



THE CONFERENCE BOARD

FOR RELEASE: 9:30 A.M. (ET), TUESDAY, SEPTEMBER 15, 2015

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 JULY 2015

NEW YORK, September 15, 2015... The Conference Board Leading Economic Index[®] (LEI) for the U.K. declined 0.3 percent, and The Conference Board Coincident Economic Index[®] (CEI) increased 0.1 percent in July.

- The Conference Board LEI for the U.K. continued to decrease through July, with order book volume and consumer confidence making the largest negative contributors. The index was revised downward between March and June 2015, after second quarter data for total gross operating surplus of corporations became available. In the six-month period ending July 2015, the LEI decreased 0.3 percent (about a -0.5 percent annual rate), after its decline of 0.7 percent (about a -1.4 percent annual rate) over the second half of 2014. However, the strengths among the leading indicators have become more widespread than the weaknesses over the past six months.
- The Conference Board CEI for the U.K., a measure of current economic activity, edged up in July. The coincident economic index increased 0.4 percent (about a 0.8 percent annual rate) in the first half of this year, down from 1.1 percent (about a 2.1 percent annual rate) over the previous six months. The strengths among the coincident indicators, however, have remained very widespread, with all components advancing over the past six months. Meanwhile, real GDP grew by 2.6 percent (annual rate) in the second quarter, up from a 1.5 percent (annual rate) gain in the first quarter.
- The LEI for the U.K. has declined for three consecutive months, and as a result its six-month growth rate has become negative. Meanwhile, the CEI has been stagnant this year, and as a result its six-month growth rate has moderated considerably. Taken together, the current behavior of the composite indexes suggests that the economy is likely to continue to grow in the short-term, but the pace is unlikely to pick up.

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

With the 0.3 percent decrease in July, The Conference Board LEI for the U.K. now stands at 111.5 (2010=100). Based on revised data, this index declined 0.3 percent in June and declined 0.5 percent in May. During the six-month span through July, the leading economic index decreased 0.3 percent, with five of the seven components advancing (diffusion index, six-month span equals 71.4 percent).

The next release is scheduled for Monday, October 12, 2015 at 2:30 P.M. (London time)
In the U.S. – Monday, October 12, 2015 at 9:30 A.M. (ET)

COINCIDENT INDICATORS. Two of the four components that make up The Conference Board CEI for the U.K. increased in July. The positive contributors were employment* and real household disposable income*. Industrial production declined and retail sales remained unchanged in July.

With the increase of 0.1 percent in July, The Conference Board CEI for the U.K. now stands at 105.7 (2010=100). Based on revised data, this index remained unchanged in June and increased 0.2 percent in May. During the six-month period through July, the coincident economic index increased 0.4 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 September 11, 2015. 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	0.0576
2	Expected Output Volume	0.0456
3	Consumer Confidence	0.0977
4	All Share Price Index	0.0351
5	Yield Spread	0.0861
6	Productivity, Whole Economy	0.5608
7	Operating Surplus, Corporations	0.1171

<u>Coincident Economic Index</u>		
1	Industrial Production	0.0695
2	Retail Sales	0.0655
3	Employment	0.6930
4	Real Household Disposable Income	0.1720

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 economic indexes only incorporate revisions to data over the past six months.) The factors above for the leading economic index were calculated using 1977-2013 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 1992-2013 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 -0.085, calculated over the 1970-2013 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 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 Conference Board Leading Economic Index[®] (LEI) for the U.K. news release schedule for 2015:

Monday, October 12, 2015	For	August	2015	data
Friday, November 13, 2015	For	October	2015	data
Tuesday, December 15, 2015	For	September	2015	data

All releases are at 9:30 A.M. (ET).

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The Conference Board U.K. Business Cycle Indicators

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

	2015						
	Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.
Leading index	111.8	112.5	112.5 p	112.7 p	112.1 p	111.8 p	111.5 p
Percent change	0.2	0.6	0.0 p	0.2 p	-0.5 p	-0.3 p	-0.3 p
Diffusion index	57.1	85.7	64.3	64.3	28.6	28.6	35.7
Coincident index	105.3	105.5	105.4 p	105.4 p	105.6 p	105.6 p	105.7 p
Percent change	0.2	0.2	-0.1 p	0.0 p	0.2 p	0.0 p	0.1 p
Diffusion index	87.5	100.0	50.0	75.0	100.0	50.0	62.5

	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	-0.7	-0.4	0.0 p	0.6 p	0.4 p	0.2 p	-0.3 p
Diffusion index	42.9	57.1	71.4	78.6	71.4	71.4	71.4
Coincident index							
Percent change	1.1	1.2	1.0 p	0.9 p	0.6 p	0.5 p	0.4 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	2015						
	Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.
U.K. Leading Economic Index component data							
Order Book Volume, CBI Monthly Enquiry (3 month moving average).....	4.0	6.3	4.7	3.7	-1.3	-3.7	-7.3
Volume of Expected Output, CBI Monthly Enquiry (3 month moving average).....	13.7	18.0	20.0	21.0	17.7	15.7	15.3
Consumer Confidence (3 month moving average).....	2.9	3.3	4.2	5.5	4.5	4.4	3.1
Stock prices, FTSE all share prices index (Apr. 10, 1962=100).....	3556.4	3699.3	3717.0	3788.4	3786.2	3699.5	3626.6
Yield Spread, 10 years minus Bank Rate.....	1.1	1.2	1.3	1.3	1.5	1.7	1.6
Productivity, Whole Economy Index (2011=100, Q)	101.2	101.1	101.1 **	101.1 **	101.2 **	101.3 **	101.4 **
Total Gross Operating Surplus of Corporations (Deflated with IPD, Q)	95012.3	95967.0	95228.5 r	94490.1 r	93750.7 r	93445.3 **	93467.3 **
LEADING INDEX (2010=100).....	111.8	112.5	112.5 p	112.7 p	112.1 p	111.8 p	111.5 p
Percent change from preceding month.....	0.2	0.6	0.0 p	0.2 p	-0.5 p	-0.3 p	-0.3 p
U.K. Leading Economic Index net contributions							
Order Book Volume, CBI Monthly Enquiry (3 month moving average).....	....	0.13	-0.09	-0.06	-0.29	-0.14	-0.21
Volume of Expected Output, CBI Monthly Enquiry (3 month moving average).....	....	0.20	0.09	0.05	-0.15	-0.09	-0.02
Consumer Confidence (3 month moving average).....	....	0.04	0.09	0.13	-0.10	-0.01	-0.13
Stock prices, FTSE all share prices index (Apr. 10, 1962=100).....	....	0.14	0.02	0.07	0.00	-0.08	-0.07
Yield Spread, 10 years minus Bank Rate.....	....	0.10	0.11	0.11	0.13	0.15	0.14
Productivity, Whole Economy Index (2011=100, Q)	....	-0.03	-0.02 **	0.02 **	0.05 **	0.06 **	0.07 **
Total Gross Operating Surplus of Corporations (Deflated with IPD, Q)	....	0.12	-0.09 r	-0.09 r	-0.09 r	-0.04 **	0.00 **

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	2015						
	Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.
U.K. Coincident Economic Index component data							
Industrial Production (2011=100).....	98.8	98.9	99.5	99.7	100.0	99.6	99.2
Retail Sales, Volume (2011=100).....	109.7	110.4	109.7	110.5	110.8 r	110.7 r	110.7
Employment (average, thousands).....	31049.0	31098.0	31053.0	30982.0	31035.0 r	31060.6 **	31086.3 **
Real Household Disposable Income (2011 Chain Price, Q).....	278770.0	278959.0	279363.5 **	279926.3 **	280547.9 **	281170.8 **	281779.8 **
COINCIDENT INDEX (2010=100).....	105.3	105.5	105.4 p	105.4 p	105.6 p	105.6 p	105.7 p
Percent change from preceding month..	0.2	0.2	-0.1 p	0.0 p	0.2 p	0.0 p	0.1 p
U.K. Coincident Economic Index net contributions							
Industrial Production (2011=100).....	....	0.01	0.04	0.01	0.02	-0.03	-0.03
Retail Sales, Volume (2011=100).....	....	0.04	-0.04	0.05	0.02	-0.01 r	0.00
Employment (average, thousands).....	....	0.11	-0.10	-0.16	0.12 r	0.06 **	0.06 **
Real Household Disposable Income (2011 Chain Price, Q).....	....	0.01	0.02 **	0.03 **	0.04 **	0.04 **	0.04 **

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).

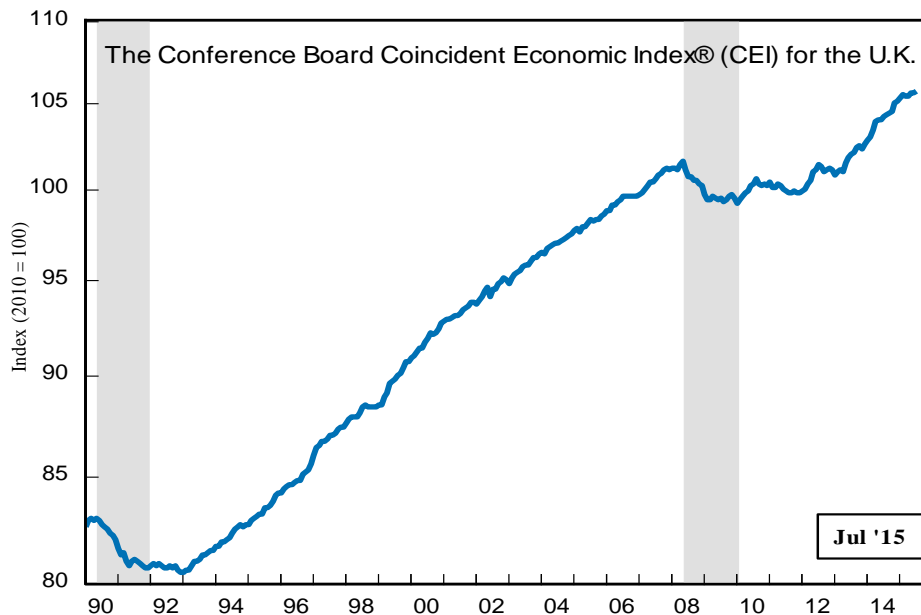
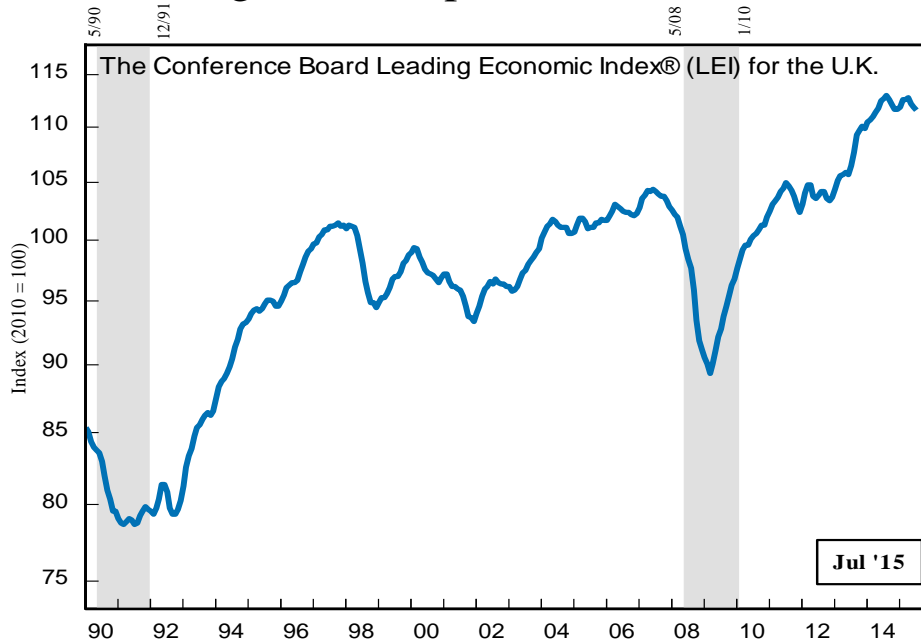
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United Kingdom Composite Economic Indexes



Note: The shaded areas represent business cycle recessions. The peaks and troughs are designated by The Conference Board based on the coincident index and real GDP.

Source: The Conference Board

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