



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. (CST), FRIDAY, MARCH 27, 2009

The Conference Board®  
Mexico Business Cycle Indicators<sup>SM</sup>  
**THE CONFERENCE BOARD LEADING ECONOMIC INDEX™  
(LEI) FOR MEXICO**  
AND RELATED COMPOSITE ECONOMIC INDEXES FOR JANUARY 2009

**The Conference Board Leading Economic Index™** (LEI) for Mexico declined 1.3 percent and **The Conference Board Coincident Economic Index™** (CEI) for Mexico decreased 1.7 percent in January.

- The Conference Board LEI for Mexico declined sharply in January, its sixth consecutive decrease, due to large negative contributions from stock prices, the real exchange rate, the construction component of industrial production, and net insufficient inventories. The oil price component made a positive contribution to the index for the first time since July 2008. During the previous six months, the leading economic index declined 17.2 percent (a -31.4 percent annual rate), well below the 5.0 percent rate of growth (a 10.3 percent annual rate) between January and July 2008. In addition, the weaknesses among the leading indicators have remained very widespread, with none of the six components increasing over the past six months.
- The Conference Board CEI for Mexico, a measure of current economic activity, declined for the seventh consecutive month in January, recording its largest monthly decline since early 1997. None of the three components that comprise the coincident economic index advanced in January. Between July 2008 and January 2009, the coincident economic index declined by 4.5 percent (a -8.9 percent annual rate), below the 0.2 percent increase (a 0.4 percent annual rate) during the previous six months. In addition, the weaknesses among the coincident indicators have remained very widespread, with none of the components increasing over the past six months. Meanwhile, real GDP declined at an average annual rate of 4.5 percent in the second half of 2008, including a -10.3 percent annual rate in the fourth quarter, its sharpest decline since the 1994-95 recession.
- The Conference Board LEI for Mexico has declined precipitously since its most recent peak in April 2008, falling by 17.5 percent. Furthermore, the pace of this decline has continued to accelerate in recent months. At the same time, The Conference Board CEI for Mexico has been falling since June 2008, and its decrease over the past six months is the largest since 1995. Taken together, the recent behavior of the composite economic indexes suggests that economic activity should continue contracting in the near term, and that risks for further deterioration remain very high.

**LEADING INDICATORS.** Two of the six components that make up The Conference Board LEI for Mexico increased in January. The positive contributors to the index—from the largest positive contributor to the smallest one—are the US refiners' acquisition cost of domestic and imported crude oil, and the (inverted) federal funds rate. The negative contributors – beginning with the largest negative contributor – are stock prices, the (inverted) real exchange rate, the industrial production construction component, and the net insufficient inventories component.

The next release is scheduled for Wednesday, April 29, 2009 at 11:00 A.M. (ET)  
*In Mexico – Wednesday, April 29, 2009 at 10:00 A.M. (MEX)*

With the 1.3 percent decrease in January, The Conference Board LEI for Mexico now stands at 100.4 (2004=100). Based on revised data, this index declined 3.1 percent in December and declined 4.7 percent in November. During the six-month span through January, the index decreased 17.2 percent, with none of the six components increasing (diffusion index, six-month span equals 0.0 percent).

\*See notes under data availability.

COINCIDENT INDICATORS. None of the three components that make up The Conference Board CEI for Mexico increased in January. Industrial production, number of people employed (measured by total IMSS beneficiaries), and retail sales declined.

With the decrease of 1.7 percent in January, The Conference Board CEI for Mexico now stands at 107.4 (2004=100). Based on revised data, this index decreased 1.5 percent in December and decreased 0.7 percent in November. During the six-month span through January, the index decreased 4.5 percent, with none of the three components increasing (diffusion index, six-month span equals 0.0 percent).

\*See notes under data availability.

FOR TABLES AND CHARTS, SEE BELOW

DATA AVAILABILITY. The data series used by The Conference Board to compute **The Conference Board Leading Economic Index™ (LEI)** for Mexico and **The Conference Board Coincident Economic Index™ (CEI)** for Mexico reported in this release are those available “as of” 10 A.M. March 24, 2009. Some series are estimated as noted below.

NOTES: With this month’s release, none of the components in The Conference Board LEI for Mexico or The Conference Board CEI for Mexico were based on our estimates.

Professional Contacts at The Conference Board:  
Indicator Program: 1-212-339-0330

Media Contacts:  
Frank Tortorici: 1-212-339-0231  
Carol Courter: 1-212-339-0232

Website: <http://www.conference-board.org/economics/bci/>

\*\*\* \*\*

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 Mexico have occurred before those in aggregate economic activity, while the cyclical turning points in The Conference Board CEI for Mexico have occurred at about the same time as those in aggregate economic activity.

Further explanations of the cyclical indicator approach and the composite index methodology appear in The Conference Board’s *Business Cycle Indicators* report and Web site: <http://www.conference-board.org/economics/bci/>.

Mexico Composite Economic Indexes: Components and Standardization Factors

<u>Leading Economic Index</u>	<u>Factor</u>
1. Industrial Production, Construction Component	.1848
2. Stock Prices	.0545
3. U.S. Refiners' Acquisition Cost of Domestic and Imported Crude Oil	.0867
4. Net Insufficient Inventories	.4190
5. Federal Funds Rate	.0975
6. Real Exchange Rate	.1575

  

<u>Coincident Economic Index</u>	
1. Industrial Production	.3883
2. Retail Sales	.1948
3. Employment	.4169

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 on the release for January 2009, 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 indexes only incorporate revisions to data over the past six months. The factors above for The Conference Board LEI for Mexico were calculated using January 1990 to December 2007 as the sample period for measuring volatility. Separate sets of factors for the January 1980 to April 1981 period, May 1981 to January 1983 period, and February 1983 to January 1990 period are available upon request. The factors above for The Conference Board CEI for Mexico were calculated using February to December 2007 as the sample period. Separate sets of factors for the April 1980 to March 1986 period, and April 1986 to January 2007 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 the 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 Conference Board LEI for Mexico is 0.0171 (calculated over the 1980 to 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 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 the data, such as stock prices, that are available sooner than other data on “real” aspects of the economy, such as new orders and changes in inventory. 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 2009 schedule for “**The Conference Board Leading Economic Index™ (LEI)** for Mexico” news release is:

February 2009 Data..... Wednesday, April 29, 2009  
March 2009 Data..... Friday, May 29, 2009  
April 2009 Data..... Friday, June 26, 2009  
May 2009 Data..... Thursday, July 30, 2009  
June 2009 Data..... Friday, August 28, 2009  
July 2009 Data..... Thursday, September 24, 2009  
August 2009 Data..... Thursday, October 29, 2009  
September 2009 Data..... Monday, November 23, 2009  
October 2009 Data..... Monday, December 21, 2009

All releases are at 11:00 A.M. (ET) and 10:00 A.M. (MEX).

### **About The Conference Board**

For over 90 years, The Conference Board has created and disseminated knowledge about management and the marketplace to help businesses strengthen their performance and better serve society. The Conference Board operates as a global independent membership organization working in the public interest. It publishes information and analysis, makes economics-based forecasts and assesses trends, and facilitates learning by creating dynamic communities of interest that bring together senior executives from around the world. The Conference Board is a not-for-profit organization and holds 501(c)(3) tax-exempt status in the United States. For additional information about The Conference Board and how it can meet your needs, visit our website at [www.conference-board.org](http://www.conference-board.org).

### **AVAILABLE FROM THE CONFERENCE BOARD**

Mexico 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
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 ANALYSIS PURPOSES ONLY. NOT FOR REDISTRIBUTION, PUBLISHING, DATABASING, OR PUBLIC POSTING WITHOUT EXPRESS WRITTEN PERMISSION.

### The Conference Board Mexico Business Cycle Indicators

Table 1.--Summary of Mexico Composite Economic Indexes

	2008						2009
	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.
Leading index	121.2	120.1 r	117.3	110.2 r	105.0 r	101.7 r	100.4
Percent change	0.2	-0.9 r	-2.3 r	-6.1 r	-4.7 r	-3.1 r	-1.3
Diffusion index	66.7	33.3	0.0	25.0	16.7	25.0	33.3
Coincident index	112.5	112.2 r	112.1	111.8	111.0 r	109.3 r	107.4
Percent change	-0.6	-0.3 r	-0.1 r	-0.3	-0.7 r	-1.5	-1.7
Diffusion index	50.0	0.0	33.3	33.3	0.0	0.0	0.0
	Jan. to Jul.	Feb. to Aug.	Mar. to Sep.	Apr. to Oct.	May to Nov.	Jun. to Dec.	Jul. to Jan.
Leading index							
Percent change	5.0	2.2 r	-1.0	-9.4 r	-13.0 r	-16.0 r	-17.2
Diffusion index	50.0	50.0	50.0	0.0	0.0	0.0	0.0
Coincident index							
Percent change	0.2	-0.9 r	-0.3	-1.2	-1.1 r	-3.4 r	-4.5
Diffusion index	66.7	33.3	33.3	33.3	33.3	0.0	0.0

p Preliminary. r Revised (both 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.

For more information, visit our Web site at [www.conference-board.org/economics/bci](http://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 ANALYSIS PURPOSES ONLY. NOT FOR REDISTRIBUTION, PUBLISHING, DATABASING, OR PUBLIC POSTING WITHOUT EXPRESS WRITTEN PERMISSION.

The Conference Board Mexico Business Cycle Indicators

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

Component	2008						2009
	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.
Mexico Leading Economic Index component data							
Industrial Production, Construction Component, SA Index, 2003=100 .....	123.1 r	121.2	120.7	122.6 r	118.1 r	115.3 r	113.0
Stock Prices, IPC35 (BOLSA) October 1978=0.78 .....	27501.02	26290.99	24888.90	20445.32	20534.72	22380.32	19565.14
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel .....	129.03	113.71	98.91	74.22	53.33 r	37.67 r	40.25
Net Insufficient Inventories Difference, (3 month moving average), Survey .....	-11.98 r	-11.03 r	-11.29 r	-12.81 r	-15.33 r	-15.65 r	-16.38
Federal Funds, Money Market Rate* Percentage, Monthly Average .....	8.28	8.56	8.66	8.68	8.73	8.74	8.41
Real Exchange Rate, (Central Bank Settlement Rate)* Peso/US\$, Monthly Average .....	17.37	17.02	17.72	20.60	20.97	21.15	21.92
<b>LEADING INDEX (2004=100).....</b>	<b>121.2</b>	<b>120.1 r</b>	<b>117.3</b>	<b>110.2 r</b>	<b>105.0 r</b>	<b>101.7 r</b>	<b>100.4</b>
Percent change from preceding month.....		-0.9 r	-2.3 r	-6.1 r	-4.7 r	-3.1 r	-1.3
Mexico Leading Economic Index net contributions							
Industrial Production, Construction Component, SA Index, 2003=100 .....	....	-0.28 r	-0.09	0.29 r	-0.70 r	-0.43 r	-0.38
Stock Prices, IPC35 (BOLSA) October 1978=0.78 .....	....	-0.25	-0.30	-1.07	0.02	0.47	-0.73
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel .....	....	-1.09	-1.21	-2.47	-2.84	-2.98 r	0.57
Net Insufficient Inventories Difference, (3 month moving average), Survey .....	....	0.40 r	-0.11 r	-0.64 r	-1.06 r	-0.13 r	-0.31
Federal Funds, Money Market Rate* Percentage, Monthly Average .....	....	-0.03	-0.01	0.00	0.00	0.00	0.03
Real Exchange Rate, (Central Bank Settlement Rate)* Peso/US\$, Monthly Average .....	....	0.32	-0.63	-2.37	-0.28	-0.13	-0.56

p Preliminary. r Revised. n.a. Not available.

# CPI used to calculate the EX is forecasted

\* Inverted series; a negative change in this component makes a positive contribution to the index.

\*\* Statistical Imputation (See page 2 for more details)

Data Sources: INEGI; Bank of Mexico; U.S. Department of Energy; Thomson Financial

© 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 ANALYSIS PURPOSES ONLY. NOT FOR REDISTRIBUTION, PUBLISHING, DATABASING, OR PUBLIC POSTING WITHOUT EXPRESS WRITTEN PERMISSION.

**The Conference Board Mexico Business Cycle Indicators**

**Table 3.--Data and Net Contributions for Mexico Coincident Economic Index**

Component	2008						2009
	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.
----- Mexico Coincident Economic Index Component Data -----							
Industrial Production, SA Index, (2003=100), 3 month moving average	115.2 r	115.0 r	114.6 r	114.1 r	112.9 r	111.5 r	108.1
Retail Sales, SA Index, (2000=100), 3 month moving average	121.5 r	120.9 r	119.9	118.6	117.7	116.8 r	115.7
Employment, IMSS Beneficiaries Thousands, monthly average .....	14483	14461	14526	14565	14505	14178	14073
<b>COINCIDENT INDEX (2004=100)</b>	<b>112.5 r</b>	<b>112.2 r</b>	<b>112.1 r</b>	<b>111.8 r</b>	<b>111.0 r</b>	<b>109.3 r</b>	<b>107.4</b>
Percent change from preceding month.....		-0.3 r	-0.1 r	-0.3 r	-0.7 r	-1.5 r	-1.7
----- Mexico Coincident Economic Index net contributions -----							
Industrial Production, SA Index, (2003=100), 3 month moving average	....	-0.08	-0.12 r	-0.17 r	-0.42 r	-0.47 r	-1.21
Retail Sales, SA Index, (2000=100), 3 month moving average	....	-0.09 r	-0.18 r	-0.20 r	-0.15 r	-0.15 r	-0.17
Employment, IMSS Beneficiaries Thousands, monthly average .....	....	-0.06 r	0.19 r	0.11 r	-0.17 r	-0.95 r	-0.31

p Preliminary. r Revised. n.a. Not available.

\* Inverted series; a negative change in this component makes a positive contribution to the index.

\*\* Statistical Imputation (See page 2 for more details)

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).

**Data Sources: INEGI; IMSS; Thomson Financial**

© 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.**

# Mexico



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