



News Release

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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 2014**

The Conference Board Leading Economic Index® (LEI) for Japan decreased 0.7 percent and **The Conference Board Coincident Economic Index® (CEI)** increased 0.4 percent in May.

- The Conference Board LEI for Japan fell again in May, its fifth decline in six months. Business failures (inverted), the Tankan business conditions survey and dwelling units started made the largest negative contributions to the index this month. With May's decline, the leading economic index has fallen by 2.4 percent (about a -4.7 percent annual rate) from November 2013 to May 2014, a reversal from growth of 3.3 percent (about a 6.6 percent annual rate) in the previous six months. However, the strengths among the leading indicators have become less widespread, and were balanced with the weaknesses in the past six months.
- The Conference Board CEI for Japan improved in May, after a sharp decline in April. Gains in the number of employed persons more than offset a negative contribution from wage and salary income. The six-month growth rate for the period ending in May 2014 was -0.5 percent (a -1.0 percent annual rate), down from no growth in the previous six months. Despite negative growth, the strengths among the coincident indicators continued to be widespread. Real GDP expanded at a 6.7 percent annual rate in the first quarter of 2014, up from 0.3 percent (annual rate) growth in the last quarter of 2013.
- The weakening trend in The Conference Board LEI for Japan has been persistent since the end of last year, and the rate of decline has accelerated in recent months. In addition, the six-month growth in the CEI for Japan turned negative in April and May. Taken together, the continued weak performance of the LEI and CEI suggests that the economy's strong growth in the first

quarter is unlikely to last, and that the risk of a contraction in the coming months is becoming more pronounced.

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

With the decrease of 0.7 percent in May, The Conference Board LEI for Japan now stands at 98.9 (2004=100). Based on revised data, this index decreased 1.1 percent in April and decreased 0.2 percent in March. During the six-month span through May, the index decreased 2.4 percent, and five of the ten components advanced (diffusion index, six-month span equals 50.0 percent).

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

With the increase of 0.4 percent in May, The Conference Board CEI for Japan now stands at 96.2 (2004=100). Based on revised data, this index decreased 1.6 percent in April and increased 0.6 percent in March. During the six-month span through May, the index decreased -0.5 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” 3:00 P.M. ET July 7, 2014. Some series are estimated as noted below.

* The series in The Conference Board LEI that are based on our estimates are the six month growth rate of labor productivity, real operating profits and new orders for machinery and construction. The series in The Conference Board CEI that is based on our estimates is real manufacturing sales.

Summary Table of Composite Economic Indexes

	2014			6-month
	Mar	Apr	May	Nov to May
Leading Economic Index (LEI)	100.7 p	99.6 p	98.9 p	
Percent Change	-0.2 p	-1.1 p	-0.7 p	-2.4 p
Diffusion	50.0	40.0	40.0	50.0
Coincident Economic Index (CEI)	97.4 p	95.8 p	96.2 p	
Percent Change	0.6 p	-1.6 p	0.4 p	-0.5 p
Diffusion	100.0	0.0	75.0	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, August 8, 2014 at 10:00 A.M. (JST)

In the U.S – Thursday, August 7, 2014 at 9:00 P.M. (EDT)

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

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