



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. ET, Thursday, October 21, 2010

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

**The Conference Board Leading Economic Index<sup>®</sup>** (LEI) for the U.S. increased 0.3 percent, **The Conference Board Coincident Economic Index<sup>®</sup>** (CEI) remained unchanged and **The Conference Board Lagging Economic Index<sup>®</sup>** (LAG) increased 0.4 percent in September.

- The Conference Board LEI for the U.S. continued to increase in September. Initial unemployment claims (inverted) and the financial components contributed positively to the index this month, more than offsetting the negative contributions from supplier deliveries and building permits. The six-month change in the index has continued to slow -- to 0.8 percent (about a 1.7 percent annual rate) for the period through September 2010, down sharply from 5.1 percent (about a 10.4 percent annual rate) for the previous six months. In addition, the weaknesses among the leading indicators have been slightly more widespread than the strengths over the past six months.
- The Conference Board CEI for the U.S., a measure of current economic activity, was unchanged again in September. Employment and industrial production made small negative contributions to the index, offsetting the small increases in the other components. The six-month change in the coincident economic index has slowed to 0.9 percent (a 1.8 percent annual rate) in the period through September 2010, down from 1.4 percent (a 2.8 percent annual rate) in the six-month period ending in May 2010. In September, the lagging economic index continued to increase, and with the CEI remaining unchanged, the coincident-to-lagging ratio decreased further. Meanwhile, real GDP grew at 1.7 percent annual rate in the second quarter of 2010, following an increase of 3.7 percent annual rate in the first quarter.
- The Conference Board LEI for the U.S. remains on a general upward trend, although its growth has fallen very sharply in recent months. Its six-month growth rate is at its slowest pace since the middle of 2009, with the weaknesses among its components becoming more widespread lately. Meanwhile, The Conference Board CEI for the U.S. has been basically flat since May this year, after having risen moderately from its most recent trough in June 2009. Taken together, the current behavior of the composite indexes and their components still suggests that economic activity will continue to expand, but at a slow pace in the near term.

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

The next release is scheduled for November 18, Thursday at 10 A.M. ET.

The Conference Board LEI for the U.S. now stands at 110.4 (2004=100). Based on revised data, this index increased 0.1 percent in August and increased 0.2 percent in July. During the six-month span through September, the leading economic index increased 0.8 percent, with four out of ten components advancing (diffusion index, six-month span equals 40 percent).

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

The Conference Board CEI for the U.S. now stands at 101.4 (2004=100). This index remained unchanged in August and increased 0.1 percent in July. During the six-month period through September, the coincident economic index increased 0.9 percent, with all four components advancing (diffusion index, six-month span equals 100.0 percent).

LAGGING INDICATORS. The Conference Board LAG for the U.S. stands at 108.4 (2004=100) in September, 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 average duration of unemployment (inverted). The negative contributors – beginning with the larger negative contributor – were change in CPI for services and 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 September. Based on revised data, the lagging economic index increased 0.1 percent in August and increased 0.4 percent in July.

#### 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 October 19, 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: <http://www.conference-board.org/data/bci.cfm>

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.

## NOTICES

**The Conference Board Leading Economic Index<sup>®</sup>** (LEI) for the U.S. news release schedule for 2010:

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

	2010									
	Mar	Apr	May	Jun	Jul	Aug	Aug	Sep		
Leading index	109.5	109.5	110.0	109.8	110.0	r	110.1	r	110.4	p
Percent change	1.4	.0	.5	-.2	.2	r	.1	r	.3	p
Diffusion index	70.0	40.0	40.0	60.0	50.0		65.0		55.0	
Coincident index	100.5	100.9	101.3	r	101.3	r	101.4	r	101.4	p
Percent change	.3	.4	.4	r	.0		.1		.0	p
Diffusion index	87.5	100.0	75.0		75.0		62.5		75.0	
Lagging index	107.7	107.5	107.5	r	107.5		107.9	p	108.0	p
Percent change	-.3	-.2	.0	r	.0	r	.4	p	.1	p
Diffusion index	42.9	35.7	50.0		28.6		64.3		42.9	
Coincident-lagging ratio	93.3	93.9	94.2		94.2	r	94.0	p	93.9	p
	Sep to	Oct to	Nov to	Dec to	Jan to	Feb to	Mar to			
	Mar	Apr	May	Jun	Jul	Aug	Sep			
Leading index										
Percent change	5.1	4.6	4.0	2.6	2.2	1.9	.8			
Diffusion index	80.0	80.0	90.0	70.0	60.0	50.0	40.0			
Coincident index										
Percent change	1.0	1.4	1.4	1.3	1.3	1.2	.9			
Diffusion index	87.5	100.0	100.0	100.0	100.0	100.0	100.0			
Lagging index										
Percent change	-1.6	-1.6	-.7	-.4	.1	.0	.6			
Diffusion index	28.6	21.4	21.4	21.4	50.0	35.7	64.3			

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](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	2010						
	Mar	Apr	May	Jun	Jul	Aug	Sep
U.S. Leading Economic Index component data							
Average workweek, production workers, mfg. (hours).....	41.0	41.2	41.5	41.0	41.1	41.2	41.2
Average weekly initial claims, state unemployment insurance (thousands)*.	448.1	459.1	460.4	467.0	459.2	487.0	456.5
Manufacturers' new orders, consumer goods and materials (mil. 1982 dol.).....	124,561	124,221	122,930 r	123,088	125,023 r	123,571 r	123,795 **
Index of supplier deliveries -- vendor performance (percent).....	64.9	61.3	61.0	57.3	58.3	56.6	52.3
Manufacturers' new orders, nondefense capital goods (mil. 1982 dol.).....	38550	41629	41356	41829	41433 r	41444 r	41337 **
Building permits (thous.).....	685	610	574	583	559	571 r	539
Stock prices, 500 common stocks (c) (index: 1941-43=10).....	1,152.05	1,197.32	1,125.06	1,083.36	1,079.80	1,087.28	1,122.08
Money supply, M2 (bil. chn. 2005 dol.).....	7,673.4 r	7,649.2 r	7,730.2 r	7,768.5 r	7,750.0 r	7,773.3 r	7,817.6 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	3.57	3.65	3.22	3.02	2.83	2.51	2.46
Index of consumer expectations (c) (1966:1=100).....	67.9	66.5	68.8	69.8	62.3	62.9	60.9
LEADING INDEX (2004=100).....	109.5	109.5	110.0	109.8	110.0 r	110.1 r	110.4 p
Percent change from preceding month..	1.4	0.0	0.5	-0.2	0.2 r	0.1 r	0.3 p
U.S. Leading Economic Index net contributions							
Average workweek, production workers, mfg.....	....	.13	.20	-.33	.07	.07	.00
Average weekly initial claims, state unemployment insurance.....	....	-.08	-.01	-.05	.05	-.19	.21
Manufacturers' new orders, consumer goods and materials.....	....	-.02	-.08	.01	.13 r	-.09 r	.01 **
Index of supplier deliveries -- (vendor performance).....	....	-.26	-.02	-.26	.07	-.12	-.31
Manufacturers' new orders, nondefense capital goods.....	....	.15	-.01	.02	-.02 r	.00 r	.00 **
Building permits.....	....	-.30	-.16	.04	-.11	.06 r	-.15
Stock prices, 500 common stocks (c)	....	.14	-.23	-.14	-.01	.03	.12
Money supply, M2.....	....	-.10	.34	.16	-.08	.10	.18 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	....	.39	.34	.32	.30	.27	.26
Index of consumer expectations (c)	....	-.04	.07	.03	-.22	.02	-.06

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	2010						
	Mar	Apr	May	Jun	Jul	Aug	Sep
U.S. Coincident Economic Index component data							
Employees on nonagricultural payrolls (thousands).....	129,849	130,162	130,594	130,419	130,353 r	130,296 r	130,201
Personal income less transfer payments (ann. rate, bil. chn. 2005 dol.).....	9,112.7	9,157.3 r	9,199.8 r	9,205.2 r	9,204.0 r	9,203.6 r	9,215.6 **
Industrial production (index: 2007=100).....	91.000	91.479 r	92.522 r	92.579 r	93.233 r	93.398 r	93.190
Manufacturing and trade sales (mil. chn. 2005 dol.).....	977,263	979,622 r	971,971 r	977,964 r	983,081 r	983,780 **	985,022 **
COINCIDENT INDEX (2004=100).....	100.5	100.9	101.3 r	101.3 r	101.4 r	101.4 p	101.4 p
Percent change from preceding month.....	0.3	0.4	0.4 r	0.0	0.1	0.0 p	0.0 p
U.S. Coincident Economic Index net contributions							
Employees on nonagricultural payrolls.....	....	.12	.16	-.07	-.03 r	-.02 r	-.04
Personal income less transfer payments.....	....	.13 r	.12 r	.02 r	.00	.00 r	.03 **
Industrial production.....	....	.07 r	.15	.01 r	.09 r	.02 r	-.03
Manufacturing and trade sales.....	....	.03 r	-.09 r	.07 r	.06 r	.01 **	.01 **
U.S. Lagging Economic Index component data							
Average duration of unemployment (w eeks)*.....	31.2	33.0	34.4	35.2	34.2	33.6	33.3
Ratio, manufacturing and trade inventories to sales (chain 2005 dol.).....	1.321	1.322 r	1.334	1.330	1.335 r	1.335 **	1.335 **
Change in index of labor cost per unit of output, mfg. (6-month percent, ann. rate).....	-4.5	-5.8 r	-5.6 r	-6.40 r	-5.7 **	-5.0 **	-4.3 **
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.).....	658,645 r	664,554 r	662,761 r	665,031 r	664,609 r	660,324 r	673,405 **
Ratio, consumer installment credit out- standing to personal income (percent).....	19.68	19.50 r	19.41	19.39 r	19.32 r	19.21 r	19.19 **
Change in CPI for services (6-month percent, ann. rate).....	.7	.6	.7	.7	1.4	1.3	1.0
LAGGING INDEX (2004=100).....	107.7	107.5	107.5 r	107.5	107.9 p	108.0 p	108.4 p
Percent change from preceding month.....	-.3	-.2	.0 r	.0	.4 p	.1 p	.4 p
U.S. Lagging Economic Index net contributions							
Average duration of unemployment.....	....	-.20	-.15	-.08	.10	.06	.03
Ratio, manufacturing and trade inventories to sales.....	....	.01 r	.11 r	-.04 r	.04 r	.00 **	.00 **
Change in index of labor cost per unit of output, mfg.....	....	-.08 r	.01 r	-.05 r	.04 **	.04 **	.04 **
Average prime rate charged by banks.....	....	.00	.00	.00	.00	.00	.00
Commercial and industrial loans outstanding.....	....	.10 r	-.03 r	.04 r	-.01 r	-.07 r	.21 **
Ratio, consumer installment credit out- standing to personal income.....	....	-.19 r	-.10 r	-.02 r	-.08 r	-.12 r	-.02 **
Change in CPI for services.....	....	-.02	.02	.00	.13	-.02	-.06

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.

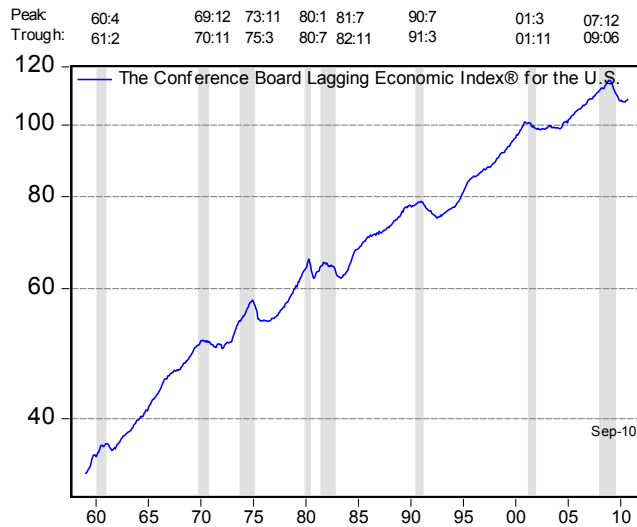
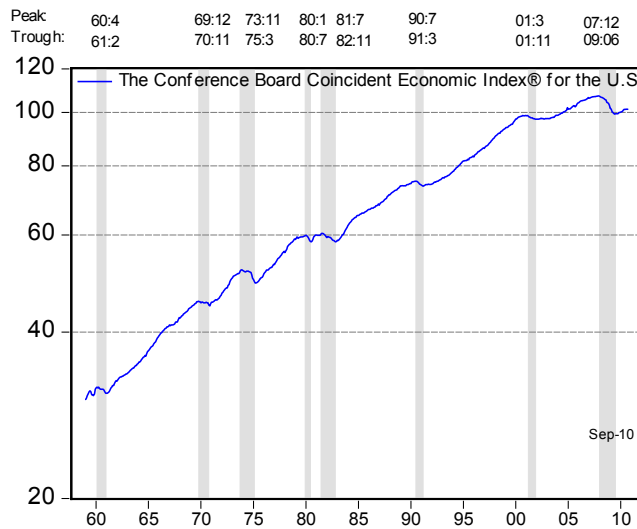
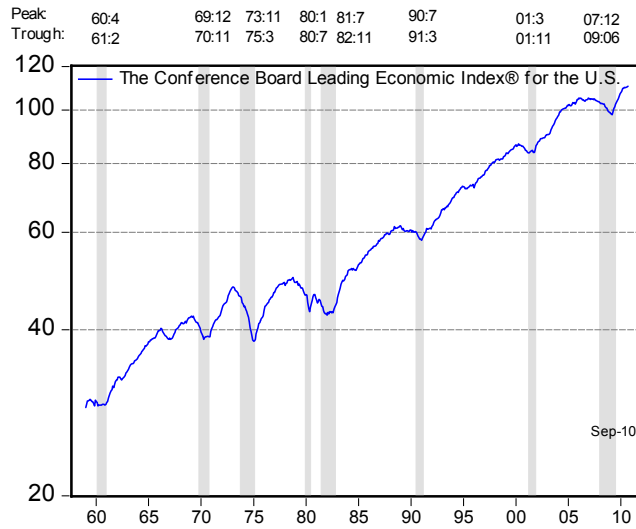
\*\* Statistical Imputation (See page 3 for more details)

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



Shaded areas represent recessions.

Source: The Conference Board