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## Dow Jones Newswires

### Philadelphia Fed Adds New Data Series To Track Economy

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NEW YORK (Dow Jones)--The Federal Reserve Bank of Philadelphia will begin to publish a business conditions index that summarizes a number of key economic indicators. The index may prove helpful in determining the state of the economy.

Designed to track real macroeconomic activity on a high-frequency basis, the ADS business conditions index will be calculated and updated at least once a week as its underlying data components are released. As a result, the index will not be released at a set weekly time.

One author of the index, S. Boragan Aruoba, economist at the University of Maryland, said, "The goal is to provide a real-time assessment of where we are as opposed to waiting for an index that is only released at the end of the month."

The ADS index indicators include weekly initial jobless claims; monthly payroll employment, industrial production, personal income (less transfer payments), and manufacturing and trade sales; and quarterly real GDP.

In addition to Aruoba, economists Francis X. Diebold (University of Pennsylvania), and Chiara Scotti (Federal Reserve Board) developed the ADS business conditions index. Their paper "Real-Time Measurement of Business Conditions," which will soon be published in the Journal of Business and Economic Statistics, is the basis of the ADS index, with some modifications.

The ADS index will be maintained by the Philly Fed's Real-Time Data Research Center, with input from the authors.

The ADS index revolves around a zero mean, so that progressively more negative (positive) values indicate progressively weaker (stronger) business conditions.

According to Diebold and Aruoba, "Historically, the ADS index tracks the NBER business cycle chronology closely, increasing during expansions and decreasing during recessions."

The ADS index started a sustained and clear decline in mid-2007, before the recession's official start date of December 2007.

Further information can be found at:  
<http://www.philadelphiafed.org/newsroom/press-releases/2009/010909.cfm>

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