



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. CET, WEDNESDAY, JANUARY 28, 2009

The Conference Board®
Euro Area Business Cycle IndicatorsSM

**THE CONFERENCE BOARD LEADING ECONOMIC INDEX (LEI)
FOR THE EURO AREA
AND RELATED COMPOSITE ECONOMIC INDEXES FOR DECEMBER 2008**

The Conference Board Leading Economic Index (LEI) for the Euro Area declined 0.9 percent and The Conference Board Coincident Economic Index* (CEI) remained unchanged in December.

- The Euro Area LEI declined sharply again in December as it has in five of the last six months. Negative contributions by the Economic Sentiment Index, the Purchasing Managers' Index, and stock prices more than offset large positive contributions by real money supply* and the interest rate spread. Since June 2008, the Euro Area LEI has declined by 7.6 percent (about a -14.7 percent annual rate), well below the 3.8 percent decline (about a -7.5 percent annual rate) between December 2007 and June 2008. In addition, the weaknesses among the leading indicators have remained very widespread.
- The Euro Area CEI*, a measure of current economic activity, remained unchanged for the second consecutive month following two consecutive declines. During the past six months, the Euro Area CEI* fell by 0.5 percent (about a -0.9 percent annual rate), below the 0.1 percent increase (about a 0.2 percent annual rate) for the previous six months. Additionally, the weaknesses among the coincident indicators have remained widespread. At the same time, real GDP has declined at a 0.7 percent average annual rate during the second and third quarters of 2008, well below the 2.0 percent average annual rate of growth during the fourth quarter of 2007 and the first quarter of 2008. This is the first time since 1993 that real GDP has contracted in consecutive quarters.
- The Euro Area LEI has been declining since its most recent peak in June 2007, falling by more than 14.0 percent since then, and this decline has accelerated in recent months to an unprecedented rate since 1987. Meanwhile, the Euro Area CEI* has been trending downward modestly since February. Taken together, the duration, depth, and diffusion of the decline in the composite indexes suggest that the economy is likely to remain very weak going into 2009 and that the current contraction in economic activity may become deeper in the near term.

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

The next release is scheduled for Thursday, February 26, 2009 at 10:00 A.M. (CET)
In New York – Thursday, February 26, 2009 at 4:00 A.M. (ET)

With the 0.9 percent decrease in December, The Conference Board Leading Economic Index (LEI) for the Euro Area now stands at 93.3 (2004=100). This index declined 1.7 percent in November and declined 2.5 percent in October. During the six-month span through December, the index decreased 7.6 percent, with one of the eight components increasing (diffusion index, six-month span equals 12.5 percent).

**See notes under data availability*

COINCIDENT INDICATORS. According to preliminary estimates, two of the four components that make up The Conference Board Coincident Economic Index (CEI) for the Euro Area increased in December. The positive contributors were industrial production* and employment*. Manufacturing turnover* and retail trade* declined in December.

The Conference Board Coincident Economic Index* (CEI) for the Euro Area was unchanged in December and it now stands at 105.1 (2004=100). This index remained unchanged in November and decreased 0.3 percent in October. During the six-month period through December, the index decreased 0.5 percent, with one of the four components increasing (diffusion index, six-month span equals 37.5 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 (LEI) for the Euro Area and The Conference Board Coincident Index (CEI) for the Euro Area reported in this release are those available “as of” 10:00 A.M. ET January 26, 2008. Some series are estimated as noted below.

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

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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 Leading Economic Index have occurred before those in aggregate economic activity, while the cyclical turning points in the Coincident Economic Index 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 Web site: <http://www.conference-board.org/economics/bci/>.

Euro Area Composite Indexes: Components and Standardization Factors

<u>Leading Economic Index</u>	<u>Factor</u>
1. Interest rate spread, 10 year minus ECB minimum bid 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. Real 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 are revised effective with the January 28, 2009 release, and all historical values for the two composite indexes have been revised to reflect these 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 were calculated using 2000-2007 as the sample period for measuring volatility for the Leading Economic Index. 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, and August 1998-July 2000 are available upon request. The factors above for the Coincident Economic Index were calculated using 1995-2007 as the sample period for measuring volatility. 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 Leading Economic Index 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 Euro Area “Leading Economic Index” news release is:

January 2009 Data.....	Thursday, February 26, 2009
February 2009 Data.....	Thursday, March 26, 2009
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 A.M. (CET), 4:00 A.M. (ET)

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AVAILABLE FROM THE CONFERENCE BOARD:

Individual Data Series	\$ 35 per series downloaded
Monthly BCI Report	\$ 275 per year
<i>(Sample available at http://www.conference-board.org/publications/describeBCI.cfm)</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 Euro Area Business Cycle Indicators

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

	Jun.	Jul.	Aug.	2008 Sep.	Oct.	Nov.	Dec.
Leading index	101.0	99.6	99.8	98.2	95.7 p	94.1 p	93.3 p
Percent change	-0.9	-1.4	0.2	-1.6	-2.5 p	-1.7 p	-0.9 p
Diffusion index	25.0	31.3	62.5	25.0	25.0	37.5	62.5
Coincident index	105.6	105.5	105.6	105.4 p	105.1 p	105.1 p	105.1 p
Percent change	-0.1	-0.1	0.1	-0.2 p	-0.3 p	0.0 p	0.0 p
Diffusion index	37.5	37.5	87.5	37.5	12.5	62.5	37.5
	Dec to Jun	Jan to Jul	Feb to Aug	Mar to Sep	Apr to Oct	May to Nov	Jun to Dec
Leading index							
Percent change	-3.8	-5.2	-4.3	-4.8	-6.8 p	-7.7 p	-7.6 p
Diffusion index	25.0	25.0	25.0	25.0	12.5	25.0	12.5
Coincident index							
Percent change	0.1	-0.4	-0.3	-0.3 p	-0.8 p	-0.6 p	-0.5 p
Diffusion index	50.0	25.0	25.0	50.0	12.5	12.5	37.5

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

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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						
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Euro Area Leading Economic Index component data							
Yield Spread, 10 year ECB Benchmark Rate minus ECB Minimum Bid Rate-----	0.81	0.81	0.25	0.28	0.21	0.49	0.68
Economic Sentiment Index (Index of five sentiment surveys) Average value 1990-2007 = 100-----	94.8	89.5	88.5	87.5	80.0	74.9	67.1
Purchasing Managers' Index, 50 = Balanced Positive and Negative Responses-----	49.16	47.38	47.55	44.97	41.10	35.58	33.87
Business Expectations Index (Services) 50 = Balanced Positive and Negative Responses-----	55.9	49.7	51.7	49.6	42.3	41.6	42.3
Stock Price (Average Closing Price) Dow Jones EURO STOXX(r) Index, 12/31/1991=100-----	340.19	311.88	316.06	301.31	241.54	225.03	219.01
Money Supply (M2) In Billions of 2005 Euros-----	7062.60	7120.04	7215.85	7249.56	7347.66	7444.51	7504.43 **
Capital Goods New Orders Index (2000= 100),-----	117.76	122.62	118.27	109.13	102.30	95.82	98.14 **
Index of Residential Building Permits (Index, 2000 = 100) Square meters of usable floor area-----	83.71	80.98	82.05	77.86	79.05 **	79.51 **	80.05 **
LEADING INDEX (2004=100).....	101.0	99.6	99.8	98.2	95.7 p	94.1 p	93.3 p
Percent change from preceding month.....		-1.4	0.2	-1.6	-2.5	-1.7	-0.9
Euro Area Leading Economic Index net contributions							
Yield Spread, 10 year ECB Benchmark Rate minus ECB Minimum Bid Rate	----	0.20	0.06	0.07	0.05	0.12	0.17
Economic Sentiment Index (Index of five sentiment surveys) Average value 1990-2007 = 100	----	-0.53	-0.10	-0.10	-0.75	-0.51	-0.78
Purchasing Managers' Index, 50 = Balanced Positive and Negative Responses	----	-0.27	0.03	-0.39	-0.58	-0.83	-0.26
Business Expectations Index (Services) 50 = Balanced Positive and Negative Responses	----	-0.43	0.14	-0.15	-0.51	-0.04	0.04
Stock Price (Average Closing Price) Dow Jones EURO STOXX(r) Index, 12/31/1991=100	----	-0.26	0.04	-0.14	-0.66	-0.21	-0.08
Money Supply (M2) In Billions of 2005 Euros	----	0.26	0.42	0.15	0.42	0.41	0.25 **
Capital Goods New Orders Index (2000= 100),	----	0.17	-0.15	-0.33	-0.27	-0.27	0.10 **
Index of Residential Building Permits (Index, 2000 = 100) Square meters of usable floor area	----	-0.16	0.06	-0.26	0.07 **	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: 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	2008						
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Euro Area Coincident Economic Index Component Data							
Number of Employees							
Thous. Of Employees, S.A. Q	148417.0	148398.0	148379.0	148374.2 **	148382.3 **	148402.0 **	148432.3 **
Industrial Production, Volume Index (2000=100). S.A.	111.3	110.8	111.5	109.5	107.8	106.1	106.8 **
Retail Trade, Volume Index (2000=100). S.A.	107.8	108.1	108.2	108.5	107.5	108.0	107.9 **
Manufacturing Turnover, Index (2000=100). S.A.	112.8	111.2	112.2	109.2	107.5	109.2	108.5 **
COINCIDENT INDEX (2004=100).....	105.6	105.5	105.6	105.4 p	105.1 p	105.1 p	105.1 p
Percent change from preceding month.....		-0.1	0.1	-0.2 p	-0.3 p	0.0 p	0.0 p
Euro Area Coincident Economic Index net contributions							
Number of Employees	----	-0.01	-0.01	0.00 **	0.00 **	0.01 **	0.02 **
Thous. Of Employees, S.A. Q							
Industrial Production, Volume Index (2000=100). S.A.	----	-0.03	0.05	-0.14	-0.13	-0.12	0.06 **
Retail Trade, Volume Index (2000=100). S.A.	----	0.03	0.01	0.03	-0.10	0.05	-0.02 **
Manufacturing Turnover, Index (2000=100). S.A.	----	-0.06	0.03	-0.11	-0.06	0.06	-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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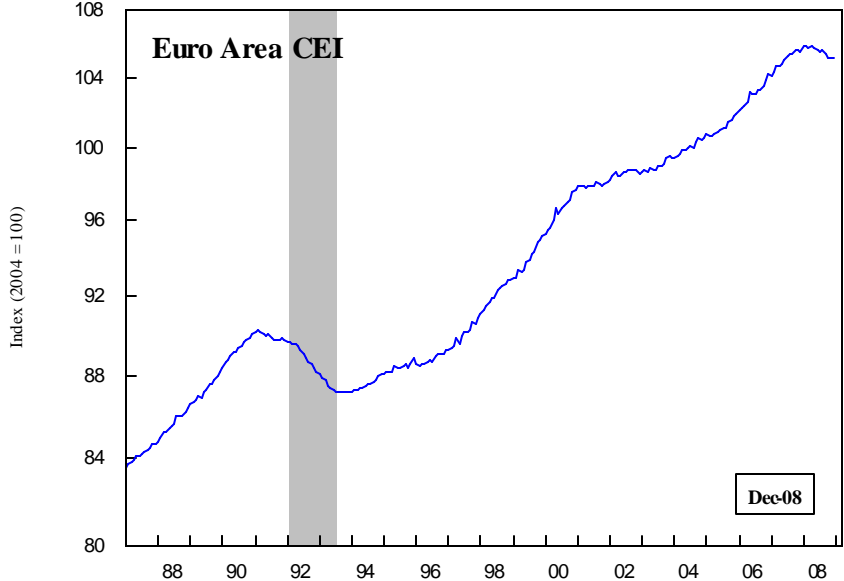
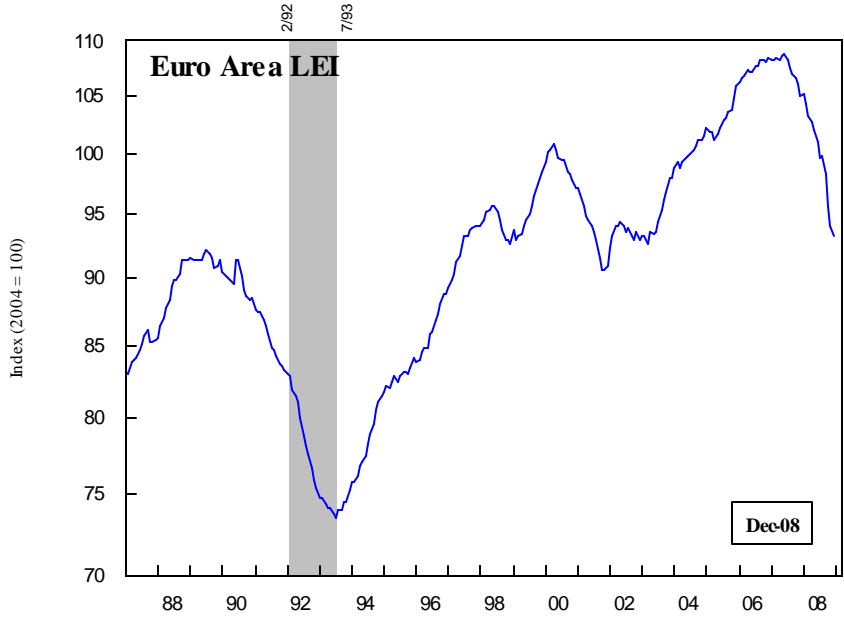
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Euro Area Composite Indexes



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