

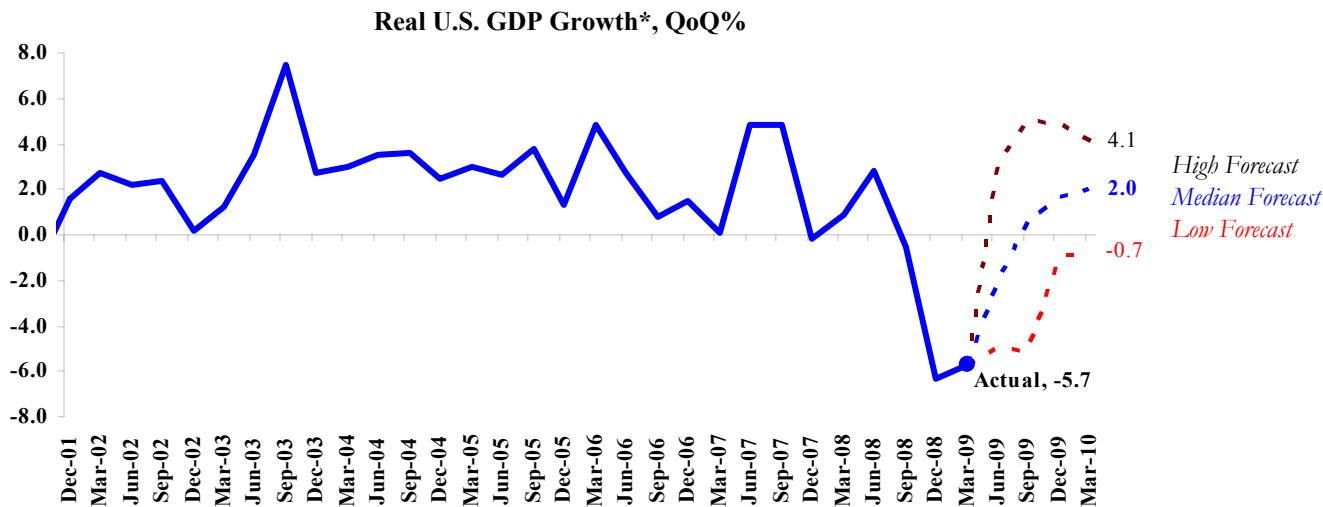
## Table of Leading Indicators

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## Executive Summary (June 01, 2009)

Although both the consumer and the producer sentiments improved for a second consecutive month, growing in May by 35 and 7 percent respectively, they remain well below their pre-recession levels. In April, personal consumption declined over the last year, while disposable income saw a 12 month growth, exceeding the long-term average annual growth rate. However, the measures of unemployment continued to deteriorate and inflation has dropped 0.7% year on year. Economists forecast the beginning of a slow recovery in GDP growth in Q3-Q4 of 2009. Other key changes in the past month include:

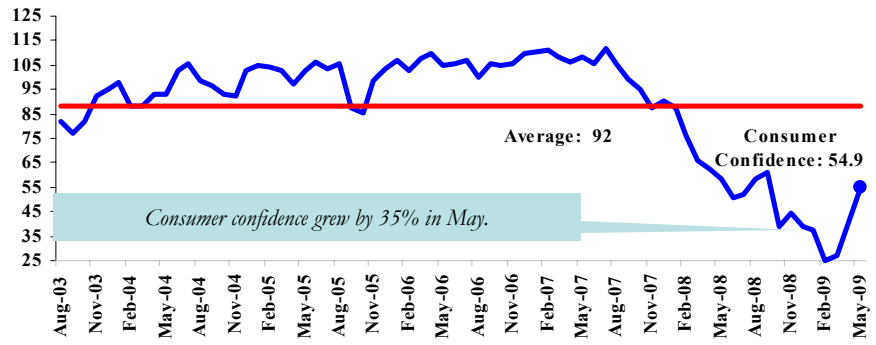
- ✧ New orders for consumer goods improved marginally, growing by 0.2% in April.
- ✧ In April, new orders for capital goods fell by 0.4% relative to their level in March.
- ✧ The month's inventory of homes, a measure of how long it would take to sell a new house, fell by 5% in April reaching 10.1 months.



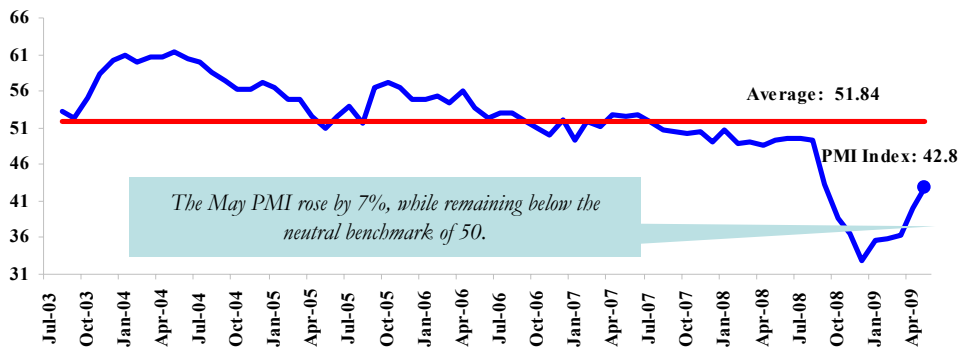
\*Forecasts are based on the poll of 77 economists conducted by Bloomberg.

## Outlook: Consumer, Producer and Investor Sentiment

Consumer Confidence Index\*



Purchasing Managers Composite Index \*

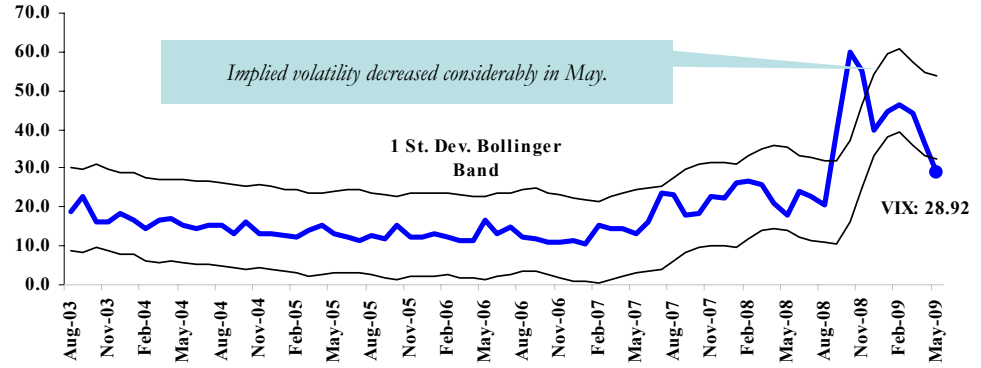


In May, **consumer confidence** (six month outlook) in U.S. experienced a second consecutive month of growth, increasing by 35%.

Moreover, the **Purchasing Managers Index** grew by 7% reflecting better expectations about business conditions in terms of new customer orders, production levels, inventory and employment.

**Investors' anxiety** eased further in May.

S&P 500 Volatility Index \*



\*Please refer to Glossary for definitions.

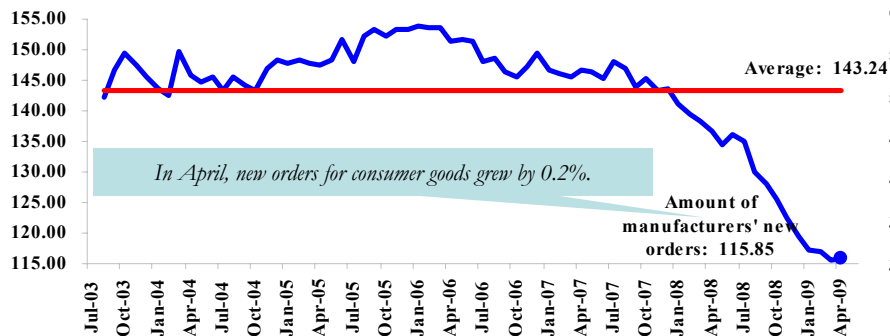
Sources: Bloomberg; Corporate Executive Board research.

## Production Indicators

*New orders* remained flat in April, as well as *average weekly hours*. Meanwhile in May, the *speed of deliveries* index improved considerably indicating further decrease in excess capacity.

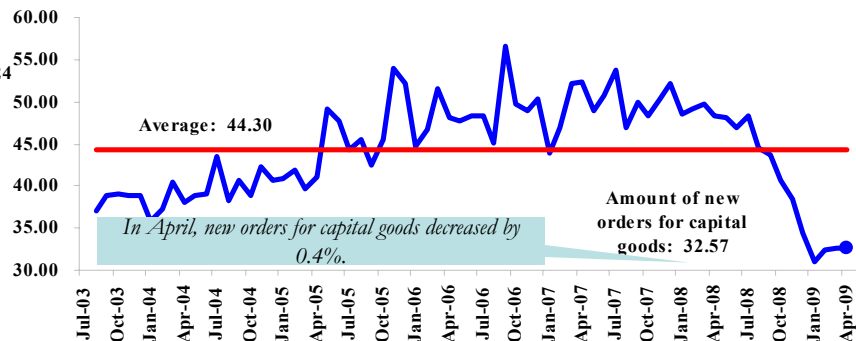
**Value of New Orders for Consumer Goods & Materials**

Millions, 1982 USD

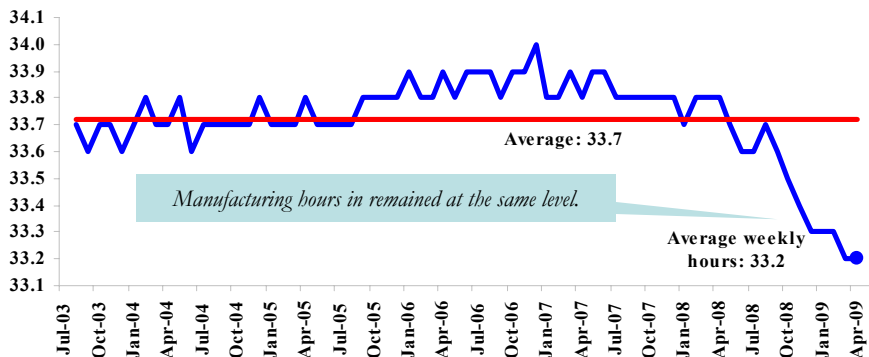


**Value of New Orders for Capital Goods Unrelated to Defense**

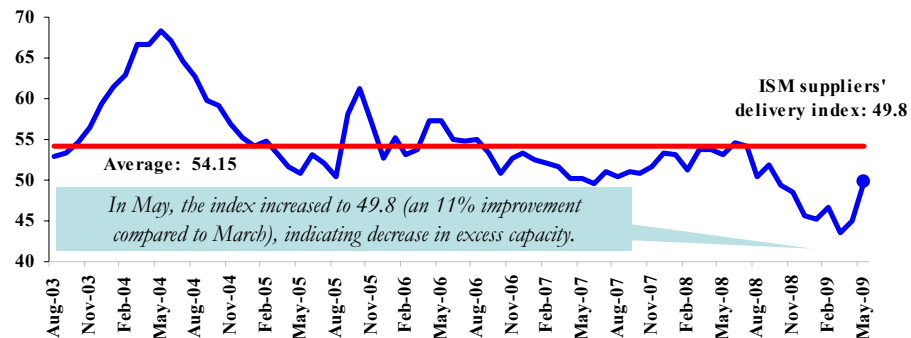
Millions, 1982 USD



**Average Weekly Hours Worked by Manufacturing Workers**



**The Speed of Deliveries Index, %**

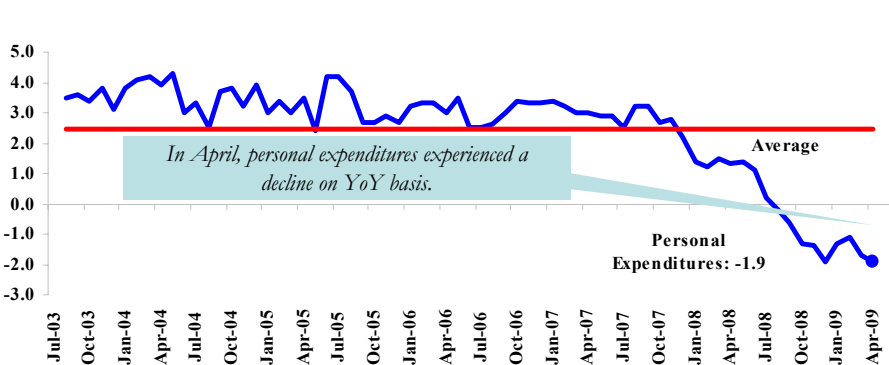


Sources: Bloomberg; Corporate Executive Board research.

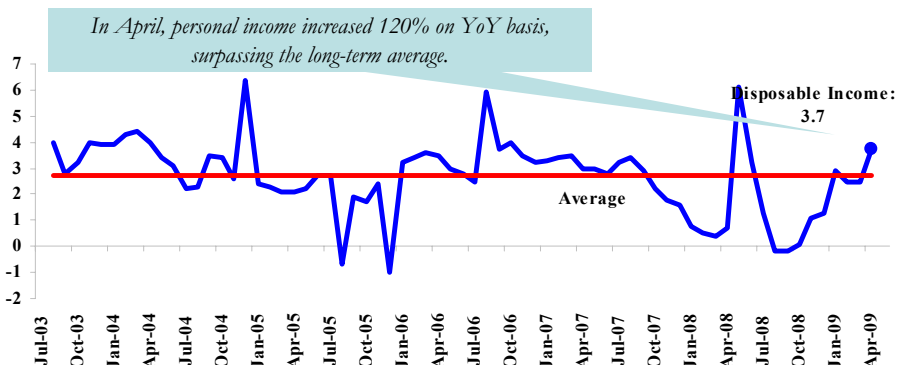
## Consumption & Employment Indicators

Consumption and Employment indicators did not improve in April: while **unemployment** continued to deteriorate, **personal consumption** saw another decrease from the previous month level. At the same time, the U.S. real **disposable income** grew in April on YoY basis, surpassing the long-term average.

US Real Personal Consumption Expenditures, % YoY

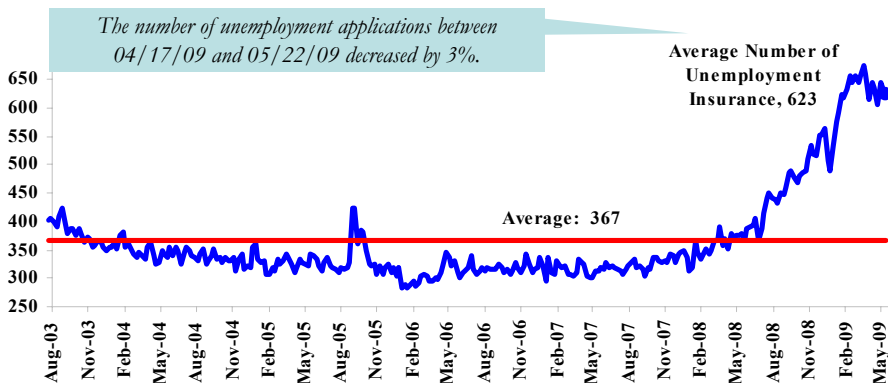


US Real Personal Disposable Income, % YoY

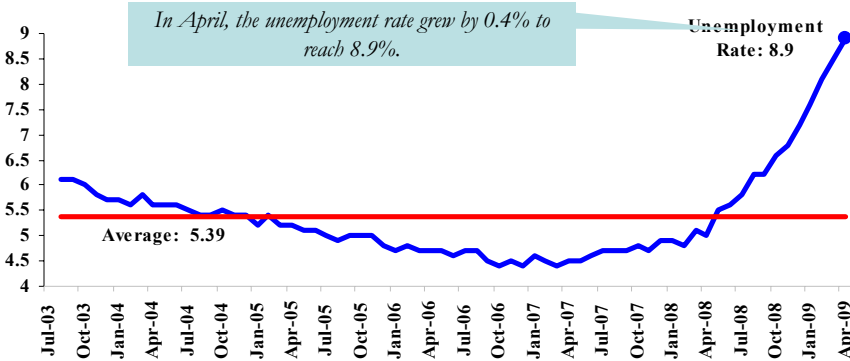


Average Number of Initial Applications for Unemployment Insurance

Applications, Thousands



Unemployment Rate, %

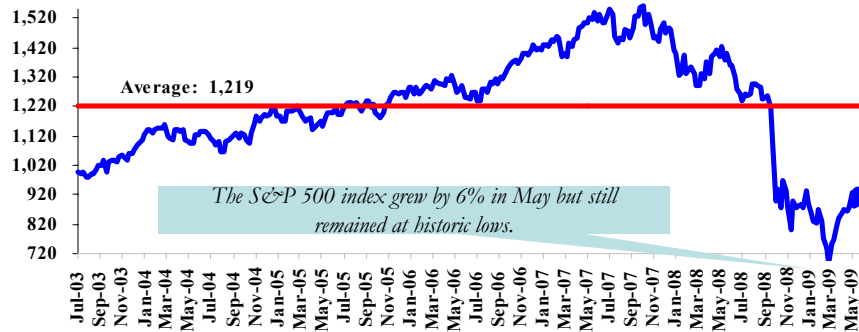


Sources: Bloomberg; Corporate Executive Board research.

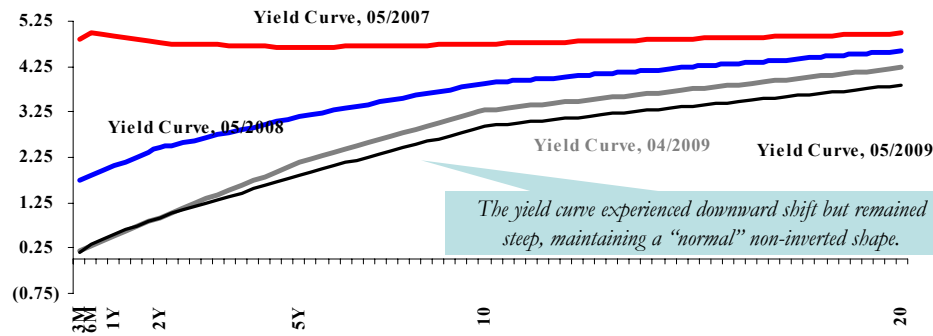
## Financial Indicators

The **Consumer Price Index** has decreased 0.7 percent over the last year, another 12 month decline this year. Although the **yield curve** shifted downward, the shape of the curve has remained “normal,” reflecting moderate inflation expectations. Inflation-adjusted **money supply** remained relatively high. The relevance of monetary supply is hotly debated: while some analysts believe it is a leading indicator of economic growth, in current conditions of suppressed consumer spending and decreasing prices it may be a signal of “money hoarding.”

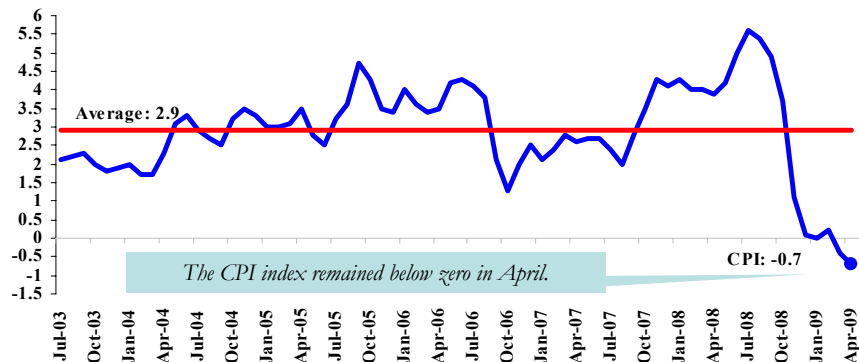
S&P 500 Index



Treasury Yield Curves, %

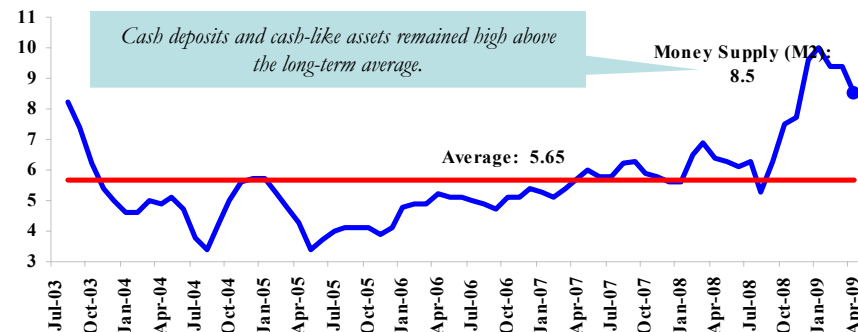


Consumer Price Index, YoY%



Money Supply Change, YoY %

Inflation-Adjusted



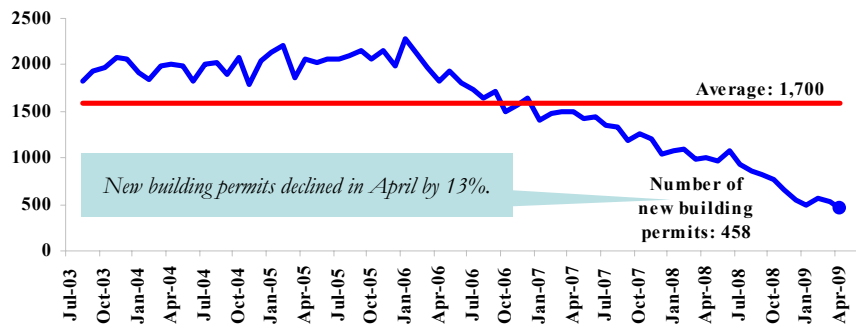
Sources: FRB of New York; Bloomberg; Corporate Executive Board research.

## Real Estate Indicators

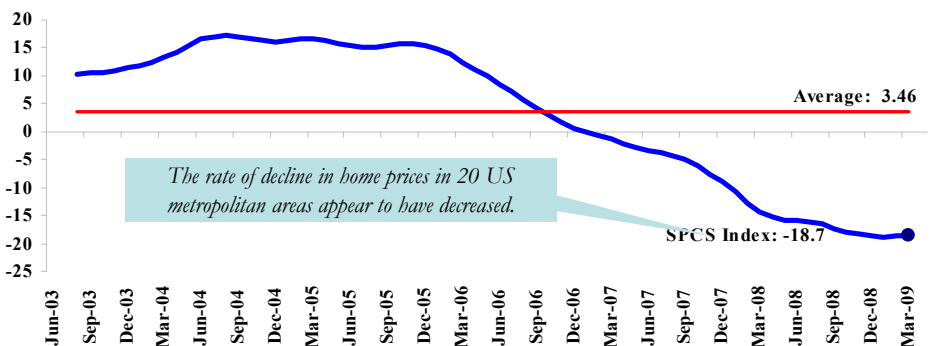
*The real estate market showed moderate signs of improvement.*

**New Building Permits for Residential Buildings**

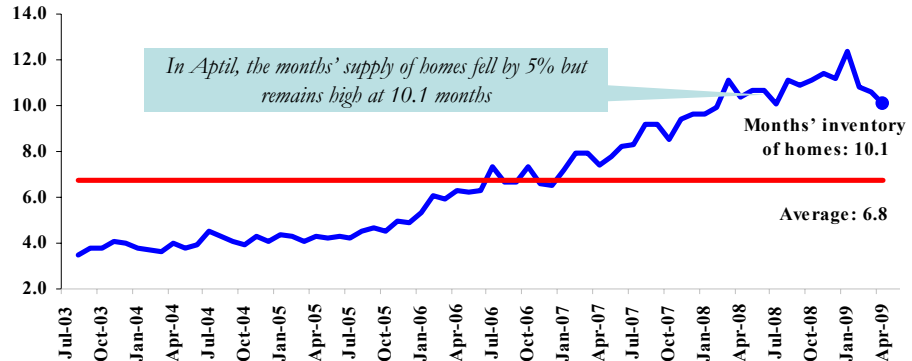
Thousands of Units



**S&P/Case-Shiller Home Price Composite Index, % YoY**



**Months' Inventory of New Houses**



Sources: Bloomberg; Corporate Executive Board research.

## Economic News

### [New-Home Sales Rise as Prices Tumble](#)

*(Wall Street Journal)* May 28 - New-home sales climbed a second time in three months during April, an encouraging sign for the housing market, but another big tumble in the median price suggested a recovery hasn't begun.

### [Durable goods see biggest gain in 16 months](#)

*(Reuters)* May 28 - New orders for long-lasting U.S. manufactured goods rose more than expected in April, posting their biggest gain in 16 months, according to government data on Thursday that suggested the recession was winding down.

### [U.S. consumer mood highest in 8 months: survey](#)

*(Reuters)* May 29 - Optimism over the U.S. government's stimulus programs to combat the recession lifted consumer confidence in May to its highest level in eight months, a survey released on Friday showed.

### [Unemployment in U.S. Probably Surpassed 9% in May](#)

*(Bloomberg)* May 31 - Unemployment in the U.S. probably surpassed 9 percent in May for the first time in more than 25 years, underscoring forecasts that the economy will be slow to pull out of the worst recession in half a century, economists said before a report this week.

### [Income Rises on Stimulus, Spending Drops](#)

*(Wall Street Journal)* June 1 - The income of Americans unexpectedly surged in April, elevated by the economic stimulus package, while spending declined and the level of savings increased to the highest in 50 years of records.

## GLOSSARY

- ✧ **Average weekly hours worked by manufacturing workers** - *Average weekly hours of production or non-supervisory workers on private non-farm payrolls by industry. Seasonally adjusted. Compiled monthly by the Bureau of Labor Statistics.*
- ✧ **Consumer Confidence Index:** - *The Consumer Confidence Survey is based on a monthly survey of a representative sample of 5,000 U.S. households. This index is an average of responses to the following questions: 1. Respondents appraisal of current business conditions; 2. Respondents expectations regarding business conditions six months hence; 3. Respondents appraisal of the current employment conditions; 4. Respondents expectations regarding employment conditions six months hence; 5. Respondents expectations regarding their total family income six months hence.*
- ✧ **GDP** – *Gross domestic product includes the total income of everyone in the economy or the total expenditure on the economy's goods and services. GDP includes only the value of final goods and services. Compiled quarterly by the Bureau of Economic Analysis.*
- ✧ **Inflation-adjusted monetary supply (M2)** - *M2 is a measure of money supply. It consists of currency, traveler's checks, demand deposits, and other checkable deposits, savings deposits, small-denomination time deposits, and retail money funds – each seasonally adjusted. Compiled monthly by the Federal Reserve.*
- ✧ **Initial applications for unemployment insurance** – *Average number of people who have filed for unemployment benefits for the first time. Compiled weekly by the Department of Labor.*
- ✧ **New building permits for residential buildings** – *An index, from the U.S. Commerce Department Bureau of the Census, tracking privately-owned new housing starts. Compiled monthly by the US Department of Commerce.*
- ✧ **New orders for capital goods unrelated to defense** – *The inflation-adjusted value of new orders for capital goods received by manufacturers for non-defense capital goods industries. Compiled monthly by the Conference Board.*
- ✧ **New orders for consumer goods and materials** – *The inflation-adjusted value of new orders received by manufacturers for consumer goods and materials primarily used by consumers. Compiled monthly by the Conference Board.*
- ✧ **Personal income** - *Income received by persons from all sources including: participation in production, from both government and business transfer payments, and from government interest. "Persons" consist of individuals, nonprofit institutions that primarily serve individuals, private noninsured welfare funds, and private trust funds. Personal income is calculated as the sum of wage and salary disbursements, other labor income, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital. Compiled monthly by the Bureau of Economic Analysis.*

### GLOSSARY (CONTINUED)

- ✧ **Purchasing Managers Index (PMI)** – *This is a monthly composite index, released monthly by the Institute for Supply Management, based on surveys of 300 purchasing managers throughout the United States in 20 industries in the manufacturing area. If the index is above 50, it indicates that the economy is expanding. Values below 50 indicate a contraction. It comprises the following sub-indices: 1) Production level; 2) New orders (from customers); 3) Speed of supplier deliveries; 4) Inventories; and 5) Employment level.*
- ✧ **Speed of delivery of new merchandise to vendors from suppliers** – *The supplier deliveries index compares the current month rate at which orders are filled with the prior month. A Supplier Deliveries Index above 50 percent indicates slower deliveries and below 50 percent indicates faster deliveries. Slower deliveries are indicative of rapid economic growth. In contrast, faster deliveries suggest a excess capacity. Compiled monthly by the Institute for Supply Management*
- ✧ **S&P/Case-Shiller Home Price Index** – *A composite index comprised of price changes within 20 metropolitan markets. Compiled monthly by S&P.*
- ✧ **S&P 500 Volatility Index (VIX)** – *this index reflects a market estimate of future volatility, based on the weighted average of the implied volatilities for a wide range of option strikes. Calculated daily by the Chicago Board Options Exchange.*

## Corporate Finance Division Quantitative Research Team

**David Lee** – Analyst

**Jackie Stromberg** – Analyst

**Jian Chen** – Project Manager

**Oleg Polishchuk** – Practice Manager

**Anil Prahlad** – Managing Director

**Scott Bohannon** – General Manager

### Professional Services Note

The Quantitative Research Team has worked to ensure the accuracy of the information it provides to the Corporate Executive Board members. This project relies upon data obtained from many sources, however, and the Quantitative Research Team cannot guarantee the accuracy of the information or its analysis in all cases. Furthermore, the Quantitative Research Team is not engaged in rendering legal, accounting, or other professional services. Its projects should not be construed as professional advice on any particular set of facts or circumstances. Members requiring such services are advised to consult an appropriate professional. Neither Corporate Executive Board nor its programs are responsible for any claims or losses that may arise from any errors or omissions in their reports, whether caused by Corporate Executive Board or its sources.