



THE CONFERENCE BOARD

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The Conference Board® U.S. Business Cycle IndicatorsSM **U.S. LEADING ECONOMIC INDICATORS** **AND RELATED COMPOSITE INDEXES FOR MARCH 2007**

The Conference Board announced today that the U.S. leading index increased 0.1 percent, the coincident index increased 0.1 percent and the lagging index increased 0.1 percent in March.

- The leading index increased slightly in March following two consecutive declines. In the six months from September to March, the leading index fell 0.1 percent (a -0.3 percent annual rate). In addition, the weaknesses among the indicators have become increasingly more widespread than the strengths over the past few months. In March, unemployment insurance claims (inverted), real money supply (M2), and average workweek in manufacturing made large positive contributions to the leading index, but these were partially offset by decreases in stock prices, consumer expectations, and the interest rate spread.
- The coincident index increased again in March. From September to March, the coincident index increased by 0.9 percent (a 1.8 percent annual rate). In March, the largest contribution came from nonagricultural employment, and the strengths of the coincident index have been more widespread than the weaknesses in recent months.
- The leading index is still about 0.9 percent below its most recent high in January 2006 and it is 0.8 percent below its March 2006 level. Despite a small pick up in December, the leading index has been essentially flat since mid-2006. At the same time, real GDP growth was at a 2.5 percent annual rate in the fourth quarter of 2006, following a 2.0 percent rate in the third quarter. The recent behavior of the leading and coincident indexes suggests that slow economic growth is likely to continue in the near term.

LEADING INDICATORS. Six of the ten indicators that make up the leading index increased in March. The positive contributors – beginning with the largest positive contributor – were average weekly initial claims for unemployment insurance (inverted), average weekly manufacturing hours, real money supply*, vendor performance, building permits, and manufacturers' new orders for consumer goods and materials*. The negative contributors – beginning with the largest negative contributor – were stock prices, index of consumer expectations, interest rate spread and manufacturers' new orders for nondefense capital goods*.

The leading index now stands at 137.4 (1996=100). Based on revised data, this index decreased 0.6 percent in February and decreased 0.3 percent in January. During the six-month span through March, the leading index decreased 0.1 percent, with three out of ten components advancing (diffusion index, six-month span equals thirty five percent).

COINCIDENT INDICATORS. Three of the four indicators that make up the coincident index increased in March. The positive contributors to the index – beginning with the largest positive contributor – were employees on nonagricultural payrolls, personal income less transfer payments*, and manufacturing and trade sales*. The negative contributor was industrial production.

The coincident index now stands at 123.7 (1996=100). This index increased 0.2 percent in February and decreased 0.1 percent in January. During the six-month period through March, the coincident index increased 0.9 percent.

The next release is scheduled for May 17, Thursday at 10 A.M. ET.

LAGGING INDICATORS. The lagging index stands at 127.9 (1996=100) in March, with four of the seven components advancing. The positive contributors to the index – beginning with the largest positive contributor – were commercial and industrial loans outstanding*, change in labor cost per unit of output*, ratio of manufacturing and trade inventories to sales*, and the ratio of consumer installment credit to personal income*. The negative contributors – beginning with the largest negative contributor – were average duration of unemployment (inverted), and the change in CPI for services. The average prime rate charged by banks* held steady in March. Based on revised data, the lagging index increased 0.2 percent in February and remained unchanged in January.

DATA AVAILABILITY AND NOTES.

The data series used by The Conference Board to compute the three composite indexes and reported in the tables in this release are those available “as of” 12 Noon on March 18, 2007. Some series are estimated as noted below.

* Series in the leading index that are based on The Conference Board estimates are manufacturers’ new orders for consumer goods and materials, manufacturers’ new orders for nondefense capital goods, and the personal consumption expenditure used to deflate the money supply. Series in the coincident index that are based on The Conference Board estimates are personal income less transfer payments and manufacturing and trade sales. Series in the lagging index that are based on The Conference Board estimates are inventories to sales ratio, consumer installment credit to income ratio, change in labor cost per unit of output, the consumer price index, and the personal consumption expenditure used to deflate commercial and industrial loans outstanding.

The procedure used to estimate the current month’s personal consumption expenditure deflator (used in the calculation of real money supply and commercial and industrial loans outstanding) now incorporates the current month’s consumer price index when it is available before the release of the U.S. Leading Economic Indicators.

Effective with the September 18, 2003 release, the method for calculating manufacturers’ new orders for consumer goods and materials (A0M008) and manufacturers’ new orders for nondefense capital goods (A0M027) has been revised. Both series are now constructed by deflating nominal aggregate new orders data instead of aggregating deflated industry level new orders data. Both the new and the old methods utilize appropriate producer price indices. This simplification remedies several issues raised by the recent conversion of industry data to the North American Classification System (NAICS), as well as several other issues, e.g. the treatment of semiconductor orders. While this simplification caused a slight shift in the levels of both new orders series, the growth rates were essentially the same. As a result, this simplification had no significant effect on the leading index.

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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, coincident, and lagging indexes are essentially composite averages of between four and ten individual leading, coincident, or lagging 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. The cyclical turning points in the lagging index generally have occurred after those in aggregate economic activity.

U.S. Composite Indexes: Components and Standardization Factors

<u>Leading Index</u>		<u>Factor</u>
1	Average weekly hours, manufacturing	0.2565
2	Average weekly initial claims for unemployment insurance	0.0310
3	Manufacturers' new orders, consumer goods and materials	0.0763
4	Vendor performance, slower deliveries diffusion index	0.0672
5	Manufacturers' new orders, nondefense capital goods	0.0186
6	Building permits, new private housing units	0.0270
7	Stock prices, 500 common stocks	0.0384
8	Money supply, M2	0.3530
9	Interest rate spread, 10-year Treasury bonds less federal funds	0.1037
10	Index of consumer expectations	0.0283

<u>Coincident Index</u>		
1	Employees on nonagricultural payrolls	0.5411
2	Personal income less transfer payments	0.1908
3	Industrial production	0.1491
4	Manufacturing and trade sales	0.1190

<u>Lagging Index</u>		
1	Average duration of unemployment	0.0374
2	Inventories to sales ratio, manufacturing and trade	0.1235
3	Labor cost per unit of output, manufacturing	0.0624
4	Average prime rate	0.2808
5	Commercial and industrial loans	0.1113
6	Consumer installment credit to personal income ratio	0.1891
7	Consumer price index for services	0.1955

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. When one or more components are missing, the other factors are adjusted proportionately to ensure that the total continues to sum to 1.

These factors were revised effective on the release for January 2007, and all historical values for the three composite indexes were revised at this time to reflect the changes. (Under normal circumstances, updates to the leading, coincident, and lagging indexes only incorporate revisions to data over the past six months.) The factors for the leading index were calculated using 1984-2005 as the sample period for measuring volatility. A separate set of factors for the 1959-1983 period is available upon request. The primary sample period for the coincident and lagging indexes was 1959-2005. For additional information on the standardization factors and the index methodology see: "Benchmark Revisions in the Composite Indexes," *Business Cycle Indicators* December 1997 and "Technical Appendix: Calculating the Composite Indexes" *Business Cycle Indicators* December 1996, or the Web site: www.conference-board.org/economics/bci.

The trend adjustment factor for the leading index is -0.0188, and the trend adjustment factor for the lagging index is 0.1714.

To address the problem of lags in available data, those leading, coincident and lagging indicators that are not available at the time of publication are estimated using statistical imputation. An autoregressive model is used to estimate each unavailable component. The resulting indexes are therefore constructed using real and estimated data, and will be revised as the unavailable data during 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 index data such as stock prices, interest rate spread, and manufacturing hours that are available sooner than other data on real aspects of the economy such as manufacturers' new orders. Empirical research by The Conference Board suggests that there are real gains in adopting this procedure to make all the indicator series as up-to-date as possible.

U.S. Leading Economic Indicators news release schedule for 2007:

Thursday, May 17, 2007	for April 2007 data
Thursday, June 21, 2007	for May 2007 data
Thursday, July 19, 2007	for June 2007 data
Monday, August 20, 2007	for July 2007 data
Thursday, September 20, 2007	for August 2007 data
Thursday, October 18, 2007	for September 2007 data
Wednesday, November 21, 2007	for October 2007 data
Thursday, December 20, 2007	for November 2007 data

All releases are at 10:00 AM ET.

ABOUT THE CONFERENCE BOARD. The Conference Board is the premier business membership and research network founded in 1916. It has become a global leader in helping executives build strong professional relationships, expand their business knowledge and find solutions to a wide range of business challenges. Its Economics Program, under the direction of Chief Economist Gail Fosler, is a recognized source of forecasts, analysis and objective indicators such as Leading Economic Indicators and Consumer Confidence.

This role is part of a long tradition of research and education that stretches back to the compilation of the first continuous measure of the cost of living in the United States in 1919. In 1995, The Conference Board assumed responsibility for computing the composite indexes from the U.S. Department of Commerce. The Conference Board now produces business cycle indexes for the U.S., Australia, France, Germany, Korea, Japan, Mexico, Spain and the U.K. To subscribe to any of these indexes, please visit www.conference-board.org/economics/bci or contact the customer service department at 212-339-0345 or email indicators@conference-board.org.

AVAILABLE FROM THE CONFERENCE BOARD

U.S. Business Cycle Indicators Internet Subscription <i>(Includes monthly release, data, charts and commentary)</i>	\$ 575 per year (1 user)
Individual Data Series	\$ 30 per series downloaded
Monthly BCI Report <i>(Sample available on request)</i>	\$ 250 per year
BCI Handbook (published 2001)	\$ 20
Corporate Site License	contact Indicators Program at (212) 339-0330

Business Cycle Indicators for Australia, France, Germany, Japan, Korea, Mexico, Spain and the UK are available at \$575 per country per year (1 user). Discounts are available to Associates of The Conference Board and accredited academic institutions.

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Table 1.--Summary of Composites Indexes

	2006						
	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Leading index	137.6	137.6	137.6	r	138.4	138.0	137.2
Percent change	.4	.0	.0	r	.6	r	-.6
Diffusion index	50.0	60.0	40.0		75.0	40.0	30.0
Coincident index	122.6	123.0	123.0		123.4	123.3	123.6
Percent change	.1	.3	.0		.3	-.1	.2
Diffusion index	50.0	75.0	50.0		100.0	50.0	100.0
Lagging index	125.4	125.8	126.7		127.6	127.6	127.8
Percent change	.3	.3	.7		.7	.0	.2
Diffusion index	50.0	35.7	92.9		57.1	57.1	57.1
Coincident-lagging ratio	97.8	r	97.8	r	97.1	r	96.7
	Mar to	Apr to	May to	Jun to	Jul to	Aug to	Sep to
	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Leading index							
Percent change	-.6	-.4	.0	.4	.4	.1	-.1
Diffusion index	55.0	45.0	50.0	40.0	40.0	40.0	35.0
Coincident index							
Percent change	.8	1.1	1.0	1.1	.9	.9	.9
Diffusion index	75.0	100.0	75.0	100.0	75.0	100.0	100.0
Lagging index							
Percent change	1.2	1.5	1.7	1.8	2.2	2.2	2.0
Diffusion index	57.1	71.4	71.4	71.4	78.6	78.6	35.7

p Preliminary. r Revised (noted only for index levels and one-month percent changes). c Corrected.

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.

The full history of composite and diffusion indexes is available by subscription on our web site at www.conference-board.org/economics/bci

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Table 2.--Data and Net Contributions for Components of the Leading Index

Component	2006						
	Sep	Oct	Nov	Dec	Jan	Feb	Mar
	Leading index component data						
Average weekly production workers, mfg. (hours).....	41.1	41.2	41.0	41.0	40.9 r	40.9 r	41.1
Average weekly initial claims, state unemployment insurance (thousands)*.....	315.3 r	314.1 r	327.4 r	320.0 r	310.3 r	338.2 r	316.2
Manufacturers' new orders, consumer goods and materials (mil. 1982 dol.).....	137,831	138,233	138,826 r	140,426	137,843 r	135,888 r	136,239 **
Vendor performance--slower deliveries diffusion index (percent).....	54.1	50.6	52.8	53.3	52.7	50.8	51.3
Manufacturers' new orders, nondefense capital goods (mil. 1982 dol.).....	58,811	50,536	49,898 r	55,241	43,987 r	47,446 r	45,932 **
Building permits (thous.).....	1,638	1,553	1,513	1,613	1,571	1,532	1,544
Stock prices, 500 common stocks (c) (index: 1941-43=10).....	1,317.81	1,363.38	1,388.63	1,416.42	1,424.16	1,444.79	1,406.95
Money supply, M2 (bil. chn. 2000 dol.)....	5,983.2	6,040.5 r	6,075.3 r	6,093.3 r	6,133.7 r	6,135.6 r	6,155.9 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	-0.53	-0.52	-0.65	-0.68	-0.49	-0.54	-0.70
Index of consumer expectations (c) (1966:1=100).....	78.2	84.8	83.2	81.2	87.6	81.5	78.7
LEADING INDEX (1996=100).....	137.6	137.6	137.6 r	138.4	138.0	137.2 r	137.4 p
Percent change from preceding month..	0.4	0.0	0.0 r	0.6 r	-0.3	-0.6 r	0.1 p
	Leading index net contributions						
Average weekly production workers, mfg.....	....	.06	-.12	.00	-.06	.00	.13
Average weekly initial claims, state unemployment insurance.....	....	.01	-.13	.07	.10	-.27	.21
Manufacturers' new orders, consumer goods and materials.....	....	.02	.03	.09	-.14	-.11	.02 **
Vendor performance--slower deliveries diffusion index.....	....	-.24	.15	.03	-.04	-.13	.03
Manufacturers' new orders, nondefense capital goods.....	....	-.28	-.02	.19	-.42	.14	-.06 **
Building permits.....	....	-.14	-.07	.17	-.07	-.07	.02
Stock prices, 500 common stocks (c)	....	.13	.07	.08	.02	.06	-.10
Money supply, M2.....	....	.34	.20	.10	.23	.01	.12 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	....	-.05	-.07	-.07	-.05	-.06	-.07
Index of consumer expectations (c)	....	.19	-.05	-.06	.18	-.17	-.08

p Preliminary. r Revised. c Corrected.

* Inverted series; a negative change in this component makes a positive contribution to the index.

** Statistical Imputation (See page 3 for more details)

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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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Table 3.--Data and Net Contributions for Components of the Coincident and Lagging Indexes

Component	2006						
	Sep	Oct	Nov	Dec	Jan	Feb	Mar
	Coincident index component data						
Employees on nonagricultural payrolls (thousands).....	136,636	136,745	136,941	137,167	137,329 r	137,442 r	137,622
Personal income less transfer payments (ann. rate, bil. chn. 2000 dol.).....	8,135.0	8,231.8 r	8,257.4 r	8,263.0 r	8,233.6 r	8,245.3 r	8,264.1 **
Industrial production (index: 2002=100).....	112.171	111.999	111.529	112.230 r	111.771 r	112.665 r	112.487
Manufacturing and trade sales (mil. chn. 2000 dol.).....	945,118	952,712 r	949,150 r	954,317 r	955,902 r	957,981 r	959,955 **
COINCIDENT INDEX (1996=100).....	122.6	123.0	123.0	123.4	123.3	123.6 p	123.7 p
Percent change from preceding month....	0.1	0.3	0.0	0.3	-0.1	0.2 p	0.1 p
	Coincident index net contributions						
Employees on nonagricultural payrolls.....	...	.04	.08	.09	.06	.04	.07
Personal income less transfer payments...	...	.23	.06	.01	-.07	.03	.04 **
Industrial production.....	...	-.02	-.06	.09	-.06	.12	-.02
Manufacturing and trade sales.....	...	.10	-.04	.06	.02	.03 **	.02 **
	Lagging index component data						
Average duration of unemployment (weeks)*.....	17.2	16.4	16.3	15.9	16.2	16.4	17.3
Ratio, manufacturing and trade inventories to sales (chain 2000 dol.).....	1.334	1.322 r	1.328	1.324 r	1.326 r	1.326 r	1.327 **
Change in index of labor cost per unit of output, mfg. (6-month percent, ann. rate)	-7.7	-.8	-.2	-.20 r	0 r	.1 r	.3 **
Average prime rate charged by banks (percent).....	8.25	8.25	8.25	8.25	8.25	8.25	8.25
Commercial and industrial loans outstanding (mil. chn. 2000 dol.).....	607,433 r	601,342 r	616,453 r	644,654 r	635,383 r	637,328 r	645,180 **
Ratio, consumer installment credit outstanding to personal income (percent)....	21.60 r	21.44 r	21.55 r	21.50 r	21.54 r	21.44 r	21.45 **
Change in CPI for services (6-month percent, ann. rate).....	3.5	3.2	3.3	3.5	3.5	3.7	3.4
LAGGING INDEX (1996=100).....	125.4	125.8	126.7	127.6	127.6 p	127.8 p	127.9 p
Percent change from preceding month....	.3	.3	.7	.7	.0 p	.2 p	.1 p
	Lagging index net contributions						
Average duration of unemployment.....	...	.18	.02	.09	-.07	-.05	-.20
Ratio, manufacturing and trade inventories to sales.....	...	-.11	.06	-.04	.02	.00 **	.01 **
Change in index of labor cost per unit of output, mfg.....	...	.43	.04	.00	.01 **	.01 **	.01 **
Average prime rate charged by banks.....	...	.00	.00	.00	.00	.00	.00
Commercial and industrial loans outstanding.....	...	-.11	.28	.50	-.16	.03	.14 **
Ratio, consumer installment credit outstanding to personal income.....	...	-.14	.10	-.04	.04	-.09	.01 **
Change in CPI for services.....	...	-.06	.02	.04	.00	.04	-.06

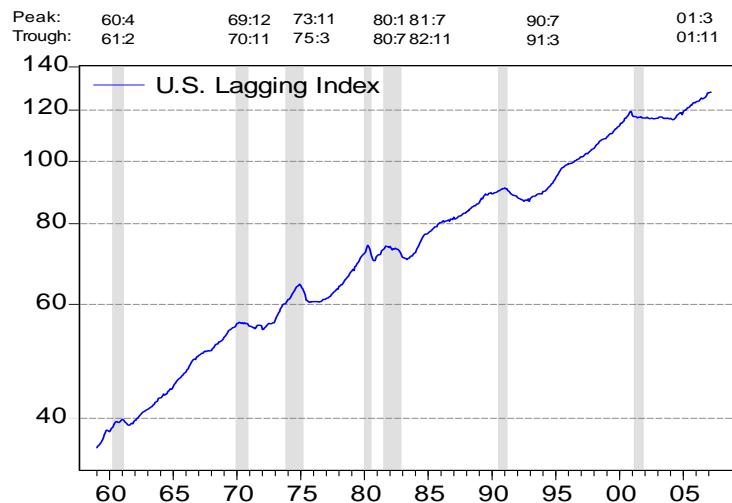
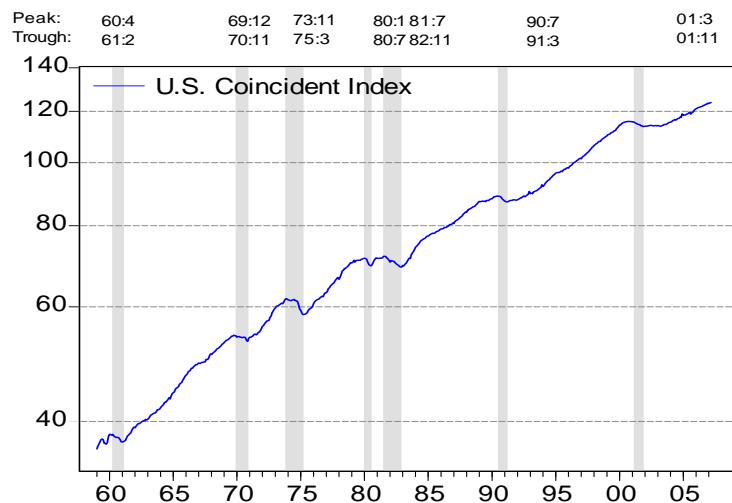
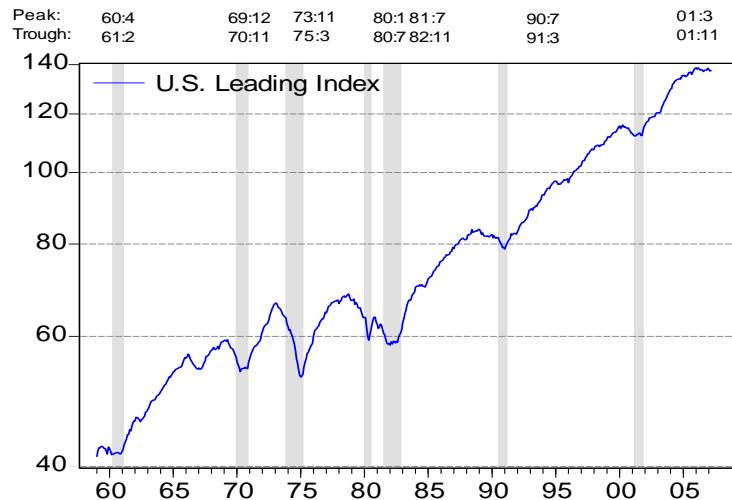
CPI Consumer Price Index. For additional notes see table 2.

* Inverted series; a negative change in this component makes a positive contribution to the index.

** Statistical Imputation (See page 3 for more details)

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U.S. Composite Indexes (1996=100)



Shaded areas represent recessions.

Source: The Conference Board