The following table presents data on three leading indicators for a three-month period. Construct the composite index (with each indicator assigned equal weight) and the diffusion index.

 **Leading Leading Leading**

**Month**  **Indicator A Indicator B Indicator C**

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1 100 200 30

2 110 23027

3 120 240 33

**NOTE:** The composite index is obtained by calculating the percentage change for each series relative to the base month and then averaging these percentage changes. The percentage change from the first to the second month is 10 for indicator A, 15 for indicator B, and −10 for indicator C. Their simple average (since each indicator is given equal weight) is 5 percent. Taking the first month as the base period with a composite index of 100, we obtain the composite index of 105 for the second month. The diffusion index from month 1 to 2 is 66.7 (=2/3) because two indicators move up and move down.