

# Japan: Key economic gauge takes worst drop ever

Coincident index reflects wreckage of March disaster

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The benchmark composite economic index posted its sharpest ever fall in March as the devastating earthquake and tsunami that month disrupted electricity supply and industrial production, the government said Wednesday.

The index of coincident indicators, including output, shipments and retail sales, dropped 3.2 points from the previous month to 103.6 against the 2005 base of 100, the Cabinet Office said in a preliminary report. Comparable figures have been available since 1980.

The pace of decline was faster than the previous record of a 3.1 point fall marked in November 2008 after the collapse of U.S. investment bank Lehman Brothers Holdings Inc. two months earlier.

The March 11 quake, which struck northeastern Japan, disrupted the supply chain of industrial products throughout the country while crippling nuclear and thermal power plants, leading to rolling blackouts in Tokyo and surrounding areas.

The office downgraded its basic assessment of the index. It said the result still signaled "improvement," citing some technical reasons, but added that the three-month moving average was falling, an indication of further downgrading to come.

The March outcome almost matched the average forecast of a 2.9 point slide by economists in a Kyodo News survey. It came after separate data released by the Economy, Trade and Industry Ministry last month showed Japan's industrial output plunged a record 15.3 percent month on month in March, affected by halts in production lines at major automobile and electronic device makers.

The office also said the index of leading indicators, which predicts development in the following months, lost 4.5 points to 99.5 on negative implications for the inventory ratio of manufacturers, shipment by carmakers and job markets.

That of lagging indicators, measuring economic performance in the recent past, was down 1.7 points to 88.8, affected by sluggish household spending and smaller corporate tax revenues.

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\* Kyodo, May 12, 2011

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