



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. CET, THURSDAY, JANUARY 22, 2009

The Conference Board®
Germany Business Cycle IndicatorsSM

**THE CONFERENCE BOARD LEADING ECONOMIC INDEX (LEI)
FOR GERMANY
AND RELATED COMPOSITE ECONOMIC INDEXES FOR NOVEMBER 2008**

This month's release incorporates annual benchmark revisions to the composite economic indexes, which bring them up-to-date with revisions in the source data. Also, the base year of the composite economic indexes has been changed to 2004=100 from 1990=100. These 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 not incorporated until the benchmark revision is made and the entire histories of the indexes are recomputed. As a result, the revised indexes will not be comparable to those issued prior to the benchmark revision.

For more information, please visit our website at <http://www.conference-board.org/economics/bci/> or contact us at indicators@conference-board.org.

The Conference Board Leading Economic Index (LEI) for Germany declined 2.2 percent and The Conference Board Coincident Economic Index (CEI) decreased 0.5 percent in November.

- The Leading Economic Index continued its sharp downtrend in November as new orders in investment goods industries, stock prices and consumer confidence made the largest negative contributions. Since May 2008, the LEI has declined by 8.0 percent (about a -15.3 percent annual rate), well below the 3.9 percent decline (about a -7.7 percent annual rate) between November 2007 and May 2008. However, the strengths and weaknesses among the leading indicators have become balanced.
- The Coincident Economic Index, a measure of current economic activity, declined for a third consecutive month in November led by decreases in industrial production and manufacturing sales. Since May 2008, the CEI has fallen by 0.7 percent (about a -1.3 percent annual rate), a reversal from the 0.8 percent increase (about a 1.5 percent annual rate) during the previous six months. In addition, the weaknesses among the coincident indicators have become more widespread in recent months. At the same time, real GDP has declined at a 1.9 percent average annual rate during the second and third quarter of 2008, well below the 3.5 percent average annual rate of increase during the fourth quarter of 2007 and first quarter of 2008.
- The Leading Economic Index has been declining since July 2007 and the pace of this decline has become steeper in recent months as the six-month growth rate for the LEI reached its lowest level since 1974. The Coincident Economic Index fluctuated around a flat trend in the first half of 2008, but has fallen significantly since August 2008. The declining composite indexes continue to suggest that economic activity is likely to remain weak going into 2009 and that the current contraction in economic activity may become deeper in the near term.

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

LEADING INDICATORS. Two of the seven components in the leading economic index increased in November. The positive contributors — in order from the largest positive contributor to the smallest— are inventory change series* and gross enterprises and properties income*. Negative contributors—in order from largest to smallest— are new orders in investment goods industries, stock prices, consumer confidence, yield spread and new residential construction orders*.

With the 2.2 percent decrease in November, the leading economic index now stands at 94.7 (2004=100). Based on revised data, this index declined 2.7 percent in October and declined 0.9 percent in September. During the six-month span through November, the index decreased 8.0 percent, with three of the seven components increasing (diffusion index, six-month span equals 50.0 percent).

**See notes under data availability*

COINCIDENT INDICATORS. One of the four components that make up the coincident economic index increased in November. The positive contributor to the coincident economic index was employed persons. Industrial production, manufacturing sales and retail trade declined in November.

With the 0.5 percent decrease in November, the coincident economic index now stands at 104.8 (2004=100). Based on revised data, this index decreased 0.3 percent in October and decreased 0.3 percent in September. During the six-month period through November, the index decreased -0.7 percent, with one of the four components increasing (diffusion index, six-month span equals 25.0 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 January 20, 2009. Some series are estimated as noted below.

NOTES: Series in the leading economic index for Germany that are based on The Conference Board estimates are inventory change, new residential construction orders, and gross enterprises and properties income. There are no series in the coincident economic index for Germany that are based on estimates.

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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 leading economic index have occurred before those in aggregate economic activity, while the cyclical turning points in the coincident economic index have occurred at about the same time as those in aggregate economic activity.

Further explanations of the cyclical indicator approach and the composite 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 are revised effective with the January 22, 2009 release, and all historical values for the two composite indexes have been revised to reflect these 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 leading economic index 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 coincident economic index 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 leading economic index 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 Germany “Leading Economic Indicators” news release is:

December 2008 Data.....	Wednesday, February 18, 2009
January 2009 Data.....	Wednesday, March 18, 2009
February 2009 Data.....	Tuesday, April 21, 2009
March 2009 Data.....	Tuesday, May 19, 2009
April 2009 Data.....	Wednesday, June 24, 2009
May 2009 Data.....	Tuesday, July 21, 2009
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. (CET)

About The Conference Board

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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 http://www.conference-board.org/publications/describeBCI.cfm)</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						
	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.
Leading index	102.9 r	102.0 r	100.8 r	100.4 r	99.5 p	96.8 p	94.7 p
Percent change	-0.9	-0.9 r	-1.2	-0.4 r	-0.9 p	-2.7 p	-2.2 p
Diffusion index	57.1	50.0	50.0	42.9	50.0	28.6	42.9
Coincident index	105.5 r	105.7 r	105.4 r	105.9 r	105.6 r	105.3 r	104.8 p
Percent change	-0.2	0.2 r	-0.3 r	0.5	-0.3	-0.3 r	-0.5 p
Diffusion index	37.5	75.0	25.0	75.0	62.5	25.0	12.5
	Nov to May	Dec to Jun	Jan to Jul	Feb to Aug	Mar to Sep	Apr to Oct	May to Nov
Leading index							
Percent change	-3.9 r	-4.5 r	-4.5 r	-4.1 r	-4.4 p	-6.7 p	-8.0 p
Diffusion index	14.3	28.6	35.7	28.6	28.6	28.6	50.0
Coincident index							
Percent change	0.8 r	0.8 r	0.0	0.2	0.1 r	-0.4 r	-0.7 p
Diffusion index	100.0	75.0	50.0	25.0	50.0	50.0	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.

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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	May.	Jun.	Jul.	2008 Aug.	Sep.	Oct.	Nov.
Germany Leading Economic Index component data							
New Orders, Investment Goods Industries, Volume, 2000=100 (3 month moving average).....	140.30	137.23	133.30	133.00	129.00	122.93 r	112.93
Yield 10-Year Minus 3-Month Time Deposits Rate, Percent,	-0.7	-0.4	-0.5	-0.8	-0.9	-1.2	-0.7
Consumer Confidence Index.....	96.60	96.60	95.10	94.10	94.10	92.60	91.20
Inventory Change Mill., 1999 Euro(Q).....	0.1	0.2	0.3	0.4	0.5 **	0.7 **	0.8 **
New Residential Construction Orders 2000=100, (3 month moving average).....	48.23	47.97	48.90	48.83	49.43	48.70 r	48.33 **
Stock Price Index 1980=100,	415.09	393.69	367.59	371.43	353.14	279.51	261.00
Gross Enterprises and Properties Income Mill., 1999 Euro (Q).....	151.15	151.34	151.53	151.73	151.91 **	152.13 **	152.35 **
LEADING INDEX (2004=100).....	102.9 r	102.0 r	100.8 r	100.4 r	99.5 p	96.8 p	94.7 p
Percent change from preceding month.....		-0.9 r	-1.2	-0.4 r	-0.9	-2.7 p	-2.2 p
Germany Leading Economic Index net contributions							
New Orders, Investment Goods Industries, Volume, 2000=100 (3 month moving average).....		-0.34 r	-0.45 r	-0.03 r	-0.47 r	-0.74 r	-1.30
Yield 10-Year Minus 3-Month Time Deposits Rate, Percent,		-0.06	-0.07	-0.11	-0.13	-0.17	-0.10
Consumer Confidence Index.....		0.00	-0.28	-0.19	0.00	-0.28	-0.27
Inventory Change Mill., 1999 Euro (Q).....		0.02	0.03	0.02	0.03 **	0.04 **	0.04 **
New Residential Construction Orders 2000=100, (3 month moving average).....		-0.05	0.18 r	-0.01	0.11	-0.14 r	-0.07 **
Stock Price Index 1980=100,		-0.28	-0.36	0.05	-0.27	-1.23	-0.36
Gross Enterprises and Properties Income Mill., 1999 Euro (Q).....		0.02	0.02	0.02	0.02 **	0.02 **	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	2008						
	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.
Germany Coincident Economic Index Component Data							
Industrial Production, (2000=100).....	117.8	118.1 r	116.2 r	119.9 r	115.9	113.8 r	110.3
Employed Persons, Thousands #.....	40230.0	40251.0 r	40294.0 r	40328.0 r	40359.0 r	40393.0 r	40412.0
Retail Trade, Volume, (2000=100).....	101.6	100.3 r	100.2	101.8 r	102.1 r	100.8 r	100.4
Manufacturing Sales, Volume, (2000=100, 3 month moving average).....	122.6 r	126.7 r	123.2 r	121.8 r	121.7 r	120.6 r	118.0
COINCIDENT INDEX (2004=100).....	105.5 r	105.7 r	105.4 r	105.9 r	105.6 r	105.3 r	104.8 p
Percent change from preceding month.....		0.2 r	-0.3 r	0.5	-0.3	-0.3 r	-0.5 p
Germany Coincident Economic Index net contributions							
Industrial Production, (2000=100).....	....	0.03 r	-0.17 r	0.32	-0.35 r	-0.19 r	-0.32
Employed Persons, Thousands #.....	....	0.04	0.08 r	0.06 r	0.06 r	0.06 r	0.04
Retail Trade, Volume, (2000=100).....	....	-0.10 r	-0.01 r	0.13	0.02 r	-0.10 r	-0.03
Manufacturing Sales, Volume, (2000=100, 3 month moving average).....	....	0.20	-0.17 r	-0.07 r	0.00	-0.06 r	-0.14

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

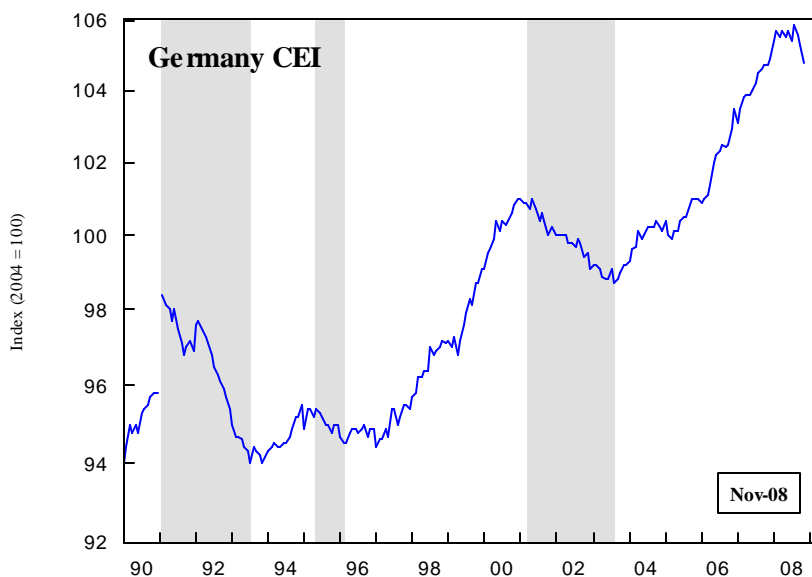
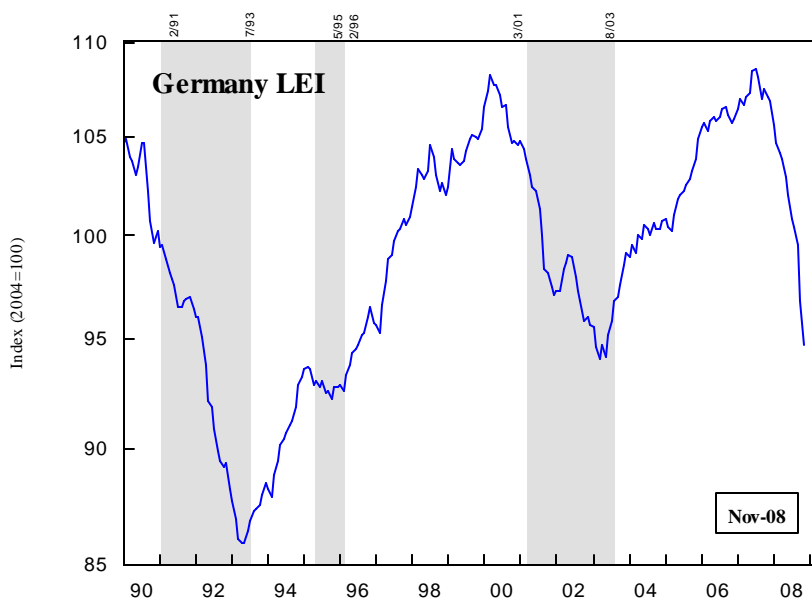
CALCULATION NOTE--The percent change in the index does not always equal the sum of the net contributions of the individual components (because of rounding effects and base value differences).

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Germany Composite Indexes



Note: The shaded areas represent business cycle recessions.

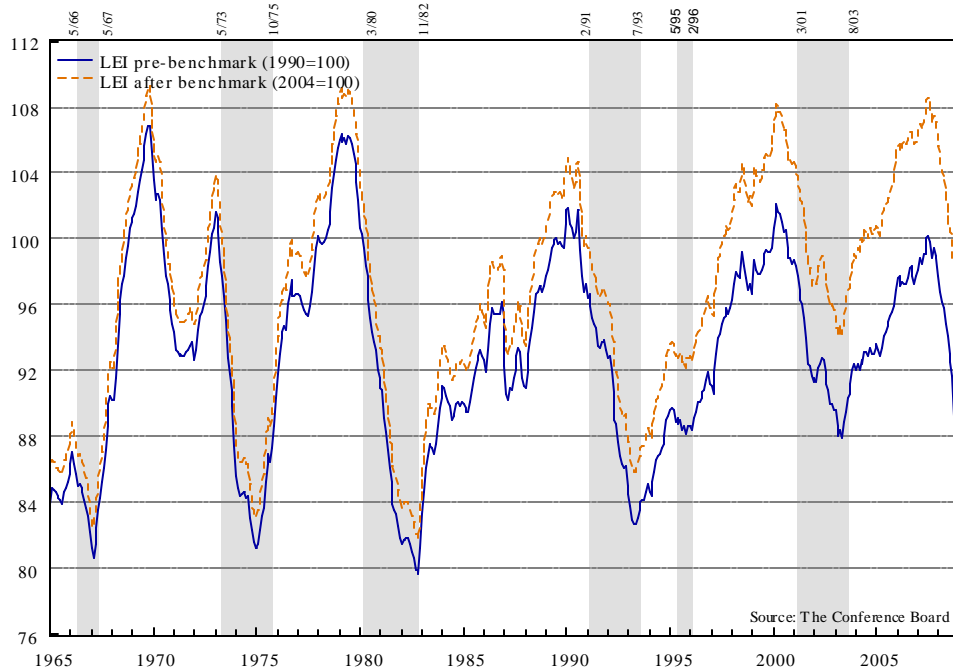
The peaks and troughs are designated by The Conference Board based on the coincident index and real GDP.

Source: The Conference Board

* There is a discontinuity in the indexes in Jan-1991 due to reunification of Eastern and Western Germany

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The Conference Board Leading Economic Index (LEI) for Germany before and after benchmark revision.



The Conference Board Coincident Economic Index (CEI) for Germany before and after benchmark revision.

