



THE CONFERENCE BOARD

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The Conference Board®
U.S. Business Cycle IndicatorsSM
**THE CONFERENCE BOARD LEADING ECONOMIC INDEX™
(LEI) FOR THE UNITED STATES
AND RELATED COMPOSITE ECONOMIC INDEXES FOR OCTOBER 2009**

The Conference Board Leading Economic Index™ (LEI) for the U.S. increased 0.3 percent, **The Conference Board Coincident Economic Index™ (CEI)** remained unchanged and **The Conference Board Lagging Economic Index™ (LAG)** decreased 0.2 percent in October.

- The Conference Board LEI for the U.S. increased for the seventh consecutive month in October. The interest rate spread, initial unemployment claims (inverted) and stock prices contributed positively to the index this month, more than offsetting declines in consumer expectations, residential building permits and the index of supplier deliveries. The six-month change in the index stands at 5.0 percent (a 10.2 percent annual rate) for the period through October 2009, up from -0.7 percent (a -1.4 percent annual rate) for the previous six months. In addition, the strengths among the leading indicators have remained widespread in recent months.
- The Conference Board CEI for the U.S. was unchanged in October, with employment continuing to fall and industrial production rising slightly. Between April and October 2009, the index decreased 0.7 percent (a -1.4 percent annual rate), slower than the decline of 4.1 percent (a -8.0 percent annual rate) for the previous six months. In October, the lagging economic index decreased again, and with the coincident economic index remaining unchanged, the coincident-to-lagging ratio increased further. Meanwhile, real GDP expanded at a 3.5 percent annual rate in the third quarter, its first increase since the second quarter of last year.
- After having fallen steadily since mid-2007, The Conference Board LEI for the U.S. has risen for more than half a year now, appearing to have reached a trough at the end of the first quarter. Meanwhile, The Conference Board CEI for the U.S. has been essentially flat since June, after generally declining since November 2007. All in all, the behavior of the composite indexes suggests that the recession is bottoming out and that economic conditions will continue to improve in the near term.

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

The next release is scheduled for December 17, Thursday at 10 A.M. ET.

The Conference Board LEI for the U.S. now stands at 103.8 (2004=100). Based on revised data, this index increased 1.0 percent in September and increased 0.4 percent in August. During the six-month span through October, the leading economic index increased 5.0 percent, with eight out of ten components advancing (diffusion index, six-month span equals 80 percent).

COINCIDENT INDICATORS. Three of the four indicators that make up The Conference Board CEI for the U.S. increased in October. The positive contributors to the index – beginning with the largest positive contributor – were personal income less transfer payments*, industrial production and manufacturing and trade sales*. The negative contributor was employees on nonagricultural payrolls.

The Conference Board CEI for the U.S. now stands at 99.8 (2004=100). This index decreased 0.1 percent in September and increased 0.1 percent in August. During the six-month period through October, the coincident economic index decreased 0.7 percent, with one out of four components advancing (diffusion index, six-month span equals 25 percent).

LAGGING INDICATORS. The Conference Board LAG for the U.S. stands at 108.9 (2004=100) in October, with two of the seven components advancing. The positive contributors to the index – beginning with the larger positive contributor – were change in CPI for services, and change in labor cost per unit of output*. The negative contributors – beginning with the largest negative contributor – were commercial and industrial loans outstanding*, average duration of unemployment (inverted), ratio of consumer installment credit to personal income*, and ratio of manufacturing and trade inventories to sales*. The average prime rate charged by banks held steady in October. Based on revised data, the lagging economic index decreased 0.5 percent in September and decreased 0.4 percent in August.

DATA AVAILABILITY AND NOTES.

The data series used to compute **The Conference Board Leading Economic Index™** (LEI) for the U.S., **The Conference Board Coincident Economic Index™** (CEI) for the U.S. and **The Conference Board Lagging Economic Index™** (LAG) for the U.S. and reported in the tables in this release are those available “as of” 12 Noon on November 18, 2009. Some series are estimated as noted below.

* Series in The Conference Board LEI for the U.S. based on our 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 Conference Board CEI for the U.S. that are based on our estimates are personal income less transfer payments and manufacturing and trade sales. Series in The Conference Board LAG for the U.S. that are based on our estimates are inventories to sales ratio, consumer installment credit to income ratio, change in labor cost per unit of output, 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 Conference Board LEI for the U.S.

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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, coincident, and lagging economic 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 Conference Board LEI for the U.S. have occurred before those in aggregate economic activity, while the cyclical turning points in The Conference Board CEI for the U.S. have occurred at about the same time as those in aggregate economic activity. The cyclical turning points in The Conference Board LAG for the U.S. generally have occurred after those in aggregate economic activity.

U.S. Composite Economic Indexes: Components and Standardization Factors

<u>Leading Economic Index</u>		<u>Factor</u>
1	Average weekly hours, manufacturing	0.2549
2	Average weekly initial claims for unemployment insurance	0.0307
3	Manufacturers' new orders, consumer goods and materials	0.0774
4	Index of supplier deliveries – vendor performance	0.0677
5	Manufacturers' new orders, nondefense capital goods	0.0180
6	Building permits, new private housing units	0.0270
7	Stock prices, 500 common stocks	0.0390
8	Money supply, M2	0.3580
9	Interest rate spread, 10-year Treasury bonds less federal funds	0.0991
10	Index of consumer expectations	0.0282
<u>Coincident Economic Index</u>		
1	Employees on nonagricultural payrolls	0.5439
2	Personal income less transfer payments	0.1873
3	Industrial production	0.1497
4	Manufacturing and trade sales	0.1191
<u>Lagging Economic Index</u>		
1	Average duration of unemployment	0.0371
2	Inventories to sales ratio, manufacturing and trade	0.1238
3	Labor cost per unit of output, manufacturing	0.0608
4	Average prime rate	0.2825
5	Commercial and industrial loans	0.1127
6	Consumer installment credit to personal income ratio	0.1872
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 January 2009, and all historical values for the three composite economic indexes were revised at this time to reflect the changes. (Under normal circumstances, updates to the leading, coincident, and lagging economic indexes only incorporate revisions to data over the past six months.) The factors for The Conference Board LEI for the U.S. were calculated using 1984-2007 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 economic indexes was 1959-2007. 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 Conference Board LEI for the U.S is -0.0101, and the trend adjustment factor for The Conference Board LAG for the U.S is 0.1615.

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 economic 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.

The Conference Board Leading Economic Index™ (LEI) for the U.S. news release schedule for 2009:

Thursday, December 17, 2009

for November 2009 data

All releases are at 10:00 AM ET.

About The Conference Board

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Table 1.--Summary of U.S. Composite Economic Indexes

	2009						
	Apr	May	Jun	Jul	Aug	Sep	Oct
Leading index	98.9	100.2	101.1	102.1	102.5	103.5	103.8 p
Percent change	1.0	1.3	.9	1.0	.4	1.0	.3 p
Diffusion index	70.0	70.0	70.0	70.0	55.0	75.0	60.0
Coincident index	100.5	100.1	99.7	99.8	99.9	99.8 p	99.8 p
Percent change	-.5	-.4	-.4	.1	.1	-.1 p	.0 p
Diffusion index	0.0	0.0	0.0	62.5	25.0	50.0	75.0
Lagging index	112.5	111.7 r	110.7 r	110.1	109.7 r	109.1 p	108.9 p
Percent change	-.7	-.7 r	-.9	-.5 r	-.4 r	-.5 p	-.2 p
Diffusion index	14.3	7.1	21.4	21.4	35.7	28.6	35.7
Coincident-lagging ratio	89.3	89.6 r	90.1 r	90.6	91.1 r	91.5 p	91.6 p
	Oct to	Nov to	Dec to	Jan to	Feb to	Mar to	Apr to
	Apr	May	Jun	Jul	Aug	Sep	Oct
Leading index							
Percent change	-.7	1.2	2.2	3.5	4.4	5.7	5.0
Diffusion index	30.0	50.0	60.0	90.0	80.0	80.0	80.0
Coincident index							
Percent change	-4.1	-3.8	-3.6	-2.6	-1.9	-1.2	-.7
Diffusion index	.0	.0	.0	.0	.0	25.0	25.0
Lagging index							
Percent change	-1.0	-2.3	-3.1	-3.8	-3.7	-3.7	-3.2
Diffusion index	28.6	14.3	.0	7.1	7.1	14.3	21.4

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. Component: 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 U.S. Leading Economic Index

Component	2009						
	Apr	May	Jun	Jul	Aug	Sep	Oct
U.S. Leading Economic Index component data							
Average work week, production workers, mfg. (hours).....	39.6	39.4	39.5	39.9	39.9	39.9 r	40.0
Average weekly initial claims, state unemployment insurance (thousands)*.	624.4	632.5	616.1	556.5	573.0	540.3	524.5
Manufacturers' new orders, consumer goods and materials (mil. 1982 dol.).....	115,983	113,856	114,703 r	115,768	114,962 r	114,289 r	114,444 **
Index of supplier deliveries -- vendor performance (percent).....	44.9	49.8	50.6	52.0	57.1	58.0	56.9
Manufacturers' new orders, nondefense capital goods (mil. 1982 dol.).....	30,966	33,864	33,660	36,085	33,176 r	33,967 r	33,645 **
Building permits (thous.).....	498	518	570	564	580	575 r	552
Stock prices, 500 common stocks (c) (index: 1941-43=10).....	848.15	902.41	926.12	935.82	1,009.72	1,044.55	1,067.66
Money supply, M2 (bil. chn. 2005 dol.)....	7,619.2 r	7,678.8 r	7,666.8 r	7,647.8	7,574.9 r	7,591.2 r	7,597.7 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	2.78	3.11	3.51	3.40	3.43	3.25	3.27
Index of consumer expectations (c) (1966:1=100).....	63.1	69.4	69.2	63.2	65.0	73.5	68.6
LEADING INDEX (2004=100).....	98.9	100.2	101.1	102.1	102.5	103.5	103.8 p
Percent change from preceding month..	1.0	1.3	0.9	1.0	0.4	1.0	0.3 p
U.S. Leading Economic Index net contributions							
Average work week, production workers, mfg.....	....	-.13	.06	.26	.00	.00 r	.06
Average weekly initial claims, state unemployment insurance.....	....	-.04	.08	.31	-.09	.18	.09
Manufacturers' new orders, consumer goods and materials.....	....	-.14 r	.06 r	.07 r	-.05	-.05 r	.01 **
Index of supplier deliveries -- (vendor performance).....	....	.33	.05	.09	.35	.06	-.07
Manufacturers' new orders, nondefense capital goods.....	....	.16	-.01 r	.13	-.15	.04 r	-.02 **
Building permits.....	....	.11	.26	-.03	.08	-.02 r	-.11
Stock prices, 500 common stocks (c)	....	.24	.10	.04	.30	.13	.09
Money supply, M2.....	....	.28 r	-.06 r	-.09 r	-.34	.08 r	.03 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	....	.31	.35	.34	.34	.32	.32
Index of consumer expectations (c)	....	.18	-.01	-.17	.05	.24	-.14

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 U.S. Coincident Economic Index and U.S. Lagging Economic Index

Component	2009						
	Apr	May	Jun	Jul	Aug	Sep	Oct
U.S. Coincident Economic Index component data							
Employees on nonagricultural payrolls (thousands).....	132,481	132,178	131,715	131,411	131,257 r	131,038 r	130,848
Personal income less transfer payments (ann. rate, bil. chn. 2005 dol.).....	9,066.2	9,051.1	8,988.3	8,992.0 r	8,968.4 r	8,941.9 r	8,950.0 **
Industrial production (index: 2002=100).....	97.234	96.203 r	95.784 r	96.678 r	97.948 r	98.578 r	98.627
Manufacturing and trade sales (mil. chn. 2005 dol.).....	925,557	919,935	915,616	925,216 r	921,817 r	923,319 **	924,211 **
COINCIDENT INDEX (2004=100).....	100.5	100.1	99.7	99.8	99.9	99.8 p	99.8 p
Percent change from preceding month.....	-0.5	-0.4	-0.4	0.1	0.1	-0.1 p	0.0 p
U.S. Coincident Economic Index net contributions							
Employees on nonagricultural payrolls.....	....	-.12	-.19	-.13	-.06 r	-.09	-.08
Personal income less transfer payments.....	....	-.03	-.13	.01	-.05	-.06 r	.02 **
Industrial production.....	....	-.16 r	-.07	.14 r	.20	.10 r	.01
Manufacturing and trade sales.....	....	-.07	-.06	.12 r	-.04 r	.02 **	.01 **
U.S. Lagging Economic Index component data							
Average duration of unemployment (w weeks)*.....	21.4	22.5	24.5	25.1	24.9	26.2	26.9
Ratio, manufacturing and trade inventories to sales (chain 2005 dol.).....	1.463	1.459	1.448 r	1.420 r	1.410 r	1.410 **	1.409 **
Change in index of labor cost per unit of output, mfg. (6-month percent, ann. rate).....	4.1	0	-3.5	-3.40 r	-4.7 r	-7.6 r	-7.0 **
Average prime rate charged by banks (percent).....	3.25	3.25	3.25	3.25	3.25	3.25	3.25
Commercial and industrial loans outstanding (mil. chn. 2005 dol.).....	824,467 r	817,907 r	780,703 r	762,726 r	742,399 r	724,669 r	705,655 **
Ratio, consumer installment credit out- standing to personal income (percent).....	21.14	20.79	20.89	20.77 r	20.65 r	20.53 r	20.51 **
Change in CPI for services (6-month percent, ann. rate).....	.7	.6	.5	.3	.5	.8	1.1
LAGGING INDEX (2004=100).....	112.5	111.7 r	110.7 r	110.1	109.7 r	109.1 p	108.9 p
Percent change from preceding month.....	-.7	-.7 r	-.9	-.5 r	-.4 r	-.5 p	-.2 p
U.S. Lagging Economic Index net contributions							
Average duration of unemployment.....	....	-.19	-.32	-.09	.03	-.19	-.10
Ratio, manufacturing and trade inventories to sales.....	....	-.03	-.09	-.24 r	-.09 r	.00 **	-.01 **
Change in index of labor cost per unit of output, mfg.....	....	-.25 r	-.21	.01	-.08 r	-.18 r	.04 **
Average prime rate charged by banks.....	....	.00	.00	.00	.00	.00	.00
Commercial and industrial loans outstanding.....	....	-.09 r	-.52 r	-.26 r	-.30 r	-.27 r	-.30 **
Ratio, consumer installment credit out- standing to personal income.....	....	-.31	.09 r	-.11 r	-.11 r	-.11 r	-.02 **
Change in CPI for services.....	....	-.02	-.02	-.04	.04	.06	.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.

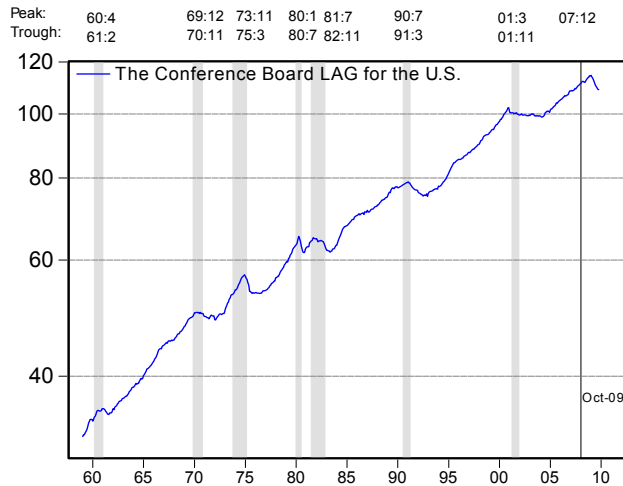
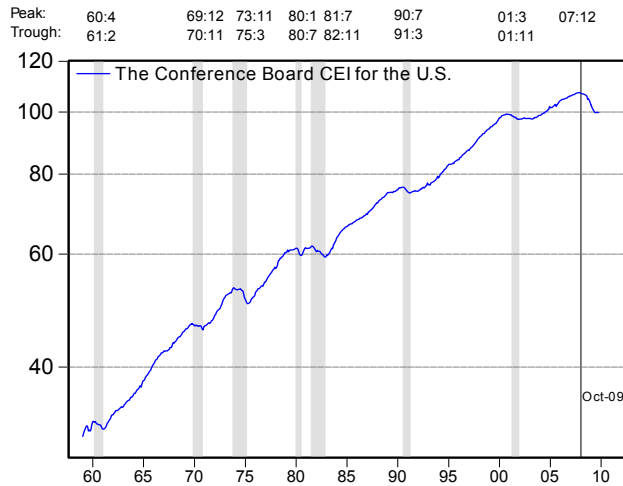
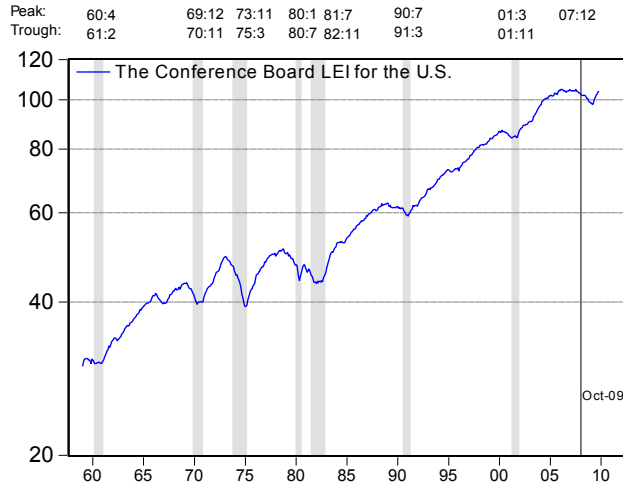
** Statistical Imputation (See page 3 for more details)

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



Shaded areas represent recessions.

Source: The Conference Board