



## THE CONFERENCE BOARD

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FOR RELEASE: 9:30 A.M. ET, TUESDAY, MARCH 23, 2004

# THE CONFERENCE BOARD® GERMANY BUSINESS CYCLE INDICATORS<sup>SM</sup>

## GERMANY LEADING ECONOMIC INDICATORS

### AND RELATED COMPOSITE INDEXES FOR JANUARY 2004

This month's release incorporates benchmark revisions to the composite indexes. With this release, the composition of the coincident index is changed and both composite indexes are updated with revisions in component data. As a result, the month to month changes in the indexes will no longer be comparable to those issued prior to this benchmark revision. For more information, visit our web site at [www.globalindicators.org](http://www.globalindicators.org).

The Conference Board announced today that both the leading and coincident indexes for Germany decreased 0.1 percent in January.

- Despite a slight decline in January, the leading index has increased at a 4.0 percent annual rate from its most recent low in March 2003.
- The coincident index also declined slightly in January, but has been essentially flat over the last six months after declining at a -0.70 percent annual rate in the first half of 2003. Correspondingly, real GDP growth improved to a 0.9 percent annual rate in the second half of 2003 from a 0.8 percent rate of decline in the first half of the year.
- It is still likely that the upward trend in the leading index since March 2003 marked the end of the long decline in the leading index over the preceding three years. And as first mentioned last month, this persistent upturn in the leading index makes it likely that the three year period of economic weakness (mid-2000 to mid-2003) also has ended. However, the strength and durability of the recovery is still uncertain.

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

With a 0.1 percent decrease in January, the leading index now stands at 102.9 (1990=100). Based on revised data, this index increased 0.3 percent in December and increased 0.8 percent in November. During the six-month span through January, the leading index increased 2.2 percent, with seven of the eight components increasing (diffusion index, six-month span equals 87.5 percent).

\*See notes under data availability

The next release is scheduled for April 21, 2004 at 9:30 A.M. (ET)  
*In Germany –April 21, 2004 at 3:30 P.M. (CET)*

COINCIDENT INDICATORS. Two of the four components that make up the coincident index increased in January. The positive contributors to the coincident index were industrial production and employed persons\*. Retail trade and manufacturing sales decreased in January.

With a 0.1 percent decrease in January, the coincident index now stands at 103.3 (1990=100). Based on revised data, this index increased 0.1 percent in December and increased 0.2 percent in November. During the six-month period through January, the coincident index decreased 0.1 percent, with two of the four components increasing (diffusion index, six-month span equals 50 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” 10 A.M. ET on March 22, 2004. Some series are estimated as noted below.

NOTES: Series in the leading index for Germany that are based on The Conference Board estimates are inventory change, new residential construction orders, and gross enterprises and properties income. Series in the coincident index for Germany that are based on The Conference Board estimates include employed persons.

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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](http://www.globalindicators.org).

#### Germany Composite Indexes: Components and Standardization Factors

<u>Leading Index</u>	<u>Factor</u>
1. New Orders, Investment Goods	.0862
2. Yield Spread, 10 year minus 3 month	.3357
3. Change in Inventories	.1261
4. Gross Enterprise and Property Income	.0770
5. Stock Prices	.0299
6. New Orders, Residential Construction	.0532
7. Growth Rate for Consumer Price Index for Services	.1926
8. Consumer Confidence Index	.0994

  

<u>Coincident Index</u>	<u>Factor</u>
1. Industrial Production	.1823
2. Manufacturing Sales	.0486
3. Retail sales	.1467
4. Persons Employed	.6224

#### 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 March 23, 2004 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 1992-2002 as the sample period for measuring volatility for the leading index, and 1991-2002 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](http://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:

February 2004 Data..... Wednesday, April 21, 2004  
March 2004 Data..... Wednesday, May 19, 2004  
April 2004 Data..... Wednesday, June 23, 2004

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](http://www.globalindicators.org) or contact the customer service department at 212-339-0345 or email [indicators@conference-board.org](mailto: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**

	Jul.	Aug.	2003 Sep.	Oct.	Nov.	Dec.	2004 Jan.
Leading index	100.7	101.1 r	101.4	101.9	102.7	103.0 p	102.9 p
Percent change	0.5	0.4 r	0.3	0.5	0.8	0.3 p	-0.1 p
Diffusion index	75.0	68.8	81.3	81.3	100.0	75.0	43.8
Coincident index	103.4	103.2	103.1	103.1	103.3	103.4	103.3 p
Percent change	0.0	-0.2	-0.1	0.0	0.2	0.1	-0.1 p
Diffusion index	62.5	0.0	37.5	50.0	62.5	62.5	37.5
	Dec to Jul.	Jan to Aug.	Feb to Sep.	Mar to Oct.	Apr to Nov.	May to Dec.	Jun to Jan.
Leading index							
Percent change	-0.2	1.1	1.8	2.0	3.1	2.8 p	2.2 p
Diffusion index	56.3	50.0	62.5	81.3	87.5	87.5	87.5
Coincident index							
Percent change	-0.2	-0.3	-0.5	-0.4	-0.1	0.0	-0.1 p
Diffusion index	25.0	0.0	25.0	0.0	50.0	50.0	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.

For more information, visit our Web site at [www.globalindicators.org](http://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	2003						2004
	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.
Germany Leading index component data							
New Orders, Investment Goods Industries, Volume, 2000=100 (3 month moving average).....	96.63	97.63	98.13	99.47	100.27	101.40	101.40
Yield 10-Year Minus 3-Month Time Deposits Rate, Percent, .....	1.8	2.0	2.0	2.0	2.2	2.1	2.0
Consumer Confidence Index.....	89.70	89.70	89.20	90.20	91.70	91.20	90.70
Inventory Change Bill., 1991 DM (Q).....	-2.8	-3.3	-2.7	-2.1	-1.6	-1.2 **	-0.8 **
New Residential Construction Orders 2000=100, .....	66.57	68.17	69.47	70.83	72.23	73.57	74.33
Stock Price Index 1980=100, .....	212.61	220.26	225.08	225.17	238.66	246.91	260.04
Gross Enterprises and Properties Income Bill., 1991 DM (Q).....	102.80	105.10	106.10	107.10	108.20	108.42 **	108.13 **
Six Month Smoothed Growth Rate of CPI Services*.....	0.9	1.7	1.6	1.8	1.3	1.3	2.4
<b>LEADING INDEX (1990=100).....</b>	<b>100.7</b>	<b>101.1 r</b>	<b>101.4</b>	<b>101.9</b>	<b>102.7</b>	<b>103.0 p</b>	<b>102.9 p</b>
Percent change from preceding month.....		0.4 r	0.3	0.5	0.8	0.3 p	-0.1 p
Germany Leading index net contributions							
New Orders, Investment Goods Industries, Volume, 2000=100 (3 month moving average).....		0.09	0.04	0.12	0.07	0.10	0.00
Yield 10-Year Minus 3-Month Time Deposits Rate, Percent, .....		0.06	0.01	0.02	0.04	-0.02	-0.02
Consumer Confidence Index.....		0.00	-0.06	0.11	0.16	-0.05	-0.05
Inventory Change Bill., 1991 DM (Q).....		-0.06	0.07	0.08	0.06	0.06 **	0.05 **
New Residential Construction Orders 2000=100, .....		0.13	0.10	0.10	0.10	0.10	0.06
Stock Price Index 1980=100, .....		0.11	0.06	0.00	0.17	0.10	0.15
Gross Enterprises and Properties Income Bill., 1991 DM (Q).....		0.17	0.07	0.07	0.08	0.02 **	-0.02 **
Six Month Smoothed Growth Rate of CPI Services*.....		-0.15	0.02	-0.04	0.10	0.00	-0.21

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	Jul.	Aug.	Sep.	2003 Oct.	Nov.	Dec.	2004 Jan.
	Germany Coincident Index Component Data						
Industrial Production, (2000=100).....	98.0	97.8	97.7	97.7	98.7	99.9	100.1
Employed Persons, Thousands #.....	38204.0	38175.0	38159.0	38154.0	38150.0	38148.0	38155.3 **
Retail Trade, Volume, (2000=100).....	98.8	98.3	97.8	97.9	97.6	96.4	95.8
Manufacturing Sales, Volume, (2000=100).....	99.1	96.9	98.4	97.5	99.7	100.3	99.3
<b>COINCIDENT INDEX (1990=100).....</b>	<b>103.4</b>	<b>103.2</b>	<b>103.1</b>	<b>103.1</b>	<b>103.3</b>	<b>103.4</b>	<b>103.3 p</b>
Percent change from preceding month.....		-0.2	-0.1	0.0	0.2	0.1	-0.1 p
	Germany Coincident index net contributions						
Industrial Production, (2000=100).....	....	-0.04	-0.03	0.00	0.19	0.21	0.05
Employed Persons, Thousands #.....	....	-0.05	-0.03	-0.01	-0.01	0.00	0.01 **
Retail Trade, Volume, (2000=100).....	....	-0.07	-0.07	0.01	-0.05	-0.18	-0.09
Manufacturing Sales, Volume, (2000=100).....	....	-0.11	0.07	-0.04	0.11	0.03	-0.05

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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## Germany

