



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. (LONDON TIME), THURSDAY, MAY 15, 2014

The Conference Board[®]
The U.K. Business Cycle IndicatorsSM
THE CONFERENCE BOARD LEADING ECONOMIC INDEX[®]
(LEI) FOR THE UNITED KINGDOM
AND RELATED COMPOSITE ECONOMIC INDEXES FOR MARCH 2014

BRUSSELS, May 15, 2014... The Conference Board Leading Economic Index[®] (LEI) for the U.K. increased 0.3 percent, and The Conference Board Coincident Economic Index[®] (CEI) increased 0.1 percent in March.

- The Conference Board LEI for the U.K. increased for third consecutive month in March. Between September 2013 and March 2014, the leading economic index increased by 2.5 percent (about a 5.1 percent annual rate), slower than its increase of 3.8 percent (about a 7.7 percent annual rate) in the previous six months. In addition, the strengths among the leading indicators have remained more widespread than the weaknesses in recent months.
- The Conference Board CEI for the U.K., a measure of current economic activity, edged up in March. In the six-month period ending in March, the coincident economic index increased by 1.2 percent (about a 2.5 percent annual rate), slightly slower than its 1.4 percent increase (about a 2.9 percent annual rate) during the previous six months. In addition, the strengths among the coincident indicators have been very widespread, with all components increasing in recent months. Meanwhile, real GDP increased 3.5 percent (annual rate) in the first quarter, up from 2.7 percent (annual rate) in the fourth quarter of 2013.
- The LEI has been on a sharp upward trend since last June, and its six-month growth rate – though slowing in recent months – remains very positive. Meanwhile, the CEI has improved marginally, and its six-month growth rate has dipped slightly compared to six months ago. Taken together, the composite indexes suggest that the UK economy is likely to continue growing strongly in the near term.

LEADING INDICATORS. Five of the seven components that make up The Conference Board LEI for the U.K. increased in March. The positive contributors – from the largest positive contributor to the smallest – were consumer confidence, the yield spread, productivity for the whole economy*, volume of expected output, and total gross operating surplus of corporations*. The negative contributors – from the larger negative contributor to the smaller – were order book volume and stock prices.

With the 0.3 percent increase in March, The Conference Board LEI for the U.K. now stands at 110.2 (2004=100). Based on revised data, this index increased 0.4 percent in February and increased 0.6 percent in January. During the six-month span through March, the leading economic index increased 2.5 percent, with six of the seven components advancing (diffusion index, six-month span equals 85.7 percent).

The next release is scheduled for Friday, June 13, 2014 at 10:00 A.M. (London Time)
In the U.S. – Friday, June 13, 2014 at 5:00 A.M. (ET)

COINCIDENT INDICATORS. Three of the four components that make up The Conference Board CEI for the U.K. increased in March. The positive contributors – from the largest positive contributor to the smallest – were employment*, real household disposable income*, and retail sales. Only industrial production declined in March.

With the increase of 0.1 percent in March, The Conference Board CEI for the U.K. now stands at 106.7 (2004=100). Based on revised data, this index increased 0.4 percent in February and increased 0.4 percent in January. During the six-month period through March, the coincident economic index increased 1.2 percent, with all of the four components advancing (diffusion index, six-month span equals 100.0 percent).

DATA AVAILABILITY:

The data series used to compute **The Conference Board Leading Economic Index**[®] (LEI) for the U.K. and **The Conference Board Coincident Economic Index**[®] (CEI) for the U.K. reported in this release are those available “as of” 10 A.M. ET on Friday, May 9, 2014. Some series are estimated as noted below.

* Series in The Conference Board LEI for the U.K. that are based on our estimates are productivity for the whole economy and total gross operating surplus of corporations. Series in The Conference Board CEI for the U.K. that are based on our estimates are employment and real household disposable income.

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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 the U.K. have occurred before those in aggregate economic activity, while the cyclical turning points in The Conference Board CEI for the U.K. have occurred at about the same time as those in aggregate economic activity.

Further explanations of the cyclical indicator approach and the composite economic index methodology appear in The Conference Board’s *Business Cycle Indicators* report and website: <http://www.conference-board.org/data/bci.cfm>.

U.K. Composite Economic Indexes: Components and Standardization Factors

<u>Leading Economic Index</u>	<u>Factor</u>
1 Order Book Volume	0.0593
2 Expected Output Volume	0.0468
3 Consumer Confidence	0.1005
4 All Share Price Index	0.0354
5 Yield Spread	0.0871
6 Productivity, Whole Economy	0.5533
7 Operating Surplus, Corporations	0.1176

<u>Coincident Economic Index</u>	
1 Industrial Production	0.0670
2 Retail Sales	0.0642
3 Employment	0.6948
4 Real Household Disposable Income	0.1740

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 2014, 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 economic indexes only incorporate revisions to data over the past six months.) The factors above for the leading economic index were calculated using 1977-2012 as the sample period for measuring volatility. Separate sets of factors for the 1975-1977 period, the 1974-1975 period, as well as the 1970-1974 period, are available upon request. The factors above for the coincident economic index were calculated using 1992-2012 as the sample period; separate sets of factors for the 1978-1992 period and the 1970-1978 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 their total continues to sum to 1. For additional information on the standardization factors and the index methodology visit our website: <http://www.conference-board.org/data/bci.cfm>.

The trend adjustment factor for the leading index is -0.0773, calculated over the 1970-2012 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 monthly data revisions are now a regular part of the U.S. Business Cycle and Global Indicators program. The main advantage of this procedure is to utilize in the leading economic index the data such as bond yields, stock prices, and change in consumer confidence that are available sooner than other data on “real” aspects of the economy such as housing starts and new orders. 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 next release for **The Conference Board Leading Economic Index[®]** (LEI) for the U.K. is:

April 2014	.....	Friday, June 13, 2014
May 2014	.....	Friday, July 11, 2014
June 2014	.....	Monday, August 11, 2014
July 2014	.....	Friday, September 12, 2014
August 2014	.....	Friday, October 10, 2014
September 2014	.....	Wednesday, November 12, 2014
October 2014	Friday, December 12, 2014

All releases are at 10:00 A.M. (London Time)

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The Conference Board U.K. Business Cycle Indicators

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

	2013				2014		
	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Leading index	107.5	108.1	108.8	108.8 p	109.5 p	109.9 p	110.2 p
Percent change	1.7	0.6	0.6	0.0 p	0.6 p	0.4 p	0.3 p
Diffusion index	100.0	85.7	85.7	57.1	100.0	71.4	71.4
Coincident index	105.4	105.5	105.5	105.8 p	106.2 p	106.6 p	106.7 p
Percent change	0.5	0.1	0.0	0.3 p	0.4 p	0.4 p	0.1 p
Diffusion index	87.5	62.5	50.0	87.5	62.5	100.0	75.0
	Mar to	Apr to	May to	Jun to	Jul to	Aug to	Sep to
	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Leading index							
Percent change	3.8	4.4	5.0	5.2 p	5.0 p	4.0 p	2.5 p
Diffusion index	100.0	100.0	100.0	85.7	100.0	100.0	85.7
Coincident index							
Percent change	1.4	1.5	1.1	1.1 p	1.3 p	1.6 p	1.2 p
Diffusion index	100.0	100.0	100.0	100.0	100.0	100.0	100.0

p Preliminary. r Revised (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 <http://www.conference-board.org/data/bci.cfm>

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The Conference Board U.K. Business Cycle Indicators

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

Component	2013				2014		
	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
U.K. Leading Economic Index component data							
Order Book Volume, CBI Monthly Enquiry (3 month moving average).....	-1.0	1.7	5.3	6.3	7.0	4.3	2.3
Volume of Expected Output, CBI Monthly Enquiry (3 month moving average).....	24.3	22.3	22.0	16.3	21.0	22.3	23.3
Consumer Confidence (3 month moving average).....	-3.8	-2.2	-2.0	-2.8	-1.7	-0.1	2.1
Stock prices, FTSE all share prices index (Apr. 10, 1962=100).....	3488.8	3503.0	3563.5	3514.6	3598.1	3594.5	3573.2
Yield Spread, 10 years minus Bank Rate.....	2.4	2.2	2.3	2.6	2.6	2.5	2.3
Productivity, Whole Economy Index (2010=100, Q)	100.4	100.4	100.5	100.6 **	100.7 **	100.8 **	100.9 **
Total Gross Operating Surplus of Corporations (Deflated w ith IPD, Q)	74657.4	75744.4	76816.4	77481.0 **	77896.1 **	78158.5 **	78327.3 **
LEADING INDEX (2004=100).....	107.5	108.1	108.8	108.8 p	109.5 p	109.9 p	110.2 p
Percent change from preceding month.....	1.7	0.6	0.6	0.0 p	0.6 p	0.4 p	0.3 p
U.K. Leading Economic Index net contributions							
Order Book Volume, CBI Monthly Enquiry (3 month moving average).....	....	0.16	0.21	0.06	0.04	-0.16	-0.12
Volume of Expected Output, CBI Monthly Enquiry (3 month moving average).....	....	-0.09	-0.01	-0.27	0.22	0.06	0.05
Consumer Confidence (3 month moving average).....	....	0.16	0.02	-0.08	0.11	0.16	0.22
Stock prices, FTSE all share prices index (Apr. 10, 1962=100).....	....	0.01	0.06	-0.05	0.08	0.00	-0.02
Yield Spread, 10 years minus Bank Rate.....	....	0.19	0.20	0.23	0.23	0.22	0.20
Productivity, Whole Economy Index (2010=100, Q)	....	0.04	0.03	0.05 **	0.05 **	0.05 **	0.05 **
Total Gross Operating Surplus of Corporations (Deflated w ith IPD, Q)	....	0.17	0.17	0.10 **	0.06 **	0.04 **	0.03 **

p Preliminary. r Revised. n.a. Not available. c Corrected.

* Inverted series; a negative change in this component makes a positive contribution to the index.

** Statistical Imputation (See page 2 for more details)

Q Quarterly series; these series are converted to a monthly series through a linear interpolation.

Data Sources: National Statistics, Haver Analytics, Bank of England, Confederation of British Industry and The European Commission

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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The Conference Board U.K. Business Cycle Indicators

Table 3.--Data and Net Contributions of the U.K. Coincident Economic Index

Component	2013				2014		
	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
U.K. Coincident Economic Index component data							
Industrial Production (2010=100).....	96.7	96.9	96.7	97.2	97.2	97.9 r	97.8
Retail Sales, Volume (2010=100).....	104.1 r	103.2	103.4	106.1 r	104.3 r	105.7 r	105.8
Employment (average, thousands).....	30086.0	30150.0	30146.0	30191.0	30389.0 r	30486.1 **	30540.0 **
Real Household Disposable Income (2010 Chain Price, Q).....	253892.0	253804.0	253715.0	253812.0 **	254014.9 **	254277.9 **	254575.2 **
COINCIDENT INDEX (2004=100).....	105.4	105.5	105.5	105.8 p	106.2 p	106.6 p	106.7 p
Percent change from preceding month	0.5	0.1	0.0	0.3 p	0.4 p	0.4 p	0.1 p
U.K. Coincident Economic Index net contributions							
Industrial Production (2010=100).....	....	0.01	-0.01	0.03	0.00	0.05 r	-0.01
Retail Sales, Volume (2010=100).....	....	-0.06	0.01	0.17	-0.11 r	0.09 r	0.01
Employment (average, thousands).....	....	0.15	-0.01	0.10	0.45 r	0.22 **	0.12 **
Real Household Disposable Income (2010 Chain Price, Q).....	....	-0.01	-0.01	0.01 **	0.01 **	0.02 **	0.02 **

p Preliminary. r Revised. n.a. Not available. c Corrected.

* Inverted series; a negative change in this component makes a positive contribution to the index.

** Statistical Imputation (See page 2 for more details)

Q Quarterly series; these series are converted to monthly through a linear interpolation.

Data Sources: National Statistics, Haver Analytics

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).

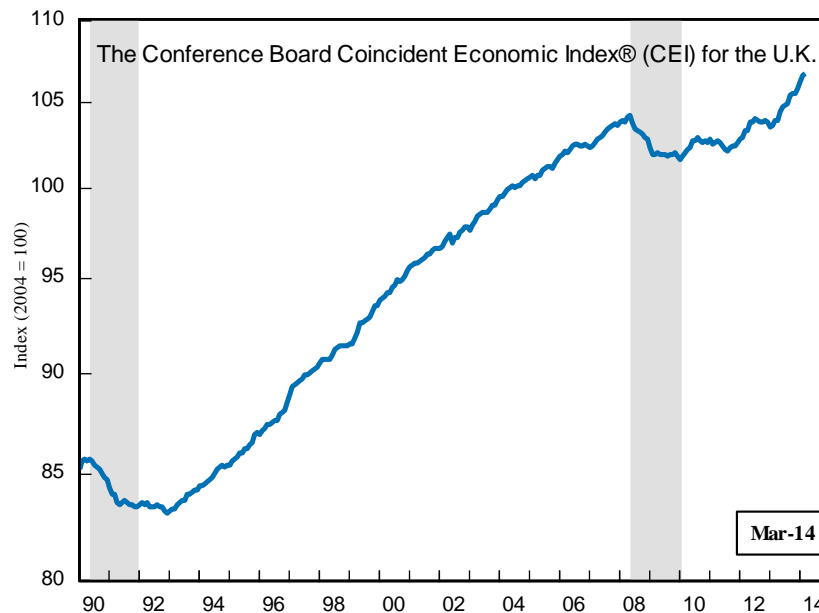
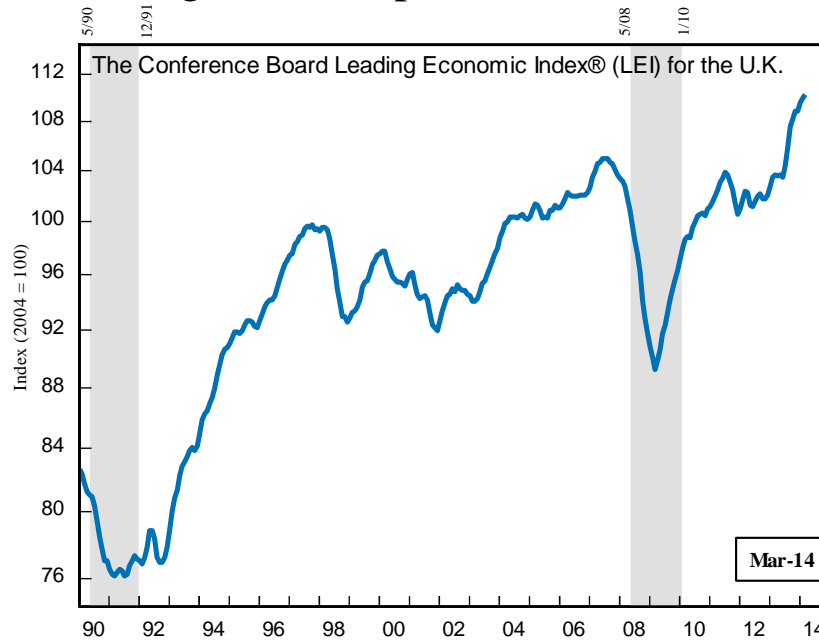
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United Kingdom Composite Economic Indexes



Note: The shaded areas represent business cycle recessions.

Source: The Conference Board

The peaks and troughs are designated by The Conference Board based on the coincident index and real GDP.

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