

## News Release

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**FOR RELEASE: 10:00 A.M. JST, FRIDAY, SEPTEMBER 10, 2010**

The Conference Board<sup>®</sup>

Japan Business Cycle Indicators<sup>SM</sup>

### **THE CONFERENCE BOARD LEADING ECONOMIC INDEX<sup>®</sup> (LEI) FOR JAPAN AND RELATED COMPOSITE ECONOMIC INDEXES FOR JULY 2010**

**The Conference Board Leading Economic Index<sup>®</sup> (LEI)** for Japan decreased 0.1 percent, while **The Conference Board Coincident Economic Index<sup>®</sup> (CEI)** increased 0.6 percent in July.

- The Conference Board LEI for Japan fell for the third consecutive month in July, but there were upward revisions to the index levels in previous months as actual data for operating profits for the second quarter became available. In July, negative contributions from the six-month growth rate of labor productivity, (inverted) business failures, and the index of overtime worked more than offset the positive contributions from the other components. With this month's small decline, the six-month growth rate in the leading economic index has continued to slow -- to 1.9 percent (a 3.9 percent annual rate) from January to July 2010, substantially down from 16.2 percent (about a 35.1 percent annual rate) for the previous six months. In addition, the strengths among the leading indicators have become less widespread, and have just been balanced with the weaknesses in recent months.
- The Conference Board CEI for Japan increased in July, and there were also upward revisions to the index levels in previous months as actual data for the manufacturing sales component for the second quarter became available. Despite the gain in July, the six-month growth rate of the coincident economic index also continued to slow – to 1.4 percent (a 2.9 percent annual rate) for the period through July 2010, down from 3.7 percent (about a 7.5 percent annual rate) for the previous six months. At the same time, real GDP increased by 0.4 percent (annual rate) in the second quarter of 2010, down from 4.4 percent (annual rate) in the first quarter.

- The Conference Board LEI for Japan has declined for three consecutive months, and its six-month growth rate has continued to fall at a rapid pace. In addition, the six-month growth rate in The Conference Board CEI for Japan has also slowed in recent months. Taken together, the behavior of the composite indexes suggests that the economy will continue to recover, but the pace of the recovery will likely remain modest in the near term.

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

With the decrease of 0.1 percent in July, The Conference Board LEI for Japan now stands at 101.4 (2004=100). Based on revised data, this index decreased 1.4 percent in June and decreased 0.5 percent in May. During the six-month span through July, the index increased 1.9 percent, and five of the ten components advanced (diffusion index, six-month span equals 50.0 percent).

COINCIDENT INDICATORS. All 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 the retail, wholesale, and manufacturing sales\* component, number of employed persons, wage and salary income, and industrial production.

With the increase of 0.6 percent in July, The Conference Board CEI for Japan now stands at 99.9 (2004=100). Based on revised data, this index increased 0.3 percent in June and decreased 0.1 percent in May. During the six-month span through July, the index increased 1.4 percent, and three of the four components advanced (diffusion index, six-month span equals 75.0 percent).

DATA AVAILABILITY AND NOTES. The data series used to compute **The Conference Board Leading Economic Index**<sup>®</sup> (LEI) for Japan and **The Conference Board Coincident Economic Index**<sup>®</sup> (CEI) for Japan reported in this release are those available “as of” 5:00 P.M. ET September 8, 2010. 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

	2010			6-month
	May	Jun	Jul	Jan to Jul
<b>Leading Economic index (LEI)</b>	102.9 r	101.5 p	101.4 p	
Percent Change	-0.5 r	-1.4 p	-0.1 p	1.9 p
Diffusion	55.0	60.0	65.0	50.0
<b>Coincident Economic Index (CEI)</b>	99.0 r	99.3 p	99.9 p	
Percent Change	-0.1 r	0.3 p	0.6 p	1.4 p
Diffusion	50.0	75.0	100.0	75.0

n.a. Not available    p Preliminary    r Revised

Indexes equal 100 in 2004

Source: The Conference Board

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The next release is scheduled for Friday, October 8, 2010 at 10:00 A.M. (JST)

*In the U.S* – Thursday, October 7, 2010 at 9:00 P.M (ET)

For more information, visit The Conference Board website: <http://www.conference-board.org/data/bci.cfm>