

May 25, 2010
Bank of Japan

Monthly Report of Recent Economic and Financial Developments

May 2010

(English translation prepared by the Bank's staff based on the Japanese original released on May 24, 2010)

Please contact the Bank of Japan at the address below in advance to request permission when reproducing or copying the content of this document for commercial purposes.

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

Please credit the source when quoting, reproducing, or copying the content of this document.

Monthly Report of Recent Economic and Financial Developments¹

May 2010

Summary

Japan's economy is starting to recover moderately, induced by improvement in overseas economic conditions.

Exports and production have been increasing. In these circumstances, business fixed investment is showing signs of picking up. Private consumption, notably durable goods consumption, is picking up partly due to policy measures. Housing investment has leveled out. Meanwhile, public investment is declining.

Japan's economy is likely to recover moderately.

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. Domestic private demand is expected to continue improving, but the pace of improvement is likely to remain moderate for the time being amid the strong sense among firms of excessive capital stock and employment. 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 is rising moderately, 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 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 continue rising moderately for the time being. The year-on-year pace of decline in consumer prices is expected to slow as a trend as the aggregate supply and demand balance improves gradually.

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on May 20 and 21, 2010.

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

Financial conditions, with some lingering severity, have continued to show 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 at around 3 percent.

1. Economic Developments

Public investment is declining. Monthly indicators (Chart 5) show that the value of public works contracted—a measure that reflects public orders—decreased significantly for two quarters in a row, but bounced back sharply in April compared with the first quarter. The amount of public construction completed—which reflects the progress of public works—showed a discontinuity in data for the first quarter, after having decreased in the third and fourth quarters.

The decline in public investment is likely to continue.

Real exports have been increasing due to the improvement in overseas economic conditions (Charts 6[1] and 7). Exports increased in the first quarter by 5.2 percent on a quarter-on-quarter basis, recording a rise for the fourth straight quarter. Monthly developments show that exports have increased for 13 consecutive months.

By destination (Chart 7[1]), exports to East Asia have been increasing since the second quarter of 2009. On a monthly basis, exports to China decreased substantially in February, in response to the rush of demand ahead of the holidays around the Chinese New Year (mid-February), but rose again in March. Exports to "other regions" have been increasing since the third quarter of 2009. On the other hand, those to the United States and the EU decreased in the first quarter, after increasing for three consecutive quarters.

By goods (Chart 7[2]), exports of IT-related goods and of capital goods and parts, mainly toward East Asia, have been increasing. Exports of motor vehicles and their related goods have continued to rise, mainly to emerging economies and resource-rich countries, although they have been growing at a slower pace. Exports of intermediate goods and consumer goods, on the other hand, were more or less flat in the first quarter, after increasing for three consecutive quarters.

Real imports have been on a moderate uptrend amid continued increases in production and durable goods consumption (Charts 6[1] and 9). Imports rose in the

first quarter for the fourth straight quarter. Monthly developments reveal that imports fell in March, after having increased for two consecutive months.

By goods (Chart 9[2]), imports of IT-related goods (such as PCs), capital goods and parts (excluding aircrafts), 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. Meanwhile, imports of foodstuffs, which had been on a downtrend, rose in the first quarter.

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 expected to slow gradually to a more sustainable pace, since the effects of production increases—reflected by the restoration of inventories—and those from policy measures are likely to diminish (Chart 8[2]).

Imports are expected to continue increasing gradually with the domestic economy on a recovery trend.

Business fixed investment is showing signs of picking up. The aggregate supply of capital goods and shipments of capital goods (both including and excluding transport equipment)—coincident indicators of machinery investment—have continued to increase since the third quarter of 2009; the rise was considerable, particularly in the first quarter (Chart 10[1]).² As for leading indicators, machinery orders (private demand, excluding orders of shipbuilding and orders from electric power companies)—a leading indicator of machinery investment—increased, albeit

² Shipments of capital goods and the aggregate supply of capital goods—as also observed in industrial production mentioned later—are likely to show figures stronger than their actual state, influenced by changes in seasonal adjustments.

marginally, in the first quarter following the fourth quarter, notably in manufacturing (Chart 11[1]).³ Looking at the first quarter on a quarter-on-quarter basis by industry, in manufacturing, machinery orders showed a firm increase for two straight quarters. Orders in electrical machinery as well as in motor vehicles and in iron and steel have shown some positive movements amid the ongoing rise in exports. On the other hand, in nonmanufacturing, machinery orders decreased for two quarters in a row. This decrease, however, is largely affected by the drop in orders in communications (cellular phones). Machinery orders in the second quarter are projected to increase as a whole, with orders in nonmanufacturing turning upward.⁴ Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—remained stagnant, but they increased in the first quarter due to an upsurge in the number of redevelopment projects (Chart 11[2]).

Regarding the environment surrounding business fixed investment, corporate profits have been improving, mainly in response to firms' cost cutting and production increases.

Although signs of a pick-up are expected to gradually become evident, with the improvement in corporate profits, the improvement in business fixed investment is likely to remain moderate for the time being amid the strong sense of excessive capital stock among firms.

Private consumption, notably durable goods consumption, is picking up partly due to policy measures. Consumption of goods, as seen through sales at retail stores (in real terms), registered relatively high growth in the first quarter (Chart 12[1]). As for durable consumer goods, sales of household electrical appliances (in real terms) climbed further in March, especially in flat panel televisions, since there was a rush of

³ The total value of machinery orders of external and domestic demand recorded high growth for three consecutive quarters; it marked a quarter-on-quarter increase of 9.0 and 8.0 percent in the third and fourth quarters of 2009 respectively, and 9.0 percent in the first quarter of 2010.

⁴ The forecast for the second quarter (seasonally adjusted quarter-on-quarter basis) shows an increase of 1.6 percent for private demand, a decrease of 16.0 percent for manufacturing, and an increase of 14.4 percent for nonmanufacturing. The forecast for machinery orders is calculated by multiplying the sum of corporate forecasts by the average achievement ratio in the past three quarters. The forecast of manufacturing this time decreased partly due to the low average achievement ratio (86.7 percent) from the third quarter of 2009 to the first quarter of 2010.

demand prior to tighter application of the eco-point system (Chart 12[2]).⁵ The number of new passenger-car registrations has been virtually flat, after recovering rapidly toward December mainly due to tax cuts and subsidies.⁶ On the other hand, sales at department stores marked a quarter-on-quarter increase in the first quarter for the first time since the fourth quarter of 2007 (Chart 13[1]). Sales at supermarkets improved slightly in February but deteriorated again in March. Sales at convenience stores have recently remained more or less unchanged. As for services consumption (Chart 13[2]), outlays for travel have been seesawing. 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—continued to increase in the first quarter (Chart 12[1]).⁷ The total expenditure in the *Survey of Household Economy* (in real terms) decreased in both the fourth and first quarters, partly due to the rapid pace of recovery through the third quarter of 2009.

On a GDP basis, real private consumption increased for four quarters in a row, notably in durable goods (Charts 3[2] and 14).

Meanwhile, indicators related to consumer sentiment have been picking up, despite an interruption to the improvement at the end of 2009 (Chart 15).

⁵ 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 has decreased.

⁶ 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).

⁷ Items in the index are not completely limited to those used for estimating GDP. Education, for example, is not used for estimating GDP.

Private consumption is expected to pick up only moderately for the time being, since the employment and income situation remains severe, despite the underpinning effect of policy measures.

Housing investment has leveled out. The number of housing starts (Chart 16[1]; annualized)—a leading indicator of housing investment—has picked up mildly in the fourth and first quarters, even though they are still at low levels, after hitting bottom in the third quarter of 2009. This movement basically reflects the progress in inventory and price adjustments.

Housing investment is expected to gradually head for a recovery, considering the number of housing starts. However, housing investment is likely to require more time to show clearer evidence of improvement, mainly because the employment and income situation is expected to remain severe.

Industrial production has been increasing. Production increased by 1.2 percent in March on a monthly basis; it increased by 7.0 percent in the first quarter on a quarterly basis, exhibiting high growth for four consecutive quarters (Chart 17). It should be noted, however, that the large increase in the first quarter was mainly influenced by a distortion in seasonal adjustments.⁸

Shipments also registered high growth with a quarter-on-quarter increase of 7.2 percent in the first quarter, partly due to the effects from the distortion in seasonal adjustments, as observed in production above. By goods (Chart 18), shipments of durable consumer goods have been recovering significantly. Shipments of producer goods—which had been picking up sharply—have recently been more or less level mainly due to regular repairs in the chemical industry. Improvement in shipments of

⁸ As a result of the revision on seasonal adjustments—which was conducted at the time of the annual revision on April 15—a part of the significant drop in production in the first quarter of 2009 was systematically recognized as a seasonal movement. Once the seasonal adjustment method recognizes that production in the first quarter is seasonally weak, it will push future seasonally adjusted figures for the first quarter—in this case the seasonally adjusted figures for the first quarter of 2010—upward. According to a calculation of production in the first quarter under the conditions that (1) the seasonal factor prior to the annual revision is applied to January-February, and (2) the seasonal factor for March is assumed to be the same as that of the previous year, production increased to a range of 3.5-4.4 percent, which is a slower pace than that in the fourth quarter.

capital goods is gradually becoming evident. Shipments of construction goods have remained sluggish in general, and those of non-durable consumer goods have remained more or less unchanged, albeit with fluctuations.

The decline in inventories has leveled out. Looking at the shipment-inventory balance by goods (Chart 19), although inventory adjustment pressures for construction goods have remained as a reflection of the drop in shipments, those for 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 is expected to continue increasing firmly, although the pace of increase in the second quarter is likely to slow.⁹

The employment and income situation has continued to be severe, but to a somewhat lesser extent.

In the labor market, the ratio of job offers to applicants in March slightly improved compared with the previous month, marking 0.49 times (Chart 20[1]). The pace of improvement has been extremely moderate, but it has continued a solid recovery trend since hitting bottom in August 2009. The unemployment rate in March, meanwhile, rose slightly from the previous month to 5.0 percent.

In terms of employment (Chart 21[1]), the pace of decline in the number of employees in the *Labour Force Survey* has lately moderated on a year-on-year basis, although the number of employees has continued to decline.¹⁰ In March alone, it was above the year-ago level. It should be noted, however, that the statistics tend to fluctuate largely. The year-on-year rate of change in the number of regular

⁹ The aforementioned distortion in seasonal adjustments, however, will exert downward pressure on the growth rate in the second quarter. As a result, the growth rate of the released statistical figures is likely to be low.

¹⁰ 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. The number of applicants was 2.53 million at its peak in April 2009, while it was 1.6 million this past March.

employees in the *Monthly Labour Survey* had been decreasing marginally, but it was marginally above the previous year's level in both February and March. The ratio of part-time employees has been on a moderate rising trend (Chart 21[2]). Meanwhile, overtime hours worked have continued an improving trend (Chart 21[3]).

Nominal wages per employee had been declining significantly, but they were around the previous year's level in the first quarter (Chart 22[1]). In March alone, they registered an increase for the first time in 22 months, since May 2008. In detail, overtime payments showed a year-on-year increase, partly due to the large drop a year ago. The pace of decline in regular payments has been moderating. Special payments marked an increase in the first quarter on a year-on-year basis, after declining significantly in the fourth quarter.¹¹

Employee income—which had been decreasing on a year-on-year basis—was level in the first quarter and increased in March alone as a reflection of the aforementioned developments in employment and wages (Chart 22[3]).

The increase in employee income is likely to lack vigor for the time being, with consideration to the lagged effects from developments in corporate profits and production, although the decline is expected to come to a gradual and clear halt.

2. Prices

The three-month rate of change in import prices (on a yen basis) has increased as a reflection of the increase in international commodity prices (Chart 24). International commodity prices have recently fallen back slightly, but they have been on a moderate rising trend on the whole assisted by the improvement in the global economy. Domestic commodity prices have been on a modest uptrend.

¹¹ Surveys on summer bonuses for 2010 covering large firms conducted by The Institute of Labor Administration (results as of April 20, 142 firms), the Nihon Keizai Shimbun, Inc. (results as of April 20, 201 firms), and the Nippon Keidanren (results as of May 19, 68 firms) all showed marginal increases; they marked a year-on-year rate of increase of 2.4 percent, 2.78 percent, and 1.51 percent, respectively.

The three-month rate of change in domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter)¹² is rising moderately, reflecting the increase in international commodity prices, in spite of the persistent slack in supply and demand conditions for products (Chart 25). In April, the three-month rate of change in domestic corporate goods prices increased for the fourth consecutive month (0.7 percent). In detail, the three-month rates of change in prices of "iron and steel, and construction related goods" and of "goods sensitive to exchange rates and overseas commodity prices" have risen at a faster pace, and the rates in those of "electric power, gas, and water" have also continued to increase. On the other hand, the three month rate of change in prices of "raw materials (other goods)" has started to fall as a whole, since prices of chemicals and related products dropped as a result of the revision in the prices of prescription drugs. Meanwhile, the three-month rate of decline in prices of "machinery" has continued to be marginal.

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, but the rate of decline has stopped expanding (Chart 26).¹³ 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. On the other hand, prices of advertising services have continued to decrease, but recently the pace of decrease has been moderating.¹⁴ Prices of other services, meanwhile, have basically been around the previous year's level, albeit with some fluctuations.

¹² 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.

¹³ The category "All items including international transportation" declined for the 18th consecutive month on a year-on-year basis.

¹⁴ The year-on-year rate of decline in prices of advertising services in February slowed, influenced by developments such as the increase in advertisements related to the Vancouver Winter Olympics, but prices in March did not show noticeable reactions.

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 27). In March, consumer prices registered a decrease of 1.2 percent, which was the same as that in February. Looking at recent developments in detail, the pace of decline in prices of goods has moderated compared to a while ago, with the ongoing rise in prices of petroleum products, although the pace of decline in prices of a wide range of items has continued. The pace of decline in prices of general services has been moderating, notably in prices of package tours to overseas and "eating out," despite fluctuations in prices of rent. Meanwhile, public utility charges have continued to decline substantially, mainly in electricity charges. Looking at developments on a basis that excludes food and energy, consumer prices in March decreased at a rate of 1.1 percent, which was the same as that in February.

Domestic corporate goods prices are likely to continue rising moderately for the time being. The year-on-year pace of decline in consumer prices is expected to slow as a trend as the aggregate supply and demand balance improves gradually.¹⁵

Meanwhile, developments in land prices in terms of the *Urban Land Price Index* (Chart 28) show that the pace of decline in prices of both commercial and residential lands in the six major cities has moderated, whereas the pace of decline in prices of those in the other cities was about the same as that in the previous survey.

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 become widespread among market participants.

¹⁵ The year-on-year rate of change in consumer prices will fluctuate substantially for a year following the introduction of a 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. According to the Ministry of Internal Affairs and Communications, the subsidy for high school tuition contributed to Tokyo's consumer prices (excluding fresh food) in April by -0.37 percent point on a year-on-year basis. In detail, the subsidy for high school tuition contributed by -0.21 percent point and that for private high school tuition by -0.17 percent point.

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. 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 29). In U.S. dollar funding, the LIBOR-OIS spread for the dollar has risen somewhat, as market participants have become cautious about taking counterparty risks in transactions, amid growing concern about sovereign risks in Europe (Chart 30).

Yields on 10-year government bonds (newly issued 10-year JGB) have declined somewhat mainly in response to the drop in stock prices; they have recently been in the range of 1.2-1.3 percent (Chart 31).

Yield spreads between corporate bonds and government bonds have been stable for those with high credit ratings, due to firm demand among investors. Spreads on those with low credit ratings have been more or less flat, after declining toward mid-April (Chart 32).

Stock prices have dropped, against the background of the sovereign risk problem in Europe; the Nikkei 225 Stock Average has recently been in the range of 9,500-10,000 yen (Chart 33).

In the foreign exchange market, the yen has appreciated against the U.S. dollar, amid growing concern over sovereign risks in Europe; it has recently been traded at around 90 yen. The yen has also appreciated substantially against the euro; it has recently been in the range of 113-114 yen (Chart 34).

(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 issuance rates on corporate bonds, particularly those with relatively wide spreads,

have declined. The average contracted interest rates on new loans and discounts have been on a declining trend, albeit with some fluctuations (Chart 36).

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 35). 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 37). 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 38).

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 35). The number of corporate bankruptcies has continued to decrease; it was down by 13.2 percent in April compared to the previous year's level (Chart 40).

Meanwhile, the year-on-year growth rate of the money stock (M2) has recently been at around 3 percent. Its April reading was 2.9 percent on a year-on-year basis, following 2.7 percent in March (Chart 39).¹⁶

¹⁶ 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 April reading was 2.2 percent, following 2.0 percent in March. The year-on-year growth rate of broadly-defined liquidity has recently been at around 1.5 percent; it increased by 1.6 percent in April, following an increase of 0.9 percent in March.

Charts

Chart 1	Main Economic Indicators (1)	Chart 23	Prices
Chart 2	Main Economic Indicators (2)	Chart 24	Import Prices and International Commodity Prices
Chart 3	Real GDP and Indexes of Business Conditions	Chart 25	Domestic Corporate Goods Price Index
Chart 4	GDP Deflator and Income Formation	Chart 26	Corporate Services Price Index
Chart 5	Public Investment	Chart 27	Consumer Price Index (Excluding Fresh Food)
Chart 6	External Balance	Chart 28	Urban Land Price Index
Chart 7	Real Exports	Chart 29	Short-Term Interest Rates
Chart 8	Real Effective Exchange Rate and Overseas Economies	Chart 30	Global Money Markets
Chart 9	Real Imports	Chart 31	Long-Term Interest Rates
Chart 10	Coincident Indicators for Business Fixed Investment	Chart 32	Yields of Corporate Bonds
Chart 11	Leading Indicators for Business Fixed Investment	Chart 33	Stock Prices
Chart 12	Indicators for Private Consumption (1)	Chart 34	Exchange Rates
Chart 13	Indicators for Private Consumption (2)	Chart 35	Corporate Finance-Related Indicators
Chart 14	Indicators for Private Consumption (3)	Chart 36	Lending Rates
Chart 15	Consumer Confidence	Chart 37	Lending by Financial Institutions
Chart 16	Indicators for Housing Investment	Chart 38	Private-Sector Fund-Raising in the Capital Markets
Chart 17	Production, Shipments, and Inventories	Chart 39	Money Stock
Chart 18	Shipments Breakdown by Type of Goods	Chart 40	Corporate Bankruptcies
Chart 19	Inventory Cycle		
Chart 20	Labor Market (1)		
Chart 21	Labor Market (2)		
Chart 22	Employee Income		

Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2009/Q3	Q4	2010/Q1	2010/Jan.	Feb.	Mar.	Apr.
Index of consumption expenditure level (two-or-more-person households)	0.6	0.6	0.3	0.4	-2.3	5.8	n.a.
Sales at department stores	-1.4	-2.1	1.2	-0.5	0.5	0.8	n.a.
Sales at supermarkets	-1.7	-1.4	-0.3	-1.8	2.8	-1.5	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 283>	< 316>	< 314>	< 322>	< 314>	< 305>	< 321>
Sales of household electrical appliances (real, Current Survey of Commerce)	7.7	4.6	14.1	9.9	2.0	7.3	n.a.
Outlays for travel	7.7	-4.5	n.a.	7.3	2.5	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	< 72>	< 79>	< 84>	< 86>	< 79>	< 85>	<n.a.>
Machinery orders (from private sector ⁴)	-0.7	1.1	2.9	-3.1	-3.8	5.4	n.a.
Manufacturing	-6.6	16.2	13.6	3.6	4.4	3.1	n.a.
Nonmanufacturing ⁴	3.7	-7.0	-3.4	-11.7	-3.7	12.6	n.a.
Construction Starts (private, nondwelling use)	-1.1	2.8	26.8	23.7	5.1	16.3	n.a.
Mining & manufacturing	-12.2	-3.7	27.2	18.6	19.0	-11.7	n.a.
Nonmanufacturing ⁵	1.2	10.3	23.8	19.8	1.6	25.0	n.a.
Value of public works contracted	3.1	-4.9	-6.5	-3.7	-2.2	-4.8	15.1
Real exports	9.5	7.6	5.2	0.3	1.1	2.8	n.a.
Real imports	6.9	1.4	2.5	1.5	1.9	-3.9	n.a.
Industrial production	5.3	5.9	7.0	4.3	-0.6	1.2	n.a.
Shipments	5.8	5.9	7.2	4.5	-0.2	2.0	n.a.
Inventories	-1.8	-1.5	1.1	1.1	1.6	-1.6	n.a.
Inventory Ratio <s.a., CY 2005 = 100>	< 120.9>	< 110.0>	< 102.3>	< 108.0>	< 108.3>	< 102.3>	<n.a.>
Real GDP	0.1	1.0	1.2	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	1.1	0.1	n.a.	3.4	-2.3	n.a.	n.a.

Main Economic Indicators (2)

y/y % chg.¹

	2009/Q3	Q4	2010/Q1	2010/Jan.	Feb.	Mar.	Apr.
Ratio of job offers to applicants <s.a., times>	< 0.43>	< 0.43>	< 0.47>	< 0.46>	< 0.47>	< 0.49>	<n.a.>
Unemployment rate <s.a., %>	< 5.4>	< 5.2>	< 4.9>	< 4.9>	< 4.9>	< 5.0>	<n.a.>
Overtime working hours ⁶	-14.9	-7.7	10.0	4.4	11.4	14.5	n.a.
Number of employees	-1.3	-1.4	-0.3	-0.6	-0.5	0.3	n.a.
Number of regular employees ⁶	-0.1	-0.2	0.1	-0.2	0.2	0.2	n.a.
Nominal wages per person ⁶	-3.6	-4.1	0.0	-0.2	-0.7	1.0	n.a.
Domestic corporate goods price index <q/q % chg., 3-month rate of change> ⁷	-8.2 <-0.2>	-5.2 <-0.5>	-1.7 < 0.3>	-2.2 < 0.2>	-1.6 < 0.3>	-1.3 < 0.4>	p -0.2 <p 0.7>
Consumer price index ⁸	-2.3	-1.8	-1.2	-1.3	-1.2	-1.2	n.a.
Corporate services price index ⁹	-1.5	-1.6	p -1.5	-1.7	-1.6	p -1.3	n.a.
Money Stock (M2) <average outstanding, y/y % chg.>	2.8	3.3	2.8	3.0	2.7	2.7	p 2.9
Number of corporate bankruptcies <cases per month>	<1,261>	<1,176>	<1,156>	<1,063>	<1,090>	<1,314>	<1,154>

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

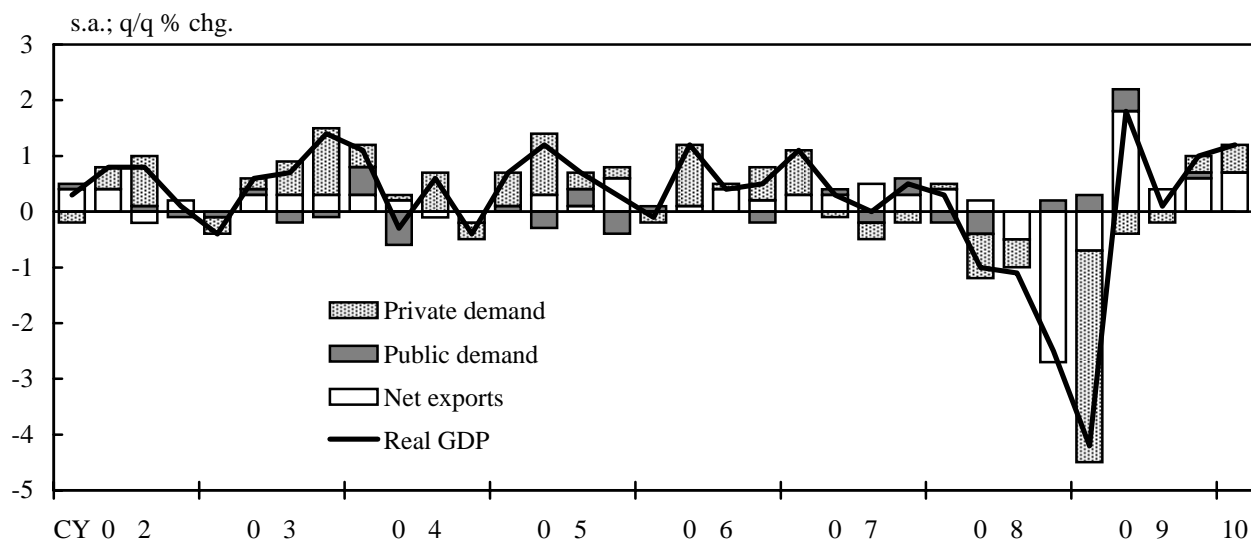
All figures in Chart 2 except figures in angle brackets are year-on-year changes. For details on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes of the respective charts.

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



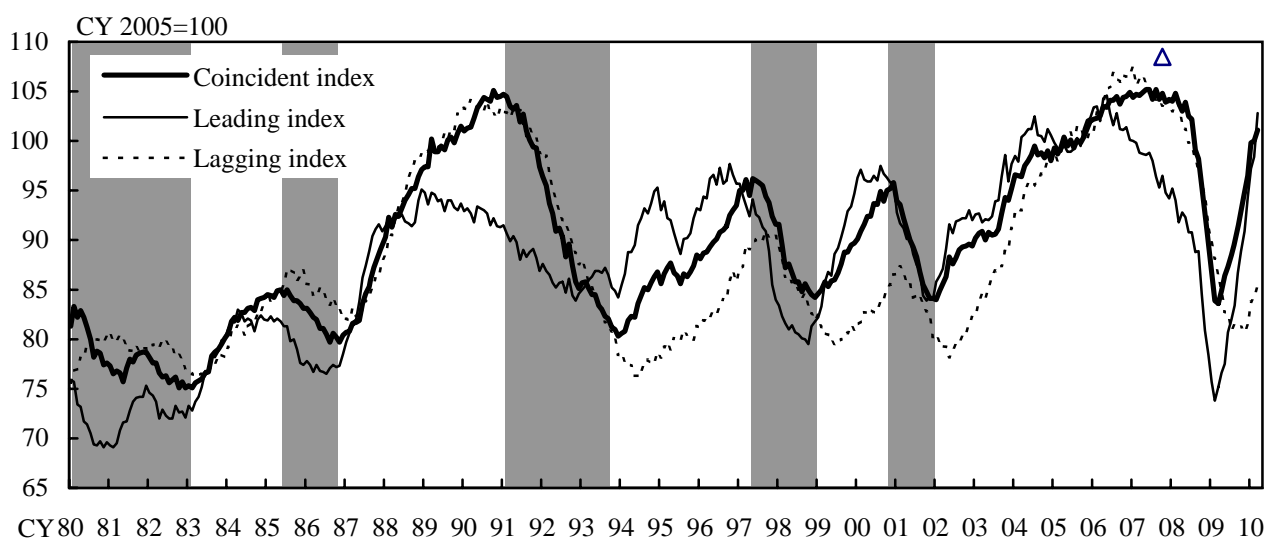
(2) Components

s.a.; q/q % chg.

	2009				2010
	Q1	Q2	Q3	Q4	Q1
Real GDP	-4.2	1.8	0.1	1.0	1.2
Domestic demand	-3.5	-0.1	-0.2	0.4	0.6
Private demand	-3.8	-0.4	-0.2	0.3	0.5
Private consumption	-0.7	0.6	0.4	0.4	0.2
Non-Resi. investment	-1.5	-0.5	-0.3	0.2	0.1
Residential investment	-0.2	-0.3	-0.2	-0.1	0.0
Private inventory	-1.4	-0.1	-0.1	-0.2	0.2
Public demand	0.3	0.4	-0.0	0.1	0.0
Public investment	0.2	0.3	-0.0	-0.1	-0.1
Net exports of goods and services	-0.7	1.8	0.4	0.6	0.7
Exports	-3.9	1.3	1.2	0.9	0.9
Imports	3.2	0.6	-0.8	-0.2	-0.3
Nominal GDP	-4.4	0.2	-0.3	0.3	1.2

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

(3) Indexes of Business Conditions (Composite Indexes)

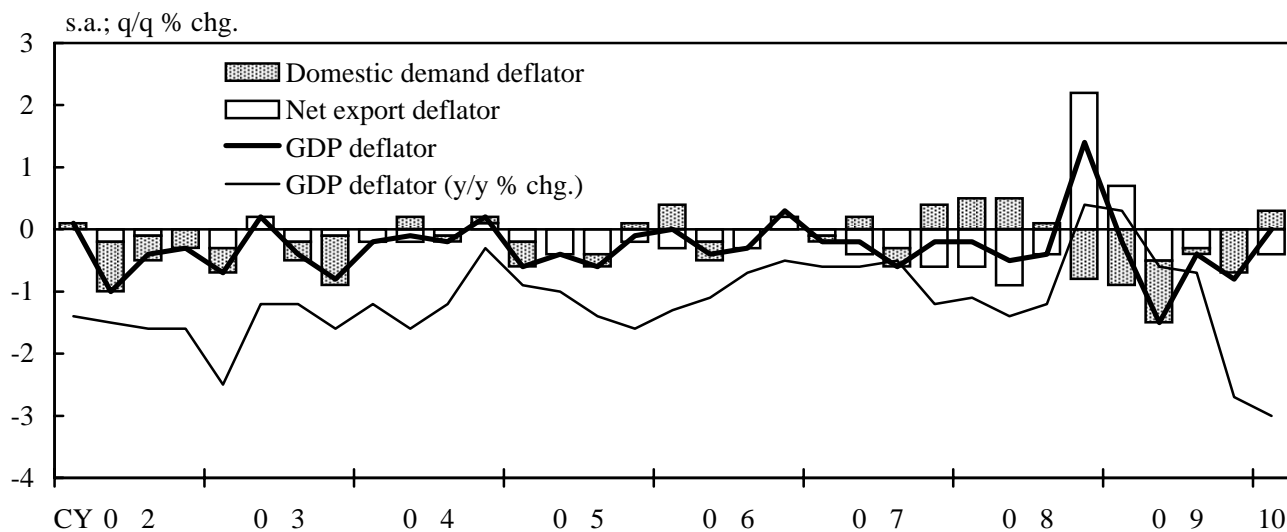


Note: Shaded areas indicate recession periods. Triangle shows the last peak.

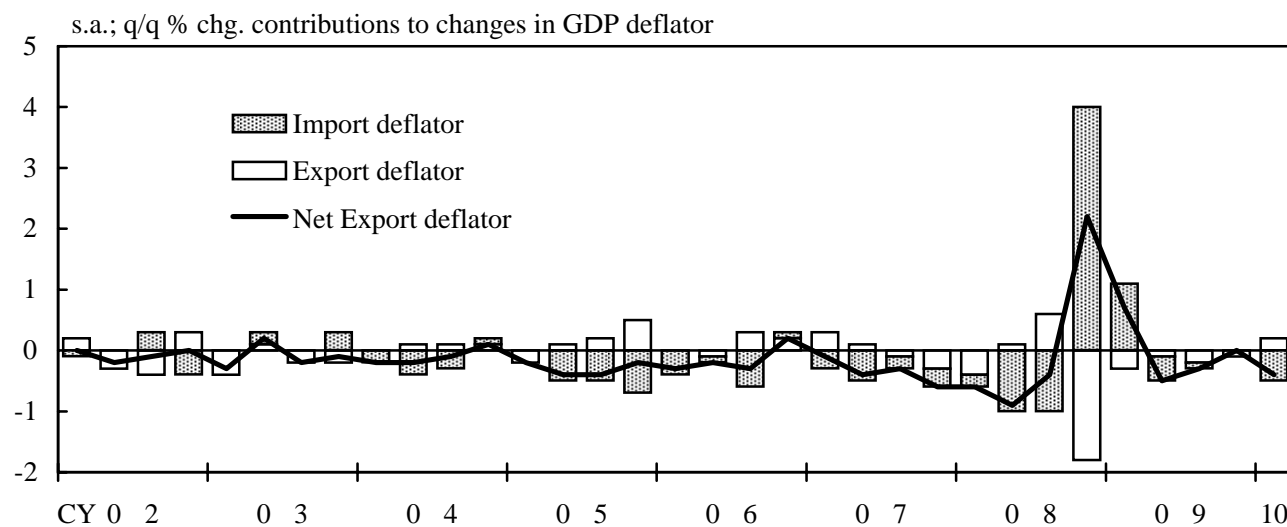
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

GDP Deflator and Income Formation

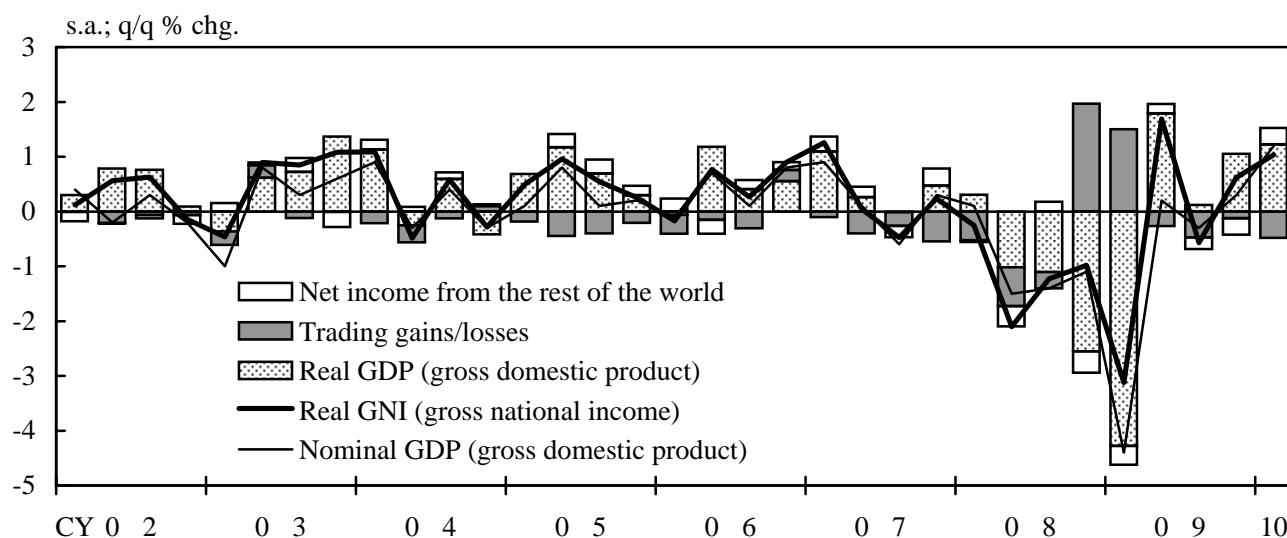
(1) GDP Deflator



(2) Net Export Deflator



(3) Aggregate Income Formation



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

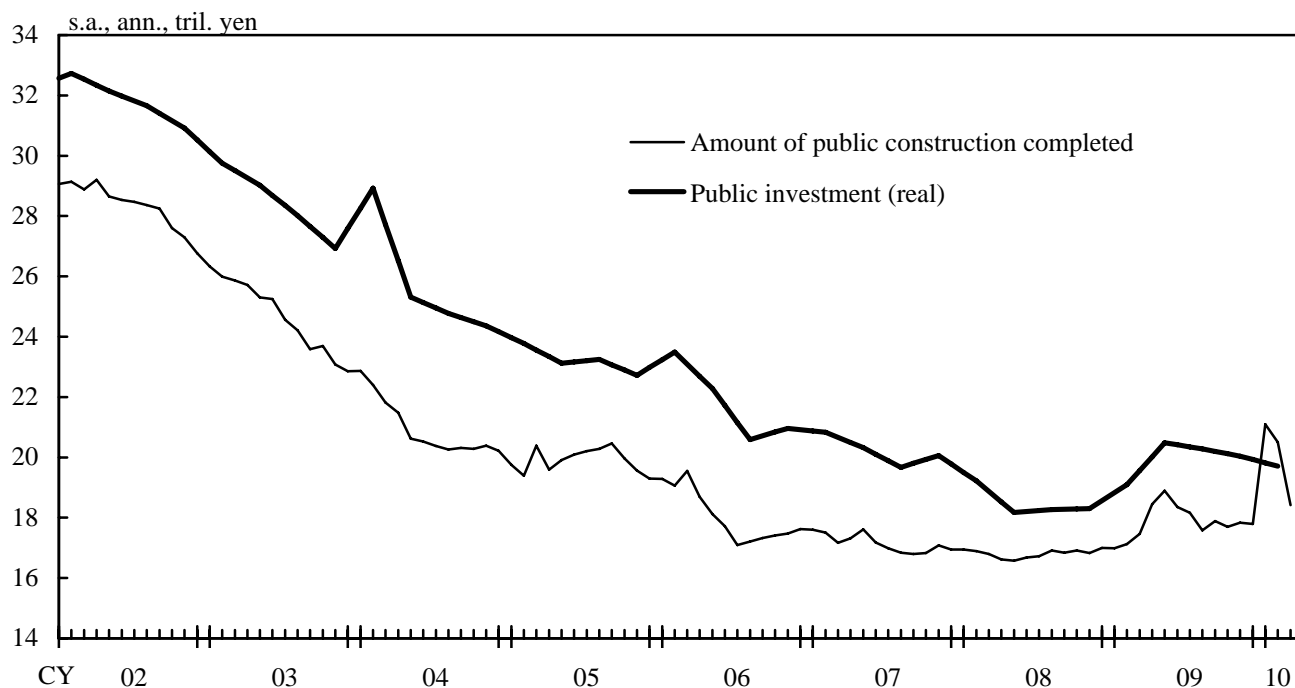
2. Real GNI = real GDP + trading gains/losses + net income from the rest of the world

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

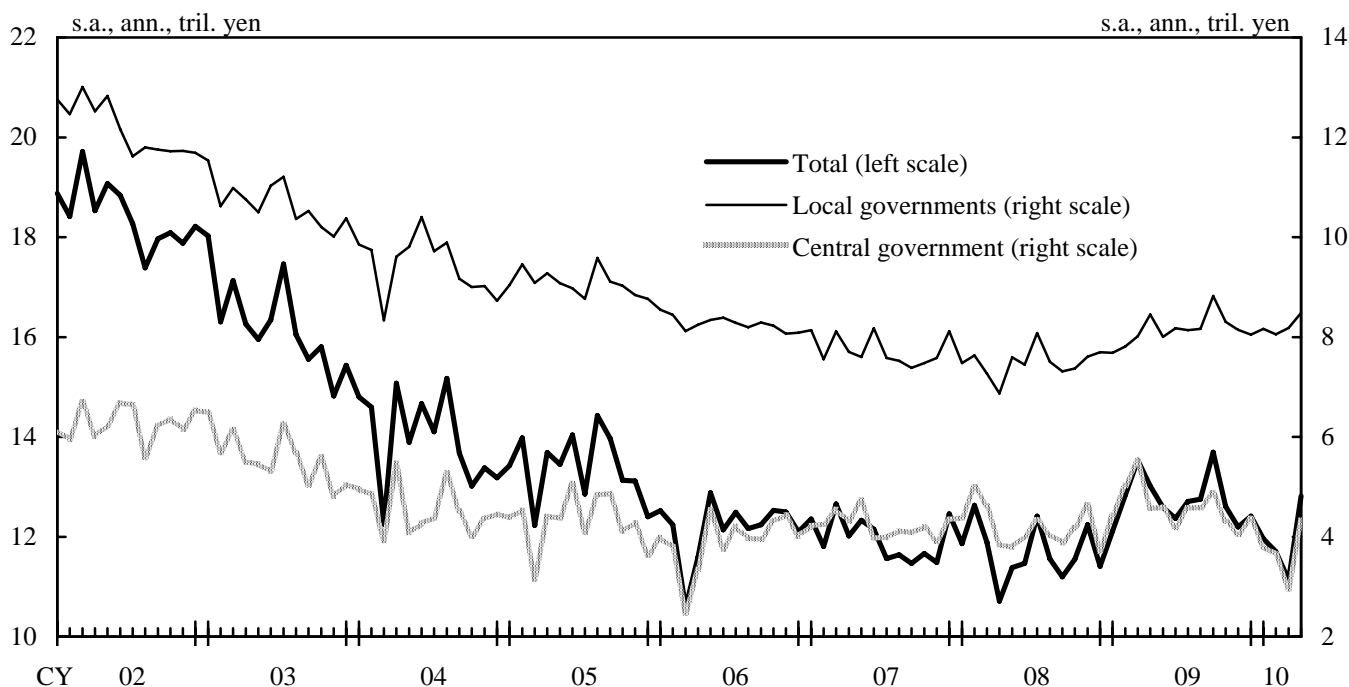
Source: Cabinet Office, "National Accounts."

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.

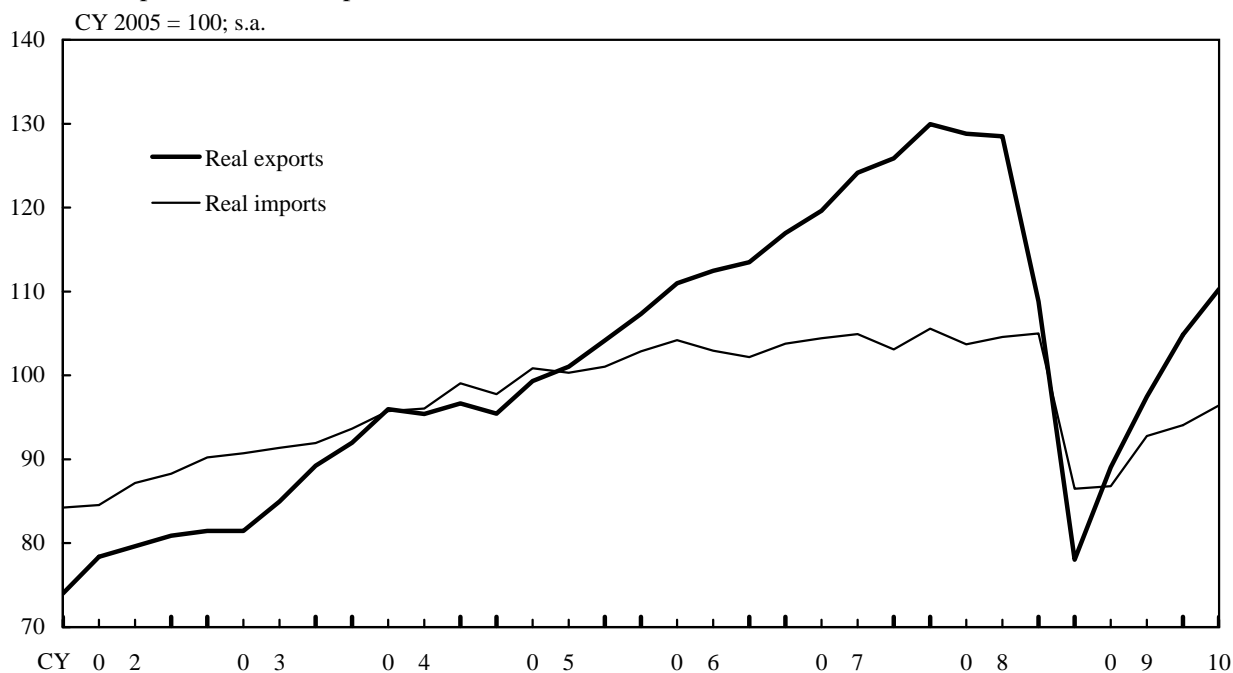
Sources: Cabinet Office, "National Accounts";

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

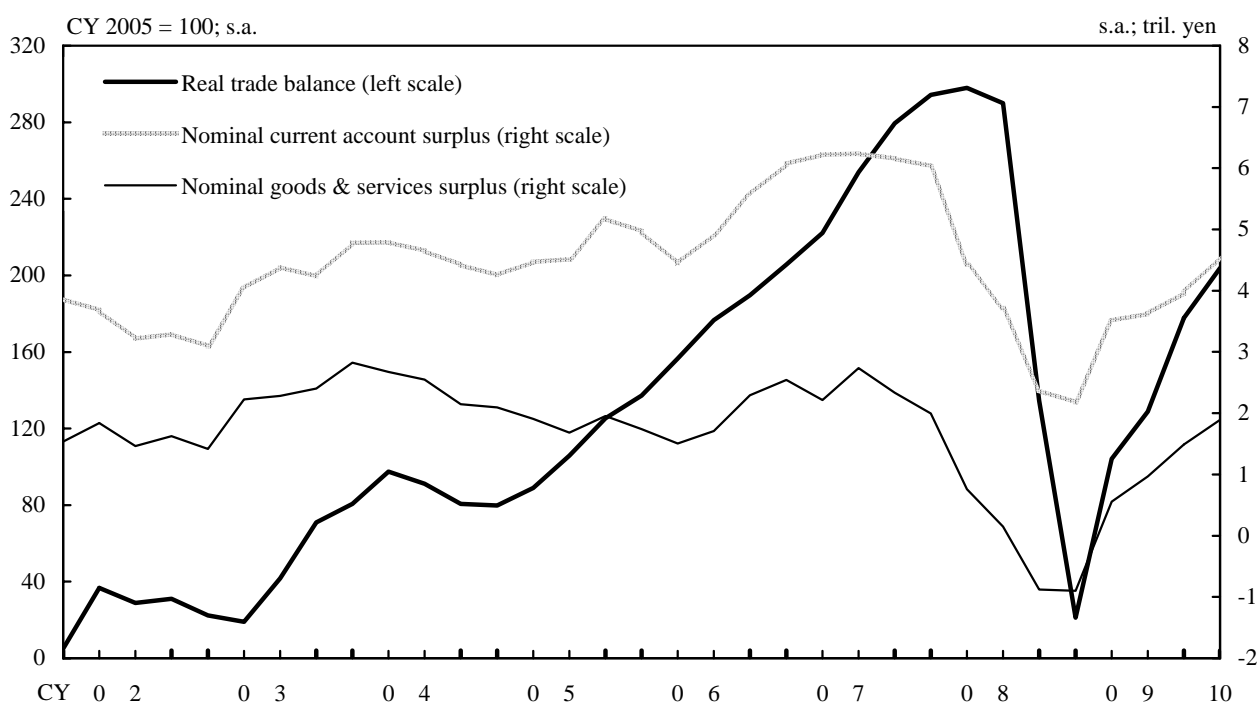
Ministry of Land, Infrastructure, Transport and Tourism, "Integrated Statistics on Construction Works."

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.

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 2008	2009	2009 Q1	Q2	Q3	Q4	2010 Q1	2010 Jan.	Feb.	Mar.
United States	<16.1>	-8.8	-32.6	-35.7	15.0	11.2	7.1	-1.1	-3.2	6.2	-2.9
EU	<12.5>	-0.1	-34.6	-29.6	7.7	4.8	9.6	-4.0	-0.5	-2.8	1.2
East Asia	<51.4>	3.4	-15.8	-23.7	20.6	13.2	7.8	7.9	7.1	-4.0	3.1
China	<18.9>	6.7	-10.2	-19.3	22.0	10.3	6.4	9.1	10.5	-9.7	4.4
NIEs	<23.5>	-0.0	-18.0	-23.3	21.6	12.5	6.7	6.9	5.3	-0.2	2.5
Korea	<8.1>	-0.3	-16.0	-14.7	15.2	11.2	5.0	5.9	1.1	5.9	-1.5
Taiwan	<6.3>	-4.3	-17.7	-22.9	25.9	13.3	11.8	9.7	8.8	-0.1	-2.9
Hong Kong	<5.5>	-2.4	-18.8	-25.2	26.6	9.6	8.0	4.9	8.8	-10.2	13.6
Singapore	<3.6>	13.3	-21.6	-34.3	18.5	22.2	-4.7	13.3	8.7	-4.9	4.6
ASEAN4 ³	<9.1>	6.4	-20.5	-32.7	14.8	21.8	13.7	8.1	4.9	-1.4	2.1
Thailand	<3.8>	5.0	-20.9	-38.1	16.3	27.8	16.0	4.9	2.0	-2.0	-2.0
Others	<20.0>	16.1	-32.1	-31.5	-2.4	9.3	11.3	11.3	6.2	-2.3	1.9
Real exports		1.8	-25.6	-28.3	14.1	9.5	7.6	5.2	0.3	1.1	2.8

(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	2010 Jan.	Feb.	Mar.
Intermediate goods	<20.7>	0.4	-5.6	-16.4	19.2	10.0	4.6	0.9	4.0	-2.6	-2.2
Motor vehicles and their related goods	<20.0>	3.2	-41.4	-49.5	22.3	25.3	11.3	5.2	-3.1	5.6	1.3
Consumer goods ⁴	<4.1>	3.5	-28.8	-25.7	12.4	3.5	0.3	-0.6	-1.6	-3.8	9.6
IT-related goods ⁵	<11.3>	0.8	-17.0	-27.7	35.0	9.0	5.8	5.7	4.3	-3.9	5.4
Capital goods and parts ⁶	<27.9>	5.2	-28.1	-26.9	3.5	7.7	9.9	8.7	1.5	3.7	5.9
Real exports		1.8	-25.6	-28.3	14.1	9.5	7.6	5.2	0.3	1.1	2.8

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

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.

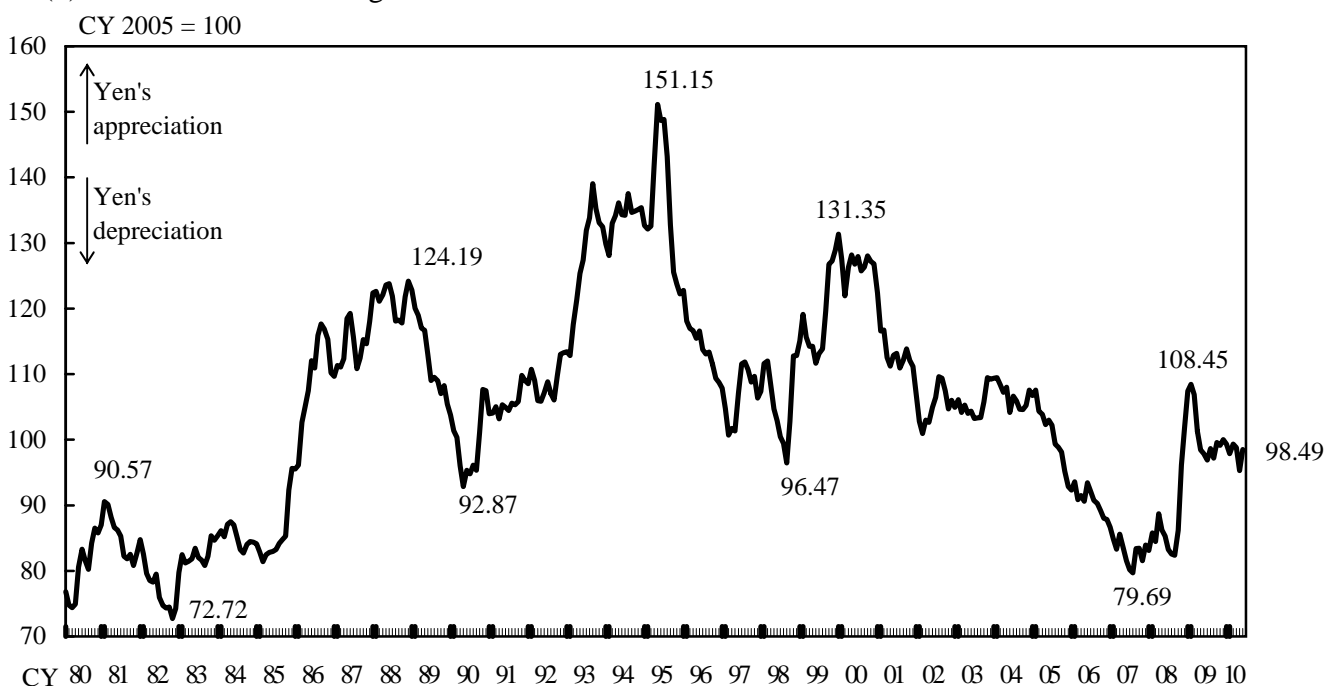
5. IT-related goods are composed of computers and units, telecommunication machinery, ICs, and medical and optical instruments.

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



- 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. Figure for May (up to May 19) 2010 has 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 Q2	Q3	Q4	2010 Q1	
United States ¹		2.1	0.4	-2.4	-0.7	2.2	5.6	3.2	
European Union ¹		2.9	0.7	-4.2	-1.0	1.1	0.4	0.7	
	Germany	2.5	1.3	-4.9	1.8	2.9	0.7	0.6	
	France	2.3	0.1	-2.5	0.9	1.0	2.2	0.5	
	United Kingdom	2.6	0.5	-4.9	-2.7	-1.1	1.8	0.8	
East Asia ²	China	14.2	9.6	8.7	7.9	9.1	10.7	11.9	
	NIEs	Korea	5.1	2.3	0.2	-2.2	1.0	6.0	7.8
		Taiwan	6.0	0.7	-1.9	-6.9	-1.0	9.1	13.3
		Hong Kong	6.4	2.2	-2.8	-3.8	-2.4	2.5	8.2
		Singapore	8.5	1.8	-1.3	-1.7	1.8	3.8	15.5
	ASEAN4	Thailand	4.9	2.5	-2.3	-4.9	-2.7	5.8	n.a.
		Indonesia	6.3	6.0	4.5	4.1	4.2	5.4	5.7
Malaysia		6.5	4.7	-1.7	-3.9	-1.2	4.4	10.1	
Philippines		7.1	3.8	0.9	0.8	0.4	1.8	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 2008	2009	2009 Q1	Q2	Q3	Q4	2010 Q1	2010 Jan.	Feb.	Mar.
United States	<10.7>	-2.5	-18.7	-15.4	-5.7	3.4	6.6	-0.3	0.4	-3.4	-2.2
EU	<10.7>	-3.0	-13.2	-11.1	-1.7	4.8	1.6	-0.7	1.8	-4.1	0.3
East Asia	<41.9>	2.4	-13.2	-20.3	3.3	8.5	3.2	4.1	4.8	3.5	-11.0
China	<22.2>	4.4	-11.1	-20.0	3.2	8.8	3.9	3.0	3.3	7.4	-19.7
NIEs	<8.6>	-1.1	-15.9	-20.7	9.7	8.7	2.2	6.9	5.5	3.0	-2.3
Korea	<4.0>	-5.3	-19.1	-19.6	6.6	9.2	-0.4	3.9	-0.2	10.4	-3.2
Taiwan	<3.3>	3.5	-12.4	-22.2	13.7	9.3	5.6	6.2	7.9	-2.7	-1.2
Hong Kong	<0.2>	-1.7	-29.7	-30.2	13.6	-10.8	-4.4	55.8	62.2	-5.3	-29.4
Singapore	<1.1>	1.5	-12.5	-19.9	14.0	0.7	5.2	12.5	5.7	0.6	7.7
ASEAN4 ³	<11.0>	1.4	-15.1	-20.8	-1.6	7.5	2.4	4.3	7.5	-4.8	2.7
Thailand	<2.9>	2.4	-17.5	-23.1	1.9	10.3	6.0	3.7	3.2	2.4	-1.1
Others	<36.7>	2.5	-14.3	-17.4	-1.5	6.9	-0.3	2.5	1.5	1.0	-1.6
Real imports		0.5	-14.2	-17.6	0.4	6.9	1.4	2.5	1.5	1.9	-3.9

(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	2010 Jan.	Feb.	Mar.
Raw materials ⁴	<34.2>	1.6	-15.4	-18.0	-3.4	8.9	-2.3	3.0	2.0	-0.9	0.2
Intermediate goods	<14.2>	1.7	-15.3	-20.2	-4.6	11.2	2.7	5.9	5.1	0.8	1.1
Foodstuffs	<9.7>	-3.6	1.0	-3.7	-4.0	-0.0	-4.7	3.1	1.6	6.0	-6.1
Consumer goods ⁵	<8.9>	-2.4	-10.3	-17.3	4.6	8.9	6.1	1.2	-1.5	11.3	-24.6
IT-related goods ⁶	<11.0>	4.3	-12.4	-17.9	10.9	5.1	4.6	5.9	12.2	-3.5	-4.2
Capital goods and parts ⁷	<11.8>	2.9	-23.8	-19.7	-3.6	6.0	11.3	-0.5	-4.6	1.5	-5.4
Excluding aircraft	<11.0>	3.7	-24.4	-24.0	0.2	5.7	6.9	4.7	2.2	2.9	-4.1
Real imports		0.5	-14.2	-17.6	0.4	6.9	1.4	2.5	1.5	1.9	-3.9

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

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.

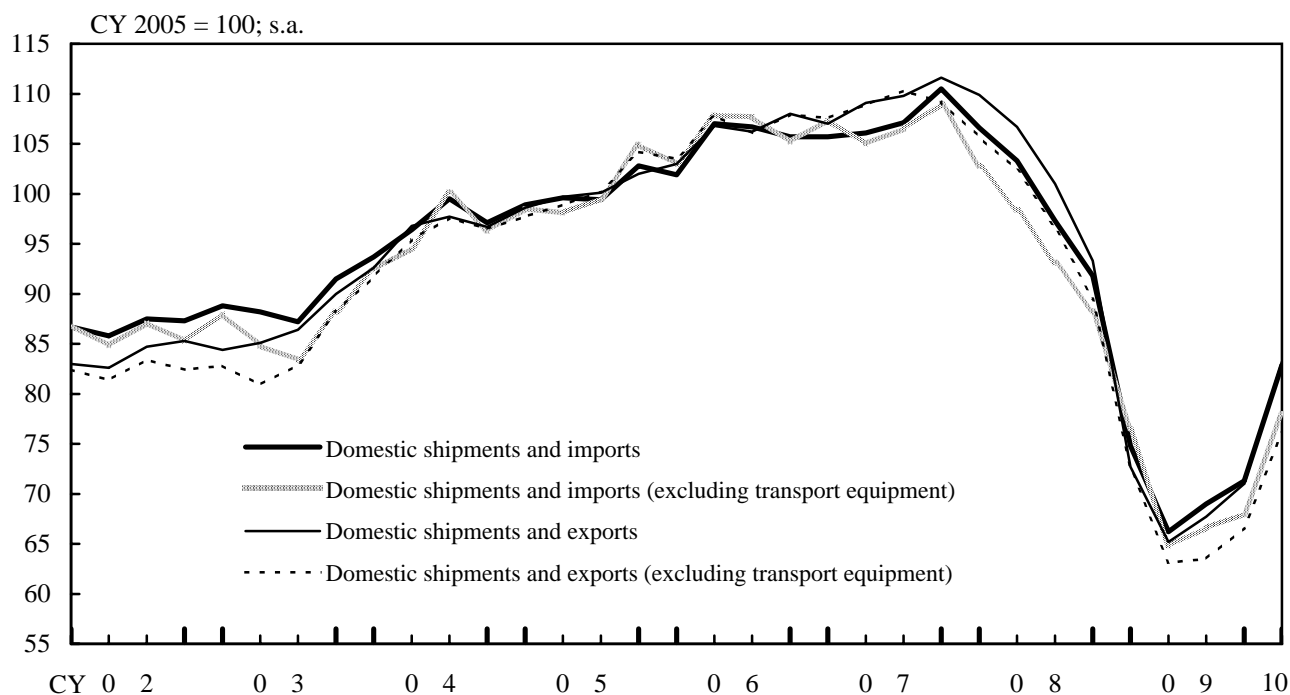
6. IT-related goods are composed of computers and units, parts of computer, telecommunication machinery, ICs, and medical and optical instruments.

7. Excludes IT-related goods.

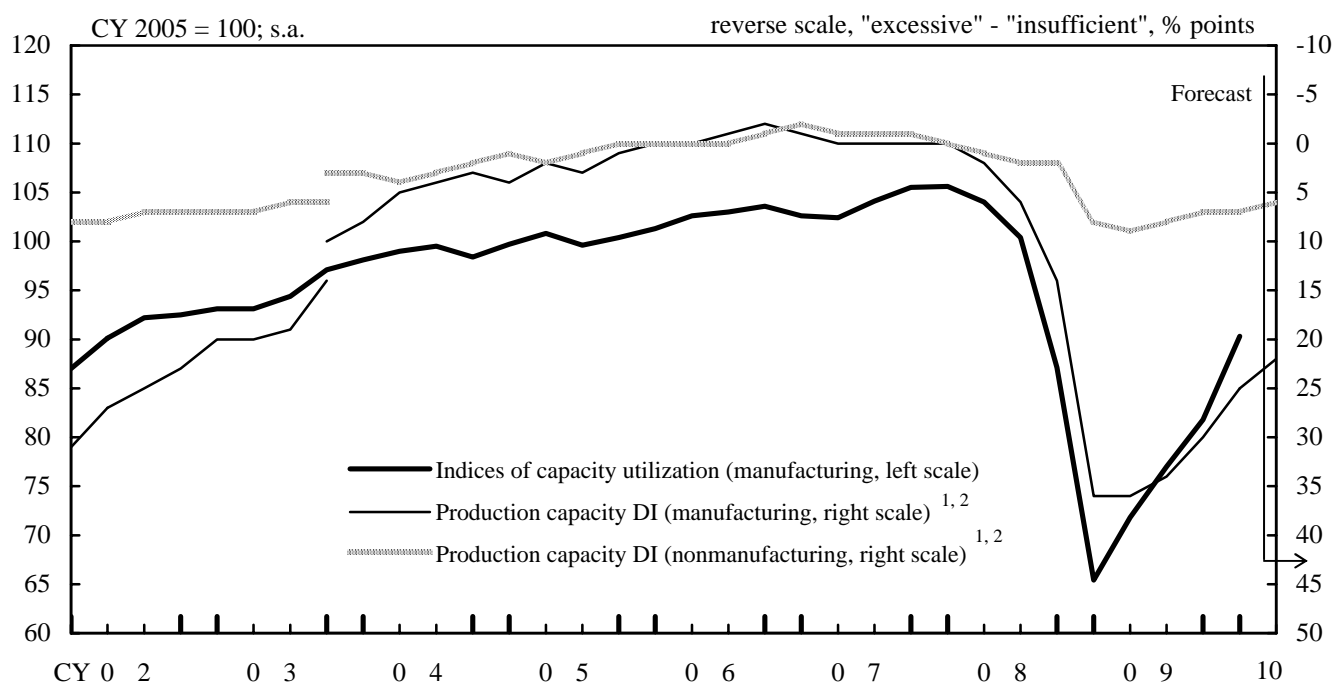
Sources: Ministry of Finance, "Trade Statistics"; Bank of Japan, "Corporate Goods Price Index."

Coincident Indicators for Business Fixed Investment

(1) Aggregate Supply and Shipments of Capital Goods



(2) Indices of Capacity Utilization and Production Capacity DI



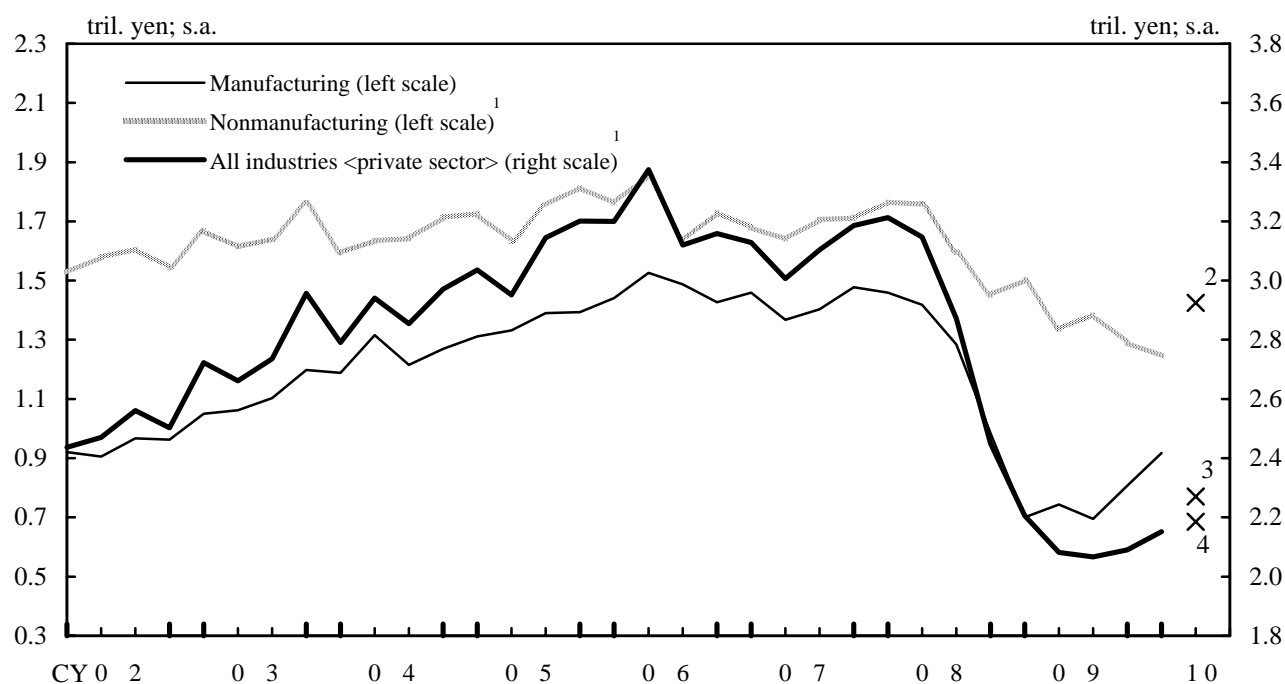
Notes: 1. Production capacity DIs are those of all enterprises.

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.

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



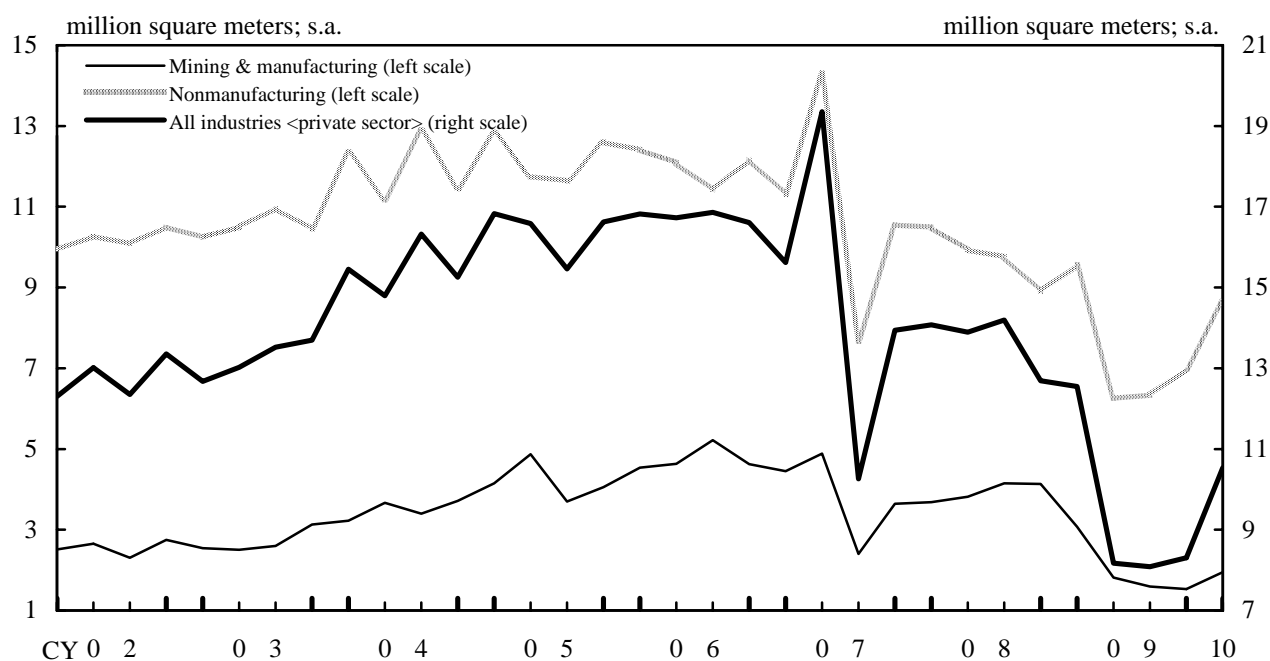
Notes: 1. Excludes orders of shipbuilding and orders from electric power companies.

2. Forecast of nonmanufacturing industries for 2010/Q2.

3. Forecast of manufacturing industries for 2010/Q2.

4. Forecast of all industries <private sector> for 2010/Q2.

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



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

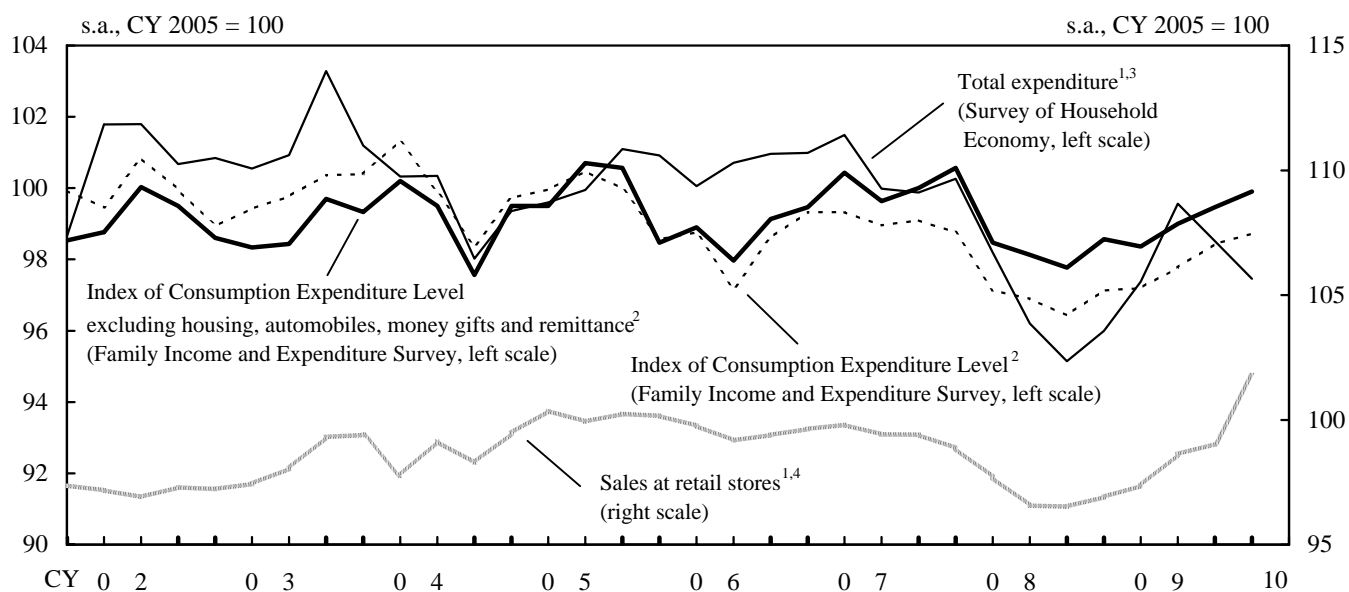
2. Because the Standard Industrial Classification for Japan was revised in March 2002, the industry classification for newspaper publishing and publishing business was changed from mining and manufacturing to nonmanufacturing. Accordingly, the data up to FY 2002 were adjusted by using a link coefficient.

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

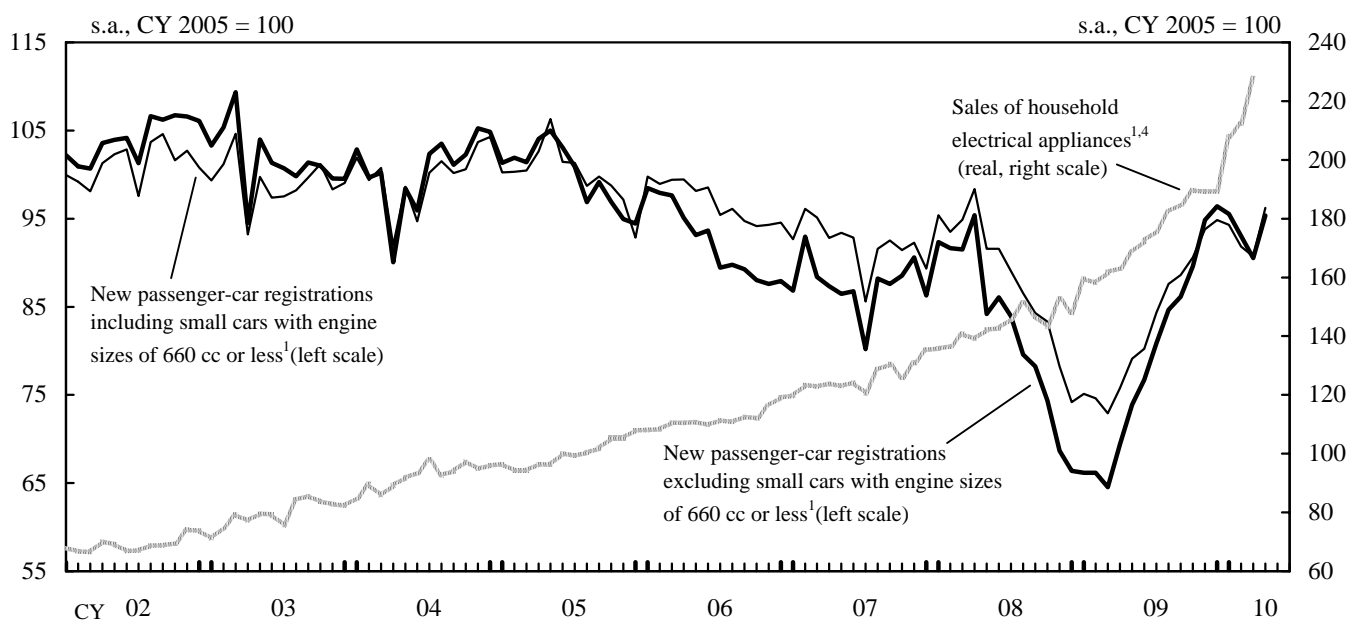
Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts."

Indicators for Private Consumption (1)

(1) Household Spending (Real)

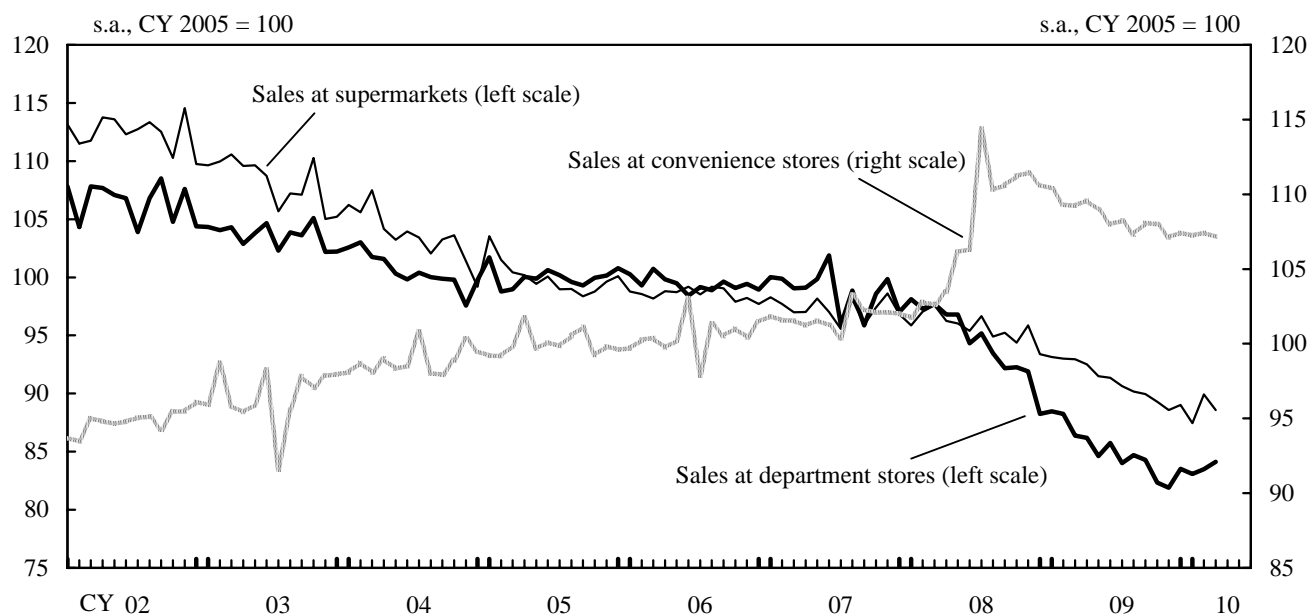


(2) Sales of Durable Goods

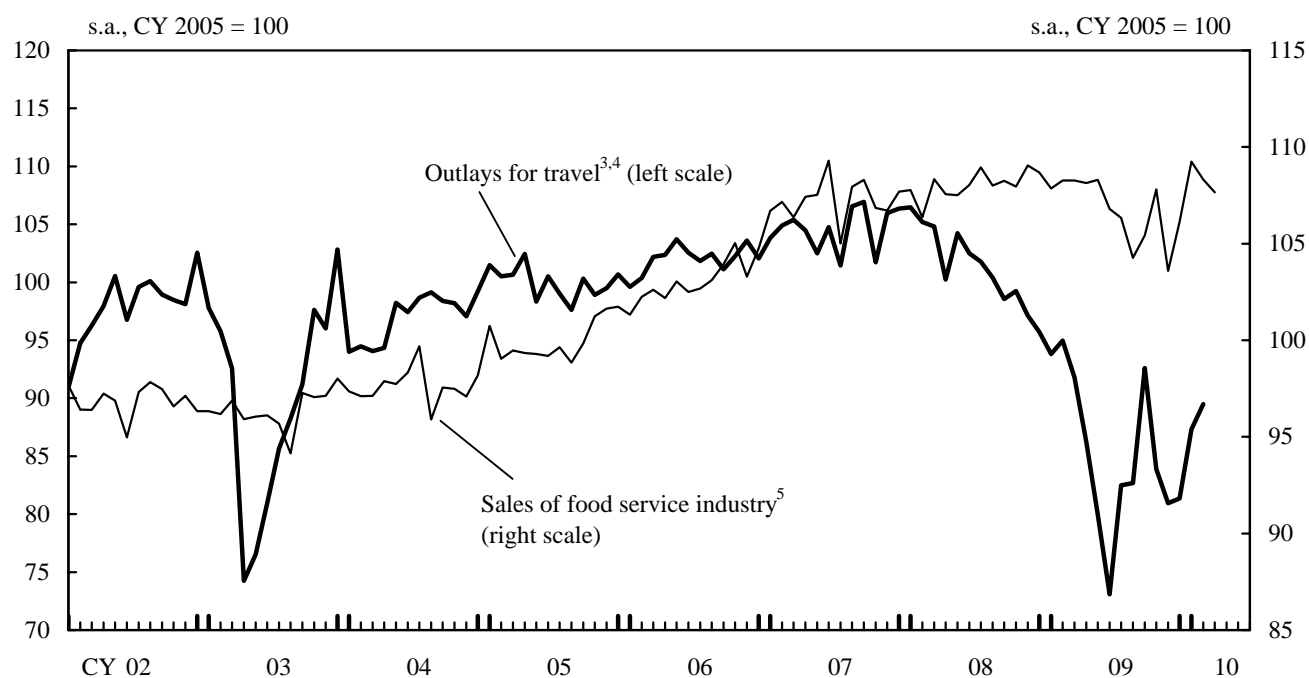


- Notes: 1. Total expenditure, Sales at retail stores, Sales of household electrical appliances and New passenger-car registrations are seasonally adjusted by X-12-ARIMA.
2. Index of consumption expenditure level is based on two-or-more-person households, and is adjusted by the distribution of household 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).

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

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

(2) Consumption of Services (Nominal)



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

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

3. 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";

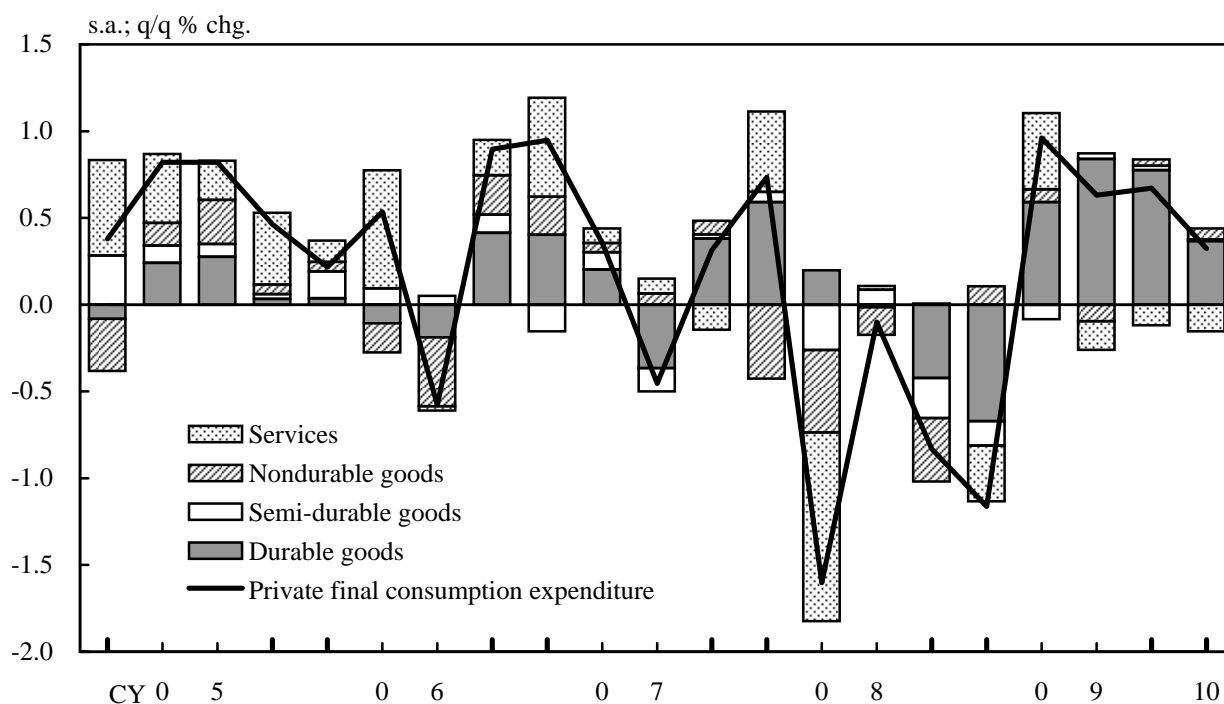
Japan Tourism Agency, "Major Travel Agents' Revenue";

Food Service Industry Survey & Research Center, "Getsuji Uriage Doukou Chousa (Monthly Survey of Food Service Sales)";

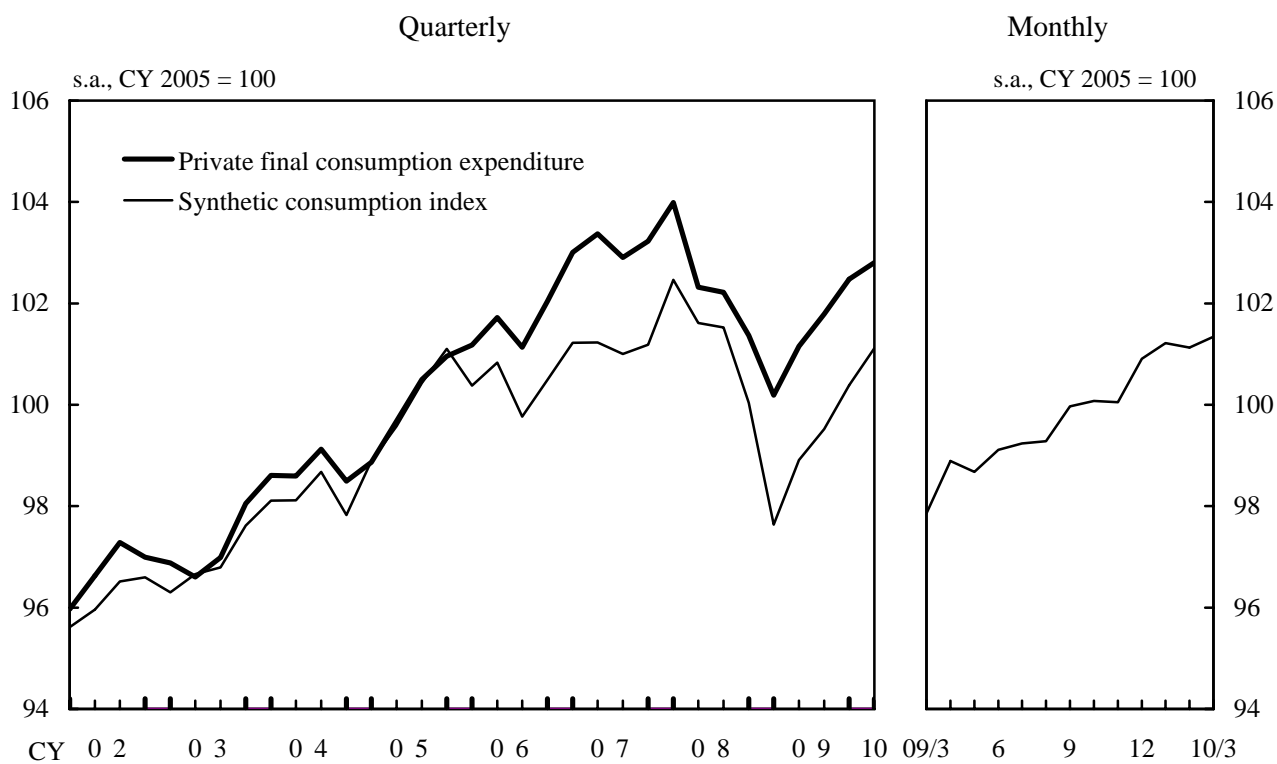
Japan Food Service Association, "Gaishoku Sangyou Shijou Doukou Chousa (Research on the Food Service Industry)."

Indicators for Private Consumption (3)

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



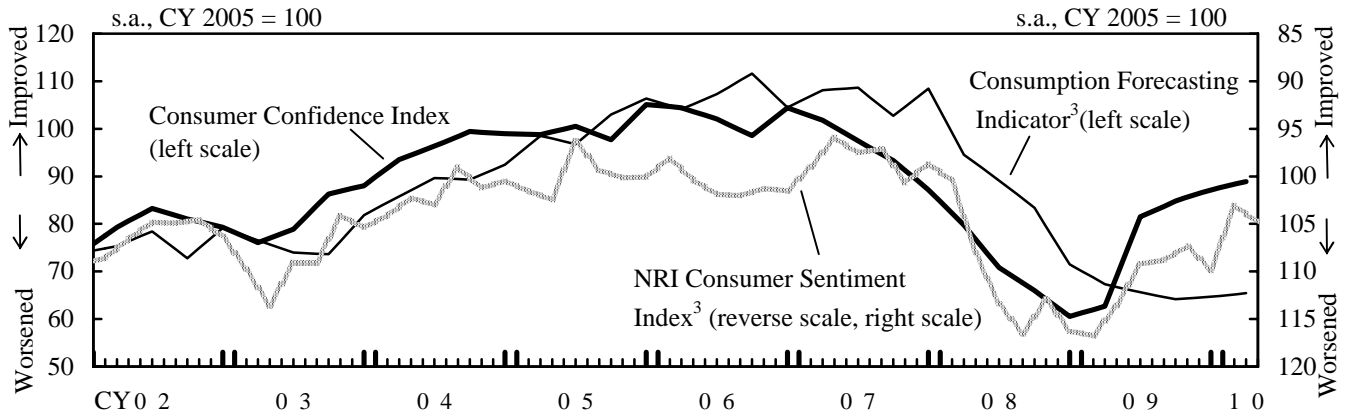
(2) Private Final Consumption Expenditure and Synthetic Consumption Index (Real)



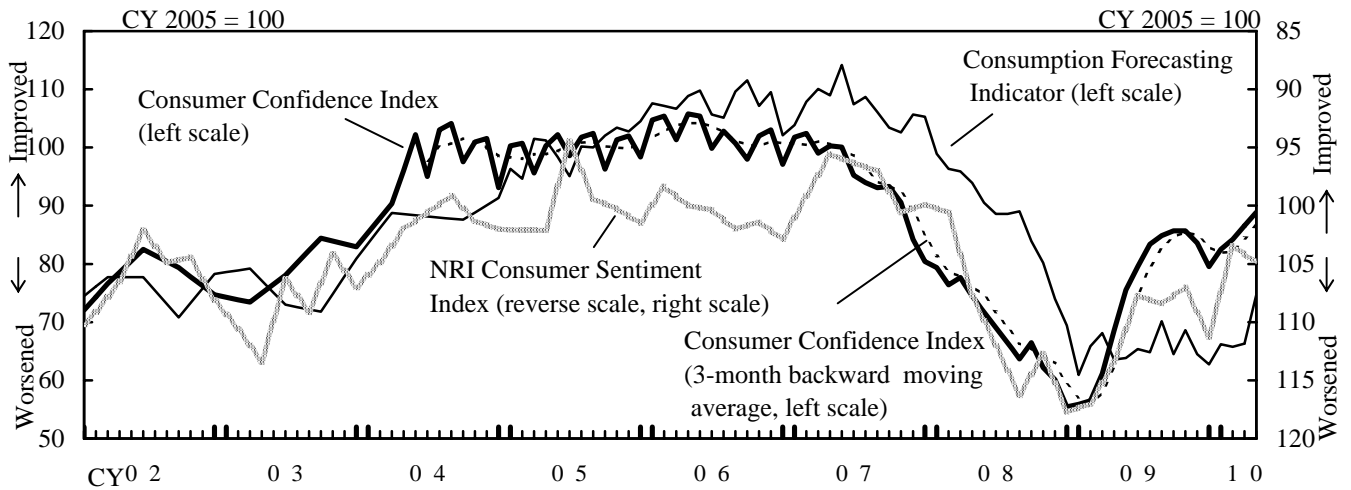
Sources: Cabinet Office, "National Accounts," "Synthetic Consumption Index."

Consumer Confidence^{1,2}

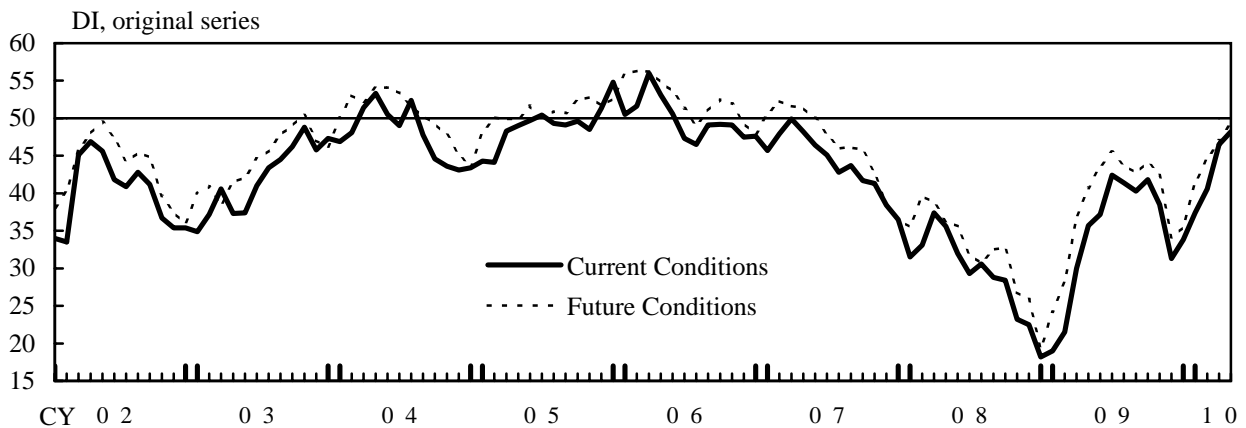
(1) Seasonally Adjusted Series



(2) Original Series



Reference: Economy Watchers Survey (Household Activity)

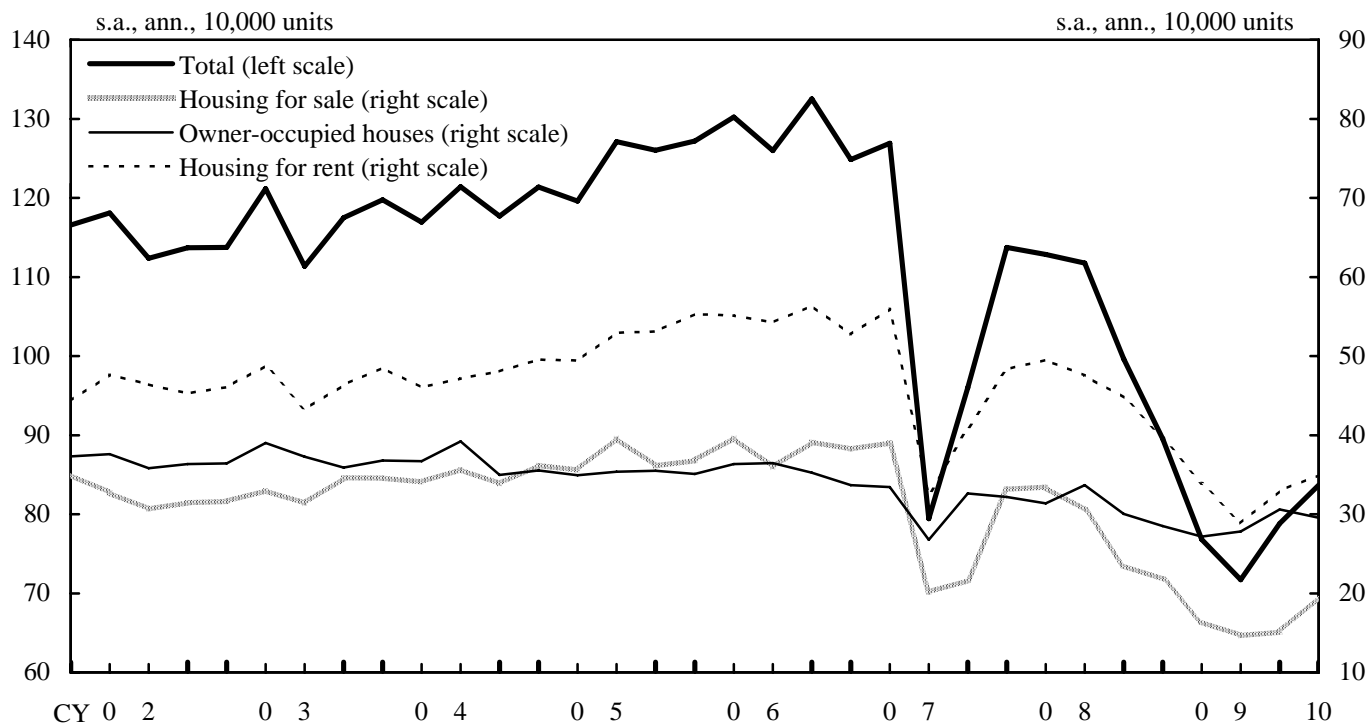


- Notes: 1. The Consumer Confidence Index (with about 4,700 samples on a nationwide basis), Consumption Forecasting Indicator (with 600 samples in the metropolitan area), and NRI Consumer Sentiment Index (with 1,200 samples on a nationwide basis) are based on surveys on consumer confidence.
2. Figures 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.

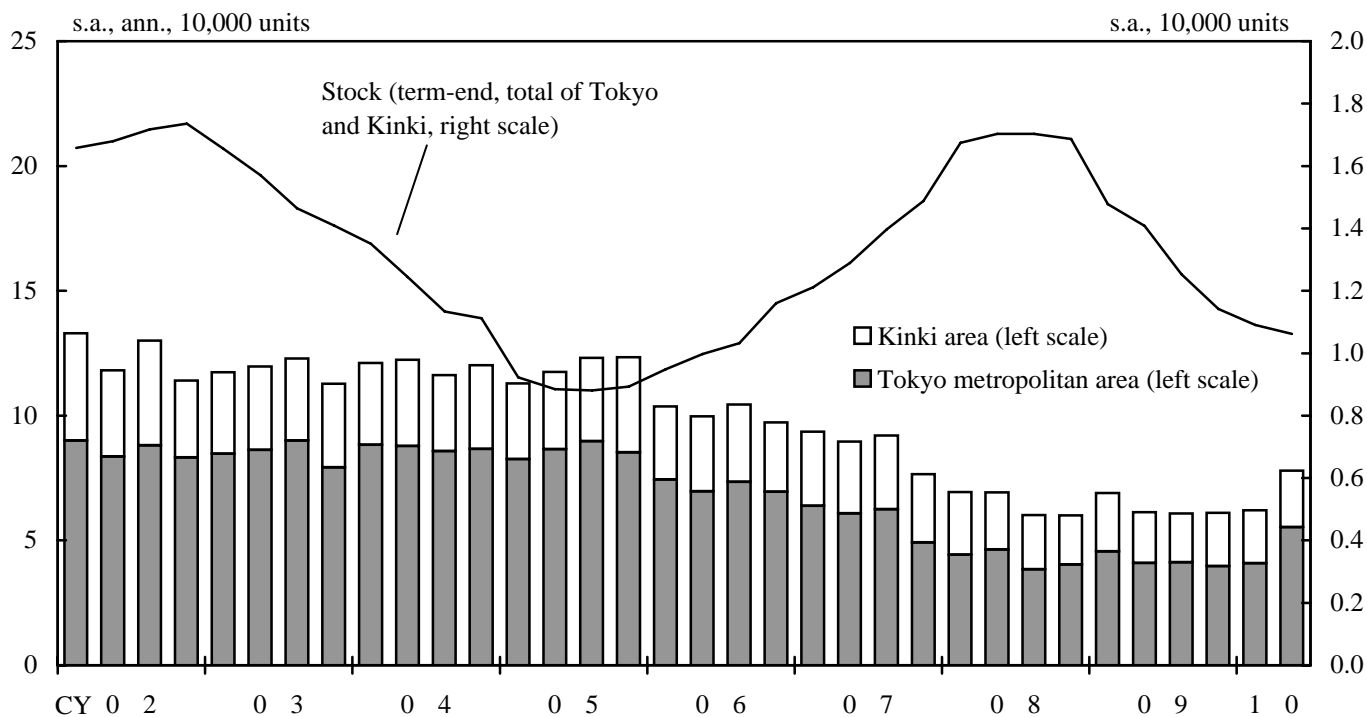
Sources: Cabinet Office, "Consumer Confidence Survey," "Economy Watchers Survey";
Nikkei inc., "Consumption Forecasting Indicator"; Nippon Research Institute (NRI), "Consumer Sentiment Survey."

Indicators for Housing Investment

(1) Housing Starts



(2) Sales of Apartments

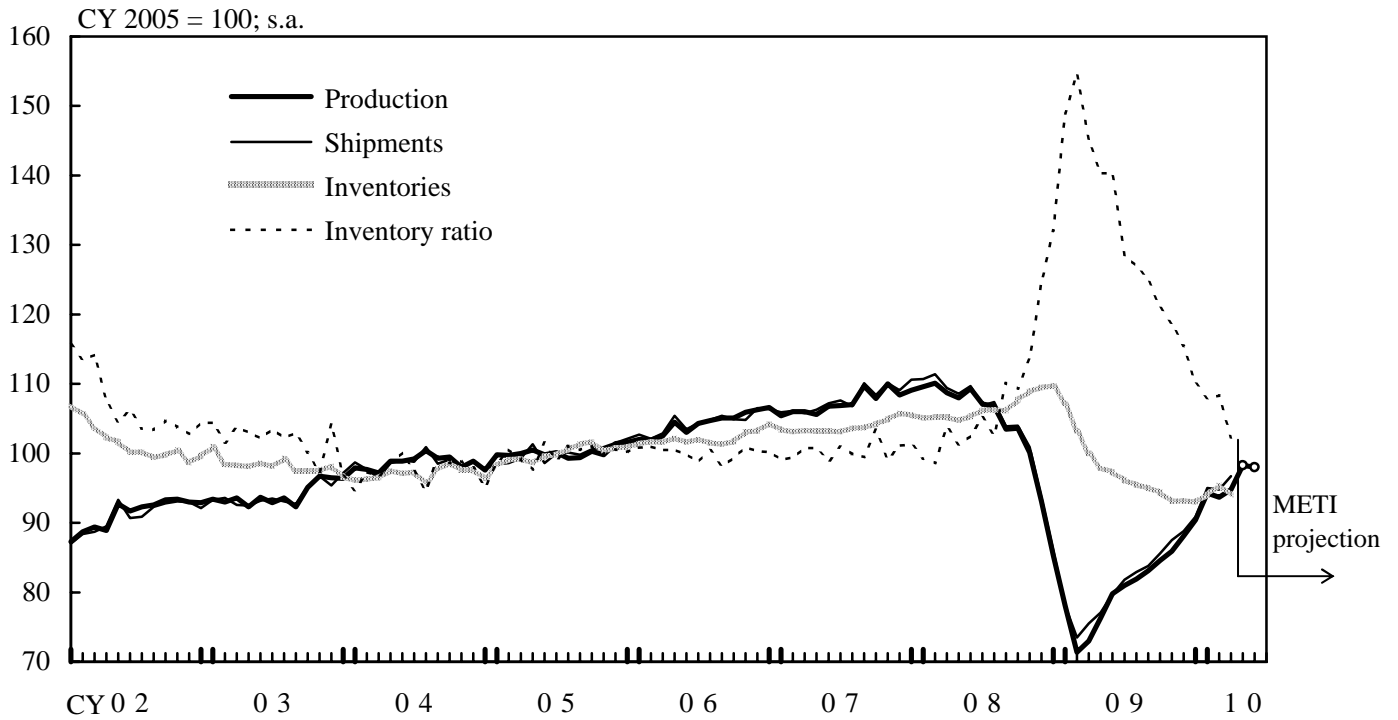


Notes: 1. Seasonally adjusted by X-12-ARIMA.
 2. Figures for 2010/Q2 are those of April.

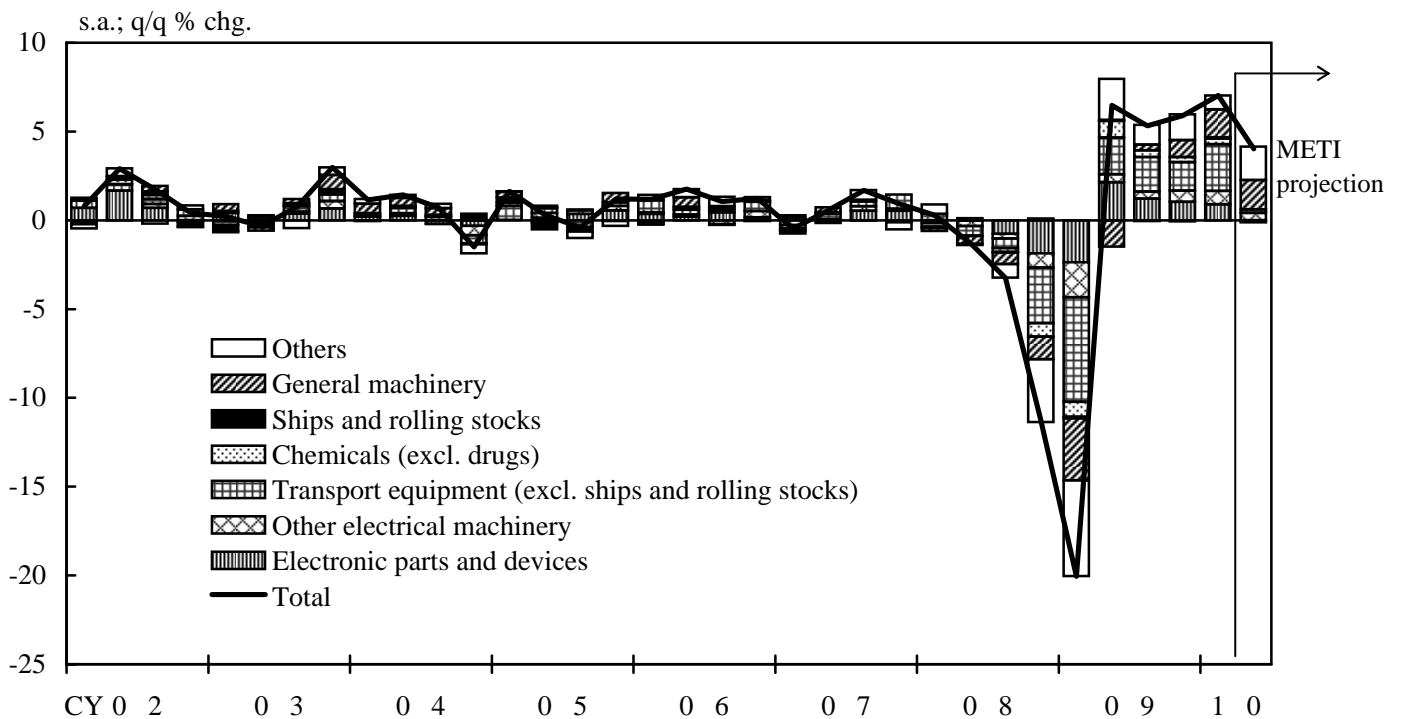
Source: Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts," etc.

Production, Shipments and Inventories

(1) Production, Shipments and Inventories



(2) Production by Industry

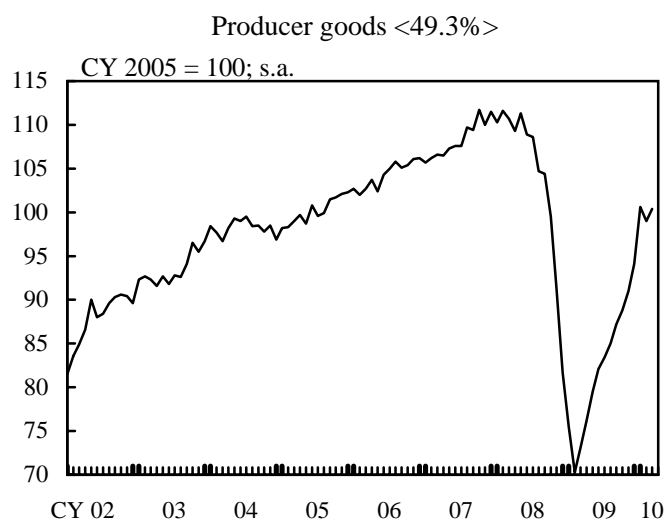
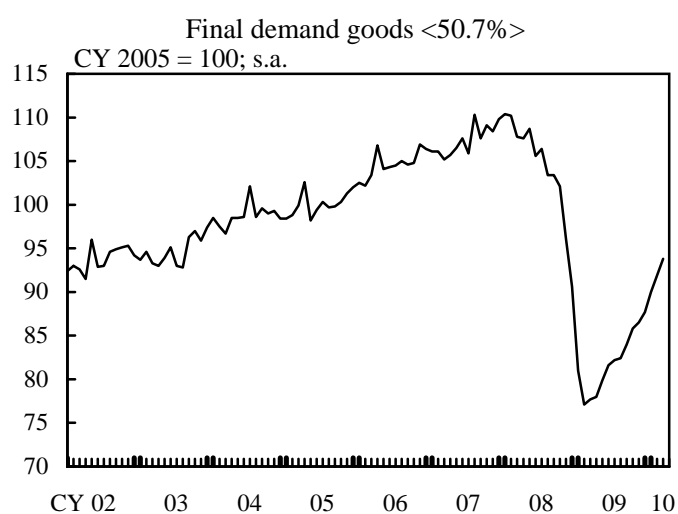


- Notes: 1. "Other electrical machinery" is the weighted sum of "electrical machinery" and "information and communication electronics equipment."
 2. Figures up to 2003/Q1 are on the 2000 base.
 3. 2010/Q2 figures are based on the assumption that each production level in June is the same as that of May.

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

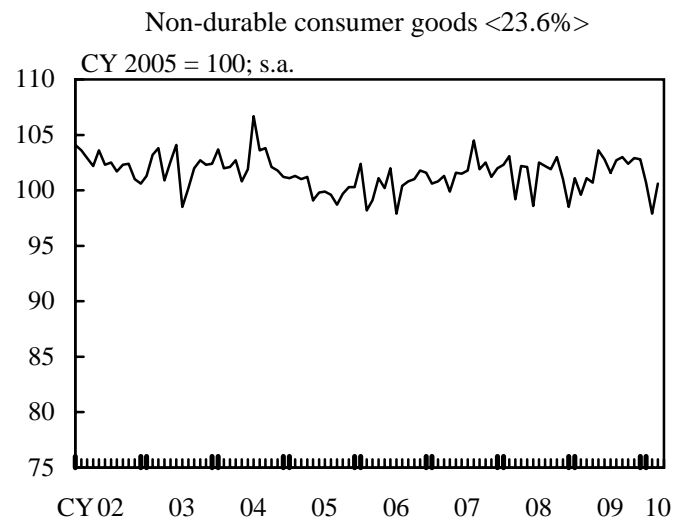
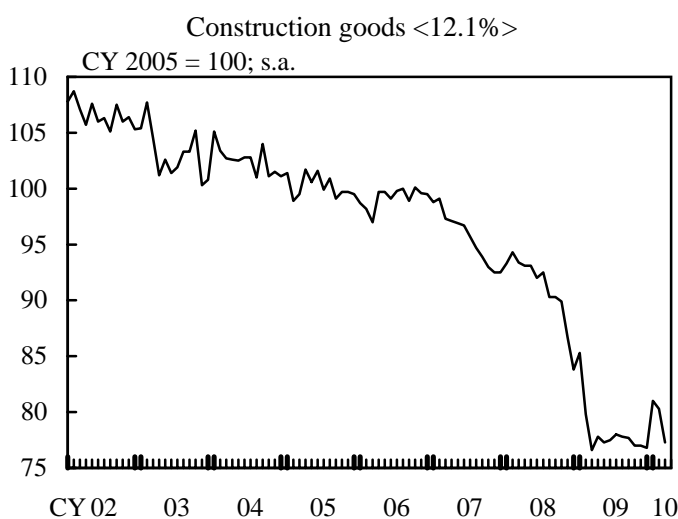
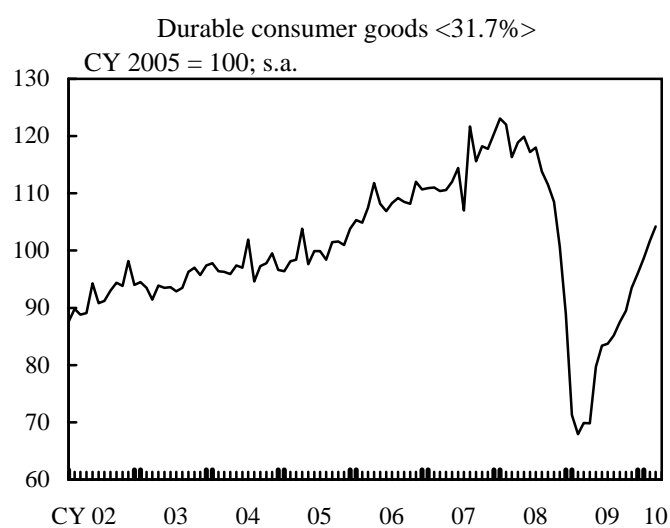
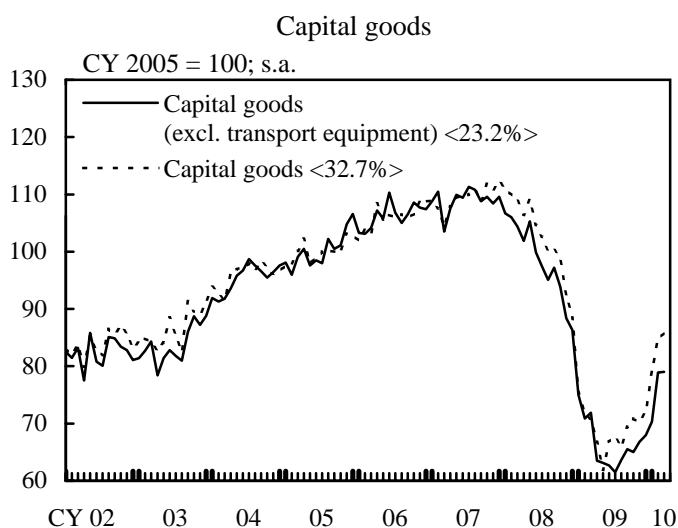
Shipments Breakdown by Type of Goods

(1) Final Demand Goods and Producer Goods



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

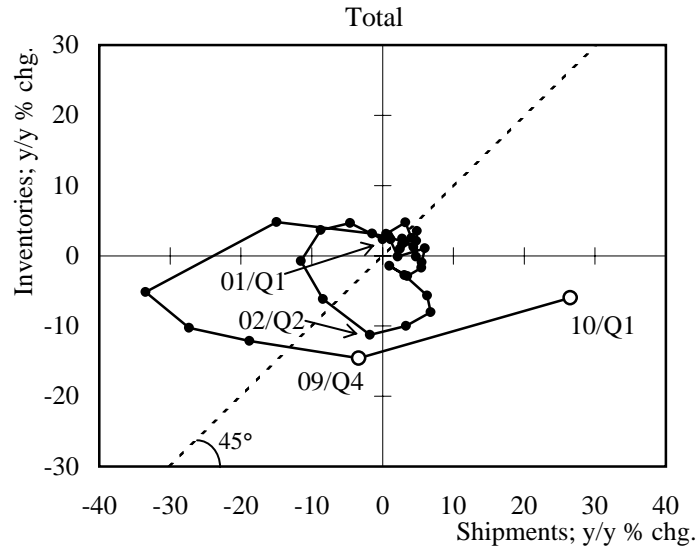
(2) Breakdown of Final Demand Goods



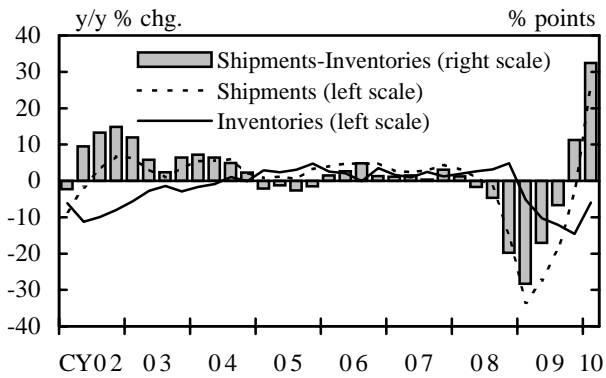
Note: Figures in angle brackets show the shares among shipments of final demand goods.

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

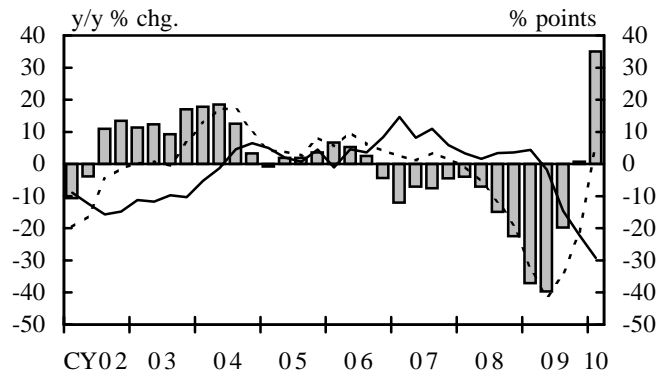
Inventory Cycle



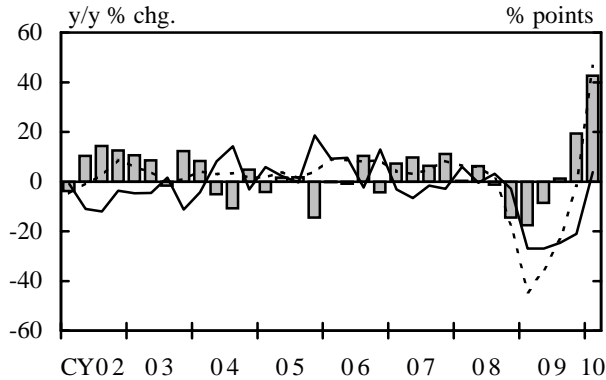
(1) Total



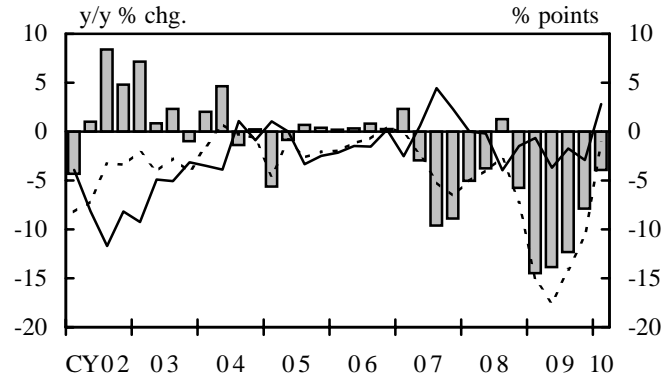
(2) Capital Goods (Excluding Transport Equipment)



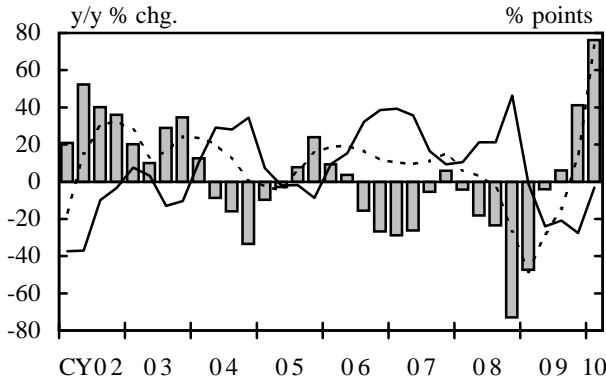
(3) Durable Consumer Goods



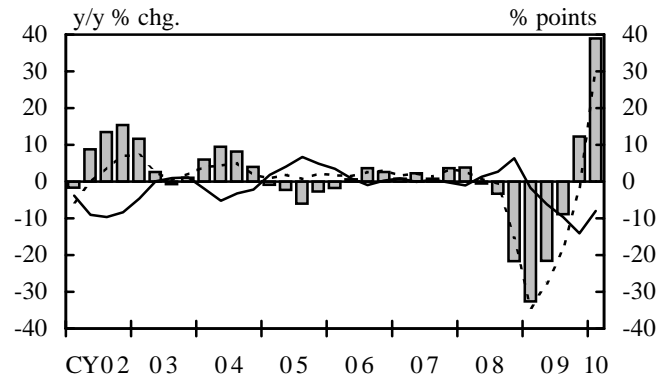
(4) Construction Goods



(5) Electronic Parts and Devices



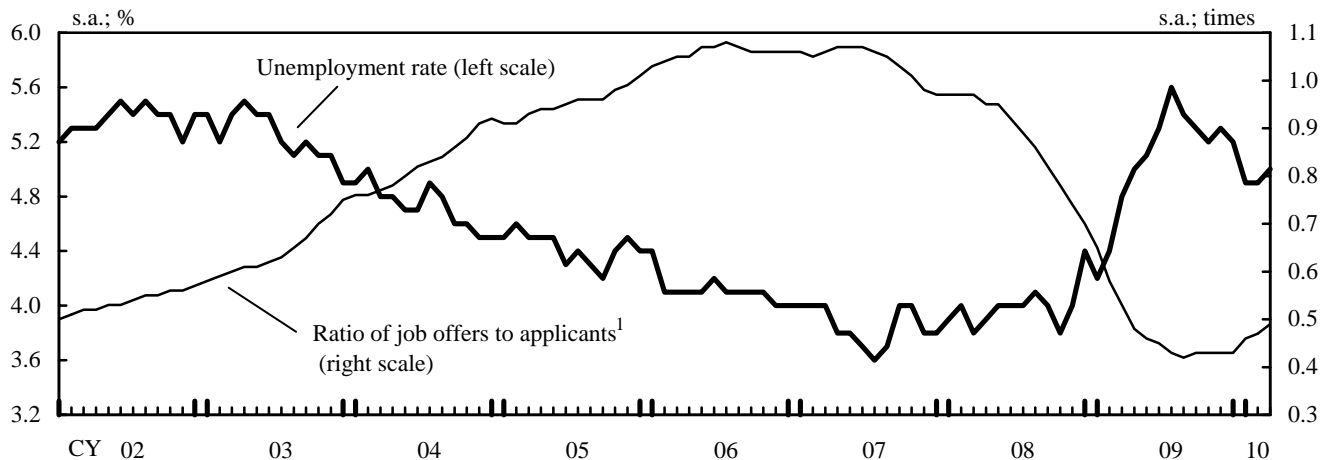
(6) Producer Goods Excluding Electronic Parts and Devices



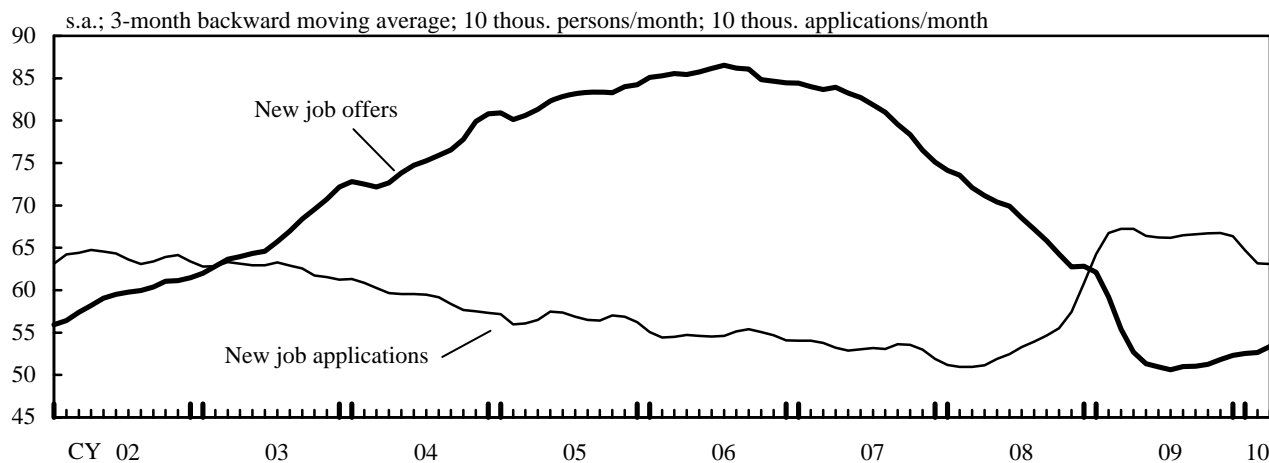
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Labor Market (1)

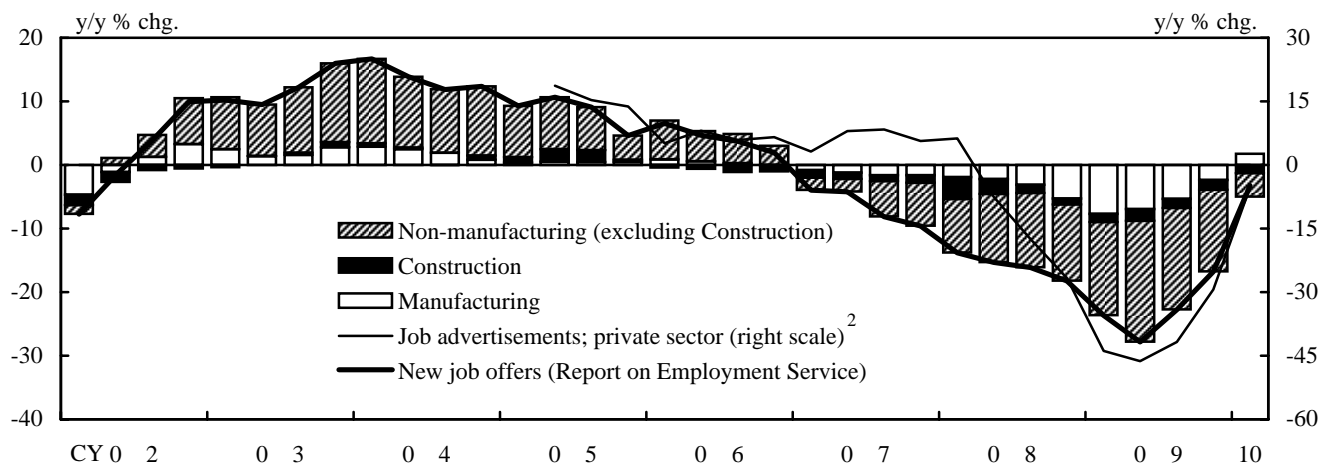
(1) Unemployment Rate and Ratio of Job Offers to Applicants



(2) New Job Offers and New Job Applicants¹



(3) Breakdown of Job Offers¹

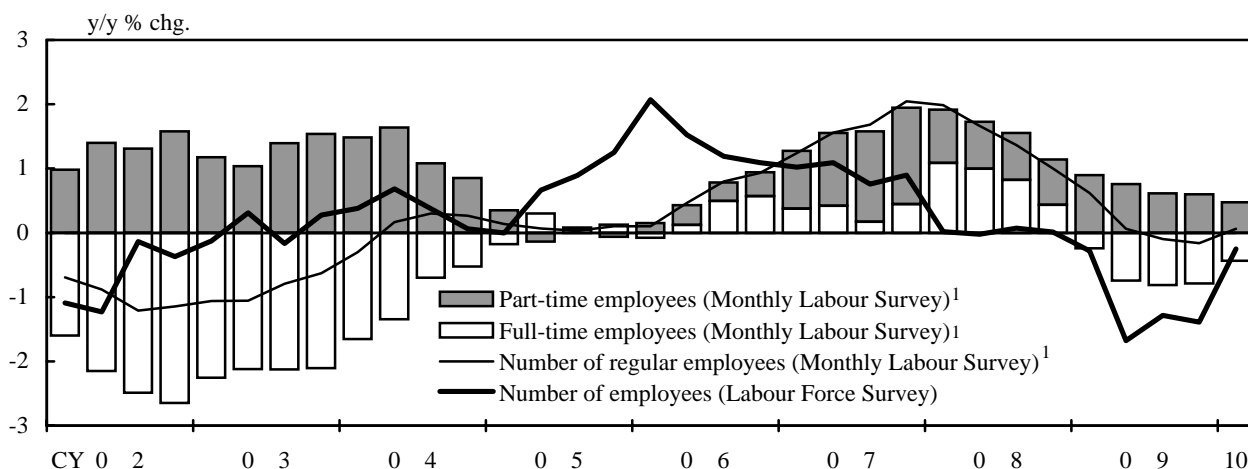


Notes: 1. Figures do not include jobs offered to new graduates, but include those offered to part-time workers.
 2. Figures are the sum of job advertisements listed in free/paid job information magazines, newspaper inserts and job information websites provided by member companies of the Association.

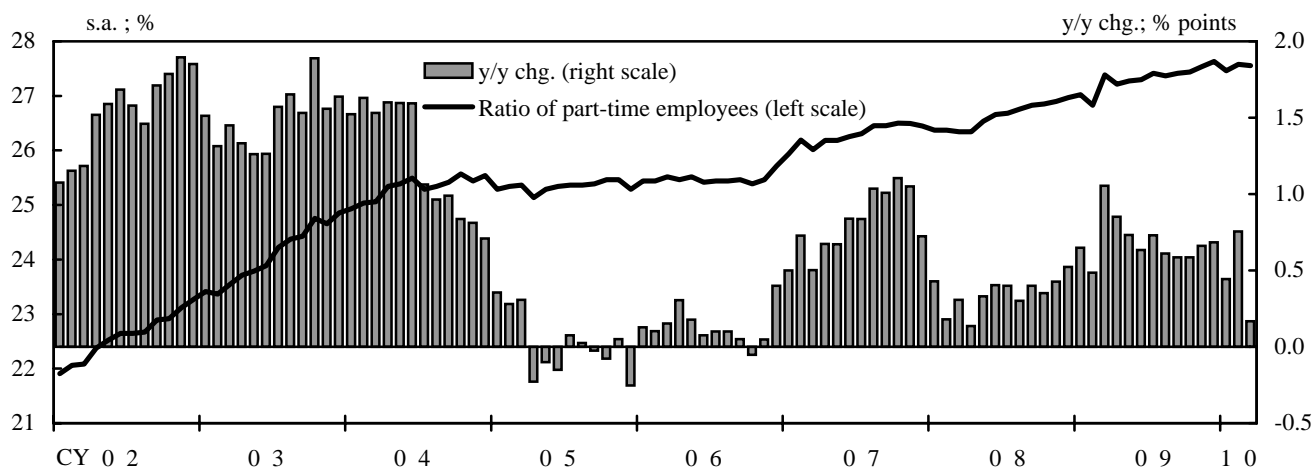
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service";
 Ministry of Internal Affairs and Communications, "Labour Force Survey";
 Association of Job Information of Japan, "Kyujin Koukoku Keisaikensu (Survey of Job Advertisements)."

Labor Market (2)

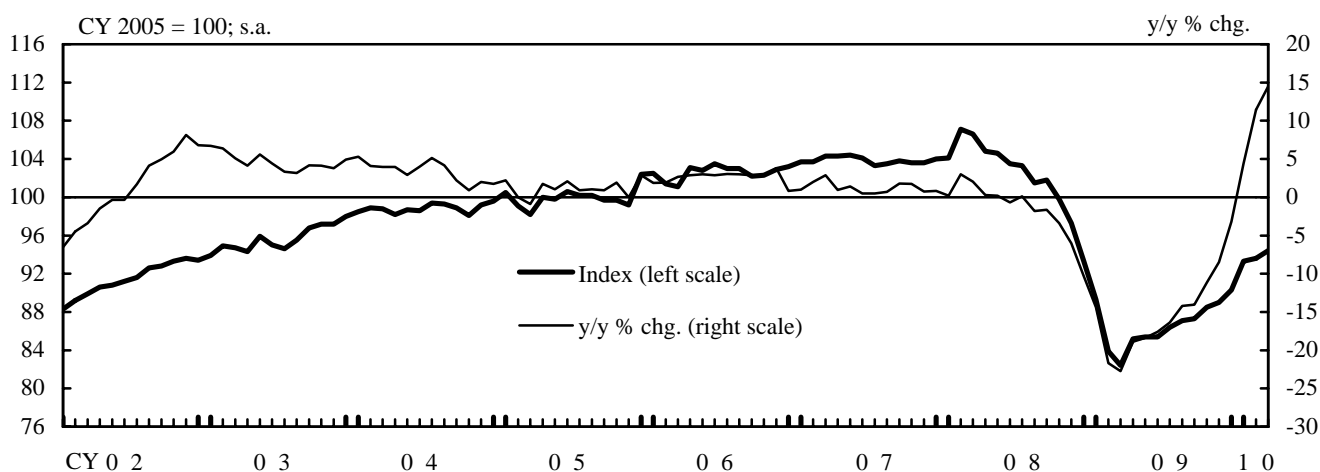
(1) Number of Employees



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



(3) Non Scheduled Hours Worked¹



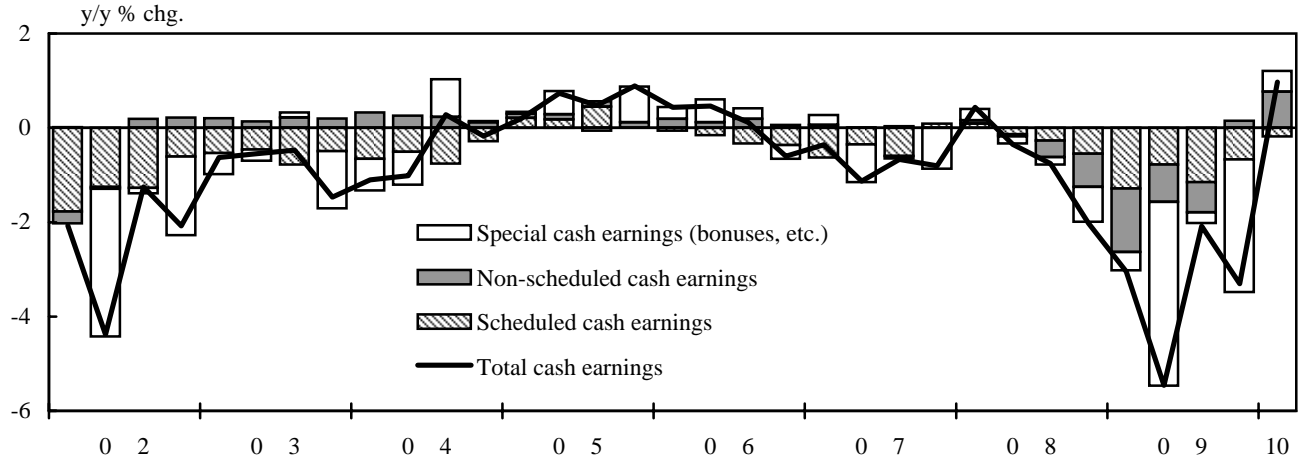
Notes: 1. Data are for establishments with at least five employees.

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.

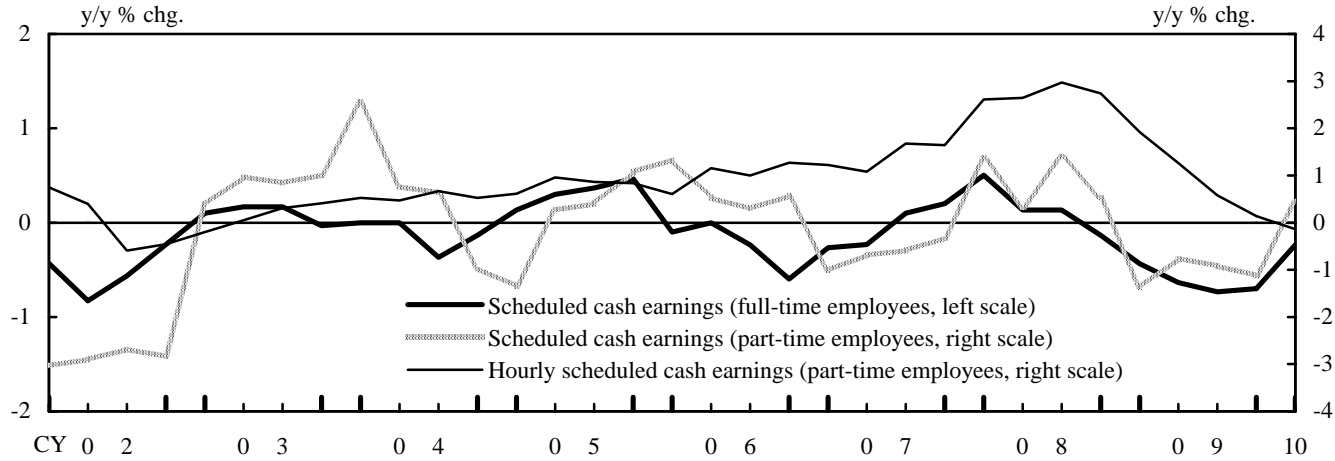
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
Ministry of Internal Affairs and Communications, "Labour Force Survey."

Employee Income

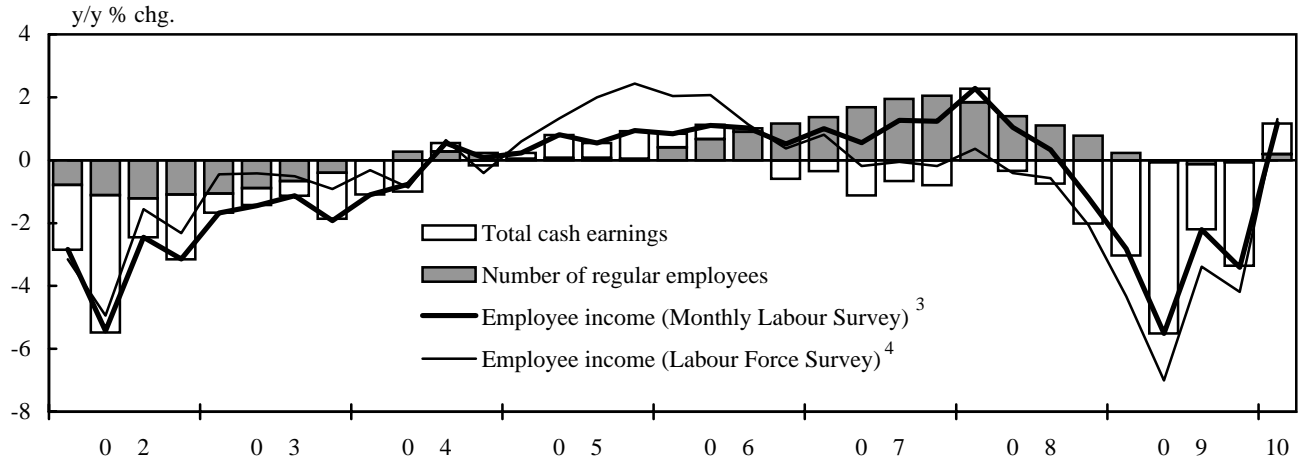
(1) Breakdown of Total Cash Earnings^{1,2}



(2) Scheduled Cash Earnings¹



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

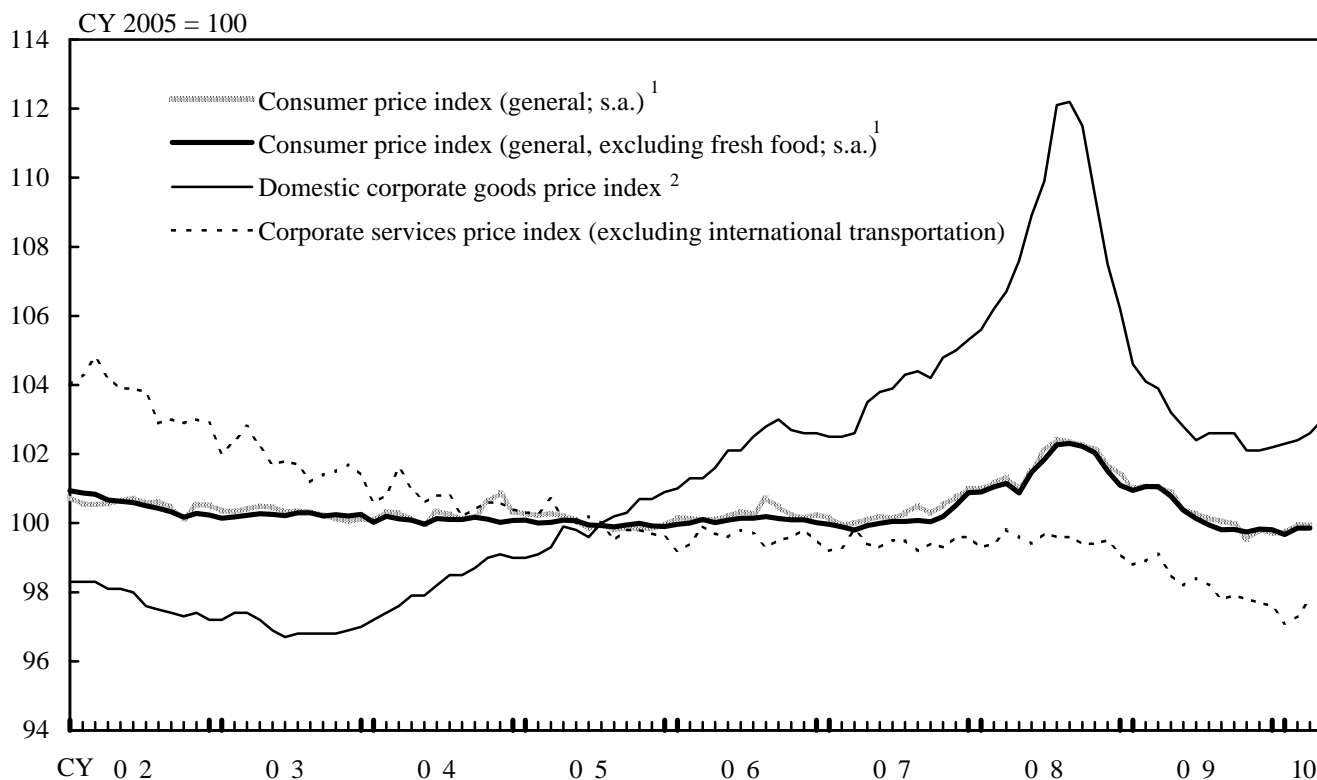


Notes: 1. Data of the Monthly Labor Survey are for establishments with at least five employees.
 2. Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February. Figures for 2010/Q1 are those of March.
 3. Calculated as the number of regular employees (Monthly Labour Survey) times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

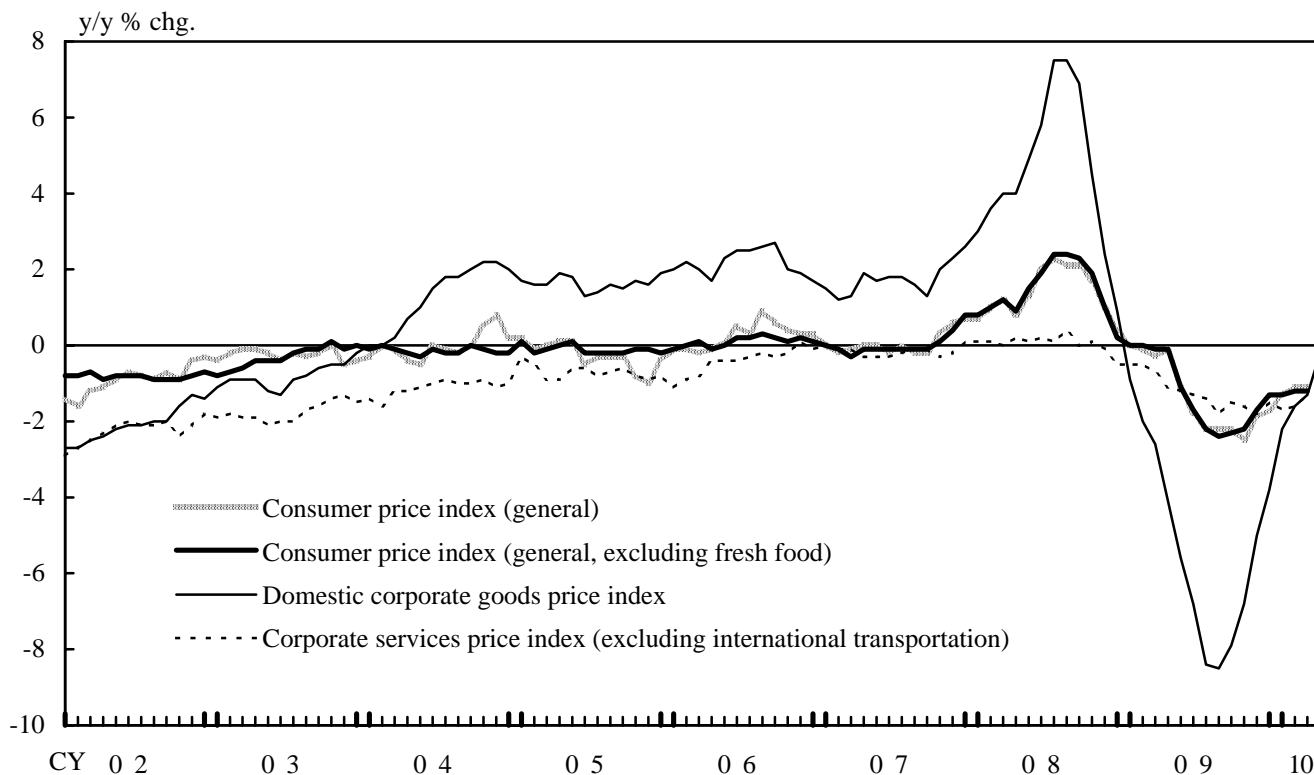
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey"; Ministry of Internal Affairs and Communications, "Labour Force Survey."

Prices

(1) Level



(2) Changes from a Year Earlier



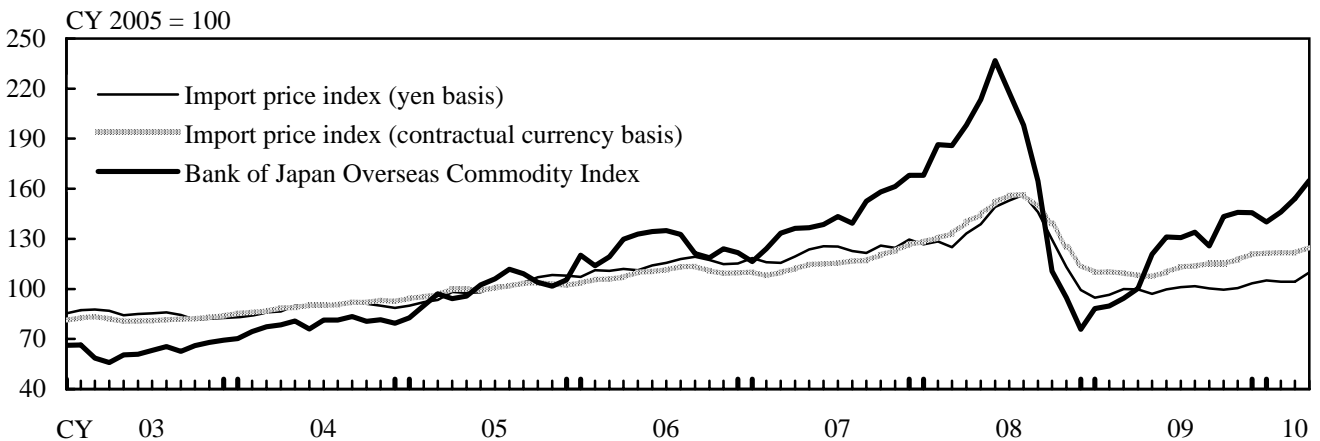
Notes: 1. Seasonally adjusted by X-12-ARIMA.

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

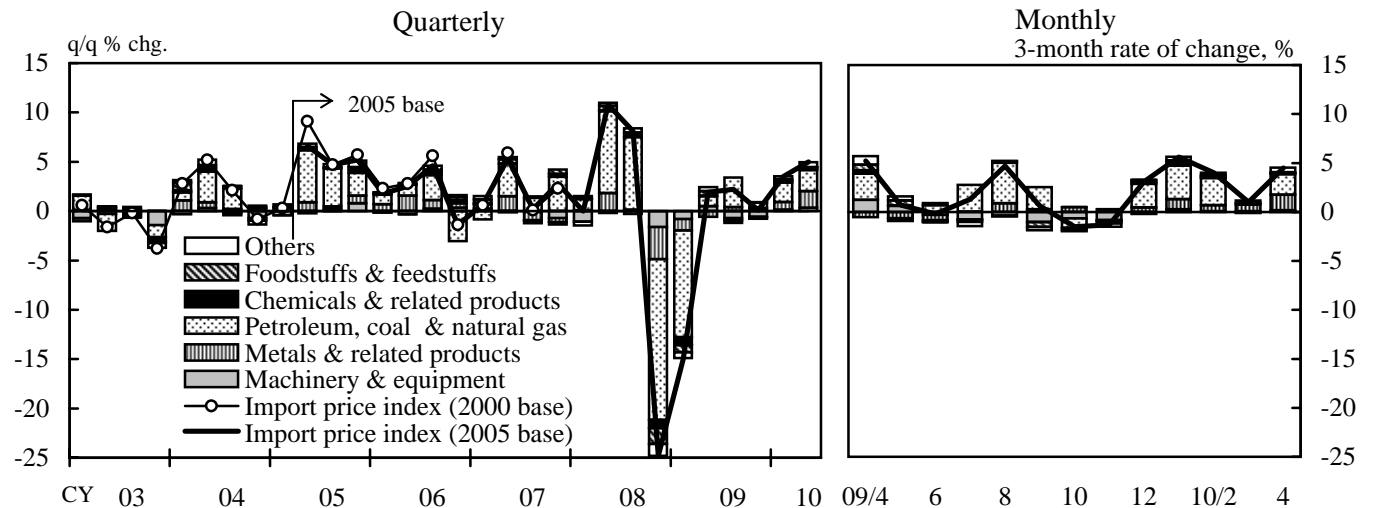
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index."

Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index

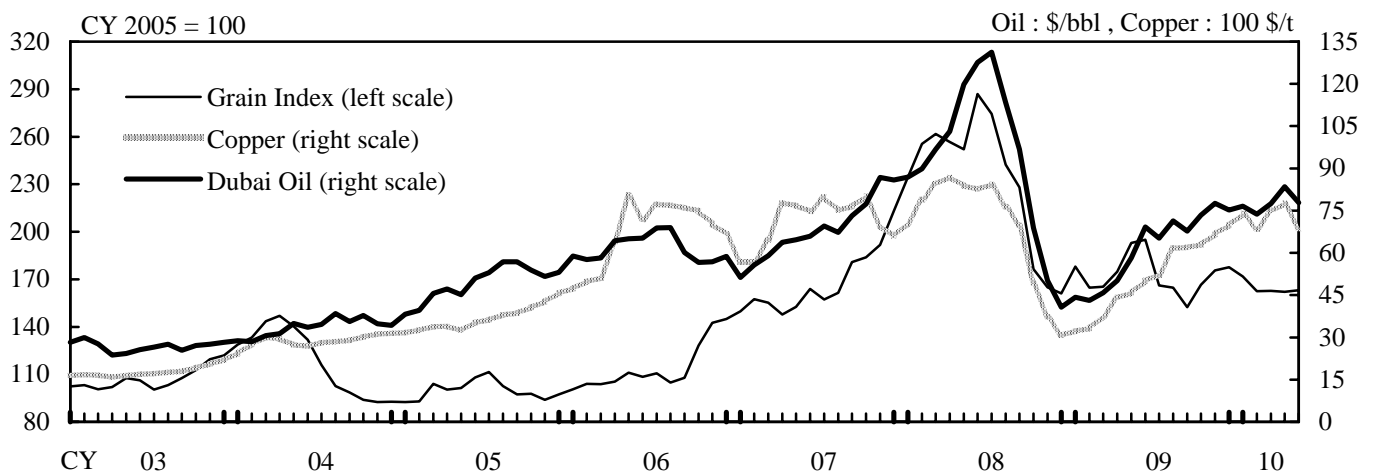


(2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



Notes: 1. Machinery & equipment: general machinery, electric & electronic products, transportation equipment, precision instruments.
 2. Figures for 2010/Q2 are those of April. Figures for 2007/Q4 on the 2000 base are those of October.

(3) International Commodity Prices

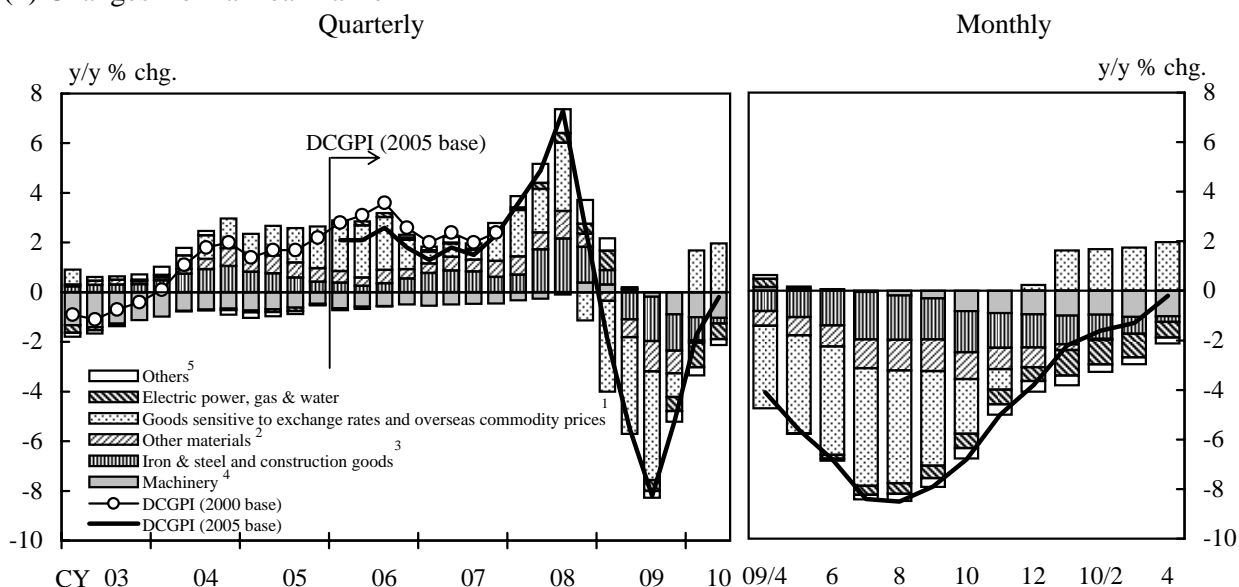
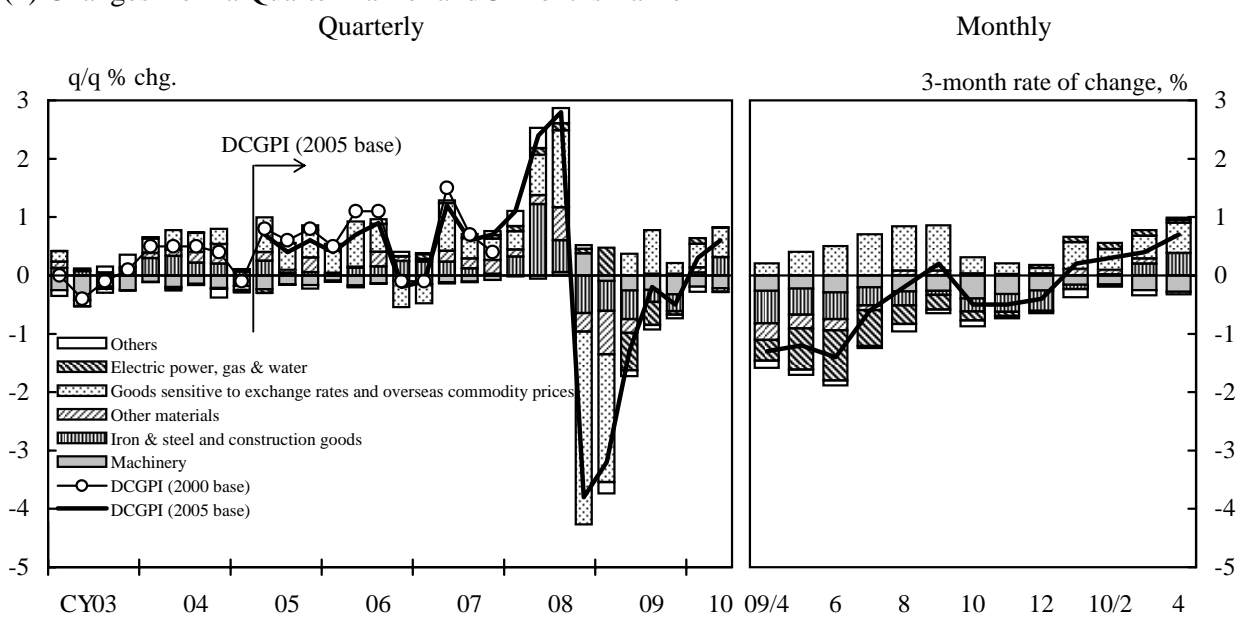


Notes: 1. The Grain Index is the weighted average of prices of three selected items (wheat, soybeans, corn) in overseas commodity markets. The weights are based on the Value of Imports in the Trade Statistics of Japan.
 2. Monthly averages. Figures for May 2010 are the averages up to May 20.

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

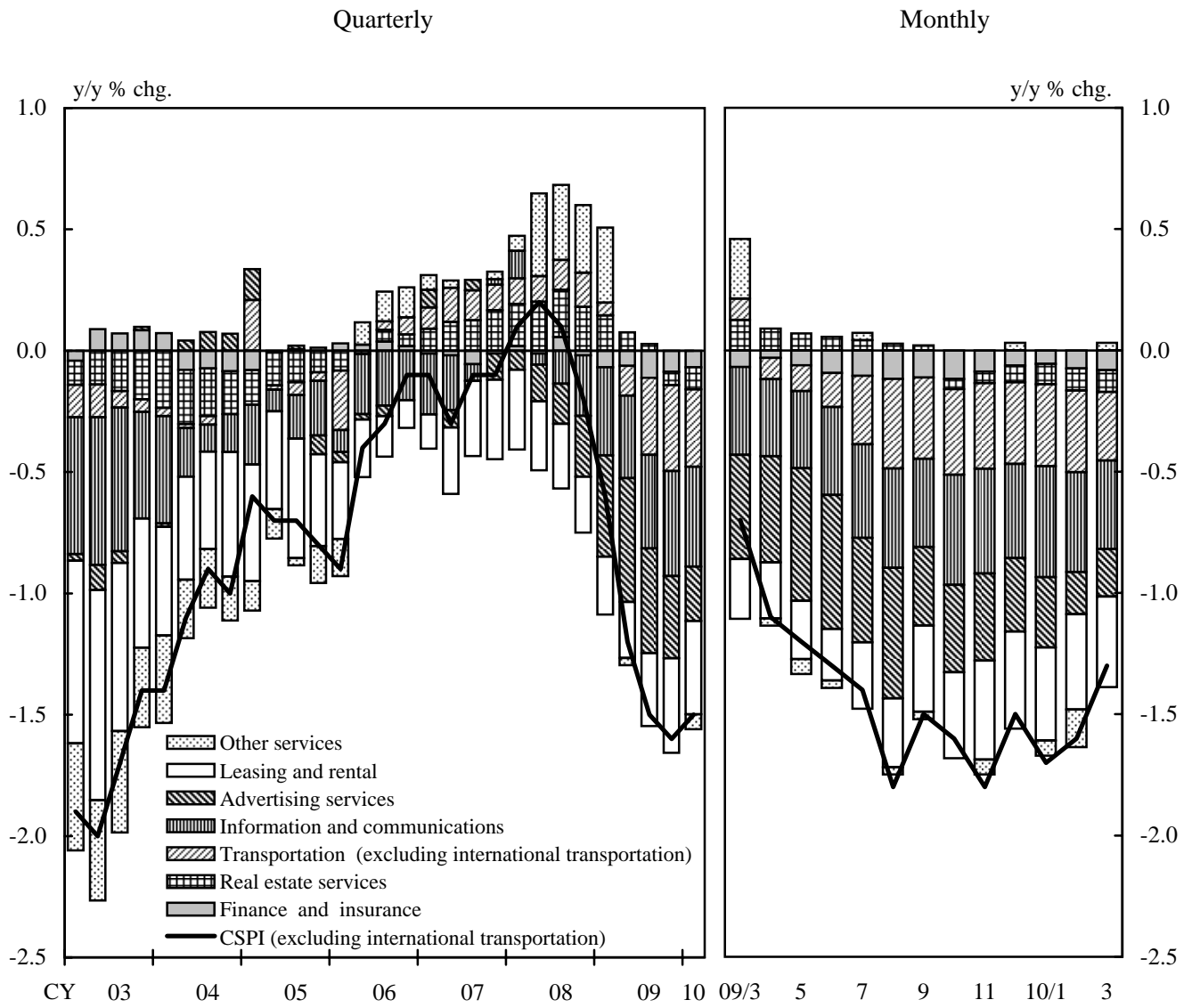
Domestic Corporate Goods Price Index⁷

(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 2010/Q2 are those of April. Figures for 2007/Q4 on the 2000 base are those of October.

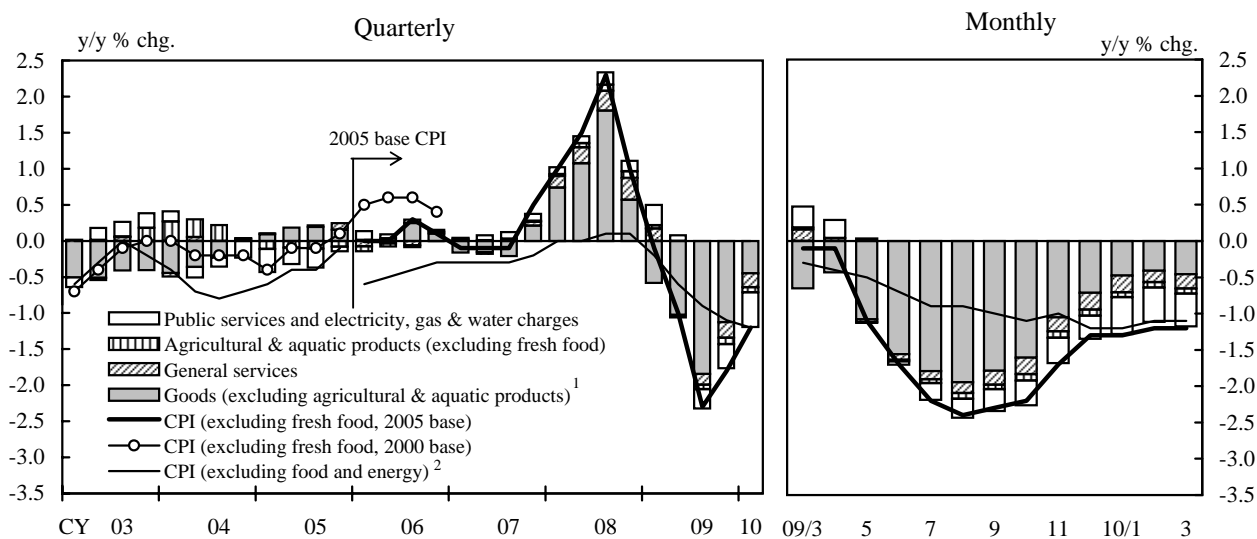
Corporate Services Price Index



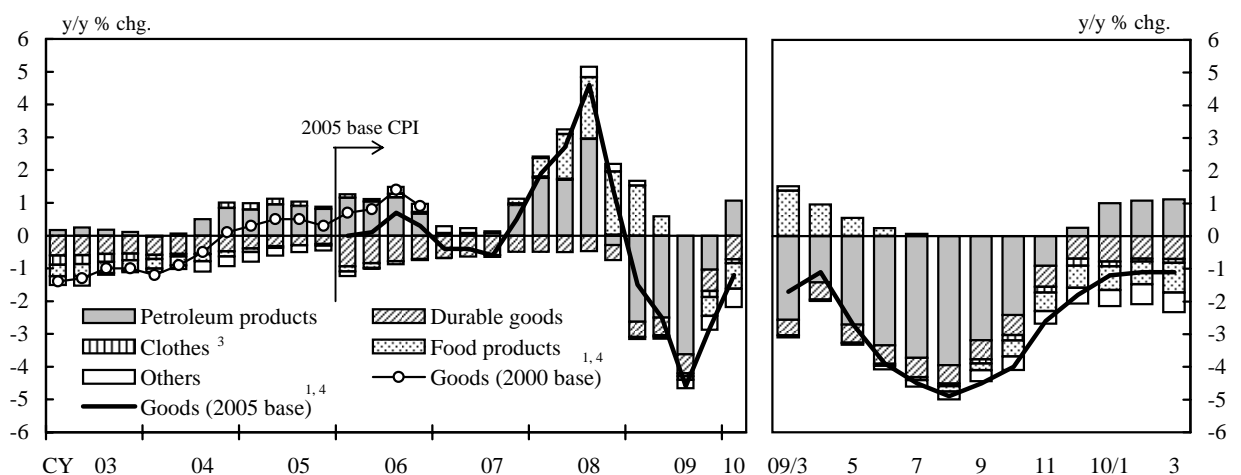
Source: Bank of Japan, "Corporate Services Price Index."

Consumer Price Index (Excluding Fresh Food)

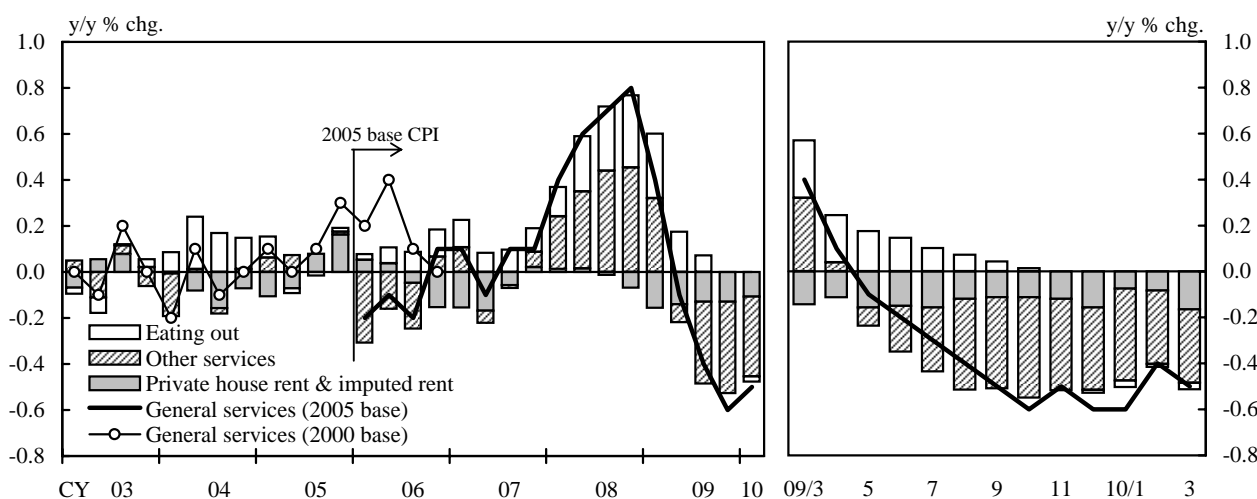
(1) Consumer Price Index (Excluding Fresh Food)



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



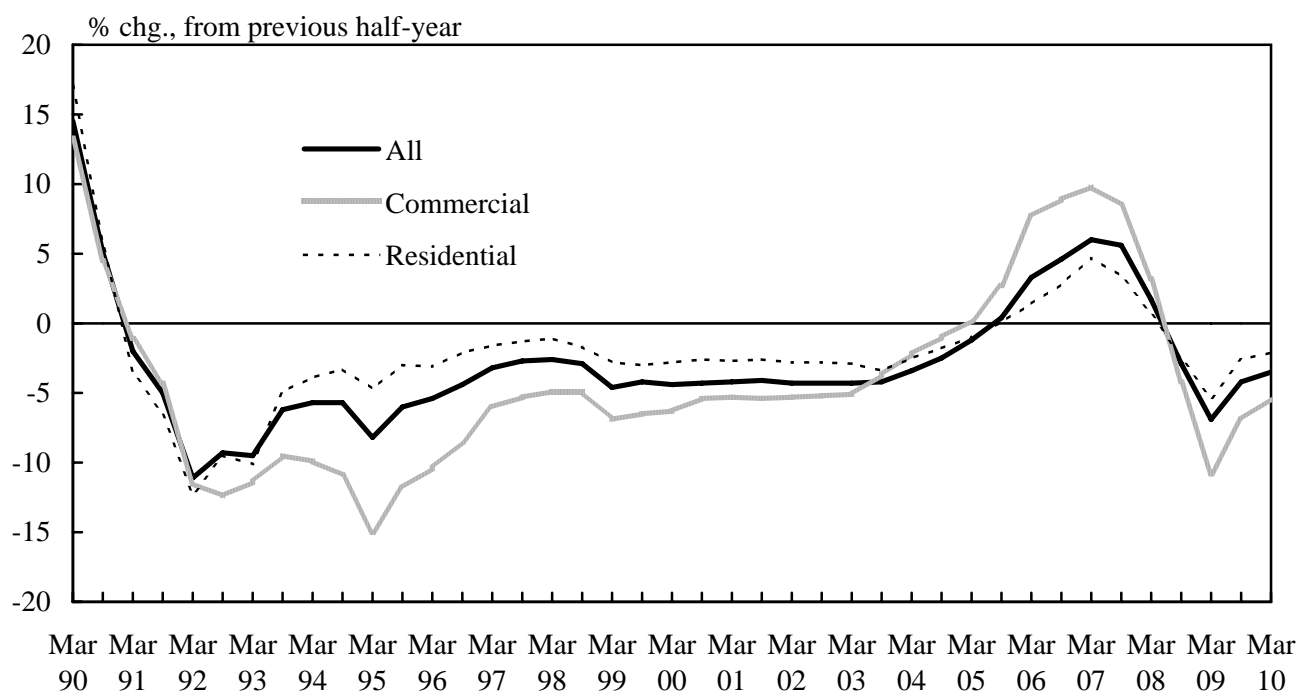
(3) General Services



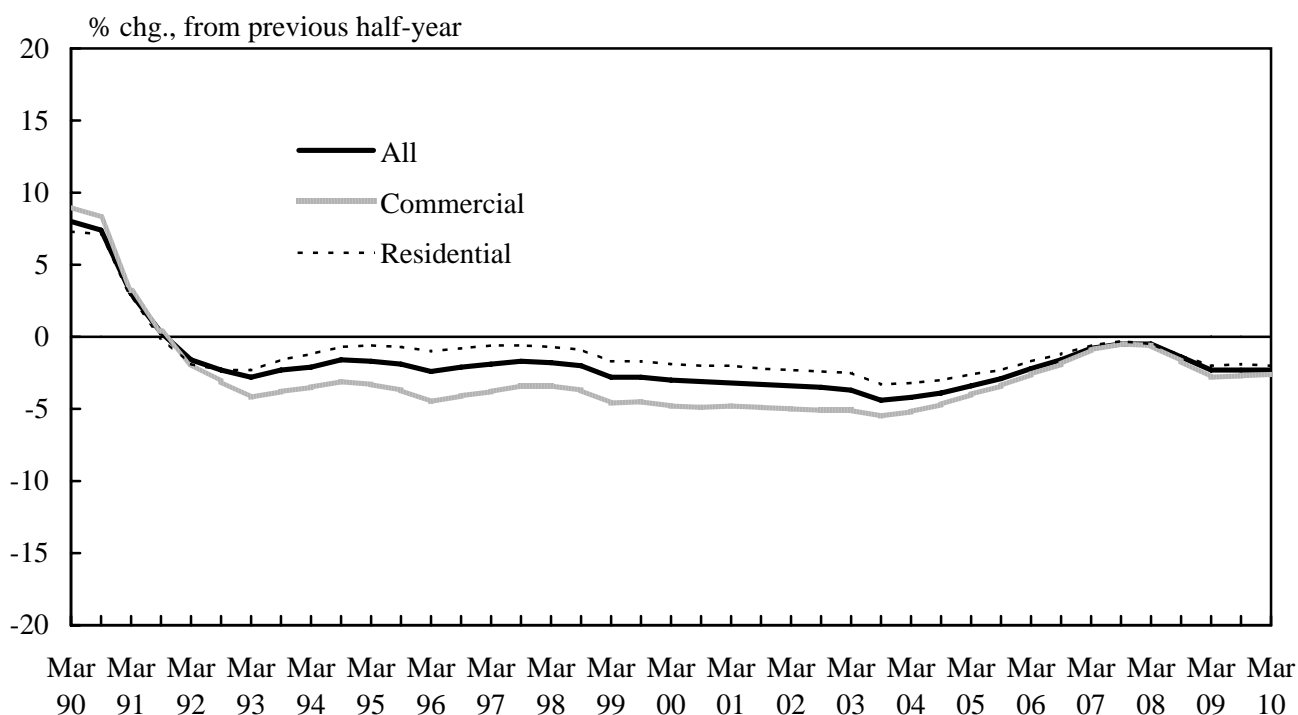
- Notes:1. The items are basically the same as the definition published by the Ministry of Internal Affairs and Communications. However, electricity, gas & water charges are excluded from goods.
 2. Alcoholic beverages are excluded from food. Energy: electricity, gas manufactured & piped, liquefied propane,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

Urban Land Price Index

(1) Six Large City Areas



(2) Excluding Six Large City Areas



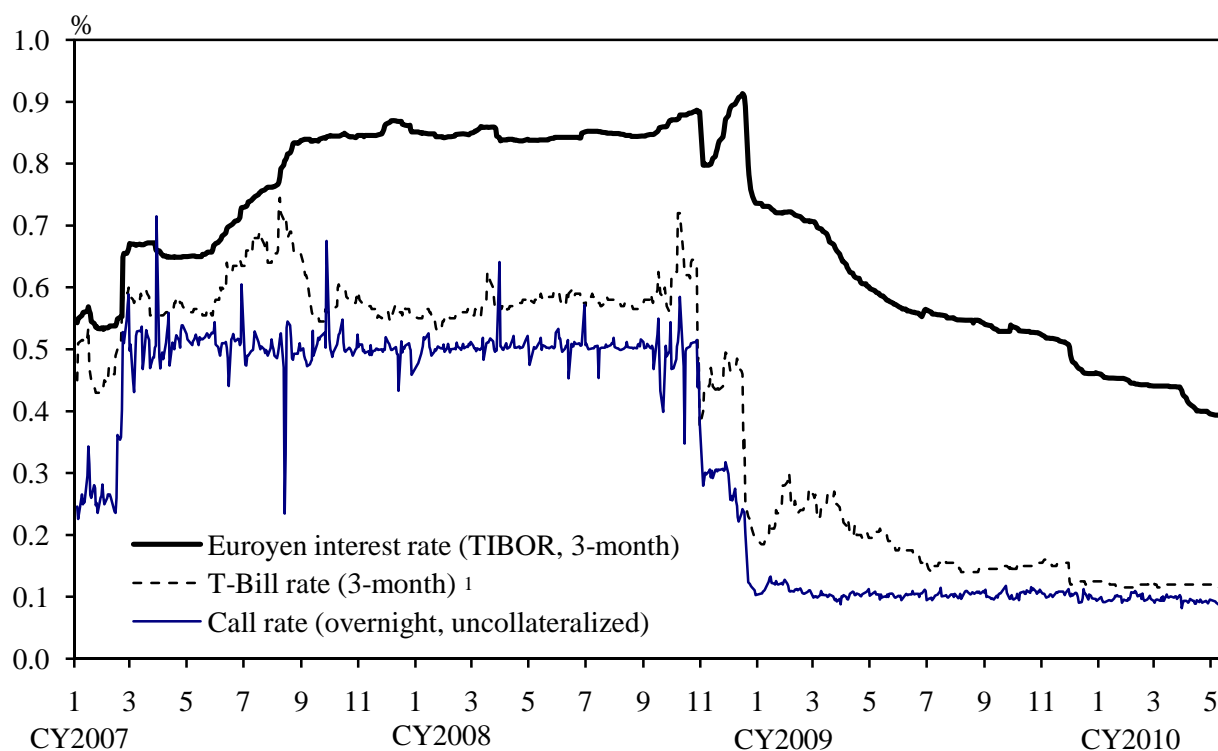
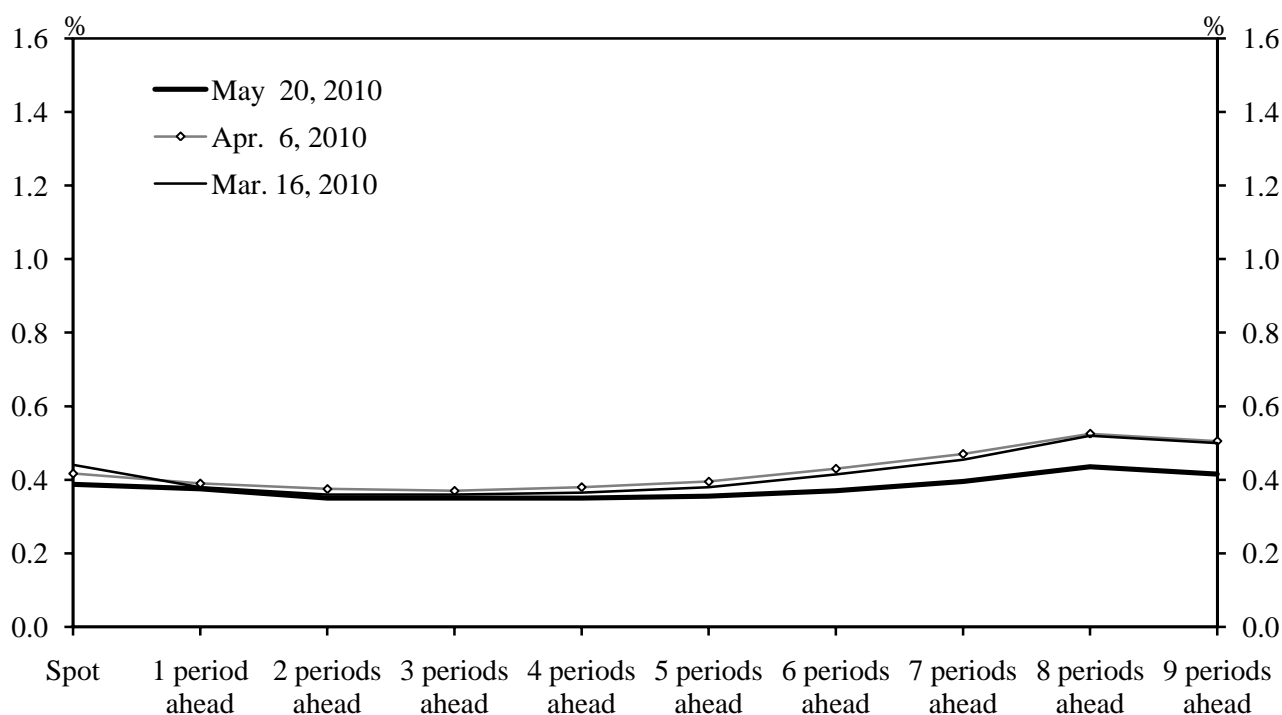
Notes: 1. The Urban Land Price Index is based on surveys conducted at the end of March and September each year.

2. Six Large City Areas are Tokyo Metropolitan wards, Yokohama, Nagoya, Kyoto, Osaka, and Kobe.

Source: Japan Real Estate Institute, "Urban Land Price Index."

Short-Term Interest Rates

(1) Short-Term Interest Rates

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

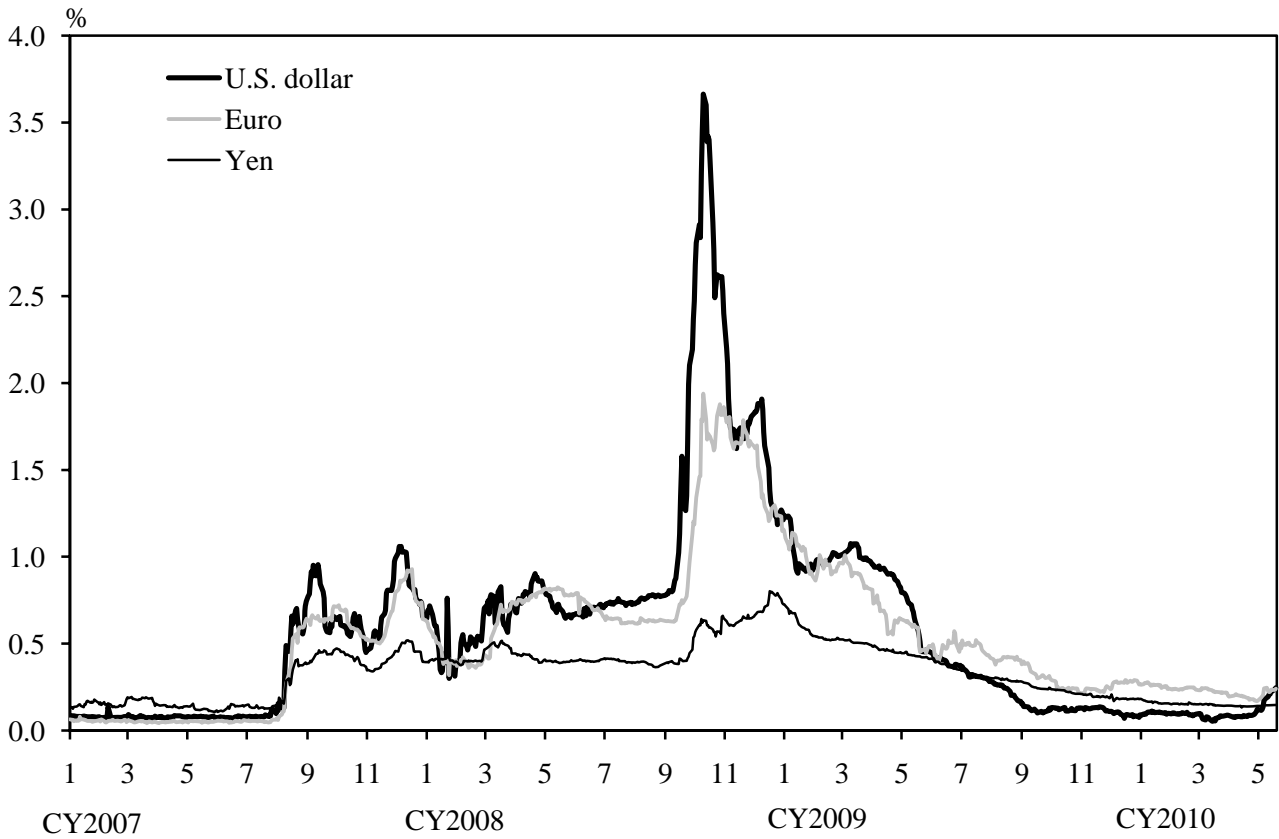
Notes: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.

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

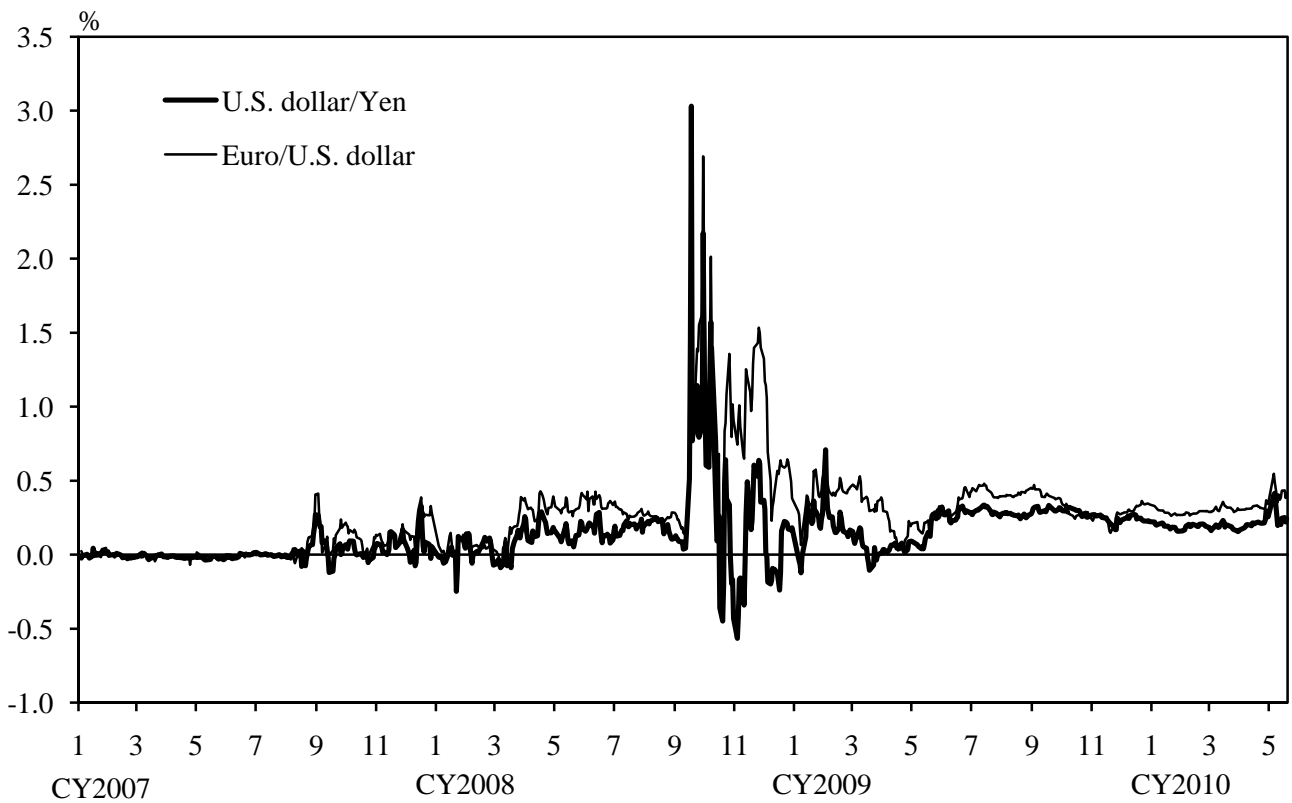
Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.; Tokyo Financial Exchange; Bank of Japan.

Global Money Markets

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



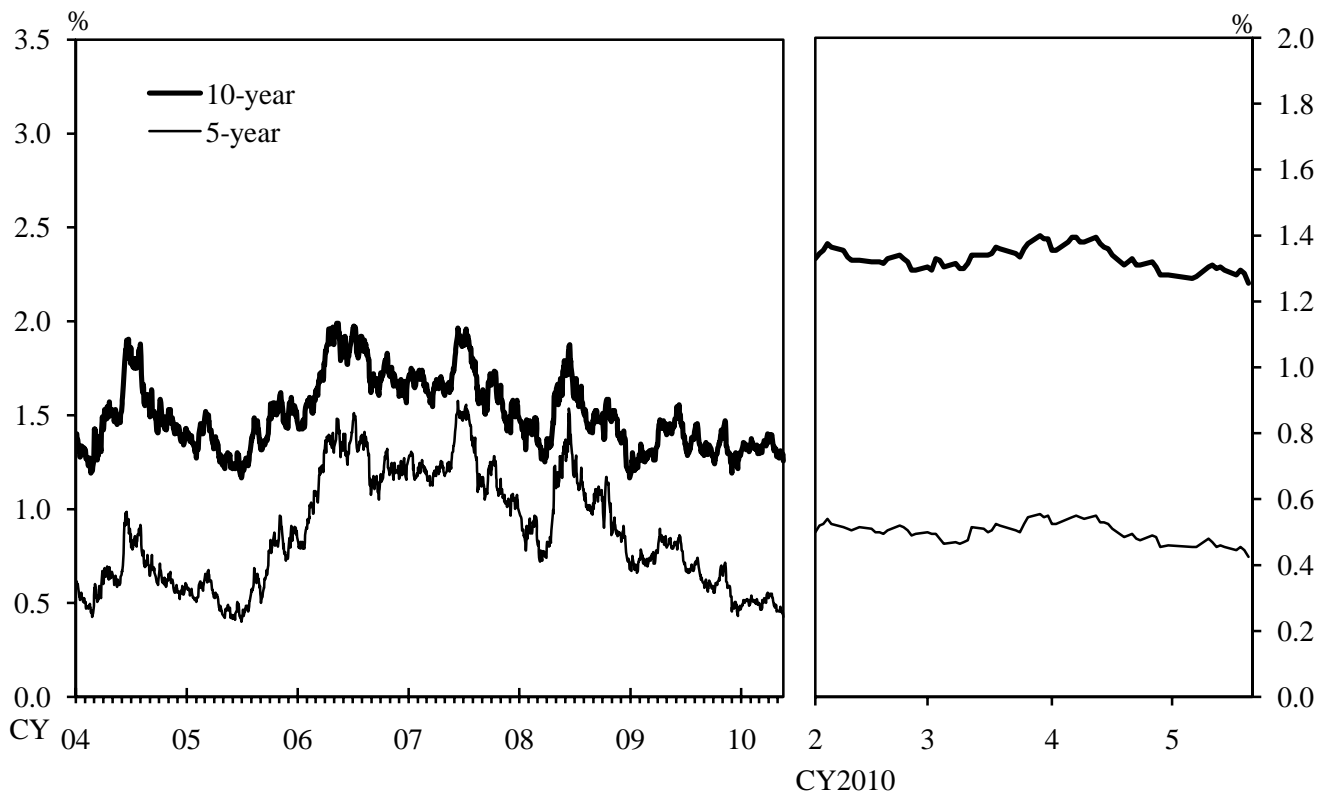
(2) FX swap implied dollar rate - LIBOR spreads (3-Month)



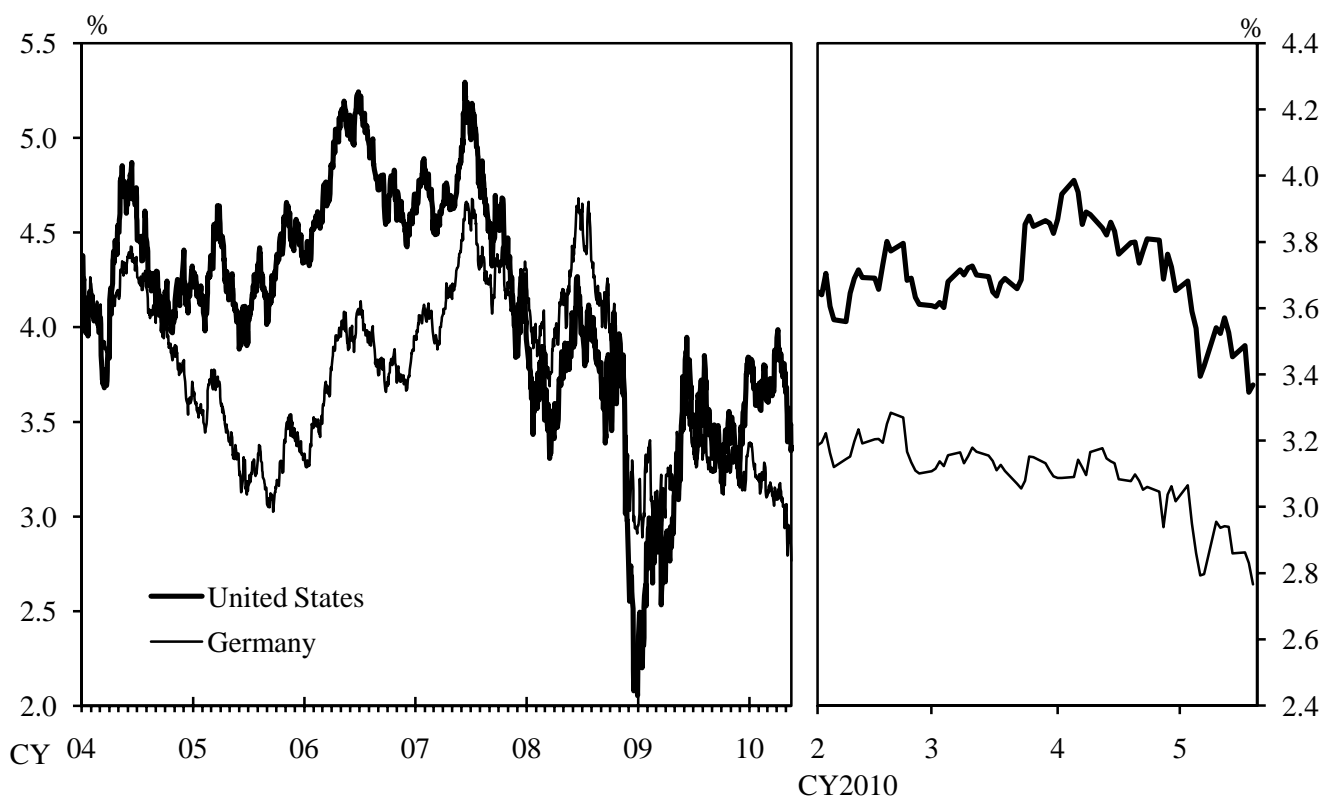
Source: Bloomberg.

Long-Term Interest Rates

(1) Japanese Government Bond Yields¹



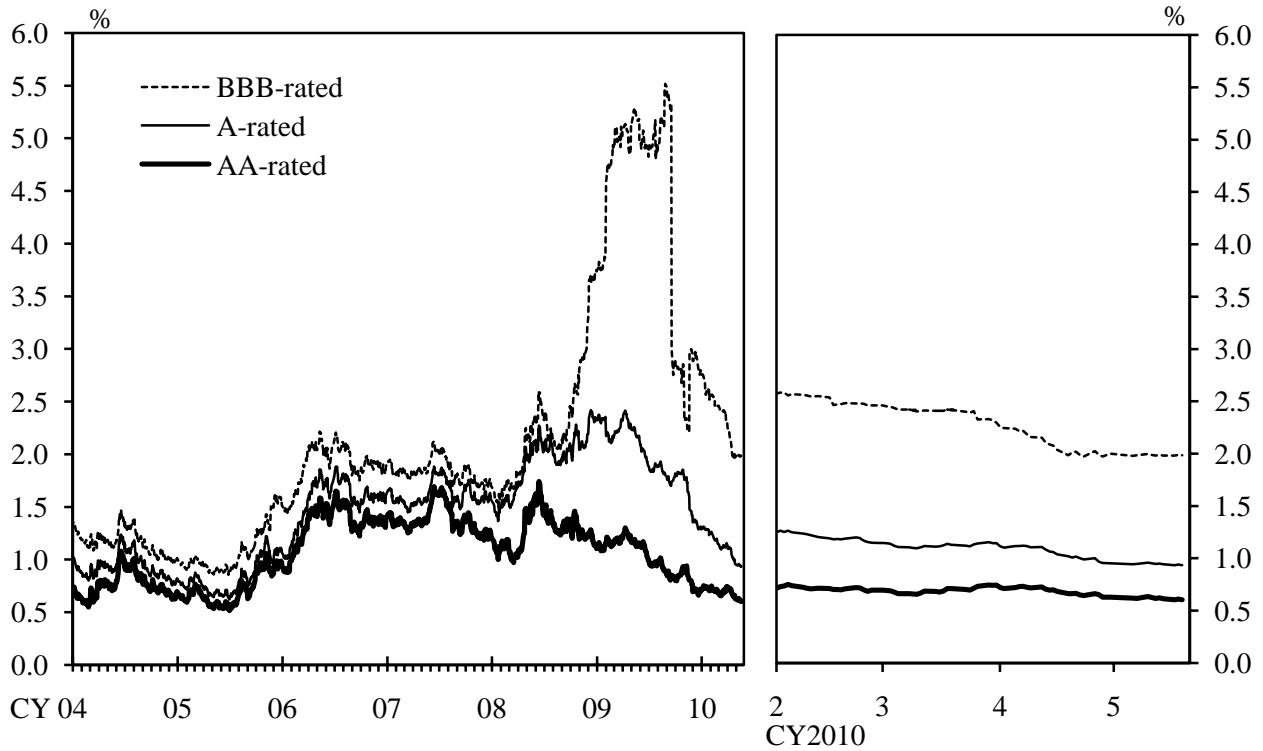
(2) Overseas Government Bond Yields (10-Year)



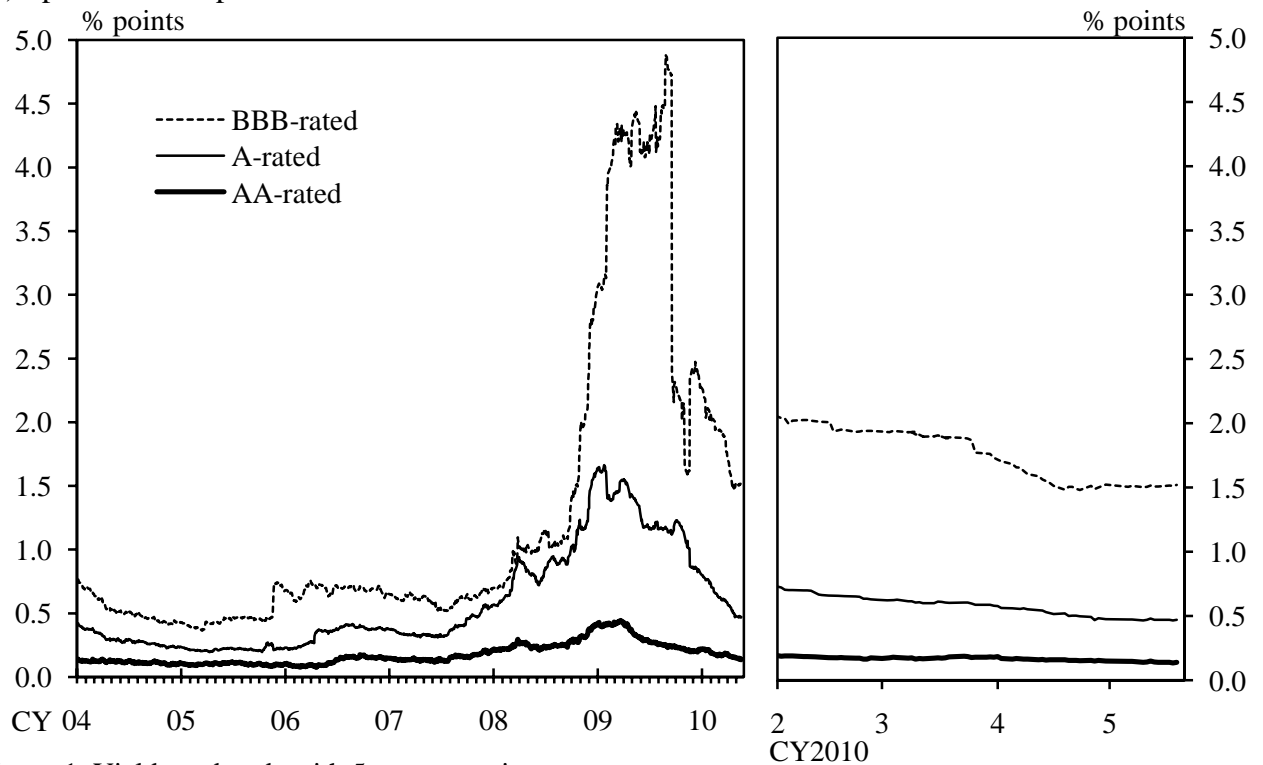
Note: 1. Yields on newly issued bonds.
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

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.

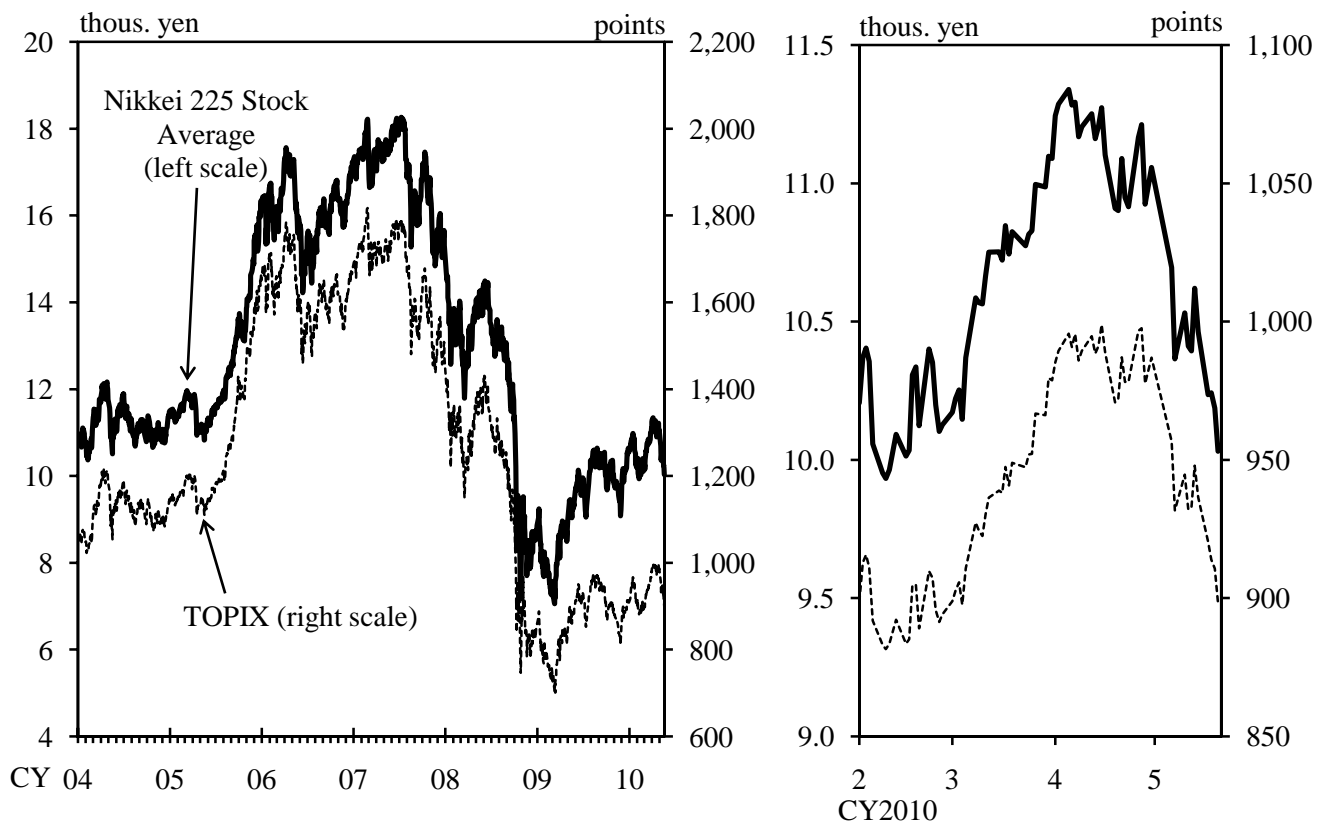
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.

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

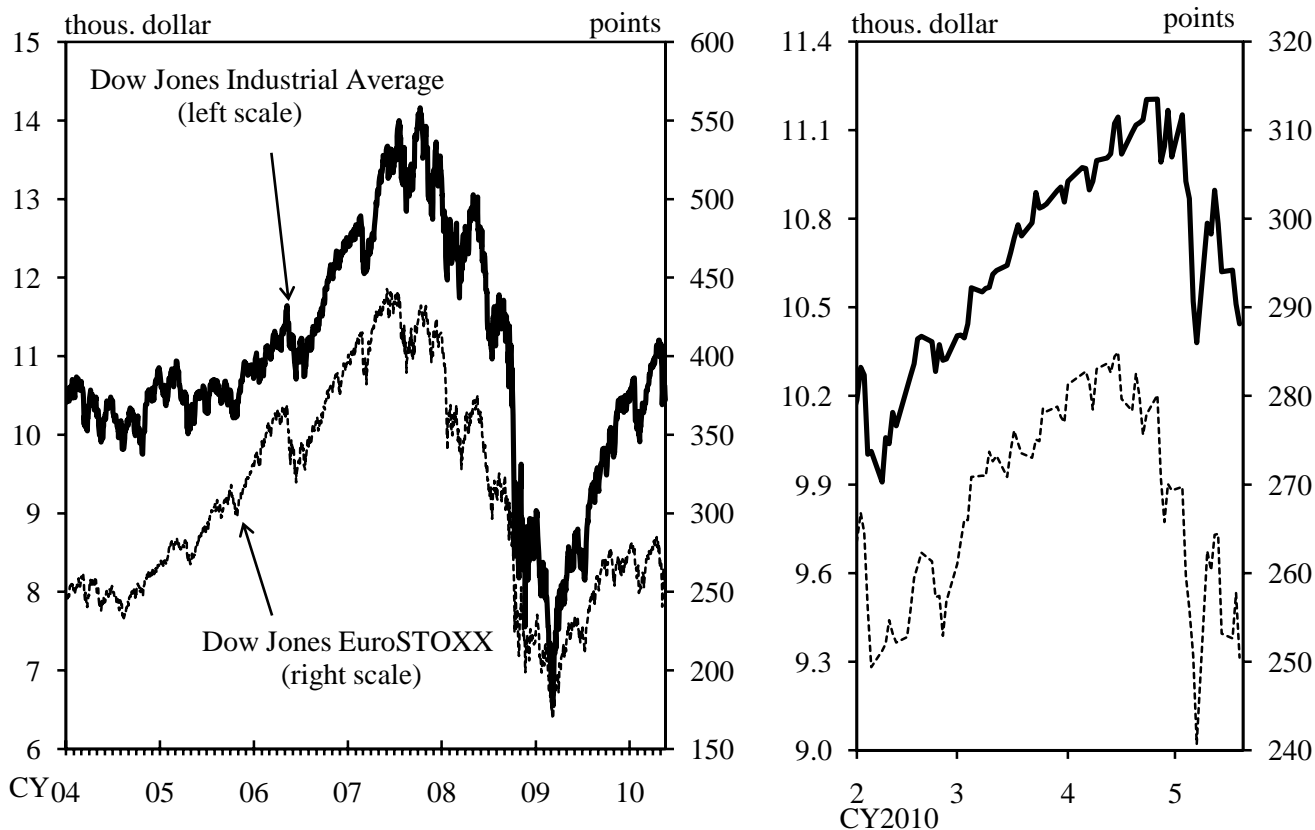
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Japanese Stock Prices



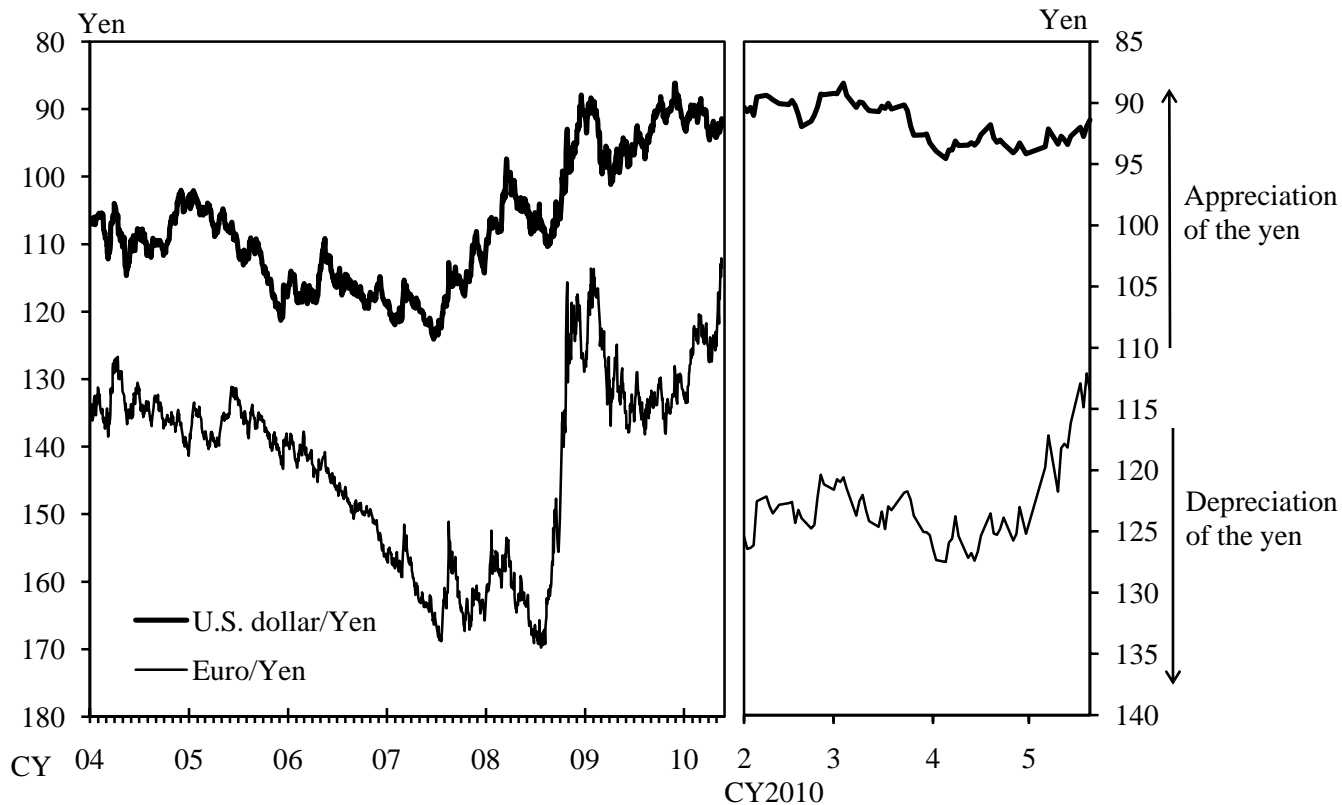
(2) Overseas Stock Prices



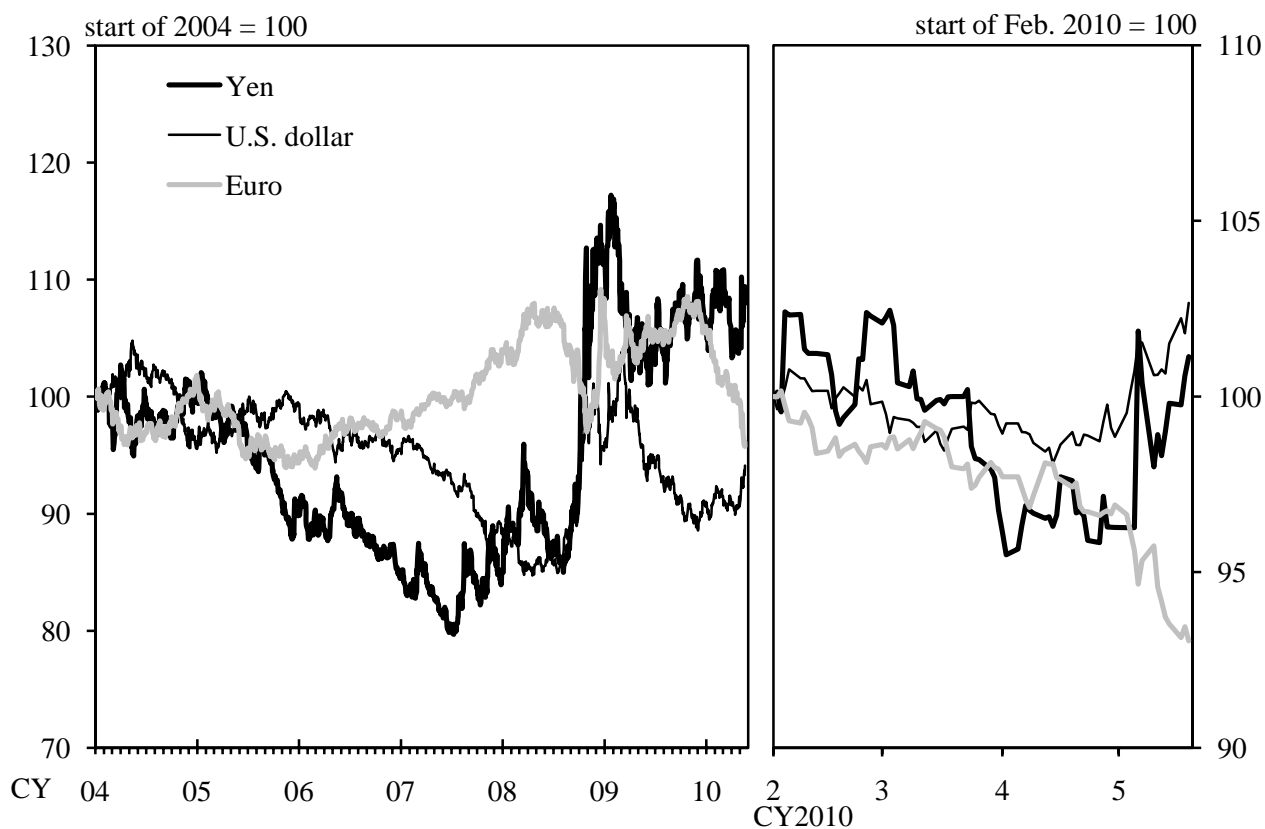
Sources: The *Nihon Keizai Shimbun* ; Tokyo Stock Exchange; Bloomberg.

Exchange Rates

(1) Bilateral Exchange Rates



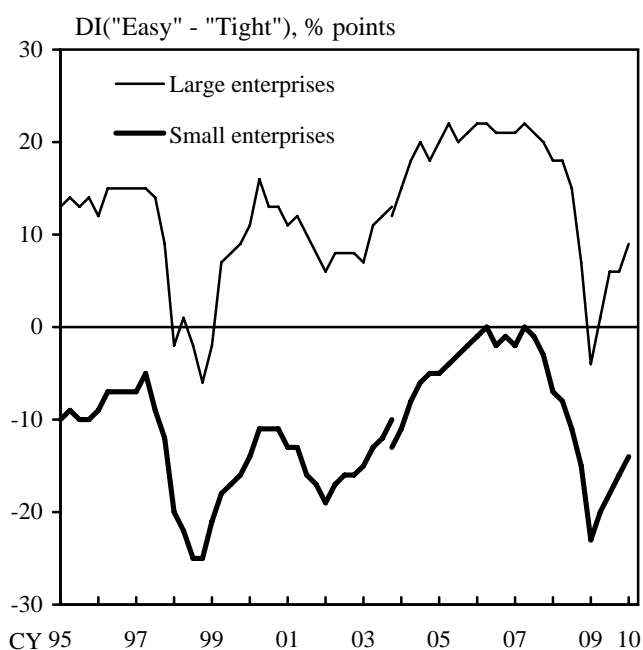
(2) Nominal Effective Exchange Rates



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

Corporate Finance-Related Indicators

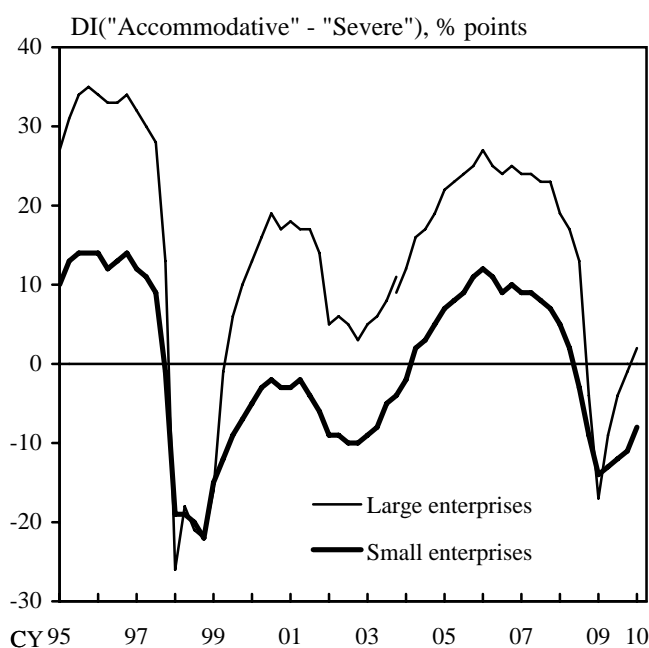
(1) Financial Position

<Tankan¹>

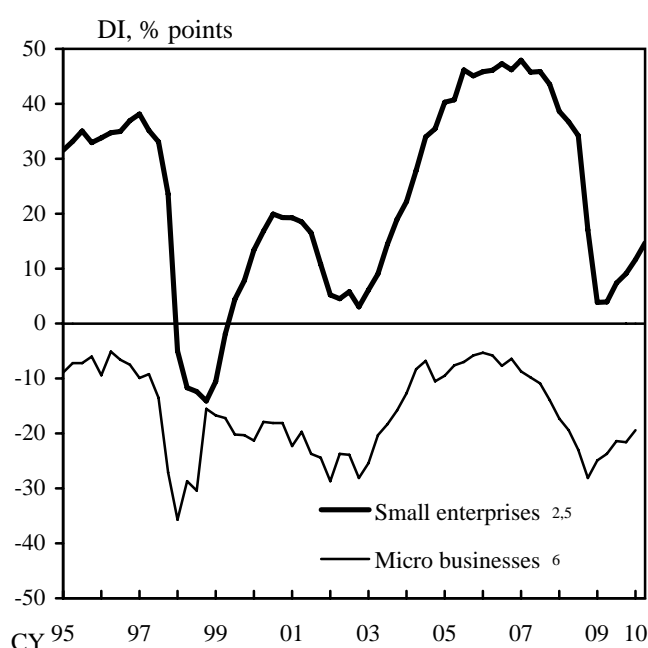
<Japan Finance Corporation Survey>



(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. Figures for 2010/Q2 are those of April.

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

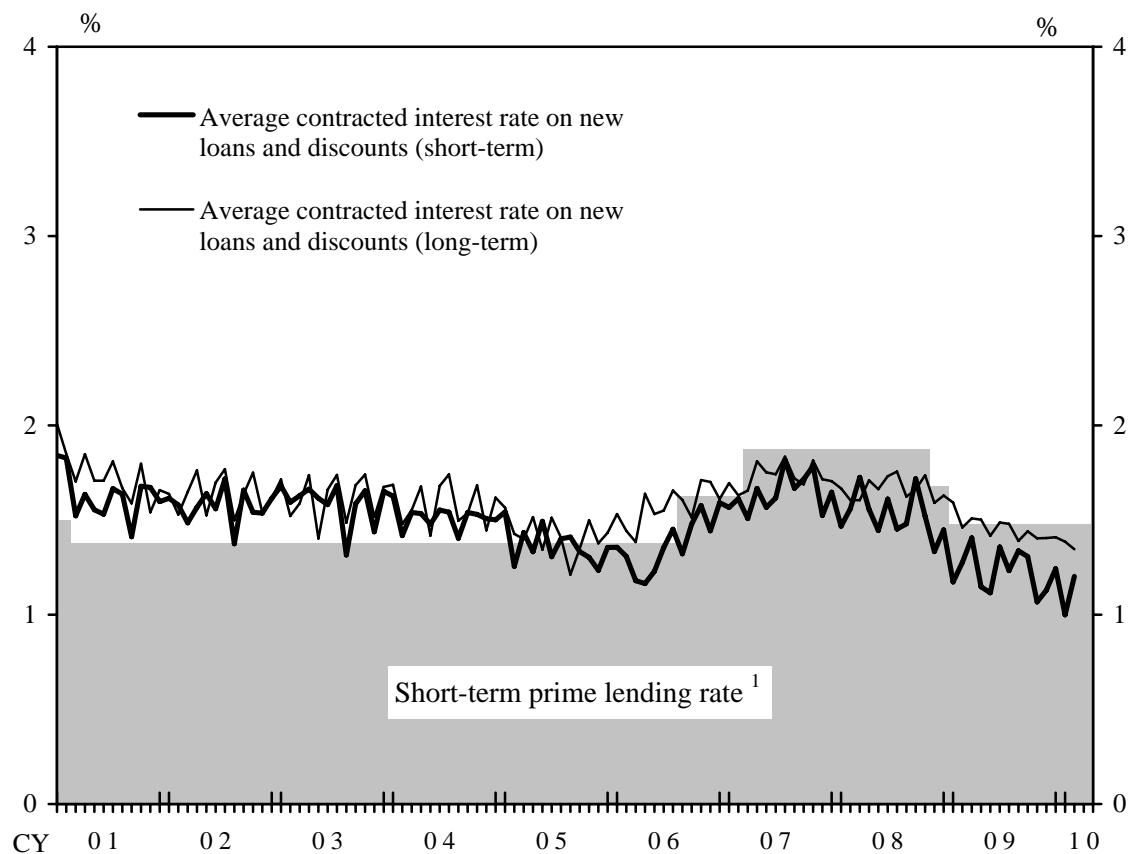
4. DI of "Easier" - "Tighter."

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

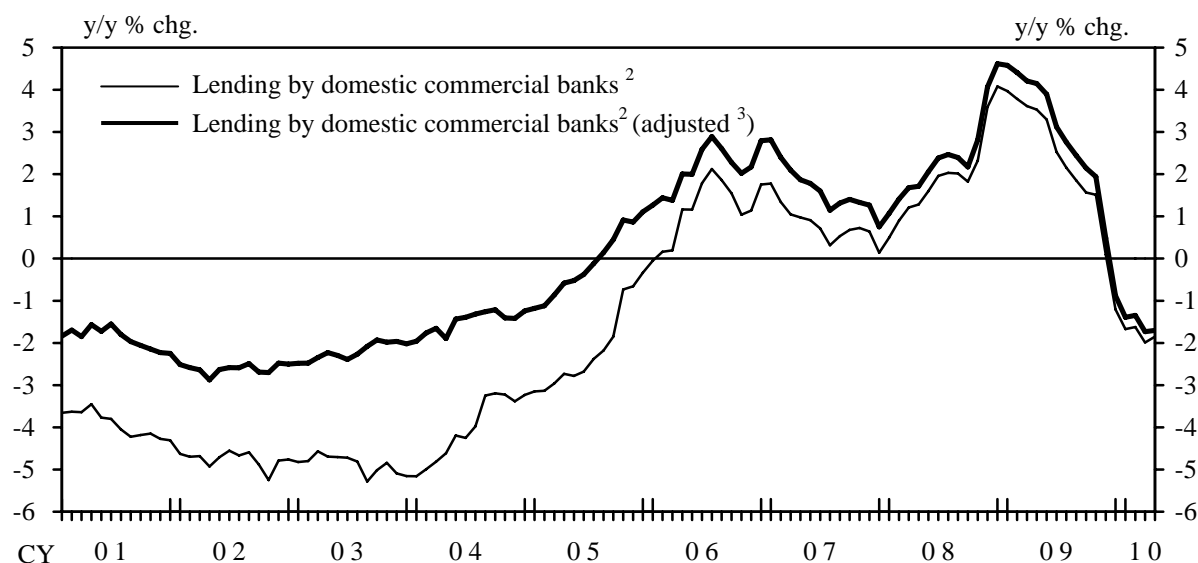


Note: 1. Data are at end of period.

Source: Bank of Japan.

Lending by Financial Institutions

(1) Lending by Domestic Commercial Banks¹



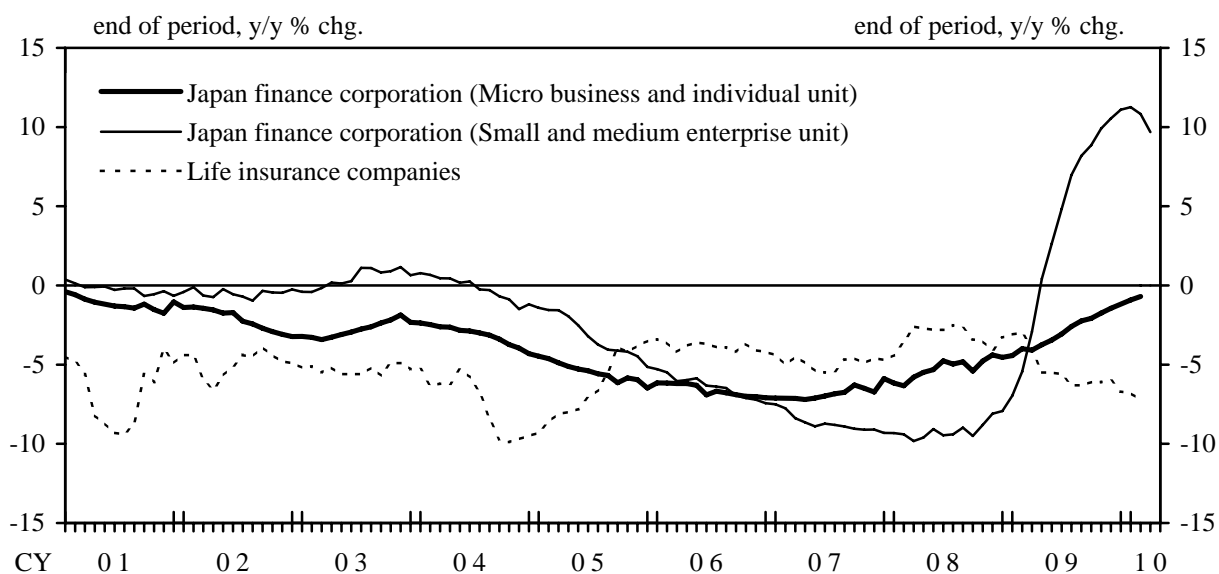
Notes: 1. Percent changes in average amounts outstanding from a year earlier.

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

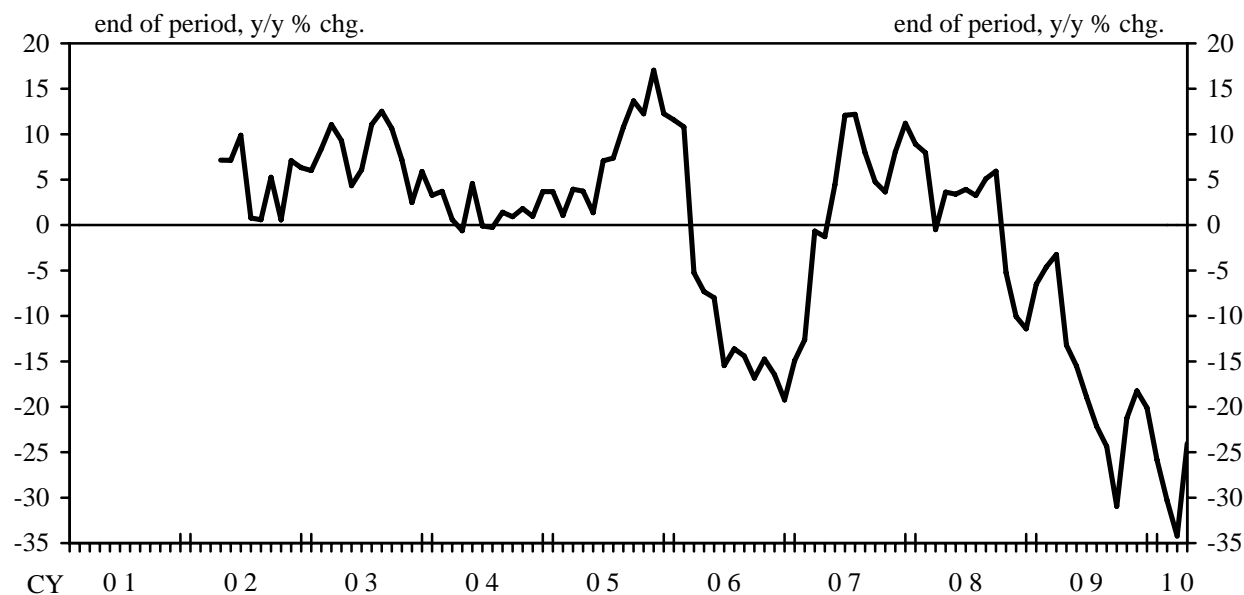


Note: The figures of the Japan Finance Corporation (Small and Medium Enterprise Unit) exclude the amounts outstanding of lending to the Credit Guarantee Corporations.

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

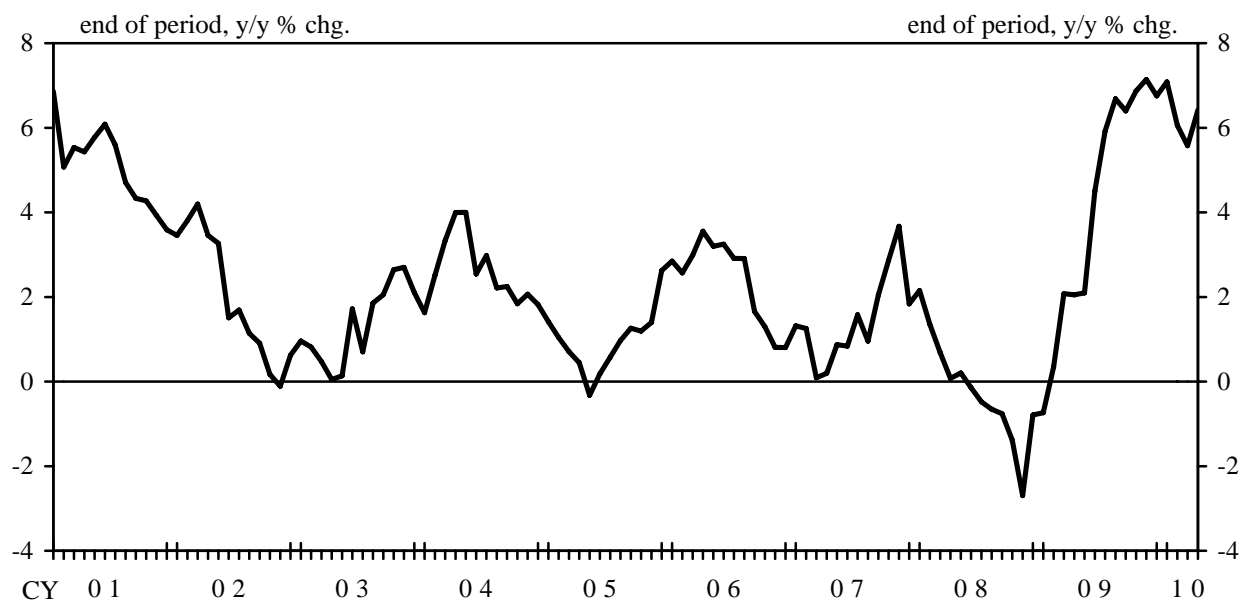
Private-Sector Fund-Raising in the Capital Markets

(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



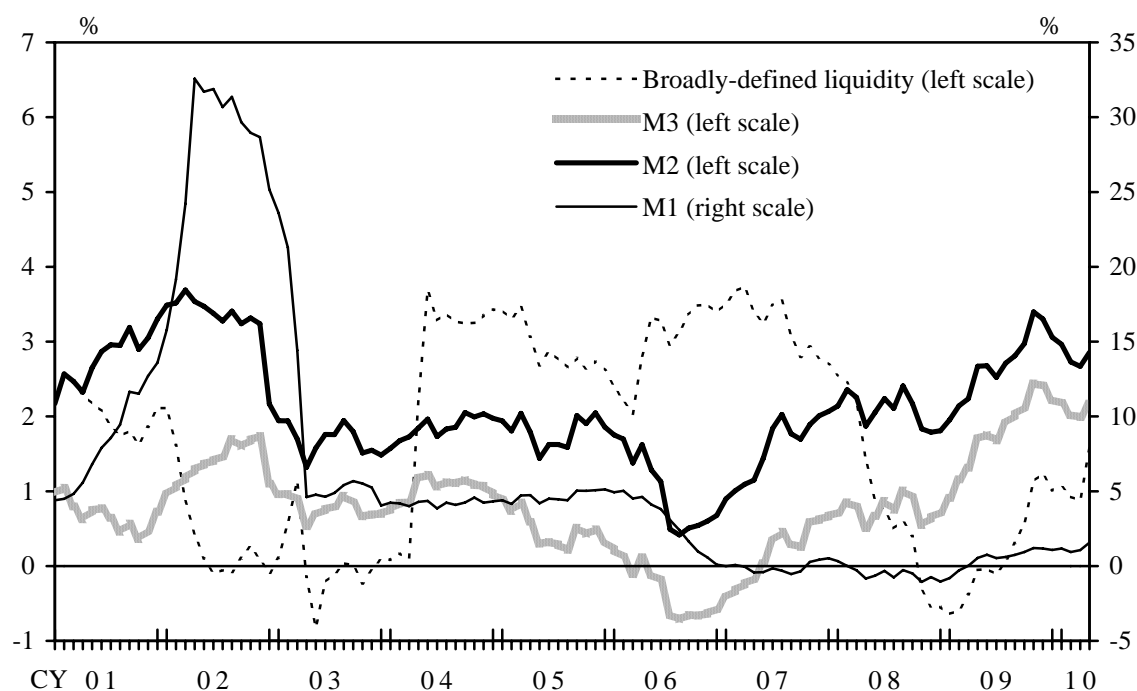
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

- (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.

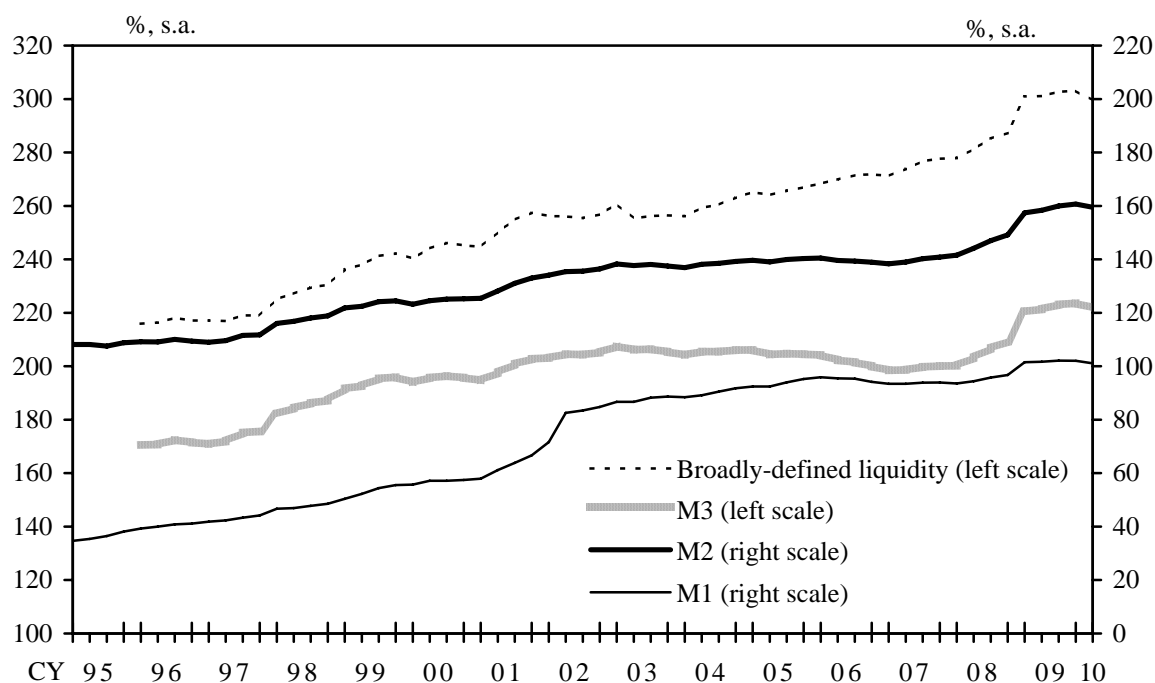
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category";
Bank of Japan, "Principal Figures of Financial Institutions";
Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts of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

Money Stock

(1) Changes from a Year Earlier



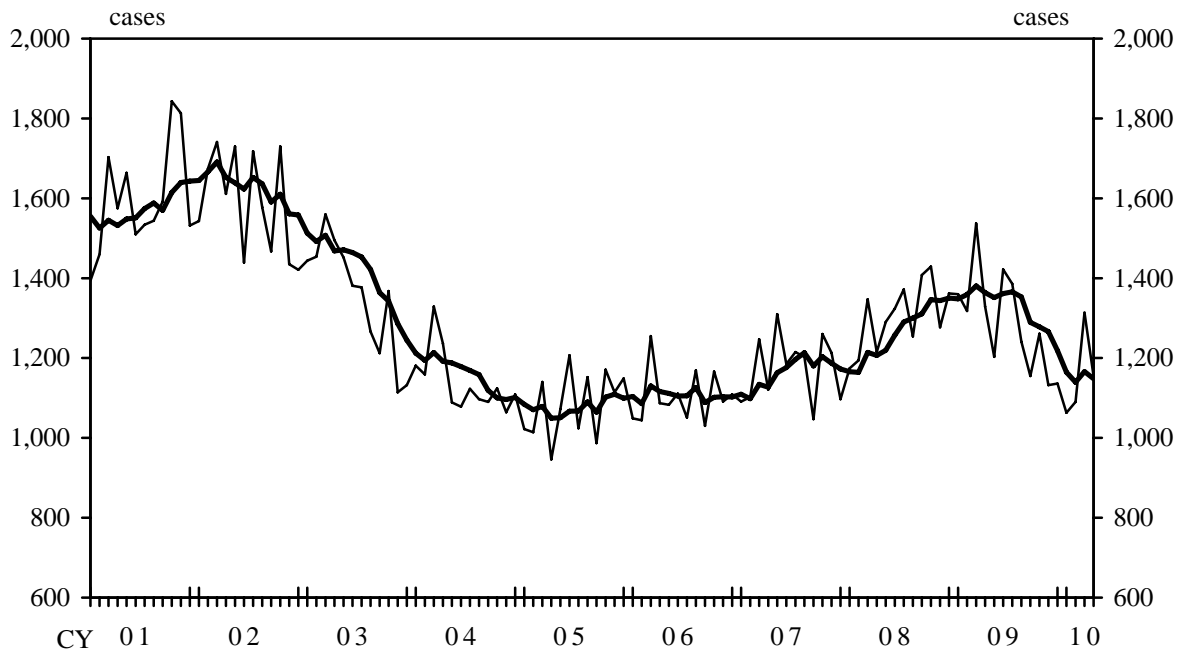
(2) Ratio of Money Stock to Nominal GDP



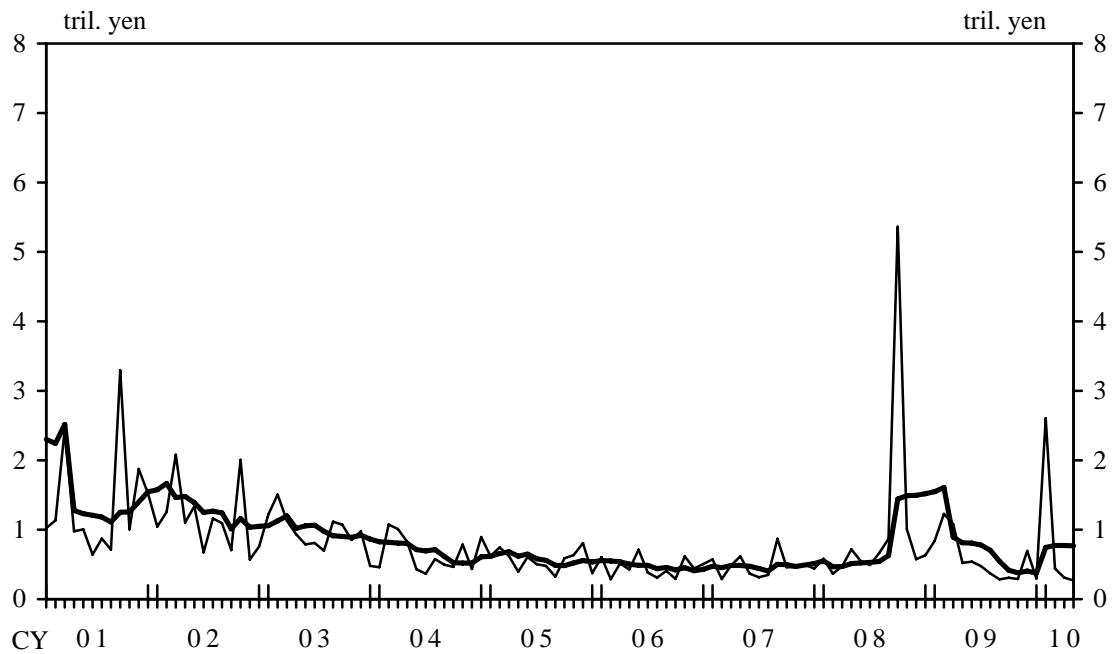
- Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.
 2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.
 3. The figures up to March 2004 in the upper panel and those up to March 2003 in the lower panel are based on the former series.

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)."