



THE CONFERENCE BOARD

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The Conference Board®
Mexico Business Cycle IndicatorsSM
**THE CONFERENCE BOARD LEADING ECONOMIC INDEX™
(LEI) FOR MEXICO**
AND RELATED COMPOSITE ECONOMIC INDEXES FOR JUNE 2009

The Conference Board Leading Economic Index™ (LEI) for Mexico increased 2.3 percent and **The Conference Board Coincident Economic Index™ (CEI)** decreased 0.2 percent in June.

- The Conference Board LEI for Mexico increased sharply for the fourth consecutive month in June. Oil prices, the construction component of industrial production and net insufficient inventories made large positive contributions to the index this month, more than offsetting the negative contribution from the real effective exchange rate (inverted). The leading economic index rose 7.0 percent (about a 14.5 percent annual rate) between December 2008 and June 2009, which is a sharp reversal from the decrease of 16.0 percent (about a -29.4 percent annual rate) during the previous six months. In addition, the strengths among the leading indicators have remained widespread in recent months.
- The Conference Board CEI for Mexico fell again in June amid further declines in retail sales and industrial production. The coincident economic index decreased 4.3 percent (about a -8.4 percent annual rate) between December 2008 and June 2009, moderately faster than the decline of 3.5 percent (about a -6.9 percent annual rate) for the previous six months. In addition, the weaknesses among the coincident indicators have remained very widespread, with none of the components increasing in the past six months. Meanwhile, real GDP declined at a 4.4 percent annual rate in the second quarter of 2009, a large improvement from the contraction of 21.2 percent annual rate in the first quarter of the year.
- The Conference Board LEI for Mexico, which was on a steep downtrend between July 2008 and February 2009, has risen sharply for the past four months. The large and widespread gains in the index have pushed its six-month growth rate to the highest rate since early 2004. The Conference Board CEI for Mexico, a measure of current economic activity, has been falling since the middle of 2008, although the pace of its decline has slowed in recent months. Taken together, the recent behavior of the composite indexes suggest that the downturn in economic activity should continue to ease in the months ahead.

LEADING INDICATORS. Five of the six components that make up The Conference Board LEI for Mexico increased in June. 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, the industrial production construction component, net insufficient inventories, the (inverted) federal funds rate, and stock prices. The (inverted) real exchange rate decreased in June.

With the 2.3 percent increase in June, The Conference Board LEI for Mexico now stands at 108.8 (2004=100). Based on revised data, this index increased 2.3 percent in May and increased 2.9 percent in April. During the six-month span through June, the index increased 7.0 percent, with five of the six components increasing (diffusion index, six-month span equals 83.3 percent).

The next release is scheduled for Thursday, September 24, 2009 at 11:00 A.M. (ET)
In Mexico – Thursday, September 24, 2009 at 10:00 A.M. (CST)

COINCIDENT INDICATORS. One of the three components that make up The Conference Board CEI for Mexico increased in June. The positive contributor was the number of people employed (measured by IMSS beneficiaries). Retail sales and industrial production declined.

With the decrease of 0.2 percent in June, The Conference Board CEI for Mexico now stands at 104.5 (2004=100). Based on revised data, this index decreased 0.9 percent in May and decreased 0.2 percent in April. During the six-month span through June, the index decreased 4.3 percent, with none of the three components increasing (diffusion index, six-month span equals 0.0 percent).

DATA AVAILABILITY. The data series used to compute the two composite indexes reported in the tables in this release are those available “as of” 10 A.M. August 26, 2009.

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

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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 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:

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. (CST).

About The Conference Board

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Individual Data Series	\$ 35 per series downloaded
Monthly BCI Report	\$ 275 per year
<i>(Sample available at http://www.conference-board.org/publications/describeBCI.cfm)</i>	
BCI Handbook (published 2001)	\$ 20
Corporate Site License	contact Indicators Program at (212) 339-0330

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The Conference Board Mexico Business Cycle Indicators

Table 1.--Summary of Mexico Composite Economic Indexes

	2008	2009					
	Dec.	Jan.	Feb.	Mar.	Apr.	May.	Jun.
Leading index	101.7	100.0 r	99.6	101.1 r	104.0	106.4 r	108.8
Percent change	-3.1	-1.7 r	-0.4 r	1.5 r	2.9 r	2.3 r	2.3
Diffusion index	25.0	16.7	66.7	50.0	83.3	83.3	83.3
Coincident index	109.2	107.5	106.6	105.9	105.7 r	104.7 r	104.5
Percent change	-1.6	-1.6	-0.8	-0.7	-0.2 r	-0.9	-0.2
Diffusion index	0.0	0.0	0.0	66.7	0.0	0.0	16.7
	Jun. to Dec.	Jul. to Jan.	Aug. to Feb.	Sep. to Mar.	Oct. to Apr.	Nov. to May.	Dec. to Jun.
Leading index							
Percent change	-16.0	-17.5 r	-17.1	-13.8 r	-5.5	1.4 r	7.0
Diffusion index	0.0	0.0	16.7	16.7	33.3	83.3	83.3
Coincident index							
Percent change	-3.5	-4.4	-5.0	-5.5	-5.5	-5.7 r	-4.3
Diffusion index	0.0	0.0	0.0	0.0	0.0	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

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The Conference Board Mexico Business Cycle Indicators

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

Component	2008	2009					
	Dec.	Jan.	Feb.	Mar.	Apr.	May.	Jun.
Mexico Leading Economic Index component data							
Industrial Production, Construction Component, SA Index, 2003=100	115.5	114.2 r	115.3 r	113.6 r	114.7 r	111.3 r	114.1
Stock Prices, IPC35 (BOLSA) October 1978=0.78	22380.32	19565.14	17752.18	19626.75	21898.85	24331.71	24368.38
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel	37.67	37.45	38.15	45.57	48.78	55.96 r	67.35
Net Insufficient Inventories Difference, (3 month moving average), Survey	-15.76 r	-16.08 r	-14.89 r	-15.58 r	-15.75 r	-14.16 r	-13.34
Federal Funds, Money Market Rate* Percentage, Monthly Average	8.74	8.41	7.94	7.64	6.68	5.78	5.26
Real Exchange Rate, (Central Bank Settlement Rate)* Peso/US\$, Monthly Average	21.15	21.92	23.01	23.20	21.15	20.81	21.12
LEADING INDEX (2004=100).....	101.7	100.0 r	99.6	101.1 r	104.0	106.4 r	108.8
Percent change from preceding month.....		-1.7 r	-0.4 r	1.5 r	2.9 r	2.3 r	2.3
Mexico Leading Economic Index net contributions							
Industrial Production, Construction Component, SA Index, 2003=100 .....	....	-0.22 r	0.18 r	-0.27 r	0.17 r	-0.56 r	0.46
Stock Prices, IPC35 (BOLSA) October 1978=0.78 .....	....	-0.73	-0.53	0.55	0.60	0.57	0.01
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel .....	....	-0.05	0.16	1.54	0.59	1.19 r	1.60
Net Insufficient Inventories Difference, (3 month moving average), Survey .....	....	-0.13 r	0.50 r	-0.29 r	-0.07	0.67 r	0.34
Federal Funds, Money Market Rate* Percentage, Monthly Average .....	....	0.03	0.05	0.03	0.09	0.09	0.05
Real Exchange Rate, (Central Bank Settlement Rate)* Peso/US\$, Monthly Average .....	....	-0.56	-0.76	-0.13	1.46	0.26	-0.23

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

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The Conference Board Mexico Business Cycle Indicators

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

Component	2008			2009			
	Dec.	Jan.	Feb.	Mar.	Apr.	May.	Jun.
Mexico Coincident Economic Index Component Data							
Industrial Production, SA Index, (2003=100), 3 month moving average	111.4	108.4	106.9	104.9	104.7 r	103.5 r	103.3
Retail Sales, SA Index, (2000=100), 3 month moving average	116.9 r	115.8 r	114.8 r	115.0 r	114.9 r	114.0 r	113.6
Employment, IMSS Beneficiaries Thousands, monthly average	14178	14073	14027	14040	13980	13868	13871
COINCIDENT INDEX (2004=100)	109.2	107.5	106.6	105.9	105.7 r	104.7 r	104.5
Percent change from preceding month.....		-1.6	-0.8	-0.7	-0.2 r	-0.9	-0.2
Mexico Coincident Economic Index net contributions							
Industrial Production, SA Index, (2003=100), 3 month moving average	....	-1.06 r	-0.53	-0.73 r	-0.06 r	-0.46 r	-0.07
Retail Sales, SA Index, (2000=100), 3 month moving average	....	-0.17	-0.18 r	0.03 r	-0.02	-0.14 r	-0.08
Employment, IMSS Beneficiaries Thousands, monthly average .....	....	-0.31	-0.14	0.04	-0.18	-0.34	0.01

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

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