THE CONFERENCE BOARD

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FOR RELEASE: 9:30 A.M. ET, MONDAY, SEPTEMBER 25, 2006

THE CONFERENCE BOARD® GERMANY BUSINESS CYCLE INDICATORS℠

GERMANY LEADING ECONOMIC INDICATORS

AND RELATED COMPOSITE INDEXES FOR JULY 2006

The Conference Board announced today that the leading index for Germany declined 0.1 percent and the coincident index increased 0.4 percent in July.

- The leading index decreased in July, the third consecutive decline based on newly available data. The growth of CPI for services (inverted) and stock prices were the major negative contributors in July. From January to July the leading index declined 0.3 percent (a -0.6 percent annual rate). In addition, the strengths among the leading indicators have become less widespread in recent months, but strengths and weaknesses still remain somewhat balanced.

- The coincident index increased sharply again in July, and has been on a steady upward trend in recent months. At the same time, real GDP grew at a 3.6 percent annual rate in the second quarter of 2006, following a 2.7 percent annual rate in the first quarter. Following large monthly gains from November to January 2006, the leading index has moderated in recent months. The behavior of the leading index so far suggests that economic growth is likely to continue, but at a slow to moderate rate, in the near term.

LEADING INDICATORS. Four of the eight components in the leading index increased in July. The positive contributors to the leading index— in order from the largest positive contributor to the smallest— are new residential construction orders, new orders in investment goods industries, stock prices, and inventory change series*. Negative contributors—in order from largest to smallest— are the growth rate of CPI for services, consumer confidence, yield spread, and gross enterprises and properties income*.

With the 0.1 percent decrease in July, the leading index now stands at 106.1 (1990=100). Based on revised data, this index declined 0.2 percent in June and declined 0.2 percent in May. During the six-month span through July, the leading index decreased 0.3 percent, with four of the eight components increasing (diffusion index, six-month span equals 56.3 percent).

**See notes under data availability*

COINCIDENT INDICATORS. All four components that make up the coincident index increased in July. The positive contributors to the coincident index were industrial production, manufacturing sales, employed persons, and retail trade.

The next release is scheduled for October 24, 2006 at 9:30 A.M. (ET)
In Germany – October 24, 2006 at 3:30 P.M. (CET)

With the 0.4 percent increase in July, the coincident index now stands at 106.5 (1990=100). Based on revised data, this index increased 0.3 percent in June and increased 0.4 percent in May. During the six-month period through July, the coincident index increased 1.2 percent, with all four components increasing (diffusion index, six-month span equals 100.0 percent).

** See notes under data availability.*

FOR TABLES AND CHARTS, SEE BELOW

DATA AVAILABILITY The data series used to compute the two composite indexes reported in this release are those available "as of" 10:00 A.M. ET September 20, 2006. Some series are estimated as noted below.

NOTES: Series in the leading index for Germany that are based on The Conference Board estimates are inventory change, new residential construction orders, and gross enterprises and properties income. There are no series in the coincident index for Germany that are based on The Conference Board estimates.

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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 and coincident indexes are essentially composite averages of between four and nine individual leading or coincident 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.

A change in direction in a composite index does not signal a cyclical turning point unless the movement is of significant size, duration, and scope. Historical analysis with U.S. data shows recession warnings are best determined by looking for negative growth of about 3.5 percent (annualized), coupled with declines in at least half of the components over a six-month span. Further explanations of the cyclical indicator approach and the composite index methodology appear in The Conference Board's *Business Cycle Indicators* report and Web site: http://www.conference-board.org/economics/bci/.

Germany Composite Indexes: Components and Standardization Factors

Leading Index		Factor
1.	New Orders, Investment Goods	.0862
2.	Yield Spread, 10 year minus 3 month	.3357
3.	Change in Inventories	.1261
4.	Gross Enterprise and Property Income	.0770
5.	Stock Prices	.0299
6.	New Orders, Residential Construction	.0532
7.	Growth Rate for Consumer Price Index for Services	.1926
8.	Consumer Confidence Index	.0994
Coincident Index		
1.	Industrial Production	.1823
2.	Manufacturing Sales	.0486
3.	Retail sales	.1467
4.	Persons Employed	.6224

Notes:
The standardization 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. These factors are revised effective with the March 23, 2004 release, and all historical values for the two composite indexes have been revised to reflect these changes. (Under normal circumstances, updates to the leading and coincident indexes only incorporate revisions to data over the past six months.)

The factors above were calculated using 1992-2002 as the sample period for measuring volatility for the leading index, and 1991-2002 as the sample period for the coincident index. There are additional sample periods as the result of different starting dates for the component data. When one or more components is missing, the other factors are adjusted proportionately to ensure that the total continues to sum to 1. For additional information on the standardization factors and the index methodology visit our Web site: http://www.conference-board.org/economics/bci/ .

To address the problem of lags in available data, those leading and coincident indicators that are not available at the time of publication are estimated using statistical imputation. An autoregressive model is used to estimate each component. The resulting indexes are constructed using real and estimated data, and will be revised as the data unavailable at 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 the data, such as stock prices, that are available sooner than other data on "real" aspects of the economy, such as new orders and changes in inventory. Empirical research by The Conference Board suggests there are real gains in adopting this procedure to make all the indicator series as up-to-date as possible.

NOTICES

Release Schedule:

August 2006 Data..... Tuesday, October 24, 2006
September 2006 Data..... Wednesday, November 29, 2006
October 2006 Data..... Wednesday, December 20, 2006

ABOUT THE CONFERENCE BOARD. Founded in 1916, The Conference Board is the premier business membership and research network. The Conference Board 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. The Board's Economics Program, under the direction of Chief Economist Gail Fosler, is a recognized source of forecasts, economic analysis and objective indicators such as the Leading Economic Indicators and the Consumer Confidence Index.

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 contact customer service at 212-339-0345 or email indicators@conference-board.org.

AVAILABLE FROM THE CONFERENCE BOARD:

Germany Business Cycle Indicators Internet Subscription *(Includes monthly release, data, charts and commentary)*	$ 535 per year (1 user)
Individual Data Series	$ 25 per series downloaded
Monthly BCI Report *(Sample available on request)*	$ 235 per year
BCI Handbook (published 2001)	$ 20
Corporate Site License	$2,600 per year

Business Cycle Indicators for France, Germany, Japan, Korea, Mexico, Spain and the U.K. are available at $535 per country per year (1 user). Discounts are available to Associates of The Conference Board and accredited academic institutions.

The Conference Board Germany Business Cycle Indicators

Table 1.--Summary of Germany Composite Indexes

	2006						
	Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.
Leading index	106.4	106.8	106.4 r	106.6 r	106.4 r	106.2 p	106.1 p
Percent change	0.7	0.4	-0.4 r	0.2 r	-0.2 r	-0.2 p	-0.1 p
Diffusion index	93.8	68.8	25.0	62.5	31.3	37.5	50.0
Coincident index	105.2	105.4	105.5	105.4	105.8 r	106.1 r	106.5
Percent change	0.1	0.2	0.1	-0.1	0.4 r	0.3	0.4
Diffusion index	62.5	75.0	75.0	50.0	100.0	75.0	100.0

	Jul to Jan	Aug to Feb	Sep to Mar	Oct to Apr	Nov to May	Dec to Jun	Jan to Jul
Leading index							
Percent change	2.2	2.5	1.8 r	1.9 r	1.2 r	0.5 p	-0.3 p
Diffusion index	87.5	87.5	81.3	75.0	75.0	75.0	56.3
Coincident index							
Percent change	0.6	0.6	0.6	0.5	0.8 r	1.0 r	1.2
Diffusion index	75.0	100.0	100.0	100.0	100.0	100.0	100.0

p Preliminary. r Revised (both 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.

For more information, visit our Web site at w w w .conference-board.org/economics/bci

Source: The Conference Board

The Conference Board Germany Business Cycle Indicators

Table 2.--Data and Net Contributions for Components of the Germany Leading Index

Component	Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.
				2006			
	Germany Leading index component data						
New Orders, Investment Goods Industries, Volume, 2000=100 (3 month moving average).....	121.37	123.80	123.57	123.70	121.10	121.53 r	122.37
Yield 10-Year Minus 3-Month Time Deposits Rate, Percent, ...	0.8	0.9	0.9	1.1	1.1	1.0	0.9
Consumer Confidence Index.....	95.60	95.10	94.60	95.60	97.10	96.10	95.60
Inventory Change Mill.,1999 Euro(Q).....	0.4 r	0.5 r	0.2 r	-0.1 r	-0.3 r	-0.3 **	-0.2 **
New Residential Construction Orders 2000=100, (3 month moving average).....	59.77	59.13	56.67	57.40	58.67	60.40 r	61.24 **
Stock Price Index 1980=100, ...	342.94	361.21	368.93	377.98	363.42	338.39	343.77
Gross Enterprises and Properties Income Mill., 1999 Euro (Q).....	136.50 r	138.20 r	136.60 r	135.00 r	133.30 r	132.60 **	132.40 **
Six Month Smoothed Grow th Rate of CPI Services*.....	0.4	0.4	0.4	0.5	0.7	0.7	1.6
**LEADING INDEX (1990=100)..... **	**106.4**	**106.8**	**106.4 r**	**106.6 r**	**106.4 r**	**106.2 p**	**106.1 p**
Percent change from preceding month.....		0.4	-0.4 r	0.2 r	-0.2 p	-0.2 p	-0.1 p
	Germany Leading index net contributions						
New Orders, Investment Goods Industries, Volume, 2000=100 (3 month moving average).....		0.17	-0.02	0.01	-0.18	0.03 r	0.06
Yield 10-Year Minus 3-Month Time Deposits Rate, Percent, ...		0.02	0.02	0.06	-0.01	-0.03	-0.02
Consumer Confidence Index.....		-0.05	-0.05	0.10	0.15	-0.10	-0.05
Inventory Change Mill., 1999 Euro (Q).....		0.02	-0.04 r	-0.04 r	-0.03 r	0.00 **	0.02 **
New Residential Construction Orders 2000=100, (3 month moving average).....		-0.06	-0.23	0.07	0.12	0.15 r	0.07 **
Stock Price Index 1980=100, ...		0.16	0.06	0.07	-0.12	-0.21	0.05
Gross Enterprises and Properties Income Mill., 1999 Euro (Q).....		0.10 r	-0.09 r	-0.09 r	-0.10 r	-0.04 **	-0.01 **
Six Month Smoothed Grow th Rate of CPI Services*.....		0.00	0.00	-0.02	-0.04	0.00	-0.17

p Preliminary. r Revised. n.a. Not available.

* Inverted series; a negative change in this component makes a positive contribution to the index.

** Statistical Imputation (See page 2 for more details)

Q Quarterly series; these series are converted to a monthly series through a linear interpolation.

Data Sources: Deutsche Bundesbank, Thomson Financial, IFO Institute

The Conference Board Germany Business Cycle Indicators

Table 3.--Data and Net Contributions for Components of the Germany Coincident Index

Component	Jan.	Feb.	Mar.	2006 Apr.	May.	Jun.	Jul.
			Germany Coincident Index Component Data				
Industrial Production, (2000=100, 3 month moving average).....	105.9	106.3	106.3	106.5	107.1	107.9	108.8
Employed Persons, Thousands #.....	38736.0	38767.0	38790.0 r	38829.0	38898.0 r	38954.0 r	38985.0
Retail Trade, Volume, (2000=100, 3 month moving average).....	103.6	104.0	104.1 r	103.6	103.8 r	104.7 r	104.8
Manufacturing Sales, Volume, (2000=100, 3 month moving average).....	111.3 r	111.1	111.9	109.4	112.7 r	111.9 r	114.5
COINCIDENT INDEX (1990=100).....	**105.2**	**105.4**	**105.5**	**105.4**	**105.8** r	**106.1** r	**106.5**
Percent change from preceding month.....		0.2	0.1	-0.1	0.4 r	0.3	0.4
			Germany Coincident index net contributions				
Industrial Production, (2000=100, 3 month moving average).....	....	0.07	-0.01	0.04	0.10	0.14	0.14
Employed Persons, Thousands #.....	....	0.05	0.04	0.06	0.11	0.09 r	0.05
Retail Trade, Volume, (2000=100, 3 month moving average).....	....	0.06 r	0.01 r	-0.06	0.03 r	0.12 r	0.01
Manufacturing Sales, Volume, (2000=100, 3 month moving average).....	....	-0.01	0.03	-0.11	0.15 r	-0.04	0.11

p Preliminary. r Revised. n.a. Not available.

* Inverted series; a negative change in this component makes a positive contribution to the index.

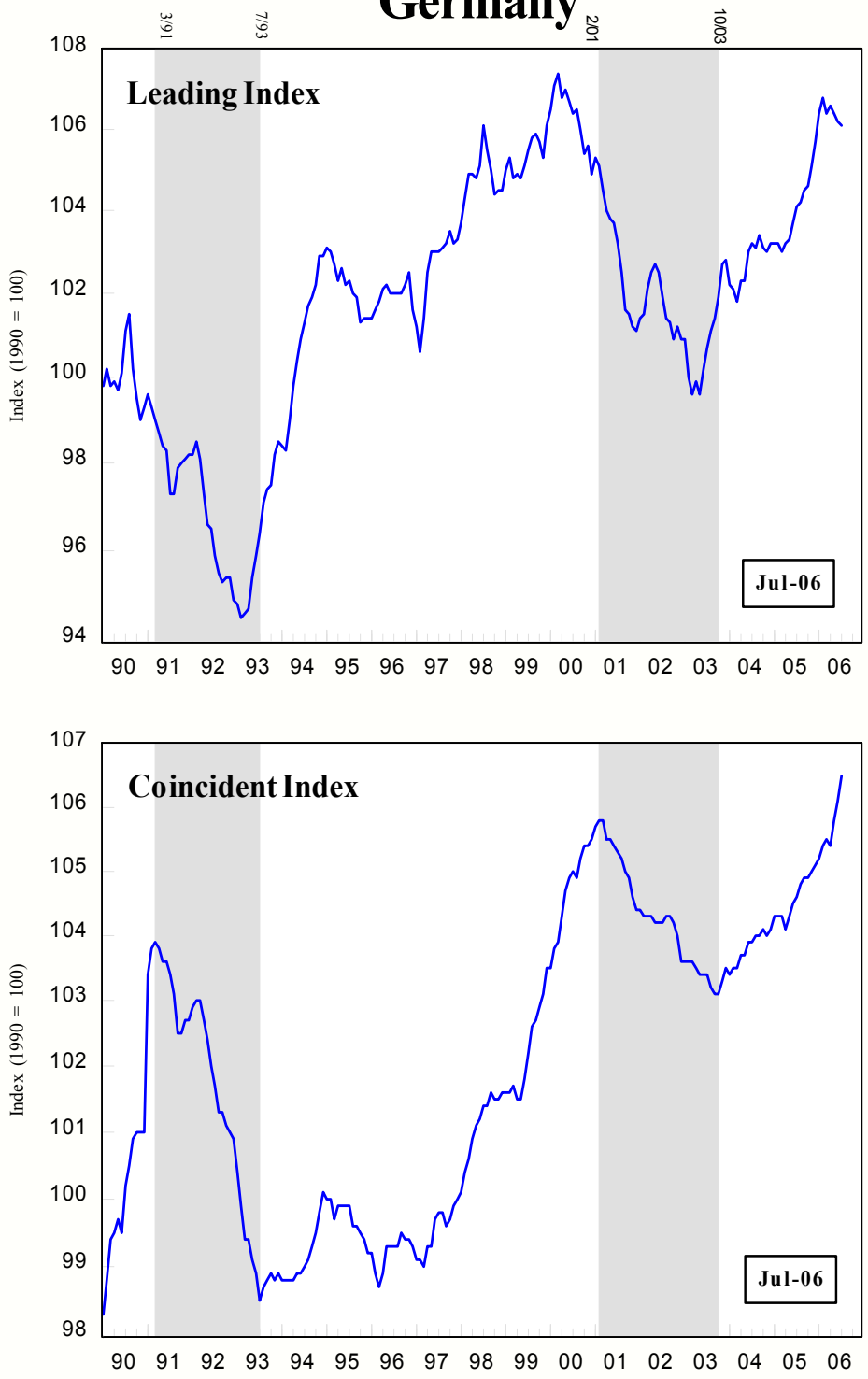
** Statistical Imputation (See page 2 for more details)

Q Quarterly series; these series are converted to monthly through a linear interpolation.

Data Sources: Deutsche Bundesbank, Thomson Financial, Statistisches Bundesamt

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).

Germany



Note: The shaded areas represent business cycle recessions.
The peaks and troughs are designated by The Conference Board based on the coincident index and real GDP.

Source: The Conference Board