



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. (CST), THURSDAY, OCTOBER 29, 2009

The Conference Board®
Mexico Business Cycle IndicatorsSM
**THE CONFERENCE BOARD LEADING ECONOMIC INDEX™
(LEI) FOR MEXICO**
AND RELATED COMPOSITE ECONOMIC INDEXES FOR AUGUST 2009

The Conference Board Leading Economic Index™ (LEI) for Mexico increased 1.1 percent and **The Conference Board Coincident Economic Index™ (CEI)** increased 0.6 percent in August.

- The Conference Board LEI for Mexico increased for the sixth consecutive month in August. Apart from the construction component of industrial production, most of the leading indicators contributed positively to the index this month. The leading economic index increased 11.7 percent (about a 24.9 percent annual rate) between February and August 2009, a sharp reversal from the decrease of 17.1 percent (about a -31.2 percent annual rate) for the previous six months. In addition, the strengths among the leading indicators have remained widespread in recent months.
- The Conference Board CEI for Mexico increased for the second straight month in August, with all its components making positive contributions. Between February and August 2009, the coincident economic index decreased 0.9 percent (about a -1.9 percent annual rate), slower than the decline of 5.0 percent (about a -9.7 percent annual rate) during the previous six months. However, the weaknesses among the coincident indicators have remained very widespread, with none of the components increasing over the past six months. Meanwhile, real GDP declined at a 4.4 percent annual rate in the second quarter of 2009, a large improvement from the contraction of 21.2 percent annual rate in the first quarter of the year.
- The Conference Board LEI for Mexico, which was on a steep downtrend between July 2008 and February 2009, has risen sharply for half a year now amid widespread strength among its components. Meanwhile, The Conference Board CEI for Mexico has increased for the past two months, after declining continuously since the middle of last year. All in all, the recent behavior of the composite indexes suggests that the downturn in economic activity is bottoming out, and that the economy may begin to recover soon.

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

With the 1.1 percent increase in August, The Conference Board LEI for Mexico now stands at 111.3 (2004=100). Based on revised data, this index increased 1.2 percent in July and increased 2.2 percent in June. During the six-month span through August, the index increased 11.7 percent, with five of the six components increasing (diffusion index, six-month span equals 83.3 percent).

The next release is scheduled for Monday, November 23, 2009 at 11:00 A.M. (ET)
In Mexico – Monday, November 23, 2009 at 10:00 A.M. (CST)

COINCIDENT INDICATORS. All three components that make up The Conference Board CEI for Mexico increased in August. The positive contributors—from the largest positive contributor to the smallest—are industrial production, retail sales, and number of people employed (measured by IMSS beneficiaries)

With the increase of 0.6 percent in August, The Conference Board CEI for Mexico now stands at 105.6 (2004=100). Based on revised data, this index increased 0.4 percent in July and decreased 0.1 percent in June. During the six-month span through August, the index decreased 0.9 percent, with none of the three components increasing (diffusion index, six-month span equals 0.0 percent).

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. October 27, 2009. Some series are estimated as noted below.

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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/economics/bci/>.

Mexico Composite Economic Indexes: Components and Standardization Factors

<u>Leading Economic Index</u>	<u>Factor</u>
1. Industrial Production, Construction Component	.1848
2. Stock Prices	.0545
3. U.S. Refiners' Acquisition Cost of Domestic and Imported Crude Oil	.0867
4. Net Insufficient Inventories	.4190
5. Federal Funds Rate	.0975
6. Real Exchange Rate	.1575

<u>Coincident Economic Index</u>	
1. Industrial Production	.3883
2. Retail Sales	.1948
3. Employment	.4169

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 2009, 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 2007 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 to December 2007 as the sample period. Separate sets of factors for the April 1980 to March 1986 period, and April 1986 to January 2007 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 Web site: <http://www.conference-board.org/economics/bci>.

The trend adjustment factor for The Conference Board LEI for Mexico is 0.0171 (calculated over the 1980 to 2007 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 2009 schedule for “**The Conference Board Leading Economic Index™ (LEI)** for Mexico” news release is:

September 2009 Data..... Monday, November 23, 2009
October 2009 Data..... Monday, December 21, 2009

All releases are at 11:00 A.M. (ET) and 10:00 A.M. (CST).

About The Conference Board

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Individual Data Series	\$ 35 per series downloaded
Monthly BCI Report	\$ 275 per year
<i>(Sample available at http://www.conference-board.org/publications/describeBCI.cfm)</i>	
BCI Handbook (published 2001)	\$ 20
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Business Cycle Indicators for Australia, 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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The Conference Board Mexico Business Cycle Indicators

Table 1.--Summary of Mexico Composite Economic Indexes

	2009						
	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.
Leading index	99.6	101.1	104.1	106.5	108.8 r	110.1 r	111.3
Percent change	-0.4	1.5	3.0	2.3	2.2 r	1.2 r	1.1
Diffusion index	66.7	50.0	83.3	83.3	83.3	83.3	75.0
Coincident index	106.6	105.9	105.7	104.7	104.6	105.0	105.6
Percent change	-0.8	-0.7	-0.2	-0.9	-0.1	0.4	0.6
Diffusion index	0.0	66.7	0.0	0.0	33.3	83.3	100.0
	Aug to Feb.	Sep to Mar.	Oct to Apr.	Nov to May.	Dec to Jun.	Jan to Jul.	Feb to Aug.
Leading index							
Percent change	-17.1	-13.8	-5.4	1.5	7.0 r	10.1 r	11.7
Diffusion index	16.7	16.7	33.3	83.3	83.3	100.0	83.3
Coincident index							
Percent change	-5.0	-5.5	-5.5	-5.7	-4.2	-2.3	-0.9
Diffusion index	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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						
	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.
Mexico Leading Economic Index component data							
Industrial Production, Construction Component, SA Index, 2003=100	115.3	113.6 r	114.8	111.4	114.9 r	116.1	112.6
Stock Prices, IPC35 (BOLSA) October 1978=0.78	17752.18	19626.75	21898.85	24331.71	24368.38	27043.50	28129.95
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel	38.15	45.57	48.78	55.96	65.71 r	63.58 r	70.25
Net Insufficient Inventories Difference, (3 month moving average), Survey	-15.01 r	-15.43 r	-15.48 r	-13.87 r	-13.03 r	-11.43 r	-11.25
Federal Funds, Money Market Rate* Percentage, Monthly Average	7.94	7.64	6.68	5.78	5.26	4.92	4.89
Real Exchange Rate, (Central Bank Settlement Rate)* Peso/US\$, Monthly Average	23.01	23.20	21.15	20.81	21.12	21.10	20.57
LEADING INDEX (2004=100).....	99.6	101.1	104.1	106.5	108.8 r	110.1 r	111.3
Percent change from preceding month.....		1.5	3.0	2.3	2.2 r	1.2 r	1.1
Mexico Leading Economic Index net contributions							
Industrial Production, Construction Component, SA Index, 2003=100 .....	....	-0.26	0.19 r	-0.56	0.57 r	0.20 r	-0.57
Stock Prices, IPC35 (BOLSA) October 1978=0.78 .....	....	0.55	0.60	0.57	0.01	0.57	0.21
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel .....	....	1.54	0.59	1.19	1.39 r	-0.29 r	0.86
Net Insufficient Inventories Difference, (3 month moving average), Survey .....	....	-0.18	-0.02 r	0.67 r	0.35 r	0.67 r	0.08
Federal Funds, Money Market Rate* Percentage, Monthly Average .....	....	0.03	0.09	0.09	0.05	0.03	0.00
Real Exchange Rate, (Central Bank Settlement Rate)* Peso/US\$, Monthly Average .....	....	-0.13	1.46	0.26	-0.23	0.01	0.40

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						
	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.
Mexico Coincident Economic Index Component Data							
Industrial Production, SA Index, (2003=100), 3 month moving average	107.0	105.0 r	104.9 r	103.7 r	103.7 r	104.6 r	105.6
Retail Sales, SA Index, (2000=100), 3 month moving average	114.9 r	115.2 r	115.1 r	114.2 r	113.7 r	113.7 r	114.3
Employment, IMSS Beneficiaries Thousands, monthly average	14027	14040	13980	13868	13871	13887	13919
COINCIDENT INDEX (2004=100)	106.6	105.9	105.7	104.7	104.6	105.0	105.6
Percent change from preceding month.....		-0.7	-0.2	-0.9	-0.1	0.4	0.6
Mexico Coincident Economic Index net contributions							
Industrial Production, SA Index, (2003=100), 3 month moving average	....	-0.74	-0.03	-0.44 r	0.00 r	0.34 r	0.37
Retail Sales, SA Index, (2000=100), 3 month moving average	....	0.04 r	-0.02	-0.15 r	-0.08	0.00 r	0.10
Employment, IMSS Beneficiaries Thousands, monthly average .....	....	0.04	-0.18	-0.34	0.01	0.05	0.10

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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Mexico

