



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. ET, Thursday, March 17, 2011

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 FEBRUARY 2011

The Conference Board Leading Economic Index® (LEI) for the U.S. increased 0.8 percent, **The Conference Board Coincident Economic Index®** (CEI) increased 0.2 percent and **The Conference Board Lagging Economic Index®** (LAG) increased 0.2 percent in February.

- The Conference Board LEI for the U.S. continued to increase in February. The interest rate spread and initial unemployment claims (inverted) made large positive contributions to the index this month, more than offsetting the continued large decline in building permits. The six-month change in the index stands at 3.9 percent (an 8.0 percent annual rate), up from 1.8 percent (a 3.6 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 the U.S., a measure of current economic activity, also increased in February. Between August 2010 and February 2011, the index increased 1.2 percent (a 2.4 percent annual rate), in line with the growth of 1.3 percent (a 2.6 percent annual rate) for the previous six months. In addition, the strengths among the coincident indicators have remained very widespread, with all components advancing over the past six months. This month, the lagging economic index increased at the same pace as the CEI, and the coincident-to-lagging ratio remained unchanged, as a result. Meanwhile, real GDP expanded at a 2.8 percent annual rate in the fourth quarter of 2010, following growth of 2.6 percent annual rate in the third quarter.
- The Conference Board LEI for the U.S. remains on a rising trend with widespread strength among its components, and its six-month growth rate has quickened lately. Meanwhile, The Conference Board CEI for the U.S. continues to be on a generally increasing path, and its six-month growth rate has picked up slightly in recent months. All in all, the current behavior of the composite indexes and their components suggest that economic activity should continue to expand, and may even pick up modestly in the near term.

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

The next release is scheduled for April 21, Thursday at 10 A.M. ET.

The Conference Board LEI for the U.S. now stands at 113.4 (2004=100). Based on revised data, this index increased 0.1 percent in January and increased 1.0 percent in December. During the six-month span through February, the leading economic index increased 3.9 percent, with eight out of ten components advancing (diffusion index, six-month span equals 80.0 percent).

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

The Conference Board CEI for the U.S. now stands at 102.5 (2004=100). This index increased 0.3 percent in January and increased 0.3 percent in December. During the six-month period through February, the coincident economic index increased 1.2 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 108.0 (2004=100) in February, with three of the seven components advancing. The positive contributors to the index – beginning with the largest positive contributor – were commercial and industrial loans outstanding*, change in CPI for services*, and change in labor cost per unit of output*. The negative contributors – beginning with the larger negative contributor – were ratio of consumer installment credit to personal income*, and average duration of unemployment (inverted). The ratio of manufacturing and trade inventories to sales* and the average prime rate charged by banks held steady in February. Based on revised data, the lagging economic index decreased 0.3 percent in January and increased 0.2 percent in December.

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 March 16, 2011. 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, manufacturing and trade sales, and the industrial production index. 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.

For this month’s release, the industrial production component of the CEI was also estimated by The Conference Board using statistical imputation since the series had not been published at the time of production. For further information on the estimation, please see notes on page 3.

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	0.2737
2	Average weekly initial claims for unemployment insurance	0.0322
3	Manufacturers' new orders, consumer goods and materials	0.0817
4	Index of supplier deliveries – vendor performance	0.0717
5	Manufacturers' new orders, nondefense capital goods	0.0195
6	Building permits, new private housing units	0.0264
7	Stock prices, 500 common stocks	0.0370
8	Money supply, M2	0.3230
9	Interest rate spread, 10-year Treasury bonds less federal funds	0.1052
10	Index of consumer expectations	0.0296
<u>Coincident Economic Index</u>		
1	Employees on nonagricultural payrolls	0.4881
2	Personal income less transfer payments	0.2617
3	Industrial production	0.1375
4	Manufacturing and trade sales	0.1127
<u>Lagging Economic Index</u>		
1	Average duration of unemployment	0.0361
2	Inventories to sales ratio, manufacturing and trade	0.1213
3	Labor cost per unit of output, manufacturing	0.0588
4	Average prime rate	0.2802
5	Commercial and industrial loans	0.0968
6	Consumer installment credit to personal income ratio	0.2117
7	Consumer price index for services	0.1951

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 2011, 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 1984-2009 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 1959-2009. 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 -0.0221, and the trend adjustment factor for The Conference Board LAG for the U.S is 0.1590.

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 2011:

Thursday, April 21, 2011	For March 2011 data
Thursday, May 19, 2011	For April 2011 data
Friday, June 17, 2011	For May 2011 data
Thursday, July 21, 2011	For June 2011 data
Thursday, August 18, 2011	For July 2011 data
Thursday, September 22, 2011	For August 2011 data
Thursday, October 20, 2011	For September 2011 data
Friday, November 18, 2011	For October 2011 data
Thursday, December 22, 2011	For November 2011 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

(Includes monthly release, data, charts and commentary)

\$565 (for TCB members)/\$715 (for non-TCB members) per year (1 user)

Individual Data Series

\$45 (for TCB members)/\$50 (for non-TCB members) per series downloaded

Monthly BCI Report

(Sample available at <http://www.conference-board.org/data/monthlybci.cfm>)

\$230 (for TCB members)/\$285 (for non-TCB members) per year

BCI Handbook (published 2001)

\$25

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

	2010				2011			
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	
Leading index	109.1	109.9	110.1	111.3	112.4	r 112.5	r 113.4	p
Percent change	.1	.7	.2	1.1	1.0	r .1	.8	p
Diffusion index	65.0	70.0	55.0	75.0	80.0	55.0	80.0	
Coincident index	101.3	101.4	101.5	101.7	102.0	102.3	p 102.5	p
Percent change	.0	.1	.1	.2	.3	.3	p .2	p
Diffusion index	50.0	62.5	87.5	100.0	75.0	62.5	100.0	
Lagging index	107.7	108.3	r 108.2	r 107.9	r 108.1	p 107.8	p 108.0	p
Percent change	.1	.6	r -.1	r -.3	.2	-3	p .2	p
Diffusion index	50.0	78.6	21.4	21.4	50.0	35.7	57.1	
Coincident-lagging ratio	94.1	93.6	r 93.8	r 94.3	94.4	p 94.9	p 94.9	p
	Feb to	Mar to	Apr to	May to	Jun to	Jul to	Aug to	
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	
Leading index								
Percent change	1.8	1.2	1.4	2.1	3.3	3.2	3.9	
Diffusion index	50.0	45.0	45.0	60.0	70.0	85.0	80.0	
Coincident index								
Percent change	1.3	1.1	.7	.6	.8	1.0	1.2	
Diffusion index	100.0	100.0	100.0	87.5	100.0	100.0	100.0	
Lagging index								
Percent change	.3	1.1	1.2	.8	1.0	.2	.3	
Diffusion index	64.3	64.3	64.3	64.3	78.6	35.7	35.7	

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	2010					2011	
	Aug	Sep	Oct	Nov	Dec	Jan	Feb
U.S. Leading Economic Index component data							
Average work week, production workers, mfg. (hours).....	41.1	41.3	41.2	41.2	41.3 r	41.1 r	41.2
Average weekly initial claims, state unemployment insurance (thousands)*.	487.0	456.6	456.5	431.6	411.2	431.8 r	389.4
Manufacturers' new orders, consumer goods and materials (mil. 1982 dol.).....	124,229	124,571	122,641 r	125,118	125,835 r	124,936 r	125,093 **
Index of supplier deliveries -- vendor performance (percent).....	55.9	53.8	52.3	58.1	56.7	58.6	59.4
Manufacturers' new orders, nondefense capital goods (mil. 1982 dol.).....	41980	46835	45274 r	41681	40089 r	42114 r	41289 **
Building permits (thous.).....	571	547	552	544	627	563 r	517
Stock prices, 500 common stocks (c) (index: 1941-43=10).....	1,087.28	1,122.08	1,171.58	1,198.89	1,241.53	1,282.62	1,321.12
Money supply, M2 (bil. chn. 2005 dol.)....	7,792.9	7,830.9 r	7,849.9 r	7,877.0 r	7,883.0 r	7,879.1 r	7,903.0 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	2.51	2.46	2.35	2.57	3.11	3.22	3.42
Index of consumer expectations (c) (1966:1=100).....	62.9	60.9	61.9	64.8	67.5	69.3	71.6
LEADING INDEX (2004=100).....	109.1	109.9	110.1	111.3	112.4 r	112.5 r	113.4 p
Percent change from preceding month..	0.1	0.7	0.2	1.1	1.0 r	0.1	0.8 p
U.S. Leading Economic Index net contributions							
Average work week, production workers, mfg.....	....	.13	-.07	.00	.07	-.13	.07
Average weekly initial claims, state unemployment insurance.....	....	.21	.00	.18	.16	-.16	.33
Manufacturers' new orders, consumer goods and materials.....	....	.02	-.13 r	.16	.05	-.06 r	.01 **
Index of supplier deliveries -- (vendor performance).....	....	-.15	-.11	.42	-.10	.14	.06
Manufacturers' new orders, nondefense capital goods.....	....	.21	-.07 r	-.16	-.08 r	.10 r	-.04 **
Building permits.....	....	-.11	.02	-.04	.37	-.28 r	-.22
Stock prices, 500 common stocks (c)	....	.12	.16	.09	.13	.12	.11
Money supply, M2.....	....	.16	.08 r	.11	.02	-.02 r	.10 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	....	.26	.25	.27	.33	.34	.36
Index of consumer expectations (c)	....	-.06	.03	.09	.08	.05	.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 4 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	2010					2011	
	Aug	Sep	Oct	Nov	Dec	Jan	Feb
U.S. Coincident Economic Index component data							
Employees on nonagricultural payrolls (thousands).....	129,873	129,844	130,015	130,108	130,260 r	130,323 r	130,515
Personal income less transfer payments (ann. rate, bil. chn. 2005 dol.).....	9,252.4 r	9,253.7 r	9,286.0 r	9,301.8 r	9,324.9 r	9,426.7 r	9,449.4 **
Industrial production (index: 2007=100).....	93.579	93.880 r	93.838 r	94.103 r	95.199	95.145 r	95.217 **
Manufacturing and trade sales (mil. chn. 2005 dol.).....	981,643	982,005	984,113 r	990,419 r	989,408 r	990,867 **	992,021 **
COINCIDENT INDEX (2004=100).....	101.3	101.4 r	101.5	101.7	102.0	102.3 p	102.5 p
Percent change from preceding month.....	0.0	0.1	0.1	0.2	0.3	0.3 p	0.2 p
U.S. Coincident Economic Index net contributions							
Employees on nonagricultural payrolls.....	....	-.01	.06	.03	.06	.02 r	.07
Personal income less transfer payments.....	....	.00	.09 r	.04 r	.06 r	.28 r	.06 **
Industrial production.....	....	.04 r	-.01	.04 r	.16	-.01 r	.01 **
Manufacturing and trade sales.....	....	.00	.02 r	.07 r	-.01 r	.02 **	.01 **
U.S. Lagging Economic Index component data							
Average duration of unemployment (weeks)*.....	33.5	33.4	33.9	33.9	34.2	36.9	37.1
Ratio, manufacturing and trade inventories to sales (chain 2005 dol.).....	1.343	1.351	1.352 r	1.337 r	1.340	1.340 **	1.340 **
Change in index of labor cost per unit of output, mfg. (6-month percent, ann. rate).....	.6	2.9 r	1.0 r	-1.10 r	-1.2 r	-.9 **	-.7 **
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.).....	660,357 r	674,864 r	670,495 r	658,734 r	667,412 r	666,032 r	671,030 **
Ratio, consumer installment credit outstanding to personal income (percent).....	18.98	18.99	18.95 r	18.91	18.86 r	18.70 r	18.66 **
Change in CPI for services (6-month percent, ann. rate).....	1.2 r	1.1 r	1.0 r	1.0	1.2	1.2 r	1.3 **
LAGGING INDEX (2004=100).....	107.7	108.3	108.2	107.9 r	108.1 r	107.8 p	108.0 p
Percent change from preceding month.....	.1	.6	-.1	-.3 r	.2 r	-.3 p	.2 p
U.S. Lagging Economic Index net contributions							
Average duration of unemployment.....	....	.01	-.05	.00	-.03	-.27	-.02
Ratio, manufacturing and trade inventories to sales.....	....	.07	.01 r	-.14 r	.03 r	.00 **	.00 **
Change in index of labor cost per unit of output, mfg.....	....	.14 r	-.11 r	-.12 r	-.01 r	.02 **	.01 **
Average prime rate charged by banks.....	....	.00	.00	.00	.00	.00	.00
Commercial and industrial loans outstanding.....	....	.21 r	-.06 r	-.17 r	.13 r	-.02	.07 **
Ratio, consumer installment credit outstanding to personal income.....	....	.01	-.04 r	-.04 r	-.06	-.18 r	-.05 **
Change in CPI for services.....	....	-.02 r	-.02	.00 r	.04	.00 r	.02 **

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

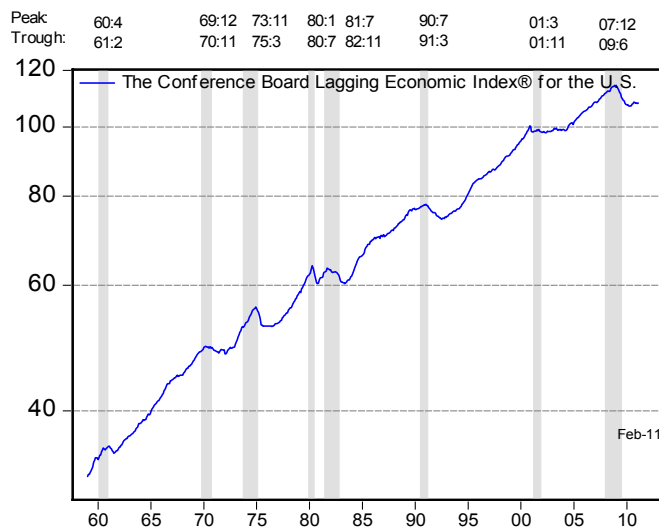
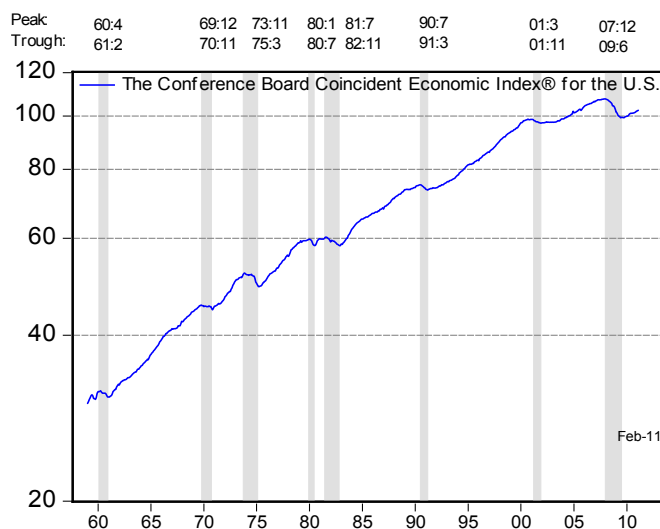
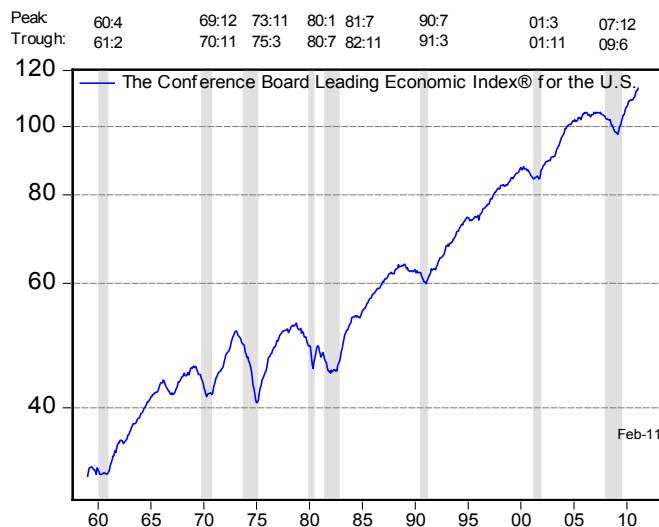
* Inverted series; a negative change in this component makes a positive contribution to the index.

** Statistical Imputation (See page 3 for more details)

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



Shaded areas represent recessions.

Source: The Conference Board