



**THE CONFERENCE BOARD**

**FOR RELEASE: 10:00 A.M. GMT, THURSDAY, APRIL 9, 2009**

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

**The Conference Board Leading Economic Index™ (LEI)** for the U.K. declined 0.6 percent, and **The Conference Board Coincident Economic Index™ (CEI)** for the U.K. decreased 0.1 percent in February.

- The Conference Board LEI for the U.K. declined for the sixteenth consecutive month in February as negative contributions from order book volume, stock prices and consumer confidence more than offset a positive contribution from the yield spread. Between August 2008 and February 2009, the leading economic index declined by 6.3 percent (about a -12.2 percent annual rate), below the 4.1 percent decrease (about a -8.0 percent annual rate) between February 2008 and August 2008. In addition, the weaknesses among the leading indicators have remained widespread in recent months.
- The Conference Board CEI for the U.K., a measure of current economic activity, declined in February as a result of decreases in retail sales and industrial production. However, the index was revised modestly upwards between September 2008 and January 2009 as fourth quarter data for real household disposable income became available. During the past six months, the coincident economic index increased by 0.1 percent (about a 0.2 percent annual rate), slightly below the 0.2 percent increase (about a 0.4 percent annual rate) for the previous six months. Additionally, the strengths among the coincident indicators have become slightly more widespread than the weaknesses in recent months. Meanwhile, real GDP fell at a 4.4 percent average annual rate during the second half of 2008 (contracting at a 5.9 percent annual rate during the fourth quarter), the lowest two-quarter growth rate since 1980.
- The Conference Board LEI for the U.K. has been on a sharp downtrend since its peak in June 2007, amid widespread weakness among its components. The combination of the duration, depth and diffusion of the decline in the leading economic index has not been this severe since the recession in the beginning of the 1980s. The Conference Board CEI for the U.K. has remained essentially flat since the second quarter of 2008. Taken together, the behavior of the composite economic indexes suggests that economic activity will continue to contract in the near term.

The next release is scheduled for Thursday, May 14, 2009 at 10:00 A.M. (GMT)

*In the U.S. – May 14, 2009 at 5:00 A.M. (ET)*

LEADING INDICATORS. Two of the seven components that make up The Conference Board LEI for the U.K. increased in February. The positive contributors – from the largest positive contributor to the smallest – were the yield spread, and operating surplus of corporations\*. The negative contributors – from the largest negative contributor to the smallest – were order book volume, stock prices, consumer confidence, productivity for the whole economy\*, and volume of expected output.

With the 0.6 percent decrease in February, The Conference Board LEI for the U.K. now stands at 92.1 (2004=100). Based on revised data, this index declined 0.5 percent in January and declined 0.7 percent in December. During the six-month span through February, the leading economic index decreased 6.3 percent, with two of the seven components advancing (diffusion index, six-month span equals 28.6 percent).

COINCIDENT INDICATORS. Two of the four components that make up The Conference Board CEI for the U.K. increased in February. The positive contributors – from the largest positive contributor to the smallest – were real household disposable income\* and employment\*. Retail sales and industrial production declined in February.

With the decrease of 0.1 percent in February, The Conference Board CEI for the U.K. now stands at 104.1 (2004=100). Based on revised data, this index remained unchanged in January and increased 0.2 percent in December. During the six-month period through February, the coincident economic index increased 0.1 percent, with two of the four components advancing (diffusion index, six-month span equals 62.5 percent).

DATA AVAILABILITY:

The data series used to compute **The Conference Board Leading Economic Index™** (LEI) for the U.K. and **The Conference Board Coincident Economic Index™** (CEI) for the U.K. reported in this release are those available “as of” 10 A.M. ET on Tuesday April 7, 2009. Some series are estimated as noted below.

\* Series in The Conference Board LEI for the U.K. that are based on our estimates are productivity for the whole economy, and operating surplus of corporations. Series in The Conference Board CEI for the U.K. that are based on our estimates are employment and real household disposable income.

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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 Conference Board LEI for the U.K. have occurred before those in aggregate economic activity, while the cyclical turning points in The Conference Board CEI for the U.K. have occurred at about the same time as those in aggregate economic activity.

Further explanations of the cyclical indicator approach and the composite economic index methodology appear in The Conference Board's *Business Cycle Indicators* report and Web site: <http://www.conference-board.org/economics/bci/>.

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

| <u>Leading Economic Index</u>        |                                  | <u>Factor</u> |
|--------------------------------------|----------------------------------|---------------|
| 1                                    | Order Book Volume                | 0.0608        |
| 2                                    | Expected Output Volume           | 0.0480        |
| 3                                    | Consumer Confidence              | 0.0996        |
| 4                                    | All Share Price Index            | 0.0341        |
| 5                                    | Yield Spread                     | 0.0838        |
| 6                                    | Productivity, Whole Economy      | 0.5587        |
| 7                                    | Operating Surplus, Corporations  | 0.1150        |
| <br><u>Coincident Economic Index</u> |                                  |               |
| 1                                    | Industrial Production            | 0.0583        |
| 2                                    | Retail Sales                     | 0.0566        |
| 3                                    | Employment                       | 0.7297        |
| 4                                    | Real Household Disposable Income | 0.1553        |

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 revised effective with the January 2009 release, and all historical values for the two composite economic indexes were revised at this time to reflect the changes. (Under normal circumstances, updates to the leading and coincident economic indexes only incorporate revisions to data over the past six months.) The factors above for the leading economic index were calculated using 1977-2007 as the sample period for measuring volatility. Separate sets of factors for the 1975-1977 period, the 1974-1975 period, as well as the 1970-1974 period, are available upon request. The factors above for the coincident economic index were calculated using 1992-2007 as the sample period; separate sets of factors for the 1978-1992 period and the 1970-1978 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 their 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 -0.0672, calculated over the 1970-2007 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 monthly data revisions are now a regular part of the U.S. Business Cycle and Global Indicators program. The main advantage of this procedure is to utilize in the leading economic index the data such as bond yields, stock prices, and change in consumer confidence that are available sooner than other data on “real” aspects of the economy such as housing starts and new orders. 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 next release for **The Conference Board Leading Economic Index™** (LEI) for the U.K. is:

|                     |                              |
|---------------------|------------------------------|
| March 2009 Data     | Thursday, May 14, 2009       |
| April 2009 Data     | Thursday, June 11, 2009      |
| May 2009 Data       | Thursday, July 09, 2009      |
| June 2009 Data      | Thursday, August 06, 2009    |
| July 2009 Data      | Thursday, September 10, 2009 |
| August 2009 Data    | Thursday, October 08, 2009   |
| September 2009 Data | Tuesday, November 10, 2009   |
| October 2009 Data   | Thursday, December 10, 2009  |

All releases are at 5:00 A.M. (ET), 10:00 A.M. (GMT)

## About The Conference Board

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## AVAILABLE FROM THE CONFERENCE BOARD

|                                                                                                                                                                                            |                                              |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|
| U.K. Business Cycle Indicators Internet Subscription<br><i>(Includes monthly release, data, charts and commentary)</i>                                                                     | \$ 635 per year (1 user)                     |
| Individual Data Series                                                                                                                                                                     | \$ 35 per series downloaded                  |
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| BCI Handbook (published 2001)                                                                                                                                                              | \$ 20                                        |
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Business Cycle Indicators for France, Germany, Japan, Korea, Mexico, Spain and the U.S. 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 U.K. Business Cycle Indicators**

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

|                  | 2008   |        |         |         |         |         | 2009    |  |
|------------------|--------|--------|---------|---------|---------|---------|---------|--|
|                  | Aug.   | Sep.   | Oct.    | Nov.    | Dec.    | Jan.    | Feb.    |  |
| Leading index    | 98.3   | 97.0   | 95.1 r  | 93.9 r  | 93.2 p  | 92.7 p  | 92.1 p  |  |
| Percent change   | -0.6   | -1.3   | -2.0 r  | -1.3 r  | -0.7 p  | -0.5 p  | -0.6 p  |  |
| Diffusion index  | 21.4   | 14.3   | 28.6    | 28.6    | 42.9    | 42.9    | 28.6    |  |
| Coincident index | 104.0  | 104.0  | 104.1 r | 104.0 r | 104.2 p | 104.2 p | 104.1 p |  |
| Percent change   | 0.0    | 0.0    | 0.1 r   | -0.1 r  | 0.2 p   | 0.0 p   | -0.1 p  |  |
| Diffusion index  | 50.0   | 25.0   | 50.0    | 50.0    | 75.0    | 75.0    | 50.0    |  |
|                  | Feb to | Mar to | Apr to  | May to  | Jun to  | Jul to  | Aug to  |  |
|                  | Aug    | Sep    | Oct     | Nov     | Dec     | Jan     | Feb     |  |
| Leading index    |        |        |         |         |         |         |         |  |
| Percent change   | -4.1   | -5.1   | -6.3    | -6.8    | -6.5    | -6.3    | -6.3    |  |
| Diffusion index  | 14.3   | 28.6   | 28.6    | 28.6    | 28.6    | 28.6    | 28.6    |  |
| Coincident index |        |        |         |         |         |         |         |  |
| Percent change   | 0.2    | 0.1    | 0.0     | -0.3    | 0.1     | 0.2     | 0.1     |  |
| Diffusion index  | 50.0   | 50.0   | 50.0    | 25.0    | 50.0    | 50.0    | 62.5    |  |

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.

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**The Conference Board U.K. Business Cycle Indicators**

**Table 2.--Data and Net Contributions for Components of the U.K. Leading Economic Index**

| Component                                                                    | 2008        |             |               |               |               |               | 2009          |  |
|------------------------------------------------------------------------------|-------------|-------------|---------------|---------------|---------------|---------------|---------------|--|
|                                                                              | Aug.        | Sep.        | Oct.          | Nov.          | Dec.          | Jan.          | Feb.          |  |
| U.K. Leading Economic Index component data                                   |             |             |               |               |               |               |               |  |
| Order Book Volume, CBI Monthly Enquiry (3 month moving average).....         | -6.7        | -15.7       | -26.0         | -34.3         | -37.3         | -40.3         | -46.3         |  |
| Volume of Expected Output, CBI Monthly Enquiry (3 month moving average)..... | -6.0        | -12.0       | -20.0         | -29.7         | -38.3         | -42.3         | -43.0         |  |
| Consumer Confidence (3 month moving average).....                            | -23.4       | -24.2       | -24.4         | -25.3         | -27.4         | -30.2         | -31.8         |  |
| Stock prices, FTSE all share prices index (Apr. 10, 1962=100).....           | 2784.1      | 2666.0      | 2162.6        | 2110.7        | 2127.3        | 2147.3        | 2046.2        |  |
| Yield Spread, 10 years minus Bank Rate.....                                  | -0.3        | -0.4        | 0.0           | 1.0           | 1.5           | 2.1           | 2.6           |  |
| Productivity, Whole Economy Index (2003=100, Q)                              | 107.4       | 106.9       | 106.4 r       | 105.9 r       | 105.6 **      | 105.4 **      | 105.3 **      |  |
| Total Gross Operating Surplus of Corporations (Deflated with IPD, Q)         | 72179.6     | 72898.3     | 73614.5       | 74321.7       | 74812.6 **    | 75168.2 **    | 75439.2 **    |  |
| <b>LEADING INDEX (2004=100).....</b>                                         | <b>98.3</b> | <b>97.0</b> | <b>95.1 r</b> | <b>93.9 r</b> | <b>93.2 p</b> | <b>92.7 p</b> | <b>92.1 p</b> |  |
| Percent change from preceding month.....                                     |             | -1.3        | -2.0 r        | -1.3 r        | -0.7 p        | -0.5 p        | -0.6 p        |  |
| U.K. Leading Economic Index net contributions                                |             |             |               |               |               |               |               |  |
| Order Book Volume, CBI Monthly Enquiry (3 month moving average).....         | ....        | -0.55       | -0.63         | -0.50         | -0.18         | -0.18         | -0.36         |  |
| Volume of Expected Output, CBI Monthly Enquiry (3 month moving average)..... | ....        | -0.29       | -0.38         | -0.47         | -0.41         | -0.19         | -0.03         |  |
| Consumer Confidence (3 month moving average).....                            | ....        | -0.08       | -0.02         | -0.09         | -0.21         | -0.28         | -0.16         |  |
| Stock prices, FTSE all share prices index (Apr. 10, 1962=100).....           | ....        | -0.15       | -0.71         | -0.08         | 0.03          | 0.03          | -0.16         |  |
| Yield Spread, 10 years minus Bank Rate.....                                  | ....        | -0.03       | 0.00          | 0.08          | 0.13          | 0.18          | 0.22          |  |
| Productivity, Whole Economy Index (2003=100, Q)                              | ....        | -0.26       | -0.26         | -0.26         | -0.16 **      | -0.09 **      | -0.05 **      |  |
| Total Gross Operating Surplus of Corporations (Deflated with IPD, Q)         | ....        | 0.11 r      | 0.11          | 0.11          | 0.08 **       | 0.05 **       | 0.04 **       |  |

p Preliminary. r Revised. n.a. Not available. c Corrected.

\* 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:** National Statistics, Thomson Financial, Bank of England, Confederation of British Industry and The European Commission

**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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The Conference Board U.K. Business Cycle Indicators

Table 3.--Data and Net Contributions of the U.K. Coincident Economic Index

| Component                                                         | 2008         |              |              |              |                | 2009           |                |
|-------------------------------------------------------------------|--------------|--------------|--------------|--------------|----------------|----------------|----------------|
|                                                                   | Aug.         | Sep.         | Oct.         | Nov.         | Dec.           | Jan.           | Feb.           |
| U.K. Coincident Economic Index component data                     |              |              |              |              |                |                |                |
| Industrial Production (2003=100).....                             | 97.6 r       | 97.3 r       | 95.4 r       | 93.1 r       | 91.7 r         | 89.2 r         | 88.3           |
| Retail Sales, Volume (2000=100).....                              | 140.7 r      | 140.0        | 139.8 r      | 140.2 r      | 142.9 r        | 144.0 r        | 141.3          |
| Employment, (average, thousands).....                             | 29407.0      | 29377.0      | 29393.0      | 29361.0      | 29379.0 r      | 29398.7 **     | 29418.8 **     |
| Real Household Disposable Income<br>(2003 Constant Price, Q)..... | 204998.0     | 206918.0     | 208838.0     | 210759.0     | 212027.2 **    | 212930.9 **    | 213631.3 **    |
| <b>COINCIDENT INDEX (2004=100).....</b>                           | <b>104.0</b> | <b>104.0</b> | <b>104.1</b> | <b>104.0</b> | <b>104.2 p</b> | <b>104.2 p</b> | <b>104.1 p</b> |
| Percent change from preceding month                               |              | 0.0          | 0.1          | -0.1         | 0.2 p          | 0.0 p          | -0.1 p         |
| U.K. Coincident Economic Index net contributions                  |              |              |              |              |                |                |                |
| Industrial Production (2003=100).....                             | ....         | -0.02 r      | -0.11 r      | -0.14        | -0.09          | -0.16 r        | -0.06          |
| Retail Sales, Volume (2000=100).....                              | ....         | -0.03 r      | -0.01        | 0.02 r       | 0.11           | 0.04           | -0.11          |
| Employment, (average, thousands).....                             | ....         | -0.07        | 0.04         | -0.08        | 0.04 r         | 0.05 **        | 0.05 **        |
| Real Household Disposable Income<br>(2003 Constant Price, Q)..... | ....         | 0.14         | 0.14 r       | 0.14 **      | 0.09 **        | 0.07 **        | 0.05 **        |

p Preliminary. r Revised. n.a. Not available. c Corrected.

\* 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 monthly through a linear interpolation.

Data Sources: National Statistics, Thomson Financial

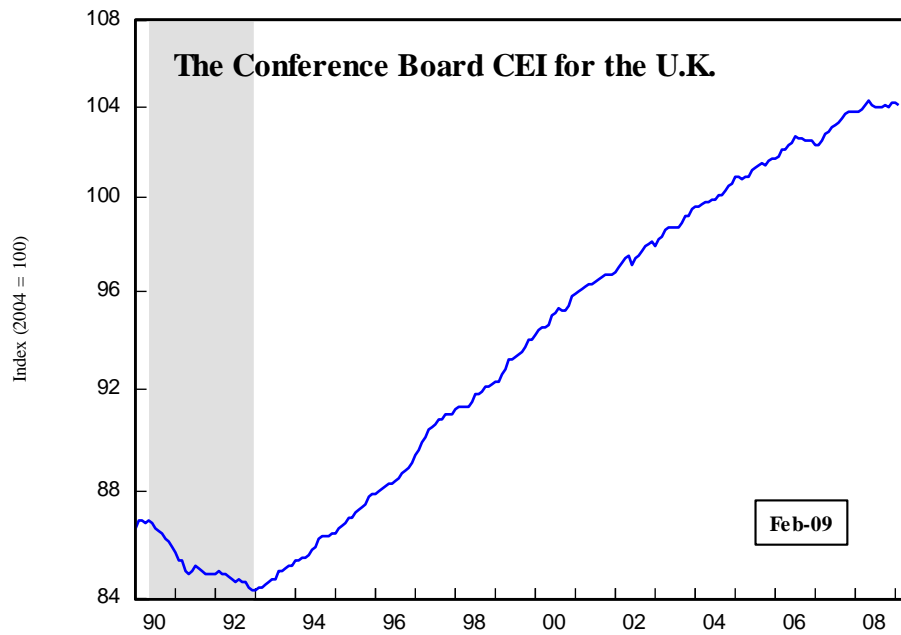
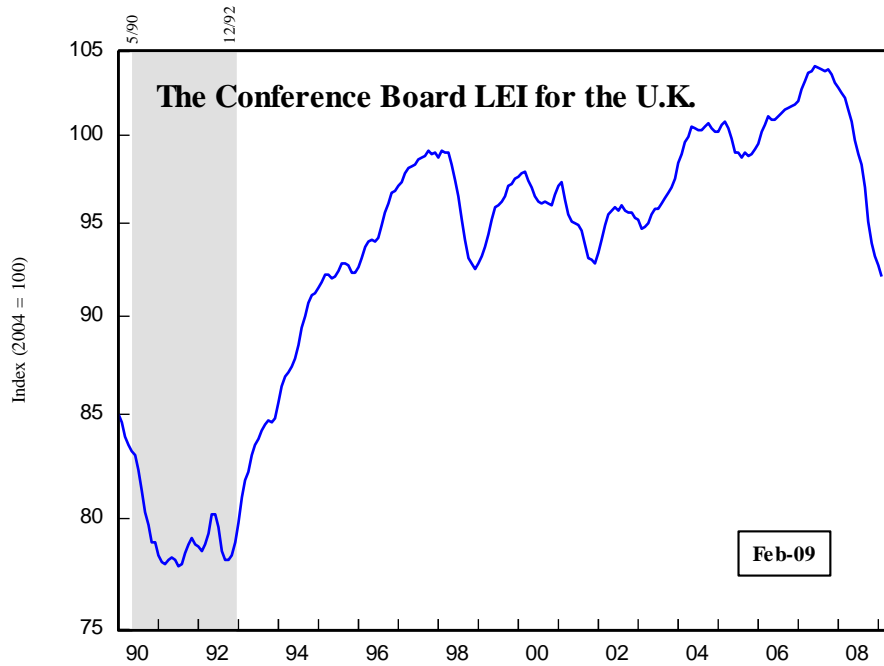
CALCULATION NOTE--The percent change in the index does not always equal the sum of the net contributions of the individual components (because of rounding effects and base value differences).

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## United Kingdom Composite Economic Indexes



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