



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. ET, Thursday, February 18, 2010

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 JANUARY 2010

The Conference Board Leading Economic Index® (LEI) for the U.S. increased 0.3 percent, **The Conference Board Coincident Economic Index®** (CEI) increased 0.2 percent and **The Conference Board Lagging Economic Index®** (LAG) decreased 0.1 percent in January.

- The Conference Board LEI for the U.S. continued to increase in January. The interest rate spread, supplier deliveries, and the manufacturing workweek made the largest positive contributions to the index this month, more than offsetting the negative contributions from real money supply, unemployment claims, and building permits. The six-month change in the index has continued to moderate -- to 4.8 percent (a 9.8 percent annual rate), down from 6.2 percent (about a 12.8 percent annual rate) in the six-month period through September 2009. However, the strengths among the leading indicators have remained widespread in recent months.
- The Conference Board CEI for the U.S. also continued to increase in January, and it has advanced in four of the last seven months. Industrial production continued to gain, more than offsetting the small decrease in employment. Between July 2009 and January 2010, the CEI rose 0.6 percent (a 1.2 percent annual rate), a reversal from the decline of 2.4 percent (a -4.7 percent annual rate) during the previous six months. In January, 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 5.7 percent annual rate in the fourth quarter of 2009, following an increase of 2.2 percent annual rate in the third quarter.
- The Conference Board LEI for the U.S. has risen steadily for the past ten months, and it has reached its highest level. However, its six-month growth rate has moderated somewhat in recent months. Meanwhile, The Conference Board CEI for the U.S. has risen slightly since July 2009, after a steep decline from December 2007 to June 2009. Taken together, the current behavior of the composite indexes suggests that economic conditions should continue to improve in the near term.

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

The next release is scheduled for March 18, Thursday at 10 A.M. ET.

The Conference Board LEI for the U.S. now stands at 107.4 (2004=100). Based on revised data, this index increased 1.2 percent in December and increased 1.1 percent in November. During the six-month span through January, the leading economic index increased 4.8 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 January. 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*. The negative contributor was employees on nonagricultural payrolls.

The Conference Board CEI for the U.S. now stands at 100.1 (2004=100). This index remained unchanged in December and increased 0.3 percent in November. During the six-month period through January, the coincident economic index increased 0.6 percent, with three out of four components advancing (diffusion index, six-month span equals 75.0 percent).

LAGGING INDICATORS. The Conference Board LAG for the U.S. stands at 108.0 (2004=100) in January, with two of the seven components advancing. The positive contributors to the index – beginning with the largest 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), ratio of consumer installment credit to personal income*, and ratio of manufacturing and trade inventories to sales*. The average prime rate charged by banks held steady in January. Based on revised data, the lagging economic index decreased 0.3 percent in December and decreased 0.7 percent in November.

This month's release incorporates benchmark revisions that resulted from revisions in the underlying data for manufacturers' new orders for consumer goods and materials and manufacturers' new orders for non-defense capital goods. As a result, the standardization factors of these two components and the history of the leading economic index were recomputed. The impact of these revisions on the leading economic index is minimal, but the revised index will no longer be directly comparable to those issued prior to the benchmark revision. For further information please contact indicators@conference-board.org

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 February 17, 2010. 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, the personal consumption expenditure used to deflate commercial and industrial loans outstanding and change in CPI for services.

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	0.2725
2	Average weekly initial claims for unemployment insurance	0.0322
3	Manufacturers' new orders, consumer goods and materials	0.0809
4	Index of supplier deliveries – vendor performance	0.0715
5	Manufacturers' new orders, nondefense capital goods	0.0192
6	Building permits, new private housing units	0.0263
7	Stock prices, 500 common stocks	0.0373
8	Money supply, M2	0.3248
9	Interest rate spread, 10-year Treasury bonds less federal funds	0.1058
10	Index of consumer expectations	0.0295
<u>Coincident Economic Index</u>		
1	Employees on nonagricultural payrolls	0.4949
2	Personal income less transfer payments	0.2615
3	Industrial production	0.1346
4	Manufacturing and trade sales	0.1090
<u>Lagging Economic Index</u>		
1	Average duration of unemployment	0.0356
2	Inventories to sales ratio, manufacturing and trade	0.1192
3	Labor cost per unit of output, manufacturing	0.0631
4	Average prime rate	0.2731
5	Commercial and industrial loans	0.1071
6	Consumer installment credit to personal income ratio	0.2117
7	Consumer price index for services	0.1902

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 February 2010, 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 1984-2008 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 1959-2008. 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 -0.0042, and the trend adjustment factor for The Conference Board LAG for the U.S is 0.1524.

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, 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.

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
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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

	2009						2010
	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Leading index	102.5	103.1	104.2	104.7	105.8	107.1	107.4 p
Percent change	1.2	.6	1.1	.5	1.1	1.2	.3 p
Diffusion index	70.0	60.0	75.0	70.0	70.0	100.0	55.0
Coincident index	99.5	99.5 r	99.5 r	99.6 r	99.9 r	99.9 p	100.1 p
Percent change	.2	.0 r	.0	.1	.3 r	.0 p	.2 p
Diffusion index	75.0	25.0	62.5	75.0	87.5	62.5	87.5
Lagging index	110.6	110.2	109.5	109.2 r	108.4 r	108.1 p	108.0 p
Percent change	-.5	-.4	-.6	-.3 r	-.7 r	-.3 p	-.1 p
Diffusion index	7.1	35.7	21.4	21.4	21.4	28.6	35.7
Coincident-lagging ratio	90.0	90.3 r	90.9 r	91.2	92.2 r	92.4 p	92.7 p
	Jan to	Feb to	Mar to	Apr to	May to	Jun to	Jul to
	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Leading index							
Percent change	3.7	4.9	6.2	5.5	5.2	5.7	4.8
Diffusion index	100.0	80.0	90.0	90.0	80.0	80.0	80.0
Coincident index							
Percent change	-2.4	-1.7	-.9	-.4	.2	.6	.6
Diffusion index	.0	.0	25.0	50.0	50.0	75.0	75.0
Lagging index							
Percent change	-3.8	-3.7	-3.6	-3.3	-3.2	-2.8	-2.4
Diffusion index	7.1	7.1	14.3	21.4	21.4	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

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

Component	2009							2010
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
U.S. Leading Economic Index component data								
Average work week, production workers, mfg. (hours).....	39.9	40.0 r	39.9 r	40.0 r	40.5 r	40.6 r	40.8	
Average weekly initial claims, state unemployment insurance (thousands)*.	556.5	573.0	540.3	524.4	480.5	449.9 r	469.6	
Manufacturers' new orders, consumer goods and materials (mil. 1982 dol.).....	116,624 r	115,582 r	115,546 r	116,295 r	117,220 r	117,587 r	117,608 **	
Index of supplier deliveries -- vendor performance (percent).....	51.7 r	56.0 r	56.8 r	56.3 r	55.7 r	56.8 r	60.1	
Manufacturers' new orders, nondefense capital goods (mil. 1982 dol.).....	36325 r	33112 r	34529 r	35459 r	34273 r	34556 r	34417 **	
Building permits (thous.).....	564	580	575	551	589	653	621	
Stock prices, 500 common stocks (c) (index: 1941-43=10).....	935.82	1,009.72	1,044.55	1,067.66	1,088.07	1,110.38	1,123.58	
Money supply, M2 (bil. chn. 2005 dol.).....	7,723.3 r	7,676.8 r	7,704.9 r	7,709.7 r	7,714.7 r	7,721.2 r	7,652.6 **	
Interest rate spread, 10-year Treasury bonds less federal funds.....	3.40	3.43	3.25	3.27	3.28	3.47	3.62	
Index of consumer expectations (c) (1966:1=100).....	63.2	65.0	73.5	68.6	66.5	68.9	70.1	
LEADING INDEX (2004=100).....	102.5	103.1	104.2	104.7	105.8	107.1	107.4 p	
Percent change from preceding month..	1.2	0.6	1.1	0.5	1.1	1.2	0.3 p	
U.S. Leading Economic Index net contributions								
Average work week, production workers, mfg.....	....	.07 r	-.07 r	.07	.34 r	.07 r	.13
Average weekly initial claims, state unemployment insurance.....	....	-.09	.19	.10	.28	.21	-.14
Manufacturers' new orders, consumer goods and materials.....	....	-.07 r	.00 r	.05 r	.06 r	.03 r	.00 **
Index of supplier deliveries -- (vendor performance).....	....	.31 r	.06	-.04 r	-.04 r	.08 r	.24
Manufacturers' new orders, nondefense capital goods.....	....	-.18 r	.08 r	.05 r	-.07 r	.02 r	-.01 **
Building permits.....	....	.07	-.02	-.11	.18	.27	-.13
Stock prices, 500 common stocks (c)	....	.28	.13	.08	.07	.08	.04
Money supply, M2.....	....	-.20 r	.12 r	.02	.02 r	.03	-.29 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	....	.36	.34	.35	.35	.37	.38
Index of consumer expectations (c)	....	.05	.25	-.14	-.06	.07	.04

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						2010
	Jul	Aug	Sep	Oct	Nov	Dec	Jan
U.S. Coincident Economic Index component data							
Employees on nonagricultural payrolls (thousands).....	130,293 r	130,082 r	129,857 r	129,633 r	129,697 r	129,547 r	129,527
Personal income less transfer payments (ann. rate, bil. chn. 2005 dol.).....	9,087.8	9,079.7	9,080.3	9,086.6 r	9,109.7 r	9,128.5 r	9,142.5 **
Industrial production (index: 2002=100).....	96.949	98.114 r	98.676 r	98.907 r	99.463 r	100.116 r	101.052
Manufacturing and trade sales (mil. chn. 2005 dol.).....	925,715	922,752	924,859	929,631 r	939,900 r	939,779 **	940,934 **
COINCIDENT INDEX (2004=100).....	99.5	99.5 r	99.5 r	99.6 r	99.9 r	99.9 p	100.1 p
Percent change from preceding month.....	0.2	0.0 r	0.0	0.1	0.3	0.0 p	0.2 p
U.S. Coincident Economic Index net contributions							
Employees on nonagricultural payrolls.....	....	-.08 r	-.09 r	-.09 r	.02 r	-.06 r	-.01
Personal income less transfer payments.....	....	-.02	.00	.02 r	.07 r	.05 r	.04 **
Industrial production.....	....	.16 r	.08 r	.03	.08	.09	.13
Manufacturing and trade sales.....	....	-.03	.02	.06 r	.12 r	.00 **	.01 **
U.S. Lagging Economic Index component data							
Average duration of unemployment (w weeks)*.....	25.3	25.2	26.5	27.2	28.6	29.1	30.2
Ratio, manufacturing and trade inventories to sales (chain 2005 dol.).....	1.420	1.409	1.398	1.393 r	1.381 r	1.382 **	1.381 **
Change in index of labor cost per unit of output, mfg. (6-month percent, ann. rate).....	-2.8	-3.8	-6.3	-6.50 r	-7.6 r	-7.8 r	-6.9 **
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.).....	783,295 r	762,737 r	745,003 r	727,653 r	707,111 r	691,934 r	679,926 **
Ratio, consumer installment credit out- standing to personal income (percent).....	20.73	20.64	20.52	20.42 r	20.14 r	20.05 r	20.03 **
Change in CPI for services (6-month percent, ann. rate).....	.3	.5	.8	1.1	1.2	1.2	1.3 **
LAGGING INDEX (2004=100).....	110.6	110.2	109.5	109.2 r	108.4 r	108.1 p	108.0 p
Percent change from preceding month.....	-.5	-.4	-.6	-.3 r	-.7 r	-.3 p	-.1 p
U.S. Lagging Economic Index net contributions							
Average duration of unemployment.....	....	.01	-.18	-.09	-.18	-.06	-.13
Ratio, manufacturing and trade inventories to sales.....	....	-.09	-.09	-.04 r	-.10 r	.01 **	-.01 **
Change in index of labor cost per unit of output, mfg.....	....	-.06	-.16	-.01 r	-.07 r	-.01 r	.06 **
Average prime rate charged by banks.....	....	.00	.00	.00	.00	.00	.00
Commercial and industrial loans outstanding.....	....	-.28	-.25	-.25	-.31	-.23 r	-.19 **
Ratio, consumer installment credit out- standing to personal income.....	....	-.09 r	-.12 r	-.10 r	-.29 r	-.09 r	-.02 **
Change in CPI for services.....	....	.04	.06	.06	.02	.00	.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.

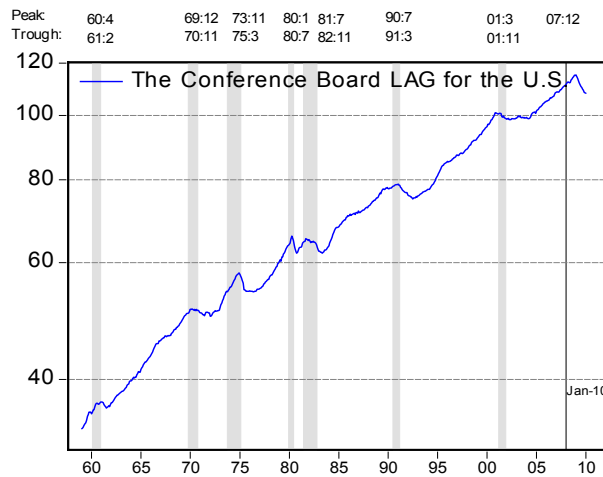
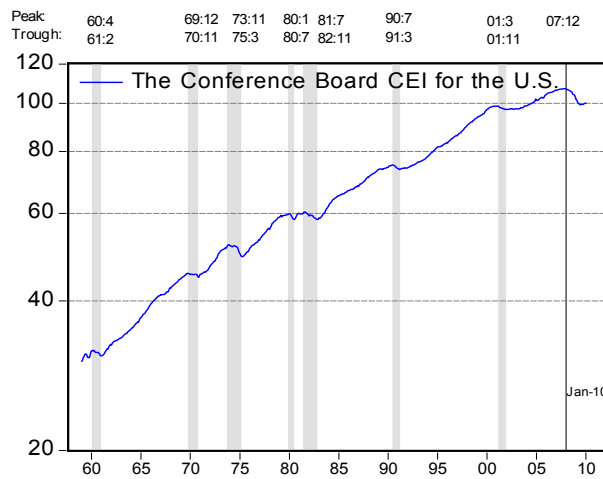
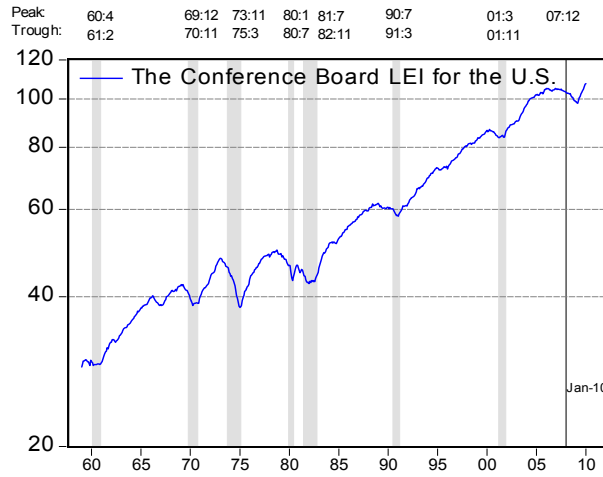
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U.S. Composite Economic Indexes (2004=100)



Shaded areas represent recessions.

Source: The Conference Board