

April 9, 2010  
Bank of Japan

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

(English translation prepared by the Bank's staff based on the Japanese original  
released on April 8, 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 Developments<sup>1</sup>

April 2010

## Summary

Japan's economy has been picking up mainly due to improvement in overseas economic conditions and to various policy measures, although there is not yet sufficient momentum to support a self-sustaining recovery in domestic private demand.

Exports and production have been increasing. Business sentiment has been improving. Business fixed investment is leveling out. Private consumption, notably durable goods consumption, is picking up mainly due to policy measures, despite the continued severe employment and income situation. The decline in housing investment has been coming to a halt. Meanwhile, public investment is declining.

Japan's economic conditions are likely to continue improving, although the pace of improvement is likely to be 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. Amid the strong sense of excessive capital stock among firms, business fixed investment is likely to remain more or less unchanged for the time being, despite an improvement in corporate profits. Private consumption is likely to remain more or less unchanged for the time being amid the severe employment and income situation, despite the underpinning effect of policy measures. Meanwhile, the decline in public investment is likely to continue.

On the price front, the three-month rate of change in domestic corporate goods prices has recently risen somewhat, reflecting the increase in commodity prices, in spite of the persistent slack in supply and demand conditions for products. Consumer prices (excluding fresh food) are declining on a year-on-year basis due to

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<sup>1</sup> This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on April 6 and 7, 2010.

the substantial slack in the economy as a whole, but the moderating trend in the pace of decline has continued.

Domestic corporate goods prices are likely to rise somewhat for the time being. The year-on-year pace of decline in consumer prices is likely to moderate as a trend as the aggregate supply and demand balance improves gradually.

The weighted average of the overnight call rate has been at around 0.1 percent. Interest rates on term instruments have declined somewhat. Compared with last month, stock prices have risen, while the yen has depreciated against the U.S. dollar. Meanwhile, long-term interest rates have remained at more or less the same level.

Financial conditions, with some lingering severity, have shown increasing signs of easing.

The overnight call rate has remained at an extremely low level, and the declining trend in firms' funding costs has continued. With economic activity and corporate profits at current levels, the stimulative effects from low interest rates are still partly constrained, but the degree of constraint has decreased mainly due to the improvement in corporate profits. 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, and even those for low-rated corporate bonds have shown signs of improvement. 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 declined 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 small firms still see their financial positions as weak, on the whole financial positions of firms, including small ones, have continued to show signs of easing. Meanwhile, the year-on-year rate of change in the money stock has been in the range of 2.5-3.0 percent.

## 1. Economic Developments

Public investment is declining. Looking at monthly indicators (Chart 5), on a quarterly basis the value of public works contracted—a measure that reflects public orders—decreased in January-February compared with the fourth quarter, following the fourth quarter. The amount of public construction completed—which reflects the progress of public works—increased significantly in January compared with the fourth quarter, but this seems to be largely effected by the discontinuity in data, which was created when compiling the statistics.<sup>2</sup>

The decline in public investment is likely to continue.<sup>3</sup>

Real exports have been increasing due to the improvement in overseas economic conditions (Charts 6[1] and 7). Exports increased in January-February compared with the fourth quarter by 4.1 percent, after rising for three consecutive quarters.<sup>4</sup> Monthly developments show that exports have increased for 12 consecutive months.

By destination (Chart 7[1]), exports to East Asia and the EU have been increasing since the second quarter of 2009. On a monthly basis, exports to China decreased substantially in February, after a significant increase in January, due to the rush of demand ahead of the holidays around the Chinese new year (mid-February) and to a reaction to the rush of demand; exports, however, increased significantly by 15.1 percent in January-February compared with the fourth quarter. Exports to "other regions" have been increasing since the third quarter of 2009. On the other hand, those to the United States decreased, albeit marginally, in January-February

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<sup>2</sup> This past winter, the Ministry of Land, Infrastructure, Transport and Tourism, which compiles and releases the amount of public construction completed, set a relatively high coefficient for the progress of public works during the winter season.

<sup>3</sup> The budget for fiscal 2010 was enacted on March 24. According to Japan's general account, public works-related expenditures have been reduced by almost 20 percent compared to the initial budget of fiscal 2009; this is a decrease of more than 30 percent compared to the budget of fiscal 2009, after the secondary supplement.

<sup>4</sup> The aggregate of real exports and imports was revised retroactively due to the reflection of revised trade statistics figures of 2009 and to the revision of seasonally adjusted figures. Figures by destination and goods are planned to be revised retroactively after the release of the March preliminary figures of real exports and imports.

compared with the fourth quarter as a reflection of developments in motor vehicles and their related goods, after increasing for three consecutive quarters.

By goods (Chart 7[2]), exports of motor vehicles and their related goods, and consumer goods decreased in January-February compared with the fourth quarter, after increasing for three consecutive quarters. On the other hand, exports of intermediate goods, IT-related goods, and capital goods and parts, mainly toward East Asia, have been increasing.

Real imports have been on a moderate uptrend amid continued increases in production and durable goods consumption (Charts 6[1] and 9). Imports increased in January-February compared with the fourth quarter, after increasing for three straight quarters. Monthly developments reveal that imports increased for two consecutive months, after remaining more or less unchanged in December.

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. Imports of foodstuffs, meanwhile, have been relatively weak on average, but they have recently increased.

Net exports—in terms of the real trade balance—have been increasing, reflecting the aforementioned developments in exports and imports (Chart 6[2]). As for the nominal balance on goods and services, the surplus has been expanding.

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—is likely to decelerate temporarily, 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 continue improving, however, even after such a deceleration.

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

Business fixed investment is leveling out. The aggregate supply of capital goods and shipments of capital goods (both including and excluding transport equipment)—coincident indicators of machinery investment—increased in January-February compared with the fourth quarter, after rising for two consecutive quarters (Chart 10[1]). As for leading indicators, machinery orders (private demand, excluding orders of shipbuilding and orders from electric power companies)—a leading indicator of machinery investment—has lately been more or less unchanged (Chart 11[1]).<sup>5</sup> By industry, in manufacturing, machinery orders increased in January compared with the fourth quarter, following the fourth quarter. On the other hand, in nonmanufacturing, machinery orders decreased in January compared with the fourth quarter, following the fourth quarter, due to the drop in orders in communications. The drop in communications was affected by the decline 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—increased in January-February compared with the fourth quarter due to a large order, although it had remained more or less unchanged after decreasing substantially in the second quarter (Chart 11[2]).

Regarding the environment surrounding business fixed investment, corporate profits have been improving, mainly in response to production increases. According to business plans in the March *Tankan* (all industries and enterprises), current profits in fiscal 2010 were forecast to turn to an increase for the first time in four years, after decreasing in fiscal 2009 (Chart 12).<sup>6</sup> Under these circumstances, business sentiment among firms improved for the fourth consecutive quarter on an "all industries and enterprises" basis, according to the March *Tankan*. Improvement was

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<sup>5</sup> The total value of machinery orders of external and domestic demand increased in January by 6.1 percent compared with the fourth quarter.

<sup>6</sup> In the March *Tankan*, there is a high tendency to impute figures of the new fiscal year—imputation is a method in which figures are substituted by those of the previous fiscal year when reports cannot be obtained by firms in cases where they have yet to put together their plans etc. Therefore, it is likely that the pace of improvement seen in firms' business plans of fiscal 2010—at a time when the economy is in a recovering phase—is somewhat slower than the actual pace.

evident in large manufacturing firms; steady improvement also continued in nonmanufacturing and small firms. Small firms have a somewhat cautious view toward the next three months, while continued improvement is expected among large firms (Chart 13).

Although business fixed investment is expected to pick up gradually with the improvement in corporate profits, it is likely to remain more or less unchanged for the time being amid the strong sense of excessive capital stock among firms. According to business fixed investment plans (excluding software investment and including land purchasing expenses, year-on-year basis) in the March *Tankan* (Chart 14), plans of large firms are projected to decrease by 0.4 percent in fiscal 2010, following a significant decline of 14.2 percent in fiscal 2009—plans of fiscal 2009 were revised downward by 1.5 percent compared with the December survey. Plans of small firms are projected to decrease by 19.4 percent in fiscal 2010, after declining by 23.5 percent in fiscal 2009. Plans of small firms, however, tend to start from considerably low levels before a new fiscal year, and are gradually revised upward as the year progresses. As for fiscal 2010, business fixed investment plans of large and small firms are projected to be on par with the average levels of fiscal 1984-2008, when looking at surveys conducted before the new fiscal year.<sup>7</sup>

Private consumption, notably durable goods consumption, is picking up mainly due to policy measures, despite the continued severe employment and income situation. Consumption of goods, as seen through sales at retail stores (in real terms), marked a firm increase in January-February compared with the fourth quarter, after rising for four consecutive quarters (Chart 15[1]). As for durable consumer goods, sales of household electrical appliances (in real terms) increased further in February, especially in flat panel televisions, after rising significantly in January

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<sup>7</sup> Meanwhile, as for software investment (year-on-year basis), plans for fiscal 2009 were revised downward for small and large firms, resulting in a significant decrease for both types of firms. According to plans for fiscal 2010, investment is projected to be close to 0 percent on an "all industries and enterprises" basis. Based on "software and fixed investment excluding land purchasing expenses"—a concept similar to GDP—business fixed investment of all industries and enterprises (including financial institutions) for fiscal 2010 is projected to decline by 1.1 percent, after decreasing significantly in fiscal 2009 by 14.6 percent.



(Chart 15[2]).<sup>8</sup> The number of new passenger-car registrations has been leveling off since January, after recovering rapidly toward December mainly due to tax cuts and subsidies.<sup>9</sup> On the other hand, sales at department stores, supermarkets, and convenience stores had continued to show a decreasing trend, but, recently, they seem to have remained more or less unchanged (Chart 16[1]). As for services consumption (Chart 16[2]), outlays for travel increased in January compared with the fourth quarter, after dropping in the fourth quarter mainly as a reaction to the string of consecutive holidays in September ("silver week"). Sales in the food service industry have remained more or less unchanged as a trend, although they have lately fluctuated largely.

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—marked a decrease in January-February compared with the fourth quarter, after increasing for two consecutive quarters (Chart 15[1]).<sup>10</sup> The total expenditure in the *Survey of Household Economy* (in real terms) decreased in January-February compared with the fourth quarter, following the fourth quarter.

Meanwhile, indicators related to consumer sentiment have been seesawing in general (Chart 18).

Private consumption is likely to remain more or less unchanged for the time being amid the severe employment and income situation, despite the underpinning effect of policy measures.

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<sup>8</sup> The expiry date of the eco-point system for household electrical appliances has been extended to the end of 2010 (the original expiry date was the end of March 2010). From April, energy efficiency requirements have become tighter for flat panel televisions, thus the number of eligible types of flat panel televisions have decreased.

<sup>9</sup> The expiry date of subsidies for energy efficient cars has been extended until the end of September 2010 (the original expiry date was the end of March 2010).

<sup>10</sup> Items in the index are not completely limited to those used for estimating GDP. Education, for example, is not used for estimating GDP.

The decline in housing investment has been coming to a halt. The number of housing starts (Chart 19[1])—a leading indicator of housing investment—marked an annual rate of 829,000 units in January-February, after registering 717,000 units and 788,000 units in the third and fourth quarters of 2009. The number of housing starts has picked up, though it remains at a low level, with the gradual progress in adjustments of inventories and prices. However, housing investment is likely to require more time to show clearer evidence of improvement, mainly because the employment and income situation is still 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. On a monthly basis, production declined for the first time in 12 months in February, marking a decrease of 0.9 percent (Chart 20). On a quarterly basis, after clear increases for three consecutive quarters, production registered a high increase of 4.3 percent in January-February compared with the fourth quarter.

Shipments increased by 3.6 percent in January-February compared with the fourth quarter. By goods (Chart 21), shipments of producer goods have been picking up significantly since the beginning of 2009. As for durable consumer goods, although shipments have been picking up substantially, they seem to have leveled off recently as a reflection of motor vehicle exports to the United States and Europe and of domestic motor vehicle sales. Improvement in shipments of capital goods is becoming gradually evident. Shipments of construction goods have remained sluggish in general, and those of non-durable consumer goods have remained more or less unchanged.

The decline in inventories has leveled out. Looking at the shipment-inventory balance by goods (Chart 22), although inventory adjustment pressures for construction goods have remained as a reflection of the drop in shipments, those of other goods have disappeared.

The uptrend in production is expected to continue, as it is for exports, although the pace of increase is expected to moderate gradually. According to anecdotes by firms, production in the first and second quarters is expected to continue to rise, although the pace of increase is likely to slow gradually.<sup>11</sup>

The employment and income situation has continued to remain severe.

In the labor market, the ratio of job offers to applicants in February slightly improved compared with the previous month, marking 0.47 times (Chart 23[1]). It has been improving as a trend since hitting bottom in August 2009, but the pace of improvement has been extremely moderate. The unemployment rate in February was the same as that of the previous month (4.9 percent). Looking at the employment conditions DI in the March *Tankan* (Chart 25), the net "excessive employment" remained large, mainly in manufacturing, although the pace of expansion in net "excessive employment" has continued to moderate as a whole. Amid the persistent sense of excess employment, the unemployment rate is likely to remain at a high level, considering the low level of this spring's number of new graduates hired.

In terms of employment (Chart 24[1]), the pace of decline in the number of employees in the *Labour Force Survey* has lately moderated on a year-on-year basis.<sup>12</sup> It should be noted, however, that the statistics tends to fluctuate largely. The year-on-year rate of change in the number of regular employees in the *Monthly Labour Survey* had been decreasing marginally, but it was on par in February. The ratio of part-time employees has been on a moderate rising trend (Chart 24[2]). Meanwhile, overtime hours worked have continued to improve (Chart 24[3]).

Nominal wages per employee (year-on-year basis) had been declining significantly, but the pace of decrease in January-February was marginal (Chart

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<sup>11</sup> According to the production forecast index, production in March is expected to mark an increase of 1.4 percent on a month-on-month basis. Production in the first quarter is expected to rise by 4.7 percent compared with the fourth quarter, according to a calculation that includes the production forecast figure of March.

<sup>12</sup> With regard to the Employment Adjustment Subsidy, figures collected from reports on business suspension plans show that the number of applicants for the Subsidy has been decreasing moderately as a trend, but it remains at a high level.

26[1]). In detail, overtime payments increased, partly due to their large drop a year ago. The pace of decline in regular payments has been decelerating, albeit moderately. Special payments were on par in January-February, after declining significantly in the fourth quarter.

Employee income has been decreasing on a year-on-year basis as a reflection of the aforementioned developments in employment and wages (Chart 26[3]). Looking at January-February, however, the pace of decrease has moderated considerably.

Employee income is likely to continue decreasing 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 increased somewhat as a reflection of the high levels of international commodity prices (Chart 28). International commodity prices are on a moderate rising trend. Domestic commodity prices have risen somewhat.

The three-month rate of change in domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter)<sup>13</sup> has recently risen somewhat, reflecting the high levels of international commodity prices, in spite of the persistent slack in supply and demand conditions for products (Chart 29). The three-month rate of change in domestic corporate goods prices increased in February for the second consecutive month, albeit marginally (0.4 percent). In detail, the three-month rate of change in prices of "iron and steel, and construction related goods" turned to an increase, as did prices of "goods sensitive to exchange rates and overseas commodity prices," "raw materials (other goods)," and "electric

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<sup>13</sup> 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 electric power consumption increases substantially.

power, gas, and water." The three-month rate of decline in prices of "machinery" moderated.

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 30).<sup>14</sup> In detail, prices of leasing and rental, transportation (excluding international transportation), and information services have continued to decline in response to cost cutting among firms. Prices of advertising services have also continued to decrease, but, recently, the pace of decrease has somewhat moderated.<sup>15</sup>

Consumer prices (excluding fresh food; year-on-year basis, same hereafter) are declining due to the substantial slack in the economy as a whole, but the moderating trend in the pace of decline has continued (Chart 31). Consumer prices in February marked a decrease of 1.2 percent, with the pace of decline moderating by 0.1 percent point. In detail, the pace of decline in prices of goods has moderated marginally as a whole, since the pace of increase in prices of petroleum products has accelerated and since the pace of decrease in prices of durable consumer goods and clothes has somewhat moderated, although the pace of decline in prices of a wide range of items has continued to decline. The pace of decline in prices of general services has moderated as a whole due to the moderation in the pace of decline in prices of "eating out" in addition to continued moderation in the pace of decline in prices of package tours to overseas. The pace of decline in public utility charges has somewhat moderated, mainly in electricity charges. Looking at developments on a basis that excludes food and energy, consumer prices decreased in February by 1.1 percent, with the pace of decline moderating by 0.1 percent point.

With regard to domestic supply and demand conditions in the March *Tankan* (Chart 32), the net "excess supply" of the supply and demand conditions DI for products and services continued to moderate in both manufacturing and

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<sup>14</sup> The category "All items including international transportation" declined for the 17<sup>th</sup> consecutive month on a year-on-year basis.

<sup>15</sup> Prices of advertising services in February seemed to have been influenced by developments such as the increase in advertisements related to the Vancouver Winter Olympics.

nonmanufacturing. The net "fall" of the output prices DI moderated in both manufacturing and nonmanufacturing. Meanwhile, the weighted average of the production capacity DI and employment conditions DI continued to improve, and their net excessives have become smaller compared with the bottoms marked in the past economic slowdown.<sup>16</sup>

Domestic corporate goods prices are likely to rise somewhat for the time being. The year-on-year pace of decline in consumer prices is likely to moderate as a trend as the aggregate supply and demand balance improves gradually.<sup>17</sup>

Meanwhile, looking at developments in land prices through the *Public Notice of Land Prices* as of January (Chart 33), nationwide land prices were below the previous year's level for the second consecutive year. The year-on-year rate of decline accelerated in both commercial and residential lands. By region, land prices in the three metropolitan areas and regional areas have declined for the second and 18<sup>th</sup> consecutive year, respectively.

### **3. Financial Developments**

#### **(1) Financial Markets**

In Japan's money markets, interest rates—including those for somewhat longer terms—have been stable at low levels, as confidence in the Bank of Japan's provision of ample funds seems to have been established among market participants. Meanwhile, the volume of transactions in some markets has remained low. The overnight call rate (uncollateralized) has been at around 0.1 percent. Regarding

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<sup>16</sup> The supply-demand gap—calculated by the Research and Statistics Department of the Bank of Japan—and the weighted average DI of the *Tankan* have recently shown a large discrepancy. As for the DI, it is likely that adjustment pressures of the economy as a whole are under-rated because factors such as unemployment at organizations other than firms have not been taken into account. On the other hand, it is also likely that the recent pace of decrease in the supply-demand gap might be over-rated, as calculation errors tend to be large, particularly at times when there are great changes to the economy.

<sup>17</sup> The year-on-year rate of change in consumer prices will fluctuate substantially for a year following the introduction of subsidy for high school tuition and other policy measures in fiscal 2010. In assessing the trend of price developments, it is deemed appropriate to exclude such one-off factors that will disappear in 12 months. The Ministry of Internal Affairs and Communications has announced its plan to release the effects of the introduction of subsidy for high school tuition and other policy measures.

interest rates on term instruments, the T-Bill rate (3-month) has been in the range of 0.10-0.15 percent. The Euroyen interest rate (3-month) 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 the time being (Chart 34). In U.S. dollar funding, the LIBOR-OIS spread for the dollar has been stable at a low level (Chart 35).

Yields on 10-year government bonds (newly issued 10-year JGB) have risen somewhat; they have recently been at around 1.4 percent (Chart 36).

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 as a whole, despite the selective stances on investment in corporate bonds among investors, as seen in the high levels of yield spreads in some industries (Chart 37).

Stock prices have risen, against the backdrop of the yen's depreciation and firm developments of stock prices in the United States and Europe; the Nikkei 225 Stock Average has recently been in the range of 11,000-11,500 yen (Chart 38).

In the foreign exchange market, the U.S. dollar has appreciated as the U.S. interest rates have risen; the yen has recently been traded at around 94 yen against the U.S. dollar (Chart 39).

## **(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, and those on corporate bonds have also remained more or less unchanged. The average contracted interest rates on new loans and discounts have been on a declining trend, albeit with some fluctuations (Chart 41).

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 40). Issuing conditions for CP and corporate bonds have remained favorable, and even those for low-rated corporate bonds have shown signs of improvement. 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 declined on a year-on-year basis, partly due to its high growth a year ago (Chart 42). 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 (Chart 43).

In these circumstances, although many small firms still see their financial positions as weak, on the whole financial positions of firms, including small ones, have continued to show signs of easing (Chart 40). The number of corporate bankruptcies has continued to decrease; it was down by 17.3 percent in February compared to the previous year's level (Chart 45).

Meanwhile, the year-on-year growth rate of the money stock (M2) has recently been in the range of 2.5-3.0 percent. Its February reading was 2.7 percent on a year-on-year basis, following 3.0 percent in January (Chart 44).<sup>18</sup>

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<sup>18</sup> On an M3 basis, which includes the Japan Post Bank, the year-on-year growth rate has recently been at around 2 percent; its February reading was 2.0 percent, following 2.2 percent in January. The year-on-year growth rate of broadly-defined liquidity has recently been at around 1 percent; it increased by 1.1 percent in January and February.



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## Main Economic Indicators (1)

s.a., q/q (m/m) % chg.<sup>1</sup>

	2009/Q3	Q4	2010/Q1	2009/Dec.	2010/Jan.	Feb.	Mar.
Index of consumption expenditure level (two-or-more-person households)	0.6	0.6	n.a.	-1.4	0.4	-2.3	n.a.
Sales at department stores	-1.4	-2.1	n.a.	2.0	-0.5	p 0.5	n.a.
Sales at supermarkets	-1.7	-1.4	n.a.	0.5	-1.8	p 2.8	n.a.
New passenger-car registrations <sup>3</sup> <s.a., ann. 10,000 units>	< 283>	< 316>	< 314>	< 325>	< 322>	< 314>	< 305>
Sales of household electrical appliances (real, Current Survey of Commerce)	7.7	4.6	n.a.	0.1	9.9	p 1.9	n.a.
Outlays for travel	7.7	-4.5	n.a.	0.5	7.3	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	< 72>	< 79>	<n.a.>	< 82>	< 86>	< 79>	<n.a.>
Machinery orders (from private sector <sup>4</sup> )	-0.9	0.5	n.a.	20.1	-3.7	n.a.	n.a.
Manufacturing	-8.7	17.8	n.a.	17.1	3.3	n.a.	n.a.
Nonmanufacturing <sup>4</sup>	4.9	-8.4	n.a.	22.9	-12.9	n.a.	n.a.
Construction Starts (private, nondwelling use)	-1.1	2.8	n.a.	-15.1	23.7	5.1	n.a.
Mining & manufacturing	-12.2	-3.7	n.a.	-0.9	18.6	19.0	n.a.
Nonmanufacturing <sup>5</sup>	1.2	10.3	n.a.	-14.8	19.8	1.6	n.a.
Value of public works contracted	3.6	-6.7	n.a.	5.1	-2.6	-9.3	n.a.
Real exports	9.5	7.6	n.a.	4.2	0.3	1.1	n.a.
Real imports	7.0	1.5	n.a.	-0.0	1.6	1.7	n.a.
Industrial production	7.4	4.5	n.a.	1.9	2.7	p -0.9	n.a.
Shipments	8.4	5.2	n.a.	1.0	2.7	p -0.2	n.a.
Inventories	-0.6	-1.2	n.a.	-0.1	1.1	p 1.0	n.a.
Inventory Ratio <s.a., CY 2005 = 100>	< 116.9>	< 107.8>	<n.a.>	< 107.8>	< 109.0>	<p 111.0>	<n.a.>
Real GDP	-0.1	0.9	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	1.1	1.1	n.a.	-0.2	3.8	n.a.	n.a.

## Main Economic Indicators (2)

	y/y % chg. <sup>1</sup>						
	2009/Q2	Q3	Q4	2009/Nov.	Dec.	2010/Jan.	Feb.
Ratio of job offers to applicants <s.a., times>	< 0.46>	< 0.43>	< 0.43>	< 0.43>	< 0.43>	< 0.46>	< 0.47>
Unemployment rate <s.a., %>	< 5.1>	< 5.4>	< 5.2>	< 5.3>	< 5.2>	< 4.9>	< 4.9>
Overtime working hours <sup>6</sup>	-18.2	-14.9	-7.7	-8.5	-3.2	4.4	p 11.4
Number of employees	-1.7	-1.3	-1.4	-1.5	-1.2	-0.6	-0.5
Number of regular employees <sup>6</sup>	0.1	-0.1	-0.2	-0.2	-0.2	-0.2	p 0.0
Nominal wages per person <sup>6</sup>	-4.7	-3.6	-4.1	-2.4	-5.9	-0.2	p -0.6
Domestic corporate goods price index <q/q % chg., 3-month rate of change> <sup>7</sup>	-5.5 <-1.3>	-8.3 <-0.2>	-5.2 <-0.5>	-5.0 <-0.5>	-3.9 <-0.5>	-2.1 < 0.3>	p -1.5 <p 0.4>
Consumer price index <sup>8</sup>	-1.0	-2.3	-1.8	-1.7	-1.3	-1.3	-1.2
Corporate services price index <sup>9</sup>	-1.2	-1.5	-1.6	-1.8	-1.5	-1.7	p -1.7
Money Stock (M2) <average outstanding, y/y % chg.>	2.6	2.8	3.3	3.3	3.1	3.0	p 2.7
Number of corporate bankruptcies <cases per month>	<1,318>	<1,261>	<1,176>	<1,132>	<1,136>	<1,063>	<1,090>

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

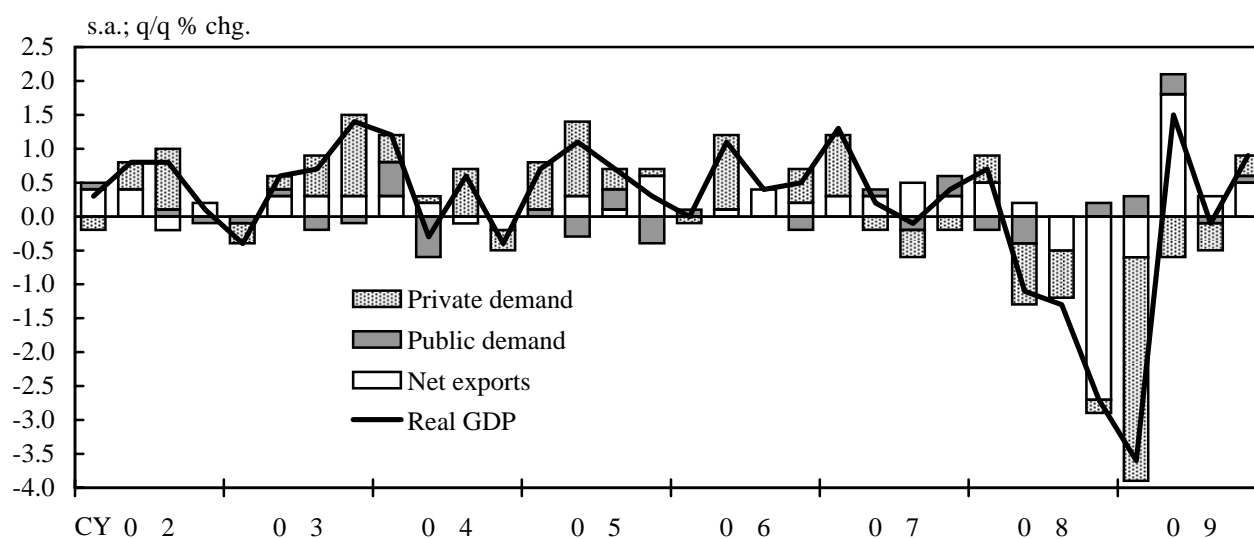
All figures in Chart 2 except figures in angle brackets are year-on-year changes. For details on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes of the respective charts.

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



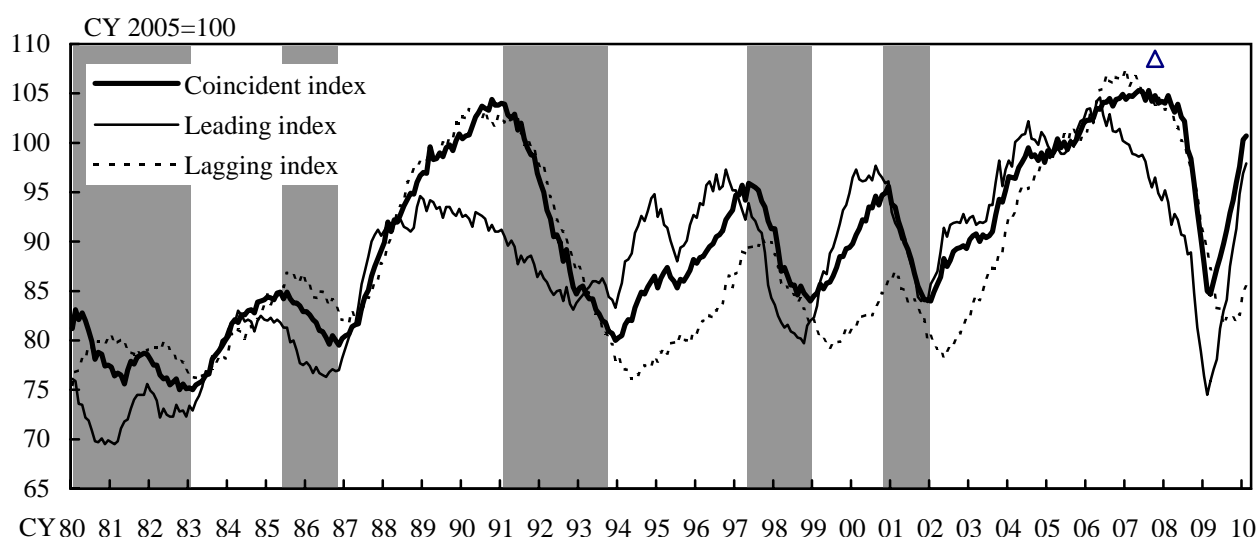
## (2) Components

s.a.; q/q % chg.

	2008	2009			
	Q4	Q1	Q2	Q3	Q4
Real GDP	-2.7	-3.6	1.5	-0.1	0.9
Domestic demand	0.0	-3.0	-0.3	-0.5	0.4
Private demand	-0.2	-3.3	-0.6	-0.4	0.3
Private consumption	-0.5	-0.8	0.7	0.4	0.4
Non-Resi. investment	-1.1	-1.3	-0.6	-0.3	0.1
Residential investment	0.1	-0.2	-0.3	-0.2	-0.1
Private inventory	1.3	-0.9	-0.4	-0.2	-0.1
Public demand	0.2	0.3	0.3	-0.1	0.1
Public investment	0.0	0.1	0.3	-0.1	-0.1
Net exports of goods and services	-2.7	-0.6	1.8	0.3	0.5
Exports	-2.7	-3.8	1.2	1.1	0.7
Imports	-0.0	3.2	0.6	-0.8	-0.2
Nominal GDP	-1.3	-3.7	-0.1	-0.6	0.1

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

## (3) Indexes of Business Conditions (Composite Indexes)

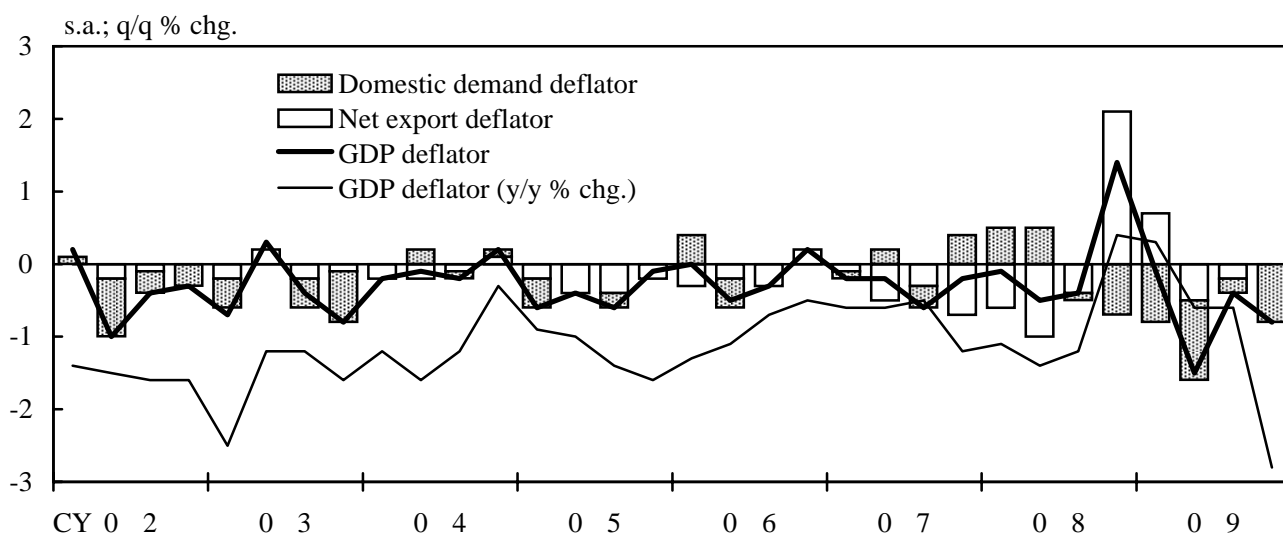


Note: Shaded areas indicate recession periods. Triangle shows the last peak.

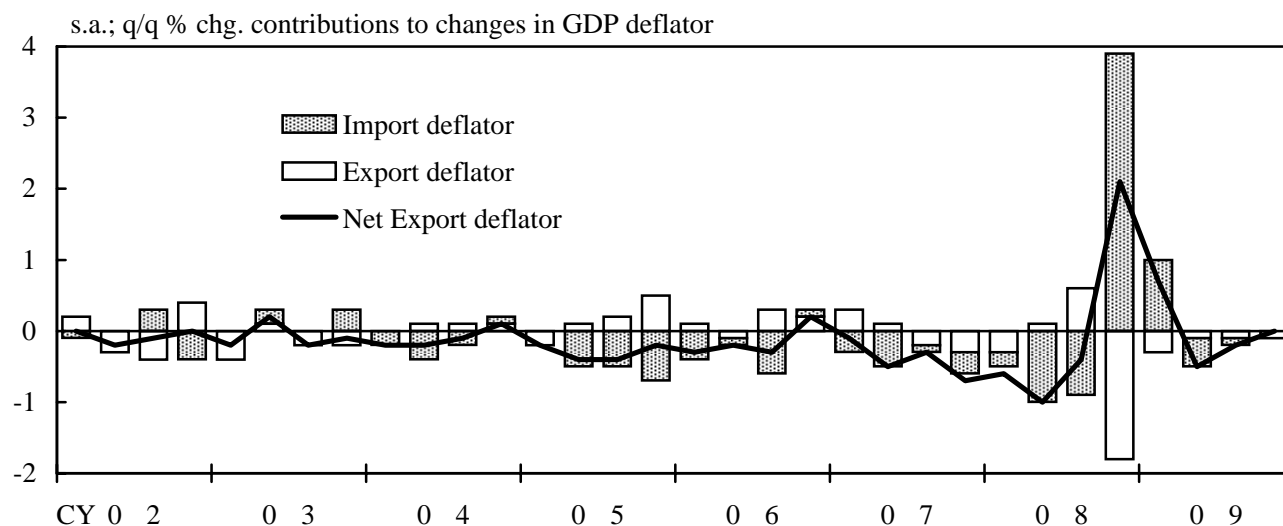
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

GDP Deflator and Income Formation

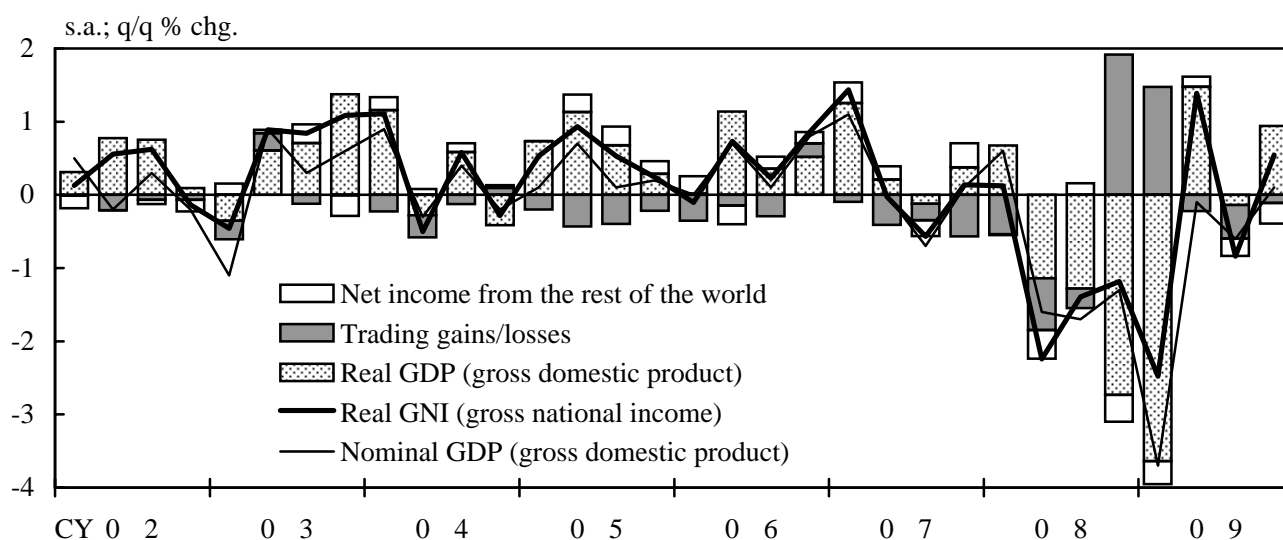
(1) GDP Deflator



(2) Net Export Deflator



(3) Aggregate Income Formation



Notes: 1. Figures of components indicate contributions to changes in real GNI.

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

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

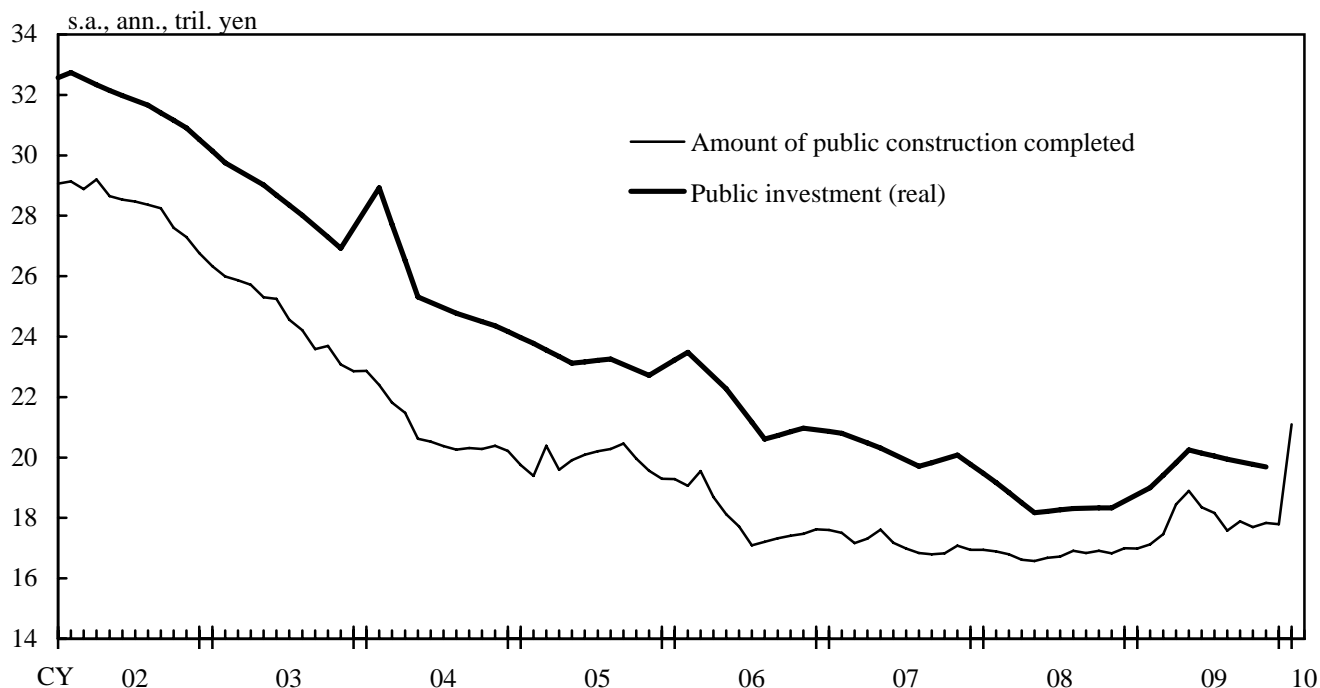
Source: Cabinet Office, "National Accounts."

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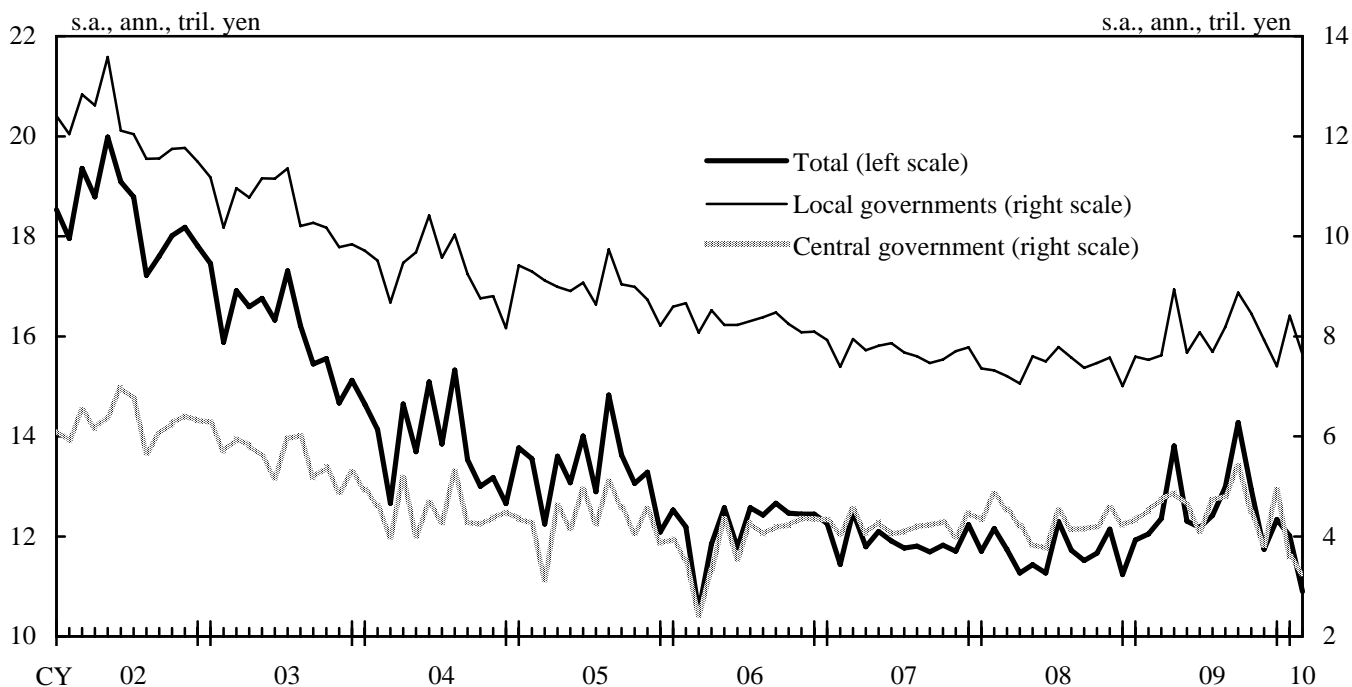
**Public Investment**


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(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.

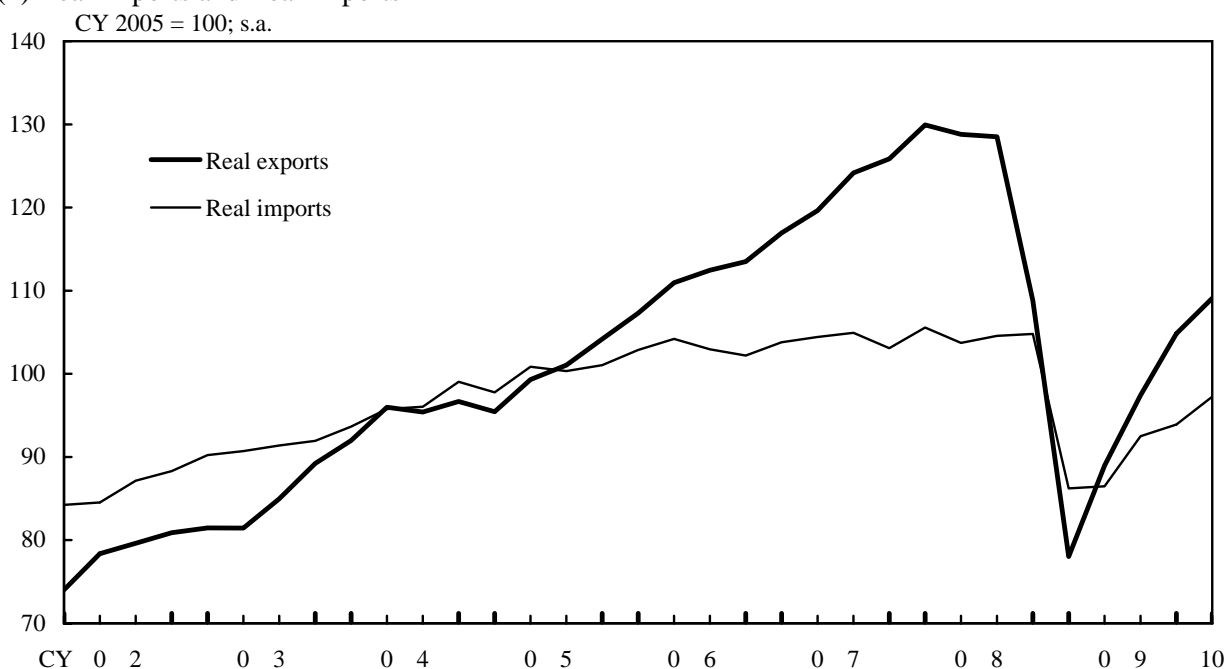
Sources: Cabinet Office, "National Accounts";

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

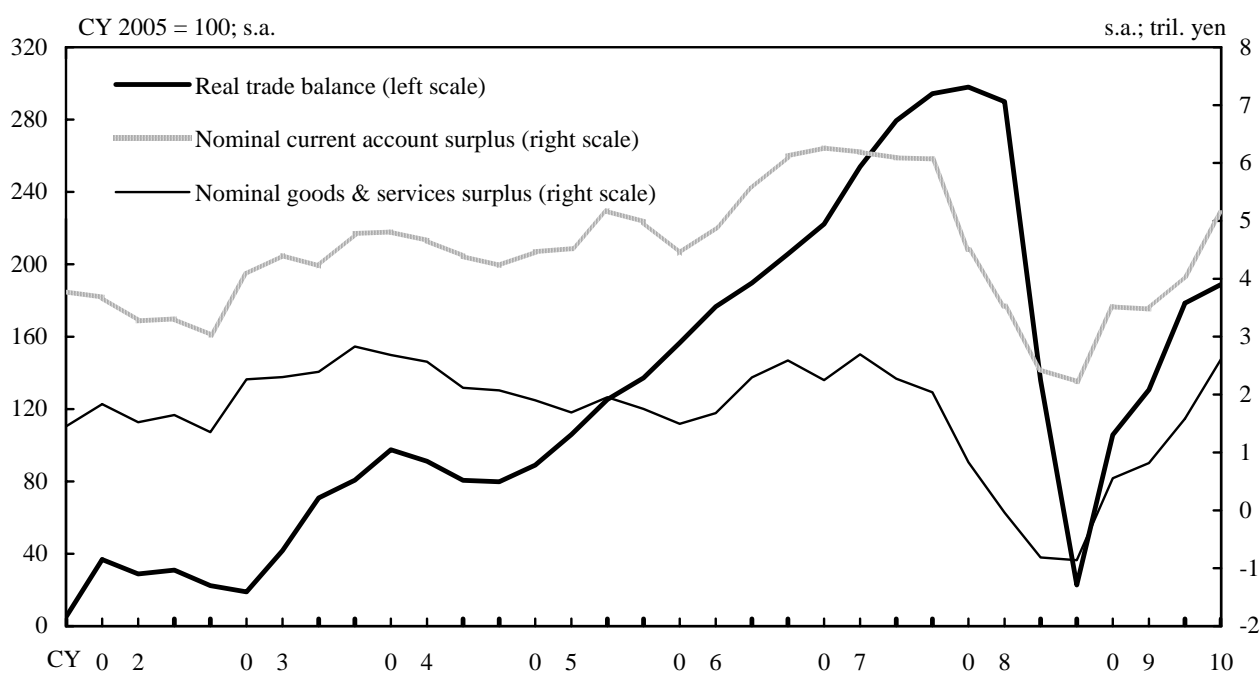
Ministry of Land, Infrastructure, Transport and Tourism, "Integrated Statistics on Construction Works."

## 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.

The seasonally adjusted figures for real exports, real imports, and real trade balance have been retroactively revised due to the regular annual revision for the previous year's data in the Trade Statistics.

Figures by region or goods, however, have not revised this time. These also apply to Chart 7, and 9.

3. 2010/Q1 figures for Real exports/imports and the real trade balance are January-February averages converted into quarterly amount.

4. 2010/Q1 figures for Nominal Current Account Surplus and Nominal Goods & Services Surplus are January figures 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 <sup>1</sup>

## (1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.				s.a.; m/m % chg.			
		CY 2008	2009	2009 Q1	Q2	Q3	Q4	2010 Q1	2009 Dec.	2010 Jan.	Feb.
United States	<16.1>	-8.8	-32.5	-35.7	11.7	10.2	11.9	-1.2	-5.4	-7.3	13.0
EU	<12.5>	-0.1	-34.6	-27.0	4.7	1.2	13.3	1.5	-3.9	3.1	-1.3
East Asia	<51.4>	3.4	-15.8	-22.1	17.8	12.5	8.6	11.9	3.5	11.4	-5.3
China	<18.9>	6.7	-10.2	-17.1	19.3	9.0	7.0	15.1	10.0	15.8	-13.5
NIEs	<23.5>	-0.0	-18.0	-22.4	18.9	12.9	7.3	9.2	-0.4	8.9	-0.4
Korea	<8.1>	-0.3	-16.1	-13.4	12.4	10.3	6.9	7.7	0.7	3.4	6.6
Taiwan	<6.3>	-4.3	-17.7	-19.7	21.6	12.1	12.7	17.0	-0.9	17.1	-1.4
Hong Kong	<5.5>	-2.4	-18.8	-23.8	21.5	9.1	11.3	7.6	-4.8	22.0	-18.1
Singapore	<3.6>	13.3	-21.6	-31.0	12.9	24.1	-5.7	19.2	6.3	12.5	-1.7
ASEAN4 <sup>3</sup>	<9.1>	6.4	-20.5	-30.7	12.0	19.5	15.3	12.3	1.2	8.7	0.4
Thailand	<3.8>	5.0	-21.0	-36.0	11.7	27.6	17.3	10.7	4.7	5.7	-1.1
Others	<20.0>	16.1	-32.2	-30.7	-6.1	9.2	14.7	14.2	11.2	6.5	-1.1
Real exports		1.8	-25.6	-28.3	14.0	9.5	7.6	4.1	4.2	0.3	1.1

## (2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.				s.a.; m/m % chg.			
		CY 2008	2009	2009 Q1	Q2	Q3	Q4	2010 Q1	2009 Dec.	2010 Jan.	Feb.
Intermediate goods	<20.7>	0.4	-5.8	-16.1	17.3	9.4	6.6	3.3	-3.2	5.1	-1.0
Motor vehicles and their related goods	<20.0>	3.2	-41.4	-50.7	20.3	24.5	17.4	-0.2	0.8	-8.6	9.3
Consumer goods <sup>4</sup>	<4.1>	3.5	-28.7	-26.9	8.7	0.9	9.8	-4.1	4.0	-8.3	-2.0
IT-related goods <sup>5</sup>	<11.3>	0.8	-17.0	-26.0	35.0	6.2	6.0	8.6	5.5	5.7	-2.5
Capital goods and parts <sup>6</sup>	<27.8>	5.2	-28.1	-26.5	-0.9	7.3	15.4	7.8	1.9	-0.6	9.8
Real exports		1.8	-25.6	-28.3	14.0	9.5	7.6	4.1	4.2	0.3	1.1

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2010/Q1 figures are January-February averages converted into quarterly amount.

2. Shares of each region and goods in 2009 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.

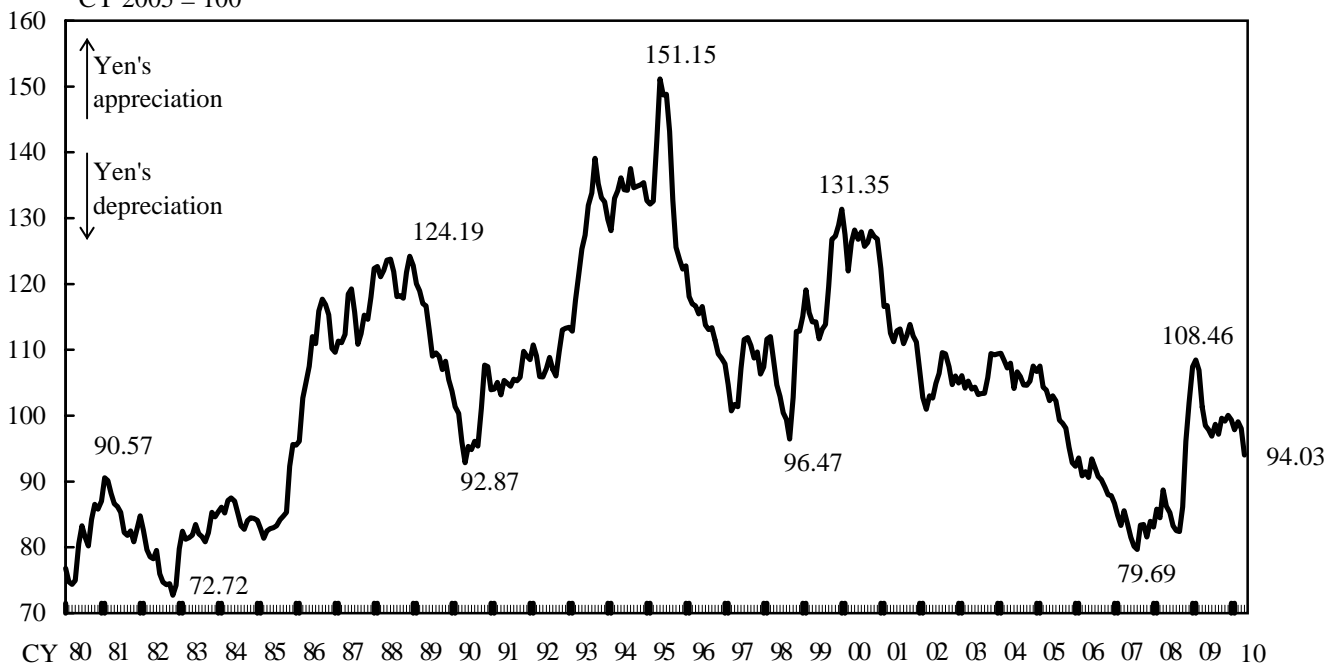
Sources: Ministry of Finance, "Trade Statistics"; Bank of Japan, "Corporate Goods Price Index."



## Real Effective Exchange Rate and Overseas Economies

## (1) Real Effective Exchange Rate

CY 2005 = 100



Notes: 1. Figures are based on the broad indices of the BIS effective exchange rate and prior to 1994 are calculated using the narrow indices.

2. Figures for March and April (up to April 5) 2010 have been calculated using the monthly average of the BOJ's Nominal effective exchange rate (the Yen Index).

## (2) Real GDP Growth Rates in Overseas Economies

		CY2007	2008	2009	2009 Q1	Q2	Q3	Q4	
United States <sup>1</sup>		2.1	0.4	-2.4	-6.4	-0.7	2.2	5.6	
European Union <sup>1</sup>		2.9	0.8	-4.2	-9.6	-0.9	1.1	0.5	
	Germany	2.5	1.3	-5.0	-13.4	1.8	2.9	0.0	
	France	2.3	0.3	-2.2	-5.2	1.1	0.9	2.4	
	United Kingdom	2.6	0.5	-4.9	-10.0	-2.7	-1.1	1.8	
East Asia <sup>2</sup>	China	13.0	9.6	8.7	6.2	7.9	9.1	10.7	
	NIEs	Korea	5.1	2.3	0.2	-4.3	-2.2	1.0	6.0
		Taiwan	6.0	0.7	-1.9	-9.1	-6.9	-1.0	9.2
		Hong Kong	6.4	2.1	-2.7	-7.5	-3.7	-2.2	2.6
		Singapore	8.2	1.4	-2.0	-9.4	-3.1	0.6	4.0
	ASEAN4	Thailand	4.9	2.5	-2.3	-7.1	-4.9	-2.7	5.8
		Indonesia	6.3	6.0	4.5	4.5	4.1	4.2	5.4
Malaysia		6.2	4.6	-1.7	-6.2	-3.9	-1.2	4.5	
Philippines		7.1	3.8	0.9	0.6	0.8	0.4	1.8	

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 <sup>1</sup>

## (1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.				s.a.; m/m % chg.			
		CY 2008	2009	2009 Q1	Q2	Q3	Q4	2010 Q1	2009 Dec.	2010 Jan.	Feb.
United States	<10.7>	-2.5	-18.8	-14.4	-7.8	3.9	7.2	2.9	5.7	1.1	-1.1
EU	<10.7>	-3.0	-13.3	-10.5	-2.7	5.0	1.7	2.0	-2.7	4.0	-4.0
East Asia	<41.9>	2.4	-13.3	-17.5	0.6	7.7	2.8	13.1	-0.0	6.6	10.0
China	<22.3>	4.4	-11.1	-15.0	-0.7	6.9	3.3	17.5	2.1	5.1	17.8
NIEs	<8.6>	-1.1	-16.0	-20.4	9.6	9.2	1.5	9.2	0.3	7.2	4.5
Korea	<4.0>	-5.3	-19.2	-20.4	5.8	11.8	-0.9	2.8	1.3	-2.7	14.1
Taiwan	<3.3>	3.5	-12.5	-21.9	13.9	9.5	5.0	8.9	-2.6	12.4	-5.1
Hong Kong	<0.2>	-1.7	-29.8	-25.6	15.1	-15.7	-7.0	79.0	8.1	54.2	5.9
Singapore	<1.1>	1.5	-12.6	-18.5	13.1	-1.0	7.0	13.6	8.0	7.5	5.8
ASEAN4 <sup>3</sup>	<11.0>	1.4	-15.7	-20.3	-3.3	8.0	2.9	6.8	-4.7	9.5	-2.5
Thailand	<2.9>	2.4	-17.5	-21.8	-0.3	10.5	6.3	7.1	-4.8	5.3	5.5
Others	<36.6>	2.4	-15.3	-18.2	-3.7	8.5	1.1	3.8	-1.9	1.9	1.3
Real imports		0.4	-14.4	-17.7	0.3	7.0	1.5	3.6	-0.0	1.6	1.7

## (2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.				s.a.; m/m % chg.			
		CY 2008	2009	2009 Q1	Q2	Q3	Q4	2010 Q1	2009 Dec.	2010 Jan.	Feb.
Raw materials <sup>4</sup>	<34.1>	1.5	-16.7	-19.5	-5.1	10.9	-0.9	3.3	-0.7	1.8	-1.3
Intermediate goods	<14.2>	1.7	-15.4	-19.3	-7.9	13.0	3.6	7.7	-2.1	6.1	3.2
Foodstuffs	<9.7>	-3.6	0.9	-2.9	-5.0	0.5	-5.1	5.7	2.4	1.8	8.8
Consumer goods <sup>5</sup>	<8.9>	-2.4	-10.6	-16.3	3.3	7.5	6.8	9.0	2.1	-2.8	13.4
IT-related goods <sup>6</sup>	<11.0>	4.3	-12.3	-16.9	12.2	4.0	3.7	10.4	-4.8	15.6	-4.1
Capital goods and parts <sup>7</sup>	<11.9>	2.9	-23.9	-18.7	-6.3	6.2	13.0	2.7	10.1	-5.2	3.9
Excluding aircraft	<11.0>	3.7	-24.4	-23.7	-1.3	5.6	8.2	7.0	-1.8	2.6	4.8
Real imports		0.4	-14.4	-17.7	0.3	7.0	1.5	3.6	-0.0	1.6	1.7

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2010/Q1 figures are January-February averages converted into quarterly amount.

2. Shares of each region and goods in 2009 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.

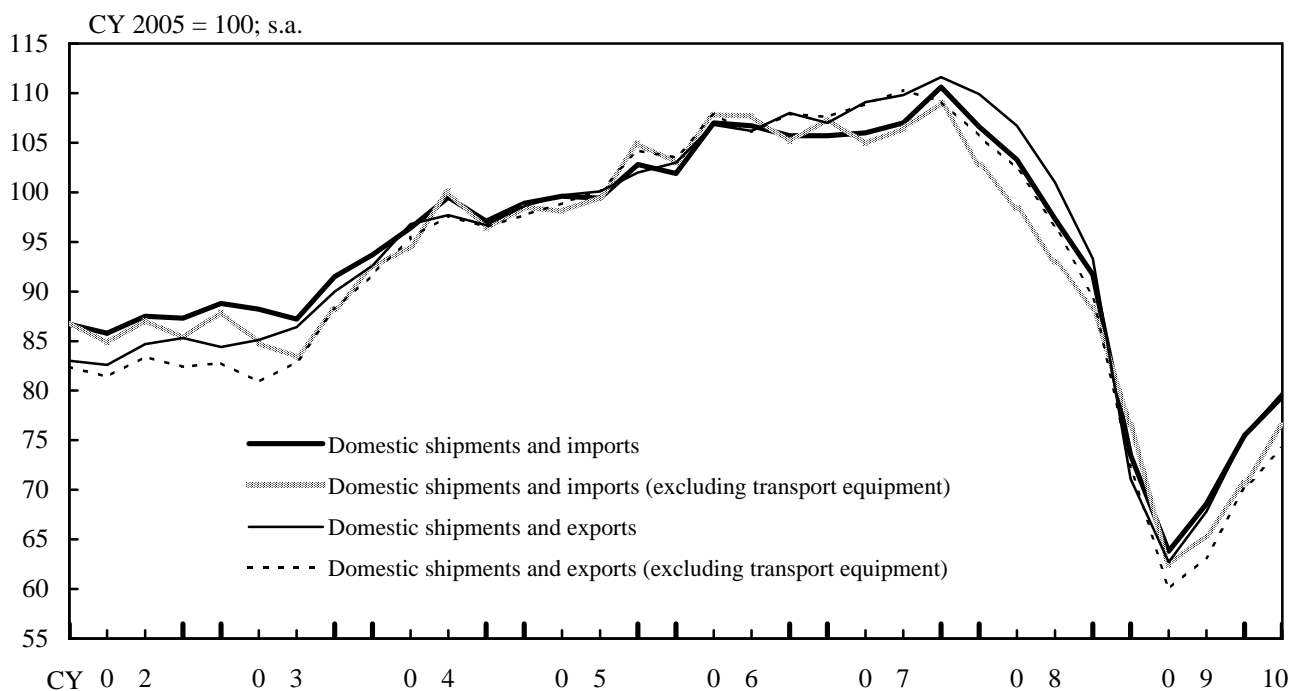
6. IT-related goods are composed of computers and units, parts of computer, telecommunication machinery, ICs, and medical and optical instruments.

7. Excludes IT-related goods.

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

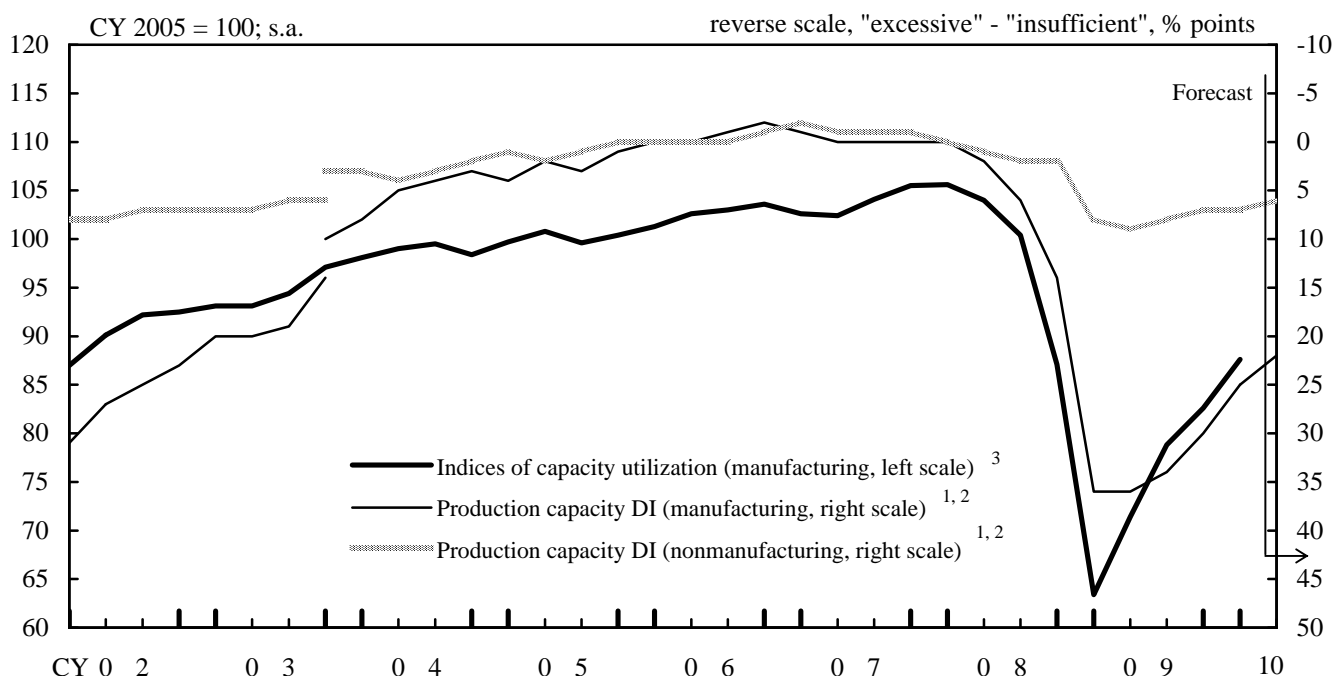
## Coincident Indicators for Business Fixed Investment

## (1) Aggregate Supply and Shipments of Capital Goods



Note: Figures for 2010/Q1 are January-February averages.

## (2) Indices of Capacity Utilization and Production Capacity DI



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

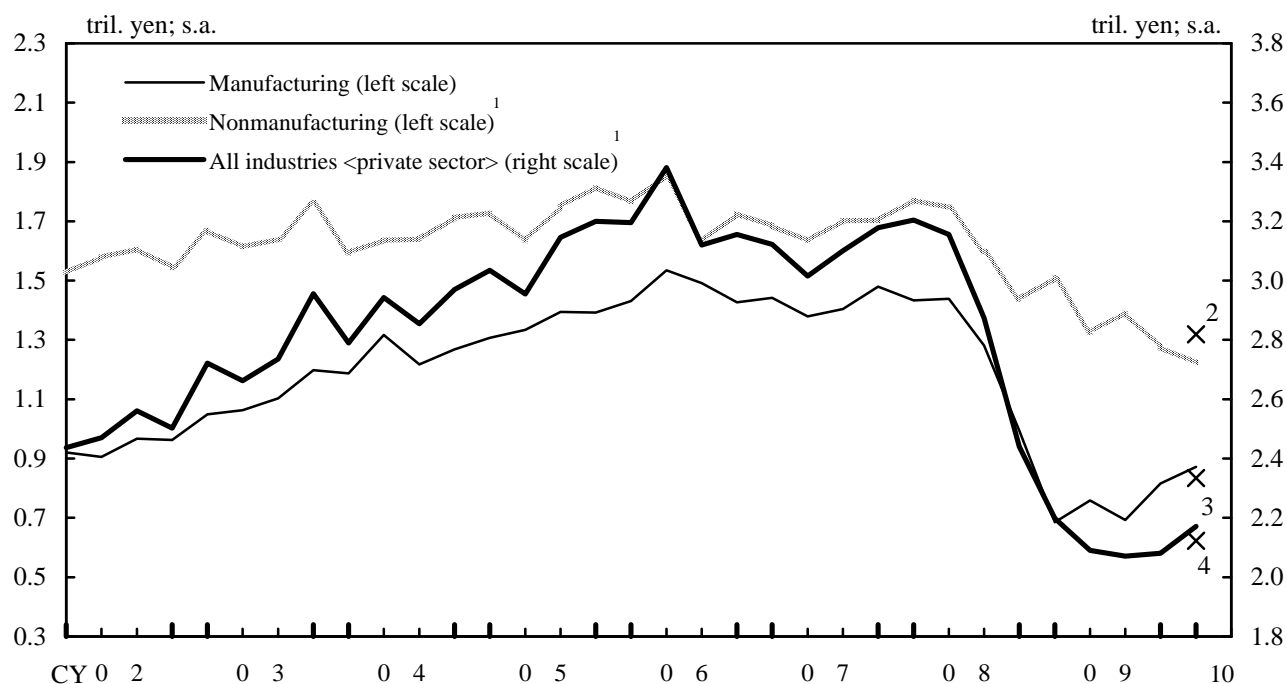
2. In the March 2004 survey, the *Tankan* underwent major revisions, including the addition of new sample enterprises to the survey. Figures up to the December 2003 survey are based on the previous data sets. Figures from the December 2003 survey are on a new basis.

3. The figure for 2010/Q1 is that of January.

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.

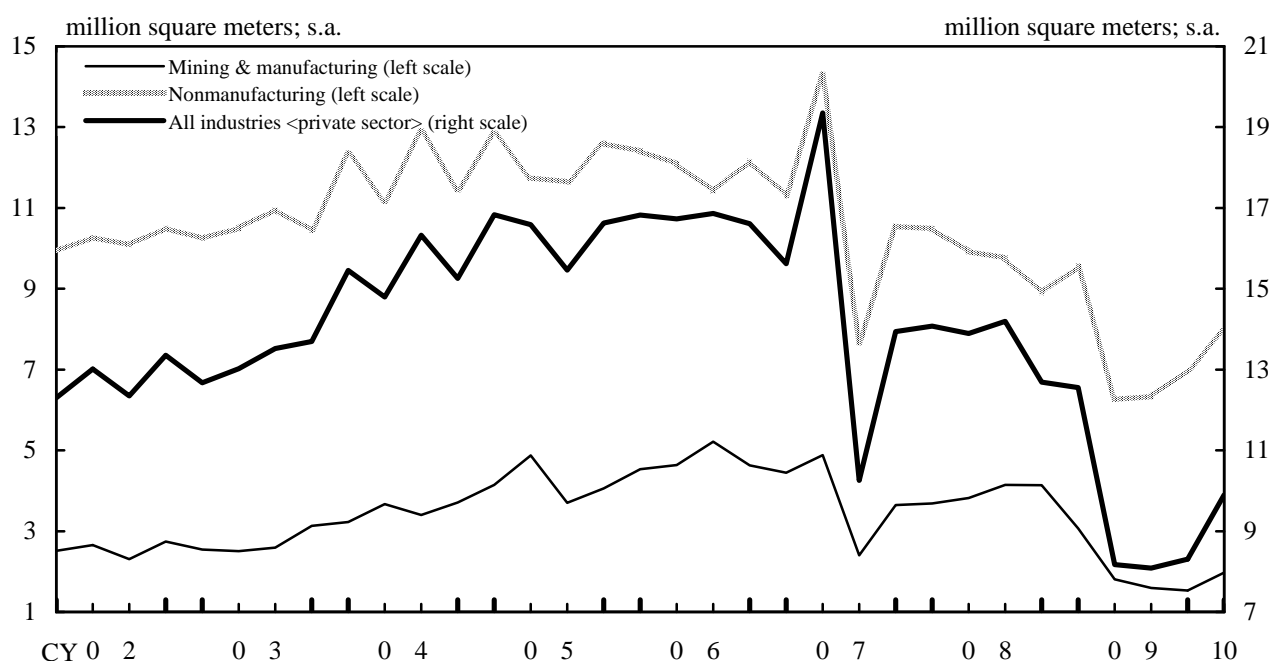
2. Forecast of nonmanufacturing industries for 2010/Q1.

3. Forecast of manufacturing industries for 2010/Q1.

4. Forecast of all industries <private sector> for 2010/Q1.

5. Figures for 2010/Q1 are those of January 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.

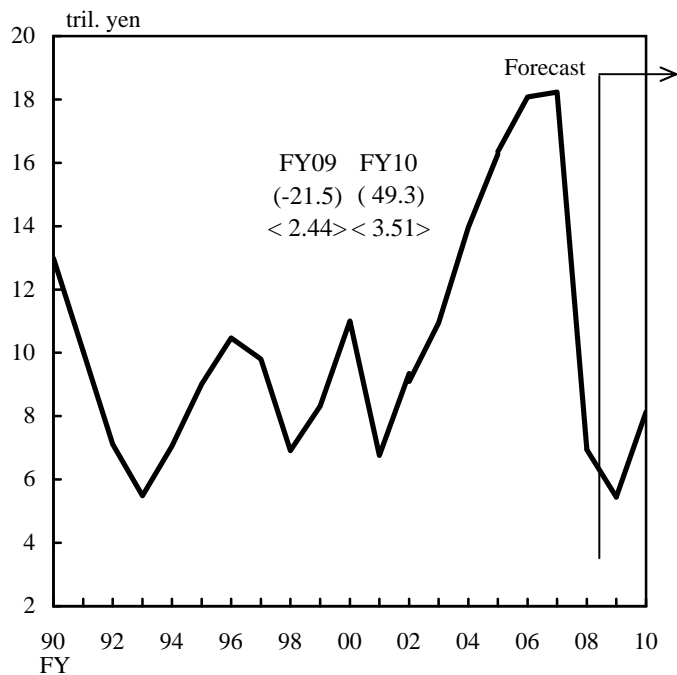
3. Figures for 2010/Q1 are those of January-February in terms of quarterly amount.

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

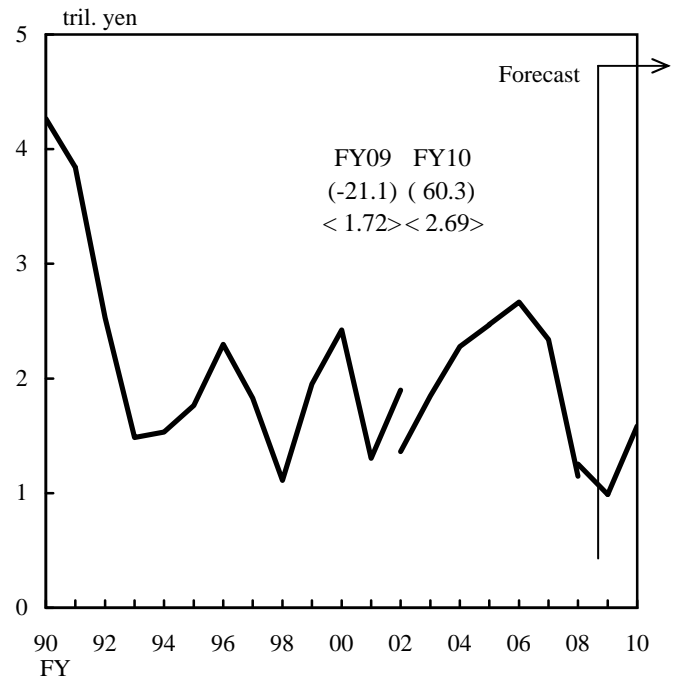
Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts."

## Current Profits

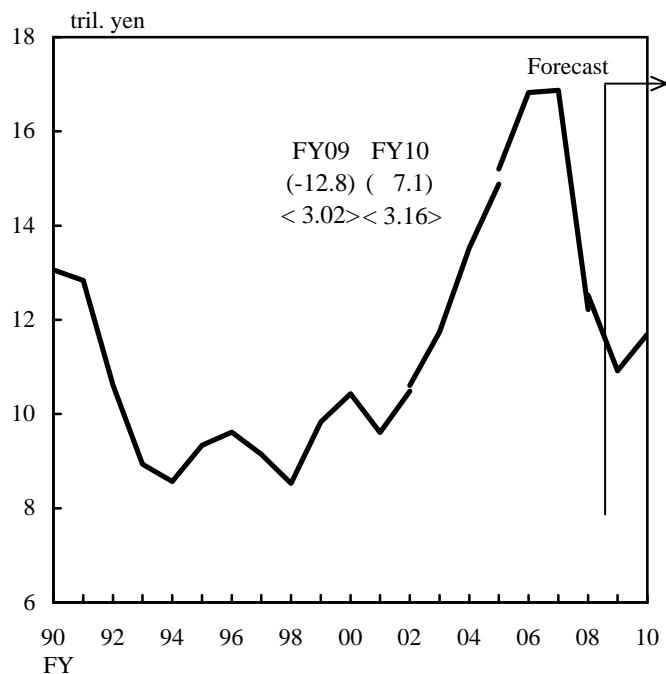
(1) Large Manufacturing Enterprises



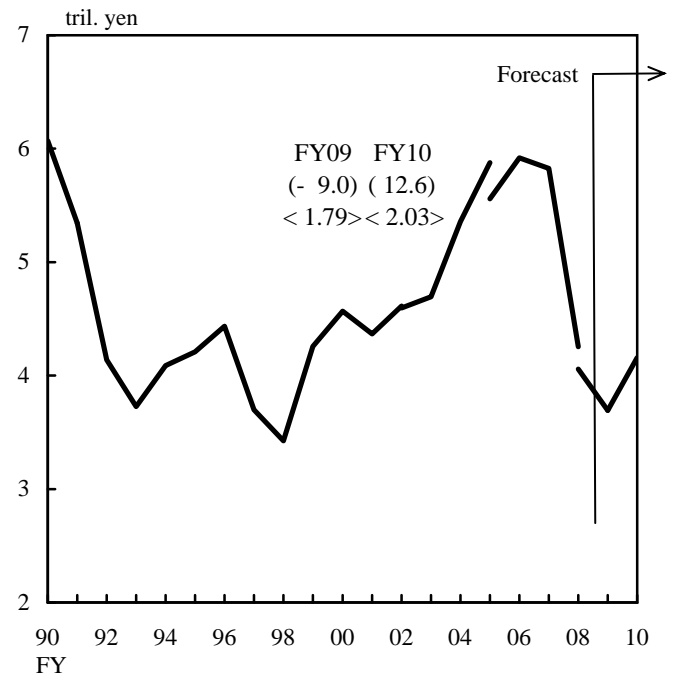
(2) Small Manufacturing Enterprises



(3) Large Nonmanufacturing Enterprises



(4) Small Nonmanufacturing Enterprises



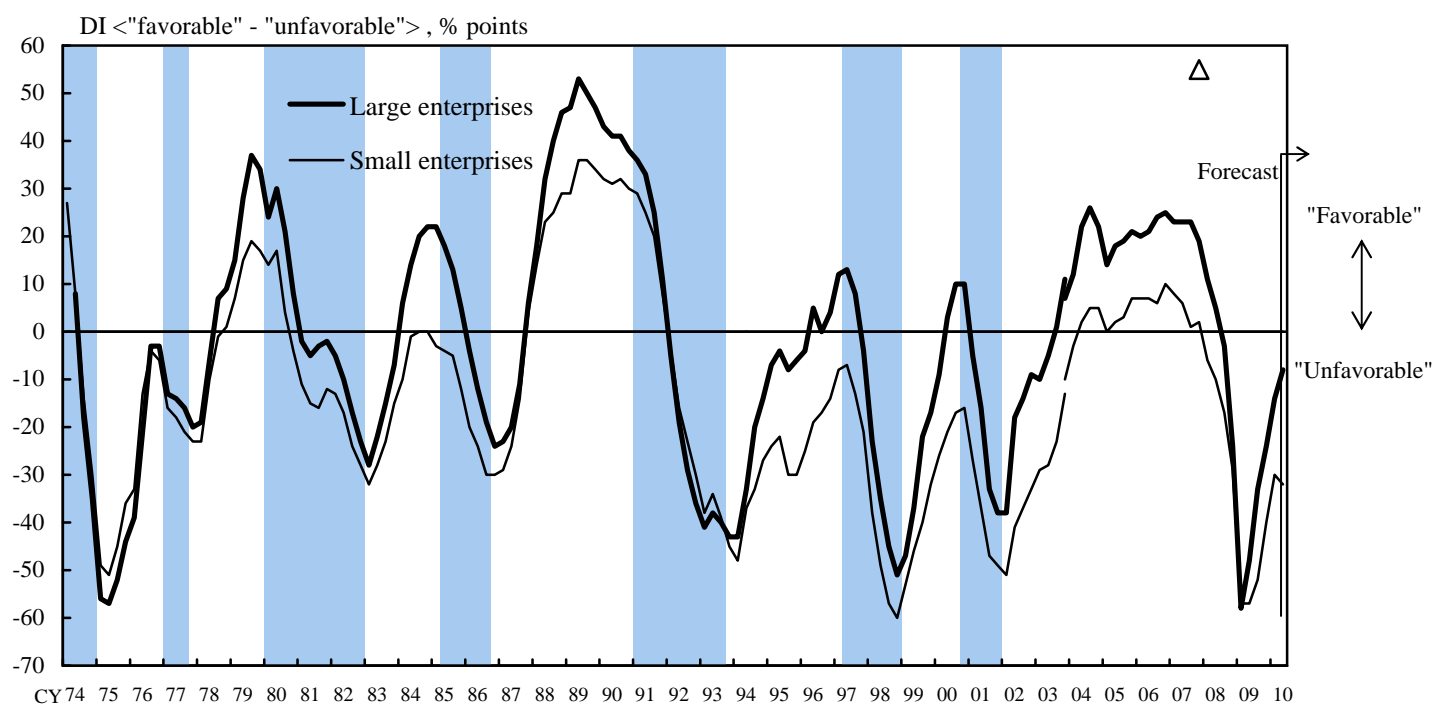
Notes: 1. ( ): Current profits (y/y % chg.), < >: Ratio of current profit to sales (%).

2. In the March 2004 survey, the *Tankan* underwent major revisions, including the addition of new sample enterprises to the survey. In the March 2007 survey and the March 2010 survey, regular revisions were made to the sample enterprises. The data show some discontinuities coincided with these timings.

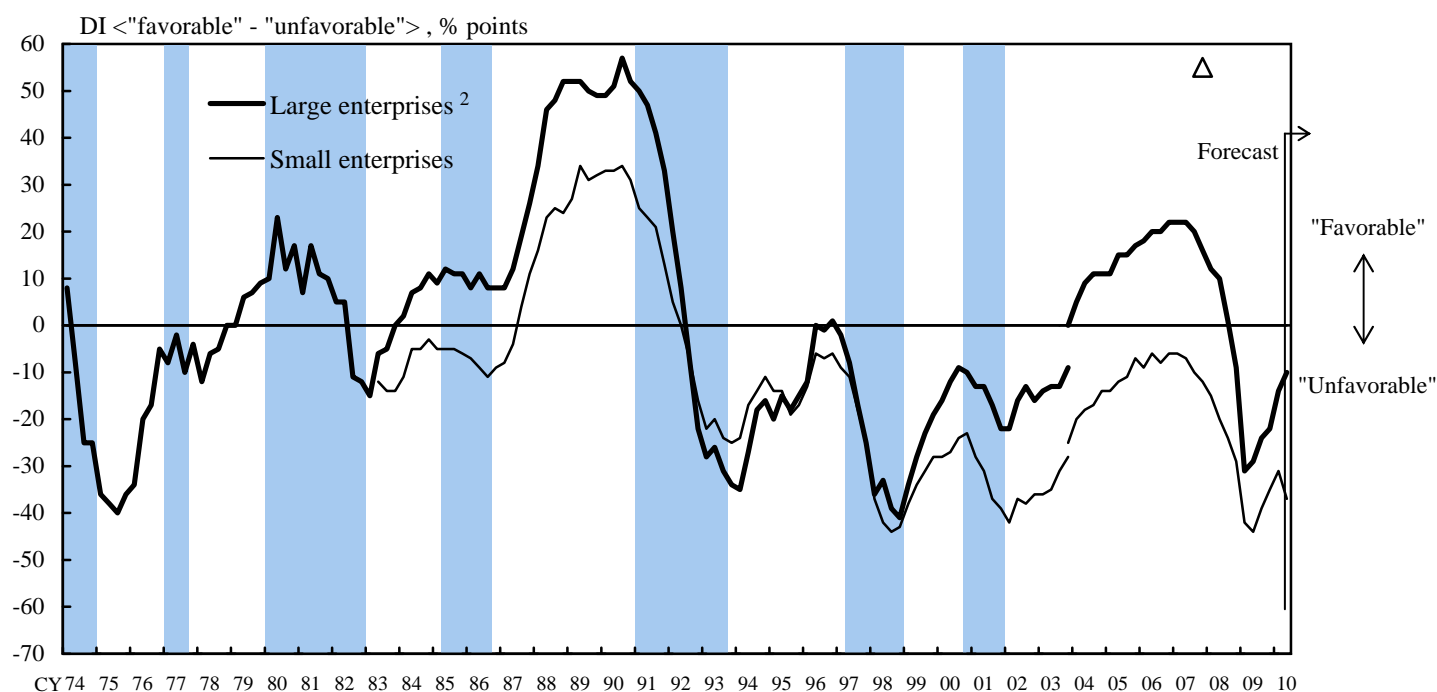
Source: Bank of Japan, "*Tankan*, Short-term Economic Survey of Enterprises in Japan."

## Business Conditions

## (1) Manufacturing



## (2) Nonmanufacturing



Notes: 1. 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.

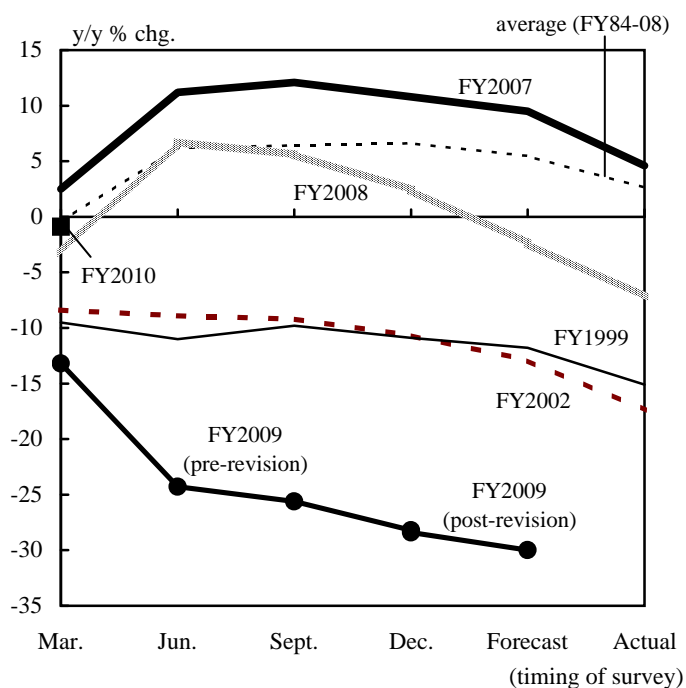
2. Data prior to Feb. 1983 are those of principal enterprises.

3. Shaded areas indicate recession periods. Triangle shows the last peak.

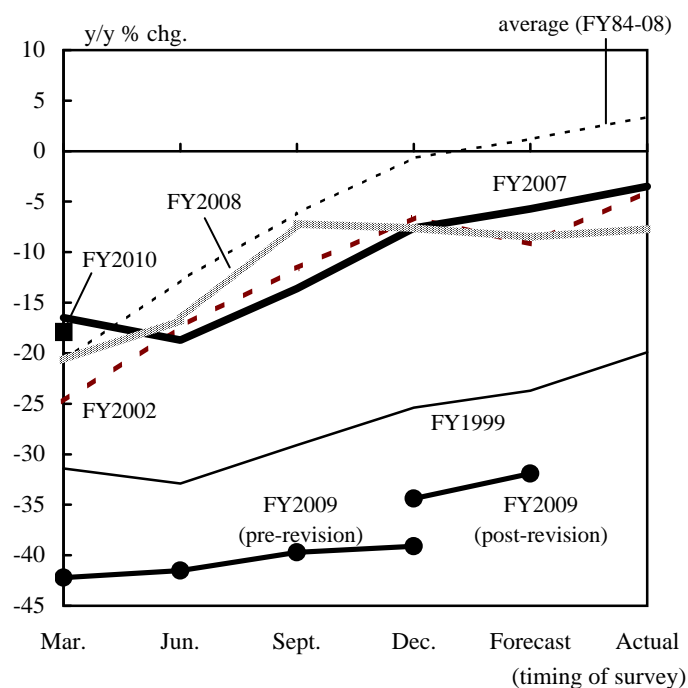
Source: Bank of Japan, "*Tankan*, Short-term Economic Survey of Enterprises in Japan."

Business Fixed Investment Plans as Surveyed

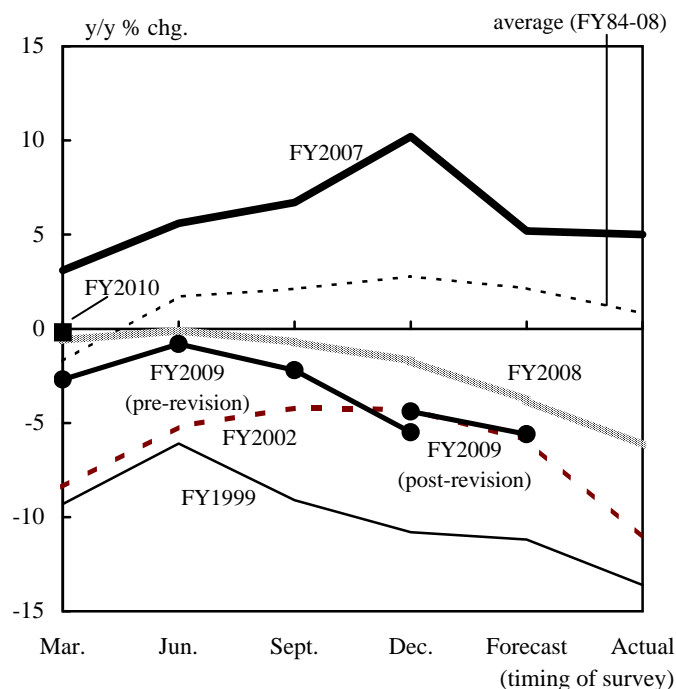
(1) Large Manufacturing Enterprises



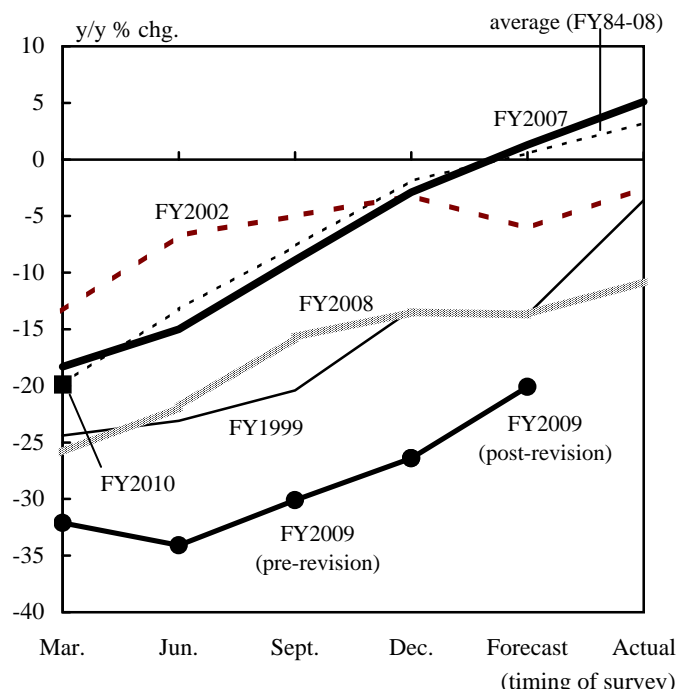
(2) Small Manufacturing Enterprises



(3) Large Nonmanufacturing Enterprises



(4) Small Nonmanufacturing Enterprises

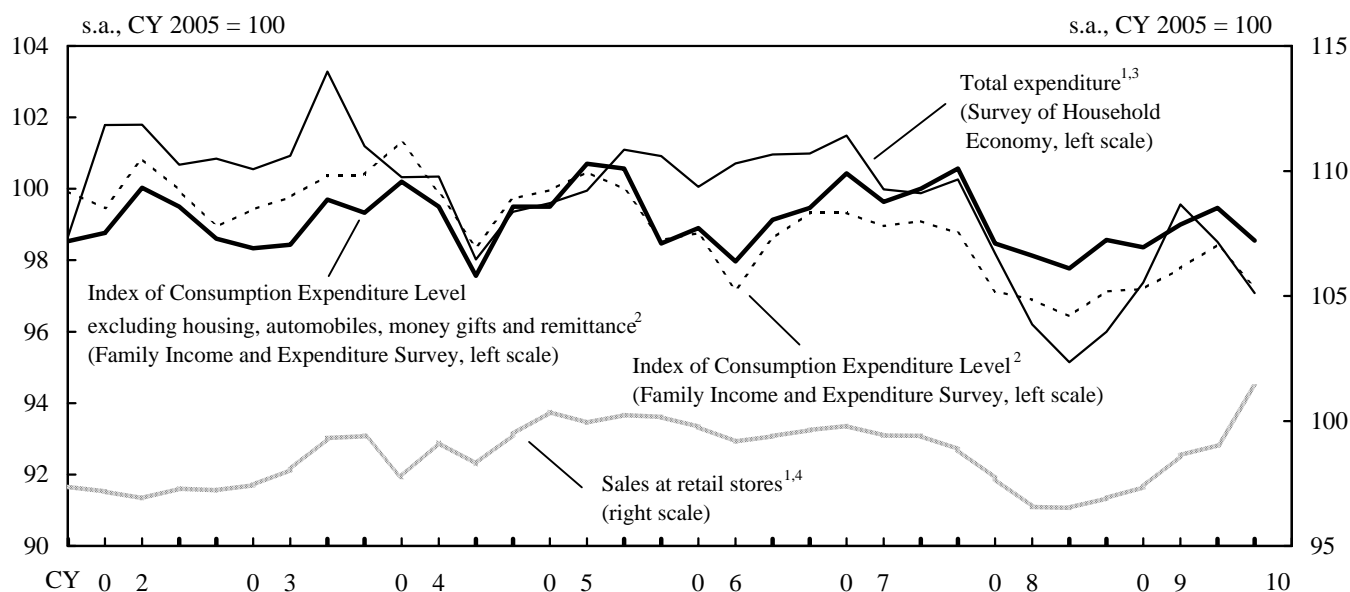


Notes: 1. Includes land purchasing expenses and excludes software investment.

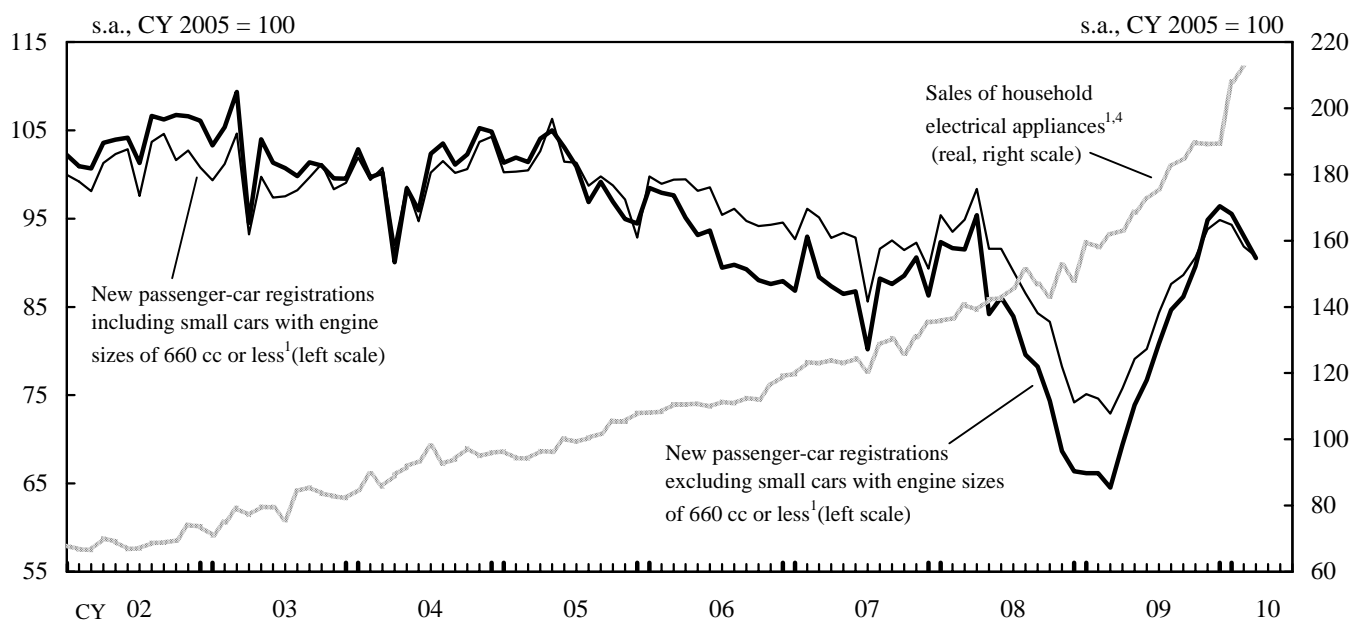
2. In the March 2010 survey, regular revisions were made to the sample enterprises. The data show some discontinuities coincided with this timing.

Source: Bank of Japan, "Tankan, Short-term Economic Survey of Enterprises in Japan."

## Indicators for Private Consumption (1)

(1) Household Spending (Real)<sup>5</sup>

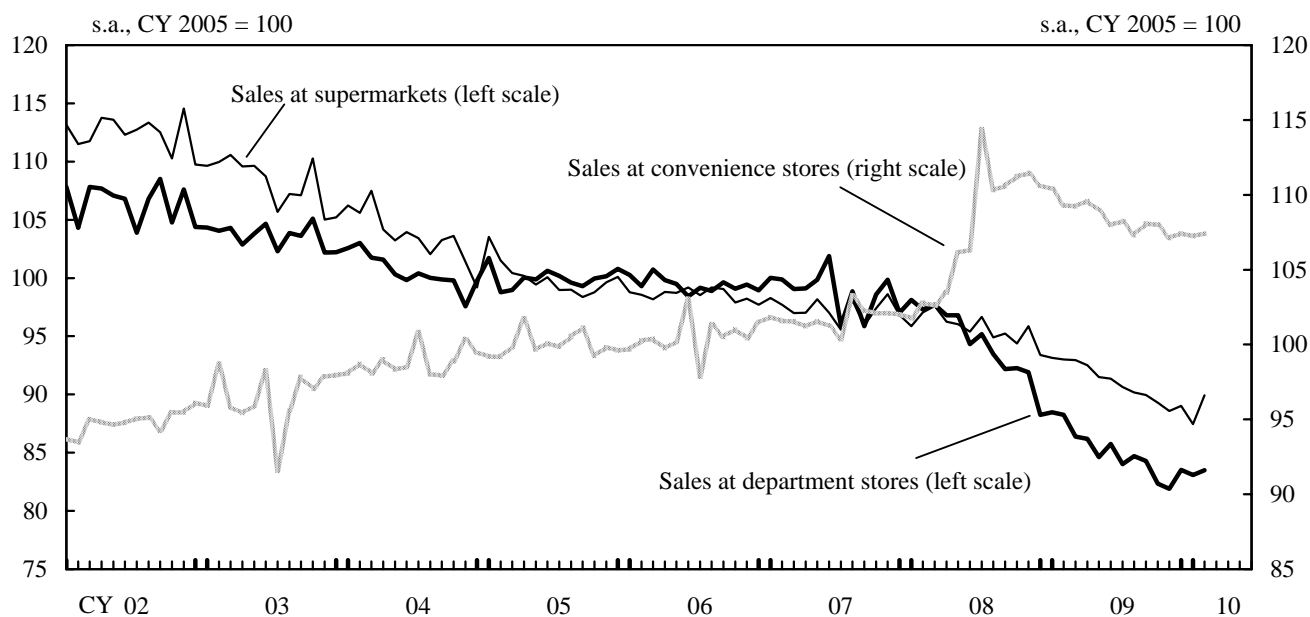
## (2) Sales of Durable Goods



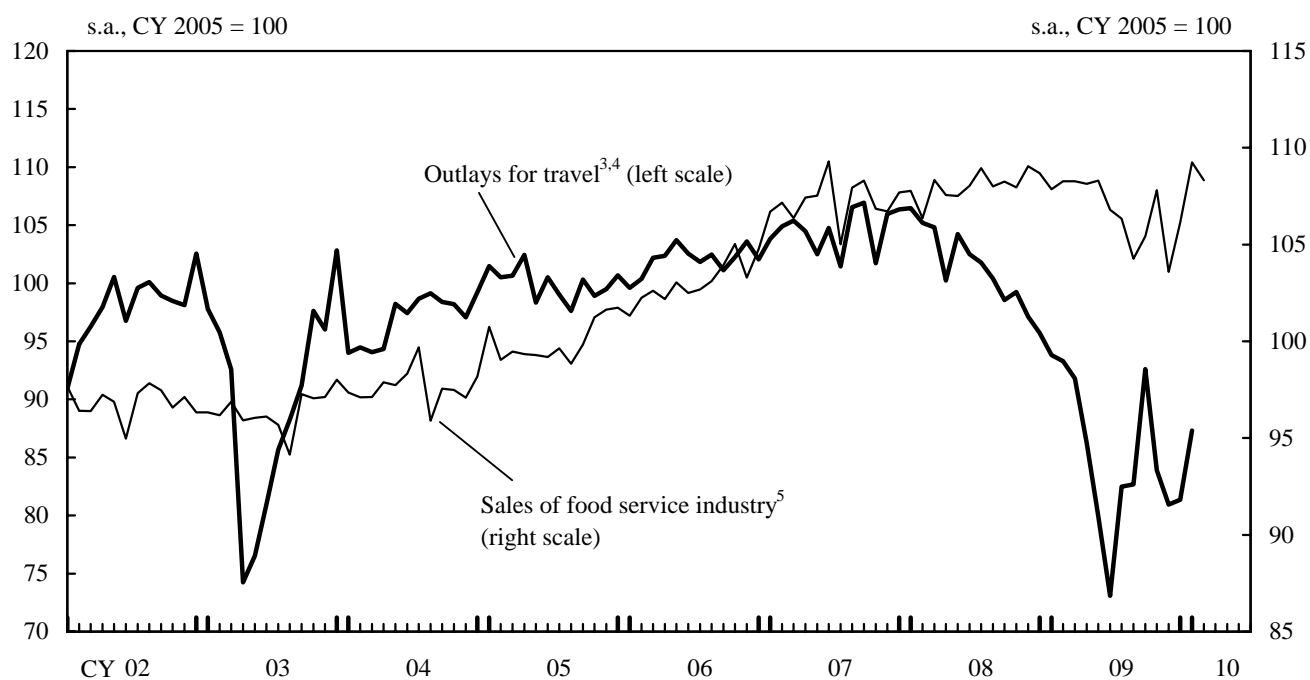
- Notes: 1. Total expenditure, Sales at retail stores, Sales of household electrical appliances and New passenger-car registrations are seasonally adjusted by X-12-ARIMA.
2. Index of consumption expenditure level is based on two-or-more-person households, and is adjusted by the distribution of household 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 2010/Q1 are those of January-February 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<sup>1</sup> (2)(1) Sales at Retail Stores (Nominal)<sup>2</sup>

## (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.

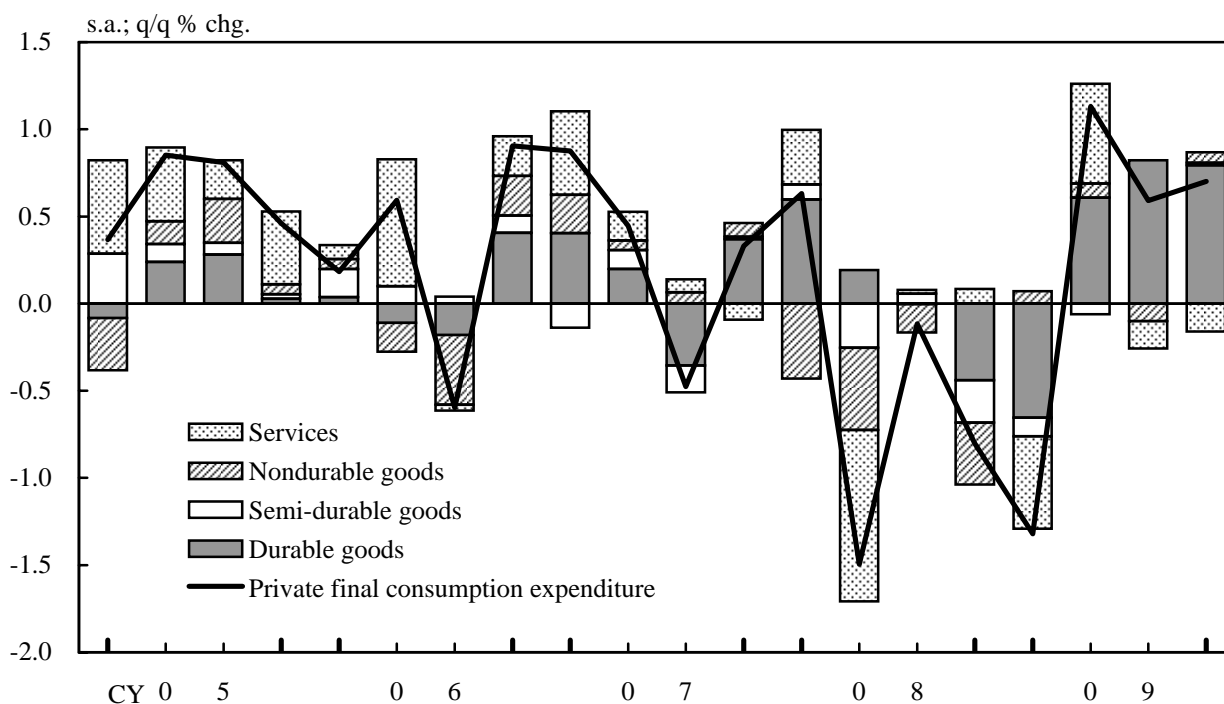
4. There is a discontinuity in the underlying data as of April 2007 due to changes in the sample. Data from April 2007 and onward are calculated using the year-on-year rate of changes on the new basis.

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.

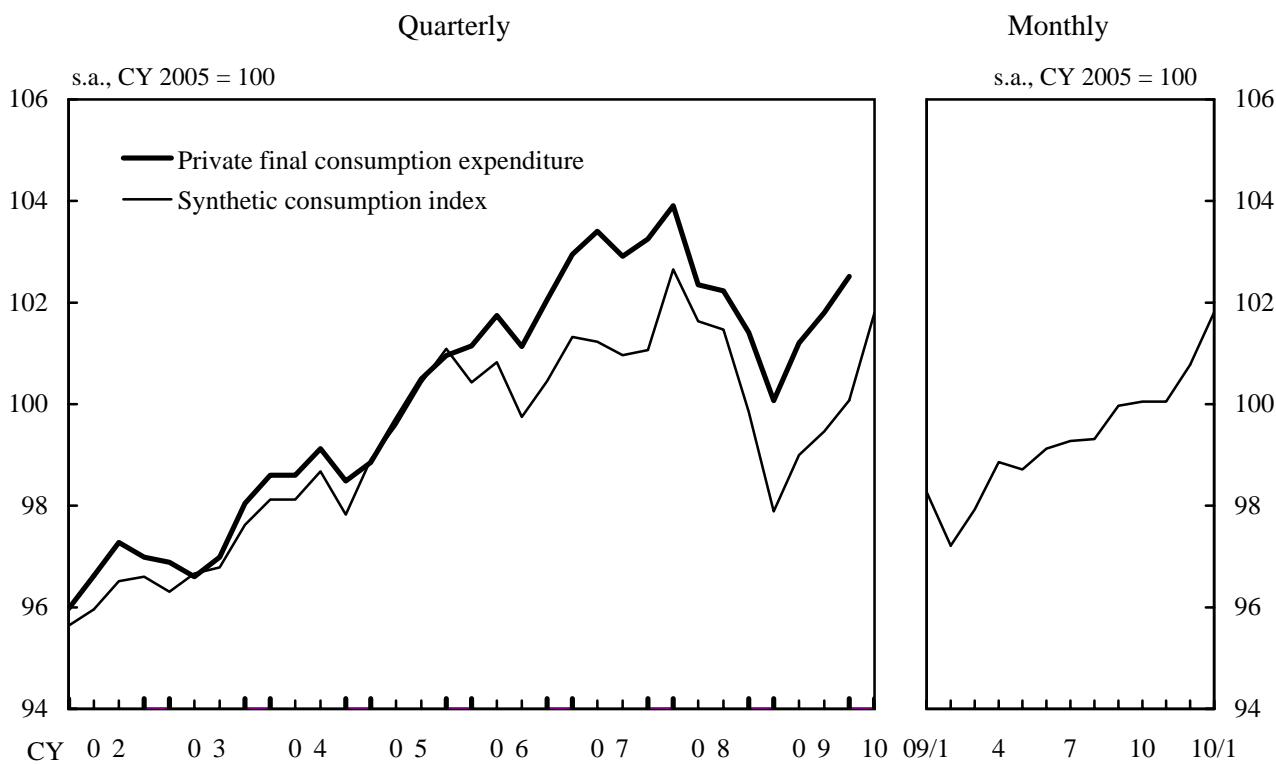
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce"; Japan Tourism Agency, "Major Travel Agents' Revenue"; Food Service Industry Survey & Research Center, "Getsuji Uriage Doukou Chousa (Monthly Survey of Food Service Sales)"; Japan Food Service Association, "Gaishoku Sangyou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

Indicators for Private Consumption (3)

(1) Breakdown of Private Final Consumption Expenditure (Real)



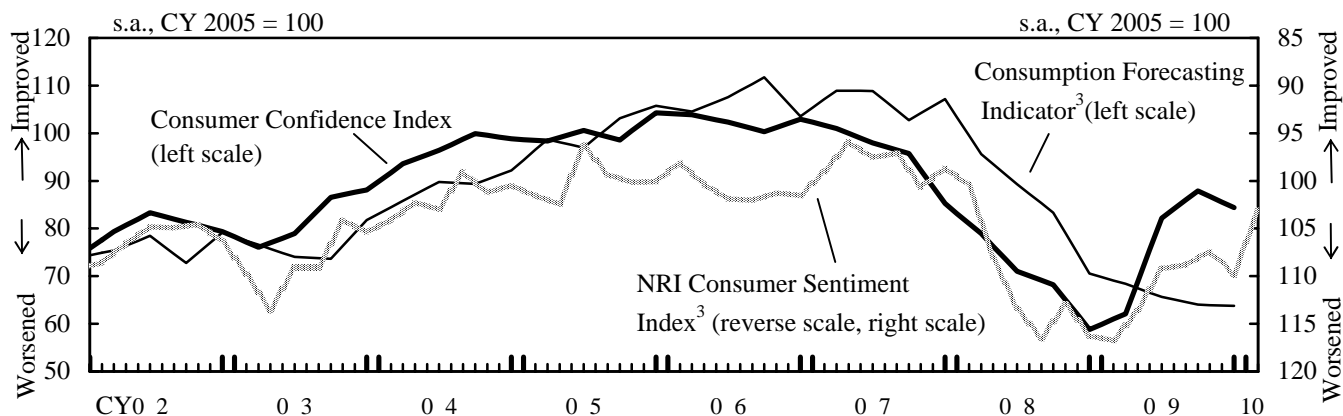
(2) Private Final Consumption Expenditure and Synthetic Consumption Index (Real)



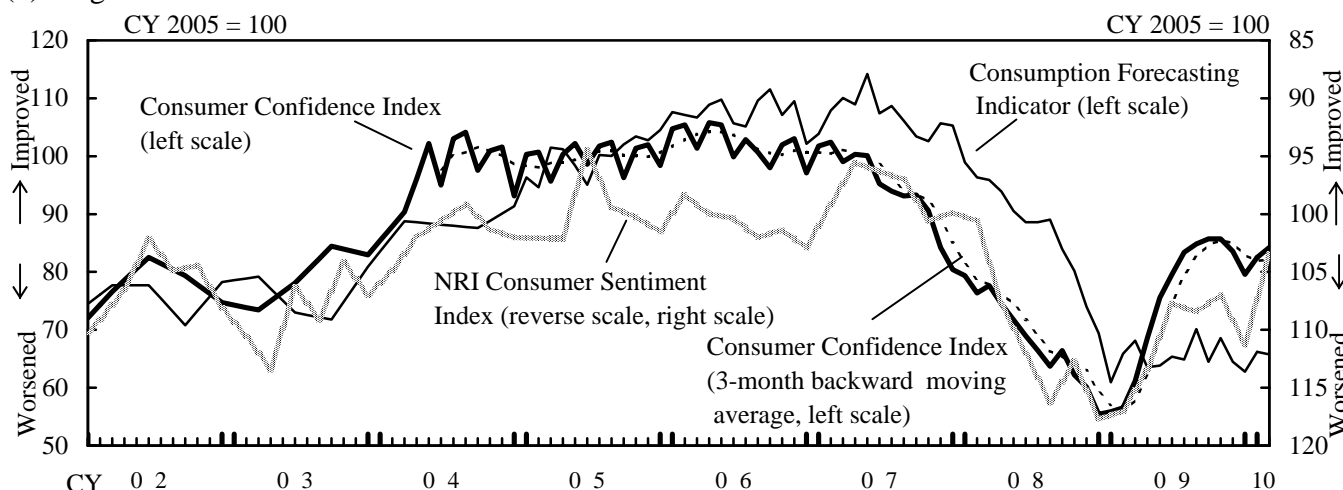
Note: The figure of synthetic consumption index for 2010/Q1 is that of January in terms of quarterly amount.  
 Source: Cabinet Office, "National Accounts," "Synthetic Consumption Index."

# Consumer Confidence<sup>1,2</sup>

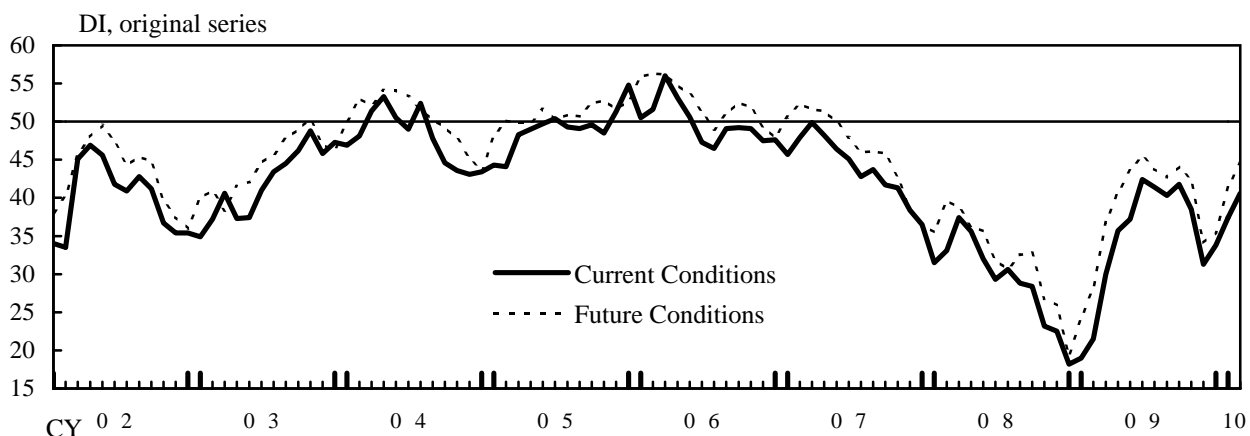
## (1) Seasonally Adjusted Series



## (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."

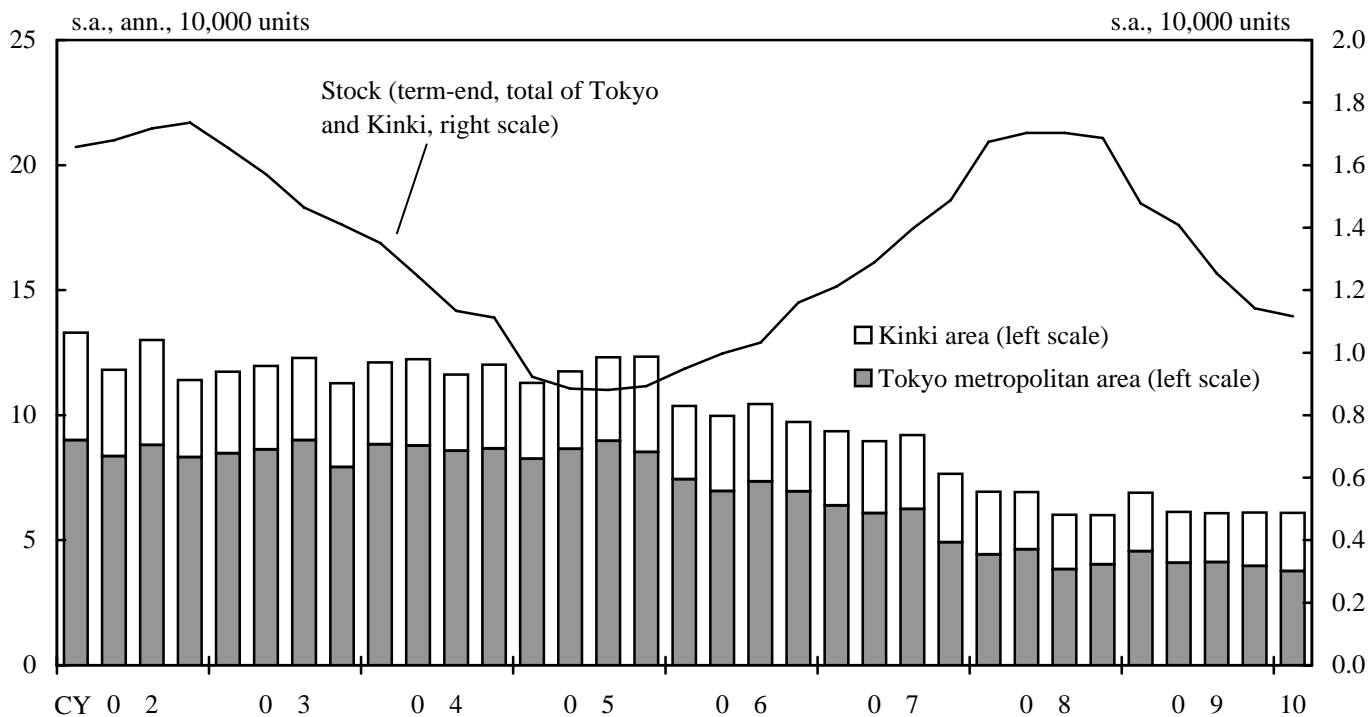
Indicators for Housing Investment

(1) Housing Starts



Note: Figures for 2010/Q1 are those of January-February averages.

(2) Sales of Apartments



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

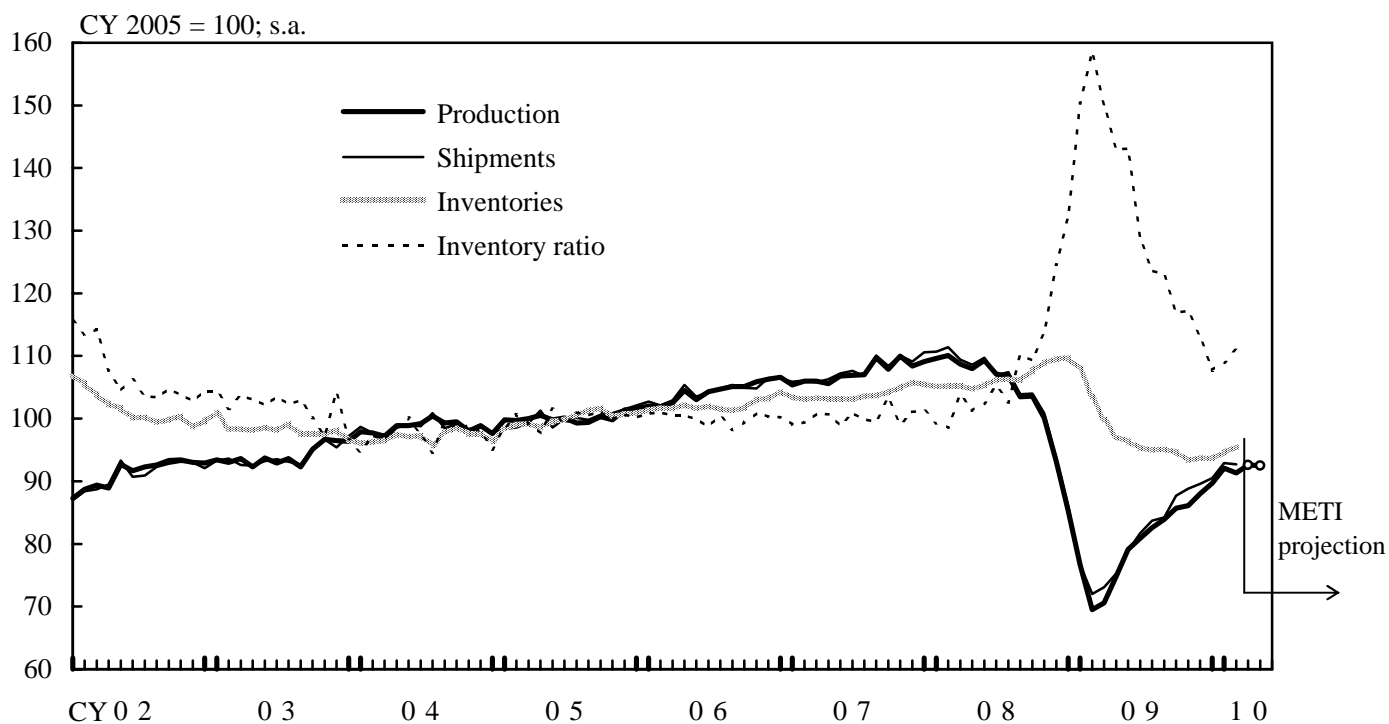
2. Figures of total apartments sales for 2010/Q1 are those of January-February averages.

Term-end stocks for 2010/Q1 are those of February.

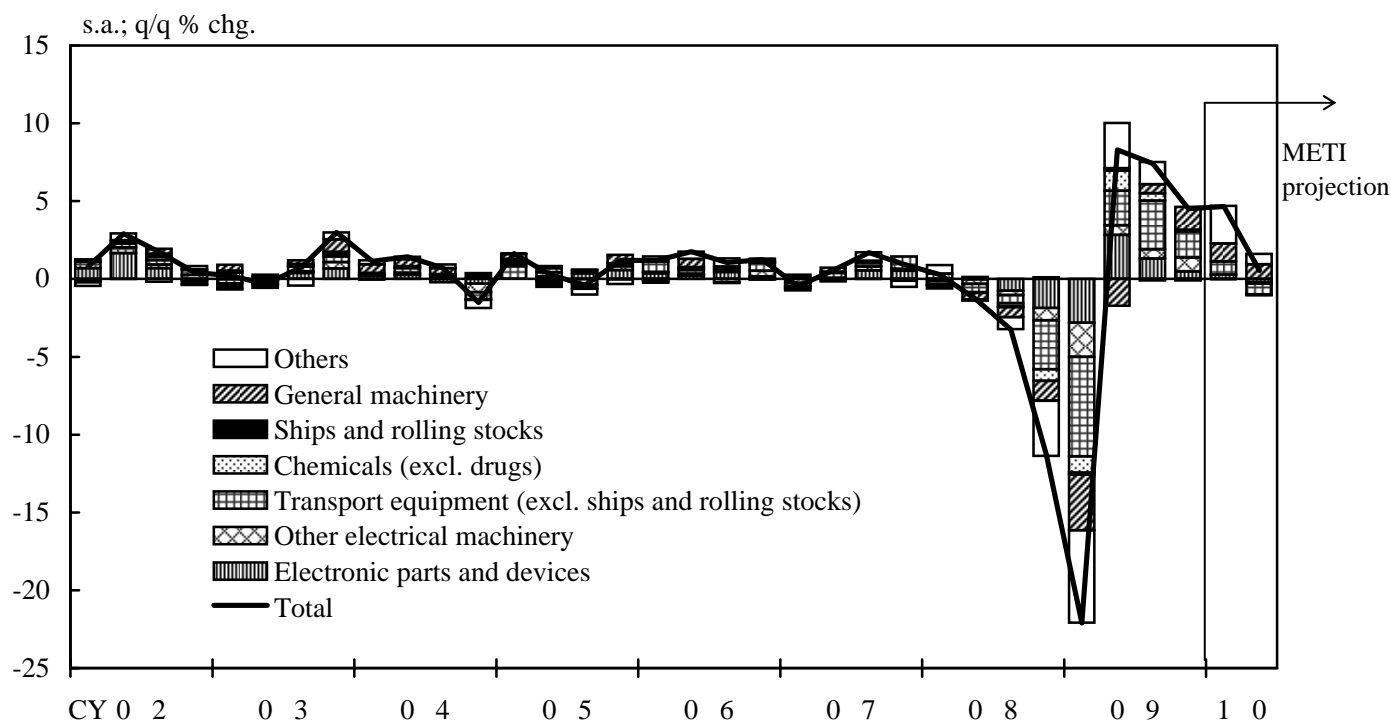
Source: Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts," etc.

## Production, Shipments and Inventories

### (1) Production, Shipments and Inventories



### (2) Production by Industry

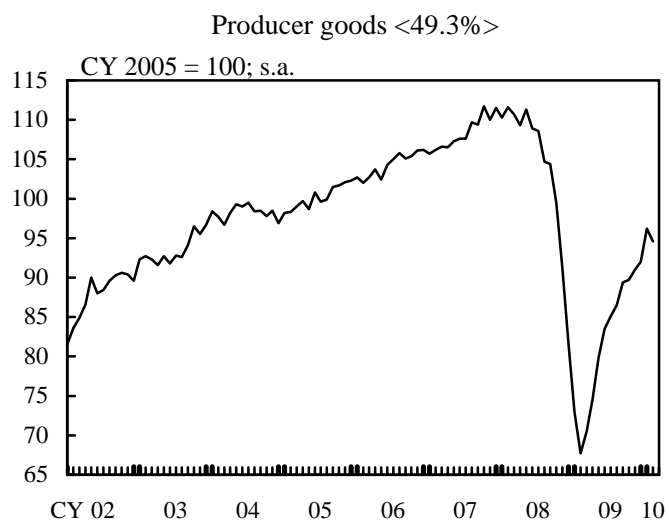
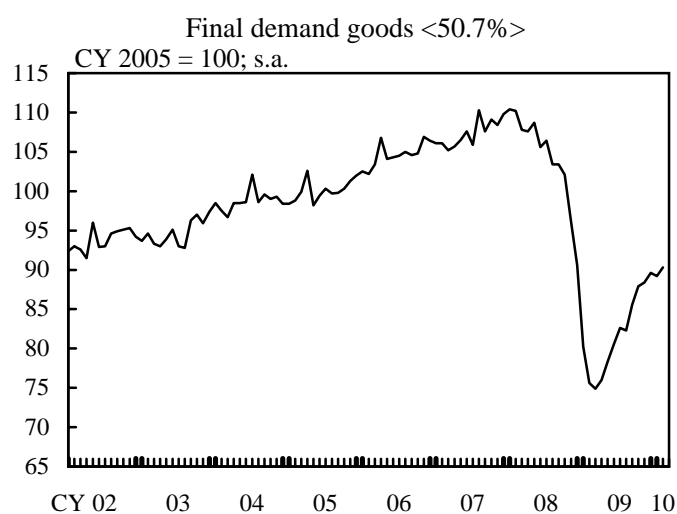


- Notes: 1. "Other electrical machinery" is the weighted sum of "electrical machinery" and "information and communication electronics equipment."  
 2. Figures up to 2003/Q1 are on the 2000 base.  
 3. 2010/Q1 figures are based on the actual production levels in January and February, and the METI projection of March. 2010/Q2 figures are based on the assumption that each production level in May and June is the same as that of April.

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

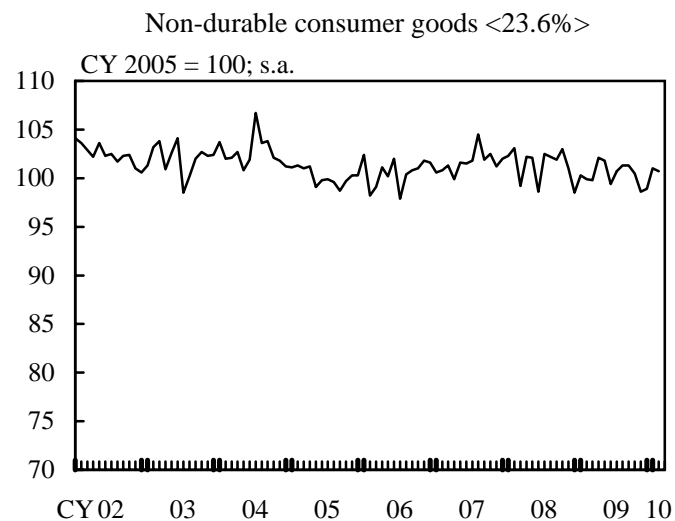
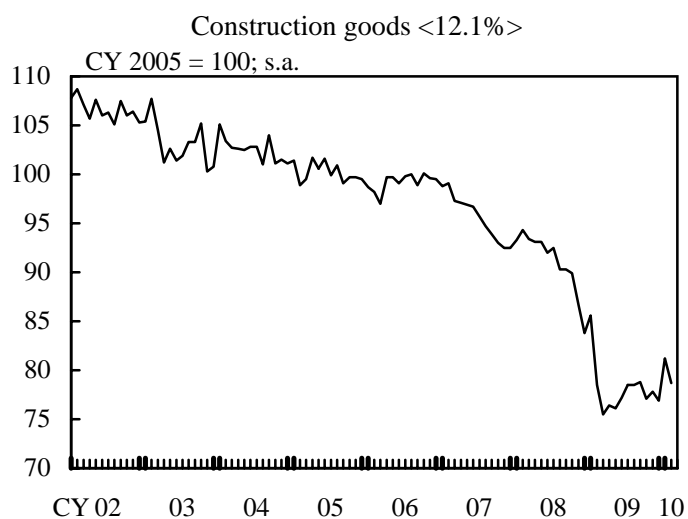
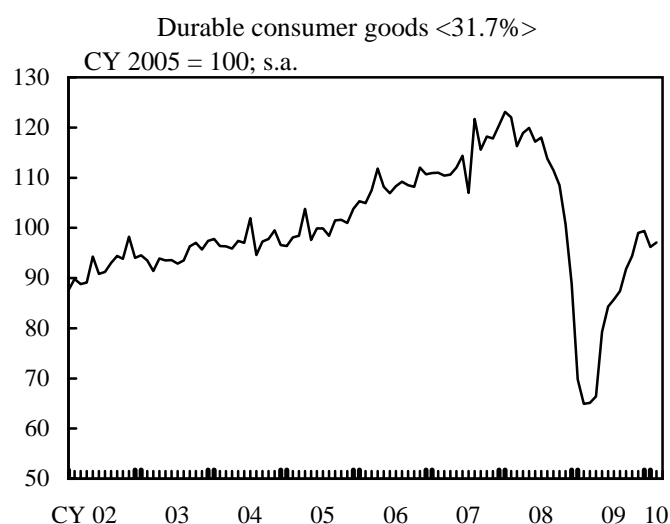
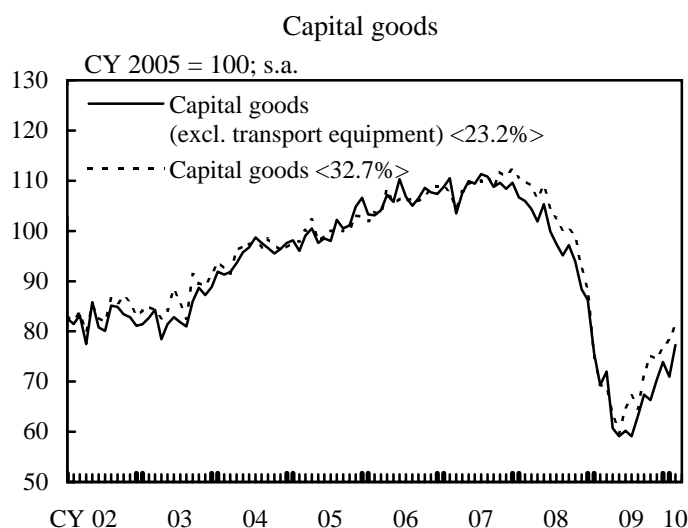
## Shipments Breakdown by Type of Goods

### (1) Final Demand Goods and Producer Goods



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

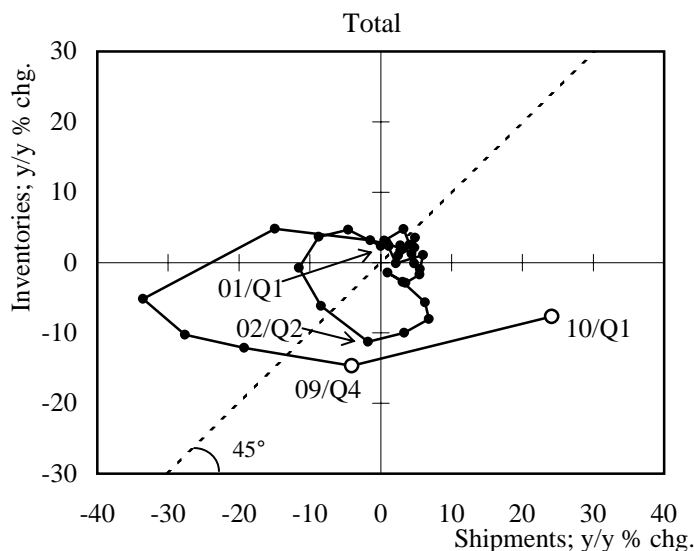
### (2) Breakdown of Final Demand Goods



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

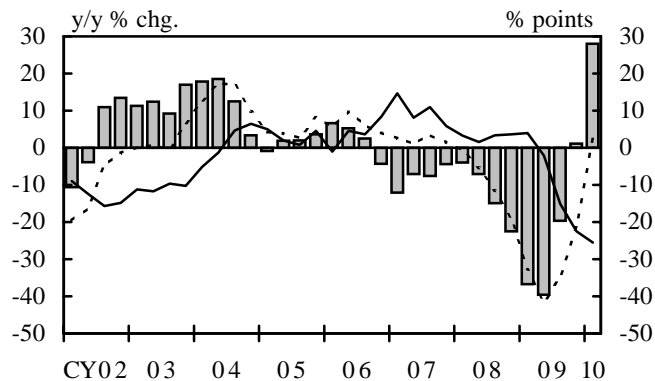
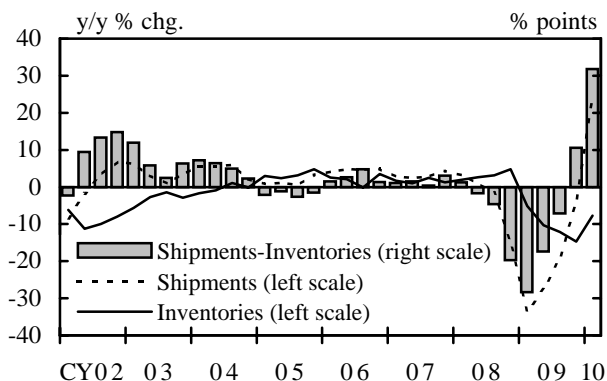
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Inventory Cycle



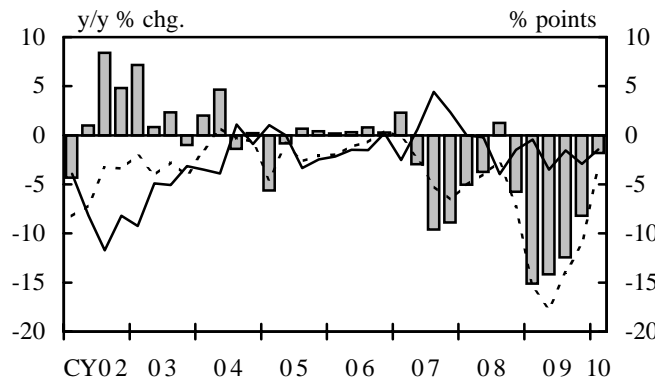
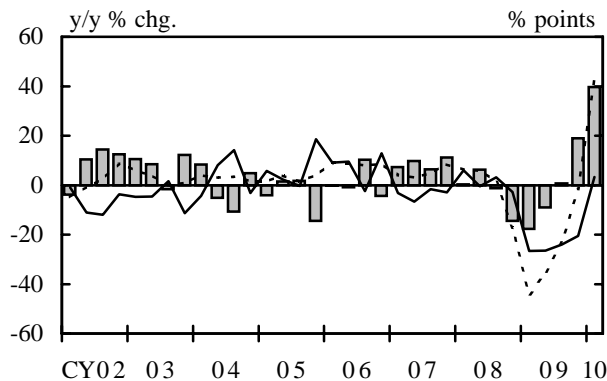
(1) Total

(2) Capital Goods (Excluding Transport Equipment)



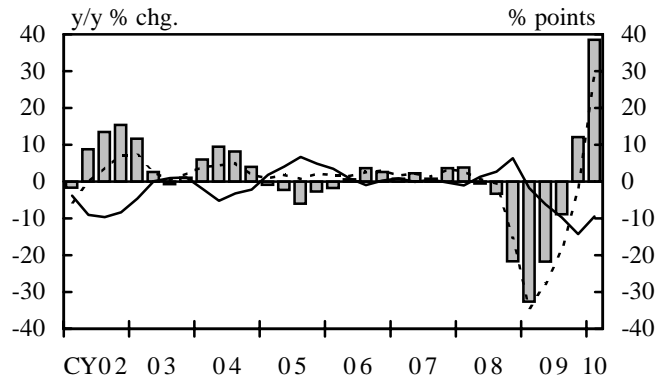
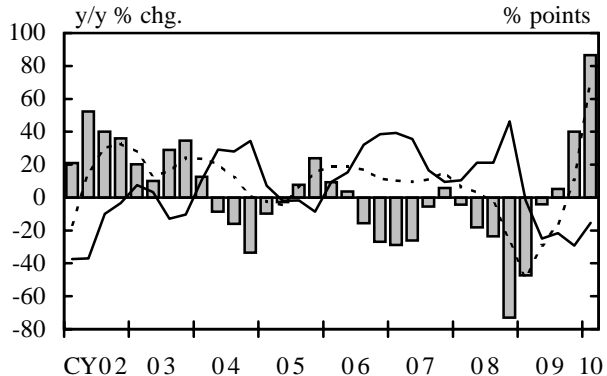
(3) Durable Consumer Goods

(4) Construction Goods



(5) Electronic Parts and Devices

(6) Producer Goods Excluding Electronic Parts and Devices



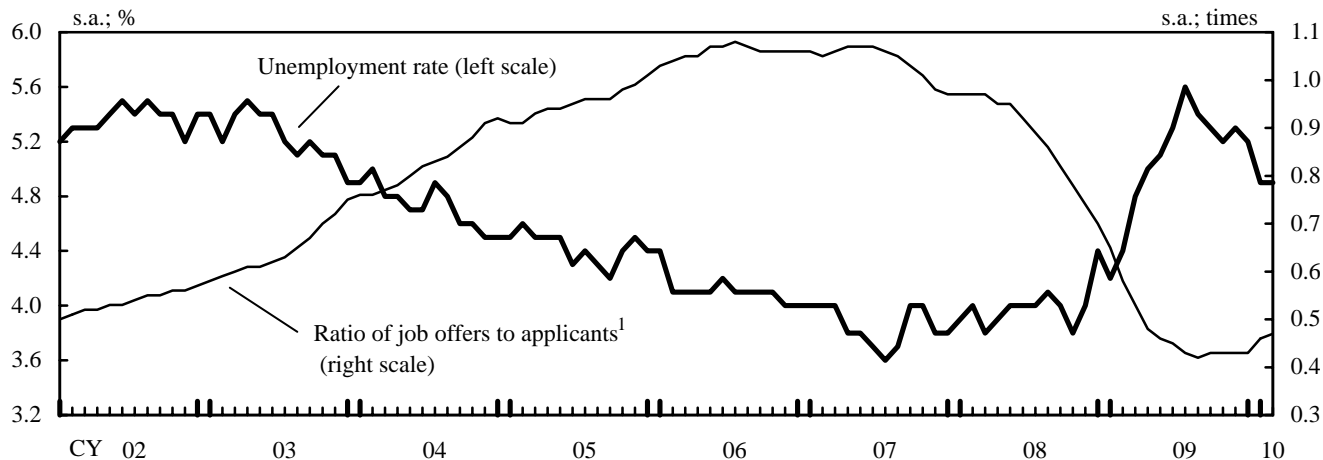
Note: Figures of Shipments for 2010/Q1 are those of January-February averages.

Inventories for 2010/Q1 are those of February.

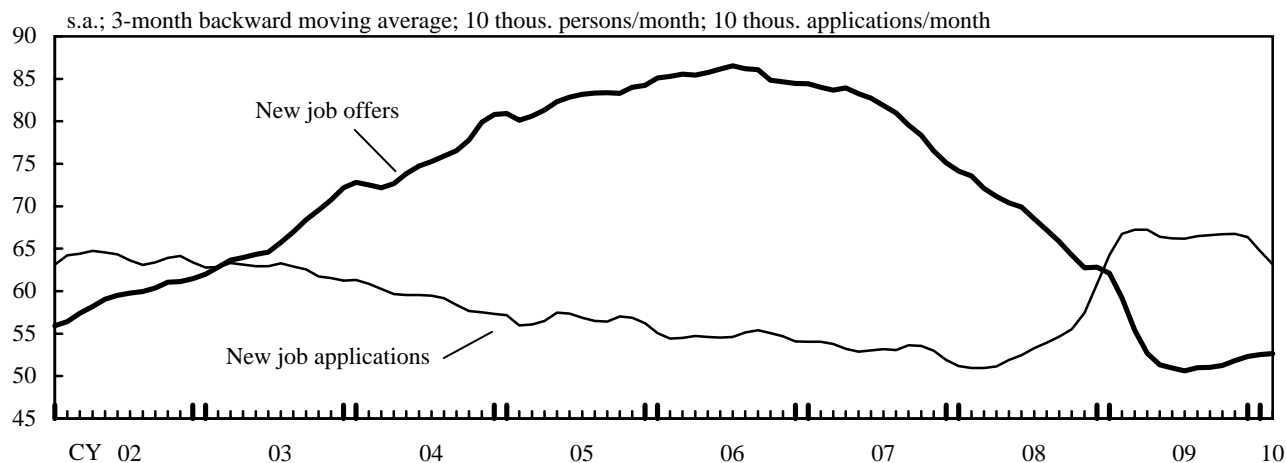
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Labor Market (1)

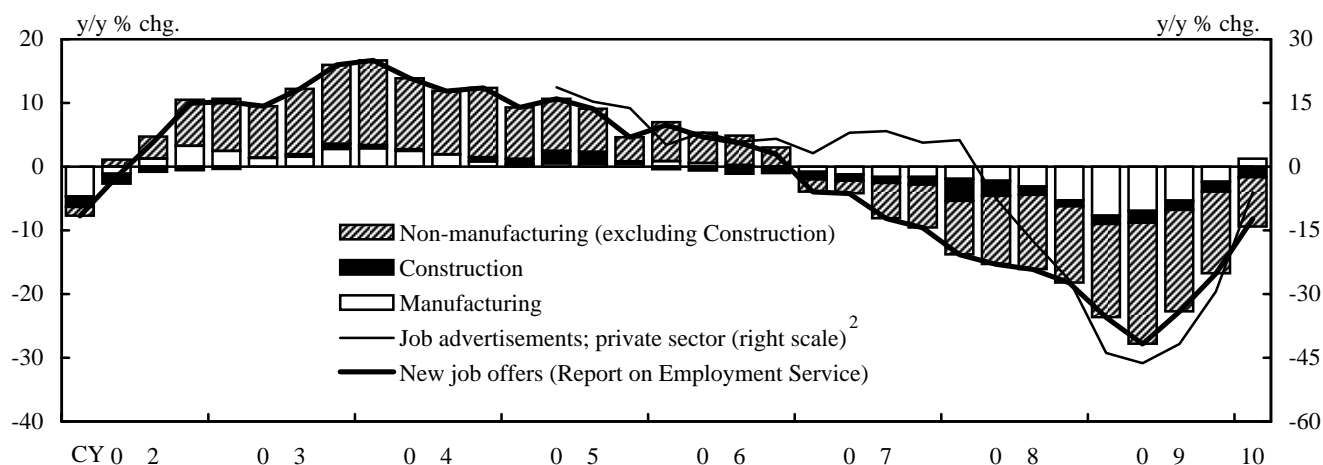
(1) Unemployment Rate and Ratio of Job Offers to Applicants



(2) New Job Offers and New Job Applicants<sup>1</sup>



(3) Breakdown of Job Offers<sup>1,3</sup>



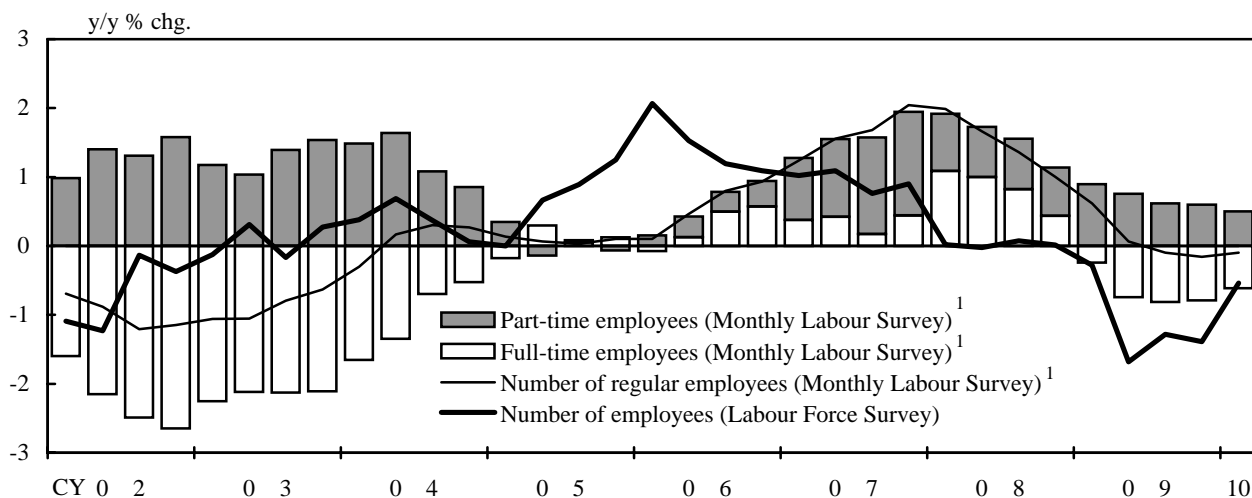
- Notes: 1. Figures do not include jobs offered to new graduates, but include those offered to part-time workers.
- 2. Figures are the sum of job advertisements listed in free/paid job information magazines, newspaper inserts and job information websites provided by member companies of the Association.
- 3. Figures for 2010/Q1 are those of January-February 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 Keisaijensu (Survey of Job Advertisements)."

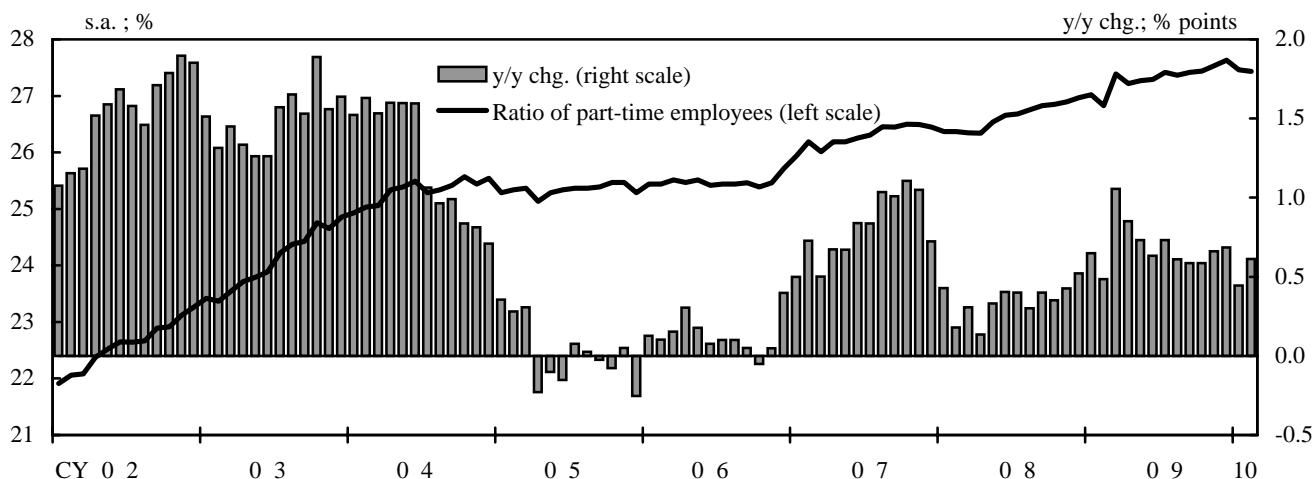


Labor Market (2)

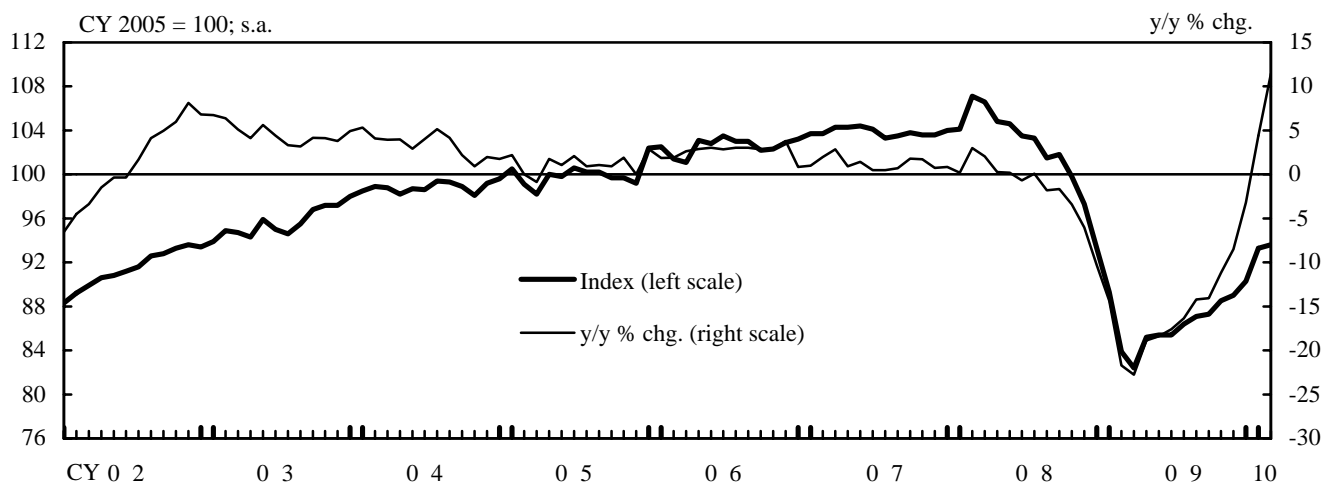
(1) Number of Employees<sup>3</sup>



(2) Ratio of Part-Time Employees<sup>1,2</sup>



(3) Non Scheduled Hours Worked<sup>1</sup>



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

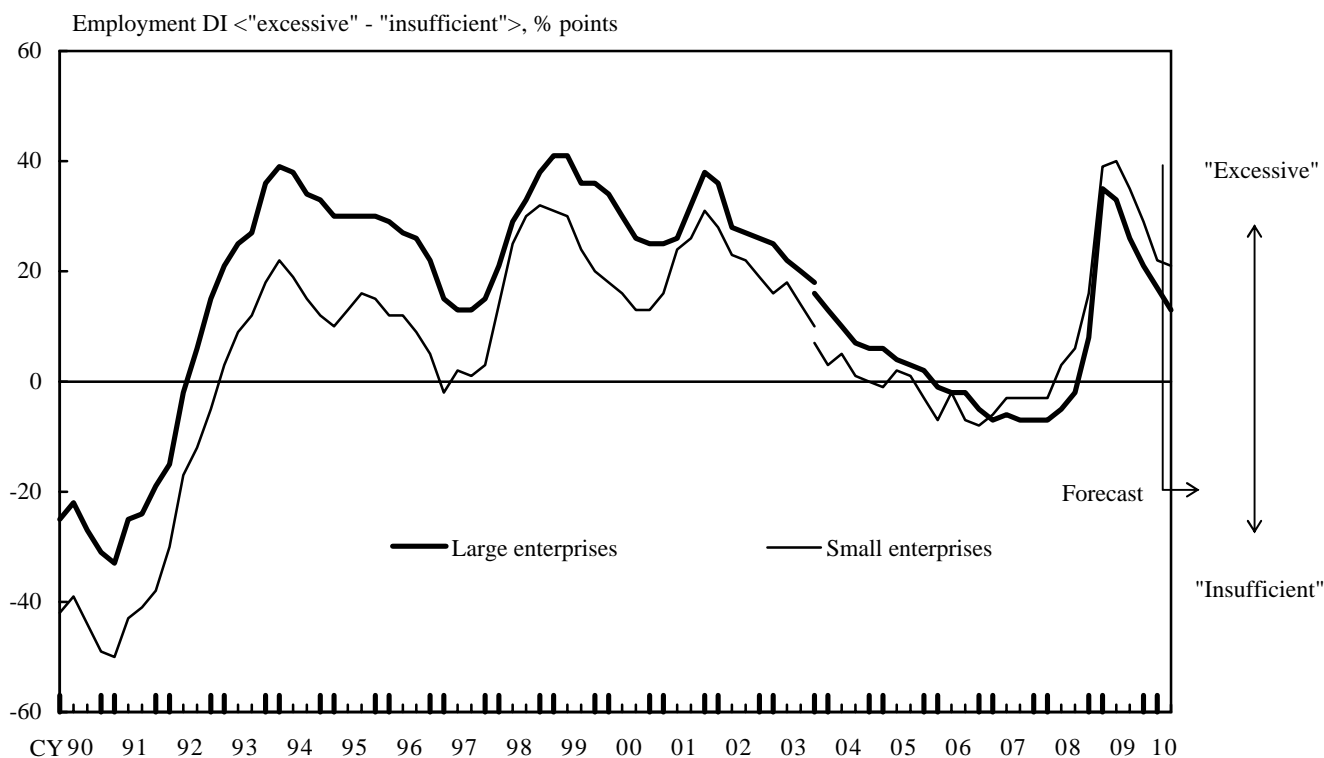
2. The ratio of part-time employees is calculated as the number of part-time employees divided by the number of regular employees times 100.

3. Figures for 2010/Q1 are those of January-February averages.

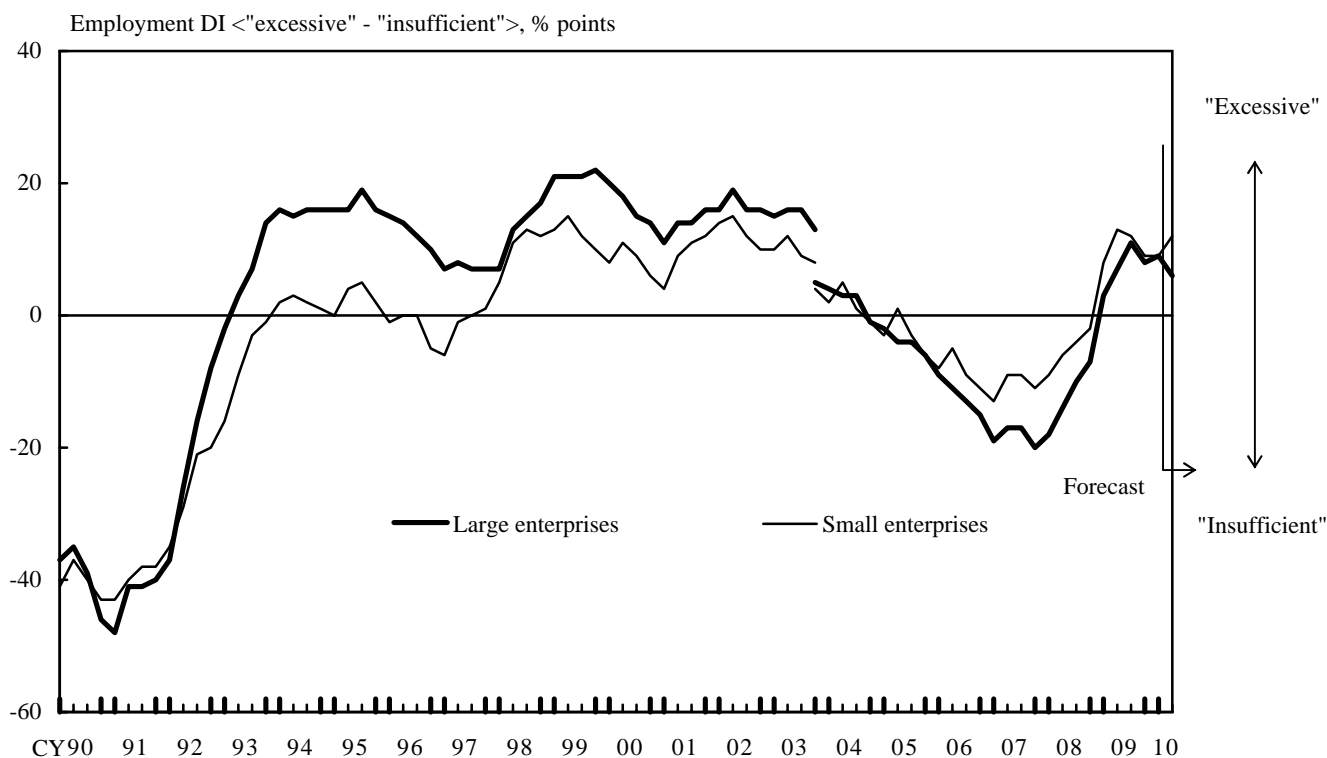
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";  
Ministry of Internal Affairs and Communications, "Labour Force Survey."

Employment Conditions

(1) Manufacturing



(2) Nonmanufacturing

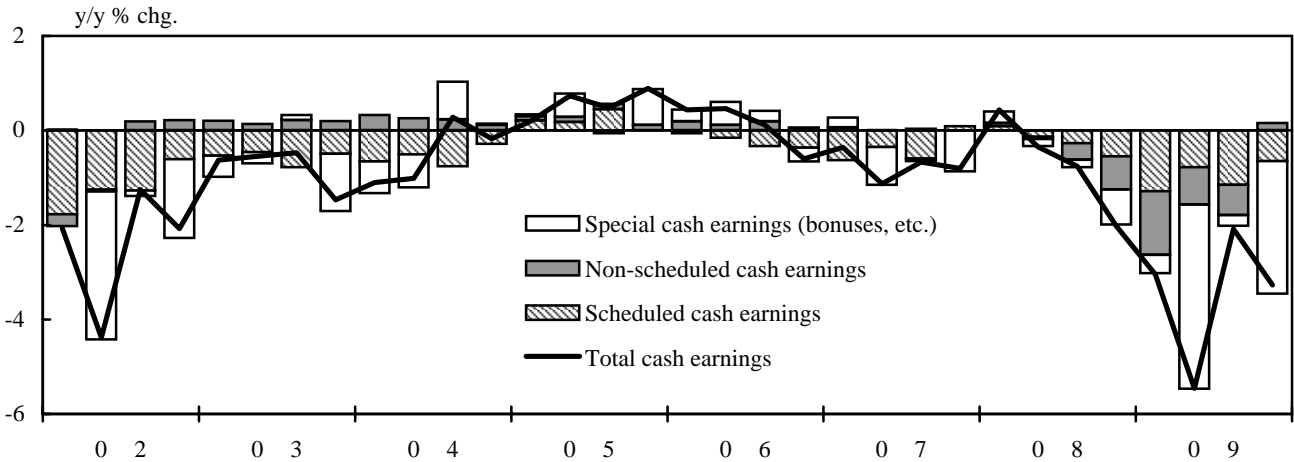


Note: The *Tankan* has been revised from the March 2004 survey. Figures up to the December 2003 survey are based on the previous data sets. Figures from the December 2003 survey are on a new basis.

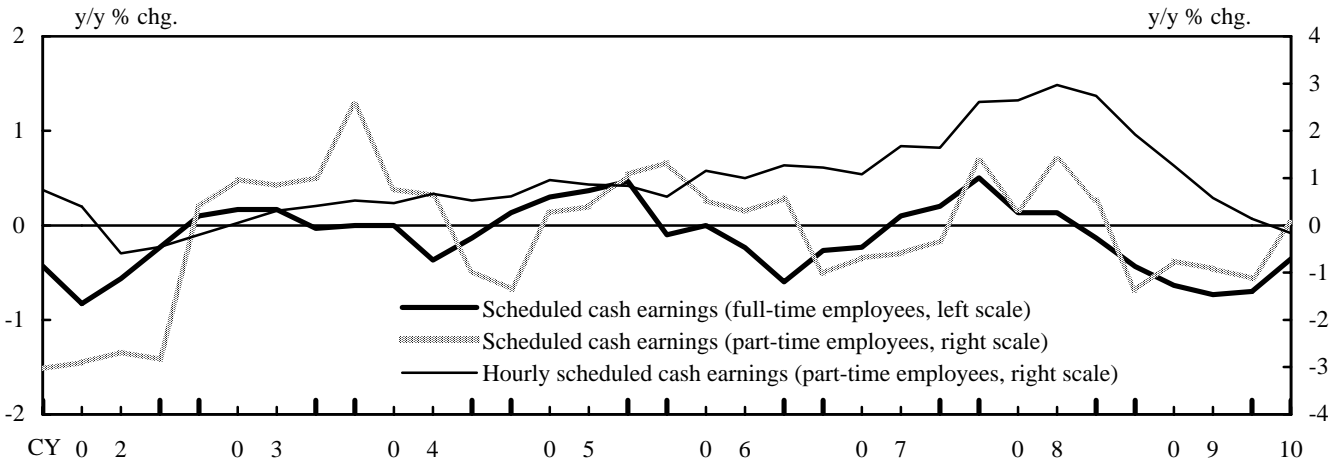
Source: Bank of Japan, "*Tankan* , Short-term Economic Survey of Enterprises in Japan."

Employee Income

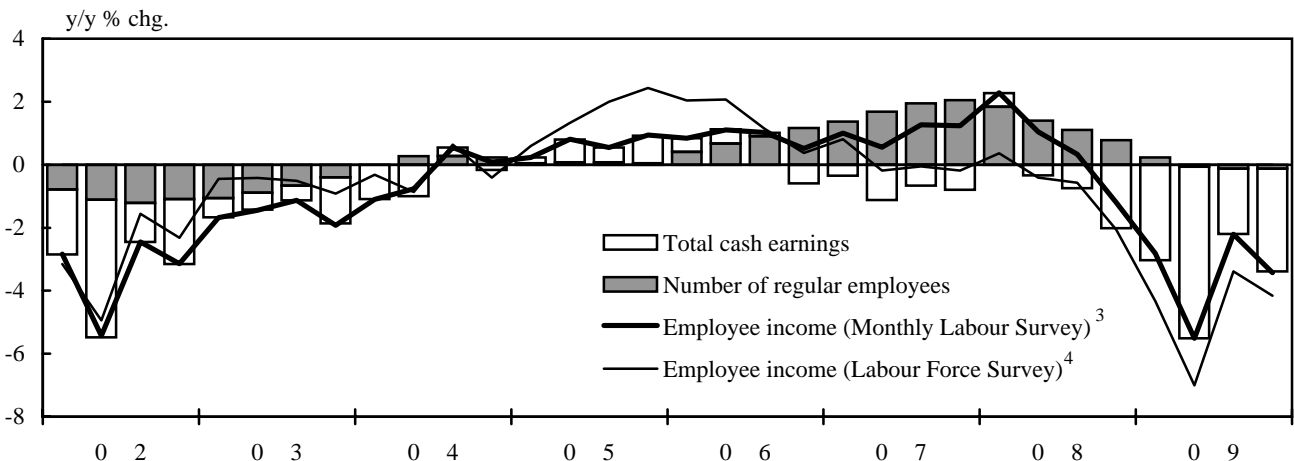
(1) Breakdown of Total Cash Earnings<sup>1,2</sup>



(2) Scheduled Cash Earnings<sup>1,5</sup>



(3) Breakdown of Employee Income<sup>1,2</sup>

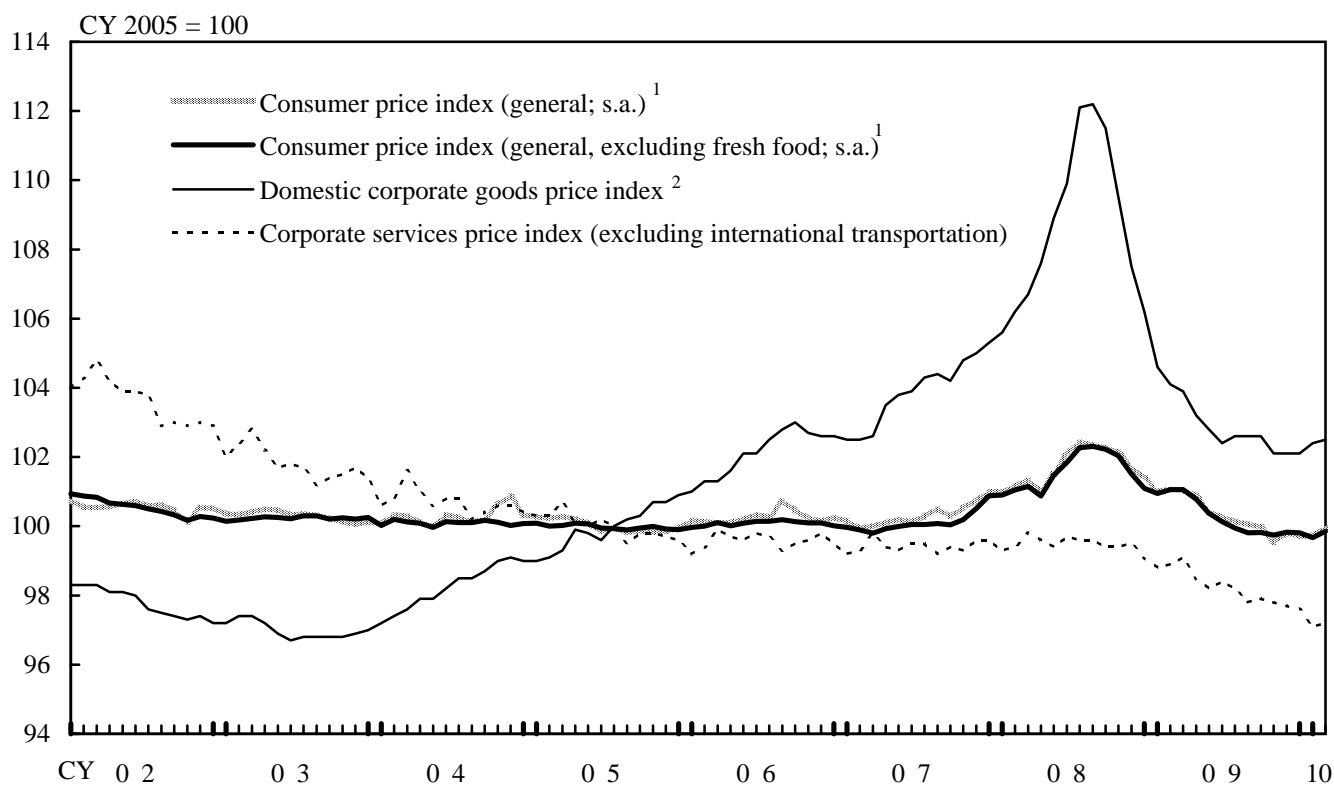


Notes: 1. Data of the Monthly Labor Survey are for establishments with at least five employees.  
 2. Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.  
 3. Calculated as the number of regular employees (Monthly Labour Survey) times total cash earnings (Monthly Labour Survey).  
 4. Calculated as the number of employees (Labour Force Survey) times total cash earnings (Monthly Labour Survey).  
 5. Figures for 2010/Q1 are those of January-February averages.

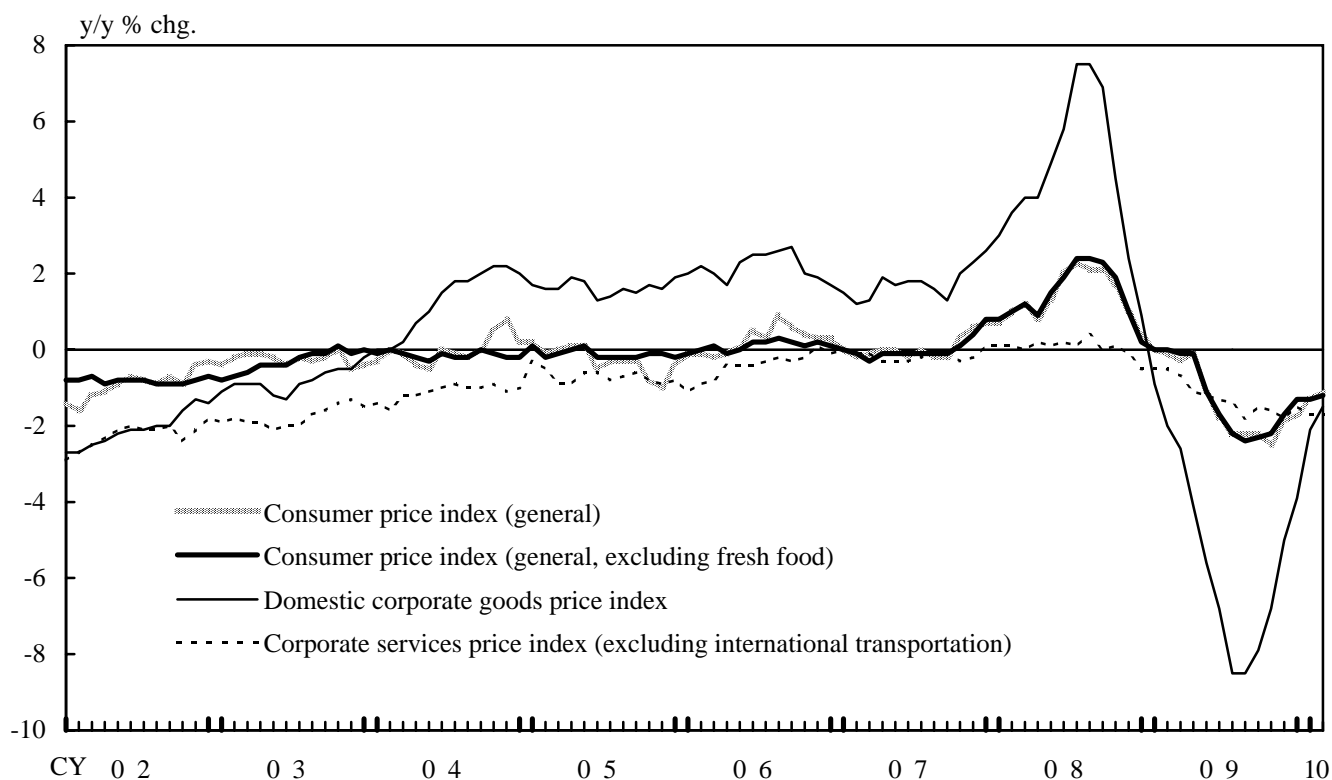
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";  
 Ministry of Internal Affairs and Communications, "Labour Force Survey."

## Prices

## (1) Level



## (2) Changes from a Year Earlier



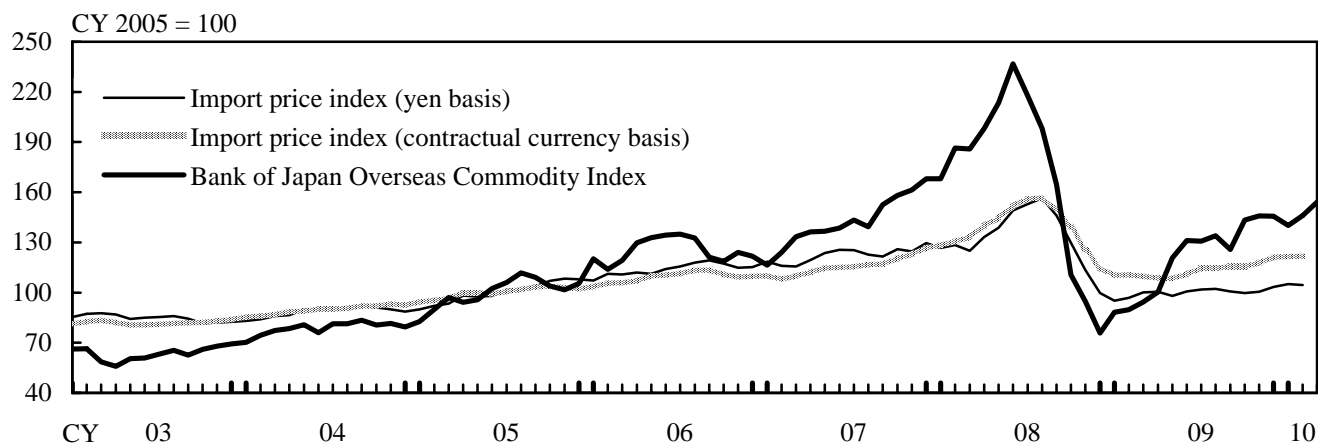
Notes: 1. Seasonally adjusted by X-12-ARIMA.

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

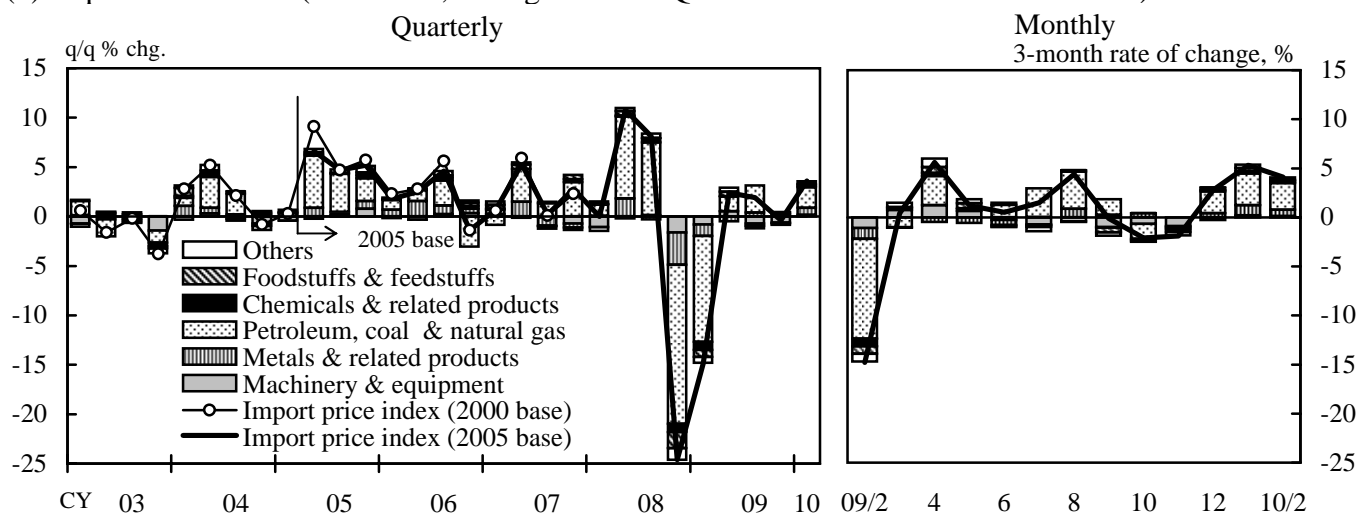
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index."

## Import Prices and International Commodity Prices

### (1) Import Price Index and Overseas Commodity Index



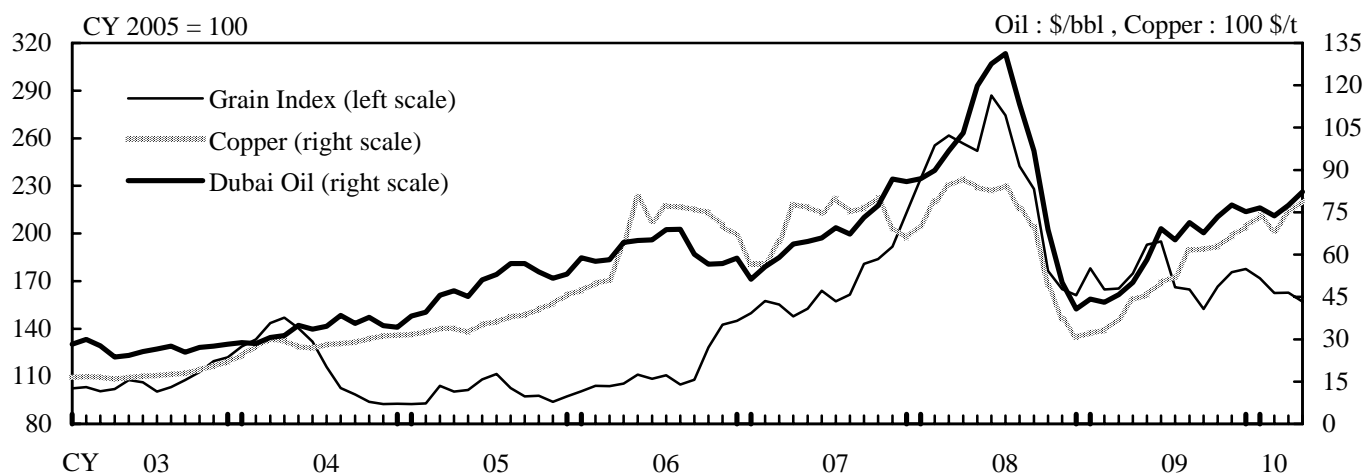
### (2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



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

2. Figures for 2010/Q1 are January-February averages. Figures for 2007/Q4 on the 2000 base are those of October.

### (3) International Commodity Prices



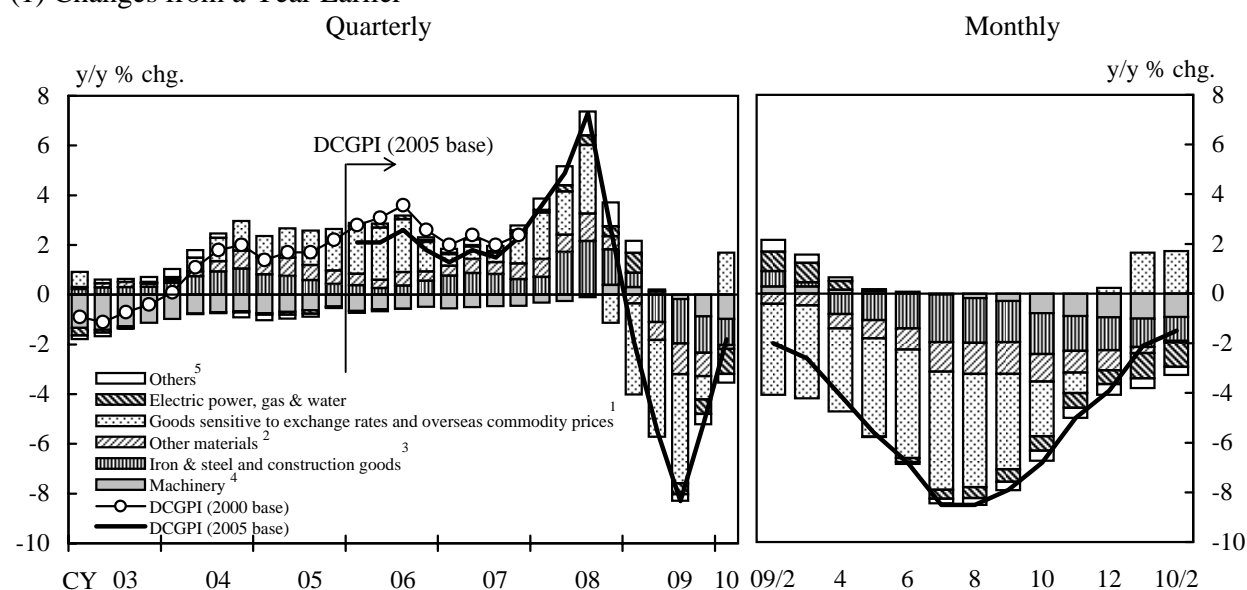
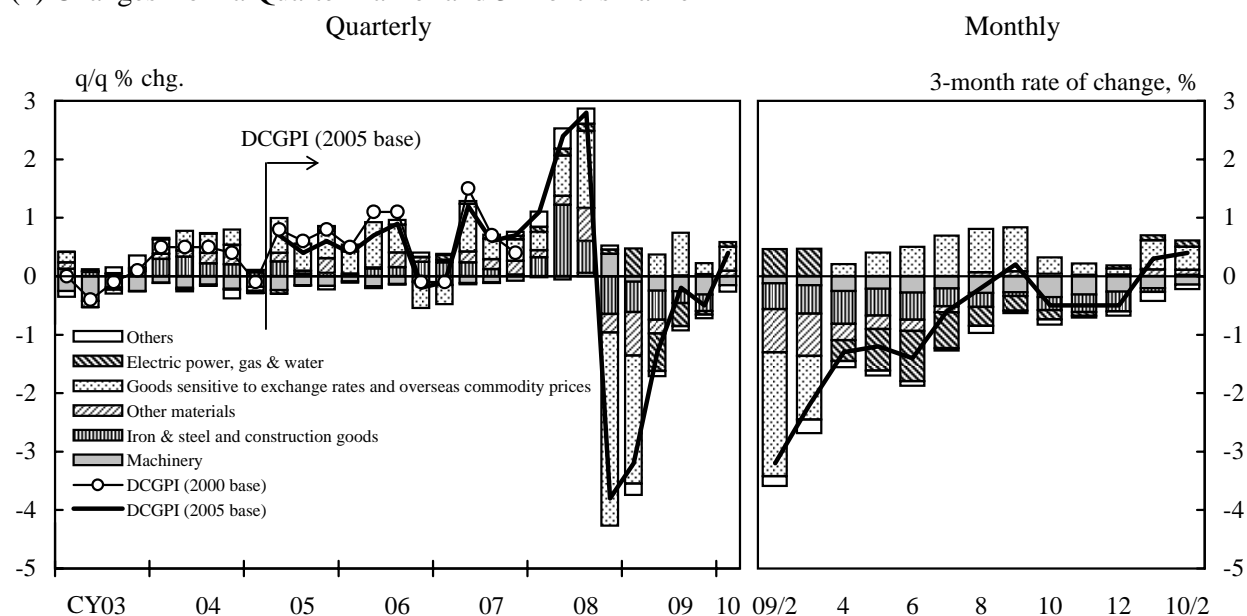
Notes: 1. The Grain Index is the weighted average of prices of three selected items (wheat, soybeans, corn) in overseas commodity markets. The weights are based on the Value of Imports in the Trade Statistics of Japan.

2. Monthly averages. Figures for April 2010 are the averages up to April 6.

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

Domestic Corporate Goods Price Index<sup>7</sup>

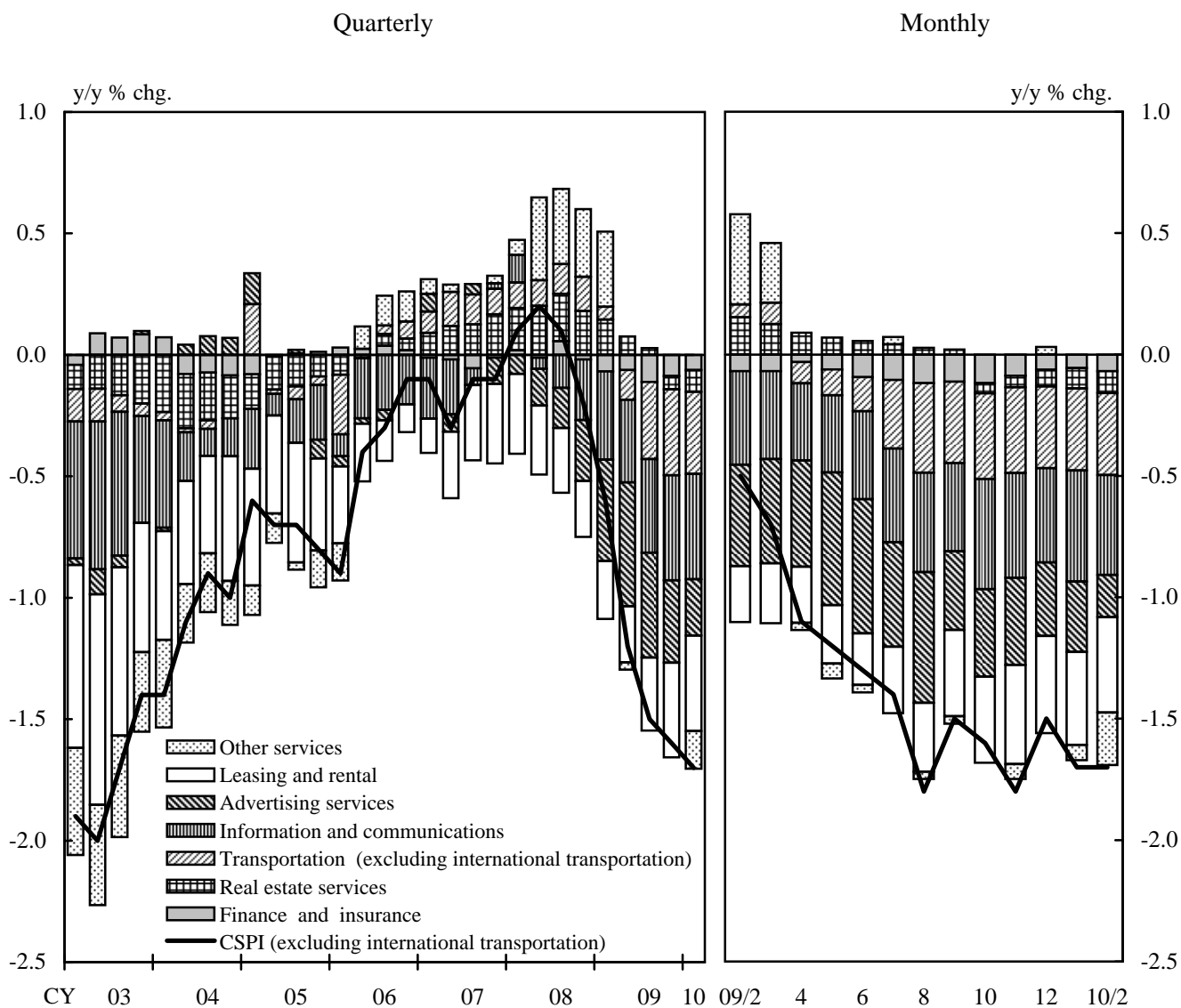
## (1) Changes from a Year Earlier

(2) Changes from a Quarter Earlier and 3 Months Earlier<sup>6</sup>

- 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 2010/Q1 are January-February averages. Figures for 2007/Q4 on the 2000 base are those of October.

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

Corporate Services Price Index

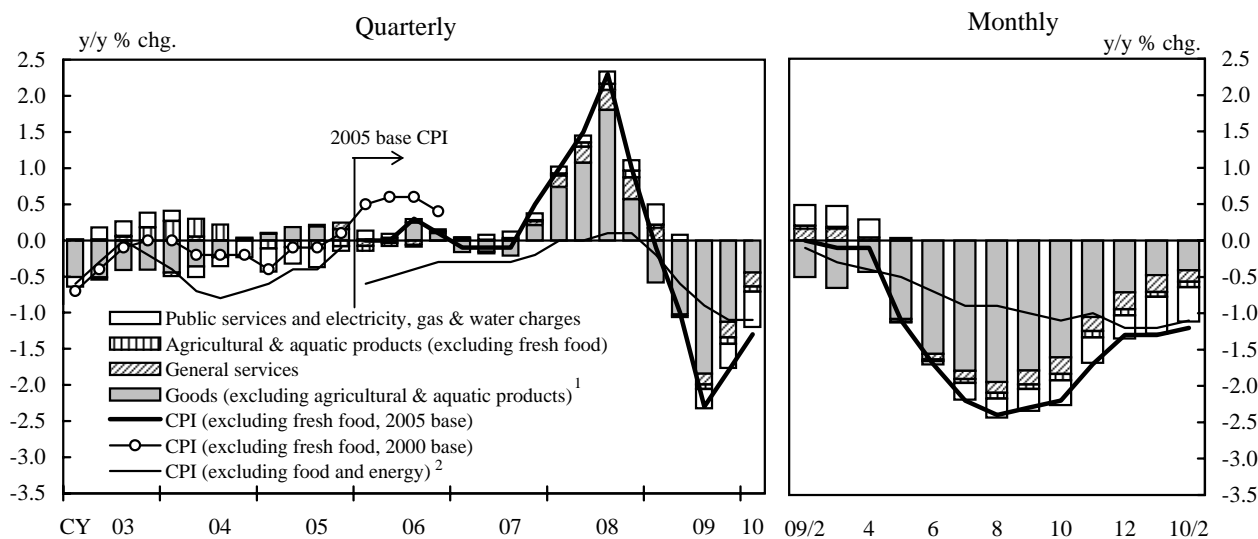


Note: Figures for 2010/Q1 are January-February averages.

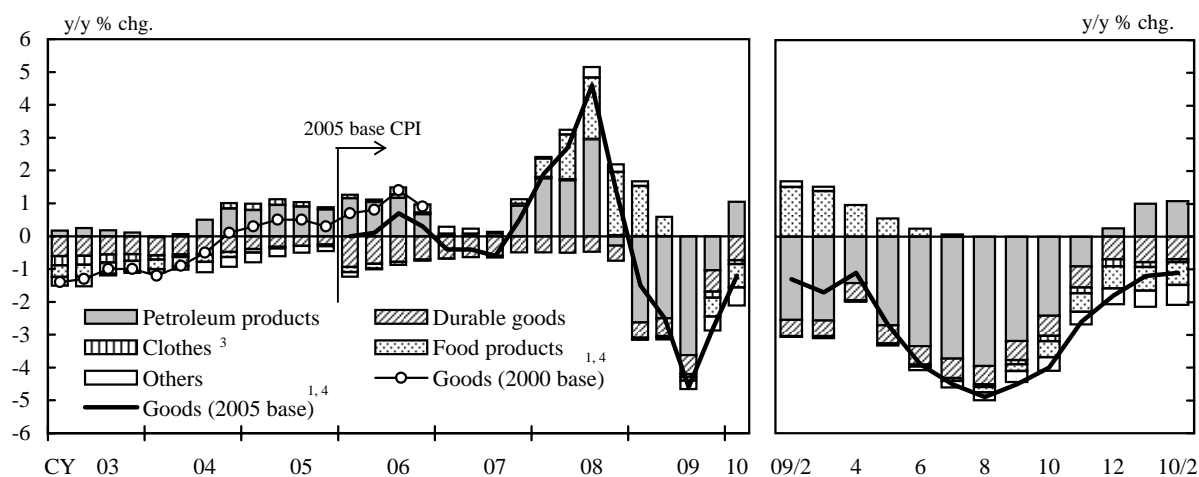
Source: Bank of Japan, "Corporate Services Price Index."

Consumer Price Index (Excluding Fresh Food)

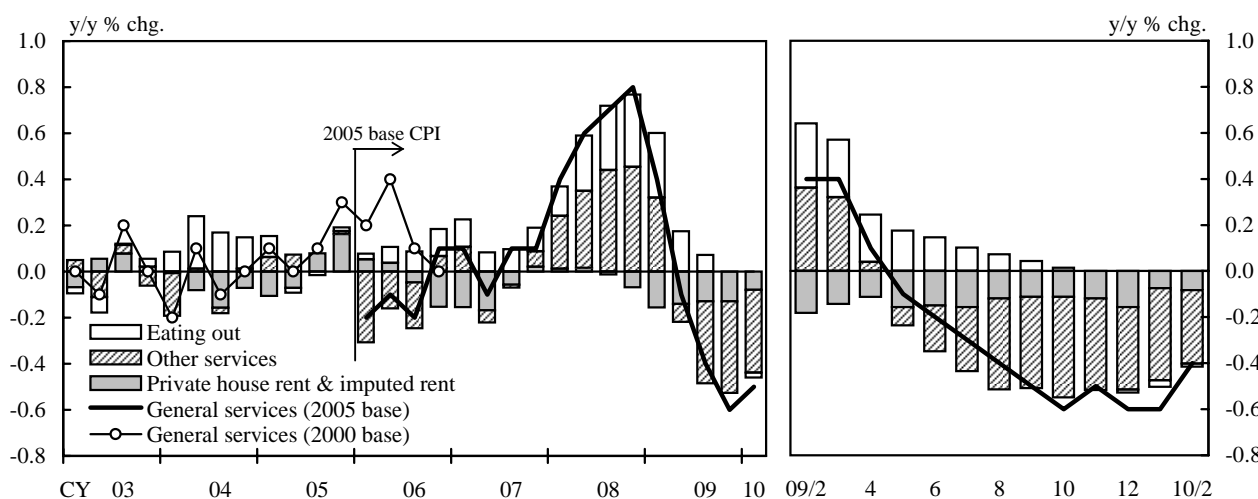
(1) Consumer Price Index (Excluding Fresh Food)



(2) Goods (Excluding Agricultural & Aquatic Products)<sup>1</sup>



(3) General Services



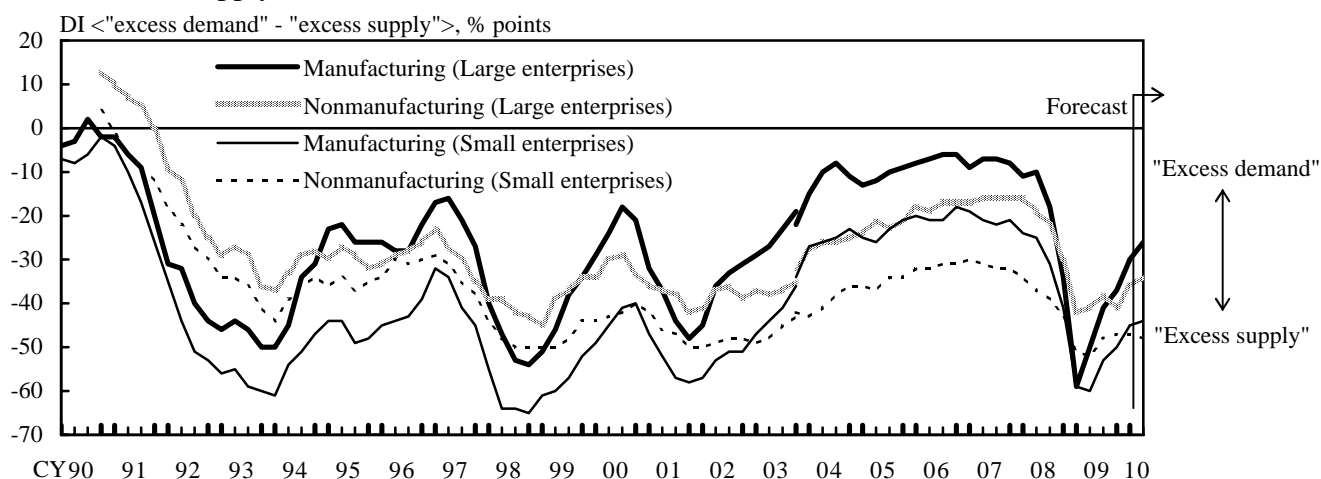
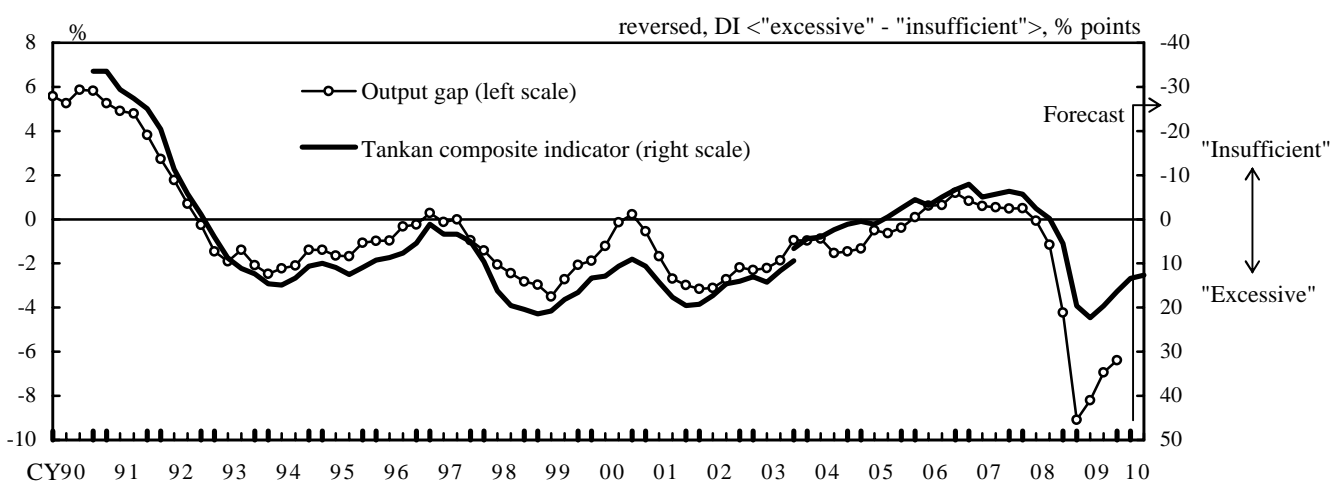
- Notes:1. The items are basically the same as the definition published by the Ministry of Internal Affairs and Communications. However, electricity, gas & water charges are excluded from goods.  
 2. Alcoholic beverages are excluded from food. Energy: electricity, gas manufactured & piped, liquefied propane, kerosene, and gasoline.  
 3. Including shirts, sweaters & underwear.  
 4. Excluding agricultural & aquatic products.  
 5. Figures for 2010/Q1 are January-February averages.

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

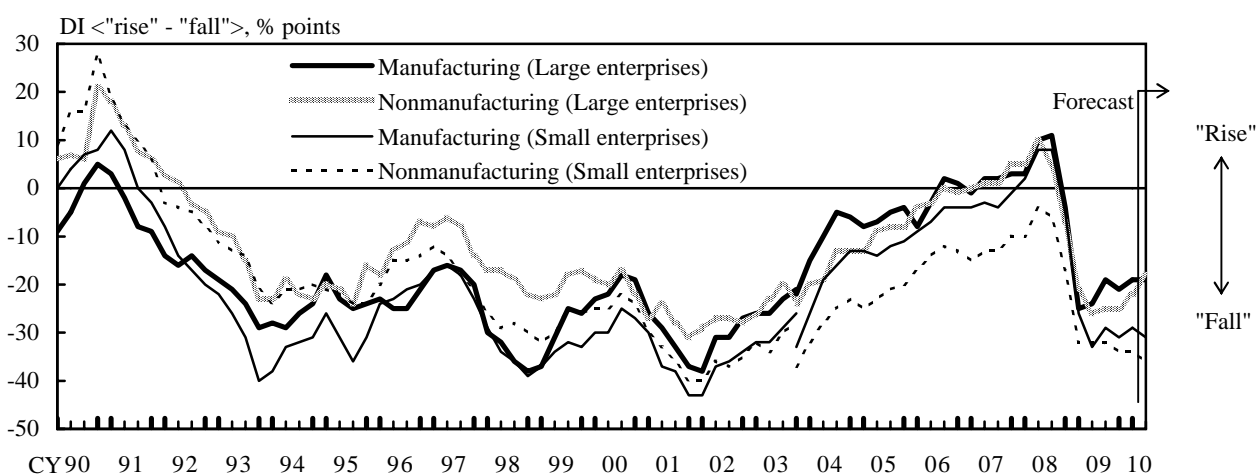


Domestic Supply and Demand Conditions<sup>1</sup>

## (1) Domestic Supply and Demand Conditions for Products and Services

(2) Tankan Composite Indicator<sup>2</sup> (All Enterprises) and Output Gap<sup>3</sup>

## (3) Change in Output Prices



Notes: 1. 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 weighted averages of Production Capacity DI and Employment DI which show excessiveness. The FY 1990-2008 averages of capital and labor shares in national accounts are used as the weight.

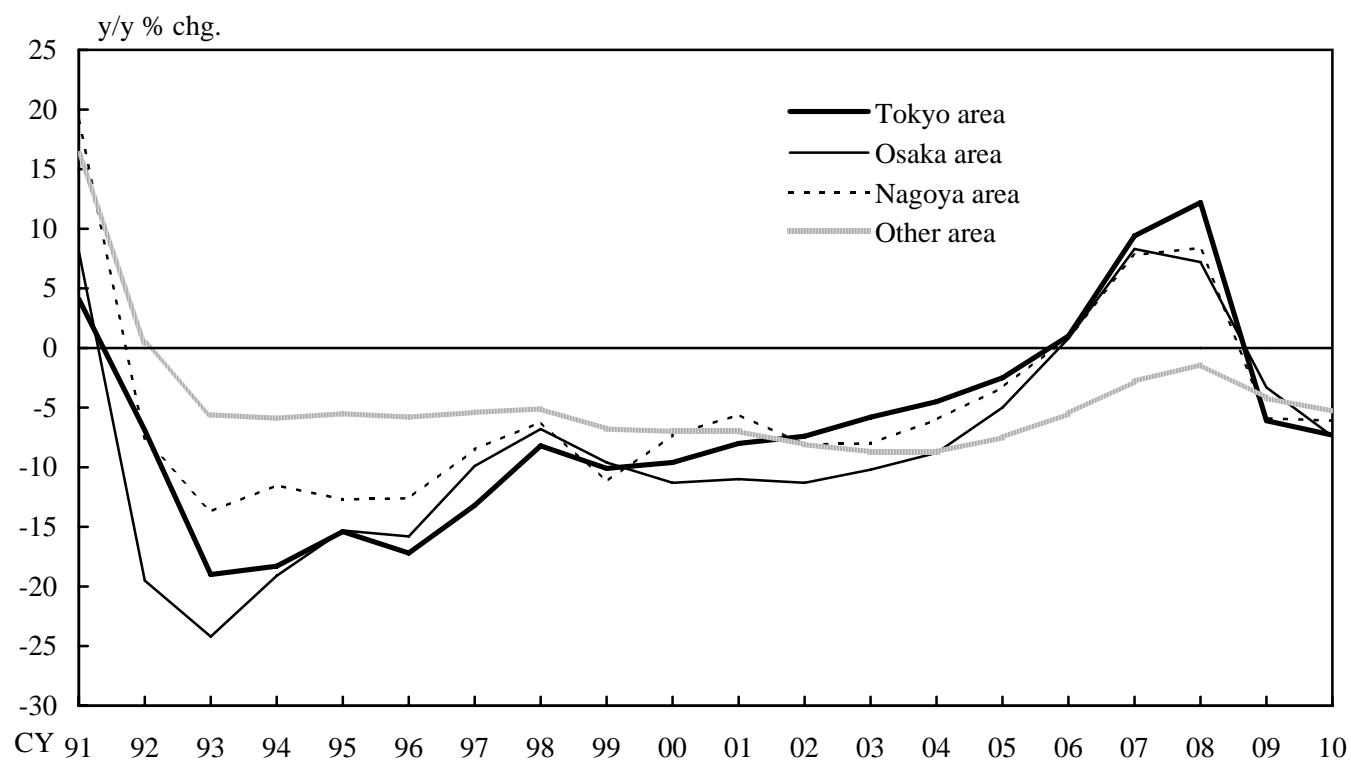
3. The output gap is estimated by the Research and Statistics Department, Bank of Japan. Since the estimation of the output gap includes various errors, considerable latitude should be allowed for this estimation.

Sources: Cabinet Office, "National Accounts";

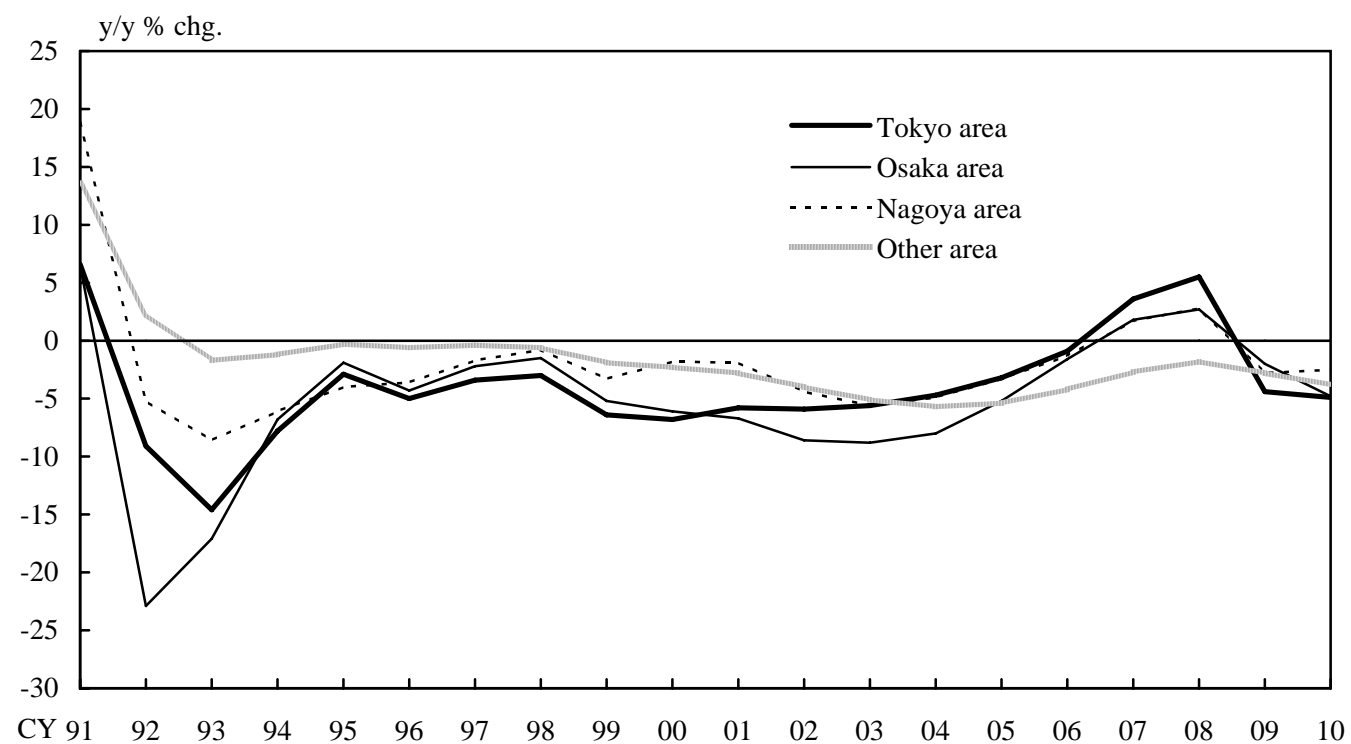
Bank of Japan, "*Tankan*, Short-Term Economic Survey of Enterprises in Japan," etc.

## Land Prices

## (1) Commercial land



## (2) Residential land

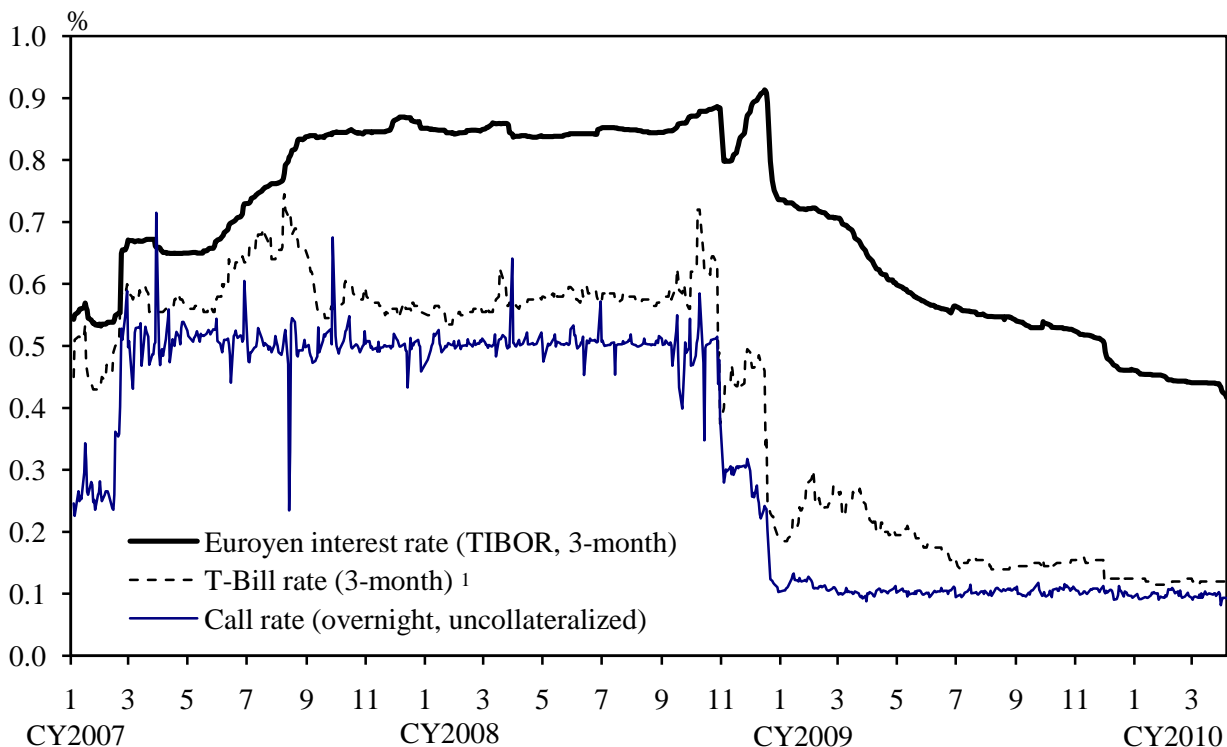


Note: Public Notice of Land Prices, surveyed by the Ministry of Land, Infrastructure, Transport and Tourism, shows the land prices as of January 1st.

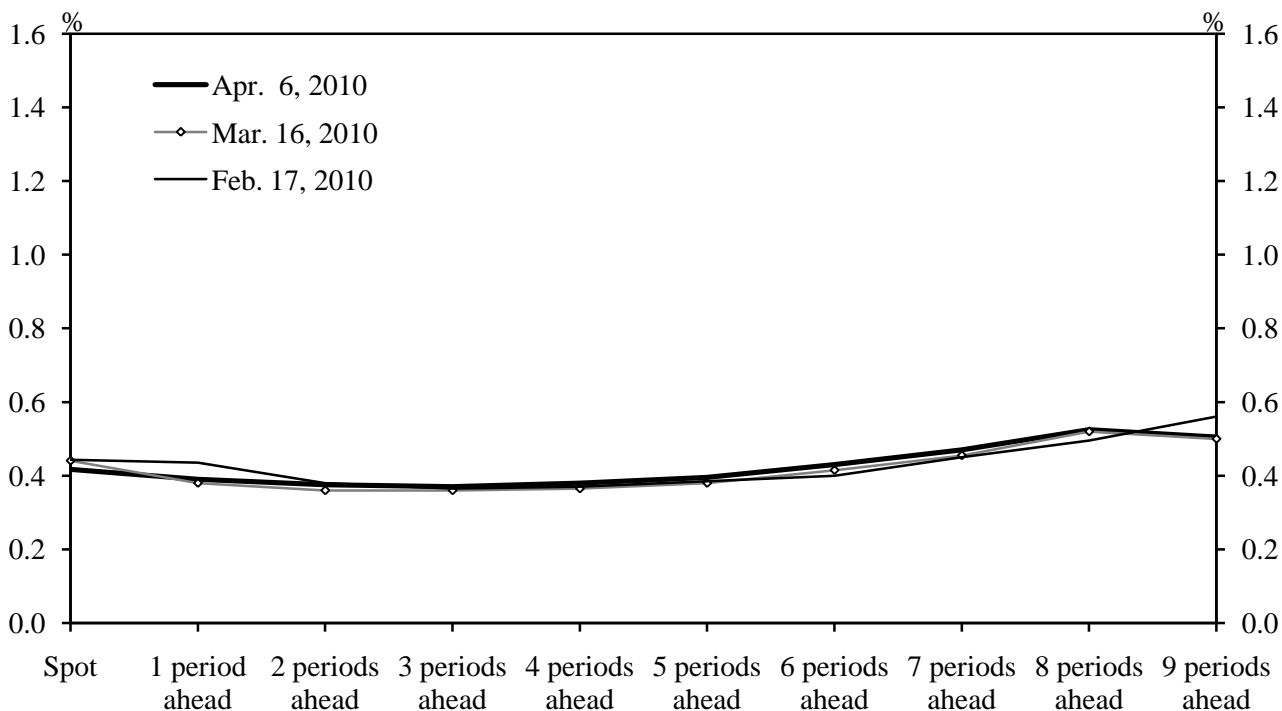
Source: Ministry of Land, Infrastructure, Transport and Tourism, "Public Notice of Land Prices."

Short-Term Interest Rates

(1) Short-Term Interest Rates



(2) Euroyen Interest Rate Futures (3-Month) <sup>2</sup>



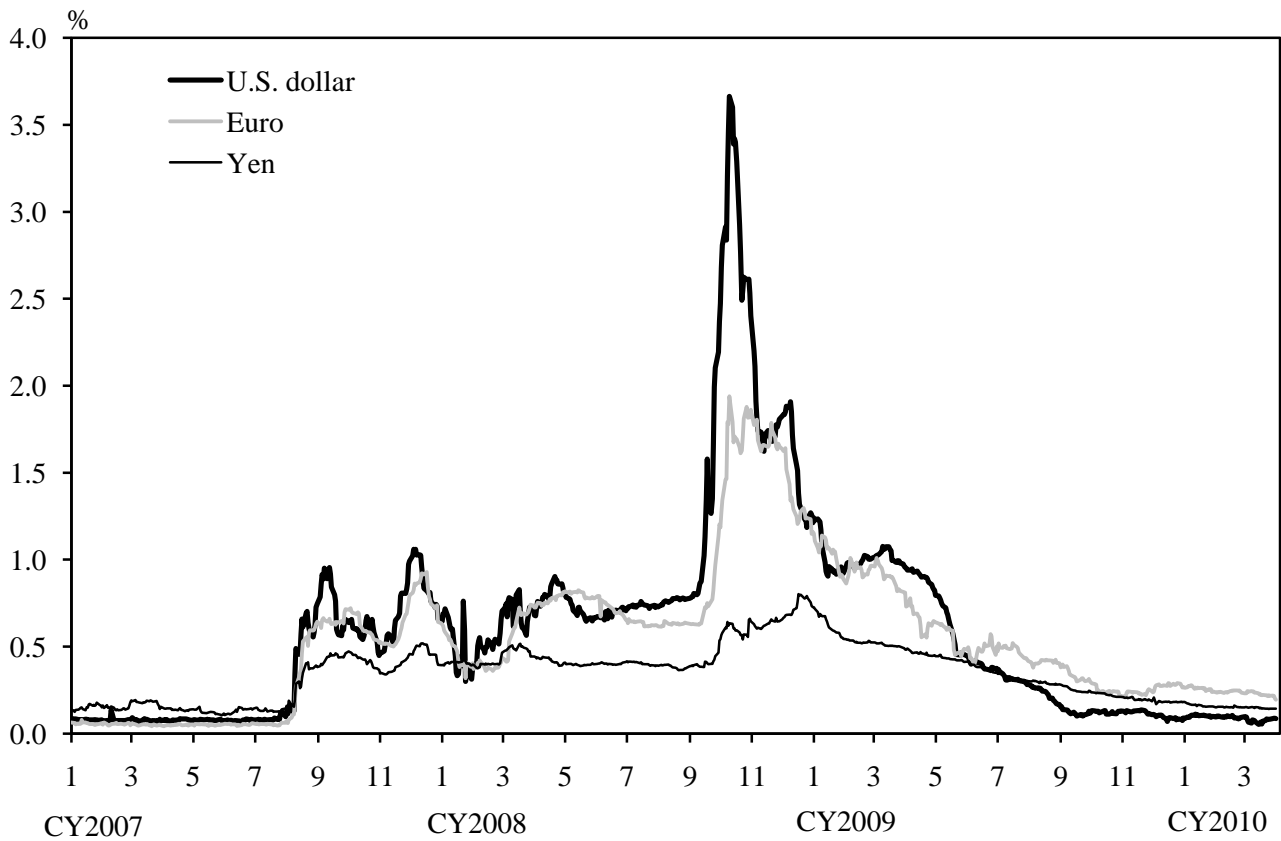
Notes: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.

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

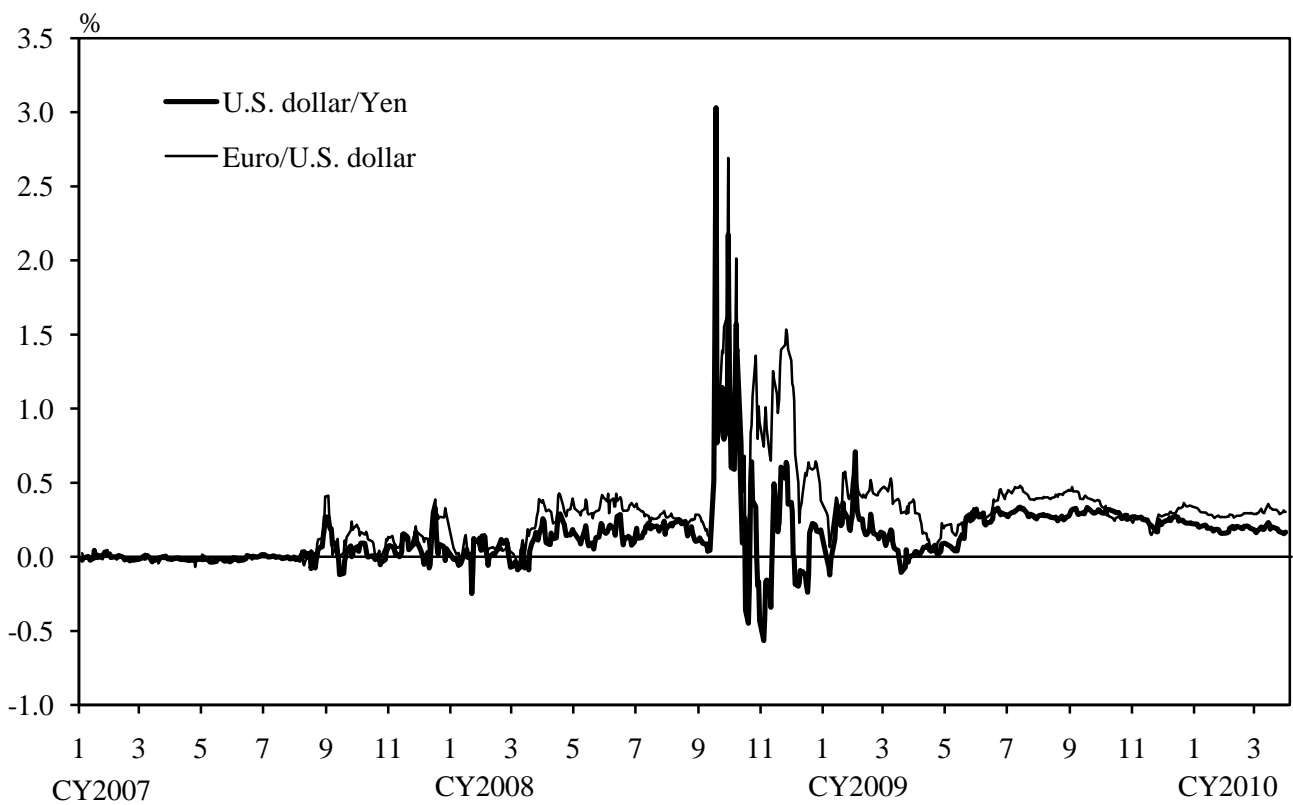
Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.; Tokyo Financial Exchange; Bank of Japan.

Global Money Markets

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



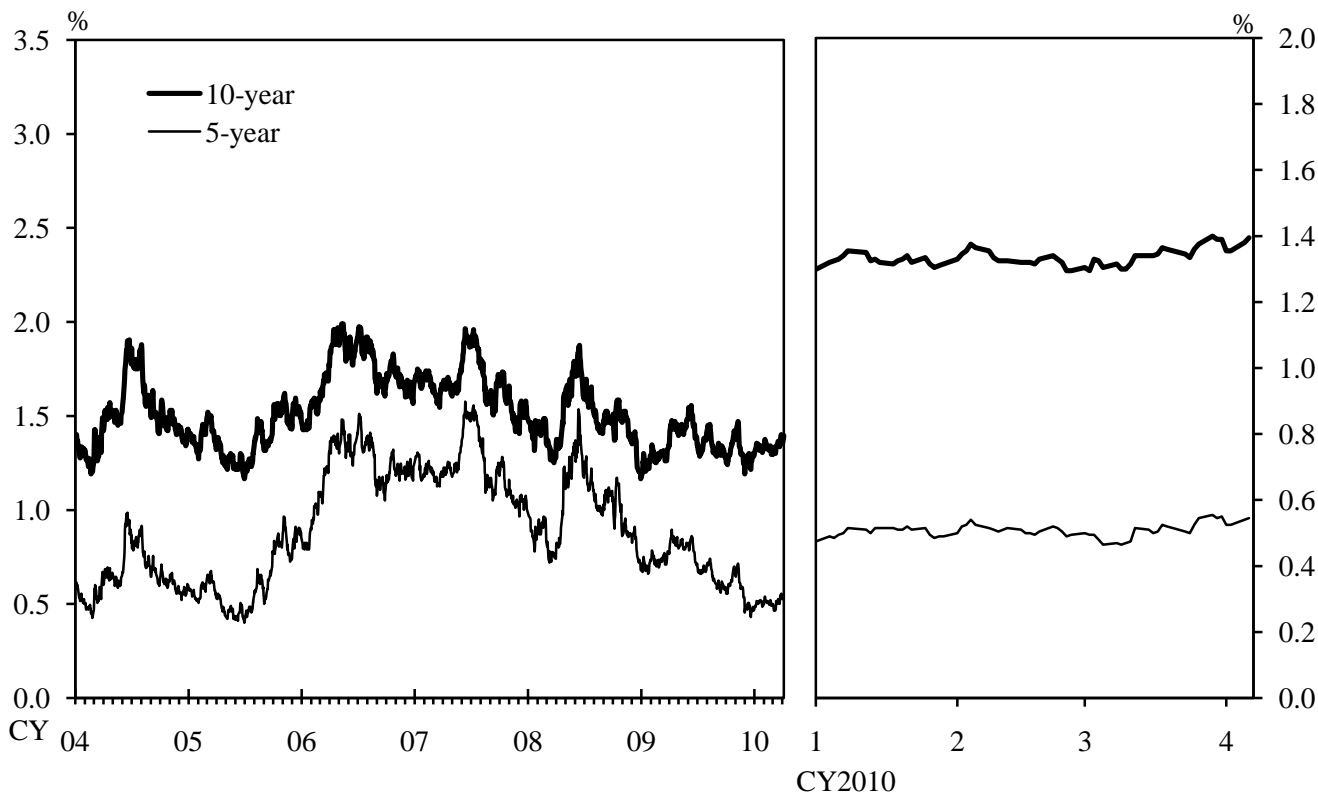
(2) FX swap implied dollar rate - LIBOR spreads (3-Month)



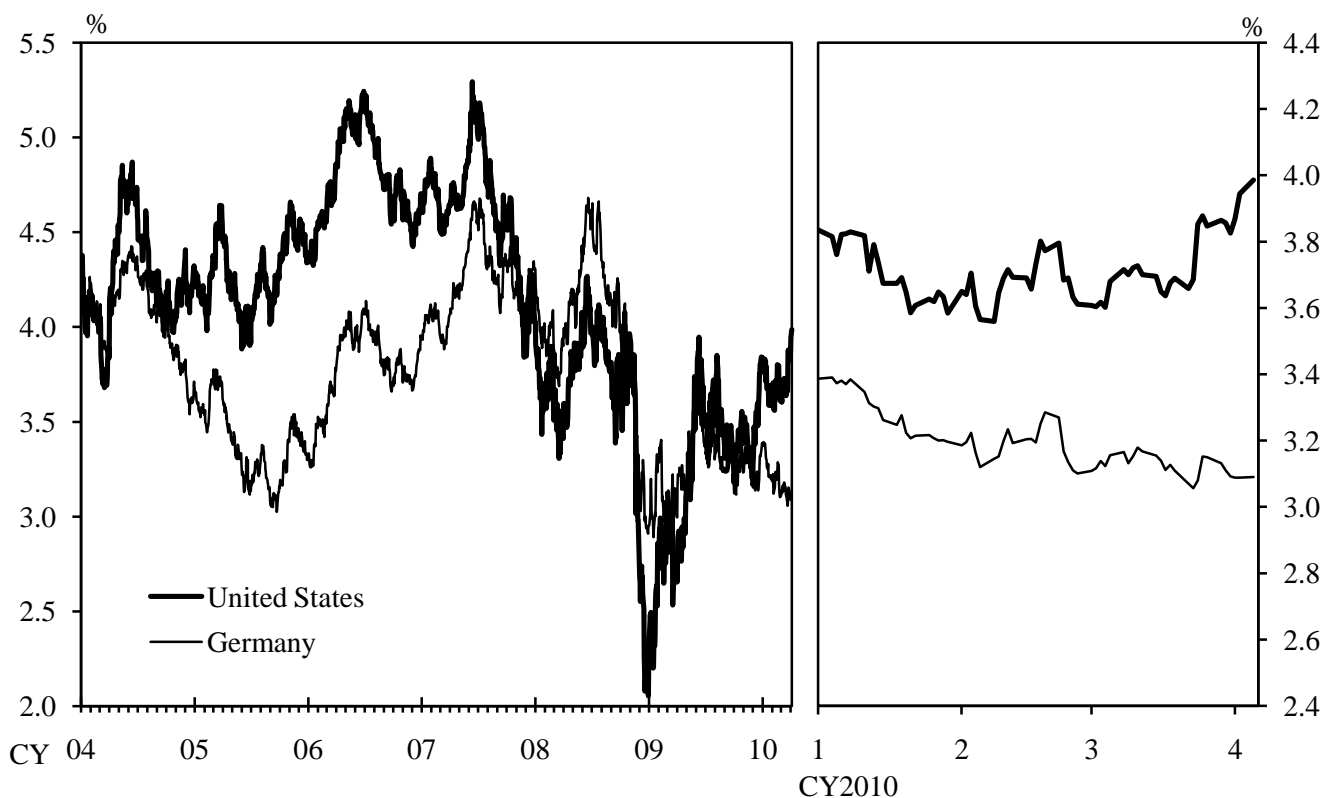
Source: Bloomberg.

Long-Term Interest Rates

(1) Japanese Government Bond Yields<sup>1</sup>



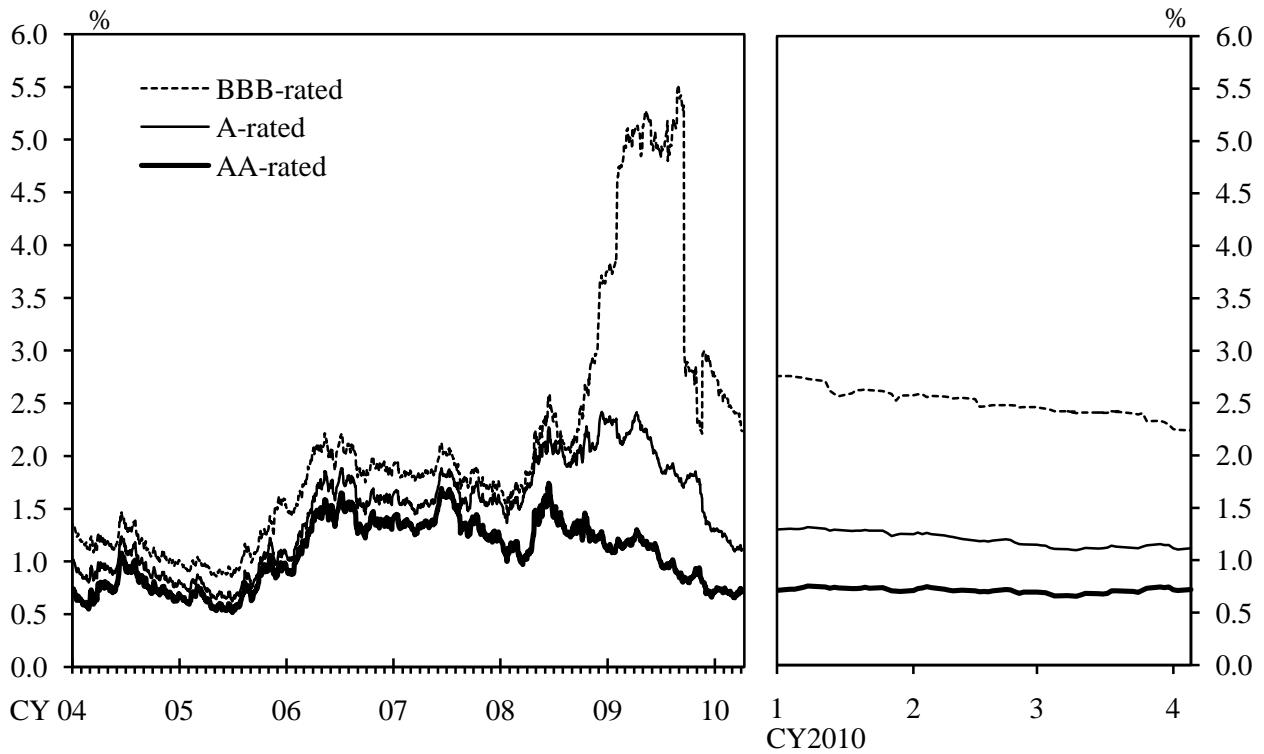
(2) Overseas Government Bond Yields (10-Year)



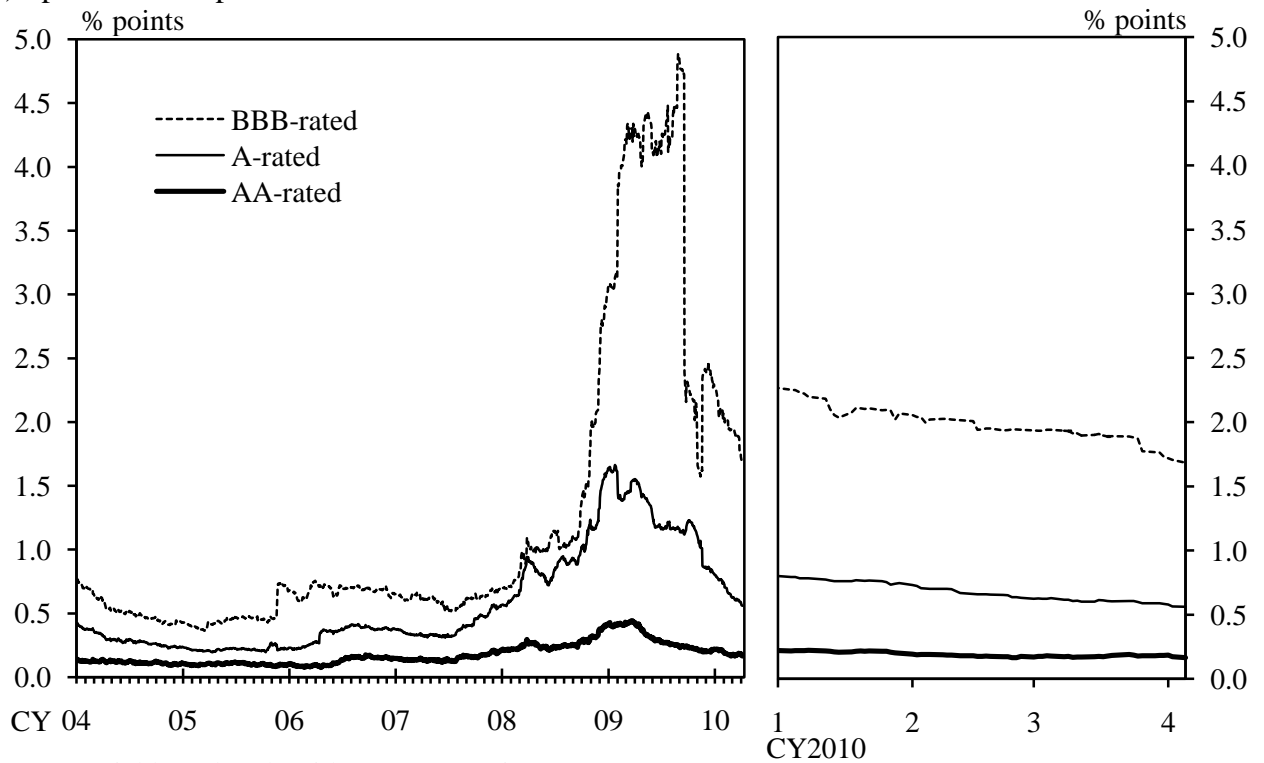
Note: 1. Yields on newly issued bonds.  
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

Yields of Corporate Bonds

(1) Corporate Bond Yields<sup>1,2</sup>



(2) Spreads of Corporate Bond Yields over Government Bond Yields<sup>1,2</sup>



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

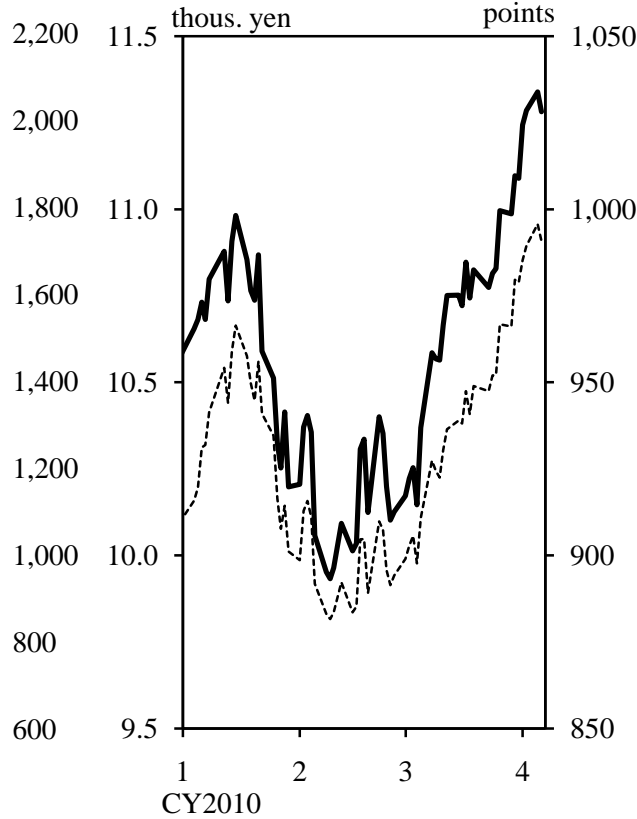
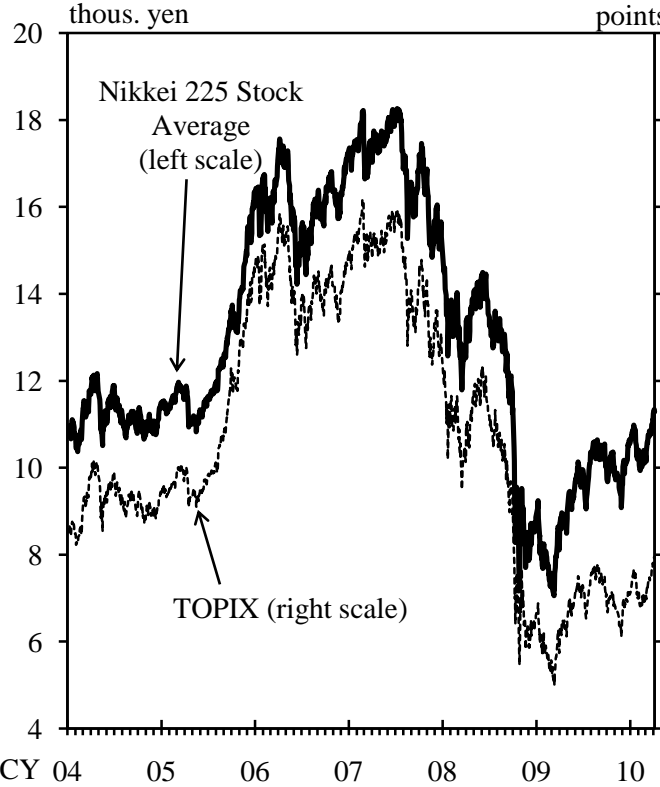
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.

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

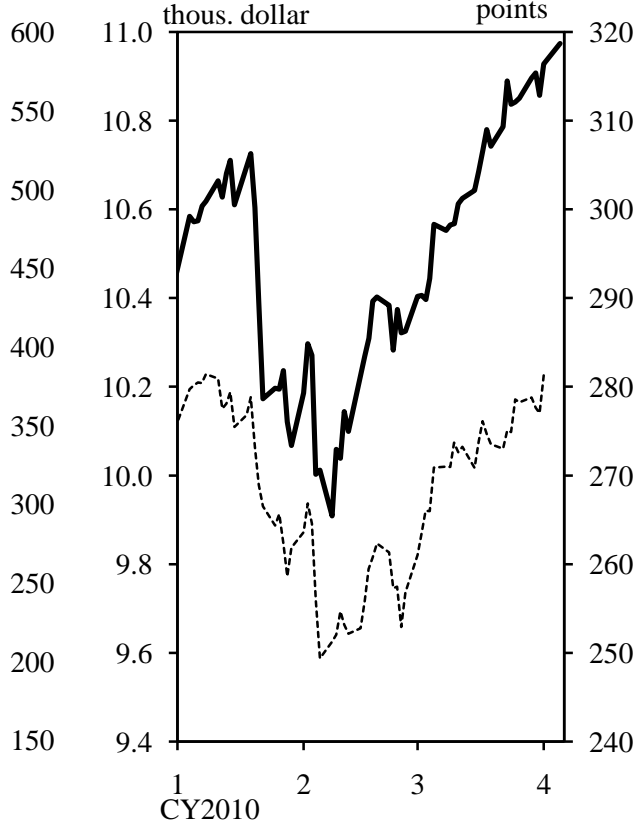
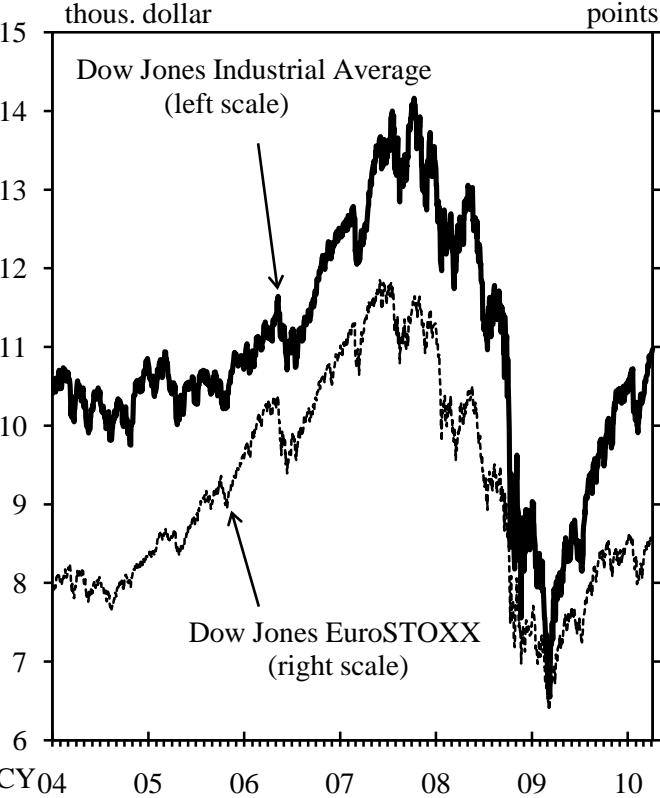
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Japanese Stock Prices



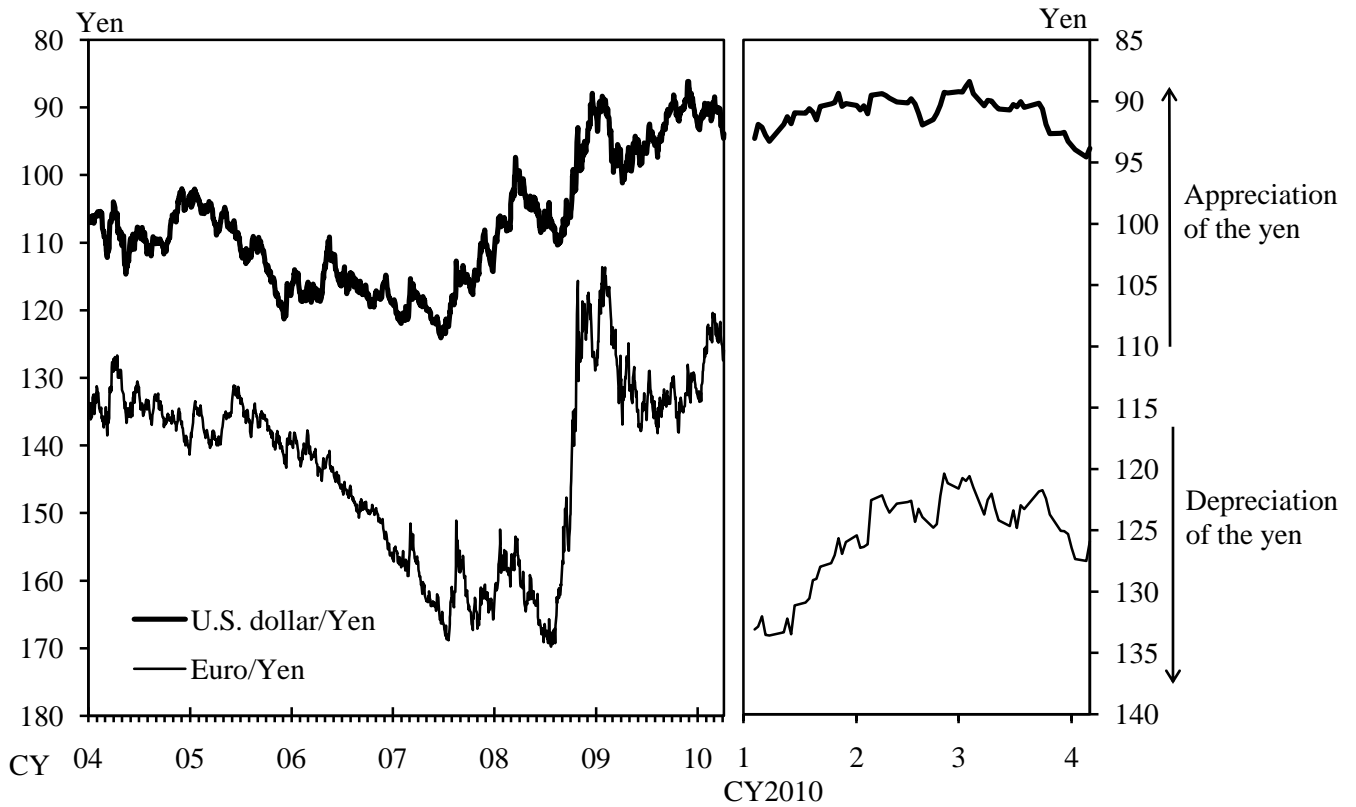
(2) Overseas Stock Prices



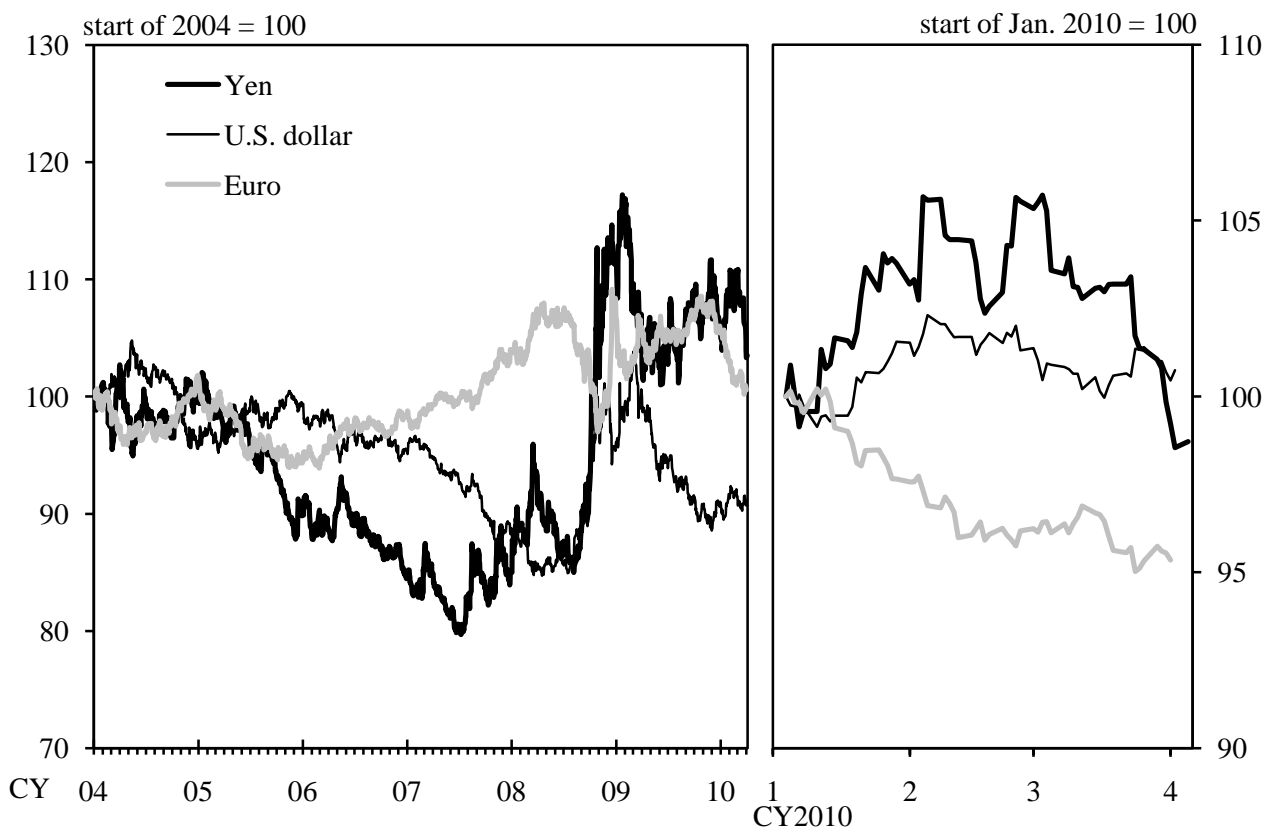
Sources: The *Nihon Keizai Shimbun* ; Tokyo Stock Exchange; Bloomberg.

Exchange Rates

(1) Bilateral Exchange Rates



(2) Nominal Effective Exchange Rates

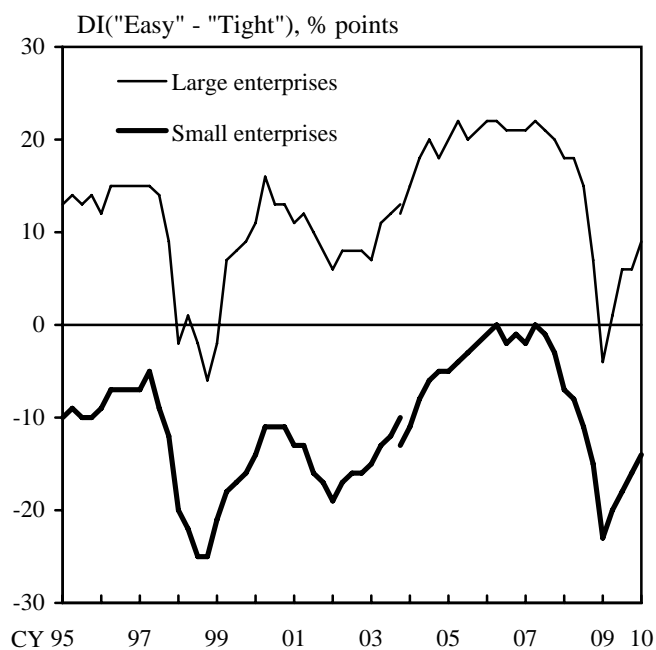


Sources: Bank of Japan; European Central Bank; Bloomberg.

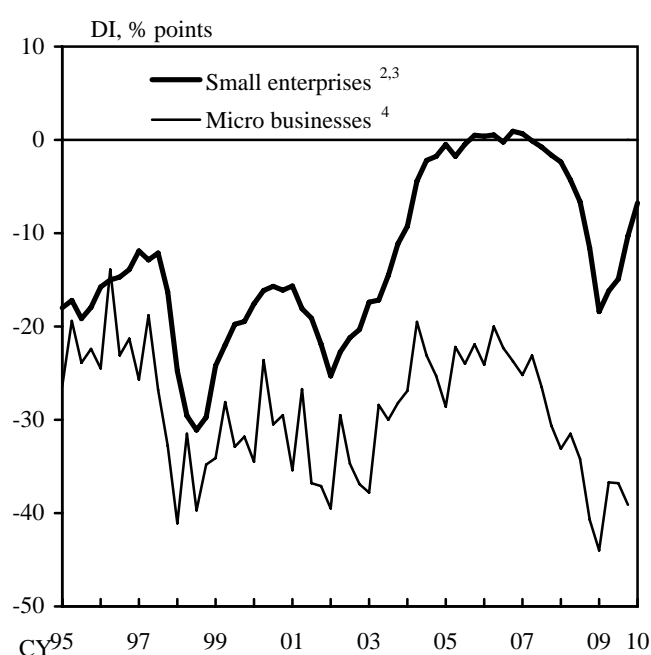


## Corporate Finance-Related Indicators

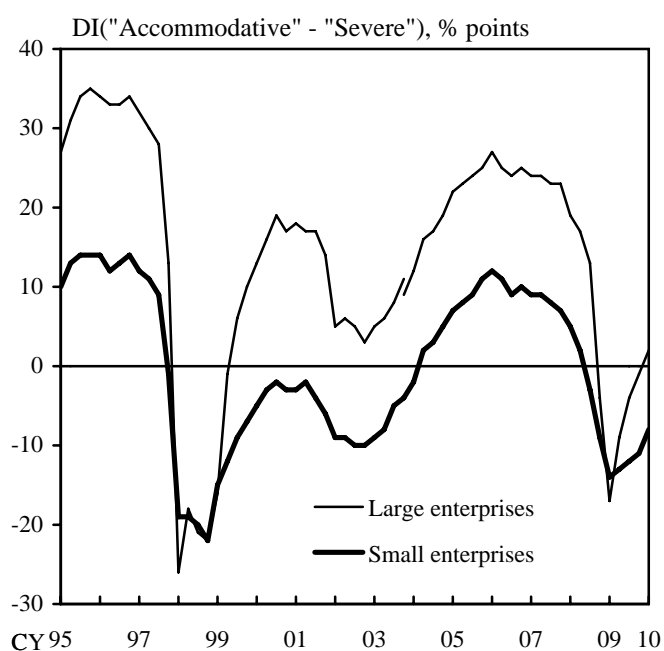
## (1) Financial Position

<Tankan<sup>1</sup>>

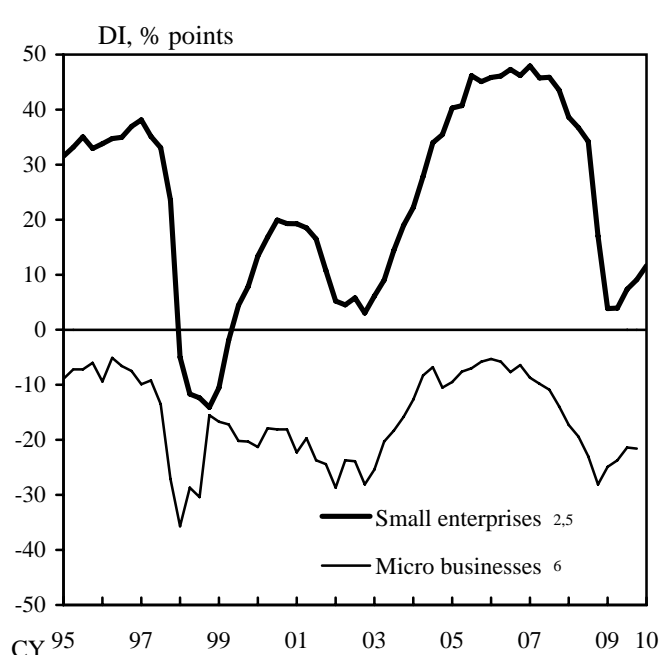
&lt;Japan Finance Corporation Survey&gt;



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

<Tankan<sup>1</sup>>

&lt;Japan Finance Corporation Survey&gt;



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."

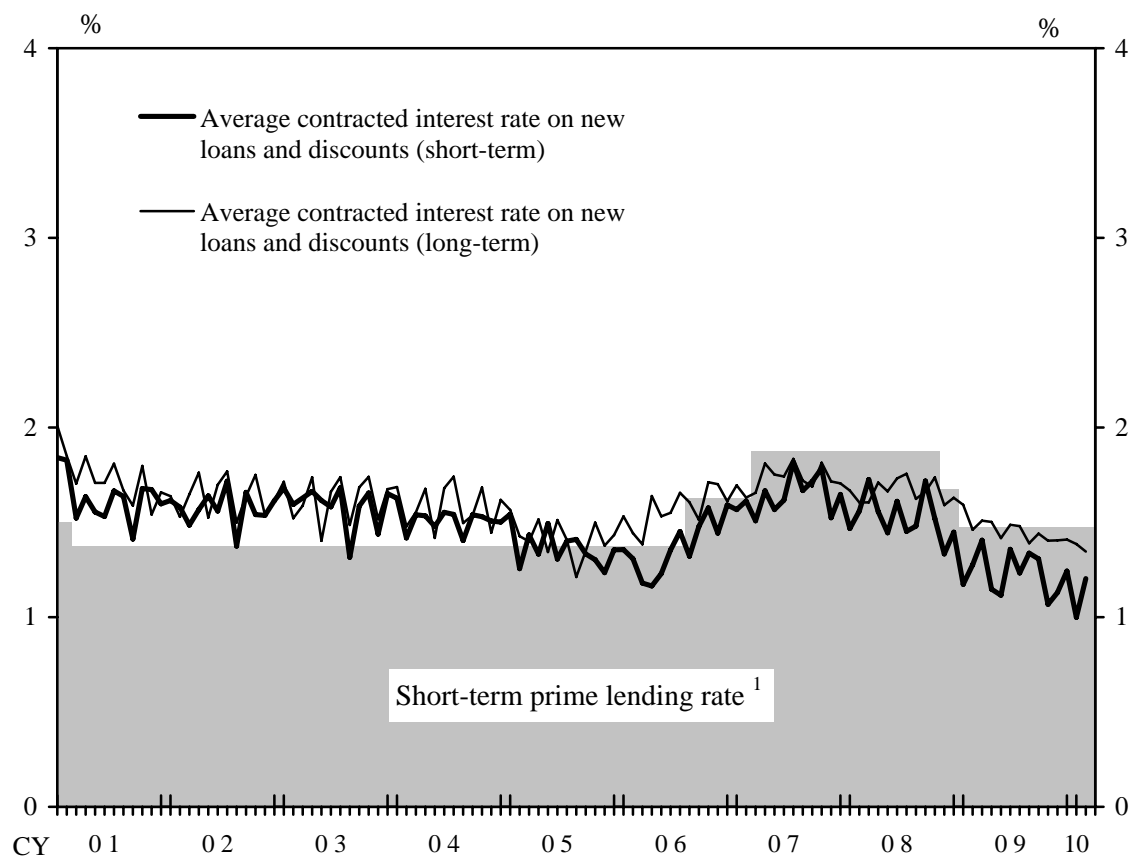
4. DI of "Easier" - "Tighter."

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

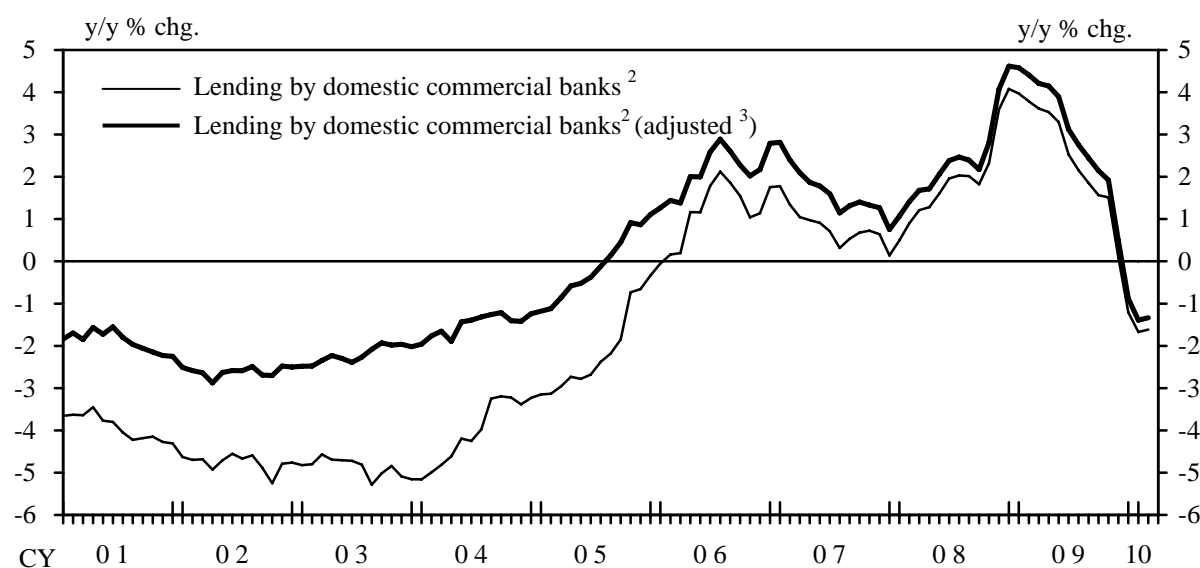


Note: 1. Data are at end of period.

Source: Bank of Japan.

## Lending by Financial Institutions

### (1) Lending by Domestic Commercial Banks<sup>1</sup>



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,

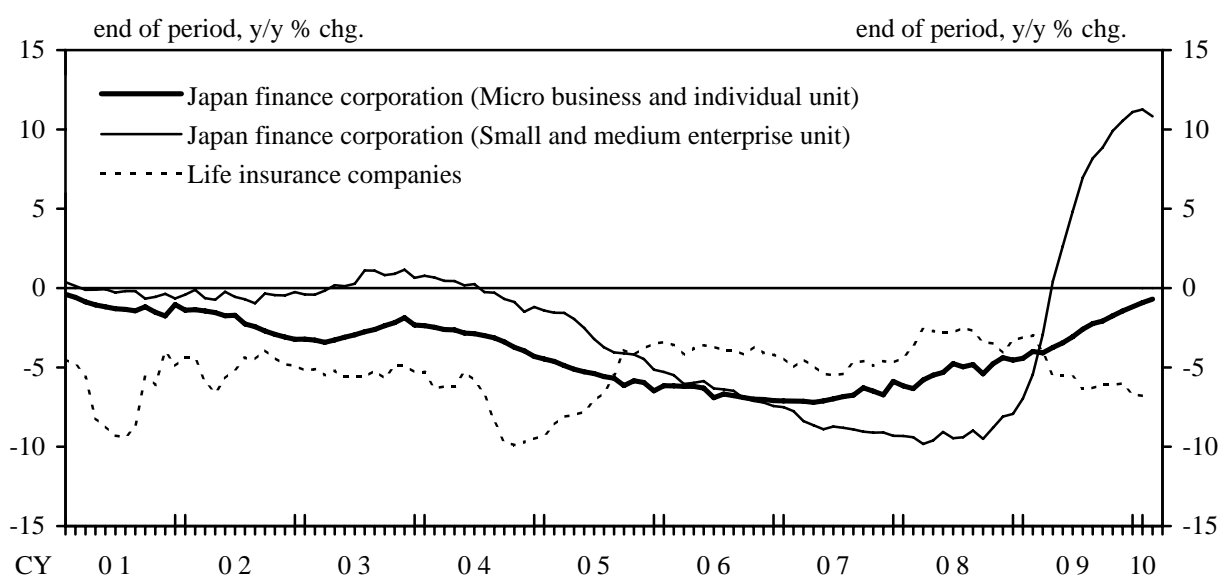
(2) fluctuations in the yen value of foreign currency-denominated loans due to changes in exchange rates,

(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.

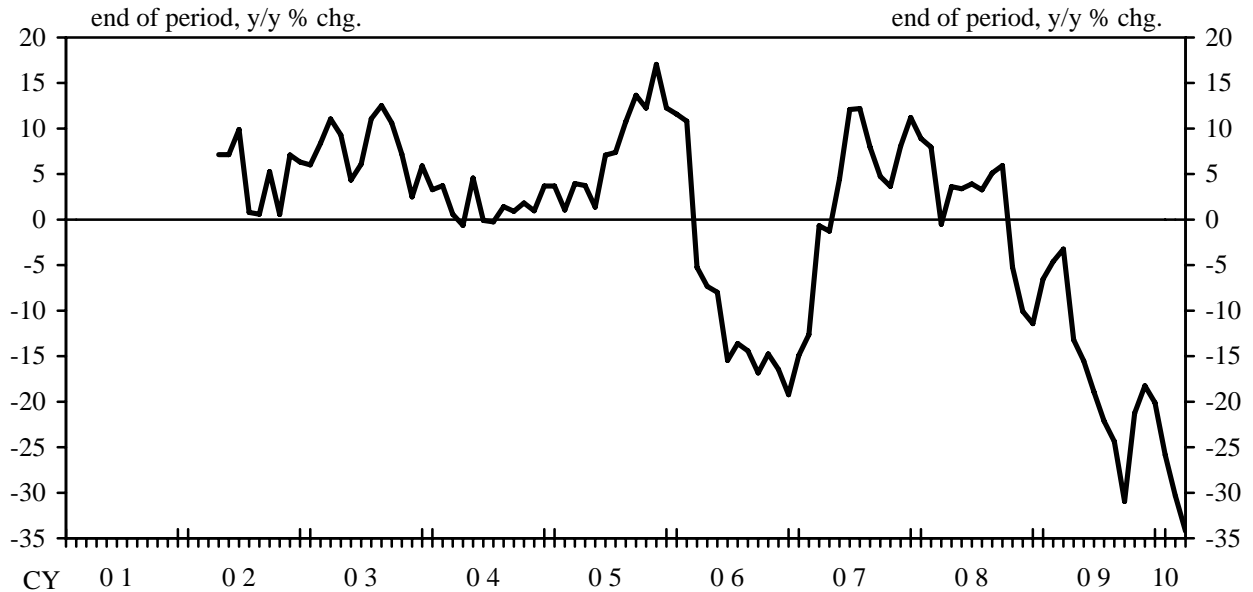
Sources: Bank of Japan; Japan Finance Corporation; The Life Insurance Association of Japan.

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 Private-Sector Fund-Raising in the Capital Markets
 

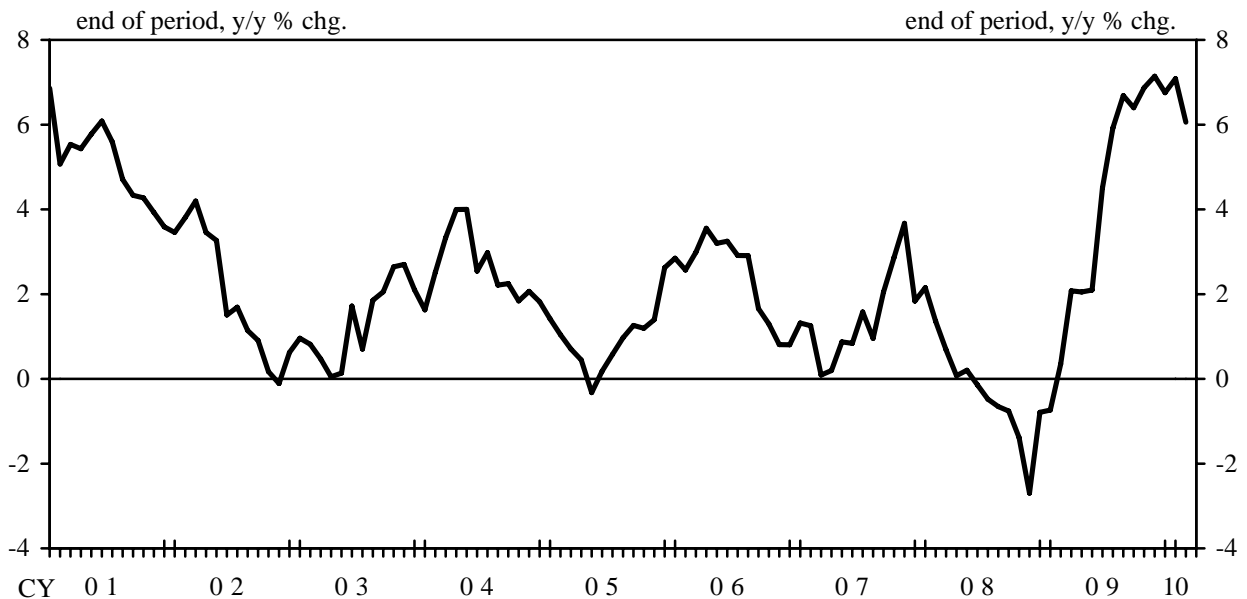
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## (1) Amount Outstanding of Commercial Paper



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



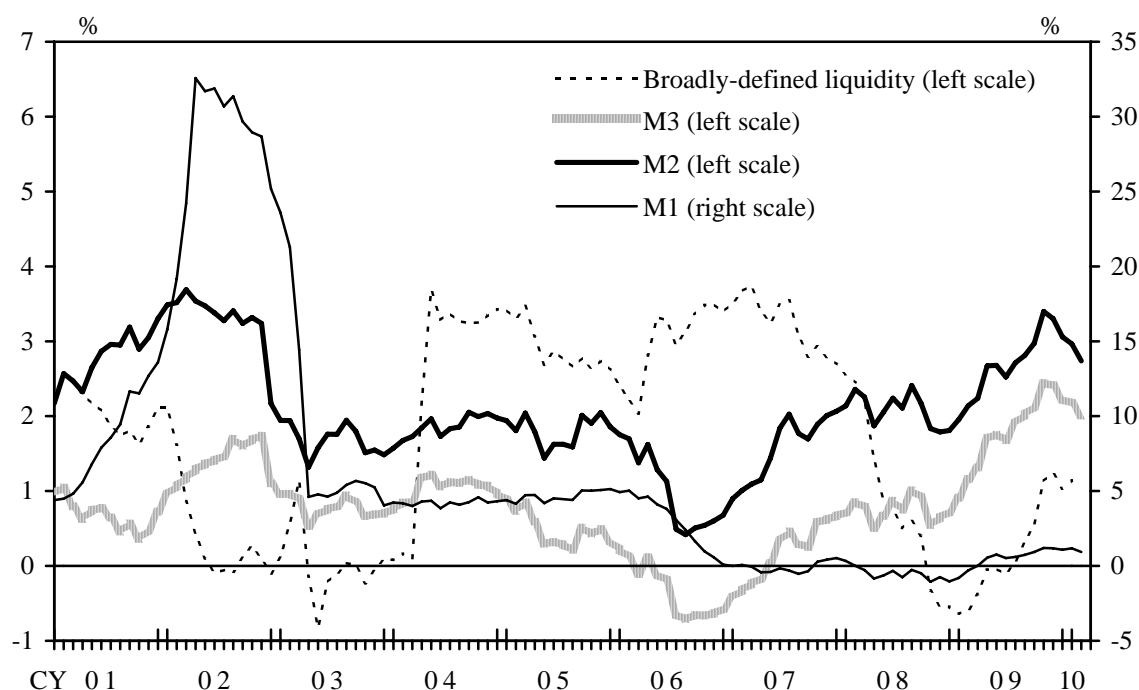
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

- (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.

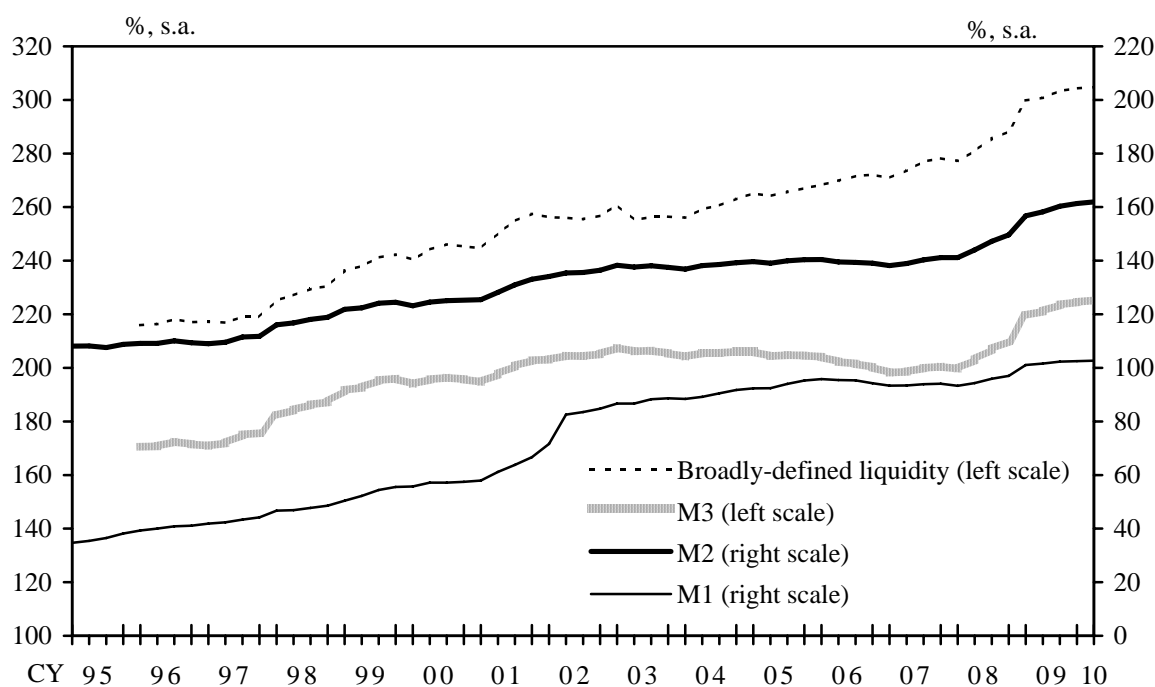
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category";  
 Bank of Japan, "Principal Figures of Financial Institutions";  
 Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts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

## Money Stock

## (1) Changes from a Year Earlier



## (2) Ratio of Money Stock to Nominal GDP

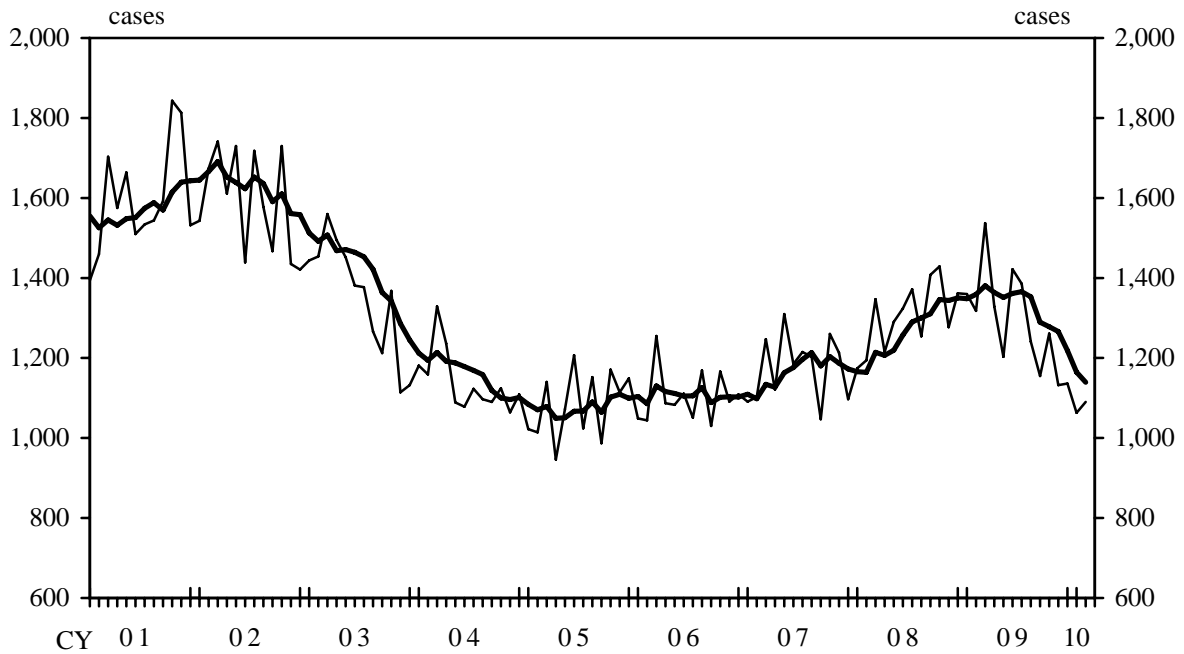


- Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.  
 2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.  
 3. The 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. Figures for money stock in 2010/Q1 are those of Jan.-Feb. averages, and nominal GDP in 2010/Q1 is assumed to be unchanged from the previous quarter.

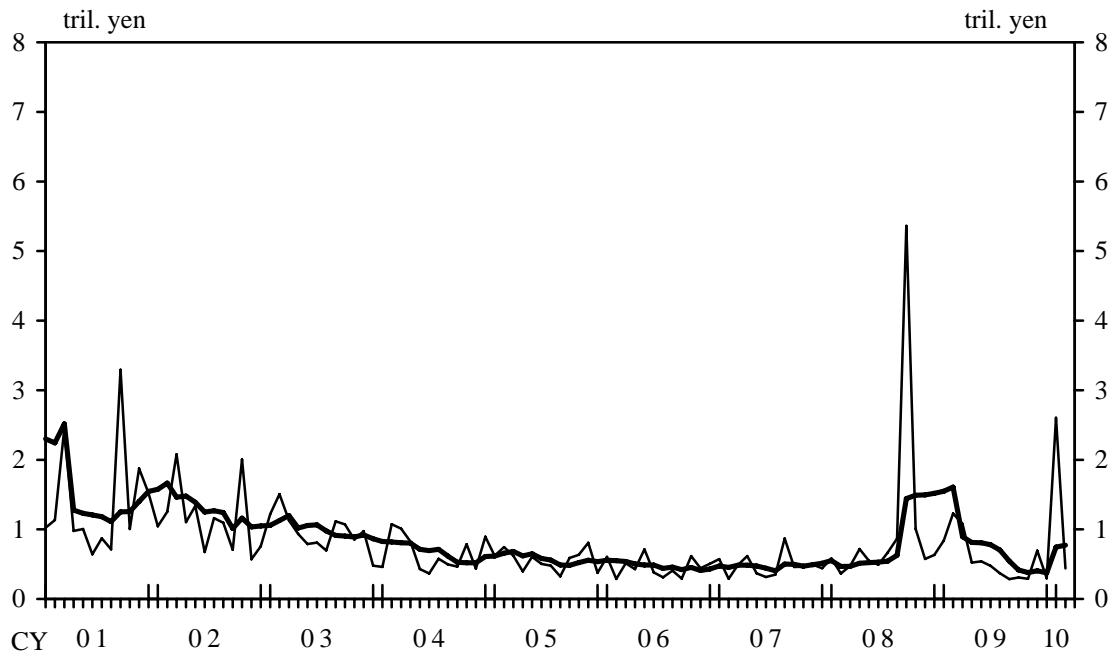
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

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)."