



**THE CONFERENCE BOARD**

FOR RELEASE: 10:00 A.M. (BERLIN TIME), TUESDAY, JULY 21, 2009

The Conference Board<sup>®</sup>  
Germany Business Cycle Indicators<sup>SM</sup>  
**THE CONFERENCE BOARD LEADING ECONOMIC INDEX<sup>TM</sup> (LEI)**  
**FOR GERMANY**  
**AND RELATED COMPOSITE ECONOMIC INDEXES FOR MAY 2009**

**BRUSSELS, July 21, 2009...** The Conference Board Leading Economic Index<sup>TM</sup> (LEI) for Germany increased 0.9 percent and The Conference Board Coincident Economic Index<sup>TM</sup> (CEI) increased 0.2 percent in May.

- The Conference Board LEI for Germany increased for the second consecutive month in May as positive contributions from new orders in investment goods industries, the yield spread and stock prices more than offset a negative contribution from consumer confidence. In addition, the index was revised upwards in April after new data for new residential construction orders became available. Between November 2008 and May 2009, the leading economic index decreased by 7.4 percent (about a -14.3 percent annual rate), slightly slower than the 8.5 percent decline (about a -16.2 percent annual rate) between May and November 2008. In addition, the weaknesses among the leading indicators have remained widespread in recent months.
- The Conference Board CEI for Germany, a measure of current economic activity, increased in May for the first time since August 2008 as a positive contribution from industrial production more than offset a negative contribution from retail sales. Between November 2008 and May 2009, the coincident economic index decreased by 2.9 percent (about a -5.7 percent annual rate), faster than the 0.9 percent decline (about a -1.9 percent annual rate) during the previous six months. Additionally, the weaknesses among the coincident indicators have remained very widespread, with all four components decreasing during the past six months. Meanwhile, real GDP fell at a 14.4 percent annual rate during the first quarter of this year, its largest one-quarter contraction since 1970, following a decline of 8.6 percent annual rate during the fourth quarter of 2008.
- After a long downtrend between July 2007 and March 2009, The Conference Board LEI for Germany has risen during the past two months. As a result, the pace of its six-month contraction has moderated significantly in recent months, though it remains sharp. The Conference Board CEI for Germany increased slightly in May but has been generally falling since August 2008. Taken together, the recent behavior of the composite indexes suggests that although the downturn is likely to continue in the near term, the pace of decline could begin to moderate.

The next release is scheduled for Tuesday, August 18, 2009 at 10:00 A.M. (Berlin Time)

*In the U.S. – Tuesday, August 18, 2009 at 4:00 A.M. (ET)*

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

With the 0.9 percent increase in May, The Conference Board LEI for Germany now stands at 87.2 (2004=100). Based on revised data, this index increased 1.1 percent in April and declined 0.9 percent in March. During the six-month span through May, the index decreased 7.4 percent, with two of the seven components increasing (diffusion index, six-month span equals 28.6 percent).

*\*See notes under data availability*

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

With the 0.2 percent increase in May, The Conference Board CEI for Germany now stands at 101.5 (2004=100). Based on revised data, this index decreased 0.2 percent in April and decreased 0.2 percent in March. During the six-month period through May, the index decreased 2.9 percent, with none of the four components increasing (diffusion index, six-month span equals 0.0 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 July 17, 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 Web site: <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 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 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 Web site: <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:

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 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.

## **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 <a href="http://www.conference-board.org/publications/describeBCI.cfm">http://www.conference-board.org/publications/describeBCI.cfm</a>)</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.

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## The Conference Board Germany Business Cycle Indicators

Table 1.--Summary of Germany Composite Economic Indexes

	2008		2009				
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May.
Leading index	94.2	91.2	88.6	86.3	85.5 p	86.4 p	87.2 p
Percent change	-2.1	-3.2	-2.9	-2.6	-0.9 p	1.1 p	0.9 p
Diffusion index	42.9	14.3	14.3	14.3	35.7	64.3	71.4
Coincident index	104.5	103.8	102.4	101.7 r	101.5	101.3	101.5 p
Percent change	-0.6	-0.7	-1.3	-0.7 r	-0.2 r	-0.2	0.2 p
Diffusion index	12.5	25.0	0.0	12.5	50.0	37.5	37.5

	May to	Jun to	Jul to	Aug to	Sep to	Oct to	Nov to
	Nov	Dec	Jan	Feb	Mar	Apr	May
Leading index							
Percent change	-8.5	-10.6	-12.1	-14.0	-13.7 p	-10.2 p	-7.4 p
Diffusion index	35.7	28.6	28.6	28.6	14.3	14.3	28.6
Coincident index							
Percent change	-0.9	-1.8	-2.9	-3.8 r	-3.8	-3.6	-2.9 p
Diffusion index	25.0	50.0	0.0	0.0	0.0	25.0	0.0

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](http://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		2009				
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May.
Germany Leading Economic Index component data							
New Orders, Investment Goods Industries, Volume, 2005=100 (3 month moving average).....	96.93	89.77	83.07	78.10	76.80	76.97 r	78.73
Yield 10-Year Minus 3-Month Time Deposits Rate, Percent, .....	-0.7	-0.2	0.6	1.2	1.4	1.7	2.1
Consumer Confidence Index.....	91.20	87.70	85.30	84.30	83.30	81.80	81.30
Inventory Change Contribution to real GDP change, Percent (Q).....	1.5	1.2	0.9	0.7	0.7 **	0.7 **	0.8 **
New Residential Construction Orders 2005=100, (3 month moving average).....	87.80	82.97	78.93	74.40	76.10	83.17 r	85.99 **
Stock Price Index 1980=100, .....	261	256.46	250.54	235.01	218.22	248.72	262.19
Gross Enterprises and Properties Income Bill., 1999 Euro (Q).....	144.01	138.72	133.42	128.13	125.48 **	124.19 **	123.56 **
<b>LEADING INDEX (2004=100).....</b>	<b>94.2</b>	<b>91.2</b>	<b>88.6</b>	<b>86.3</b>	<b>85.5 p</b>	<b>86.4 p</b>	<b>87.2 p</b>
Percent change from preceding month.....		-3.2	-2.9	-2.6	-0.9	1.1 p	0.9 p
Germany Leading Economic Index net contributions							
New Orders, Investment Goods Industries, Volume, 2005=100 (3 month moving average).....		-1.18	-1.19	-0.95	-0.26	0.03	0.35
Yield 10-Year Minus 3-Month Time Deposits Rate, Percent, .....		-0.03	0.09	0.17	0.20	0.24	0.30
Consumer Confidence Index.....		-0.69	-0.49	-0.21	-0.21	-0.32	-0.11
Inventory Change Contribution to real GDP change, Percent (Q).....		-0.08	-0.08	-0.05	-0.01 **	0.01 **	0.02 **
New Residential Construction Orders 2005=100, (3 month moving average).....		-0.52	-0.46	-0.54	0.21	0.81 r	0.30 **
Stock Price Index 1980=100, .....		-0.09	-0.12	-0.34	-0.39	0.69	0.28
Gross Enterprises and Properties Income Bill., 1999 Euro (Q).....		-0.48	-0.50	-0.52	-0.27 **	-0.13 **	-0.07 **

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	Nov.	2008	Jan.	2009	Mar.	Apr.	May.
		Dec.		Feb.			
Germany Coincident Economic Index Component Data							
Industrial Production, (2005=100).....	104.9	100.8	94.5	91.3	91.6	89.2 r	92.5
Employed Persons, Thousands #.....	40331.0	40296.0	40220.0	40200.0	40162.0	40123.0	40108.0
Retail Trade, Volume, (2005=100).....	95.9 r	96.5	95.4	95.2	95.5 r	96.8 r	95.5
Manufacturing Sales, Volume, (2005=100, 3 month moving average).....	108.0	103.5	96.7	92.9 r	89.9 r	89.8 r	89.6
<b>COINCIDENT INDEX (2004=100).....</b>	<b>104.5</b>	<b>103.8</b>	<b>102.4</b>	<b>101.7 r</b>	<b>101.5</b>	<b>101.3</b>	<b>101.5 p</b>
Percent change from preceding month.....		-0.7	-1.3	-0.7 r	-0.2 r	-0.2	0.2 p
Germany Coincident Economic Index net contributions							
Industrial Production, (2005=100).....	....	-0.41	-0.66	-0.35	0.03	-0.27 r	0.37
Employed Persons, Thousands #.....	....	-0.07	-0.14	-0.04	-0.07	-0.07	-0.03
Retail Trade, Volume, (2005=100).....	....	0.05 r	-0.09	-0.02	0.03 r	0.11 r	-0.11
Manufacturing Sales, Volume, (2005=100, 3 month moving average).....	....	-0.27	-0.42	-0.25 r	-0.21 r	0.00 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).

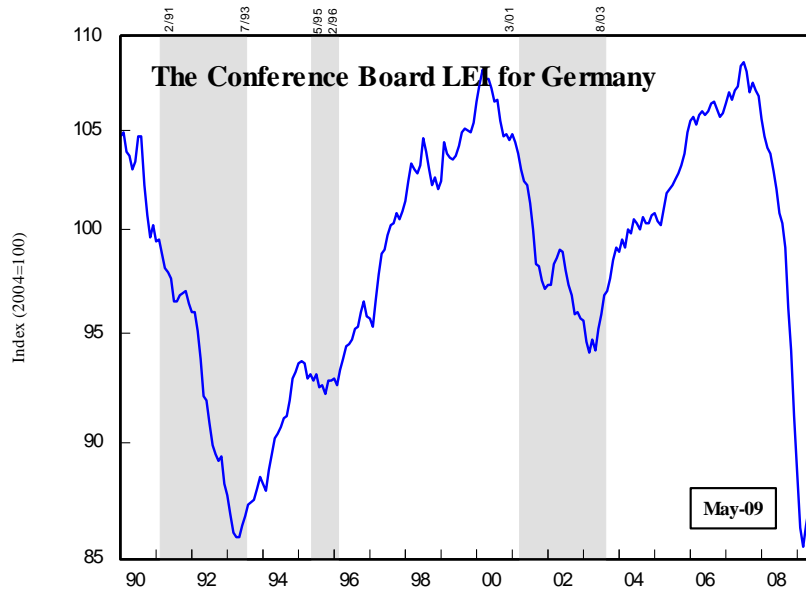
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## Germany Composite Economic Indexes



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