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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 SEPTEMBER 2010

The Conference Board Leading Economic Index[®] (LEI) for Japan decreased 0.3 percent, while **The Conference Board Coincident Economic Index[®] (CEI)** increased 0.2 percent in September.

- The Conference Board LEI for Japan fell in September following two consecutive gains. The six-month growth rate of labor productivity and the index of overtime worked made the largest negative contributions to the index this month. With this month's decline, the six-month growth rate in the leading economic index has turned negative for the first time since June 2009 -- to -1.4 percent (a -2.7 percent annual rate) from March to September 2010, down sharply from 13.5 percent (about a 28.9 percent annual rate) for the previous six months. In addition, the strengths among the leading indicators have become less widespread, and were just balanced with the weaknesses in recent months.
- The Conference Board CEI for Japan increased slightly again in September, with half of the components advancing. Despite the gain in September, the six-month growth rate of the coincident economic index continued to slow -- to 1.5 percent (a 3.1 percent annual rate) for the period through September 2010, down from 3.0 percent (about a 6.1 percent annual rate) for the previous six months. At the same time, real GDP growth slowed to 1.5 percent (annual rate) in the second quarter of 2010, from 5.0 percent (annual rate) in the first quarter.
- The Conference Board LEI for Japan began to weaken in the spring, and its six-month growth rate has become negative for the first time in more than a year. In addition, the six-month growth rate

in The Conference Board CEI for Japan has also slowed this year. Taken together, the behavior of the composite indexes suggests that economic growth will likely be weak in the near term.

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

With the decrease of 0.3 percent in September, The Conference Board LEI for Japan now stands at 101.7 (2004=100). Based on revised data, this index increased 0.4 percent in August and increased 0.1 percent in July. During the six-month span through September, the index decreased 1.4 percent, and five of the ten components advanced (diffusion index, six-month span equals 50.0 percent).

COINCIDENT INDICATORS. Two of the four components that make up The Conference Board CEI for Japan increased in September. The positive contributors to the index – in order from the larger positive contributor– include number of employed persons and the retail, wholesale, and manufacturing sales* component. Industrial production and wage and salary income declined in September.

With the increase of 0.2 percent in September, The Conference Board CEI for Japan now stands at 100.2 (2004=100). Based on revised data, this index increased 0.2 percent in August and increased 0.5 percent in July. During the six-month span through September, the index increased 1.5 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**[®] (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 November 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
	Jul	Aug	Sep	Mar to Sep
Leading Economic index (LEI)	101.6 p	102.0 p	101.7 p	
Percent Change	0.1 p	0.4 p	-0.3 p	-1.4 p
Diffusion	75.0	70.0	50.0	50.0
Coincident Economic Index (CEI)	99.8 p	100.0 p	100.2 p	
Percent Change	0.5 p	0.2 p	0.2 p	1.5 p
Diffusion	75.0	62.5	50.0	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 Wednesday, December 8, 2010 at 10:00 A.M. (JST)

In the U.S – Tuesday, December 7, 2010 at 8:00 P.M (ET)

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