



**THE CONFERENCE BOARD**

FOR RELEASE: 10:00 A.M. (BERLIN TIME), TUESDAY, DECEMBER 21, 2010

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

Next month's release will incorporate annual benchmark revisions to the composite indexes. These regular benchmark revisions bring the indexes up-to-date with revisions in the source data. The revisions do not change the cyclical properties of the indexes. The indexes are updated throughout the year, but only for the previous six months. Data revisions that fall outside of the moving six-month window are incorporated when the benchmark revision is made and the entire histories of the indexes are recomputed. As a result, the revised indexes and their month-over-month changes will no longer be directly comparable to those issued prior to the benchmark revision.

For more information, please visit our website at <http://www.conference-board.org/data/bci.cfm> or contact [indicators@conference-board.org](mailto:indicators@conference-board.org).

**BRUSSELS, December 21, 2010...** The Conference Board Leading Economic Index® (LEI) for Germany increased 0.8 percent and The Conference Board Coincident Economic Index® (CEI) increased 0.3 percent in October.

- The Conference Board LEI for Germany increased strongly again in October, and a majority of the components made large positive contributions to the index this month. Between April and October 2010, the leading economic index increased by 3.9 percent (a 7.9 percent annual rate), moderately slower than the increase of 5.9 percent (a 12.0 percent annual rate) during the previous six months. 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, increased moderately in October, after declining in September. Industrial production made a large positive contribution to the index this month, following a decline in the previous month. During the last six months, the coincident economic index rose by 1.0 percent (a 1.9 percent annual rate), slightly slower than the increase of 1.4 percent (a 2.8 percent annual rate) during the previous six months. However, the strengths among the coincident indicators have been very widespread, with all four components increasing over the past six months. In addition, real GDP grew at a 2.8 percent annual rate in the third quarter of 2010, following an increase of 9.5 percent annual rate in the second quarter.
- The Conference Board LEI for Germany has been on a rising trend for one and a half years now, amid widespread strength among its components. However, its six-month growth rate has moderated recently. Meanwhile, The Conference Board CEI for Germany rose this month, after remaining essentially unchanged in the third quarter. Taken together, the recent behavior of the composite indexes suggests that economic activity should continue expanding, though perhaps at a moderate pace in the near term.

The next release is scheduled for Monday, January 24, 2011 at 10:00 A.M. (Berlin Time)

*In the U.S. – Monday, January 24, 2011 at 4:00 A.M. (ET)*

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

With the 0.8 percent increase in October, The Conference Board LEI for Germany now stands at 107.1 (2004=100). Based on revised data, this index increased 0.7 percent in September and increased 0.9 percent in August. During the six-month span through October, the index increased 3.9 percent, with five of the seven components increasing (diffusion index, six-month span equals 71.4 percent).

COINCIDENT INDICATORS. All four components that make up The Conference Board CEI for Germany increased in October. The positive contributors -- in order from the largest positive contributor to the smallest -- were industrial production, manufacturing sales, employed persons, and retail trade.

With the 0.3 percent increase in October, The Conference Board CEI for Germany now stands at 104.4 (2004=100). Based on revised data, this index decreased 0.2 percent in September and increased 0.2 percent in August. During the six-month period through October, the index increased 1.0 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 Conference Board Leading Economic Index<sup>®</sup>** (LEI) for Germany and **The Conference Board Coincident Economic Index<sup>®</sup>** (CEI) for Germany reported in this release are those available “as of” 10:00 A.M. ET December 17, 2010. 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/data/bci.cfm>.

Germany Composite Indexes: Components and Standardization Factors

<u>Leading Economic Index</u>	<u>Factor</u>
1. New Orders, Investment Goods	0.1388
2. Yield Spread cumulated, 10 year minus 3 month	0.1415
3. Change in Inventories	0.2572
4. Gross Enterprise and Property Income	0.1425
5. Stock Prices	0.0507
6. New Orders, Residential Construction	0.0942
7. Consumer Confidence Index	0.1751

<u>Coincident Economic Index</u>	
1. Industrial Production	0.0928
2. Manufacturing Sales	0.0617
3. Retail Trade	0.0885
4. Persons Employed	0.7570

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 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 2008 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, March 1991 and January to February 1999. The factors above for The Conference Board CEI for Germany were calculated using the February 1994-December 2008 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/data/bci.cfm>.

The trend adjustment factors for The Conference Board LEI for Germany are -0.2260 for the 1965-1990 period and -0.1204 for the 1991-2008 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 2011 schedule for “**The Conference Board Leading Economic Index**<sup>®</sup> (LEI) for Germany” news release is:

November 2010 Data	.....	Monday, January 24, 2011
December 2010 Data	.....	Friday, February 18, 2011
January 2011 Data	.....	Tuesday, March 22, 2011
February 2011 Data	.....	Wednesday, April 27, 2011
March 2011 Data	.....	Tuesday, May 24, 2011
April 2011 Data	.....	Tuesday, June 21, 2011
May 2011 Data	.....	Monday, July 25, 2011
June 2011 Data	.....	Tuesday, August 23, 2011
July 2011 Data	.....	Friday, September 23, 2011
August 2011 Data	.....	Monday, October 24, 2011
September 2011 Data	.....	Tuesday, November 22, 2011
October 2011 Data	.....	Tuesday, December 20, 2011

All releases are at 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.

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

### **Germany Business Cycle Indicators Internet Subscription**

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

\$565 (for TCB members)/\$715 (for non-TCB members) per year (1 user)

### **Individual Data Series**

\$45 (for TCB members)/\$50 (for non-TCB members) per series downloaded

### **Monthly BCI Report**

*(Sample available at <http://www.conference-board.org/data/monthlybci.cfm>)*

\$230 (for TCB members)/\$285 (for non-TCB members) per year

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

\$25

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## The Conference Board Germany Business Cycle Indicators

Table 1.--Summary of Germany Composite Economic Indexes

	2010						
	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.
Leading index	103.1	103.5 r	103.8 r	104.7 r	105.6 r	106.3 p	107.1 p
Percent change	2.4	0.4 r	0.3 r	0.9 r	0.9 r	0.7 p	0.8 p
Diffusion index	92.9	57.1	50.0	50.0	71.4	64.3	57.1
Coincident index	103.4	104.0	104.1	104.1	104.3	104.1 r	104.4
Percent change	0.5	0.6	0.1	0.0	0.2	-0.2 r	0.3
Diffusion index	75.0	100.0	62.5	62.5	62.5	12.5	87.5
	Oct to Apr	Nov to May	Dec to Jun	Jan to Jul	Feb to Aug	Mar to Sep	Apr to Oct
Leading index							
Percent change	5.9	6.2 r	5.6 r	6.5 r	7.0 r	5.6 p	3.9 p
Diffusion index	85.7	85.7	85.7	85.7	85.7	71.4	71.4
Coincident index							
Percent change	1.4	1.9	1.8	1.8	1.9	1.2 r	1.0
Diffusion index	100.0	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.

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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	2010						
	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.
Germany Leading Economic Index component data							
New Orders, Investment Goods Industries, Volume, 2005=100 (3 month moving average).....	96.93	99.77	103.30	104.13	107.00	105.90	107.07
Yield 10-Year Minus 3-Month Time							
Deposits Rate, Percent, .....	2.4	2.0	1.8	1.8	1.5	1.4	1.4
Consumer Confidence Index.....	95.10	94.10	94.10	98.60	100.00	101.00	102.00
Inventory Change							
Contribution to real GDP change, Percent (Q).....	1.4 r	1.9 r	1.5 r	1.1 r	0.6 r	0.3 **	0.3 **
New Residential Construction Orders 2005=100, (3 month moving average).....	92.57	94.17	90.73	89.80	92.00	97.20 r	99.37 **
Stock Price Index							
1980=100, .....	335.51	314.85	319.18	318.64	321.72	327.52	340.06
Gross Enterprises and Properties Income							
Bill., 2000 Euro (Q).....	143.86 r	144.49 r	144.70 r	144.91 r	145.12 r	145.20 **	145.10 **
<b>LEADING INDEX (2004=100).....</b>	<b>103.1</b>	<b>103.5 r</b>	<b>103.8 r</b>	<b>104.7 r</b>	<b>105.6 r</b>	<b>106.3 p</b>	<b>107.1 p</b>
Percent change from preceding month.....		0.4 r	0.3 r	0.9 r	0.9 r	0.7 p	0.8 p
Germany Leading Economic Index net contributions							
New Orders, Investment Goods Industries, Volume, 2005=100 (3 month moving average).....		0.40	0.48	0.11	0.38	-0.14	0.15
Yield 10-Year Minus 3-Month Time							
Deposits Rate, Percent, .....		0.29	0.26	0.25	0.21	0.20	0.19
Consumer Confidence Index.....		-0.19	0.00	0.82	0.25	0.17	0.17
Inventory Change							
Contribution to real GDP change, Percent (Q).....		0.13	-0.11 r	-0.10 r	-0.14 r	-0.06 **	-0.02 **
New Residential Construction Orders 2005=100, (3 month moving average).....		0.16	-0.35	-0.10	0.23	0.52 r	0.21 **
Stock Price Index							
1980=100, .....		-0.32	0.07	-0.01	0.05	0.09	0.19
Gross Enterprises and Properties Income							
Bill., 2000 Euro (Q).....		0.06 r	0.02 r	0.02 r	0.02 r	0.01 **	-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 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	2010						
	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.
Germany Coincident Economic Index Component Data							
Industrial Production, (2005=100).....	101.7	104.8	104.2	104.4	106.0	104.9 r	107.9
Employed Persons, Thousands #.....	40293.0 r	40364.0 r	40416.0 r	40422.0 r	40432.0 r	40451.0 r	40461.0
Retail Trade, Volume, (2005=100).....	96.9 r	98.3	98.3 r	98.9 r	98.4 r	97.8 r	98.0
Manufacturing Sales, Volume, (2005=100, 3 month moving average).....	100.7 r	102.0	102.7 r	101.7 r	102.3	101.3 r	101.9
<b>COINCIDENT INDEX (2004=100).....</b>	<b>103.4</b>	<b>104.0</b>	<b>104.1</b>	<b>104.1</b>	<b>104.3</b>	<b>104.1 r</b>	<b>104.4</b>
Percent change from preceding month.....		0.6	0.1	0.0	0.2	-0.2 r	0.3
Germany Coincident Economic Index net contributions							
Industrial Production, (2005=100).....	....	0.28	-0.05	0.02	0.14	-0.10 r	0.26
Employed Persons, Thousands #.....	....	0.13	0.10	0.01	0.02	0.04 r	0.02
Retail Trade, Volume, (2005=100).....	....	0.13 r	0.00 r	0.05	-0.04	-0.05 r	0.02
Manufacturing Sales, Volume, (2005=100, 3 month moving average).....	....	0.08	0.04	-0.06 r	0.03	-0.06	0.03

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).

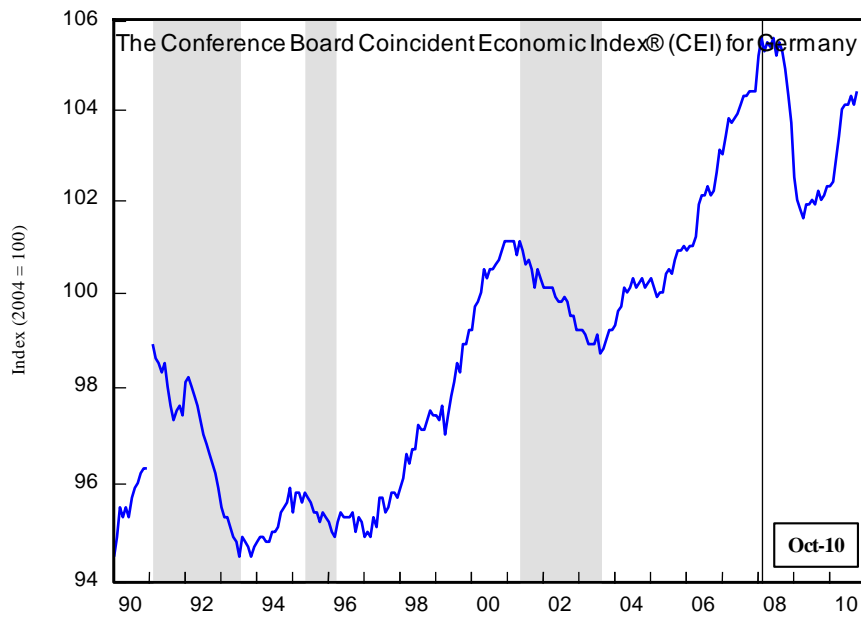
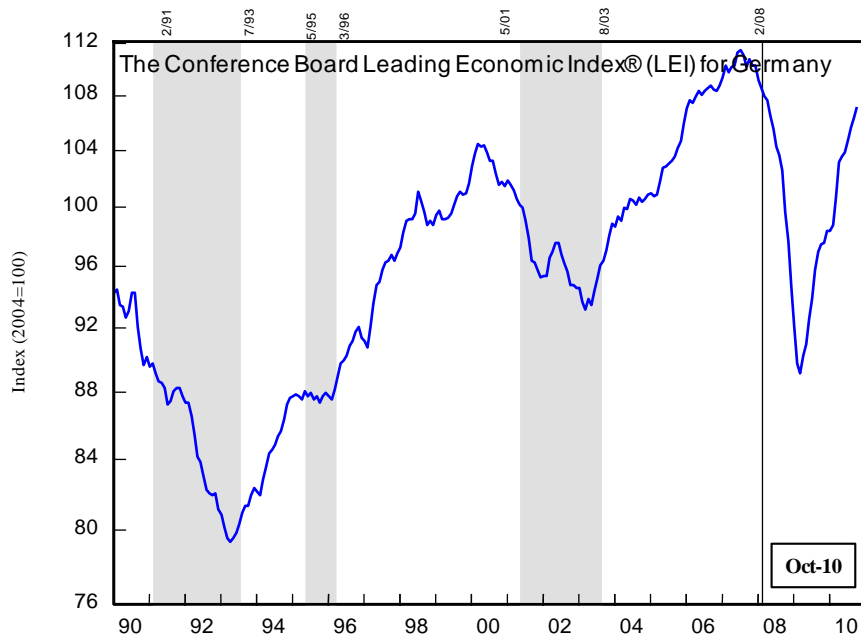
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## Germany Composite Economic Indexes



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