



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. (BERLIN TIME), WEDNESDAY, OCTOBER 15, 2014

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

BRUSSELS, October 15, 2014... The Conference Board Leading Economic Index® (LEI) for Germany declined 1.0 percent and The Conference Board Coincident Economic Index® (CEI) decreased 0.3 percent in August.

- The Conference Board LEI for Germany fell again in August, following back-to-back monthly declines. Consumer confidence, the stock price index, and new orders for investment goods made the largest negative contributions. In six-month period ending in August, the leading economic index contracted by 1.9 percent (about a -3.8 percent annual rate), a reversal from its increase of 2.0 percent (about a 4.1 percent annual rate) in the previous six months. In addition weaknesses among the leading indicators have become more widespread than the strengths in recent months.
- The Conference Board CEI for Germany, a measure of current economic activity, also declined in August. Between February and August, the coincident economic index decreased by 0.1 percent (about a -0.2 percent annual rate), down from its increase of 0.7 percent (about a 1.5 percent annual rate) over the prior six months. The strengths and weaknesses among the components have become balanced in recent months. Meanwhile, real GDP decreased 0.6 percent (annual rate) in the second quarter of 2014, after expanding 2.7 percent (annual rate) in the first quarter.
- The decline in the LEI in August was its third consecutive decline and the largest monthly drop since the autumn of 2011. As a result its six-month growth rate has now fallen deeper into negative territory. Meanwhile, the CEI also declined in August, and its six-month growth rate turned slightly negative. Taken together, the recent behavior of the composite indexes suggests that economic activity will likely remain on a slow to slightly negative growth path with continued downside risks in the near term.

LEADING INDICATORS. Two of the seven components that make up The Conference Board LEI for Germany increased in August. The positive contributors—in order from the larger positive contributor to the smaller—were the yield spread and inventory change*. Negative contributors—in order from the largest to the smallest—were consumer confidence, stock prices, new orders for investment goods, new residential construction orders*, and gross enterprises and property income*.

With the 1.0 percent decrease in August, The Conference Board LEI for Germany now stands at 107.7 (2004=100). Based on revised data, this index declined 0.5 percent in July and declined 0.4 percent in June. During the six-month span through August, the index decreased 1.9 percent, with only three of the seven components increasing (diffusion index, six-month span equals 42.9 percent).

The next release is scheduled for Friday, November 21, 2014 at 10:00 A.M. (Berlin Time)

In the U.S. – Friday, November 21, 2014 at 4:00 A.M. (ET)

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

With the 0.3 percent decrease in August, The Conference Board CEI for Germany now stands at 108.3 (2004=100). Based on revised data, this index increased 0.2 percent in July and increased 0.1 percent in June. During the six-month period through August, the index decreased 0.1 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[®]** (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 October 14, 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:

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

	2014						
	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.
Leading index	109.8	109.6 r	109.7 r	109.7 r	109.3 p	108.8 p	107.7 p
Percent change	0.5	-0.2 r	0.1 r	0.0 r	-0.4 p	-0.5 p	-1.0 p
Diffusion index	71.4	42.9	71.4	71.4	42.9	42.9	28.6
Coincident index	108.4	108.3	108.4	108.3	108.4	108.6	108.3
Percent change	0.3	-0.1	0.1	-0.1	0.1	0.2	-0.3
Diffusion index	100.0	50.0	75.0	25.0	75.0	50.0	50.0

	Sep to	Oct to	Nov to	Dec to	Jan to	Jan to	Feb to
	Feb	Mar	Apr	May	Jun	Jul	Aug
Leading index							
Percent change	2.0	2.1 r	2.0 r	1.5 r	0.7 p	-0.5 p	-1.9 p
Diffusion index	85.7	85.7	100.0	85.7	71.4	50.0	42.9
Coincident index							
Percent change	0.7	0.7	0.8	0.5	0.6	0.5	-0.1
Diffusion index	100.0	100.0	100.0	50.0	75.0	75.0	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 <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	2014						
	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.
Germany Leading Economic Index component data							
New Orders, Investment Goods Industries, Volume, 2010=100 (3 month moving average).....	114.60 r	113.23 r	113.80 r	113.93 r	113.17 r	114.43 r	112.47
Yield 10-Year Minus 3-Month Time							
Deposits Rate, Percent,	1.3	1.2	1.1	1.0	1.0	0.9	0.8
Consumer Confidence Index.....	107.05	108.67	109.10	110.38	109.74	109.53	107.59
Inventory Change							
Contribution to real GDP change, Percent (Q).....	0.09	0.21	0.33	0.46	0.60 **	0.74 **	0.88 **
New Residential Construction Orders 2010=100, (3 month moving average).....	142.93	142.10	141.90	139.47	137.00	129.70 r	126.83 **
Stock Price Index							
1980=100,	465.53	457.79	462.37	465.82	473.93	464.62	441.98
Gross Enterprises and Properties Income							
Bill., 2010 Euro (Q).....	164.28 r	162.83 r	161.38 r	159.92 r	159.29 **	159.04 **	158.95 **
LEADING INDEX (2004=100).....	109.8	109.6 r	109.7 r	109.7 r	109.3 p	108.8 p	107.7 p
Percent change from preceding month.....	0.5	-0.2 r	0.1 r	0.0 r	-0.4 r	-0.5 p	-1.0 p
Germany Leading Economic Index net contributions							
New Orders, Investment Goods Industries, Volume, 2010=100 (3 month moving average).....		-0.16 r	0.07	0.01 r	-0.09 r	0.15 r	-0.23
Yield 10-Year Minus 3-Month Time							
Deposits Rate, Percent,		0.18	0.17	0.15	0.15	0.13	0.11
Consumer Confidence Index.....		0.25	0.07	0.20	-0.10	-0.03	-0.30
Inventory Change							
Contribution to real GDP change, Percent (Q).....		0.03	0.03	0.04	0.04 **	0.04 **	0.04 **
New Residential Construction Orders 2010=100, (3 month moving average).....		-0.05	-0.01	-0.15	-0.15	-0.47 r	-0.19 **
Stock Price Index							
1980=100,		-0.08	0.05	0.04	0.09	-0.10	-0.25
Gross Enterprises and Properties Income							
Bill., 2010 Euro (Q).....		-0.13 r	-0.13 r	-0.13 r	-0.06 **	-0.02 **	-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 reported 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	2014						
	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.
Germany Coincident Economic Index Component Data							
Industrial Production, (2010=100).....	109.0	108.3	108.5 r	106.8 r	107.2 r	108.9 r	104.5
Employed Persons, Thousands #.....	42427.0	42455.0 r	42499.0 r	42527.0 r	42551.0	42596.0 r	42621.0
Retail Trade, Volume, (2010=100).....	103.2	102.9	102.4	102.1	103.2	102.3 r	103.8
Manufacturing Sales, Volume, (2010=100, 3 month moving average).....	107.6	107.9	108.2 r	108.0 r	107.7 r	107.5 r	105.3
COINCIDENT INDEX (2004=100).....	108.4	108.3	108.4	108.3	108.4	108.6	108.3
Percent change from preceding month.....	0.3	-0.1	0.1	-0.1	0.1	0.2	-0.3
Germany Coincident Economic Index net contributions							
Industrial Production, (2010=100).....	....	-0.05	0.02 r	-0.13	0.03	0.13 r	-0.35
Employed Persons, Thousands #.....	....	0.05	0.08	0.05	0.04	0.08	0.04
Retail Trade, Volume, (2010=100).....	....	-0.03	-0.05	-0.03	0.10	-0.08 r	0.14
Manufacturing Sales, Volume, (2010=100, 3 month moving average).....	....	0.01 r	0.02 r	-0.02 r	-0.01	-0.01	-0.12

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).

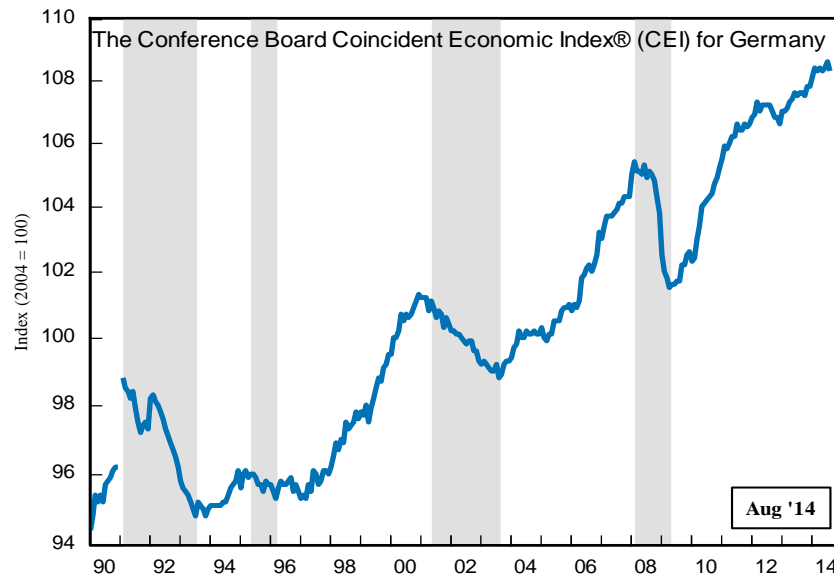
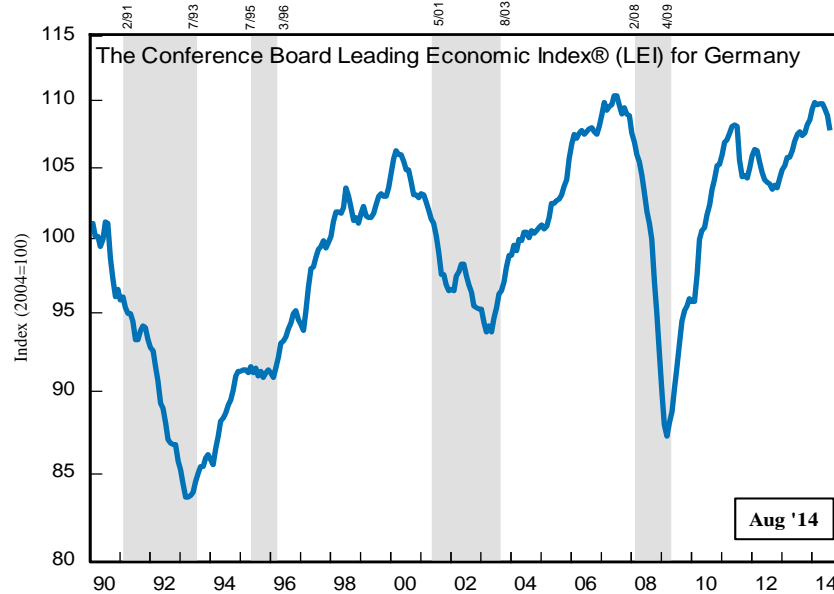
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Germany Composite Economic Indexes



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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