



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. (LONDON TIME), THURSDAY, SEPTEMBER 10, 2009

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 JULY 2009**

**BRUSSELS, September 10, 2009...** The Conference Board Leading Economic Index™ (LEI) for the U.K. increased 0.7 percent, and The Conference Board Coincident Economic Index™ (CEI) increased 0.1 percent in July.

- The Conference Board LEI for the U.K. increased for a fourth consecutive month in July as a result of positive contributions from the volume of expected output, the yield spread and consumer confidence. Between January and July 2009, the leading economic index increased by 1.3 percent (about a 2.6 percent annual rate), a reversal from the 7.3 percent decline (about a -14.0 percent annual rate) between July 2008 and January 2009. In addition, the strengths among the leading indicators have been slightly more widespread than the weaknesses in recent months.
- The Conference Board CEI for the U.K., a measure of current economic activity, increased for the second straight month in July, after falling for the previous seven months. Between January and July 2009, the coincident economic index decreased by 1.0 percent (about a -1.9 percent annual rate), faster than the 0.7 percent decline (about a -1.3 percent annual rate) for the previous six months. In addition, the weaknesses among the coincident indicators have remained widespread in recent months. Meanwhile, real GDP contracted at a 2.7 percent annual rate during the second quarter of 2009, following a decline of 9.2 percent annual rate in the first quarter.
- After falling steadily from the middle of 2007 through the first quarter of 2009, The Conference Board LEI for the U.K. has risen during the past four months. As a result, its six-month change has become positive for the first time since October 2007. The Conference Board CEI for the U.K. declined rapidly from December 2008 to May 2009, but has increased slightly during the past two months. Taken together, the recent behavior of the composite indexes suggests that the contraction in economic activity should continue to ease and that the economy may be moving closer to a recovery.

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

The next release is scheduled for Thursday, October 8, 2009 at 10:00 A.M. (London Time)  
*In the U.S.. – October 8, 2009 at 5:00 A.M. (ET)*

With the 0.7 percent increase in July, The Conference Board LEI for the U.K. now stands at 92.9 (2004=100). Based on revised data, this index increased 1.0 percent in June and increased 1.0 percent in May. During the six-month span through July, the leading economic index increased 1.3 percent, with four of the seven components advancing (diffusion index, six-month span equals 57.1 percent).

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

With the increase of 0.1 percent in July, The Conference Board CEI for the U.K. now stands at 102.3 (2004=100). Based on revised data, this index increased 0.1 percent in June and decreased 0.3 percent in May. During the six-month period through July, the coincident economic index decreased 1.0 percent, with one of the four components advancing (diffusion index, six-month span equals 25.0 percent).

DATA AVAILABILITY:

The data series used to compute **The Conference Board Leading Economic Index™** (LEI) for the U.K. and **The Conference Board Coincident Economic Index™** (CEI) for the U.K. reported in this release are those available “as of” 10 A.M. ET on Tuesday September 8, 2009. 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 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.

###

For more information:

The Conference Board Europe: + 32 2 675 5405

Email: [indicators@conference-board.org](mailto:indicators@conference-board.org)

Website: <http://www.conference-board.org/economics/bci/>

\*\*\* \*\*

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 Web site: <http://www.conference-board.org/economics/bci/>.

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

<u>Leading Economic Index</u>	<u>Factor</u>
1 Order Book Volume	0.0608
2 Expected Output Volume	0.0480
3 Consumer Confidence	0.0996
4 All Share Price Index	0.0341
5 Yield Spread	0.0838
6 Productivity, Whole Economy	0.5587
7 Operating Surplus, Corporations	0.1150

<u>Coincident Economic Index</u>	
1 Industrial Production	0.0583
2 Retail Sales	0.0566
3 Employment	0.7297
4 Real Household Disposable Income	0.1553

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 2009 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 1977-2007 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 1992-2007 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/economics/bci/>.

The trend adjustment factor for the leading index is -0.0672, calculated over the 1970-2007 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 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:

August 2009 Data	Thursday, October 08, 2009
September 2009 Data	Tuesday, November 10, 2009
October 2009 Data	Thursday, December 10, 2009

All releases are at 5:00 A.M. (ET), 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.

## **AVAILABLE FROM THE CONFERENCE BOARD**

U.K. Business Cycle Indicators Internet Subscription <i>(Includes monthly release, data, charts and commentary)</i>	\$ 635 per year (1 user)
Individual Data Series	\$ 35 per series downloaded
Monthly BCI Report <i>(Sample available at <a href="http://www.conference-board.org/publications/describeBCI.cfm">http://www.conference-board.org/publications/describeBCI.cfm</a>)</i>	\$ 275 per year
BCI Handbook (published 2001)	\$ 20
Corporate Site License	contact Indicators Program at (212) 339-0330

Business Cycle Indicators for France, Germany, Japan, Korea, Mexico, Spain and the U.S. are available at \$635 per country per year (1 user). Discounts are available to Associates of The Conference Board and accredited academic institutions.

THESE DATA ARE FOR ANALYSIS PURPOSES ONLY. NOT FOR REDISTRIBUTION, PUBLISHING, DATABASING, OR PUBLIC POSTING WITHOUT EXPRESS WRITTEN PERMISSION.

The Conference Board U.K. Business Cycle Indicators

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

	2009						
	Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.
Leading index	91.7	90.7	89.9 p	90.5 p	91.4 p	92.3 p	92.9 p
Percent change	-1.1	-1.1	-0.9 p	0.7 p	1.0 p	1.0 p	0.7 p
Diffusion index	28.6	14.3	28.6	57.1	64.3	57.1	64.3
Coincident index	103.3	102.9	102.6 p	102.4 p	102.1 p	102.2 p	102.3 p
Percent change	-0.6	-0.4	-0.3 p	-0.2 p	-0.3 p	0.1 p	0.1 p
Diffusion index	25.0	0.0	25.0	50.0	12.5	75.0	87.5
	Jul to	Aug to	Sep to	Oct to	Nov to	Dec to	Jan to
	Jan	Feb	Mar	Apr	May	Jun	Jul
Leading index							
Percent change	-7.3	-7.7	-7.3	-4.8	-2.7	-0.4	1.3
Diffusion index	28.6	14.3	14.3	14.3	42.9	57.1	57.1
Coincident index							
Percent change	-0.7	-1.1	-1.3	-1.6	-1.8	-1.6	-1.0
Diffusion index	50.0	0.0	25.0	25.0	25.0	25.0	25.0

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)

Source: The Conference Board All Rights Reserved

© The Conference Board

These data are protected by copyright and are for news analysis purposes only.

The data and analysis are not for databasing by any means, redistribution,

publishing, or public posting without express written permission from The Conference Board.

THESE DATA ARE FOR ANALYSIS PURPOSES ONLY. NOT FOR REDISTRIBUTION, PUBLISHING, DATABASING, OR PUBLIC POSTING WITHOUT EXPRESS WRITTEN PERMISSION.

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

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

Component	2009						
	Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.
U.K. Leading Economic Index component data							
Order Book Volume, CBI Monthly Enquiry (3 month moving average).....	-40.3	-46.3	-54.0	-57.0	-57.0	-54.7	-55.3
Volume of Expected Output, CBI Monthly Enquiry (3 month moving average).....	-42.3	-43.0	-45.0	-41.3	-32.3	-22.0	-16.0
Consumer Confidence (3 month moving average).....	-30.7	-31.8	-31.0	-26.2	-22.8	-19.9	-18.3
Stock prices, FTSE all share prices index (Apr. 10, 1962=100).....	2147.3	2046.2	1902.0	2063.5	2239.3	2220.4	2232.1
Yield Spread, 10 years minus Bank Rate.....	2.1	2.6	2.7	2.9	3.1	3.2	3.3
Productivity, Whole Economy Index (2005=100, Q)	100.8	100.0	99.5 **	99.1 **	98.8 **	98.7 **	98.5 **
Total Gross Operating Surplus of Corporations (Deflated with IPD, Q)	78340.1	77287.5	76661.1 **	76300.8 **	76106.6 **	76016.2 **	75990.6 **
<b>LEADING INDEX (2004=100).....</b>	<b>91.7</b>	<b>90.7</b>	<b>89.9 p</b>	<b>90.5 p</b>	<b>91.4 p</b>	<b>92.3 p</b>	<b>92.9 p</b>
Percent change from preceding month.....		-1.1	-0.9 p	0.7 p	1.0 p	1.0 p	0.7 p
U.K. Leading Economic Index net contributions							
Order Book Volume, CBI Monthly Enquiry (3 month moving average).....	....	-0.36	-0.47	-0.18	0.00	0.14	-0.04
Volume of Expected Output, CBI Monthly Enquiry (3 month moving average).....	....	-0.03	-0.10	0.18	0.43	0.49	0.29
Consumer Confidence (3 month moving average).....	....	-0.11	0.08	0.48	0.34	0.29	0.16
Stock prices, FTSE all share prices index (Apr. 10, 1962=100).....	....	-0.16	-0.25	0.28	0.28	-0.03	0.02
Yield Spread, 10 years minus Bank Rate.....	....	0.22	0.23	0.24	0.26	0.27	0.28
Productivity, Whole Economy Index (2005=100, Q)	....	-0.42	-0.30 **	-0.21 **	-0.15 **	-0.10 **	-0.06 **
Total Gross Operating Surplus of Corporations (Deflated with IPD, Q)	....	-0.16	-0.09 **	-0.05 **	-0.03 **	-0.01 **	0.00 **

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).

© The Conference Board

These data are protected by copyright and are for news analysis purposes only.

The data and analysis are not for databasing by any means, redistribution, publishing, or public posting without express written permission from The Conference Board.

THESE DATA ARE FOR ANALYSIS PURPOSES ONLY. NOT FOR REDISTRIBUTION, PUBLISHING, DATABASING, OR PUBLIC POSTING WITHOUT EXPRESS WRITTEN PERMISSION.

The Conference Board U.K. Business Cycle Indicators

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

Component	2009						
	Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.
U.K. Coincident Economic Index component data							
Industrial Production (2005=100).....	88.3 r	87.7 r	87.5 r	87.6 r	87.1 r	87.6 r	88.1
Retail Sales, Volume (2005=100).....	112.1 r	109.6	111.1 r	112.1 r	111.1 r	112.6 r	113.1
Employment, (average, thousands).....	29267.0	29204.0	29108.0	28998.0	28933.0 r	28914.6 **	28914.7 **
Real Household Disposable Income (2003 Constant Price, Q).....	212171.0	210467.0	209649.6 **	209336.4 **	209310.0 **	209446.7 **	209676.3 **
<b>COINCIDENT INDEX (2004=100).....</b>	<b>103.3</b>	<b>102.9</b>	<b>102.6 p</b>	<b>102.4 p</b>	<b>102.1 p</b>	<b>102.2 p</b>	<b>102.3 p</b>
Percent change from preceding month		-0.4	-0.3 p	-0.2 p	-0.3 p	0.1 p	0.1 p
U.K. Coincident Economic Index net contributions							
Industrial Production (2005=100).....	....	-0.04 r	-0.01 r	0.01	-0.03	0.03 r	0.03
Retail Sales, Volume (2005=100).....	....	-0.13 r	0.08	0.05 r	-0.05	0.08	0.03
Employment, (average, thousands).....	....	-0.16	-0.24	-0.28	-0.16 r	-0.05 **	0.00 **
Real Household Disposable Income (2003 Constant Price, Q).....	....	-0.13	-0.06 **	-0.02 **	0.00 **	0.01 **	0.02 **

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

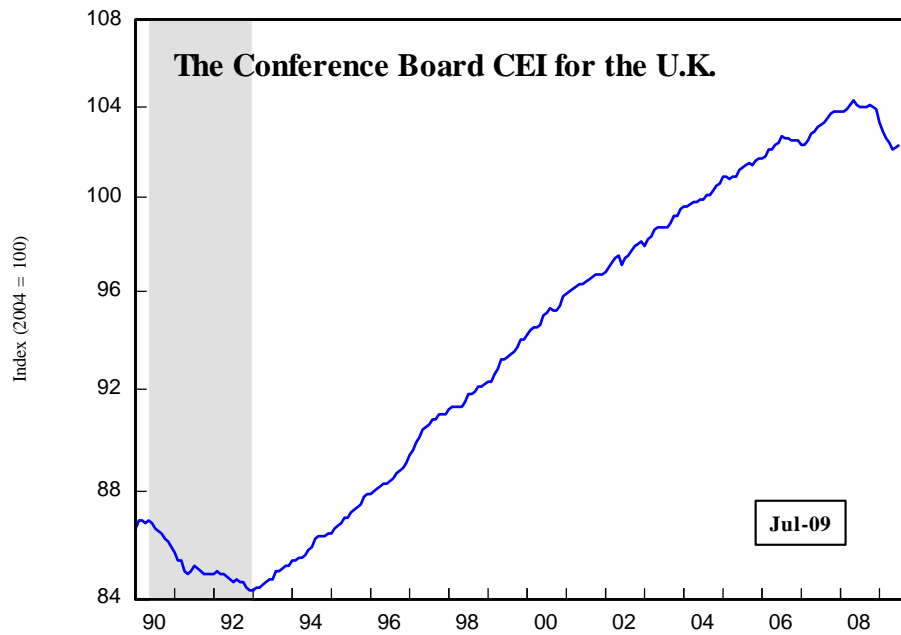
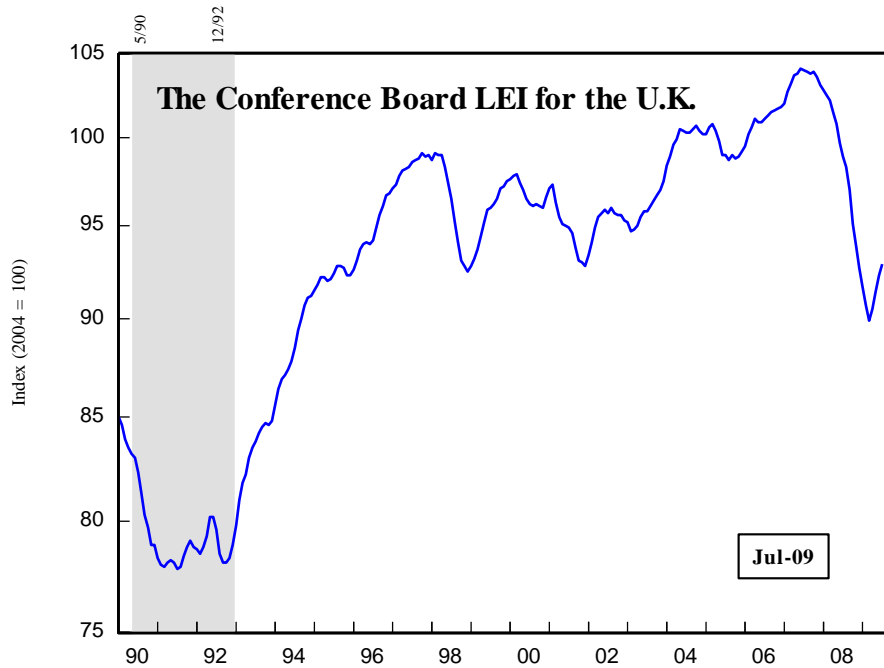
CALCULATION NOTE--The percent change in the index does not always equal the sum of the net contributions of the individual components (because of rounding effects and base value differences).

© The Conference Board

These data are protected by copyright and are for news analysis purposes only.

The data and analysis are not for databasing by any means, redistribution, publishing, or public posting without express written permission from The Conference Board.

## 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