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**FOR RELEASE: 12:30 P.M. ET, THURSDAY, FEBRUARY 20, 2003**

The Conference Board® U.S. Business Cycle Indicators<sup>SM</sup>

**U.S. LEADING ECONOMIC INDICATORS  
AND RELATED COMPOSITE INDEXES FOR JANUARY 2003**

**This release reflects revisions to vendor performance that were not included in our 10 AM release. These revisions were minor and affected the U.S. Leading Index only. The index level in January remains the same, but the index level for December is higher than earlier reported. As a result, the January monthly change is now -0.1 percent.**

The Conference Board announced today that the U.S. leading index decreased 0.1 percent, the coincident index increased by 0.2 percent, and the lagging index decreased 0.1 percent in January.

- A sharp drop in claims for unemployment insurance offset the weak expectations of consumers in January. The leading index remains well above its peak prior to the 2001 recession and just below the previous high achieved in May 2002.
- The coincident index turned up again in January after pausing in the last quarter of 2002. This month's increase in the coincident index, the largest in six months, is consistent with the gains in the leading index late last year and reflects better current conditions in the beginning of this year.
- Barring any shock or prolonged uncertainty in the Middle East, the leading and coincident indexes point to a more robust pace of economic activity in the coming months.

LEADING INDICATORS. Four of the ten indicators that make up the leading index increased in January. The positive contributors to the index - beginning with the largest positive contributor - were average weekly initial claims for unemployment insurance (inverted), real money supply\*, manufacturers' new orders for consumer goods and materials\*, and interest rate spread. The negative contributors - from the largest negative contributor - were index of consumer expectations, building permits, average weekly manufacturing hours, manufacturers' new orders for nondefense capital goods\*, and stock prices. Vendor performance holds steady in January.

The leading index now stands at 111.2 (1996=100). Based on revised data, this index increased 0.2 percent in December and increased 0.5 percent in November. During the six-month span through January, the leading index increased 0.2 percent, with four of the ten components advancing (diffusion index, six-month span equals 40 percent).

COINCIDENT INDICATORS. All four indicators that make up the coincident index increased in January. The positive contributors to the index, beginning with the largest positive contributor - were industrial production, employees on nonagricultural payrolls, personal income less transfer payments\*, and manufacturing and trade sales\*.

The coincident index now stands at 115.5 (1996=100). Based on revised data, this index held steady in December and increased 0.1 percent in November. During the six-month period through January, the coincident index increased 0.2 percent.

The next release is scheduled for March 20, 2003 at 10 A.M. ET.

LAGGING INDICATORS. The lagging index decreased 0.1 percent to 99.2 (1996=100) in January, with two of the seven components declining. The negative contributors to the index – beginning with the larger negative contributor – were commercial and industrial loans outstanding\* and ratio of consumer installment credit to personal income\*. Change in CPI for services\* is the only component that increased this month. Average duration of unemployment, average prime rate charged by banks, change in labor cost per unit of output\*, and ratio of manufacturing and trade inventories to sales\* held steady in January. Based on revised data, the lagging index decreased 0.3 percent in December and decreased 0.4 percent in November.

DATA AVAILABILITY. 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 February 19, 2003. Some series are estimated as noted below.

NOTES: 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 deflator for 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, change in CPI for services, consumer installment credit to income ratio, change in labor cost per unit of output, and the personal consumption expenditure deflator for commercial and industrial loans outstanding.

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Professional Contacts at The Conference Board:

Ken Goldstein: 212-339-0331  
Ataman Ozyildirim 212-339-0399  
Indicators Program: 212-339-0312  
Email: indicators@conference-board.org  
Website: http://www.globalindicators.org

Media Contacts:

Randy Poe: 212-339-0234  
Frank Tortorici: 212-339-0231

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.

\* See notes under data availability.

U.S. Composite Indexes: Components and Standardization Factors

<u>Leading Index</u>	<u>Factor</u>
1. Average weekly hours, manufacturing	.1946
2. Average weekly initial claims for unemployment insurance	.0268
3. Manufacturers' new orders, consumer goods and materials	.0504
4. Vendor performance, slower deliveries diffusion index	.0296
5. Manufacturers' new orders, nondefense capital goods	.0139
6. Building permits, new private housing units	.0205
7. Stock prices, 500 common stocks	.0309
8. Money supply, M2	.2775
9. Interest rate spread, 10-year Treasury bonds less federal funds	.3364
10. Index of consumer expectations	.0193

Coincident Index

1. Employees on nonagricultural payrolls	.5186
2. Personal income less transfer payments	.2173
3. Industrial production	.1470
4. Manufacturing and trade sales	.1170

Lagging Index

1. Average duration of unemployment	.0368
2. Inventories to sales ratio, manufacturing and trade	.1206
3. Labor cost per unit of output, manufacturing	.0693
4. Average prime rate	.2692
5. Commercial and industrial loans	.1204
6. Consumer installment credit to personal income ratio	.1951
7. Consumer price index for services	.1886

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 January 2003, 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 1984-2001 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 1959-2001. 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.globalindicators.org](http://www.globalindicators.org).

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 2003:**

March 20, Thursday for February 2003 data  
April 21, Monday for March 2003 data  
May 19, Monday for April 2003 data  
June 19, Thursday for May 2003 data  
July 21, Monday for June 2003 data  
August 21, Thursday for July 2003 data  
September 18, Thursday for August 2003 data  
October 20, Monday for September 2003 data  
November 20, Thursday for October 2003 data  
December 18, Thursday for November 2003 data

All releases are at 10:00AM 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. Its Economics Program, under the direction of Chief Economist Gail Fosler, is a recognized source of forecasts, analysis and objective indicators such as Leading Economic Indicators and Consumer Confidence.

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) or 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

U.S. 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	contact Mike Fort at (212) 339-0402

Business Cycle Indicators for Australia, France, Germany, Japan, Korea, Mexico, Spain and the UK are available at \$500 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**

	2002							2003
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
Leading index	111.0	110.9	110.4	110.5 r	111.1 r	111.3 r	111.2 p	
Percent change	-.2	-.1	-.5	.1 r	.5	.2 r	-.1 p	
Diffusion index	55.0	40.0	30.0	60.0	50.0	70.0	40.0	
Coincident index	115.3	115.3	115.2	115.2	115.3 r	115.3 r	115.5 p	
Percent change	.2	.0	-.1	.0	.1 r	.0	.2 p	
Diffusion index	62.5	50.0	25.0	75.0	75.0	50.0	100.0	
Lagging index	100.6	100.4	100.0	100.0	99.6 r	99.3 r	99.2 p	
Percent change	.2	-.2	-.4	.0	-.4 r	-.3	-.1 p	
Diffusion index	50.0	64.3	42.9	35.7	0.0	42.9	42.9	
Coincident-lagging ratio	114.6	114.8	115.2	115.2	115.8 r	116.1 r	116.4 p	
	Jan. to	Feb. to	Mar. to	Apr. to	May to	Jun. to	Jul. to	
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
Leading index								
Percent change	.0	-.1	-.5	-.3	-.3	.1	.2	
Diffusion index	70.0 r	50.0	40.0	50.0	30.0	30.0	40.0	
Coincident index								
Percent change	.6	.8	.6	.4	.4	.2	.2	
Diffusion index	75.0	100.0	100.0	100.0	100.0	50.0	62.5	
Lagging index								
Percent change	-1.9	-1.7	-1.7	-1.1	-1.2	-1.1	-1.4	
Diffusion index	50.0	50.0	35.7	35.7	14.3	21.4	42.9	

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.

The full history of composite and diffusion indexes is available by subscription on our web site at [www.globalindicators.org](http://www.globalindicators.org).

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

Component	2002						2003
	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Leading index component data							
Average workweek, production workers, mfg. (hours).....	40.7	40.9	40.8	40.7	40.6	40.9	40.8 p
Average weekly initial claims, state unemployment insurance (thousands)*.....	386.8	400.9	424.5	403.4	377.3	420.1	385.6 p
Manufacturers' new orders, consumer goods and materials (mil. 1996 dol.).....	170,182	167,090	165,704 r	169,317	164,487 r	163,351 r	163,541 **
Vendor performance--slower deliveries diffusion index (percent).....	54.5 r	53.7 r	55.8 r	53.0 r	51.8 r	52.6 r	52.6
Manufacturers' new orders, nondefense capital goods (mil. 1996 dol.).....	49,887	51,923	46,408 r	48,469 r	47,948 r	49,193 r	48,556 **
Building permits (thous.).....	1,712	1,666	1,733	1,772	1,738	1,887 r	1,781 p
Stock prices, 500 common stocks (c) (index: 1941-43=10).....	903.59	912.55	867.81	854.63	909.93	899.18	895.84
Money supply, M2 (bil. 1996 dol.).....	5,073.8 r	5,097.5 r	5,111.1 r	5,134.3 r	5,163.7 r	5,173.5 r	5,192.4 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	2.92	2.52	2.12	2.19	2.71	2.79	2.81
Index of consumer expectations (c) (1966:1=100).....	81.0	80.6	79.9	73.1	78.5	80.8	72.8
LEADING INDEX (1996=100).....	111.0	110.9	110.4	110.5 r	111.1 r	111.3 r	111.2 p
Percent change from preceding month.....	-0.2	-0.1	-0.5	0.1 r	0.5	0.2 r	-0.1 p
Leading index net contributions							
Average workweek, production workers, mfg.....	....	.10	-.05	-.05	-.05	.14	-.05
Average weekly initial claims, state unemployment insurance.....	....	-.10	-.15	.14	.18	-.29	.23
Manufacturers' new orders, consumer goods and materials.....	....	-.09	-.04	.11	-.15	-.03	.01 **
Vendor performance--slower deliveries diffusion index.....	....	-.04	.11	-.15	-.07	.05	.00
Manufacturers' new orders, nondefense capital goods.....	....	.06	-.16	.06	-.01	.04	-.02 **
Building permits.....	....	-.06	.08	.05	-.04	.17	-.12
Stock prices, 500 common stocks (c).....	....	.03	-.16	-.05	.19	-.04	-.01
Money supply, M2.....	....	.13 r	.07	.13	.16	.05	.10 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	....	-.13	-.13	.02	.17	.03	.01
Index of consumer expectations (c).....	....	-.01	-.02	-.17	.14	.06	-.20

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	2002						2003
	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Coincident index component data							
Employees on nonagricultural payrolls (thousands).....	130,790	130,913	130,829	130,898	130,817 r	130,661 r	130,804
Personal income less transfer payments (ann. rate, bil. 1996 dol.).....	6,904.1	6,909.9	6,916.0	6,924.6 r	6,938.5 r	6,958.3 r	6,972.1 **
Industrial production (index: 1997=100).....	111.577	111.305	111.242	110.580 r	110.807	110.319 r	111.129
Manufacturing and trade sales (mil. 1996 dol.).....	868,400	867,375	859,025	859,671 r	866,593 r	867,376 **	869,475 **
COINCIDENT INDEX (1996=100).....	115.3	115.3	115.2	115.2	115.3 r	115.3 r	115.5 p
Percent change from preceding month.....	0.2	0.0	-0.1	0.0	0.1 r	0.0	0.2 p
Coincident index net contributions							
Employees on nonagricultural payrolls.....	....	.05	-.03	.03	-.03	-.06	.06
Personal income less transfer payments.....	....	.02	.02	.03	.04	.06	.04 **
Industrial production.....	....	-.04	-.01	-.09	.03	-.06	.11
Manufacturing and trade sales.....	....	-.01	-.11	.01	.09	.01 **	.03 **
Lagging index component data							
Average duration of unemployment (weeks)*.....	16.6	16.3	17.8	17.6 r	17.9 r	18.4 r	18.4 p
Ratio, manufacturing and trade inventories to sales (chain 1996 dol.).....	1.317	1.318	1.334	1.331 r	1.324 r	1.326 **	1.326 **
Change in index of labor cost per unit of output, mfg. (6-month percent, ann. rate)....	-0.2	0.2	0.2	1.9 r	1.2 r	1.9 r	1.9 **
Average prime rate charged by banks (percent).....	4.75	4.75	4.75	4.75	4.35	4.25	4.25
Commercial and industrial loans outstanding (mil. 1996 dol.).....	601,046 r	589,177 r	576,712 r	572,254 r	570,561 r	565,294 r	561,561 **
Ratio, consumer installment credit out- standing to personal income (percent).....	19.14 r	19.11 r	19.10 r	19.07 r	19.01 r	18.90 r	18.88 **
Change in CPI for services (6-month percent, ann. rate).....	3.1	3.3	3.4	3.3	3.1	3.3	3.4 **
LAGGING INDEX (1996=100).....	100.6	100.4	100.0	100.0	99.6 r	99.3 r	99.2 p
Percent change from preceding month.....	.2	-.2	-.4	.0	-.4 r	-.3	-.1 p
Lagging index net contributions							
Average duration of unemployment.....	....	.07	-.32	.04	-.06	-.10	.00
Ratio, manufacturing and trade inventories to sales.....	....	.01	.15	-.03	-.06	.02 **	.00 **
Change in index of labor cost per unit of output, mfg.....	....	.03	.00	.12	-.05	.05	.00 **
Average prime rate charged by banks.....	....	.00	.00	.00	-.11	-.03	.00
Commercial and industrial loans outstanding.....	....	-.24	-.26	-.09	-.04	-.11	-.08 **
Ratio, consumer installment credit out- standing to personal income.....	....	-.03	-.01	-.03	-.06	-.11	-.02 **
Change in CPI for services.....	....	.04	.02	-.02	-.04	.04	.02

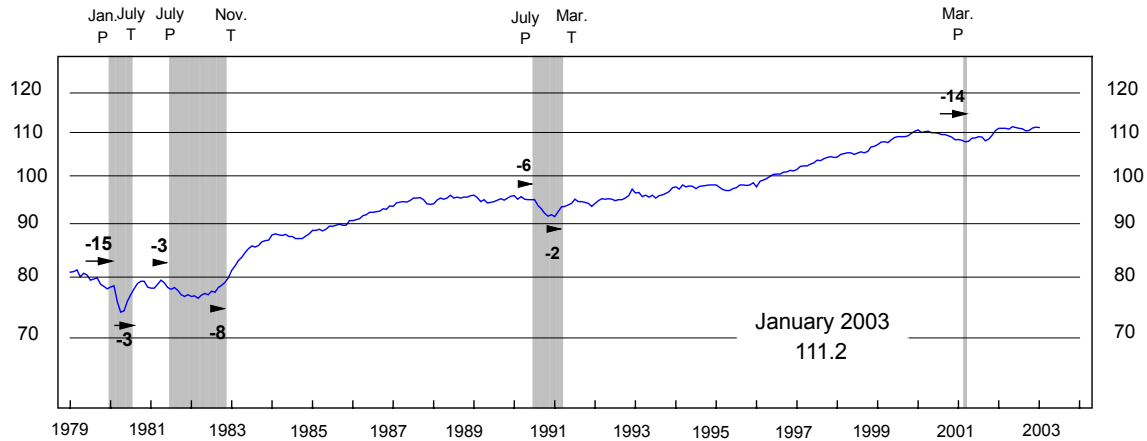
CPI Consumer Price Index. For additional notes see table 2.

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

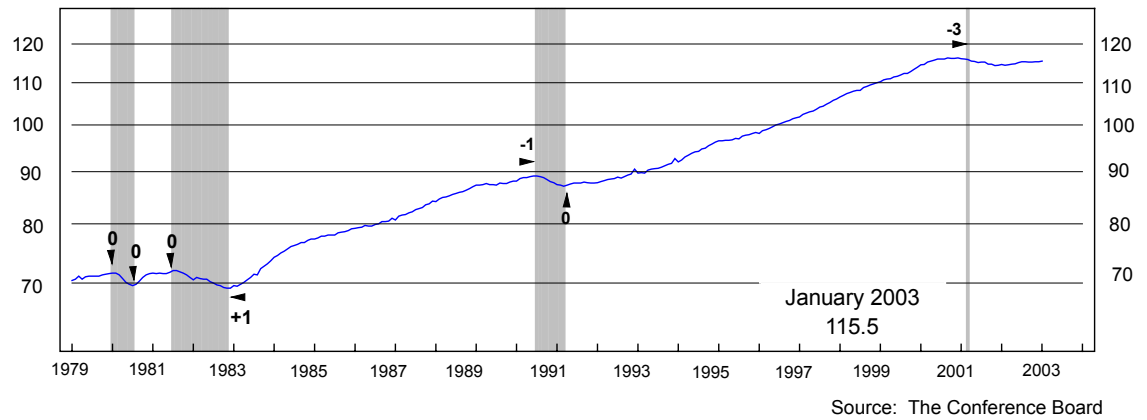
\*\* Statistical Imputation (See page 3 for more details)

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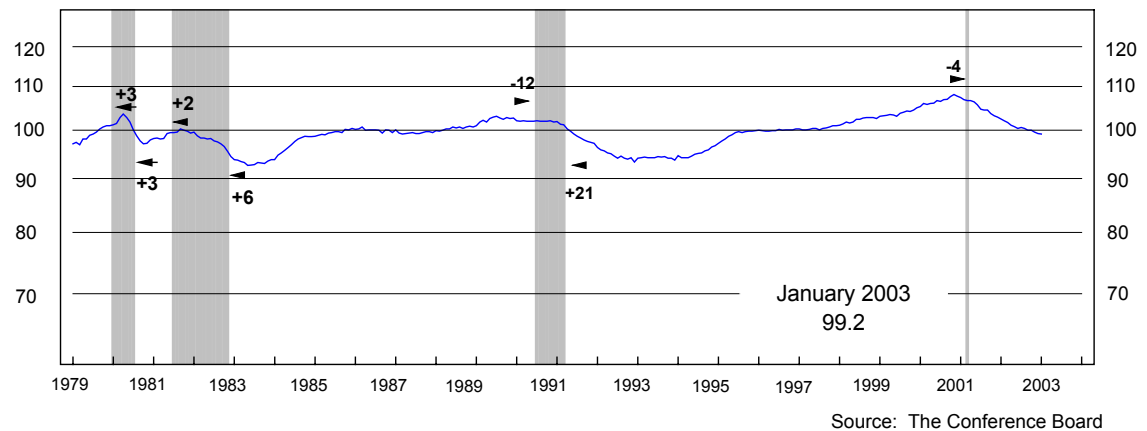
### U.S. LEADING INDEX (1996=100)



### U.S. COINCIDENT INDEX (1996=100)



### U.S. LAGGING INDEX (1996=100)



NOTE.- P (peak) indicates the end of general business expansion and the beginning of recession; T (trough) indicates the end of general business recession and the beginning of expansion (as designated by the NBER). Thus, shaded areas represent recessions. Arrows indicate leads (-) and lags (+) in months from business cycle turning dates.