



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. (LONDON TIME), FRIDAY, JULY 11, 2014

The Conference Board[®]
The U.K. Business Cycle IndicatorsSM
THE CONFERENCE BOARD LEADING ECONOMIC INDEX[®]
(LEI) FOR THE UNITED KINGDOM
AND RELATED COMPOSITE ECONOMIC INDEXES FOR MAY 2014

BRUSSELS, July 11, 2014... The Conference Board Leading Economic Index[®] (LEI) for the U.K. increased 0.5 percent, and The Conference Board Coincident Economic Index[®] (CEI) remained unchanged in May.

- The Conference Board LEI for the U.K. increased for the fifth consecutive month in May. The index was revised downward between January and April, after productivity data for the first quarter became available. In the six-month period ending May, the leading economic index increased 2.0 percent (about a 4.1 percent annual rate), down from 5.0 percent (about a 10.3 percent annual rate) in the previous six months. In addition, the strengths among the leading indicators have been very widespread with six out of seven components advancing in the last six months.
- The Conference Board CEI for the U.K., a measure of current economic activity, was unchanged in May. Between November 2013 and May 2014, the coincident economic index increased 1.3 percent (about a 2.7 percent annual rate), a slight improvement from its 1.1 percent increase (about a 2.1 percent annual rate) during the previous six months. In addition, the strengths among the coincident indicators remain widespread, with three out of four components increasing over the past six months. Meanwhile, real GDP increased 3.1 percent (annual rate) in the first quarter of 2014, up from 2.7 percent (annual rate) in the fourth quarter of 2013.
- Improvement in the LEI has slowed in recent months, and as a result, its six-month growth rate has moderated. Meanwhile, the six-month growth rate of CEI has only increased slightly over recent months. Taken together, the composite indexes suggest that the UK is likely to experience slower economic growth in the near term.

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

With the 0.5 percent increase in May, The Conference Board LEI for the U.K. now stands at 111.0 (2004=100). Based on revised data, this index increased 0.5 percent in April and increased 0.3 percent in March. During the six-month span through May, the leading economic index increased 2.0 percent, with six of the seven components advancing (diffusion index, six-month span equals 85.7 percent).

The next release is scheduled for Monday, August 11, 2014 at 10:00 A.M. (London Time)
In the U.S. – Monday, August 11, 2014 at 5:00 A.M. (ET)

COINCIDENT INDICATORS. Two of the four components that make up The Conference Board CEI for the U.K. increased in May. The positive contributors – from the larger positive contributor to the smaller – were employment* and real household disposable income*. Industrial production and retail sales declined in May.

After remaining unchanged in May, The Conference Board CEI for the U.K. now stands at 106.9 (2004=100). Based on revised data, this index increased 0.3 percent in both April and March. During the six-month period through May, the coincident economic index increased 1.3 percent, with three of the four components advancing (diffusion index, six-month span equals 87.5 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, July 8, 2014. 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	0.0468
3	Consumer Confidence	0.1005
4	All Share Price Index	0.0354
5	Yield Spread	0.0871
6	Productivity, Whole Economy	0.5533
7	Operating Surplus, Corporations	0.1176

<u>Coincident Economic Index</u>		
1	Industrial Production	0.0670
2	Retail Sales	0.0642
3	Employment	0.6948
4	Real Household Disposable Income	0.1740

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 release in January 2014, 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 1977-2012 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 1992-2012 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 -0.0773, calculated over the 1970-2012 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:

June 2014	.....	Monday, August 11, 2014
July 2014	.....	Friday, September 12, 2014
August 2014	.....	Friday, October 10, 2014
September 2014	.....	Wednesday, November 12, 2014
October 2014	Friday, December 12, 2014

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

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The Conference Board U.K. Business Cycle Indicators

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

	2013		2014					
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May.	
Leading index	108.8	108.7	109.4 r	109.7 r	110.0 p	110.5 p	111.0 p	
Percent change	0.6	-0.1	0.6 r	0.3	0.3 p	0.5 p	0.5 p	
Diffusion index	78.6	50.0	92.9	64.3	64.3	78.6	78.6	
Coincident index	105.5	105.8	106.1 r	106.3 r	106.6 p	106.9 p	106.9 p	
Percent change	0.0	0.3	0.3 r	0.2	0.3 p	0.3 p	0.0 p	
Diffusion index	37.5	75.0	25.0	75.0	87.5	100.0	50.0	

	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	5.0	5.1	4.9 r	3.8 r	2.3 p	2.2 p	2.0 p
Diffusion index	100.0	85.7	100.0	92.9	78.6	100.0	85.7
Coincident index							
Percent change	1.1	1.1	1.2 r	1.3 r	1.1 p	1.3 p	1.3 p
Diffusion index	100.0	75.0	50.0	75.0	75.0	75.0	87.5

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 <http://www.conference-board.org/data/bci.cfm>

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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	2013				2014			
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May.	
U.K. Leading Economic Index component data								
Order Book Volume, CBI Monthly Enquiry (3 month moving average).....	5.3	6.3	7.0	4.3	2.3	2.7	1.7	
Volume of Expected Output, CBI Monthly Enquiry (3 month moving average).....	22.0	16.3	21.0	22.3	23.3	26.3	27.7	
Consumer Confidence (3 month moving average).....	-2.0	-2.8	-1.7	-0.1	2.1	3.7	5.5	
Stock prices, FTSE all share prices index (Apr. 10, 1962=100).....	3563.5	3514.6	3598.1	3594.5	3573.2	3570.6	3643.0	
Yield Spread, 10 years minus Bank Rate.....	2.3	2.6	2.6	2.5	2.3	2.2	2.2	
Productivity, Whole Economy Index (2010=100, Q)	100.4 r	100.4 r	100.4 r	100.4 r	100.4 **	100.5 **	100.5 **	
Total Gross Operating Surplus of Corporations (Deflated with IPD, Q)	77050.9 r	77453.2 r	77854.3 r	78261.5 r	78519.0 **	78684.9 **	78794.7 **	
LEADING INDEX (2004=100).....	108.8	108.7	109.4 r	109.7 r	110.0 p	110.5 p	111.0 p	
Percent change from preceding month.....	0.6	-0.1	0.6 r	0.3	0.3 p	0.5 p	0.5 p	
U.K. Leading Economic Index net contributions								
Order Book Volume, CBI Monthly Enquiry (3 month moving average).....	....	0.06	0.04	-0.16	-0.12	0.02	-0.06
Volume of Expected Output, CBI Monthly Enquiry (3 month moving average).....	....	-0.27	0.22	0.06	0.05	0.14	0.07
Consumer Confidence (3 month moving average).....	....	-0.08	0.11	0.16	0.22	0.16	0.18
Stock prices, FTSE all share prices index (Apr. 10, 1962=100).....	....	-0.05	0.08	0.00	-0.02	0.00	0.07
Yield Spread, 10 years minus Bank Rate.....	....	0.23	0.23	0.22	0.20	0.19	0.19
Productivity, Whole Economy Index (2010=100, Q)	....	0.00 r	0.00 r	0.00 r	0.01 **	0.02 **	0.03 **
Total Gross Operating Surplus of Corporations (Deflated with IPD, Q)	....	0.06 r	0.06 r	0.06 r	0.04 **	0.02 **	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 a monthly series through a linear interpolation.

Data Sources: National Statistics, Haver Analytics, 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	2013			2014			
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May.
U.K. Coincident Economic Index component data							
Industrial Production (2010=100).....	96.7	97.1	96.9	97.8	97.9	98.2	97.5
Retail Sales, Volume (2010=100).....	103.5	106.6 r	104.0 r	105.6 r	106.2 r	107.3 r	106.8
Employment (average, thousands).....	30146.0	30191.0	30389.0	30430.0	30535.0 r	30591.1 **	30627.3 **
Real Household Disposable Income (2010 Chain Price, Q).....	253653.0 r	253474.0 r	253295.0 r	253115.0 r	253154.2 **	253318.4 **	253554.0 **
COINCIDENT INDEX (2004=100).....	105.5	105.8	106.1 r	106.3 r	106.6 p	106.9 p	106.9 p
Percent change from preceding month..	0.0	0.3	0.3 r	0.2	0.3 p	0.3 p	0.0 p
U.K. Coincident Economic Index net contributions							
Industrial Production (2010=100).....	....	0.03	-0.01	0.06	0.01	0.02	-0.05
Retail Sales, Volume (2010=100).....	....	0.19 r	-0.16 r	0.10 r	0.04	0.07 r	-0.03
Employment (average, thousands).....	....	0.10	0.45	0.09	0.24 r	0.13 **	0.08 **
Real Household Disposable Income (2010 Chain Price, Q).....	....	-0.01 r	-0.01 r	-0.01 r	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, Haver Analytics

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).

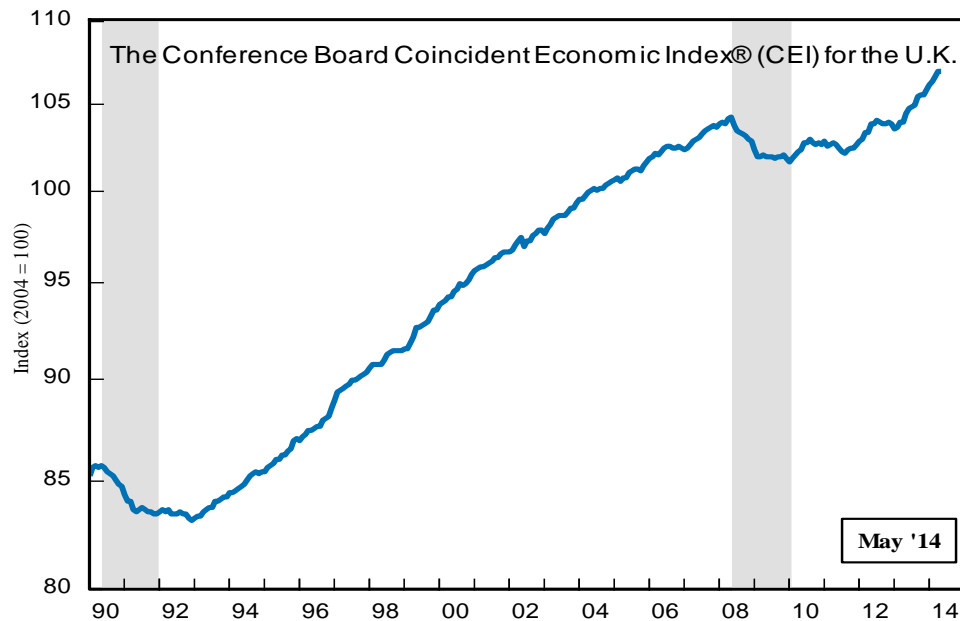
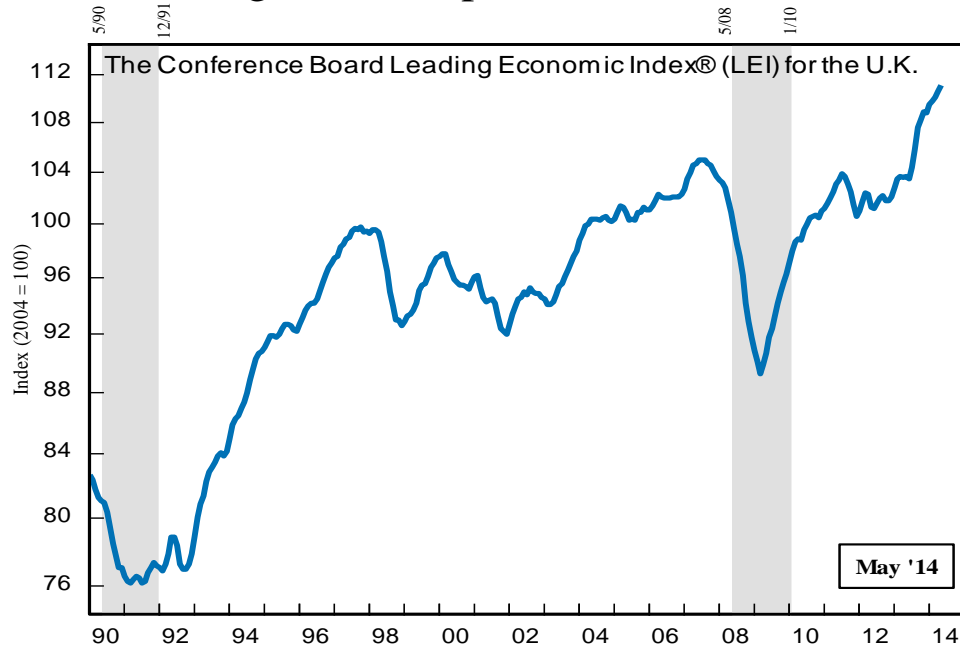
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United Kingdom Composite Economic Indexes



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

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