



THE CONFERENCE BOARD

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FOR RELEASE: 9:30 A.M. ET, THURSDAY, JULY 26, 2001

The Conference Board® Germany Business Cycle IndicatorsSM **GERMANY LEADING ECONOMIC INDICATORS AND RELATED COMPOSITE INDEXES FOR JUNE 2001**

The Conference Board announced today that the leading index for Germany decreased 0.1 percent in June, and the coincident index held steady. Taken together, the composite indexes suggest continued sluggishness in the German economy.

- With this month's decrease, the leading index is now 1.7 percent below its highest value of February 2000, and its weakness has become more widespread among its components, as shown by the diffusion index over six month spans remaining below 50 percent for 5 months.
- The decrease in this month's leading index reflects worsening consumer and business sentiment, as well as weakness in the stock market.
- The coincident index, which measures current economic activity, remained flat in June. The weakness in industrial production, as well as manufacturing sales and unemployment rate, contributed to the coincident index holding steady.

LEADING INDICATORS. Four of the nine components of the leading index increased in June. The positive contributors to the leading index -in order from the largest positive contributor to the smallest- are growth rate of CPI Services, yield spread, new residential construction orders*, and gross enterprises and properties income*. Five components decreased in June. The negative contributors to the leading index -in order from the largest to the smallest negative contributor- are inventory change, stock prices, inverted applications for unemployment compensation*, consumer confidence index*, and new orders in investment goods industries*.

With the decrease of 0.1 percent in June, the leading index now stands at 104.8 (1990=100). Based on revised data, this index decreased 0.2 percent in May and increased 0.2 percent in April. During the six-month span through June, the leading index decreased 0.9 percent, and only three of the nine components increased (diffusion index, six-month span equals 33.3 percent).

* See notes under data availability.

The next release is scheduled for August 29, 2001 at 9:30 A.M. ET

COINCIDENT INDICATORS. One of the four components of the coincident index increased in June. The increase occurred in retail trade*. The inverted unemployment rate and manufacturing sales* remained steady, while industrial production* decreased in June.

Holding steady in June, the coincident index now stands at 101.8 (1990=100). Based on revised data, this index increased 0.1 percent in May and decreased 0.3 percent in April. During the six-month period through June, the coincident index increased 0.3 percent, with two of four series making positive contributions (diffusion index, six-month span equals 62.5 percent).

FOR TABLES AND CHARTS, SEE BELOW

DATA AVAILABILITY. The data series used by The Conference Board to compute the two composite indexes reported in the tables in this release are those available “as of” 10 A.M. ET on July 25, 2001. Some series are estimated as noted below.

NOTES: Series in the leading index that are based on The Conference Board estimates are new orders for investment goods industries, applications for unemployment compensation, consumer confidence, inventory change, new residential construction orders, and gross enterprises and properties income. Series in the coincident index that are based on The Conference Board estimates are industrial production, manufacturing sales and retail trade.

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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 indexes are essentially composite averages of between four and nine 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 index have occurred before those in aggregate economic activity, while the cyclical turning points in the coincident index have occurred at about the same time as those in aggregate economic activity.

A change in direction in a composite index does not signal a cyclical turning point unless the movement is of significant size, duration, and scope. Historical analysis with U.S. data shows recession warnings are best determined by looking for negative growth of about 3.5 percent, coupled with declines in at least half of the components over a six-month span. 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: www.globalindicators.org.

* See notes under data availability.

Germany Composite Indexes: Components and Standardization Factors

<u>Leading Index</u>	<u>Factor</u>
1. New Orders, Investment Goods	.0604
2. Applications for Unemployment Compensation	.0283
3. Yield Spread, 10 year minus 3 month	.3379
4. Change in Inventories	.0993
5. Gross Enterprise and Property Income	.0835
6. Stock Prices	.0302
7. New Orders, Residential Construction	.0415
8. Growth Rate for Consumer Price Index for Services	.2067
9. Consumer Confidence Index	.1122

<u>Coincident Index</u>	
1. Manufacturing Sales	.0591
2. Industrial Production	.1018
3. Retail sales	.0963
4. Unemployment Rate	.7428

Notes:

The component 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 January 30, 2001 release, and all historical values for the two composite indexes have been revised at the 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 1973-1999 as the sample period for measuring volatility for the leading index, and 1960-1999 as the sample period for the coincident index. There are additional sample periods as the result of different starting dates for the component data. When one or more components is 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: www.globalindicators.org.

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 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 schedule for 2001 for the "Leading Economic Indicators" news release is:

July 2001 data ...	Wednesday, August 29, 2001
August 2001 data ...	Thursday, September 27, 2001

All releases are at 9:30 A.M. ET.

Notes:

With annual benchmark revisions in January 2001, all components of the leading and coincident indexes were updated with all revisions in the underlying component data.

For detailed information on benchmark revisions, visit our website: www.globalindicators.org

ABOUT THE CONFERENCE BOARD. Founded in 1916, The Conference Board is the premier business membership and research network. The Conference Board has become a global leader in helping executives build strong professional relationships, expand their business knowledge and find solutions to a wide range of business challenges. The Board's Economics Program, under the direction of Chief Economist Gail Fosler, is a recognized source of forecasts, economic analysis and objective indicators such as the Leading Economic Indicators and the Consumer Confidence Index.

This role is part of a long tradition of research and education that stretches back to the compilation of the first continuous measure of the cost of living in the United States in 1919. In 1995, The Conference Board assumed responsibility for computing the composite indexes from the U.S. Department of Commerce. The Conference Board now produces business cycle indexes for the U.S., Australia, France, Germany, Korea, Japan, Mexico and the U.K. To subscribe to any of these indexes, please visit www.globalindicators.org or contact the Global Indicators Research Institute at 212-339-0312 or email indicators@conference-board.org.

AVAILABLE FROM THE CONFERENCE BOARD:

Germany Business Cycle Indicators Internet Subscription	\$ 500 per year (1 user)
<i>(Includes monthly release, data, charts and commentary)</i>	
Individual Data Series	\$ 15 per series downloaded
Monthly BCI Report	\$ 130 per year
<i>(Sample available on request)</i>	
Monthly News Release (fax or email)	\$ 45 per year
BCI Handbook (published 2001)	\$ 20
Corporate Site License	\$2,600 per year

Business Cycle Indicators for France, Germany, Japan, Korea, Mexico and the U.K. are available at \$500 per country per year (1 user). Discounts are available to Associates of The Conference Board and accredited academic institutions.

The Conference Board Germany Business Cycle Indicators

Table 1.--Summary of Germany Composites Indexes

	2000				2001		
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.
Leading index	105.7	105.6	105.4	104.9 p	105.1 p	104.9 p	104.8 p
Percent change		-0.1	-0.2	-0.5 p	0.2 p	-0.2 p	-0.1 p
Diffusion index		66.7	38.9	38.9	44.4	55.6	44.4
Coincident index	101.5	101.7	101.9	102.0	101.7 r	101.8 r	101.8 p
Percent change		0.2	0.2	0.1	-0.3 r	0.1 r	0.0 p
Diffusion index		87.5	87.5	75.0	25.0	75.0	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		-0.1	-0.5	-0.9	-0.5 p	-0.5 p	-0.9 p
Diffusion index		66.7	44.4	44.4	27.8	38.9	33.3
Coincident index							
Percent change		0.2	0.4	0.4	0.0 r	0.2 r	0.3 p
Diffusion index		75.0	75.0	87.5	37.5	62.5	62.5

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.globalindicators.org

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 Index

Component	2000			2001			
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.
Germany Leading index component data							
New Orders, Investment Goods Industries, Volume, 1995=100 (3 month moving average).....	141.87 r	140.97 r	138.67 r	135.27 r	130.17 r	129.23 r	129.01 **
Applications for Unemployment Compensation Thousand, (3 month moving average)*.....	212.5	213.4	211.3	221.7	223.3	234.1 r	236.9 **
Yield 10-Year Minus 3-Month Time Deposits Rate, Percent,	-0.04	0.02	0.01	-0.04	0.14	0.40	0.55
Consumer Confidence Index.....	104.8	105.9	104.3	104.8	105.9	104.3 r	104.0 **
Inventory Change Bill., 1991 DM (Q).....	11.30	11.50	11.59	10.87 **	9.75 **	8.51 **	7.31 **
New Residential Construction Orders 1995=100,	69.13	70.70	69.77	73.40 r	71.73 r	72.43 r	72.99 **
Stock Price Index 1980=100,	766.4	767.8	760.0	701.3	700.1	721.0	705.3
Gross Enterprises and Properties Income Bill., 1991 DM (Q).....	198.57	203.14	207.70	210.21 **	211.60 **	212.38 **	212.83 **
Six Month Smoothed Growth Rate of CPI Services*.....	0.8	3.4	3.6	4.5	2.7	2.6	2.1 p
LEADING INDEX (1990=100).....	105.7	105.6	105.4	104.9 p	105.1 p	104.9 p	104.8 p
Percent change from preceding month.....		-0.1	-0.2	-0.5 p	0.2 p	-0.2 p	-0.1 p
Germany Leading index net contributions							
New Orders, Investment Goods Industries, Volume, 1995=100 (3 month moving average).....	....	-0.04	-0.10	-0.15	-0.23 r	-0.04 r	-0.01 **
Applications for Unemployment Compensation Thousand, (3 month moving average)*.....	....	-0.01	0.03	-0.14	-0.02	-0.13 r	-0.03 **
Yield 10-Year Minus 3-Month Time Deposits Rate, Percent, .....	....	0.02	0.00	-0.02	0.06	0.09	0.05
Consumer Confidence Index.....	....	0.12	-0.17	0.05	0.12	-0.17 r	-0.03 **
Inventory Change Bill., 1991 DM (Q).....	....	0.02	0.01	-0.07 **	-0.11 **	-0.12 **	-0.12 **
New Residential Construction Orders 1995=100, .....	....	0.09	-0.06	0.21	-0.10 r	0.04 r	0.03 **
Stock Price Index 1980=100, .....	....	0.01	-0.03	-0.24	-0.01	0.09	-0.07
Gross Enterprises and Properties Income Bill., 1991 DM (Q).....	....	0.19	0.19	0.10 **	0.05 **	0.03 **	0.02 **
Six Month Smoothed Growth Rate of CPI Services*.....	....	-0.54	-0.04	-0.19	0.37	0.02	0.10 p

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, Datastream, IFO Institute

The Conference Board Germany Business Cycle Indicators

Table 3.--Data and Net Contributions for Germany Coincident Index

Component	2000			2001			
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.
Germany Coincident Index Component Data							
Industrial Production, (1995=100).....	117.0	117.9 r	118.6 r	118.6 r	117.4 r	116.3 r	115.9 **
Manufacturing Sales, Volume, (1995=100).....	123.0	124.6	124.6	126.6	124.0 r	124.9 r	125.0 **
Retail Trade, Volume, (1995=100).....	98.5 r	99.0 r	99.8 r	100.0 r	100.8 r	101.4 r	101.5 **
Unemployment Rate, inverted*.....	8.2	8.2	8.2	8.2	8.3	8.2	8.2
COINCIDENT INDEX (1990=100).....	101.5	101.7	101.9	102.0	101.7 r	101.8 r	101.8 p
Percent change from preceding month.....		0.2	0.2	0.1	-0.3 r	0.1 r	0.0 p
Germany Coincident index net contributions							
Industrial Production, (1995=100).....	....	0.08 r	0.07 r	0.00 r	-0.11 r	-0.10 r	-0.03 **
Manufacturing Sales, Volume, (1995=100).....	....	0.07	0.00	0.09	-0.13 r	0.04 r	0.00 **
Retail Trade, Volume, (1995=100).....	....	0.05 r	0.07 r	0.02 r	0.08 r	0.06 r	0.01 **
Unemployment Rate, inverted*.....	....	0.00	0.00	0.00	-0.07	0.07	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 monthly through a linear interpolation.

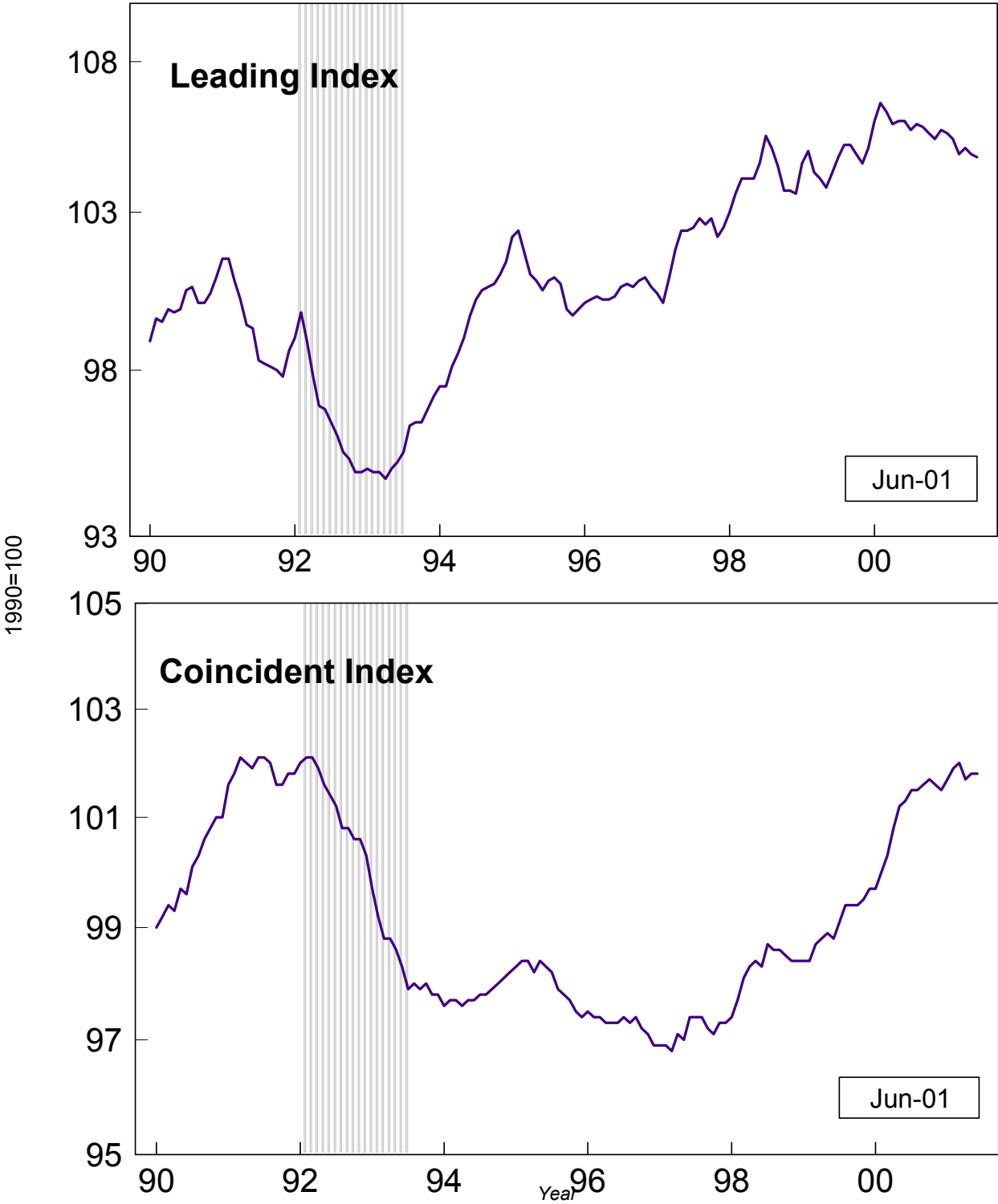
Data Sources: Deutsche Bundesbank, Datastream, Statistisches Bundesamt

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).

Germany

2/92

7/93



Note: Shaded areas represent business cycle recessions in Germany

Source: The Conference Board