



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. CET, WEDNESDAY, FEBRUARY 18, 2009

The Conference Board®
Germany Business Cycle IndicatorsSM

**THE CONFERENCE BOARD LEADING ECONOMIC INDEX (LEI)
FOR GERMANY
AND RELATED COMPOSITE ECONOMIC INDEXES FOR DECEMBER 2008**

BRUSSELS, FEB. 18, 2009... The Conference Board Leading Economic Index (LEI) for Germany declined 1.9 percent and The Conference Board Coincident Economic Index (CEI) decreased 0.7 percent in December.

- The LEI for Germany continued its sharp downtrend in December as new orders in investment goods industries and consumer confidence made the largest negative contributions. During the second half of 2008, the LEI declined by 8.5 percent (about a -16.3 percent annual rate), faster than the decline of 4.5 percent (about a -8.8 percent annual rate) during the first half of 2008. However, the strengths among the leading indicators have become roughly balanced in November and December as the number of components that rose over the previous six months approximately equaled the number that fell over the same period.
- The CEI for Germany, a measure of current economic activity, declined for the fourth consecutive month in December as industrial production and manufacturing sales continued to make large negative contributions to the index. Between June and December 2008, the CEI declined by 1.7 percent (about a -3.4 percent annual rate), more than reversing its 0.8 percent increase (about a 1.5 percent annual rate) from December 2007 through June 2008. However, the strengths and weaknesses among the coincident indicators have been balanced during this period. At the same time, real GDP declined at a 5.2 percent average annual rate during the third and fourth quarters of 2008 (including a -8.2 percent annual rate during the fourth quarter), its lowest growth rate since 1963.
- The LEI has been generally declining since July 2007 and the pace of this decline has continued to accelerate in recent months as the six-month growth rate for the LEI reached its lowest level since 1974. Meanwhile, the CEI has fallen sharply since August 2008 after fluctuating around a flat trend during the first half of the year. Taken together, the persistent and deep declines of the composite economic indexes continue to suggest that the economy will stay weak through at least the first half of 2009, and that the contraction in economic activity may remain deep in the near term.

LEADING INDICATORS. Three of the seven components in The Conference Board Leading Economic Index (LEI) for Germany increased in December. The positive contributors — in order from the largest positive contributor to the smallest— are new residential construction orders*, inventory change series* and gross enterprises and properties income*. Negative contributors—in order from largest to smallest— are new orders in investment goods industries, consumer confidence, stock prices, and yield spread.

The next release is scheduled for Wednesday, March 18, 2009 at 10:00 A.M. (CET)

In the U.S. – Wednesday, March 18, 2009 at 5:00 A.M. (ET)

With the 1.9 percent decrease in December, the LEI now stands at 93.3 (2004=100). Based on revised data, this index declined 1.9 percent in November and declined 2.6 percent in October. During the six-month span through December, the index decreased 8.5 percent, with four of the seven components increasing (diffusion index, six-month span equals 57.1 percent).

**See notes under data availability*

COINCIDENT INDICATORS. None of the four components that make up The Conference Board Coincident Economic Index (CEI) for Germany increased in December. Industrial production, manufacturing sales, employed persons and retail trade declined in December.

With the 0.7 percent decrease in December, the CEI now stands at 103.9 (2004=100). Based on revised data, this index decreased 0.6 percent in November and decreased 0.3 percent in October. During the six-month period through December, the index decreased 1.7 percent, with two of the four components increasing (diffusion index, six-month span equals 50.0 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 (LEI) for Germany and The Conference Board Coincident Economic Index (CEI) for Germany reported in this release are those available “as of” 10:00 A.M. ET February 13, 2009. Some series are estimated as noted below.

NOTES: Series in the LEI 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 CEI 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 economic indexes are essentially composite averages of several 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 economic index have occurred before those in aggregate economic activity, while the cyclical turning points in the coincident economic index 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 Web site: <http://www.conference-board.org/economics/bci/>.

Germany Composite Economic Indexes: Components and Standardization Factors

<u>Leading Economic Index</u>	<u>Factor</u>
1. New Orders, Investment Goods	0.1536
2. Yield Spread cumulated, 10 year minus 3 month	0.1419
3. Change in Inventories	0.2549
4. Gross Enterprise and Property Income	0.1288
5. Stock Prices	0.0529
6. New Orders, Residential Construction	0.0913
7. Consumer Confidence Index	0.1765
 <u>Coincident Economic Index</u>	
1. Industrial Production	0.1028
2. Manufacturing Sales	0.0624
3. Retail sales	0.0804
4. Persons Employed	0.7544

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 were revised effective on the release for January 2009, 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 economic indexes only incorporate revisions to data over the past six months.) The factors above for the Leading Economic Index were calculated using April 1991 to December 2007 as the sample period for measuring volatility. Separate sets of factors are available for February 1965 to March 1971, April 1971 to January 1973, February 1973 to January 1974, February 1974 to November 1990, December 1990 to February 1991 and March 1991. The factors above for the Coincident Economic Index were calculated using the February 1994-December 2007 period as the sample period. Separate sets of factors are available for February 1965 to December 1990, January 1991 to February 1991, March 1991, April 1991 and May 1991 to January 1994. These additional sample periods are the result of different starting dates for the component data. 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 Web site: <http://www.conference-board.org/economics/bci/>.

The trend adjustment factors for the leading economic index are -0.2274 for the 1965-1990 period and -0.1919 for the 1991-2007 period.

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 economic 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 2009 schedule for the Germany “Leading Economic Indicators” news release is:

January 2009 Data.....	Wednesday, March 18, 2009
February 2009 Data.....	Tuesday, April 21, 2009
March 2009 Data.....	Tuesday, May 19, 2009
April 2009 Data.....	Wednesday, June 24, 2009
May 2009 Data.....	Tuesday, July 21, 2009
June 2009 Data.....	Tuesday, August 18, 2009
July 2009 Data.....	Wednesday, September 23, 2009
August 2009 Data.....	Tuesday, October 20, 2009
September 2009 Data.....	Wednesday, November 18, 2009
October 2009 Data.....	Tuesday, December 22, 2009

All releases are at 10:00 A.M. (CET)

About The Conference Board

For over 90 years, The Conference Board has created and disseminated knowledge about management and the marketplace to help businesses strengthen their performance and better serve society. The Conference Board operates as a global independent membership organization working in the public interest. It publishes information and analysis, makes economics-based forecasts and assesses trends, and facilitates learning by creating dynamic communities of interest that bring together senior executives from around the world. The Conference Board is a not-for-profit organization and holds 501(c)(3) tax-exempt status in the United States. For additional information about The Conference Board and how it can meet your needs, visit our website at www.conference-board.org.

AVAILABLE FROM THE CONFERENCE BOARD:

Germany Business Cycle Indicators Internet Subscription	\$ 635 per year (1 user)
<i>(Includes monthly release, data, charts and commentary)</i>	
Individual Data Series	\$ 35 per series downloaded
Monthly BCI Report	\$ 275 per year
<i>(Sample available at http://www.conference-board.org/publications/describeBCI.cfm)</i>	
BCI Handbook (published 2001)	\$ 20
Corporate Site License	contact Indicators Program at (212) 339-0330

Business Cycle Indicators for France, Germany, Japan, Korea, Mexico, Spain and the U.K. are available at \$635 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 Economic Indexes

	Jun.	Jul.	Aug.	2008 Sep.	Oct.	Nov.	Dec.
Leading index	102.0	100.8	100.4	99.5 p	96.9 p	95.1 p	93.3 p
Percent change	-0.9	-1.2	-0.4	-0.9 p	-2.6 p	-1.9 p	-1.9 p
Diffusion index	50.0	50.0	42.9	50.0	28.6	57.1	57.1
Coincident index	105.7	105.5 r	105.8 r	105.5 r	105.2 r	104.6 r	103.9 p
Percent change	0.2	-0.2 r	0.3 r	-0.3	-0.3	-0.6 r	-0.7 p
Diffusion index	62.5	50.0	75.0	50.0	12.5	12.5	0.0
	Dec to Jun	Jan to Jul	Feb to Aug	Mar to Sep	Apr to Oct	May to Nov	Jun to Dec
Leading index							
Percent change	-4.5	-4.5	-4.1	-4.4 p	-6.6 p	-7.6 p	-8.5 p
Diffusion index	28.6	35.7	28.6	28.6	28.6	50.0	57.1
Coincident index							
Percent change	0.8	0.1 r	0.1 r	0.0 r	-0.5 r	-0.9 r	-1.7 p
Diffusion index	50.0	50.0	25.0	50.0	50.0	25.0	50.0

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 www.conference-board.org/economics/bci

Source: The Conference Board

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The Conference Board Germany Business Cycle Indicators

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

Component	2008						
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Germany Leading Economic Index component data							
New Orders, Investment Goods Industries, Volume, 2000=100 (3 month moving average).....	137.23	133.30	133.00	129.00	122.93	113.37 r	105.57
Yield 10-Year Minus 3-Month Time							
Deposits Rate, Percent,	-0.4	-0.5	-0.8	-0.9	-1.2	-0.7	-0.2
Consumer Confidence Index.....	96.60	95.10	94.10	94.10	92.60	91.20	87.70
Inventory Change							
Mill., 1999 Euro (Q).....	0.2	0.3	0.4	0.5 **	0.7 **	0.8 **	1.0 **
New Residential Construction Orders 2000=100, (3 month moving average).....	47.93 r	48.87	48.80	49.53 r	48.93 r	50.53 r	51.25 **
Stock Price Index							
1980=100,	393.69	367.59	371.43	353.14	279.51	261.00	256.46
Gross Enterprises and Properties Income							
Mill., 1999 Euro (Q).....	151.34	151.53	151.73	151.91 **	152.13 **	152.35 **	152.57 **
LEADING INDEX (2004=100).....	102.0	100.8	100.4	99.5 p	96.9 p	95.1 p	93.3 p
Percent change from preceding month.....		-1.2	-0.4	-0.9	-2.6 r	-1.9 p	-1.9 p
Germany Leading Economic Index net contributions							
New Orders, Investment Goods Industries, Volume, 2000=100 (3 month moving average).....		-0.45	-0.03	-0.47	-0.74	-1.24 r	-1.09
Yield 10-Year Minus 3-Month Time							
Deposits Rate, Percent,		-0.07	-0.11	-0.13	-0.17	-0.10	-0.03
Consumer Confidence Index.....		-0.28	-0.19	0.00	-0.28	-0.27	-0.69
Inventory Change							
Mill., 1999 Euro (Q).....		0.03	0.02	0.03 **	0.04 **	0.04 **	0.04 **
New Residential Construction Orders 2000=100, (3 month moving average).....		0.18	-0.01	0.14 r	-0.11 r	0.29 r	0.13 **
Stock Price Index							
1980=100,		-0.36	0.05	-0.27	-1.23	-0.36	-0.09
Gross Enterprises and Properties Income							
Mill., 1999 Euro (Q).....		0.02	0.02	0.02 **	0.02 **	0.02 **	0.02 **

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

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The Conference Board Germany Business Cycle Indicators

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

Component	Jun.	Jul.	Aug.	2008 Sep.	Oct.	Nov.	Dec.
Germany Coincident Economic Index Component Data							
Industrial Production, (2000=100).....	118.1	116.2	119.9	115.9	113.8	109.6 r	104.6
Employed Persons, Thousands #.....	40250.0 r	40293.0 r	40314.0 r	40338.0 r	40358.0 r	40351.0 r	40327.0
Retail Trade, Volume, (2000=100).....	100.0 r	100.3 r	101.2 r	101.5 r	100.6 r	100.5 r	100.3
Manufacturing Sales, Volume, (2000=100, 3 month moving average).....	126.3 r	123.0 r	121.4 r	120.7 r	119.3 r	117.2 r	113.3
COINCIDENT INDEX (2004=100).....	105.7	105.5 r	105.8 r	105.5 r	105.2 r	104.6 r	103.9 p
Percent change from preceding month.....		-0.2 r	0.3 r	-0.3	-0.3	-0.6 r	-0.7 p
Germany Coincident Economic Index net contributions							
Industrial Production, (2000=100).....	....	-0.17	0.32	-0.35	-0.19	-0.39 r	-0.48
Employed Persons, Thousands #.....	....	0.08	0.04 r	0.04 r	0.04 r	-0.01 r	-0.04
Retail Trade, Volume, (2000=100).....	....	0.02 r	0.07 r	0.02	-0.07 r	-0.01 r	-0.02
Manufacturing Sales, Volume, (2000=100, 3 month moving average).....	....	-0.16 r	-0.08 r	-0.03 r	-0.07 r	-0.11 r	-0.21

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

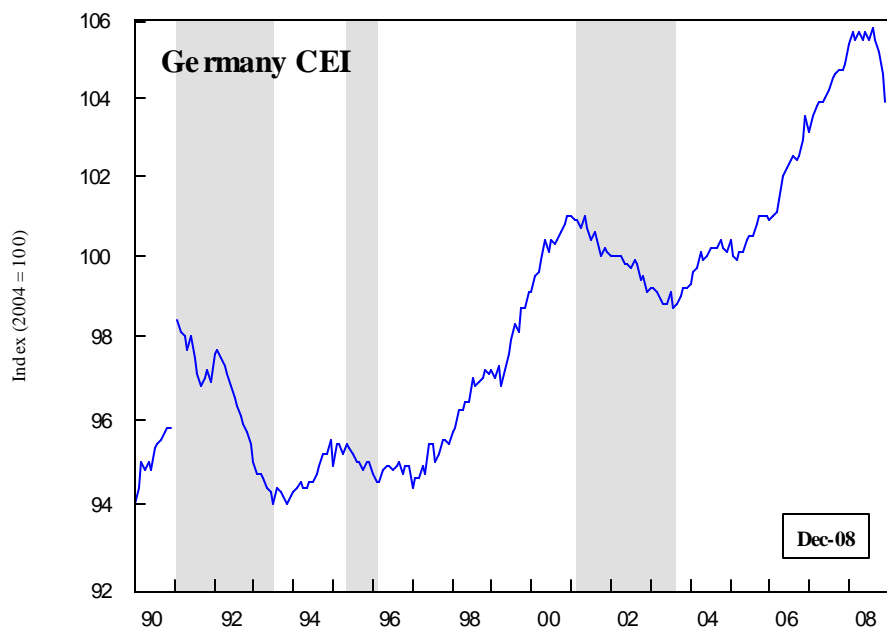
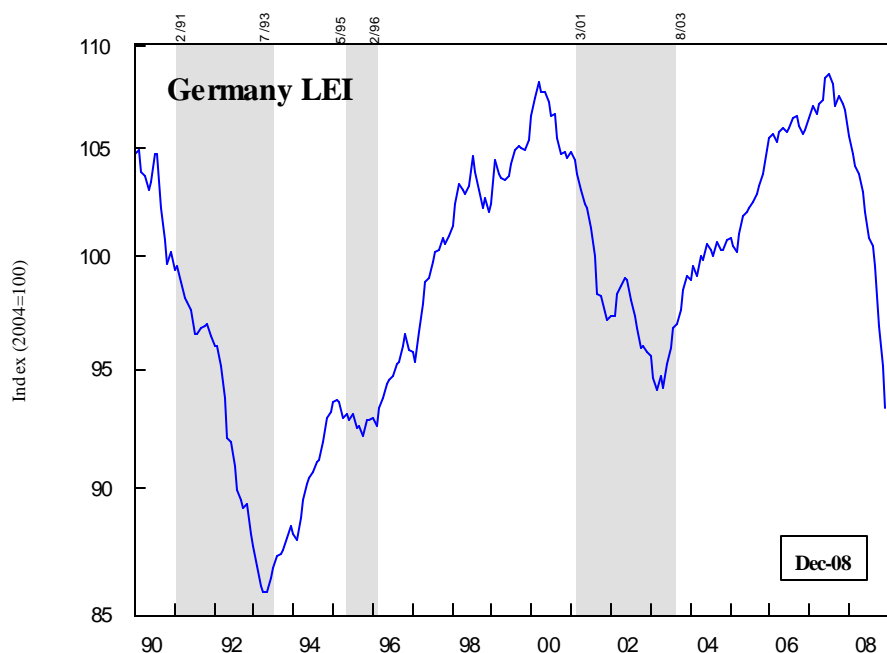
CALCULATION NOTE--The percent change in the index does not always equal the sum of the net contributions of the individual components (because of rounding effects and base value differences).

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Germany 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

* There is a discontinuity in the indexes in Jan-1991 due to reunification of Eastern and Western Germany