



**THE CONFERENCE BOARD**

FOR RELEASE: 10:00 A.M. CET, THURSDAY, MARCH 26, 2009

The Conference Board®  
Euro Area Business Cycle Indicators<sup>SM</sup>  
**THE CONFERENCE BOARD LEADING ECONOMIC INDEX™  
(LEI) FOR THE EURO AREA**  
**AND RELATED COMPOSITE ECONOMIC INDEXES FOR FEBRUARY 2009**

**BRUSSELS, Mar. 26, 2009...** The Conference Board Leading Economic Index™ (LEI) for the Euro Area declined 0.3 percent and The Conference Board Coincident Economic Index™ (CEI) for the Euro Area decreased 0.1 percent in February.

- The Conference Board LEI for the Euro Area declined in February for the fifth time in the past six months as a large positive contribution by the interest rate spread was more than offset by negative contributions from stock prices, the Economic Sentiment Index and the Purchasing Managers' Index (manufacturing). Between August 2008 and February 2009, the leading economic index declined by 6.8 percent (about a -13.2 percent annual rate), below the 4.4 percent decline (about a -8.6 percent annual rate) from February 2008 through August 2008. In addition, the weaknesses among the leading indicators have remained very widespread in recent months.
- The Conference Board CEI for the Euro Area, a measure of current economic activity, declined in February for the sixth consecutive month, according to preliminary estimates. The index was revised downward between October 2008 and January 2009 as actual data became available for employment and industrial production. During the past six months, the coincident economic index fell by 1.9 percent (about a -3.8 percent annual rate) well below the 0.3 percent decline (about a -0.6 percent annual rate) for the previous six months. Additionally, the weaknesses among the coincident indicators have remained very widespread in recent months, with none of the components increasing during the past six months. At the same time, real GDP declined at a (revised) -3.4 percent average annual rate during the second half of 2008 (including a -5.8 percent annual rate in the fourth quarter), its lowest two-quarter growth rate since 1975.
- Though the pace of its decline has eased somewhat during the past two months, The Conference Board LEI for the Euro Area remains on a general downtrend that began in June 2007, falling by more than 14.0 percent during this period—its largest decline since the 1992-93 recession. Meanwhile, the decline in The Conference Board CEI for the Euro Area over the last six months is now the steepest in its 22-year history. Taken together, the recent behavior of the composite indexes suggests that the current contraction in economic activity should continue in the near term and may remain deep.

**LEADING INDICATORS.** Three of the eight components in The Conference Board LEI for the Euro Area increased in February. The positive contributors— in order from the largest positive contributor to the smallest— are interest rate spread, real money supply\*, and residential building permits\*. The negative contributors—in order from largest to smallest— are stock price index, the Economic Sentiment Index, the Purchasing Managers' Index (manufacturing), the business expectations index (services), and new orders of capital goods\* .

The next release is scheduled for Monday, April 27, 2009 at 10:00 A.M. (CET)

*In New York – Monday, April 27, 2009 at 4:00 A.M. (ET)*

With the 0.3 percent decrease in February, The Conference Board LEI for the Euro Area now stands at 92.9 (2004=100). Based on revised data, this index increased 0.9 percent in January and declined 1.7 percent in December. During the six-month span through February, the index decreased 6.8 percent, with two of the eight components increasing (diffusion index, six-month span equals 25.0 percent).

*\*See notes under data availability*

**COINCIDENT INDICATORS.** One of the four components that make up The Conference Board CEI for the Euro Area increased in February. The only positive contributor was industrial production\*. Employment\* and manufacturing turnover\* declined in February, while retail trade\* remained unchanged.

With the 0.1 percent decrease in February, The Conference Board CEI for the Euro Area now stands at 103.6 (2004=100). Based on revised data, this index decreased 0.2 percent in January and decreased 0.5 percent in December. During the six-month period through February, the index decreased 1.9 percent, with none of the four components increasing (diffusion index, six-month span equals 0.0 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>TM</sup>** (LEI) for the Euro Area and **The Conference Board Coincident Economic Index<sup>TM</sup>** (CEI) for the Euro Area reported in this release are those available “as of” 10:00 A.M. ET March 24, 2009. Some series are estimated as noted below.

NOTES: Series in The Conference Board LEI for the Euro Area that are based on our estimates are money supply, residential building permits and new orders of capital goods. Series in The Conference Board CEI for the Euro Area that are based on our estimates are employment, industrial production, retail trade and manufacturing turnover.

Effective with the March 26, 2009 release, the retail trade component of The Conference Board CEI for the Euro Area changed slightly due to benchmark revisions by the source agency. As a result, “Volume of retail trade except for motor vehicles and motor cycles” replaced “volume of retail trade except for motor vehicles, motor cycles and repair of personal and household goods.” The difference between these component series is small and does not affect the cyclical characteristics of the coincident economic index.

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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 Conference Board LEI for the Euro Area have occurred before those in aggregate economic activity, while the cyclical turning points in The Conference Board CEI for the Euro Area 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 Web site: <http://www.conference-board.org/economics/bci/>.

Euro Area Composite Economic Indexes: Components and Standardization Factors

<u>Leading Economic Index</u>	<u>Factor</u>
1. Yield Spread cumulated, 10 year minus policy rate	0.2441
2. Economic Sentiment Index	0.1006
3. Purchasing Managers' Index (Manufacturing)	0.1504
4. Business Expectations Index (Services)	0.0696
5. Stock Prices	0.0298
6. Money Supply	0.3151
7. New Orders of Capital Goods	0.0413
8. Residential Building Permits	0.0491

<u>Coincident Economic Index</u>	
1. Employment	0.7685
2. Industrial Production	0.0795
3. Retail trade	0.1114
4. Manufacturing turnover	0.0406

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 2009, 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 were calculated using 2000-2007 as the sample period for measuring volatility for The Conference Board LEI for the Euro Area. Separate sets of factors for February 1987-December 1993, January 1994-January 1995, February 1995-January 1996, February 1996-June 1997, July 1997-July 1998, August 1998-July 2000 are available upon request. The factors above for The Conference Board CEI for the Euro Area were calculated using 1995-2007. A separate set of factors is available for 1987- 1995. These multiple 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 Conference Board LEI for the Euro Area are -0.3001 calculated over 1987-1996 and -0.3701 calculated over 1997-2007.

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 Conference Board Leading Economic Index™** (LEI) for the Euro Area” news release is:

March 2009 Data.....	Monday, April 27, 2009
April 2009 Data.....	Thursday, May 28, 2009
May 2009 Data.....	Monday, June 29, 2009
June 2009 Data.....	Monday, July 27, 2009
July 2009 Data.....	Thursday, August 27, 2009
August 2009 Data.....	Monday, September 28, 2009
September 2009 Data.....	Wednesday, October 28, 2009
October 2009 Data.....	Monday, November 30, 2009
November 2009 Data.....	Wednesday, December 30, 2009

All releases are at 10:00 AM (CET)

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### AVAILABLE FROM THE CONFERENCE BOARD:

Euro Area 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, the Euro Area 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 Euro Area Business Cycle Indicators

Table 1.--Summary of Euro Area Composite Economic Indexes

			2008			2009	
	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.
Leading index	99.7	98.3 r	95.6	94.0 r	92.4 p	93.2 p	92.9 p
Percent change	0.1	-1.4 r	-2.7 r	-1.7 r	-1.7 p	0.9 p	-0.3 p
Diffusion index	50.0	18.8	12.5	37.5	37.5	75.0	37.5
Coincident index	105.6	105.3	104.8 r	104.4 r	103.9 p	103.7 p	103.6 p
Percent change	0.1	-0.3	-0.5 r	-0.4 r	-0.5 p	-0.2 p	-0.1 p
Diffusion index	75.0	25.0	0.0	0.0	12.5	50.0	37.5
	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	-4.4	-4.7 r	-6.9	-7.8 r	-8.5 p	-6.4 p	-6.8 p
Diffusion index	25.0	25.0	12.5	18.8	12.5	25.0	25.0
Coincident index							
Percent change	-0.3	-0.4	-1.0 r	-1.2 r	-1.6 p	-1.7 p	-1.9 p
Diffusion index	12.5	0.0	0.0	0.0	0.0	0.0	0.0

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 Euro Area Business Cycle Indicators

Table 2.--Data and Net Contributions for Components of the Euro Area Leading Economic Index

Component	2008					2009	
	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.
Euro Area Leading Economic Index component data							
Yield Spread, 10 year ECB Benchmark Rate minus ECB Minimum Bid Rate-----	0.25	0.25	0.17	0.45	0.64	1.61	2.20
Economic Sentiment Index (Index of five sentiment surveys) Average value 1990-2007 = 100-----	89.9	88.9	81.6	76.8	68.9	67.2 r	65.4
Purchasing Managers' Index, 50 = Balanced Positive and Negative Responses-----	47.55	44.97	41.10	35.58	33.87	34.42	33.55
Business Expectations Index (Services) 50 = Balanced Positive and Negative Responses-----	51.70	49.58	42.26	41.62	42.26	46.45	46.14
Stock Price (Average Closing Price) Dow Jones EURO STOXX(r) Index, 12/31/1991=100-----	316.06	301.31	241.54	225.03	219.01	215.50	200.36
Money Supply (M2) In Billions of 2005 Euros-----	7215.82 r	7243.76 r	7350.42 r	7439.8 r	7404.6 r	7527.09 r	7549.2 **
Capital Goods New Orders Index (2000= 100)-----	118.78 r	109.69 r	103.34 r	95.04 r	87.15 r	89.65 **	89.52 **
Index of Residential Building Permits (Index, 2000 = 100) Square meters of usable floor area-----	80.79 r	78.31 r	76.25 r	77.51 r	78.03 **	78.61 **	79.17 **
<b>LEADING INDEX (2004=100).....</b>	<b>99.7</b>	<b>98.3 r</b>	<b>95.6</b>	<b>94.0 r</b>	<b>92.4 p</b>	<b>93.2 p</b>	<b>92.9 p</b>
Percent change from preceding month.....		-1.4 r	-2.7 r	-1.7 r	-1.7	0.9 p	-0.3 p
Euro Area Leading Economic Index net contributions							
Yield Spread, 10 year ECB Benchmark Rate ECB Minimum Bid Rate	-----	0.06	0.04	0.11	0.16	0.39	0.54
Economic Sentiment Index (Index of five sentiment surveys) Average value 1990-2007 = 100	-----	-0.10	-0.73	-0.48	-0.79	-0.17 r	-0.18
Purchasing Managers' Index, 50 = Balanced Positive and Negative Responses	-----	-0.39	-0.58	-0.83	-0.26	0.08	-0.13
Business Expectations Index (Services) 50 = Balanced Positive and Negative Responses	-----	-0.15	-0.51	-0.04	0.04	0.29	-0.02
Stock Price (Average Closing Price) Dow Jones EURO STOXX(r) Index, 12/31/1991=100	-----	-0.14	-0.66	-0.21	-0.08	-0.05	-0.22
Money Supply (M2) In Billions of 2005 Euros	-----	0.12	0.46 r	0.38	-0.15 r	0.52 r	0.09 **
Capital Goods New Orders Index (2000= 100)	-----	-0.33	-0.25	-0.35 r	-0.36 r	0.12 **	-0.01 **
Index of Residential Building Permits (Index, 2000 = 100) Square meters of usable floor area	-----	-0.15 r	-0.13 r	0.08 r	0.03 **	0.04 **	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: Eurostat, ECB, Reuters Thomson, Markit Economics, STOXX Limited**

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STOXX and Dow Jones do not warrant the accuracy or completeness of the index data displayed in this report

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 Euro Area Business Cycle Indicators

Table 3.--Data and Net Contributions for Components of the Euro Area Coincident Economic Index

Component	Aug.	Sep.	2008		Dec.	2009	
			Oct.	Nov.		Jan.	Feb.
Euro Area Coincident Economic Index Component Data							
Number of Employees Thous. Of Employees, S.A. Q	148082.0 r	147930.7 r	147779.3 r	147628.0 r	147483.1 **	147344.4 **	147211.6 **
Industrial Production, Volume Index (2005=100). S.A.	106.7 r	104.5 r	102.3 r	99.6 r	96.8 r	93.7 r	94.3 **
Retail Trade, Volume Index (2005=100). S.A.	101.9 r	102.1 r	101.1 r	100.9 r	100.9 r	101.1 r	101.1 **
Manufacturing Turnover, Index (2000=100). S.A.	117.7 r	114.8 r	113.2 r	111.1 r	105.9 r	108.1 **	107.3 **
<b>COINCIDENT INDEX (2004=100).....</b>	<b>105.6</b>	<b>105.3</b>	<b>104.8 r</b>	<b>104.4 r</b>	<b>103.9 p</b>	<b>103.7 p</b>	<b>103.6 p</b>
Percent change from preceding month.....		-0.3	-0.5 r	-0.4 r	-0.5 p	-0.2 p	-0.1 p
Euro Area Coincident Economic Index net contributions							
Number of Employees Thous. Of Employees, S.A. Q	-----	-0.08 r	-0.08 r	-0.08 r	-0.08 **	-0.07 **	-0.07 **
Industrial Production, Volume Index (2005=100). S.A.	-----	-0.17 r	-0.17 r	-0.22 r	-0.23 r	-0.26 r	0.06 **
Retail Trade, Volume Index (2005=100). S.A.	-----	0.02	-0.12 r	-0.02 r	0.00 r	0.01	0.00 **
Manufacturing Turnover, Index (2000=100). S.A.	-----	-0.10	-0.06	-0.07	-0.20 r	0.09 **	-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: Eurostat, ECB, Reuters Thomson**

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).

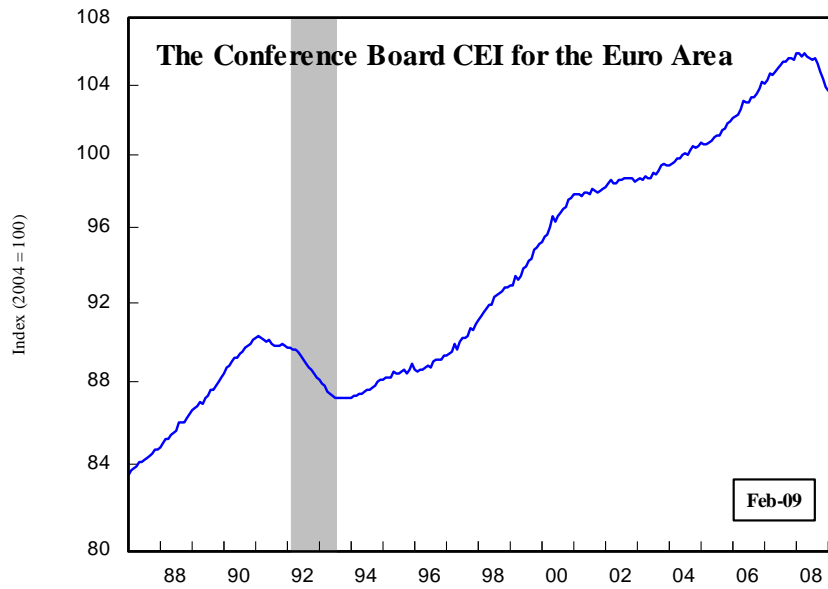
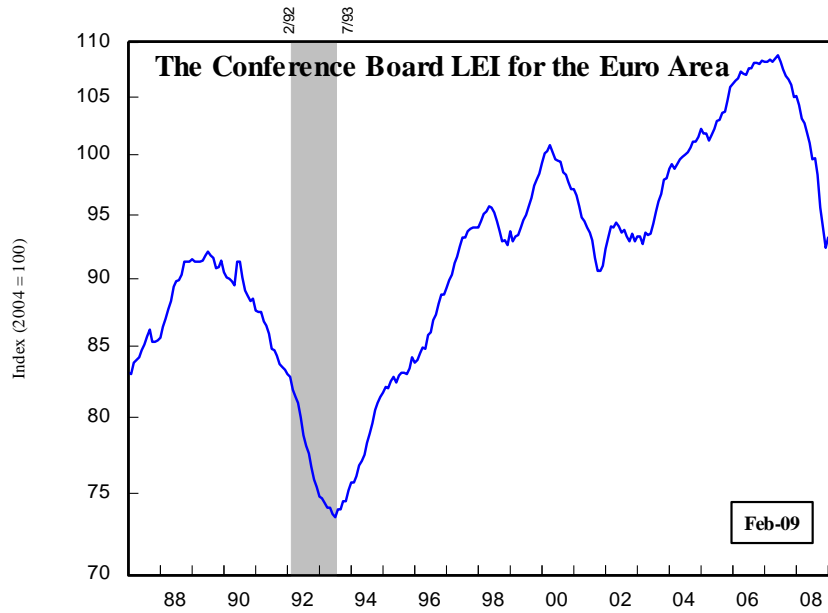
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## Euro Area Composite Economic Indexes



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