



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. (LONDON TIME), FRIDAY, NOVEMBER 12, 2010

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

**BRUSSELS, November 12, 2010...** The Conference Board Leading Economic Index® (LEI) for the U.K. increased 0.3 percent, and The Conference Board Coincident Economic Index® (CEI) increased 0.1 percent in September.

- The Conference Board LEI for the U.K. increased again in September. Positive contributions from the yield spread, stock prices, and order book volume more than offset the negative contributions from consumer confidence and volume of expected output. Between March and September 2010, the leading economic index increased 1.9 percent (a 3.8 percent annual rate), substantially slower than the increase of 5.2 percent (about a 10.6 percent annual rate) during the previous six months. In addition, the weaknesses among the leading indicators have been more widespread than the strengths in recent months.
- The Conference Board CEI for the U.K., a measure of current economic activity, increased slightly in September, after remaining unchanged in August. Between March and September 2010, the coincident economic index increased 0.7 percent (a 1.4 percent annual rate), a reversal from the decline of 0.2 percent (a -0.4 percent annual rate) between September 2009 and March 2010. Additionally, the strengths among the coincident indicators have remained more widespread than the weaknesses in recent months. At the same time, real GDP increased at a 3.3 percent annual rate in the third quarter, following an increase of 4.6 percent annual rate in the second quarter.
- The Conference Board LEI for the U.K. has been rising since April 2009, though its six-month growth rate has fallen rapidly and the weaknesses among its components have become more widespread than the strengths in recent months. Meanwhile, The Conference Board CEI for the U.K. has been increasing for more than half a year now, but its six-month growth rate has slowed slightly. Taken together, the recent behavior of the composite indexes suggest that economic activity should continue to expand, but at a more modest pace in the months ahead.

**LEADING INDICATORS.** Four of the seven components that make up The Conference Board LEI for the U.K. increased in September. The positive contributors – in order from the largest positive contributor to the smallest – were the yield spread, stock prices, order book volume, and productivity for the whole economy\*. The negative contributors – from the largest negative contributor to the smallest – were consumer confidence, volume of expected output, and total gross operating surplus of corporations\*.

The next release is scheduled for Thursday, December 9, 2010 at 10:00 A.M. (London Time)  
*In the U.S. – Thursday, December 9, 2010 at 5:00 A.M. (ET)*

With the 0.3 percent increase in September, The Conference Board LEI for the U.K. now stands at 103.5 (2004=100). Based on revised data, this index increased 0.1 percent in August and increased 0.2 percent in July. During the six-month span through September, the leading economic index increased 1.9 percent, with three of the seven components advancing (diffusion index, six-month span equals 42.9 percent).

COINCIDENT INDICATORS. Three of the four components that make up The Conference Board CEI for the U.K. increased in September. The positive contributors – in order from the largest positive contributor to the smallest – were employment\*, industrial production, and real household disposable income\*. Retail sales declined in September.

With the increase of 0.1 percent in September, The Conference Board CEI for the U.K. now stands at 103.0 (2004=100). Based on revised data, this index remained unchanged in August and increased 0.1 percent in July. During the six-month period through September, the coincident economic index increased 0.7 percent, with three of the four components advancing (diffusion index, six-month span equals 75.0 percent).

DATA AVAILABILITY:

The data series used to compute **The Conference Board Leading Economic Index<sup>®</sup>** (LEI) for the U.K. and **The Conference Board Coincident Economic Index<sup>®</sup>** (CEI) for the U.K. reported in this release are those available “as of” 10 A.M. ET on Wednesday, November 10, 2010. Some series are estimated as noted below.

\* Series in The Conference Board LEI for the U.K. that are based on our estimates are productivity for the whole economy and total gross operating surplus of corporations. Series in The Conference Board CEI for the U.K. that are based on our estimates are employment and real household disposable income.

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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 the U.K. have occurred before those in aggregate economic activity, while the cyclical turning points in The Conference Board CEI for the U.K. have occurred at about the same time as those in aggregate economic activity.

Further explanations of the cyclical indicator approach and the composite economic index methodology appear in The Conference Board’s *Business Cycle Indicators* report and website: <http://www.conference-board.org/data/bci.cfm>.

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

<u>Leading Economic Index</u>		<u>Factor</u>
1	Order Book Volume	0.0593
2	Expected Output Volume	0.0478
3	Consumer Confidence	0.0993
4	All Share Price Index	0.0340
5	Yield Spread	0.0866
6	Productivity, Whole Economy	0.5549
7	Operating Surplus, Corporations	0.1181
 <u>Coincident Economic Index</u>		
1	Industrial Production	0.0596
2	Retail Sales	0.0572
3	Employment	0.7240
4	Real Household Disposable Income	0.1592

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 with the January 2010 release, 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 economic indexes only incorporate revisions to data over the past six months.) The factors above for the leading economic index were calculated using 1977-2008 as the sample period for measuring volatility. Separate sets of factors for the 1975-1977 period, the 1974-1975 period, as well as the 1970-1974 period, are available upon request. The factors above for the coincident economic index were calculated using 1992-2008 as the sample period; separate sets of factors for the 1978-1992 period and the 1970-1978 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 their total continues to sum to 1. For additional information on the standardization factors and the index methodology visit our website: <http://www.conference-board.org/data/bci.cfm>.

The trend adjustment factor for the leading index is -0.0464, calculated over the 1970-2008 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 monthly data revisions are now a regular part of the U.S. Business Cycle and Global Indicators program. The main advantage of this procedure is to utilize in the leading economic index the data such as bond yields, stock prices, and change in consumer confidence that are available sooner than other data on “real” aspects of the economy such as housing starts and new orders. 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 next release for **The Conference Board Leading Economic Index®** (LEI) for the U.K. is:

October 2010 Data

Thursday, December 9, 2010

All releases are at 10:00 A.M. (London Time)

## **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.

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### **U.K. Business Cycle Indicators Internet Subscription**

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### **BCI Handbook (published 2001)**

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The Conference Board U.K. Business Cycle Indicators

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

	2010						
	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.
Leading index	101.6	102.2	102.4	102.9 p	103.1 p	103.2 p	103.5 p
Percent change	1.0	0.6	0.2	0.5 p	0.2 p	0.1 p	0.3 p
Diffusion index	78.6	64.3	42.9	42.9	42.9	42.9	42.9
Coincident index	102.3	102.4	102.5	102.8 p	102.9 p	102.9 p	103.0 p
Percent change	0.2	0.1	0.1	0.3 p	0.1 p	0.0 p	0.1 p
Diffusion index	75.0	50.0	75.0	50.0	62.5	50.0	62.5
	Sep to Mar	Oct to Apr	Nov to May	Dec to Jun	Jan to Jul	Feb to Aug	Mar to Sep
Leading index							
Percent change	5.2	4.5	3.6	3.7 p	3.2 p	2.6 p	1.9 p
Diffusion index	85.7	85.7	78.6	42.9	42.9	57.1	42.9
Coincident index							
Percent change	-0.2	-0.1	0.1	0.5 p	0.9 p	0.8 p	0.7 p
Diffusion index	25.0	50.0	50.0	75.0	75.0	75.0	75.0

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.

For more information, visit our Web site at [www.conference-board.org/economics/bci](http://www.conference-board.org/economics/bci)

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**The Conference Board U.K. Business Cycle Indicators**

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

Component	2010						
	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.
U.K. Leading Economic Index component data							
Order Book Volume, CBI Monthly Enquiry (3 month moving average).....	-37.3	-36.3	-30.3	-25.7	-19.0	-17.7	-15.7
Volume of Expected Output, CBI Monthly Enquiry (3 month moving average).....	5.3	8.7	12.0	15.3	12.7	10.3	9.3
Consumer Confidence (3 month moving average).....	-4.1	-4.5	-7.0	-8.9	-12.6	-13.8	-15.7
Stock prices, FTSE all share prices index (Apr. 10, 1962=100).....	2875.7	2939.9	2701.8	2653.2	2664.6	2721.6	2846.5
Yield Spread, 10 years minus Bank Rate.....	3.6	3.6	3.3	3.1	3.0	2.7	2.6
Productivity, Whole Economy Index (2006=100, Q)	98.7	99.0	99.2	99.4 **	99.6 **	99.7 **	99.8 **
Total Gross Operating Surplus of Corporations (Deflated with IPD, Q)	70067.8	69480.6	68900.3	68533.3 **	68303.6 **	68162.5 **	68078.3 **
<b>LEADING INDEX (2004=100).....</b>	<b>101.6</b>	<b>102.2</b>	<b>102.4</b>	<b>102.9</b> p	<b>103.1</b> p	<b>103.2</b> p	<b>103.5</b> p
Percent change from preceding month.....		0.6	0.2	0.5 p	0.2 p	0.1 p	0.3 p
U.K. Leading Economic Index net contributions							
Order Book Volume, CBI Monthly Enquiry (3 month moving average).....	....	0.06	0.36	0.27	0.40	0.08	0.12
Volume of Expected Output, CBI Monthly Enquiry (3 month moving average).....	....	0.16	0.16	0.16	-0.12	-0.11	-0.05
Consumer Confidence (3 month moving average).....	....	-0.04	-0.25	-0.19	-0.37	-0.12	-0.19
Stock prices, FTSE all share prices index (Apr. 10, 1962=100).....	....	0.08	-0.29	-0.06	0.01	0.07	0.15
Yield Spread, 10 years minus Bank Rate.....	....	0.31	0.29	0.27	0.26	0.23	0.23
Productivity, Whole Economy Index (2006=100, Q)	....	0.13	0.13	0.11 **	0.09 **	0.08 **	0.07 **
Total Gross Operating Surplus of Corporations (Deflated with IPD, Q)	....	-0.10	-0.10	-0.06 **	-0.04 **	-0.02 **	-0.01 **

p Preliminary. r Revised. n.a. Not available. c Corrected.

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

\*\* Statistical Imputation (See page 2 for more details)

Q Quarterly series; these series are converted to a monthly series through a linear interpolation.

**Data Sources:** National Statistics, Thomson Financial, Bank of England, Confederation of British Industry and The European Commission

**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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The Conference Board U.K. Business Cycle Indicators

Table 3.--Data and Net Contributions of the U.K. Coincident Economic Index

Component	2010						
	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.
U.K. Coincident Economic Index component data							
Industrial Production (2006=100).....	89.4	88.8	89.3	88.9	89.2	89.5 r	89.8
Retail Sales, Volume (2005=100).....	106.3 r	106.4 r	107.1 r	107.8 r	108.8 r	108.0 r	107.9
Employment, (average, thousands).....	28872.0	28980.0	29023.0	29158.0	29158.0 r	29165.8 **	29176.6 **
Real Household Disposable Income (2006 Constant Price, Q).....	217935.0	216790.0	215646.0	215150.8 **	215008.7 **	215058.8 **	215213.4 **
<b>COINCIDENT INDEX (2004=100).....</b>	<b>102.3</b>	<b>102.4</b>	<b>102.5</b>	<b>102.8 p</b>	<b>102.9 p</b>	<b>102.9 p</b>	<b>103.0 p</b>
Percent change from preceding month		0.1	0.1	0.3 p	0.1 p	0.0 p	0.1 p
U.K. Coincident Economic Index net contributions							
Industrial Production (2006=100).....	....	-0.04	0.03	-0.03	0.02	0.02 r	0.02
Retail Sales, Volume (2005=100).....	....	0.01 r	0.04	0.04	0.05 r	-0.04 r	-0.01
Employment, (average, thousands).....	....	0.27	0.11	0.34	0.00 r	0.02 **	0.03 **
Real Household Disposable Income (2006 Constant Price, Q).....	....	-0.08	-0.08	-0.04 **	-0.01 **	0.00 **	0.01 **

p Preliminary. r Revised. n.a. Not available. c Corrected.

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

\*\* Statistical Imputation (See page 2 for more details)

Q Quarterly series; these series are converted to monthly through a linear interpolation.

Data Sources: National Statistics, Thomson Financial

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).

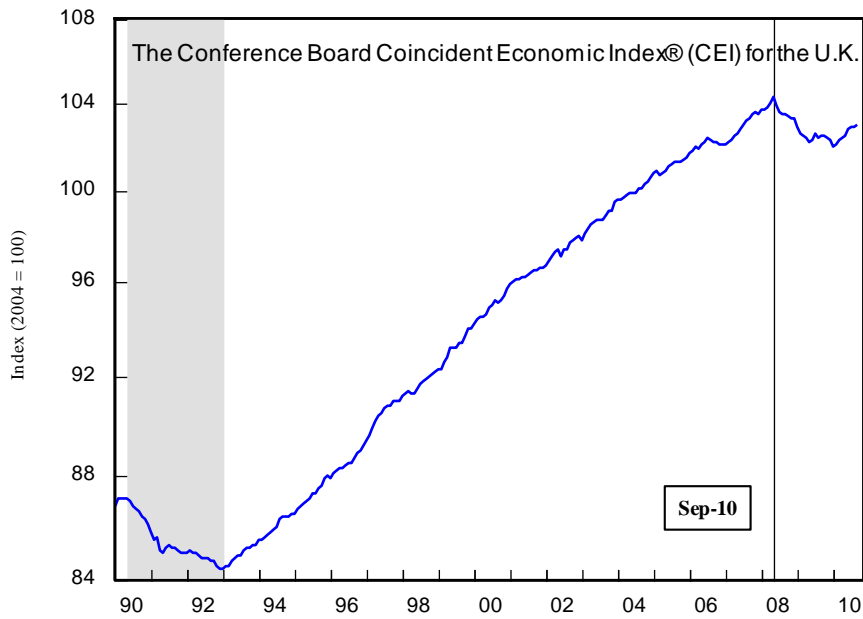
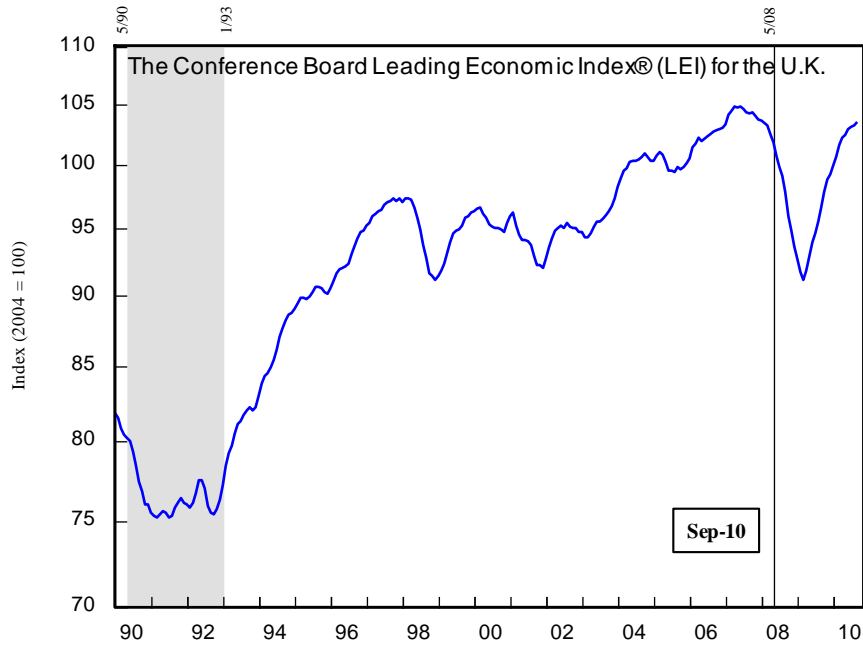
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## United Kingdom Composite Economic Indexes



Note: The shaded areas represent business cycle recessions.  
The peaks and troughs are designated by The Conference Board  
based on the coincident index and real GDP.

Source: The Conference Board