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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 2010

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

- The Conference Board LEI for Japan increased slightly in August, and July's decline was revised up to a small gain due to revisions in the underlying data. In August, new orders for machinery and construction, the Tankan business conditions index, dwelling units started, and real money supply continued to make positive contributions, more than offsetting the negative contributions from the six-month growth rate of labor productivity and stock prices. Despite this month's small gain, the six-month growth rate in the leading economic index continued to slow -- to 1.3 percent (a 2.6 percent annual rate) from February to August 2010, down sharply from 14.2 percent (about a 30.4 percent annual rate) for the previous six months. In addition, the strengths among the leading indicators have become less widespread in recent months.
- The Conference Board CEI for Japan also increased slightly in August. Despite the gain in August, the six-month growth rate of the coincident economic index also continued to slow -- to 1.7 percent (a 3.5 percent annual rate) for the period through August 2010, down from 3.0 percent (about a 6.2 percent annual rate) for the previous six months. At the same time, real GDP increased by 1.5 percent (annual rate) in the second quarter of 2010, down from 5.0 percent (annual rate) in the first quarter.

- The Conference Board LEI for Japan increased slightly in the past two months, but its six-month growth rate has continued to fall at a rapid pace. In addition, the six-month growth rate in The Conference Board CEI for Japan has also slowed this year. Taken together, the behavior of the composite indexes suggests that the economic recovery should continue, but its pace will likely remain modest in the near term.

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

With the increase of 0.2 percent in August, The Conference Board LEI for Japan now stands at 101.8 (2004=100). Based on revised data, this index increased 0.1 percent in July and decreased 1.4 percent in June. During the six-month span through August, the index increased 1.3 percent, and six of the ten components advanced (diffusion index, six-month span equals 60.0 percent).

COINCIDENT INDICATORS. Two of the four components that make up The Conference Board CEI for Japan increased in August. The positive contributors to the index were the retail, wholesale, and manufacturing sales* component and wage and salary income. Industrial production and number of employed persons declined in August.

With the increase of 0.2 percent in August, The Conference Board CEI for Japan now stands at 100.0 (2004=100). Based on revised data, this index increased 0.5 percent in July and increased 0.3 percent in June. During the six-month span through August, the index increased 1.7 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” 5:00 P.M. ET October 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

	2010			6-month
	Jun	Jul	Aug	Feb to Aug
Leading Economic index (LEI)	101.5 p	101.6 p	101.8 p	
Percent Change	-1.4 p	0.1 p	0.2 p	1.3 p
Diffusion	60.0	75.0	70.0	60.0
Coincident Economic Index (CEI)	99.3 p	99.8 p	100.0 p	
Percent Change	0.3 p	0.5 p	0.2 p	1.7 p
Diffusion	75.0	75.0	62.5	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 Wednesday, November 10, 2010 at 10:00 A.M. (JST)

In the U.S – Tuesday, November 9, 2010 at 8:00 P.M (ET)

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