



THE CONFERENCE BOARD

FOR RELEASE: 11:00 A.M. ET, MONDAY, DECEMBER 22, 2008

The Conference Board®  
Mexico Business Cycle Indicators<sup>SM</sup>

**MEXICO LEADING ECONOMIC INDICATORS  
AND RELATED COMPOSITE INDEXES FOR OCTOBER 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. Also, the base year of the composite indexes will be changed to 2004=100 from 1990=100. 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 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](mailto:indicators@conference-board.org).

The Conference Board announced today that the leading index for Mexico declined 5.7 percent and the coincident index decreased 0.2 percent in October.

- The leading index declined sharply in October due to very large drops in oil prices, the real exchange rate, stock prices and the net insufficient inventories component. As a result, the leading index fell 9.3 percent (a -17.8 percent annual rate) during the six-month period ending in October, down significantly from the 3.3 percent rate of increase (a 6.7 percent annual rate) between October 2007 and April 2008. In addition, the weaknesses among the leading indicators have become very widespread in recent months, with none of the components increasing.
- The coincident index, a measure of current economic activity, also fell in October due primarily to a decline in industrial production, although employment, as measured by total IMSS beneficiaries, increased slightly. Since April 2008, the index has declined by 1.2 percent (a -2.3 percent annual rate), well below the 2.9 percent annual rate of growth during the previous six-month period. In addition, weaknesses among the coincident indicators have remained widespread. Meanwhile, real GDP growth slowed to a 1.7 percent average annual rate in the second and third quarters of 2008, well below the 4.3 percent average annual rate of growth for the second half of 2007.
- As a result of three consecutive declines in the leading index, its six-month growth rate has turned sharply negative and is now the largest decline since the 1994-95 downturn. At the same time, the six-month growth rate of the coincident index has gradually slowed and has now remained below zero since August 2008. Taken together, the recent behavior of the composite indexes suggests that economic activity should be weak going forward and that there are increasing risks of further economic weakness in the near term.

**LEADING INDICATORS.** One of the six components that make up the leading index increased in October. The positive contributor to the index was the industrial production construction component\*. The US refiners' acquisition cost of domestic and imported crude oil, the (inverted) real exchange rate, stock prices and net insufficient inventories decreased in October. The (inverted) federal funds rate remained unchanged.

The next release is scheduled for Thursday, January 29, 2009 at 11:00 A.M. (ET)  
*In Mexico – Wednesday Thursday, January 29, 2009 at 10:00 A.M. (MEX)*

With the 5.7 percent decrease in October, the leading index now stands at 158.1 (1990=100). Based on revised data, this index declined 2.3 percent in September and declined 1.0 percent in August. During the six-month span through October, the index decreased 9.3 percent, with none of the six components increasing (diffusion index, six-month span equals 0.0 percent).

\*See notes under data availability.

COINCIDENT INDICATORS. One of the three components that make up the coincident index increased in October. The positive contributor is number of people employed (measured by IMSS beneficiaries). Industrial production and retail sales\* declined in October.

With the decrease of 0.2 percent in October, the coincident index now stands at 168.2 (1990=100). Based on revised data, this index decreased 0.2 percent in September and decreased 0.2 percent in August. During the six-month span through October, the index decreased -1.2 percent, with one of the three components increasing (diffusion index, six-month span equals 33.3 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. December 18, 2008. Some series are estimated as noted below.

NOTES: Series in the coincident index based on The Conference Board estimates include retail sales.

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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 and coincident 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 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.

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/economics/bci/>.

Mexico Composite Indexes: Components and Standardization Factors

| <u>Leading Index</u>  | <u>Factor</u> |
|---|---------------|
| 1. Industrial Production, Construction Component                      | .1970         |
| 2. Stock Prices   | .0537         |
| 3. U.S. Refiners' Acquisition Cost of Domestic and Imported Crude Oil | .0866         |
| 4. Net Insufficient Inventories                                       | .4114         |
| 5. Federal Funds Rate   | .0958         |
| 6. Real Exchange Rate   | .1552         |

| <u>Coincident Index</u>  |       |
|--------------------------|-------|
| 1. Industrial Production | .4124 |
| 2. Retail Sales          | .2023 |
| 3. Employment            | .3853 |

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. (Under normal circumstances, updates to the leading and coincident indexes only incorporate revisions to data over the past six months).

These factors were revised effective on the release for May 2008, and all historical values for the two composite 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 were calculated using 1990-2006 as the sample period for measuring volatility for the leading index and 1986-2006 as the sample period for the coincident index. There are additional sample periods as 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 Web site: <http://www.conference-board.org/economics/bci/>.

The trend adjustment factor for the leading index is 0.0318

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 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 2009 schedule for the Mexico “Leading Economic Indicators” news release is:

|                          |                              |
|--------------------------|------------------------------|
| November 2008 Data ..... | Thursday, January 29, 2009   |
| December 2008 Data.....  | Friday, February 27, 2009    |
| January 2009 Data.....   | Friday, March 27, 2009       |
| February 2009 Data.....  | Wednesday, April 29, 2009    |
| March 2009 Data.....     | Friday, May 29, 2009         |
| April 2009 Data.....     | Friday, June 26, 2009        |
| May 2009 Data.....       | Thursday, July 30, 2009      |
| June 2009 Data.....      | Friday, August 28, 2009      |
| July 2009 Data.....      | Thursday, September 24, 2009 |
| August 2009 Data.....    | Thursday, October 29, 2009   |
| September 2009 Data..... | Monday, November 23, 2009    |
| October 2009 Data.....   | Monday, December 21, 2009    |

All releases are at 11:00 A.M. (ET) and 10:00 A.M. (MEX).

### About The Conference Board

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### AVAILABLE FROM THE CONFERENCE BOARD

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

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

|                  | 2008            |                 |                 |                 |                 |                 |                 |
|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                  | Apr.            | May.            | Jun.            | Jul.            | Aug.            | Sep.            | Oct.            |
| Leading index    | 174.4           | 173.0           | 173.4           | 173.5           | 171.7 r         | 167.7 r         | 158.1           |
| Percent change   | 2.7             | -0.8            | 0.2             | 0.1             | -1.0 r          | -2.3 r          | -5.7            |
| Diffusion index  | 75.0            | 41.7            | 50.0            | 66.7            | 33.3            | 0.0             | 25.0            |
| Coincident index | 170.2           | 168.7           | 170.2           | 169.2 r         | 168.8 r         | 168.5 r         | 168.2 p         |
| Percent change   | 0.7             | -0.9            | 0.9             | -0.6 r          | -0.2            | -0.2 r          | -0.2 p          |
| Diffusion index  | 100.0           | 0.0             | 100.0           | 33.3            | 0.0             | 33.3            | 33.3            |
|                  | Oct. to<br>Apr. | Nov. to<br>May. | Dec. to<br>Jun. | Jan. to<br>Jul. | Feb. to<br>Aug. | Mar. to<br>Sep. | Apr. to<br>Oct. |
| Leading index    |                 |                 |                 |                 |                 |                 |                 |
| Percent change   | 3.3             | 3.1             | 3.8             | 5.2             | 1.9 r           | -1.2 r          | -9.3            |
| Diffusion index  | 66.7            | 58.3            | 33.3            | 50.0            | 50.0            | 33.3            | 0.0             |
| Coincident index |                 |                 |                 |                 |                 |                 |                 |
| Percent change   | 1.4             | 0.0             | 1.0             | 0.2             | -0.9            | -0.3 r          | -1.2 p          |
| Diffusion index  | 100.0           | 33.3            | 66.7            | 66.7            | 66.7            | 33.3            | 33.3            |

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.

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**The Conference Board Mexico Business Cycle Indicators**  
**Table 2.--Data and Net Contributions for Components of the Mexico Leading Index**

| Component  | 2008         |              |              |              |                |                |              |
|--|--------------|--------------|--------------|--------------|----------------|----------------|--------------|
|  | Apr.         | May.         | Jun.         | Jul.         | Aug.           | Sep.           | Oct.         |
| Mexico Leading index component data  |              |              |              |              |                |                |              |
| Industrial Production, Construction Component, SA Index, 2003=100 .....                          | 124.3 r      | 118.6 r      | 119.3        | 119.7        | 117.0 r        | 116.2 r        | 118.1        |
| Stock Prices, IPC35 (BOLSA) October 1978=0.78 .....  | 30281.41     | 31975.47     | 29395.49     | 27501.02     | 26290.99       | 24888.90       | 20445.32     |
| US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel ..... | 106.21       | 117.64       | 127.32       | 129.03       | 113.71         | 98.90 r        | 75.08        |
| Net Insufficient Inventories Difference, (3 month moving average), Survey .....                  | -8.87 r      | -11.51 r     | -12.05       | -11.72       | -10.85 r       | -11.07 r       | -12.31       |
| Federal Funds, Money Market Rate* Percentage, Monthly Average .....                              | 7.94         | 7.93         | 8.00         | 8.28         | 8.56           | 8.66           | 8.68         |
| Real Exchange Rate, (Central Bank Settlement Rate)* Peso/US\$, Monthly Average .....             | 17.62        | 17.63        | 17.53        | 17.42        | 17.05          | 17.74          | 20.58        |
| <b>LEADING INDEX (1990=100).....</b>   | <b>174.4</b> | <b>173.0</b> | <b>173.4</b> | <b>173.5</b> | <b>171.7 r</b> | <b>167.7 r</b> | <b>158.1</b> |
| Percent change from preceding month.....   |              | -0.8         | 0.2          | 0.1          | -1.0 r         | -2.3 r         | -5.7         |
| Mexico Leading index net contributions   |              |              |              |              |                |                |              |
| Industrial Production, Construction Component, SA Index, 2003=100 .....                          | ....         | -0.92 r      | 0.11 r       | 0.07 r       | -0.45 r        | -0.14 r        | 0.33         |
| Stock Prices, IPC35 (BOLSA) October 1978=0.78 .....  | ....         | 0.29         | -0.45        | -0.36        | -0.24          | -0.29          | -1.05        |
| US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel ..... | ....         | 0.88         | 0.68         | 0.12         | -1.09          | -1.21 r        | -2.37        |
| Net Insufficient Inventories Difference, (3 month moving average), Survey .....                  | ....         | -1.09 r      | -0.22 r      | 0.14         | 0.36 r         | -0.09 r        | -0.51        |
| Federal Funds, Money Market Rate* Percentage, Monthly Average .....                              | ....         | 0.00         | -0.01        | -0.03        | -0.03          | -0.01          | 0.00         |
| Real Exchange Rate, (Central Bank Settlement Rate)* Peso/US\$, Monthly Average .....             | ....         | -0.01        | 0.09         | 0.10         | 0.33           | -0.62          | -2.30        |

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; Thomson Financial**

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### The Conference Board Mexico Business Cycle Indicators

Table 3.--Data and Net Contributions for Mexico Coincident Index

| Component  | 2008           |                |                |                |                |                |                |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|  | Apr.           | May.           | Jun.           | Jul.           | Aug.           | Sep.           | Oct.           |
| Mexico Coincident Index Component Data                                 |                |                |                |                |                |                |                |
| Industrial Production, SA<br>Index, (2003=100), 3 month moving average | 115.6          | 113.6          | 115.3          | 113.7          | 113.5          | 113.0 r        | 112.5          |
| Retail Sales, SA<br>Index, (2000=100), 3 month moving average          | 121.1 r        | 120.5 r        | 121.9          | 121.7 r        | 121.1 r        | 120.0 r        | 119.6 **       |
| Employment, IMSS Beneficiaries<br>Thousands, monthly average .....     | 14480          | 14444          | 14473          | 14483          | 14461          | 14526          | 14565          |
| <b>COINCIDENT INDEX (1990=100)</b>                                     | <b>170.2 r</b> | <b>168.7 r</b> | <b>170.2 r</b> | <b>169.2 r</b> | <b>168.8 r</b> | <b>168.5 r</b> | <b>168.2 p</b> |
| Percent change from preceding month.....                               |                | -0.9 r         | 0.9 r          | -0.6 r         | -0.2 r         | -0.2 r         | -0.2 p         |
| Mexico Coincident index net contributions                              |                |                |                |                |                |                |                |
| Industrial Production, SA<br>Index, (2003=100), 3 month moving average | ....           | -0.71 r        | 0.59 r         | -0.59 r        | -0.06 r        | -0.17 r        | -0.18          |
| Retail Sales, SA<br>Index, (2000=100), 3 month moving average          | ....           | -0.10          | 0.24 r         | -0.04 r        | -0.09 r        | -0.19 r        | -0.08 **       |
| Employment, IMSS Beneficiaries<br>Thousands, monthly average .....     | ....           | -0.10 r        | 0.08 r         | 0.03 r         | -0.06 r        | 0.17 r         | 0.10           |

p Preliminary. r Revised. 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; Thomson Financial**

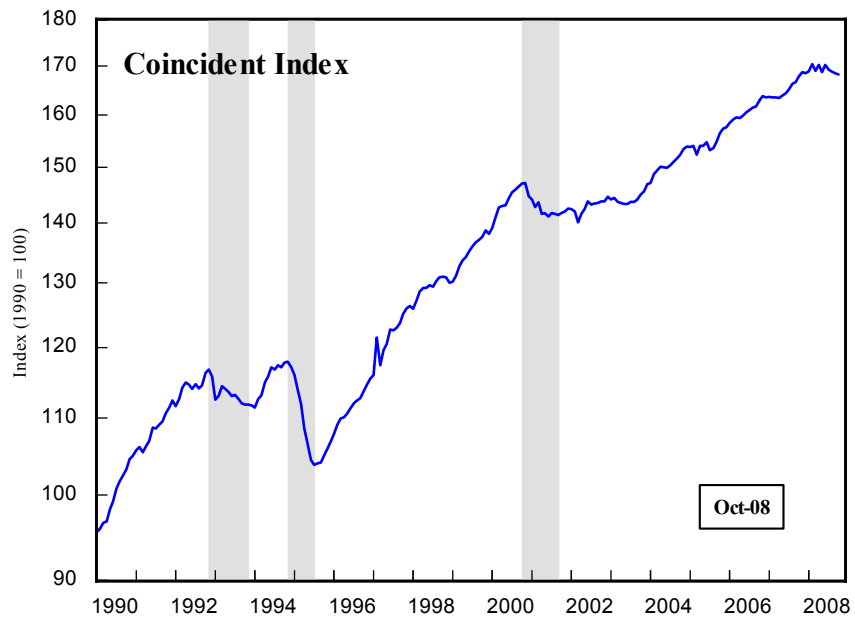
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# Mexico



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.

Source: The Conference Board