THE CONFERENCE BOARD

The Conference Board®
Spain Business Cycle Indicators℠

# SPAIN 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.

The Conference Board reports today that the leading index for Spain decreased by 1.2 percent and the coincident index decreased 0.3 percent in October.

- The Leading Index experienced its largest one month decline in October since 1991, as stock prices, the order books survey, the capital equipment component of industrial production and job placings all made large negative contributions. Since April, the leading index has declined by 2.2 percent (about a -4.4 percent annual rate), well below its 0.3 percent decline (about a -0.6 percent annual rate) between October 2007 and April 2008. Additionally, the weaknesses among the leading indicators have remained very widespread in recent months.

- The coincident index, a measure of current economic activity, declined for the sixth consecutive month in October. The index was also revised substantially downward from June to September to reflect third quarter data which became available this month, showing that both employment and final household consumption had declined significantly. During the past six months, the coincident index has declined at a 4.9 percent annual rate, well below the 0.1 percent annual rate of increase which prevailed during the previous six months. The weaknesses among the coincident indicators have remained very widespread, with all five components declining over the past six months. At the same time, real GDP declined at a 1.0 annual rate during the third quarter, below the 1.0 average annual growth rate for the first half of 2008.

- The leading index has been on a downtrend since February 2008, declining by 3.0 percent during this span, its largest decrease since 1992. Similarly, the coincident index has been falling after peaking in February, experiencing its greatest decline since the 1992-93 downturn. Taken together, the recent behavior of the composite indexes suggests that economic activity is unlikely to improve soon, and that the economy could contract further in the near term.

*The next release is scheduled for Thursday, January 15, 2009 at 10:00 A.M. (CET)*
*In the U.S. -- Thursday, January 15, 2009 at 4:00 A.M. (ET)*

LEADING INDICATORS.  One of the six components that make up the leading index increased in October.  The lone positive contributor this month is the inverted long-term government bond yield. The negative contributors —in order from the largest negative contributor to the smallest—are the Spanish equity price index, order books survey, the capital equipment component of industrial production, job placings, and the Spanish contribution to Euro M2.

With the decrease of 1.2 percent in October, the leading index now stands at 153.8 (1990=100).  Based on revised data, this index declined 0.3 percent in September and increased 0.6 percent in August.  During the six-month span through October, the index decreased 2.2 percent, and one of the six components advanced (diffusion index, six-month span equals 16.7 percent).

COINCIDENT INDICATORS.    One of the five components that make up the coincident index increased in October. The only positive contributor this month was real imports*.  Industrial production excluding construction, employment*, final household consumption* and the retail sales survey declined in October.

With the decrease of 0.3 percent in October, the coincident index now stands at 154.6 (1990=100).   Based on revised data, this index decreased 0.4 percent in September and decreased 0.5 percent in August.  During the six-month span through October, the index decreased 2.5 percent, and none of the five components advanced (diffusion index, six-month span equals 0.0 percent).

FOR TABLES AND CHARTS, SEE BELOW

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. (ET) December 9, 2008. Some series are estimated as noted below.

NOTES: Series in the coincident index based on The Conference Board estimates include final household consumption, employment and real imports.  There are no series in the leading index based on The Conference Board estimates.

Professional Contacts at The Conference Board:     Media Contacts:

Indicator Program:     1-212-339-0330          Frank Tortorici:          1-212-339-0231

Carol Courter:          1-212-339-0232

Website:          http://www.conference-board.org/economics/bci/

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/ .

### Spain Composite Indexes: Components and Standardization Factors

| Leading Index | Factor |
|---|---|
| 1. Capital Equipment Component of Industrial Production | .0728 |
| 2. Contribution to Euro M2 | .1978 |
| 3. Stock Price Index | .0277 |
| 4. Long term Government Bond Yield | .5117 |
| 5. Order Books Survey | .1205 |
| 6. Job Placings | .0695 |

### Coincident Index

| | |
|---|---|
| 1. Final Household Consumption | .3617 |
| 2. Industrial Production, Excluding Construction | .2039 |
| 3. Retail Sales Survey | .0349 |
| 4. Real Imports | .0305 |
| 5. Employment | .3690 |

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. These factors were last revised effective with the September 2007 release, and all historical values for the two composite indexes were revised at that 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 for the leading index were calculated using the October 1997 to December 2005 period as the sample period for measuring volatility. Separate set of factors for the January 1984 to December 2005 period, the January 1984 to September 1997 period, are available upon request. The factors above for the coincident index were calculated using the February 1995 to December 2005 period as the sample period. Separate sets of factors for the January 1984 to December 2005 period, the February 1984 to October 1994 period, and the November 1994 to January 1995 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 is 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.

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 2008 schedule for the Spain "Leading Economic Indicators" news release is:

| | |
|---|---|
| November 2008 Data.......... | Thursday, January 15, 2009 |
| December 2008 Data.......... | Wednesday, February 11, 2009 |
| January 2009 Data............... | Wednesday, March 11, 2009 |
| February 2009 Data............. | Monday, April 13, 2009 |
| March 2009 Data................. | Tuesday, May 12, 2009 |
| April 2009 Data.................. | Wednesday, June 17, 2009 |
| May 2009 Data.................... | Monday, July 13, 2009 |
| June 2009 Data................... | Tuesday, August 11, 2009 |
| July 2009 Data.................... | Tuesday, September 15, 2009 |
| August 2009 Data................ | Tuesday, October 13, 2009 |
| September 2009 Data........... | Wednesday, November 11, 2009 |
| October 2009 Data.............. | Tuesday, December 15, 2009 |

All releases are at 4:00 A.M (ET), 10:00 A.M. (CET)


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*(Sample available at http://www.conference-board.org/publications/describeBCI.cfm)*
BCI Handbook (published 2001)                            $   20
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# The Conference Board Spain Business Cycle Indicators

### Table 1.--Summary of Spain Composites Indexes

| | 2008 | | | | | | |
| | Apr. | May. | Jun. | Jul. | Aug. | Sep. | Oct. |
|---|---|---|---|---|---|---|---|
| Leading index | 157.3 | 156.2 | 155.5 r | 155.1 | 156.0 | 155.6 r | 153.8 p |
|    Percent change | 0.1 | -0.7 | -0.4 | -0.3 | 0.6 | -0.3 r | -1.2 p |
|    Diffusion index | 66.7 | 16.7 | 50.0 | 25.0 | 33.3 | 41.7 | 16.7 |
| | | | | | | | |
| Coincident index | 158.5 | 158.0 | 157.0 r | 156.5 r | 155.7 r | 155.1 p | 154.6 p |
|    Percent change | 0.1 | -0.3 | -0.6 r | -0.3 r | -0.5 r | -0.4 p | -0.3 p |
|    Diffusion index | 70.0 | 20.0 | 0.0 | 20.0 | 0.0 | 20.0 | 20.0 |

| | Oct to Apr | Nov to May | Dec to Jun | Jan to Jul | Feb to Aug | Mar to Sep | Apr to Oct |
|---|---|---|---|---|---|---|---|
| Leading index | | | | | | | |
|    Percent change | -0.3 | -1.2 | -1.8 | -2.1 | -1.6 | -1.0 r | -2.2 p |
|    Diffusion index | 33.3 | 16.7 | 16.7 | 16.7 | 16.7 | 33.3 | 16.7 |
| | | | | | | | |
| Coincident index | | | | | | | |
|    Percent change | 0.1 | -0.2 | -0.9 r | -1.4 r | -2.0 r | -2.1 p | -2.5 p |
|    Diffusion index | 60.0 | 60.0 | 10.0 | 0.0 | 0.0 | 20.0 | 0.0 |

p  Preliminary.     r  Revised  (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

# The Conference Board Spain Business Cycle Indicators

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

| Component | 2008 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Apr. | May. | Jun. | Jul. | Aug. | Sep. | Oct. |
| | Spain Leading Index component data | | | | | | |
| Capital Equipment Component of Industrial Production(3 month moving average, s.a.).......... | 117.7 r | 114.7 r | 117.9 | 114.8 | 113.9 | 118.5 r | 114.7 |
| Spanish Contribution to Euro M2 (s.a.)............................... | 860522.58 r | 866711.25 r | 869458.05 r | 887753.03 r | 922234.41 r | 916401.63 r | 915885.77 |
| Spanish Equity Price Index.................................................. | 1485.0 | 1460.7 | 1297.9 | 1276.5 | 1256.9 | 1175.1 | 978.1 |
| Longterm Government Bond Yield (Inverted)............... | 4.3 | 4.4 | 4.8 | 4.8 | 4.6 | 4.6 | 4.5 |
| Order Books Survey (3 month moving average, s.a.)......... | 0.30 | -1.316 | -3.724 | -5.593 | -6.030 | -8.897 r | -11.90 |
| Job Placings (3 month moving average, s.a.).................... | 1464.9 r | 1387.0 r | 1408.0 r | 1353.2 r | 1330.3 r | 1347.8 r | 1315.8 |
| LEADING INDEX (1990=100)................................... | 157.3 | 156.2 | 155.5 | 155.1 | 156.0 | 155.6 | 153.8 p |
| Percent change from preceding month............. | 0.1 | -0.7 | -0.4 | -0.3 | 0.6 | -0.3 r | -1.2 p |
| | Spain Leading index net contributions | | | | | | |
| Capital Equipment Component of Industrial Production(3 month moving average, s.a.).......... | .... | -0.19 r | 0.20 r | -0.20 r | -0.05 r | 0.28 | -0.24 |
| Spanish Contribution to Euro M2 (s.a.)............................... | .... | 0.14 | 0.06 | 0.41 | 0.75 | -0.13 r | -0.01 |
| Spanish Equity Price Index.................................................. | .... | -0.05 | -0.33 | -0.05 | -0.04 | -0.19 | -0.51 |
| Longterm Government Bond Yield (Inverted)............... | .... | -0.06 | -0.18 | -0.01 | 0.12 | -0.01 | 0.05 |
| Order Books Survey (3 month moving average, s.a.)......... | .... | -0.20 | -0.29 | -0.23 | -0.05 | -0.35 r | -0.36 |
| Job Placings (3 month moving average, s.a.).................... | .... | -0.38 r | 0.10 | -0.28 r | -0.12 r | 0.09 r | -0.17 |

p  Preliminary.    r  Revised.    s.a. Seasonally Adjusted

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

\*\* Statistical Imputation (See page 2 for more details)

Q  Quarterly series; these series are converted to a monthly series through a linear interpolation.

**Data Sources:** Ministerio de Economia y Hacienda, IMF, OECD, Thomson Financial

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).

# The Conference Board Spain Business Cycle Indicators

### Table 3.--Data and Net Contributions for Spain Coincident Index

| Component | 2008 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Apr. | May. | Jun. | Jul. | Aug. | Sep. | Oct. |
| | Spain Coincident index component data | | | | | | |
| Final Household Consumption (Q).......................... | 119.7 r | 119.7 r | 119.3 r | 118.9 r | 118.5 r | 118.2 ** | 118.1 ** |
| Industrial Production, Excluding Construction 2000=100(3 month moving average)...................... | 106 r | 105.4 r | 104.4 r | 103.4 r | 102.5 r | 101.5 r | 100.6 |
| Real Imports , millions of Euro, 1995 prices............. (3 month moving average) | 23284.90 | 22685.60 | 22248.50 | 21642.10 | 21222.60 | 21413.80 r | 21487.20 ** |
| Retail Sales Survey (s.a.) #..................................... | 110.6 r | 109.4 | 105.1 | 110.9 r | 108.6 | 108.5 r | 108.0 |
| Employment (Q) (Thousands, s.a.) ........................ | 20694.4 | 20687.0 r | 20630.7 r | 20574.4 r | 20518.0 r | 20464.6 ** | 20414.1 ** |
| **COINCIDENT INDEX (1990=100)...........................** | **158.5** | **158.0** | **157.0** | **156.5** | **155.7 r** | **155.1 p** | **154.6 p** |
| Percent change from preceding month................. | 0.1 | -0.3 | -0.6 | -0.3 | -0.5 r | -0.4 p | -0.3 p |
| | Spain Coincident index net contributions | | | | | | |
| Final Household Consumption (Q).......................... | .... | -0.01 r | -0.11 r | -0.12 r | -0.12 r | -0.08 ** | -0.05 ** |
| Industrial Production, Excluding Construction 2000=100(3 month moving average)...................... | .... | -0.19 r | -0.20 r | -0.19 r | -0.18 r | -0.19 r | -0.19 |
| Real Imports , millions of Euro, 1995 prices............. | .... | -0.08 | -0.06 | -0.08 | -0.06 | 0.03 r | 0.01 ** |
| Retail Sales Survey (s.a.) #..................................... | .... | -0.04 | -0.14 | 0.19 r | -0.07 | 0.00 | -0.01 |
| Employment (Q) (Thousands, s.a.) ........................ | .... | -0.01 r | -0.10 r | -0.10 r | -0.10 r | -0.10 ** | -0.09 ** |

p  Preliminary.    r  Revised.    s.a.  Seasonally Adjusted

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

\*\* Statistical Imputation (See page 2 for more details)

\# Since April 2002, the Retail Sales Survey rebased from 1995=100 to 2001=100

**Data Sources:** Ministerio de Economia y Hacienda, IMF, OECD, Thomson Financial

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).
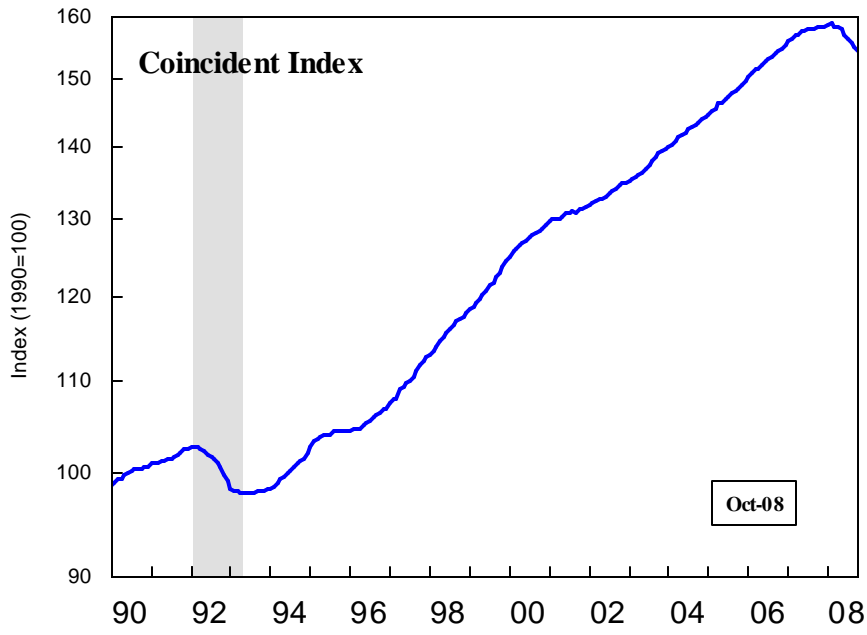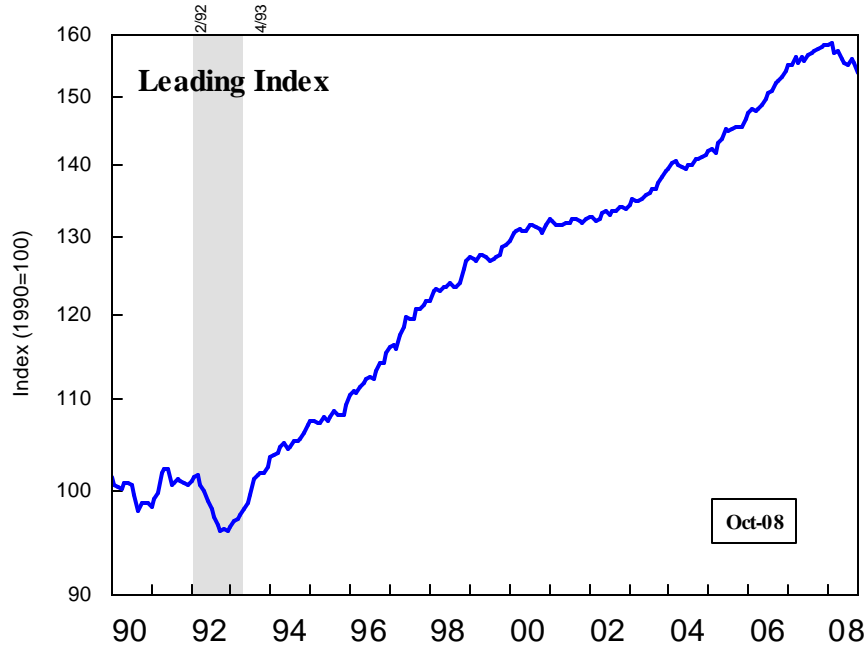
# Spain

**Leading Index**

Index (1990=100)

2/92  4/93

Oct-08

90  92  94  96  98  00  02  04  06  08

**Coincident Index**

Index (1990=100)

Oct-08

90  92  94  96  98  00  02  04  06  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