



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. ET, Thursday, March 22, 2012

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 FEBRUARY 2012

The Conference Board Leading Economic Index® (LEI) for the U.S. increased 0.7 percent, **The Conference Board Coincident Economic Index®** (CEI) increased 0.2 percent and **The Conference Board Lagging Economic Index®** (LAG) increased 0.2 percent in February.

- The Conference Board LEI for the U.S. increased for the fifth consecutive month in February due to large positive contributions from declining initial unemployment claims along with building permits and financial indicators. In the six-month period ending February 2012, the leading economic index increased 1.9 percent (about a 3.9 percent annual rate), higher than the growth of 1.1 percent (about a 2.2 percent annual rate) during the previous six months. In addition, the strengths among the leading indicators became more widespread.
- The Conference Board CEI for the U.S., a measure of current economic activity, increased again in February. The index rose 1.8 percent (about a 3.6 percent annual rate) between August 2011 and February 2012, higher than the growth of 1.2 percent (about a 2.4 percent annual rate) for the previous six months. Also 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 at the same pace as the CEI, and the coincident-to-lagging ratio remained unchanged. Real GDP expanded at a 3 percent annual rate in the fourth quarter of 2011, after increasing 1.8 percent annual rate in the quarter before.
- The Conference Board LEI for the U.S. increased in the past five months and its six month growth rate picked up. The Conference Board CEI for the U.S. has also been rising through February and its six-month growth rate has held fairly steady in recent months. Taken together, the current behavior of the composite indexes and their components suggest that the expansion in economic activity should continue in the near term.

LEADING INDICATORS. Eight of the ten indicators that make up The Conference Board LEI for the U.S. increased in February. The positive contributors – beginning with the largest positive contributor – were average weekly initial claims for unemployment insurance (inverted), interest rate spread, stock prices, building permits, average weekly manufacturing hours, manufacturers' new orders for nondefense capital goods excl. aircraft*, *Leading Credit Index™* (inverted), and manufacturers' new orders for consumer goods and materials*. The negative contributors – beginning with the largest negative contributor – were average consumer expectations for business conditions and ISM new orders index.

LEI for the United States now stands at 95.5 (2004=100). Based on revised data, this index increased 0.2 percent in January and increased 0.5 percent in December. During the six-month span through February, the leading economic index increased 1.9 percent, with seven out of ten components advancing (diffusion index, six-month span equals 70 percent).

The next release is scheduled for April 19, Thursday at 10 A.M. ET.

COINCIDENT INDICATORS. Three of the four indicators that make up the CEI for the United States increased in February. The positive contributors to the index – beginning with the largest positive contributor – were manufacturing and trade sales*, employees on nonagricultural payrolls, and personal income less transfer payments*. The industrial production index held steady in February.

CEI now stands at 104 (2004=100). Based on revised data, this index increased 0.2 percent in January and 0.6 percent in December. During the six-month period through February, the coincident economic index increased 1.8 percent, with all components advancing (diffusion index, six-month span equals 100 percent).

LAGGING INDICATORS. The lagging economic index stands at 114.1 (2004=100) in February, with three of the seven components advancing. The positive contributors to the index – beginning with the largest positive contributor – were ratio of consumer installment credit to personal income*, average duration of unemployment (inverted), and change in index of labor cost per unit of output, manufacturing*. The negative contributors – beginning with the largest negative contributor – were change in CPI for services, commercial and industrial loans outstanding*, and ratio of manufacturing and trade inventories to sales*. The average prime rate charged by banks held steady in February. Based on revised data, the lagging economic index increased 0.5 percent in January and increased 0.2 percent in December.

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 March 21, 2012. 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 excl. aircraft. 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 manufacturing and trade inventories to sales ratio, consumer installment credit to income ratio, change in labor cost per unit of output, and the personal consumption expenditure deflator 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 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>Leading Economic Index</u> | <u>Factor</u> |
|--|---------------|
| 1 Average weekly hours, manufacturing | 0.2781 |
| 2 Average weekly initial claims for unemployment insurance | 0.0334 |
| 3 Manufacturers' new orders, consumer goods and materials | 0.0811 |
| 4 ISM new orders index | 0.1651 |
| 5 Manufacturers' new orders, nondefense capital goods excl. aircraft | 0.0356 |
| 6 Building permits, new private housing units | 0.0272 |
| 7 Stock prices, 500 common stocks | 0.0381 |
| 8 <i>Leading Credit Index</i> TM | 0.0794 |
| 9 Interest rate spread, 10-year Treasury bonds less federal funds | 0.1069 |
| 10 Avg. consumer expectations for business conditions | 0.1551 |

Coincident Economic Index

| | |
|--|--------|
| 1 Employees on nonagricultural payrolls | 0.2597 |
| 2 Personal income less transfer payments | 0.1357 |
| 3 Industrial production | 0.0728 |
| 4 Manufacturing and trade sales | 0.5318 |

Lagging Economic Index

| | |
|--|--------|
| 1 Average duration of unemployment | 0.0361 |
| 2 Inventories to sales ratio, manufacturing and trade | 0.1211 |
| 3 Labor cost per unit of output, manufacturing | 0.0587 |
| 4 Average prime rate | 0.2815 |
| 5 Commercial and industrial loans | 0.0970 |
| 6 Consumer installment credit to personal income ratio | 0.2101 |
| 7 Consumer price index for services | 0.1955 |

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 2012, 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 1984-2010 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 1959-2010. 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 -0.0321(over the 1984 – present) and 0.1145 (over the 1959-1983 period), and the trend adjustment factor for The Conference Board LAG for the U.S is 0.1786.

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 2012:

| | |
|------------------------------|-------------------------|
| Thursday, April 19, 2012 | For March 2012 data |
| Thursday, May 17, 2012 | For April 2012 data |
| Thursday, June 21, 2012 | For May 2012 data |
| Thursday, July 19, 2012 | For June 2012 data |
| Friday, August 17, 2012 | For July 2012 data |
| Thursday, September 20, 2012 | For August 2012 data |
| Thursday, October 18, 2012 | For September 2012 data |
| Wednesday, November 21, 2012 | For October 2012 data |
| Thursday, December 20, 2012 | For November 2012 data |

All releases are at 10:00 AM ET.

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

| | 2011 | | | | 2012 | | |
|--------------------------|--------|--------|---------|--------|---------|---------|---------|
| | Aug | Sep | Oct | Nov | Dec | Jan | Feb |
| Leading index | 93.7 | 93.2 | 93.8 r | 94.1 r | 94.6 r | 94.8 r | 95.5 p |
| Percent change | -.7 | -.5 | .6 r | .3 | .5 | .2 r | .7 p |
| Diffusion index | 30 | 25 | 70 | 55 | 60 | 60 | 80 |
| Coincident index | 102.2 | 102.2 | 103.0 | 103.0 | 103.6 r | 103.8 r | 104.0 p |
| Percent change | .3 | .0 | .8 | .0 | .6 r | .2 | .2 p |
| Diffusion index | 75 | 75 | 100 | 50 | 100 | 100 | 87.5 |
| Lagging index | 112.0 | 112.1 | 112.7 r | 113.1 | 113.3 r | 113.9 r | 114.1 p |
| Percent change | .2 | .1 | .5 r | .4 r | .2 r | .5 r | .2 p |
| Diffusion index | 28.6 | 42.9 | 57.1 | 71.4 | 50 | 85.7 | 50 |
| Coincident-lagging ratio | 91.3 | 91.2 | 91.4 r | 91.1 | 91.4 r | 91.1 r | 91.1 p |
| | Feb to | Mar to | Apr to | May to | Jun to | Jul to | Aug to |
| | Aug | Sep | Oct | Nov | Dec | Jan | Feb |
| Leading index | | | | | | | |
| Percent change | 1.1 | -0.5 | 0.1 r | -0.1 r | 0.4 r | 0.4 r | 1.9 |
| Diffusion index | 60 | 40 | 70 | 45 | 60 | 50 | 70 |
| Coincident index | | | | | | | |
| Percent change | 1.2 | 0.5 | 1.8 | 1.8 | 1.9 r | 1.9 r | 1.8 |
| Diffusion index | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Lagging index | | | | | | | |
| Percent change | 1.9 | 1.8 | 1.7 r | 1.8 | 1.6 r | 1.9 r | 1.9 |
| Diffusion index | 50 | 50 | 35.7 | 50 | 50 | 64.3 | 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 contributing positively. 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 | 2011 | | | | | 2012 | |
|--|----------|----------|----------|----------|----------|----------|------------|
| | Aug | Sep | Oct | Nov | Dec | Jan | Feb |
| U.S. Leading Economic Index component data | | | | | | | |
| Average workweek, production workers, mfg. (hours)..... | 41.3 | 41.3 | 41.5 | 41.5 | 41.6 | 41.8 | 41.9 |
| Average weekly initial claims, state unemployment insurance (thousands)*..... | 410.8 | 415.2 | 405.1 | 394.2 | 373.9 | 377.3 | 355.5 |
| Manufacturers' new orders, consumer goods and materials (mil. 1982 dol.)..... | 117,243 | 116,882 | 119,591 | 121,337 | 123,125 | 121,066 | 121,405 ** |
| ISM New Orders Index (percent)..... | 51.8 | 51.1 | 53.4 | 55 | 54.8 | 57.6 | 54.9 |
| Manufacturers' new orders, nondefense capital goods excl. aircraft (mil. 1982 dol.)..... | 42027 | 42516 | 42145 | 41512 | 42901 | 41055 | 41767 ** |
| Building permits (thous.)..... | 625 | 589 | 644 | 680 | 671 | 682 | 717 |
| Stock prices, 500 common stocks (c) (index: 1941-43=10)..... | 1,185.31 | 1,173.88 | 1,207.22 | 1,226.41 | 1,243.32 | 1,300.58 | 1,352.49 |
| Leading Credit Index™ (std. dev. ¹)*..... | 1.28 | 0.70 | -0.68 | 0.32 | 0.10 | -0.83 | -0.75 |
| Interest rate spread, 10-year Treasury bonds less federal funds..... | 2.20 | 1.90 | 2.08 | 1.93 | 1.91 | 1.89 | 1.87 |
| Avg. Consumer Expectations for Business Conditions (std. dev. ¹)..... | -2.12 | -2.04 | -2.04 | -1.42 | -0.76 | -0.64 | -0.34 |
| LEADING INDEX (2004=100)..... | 93.7 | 93.2 | 93.8 | 94.1 | 94.6 | 94.8 | 95.5 |
| Percent change from preceding month..... | -0.7 | -0.5 | 0.6 | 0.3 | 0.5 | 0.2 | 0.7 |
| U.S. Leading Economic Index net contributions | | | | | | | |
| Average workweek, production workers, mfg..... | .... | .00 | .13 | .00 | .07 | .13 | .07 |
| Average weekly initial claims, state unemployment insurance..... | .... | -0.04 | .08 | .09 | .18 | -0.03 | .20 |
| Manufacturers' new orders, consumer goods and materials..... | .... | -0.03 | .19 | .12 | .12 | -.14 | .02 ** |
| ISM New Orders Index..... | .... | -0.09 | -0.04 | -0.01 | -0.01 | .04 | -0.01 |
| Manufacturers' new orders, nondefense capital goods excl. aircraft..... | .... | .04 | -0.03 | -0.05 | .12 | -.16 | .06 ** |
| Building permits..... | .... | -.16 | .24 | .15 | -.04 | .04 | .14 |
| Stock prices, 500 common stocks (c) | .... | -0.04 | .11 | .06 | .05 | .17 | .15 |
| Leading Credit Index™..... | .... | -0.06 | .05 | -0.03 | -0.01 | .07 | .06 |
| Interest rate spread, 10-year Treasury bonds less federal funds..... | .... | .20 | .22 | .21 | .20 | .20 | .20 |
| Avg. Consumer Expectations for Business Conditions..... | .... | -.32 | -.32 | -.22 | -.12 | -.10 | -.05 |

p Preliminary. r Revised. c Corrected.

¹ Standard deviation above or below the mean

* Inverted series; a negative change or value 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 | 2011 | | | | | 2012 | |
|--|---------|---------|-----------|-----------|-----------|--------------|--------------|
| | Aug | Sep | Oct | Nov | Dec | Jan | Feb |
| U.S. Coincident Economic Index component data | | | | | | | |
| Employees on nonagricultural payrolls (thousands)..... | 131,492 | 131,694 | 131,806 | 131,963 | 132,186 | 132,470 | 132,697 |
| Personal income less transfer payments (ann. rate, bil. chn. 2005 dol.)..... | 9,369 | 9,388 | 9,434 | 9,432 | 9,432 | 9,485 | 9,509 ** |
| Industrial production (index: 2007=100)..... | 94.384 | 94.511 | 94.933 | 94.935 | 95.803 | 96.154 | 96.174 |
| Manufacturing and trade sales (mil. chn. 2005 dol.)..... | 995,439 | 993,912 | 1,005,838 | 1,004,694 | 1,013,182 | 1,014,775 ** | 1,017,651 ** |
| COINCIDENT INDEX (2004=100)..... | 102.2 | 102.2 | 103.0 | 103.0 | 103.6 | 103.8 | 104.0 |
| Percent change from preceding month..... | 0.3 | 0.0 | 0.8 | 0.0 | 0.6 | 0.2 | 0.2 |
| U.S. Coincident Economic Index net contributions | | | | | | | |
| Employees on nonagricultural payrolls..... | .... | .04 | .02 | .03 | .04 | .06 | .04 |
| Personal income less transfer payments..... | .... | .03 | .07 | .00 | .05 | .03 | .04 ** |
| Industrial production..... | .... | .01 | .03 | .00 | .07 | .03 | .00 |
| Manufacturing and trade sales..... | .... | -.08 | .63 | -.06 | .45 | .08 ** | .15 ** |
| U.S. Lagging Economic Index component data | | | | | | | |
| Average duration of unemployment (weeks)*..... | 40.3 | 40.4 | 39.2 | 40.9 | 40.8 | 40.1 | 40.0 |
| Ratio, manufacturing and trade inventories to sales (chain 2005 dol.)..... | 1.349 | 1.346 | 1.336 | 1.340 | 1.332 | 1.334 ** | 1.333 ** |
| Change in index of labor cost per unit of output, mfg. (6-month percent, ann. rate)..... | 0 | -0.4 | -0.4 r | -0.2 | -0.4 | -0.2 ** | 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.)..... | 740,807 | 742,041 | 768,328 | 775,349 | 774,033 | 791,075 | 789,665 ** |
| Ratio, consumer installment credit outstanding to personal income (percent)..... | 18.73 | 18.73 | 18.71 r | 18.86 | 18.90 | 18.98 | 19.01 ** |
| Change in CPI for services (6-month percent, ann. rate)..... | 2.0 | 2.1 | 2.2 | 2.2 | 2.4 | 2.4 | 2.0 |
| LAGGING INDEX (2004=100)..... | 112.0 | 112.1 | 112.7 | 113.1 | 113.3 | 113.9 | 114.1 |
| Percent change from preceding month..... | .2 | .1 | .5 | .4 | .2 | .5 | .2 |
| U.S. Lagging Economic Index net contributions | | | | | | | |
| Average duration of unemployment..... | .... | -.01 | .11 | -.15 | .01 | .06 | .01 |
| Ratio, manufacturing and trade inventories to sales..... | .... | -.03 | -.09 | .04 | -.07 | .02 ** | -.01 ** |
| Change in index of labor cost per unit of output, mfg..... | .... | -.02 | .00 | .01 | -.01 | .01 ** | .01 ** |
| Average prime rate charged by banks..... | .... | .00 | .00 | .00 | .00 | .00 | .00 |
| Commercial and industrial loans outstanding..... | .... | .02 | .34 | .09 | -.02 | .21 | -.02 ** |
| Ratio, consumer installment credit outstanding to personal income..... | .... | .00 | -.02 | .17 | .04 | .09 | .03 ** |
| Change in CPI for services..... | .... | .02 | .02 | .00 | .04 | .00 | -.08 |

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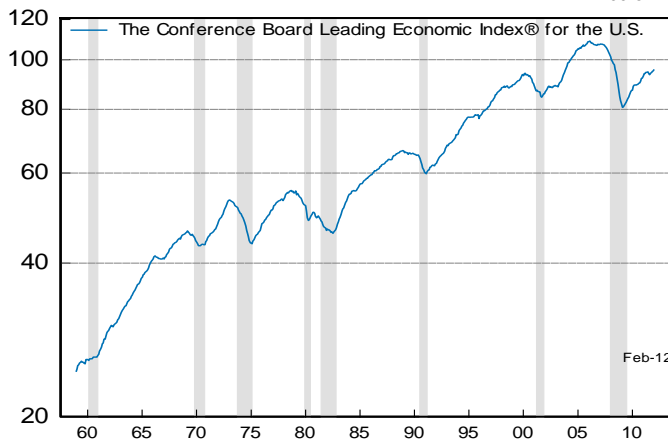
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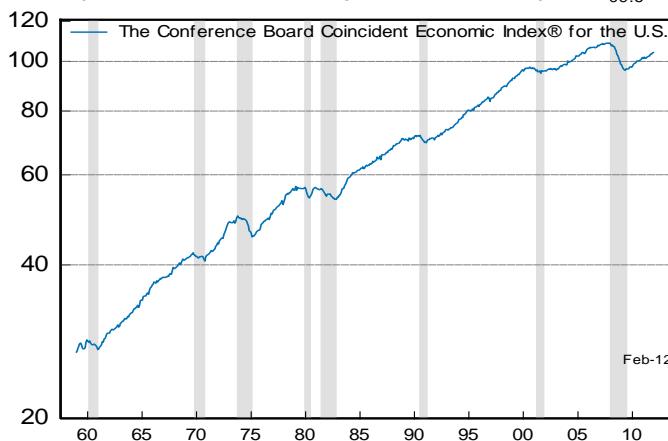
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U.S. Composite Economic Indexes (2004=100)

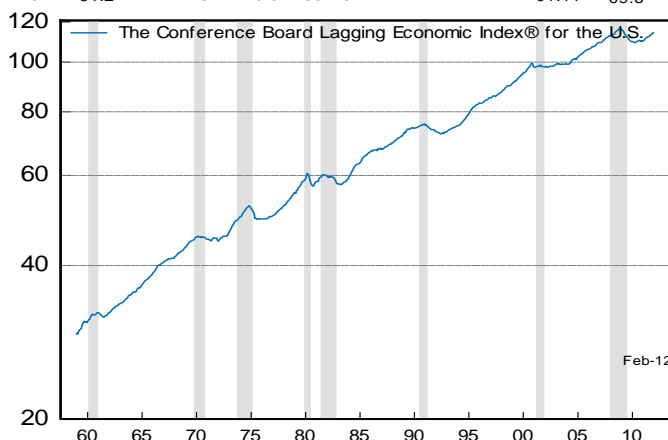
| | | | | | | | | |
|---------|------|-------|-------|------|-------|------|-------|-------|
| Peak: | 60:4 | 69:12 | 73:11 | 80:1 | 81:7 | 90:7 | 01:3 | 07:12 |
| Trough: | 61:2 | 70:11 | 75:3 | 80:7 | 82:11 | 91:3 | 01:11 | 09:6 |



| | | | | | | | | |
|---------|------|-------|-------|------|-------|------|-------|-------|
| Peak: | 60:4 | 69:12 | 73:11 | 80:1 | 81:7 | 90:7 | 01:3 | 07:12 |
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|---------|------|-------|-------|------|-------|------|-------|-------|
| Peak: | 60:4 | 69:12 | 73:11 | 80:1 | 81:7 | 90:7 | 01:3 | 07:12 |
| Trough: | 61:2 | 70:11 | 75:3 | 80:7 | 82:11 | 91:3 | 01:11 | 09:6 |



Shaded areas represent recessions as determined by the National Bureau of Economic Research.

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