



THE CONFERENCE BOARD

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FOR RELEASE: 9:00 A.M. ET, TUESDAY, MARCH 18, 2003

The Conference Board® Spain Business Cycle IndicatorsSM
SPAIN LEADING ECONOMIC INDICATORS
AND RELATED COMPOSITE INDEXES FOR JANUARY 2003

The Conference Board announced today that the leading index for Spain decreased 0.1 percent and the coincident index increased 0.4 percent in January.

- After rising strongly in October and November 2002, the leading index declined again in January. A sharp drop in the order books survey, coupled with a sluggish stock market, contributed to this month's decline in the leading index.
- The coincident index continued its modest but sustained growth into January. The strength in the components of the coincident index is still widespread, as shown by the six-month diffusion index staying at 100 percent for the last six months.
- Taken together, the composite indexes suggest that the pace of economic activity in Spain is likely to continue on an upward trend but the two consecutive monthly declines in the leading index point to a downside risk, which could lead to a slowdown.

LEADING INDICATORS. Only two of the seven components that make up the leading index increased in January. The positive contributors—in order from the larger positive contributor to the smaller one—are inverted long-term government bond yield and the Spanish contribution to Euro M2. Four of the seven components that make up the leading index decreased in January. The negative contributors—in order from the largest negative contributor to the smallest—include the order books survey, the Spanish equity price index, the construction component of industrial production, and the capital equipment component of industrial production. Job placings remained unchanged in January.

With the decrease of 0.1 percent in January, the leading index now stands at 155.1 (1990=100). Based on revised data, this index decreased 0.3 percent in December and increased 1.3 percent in November. During the six-month span through January, the index increased 3.3 percent, and five of the seven components advanced (diffusion index, six-month span equals 71.4 percent).

**See notes under data availability.*

The next release is scheduled for April 17, 2003 at 9:00 A.M. (ET)
In Spain –April 17, 2003 at 3:00 P.M. (CET)

COINCIDENT INDICATORS. Three of the four components that make up the coincident index increased in January. The positive contributors—in order from the largest positive contributor to the smallest—include the retail sales survey, final household consumption*, and real imports*. Industrial production excluding construction* remained unchanged in January.

With the increase of 0.4 percent in January, the coincident index now stands at 137.1 (1990=100). Based on revised data, this index held steady in December and increased 0.2 percent in November. During the six-month span through January, the index increased 1.8 percent, and all four components advanced (diffusion index, six-month span equals 100.0 percent).

FOR TABLES AND CHARTS, SEE BELOW

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. (ET) March 14, 2003. Some series are estimated as noted below.

NOTES: Series in the coincident index based on The Conference Board estimates include final household consumption, industrial production excluding construction, and real imports. Series in the leading index based on The Conference Board estimates are construction component of industrial production and capital equipment component of industrial production.

Professional Contacts at The Conference Board:	Media Contacts:
Ataman Ozyildirim: 1-212-339-0399	Frank Tortorici: 1-212-339-0231
Website: http://www.globalindicators.org	Randy Poe: 1-212-339-0234

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.

Spain Composite Indexes: Components and Standardization Factors

<u>Leading Index</u>	<u>Factor</u>
1. Construction Component of Industrial Production	.1946
2. Capital Equipment Component of Industrial Production	.0381
3. Contribution to Euro M2	.3814
4. Stock Price Index	.0387
5. Long term Government Bond Yield	.0660
6. Order Books Survey	.1842
7. Job Placings	.1004

<u>Coincident Index</u>	
1. Final Household Consumption	.6215
2. Industrial Production, Excluding Construction	.2477
3. Retail Sales Survey	.0611
4. Real Imports	.0697

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 1984-2000 as the sample period for measuring volatility for the leading index and 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.

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 2002 schedule for the Spain “Leading Economic Indicators” news release is:

February 2003 Data.....

Thursday April 17, 2003

All releases are at 9:00 A.M (ET), 3:00 P.M. (CET)

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, contact the Global Indicators Research Institute at 212-339-0312, or email indicators@conference-board.org.

AVAILABLE FROM THE CONFERENCE BOARD

Spain Business Cycle Indicators Internet Subscription <i>(Includes monthly release, data, charts and commentary)</i>	\$ 500 per year (1 user)
Individual Data Series	\$ 25 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 Spain Business Cycle Indicators

Table 1.--Summary of Spain Composites Indexes

	Jul.	Aug.	2002 Sep.	Oct.	Nov.	Dec.	2003 Jan.
Leading index	150.1	149.8 r	149.7 r	153.6 r	155.6 r	155.2 r	155.1 p
Percent change	-0.5	-0.2 r	-0.1 r	2.6 r	1.3 r	-0.3 r	-0.1 p
Diffusion index	42.9	57.1	57.1	100.0	57.1	28.6	35.7
Coincident index	134.7	135.2	135.5 r	136.2 r	136.5 r	136.5 r	137.1 p
Percent change	0.3	0.4	0.2 r	0.5 r	0.2 r	0.0 r	0.4 p
Diffusion index	50.0	87.5	87.5	62.5	100.0	50.0	50.0
	Jan to Jul.	Feb to Aug.	Mar to Sep.	Apr to Oct.	May to Nov.	Jun to Dec.	Jul to Jan.
Leading index							
Percent change	1.7	0.9 r	1.9 r	4.0 r	4.5 r	2.8 r	3.3 p
Diffusion index	57.1	42.9	85.7	85.7	85.7	71.4	71.4
Coincident index							
Percent change	0.8	0.8 r	1.0 r	1.2 r	1.6 r	1.6 r	1.8 p
Diffusion index	75.0	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.

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The Conference Board Spain Business Cycle Indicators

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

Component	2002						2003
	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.
Spain Leading Index component data							
Construction Component of Industrial Production (3 month moving average).....	129.7	127.9	130	131.65	133.4	132.43	132.34 **
Capital Equipment Component of Industrial Production(3 month moving average, s.a.).....	109.0	112.0	117.6	123.2	117.6	116.3	116.1 **
Spanish Contribution to Euro M2 (s.a.).....	474522.50 r	476892.05 r	473961.91 r	478758.16 r	484975.45 r	483271.19 r	489766.60
Spanish Equity Price Index.....	221.4	226.1	194.6	217.2	234.2	214.1	210.7
Longterm Government Bond Yield (Inverted).....	0.211	0.226	0.238	0.243	0.239	0.249	0.270
Order Books Survey (3 month moving average, s.a.).....	6.27 r	2.05 r	0.23 r	5.62 r	9.60 r	10.32 r	4.91
Job Placings (3 month moving average, s.a.).....	1128467.3	1124397.0	1160238.4	1180966.1	1157877.3	1154338.2	1153999.2
LEADING INDEX (1990=100).....	150.1	149.8 r	149.7 r	153.6 r	155.6 r	155.2 r	155.1 p
Percent change from preceding month.....	-0.5	-0.2 r	-0.1 r	2.6 r	1.3 r	-0.3 r	-0.1 p
Spain Leading index net contributions							
Construction Component of Industrial Production(3 month moving average, s.a.).....	....	-0.27	0.28	0.29	0.26	-0.15	-0.01 **
Capital Equipment Component of Industrial Production(3 month moving average, s.a.).....	....	0.10	0.19	0.18	-0.18	-0.04 r	-0.01 **
Spanish Contribution to Euro M2 (s.a.).....	....	0.19 r	-0.24 r	0.38 r	0.49 r	-0.13 r	0.51
Spanish Equity Price Index.....	....	0.08	-0.58	0.42	0.29	-0.35	-0.06
Longterm Government Bond Yield (Inverted).....	....	0.47	0.32	0.14	-0.10	0.26	0.53
Order Books Survey (3 month moving average, s.a.).....	....	-0.78 r	-0.34 r	0.99 r	0.73 r	0.13 r	-1.00
Job Placings (3 month moving average, s.a.).....	....	-0.04	0.32	0.18	-0.20	-0.03	0.00

p Preliminary. r Revised. s.a. Seasonally Adjusted

* 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: Ministerio de Economía y Hacienda, IMF, OECD,

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 Spain Coincident Index

Component	2002						2003
	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.
Spain Coincident index component data							
Final Household Consumption (Q).....	80.8 r	80.8 r	80.8 r	81.1 r	81.4 r	81.6 r	81.9 **
Industrial Production, Excluding Construction (3 month moving average).....	118 r	118.0 r	118.5 r	118.8 r	118.9 r	118.6 r	118.6 **
Real Imports (3 month moving average).....	12562.10	13104.70	13348.90	13638.30	13544.50	13983.40 r	14042.30 **
Retail Sales Survey (s.a.) #.....	105.7 r	106.5 r	105.8 r	108.4 r	108.1 r	103.8 r	107.6
COINCIDENT INDEX (1990=100).....	134.7	135.2	135.5 r	136.2 r	136.5 r	136.5 r	137.1 p
Percent change from preceding month.....	0.3	0.4	0.2 r	0.5 r	0.2 r	0.0 r	0.4 p
Spain Coincident index net contributions							
Final Household Consumption (Q).....	....	0.00	0.03	0.20 r	0.23 r	0.18 r	0.17 **
Industrial Production, Excluding Construction (3 month moving average).....	....	0.07 r	0.10 r	0.07 r	0.01 r	-0.07 r	0.00 **
Real Imports (3 month moving average).....	....	0.26	0.11	0.13	-0.04	0.19 r	0.03 **
Retail Sales Survey (s.a.) #.....	....	0.05 r	-0.05 r	0.17 r	-0.02 r	-0.28 r	0.25

p Preliminary. r Revised. s.a. Seasonally Adjusted

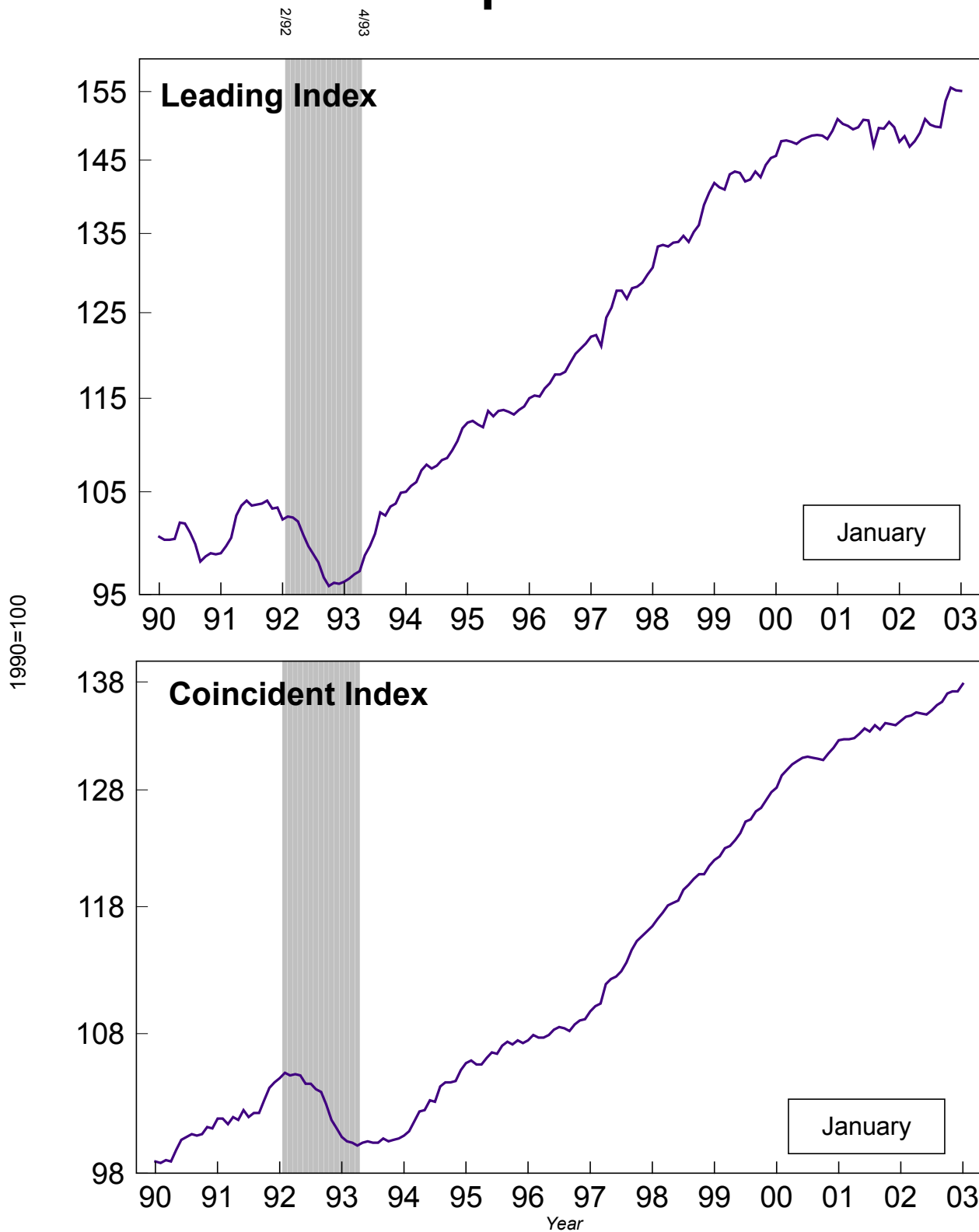
* Inverted series; a negative change in this component makes a positive contribution to the index.

Since April 2002, the Retail Sales Survey rebased from 1995=100 to 2001=100

Data Sources: Ministerio de Economía y Hacienda, IMF, OECD,

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).

Spain



Source: The Conference Board

Note: Shaded areas represent business cycle
recession in Spain

