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Bank of Japan

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

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released on August 11, 2010)

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Monthly Report of Recent Economic and Financial Developments¹

August 2010

Summary

Japan's economy shows further signs of a moderate recovery, induced by improvement in overseas economic conditions.

Exports and production have been increasing. Business fixed investment is showing signs of picking up. The employment and income situation has remained severe, but the degree of severity has eased somewhat. In these circumstances, private consumption has been generally picking up. Housing investment has leveled out. Meanwhile, public investment is declining.

Japan's economy is likely to recover at a moderate pace.

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. Domestic private demand is expected to continue improving, but the pace of improvement is likely to remain moderate for the time being, amid the persistent sense among firms of excessive capital stock and employment as well as the waning effects of policy measures. Meanwhile, the decline in public investment is likely to continue.

On the price front, the three-month rate of increase in domestic corporate goods prices is slowing, mainly due to the decrease in commodity prices, amid 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 slowing trend in the pace of decline has continued.

Domestic corporate goods prices are expected to be somewhat weak for the time being, since the effects of the decrease in commodity prices are likely to

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on August 9 and 10, 2010.

continue. 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.

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. Compared with last month, the yen has appreciated against the U.S. dollar, while long-term interest rates have declined. Meanwhile, stock prices have remained at more or less the same level as last month.

Financial conditions 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. While stimulative effects from low interest rates are still partly constrained given current developments in economic activity and prices, such effects are beginning to strengthen in light of improved corporate profits. With regard to credit supply, firms see financial institutions' lending attitudes as improving. Issuing conditions for CP and corporate bonds have remained favorable. 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. The amount outstanding of corporate bonds has exceeded the previous year's level, while that of CP has declined. In these circumstances, the financial positions of firms have continued to show signs of improvement as a whole. 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. 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 in the second quarter. The amount of public construction completed—which reflects the progress of public works—fell back sharply in April-May compared with the first quarter, after having risen significantly in the first quarter. These large fluctuations were largely attributable to changes in the statistical method: the coefficient for the progress in public works during the winter season was raised from the fiscal 2009 figures, and this has allowed figures for the first quarter to turn out to be relatively high.

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 registered high growth of 9.5 percent in the second quarter, marking the fifth straight quarterly increase. Monthly developments, however, show that exports dipped in June for the first time in 16 months with a decline of 0.3 percent on a monthly basis.

By destination (Chart 7[1]), exports to emerging economies have been on a firm uptrend: exports to East Asia have been increasing since the second quarter of 2009; and those to "other regions" have continued to rise since the third quarter of 2009. Exports to China, however, decreased for two months in a row by marking declines of 4.4 percent in May and 1.6 percent in June on a monthly basis, partly in response to the high growth in March and April. Exports to the United States and the EU decreased in the first quarter, but rebounded in the second quarter, partly due to the inventory buildup of motor vehicles and their related goods in those regions.

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 been on the rise, partly due to the inventory buildup in the United States and the EU. Exports of intermediate goods and consumer goods—which were more or less flat in the first quarter—increased in the second quarter.

Real imports have been on a moderate uptrend amid continued increases in production and durable goods consumption (Charts 6[1] and 9). Imports registered high growth of 6.5 percent in the second quarter, marking an increase for the fifth consecutive quarter.

Imports rose for all goods in the second quarter (Chart 9[2]). Among them, IT-related goods—which include new models of PCs—and consumer goods—which include flat panel TVs—increased markedly.

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 mildly, albeit with fluctuations.

The uptrend in exports is expected to continue, reflecting continued improvement in overseas economic conditions, although the pace of increase is likely to moderate. The growth rate of overseas economies, which has been expanding at a considerably fast pace—mainly attributable to emerging countries—is slowing to a more sustainable pace, partly due to monetary tightening in emerging economies (Chart 8[2]). The real effective exchange rate of the yen has recently climbed somewhat, with the July average reaching the highest level since March 2009 (Chart 8[1]).

Imports are expected to continue increasing gradually, thanks to the recovery trend of the domestic economy.

Business fixed investment is showing signs of picking up. The aggregate supply of capital goods (including and excluding transport equipment)—a coincident indicator of machinery investment—rose marginally in the second quarter, after having surged in the first quarter (Chart 10[1]). As for leading indicators, machinery orders (private demand, excluding orders for ships, those from electric power companies, and those for cell phones)—a leading indicator of machinery investment—have been increasing since the third quarter of 2009, and inched up in April-May compared with the first quarter (Chart 11[1]). By industry, in

manufacturing, machinery orders dropped in April-May relative to the first quarter, mainly in response to the upsurge for two straight quarters. Orders have been trending upward amid the ongoing rise in exports. On the other hand, in nonmanufacturing (excluding orders for ships, those from electric power companies, and those for cell phones), machinery orders have turned upward, after having decreased for two quarters in a row. Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—fell in the second quarter, partly in response to the increase in the first quarter aided mainly by an upsurge in the number of large-scale redevelopment projects (Chart 11[2]).

Signs of a pick-up in business fixed investment are expected to gradually become evident, as the improvement in corporate profits continues. With the persistent sense among firms of excessive capital stock, however, the pace of improvement in business fixed investment is likely to remain moderate for the time being.

Private consumption has been generally picking up (Chart 12). Consumption of goods—as seen through sales at retail stores (in real terms)—was more or less flat in the second quarter, partly in reaction to the high growth in the first quarter (Chart 13[1]). As for durable consumer goods, sales of household electrical appliances (in real terms) rose only marginally in the second quarter, in response to a rush of demand prior to tighter application of the eco-point system (Chart 13[2]).² The number of new passenger-car registrations has been more or less flat since the start of 2010, after recovering rapidly toward the end of 2009 propelled mainly by tax cuts and subsidies.³ Sales at convenience stores recently appear to have turned slightly upward (Chart 14[1]). Sales at supermarkets have continued to be more or less flat. Sales at department stores were relatively weak in June affected mainly by the poor start of the annual summer gift-giving campaign. As for services consumption (Chart 14[2]), outlays for travel have recently been on an improving trend. Sales in the food service industry have remained more or less unchanged.

² Although the eco-point system for household electrical appliances will expire at the end of 2010, energy efficiency requirements have become tighter from April for flat panel televisions, thus the number of eligible types of flat panel televisions has decreased.

³ Subsidies for energy efficient cars will expire at the end of September 2010.

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—decreased in the second quarter, after having increased for three consecutive quarters (Chart 13[1]).⁴ The total expenditure in the *Survey of Household Economy* (in real terms) has also decreased lately.

Meanwhile, indicators related to consumer sentiment have been on a recovery trend on the whole (Chart 15).

Private consumption is expected to continue picking up. The pace of improvement, however, is likely to remain moderate for the time being, since the effects of policy measures are expected to wane while the employment and income situation remains severe.

Housing investment has leveled out. The number of housing starts (Chart 16[1]; annualized)—a leading indicator of housing investment—decreased in the second quarter, after having picked up for two quarters in a row. Housing investment, however, has tended to pick up—notably in housing for sale—which mainly reflected 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 fell by 1.5 percent in June on a monthly basis. On a quarterly basis, production has been increasing from the second quarter of 2009, and registered a high 7.0 percent growth in the first quarter; the pace of increase in the second quarter slowed markedly by recording an increase of 1.4 percent (Chart 17). It should be noted, however, that this decrease in

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

the growth rate was partly influenced by a distortion in seasonal adjustments.⁵ In fact, the pace of increase in production seems to have been decelerating gradually from the middle of 2009, rather than having slowed suddenly of late.

Shipments have decelerated partly due to a distortion in seasonal adjustments, by recording an increase of 1.5 percent in the second quarter on a quarter-on-quarter basis, after having continued high growth for four quarters in a row. By goods (Chart 18), the increase in shipments of durable consumer goods and producer goods has recently come to a halt, after having recovered significantly. Shipments of capital goods have been on the rise. Shipments of construction goods have remained sluggish in general. Shipments of non-durable consumer goods have remained more or less unchanged, albeit with fluctuations.

Inventories have increased at a moderate pace. Looking at the shipment-inventory balance by goods (Chart 19), growth in shipments of all goods has outpaced that in inventories.

The uptrend in production is expected to continue, as it is for exports, although the pace of increase is expected to moderate. According to anecdotes by firms and other information, production, in fact, is expected to continue increasing in the third quarter.⁶ As for the fourth quarter, production of transport equipment is likely to decline sharply due to production adjustments resulting from the cessation of subsidies for purchasing energy efficient cars. However, production such as of IT-related goods and capital goods is expected to continue increasing, despite some slowdown.

⁵ 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 growth rates for the first quarter—in this case the growth rate for the first quarter of 2010—upward, whereas it will exert downward pressure on that for the second quarter.

⁶ The aforementioned distortion in seasonal adjustments, however, is expected to exert downward pressure on the growth rate not only for the second quarter but also on that for the third quarter. As a result, the released statistical figures for the third quarter are likely to be more or less level.

The employment and income situation has remained severe, but the degree of severity has eased somewhat.

In the labor market, the ratio of job offers to applicants rose for the second month running, recording 0.52 times in June (Chart 20[1]). It has generally recovered moderately after hitting bottom in August 2009. On the other hand, the unemployment rate in June stood at 5.3 percent, increasing for the fourth straight month. It moved down to 4.9 percent in January-February 2010 after having climbed to a historical high of 5.6 percent in July 2009, but it has recently shown some deterioration again partly due to the increase in the number of voluntary retirement and new graduates seeking jobs.

In terms of employment (Chart 21[1]), the pace of decline in the number of employees in the *Labour Force Survey* has lately moderated considerably on a year-on-year basis, although the number of employees has continued to trend downward.⁷ The number of regular employees in the *Monthly Labour Survey* has increased, albeit marginally, from the previous year's level. The ratio of part-time employees has been on a moderate rising trend (Chart 21[2]). Meanwhile, overtime hours worked have been recovering, although the pace has somewhat slowed (Chart 21[3]).

Nominal wages per employee had been declining significantly, but they have recently risen on a year-on-year basis (Chart 22[1]). In detail, the pace of decline in regular payments has been moderating considerably, assisted mainly by the pick-up in regular hours worked. Overtime payments have registered a year-on-year increase facilitated by the increase in overtime hours worked. Special payments have also been above the year-ago level.⁸

⁷ 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, notably in large firms, although it remains at a high level. The number of applicants was 2.53 million at its peak in April 2009, while it was 1.28 million this past June.

⁸ Surveys by the Nihon Keizai Shimbun, Inc. (final results as of June 29) and the Japan Business Federation (final results as of July 20) show that summer bonuses among major firms will increase marginally (0.75 and 0.55 percent respectively, on a year-on-year basis).

Employee income—which had been decreasing on a year-on-year basis—has marked a marginal year-on-year increase lately 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, mainly due to the persistent sense among firms of excessive employment, 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 earlier increase in international commodity prices (Chart 24). International commodity prices have decreased from May and have been more or less flat recently. Domestic commodity prices have been weakening since May.

The three-month rate of increase in domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter)⁹ is slowing, mainly due to the decrease in international commodity prices, amid the persistent slack in supply and demand conditions for products (Chart 25). In June, the three-month rate of increase in domestic corporate goods prices slowed—with an increase of 0.3 percent—compared to May (a positive 0.9 percent) in light of movements in prices of "iron and steel, and construction related goods" and of "goods sensitive to exchange rates and overseas commodity prices." Meanwhile, the three-month rate of change in prices of "raw materials (other goods)" has fallen for the third straight month, mainly in prices of chemicals and related products. The three-month rate of decline in prices of "machinery" has continued to be marginal.

Corporate services prices (excluding international transportation; year-on-year basis, same hereafter) have been declining, a reflection mainly of cost cutting among firms, but the rate of decline has continued to moderate (Chart 26). In June,

⁹ 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.

corporate services prices fell for the 20th straight month.¹⁰ The pace of decline, however, has been slowing since the start of this year. Looking at recent developments in detail, the pace of decline in prices related to selling, general and administrative expenses has tended to slow, since firms have shown signs of a slight ease in their stance on cost cutting. The rates of decrease in IT-related prices and prices related to domestic transportation have tended to slow modestly. However, the rate of decline in prices of equipment investment—including those of leasing and rental—has yet to narrow on average. Prices related to real estate have dropped at a faster pace, affected by a slack in supply and demand conditions with a time lag.

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 slowing trend in the pace of decline has continued (Charts 27 and 28). In June, the rate of decrease in consumer prices narrowed by 0.2 percentage point from May, registering a decrease of 1.0 percent. Looking at developments on a basis that excludes food and energy, the rate of decline in consumer prices narrowed by 0.1 percentage point from May and marked a decrease of 1.5 percent. Excluding high school fees,¹¹ the rate of decline in consumer prices—excluding fresh food—narrowed by 0.2 percentage point from May with a decrease of 0.5 percent. The rate of decline—excluding food and energy—marked a decrease of 0.7 percent, since it narrowed by 0.1 percentage point from May. The rates of decline in all of these indices have tended to slow. The year-on-year rate of decline in the trimmed mean index—which systematically discards a certain percentage of the highest and lowest marks of the price fluctuation distribution by item (the index which eliminates large relative price fluctuations)—has also been narrowing mildly.

Looking at recent movements in detail, in prices of goods, although the pace of increase in prices of petroleum products has somewhat slowed, the pace of decline in prices of clothes, agricultural and aquatic products, and others has moderated

¹⁰ The category "All items including international transportation" has continued to decline for 21 months on a year-on-year basis.

¹¹ In terms of high school fees, households with public high school students are exempt from paying the annual tuition fee of about 120,000 yen, while those with private high school students will receive subsidies equivalent to the annual tuition fee of public high schools.

slightly. As for prices of general services, the pace of decline—with private high school fees excluded—has been moderating, notably in prices of package tours to overseas. The pace of decline in public utility charges—with public high school fees excluded—has also been slowing.

Domestic corporate goods prices are expected to be somewhat weak for the time being, since the effects of the decrease in commodity prices are likely to continue. 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.

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, amid the Bank of Japan's provision of ample funds. 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 decreased slightly, as market participants have become somewhat less cautious about taking counterparty risks in transactions (Chart 30).

Yields on 10-year government bonds (newly issued 10-year JGB) have declined, partly due to the downtrend in U.S. long-term interest rates against the background of concerns about a possible U.S. economic slowdown. They have recently been at around 1.0 percent (Chart 31).

Yield spreads between corporate bonds and government bonds have continued to be stable for those with high credit ratings, due to firm demand among investors. Spreads on those with low credit ratings have decreased somewhat, especially for

those in some industries, as some improvements have been shown in the wait-and-see stances on investment among investors (Chart 32).

Stock prices, after declining partly due to the appreciating trend of the yen, have recovered somewhat along with the recent rises in U.S. and European stock prices. The Nikkei 225 Stock Average has recently been at around 9,500 yen (Chart 33).

In the foreign exchange market, the yen has appreciated against the U.S. dollar amid the narrowing interest rate differential between the United States and Japan; it has recently been traded in the range of 85-86 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 those on corporate bonds have also been virtually flat. 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, firms see financial institutions' lending attitudes as improving (Chart 35). Issuing conditions for CP and corporate bonds have remained favorable. 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 (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, the financial positions of firms have continued to show signs of improvement as a whole (Chart 35). The number of corporate bankruptcies has continued to decrease; it was down by 23.1 percent in July compared to the previous year's level (Chart 40).

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 July reading was 2.7 percent on a year-on-year basis, following 2.9 percent in June (Chart 39).¹²

¹² On an M3 basis, which includes the Japan Post Bank, the year-on-year growth rate has recently been at around 2 percent; its July reading was 2.0 percent, following 2.2 percent in June. The year-on-year growth rate of broadly-defined liquidity (L) has recently been in the range of 1.0-1.5 percent; it increased by 1.3 percent in July, following an increase of 1.5 percent in June.

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Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2009/Q4	2010/Q1	Q2	2010/Apr.	May	Jun.	Jul.
Index of consumption expenditure level (two-or-more-person households)	0.6	0.3	-2.0	-6.1	1.0	1.6	n.a.
Sales at department stores	-2.1	1.2	p -1.5	-1.7	0.9	p -3.3	n.a.
Sales at supermarkets	-1.4	-0.3	p 0.1	0.4	-1.3	p 2.0	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 316>	< 314>	< 320>	< 321>	< 325>	< 312>	< 319>
Sales of household electrical appliances (real, Current Survey of Commerce)	4.6	14.1	p 1.8	-1.2	-3.9	p 1.0	n.a.
Outlays for travel	-2.9	4.3	n.a.	-1.4	4.9	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	< 79>	< 84>	< 76>	< 79>	< 74>	< 75>	<n.a.>
Machinery orders (from private sector) excluding volatile orders 1 ⁴	1.1	2.9	n.a.	4.0	-9.1	n.a.	n.a.
excluding volatile orders 2 ⁴	2.6	4.8	n.a.	6.5	-13.3	n.a.	n.a.
Construction Starts (private, nondwelling use)	3.6	24.6	-19.4	-31.2	3.3	3.6	n.a.
Mining & manufacturing	-3.0	24.0	-11.2	-12.4	-24.3	79.5	n.a.
Nonmanufacturing ⁵	9.0	18.9	-20.1	-32.2	7.3	-11.1	n.a.
Value of public works contracted	-4.9	-6.5	5.2	15.1	-5.7	-3.4	n.a.
Real exports	7.6	5.2	9.5	6.6	1.0	-0.3	n.a.
Real imports	1.1	2.5	6.5	3.2	7.3	1.1	n.a.
Industrial production	5.9	7.0	p 1.4	1.3	0.1	p -1.5	n.a.
Shipments	5.9	7.2	p 1.5	1.4	-1.7	p -0.2	n.a.
Inventories	-1.5	1.1	p 3.4	0.6	2.0	p 0.7	n.a.
Inventory Ratio <s.a., CY 2005 = 100>	< 110.0>	< 102.3>	<p 107.0>	< 103.5>	< 108.5>	<p 107.0>	<n.a.>
Real GDP	1.1	1.2	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.1	1.4	n.a.	1.9	0.2	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2009/Q4	2010/Q1	Q2	2010/Apr.	May	Jun.	Jul.
Ratio of job offers to applicants <s.a., times>	< 0.43>	< 0.47>	< 0.50>	< 0.48>	< 0.50>	< 0.52>	<n.a.>
Unemployment rate <s.a., %>	< 5.2>	< 4.9>	< 5.2>	< 5.1>	< 5.2>	< 5.3>	<n.a.>
Overtime working hours ⁶	-7.7	10.0	p 10.4	11.9	10.4	p 9.2	n.a.
Number of employees	-1.4	-0.3	-0.3	-0.2	-0.4	-0.1	n.a.
Number of regular employees ⁶	-0.2	0.1	p 0.2	0.1	0.4	p 0.2	n.a.
Nominal wages per person ⁶	-4.1	0.0	p 1.2	1.6	0.1	p 1.5	n.a.
Domestic corporate goods price index <q/q % chg., 3-month rate of change> ⁷	-5.2 <-0.5>	-1.7 < 0.3>	p 0.3 <p 0.7>	-0.1 < 0.8>	0.5 < 0.9>	p 0.5 <p 0.3>	n.a. <n.a.>
Consumer price index ⁸	-1.8	-1.2	-1.2	-1.5	-1.2	-1.0	n.a.
Corporate services price index ⁹	-1.6	-1.6	p -1.3	-1.5	-1.2	p -1.2	n.a.
Money Stock (M2) <average outstanding, y/y % chg.>	3.3	2.8	3.0	2.9	3.1	2.9	p 2.7
Number of corporate bankruptcies <cases per month>	<1,176>	<1,156>	<1,108>	<1,154>	<1,021>	<1,148>	<1,066>

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. Volatile orders 1: Orders for ships and those from electric power companies.

Volatile orders 2: Volatile orders 1 and orders for cellphones.

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";

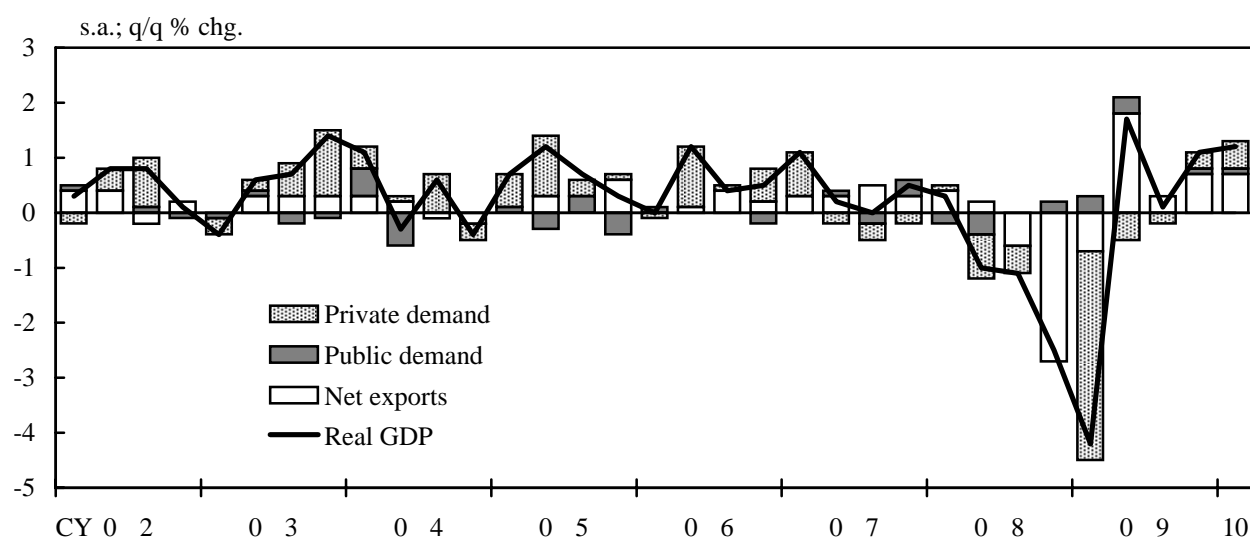
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey";

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



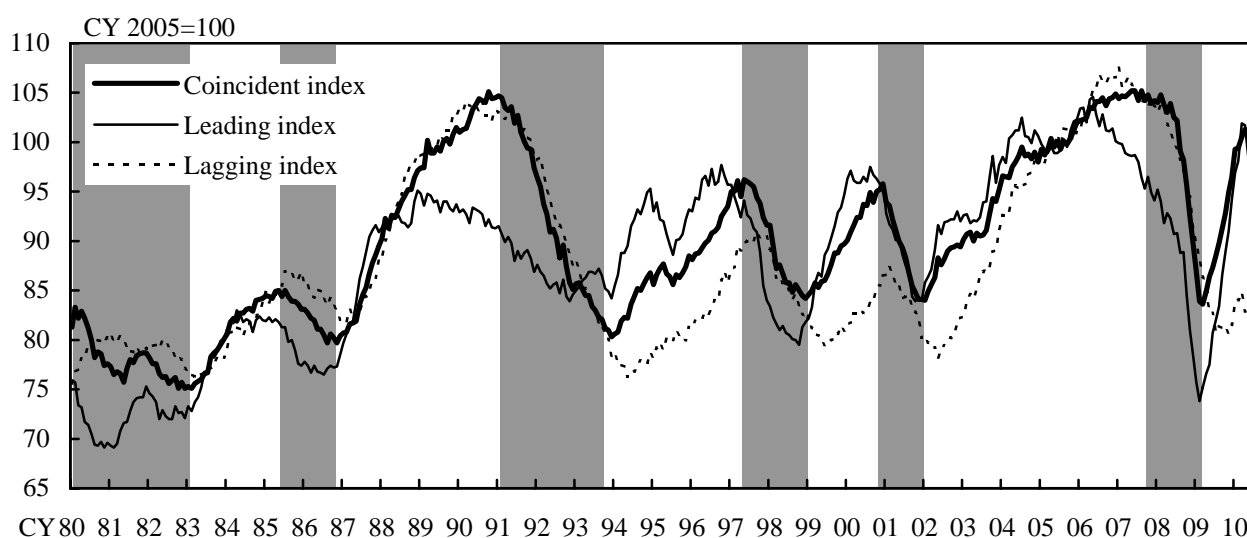
(2) Components

s.a.; q/q % chg.

	2009				2010
	Q1	Q2	Q3	Q4	Q1
Real GDP	-4.2	1.7	0.1	1.1	1.2
Domestic demand	-3.5	-0.1	-0.2	0.4	0.6
Private demand	-3.8	-0.5	-0.2	0.3	0.5
Private consumption	-0.7	0.6	0.4	0.4	0.3
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	-1.3	-0.2	-0.1	-0.2	0.1
Public demand	0.3	0.3	-0.0	0.1	0.1
Public investment	0.1	0.3	-0.0	-0.0	-0.0
Net exports of goods and services	-0.7	1.8	0.3	0.7	0.7
Exports	-3.9	1.3	1.2	0.9	0.9
Imports	3.2	0.5	-0.8	-0.2	-0.3
Nominal GDP	-4.4	0.2	-0.3	0.3	1.3

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

(3) Indexes of Business Conditions (Composite Indexes)

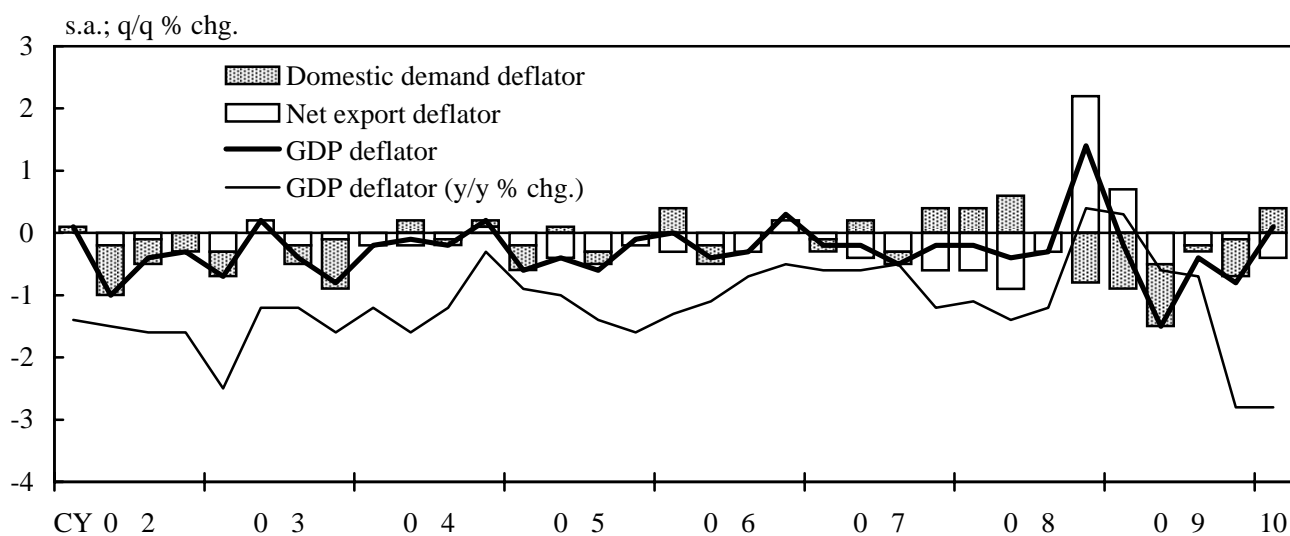


Note: Shaded areas indicate recession periods.

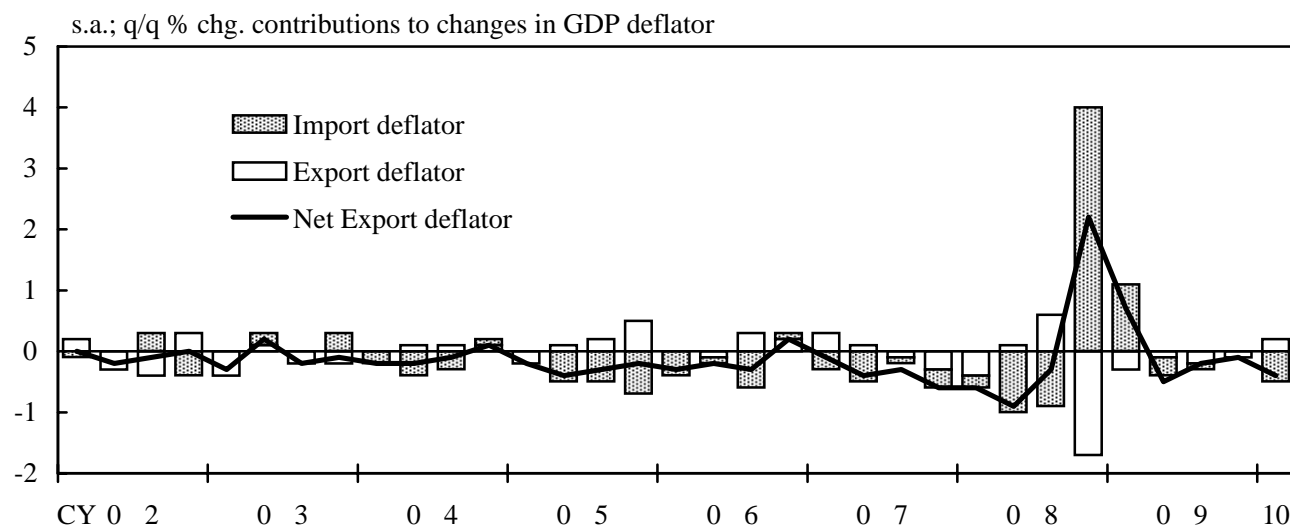
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

GDP Deflator and Income Formation

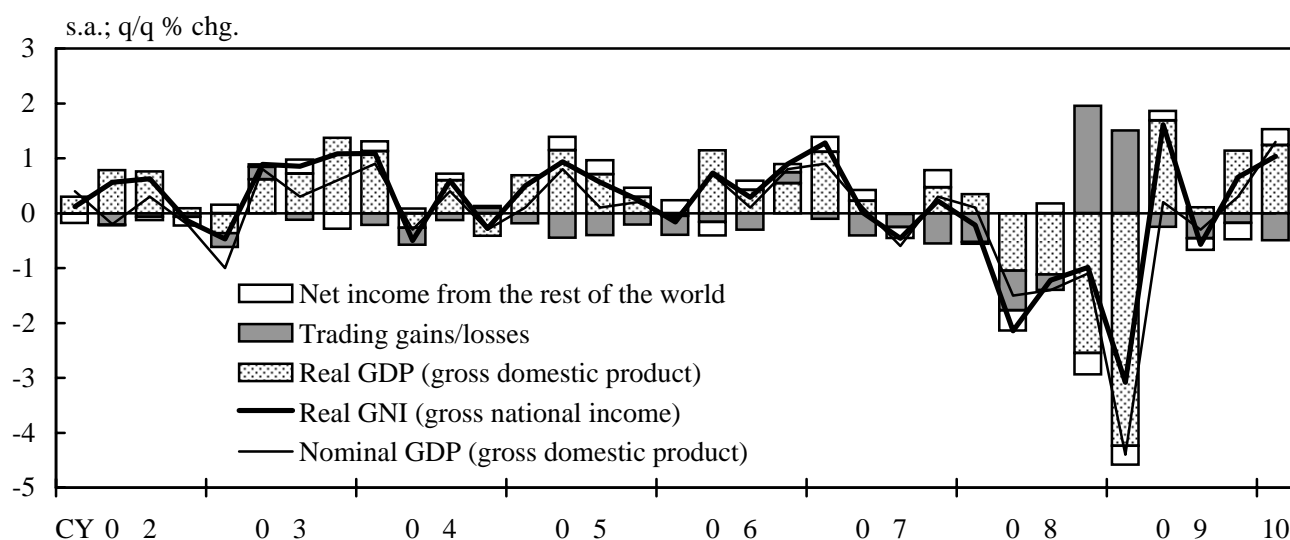
(1) GDP Deflator



(2) Net Export Deflator



(3) Aggregate Income Formation



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

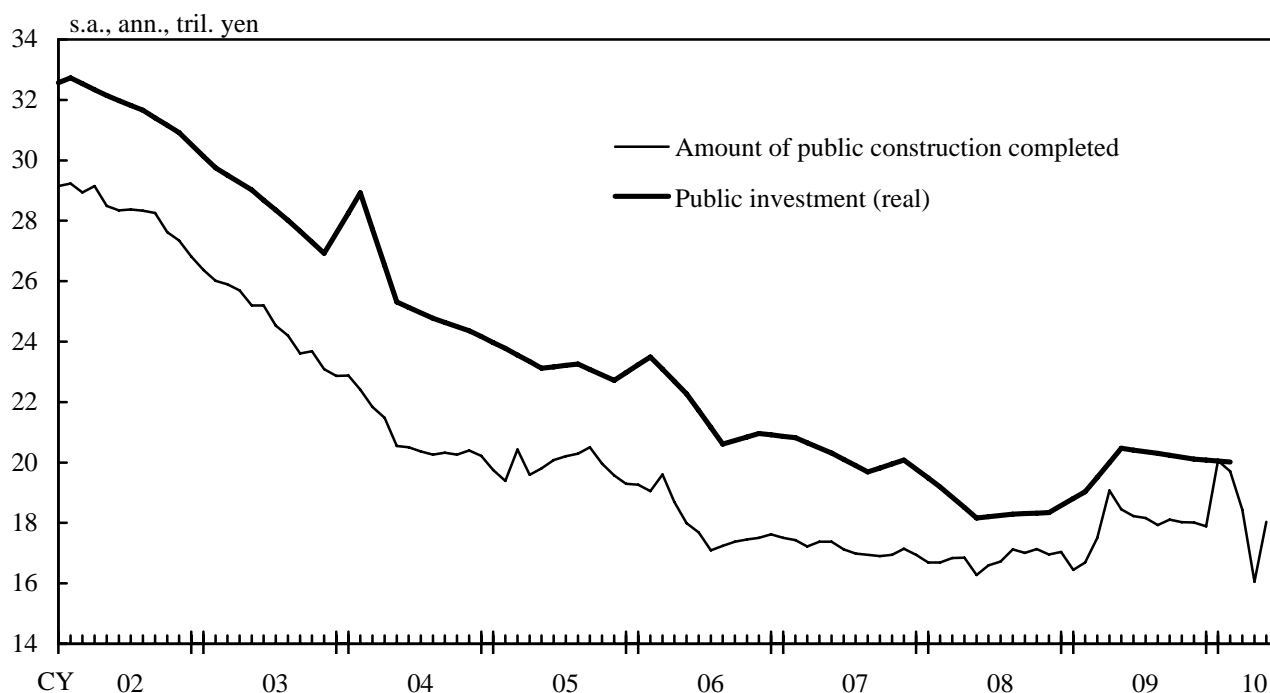
2. Real GNI = real GDP + trading gains/losses + net income from the rest of the world

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

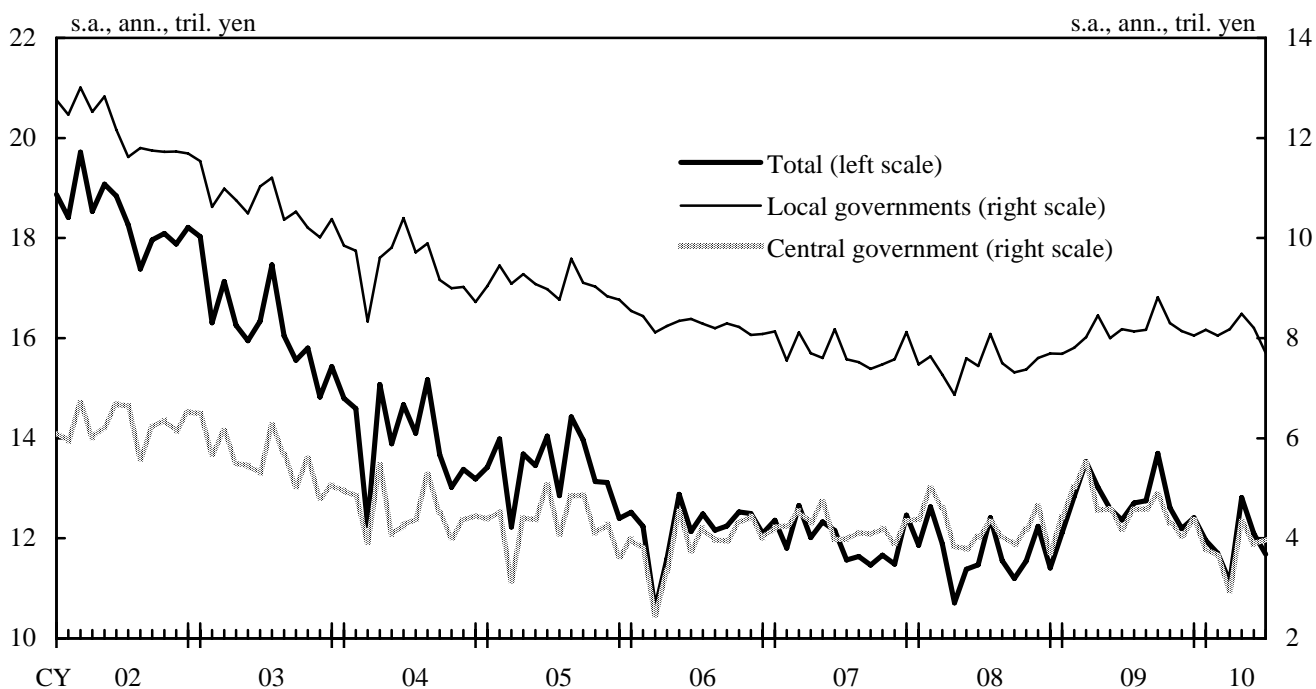
Source: Cabinet Office, "National Accounts."

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. The amount of public construction completed is based on the general tables in the *Integrated Statistics on Construction Works*.

3. Figures of the value of public works contracted and the amount of public construction completed are seasonally adjusted by X-12-ARIMA. As figures of the amount of public construction completed are seasonally adjusted on a monthly basis, the data are retroactively revised every month.

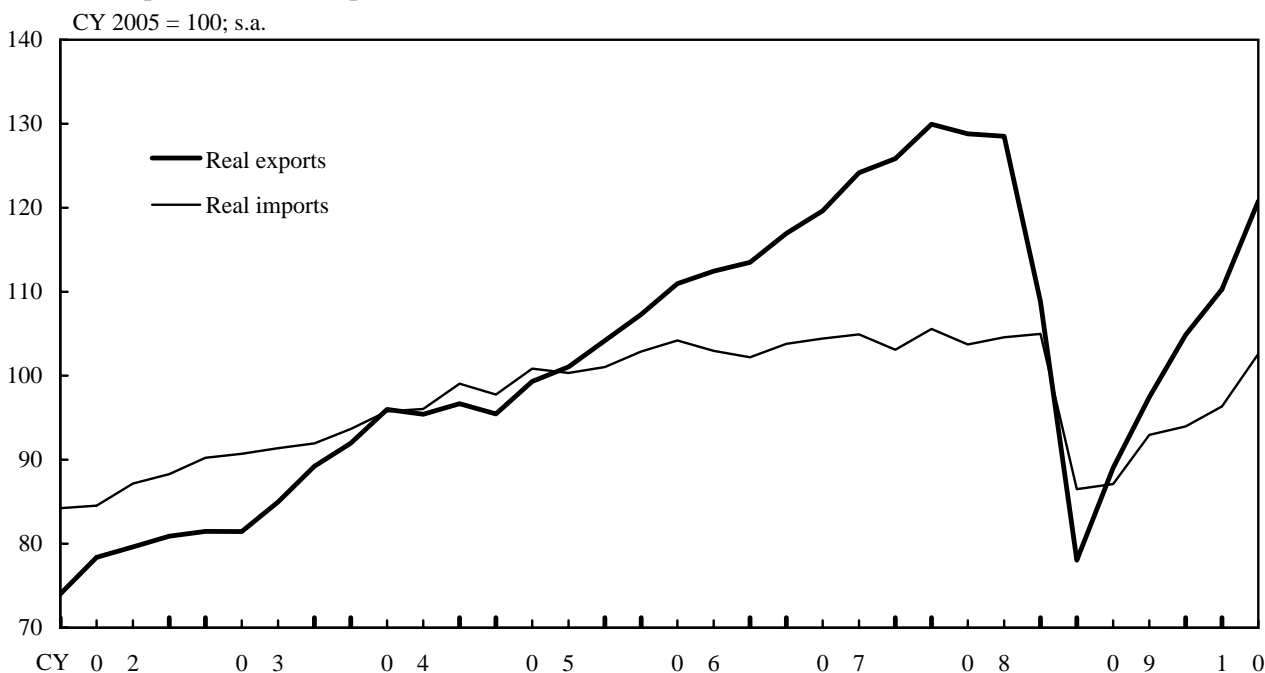
Sources: Cabinet Office, "National Accounts";

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

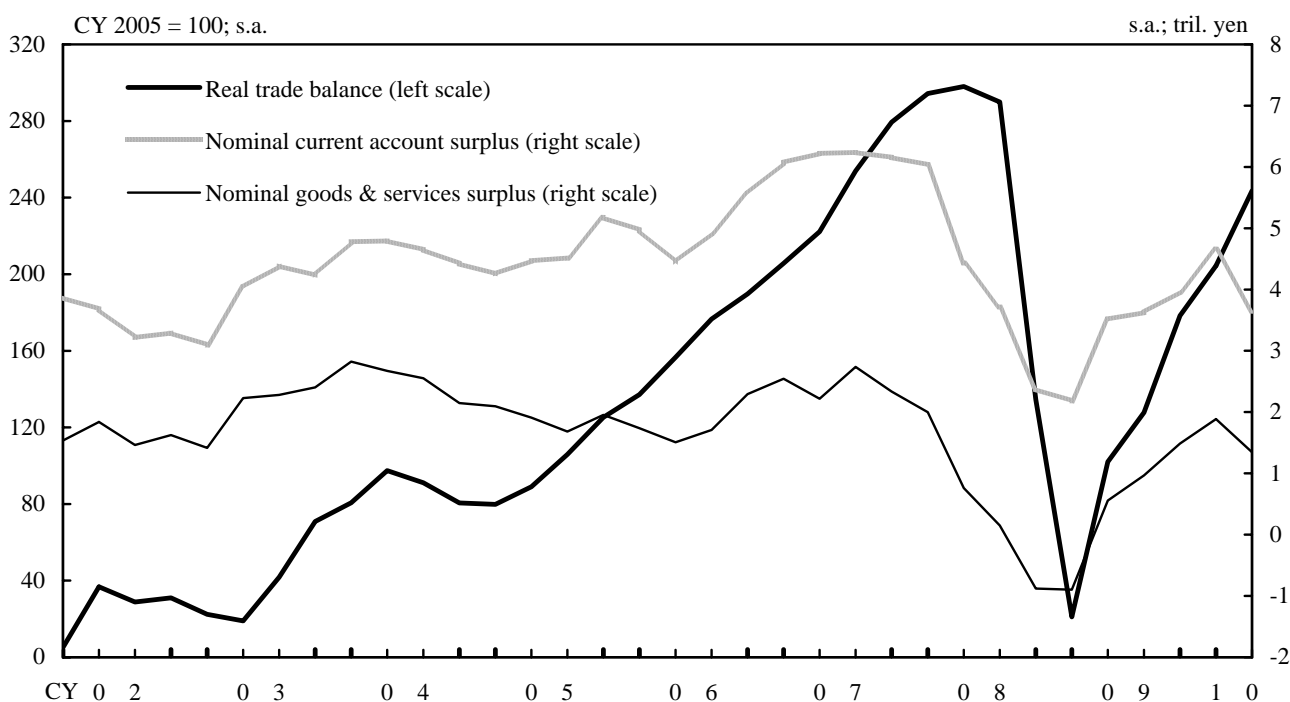
Ministry of Land, Infrastructure, Transport and Tourism, "Integrated Statistics on Construction Works."

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 Q2	Q3	Q4	2010 Q1	Q2	2010 Apr.	May	Jun.
United States	<16.1>	-8.8	-32.6	15.0	11.2	7.1	-1.1	11.2	10.0	-1.6	6.6
EU	<12.5>	-0.1	-34.6	7.7	4.8	9.6	-4.0	8.4	6.2	8.2	-8.9
East Asia	<51.4>	3.4	-15.8	20.6	13.2	7.8	7.9	4.9	3.6	1.4	-1.0
China	<18.9>	6.7	-10.2	22.0	10.3	6.4	9.1	2.4	6.7	-4.4	-1.6
NIEs	<23.5>	-0.0	-18.0	21.6	12.5	6.7	6.9	5.2	2.0	2.1	0.4
Korea	<8.1>	-0.3	-16.0	15.2	11.2	5.0	5.9	5.8	1.2	3.8	3.3
Taiwan	<6.3>	-4.3	-17.7	25.9	13.3	11.8	9.7	6.8	5.3	6.1	-2.0
Hong Kong	<5.5>	-2.4	-18.8	26.6	9.6	8.0	4.9	9.9	2.7	2.0	2.0
Singapore	<3.6>	13.3	-21.6	18.5	22.2	-4.7	13.3	-11.1	-6.1	-11.4	3.6
ASEAN4 ³	<9.1>	6.4	-20.5	14.8	21.8	13.7	8.1	9.0	1.4	11.6	-3.2
Thailand	<3.8>	5.0	-20.9	16.3	27.8	16.0	4.9	11.2	7.2	7.5	2.6
Others	<20.0>	16.1	-32.1	-2.4	9.3	11.3	11.3	9.1	6.0	2.4	2.2
Real exports		1.8	-25.6	14.1	9.5	7.6	5.2	9.5	6.6	1.0	-0.3

(2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.				s.a.; m/m % chg.			
		CY 2008	2009	2009 Q2	Q3	Q4	2010 Q1	Q2	2010 Apr.	May	Jun.
Intermediate goods	<20.7>	0.4	-5.6	19.2	10.0	4.6	0.9	5.4	3.9	7.0	-1.9
Motor vehicles and their related goods	<20.0>	3.2	-41.4	22.3	25.3	11.3	5.2	10.7	6.9	-2.0	6.5
Consumer goods ⁴	<4.1>	3.5	-28.8	12.4	3.5	0.3	-0.5	9.1	-0.1	4.2	3.2
IT-related goods ⁵	<11.3>	0.8	-17.0	35.0	9.0	5.8	5.8	7.1	2.2	3.3	0.4
Capital goods and parts ⁶	<27.9>	5.2	-28.1	3.5	7.7	9.9	8.7	14.7	7.4	3.3	-1.9
Real exports		1.8	-25.6	14.1	9.5	7.6	5.2	9.5	6.6	1.0	-0.3

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

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 July and August (up to August 6) 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 Q3	Q4	2010 Q1	Q2	
United States ¹		1.9	0.0	-2.6	1.6	5.0	3.7	2.4	
European Union ¹		2.9	0.7	-4.2	1.1	0.8	1.0	n.a.	
	Germany	2.5	1.3	-4.9	2.9	0.7	0.6	n.a.	
	France	2.3	0.1	-2.5	1.1	2.3	0.5	n.a.	
	United Kingdom	2.7	-0.1	-4.9	-1.0	1.7	1.3	4.5	
East Asia ²	China		14.2	9.6	9.1	9.6	11.3	11.9	10.3
	NIEs	Korea	5.1	2.3	0.2	1.0	6.0	8.1	7.2
		Taiwan	6.0	0.7	-1.9	-1.0	9.1	13.3	n.a.
		Hong Kong	6.4	2.2	-2.8	-2.4	2.5	8.2	n.a.
		Singapore	8.5	1.8	-1.3	1.8	3.8	16.9	19.3
	ASEAN4	Thailand	4.9	2.5	-2.2	-2.7	5.9	12.0	n.a.
		Indonesia	6.3	6.0	4.5	4.2	5.4	5.7	6.2
Malaysia		6.5	4.7	-1.7	-1.2	4.4	10.1	n.a.	
Philippines		7.1	3.7	1.1	0.2	2.1	7.3	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 Q2	Q3	Q4	2010 Q1	Q2	2010 Apr.	May	Jun.
United States	<10.7>	-2.5	-18.7	-5.7	3.3	6.5	-0.2	4.5	3.6	6.7	-3.1
EU	<10.7>	-3.0	-13.2	-1.7	4.8	1.6	-0.7	4.2	-3.3	12.5	2.0
East Asia	<41.9>	2.4	-13.1	3.4	8.4	3.1	4.2	11.2	10.4	10.8	1.0
China	<22.2>	4.4	-11.1	3.2	8.8	3.9	3.1	13.8	16.4	14.7	2.6
NIEs	<8.6>	-1.1	-15.9	9.8	8.6	2.2	7.1	7.0	1.5	9.4	-1.6
Korea	<4.0>	-5.3	-19.1	6.7	9.1	-0.5	4.0	10.7	0.8	11.6	1.6
Taiwan	<3.3>	3.5	-12.4	13.7	9.3	5.6	6.4	4.7	3.8	6.3	-5.3
Hong Kong	<0.2>	-1.7	-29.7	13.6	-10.8	-4.4	55.9	-7.5	-19.7	72.8	2.3
Singapore	<1.1>	1.5	-12.5	14.2	0.6	5.1	12.7	7.7	-3.0	5.1	5.2
ASEAN ⁴	<11.0>	1.4	-15.0	-1.2	7.3	2.2	4.3	9.2	6.6	3.5	-0.4
Thailand	<2.9>	2.4	-17.5	1.9	10.3	5.9	3.7	11.0	5.6	4.0	6.6
Others	<36.7>	2.5	-14.1	-0.6	6.4	-1.0	2.4	3.4	2.8	2.5	-1.0
Real imports		0.5	-14.1	0.7	6.7	1.1	2.5	6.5	3.2	7.3	1.1

(2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.				s.a.; m/m % chg.			
		CY 2008	2009	2009 Q2	Q3	Q4	2010 Q1	Q2	2010 Apr.	May	Jun.
Raw materials ⁴	<34.2>	1.6	-15.1	-2.3	8.2	-3.1	2.9	3.0	2.4	1.4	-0.5
Intermediate goods	<14.2>	1.7	-15.3	-4.6	11.2	2.7	5.9	7.3	-1.6	12.6	-0.9
Foodstuffs	<9.7>	-3.6	1.0	-4.0	-0.0	-4.7	3.1	8.3	6.1	5.3	2.3
Consumer goods ⁵	<8.9>	-2.4	-10.3	4.6	8.9	6.1	1.1	11.3	21.4	12.1	-0.5
IT-related goods ⁶	<11.0>	4.3	-12.4	10.9	5.1	4.6	6.2	10.1	8.9	8.4	-2.6
Capital goods and parts ⁷	<11.8>	2.9	-23.8	-3.6	6.0	11.3	-0.4	6.8	5.9	4.2	3.8
Excluding aircraft	<11.0>	3.7	-24.4	0.2	5.7	6.9	4.8	6.7	4.4	4.1	3.6
Real imports		0.5	-14.1	0.7	6.7	1.1	2.5	6.5	3.2	7.3	1.1

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.

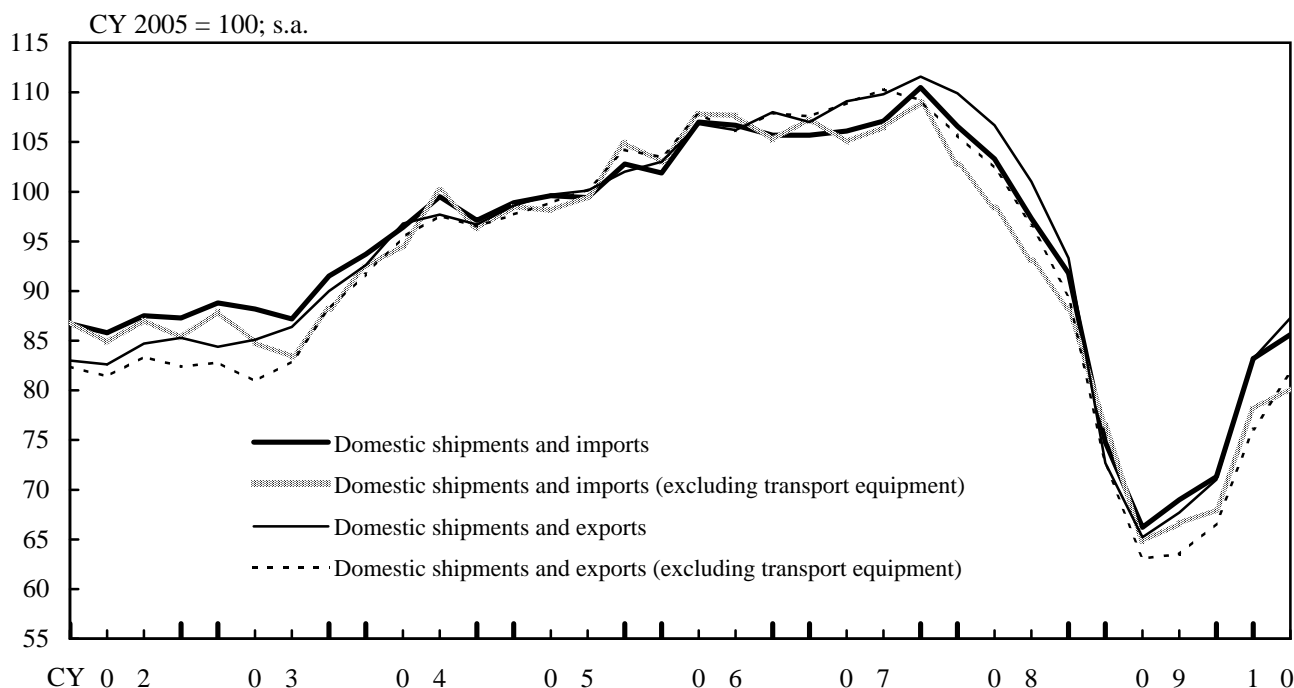
5. Excludes foodstuffs.

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

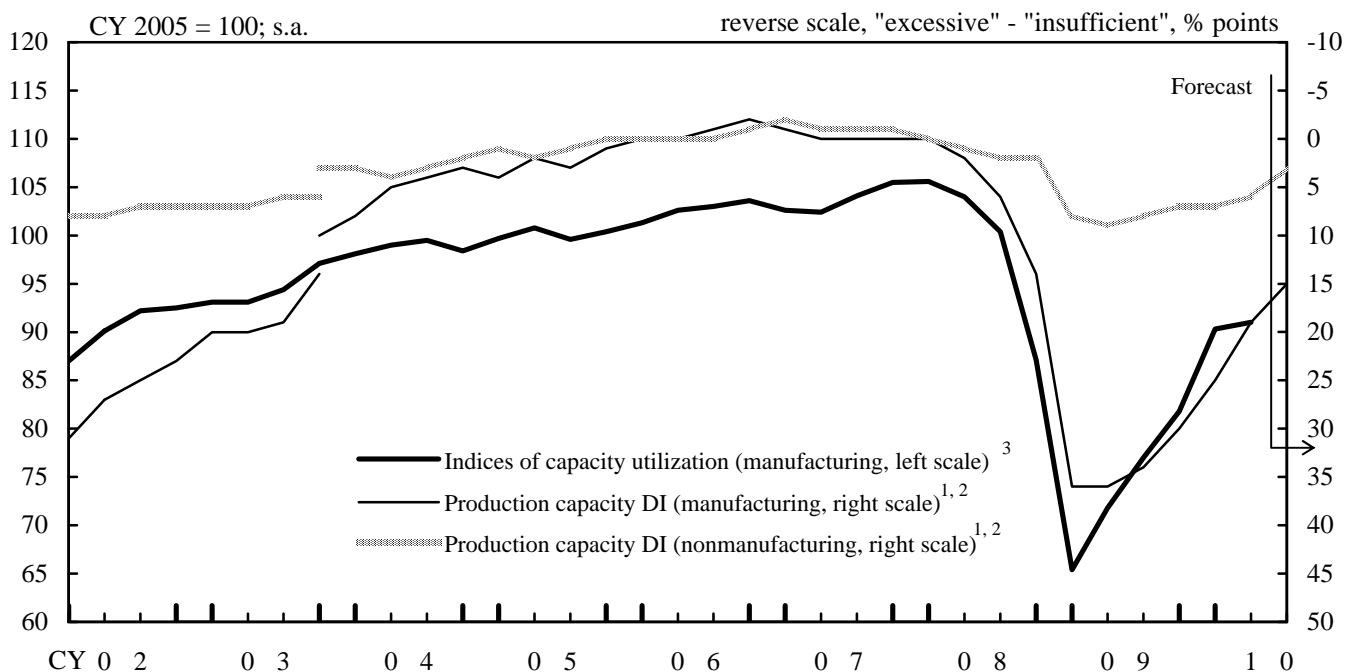
7. Excludes IT-related goods.

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.

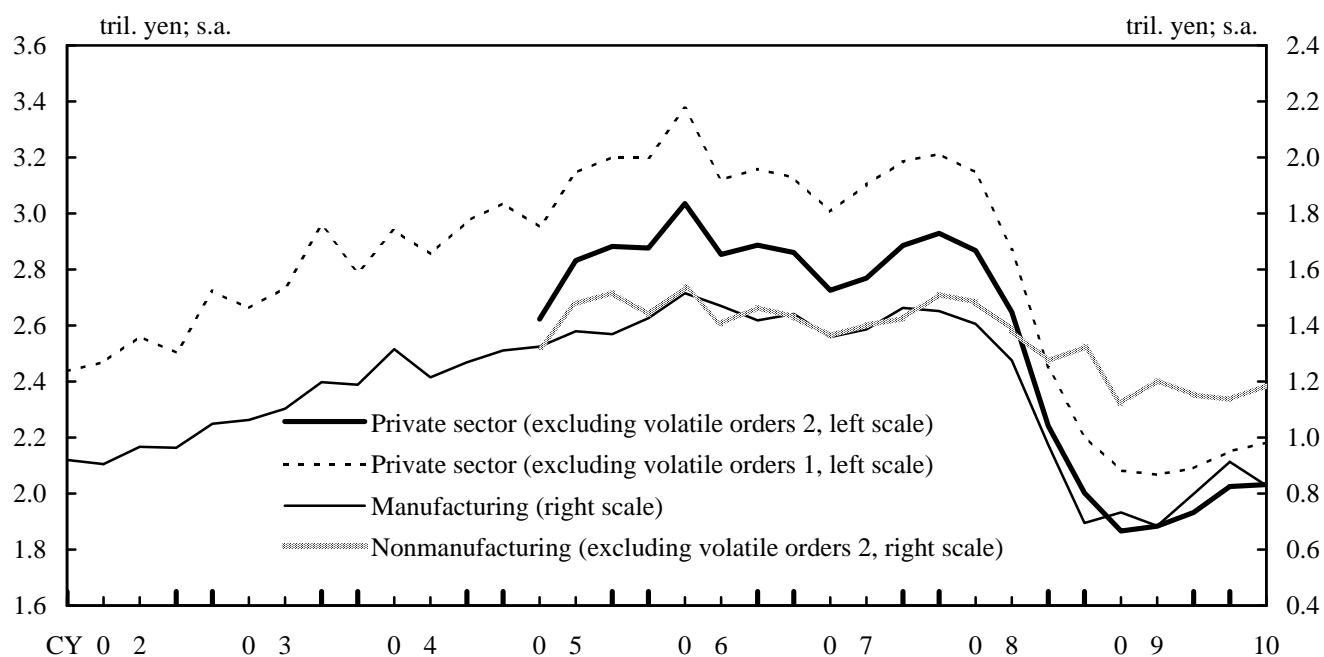
2. In the March 2004 survey, the *Tankan* underwent major revisions, including the addition of new sample enterprises to the survey. Figures up to the December 2003 survey are based on the previous data sets. Figures from the December 2003 survey are on a new basis.

3. The figure for 2010/Q2 is April-May average.

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

Leading Indicators for Business Fixed Investment

(1) Machinery Orders

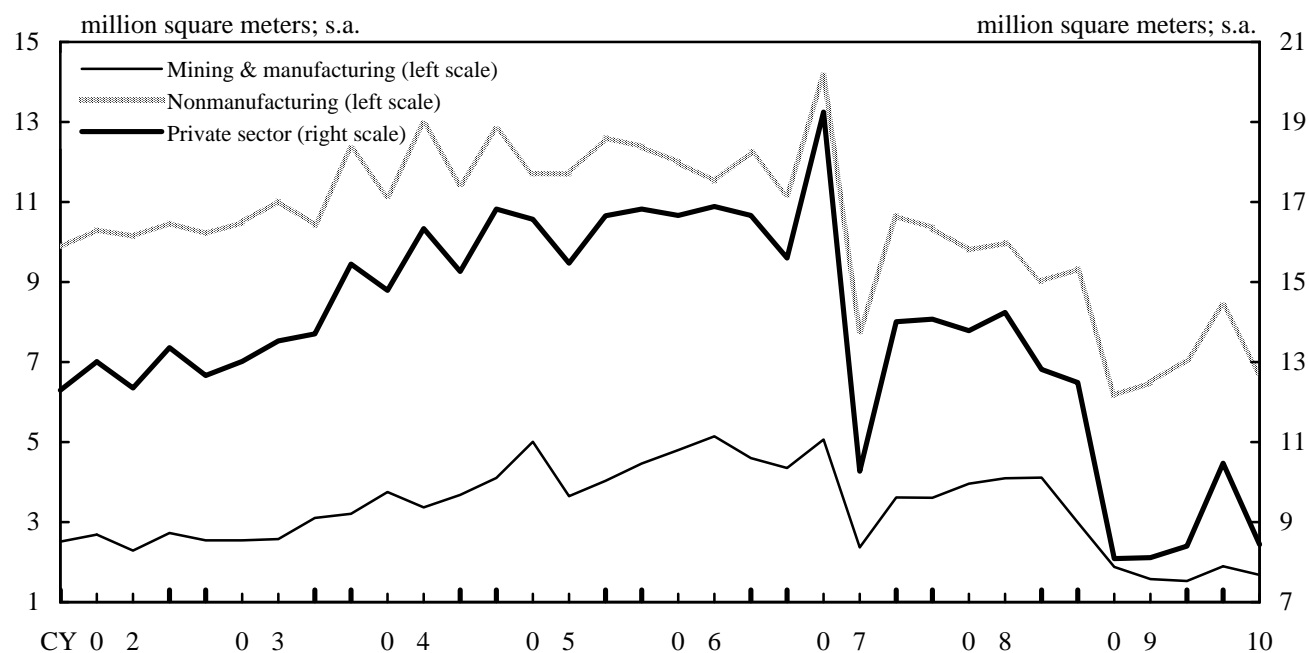


Notes: 1. Volatile orders 1: Orders for ships and those from electric power companies.

Volatile orders 2: Volatile orders 1 and orders for cellphones.

2. Figures for 2010/Q2 are those of April-May in terms of quarterly amount.

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



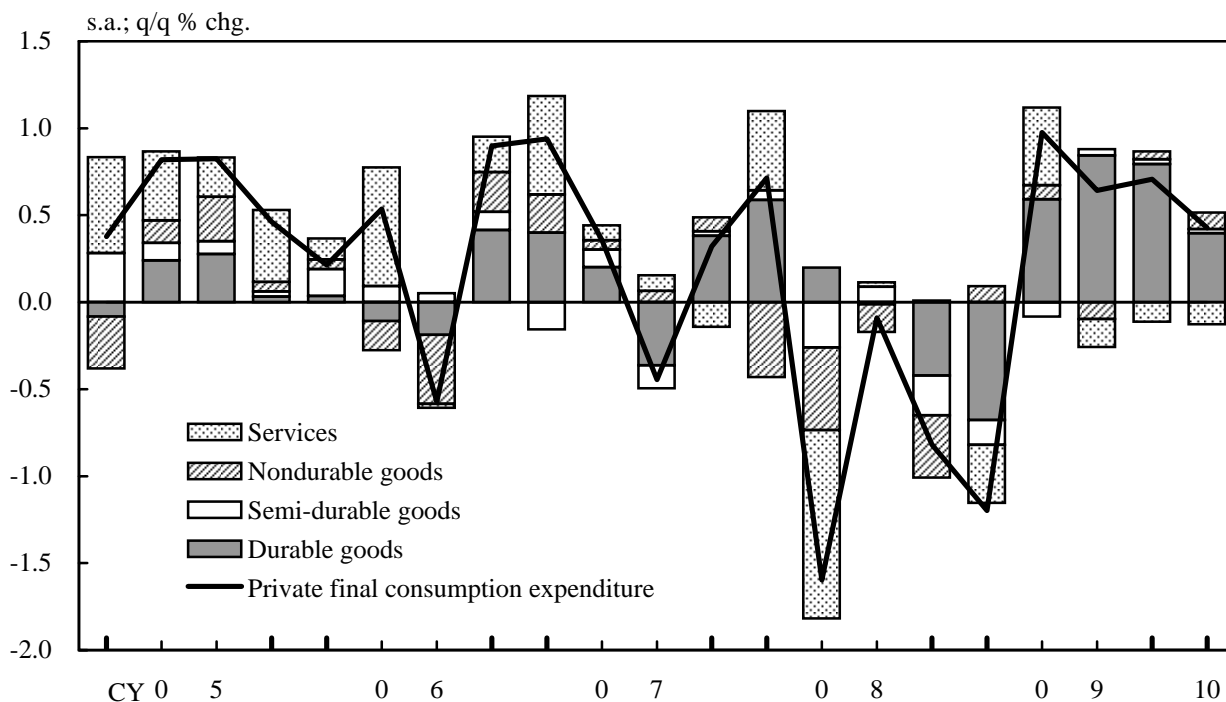
Notes: 1. Seasonally adjusted by X-12-ARIMA.

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.

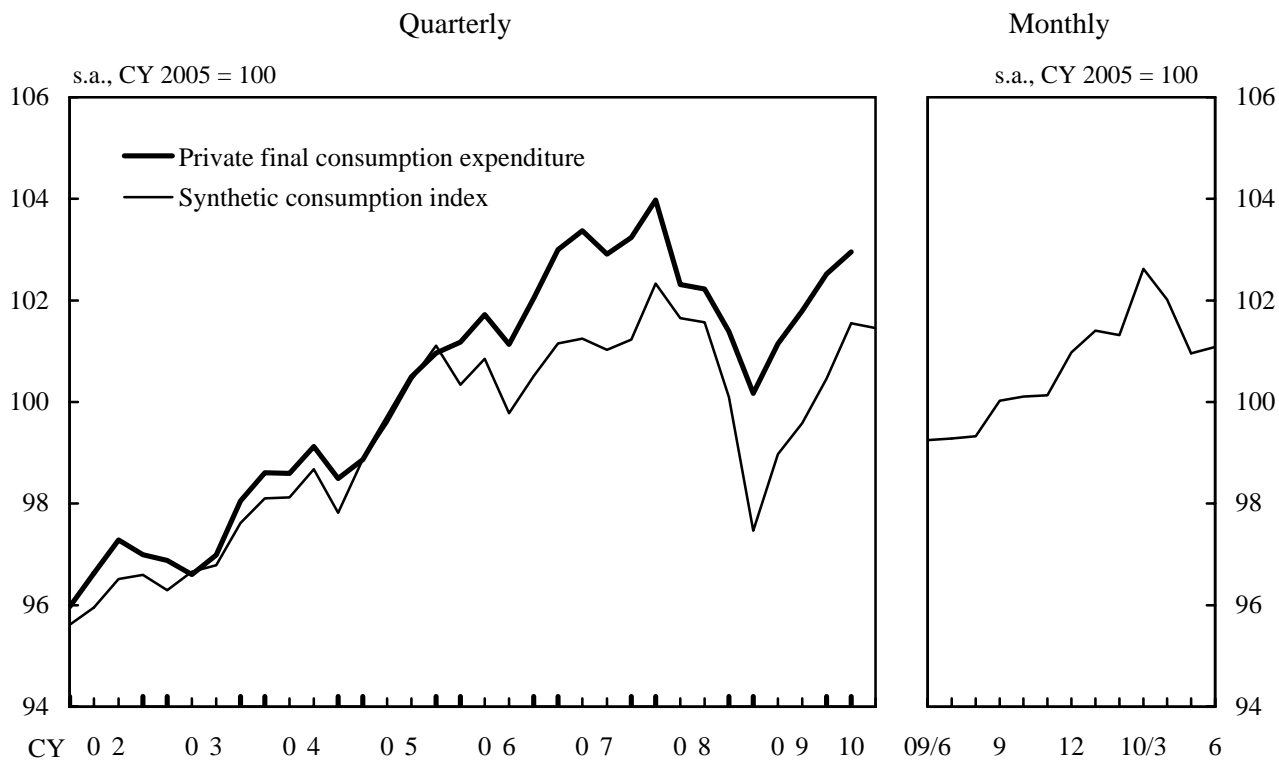
Sources: Cabinet Office, "Orders Received for Machinery";
Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts."

Indicators for Private Consumption (1)

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



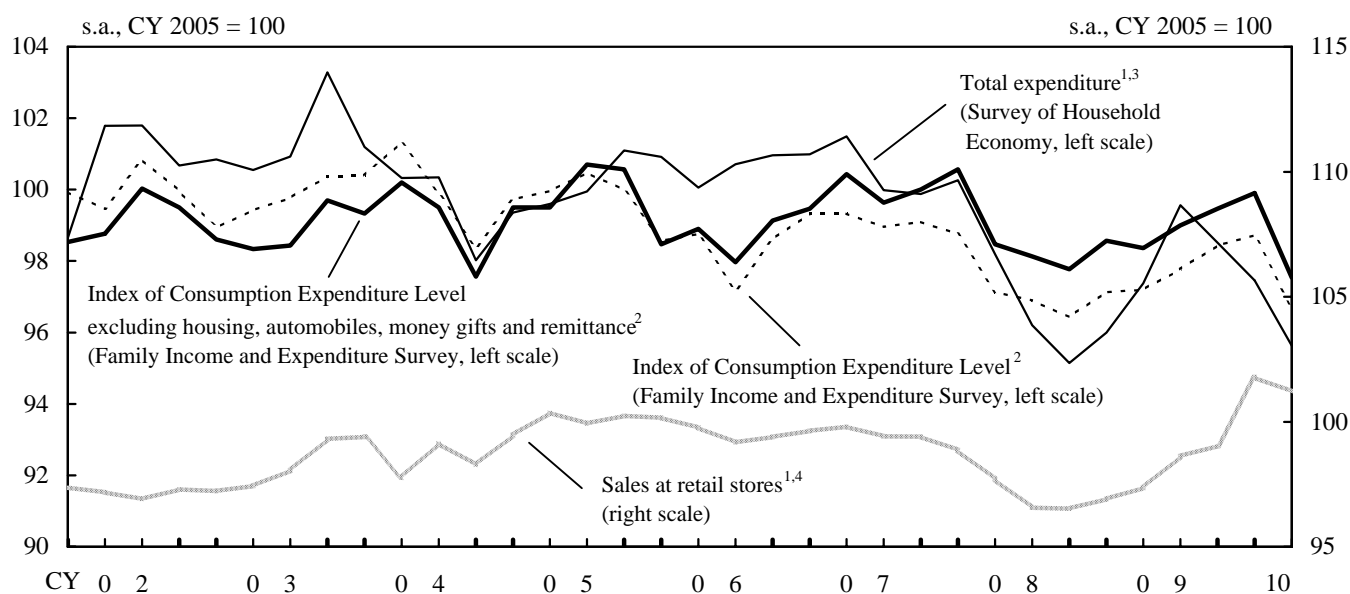
(2) Private Final Consumption Expenditure and Synthetic Consumption Index (Real)



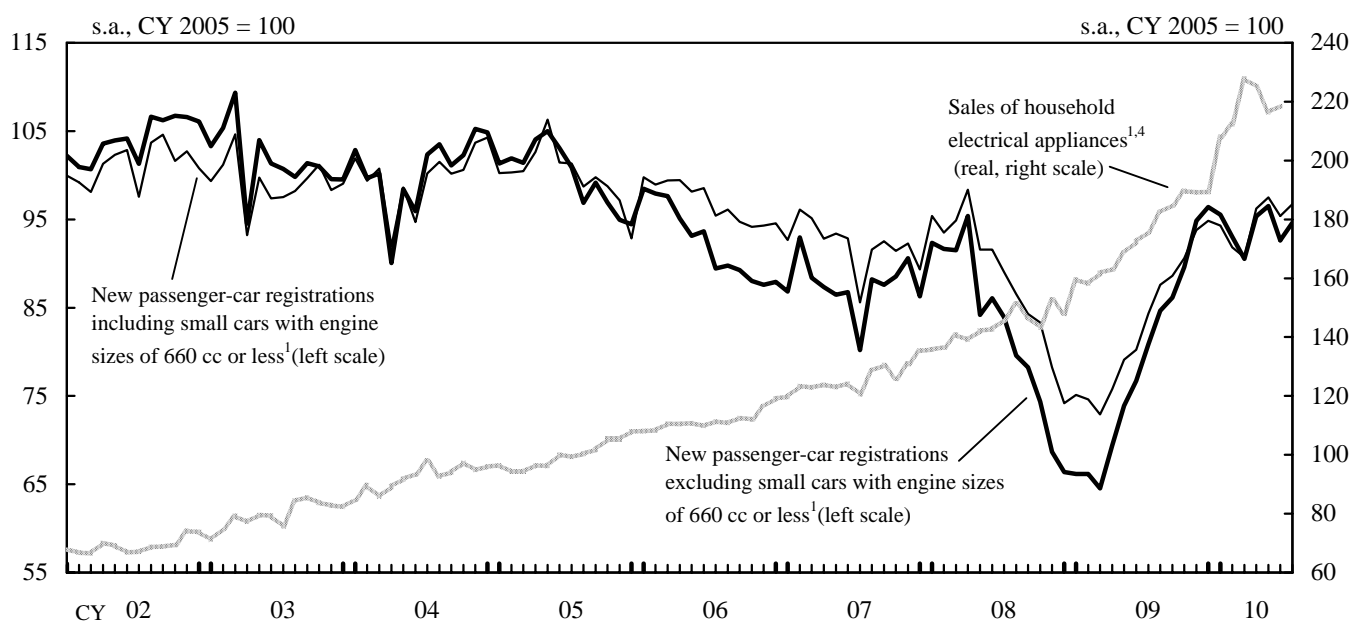
Source: Cabinet Office, "National Accounts," "Synthetic Consumption Index."

Indicators for Private Consumption (2)

(1) Household Spending (Real)

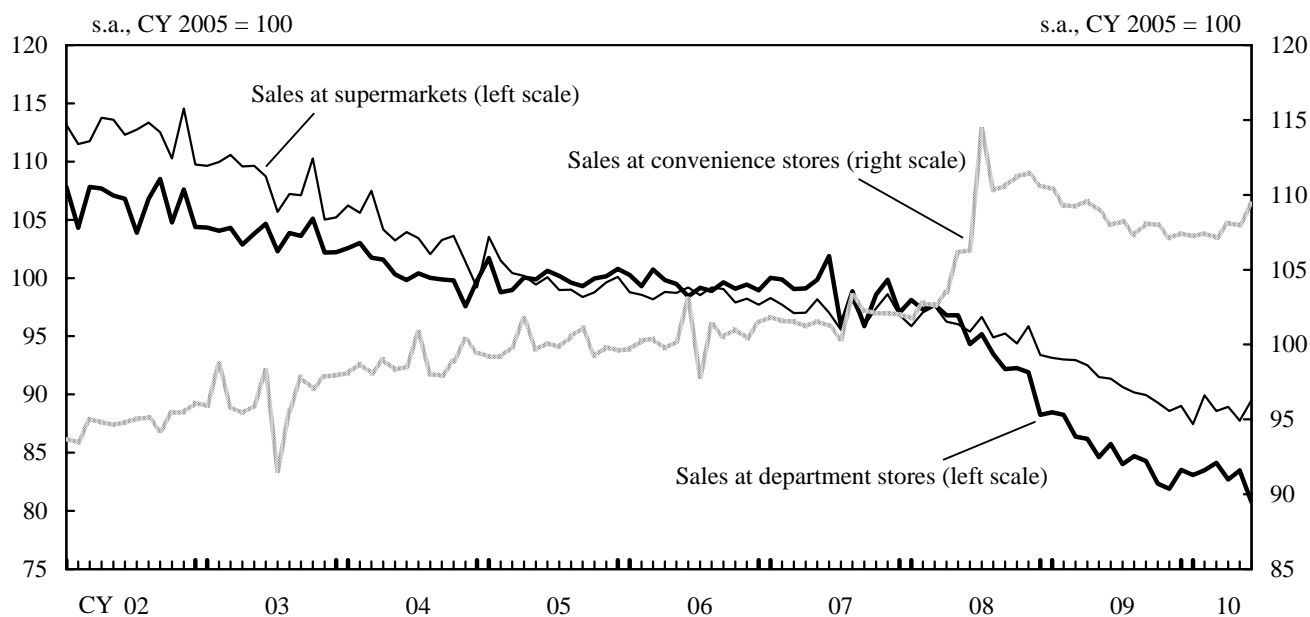


(2) Sales of Durable Goods

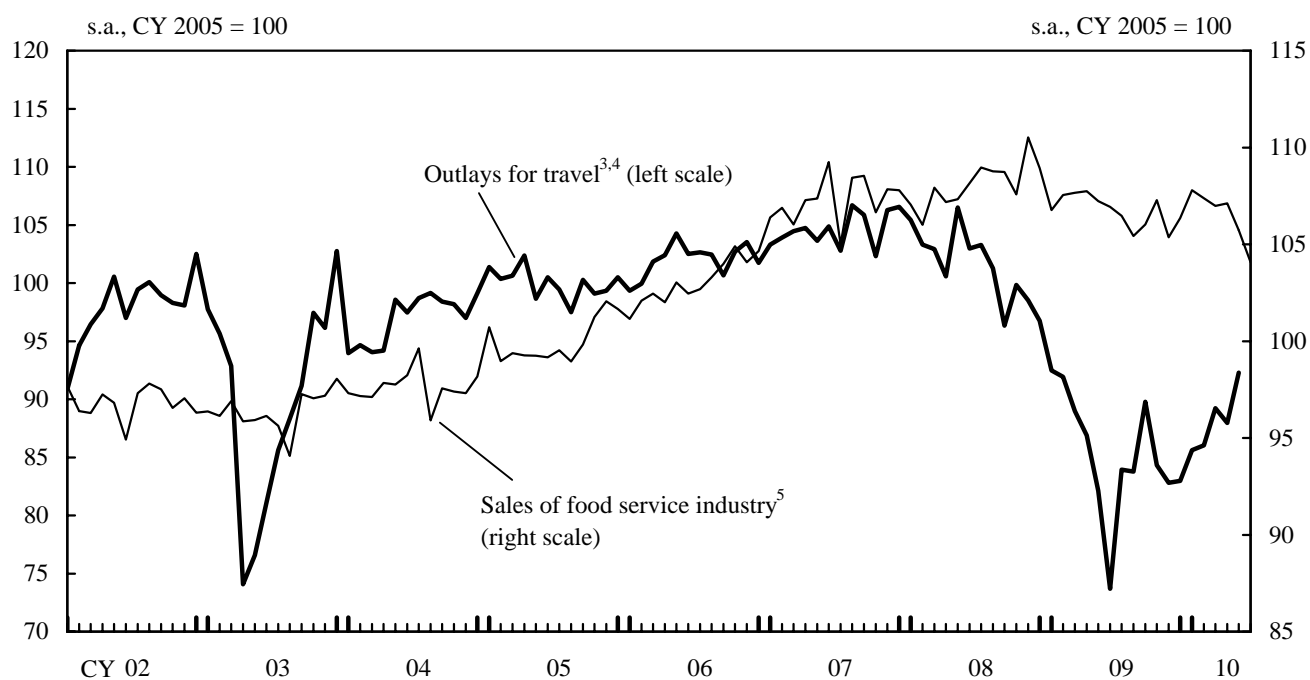


- Notes: 1. Total expenditure, Sales at retail stores, Sales of household electrical appliances and New passenger-car registrations are seasonally adjusted by X-12-ARIMA.
2. Index of consumption expenditure level is based on two-or-more-person households, and is adjusted by the distribution of household 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 Consumption ¹ (3)(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.

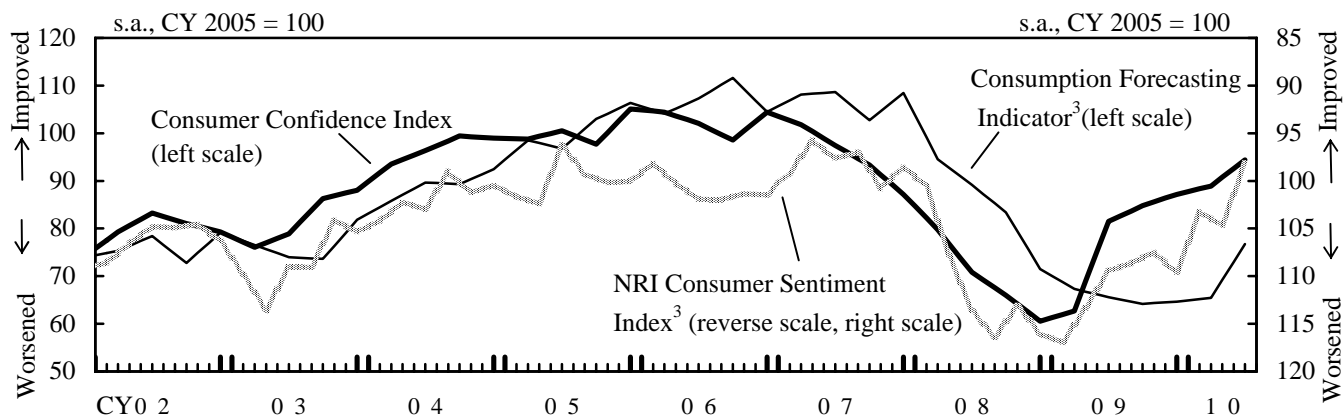
4. There are discontinuities in the underlying data as of April 2007 and April 2010 due to changes in the sample. Data from April 2007 and onward are calculated using the year-on-year rate of changes.

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.

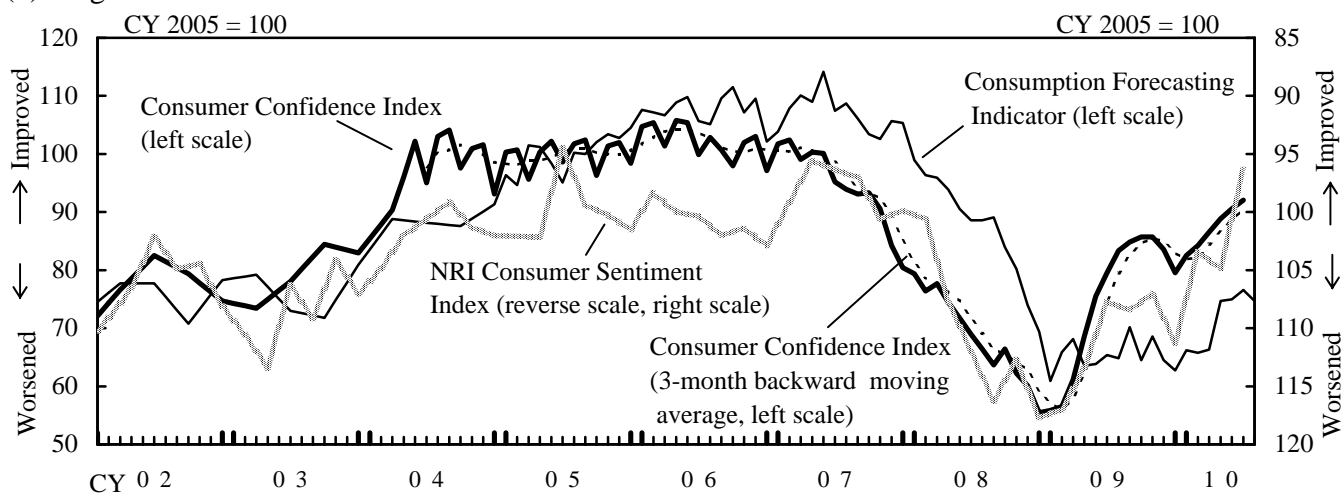
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce"; Japan Tourism Agency, "Major Travel Agents' Revenue"; Food Service Industry Survey & Research Center, "Getsuji Uriage Doukou Chousa (Monthly Survey of Food Service Sales)"; Japan Food Service Association, "Gaishoku Sangyou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

Consumer Confidence^{1,2}

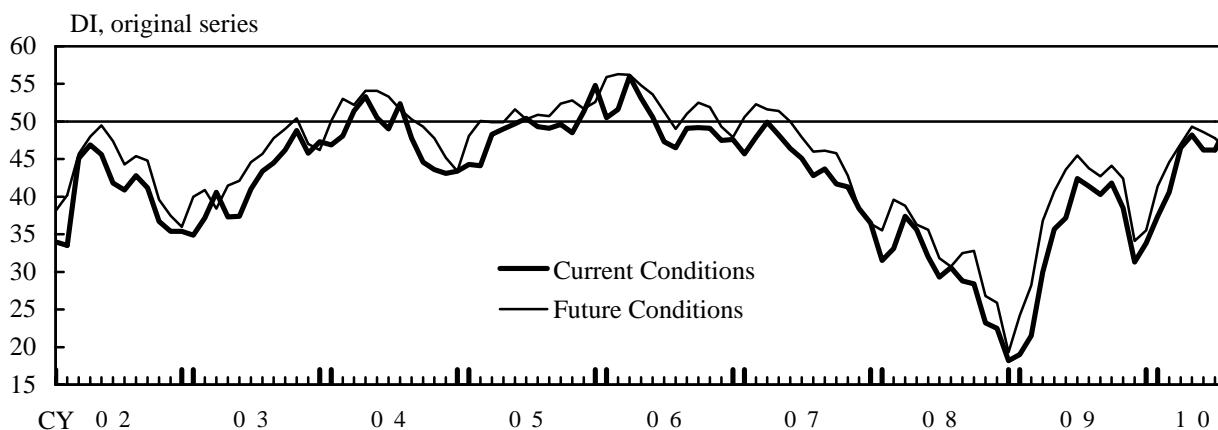
(1) Seasonally Adjusted Series



(2) Original Series



Reference: Economy Watchers Survey (Household Activity)

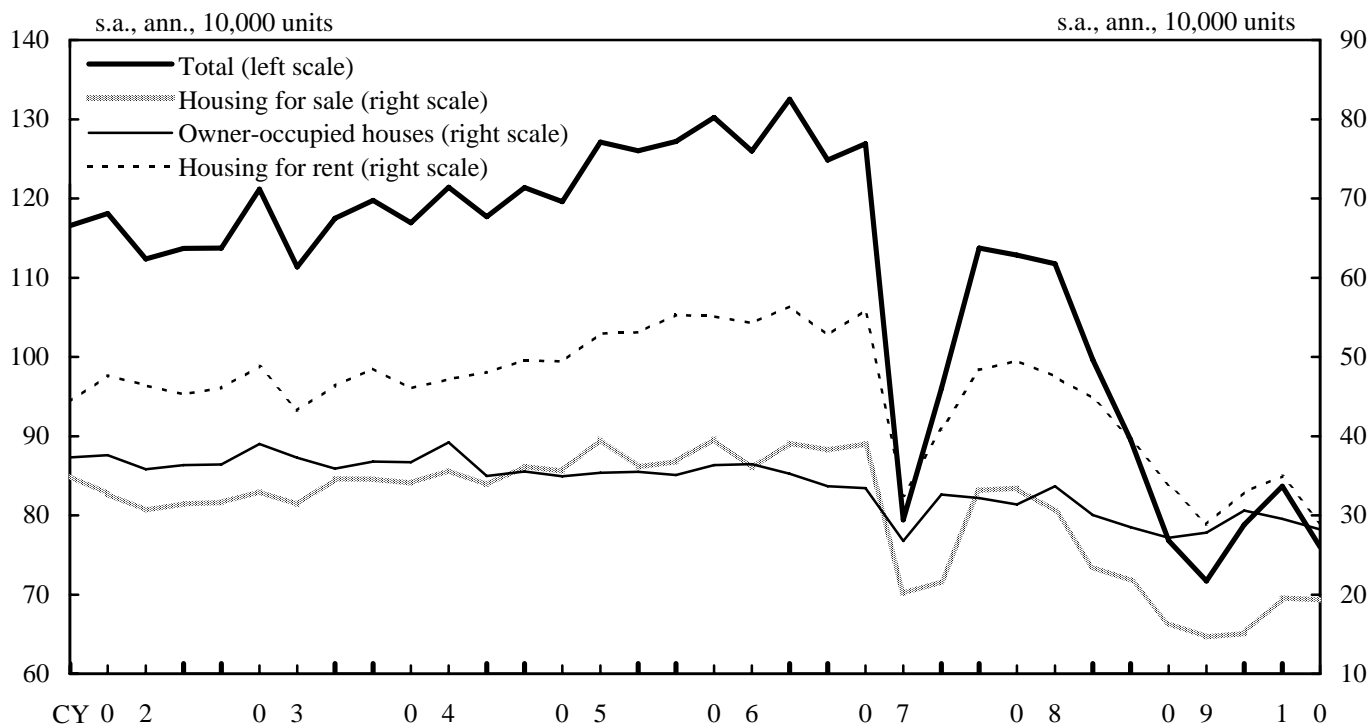


- Notes: 1. The Consumer Confidence Index (with about 4,700 samples on a nationwide basis), Consumption Forecasting Indicator (with 600 samples in the metropolitan area), and NRI Consumer Sentiment Index (with 1,200 samples on a nationwide basis) are based on surveys on consumer confidence.
2. Figures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

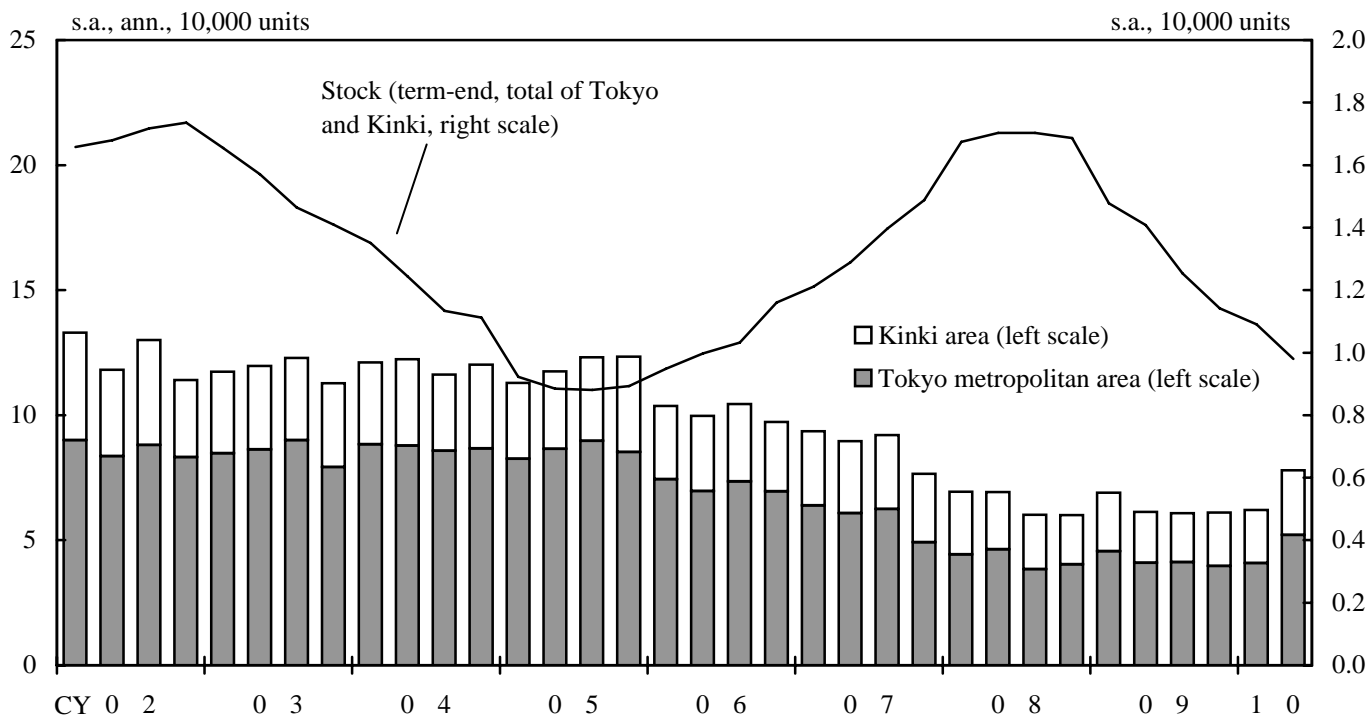
Sources: Cabinet Office, "Consumer Confidence Survey," "Economy Watchers Survey";
Nikkei inc., "Consumption Forecasting Indicator"; Nippon Research Institute (NRI), "Consumer Sentiment Survey."

Indicators for Housing Investment

(1) Housing Starts



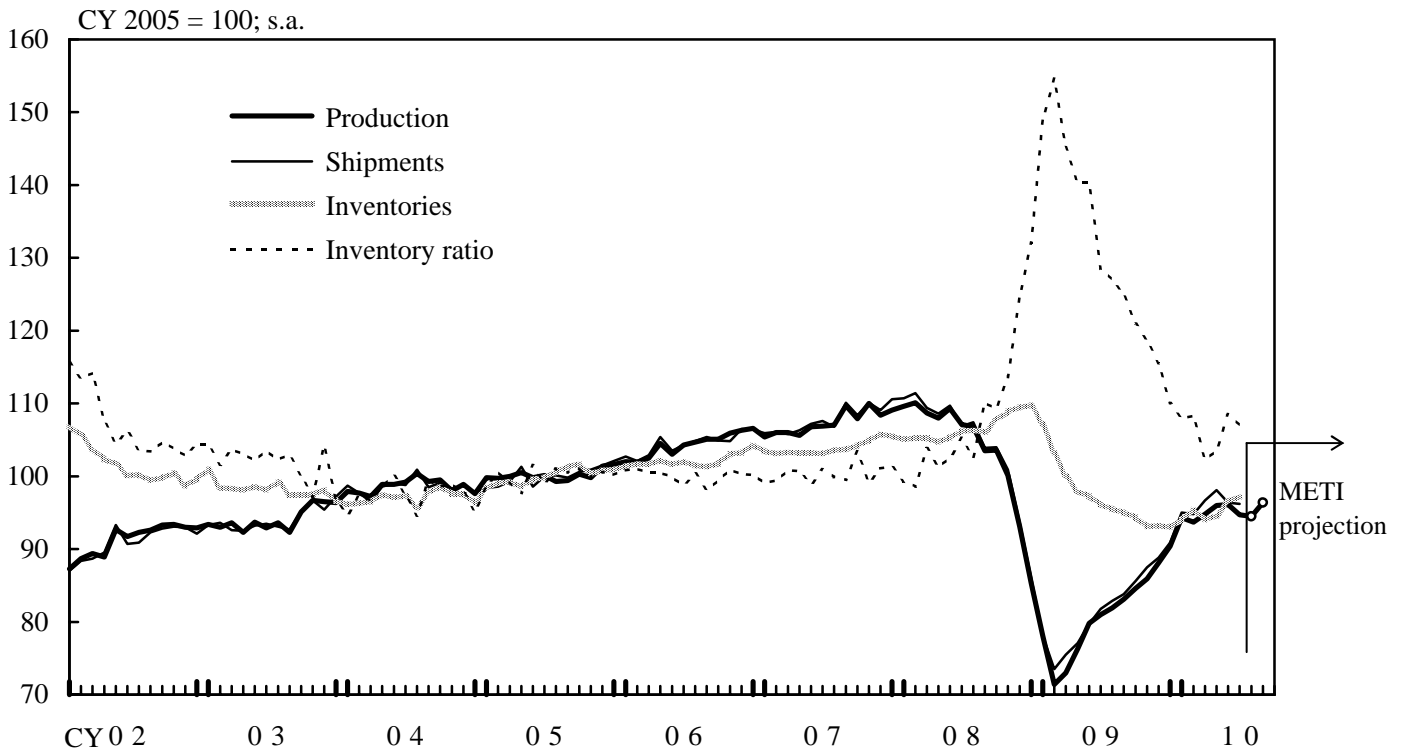
(2) Sales of Apartments



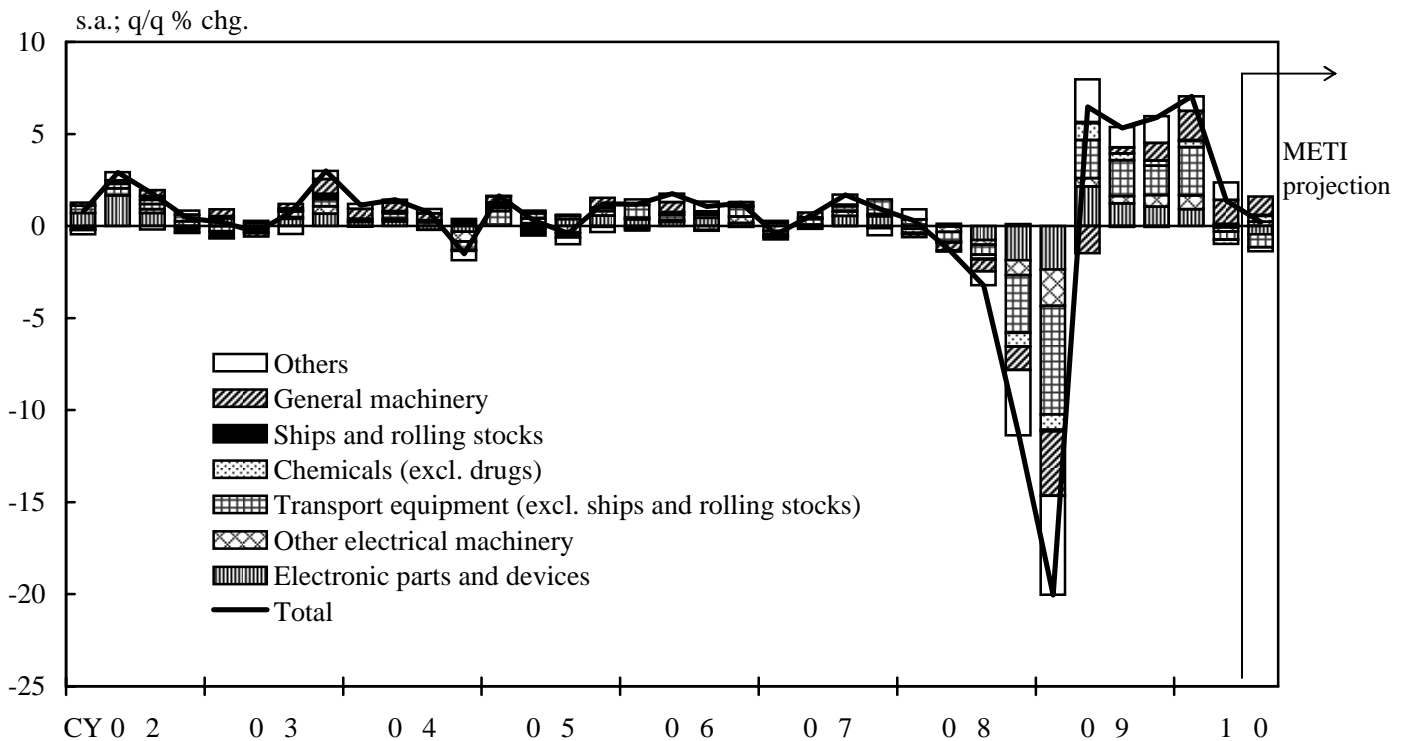
Note: Seasonally adjusted by X-12-ARIMA.

Production, Shipments and Inventories

(1) Production, Shipments and Inventories



(2) Production by Industry

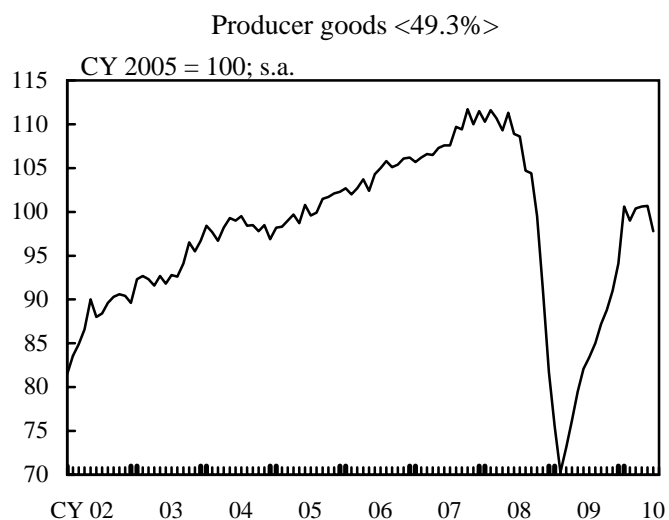
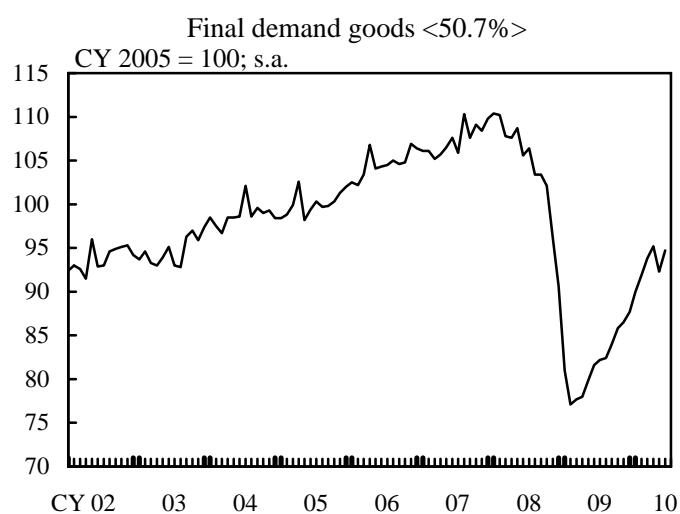


- Notes: 1. "Other electrical machinery" is the weighted sum of "electrical machinery" and "information and communication electronics equipment."
 2. Figures up to 2003/Q1 are on the 2000 base.
 3. 2010/Q3 figures are based on the assumption that each production level in September is the same as that of August.

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

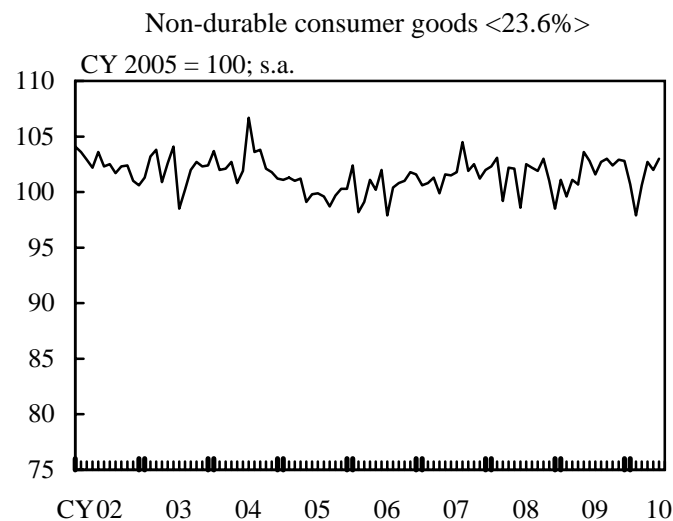
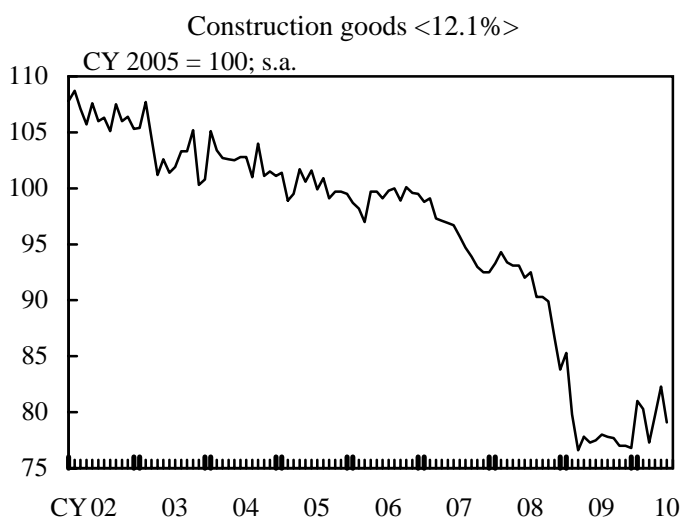
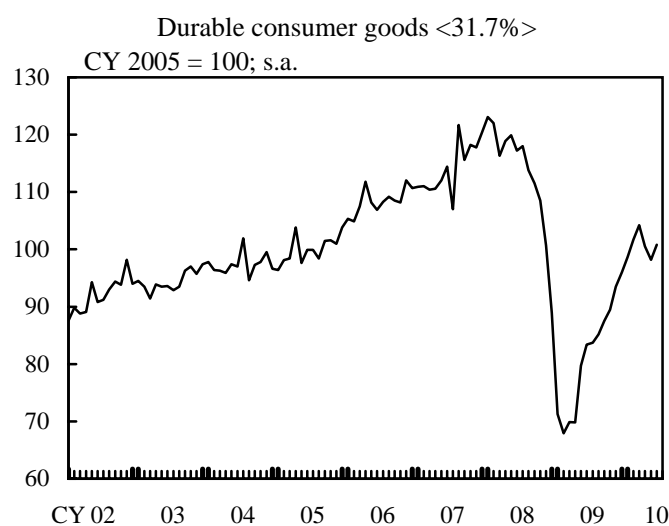
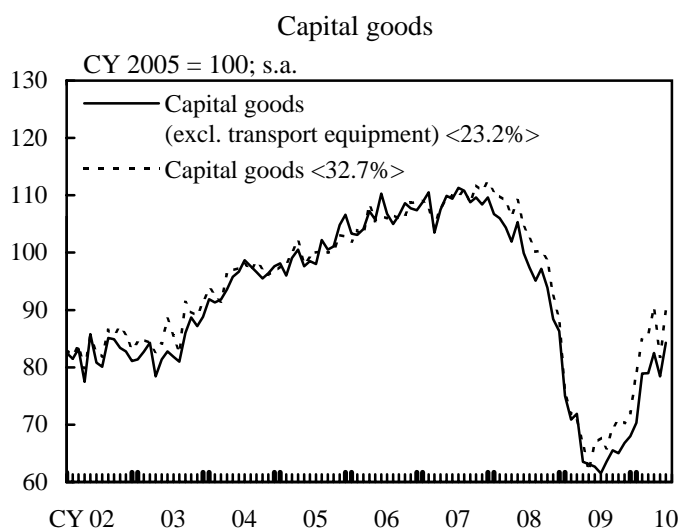
Shipments Breakdown by Type of Goods

(1) Final Demand Goods and Producer Goods



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

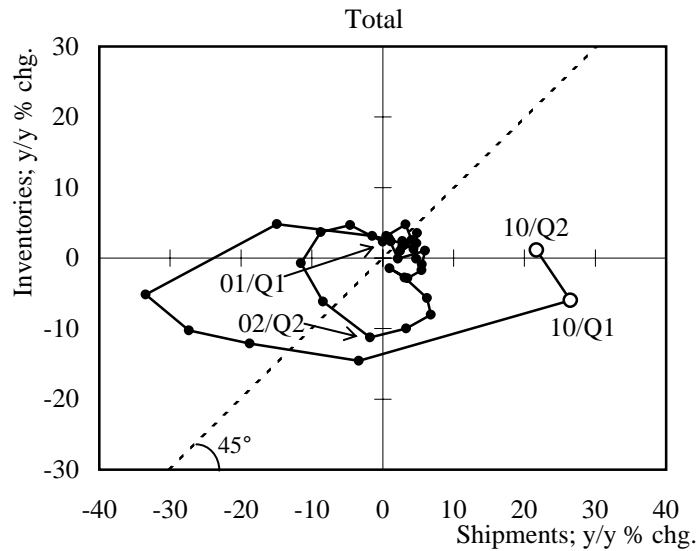
(2) Breakdown of Final Demand Goods



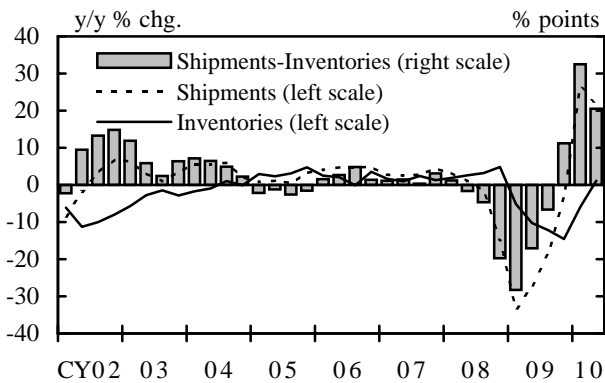
Note: Figures in angle brackets show the shares among shipments of final demand goods.

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

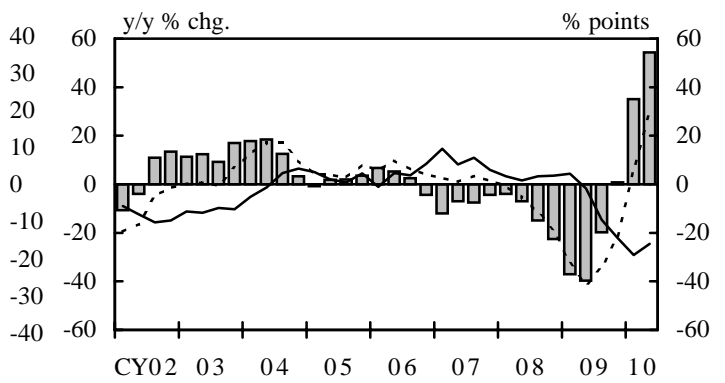
Inventory Cycle



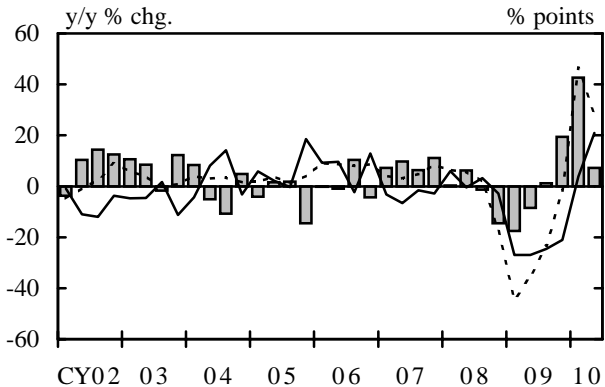
(1) Total



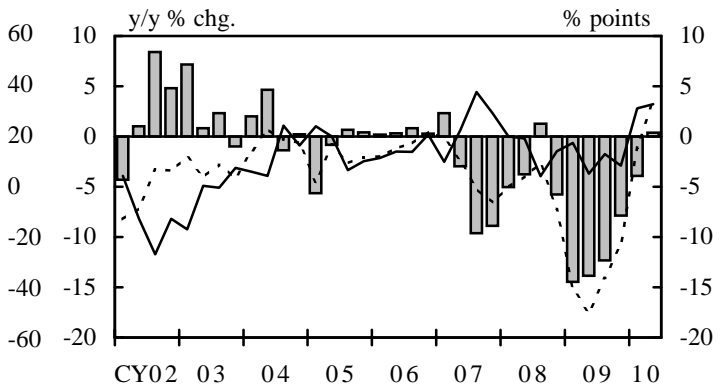
(2) Capital Goods (Excluding Transport Equipment)



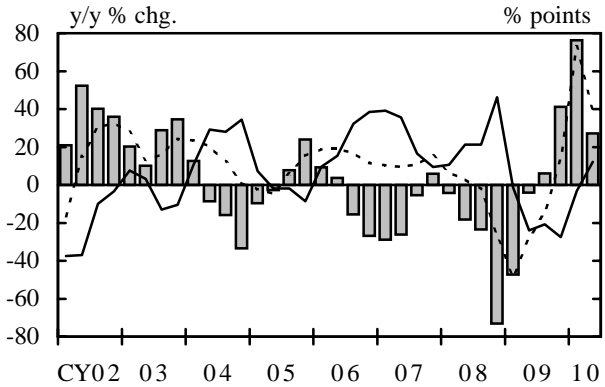
(3) Durable Consumer Goods



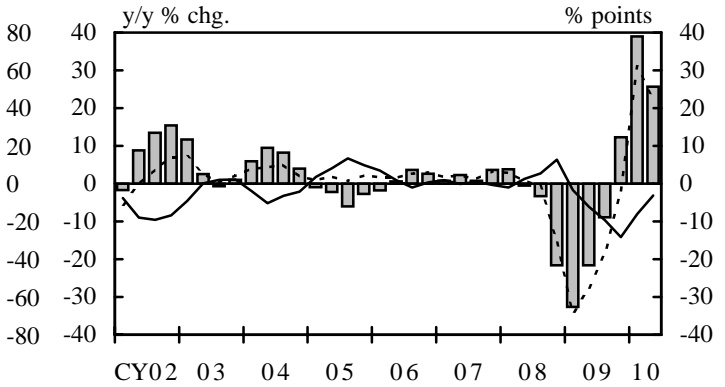
(4) Construction Goods



(5) Electronic Parts and Devices

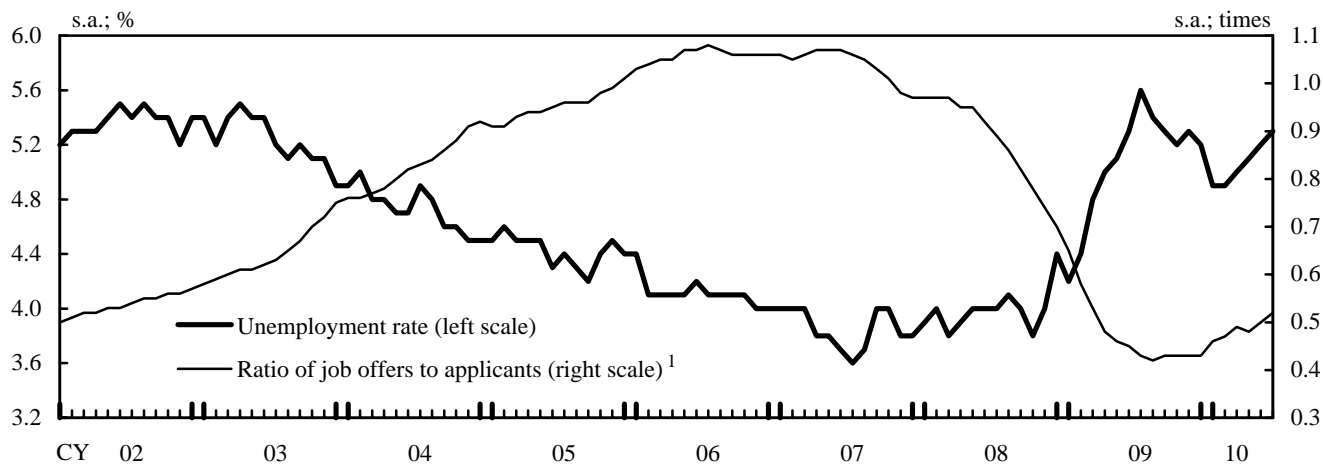


(6) Producer Goods Excluding Electronic Parts and Devices

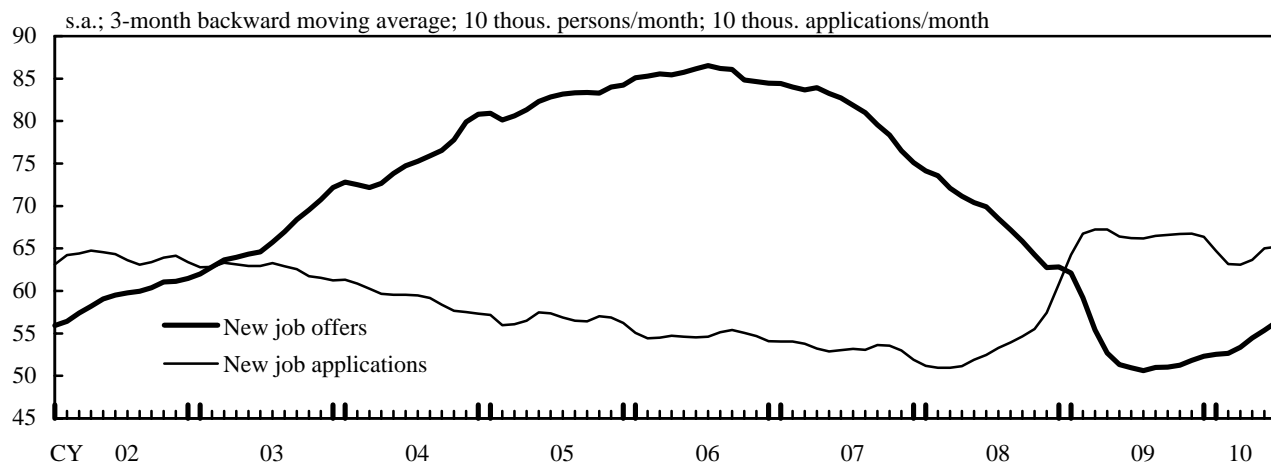


Labor Market (1)

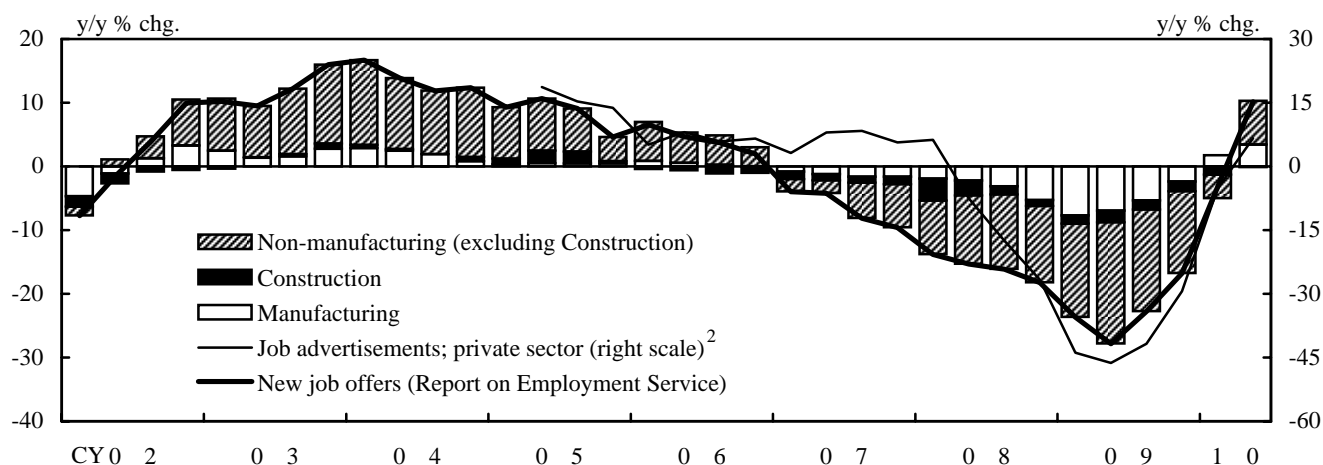
(1) Unemployment Rate and Ratio of Job Offers to Applicants



(2) New Job Offers and New Job Applicants¹



(3) Breakdown of Job Offers¹

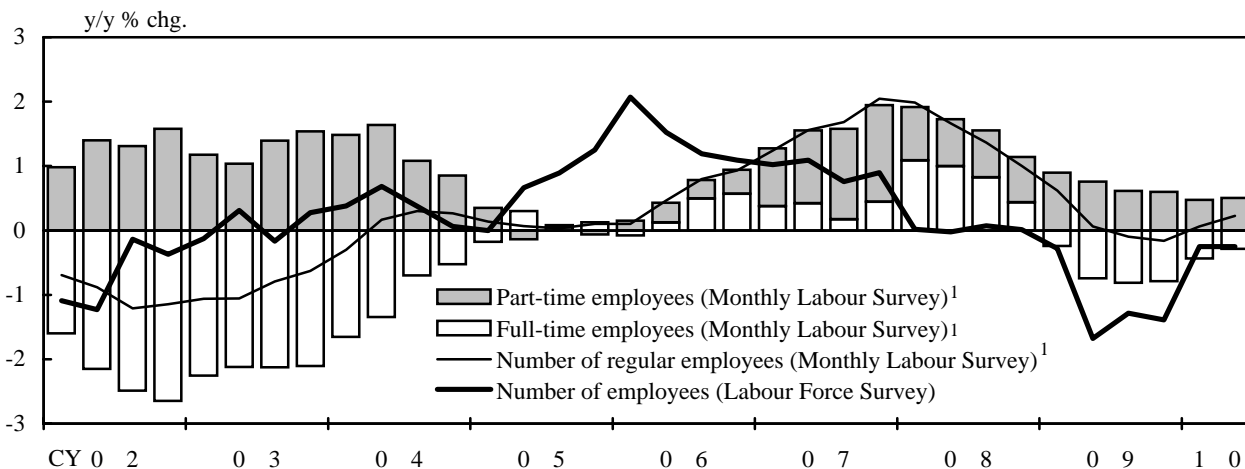


Notes: 1. Figures do not include jobs offered to new graduates, but include those offered to part-time workers.
 2. Figures are the sum of job advertisements listed in free/paid job information magazines, newspaper inserts and job information websites provided by member companies of the Association.

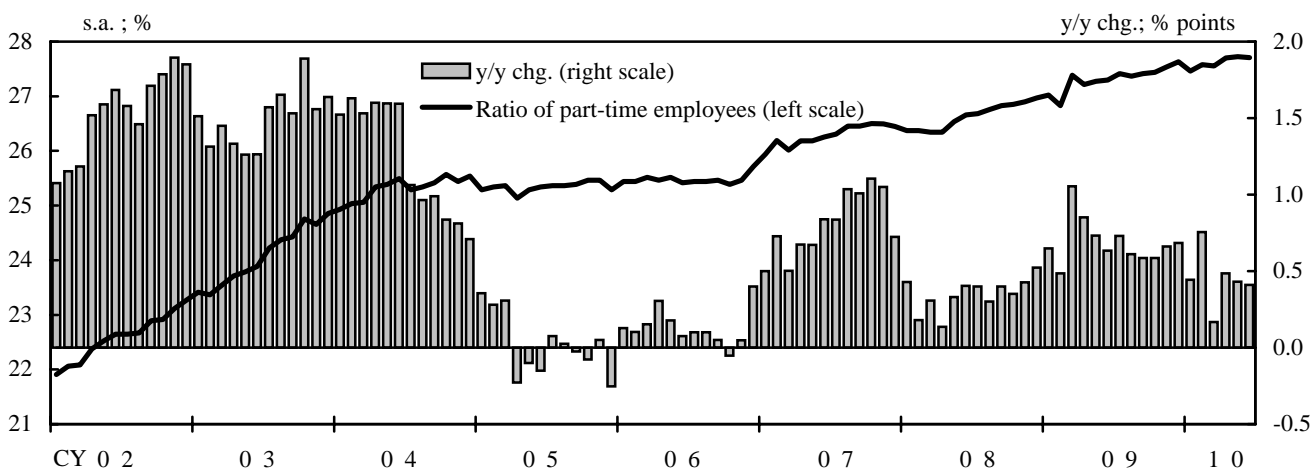
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service";
 Ministry of Internal Affairs and Communications, "Labour Force Survey";
 Association of Job Information of Japan, "Kyujin Koukoku Keisaikensu (Survey of Job Advertisements)."

Labor Market (2)

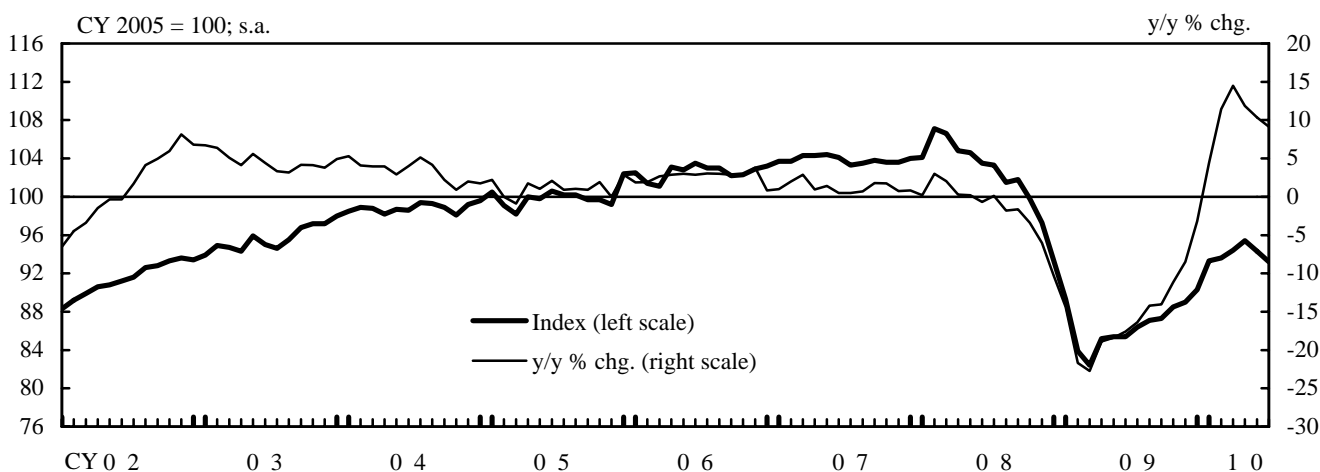
(1) Number of Employees



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



(3) Non Scheduled Hours Worked¹



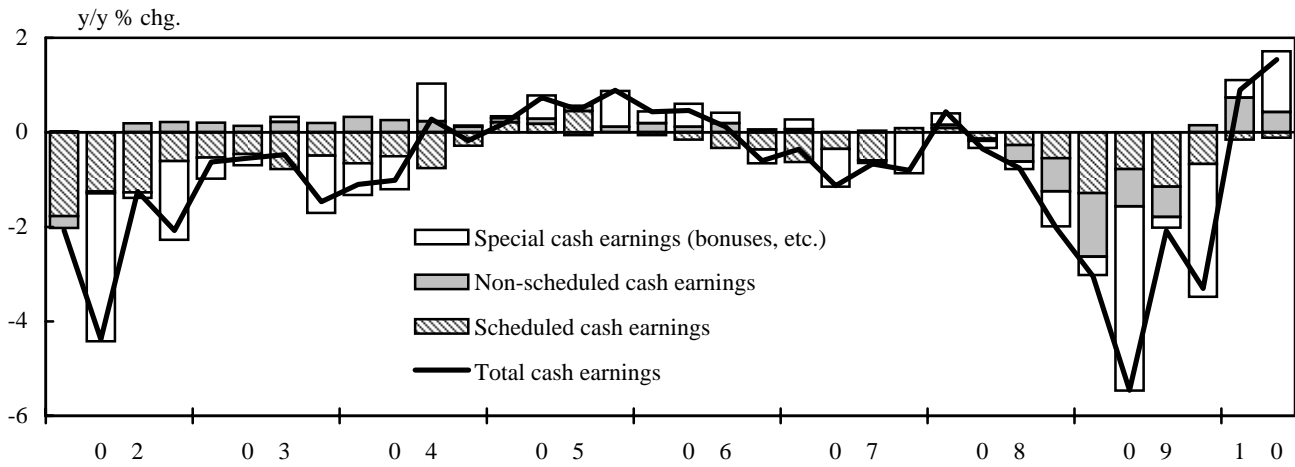
Notes: 1. Data are for establishments with at least five employees.

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.

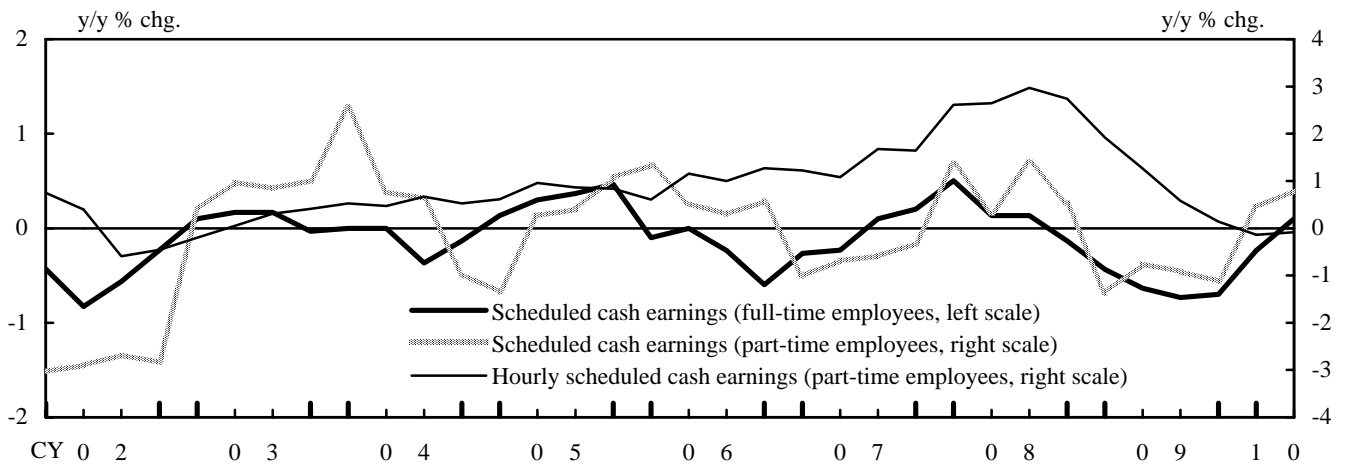
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
Ministry of Internal Affairs and Communications, "Labour Force Survey."

Employee Income

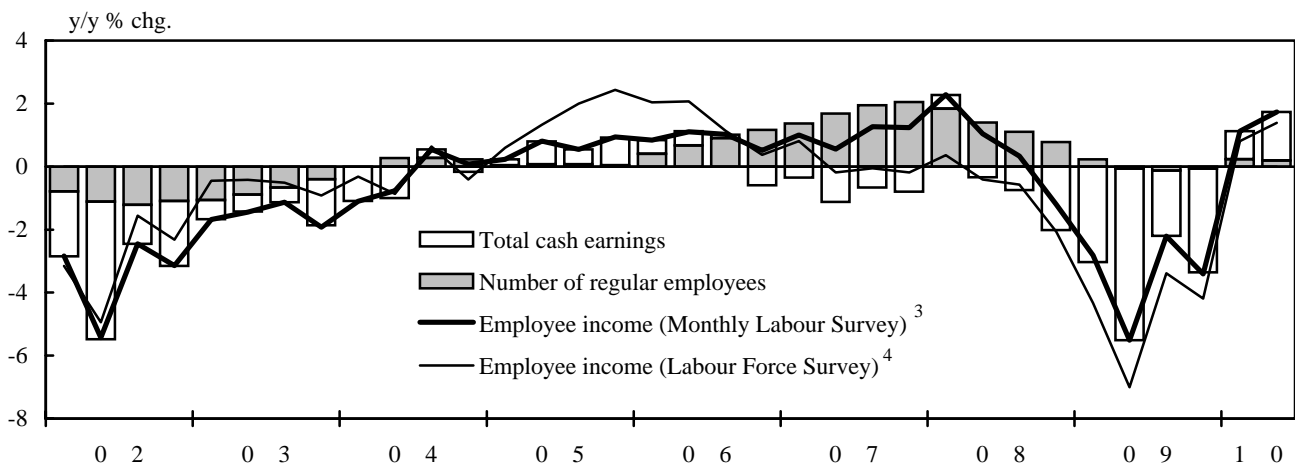
(1) Breakdown of Total Cash Earnings^{1,2,5}



(2) Scheduled Cash Earnings¹



(3) Breakdown of Employee Income^{1,2,5}

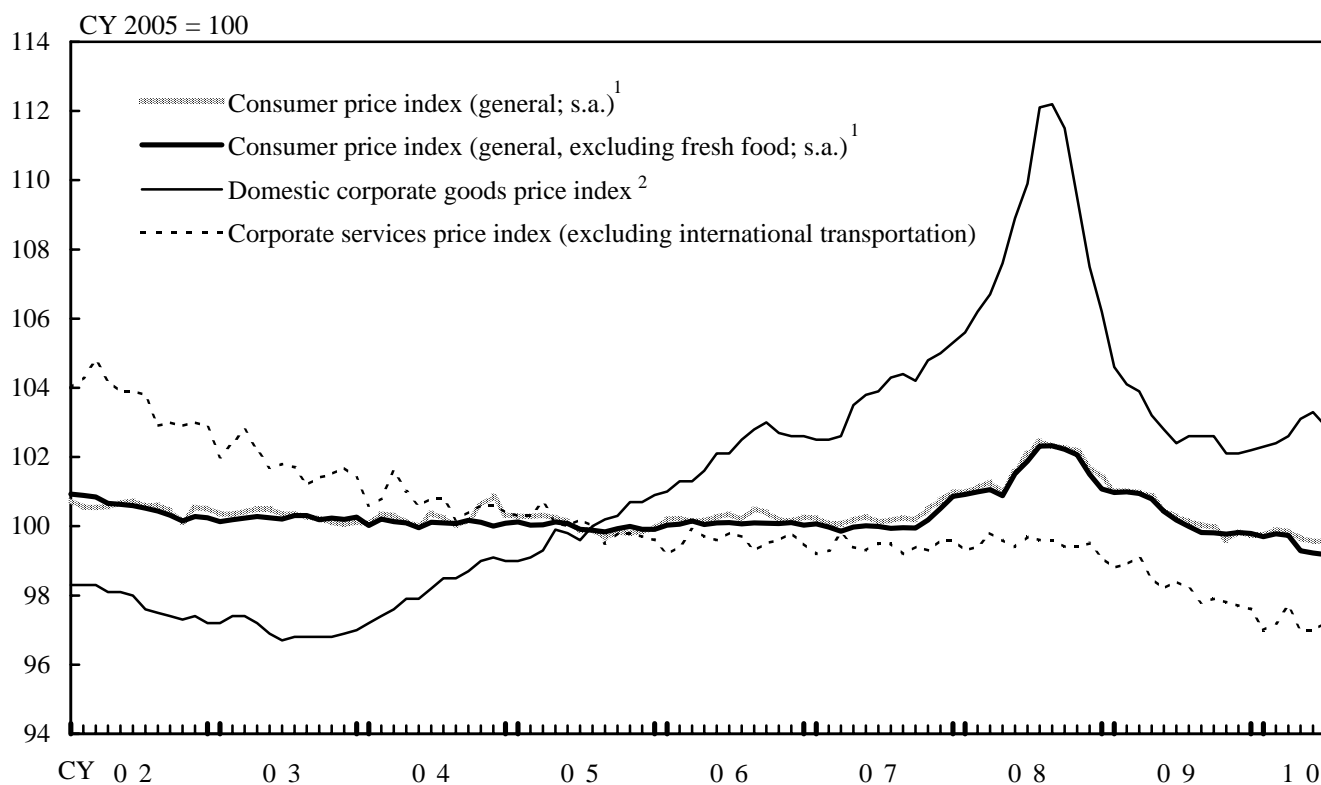


- Notes: 1. Data of the Monthly Labour Survey are for establishments with at least five employees.
 2. Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.
 3. Calculated as the number of regular employees (Monthly Labour Survey) times total cash earnings (Monthly Labour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

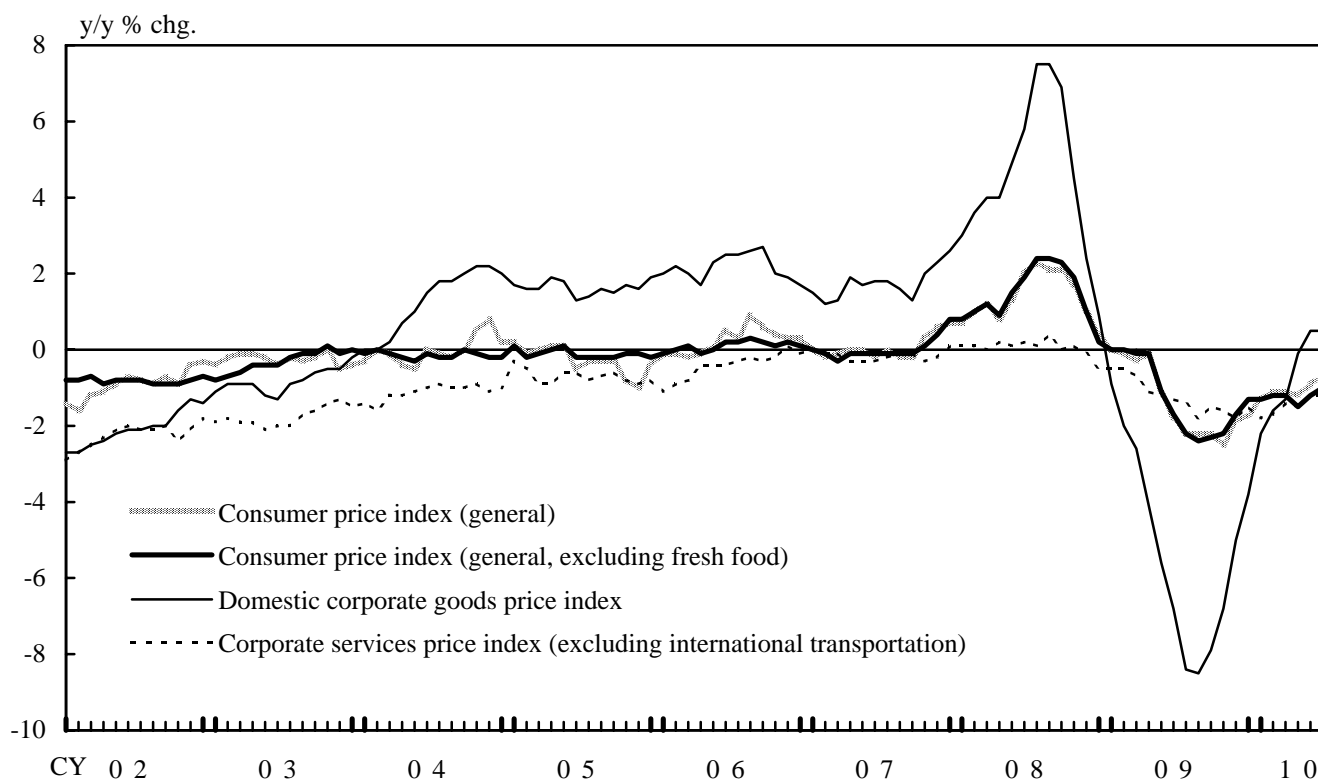
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
 Ministry of Internal Affairs and Communications, "Labour Force Survey."

Prices

(1) Level



(2) Changes from a Year Earlier



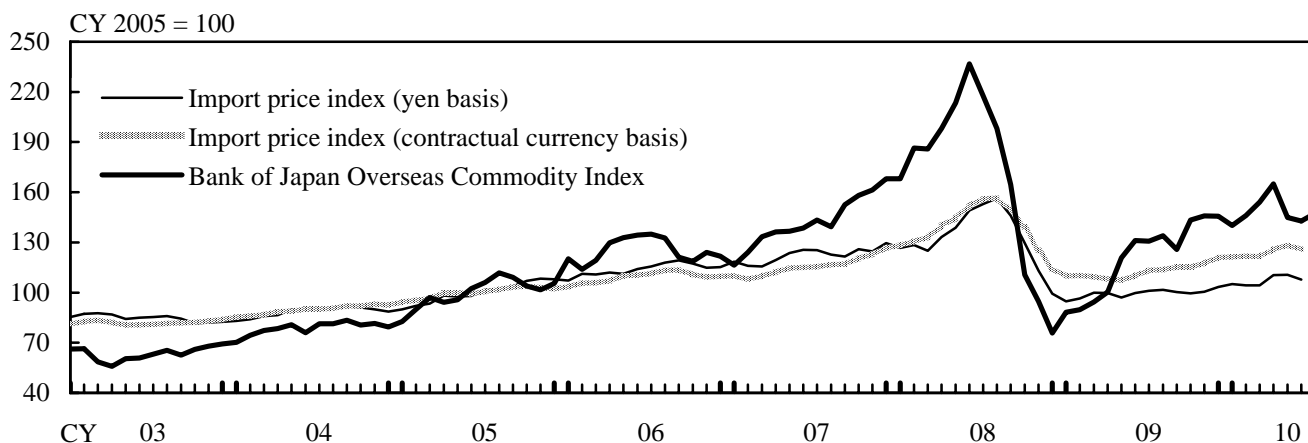
Notes: 1. Seasonally adjusted by X-12-ARIMA.

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

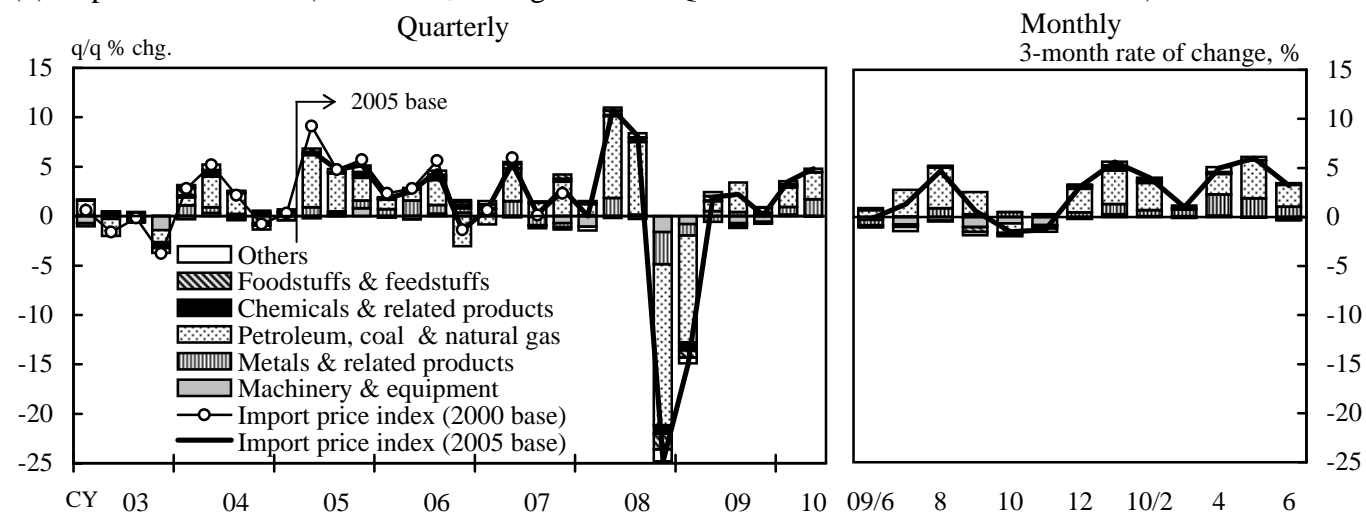
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index."

Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



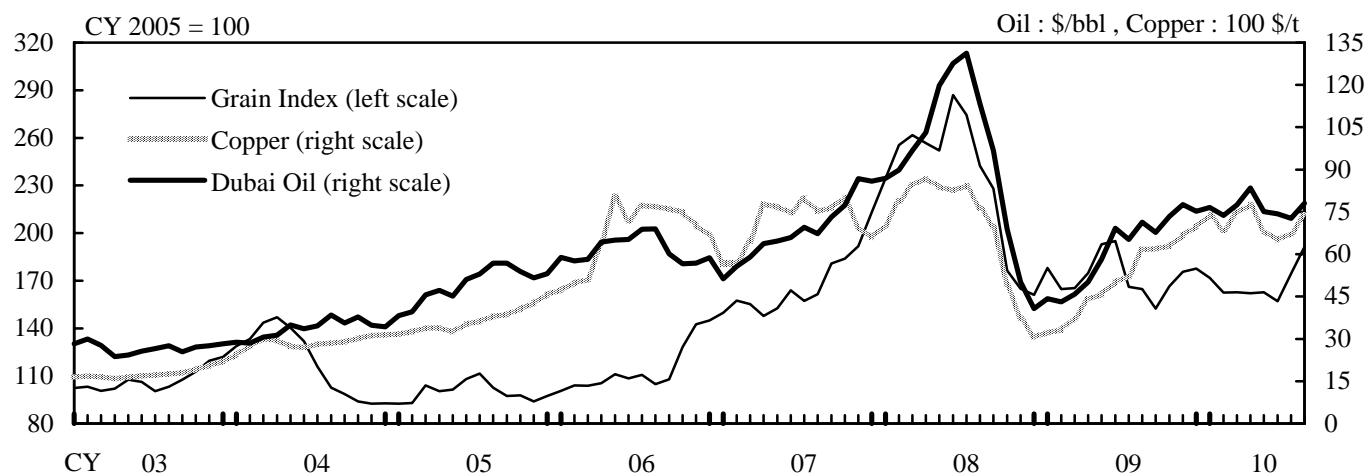
(2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



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

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

(3) International Commodity Prices



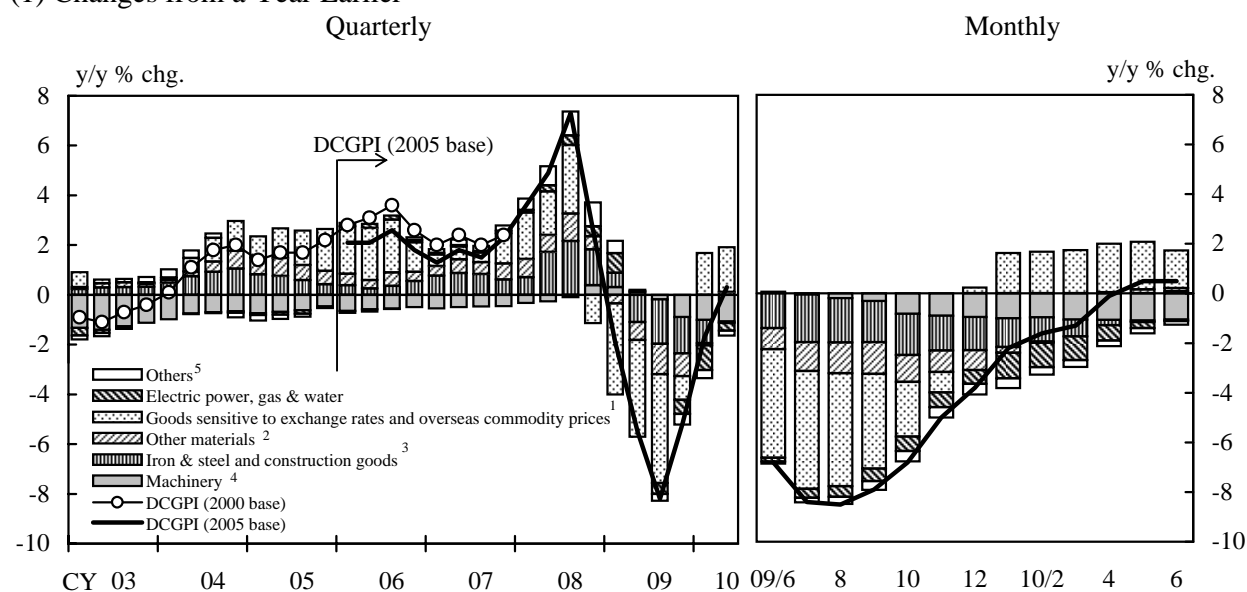
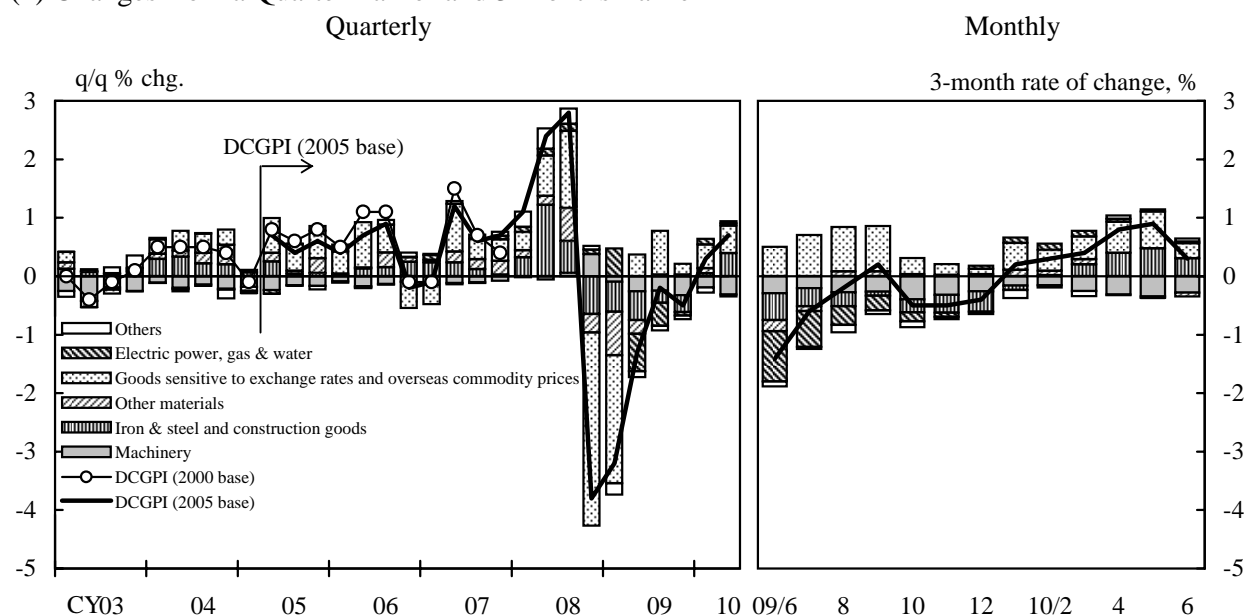
Notes: 1. The Grain Index is the weighted average of prices of three selected items (wheat, soybeans, corn) in overseas commodity markets. The weights are based on the Value of Imports in the Trade Statistics of Japan.

2. Monthly averages. Figures for August 2010 are the averages up to August 9.

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

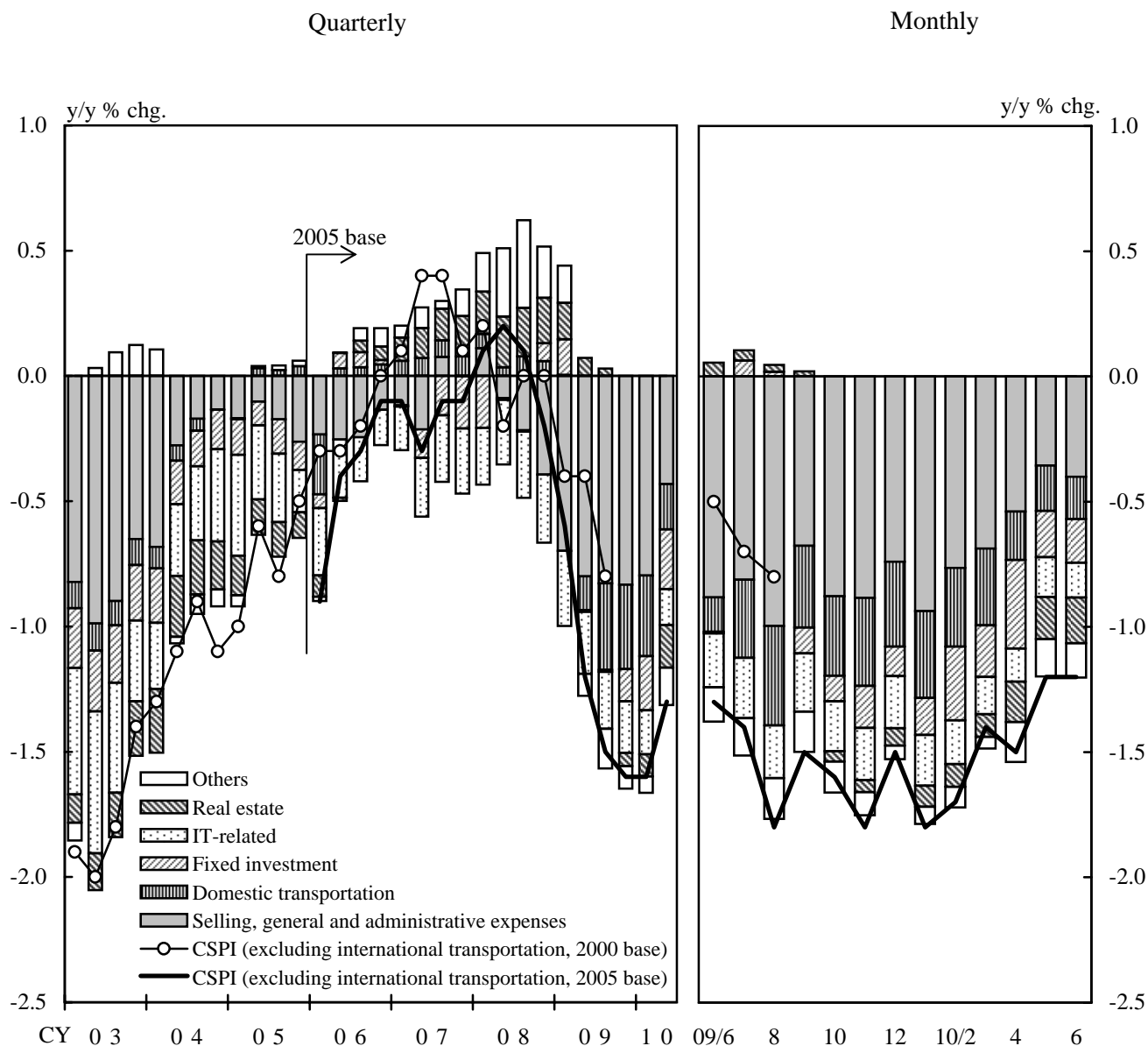
Domestic Corporate Goods Price Index⁷

(1) Changes from a Year Earlier

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

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

Corporate Services Price Index

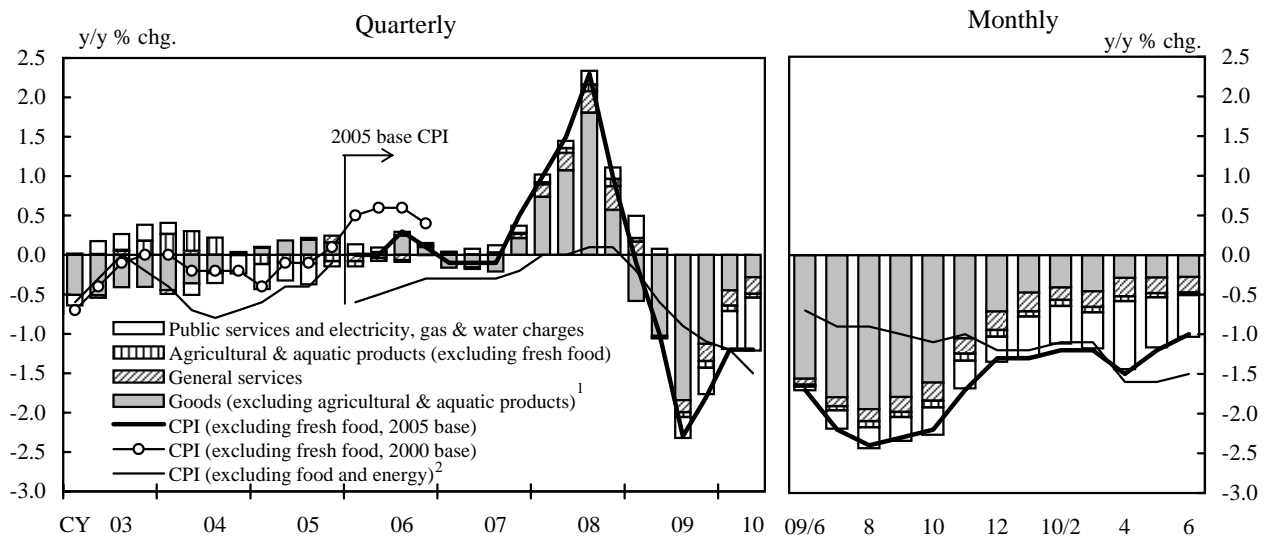


- Notes: 1. Selling, general and administrative expenses: information and communications (excluding newspapers and publishing), advertising services, other services (excluding plant engineering, civil engineering and architectural services).
 2. Domestic transportation: transportation (excluding international transportation, railroad passenger transportation, road passenger transportation, water passenger transportation, domestic air passenger transportation).
 3. Fixed investment: leasing and rental (excluding leasing of computer and related equipment, computer rental), civil engineering and architectural services.
 4. IT-related: leasing of computer and related equipment, computer rental.
 5. Real estate: real estate services.
 6. Others: finance and insurance, railroad passenger transportation, road passenger transportation, water passenger transportation, domestic air passenger transportation, newspapers and publishing, plant engineering.
 7. Figures for 2009/Q3 on the 2000 base are July-August averages.

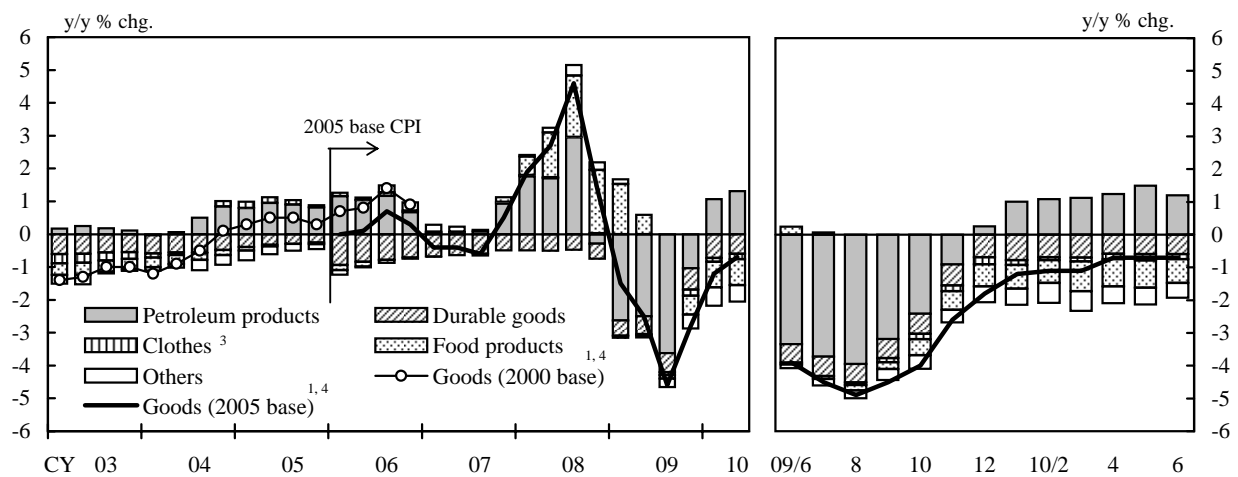
Source: Bank of Japan, "Corporate Services Price Index."

Consumer Price Index (Excluding Fresh Food)

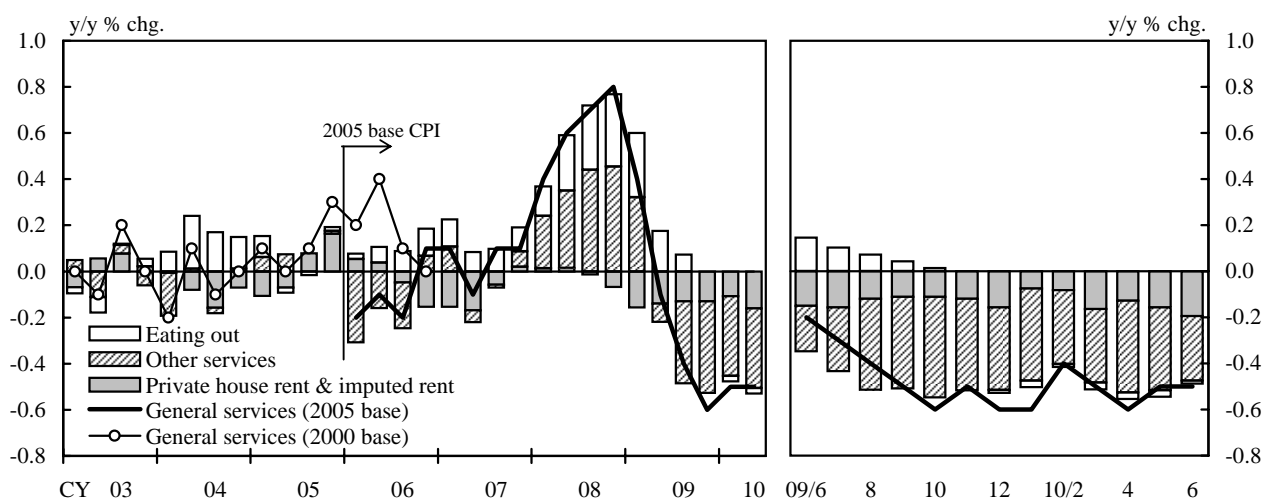
(1) Consumer Price Index (Excluding Fresh Food)



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

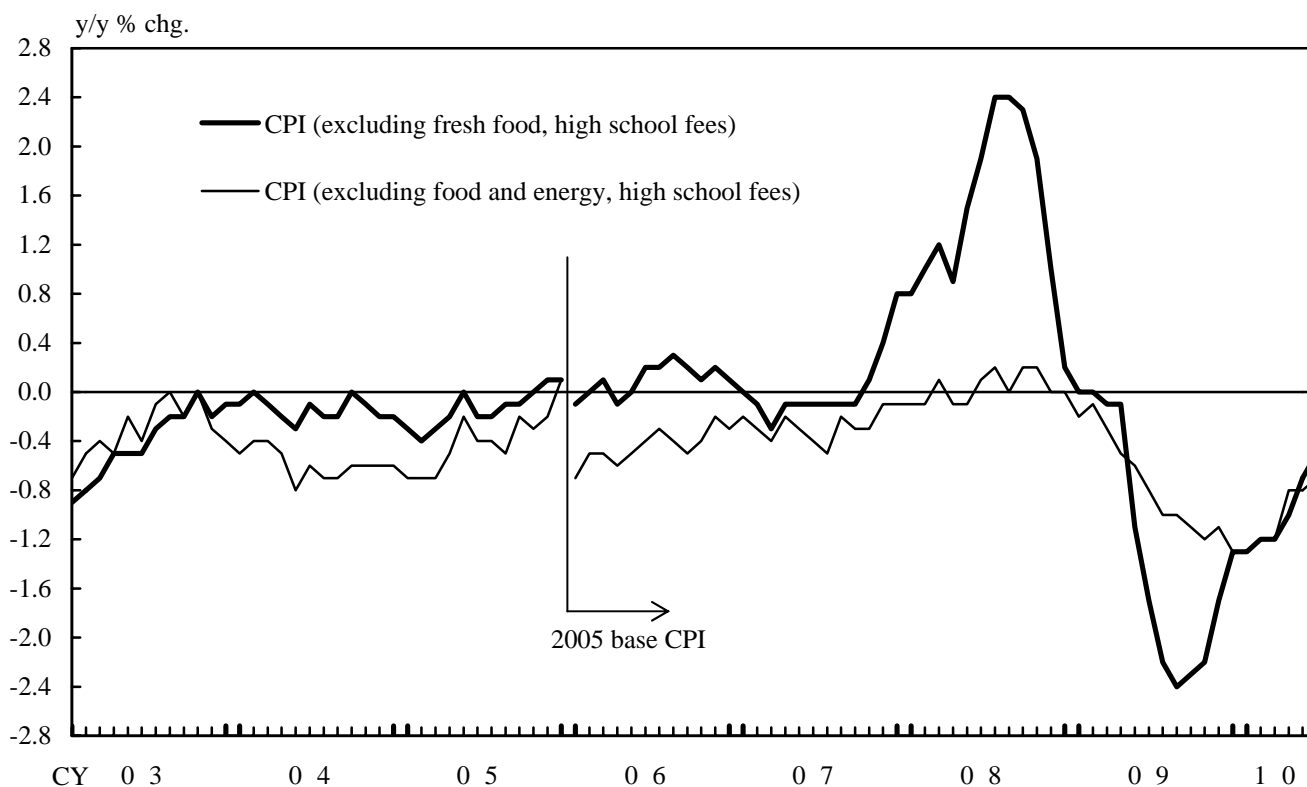
2. Alcoholic beverages are excluded from food. Energy: electricity, gas manufactured & piped, liquefied propane, kerosene, and gasoline.

3. Including shirts, sweaters & underwear.

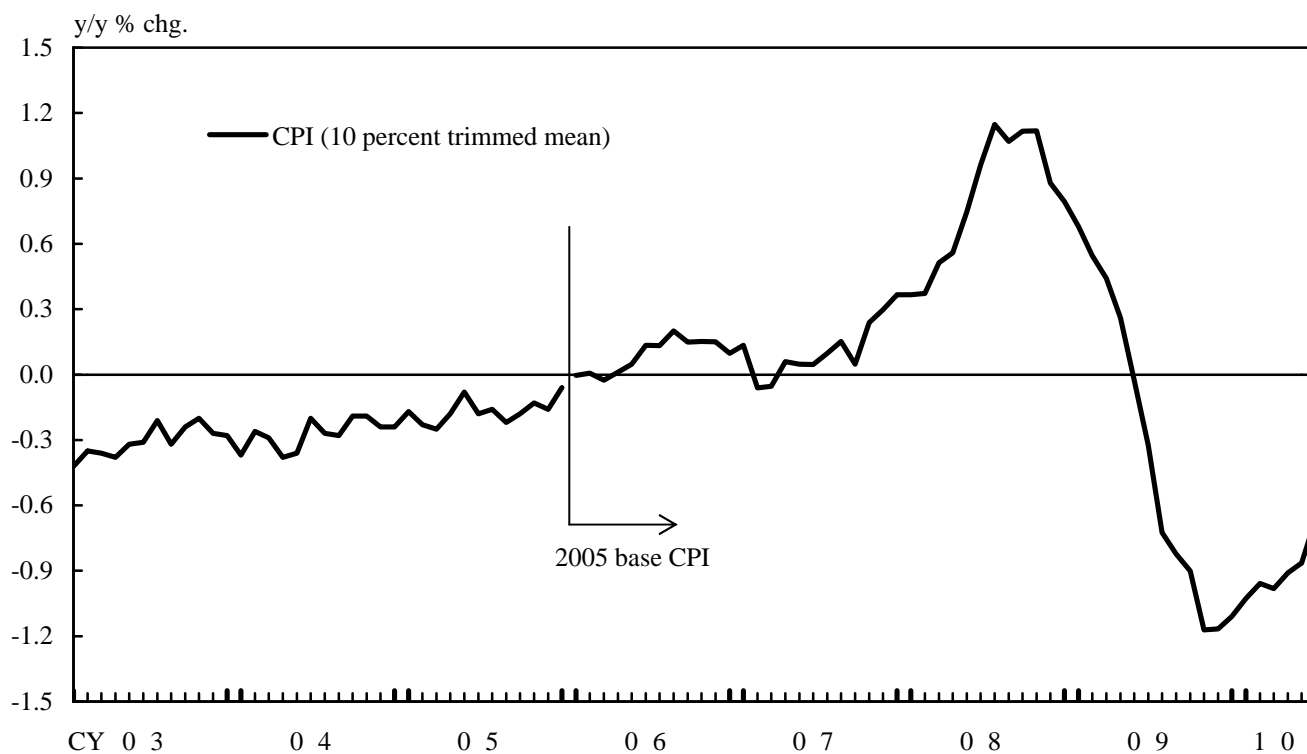
4. Excluding agricultural & aquatic products.

Trend Changes in Consumer Prices

(1) CPI Excluding High School Fees



(2) Trimmed Mean



Notes: 1. Alcoholic beverages are excluded from food. Energy: electricity, gas manufactured & piped, liquefied propane, kerosene, and gasoline.

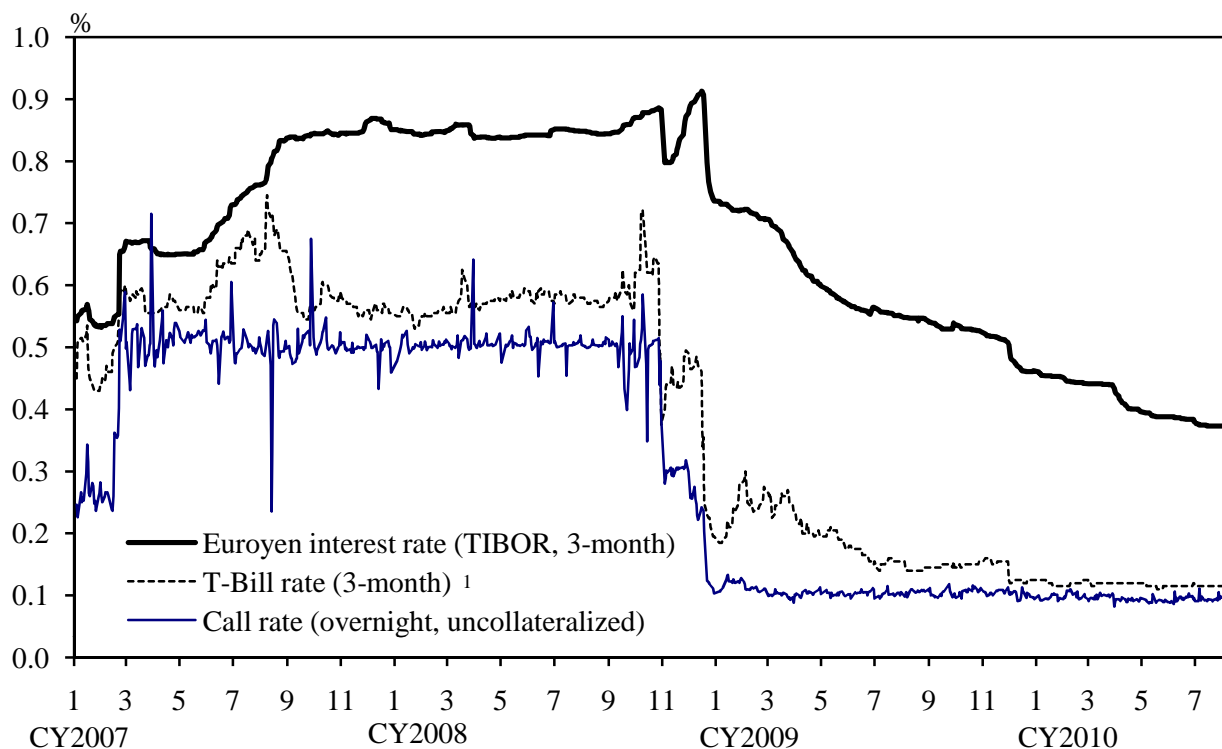
2. High school fees: high school fees (public), and high school fees (private).

3. Figures for the 10 percent trimmed mean are weighted averages of items after excluding (trimming) items in both the upper and lower 10 percent tails by weight with the highest and lowest year-on-year rates of price changes.

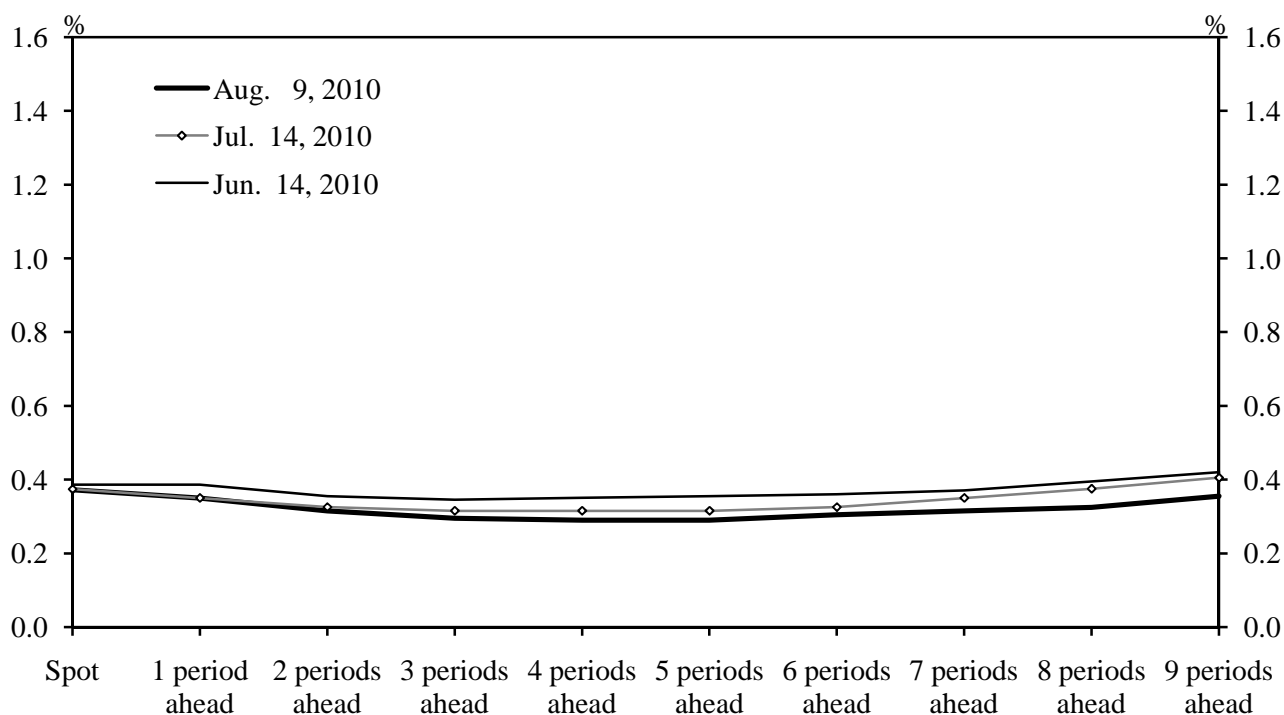
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Short-Term Interest Rates

(1) Short-Term Interest Rates



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



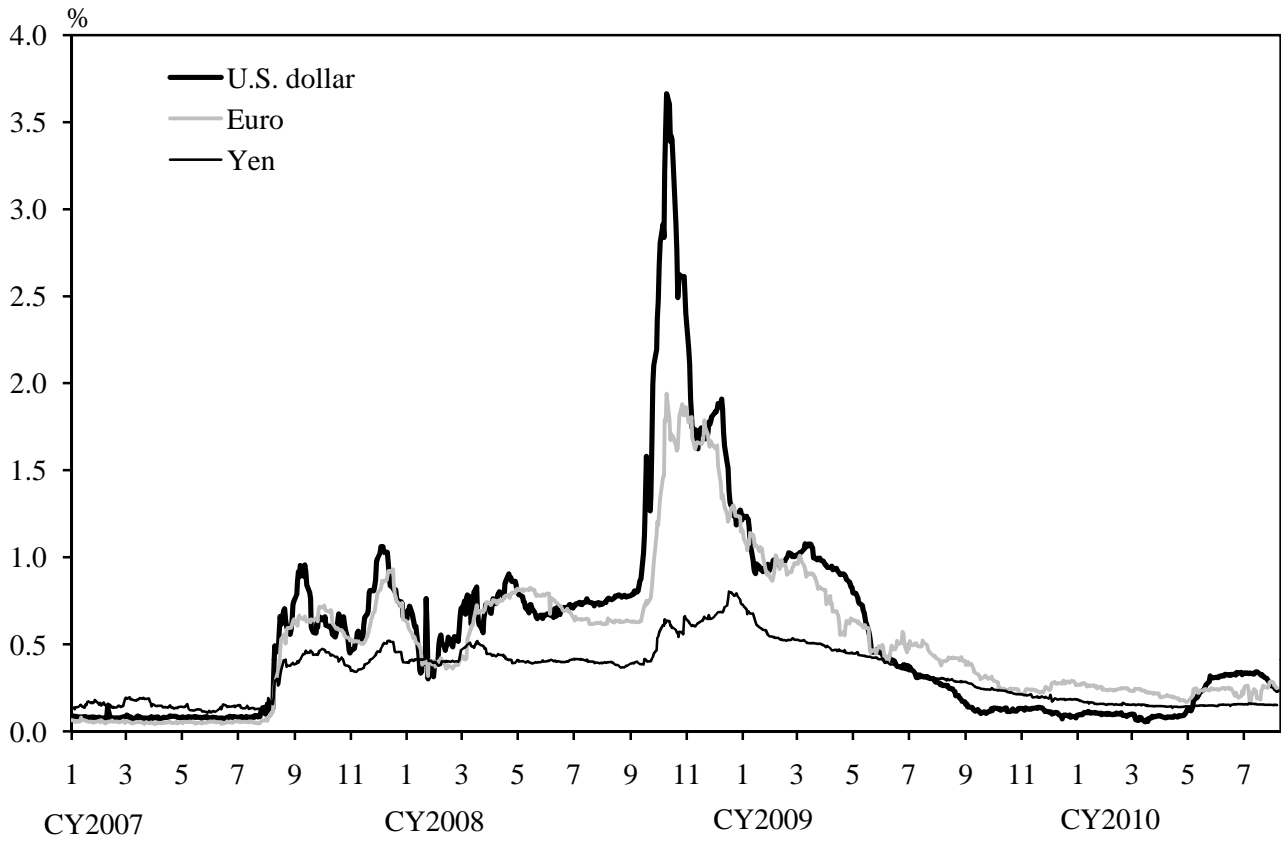
Notes: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.

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

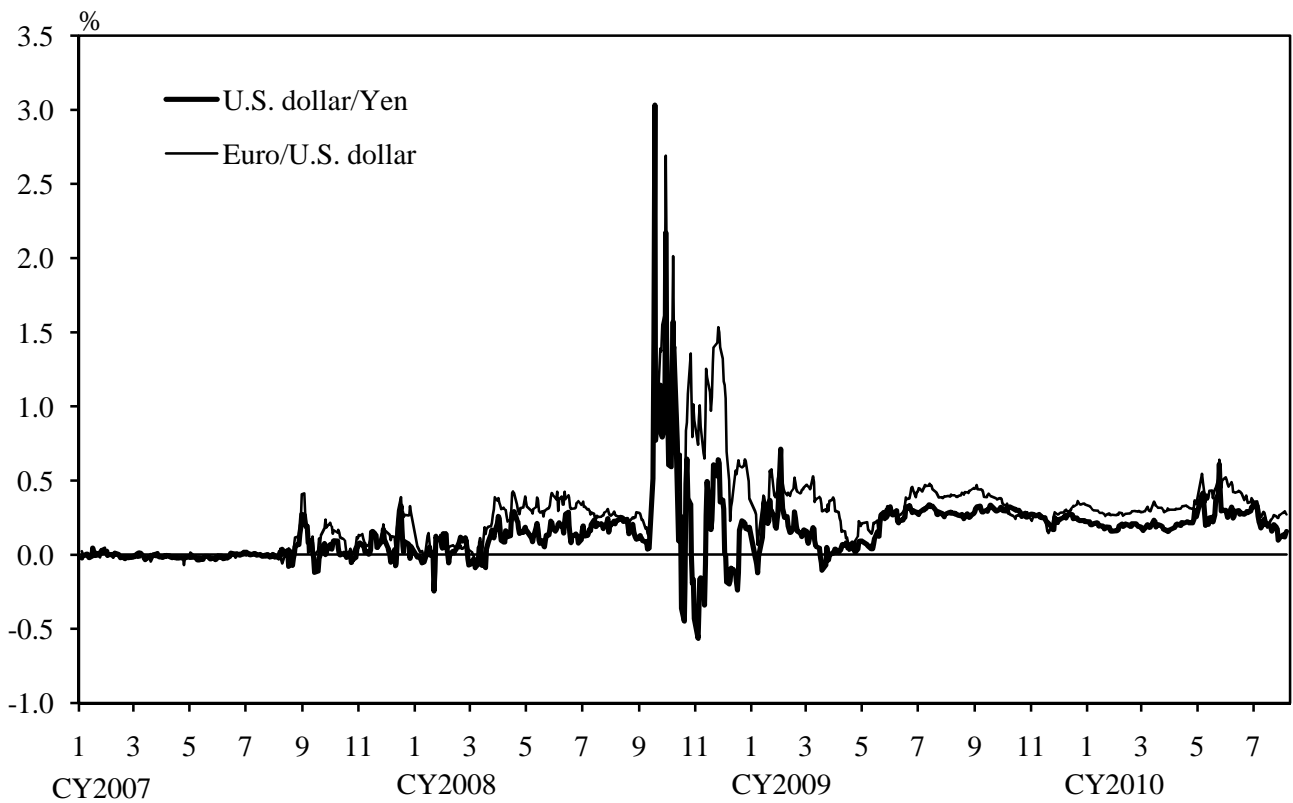
Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.; Tokyo Financial Exchange; Bank of Japan.

Global Money Markets

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



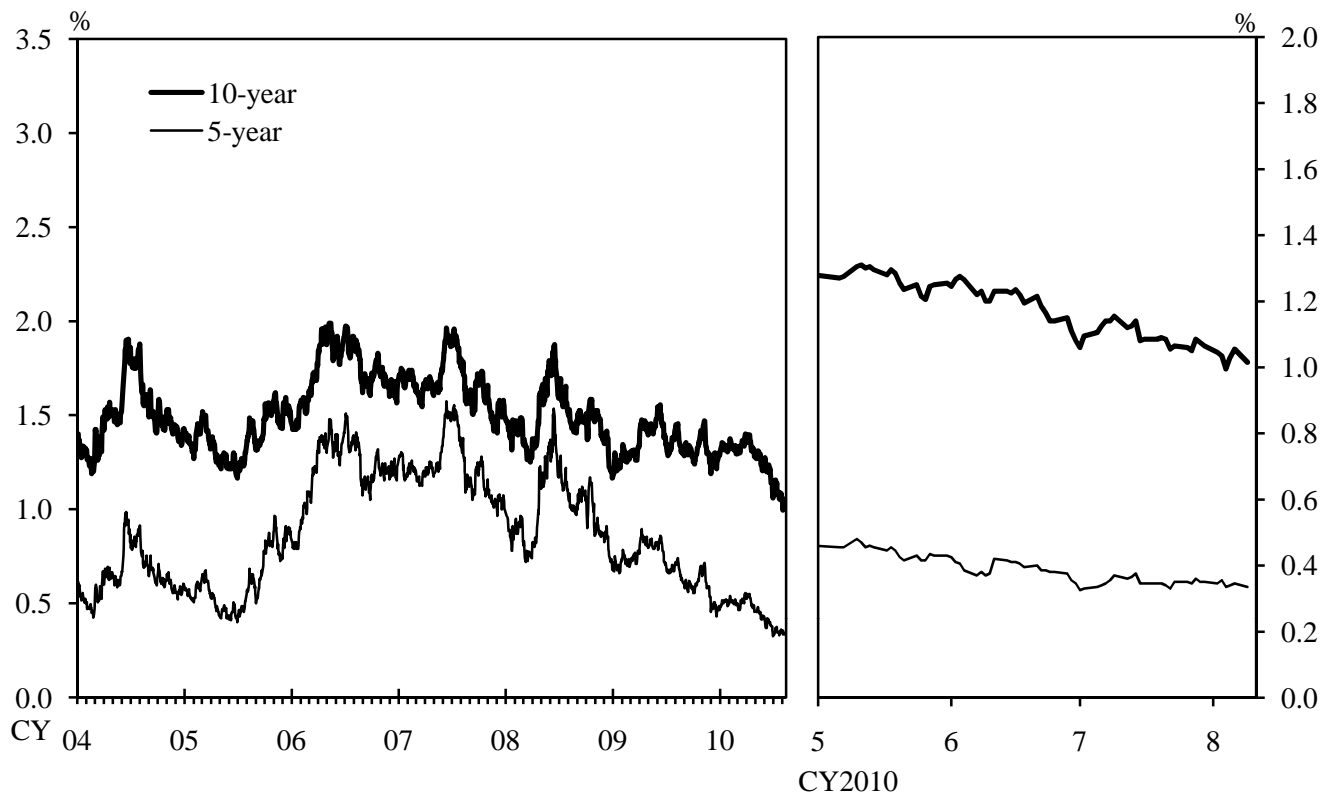
(2) FX swap implied dollar rate - LIBOR spreads (3-Month)



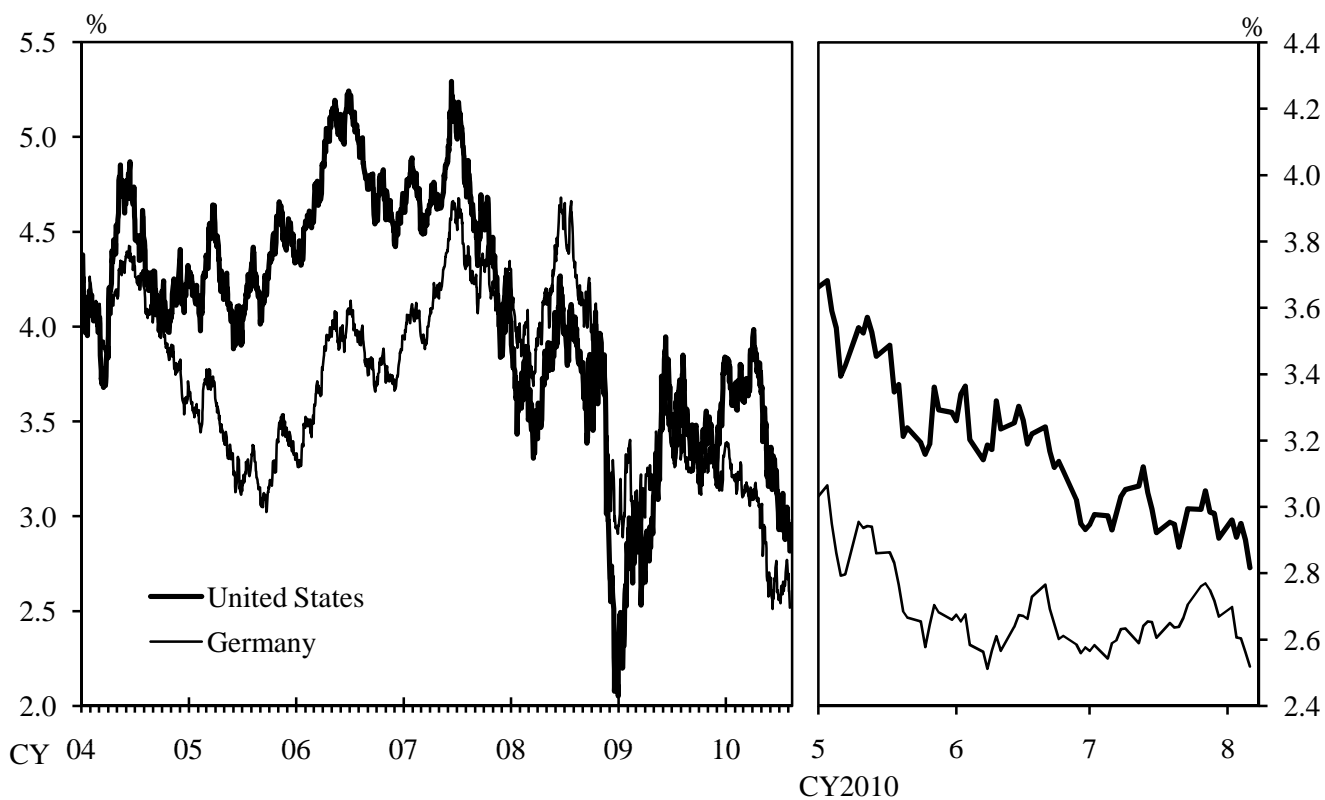
Source: Bloomberg.

Long-Term Interest Rates

(1) Japanese Government Bond Yields¹



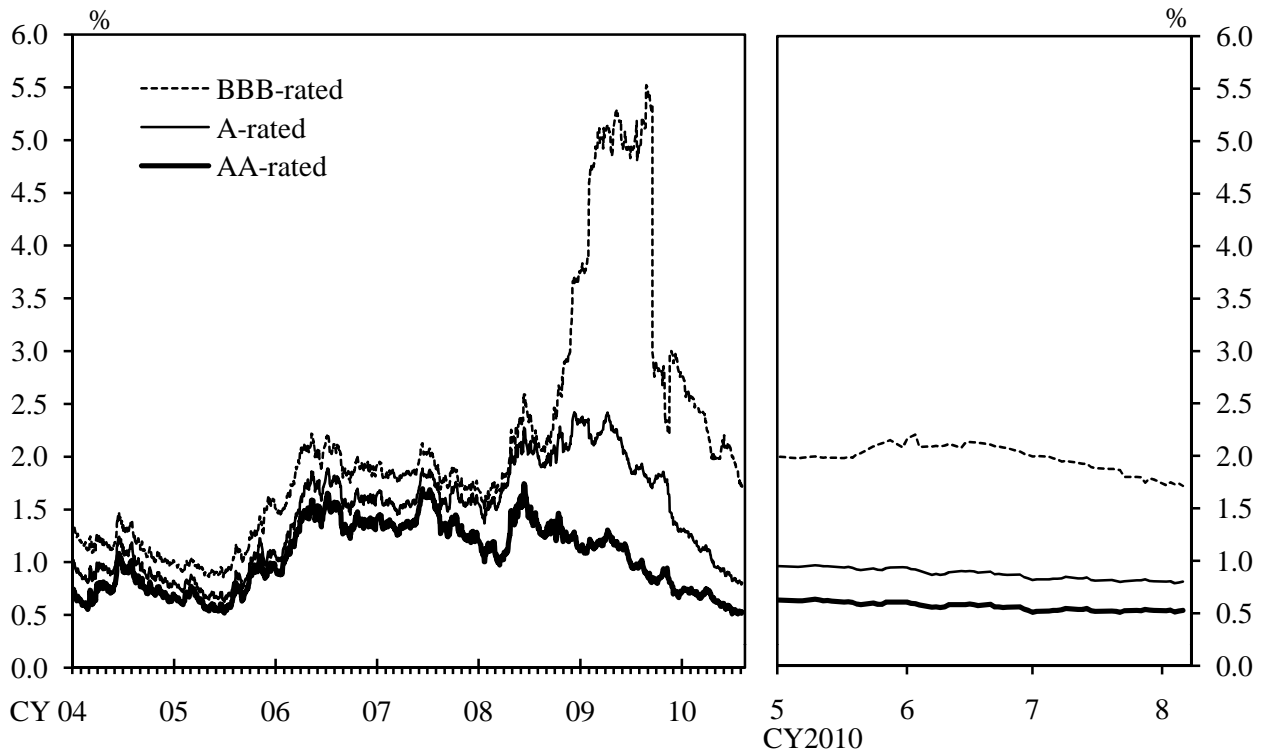
(2) Overseas Government Bond Yields (10-Year)



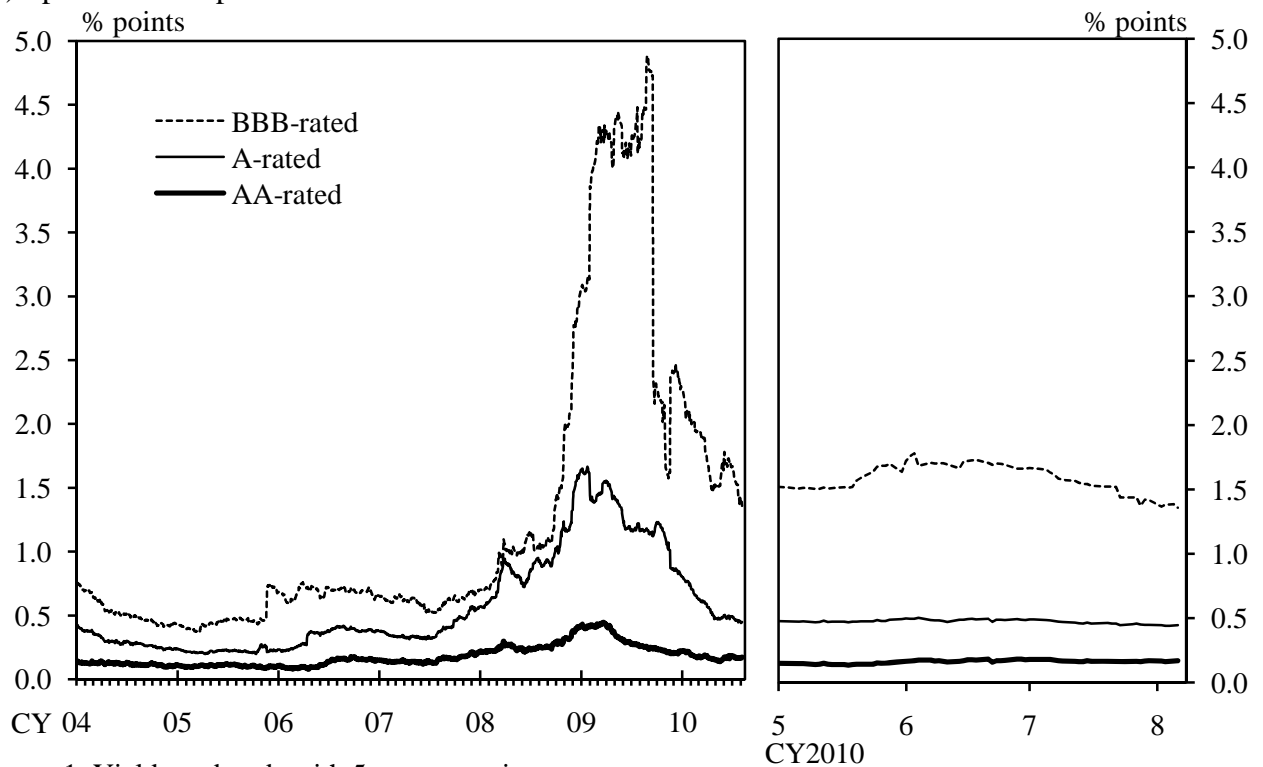
Note: 1. Yields on newly issued bonds.
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

Yields of Corporate Bonds

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



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



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

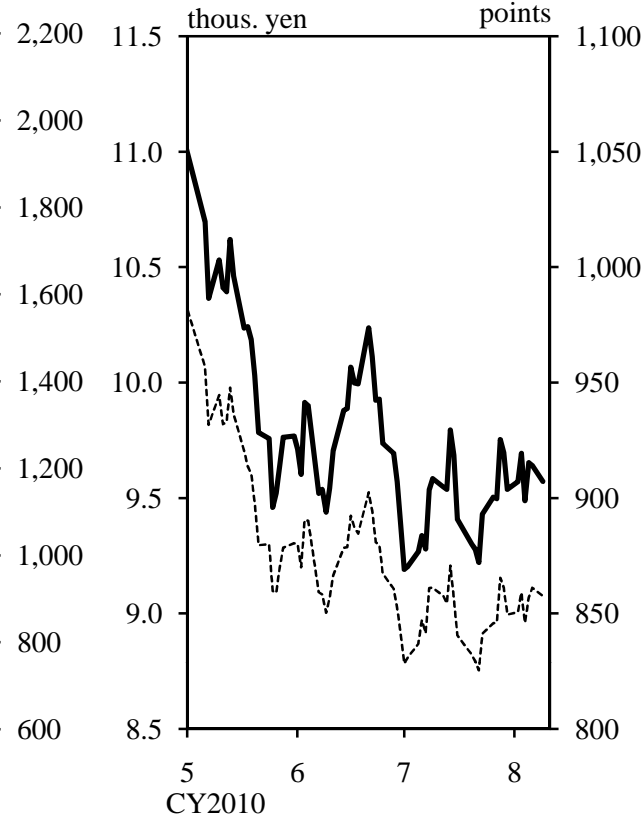
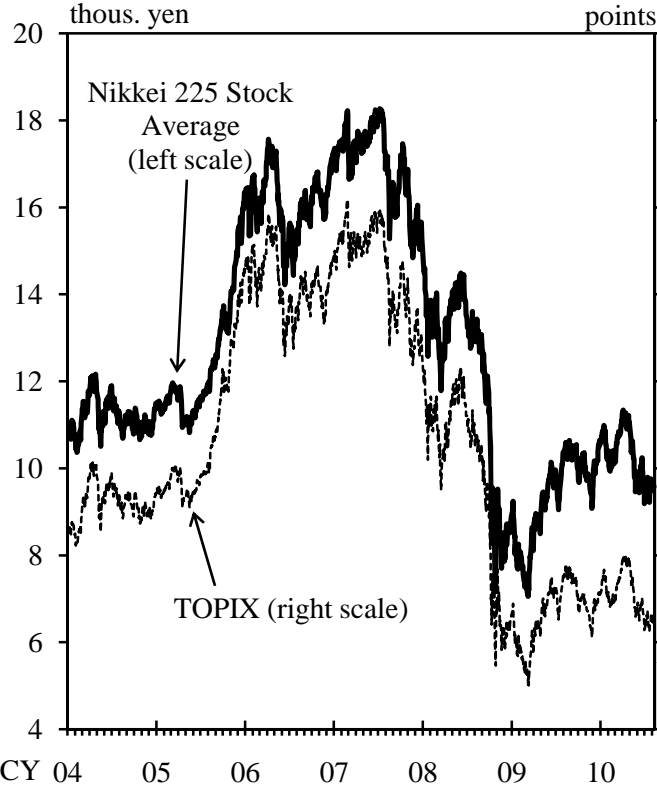
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.

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

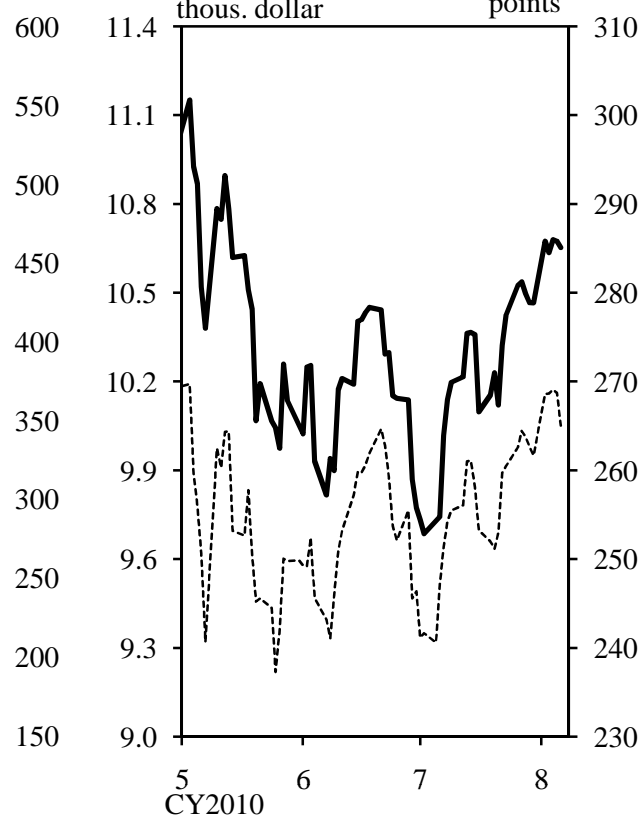
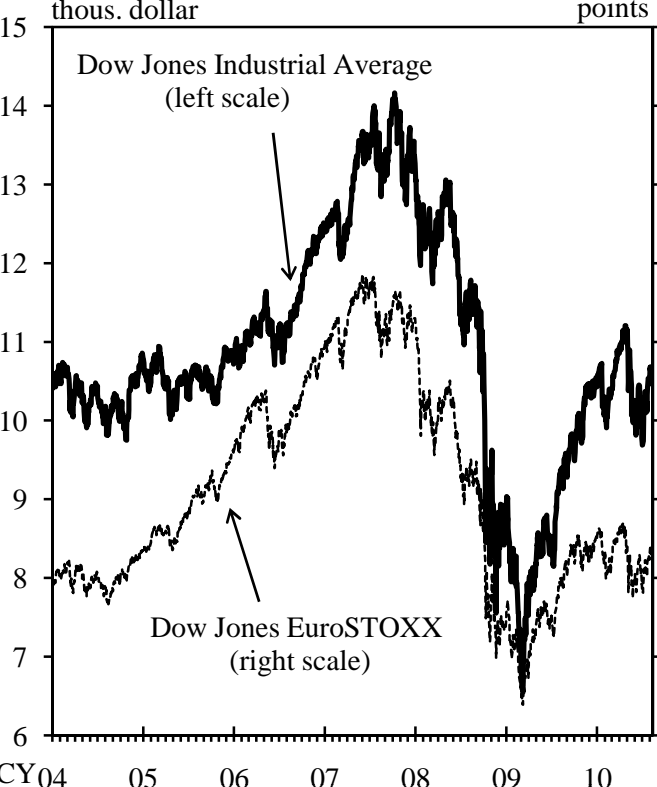
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Japanese Stock Prices



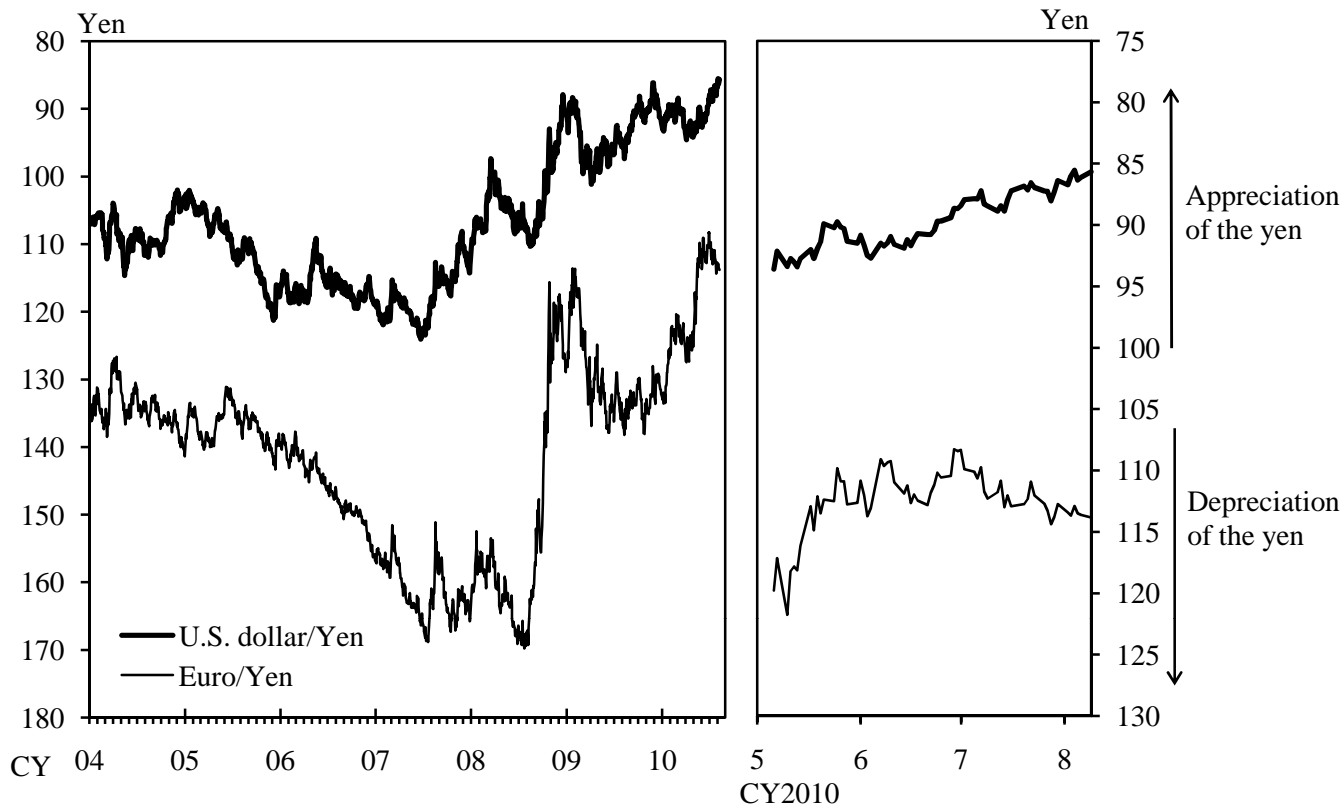
(2) Overseas Stock Prices



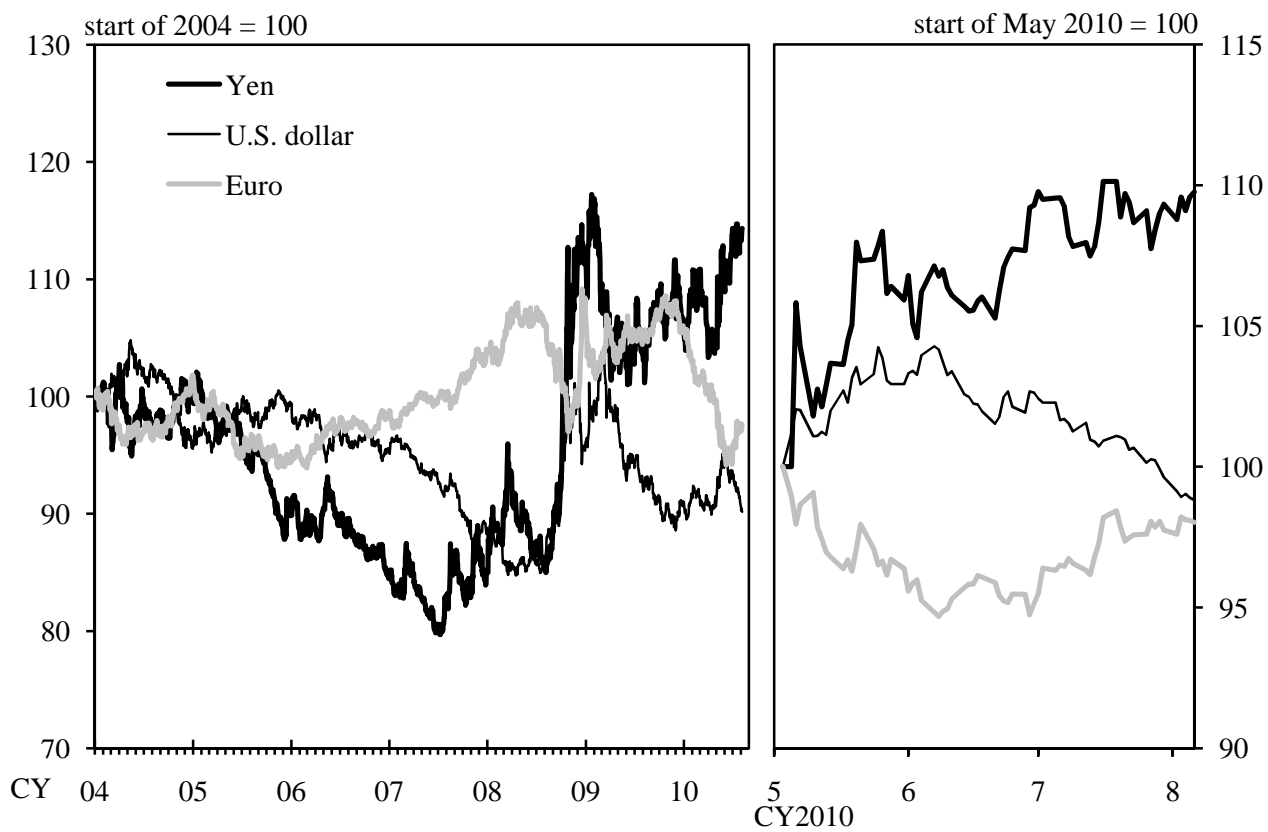
Sources: The *Nihon Keizai Shimbun* ; Tokyo Stock Exchange; Bloomberg.

Exchange Rates

(1) Bilateral Exchange Rates



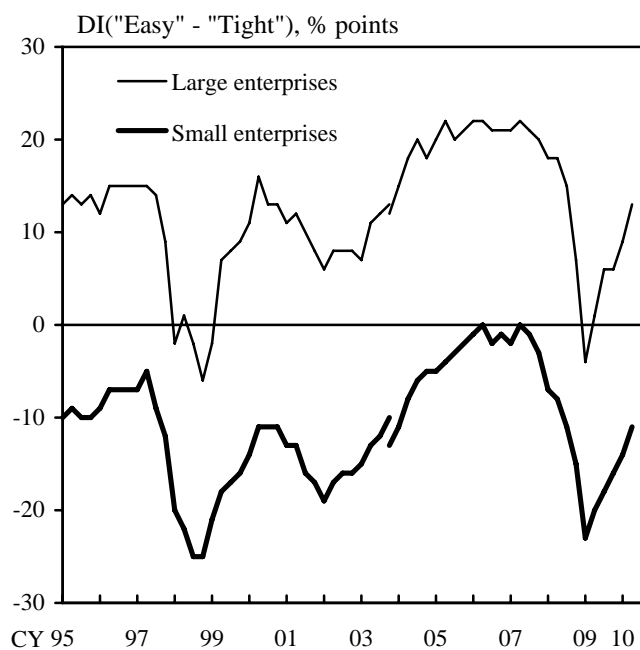
(2) Nominal Effective Exchange Rates



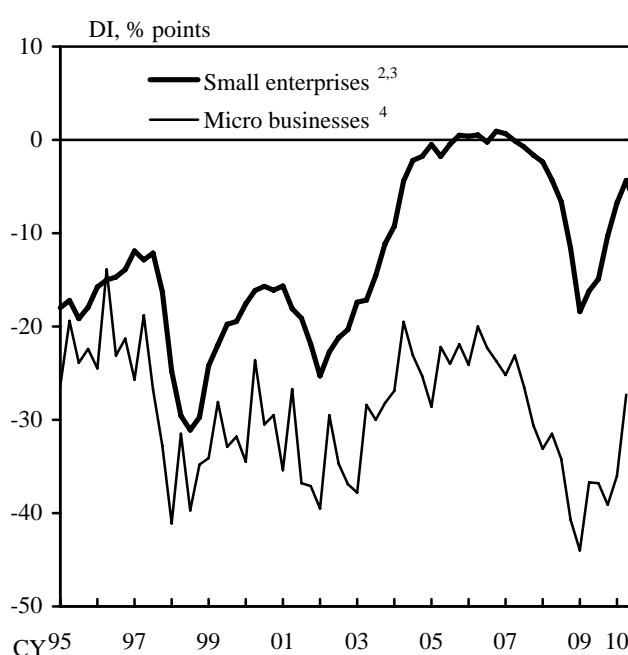
Sources: Bank of Japan; European Central Bank; Bloomberg.

Corporate Finance-Related Indicators

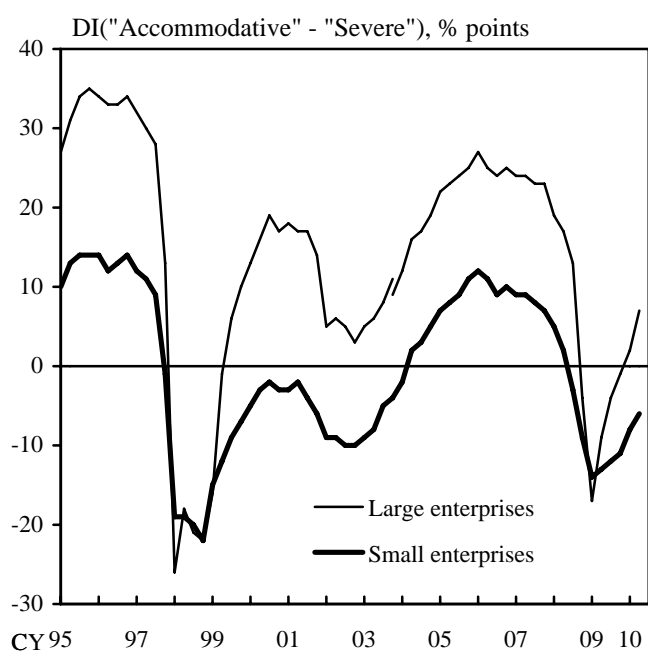
(1) Financial Position

<Tankan¹>

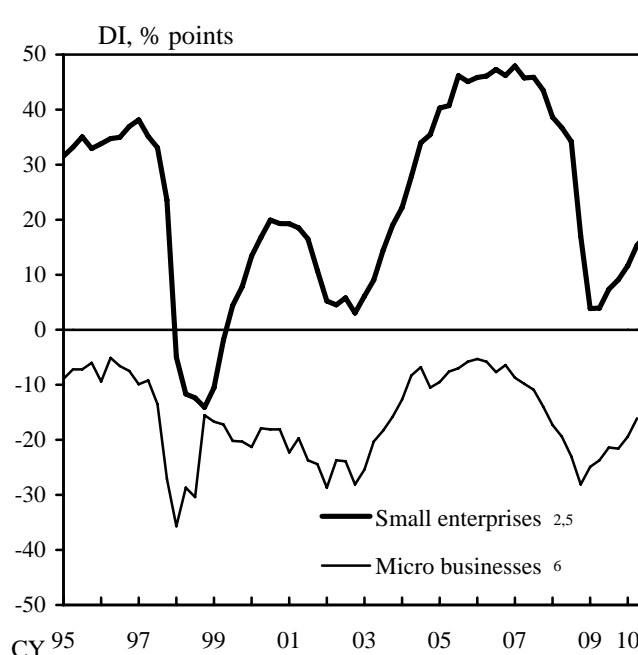
<Japan Finance Corporation Survey>



(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/Q3 are those of July.

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

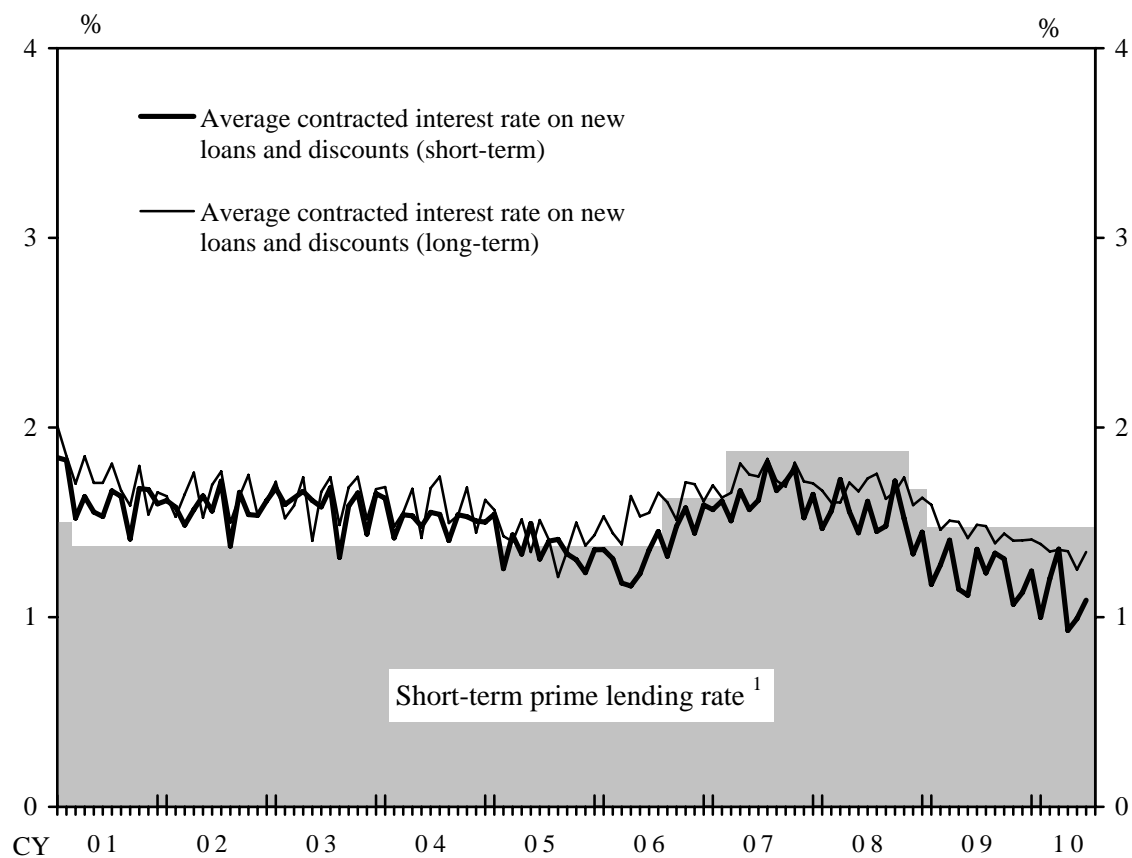
4. DI of "Easier" - "Tighter."

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

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

Sources: Bank of Japan, "*Tankan*, Short-term Economic Survey of Enterprises in Japan"; Japan Finance Corporation, "Monthly Survey of Small Businesses in Japan," "Quarterly Survey of Small Businesses in Japan (for micro businesses)."

Lending Rates

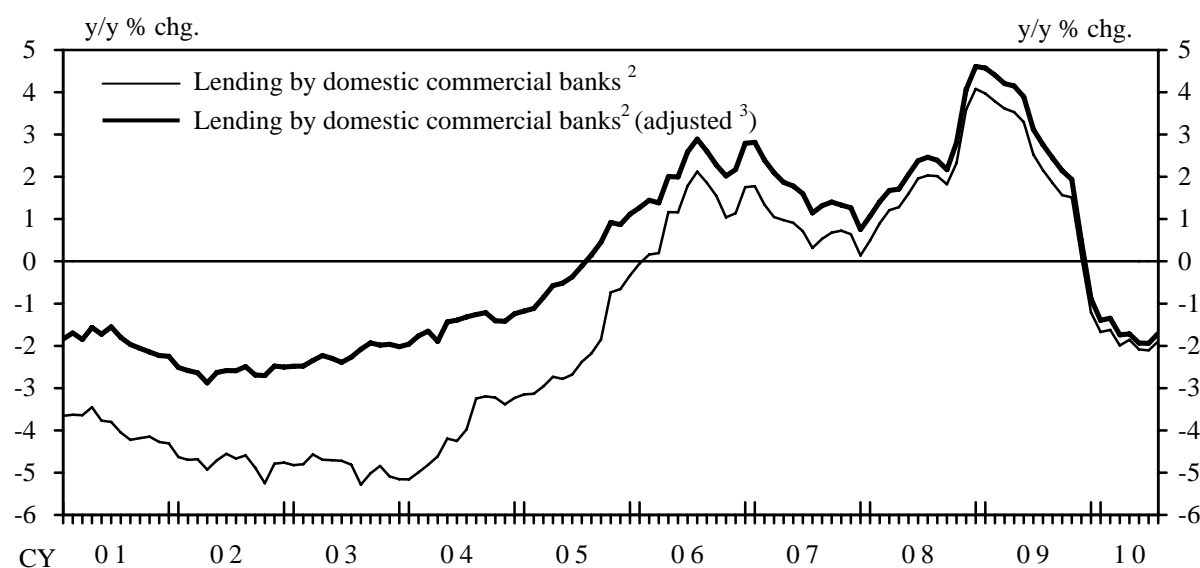


Note: 1. Data are at end of period.

Source: Bank of Japan.

Lending by Financial Institutions

(1) Lending by Domestic Commercial Banks¹



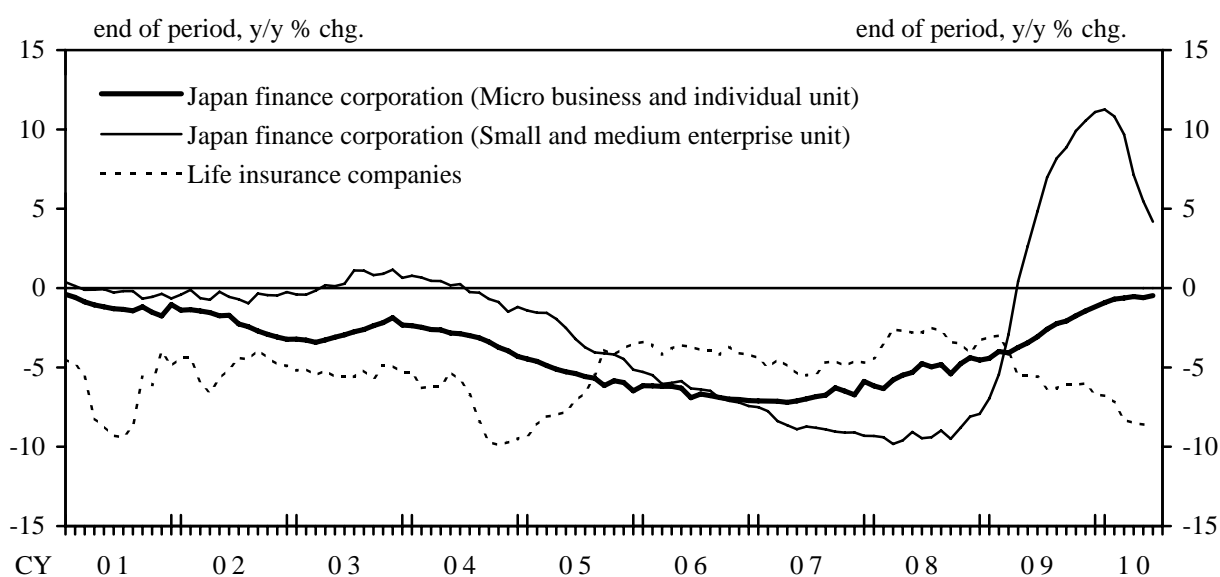
Notes: 1. Percent changes in average amounts outstanding from a year earlier.

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

3. Adjusted to exclude

- (1) fluctuations due to the liquidation of loans,
- (2) fluctuations in the yen value of foreign currency-denominated loans due to changes in exchange rates,
- (3) fluctuations due to loan write-offs,
- (4) the transfer of loans to the former Japan National Railways Settlement Corporation to the General Account, and
- (5) the transfer of loans to the former Housing Loan Administration Corporation to the Resolution and Collection Corporation.

(2) Lending by Other Financial Institutions

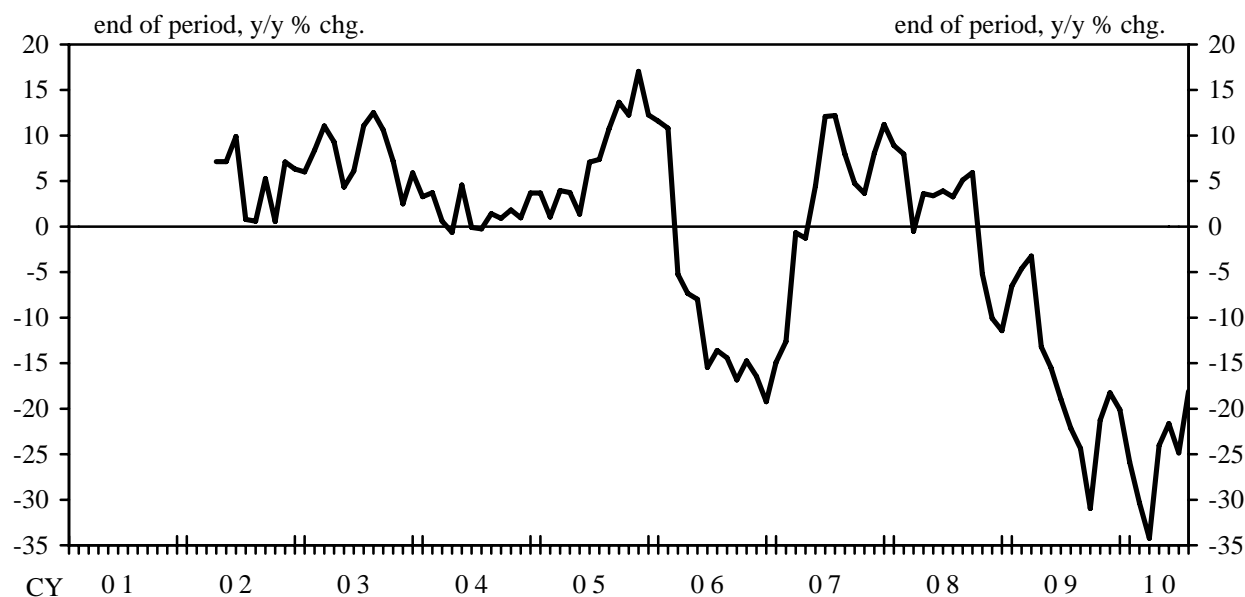


Note: The figures of the Japan Finance Corporation (Small and Medium Enterprise Unit) exclude the amounts outstanding of lending to the Credit Guarantee Corporations.

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

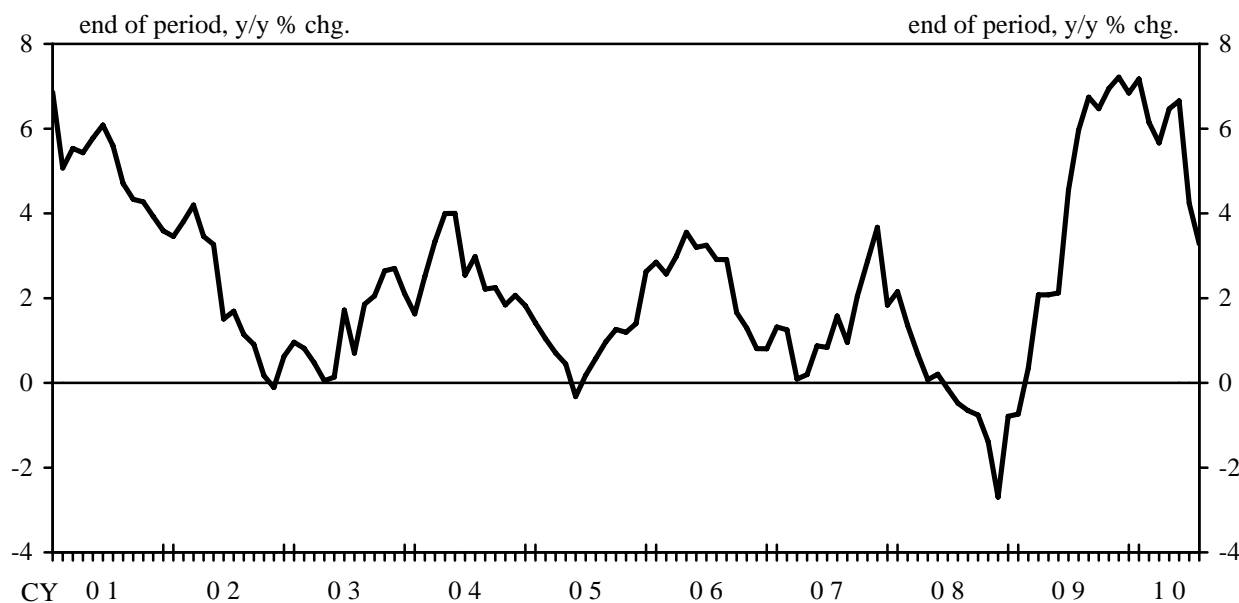
 Private-Sector Fund-Raising in the Capital Markets

(1) Amount Outstanding of Commercial Paper



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

(2) Amount Outstanding of Corporate Bonds



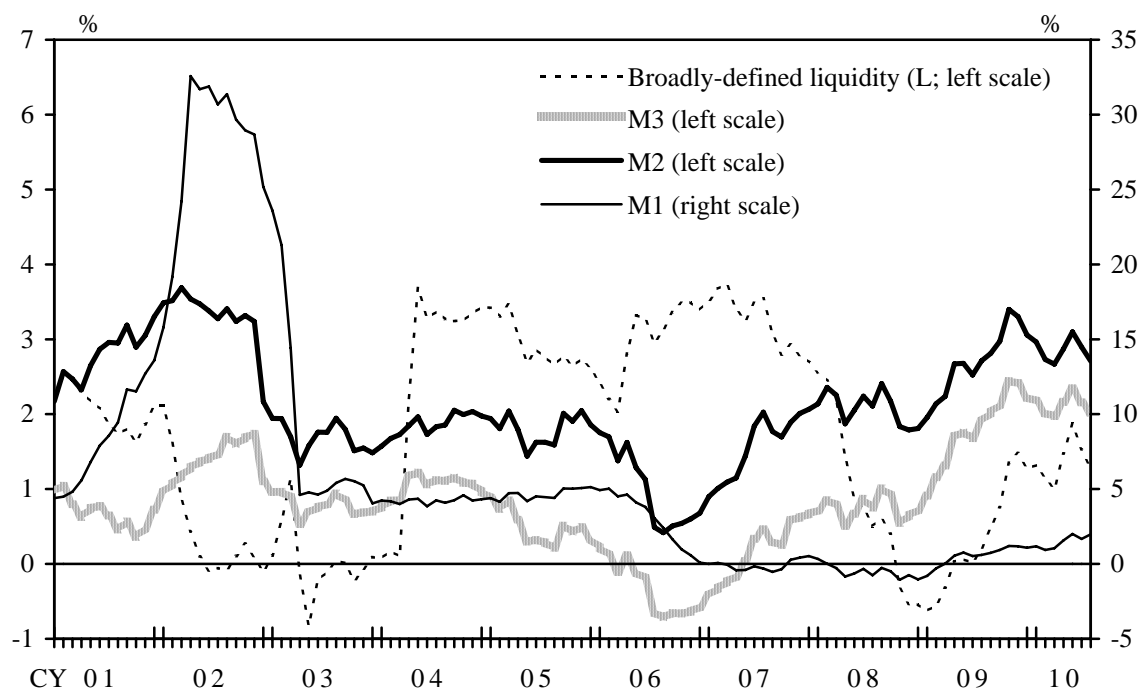
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

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

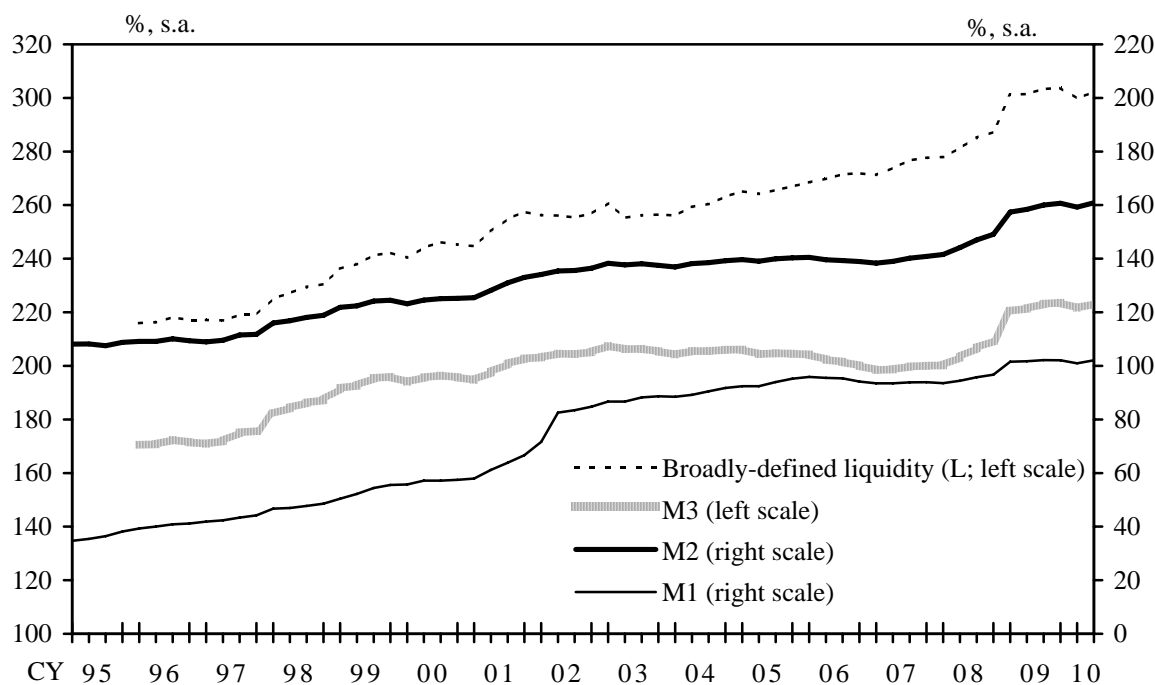
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category";
 Bank of Japan, "Principal Figures of Financial Institutions";
 Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts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

Money Stock

(1) Changes from a Year Earlier



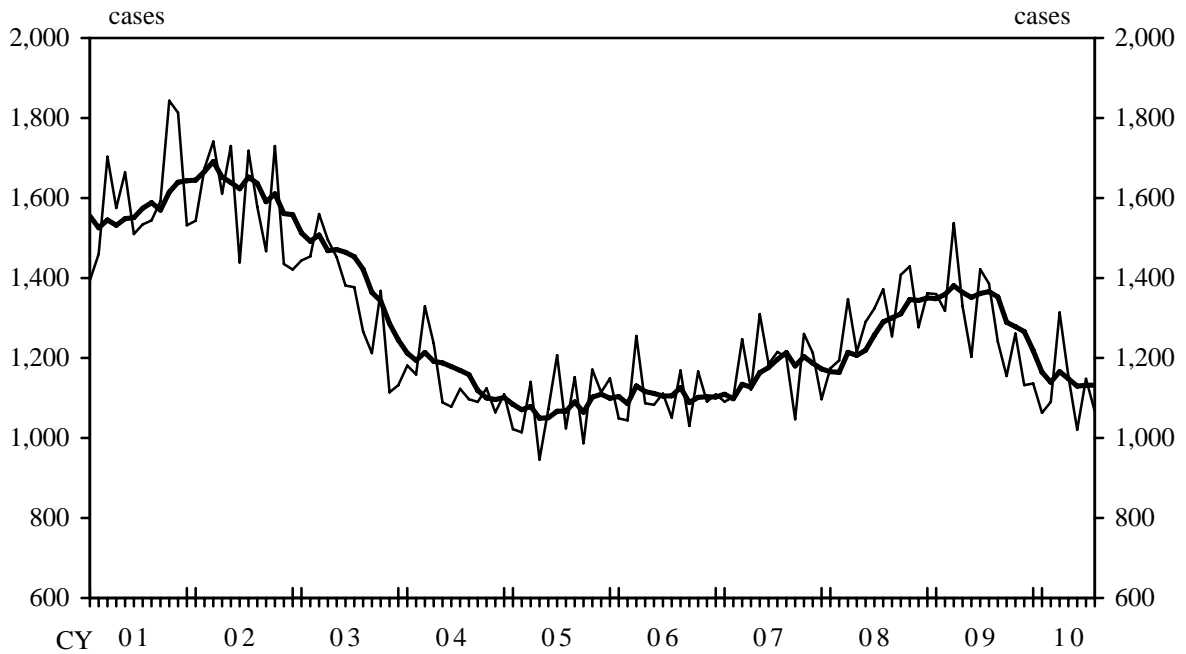
(2) Ratio of Money Stock to Nominal GDP



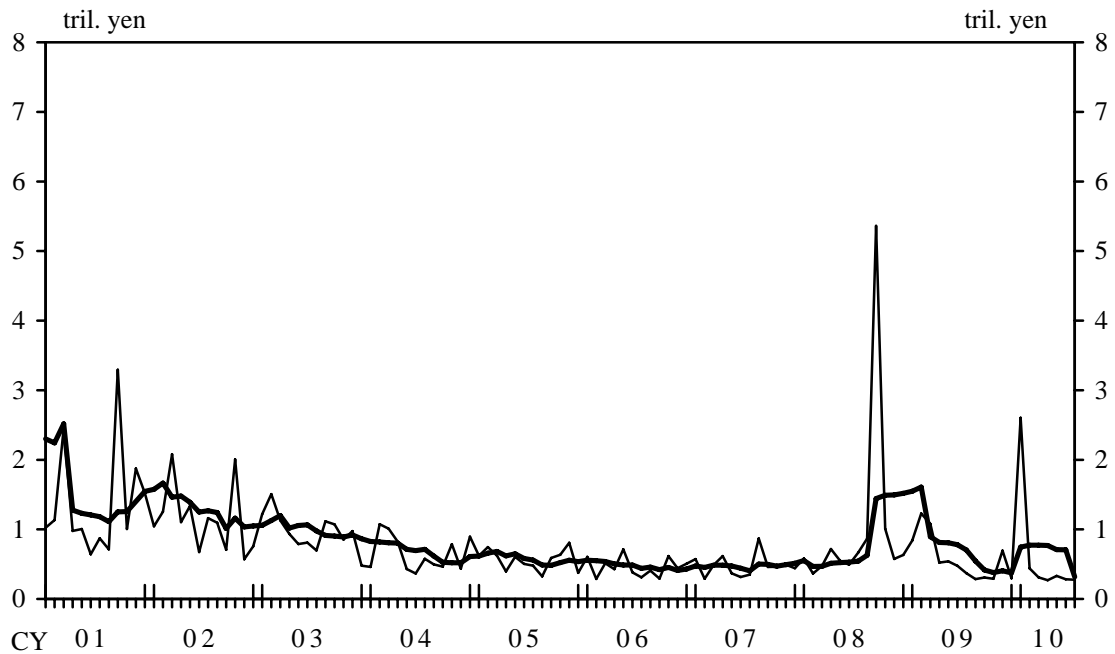
- Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.
2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.
3. The figures up to March 2004 in the upper panel and those up to March 2003 in the lower panel are based on the former series.
4. The figure for nominal GDP in 2010/Q2 is assumed to be unchanged from the previous quarter.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities



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

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