



**THE CONFERENCE BOARD**

FOR RELEASE: 10:00 A.M. (BRUSSELS TIME), MONDAY, JUNE 29, 2009

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

**BRUSSELS, June 29, 2009...** The Conference Board Leading Economic Index<sup>TM</sup> (LEI) for the Euro Area increased 1.9 percent and The Conference Board Coincident Economic Index<sup>TM</sup> (CEI) decreased 0.1 percent in May.

- The Conference Board LEI for the Euro Area increased sharply for the second consecutive month in May, with all components contributing to the gain, including small increases from new orders of capital goods\* and residential building permits\*. Between November 2008 and May 2009, the leading economic index increased by 1.8 percent (about a 3.7 percent annual rate), a reversal from the 8.0 percent decline (about a -15.4 percent annual rate) between May and November 2008. In addition, the strengths among the leading indicators have become more widespread than the weaknesses in recent months.
- The Conference Board CEI for the Euro Area, a measure of current economic activity, decreased again in May according to preliminary estimates. Between November 2008 and May 2009, the coincident economic index declined by 2.7 percent (about a -5.3 percent annual rate), faster than the 1.2 percent decline (about a -2.4 percent annual rate) during the previous six months. At the same time, real GDP fell at a 9.7 percent annual rate during the first quarter, following a contraction of 6.8 percent annual rate during the fourth quarter of 2008.
- After declining rapidly between the middle of 2007 and the end of 2008, The Conference Board LEI for the Euro Area has rebounded strongly so far in 2009. For the first time in almost two years, the six-month growth rate of the index has become positive, and the strengths among its components have become more widespread than the weaknesses over a six-month period. Meanwhile, The Conference Board CEI for the Euro Area has continued to decline. Taken together, the recent behavior of the composite indexes suggests that the contraction in economic activity will likely ease in the months ahead and that the economy is moving closer to a recovery.

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

The next release is scheduled for Monday, July 27, 2009 at 10:00 A.M. (Brussels Time)

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

With the 1.9 percent increase in May, The Conference Board LEI for the Euro Area now stands at 95.4 (2004=100). Based on revised data, this index increased 1.6 percent in April and remained unchanged in March. During the six-month span through May, the index increased 1.8 percent, with five of the eight components increasing (diffusion index, six-month span equals 62.5 percent).

*\*See notes under data availability*

**COINCIDENT INDICATORS.** Two of the four components that make up The Conference Board CEI for the Euro Area increased in May. The positive contributors were manufacturing turnover\* and industrial production\*. Employment\* declined in May while retail trade\* remained unchanged.

With the 0.1 percent decrease in May, The Conference Board CEI for the Euro Area now stands at 101.6 (2004=100). Based on revised data, this index decreased 0.4 percent in April and decreased 0.4 percent in March. During the six-month period through May, the index decreased 2.7 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™** (LEI) for the Euro Area and **The Conference Board Coincident Economic Index™** (CEI) for the Euro Area reported in this release are those available “as of” 10:00 A.M. ET June 25, 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 real 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 motorcycles” replaced “volume of retail trade except for motor vehicles, motorcycles 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.

The release of new data for the residential building permits series has been delayed until July as a result of benchmark revisions. Therefore, five months of series data will be forecasted for this release, before returning to the normal three months of forecasted data for the June release.

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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:

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. (Brussels Time)

### **ABOUT THE CONFERENCE BOARD**

The Conference Board is a global, independent business-membership and research association working in the public interest. Our mission is unique: To provide the world’s leading organizations with the practical knowledge they need to improve their performance AND better serve society. The Conference Board is a non-advocacy, not-for-profit entity holding 501 (c) (3) tax-exempt status in the United States.

### **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			
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May.
Leading index	93.7	91.8	92.4 p	92.1 p	92.1 p	93.6 p	95.4 p
Percent change	-1.9	-2.0	0.7 p	-0.3 p	0.0 p	1.6 p	1.9 p
Diffusion index	25.0	25.0	62.5	43.8	43.8	87.5	100.0
Coincident index	104.4	103.7 r	103.0 r	102.5 r	102.1 p	101.7 p	101.6 p
Percent change	-0.4	-0.7 r	-0.7 r	-0.5 r	-0.4 p	-0.4 p	-0.1 p
Diffusion index	12.5	0.0	0.0	0.0	0.0	25.0	62.5
	May to	Jun to	Jul to	Aug to	Sep to	Oct to	Nov to
	Nov	Dec	Jan	Feb	Mar	Apr	May
Leading index							
Percent change	-8.0	-9.1	-7.2 p	-7.6 p	-6.3 p	-2.0 p	1.8 p
Diffusion index	18.8	12.5	25.0	25.0	25.0	37.5	62.5
Coincident index							
Percent change	-1.2	-1.8 r	-2.4 r	-2.9 r	-3.0 p	-3.0 p	-2.7 p
Diffusion index	0.0	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.

For more information, visit our Web site at [www.conference-board.org/economics/bci](http://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		2009				
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May.
Euro Area Leading Economic Index component data							
Yield Spread, 10 year ECB Benchmark Rate minus ECB Minimum Bid Rate-----	0.45	0.64	1.61	2.20	2.15	2.59	2.89
Economic Sentiment Index (Index of five sentiment surveys) Average value 1990-2007 = 100-----	76.8	68.9	67.2	65.3	64.7	67.2	69.3
Purchasing Managers' Index, 50 = Balanced Positive and Negative Responses-----	35.58	33.87	34.42	33.55	33.93	36.83	40.68
Business Expectations Index (Services) 50 = Balanced Positive and Negative Responses-----	41.62	42.26	46.45	46.14	48.65	54.40	59.09
Stock Price (Average Closing Price) Dow Jones EURO STOXX(r) Index, 12/31/1991=100-----	225.03	219.01	215.50	200.36	184.63	209.29	225.74
Money Supply (M2) In Billions of 2005 Euros-----	7463.26 r	7428.42 r	7553.42 r	7554.7 r	7514.4 r	7520.61 r	7569.9 **
Capital Goods New Orders Index (2005=100)-----	84.39 r	78.29 r	75.82 r	76.84 r	76.52 r	74.73 r	75.46 **
Index of Residential Building Permits (Index, 2000 = 100) Square meters of usable floor area-----	75.77	72.55	73.36 **	73.66 **	74.01 **	74.35 **	74.69 **
<b>LEADING INDEX (2004=100).....</b>	<b>93.7</b>	<b>91.8</b>	<b>92.4 p</b>	<b>92.1 p</b>	<b>92.1 p</b>	<b>93.6 p</b>	<b>95.4 p</b>
Percent change from preceding month.....		-2.0	0.7	-0.3 r	0.0 r	1.6 p	1.9 p
Euro Area Leading Economic Index net contributions							
Yield Spread, 10 year ECB Benchmark Rate ECB Minimum Bid Rate	----	0.16	0.39	0.54	0.52	0.63	0.71
Economic Sentiment Index (Index of five sentiment surveys) Average value 1990-2007 = 100	----	-0.79	-0.17	-0.19	-0.06	0.25	0.21
Purchasing Managers' Index, 50 = Balanced Positive and Negative Responses	----	-0.26	0.08	-0.13	0.06	0.44	0.58
Business Expectations Index (Services) 50 = Balanced Positive and Negative Responses	----	0.04	0.29	-0.02	0.17	0.40	0.33
Stock Price (Average Closing Price) Dow Jones EURO STOXX(r) Index, 12/31/1991=100	----	-0.08	-0.05	-0.22	-0.24	0.37	0.23
Money Supply (M2) In Billions of 2005 Euros	----	-0.15 r	0.53	0.01 r	-0.17 r	0.03 r	0.21 **
Capital Goods New Orders Index (2005=100)	----	-0.31 r	-0.13	0.06 r	-0.02 r	-0.10 r	0.04 **
Index of Residential Building Permits (Index, 2000 = 100) Square meters of usable floor area	----	-0.21	0.05 **	0.02 **	0.02 **	0.02 **	0.02 **

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			2009			
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May.
Euro Area Coincident Economic Index Component Data							
Number of Employees							
Thous. Of Employees, S.A. Q	147434.0 r	147027.7 r	146621.3 r	146215.0 r	145813.7 **	145417.4 **	145026.4 **
Industrial Production, Volume Index (2005=100). S.A.	99.0 r	96.0 r	93.4 r	91.0 r	89.8 r	88.5 r	88.7 **
Retail Trade, Volume Index (2005=100). S.A.	101.9 r	101.7 r	101.3 r	100.8 r	100.7 r	100.9	100.9 **
Manufacturing Turnover, Index (2005=100). S.A.	100.6 r	95.4 r	91.4 r	90.5 r	90.3 r	88.3 r	89.1 **
<b>COINCIDENT INDEX (2004=100).....</b>	<b>104.4</b>	<b>103.7 r</b>	<b>103.0 r</b>	<b>102.5 r</b>	<b>102.1 p</b>	<b>101.7 p</b>	<b>101.6 p</b>
Percent change from preceding month.....		-0.7 r	-0.7 r	-0.5 r	-0.4 p	-0.4 p	-0.1 p
Euro Area Coincident Economic Index net contributions							
Number of Employees	----	-0.21 r	-0.21 r	-0.21 r	-0.21 **	-0.21 **	-0.21 **
Thous. Of Employees, S.A. Q							
Industrial Production, Volume Index (2005=100). S.A.	----	-0.25 r	-0.22	-0.21 r	-0.11 r	-0.12 r	0.02 **
Retail Trade, Volume Index (2005=100). S.A.	----	-0.02 r	-0.04	-0.06 r	-0.01 r	0.02 r	0.00 **
Manufacturing Turnover, Index (2005=100). S.A.	----	-0.22	-0.17 r	-0.04 r	-0.01 r	-0.09 r	0.04 **

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**

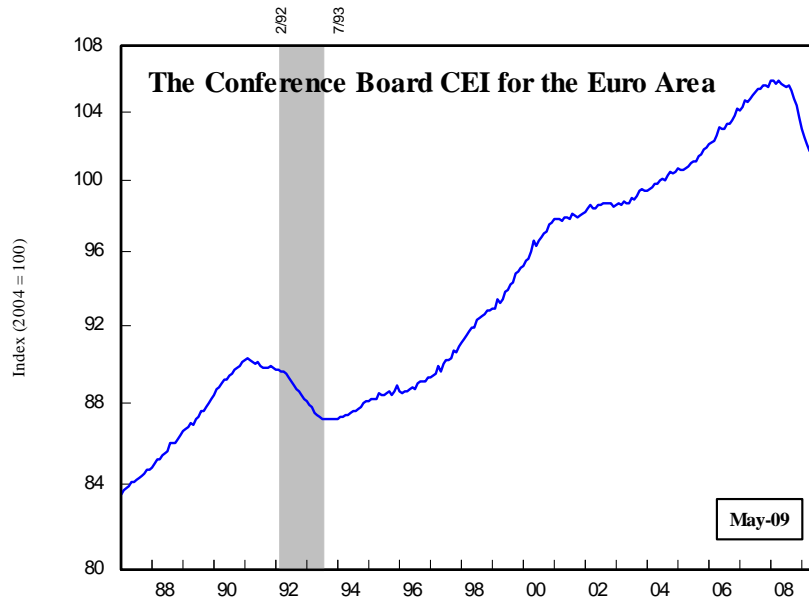
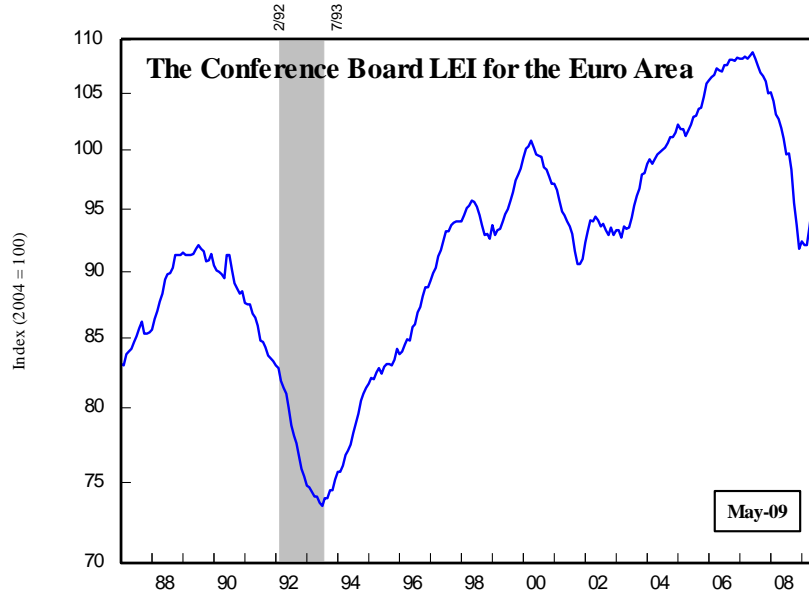
CALCULATION NOTE--The percent change in the index does not always equal the sum of the net contributions of the individual components (because of rounding effects and base value differences).

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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