



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. (MEXICO CITY TIME), TUESDAY, SEPTEMBER 15, 2015

The Conference Board<sup>®</sup>  
Mexico Business Cycle Indicators<sup>SM</sup>  
**THE CONFERENCE BOARD LEADING ECONOMIC INDEX<sup>®</sup>**  
**(LEI) FOR MEXICO**  
**AND RELATED COMPOSITE ECONOMIC INDEXES FOR JULY 2015**

**The Conference Board Leading Economic Index<sup>®</sup>** (LEI) for Mexico declined 1.6 percent and **The Conference Board Coincident Economic Index<sup>®</sup>** (CEI) increased 0.3 percent in July.

- The Conference Board LEI for Mexico fell sharply in July for the third consecutive month, with the majority of its components making negative contributions. The leading economic index declined by 1.9 percent (about a -3.7 percent annual rate) between January and July 2015, but the contraction was not as deep as the decline of 5.5 percent (about a -10.7 percent annual rate) over the previous six months. The strengths and weaknesses among the leading indicators were somewhat balanced in the last six months.
- The Conference Board CEI for Mexico, a measure of current economic activity, increased slightly again in July. Between January and July of this year, the coincident economic index increased by 1.4 percent (about a 2.8 percent annual rate), 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 2.0 percent (annual rate) in the second quarter, slightly up from the 1.7 percent growth (annual rate) in the first quarter.
- The LEI for Mexico continued its downward trend through July, with widespread weaknesses among its components. The six-month change in the LEI remains negative, but the rate of decline seems to have stabilized. Meanwhile, the six-month growth rate of the CEI remains relatively steady. Despite the sharp decline in the LEI in July, its six-month rate of decline has not intensified in recent months, suggesting that the current rate of economic expansion in Mexico is likely to continue through the end of this year.

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

The next release is scheduled for Wednesday, October 14, 2015 at 11:00 A.M. (ET)  
*In Mexico – Wednesday, October 14, 2015 at 10:00 A.M. (Mexico City time)*

With the 1.6 percent decrease in July, The Conference Board LEI for Mexico now stands at 99.5 (2010=100). Based on revised data, this index declined 0.7 percent in June and declined 0.9 percent in May. During the six-month span through July, the index decreased 1.9 percent, with three of the six components increasing (diffusion index, six-month span equals 58.3 percent).

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

With the increase of 0.3 percent in July, The Conference Board CEI for Mexico now stands at 116.3 (2010=100). Based on revised data, this index increased 0.3 percent in June and remained unchanged in May. During the six-month span through July, 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. September 11, 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:**

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

	2015						
	Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.
Leading index	101.4	101.2 r	102.6	102.7 r	101.8 r	101.1 r	99.5 p
Percent change	-1.2	-0.2 r	1.4 r	0.1 r	-0.9 r	-0.7 r	-1.6 p
Diffusion index	25.0	41.7	58.3	58.3	41.7	58.3	25.0
Coincident index	114.7	115.0	115.3	115.6	115.6	116.0 r	116.3 p
Percent change	0.3	0.3	0.3	0.3	0.0	0.3	0.3 p
Diffusion index	83.3	83.3	83.3	100.0	66.7	66.7	83.3

	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	-5.5	-5.2 r	-3.3	-2.5 r	-4.2 r	-1.5 r	-1.9 p
Diffusion index	41.7	25.0	41.7	41.7	25.0	41.7	58.3
Coincident index							
Percent change	1.7	1.6	1.5	1.6	1.3	1.5 r	1.4 p
Diffusion index	100.0	100.0	100.0	100.0	83.3	66.7	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](http://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	2015						
	Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.
Mexico Leading Economic Index component data							
Industrial Production, Construction Component, SA Index, 2003=100 .....	100.6	97.7 r	101.0 r	101.4 r	99.1 r	100.7 r	102.2
Stock Prices, IPC35 (BOLSA) October 1978=0.78 .....	40950.58	44190.17	43724.78	44582.39	44703.62	45053.70	44752.93
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel .....	41.70	47.26	47.36	50.69	54.06 r	55.82 r	49.50
Net Insufficient Inventories Difference, (3 month moving average), Survey .....	-3.07	-4.73	-2.13	-3.45	-4.97	-7.32	-8.88 **
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 .....	29.70	30.20	30.72	30.88	31.24	31.69	32.58
<b>LEADING INDEX (2010=100).....</b>	<b>101.4</b>	<b>101.2</b>	<b>102.6 r</b>	<b>102.7 r</b>	<b>101.8 r</b>	<b>101.1 r</b>	<b>99.5 p</b>
Percent change from preceding month.....	-1.2	-0.2	1.4	0.1	-0.9	-0.7	-1.6 p
Mexico Leading Economic Index net contributions							
Industrial Production, Construction Component, SA Index, 2003=100 .....	....	-0.56	0.63	0.08	-0.43	0.29	0.28
Stock Prices, IPC35 (BOLSA) October 1978=0.78 .....	....	0.43	-0.06	0.11	0.02	0.04	-0.04
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel .....	....	0.82	0.01	0.45	0.42	0.21	-0.79
Net Insufficient Inventories Difference, (3 month moving average), Survey .....	....	-0.72	1.12	-0.57	-0.66	-1.01	-0.67 **
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 .....	....	-0.26	-0.27	-0.08	-0.18	-0.22	-0.43

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	2015						
	Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.
Mexico Coincident Economic Index Component Data							
Industrial Production, SA Index, (2003=100), 3 month moving average	106.3 r	106.3	106.3	106.4	106.3	106.2	106.2
Retail Sales, SA Index, (2008=100), 3 month moving average	108.1 r	108.8 r	109.8 r	109.9	110.0 r	110.4 r	111.0 **
Employment, IMSS Beneficiaries Thousands, monthly average .....	17412	17468	17517	17590	17605	17705 r	17776
<b>COINCIDENT INDEX (2010=100)</b>	<b>114.7</b>	<b>115.0</b>	<b>115.3</b>	<b>115.6</b>	<b>115.6</b>	<b>116.0 r</b>	<b>116.3 p</b>
Percent change from preceding month.....	0.3	0.3	0.3	0.3	0.0	0.3	0.3 p
Mexico Coincident Economic Index net contributions							
Industrial Production, SA Index, (2003=100), 3 month moving average	....	-0.02	0.02 r	0.03	-0.05	-0.02 r	0.00
Retail Sales, SA Index, (2008=100), 3 month moving average	....	0.10	0.15	0.02	0.01	0.06 r	0.08 **
Employment, IMSS Beneficiaries Thousands, monthly average .....	....	0.16	0.14	0.21	0.04	0.28 r	0.20

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**

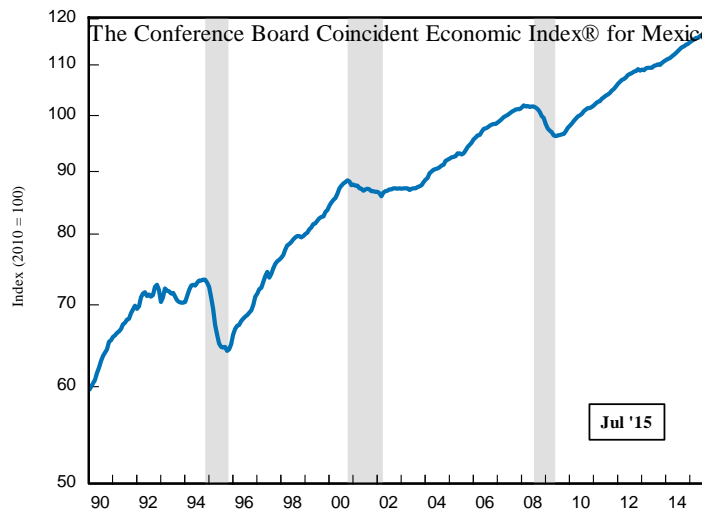
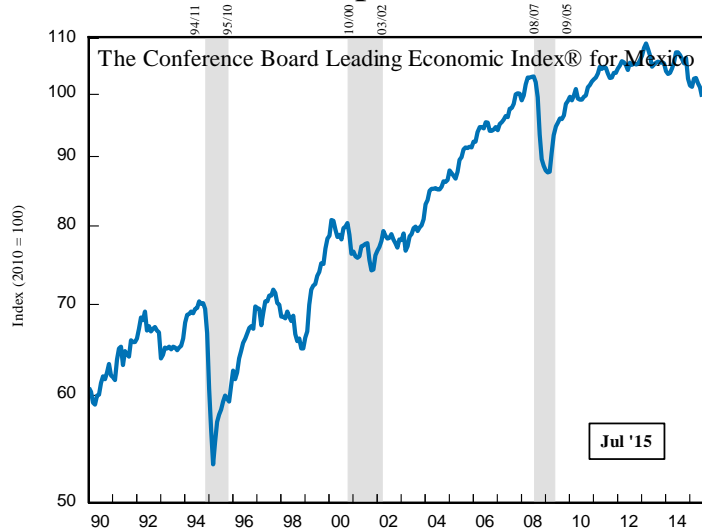
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# Mexico Composite Economic Indexes



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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