



News Release

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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 OCTOBER 2010**

Next month's release will incorporate annual benchmark revisions to the composite indexes. These regular benchmark revisions bring the indexes up-to-date with revisions in the source data. The revisions do not change the cyclical properties of the indexes. The indexes are updated throughout the year, but only for the previous six months. Data revisions that fall outside of the moving six-month window are incorporated when the benchmark revision is made and the entire histories of the indexes are recomputed. As a result, the revised indexes and their month-over-month changes will no longer be directly comparable to those issued prior to the benchmark revision.

For more information, please visit our website at <http://www.conference-board.org/data/bci.cfm> or contact [indicators@conference-board.org](mailto:indicators@conference-board.org).

**The Conference Board Leading Economic Index<sup>®</sup> (LEI)** for Japan decreased 1.5 percent and **The Conference Board Coincident Economic Index<sup>®</sup> (CEI)** decreased 0.8 percent in October.

- The Conference Board LEI for Japan fell sharply in October, and it has declined for five of the last six months. There were also downward revisions to the index for the previous four months, as actual data for real operating profits for the third quarter became available. With this month's decline, the six-month change in the leading economic index has continued to fall -- to -4.5 percent (a -8.9 percent annual rate) from April to October 2010, down sharply from 10.9 percent

(about a 23.1 percent annual rate) for the previous six months. In addition, the weaknesses among the leading indicators have become more widespread than the strengths in recent months.

- The Conference Board CEI for Japan, a measure of current economic activity, also declined in October. There were also sharp downward revisions to the index in recent months as third quarter data for manufacturing sales became available. In October, all components of the coincident economic index fell. With this month's decline, the six-month change in the coincident economic index stands at -1.8 percent (a -3.6 percent annual rate) for the period through October 2010, down from 2.9 percent (about a 5.9 percent annual rate) for the previous six months. At the same time, real GDP grew at a 3.9 percent (annual rate) in the third quarter of 2010, up from the increase of 1.8 percent (annual rate) in the second quarter.
- The Conference Board LEI for Japan has continued to fall, and its six-month growth rate has become negative amid widespread weakness among its components. Meanwhile, The Conference Board CEI for Japan has also been decreasing, with its six-month growth rate turning negative recently. Taken together, the behavior of the composite indexes suggests that economic activity may weaken further in the coming months.

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

With the decrease of 1.5 percent in October, The Conference Board LEI for Japan now stands at 98.7 (2004=100). Based on revised data, this index decreased 0.6 percent in September and remained unchanged in August. During the six-month span through October, the index decreased 4.5 percent, and four of the ten components advanced (diffusion index, six-month span equals 40.0 percent).

**COINCIDENT INDICATORS.** All four components that make up The Conference Board CEI for Japan decreased in October. The negative contributors to the index – in order from the largest negative contributor to the smallest – include the retail, wholesale, and manufacturing sales\* component, industrial production, wage and salary income, and number of employed persons.

With the decrease of 0.8 percent in October, The Conference Board CEI for Japan now stands at 97.3 (2004=100). Based on revised data, this index decreased 0.3 percent in both September and August. During the six-month span through October, the index decreased 1.8 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**<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 December 6, 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
	Aug	Sep	Oct	Apr to Oct
<b>Leading Economic index (LEI)</b>	100.8 r	100.2 p	98.7 p	
Percent Change	0.0 r	-0.6 p	-1.5 p	-4.5 p
Diffusion	55.0	40.0	35.0	40.0
<b>Coincident Economic Index (CEI)</b>	98.4 r	98.1 p	97.3 p	
Percent Change	-0.3 r	-0.3 p	-0.8 p	-1.8 p
Diffusion	37.5	25.0	0.0	25.0

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, January 12, 2011 at 10:00 A.M. (JST)

*In the U.S* – Tuesday, January 11, 2011 at 8:00 P.M (ET)

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