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**FOR RELEASE: 10:00 A.M. ET, THURSDAY, DECEMBER 18, 2003**

**Next month's release will incorporate annual benchmark revisions to the composite indexes which will bring them up-to-date with revisions in component data. For more information, visit our web site at [www.globalindicators.org](http://www.globalindicators.org).**

The Conference Board® U.S. Business Cycle Indicators<sup>SM</sup>  
**U.S. LEADING ECONOMIC INDICATORS**  
**AND RELATED COMPOSITE INDEXES FOR NOVEMBER 2003**

The Conference Board announced today that the U.S. leading index increased 0.3 percent, the coincident index increased 0.2 percent and the lagging index decreased 0.3 percent in November.

- The leading index increased by 0.3 percent in November and upward revisions steepened the upward trend in recent months. The coincident index also continued increasing in November. Reflecting improvement in the manufacturing sector and the labor market, the growth rate of the coincident index has picked up moderately in recent months.
- The leading index has now increased at almost a 6.0 percent annual rate from its most recent low in April, and this strength has been extremely widespread. Consistent with the upward trend of the leading index, the growth rate of the coincident index has strengthened, and real GDP growth jumped to an 8.2 percent annual rate in the third quarter.
- The continued strong growth in the leading index (a 3.5 percent annual rate over the last 3-4 months, or 5.0 percent excluding the effect of declines in the money supply), is signaling that strong economic growth should persist in the near term.

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

The leading index now stands at 114.2 (1996=100). Based on revised data, this index increased 0.5 percent in October and remained unchanged in September. During the six-month span through November, the leading index increased 2.2 percent, with nine out of ten components advancing (diffusion index, six-month span equals 90 percent).

COINCIDENT INDICATORS. All four indicators that make up the coincident index increased in November. The positive contributors to the index - beginning with the largest positive contributor - were industrial production, personal income less transfer payments\*, manufacturing and trade sales\*, and employees on nonagricultural payrolls.

The coincident index now stands at 116.3 (1996=100). This index increased 0.3 percent in October and increased 0.2 percent in September. During the six-month period through November, the coincident index increased 1.0 percent.

The next release is scheduled for January 22, 2004 at 10 A.M. ET.

LAGGING INDICATORS. The lagging index stands at 97.0 (1996=100) in November, with three of the seven components advancing. The positive contributors to the index – beginning with the largest positive contributor – were change in labor cost per unit of output\*, ratio of manufacturing and trade inventories to sales\*, and ratio of consumer installment credit to personal income\*. The negative contributors to the index – beginning with the largest negative contributor – were change in CPI for services, average duration of unemployment (inverted), and commercial and industrial loans outstanding\*. The average prime rate charged by banks held steady in November. Based on revised data, the lagging index decreased 0.1 percent in October and decreased 0.5 percent in September.

DATA AVAILABILITY. 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 December 17, 2003. 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 deflator for 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, and the personal consumption expenditure deflator for 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	.1946
2. Average weekly initial claims for unemployment insurance	.0268
3. Manufacturers' new orders, consumer goods and materials	.0504
4. Vendor performance, slower deliveries diffusion index	.0296
5. Manufacturers' new orders, nondefense capital goods	.0139
6. Building permits, new private housing units	.0205
7. Stock prices, 500 common stocks	.0309
8. Money supply, M2	.2775
9. Interest rate spread, 10-year Treasury bonds less federal funds	.3364
10. Index of consumer expectations	.0193

Coincident Index

1. Employees on nonagricultural payrolls	.5186
2. Personal income less transfer payments	.2173
3. Industrial production	.1470
4. Manufacturing and trade sales	.1170

Lagging Index

1. Average duration of unemployment	.0368
2. Inventories to sales ratio, manufacturing and trade	.1206
3. Labor cost per unit of output, manufacturing	.0693
4. Average prime rate	.2692
5. Commercial and industrial loans	.1204
6. Consumer installment credit to personal income ratio	.1951
7. Consumer price index for services	.1886

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 2003, 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 1984-2001 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 1959-2001. 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.globalindicators.org](http://www.globalindicators.org).

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 2003 and 2004:**

December 18, Thursday.....	for November 2003 data
January 22, Thursday.....	for December 2003 data
February 19, Thursday.....	for January 2004 data
March 18, Thursday.....	for February 2004 data
April 19, Monday.....	for March 2004 data
May 20, Thursday.....	for April 2004 data
June 17, Thursday.....	for May 2004 data
July 22, Thursday.....	for June 2004 data
August 19, Thursday.....	for July 2004 data
September 23, Thursday.....	for August 2004 data
October 21, Thursday.....	for September 2004 data
November 18, Thursday.....	for October 2004 data
December 20, Monday.....	for November 2004 data

All releases are at 10:00AM 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.globalindicators.org](http://www.globalindicators.org) or contact the customer service department at 212-339-0345 or email [indicators@conference-board.org](mailto: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>	\$ 500 per year (1 user)
Individual Data Series	\$ 15 per series downloaded
Monthly BCI Report <i>(Sample available on request)</i>	\$ 130 per year
Monthly News Release (fax or email)	\$ 45 per year
BCI Handbook (published 2001)	\$ 20
Corporate Site License	contact Indicators Program at (212) 339-0336

Business Cycle Indicators for Australia, France, Germany, Japan, Korea, Mexico, Spain and the UK are available at \$500 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**

	2003						
	May	Jun	Jul	Aug	Sep	Oct	Nov
Leading index	111.7	112.1	112.9 r	113.3 r	113.3 r	113.9 r	114.2 p
Percent change	1.1	.4	.7 r	.4	.0	.5 r	.3 p
Diffusion index	80.0	70.0	70.0	50.0	40.0	85.0	55.0
Coincident index	115.1	115.3	115.6	115.6	115.8	116.1 p	116.3 p
Percent change	.1	.2	.3	.0	.2	.3 p	.2 p
Diffusion index	50.0	62.5	87.5	37.5	87.5	100.0	87.5
Lagging index	98.9	98.1	98.0 r	97.9	97.4 r	97.3 p	97.0 p
Percent change	-.2	-.8	-.1 r	-.1	-.5 r	-.1 p	-.3 p
Diffusion index	64.3	7.1	42.9	50.0	21.4	50.0	42.9
Coincident-lagging ratio	116.4	117.5	118.0	118.1	118.9 r	119.3 p	120.0 p
	Nov to May	Dec to Jun	Jan to Jul	Feb to Aug	Mar to Sep	Apr to Oct	May to Nov
Leading index							
Percent change	.6	.8	1.5 r	2.4	2.5 r	3.1 r	2.2
Diffusion index	50.0	50.0	70.0	85.0	90.0	100.0	90.0
Coincident index							
Percent change	-.2	.1	.1	.4	.6	1.0 r	1.0
Diffusion index	50.0	50.0	50.0	50.0	75.0	87.5	100.0
Lagging index							
Percent change	-.6	-1.2	-1.5	-1.6	-2.0 r	-1.8 r	-2.0
Diffusion index	50.0	42.9	7.1	7.1	14.3	42.9	7.1

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.

The full history of composite and diffusion indexes is available by subscription on our web site at [www.globalindicators.org](http://www.globalindicators.org)

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

Component	2003						
	May	Jun	Jul	Aug	Sep	Oct	Nov
Leading index component data							
Average workweek, production workers, mfg. (hours).....	40.2	40.3	40.1	40.2	40.5	40.6 r	40.8 p
Average weekly initial claims, state unemployment insurance (thousands)*.....	431.6	425.9	398.5	402.8	404.8	381.2 r	362.4 p
Manufacturers' new orders, consumer goods and materials (mil. 1982 dol.).....	138,157	139,802 r	143,834 r	140,817	143,735	145,808	145,593 **
Vendor performance--slower deliveries diffusion index (percent).....	51.3	50.0	51.1	53.3	52.4	53.9	56.0
Manufacturers' new orders, nondefense capital goods (mil. 1982 dol.).....	39,804	41,230 r	41,772 r	40,936	43,110 r	44,094 r	43,584 **
Building permits (thous.).....	1,803	1,823	1,800	1,901	1,875	1,981 r	1,874 p
Stock prices, 500 common stocks (c) (index: 1941-43=10).....	935.96	988.00	992.54	989.53	1,019.44 r	1,038.73	1,049.90
Money supply, M2 (bil. 1996 dol.).....	5,321.8 r	5,352.7 r	5,389.2 r	5,413.3 r	5,380.4 r	5,356.5 r	5,342.4 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	2.31	2.11	2.97	3.42	3.26	3.28	3.30
Index of consumer expectations (c) (1966:1=100).....	91.4	86.4	83.7	82.5	80.8	83.0	88.1
LEADING INDEX (1996=100).....	111.7	112.1	112.9 r	113.3 r	113.3 r	113.9 r	114.2 p
Percent change from preceding month.....	1.1	0.4	0.7 r	0.4	0.0	0.5 r	0.3 p
Leading index net contributions							
Average workweek, production workers, mfg.....	....	.05	-.10	.05	.14	.05	.10
Average weekly initial claims, state unemployment insurance.....	....	.04	.18	-.03	-.01	.16	.14
Manufacturers' new orders, consumer goods and materials.....	....	.06	.14	-.11	.10	.07	-.01 **
Vendor performance--slower deliveries diffusion index.....	....	-.08	.06	.12	-.05	.08	.11
Manufacturers' new orders, nondefense capital goods.....	....	.05	.02	-.03	.07	.03	-.02 **
Building permits.....	....	.02	-.03	.11	-.03	.11	-.11
Stock prices, 500 common stocks (c)	....	.17	.01	-.01	.09	.06	.03
Money supply, M2.....	....	.16 r	.19	.12	-.17	-.12	-.07 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	....	-.07	.29	.15	-.05	.01	.01
Index of consumer expectations (c)	....	-.11	-.06	-.03	-.04	.05	.12

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	2003						
	May	Jun	Jul	Aug	Sep	Oct	Nov
Coincident index component data							
Employees on nonagricultural payrolls (thousands).....	129,986	129,903	129,846	129,881	129,980 r	130,117 r	130,174
Personal income less transfer payments (ann. rate, bil. 1996 dol.).....	6,908.3	6,917.1	6,929.1 r	6,930.9 r	6,930.4 r	6,964.5 r	6,974.3 **
Industrial production (index: 1997=100).....	110.019	109.986	110.829	110.857 r	111.491 r	111.944 r	112.946
Manufacturing and trade sales (mil. 1996 dol.).....	870,208	880,082	894,531 r	889,595 r	893,057 r	894,721 **	896,784 **
COINCIDENT INDEX (1996=100).....	115.1	115.3	115.6	115.6	115.8 r	116.1 p	116.3 p
Percent change from preceding month.....	0.1	0.2	0.3	0.0	0.2 r	0.3 p	0.2 p
Coincident index net contributions							
Employees on nonagricultural payrolls.....	....	-.03	-.02	.01	.04	.05	.02
Personal income less transfer payments.....	....	.03	.04	.01	.00	.11	.03 **
Industrial production.....	....	.00	.11	.00	.08	.06	.13
Manufacturing and trade sales.....	....	.13	.19	-.06	.05	.02 **	.03 **
Lagging index component data							
Average duration of unemployment (weeks)*.....	19.2	19.8	19.3	19.0	19.7	19.1	20.1 p
Ratio, manufacturing and trade inventories to sales (chain 1996 dol.).....	1.324	1.309	1.289	1.290 r	1.287 r	1.289 **	1.290 **
Change in index of labor cost per unit of output, mfg. (6-month percent, ann. rate)....	1.9	.4	.2	0	-1.5	-2.5 r	-2.1 **
Average prime rate charged by banks (percent).....	4.25	4.22	4.00	4.00	4.00	4.00	4.00
Commercial and industrial loans outstanding (mil. 1996 dol.).....	539,496	524,283	528,796 r	521,656 r	506,360 r	501,340 r	500,582 **
Ratio, consumer installment credit out- standing to personal income (percent).....	21.24	21.13	21.15 r	21.18 r	21.30 r	21.23 r	21.24 **
Change in CPI for services (6-month percent, ann. rate).....	3.6	3.3	3.1	3.0	2.7	3.2	2.1
LAGGING INDEX (1996=100).....	98.9	98.1	98.0	97.9	97.4 r	97.3 p	97.0 p
Percent change from preceding month.....	-.2	-.8	-.1	-.1	-.5 r	-.1 p	-.3 p
Lagging index net contributions							
Average duration of unemployment.....	....	-.11	.09	.06	-.13	.11	-.19
Ratio, manufacturing and trade inventories to sales.....	....	-.14	-.19	.01	-.03	.02 **	.01 **
Change in index of labor cost per unit of output, mfg.....	....	-.10	-.01	-.01	-.10	-.07	.03 **
Average prime rate charged by banks.....	....	-.01	-.06	.00	.00	.00	.00
Commercial and industrial loans outstanding.....	....	-.34	.10	-.16	-.36	-.12	-.02 **
Ratio, consumer installment credit out- standing to personal income.....	....	-.10	.02	.03	.11	-.06	.01 **
Change in CPI for services.....	....	-.06	-.04	-.02	-.06	.09	-.21

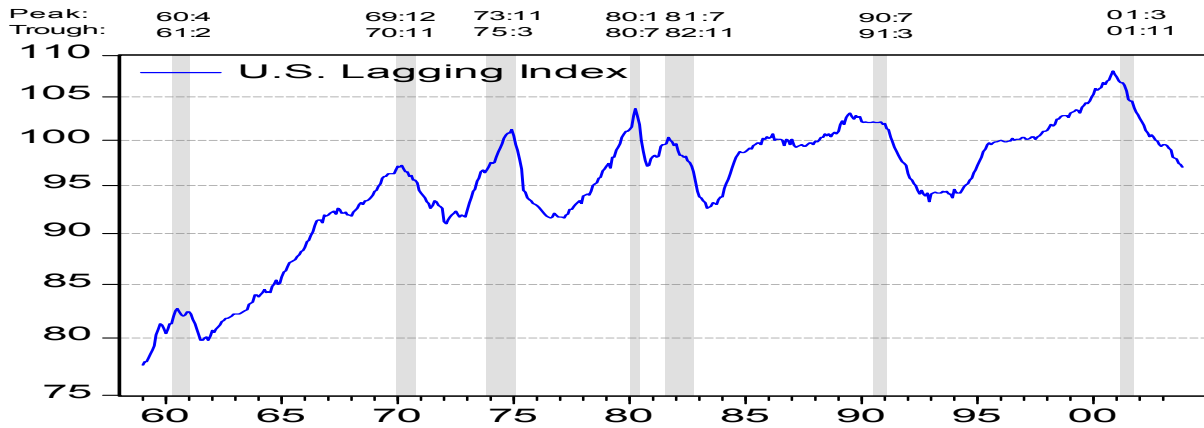
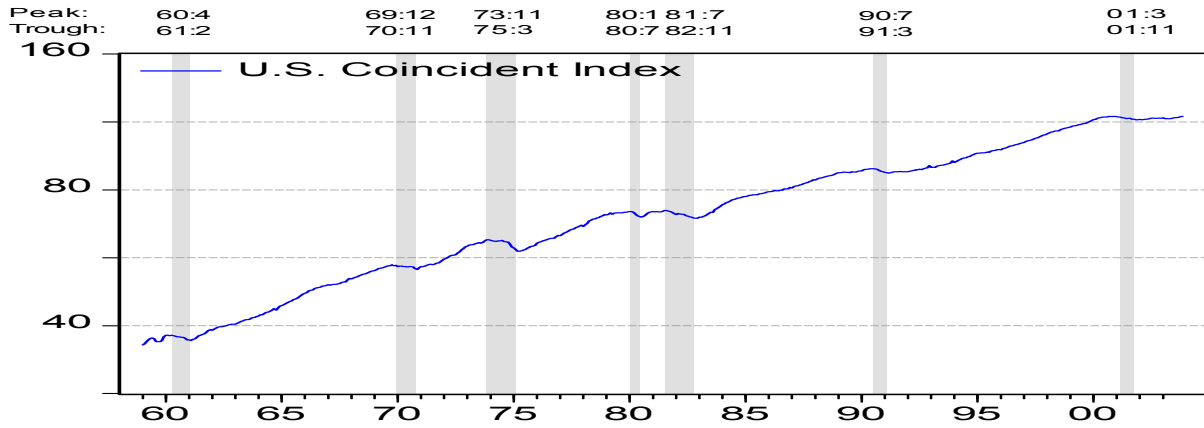
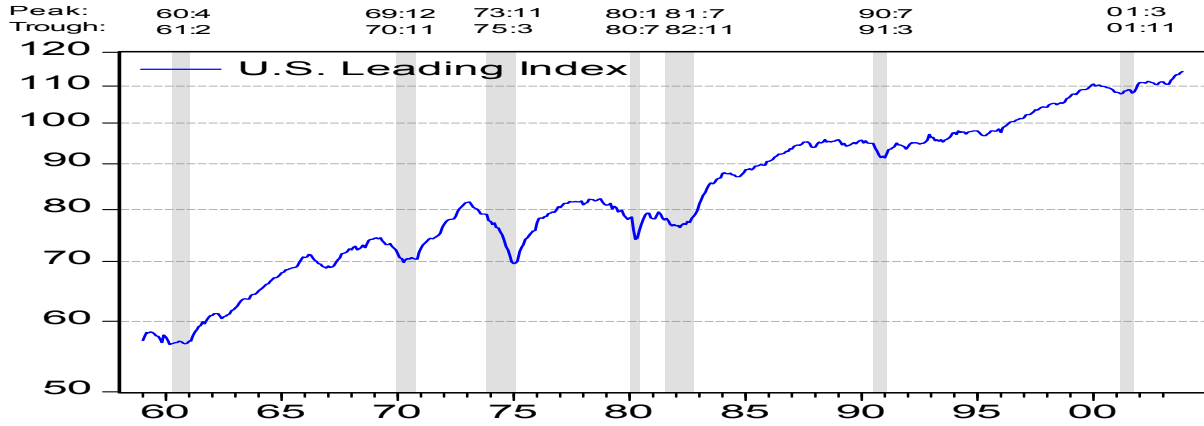
CPI Consumer Price Index. For additional notes see table 2.

\* 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