



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. (MEXICO CITY TIME), MONDAY, OCTOBER 20, 2014

The Conference Board®
Mexico Business Cycle IndicatorsSM
**THE CONFERENCE BOARD LEADING ECONOMIC INDEX®
(LEI) FOR MEXICO**
AND RELATED COMPOSITE ECONOMIC INDEXES FOR AUGUST 2014

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

- The Conference Board LEI for Mexico fell slightly in August following no change in July. Large declines in net insufficient inventories, oil prices, and the (inverted) real exchange rate more than offset positive contributions from stock prices and the construction component of industrial production. Despite the small decline, between February and August 2014, the leading economic index grew by 3.6 percent (about a 7.2 percent annual rate), reversing its decline of 2.0 percent (about a -4.0 percent annual rate) for the previous six months. Moreover, the strengths among the leading indicators have remained more widespread than the weaknesses in recent months.
- The Conference Board CEI for Mexico, a measure of current economic activity, increased again in August. The coincident economic index grew by 2.0 percent (about a 3.9 percent annual rate) during the six-month period ending August 2014, faster than its growth of 0.8 percent (about a 1.6 percent annual rate) over the previous six months. Meanwhile, real GDP expanded by 4.2 percent (annual rate) in the second quarter of 2014, up from 1.8 percent (annual rate) in the first quarter of the year.
- The LEI for Mexico declined slightly in August and was flat in July, following sharp gains in the second quarter of this year. Nevertheless, its six-month growth rate continues to accelerate, with widespread strengths among the leading indicators. Meanwhile, the CEI for Mexico increased in August, and its six-month growth has also picked up. Taken together, the recent improvement in the growth of the LEI and CEI suggests that economic activity should continue to expand through the rest of the year, but an acceleration is unlikely.

LEADING INDICATORS. Two of the six components that make up The Conference Board LEI for Mexico increased in August. The positive contributors to the index—from the larger positive contributor to the smaller one—are stock prices and the industrial production construction component. Net insufficient inventories, the US refiners' acquisition cost of domestic and imported crude oil, and the (inverted) real exchange rate decreased in August. The (inverted) federal funds rate remained unchanged.

The next release is scheduled for Friday, November 14, 2014 at 11:00 A.M. (ET)
In Mexico – Friday, November 14, 2014 at 10:00 A.M. (Mexico City time)

With the 0.2 percent decrease in August, The Conference Board LEI for Mexico now stands at 125.4 (2004=100). Based on revised data, this index remained unchanged in July and increased 1.8 percent in June. During the six-month span through August, the index increased 3.6 percent, with five of the six components increasing (diffusion index, six-month span equals 83.3 percent).

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

With the increase of 0.2 percent in August, The Conference Board CEI for Mexico now stands at 125.2 (2004=100). Based on revised data, this index increased 0.2 percent in July and increased 0.4 percent in June. During the six-month span through August, the index increased 2.0 percent, with all three components increasing (diffusion index, six-month span equals 100.0 percent).

*See notes under data availability.

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. October 16, 2014. Some series are estimated as noted below.

NOTES: There are no forecasted series in The Conference Board LEI. The series in The Conference Board CEI for Mexico is based on The Conference Board’s estimates for retail sales.

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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	.1904
2. Stock Prices	.0566
3. U.S. Refiners' Acquisition Cost of Domestic and Imported Crude Oil	.0664
4. Net Insufficient Inventories	.4263
5. Federal Funds Rate	.1038
6. Real Exchange Rate	.1565
 <u>Coincident Economic Index</u>	
1. Industrial Production	.3461
2. Retail Sales	.1584
3. Employment	.4955

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 indexes only incorporate revisions to data over the past six months. The factors above for The Conference Board LEI for Mexico were calculated using February 1990 to December 2012 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 2012 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 0.0144 (calculated over the 1980 to 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 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 2014 schedule for “**The Conference Board Leading Economic Index[®] (LEI)** for Mexico” news release is:

September 2014 Data..... Friday, November 14, 2014
October 2014 Data..... Tuesday, December 16, 2014

All releases are at 11:00 A.M. (ET) and 10:00 A.M. (Mexico City time))

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The Conference Board Leading Economic Index® (LEI) and
The Conference Board Coincident Economic Index® (CEI) for Mexico

Table 1.- Summary of Mexico Composite Economic Indexes

	2014						
	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.
Leading index	121.1	121.3 r	122.3 r	123.5 r	125.7 r	125.7 r	125.4
Percent change	-0.6	0.2 r	0.8 r	1.0 r	1.8	0.0 r	-0.2
Diffusion index	41.7	75.0	91.7	91.7	83.3	66.7	41.7
Coincident index	122.8	123.2	123.7	124.2	124.7	125.0 r	125.2 p
Percent change	-0.1	0.3	0.4	0.4	0.4	0.2	0.2 p
Diffusion index	66.7	66.7	100.0	100.0	100.0	100.0	100.0

	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	-2.0	-2.0 r	-1.1 r	-0.2 r	1.9 r	3.2 r	3.6
Diffusion index	33.3	66.7	66.7	58.3	75.0	100.0	83.3
Coincident index							
Percent change	0.8	1.1	1.4	1.5	1.6	1.7 r	2.0 p
Diffusion index	66.7	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

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**The Conference Board Leading Economic Index® (LEI) and
The Conference Board Coincident Economic Index® (CEI) for Mexico**

Table 2.- Data and Net Contributions for Components of The Conference Board Leading Economic Index® (LEI) for Mexico

Component	2014						
	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.
Mexico Leading Economic Index component data							
Industrial Production, Construction Component, SA Index, 2003=100	95.2 r	95.8	96.3 r	96.6 r	97.8 r	97.6	98.7
Stock Prices, IPC35 (BOLSA) October 1978=0.78	38782.89	40461.60	40711.56	41362.51	42737.17	43817.69	45628.09
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel	93.09	93.48	95.68	96.79	98.79 r	95.62 r	92.58
Net Insufficient Inventories Difference, (3 month moving average), Survey	-9.82	-10.74	-9.58	-7.96	-5.23	-5.05	-6.02
Federal Funds, Money Market Rate* Percentage, Monthly Average	3.79	3.80	3.81	3.80	3.43	3.30	3.30
Real Exchange Rate, (Central Bank Settlement Rate)* Peso/US\$, Monthly Average	27.71 r	27.53	27.35	27.28	27.38	27.31 r	27.52
LEADING INDEX (2004=100).....	121.1	121.3	122.3	123.5	125.7	125.7 r	125.4
Percent change from preceding month.....	-0.6	0.2	0.8	1.0	1.8	0.0 r	-0.2
Mexico Leading Economic Index net contributions							
Industrial Production, Construction Component, SA Index, 2003=100 .....	....	0.12 r	0.10	0.06	0.24	-0.04	0.22
Stock Prices, IPC35 (BOLSA) October 1978=0.78 .....	....	0.24	0.03	0.09	0.19	0.14	0.23
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel .....	....	0.03	0.15	0.08	0.14 r	-0.22 r	-0.21
Net Insufficient Inventories Difference, (3 month moving average), Survey .....	....	-0.39	0.49	0.69	1.16	0.08	-0.41
Federal Funds, Money Market Rate* Percentage, Monthly Average .....	....	0.00	0.00	0.00	0.04	0.01	0.00
Real Exchange Rate, (Central Bank Settlement Rate)* Peso/US\$, Monthly Average .....	....	0.10 r	0.10	0.04	-0.06	0.04 r	-0.12

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; Haver Analytics

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**The Conference Board Leading Economic Index® (LEI) and
The Conference Board Coincident Economic Index® (CEI) for Mexico**

Table 3.- Data and Net Contributions for Components of The Conference Board Coincident Economic Index® (CEI) for Mexico

Component	2014						
	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.
Mexico Coincident Economic Index Component Data							
Industrial Production, SA							
Index, (2003=100), 3 month moving average	103.9	104.3	104.7	105.0	105.3	105.4	105.6
Retail Sales, SA							
Index, (2003=100), 3 month moving average	124.8 r	124.7	125.3 r	126.4 r	127.0 r	127.2 r	127.4 **
Employment, IMSS Beneficiaries							
Thousands, monthly average	16699	16758	16823	16898	16959	17019 r	17062
COINCIDENT INDEX (2004=100)	122.8	123.2	123.7	124.2	124.7	125.0 r	125.2 p
Percent change from preceding month.....	-0.1	0.3	0.4	0.4	0.4	0.2	0.2 p
Mexico Coincident Economic Index net contributions							
Industrial Production, SA							
Index, (2003=100), 3 month moving average	....	0.12	0.13	0.12	0.08	0.04 r	0.05
Retail Sales, SA							
Index, (2003=100), 3 month moving average	....	-0.01	0.07	0.13	0.08 r	0.03 r	0.02 **
Employment, IMSS Beneficiaries	....					
Thousands, monthly average		0.17	0.19	0.22	0.18	0.17 r	0.13

p Preliminary. r Revised. c Corrected. 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; Haver Analytics

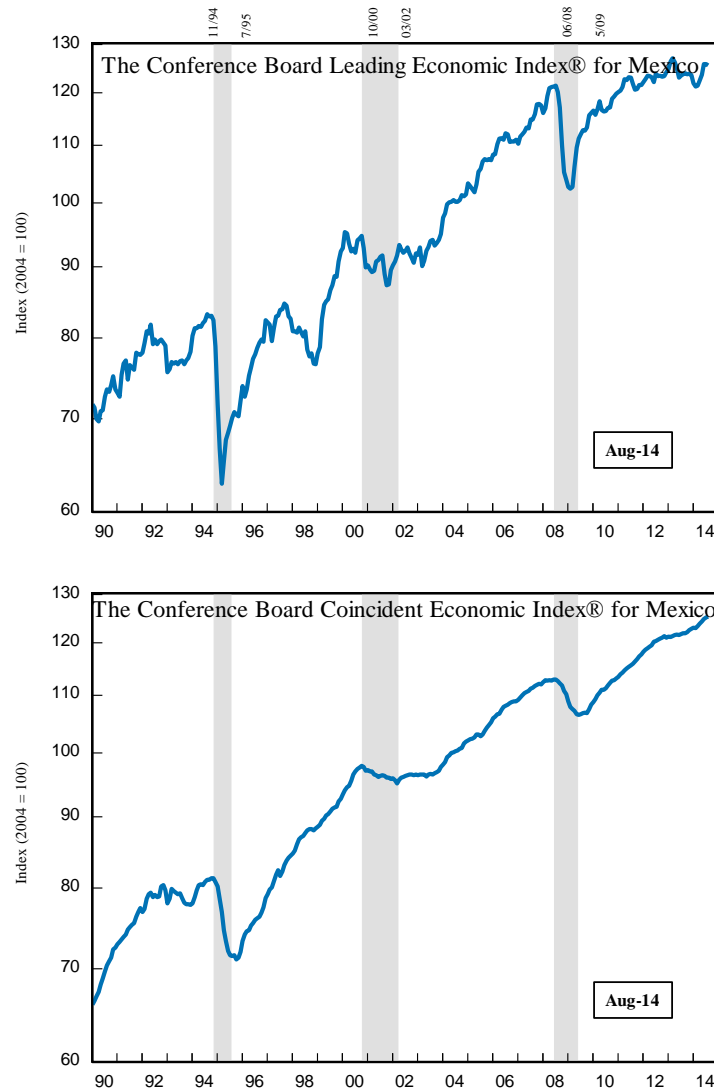
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Mexico Composite Economic Indexes



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.

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