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Bank of Japan

**Monthly Report of
Recent Economic and Financial Developments**
January 2010

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Secretariat of the Policy Board, Bank of Japan
P.O. Box 30, Nihonbashi, Tokyo 103-8660, Japan

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Monthly Report of Recent Economic and Financial Developments¹

January 2010

Summary

Japan's economy is picking up mainly due to various policy measures taken at home and abroad, although there is not yet sufficient momentum to support a self-sustaining recovery in domestic private demand.

Exports and production have been increasing. The decline in business fixed investment has been coming to a halt. Private consumption, notably durable goods consumption, is picking up mainly due to policy measures, despite the continued severe employment and income situation. There are some signs that housing investment has stopped decreasing. Meanwhile, public investment has started to level off.

Japan's economic conditions are likely to continue improving, although the pace of improvement is likely to remain moderate for the time being.

The uptrend in exports and production is expected to continue, reflecting continued improvement in overseas economic conditions, although the pace of increase is likely to moderate gradually. Private consumption, notably durable goods consumption, is likely to continue to pick up for the time being mainly due to policy measures, despite the severe employment and income situation. However, business fixed investment is likely to remain more or less unchanged for the time being, with corporate profits remaining at a low level and the sense of excessive capital stock being strong. Meanwhile, public investment is likely to decrease gradually.

On the price front, the three-month rate of change in domestic corporate goods prices has been slightly negative, mainly due to the slack in supply and demand conditions for products. Consumer prices (excluding fresh food) have been declining on a year-on-year basis due to the substantial slack in the economy as a

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on January 25 and 26, 2010.

whole, but the pace of decline has been moderating mainly because the effects of fluctuations in the prices of petroleum products have been dissipating.

Despite the persistent slack in supply and demand conditions for products, domestic corporate goods prices are likely to remain more or less unchanged for the time being, as the rise in commodity prices is expected to exert an upward pressure. The year-on-year pace of decline in consumer prices is likely to moderate, mainly because the prices of petroleum products are expected to exert an upward pressure.

The weighted average of the overnight call rate has been at around 0.1 percent, and interest rates on term instruments have remained more or less unchanged. Meanwhile, compared with last month, long-term interest rates have risen, while the yen's exchange rate against the U.S. dollar and stock prices have remained at more or less the same levels.

The financial environment, with some lingering severity, has continued to show signs of improvement.

The overnight call rate has remained at an extremely low level, and the declining trend in firms' funding costs has continued. The stimulative effects from low interest rates are still constrained by the low level of economic activity and corporate profits, but the degree of constraint has begun to moderate. With regard to credit supply, although many firms still see financial institutions' lending attitudes as severe, firms as a whole regard the situation as improving. Issuing conditions for CP and corporate bonds have remained favorable, except for low-rated corporate bonds. As for credit demand, firms' need to fund working capital and fixed investment has declined, and some firms have reduced the on-hand liquidity that they had accumulated. Against this backdrop, bank lending has turned to a decline on a year-on-year basis, partly due to its high growth a year ago. The amount outstanding of corporate bonds has exceeded the previous year's level, while that of CP has declined. In these circumstances, although many firms, mainly small ones, still see their financial positions as weak, on the whole firms' financial positions have continued to improve. Meanwhile, the year-on-year rate of change in the money stock has been at around 3 percent.

1. Economic Developments

Public investment has started to level off. Looking at monthly indicators (Chart 5), on a quarterly basis, the amount of public construction completed—which reflects the progress of public works—marked a marginal decrease in October-November compared with the third quarter, following the third quarter. The value of public works contracted—a measure that reflects public orders—decreased in the fourth quarter compared with the third quarter, after increasing for three consecutive quarters until the third quarter.

Public investment is likely to decrease gradually.²

Real exports have been increasing due to the improvement in overseas economic conditions (Charts 6[1] and 7). Exports increased in October-November by 7.8 percent compared with the third quarter, after increasing by double digits for two consecutive quarters. Looking at monthly developments, exports have increased for the eight consecutive months since last April.

By destination (Chart 7[1]), exports to the United States and East Asia have been increasing since the second quarter. The pace of increase in those to East Asia—especially China—however, has become moderate compared with a while ago. Exports to the EU and "other regions" have increased substantially in October-November compared with the third quarter, partly due to the increase in ships, which tend to fluctuate largely.

By goods (Chart 7[2]), exports of all goods, with the exception of capital goods and parts, have been increasing since the second quarter; those of capital goods and parts have been increasing since the third quarter.

Real imports have increased, albeit with some fluctuations, amid continued increase in production (Charts 6[1] and 9). Imports increased marginally in October-November compared with the third quarter, after increasing considerably in the third quarter. Looking at monthly developments, although imports marked a

² According to the initial fiscal 2010 budget draft of Japan's general account, public works-related expenditures have been reduced by almost 20 percent compared to the initial budget of fiscal 2009.

decrease for the first time in eight months in October, they increased again in November.

By goods (Chart 9[2]), imports of IT-related goods (such as PCs), capital goods and parts, intermediate goods, and consumer goods (such as flat panel TVs) have been increasing. Those of raw materials (such as crude oil) have been on an increasing trend, albeit with some fluctuations, even though they decreased marginally in October-November compared with the third quarter. Imports of foodstuffs, meanwhile, have been relatively weak.

Net exports—in terms of the real trade balance—increased in October-November compared with the third quarter, after increasing for two consecutive quarters, reflecting the aforementioned developments in exports and imports (Chart 6[2]). As for the nominal balance on goods and services, after returning to a surplus in the second quarter, the surplus has been expanding at an extremely moderate pace.

The uptrend in exports is expected to continue, reflecting continued improvement in overseas economic conditions, although the pace of increase is likely to moderate gradually. The growth rate of overseas economies, which has been expanding at a considerably fast pace—mainly attributable to emerging countries—since the second quarter of 2009, is likely to decelerate temporarily in 2010, since the effects of production increases—reflected by the restoration of inventories—and the effects to stimulate the economy from the fiscal front are likely to diminish in many countries (Chart 8[2]). Overseas economic conditions are likely to maintain their expanding trend, however, even after such a deceleration.

Imports are expected to continue increasing gradually in response to the improvement in domestic economic conditions.

The decline in business fixed investment has been coming to a halt. The aggregate supply of capital goods and shipments of capital goods (both including and excluding transport equipment)—coincident indicators of machinery investment—have begun to pick up from their bottoms, which was in the second

quarter (Chart 10[1]). Machinery orders (private demand, excluding orders of shipbuilding and orders from electric power companies)—a leading indicator of machinery investment—seems to have begun to stop decreasing, after dropping substantially (Chart 11[1]).³ By industry, in manufacturing, machinery orders decreased in the third quarter, mainly as a reaction to large orders in the previous quarter, but they increased again in October-November compared with the third quarter. On the other hand, in nonmanufacturing, machinery orders increased in the third quarter, but decreased markedly in October-November compared with the third quarter, due to the drop in orders in communications as well as finance and insurance. However, the decrease in nonmanufacturing in October-November should not be accepted at face value because the drop in communications mainly reflected the decrease in cellular phones, most of which are not counted as business fixed investment. Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—remained more or less unchanged in October-November, following the third quarter, after decreasing substantially in the second quarter (Chart 11[2]).

Looking at the environment surrounding business fixed investment, corporate profits have turned to an improvement, although at extremely low levels, on a quarterly basis, mainly in response to production increases.

Although business fixed investment is expected to pick up gradually, it is likely to remain more or less unchanged for the time being, with corporate profits remaining at a low level and the sense of excessive capital stock being strong.

Private consumption, notably durable goods consumption, is picking up mainly due to policy measures, despite the continued severe employment and income situation (Charts 12 and 13). Consumption of goods, as seen through sales at retail stores (in real terms), increased in October-November, following the second and third quarters (Chart 12[1]). As for durable consumer goods, sales of household electrical appliances (in real terms) decreased in November on a monthly basis, but, on average,

³ Meanwhile, external demand has continued to show an uptrend, while public demand has turned to a decrease; in October-November, the former increased by 21.8 percent and the latter decreased by the same size compared with the third quarter. The total value of machinery orders in October-November increased by 2.3 percent compared with the third quarter.

they have continued to increase substantially, especially in flat panel televisions, mainly due to the eco-point system (Chart 12[2]). The number of new passenger-car registrations had been dropping sharply until last March, but it has recovered rapidly since April, mainly due to the effects of tax cuts and subsidies. On the other hand, sales at department stores, supermarkets, and convenience stores have continued to show a decreasing trend as a reflection of the weakness in volume and prices (Chart 13[1]). As for services consumption (Chart 13[2]), outlays for travel in October-November decreased—amid the continued severe employment and income situation—compared with the third quarter, when they were pushed up by the effects of a string of consecutive holidays in September ("silver week"). Sales in the food service industry improved slightly in October, mainly due to the positive effects of sales promotion measures, but they decreased largely in November due to the drop in customer transaction.

The aggregate supply of consumer goods (Chart 14[1])—which comprehensively captures producers' supply of goods—continued to increase in October-November compared with the third quarter, as a reflection of developments in durable consumer goods (automobiles). 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 GDP—increased in October-November compared with the third quarter, following the third quarter (Chart 12[1]).⁴ The total expenditure in the *Survey of Household Economy* (in real terms) decreased in October-November compared with the third quarter, after increasing for three consecutive quarters until the third quarter.

Meanwhile, improvement in indicators related to consumer sentiment either leveled off or somewhat deteriorated toward the end of last year (Chart 15).

Private consumption, notably durable goods consumption, is likely to continue to pick up for the time being mainly due to policy measures, despite the severe employment and income situation.

⁴ Items in the index are not completely limited to those used for estimating GDP. Education, for example, is not used for estimating GDP.

There are some signs that housing investment has stopped decreasing. The number of housing starts (Chart 16[1])—a leading indicator of housing investment—improved in October-November, marking an annual rate of 780,000 units, after declining to 707,000 units in the third quarter. It increased for three consecutive months on a monthly basis. The number of housing starts has shown some signs of improvement—albeit at an extremely low level—with gradual progress in adjustments of inventories and prices, although the employment and income situation as well as the financial environment surrounding the real estate-related sector have remained severe.

Housing investment is likely to show clearer evidence of leveling out over time at a gradual pace, considering the number of housing starts.

Industrial production has been increasing as a reflection of progress in inventory adjustments and policy effects both at home and abroad. On a monthly basis, production increased for the ninth consecutive month in November, marking a 2.2 percent rise (Chart 17). On a quarterly basis, after increasing markedly for two consecutive quarters (the second and third quarters), production marked an increase of 3.6 percent in October-November compared with the third quarter. The level of production in October-November, however, remained about 20 percent lower than its latest peak (February 2008).

Shipments increased by 4.7 percent in October-November compared with the third quarter, on a quarterly basis, after increasing in the second and third quarters. By goods (Chart 18), shipments of durable consumer goods and producer goods have picked up rapidly, but the pace of recovery in producer goods has slightly slowed lately. Shipments of capital goods have also begun to pick up. Those of construction goods have remained relatively weak. Shipments of non-durable consumer goods have remained more or less unchanged.

Inventories have decreased moderately. Looking at the shipment-inventory balance by goods (Chart 19), inventory adjustment pressures for durable consumer goods, electronic parts and devices, and other producer goods (such as chemicals and iron and steel) have disappeared, partly because shipments have picked up.

Inventory adjustment pressures for capital goods (excluding transport equipment) have waned considerably, while those for construction goods have remained strong reflecting the drop in shipments.

The uptrend in production is expected to continue, as it is for exports, although the pace of increase is expected to moderate gradually. Firms seem to feel that production in the first quarter is likely to continue to increase, although at a slower pace, considering their anecdotes.⁵ Significant uncertainties remain, however, for production from the second quarter onward.

The employment and income situation has continued to remain severe with the high unemployment rate and the significant decrease in employee income.

In the labor market, the ratio of job offers to applicants in November marked 0.45 times (Chart 20[1]); it increased for the third consecutive month, but at an extremely slow pace. The unemployment rate in November, on the other hand, deteriorated for the first time in four months, marking 5.2 percent; the unemployment rate has remained high, moving in the range of 5.0-5.5 percent.⁶

In terms of employment (Chart 21[1]), the number of employees in the *Labour Force Survey* has continued to decline. Its year-on-year pace of decline has expanded, albeit marginally, for two straight months.⁷ The year-on-year rate of

⁵ According to the production forecast index, production in December and January is expected to mark an increase of 3.4 percent and 1.3 percent, respectively, on a month-on-month basis. Production in the first quarter is expected to increase by 4.3 percent compared with the fourth quarter, according to a calculation under the assumption that production levels of February and March will be the same as that of January. The forecast on the first quarter, however, should not be accepted at face value, as it has been calculated systematically based only on information regarding January.

⁶ The unemployment rate has declined compared with last July, when it recorded its highest-ever (5.7 percent), but this seems to have partly reflected movements toward giving up job-hunting altogether. The labor force participation rate has recently declined, mainly among the younger and elderly age groups.

⁷ With regard to the Employment Adjustment Subsidy, figures collected from reports on business suspension plans showed that in November, the number of applications for the Subsidy decreased for the fourth consecutive month. Conditions to receive the Subsidy have been eased for one year, since last December. Specifically, until last November, firms were eligible to receive the Subsidy if their monthly average of sales or production volume of the recent three months decreased by five percent or more compared with that of either (i) four to six months ago or (ii) a

change in the number of regular employees in the *Monthly Labour Survey* has continued to be slightly below 0 percent. The ratio of part-time employees has been on a moderate rising trend (Chart 21[2]). Meanwhile, overtime hours worked, after decreasing substantially, have been picking up gradually (Chart 21[3]).

Nominal wages per employee have continued to decline significantly (Chart 22[1]). Looking in detail at recent trends, special payments have decreased substantially, in response to the drop in corporate profits; regular and overtime payments have continued to drop, in response to the decrease in the number of working hours especially in the manufacturing industry.

Employee income has decreased substantially, reflecting the aforementioned developments in employment and wages (Chart 22[3]).

Employee income is likely to continue decreasing substantially for the time being, with consideration to the lagged effects from developments in corporate profits and production.

2. Prices

The three-month rate of change in import prices (on a yen basis) has turned to an increase due to a rise in international commodity prices (Chart 24). International commodity prices have been on a moderate rising trend, albeit with some fluctuations. Domestic commodity prices have increased moderately.

The three-month rate of change in domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter)⁸ has

year ago. Firms whose monthly average decreased by less than five percent were also eligible, however, if their current profits of the latest statement etc. marked a deficit. From December, in addition to the aforementioned requirements, firms are eligible to receive the Subsidy if (i) their monthly average of sales or production volume of the recent three months has decreased by ten percent or more compared with that marked two years ago and (ii) their current profits of the latest statement etc. have marked a deficit.

⁸ 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

been slightly negative, mainly due to the slack in supply and demand conditions for products (Chart 25). It fell for the third consecutive month in December, marking a 0.5 percent decline. In detail, the three-month rate of change in prices of "iron and steel related goods" and "machinery" has declined, with that of "goods sensitive to exchange rates and overseas commodity prices" remaining more or less unchanged.

The year-on-year rate of change in corporate services prices (excluding international transportation) has continued to be negative, a reflection mainly of cost cutting among firms (Chart 26).⁹ In detail, prices of advertising services and leasing and rental have fallen largely below the previous year's level, also mainly in response to cost cutting among firms; prices of items such as transportation (excluding international transportation) and information services have also fallen below the previous year's level, mainly due to weak demand.

Consumer prices (excluding fresh food; year-on-year basis, same hereafter) have been declining due to the substantial slack in the economy as a whole, but the pace of decline has been moderating mainly because the effects of fluctuations in the prices of petroleum products have been dissipating (Chart 27). Consumer prices marked a decline of 1.7 percent in November, with the pace of decline moderating by 0.5 percent point from the previous month; the pace of decline has moderated for three consecutive months, after recording its largest-ever—2.4 percent—last August. In detail, the pace of decline in prices of goods has moderated as a whole because that in prices of petroleum products has decelerated rapidly, although the pace of decline in prices in a wide range of items has been on an accelerating trend. The pace of decline in prices of general services slightly moderated in November, mainly as a reflection of the moderation in the pace of decline in prices of package tours to overseas. Public utility charges have declined significantly, especially in electricity and city gas charges. Looking at these developments on a basis that excludes food and energy, the pace of decline in consumer prices moderated by 0.1 percent point in

power charges are set relatively high during July-September, when electric power consumption increases substantially.

⁹ "All items including international transportation" have continued to decrease significantly, on a year-on-year basis, although the pace of decrease has moderated, as the effects of shipping prices, which are lower than their high levels a year ago, have dissipated.

November compared with the previous month; lately, consumer prices have been declining by about 1 percent.

Despite the persistent slack in supply and demand conditions for products, domestic corporate goods prices are likely to remain more or less unchanged for the time being, as the rise in commodity prices is expected to exert an upward pressure. The year-on-year pace of decline in consumer prices is likely to moderate, mainly because the prices of petroleum products are expected to exert an upward pressure.

3. Financial Developments

(1) Financial Markets

In Japan's money markets, interest rates—including those for somewhat longer terms—have declined further, amid the permeating effects of the Bank of Japan's measures to enhance easy monetary conditions. Meanwhile, the volume of transactions in some markets has remained low. The overnight call rate (uncollateralized) has been at around 0.1 percent. Regarding interest rates on term instruments, the T-Bill rate (3-month) has been in the range of 0.10-0.15 percent, against the background of the Bank of Japan's continued provision of ample funds. The Euroyen interest rate (3-month) has continued to decline, but the rate has remained high relative to the OIS rates—the OIS rates mainly reflect expectations about future policy interest rates. Interest rates on Euroyen futures have suggested that term funding rates are expected to decline moderately for about a year (Chart 28). In U.S. dollar funding, the LIBOR-OIS spread for the dollar has been stable at a low level (Chart 29).

Yields on 10-year government bonds (newly issued 10-year JGB) have risen somewhat as a whole, amid firm developments of stock prices; the yields have recently been in the range of 1.30-1.35 percent (Chart 30).

Yield spreads between corporate bonds and government bonds have been stable for those with high credit ratings, due to steady demand among investors. Spreads on those with low credit ratings have continued to narrow moderately. Selective stances on investment in corporate bonds have been persistent among

investors, however, as seen in the high levels of yield spreads in some industries (Chart 31).

Stock prices, after rising somewhat largely, against the backdrop of the yen depreciation compared to a while ago, have recently shown some decline. The Nikkei 225 Stock Average has recently been at around 10,500 yen (Chart 32).

In the foreign exchange market, the yen, after depreciating to the range of 93-94 yen against the U.S. dollar, has turned toward some appreciation; it has recently been traded at around 90 yen (Chart 33).

(2) Corporate Finance and Monetary Aggregates

The declining trend in firms' funding costs has continued, against the background that the overnight call rate has remained at an extremely low level. Meanwhile, issuance rates on CP have remained more or less unchanged at low levels, while those on corporate bonds have declined somewhat as a whole, reflecting the decline in yields on government bonds. The average contracted interest rates on new loans and discounts have risen somewhat recently (Chart 35).

With regard to credit supply, although many firms still see financial institutions' lending attitudes as severe, firms as a whole regard the situation as improving (Chart 34). Issuing conditions for CP and corporate bonds have remained favorable, except for low-rated corporate bonds. In these circumstances, funding of the private sector has declined on a year-on-year basis, mainly due to the decline in firms' need to fund working capital and fixed investment. Bank lending has turned to a decline on a year-on-year basis, partly due to its high growth a year ago (Chart 36). The amount outstanding of CP issued has decreased, partly because of the decline in firms' need to fund working capital. On the other hand, the amount outstanding of corporate bonds issued has been above the previous year's level as a whole (Chart 37), although firms with low credit ratings and those in some industries have continued to face difficulties in issuing corporate bonds.

In these circumstances, although many firms, mainly small ones, still see their financial positions as weak, on the whole firms' financial positions have continued to

improve (Chart 34). The number of corporate bankruptcies has continued to decrease; it was down by 16.6 percent in December compared to the previous year's level (Chart 39).

Meanwhile, the year-on-year growth rate of the money stock (M2) has recently been at around 3 percent. Its December reading was 3.1 percent on a year-on-year basis, following 3.3 percent in November (Chart 38).¹⁰

¹⁰ On an M3 basis, which includes the Japan Post Bank, the year-on-year growth rate has recently been in the range of 2.0-2.5 percent; its December reading was 2.2 percent, following 2.4 percent in November. The year-on-year growth rate of broadly-defined liquidity has recently been at around 1 percent; it increased by 1.1 percent in December, following an increase of 1.2 percent in November.

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Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2009/Q2	Q3	Q4	2009/Sep.	Oct.	Nov.	Dec.
Index of consumption expenditure level (two-or-more-person households)	-0.2	0.3	n.a.	-0.5	-0.3	2.5	n.a.
Sales at department stores	-2.3	-0.7	n.a.	0.0	-4.9	-1.1	n.a.
Sales at supermarkets	-1.3	-1.9	n.a.	0.1	-0.8	-2.0	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 241>	< 291>	< 339>	< 298>	< 316>	< 350>	< 350>
Sales of household electrical appliances (real, Current Survey of Commerce)	4.8	9.1	n.a.	1.4	4.1	-2.5	n.a.
Outlays for travel	-14.2	7.8	n.a.	12.0	-9.4	-3.5	n.a.
Housing starts <s.a., ann. 10,000 units>	< 76>	< 71>	< n.a.>	< 70>	< 76>	< 80>	< n.a.>
Machinery orders (from private sector ⁴)	-4.9	-0.9	n.a.	10.5	-4.5	-11.3	n.a.
Manufacturing	10.8	-8.7	n.a.	-0.1	25.4	-18.2	n.a.
Nonmanufacturing ⁴	-12.1	4.9	n.a.	18.0	-17.3	-10.6	n.a.
Construction Starts (private, nondwelling use)	-34.9	-1.1	n.a.	0.8	4.5	16.0	n.a.
Mining & manufacturing	-41.0	-12.2	n.a.	12.1	14.7	-0.5	n.a.
Nonmanufacturing ⁵	-34.5	1.2	n.a.	-3.7	9.8	16.6	n.a.
Value of public works contracted	5.4	3.6	-6.7	9.9	-9.4	-9.3	5.1
Real exports	12.2	11.1	n.a.	5.5	3.3	0.6	n.a.
Real imports	-1.6	8.5	n.a.	8.6	-6.4	4.8	n.a.
Industrial production	8.3	7.4	n.a.	2.1	0.5	2.2	n.a.
Shipments	6.4	8.4	n.a.	4.2	1.3	0.9	n.a.
Inventories	-4.5	-0.6	n.a.	-0.4	-1.5	0.4	n.a.
Inventory Ratio <s.a., CY 2005 = 100>	< 128.8>	< 116.9>	<n.a.>	< 116.9>	< 117.2>	< 113.2>	<n.a.>
Real GDP	0.7	0.3	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.4	1.1	n.a.	-0.7	1.1	0.1	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2009/Q2	Q3	Q4	2009/Sep.	Oct.	Nov.	Dec.
Ratio of job offers to applicants <s.a., times>	< 0.45>	< 0.42>	<n.a.>	< 0.43>	< 0.44>	< 0.45>	<n.a.>
Unemployment rate <s.a., %>	< 5.2>	< 5.5>	<n.a.>	< 5.3>	< 5.1>	< 5.2>	<n.a.>
Overtime working hours ⁶	-18.2	-14.9	n.a.	-14.1	-11.2	-8.5	n.a.
Number of employees	-1.7	-1.3	n.a.	-1.1	-1.4	-1.5	n.a.
Number of regular employees ⁶	0.1	-0.1	n.a.	-0.1	-0.1	-0.2	n.a.
Nominal wages per person ⁶	-4.7	-3.6	n.a.	-1.8	-1.9	-2.4	n.a.
Domestic corporate goods price index <q/q % chg., 3-month rate of change> ⁷	-5.4 <-1.3>	-8.3 <-0.2>	p -5.3 <p -0.6>	-8.0 < 0.2>	-6.8 <-0.5>	-5.0 <-0.6>	p -3.9 <p -0.5>
Consumer price index ⁸	-1.0	-2.3	n.a.	-2.3	-2.2	-1.7	n.a.
Corporate services price index ⁹	-0.9	-1.3	p -1.5	-1.3	-1.4	-1.6	p -1.4
Money Stock (M2) <average outstanding, y/y % chg.>	2.6	2.8	p 3.3	3.0	3.4	3.3	p 3.1
Number of corporate bankruptcies <cases per month>	<1,318>	<1,261>	<1,176>	<1,155>	<1,261>	<1,132>	<1,136>

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

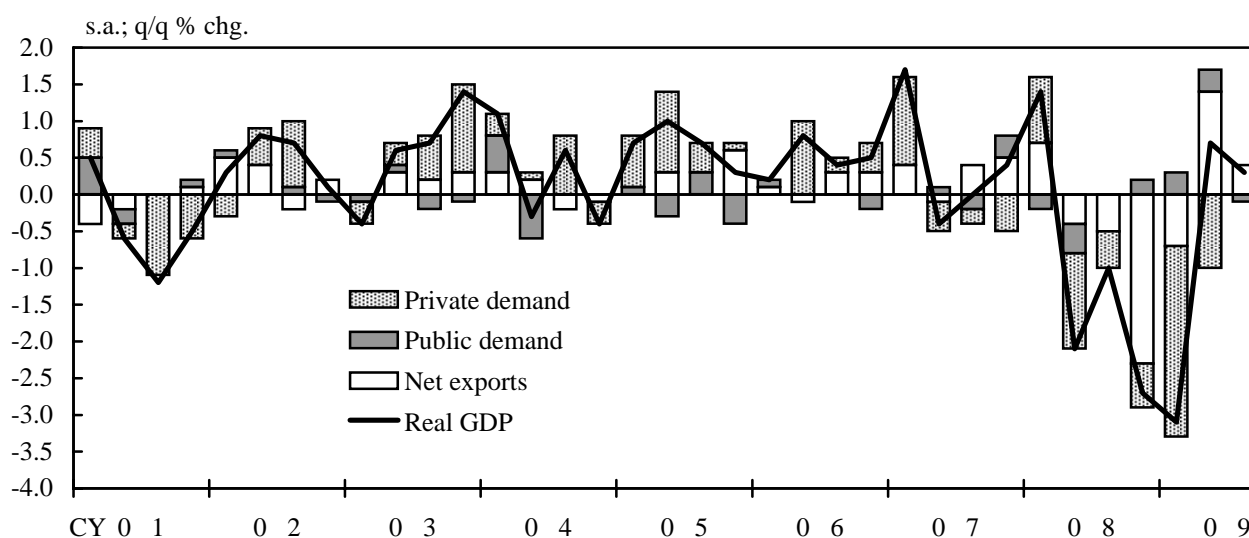
All figures in Chart 2 except figures in angle brackets are year-on-year changes. For details on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes of the respective charts.

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.
9. Excludes international transportation.

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";
 Japan Tourism Agency, "Major Travel Agents' Revenue";
 Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts";
 Ministry of Finance, "Trade Statistics";
 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



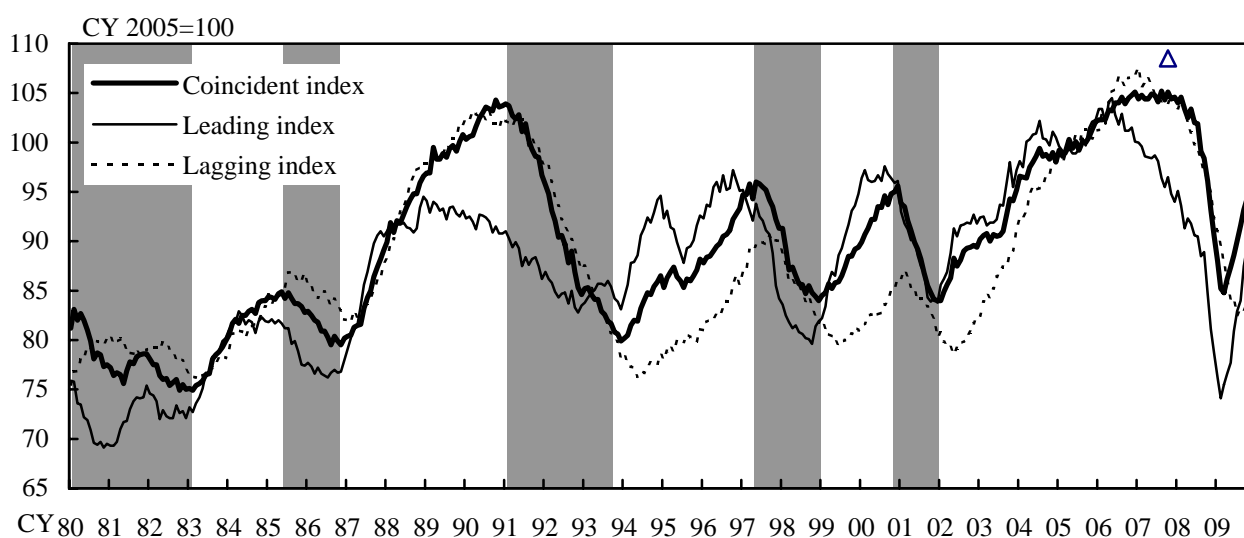
(2) Components

s.a.; q/q % chg.

	2008		2009		
	Q3	Q4	Q1	Q2	Q3
Real GDP	-1.0	-2.7	-3.1	0.7	0.3
Domestic demand	-0.5	-0.4	-2.4	-0.7	-0.1
Private demand	-0.5	-0.6	-2.6	-1.0	0.0
Private consumption	-0.1	-0.5	-0.7	0.7	0.6
Non-Resi. investment	-0.7	-1.0	-1.3	-0.7	-0.4
Residential investment	0.1	0.1	-0.2	-0.3	-0.2
Private inventory	0.2	0.9	-0.4	-0.7	0.1
Public demand	-0.0	0.2	0.3	0.3	-0.1
Public investment	0.0	0.0	0.1	0.3	-0.1
Net exports of goods and services	-0.5	-2.3	-0.7	1.4	0.4
Exports	-0.4	-2.6	-3.4	0.8	0.9
Imports	-0.1	0.3	2.6	0.5	-0.5
Nominal GDP	-2.2	-0.8	-3.0	-0.7	-0.9

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

(3) Indexes of Business Conditions (Composite Indexes)

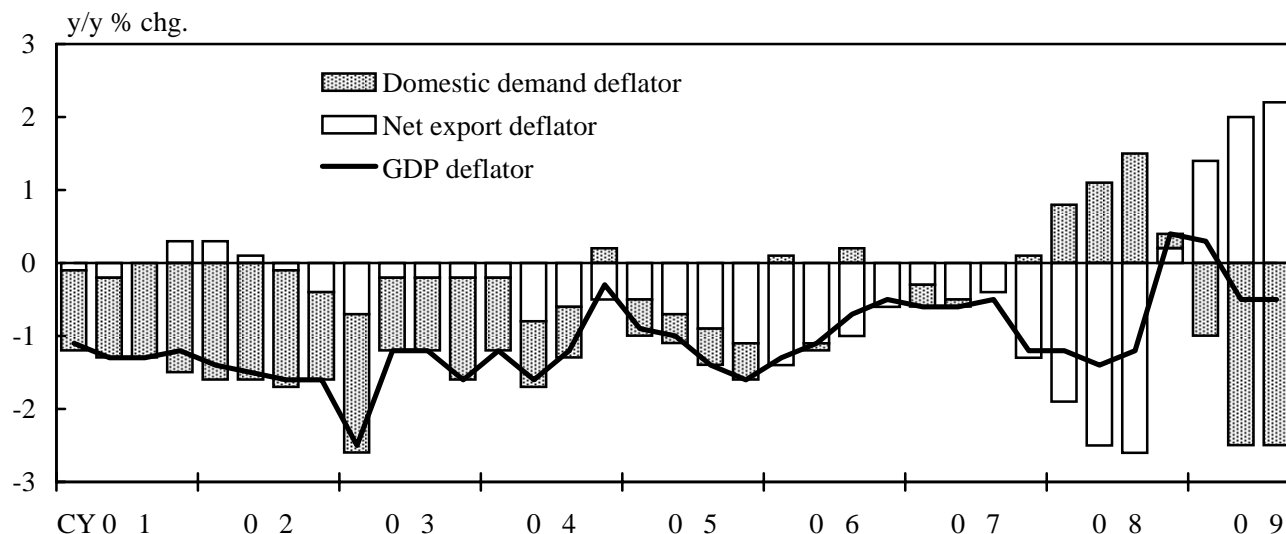


Note: Shaded areas indicate recession periods. Triangle shows the last peak.

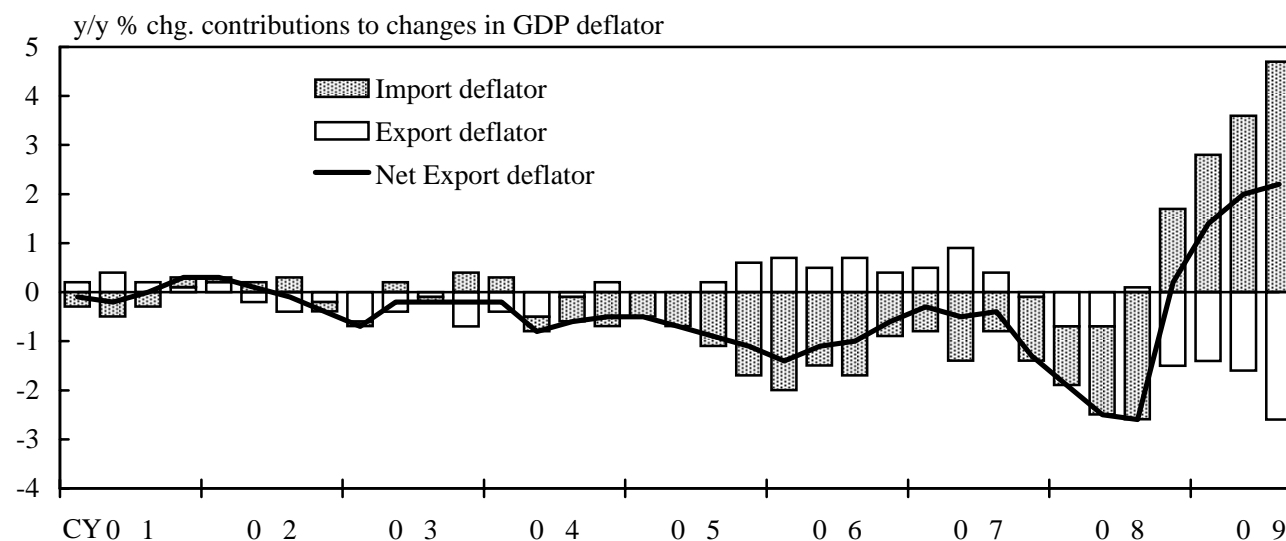
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

GDP Deflator and Income Formation

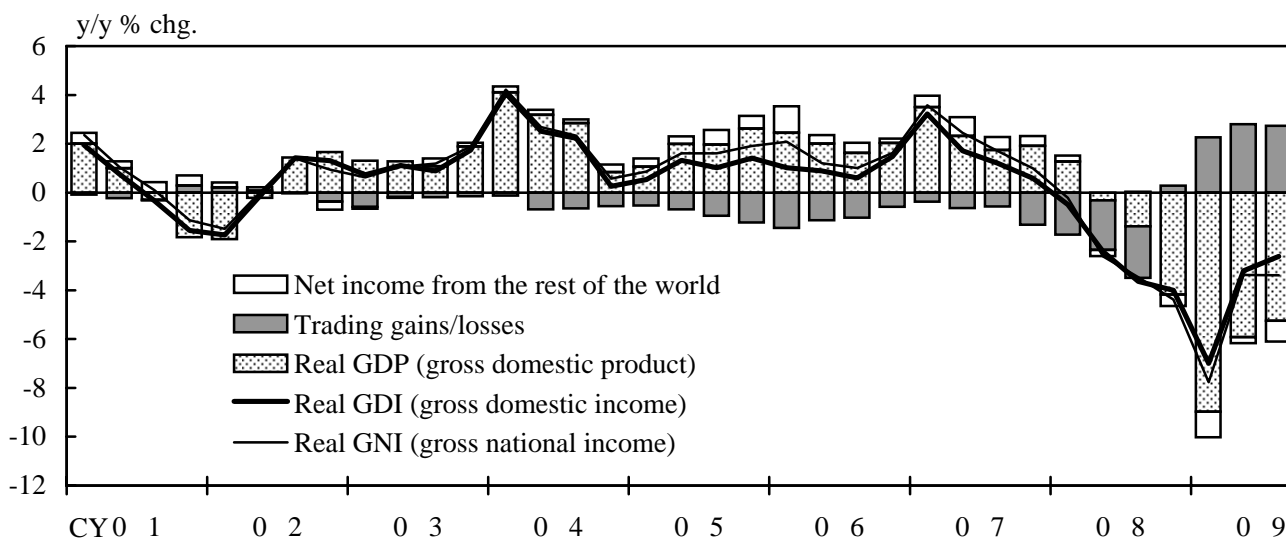
(1) GDP Deflator



(2) Net Export Deflator



(3) Aggregate Income Formation



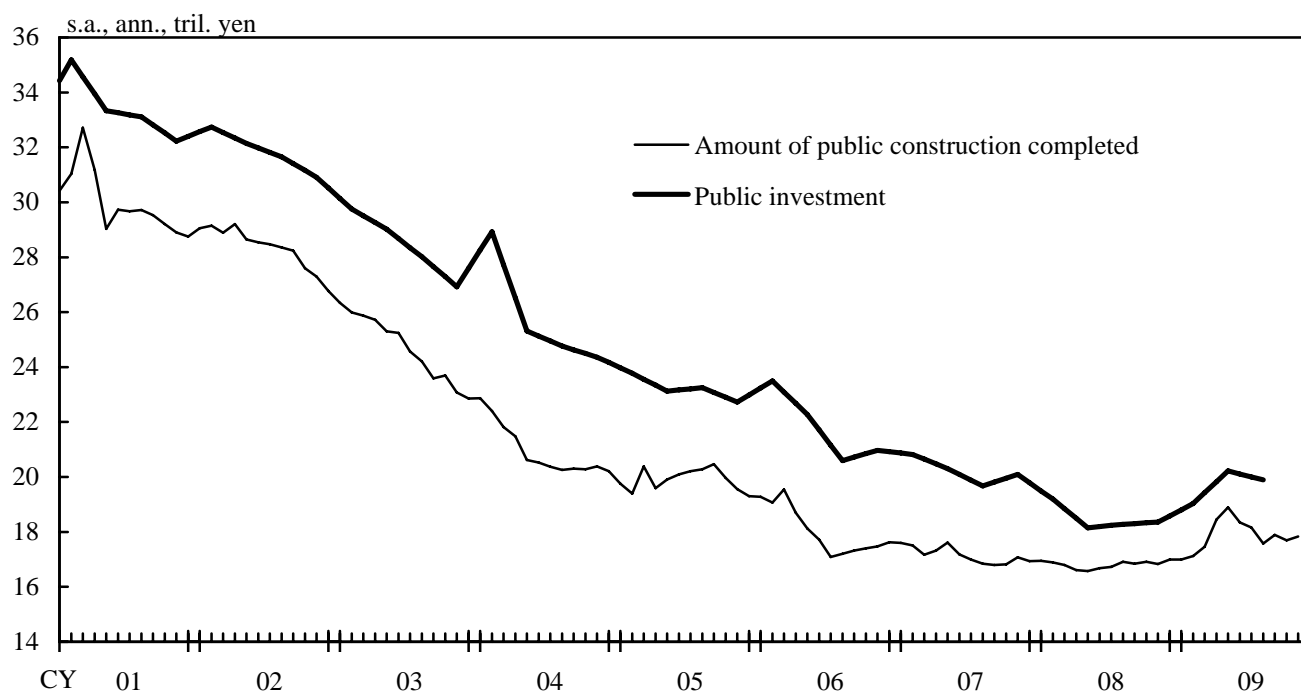
Note: Figures of components indicate contributions to changes in real GNI.

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

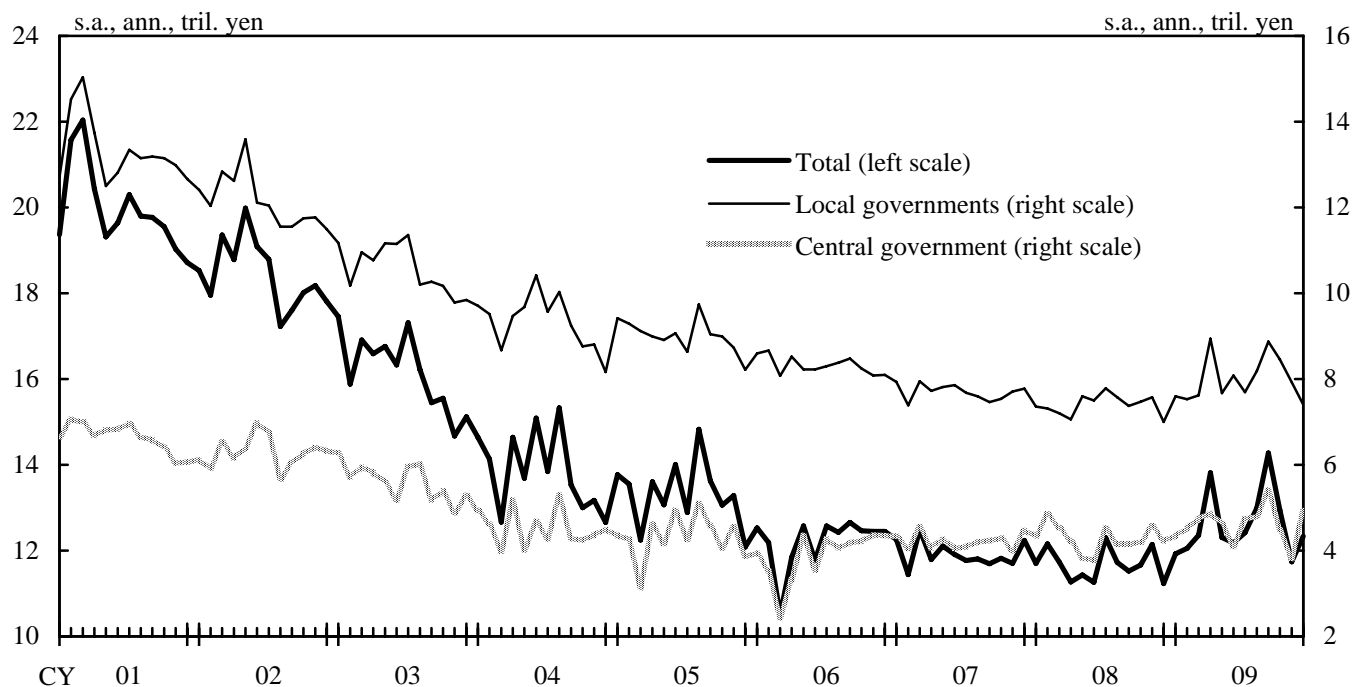
Source: Cabinet Office, "National Accounts."

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."

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

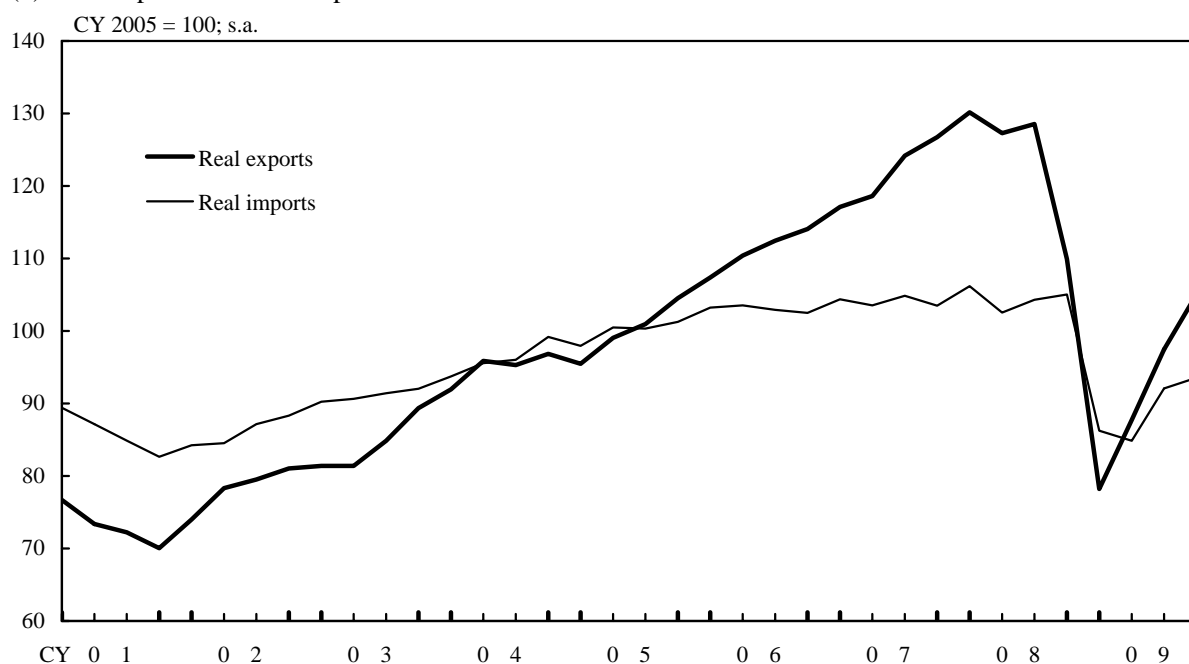
Sources: Cabinet Office, "National Accounts";

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

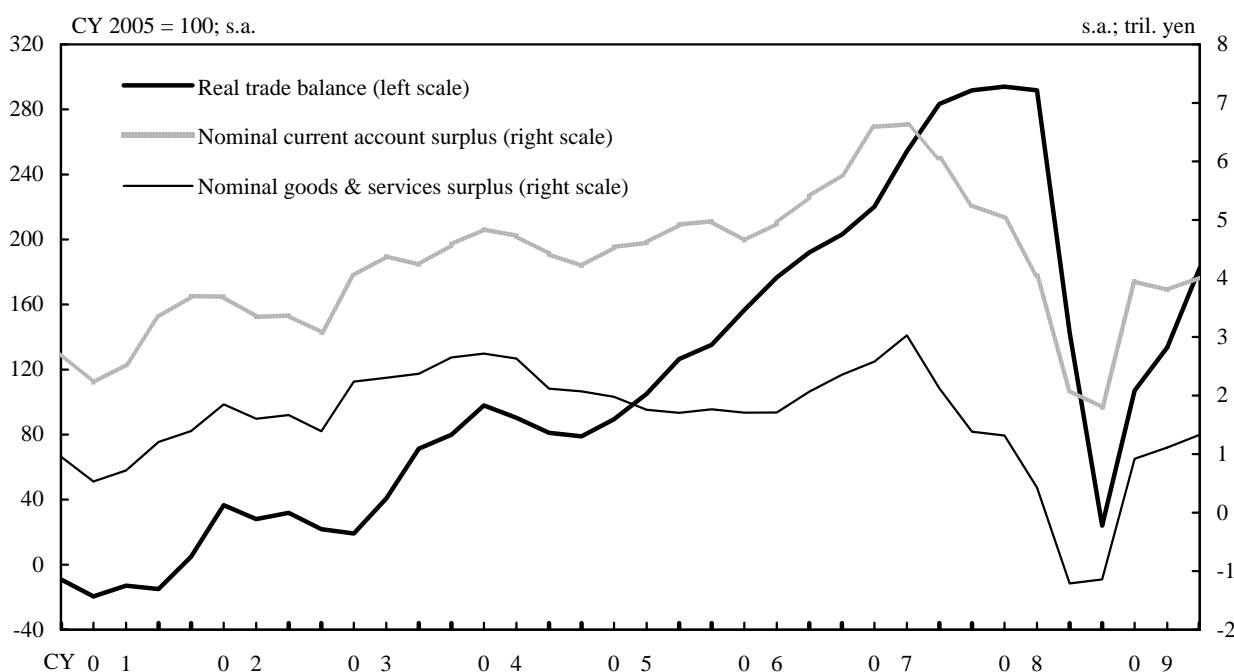
Ministry of Land, Infrastructure, Transport and Tourism, "Integrated Statistics on Construction Works."

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. 2009/Q4 figures are October-November averages converted into quarterly amount.

Sources: Ministry of Finance, "Trade Statistics";
 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 2007	2008	2008 Q4	2009 Q1	Q2	Q3	Q4	2009 Sep.	Oct.	Nov.
United States	<17.5>	-1.2	-8.8	-8.9	-35.7	11.7	10.2	11.9	1.8	1.4	12.7
EU	<14.1>	13.0	-0.1	-17.1	-27.0	4.7	1.2	13.9	2.5	8.7	5.3
East Asia	<46.8>	9.9	3.4	-15.5	-22.1	17.8	12.5	6.9	4.9	2.3	2.5
China	<16.0>	16.8	6.7	-14.6	-17.1	19.3	9.0	3.5	9.5	-1.8	0.5
NIEs	<22.1>	5.2	-0.0	-18.3	-22.4	18.9	12.9	7.1	2.8	3.4	2.2
Korea	<7.6>	5.3	-0.3	-21.4	-13.4	12.4	10.3	6.4	2.2	2.3	1.3
Taiwan	<5.9>	0.0	-4.3	-21.7	-19.7	21.6	12.1	12.4	3.7	6.7	3.9
ASEAN ⁴	<8.8>	11.4	6.4	-9.8	-30.7	12.0	19.5	13.5	1.3	8.4	7.3
Thailand	<3.8>	9.8	5.0	-6.4	-36.0	11.7	27.6	14.1	0.8	7.3	7.1
Others	<21.5>	20.4	16.1	-7.8	-30.7	-6.1	9.2	10.2	8.0	6.4	1.8
Real exports		9.1	1.8	-14.5	-28.9	12.2	11.1	7.8	5.5	3.3	0.6

(2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2007	2008	2008 Q4	2009 Q1	Q2	Q3	Q4	2009 Sep.	Oct.	Nov.
Intermediate goods	<18.9>	5.3	0.4	-7.8	-16.1	17.3	9.4	7.1	4.9	2.4	2.5
Motor vehicles and their related goods	<23.8>	13.2	3.2	-14.5	-50.7	20.3	24.5	14.9	8.8	1.2	12.1
Consumer goods ⁴	<4.1>	6.4	3.5	-12.1	-26.9	8.7	0.9	6.8	-5.3	8.5	9.2
IT-related goods ⁵	<10.2>	12.2	0.8	-20.6	-26.0	35.0	6.2	4.0	2.4	1.0	1.5
Capital goods and parts ⁶	<28.3>	8.0	5.2	-9.8	-26.5	-0.9	7.3	13.5	2.0	7.9	6.7
Real exports		9.1	1.8	-14.5	-28.9	12.2	11.1	7.8	5.5	3.3	0.6

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2009/Q4 figures are October-November averages converted into quarterly amount.

2. Shares of each region and goods in 2008 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, "Trade Statistics"; Bank of Japan, "Corporate Goods Price Index."

Real Effective Exchange Rate and Overseas Economies

(1) Real Effective Exchange Rate



Note: Calculated by the Research and Statistics Department, Bank of Japan. Monthly average. Figure for January 2010 is the average up to January 25. Figures are the index of weighted average of the yen's real exchange rates versus 15 major currencies (30 countries) which are calculated from nominal exchange rates and price indexes of the respective countries.

(2) Real GDP Growth Rates in Overseas Economies

		CY2006	2007	2008	2008 Q4	2009 Q1	Q2	Q3	
United States ¹		2.1	0.4	n.a.	-6.4	-0.7	2.2	n.a.	
European Union ¹		2.9	0.8	n.a.	-9.4	-1.0	1.2	n.a.	
	Germany	2.5	1.3	-5.0	-13.4	1.8	2.9	n.a.	
	France	2.3	0.3	n.a.	-5.3	1.3	1.0	n.a.	
	United Kingdom	2.6	0.5	n.a.	-9.7	-2.7	-0.6	n.a.	
East Asia ²	China	13.0	9.6	8.7	6.2	7.9	9.1	10.7	
	NIEs	Korea	5.1	2.2	0.2	-4.2	-2.2	0.9	6.0
		Taiwan	6.0	0.7	n.a.	-9.1	-6.9	-1.3	n.a.
		Hong Kong	6.4	2.4	n.a.	-7.8	-3.6	-2.4	n.a.
		Singapore	7.8	1.1	-2.1	-9.5	-3.3	0.6	3.5
	ASEAN4	Thailand	4.9	2.5	n.a.	-7.1	-4.9	-2.8	n.a.
		Indonesia	6.3	6.1	n.a.	4.4	4.0	4.2	n.a.
		Malaysia	6.2	4.6	n.a.	-6.2	-3.9	-1.2	n.a.
Philippines		7.1	3.8	n.a.	0.6	0.8	0.8	n.a.	

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 2007	2008	2008 Q4	2009 Q1	Q2	Q3	Q4	2009 Sep.	Oct.	Nov.
United States	<10.2>	-1.5	-2.5	-2.7	-14.4	-7.8	3.9	5.9	9.6	1.2	-3.9
EU	<9.2>	4.0	-3.0	-2.3	-10.5	-2.7	5.1	1.7	4.6	-6.8	6.1
East Asia	<37.9>	3.1	2.3	-0.2	-17.6	0.7	7.8	2.3	5.0	-3.0	3.1
China	<18.8>	5.7	4.4	-1.2	-15.0	-0.7	6.9	2.0	4.7	-3.2	3.8
NIEs	<8.0>	-3.8	-1.1	-6.3	-20.5	9.7	9.3	1.7	8.6	-4.3	-1.9
Korea	<3.9>	-3.3	-5.3	-6.5	-20.5	5.8	12.0	-0.2	4.8	-2.7	-6.1
Taiwan	<2.9>	-3.0	3.5	-6.4	-22.0	14.0	9.5	5.3	13.1	-5.2	3.3
ASEAN4 ³	<11.1>	4.5	1.2	7.5	-20.6	-3.3	8.5	3.7	2.4	-1.6	6.0
Thailand	<2.7>	4.4	2.4	-1.9	-21.8	-0.3	10.5	6.9	4.0	-1.1	7.3
Others	<42.7>	0.2	2.0	3.2	-18.8	-3.8	9.7	0.9	7.8	-7.6	7.4
Real imports		0.7	0.3	0.7	-17.9	-1.6	8.5	1.6	8.6	-6.4	4.8

(2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2007	2008	2008 Q4	2009 Q1	Q2	Q3	Q4	2009 Sep.	Oct.	Nov.
Raw materials ⁴	<42.0>	0.7	1.0	4.4	-20.3	-5.2	12.5	-1.4	7.7	-10.2	7.5
Intermediate goods	<14.1>	2.0	1.7	4.3	-19.3	-7.9	13.0	3.8	2.8	-2.5	4.1
Foodstuffs	<7.9>	-9.5	-3.7	11.2	-2.9	-5.0	0.5	-4.8	2.3	-2.1	-6.0
Consumer goods ⁵	<6.9>	-0.1	-2.4	-2.5	-16.3	3.3	7.5	4.1	10.6	-8.2	11.8
IT-related goods ⁶	<9.5>	4.2	4.3	-7.9	-16.9	12.2	4.0	4.9	-1.5	4.3	2.2
Capital goods and parts ⁷	<11.2>	8.5	2.9	-9.1	-18.7	-6.3	6.2	9.4	28.0	-6.0	-0.8
Excluding aircraft	<10.5>	7.9	3.7	-4.4	-23.7	-1.3	5.6	7.1	10.1	-5.3	9.8
Real imports		0.7	0.3	0.7	-17.9	-1.6	8.5	1.6	8.6	-6.4	4.8

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2009/Q4 figures are October-November averages converted into quarterly amount.

2. Shares of each region and goods in 2008 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.

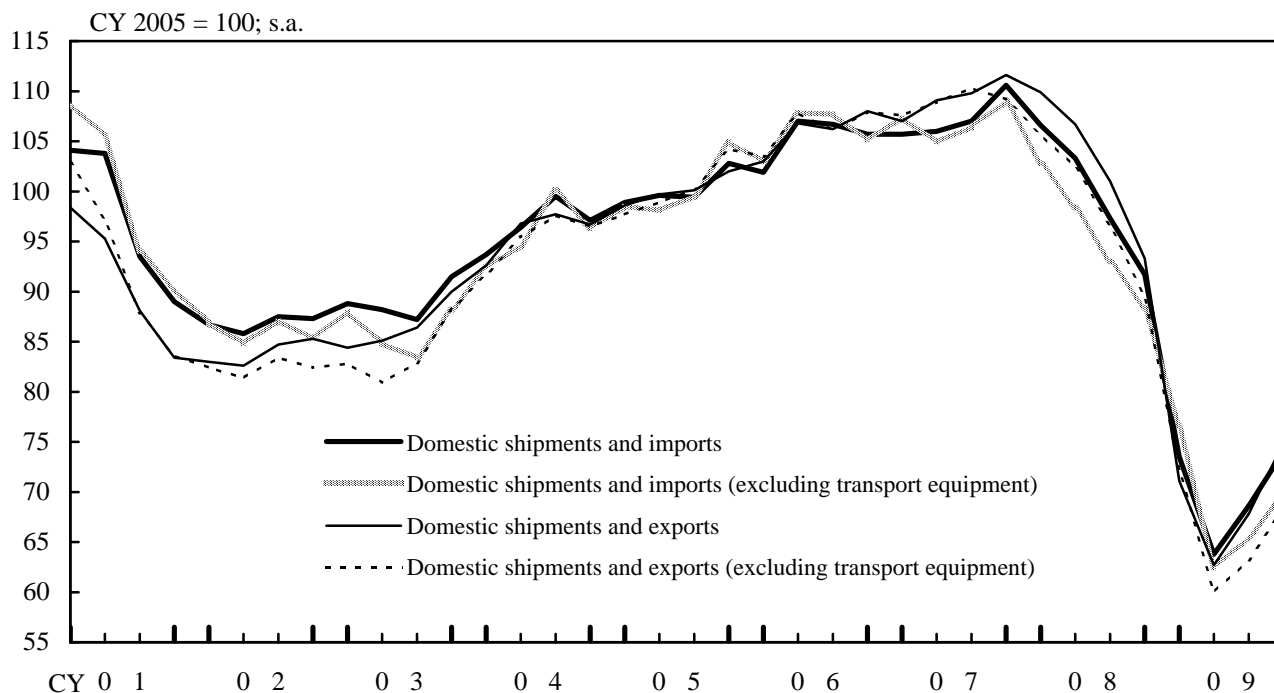
6. IT-related goods are composed of computers and units, parts of computer, telecommunication machinery, ICs, and medical and optical instruments.

7. Excludes IT-related goods.

Sources: Ministry of Finance, "Trade Statistics"; Bank of Japan, "Corporate Goods Price Index."

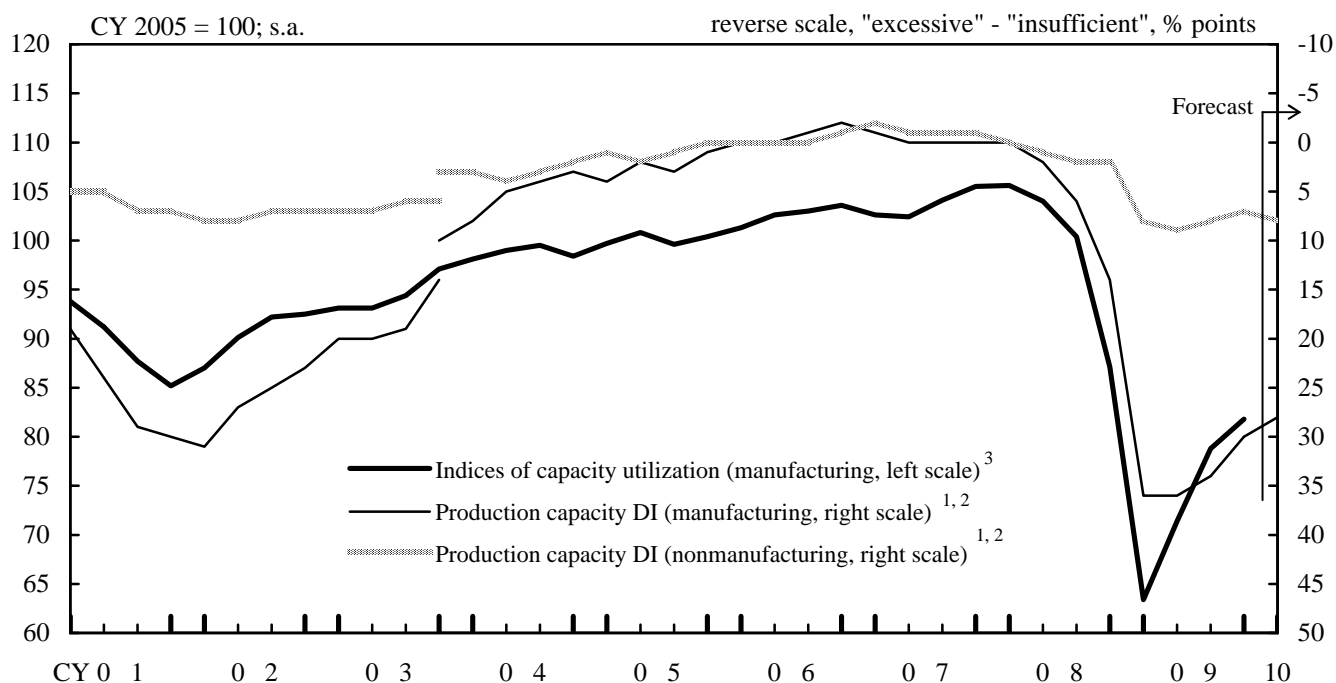
Coincident Indicators for Business Fixed Investment

(1) Aggregate Supply and Shipments of Capital Goods



Note: Figures for 2009/Q4 are October-November averages.

(2) Indices of Capacity Utilization and Production Capacity DI



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

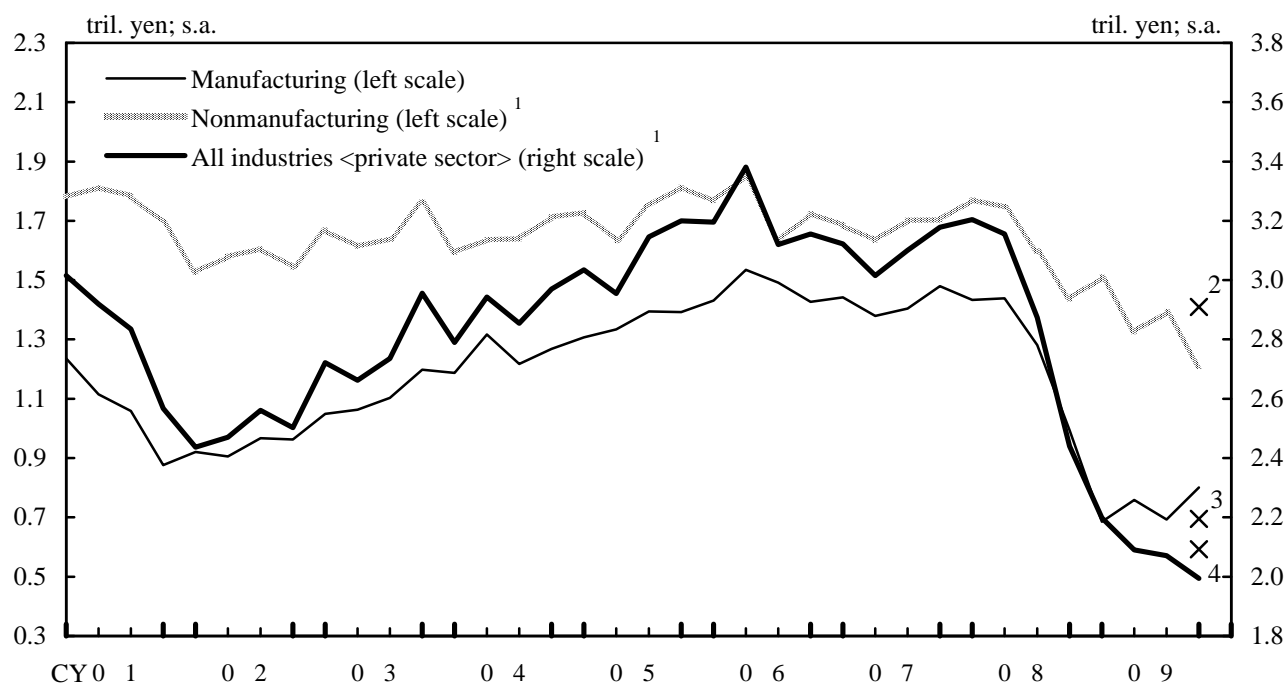
2. The *Tankan* has been revised from the March 2004 survey. Figures up to the December 2003 survey are based on the previous data sets. Figures from the December 2003 survey are on a new basis.

3. The figure for 2009/Q4 is October-November average.

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.

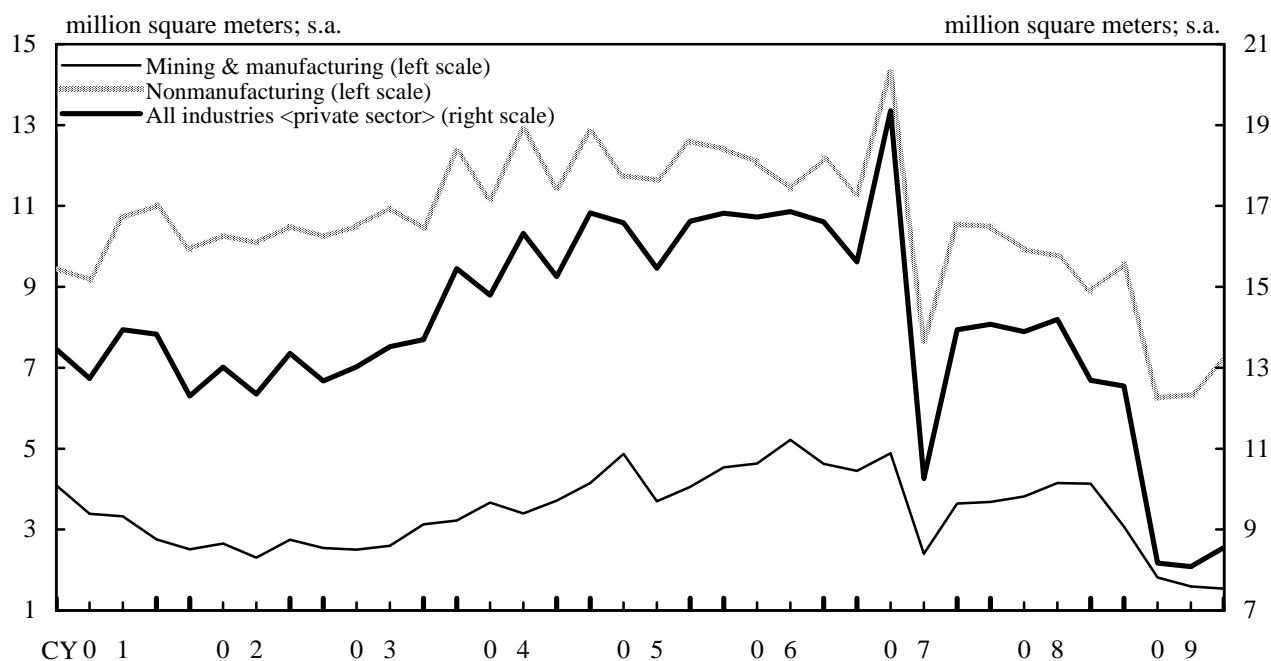
2. Forecast of nonmanufacturing industries for 2009/Q4.

3. Forecast of manufacturing industries for 2009/Q4.

4. Forecast of all industries <private sector> for 2009/Q4.

5. Figures for 2009/Q4 are those of October-November in terms of quarterly amount.

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



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

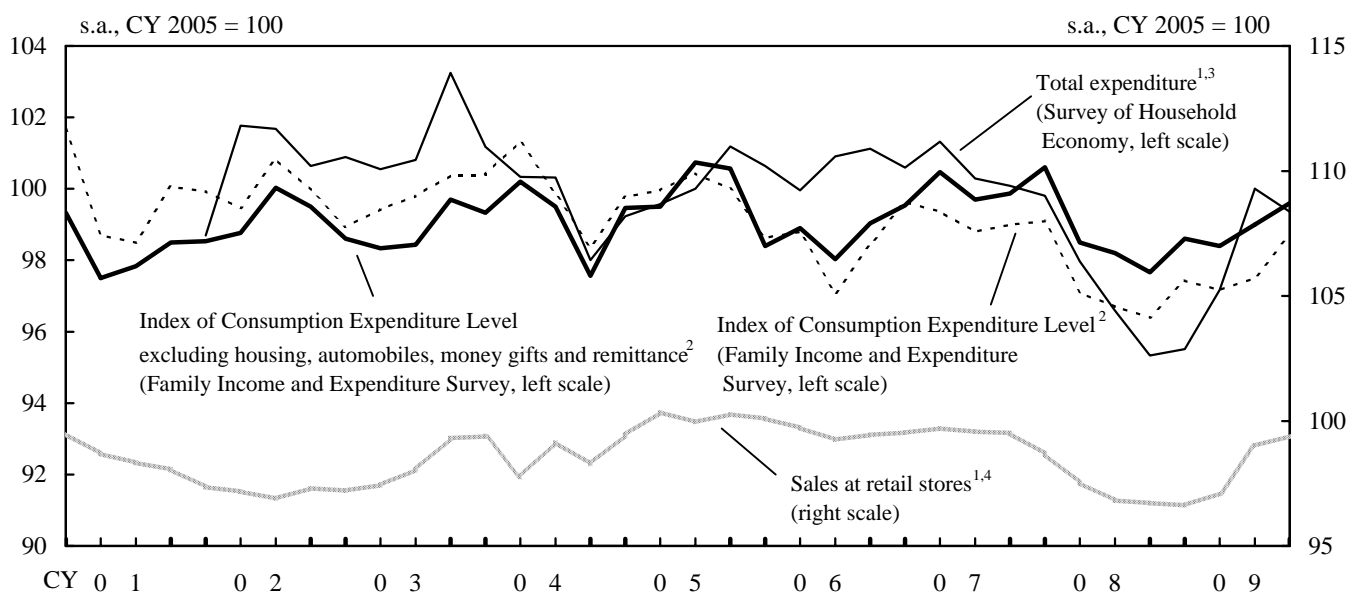
2. Because the Standard Industrial Classification for Japan was revised in March 2002, the industry classification for newspaper publishing and publishing business was changed from mining and manufacturing to nonmanufacturing. Accordingly, the data up to FY 2002 were adjusted by using a link coefficient.

3. Figures for 2009/Q4 are those of October-November in terms of quarterly amount.

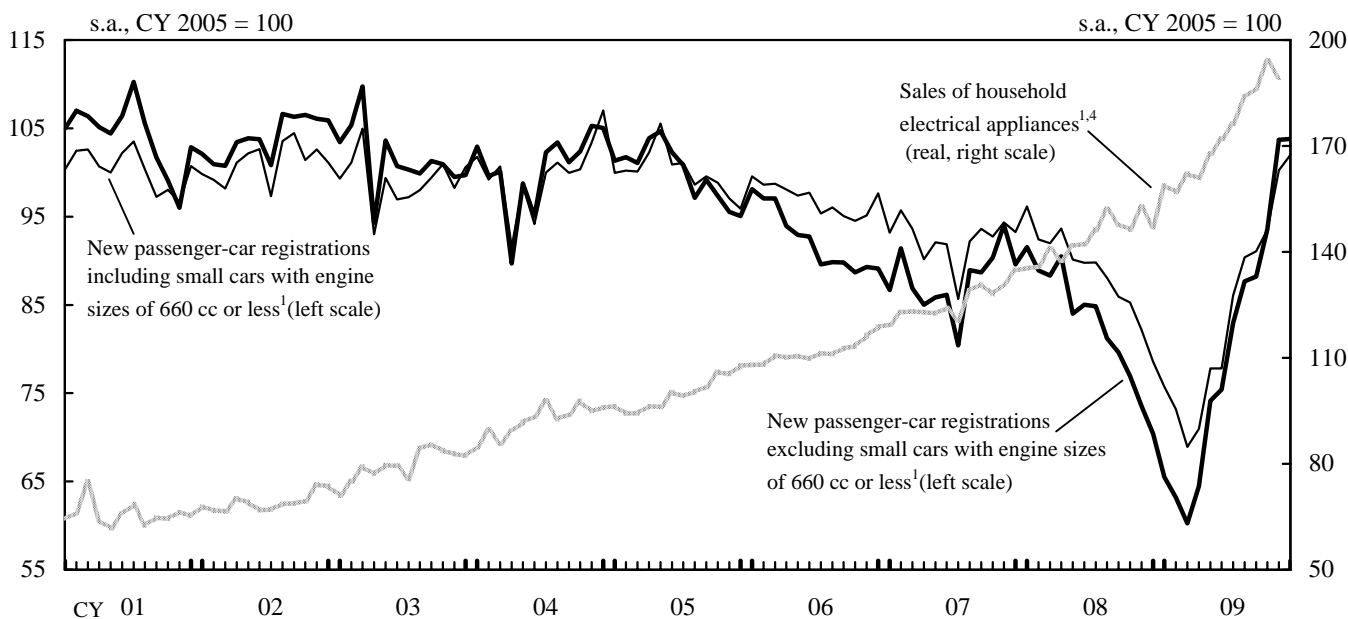
Sources: Cabinet Office, "Orders Received for Machinery";

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

Indicators for Private Consumption (1)

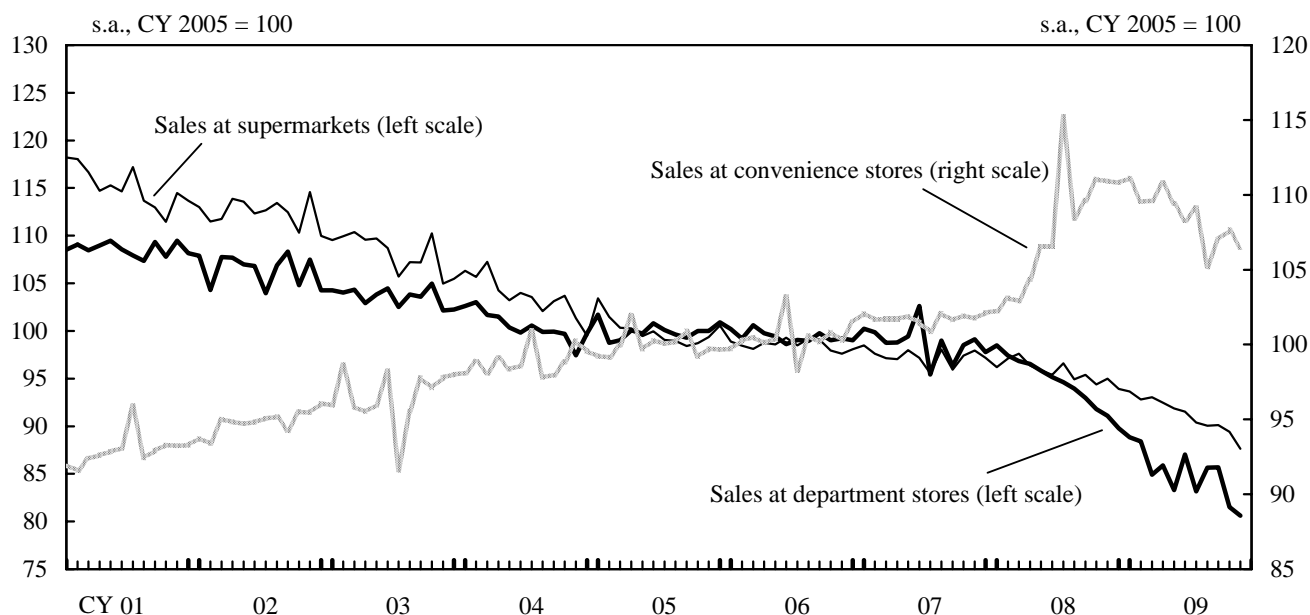
(1) Household Spending (Real)⁵

(2) Sales of Durable Goods

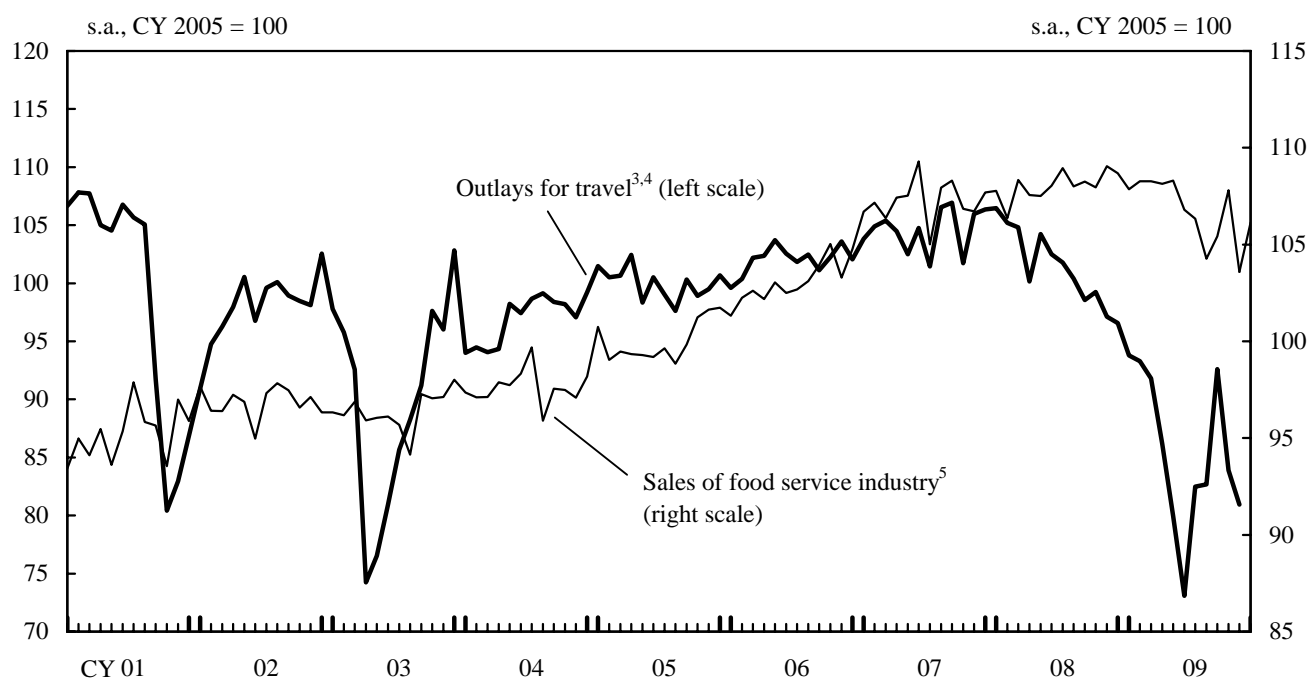


- Notes: 1. Total expenditure, Sales at retail stores, Sales of household electrical appliances and New passenger-car registrations are seasonally adjusted by X-12-ARIMA.
2. Index of consumption expenditure level is based on two-or-more-person households, and is adjusted by the distribution of household by number of household members and age group of household head.
3. Total expenditure is based on two-or-more-person households, and is deflated by the consumer price index excluding imputed rent.
4. 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).
5. Figures for 2009/Q4 are those of October-November averages 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 Consumption ¹ (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. Excluding those by foreign travelers.

4. 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.

5. 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";

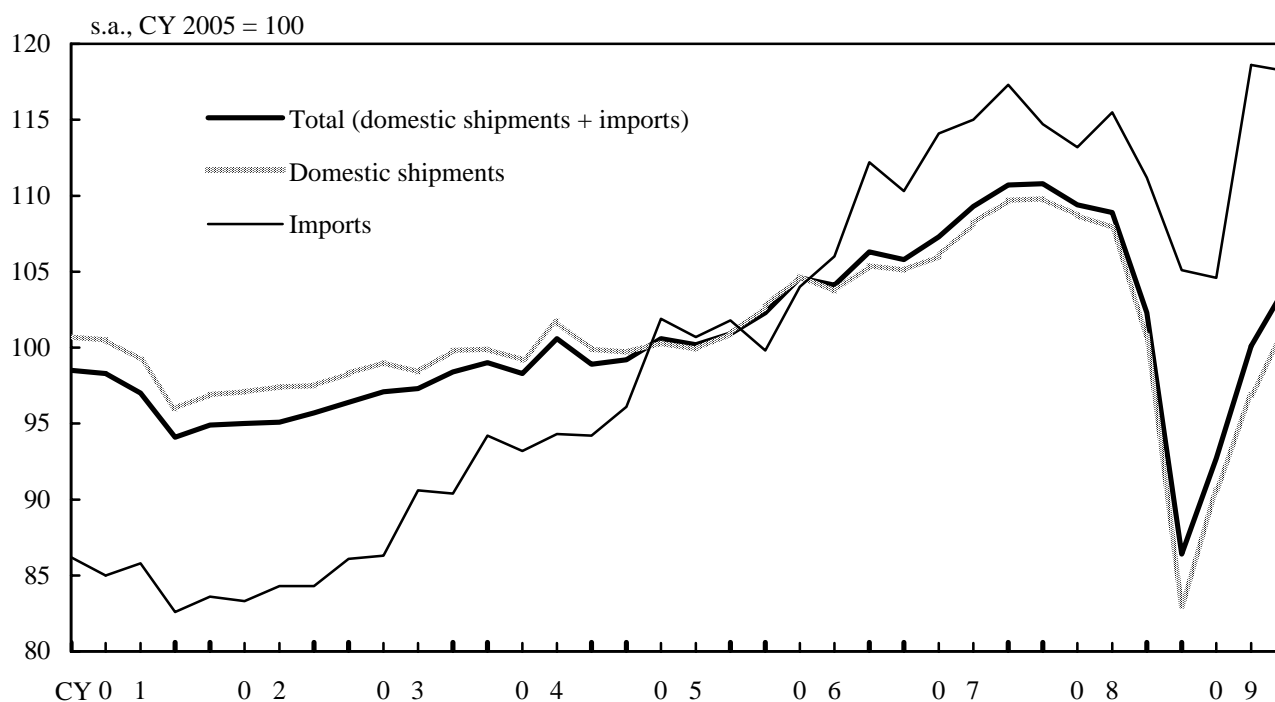
Japan Tourism Agency, "Major Travel Agents' Revenue";

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*

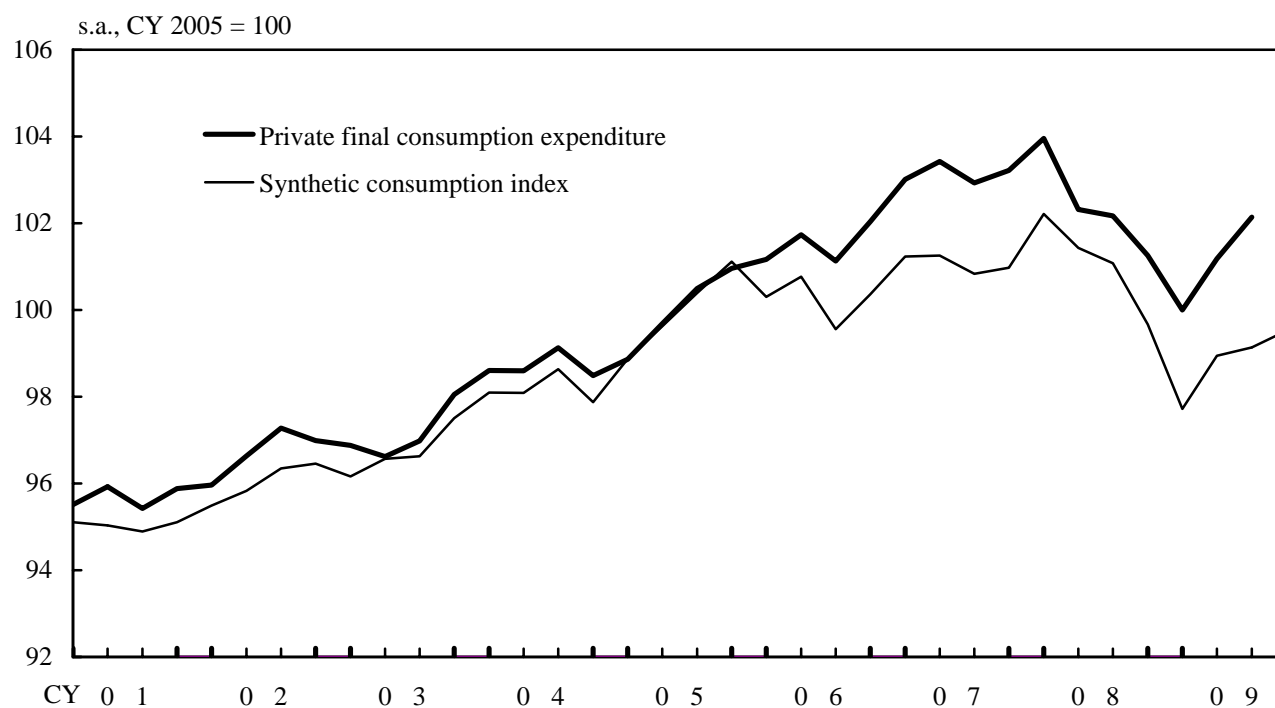
(Research on the Food Service Industry)."

Indicators for Private Consumption (3)

(1) Aggregate Supply of Consumer Goods



(2) Private Final Consumption Expenditure and Synthetic Consumption Index (Real)

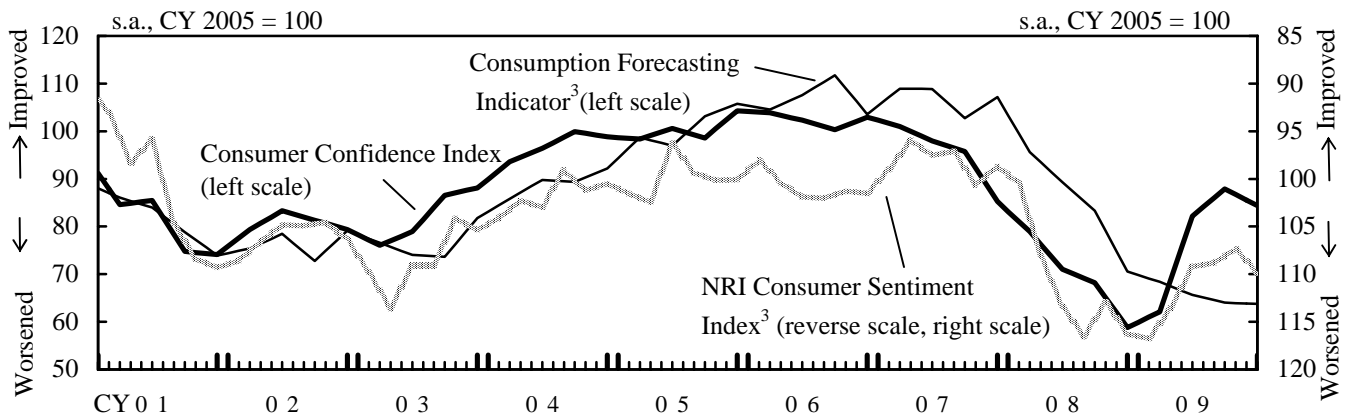


Note: Figures for 2009/Q4 are those of October-November averages in terms of quarterly amount.

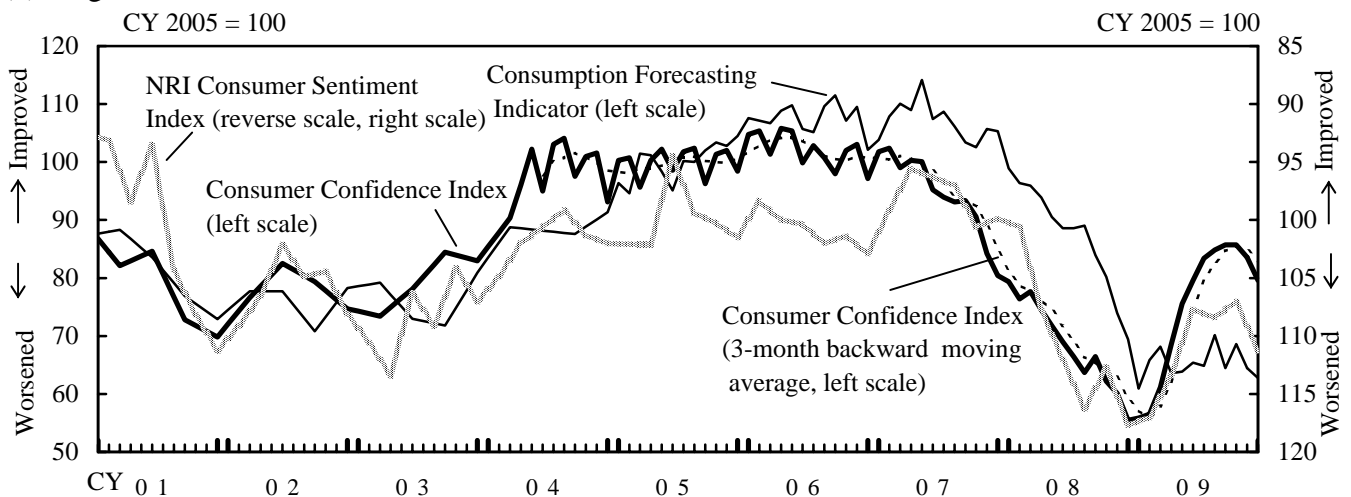
Sources: Ministry of Economy, Trade and Industry, "Indices of Industrial Domestic Shipments and Imports"; Cabinet Office, "National Accounts," "Synthetic Consumption Index."

Consumer Confidence^{1,2}

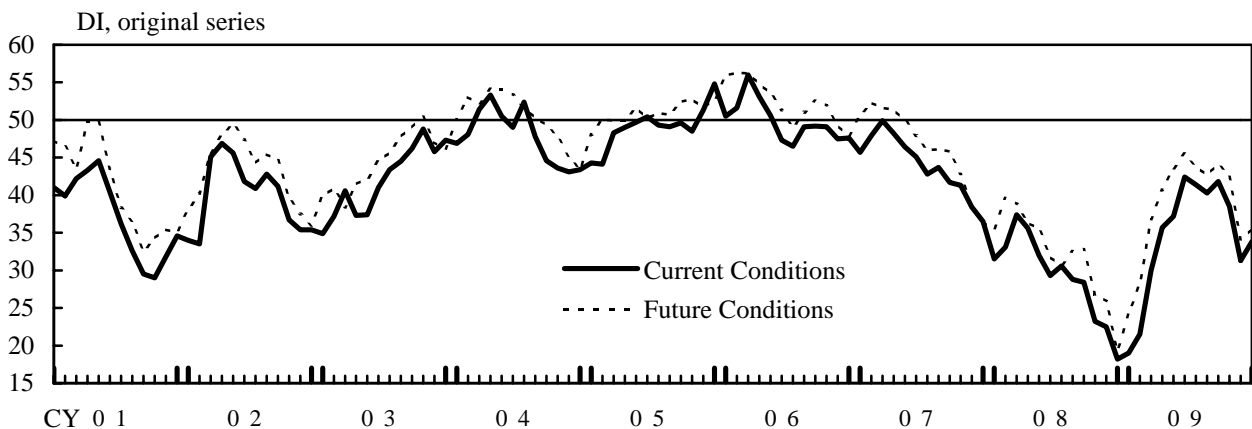
(1) Seasonally Adjusted Series



(2) Original Series



Reference: Economy Watchers Survey (Household Activity)

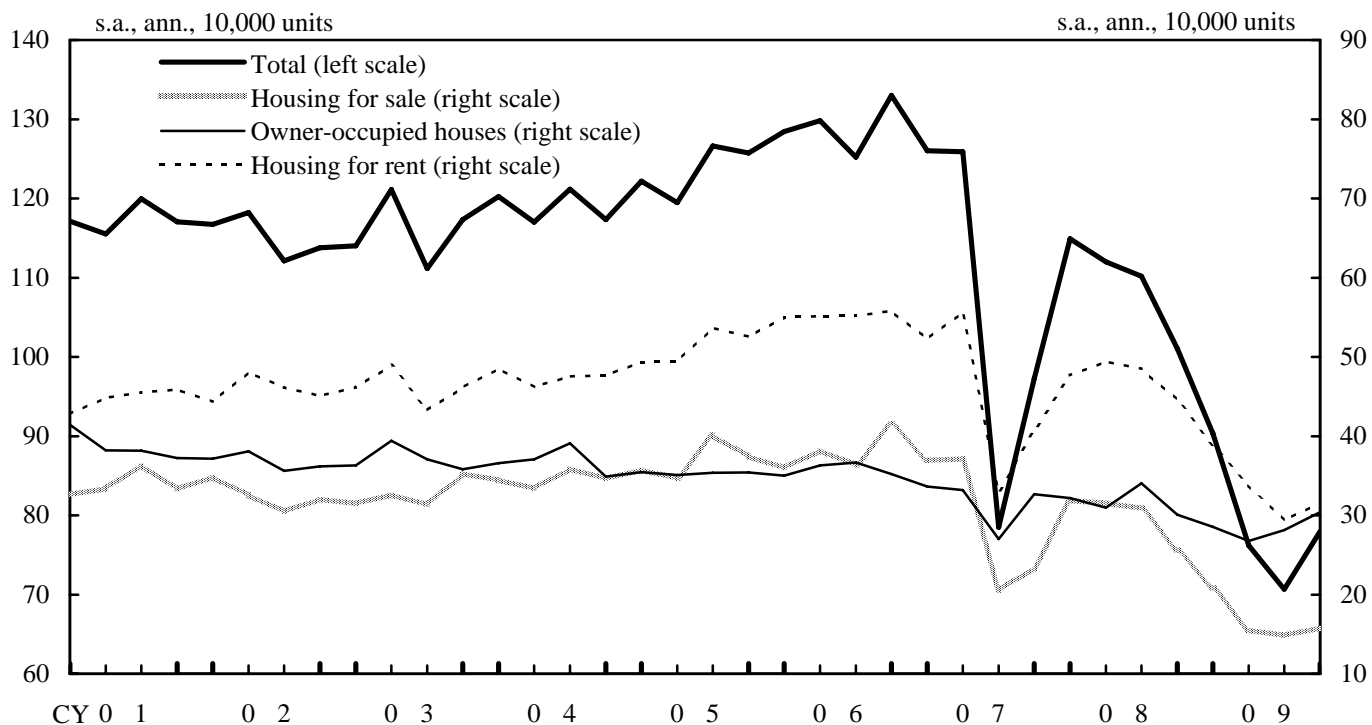


- Notes: 1. The Consumer Confidence Index (with about 4,700 samples on a nationwide basis), Consumption Forecasting Indicator (with 600 samples in the metropolitan area), and NRI Consumer Sentiment Index (with 1,200 samples on a nationwide basis) are based on surveys on consumer confidence.
2. Figures are plotted for each surveyed months and the data for intervening months are linearly interpolated.
3. Figures are seasonally adjusted by X-12-ARIMA. 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."

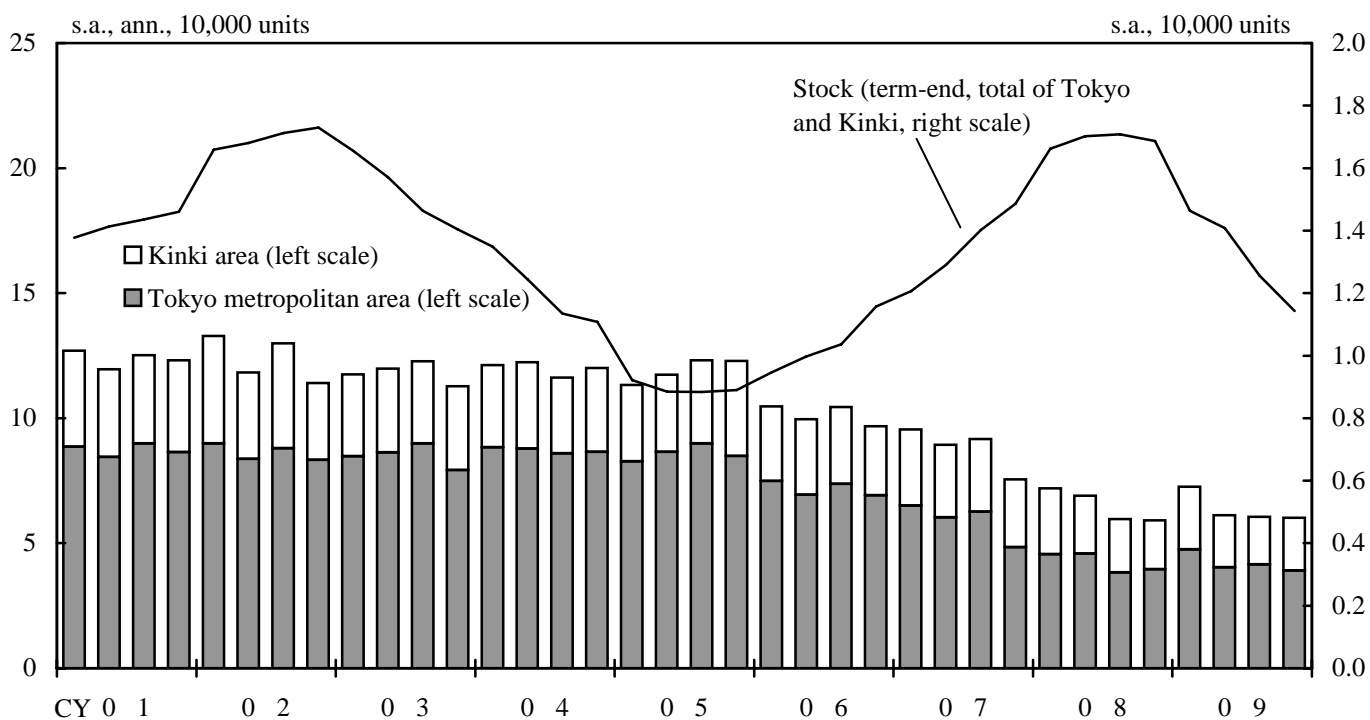
Indicators for Housing Investment

(1) Housing Starts



Note: Figures for 2009/Q4 are those of October-November averages.

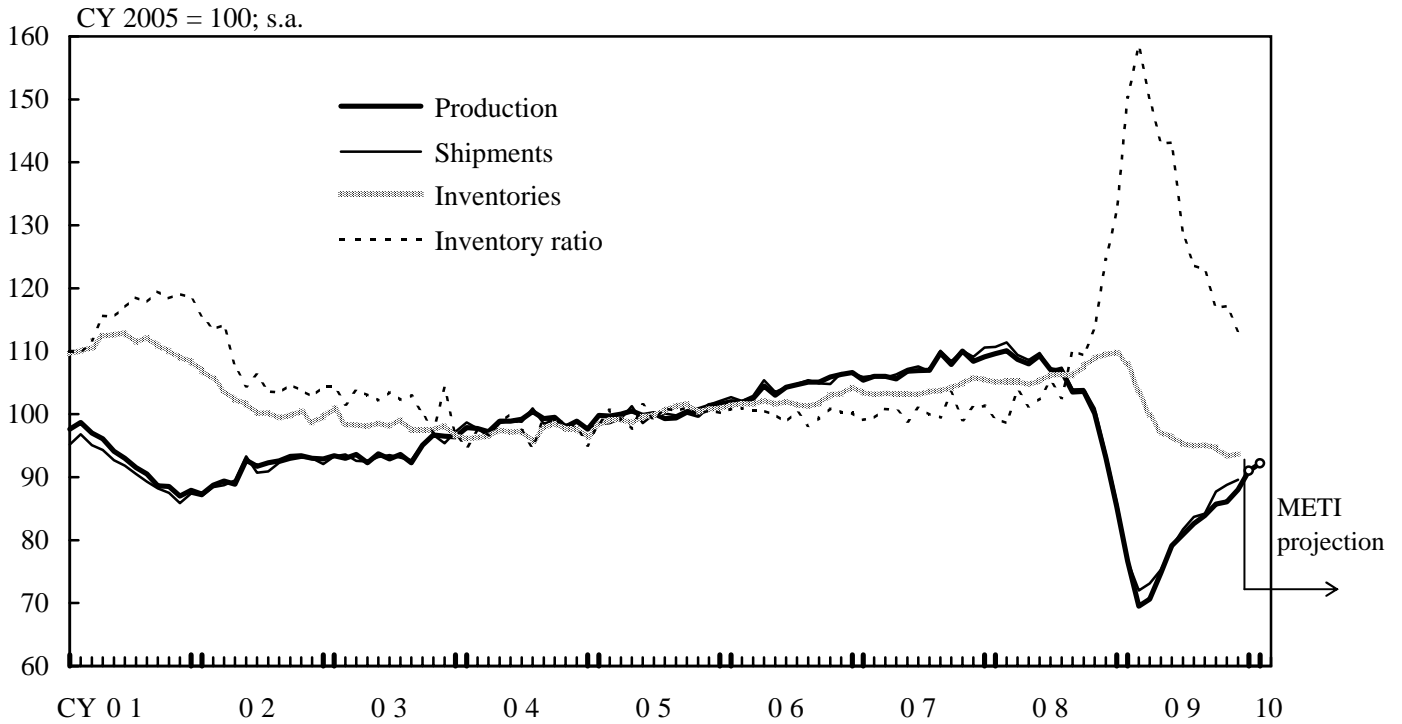
(2) Sales of Apartments



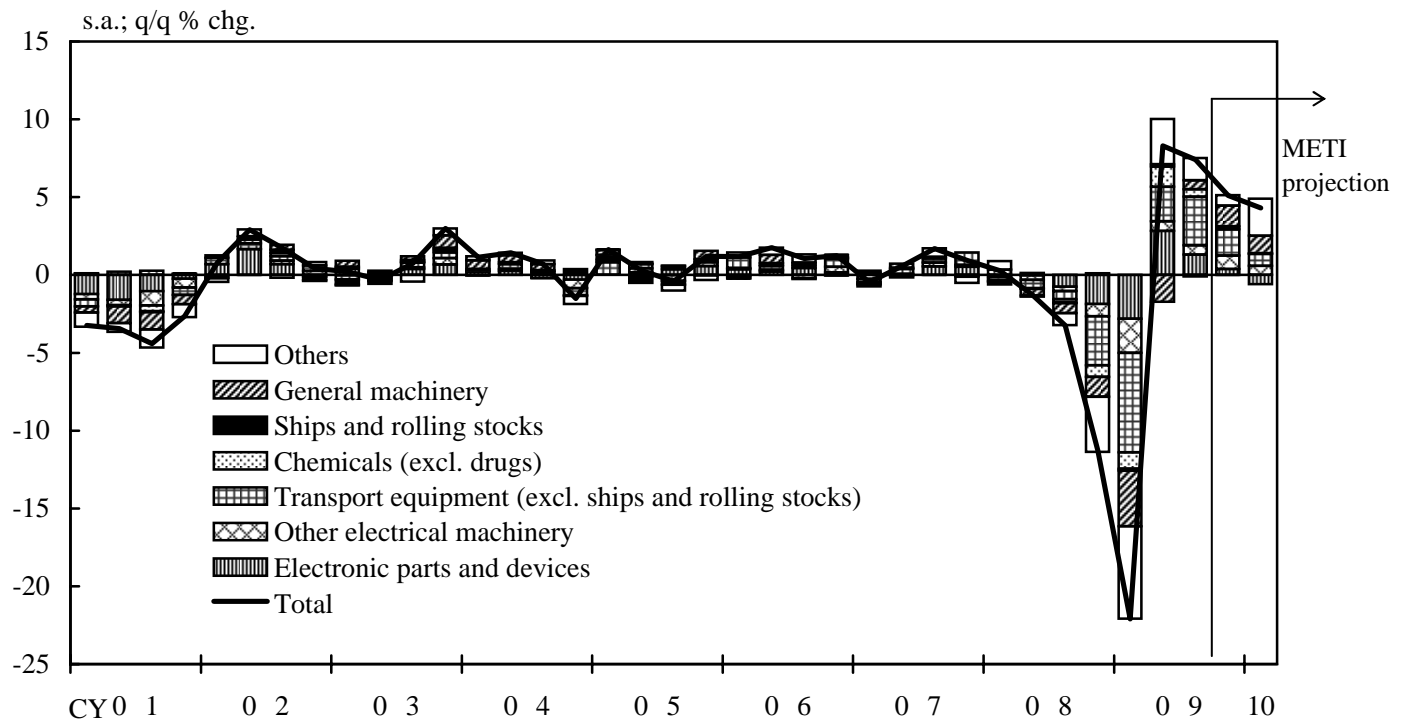
Note: Seasonally adjusted by X-12-ARIMA.

Production, Shipments and Inventories

(1) Production, Shipments and Inventories



(2) Production by Industry

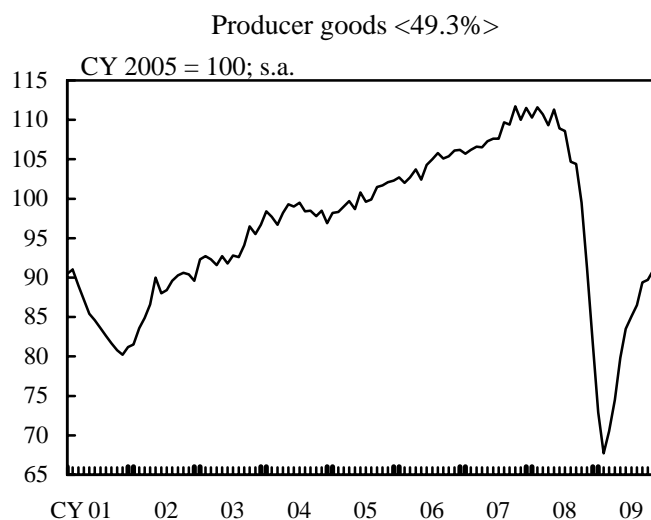
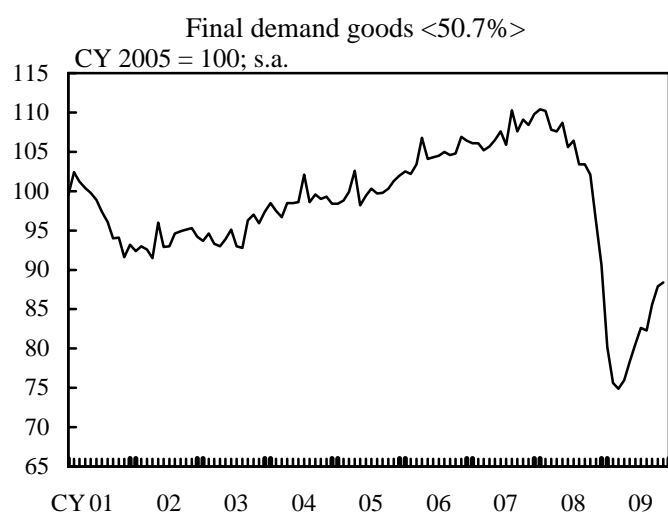


- Notes: 1. "Other electrical machinery" is the weighted sum of "electrical machinery" and "information and communication electronics equipment."
 2. Figures up to 2003/Q1 are on the 2000 base.
 3. 2009/Q4 figures are based on the actual production levels in October and November, and the METI projection of December. 2010/Q1 figures are based on the assumption that each production level in February and March is the same as that of January.

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

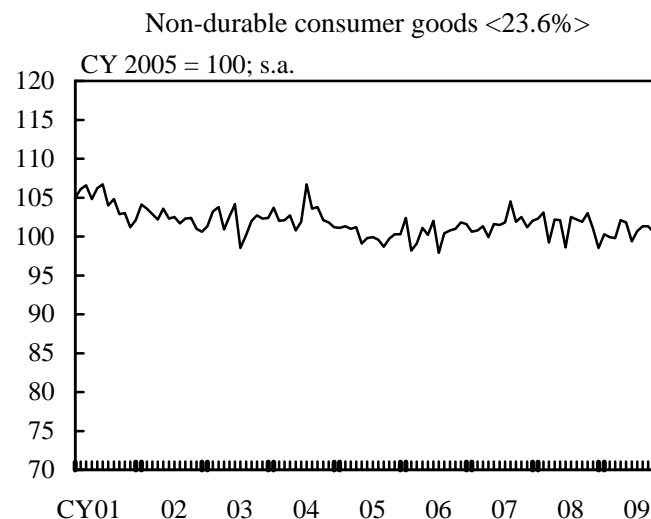
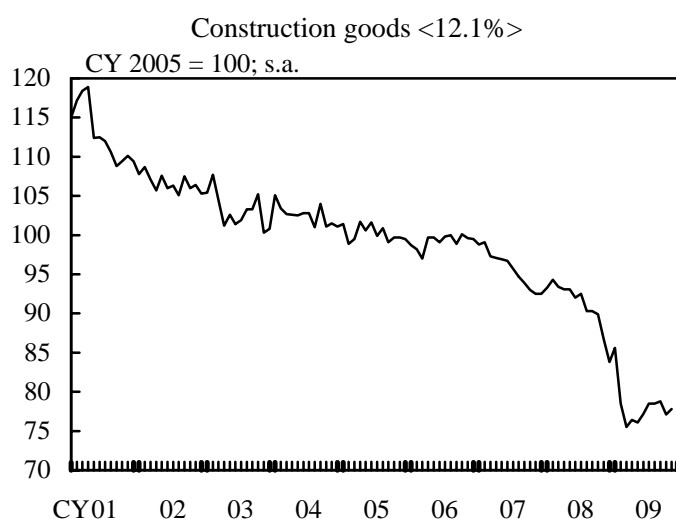
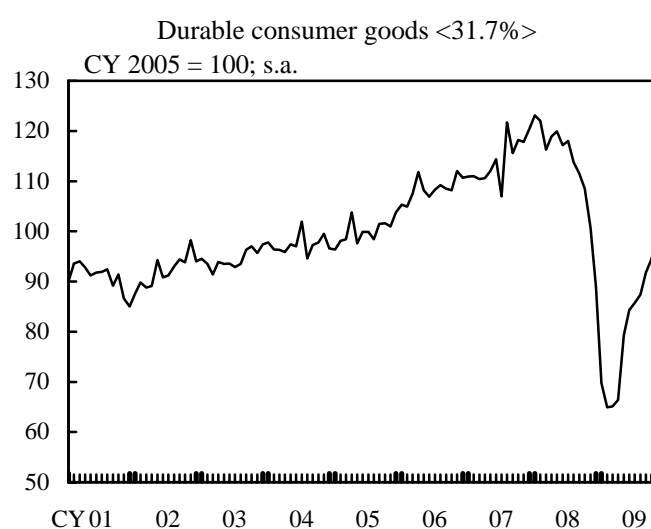
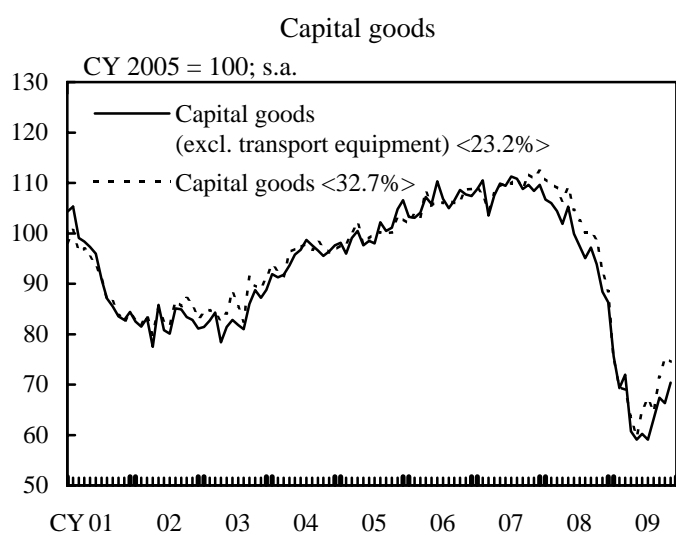
Shipments Breakdown by Type of Goods

(1) Final Demand Goods and Producer Goods



Note: Figures in angle brackets show the shares among shipments of mining and manufacturing.

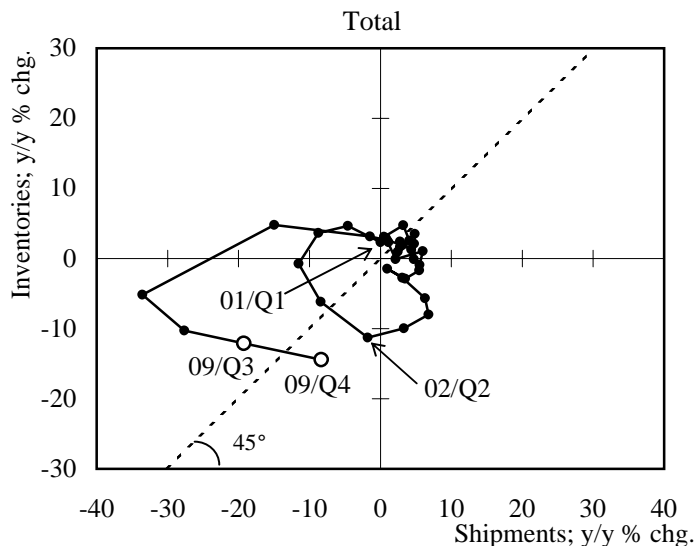
(2) Breakdown of Final Demand Goods



Note: Figures in angle brackets show the shares among shipments of final demand goods.

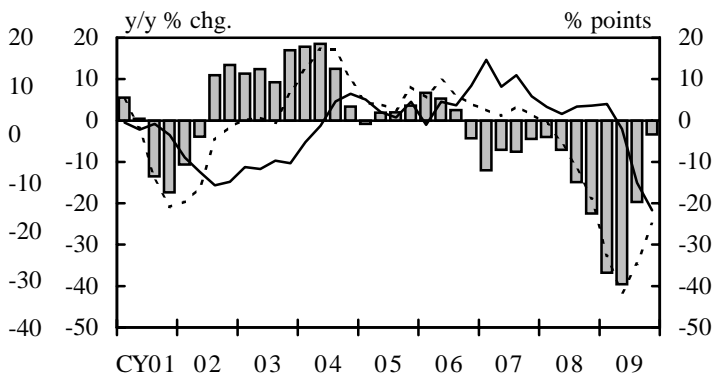
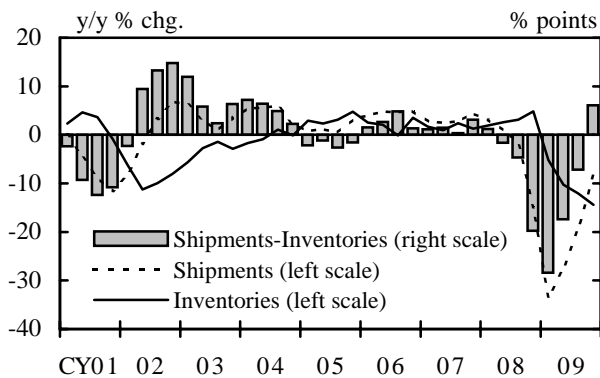
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Inventory Cycle



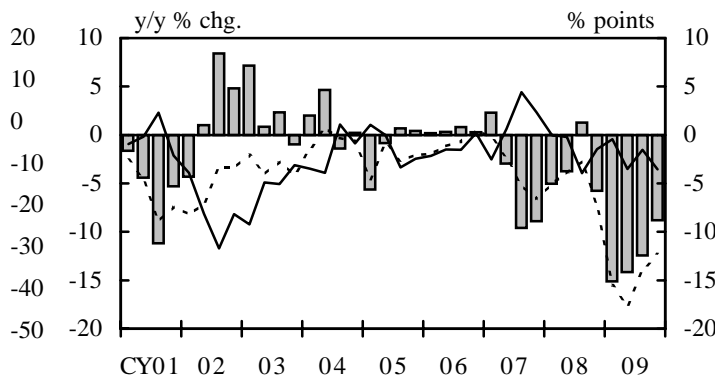
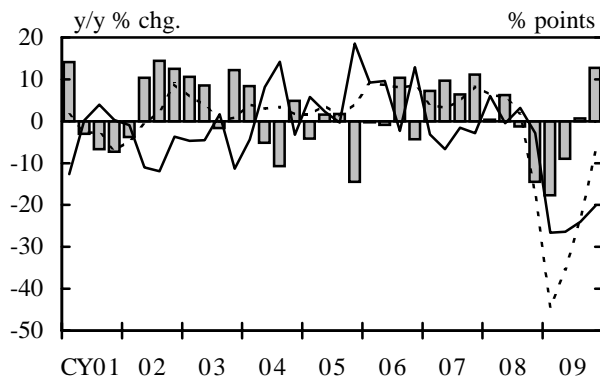
(1) Total

(2) Capital Goods (Excluding Transport Equipment)



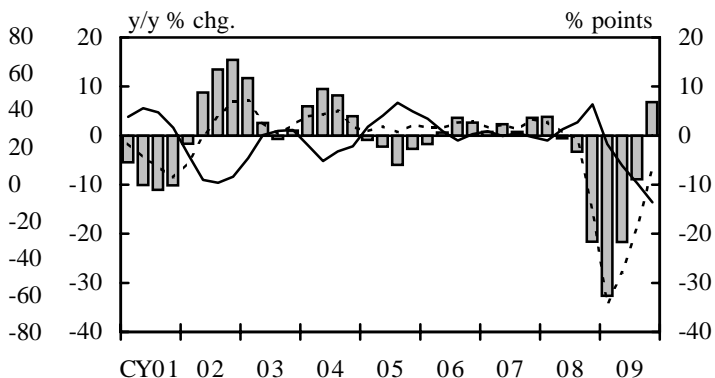
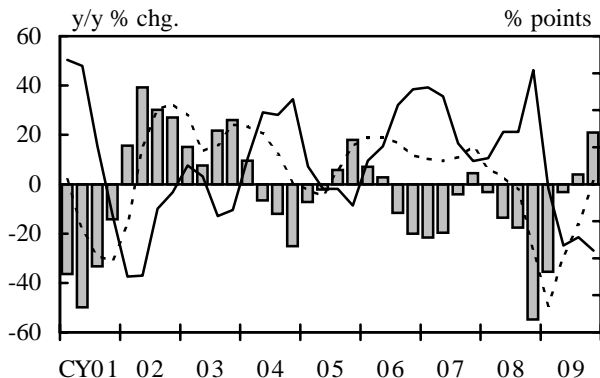
(3) Durable Consumer Goods

(4) Construction Goods



(5) Electronic Parts and Devices

(6) Producer Goods Excluding Electronic Parts and Devices



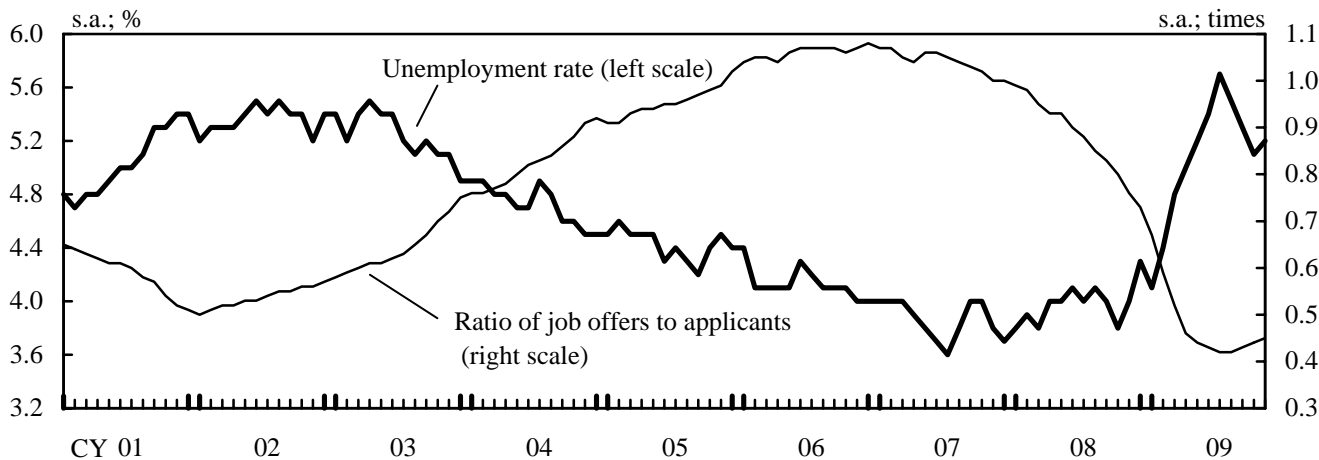
Note: Figures of Shipments for 2009/Q4 are those of October-November averages.

Inventories for 2009/Q4 are those of November.

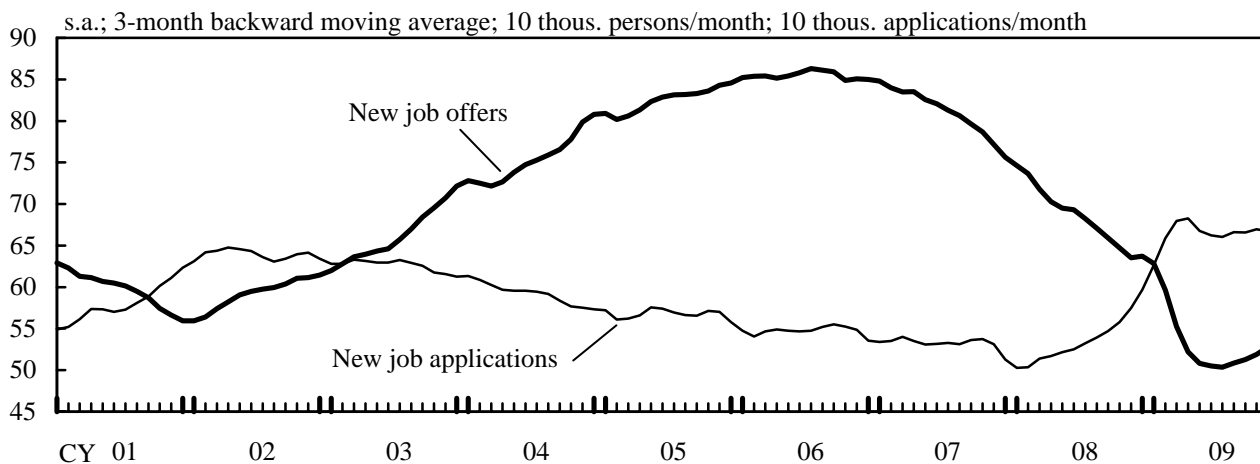
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Labor Market (1)

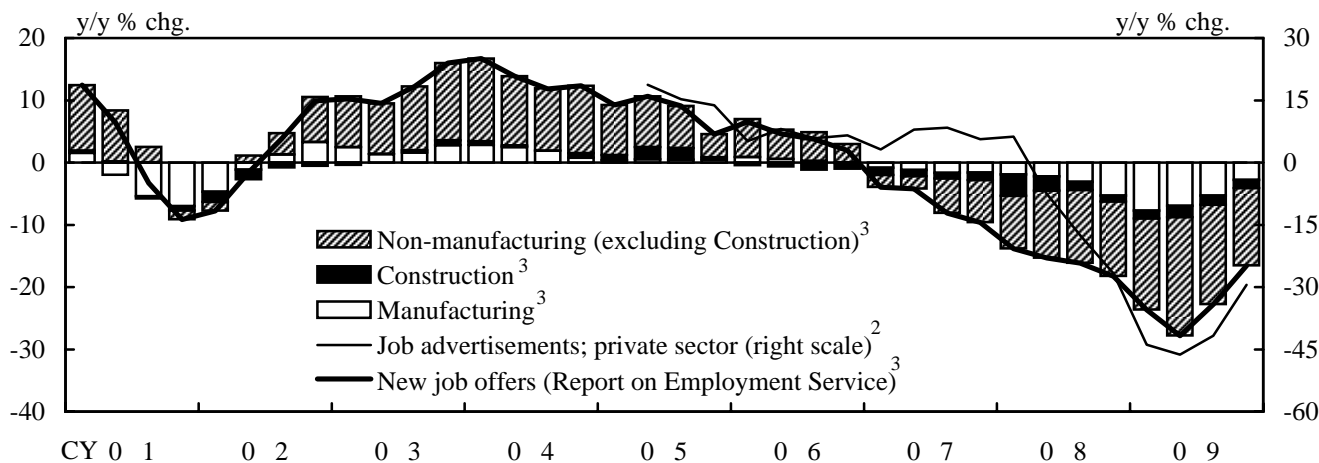
(1) Unemployment Rate and Ratio of Job Offers to Applicants



(2) New Job Offers and New Job Applicants¹



(3) Breakdown of Job Offers¹

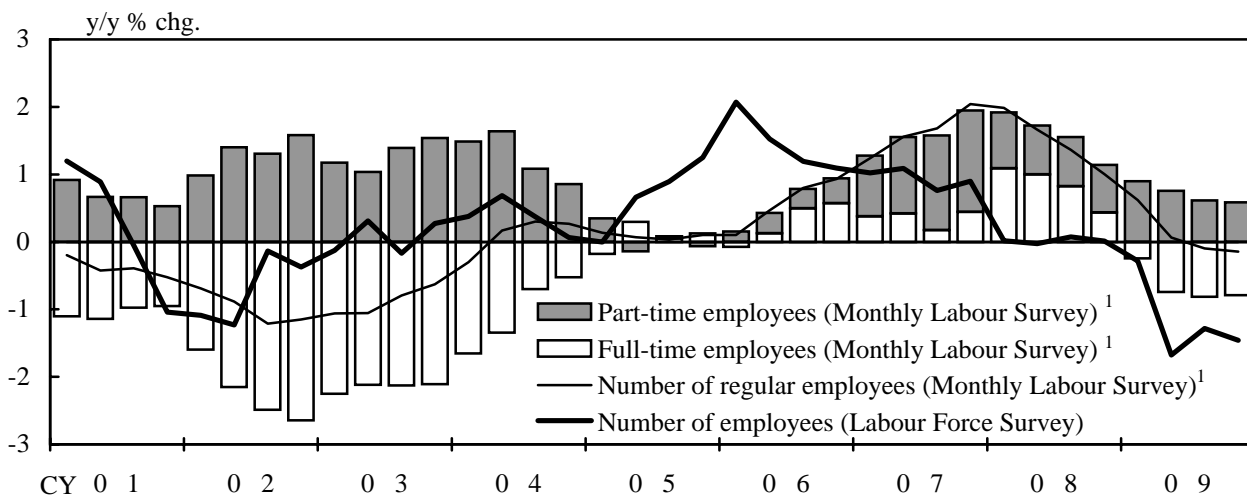


Notes: 1. Figures do not include jobs offered to new graduates, but include those offered to part-time workers.
 2. Figures are the sum of job advertisements listed in free/paid job information magazines, newspaper inserts and job information websites provided by member companies of the Association.
 3. Figures for 2009/Q4 are those of October-November averages.

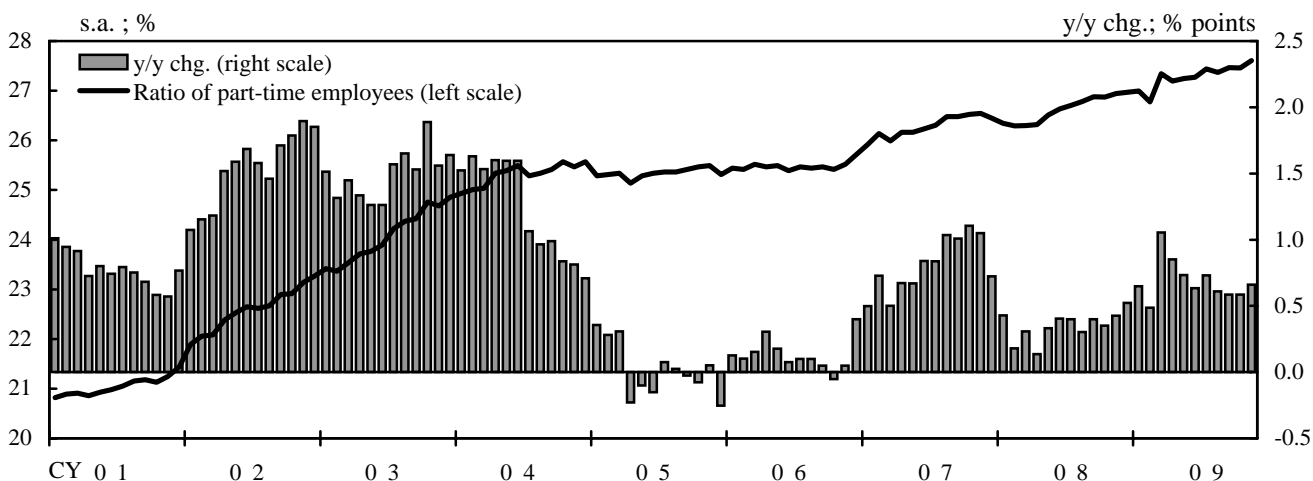
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service";
 Ministry of Internal Affairs and Communications, "Labour Force Survey";
 Association of Job Information of Japan, "Kyujin Koukoku Keisaiensu (Survey of Job Advertisements)."

Labor Market (2)

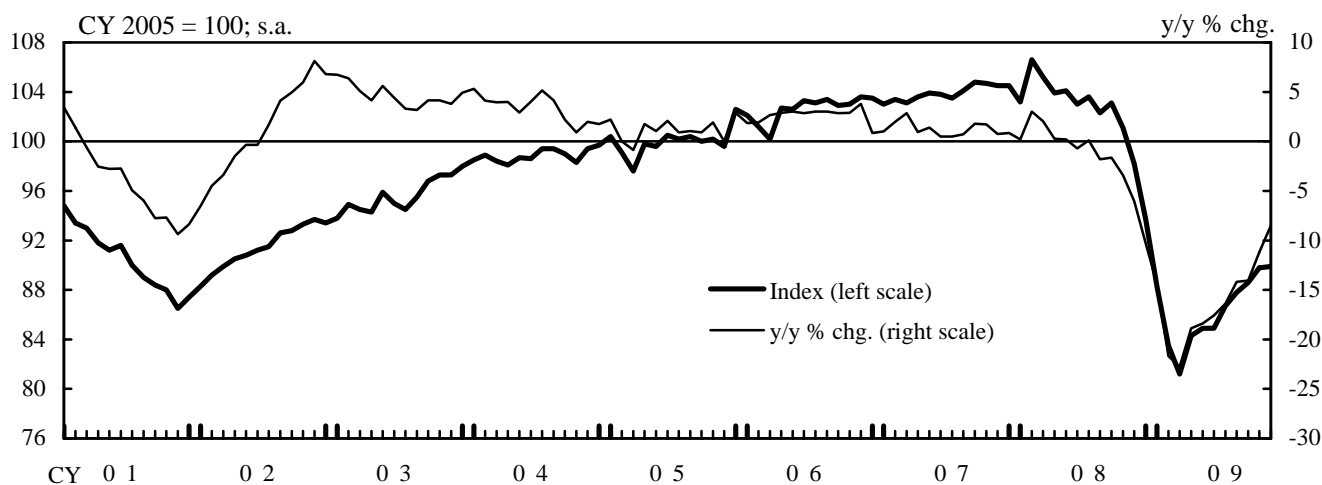
(1) Number of Employees³



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



(3) Non Scheduled Hours Worked¹



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

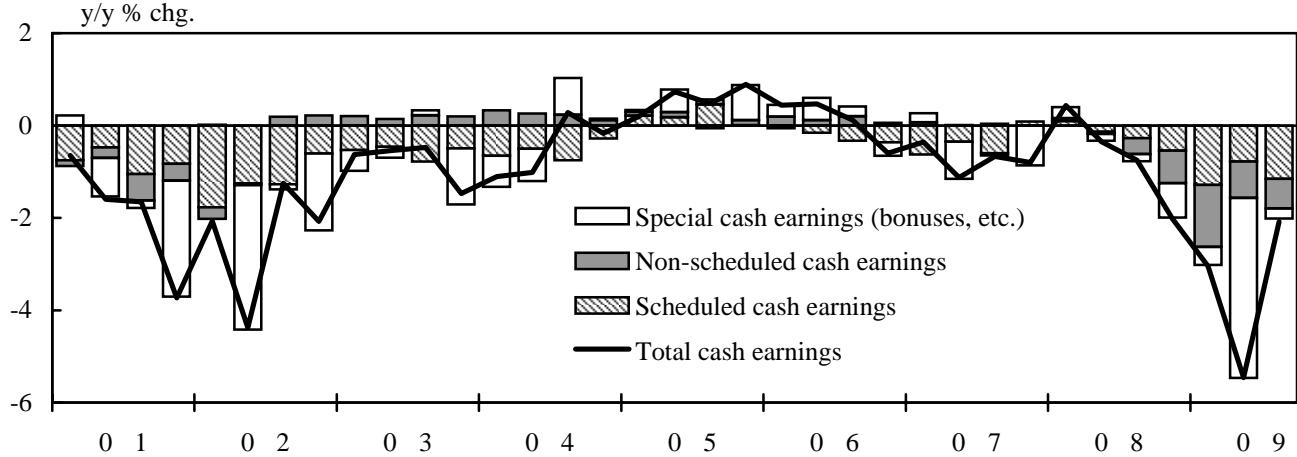
2. The ratio of part-time employees is calculated as the number of part-time employees divided by the number of regular employees times 100.

3. Figures for 2009/Q4 are those of October-November averages.

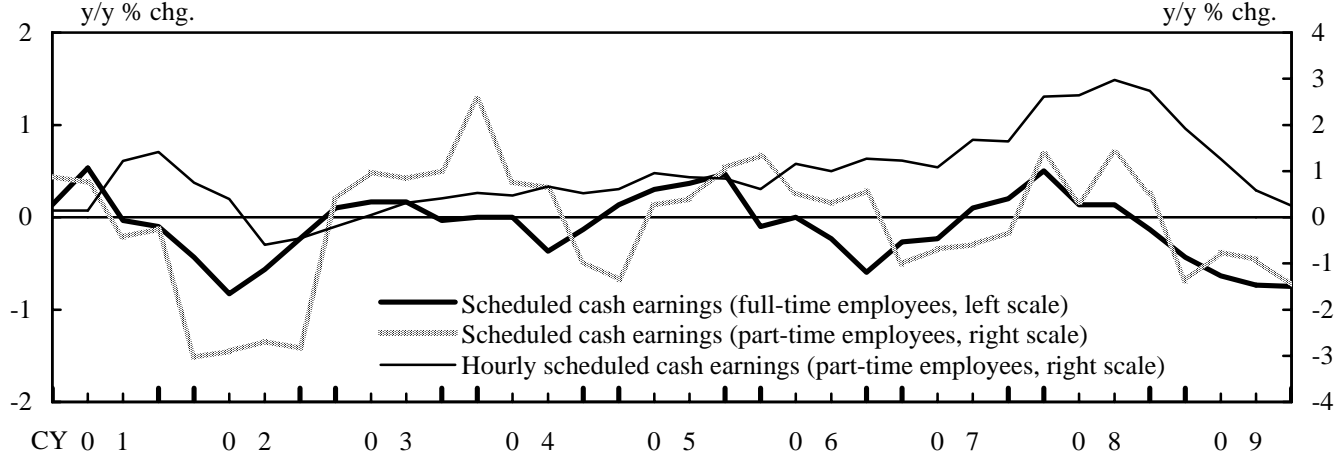
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
Ministry of Internal Affairs and Communications, "Labour Force Survey."

Employee Income

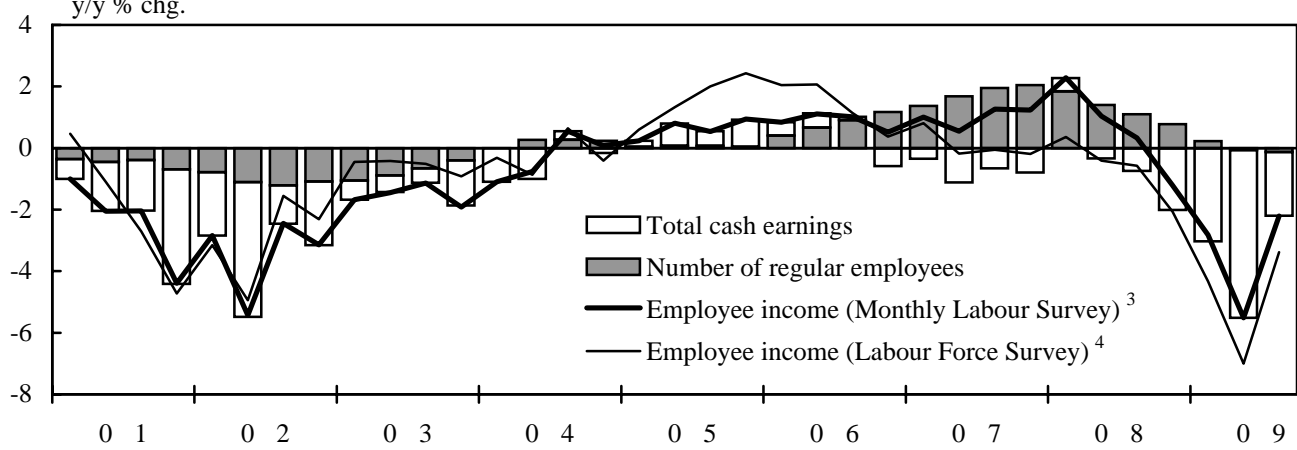
(1) Breakdown of Total Cash Earnings^{1,2}



(2) Scheduled Cash Earnings^{1,5}



(3) Breakdown of Employee Income^{1,2}

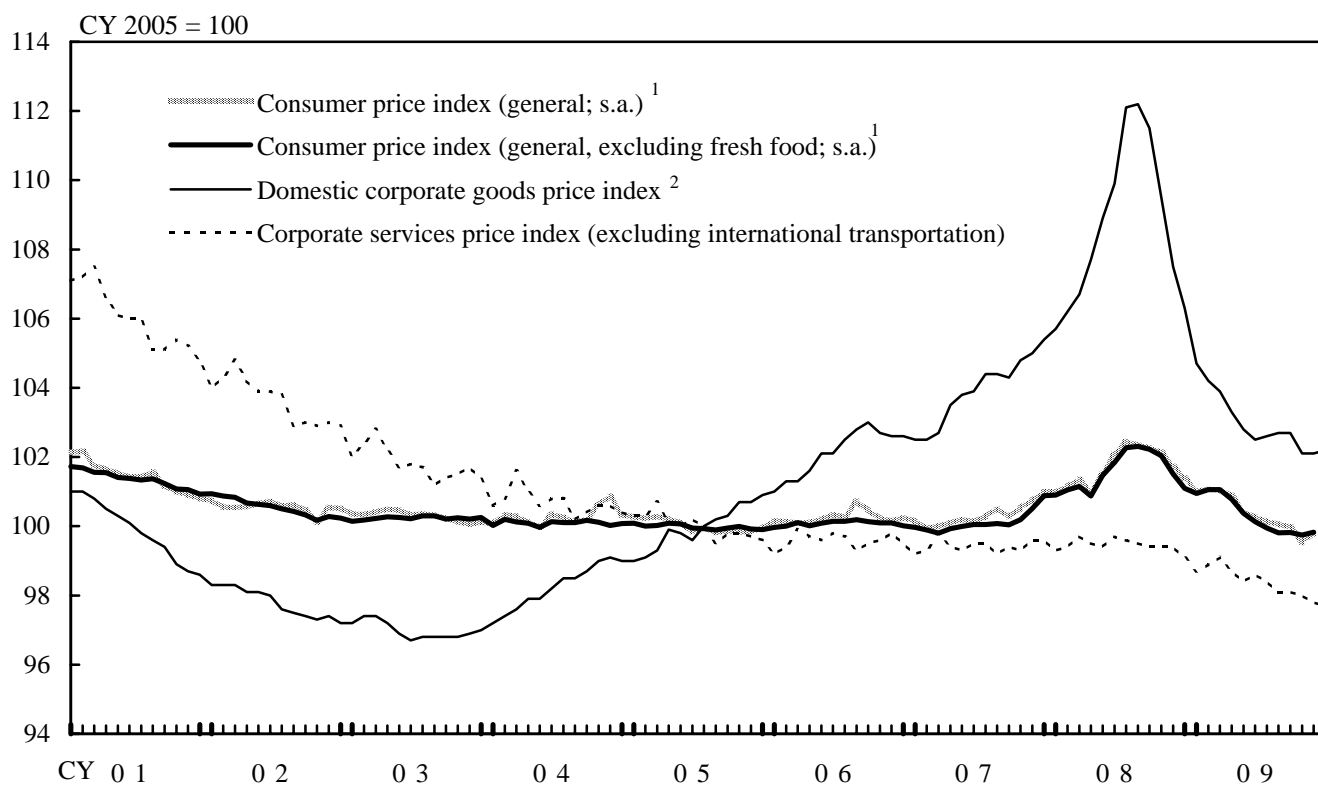


Notes: 1. Data are for establishments with at least five employees.
 2. Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.
 3. Calculated as the number of regular employees (Monthly Labour Survey) times total cash earnings (Monthly Labour Survey).
 4. Calculated as the number of employees (Labour Force Survey) times total cash earnings (Monthly Labour Survey).
 5. Figures for 2009/Q4 are those of October-November averages.

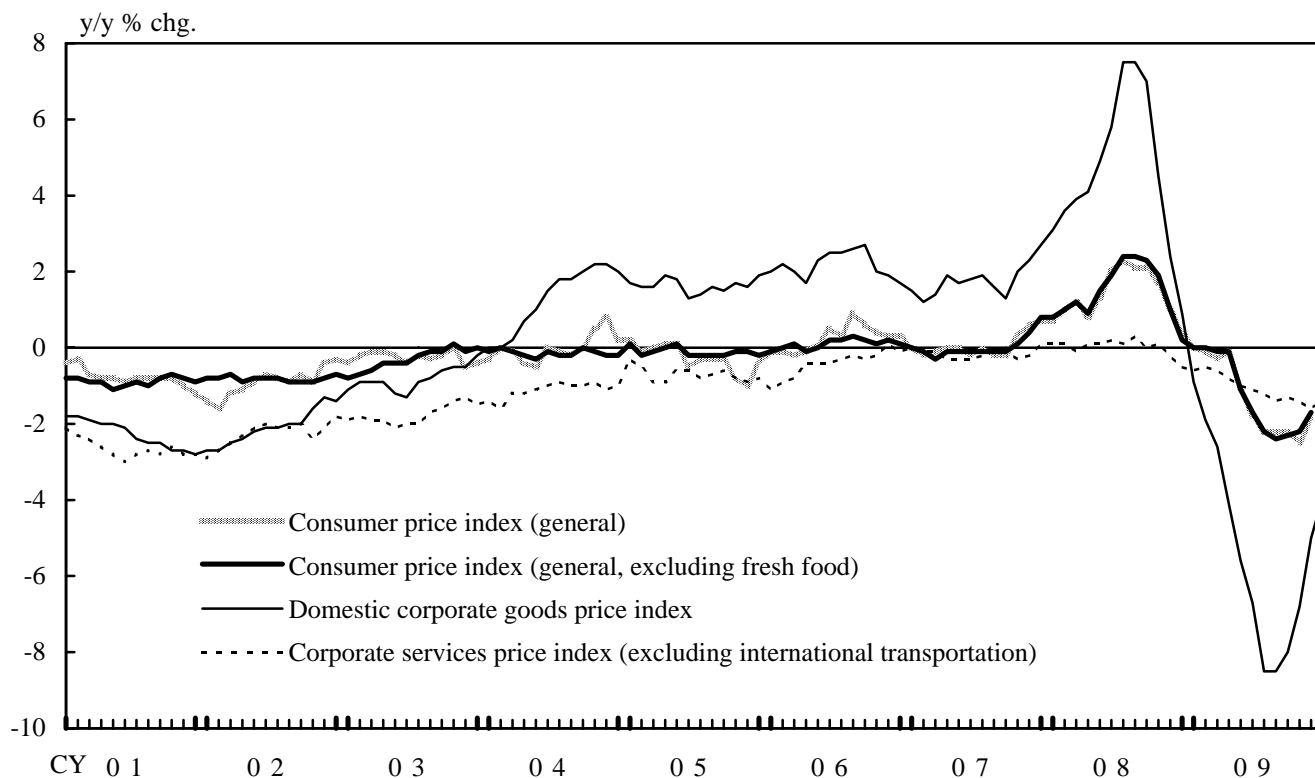
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
 Ministry of Internal Affairs and Communications, "Labour Force Survey."

Prices

(1) Level



(2) Changes from a Year Earlier



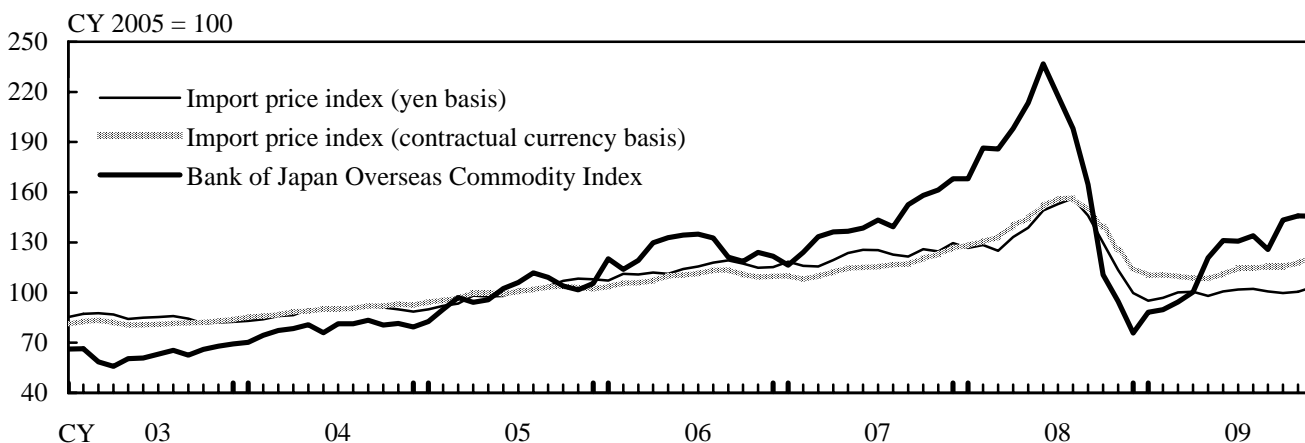
Notes: 1. Seasonally adjusted by X-12-ARIMA.

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

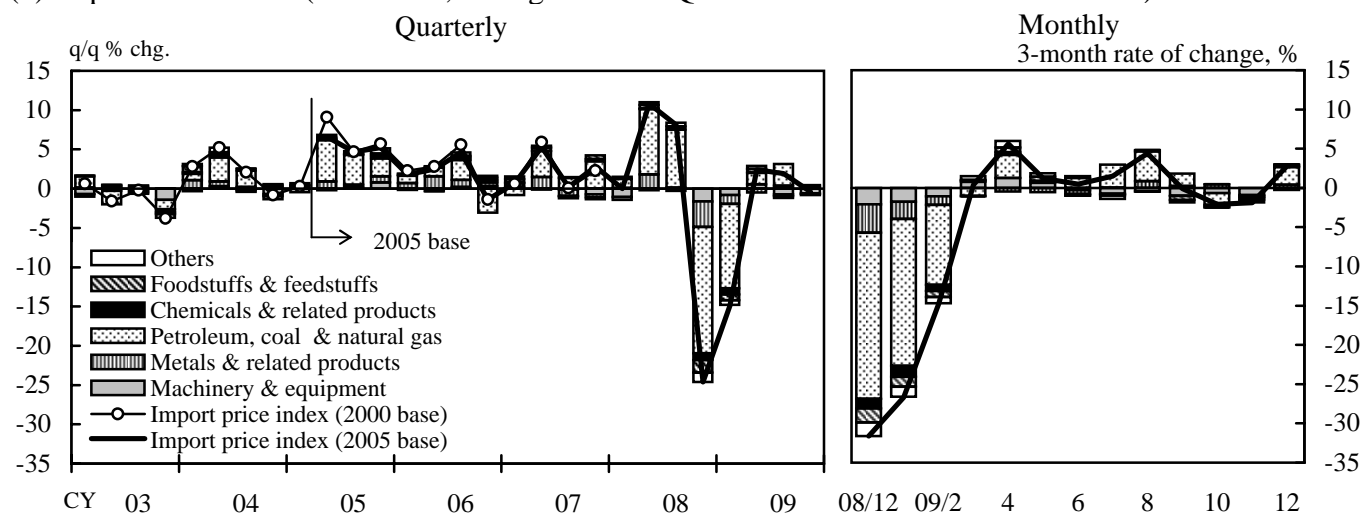
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index."

Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



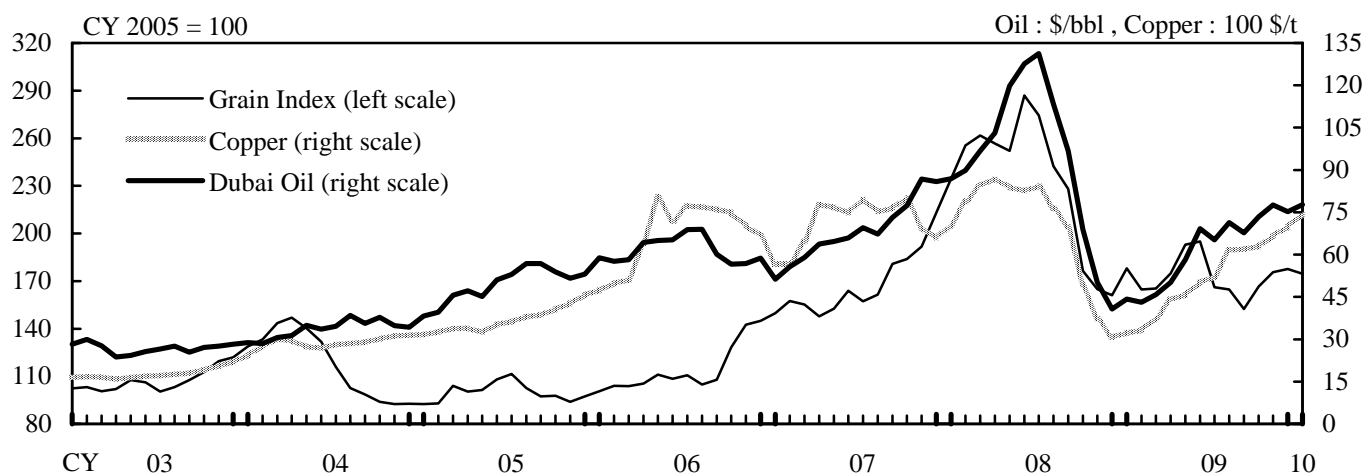
(2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



Notes: 1. Machinery & equipment: general machinery, electric & electronic products, transportation equipment, precision instruments.

2. Figures for 2007/Q4 on the 2000 base are those of October.

(3) International Commodity Prices



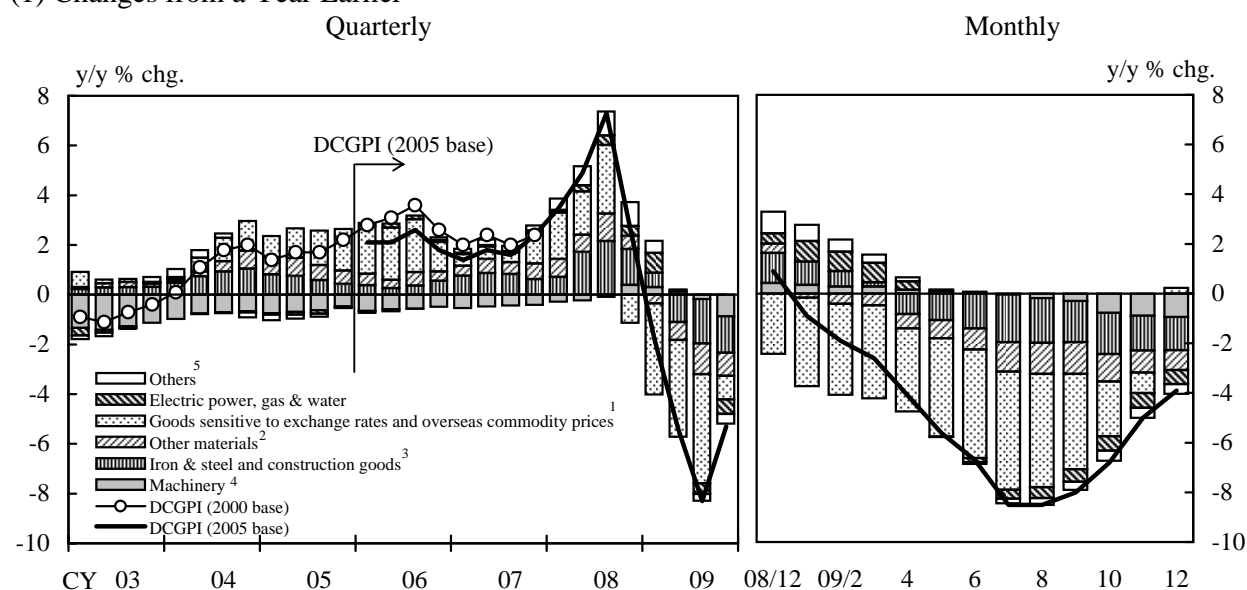
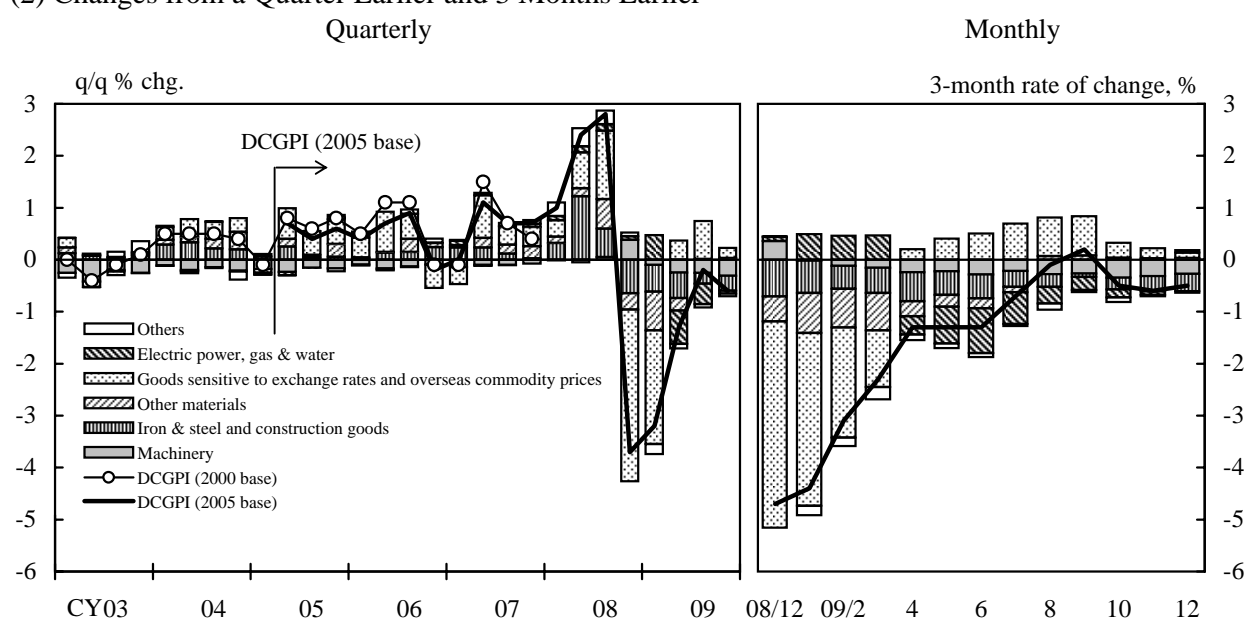
Notes: 1. The Grain Index is the weighted average of prices of three selected items (wheat, soybeans, corn) in overseas commodity markets. The weights are based on the Value of Imports in the Trade Statistics of Japan.

2. Monthly averages. Figures for January 2010 are the averages up to January 25.

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

Domestic Corporate Goods Price Index⁷

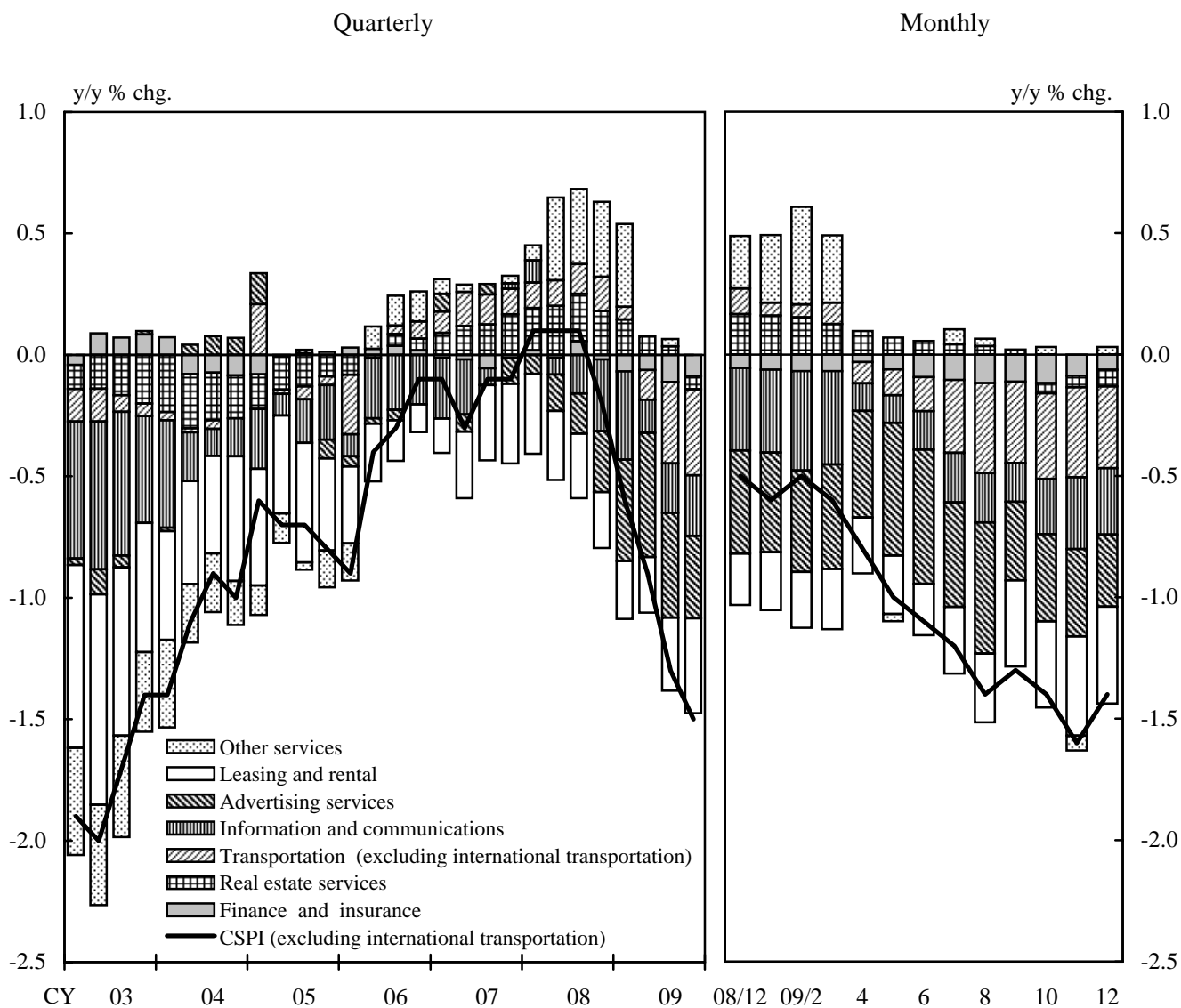
(1) Changes from a Year Earlier

(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 & related products, 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 & equipment, information & communications equipment, electronic components & devices, general machinery & equipment, transportation equipment, precision instruments.
5. Others: processed foodstuffs, other manufacturing industry products, agriculture, forestry & fishery products, minerals.
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 2007/Q4 on the 2000 base are those of October.

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

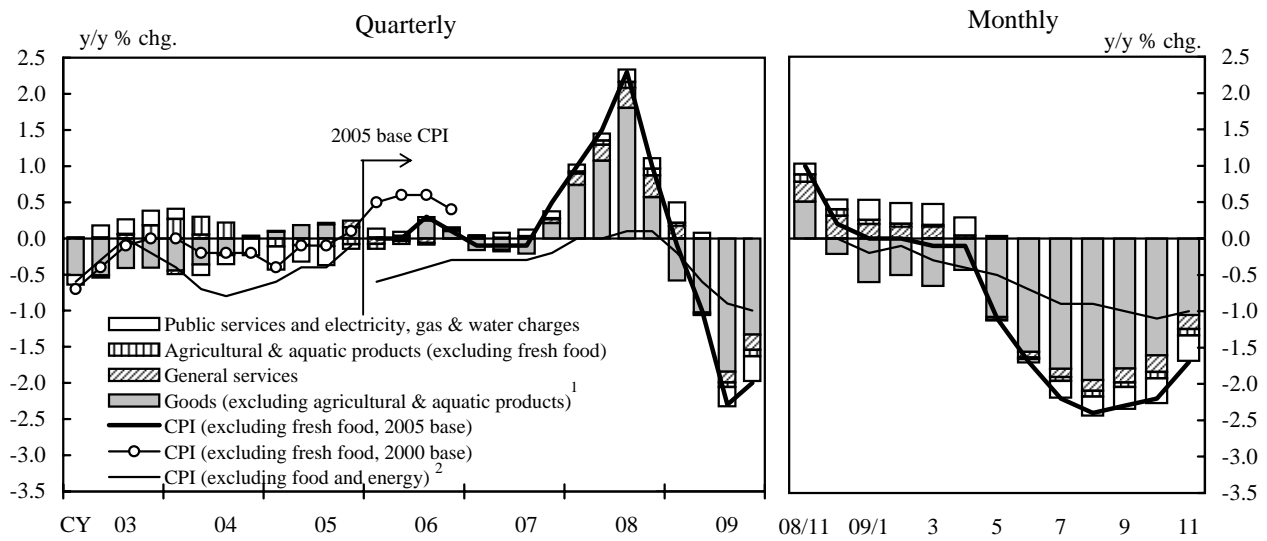
Corporate Services Price Index



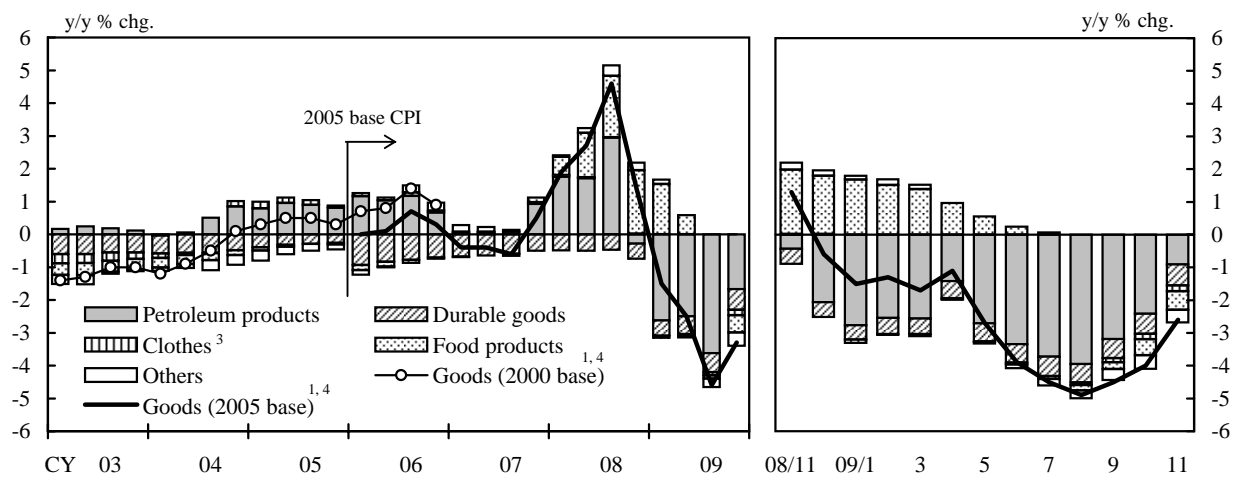
Source: Bank of Japan, "Corporate Services Price Index."

Consumer Price Index (Excluding Fresh Food)

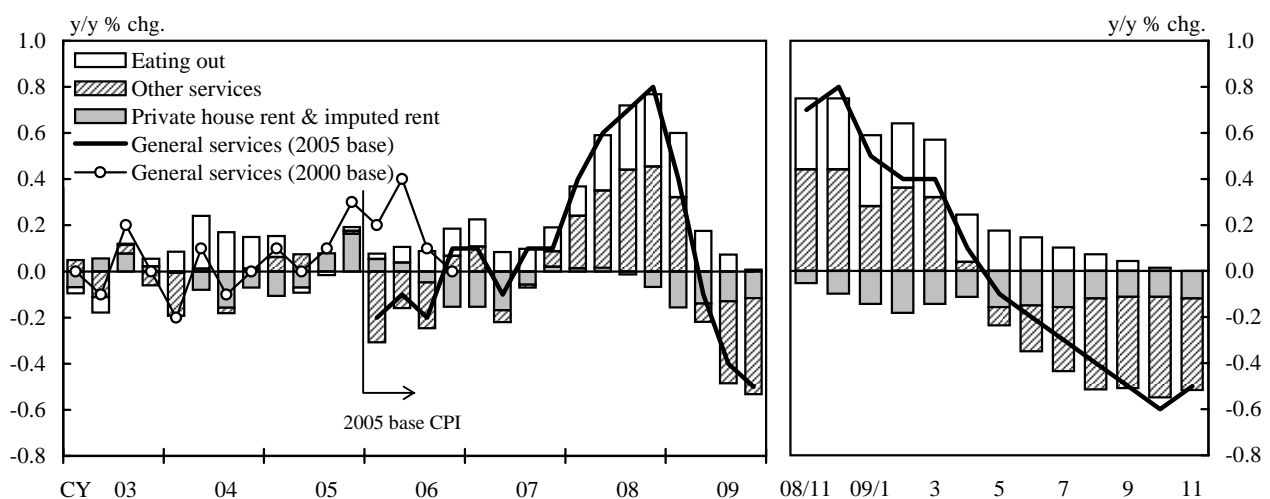
(1) Consumer Price Index (Excluding Fresh Food)



(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.

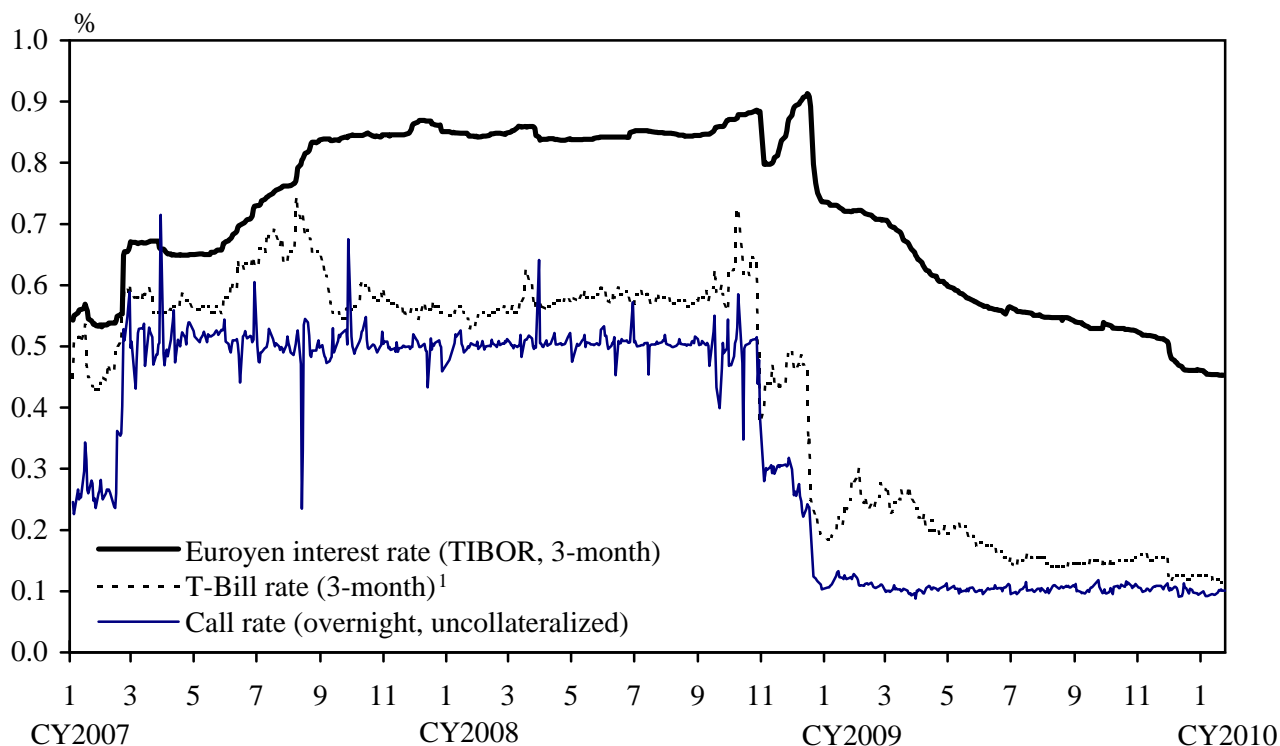
4. Excluding agricultural & aquatic products.

5. Figures for 2009/Q4 are October-November averages.

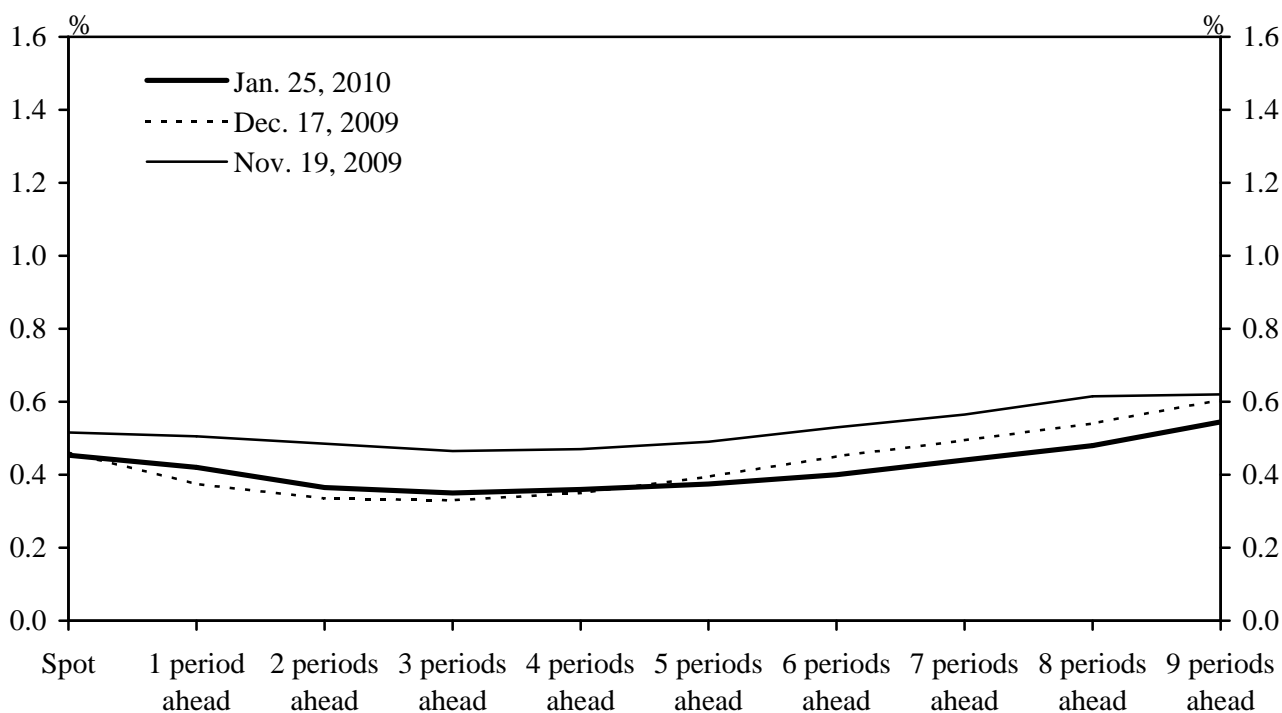
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Short-Term Interest Rates

(1) Short-Term Interest Rates



(2) Euroyen Interest Rate Futures (3-Month)²



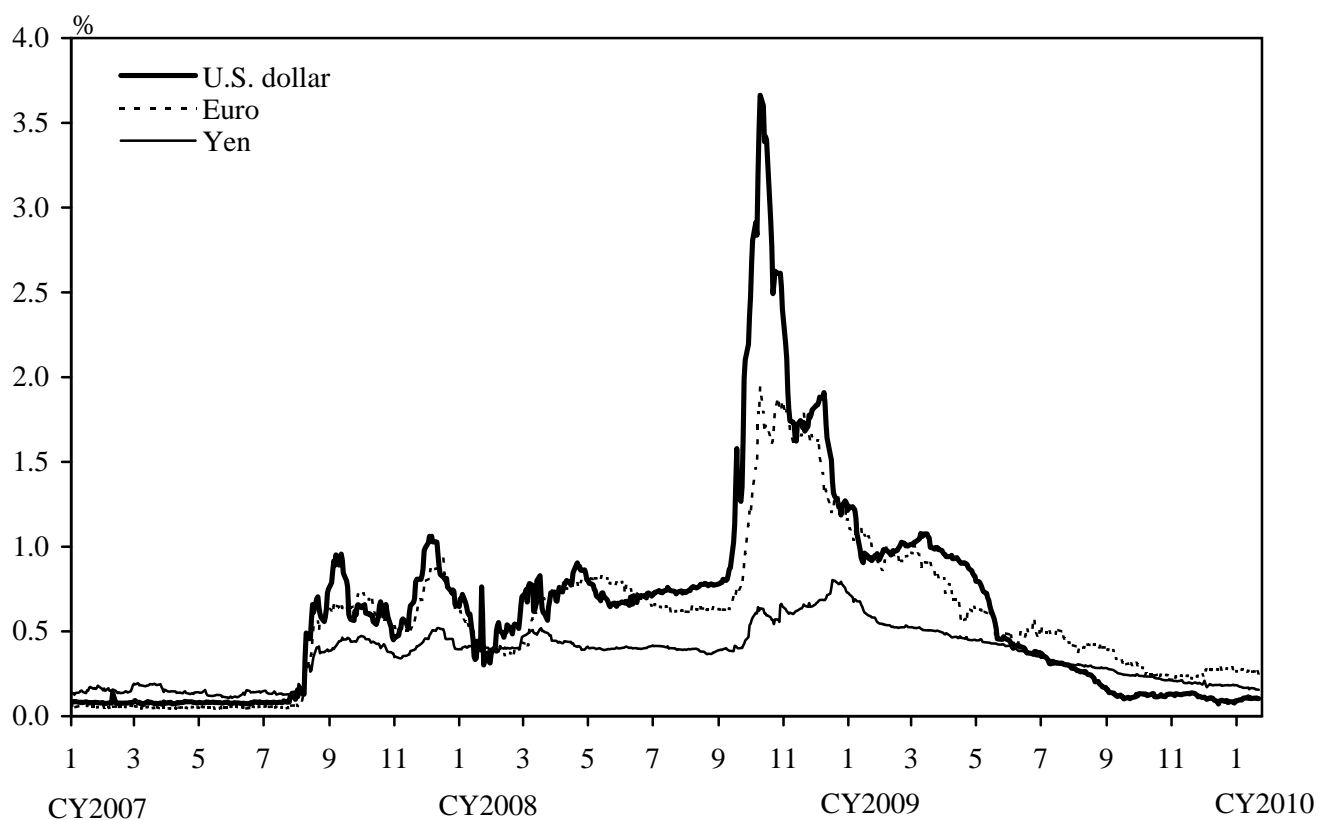
Notes: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.

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

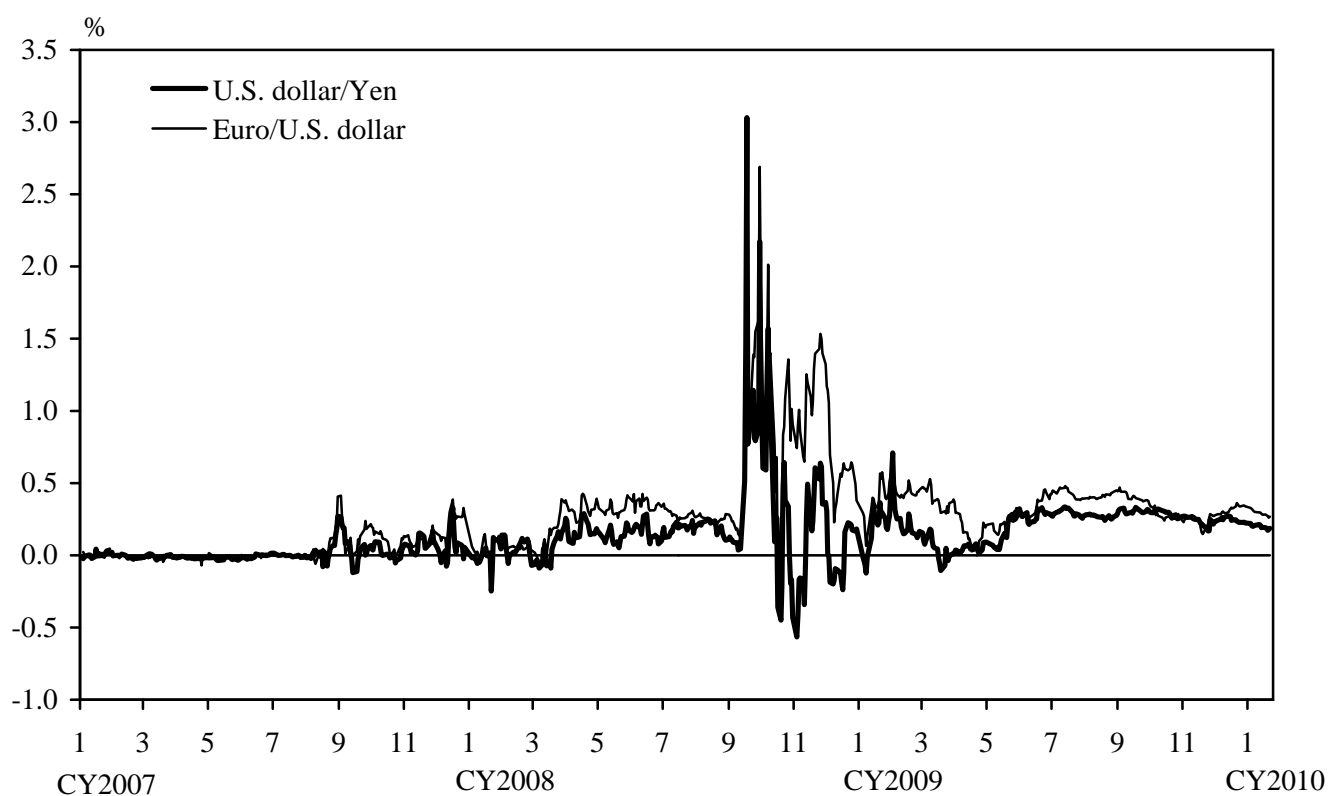
Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.; Tokyo Financial Exchange; Bank of Japan.

Global Money Markets

(1) LIBOR-OIS spreads (3-Month)



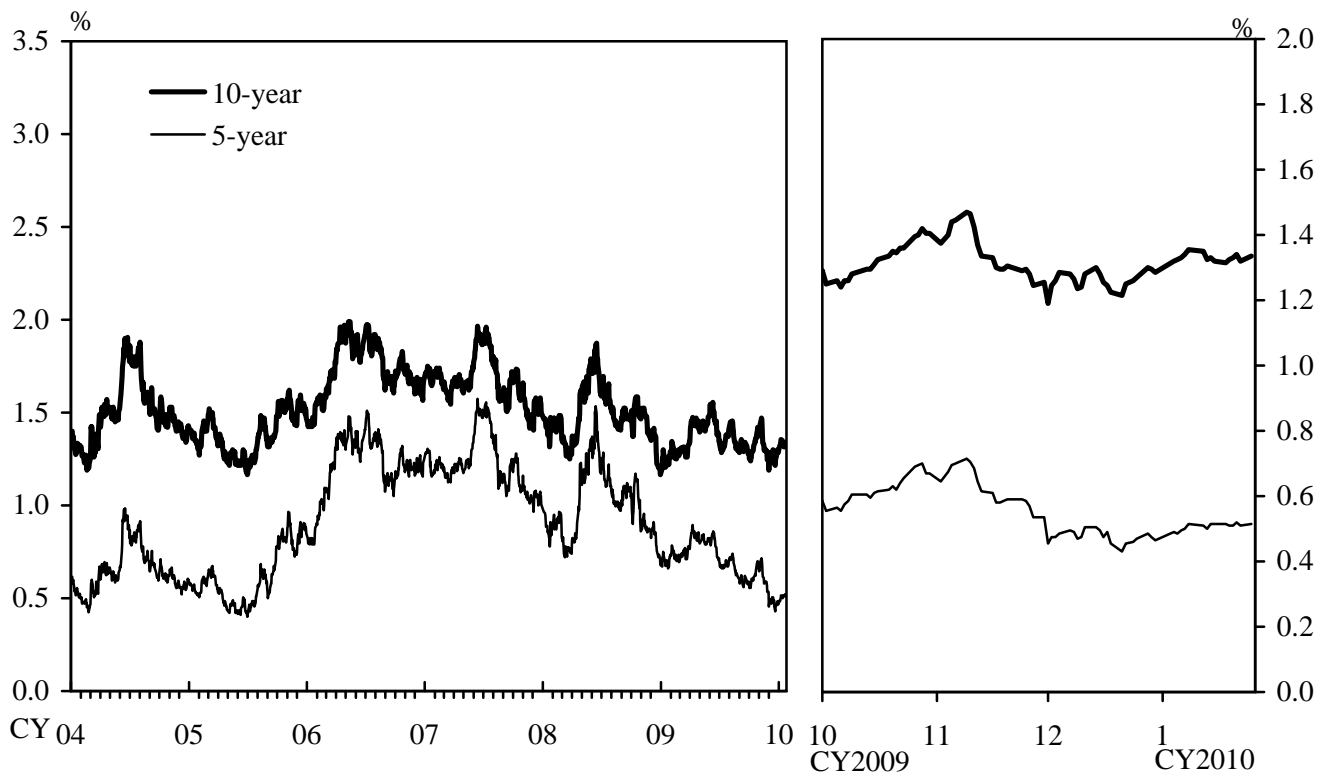
(2) FX swap implied dollar rate - LIBOR spreads (3-Month)



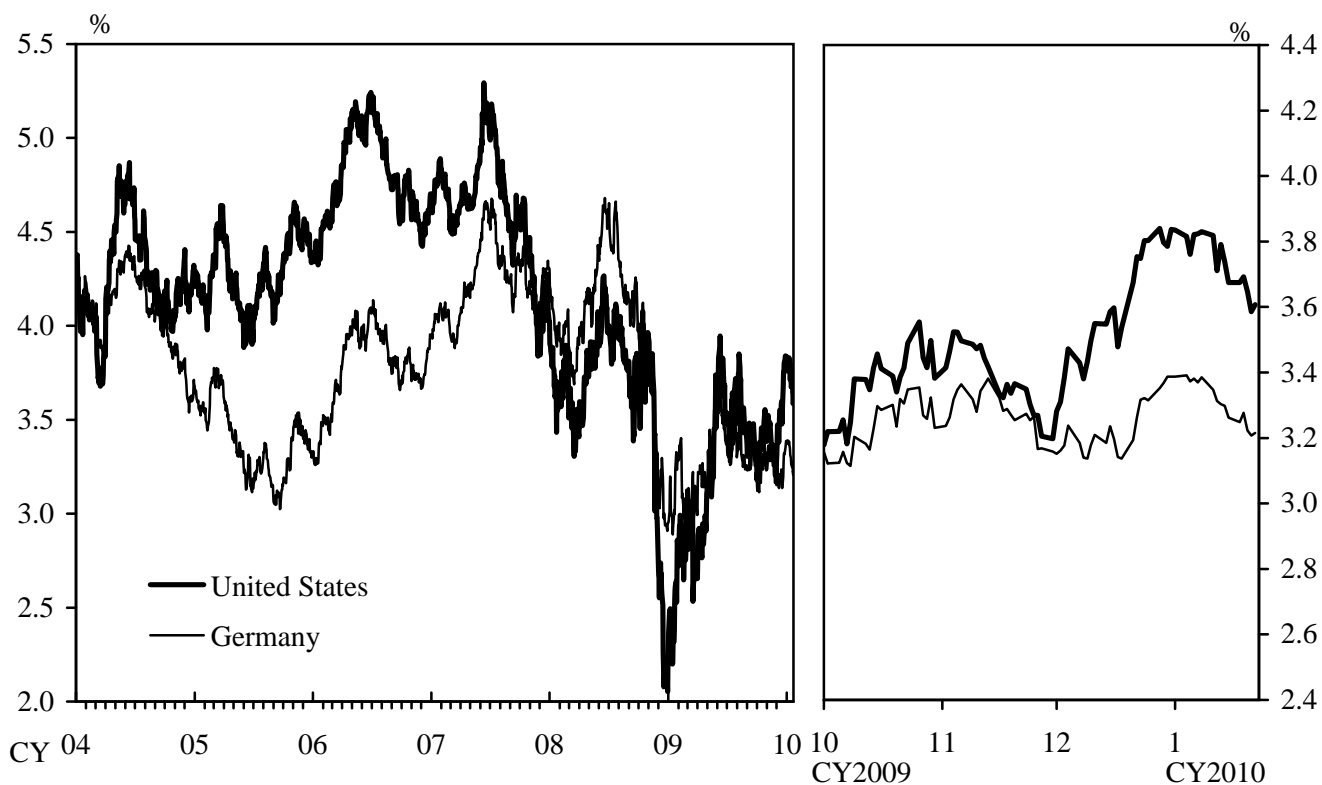
Source: Bloomberg.

Long-Term Interest Rates

(1) Japanese Government Bond Yields¹



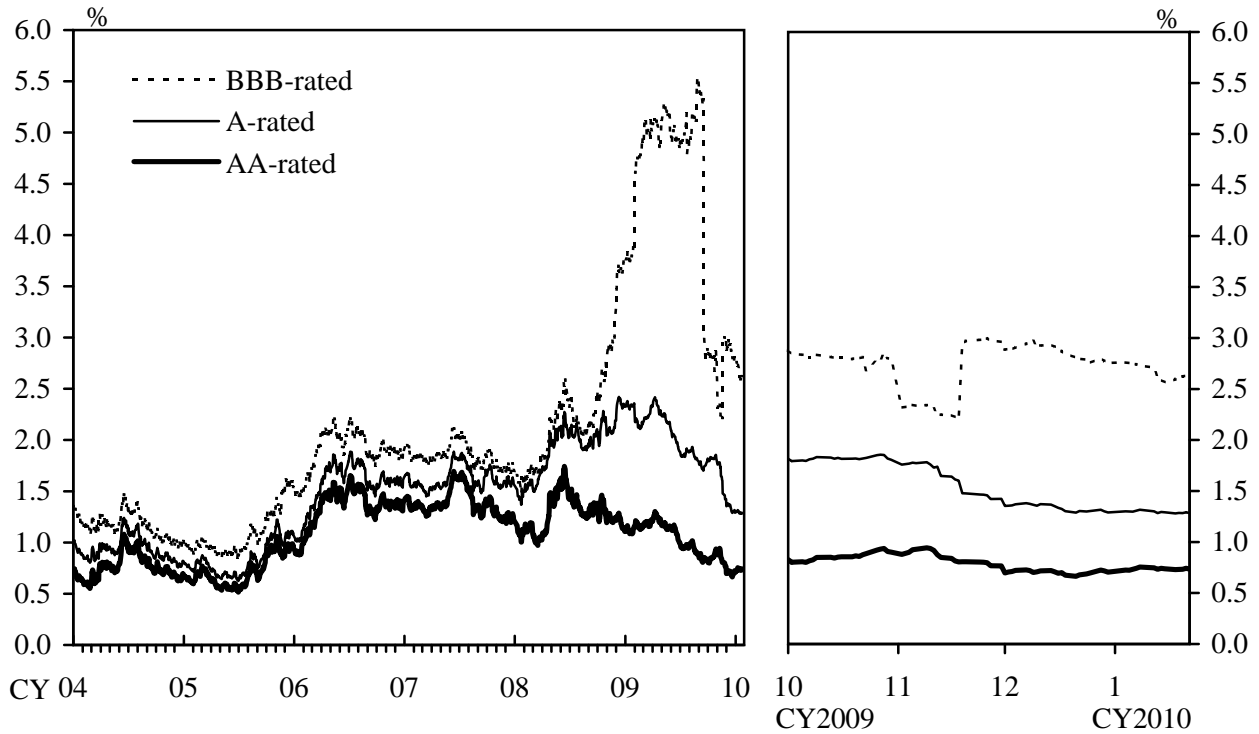
(2) Overseas Government Bond Yields (10-Year)



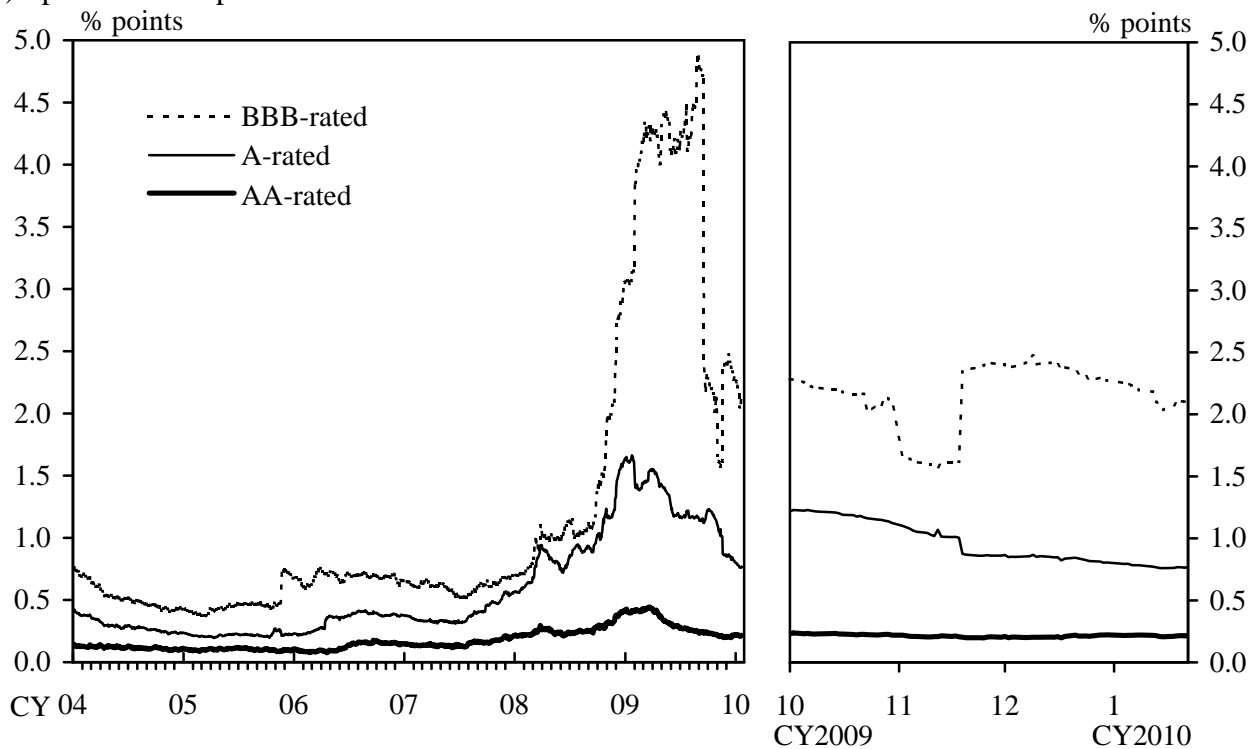
Note: 1. Yields on newly issued bonds.
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

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.

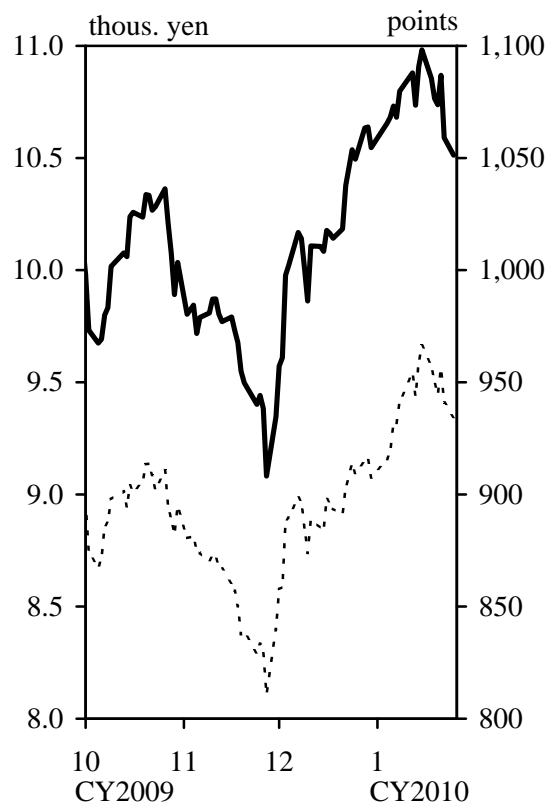
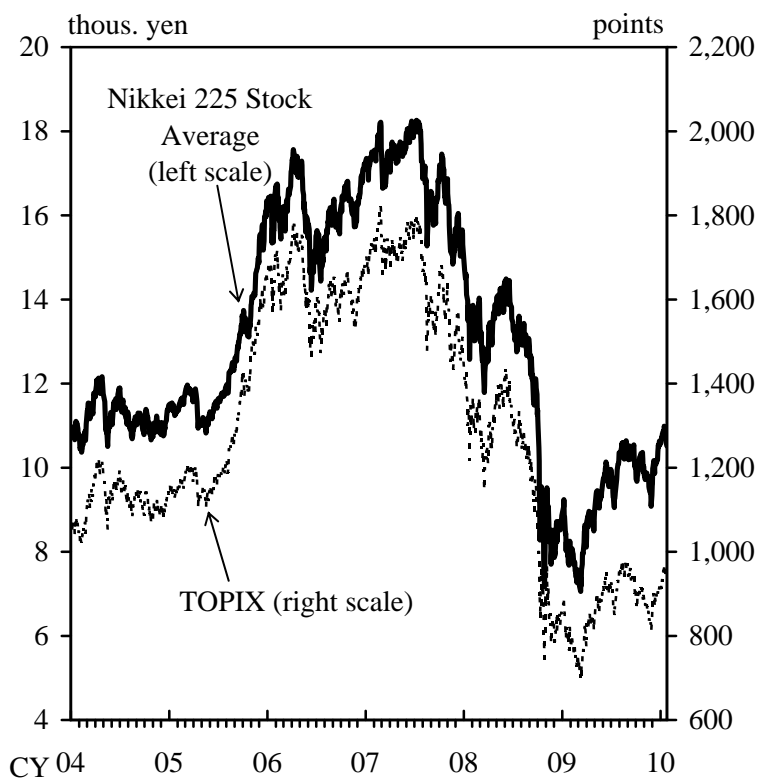
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.

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

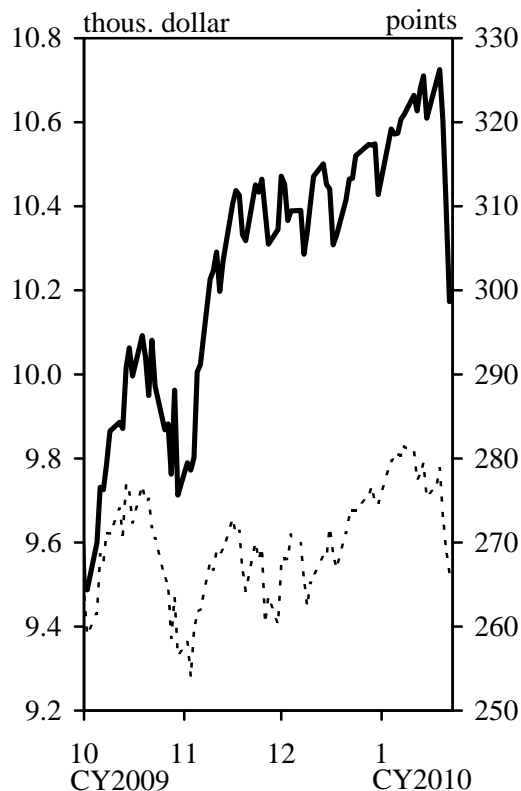
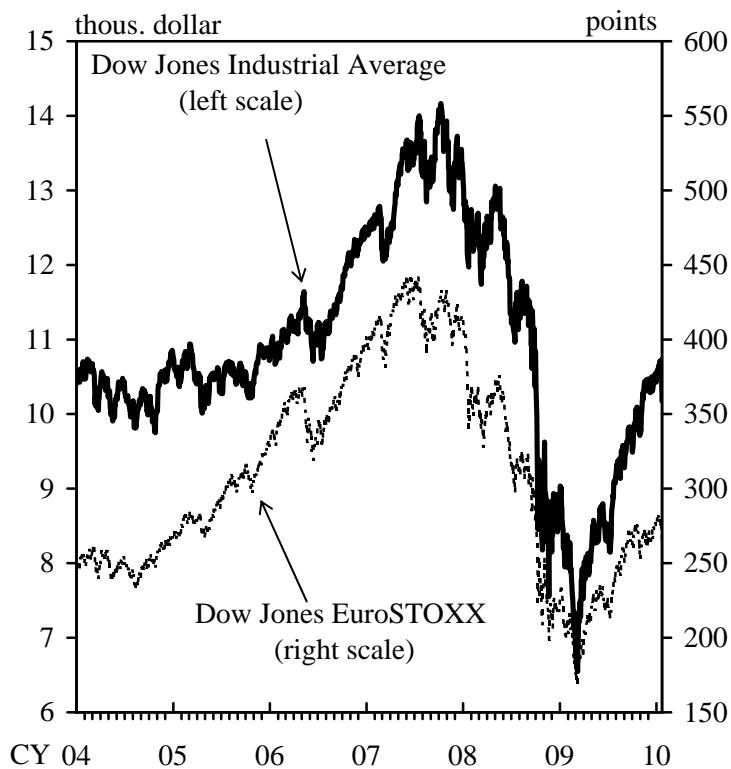
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Japanese Stock Prices

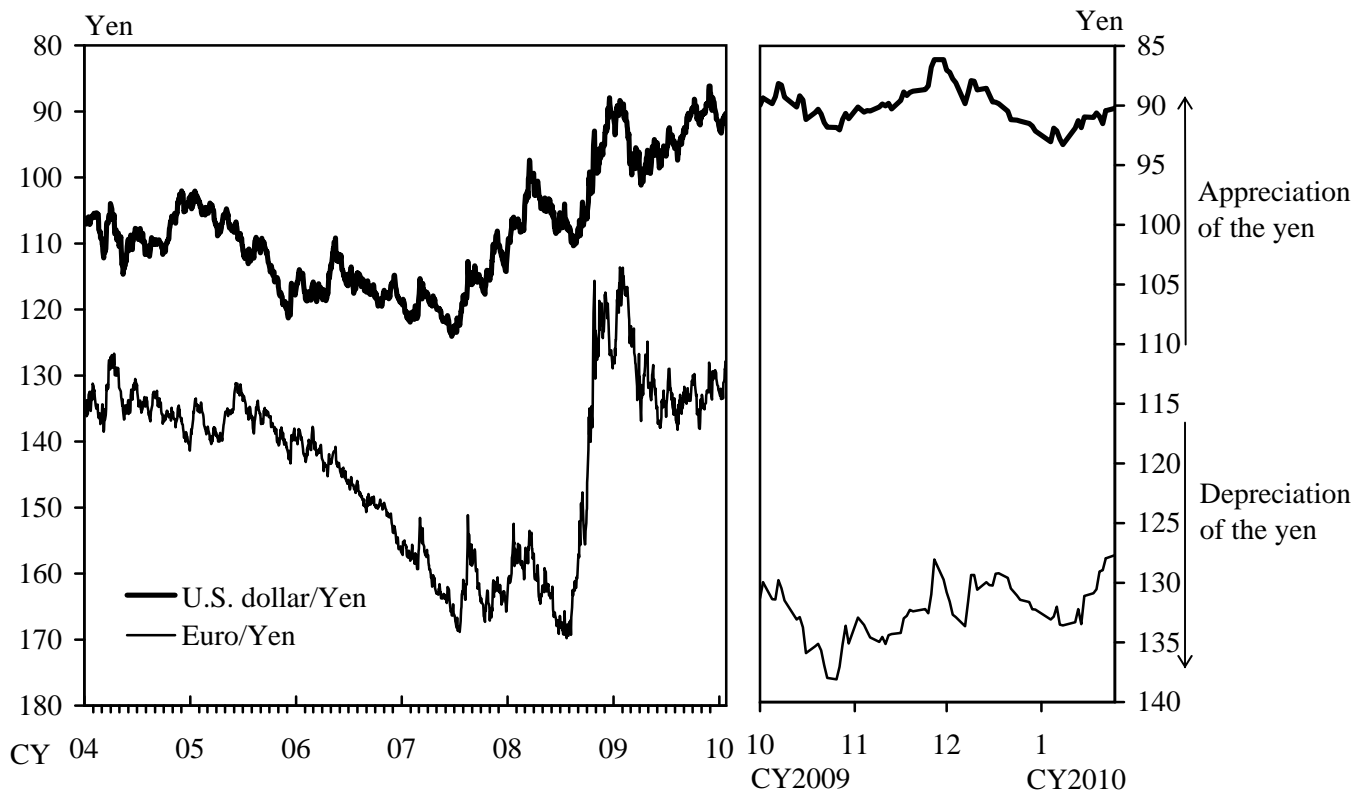


(2) Overseas Stock Prices

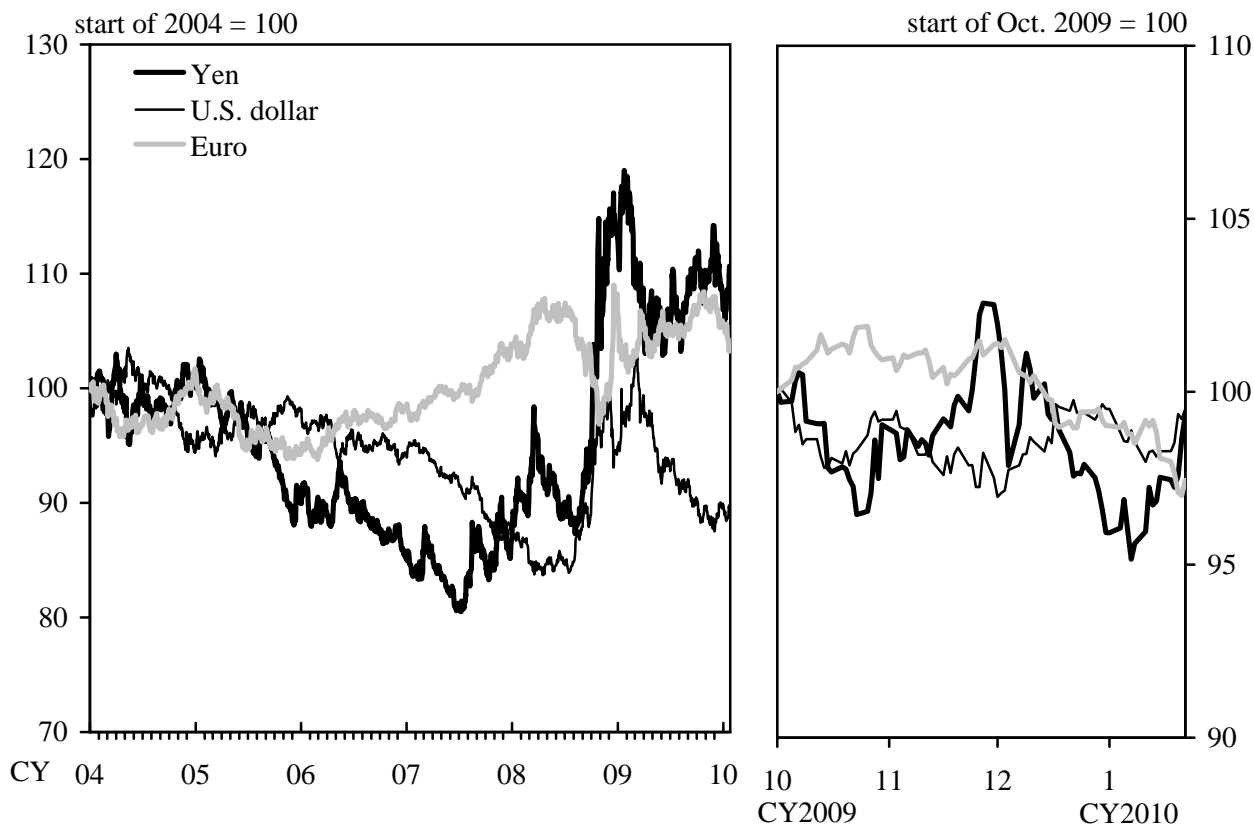


Exchange Rates

(1) Bilateral Exchange Rates



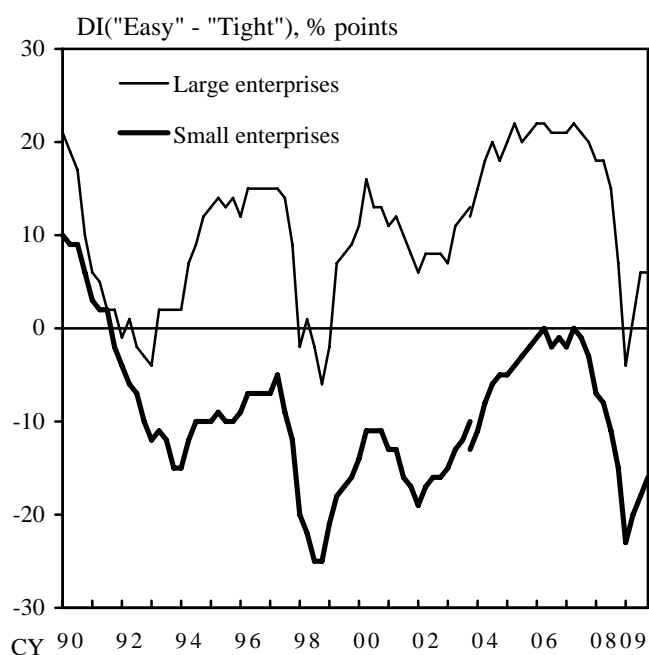
(2) Nominal Effective Exchange Rates



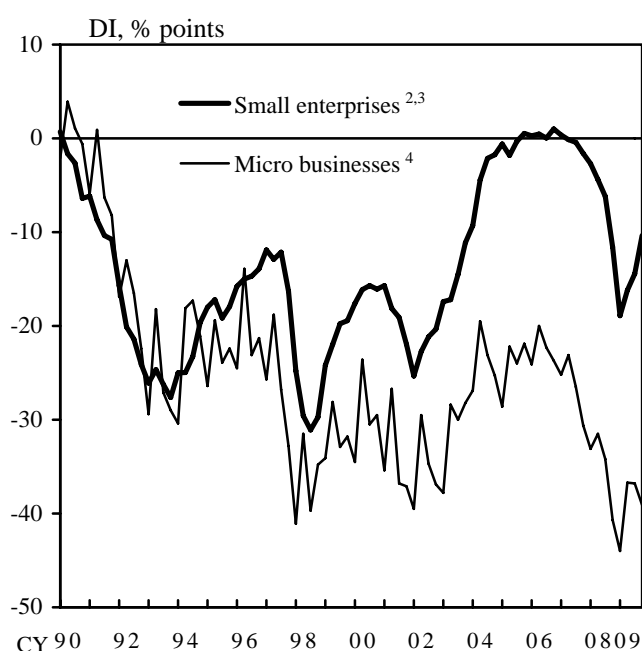
Sources: Bank of Japan; European Central Bank; Bloomberg.

Corporate Finance-Related Indicators

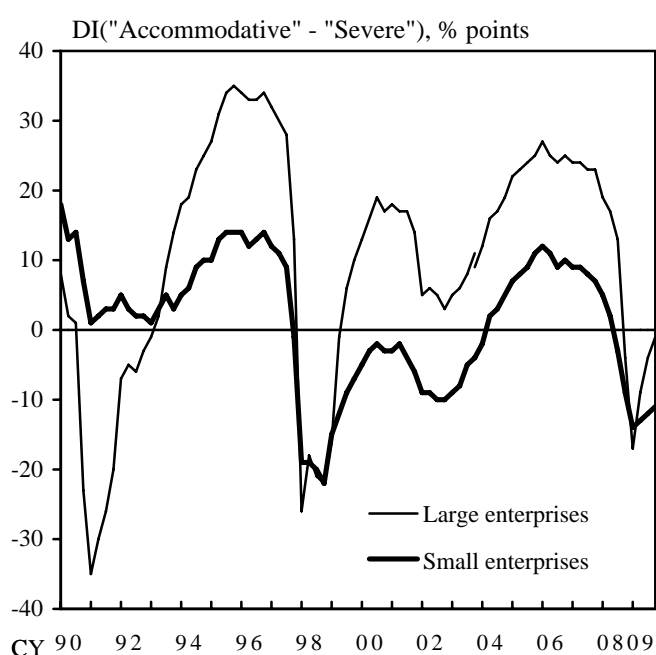
(1) Financial Position

<Tankan¹>

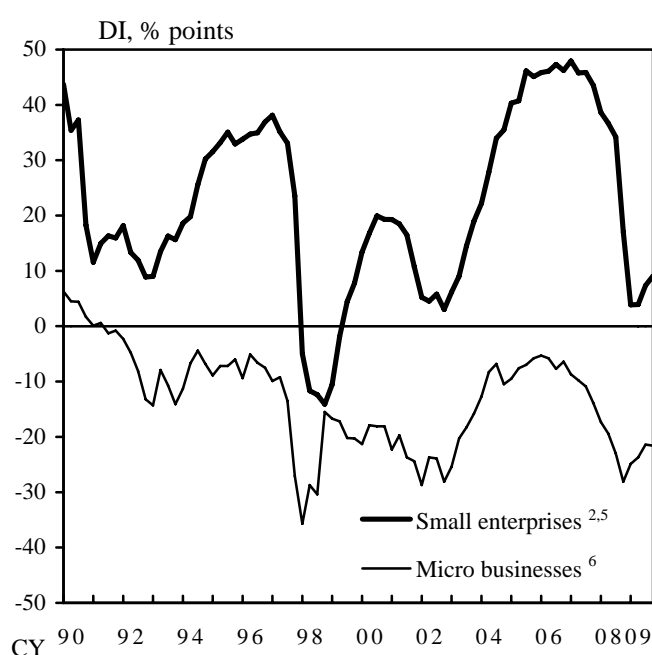
<Japan Finance Corporation Survey>



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

<Tankan¹>

<Japan Finance Corporation Survey>



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.

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

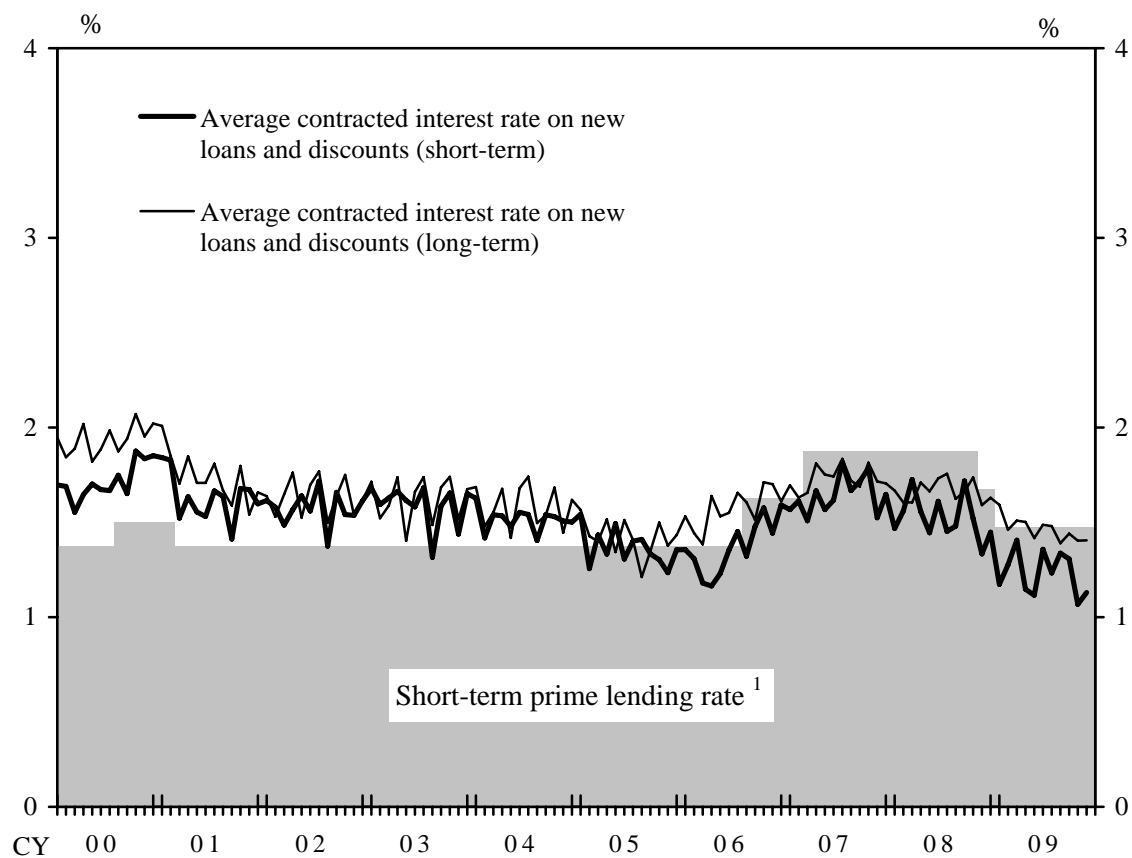
4. DI of "Easier" - "Tighter."

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, "Monthly Survey of Small Businesses in Japan," "Quarterly Survey of Small Businesses in Japan (for micro businesses)."

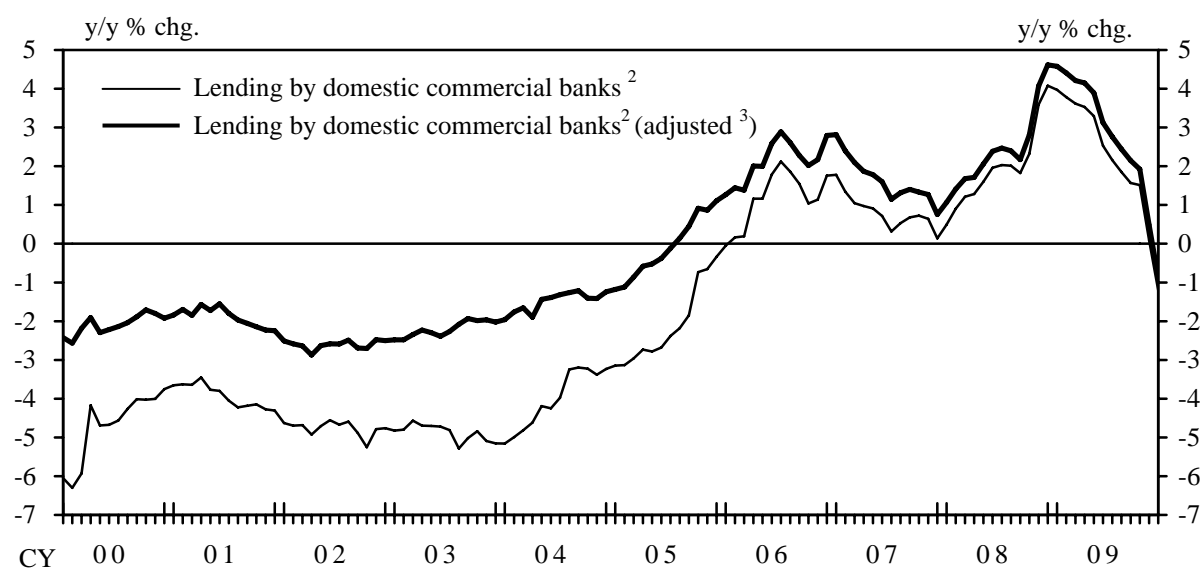
Lending Rates



Note: 1. Data are at end of period.

Source: Bank of Japan.

Lending by Financial Institutions

(1) Lending by Domestic Commercial Banks¹

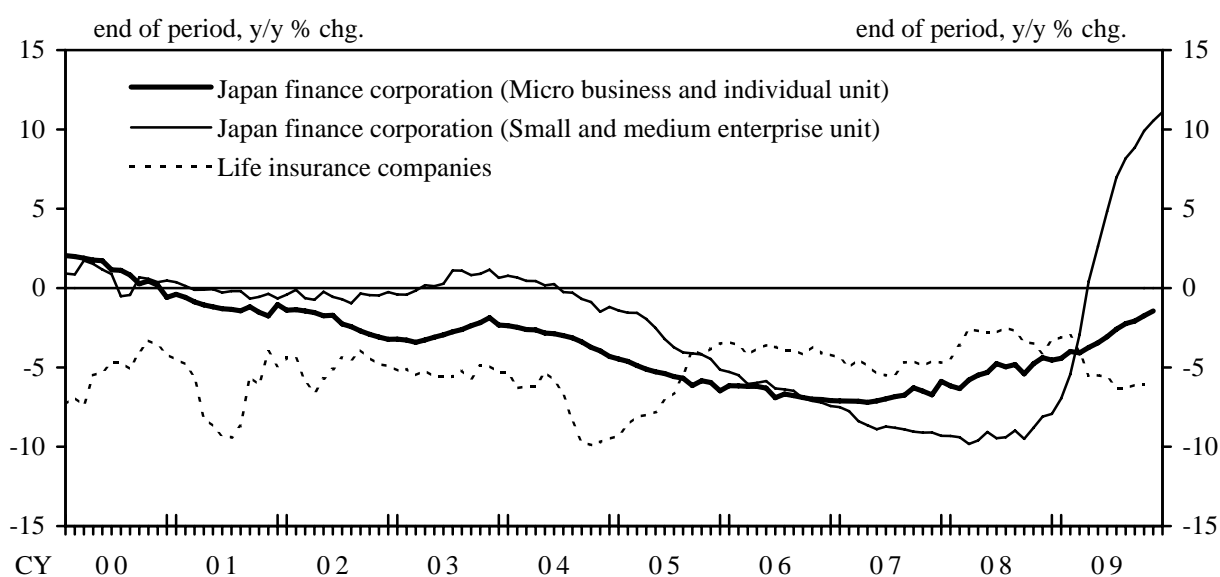
Notes: 1. Percent changes in average amounts outstanding from a year earlier.

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

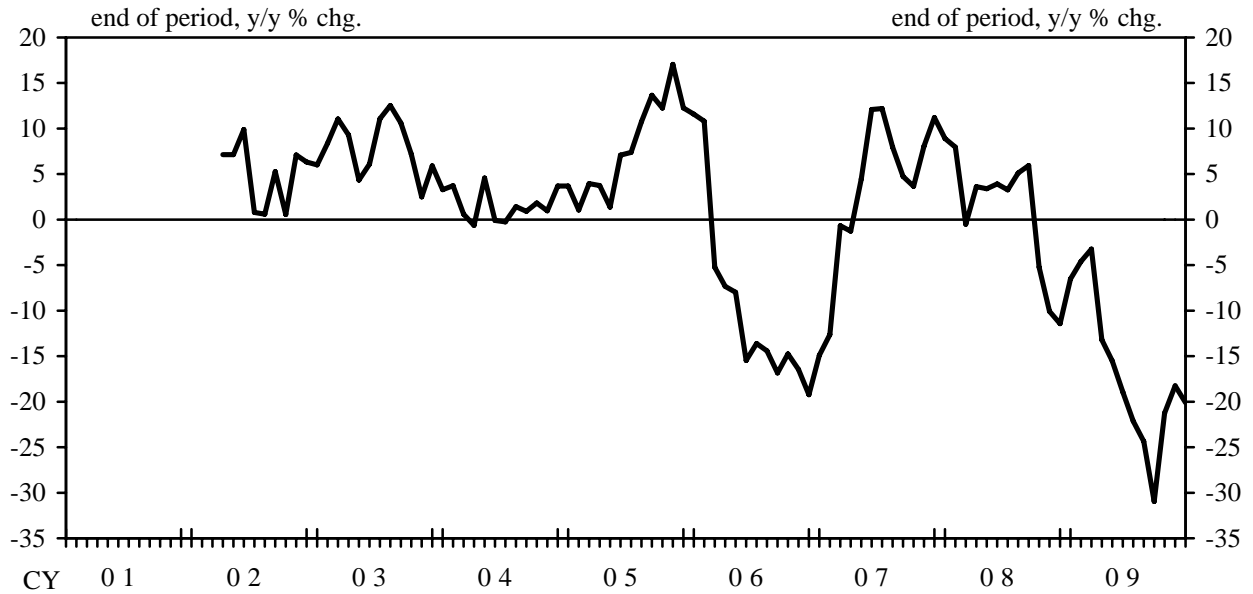


Note: The figures of the Japan Finance Corporation (Small and Medium Enterprise Unit) exclude the amounts outstanding of lending to the Credit Guarantee Corporations.

Sources: Bank of Japan; Japan Finance Corporation; The Life Insurance Association of Japan.

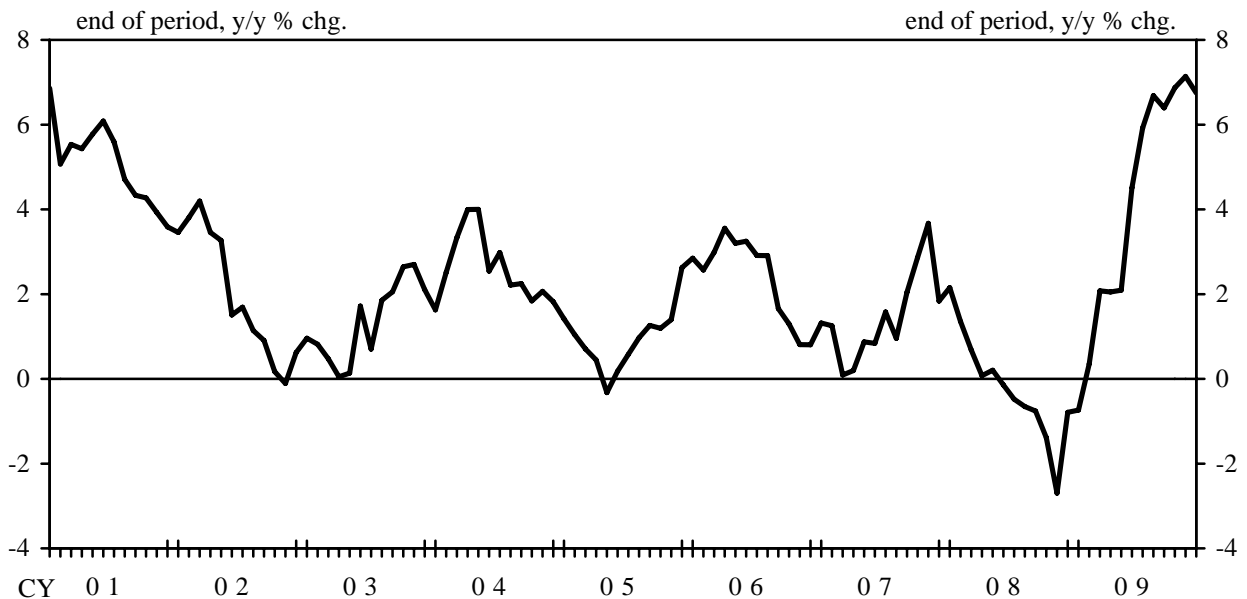
 Private-Sector Fund-Raising in the Capital Markets

(1) Amount Outstanding of Commercial Paper



Note: Figures are those of short-term corporate bonds registered at the book-entry transfer system. Those issued by banks, securities companies and others such as foreign corporations are excluded; ABCPs are included. Figures up to March 2008 are those compiled by the Bank of Japan.

(2) Amount Outstanding of Corporate Bonds



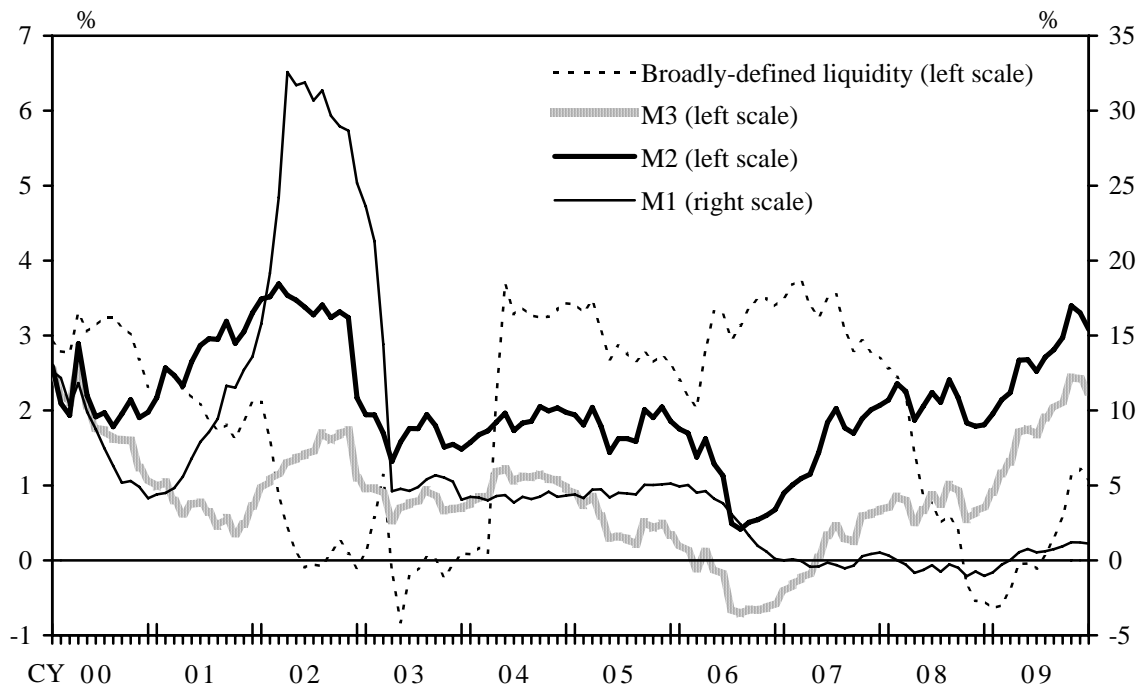
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

- (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.

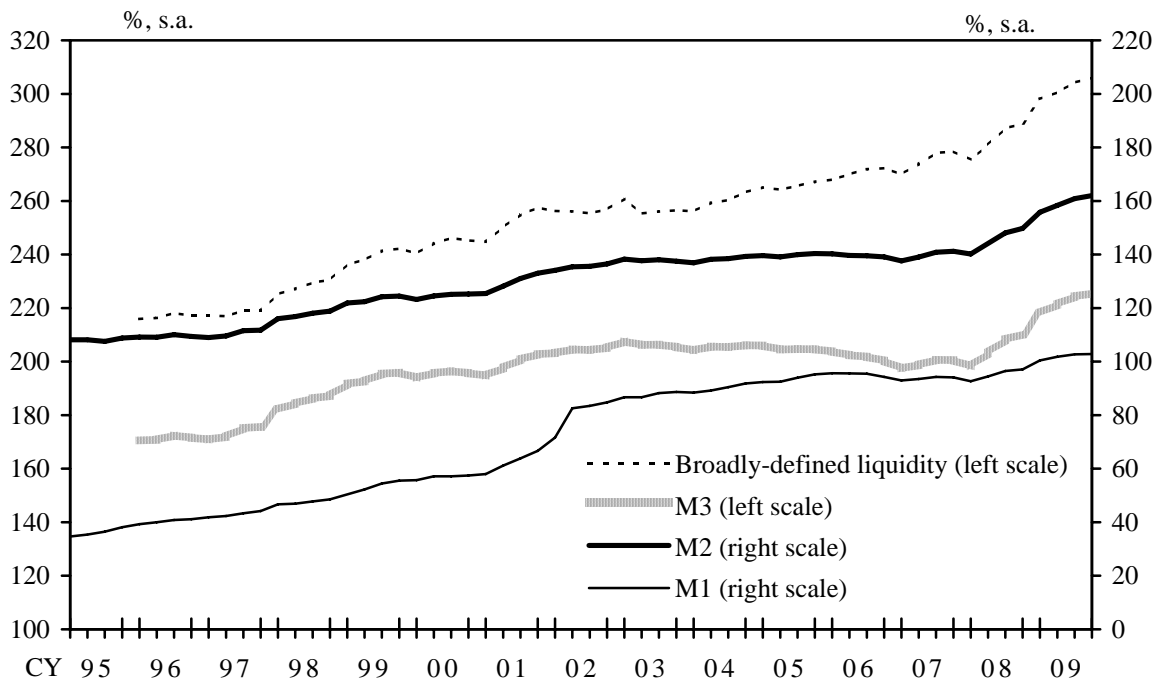
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category";
 Bank of Japan, "Principal Figures of Financial Institutions";
 Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts of Bonds";
 I-N Information Systems, "Funding Eye."

Money Stock

(1) Changes from a Year Earlier



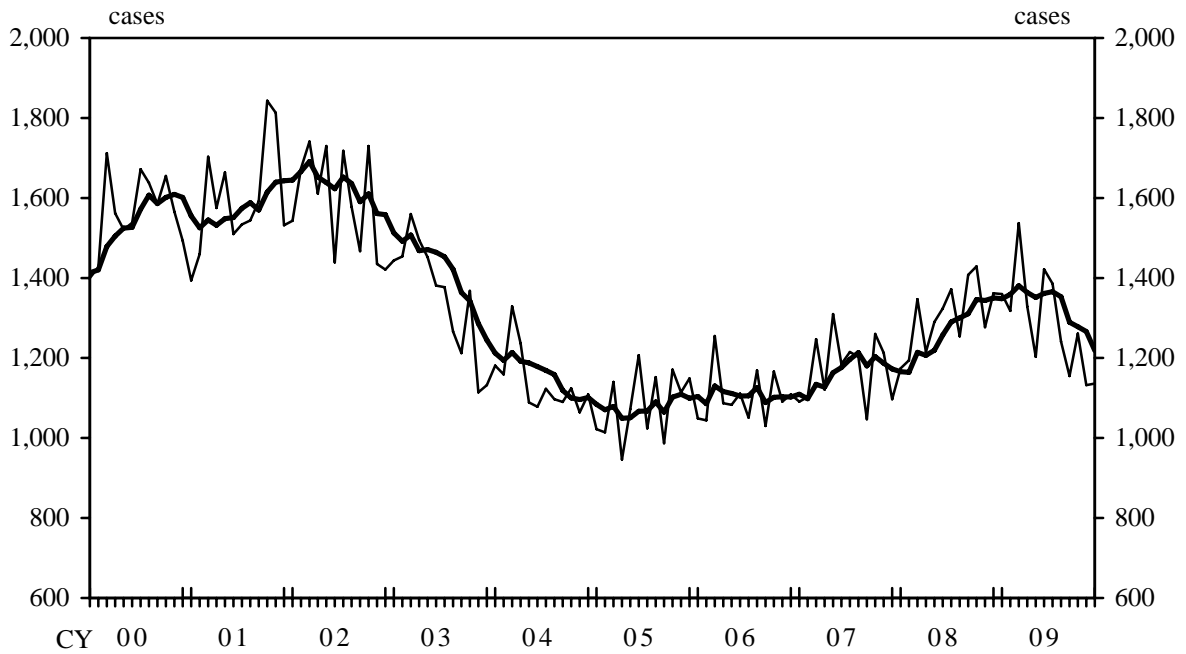
(2) Ratio of Money Stock to Nominal GDP



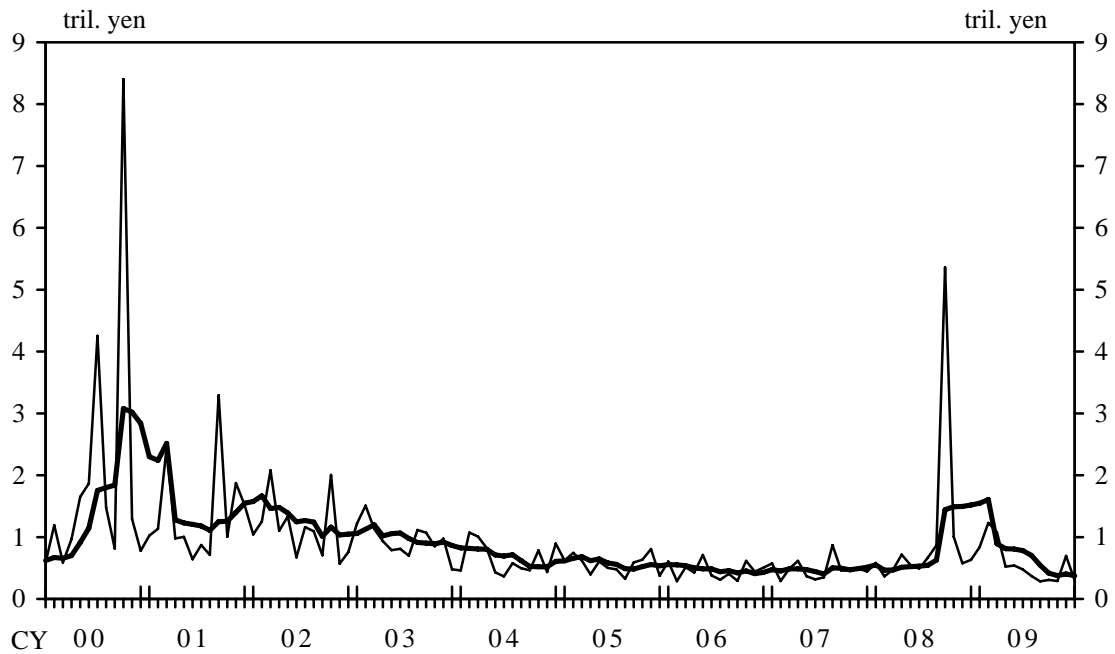
- Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.
- 2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.
- 3. The figures up to March 2004 in the upper panel and those up to March 2003 in the lower panel are based on the former series.
- 4. The figure for nominal GDP in 2009/Q4 is assumed to be unchanged from the previous quarter.

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)."