



THE CONFERENCE BOARD

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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 JULY 2009**

The Conference Board Leading Economic Index™ (LEI) for the U.S. increased 0.6 percent, **The Conference Board Coincident Economic Index™ (CEI)** remained unchanged and **The Conference Board Lagging Economic Index™ (LAG)** decreased 0.3 percent in July.

- The Conference Board LEI for the U.S. rose again in July, its fourth consecutive increase. The six-month change in the index has risen to 3.0 percent (a 6.2 percent annual rate) in the period through July, up substantially from -2.8 percent (a -5.4 percent annual rate) for the previous six months, and the strengths among the leading indicators have grown more widespread in recent months. The interest rate spread, initial unemployment claims and the average workweek made large positive contributions to the index this month, more than offsetting the negative contributions from consumer expectations, real money supply, and building permits.
- The Conference Board CEI for the U.S. was unchanged in July, after decreasing for the past consecutive eight months. Index levels were revised slightly lower in recent months as a result of downward revisions to personal income. Between January and July 2009, the index fell 2.7 percent (a -5.4 percent annual rate), slower than the decline of 3.5 percent (a -6.8 percent annual rate) for the previous six months. In July, the lagging economic index for the U.S. fell again, and with the coincident economic index remaining unchanged, the coincident-to-lagging ratio increased further. Meanwhile, real GDP fell at a 1.0 percent annual rate in the second quarter, following a contraction of 6.4 percent annual rate for the first quarter of the year.
- After having fallen steadily since reaching a peak in July 2007, The Conference Board LEI for the U.S. has increased sharply in the last four months, amid widespread strength among its components. As a result, the six-month growth rate in the index has accelerated to its highest rate since the middle of 2004. Meanwhile, the decline in The Conference Board CEI for the U.S. has gradually moderated in recent months. All in all, the behavior of the composite indexes suggests that the recession is bottoming out and that economic activity will likely begin to recover soon.

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

The next release is scheduled for September 21, Monday at 10 A.M. ET.

The Conference Board LEI for the U.S. now stands at 101.6 (2004=100). Based on revised data, this index increased 0.8 percent in June and increased 1.2 percent in May. During the six-month span through July, the leading economic index increased 3.0 percent, with eight out of ten components advancing (diffusion index, six-month span equals 85 percent).

COINCIDENT INDICATORS. Three of the four indicators that make up The Conference Board CEI for the U.S. increased in July. 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 99.7 (2004=100). This index decreased 0.4 percent in June and decreased 0.4 percent in May. During the six-month period through July, the coincident economic index decreased 2.7 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 110.8 (2004=100) in July, with one of the seven components advancing. The positive contributor to the index was the ratio of consumer installment credit to personal income*. The negative contributors – beginning with the largest negative contributor – were commercial and industrial loans outstanding*, average duration of unemployment (inverted), change in labor cost per unit of output*, change in CPI for services and the ratio of manufacturing and trade inventories to sales*. The average prime rate charged by banks held steady in July. Based on revised data, the lagging economic index decreased 0.7 percent in June and decreased 0.6 percent in May.

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 August 19, 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.

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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	0.2549
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, 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

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

	2009						
	Jan	Feb	Mar	Apr	May	Jun	Jul
Leading index	98.6	98.2	97.9	99.0 r	100.2	101.0 r	101.6 p
Percent change	-.3	-.4	-.3	1.1 r	1.2 r	.8 r	.6 p
Diffusion index	30.0	50.0	30.0	70.0	70.0	70.0	70.0
Coincident index	102.5	101.8 r	101.0 r	100.5 r	100.1 r	99.7 p	99.7 p
Percent change	-.9	-.7 r	-.8	-.5 r	-.4 r	-.4 p	.0 p
Diffusion index	0.0	25.0	0.0	0.0	0.0	25.0	75.0
Lagging index	114.5	113.9 r	113.3 r	112.6 r	111.9 r	111.1 p	110.8 p
Percent change	.3	-.5 r	-.5 r	-.6 r	-.6 r	-.7 p	-.3 p
Diffusion index	28.6	28.6	28.6	14.3	7.1	21.4	14.3
Coincident-lagging ratio	89.5	89.4 r	89.1 r	89.3 r	89.5 r	89.7 p	90.0 p
	Jul to	Aug to	Sep to	Oct to	Nov to	Dec to	Jan to
	Jan	Feb	Mar	Apr	May	Jun	Jul
Leading index							
Percent change	-2.8	-2.4	-2.7	-6	1.2	2.1	3.0
Diffusion index	30.0	20.0	20.0	30.0	50.0	60.0	85.0
Coincident index							
Percent change	-3.5	-3.8	-3.4	-4.1	-3.8	-3.6	-2.7
Diffusion index	.0	.0	.0	.0	.0	.0	.0
Lagging index							
Percent change	1.8	.8	-.2	-.9	-2.1	-2.7	-3.2
Diffusion index	57.1	57.1	28.6	28.6	14.3	14.3	7.1

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						
	Jan	Feb	Mar	Apr	May	Jun	Jul
U.S. Leading Economic Index component data							
Average work week, production workers, mfg. (hours).....	39.8	39.5	39.4	39.6	39.4	39.5	39.8
Average weekly initial claims, state unemployment insurance (thousands)*.	580.9	636.8	658.0	624.4	632.5	616.1	556.5
Manufacturers' new orders, consumer goods and materials (mil. 1982 dol.).....	117,079	117,120	114,753	116,179	114,036 r	114,118 r	114,182 **
Index of supplier deliveries -- vendor performance (percent).....	45.3	46.7	43.6	44.9	49.8	50.6	52.0
Manufacturers' new orders, nondefense capital goods (mil. 1982 dol.).....	30,959	32,419	32,117	31,006	33,886 r	32,938 r	33,278 **
Building permits (thous.).....	531	550	511	498	518	570 r	560
Stock prices, 500 common stocks (c) (index: 1941-43=10).....	865.58	805.23	757.13	848.15	902.41	926.12	935.82
Money supply, M2 (bil. chn. 2005 dol.).....	7,606.7 r	7,609.8 r	7,683.1 r	7,628.4 r	7,682.3 r	7,663.6 r	7,640.3 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	2.37	2.65	2.64	2.78	3.11	3.51	3.40
Index of consumer expectations (c) (1966:1=100).....	57.8	50.5	53.5	63.1	69.4	69.2	63.2
LEADING INDEX (2004=100).....	98.6	98.2	97.9	99.0 r	100.2	101.0 r	101.6 p
Percent change from preceding month..	-0.3	-0.4	-0.3	1.1 r	1.2 r	0.8 r	0.6 p
U.S. Leading Economic Index net contributions							
Average work week, production workers, mfg.....	....	-.19	-.06	.13	-.13	.06	.19
Average weekly initial claims, state unemployment insurance.....	....	-.28	-.10	.16	-.04	.08	.31
Manufacturers' new orders, consumer goods and materials.....	....	.00	-.16	.10	-.14 r	.01 r	.00 **
Index of supplier deliveries -- (vendor performance).....	....	.09	-.21	.09	.33	.05	.09
Manufacturers' new orders, nondefense capital goods.....	....	.08	-.02	-.06	.16 r	-.05 r	.02 **
Building permits.....	....	.09	-.20	-.07	.11	.26 r	-.05
Stock prices, 500 common stocks (c)	....	-.28	-.24	.44	.24	.10	.04
Money supply, M2.....	....	.01 r	.34 r	-.26	.25	-.09 r	-.11 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	....	.26	.26	.28	.31	.35	.34
Index of consumer expectations (c)	....	-.21	.08	.27	.18	-.01	-.17

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 the U.S. Lagging Economic Index

Component	2009						
	Jan	Feb	Mar	Apr	May	Jun	Jul
U.S. Coincident Economic Index component data							
Employees on nonagricultural payrolls (thousands).....	134,333	133,652	133,000	132,481	132,178 r	131,735 r	131,488
Personal income less transfer payments (ann. rate, bil. chn. 2005 dol.).....	9,348.7 r	9,214.8 r	9,139.5 r	9,092.3 r	9,077.2 r	9,002.2 r	9,007.1 **
Industrial production (index: 2002=100).....	100.115	99.340 r	97.705 r	96.976 r	95.861 r	95.457 r	95.971
Manufacturing and trade sales (mil. chn. 2005 dol.).....	940,862 r	942,461 r	932,447 r	926,964 r	919,677 r	921,666 **	922,505 **
COINCIDENT INDEX (2004=100).....	102.5	101.8 r	101.0 r	100.5 r	100.1 r	99.7 p	99.7 p
Percent change from preceding month.....	-0.9	-0.7 r	-0.8	-0.5 r	-0.4 r	-0.4 p	0.0 p
U.S. Coincident Economic Index net contributions							
Employees on nonagricultural payrolls.....	....	-.28	-.27	-.21	-.12 r	-.18	-.10
Personal income less transfer payments.....	....	-.27 r	-.15 r	-.10 r	-.03 r	-.16 r	.01 **
Industrial production.....	....	-.12 r	-.25 r	-.11 r	-.17	-.06	.08
Manufacturing and trade sales.....	....	.02 r	-.13 r	-.07 r	-.09 r	.03 **	.01 **
U.S. Lagging Economic Index component data							
Average duration of unemployment (weeks)*.....	19.8	19.8	20.1	21.4	22.5	24.5	25.1
Ratio, manufacturing and trade inventories to sales (chain 2005 dol.).....	1.471	1.457 r	1.463 r	1.462 r	1.461 r	1.460 **	1.459 **
Change in index of labor cost per unit of output, mfg. (6-month percent, ann. rate).....	15.1 r	11.7 r	6.2 r	6.20 r	2.1 r	-1.1 r	-1.8 **
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.).....	921,356 r	893,271 r	865,414 r	836,702 r	832,080 r	796,128 r	777,813 **
Ratio, consumer installment credit out- standing to personal income (percent).....	21.20 r	21.29 r	21.25 r	21.09 r	20.78 r	20.97 r	20.98 **
Change in CPI for services (6-month percent, ann. rate).....	1.0	.8	.8	.7	.6	.5	.3
LAGGING INDEX (2004=100).....	114.5	113.9 r	113.3 r	112.6 r	111.9 r	111.1 p	110.8 p
Percent change from preceding month.....	.3	-.5 r	-.5 r	-.6 r	-.6 r	-.7 p	-.3 p
U.S. Lagging Economic Index net contributions							
Average duration of unemployment.....	....	.00	-.06	-.23	-.19	-.32	-.09
Ratio, manufacturing and trade inventories to sales.....	....	-.12 r	.05 r	-.01 r	-.01 r	-.01 **	-.01 **
Change in index of labor cost per unit of output, mfg.....	....	-.21 r	-.33	.00 r	-.25 r	-.19	-.04 **
Average prime rate charged by banks.....	....	.00	.00	.00	.00	.00	.00
Commercial and industrial loans outstanding.....	....	-.35	-.36 r	-.38	-.06	-.50	-.26 **
Ratio, consumer installment credit out- standing to personal income.....	....	.08 r	-.04 r	-.14 r	-.28	.17 r	.01 **
Change in CPI for services.....	....	-.04	.00	-.02	-.02	-.02	-.04

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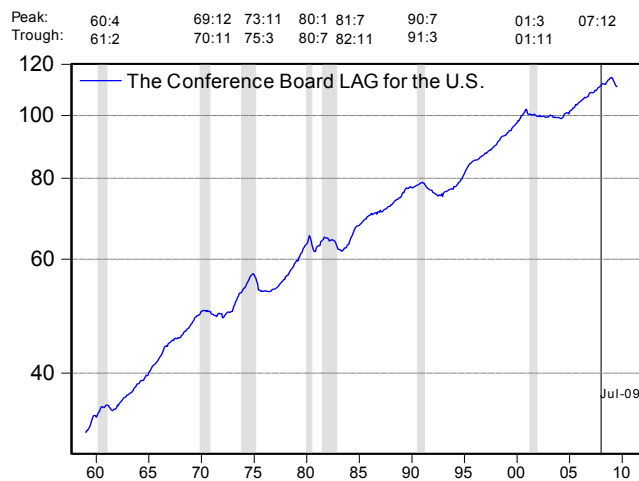
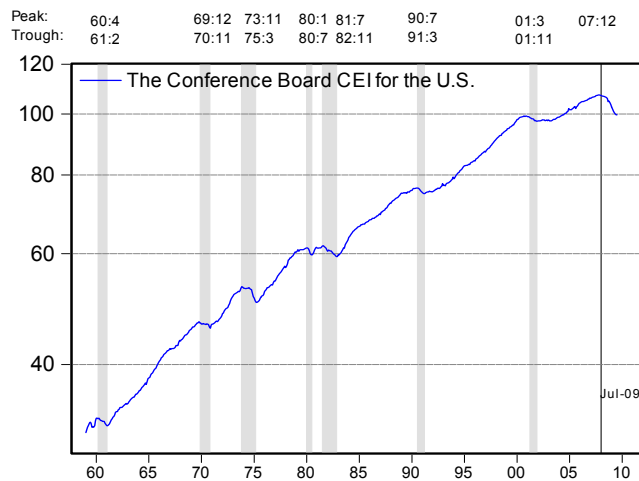
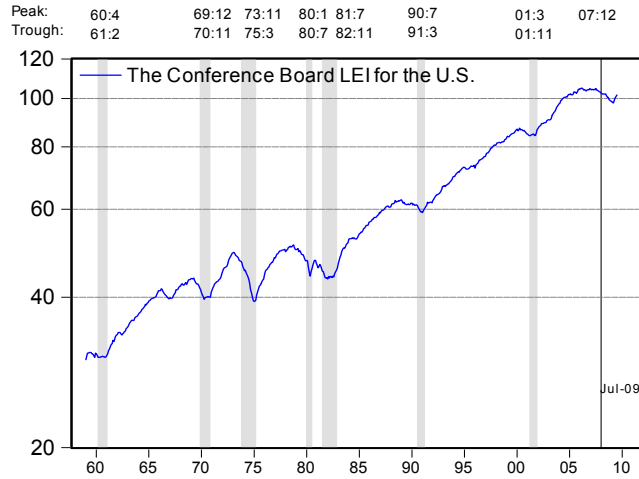
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U.S. Composite Economic Indexes (2004=100)



Shaded areas represent recessions.

Source: The Conference Board