



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. (PARIS TIME), WEDNESDAY, MAY 21, 2014

The Conference Board®  
France Business Cycle Indicators<sup>SM</sup>

## **THE CONFERENCE BOARD LEADING ECONOMIC INDEX® (LEI) FOR FRANCE AND RELATED COMPOSITE ECONOMIC INDEXES FOR MARCH 2014**

**Brussels, May 21, 2014...**The Conference Board Leading Economic Index® (LEI) for France increased 0.3 percent and The Conference Board Coincident Economic Index® (CEI) decreased 0.1 percent in March.

- The Conference Board LEI for France increased in March, following a small decline in February. Large positive contributions from building permits (residential) and the yield spread more than offset the negative contribution from new unemployment claims. Between September 2013 and March 2014, the leading economic index advanced 1.9 percent (about a 3.8 percent annual rate), an improvement from its increase of 0.5 percent (about a 1.0 percent annual rate) during the previous six months. In addition, the strengths among the leading indicators have remained more widespread than the weaknesses in recent months.
- The Conference Board CEI for France, a measure of current economic activity, declined slightly in March. The coincident economic index was revised downward between December 2013 and February 2014, after first quarter employment data became available. In the six-month period ending in March, the CEI increased 0.2 percent (about a 0.4 percent annual rate), after no growth in the previous six months. The strengths and weaknesses among the coincident indicators have remained balanced in the last six months. Meanwhile, real GDP increased 0.1 percent (annual rate) in the first quarter of 2014, after a 0.7 percent (annual rate) increase in the fourth quarter of 2013.
- Despite the recent decline, the LEI remains on an upward trend and its six-month growth rate has increased compared to six months ago. In addition, the strengths among the leading indicators remain widespread. Meanwhile, the CEI has been relatively flat for two years, and its six-month growth rate remains slightly positive. Taken together, the recent behavior of the composite indexes suggests that France's economy is likely to continue improving moderately in the near term.

**LEADING INDICATORS.** Six of the seven components of the leading economic index increased in March. The positive contributors to the index — in order from the largest positive contributor to the smallest — are building permits (residential), the yield spread, industrial new orders, production expectations, the stock price index, and the ratio of the deflator of manufacturing value added to unit labor cost in manufacturing\*. The only negative contributor to the index is (inverted) new unemployment claims.

With the increase of 0.3 percent in March, the leading economic index now stands at 118.2 (2004=100). Based on revised data, this index declined 0.2 percent in February and increased 0.4 percent in January. During the six-month span through March, the index increased 1.9 percent, and five of the seven components increased (diffusion index, six-month span equals 71.4 percent).

Please visit our website at <http://www.conference-board.org/data/bci.cfm>

Also visit the website of our research associate in France: <http://www.coe-rexecode.fr/public>

The next release is scheduled for Wednesday, June 18, 2014 at 4:00 A.M. ET (10:00 A.M. Paris Time)

**COINCIDENT INDICATORS.** Of the four components of the coincident economic index, only wage and salaries\* increased in March. Industrial production, employment\*, and personal consumption declined in March.

With the decrease of 0.1 percent in March, the coincident economic index now stands at 103.5 (2004=100). Based on revised data, this index increased 0.1 percent in February and decreased 0.1 percent in January. During the six-month period through March, the index increased 0.2 percent, with two of the four series making a positive contribution (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 France and **The Conference Board Coincident Economic Index<sup>®</sup>** (CEI) for France reported in this release are those available “as of” 10 A.M. ET on May 19, 2014. Some series are estimated as noted below.

\*The series in The Conference Board LEI for France that is based on our estimates is the ratio of the deflator of manufacturing value added to unit labor cost in manufacturing. Series in The Conference Board CEI for France that are based on our estimates are number of employees and wage and salaries.

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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 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 France have occurred before those in aggregate economic activity, while the cyclical turning points in The Conference Board CEI for France 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 website:

<http://www.conference-board.org/data/bci.cfm>

France Composite Economic Indexes: Components and Standardization Factors

<u>Leading Economic Index</u>		<u>Factor</u>
1	Yield Spread	0.0975
2	Stock Price	0.0293
3	Building Permits	0.0361
4	New Unemployment Claims	0.1240
5	Industrial New Orders	0.0358
6	Production Expectations	0.0348
7	Ratio P/L Cost	0.6425
 <u>Coincident Economic Index</u>		 <u>Factor</u>
1	Industrial Production	0.0580
2	Personal Consumption	0.0406
3	Employment (Private sector)	0.5959
4	Wage and Salaries	0.3055

Notes:

The component 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 with the release in January 2014, 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 for The Conference Board LEI for France were calculated using 1994-2012 as the sample period for measuring volatility. Separate sets of factors for the 1983-1994 period, 1976-1982 period, and 1970-1973 period are available upon request. The factors above for The Conference Board CEI for France were calculated using 1978-2012 as the sample period. Separate sets of factors for the 1972-1978 period and 1970-1972 period are available upon request. 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 factor for The Conference Board LEI for France is 0.0007 (calculated from January 1970 to December 2012).

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 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 schedule for 2014 for the France “Leading Economic Indicators” news release is:

April 2014	.....	Wednesday, June 18, 2014
May 2014	.....	Friday, July 18, 2014
June 2014	.....	Friday, August 22, 2014
July 2014	.....	Wednesday, September 24, 2014
August 2014	.....	Friday, October 17, 2014
September 2014	.....	Wednesday, November 19, 2014
October 2014	.....	Wednesday, December 17, 2014

All releases are at 10:00 A.M. Paris Time.

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# The Conference Board France Business Cycle Indicators

**Table 1.--Summary of France Composite Economic Indexes**

	2013				2014		
	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Leading index	116.0	116.9	117.1	117.5 p	118.0 p	117.8 p	118.2 p
Percent change	-0.1	0.8	0.2	0.3 p	0.4 p	-0.2 p	0.3 p
Diffusion index	57.1	100.0	71.4	71.4	71.4	35.7	78.6
Coincident index	103.3	103.4	103.6	103.6 r	103.5 p	103.6 p	103.5 p
Percent change	0.0	0.1	0.2	0.0 r	-0.1 p	0.1 p	-0.1 p
Diffusion index	62.5	62.5	87.5	62.5	37.5	87.5	37.5
	Mar to Sep	Apr to Oct	May to Nov	Jun to Dec	Jul to Jan	Aug to Feb	Sep to Mar
Leading index							
Percent change	0.5	1.7	1.4	1.8 p	2.2 p	1.5 p	1.9 p
Diffusion index	64.3	71.4	57.1	85.7	85.7	64.3	71.4
Coincident index							
Percent change	0.0	-0.1	0.2	0.3 r	0.3 p	0.3 p	0.2 p
Diffusion index	50.0	50.0	62.5	87.5	87.5	50.0	50.0

p Preliminary. r Revised (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 <http://www.conference-board.org/data/index.cfm>

Source: The Conference Board

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# The Conference Board France Business Cycle Indicators

**Table 2.--Data and Net Contributions for the Components of the France Leading Economic Index**

Component	2013				2014		
	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
France Leading Economic Index Component Data							
Yield Spread, 10 years minus Day-Day Loan Rate-----	2.40	2.29	2.17	2.17	2.13	2.10	1.98
Stock Price SBF250 Index, index 1000=12/31/1990,-----	3111.52	3192.93	3239.00	3167.83	3239.94	3284.36	3328.48
Building Permits Residential, (3 month moving average), S.A.-----	32383.07 r	32942.99 r	33568.62 r	32787.90 r	31563.27 r	30535.90 r	32292.04
New Unemployment Claims* thousands, (3 month moving average), S.A.-----	498.70	490.80	496.60	489.73	489.53	494.90	502.20
Industrial New Orders opinion balance,-----	-26.00	-24.00	-23.00	-21.00	-19.00	-22.00	-20.00
Production Expectations for Months Ahead Diffusion Index-----	5.40	7.40	4.40	5.60	10.40	7.30	8.70
Ratio Deflator of Value Added to Unit Labor Cost (2005=100), Q-----	97.07	97.16	97.25	97.31 **	97.35 **	97.37 **	97.39 **
<b>LEADING INDEX (2004=100).....</b>	<b>116.0</b>	<b>116.9</b>	<b>117.1</b>	<b>117.5 p</b>	<b>118.0 p</b>	<b>117.8 p</b>	<b>118.2 p</b>
Percent change from preceding month.....	-0.1	0.8	0.2	0.3 p	0.4 p	-0.2 p	0.3 p
France Leading Economic Index net contributions							
Yield Spread, 10 years minus Day-Day Loan Rate-----	....	0.22	0.21	0.21	0.21	0.20	0.19
Stock Price SBF250 Index, index 1000=12/31/1990,-----	....	0.08	0.04	-0.07	0.07	0.04	0.04
Building Permits Residential, (3 month moving average), S.A.-----	....	0.06	0.07	-0.08 r	-0.14 r	-0.12 r	0.20
New Unemployment Claims* thousands, (3 month moving average), S.A.-----	....	0.20	-0.15	0.17	0.01	-0.14	-0.18
Industrial New Orders opinion balance,-----	....	0.07	0.04	0.07	0.07	-0.11	0.07
Production Expectations for Months Ahead Diffusion Index-----	....	0.07	-0.10	0.04	0.17	-0.11	0.05
Ratio Deflator of Value Added to Unit Labor Cost (2005=100), Q-----	....	0.06	0.06	0.04 **	0.03 **	0.02 **	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: COE-Rexecode, Haver Analytics, INSEE**

**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 France Business Cycle Indicators

**Table 3.--Data and Net Contributions for the Components of the France Coincident Economic Index**

Component	2013				2014		
	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
France Coincident Economic Index Component Data							
Industrial Production, Volume (2010=100). S.A.....	98.4 r	98.1	99.4	99.1 r	98.7 r	98.8 r	98.1
Personal Consumption of Manuf. Goods Billions of Euros, S.A.....	20.7	20.7	20.9	21.1	20.7	20.9 r	20.8
Number of Employees in the Private Sector Thous. Of Employees, S.A. Q.....	15884.8	15889.9	15894.9	15887.0 r	15879.2 r	15871.3 r	15864.0 **
Wage and Salaries, Non-Financial Millions of Euros, S.A. Q.....	104844.4 r	105164.6 r	105349.9 r	105493.9 **	105616.7 **	105728.6 **	105835.0 **
<b>COINCIDENT INDEX (2004=100).....</b>	<b>103.3</b>	<b>103.4</b>	<b>103.6</b>	<b>103.6 r</b>	<b>103.5 p</b>	<b>103.6 p</b>	<b>103.5 p</b>
Percent change from preceding month.....	0.0	0.1	0.2	0.0 r	-0.1 p	0.1 p	-0.1 p
France Coincident Economic Index net contributions							
Industrial Production, Volume (2010=100). S.A.....	....	-0.02	0.08	-0.02 r	-0.02	0.01	-0.04
Personal Consumption of Manuf. Goods Billions of Euros, S.A.....	....	0.01	0.03	0.04 r	-0.07	0.03 r	-0.01
Number of Employees in the Private Sector Thous. Of Employees, S.A. Q.....	....	0.02	0.02	-0.03 r	-0.03 r	-0.03 r	-0.03 **
Wage and Salaries, Non-Financial Millions of Euros, S.A. Q.....	....	0.09	0.05	0.04 **	0.04 **	0.03 **	0.03 **

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:** COE-Rexecode, Haver Analytics, INSEE

**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).

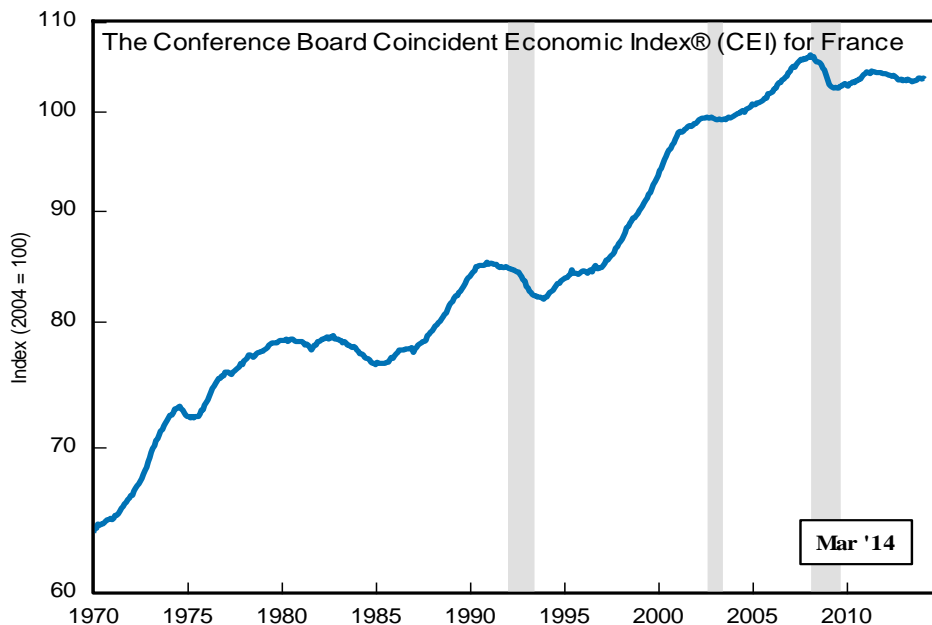
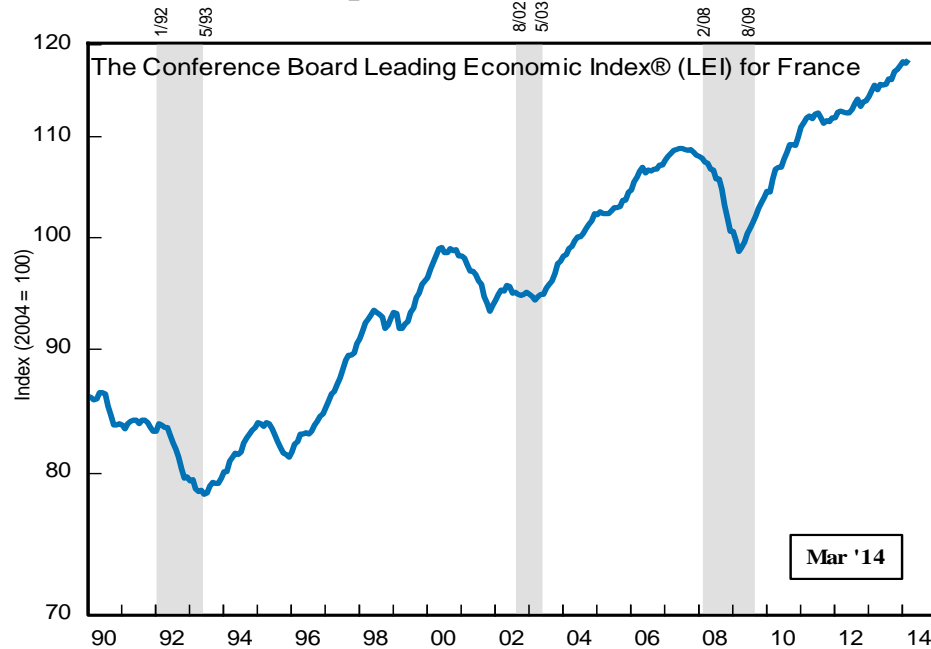
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# France Composite Economic Indexes



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

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