



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. ET, Friday, June 17, 2011

The Conference Board®
U.S. Business Cycle IndicatorsSM
THE CONFERENCE BOARD LEADING ECONOMIC INDEX®
(LEI) FOR THE UNITED STATES
AND RELATED COMPOSITE ECONOMIC INDEXES FOR MAY 2011

The Conference Board Leading Economic Index® (LEI) for the U.S. increased 0.8 percent, **The Conference Board Coincident Economic Index®** (CEI) increased 0.1 percent and **The Conference Board Lagging Economic Index®** (LAG) increased 0.3 percent in May.

- The Conference Board LEI for the U.S. rebounded in May, following a moderate decline in April. The interest rate spread, consumer expectations and building permits made large positive contributions to the index this month, more than offsetting the negative contribution from the index of supplier deliveries. The six-month change in the index has continued to moderate -- to 3.0 percent (a 6.0 percent annual rate) in the period through May 2011, down from 4.0 percent (an 8.2 percent annual rate) in February 2011. However, the strengths among the leading indicators have remained widespread in recent months.
- The Conference Board CEI for the U.S., a measure of current economic activity, continued to increase in May. The index rose 1.2 percent (a 2.4 percent annual rate) between November 2010 and May 2011, faster than the growth of 0.6 percent (a 1.2 percent annual rate) for the previous six months. In addition, the strengths among the coincident indicators have remained very widespread, with all components advancing over the past six months. The lagging economic index continued to increase faster than the CEI, and the coincident-to-lagging ratio fell further. Meanwhile, real GDP expanded at a 1.8 percent annual rate in the first quarter of the year, slower than the growth of 3.1 percent annual rate in the fourth quarter of 2010.
- The Conference Board LEI for the U.S. resumed increasing in May, after declining in April for the first time since mid-2010. However, its six-month growth rate has continued to moderate. Meanwhile, The Conference Board CEI for the U.S. has remained on an increasing trend, and its six-month growth rate has been fairly stable. Taken together, the current behavior of the composite indexes and their components suggest that economic activity will continue to expand at a modest pace in the near term.

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

The next release is scheduled for July 21, Thursday at 10 A.M. ET.

The Conference Board LEI for the U.S. now stands at 114.7 (2004=100). Based on revised data, this index decreased 0.4 percent in April and increased 0.7 percent in March. During the six-month span through May, the leading economic index increased 3.0 percent, with eight out of ten components advancing (diffusion index, six-month span equals 80 percent).

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

The Conference Board CEI for the U.S. now stands at 102.9 (2004=100). This index increased 0.1 percent in April and increased 0.2 percent in March. During the six-month period through May, the coincident economic index increased 1.2 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 109.1 (2004=100) in May, 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 CPI for services, and change in labor cost per unit of output*. The negative contributor was the average duration of unemployment (inverted). The ratio of manufacturing and trade inventories to sales*, average prime rate charged by banks, and ratio of consumer installment credit to personal income* held steady in May. Based on revised data, the lagging economic index increased 0.5 percent in April and increased 0.2 percent in March.

DATA AVAILABILITY AND NOTES.

The data series used to compute **The Conference Board Leading Economic Index**[®] (LEI) for the U.S., **The Conference Board Coincident Economic Index**[®] (CEI) for the U.S. and **The Conference Board Lagging Economic Index**[®] (LAG) for the U.S. and reported in the tables in this release are those available “as of” 12 Noon on June 16, 2011. 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	0.2737
2 Average weekly initial claims for unemployment insurance	0.0322
3 Manufacturers' new orders, consumer goods and materials	0.0817
4 Index of supplier deliveries – vendor performance	0.0717
5 Manufacturers' new orders, nondefense capital goods	0.0195
6 Building permits, new private housing units	0.0264
7 Stock prices, 500 common stocks	0.0370
8 Money supply, M2	0.3230
9 Interest rate spread, 10-year Treasury bonds less federal funds	0.1052
10 Index of consumer expectations	0.0296
<u>Coincident Economic Index</u>	
1 Employees on nonagricultural payrolls	0.4881
2 Personal income less transfer payments	0.2617
3 Industrial production	0.1375
4 Manufacturing and trade sales	0.1127
<u>Lagging Economic Index</u>	
1 Average duration of unemployment	0.0361
2 Inventories to sales ratio, manufacturing and trade	0.1213
3 Labor cost per unit of output, manufacturing	0.0588
4 Average prime rate	0.2802
5 Commercial and industrial loans	0.0968
6 Consumer installment credit to personal income ratio	0.2117
7 Consumer price index for services	0.1951

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 January 2011, 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 1984-2009 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 1959-2009. 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 -0.0221, and the trend adjustment factor for The Conference Board LAG for the U.S is 0.1590.

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[®] (LEI) for the U.S. news release schedule for 2011:

Thursday, July 21, 2011	For June 2011 data
Thursday, August 18, 2011	For July 2011 data
Thursday, September 22, 2011	For August 2011 data
Thursday, October 20, 2011	For September 2011 data
Friday, November 18, 2011	For October 2011 data
Thursday, December 22, 2011	For November 2011 data

All releases are at 10:00 AM ET.

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

	2010				2011			
	Nov	Dec	Jan	Feb	Mar	Apr	May	
Leading index	111.4	112.3	112.5	113.5	114.3	113.8 r	114.7 p	
Percent change	1.2	.8	.2	.9	.7	-.4 r	.8 p	
Diffusion index	85.0	80.0	50.0	80.0	70.0	40.0	85.0	
Coincident index	101.7	102.1	102.5 r	102.5	102.7	102.8 p	102.9 p	
Percent change	.2	.4	.4 r	.0 r	.2	.1 p	.1 p	
Diffusion index	100.0	100.0	100.0	37.5	75.0	62.5	87.5	
Lagging index	107.9	108.1 r	107.7	108.1 r	108.3	108.8 p	109.1 p	
Percent change	-.3	.2 r	-.4 r	.4 r	.2 r	.5 p	.3 p	
Diffusion index	21.4	42.9	28.6	50.0	50.0	78.6	64.3	
Coincident-lagging ratio	94.3	94.4 r	95.2 r	94.8 r	94.8	94.5 p	94.3 p	
	May to	Jun to	Jul to	Aug to	Sep to	Oct to	Nov to	
	Nov	Dec	Jan	Feb	Mar	Apr	May	
Leading index								
Percent change	2.2	3.2	3.2	4.0	4.0	3.4	3.0	
Diffusion index	60.0	70.0	75.0	80.0	80.0	80.0	80.0	
Coincident index								
Percent change	.6	.9	1.2	1.2	1.3	1.3	1.2	
Diffusion index	87.5	100.0	100.0	100.0	100.0	100.0	100.0	
Lagging index								
Percent change	.8	1.0	.1	.4	.0	.6	1.1	
Diffusion index	64.3	78.6	35.7	35.7	35.7	35.7	50.0	

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 <https://www.conference-board.org/data/bcicountry.cfm?cid=1>

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

Component	2010			2011			
	Nov	Dec	Jan	Feb	Mar	Apr	May
U.S. Leading Economic Index component data							
Average work week, production workers, mfg. (hours).....	41.2	41.3	41.1	41.3	41.4 r	41.4	41.4
Average weekly initial claims, state unemployment insurance (thousands)*.	432.9	417.9	429.6	392.3	390.1	432.4	426.5
Manufacturers' new orders, consumer goods and materials (mil. 1982 dol.).....	118,169	118,910	118,077 r	116,438	119,287 r	117,206 r	117,525 **
Index of supplier deliveries -- vendor performance (percent).....	58.1	56.7	58.6	59.4	63.1	60.2	55.7
Manufacturers' new orders, nondefense capital goods (mil. 1982 dol.).....	41219	39441	41926 r	43874	45957 r	42574 r	43650 **
Building permits (thous.).....	564	630	568	534	574	563 r	612
Stock prices, 500 common stocks (c) (index: 1941-43=10).....	1,198.89	1,241.53	1,282.62	1,321.12	1,304.49	1,331.51	1,338.31
Money supply, M2 (bil. chn. 2005 dol.).....	7,880.4	7,887.0	7,878.3 r	7,894.9 r	7,883.8 r	7,886.7 r	7,919.7 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	2.57	3.11	3.22	3.42	3.27	3.36	3.08
Index of consumer expectations (c) (1966:1=100).....	64.8	67.5	69.3	71.6	57.9	61.6	69.5
LEADING INDEX (2004=100).....	111.4	112.3 r	112.5	113.5	114.3 r	113.8 r	114.7 p
Percent change from preceding month..	1.2	0.8	0.2	0.9	0.7	-0.4 r	0.8 p
U.S. Leading Economic Index net contributions							
Average work week, production workers, mfg.....	....	.07	-.13	.13	.07 r	.00 r	.00
Average weekly initial claims, state unemployment insurance.....	....	.11	-.09	.29	.02	-.33	.04
Manufacturers' new orders, consumer goods and materials.....	....	.05 r	-.06 r	-.11 r	.20 r	-.14 r	.02 **
Index of supplier deliveries -- (vendor performance).....	....	-.10	.14	.06	.27	-.21	-.32
Manufacturers' new orders, nondefense capital goods.....	....	-.09	.12	.09	.09 r	-.15 r	.05 **
Building permits.....	....	.29	-.27	-.16	.19	-.05 r	.22
Stock prices, 500 common stocks (c)	....	.13	.12	.11	-.05	.08	.02
Money supply, M2.....	....	.03	-.04	.07	-.05	.01 r	.13 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	....	.33	.34	.36	.34	.35	.32
Index of consumer expectations (c)	....	.08	.05	.07	-.41	.11	.23

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 4 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		2011				
	Nov	Dec	Jan	Feb	Mar	Apr	May
U.S. Coincident Economic Index component data							
Employees on nonagricultural payrolls (thousands).....	130,108	130,260	130,328	130,563	130,757 r	130,989 r	131,043
Personal income less transfer payments (ann. rate, bil. chn. 2005 dol.).....	9,283.7 r	9,305.0 r	9,405.1 r	9,409.3 r	9,403.7 r	9,408.2 r	9,421.3 **
Industrial production (index: 2007=100).....	91.404	92.565 r	92.655 r	92.354 r	92.913 r	92.885 r	92.982
Manufacturing and trade sales (mil. chn. 2005 dol.).....	991,647	997,076	1,006,119 r	995,803 r	1,005,546 r	1,005,714 **	1,007,102 **
COINCIDENT INDEX (2004=100).....	101.7	102.1	102.5	102.5	102.7	102.8 p	102.9 p
Percent change from preceding month.....	0.2	0.4	0.4 r	0.0	0.2	0.1 p	0.1 p
U.S. Coincident Economic Index net contributions							
Employees on nonagricultural payrolls.....	....	.06	.03	.09	.07 r	.09	.02
Personal income less transfer payments.....	....	.06	.28	.01	-.02 r	.01	.04 **
Industrial production.....	....	.17	.01	-.04	.08 r	.00 r	.01
Manufacturing and trade sales.....	....	.06	.10	-.12 r	.11 r	.00 **	.02 **
U.S. Lagging Economic Index component data							
Average duration of unemployment (weeks)*.....	33.9	34.2	36.9	37.1	39.0	38.3	39.7
Ratio, manufacturing and trade inventories to sales (chain 2005 dol.).....	1.336	1.332	1.326	1.340 r	1.333 r	1.334 **	1.334 **
Change in index of labor cost per unit of output, mfg. (6-month percent, ann. rate).....	-.7 r	-.7 r	.2 r	-.6 r	-.4 r	-.2 **	0 **
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.).....	658,859 r	667,534 r	663,892 r	668,389 r	692,156 r	706,451 r	721,455 **
Ratio, consumer installment credit out- standing to personal income (percent).....	18.93 r	18.89 r	18.71 r	18.70 r	18.65 r	18.64 r	18.64 **
Change in CPI for services (6-month percent, ann. rate).....	1.0	1.2	1.2	1.6	1.8	1.9	2.1
LAGGING INDEX (2004=100).....	107.9	108.1 r	107.7	108.1 r	108.3	108.8 p	109.1 p
Percent change from preceding month.....	-.3	.2 r	-.4 r	.4 r	.2	.5 p	.3 p
U.S. Lagging Economic Index net contributions							
Average duration of unemployment.....	....	-.03	-.27	-.02	-.18	.07	-.13
Ratio, manufacturing and trade inventories to sales.....	....	-.04	-.05	.13 r	-.06 r	.01 **	.00 **
Change in index of labor cost per unit of output, mfg.....	....	.00 r	.05	-.05 r	.01 r	.01 **	.01 **
Average prime rate charged by banks.....	....	.00	.00	.00	.00	.00	.00
Commercial and industrial loans outstanding.....	....	.13	-.05 r	.07 r	.34 r	.20 r	.20 **
Ratio, consumer installment credit out- standing to personal income.....	....	-.04 r	-.20 r	-.01 r	-.06 r	-.01 r	.00 **
Change in CPI for services.....	....	.04	.00	.08	.04	.02	.04

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.

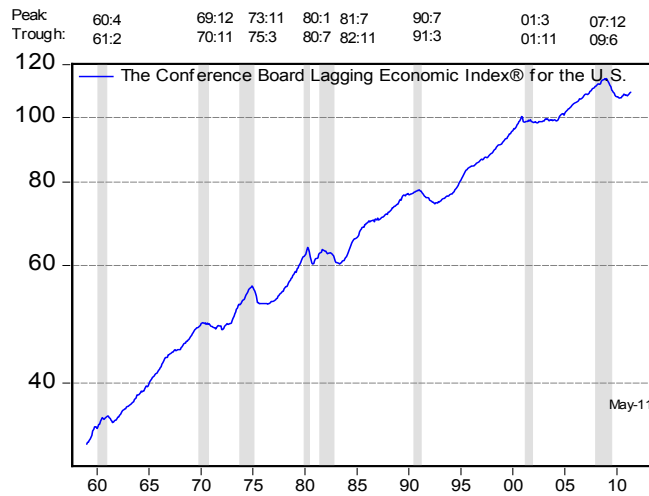
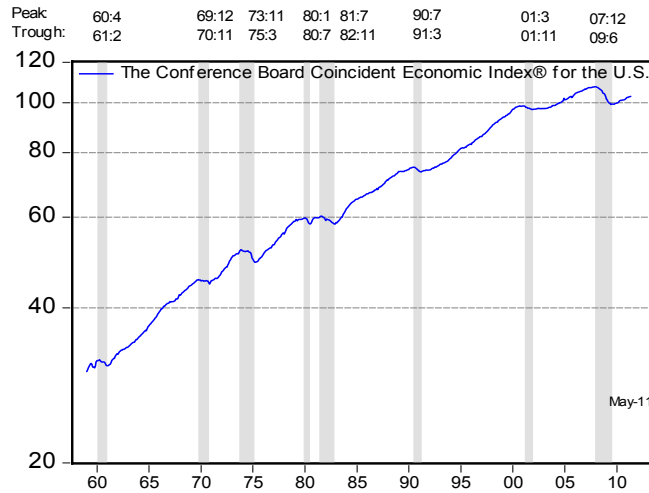
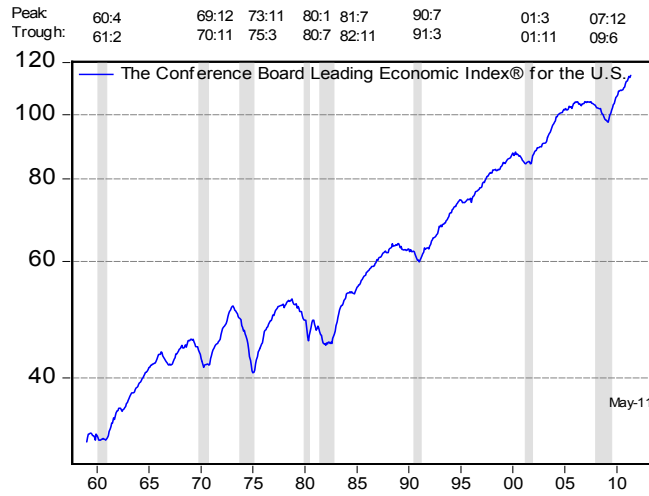
** Statistical Imputation (See page 3 for more details)

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



Shaded areas represent recessions.

Source: The Conference Board