



THE CONFERENCE BOARD

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FOR RELEASE: 9:30 A.M. ET, WEDNESDAY, APRIL 23, 2003

The Conference Board[®] Germany Business Cycle IndicatorsSM
GERMANY LEADING ECONOMIC INDICATORS
AND RELATED COMPOSITE INDEXES FOR FEBRUARY 2003

The Conference Board announced today that the leading index for Germany decreased 0.9 percent and the coincident index increased 0.2 percent in February.

- The leading index for Germany weakened again, with a 0.9 percent decline in February following a decline of 0.4 percent in January. Weakness has persisted in stock prices and has spread to residential construction orders.
- The leading index increased late last year, which was followed by a pick up in the coincident index, a measure of current economic activity, in January and February. With the leading index falling again, it is unlikely that the recent strength in the coincident index will persist.
- It is not clear how much of the renewed weakness in the leading index so far this year is related to the Middle East and other sources of global uncertainty. Nonetheless, the weakness in the leading index through February suggests economic sluggishness ahead.

LEADING INDICATORS. Four of the eight components in the leading index decreased in February. The negative contributors to the leading index - in order from the largest negative contributor to the smallest - are stock prices, new residential construction orders*, gross enterprises and properties income* and the yield spread. Two of the eight components in the leading index increased in February. The positive contributors to the leading index -in order from the larger to the smaller positive contributor- are the inventory change series* and the growth rate of CPI for services*. Consumer confidence and new orders in investment goods industries* were both unchanged in February.

The leading index now stands at 99.3 (1990=100). Based on revised data, this index decreased 0.4 percent in January and was unchanged in December. During the six-month span through February, the leading index decreased 2.1 percent, with five of the eight components decreasing (diffusion index, six-month span equals 31.3 percent).

The next release is scheduled for May 22, 2003 at 9:30 A.M. (ET)
In Germany –May 22, 2003 at 3:30 P.M. (CET)

*See notes under data availability

COINCIDENT INDICATORS. Three of the four components that make up the coincident index increased in February. The positive contributors to the coincident index -in order from the largest positive contributor to the smallest- are retail trade sales, employment and manufacturing sales*. The only negative contributor in February was industrial production.

With an increase of 0.2 percent in February, the coincident index now stands at 110.5 (1990=100). Based on revised data, this index increased 0.5 percent in January and decreased 0.6 percent December. During the six-month period through February, the coincident index decreased 0.9 percent, with two of its four components making a positive contribution (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 by The Conference Board to compute the two composite indexes reported in the tables in this release are those available “as of” 9 A.M. ET on April 22, 2003. Some series are estimated as noted below.

NOTES: Series in the composite indexes for Germany that are based on The Conference Board estimates are inventory change, new residential construction orders, gross enterprises and properties income, new orders in the investment goods industry, manufacturing sales and the growth rate of CPI for services.

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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 (annualized), 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.

Germany Composite Indexes: Components and Standardization Factors

<u>Leading Index</u>	<u>Factor</u>
1. New Orders, Investment Goods	.0477
2. Yield Spread, 10 year minus 3 month	.4191
3. Change in Inventories	.1590
4. Gross Enterprise and Property Income	.0967
5. Stock Prices	.0408
6. New Orders, Residential Construction	.0697
7. Growth Rate for Consumer Price Index for Services	.0328
8. Consumer Confidence Index	.1341

<u>Coincident Index</u>	
1. Manufacturing Sales	.1958
2. Industrial Production	.4074
3. Retail sales	.3499
4. Persons Employed	.0469

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 November 19, 2002 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 indexes only incorporate revisions to data over the past six months.)

The factors above were calculated using 1992-2000 as the sample period for measuring volatility for the leading index, and 1991-2000 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

Release Schedule:

Thursday, May 22, 2003..... March 2003 Data

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, Spain 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, Spain 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.

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The Conference Board Germany Business Cycle Indicators

Table 1.--Summary of Germany Composite Indexes

	Aug.	Sep.	Oct.	Nov.	2002 Dec.	2003 Jan.	Feb.
Leading index	101.4	101.3	100.4 r	100.6 r	100.6 p	100.2 p	99.3 p
Percent change	-0.8	-0.1	-0.9 r	0.2 r	0.0 p	-0.4 p	-0.9 p
Diffusion index	25.0	31.3	37.5	37.5	37.5	43.8	37.5
Coincident index	111.5	111.4 r	111.0 r	110.5 r	109.8 r	110.3 p	110.5 p
Percent change	-0.2	-0.1 r	-0.4 r	-0.5 r	-0.6 r	0.5 p	0.2 p
Diffusion index	50.0	50.0	25.0	25.0	25.0	100.0	75.0
	Feb. to Aug.	Mar. to Sep.	Apr. to Oct.	May to Nov.	Jun. to Dec.	Jul. to Jan.	Aug. to Feb.
Leading index							
Percent change	0.3	-1.2	-2.7	-1.9	-2.5	-2.0	-2.1
Diffusion index	50.0	50.0	43.8	50.0	25.0	18.8	31.3
Coincident index							
Percent change	1.8	1.7	-0.3	-0.9	-1.5	-1.3	-0.9
Diffusion index	50.0	75.0	75.0	75.0	25.0	25.0	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.

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Source: The Conference Board

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The Conference Board Germany Business Cycle Indicator

Table 2.--Data and Net Contributions for Components of the Germany Leading Index

Component	Aug.	Sep.	Oct.	Nov.	2002	2003	Feb
					Dec.	Jan	
Germany Leading index component data							
New Orders, Investment Goods Industries, Volume, 1995=100 (3 month moving average).....	136.30	136.30	137.53	137.40	135.90	137.07 **	137.13 **
Yield 10-Year Minus 3-Month Time Deposits Rate, Percent,	1.2	1.1	1.2	1.3	1.4	1.3	1.2
Consumer Confidence Index.....	100.40	103.00	99.90	96.70	95.10	95.60	95.60
Inventory Change Bill., 1991 DM (Q).....	-1.4	-2.0	-2.6	-3.1	-3.1 **	-2.9 **	-2.5 **
New Residential Construction Orders 1995=100,	48.50	47.63	47.93	50.53	52.47	51.23 **	48.27 **
Stock Price Index 1980=100,	236.65	209.03	193.12	208.65	202.25	190.31	171.53
Gross Enterprises and Properties Income Bill., 1991 DM (Q).....	103.9	103.7	103.5	103.4	103.0 **	102.5 **	101.9 **
Six Month Smoothed Growth Rate of CPI Services*.....	7.90	-2.80	2.50	4.70	-0.70	2.10 **	1.80 **
LEADING INDEX (1990=100).....	101.4	101.3	100.4	100.6	100.6 p	100.2 p	99.3 p
Percent change from preceding month.....		-0.1	-0.9	0.2	0.0 p	-0.4 p	-0.9 p
Germany Leading index net contributions							
New Orders, Investment Goods Industries, Volume, 1995=100 (3 month moving average).....		0.00	0.04	0.00	-0.05	0.04 **	0.00 **
Yield 10-Year Minus 3-Month Time Deposits Rate, Percent,		-0.07	0.05	0.06	0.01	-0.02	-0.03
Consumer Confidence Index.....		0.34	-0.41	-0.44	-0.22	0.07	0.00
Inventory Change Bill., 1991 DM (Q).....		-0.10	-0.10	-0.08	0.00 **	0.03 **	0.06 **
New Residential Construction Orders 1995=100,		-0.13	0.04	0.37	0.26	-0.17 **	-0.41 **
Stock Price Index 1980=100,		-0.51	-0.32	0.32	-0.13	-0.25	-0.42
Gross Enterprises and Properties Income Bill., 1991 DM (Q).....		-0.02	-0.02	0.01	-0.04 **	-0.05 **	-0.06 **
Six Month Smoothed Growth Rate of CPI Services*.....		0.35	-0.17	-0.07	0.18	-0.09 **	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 converted to a monthly series through a linear interpolation.

Data Sources: Deutsche Bundesbank, Datastream, 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 Index

Component	Aug.	Sep.	Oct.	Nov.	2002 Dec.	2003 Jan.	Feb.
Germany Coincident Index Component Data							
Industrial Production, (1995=100).....	112.0	111.9	111.6	111.7	110.8	111.6 r	111.2 p
Employment , number of people.....	219.2	206.3	193.2	183.9	181.3	185.3	188.7 p
Retail Trade, Volume, (1995=100).....	98.6 r	99.1 r	99.3 r	98.6 r	97.9 r	98.1 r	98.8 p
Manufacturing Sales, Volume, (1995=100).....	123.2	123.5	123.3	122.8	123.1	123.2 **	123.3 **
COINCIDENT INDEX (1990=100).....	111.5	111.4 r	111.0 r	110.5 r	109.8 r	110.3 r	110.5 p
Percent change from preceding month.....		-0.1 r	-0.4 r	-0.5 r	-0.6 r	0.5	0.2 p
Germany Coincident index net contributions							
Industrial Production, (1995=100).....	....	-0.04 r	-0.10	0.05	-0.33	0.27 r	-0.15 p
Employment , number of people.....	....	-0.28	-0.31	-0.23	-0.07	0.10	0.09 p
Retail Trade, Volume, (1995=100).....	....	0.17 r	0.07 r	-0.23 r	-0.26 r	0.07 r	0.24 p
Manufacturing Sales, Volume, (1995=100).....	....	0.05	-0.03	-0.07	0.05	0.01 **	0.02 **

p Preliminary. r Revised. n.a. Not available.

* Inverted series; a negative change in this component makes a positive contribution to the index.

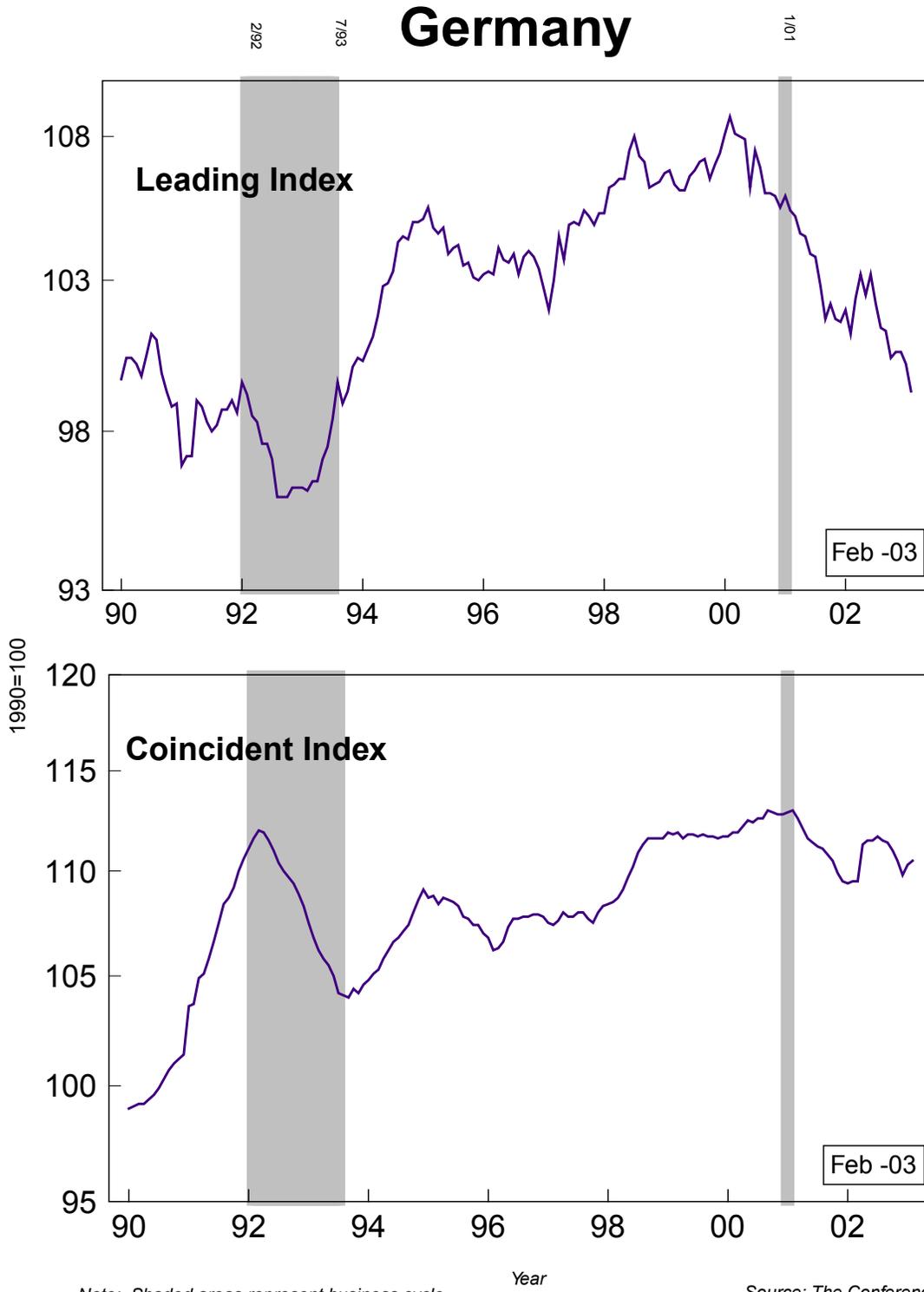
** Statistical Imputation (See page 2 for more details)

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).

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Note: Shaded areas represent business cycle recessions in Germany

Source: The Conference Board