



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. (MEXICO CITY TIME), MONDAY, AUGUST 17, 2015

The Conference Board[®]
Mexico Business Cycle IndicatorsSM
THE CONFERENCE BOARD LEADING ECONOMIC INDEX[®]
(LEI) FOR MEXICO
AND RELATED COMPOSITE ECONOMIC INDEXES FOR JUNE 2015

The Conference Board Leading Economic Index[®] (LEI) for Mexico declined 0.8 percent and **The Conference Board Coincident Economic Index[®]** (CEI) increased 0.3 percent in June.

- The Conference Board LEI for Mexico fell in June following a decline in May. Net insufficient inventories* and the (inverted) real exchange rate made the largest negative contributions to the index. During the first half of 2015, the leading economic index declined by 1.4 percent (about a -2.7 percent annual rate), an improvement from the decline of 4.4 percent (about a -8.6 percent annual rate) over the previous six months. However, the weaknesses among the leading indicators remained more widespread than the strengths in the last six months.
- The Conference Board CEI for Mexico, a measure of current economic activity, improved slightly in June. The coincident economic index increased by 1.4 percent (about a 2.8 percent annual rate) in the first half of 2015, only slightly slower than its 1.7 percent increase (about a 3.4 percent annual rate) over the previous six months. Meanwhile, real GDP expanded by 1.6 percent (annual rate) in the first quarter of this year, down from 2.7 percent (annual rate) in the last quarter of 2014.
- The LEI for Mexico fell again in June, and has declined in four of the last six months. As a result, the six-month change in the LEI remains negative. However, the rate of decline has moderated considerably since the second half of last year. Meanwhile, the six-month growth rate of the CEI remains relatively steady. Taken together, the improvement in the six-month change in the LEI and the steady growth in the CEI suggest that Mexico's economic expansion will continue, however its rate of expansion is unlikely to pick up sharply for the remainder of this year.

LEADING INDICATORS. Three 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 industrial production construction component, the US refiners' acquisition cost of domestic and imported crude oil, and stock prices. Net insufficient inventories* and the (inverted) real exchange rate decreased in June. The (inverted) federal funds rate remained unchanged.

The next release is scheduled for Tuesday, September 15, 2015 at 11:00 A.M. (ET)
In Mexico – Tuesday, September 15, 2015 at 10:00 A.M. (Mexico City time)

With the 0.8 percent decrease in June, The Conference Board LEI for Mexico now stands at 101.2 (2010=100). Based on revised data, this index declined 0.6 percent in May and remained unchanged in April. During the six-month span through June, the index decreased 1.4 percent, with two of the six components increasing (diffusion index, six-month span equals 41.7 percent).

COINCIDENT INDICATORS. Two of the three components that make up The Conference Board CEI for Mexico increased in June. The positive contributors are number of people employed (measured by IMSS beneficiaries) and retail sales. Industrial production declined in June.

With the increase of 0.3 percent in June, The Conference Board CEI for Mexico now stands at 115.9 (2010=100). Based on revised data, this index remained unchanged in May and increased 0.3 percent in April. During the six-month span through June, the index increased 1.4 percent, with two of the three components increasing (diffusion index, six-month span equals 66.7 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. August 13, 2015. Some series are estimated as noted below.

NOTES: The series in The Conference Board CEI for Mexico that’s based on The Conference Board’s estimates is retail sales. The series in The Conference Board LEI for Mexico that’s based on The Conference Board’s estimates is net insufficient inventories.

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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/data/bci.cfm>.

Mexico Composite Economic Indexes: Components and Standardization Factors

<u>Leading Economic Index</u>	<u>Factor</u>
1. Industrial Production, Construction Component	.1883
2. Stock Prices	.0562
3. U.S. Refiners' Acquisition Cost of Domestic and Imported Crude Oil	.0658
4. Net Insufficient Inventories	.4311
5. Federal Funds Rate	.1033
6. Real Exchange Rate	.1553

<u>Coincident Economic Index</u>	
1. Industrial Production	.3439
2. Retail Sales	.1577
3. Employment	.4984

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 with the release in January 2015, 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 February 1990 to December 2013 as the sample period for measuring volatility. Separate sets of factors for the February 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 1994 to December 2013 as the sample period. Separate sets of factors for the April 1980 to March 1986 period, and April 1986 to January 1994 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 <http://www.conference-board.org/data/bci.cfm>.

The trend adjustment factor for The Conference Board LEI for Mexico is 0.0198 (calculated over the 1980 to 2013 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 Conference Board Leading Economic Index® (LEI) for Mexico news release schedule for 2015:

Tuesday, September 15, 2015	For July 2015 data
Wednesday, October 14, 2015	For August 2015 data
Friday, November 13, 2015	For September 2015 data
Monday, December 14, 2015	For October 2015 data

All releases are at 11:00 A.M. (ET) and 10:00 A.M. (Mexico City time)

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The Conference Board Leading Economic Index® (LEI) and
The Conference Board Coincident Economic Index® (CEI) for Mexico

Table 1.- Summary of Mexico Composite Economic Indexes

	2014							2015
	Dec.	Jan.	Feb.	Mar.	Apr.	May.	Jun.	
Leading index	102.6	101.4	101.1	102.6	102.6 r	102.0	101.2 p	
Percent change	-3.5	-1.2	-0.3	1.5	0.0 r	-0.6 r	-0.8 p	
Diffusion index	25.0	25.0	41.7	58.3	58.3	41.7	58.3	
Coincident index	114.3	114.7	115.0	115.3	115.6	115.6	115.9 p	
Percent change	0.2	0.3	0.3	0.3	0.3	0.0	0.3 p	
Diffusion index	83.3	83.3	66.7	83.3	100.0	50.0	66.7	

	Jun to	Jul to	Aug to	Sep to	Oct to	Nov to	Dec to
	Dec.	Jan.	Feb.	Mar.	Apr.	May.	Jun.
Leading index							
Percent change	-4.4	-5.5	-5.3	-3.3	-2.6 r	-4.0	-1.4 p
Diffusion index	66.7	41.7	25.0	41.7	41.7	25.0	41.7
Coincident index							
Percent change	1.7	1.7	1.6	1.5	1.6	1.3	1.4 p
Diffusion index	100.0	100.0	100.0	100.0	100.0	83.3	66.7

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 Leading Economic Index® (LEI) and
The Conference Board Coincident Economic Index® (CEI) for Mexico**

Table 2.- Data and Net Contributions for Components of The Conference Board Leading Economic Index® (LEI) for Mexico

Component	2014						2015
	Dec.	Jan.	Feb.	Mar.	Apr.	May.	Jun.
	Mexico Leading Economic Index component data						
Industrial Production, Construction Component, SA Index, 2003=100	100.9 r	100.6 r	97.6	100.8 r	101.1 r	99.2	99.7
Stock Prices, IPC35 (BOLSA) October 1978=0.78	43145.66	40950.58	44190.17	43724.78	44582.39	44703.62	45053.70
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel	52.36	41.70	47.26	47.36	50.69 r	55.27	55.89
Net Insufficient Inventories Difference, (3 month moving average), Survey	-5.02	-3.07	-4.73	-2.13	-3.45	-4.97	-6.87 **
Federal Funds, Money Market Rate* Percentage, Monthly Average	3.30	3.30	3.30	3.30	3.30	3.30	3.30
Real Exchange Rate, (Central Bank Settlement Rate)* Peso/US\$, Monthly Average	29.37	29.70	30.20	30.72	30.88	31.24	31.69
LEADING INDEX (2010=100).....	102.6	101.4	101.1	102.6	102.6 r	102.0 r	101.2 p
Percent change from preceding month.....	-3.5	-1.2	-0.3	1.5	0.0	-0.6	-0.8 p
	Mexico Leading Economic Index net contributions						
Industrial Production, Construction Component, SA Index, 2003=100 .....	....	-0.05	-0.58	0.61	0.06	-0.36	0.08
Stock Prices, IPC35 (BOLSA) October 1978=0.78 .....	....	-0.29	0.43	-0.06	0.11	0.02	0.04
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel .....	....	-1.49	0.82	0.01	0.45	0.57	0.07
Net Insufficient Inventories Difference, (3 month moving average), Survey .....	....	0.84	-0.72	1.12	-0.57	-0.66	-0.82 **
Federal Funds, Money Market Rate* Percentage, Monthly Average .....	....	0.00	0.00	0.00	0.00	0.00	0.00
Real Exchange Rate, (Central Bank Settlement Rate)* Peso/US\$, Monthly Average .....	....	-0.17	-0.26	-0.27	-0.08	-0.18	-0.22

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; Haver Analytics

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**The Conference Board Leading Economic Index® (LEI) and
The Conference Board Coincident Economic Index® (CEI) for Mexico**

Table 3.- Data and Net Contributions for Components of The Conference Board Coincident Economic Index® (CEI) for Mexico

Component	2014						2015
	Dec.	Jan.	Feb.	Mar.	Apr.	May.	Jun.
Mexico Coincident Economic Index Component Data							
Industrial Production, SA Index, (2003=100), 3 month moving average	106.4	106.4	106.3	106.3	106.4	106.3 r	106.2
Retail Sales, SA Index, (2008=100), 3 month moving average	107.3	108.0 r	108.7 r	109.7 r	109.9	109.9 r	110.1 **
Employment, IMSS Beneficiaries Thousands, monthly average	17342	17412	17468	17517	17590	17605 r	17705
COINCIDENT INDEX (2010=100)	114.3	114.7	115.0	115.3	115.6	115.6	115.9 p
Percent change from preceding month.....	0.2	0.3	0.3	0.3	0.3	0.0	0.3 p
Mexico Coincident Economic Index net contributions							
Industrial Production, SA Index, (2003=100), 3 month moving average	....	-0.02	-0.02	0.01	0.03 r	-0.05 r	-0.03
Retail Sales, SA Index, (2008=100), 3 month moving average	....	0.11 r	0.10	0.15	0.02	0.01 r	0.02 **
Employment, IMSS Beneficiaries Thousands, monthly average .....	....	0.20	0.16	0.14	0.21	0.04 r	0.28

p Preliminary. r Revised. c Corrected. 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; Haver Analytics

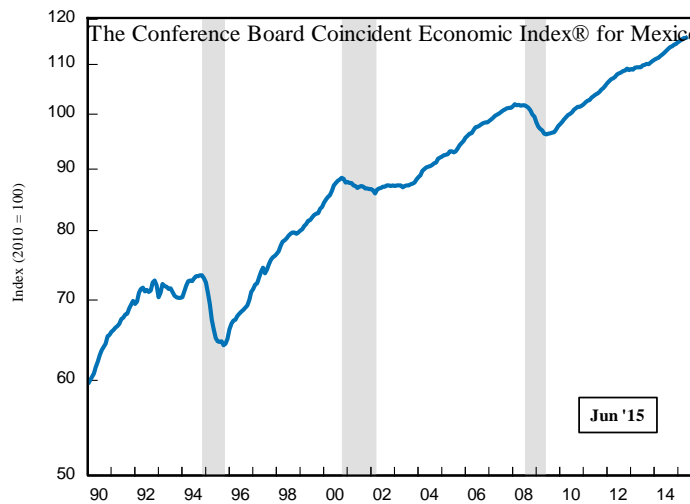
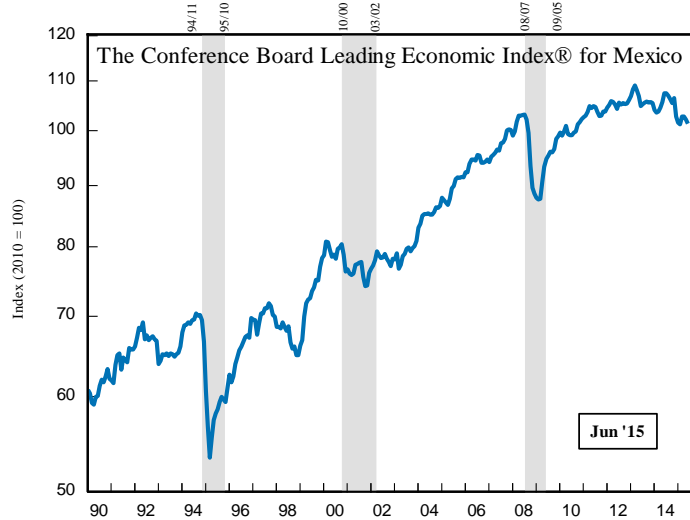
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Mexico Composite Economic Indexes



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.

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