



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 FEBRUARY 2009**

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

- The Conference Board LEI for the U.S. declined in February, following a slight increase in January. The monthly increase for December was revised to a small decline, while January's monthly increase was revised lower, due mainly to data revisions in manufacturers' new orders and real money supply. Between August 2008 and February 2009, the index fell 2.1 percent (a -4.1 percent annual rate), faster than the decline of 1.6 percent (a -3.1 percent annual rate) for the previous six months. In addition, the weaknesses among the leading indicators have remained widespread in recent months.
- The Conference Board CEI for the U.S. fell again in February, driven by continued declines in employment and industrial production. Between August 2008 and February 2009, this index of current economic activity dropped 3.1 percent (a -6.1 percent annual rate), a much larger fall than the decrease of 0.9 percent (a -1.9 percent annual rate) for the previous six months, and the weaknesses among its components have remained widespread in recent months. The Conference Board LAG for the U.S. declined by the same amount as the coincident economic index this month, and as a result, the coincident to lagging ratio was unchanged. Meanwhile, real GDP fell at a 6.2 percent annual rate in the fourth quarter of 2008 (following a decline of 0.5 percent annual rate in the third quarter), the largest quarterly contraction since 1982.
- Amid widespread deterioration among its components, The Conference Board LEI for the U.S. continued the general downward trend that began in July 2007. But, its rate of decline has moderated slightly in recent months. Meanwhile, The Conference Board CEI for the U.S. remains on a downtrend that began in November 2007, with the decline in the index having accelerated in recent months. The six-month decline in the CEI is the largest since 1975. Taken together, the behavior of the composite economic indexes suggests that the economic recession that began in December 2007 will continue in the near term.

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

The next release is scheduled for Monday, April 20 at 10 A.M. ET.

The Conference Board LEI for the U.S. now stands at 98.5 (2004=100). Based on revised data, this index increased 0.1 percent in January and decreased 0.1 percent in December. During the six-month span through February, the leading economic index decreased 2.1 percent, with two out of ten components advancing (diffusion index, six-month span equals 20 percent).

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

The Conference Board CEI for the U.S. now stands at 102.5 (2004=100). This index decreased 0.6 percent in January and decreased 0.7 percent in December. During the six-month period through February, the coincident economic index decreased 3.1 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 113.5 (2004=100) in February, with one of seven components advancing. The positive contributor to the index was the ratio of consumer installment credit to personal income*. The negative contributors – beginning with the largest negative contributor – were commercial and industrial loans outstanding*, change in labor cost per unit of output*, and change in CPI for services. The average duration of unemployment (inverted), ratio of manufacturing and trade inventories to sales* and average prime rate charged by banks* held steady in February. Based on revised data, the lagging economic index decreased 0.3 percent in January and decreased 0.1 percent in December.

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 March 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:

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

All releases are at 10:00 AM ET.

About The Conference Board

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AVAILABLE FROM THE CONFERENCE BOARD

U.S. 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 http://www.conference-board.org/publications/describeBCI.cfm)</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.K. 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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Table 1.--Summary of U.S. Composite Economic Indexes

	2008							2009
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	
Leading index	100.6	100.6	99.6	98.9	98.8 r	98.9 r	98.5 p	
Percent change	-.8	.0	-1.0	-.7	-.1 r	.1 r	-.4 p	
Diffusion index	30.0	40.0	20.0	20.0	30.0	30.0	60.0	
Coincident index	105.8	104.6	104.8	104.2 r	103.5 r	102.9 p	102.5 p	
Percent change	-.4	-1.1	.2	-.6 r	-.7 r	-.6 p	-.4 p	
Diffusion index	25.0	0.0	62.5	25.0	12.5	25.0	50.0	
Lagging index	113.0	113.5	113.6	114.3 r	114.2 r	113.9 p	113.5 p	
Percent change	.4	.4	.1	.6	-.1 r	-.3 p	-.4 p	
Diffusion index	50.0	57.1	14.3	64.3	28.6	0.0	28.6	
Coincident-lagging ratio	93.6	92.2	92.3	91.2 r	90.6 r	90.3 p	90.3 p	
	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	-1.6	-1.4	-2.4	-3.0	-3.2	-2.5	-2.1	
Diffusion index	10.0	30.0	30.0	30.0	30.0	30.0	20.0	
Coincident index								
Percent change	-.9	-2.0	-1.8	-2.2	-2.7	-3.1	-3.1	
Diffusion index	.0	.0	.0	25.0	25.0	25.0	25.0	
Lagging index								
Percent change	1.0	1.2	1.4	2.3	2.2	1.2	.4	
Diffusion index	57.1	57.1	42.9	57.1	57.1	42.9	42.9	

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

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

Component	2008						2009
	Aug	Sep	Oct	Nov	Dec	Jan	Feb
U.S. Leading Economic Index component data							
Average work week, production workers, mfg. (hours).....	40.8	40.5 r	40.4	40.2	39.9 r	39.8	39.6
Average weekly initial claims, state unemployment insurance (thousands)*.....	439.9	474.3	477.8	526.0	552.9	583.4	643.2
Manufacturers' new orders, consumer goods and materials (mil. 1982 dol.).....	129,880 r	127,953 r	125,027 r	121,833 r	119,344 r	117,797 r	118,050 **
Index of supplier deliveries -- vendor performance (percent).....	50.5	51.8	49.3	48.6	45.7	45.3	46.7
Manufacturers' new orders, nondefense capital goods (mil. 1982 dol.).....	44,376 r	43,708 r	40,697 r	38,502 r	34,504 r	33,287 r	33,727 **
Building permits (thous.).....	857	805	730	615	547	531 r	547
Stock prices, 500 common stocks (c) (index: 1941-43=10).....	1,281.47	1,217.01	968.80	883.04	877.56	865.58	805.23
Money supply, M2 (bil. chn. 2000 dol.).....	6,249.7 r	6,332.9 r	6,458.4	6,576.1 r	6,761.0 r	6,821.8 r	6,827.6 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	1.89	1.88	2.84	3.14	2.26	2.37	2.65
Index of consumer expectations (c) (1966:1=100).....	57.9	67.2	57.0	53.9	54.0	57.8	50.5
LEADING INDEX (2004=100).....	100.6	100.6	99.6	98.9	98.8 r	98.9 r	98.5 p
Percent change from preceding month.....	-0.8	0.0	-1.0	-0.7	-0.1 r	0.1 r	-0.4 p
U.S. Leading Economic Index net contributions							
Average work week, production workers, mfg.....	....	-.19 r	-.06 r	-.13	-.19 r	-.06	-.13
Average weekly initial claims, state unemployment insurance.....	....	-.23	-.02	-.29	-.15	-.16	-.30
Manufacturers' new orders, consumer goods and materials.....	....	-.12 r	-.18	-.20	-.16 r	-.10 r	.02 **
Index of supplier deliveries -- (vendor performance).....	....	.09	-.17	-.05	-.20	-.03	.09
Manufacturers' new orders, nondefense capital goods.....	....	-.03	-.13	-.10	-.20 r	-.06 r	.02 **
Building permits.....	....	-.17	-.26	-.46	-.32	-.08 r	.08
Stock prices, 500 common stocks (c).....	....	-.20	-.89	-.36	-.02	-.05	-.28
Money supply, M2.....	....	.47	.70 r	.65 r	.99	.32	.03 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	....	.19	.28	.31	.22	.23	.26
Index of consumer expectations (c).....	....	.26	-.29	-.09	.00	.11	-.21

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 the U.S. Lagging Economic Index

Component	2008						2009
	Aug	Sep	Oct	Nov	Dec	Jan	Feb
U.S. Coincident Economic Index component data							
Employees on nonagricultural payrolls (thousands).....	137,053	136,732	136,352	135,755	135,074 r	134,419 r	133,768
Personal income less transfer payments (ann. rate, bil. chn. 2000 dol.).....	8,386.4 r	8,355.9 r	8,400.8 r	8,445.9 r	8,445.2 r	8,410.3 r	8,440.6 **
Industrial production (index: 2002=100).....	109.771	105.305 r	107.049 r	105.709 r	103.190 r	101.195 r	99.730
Manufacturing and trade sales (mil. chn. 2000 dol.).....	939,041	918,093	918,287 r	898,682 r	893,617 r	895,824 **	896,837 **
COINCIDENT INDEX (2004=100).....	105.8	104.6	104.8	104.2 r	103.5 r	102.9 p	102.5 p
Percent change from preceding month.....	-0.4	-1.1	0.2	-0.6 r	-0.7 r	-0.6 p	-0.4 p
U.S. Coincident Economic Index net contributions							
Employees on nonagricultural payrolls.....	....	-.13	-.15	-.24	-.27 r	-.26	-.26
Personal income less transfer payments.....	....	-.07 r	.10 r	.10 r	.00 r	-.08 r	.07 **
Industrial production.....	....	-.62 r	.25	-.19 r	-.36 r	-.29 r	-.22
Manufacturing and trade sales.....	....	-.27	.00 r	-.26 r	-.07 r	.03 **	.01 **
U.S. Lagging Economic Index component data							
Average duration of unemployment (weeks)*.....	17.6	18.7	19.8	18.9	19.7	19.8	19.8
Ratio, manufacturing and trade inventories to sales (chain 2000 dol.).....	1.356	1.383	1.382 r	1.414 r	1.416 r	1.415 **	1.415 **
Change in index of labor cost per unit of output, mfg. (6-month percent, ann. rate).....	3.9 r	11.0 r	8.4 r	11.60 r	15.8 r	14.9 **	13.5 **
Average prime rate charged by banks (percent).....	5.00	5.00	4.56	4.00	3.61	3.25	3.25
Commercial and industrial loans outstanding (mil. chn. 2000 dol.).....	794,593 r	794,250 r	830,325 r	839,042 r	835,661 r	830,147 r	805,428 **
Ratio, consumer installment credit out- standing to personal income (percent).....	21.15 r	21.19 r	21.17 r	21.18 r	21.16 r	21.09 r	21.10 **
Change in CPI for services (6-month percent, ann. rate).....	4.6	3.9	3.4	2.5	1.7	1.0	.8
LAGGING INDEX (2004=100).....	113.0	113.5	113.6	114.3 r	114.2 r	113.9 p	113.5 p
Percent change from preceding month.....	.4	.4	.1	.6	-.1 r	-.3 p	-.4 p
U.S. Lagging Economic Index net contributions							
Average duration of unemployment.....	....	-.22	-.21	.17	-.15	-.02	.00
Ratio, manufacturing and trade inventories to sales.....	....	.24	-.01 r	.28 r	.02 r	-.01 **	.00 **
Change in index of labor cost per unit of output, mfg.....	....	.43	-.16 r	.19 r	.26 r	-.05 **	-.09 **
Average prime rate charged by banks.....	....	.00	-.12	-.16	-.11	-.10	.00
Commercial and industrial loans outstanding.....	....	.00	.50 r	.12	-.05	-.07 r	-.34 **
Ratio, consumer installment credit out- standing to personal income.....	....	.04	-.02 r	.01 r	-.02 r	-.06 r	.01 **
Change in CPI for services.....	....	-.14	-.10 r	-.18	-.16	-.14	-.04

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.

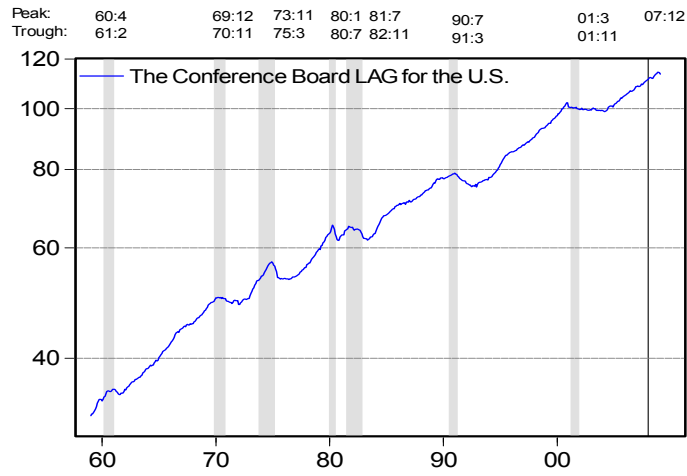
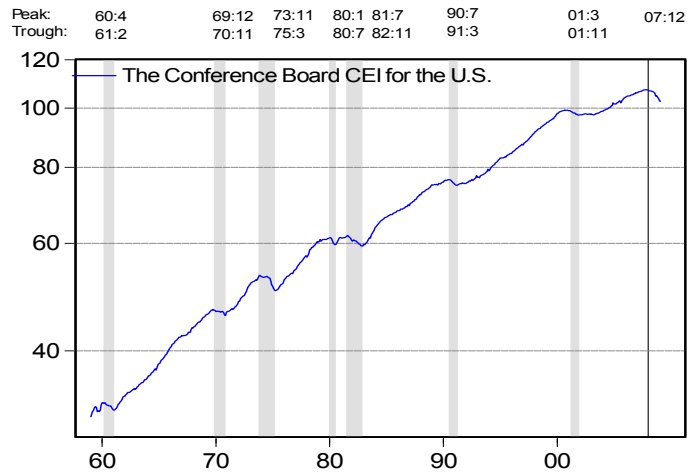
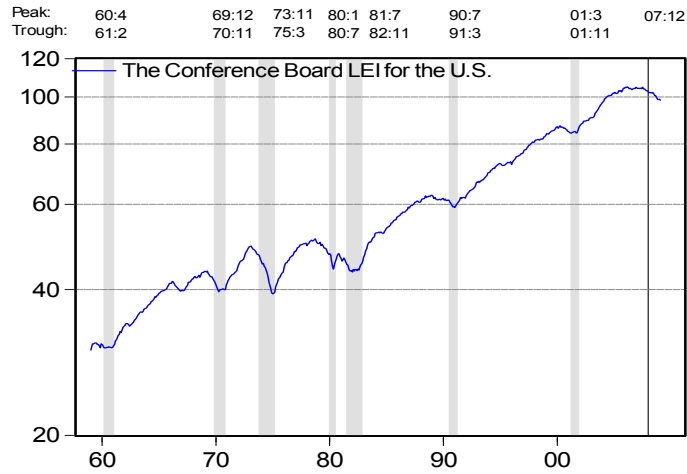
** Statistical Imputation (See page 3 for more details)

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



Shaded areas represent recessions.

Source: The Conference Board