



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 MAY 2009**

The Conference Board Leading Economic Index™ (LEI) for Japan increased 0.8 percent and **The Conference Board Coincident Economic Index™ (CEI)** decreased 0.2 percent in May.

- The Conference Board LEI for Japan increased in May for the first time since June 2007, and the strengths among its components were also more widespread than the weaknesses this month. Substantial gains in the six-month growth rate of productivity, the index of overtime worked, stock prices, and money supply more than offset the large declines in operating profits and the Tankan business conditions index. With May's increase, the six-month change in the leading economic index stands at -21.8 percent (about a -38.9 percent annual rate), which is slightly less negative than it has been in recent months. The weaknesses among the leading indicators have also grown less widespread during this period.
- The Conference Board CEI for Japan declined slightly in May, following its first gain in a year in April. Large declines in the number of employees and the retail, wholesale, and manufacturing sales component offset the record monthly increase in industrial production this month. The six-month decline in the index has moderated in recent months -- to 7.1 percent (a -13.6 percent annual rate) for the period ending in May, but the weaknesses among its components have remained widespread. At the same time, real GDP contracted at a 14.2 percent annual rate in the first quarter of 2009, the largest drop in 35 years, following a 13.5 percent contraction in the fourth quarter of 2008.
- The rates of decline in The Conference Board LEI and The Conference Board CEI for Japan, which became very sharp beginning in the third quarter of 2008, seem to have moderated somewhat in recent months. However, given the still deep and widespread declines in both indexes, it is too early to tell whether Japan's economy is starting to recover. Taken together, the recent behavior of the composite indexes suggests that the current contraction in economic activity is likely to continue, but will probably become less severe in the near term.

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

With the increase of 0.8 percent in May, The Conference Board LEI for Japan now stands at 67.0 (2004=100). Based on revised data, this index decreased 3.1 percent in April and decreased 3.7 percent in March. During the six-month span through May, the index decreased 21.8 percent, and four of the ten components advanced (diffusion index, six-month span equals 40.0 percent).

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

With the decrease of 0.2 percent in May, The Conference Board CEI for Japan now stands at 92.0 (2004=100). Based on revised data, this index increased 0.4 percent in April and decreased 1.6 percent in March. During the six-month span through May, the index decreased 7.1 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” 10:00 A.M. ET July 8, 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

	2008		2009	6-month
	Mar	Apr	May	Nov to May
Leading Economic index (LEI)	68.6 p	66.5 p	67.0 p	
Percent Change	-3.7 p	-3.1 p	0.8 p	-21.8 p
Diffusion	50.0	60.0	70.0	40.0
Coincident Economic Index (CEI)	91.8 p	92.2 p	92.0 p	
Percent Change	-1.6 p	0.4 p	-0.2 p	-7.1 p
Diffusion	25.0	25.0	50.0	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, August 7, 2009 at 10:00 A.M. (JST)

In the U.S – Thursday, August 6, 2009 at 9:00 P.M (ET)