



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. (MEXICO CITY TIME), FRIDAY, AUGUST 22, 2014

The Conference Board®
Mexico Business Cycle IndicatorsSM
THE CONFERENCE BOARD LEADING ECONOMIC INDEX®
(LEI) FOR MEXICO
AND RELATED COMPOSITE ECONOMIC INDEXES FOR JUNE 2014

The Conference Board Leading Economic Index® (LEI) for Mexico increased 1.7 percent and **The Conference Board Coincident Economic Index®** (CEI) increased 0.3 percent in June.

- The Conference Board LEI for Mexico increased sharply in June, with net insufficient inventories, the construction component of industrial production, stock prices, and oil prices making large positive contributions. With this month's gain, the leading economic index grew 1.9 percent (about a 3.8 percent annual rate) in the first half of 2014, improving from the 0.4 percent increase (about a 0.8 percent annual rate) for the previous six months. Moreover, the strengths among the leading indicators have become more widespread than the weaknesses in the last six months.
- The Conference Board CEI for Mexico, a measure of current economic activity, also increased in June. The six-month growth rate of the coincident economic index picked up to 1.5 percent (about a 3.1 percent annual rate) in the first half of this year, faster than the increase of 1.1 percent (about a 2.2 percent annual rate) during the second half of 2013. Meanwhile, real GDP grew by a 1.1 percent annual rate in the first quarter of 2014, up from the 0.5 percent increase (annual rate) in the fourth quarter of last year.
- The LEI for Mexico increased in June, for the fourth consecutive month. As a result, its six-month growth has turned positive and is largely improved compared to the second half of last year. Meanwhile, the rate of growth in the CEI has continued to pick up through the first half of this year, with very widespread strengths among its components. Taken together, the continued improvement in both the LEI and the CEI growth suggests that the rate of economic expansion will likely pick up in the second half of 2014.

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

The next release is scheduled for Tuesday, September 23, 2014 at 11:00 A.M. (ET)
In Mexico – Tuesday, September 23, 2014 at 10:00 A.M. (Mexico City Time)

With the 1.7 percent increase in June, The Conference Board LEI for Mexico now stands at 125.7 (2004=100). Based on revised data, this index increased 0.9 percent in May and increased 1.0 percent in April. During the six-month span through June, the index increased 1.9 percent, with four of the six components increasing (diffusion index, six-month span equals 75.0 percent).

COINCIDENT INDICATORS. All three components that make up The Conference Board CEI for Mexico increased in June. The positive contributors—from the largest positive contributor to the smallest one—are number of people employed (measured by IMSS beneficiaries), industrial production, and retail sales.

With the increase of 0.3 percent in June, The Conference Board CEI for Mexico now stands at 124.6 (2004=100). Based on revised data, this index increased 0.5 percent in May and increased 0.3 percent in April. During the six-month span through June, the index increased 1.5 percent, with all three components increasing (diffusion index, six-month span equals 100.0 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 20, 2014. Some series are estimated as noted below.

NOTES: There are no forecasted series in The Conference Board LEI. The series in The Conference Board CEI for Mexico is based on The Conference Board’s estimates for retail sales.

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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	.1904
2. Stock Prices	.0566
3. U.S. Refiners' Acquisition Cost of Domestic and Imported Crude Oil	.0664
4. Net Insufficient Inventories	.4263
5. Federal Funds Rate	.1038
6. Real Exchange Rate	.1565

<u>Coincident Economic Index</u>	
1. Industrial Production	.3461
2. Retail Sales	.1584
3. Employment	.4955

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 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 2012 as the sample period for measuring volatility. Separate sets of factors for the January 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 2012 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 0.0144 (calculated over the 1980 to 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 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 2014 schedule for “**The Conference Board Leading Economic Index[®] (LEI)** for Mexico” news release is:

July 2014 Data..... Tuesday, September 23, 2014
August 2014 Data..... Monday, October 20, 2014
September 2014 Data..... Friday, November 14, 2014
October 2014 Data..... Tuesday, December 16, 2014

All releases are at 11:00 A.M. (ET) and 10:00 A.M. (CT)

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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

	2013			2014			
	Dec.	Jan.	Feb.	Mar.	Apr.	May.	Jun.
Leading index	123.4	121.8 r	121.2 r	121.3 r	122.5 r	123.6 r	125.7
Percent change	-0.2	-1.3 r	-0.5 r	0.1 r	1.0 r	0.9 r	1.7
Diffusion index	75.0	8.3	41.7	75.0	91.7	91.7	83.3
Coincident index	122.7	122.9	122.8	123.2	123.6 r	124.2	124.6 p
Percent change	0.2	0.2	-0.1	0.3	0.3 r	0.5 r	0.3 p
Diffusion index	100.0	100.0	66.7	66.7	100.0	100.0	100.0

	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	0.4	-1.2 r	-1.9 r	-2.0 r	-0.9 r	-0.1 r	1.9
Diffusion index	75.0	33.3	33.3	66.7	66.7	58.3	75.0
Coincident index							
Percent change	1.1	1.1	0.8	1.1	1.3 r	1.5	1.5 p
Diffusion index	100.0	100.0	66.7	83.3	100.0	100.0	100.0

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	2013		2014				
	Dec.	Jan.	Feb.	Mar.	Apr.	May.	Jun.
Mexico Leading Economic Index component data							
Industrial Production, Construction Component, SA Index, 2003=100	95.7 r	94.5 r	95.2	95.8 r	96.2	96.5 r	97.7
Stock Prices, IPC35 (BOLSA) October 1978=0.78	42727.09	40879.75	38782.89	40461.60	40711.56	41362.51	42737.17
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel	91.78	90.65	93.09	93.48	95.68 r	97.02 r	99.56
Net Insufficient Inventories Difference, (3 month moving average), Survey	-7.17 r	-8.77	-9.84	-10.67	-9.47	-7.98	-5.34
Federal Funds, Money Market Rate* Percentage, Monthly Average	3.79	3.78	3.79	3.80	3.81	3.80	3.43
Real Exchange Rate, (Central Bank Settlement Rate)* Peso/US\$, Monthly Average	27.37	27.56	27.71	27.53	27.35	27.28 r	27.38
LEADING INDEX (2004=100).....	123.4	121.8	121.2	121.3	122.5	123.6 r	125.7
Percent change from preceding month.....	-0.2	-1.3	-0.5	0.1	1.0	0.9 r	1.7
Mexico Leading Economic Index net contributions							
Industrial Production, Construction Component, SA Index, 2003=100 .....	....	-0.23 r	0.14	0.12	0.09	0.05	0.23
Stock Prices, IPC35 (BOLSA) October 1978=0.78 .....	....	-0.25	-0.30	0.24	0.03	0.09	0.19
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel .....	....	-0.08	0.18	0.03	0.15 r	0.09 r	0.17
Net Insufficient Inventories Difference, (3 month moving average), Survey .....	....	-0.68 r	-0.46	-0.35	0.51	0.64	1.13
Federal Funds, Money Market Rate* Percentage, Monthly Average .....	....	0.00	0.00	0.00	0.00	0.00	0.04
Real Exchange Rate, (Central Bank Settlement Rate)* Peso/US\$, Monthly Average .....	....	-0.11	-0.08	0.10	0.10	0.04 r	-0.06

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	2013		2014				
	Dec.	Jan.	Feb.	Mar.	Apr.	May.	Jun.
----- Mexico Coincident Economic Index Component Data -----							
Industrial Production, SA							
Index, (2003=100), 3 month moving average	103.6	103.8	103.9 r	104.3 r	104.6 r	105.0 r	105.2
Retail Sales, SA							
Index, (2003=100), 3 month moving average	126.3	126.4	124.7 r	124.6	125.2 r	126.2 r	126.6 **
Employment, IMSS Beneficiaries							
Thousands, monthly average	16627 r	16652 r	16697 r	16757 r	16823 r	16899 r	16961
COINCIDENT INDEX (2004=100)	122.7	122.9	122.8	123.2	123.6 r	124.2	124.6 p
Percent change from preceding month.....	0.2	0.2	-0.1	0.3	0.3 r	0.5 r	0.3 p
----- Mexico Coincident Economic Index net contributions -----							
Industrial Production, SA							
Index, (2003=100), 3 month moving average	....	0.05 r	0.05 r	0.11 r	0.12 r	0.12 r	0.07
Retail Sales, SA							
Index, (2003=100), 3 month moving average	....	0.02 r	-0.21	-0.01 r	0.07 r	0.13 r	0.06 **
Employment, IMSS Beneficiaries	....					
Thousands, monthly average		0.07	0.13 r	0.18 r	0.19	0.22 r	0.18

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

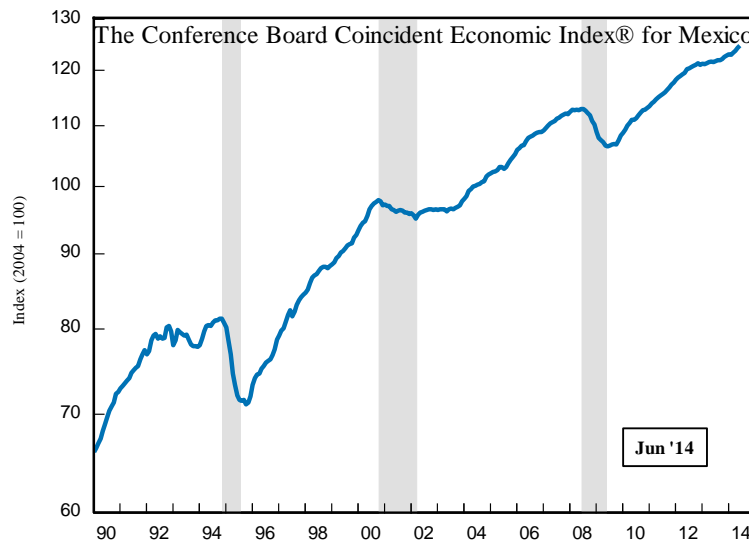
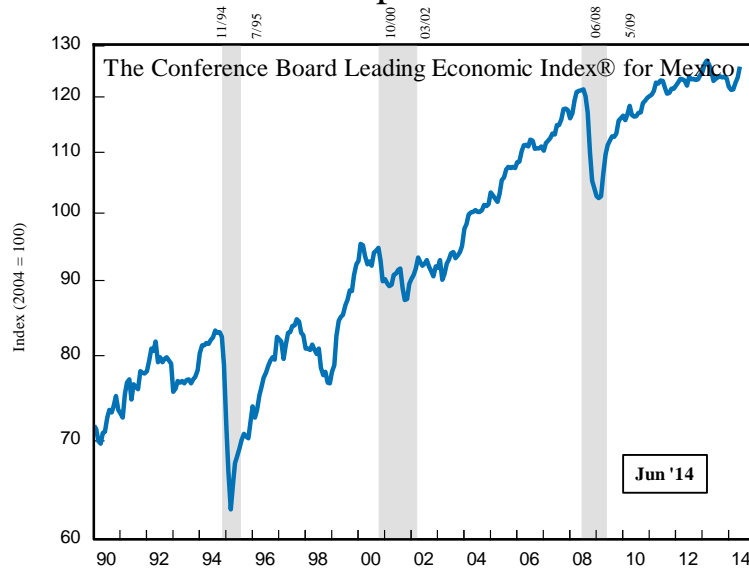
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Mexico Composite Economic Indexes



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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