



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. (MEXICO CITY TIME), MONDAY, APRIL 20, 2015

The Conference Board®
Mexico Business Cycle IndicatorsSM
**THE CONFERENCE BOARD LEADING ECONOMIC INDEX®
(LEI) FOR MEXICO**
AND RELATED COMPOSITE ECONOMIC INDEXES FOR FEBRUARY 2015

The Conference Board Leading Economic Index® (LEI) for Mexico remained unchanged and **The Conference Board Coincident Economic Index®** (CEI) increased 0.2 percent in February.

- The Conference Board LEI for Mexico was unchanged in February following sharp declines in the previous two months. Gains in oil and stock prices were offset by large negative contributions from net inefficient inventories, the construction component of industrial production, and real exchange rate. Between August 2014 and February 2015, the leading economic index contracted 5.2 percent (about a -10.2 percent annual rate), a substantial reversal from the 3.3 percent increase (about a 6.7 percent annual rate) over the previous six months. Moreover, the weaknesses among the leading indicators have remained more widespread than the strengths in recent months.
- The Conference Board CEI for Mexico, a measure of current economic activity, increased modestly again in February. The coincident economic index grew 1.5 percent (about a 3.0 percent annual rate) in the six-month period ending February 2015, down slightly from 1.9 percent (about a 3.8 percent annual rate) over the previous six months. Meanwhile, real GDP expanded 2.7 percent (annual rate) in the last quarter of 2014, up from 2.1 percent growth (annual rate) in the third quarter.
- The LEI for Mexico held steady in February after declining sharply in the previous two months. Nevertheless, the six-month growth rate of the LEI remains in deep negative territory. Meanwhile, a moderate upward trend in the CEI continued through February. The persistent widespread weaknesses in the LEI suggest that Mexico's economy is unlikely to improve in the coming months.

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

The next release is scheduled for Friday, May 15, 2015 at 11:00 A.M. (ET)
In Mexico – Friday, May 15, 2015 at 10:00 A.M. (Mexico City time)

Holding steady in February, The Conference Board LEI for Mexico now stands at 101.2 (2010=100). Based on revised data, this index declined 1.4 percent in January and declined 3.4 percent in December. During the six-month span through February, the index decreased 5.2 percent, with only one of the six components increasing (diffusion index, six-month span equals 25.0 percent).

COINCIDENT INDICATORS. Two of the three components that make up The Conference Board CEI for Mexico increased in February. The positive contributors—from the larger positive contributor to the smaller one—were number of people employed (measured by IMSS beneficiaries) and retail sales. Industrial production declined in February.

With the increase of 0.2 percent in February, The Conference Board CEI for Mexico now stands at 114.9 (2010=100). Based on revised data, this index increased 0.3 percent in January and increased 0.2 percent in December. During the six-month span through February, the index increased 1.5 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. April 16, 2015. 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	.1883
2. Stock Prices	.0562
3. U.S. Refiners' Acquisition Cost of Domestic and Imported Crude Oil	.0658
4. Net Insufficient Inventories	.4311
5. Federal Funds Rate	.1033
6. Real Exchange Rate	.1553

<u>Coincident Economic Index</u>	
1. Industrial Production	.3439
2. Retail Sales	.1577
3. Employment	.4984

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 2015, 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 2013 as the sample period for measuring volatility. Separate sets of factors for the February 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 2013 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 0.0198 (calculated over the 1980 to 2013 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 Conference Board Leading Economic Index® (LEI) for Mexico news release schedule for 2015:

Friday, May 15, 2015	For March 2015 data
Friday, June 12, 2015	For April 2015 data
Friday, July 17, 2015	For May 2015 data
Monday, August 17, 2015	For June 2015 data
Tuesday, September 15, 2015	For July 2015 data
Wednesday, October 14, 2015	For August 2015 data
Friday, November 13, 2015	For September 2015 data
Monday, December 14, 2015	For October 2015 data

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						2015
	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.
Leading index	106.8	106.1	105.3	106.2 r	102.6 r	101.2 r	101.2 p
Percent change	-0.5	-0.7	-0.8	0.9 r	-3.4 r	-1.4 r	0.0 p
Diffusion index	41.7	8.3	58.3	58.3	25.0	25.0	41.7
Coincident index	113.2	113.6	113.8	114.1	114.3	114.7 r	114.9 p
Percent change	0.4	0.4	0.2	0.3	0.2	0.3	0.2 p
Diffusion index	100.0	100.0	83.3	83.3	83.3	83.3	83.3

	Feb to	Mar to	Apr to	May to	Jun to	Jul to	Aug to
	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.
Leading index							
Percent change	3.3	2.4	0.9	0.7 r	-4.4 r	-5.7 r	-5.2 p
Diffusion index	83.3	75.0	66.7	66.7	66.7	41.7	25.0
Coincident index							
Percent change	1.9	2.1	1.9	1.9	1.7	1.7 r	1.5 p
Diffusion index	100.0	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						2015
	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.
	Mexico Leading Economic Index component data						
Industrial Production, Construction Component, SA Index, 2003=100	98.8	98.5 r	99.4	99.7 r	100.9 r	100.1 r	98.0
Stock Prices, IPC35 (BOLSA) October 1978=0.78	45628.09	44985.66	45027.52	44190.47	43145.66	40950.58	44190.17
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel	90.80	85.82	75.23	71.39	52.36	40.66 r	46.88
Net Insufficient Inventories Difference, (3 month moving average), Survey	-6.15	-6.57	-6.20	-3.36	-5.02	-3.07	-4.73
Federal Funds, Money Market Rate* Percentage, Monthly Average	3.30	3.29	3.29	3.29	3.30	3.30	3.30
Real Exchange Rate, (Central Bank Settlement Rate)* Peso/US\$, Monthly Average	27.52	27.53	27.95	27.88	29.37	29.70	30.20
LEADING INDEX (2010=100).....	106.8	106.1	105.3	106.2 r	102.6 r	101.2 r	101.2 p
Percent change from preceding month.....	-0.5	-0.7	-0.8	0.9	-3.4	-1.4	0.0 p
	Mexico Leading Economic Index net contributions						
Industrial Production, Construction Component, SA Index, 2003=100 .....	....	-0.05	0.18	0.06	0.21	-0.14	-0.41
Stock Prices, IPC35 (BOLSA) October 1978=0.78 .....	....	-0.08	0.01	-0.11	-0.13	-0.29	0.43
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel .....	....	-0.37	-0.87	-0.34	-2.02	-1.66	0.94
Net Insufficient Inventories Difference, (3 month moving average), Survey .....	....	-0.18	0.16	1.22	-0.72	0.84	-0.72
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 .....	....	-0.01	-0.24	0.04	-0.81	-0.17	-0.26

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						2015	
	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	
Mexico Coincident Economic Index Component Data								
Industrial Production, SA Index, (2003=100), 3 month moving average	105.8	105.9	106.1	106.3	106.4	106.4 r	106.3	
Retail Sales, SA Index, (2008=100), 3 month moving average	107.0 r	107.2 r	107.2	107.2 r	107.2 r	107.9 r	108.4 **	
Employment, IMSS Beneficiaries Thousands, monthly average	17061	17156	17224	17278	17342	17412 r	17468	
COINCIDENT INDEX (2010=100)	113.2	113.6	113.8	114.1	114.3	114.7 r	114.9 p	
Percent change from preceding month.....	0.4	0.4	0.2	0.3	0.2	0.3	0.2 p	
Mexico Coincident Economic Index net contributions								
Industrial Production, SA Index, (2003=100), 3 month moving average	....	0.04	0.06 r	0.05	0.05	-0.01 r	-0.02
Retail Sales, SA Index, (2008=100), 3 month moving average	....	0.03	-0.01 r	0.00 r	0.00 r	0.11 r	0.07 **
Employment, IMSS Beneficiaries Thousands, monthly average .....	....	0.28	0.20	0.16	0.18	0.20 r	0.16

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

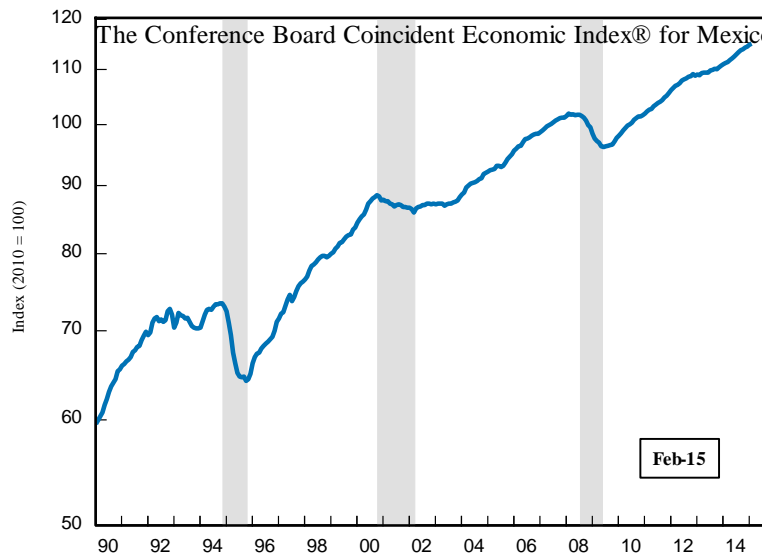
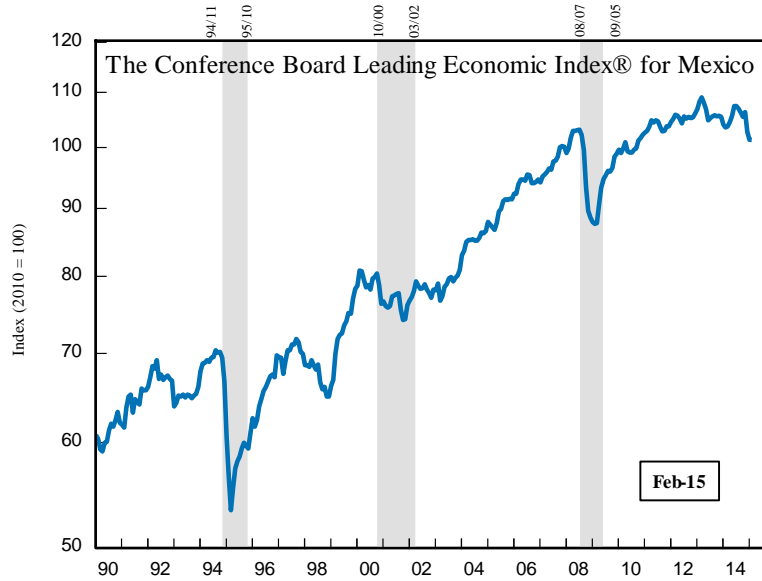
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Mexico Composite Economic Indexes



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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