



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 AUGUST 2014**

The Conference Board Leading Economic Index® (LEI) for Japan increased 0.3 percent and **The Conference Board Coincident Economic Index® (CEI)** decreased 0.2 percent in August.

- The Conference Board LEI for Japan increased slightly in August, with a large positive contribution from (inverted) business failures more than offsetting declines in the index of overtime worked and the six-month growth rate of labor productivity. Despite this month's increase, the leading economic index has fallen 3.2 percent (about a -6.2 percent annual rate) from February to August 2014, a reversal from its growth of 2.1 percent (about a 4.3 percent annual rate) over the previous six months. However, the strengths and weaknesses among the leading indicators have become balanced in the last six months.
- The Conference Board CEI for Japan, a measure of current economic activity, fell in August, driven by negative contributions from industrial production and real retail, wholesale and manufacturing sales. The six-month growth rate of the coincidence economic index declined 2.0 percent (about a -3.9 percent annual rate) ending in August, a reversal from its increase of 0.7 percent (about a 1.5 percent annual rate) in the previous six months. In addition, the weaknesses among the coincident indicators have continued to be very widespread in recent months. At the same time, real GDP contracted by 7.1 percent (annual rate) in the second quarter of 2014, after expanding 6.0 percent (annual rate) in the previous quarter.
- The Conference Board LEI for Japan increased for the first time this year. Its six-month change remains negative, but the weaknesses among its components have become less widespread in recent months. The slightly better performance in the LEI and its components this month

suggests that the second quarter's deep contraction, due to a fiscal shock, may be short-lived. However, the economic recovery is likely to be subdued in the months ahead, with downside risks still existing.

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

With the increase of 0.3 percent in August, The Conference Board LEI for Japan now stands at 97.7 (2004=100). Based on revised data, this index decreased 0.8 percent in both July and June. During the six-month span through August, the index decreased 3.2 percent, and five of the ten components advanced (diffusion index, six-month span equals 50.0 percent).

COINCIDENT INDICATORS. Only one of the four components that make up The Conference Board CEI for Japan increased in August. The positive contributor to the index was the number of employed persons. Industrial production and the retail, wholesale, and manufacturing sales* components declined in August, while wage and salary income remained unchanged.

With the decrease of 0.2 percent in August, The Conference Board CEI for Japan now stands at 94.9 (2004=100). Based on revised data, this index decreased 0.1 percent in July and 0.5 percent in June. During the six-month span through August, the index decreased 2.0 percent, and only 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” 2:00 P.M. ET October 8, 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. 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
	Jun	Jul	Aug	Feb to Aug
Leading Economic Index (LEI)	98.2 p	97.4 p	97.7 p	
Percent Change	-0.8 p	-0.8 p	0.3 p	-3.2 p
Diffusion	55.0	50.0	50.0	50.0
Coincident Economic Index (CEI)	95.2 p	95.1 p	94.9 p	
Percent Change	-0.5 p	-0.1 p	-0.2 p	-2.0 p
Diffusion	12.5	25.0	37.5	25.0

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

Source: The Conference Board All Rights Reserved

The next release is scheduled for Thursday, November 6, 2014 at 10:00 A.M. (JST)

In the U.S – Friday, November 7, 2014 at 8:00 P.M. (ET)

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

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