



THE CONFERENCE BOARD

FOR RELEASE: 8:00 P.M. ET, THURSDAY, JANUARY 8, 2009

The Conference Board®  
Japan Business Cycle Indicators<sup>SM</sup>

**THE CONFERENCE BOARD LEADING ECONOMIC  
INDEX (LEI) FOR JAPAN  
AND RELATED COMPOSITE ECONOMIC INDEXES FOR NOVEMBER 2008**

This month's release incorporates annual benchmark revisions to the composite economic indexes, which bring them up-to-date with revisions in the source data. Also, the base year of the composite economic indexes has been changed to 2004=100 from 1990=100. These revisions do not change the cyclical properties of the indexes. The indexes are updated throughout the year, but only for the previous six months. Data revisions that fall outside of the moving six-month window are not incorporated until the benchmark revision is made and the entire histories of the indexes are recomputed. As a result, the revised indexes will not be comparable to those issued prior to the benchmark revision.

For more information, please visit our website at <http://www.conference-board.org/economics/bci/> or contact us at [indicators@conference-board.org](mailto:indicators@conference-board.org).

The Conference Board Leading Economic Index (LEI) for Japan decreased 2.6 percent and The Conference Board Coincident Economic Index (CEI) decreased 0.9 percent in November.

- The leading economic index registered another sharp decline in November, following an equally large decline in October. In November, most of the leading indicators continued their downward trend. With November's large decline, the six-month growth rate for the leading index fell to -10.4 percent (about a -19.8 percent annual rate) from May to November 2008, the weakest in more than 33 years. Moreover, during the last six months, the weaknesses among the leading indicators continued to be very widespread.
- The coincident economic index also declined in November. Industrial production and the real retail, wholesale, and manufacturing sales components both made large negative contributions to the index. The six-month growth rate of the coincident index fell to -3.3 percent (a -6.4 percent annual rate), also its lowest level since 1975. The weaknesses among the coincident indicators continued to be very widespread, as all four components declined in the last six months. At the same time, real GDP continued its downtrend through the third quarter of 2008 – it declined at a 1.9 percent annual rate (revised down from the 0.4 percent decline previously reported),. This is the first time since the second half of 2001 that real GDP has declined in consecutive quarters.
- The rate of decline in the leading economic index has accelerated in recent months, and the coincident economic index has also been falling since late 2007. In addition, the weaknesses in both composite indexes have been very widespread during this period. Taken together, the accelerating and widespread deterioration in the leading and coincident economic indexes suggests that the contraction in economic activity is likely to continue into 2009.

The next release is scheduled for Friday, February 6, 2009 at 10:00 A.M. (JST)

In the U.S – Thursday, February 5, 2009 at 8:00 P.M (ET)

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

With the decrease of 2.6 percent in November, the leading economic index now stands at 89.4 (2004=100). Based on revised data, this index decreased 2.5 percent in October and decreased 1.6 percent in September. During the six-month span through November, the index decreased 10.4 percent, and two of the ten components advanced (diffusion index, six-month span equals 20.0 percent).

**COINCIDENT INDICATORS.** Two of the four components that make up the coincident economic index increased in November. The positive contributors to the index – in order from the larger positive contributor to the smaller – include number of employed persons and wage and salary income\*. Industrial production and the retail, wholesale, and manufacturing sales\* component declined in November.

With the decrease of 0.9 percent in November, the coincident economic index now stands at 100.5 (2004=100). Based on revised data, this index decreased 0.4 percent in October and decreased 0.1 percent in September. During the six-month span through November, the index decreased -3.3 percent, and none of the four components advanced (diffusion index, six-month span equals 0.0 percent).

### **FOR TABLES AND CHARTS, SEE BELOW**

**DATA AVAILABILITY AND NOTES.** The data series used to compute The Conference Board Leading Economic Index (LEI) for Japan and The Conference Board Coincident Economic Index (CEI) for Japan reported in this release are those available “as of” 5:00 P.M. ET January 7, 2009. Some series are estimated as noted below.

\* The series in the leading economic index that are based on The Conference Board estimates are real operating profits and new orders for machinery. The series in the coincident economic 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:  
Frank Tortorici: 1-212-339-0231  
Carol Courter: 1-212-339-0232

Website: <http://www.conference-board.org/economics/bci/>  
E-mail: [indicators@conference-board.org](mailto: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 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 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: <http://www.conference-board.org/economics/bci>.

Japan Composite Indexes: Components and Standardization Factors

<u>Leading Economic Index</u>	<u>Factor</u>
1 Operating Profits	0.0751
2 Dwelling Units Started	0.0335
3 Business Failures	0.0594
4 Index of Overtime Worked	0.1056
5 Stock Prices (TOPIX)	0.0379
6 Six Month Growth Rate of Labor Productivity	0.1237
7 Tankan Business Conditions Survey	0.0851
8 Money Supply	0.2700
9 Yield Spread	0.1590
10 New Orders for Machinery and Construction	0.0507
 <u>Coincident Economic Index</u>	
1 Number of Employed Persons	0.5360
2 Industrial Production	0.1170
3 Wage and Salary Income	0.1670
4 Real Retail, Wholesale, and Manufacturing Sales	0.1800

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 with the January 8, 2009 release, 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 for the leading economic index were calculated using the September 1974 to December 2007 period as the sample period for measuring volatility. Separate sets of factors for the September 1974 to December 2007 period, the March 1974 to August 1974 period, the February 1973 to February 1974 period, and February 1965 to January 1973 period, are available upon request. The factors above for the coincident economic index were calculated using the August 1978 to December 2007 period as the sample period. Separate sets of factors for the August 1978 to December 2007 period, the February 1970 to July 1978 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: <http://www.conference-board.org/economics/bci>.

The trend adjustment factors for the leading economic index are -0.2687 (calculated over the 1992-2007 period) and -0.2092 (calculated over the 1965 – 1991 period).

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 monthly data revisions are now a regular part of the U.S. Business Cycle and Global Indicators program. The main advantage of this procedure is to utilize in the leading index the data such as bond yields, stock prices, and change in consumer confidence that are available sooner than other data on real aspects of the economy such as housing starts and new orders. 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 “Japan Leading Economic Indicators” news releases is:

December 2008 Data ... Thursday, February 05, 2009  
January 2009 Data ... Thursday, March 05, 2009  
February 2009 Data ... Tuesday, April 07, 2009  
March 2009 Data ... Thursday, May 07, 2009  
April 2009 Data ... Thursday, June 11, 2009  
May 2009 Data ... Thursday, July 09, 2009  
June 2009 Data ... Thursday, August 06, 2009  
July 2009 Data ... Thursday, September 10, 2009  
August 2009 Data ... Thursday, October 08, 2009  
September 2009 Data ... Tuesday, November 10, 2009  
October 2009 Data ... Tuesday, December 08, 2009

All releases are at 10:00 A.M. JST (following day), 8:00 P.M. (9:00 P.M. EST) ET

### About The Conference Board

For over 90 years, The Conference Board has created and disseminated knowledge about management and the marketplace to help businesses strengthen their performance and better serve society. The Conference Board operates as a global independent membership organization working in the public interest. It publishes information and analysis, makes economics-based forecasts and assesses trends, and facilitates learning by creating dynamic communities of interest that bring together senior executives from around the world. The Conference Board is a not-for-profit organization and holds 501(c)(3) tax-exempt status in the United States. For additional information about The Conference Board and how it can meet your needs, visit our website at [www.conference-board.org](http://www.conference-board.org).

### AVAILABLE FROM THE CONFERENCE BOARD:

Japan Business Cycle Indicators Internet Subscription <i>(Includes monthly release, data, charts and commentary)</i>	\$ 635 per year (1 user)
Individual Data Series	\$ 35 per series downloaded
Monthly BCI Report <i>(Sample available at <a href="http://www.conference-board.org/publications/describeBCI.cfm">http://www.conference-board.org/publications/describeBCI.cfm</a>)</i>	\$ 275 per year
BCI Handbook (published 2001)	\$ 20
Corporate Site License	contact Indicators Program at (212) 339-0330

Business Cycle Indicators for the U.S., France, Germany, Spain, Japan, Korea, Mexico, 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.

THESE DATA ARE FOR ANALYSIS PURPOSES ONLY. NOT FOR REDISTRIBUTION, PUBLISHING, DATABASING, OR PUBLIC POSTING WITHOUT EXPRESS WRITTEN PERMISSION.

The Conference Board Japan Business Cycle Indicators

Table 1.--Summary of Japan Composite Economic Indexes

	2008						
	May	Jun	Jul	Aug	Sep	Oct	Nov
Leading index	99.8 r	97.8 r	97.1 r	95.7 r	94.2 p	91.8 p	89.4 p
Percent change	-0.5 r	-2.0 r	-0.7 r	-1.4 r	-1.6 p	-2.5 p	-2.6 p
Diffusion index	50.0	25.0	20.0	30.0	25.0	10.0	15.0
Coincident index	103.9 r	103.0 r	102.7 r	101.9 r	101.8 p	101.4 p	100.5 p
Percent change	-0.1	-0.9	-0.3 r	-0.8 r	-0.1 p	-0.4 p	-0.9 p
Diffusion index	25.0	0.0	25.0	37.5	50.0	25.0	50.0

	Nov to May	Dec to Jun	Jan to Jul	Feb to Aug	Mar to Sep	Apr to Oct	May to Nov
Leading index							
Percent change	-2.5	-3.8 r	-3.9 r	-5.0 r	-6.5 p	-8.5 p	-10.4 p
Diffusion index	45.0	20.0	20.0	20.0	20.0	10.0	20.0
Coincident index							
Percent change	-1.0	-1.7	-1.7 r	-2.5 r	-1.8 p	-2.5 p	-3.3 p
Diffusion index	25.0	0.0	0.0	0.0	0.0	0.0	0.0

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.conference-board.org/economics/bci](http://www.conference-board.org/economics/bci)

Source: The Conference Board All Rights Reserved

© The Conference Board

These data are protected by copyright and are for news analysis purposes only.

The data and analysis are not for databasing by any means, redistribution,

publishing, or public posting without express written permission from The Conference Board.

THESE DATA ARE FOR ANALYSIS PURPOSES ONLY. NOT FOR REDISTRIBUTION, PUBLISHING, DATABASING, OR PUBLIC POSTING WITHOUT EXPRESS WRITTEN PERMISSION.

The Conference Board Japan Business Cycle Indicators

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

Component	2008						
	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.
<b>Japan Leading Index Component Data</b>							
Real Operating Profits, (Bill. 1990 Yen, S.A., Q).....	14816.65 r	13846.76 r	12876.87 r	11906.98 r	11258.60 **	10823.92 **	10531.26 **
Dwelling Units Started, (Tens, S.A.) (3 mo. moving avg.).....	9090.83	9655.43	9631.50	9834.87	9710.03	9540.40	9119.47
Business Failures, (Number, S.A.)* (3 mo. moving avg.).....	470.30 r	466.94 r	477.04 r	467.88 r	484.12 r	495.77 r	509.68
Index of Overtime Worked, Mfg. (2000=100, S.A.)	101.9	100.5	100.3	97.5	97.2	95.7 r	86.1
Stock Price Index, (Jan. 4, 1968=100).....	1408.14	1320.10	1303.62	1254.71	1087.41	867.12	834.82
Six Month Growth Rate of Labor Productivity Mfg. (3 mo. moving avg., pct.).....	-3.19	-3.16	-1.95	-4.80	-5.76	-9.09	-14.92
Tankan Business Conditions, All Enterprises, All Industries (Balance +/-, Q).....	-7.0	-8.7	-10.3	-12.0	-14.3	-16.7	-19.0
Real Money Supply, M2 + CD Money, (10 Bill. 2005 Yen, S.A.).....	71955.11	71797.90	71334.62	71706.23	71785.34	71750.57	72346.76
Yield Spread, 10 year minus 3 months.....	0.90	0.76	0.68	0.57	0.61	0.60	0.61
New Orders for Machinery and Construction, (3 mo. moving avg., 100 Mill. 1995 Yen, S.A.).....	22383	18517	19725	19448	20058	19004	18833 **
<b>LEADING INDEX (2004=100).....</b>	<b>99.8 r</b>	<b>97.8 r</b>	<b>97.1 r</b>	<b>95.7 r</b>	<b>94.2 p</b>	<b>91.8 p</b>	<b>89.4 p</b>
Percent change from preceding month.....	-0.5 r	-2.0 r	-0.7 r	-1.4 r	-1.6 p	-2.5 p	-2.6 p
<b>Japan Leading Index Net Contributions</b>							
Real Operating Profits, (Bill. 1990 Yen, S.A., Q).....	....	-0.51 r	-0.55 r	-0.59 r	-0.42 **	-0.30 **	-0.21 **
Dwelling Units Started, (Tens, S.A.) (3 mo. moving avg.).....	....	0.20	-0.01	0.07	-0.04	-0.06	-0.15
Business Failures, (Number, S.A.)* (3 mo. moving avg.).....	....	0.04 r	-0.13 r	0.12 r	-0.20 r	-0.14 r	-0.16
Index of Overtime Worked, Mfg. (2000=100, S.A.)	....	-0.15	-0.02	-0.30	-0.03	-0.16 r	-1.12
Stock Price Index, (Jan. 4, 1968=100).....	....	-0.24	-0.05	-0.14	-0.54	-0.85	-0.14
Six Month Growth Rate of Labor Productivity Mfg. (3 mo. moving avg., pct.).....	....	0.00	0.15	-0.35	-0.12	-0.41	-0.72
Tankan Business Conditions, All Enterprises, All Industries (Balance +/-, Q).....	....	-0.14	-0.14	-0.14	-0.20	-0.20	-0.20
Real Money Supply, M2 + CD Money, (10 Bill. 2005 Yen, S.A.).....	....	-0.06	-0.17	0.14	0.03 r	-0.01 r	0.22
Yield Spread, 10 year minus 3 months.....	....	0.12	0.11	0.09	0.10	0.10	0.10
New Orders for Machinery and Construction, (3 mo. moving avg., 100 Mill. 1995 Yen, S.A.).....	....	-0.96	0.32	-0.07	0.16	-0.27 r	-0.05 **

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

© The Conference Board

These data are protected by copyright and are for news analysis purposes only.

The data and analysis are not for databasing by any means, redistribution, publishing, or public posting without express written permission from The Conference Board.

**The Conference Board Japan Business Cycle Indicators**

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

Component	2008						
	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.
<b>Japan Coincident Index Component Data</b>							
Number of Employed Persons, (Thousands of persons, S.A.).....	64000	63870	63590	63590	63480	63550	63910
Industrial Production, (2005=100, S.A.).....	109.3	106.9	108.3	104.5	105.6	102.3	94.0
Wage and Salary Income, (2005=100, S.A.	102.0	99.9	99.1	99.5	99.8	99.7 r	100.5
Real Retail, Wholesale, and Manuf. Sales (Billions of 2005 Yen, S.A.).....	159152.6 r	157559.9 r	157039.2 r	153386.6 r	152186.5 #	151692.5 #	148810.1 #
<b>COINCIDENT INDEX (2004=100).....</b>	<b>103.9 r</b>	<b>103.0 r</b>	<b>102.7 r</b>	<b>101.9 r</b>	<b>101.8 p</b>	<b>101.4 p</b>	<b>100.5 p</b>
Percent change from preceding month....	-0.1 r	-0.9	-0.3 r	-0.8 r	-0.1 p	-0.4 p	-0.9 p
<b>Japan Coincident Index Net Contributions</b>							
Number of Employed Persons, (Thousands of persons, S.A.).....	....	-0.11	-0.24 r	0.00	-0.09 r	0.06 r	0.30
Industrial Production, (2005=100, S.A.).....	....	-0.26 r	0.15 r	-0.42 r	0.12 r	-0.37 r	-0.99
Wage and Salary Income, (2005=100, S.A.	....	-0.35 r	-0.13 r	0.07 r	0.05 r	-0.02 r	0.13
Real Retail, Wholesale, and Manuf. Sales (Billions of 2005 Yen, S.A.).....	....	-0.18 r	-0.06	-0.42 r	-0.14 r	-0.06 r	-0.35

# One of the sales components: manufacturing sales, is a quarterly series and converted to monthly through a linear interpolation  
And missing months are estimated by The Conference Board

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

**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

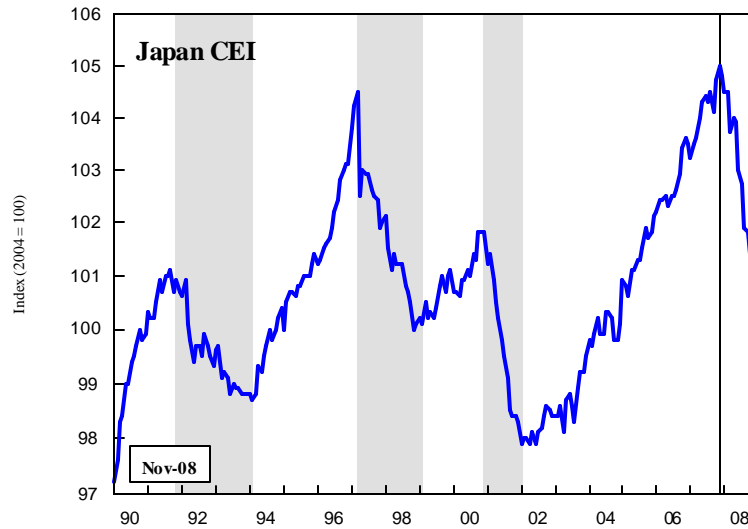
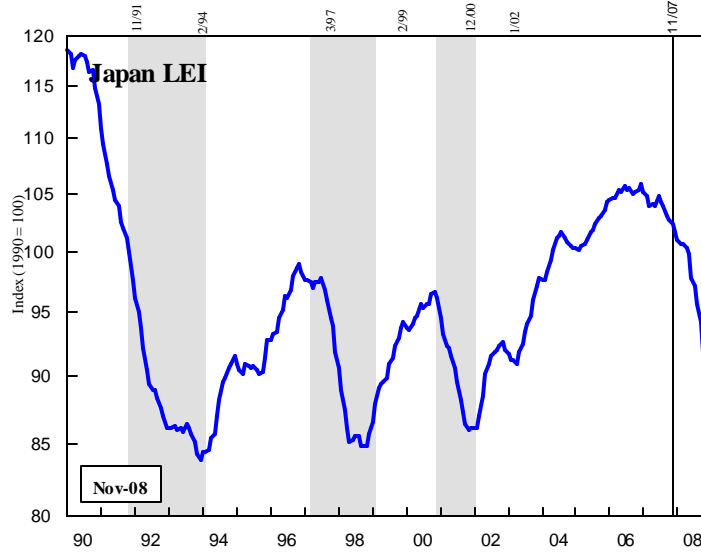
**© The Conference Board**

**These data are protected by copyright and are for news analysis purposes only.**

**The data and analysis are not for databasing by any means, redistribution,**

**publishing, or public posting without express written permission from The Conference Board.**

## Japan

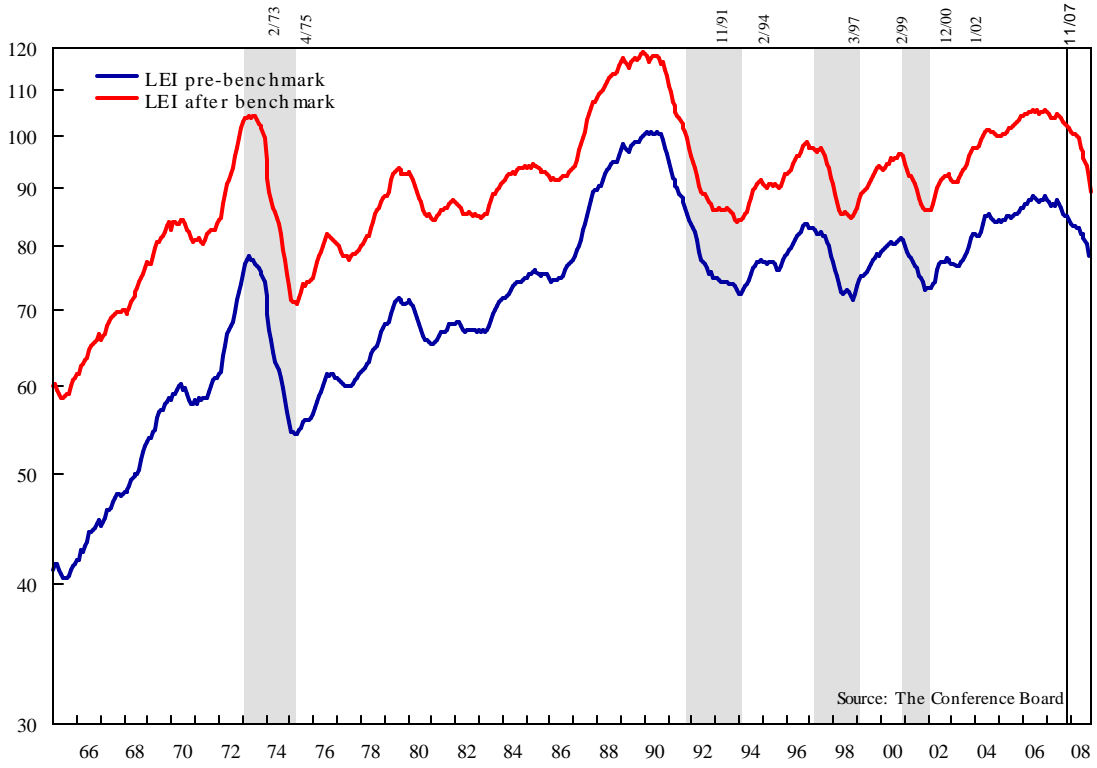


Note: The shaded areas represent business cycle recessions. The peaks and troughs are designated by The Conference Board based on the coincident index and real GDP. Source: The Conference Board



THESE DATA ARE FOR ANALYSIS PURPOSES ONLY. NOT FOR REDISTRIBUTION, PUBLISHING, DATABASEING, OR PUBLIC POSTING WITHOUT EXPRESS WRITTEN PERMISSION.

Leading Economic Indexes before and after benchmark



Coincident Economic Indexes before and after benchmark

