



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. ET, Thursday, June 18, 2009

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 MAY 2009**

The Conference Board Leading Economic Index™ (LEI) for the U.S. increased 1.2 percent, **The Conference Board Coincident Economic Index™ (CEI)** decreased 0.2 percent and **The Conference Board Lagging Economic Index™ (LAG)** decreased 0.2 percent in May.

- The Conference Board LEI for the U.S. increased sharply for the second consecutive month in May. In addition, the strengths among its components continued to exceed the weaknesses this month. Vendor performance, the interest rate spread, real money supply, stock prices, consumer expectations, and building permits contributed positively to the index, more than offsetting the negative contributions from weekly hours and initial unemployment claims. The index rose 1.2 percent (a 2.4 percent annual rate) between November 2008 and May 2009, the first time the index has increased over a six-month period since July 2007, and the strengths among the leading indicators have become balanced with the weaknesses during this period.
- The Conference Board CEI for the U.S. continued to decrease in May, amid further declines in industrial production and employment. The six-month change in the index stands at -3.3 percent (a -6.4 percent annual rate) in the period through May, down from -2.3 percent (a -4.5 percent annual rate) during the previous six months. In May, the lagging economic index for the U.S. fell by the same amount as the coincident economic index, and the coincident-to-lagging ratio remained unchanged, as a result. Meanwhile, real GDP fell at a 5.7 percent annual rate in the first quarter of the year, following a contraction of 6.3 percent in the fourth quarter of 2008.
- The Conference Board LEI for the U.S. , which had been on a general downtrend since reaching a peak in July 2007, has risen sharply in the past two months amid widespread strengths among its components. With these large and extensive increases, the six-month change in the index has become positive for the first time in two years. The Conference Board CEI for the U.S., a measure of current economic activity, remains on a decreasing trend but its pace of decline has stabilized in recent months. All in all, the behavior of the composite indexes continues to suggest that the recession that began in December 2007 will likely ease in the near term.

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

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

The Conference Board LEI for the U.S. now stands at 100.2 (2004=100). Based on revised data, this index increased 1.1 percent in April and decreased 0.3 percent in March. During the six-month span through May, the leading economic index increased 1.2 percent, with five out of ten components advancing (diffusion index, six-month span equals 50 percent).

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

The Conference Board CEI for the U.S. now stands at 100.7 (2004=100). This index decreased 0.3 percent in April and decreased 0.7 percent in March. During the six-month period through May, the coincident economic index decreased 3.3 percent, with none of the four components advancing (diffusion index, six-month span equals 0.0 percent).

LAGGING INDICATORS. The Conference Board LAG for the U.S. stands at 112.0 (2004=100) in May, with none of the seven components advancing. The negative contributors – beginning with the largest negative contributor – were average duration of unemployment (inverted), commercial and industrial loans outstanding*, change in labor cost per unit of output*, and change in CPI for services. The ratio of manufacturing and trade inventories to sales*, average prime rate charged by banks, and ratio of consumer installment credit to personal income* held steady in May. Based on revised data, the lagging economic index decreased 0.8 percent in April and decreased 0.6 percent in March.

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 June 17, 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.

###

Professional Contacts at The Conference Board:

Ken Goldstein: 212-339-0331
Indicators Program: 212-339-0330
Email: indicators@conference-board.org
Website: www.conference-board.org/economics/bci

Media Contacts:

Frank Tortorici: 212-339-0231
Carol Courter: 212-339-0232

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, 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

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
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.

THESE DATA ARE FOR NEWS ANALYSIS PURPOSES ONLY. NOT FOR
REDISTRIBUTION, PUBLISHING, DATABASING OR PUBLIC POSTING WITHOUT
EXPRESS WRITTEN PERMISSION.

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

	2008							2009
	Nov	Dec	Jan	Feb	Mar	Apr	May	
Leading index	99.0	98.9	98.6 r	98.2	97.9 r	99.0	100.2 p	
Percent change	-.6	-.1	-.3 r	-.4 r	-.3 r	1.1 r	1.2 p	
Diffusion index	20.0	30.0	30.0	45.0	30.0	70.0	70.0	
Coincident index	104.1	103.4	102.5	101.9	101.2 r	100.9 p	100.7 p	
Percent change	-.7	-.7	-.9	-.6	-.7 r	-.3 p	-.2 p	
Diffusion index	25.0	12.5	0.0	12.5	0.0	50.0	50.0	
Lagging index	114.3	114.2	114.4	113.8 r	113.1	112.2 p	112.0 p	
Percent change	.6	-.1	.2	-.5 r	-.6 r	-.8 p	-.2 p	
Diffusion index	64.3	35.7	42.9	14.3	21.4	7.1	21.4	
Coincident-lagging ratio	91.1	90.5	89.6	89.5 r	89.5 r	89.9 p	89.9 p	
	May to	Jun to	Jul to	Aug to	Sep to	Oct to	Nov to	
	Nov	Dec	Jan	Feb	Mar	Apr	May	
Leading index								
Percent change	-2.9	-3.1	-2.8	-2.4	-2.7	-.6	1.2	
Diffusion index	30.0	30.0	30.0	20.0	20.0	30.0	50.0	
Coincident index								
Percent change	-2.3	-2.8	-3.5	-3.7	-3.3	-3.7	-3.3	
Diffusion index	25.0	25.0	12.5	.0	.0	.0	.0	
Lagging index								
Percent change	2.3	2.2	1.7	.7	-.4	-1.2	-2.0	
Diffusion index	57.1	57.1	42.9	57.1	28.6	28.6	14.3	

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

Source: The Conference Board. All rights reserved.

© The Conference Board

These data are protected by copyright and are for news analysis purposes only.

The data and analysis are not for databasing by any means, redistribution,

publishing, or public posting without express written permission from The Conference Board.

**THESE DATA ARE FOR NEWS ANALYSIS PURPOSES ONLY. NOT FOR
REDISTRIBUTION, PUBLISHING, DATABASING OR PUBLIC POSTING WITHOUT
EXPRESS WRITTEN PERMISSION.**

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

Component	2008						2009
	Nov	Dec	Jan	Feb	Mar	Apr	May
U.S. Leading Economic Index component data							
Average work week, production workers, mfg. (hours).....	40.2	39.9	39.8	39.5	39.4	39.5 r	39.3
Average weekly initial claims, state unemployment insurance (thousands)*.	519.7	544.0	580.9	636.8	658.0	624.4	632.5
Manufacturers' new orders, consumer goods and materials (mil. 1982 dol.).....	122,523	119,555	117,160	116,967	114,753 r	116,634 r	116,476 **
Index of supplier deliveries -- vendor performance (percent).....	48.6	45.7	45.3	46.7	43.6	44.9	49.8
Manufacturers' new orders, nondefense capital goods (mil. 1982 dol.).....	38,477	34,394	30,940	32,378	32,117 r	31,233 r	31,571 **
Building permits (thous.).....	630	564	531	550	511	498 r	518
Stock prices, 500 common stocks (c) (index: 1941-43=10).....	883.04	877.56	865.58	805.23	757.13	848.15	902.41
Money supply, M2 (bil. chn. 2000 dol.).....	6,556.6	6,732.6 r	6,788.2 r	6,791.3 r	6,855.2 r	6,807.2 r	6,852.6 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	3.14	2.26	2.37	2.65	2.64	2.78	3.11
Index of consumer expectations (c) (1966:1=100).....	53.9	54.0	57.8	50.5	53.5	63.1	69.4
LEADING INDEX (2004=100).....	99.0	98.9	98.6 r	98.2	97.9 r	99.0	100.2 p
Percent change from preceding month..	-0.6	-0.1	-0.3 r	-0.4 r	-0.3 r	1.1 r	1.2 p
U.S. Leading Economic Index net contributions							
Average work week, production workers, mfg.....	....	-.19	-.06	-.19	-.06	.06 r	-.13
Average weekly initial claims, state unemployment insurance.....	....	-.14	-.20	-.28	-.10	.16	-.04
Manufacturers' new orders, consumer goods and materials.....	....	-.19	-.16 r	-.01 r	-.15 r	.13 r	-.01 **
Index of supplier deliveries -- (vendor performance).....	....	-.20	-.03	.09	-.21	.09	.33
Manufacturers' new orders, nondefense capital goods.....	....	-.20	-.19 r	.08	-.01 r	-.05 r	.02 **
Building permits.....	....	-.30	-.16	.09	-.20	-.07 r	.11
Stock prices, 500 common stocks (c)	....	-.02	-.05	-.28	-.24	.44	.24
Money supply, M2.....	....	.95	.29	.02 r	.34	-.25 r	.24 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	....	.22	.23	.26	.26	.28	.31
Index of consumer expectations (c)	....	.00	.11	-.21	.08	.27	.18

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)

(c) Copyrighted. Series from private sources are provided through the courtesy of the compilers and are subject to their copyrights: Stock prices, Standard & Poor's Corporation; Index of consumer expectations, University of Michigan's Survey Research Center.

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).

© The Conference Board

These data are protected by copyright and are for news analysis purposes only.

The data and analysis are not for databasing by any means, redistribution, publishing, or public posting without express written permission from The Conference Board.

**THESE DATA ARE FOR NEWS ANALYSIS PURPOSES ONLY. NOT FOR
REDISTRIBUTION, PUBLISHING, DATABASING OR PUBLIC POSTING WITHOUT
EXPRESS WRITTEN PERMISSION.**

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
	Nov	Dec	Jan	Feb	Mar	Apr	May
U.S. Coincident Economic Index component data							
Employees on nonagricultural payrolls (thousands).....	135,755	135,074	134,333	133,652	133,000 r	132,496 r	132,151
Personal income less transfer payments (ann. rate, bil. chn. 2000 dol.).....	8,426.7 r	8,424.6 r	8,368.4 r	8,304.4 r	8,257.6 r	8,262.4 r	8,278.7 **
Industrial production (index: 2002=100).....	104.761	102.365 r	100.176 r	99.398 r	97.612 r	96.933 r	95.840
Manufacturing and trade sales (mil. chn. 2000 dol.).....	898,943	892,313	881,416 r	881,383 r	875,614 r	877,742 **	878,633 **
COINCIDENT INDEX (2004=100).....	104.1	103.4	102.5	101.9	101.2 r	100.9 p	100.7 p
Percent change from preceding month.....	-0.7	-0.7	-0.9	-0.6	-0.7 r	-0.3 p	-0.2 p
U.S. Coincident Economic Index net contributions							
Employees on nonagricultural payrolls.....	....	-.27	-.30	-.28	-.27 r	-.21	-.14
Personal income less transfer payments.....	....	.00 r	-.13	-.14	-.11 r	.01 r	.04 **
Industrial production.....	....	-.35 r	-.32	-.12	-.27 r	-.10 r	-.17
Manufacturing and trade sales.....	....	-.09	-.15 r	.00 r	-.08	.03 **	.01 **
U.S. Lagging Economic Index component data							
Average duration of unemployment (weeks)*.....	18.9	19.7	19.8	19.8	20.1	21.4	22.5
Ratio, manufacturing and trade inventories to sales (chain 2000 dol.).....	1.413	1.417	1.430 r	1.420 r	1.420 r	1.419 **	1.419 **
Change in index of labor cost per unit of output, mfg. (6-month percent, ann. rate).....	13.6	17.4 r	20.6 r	17.20 r	11.9 r	10.4 **	9.4 **
Average prime rate charged by banks (percent).....	4.00	3.61	3.25	3.25	3.25	3.25	3.25
Commercial and industrial loans outstanding (mil. chn. 2000 dol.).....	838,346	834,424 r	828,228 r	804,019 r	780,313 r	754,714 r	747,536 **
Ratio, consumer installment credit out- standing to personal income (percent).....	21.21	21.20 r	21.24 r	21.20 r	21.10 r	20.87 r	20.87 **
Change in CPI for services (6-month percent, ann. rate).....	2.5	1.7	1.0	.8	.8	.7	.6
LAGGING INDEX (2004=100).....	114.3	114.2	114.4	113.8 r	113.1	112.2 p	112.0 p
Percent change from preceding month.....	.6	-.1	.2	-.5 r	-.6 r	-.8 p	-.2 p
U.S. Lagging Economic Index net contributions							
Average duration of unemployment.....	....	-.15	-.02	.00	-.06	-.23	-.19
Ratio, manufacturing and trade inventories to sales.....	....	.03	.11 r	-.09 r	.00 r	-.01 **	.00 **
Change in index of labor cost per unit of output, mfg.....	....	.23 r	.19 r	-.21 r	-.32 r	-.09 **	-.06 **
Average prime rate charged by banks.....	....	-.11	-.10	.00	.00	.00	.00
Commercial and industrial loans outstanding.....	....	-.05	-.08	-.33	-.34 r	-.38 r	-.11 **
Ratio, consumer installment credit out- standing to personal income.....	....	-.01 r	.04 r	-.04 r	-.09 r	-.21 r	.00 **
Change in CPI for services.....	....	-.16	-.14	-.04	.00	-.02	-.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)

© The Conference Board

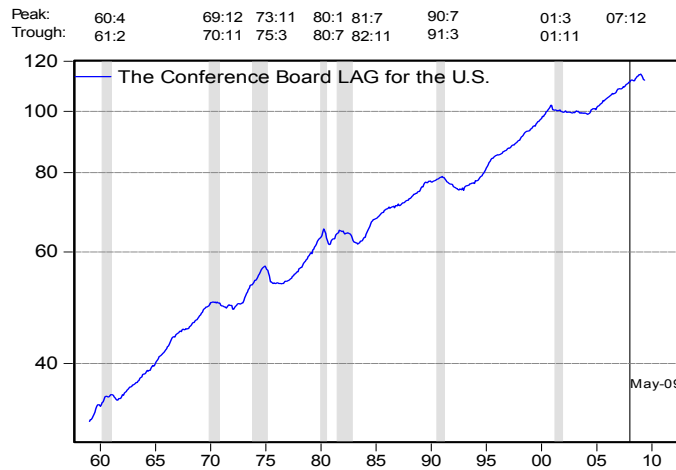
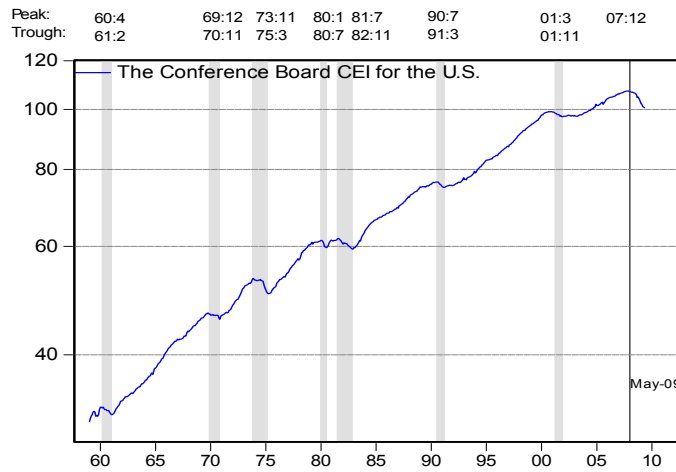
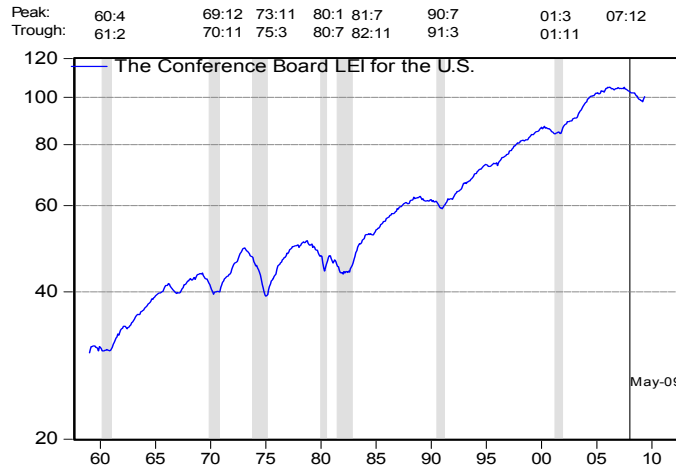
These data are protected by copyright and are for news analysis purposes only.

The data and analysis are not for databasing by any means, redistribution,

publishing, or public posting without express written permission from The Conference Board.

THESE DATA ARE FOR NEWS ANALYSIS PURPOSES ONLY. NOT FOR
 REDISTRIBUTION, PUBLISHING, DATABASING OR PUBLIC POSTING WITHOUT
 EXPRESS WRITTEN PERMISSION.

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



Shaded areas represent recessions.

Source: The Conference Board