



THE CONFERENCE BOARD

Brussels Copenhagen Frankfurt Hong Kong London Mexico City New Delhi Ottawa
New York Chicago San Francisco Washington

FOR RELEASE: 9:00 P.M. ET, TUESDAY, APRIL 5, 2005

The Conference Board® Japan Business Cycle IndicatorsSM
JAPAN LEADING ECONOMIC INDICATORS
AND RELATED COMPOSITE INDEXES FOR FEBRUARY 2005

The Conference Board reports today that the leading index for Japan was unchanged, and the coincident index decreased 0.8 percent in February.

- The leading index was unchanged in February, but there were large downward revisions to the previous several months, as actual data for real operating profits for the fourth quarter of 2004 became available. As a result, the leading index has declined slightly over the last six months, well below the 1.5 percent long-term average growth rate. At the same time, the strengths and weaknesses among the leading indicators have become somewhat more balanced in recent months.
- Real GDP increased at a 0.5 percent annual rate in the fourth quarter of 2004 after declining at a 1.1 percent average rate in the previous two quarters. The slight decline in the leading index in recent months suggests that a sluggish rate of economic growth should continue in the near term.

LEADING INDICATORS. Five of the ten components that make up the leading index increased in February. The positive contributors to the index – in order from the largest positive contributor to the smallest – include the (inverted) business failures, yield spread, stock prices, dwelling units started, and real money supply. Five of the ten components that make up the leading index declined in February. The negative contributors to the index – in order from the largest negative contributor to the smallest – include new orders for machinery and construction*, the Tankan business conditions survey, the index of overtime worked, real operating profits*, and the six month growth rate of labor productivity.

Holding steady in February, the leading index now stands at 98.7 (1990=100). Based on revised data, this index was increased 0.4 percent in January and decreased 0.2 percent in December. During the six-month span through February, the index declined 0.4 percent, and four of ten components advanced (diffusion index, six-month span equals 40.0 percent).

The next release of the Japan Composite Indexes is scheduled for
May 10, 2005 at 9:00 P.M. (ET)
In Japan – May 11, 2005 at 10:00 A.M. (JST)

* See Notes under Data Availability.

COINCIDENT INDICATORS. All six components that make up the coincident index decreased in February. The negative contributors to the index – in order from the largest negative contributor to the smallest – include industrial production, number of employed persons, real wholesale sales, real retail sales, wage and salary income*, and real manufacturing sales*.

With the 0.8 percent decline in February, the coincident index now stands at 100.5 (1990=100). Based on revised data, this index increased 1.0 percent in January and increased 0.2 percent in December. During the six-month span through February, the index decreased 0.4 percent, and two of the six components advanced (diffusion index, six-month span equals 33.3 percent).

FOR TABLES AND CHARTS, SEE BELOW

DATA AVAILABILITY. The data series used to compute the two composite indexes reported in this release are those available “as of” 5:00 P.M. ET April 4, 2005. Some series are estimated as noted below.

Notes: The series in the leading index that are based on The Conference Board estimates are real operating profits and six month growth rate of labor productivity. The series in the coincident index that are based on The Conference Board estimates are real manufacturing sales and wage and salary income.

Professional Contacts at The Conference Board:

Indicator Program: 1-212-339-0330

Media Contacts:

Randy Poe: 1-212-339-0234

Frank Tortorici: 1-212-339-0231

Website: <http://www.globalindicators.org>

E-mail: indicators@conference-board.org

*** **

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 ten 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.

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.

Japan Composite Indexes: Components and Standardization Factors

<u>Leading Index</u>	<u>Factor</u>
1 Operating Profits	0.0509
2 Dwelling Units Started	0.0423
3 Business Failures	0.0403
4 Index of Overtime Worked	0.0689
5 Stock Prices (TOPIX)	0.0312
6 Six Month Growth Rate of Labor Productivity	0.1047
7 Tankan Business Conditions Survey	0.0575
8 Money Supply	0.1914
9 Yield Spread	0.3798
10 New Orders for Machinery and Construction	0.0330
 <u>Coincident Index</u>	
1 Number of Employed Persons	0.4580
2 Industrial Production	0.0950
3 Real Retail sales	0.0510
4 Real Manufacturing Sales	0.1400
5 Real Wholesale Sales	0.0600
6 Wage and Salary Income	0.1960

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 last revised effective with the December 13, 2001 release, and all historical values for the two composite indexes were revised at that 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 for the leading index were calculated using the June 1974 to December 2000 period as the sample period for measuring volatility. Separate sets of factors for the June 1974 to December 2000 period, the April 1974 to May 1974 period, the February 1970 to March 1974 period, and February 1965 to January 1970 period, are available upon request. The factors above for the coincident index were calculated using the February 1997 to December 2000 period as the sample period. Separate sets of factors for the January 1997, the February 1970 to December 1996 period, and the February 1965 to January 1970 period are available upon request. These multiple sample periods are 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 bond yields and stock prices that are available sooner than other data on real aspects of the economy such as sales and operating profits. 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 2005 schedule for “Japan Leading Economic Indicators” news releases is:

March 2005 Data ... Tuesday, May 10, 2005
April 2005 Data ... Thursday, June 9, 2005

All releases are at 9:00 P.M. ET and 10:00 A.M. JST (following day)

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, contact the customer services at 212-339-0345, or email indicators@conference-board.org.

AVAILABLE FROM THE CONFERENCE BOARD:

Japan Business Cycle Indicators Internet Subscription <i>(Includes monthly release, data, charts and commentary)</i>	\$ 500 per year (1 user)
Individual Data Series	\$ 25 per series downloaded
Monthly BCI Report <i>(Sample available on request)</i>	\$ 130 per year
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 the U.S., France, Germany, Spain, 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.

**THESE DATA ARE FOR NEWS ANALYSIS PURPOSES ONLY. NOT FOR
REDISTRIBUTION OR PUBLIC POSTING WITHOUT EXPRESS PERMISSION.**

The Conference Board Japan Business Cycle Indicators

Table 1.--Summary of Japan Composites Indexes

	2004							2005
	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	
Leading index	99.1	98.7 r	98.7 r	98.5 r	98.3 r	98.7 p	98.7 p	
Percent change	-0.4	-0.4 r	0.0 r	-0.2 r	-0.2 r	0.4 p	0.0 p	
Diffusion index	60.0	35.0	40.0	30.0	45.0	60.0	50.0	
Coincident index	100.9	100.7	100.4 r	100.1 r	100.3 r	101.3 p	100.5 p	
Percent change	-0.1	-0.2	-0.3 r	-0.3 r	0.2 r	1.0 p	-0.8 p	
Diffusion index	50.0	33.3	16.7	33.3	66.7	83.3	0.0	
	Feb to	Mar to	Apr to	May to	Jun to	Jul to	Aug to	
	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	
Leading index								
Percent change	2.5	2.3 r	1.6 r	0.4 r	-1.0 r	-0.8 p	-0.4 p	
Diffusion index	90.0	85.0	75.0	60.0	40.0	55.0	40.0	
Coincident index								
Percent change	-0.4	-0.1	-0.5 r	-0.4 r	-0.4 r	0.3 p	-0.4 p	
Diffusion index	50.0	83.3	33.3	16.7	50.0	66.7	33.3	

p Preliminary. r Revised (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 All Rights Reserved

**THESE DATA ARE FOR NEWS ANALYSIS PURPOSES ONLY;
NOT FOR REDISTRIBUTION OR PUBLIC POSTING
WITHOUT EXPRESS PERMISSION.**

THESE DATA ARE FOR NEWS ANALYSIS PURPOSES ONLY. NOT FOR
REDISTRIBUTION OR PUBLIC POSTING WITHOUT EXPRESS PERMISSION.

The Conference Board Japan Business Cycle Indicators

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

Component	2004						2005	
	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	
Japan Leading Index Component Data								
Real Operating Profits, (Bill. 1990 Yen, S.A., Q).....	13565.10 r	13394.50 r	13223.90 r	13053.40 r	12932.69 r	12844.82 **	12778.64 **	
Dwelling Units Started, (Tens, S.A.) (3 mo. moving avg.).....	10032.83	10187.93	10059.10	9960.47	9789.50	10110.77	10169.87	
Business Failures, (Number, S.A.)* (3 mo. moving avg.).....	523.00 r	527.33 r	494.00 r	500.00 r	493.33 r	502.33 r	481.04 **	
Index of Overtime Worked, Mfg. (2000=100, S.A.)	114.3 r	114.2	113.8 r	113.2 r	112.3 r	114.0 r	113.1	
Stock Price Index, (Jan. 4, 1968=100).....	1114.78	1122.40	1108.48	1101.78	1110.39	1144.09	1159.71	
Six Month Growth Rate of Labor Productivity Mfg. (3 mo. moving avg., pct.).....	7.06 r	5.17 r	3.74 r	3.32 r	2.62 r	3.45 r	3.40 **	
Tankan Business Conditions, All Enterprises, All Industries (Balance +/-, Q).....	-1.0	-0.7	-0.3	0.0	-1.0	-2.0	-3.0	
Real Money Supply, M2 + CD Money, (10 Bill. 2000 Yen, S.A.).....	70929.20 r	70947.01 r	70761.07 r	70726.52 r	70997.28 r	71444.52 r	71498.09	
Yield Spread, Government Benchmark Bond Yield minus Discount Rate.....	1.46	1.32	1.39	1.34	1.30	1.23	1.36	
New Orders for Machinery and Construction, (3 mo. moving avg., 100 Mill. 1995 Yen, S.A.).....	19501	18679	18892	19305	19444	19886 r	18573 **	
LEADING INDEX (1990=100).....	99.1	98.7 r	98.7 r	98.5 r	98.3 r	98.7 p	98.7 p	
Percent change from preceding month.....	-0.4	-0.4 r	0.0 r	-0.2 r	-0.2 r	0.4 p	0.0 p	
Japan Leading Index Net Contributions								
Real Operating Profits, (Bill. 1990 Yen, S.A., Q).....	....	-0.06 r	-0.07 r	-0.07 r	-0.05 r	-0.03 **	-0.03 **
Dwelling Units Started, (Tens, S.A.) (3 mo. moving avg.).....	....	0.06	-0.05	-0.04	-0.07	0.14	0.02
Business Failures, (Number, S.A.)* (3 mo. moving avg.).....	....	-0.03 r	0.26 r	-0.05 r	0.05 r	-0.07 r	0.17 **
Index of Overtime Worked, Mfg. (2000=100, S.A.)	....	-0.01 r	-0.02 r	-0.04 r	-0.05 r	0.10 r	-0.05
Stock Price Index, (Jan. 4, 1968=100).....	....	0.02	-0.04	-0.02	0.02	0.09	0.04
Six Month Growth Rate of Labor Productivity Mfg. (3 mo. moving avg., pct.).....	....	-0.20 r	-0.15 r	-0.04 r	-0.07 r	0.09 r	-0.01 **
Tankan Business Conditions, All Enterprises, All Industries (Balance +/-, Q).....	....	0.02	0.02	0.02	-0.06	-0.06	-0.06 p
Real Money Supply, M2 + CD Money, (10 Bill. 2000 Yen, S.A.).....	....	0.00 r	-0.05 r	-0.01 r	0.07 r	0.12 r	0.01
Yield Spread, Government Benchmark Bond Yield minus Discount Rate.....	....	-0.05	0.03	-0.02	-0.02	-0.03	0.05
New Orders for Machinery and Construction, (3 mo. moving avg., 100 Mill. 1995 Yen, S.A.).....	....	-0.14	0.04	0.07	0.02	0.07 r	-0.23 **

p Preliminary. r Revised. n.a. Not available. c Corrected. -- * Inverted series; a negative change in this component makes a positive contribution.

** Statistical Imputation (See page 2 for more details) -- Q: Quarterly series; these series are converted to monthly through a linear interpolation

Data Sources: Economic and Social Research Institute - Cabinet Office, M.E.T.I. Japan, Management and Coordination Agency, Ministry of Finance,

Datastream, Ministry of Labor, Japan Securities Dealers Association

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).

Source: The Conference Board All Rights Reserved

THESE DATA ARE FOR NEWS ANALYSIS PURPOSES ONLY. NOT FOR
REDISTRIBUTION OR PUBLIC POSTING WITHOUT EXPRESS PERMISSION.

The Conference Board Japan Business Cycle Indicators

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

Component	2004						2005
	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.
Japan Coincident Index Component Data							
Number of Employed Persons, (Thousands of persons, S.A.).....	63440	63390	63240	63030	63200	63670	63390
Industrial Production, (2000=100, S.A.).....	100.8	100.4	99.1	100.8	100.0	102.5 r	100.3
Real Retail Sales, (2000=100, S.A.).....	93.2 r	93.8 r	93.6 r	92.7 r	93.3 r	97.9 r	95.2
Real Manufacturing Sales, (Billions of 2000 Yen, S.A., Q).....	86376.8 r	85782.2 r	86220.1 r	84913.1 r	84255.1 r	83940.8 **	83808.4 **
Real Wholesale Sales, (Billions 2000 Yen, S.A.).....	29515.3	29315.4 r	29248.6 r	29308.8 r	29666.3 r	29896.4 r	29040.4
Wage and Salary Income, (2000=100, S.A.)	96.3 r	96.5 r	96.0	95.8 r	96.5 r	97.2 r	96.9 **
COINCIDENT INDEX (1990=100).....	100.9	100.7	100.4 r	100.1 r	100.3 r	101.3 p	100.5 p
Percent change from preceding month.....	-0.1	-0.2	-0.3 r	-0.3 r	0.2 r	1.0 p	-0.8 p
Japan Coincident Index Net Contributions							
Number of Employed Persons, (Thousands of persons, S.A.).....	....	-0.04	-0.11	-0.15	0.12	0.34	-0.20
Industrial Production, (2000=100, S.A.).....	....	-0.04	-0.12	0.16	-0.08	0.23 r	-0.21
Real Retail Sales, (2000=100, S.A.).....	....	0.03 r	-0.01 r	-0.05	0.03 r	0.25 r	-0.14
Real Manufacturing Sales, (Billions of 2000 Yen, S.A., Q).....	....	-0.10 r	0.07 r	-0.21 r	-0.11 r	-0.05 **	-0.02 **
Real Wholesale Sales, (Billions 2000 Yen, S.A.).....	....	-0.04 r	-0.01 r	0.01 r	0.07 r	0.05 r	-0.17
Wage and Salary Income, (2000=100, S.A.)	....	0.04 r	-0.10 r	-0.04 r	0.14 r	0.14 r	-0.06 **

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

Q Quarterly series; these series are converted to monthly through a linear interpolation.

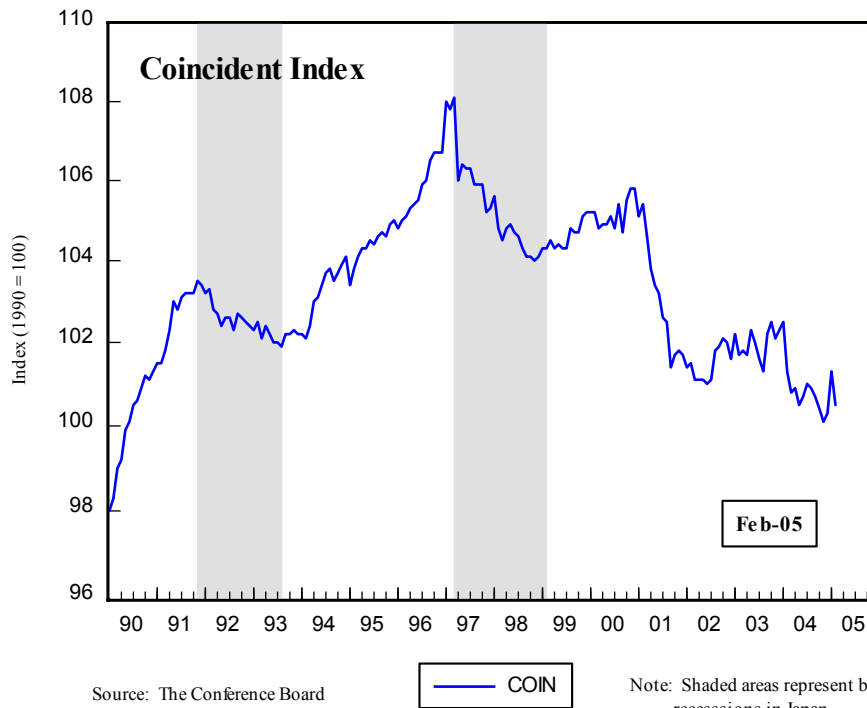
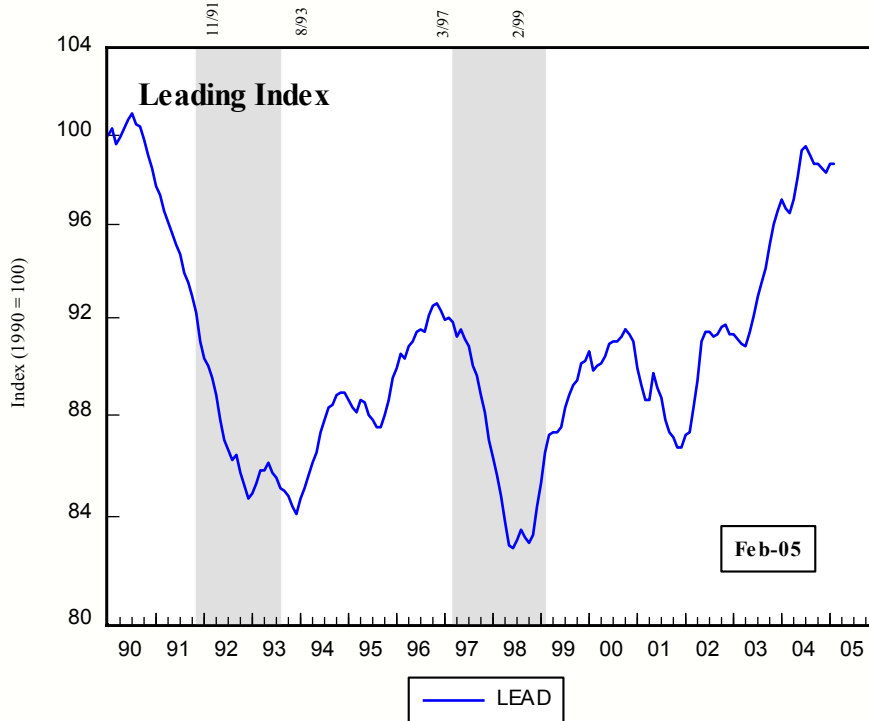
Data Sources: Economic and Social Research Institute, M.E.T.I. Japan, Management & Coordination Agency, Ministry of Finance, Ministry of Labor
CALCULATION NOTE--The percent change in the index does not always equal the sum of the net contributions of the individual components (because of rounding effects and base value differences).

Source: The Conference Board All Rights Reserved

THESE DATA ARE FOR NEWS ANALYSIS PURPOSES ONLY;
NOT FOR REDISTRIBUTION OR PUBLIC POSTING
WITHOUT EXPRESS PERMISSION.

THESE DATA ARE FOR NEWS ANALYSIS PURPOSES ONLY. NOT FOR REDISTRIBUTION OR PUBLIC POSTING WITHOUT EXPRESS PERMISSION.

Japan



Source: The Conference Board

Note: Shaded areas represent business cycle recessions in Japan