ECRI
ECONOMIC CYCLE RESEARCH INSTITUTE

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July 18, 2003
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ECRI WEEKLY UPDATE

OVERALL OUTLOOK

As growth in the Weekly Leading Index soared to a 16-year high, ECRI's sectoral leading indexes suggested that the U.S. recovery in the second half of 2003 would be skewed away from manufacturing.

Meanwhile, underlying inflationary pressures remain below their February high.

RECENT DEVELOPMENTS

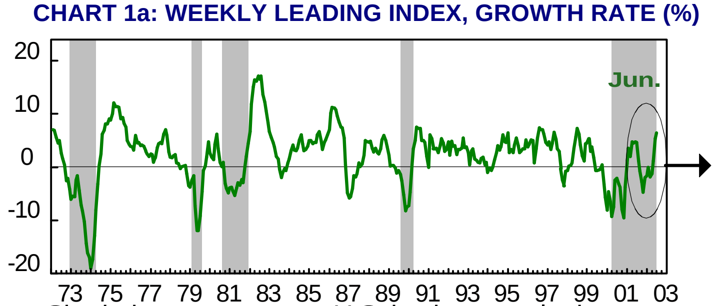
ECRI Gauges	Latest Month Ending			Prior Period	
	Period	Level	Growth	Level	Growth
LLI	06/03	148.3	6.6%	146.5	4.6%
LMI	06/03	121.8	-4.3%	121.9	-5.1%
LSI	06/03	141.1	3.8%	140.7	3.5%
LCI	06/03	122.5	7.3%	121.1	5.4%

- Growth in the Long Leading Index (LLI, Chart 3) climbed to an eleven-month high, as the index advanced, due to favorable movements in new building permits, money supply plus mutual funds, corporate bond yields, services inflation and manufacturing productivity growth, marginally offset by a slight dip in consumer expectations.
- Growth in the Leading Manufacturing Index (LMI, Chart 4) improved slightly but stayed negative in June, while the index slipped, due to declines in the ISM indexes for supplier deliveries and inventories, mostly offset by increases in stock prices for industrials and the growth rate of industrial materials prices. Growth in the Coincident Manufacturing Index (CMI, Chart 4) fell in June.
- Growth in the Leading Services Index (LSI, Chart 5) advanced in June and the index rose, mainly due to higher services stock prices and money supply plus mutual funds, along with lower bond yields, marginally offset by lower consumer expectations. Meanwhile, growth in the Coincident Services Index (CSI, Chart 5) slipped slightly in May.
- Growth in the Leading Construction Index (LCI, Chart 6) advanced further in June, and the LCI rose, mainly due to increases in homebuilders survey readings and stock prices for building products companies, offset in part by declines in consumer expectations and construction materials price growth. Growth in the Coincident Construction Index (CCI, Chart 6) also rose in June.
- The smoothed growth rate of the Weekly Leading Index (WLI, Chart 1b) of economic activity jumped to a 16-year high, as the WLI rose to a 3-year high, due to [redacted] The monthly WLI increased in June, and its growth rate rose further (Chart 1a), mainly due to [redacted]
- The weekly U.S. Future Inflation Gauge (USFIG, Chart 2b) increased in the latest week, mainly due to [redacted] The monthly USFIG (Chart 2a) declined in June due to [redacted]

ECRI Indexes	Latest Month/Week Ending			Prior Period	
	Period	Level	Growth	Level	Growth
WLI, Weekly	07/11/03	126.8	9.7%	124.9	8.5%
WLI, Monthly	06/03	123.0	6.4%	122.3	5.3%

ECRI Indexes	Latest Month/Week Ending			Prior Period	
	Period	Level	Growth	Level	Growth
USFIG, Weekly	07/04/03	115.8	-0.4%	112.6	-5.5%
USFIG, Monthly	06/03	115.2	-0.5%	115.8	2.6%

CHART 1a: WEEKLY LEADING INDEX, GROWTH RATE (%)



Shaded areas represent U.S. business cycle downturns.

CHART 1b: WEEKLY LEADING INDEX, GROWTH RATE (%)

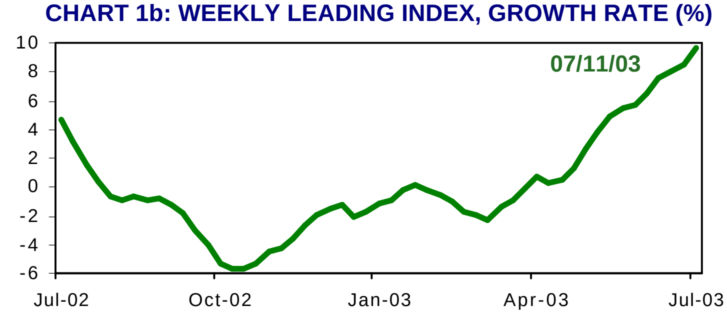
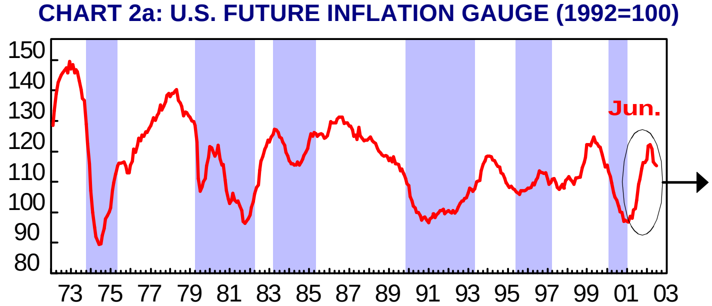


CHART 2a: U.S. FUTURE INFLATION GAUGE (1992=100)



Shaded areas represent U.S. inflation cycle downturns.

CHART 2b: U.S. FUTURE INFLATION GAUGE (1992=100)

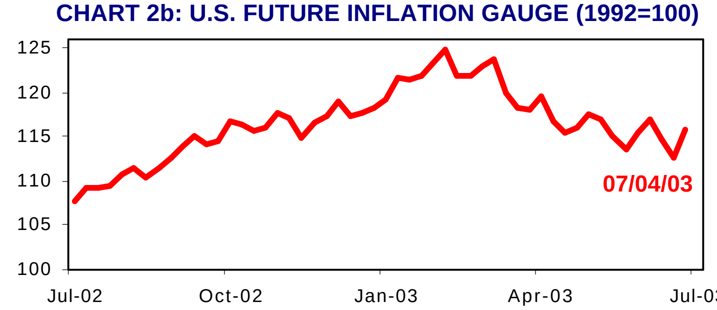
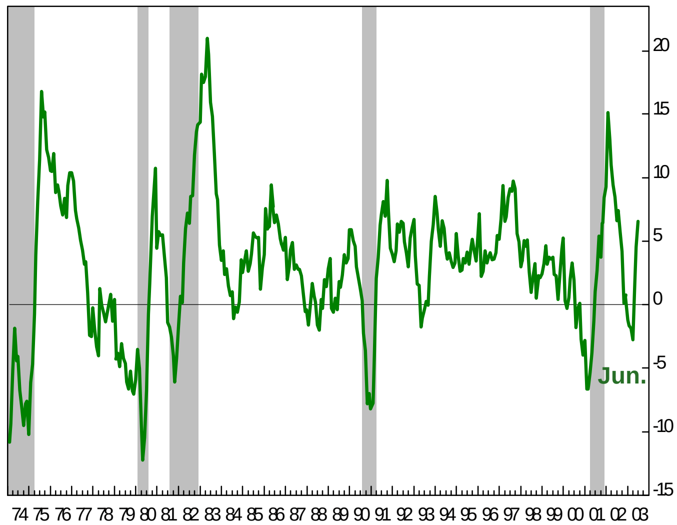
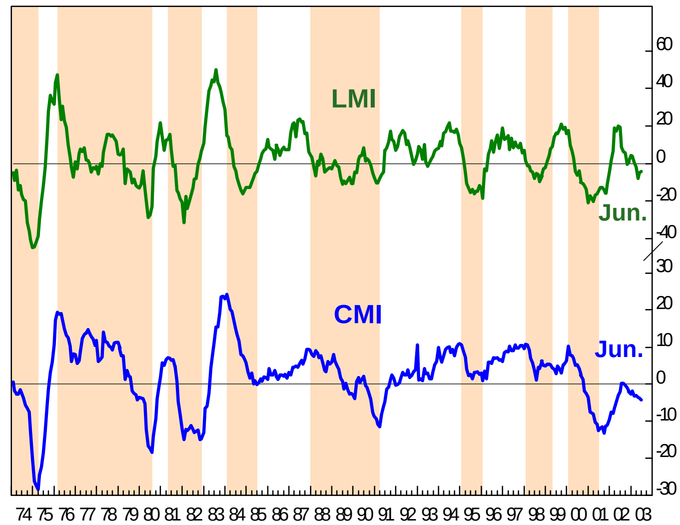


Chart 3: U.S. Long Leading Index, GR (%)



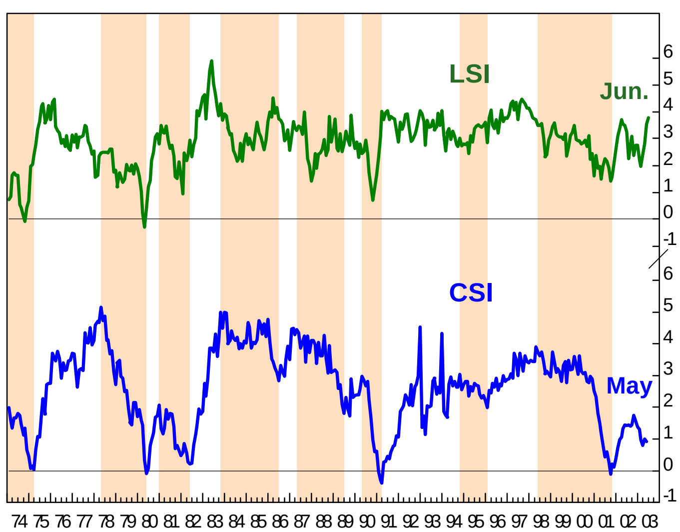
Shaded areas represent U.S. business cycle recessions.

Chart 4: Leading & Coincident Manufacturing Indexes, GR (%)



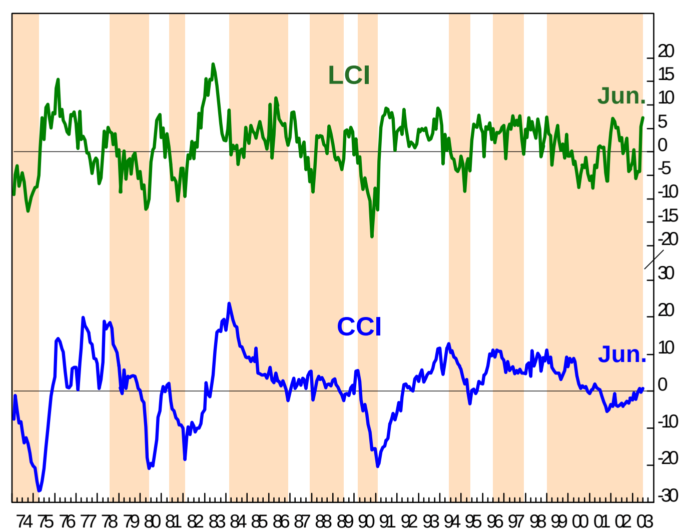
Shaded areas represent cyclical downturns in the growth rate of U.S. manufacturing activity.

Chart 5: Leading & Coincident Services Indexes, GR (%)



Shaded areas represent cyclical downturns in the growth rate of U.S. services.

Chart 6: Leading & Coincident Construction Indexes, GR (%)



Shaded areas represent cyclical downturns in the growth rate of U.S. construction activity.

ECRI WEEKLY UPDATE is a supplement to our monthly reports, *INTERNATIONAL CYCLICAL OUTLOOK* and *U.S. CYCLICAL OUTLOOK.* It is designed to inform readers promptly of changes to ECRI's forecasts. Updates contain the latest weekly leading indexes of growth and inflation, and focus on the latest monthly updates, scheduled as follows:

Week 1:	Future Inflation Gauges (Eurozone, Japan, U.K., Germany, France, Italy and Spain)
Week 2:	U.S. Short Leading & Leading and Coincident Employment Indexes
Week 3:	U.S. Long Leading Index, Leading and Coincident Services Indexes, Leading and Coincident Manufacturing Indexes & Leading and Coincident Construction Indexes
Week 4:	International Indexes (G7 + eleven countries)

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