THE CONFERENCE BOARD

The Conference Board®
Mexico Business Cycle Indicators ℠
THE CONFERENCE BOARD LEADING ECONOMIC INDEX (LEI) FOR MEXICO
AND RELATED COMPOSITE INDEXES FOR NOVEMBER 2008

This month's release incorporates annual benchmark revisions to the composite economic indexes, which bring them up-to-date with revisions in the source data. Also, the base year of the composite economic indexes has been 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 not 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 Leading Economic Index (LEI) for Mexico declined 4.5 percent and The Conference Board Coincident Economic Index (CEI) decreased 0.6 percent in November.

- The Leading Economic Index declined sharply in November as it has done the previous three months due to very large declines in oil prices, net insufficient inventories and the industrial production construction component. During the previous six months, the LEI declined 13.0 percent (a -24.3 percent annual rate), significantly lower than the 2.7 percent rate of growth (a 5.5 percent annual rate) between November 2007 and May 2008. In addition, the weaknesses among the leading indicators have remained very widespread, with none of the components increasing over the past six months.

- The Coincident Economic Index declined in November, its fifth consecutive monthly decline, as a result of negative contributions from industrial production and employment. Between May and November 2008, the CEI declined 0.9 percent (a -1.8 percent annual rate), which is slightly lower than the -1.4 percent annual rate of decline during the previous six months. In addition, weaknesses among the coincident indicators continue to remain 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.

- The Leading Economic Index has declined precipitously since August, with the rate of decline accelerating very rapidly in recent months; this is the sharpest decline in the LEI since the 1994 financial crisis. At the same time, the CEI has been trending downward, with its six-month growth rate remaining 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 deterioration in the near term.

The next release is scheduled for Friday, February 27, 2009 at 10:00 A.M. (MEX)
In the U.S. – Friday, February 27, 2009 at 11:00 A.M. (ET)

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

With the 4.5 percent decrease in November, the leading economic index now stands at 105.0 (2004=100). Based on revised data, this index declined 6.0 percent in October and declined 2.4 percent in September. During the six-month span through November, the index decreased 13.0 percent, with none of the six components increasing (diffusion index, six-month span equals 0.0 percent).

COINCIDENT INDICATORS. None of the three components that make up the coincident economic index increased in November. Industrial production, number of people employed (measured by IMSS total beneficiaries) and retail sales* all declined in November.

With the decrease of 0.6 percent in November, the coincident economic index now stands at 111.2 (2004=100). Based on revised data, this index decreased 0.3 percent in October and decreased 0.2 percent in September. During the six-month span through November, the index decreased -0.9 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 by The Conference Board to compute The Conference Board Leading Economic Index (LEI) for Mexico and The Conference Board Coincident Economic Index (CEI) for Mexico reported in this release are those available "as of" 10 A.M. ET on January 26, 2009. Some series are estimated as noted below.

NOTES: The series in the coincident economic index based on The Conference Board estimates include retail sales. None of the components in the leading economic index are statistically imputed.

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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 leading economic index have occurred before those in aggregate economic activity, while the cyclical turning points in the coincident economic 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/.

<u>Mexico Composite Economic Indexes: Components and Standardization Factors</u>

<u>Leading Economic Index</u>	<u>Factor</u>
1. Industrial Production, Construction Component	.1848
2. Stock Prices	.0545
3. U.S. Refiners' Acquisition Cost of Domestic and Imported Crude Oil	.0867
4. Net Insufficient Inventories	.4190
5. Federal Funds Rate	.0975
6. Real Exchange Rate	.1575

<u>Coincident Economic Index</u>	
1. Industrial Production	.3883
2. Retail Sales	.1948
3. Employment	.4169

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).

The factors above for the leading economic index were calculated using January 1990 to December 2007 as the sample period for measuring volatility. Separate sets of factors for the January 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 coincident economic index were calculated using February to December 2007 as the sample period. Separate sets of factors for the April 1980 to March1986 period, and April 1986 to January 2007 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 Web site: http://www.conference-board.org/economics/bci. These factors are effective with this release.

The trend adjustment factor for the leading index is 0.0171 (calculated over the 1980 to 2007 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 2009 schedule for the Mexico "Leading Economic Indicators" news release is:

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

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.

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Mexico Business Cycle Indicators Internet Subscription $ 635 per year (1 user)
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Monthly BCI Report $ 275 per year
(Sample available at http://www.conference-board.org/publications/describeBCI.cfm)
BCI Handbook (published 2001) $ 20
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Business Cycle Indicators for 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.

The Conference Board Mexico Business Cycle Indicators

Table 1.--Summary of Mexico Composite Economic Indexes

| | 2008 | | | | | | |
	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.
Leading index	120.7 r	121.0 r	121.1 r	119.8 r	116.9 r	109.9 r	105.0
Percent change	-0.8	0.2	0.1	-1.1 r	-2.4 r	-6.0 r	-4.5
Diffusion index	41.7	50.0	66.7	33.3	0.0	25.0	16.7
Coincident index	112.2 r	113.2 r	112.6 r	112.4 r	112.2 r	111.9 r	111.2 p
Percent change	-0.9	0.9	-0.5 r	-0.2	-0.2	-0.3 r	-0.6 p
Diffusion index	0.0	100.0	33.3	0.0	33.3	33.3	0.0

	Nov. to May.	Dec. to Jun.	Jan. to Jul.	Feb. to Aug.	Mar. to Sep.	Apr. to Oct.	May to Nov.
Leading index							
Percent change	2.7 r	3.7 r	4.9 r	2.0 r	-1.4 r	-9.7 r	-13.0
Diffusion index	58.3	33.3	50.0	50.0	33.3	0.0	0.0
Coincident index							
Percent change	-0.7 r	1.2 r	0.3 r	-0.7 r	-0.2 r	-1.1 r	-0.9 p
Diffusion index	33.3	66.7	66.7	66.7	33.3	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.

For more information, visit our Web site at www.conference-board.org/economics/bci

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The Conference Board Mexico Business Cycle Indicators

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

Component	2008						
	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.
	Mexico Leading Economic Index component data						
Industrial Production, Construction Component, SA Index, 2003=100	118.6	119.3	119.7	117.0	116.1 r	118.9 r	114.9
Stock Prices, IPC35 (BOLSA) October 1978=0.78	31975.47	29395.49	27501.02	26290.99	24888.90	20445.32	20534.72
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US$ per Composite Barrel	117.64	127.32	129.03	113.71	98.91 r	74.22 r	54.44
Net Insufficient Inventories Difference, (3 month moving average), Survey	-11.57 r	-12.07 r	-11.70 r	-10.82 r	-11.16 r	-12.96 r	-15.50
Federal Funds, Money Market Rate* Percentage, Monthly Average	7.93	8.00	8.28	8.56	8.66	8.68	8.73
Real Exchange Rate, (Central Bank Settlement Rate)* Peso/US$, Monthly Average	17.63	17.53	17.42	17.05	17.74	20.58	20.95
LEADING INDEX (2004=100)...................................	**120.7** r	**121.0** r	**121.1** r	**119.8** r	**116.9** r	**109.9** r	**105.0**
Percent change from preceding month............		0.2	0.1	-1.1 r	-2.4 r	-6.0 r	-4.5
	Mexico Leading Economic Index net contributions						
Industrial Production, Construction Component, SA Index, 2003=100	....	0.11	0.07	-0.43 r	-0.14	0.44 r	-0.63
Stock Prices, IPC35 (BOLSA) October 1978=0.78	....	-0.46 r	-0.36	-0.25 r	-0.30 r	-1.07 r	0.02
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US$ per Composite Barrel	....	0.69 r	0.12	-1.09	-1.21	-2.47 r	-2.67
Net Insufficient Inventories Difference, (3 month moving average), Survey	....	-0.21 r	0.16 r	0.37 r	-0.14 r	-0.75 r	-1.06
Federal Funds, Money Market Rate* Percentage, Monthly Average	....	-0.01	-0.03	-0.03	-0.01	0.00	0.00
Real Exchange Rate, (Central Bank Settlement Rate)* Peso/US$, Monthly Average	....	0.09	0.10	0.34 r	-0.62	-2.33 r	-0.28

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

The Conference Board Mexico Business Cycle Indicators

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

Component	2008						
	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.
Mexico Coincident Economic Index Component Data							
Industrial Production, SA Index, (2003=100), 3 month moving average	113.7 r	115.3	113.7	113.5	113.0	112.5	111.5
Retail Sales, SA Index, (2000=100), 3 month moving average	120.4 r	121.8 r	121.7	121.2 r	120.1 r	118.9 r	118.4 **
Employment, IMSS Beneficiaries Thousands, monthly average	14444	14473	14483	14461	14526	14565	14505
COINCIDENT INDEX (2004=100)	**112.2** r	**113.2** r	**112.6** r	**112.4** r	**112.2** r	**111.9** r	**111.2** p
Percent change from preceding month.................		0.9 r	-0.5 r	-0.2 r	-0.2 r	-0.3 r	-0.6 p
Mexico Coincident Economic Index net contributions							
Industrial Production, SA Index, (2003=100), 3 month moving average	....	0.57 r	-0.56 r	-0.06 r	-0.19	-0.17 r	-0.35
Retail Sales, SA Index, (2000=100), 3 month moving average	....	0.23 r	-0.03 r	-0.08 r	-0.18 r	-0.20 r	-0.08 **
Employment, IMSS Beneficiaries Thousands, monthly average	....	0.08 r	0.03 r	-0.06 r	0.19 r	0.11 r	-0.17

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).

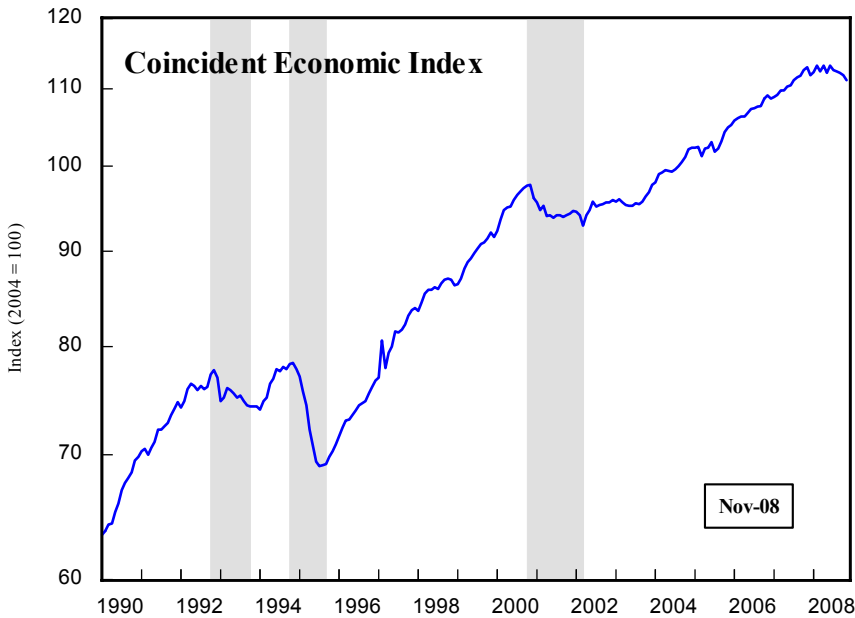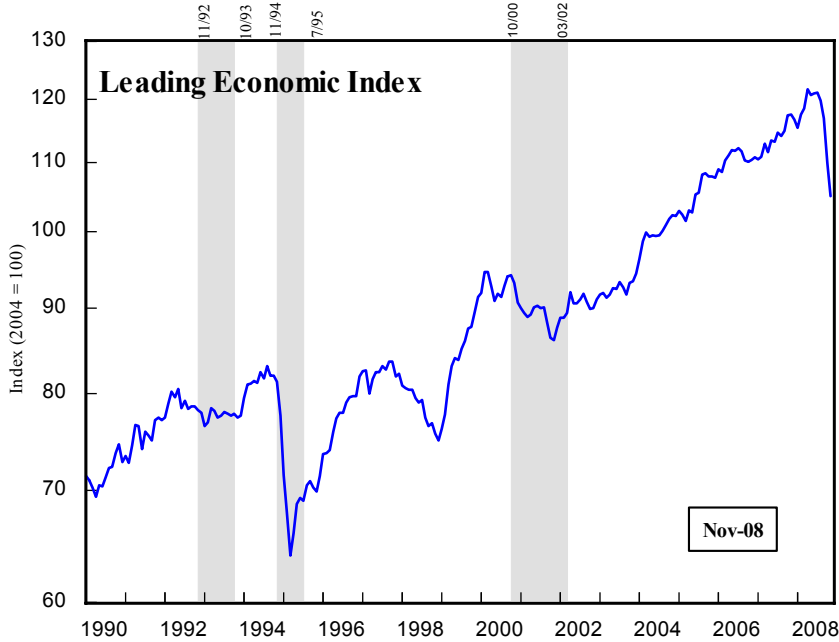**Data Sources: INEGI; IMSS; Thomson Financial**

Mexico

Leading Economic Index

11/92 10/93 11/94 7/95 10/00 03/02

Index (2004 = 100)

Nov-08

Coincident Economic Index
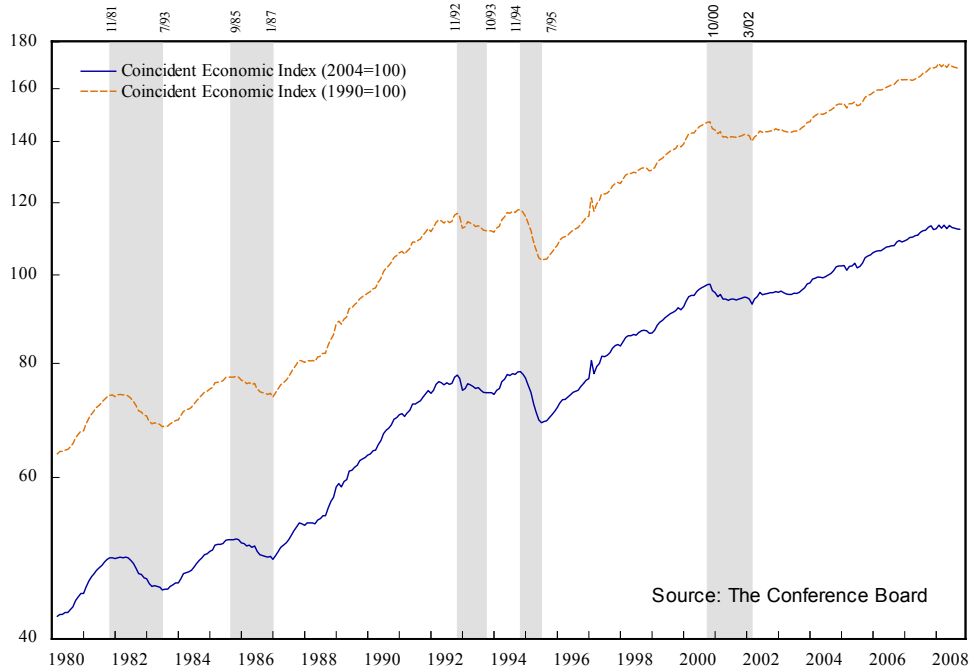
Index (2004 = 100)

Nov-08

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

The Conference Board Coincident Economic Index (CEI) Pre and Post-Benchmark Index Levels

The Conference Board Leading Economic Index (LEI) Pre and Post-Benchmark Index Levels