THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. ET, Thursday, September 20, 2012

The Conference Board®
U.S. Business Cycle Indicators℠

THE CONFERENCE BOARD LEADING ECONOMIC INDEX® (LEI) FOR THE UNITED STATES

AND RELATED COMPOSITE ECONOMIC INDEXES FOR AUGUST 2012

The Conference Board Leading Economic Index® (LEI) for the U.S. decreased 0.1 percent, **The Conference Board Coincident Economic Index®** (CEI) increased 0.1 percent and **The Conference Board Lagging Economic Index®** (LAG) increased 0.2 percent in August.

- The Conference Board LEI for the U.S. declined in August, the third time this year. Negative contributions from new orders in manufacturing, consumer expectations for business conditions, average weekly manufacturing hours and initial unemployment claims (inverted) offset positive contributions from the financial components. In the six-month period ending August 2012, the leading economic index increased 0.3 percent (about a 0.6 percent annual rate), much slower than the growth of 1.8 percent (about a 3.7 percent annual rate) during the previous six months. In addition, the strengths and weaknesses among the leading indicators have become balanced in recent months.

- The Conference Board CEI for the U.S., a measure of current economic activity, edged up in August. The index rose 0.7 percent (about a 1.4 percent annual rate) between February 2012 and August 2012, much slower than the growth of 1.8 percent (about a 3.6 percent annual rate) for the previous six months. The strengths among the coincident indicators have become less widespread, with three out of four components advancing over the past six months. The lagging economic index continues to increase almost at the same pace as the CEI, and the coincident-to-lagging ratio remains unchanged. Real GDP expanded at a 1.7 percent annual rate in the second quarter of the year, after increasing at a 2.0 percent annual rate in the first quarter.

- The Conference Board LEI for the U.S. has been essentially unchanged since March of this year, while The Conference Board CEI has been rising slowly. As a result, the six-month growth rate for both indexes has slowed sharply. Taken together, the current behavior of the composite indexes and their components suggests that the economic expansion will continue in the near term, but the pace will remain slow.

LEADING INDICATORS. Four of the ten indicators that make up The Conference Board LEI for the U.S. increased in August. The positive contributors – beginning with the largest positive contributor – were the interest rate spread, stock prices, manufacturers' new orders for nondefense capital goods excluding aircraft*, and the Leading Credit Index™ (inverted). The negative contributors – beginning with the largest negative contributor – were the ISM® new orders index, average consumer expectations for business conditions, average weekly manufacturing hours, average weekly initial claims for unemployment insurance (inverted), building permits, and manufacturers' new orders for consumer goods and materials*.

The LEI for the U.S. now stands at 95.7 (2004=100). Based on revised data, this index increased 0.5 percent in July and decreased 0.5 percent in June. During the six-month span through August, the

The next release is scheduled for October 18, Thursday at 10 A.M. ET.

leading economic index increased 0.3 percent, with five out of ten components advancing (diffusion index, six-month span equals 50 percent).

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

The CEI now stands at 104.7 (2004=100). Based on revised data, this index increased 0.3 percent in July and decreased 0.2 percent in June. During the six-month period through August, the coincident economic index increased 0.7 percent, with three out of four components advancing (diffusion index, six-month span equals 75 percent).

LAGGING INDICATORS. The lagging economic index stands at 116.5 (2004=100) in August, with three of the seven components advancing. The positive contributors to the index – beginning with the largest positive contributor – were the change in CPI for services, commercial and industrial loans outstanding* and the ratio of manufacturing and trade inventories to sales*. The negative contributors – beginning with the largest negative contributor – were average duration of unemployment (inverted), change in index of labor cost per unit of output, manufacturing* and the ratio of consumer installment credit to personal income*. The average prime rate charged by banks held steady in August. Based on revised data, the lagging economic index increased 0.3 percent in July and increased 0.3 percent in June.

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" 8:30 am ET on September 19, 2012. 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 excl. aircraft. Series in The Conference Board CEI for the U.S. that are based on our estimates are personal income less transfer payments and manufacturing and trade sales. Series in The Conference Board LAG for the U.S. that are based on our estimates are manufacturing and trade inventories to sales ratio, change in labor cost per unit of output, manufacturing, consumer installment credit to income ratio, and the personal consumption expenditure deflator used to deflate commercial and industrial loans outstanding.

The procedure used to estimate the current month's personal consumption expenditure deflator (used in the calculation of 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.

Professional Contacts at The Conference Board:
Ken Goldstein: 212-339-0331
Indicators Program: 212-339-0330

Media Contacts:
Carol Courter: 212- 339-0232
Jonathan Liu: 212- 339-0257

Email: indicators@conference-board.org
Website: http://www.conference-board.org/data/bci.cfm

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

Leading Economic Index		Factor
1	Average weekly hours, manufacturing	0.2781
2	Average weekly initial claims for unemployment insurance	0.0334
3	Manufacturers' new orders, consumer goods and materials	0.0811
4	ISM® new orders index	0.1651
5	Manufacturers' new orders, nondefense capital goods excl. aircraft	0.0356
6	Building permits, new private housing units	0.0272
7	Stock prices, 500 common stocks	0.0381
8	*Leading Credit Index™*	0.0794
9	Interest rate spread, 10-year Treasury bonds less federal funds	0.1069
10	Avg. consumer expectations for business conditions	0.1551

Coincident Economic Index		
1	Employees on nonagricultural payrolls	0.2597
2	Personal income less transfer payments	0.1357
3	Industrial production	0.0728
4	Manufacturing and trade sales	0.5318

Lagging Economic Index		
1	Average duration of unemployment	0.0361
2	Inventories to sales ratio, manufacturing and trade	0.1211
3	Labor cost per unit of output, manufacturing	0.0587
4	Average prime rate	0.2815
5	Commercial and industrial loans	0.0970
6	Consumer installment credit to personal income ratio	0.2101
7	Consumer price index for services	0.1955

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 2012, 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 1984-2010 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 1959-2010. 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 -0.0321(over the 1984 – present) and 0.1145 (over the 1959-1983 period), and the trend adjustment factor for The Conference Board LAG for the U.S is 0.1786.

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 2012**:**

Thursday, October 18, 2012	For September 2012 data
Wednesday, November 21, 2012	For October 2012 data
Thursday, December 20, 2012	For November 2012 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.

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

	2012 Feb	Mar	Apr	May	Jun	Jul	Aug
Leading index	95.4	95.6	95.5	95.8 r	95.3 r	95.8	95.7 p
Percent change	.7	.2	-.1	.3 r	-.5 r	.5	-.1 p
Diffusion index	80	50	50	60	25	65	40
Coincident index	104.0 r	103.8 r	104.0 r	104.5 r	104.3 r	104.6	104.7 p
Percent change	.3 r	-.2	.2 r	.5 r	-.2 r	.3	.1 p
Diffusion index	100	50	100	87.5	62.5	100	75
Lagging index	113.9	114.4 r	115.1 r	115.6 r	115.9 r	116.3	116.5 p
Percent change	.1	.4 r	.6	.4 r	.3 r	.3	.2 p
Diffusion index	50	64.3	85.7	50	50	42.9	57.1
Coincident-lagging ratio	91.3 r	90.7 r	90.4 r	90.4 r	90.0 r	89.9	89.9 p

	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	1.8	2.6	1.8	1.8	0.6	1.2	0.3
Diffusion index	80	70	80	90	55	60	50
Coincident index							
Percent change	1.8	1.6	1	1.5	0.6	0.9	0.7
Diffusion index	100	100	100	100	100	100	75
Lagging index							
Percent change	1.7	2.1	2.1	2.2	2.4	2.2	2.3
Diffusion index	57.1	78.6	78.6	71.4	71.4	71.4	85.7

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 contributing positively. 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 https://www.conference-board.org/data/bcicountry.cfm?cid=1

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

Component	2012 Feb	Mar	Apr	May	Jun	Jul	Aug
	U.S. Leading Economic Index component data						
Average workweek, production workers, mfg. (hours)...............................	41.9	41.6	41.7	41.6	41.6 r	41.6	41.5
Average weekly initial claims, state unemployment insurance (thousands)*......	367.3	363.3	384.3	378.7	386.4 r	366.1	371.8
Manufacturers' new orders, consumer goods and materials (mil. 1982 dol.)..........	128,968	128,693 r	129,541 r	129,823 r	127,687 r	132,391	132,195 **
ISM New Orders Index (percent)..................................	54.9	54.5	58.2	60.1	47.8	48	47.1
Manufacturers' new orders, nondefense capital goods excl. aircraft (mil. 1982 dol.).	41006	40004 r	39343 r	40211 r	39036 r	37402	38495 **
Building permits (thous.)............................	707	769	723	784	760 r	811	803
Stock prices, 500 common stocks (c) (index: 1941-43=10)................................	1,352.49	1,389.24	1,386.43	1,341.27	1,323.48	1,359.78	1,403.44
Leading Credit Index™ (std. dev.[1])*............	-1.11 r	-1.07 r	-0.60 r	0.22 r	-0.47 r	-0.35	-0.98
Interest rate spread, 10-year Treasury bonds less federal funds.........................	1.87	2.04	1.91	1.64	1.46	1.37	1.55
Avg. Consumer Expectations for Business Conditions (std. dev.[1])................................	-0.33 r	-0.49 r	-0.43 r	-0.37 r	-0.80 r	-0.68	-0.98
LEADING INDEX (2004=100)......................	95.4	95.6	95.5	95.8 r	95.3 r	95.8	95.7 p
Percent change from preceding month......	0.7	0.2	-0.1	0.3 r	-0.5 r	0.5	-0.1 p
	U.S. Leading Economic Index net contributions						
Average workweek, production workers, mfg...	....	-.20	.07	-.07	.00 r	.00	-.07
Average weekly initial claims, state unemployment insurance.........................	....	.04	-.19	.05	-.07 r	.18	-.05
Manufacturers' new orders, consumer goods and materials................................	....	-.02	.05	.02 r	-.13 r	.29	-.01 **
ISM New Orders Index..............................	....	-.02	.06	.10	-.16	-.15	-.17
Manufacturers' new orders, nondefense capital goods excl. aircraft......................	....	-.09	-.06	.08 r	-.11 r	-.15	.10 **
Building permits.......................................	....	.23	-.17	.22	-.08 r	.18	-.03
Stock prices, 500 common stocks (c)	....	.10	-.01	-.13	-.05	.10	.12
Leading Credit Index™..............................	....	.09	.05	-.02	.04 r	.03	.08
Interest rate spread, 10-year Treasury bonds less federal funds.........................	....	.22	.20	.18	.16	.15	.17
Avg. Consumer Expectations for Business Conditions...	....	-.08	-.07	-.06	-.12 r	-.11	-.15

p Preliminary. r Revised. c Corrected.

[1] Standard deviation above or below the mean

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

** Statistical Imputation (See page 3 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).

Table 3. Data and Net Contributions for Components of the U.S. Coincident Economic Index and U.S. Lagging Economic Index

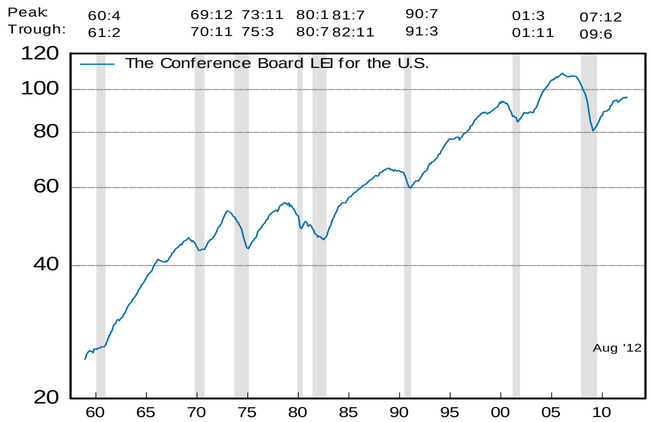
Component	2012 Feb	Mar	Apr	May	Jun	Jul	Aug
	U.S. Coincident Economic Index component data						
Employees on nonagricultural payrolls (thousands)........	132,720	132,863	132,931	133,018 r	133,063 r	133,204	133,300
Personal income less transfer payments (ann. rate, bil. chn. 2005 dol.)........	9,441 r	9,465 r	9,482 r	9,531 r	9,557 r	9,584	9,609 **
Industrial production (index: 2007=100)........	97.051 r	96.471 r	97.265 r	97.298 r	97.436 r	97.960	96.820
Manufacturing and trade sales (mil. chn. 2005 dol.)........	1,019,658 r	1,015,160 r	1,017,314 r	1,024,523 r	1,020,462 r	1,023,711 **	1,025,512 **
COINCIDENT INDEX (2004=100)........	104.0 r	103.8 r	104.0 r	104.5 r	104.3 r	104.6	104.7 p
Percent change from preceding month........	0.3 r	-0.2	0.2 r	0.5 r	-0.2 r	0.3	0.1 p
	U.S. Coincident Economic Index net contributions						
Employees on nonagricultural payrolls........	....	.03	.01	.02	.01 r	.03	.02
Personal income less transfer payments........	....	.04 r	.02 r	.07 r	.04	.04	.04 **
Industrial production........	....	-.04	.06	.00 r	.01 r	.04	-.09
Manufacturing and trade sales........	....	-.24 r	.11 r	.38 r	-.21 r	.17 **	.09 **
	U.S. Lagging Economic Index component data						
Average duration of unemployment (weeks)*........	40.0	39.4	39.1	39.7	39.9	38.8	39.2
Ratio, manufacturing and trade inventories to sales (chain 2005 dol.)........	1.328 r	1.335 r	1.336 r	1.330 r	1.339 r	1.338 **	1.339 **
Change in index of labor cost per unit of output, mfg. (6-month percent, ann. rate)........	-4.6 r	-0.9 r	-0.9 r	1.7 r	3.3 r	3.3 **	3.1 **
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.)........	796,690 r	790,349 r	813,324 r	827,659 r	822,662 r	838,259	841,203 **
Ratio, consumer installment credit out-standing to personal income (percent)........	20.06 r	20.07 r	20.11 r	20.20 r	20.20 r	20.12	20.11 **
Change in CPI for services (6-month percent, ann. rate)........	2.0	2.0	2.1	2.0	2.0	1.7	2.0
LAGGING INDEX (2004=100)........	113.9	114.4 r	115.1 r	115.6 r	115.9 r	116.3	116.5 p
Percent change from preceding month........	.1	.4 r	.6	.4 r	.3 r	.3	.2 p
	U.S. Lagging Economic Index net contributions						
Average duration of unemployment........	....	.05	.03	-.05	-.02	.10	-.04
Ratio, manufacturing and trade inventories to sales........	....	.06	.01 r	-.05 r	.08 r	-.01 **	.01 **
Change in index of labor cost per unit of output, mfg........	....	.22 r	.00 r	.15 r	.09 r	.00 **	-.01 **
Average prime rate charged by banks........	....	.00	.00	.00	.00	.00	.00
Commercial and industrial loans outstanding........	....	-.08	.28	.17	-.06 r	.18	.03 **
Ratio, consumer installment credit out-standing to personal income........	....	.01 r	.04 r	.09 r	.00 r	-.08	-.01 **
Change in CPI for services........	....	.00	.02	-.02	.00	-.06	.06

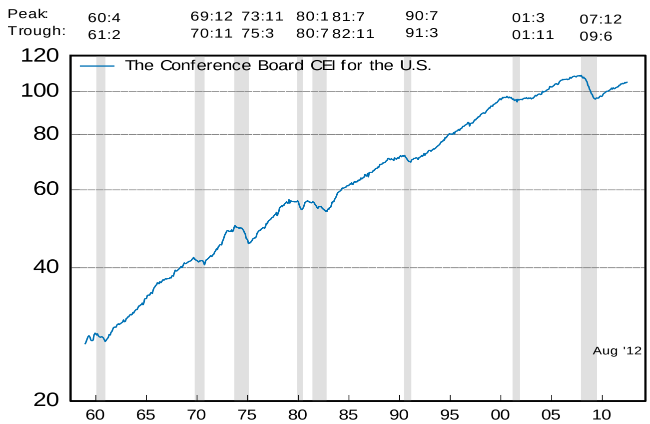
CPI Consumer Price Index. For additional notes see table 2.

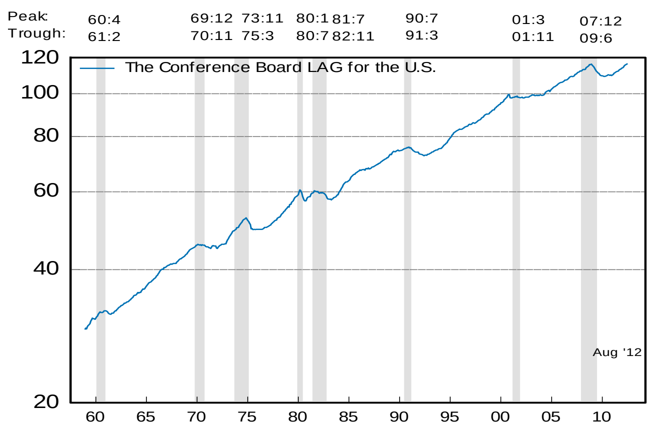
* Inverted series; a negative change in this component makes a positive contribution to the index.

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

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







Shaded areas represent recessions as determined by the National Bureau of Economic Research.