



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. (BERLIN TIME), TUESDAY, OCTOBER 20, 2009

The Conference Board®
Germany Business Cycle IndicatorsSM
**THE CONFERENCE BOARD LEADING ECONOMIC INDEX™
(LEI) FOR GERMANY**
AND RELATED COMPOSITE ECONOMIC INDEXES FOR AUGUST 2009

BRUSSELS, October 20, 2009... The Conference Board Leading Economic Index™ (LEI) for Germany increased 1.3 percent and The Conference Board Coincident Economic Index™ (CEI) decreased 0.2 percent in August.

- The Conference Board LEI for Germany increased for the fifth consecutive month in August, with stock prices and new orders in investment goods industries making the largest positive contributions. Between February and August 2009, the leading economic index increased by 4.3 percent (about an 8.7 percent annual rate), a sharp reversal from the 13.9 percent decline (about a -25.8 percent annual rate) between August 2008 and February 2009. In addition, the strengths among the leading indicators have remained widespread in recent months.
- The Conference Board CEI for Germany, a measure of current economic activity, declined in August after remaining unchanged in July and June. A positive contribution from industrial production was more than offset by negative contributions from employment and retail trade. Between February and August 2009, the coincident economic index declined by 0.3 percent (about a -0.6 percent annual rate), far slower than the 3.6 percent decline (about a -7.1 percent annual rate) between August 2008 and February 2009. However, the weaknesses among the coincident indicators have remained widespread. Meanwhile, real GDP rose at a 1.3 percent annual rate during the second quarter of 2009, its first increase since the first quarter of 2008, after falling at a 13.4 percent annual rate during the first quarter of this year.
- After a long downtrend between July 2007 and March 2009, The Conference Board LEI for Germany has risen during the past five months. As a result, its six-month growth rate has reached its highest rate since 2003. The Conference Board CEI for Germany has remained essentially flat since March 2009 after falling rapidly between August 2008 and February 2009. Taken together, the recent behavior of the composite economic indexes suggests that the downturn in economic activity could be bottoming out and that economic conditions will continue to improve in the months ahead.

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

The next release is scheduled for Wednesday, November 18, 2009 at 10:00 A.M. (Berlin Time)
In the U.S. – Wednesday, November 18, 2009 at 4:00 A.M. (ET)

With the 1.3 percent increase in August, The Conference Board LEI for Germany now stands at 90.1 (2004=100). Based on revised data, this index increased 0.9 percent in July and increased 1.1 percent in June. During the six-month span through August, the index increased 4.3 percent, with five of the seven components increasing (diffusion index, six-month span equals 71.4 percent).

* See notes under data availability.

COINCIDENT INDICATORS. One of the four components that make up The Conference Board CEI for Germany increased in August. The only positive contributor was industrial production. Retail trade, employed persons and manufacturing sales declined in August.

With the 0.2 percent decrease in August, The Conference Board CEI for Germany now stands at 101.6 (2004=100). Based on revised data, this index remained unchanged in both July and June. During the six-month period through August, the index decreased 0.3 percent, with one of the four components increasing (diffusion index, six-month span equals 25.0 percent).

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 October 16, 2009. Some series are estimated as noted below.

NOTES: Series in The Conference Board LEI for Germany that are based on our estimates are inventory change, new residential construction orders, and gross enterprises and properties income.

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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 Conference Board LEI for Germany have occurred before those in aggregate economic activity, while the cyclical turning points in The Conference Board CEI for Germany 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/>.

Germany Composite 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 Trade	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 Conference Board LEI for Germany 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 Conference Board CEI for Germany 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 website: <http://www.conference-board.org/economics/bci/>.

The trend adjustment factors for The Conference Board LEI for Germany 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 Conference Board Leading Economic Index™** (LEI) for Germany” news release is:

September 2009 Data..... Wednesday, November 18, 2009
October 2009 Data..... Tuesday, December 22, 2009

All releases are at 4:00 A.M. (ET), 10:00 A.M. (Berlin 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.

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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
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The Conference Board Germany Business Cycle Indicators

Table 1.--Summary of Germany Composite Economic Indexes

	Feb.	Mar.	Apr.	2009 May.	Jun.	Jul.	Aug.
Leading index	86.4	85.7	86.6	87.1	88.1 p	88.9 p	90.1 p
Percent change	-2.4	-0.8	1.1	0.6	1.1 p	0.9 p	1.3 p
Diffusion index	14.3	28.6	57.1	57.1	71.4	71.4	71.4
Coincident index	101.9	101.7	101.5	101.8	101.8 r	101.8 r	101.6 p
Percent change	-0.6	-0.2	-0.2	0.3	0.0 r	0.0	-0.2 p
Diffusion index	12.5	37.5	50.0	50.0	50.0	50.0	25.0
	Aug to Feb	Sep to Mar	Oct to Apr	Nov to May	Dec to Jun	Jan to Jul	Feb to Aug
Leading index							
Percent change	-13.9	-13.5	-10.0	-7.5	-3.4 p	0.5 p	4.3 p
Diffusion index	21.4	14.3	14.3	28.6	42.9	71.4	71.4
Coincident index							
Percent change	-3.6	-3.6	-3.4	-2.6	-1.9 r	-0.7 r	-0.3 p
Diffusion index	12.5	0.0	25.0	0.0	0.0	25.0	25.0

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

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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	2009						
	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.
Germany Leading Economic Index component data							
New Orders, Investment Goods Industries, Volume, 2005=100 (3 month moving average).....	78.23	76.90	77.20	78.83	80.43	83.60 r	85.83
Yield 10-Year Minus 3-Month Time Deposits Rate, Percent,	1.2	1.4	1.7	2.1	2.2	2.4	2.5
Consumer Confidence Index.....	84.30	83.30	81.80	81.30	84.30	85.70	87.20
Inventory Change Contribution to real GDP change, Percent (Q).....	0.4	0.1	-0.2	-0.6	-0.7 **	-0.6 **	-0.4 **
New Residential Construction Orders 2005=100, (3 month moving average).....	74.40	76.10	83.17	85.00	86.47	85.57 r	85.09 **
Stock Price Index 1980=100,	235.01	218.22	248.72	262.19	263.52	264.68	289.02
Gross Enterprises and Properties Income Bill., 1999 Euro (Q).....	133.10	131.66	130.22	128.77	128.13 **	127.81 **	127.66 **
LEADING INDEX (2004=100).....	86.4	85.7	86.6	87.1	88.1 p	88.9 p	90.1 p
Percent change from preceding month.....		-0.8	1.1	0.6	1.1	0.9 p	1.3 p
Germany Leading Economic Index net contributions							
New Orders, Investment Goods Industries, Volume, 2005=100 (3 month moving average).....		-0.26	0.06	0.32	0.31	0.59 r	0.40
Yield 10-Year Minus 3-Month Time Deposits Rate, Percent,		0.20	0.24	0.30	0.32	0.34	0.35
Consumer Confidence Index.....		-0.21	-0.32	-0.11	0.64	0.29	0.31
Inventory Change Contribution to real GDP change, Percent (Q).....		-0.08	-0.08	-0.10	-0.02 **	0.02 **	0.05 **
New Residential Construction Orders 2005=100, (3 month moving average).....		0.21	0.81	0.20	0.16	-0.10 r	-0.05 **
Stock Price Index 1980=100,		-0.39	0.69	0.28	0.03	0.02	0.47
Gross Enterprises and Properties Income Bill., 1999 Euro (Q).....		-0.14	-0.14	-0.14	-0.06 **	-0.03 **	-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	2009						
	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.
-----Germany Coincident Economic Index Component Data-----							
Industrial Production, (2005=100).....	91.0 r	91.3 r	88.7 r	92.8	93.7 r	92.7	94.3
Employed Persons, Thousands #.....	40279.0 r	40250.0 r	40225.0 r	40187.0	40144.0 r	40114.0 r	40057.0
Retail Trade, Volume, (2005=100).....	95.4	95.4 r	96.4	95.4	94.5	95.9 r	93.6
Manufacturing Sales, Volume, (2005=100, 3 month moving average).....	92.8 r	90.1 r	90.6	90.8 r	91.1 r	91.8 r	91.7
COINCIDENT INDEX (2004=100).....	101.9	101.7	101.5	101.8	101.8 r	101.8 r	101.6 p
Percent change from preceding month.....		-0.2	-0.2	0.3	0.0 r	0.0	-0.2 p
-----Germany Coincident Economic Index net contributions-----							
Industrial Production, (2005=100).....	....	0.03 r	-0.30	0.46 r	0.10 r	-0.11 r	0.18
Employed Persons, Thousands #.....	....	-0.05 r	-0.05 r	-0.07 r	-0.08	-0.06	-0.11
Retail Trade, Volume, (2005=100).....	....	0.00 r	0.08 r	-0.08	-0.08	0.12 r	-0.20
Manufacturing Sales, Volume, (2005=100, 3 month moving average).....	....	-0.18 r	0.03	0.02 r	0.02	0.04 r	-0.01

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

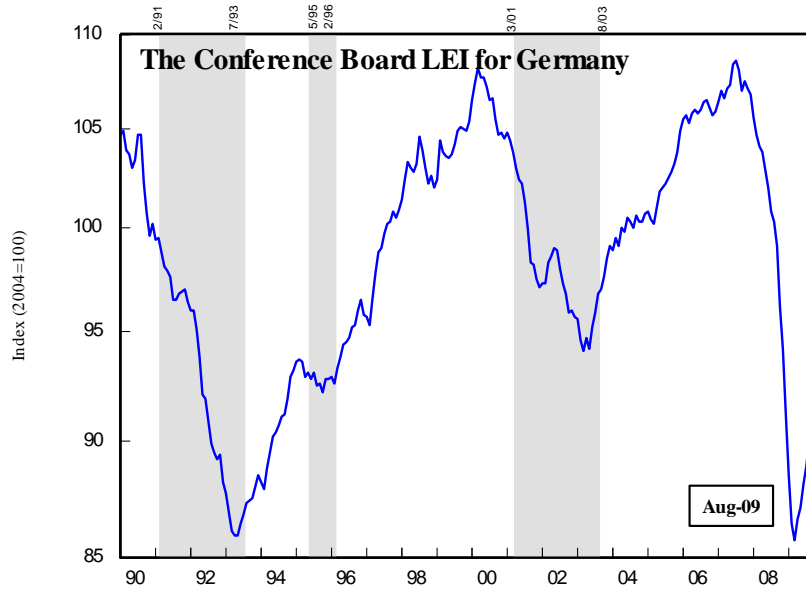
CALCULATION NOTE--The percent change in the index does not always equal the sum of the net contributions of the individual components (because of rounding effects and base value differences).

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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