



THE CONFERENCE BOARD

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The Conference Board®
Japan Business Cycle IndicatorsSM
**THE CONFERENCE BOARD LEADING ECONOMIC INDEX™ (LEI)
FOR JAPAN
AND RELATED COMPOSITE ECONOMIC INDEXES FOR JULY 2009**

The Conference Board Leading Economic Index™ (LEI) for Japan increased 3.1 percent and **The Conference Board Coincident Economic Index™ (CEI)** increased 0.5 percent in July.

- The Conference Board LEI for Japan increased sharply again in July, and there were substantial upward revisions to the index in the past four months as actual data for second quarter operating profits became available. The strengths among the leading indicators were widespread this month, with the six-month growth rate of productivity, index of overtime worked, business failures (inverted), and the Tankan business conditions survey making large positive contributions. In July, the six-month change in the leading economic index became positive for the first time since the end of 2006, increasing to 6.3 percent (about a 13.0 percent annual rate), a sharp reversal from the 21.7 percent decline (about a -38.7 percent annual rate) in the beginning of this year. Moreover, the strengths among the leading indicators became more widespread than the weaknesses in the last six months.
- The Conference Board CEI for Japan increased slightly again in July, and there were also upward revisions to the index in recent months as actual data for second quarter manufacturing sales became available. Industrial production continued to grow strongly this month, while wage and salary income improved at a more modest pace. The six-month decline in the index has slowed to 1.5 percent (a -2.9 percent annual rate), from 6.9 percent (about a -13.3 percent annual rate) in the six-month period ending in January this year. However, the weaknesses among the coincident indicators have remained widespread in recent months. At the same time, real GDP grew at a 3.7 percent annual rate in the second quarter of 2009, the first increase in a year and a large improvement from the 11.7 percent contraction in the first quarter of 2009.
- The Conference Board LEI for Japan, after declining sharply from the third quarter of 2008, has risen strongly in the past five months, and its six-month growth rate has turned positive. Meanwhile, The Conference Board CEI for Japan also began to increase in the second quarter, and its six-month decline has slowed substantially in recent months. Taken together, the behavior of the composite indexes suggests that economic activity will likely continue to improve, albeit at a slow pace in the near term.

LEADING INDICATORS. Nine of the ten components that make up The Conference Board LEI for Japan increased in July. The positive contributors to the index – in order from the largest positive contributor to the smallest – include the six month growth rate of labor productivity, the index of overtime worked, real operating profits*, the Tankan business conditions survey, the (inverted) business failures, the new orders for machinery and construction component*, interest rate spread, real money supply, and stock prices. Dwelling units started remained unchanged in July.

With the increase of 3.1 percent in July, The Conference Board LEI for Japan now stands at 80.8 (2004=100). Based on revised data, this index increased 2.3 percent in June and increased 3.4 percent in May. During the six-month span through July, the index increased 6.3 percent, and seven of the ten components advanced (diffusion index, six-month span equals 70.0 percent).

COINCIDENT INDICATORS. Three of the four components that make up The Conference Board CEI for Japan increased in July. The positive contributors to the index – in order from the largest positive contributor to the smallest – include industrial production, the retail, wholesale, and manufacturing sales* component, and wage and salary income. Number of employed persons declined in July.

With the increase of 0.5 percent in July, The Conference Board CEI for Japan now stands at 94.2 (2004=100). Based on revised data, this index increased 0.1 percent in June and increased 0.2 percent in May. During the six-month span through July, the index decreased 1.5 percent, and one of the four components advanced (diffusion index, six-month span equals 25.0 percent).

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 September 9, 2009. Some series are estimated as noted below.

* The series in The Conference Board LEI that are based on our estimates are real operating profits and new orders for machinery. The series in The Conference Board CEI that is based on our estimates is real manufacturing sales.

Summary Table of Composite Economic Indexes

	2009			6-month
	May	Jun	Jul	Jan to Jul
Leading Economic index (LEI)	76.6 r	78.4 p	80.8 p	
Percent Change	3.4 r	2.3 p	3.1 p	6.3 p
Diffusion	80.0	80.0	85.0	70.0
Coincident Economic Index (CEI)	93.6 r	93.7 p	94.2 p	
Percent Change	0.2 r	0.1 p	0.5 p	-1.5 p
Diffusion	50.0	75.0	87.5	25.0

n.a. Not available p Preliminary r Revised
Indexes equal 100 in 2004

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The next release is scheduled for Friday, October 9, 2009 at 10:00 A.M. (JST)
In the U.S – Thursday, October 8, 2009 at 9:00 P.M (ET)