



**THE CONFERENCE BOARD**

FOR RELEASE: 10:00 A.M. (BRUSSELS TIME), FRIDAY, FEBRUARY 26, 2010

The Conference Board®  
Euro Area Business Cycle Indicators<sup>SM</sup>  
**THE CONFERENCE BOARD LEADING ECONOMIC INDEX®**  
**(LEI) FOR THE EURO AREA**  
**AND RELATED COMPOSITE ECONOMIC INDEXES FOR JANUARY 2010**

**BRUSSELS, February 26, 2010...** The Conference Board Leading Economic Index® (LEI) for the Euro Area increased 0.8 percent and The Conference Board Coincident Economic Index® (CEI) decreased 0.1 percent in January.

- The Conference Board LEI for the Euro Area increased again in January and showed widespread strength among its components this month. Between July 2009 and January 2010, the leading economic index increased by 5.5 percent (about an 11.3 percent annual rate), slightly slower than the 5.8 percent increase (about a 12.0 percent annual rate) between January and July 2009. In addition, the strengths among the leading indicators have remained more widespread than the weaknesses in recent months.
- The Conference Board CEI for the Euro Area, a measure of current economic activity, decreased for a fourth time in five months, according to preliminary estimates. Between July 2009 and January 2010, the coincident economic index declined by 0.7 percent (about a -1.4 percent annual rate), slower than the 1.2 percent decline (about a -2.3 percent annual rate) during the previous six months. Additionally, the strengths and weaknesses among the coincident indicators have remained balanced in recent months. At the same time, real GDP grew at a 0.4 percent annual rate during the fourth quarter of 2009, after increasing at a 1.7 percent annual rate during the third quarter.
- The Conference Board LEI for the Euro Area has continued to grow in recent months, but its rate of increase has slowed. Meanwhile, The Conference Board CEI for the Euro Area remains on a downtrend, though the pace of its decline is slower than during the first half of 2009. Taken together, the recent behavior of the composite economic indexes suggests that economic conditions should improve in the near term.

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

The next release is scheduled for Monday, March 29, 2010 at 10:00 A.M. (Brussels Time)  
*In New York – Monday, March 29, 2010 at 4:00 A.M. (ET)*

With the 0.8 percent increase in January, The Conference Board LEI for the Euro Area now stands at 107.4 (2004=100). Based on revised data, this index increased 0.9 percent in December and increased 0.5 percent in November. During the six-month span through January, the index increased 5.5 percent, with five of the eight components increasing (diffusion index, six-month span equals 68.8 percent).

**COINCIDENT INDICATORS.** Three of the four components that make up The Conference Board CEI for the Euro Area increased in January. The positive contributors were manufacturing turnover\*, retail trade\* and industrial production\*. Employment\* declined in January.

With the 0.1 percent decrease in January, The Conference Board CEI for the Euro Area now stands at 101.0 (2004=100). Based on revised data, this index decreased 0.3 percent in December and remained unchanged in November. During the six-month period through January, the index decreased 0.7 percent, with two of the four components increasing (diffusion index, six-month span equals 50.0 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 the Euro Area and **The Conference Board Coincident Economic Index<sup>®</sup>** (CEI) for the Euro Area reported in this release are those available “as of” 10:00 A.M. ET February 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.

For this release, residential building permits are estimated by The Conference Board for the most recent four 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. Dow Jones 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:

January 2010 Data.....	Monday, March 29, 2010
February 2010 Data.....	Wednesday, April 28, 2010
March 2010 Data.....	Thursday, May 27, 2010
April 2010 Data.....	Monday, June 28, 2010
May 2010 Data.....	Monday, July 26, 2010
June 2010 Data.....	Thursday, August 26, 2010
July 2010 Data.....	Monday, September 27, 2010
August 2010 Data.....	Wednesday, October 27, 2010
September 2010 Data.....	Monday, November 29, 2010
October 2010 Data.....	Monday, December 27, 2010

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

Euro Area 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, the Euro Area 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 Euro Area Business Cycle Indicators

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

	2009							2010
	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	
Leading index	101.8	103.8 r	104.6 r	105.0 p	105.5 p	106.5 p	107.4 p	
Percent change	1.3	2.0 r	0.8	0.4 p	0.5 p	0.9 p	0.8 p	
Diffusion index	62.5	87.5	68.8	37.5	43.8	68.8	75.0	
Coincident index	101.7	101.7	101.5 p	101.4 p	101.4 p	101.1 p	101.0 p	
Percent change	0.0	0.0	-0.2 p	-0.1 p	0.0 p	-0.3 p	-0.1 p	
Diffusion index	62.5	50.0	25.0	50.0	50.0	12.5	62.5	
	Jan to Jul	Feb to Aug	Mar to Sep	Apr to Oct	May to Nov	Jun to Dec	Jul to Jan	
Leading index								
Percent change	5.8	8.5 r	9.5 r	7.8 p	6.4 p	6.0 p	5.5 p	
Diffusion index	87.5	87.5	87.5	87.5	75.0	62.5	68.8	
Coincident index								
Percent change	-1.2	-0.5	-0.5 p	-0.5 p	-0.4 p	-0.6 p	-0.7 p	
Diffusion index	0.0	50.0	50.0	50.0	50.0	50.0	50.0	

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)

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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
	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.
Euro Area Leading Economic Index component data							
Yield Spread, 10 year ECB Benchmark Rate minus ECB Minimum Bid Rate-----	3.09	2.89	2.86	2.80	2.83	2.88	3.10
Economic Sentiment Index (Index of five sentiment surveys) Average value 1990-2009 = 100-----	80.8 r	84.8 r	86.7 r	89.6 r	91.9 r	94.1 r	95.7
Markit Purchasing Managers' Index (Manufacturing) 50 = Balanced Positive and Negative Responses-----	46.25	48.24	49.29	50.73	51.20	51.59	52.39
Markit Business Expectations Index (Services) 50 = Balanced Positive and Negative Responses-----	61.38	67.25	68.39	66.32	64.75	65.66	67.24
Stock Price (Average Closing Price) Dow Jones EURO STOXX® Index, 12/31/1991=100-----	228.01	250.72	263.96	268.73	265.43	270.22	273.58
Money Supply (M2) In Billions of 2005 Euros-----	7584.12 r	7601.07 r	7580.15 r	7548.8 r	7529.9 r	7500.42 r	7533 **
Capital Goods New Orders Index (2005=100)-----	82.18	82.46	85.84 r	81.29 r	82.39 r	88.09 r	86.78 **
Index of Residential Building Permits (Index, 2005 = 100) Square meters of usable floor area-----	50.15 r	51.49 r	48.96 r	48.72 **	48.35 **	47.98 **	47.61 **
<b>LEADING INDEX (2004=100).....</b>	<b>101.8</b>	<b>103.8 r</b>	<b>104.6 r</b>	<b>105.0 p</b>	<b>105.5 p</b>	<b>106.5 p</b>	<b>107.4 p</b>
Percent change from preceding month.....		2.0 r	0.8	0.4	0.5 r	0.9 p	0.8 p
Euro Area Leading Economic Index net contributions							
Yield Spread, 10 year ECB Benchmark Rate ECB Minimum Bid Rate	----	0.70	0.69	0.68	0.69	0.70	0.75
Economic Sentiment Index (Index of five sentiment surveys) Average value 1990-2009 = 100	----	0.39 r	0.19 r	0.28 r	0.22 r	0.21 r	0.16
Markit Purchasing Managers' Index (Manufacturing) 50 = Balanced Positive and Negative Responses	----	0.27	0.15	0.20	0.06	0.05	0.11
Markit Business Expectations Index (Services) 50 = Balanced Positive and Negative Responses	----	0.41	0.08	-0.15	-0.11	0.06	0.11
Stock Price (Average Closing Price) Dow Jones EURO STOXX® Index, 12/31/1991=100	----	0.29	0.16	0.05	-0.04	0.05	0.04
Money Supply (M2) In Billions of 2005 Euros	----	0.07 r	-0.09 r	-0.14	-0.08 r	-0.13 r	0.14 **
Capital Goods New Orders Index (2005=100)	----	0.01 r	0.17 r	-0.23 r	0.06 r	0.28 r	-0.06 **
Index of Residential Building Permits (Index, 2005 = 100) Square meters of usable floor area	----	0.13 r	-0.26 r	-0.02 **	-0.04 **	-0.04 **	-0.04 **

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**

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STOXX and Dow Jones do not warrant the accuracy or completeness of the index data displayed in this report

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	Jul.	Aug.	Sep.	2009 Oct.	Nov.	Dec.	2010 Jan.
Euro Area Coincident Economic Index Component Data							
Number of Employees Thous. Of Employees, S.A. Q	145004.6	144758.8	144519.4 **	144286.3 **	144059.4 **	143838.5 **	143623.5 **
Industrial Production, Volume Index (2005=100). S.A.	90.2 r	91.2 r	91.4 r	90.8 r	92.1 r	90.6 r	90.6 **
Retail Trade, Volume Index (2005=100). S.A.	100.9 r	100.8 r	100.4 r	100.8 r	100.4 r	100.4 r	100.5 **
Manufacturing Turnover, Index (2005=100). S.A.	91.1	92.4	92.0 r	92.3	93.4 r	93.0 r	93.2 **
<b>COINCIDENT INDEX (2004=100).....</b>	<b>101.7</b>	<b>101.7</b>	<b>101.5 p</b>	<b>101.4 p</b>	<b>101.4 p</b>	<b>101.1 p</b>	<b>101.0 p</b>
Percent change from preceding month.....		0.0	-0.2 p	-0.1 p	0.0 p	-0.3 p	-0.1 p
Euro Area Coincident Economic Index net contributions							
Number of Employees Thous. Of Employees, S.A. Q	-----	-0.13	-0.12 **	-0.12 **	-0.12 **	-0.11 **	-0.11 **
Industrial Production, Volume Index (2005=100). S.A.	-----	0.09	0.02	-0.06 r	0.11 r	-0.13 r	0.01 **
Retail Trade, Volume Index (2005=100). S.A.	-----	-0.02 r	-0.06	0.06 r	-0.06 r	0.00 r	0.01 **
Manufacturing Turnover, Index (2005=100). S.A.	-----	0.06	-0.02	0.01	0.04 r	-0.02 r	0.01 **

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**

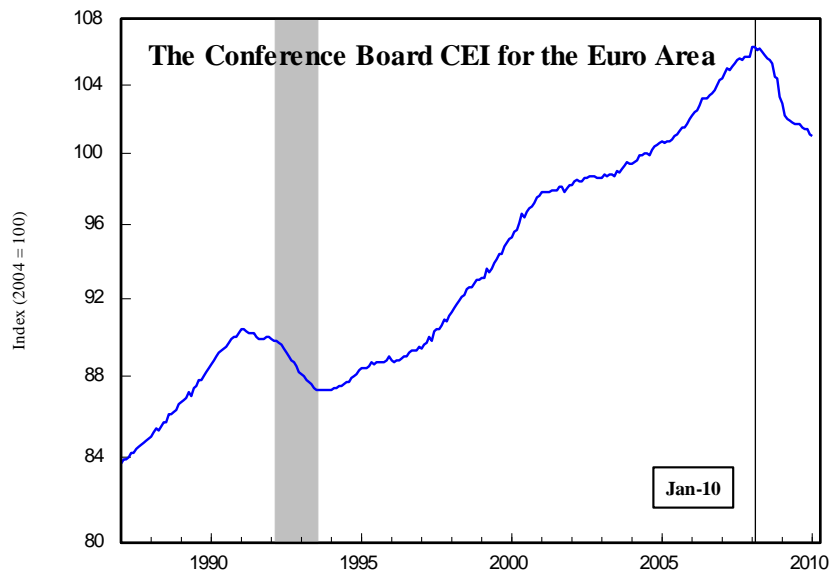
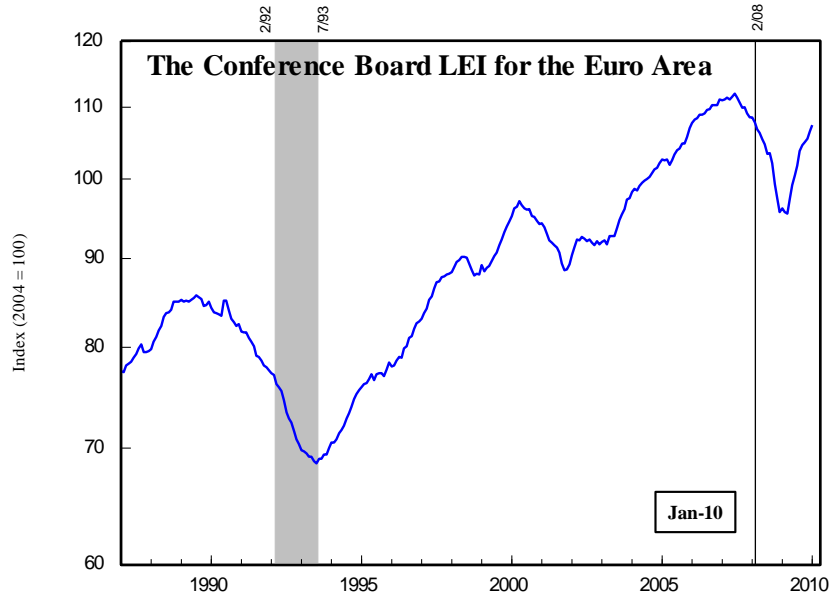
CALCULATION NOTE--The percent change in the index does not always equal the sum of the net contributions of the individual components (because of rounding effects and base value differences).

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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