



THE CONFERENCE BOARD

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The Conference Board®
U.S. Business Cycle IndicatorsSM

U.S. LEADING ECONOMIC INDICATORS AND RELATED COMPOSITE INDEXES FOR NOVEMBER 2008

Next month's release will incorporate 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 Conference Board announced today that the U.S. leading index decreased 0.4 percent, the coincident index decreased 0.3 percent and the lagging index increased 0.1 percent in November.

- The leading index continued to fall in November, due mainly to large declines in building permits, stock prices, and initial unemployment claims, which offset the continued positive contributions from real money supply (M2) and the yield spread. Without the very large increases in inflation-adjusted money supply since September, the leading index would have been significantly weaker. The six-month change in the leading index has continued to fall -- to -2.8 percent (a -5.6 percent annual rate) in the period through November, down from -0.9 percent (a -1.7 percent annual rate) during the previous six months. In addition, the weaknesses among the leading indicators have remained widespread in recent months.
- The coincident index also fell in November, driven by a very large contraction in employment and a smaller drop in industrial production. The lagging index rose slightly this month, and the coincident-to-lagging ratio decreased as a result (the ratio tends to have long leads in the business cycle). Since May, the coincident index has decreased 1.8 percent (a -3.5 percent annual rate), sharply faster than the decline of 0.4 percent (a -0.7 percent annual rate) from November 2007 to May 2008, while the weaknesses among its components have remained very widespread.
- The leading and coincident economic indexes have been falling for more than a year now, and the breadth of their deterioration has been very widespread. The rates of their six-month decline have picked up in recent months and are now the largest since 1991. 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 growth for the first half of the year. All in all, the continued widespread deterioration in the composite indexes suggests that the recession that began in December 2007 will continue into the new year, and the contraction in economic activity could deepen further in the near term.

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

The next release is scheduled for January 26, Monday at 10 A.M. ET.

The leading index now stands at 99.0 (2004=100). Based on revised data, this index decreased 0.9 percent in October and remained unchanged in September. During the six-month span through November, the leading index decreased 2.8 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 index increased in November. The positive contributor to the index was manufacturing and trade sales*. The negative contributors – beginning with the largest negative contributor – were employees on nonagricultural payrolls, industrial production and personal income less transfer payments.

The coincident index now stands at 104.9 (2004=100). This index increased 0.3 percent in October and decreased 1.0 percent in September. During the six-month period through November, the coincident index decreased 1.8 percent, with none of the four components advancing (diffusion index, six-month span equals 12.5 percent).

LAGGING INDICATORS. The lagging index stands at 113.7 (2004=100) in November, with three of the seven components advancing. The positive contributors to the index – beginning with the largest positive contributor – were average duration of unemployment (inverted), commercial and industrial loans outstanding* and ratio of consumer installment credit to personal income*. The negative contributors – beginning with the largest negative contributor – were change in CPI for services, average prime rate charged by banks, and change in labor cost per unit of output*. The ratio of manufacturing and trade inventories to sales* held steady in November. Based on revised data, the lagging index remained unchanged in October and increased 0.6 percent in September.

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 December 16, 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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Professional Contacts at The Conference Board:

Ken Goldstein: 212-339-0331
Indicators Program: 212-339-0330
Email: indicators@conference-board.org
Website: www.conference-board.org/economics/bci

Media Contacts:

Frank Tortorici: 212-339-0231
Carol Courter: 212-339-0232

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 several 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.

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 2009:

Monday, January 26, 2009	for December 2008 data
Thursday, February 19, 2009	for January 2009 data
Thursday, March 19, 2009	for February 2009 data
Monday, April 20, 2009	for March 2009 data
Thursday, May 21, 2009	for April 2009 data
Thursday, June 18, 2009	for May 2009 data
Monday, July 20, 2009	for June 2009 data
Thursday, August 20, 2009	for July 2009 data
Monday, September 21, 2009	for August 2009 data
Thursday, October 22, 2009	for September 2009 data
Thursday, November 19, 2009	for October 2009 data
Thursday, December 17, 2009	for November 2009 data

All releases are at 10:00 AM ET.

About The Conference Board

For over 90 years, The Conference Board has created and disseminated knowledge about management and the marketplace to help businesses strengthen their performance and better serve society. The Conference Board operates as a global independent membership organization working in the public interest. It publishes information and analysis, makes economics-based forecasts and assesses trends, and facilitates learning by creating dynamic communities of interest that bring together senior executives from around the world. The Conference Board is a not-for-profit organization and holds 501(c)(3) tax-exempt status in the United States. For additional information about The Conference Board and how it can meet your needs, visit our website at www.conference-board.org.

AVAILABLE FROM THE CONFERENCE BOARD

U.S. Business Cycle Indicators Internet Subscription <i>(Includes monthly release, data, charts and commentary)</i>	\$ 635 per year (1 user)
Individual Data Series	\$ 35 per series downloaded
Monthly BCI Report <i>(Sample available at http://www.conference-board.org/publications/describeBCI.cfm)</i>	\$ 275 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 \$635 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

	2008										
	May	Jun	Jul	Aug	Sep	Oct	Nov				
Leading index	101.9	101.9	101.2	100.3	100.3	r	99.4	r	99.0	p	
Percent change	-.1	.0	-.7	-.9	.0	r	-.9	r	-.4	p	
Diffusion index	25.0	45.0	45.0	30.0	40.0		25.0		40.0		
Coincident index	106.8	106.6	r	106.4	r	106.0	r	104.9	r	105.2	p
Percent change	-.1	-.2	r	-.2	-.4	-1.0	r	.3	p	-.3	p
Diffusion index	12.5	25.0	25.0	25.0	0.0	75.0		25.0		25.0	
Lagging index	111.7	111.6	112.5	r	112.9	113.6	r	113.6	p	113.7	p
Percent change	-.2	-.1	.8	r	.4	.6	.0	p	.1	p	
Diffusion index	28.6	64.3	92.9	50.0	64.3	14.3	42.9				
Coincident-lagging ratio	95.6	95.5	r	94.6	r	93.9	r	92.3	r	92.6	p
	Nov to	Dec to	Jan to	Feb to	Mar to	Apr to	May to				
	May	Jun	Jul	Aug	Sep	Oct	Nov				
Leading index											
Percent change	-.9	-.7	-.9	-1.6	-1.6	-2.5	-2.8				
Diffusion index	30.0	40.0	30.0	20.0	20.0	30.0	30.0				
Coincident index											
Percent change	-.4	-.6	-.7	-.8	-1.9	-1.6	-1.8				
Diffusion index	.0	.0	.0	.0	.0	.0	12.5				
Lagging index											
Percent change	1.0	.6	1.2	1.0	1.4	1.5	1.8				
Diffusion index	71.4	42.9	85.7	57.1	57.1	42.9	57.1				

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

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

Component	2008						
	May	Jun	Jul	Aug	Sep	Oct	Nov
Leading index component data							
Average work week, production workers, mfg. (hours).....	41.0	41.0	41.0	40.9	40.5 r	40.5 r	40.3
Average weekly initial claims, state unemployment insurance (thousands)*.	369.0	390.5	420.1	439.9	474.3	477.8	526.0
Manufacturers' new orders, consumer goods and materials (mil. 1982 dol.).....	134,568	136,032 r	134,878 r	129,208	127,676 r	126,116 r	126,378 **
Index of supplier deliveries -- vendor performance (percent).....	53.7	55.1	55.1	50.3	52.5	49.2	48.4
Manufacturers' new orders, nondefense capital goods (mil. 1982 dol.).....	48,162	47,001	48,375 r	44,462	43,765 r	41,598 r	42,331 **
Building permits (thous.).....	978	1,138	937	857	805	730 r	616
Stock prices, 500 common stocks (c) (index: 1941-43=10).....	1,403.22	1,341.25	1,257.33	1,281.47	1,217.01	968.80	883.04
Money supply, M2 (bil. chn. 2000 dol.)....	6,292.8	6,243.5	6,241.0 r	6,233.2 r	6,307.5 r	6,432.9 r	6,549.3 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	1.90	2.10	2.00	1.89	1.88	2.84	3.14
Index of consumer expectations (c) (1966:1=100).....	51.1	49.2	53.5	57.9	67.2	57.0	53.9
LEADING INDEX (2004=100).....	101.9	101.9	101.2	100.3	100.3 r	99.4 r	99.0 p
Percent change from preceding month..	-0.1	0.0	-0.7	-0.9	0.0 r	-0.9 r	-0.4 p
Leading index net contributions							
Average work week, production workers, mfg.....	....	.00	.00	-.06	-.25 r	.00	-.13
Average weekly initial claims, state unemployment insurance.....	....	-.17	-.22	-.14	-.23	-.02	-.29
Manufacturers' new orders, consumer goods and materials.....	....	.08 r	-.07 r	-.33 r	-.09 r	-.10 r	.02 **
Index of supplier deliveries -- (vendor performance).....	....	.09	.00	-.32	.15	-.22	-.05
Manufacturers' new orders, nondefense capital goods.....	....	-.04	.05	-.15	-.03 r	-.09 r	.03 **
Building permits.....	....	.41	-.53	-.24	-.17	-.26 r	-.46
Stock prices, 500 common stocks (c)	....	-.18	-.25	.07	-.20	-.89	-.36
Money supply, M2.....	....	-.28	-.01 r	-.04 r	.42	.70 r	.64 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	....	.21	.20	.19	.19	.29	.32
Index of consumer expectations (c)	....	-.05	.12	.12	.26	-.29	-.09

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						
	May	Jun	Jul	Aug	Sep	Oct	Nov
Coincident index component data							
Employees on nonagricultural payrolls (thousands).....	137,717	137,617	137,550	137,423	137,020 r	136,700 r	136,167
Personal income less transfer payments (ann. rate, bil. chn. 2000 dol.).....	8,420.8 r	8,384.1 r	8,358.3 r	8,370.6 r	8,336.6 r	8,424.7 r	8,419.0 **
Industrial production (index: 2002=100).....	111.218	111.285 r	111.251 r	109.765 r	105.248 r	106.779 r	106.117
Manufacturing and trade sales (mil. chn. 2000 dol.).....	962,718	960,562	952,280 r	939,032 r	921,459 r	926,425 **	927,171 **
COINCIDENT INDEX (2004=100).....	106.8	106.6 r	106.4 r	106.0 r	104.9 r	105.2 p	104.9 p
Percent change from preceding month....	-0.1	-0.2 r	-0.2	-0.4	-1.0 r	0.3 p	-0.3 p
Coincident index net contributions							
Employees on nonagricultural payrolls.....	....	-.04	-.03	-.05	-.16 r	-.13	-.21
Personal income less transfer payments...	....	-.08	-.06 r	.03 r	-.08 r	.20 r	-.01 **
Industrial production.....	....	.01 r	.00 r	-.20 r	-.63 r	.22 r	-.09
Manufacturing and trade sales.....	....	-.03	-.10	-.17 r	-.22 r	.06 **	.01 **
Lagging index component data							
Average duration of unemployment (w eeks)*.....	16.6	17.5	17.1	17.4	18.4	19.7	18.8
Ratio, manufacturing and trade inventories to sales (chain 2000 dol.).....	1.322	1.325	1.340 r	1.357 r	1.379 r	1.376 **	1.376 **
Change in index of labor cost per unit of output, mfg. (6-month percent, ann. rate)	1.6 r	2.7 r	3.7 r	4.30 r	12.1 r	11.9 **	10.9 **
Average prime rate charged by banks (percent).....	5.00	5.00	5.00	5.00	5.00	4.56	4.00
Commercial and industrial loans outstanding (mil. chn. 2000 dol.).....	791,824	775,071	776,319 r	793,389 r	795,360 r	829,962 r	838,524 **
Ratio, consumer installment credit out- standing to personal income (percent).....	20.99 r	21.04 r	21.27 r	21.17 r	21.21 r	21.11 r	21.12 **
Change in CPI for services (6-month percent, ann. rate).....	3.9	4.3	4.8	4.7	4.0	3.4	2.5
LAGGING INDEX (2004=100).....	111.7	111.6 r	112.5 r	112.9	113.6 r	113.6 p	113.7 p
Percent change from preceding month....	-.2	-.1 r	.8 r	.4	.6	.0 p	.1 p
Lagging index net contributions							
Average duration of unemployment.....	....	-.20	.09	-.06	-.21	-.25	.17
Ratio, manufacturing and trade inventories to sales.....	....	.03	.14 r	.16 r	.20 r	-.03 **	.00 **
Change in index of labor cost per unit of output, mfg.....	....	.07	.06 r	.04 r	.48 r	-.01 **	-.06 **
Average prime rate charged by banks.....	....	.00	.00	.00	.00	-.12	-.16
Commercial and industrial loans outstanding.....	....	-.24	.02	.24	.03	.47	.11 **
Ratio, consumer installment credit out- standing to personal income.....	....	.04	.20 r	-.09 r	.04 r	-.09 r	.01 **
Change in CPI for services.....	....	.08	.10	-.02	-.14	-.12	-.18

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

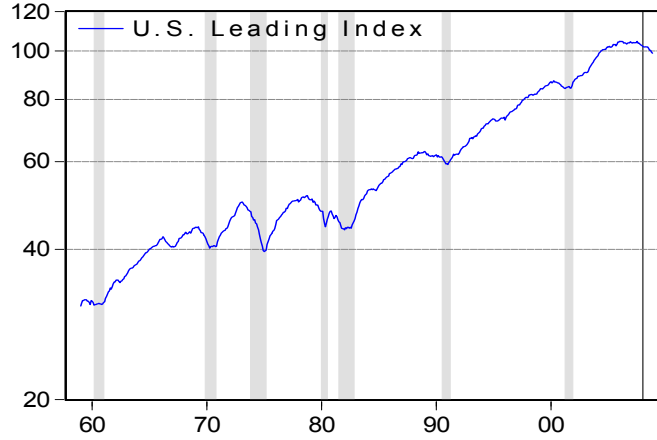
* Inverted series; a negative change in this component makes a positive contribution to the index.

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

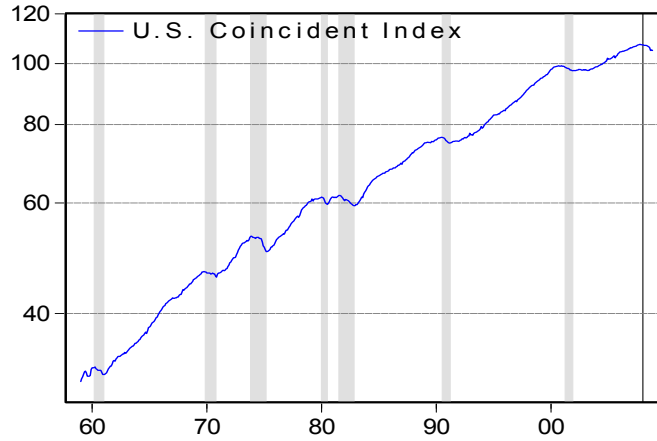
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U.S. Composite Indexes (2004=100)

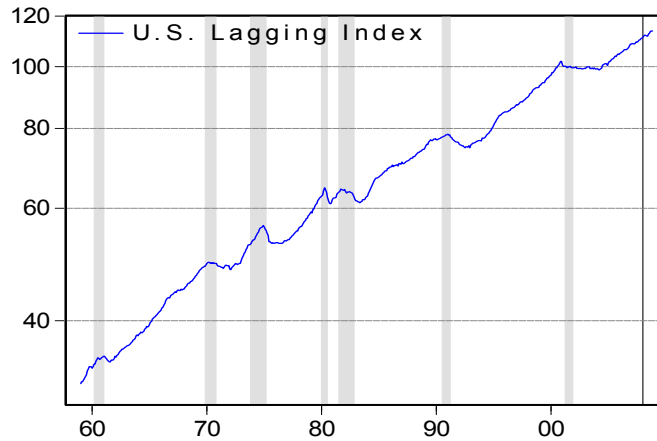
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Trough:	61:2	70:11	75:3	80:782:11	91:3	01:11	



Peak:	60:4	69:12	73:11	80:181:7	90:7	01:3	07:12
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Shaded areas represent recessions.

Source: The Conference Board