



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. (CST), THURSDAY, SEPTEMBER 24, 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 JULY 2009

**The Conference Board Leading Economic Index™ (LEI)** for Mexico increased 1.3 percent and **The Conference Board Coincident Economic Index™ (CEI)** increased 0.4 percent in July.

- The Conference Board LEI for Mexico increased for the fifth consecutive month in July. Net insufficient inventories, stock prices and the construction component of industrial production made large positive contributions to the index this month, more than offsetting the negative contribution from oil prices. The leading economic index rose 10.3 percent (about a 21.7 percent annual rate) between January and July 2009, a sharp reversal from the decline of 17.5 percent (about a -31.9 percent annual rate) during the previous six months. In addition, the strengths among the leading indicators have been very widespread, with all the components increasing over the past six months.
- The Conference Board CEI for Mexico also increased in July, its first increase in a year. Industrial production rose for the first time since June 2008. The coincident economic index decreased 2.3 percent (a -4.6 percent annual rate) between January and July 2009, slower than the decline of 4.4 percent (about a -8.7 percent annual rate) for the previous six months. However, 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 for five months now. The six-month growth rate in the index has continued to accelerate, and it has reached the highest rate since 1999. Meanwhile, the decline in The Conference Board CEI for Mexico has slowed in recent months, and the index increased for the first time in a year this month. All in all, the recent behavior of the composite indexes suggests that the downturn in economic activity could be bottoming out, and that economic conditions may continue improving in the near term.

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

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

With the 1.3 percent increase in July, The Conference Board LEI for Mexico now stands at 110.3 (2004=100). Based on revised data, this index increased 2.3 percent in June and increased 2.3 percent in May. During the six-month span through July, the index increased 10.3 percent, with six of the six components increasing (diffusion index, six-month span equals 100.0 percent).

COINCIDENT INDICATORS. Two of the three components that make up The Conference Board CEI for Mexico increased in July. The positive contributors—from the largest positive contributor to the smallest—are industrial production and number of people employed (measured by IMSS beneficiaries). Retail sales\* declined.

With the increase of 0.4 percent in July, The Conference Board CEI for Mexico now stands at 105.0 (2004=100). Based on revised data, this index decreased 0.1 percent in June and decreased 0.9 percent in May. During the six-month span through July, the index decreased 2.3 percent, with none of the three components increasing (diffusion index, six-month span equals 0.0 percent).

\*See notes under data availability.

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. September 22, 2009. Some series are estimated as noted below.

NOTES: The series in The Conference Board CEI for Mexico based on The Conference Board estimates is retail sales.

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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:

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**

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.

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Monthly BCI Report	\$ 275 per year
<i>(Sample available at <a href="http://www.conference-board.org/publications/describeBCI.cfm">http://www.conference-board.org/publications/describeBCI.cfm</a>)</i>	
BCI Handbook (published 2001)	\$ 20
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**The Conference Board Mexico Business Cycle Indicators**

**Table 1.--Summary of Mexico Composite Economic Indexes**

	2009						
	Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.
Leading index	100.0	99.6	101.1	104.1 r	106.5 r	108.9 r	110.3
Percent change	-1.7	-0.4	1.5	3.0 r	2.3	2.3	1.3
Diffusion index	16.7	66.7	50.0	91.7	83.3	83.3	83.3
Coincident index	107.5	106.6	105.9	105.7	104.7	104.6 r	105.0 p
Percent change	-1.6	-0.8	-0.7	-0.2	-0.9	-0.1 r	0.4 p
Diffusion index	0.0	0.0	66.7	0.0	0.0	16.7	66.7

  

	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	-17.5	-17.1	-13.8	-5.4 r	1.5 r	7.1 r	10.3
Diffusion index	0.0	16.7	16.7	33.3	83.3	83.3	100.0
Coincident index							
Percent change	-4.4	-5.0	-5.5	-5.5	-5.7	-4.2 r	-2.3 p
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](http://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	2009						
	Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.
Mexico Leading Economic Index component data							
Industrial Production, Construction Component, SA Index, 2003=100 .....	114.3 r	115.3	113.7 r	114.8 r	111.4 r	115.0 r	116.1
Stock Prices, IPC35 (BOLSA) October 1978=0.78 .....	19565.14	17752.18	19626.75	21898.85	24331.71	24368.38	27043.50
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel .....	37.45	38.15	45.57	48.78	55.96	65.67 r	63.81
Net Insufficient Inventories Difference, (3 month moving average), Survey .....	-16.18 r	-15.13 r	-15.55 r	-15.57 r	-13.92 r	-13.01 r	-11.37
Federal Funds, Money Market Rate* Percentage, Monthly Average .....	8.41	7.94	7.64	6.68	5.78	5.26	4.86
Real Exchange Rate, (Central Bank Settlement Rate)* Peso/US\$, Monthly Average .....	21.92	23.01	23.20	21.15	20.81	21.12	21.10
<b>LEADING INDEX (2004=100).....</b>	<b>100.0</b>	<b>99.6</b>	<b>101.1</b>	<b>104.1 r</b>	<b>106.5 r</b>	<b>108.9 r</b>	<b>110.3</b>
Percent change from preceding month.....		-0.4	1.5	3.0 r	2.3	2.3	1.3
Mexico Leading Economic Index net contributions							
Industrial Production, Construction Component, SA Index, 2003=100 .....	....	0.17 r	-0.26 r	0.18 r	-0.56	0.59 r	0.18
Stock Prices, IPC35 (BOLSA) October 1978=0.78 .....	....	-0.53	0.55	0.60	0.57	0.01	0.57
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel .....	....	0.16	1.54	0.59	1.19	1.38 r	-0.25
Net Insufficient Inventories Difference, (3 month moving average), Survey .....	....	0.44 r	-0.18 r	-0.01 r	0.69 r	0.38 r	0.69
Federal Funds, Money Market Rate* Percentage, Monthly Average .....	....	0.05	0.03	0.09	0.09	0.05	0.04
Real Exchange Rate, (Central Bank Settlement Rate)* Peso/US\$, Monthly Average .....	....	-0.76	-0.13	1.46	0.26	-0.23	0.01

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	2009						
	Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.
Mexico Coincident Economic Index Component Data							
Industrial Production, SA Index, (2003=100), 3 month moving average	108.4	107.0 r	104.9	104.8 r	103.6 r	103.6 r	104.5
Retail Sales, SA Index, (2000=100), 3 month moving average	115.8	114.8	115.0	114.9	114.0	113.6	113.5 **
Employment, IMSS Beneficiaries Thousands, monthly average .....	14073	14027	14040	13980	13868	13871	13887
<b>COINCIDENT INDEX (2004=100)</b>	<b>107.5</b>	<b>106.6</b>	<b>105.9</b>	<b>105.7</b>	<b>104.7</b>	<b>104.6 r</b>	<b>105.0 p</b>
Percent change from preceding month.....		-0.8	-0.7	-0.2	-0.9	-0.1 r	0.4 p
Mexico Coincident Economic Index net contributions							
Industrial Production, SA Index, (2003=100), 3 month moving average	....	-0.53	-0.74 r	-0.03 r	-0.45 r	-0.03 r	0.33
Retail Sales, SA Index, (2000=100), 3 month moving average	....	-0.18	0.03	-0.02	-0.14	-0.08	-0.02 **
Employment, IMSS Beneficiaries Thousands, monthly average .....	....	-0.14	0.04	-0.18	-0.34	0.01	0.05

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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# Mexico

