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FOR RELEASE: 10:00 A.M. ET, Thursday, August 21, 2008

The Conference Board® U.S. Business Cycle IndicatorsSM
U.S. LEADING ECONOMIC INDICATORS
AND RELATED COMPOSITE INDEXES FOR JULY 2008

The Conference Board announced today that the U.S. leading index decreased 0.7 percent, the coincident index increased 0.1 percent and the lagging index increased 0.4 percent in July.

- The leading index declined sharply in July, the second decrease in the index in the past three months. Building permits, stock prices, and weekly initial claims (inverted) made very large negative contributions to the index this month, more than offsetting positive contributions from the interest rate spread and consumer expectations. The six-month change in the index stands at -0.9 percent (about a -1.8 percent annual rate), up from the 3.4 percent annual rate of decline at the end of the first quarter of 2008. However, the weaknesses among the leading indicators continue to be very widespread.
- The coincident index increased slightly in July, after remaining unchanged in June. Industrial production contributed positively to the index for the second consecutive month, while employment has continued to decline. The coincident index decreased 0.4 percent (about a -0.7 percent annual rate) from January to July, and all four components declined during this six-month period. In July, the lagging index rose more than the coincident index, and the coincident-to-lagging ratio decreased as a result.
- After stabilizing in March and April, the leading index has reverted to the downward trend that began in the middle of 2007. In addition, the weaknesses among its components have remained widespread in recent months. Meanwhile, the coincident index has gradually decreased this year, and is slightly below its recent highest level in October 2007. Real GDP growth slowed to a 1.4 percent average annual rate in the first half of the year (including a 1.9 percent annual rate in the second quarter), sharply lower than the average annual rate of 2.3 percent in the second half of 2007. Taken together, the current behavior of the composite indexes suggests that the risks for further economic weakening in the near term remain elevated.

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

The leading index now stands at 101.2 (2004=100). Based on revised data, this index remained unchanged in June and decreased 0.1 percent in May. During the six-month span through July, the leading index decreased 0.9 percent, with three out of ten components advancing (diffusion index, six-month span equals 30 percent).

The next release is scheduled for September 18, Thursday at 10 A.M. ET.

COINCIDENT INDICATORS. Three of the four indicators that make up the coincident index increased in July. The positive contributors to the index – beginning with the largest positive contributor – were personal income less transfer payments*, industrial production, and manufacturing and trade sales*. The negative contributor was employees on nonagricultural payrolls.

The coincident index now stands at 106.8 (2004=100). This index remained unchanged in June and decreased 0.2 percent in May. During the six-month period through July, the coincident index decreased 0.4 percent, with none of the components advancing (diffusion index, six-month span equals 0 percent).

LAGGING INDICATORS. The lagging index stands at 112.1 (2004=100) in July, with four of the seven components advancing. The positive contributors to the index – beginning with the largest positive contributor – were change in CPI for services, average duration of unemployment (inverted), commercial and industrial loans outstanding*, and the ratio of consumer installment credit to personal income*. The negative contributor was the change in labor cost per unit of output*. The ratio of manufacturing and trade inventories to sales*, and average prime rate charged by banks* held steady in July. Based on revised data, the lagging index remained unchanged in June and decreased 0.2 percent in May.

DATA AVAILABILITY AND NOTES.

The data series used by The Conference Board to compute the three composite indexes and reported in the tables in this release are those available “as of” 12 Noon on August 19, 2008. Some series are estimated as noted below.

* Series in the leading index that are based on The Conference Board 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 coincident index that are based on The Conference Board estimates are personal income less transfer payments and manufacturing and trade sales. Series in the lagging index that are based on The Conference Board estimates are inventories to sales ratio, consumer installment credit to income ratio, change in labor cost per unit of output, the consumer price index, 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 U.S. Leading Economic Indicators.

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THE CYCLICAL INDICATOR APPROACH. The composite indexes are the key elements in an analytic system designed to signal peaks and troughs in the business cycle. The leading, coincident, and lagging indexes are essentially composite averages of between four and ten 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 leading index have occurred before those in aggregate economic activity, while the cyclical turning points in the coincident index have occurred at about the same time as those in aggregate economic activity. The cyclical turning points in the lagging index generally have occurred after those in aggregate economic activity.

U.S. Composite Indexes: Components and Standardization Factors

<u>Leading Index</u>	<u>Factor</u>
1 Average weekly hours, manufacturing	0.2552
2 Average weekly initial claims for unemployment insurance	0.0307
3 Manufacturers' new orders, consumer goods and materials	0.0773
4 Index of supplier deliveries – vendor performance	0.0668
5 Manufacturers' new orders, nondefense capital goods	0.0183
6 Building permits, new private housing units	0.0271
7 Stock prices, 500 common stocks	0.0391
8 Money supply, M2	0.3550
9 Interest rate spread, 10-year Treasury bonds less federal funds	0.1021
10 Index of consumer expectations	0.0284
<u>Coincident Index</u>	
1 Employees on nonagricultural payrolls	0.5426
2 Personal income less transfer payments	0.1890
3 Industrial production	0.1493
4 Manufacturing and trade sales	0.1191
<u>Lagging Index</u>	
1 Average duration of unemployment	0.0373
2 Inventories to sales ratio, manufacturing and trade	0.1239
3 Labor cost per unit of output, manufacturing	0.0615
4 Average prime rate	0.2822
5 Commercial and industrial loans	0.1112
6 Consumer installment credit to personal income ratio	0.1880
7 Consumer price index for services	0.1959

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 April 2008, and all historical values for the three composite indexes were revised at this time to reflect the changes. (Under normal circumstances, updates to the leading, coincident, and lagging indexes only incorporate revisions to data over the past six months.) The factors for the leading index were calculated using 1984-2006 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 indexes was 1959-2006. 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: www.conference-board.org/economics/bci.

The trend adjustment factor for the leading index is -0.0164, and the trend adjustment factor for the lagging index is 0.1644.

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 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.

U.S. Leading Economic Indicators news release schedule for 2008:

Thursday, September 18, 2008	for August 2008 data
Monday, October 20, 2008	for September 2008 data
Thursday, November 20, 2008	for October 2008 data
Thursday, December 18, 2008	for November 2008 data

All releases are at 10:00 AM ET.

ABOUT THE CONFERENCE BOARD. The Conference Board is the premier business membership and research network founded in 1916. It has become a global leader in helping executives build strong professional relationships, expand their business knowledge and find solutions to a wide range of business challenges. The Conference Board's Economics Program is a recognized source of forecasts, economic analysis and objective indicators such as the Leading Economic Indicators and the Consumer Confidence Index.

This role is part of a long tradition of research and education that stretches back to the compilation of the first continuous measure of the cost of living in the United States in 1919. In 1995, The Conference Board assumed responsibility for computing the composite indexes from the U.S. Department of Commerce. The Conference Board now produces business cycle indexes for the U.S., Australia, France, Germany, Korea, Japan, Mexico, Spain and the U.K. To subscribe to any of these indexes, please visit www.conference-board.org/economics/bci or contact the customer service department at 212-339-0345 or email indicators@conference-board.org.

AVAILABLE FROM THE CONFERENCE BOARD

U.S. Business Cycle Indicators Internet Subscription	\$ 635 per year (1 user)
<i>(Includes monthly release, data, charts and commentary)</i>	
Individual Data Series	\$ 35 per series downloaded
Monthly BCI Report	\$ 275 per year
<i>(Sample available at http://www.conference-board.org/publications/describeBCI.cfm)</i>	
BCI Handbook (published 2001)	\$ 20
Corporate Site License	contact Indicators Program at (212) 339-0330

Business Cycle Indicators for Australia, France, Germany, Japan, Korea, Mexico, Spain and the UK are available at \$635 per country per year (1 user). Discounts are available to Associates of The Conference Board and accredited academic institutions.

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Table 1.--Summary of Composites Indexes

	2008						
	Jan	Feb	Mar	Apr	May	Jun	Jul
Leading index	102.1	101.9	101.9	102.0	101.9 r	101.9 r	101.2 p
Percent change	-.5	-.2	.0	.1	-.1 r	.0 r	-.7 p
Diffusion index	45.0	35.0	50.0	55.0	25.0	45.0	40.0
Coincident index	107.2	106.9	106.9	106.9	106.7 r	106.7 p	106.8 p
Percent change	.0	-.3	.0	.0	-.2 r	.0 p	.1 p
Diffusion index	50.0	12.5	37.5	37.5	12.5	62.5	87.5
Lagging index	111.2	111.8	112.0 r	111.9 r	111.7 r	111.7 p	112.1 p
Percent change	.3	.5	.2 r	-.1	-.2	.0 p	.4 p
Diffusion index	57.1	78.6	57.1	57.1	42.9	57.1	64.3
Coincident-lagging ratio	96.4	95.6	95.4	95.5 r	95.5	95.5 p	95.3 p
	July to	Aug to	Sep to	Oct to	Nov to	Dec to	Jan to
	Jan	Feb	Mar	Apr	May	Jun	Jul
Leading index							
Percent change	-2.4	-1.6	-1.7	-1.2	-.9	-.7	-.9
Diffusion index	20.0	20.0	30.0	30.0	30.0	40.0	30.0
Coincident index							
Percent change	.3	-.2	-.3	-.4	-.5	-.5	-.4
Diffusion index	75.0	50.0 r	12.5	.0	.0	25.0	.0
Lagging index							
Percent change	1.8	2.1	1.8	1.5	1.0	.7	.8
Diffusion index	57.1	85.7	85.7	85.7	71.4	42.9	57.1

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 www.conference-board.org/economics/bci

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

Component	2008						
	Jan	Feb	Mar	Apr	May	Jun	Jul
Leading index component data							
Average workweek, production workers, mfg. (hours).....	41.1	41.1	41.2	41.0	41.0 r	41.0 r	41.0
Average weekly initial claims, state unemployment insurance (thousands)*.	339.2	346.0	374.8	367.3	369.0	390.5	420.8
Manufacturers' new orders, consumer goods and materials (mil. 1982 dol.).....	141,017	139,342 r	138,436	137,235	134,632 r	135,646 r	135,555 **
Index of supplier deliveries -- vendor performance (percent).....	52.8	50.1	53.6	54.0	53.7	55.1	55.1
Manufacturers' new orders, nondefense capital goods (mil. 1982 dol.).....	48,524	49,082 r	49,658	48,268	48,225 r	46,491 r	47,028 **
Building permits (thous.).....	1,052	981	932	982	978	1,138 r	937
Stock prices, 500 common stocks (c) (index: 1941-43=10).....	1,378.76	1,354.87	1,316.94	1,370.47	1,403.22	1,341.25	1,257.33
Money supply, M2 (bil. chn. 2000 dol.)....	6,230.7 r	6,310.6 r	6,356.1 r	6,354.3 r	6,332.7 r	6,284.1 r	6,276.8 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	-0.20	0.76	0.90	1.40	1.90	2.10	2.00
Index of consumer expectations (c) (1966:1=100).....	68.1	62.4	60.1	53.3	51.1	49.2	53.5
LEADING INDEX (2004=100).....	102.1	101.9	101.9	102.0	101.9 r	101.9 r	101.2 p
Percent change from preceding month..	-0.5	-0.2	0.0	0.1	-0.1 r	0.0 r	-0.7 p
Leading index net contributions							
Average workweek, production workers, mfg.....	....	.00	.06	-.12	.00 r	.00 r	.00
Average weekly initial claims, state unemployment insurance.....	....	-.06	-.25	.06	-.01	-.17	-.23
Manufacturers' new orders, consumer goods and materials.....	....	-.09	-.05 r	-.07	-.15 r	.06 r	-.01 **
Index of supplier deliveries -- (vendor performance).....	....	-.18	.23	.03	-.02	.09	.00
Manufacturers' new orders, nondefense capital goods.....	....	.02	.02	-.05	.00 r	-.07 r	.02 **
Building permits.....	....	-.19	-.14	.14	-.01	.41 r	-.53
Stock prices, 500 common stocks (c)	....	-.07	-.11	.16	.09	-.18	-.25
Money supply, M2.....	....	.45	.26 r	-.01	-.12 r	-.27	-.04 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	....	.08	.09	.14	.19	.21	.20
Index of consumer expectations (c)	....	-.16	-.07	-.19	-.06	-.05	.12

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 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 Coincident and Lagging Indexes

Component	2008						
	Jan	Feb	Mar	Apr	May	Jun	Jul
Coincident index component data							
Employees on nonagricultural payrolls (thousands).....	138,002	137,919	137,831	137,764	137,717 r	137,666 r	137,615
Personal income less transfer payments (ann. rate, bil. chn. 2000 dol.).....	8,481.2 r	8,484.3 r	8,482.3 r	8,474.0 r	8,462.2 r	8,421.6 r	8,455.4 **
Industrial production (index: 2002=100).....	112.570	112.260 r	111.981 r	111.344 r	111.150 r	111.590 r	111.842
Manufacturing and trade sales (mil. chn. 2000 dol.).....	968,367 r	954,429 r	954,909 r	965,624 r	960,628 r	963,919 **	965,357 **
COINCIDENT INDEX (2004=100).....	107.2	106.9	106.9	106.9	106.7 r	106.7 p	106.8 p
Percent change from preceding month.....	0.0	-0.3	0.0	0.0	-0.2 r	0.0 p	0.1 p
Coincident index net contributions							
Employees on nonagricultural payrolls.....	....	-.03	-.03	-.03	-.02	-.02	-.02
Personal income less transfer payments....	....	.01	.00 r	-.02 r	-.03 r	-.09 r	.08 **
Industrial production.....	....	-.04 r	-.04 r	-.09 r	-.03	.06 r	.03
Manufacturing and trade sales.....	....	-.17 r	.01 r	.13 r	-.06 r	.04 **	.02 **
Lagging index component data							
Average duration of unemployment (weeks)*.....	17.5	16.8	16.2	16.9	16.6	17.5	17.1
Ratio, manufacturing and trade inventories to sales (chain 2000 dol.).....	1.329 r	1.348 r	1.341 r	1.322	1.325 r	1.325 **	1.325 **
Change in index of labor cost per unit of output, mfg. (6-month percent, ann. rate).	3.3 r	3.9 r	4.3 r	5.00	3.7 r	4.5 r	4.3 **
Average prime rate charged by banks (percent).....	6.98	6.00	5.66	5.24	5.00	5.00	5.00
Commercial and industrial loans outstanding (mil. chn. 2000 dol.).....	775,629 r	788,466 r	787,902 r	799,564 r	794,304 r	777,657 r	778,686 **
Ratio, consumer installment credit out- standing to personal income (percent).....	21.22 r	21.23 r	21.26 r	21.28 r	20.97 r	21.07 r	21.08 **
Change in CPI for services (6-month percent, ann. rate).....	3.3	3.4	3.5	3.6	3.9	4.3	4.8
LAGGING INDEX (2004=100).....	111.2	111.8	112.0 r	111.9 r	111.7 r	111.7 p	112.1 p
Percent change from preceding month.....	.3	.5	.2 r	-.1	-.2	.0 p	.4 p
Lagging index net contributions							
Average duration of unemployment.....	....	.15	.14	-.16	.07	-.20	.09
Ratio, manufacturing and trade inventories to sales.....	....	.18 r	-.06	-.18 r	.03 r	.00 **	.00 **
Change in index of labor cost per unit of output, mfg.....	....	.04 r	.02 r	.04 r	-.08 r	.05 r	-.01 **
Average prime rate charged by banks.....	....	-.28	-.10	-.12	-.07	.00	.00
Commercial and industrial loans outstanding.....	....	.18 r	-.01 r	.16 r	-.07 r	-.24 r	.01 **
Ratio, consumer installment credit out- standing to personal income.....	....	.01 r	.03	.02 r	-.28 r	.09 r	.01 **
Change in CPI for services.....	....	.02	.02	.02	.06	.08	.10

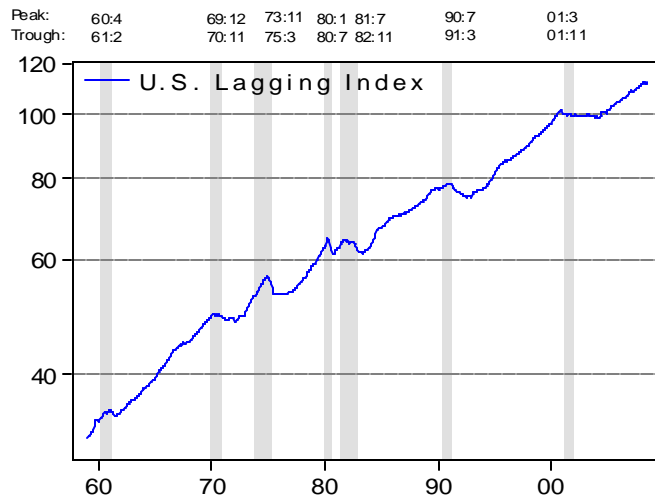
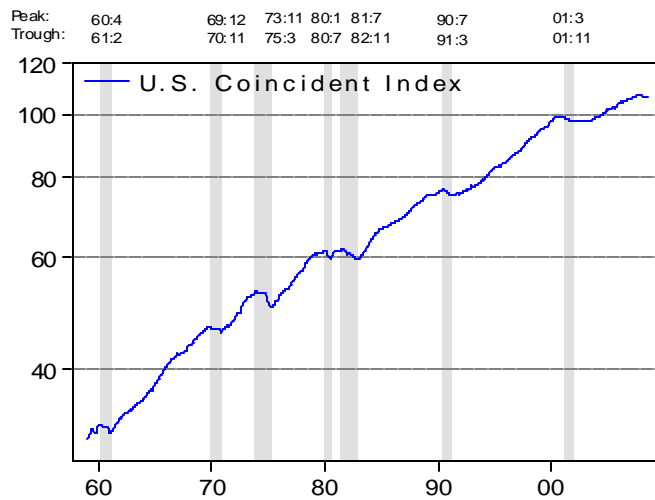
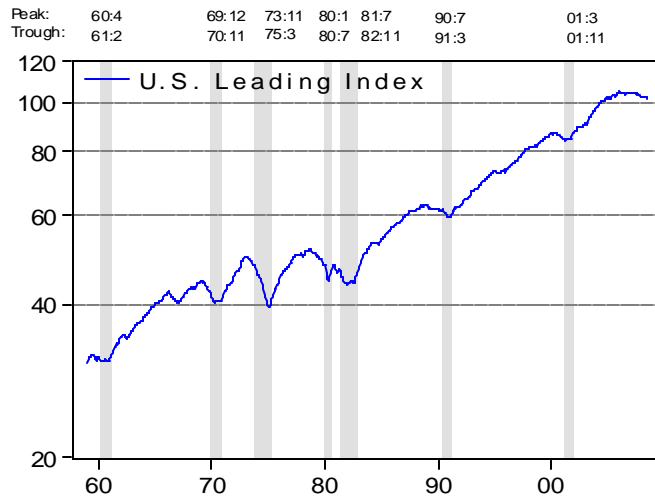
CPI Consumer Price Index. For additional notes see table 2.

* 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 Indexes (2004=100)



Shaded areas represent recessions.

Source: The Conference Board