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Further information:

Professional Contacts at The Conference Board:

Indicator Program: 1-212-339-0330

indicators@conference-board.org

Media Contacts:

Frank Tortorici: 908-875-8908

f.tortorici@conference-board.org

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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 2010

The Conference Board Leading Economic Index[®] (LEI) for Japan increased 2.3 percent and **The Conference Board Coincident Economic Index[®] (CEI)** decreased 0.1 percent in March.

- The Conference Board LEI for Japan increased sharply in March, with all of its components making positive contributions except dwelling units started. The six-month growth rate in the leading economic index has continued to moderate -- to 14.0 percent (a 29.9 percent annual rate) for the period through March 2010, down from the very rapid growth of 18.1 percent (about a 39.4 percent annual rate) for the previous six months. Nevertheless, this is still a large improvement from the deep declines in the first half of 2009. In addition, the strengths among the leading indicators have remained widespread in recent months.
- The Conference Board CEI for Japan fell slightly again in March, as the large decline in the retail, wholesale, and manufacturing sales component more than offset the small positive contributions from wage and salary income and industrial production. With the decline in March, the six-month increase in the coincident economic index has continued to slow, to 2.3 percent (a 4.6 percent annual rate) for the period through March 2010, down from 3.2 percent (about a 6.6 percent annual rate) for the previous six months. At the same time, real GDP growth was revised down, from 4.6 percent to 3.8 percent (annual rate) in the fourth quarter of 2009. This follows a

0.6 percent (annual rate) decline in the third quarter and a 4.3 percent (annual rate) decline during the first half of 2009.

- The Conference Board LEI for Japan has been on an upward trend for more than a year now, but its six-month growth rate has continued to moderate. At the same time, The Conference Board CEI for Japan declined for the second consecutive month after rising since April 2009, and its six-month growth rate has also slowed as a result. Taken together, the behavior of the composite indexes suggests that economic recovery will continue, but its pace is likely to be slow in the near term.

LEADING INDICATORS. Nine 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 the new orders for machinery and construction component*, stock prices, the Tankan business conditions survey, the six month growth rate of labor productivity, the index of overtime worked, real operating profits*, interest rate spread, (inverted) business failures, and real money supply. The negative contributor was dwelling units started.

With the increase of 2.3 percent in March, The Conference Board LEI for Japan now stands at 103.5 (2004=100). Based on revised data, this index increased 1.2 percent in February and increased 2.5 percent in January. During the six-month span through March, the index increased 14.0 percent, and nine of the ten components advanced (diffusion index, six-month span equals 90.0 percent).

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

With the decrease of 0.1 percent in March, The Conference Board CEI for Japan now stands at 98.0 (2004=100). Based on revised data, this index decreased 0.3 percent in February and increased 1.3 percent in January. During the six-month span through March, the index increased 2.3 percent, and three of the four components advanced (diffusion index, six-month span equals 87.5 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, 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

| | 2009 | 2010 | 6-month | |
|--|-------------|-------------|----------------|-------------------|
| | Jan | Feb | Mar | Sep to Mar |
| Leading Economic index (LEI) | 100.0 p | 101.2 p | 103.5 p | |
| Percent Change | 2.5 p | 1.2 p | 2.3 p | 14.0 p |
| Diffusion | 70.0 | 60.0 | 85.0 | 90.0 |
| Coincident Economic Index (CEI) | 98.4 p | 98.1 p | 98.0 p | |
| Percent Change | 1.3 p | -0.3 p | -0.1 p | 2.3 p |
| Diffusion | 100.0 | 25.0 | 50.0 | 87.5 |

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, June 11, 2010 at 10:00 A.M. (JST)
In the U.S – Thursday, June 10, 2010 at 9:00 P.M (ET)

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