



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. ET, Monday, April 19, 2010

The Conference Board®  
U.S. Business Cycle Indicators<sup>SM</sup>  
**THE CONFERENCE BOARD LEADING ECONOMIC INDEX®**  
**(LEI) FOR THE UNITED STATES**  
**AND RELATED COMPOSITE ECONOMIC INDEXES FOR MARCH 2010**

**The Conference Board Leading Economic Index® (LEI)** for the U.S. increased 1.4 percent, **The Conference Board Coincident Economic Index® (CEI)** increased 0.1 percent and **The Conference Board Lagging Economic Index® (LAG)** increased 0.2 percent in March.

- The Conference Board LEI for the U.S. increased again in March, and it has risen for a year now. The index was revised upwards in January and February as a result of data revisions in the underlying components. The interest rate spread, the average workweek, supplier deliveries and the stock market made the largest positive contributions to the index this month. The leading economic index rose 5.2 percent (a 10.6 percent annual rate) between September 2009 and March 2010, slightly slower than the increase of 6.2 percent (12.8 percent annual rate) for the previous six months. However, the strengths among the leading indicators have remained widespread in recent months.
- The Conference Board CEI for the U.S. also increased in March, with all components contributing positively to the index. The coincident economic index increased 0.7 percent (a 1.4 percent annual rate) between September 2009 and March 2010, a reversal from the decline of 0.9 percent (a -1.8 percent annual rate) during the previous six months. In March, the lagging economic index increased marginally more than the CEI, and the coincident-to-lagging ratio remained unchanged. Meanwhile, real GDP expanded at a 5.6 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 rapidly for a year now, and its six-month growth rate has been fairly stable in recent months. Meanwhile, The Conference Board CEI for the U.S. has risen modestly since mid-2009, after declining sharply the previous year and a half. Taken together, the current behavior of the composite indexes suggests that improving economic conditions should continue in the near term.

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

The next release is scheduled for May 20, Thursday at 10 A.M. ET.

The Conference Board LEI for the U.S. now stands at 109.6 (2004=100). Based on revised data, this index increased 0.4 percent in February and increased 0.6 percent in January. During the six-month span through March, the leading economic index increased 5.2 percent, with eight out of ten components advancing (diffusion index, six-month span equals 80 percent).

COINCIDENT INDICATORS. All the indicators that make up The Conference Board CEI for the U.S. increased in March. The positive contributors to the index – beginning with the largest positive contributor – were employees on nonagricultural payrolls, personal income less transfer payments\*, industrial production and manufacturing and trade sales\*.

The Conference Board CEI for the U.S. now stands at 100.2 (2004=100). This index increased 0.1 percent in February and remained unchanged in January. During the six-month period through March, the coincident economic index increased 0.7 percent, with three 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 107.9 (2004=100) in March, with three of the seven components advancing. The positive contributors to the index – beginning with the largest positive contributor – were commercial and industrial loans outstanding\*, change in labor cost per unit of output\*, and change in CPI for services. The negative contributors – beginning with the largest negative contributor – were average duration of unemployment (inverted), and the ratio of consumer installment credit to personal income\*. The ratio of manufacturing and trade inventories to sales\* and average prime rate charged by banks\* held steady in March. Based on revised data, the lagging economic index increased 0.1 percent in February and decreased 0.3 percent in January.

#### DATA AVAILABILITY AND NOTES.

The data series used to compute **The Conference Board Leading Economic Index**<sup>®</sup> (LEI) for the U.S., **The Conference Board Coincident Economic Index**<sup>®</sup> (CEI) for the U.S. and **The Conference Board Lagging Economic Index**<sup>®</sup> (LAG) for the U.S. and reported in the tables in this release are those available “as of” 12 Noon on April 16, 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, 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	0.2725
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](http://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<sup>®</sup>** (LEI) for the U.S. news release schedule for 2010:

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

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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 <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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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		
	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Leading index	104.2	104.7	105.8 r	107.1 r	107.7 r	108.1 r	109.6 p
Percent change	1.1	.5	1.1	1.2	.6 r	.4 r	1.4 p
Diffusion index	80.0	70.0	70.0	95.0	70.0	60.0	70.0
Coincident index	99.5	99.5	99.9	100.0	100.0	100.1 p	100.2 p
Percent change	.0	.0	.4	.1	.0	.1 p	.1 p
Diffusion index	50.0	75.0	87.5	75.0	37.5	62.5	100.0
Lagging index	109.5	109.2	108.3	107.9	107.6 r	107.7 p	107.9 p
Percent change	-.6	-.3	-.8	-.4	-.3 r	.1 p	.2 p
Diffusion index	21.4	35.7	21.4	21.4	50.0	42.9	57.1
Coincident-lagging ratio	90.9	91.1	92.2	92.7	92.9	92.9 p	92.9 p
	Mar to	Apr to	May to	Jun to	Jul to	Aug to	Sep to
	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Leading index							
Percent change	6.2	5.5	5.2	5.7	5.1	4.8	5.2
Diffusion index	90.0	90.0	80.0	90.0	85.0	100.0	80.0
Coincident index							
Percent change	-.9	-.5	.2	.7	.5	.6	.7
Diffusion index	25.0	50.0	50.0	50.0	62.5	50.0	75.0
Lagging index							
Percent change	-3.6	-3.3	-3.3	-3.0	-2.7	-2.3	-1.5
Diffusion index	7.1	21.4	21.4	21.4	21.4	21.4	28.6

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](http://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		
	Sep	Oct	Nov	Dec	Jan	Feb	Mar
U.S. Leading Economic Index component data							
Average work week, production workers, mfg. (hours).....	39.9	40.0	40.5	40.5	40.9 r	40.5 r	41.0
Average weekly initial claims, state unemployment insurance (thousands)*.	540.5 r	526.4 r	492.1 r	467.5 r	481.2 r	467.4 r	448.1
Manufacturers' new orders, consumer goods and materials (mil. 1982 dol.).....	115,890	116,340 r	117,198	118,287	118,533 r	117,502 r	117,693 **
Index of supplier deliveries -- vendor performance (percent).....	56.8	56.3	55.7	56.8	60.1	61.1	64.9
Manufacturers' new orders, nondefense capital goods (mil. 1982 dol.).....	34595	35482 r	34273	35054	36331 r	38520 r	37627 **
Building permits (thous.).....	575	551	589	653	622	637 r	685
Stock prices, 500 common stocks (c) (index: 1941-43=10).....	1,044.55	1,067.66	1,088.07	1,110.38	1,123.58	1,089.16	1,152.58
Money supply, M2 (bil. chn. 2005 dol.).....	7,707.5 r	7,716.7 r	7,733.8 r	7,740.9 r	7,675.4 r	7,725.9 r	7,693.1 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	3.25	3.27	3.28	3.47	3.62	3.56	3.57
Index of consumer expectations (c) (1966:1=100).....	73.5	68.6	66.5	68.9	70.1	68.4	67.9
LEADING INDEX (2004=100).....	104.2	104.7	105.8 r	107.1 r	107.7 r	108.1 r	109.6 p
Percent change from preceding month..	1.1	0.5	1.1	1.2	0.6 r	0.4 r	1.4 p
U.S. Leading Economic Index net contributions							
Average work week, production workers, mfg.....	....	.07	.34	.00	.27 r	-.27	.33
Average weekly initial claims, state unemployment insurance.....	....	.09 r	.22 r	.17 r	-.09 r	.09 r	.14
Manufacturers' new orders, consumer goods and materials.....	....	.03	.06 r	.07	.02 r	-.07 r	.01 **
Index of supplier deliveries -- (vendor performance).....	....	-.04	-.04	.08	.24	.07	.27
Manufacturers' new orders, nondefense capital goods.....	....	.05	-.07	.04	.07 r	.11 r	-.05 **
Building permits.....	....	-.11	.18	.27	-.13	.06 r	.19
Stock prices, 500 common stocks (c)	....	.08	.07	.08	.04	-.12	.21
Money supply, M2.....	....	.04 r	.07 r	.03 r	-.28 r	.21	-.14 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	....	.35	.35	.37	.38	.38	.38
Index of consumer expectations (c)	....	-.14	-.06	.07	.04	-.05	-.01

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		
	Sep	Oct	Nov	Dec	Jan	Feb	Mar
U.S. Coincident Economic Index component data							
Employees on nonagricultural payrolls (thousands).....	129,857	129,633	129,697	129,588	129,602 r	129,588 r	129,750
Personal income less transfer payments (ann. rate, bil. chn. 2005 dol.).....	9,000.3	9,010.3 r	9,027.8 r	9,034.6 r	9,020.4 r	9,006.7 r	9,016.4 **
Industrial production (index: 2002=100).....	98.677	98.870 r	99.565 r	100.254 r	101.210 r	101.514 r	101.610
Manufacturing and trade sales (mil. chn. 2005 dol.).....	924,859	929,340 r	942,794 r	949,097 r	944,754 r	946,432 **	947,388 **
COINCIDENT INDEX (2004=100).....	99.5	99.5	99.9	100.0	100.0	100.1 p	100.2 p
Percent change from preceding month.....	0.0	0.0	0.4	0.1	0.0	0.1 p	0.1 p
U.S. Coincident Economic Index net contributions							
Employees on nonagricultural payrolls.....	....	-.09	.02	-.04	.01	-.01	.06
Personal income less transfer payments.....	....	.03 r	.05	.02 r	-.04 r	-.04 r	.03 **
Industrial production.....	....	.03	.09	.09 r	.13 r	.04 r	.01
Manufacturing and trade sales.....	....	.05	.16	.07	-.05 r	.02 **	.01 **
U.S. Lagging Economic Index component data							
Average duration of unemployment (weeks)*.....	26.5	27.2	28.6	29.1	30.2	29.7	31.2
Ratio, manufacturing and trade inventories to sales (chain 2005 dol.).....	1.398	1.394	1.377	1.363	1.366	1.365 **	1.365 **
Change in index of labor cost per unit of output, mfg. (6-month percent, ann. rate).....	-10.0	-9.4	-10.7	-10.90 r	-9.8 **	-8.7 **	-7.6 **
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.).....	725,649 r	707,651 r	686,664 r	670,696 r	653,159 r	651,461 r	656,902 **
Ratio, consumer installment credit out- standing to personal income (percent).....	20.67	20.58 r	20.31 r	20.16 r	20.19 r	20.10 r	20.08 **
Change in CPI for services (6-month percent, ann. rate).....	.7	1.0	1.1	1.2	.6	.6	.7
LAGGING INDEX (2004=100).....	109.5	109.2	108.3	107.9	107.6 r	107.7 p	107.9 p
Percent change from preceding month.....	-.6	-.3 r	-.8	-.4	-.3	.1 p	.2 p
U.S. Lagging Economic Index net contributions							
Average duration of unemployment.....	....	-.09	-.18	-.06	-.13	.06	-.18
Ratio, manufacturing and trade inventories to sales.....	....	-.03	-.15	-.12 r	.03 r	-.01 **	.00 **
Change in index of labor cost per unit of output, mfg.....	....	.04	-.08	-.01 r	.07 **	.07 **	.07 **
Average prime rate charged by banks.....	....	.00	.00	.00	.00	.00	.00
Commercial and industrial loans outstanding.....	....	-.27 r	-.32 r	-.25 r	-.28 r	-.03 r	.09 **
Ratio, consumer installment credit out- standing to personal income.....	....	-.09 r	-.28 r	-.16 r	.03 r	-.09 r	-.02 **
Change in CPI for services.....	....	.06	.02	.02	-.11	.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.

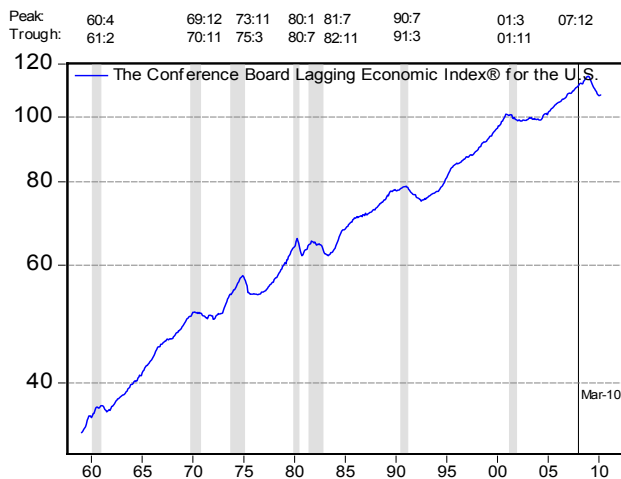
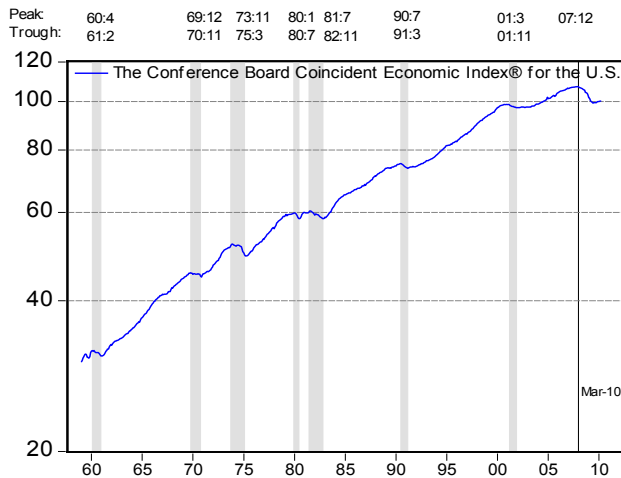
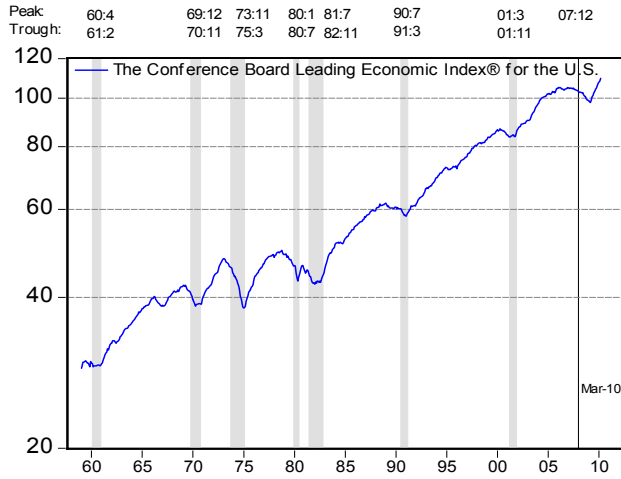
\*\* Statistical Imputation (See page 3 for more details)

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



Shaded areas represent recessions.

Source: The Conference Board