



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. (BRUSSELS TIME), MONDAY, JUNE 28, 2010

The Conference Board®
Euro Area Business Cycle IndicatorsSM
THE CONFERENCE BOARD LEADING ECONOMIC INDEX®
(LEI) FOR THE EURO AREA
AND RELATED COMPOSITE ECONOMIC INDEXES FOR MAY 2010

BRUSSELS, June 28, 2010... The Conference Board Leading Economic Index® (LEI) for the Euro Area declined 0.5 percent and The Conference Board Coincident Economic Index® (CEI) increased 0.1 percent in May.

- The Conference Board LEI for the Euro Area declined for the first time in more than a year in May. Stock prices, the Markit Purchasing Managers' Index (manufacturing) and the Economic Sentiment Index made the largest negative contributions to the index this month, more than offsetting the continued large positive contribution from the yield spread. Between November 2009 and May 2010, the leading economic index increased by 3.8 percent (about a 7.7 percent annual rate), slower than the 6.6 percent increase (about a 13.5 percent annual rate) between May and November 2009. In addition, the strengths among the leading indicators have become less widespread in recent months.
- The Conference Board CEI for the Euro Area, a measure of current economic activity, increased in May for the sixth time in the last seven months, according to preliminary estimates. Between November 2009 and May 2010, the coincident economic index increased by 0.6 percent (about a 1.2 percent annual rate), after decreasing by 0.1 percent (about a -0.2 percent annual rate) during the previous six months. In addition, the strengths among the coincident indicators have become widespread in recent months. At the same time, real GDP grew at a 0.8 percent annual rate during the first quarter of 2010, following an increase of 0.5 percent annual rate (revised) in the previous quarter.
- The Conference Board LEI for the Euro Area had been increasing for more than a year prior to this month's decline, but its six-month growth rate has slowed from the rapid pace in the second half of 2009. Meanwhile, The Conference Board CEI for the Euro Area has increased modestly since October 2009. Despite this month's fall in the LEI, the recent behavior of the composite indexes suggests that the moderate improvement in economic activity should continue in the near term.

LEADING INDICATORS. Three of the eight components in The Conference Board LEI for the Euro Area increased in May. The positive contributors—in order from the largest positive contributor to the smallest—are the interest rate spread, real money supply* and new orders of capital goods*. Negative contributors—in order from largest to smallest—are the EURO STOXX® Index, the Markit Purchasing Managers' Index (manufacturing), the Economic Sentiment Index, the Markit business expectations index (services) and residential building permits*.

With the 0.5 percent decrease in May, The Conference Board LEI for the Euro Area now stands at 109.7 (2004=100). Based on revised data, this index increased 0.8 percent in April and increased 1.2 percent in March. During the six-month span through May, the index increased 3.8 percent, with four of the eight components increasing (diffusion index, six-month span equals 56.3 percent).

The next release is scheduled for Monday, July 26, 2010 at 10:00 A.M. (Brussels Time)
In New York – Monday, July 26, 2010 at 4:00 A.M. (ET)

COINCIDENT INDICATORS. Two of the four components that make up The Conference Board CEI for the Euro Area increased in May. The positive contributors were retail trade* and manufacturing turnover*. Employment* and industrial production* remained unchanged in May.

With the 0.1 percent increase in May, The Conference Board CEI for the Euro Area now stands at 102.3 (2004=100). Based on revised data, this index decreased 0.2 percent in April and increased 0.3 percent in March. During the six-month period through May, the index increased 0.6 percent, with three of the four components increasing (diffusion index, six-month span equals 87.5 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 the Euro Area and **The Conference Board Coincident Economic Index[®]** (CEI) for the Euro Area reported in this release are those available “as of” 10:00 A.M. ET June 24, 2010. Some series are estimated as noted below.

NOTES: Series in The Conference Board LEI for the Euro Area that are based on our estimates are real money supply, residential building permits and new orders of capital goods. Series in The Conference Board CEI for the Euro Area that are based on our estimates are employment, industrial production, retail trade and manufacturing turnover.

With its May release of the Economic Sentiment Index, the European Commission reclassified some types of activity in accordance with NACE 2, a new industrial classification scheme. It does not expect this change to significantly impact the behavior of the ESI or the main sector aggregates. For more information about this change, please see [The NACE Revision 2 and Business Surveys](#).

For this release, residential building permits were estimated by The Conference Board for the most recent five months rather than the usual three months because of source agency delays in releasing Euro Area aggregate data. (These delays are a result of a temporary suspension in the production of French data for this series in order to incorporate changes in methodology).

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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 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 Conference Board LEI for the Euro Area have occurred before those in aggregate economic activity, while the cyclical turning points in The Conference Board CEI for the Euro Area have occurred at about the same time as those in aggregate economic activity.

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

Euro Area Composite Economic Indexes: Components and Standardization Factors

<u>Leading Economic Index</u>	<u>Factor</u>
1. Yield Spread cumulated, 10 year minus policy rate	0.2423
2. Economic Sentiment Index	0.0975
3. Markit Purchasing Managers' Index (Manufacturing)	0.1384
4. Markit Business Expectations Index (Services)	0.0707
5. EURO STOXX® Index	0.0302
6. Money Supply	0.3289
7. New Orders of Capital Goods	0.0413
8. Residential Building Permits	0.0507
<u>Coincident Economic Index</u>	
1. Employment	0.7436
2. Industrial Production	0.0806
3. Retail Trade	0.1370
4. Manufacturing Turnover	0.0388

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 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 were calculated using 2000-2008 as the sample period for measuring volatility for The Conference Board LEI for the Euro Area. Separate sets of factors for 1987-1993, 1994-1995, 1995-1997, 1997-1998 and 1998-2000 are available upon request. The factors above for The Conference Board CEI for the Euro Area were calculated using 1995-2008 as the sample period. A separate set of factors is available for 1987-1995. These multiple 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 website: <http://www.conference-board.org/economics/bci/>.

The trend adjustment factors for The Conference Board LEI for the Euro Area are -0.3065 calculated over 1987-1996 and -0.3039 calculated over 1997-2008.

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 2010 schedule for “**The Conference Board Leading Economic Index**® (LEI) for the Euro Area” news release is:

June 2010 Data.....	Monday, July 26, 2010
July 2010 Data.....	Thursday, August 26, 2010
August 2010 Data.....	Monday, September 27, 2010
September 2010 Data.....	Wednesday, October 27, 2010
October 2010 Data.....	Monday, November 29, 2010
November 2010 Data.....	Monday, December 27, 2010

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

ABOUT THE CONFERENCE BOARD

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

Business Cycle Indicators for China, France, Germany, Japan, Korea, Mexico, Spain, the U.K. and the U.S. are available at \$635 per country per year (1 user). Discounts are available to Associates of The Conference Board and accredited academic institutions.

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The Conference Board Euro Area Business Cycle Indicators

Table 1.--Summary of Euro Area Composite Economic Indexes

	2009		2010				
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May.
Leading index	105.7	106.6 r	107.5 p	108.0 p	109.3 p	110.2 p	109.7 p
Percent change	0.6	0.9	0.8 p	0.5 p	1.2 p	0.8 p	-0.5 p
Diffusion index	56.3	68.8	75.0	31.3	62.5	62.5	25.0
Coincident index	101.7	101.8	102.0 r	102.1 r	102.4 p	102.2 p	102.3 p
Percent change	0.1	0.1	0.2 r	0.1 r	0.3 p	-0.2 p	0.1 p
Diffusion index	50.0	62.5	62.5	62.5	87.5	37.5	75.0
	May to Nov	Jun to Dec	Jul to Jan	Aug to Feb	Sep to Mar	Oct to Apr	Nov to May
Leading index							
Percent change	6.6	6.1 r	5.6 p	4.0 p	4.4 p	4.9 p	3.8 p
Diffusion index	81.3	68.8	81.3	62.5	75.0	75.0	56.3
Coincident index							
Percent change	-0.1	0.1	0.3 r	0.4 r	0.8 p	0.6 p	0.6 p
Diffusion index	50.0	75.0	50.0	62.5	75.0	50.0	87.5

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 Euro Area Business Cycle Indicators

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

Component	2009			2010			
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May.
Euro Area Leading Economic Index component data							
Yield Spread, 10 year ECB Benchmark Rate minus ECB Minimum Bid Rate-----	2.84	2.87	3.10	3.11	2.99	3.16	2.68
Economic Sentiment Index (Index of five sentiment surveys) Average value 1990-2009 = 100-----	91.9	94.1	96.0	95.9	97.9	100.6	98.4
Markit Purchasing Managers' Index (Manufacturing) 50 = Balanced Positive and Negative Responses-----	51.20	51.59	52.39	54.23	56.65	57.57	55.84
Markit Business Expectations Index (Services) 50 = Balanced Positive and Negative Responses-----	64.75	65.66	67.24	66.39	68.68	69.30	67.60
Stock Price (Average Closing Price) EURO STOXX® Index, 12/31/1991=100-----	265.43	270.22	273.58	257.03	272.65	278.86	252.70
Money Supply (M2) In Billions of 2005 Euros-----	7529.29 r	7511.8 r	7586.68 r	7579.4 r	7514.1 r	7500.1 r	7528.1 **
Capital Goods New Orders Index (2005=100)-----	82.46 r	89.21 r	82.31	83.96 r	88.74 r	87.89 r	88.33 **
Index of Residential Building Permits (Index, 2005 = 100) Square meters of usable floor area-----	48.61 r	46.78 r	46.46 **	46.06 **	45.66 **	45.25 **	44.85 **
LEADING INDEX (2004=100).....	105.7	106.6 r	107.5 p	108.0 p	109.3 p	110.2 p	109.7 p
Percent change from preceding month.....		0.9	0.8	0.5	1.2	0.8 p	-0.5 p
Euro Area Leading Economic Index net contributions							
Yield Spread, 10 year ECB Benchmark Rate ECB Minimum Bid Rate	----	0.70	0.75	0.75	0.72	0.77	0.65
Economic Sentiment Index (Index of five sentiment surveys) Average value 1990-2009 = 100	----	0.21	0.19	-0.01	0.20	0.26	-0.21
Markit Purchasing Managers' Index (Manufacturing) 50 = Balanced Positive and Negative Responses	----	0.05	0.11	0.25	0.33	0.13	-0.24
Markit Business Expectations Index (Services) 50 = Balanced Positive and Negative Responses	----	0.06	0.11	-0.06	0.16	0.04	-0.12
Stock Price (Average Closing Price) EURO STOXX® Index, 12/31/1991=100	----	0.05	0.04	-0.19	0.18	0.07	-0.30
Money Supply (M2) In Billions of 2005 Euros	----	-0.08	0.33 r	-0.03	-0.28 r	-0.06 r	0.12 **
Capital Goods New Orders Index (2005=100)	----	0.32	-0.33 r	0.08	0.23 r	-0.04 r	0.02 **
Index of Residential Building Permits (Index, 2005 = 100) Square meters of usable floor area	----	-0.19 r	-0.03 **	-0.04 **	-0.04 **	-0.04 **	-0.05 **

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: Eurostat, ECB, Reuters Thomson, Markit Economics, STOXX Limited

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 Euro Area Business Cycle Indicators

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

Component	2009			2010			
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May.
Euro Area Coincident Economic Index Component Data							
Number of Employees							
Thous. Of Employees, S.A. Q	144251.2 r	144251.8 r	144252.4 r	144253.0 r	144253.4 **	144253.5 **	144253.4 **
Industrial Production, Volume Index (2005=100). S.A.	91.7	92.5 r	94.3 r	95.1 r	96.5 r	97.4 r	97.4 **
Retail Trade, Volume Index (2005=100). S.A.	100.3	101.2	100.8 r	100.7	101.4 r	99.9 r	100.6 **
Manufacturing Turnover, Index (2005=100). S.A.	93.3 r	93.1 r	93.8 r	94.6 r	96.6 r	94.6 r	95.2 **
COINCIDENT INDEX (2004=100).....	101.7	101.8	102.0 r	102.1 r	102.4 p	102.2 p	102.3 p
Percent change from preceding month.....		0.1	0.2 r	0.1 r	0.3 p	-0.2 p	0.1 p
Euro Area Coincident Economic Index net contributions							
Number of Employees	-----	0.00 r	0.00 r	0.00 r	0.00 **	0.00 **	0.00 **
Thous. Of Employees, S.A. Q							
Industrial Production, Volume Index (2005=100). S.A.	-----	0.07	0.16 r	0.06 r	0.12 r	0.07 r	0.00 **
Retail Trade, Volume Index (2005=100). S.A.	-----	0.12	-0.05 r	-0.01 r	0.09 r	-0.20 r	0.09 **
Manufacturing Turnover, Index (2005=100). S.A.	-----	-0.01	0.03	0.03	0.08 r	-0.08 r	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: Eurostat, ECB, Reuters Thomson

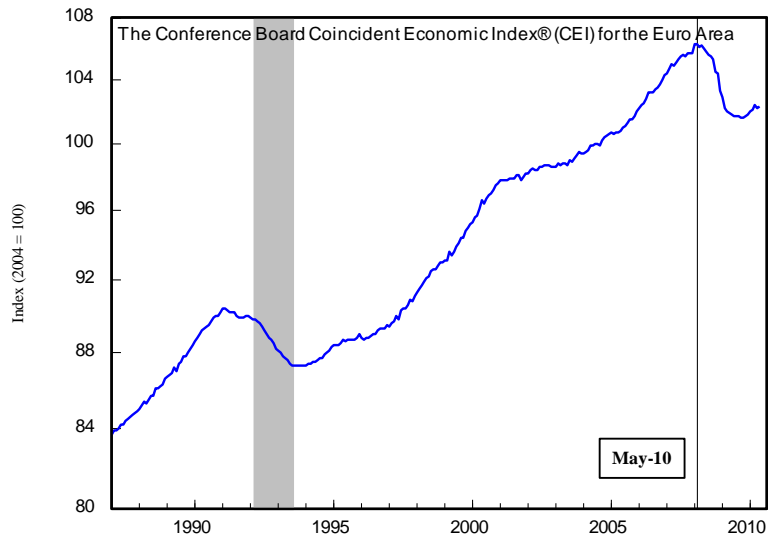
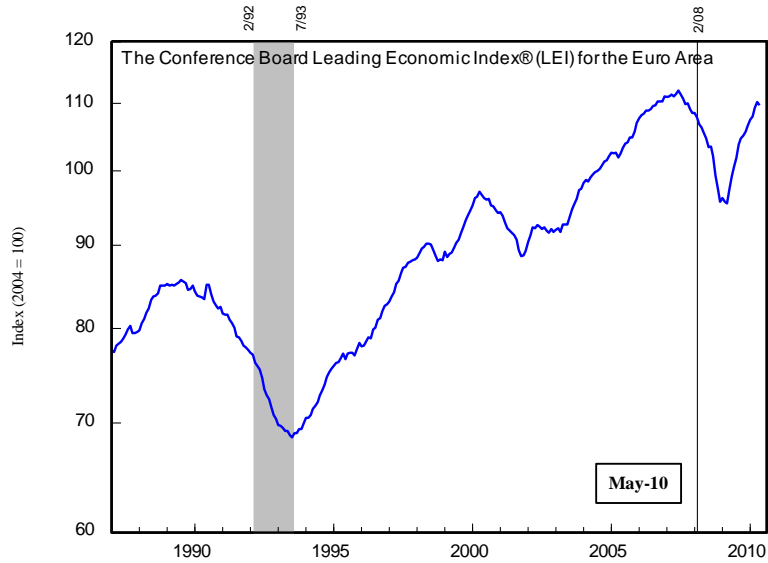
CALCULATION NOTE--The percent change in the index does not always equal the sum of the net contributions of the individual components (because of rounding effects and base value differences).

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Euro Area 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