



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. (PARIS TIME), WEDNESDAY, AUGUST 18, 2010

The Conference Board®  
France Business Cycle Indicators<sup>SM</sup>  
**THE CONFERENCE BOARD LEADING ECONOMIC INDEX®  
(LEI) FOR FRANCE**  
**AND RELATED COMPOSITE ECONOMIC INDEXES FOR JUNE 2010**

**Brussels, August 18, 2010...** The Conference Board Leading Economic Index® (LEI) for France declined 0.3 percent and The Conference Board Coincident Economic Index® (CEI) decreased 0.1 percent in June.

- The Conference Board LEI for France declined in June, its first decline in over a year. Negative contributions from production expectations, building permits (residential) and industrial new orders more than offset the positive contribution from the yield spread. Between December 2009 and June 2010, the leading economic index increased 2.7 percent (about a 5.5 percent annual rate), down from an increase of 3.7 percent (about a 7.6 percent annual rate) during the last half of 2009. In addition, the weaknesses among the leading indicators have remained more widespread than the strengths in recent months.
- The Conference Board CEI for France, a measure of current economic activity, also declined in June as a result of decreasing industrial production and personal consumption of manufactured goods. Between December 2009 and June 2010, the coincident economic index increased 0.3 percent (about a 0.6 percent annual rate) after remaining unchanged during the previous six-month period. In addition, the strengths among the coincident indicators have remained widespread in recent months. Real GDP increased by 2.5 percent (annual rate) in the second quarter of 2010, up from an increase of 0.7 percent (annual rate) in the first quarter.
- The Conference Board LEI for France declined in June after rising sharply for more than a year, while its six-month growth rate has gradually moderated since reaching a high in October 2009. Despite June's decline, the LEI remains 8.7 percent above its most recent trough in March 2009. Meanwhile, The Conference Board CEI for France has increased slightly this year after remaining largely flat in the second half of 2009. Taken together, the recent behavior of the composite indexes suggests that economic activity should continue to improve at a moderate pace in the near term.

**LEADING INDICATORS.** One of the seven components of the leading economic index increased in June. The positive contributor to the index was the yield spread. The negative contributors to the index--beginning with the largest negative contributor--are production expectations, building permits (residential), industrial new orders, the ratio of the deflator of manufacturing value added to unit labor cost in manufacturing\*, and the inverted new unemployment claims component. The stock price index remained unchanged in June.

Please visit our website at <http://www.conference-board.org/data/bci.cfm>

Also visit the website of our research associate in France: <http://www.rexecode.fr/index.jsv>

The next release is scheduled for Tuesday, September 21, 2010 at 4:00 A.M. ET (10:00 A.M. Paris Time)

With the decrease of 0.3 percent in June, the leading economic index now stands at 109.1 (2004=100). Based on revised data, this index increased 0.2 percent in May and increased 0.8 percent in April. During the six-month span through June, the index increased 2.7 percent, and three of the seven components increased (diffusion index, six-month span equals 42.9 percent).

COINCIDENT INDICATORS. Two of the four components of the coincident economic index increased in June. The positive contributors to the index were wage and salaries\*, and employment\*. Industrial production and personal consumption declined in June.

With the decrease of 0.1 percent in June, the coincident economic index now stands at 103.9 (2004=100). Based on revised data, this index increased 0.3 percent in May and decreased 0.1 percent in April. During the six-month period through June, the index increased 0.3 percent, with three of the four series making a positive contribution (diffusion index, six-month span equals 75.0 percent).

\* See notes under data availability.

### FOR TABLES AND CHARTS, SEE BELOW

DATA AVAILABILITY. The data series used to compute **The Conference Board Leading Economic Index<sup>®</sup>** (LEI) for France and **The Conference Board Coincident Economic Index<sup>®</sup>** (CEI) for France reported in this release are those available “as of” 10 A.M. ET on August 16, 2010. Some series are estimated as noted below.

\*The series in The Conference Board LEI for France that is based on our estimates is the ratio of the deflator of manufacturing value added to unit labor cost in manufacturing. Series in The Conference Board CEI for France that are based on our estimates are number of employees and wage and salaries.

Prior to March 2009, the residential building permits component of The Conference Board LEI for France is calculated as permits granted minus permits cancelled. From March 2009 going forward, the permits granted series replaces residential building permits because of delays in the publication of permits cancelled data by the source agency. The same standardization factor is applied to both series because their volatilities are similar. If the missing series becomes available, the original definition of the housing permits series may be restored at the next benchmark revision.

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THE CYCLICAL INDICATOR APPROACH. The composite economic indexes are the key elements in an analytic system designed to signal peaks and troughs in the business cycle. The leading and coincident economic indexes are essentially composite averages of several 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 Conference Board LEI for France have occurred before those in aggregate economic activity, while the cyclical turning points in The Conference Board CEI for France have occurred at about the same time as those in aggregate economic activity.

Further explanations of the cyclical indicator approach and the composite index methodology appear in The Conference Board's *Business Cycle Indicators* report and website:  
<http://www.conference-board.org/data/bci.cfm>

France Composite Economic Indexes: Components and Standardization Factors

<u>Leading Economic Index</u>	<u>Factor</u>
1. Yield Spread, 10 year minus Day-Day Loan	.1047
2. Stock Price SBF 250 Index	.0307
3. Building Permits, residential	.0388
4. New Unemployment Claims	.1279
5. Industrial New Orders	.0446
6. Production Expectations	.0355
7. Ratio Deflator of Manuf. Value Added to Unit Labor Cost	.6178

<u>Coincident Economic Index</u>	
1. Industrial Production	.0609
2. Personal Consumption	.0489
3. Number of Employees	.5710
4. Wage and Salaries	.3192

Notes:

The component 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 were revised effective on the release for January 2010, and all historical values for the two composite indexes were revised at this time to reflect the changes. Under normal circumstances, updates to the leading and coincident indexes only incorporate revisions to data over the past six months.

The factors above for The Conference Board LEI for France were calculated using 1983-2008 as the sample period for measuring volatility. Separate sets of factors for the 1976-1982 period and 1970-1976 period are available upon request. The factors above for The Conference Board CEI for France were calculated using 1978-2008 as the sample period. Separate sets of factors for the 1972-1978 period and 1970-1972 period are available upon request. When one or more components are 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 website: <http://www.conference-board.org/data/bci.cfm>.

The trend adjustment factor for The Conference Board LEI for France is 0.0283 (calculated from January 1970 to December 2007).

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

The schedule for 2010 for the France “Leading Economic Indicators” news release is:

July 2010 .....Tuesday, September 21, 2010  
August 2010 .....Wednesday, October 20, 2010  
September 2010 .....Monday, November 22, 2010  
October 2010 .....Monday, December 20, 2010

All releases are at 10:00 A.M. Paris Time.

## **About The Conference Board**

The Conference Board is a global, independent business membership and research association working in the public interest. Our mission is unique: To provide the world’s leading organizations with the practical knowledge they need to improve their performance *and* better serve society. The Conference Board is a non-advocacy, not-for-profit entity holding 501 (c) (3) tax-exempt status in the United States.

## **AVAILABLE FROM THE CONFERENCE BOARD:**

### **France Business Cycle Indicators Internet Subscription**

*(Includes monthly release, data, charts and commentary)*

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### **Monthly BCI Report**

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### **BCI Handbook (published 2001)**

\$25

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## The Conference Board France Business Cycle Indicators

**Table 1.--Summary of France Composite Economic Indexes**

	2009		2010					
	Dec.	Jan.	Feb.	Mar.	Apr.	May.	Jun.	
Leading index	106.2	107.0	107.0 r	108.3 p	109.2 p	109.4 p	109.1 p	
Percent change	0.4	0.8	0.0 r	1.2 p	0.8 p	0.2 p	-0.3 p	
Diffusion index	64.3	64.3	28.6	78.6	64.3	42.9	14.3	
Coincident index	103.6	103.6	103.6 r	103.8 r	103.7	104.0 r	103.9 p	
Percent change	0.0	0.0	0.0 r	0.2	-0.1 r	0.3 r	-0.1 p	
Diffusion index	62.5	62.5	50.0	87.5	50.0	100.0	50.0	
	Jun. to Dec	Jul. to Jan	Aug. to Feb	Sep. to Mar	Oct. to Apr	Nov. to May	Dec. to Jun	
Leading index								
Percent change	3.7	4.0	3.1 r	3.5 p	3.6 p	3.4 p	2.7 p	
Diffusion index	57.1	57.1	71.4	71.4	71.4	42.9	42.9	
Coincident index								
Percent change	0.0	0.1	0.2 r	0.4 r	0.3	0.4 r	0.3 p	
Diffusion index	50.0	50.0	100.0	75.0	62.5	75.0	75.0	

p Preliminary. r Revised (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 <http://www.conference-board.org/economics/bci>

Source: The Conference Board

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## The Conference Board France Business Cycle Indicators

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

Component	2009		2010				
	Dec.	Jan.	Feb.	Mar.	Apr.	May.	Jun.
France Leading Economic Index Component Data							
Yield Spread, 10 years minus Day-Day Loan Rate-----	3.15	3.19	3.10	3.09	3.05	2.73	2.72
Stock Price SBF250 Index, index 1000=12/31/1990,-----	2732.20	2793.09	2639.22	2808.31	2861.37	2582.22	2579.55
Building Permits Residential, (3 month moving average), S.A.-----	34961.69 r	33543.29 r	34356.86 r	36323.60 r	38350.48 r	39751.96 r	38071.86
New Unemployment Claims* thousands, (3 month moving average), S.A.-----	511.37	505.53	496.33	492.03	491.00	497.47	497.87
Industrial New Orders opinion balance,-----	-52.00	-43.00	-48.00	-43.00	-38.00	-32.00	-35.00
Production Expectations for Months Ahead Diffusion Index-----	1.30	3.10	-1.70	4.00	2.30	3.80	-4.20
Ratio Deflator of Value Added to Unit Labor Cost (1995=100), Q-----	99.93 r	99.76 r	99.59 r	99.47 **	99.39 **	99.33 **	99.29 **
<b>LEADING INDEX (2004=100).....</b>	<b>106.2</b>	<b>107.0</b>	<b>107.0 r</b>	<b>108.3 p</b>	<b>109.2 p</b>	<b>109.4 p</b>	<b>109.1 p</b>
Percent change from preceding month.....	0.4	0.8	0.0 r	1.2 p	0.8 p	0.2 p	-0.3 p
France Leading Economic Index net contributions							
Yield Spread, 10 years minus Day-Day Loan Rate-----	....	0.33	0.33	0.32	0.32	0.29	0.28
Stock Price SBF250 Index, index 1000=12/31/1990,-----	....	0.07	-0.17	0.19	0.06	-0.31	0.00
Building Permits Residential, (3 month moving average), S.A.-----	....	-0.16	0.09 r	0.22	0.21 r	0.14 r	-0.17
New Unemployment Claims* thousands, (3 month moving average), S.A.-----	....	0.15	0.23	0.11	0.03	-0.17	-0.01
Industrial New Orders opinion balance,-----	....	0.40	-0.22	0.22	0.22	0.27	-0.13
Production Expectations for Months Ahead Diffusion Index-----	....	0.06	-0.17	0.20	-0.06	0.05	-0.28
Ratio Deflator of Value Added to Unit Labor Cost (1995=100), Q-----	....	-0.11 r	-0.11 r	-0.07 **	-0.05 **	-0.04 **	-0.03 **

p Preliminary. r Revised. s.a. Seasonally Adjusted

\* 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: COE-Rexecode, Thomson Financial, INSEE

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).

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## The Conference Board France Business Cycle Indicators

Table 3.—Data and Net Contributions for Components of the France Coincident Economic Index

Component	2009			2010			
	Dec.	Jan.	Feb.	Mar.	Apr.	May.	Jun.
France Coincident Economic Index Component Data							
Industrial Production, Volume (2005=100). S.A.....	89.1 r	90.8 r	90.9	91.7 r	91.3 r	93.0 r	91.4
Personal Consumption of Manuf. Goods Billions of Euros, S.A.....	22.8	22.3	21.9	22.3	22.0	22.1 r	21.8
Number of Employees in the Private Sector Thous. Of Employees, S.A. Q.....	15858.9	15866.9	15874.9	15886.6 r	15898.2 r	15909.9 r	15920.1 **
Wage and Salaries, Financial and Non-Financial Millions of Euros, S.A. Q.....	108094.1 r	108103.4 r	108007.7 r	107993.6 r	108084.5 r	108334.8 r	108526.2 **
<b>COINCIDENT INDEX (2004=100).....</b>	<b>103.6</b>	<b>103.6</b>	<b>103.6 r</b>	<b>103.8 r</b>	<b>103.7</b>	<b>104.0 r</b>	<b>103.9 p</b>
Percent change from preceding month.....	0.0	0.0	0.0 r	0.2	-0.1 r	0.3 r	-0.1 p
France Coincident Economic Index net contributions							
Industrial Production, Volume (2005=100). S.A.....	....	.12 r	.01 r	.05 r	-.03	.11	-.11
Personal Consumption of Manuf. Goods Billions of Euros, S.A.....	....	-.12	-.08	.08	-.07 r	.03	-.07
Number of Employees in the Private Sector Thous. Of Employees, S.A. Q.....	....	.03	.03	.04 r	.04 r	.04 r	.04 **
Wage and Salaries, Financial and Non-Financial Millions of Euros, S.A. Q.....	....	.00	-.03	.00	.03 r	.07 r	.06 **

p Preliminary. r Revised. s.a. Seasonally adjusted

\* 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: COE-Rexecode, Thomson Financial, INSEE

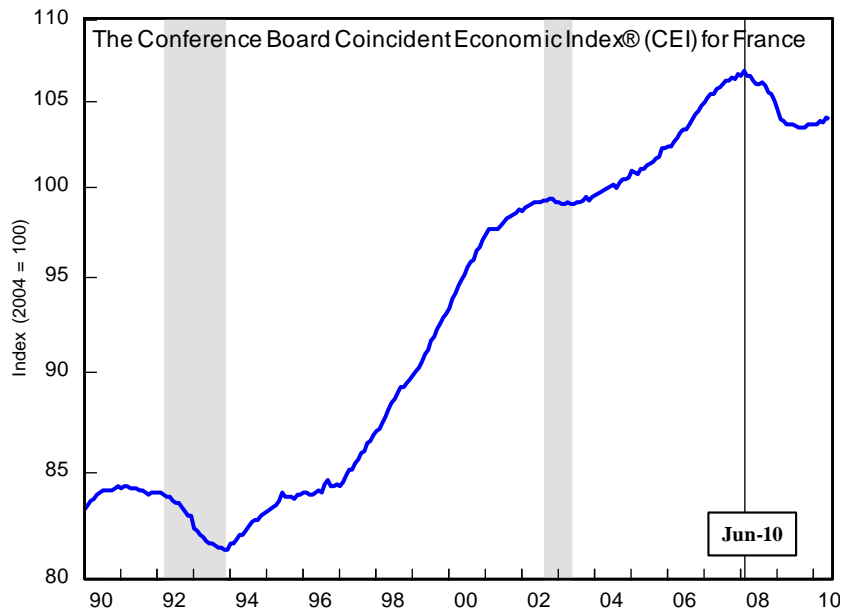
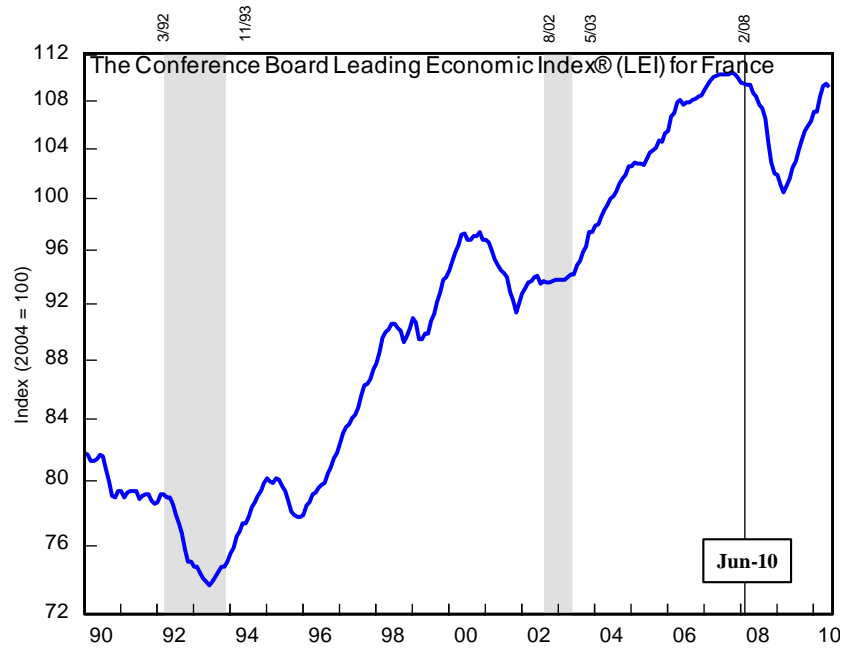
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## France Composite Economic Indexes



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