



THE CONFERENCE BOARD

Brussels    Copenhagen    Frankfurt    Hong Kong    London    Mexico City    New Delhi    Ottawa  
New York    Chicago    San Francisco    Washington

FOR RELEASE: 11:00 A.M. ET, FRIDAY, JUNE 18, 2004

The Conference Board<sup>®</sup> Mexico Business Cycle Indicators<sup>SM</sup>  
**MEXICO LEADING ECONOMIC INDICATORS**  
AND RELATED COMPOSITE INDEXES FOR APRIL 2004

The Conference Board announced today that the leading index for Mexico decreased 0.3 percent and the coincident index increased 0.3 percent in April.

- The leading index fell slightly in April following six consecutive gains, with the real exchange rate and stock prices being the major contributors to this month's weakness. The growth rate of the leading index has been fluctuating around a 3.5 percent average annual rate since September 2003, and growth has continued to be strong and widespread so far this year. The coincident index increased again in April, keeping it on a flat to slightly rising trend.
- Consistent with the improving growth rate of the leading index, real GDP growth picked up to a 5.9 percent average annual rate over the last two quarters (although GDP growth continues to be volatile from quarter to quarter). The continued upward trend in the leading index suggests that the recent rate of economic growth is likely to persist in the near term.

LEADING INDICATORS. Three of the six components that make up the leading index increased in April. The positive contributors to the index—from the largest positive contributor to the smallest one—are net insufficient inventories, US refiners acquisition cost of domestic and imported crude oil, and the (inverted) federal funds rate. The (inverted) real exchange rate, stock prices, and the industrial production construction component\* declined in April.

With the 0.3 percent decrease in April, the leading index now stands at 108.1 (1990=100). Based on revised data, this index increased 0.3 percent in March and increased 0.4 percent in February. During the six-month span through April, the index increased 1.8 percent, with five of the six components increasing (diffusion index, six-month span equals 83.3 percent).

The next release is scheduled for July 16, 2004 at 11:00 A.M. (ET)  
*In Mexico – July 16, 2004 at 10:00 A.M. (MEX)*

\*See notes under data availability.

COINCIDENT INDICATORS. All four components that make up the coincident index increased in April. The positive contributors were industrial production, the (inverted) unemployment rate, the number of people employed (measured by IMSS beneficiaries), and retail sales\*.

With the 0.3 percent increase in April, the coincident index now stands at 113.7 (1990=100). Based on revised data, this index increased 0.3 percent in March and held steady in February. During the six-month span through April, the index increased 0.5 percent, with three of the four components increasing (diffusion index, six-month span equals 50.0 percent).

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. June 17, 2004. Some series are estimated as noted below.

NOTES: Series in the leading index based on The Conference Board estimates include industrial production - construction component. The series in the coincident index based on The Conference Board estimates include retail sales.

Professional Contacts at The Conference Board:  
Indicator Program: 1-212-339-0330

Media Contacts:  
Randy Poe: 1-212-339-0234  
Frank Tortorici: 1-212-339-0231

Website: <http://www.globalindicators.org>

\*\*\* \*\*

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 and coincident indexes are essentially composite averages of between four and nine 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 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.

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: [www.globalindicators.org](http://www.globalindicators.org).

Mexico Composite Indexes: Components and Standardization Factors

<u>Leading Index</u>	<u>Factor</u>
1. Industrial Production, Construction Component	.0262
2. Stock Prices	.0168
3. U.S. Refiners' Acquisition Cost of Domestic and Imported Crude Oil	.0272
4. Net Insufficient Inventories	.1255
5. Federal Funds Rate	.0289
6. Real Exchange Rate	.7754

<u>Coincident Index</u>	
1. Industrial Production	.1086
2. Retail Sales	.0504
3. Employment	.1663
4. Unemployment Rate	.6747

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. (Under normal circumstances, updates to the leading and coincident indexes only incorporate revisions to data over the past six months.)

The factors above were calculated using 1985-1999 as the sample period for measuring volatility for the leading index, and 1986-1999 as the sample period for the coincident index. There are additional sample periods as the result of different starting dates for the component data. When one or more components is 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 Web site: [www.globalindicators.org](http://www.globalindicators.org).

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 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 2003 schedule for the Mexico “Leading Economic Indicators” news release is:

May 2004 Data ... Friday, July 16, 2004  
June 2004 Data ... Friday, August 13, 2004  
July 2004 Data ... Friday, September 17, 2004

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

ABOUT THE CONFERENCE BOARD. Founded in 1916, The Conference Board is the premier business membership and research network. The Conference Board 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 Board’s Economics Program, under the direction of Chief Economist Gail Fosler, 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.globalindicators.org](http://www.globalindicators.org), contact the Global Indicators Research Institute at 212-339-0312, or email [indicators@conference-board.org](mailto:indicators@conference-board.org).

### AVAILABLE FROM THE CONFERENCE BOARD

Mexico Business Cycle Indicators Internet Subscription <i>(Includes monthly release, data, charts and commentary)</i>	\$ 500 per year (1 user)
Individual Data Series	\$ 15 per series downloaded
Monthly BCI Report <i>(Sample available on request)</i>	\$ 130 per year
Monthly News Release (fax or email)	\$ 45 per year
BCI Handbook (published 2001)	\$ 20
Corporate Site License	\$2,600 per year

Business Cycle Indicators for Australia, France, Germany, Japan, Korea, Mexico, Spain and the U.K. are available at \$500 per country per year (1 user). Discounts are available to Associates of The Conference Board and accredited academic institutions.

## The Conference Board Mexico Business Cycle Indicators

**Table 1.--Summary of Mexico Composites Indexes**

	2003							2004
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	
Leading index	106.2	106.7 r	106.8 r	107.7 r	108.1 r	108.4 r	108.1 p	
Percent change	0.3	0.5 r	0.1 r	0.8 r	0.4 r	0.3 r	-0.3 p	
Diffusion index	66.7	83.3	66.7	100.0	66.7	75.0	50.0	
Coincident index	113.1	113.2	113.4	113.1	113.1	113.4 r	113.7 p	
Percent change	0.3	0.1	0.2	-0.3	0.0	0.3 r	0.3 p	
Diffusion index	75.0	75.0	50.0	37.5	62.5	75.0	100.0	
	Apr to	May to	Jun to	Jul to	Aug to	Sep to	Oct to	
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	
Leading index								
Percent change	0.4	0.7 r	0.6 r	1.3 r	1.8 r	2.4 r	1.8 p	
Diffusion index	66.7	83.3	66.7	66.7	75.0	83.3	83.3	
Coincident index								
Percent change	-0.1	-0.3	0.0	-0.2	0.1	0.5 r	0.5 p	
Diffusion index	75.0	75.0	50.0	50.0	62.5	50.0	75.0	

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.globalindicators.org](http://www.globalindicators.org)

Source: The Conference Board All Rights Reserved

## The Conference Board Mexico Business Cycle Indicators

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

Component	2003						2004
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
Mexico Leading index component data							
Industrial Production, Construction Component Index, 1995=100 **	135.8 r	134.7	137.0 r	138.5 r	141.8 r	142.3 r	142.0 **
Stock Prices, IPC35 (BOLSA) October 1978=0.78	8064.83	8554.48	8795.28	9428.77	9991.80	10517.50	9948.13
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel	27.75	28.28	29.28	30.95	31.73 r	33.10 r	33.69
Net Insufficient Inventories Difference, (3 month moving average), Survey	-12.23 r	-10.90 r	-10.48 r	-10.10 r	-8.56 r	-7.62 r	-6.31
Federal Funds, Money Market Rate* Percentage, Monthly Average	5.60	5.35	6.40	5.36	5.79	6.49	6.17
Real Exchange Rate, (Central Bank Settlement Rate)* Peso/US\$, Monthly Average	19.55	19.26 r	19.46 r	18.86 r	18.94 r	18.95 r	19.40
<b>LEADING INDEX (1990=100)</b>	<b>106.2</b>	<b>106.7 r</b>	<b>106.8 r</b>	<b>107.7 r</b>	<b>108.1 r</b>	<b>108.4 r</b>	<b>108.1 p</b>
Percent change from preceding month		0.5 r	0.1 r	0.8 r	0.4 r	0.3 r	-0.3 p
Mexico Leading index net contributions							
Industrial Production, Construction Component Index, 1995=100 **	....	-0.02	0.04	0.03 r	0.06 r	0.01 r	-0.01 **
Stock Prices, IPC35 (BOLSA) October 1978=0.78	....	0.10	0.05	0.12	0.10	0.09	-0.09
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel	....	0.05	0.09	0.15	0.07	0.11 r	0.05
Net Insufficient Inventories Difference, (3 month moving average), Survey	....	0.17 r	0.05 r	0.05 r	0.19 r	0.12 r	0.16
Federal Funds, Money Market Rate* Percentage, Monthly Average	....	0.01	-0.03	0.03	-0.01	-0.02	0.01
Real Exchange Rate, (Central Bank Settlement Rate)* Peso/US\$, Monthly Average	....	0.22 r	-0.16 r	0.47 r	-0.06 r	-0.01 r	-0.35

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, OECD, IMF, Thomson Financial**

## The Conference Board Mexico Business Cycle Indicators

**Table 3.--Data and Net Contributions for Mexico Coincident Index**

Component	2003						2004
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
	Mexico Coincident Index Component Data						
Industrial Production, Index, (1993=100), 3 month moving average..	132.4	131.7	131.5	128.7	127.5	131.4 r	133.9
Retail Sales ** Index, (1995=100), monthly average.....	133.8	134.0	134.4	135.6	137.1	137.9 r	138.2 **
Employment, IMSS Beneficiaries Thousands, monthly average.....	13989	14089	14051	14045	14118	14186	14205
Unemployment Rate* Percentage, 3 month moving average.....	3.82	3.77	3.46	3.52	3.56	3.86	3.79
<b>COINCIDENT INDEX (1990=100)</b>	<b>113.1</b>	<b>113.2</b>	<b>113.4</b>	<b>113.1</b>	<b>113.1</b>	<b>113.4 r</b>	<b>113.7 p</b>
Percent change from preceding month.....		0.1	0.2	-0.3	0.0	0.3 r	0.3 p
	Mexico Coincident index net contributions						
Industrial Production, Index, (1993=100), 3 month moving average..	....	-0.06	-0.02	-0.23	-0.10 r	0.32 r	0.20
Retail Sales ** Index, (1995=100), monthly average.....	....	0.01	0.01	0.04	0.06	0.03 r	0.01 **
Employment, IMSS Beneficiaries Thousands, monthly average.....	....	0.12	-0.04	-0.01	0.09	0.08	0.02
Unemployment Rate* Percentage, 3 month moving average.....	....	0.04	0.21	-0.04	-0.03	-0.20	0.05

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

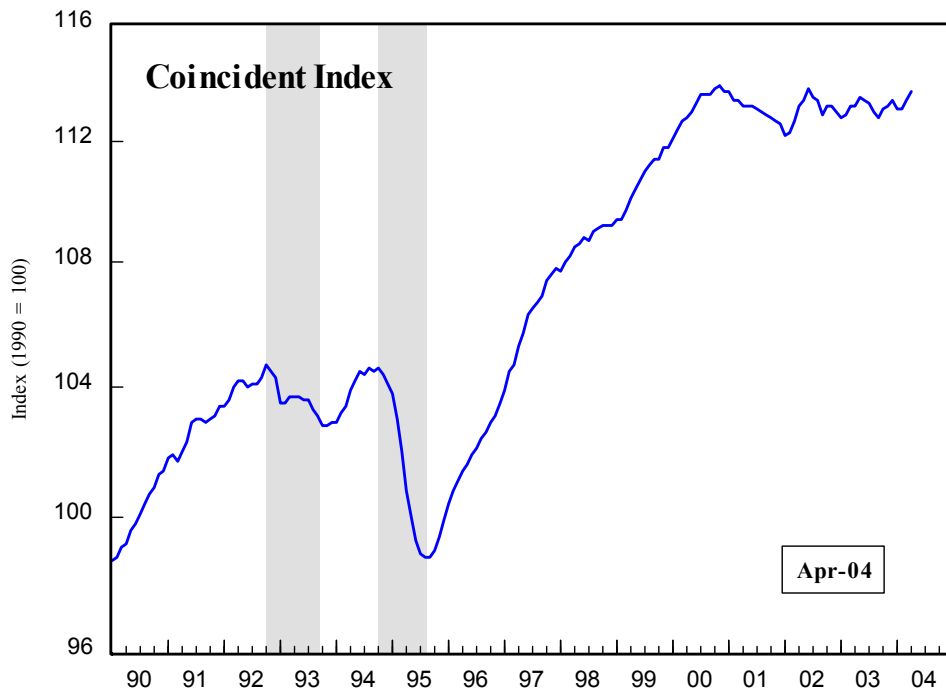
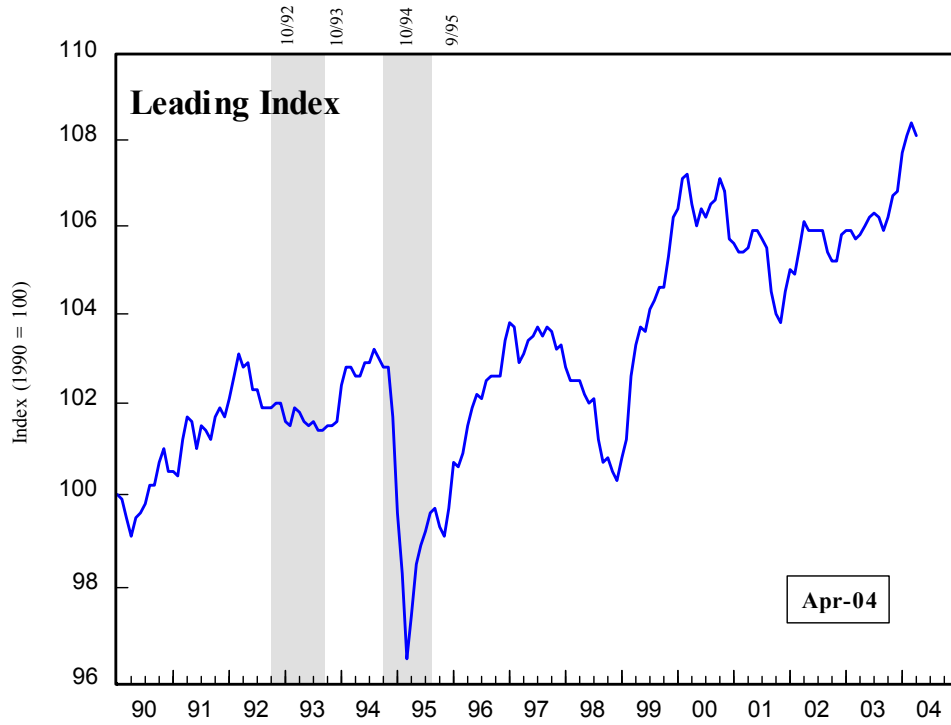
\* Inverted series; a negative change in this component makes a positive contribution to the index.

\*\* 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, Bank of Mexico, OECD, IMF, Thomson Financial**

# Mexico



Source: The Conference Board

Note: Shaded areas represent business cycle recessions in Mexico