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**FOR RELEASE: 10:00 A.M. ET, Thursday, June 19, 2008**

The Conference Board® U.S. Business Cycle Indicators<sup>SM</sup>  
**U.S. LEADING ECONOMIC INDICATORS**  
**AND RELATED COMPOSITE INDEXES FOR MAY 2008**

The Conference Board announced today that the U.S. leading index increased 0.1 percent, the coincident index increased 0.1 percent and the lagging index increased 0.2 percent in May.

- The leading index increased slightly in May, following a small increase in April. The interest rate spread and stock prices continued to make large positive contributions to the index, more than offsetting May's declines in real money supply, consumer expectations, and building permits. In May, the six-month rate of decline in the leading index slowed to -0.7 percent (a -1.4 percent annual rate), from -2.4 percent (a -4.7 percent annual rate) in the six-month period through January. However, the weaknesses among the leading indicators have remained fairly widespread in recent months.
- The coincident index also increased slightly in May, the first increase in seven months, and the index was revised down modestly for March and April as new component data became available. The growth rate of the coincident index stands at -0.4 percent (a -0.7 percent annual rate) in the six-month period though May, down from 0.3 percent (a 0.6 percent annual rate) from July 2007 to January 2008, and the weaknesses among its components have remained widespread in recent months. The lagging index increased this month, and the coincident to lagging ratio has continued to decline.
- The leading index has risen in the past two months, following a steady decline that began in the middle of last year. However, the number of components that are falling continues to be greater than the number of components that are rising over the past six months. Meanwhile, the coincident index has decreased modestly in recent months, after rising steadily for the most part of 2006 and through late 2007. Real GDP expanded at an average annual rate of 0.7 percent for the first quarter of 2008 and the fourth quarter of 2007, down from an average annual rate of 4.4 percent for the previous two quarters. Taken together, the behavior of the composite indexes so far continues to suggest weak economic activity in the near term.

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

The next release is scheduled for July 21, Monday at 10 A.M. ET.

The leading index now stands at 102.1 (2004=100). Based on revised data, this index increased 0.1 percent in April and remained unchanged in March. During the six-month span through May, the leading index decreased 0.7 percent, with three out of ten components advancing (diffusion index, six-month span equals 30 percent).

COINCIDENT INDICATORS. Two of the four indicators that make up the coincident index increased in May. The positive contributors to the index – beginning with the larger positive contributor – were personal income less transfer payments\* and manufacturing and trade sales\*. The negative contributors were industrial production and employees on nonagricultural payrolls.

The coincident index now stands at 106.8 (2004=100). This index decreased 0.1 percent in April and decreased 0.1 percent in March. During the six-month period through May, the coincident index decreased 0.4 percent.

LAGGING INDICATORS. The lagging index stands at 112.4 (2004=100) in May, with four of the seven components advancing. The positive contributors to the index – beginning with the largest positive contributor – were average duration of unemployment (inverted), change in CPI for services, ratio of manufacturing and trade inventories to sales\*, and ratio of consumer installment credit to personal income\*. The negative contributors – beginning with the largest negative contributor – were commercial and industrial loans outstanding\*, average prime rate charged by banks, and change in labor cost per unit of output\*. Based on revised data, the lagging index remained unchanged in April and increased 0.4 percent in March.

#### DATA AVAILABILITY AND NOTES.

The data series used by The Conference Board to compute the three composite indexes and reported in the tables in this release are those available “as of” 12 Noon on June 17, 2008. Some series are estimated as noted below.

\* Series in the leading 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 index that are based on The Conference Board estimates are personal income less transfer payments and manufacturing and trade sales. Series in the lagging 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 Indicators.

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THE CYCLICAL INDICATOR APPROACH. The composite indexes are the key elements in an analytic system designed to signal peaks and troughs in the business cycle. The leading, coincident, and lagging indexes are essentially composite averages of between four and ten 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 leading index have occurred before those in aggregate economic activity, while the cyclical turning points in the coincident index have occurred at about the same time as those in aggregate economic activity. The cyclical turning points in the lagging index generally have occurred after those in aggregate economic activity.

U.S. Composite Indexes: Components and Standardization Factors

<u>Leading Index</u>	<u>Factor</u>
1 Average weekly hours, manufacturing	0.2552
2 Average weekly initial claims for unemployment insurance	0.0307
3 Manufacturers' new orders, consumer goods and materials	0.0773
4 Index of supplier deliveries – vendor performance	0.0668
5 Manufacturers' new orders, nondefense capital goods	0.0183
6 Building permits, new private housing units	0.0271
7 Stock prices, 500 common stocks	0.0391
8 Money supply, M2	0.3550
9 Interest rate spread, 10-year Treasury bonds less federal funds	0.1021
10 Index of consumer expectations	0.0284
<u>Coincident Index</u>	
1 Employees on nonagricultural payrolls	0.5426
2 Personal income less transfer payments	0.1890
3 Industrial production	0.1493
4 Manufacturing and trade sales	0.1191
<u>Lagging Index</u>	
1 Average duration of unemployment	0.0373
2 Inventories to sales ratio, manufacturing and trade	0.1239
3 Labor cost per unit of output, manufacturing	0.0615
4 Average prime rate	0.2822
5 Commercial and industrial loans	0.1112
6 Consumer installment credit to personal income ratio	0.1880
7 Consumer price index for services	0.1959

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 April 2008, and all historical values for the three composite indexes were revised at this time to reflect the changes. (Under normal circumstances, updates to the leading, coincident, and lagging indexes only incorporate revisions to data over the past six months.) The factors for the leading index were calculated using 1984-2006 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 indexes was 1959-2006. 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: [www.conference-board.org/economics/bci](http://www.conference-board.org/economics/bci).

The trend adjustment factor for the leading index is -0.0164, and the trend adjustment factor for the lagging index is 0.1644.

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 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.

**U.S. Leading Economic Indicators news release schedule for 2008:**

Monday, July 21, 2008	for June 2008 data
Thursday, August 21, 2008	for July 2008 data
Thursday, September 18, 2008	for August 2008 data
Monday, October 20, 2008	for September 2008 data
Thursday, November 20, 2008	for October 2008 data
Thursday, December 18, 2008	for November 2008 data

All releases are at 10:00 AM ET.

ABOUT THE CONFERENCE BOARD. The Conference Board is the premier business membership and research network founded in 1916. It has become a global leader in helping executives build strong professional relationships, expand their business knowledge and find solutions to a wide range of business challenges. The Conference Board's Economics Program is a recognized source of forecasts, economic analysis and objective indicators such as the Leading Economic Indicators and the Consumer Confidence Index.

This role is part of a long tradition of research and education that stretches back to the compilation of the first continuous measure of the cost of living in the United States in 1919. In 1995, The Conference Board assumed responsibility for computing the composite indexes from the U.S. Department of Commerce. The Conference Board now produces business cycle indexes for the U.S., Australia, France, Germany, Korea, Japan, Mexico, Spain and the U.K. To subscribe to any of these indexes, please visit [www.conference-board.org/economics/bci](http://www.conference-board.org/economics/bci) or contact the customer service department at 212-339-0345 or email [indicators@conference-board.org](mailto:indicators@conference-board.org).

AVAILABLE FROM THE CONFERENCE BOARD

U.S. Business Cycle Indicators Internet Subscription <i>(Includes monthly release, data, charts and commentary)</i>	\$ 575 per year (1 user)
Individual Data Series	\$ 30 per series downloaded
Monthly BCI Report <i>(Sample available on request)</i>	\$ 250 per year
BCI Handbook (published 2001)	\$ 20
Corporate Site License	contact Indicators Program at (212) 339-0330

Business Cycle Indicators for Australia, France, Germany, Japan, Korea, Mexico, Spain and the UK are available at \$575 per country per year (1 user). Discounts are available to Associates of The Conference Board and accredited academic institutions.

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**Table 1.--Summary of Composites Indexes**

	Nov	Dec	Jan	Feb	Mar	Apr	2008 May
Leading index	102.8	102.6	102.1	101.9 r	101.9	102.0	102.1 p
Percent change	-.4	-.2	-.5	-.2 r	.0 r	.1	.1 p
Diffusion index	40.0	50.0	45.0	35.0	50.0	55.0	45.0
Coincident index	107.2	107.2	107.2	106.9	106.8 r	106.7 p	106.8 p
Percent change	-.1	.0	.0	-.3	-.1 r	-.1 p	.1 p
Diffusion index	37.5	62.5	50.0	25.0	37.5	50.0	62.5
Lagging index	110.6	110.9	111.3 r	111.8 r	112.2 r	112.2 p	112.4 p
Percent change	.4	.3	.4 r	.4	.4	.0 p	.2 p
Diffusion index	71.4	50.0	57.1	71.4	71.4	50.0	50.0
Coincident-lagging ratio	96.9	96.7	96.3 r	95.6 r	95.2 r	95.1 p	95.0 p
	May to Nov	Jun to Dec	Jul to Jan	Aug to Feb	Sep to Mar	Oct to Apr	Nov to May
Leading index							
Percent change	-1.2	-1.3	-2.4	-1.6	-1.7	-1.2	-.7
Diffusion index	40.0	30.0	20.0	20.0	30.0	40.0	30.0
Coincident index							
Percent change	.7	.6	.3	-.2	-.4	-.6	-.4
Diffusion index	100.0	100.0	87.5	50.0	37.5	.0	25.0
Lagging index							
Percent change	1.7	1.4	1.9	2.1	2.0	1.8	1.6
Diffusion index	50.0	64.3	57.1	71.4	78.6	85.7	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 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.

The full history of composite and diffusion indexes is available by subscription on our web site at [www.conference-board.org/economics/bci](http://www.conference-board.org/economics/bci)

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**Table 2.--Data and Net Contributions for Components of the Leading Index**

Component	2008						
	Nov	Dec	Jan	Feb	Mar	Apr	May
Leading index component data							
Average workweek, production workers, mfg. (hours).....	41.3	41.1	41.1	41.1	41.2	41.0 r	41.0
Average weekly initial claims, state unemployment insurance (thousands)*.	340.1	344.6	339.2	346.0	374.8	367.3 r	369.0
Manufacturers' new orders, consumer goods and materials (mil. 1982 dol.).....	143,444 r	143,576 r	141,145 r	139,451 r	138,436 r	137,321 r	137,536 **
Index of supplier deliveries -- vendor performance (percent).....	51.5	52.6	52.8	50.1	53.6	54.0	53.7
Manufacturers' new orders, nondefense capital goods (mil. 1982 dol.).....	50,256 r	52,055 r	48,556 r	49,049 r	49,658 r	48,698 r	48,926 **
Building permits (thous.).....	1,187	1,111	1,052	981	932	982 r	969
Stock prices, 500 common stocks (c) (index: 1941-43=10).....	1,463.39	1,479.23	1,378.76	1,354.87	1,316.94	1,370.47	1,403.22
Money supply, M2 (bil. chn. 2000 dol.).....	6,208.6	6,216.5	6,241.5 r	6,320.0 r	6,366.9 r	6,364.6 r	6,340.3 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	-0.34	-0.14	-0.20	0.76	0.90	1.40	1.90
Index of consumer expectations (c) (1966:1=100).....	66.2	65.6	68.1	62.4	60.1	53.3	51.1
LEADING INDEX (2004=100).....	102.8	102.6	102.1	101.9 r	101.9	102.0	102.1 p
Percent change from preceding month..	-0.4	-0.2	-0.5	-0.2 r	0.0 r	0.1	0.1 p
Leading index net contributions							
Average workweek, production workers, mfg.....	....	-.12	.00	.00	.06	-.12 r	.00
Average weekly initial claims, state unemployment insurance.....	....	-.04	.05	-.06	-.25	.06 r	-.01
Manufacturers' new orders, consumer goods and materials.....	....	.01 r	-.13 r	-.09 r	-.06 r	-.06 r	.01 **
Index of supplier deliveries -- (vendor performance).....	....	.07	.01	-.18	.23	.03	-.02
Manufacturers' new orders, nondefense capital goods.....	....	.06 r	-.13 r	.02 r	.02 r	-.04	.01 **
Building permits.....	....	-.18	-.15	-.19	-.14	.14 r	-.04
Stock prices, 500 common stocks (c)	....	.04	-.27	-.07	-.11	.16	.09
Money supply, M2.....	....	.05	.14	.44	.26 r	-.01 r	-.14 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	....	-.01	-.02	.08	.09	.14	.19
Index of consumer expectations (c)	....	-.02	.07	-.16	-.07	-.19	-.06

p Preliminary. r Revised. c Corrected.

\* Inverted series; a negative change 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).

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**Table 3.--Data and Net Contributions for Components of the Coincident and Lagging Indexes**

Component	2008						
	Nov	Dec	Jan	Feb	Mar	Apr	May
Coincident index component data							
Employees on nonagricultural payrolls (thousands).....	138,037	138,078	138,002	137,919	137,831 r	137,803 r	137,754
Personal income less transfer payments (ann. rate, bil. chn. 2000 dol.).....	8,534.7 r	8,541.5 r	8,527.7 r	8,535.3 r	8,535.0 r	8,532.4 r	8,556.3 **
Industrial production (index: 2002=100).....	112.296	112.386 r	112.516 r	111.792 r	111.938 r	111.102 r	110.905
Manufacturing and trade sales (mil. chn. 2000 dol.).....	974,572	967,797	973,436 r	958,944 r	956,223 r	958,938 **	960,491 **
COINCIDENT INDEX (2004=100).....	107.2	107.2	107.2	106.9	106.8 r	106.7 p	106.8 p
Percent change from preceding month.....	-0.1	0.0	0.0	-0.3	-0.1 r	-0.1 p	0.1 p
Coincident index net contributions							
Employees on nonagricultural payrolls.....	....	.02	-.03	-.03	-.03	-.01	-.02
Personal income less transfer payments....	....	.02 r	-.03	.02 r	.00	-.01 r	.05 **
Industrial production.....	....	.01 r	.02	-.10 r	.02 r	-.11	-.03
Manufacturing and trade sales.....	....	-.08	.07 r	-.18 r	-.03 r	.03 **	.02 **
Lagging index component data							
Average duration of unemployment (weeks)*.....	17.2	16.6	17.5	16.8	16.2	16.9	16.6
Ratio, manufacturing and trade inventories to sales (chain 2000 dol.).....	1.315	1.323	1.321 r	1.341 r	1.339 r	1.339 **	1.340 **
Change in index of labor cost per unit of output, mfg. (6-month percent, ann. rate).	1.0 r	1.0 r	3.2 r	4.20 r	5.9 r	5.6 **	5.2 **
Average prime rate charged by banks (percent).....	7.50	7.33	6.98	6.00	5.66	5.24	5.00
Commercial and industrial loans outstanding (mil. chn. 2000 dol.).....	761,697 r	764,612 r	778,249 r	792,660 r	793,195 r	804,256 r	797,506 **
Ratio, consumer installment credit out- standing to personal income (percent).....	21.17 r	21.07 r	21.18 r	21.13 r	21.16 r	21.18 r	21.19 **
Change in CPI for services (6-month percent, ann. rate).....	3.2	3.1	3.3	3.4	3.5	3.6	3.9
LAGGING INDEX (2004=100).....	110.6	110.9	111.3 r	111.8 r	112.2 r	112.2 p	112.4 p
Percent change from preceding month.....	.4	.3	.4 r	.4	.4	.0 p	.2 p
Lagging index net contributions							
Average duration of unemployment.....	....	.13	-.20	.15	.14	-.16	.07
Ratio, manufacturing and trade inventories to sales.....	....	.08	-.02 r	.19 r	-.02	.00 **	.01 **
Change in index of labor cost per unit of output, mfg.....	....	.00 r	.14	.06	.10 r	-.02 **	-.02 **
Average prime rate charged by banks.....	....	-.05	-.10	-.28	-.10	-.12	-.07
Commercial and industrial loans outstanding.....	....	.04 r	.20 r	.20 r	.01	.15	-.09 **
Ratio, consumer installment credit out- standing to personal income.....	....	-.09 r	.10	-.04	.03 r	.02 r	.01 **
Change in CPI for services.....	....	-.02	.04	.02	.02	.02	.06

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

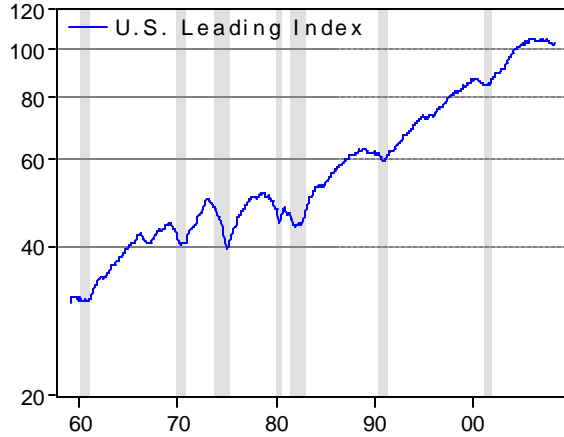
\* Inverted series; a negative change in this component makes a positive contribution to the index.

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

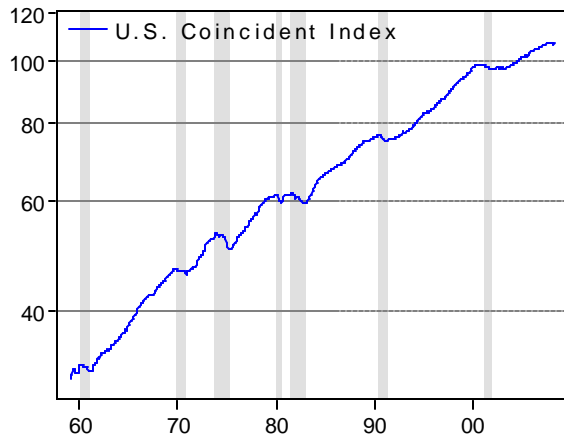
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### U.S. Composite Indexes (2004=100)

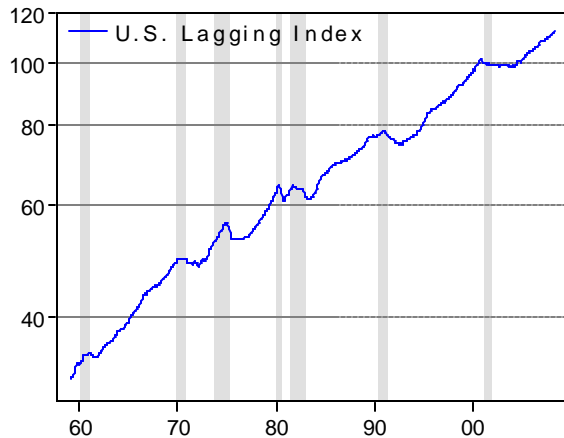
Peak:	60:4	69:12	73:11	80:181:7	90:7	01:3
Trough:	61:2	70:11	75:3	80:782:11	91:3	01:11



Peak:	60:4	69:12	73:11	80:181:7	90:7	01:3
Trough:	61:2	70:11	75:3	80:782:11	91:3	01:11



Peak:	60:4	69:12	73:11	80:181:7	90:7	01:3
Trough:	61:2	70:11	75:3	80:782:11	91:3	01:11



Shaded areas represent recessions.

Source: The Conference Board