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Bank of Japan

**Monthly Report of
Recent Economic and Financial Developments**
September 2008

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Monthly Report of Recent Economic and Financial Developments¹

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Summary

Japan's economic growth has been sluggish against the backdrop of high energy and materials prices and weaker growth in exports.

The pace of increase in exports has slowed. Business fixed investment has declined somewhat lately, as corporate profits have decreased mainly due to the deterioration in the terms of trade.² Private consumption has been relatively weak, mainly due to sluggish growth in household income and the increase in prices of energy and food. Housing investment has been more or less flat. Public investment, meanwhile, has been sluggish. With these developments in demand both at home and abroad, production has been relatively weak.

While growth will likely remain sluggish for the time being, Japan's economy is expected to gradually return onto a moderate growth path as international commodity prices stabilize and overseas economies move out of their deceleration phase.

Growth in exports is expected to remain only modest for the time being, due to the slowdown in overseas economies. Growth in domestic private demand is likely to be sluggish for the time being, as corporate profits are expected to continue decreasing and real household income is likely to remain relatively weak. Public investment, meanwhile, is projected to be on a downtrend. In light of these developments in demand, production is expected to remain relatively weak for the time being.

On the price front, the three month rate of increase in domestic corporate goods prices has declined somewhat, due to the setback in international commodity prices. The year-on-year rate of increase in consumer prices (excluding fresh food)

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on September 16 and 17, 2008.

² The deterioration in the terms of trade is shown in the increase in trading losses in the System of National Accounts (SNA; Chart 4). See BOX for details.

is currently around 2.5 percent against the background of the increase in prices of energy and food.

The pace of increase in domestic corporate goods prices is expected to slow for the time being, mainly due to the setback in international commodity prices. The year-on-year rate of increase in consumer prices is expected to remain at around the current level over the coming months but to moderate gradually thereafter, reflecting developments in prices of energy and food.

As for the financial environment, the environment for corporate finance is accommodative on the whole. Credit demand in the private sector has been increasing moderately. Issuing conditions for CP and corporate bonds have been favorable as a whole, although they have tightened for firms with low credit ratings and in some industries. Lending attitudes of private banks have continued to be generally accommodative. The amount outstanding of lending by private banks, notably of lending to large firms, has been increasing, although that of lending to small and medium-sized firms has been below the previous year's level. The amount outstanding of CP and corporate bonds issued has been above the previous year's level. Funding costs for firms have remained more or less unchanged. The financial positions of firms have continued to be favorable as a whole, but those of small and medium-sized firms and of firms in some industries have deteriorated. Meanwhile, the year-on-year rate of change in the money stock is in the range of 2-3 percent.

As for developments in financial markets, in the money markets, the overnight call rate has been at around 0.5 percent, and interest rates on term instruments have been around the same level as last month. In the foreign exchange and capital markets, against the backdrop of the recent developments among U.S. financial institutions, the yen has appreciated against the U.S. dollar and stock prices have fallen compared with last month. Meanwhile, long-term interest rates have been around the same level as last month.

1. Economic Developments

Public investment has been sluggish (Chart 5). On a GDP basis (second preliminary figures), real public investment dropped substantially in the second quarter, partly in reaction to the marginal increase in the first quarter (Chart 3). Looking at monthly indicators, the amount of public construction completed—which reflects the progress of public works—has followed a moderate downtrend. The value of public works contracted—a measure that reflects public orders—dropped sharply in the second quarter, but increased in July-August due to the upsurge in large orders. On average, however, it has also been on a moderate declining trend. Public investment is projected to be on a downtrend due to tight national and local fiscal conditions.

The pace of increase in real exports has slowed (Charts 6[1] and 7). They dropped considerably, by 3.3 percent, in the second quarter on a quarter-on-quarter basis, but rose, by 2.9 percent, in July compared with the second quarter.³

As for real exports by destination (Chart 7[1]), exports to the United States dropped substantially in the second quarter on a quarter-on-quarter basis and also declined markedly in July compared with the second quarter, mainly due to the drop in automobiles. Exports to the EU and NIEs plunged in the second quarter, but rose in July; their pace of increase has slowed on average despite large fluctuations. Exports to the ASEAN economies inched down in July compared with the second quarter following the decline in the second quarter. Meanwhile, exports to China have still continued to climb. Exports to other regions (such as the Middle East, Latin America, and Russia) were flat in the second quarter, but bounced back sharply in July.

By goods (Chart 7[2]), exports of IT-related goods increased in the second quarter and continued to rise in July compared with the second quarter. Exports of capital goods and parts declined in the second quarter, chiefly in semiconductor products machinery, but they rebounded in July to a wide range of regions. Exports

³ Monthly fluctuations have been significant lately. On average, however, slower growth in exports has become evident. This basically reflects the fact that the slowdown in overseas economies as a whole, mainly in the United States and Europe, has become noticeable.

of consumer goods, meanwhile, rose in both the first and second quarters, notably in digital home appliances, but they fell back in July, as demand associated with the Beijing Olympics came to a halt. Exports of automobile-related goods increased firmly in July, led mainly by the high growth in exports to other regions. As a trend, however, they have been losing momentum mainly because of the drop in exports to the United States. Exports of intermediate goods plunged in the second quarter, chiefly to the NIEs and ASEAN economies, and remained level in July.

Real imports have been relatively weak (Charts 6[1] and 9). They declined considerably, by 2.5 percent, in the second quarter on a quarter-on-quarter basis and remained flat in July, with an increase of 0.2 percent compared with the second quarter.

By goods (Chart 9[2]), imports of IT-related goods registered relatively high growth in July, partly in reaction to the decline in the second quarter. Imports of capital goods and parts (excluding aircraft) had continued to increase, but turned downward in July compared with the second quarter for the first time in 14 quarters. Imports of raw materials and intermediate goods have been relatively weak, due to firms' ongoing cutbacks in imports of materials and due also to the effects from the restraints on production. Imports of foodstuffs and consumer goods have been on a declining trend, mainly due to the rise in import prices and weakness in private consumption.

The pace of increase in net exports in terms of the real trade balance has slowed somewhat, reflecting the aforementioned movements in imports and exports (Chart 6[2]). The surplus of the nominal balance on goods and services has diminished since around the end of last year, mainly due to the rise in crude oil prices.

Growth in exports is expected to remain only modest for the time being, due to the slowdown in overseas economies (Chart 8[2]).

As for the environment surrounding exports, in the United States, the economy has been losing momentum, as the housing market has undergone significant adjustments and financial institutions have taken tighter lending stances.

In this situation, sales of automobiles—which have a large impact on Japan's exports—have fallen noticeably, affected mainly by the rise in gasoline prices. In the EU, the economic slowdown has also become evident. Economic expansion has continued in emerging economies and countries that export natural resources, but the pace of expansion has decelerated somewhat even in these economies, partly due to elevated inflation rates. Regarding the environment surrounding exports of IT-related goods, global demand for finished products has continued to be on an upward trend. Demand for digital home appliances associated with the Beijing Olympics, however, seems to have been below market expectations, and global demand for PCs and cellular phones has also shown signs of a slowdown. International market prices for semiconductors have been soft on the whole, partly due to strong pressure from the increase of supply. Meanwhile, in the foreign exchange market, the yen has remained at significantly low levels from a long-term perspective in terms of the real effective exchange rate, which incorporates differentials in the inflation rates between home and abroad (Chart 8[1]).

Imports are expected to remain relatively weak for the time being, mainly reflecting the sluggish growth in the domestic economy and the rise in import prices.

Business fixed investment has declined somewhat lately, as corporate profits have decreased mainly due to the deterioration in the terms of trade. On a GDP basis (second preliminary figures), real business fixed investment was flat in the first quarter. It then dropped marginally in the second quarter since the second preliminary figures were revised downward from the first preliminary figures (Chart 3). Based on the *Financial Statements Statistics of Corporations by Industry, Quarterly*, business fixed investment in nominal terms rose marginally in the first quarter, but dropped significantly in the second quarter (Chart 10).⁴ By industry

⁴ From this second-quarter *Financial Statements Statistics of Corporations by Industry, Quarterly*, the relationship between the amount of tangible fixed assets (stock) and that of business fixed investment (flow) has changed drastically, mainly due to changes in the accounting standard for lease transactions (see next footnote). Because of this, the adjustments that have been done so far to correct biases in figures caused by sample changes (the amount of business fixed investment is revised in proportion to changes in the amount of tangible fixed assets in response to changes in samples and responding firms)—are likely to distort figures. Therefore, charts 10 and 11 are made without such adjustments and figures excluding leasing, etc. are also shown. In general, considerable latitude should be allowed for the second-quarter data of the *Financial Statements Statistics of Corporations by Industry, Quarterly* since samples are changed significantly chiefly in small firms.

(Chart 11), investment by manufacturing firms was steady, whereas that by nonmanufacturing firms plunged, mainly due to the drop in leasing which was affected by changes in the accounting standards for finance lease transactions.⁵ Looking at monthly indicators, the aggregate supply of capital goods (both including and excluding transport equipment)—a coincident indicator of machinery investment—has continued to be weak; it dropped in both the first and second quarters and also declined in July compared with the second quarter (Chart 12[1]). Machinery orders (private demand, excluding orders of shipbuilding and orders from electric power companies)—a leading indicator of machinery investment—dropped in July compared with the second quarter, but they have been more or less flat at high levels on average (Chart 13[1]).⁶ Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—registered a sizeable increase in July, since large construction starts were included. As a trend, however, they have been more or less flat as a whole; the manufacturing sector has been firm, whereas the nonmanufacturing sector has been somewhat weak (Chart 13[2]).

Looking at the environment surrounding business fixed investment, corporate profits have decreased mainly due to the deterioration in the terms of trade. According to the *Financial Statements Statistics of Corporations by Industry, Quarterly* (Chart 10[2]), the ratio of current profits to sales has been on a downtrend as a whole, mainly due to the rise in materials costs. Looking at this ratio by quarter, it has shown large fluctuations by falling significantly in the first quarter but recovering in the second quarter. This was attributable to the considerable rise in

⁵ Most leased property in finance lease transactions had been booked as fixed assets (business fixed investment) on the lessor's side (leasing companies) and treated off the balance sheet on the lessee's side (firms). However, with the new accounting standard for lease transactions which has been applied from the business year starting after April 1, 2008, leased property is booked as liquid assets on the lessor's side and it is booked as fixed assets on the lessee's side. Since the difference is on which side business fixed investment is counted, the aggregate amount of business fixed investment will basically be unaffected, but there are effects of special exemptions. That is, in cases, such as when the lessee is a small firm or when the price of the leased property is low, lessees do not have to change their accounting procedures. Therefore, as a whole, only the negative impact of leasing companies remains. The fact that the timing of change in the accounting procedure is not the same for all firms has also affected the aggregates.

⁶ Forecasts for the third quarter show that orders are projected to drop for the first time in five quarters (the quarter-on-quarter decline stands at 3.0 percent for private demand, excluding orders of shipbuilding and orders from electric power companies).

non-operating expenses in the first quarter caused by the foreign exchange loss in assets denominated in foreign currency and by the depreciation of marketable securities.⁷

Growth in business fixed investment is likely to be sluggish for the time being, as corporate profits are expected to continue decreasing.

Private consumption has been relatively weak, mainly due to sluggish growth in household income and the increase in prices of energy and food. On a GDP basis (second preliminary figures), real private consumption dropped in the second quarter, partly in reaction to the high growth in the first quarter caused mainly by the leap year factor (Chart 3). Looking at individual indicators on consumption (Charts 14 and 15), sales at department stores and supermarkets picked up in July, due to decent summer clearance sales assisted by the heat wave and favorable weather. On balance, however, sales have been relatively weak, notably at department stores, since consumers have further curtailed their purchases. Meanwhile, sales at convenience stores jumped in July due to the special factor of cigarettes⁸ as well as to the positive effects from the heat wave and favorable weather. Sales of household electrical appliances have continued to climb steadily, mainly in digital home appliances such as flat panel TVs.⁹ The number of new passenger-car registrations has been sluggish, partly since gasoline prices have been high; it dropped significantly in August partly in reaction to the increase in July. As for services consumption, outlays for travel have been weak lately in light of further increases in fuel surcharges added to airfares. Sales in the food service industry picked up somewhat in July aided by the heat wave and favorable weather. On average, however, they have continued to level off since the second half of last year.

⁷ From the second quarter, data for nonmanufacturing have included figures of "pure holding companies that have financial institutions as subsidiary companies." As a result, part of the increase in the profit ratio for the second quarter is caused by a discontinuity of the statistics.

⁸ From July 1, 2008, the attachment of age-verifying equipment to cigarette vending machines has become mandatory. Currently, most vending machines throughout the country require IC cards for verification. These IC cards, however, are not yet in widespread use, and this has possibly attributed to the rise in cigarettes sold over the counter, since this IC card is not required for over-the-counter sales.

⁹ In July, sales of air conditioners and refrigerators were strong due to the heat wave and also demand associated with the Beijing Olympics—such as flat panel TVs—appeared to have increased to a certain degree.

The *Indices of Aggregated Sales* (in real terms)—which are comprised of major sales indicators of goods and services mentioned above¹⁰—picked up in July, but they have been relatively weak on average (Chart 16[1]). The aggregate supply of consumer goods—which comprehensively captures producers' supply of goods—also inched up in July compared with the second quarter, assisted mainly by the rise in sales of air conditioners and refrigerators, but it has been generally level since the start of this year (Chart 16[2]). Looking at statistics on the demand side, as for the index of consumption expenditure level (in real terms) in the *Family Income and Expenditure Survey*, the index on an "excluding housing, automobiles, money gifts and remittance" basis—which is mostly limited to items used for estimating the GDP—declined significantly in the second quarter and was essentially level in July compared with the second quarter (Chart 14[1]). Total expenditure in the *Survey of Household Economy* (in real terms) declined in the second quarter and continued to decrease in July compared with the second quarter (Chart 14[1]).¹¹

Consumer sentiment has become more cautious and many indicators have deteriorated to their previous bottoms, mainly due to the rise in prices of energy and food (Chart 17).

Growth in private consumption is likely to be sluggish for the time being, as household income is expected to remain more or less flat and prices are likely to continue rising.

Housing investment has been more or less flat. On a GDP basis (second preliminary figures), real housing investment dropped significantly in the second half of 2007 and then registered a marked recovery in the first quarter, but declined again in the second quarter (Chart 3). The number of housing starts (Chart 18[1])—a leading indicator of housing investment—fell toward September last year from the effects of the enforcement of the revised Building Standard Law. It then

¹⁰ The *Indices of Aggregated Sales* are the weighted average of individual sales indicators. Outlays for travel in July were not released at the time these indices were compiled, and hence were incorporated into the indices under the assumption that the seasonally adjusted figures for July were at the same level as those for June.

¹¹ In the *Family Income and Expenditure Survey*, the number of samples is about 8,000 households, while that of the *Survey of Household Economy* is about 30,000.

continued to pick up until January this year and has since been more or less flat. Looking at the number of housing starts in detail according to the type of housing, owner-occupied housing, housing for sale, and housing for rent have only recovered to levels lower than those prior to the enforcement of the revised Law. This stagnant recovery is attributable to the softness in sales of condominiums and to high prices of steel products. Looking ahead, housing investment is expected to be more or less flat for the time being, considering the number of housing starts.

Industrial production has been relatively weak. Production inched down in both the first and second quarters, but then rose marginally, by 0.7 percent, in July compared with the second quarter (Chart 19). As for developments in July compared with the second quarter by industry, production of general machinery, electronic parts and devices, and information and communication electronics equipment (such as cellular telephones) continued to decline following the second quarter. Production of transportation equipment (excluding ships and rolling stocks) dropped in the second quarter, but rose in July mainly due to the increase in exports to other regions.

Shipments dropped marginally in both the first and second quarters, but then rose marginally, by 0.5 percent, in July compared with the second quarter. Looking at the trend by goods (Chart 20), shipments of capital goods have fallen since the start of this year, notably in semiconductor products machinery. Shipments of durable consumer goods have peaked due to the decline in automobiles. Those of nondurable consumer goods have been more or less flat. Shipments of construction goods plunged in the second half of last year, affected mainly by the revised Building Standard Law, and they have remained sluggish thereafter without showing any noticeable recovery. Meanwhile, shipments of producer goods had been increasing until around the end of last year, but they have been relatively weak since the start of this year due to the decline in shipments of electronic parts and devices.

Inventories as a whole have been kept more or less in balance with shipments (Chart 21). By goods, as for capital goods (excluding transport equipment), inventory adjustment pressures have been building up, mainly in construction machinery, while shipments have declined at an accelerated pace. As for inventories

of electronic parts and devices, shipments have been weak and inventories have piled up somewhat. On the other hand, inventories of durable consumer goods and of producer goods excluding electronic parts and devices (such as iron and steel, chemicals, and fabricated metals) have been essentially in balance with shipments. Meanwhile, inventories of construction goods have become almost in balance with shipments since restraints on production continue, even though demand has remained sluggish.

As for the outlook, production is expected to remain relatively weak for the time being, in light of developments in demand both at home and abroad. Anecdotal information suggests that production in the third quarter will decrease marginally.¹²

As for the employment and income situations, growth in household income has recently been sluggish (Chart 22[3]).

In the labor market, overtime hours worked had been at high levels, but they have recently been below the year-ago level notably in the manufacturing sector (Chart 24[3]). The unemployment rate has moved up somewhat since the start of this year (Chart 23[1]). The ratio of job offers to applicants has continued to decline (Chart 23[1]). The decrease in the number of job offers is largely attributable to the moderate decrease in labor demand among small firms as a result of the sluggish economic growth.¹³

In terms of employment (Chart 24[1]), the number of employees in the *Labour Force Survey* has been around or slightly below the previous year's level since the start of this year. As for the number of regular employees in the *Monthly Labour Survey*, the year-on-year growth rate has fallen after having peaked at around the end of last year. In both surveys, the year-on-year growth rates have dropped somewhat noticeably for relatively small firms and business establishments. Looking at the number of regular employees in the *Monthly Labour Survey* in detail, full-time

¹² Production in the third quarter, based on the production forecast index of August and September, is calculated to decrease by 0.1 percent compared with the second quarter.

¹³ The number of job advertisements listed in the media of the private sector, which had been steady until earlier this year, has been weak since April (Chart 23[3]).

employees have continued to grow at a relatively fast pace, whereas part-time employees have slowed their pace of increase. Hence, the year-on-year change in the ratio of part-time employees, which had been positive last year, has recently been around zero (Chart 24[2]).¹⁴

The year-on-year rate of increase in nominal wages per employee has diminished (Chart 22[1]). In detail, the year-on-year rate of increase in regular payments and overtime payments picked up somewhat in July assisted mainly by the increase in the number of business days, but it has been slowing as a trend on balance. Special payments in June and July—which represent 90 percent of summer bonuses—remained around the previous year's level.¹⁵

Looking ahead, household income is projected to remain more or less level.

2. Prices

Import prices (on a yen basis; the three-month rate of change) have slowed their pace of increase since international commodity prices have fallen back (Chart 26). Looking at recent developments in international commodity prices in more detail, crude oil prices have fallen back as the slowdown in the global economy has become evident, after having marked a record high in the first half of July. Prices of nonferrous metals and crops have softened markedly compared to a while ago.

¹⁴ These developments in the ratio of part-time worker are partly attributed to (1) part-time workers switching to regular employment as a result of firms' measures to impede the outflow of human resources and of the enforcement of the revised Part-time Work Law (effective in April 2008). It is also likely that these developments have recently been affected by (2) movements of firms to refrain from hiring part-time workers, including the rehiring of retiring baby-boomers in response to the sluggish economic growth.

¹⁵ According to surveys on large firms released by (1) the *Nihon Keizai Shimbun*, Inc. (final results as of July 2, 748 firms), (2) the Japan Business Federation (final results as of July 22, 173 firms), and (3) The Institute of Labor Administration (results as of April 14, 175 firms), the year-on-year rate of increase in summer bonuses for this fiscal year is projected to be lower than that of winter bonuses last fiscal year. (1) shows a year-on-year increase of 0.7 percent for winter bonuses last fiscal year and a decrease of 0.3 percent for summer bonuses this fiscal year, (2) shows an increase of 0.9 percent for last winter and a decrease of 0.1 percent for this summer, and (3) shows increases of 2.2 percent for last winter and 0.9 percent for this summer. The decrease in the growth rate is possibly due to the fact that corporate profits have been declining, caused mainly by high materials prices.

Meanwhile, domestic commodity prices have fallen back somewhat lately in response to movements in international commodity prices, but they have also continued to be at high levels.

The three-month rate of increase in domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter)¹⁶ has declined somewhat, due to the setback in international commodity prices (Chart 27). In detail, prices of "goods sensitive to exchange rates and overseas commodity prices" have slowed their pace of increase, primarily in petroleum and coal products; and prices of "iron and steel and construction goods" have increased at a reduced pace, mainly in prices of scrap and waste. Prices of "others" have also increased at a somewhat slower pace, chiefly in prices of processed foodstuffs. On the other hand, prices of "other materials" and those of "electric power, gas and water" have continued to climb, due to high fuel costs thus far. Meanwhile, prices of "machinery" have recently been more or less flat. Looking at domestic demand products as a whole, including imports, prices of raw materials have increased at a reduced pace in reaction to the drop in international commodity prices. Prices of intermediate goods have peaked out, mainly due to the setback in prices of petroleum-related products. The pace of increase in final goods prices has slowed, chiefly in petroleum products and processed foodstuffs.

The year-on-year rate of change in corporate services prices (excluding external factors)¹⁷ has been around zero percent (Chart 28).¹⁸ Looking at recent developments by category, the year-on-year rate of increase in prices of real estate services has been positive, assisted by the rise in office space rental against the background of improved supply-demand conditions of office spaces in the Tokyo metropolitan area in the past few years. On the other hand, the year-on-year rate of

¹⁶ The figures are adjusted to exclude large seasonal fluctuations in electric power charges to observe the underlying changes in domestic corporate goods prices. Industrial and commercial electric power charges are set relatively high during July-September, when consumption increases substantially.

¹⁷ "Excluding external factors" means that international air passenger transportation, ocean liner, ocean tramper, ocean tanker, oceangoing ship chartering services, and international air freight transportation are excluded from all items.

¹⁸ "All items including external factors" has marked a year-on-year positive boosted by transportation.

increase in prices of "other services" has diminished as a trend in response to firms' cost-cutting. Prices of information services have been relatively weak, since firms have tightened the reins somewhat on their software investment. Prices of advertising services have continued to decline, since firms have been cautious about increasing advertisement placements; prices of leasing and rental have also continued to decrease, affected by the drop in prices of office automation equipment leasing; and prices of finance and insurance have continued to fall, mainly due to the reduction in the premiums of compulsory motor vehicle insurance in April. Meanwhile, prices of communications and broadcasting services have moved out of their year-on-year negative since the year-long effects of the reduction in cellular phone services charges waned in July.

The year-on-year rate of increase in consumer prices (excluding fresh food, same hereafter) is currently around 2.5 percent against the background of the increase in prices of energy and food (Chart 29). In July, consumer prices rose at an accelerated pace by marking an increase of 2.4 percent compared with that of 1.9 percent in June,¹⁹ mainly since (1) the positive contribution from petroleum products and electricity charges expanded as a result of the rise in crude oil prices, and (2) the rise in input costs continued to be passed on to retail prices of food products and "eating out." Looking at recent developments in more detail on a year-on-year basis, prices of goods have increased at a faster pace, notably in prices of petroleum products and food; and services prices have also risen at an accelerated pace, chiefly in prices of "eating out." The year-on-year rate of increase in public utility charges has expanded, assisted by the rise in electricity charges and city gas charges. Meanwhile, the year-on-year rate of increase in consumer prices, excluding food and energy, has been only marginal.

The pace of increase in domestic corporate goods prices is expected to slow for the time being, mainly due to the setback in international commodity prices. The year-on-year rate of increase in consumer prices is expected to remain at around the

¹⁹ Prices rose by 2.4 percent on a year-on-year basis; it was the largest increase since October 1997, when it rose 2.4 percent in the wake of the rise in the consumption tax. Disregarding the effects of that tax hike, it was the largest increase since June 1992 (an increase of 2.5 percent).

current level over the coming months but to moderate gradually thereafter, reflecting developments in prices of energy and food.

3. Financial Developments

(1) Financial Markets

As for interest rate developments in the money markets, the overnight call rate (uncollateralized) has been at around 0.5 percent (Chart 30[1]). Regarding interest rates on term instruments, the Euroyen interest rate (TIBOR, 3-month) and FB rate (3-month) have been more or less flat on the whole (Chart 31[1]). Interest rates on Euroyen futures have fluctuated sharply, but they have recently been around the same level as last month (Chart 31[2]).

Yields on 10-year government bonds (newly issued 10-year JGB) moved in the range of 1.40-1.45 percent in the second half of August reflecting more cautious views on the economic outlook, but they have rebounded somewhat, mainly due to growing concern over price adjustments since the beginning of September. They have recently been at around 1.5 percent (Chart 30[2]).

Yield spreads between corporate bonds and government bonds have been more or less flat on the whole, although spreads for some industries have expanded, since investors have become more selective about bond issues for investment (Chart 33).

Stock prices have continued to show large fluctuations in response to unstable U.S. and European stock prices. The Nikkei 225 Stock Average is moving in the range of 11,000-12,000 yen of late (Chart 34).

In the foreign exchange market, the yen was in the range of 108-111 yen level in the second half of August, but it has fluctuated somewhat sharply since the beginning of September. The yen is currently being traded at around 106 yen to the U.S. dollar (Chart 35).

(2) Corporate Finance and Monetary Aggregates

Credit demand in the private sector, such as that for working capital, has been increasing moderately.

Regarding credit supply, private banks have remained generally accommodative in their loan provision. Related DIs of business surveys indicate that small and medium-sized firms have perceived the lending attitudes of financial institutions as becoming less accommodative. However, the levels of these indicators suggest that the lending attitudes have remained accommodative for most firms (Chart 36).

Lending rates have been at extremely low levels on the whole. The average contracted interest rates on new loans and discounts, with the monthly fluctuations smoothed out, have been more or less unchanged (Chart 37).

The amount outstanding of lending by private banks has increased. Its monthly average outstanding, after adjustment,²⁰ grew by 2.4 percent in August on a year-on-year basis, compared to 2.5 percent in July and 2.4 percent in June (Chart 38). The amount outstanding of lending to small and medium-sized firms, however, has been below the year-ago level. It declined by 1.5 percent in July following a 1.9 percent decline in June on a year-on-year basis.

In the corporate bond and CP markets, issuing conditions have continued to be favorable as a whole. Issuance spreads on corporate bonds and CP have remained tight for firms with high credit ratings. The amount outstanding of CP and corporate bonds issued has been above the previous year's level. It increased by 0.8 percent in August on a year-on-year basis, compared to 0.2 percent in July and 0.6 percent in June (Chart 39). However, issuance spreads have been relatively wide for firms with low credit ratings and in some industries, whose bond issuance has decreased compared to a while ago.

²⁰ The figures are adjusted for (1) fluctuations due to the liquidation of loans, (2) fluctuations in the yen value of foreign-currency-denominated loans due to changes in exchange rates, and (3) fluctuations due to loan write-offs.

According to business surveys, the financial positions of firms have continued to be favorable as a whole, but those of small and medium-sized enterprises and of firms in some industries have shown deterioration (Chart 36).

The money stock (M2) has been in the range of 2-3 percent annually. Its August reading was 2.4 percent on a year-on-year basis, following 2.1 percent in July and 2.2 percent in June (Chart 40).²¹

The number of corporate bankruptcies was up by 4.2 percent in August compared to the year-ago level, to 1,254 cases (Chart 41).

²¹ On an M3 basis, which includes the Japan Post Bank, the year-on-year growth rate was around 1 percent in August—it increased by 1.0 percent in August following 0.8 percent in July and 0.9 percent in June.

BOX: Recent Increase in Trading Losses

The System of National Accounts (SNA) provides a consistent and comprehensive picture of a nation's economy. Gross domestic product (GDP) captures overall economic developments of a nation from the production side, whereas gross domestic income (GDI) and gross national income (GNI) measure them from the income side.

GDP equals GDI on a nominal basis, but they differ in real terms. This is because in real GDI, gains/losses arising from price fluctuations in imports and exports, that is, changes in the terms of trade (= export prices / import prices) are incorporated as "trading gains/losses."²²

$$\text{Real GDP} + \text{Trading gains/losses} = \text{Real GDI}$$

$$\text{Real GDI} + \text{Net income from/to the rest of the world} = \text{Real GNI}$$

Looking at recent developments in Japan's import and export prices, import prices have surged due to soaring resource prices (such as mineral fuels, natural resources, and food), whereas export prices have shown steady movements since prices of industrial products—which comprise a large share in overall exports—have not risen. As a result, trading losses have increased and the year-on-year growth rate of real GDP and real GDI have shown a large discrepancy (BOX Chart [1] [a]).

As for movements in real GDP and real GDI in the United States,²³ the discrepancy between the two is not as distinct as that in Japan (BOX Chart [1] [b]). This is attributable to the difference in the trade structure between the two countries (BOX Chart [2]). That is, in the United States, the proportion of resources among

²² When the terms of trade improves (deteriorates) and trading gains (losses) expand, an increased (a decreased) volume of imports can be purchased by a given volume of exports. Hence, even when real GDP is held constant, goods and services which can be consumed by residents are expected to increase (decrease). Since the amount of trading gains/losses statistically reflects the cumulative changes in the terms of trade from the base period (the current statistics is on the 2000 base year), it is inappropriate to say, for instance, that "among 563 trillion yen of real GDP for fiscal 2007, an income loss of 21 trillion yen was caused by the rise in resource prices."

²³ Since real GDI and real GNI are not officially compiled on an SNA basis in the United States, here, they are calculated using the same method as those used for Japan. The United States, however, releases a command-basis GNP which is equivalent to real GNI on an SNA basis.

imports is smaller compared to Japan, while their proportion among exports is larger than Japan.

Even if Japan loses its income on the terms of trade side, it receives its income from overseas on the real export side. Since quality adjustment is made to prices of industrial products (machinery products in particular), the value added is not counted as a rise in export prices but as an increase in real exports.²⁴ Based on these facts, the magnitude of trading losses should be evaluated by combining movements in real exports.

When looking at movements in real exports and trading losses in Japan (BOX Chart [3] [a]), the increase in trading losses was mostly smaller than the rise in real exports until mid-2007. Since the end of last year, however, trading losses have risen sharply and the pace of increase in real exports has also slowed. This possibly reflects the fact that overseas economies have started to decelerate as a whole, mainly in reaction to the rapid rise in resource prices. The impact of high resource prices on demand both at home and abroad require close scrutiny.

²⁴ Price indexes of many machinery products such as those of IT-related products are compiled by estimating the improvement in the function and quality of the products using a given method and then subtracting this estimate from the nominal price.

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Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2007/Q4	2008/Q1	Q2	2008/May	Jun.	Jul.	Aug.
Index of consumption expenditure level (two-or-more-person households)	0.7	-0.4	-2.0	-1.2	1.7	0.4	n.a.
Sales at department stores	0.3	-0.7	-3.0	-1.4	-3.8	5.5	n.a.
Sales at supermarkets	0.5	0.2	-1.7	-0.7	-0.9	2.4	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 300>	< 301>	< 295>	< 278>	< 290>	< 309>	< 273>
Sales of household electrical appliances (real, Current Survey of Commerce)	1.8	5.7	1.8	3.8	-0.4	4.3	n.a.
Outlays for travel	0.2	0.6	-2.9	6.1	-2.2	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	< 95>	< 114>	< 112>	< 107>	< 113>	< 114>	<n.a.>
Machinery orders (from private sector ⁴)	0.6	2.2	0.6	10.4	-2.6	-3.9	n.a.
Manufacturing	6.1	-5.9	2.7	12.2	3.9	-10.4	n.a.
Nonmanufacturing ⁴	-1.1	6.5	1.0	8.8	-3.3	-2.4	n.a.
Construction Starts (private, nondwelling use)	40.8	1.2	-2.8	7.9	-3.7	7.0	n.a.
Mining & manufacturing	47.2	-1.0	7.6	-7.6	-23.5	73.5	n.a.
Nonmanufacturing ⁵	34.2	1.9	-5.4	10.8	4.4	-5.6	n.a.
Value of public works contracted	1.4	-0.5	-8.3	0.7	-0.9	18.4	-7.2
Real exports	1.9	3.2	-3.3	0.9	0.7	2.1	n.a.
Real imports	-0.5	0.9	-2.5	-1.7	5.5	-2.8	n.a.
Industrial production	0.9	-0.7	-0.8	2.8	-2.2	1.3	n.a.
Shipments	1.4	-0.5	-0.9	2.0	-3.0	1.9	n.a.
Inventories	1.2	0.0	0.4	0.5	1.1	-0.1	n.a.
Inventory Ratio <s.a., CY 2005 = 100>	< 101.3>	< 105.3>	< 105.0>	< 101.2>	< 105.0>	< 101.2>	<n.a.>
Real GDP	0.6	0.7	-0.7	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	-0.1	-0.9	0.5	0.4	-0.9	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2007/Q4	2008/Q1	Q2	2008/May	Jun.	Jul.	Aug.
Ratio of job offers to applicants <s.a., times>	< 1.00>	< 0.97>	< 0.92>	< 0.92>	< 0.91>	< 0.89>	<n.a.>
Unemployment rate <s.a., %>	< 3.8>	< 3.9>	< 4.0>	< 4.0>	< 4.1>	< 4.0>	<n.a.>
Overtime working hours ⁶	0.2	0.7	-1.2	-0.9	-1.8	p -1.0	n.a.
Number of employees	0.9	0.0	-0.0	0.1	0.0	-0.2	n.a.
Number of regular employees ⁶	2.0	1.9	1.7	1.7	1.5	p 1.5	n.a.
Nominal wages per person ⁶	-0.9	1.6	0.7	0.8	0.4	p 0.3	n.a.
Domestic corporate goods price index <q/q % chg., 3-month rate of change> ⁷	2.4 < 0.7>	3.4 < 1.0>	4.8 < 2.5>	4.7 < 2.5>	5.7 < 2.9>	7.3 < 4.2>	p 7.2 <p 2.9>
Consumer price index ⁸	0.5	1.0	1.5	1.5	1.9	2.4	n.a.
Corporate services price index	1.7	0.9	1.1	1.0	1.3	p 1.3	n.a.
Money Stock (M2) <average outstanding, y/y % chg.>	2.0	2.3	2.1	2.1	2.2	2.1	p 2.4
Number of corporate bankruptcies <cases per month>	<1,190>	<1,238>	<1,276>	<1,290>	<1,324>	<1,372>	<1,254>

Notes: 1. All figures in Chart 1 except figures in angle brackets are quarter-on-quarter (month-on-month) changes of seasonal adjusted data.

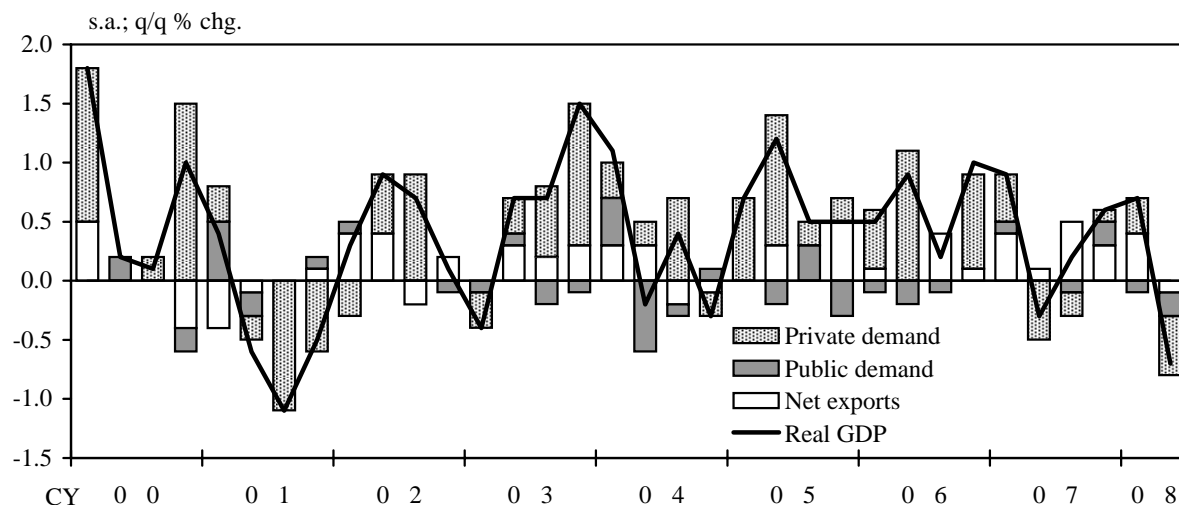
All figures in Chart 2 except figures in angle brackets are year-on-year changes. For details on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes of the respective charts.

2. Figures with "p" indicate preliminary data.
3. Excludes small cars with engine sizes of 660 cc or less.
4. Excludes orders of shipbuilding and orders from electric power companies.
5. Nonmanufacturing is mainly composed of commerce, services, agriculture & fisheries and public utilities industries.
6. Data for establishments with at least five regular employees.
7. Adjusted to exclude a hike in electric power charges during the summer season.
8. Excludes fresh food.

Sources: Ministry of Internal Affairs and Communications, "Labour Force Survey,"
 "Monthly Report on the Family Income and Expenditure Survey," "Consumer Price Index";
 Ministry of Economy, Trade and Industry, "Current Survey of Commerce," "Indices of Industrial Production,"
 "Indices of All Industry Activity";
 Japan Automobile Dealers Association, "Domestic Sales of Automobiles";
 Ministry of Land, Infrastructure and Transport, "Major Travel Agents' Revenue," "Statistics on Building Construction Starts";
 Ministry of Finance, "The Summary Report on Trade of Japan";
 Cabinet Office, "Orders Received for Machinery," "National Accounts";
 East Japan Construction Surety etc., "Public Works Prepayment Surety Statistics";
 Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey";
 Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index," "Money Stock";
 Tokyo Shoko Research Ltd., "Tosan Geppo (Monthly Review of Corporate Bankruptcies)."

Real GDP and Indexes of Business Conditions

(1) Real GDP

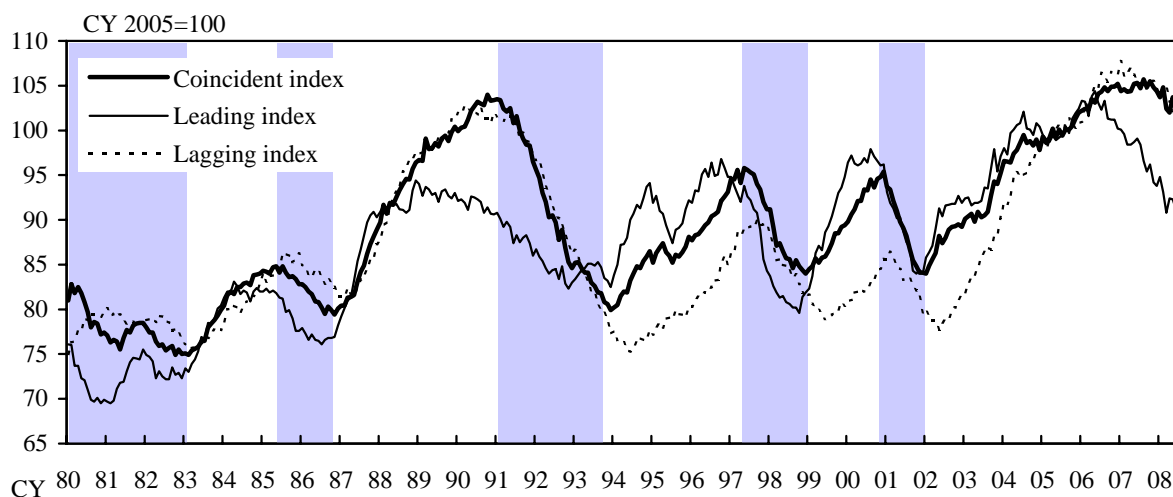


(2) Components

	s.a.; q/q % chg.				
	2007			2008	
	Q2	Q3	Q4	Q1	Q2
Real GDP	-0.3	0.2	0.6	0.7	-0.7
Domestic demand	-0.5	-0.2	0.2	0.3	-0.7
Private demand	-0.5	-0.2	0.1	0.3	-0.5
Private consumption	0.2	-0.0	0.2	0.4	-0.3
Non-Resi. investment	-0.3	0.1	0.2	-0.0	-0.1
Residential investment	-0.2	-0.3	-0.3	0.1	-0.1
Private inventory	-0.2	0.0	0.0	-0.2	-0.0
Public demand	-0.0	-0.1	0.2	-0.1	-0.2
Public investment	-0.1	-0.1	0.0	0.0	-0.2
Net exports of goods and services	0.1	0.5	0.3	0.4	-0.1
Exports	0.3	0.4	0.5	0.6	-0.5
Imports	-0.2	0.0	-0.1	-0.2	0.4
Nominal GDP	-0.4	-0.0	-0.1	0.2	-0.8

Note: Figures of components in real GDP indicate contributions to changes in GDP.

(3) Indexes of Business Conditions (Composite Indexes)

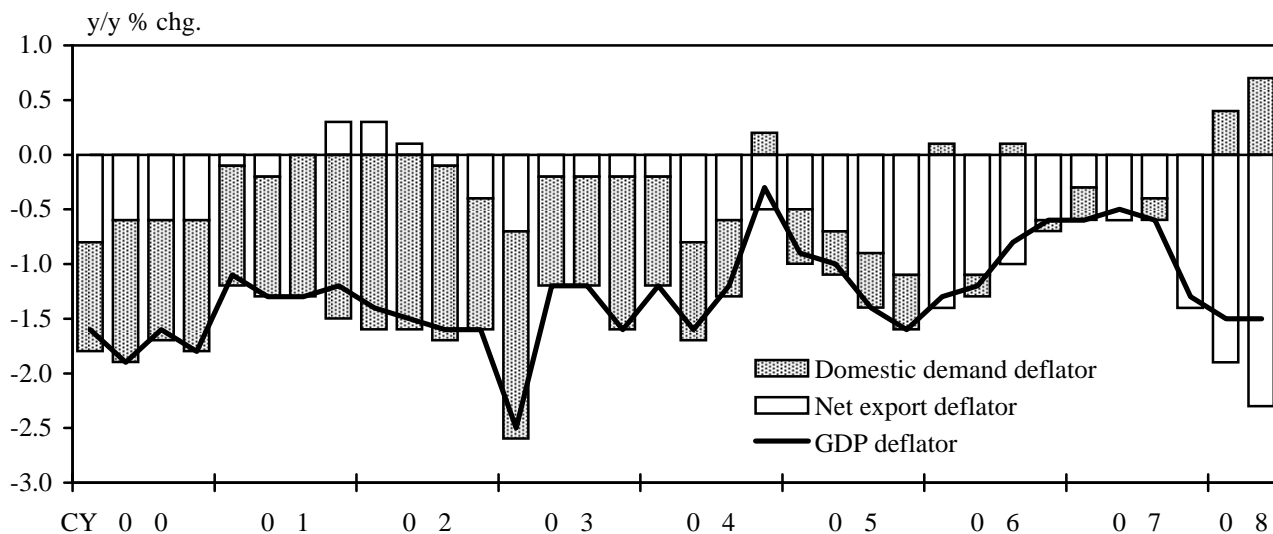


Note: Shaded areas indicate recession periods.

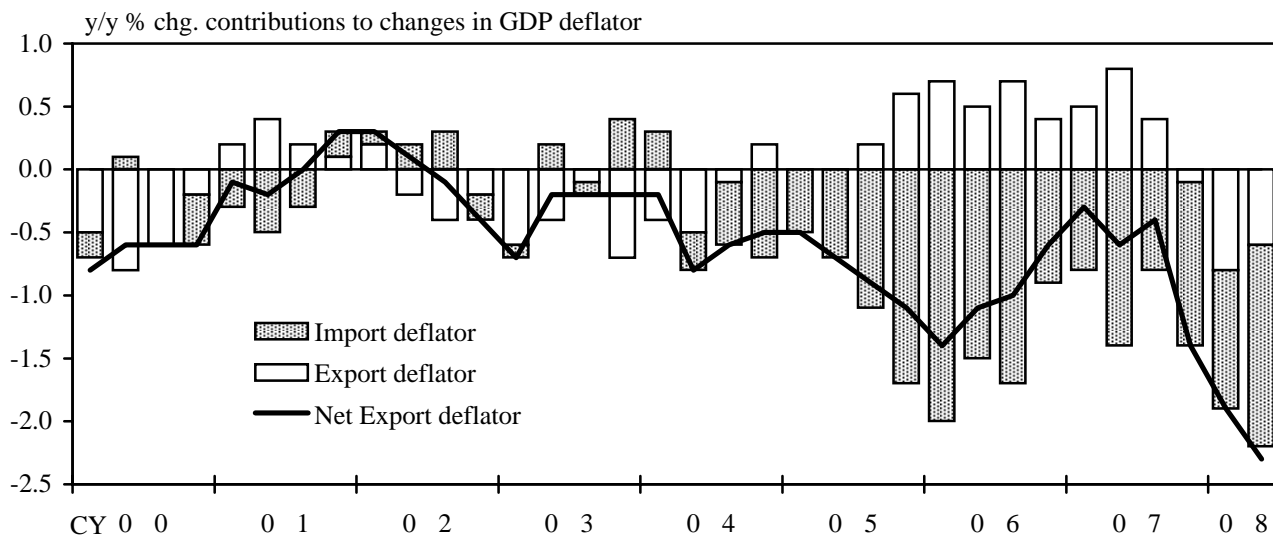
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

GDP Deflator and Income Formation

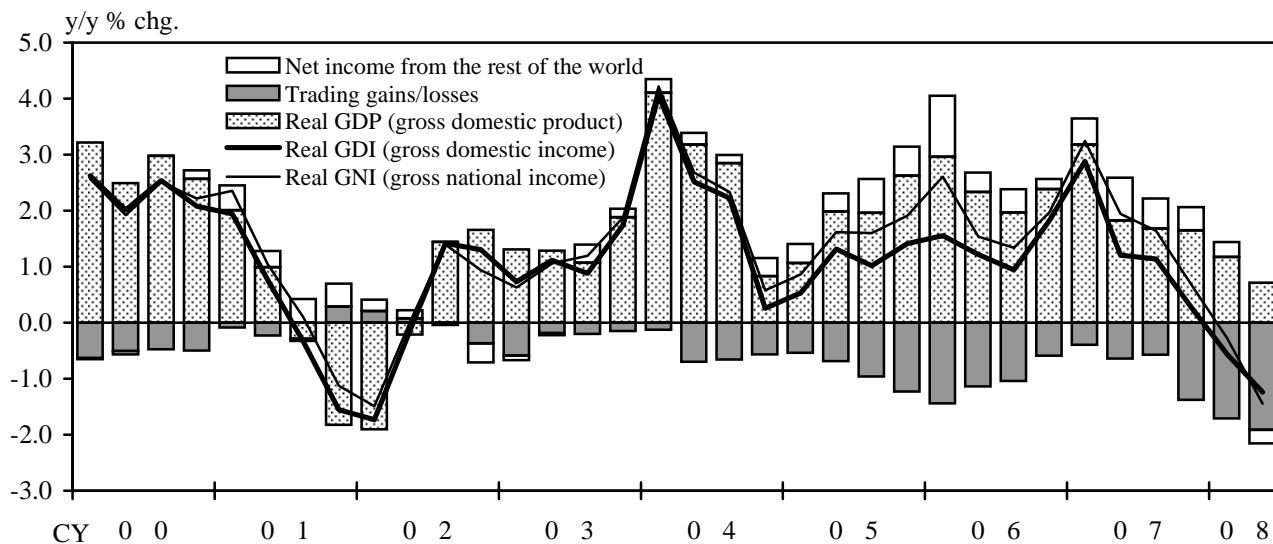
(1) GDP Deflator



(2) Net Export Deflator



(3) Aggregate Income Formation

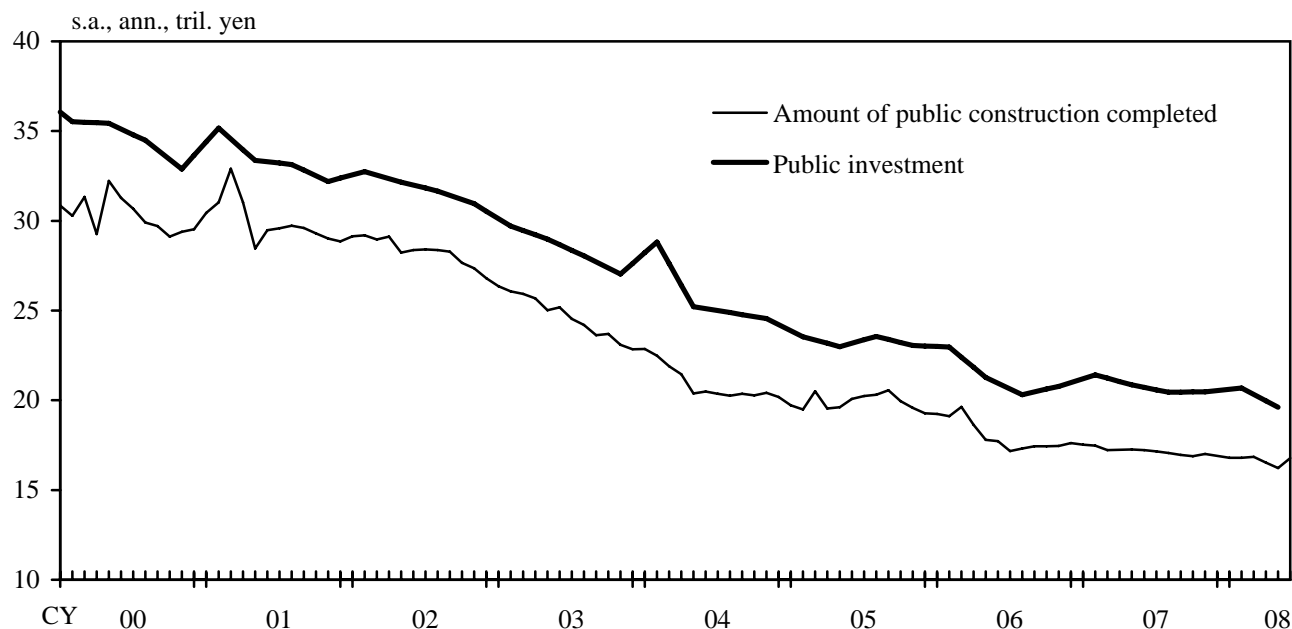
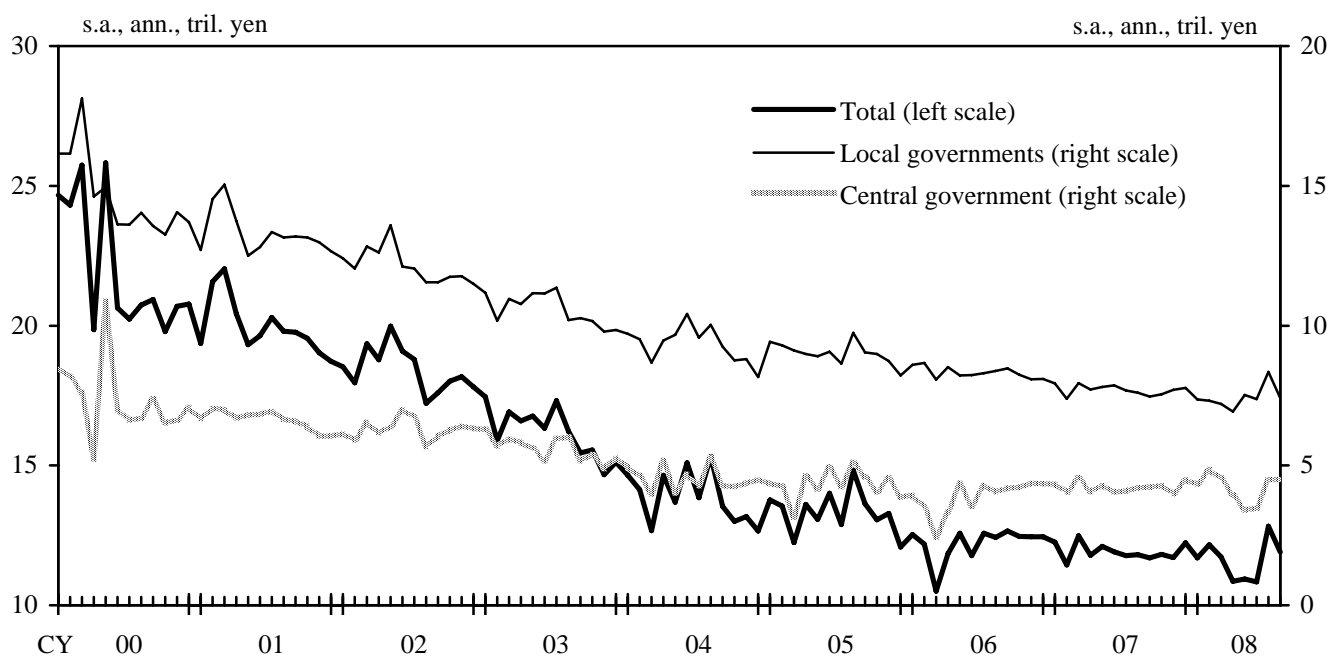


Note: Figures of components indicate contributions to changes in real GNI.

Trading gains/losses = nominal net exports / weighted average of export and import deflators - real net exports

Source: Cabinet Office, "National Accounts."

Public Investment

(1) Amount of Public Construction Completed and Public Investment**(2) Value of Public Works Contracted**

Notes: 1. Quarterly figures of public investment are plotted at the middle month of each quarter.

2. Amount of public construction completed is based on the general tables in the "Integrated Statistics on Construction Works." The figures until March 2000 are retroactively calculated with year-to-year growth rates on the former basis.

3. The figures of the value of public works contracted and amount of public construction completed are seasonally adjusted by X-12-ARIMA.

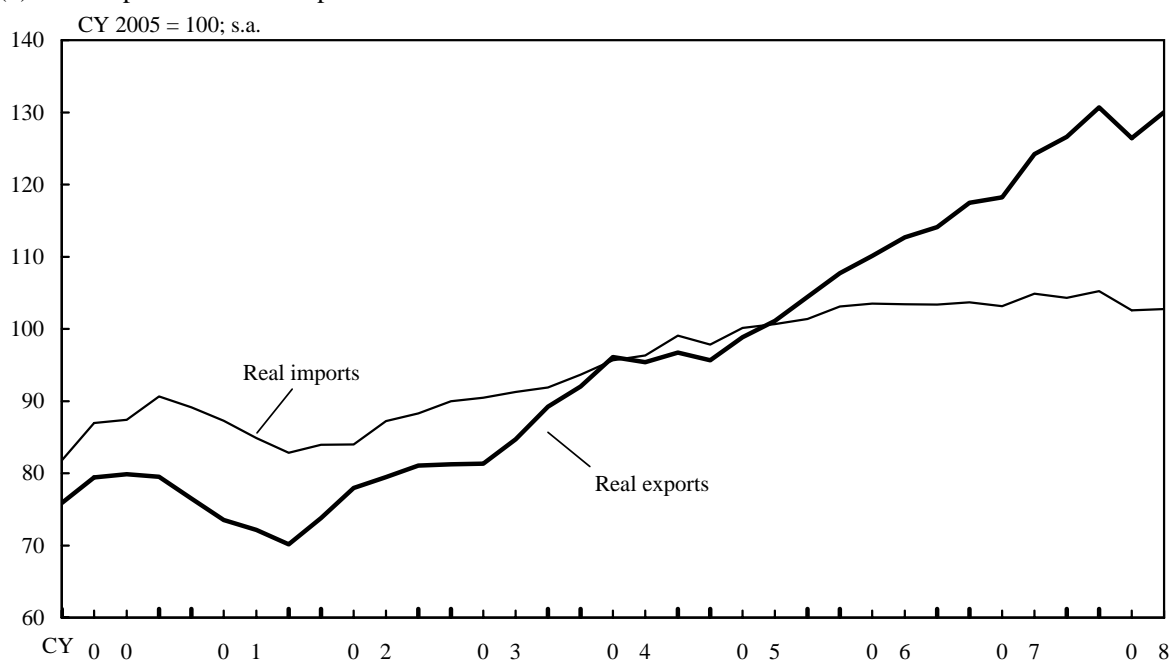
Sources: Cabinet Office, "National Accounts";

East Japan Construction Surety etc., "Public Works Prepayment Surety Statistics";

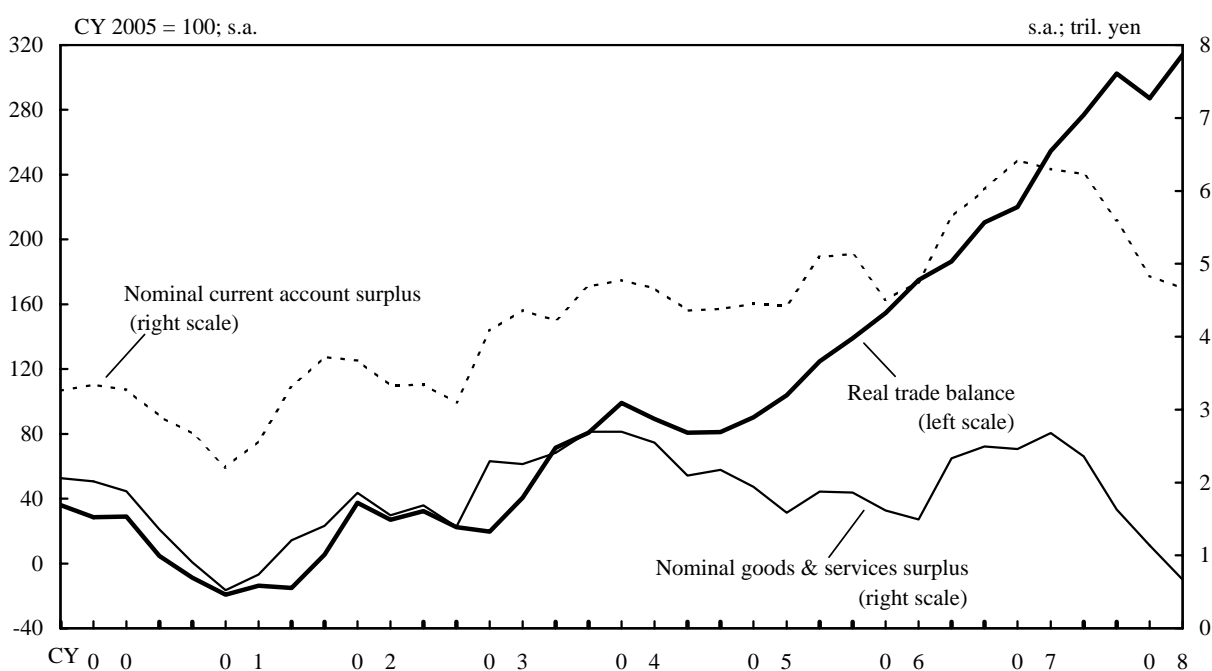
Ministry of Land, Infrastructure and Transport, "Integrated Statistics on Construction Works."

External Balance

(1) Real Exports and Real Imports



(2) Real Trade Balance and Nominal Current Account Surplus



- Notes: 1. Real trade balance is defined as real exports minus real imports, indexed with base year of 2005. Real exports/imports are "The Value of Exports and Imports in Trade Statistics" deflated by the "Export and Import Price Index."
 2. Figures are seasonally adjusted by X-12-ARIMA.
 3. 2008/Q3 figures are July figures converted into quarterly amount.

Sources: Ministry of Finance, "The Summary Report on Trade of Japan";
 Ministry of Finance and Bank of Japan, "Balance of Payments";
 Bank of Japan, "Corporate Goods Price Index."

Real Exports ¹

(1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2006	2007	2007 Q3	2008 Q4	2008 Q1	Q2	Q3	2008 May	Jun.	Jul.
United States	<20.1>	11.7	-1.2	4.4	-1.3	-0.2	-6.8	-3.9	0.5	1.3	-4.9
EU	<14.8>	11.1	13.0	5.2	2.6	4.2	-7.3	4.1	-0.7	-0.6	4.7
East Asia	<46.0>	8.9	10.3	4.4	2.8	4.9	-2.3	2.4	3.2	-2.3	3.0
China	<15.3>	18.8	16.8	6.6	1.9	5.1	1.7	3.2	5.1	-5.0	5.1
NIEs	<22.4>	6.3	5.2	3.1	2.0	5.3	-5.8	3.6	1.4	-0.3	3.3
Korea	<7.6>	9.6	5.3	0.7	4.7	3.6	-4.8	2.4	-3.6	0.5	3.3
Taiwan	<6.3>	2.7	0.0	4.8	-3.8	8.7	-8.8	-1.1	1.7	2.3	-3.1
ASEAN ⁴	<8.3>	1.8	13.2	4.0	6.3	3.6	-0.6	-1.6	4.1	-2.3	-1.4
Thailand	<3.6>	4.1	9.8	4.9	2.1	5.1	-6.8	0.8	7.3	-5.0	1.9
Others	<19.1>	20.2	19.9	5.5	9.2	4.8	-0.1	6.5	3.0	3.3	3.2
Real exports		11.2	9.1	5.1	1.9	3.2	-3.3	2.9	0.9	0.7	2.1

(2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2006	2007	2007 Q3	2008 Q4	2008 Q1	Q2	Q3	2008 May	Jun.	Jul.
Intermediate goods	<18.4>	6.9	5.3	4.8	1.6	2.2	-5.8	0.2	0.4	0.1	0.0
Motor vehicles and their related goods	<24.1>	14.2	13.2	5.9	6.6	3.0	-4.8	3.3	-1.0	2.7	1.8
Consumer goods ⁴	<4.5>	9.8	6.4	3.4	-0.2	4.3	3.2	-5.3	7.6	-0.8	-7.0
IT-related goods ⁵	<11.0>	7.5	12.1	4.2	2.3	-1.2	4.5	1.5	8.0	-2.8	0.8
Capital goods and parts ⁶	<28.4>	13.3	8.0	3.2	2.8	4.3	-2.0	2.4	-0.2	0.5	2.1
Real exports		11.2	9.1	5.1	1.9	3.2	-3.3	2.9	0.9	0.7	2.1

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2008/Q3 figures are July figures converted into quarterly amount.

2. Shares of each region and goods in 2007 are shown in angle brackets.

3. Data of four members: Thailand, Malaysia, the Philippines, and Indonesia.

4. Excludes motor vehicles.

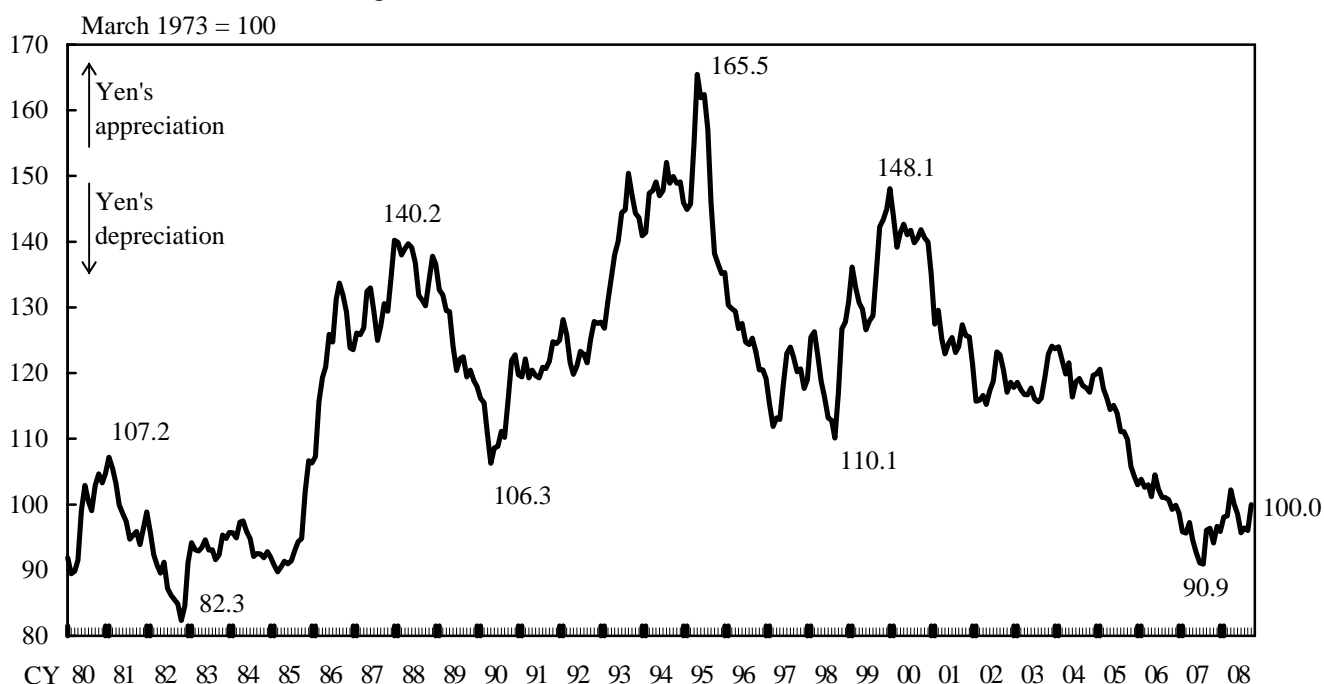
5. IT-related goods are composed of computers and units, telecommunication machinery, ICs and medical and optical instruments.

6. Excludes IT-related goods, power generating machinery and parts of motor vehicles.

Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Real Effective Exchange Rate and Overseas Economies

(1) Real Effective Exchange Rate



Note: Calculated by the Bank of Japan. Monthly average. Figure for September 2008 is the average up to September 16.
 Figures are the index of weighted average of the yen's real exchange rates versus 15 major currencies (29 countries) which are calculated from nominal exchange rates and price indexes of the respective countries.

(2) Real GDP Growth Rates in Overseas Economies

		CY2005	2006	2007	2007 Q3	Q4	2008 Q1	Q2	
United States ¹		2.9	2.8	2.0	4.8	-0.2	0.9	3.3	
European Union ¹		2.0	3.2	2.9	2.6	1.9	2.4	-0.2	
	Germany	0.9	3.2	2.6	2.4	1.4	5.2	-2.0	
	France	1.9	2.4	2.1	2.7	1.5	1.6	-1.2	
	United Kingdom	1.8	2.9	3.1	2.3	2.2	1.1	0.2	
East Asia ²	China	10.4	11.6	11.9	11.5	11.3	10.6	10.1	
	NIEs	Korea	4.2	5.1	5.0	5.1	5.7	5.8	4.8
		Taiwan	4.2	4.9	5.7	6.9	6.5	6.3	4.3
		Hong Kong	7.1	7.0	6.4	6.8	6.9	7.3	4.2
		Singapore	7.3	8.2	7.7	9.5	5.4	6.9	2.1
	ASEAN4	Thailand	4.5	5.1	4.8	4.8	5.7	6.1	5.3
		Indonesia	5.7	5.5	6.3	6.5	6.3	6.3	6.4
		Malaysia	5.3	5.8	6.3	6.7	7.3	7.1	6.3
Philippines		5.0	5.4	7.2	7.1	6.4	4.7	4.6	

Notes: 1. Quarterly data of U.S. and EU are quarter-to-quarter percent changes at annual rates.

2. Quarterly data of East Asia are percent changes from a year earlier.

Real Imports ¹

(1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2006	2007	2007 Q3	2008 Q4	2008 Q1	Q2	Q3	2008 May	Jun.	Jul.
United States	<11.4>	5.3	-1.5	-2.0	3.3	-1.0	-3.9	-5.8	1.7	13.4	-13.7
EU	<10.5>	0.8	4.0	2.7	-3.2	-0.9	0.1	-5.3	0.7	7.2	-9.7
East Asia	<40.9>	8.8	3.2	1.5	0.1	2.2	-2.9	2.2	-1.6	2.2	1.2
China	<20.6>	10.9	5.7	1.4	-0.1	0.8	-1.0	5.6	2.0	1.2	4.1
NIEs	<8.9>	12.3	-3.8	1.2	0.6	3.0	-4.4	2.1	-8.3	2.0	3.8
Korea	<4.4>	10.7	-3.4	-1.0	0.6	3.3	-9.3	2.7	-12.7	3.9	5.0
Taiwan	<3.2>	15.6	-3.0	4.5	-1.6	4.2	1.5	2.3	-1.5	-0.7	3.3
ASEAN4 ³	<11.4>	2.7	4.7	1.8	0.1	4.1	-5.2	-4.0	-2.5	4.3	-5.8
Thailand	<2.9>	8.7	4.3	3.3	-0.4	1.2	-3.3	-2.1	-4.8	6.4	-4.5
Others	<37.2>	2.9	-0.5	2.7	-0.4	0.9	-2.5	0.3	-0.4	3.2	-1.7
Real imports		3.6	0.6	1.7	-0.5	0.9	-2.5	0.2	-1.7	5.5	-2.8

(2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2006	2007	2007 Q3	2008 Q4	2008 Q1	Q2	Q3	2008 May	Jun.	Jul.
Raw materials ⁴	<35.4>	1.2	0.2	3.7	-0.3	1.6	-4.5	0.5	-1.6	3.8	-1.4
Intermediate goods	<14.8>	3.1	2.0	2.2	-1.9	-1.7	2.2	-1.0	2.7	3.6	-4.1
Foodstuffs	<8.3>	-4.0	-9.6	-2.0	-6.2	-1.0	-0.7	-5.7	1.1	3.3	-8.0
Consumer goods ⁵	<8.1>	4.3	-0.1	-1.2	-2.8	0.6	-3.2	1.1	-0.6	13.0	-6.5
IT-related goods ⁶	<11.3>	17.2	4.3	0.9	1.8	4.1	-2.5	4.9	-4.4	0.7	6.0
Capital goods and parts ⁷	<12.8>	16.8	8.5	1.1	4.6	1.2	-1.4	-2.5	-6.5	9.5	-6.1
Excluding aircraft	<11.8>	17.7	7.9	3.4	1.9	0.0	2.4	-3.8	-4.0	3.8	-4.9
Real imports		3.6	0.6	1.7	-0.5	0.9	-2.5	0.2	-1.7	5.5	-2.8

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2008/Q3 figures are July figures converted into quarterly amount.

2. Shares of each region and goods in 2007 are shown in angle brackets.

3. Data of four members: Thailand, Malaysia, the Philippines, and Indonesia.

4. Raw materials are mainly composed of woods, ores and mineral fuel.

5. Excludes foodstuffs.

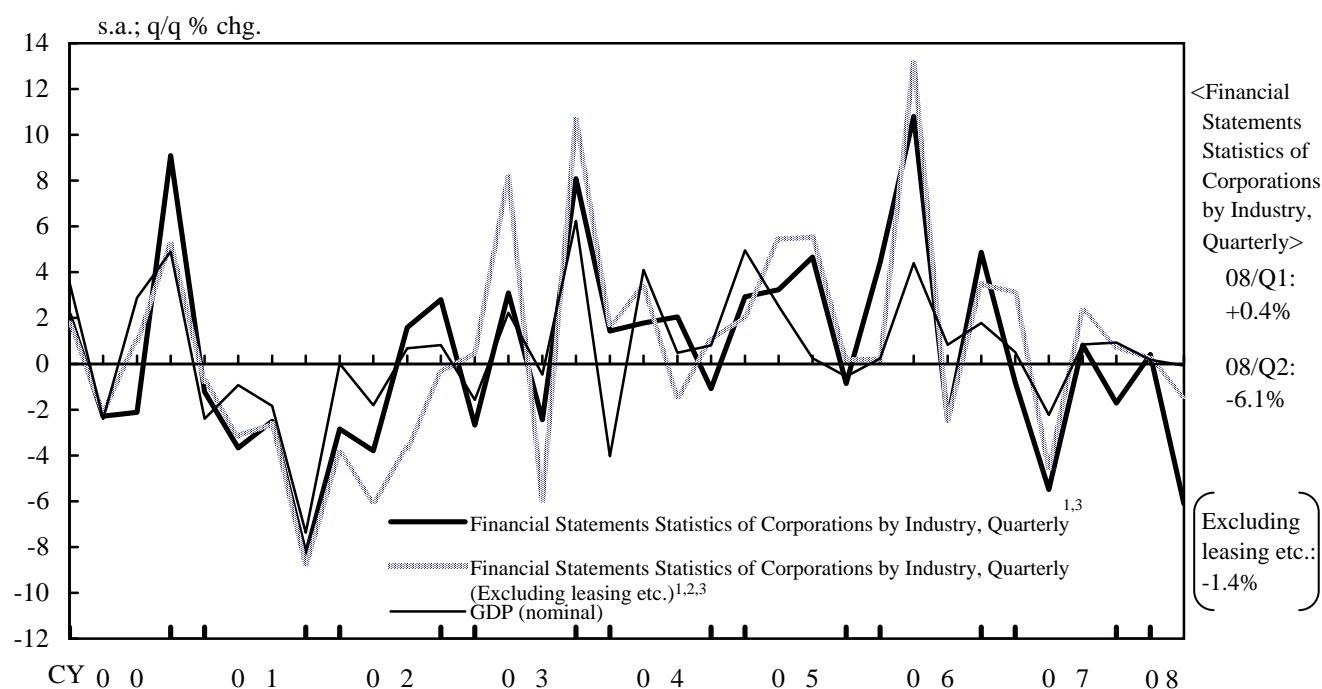
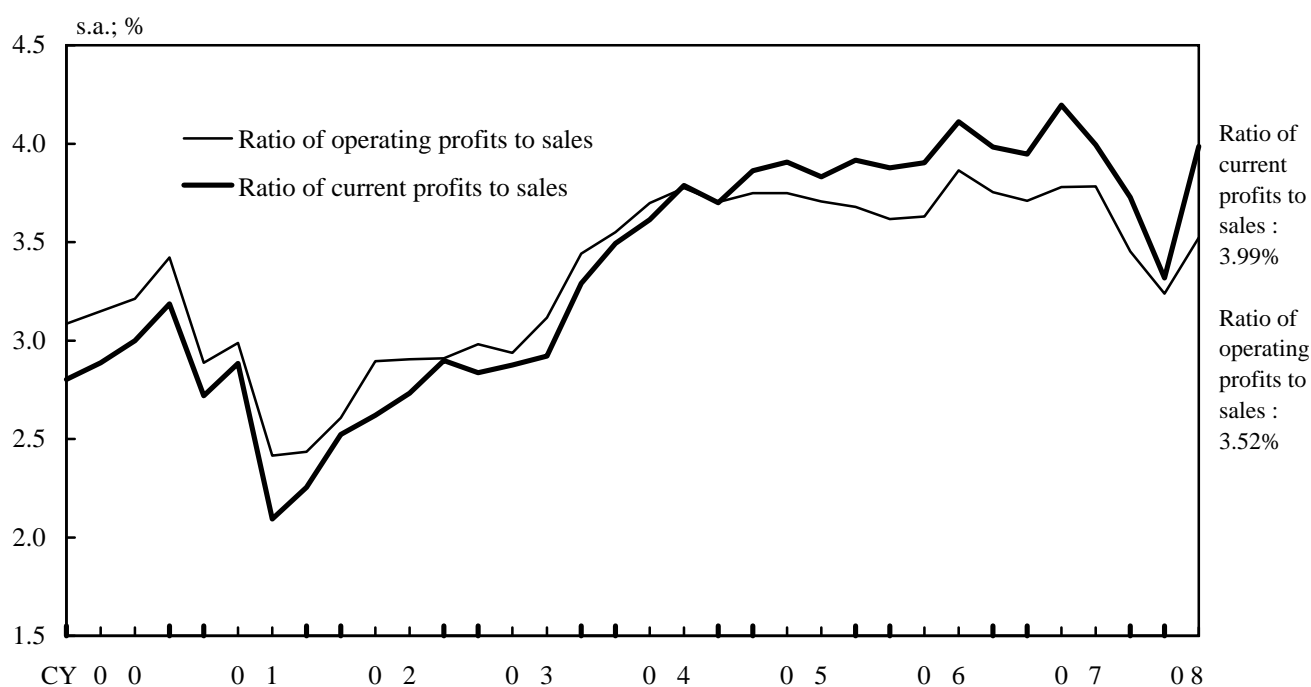
6. IT-related goods are composed of computers and units, parts of computer, telecommunication machinery, ICs, and medical and optical instruments.

7. Excludes IT-related goods.

Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Business Fixed Investment and Corporate Profits

(1) Business Fixed Investment

(2) Corporate Profits (Ratio of Profits to Sales)^{1,3,4}

Notes: 1. All enterprises excluding Finance and Insurance.

2. Up to 2004/1Q, excluding business services. From 2004/2Q, excluding leasing, miscellaneous rental and leasing goods, advertising, and miscellaneous business services. Figures are also seasonally adjusted by X-12-ARIMA in line with the released figures of the Ministry of Finance.

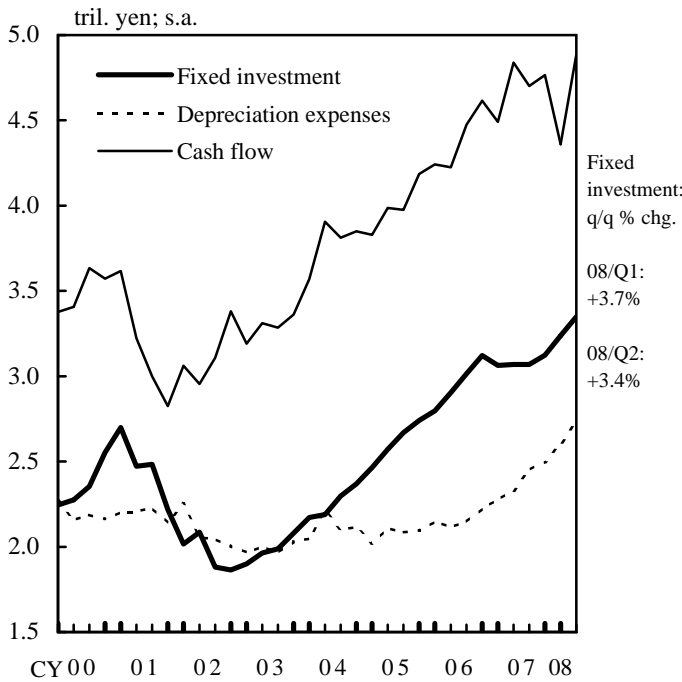
3. Based on the "Financial Statements Statistics of Corporations by Industry, Quarterly.".

4. Figures are seasonally adjusted by X-11.

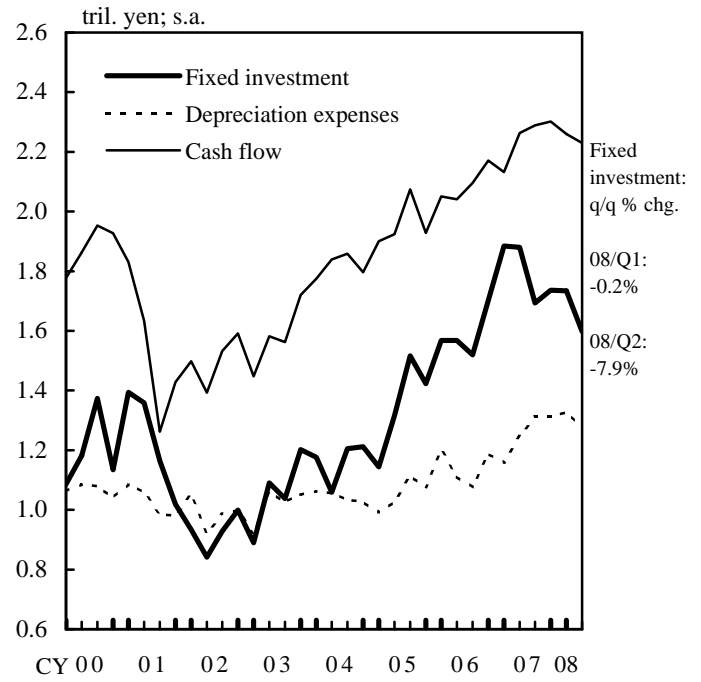
Sources: Cabinet Office, "National Accounts"; Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

Business Fixed Investment by Industry and Size

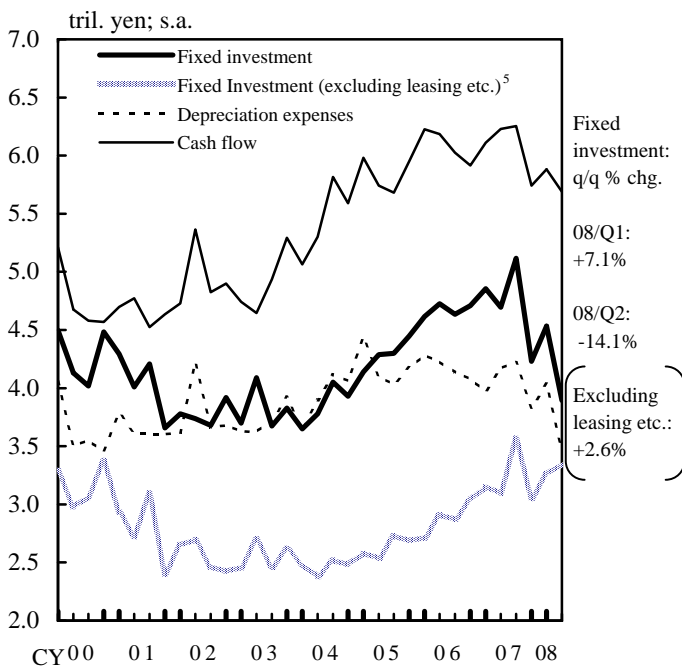
(1) Large Manufacturing Firms



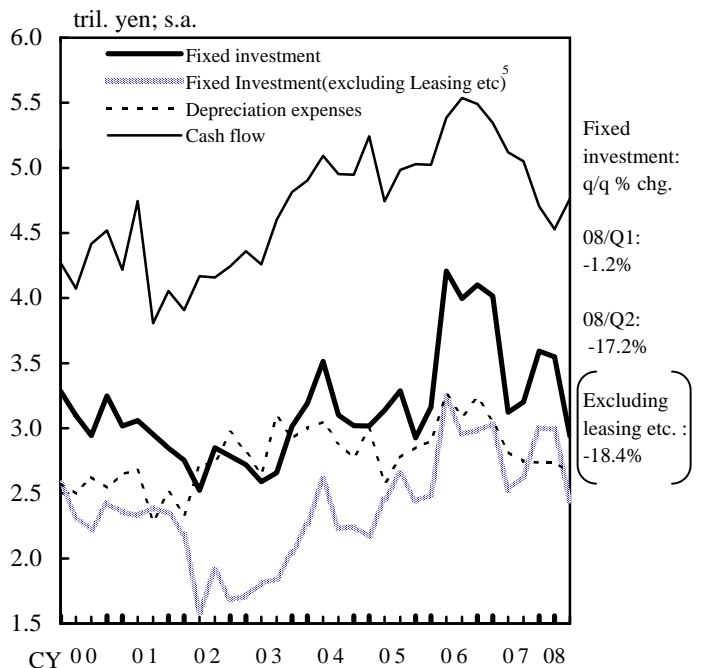
(2) Medium-Sized and Small Manufacturing Firms



(3) Large Nonmanufacturing Firms



(4) Medium-Sized and Small Nonmanufacturing Firms

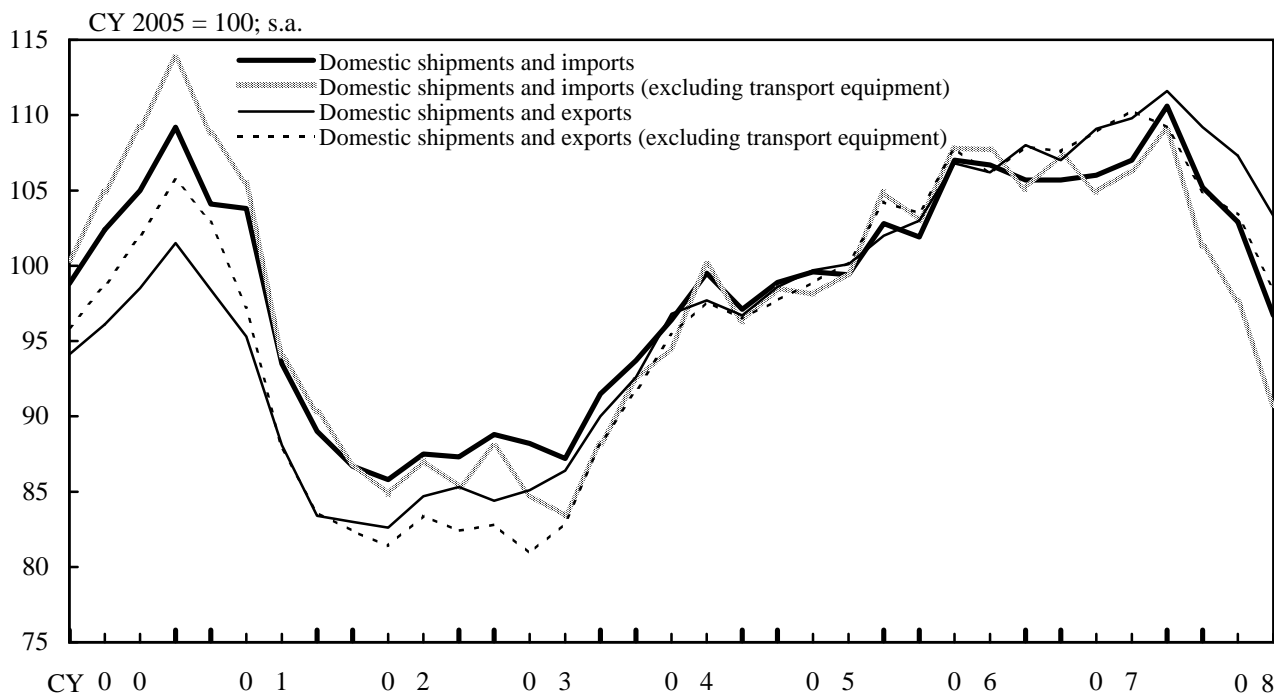


- Notes: 1. "Large firms" refers to firms with capital stock of 1 billion yen or more, and "medium-sized and small firms" refers to firms with capital stock of 10 million or more but less than 1 billion yen.
 2. Cash flow = current profits / 2 + depreciation expenses.
 3. Seasonally adjusted by X-11.
 4. Excluding Finance and Insurance.
 5. Up to 2004/1Q, excluding business services. From 2004/2Q, excluding leasing, miscellaneous rental and leasing goods, advertising, and miscellaneous business services.

Source: Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

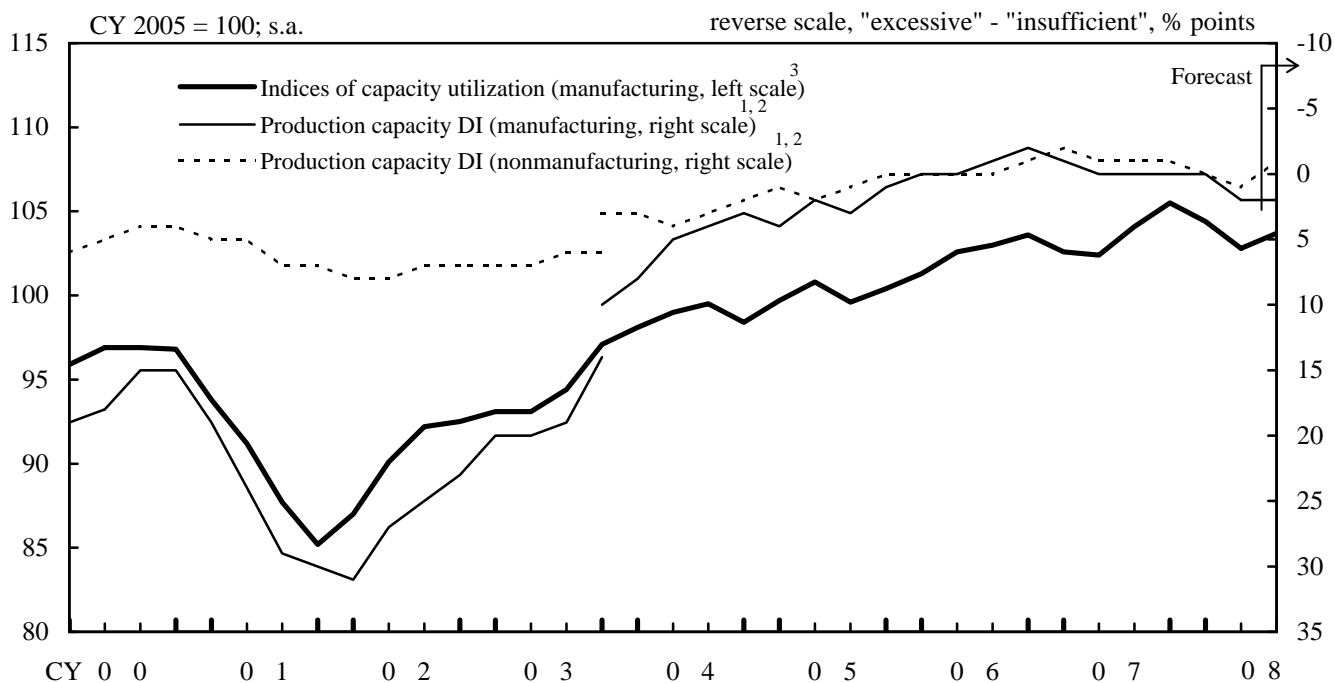
Coincident Indicators for Business Fixed Investment

(1) Aggregate Supply and Shipments of Capital Goods



Note: Figures for 2008/Q3 are those of July.

(2) Indices of Capacity Utilization and Production Capacity DI



Notes: 1. Production capacity DIs are those of all enterprises.

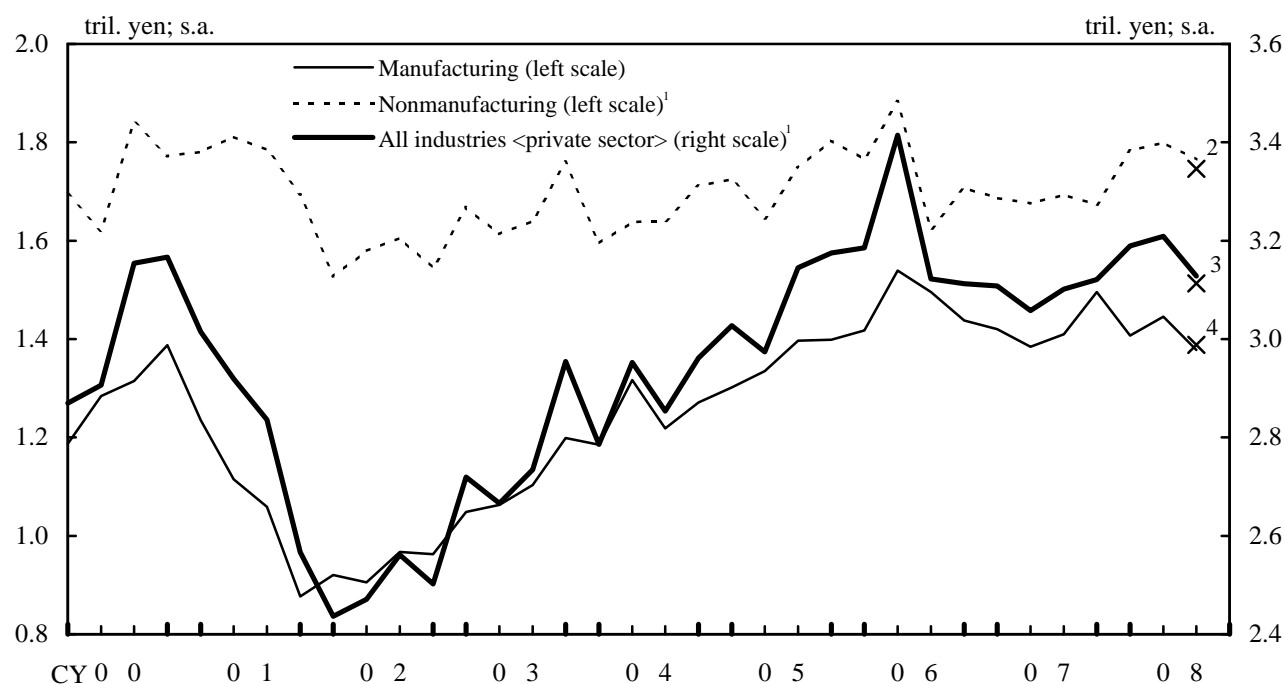
2. The *Tankan* has been revised from the March 2004 survey. Figures up to the December 2003 survey are based on the previous data sets. Figures from the December 2003 survey are on a new basis.

3. The figure for 2008/Q3 is July.

Sources: Ministry of Economy, Trade and Industry, "Indices of Industrial Production,"
 "Indices of Industrial Domestic Shipments and Imports";
 Bank of Japan, "*Tankan*, Short-term Economic Survey of Enterprises in Japan."

Leading Indicators for Business Fixed Investment

(1) Machinery Orders



Notes: 1. Excludes orders of shipbuilding and orders from electric power companies.

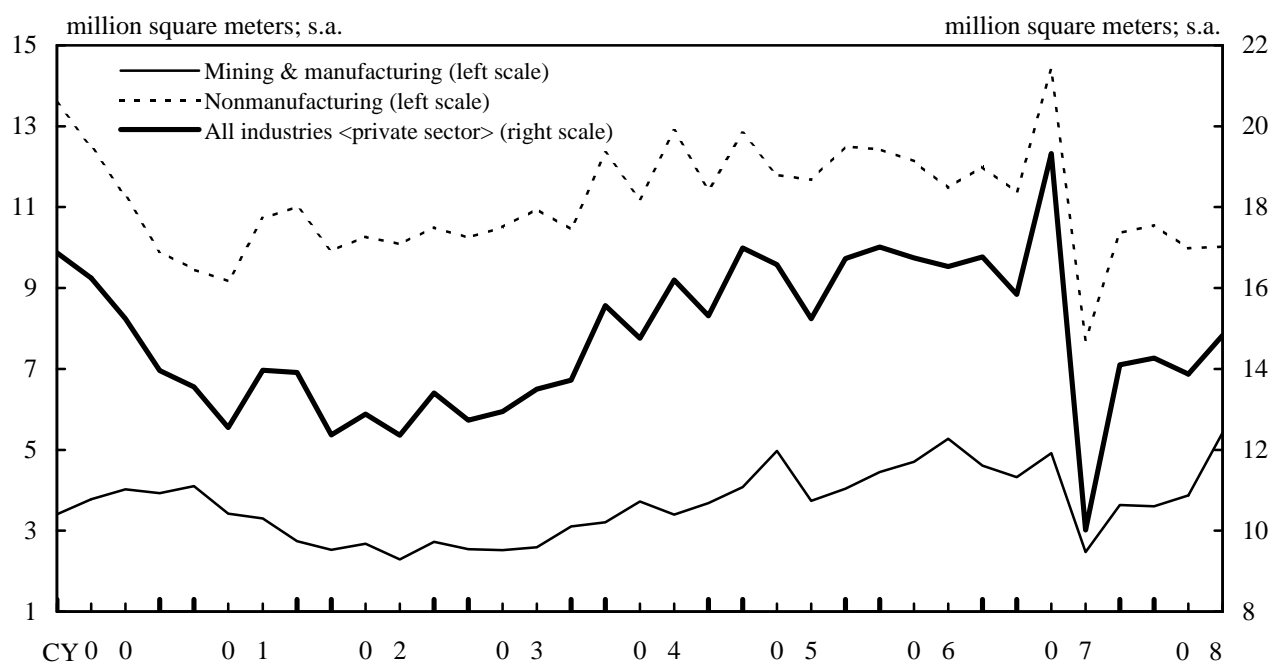
2. Forecast of nonmanufacturing industries for 2008/Q3.

3. Forecast of all industries <private sector> for 2008/Q3.

4. Forecast of manufacturing industries for 2008/Q3.

5. Figures for 2008/Q3 are those of July in terms of quarterly amount.

(2) Construction Starts (Floor Area, Private, Nondwelling Use)



Notes: 1. Seasonally adjusted by X-12-ARIMA.

2. Because the Standard Industrial Classification for Japan was revised in March 2002, the industry classification for newspaper publishing and publishing business was changed from mining and manufacturing to nonmanufacturing. Accordingly, the data up to FY 2002 were adjusted by using a link coefficient.

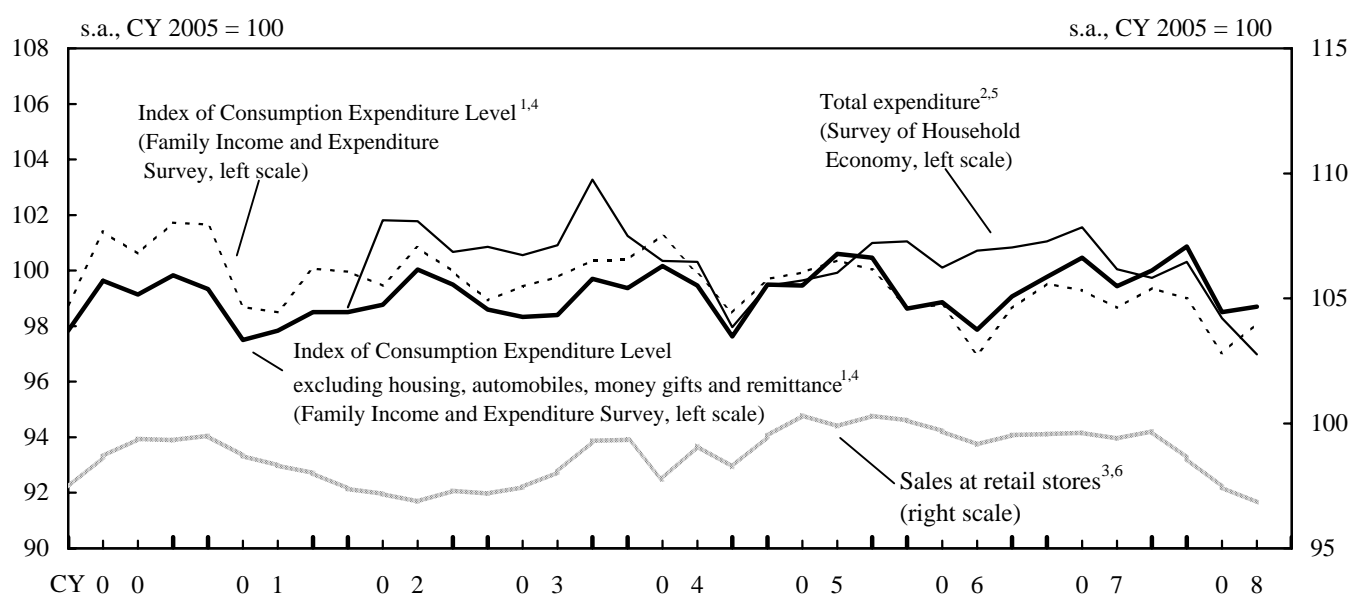
3. Figures for 2008/Q3 are those of July in terms of quarterly amount.

Sources: Cabinet Office, "Orders Received for Machinery";

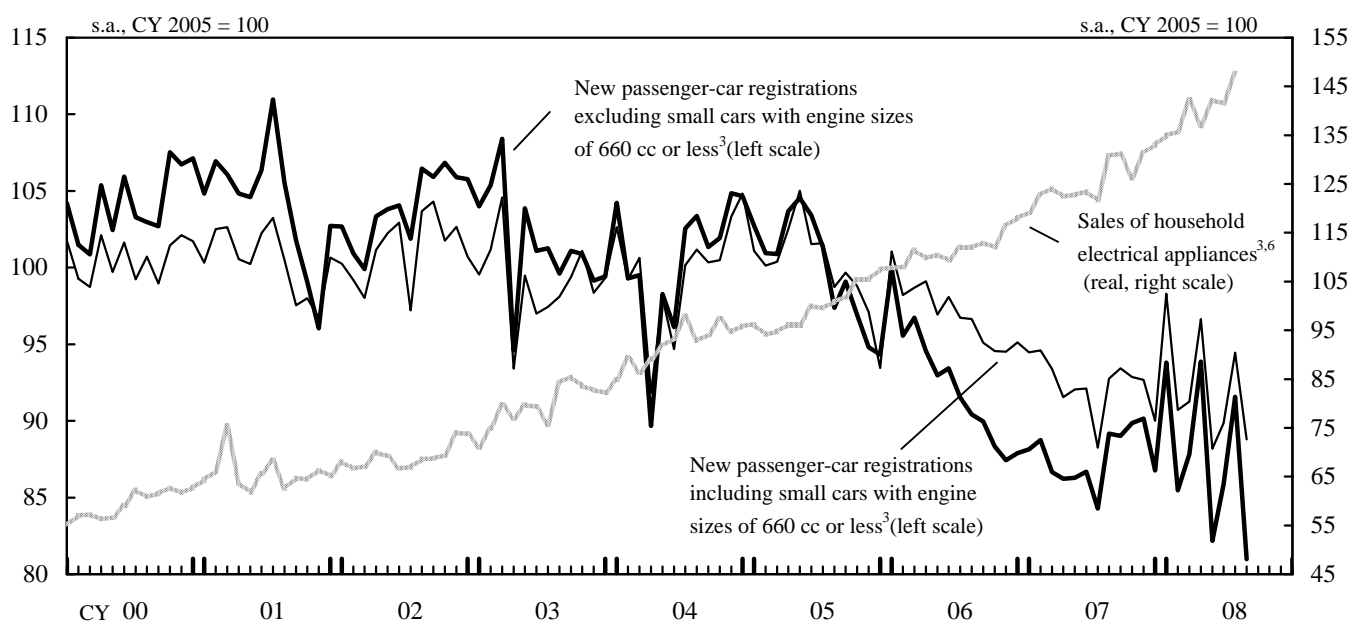
Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts."

Indicators for Private Consumption (1)

(1) Household Spending (Real)

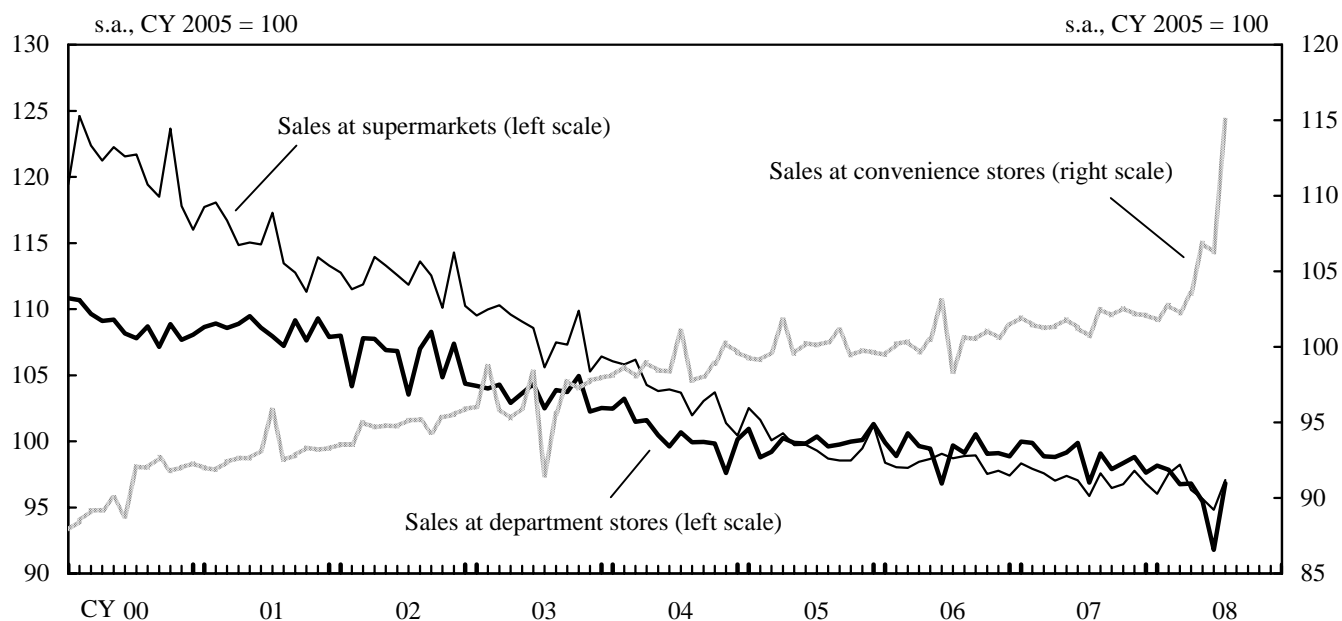


(2) Sales of Durable Goods

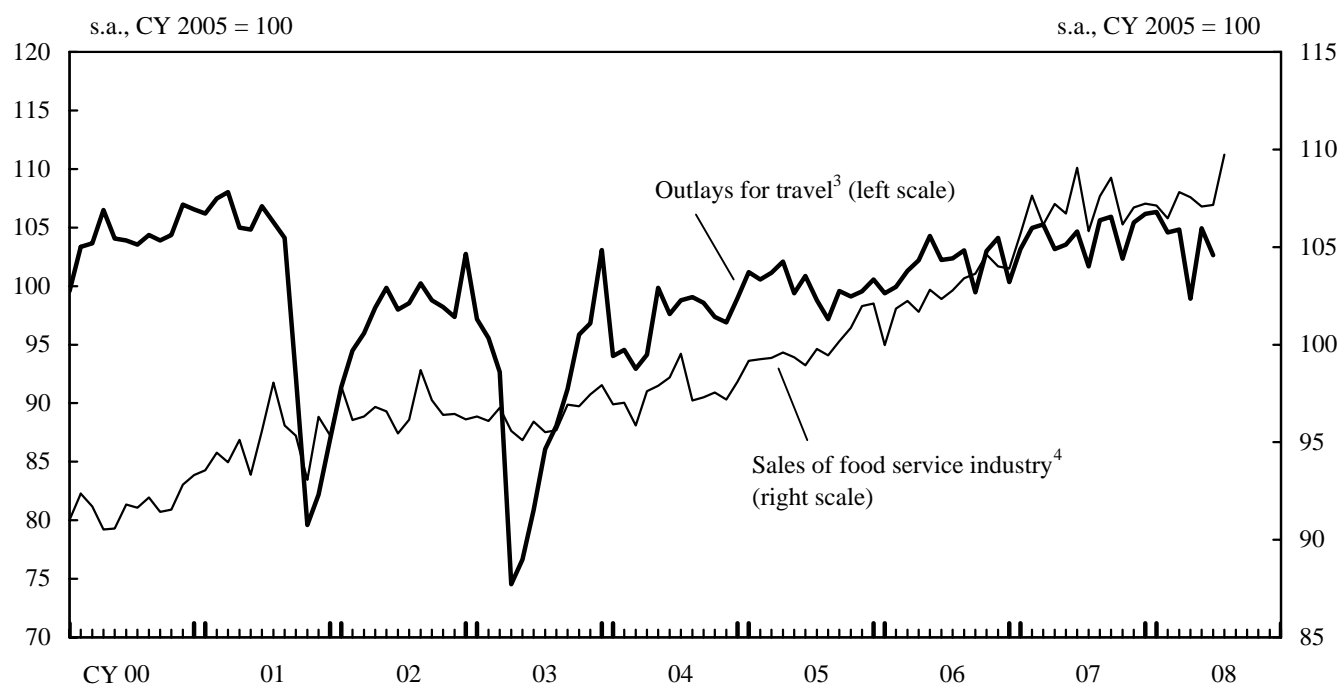


- Notes: 1. Index of consumption expenditure level is seasonally adjusted by the Ministry of Internal Affairs and Communications.
 2. Total expenditure is seasonally adjusted by X-11.
 3. All the other indicators are seasonally adjusted by X-12-ARIMA.
 4. Index of consumption expenditure level is based on two-or-more-person households, and is adjusted by the distribution of household by number of household members and age group of household head.
 5. Total expenditure is based on two-or-more-person households, and is deflated by the consumer price index excluding imputed rent.
 6. Sales at retail stores are deflated by the consumer price index for goods (excluding electricity, gas & water charges).
 Sales of household electrical appliances are calculated as follows: indices of retail sales of machinery and equipment in the Current Survey of Commerce are deflated by the geometric means of the corresponding consumer price indexes (or by the corporate goods price index for PC printers before 2002).
 7. Figures of Index of Consumption Expenditure Level, Total expenditure and Sales at retail stores for 2008/Q3 are those of July in terms of quarterly amount.

Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index,"
 "Monthly Report on the Family Income and Expenditure Survey," "Survey of Household Economy";
 Ministry of Economy, Trade and Industry, "Current Survey of Commerce";
 Bank of Japan, "Corporate Goods Price Index";
 Japan Automobile Dealers Association, "Domestic Sales of Automobiles";
 Japan Mini Vehicles Association, "Sales of Mini Vehicles."

Indicators for Private Consumption¹ (2)(1) Sales at Retail Stores (Nominal)²

(2) Consumption of Services (Nominal)



Notes: 1. Seasonally adjusted by X-12-ARIMA.

2. Adjusted to exclude the effects of the increase in the number of stores (except convenience stores).

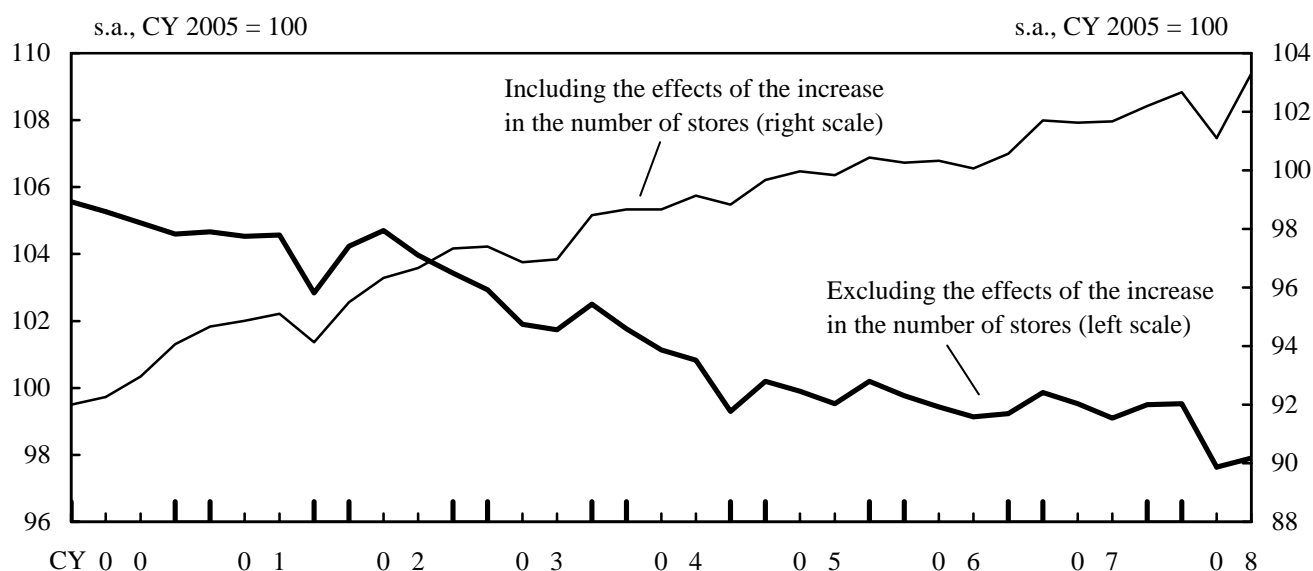
3. As for "outlays for travel," there is a discontinuity in the underlying data as of April 2007 due to changes in the sample. Data from April 2007 and onward are calculated using the year-on-year rate of changes on the new basis.

4. Sales of food service industry are calculated using the year-on-year rates of change of every month released by the Japan Food Service Association based on monthly sales amounts in 1993 released by the Food Service Industry Survey & Research Center.

Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce"; Ministry of Land, Infrastructure and Transport, "Major Travel Agents' Revenue"; Food Service Industry Survey & Research Center, "Getsuji Uriage Doukou Chousa (Monthly Survey of Food Service Sales)"; Japan Food Service Association, "Gaishoku Sangyou Shijou Doukou Chousa (Research on the Food Service Industry)."

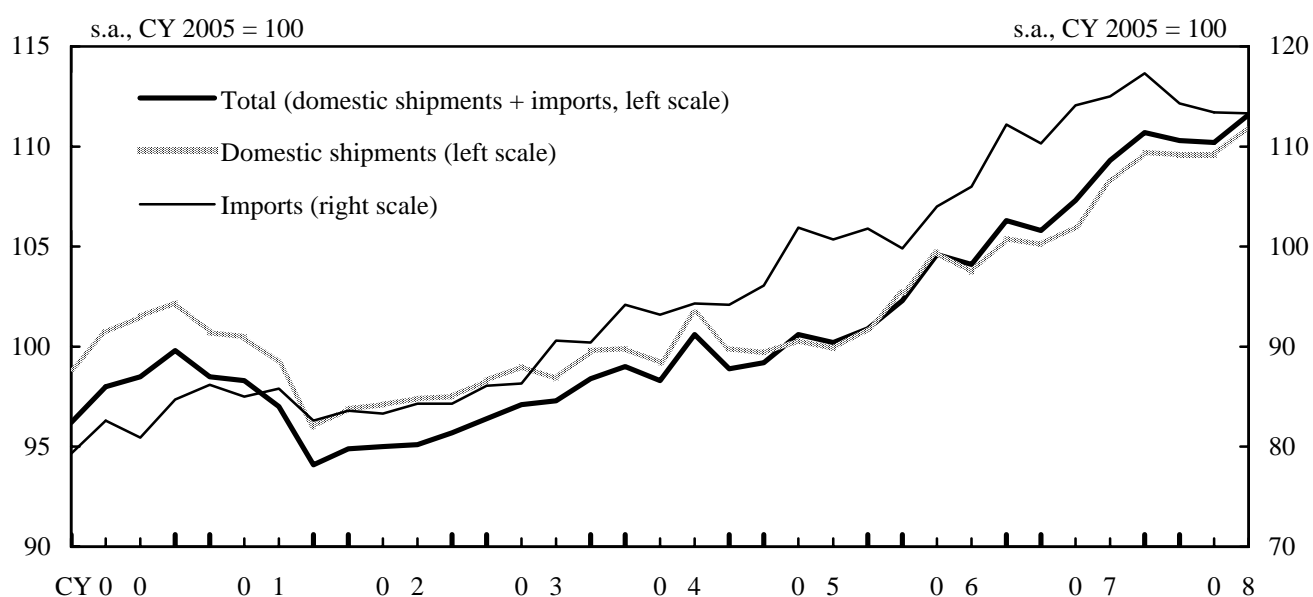
Indicators for Private Consumption (3)

(1) Indices of Aggregated Sales (Real)



- Notes: 1. The Indices of Aggregated Sales are the weighted sum of "sales at department stores and supermarkets," "new passenger-car registrations," "sales of household electrical appliances," "outlays for travel," and "sales of food service industry," where the weights come from household expenditure in the Family Income and Expenditure Survey. These indices of aggregated sales consist of the series including and excluding the effects of the increase in the number of stores. Indices "including the effects of the increase in the number of stores" reflect the fluctuations in sales due to changes in the number of stores caused by the opening and closing down of businesses (indices "including the effects of the increase in the number of stores" include sales at convenience stores). On the other hand, those "excluding the effects of the increase in the number of stores" aim to capture consumption trends only from stores for which sales data can be obtained continuously.
2. Sales indicators in nominal terms are deflated by the corresponding items of the price indices.
3. Seasonally adjusted by X-12-ARIMA.
4. Data for 2008/Q3 figures are those of July in terms of quarterly amount.

(2) Aggregate Supply of Consumer Goods

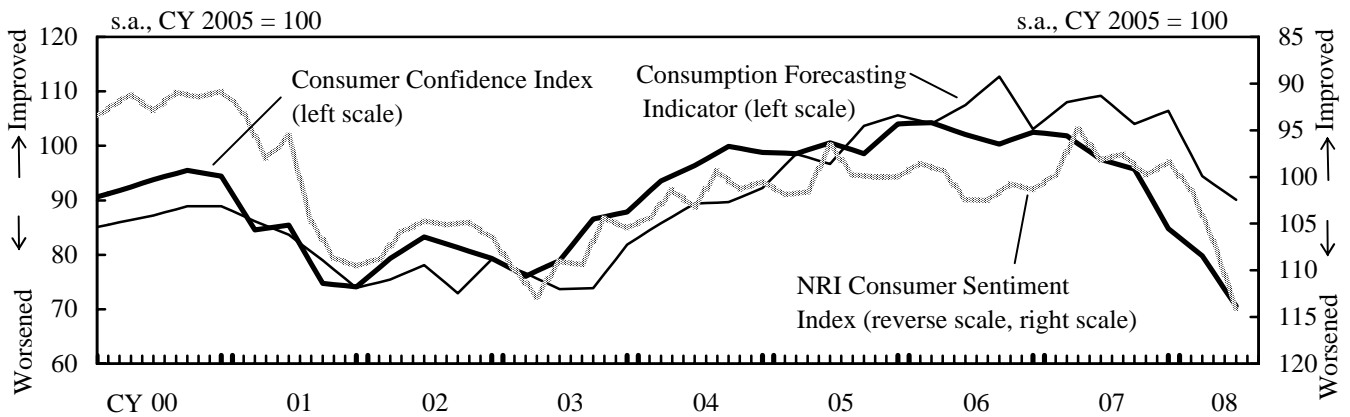


Note: Data for 2008/Q3 figures are those of July in terms of quarterly amount.

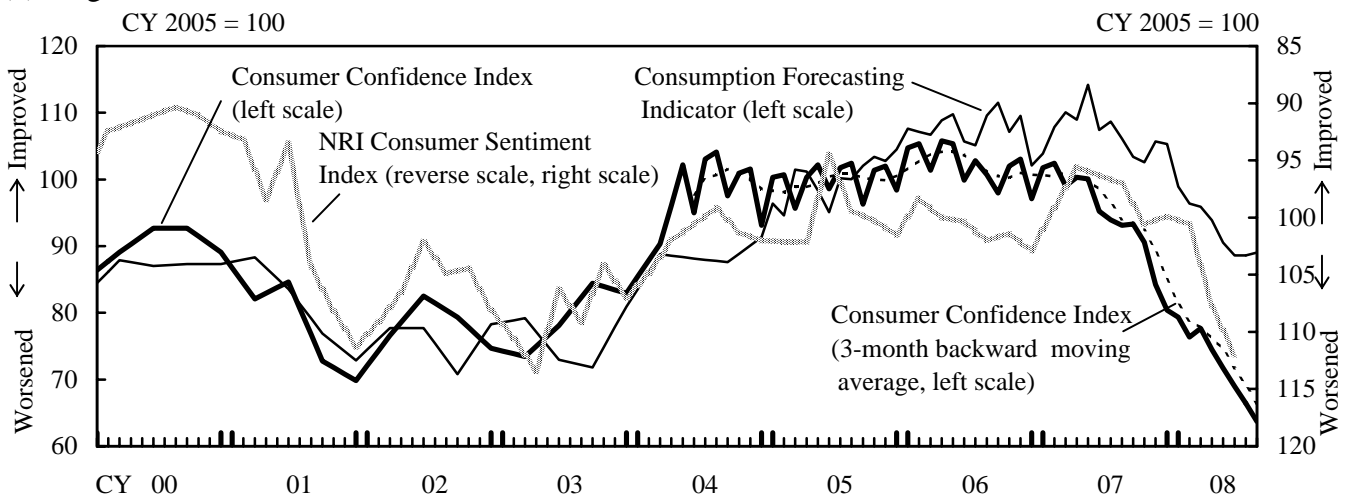
Sources: Bank of Japan, "Indices of Aggregated Sales";
Ministry of Economy, Trade and Industry, "Indices of Industrial Domestic Shipments and Imports."

Consumer Confidence

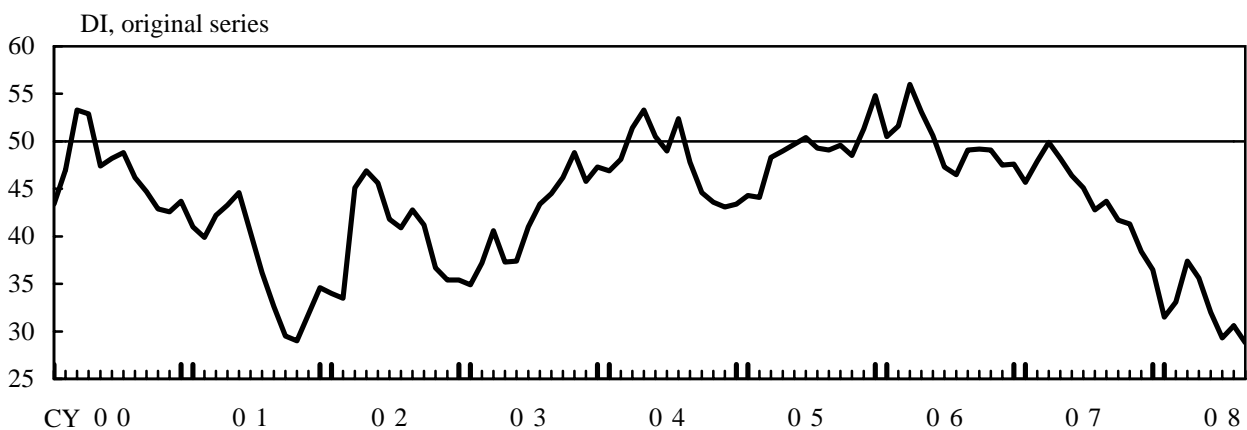
(1) Seasonally Adjusted Series



(2) Original Series



Reference: Economy Watchers Survey (Household Activity, Current Conditions)



- Notes: 1. The Consumer Confidence Index (with about 5,000 samples on a nationwide basis), Consumption Forecasting Indicator (with 600 samples in the metropolitan area), and NRI Consumer Sentiment Index (with 1,200 samples on a nationwide basis) are based on surveys on consumer confidence.
- 2. Figures are plotted for each surveyed months and the data for intervening months are linearly interpolated.
- 3. (1) is seasonally adjusted by X-11. The Consumer Confidence Index is seasonally adjusted by the Cabinet Office. The Consumption Forecasting Indicator is seasonally adjusted using quarterly figures because the survey was quarterly until 2004.

Sources: Cabinet Office, "Consumer Confidence Survey," "Economy Watchers Survey";
Nikkei inc., "Consumption Forecasting Indicator"; Nippon Research Institute (NRI), "Consumer Sentiment Survey."

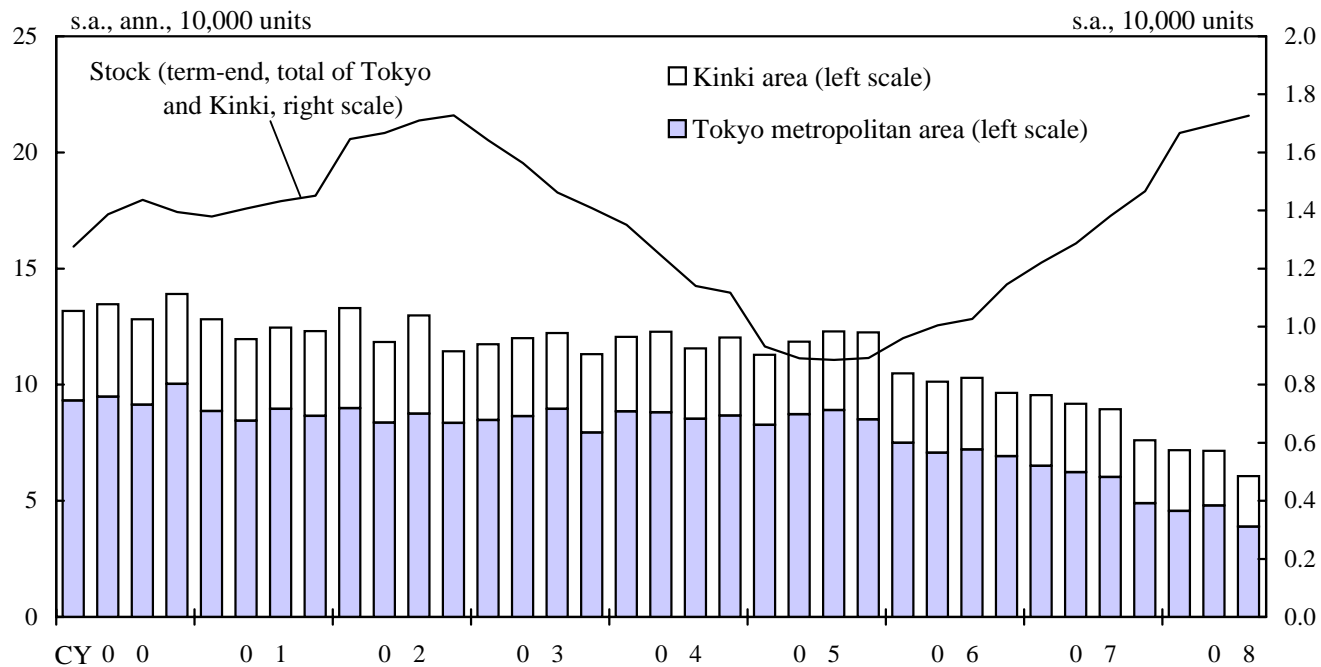
Indicators for Housing Investment

(1) Housing Starts



Note: Figures for 2008/Q3 are those of July.

(2) Sales of Apartments



Notes: 1. Seasonally adjusted by X-12-ARIMA.

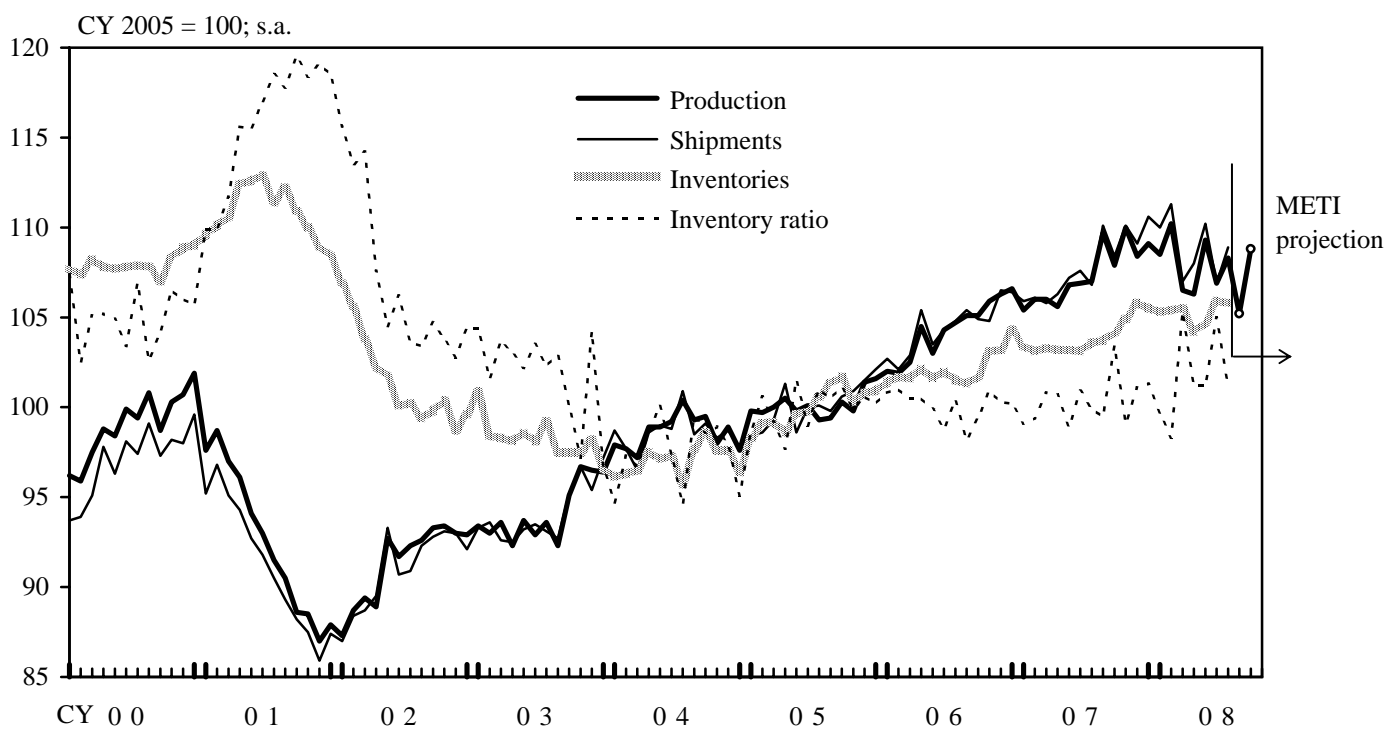
2. Figures of total apartments sales for 2008/Q3 are those of July-August averages.

Term-end stocks for 2008/Q3 are those of August.

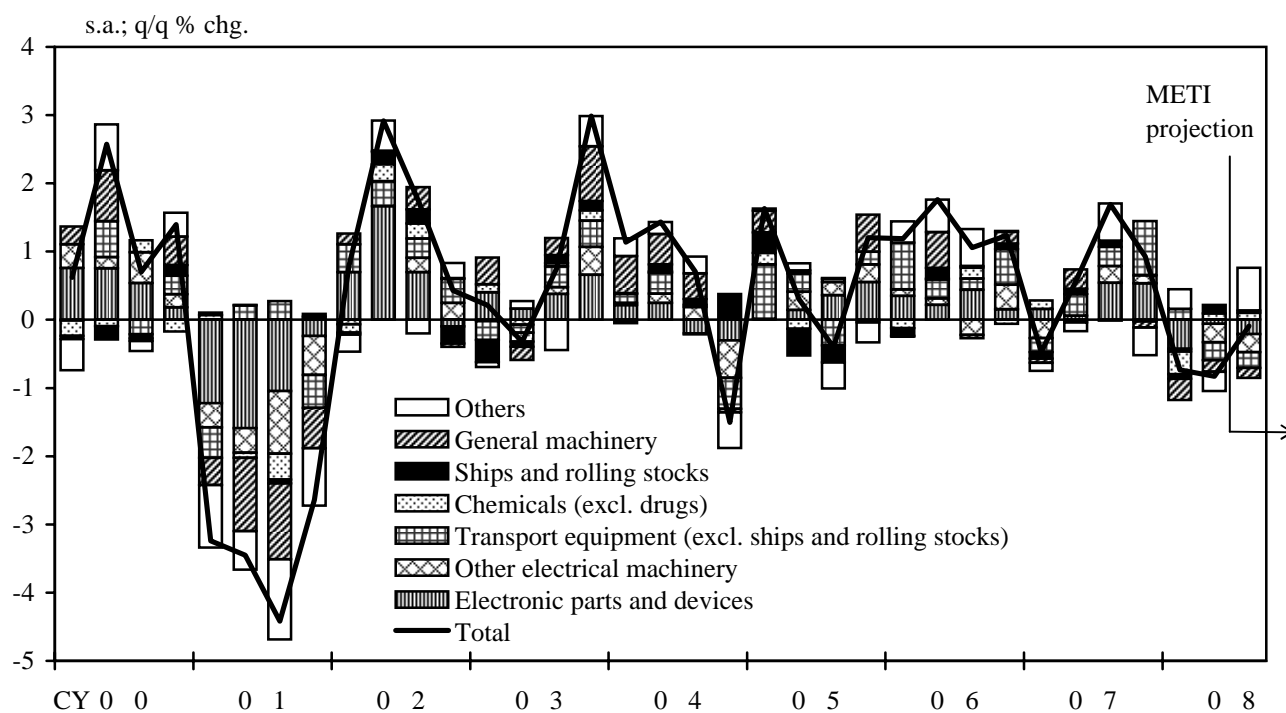
Source: Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts," etc.

Production, Shipments and Inventories

(1) Production, Shipments and Inventories



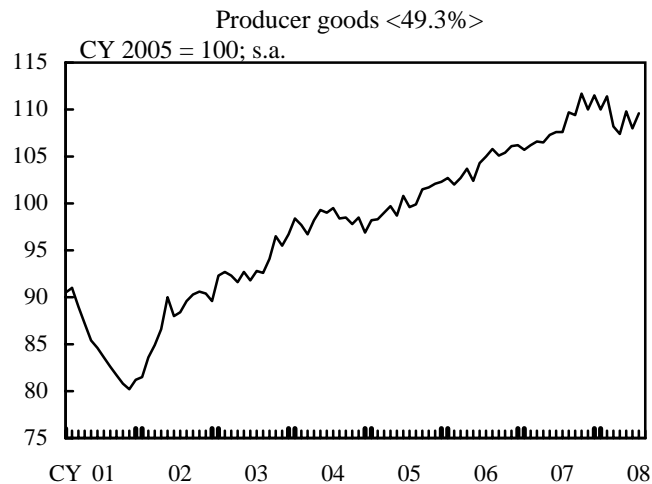
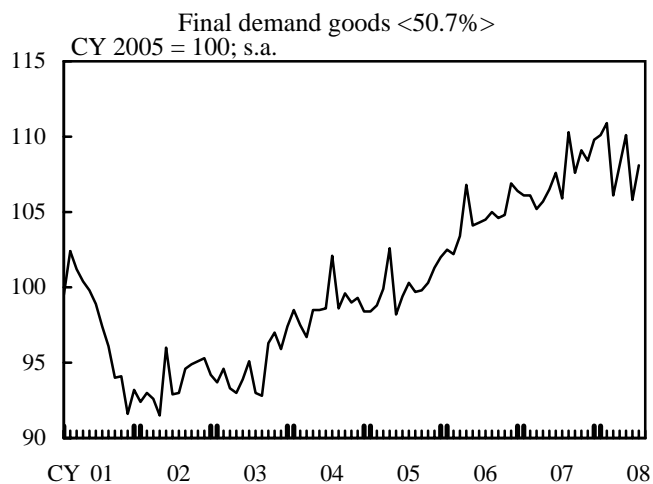
(2) Production by Industry



Notes: 1. "Other electrical machinery" is the weighted sum of "electrical machinery" and "information and communication electronics equipment."
 2. Figures up to 2003/Q1 are on the 2000 base.

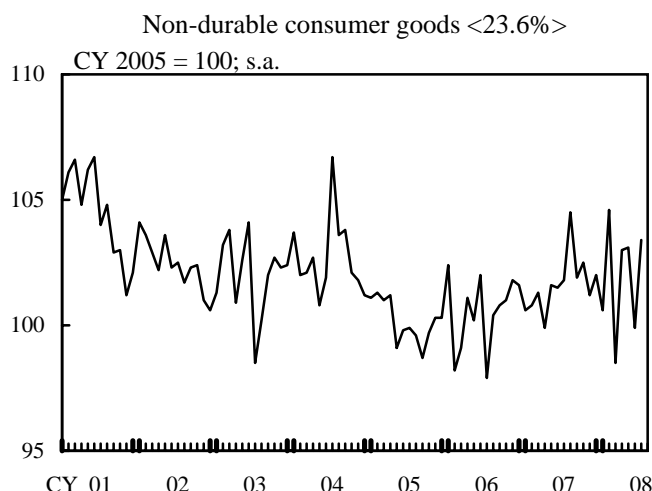
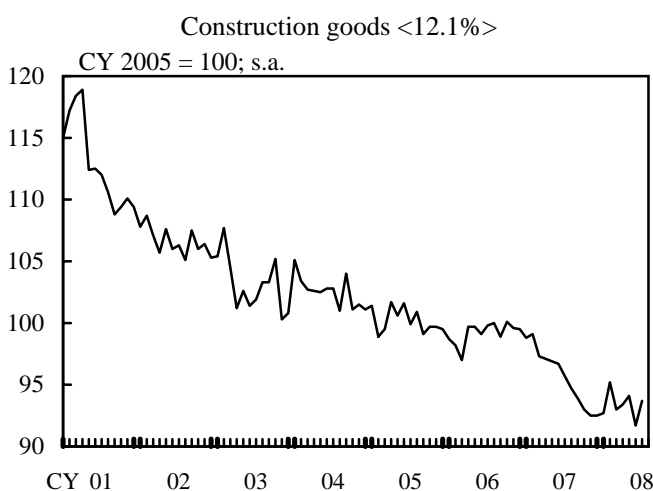
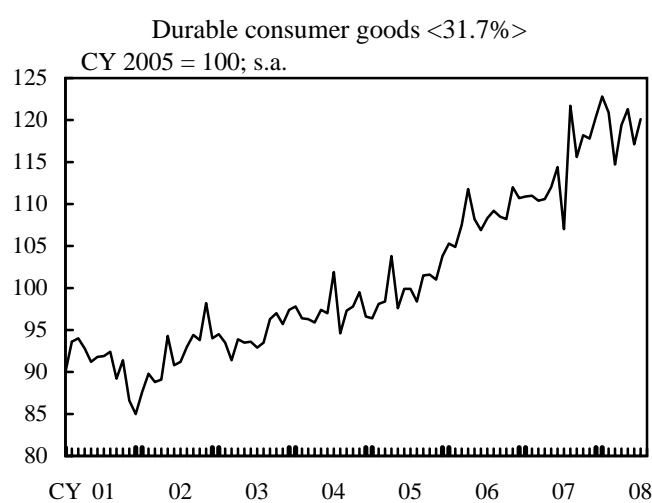
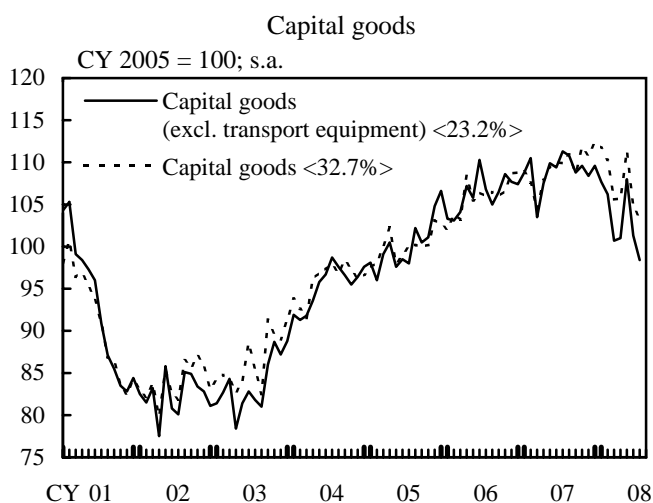
Shipments Breakdown by Type of Goods

(1) Final Demand Goods and Producer Goods



Note: Shares of shipments of mining and manufacturing are shown in angle brackets.

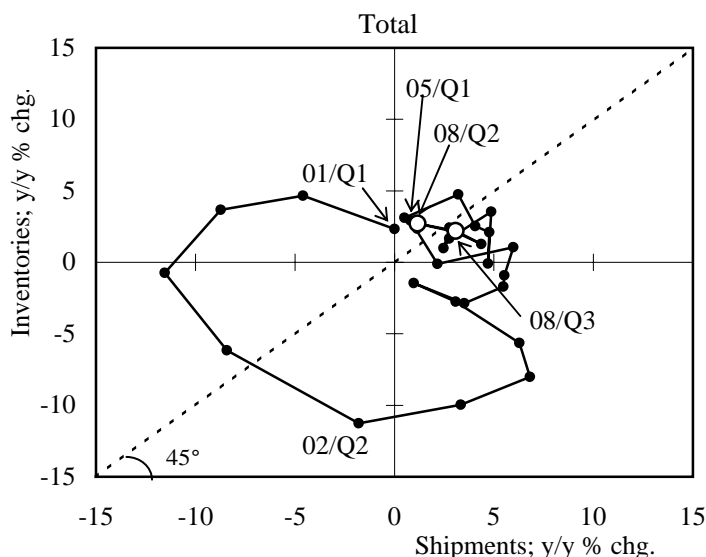
(2) Breakdown of Final Demand Goods



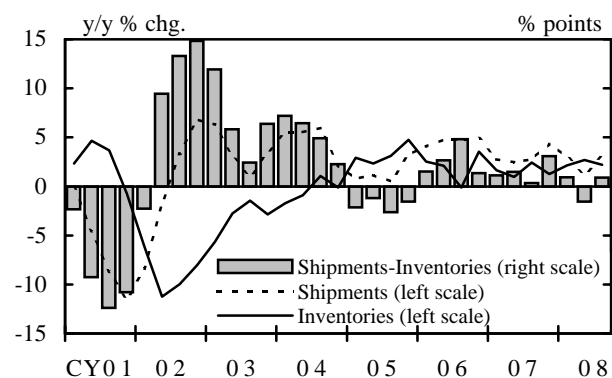
Note: Shares of shipments of final demand goods are shown in angle brackets.

Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

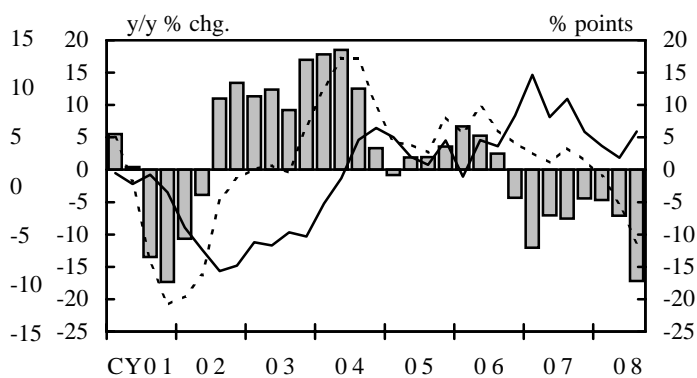
Inventory Cycle



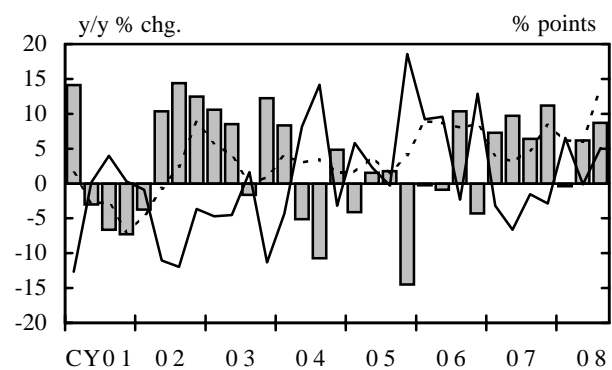
(1) Total



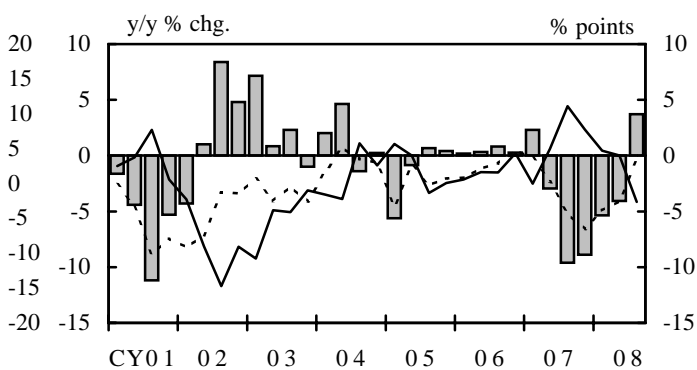
(2) Capital Goods (Excluding Transport Equipment)



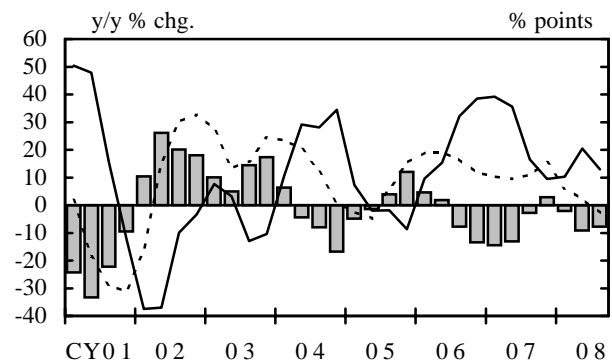
(3) Durable Consumer Goods



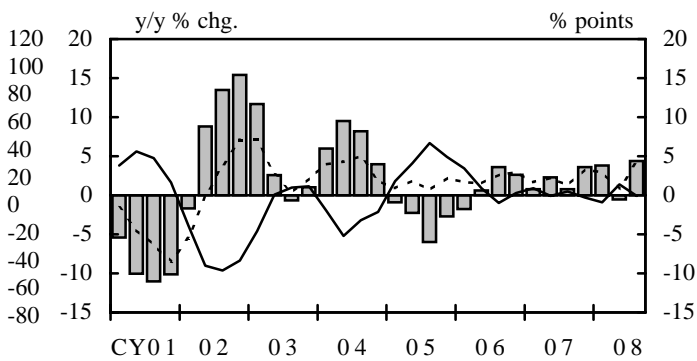
(4) Construction Goods



(5) Electronic Parts and Devices



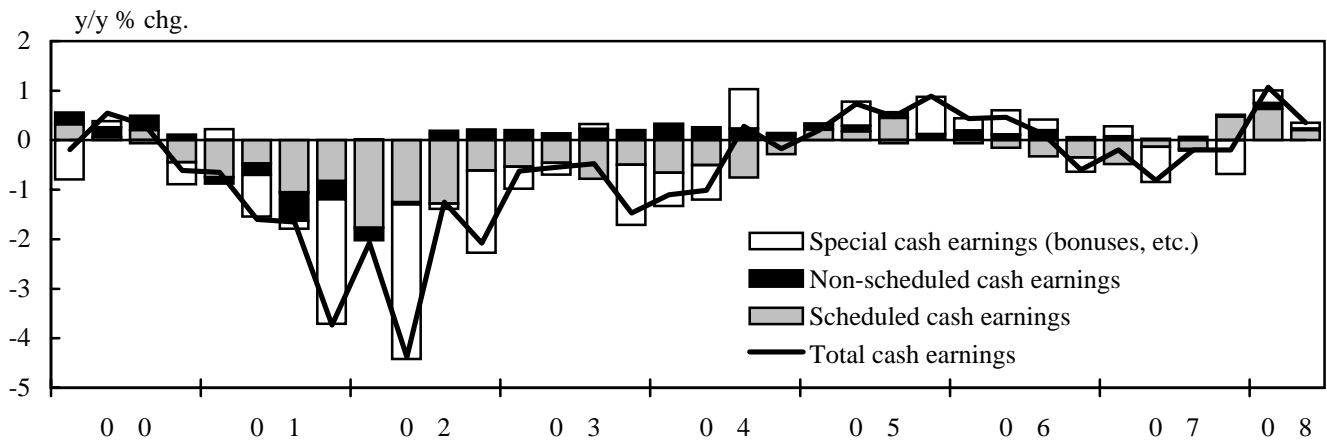
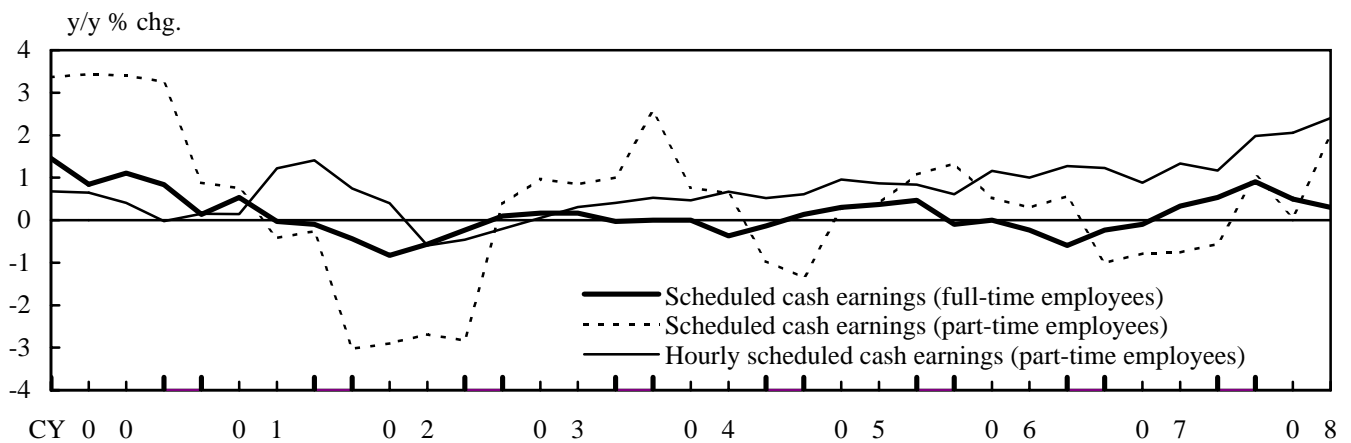
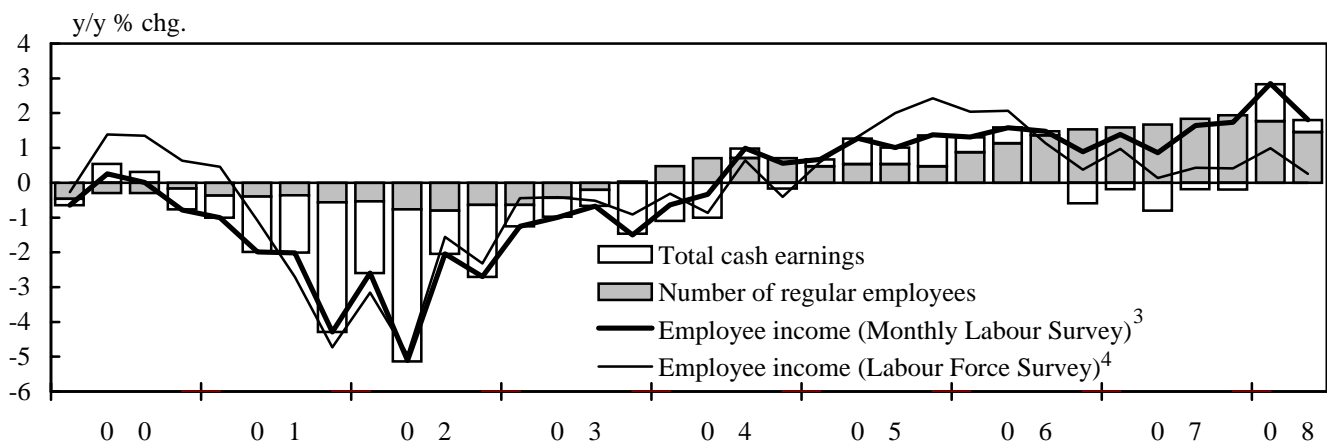
(6) Producer Goods Excluding Electronic Parts and Device



Note: Figures for 2008/Q3 are those of July.

Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Employee Income

(1) Breakdown of Total Cash Earnings^{1,2,6}(2) Scheduled Cash Earnings^{1,5}(3) Breakdown of Employee Income^{1,2,6}

Notes: 1. Data are for establishments with at least five employees.

2. Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.

3. Calculated as the number of regular employees (Monthly Labour Survey) times total cash earnings (Monthly Labour Survey).

4. Calculated as the number of employees (Labour Force Survey) times total cash earnings (Monthly Labour Survey).

5. Figures for 2008/Q3 are those of July.

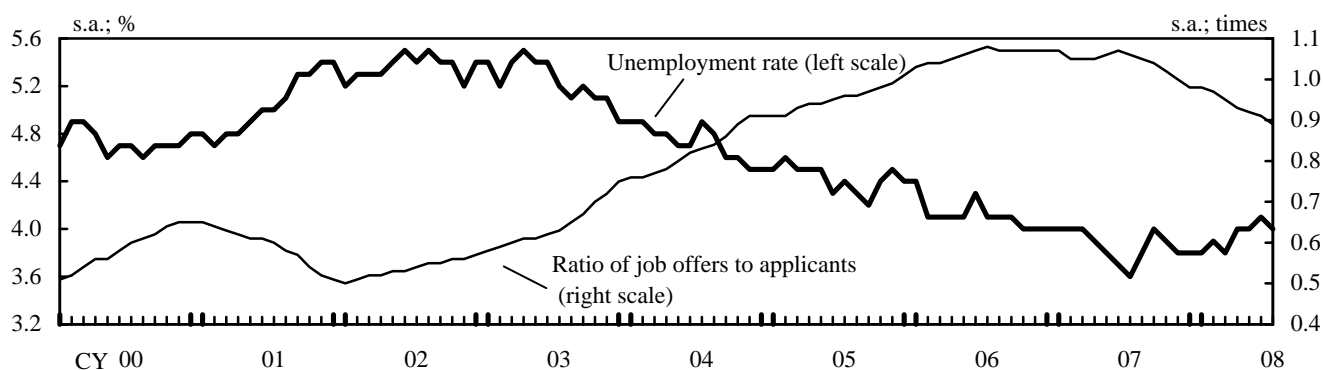
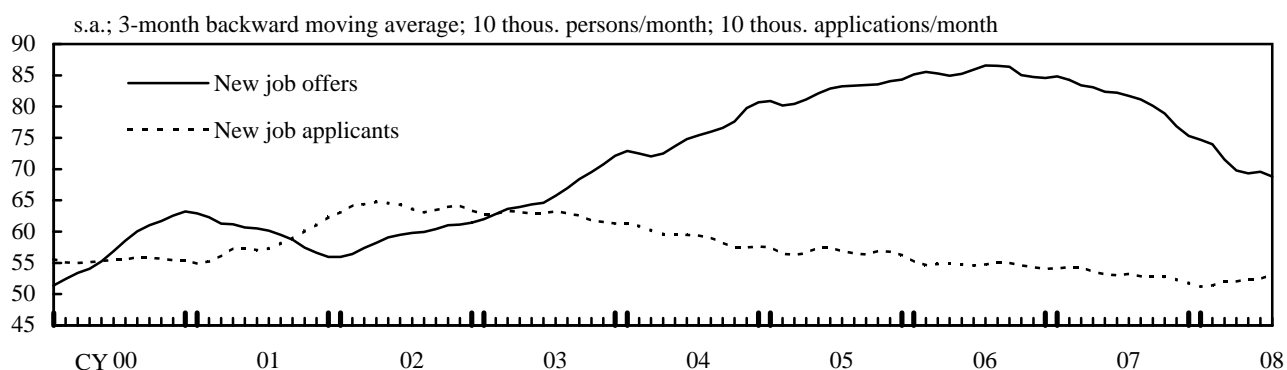
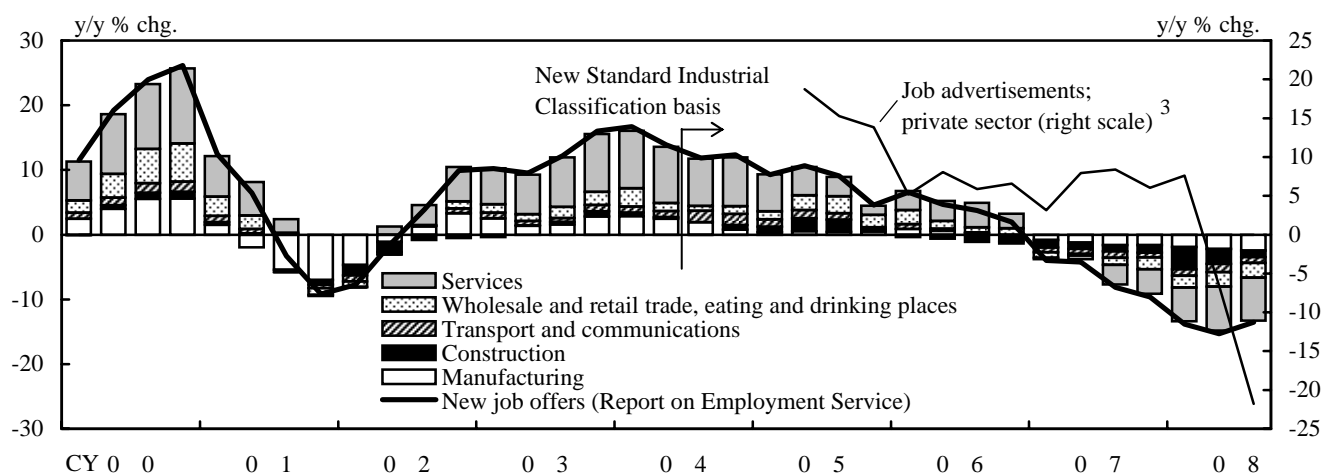
6. Figures for 2008/Q2 are those of June-July averages.

Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";

Ministry of Internal Affairs and Communications, "Labour Force Survey."

Labor Market (1)

(1) Unemployment Rate and Ratio of Job Offers to Applicants

(2) New Job Offers and New Job Applicants¹(3) Breakdown of Job Offers^{1,2,4}

Notes: 1. Figures do not include jobs offered to new graduates, but include those offered to part-time workers.

2. Figures up to 2004/Q2 are based on the previous Standard Industrial Classification. Figures from 2004/Q3 are based on the new Standard Industrial Classification. To keep the continuation of the data, some industries from 2004/Q3 are rearranged as follows. "Transport and communications" are the sum of "electricity and gas," "information and communications" and "transport." "Wholesale and retail trade, eating and drinking places" are the sum of "wholesale and retail trade" and "eating and drinking places, accommodations." "Services" are the sum of "medical, health care and welfare," "education, learning support," "compound services" and "services (not elsewhere classified)."

3. Figures are the sum of job advertisements listed in free/paid job information magazines, newspaper inserts and job information websites provided by member companies of the Association.

4. Figures for 2008/Q3 are those of July.

Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service";

Ministry of Internal Affairs and Communications, "Labour Force Survey";

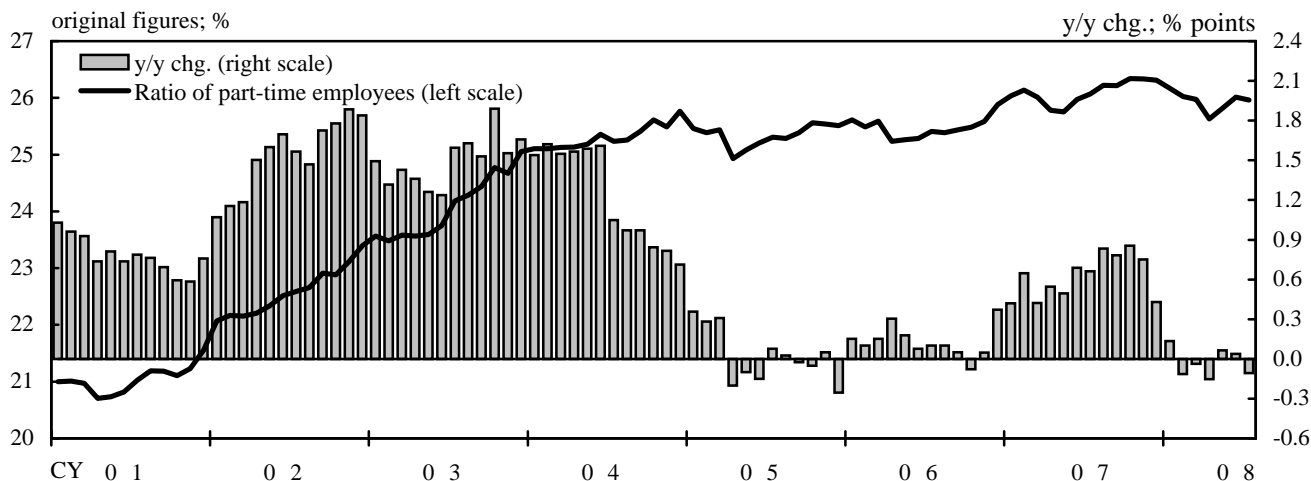
Association of Job Information of Japan, "Kyujin Koukoku Keisaiensu (Survey of Job Advertisements)."

Labor Market (2)

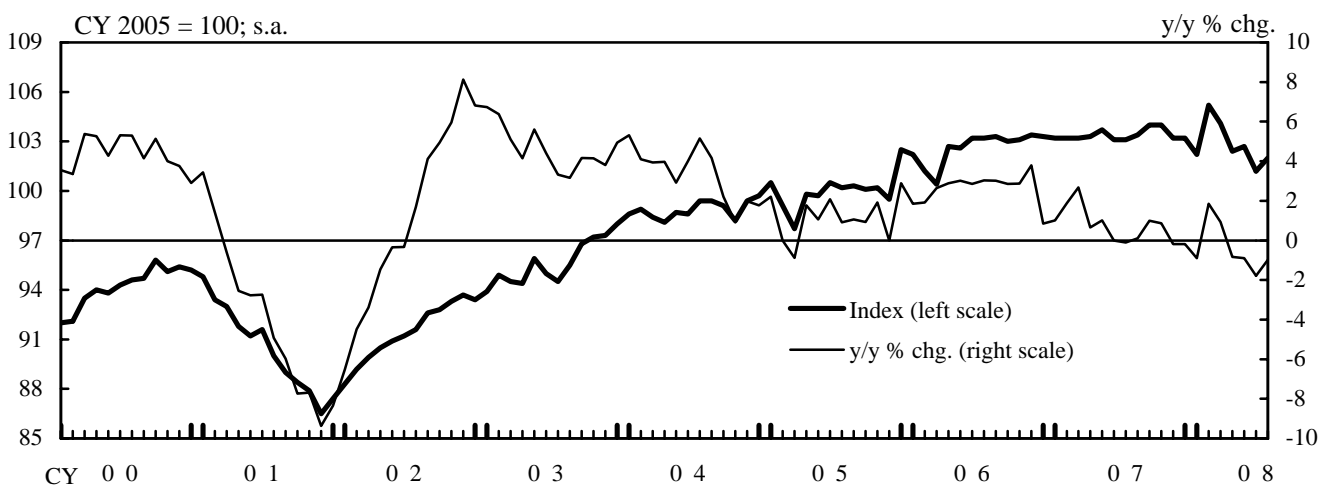
(1) Number of Employees³



(2) Ratio of Part-Time Employees (Monthly Labour Survey)^{1,2}



(3) Non Scheduled Hours Worked (Monthly Labour Survey)¹



Notes: 1. Data are for establishments with at least five employees.

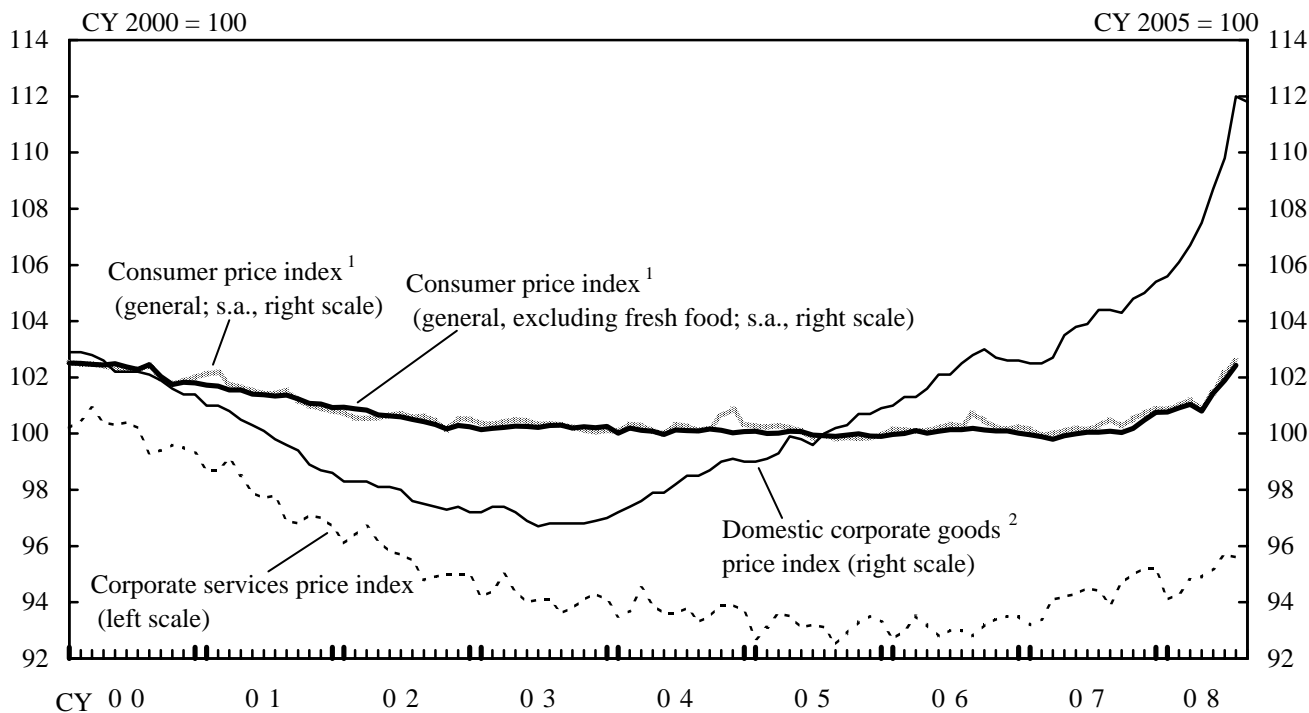
2. The ratio of part-time employees is calculated as the number of part-time employees divided by the number of regular employees times 100.

3. Figures for 2008/Q3 are those of July.

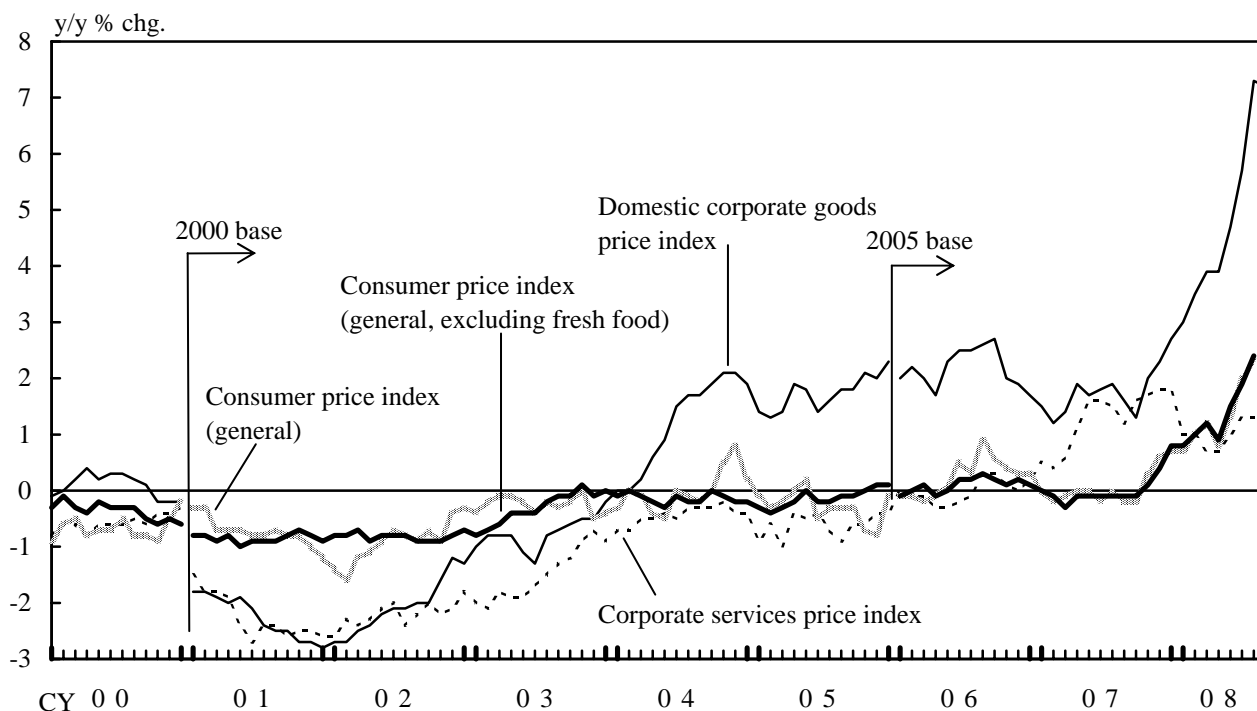
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
Ministry of Internal Affairs and Communications, "Labour Force Survey."

Prices

(1) Level



(2) Changes from a Year Earlier³



Notes:1. Seasonally adjusted by X-12-ARIMA.

2. Adjusted to exclude a hike in electric power charges during the summer season from July to September.

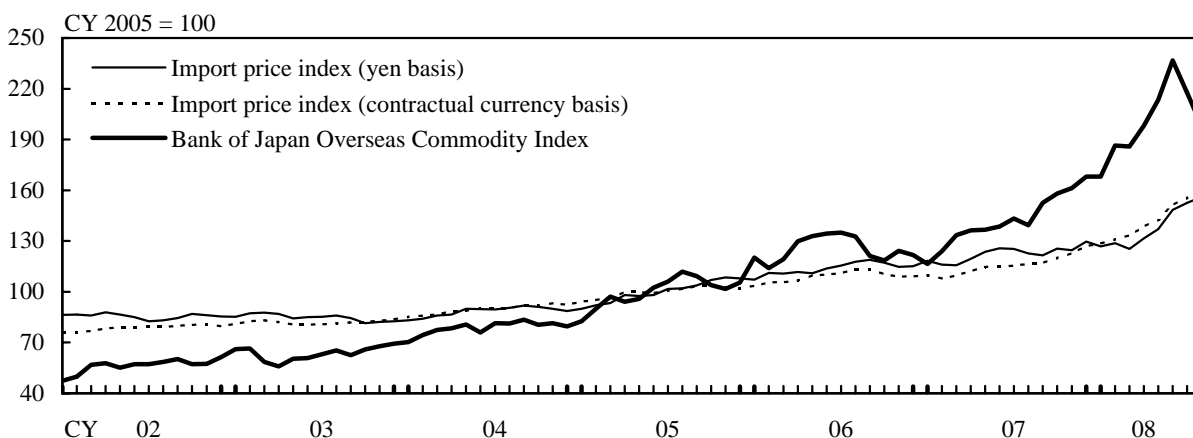
3. Figures up to CY 2000 are on the 1995 base. From CY2001 up to CY 2005, CGPI and CPI are calculated on the 2000 base.

Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index";

Bank of Japan, "Corporate Goods Price Index," "Wholesale Price Indexes," "Corporate Services Price Index."

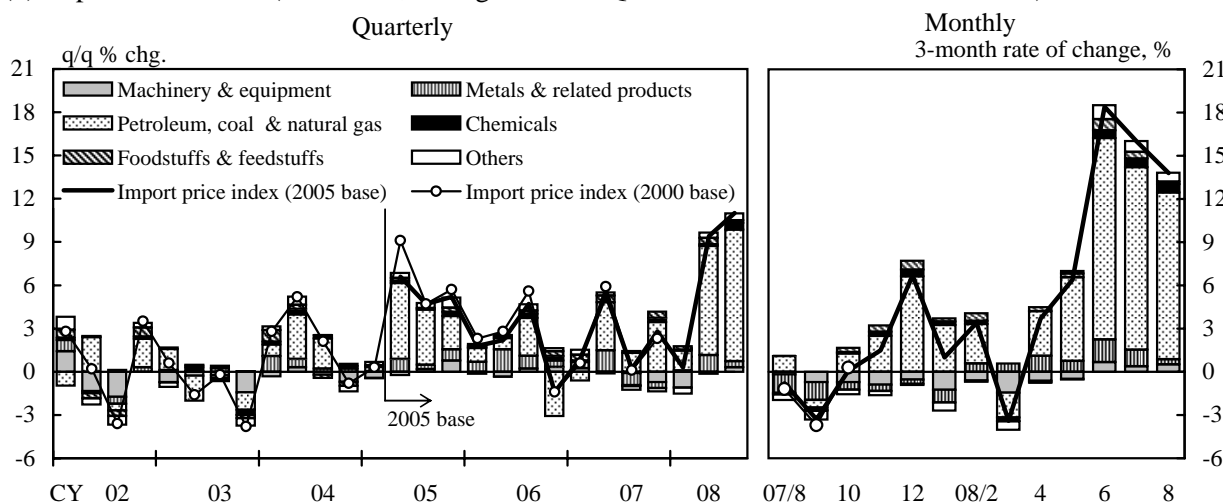
Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



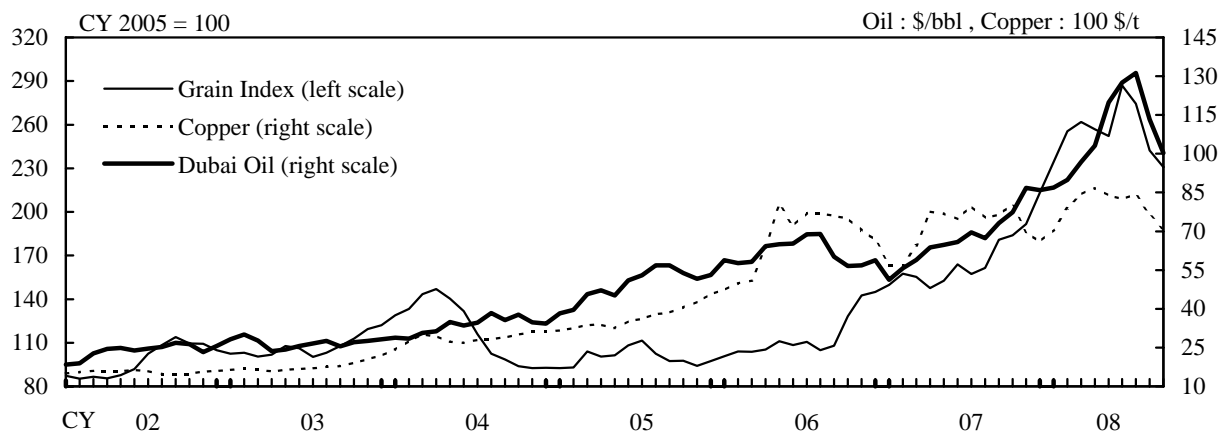
Note: Bank of Japan Overseas Commodity Index is the end-of-month figure.

(2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



Notes: 1. Machinery & equipment: general machinery, electric & electronic products, transportation equipment, precision instruments
 2. Figures for 2008/Q3 are July-August averages. Figures for 2007/Q4 on the 2000 base are those of October.

(3) International Commodity Prices

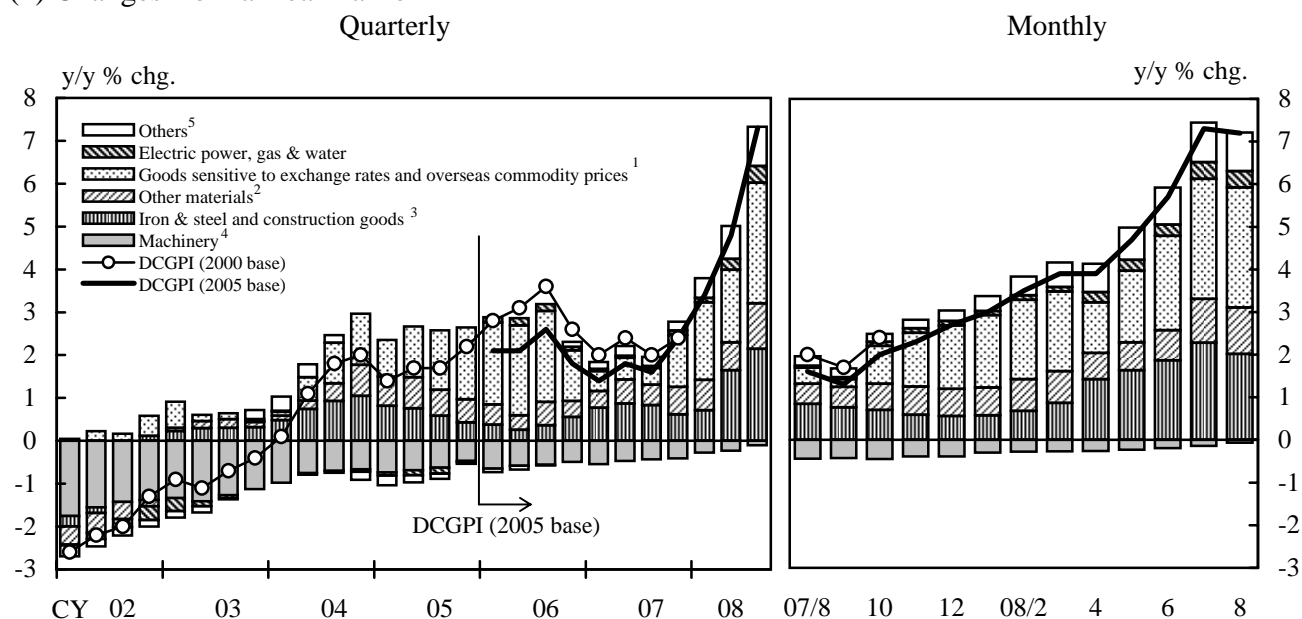
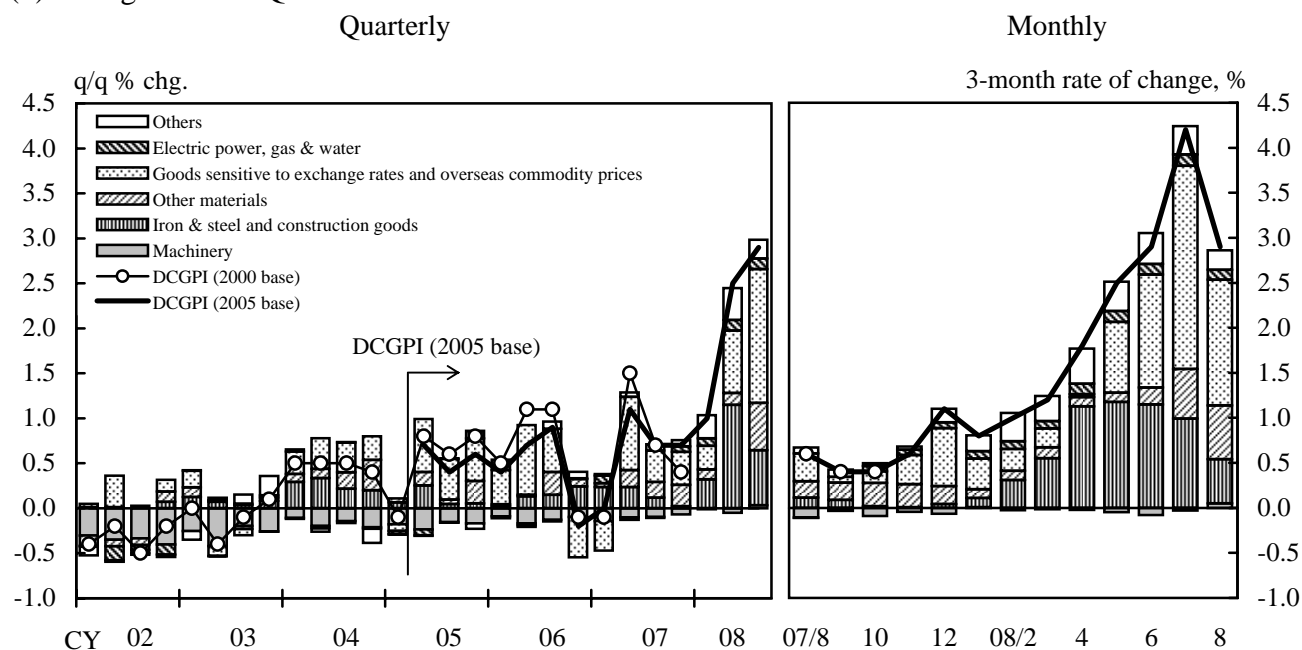


Notes: 1. The Grain Index is the weighted average of prices of three selected items (wheat, soybeans, corn) in overseas commodity markets. The weights are based on the Value of Imports in the Trade Statistics of Japan.
 2. Monthly averages. Figures for September 2008 are the averages up to September 16.

Sources: Bank of Japan, "Corporate Goods Price Index," "Bank of Japan Overseas Commodity Index." etc.

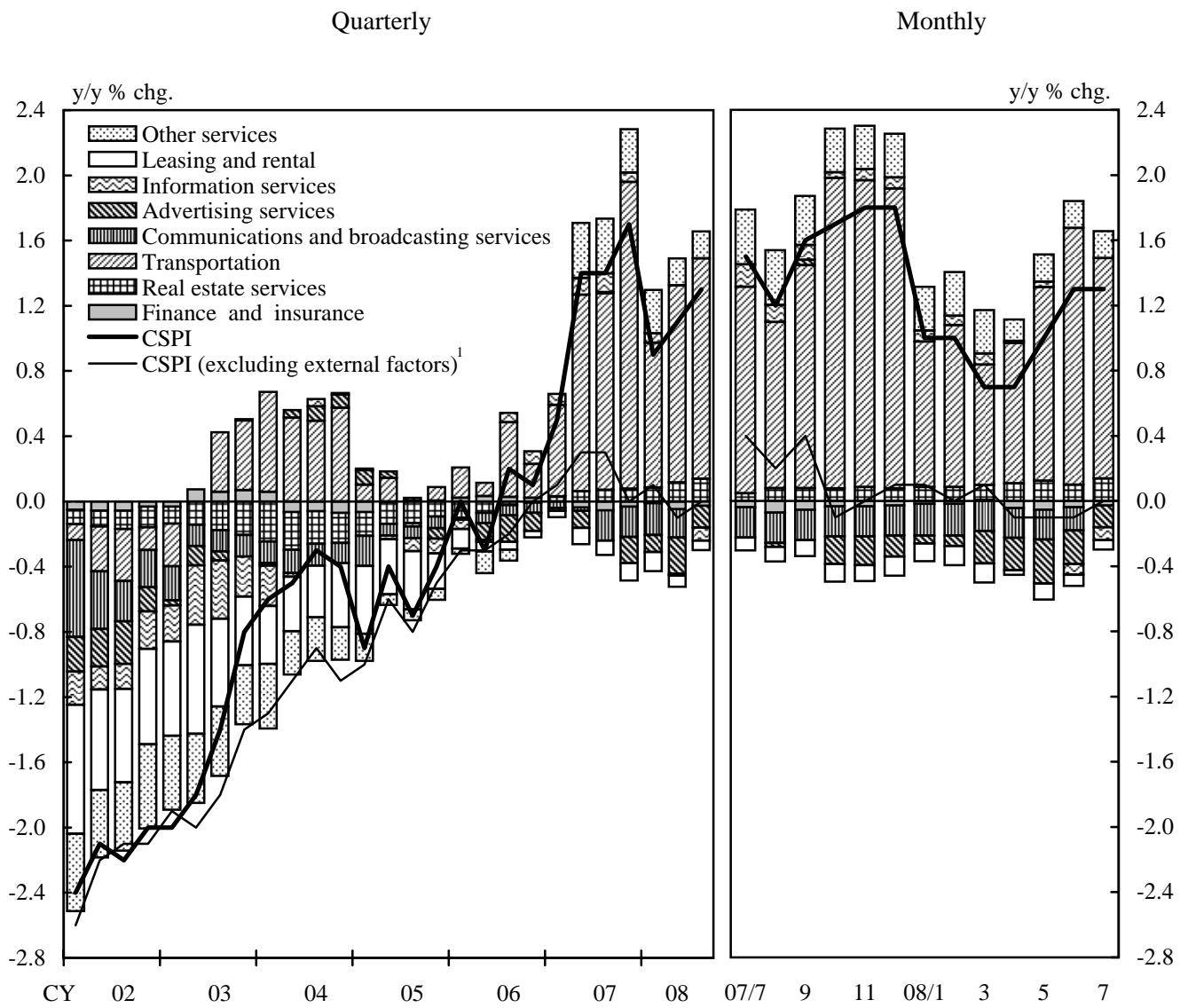
Domestic Corporate Goods Price Index⁷

(1) Changes from a Year Earlier

(2) Changes from a Quarter Earlier and 3 Months Earlier⁶

- Notes: 1. Goods sensitive to exchange rates and overseas commodity prices: petroleum & coal products, nonferrous metals.
2. Other materials: chemicals, plastic products, textile products, pulp, paper & related products.
3. Iron & steel and construction goods: iron & steel, metal products, ceramics, stone & clay products, lumber & wood products, scrap & waste.
4. Machinery: electrical machinery, information & communications equipment, electronic components & devices, general machinery, transportation equipment, precision instruments.
5. Others: processed foodstuffs, other manufacturing industry products, agricultural, forestry & fishery products, mining products.
6. Adjusted to exclude a hike in electric power charges during the summer season from July to September. This effect makes the Domestic Corporate Goods Price Index rise by about 0.2%.
7. Figures for 2008/Q3 are July-August averages. Figures for 2007/Q4 on the 2000 base are those of October.

Corporate Services Price Index

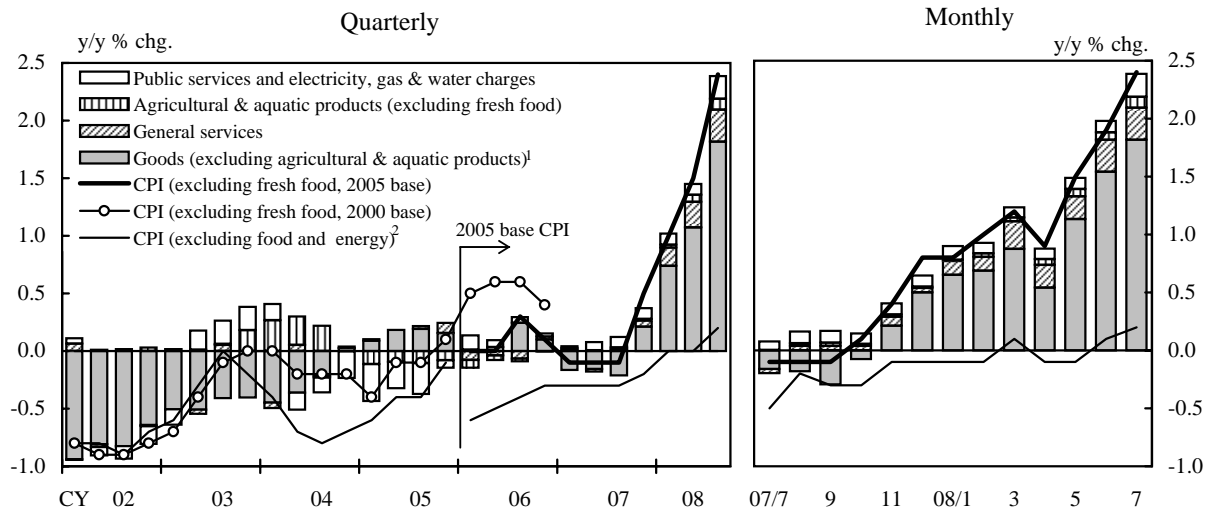


Notes: 1. External factors: international air passenger transportation, ocean liner, ocean tramper, ocean tanker, oceangoing ship chartering services, and international air freight.
 2. Figures for 2008/Q3 are those of July.

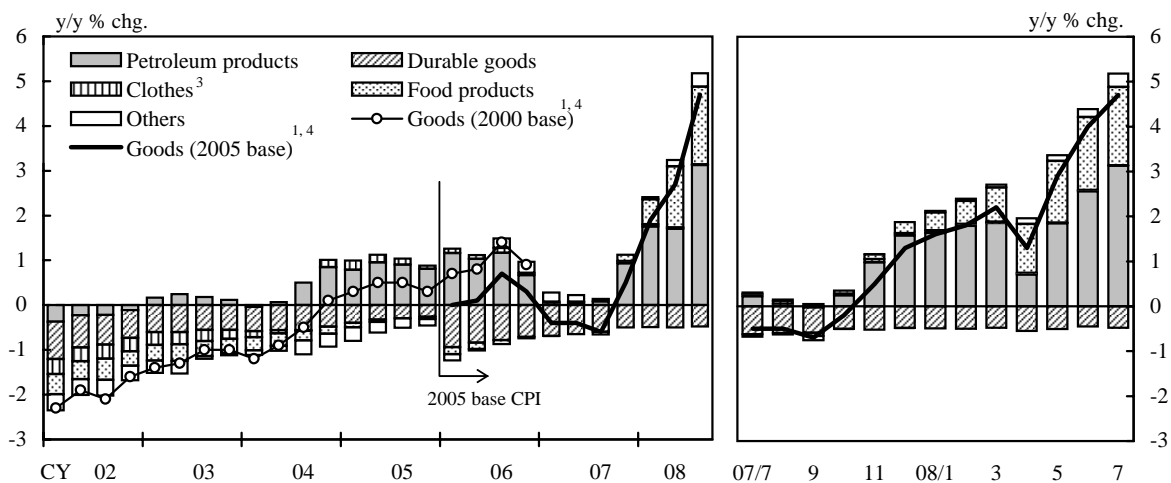
Source: Bank of Japan, "Corporate Services Price Index."

Consumer Price Index (Excluding Fresh Food)

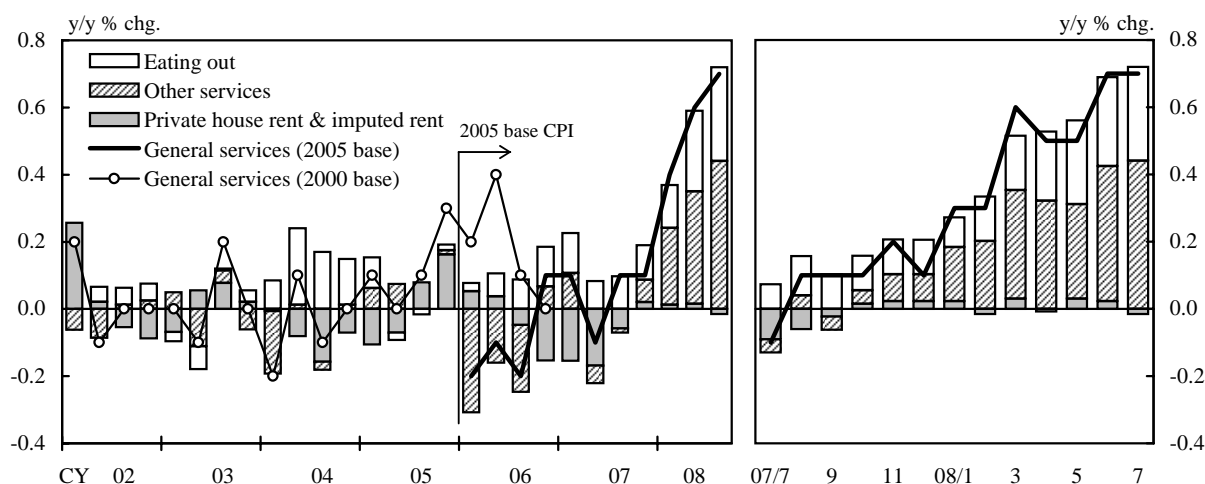
(1) Consumer Price Index (Excluding Fresh Food)



(2) Goods (Excluding Agricultural & Aquatic Products)¹



(3) General Services

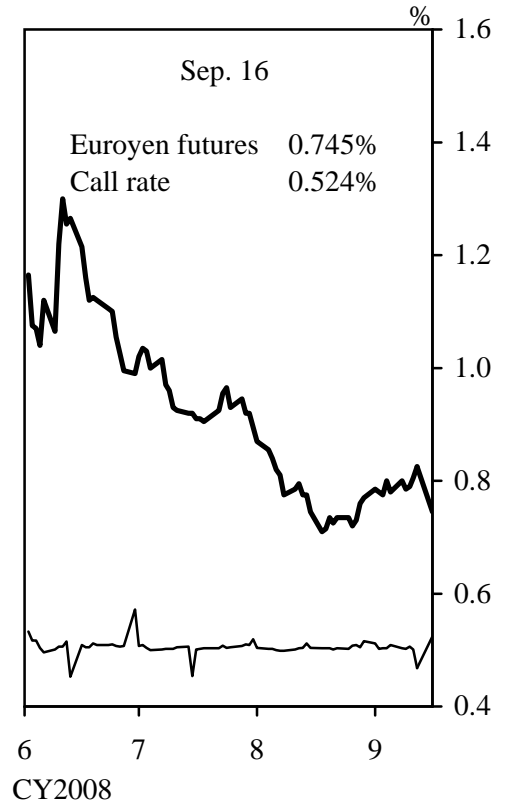
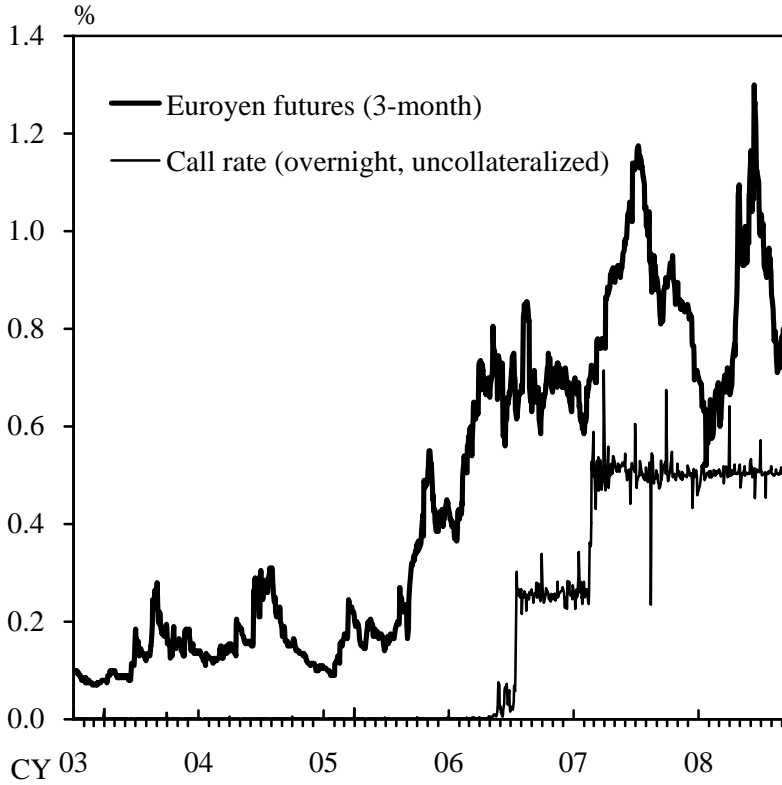


- Notes: 1. The items are basically the same as the definition published by the Ministry of Internal Affairs and Communications. However, electricity, gas & water charges are excluded from goods.
 2. Alcoholic beverages are excluded from food.
 Energy: electricity, gas manufactured & piped, liquefied propane, kerosene, and gasoline.
 3. Including shirts, sweaters & underwear.
 4. Excluding agricultural & aquatic products.
 5. Figures for 2008/Q3 are those of July.

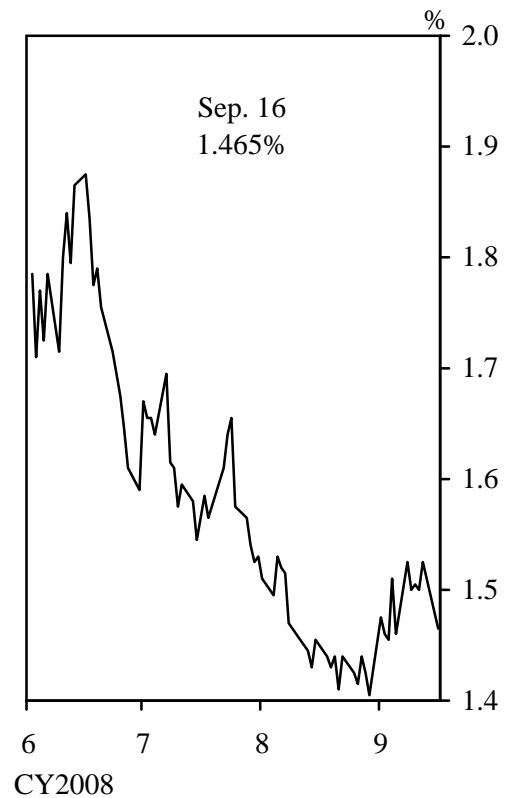
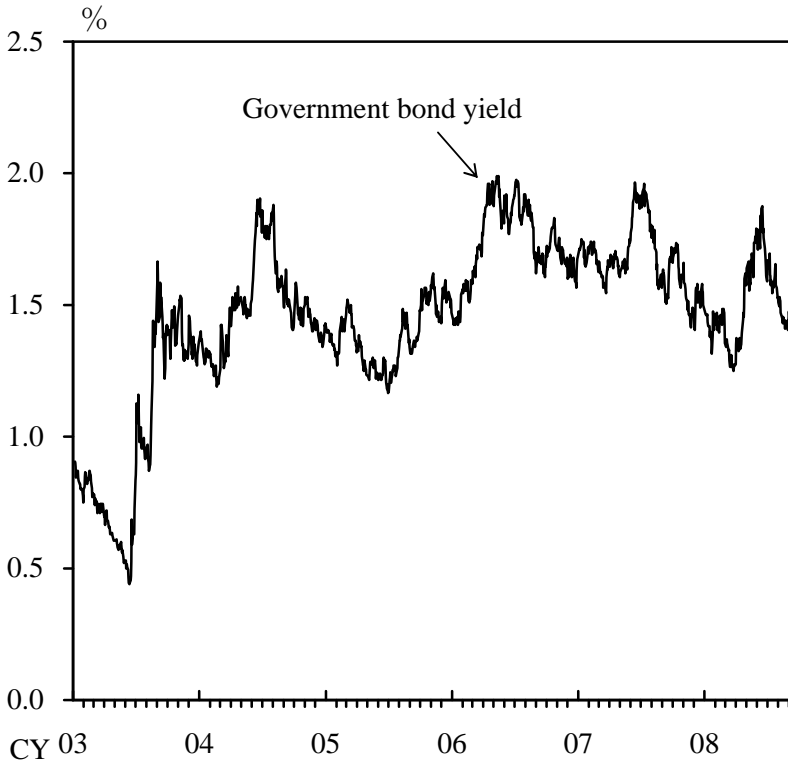
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Interest Rates

(1) Short-Term



(2) Long-Term¹

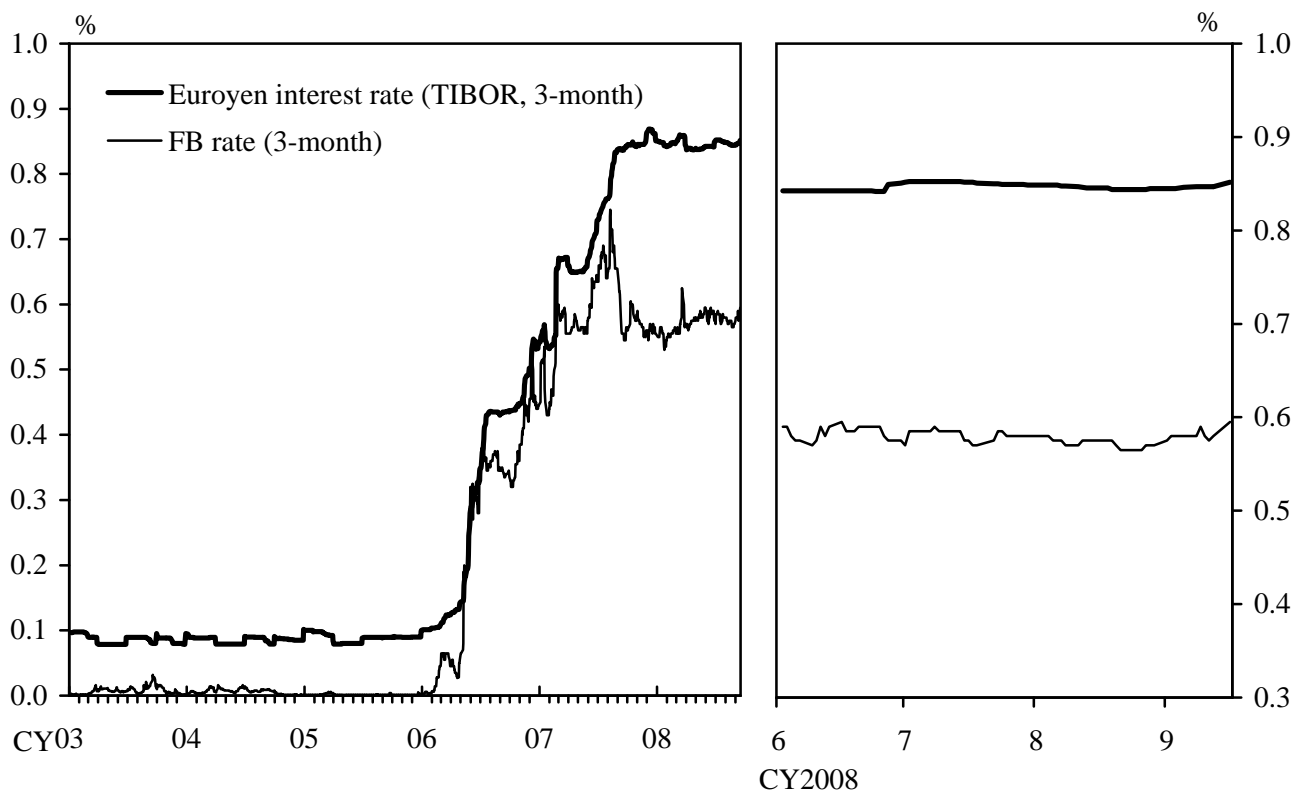


Note: 1. Yields on newly issued bonds with 10-year maturity.

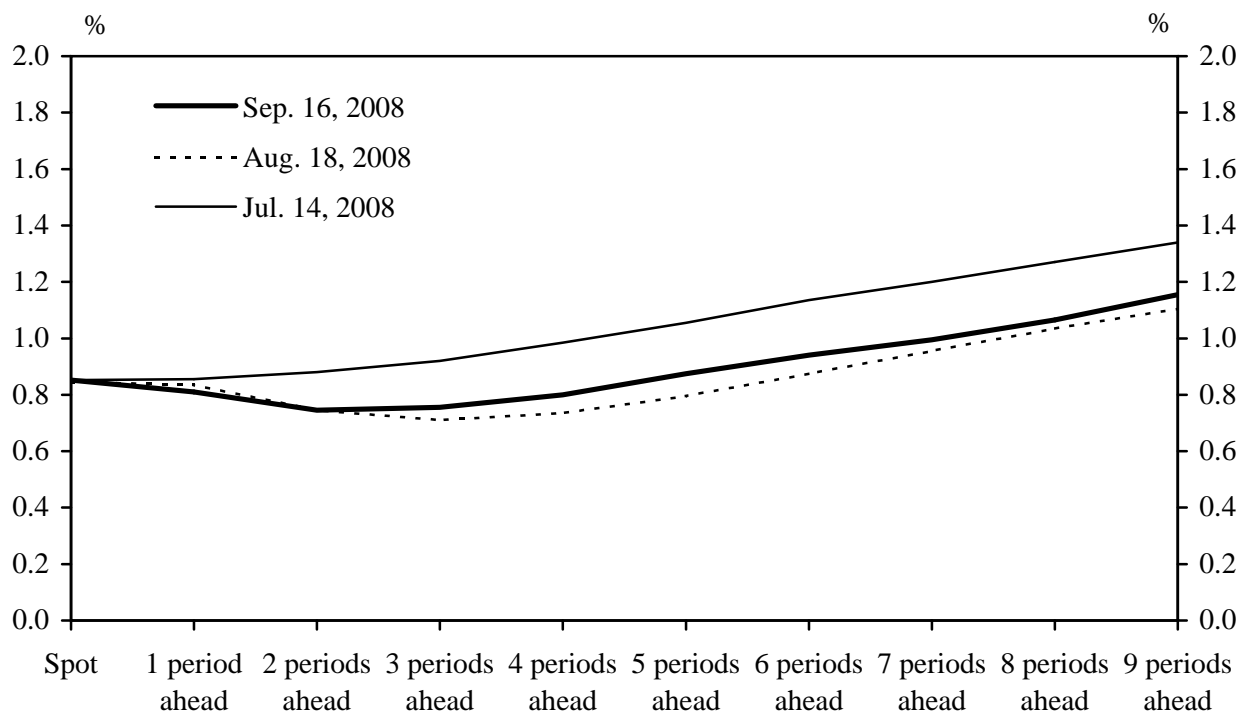
Sources: Bank of Japan; Tokyo Financial Exchange; Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments



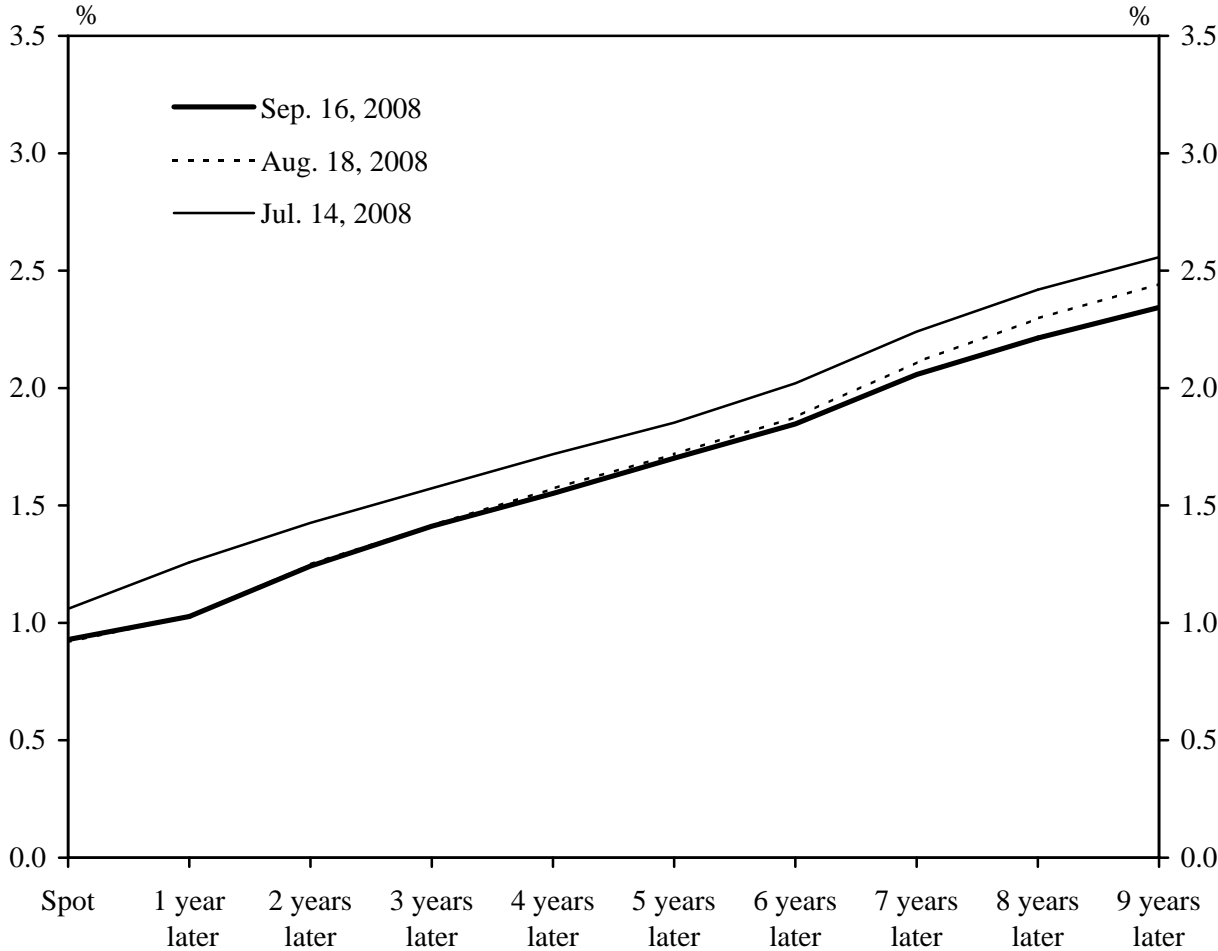
(2) Euroyen Interest Rates Futures (3-Month)¹



Note: 1. Contract months in the figure (2) exclude "serial months," the months other than March, June, September and December.

Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.; Tokyo Financial Exchange.

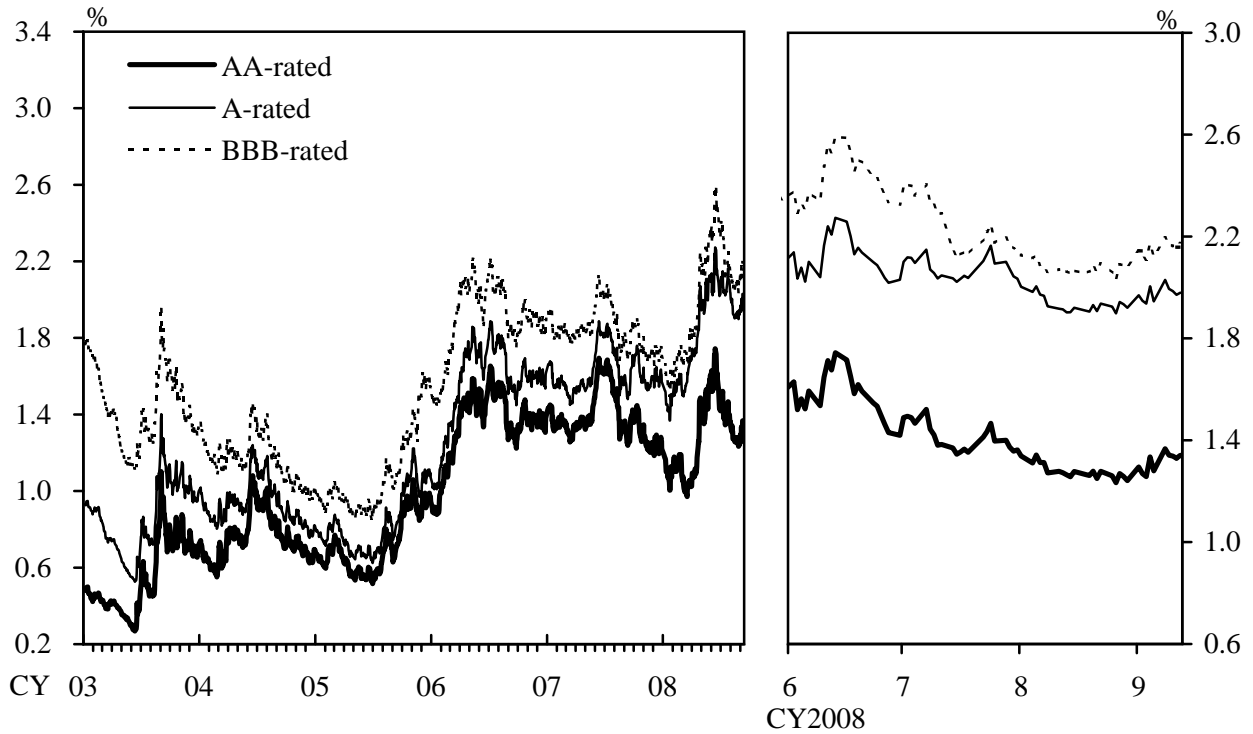
Implied Forward Rates (1-Year)



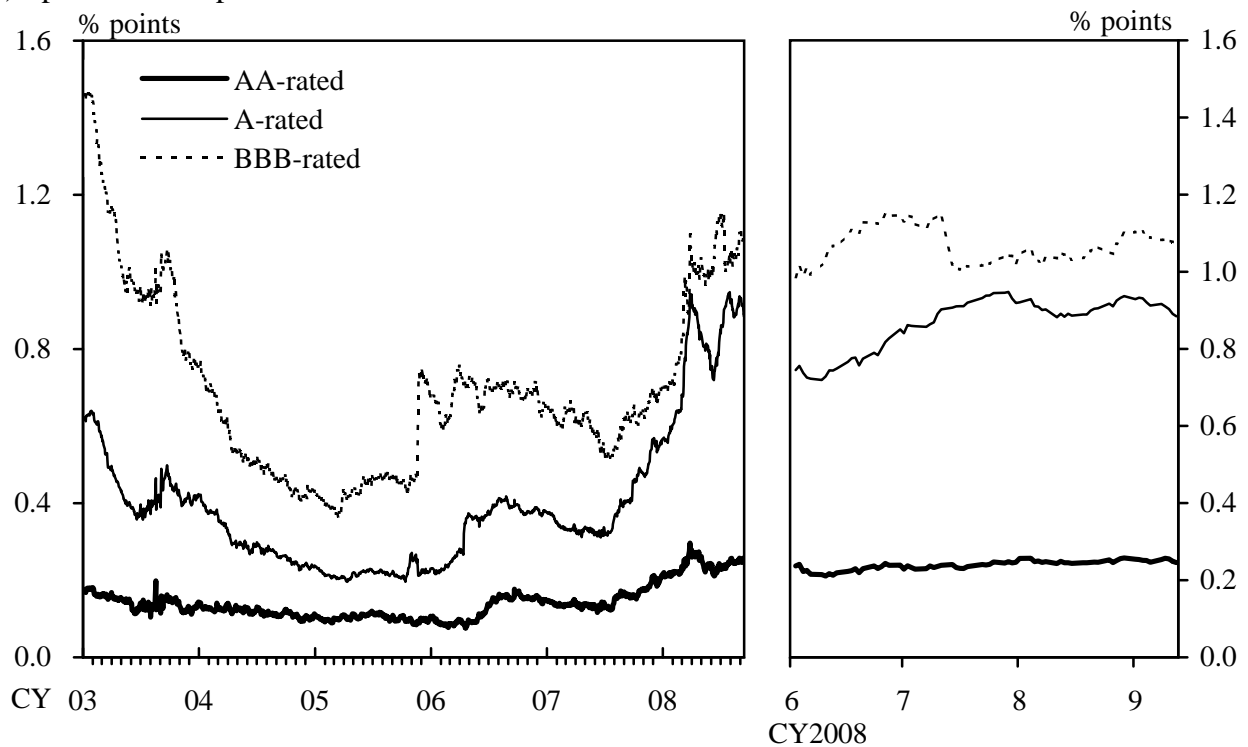
Note: Calculated from yen-yen swap rates.
Source: Reuters.

Yields of Corporate Bonds

(1) Corporate Bond Yields^{1,2}



(2) Spreads of Corporate Bond Yields over Government Bond Yields^{1,2}



Notes: 1. Yields on bonds with 5-year maturity.

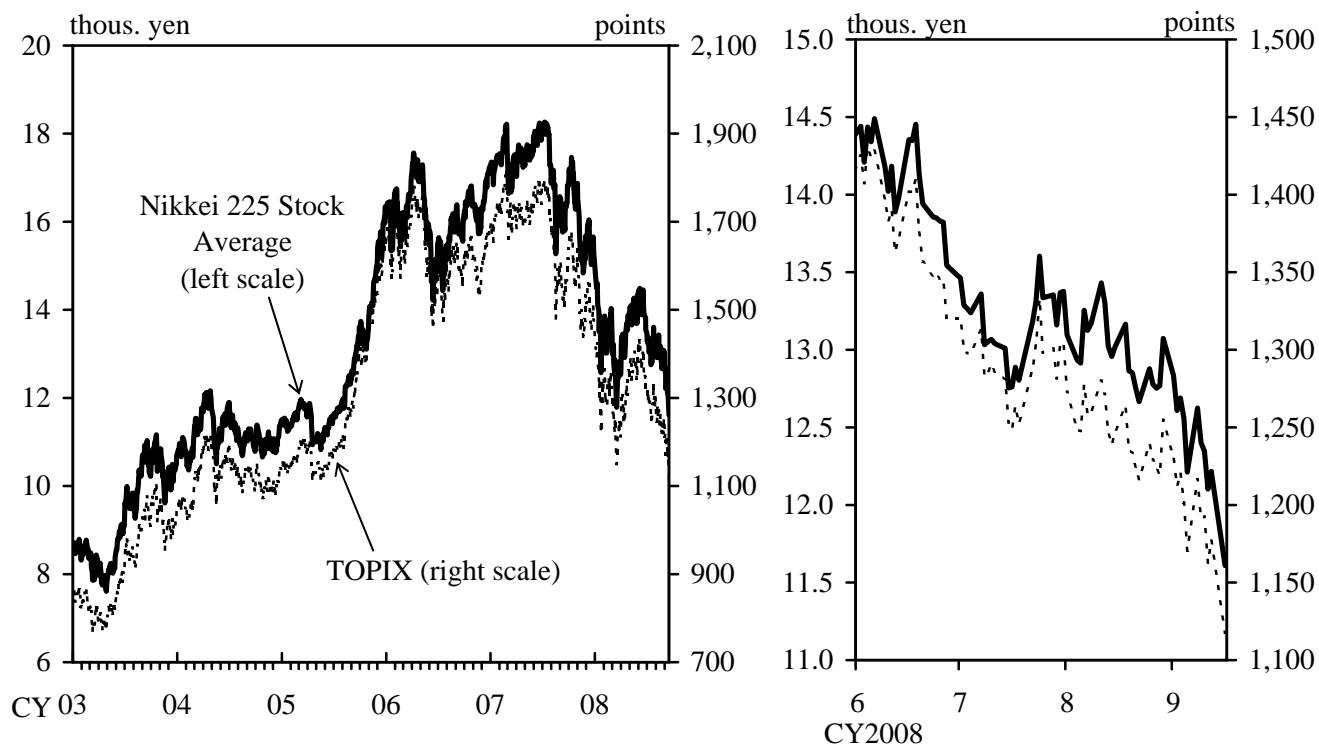
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.

2. The indicated ratings are of Rating and Investment Information, Inc.

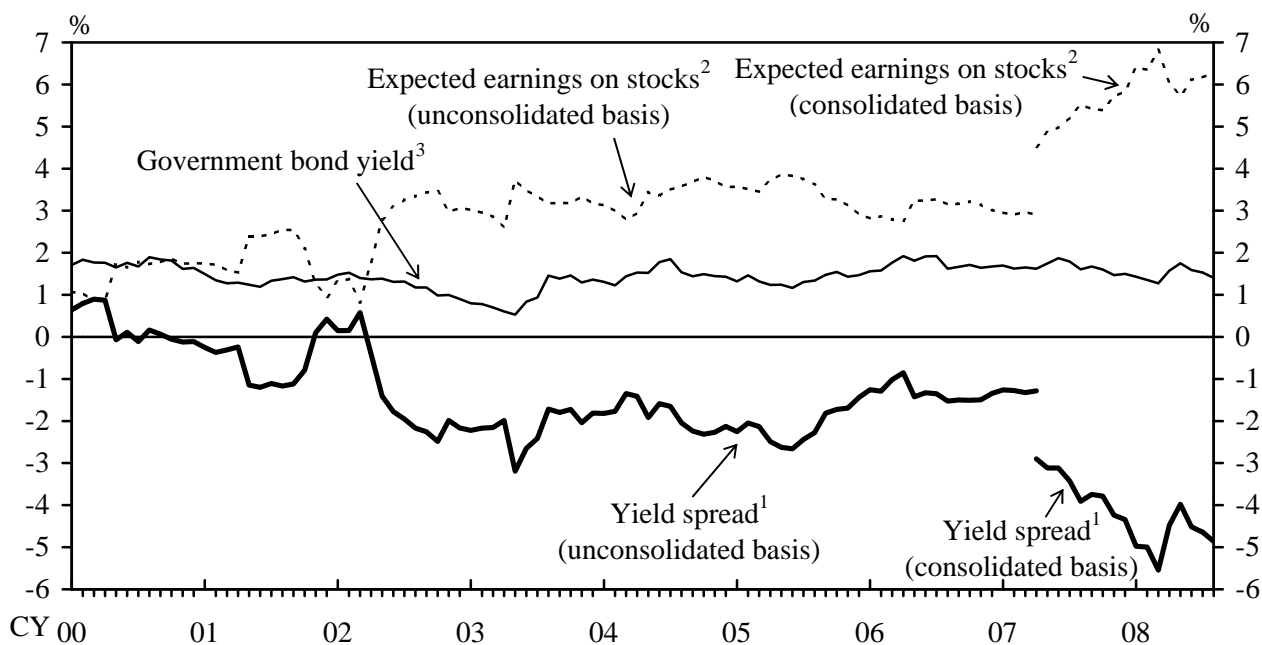
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Stock Prices



(2) Yield Spread



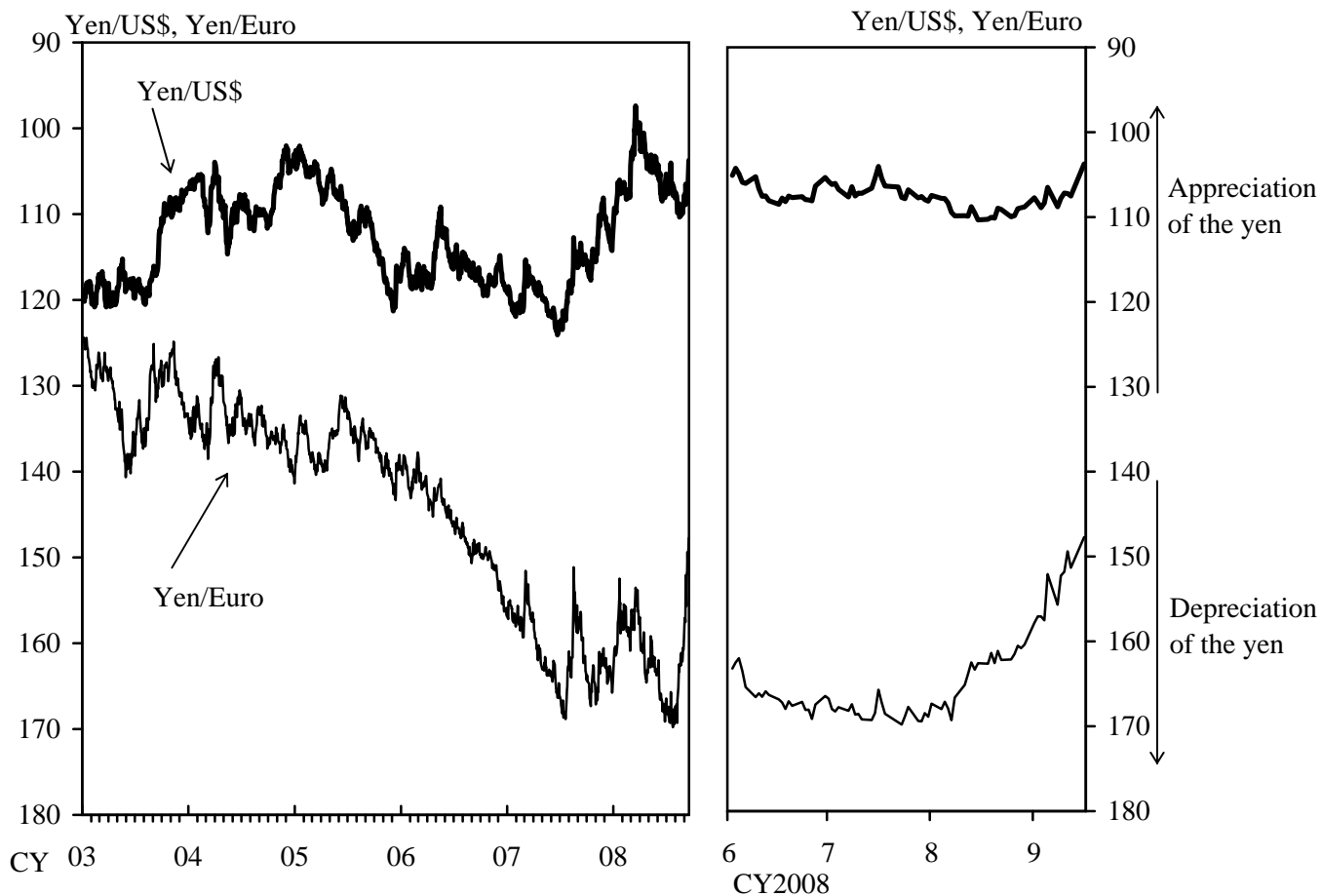
Notes: 1. Yield spread = government bond yield - expected earnings on stocks, where expected earnings on stocks = 1/expected price earnings ratio.

2. Based on stocks listed on the TSE First Section. Excludes bank stocks. Data are calculated by Daiwa Institute of Research.

3. Yields on newly issued bonds with 10-year maturity.

Sources: The *Nihon Keizai Shimbun*; Tokyo Stock Exchange; Daiwa Institute of Research, "*Daiwa Toushi Shiryou* (Daiwa Investment Information)."

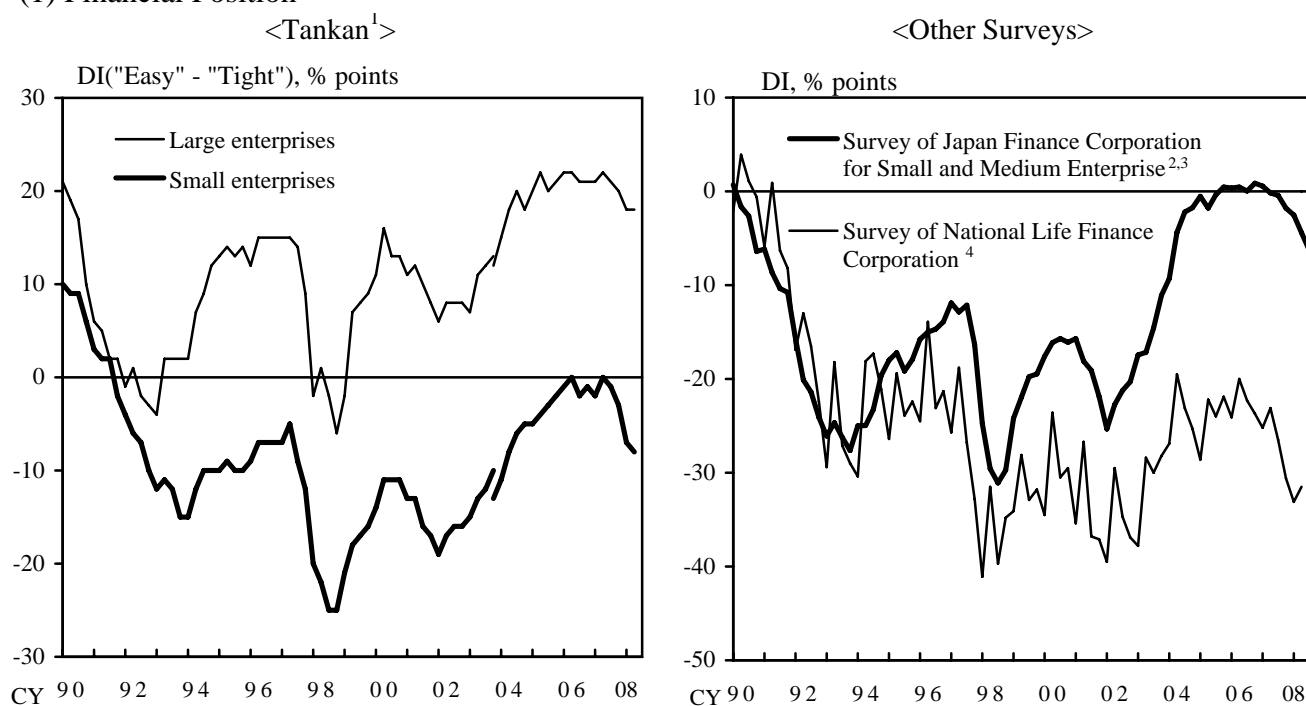
Exchange Rates



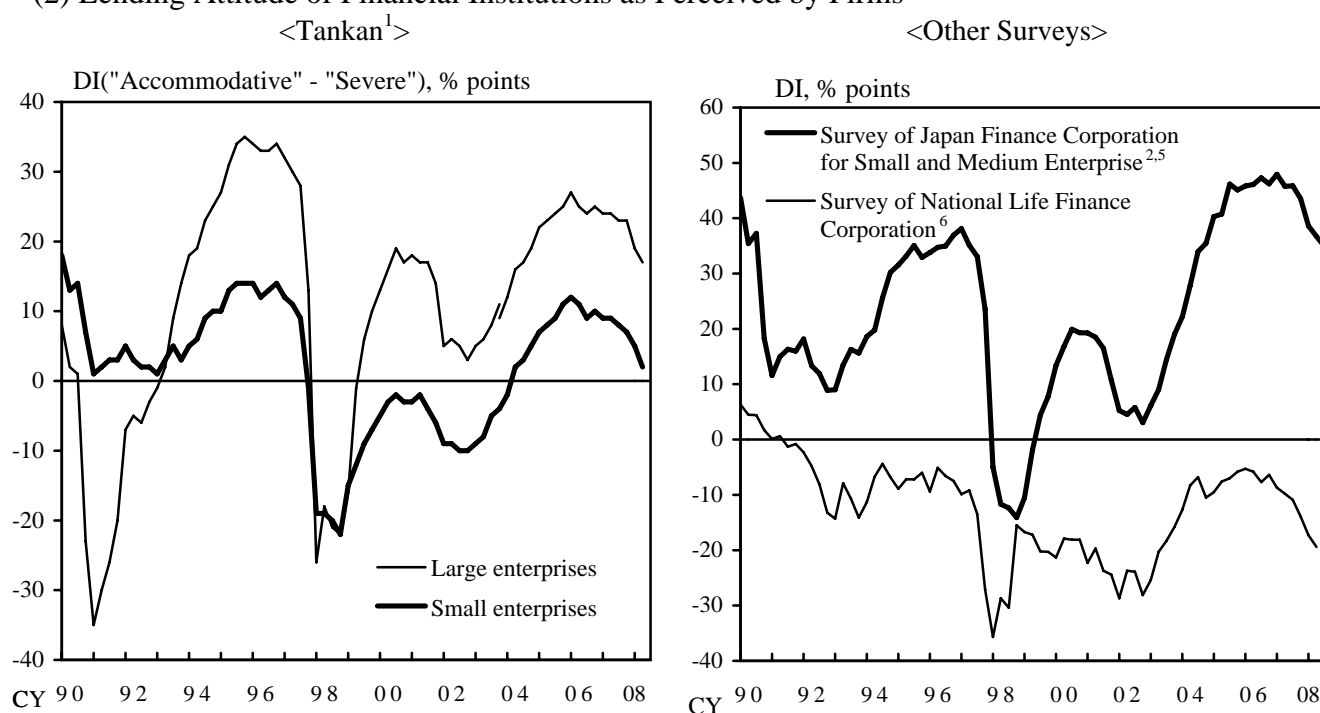
Source: Bank of Japan.

Corporate Finance-Related Indicators

(1) Financial Position



(2) Lending Attitude of Financial Institutions as Perceived by Firms



Notes: 1. Data of the *Tankan* are based on all industries. The *Tankan* has been revised from the March 2004 survey. Figures up to the December 2003 survey are based on the previous data sets. Figures from the December 2003 survey are on a new basis.

2. Figures are quarterly averages of monthly data. Figures for 2008/Q3 are those of Jul.-Aug. averages.

3. DI of "Easy" - "Tight."

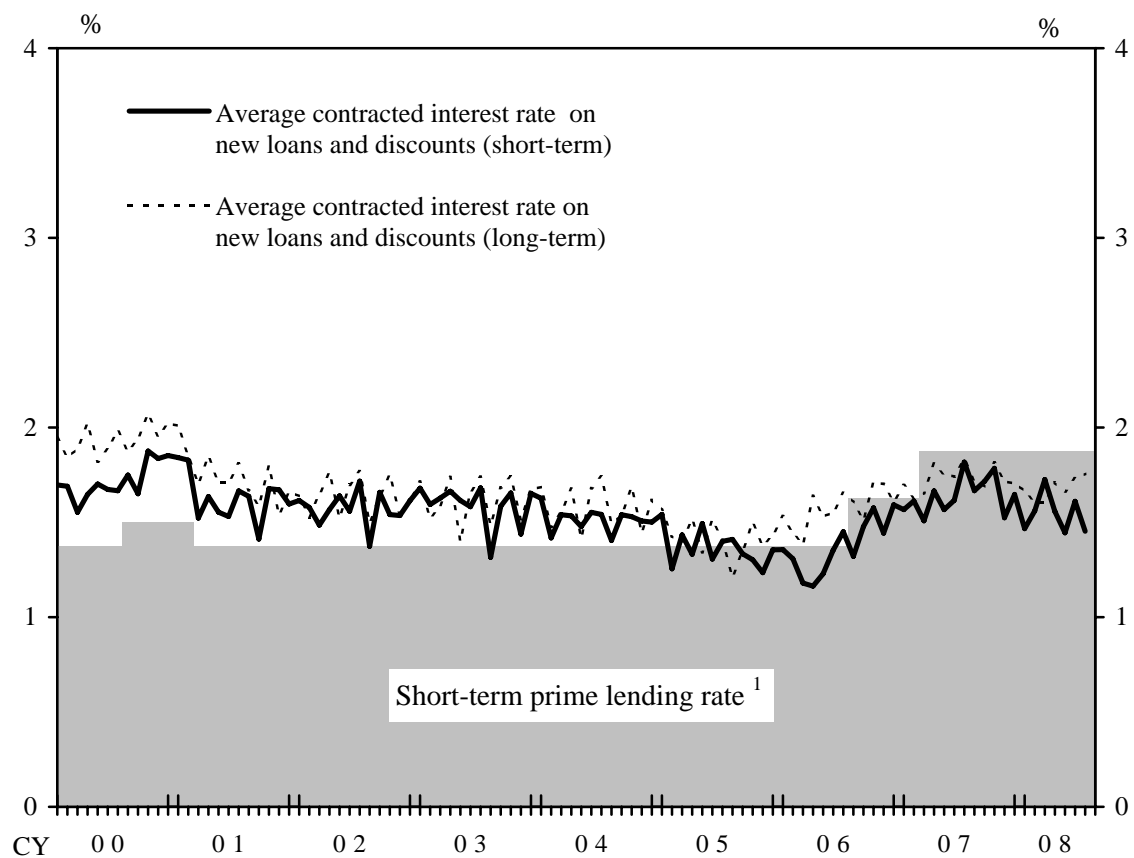
4. DI of "Easier" - "Tighter."

5. DI of "Accommodative" - "Severe."

6. DI of "More accommodative" - "More severe."

Sources: Bank of Japan, "*Tankan*, Short-term Economic Survey of Enterprises in Japan"; Japan Finance Corporation for Small and Medium Enterprise, "Monthly Survey of Small Businesses in Japan"; National Life Finance Corporation, "Quarterly Survey of Small Businesses in Japan."

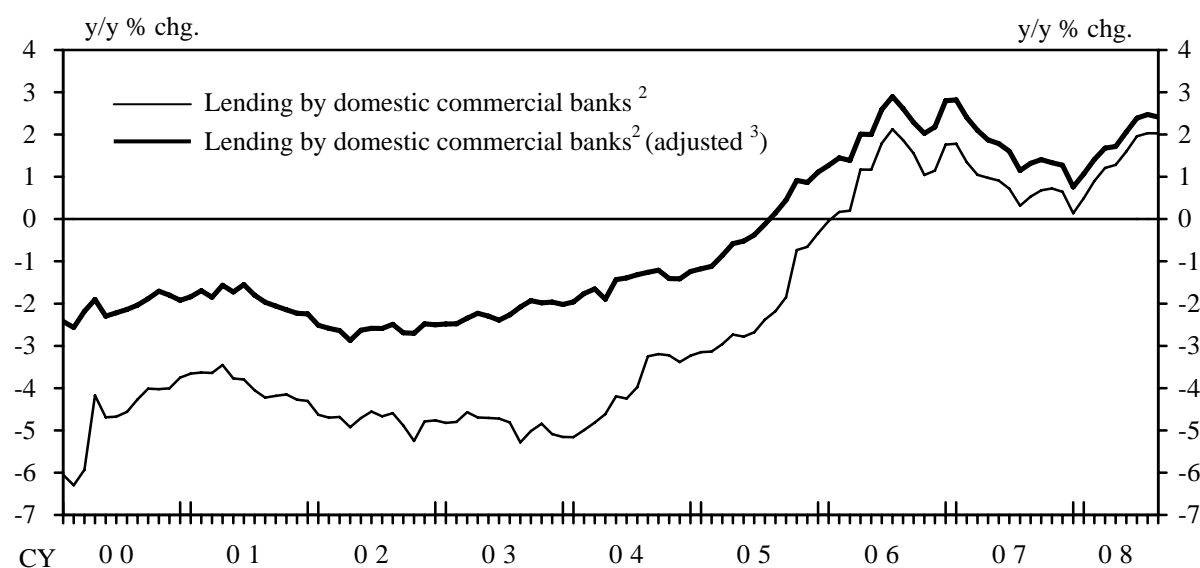
Lending Rates



Note: 1. Data are at end of period.

Source: Bank of Japan.

Lending by Financial Institutions

(1) Lending by Domestic Commercial Banks¹

Notes: 1. Percent changes in average amounts outstanding from a year earlier.

2. "Domestic commercial banks" refers to city banks, regional banks, and regional banks II.

3. Adjusted to exclude

(1) fluctuations due to the liquidation of loans,

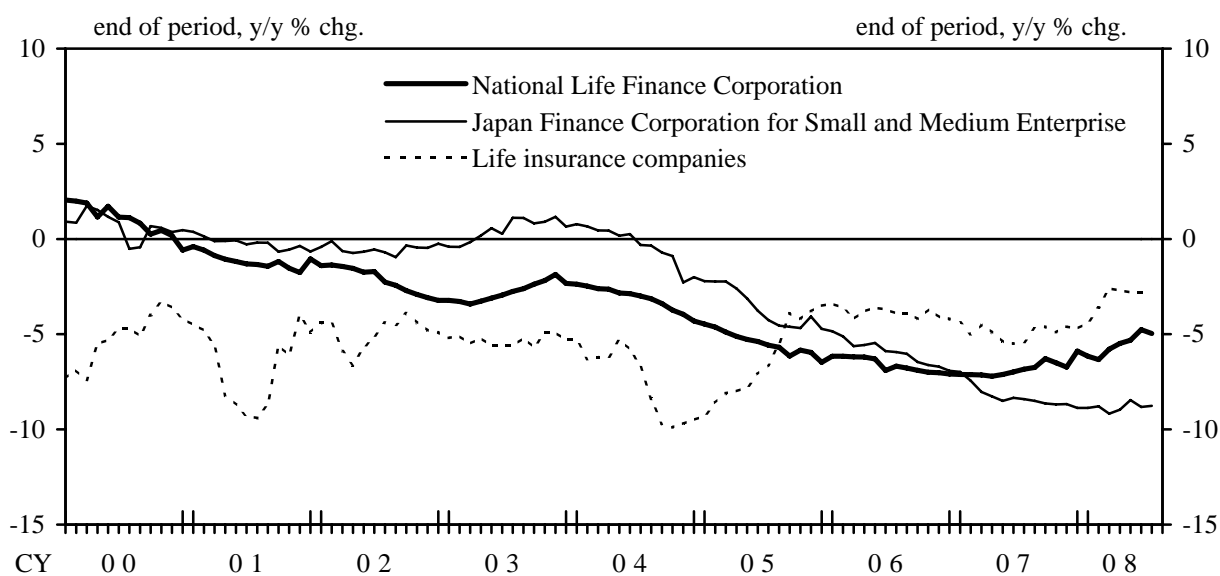
(2) fluctuations in the yen value of foreign currency-denominated loans due to changes in exchange rates,

(3) fluctuations due to loan write-offs,

(4) the transfer of loans to the former Japan National Railways Settlement Corporation to the General Account, and

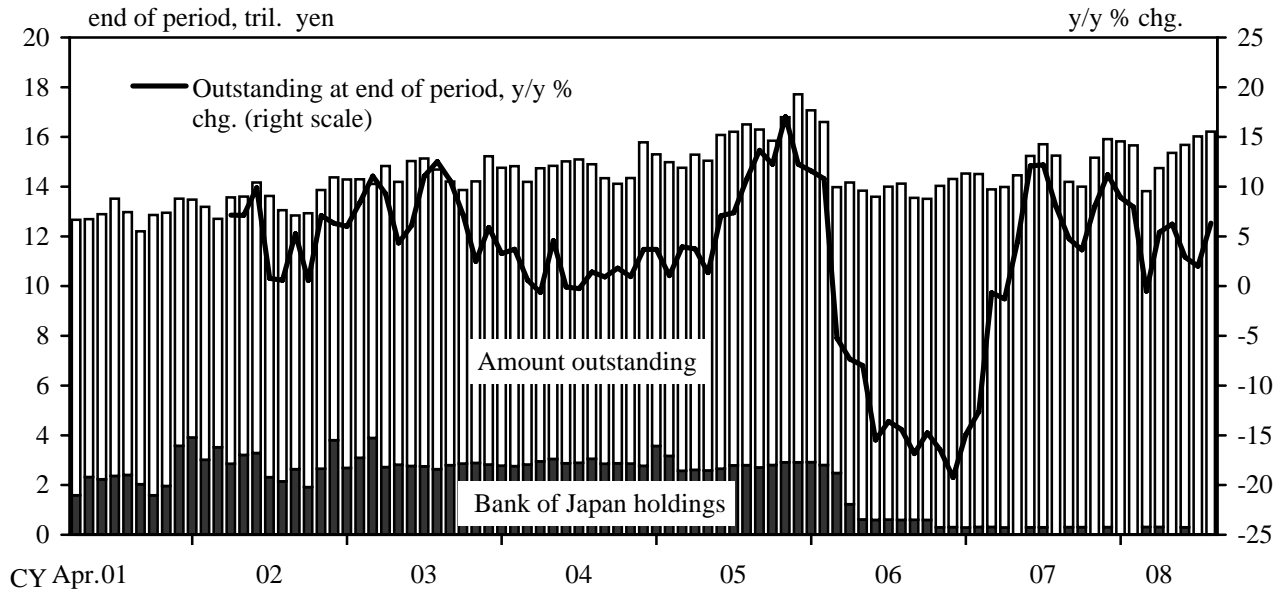
(5) the transfer of loans to the former Housing Loan Administration Corporation to the Resolution and Collection Corporation.

(2) Lending by Other Financial Institutions



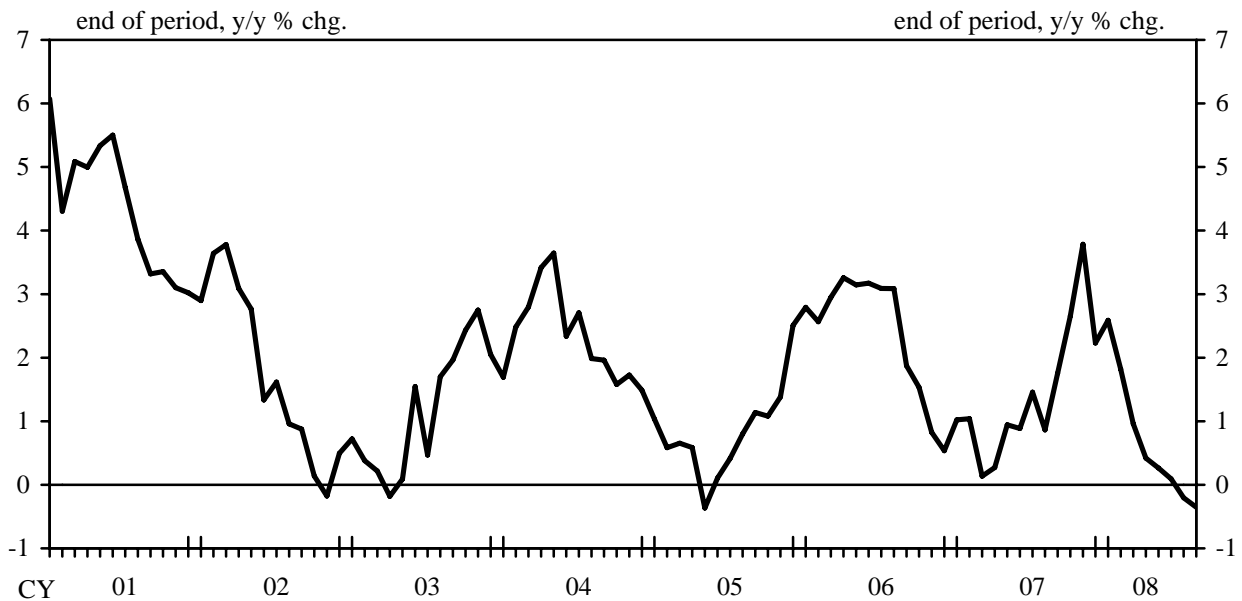
Private-Sector Fund-Raising in the Capital Markets

(1) Amount Outstanding of Commercial Paper



Notes: 1. Figures are those of the client financial institutions of the Bank of Japan.
 2. Excludes those issued by banks.

(2) Amount Outstanding of Corporate Bonds (Changes from a Year Earlier)



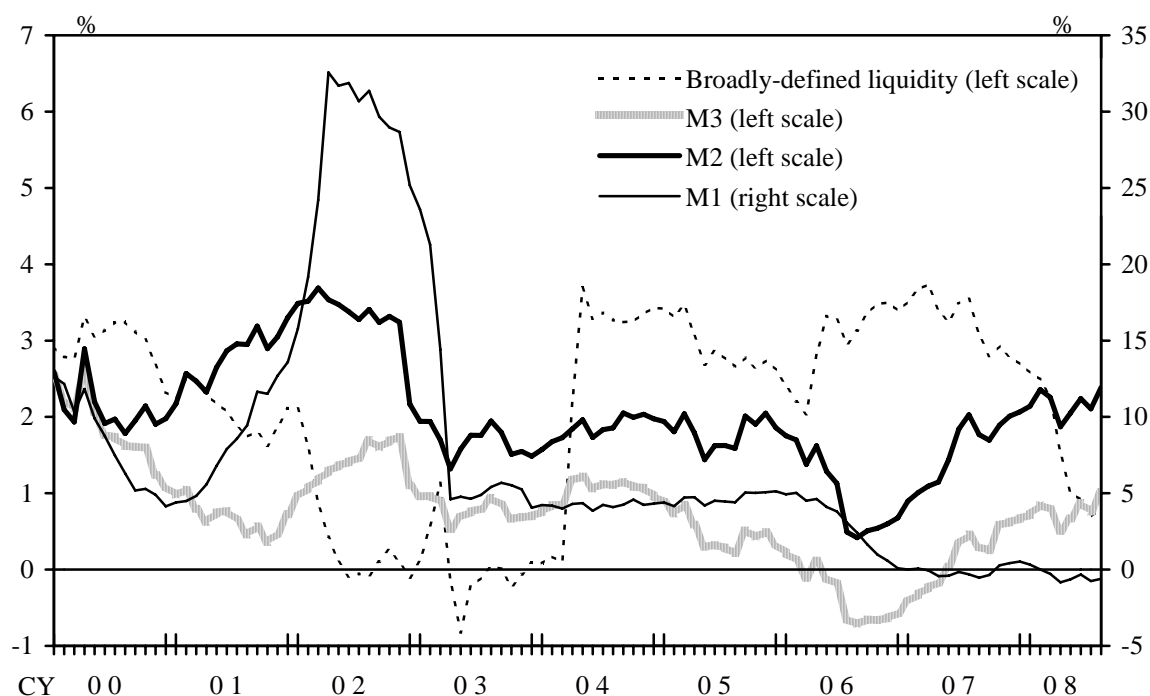
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

- (1) The sum of straight bonds issued in both domestic and overseas markets is used.
- (2) Bonds issued by banks are included.
- (3) Domestic bonds are those registered at the book-entry transfer system. The series is spliced at April 2008 with the one published by the Japan Securities Dealers Association.

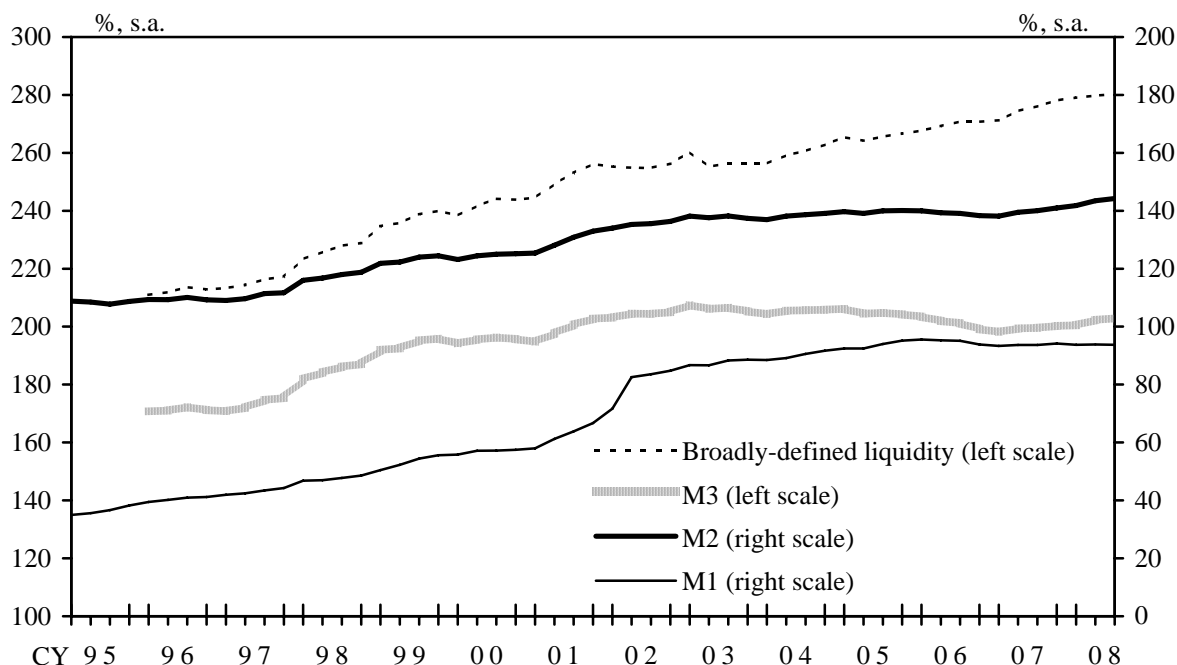
Sources: Bank of Japan, "Principal Figures of Financial Institutions"; Japan Securities Depository Center, "Issue, Redemption and Outstanding"; Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts of Bonds," "Kisai-Jouhou (Issuance Information)"; I-N Information Systems, "Funding Eye."

Money Stock

(1) Changes from a Year Earlier



(2) Ratio of Money Stock to Nominal GDP



Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.

2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.

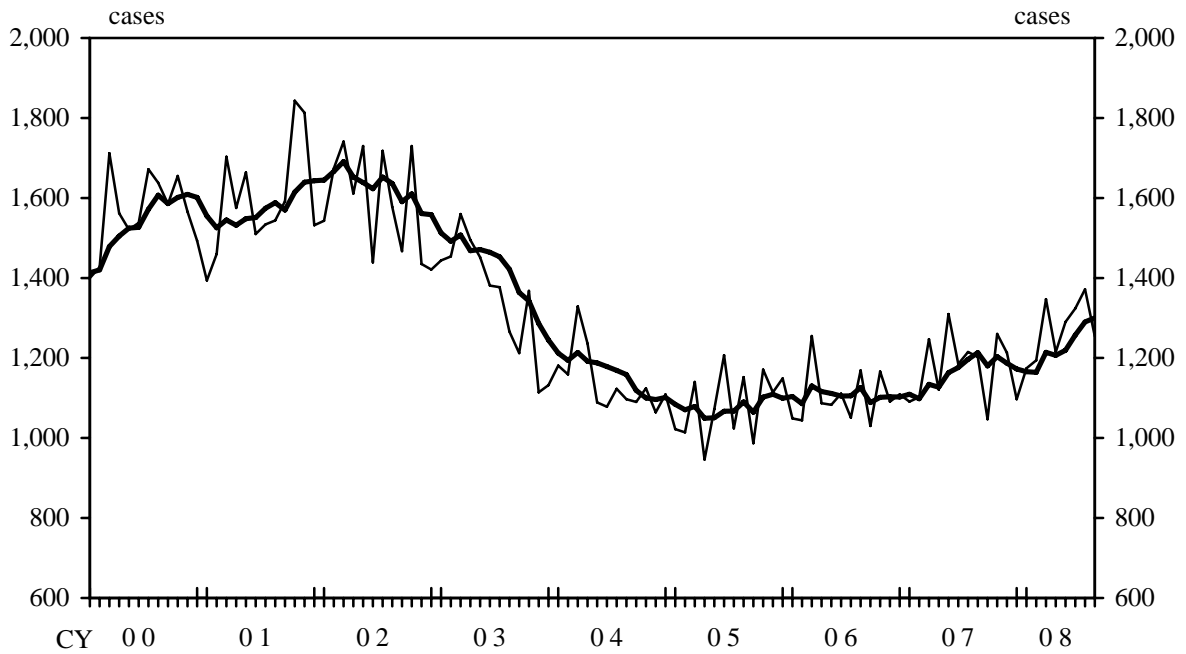
3. The current series are spliced by the former series at March 2003.

4. Figures for money stock in 2008/Q3 are those of Jul.-Aug. averages, and the nominal GDP in 2008/Q3 is assumed to be unchanged from the previous quarter.

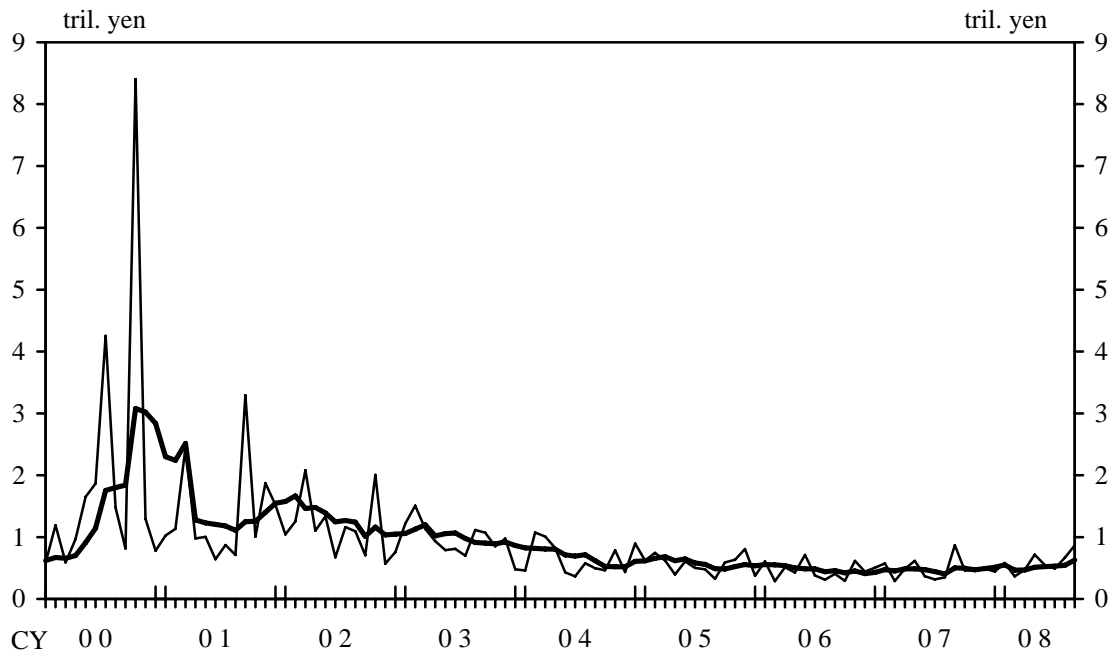
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities



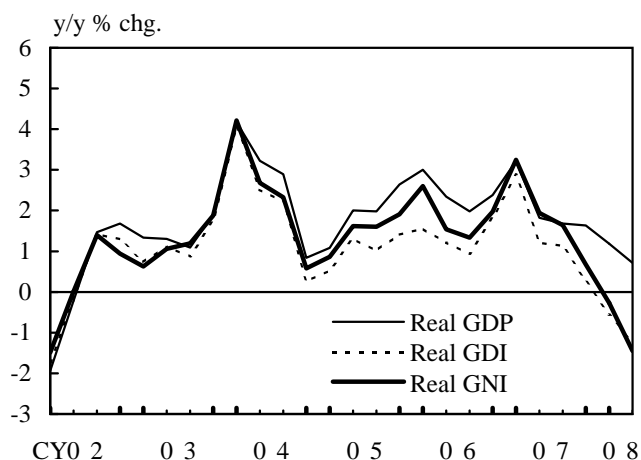
Note: Bold lines are the six-month moving average.

Source: Tokyo Shoko Research Ltd., "Tosan Geppo (Monthly Review of Corporate Bankruptcies)."

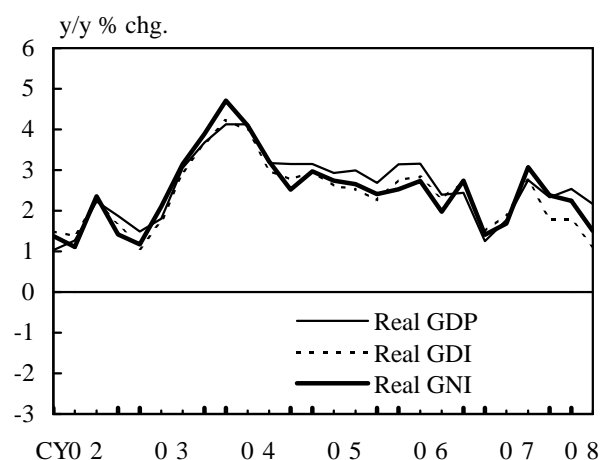
Aggregate Income Formation and Trading Gains/Losses

(1) Real GDP, GDI and GNI

(a) Japan



(b) United States



Note: Real GDI and real GNI are defined as follows,

Trading gains/losses = nominal net exports / weighted average of export and import deflators - real net exports

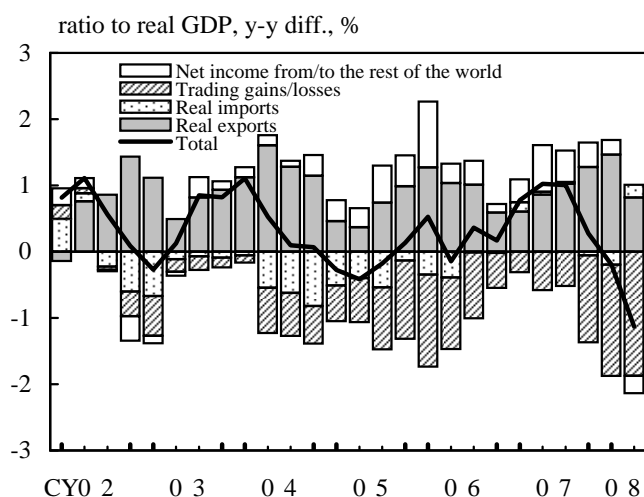
Real GDI = real GDP + trading gains/losses, Real GNI = real GDI + net income from/to the rest of the world.

(2) Trade Structure of Japan and United States (2007)

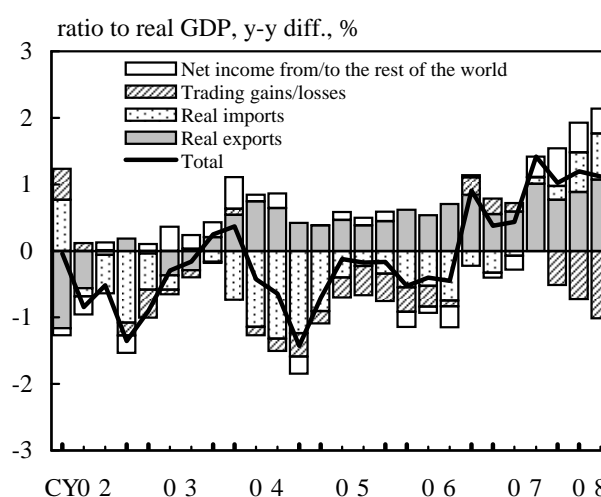
	Japan (%)		United States (%)	
	Exports	Imports	Exports	Imports
Total	100.0	100.0	100.0	100.0
Resources, etc.	3.1	44.1	15.6	24.4
Food and live animals	0.4	7.5	6.1	3.4
Beverages and tobacco	0.1	0.9	0.5	0.9
Natural resources except fuels	1.3	8.0	5.4	1.6
Mineral fuels, etc.	1.3	27.8	3.6	18.5
Industrial products	91.5	54.1	80.0	72.3
Chemical products	9.1	7.3	13.3	7.9
Metal products, etc.	11.7	9.7	9.7	11.8
Machinery, etc.	63.3	24.2	46.1	37.4
Other industrial products	7.4	12.8	10.9	15.3
Others	5.5	1.8	4.4	3.3

(3) Real Exports, Trading Gains/Losses and Net Income from/to the rest of the world

(a) Japan



(b) United States



Sources: Cabinet Office, "National Accounts"; United Nations, "Commodity Trade Statistics";
U.S. Department of Commerce, Bureau of Economic Analysis, "National Economic Accounts".