



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. ET, Thursday, July 22, 2010

The Conference Board®
U.S. Business Cycle IndicatorsSM
**THE CONFERENCE BOARD LEADING ECONOMIC INDEX®
(LEI) FOR THE UNITED STATES
AND RELATED COMPOSITE ECONOMIC INDEXES FOR JUNE 2010**

The Conference Board Leading Economic Index® (LEI) for the U.S. decreased 0.2 percent, **The Conference Board Coincident Economic Index® (CEI)** remained unchanged and **The Conference Board Lagging Economic Index® (LAG)** increased 0.1 percent in June.

- The Conference Board LEI for the U.S. fell in June, its second decline in three months. The average workweek, supplier deliveries and stock prices made the largest negative contributions to the index this month, more than offsetting the positive contributions from the interest rate spread and real money supply. With this month's decline, the six-month change in the leading economic index has slowed to 2.6 percent (a 5.3 percent annual rate) for the first half of the year, down from 5.6 percent (an 11.6 percent annual rate) for the second half of 2009. 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, was unchanged in June. Employment made a negative contribution to the index for the first time this year. The six-month change in the coincident economic index stands at 1.4 percent (a 2.8 percent annual rate) through June 2010, up from 0.7 percent (a 1.4 percent annual rate) in the second half of 2009. In June, the lagging economic index increased slightly, and with the CEI unchanged, the coincident-to-lagging ratio decreased. Meanwhile, real GDP expanded at a 2.7 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.
- After rising sharply from March 2009 to March 2010, The Conference Board LEI for the U.S. is about 4.5 percent above its previous peak before the recession began, although it decreased in two of the last three months. As a result, its six-month growth has fallen to the slowest rate in a year. The Conference Board CEI for the U.S. was unchanged this month, after improving since November 2009. Taken together, the current behavior of the composite indexes suggests that economic activity should continue to expand, but at a slower pace in the near term.

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

The next release is scheduled for August 19, Thursday at 10 A.M. ET.

The Conference Board LEI for the U.S. now stands at 109.8 (2004=100). Based on revised data, this index increased 0.5 percent in May and decreased 0.1 percent in April. During the six-month span through June, the leading economic index increased 2.6 percent, with eight out of ten components advancing (diffusion index, six-month span equals 80 percent).

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

The Conference Board CEI for the U.S. now stands at 101.4 (2004=100). This index increased 0.5 percent in May and increased 0.3 percent in April. During the six-month period through June, 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 107.6 (2004=100) in June, with two of the seven components advancing. The positive contributors to the index – beginning with the larger positive contributor – were commercial and industrial loans outstanding* and change in labor cost per unit of output*. The negative contributors – beginning with the larger negative contributor – were average duration of unemployment (inverted) and the ratio of consumer installment credit to personal income*. The ratio of manufacturing and trade inventories to sales*, average prime rate charged by banks, and change in CPI for services held steady in June. Based on revised data, the lagging economic index decreased 0.1 percent in May and decreased 0.3 percent in April.

DATA AVAILABILITY AND NOTES.

The data series used to compute **The Conference Board Leading Economic Index[®]** (LEI) for the U.S., **The Conference Board Coincident Economic Index[®]** (CEI) for the U.S. and **The Conference Board Lagging Economic Index[®]** (LAG) for the U.S. and reported in the tables in this release are those available “as of” 12 Noon on July 21, 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, 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 Conference Board LEI for the U.S.

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

NOTICES

The Conference Board Leading Economic Index[®] (LEI) for the U.S. news release schedule for 2010:

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

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Table 1.--Summary of U.S. Composite Economic Indexes

	2009 Dec	Jan	Feb	Mar	Apr	May	2010 Jun
Leading index	107.0	107.6	108.0	109.6 r	109.5	110.0 r	109.8 p
Percent change	1.1	.6	.4	1.5 r	-.1 r	.5 r	-.2 p
Diffusion index	85.0	70.0	60.0	70.0	40.0	40.0	60.0
Coincident index	100.0	100.1	100.2	100.6 r	100.9	101.4 p	101.4 p
Percent change	.1	.1	.1	.4 r	.3 r	.5 p	.0 p
Diffusion index	75.0	50.0	62.5	100.0	100.0	100.0	75.0
Lagging index	107.9	107.8 r	108.1	107.9	107.6 p	107.5 p	107.6 p
Percent change	-.4	-.1 r	.3 r	-.2	-.3 p	-.1 p	.1 p
Diffusion index	35.7	35.7	42.9	50.0	35.7	42.9	50.0
Coincident-lagging ratio	92.7	92.9 r	92.7	93.2 r	93.8 r	94.3 p	94.2 p
	Jun to Dec	Jul to Jan	Aug to Feb	Sep to Mar	Oct to Apr	Nov to May	Dec to Jun
Leading index							
Percent change	5.6	5.0	4.8	5.2	4.6	4.0	2.6
Diffusion index	85.0	90.0	100.0	80.0	80.0	90.0	80.0
Coincident index							
Percent change	.7	.6	.7	1.1	1.4	1.5	1.4
Diffusion index	50.0	50.0	62.5	87.5	100.0	100.0	100.0
Lagging index							
Percent change	-3.0	-2.5	-1.9	-1.5	-1.5	-.7	-.3
Diffusion index	21.4	35.7	35.7	28.6	21.4	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

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

Component	2009 Dec	Jan	Feb	Mar	Apr	May	2010 Jun
U.S. Leading Economic Index component data							
Average workweek, production workers, mfg. (hours).....	40.5	40.9	40.5	41.0	41.2	41.5	41.0
Average weekly initial claims, state unemployment insurance (thousands)*.	467.5	481.2	467.4	448.1	459.1	460.4	467.0
Manufacturers' new orders, consumer goods and materials (mil. 1982 dol.).....	123,285	123,645 r	121,535	124,670	124,267 r	123,804 r	123,913 **
Index of supplier deliveries -- vendor performance (percent).....	56.8	60.1	61.1	64.9	61.3	61.0	57.3
Manufacturers' new orders, nondefense capital goods (mil. 1982 dol.).....	35561	37890 r	41309	38550	41577 r	41037 r	41129 **
Building permits (thous.).....	681	629	650	685	610	574	586
Stock prices, 500 common stocks (c) (index: 1941-43=10).....	1,110.38	1,123.58	1,089.16	1,152.05	1,197.32	1,125.06	1,083.36
Money supply, M2 (bil. chn. 2005 dol.).....	7,741.3 r	7,677.0 r	7,731.6 r	7,700.9 r	7,674.3 r	7,751.0 r	7,783.7 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	3.47	3.62	3.56	3.57	3.65	3.22	3.02
Index of consumer expectations (c) (1966:1=100).....	68.9	70.1	68.4	67.9	66.5	68.8	69.8
LEADING INDEX (2004=100).....	107.0	107.6	108.0	109.6 r	109.5	110.0 r	109.8 p
Percent change from preceding month..	1.1	0.6	0.4	1.5 r	-0.1 r	0.5 r	-0.2 p
U.S. Leading Economic Index net contributions							
Average workweek, production workers, mfg.....	....	.27	-.27	.33	.13	.20	-.33
Average weekly initial claims, state unemployment insurance.....	....	-.09	.09	.14	-.08	-.01	-.05
Manufacturers' new orders, consumer goods and materials.....	....	.02 r	-.14 r	.21	-.03 r	-.03 r	.01 **
Index of supplier deliveries -- (vendor performance).....	....	.24	.07	.27	-.26	-.02	-.26
Manufacturers' new orders, nondefense capital goods.....	....	.12	.17	-.13	.15 r	-.03 r	.00 **
Building permits.....	....	-.21	.09	.14	-.30	-.16 r	.05
Stock prices, 500 common stocks (c)	....	.04	-.12	.21	.14	-.23	-.14
Money supply, M2.....	....	-.27 r	.23 r	-.13 r	-.11 r	.32 r	.14 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	....	.38	.38	.38	.39	.34	.32
Index of consumer expectations (c)	....	.04	-.05	-.01	-.04	.07	.03

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 Dec	Jan	Feb	Mar	Apr	May	2010 Jun
U.S. Coincident Economic Index component data							
Employees on nonagricultural payrolls (thousands).....	129,588	129,602	129,641	129,849	130,162 r	130,595 r	130,470
Personal income less transfer payments (ann. rate, bil. chn. 2005 dol.).....	9,008.0	9,010.9 r	9,010.0 r	9,015.9 r	9,064.9 r	9,114.2 r	9,130.9 **
Industrial production (index: 2007=100).....	89.583 r	90.483 r	90.446 r	90.962 r	91.238 r	92.467 r	92.535
Manufacturing and trade sales (mil. chn. 2005 dol.).....	949,097	945,653 r	953,635 r	971,337 r	974,460 r	975,395 **	976,576 **
COINCIDENT INDEX (2004=100).....	100.0	100.1	100.2	100.6 r	100.9	101.4 p	101.4 p
Percent change from preceding month.....	0.1	0.1	0.1	0.4 r	0.3 r	0.5 p	0.0 p
U.S. Coincident Economic Index net contributions							
Employees on nonagricultural payrolls.....	....	.01	.01	.08	.12 r	.16	-.05
Personal income less transfer payments.....	....	.01 r	.00 r	.02 r	.14 r	.14 r	.05 **
Industrial production.....	....	.13 r	-.01	.08 r	.04 r	.18 r	.01
Manufacturing and trade sales.....	....	-.04	.09	.20 r	.03 r	.01 **	.01 **
U.S. Lagging Economic Index component data							
Average duration of unemployment (weeks)*.....	29.1	30.2	29.7	31.2	33.0	34.4	35.2
Ratio, manufacturing and trade inventories to sales (chain 2005 dol.).....	1.363	1.369	1.363	1.343	1.342 r	1.342 **	1.342 **
Change in index of labor cost per unit of output, mfg. (6-month percent, ann. rate).....	-10.7 r	-5.6 r	-1.9 r	-.90 r	-.5 **	-.3 **	-.1 **
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.).....	672,000 r	656,180 r	654,146 r	657,240 r	658,034 r	655,831 r	660,482 **
Ratio, consumer installment credit out- standing to personal income (percent).....	20.21	20.16	20.09 r	19.95 r	19.74 r	19.58 r	19.54 **
Change in CPI for services (6-month percent, ann. rate).....	1.2	.6	.6	.7	.6	.7	.7
LAGGING INDEX (2004=100).....	107.9	107.8 r	108.1	107.9	107.6 r	107.5 p	107.6 p
Percent change from preceding month.....	-.4	-.1 r	.3 r	-.2	-.3 r	-.1 p	.1 p
U.S. Lagging Economic Index net contributions							
Average duration of unemployment.....	....	-.13	.06	-.18	-.20	-.15	-.08
Ratio, manufacturing and trade inventories to sales.....	....	.05	-.05	-.18 r	-.01 r	.00 **	.00 **
Change in index of labor cost per unit of output, mfg.....	....	.32	.23 r	.06 r	.03 **	.01 **	.01 **
Average prime rate charged by banks.....	....	.00	.00	.00	.00	.00	.00
Commercial and industrial loans outstanding.....	....	-.26 r	-.03 r	.05 r	.01 r	-.04 r	.08 **
Ratio, consumer installment credit out- standing to personal income.....	....	-.05	-.07 r	-.15 r	-.22 r	-.17 r	-.04 **
Change in CPI for services.....	....	-.11	.00	.02	-.02	.02	.00

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)

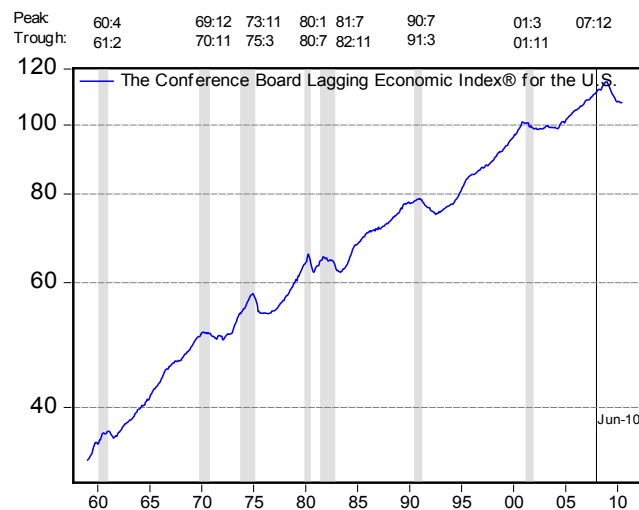
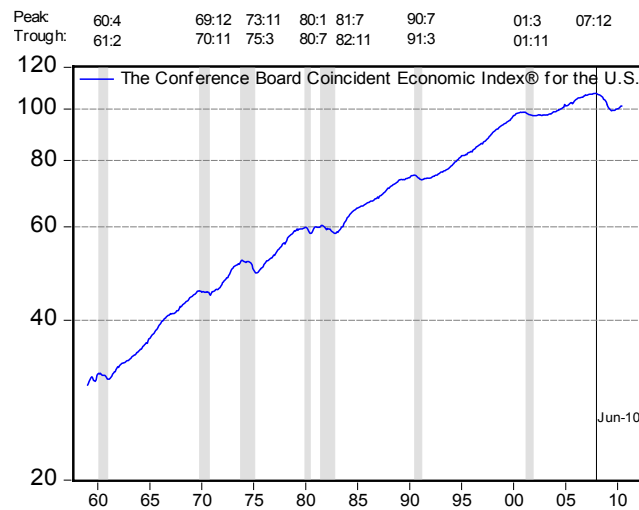
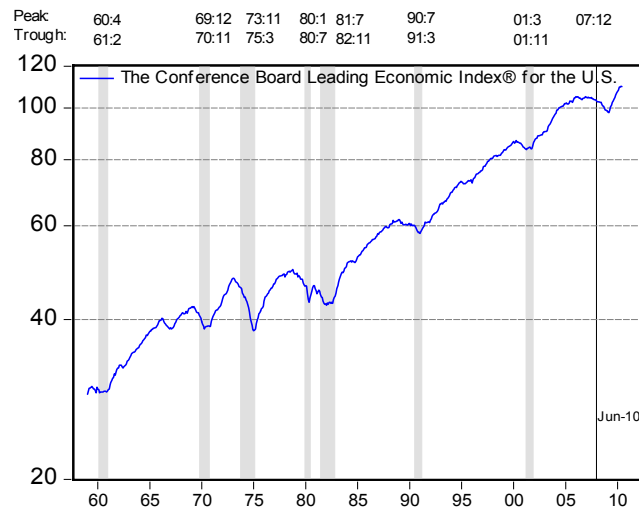
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U.S. Composite Economic Indexes (2004=100)



Shaded areas represent recessions.

Source: The Conference Board