



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. ET, Thursday, June 17, 2010

The Conference Board®  
U.S. Business Cycle Indicators<sup>SM</sup>  
**THE CONFERENCE BOARD LEADING ECONOMIC INDEX®**  
**(LEI) FOR THE UNITED STATES**  
**AND RELATED COMPOSITE ECONOMIC INDEXES FOR MAY 2010**

**The Conference Board Leading Economic Index®** (LEI) for the U.S. increased 0.4 percent, **The Conference Board Coincident Economic Index®** (CEI) increased 0.4 percent and **The Conference Board Lagging Economic Index®** (LAG) decreased 0.1 percent in May.

- The Conference Board LEI for the U.S. increased in May, and April's small decline was revised to no change. The financial components made the largest positive contributions to the index this month, more than offsetting the substantial negative contributions from stock prices and building permits. The six-month change in the leading economic index has moderated to 3.9 percent (a 7.9 percent annual rate) through May 2010, down from 5.2 percent (about a 10.6 percent annual rate) for the previous six months. However, the strengths among the leading indicators have remained widespread in recent months.
- The Conference Board CEI for the U.S., a measure of current economic activity, continued to increase in May, with all of its components rising. The six-month change in the coincident economic index stands at 1.4 percent (a 2.8 percent annual rate) through May 2010, up from 0.2 percent (a 0.4 percent annual rate) for the previous six months. In May, the lagging economic index decreased slightly, and with the CEI rising, the coincident-to-lagging ratio increased. Meanwhile, real GDP expanded at a 3.0 percent annual rate in the first quarter of 2010, following an increase of 5.6 percent annual rate in the fourth quarter of last year.
- The Conference Board LEI for the U.S. has been on an uptrend for more than a year now, amid widespread strength among its components. However, its six-month growth rate has continued to moderate. Meanwhile, The Conference Board CEI for the U.S. has been improving since November 2009, and its growth rate has picked up recently. Taken together, the current behavior of the composite indexes suggests that the economy will continue to recover, but the recent rapid expansion is not likely to be sustained in the near term.

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

The next release is scheduled for July 22, Thursday at 10 A.M. ET.

The Conference Board LEI for the U.S. now stands at 109.9 (2004=100). Based on revised data, this index remained unchanged in April and increased 1.4 percent in March. During the six-month span through May, the leading economic index increased 3.9 percent, with eight out of ten components advancing (diffusion index, six-month span equals 80 percent).

COINCIDENT INDICATORS. All four indicators that make up The Conference Board CEI for the U.S. increased in May. The positive contributors to the index – beginning with the largest positive contributor – were industrial production, employees on nonagricultural payrolls, personal income less transfer payments\* and manufacturing and trade sales\*.

The Conference Board CEI for the U.S. now stands at 101.3 (2004=100). This index increased 0.4 percent in April and increased 0.3 percent in March. During the six-month period through May, the coincident economic index increased 1.4 percent, with all four components advancing (diffusion index, six-month span equals 100.0 percent).

LAGGING INDICATORS. The Conference Board LAG for the U.S. stands at 107.8 (2004=100) in May, with two of the seven components advancing. The positive contributors to the index were change in labor cost per unit of output\* and change in CPI for services\*. The negative contributors – beginning with the largest negative contributor – were the average duration of unemployment (inverted), commercial and industrial loans outstanding\*, and the ratio of consumer installment credit to personal income\*. The ratio of manufacturing and trade inventories to sales\* and average prime rate charged by banks\* held steady in May. Based on revised data, the lagging economic index remained unchanged in April and decreased 0.2 percent in March.

#### DATA AVAILABILITY AND NOTES.

The data series used to compute **The Conference Board Leading Economic Index**<sup>®</sup> (LEI) for the U.S., **The Conference Board Coincident Economic Index**<sup>®</sup> (CEI) for the U.S. and **The Conference Board Lagging Economic Index**<sup>®</sup> (LAG) for the U.S. and reported in the tables in this release are those available “as of” 12 Noon on June 16, 2010. Some series are estimated as noted below.

\* Series in The Conference Board LEI for the U.S. based on our 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 Conference Board CEI for the U.S. that are based on our estimates are personal income less transfer payments and manufacturing and trade sales. Series in The Conference Board LAG for the U.S. that are based on our estimates are inventories to sales ratio, consumer installment credit to income ratio, change in labor cost per unit of output, the personal consumption expenditure used to deflate commercial and industrial loans outstanding and the change in CPI for services.

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 Conference Board LEI for the U.S.

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#### Professional Contacts at The Conference Board:

Ken Goldstein: 212-339-0331  
Indicators Program: 212-339-0330  
Email: [indicators@conference-board.org](mailto:indicators@conference-board.org)  
Website: [www.conference-board.org/economics/bci](http://www.conference-board.org/economics/bci)

#### Media Contacts:

Frank Tortorici: 212-339-0231  
Carol Courter: 212-339-0232

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, coincident, and lagging economic indexes are essentially composite averages of several 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 Conference Board LEI for the U.S. have occurred before those in aggregate economic activity, while the cyclical turning points in The Conference Board CEI for the U.S. have occurred at about the same time as those in aggregate economic activity. The cyclical turning points in The Conference Board LAG for the U.S. generally have occurred after those in aggregate economic activity.

U.S. Composite Economic Indexes: Components and Standardization Factors

<u>Leading Economic Index</u>	<u>Factor</u>
1 Average weekly hours, manufacturing	0.2725
2 Average weekly initial claims for unemployment insurance	0.0322
3 Manufacturers' new orders, consumer goods and materials	0.0809
4 Index of supplier deliveries – vendor performance	0.0715
5 Manufacturers' new orders, nondefense capital goods	0.0192
6 Building permits, new private housing units	0.0263
7 Stock prices, 500 common stocks	0.0373
8 Money supply, M2	0.3248
9 Interest rate spread, 10-year Treasury bonds less federal funds	0.1058
10 Index of consumer expectations	0.0295
 <u>Coincident Economic Index</u>	
1 Employees on nonagricultural payrolls	0.4949
2 Personal income less transfer payments	0.2615
3 Industrial production	0.1346
4 Manufacturing and trade sales	0.1090
 <u>Lagging Economic Index</u>	
1 Average duration of unemployment	0.0356
2 Inventories to sales ratio, manufacturing and trade	0.1192
3 Labor cost per unit of output, manufacturing	0.0631
4 Average prime rate	0.2731
5 Commercial and industrial loans	0.1071
6 Consumer installment credit to personal income ratio	0.2117
7 Consumer price index for services	0.1902

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 February 2010, and all historical values for the three composite economic indexes were revised at this time to reflect the changes. (Under normal circumstances, updates to the leading, coincident, and lagging economic indexes only incorporate revisions to data over the past six months.) The factors for The Conference Board LEI for the U.S. were calculated using 1984-2008 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 economic indexes was 1959-2008. 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](http://www.conference-board.org/economics/bci).

The trend adjustment factor for The Conference Board LEI for the U.S is -0.0042, and the trend adjustment factor for The Conference Board LAG for the U.S is 0.1524.

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 economic 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.

**The Conference Board Leading Economic Index<sup>®</sup>** (LEI) for the U.S. news release schedule for 2010:

Thursday, July 22, 2010	for June 2010 data
Thursday, August 19, 2010	for July 2010 data
Thursday, September 23, 2010	for August 2010 data
Thursday, October 21, 2010	for September 2010 data
Thursday, November 18, 2010	for October 2010 data
Friday, December 17, 2010	for November 2010 data

All releases are at 10:00 AM ET.

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.

AVAILABLE FROM THE CONFERENCE BOARD

U.S. Business Cycle Indicators Internet Subscription <i>(Includes monthly release, data, charts and commentary)</i>	\$ 635 per year (1 user)
Individual Data Series	\$ 35 per series downloaded
Monthly BCI Report <i>(Sample available at <a href="http://www.conference-board.org/publications/describeBCI.cfm">http://www.conference-board.org/publications/describeBCI.cfm</a>)</i>	\$ 275 per year
BCI Handbook (published 2001)	\$ 20
Corporate Site License	contact Indicators Program at (212) 339-0330

Business Cycle Indicators for China, Euro Area, France, Germany, Japan, Korea, Mexico, Spain, and the U.K. are available at \$635 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 U.S. Composite Economic Indexes**

	2009				2010			
	Nov	Dec	Jan	Feb	Mar	Apr	May	
Leading index	105.8	107.0	107.6	108.0	109.5 r	109.5 r	109.9 p	
Percent change	1.1	1.1	.6	.4	1.4 r	.0 r	.4 p	
Diffusion index	70.0	85.0	70.0	60.0	70.0	40.0	50.0	
Coincident index	99.9	100.0	100.1	100.2	100.5 r	100.9 p	101.3 p	
Percent change	.4	.1	.1	.1	.3 r	.4 p	.4 p	
Diffusion index	87.5	75.0	50.0	50.0	87.5	75.0	100.0	
Lagging index	108.3	107.9	107.9 r	108.1 r	107.9 r	107.9 p	107.8 p	
Percent change	-.8	-.4	.0 r	.2 r	-.2 r	.0 p	-.1 p	
Diffusion index	21.4	28.6	35.7	42.9	50.0	50.0	42.9	
Coincident-lagging ratio	92.2	92.7	92.8 r	92.7 r	93.1 r	93.5 p	94.0 p	
	May to	Jun to	Jul to	Aug to	Sep to	Oct to	Nov to	
	Nov	Dec	Jan	Feb	Mar	Apr	May	
Leading index								
Percent change	5.2	5.6	5.0	4.8	5.1	4.6	3.9	
Diffusion index	80.0	90.0	90.0	100.0	80.0	80.0	80.0	
Coincident index								
Percent change	.2	.7	.6	.7	1.0	1.4	1.4	
Diffusion index	50.0	50.0	50.0	50.0	87.5	100.0	100.0	
Lagging index								
Percent change	-3.3	-3.0	-2.4	-1.9	-1.5	-1.2	-.5	
Diffusion index	21.4	21.4	35.7	35.7	28.6	21.4	21.4	

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](http://www.conference-board.org/economics/bci)

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

Component	2009			2010			
	Nov	Dec	Jan	Feb	Mar	Apr	May
U.S. Leading Economic Index component data							
Average work week, production workers, mfg. (hours).....	40.5	40.5	40.9	40.5	41.0	41.2	41.5
Average weekly initial claims, state unemployment insurance (thousands)*.	492.1	467.5	481.2	467.4	448.1	459.1 r	460.4
Manufacturers' new orders, consumer goods and materials (mil. 1982 dol.).....	122,278	123,285	123,820	121,535	124,670 r	123,992 r	124,125 **
Index of supplier deliveries -- vendor performance (percent).....	55.7	56.8	60.1	61.1	64.9	61.3	61.0
Manufacturers' new orders, nondefense capital goods (mil. 1982 dol.).....	35737	35561	37866	41309	38550 r	41896 r	40585 **
Building permits (thous.).....	621	681	629	650	685	610 r	574
Stock prices, 500 common stocks (c) (index: 1941-43=10).....	1,088.07	1,110.38	1,123.58	1,089.16	1,152.05	1,197.32	1,125.06
Money supply, M2 (bil. chn. 2005 dol.).....	7,733.7	7,740.9	7,675.1 r	7,725.0 r	7,690.6 r	7,660.4 r	7,725.2 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	3.28	3.47	3.62	3.56	3.57	3.65	3.22
Index of consumer expectations (c) (1966:1=100).....	66.5	68.9	70.1	68.4	67.9	66.5	68.8
LEADING INDEX (2004=100).....	105.8	107.0	107.6	108.0	109.5 r	109.5 r	109.9 p
Percent change from preceding month..	1.1	1.1	0.6	0.4	1.4 r	0.0 r	0.4 p
U.S. Leading Economic Index net contributions							
Average work week, production workers, mfg.....	....	.00	.27	-.27	.33	.13	.20
Average weekly initial claims, state unemployment insurance.....	....	.17	-.09	.09	.14	-.08	-.01
Manufacturers' new orders, consumer goods and materials.....	....	.07	.04	-.15	.21 r	-.04 r	.01 **
Index of supplier deliveries -- (vendor performance).....	....	.08	.24	.07	.27	-.26	-.02
Manufacturers' new orders, nondefense capital goods.....	....	-.01	.12	.17	-.13 r	.16 r	-.06 **
Building permits.....	....	.24	-.21	.09	.14	-.30 r	-.16
Stock prices, 500 common stocks (c)	....	.08	.04	-.12	.21	.14	-.23
Money supply, M2.....	....	.03	-.28	.21	-.14	-.13	.27 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	....	.37	.38	.38	.38	.39	.34
Index of consumer expectations (c)	....	.07	.04	-.05	-.01	-.04	.07

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 U.S. Coincident Economic Index and U.S. Lagging Economic Index**

Component	2009			2010			
	Nov	Dec	Jan	Feb	Mar	Apr	May
U.S. Coincident Economic Index component data							
Employees on nonagricultural payrolls (thousands).....	129,697	129,588	129,602	129,641	129,849 r	130,139 r	130,570
Personal income less transfer payments (ann. rate, bil. chn. 2005 dol.).....	9,000.6 r	9,008.0 r	9,009.0 r	9,006.3 r	9,007.0 r	9,059.2 r	9,076.2 **
Industrial production (index: 2002=100).....	99.554	100.226 r	101.343 r	101.251 r	101.564 r	102.269 r	103.538
Manufacturing and trade sales (mil. chn. 2005 dol.).....	942,794	949,097	945,681 r	953,763 r	969,947 r	969,334 **	970,669 **
COINCIDENT INDEX (2004=100).....	99.9	100.0	100.1	100.2	100.5 r	100.9 p	101.3 p
Percent change from preceding month.....	0.4	0.1	0.1	0.1	0.3 r	0.4 p	0.4 p
U.S. Coincident Economic Index net contributions							
Employees on nonagricultural payrolls.....	....	-.04	.01	.01	.08 r	.11	.16
Personal income less transfer payments.....	....	.02	.00 r	-.01 r	.00 r	.15 r	.05 **
Industrial production.....	....	.09	.15	-.01 r	.04 r	.09 r	.17
Manufacturing and trade sales.....	....	.07	-.04 r	.09	.18	-.01 **	.02 **
U.S. Lagging Economic Index component data							
Average duration of unemployment (w eeks)*.....	28.6	29.1	30.2	29.7	31.2	33.0	34.4
Ratio, manufacturing and trade inventories to sales (chain 2005 dol.).....	1.377	1.363	1.369 r	1.363 r	1.343 r	1.345 **	1.345 **
Change in index of labor cost per unit of output, mfg. (6-month percent, ann. rate).....	-9.4 r	-9.4 r	-4.3 r	-1.60 r	-.8 r	-.5 **	-.2 **
Average prime rate charged by banks (percent).....	3.25	3.25	3.25	3.25	3.25	3.25	3.25
Commercial and industrial loans outstanding (mil. chn. 2005 dol.).....	687,916 r	672,034 r	657,028 r	654,737 r	660,872 r	665,486 r	662,432 **
Ratio, consumer installment credit out- standing to personal income (percent).....	20.36 r	20.21 r	20.16 r	20.10 r	19.97 r	19.89 r	19.87 **
Change in CPI for services (6-month percent, ann. rate).....	1.1	1.2	.6	.6	.7	.6	.7 **
LAGGING INDEX (2004=100).....	108.3	107.9	107.9 r	108.1 r	107.9 r	107.9 p	107.8 p
Percent change from preceding month.....	-8	-.4	.0 r	.2 r	-.2 r	.0 p	-.1 p
U.S. Lagging Economic Index net contributions							
Average duration of unemployment.....	....	-.06	-.13	.06	-.18	-.20	-.15
Ratio, manufacturing and trade inventories to sales.....	....	-.12	.05 r	-.05 r	-.18 r	.02 **	.00 **
Change in index of labor cost per unit of output, mfg.....	....	.00 r	.32	.17 r	.05 r	.02 **	.02 **
Average prime rate charged by banks.....	....	.00	.00	.00	.00	.00	.00
Commercial and industrial loans outstanding.....	....	-.25	-.24 r	-.04 r	.10 r	.07 r	-.05 **
Ratio, consumer installment credit out- standing to personal income.....	....	-.16	-.05 r	-.06	-.14 r	-.08 r	-.02 **
Change in CPI for services.....	....	.02	-.11	.00	.02	-.02	.02

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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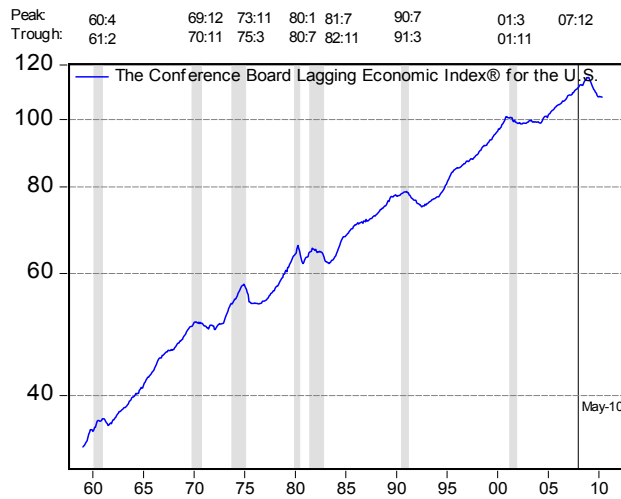
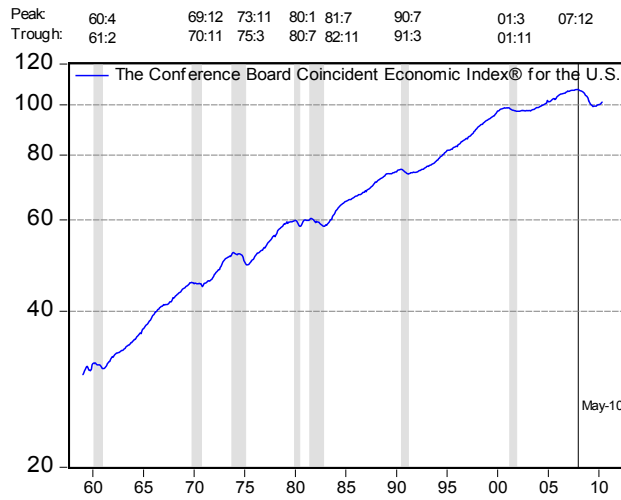
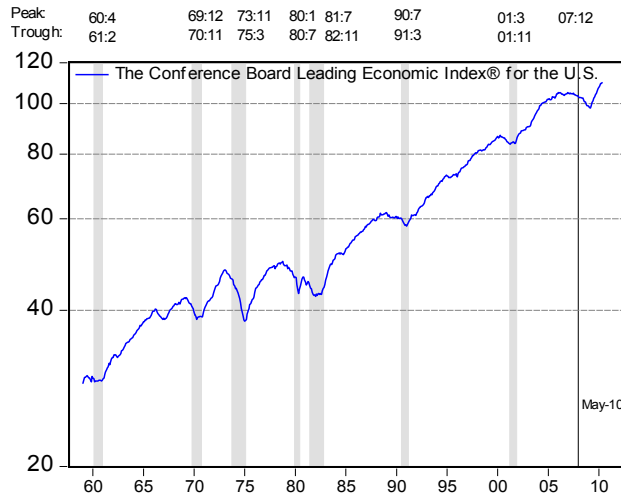
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## U.S. Composite Economic Indexes (2004=100)



Shaded areas represent recessions.

Source: The Conference Board