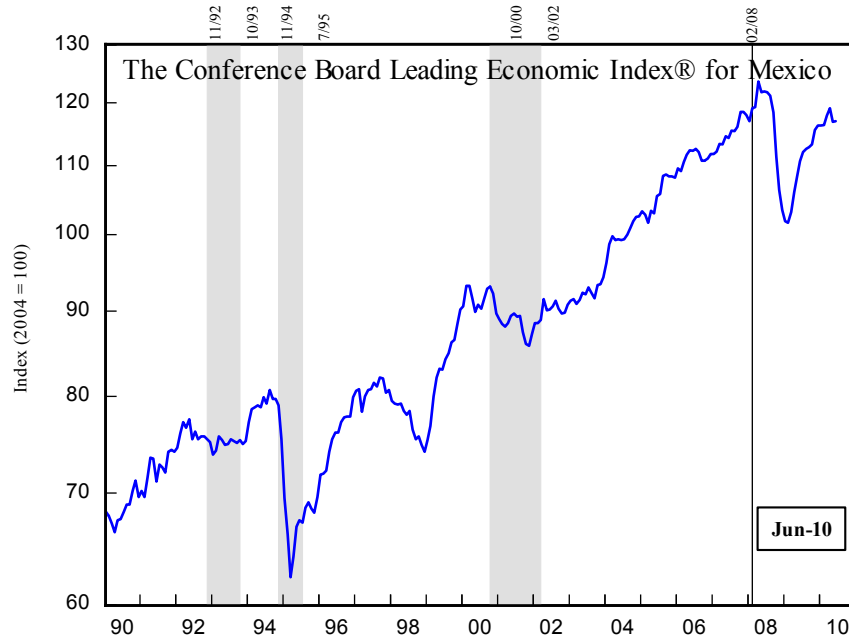
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MEXICO COMPOSITE ECONOMIC INDEXES



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.