



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 MARCH 2009

The Conference Board Leading Economic Index™ (LEI) for Japan decreased 3.5 percent and **The Conference Board Coincident Economic Index™ (CEI)** decreased 1.1 percent in March.

- The Conference Board LEI for Japan continued its sharp downward trend in March. The newly revised data for operating profits fell at a historic pace in the fourth quarter of 2008, while the six-month growth rate of labor productivity, the Tankan business conditions index, and dwelling units started continued to make large negative contributions to the index this month. With March's decline, the leading economic index has fallen by 26.4 percent (about a -45.9 percent annual rate) from September 2008 to March 2009, the largest six-month decline in its 44-year history. Moreover, the weaknesses among the leading indicators continued to be very widespread.
- The Conference Board CEI for Japan also declined sharply in March. Although industrial production rose sharply in March, its first increase in six months, the number of employees; the retail, wholesale, and manufacturing sales component; and wage and salary income all declined substantially. The six-month growth rate of the index fell to -7.6 percent (a -14.6 percent annual rate), the lowest since the index began in 1965. In addition, the weaknesses among the coincident indicators continued to be very widespread over the past six months. At the same time, real GDP contracted at a 12.1 percent annual rate in the fourth quarter of 2008, the largest drop in 35 years. The growth rate of real GDP averaged -4.2 percent (annual rate) in 2008.
- The widespread declines in The Conference Board LEI and The Conference Board CEI for Japan have been persistent for more than a year now. Although the rate of decline in both composite indexes seems to have stabilized in recent months and industrial production improved in March, it is too early to tell whether Japan's economy is starting to recover. The recent behavior in the leading economic index and coincident economic index for Japan suggests that the current contraction in economic activity is likely to continue in the near term.

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

With the decrease of 3.5 percent in March, The Conference Board LEI for Japan now stands at 68.8 (2004=100). Based on revised data, this index decreased 5.7 percent in February and decreased 6.3 percent in January. During the six-month span through March, the index decreased 26.4 percent, and one of the ten components advanced (diffusion index, six-month span equals 25.0 percent).

COINCIDENT INDICATORS. One of the four components that make up The Conference Board CEI for Japan increased in March. The positive contributor to the index was industrial production. The retail, wholesale, and manufacturing sales* component, number of employed persons, and wage and salary income declined in March.

With the decrease of 1.1 percent in March, The Conference Board CEI for Japan now stands at 93.6 (2004=100). Based on revised data, this index decreased 1.8 percent in February and decreased 1.3 percent in January. During the six-month span through March, the index decreased 7.6 percent, and one of the four components advanced (diffusion index, six-month span equals 12.5 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 May 5, 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
	Jan	Feb	Mar	Sep to Mar
Leading Economic index (LEI)	75.6 p	71.3 p	68.8 p	
Percent Change	-6.3 p	-5.7 p	-3.5 p	-26.4 p
Diffusion	30.0	35.0	35.0	25.0
Coincident Economic Index (CEI)	96.3 p	94.6 p	93.6 p	
Percent Change	-1.3 p	-1.8 p	-1.1 p	-7.6 p
Diffusion	50.0	0.0	25.0	12.5

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

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The next release is scheduled for Friday, June 12, 2009 at 10:00 A.M. (JST)

In the U.S – Thursday, June 11, 2009 at 9:00 P.M (ET)