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**FOR RELEASE: 10:00 A.M. ET, MONDAY, JULY 21, 2003**

The Conference Board® U.S. Business Cycle Indicators<sup>SM</sup>  
**U.S. LEADING ECONOMIC INDICATORS**  
**AND RELATED COMPOSITE INDEXES FOR JUNE 2003**

The Conference Board announced today that the U.S. leading index increased 0.1 percent, the coincident index increased 0.1 percent, and the lagging index decreased 0.5 percent in June.

- The leading index increased in June for the third consecutive month. This suggests the flat trend in the leading index over the past year may have ended, but additional months of growth are needed to determine if an upward trend has indeed developed.
- After declining for eleven months, the coincident index began increasing in December 2001, consistent with the officially declared November 2001 trough of the last recession. Following a moderate increase through most of 2002, this measure of current economic activity has since been essentially flat, as the leading index signaled.
- The recent improvement in the growth rate of the leading index is consistent with near-term improvement in the growth rate of the coincident index and real GDP. However, three months of increases in the leading index is not enough to signal the beginning of a sustained period of above-trend economic growth.

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

The leading index now stands at 111.8 (1996=100). Based on revised data, this index increased 1.1 percent in May and increased 0.1 percent in April. During the six-month span through June, the leading index increased 0.5 percent, with three of the ten components advancing (diffusion index, six-month span equals 30 percent).

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

The coincident index now stands at 115.2 (1996=100). This index increased 0.1 percent in May and held steady in April. During the six-month period through June, the coincident index remained flat.

The next release is scheduled for August 21, 2003 at 10 A.M. ET.

LAGGING INDICATORS. The lagging index decreased 0.5 percent to 98.4 (1996=100) in June, with five of the seven components declining. The negative contributors to the index – beginning with the largest negative contributor – were commercial and industrial loans outstanding\*, average duration of unemployment, change in CPI for services, change in labor cost per unit of output\*, and average prime rate charged by banks. Ratio of consumer installment credit to personal income\* and ratio of manufacturing and trade inventories to sales\* both had modest positive contributors to the index in June. The lagging index decreased 0.1 percent in May and decreased 0.4 percent in April.

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 July 18, 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, 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.

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.

\* 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:**

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 Ataman Ozyildirim at (212) 339-0399

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			
	Dec	Jan	Feb	Mar	Apr	May	Jun	
Leading index	111.2	111.2	110.6	110.4	110.5	111.7 r	111.8 p	
Percent change	.2	.0	-.5	-.2	.1	1.1 r	.1 p	
Diffusion index	70.0	50.0	35.0	35.0	55.0	80.0	55.0	
Coincident index	115.2	115.5	115.1	115.0 r	115.0 r	115.1 r	115.2 p	
Percent change	-.1	.3	-.3	-.1 r	.0	.1	.1 p	
Diffusion index	50.0	87.5	25.0	25.0	37.5	75.0	87.5	
Lagging index	99.3	99.5	99.6	99.4 r	99.0 r	98.9 r	98.4 p	
Percent change	-.2	.2	.1	-.2 r	-.4	-.1	-.5 p	
Diffusion index	28.6	57.1	28.6	50.0	35.7	71.4	35.7	
Coincident-lagging ratio	116.0	116.1	115.6	115.7 r	116.2 r	116.4 r	117.1 p	
	Jun to	Jul to	Aug to	Sep to	Oct to	Nov to	Dec to	
	Dec	Jan	Feb	Mar	Apr	May	Jun	
Leading index								
Percent change	.0	.2	-.3	.0	.1	.6	.5	
Diffusion index	30.0 r	40.0	30.0	30.0	50.0	50.0	30.0	
Coincident index								
Percent change	.1	.2	-.2	-.2	-.2	-.2	.0	
Diffusion index	25.0	75.0 r	37.5	25.0	50.0	50.0	37.5	
Lagging index								
Percent change	-1.1	-1.1	-.8	-.6	-.9	-.6	-.9	
Diffusion index	35.7	28.6	35.7	28.6	28.6	57.1	57.1	

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			
	Dec	Jan	Feb	Mar	Apr	May	Jun
Leading index component data							
Average workweek, production workers, mfg. (hours).....	40.5	40.4	40.4	40.4	40.1	40.2 r	40.2 p
Average weekly initial claims, state unemployment insurance (thousands)*.....	410.5	386.7	408.6	423.3	447.2	431.6 r	425.9 p
Manufacturers' new orders, consumer goods and materials (mil. 1996 dol.).....	162,603	166,262 r	163,067 r	161,621 r	158,908 r	160,229 r	160,069 **
Vendor performance--slower deliveries diffusion index (percent).....	52.6	52.6	53.3	53.8	50.0	51.3	50.0
Manufacturers' new orders, nondefense capital goods (mil. 1996 dol.).....	49,138	50,105 r	47,700 r	49,282 r	49,261 r	48,886 r	48,936 **
Building permits (thous.).....	1,907	1,777	1,786	1,688	1,724	1,803 r	1,817 p
Stock prices, 500 common stocks (c) (index: 1941-43=10).....	899.18	895.84	837.62	846.62	890.03	935.96	988.00
Money supply, M2 (bil. 1996 dol.).....	5,173.2 r	5,189.4 r	5,216.5 r	5,210.6 r	5,240.9 r	5,323.8 r	5,357.2 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	2.79	2.81	2.64	2.56	2.70	2.31	2.11
Index of consumer expectations (c) (1966:1=100).....	80.8	72.8	69.9	69.6	79.3	91.4	86.4
LEADING INDEX (1996=100).....	111.2	111.2	110.6	110.4	110.5	111.7 r	111.8 p
Percent change from preceding month.....	0.2	0.0	-0.5	-0.2	0.1	1.1 r	0.1 p
Leading index net contributions							
Average workweek, production workers, mfg.....	....	-.05	.00	.00	-.15	.05	.00
Average weekly initial claims, state unemployment insurance.....	....	.16	-.15	-.09	-.15	.10	.04
Manufacturers' new orders, consumer goods and materials.....	....	.11	-.10	-.04	-.09	.04	-.01 **
Vendor performance--slower deliveries diffusion index.....	....	.00	.04	.03	-.22	.08	-.08
Manufacturers' new orders, nondefense capital goods.....	....	.03	-.07	.05	.00	-.01	.00 **
Building permits.....	....	-.14	.01	-.12	.04	.09	.02
Stock prices, 500 common stocks (c).....	....	-.01	-.21	.03	.15	.16	.17
Money supply, M2.....	....	.09 r	.14	-.03	.16	.44	.17 **
Interest rate spread, 10-year Treasury bonds less federal funds.....	....	.01	-.06	-.03	.05	-.13	-.07
Index of consumer expectations (c).....	....	-.20	-.08	-.01	.25	.27	-.11

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				
	Dec	Jan	Feb	Mar	Apr	May	Jun
Coincident index component data							
Employees on nonagricultural payrolls (thousands).....	130,198	130,356	130,235	130,084	130,062 r	129,992 r	129,962
Personal income less transfer payments (ann. rate, bil. 1996 dol.).....	6,893.8 r	6,896.7 r	6,887.3 r	6,875.6 r	6,898.6 r	6,921.2 r	6,933.2 **
Industrial production (index: 1997=100).....	109.889	110.670	110.735	110.082 r	109.521 r	109.584 r	109.678
Manufacturing and trade sales (mil. 1996 dol.).....	870,684	876,135 r	857,600 r	867,967 r	866,137 r	868,738 **	870,344 **
COINCIDENT INDEX (1996=100).....	115.2	115.5	115.1	115.0 r	115.0 r	115.1 r	115.2 p
Percent change from preceding month.....	-0.1	0.3	-0.3	-0.1 r	0.0	0.1	0.1 p
Coincident index net contributions							
Employees on nonagricultural payrolls.....	....	.06	-.05	-.06	-.01	-.03	-.01
Personal income less transfer payments.....	....	.01	-.03	-.04	.07	.07	.04 **
Industrial production.....	....	.10	.01	-.09	-.08	.01	.01
Manufacturing and trade sales.....	....	.07	-.25	.14	-.02	.04 **	.02 **
Lagging index component data							
Average duration of unemployment (weeks)*.....	18.4	18.4	18.6	18.0	19.6	19.2	19.8 p
Ratio, manufacturing and trade inventories to sales (chain 1996 dol.).....	1.322	1.315 r	1.347	1.332 r	1.335 r	1.335 **	1.336 **
Change in index of labor cost per unit of output, mfg. (6-month percent, ann. rate).....	-6	2.1 r	2.1 r	2.5 r	2.3 r	3.4 r	3.3 **
Average prime rate charged by banks (percent).....	4.25	4.25	4.25	4.25	4.25	4.25	4.22
Commercial and industrial loans outstanding (mil. 1996 dol.).....	576,638 r	572,305 r	566,828 r	557,141 r	554,609 r	540,479 r	524,929 **
Ratio, consumer installment credit outstanding to personal income (percent).....	19.08 r	19.20 r	19.17 r	19.13 r	19.18 r	19.20 r	19.21 **
Change in CPI for services (6-month percent, ann. rate).....	3.3	3.5	3.3	3.5	3.1	3.6	3.3 **
LAGGING INDEX (1996=100).....	99.3	99.5	99.6	99.4 r	99.0 r	98.9 r	98.4 p
Percent change from preceding month.....	-.2	.2	.1	-.2 r	-.4	-.1	-.5 p
Lagging index net contributions							
Average duration of unemployment.....	....	.00	-.04	.12	-.31	.08	-.11
Ratio, manufacturing and trade inventories to sales.....	....	-.06	.29	-.14	.03	.00 **	.01 **
Change in index of labor cost per unit of output, mfg.....	....	.19	.00	.03	-.01	.08	-.01 **
Average prime rate charged by banks.....	....	.00	.00	.00	.00	.00	-.01
Commercial and industrial loans outstanding.....	....	-.09	-.12	-.21	-.05	-.31	-.35 **
Ratio, consumer installment credit outstanding to personal income.....	....	.12	-.03	-.04	.05	.02	.01 **
Change in CPI for services.....	....	.04	-.04	.04	-.08	.09	-.06

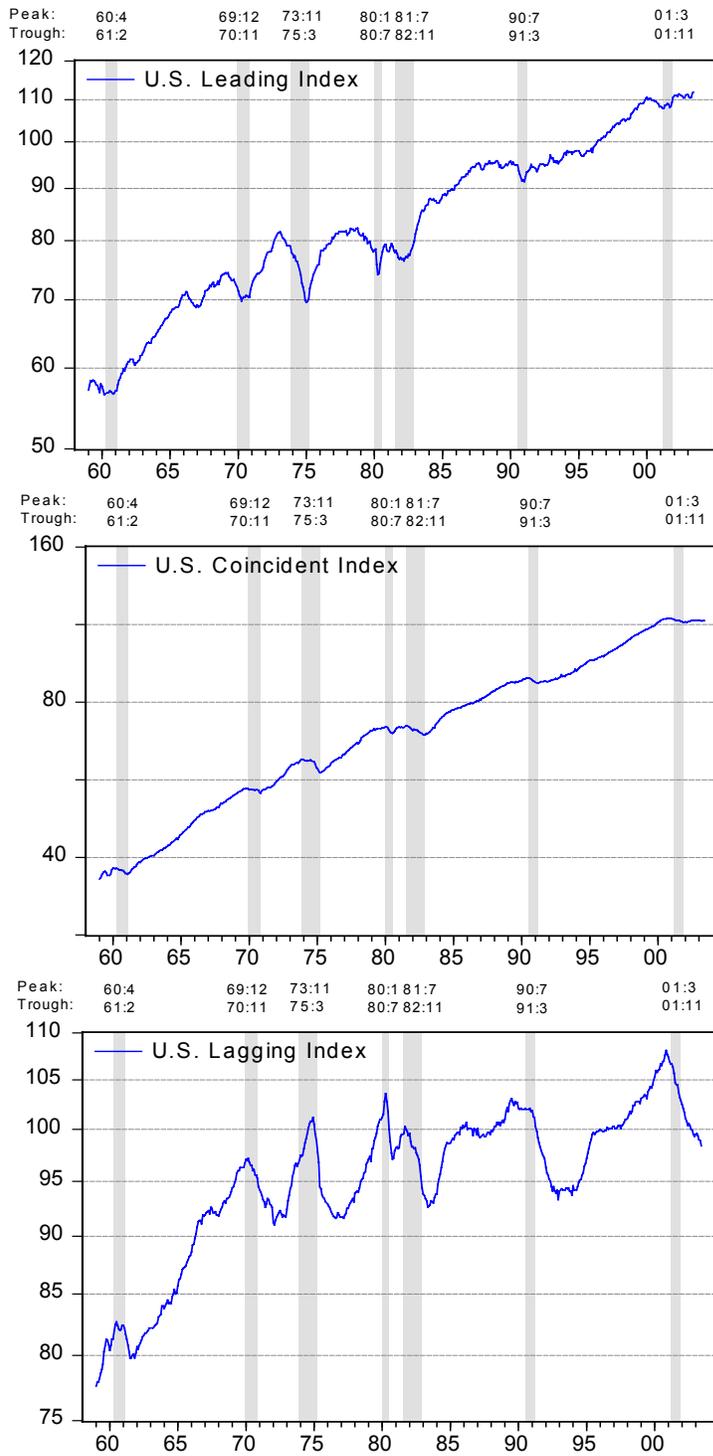
CPI Consumer Price Index. For additional notes see table 2.

\* 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 (1996=100)



Shaded areas represent recessions.

Source: The Conference Board