



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. ET, Thursday, December 17, 2009

The Conference Board®  
U.S. Business Cycle Indicators<sup>SM</sup>  
**THE CONFERENCE BOARD LEADING ECONOMIC INDEX™  
(LEI) FOR THE UNITED STATES  
AND RELATED COMPOSITE ECONOMIC INDEXES FOR NOVEMBER 2009**

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.

In addition to annual benchmark revisions, The Conference Board (TCB) continuously monitors the behavior and performance of the composite indexes and their components and makes changes from time to time (See BCI Handbook 2001 <http://www.conference-board.org/publications/describebook.cfm?id=852>, for a description of the previous comprehensive revision that TCB undertook in 1996.) These occasional comprehensive benchmark revisions are consistent with long-standing TCB policy to make changes to the indexes when research indicates substantial improvements are possible. These changes are the result of research at TCB and regular consultations with its Business Cycle Indicators Advisory Panel and other experts. Details of these changes will be announced in advance in the technical notes and posted on our website when they are available.

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 Leading Economic Index™ (LEI)** for the U.S. increased 0.9 percent, **The Conference Board Coincident Economic Index™ (CEI)** increased 0.2 percent and **The Conference Board Lagging Economic Index™ (LAG)** decreased 0.4 percent in November.

- The Conference Board LEI for the U.S. increased again in November. The interest rate spread, initial unemployment claims (inverted), average weekly hours and housing permits made large positive contributions to the index this month, more than offsetting negative contributions from the index of supplier deliveries and the index of consumer expectations. The six-month growth in the index has slowed somewhat in recent months -- to 4.7 percent (about a 9.6 percent annual rate) in the period through November, but it remains substantially higher than the increase of 1.2 percent (a 2.4 percent annual rate) from November 2008 to May 2009. In addition, the strengths among the leading indicators have remained widespread in recent months.

The next release is scheduled for Thursday, January 21, 2010 at 10 A.M. ET.

- The Conference Board CEI for the U.S. also increased in November. Employment largely held steady this month, making this the first month since December 2007 that it did not make a negative contribution to the index. Between May and November 2009, the index remained unchanged, an improvement from the decline of 3.8 percent (a -7.5 percent annual rate) from November 2008 to May 2009. In November, the lagging economic index continued to decrease, and with the coincident economic index rising slightly, the coincident-to-lagging ratio increased further. Meanwhile, real GDP expanded at a 2.8 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 eight months, and it is now slightly higher than its latest peak in July 2007. However, its six-month growth rate has slowed somewhat in recent months. Meanwhile, The Conference Board CEI for the U.S. has been flat since the second quarter of the year, after generally declining beginning in December 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 November. The positive contributors – beginning with the largest positive contributor – were the interest rate spread, average weekly initial claims for unemployment insurance (inverted), average weekly manufacturing hours, building permits, stock prices and real money supply\*. The negative contributors – beginning with the largest negative contributor – were the index of supplier deliveries (vendor performance), the index of consumer expectations, and manufacturers’ new orders for nondefense capital goods\*. The manufacturers’ new orders for consumer goods and materials\* held steady in November.

The Conference Board LEI for the U.S. now stands at 104.9 (2004=100). Based on revised data, this index increased 0.3 percent in October and increased 1.2 percent in September. During the six-month span through November, the leading economic index increased 4.7 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 November. The positive contributors to the index – beginning with the largest positive contributor – were industrial production, personal income less transfer payments\* and manufacturing and trade sales\*. Employment held steady in November.

The Conference Board CEI for the U.S. now stands at 100.1 (2004=100). This index remained unchanged in October and decreased 0.1 percent in September. During the six-month period through November, the coincident economic index remained unchanged, with two out of four components advancing (diffusion index, six-month span equals 50.0 percent).

LAGGING INDICATORS. The Conference Board LAG for the U.S. stands at 108.7 (2004=100) in November, with two of the seven components advancing. The positive contributors to the index – beginning with the larger positive contributor – were change in labor cost per unit of output\*, and change in CPI for services. The negative contributors – beginning with the largest negative contributor – were commercial and industrial loans outstanding\*, average duration of unemployment (inverted), and ratio of consumer installment credit to personal income\*. The ratio of manufacturing and trade inventories to sales\* and average prime rate charged by banks held steady in November. Based on revised data, the lagging economic index decreased 0.2 percent in October and decreased 0.5 percent in September.

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 December 16, 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](http://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 2010:**

Thursday, January 21, 2010	for December 2009 data
Thursday, February 18, 2010	for January 2010 data
Thursday, March 18, 2010	for February 2010 data
Monday, April 19, 2010	for March 2010 data
Thursday, May 20, 2010	for April 2010 data
Thursday, June 17, 2010	for May 2010 data
Thursday, July 22, 2010	for June 2010 data
Thursday, August 19, 2010	for July 2010 data
Thursday, September 23, 2010	for August 2010 data
Thursday, October 21, 2010	for September 2010 data
Thursday, November 18, 2010	for October 2010 data
Friday, December 17, 2010	for November 2010 data

All releases are at 10:00 AM ET.

About The Conference Board

The Conference Board is a global, independent business membership and research association working in the public interest. Our mission is unique: To provide the world's leading organizations with the practical knowledge they need to improve their performance *and* better serve society. The Conference Board is a non-advocacy, not-for-profit entity holding 501 (c) (3) tax-exempt status in the United States.

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

	2009												
	May	Jun	Jul	Aug	Sep	Oct	Nov						
Leading index	100.2	101.1	102.1	102.5	103.7	r	104.0	r	104.9	p			
Percent change	1.3	.9	1.0	.4	1.2	r	.3		.9	p			
Diffusion index	70.0	70.0	70.0	55.0	90.0		70.0		65.0				
Coincident index	100.1	99.7	99.9	r	100.0	r	99.9	r	99.9	p	100.1	p	
Percent change	-4	-4	.2	r	.1		-1		.0	p	.2	p	
Diffusion index	12.5	0.0	75.0		25.0		25.0		50.0		87.5		
Lagging index	111.7	110.8	r	110.2	r	109.9	r	109.3	r	109.1	p	108.7	p
Percent change	-7	-8	r	-5		-3	r	-5		-2	p	-4	p
Diffusion index	7.1	21.4		7.1		35.7		21.4		35.7		50.0	
Coincident-lagging ratio	89.6	90.0	r	90.7	r	91.0	r	91.4	r	91.6	p	92.1	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	1.2	2.2	3.5	4.4	5.9	5.2	4.7						
Diffusion index	50.0	60.0	90.0	80.0	90.0	80.0	80.0						
Coincident index													
Percent change	-3.8	-3.6	-2.5	-1.8	-1.1	-6	.0						
Diffusion index	.0	.0	.0	.0	25.0	25.0	50.0						
Lagging index													
Percent change	-2.3	-3.0	-3.8	-3.5	-3.5	-3.0	-2.7						
Diffusion index	14.3	.0	7.1	7.1	14.3	21.4	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. 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](http://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						
	May	Jun	Jul	Aug	Sep	Oct	Nov
U.S. Leading Economic Index component data							
Average work week, production workers, mfg. (hours).....	39.4	39.5	39.9	39.9	40.0 r	40.1 r	40.4
Average weekly initial claims, state unemployment insurance (thousands)*.	632.5	616.1	556.5	573.0	540.3	524.4 r	481.1
Manufacturers' new orders, consumer goods and materials (mil. 1982 dol.).....	113,856	114,703	115,763 r	114,962	115,148 r	115,824 r	115,812 **
Index of supplier deliveries -- vendor performance (percent).....	49.8	50.6	52.0	57.1	58.0	56.9	55.7
Manufacturers' new orders, nondefense capital goods (mil. 1982 dol.).....	33,864	33,660	36,131 r	33,176	34,325 r	34,808 r	34,591 **
Building permits (thous.).....	518	570	564	580	575	551 r	584
Stock prices, 500 common stocks (c) (index: 1941-43=10).....	902.41	926.12	935.82	1,009.72	1,044.55	1,067.66	1,088.07
Money supply, M2 (bil. chn. 2005 dol.)....	7,678.8	7,666.8	7,649.0 r	7,575.6 r	7,592.3 r	7,596.9 r	7,602.0 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	3.11	3.51	3.40	3.43	3.25	3.27	3.28
Index of consumer expectations (c) (1966:1=100).....	69.4	69.2	63.2	65.0	73.5	68.6	66.5
LEADING INDEX (2004=100).....	100.2	101.1	102.1	102.5	103.7 r	104.0 r	104.9 p
Percent change from preceding month..	1.3	0.9	1.0	0.4	1.2 r	0.3	0.9 p
U.S. Leading Economic Index net contributions							
Average work week, production workers, mfg.....	....	.06	.26	.00	.06 r	.06	.19
Average weekly initial claims, state unemployment insurance.....	....	.08	.31	-.09	.18	.09	.26
Manufacturers' new orders, consumer goods and materials.....	....	.06	.07	-.05 r	.01	.05 r	.00 **
Index of supplier deliveries -- (vendor performance).....	....	.05	.09	.35	.06	-.07	-.08
Manufacturers' new orders, nondefense capital goods.....	....	-.01	.13	-.15	.06 r	.03 r	-.01 **
Building permits.....	....	.26	-.03	.08	-.02	-.12 r	.16
Stock prices, 500 common stocks (c)	....	.10	.04	.30	.13	.09	.07
Money supply, M2.....	....	-.06	-.08 r	-.35 r	.08	.02 r	.02 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	....	.35	.34	.34	.32	.32	.33
Index of consumer expectations (c)	....	-.01	-.17	.05	.24	-.14	-.06

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						
	May	Jun	Jul	Aug	Sep	Oct	Nov
U.S. Coincident Economic Index component data							
Employees on nonagricultural payrolls (thousands).....	132,178	131,715	131,411	131,257	131,118 r	131,007 r	130,996
Personal income less transfer payments (ann. rate, bil. chn. 2005 dol.).....	9,122.3 r	9,075.6 r	9,084.7 r	9,073.2 r	9,062.2 r	9,059.2 r	9,070.8 **
Industrial production (index: 2002=100).....	96.203	95.754 r	96.808 r	98.089 r	98.638 r	98.623 r	99.440
Manufacturing and trade sales (mil. chn. 2005 dol.).....	919,935	915,616	925,194 r	922,861 r	920,614 r	921,958 **	922,859 **
COINCIDENT INDEX (2004=100).....	100.1	99.7	99.9 r	100.0 r	99.9 r	99.9 p	100.1 p
Percent change from preceding month.....	-0.4	-0.4	0.2 r	0.1	-0.1	0.0 p	0.2 p
U.S. Coincident Economic Index net contributions							
Employees on nonagricultural payrolls.....	....	-.19	-.13	-.06	-.06 r	-.05	.00
Personal income less transfer payments.....	....	-.10 r	.02 r	-.02 r	-.02	-.01 r	.02 **
Industrial production.....	....	-.07 r	.16 r	.20 r	.08 r	.00 r	.12
Manufacturing and trade sales.....	....	-.06	.12	-.03 r	-.03 r	.02 **	.01 **
U.S. Lagging Economic Index component data							
Average duration of unemployment (w eeks)*.....	22.5	24.5	25.1	24.9	26.2	26.9	28.5
Ratio, manufacturing and trade inventories to sales (chain 2005 dol.).....	1.459	1.448	1.421 r	1.408 r	1.406 r	1.405 **	1.405 **
Change in index of labor cost per unit of output, mfg. (6-month percent, ann. rate).....	.4 r	-2.4 r	-2.6 r	-3.40 r	-6.0 r	-5.5 **	-4.8 **
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.).....	835,193 r	798,290 r	782,036 r	761,656 r	744,121 r	724,916 r	704,806 **
Ratio, consumer installment credit out- standing to personal income (percent).....	20.71 r	20.84 r	20.72 r	20.63 r	20.53	20.45 r	20.44 **
Change in CPI for services (6-month percent, ann. rate).....	.6	.5	.3	.5	.8	1.1	1.2
LAGGING INDEX (2004=100).....	111.7	110.8 r	110.2 r	109.9 r	109.3 r	109.1 p	108.7 p
Percent change from preceding month.....	-.7	-.8 r	-.5	-.3 r	-.5	-.2 p	-.4 p
U.S. Lagging Economic Index net contributions							
Average duration of unemployment.....	....	-.32	-.09	.03	-.19	-.10	-.21
Ratio, manufacturing and trade inventories to sales.....	....	-.09	-.23 r	-.11 r	-.02 r	-.01 **	.00 **
Change in index of labor cost per unit of output, mfg.....	....	-.17 r	-.01 r	-.05 r	-.16 r	.03 **	.04 **
Average prime rate charged by banks.....	....	.00	.00	.00	.00	.00	.00
Commercial and industrial loans outstanding.....	....	-.51 r	-.23 r	-.30 r	-.26 r	-.29 r	-.32 **
Ratio, consumer installment credit out- standing to personal income.....	....	.12 r	-.11	-.08 r	-.09 r	-.07 r	-.01 **
Change in CPI for services.....	....	-.02	-.04	.04	.06	.06	.02

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)

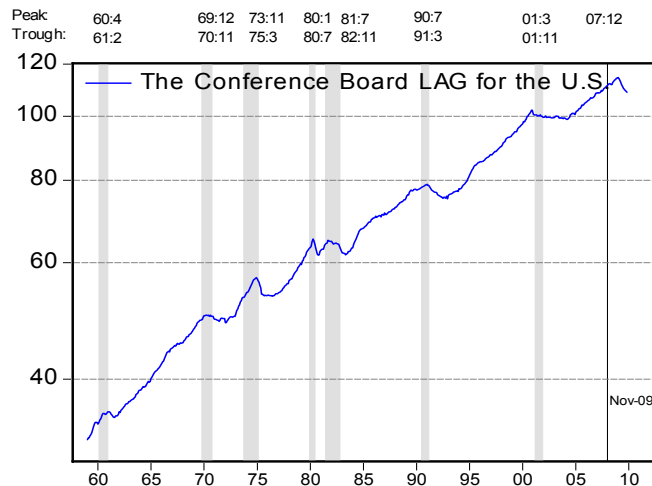
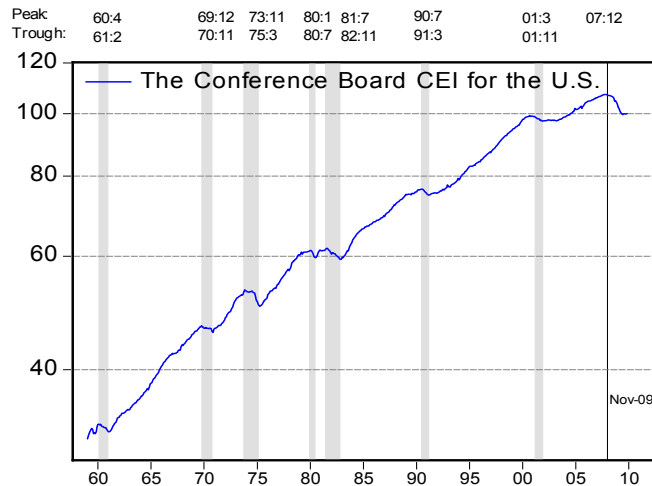
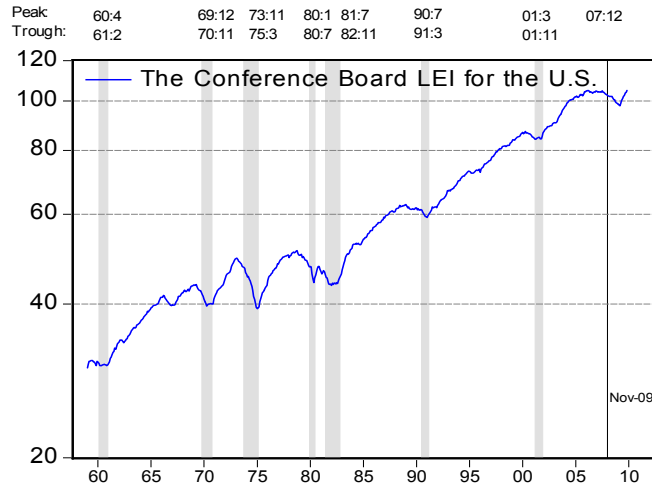
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## U.S. Composite Economic Indexes (2004=100)



Shaded areas represent recessions.

Source: The Conference Board