



**THE CONFERENCE BOARD**

FOR RELEASE: 10:00 A.M. (BERLIN TIME), FRIDAY, AUGUST 20, 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 JUNE 2010**

**BRUSSELS, August 20, 2010...** The Conference Board Leading Economic Index® (LEI) for Germany increased 0.9 percent and The Conference Board Coincident Economic Index® (CEI) remained unchanged in June.

- The Conference Board LEI for Germany continued to increase in June. New orders in investment goods industries and the yield spread continued to make very large positive contributions to the index this month. Between December 2009 and June 2010, the leading economic index increased by 6.1 percent (about a 12.6 percent annual rate), in line with the increase of 6.3 percent (about a 12.9 percent annual rate) during the previous six-month period. 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, remained unchanged in June. During the first half of the year, the coincident economic index increased by 1.6 percent (about a 3.2 percent annual rate), faster than the increase of 0.4 percent (about a 0.8 percent annual rate) between June and December 2009. In addition, the strengths among the coincident indicators have remained very widespread, with all four components increasing over the past six months. Real GDP increased by a 9.0 percent annual rate in the second quarter of 2010, following a 1.9 percent annual rate of increase in the first quarter.
- The Conference Board LEI for Germany has been increasing for more than a year and it is now 17.1 percent above its most recent trough in March 2009. Its six-month growth rate has picked up lately but remains well below its September 2009 peak. Meanwhile, The Conference Board CEI for Germany has been on a rising trend for more than a year, and its six-month growth rate is near its most recent high reached in March 2007. Taken together, the recent behavior of the composite indexes suggests that economic activity should continue expanding in the near term.

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

The next release is scheduled for Wednesday, September 22, 2010 at 10:00 A.M. (Berlin Time)

*In the U.S. – Wednesday, September 22, 2010 at 4:00 A.M. (ET)*

With the 0.9 percent increase in June, The Conference Board LEI for Germany now stands at 104.3 (2004=100). Based on revised data, this index increased 0.4 percent in May and increased 2.4 percent in April. During the six-month span through June, the index increased 6.1 percent, with six of the seven components increasing (diffusion index, six-month span equals 85.7 percent).

COINCIDENT INDICATORS. Two of the four components that make up The Conference Board CEI for Germany increased in June. The positive contributors were employed persons and manufacturing sales. Industrial production and retail trade declined in June.

After remaining unchanged in June, The Conference Board CEI for Germany now stands at 103.9 (2004=100). Based on revised data, this index increased 0.6 percent in May and increased 0.4 percent in April. During the six-month period through June, the index increased 1.6 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 August 18, 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 2010 schedule for “**The Conference Board Leading Economic Index**® (LEI) for Germany” news release is:

July 2010 Data..... Wednesday, September 22, 2010  
August 2010 Data..... Friday, October 22, 2010  
September 2010 Data..... Tuesday, November 23, 2010  
October 2010 Data..... Tuesday, December 21, 2010

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.

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## The Conference Board Germany Business Cycle Indicators

Table 1.--Summary of Germany Composite Economic Indexes

	2009		2010				
	Dec.	Jan.	Feb.	Mar.	Apr.	May.	Jun.
Leading index	98.3	98.3	98.7 r	100.6 p	103.0 p	103.4 p	104.3 p
Percent change	0.8	0.0	0.4 r	1.9 p	2.4 p	0.4 p	0.9 p
Diffusion index	71.4	71.4	57.1	92.9	92.9	50.0	71.4
Coincident index	102.3	102.3 r	102.4	102.9	103.3 r	103.9 r	103.9
Percent change	0.2	0.0 r	0.1 r	0.5	0.4 r	0.6 r	0.0
Diffusion index	75.0	37.5	62.5	75.0	75.0	100.0	50.0

	Jun to	Jul to	Aug to	Sep to	Oct to	Nov to	Dec to
	Dec	Jan	Feb	Mar	Apr	May	Jun
Leading index							
Percent change	6.3	4.8	3.1 r	3.8 p	5.7 p	6.1 p	6.1 p
Diffusion index	85.7	85.7	85.7	78.6	85.7	85.7	85.7
Coincident index							
Percent change	0.4	0.3 r	0.5	0.7	1.3 r	1.8 r	1.6
Diffusion index	75.0	50.0	87.5	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.

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	2009	2010					
	Dec.	Jan.	Feb.	Mar.	Apr.	May.	Jun.
Germany Leading Economic Index component data							
New Orders, Investment Goods Industries, Volume, 2005=100 (3 month moving average).....	87.90 r	90.47 r	91.67 r	94.67 r	97.10 r	99.97 r	103.43
Yield 10-Year Minus 3-Month Time							
Deposits Rate, Percent, .....	2.4	2.6	2.5	2.5	2.4	2.0	1.8
Consumer Confidence Index.....	90.70	89.70	90.20	92.20	95.10	94.10	94.10
Inventory Change							
Contribution to real GDP change, Percent (Q).....	-1.1	-0.4	0.4	0.9 **	1.3 **	1.5 **	1.7 **
New Residential Construction Orders 2005=100, (3 month moving average).....	88.17	81.50	80.60	84.20	92.63	95.23 r	96.37 **
Stock Price Index							
1980=100, .....	314.7	317.04	301.86	321.86	335.51	314.85	319.18
Gross Enterprises and Properties Income							
Bill., 2000 Euro (Q).....	142.30 r	142.94 r	143.59 r	143.95 **	144.10 **	144.13 **	144.09 **
<b>LEADING INDEX (2004=100).....</b>	<b>98.3</b>	<b>98.3</b>	<b>98.7 r</b>	<b>100.6 p</b>	<b>103.0 p</b>	<b>103.4 p</b>	<b>104.3 p</b>
Percent change from preceding month.....		0.0	0.4 r	1.9 r	2.4	0.4 p	0.9 p
Germany Leading Economic Index net contributions							
New Orders, Investment Goods Industries, Volume, 2005=100 (3 month moving average).....		0.40 r	0.18 r	0.45 r	0.35 r	0.40 r	0.47
Yield 10-Year Minus 3-Month Time							
Deposits Rate, Percent, .....		0.37	0.36	0.35	0.34	0.29	0.26
Consumer Confidence Index.....		-0.19	0.10	0.38	0.54	-0.19	0.00
Inventory Change							
Contribution to real GDP change, Percent (Q).....		0.18	0.20	0.14 **	0.09 **	0.06 **	0.04 **
New Residential Construction Orders 2005=100, (3 month moving average).....		-0.74	-0.10	0.41	0.90	0.26 r	0.11 **
Stock Price Index							
1980=100, .....		0.04	-0.25	0.33	0.21	-0.32	0.07
Gross Enterprises and Properties Income							
Bill., 2000 Euro (Q).....		0.06 r	0.06 r	0.04 **	0.01 **	0.00 **	0.00 **

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	2010					
	Dec.	Jan.	Feb.	Mar.	Apr.	May.	Jun.
Germany Coincident Economic Index Component Data							
Industrial Production, (2005=100).....	96.5	97.3	97.1	100.7	101.9	104.9 r	104.3
Employed Persons, Thousands #.....	40139.0 r	40120.0 r	40127.0 r	40150.0 r	40213.0 r	40265.0 r	40297.0
Retail Trade, Volume, (2005=100).....	97.5 r	96.9 r	97.8 r	97.7 r	97.0 r	98.6 r	98.3
Manufacturing Sales, Volume, (2005=100, 3 month moving average).....	94.6	94.4	95.3 r	97.3	100.4	102.1 r	103.0
<b>COINCIDENT INDEX (2004=100).....</b>	<b>102.3</b>	<b>102.3 r</b>	<b>102.4</b>	<b>102.9</b>	<b>103.3 r</b>	<b>103.9 r</b>	<b>103.9</b>
Percent change from preceding month.....		0.0 r	0.1 r	0.5	0.4 r	0.6 r	0.0
Germany Coincident Economic Index net contributions							
Industrial Production, (2005=100).....	....	0.08	-0.02	0.34	0.11	0.27 r	-0.05
Employed Persons, Thousands #.....	....	-0.04 r	0.01 r	0.04 r	0.12 r	0.10 r	0.06
Retail Trade, Volume, (2005=100).....	....	-0.05 r	0.08 r	-0.01 r	-0.06 r	0.14 r	-0.03
Manufacturing Sales, Volume, (2005=100, 3 month moving average).....	....	-0.01	0.06 r	0.13	0.19	0.11 r	0.06

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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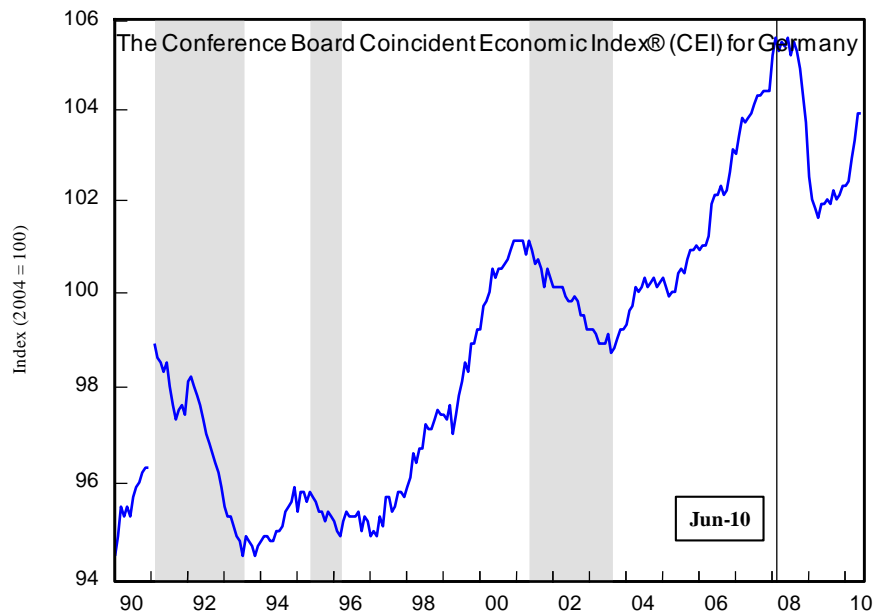
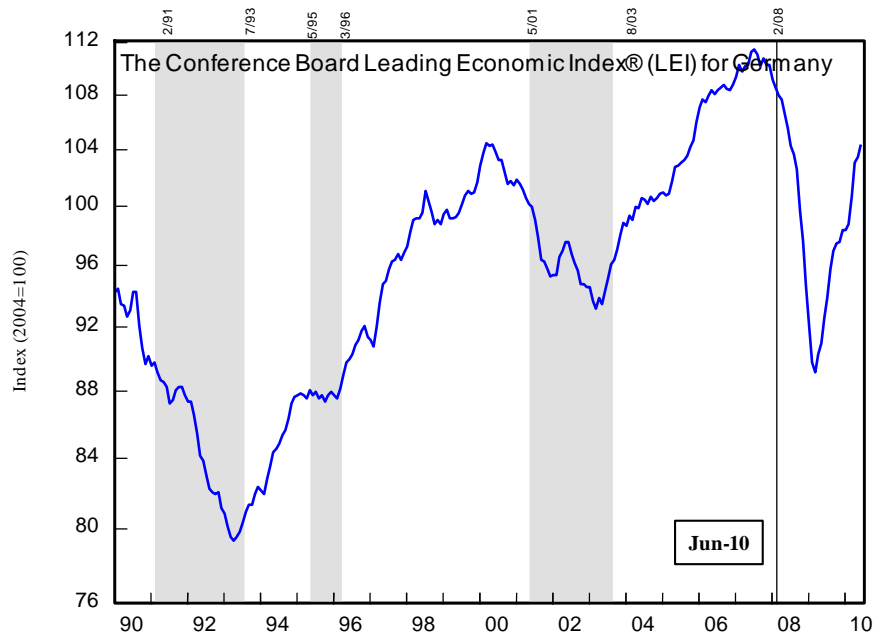
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## Germany Composite Economic Indexes



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