



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. (CT), THURSDAY, JULY 29, 2010

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

**The Conference Board Leading Economic Index®** (LEI) for Mexico declined 1.4 percent and **The Conference Board Coincident Economic Index®** (CEI) increased 0.2 percent in May.

- The Conference Board LEI for Mexico decreased sharply in May, its first decline since February 2009. The real exchange rate (inverted), oil prices, and the net insufficient inventories component made very large negative contributions to the index this month. With this month's drop, the six-month change in the index has slowed to 1.4 percent (a 2.8 percent annual rate) in the six-month period through May 2010, down sharply from 6.6 percent (a 13.7 percent annual rate) from the previous six months. However, the strengths among the leading indicators have remained widespread in recent months.
- The Conference Board CEI for Mexico, a measure of current economic activity, continued to increase in May. Industrial production again made the largest positive contribution to the index this month. The index increased 2.5 percent (a 5.1 percent annual rate) from November 2009 to May 2010, about the same pace as the previous six months. In addition, the strengths among the coincident indicators have remained very widespread, with all three components advancing over the past six months. However, real GDP declined at a 1.4 percent annual rate in the first quarter of 2010, after expanding at a 9.0 percent average annual rate in the second half of 2009.
- The Conference Board LEI for Mexico declined sharply this month after having been on a general upward trend for more than a year. Despite recent volatility, its six-month growth rate has generally been slowing since the middle of last year, and the strengths among its components have also become less widespread lately. Meanwhile, The Conference Board CEI for Mexico has continued to increase, but its six-month growth rate has slowed somewhat in recent months. All in all, the behavior of the composite indexes suggests that economic activity will continue to expand, but perhaps at a modest pace in the near term.

**LEADING INDICATORS.** One of the six components that make up The Conference Board LEI for Mexico increased in May. The positive contributor to the index was industrial production (construction component). The (inverted) real exchange rate, the US refiners' acquisition cost of domestic and imported crude oil, net insufficient inventories, and stock prices decreased in May. The (inverted) federal funds rate remained unchanged.

With the 1.4 percent decrease in May, The Conference Board LEI for Mexico now stands at 117.2 (2004=100). Based on revised data, this index increased 0.8 percent in April and increased 1.3 percent in March. During the six-month span through May, the index increased 1.4 percent, with four of the six components increasing (diffusion index, six-month span equals 75.0 percent).

The next release is scheduled for Tuesday, August 24, 2010 at 11:00 A.M. (ET)  
*In Mexico – Tuesday, August 24, 2010 at 10:00 A.M. (CT)*

COINCIDENT INDICATORS. Two of the three components that make up The Conference Board CEI for Mexico increased in May. The positive contributors—from the largest positive contributor to the smallest one—are industrial production and number of people employed (measured by total IMSS beneficiaries). Retail sales remained unchanged in May.

With the increase of 0.2 percent in May, The Conference Board CEI for Mexico now stands at 110.8 (2004=100). Based on revised data, this index increased 0.5 percent in April and increased 0.5 percent in March. During the six-month span through May, the index increased 2.5 percent, with all three components increasing (diffusion index, six-month span equals 100.0 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. July 26, 2010. Some series are estimated as noted below.

NOTES: There were no forecasted series this month.

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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/data/bci.cfm>.

Mexico Composite Economic Indexes: Components and Standardization Factors

<u>Leading Economic Index</u>	<u>Factor</u>
1. Industrial Production, Construction Component	.1826
2. Stock Prices	.0548
3. U.S. Refiners' Acquisition Cost of Domestic and Imported Crude Oil	.0793
4. Net Insufficient Inventories	.4277
5. Federal Funds Rate	.0993
6. Real Exchange Rate	.1563

<u>Coincident Economic Index</u>	
1. Industrial Production	.3888
2. Retail Sales	.1993
3. Employment	.4119

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 2010, 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 2008 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 1994 to December 2008 as the sample period. Separate sets of factors for the April 1980 to March 1986 period, and April 1986 to January 1994 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 <http://www.conference-board.org/data/bci.cfm>.

The trend adjustment factor for The Conference Board LEI for Mexico is 0.0466 (calculated over the 1980 to 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 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 2010 schedule for “**The Conference Board Leading Economic Index<sup>®</sup> (LEI)** for Mexico” news release is:

June 2010 Data.....Tuesday, August 24, 2010  
July 2010 Data.....Thursday, September 30, 2010  
August 2010 Data.....Thursday, October 28, 2010  
September 2010 Data.....Wednesday, November 24, 2010  
October 2010 Data.....Wednesday, December 22, 2010

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

### **About The Conference Board**

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**The Conference Board Mexico Business Cycle Indicators**

**Table 1.--Summary of Mexico Composite Economic Indexes**

	2009						2010
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May.
Leading index	115.6	116.3	116.5	116.5	118.0 r	118.9 r	117.2
Percent change	2.0	0.6	0.2	0.0	1.3 r	0.8 r	-1.4
Diffusion index	91.7	58.3	58.3	41.7	75.0	58.3	25.0
Coincident index	108.1	108.4	108.7 r	109.5 r	110.0 r	110.6 r	110.8
Percent change	0.8	0.3	0.3 r	0.7	0.5	0.5	0.2
Diffusion index	100.0	66.7	100.0	100.0	100.0	100.0	83.3
	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	6.6	5.1	3.9	3.5	4.5	4.9	1.4
Diffusion index	83.3	83.3	75.0	75.0	91.7	91.7	75.0
Coincident index							
Percent change	2.4	2.7	2.7	2.9	2.8	3.2	2.5
Diffusion index	83.3	100.0	100.0	100.0	100.0	100.0	100.0

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](http://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						2010
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May.
Mexico Leading Economic Index component data							
Industrial Production, Construction Component, SA Index, 2003=100 .....	112.4	111.6	109.3 r	112.1 r	114.8 r	113.4 r	113.6
Stock Prices, IPC35 (BOLSA) October 1978=0.78 .....	30957.11	32120.47	30391.61	31634.54	33266.43	32687.32	32038.53
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel .....	74.48	72.95	75.48	74.58	77.43	80.83 r	76.20
Net Insufficient Inventories Difference, (3 month moving average), Survey .....	-8.08 r	-7.39 r	-6.61 r	-7.85 r	-8.57 r	-7.88 r	-8.73
Federal Funds, Money Market Rate* Percentage, Monthly Average .....	4.93	4.93	4.91	4.92	4.92	4.94 r	4.94
Real Exchange Rate, (Central Bank Settlement Rate)* Peso/US\$, Monthly Average .....	20.64	20.15	19.90	20.02	19.36	18.84	19.60
<b>LEADING INDEX (2004=100).....</b>	<b>115.6</b>	<b>116.3</b>	<b>116.5</b>	<b>116.5</b>	<b>118.0 r</b>	<b>118.9 r</b>	<b>117.2</b>
Percent change from preceding month.....		0.6	0.2	0.0	1.3 r	0.8 r	-1.4
Mexico Leading Economic Index net contributions							
Industrial Production, Construction Component, SA Index, 2003=100 .....	....	-0.13	-0.38 r	0.47 r	0.43 r	-0.22 r	0.02
Stock Prices, IPC35 (BOLSA) October 1978=0.78 .....	....	0.20	-0.30	0.22	0.28	-0.10	-0.11
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel .....	....	-0.16	0.27	-0.10	0.30	0.34 r	-0.47
Net Insufficient Inventories Difference, (3 month moving average), Survey .....	....	0.30 r	0.33 r	-0.53 r	-0.31 r	0.30 r	-0.36
Federal Funds, Money Market Rate* Percentage, Monthly Average .....	....	0.00	0.00	0.00	0.00	0.00	0.00
Real Exchange Rate, (Central Bank Settlement Rate)* Peso/US\$, Monthly Average .....	....	0.38	0.20	-0.09	0.52	0.43	-0.62

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						2010
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May.
Mexico Coincident Economic Index Component Data							
Industrial Production, SA Index, (2003=100), 3 month moving average	107.9 r	109.3 r	109.7	110.3 r	110.4 r	111.3 r	111.6
Retail Sales, SA Index, (2000=100), 3 month moving average	113.9	115.2	115.3 r	115.8	116.0	116.4 r	116.4
Employment, IMSS Beneficiaries Thousands, monthly average .....	14192	14006	14076	14205	14341	14409	14434
<b>COINCIDENT INDEX (2004=100)</b>	<b>108.1</b>	<b>108.4</b>	<b>108.7 r</b>	<b>109.5 r</b>	<b>110.0 r</b>	<b>110.6 r</b>	<b>110.8</b>
Percent change from preceding month.....		0.3	0.3 r	0.7	0.5	0.5	0.2
Mexico Coincident Economic Index net contributions							
Industrial Production, SA Index, (2003=100), 3 month moving average	....	0.52	0.11 r	0.23	0.05	0.31 r	0.11
Retail Sales, SA Index, (2000=100), 3 month moving average	....	0.23	0.02 r	0.08	0.03 r	0.07 r	0.00
Employment, IMSS Beneficiaries Thousands, monthly average .....	....	-0.54	0.21	0.38	0.39	0.19	0.07

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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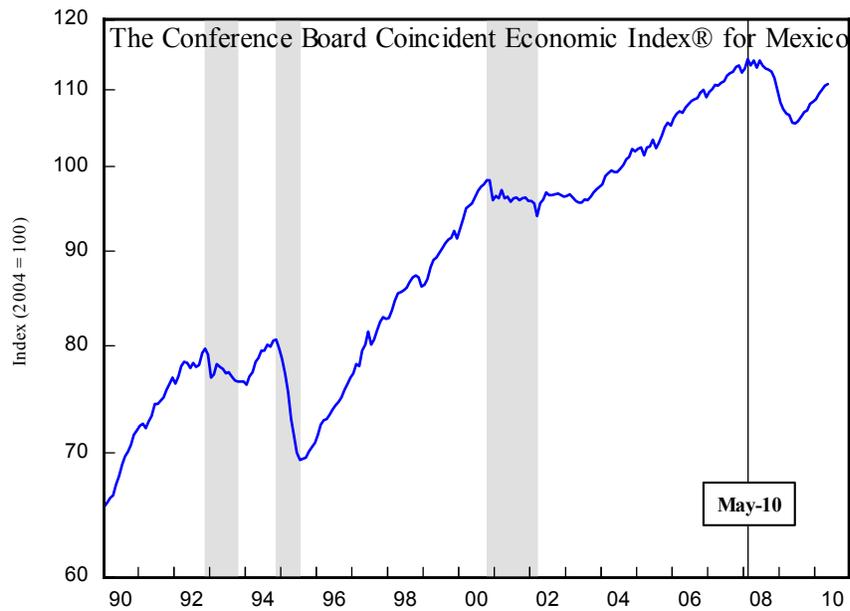
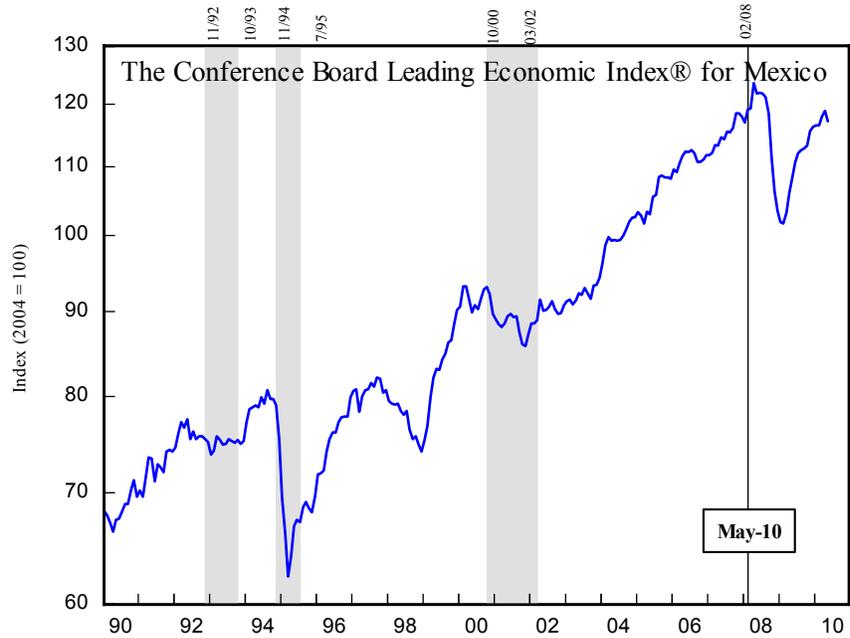
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# Mexico



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.