



**THE CONFERENCE BOARD**

FOR RELEASE: 10:00 A.M. (BERLIN TIME), THURSDAY, APRIL 22, 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 FEBRUARY 2010**

**BRUSSELS, April 22, 2010...** The Conference Board Leading Economic Index® (LEI) for Germany remained unchanged and The Conference Board Coincident Economic Index® (CEI) increased 0.2 percent in February.

- The Conference Board LEI for Germany remained unchanged in February as positive contributions from the yield spread, new orders in investment goods industries and consumer confidence were offset by negative contributions from new residential construction orders\* and stock prices. The increase in January was revised downward to a small decline after new data for new residential construction orders became available. Between August 2009 and February 2010, the leading economic index increased by 2.3 percent (about a 4.7 percent annual rate), well below the 8.8 percent increase (about an 18.3 percent annual rate) between March and September 2009. However, despite a slight drop in the number of components that are rising, 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 in February for the third time in the last four months. Between August 2009 and February 2010, the coincident economic index increased by 0.4 percent (about a 0.8 percent annual rate), after declining by 0.1 percent (about a -0.2 percent annual rate) during the previous six months. In addition, the strengths among the coincident indicators have become widespread in recent months. At the same time, real GDP remained unchanged in the fourth quarter of 2009, following two quarters of growth.
- After increasing rapidly between March and September 2009, The Conference Board LEI for Germany has been almost flat for the past two months and its growth rate has slowed since the third quarter of last year. As a result, its six-month growth rate has fallen from the high it reached last September. Meanwhile, The Conference Board CEI has been mostly increasing since April 2009. Taken together, the recent behavior of the composite indexes suggests that economic activity should continue expanding, but probably not very rapidly, in the near term.

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

The next release is scheduled for Friday, May 21, 2010 at 10:00 A.M. (Berlin Time)  
*In the U.S. – Friday, May 21, 2010 at 4:00 A.M. (ET)*

After remaining unchanged in February, The Conference Board LEI for Germany now stands at 97.9 (2004=100). Based on revised data, this index declined 0.1 percent in January and increased 0.5 percent in December. During the six-month span through February, the index increased 2.3 percent, with five of the seven components increasing (diffusion index, six-month span equals 71.4 percent).

COINCIDENT INDICATORS. Three of the four components that make up The Conference Board CEI for Germany increased in February. The positive contributors were retail trade, employed persons and manufacturing sales. Industrial production remained unchanged in February.

With the 0.2 percent increase in February, The Conference Board CEI for Germany now stands at 102.3 (2004=100). Based on revised data, this index decreased 0.1 percent in January and increased 0.1 percent in December. During the six-month period through February, the index increased 0.4 percent, with three of the four components increasing (diffusion index, six-month span equals 87.5 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 April 20, 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/economics/bci/>.

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/economics/bci/>.

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**<sup>®</sup> (LEI) for Germany” news release is:

March 2010 Data.....	Friday, May 21, 2010
April 2010 Data.....	Tuesday, June 22, 2010
May 2010 Data.....	Tuesday, July 20, 2010
June 2010 Data.....	Friday, August 20, 2010
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.

## **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

			2009			2010	
	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.
Leading index	95.7	96.9	97.4 r	97.5	98.0 p	97.9 p	97.9 p
Percent change	2.0	1.3	0.5 r	0.1 r	0.5 p	-0.1 p	0.0 p
Diffusion index	92.9	78.6	64.3	50.0	42.9	71.4	57.1
Coincident index	101.9	102.2	102.0	102.1	102.2	102.1 r	102.3 p
Percent change	-0.1	0.3	-0.2	0.1	0.1	-0.1 r	0.2 p
Diffusion index	25.0	75.0	25.0	62.5	62.5	37.5	75.0

	Feb to	Mar to	Apr to	May to	Jun to	Jul to	Aug to
	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Leading index							
Percent change	6.7	8.8	8.0 r	7.3	5.9 p	4.4 p	2.3 p
Diffusion index	85.7	85.7	85.7	85.7	85.7	71.4	71.4
Coincident index							
Percent change	-0.1	0.4	0.4	0.2	0.3	0.1 r	0.4 p
Diffusion index	25.0	50.0	50.0	50.0	75.0	50.0	87.5

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	
	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	
Germany Leading Economic Index component data								
New Orders, Investment Goods Industries, Volume, 2005=100 (3 month moving average).....	86.20 r	87.87 r	87.13 r	87.97 r	87.67	90.37 r	91.20	
Yield 10-Year Minus 3-Month Time Deposits Rate, Percent, .....	2.5	2.5	2.5	2.5	2.4	2.6	2.5	
Consumer Confidence Index.....	87.20	89.20	90.70	89.20	90.70	89.70	90.20	
Inventory Change Contribution to real GDP change, Percent (Q).....	-0.9	-1.4	-2.0	-2.6	-2.6 **	-2.4 **	-2.0 **	
New Residential Construction Orders 2005=100, (3 month moving average).....	87.03	87.83	88.53	89.07	88.00	81.43 r	78.46 **	
Stock Price Index 1980=100, .....	289.02	300.96	306.93	304.23	314.70	317.04	301.86	
Gross Enterprises and Properties Income Bill., 2000 Euro (Q).....	138.78	139.98	141.18	142.38	143.05 **	143.38 **	143.52 **	
<b>LEADING INDEX (2004=100).....</b>	<b>95.7</b>	<b>96.9</b>	<b>97.4 r</b>	<b>97.5</b>	<b>98.0 p</b>	<b>97.9 p</b>	<b>97.9 p</b>	
Percent change from preceding month.....		1.3	0.5 r	0.1 r	0.5	-0.1 p	0.0 p	
Germany Leading Economic Index net contributions								
New Orders, Investment Goods Industries, Volume, 2005=100 (3 month moving average).....		0.27 r	-0.12 r	0.13 r	-0.05 r	0.42 r	0.13	
Yield 10-Year Minus 3-Month Time Deposits Rate, Percent, .....		0.35	0.35	0.35	0.34	0.37	0.36	
Consumer Confidence Index.....		0.40	0.29	-0.29	0.29	-0.19	0.10	
Inventory Change Contribution to real GDP change, Percent (Q).....		-0.13	-0.15	-0.14	-0.02 **	0.06 **	0.10 **	
New Residential Construction Orders 2005=100, (3 month moving average).....		0.09	0.07	0.06	-0.11	-0.73 r	-0.35 **	
Stock Price Index 1980=100, .....		0.21	0.10	-0.04	0.17	0.04	-0.25	
Gross Enterprises and Properties Income Bill., 2000 Euro (Q).....		0.12	0.12	0.12	0.07 **	0.03 **	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	Aug.	Sep.	2009			2010	
			Oct.	Nov.	Dec.	Jan.	Feb.
<b>Germany Coincident Economic Index Component Data</b>							
Industrial Production, (2005=100).....	94.6	97.5 r	95.9 r	96.6 r	95.7 r	95.8 r	95.8
Employed Persons, Thousands #.....	40127.0 r	40078.0 r	40057.0 r	40055.0 r	40095.0 r	40110.0 r	40126.0
Retail Trade, Volume, (2005=100).....	96.1 r	96.3 r	97.1 r	96.3 r	97.4 r	96.1 r	97.2
Manufacturing Sales, Volume, (2005=100, 3 month moving average).....	91.9 r	93.0 r	93.0 r	94.4	94.5 r	94.1 r	94.5
<b>COINCIDENT INDEX (2004=100).....</b>	<b>101.9</b>	<b>102.2</b>	<b>102.0</b>	<b>102.1</b>	<b>102.2</b>	<b>102.1 r</b>	<b>102.3 p</b>
Percent change from preceding month.....		0.3	-0.2	0.1	0.1	-0.1 r	0.2 p
<b>Germany Coincident Economic Index net contributions</b>							
Industrial Production, (2005=100).....	....	0.28 r	-0.15 r	0.07	-0.09 r	0.01 r	0.00
Employed Persons, Thousands #.....	....	-0.09	-0.04	0.00	0.08 r	0.03 r	0.03
Retail Trade, Volume, (2005=100).....	....	0.02 r	0.07 r	-0.07 r	0.10 r	-0.12 r	0.10
Manufacturing Sales, Volume, (2005=100, 3 month moving average).....	....	0.08 r	0.00 r	0.10 r	0.00 r	-0.02 r	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**

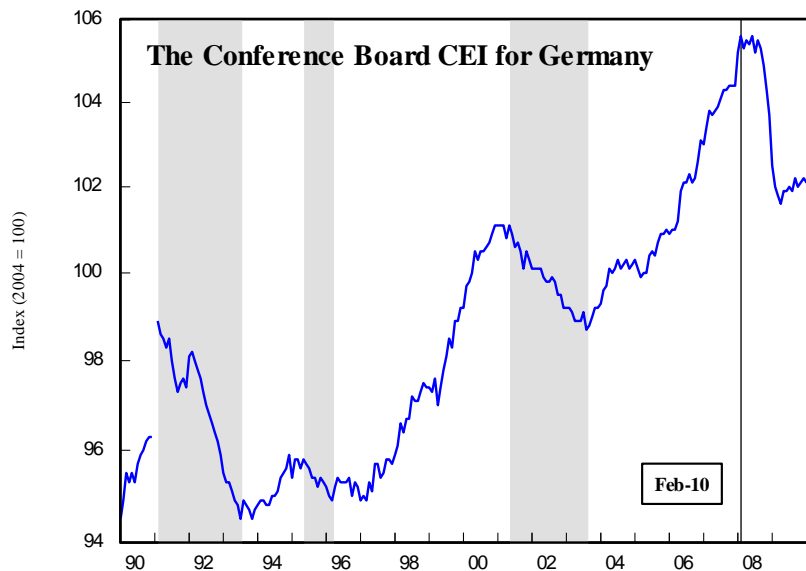
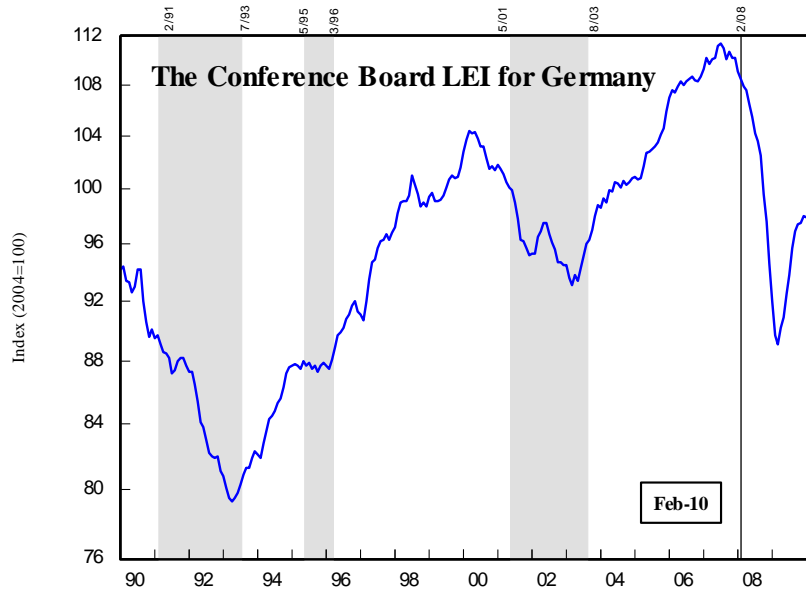
CALCULATION NOTE--The percent change in the index does not always equal the sum of the net contributions of the individual components (because of rounding effects and base value differences).

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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