THE CONFERENCE BOARD

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

THE CONFERENCE BOARD
LEADING ECONOMIC INDEX (LEI) FOR THE U.S.
AND RELATED COMPOSITE ECONOMIC INDEXES FOR DECEMBER 2008

This month's release incorporates annual benchmark revisions to the composite indexes, which bring them up-to-date with revisions in the source data. These revisions do not change the cyclical properties of the indexes. The indexes are updated throughout the year, but only for the previous six months. Data revisions that fall outside of the moving six-month window are not incorporated until the benchmark revision is made and the entire histories of the indexes are recomputed. As a result, the revised indexes will no longer be directly comparable to those issued prior to the benchmark revision. For more information, please visit our website at http://www.conference-board.org/economics/bci/ or contact us at indicators@conference-board.org.

The U.S. LEI increased 0.3 percent, The Conference Board Coincident Economic Index (CEI) decreased 0.5 percent and The Conference Board Lagging Economic Index (LAG) decreased 0.4 percent in December.

- The LEI rose modestly in December, mainly due to the continued and very large positive contribution from real money supply. The yield spread also contributed positively to the index, helping offset the continued declines in building permits, the average workweek, supplier deliveries, and initial unemployment claims. Since June 2008, the LEI has fallen 2.5 percent (a -5.0 percent annual rate), faster than the 0.9 percent decline (a -1.7 percent annual rate) during the previous six months through June 2008. In addition, the weaknesses among the leading economic indicators have remained widespread.

- The CEI fell sharply in December, amid a further contraction in industrial production and employment. The six-month change in the CEI has continued to decline -- to -2.2 percent (a -4.3 percent annual rate) in the period through December, down significantly from -0.7 percent (a -1.3 percent annual rate) from December 2007 to June 2008, and the weaknesses among its components have remained widespread in recent months. The lagging economic index (LAG) decreased less than the CEI this month, and as a result, the coincident-to-lagging ratio fell again. Meanwhile, real GDP contracted at a 0.5 percent annual rate in the third quarter of 2008, down from a 1.8 percent average annual rate of increase for the previous two quarters.

- Despite December's modest increase in the LEI, it is about 5.0 percent lower than its most recent peak in July 2007 as a result of widespread declines among its components. And, it would have been weaker without the very large expansion in inflation-adjusted money supply in the last four months. The CEI has been deteriorating since its most recent peak in November 2007, and the decrease in this index over the past six months is the largest since 1980. Taken together, the recent behavior of the composite economic indexes suggests that the recession that began in December 2007 will continue in the near term.

The next release is scheduled for February 19, Thursday at 10 A.M. ET.

LEADING INDICATORS. Four of the ten indicators that make up the leading economic index increased in December. The positive contributors – beginning with the largest positive contributor – were real money supply*, interest rate spread, manufacturers' new orders for consumer goods and materials* and manufacturers' new orders for nondefense capital goods*. The negative contributors – beginning with the largest negative contributor – were building permits, average weekly manufacturing hours, index of supplier deliveries (vendor performance), average weekly initial claims for unemployment insurance (inverted), and stock prices. The index of consumer expectations held steady in December.

The leading economic index now stands at 99.5 (2004=100). Based on revised data, this index decreased 0.4 percent in November and decreased 1.0 percent in October. During the six-month span through December, the leading economic index decreased 2.5 percent, with three out of ten components advancing (diffusion index, six-month span equals 30 percent).

COINCIDENT INDICATORS. One of the four indicators that make up the coincident economic index increased in December. The positive contributor to the index was manufacturing and trade sales*. The negative contributors were industrial production and employees on nonagricultural payrolls. Personal income less transfer payments* held steady in December.

The coincident economic index now stands at 104.1 (2004=100). This index decreased 0.3 percent in November and increased 0.3 percent in October. During the six-month period through December, the coincident economic index decreased 2.2 percent, with one out of four components advancing (diffusion index, six-month span equals 25 percent).

LAGGING INDICATORS. The lagging economic index stands at 113.3 (2004=100) in December, with one of the seven components advancing. The positive contributor to the index was the ratio of consumer installment credit to personal income*. The negative contributors – beginning with the largest negative contributor – were change in CPI for services, average duration of unemployment (inverted), average prime rate charged by banks, change in labor cost per unit of output*, commercial and industrial loans outstanding*, and ratio of manufacturing and trade inventories to sales*. Based on revised data, the lagging economic index remained unchanged in November and increased 0.1 percent in October.

DATA AVAILABILITY AND NOTES.

The data series used by The Conference Board 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" 12 Noon on January 23, 2009. Some series are estimated as noted below.

* Series in the leading economic index that are based on The Conference Board estimates are manufacturers' new orders for consumer goods and materials, manufacturers' new orders for nondefense capital goods, and the personal consumption expenditure used to deflate the money supply. Series in the coincident economic index that are based on The Conference Board estimates are personal income less transfer payments and manufacturing and trade sales. Series in the lagging economic index that are based on The Conference Board estimates are inventories to sales ratio, consumer installment credit to income ratio, change in labor cost per unit of output, the consumer price index, and the personal consumption expenditure 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 real money supply and commercial and industrial loans outstanding) now incorporates the current month's consumer price index when it is available before the release of the U.S. Leading Economic Index.

Summary Table of Composite Indexes

	2008 Oct		Nov		Dec		6-month Jun to Dec
Leading index	99.6	r	99.2		99.5	p	
Percent Change	-1.0	r	-.4		.3	p	-2.5
Diffusion	20.0		20.0		50.0		30.0
Coincident Index	104.9	r	104.6	p	104.1	p	
Percent Change	.3		-.3	p	-.5	p	-2.2
Diffusion	75.0		50.0		37.5		25.0
Lagging Index	113.7	p	113.7	p	113.3	p	
Percent Change	.1	p	.0	p	-.4	p	1.4
Diffusion	14.3		42.9		7.1		57.1

n.a. Not available p Preliminary r Revised
Indexes equal 100 in 2004
Source: The Conference Board

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