



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. (BERLIN TIME), WEDNESDAY, AUGUST 13, 2014

The Conference Board®
Germany Business Cycle IndicatorsSM
THE CONFERENCE BOARD LEADING ECONOMIC INDEX®
(LEI) FOR GERMANY
AND RELATED COMPOSITE ECONOMIC INDEXES FOR JUNE 2014

BRUSSELS, August 13, 2014... The Conference Board Leading Economic Index® (LEI) for Germany declined 0.1 percent and The Conference Board Coincident Economic Index® (CEI) increased 0.2 percent in June.

- The Conference Board LEI for Germany declined slightly in June, with new orders in investment goods industries and consumer confidence making the largest negative contributions. In the first half of this year, the leading economic index increased 1.5 percent (about a 3.0 percent annual rate), about the same rate as in the previous six months. The strengths among the leading indicators have remained more widespread than the weaknesses in recent months.
- The Conference Board CEI for Germany, a measure of current economic activity, edged up slightly in June. Over the six-month period ending in June, the coincident economic index increased 0.6 percent (about a 1.1 percent annual rate), somewhat better than its increase of 0.2 percent (about a 0.4 percent annual rate) during the previous six months. The strengths among the components have been more widespread than the weaknesses in recent months. Meanwhile, real GDP rose by 3.3 percent (annual rate) in the first quarter of 2014, after increasing 1.5 percent (annual rate) in the fourth quarter of 2013.
- In June, the LEI for Germany declined marginally for the first time since the fourth quarter of last year, but its six-month growth rate was unchanged compared to six months ago. Meanwhile, the CEI has been improving moderately over the first half of this year, and as a result its six-month growth rate has improved. Taken together, the recent behavior of the composite indexes suggests that the current economic expansion should continue into the second half of 2014, although the pace of growth is unlikely to accelerate.

LEADING INDICATORS. Three 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 the yield spread, stock prices, and inventory change*. Negative contributors — in order from largest to smallest — were new orders in investment goods industries, consumer confidence, and new residential construction orders*. Gross enterprises and properties income* remained unchanged in June.

With the 0.1 percent decrease in June, The Conference Board LEI for Germany now stands at 110.1 (2004=100). Based on revised data, this index increased 0.1 percent in May and increased 0.2 percent in April. During the six-month span through June, the index increased 1.5 percent, with six of the seven components increasing (diffusion index, six-month span equals 85.7 percent).

The next release is scheduled for Friday, September 19, 2014 at 10:00 A.M. (Berlin Time)

In the U.S. – Friday, September 19, 2014 at 4:00 A.M. (ET)

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

With the 0.2 percent increase in June, The Conference Board CEI for Germany now stands at 108.4 (2004=100). Based on revised data, this index decreased 0.2 percent in May and increased 0.1 percent in April. During the six-month period through June, the index increased 0.6 percent, with three of the four components increasing (diffusion index, six-month span equals 75.0 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 August 11, 2014. 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.

For more information:

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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 for Investment Goods	0.1313
2 Yield Spread	0.1468
3 Consumer Confidence Index	0.1681
4 Inventory Change	0.2694
5 New Residential Construction Order	0.0863
6 Stock Price Index	0.0498
7 Gross Enterprises and Property Income	0.1483
<u>Coincident Economic Index</u>	<u>Factor</u>
1 Industrial Production	0.0840
2 Employed Persons	0.7588
3 Retail Trade	0.0962
4 Manufacturing Sales	0.0610

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 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 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 2012 (except January to February 1999) 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 February 1994 to December 2012 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 -0.2281 for the 1965-1990 period and -0.1692 for the 1991-2012 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 2014 schedule for “**The Conference Board Leading Economic Index[®]** (LEI) for Germany” news release is:

August 2014	.....	Wednesday, October 15, 2014
September 2014	.....	Friday, November 21, 2014
October 2014	Monday, December 15, 2014

All releases are at 10:00 A.M. (Berlin Time)

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AVAILABLE FROM THE CONFERENCE BOARD:

Germany Business Cycle Indicators Internet Subscription

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\$ 714 (for TCB members)/\$ 908 (for non-TCB members) per year (1 user)

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The Conference Board Germany Business Cycle Indicators

Table 1.--Summary of Germany Composite Economic Indexes

	2013	2014					
	Dec.	Jan.	Feb.	Mar.	Apr.	May.	Jun.
Leading index	108.5	109.3	109.9	109.9 p	110.1 p	110.2 p	110.1 p
Percent change	0.4	0.7	0.5	0.0 p	0.2 p	0.1 p	-0.1 p
Diffusion index	85.7	92.9	71.4	57.1	85.7	78.6	50.0
Coincident index	107.8	108.1 r	108.4	108.3 r	108.4	108.2	108.4
Percent change	0.0	0.3 r	0.3 r	-0.1 r	0.1 r	-0.2	0.2
Diffusion index	75.0	100.0	100.0	50.0	50.0	12.5	62.5

	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	1.5	1.8	2.1	2.4 p	2.4 p	1.9 p	1.5 p
Diffusion index	64.3	92.9	92.9	100.0	100.0	100.0	85.7
Coincident index							
Percent change	0.2	0.6 r	0.7	0.7 r	0.8	0.4	0.6
Diffusion index	75.0	100.0	100.0	100.0	100.0	50.0	75.0

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

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	2013	2014					
	Dec.	Jan.	Feb.	Mar.	Apr.	May.	Jun.
Germany Leading Economic Index component data							
New Orders, Investment Goods Industries, Volume, 2010=100 (3 month moving average).....	113.63	114.53	114.83	113.40	114.00	114.03 r	112.87
Yield 10-Year Minus 3-Month Time							
Deposits Rate, Percent,	1.5	1.5	1.3	1.2	1.1	1.0	1.0
Consumer Confidence Index.....	106.25	107.00	107.05	108.67	109.10	110.38	109.74
Inventory Change							
Contribution to real GDP change, Percent (Q).....	0.17	0.19	0.21	0.30 **	0.44 **	0.59 **	0.73 **
New Residential Construction Orders 2010=100, (3 month moving average).....	132.17	136.27	142.93	142.10	141.90	139.47 r	138.54 **
Stock Price Index							
1980=100,	454.25	466.05	465.53	457.79	462.37	465.82	473.93
Gross Enterprises and Properties Income Bill., 2005 Euro (Q).....	162.01	162.68	163.35	163.76 **	163.94 **	164.03 **	164.08 **
LEADING INDEX (2004=100).....	108.5	109.3	109.9	109.9 p	110.1 p	110.2 p	110.1 p
Percent change from preceding month.....	0.4	0.7	0.5	0.0	0.2	0.1 p	-0.1 p
Germany Leading Economic Index net contributions							
New Orders, Investment Goods Industries, Volume, 2010=100 (3 month moving average).....		0.10	0.03	-0.16	0.07	0.00 r	-0.13
Yield 10-Year Minus 3-Month Time							
Deposits Rate, Percent,		0.22	0.19	0.18	0.17	0.15	0.15
Consumer Confidence Index.....		0.12	0.01	0.25	0.07	0.20	-0.10
Inventory Change							
Contribution to real GDP change, Percent (Q).....		0.01	0.01	0.03 **	0.04 **	0.04 **	0.04 **
New Residential Construction Orders 2010=100, (3 month moving average).....		0.26	0.41	-0.05	-0.01	-0.15 r	-0.06 **
Stock Price Index							
1980=100,		0.13	-0.01	-0.08	0.05	0.04	0.09
Gross Enterprises and Properties Income Bill., 2005 Euro (Q).....		0.06	0.06	0.04 **	0.02 **	0.01 **	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, Haver Analytics, 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	2013 Dec.	2014					
		Jan.	Feb.	Mar.	Apr.	May.	Jun.
Germany Coincident Economic Index Component Data							
Industrial Production, (2010=100).....	108.3	108.8 r	109.0 r	108.3 r	108.2	106.4 r	106.7
Employed Persons, Thousands #.....	41926.0 r	41981.0	42028.0	42065.0 r	42098.0 r	42119.0 r	42135.0
Retail Trade, Volume, (2010=100).....	101.2 r	102.8 r	103.4 r	102.9 r	102.4 r	102.2 r	103.5
Manufacturing Sales, Volume, (2010=100, 3 month moving average).....	105.6	106.7 r	107.6 r	107.9 r	108.3 r	108.1 r	107.8
COINCIDENT INDEX (2004=100).....	107.8	108.1 r	108.4	108.3 r	108.4	108.2	108.4
Percent change from preceding month.....	0.0	0.3 r	0.3 r	-0.1 r	0.1 r	-0.2	0.2
Germany Coincident Economic Index net contributions							
Industrial Production, (2010=100).....	....	0.04 r	0.02 r	-0.05 r	-0.01 r	-0.14 r	0.02
Employed Persons, Thousands #.....	....	0.10	0.08	0.07	0.06	0.04	0.03
Retail Trade, Volume, (2010=100).....	....	0.15 r	0.06 r	-0.05 r	-0.05 r	-0.02 r	0.12
Manufacturing Sales, Volume, (2010=100, 3 month moving average).....	....	0.06 r	0.05	0.02	0.02 r	-0.01	-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 monthly through a linear interpolation.

Data Sources: Deutsche Bundesbank, Haver Analytics, 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).

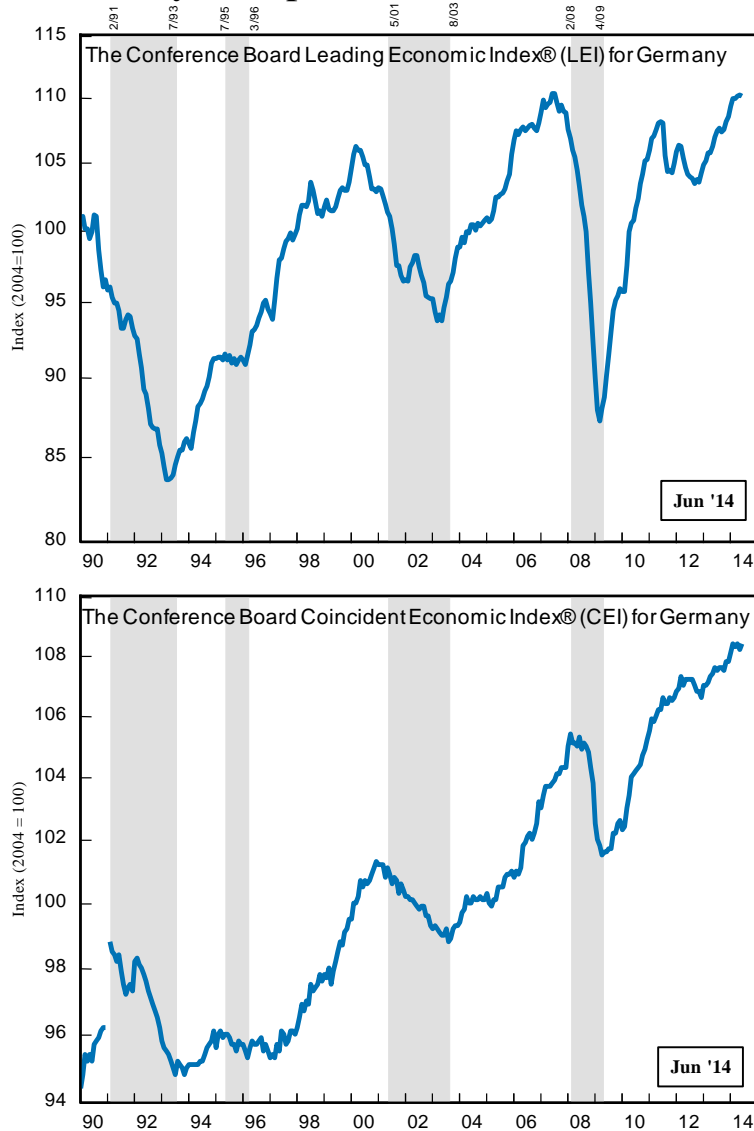
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Germany Composite Economic Indexes



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

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