



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. (LONDON TIME), THURSDAY, OCTOBER 8, 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 AUGUST 2009**

**BRUSSELS, October 8, 2009...** The Conference Board Leading Economic Index™ (LEI) for the U.K. increased 0.9 percent, and The Conference Board Coincident Economic Index™ (CEI) decreased 0.1 percent in August.

- The Conference Board LEI for the U.K. increased again in August as a result of positive contributions from stock prices, the yield spread, volume of expected output and consumer confidence. Between February and August 2009, the leading economic index increased by 3.6 percent (about a 7.4 percent annual rate), a reversal from the 7.7 percent decline (about a -14.9 percent annual rate) between August 2008 and February 2009. In addition, the strengths among the leading indicators have become widespread in recent months.
- The Conference Board CEI for the U.K., a measure of current economic activity, decreased in August after remaining flat during the previous two months. Between February and August 2009, the coincident economic index decreased by 0.6 percent (about a -1.2 percent annual rate), slower than the 1.1 percent decline (about a -2.1 percent annual rate) for the previous six months. Additionally, the strengths and weaknesses among the coincident indicators have remained balanced in recent months. Meanwhile, real GDP contracted at a 2.3 percent annual rate during the second quarter of 2009, following a decline of 9.6 percent annual rate during the first quarter.
- After falling steadily between the middle of 2007 and the first quarter of 2009, The Conference Board LEI for the U.K. has risen sharply during the past five months. As a result, its six-month growth rate has reached its highest level since 1999. The Conference Board CEI for the U.K. has stabilized during the last three months, after declining rapidly between December 2008 and May 2009. Taken together, the recent behavior of the composite indexes suggests that the downturn in economic activity is bottoming out and that the economy is probably moving closer to a recovery.

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

The next release is scheduled for Tuesday, November 10, 2009 at 10:00 A.M. (London Time)  
*In the U.S. – November 10, 2009 at 5:00 A.M. (ET)*

With the 0.9 percent increase in August, The Conference Board LEI for the U.K. now stands at 94.0 (2004=100). Based on revised data, this index increased 0.5 percent in July and increased 1.1 percent in June. During the six-month span through August, the leading economic index increased 3.6 percent, with five of the seven components advancing (diffusion index, six-month span equals 71.4 percent).

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

With the decrease of 0.1 percent in August, The Conference Board CEI for the U.K. now stands at 102.3 (2004=100). Based on revised data, this index remained unchanged in both July and June. During the six-month period through August, the coincident economic index decreased 0.6 percent, with two of the four components advancing (diffusion index, six-month span equals 50.0 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 October 6, 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

<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:

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. (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 <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
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The Conference Board U.K. Business Cycle Indicators

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

	2009						
	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.
Leading index	90.7	90.1	90.8 r	91.7 r	92.7 p	93.2 p	94.0 p
Percent change	-1.1	-0.7	0.8 r	1.0	1.1 p	0.5 p	0.9 p
Diffusion index	14.3	42.9	71.4	78.6	71.4	71.4	71.4
Coincident index	102.9	102.7	102.6 r	102.4 r	102.4 p	102.4 p	102.3 p
Percent change	-0.4	-0.2	-0.1 r	-0.2 r	0.0 p	0.0 p	-0.1 p
Diffusion index	0.0	50.0	75.0	25.0	75.0	87.5	50.0
	Aug to Feb	Sep to Mar	Oct to Apr	Nov to May	Dec to Jun	Jan to Jul	Feb to Aug
Leading index							
Percent change	-7.7	-7.1	-4.5	-2.3	0.0	1.6	3.6
Diffusion index	14.3	14.3	14.3	42.9	57.1	57.1	71.4
Coincident index							
Percent change	-1.1	-1.3	-1.4	-1.5	-1.4	-0.9	-0.6
Diffusion index	25.0	50.0	37.5	25.0	50.0	50.0	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	Feb.	Mar.	Apr.	2009 May.	Jun.	Jul.	Aug.
U.K. Leading Economic Index component data							
Order Book Volume, CBI Monthly Enquiry (3 month moving average).....	-46.3	-54.0	-57.0	-57.0	-54.7	-55.3	-54.7
Volume of Expected Output, CBI Monthly Enquiry (3 month moving average).....	-43.0	-45.0	-41.3	-32.3	-22.0	-16.0	-12.0
Consumer Confidence (3 month moving average).....	-31.8	-31.0	-26.2	-22.8	-19.9	-18.3	-16.8
Stock prices, FTSE all share prices index (Apr. 10, 1962=100).....	2046.2	1902.0	2063.5	2239.3	2220.4	2232.1	2442.8
Yield Spread, 10 years minus Bank Rate.....	2.6	2.7	2.9	3.1	3.2	3.3	3.2
Productivity, Whole Economy Index (2005=100, Q)	99.7	99.8	99.8 r	99.9 r	100.0 **	100.0 **	100.1 **
Total Gross Operating Surplus of Corporations (Deflated with IPD, Q)	76622.2	75274.4	73926.6	72571.2	71712.1 **	71171.9 **	70836.5 **
<b>LEADING INDEX (2004=100).....</b>	<b>90.7</b>	<b>90.1</b>	<b>90.8 r</b>	<b>91.7</b>	<b>92.7 p</b>	<b>93.2 p</b>	<b>94.0 p</b>
Percent change from preceding month.....		-0.7	0.8 r	1.0	1.1 p	0.5 p	0.9 p
U.K. Leading Economic Index net contributions							
Order Book Volume, CBI Monthly Enquiry (3 month moving average).....	....	-0.47	-0.18	0.00	0.14	-0.04	0.04
Volume of Expected Output, CBI Monthly Enquiry (3 month moving average).....	....	-0.10	0.18	0.43	0.49	0.29	0.19
Consumer Confidence (3 month moving average).....	....	0.08	0.48	0.34	0.29	0.16	0.15
Stock prices, FTSE all share prices index (Apr. 10, 1962=100).....	....	-0.25	0.28	0.28	-0.03	0.02	0.31
Yield Spread, 10 years minus Bank Rate.....	....	0.23	0.24	0.26	0.27	0.28	0.27
Productivity, Whole Economy Index (2005=100, Q)	....	0.04	0.04	0.03	0.04 **	0.04 **	0.04 **
Total Gross Operating Surplus of Corporations (Deflated with IPD, Q)	....	-0.20 r	-0.21	-0.21	-0.14 **	-0.09 **	-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 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	2009						
	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.
U.K. Coincident Economic Index component data							
Industrial Production (2005=100).....	87.7 r	87.5 r	87.6 r	87.1 r	87.6 r	88.1 r	85.9
Retail Sales, Volume (2005=100).....	109.4 r	111.0	111.9 r	110.9 r	112.5 r	112.6 r	112.6
Employment, (average, thousands).....	29204.0	29108.0	28998.0	28933.0	28891.0 r	28881.1 **	28884.3 **
Real Household Disposable Income (2003 Constant Price, Q).....	212045.0	212651.0	213257.0	213862.0	214357.5 **	214792.5 **	215194.4 **
<b>COINCIDENT INDEX (2004=100).....</b>	<b>102.9</b>	<b>102.7</b>	<b>102.6</b>	<b>102.4</b>	<b>102.4 p</b>	<b>102.4 p</b>	<b>102.3 p</b>
Percent change from preceding month		-0.2	-0.1	-0.2	0.0 p	0.0 p	-0.1 p
U.K. Coincident Economic Index net contributions							
Industrial Production (2005=100).....	....	-0.01 r	0.01 r	-0.03	0.03	0.03 r	-0.15
Retail Sales, Volume (2005=100).....	....	0.08 r	0.05	-0.05 r	0.08	0.01	0.00
Employment, (average, thousands).....	....	-0.24	-0.28	-0.16	-0.11 r	-0.02 **	0.01 **
Real Household Disposable Income (2003 Constant Price, Q).....	....	0.04	0.04 r	0.04 r	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.

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Q Quarterly series; these series are converted to monthly through a linear interpolation.

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

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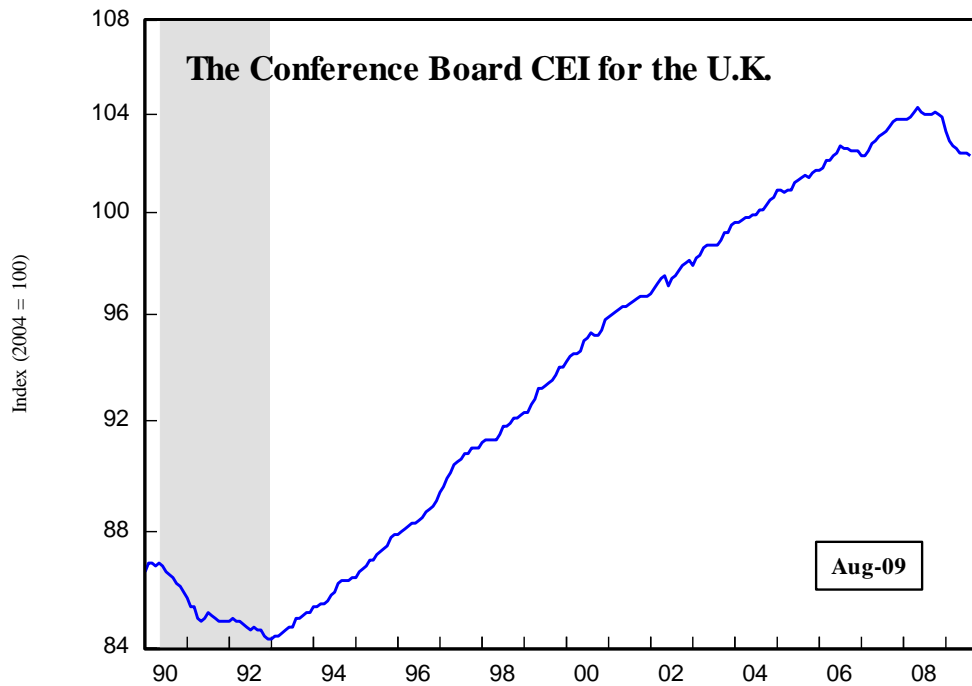
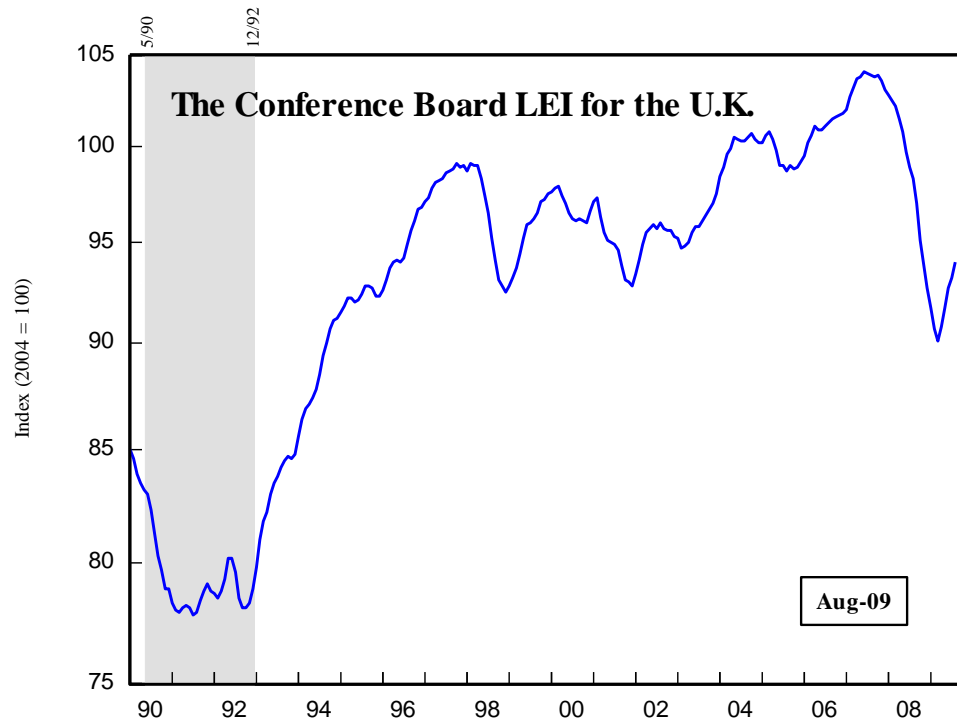
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## United Kingdom Composite Economic Indexes



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