



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. (LONDON TIME), THURSDAY, DECEMBER 9, 2010

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 OCTOBER 2010**

Next month's release will incorporate annual benchmark revisions to the composite indexes. These regular benchmark revisions bring the indexes up-to-date with revisions in the source data. The 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 incorporated when the benchmark revision is made and the entire histories of the indexes are recomputed. As a result, the revised indexes and their month-over-month changes will no longer be directly comparable to those issued prior to the benchmark revision.

For more information, please visit our website at <http://www.conference-board.org/data/bci.cfm> or contact [indicators@conference-board.org](mailto:indicators@conference-board.org).

**BRUSSELS, December 9, 2010...** The Conference Board Leading Economic Index® (LEI) for the U.K. increased 0.4 percent, and The Conference Board Coincident Economic Index® (CEI) increased 0.1 percent in October.

- The Conference Board LEI for the UK increased again in October, and index levels were revised slightly upward from June to September as a result of newly released third quarter data for operating surplus of corporations. Between April and October 2010, the leading economic index increased 2.8 percent (about a 5.8 percent annual rate), slower than the increase of 4.5 percent (about a 9.2 percent annual rate) during the previous six months. In addition, the strengths among the leading indicators were more widespread than the weaknesses in recent months.
- The Conference Board CEI for the UK, a measure of current economic activity, increased slightly in October after a revised no change in September. The six-month change in the coincident economic index stands at 0.7 percent (about a 1.4 percent annual rate) in the period through October 2010, up from -0.1 percent (about a -0.2 percent annual rate) for the previous six months. Additionally, the strengths among the coincident indicators have remained more widespread than the weaknesses in recent months. At the same time, real GDP increased at a 3.3 percent annual rate in the third quarter, following an increase of 4.6 percent annual rate in the second quarter.
- The Conference Board LEI for the U.K. has been rising since April 2009, though its six-month growth rate has continued to slow in recent months. Despite this slowdown, the index is 0.3 percent above its most recent peak in June 2007. Meanwhile, The Conference Board CEI for the U.K. has been generally on an upward trend since February 2010, though it is still well below its most recent peak in May 2008. Taken together, the recent behavior of the composite indexes suggests that economic activity should continue to expand, but at a more moderate pace in the near term.

The next release is scheduled for Wednesday, January 19, 2011 at 10:00 A.M. (London Time)  
*In the U.S. – Wednesday, January 19, 2011 at 5:00 A.M. (ET)*

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

With the 0.4 percent increase in October, The Conference Board LEI for the U.K. now stands at 105.1 (2004=100). Based on revised data, this index increased 0.5 percent in September and increased 0.5 percent in August. During the six-month span through October, the leading economic index increased 2.8 percent, with four of the seven components advancing (diffusion index, six-month span equals 64.3 percent).

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

With the increase of 0.1 percent in October, The Conference Board CEI for the U.K. now stands at 103.1 (2004=100). Based on revised data, this index remained unchanged in September and increased 0.1 percent in August. During the six-month period through October, the coincident economic index increased 0.7 percent, with three of the four components advancing (diffusion index, six-month span equals 75.0 percent).

DATA AVAILABILITY:

The data series used to compute **The Conference Board Leading Economic Index**<sup>®</sup> (LEI) for the U.K. and **The Conference Board Coincident Economic Index**<sup>®</sup> (CEI) for the U.K. reported in this release are those available “as of” 10 A.M. ET on Tuesday, December 7, 2010. 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 total gross 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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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/data/bci.cfm>

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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 website: <http://www.conference-board.org/data/bci.cfm>.

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

<u>Leading Economic Index</u>		<u>Factor</u>
1	Order Book Volume	0.0593
2	Expected Output Volume	0.0478
3	Consumer Confidence	0.0993
4	All Share Price Index	0.0340
5	Yield Spread	0.0866
6	Productivity, Whole Economy	0.5549
7	Operating Surplus, Corporations	0.1181

<u>Coincident Economic Index</u>		
1	Industrial Production	0.0596
2	Retail Sales	0.0572
3	Employment	0.7240
4	Real Household Disposable Income	0.1592

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 2010 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 1977-2008 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 1992-2008 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 website: <http://www.conference-board.org/data/bci.cfm>.

The trend adjustment factor for the leading index is -0.0464, calculated over the 1970-2008 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:

November 2010	.....	Wednesday, January 19, 2011
December 2010	.....	Tuesday, February 15, 2011
January 2011	.....	Tuesday, March 15, 2011
February 2011	.....	Friday, April 08, 2011
March 2011	.....	Tuesday, May 17, 2011
April 2011	.....	Tuesday, June 14, 2011
May 2011	.....	Tuesday, July 12, 2011
June 2011	.....	Thursday, August 11, 2011
July 2011	.....	Friday, September 09, 2011
August 2011	.....	Wednesday, October 12, 2011
September 2011	.....	Thursday, November 10, 2011
October 2011	.....	Friday, December 09, 2011

All releases are at 10:00 A.M. (London Time)

## **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.

## **AVAILABLE FROM THE CONFERENCE BOARD**

### **U.K. Business Cycle Indicators Internet Subscription**

*(Includes monthly release, data, charts and commentary)*

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### **Monthly BCI Report**

*(Sample available at <http://www.conference-board.org/data/monthlybci.cfm>)*

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### **BCI Handbook (published 2001)**

\$25

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Business Cycle Indicators for China, Euro Area, France, Germany, Japan, Korea, Mexico, Spain and the U.S. are available at \$565 (for TCB members)/\$715 (for non-TCB members) per country per year (1 user). Discounts are available to accredited academic institutions.

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The Conference Board U.K. Business Cycle Indicators

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

	2010						
	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.
Leading index	102.2	102.4	103.2 p	103.7 p	104.2 p	104.7 p	105.1 p
Percent change	0.6	0.2	0.8 p	0.5 p	0.5 p	0.5 p	0.4 p
Diffusion index	64.3	42.9	57.1	57.1	57.1	57.1	78.6
Coincident index	102.4	102.5	102.9 p	102.9 p	103.0 p	103.0 p	103.1 p
Percent change	0.1	0.1	0.4 p	0.0 p	0.1 p	0.0 p	0.1 p
Diffusion index	37.5	75.0	50.0	62.5	62.5	75.0	75.0
	Oct to Apr	Nov to May	Dec to Jun	Jan to Jul	Feb to Aug	Mar to Sep	Apr to Oct
Leading index							
Percent change	4.5	3.6	4.0 p	3.8 p	3.6 p	3.1 p	2.8 p
Diffusion index	85.7	78.6	42.9	57.1	71.4	57.1	64.3
Coincident index							
Percent change	-0.1	0.1	0.6 p	0.9 p	0.9 p	0.7 p	0.7 p
Diffusion index	50.0	50.0	75.0	75.0	75.0	75.0	75.0

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.

For more information, visit our Web site at [www.conference-board.org/economics/bci](http://www.conference-board.org/economics/bci)

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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	2010						
	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.
U.K. Leading Economic Index component data							
Order Book Volume, CBI Monthly Enquiry (3 month moving average).....	-36.3	-30.3	-25.7	-19.0	-17.7	-15.7	-19.7
Volume of Expected Output, CBI Monthly Enquiry (3 month moving average).....	8.7	12.0	15.3	12.7	10.3	9.3	13.3
Consumer Confidence (3 month moving average).....	-4.5	-7.0	-8.9	-12.6	-13.8	-15.7	-15.3
Stock prices, FTSE all share prices index (Apr. 10, 1962=100).....	2939.9	2701.8	2653.2	2664.6	2721.6	2846.5	2940.0
Yield Spread, 10 years minus Bank Rate.....	3.6	3.3	3.1	3.0	2.7	2.6	2.6
Productivity, Whole Economy Index (2006=100, Q)	99.0	99.2	99.4 **	99.6 **	99.7 **	99.8 **	100.0 **
Total Gross Operating Surplus of Corporations (Deflated with IPD, Q)	69480.6	68900.3	70523.2 r	72143.5 r	73761.1 r	74823.6 **	75527.6 **
<b>LEADING INDEX (2004=100).....</b>	<b>102.2</b>	<b>102.4</b>	<b>103.2 p</b>	<b>103.7 p</b>	<b>104.2 p</b>	<b>104.7 p</b>	<b>105.1 p</b>
Percent change from preceding month.....		0.2	0.8 p	0.5 p	0.5 p	0.5 p	0.4 p
U.K. Leading Economic Index net contributions							
Order Book Volume, CBI Monthly Enquiry (3 month moving average).....	....	0.36	0.27	0.40	0.08	0.12	-0.24
Volume of Expected Output, CBI Monthly Enquiry (3 month moving average).....	....	0.16	0.16	-0.12	-0.11	-0.05	0.19
Consumer Confidence (3 month moving average).....	....	-0.25	-0.19	-0.37	-0.12	-0.19	0.04
Stock prices, FTSE all share prices index (Apr. 10, 1962=100).....	....	-0.29	-0.06	0.01	0.07	0.15	0.11
Yield Spread, 10 years minus Bank Rate.....	....	0.29	0.27	0.26	0.23	0.23	0.23
Productivity, Whole Economy Index (2006=100, Q)	....	0.13	0.11 **	0.09 **	0.08 **	0.07 **	0.06 **
Total Gross Operating Surplus of Corporations (Deflated with IPD, Q)	....	-0.10	0.27 r	0.27 r	0.26 r	0.17 **	0.11 **

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	2010						
	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.
U.K. Coincident Economic Index component data							
Industrial Production (2006=100).....	88.7 r	89.2 r	88.8 r	89.0 r	89.4 r	89.7 r	89.5
Retail Sales, Volume (2005=100).....	106.2 r	106.9 r	107.7 r	108.4 r	108.0	107.5 r	108.0
Employment, (average, thousands).....	28980.0	29023.0	29158.0	29158.0	29189.0 r	29209.0 **	29225.0 **
Real Household Disposable Income (2006 Constant Price, Q).....	216790.0	215646.0	215150.8 **	215008.7 **	215058.8 **	215213.4 **	215424.8 **
<b>COINCIDENT INDEX (2004=100).....</b>	<b>102.4</b>	<b>102.5</b>	<b>102.9 p</b>	<b>102.9 p</b>	<b>103.0 p</b>	<b>103.0 p</b>	<b>103.1 p</b>
Percent change from preceding month		0.1	0.4 p	0.0 p	0.1 p	0.0 p	0.1 p
U.K. Coincident Economic Index net contributions							
Industrial Production (2006=100).....	....	0.03	-0.03	0.01 r	0.03 r	0.02	-0.01
Retail Sales, Volume (2005=100).....	....	0.04	0.04	0.04 r	-0.02 r	-0.03 r	0.03
Employment, (average, thousands).....	....	0.11	0.34	0.00	0.08 r	0.05 **	0.04 **
Real Household Disposable Income (2006 Constant Price, Q).....	....	-0.08	-0.04 **	-0.01 **	0.00 **	0.01 **	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 monthly through a linear interpolation.

**Data Sources:** National Statistics, Thomson Financial

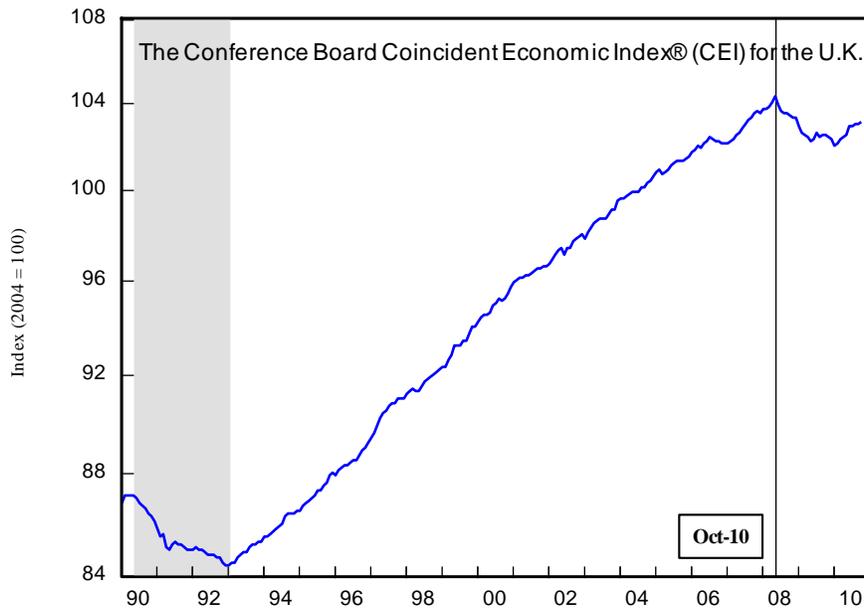
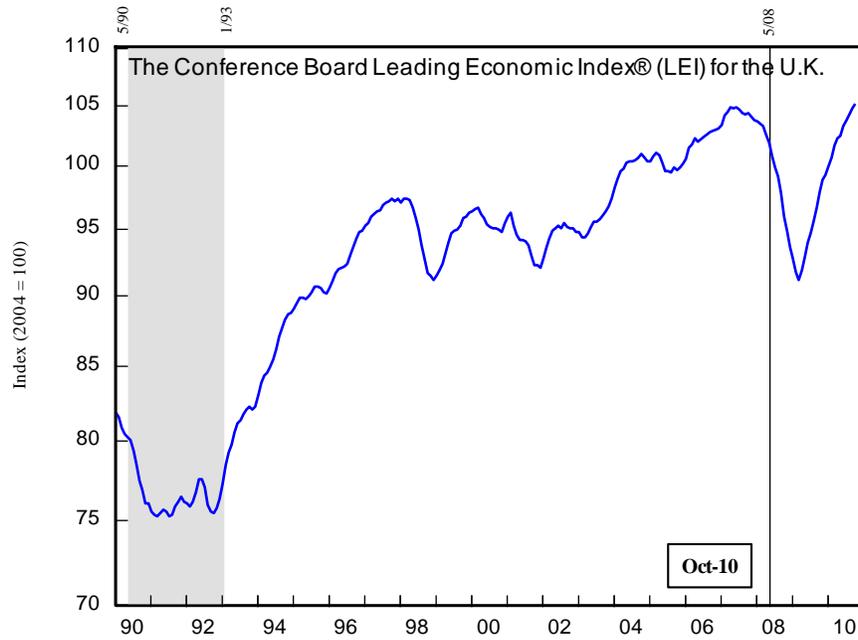
**CALCULATION NOTE--**The percent change in the index does not always equal the sum of the net contributions of the individual components (because of rounding effects and base value differences).

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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