



**THE CONFERENCE BOARD**

**FOR RELEASE: 10:00 A.M. GMT, TUESDAY, FEBRUARY 10, 2009**

The Conference Board®  
The U.K. Business Cycle Indicators<sup>SM</sup>  
**THE CONFERENCE BOARD LEADING ECONOMIC  
INDEX (LEI) FOR THE U.K.  
AND RELATED COMPOSITE ECONOMIC INDEXES FOR DECEMBER 2008**

The Conference Board Leading Economic Index (LEI) for the U.K. declined 0.6 percent, and The Conference Board Coincident Economic Index (CEI) increased 0.1 percent in December.

- The LEI for the U.K. declined again in December, as the volume of expected output, consumer confidence, and order book volume continued to make negative contributions to the index. The six-month change in the LEI has fallen to -5.9 percent (a -11.5 percent annual rate) in the period through December 2008, down from -3.3 percent (a -6.5 percent annual rate) for the previous six months. In addition, the weaknesses among the leading indicators have remained widespread in recent months.
- The CEI for the U.K. rose slightly in December, its first increase since May, helped by a large increase in retail sales. Industrial production fell again this month, and it has not risen for more than a year now. The six-month change in the CEI has fallen to -0.2 percent (a -0.4 percent annual rate) during the second half of 2008, down from 0.3 percent (a 0.6 percent annual rate) in the first half of 2008, while the weaknesses and strengths among its components have been balanced over the past six months. In addition, real GDP declined at a 5.9 percent annual rate in the fourth quarter of 2008, following a contraction of 2.5 percent (annual rate) in the third quarter. The 4.2 percent average annual rate of decline during the second half of 2008 represents the lowest two-quarter growth rate since the second and third quarters of 1980.
- The LEI has been falling for a year and a half now, amid widespread weakness among its components and is now 9.9 percent below its most recent peak level in June 2007. The CEI, a measure of current economic conditions, has decreased slightly since its most recent high level in May 2008. The depth, duration and diffusion of the current decline in the LEI suggest that economic activity will continue to contract in the near term.

**LEADING INDICATORS.** Four of the seven components that make up the leading economic index increased in December. The positive contributors – from the largest positive contributor to the smallest – were the yield spread, productivity for the whole economy\*, stock prices, and operating surplus of corporations. The negative contributors – from the largest negative contributor to the smallest – were volume of expected output, consumer confidence, and order book volume.

The next release is scheduled for Tuesday, March 12, 2009 at 10:00 A.M. (GMT)  
*In the U.S. – March 12, 2009 at 6:00 A.M. (ET)*

With the 0.6 percent decrease in December, the leading economic index now stands at 93.8 (2004=100). Based on revised data, this index declined 1.0 percent in November and declined 1.8 percent in October. During the six-month span through December, the leading economic index decreased 5.9 percent, with two of the seven components advancing (diffusion index, six-month span equals 28.6 percent).

COINCIDENT INDICATORS. Three of the four components that make up the coincident economic index increased in December. The positive contributors – from the largest positive contributor to the smallest – were retail sales, employment \*, and real household disposable income\*. Industrial production declined in December.

With the increase of 0.1 percent in December, the coincident economic index now stands at 103.9 (2004=100). Based on revised data, this index decreased 0.1 percent in November and remained unchanged in October. During the six-month period through December, the coincident economic index decreased 0.2 percent, with two of the four components advancing (diffusion index, six-month span equals 50.0 percent).

DATA AVAILABILITY:

The data series used by The Conference Board 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 Friday February 6, 2009. Some series are estimated as noted below.

\* Series in the leading economic index that are based on The Conference Board estimates are productivity of the whole economy, and operating surplus of corporations. Series in the coincident economic index that are based on The Conference Board estimates are employment and real household disposable income.

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For more information:

The Conference Board Europe: + 32 2 675 5405  
Email: [indicators@conference-board.org](mailto:indicators@conference-board.org)  
Website: <http://www.conference-board.org/economics/bci/>

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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.

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
 <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 with the January 13, 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 economic 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 “U.K. Leading Economic Indicators” is:

January 2009 Data	Thursday, March 12, 2009
February 2009 Data	Thursday, April 09, 2009
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

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](http://www.conference-board.org).

## AVAILABLE FROM THE CONFERENCE BOARD

U.K. Business Cycle Indicators Internet Subscription <i>(Includes monthly release, data, charts and commentary)</i>	\$ 635 per year (1 user)
Individual Data Series	\$ 35 per series downloaded
Monthly BCI Report <i>(Sample available at <a href="http://www.conference-board.org/publications/describeBCI.cfm">http://www.conference-board.org/publications/describeBCI.cfm</a>)</i>	\$ 275 per year
BCI Handbook (published 2001)	\$ 20
Corporate Site License	contact Indicators Program at (212) 339-0330

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						
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Leading index	99.7	98.9	98.3	97.1 p	95.4 p	94.4 p	93.8 p
Percent change	-1.1	-0.8	-0.6	-1.2 p	-1.8 p	-1.0 p	-0.6 p
Diffusion index	28.6	28.6	28.6	14.3	35.7	35.7	57.1
Coincident index	104.1	104.0	104.0	103.9 p	103.9 p	103.8 p	103.9 p
Percent change	-0.2	-0.1	0.0	-0.1 p	0.0 p	-0.1 p	0.1 p
Diffusion index	37.5	50.0	62.5	25.0	50.0	75.0	75.0
	Dec to	Jan to	Feb to	Mar to	Apr to	May to	Jun to
	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Leading index							
Percent change	-3.3	-3.8	-4.1	-5.0	-6.0	-6.3	-5.9
Diffusion index	14.3	14.3	14.3	14.3	28.6	28.6	28.6
Coincident index							
Percent change	0.3	0.2	0.2	0.0	-0.2	-0.5	-0.2
Diffusion index	75.0	50.0	50.0	50.0	50.0	25.0	50.0

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.

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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						
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
U.K. Leading Economic Index component data							
Order Book Volume, CBI Monthly Enquiry (3 month moving average).....	-7.3	-5.7	-6.7	-15.7	-26.0	-34.3	-37.3
Volume of Expected Output, CBI Monthly Enquiry (3 month moving average).....	0.7	-1.7	-6.0	-12.0	-20.0	-29.7	-38.3
Consumer Confidence (3 month moving average).....	-16.0	-20.3	-23.4	-24.2	-24.4	-25.3	-27.4
Stock prices, FTSE all share prices index (Apr. 10, 1962=100).....	2940.7	2726.5	2784.1	2666.0	2162.6	2110.7	2127.3
Yield Spread, 10 years minus Bank Rate.....	0.2	0.0	-0.3	-0.4	0.0	1.0	1.5
Productivity, Whole Economy Index (2003=100, Q)	107.7	107.6	107.4	107.3 **	107.3 **	107.4 **	107.5 **
Total Gross Operating Surplus of Corporations (Deflated with IPD, Q)	71839.6	72017.5	72189.4	72332.7 **	72458.2 **	72572.4 **	72679.7 **
<b>LEADING INDEX (2004=100).....</b>	<b>99.7</b>	<b>98.9</b>	<b>98.3</b>	<b>97.1 p</b>	<b>95.4 p</b>	<b>94.4 p</b>	<b>93.8 p</b>
Percent change from preceding month.....		-0.8	-0.6	-1.2 p	-1.8 p	-1.0 p	-0.6 p
U.K. Leading Economic Index net contributions							
Order Book Volume, CBI Monthly Enquiry (3 month moving average).....	....	0.10	-0.06	-0.55	-0.63	-0.50	-0.18
Volume of Expected Output, CBI Monthly Enquiry (3 month moving average).....	....	-0.12	-0.21	-0.29	-0.38	-0.47	-0.41
Consumer Confidence (3 month moving average).....	....	-0.43	-0.31	-0.08	-0.02	-0.09	-0.21
Stock prices, FTSE all share prices index (Apr. 10, 1962=100).....	....	-0.26	0.07	-0.15	-0.71	-0.08	0.03
Yield Spread, 10 years minus Bank Rate.....	....	0.00	-0.03	-0.03	0.00	0.08	0.13
Productivity, Whole Economy Index (2003=100, Q)	....	-0.09	-0.08	-0.03 **	0.00 **	0.03 **	0.04 **
Total Gross Operating Surplus of Corporations (Deflated with IPD, Q)	....	0.03	0.03	0.02 **	0.02 **	0.02 **	0.02 **

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						
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
U.K. Coincident Economic Index component data							
Industrial Production (2003=100).....	99.1 r	98.6 r	97.8 r	97.4 r	95.7 r	93.3 r	91.7
Retail Sales, Volume (2000=100).....	138.2 r	139.3	140.8 r	140.1 r	139.8 r	140.2 r	142.4
Employment, (average, thousands).....	29491.0	29419.0	29407.0	29377.0	29393.0 r	29413.0 **	29434.0 **
Real Household Disposable Income (2003 Constant Price, Q).....	203270.0	204146.0	205021.0	205677.0 **	206211.0 **	206675.0 **	207101.0 **
<b>COINCIDENT INDEX (2004=100).....</b>	<b>104.1</b>	<b>104.0</b>	<b>104.0</b>	<b>103.9 p</b>	<b>103.9 p</b>	<b>103.8 p</b>	<b>103.9 p</b>
Percent change from preceding month.		-0.1	0.0	-0.1 p	0.0 p	-0.1 p	0.1 p
U.K. Coincident Economic Index net contributions							
Industrial Production (2003=100).....	....	-0.03 r	-0.05 r	-0.02	-0.10	-0.15 r	-0.10
Retail Sales, Volume (2000=100).....	....	0.04 r	0.06	-0.03 r	-0.01	0.02	0.09
Employment, (average, thousands).....	....	-0.18	-0.03	-0.07	0.04 r	0.05 **	0.05 **
Real Household Disposable Income (2003 Constant Price, Q).....	....	0.07	0.07	0.05 **	0.04 **	0.03 **	0.03 **

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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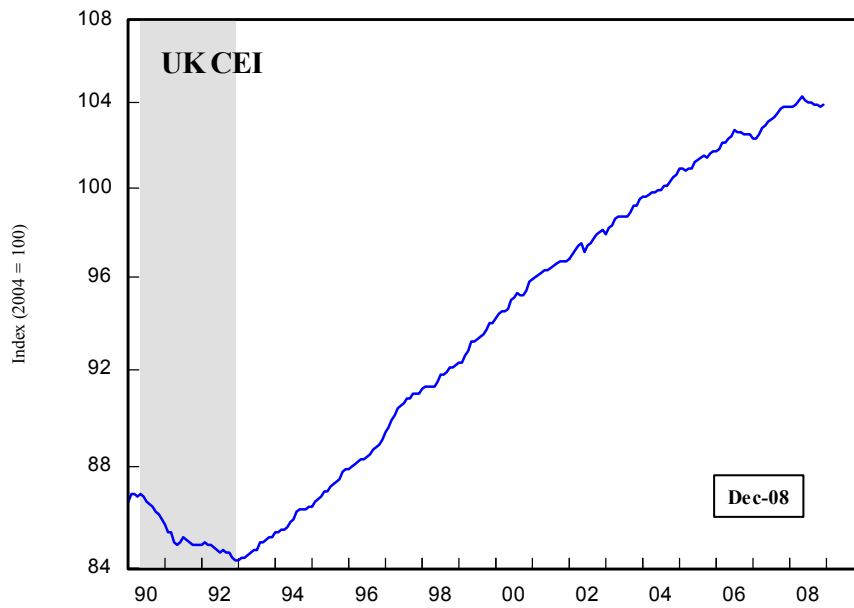
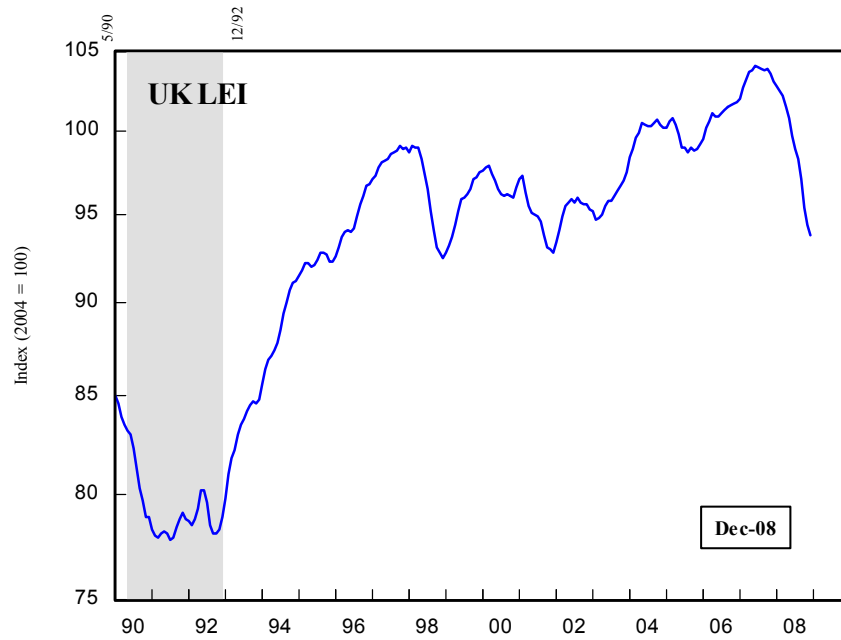
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## United Kingdom Composite Economic Indexes



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