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Bank of Japan

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

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released on November 8, 2010)

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# Monthly Report of Recent Economic and Financial Developments<sup>1</sup>

November 2010

## Summary

Japan's economy still shows signs of a moderate recovery, but the recovery seems to be pausing.

Exports and production have recently been more or less flat. 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. As for private consumption, there has been a decline in some goods following the sharp increase in demand. Housing investment has leveled out. Meanwhile, public investment is declining.

Japan's economy is likely to grow at a slower pace for some time, but is expected to return to a moderate recovery path thereafter.

Exports are likely to be more or less flat for the time being, but they are expected to increase moderately again, reflecting the improvement in overseas economic conditions. Private consumption is expected to pick up again as the decline following the sharp increase in demand becomes less pronounced. Meanwhile, signs of picking up in business fixed investment are expected to gradually become more evident as the improvement in corporate profits continues. However, with firms' persistent sense of excessive capital stock, the pace of improvement in business fixed investment is likely to remain moderate. In these circumstances, production is expected to increase, after showing temporary weakness primarily in durable consumer goods.

On the price front, domestic corporate goods prices have been lower than three months earlier, mainly due to the slack in supply and demand conditions for products and the appreciation of the yen, but the pace of decline has moderated reflecting movements in international commodity prices. Consumer prices (excluding fresh

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<sup>1</sup> This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on November 4 and 5, 2010.

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 on a moderate uptrend for the time being, mainly due to the uptick in international commodity prices, although the effects of the yen's appreciation to date are likely to remain. 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 generally been slightly below the 0.1 percent level. Interest rates on term instruments have declined somewhat. Meanwhile, compared with last month, the value of the yen against the U.S. dollar has risen, while long-term interest rates and stock prices have remained at more or less the same levels.

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—has continued to be relatively weak; it dropped in the third quarter as well. The amount of public construction completed—which reflects the progress of public works—was more or less flat in July-August relative to the second quarter, after having dropped sharply in the second quarter.

The decline in public investment is likely to continue.

Real exports have been flat (Charts 6[1] and 7). On a quarter-on-quarter basis, exports registered high growth of 9.6 percent in the second quarter, but leveled out in the third quarter with a decrease of 0.4 percent.

Looking at exports in the third quarter by destination (Chart 7[1]), as for exports to East Asia, those to China rose marginally on a quarter-on-quarter basis, whereas those to the NIEs and ASEAN economies were almost level. Exports to the United States—which had continued their relatively high growth—rose at a reduced pace, mainly in motor vehicles and their related goods. Exports to "other regions" declined, chiefly in motor vehicles and their related goods as well as in capital goods and parts. Exports to the EU, meanwhile, continued to increase firmly.

By goods (Chart 7[2]), exports decelerated sharply for many goods with those of IT-related goods turning to fall marginally. Exports of motor vehicles and their related goods—which exhibited strong growth in the second quarter—were more or less flat in the third quarter: exports to "other regions" turned down marginally; and the pace of increase in those to the United States slowed rapidly. Growth in exports of capital goods and parts also slowed significantly, partly due to the decline in ships to "other regions."

Real imports have been on a moderate uptrend (Charts 6[1] and 9). On a quarter-on-quarter basis, imports rose at a reduced pace in the third quarter by posting an increase of 1.1 percent, after having registered high growth of 6.3 percent in the second quarter.

By goods (Chart 9[2]), imports of IT-related goods—which registered high growth in the second quarter—have almost leveled out, and those of consumer goods have dropped marginally.

Net exports—in terms of the real trade balance—have been more or less flat as a reflection of the aforementioned developments in exports and imports (Chart 6[2]). The surplus of the nominal balance on goods and services has essentially been flat, albeit with fluctuations.

Exports are likely to be more or less flat for the time being, but they are expected to increase moderately again, reflecting the improvement in overseas economic conditions. In light of 1) slower growth in overseas economies, 2) inventory adjustments in IT-related goods, and 3) the appreciation of the yen, exports are expected to be more or less flat for the time being (Chart 8). However, since the improvement in overseas economic conditions is expected to continue, notably in emerging economies, exports are expected to rise moderately again as the effects of inventory adjustments in IT-related goods start to wane.

Imports are expected to continue increasing gradually, thanks to the recovery trend of the domestic economy and to the yen's appreciation.

Business fixed investment is showing signs of picking up. The aggregate supply of capital goods—a coincident indicator of machinery investment—dropped marginally in the third quarter compared with the second quarter, due to the decline in transport equipment, but, excluding transport equipment, it rose marginally (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—showed notable gains in July-August compared with the second quarter, after having been level in the second quarter on a quarter-on-quarter basis (Chart 11[1]). By industry, in manufacturing, machinery orders registered a somewhat sizeable increase in July-August relative to the second quarter, after having declined in the second quarter. In nonmanufacturing (excluding orders for ships, those from electric power companies, and those for cell phones), machinery orders increased in the second quarter and continued to do so in

July-August compared with the second quarter.<sup>2</sup> Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—have shown large fluctuations that reflect recent swings caused by large-scale projects in nonmanufacturing; they registered a somewhat sizeable increase in the third quarter on a quarter-on-quarter basis due to the upsurge in nonmanufacturing (Chart 11[2]).

Regarding the environment surrounding business fixed investment, although corporate profits have been on an improving trend, the pace of improvement seems to have slowed compared to a while ago, due to the slowdown in exports and production combined with the yen's appreciation.

Signs of picking up in business fixed investment are expected to gradually become more evident as the improvement in corporate profits continues. However, with firms' persistent sense of excessive capital stock, the pace of improvement in business fixed investment is likely to remain moderate (Chart 10[2]).

As for private consumption, there has been a decline in some goods following the sharp increase in demand. As for durable consumer goods, the number of new passenger-car registrations fell back sharply in September from the last-minute increase in demand prior to the expiration of subsidies for purchasing energy efficient cars; it declined further in October (Chart 13[2]).<sup>3</sup> Sales of household electrical appliances (in real terms) rose in the third quarter due to the effects of the extremely hot weather mainly in air conditioners, with steady sales of flat panel televisions assisted mainly by the eco-point system.<sup>4</sup> The overall consumption of goods including non-durable goods—as seen through sales at retail stores (in real

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<sup>2</sup> These increases were attributable to the large-scale orders in iron and steel, nonferrous metals, and other nonmanufacturing in August.

<sup>3</sup> Subsidies for purchasing energy efficient cars ended earlier than the original end-of-September expiry since allocated funds ran out in early September.

<sup>4</sup> In the "Gist of Comprehensive Emergency Economic Measure in Response to the Yen's Appreciation and Deflation" and other measures, the following two revisions were made to the eco-point system for household electrical appliances: (i) the number of eco-points granted will be reduced by about half for products purchased from December 1 this year; and (ii) the number of eligible types of household electrical appliances will be limited and eco-points will be granted only on the basis that the old product is to be recycled for appliances purchased through the January to end-of-March period next year.

terms)—increased in the third quarter, after having dropped marginally in the second quarter (Chart 13[1]). Sales at convenience stores jumped in the third quarter, assisted partly by a rush in demand prior to the rise in the tobacco tax on top of the effects of the extremely hot weather (Chart 14[1]). Sales at supermarkets also rose due to the effects of the extremely hot weather and the rush in demand prior to the rise in the tobacco tax. On the other hand, sales at department stores dropped marginally in the third quarter on a quarter-on-quarter basis, mainly due to sluggish sales of fall apparel affected by the lingering heat as well as those of high-end products. As for services consumption (Chart 14[2]), outlays for travel have been on an improving trend. Sales in the food service industry increased in the third quarter, mainly at fast-food restaurants, buoyed chiefly by the extremely hot weather.

Looking at statistics on the demand side, as for the index of consumption expenditure level (in real terms) in the *Family Income and Expenditure Survey*, the index on an "excluding housing, automobiles, money gifts, and remittance" basis—which is mostly limited to items used for estimating GDP—increased in the third quarter on a quarter-on-quarter basis after having decreased in the second quarter (Chart 13[1]).<sup>5</sup> The total expenditure in the *Survey of Household Economy* (in real terms) rose in July-August compared with the second quarter.

Indicators related to consumer sentiment have recently shown weak movements (Chart 15).

Private consumption is expected to pick up again as the decline following the sharp increase in demand becomes less pronounced.

Housing investment has leveled out. The number of housing starts (Chart 16[1]; annualized)—a leading indicator of housing investment—rose in the third quarter on a quarter-on-quarter basis. Housing investment has tended to pick up moderately, partly aided by government measures to support home purchases, amid declines in borrowing rates.

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<sup>5</sup> Items in the index are not completely limited to those used for estimating GDP. Education, for example, is not used for estimating GDP.



Housing investment is expected to gradually head toward recovery, considering the number of housing starts. It, however, 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 lost its momentum. Production dropped by 1.9 percent in September on a monthly basis, mainly due to the decline in production of automobiles and of electronic parts and devices. On a quarterly basis, production registered a strong 7.0 percent growth in the first quarter followed by an increase of 1.5 percent in the second quarter, but fell back by 1.9 percent in the third quarter (Chart 17). Although these weak figures for both the second and third quarters were partly due to a distortion in seasonal adjustments, the actual pace of increase slowed markedly in the third quarter.<sup>6</sup>

Shipments increased by 1.6 percent in the second quarter on a quarter-on-quarter basis, but fell back by 1.3 percent in the third quarter relative to the second quarter, partly due to the distortion in seasonal adjustments. By goods (Chart 18), shipments of producer goods have dropped, mainly in electronic parts and devices and in iron and steel, after having recovered significantly. Those of durable consumer goods were more or less flat. Capital goods (excluding transport equipment) have trended upward, but the increase has recently come to a halt. Construction goods have remained sluggish in general. Non-durable consumer goods have edged up, mainly in foods that were supported by the effects of the extremely hot weather, and in tobacco, which saw a rush in demand.

Inventories have inched up. Looking at the shipment-inventory balance on a year-on-year basis (Chart 19), growth in shipments has somewhat outpaced that in inventories as a whole. As for durable consumer goods and electronic parts and devices, however, growth in inventories has been higher than that in shipments.

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<sup>6</sup> As a result of the revision on seasonal adjustments conducted in April 2010, it is likely that a part of the significant drop in production in the fourth quarter of 2008 and the first quarter of 2009 has been recognized as a seasonal movement. This seasonal adjustment method pushes future growth rates for the fourth and first quarters upward, whereas it exerts downward pressure on those for the second and third quarters.

Production is expected to increase, after showing temporary weakness, primarily in durable consumer goods. According to anecdotes by firms and other information, production, in fact, is projected to fall in the fourth quarter, primarily in transport equipment and its related industries, affected mainly by the expiration of subsidies for purchasing energy efficient cars.

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 fifth month running, recording 0.55 times in September (Chart 20[1]). It has generally recovered moderately after hitting bottom in August 2009. Although still at a high level, the unemployment rate has declined for the third month running by posting 5.0 percent in September.

In terms of employment (Chart 21[1]), the year-on-year growth rate of the number of employees in the *Labour Force Survey* has recently increased marginally. The number of regular employees in the *Monthly Labour Survey* has increased, albeit marginally, from the previous year's level. With regard to the Employment Adjustment Subsidy, figures collected from reports on business suspension plans show that the number of applicants for this subsidy has been decreasing moderately as a trend, although it remains at a high level.<sup>7</sup> Overtime hours worked, meanwhile, have been recovering, although the pace has slowed (Chart 21[3]).

Nominal wages per employee have inched up lately 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; regular

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<sup>7</sup> The Ministry of Health, Labour and Welfare has once again eased the conditions to receive the Employment Adjustment Subsidy—the original deadline was December this year—to provide businesses facing a slow recovery in their production volumes due to the rapid appreciation of the yen the support to maintain their employment. Subsidies are also paid for one year only starting from December this year to firms, on the condition that they meet each of the following requirements: (i) a decline in the production volume caused by the yen's appreciation; (ii) a production volume decrease of 15 percent or more in the most recent three months compared with that marked during the same period three years ago; and (iii) a deficit in their current profits of the latest statement etc.

payments have recently been more or less flat on a year-on-year basis. Overtime payments have registered a year-on-year increase, facilitated by the increase in overtime hours worked.

Employee income 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**

International commodity prices have increased somewhat. Import prices (on a yen basis) have continued to be lower than three months earlier due to the yen's appreciation, but the pace of decline has moderated slightly as a reflection of the recent uptick in international commodity prices (Chart 24).

Domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter)<sup>8</sup> have been lower than three months earlier, mainly due to the slack in supply and demand conditions for products and the appreciation of the yen, but the pace of decline has moderated, which reflects the recent movements in international commodity prices (Chart 25). In detail, the three-month rate of change in prices of "goods sensitive to exchange rates and overseas commodity prices" has continued to fall due to the yen's appreciation, but the rate of decline has narrowed along with the uptick in international commodity prices. Prices of "iron & steel and construction goods" have increased at a somewhat faster pace.

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<sup>8</sup> Figures are adjusted to exclude large seasonal fluctuations in electric power charges to observe the underlying changes in domestic corporate goods prices. Industrial and commercial electric power charges are set relatively high during July-September, when electric power consumption increases substantially.

Corporate services prices (excluding international transportation; year-on-year basis, same hereafter) have been declining, a reflection mainly of cost cutting among firms (Chart 26). In September, corporate services prices fell for the 23rd month in a row. The pace of decline—which had been slowing on a year-on-year basis since the start of this year—has more or less leveled off recently. Looking at recent developments in detail, prices related to selling, general and administrative expenses have declined at a somewhat faster pace, mainly in advertising services and communications services. 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 September, the rate of decline in consumer prices expanded by 0.1 percentage point from August, registering a decrease of 1.1 percent. Looking at developments on a basis that excludes food and energy, consumer prices dropped by 1.5 percent, posting the same rate of decline as in August. Excluding high school fees,<sup>9</sup> the rate of decline in consumer prices—excluding fresh food—expanded by 0.1 percentage point from August with a decrease of 0.6 percent. The rate of decline—excluding food and energy—marked a decrease of 0.7 percent, posting the same rate of decline as in August. 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 (an index that eliminates large relative price fluctuations)—has been narrowing mildly.

Looking at recent movements in detail, as for prices of goods (excluding agricultural and aquatic products), prices of petroleum products rose at a reduced pace, whereas the year-on-year rate of decline in those of other goods was almost the same as that of last month. On the other hand, the pace of decline in prices of general services—with private high school fees excluded—has been moderating as a

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<sup>9</sup> 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 receive subsidies equivalent to the annual tuition fee of public high schools.

whole. 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 on a moderate uptrend for the time being, mainly due to the uptick in international commodity prices, although the effects of the yen's appreciation to date are likely to remain. 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.<sup>10</sup>

### **3. Financial Developments**

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

Japan's money markets have continued to be stable amid the Bank of Japan's provision of ample funds. The overnight call rate (uncollateralized) has generally been slightly below the 0.1 percent level. Regarding interest rates on term instruments, the T-Bill rate (3-month) has been somewhat above 0.1 percent. The Euroyen interest rate (3-month) has declined moderately, but it has remained somewhat high relative to the OIS rates—the OIS rates mainly reflect expectations about future policy interest rates. The volume of transactions in some markets has remained low. 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 been at a low level (Chart 30).

Yields on 10-year government bonds (newly issued 10-year JGB) have been more or less flat on the whole; they have recently been in the range of 0.9-1.0 percent (Chart 31).

Yield spreads between corporate bonds and government bonds have been on moderate downtrends as a whole, against the backdrop of firm demand among investors (Chart 32).

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<sup>10</sup> The rise in the tobacco tax in October is expected to push consumer prices (nationwide; excluding fresh food and high school fees) upward by about 0.3 percentage points on a year-on-year basis.

Stock prices have been more or less unchanged on the whole, amid the yen's appreciation, despite rises in U.S. and European stock prices and in those of some industries which are likely to benefit from further enhancement of monetary easing. The Nikkei 225 Stock Average has recently been at around 9,500 yen (Chart 33).

In the foreign exchange market, the U.S. dollar has tended to depreciate; the yen has recently been traded in the range of 80-81 yen against the U.S. dollar (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. Issuance rates on CP, meanwhile, have remained more or less unchanged at low levels, and those on corporate bonds have declined somewhat. 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 4.6 percent in September 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 September reading was 2.8 percent on a year-on-year basis, following 2.8 percent in August (Chart 39).<sup>11</sup>

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<sup>11</sup> On an M3 basis, which includes the Japan Post Bank, the year-on-year growth rate has recently been at around 2 percent; its September reading was 2.1 percent, following 2.1 percent in August. The year-on-year growth rate of broadly-defined liquidity (L) has recently been at around 0.5 percent; it increased by 0.5 percent in September, following an increase of 0.5 percent in August.

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## Main Economic Indicators (1)

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

|  | 2010/Q1  | Q2       | Q3        | 2010/Jul. | Aug.     | Sep.      | Oct.   |
|--|----------|----------|-----------|-----------|----------|-----------|--------|
| Index of consumption expenditure level<br>(two-or-more-person households)          | 0.3      | -2.0     | 2.5       | 0.0       | 2.6      | -1.7      | n.a.   |
| Sales at department stores   | 1.2      | -1.5     | p -0.7    | 2.0       | 0.2      | p -2.7    | n.a.   |
| Sales at supermarkets  | -0.3     | 0.1      | p 1.2     | -0.1      | 0.0      | p 1.5     | n.a.   |
| New passenger-car registrations <sup>3</sup><br><s.a., ann. 10,000 units>          | < 314>   | < 320>   | < 334>    | < 319>    | < 417>   | < 265>    | < 219> |
| Sales of household electrical appliances<br>(real, Current Survey of Commerce)     | 14.1     | 1.7      | p 8.5     | 3.9       | 8.0      | p -0.0    | n.a.   |
| Outlays for travel   | 4.3      | 3.1      | n.a.      | 3.1       | -2.1     | n.a.      | n.a.   |
| Housing starts<br><s.a., ann. 10,000 units>  | < 84>    | < 76>    | < 82>     | < 77>     | < 83>    | < 84>     | <n.a.> |
| Machinery orders (from private sector)<br>excluding volatile orders 1 <sup>4</sup> | 2.9      | 0.3      | n.a.      | 8.8       | 10.1     | n.a.      | n.a.   |
| excluding volatile orders 2 <sup>4</sup>   | 4.8      | -0.1     | n.a.      | 6.4       | 11.2     | n.a.      | n.a.   |
| Construction Starts<br>(private, nondwelling use)                                  | 24.6     | -19.4    | 17.5      | 13.3      | -10.1    | 23.2      | n.a.   |
| Mining & manufacturing   | 24.0     | -11.2    | 7.7       | -22.3     | 5.1      | 6.9       | n.a.   |
| Nonmanufacturing <sup>5</sup>  | 18.9     | -20.1    | 21.0      | 24.2      | -5.6     | 21.5      | n.a.   |
| Value of public works contracted   | -6.5     | 5.2      | -7.9      | -0.4      | -2.9     | -4.9      | n.a.   |
| Real exports   | 5.2      | 9.6      | -0.4      | 2.4       | -4.2     | -0.1      | n.a.   |
| Real imports   | 2.5      | 6.3      | 1.1       | -0.7      | -1.6     | -0.3      | n.a.   |
| Industrial production  | 7.0      | 1.5      | p -1.9    | -0.2      | -0.5     | p -1.9    | n.a.   |
| Shipments  | 7.2      | 1.6      | p -1.3    | -0.1      | -0.8     | p -0.7    | n.a.   |
| Inventories  | 1.1      | 3.4      | p 0.5     | -0.5      | 0.8      | p 0.2     | n.a.   |
| Inventory Ratio<br><s.a., CY 2005 = 100>   | < 102.3> | < 106.7> | <p 108.8> | < 108.2>  | < 107.4> | <p 108.8> | <n.a.> |
| Real GDP   | 1.2      | 0.4      | n.a.      | n.a.      | n.a.     | n.a.      | n.a.   |
| Index of all industry activity   | 1.4      | 0.8      | n.a.      | 1.1       | -0.4     | n.a.      | n.a.   |

## Main Economic Indicators (2)

|   | y/y % chg. <sup>1</sup> |               |                    |               |                |               |                    |
|---|-------------------------|---------------|--------------------|---------------|----------------|---------------|--------------------|
|   | 2010/Q1                 | Q2            | Q3                 | 2010/Jun.     | Jul.           | Aug.          | Sep.               |
| Ratio of job offers to applicants<br><s.a., times>  | < 0.47>                 | < 0.50>       | < 0.54>            | < 0.52>       | < 0.53>        | < 0.54>       | < 0.55>            |
| Unemployment rate<br><s.a., %>  | < 4.9>                  | < 5.2>        | < 5.1>             | < 5.3>        | < 5.2>         | < 5.1>        | < 5.0>             |
| Overtime working hours <sup>6</sup>   | 10.0                    | 10.8          | p 9.6              | 10.2          | 11.1           | 10.1          | p 7.6              |
| Number of employees   | -0.3                    | -0.3          | 0.3                | -0.1          | 0.1            | -0.0          | 0.7                |
| Number of regular employees <sup>6</sup>  | 0.1                     | 0.2           | p 0.5              | 0.2           | 0.5            | 0.5           | p 0.5              |
| Nominal wages per person <sup>6</sup>   | 0.0                     | 1.3           | p 0.9              | 1.8           | 1.4            | 0.4           | p 0.9              |
| Domestic corporate goods price index<br><q/q % chg., 3-month rate of change> <sup>7</sup> | -1.7<br>< 0.3>          | 0.2<br>< 0.6> | p -0.1<br><p -0.4> | 0.4<br>< 0.2> | -0.1<br><-0.4> | 0.0<br><-0.7> | p -0.1<br><p -0.3> |
| Consumer price index <sup>8</sup>   | -1.2                    | -1.2          | -1.0               | -1.0          | -1.1           | -1.0          | -1.1               |
| Corporate services price index <sup>9</sup>   | -1.6                    | -1.3          | p -1.1             | -1.1          | -1.1           | -1.1          | p -1.2             |
| Money Stock (M2)<br><average outstanding, y/y % chg.>                                     | 2.8                     | 3.0           | p 2.8              | 2.9           | 2.7            | 2.8           | p 2.8              |
| Number of corporate bankruptcies<br><cases per month>                                     | <1,156>                 | <1,108>       | <1,077>            | <1,148>       | <1,066>        | <1,064>       | <1,102>            |

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";

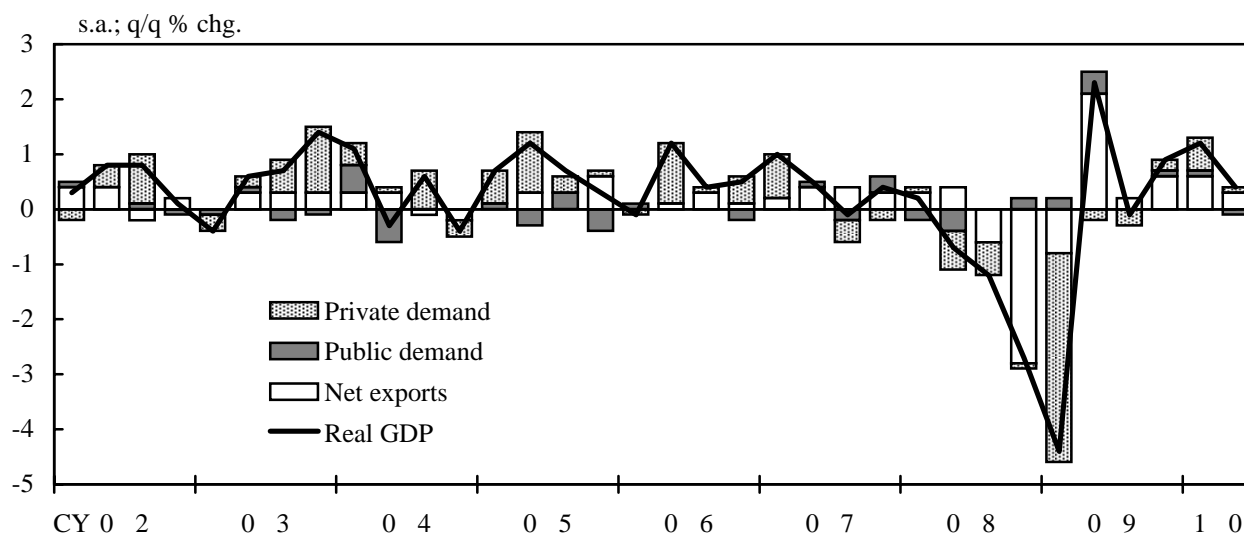
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey";

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



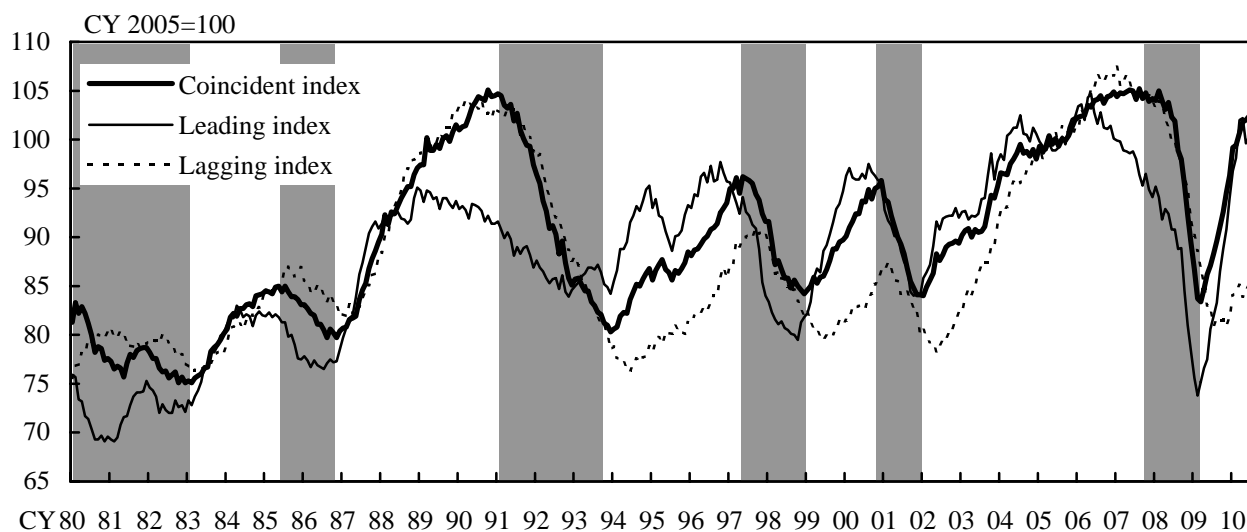
## (2) Components

s.a.; q/q % chg.

|                                   | 2009 |      |      | 2010 |      |
|-----------------------------------|------|------|------|------|------|
|                                   | Q2   | Q3   | Q4   | Q1   | Q2   |
| Real GDP                          | 2.3  | -0.1 | 0.9  | 1.2  | 0.4  |
| Domestic demand                   | 0.3  | -0.3 | 0.2  | 0.6  | 0.0  |
| Private demand                    | -0.2 | -0.3 | 0.2  | 0.6  | 0.1  |
| Private consumption               | 0.8  | 0.4  | 0.4  | 0.3  | 0.0  |
| Non-Resi. investment              | -0.8 | -0.2 | 0.2  | 0.1  | 0.2  |
| Residential investment            | -0.3 | -0.2 | -0.1 | 0.0  | -0.0 |
| Private inventory                 | 0.1  | -0.2 | -0.4 | 0.1  | -0.1 |
| Public demand                     | 0.4  | -0.0 | 0.1  | 0.1  | -0.1 |
| Public investment                 | 0.4  | -0.1 | -0.1 | -0.0 | -0.1 |
| Net exports of goods and services | 2.1  | 0.2  | 0.6  | 0.6  | 0.3  |
| Exports                           | 1.3  | 1.1  | 0.8  | 1.0  | 0.9  |
| Imports                           | 0.8  | -0.9 | -0.2 | -0.4 | -0.5 |
| Nominal GDP                       | 0.4  | -0.5 | 0.2  | 1.6  | -0.6 |

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

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

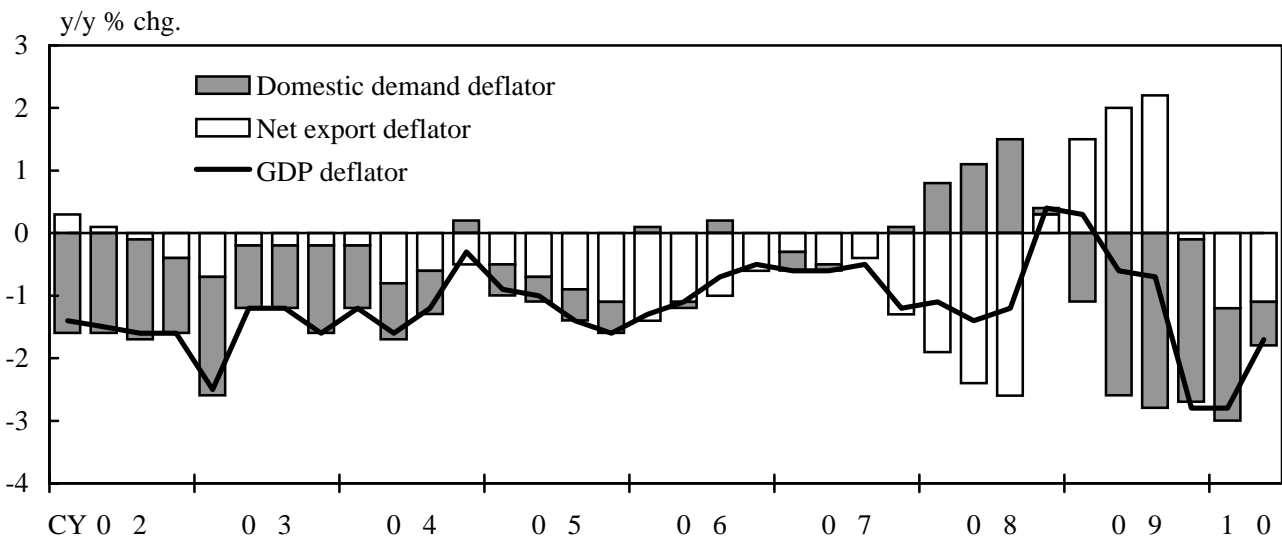


Note: Shaded areas indicate recession periods.

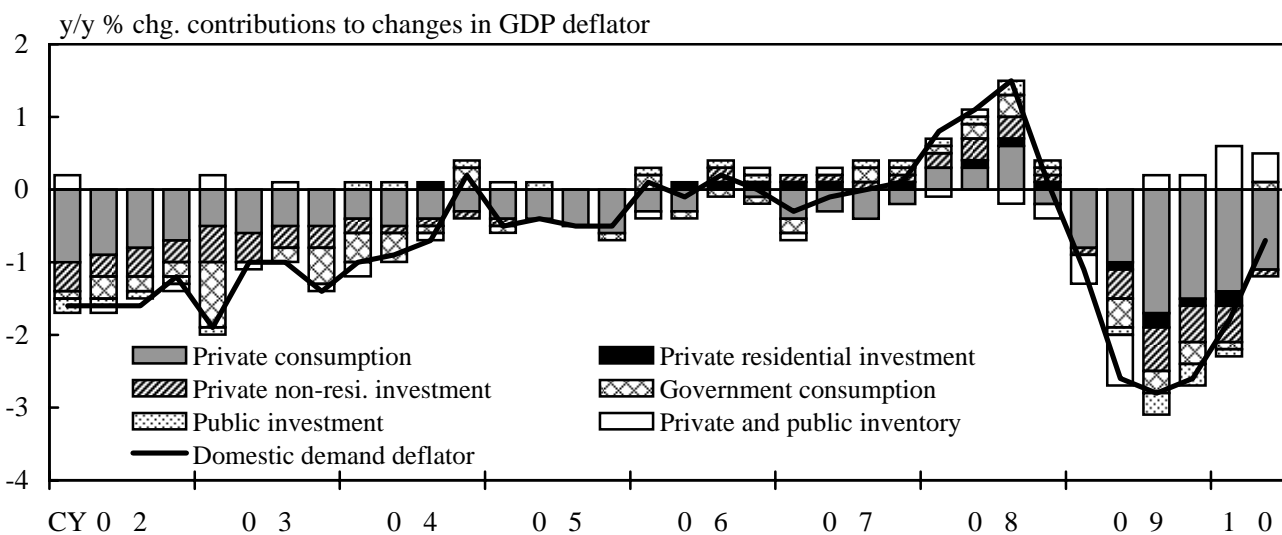
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

GDP Deflator and Income Formation

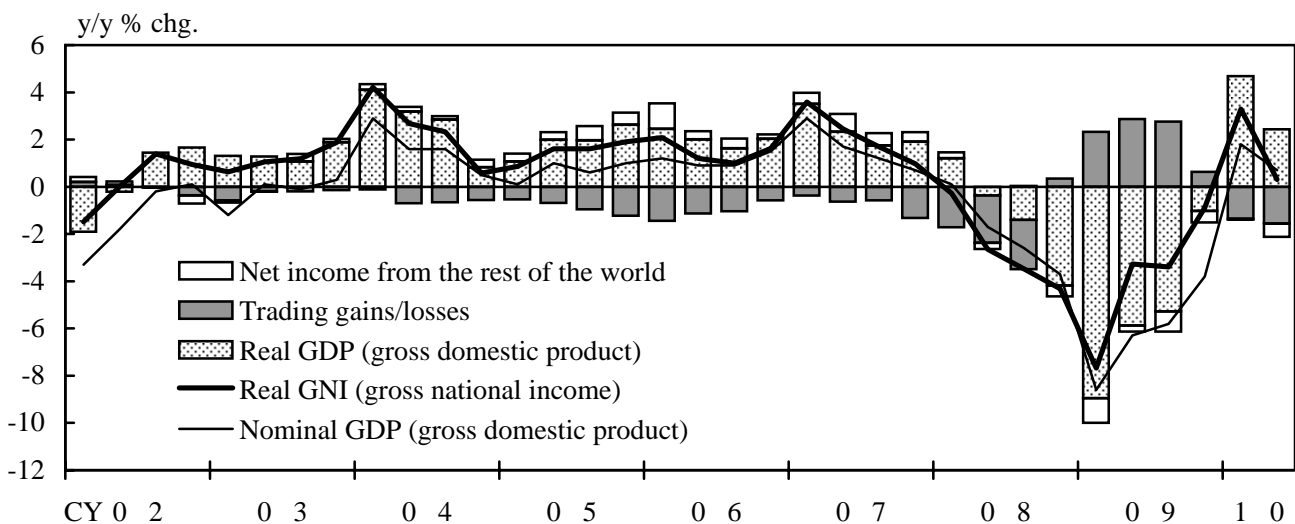
(1) GDP Deflator



(2) Domestic Demand Deflator



(3) Aggregate Income Formation



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

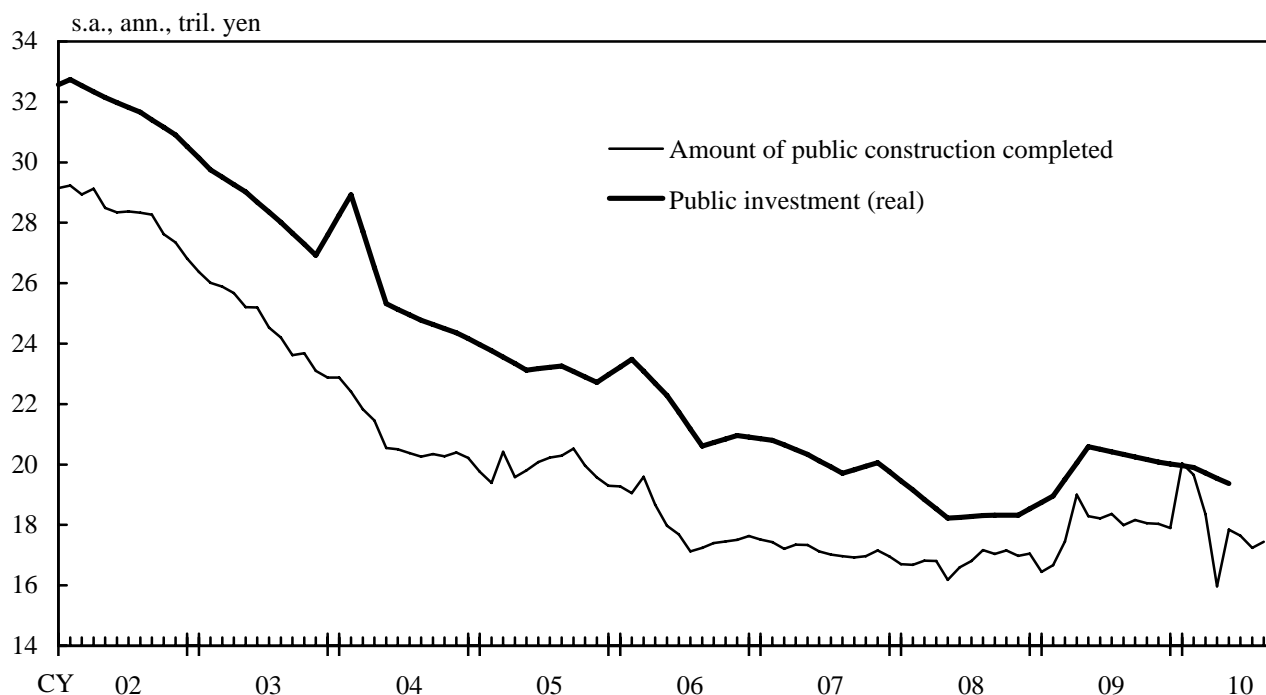
2. Real GNI = real GDP + trading gains/losses + net income from the rest of the world

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

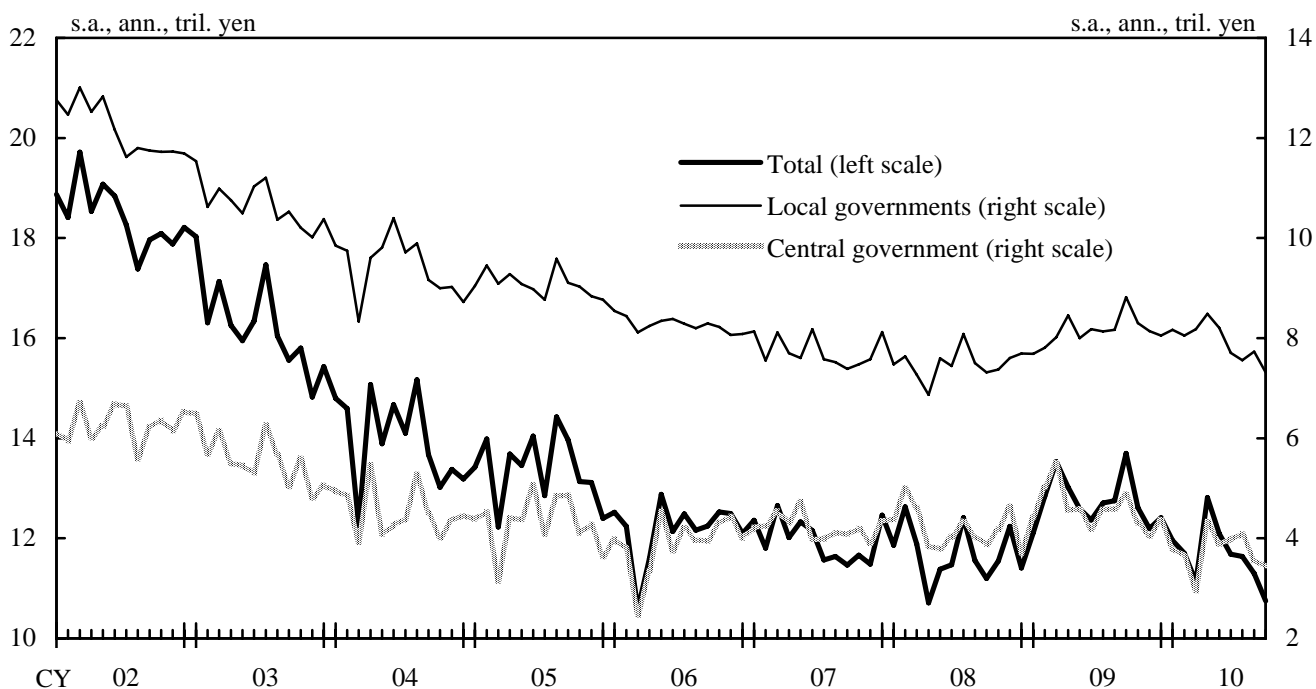
Source: Cabinet Office, "National Accounts."

## 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.

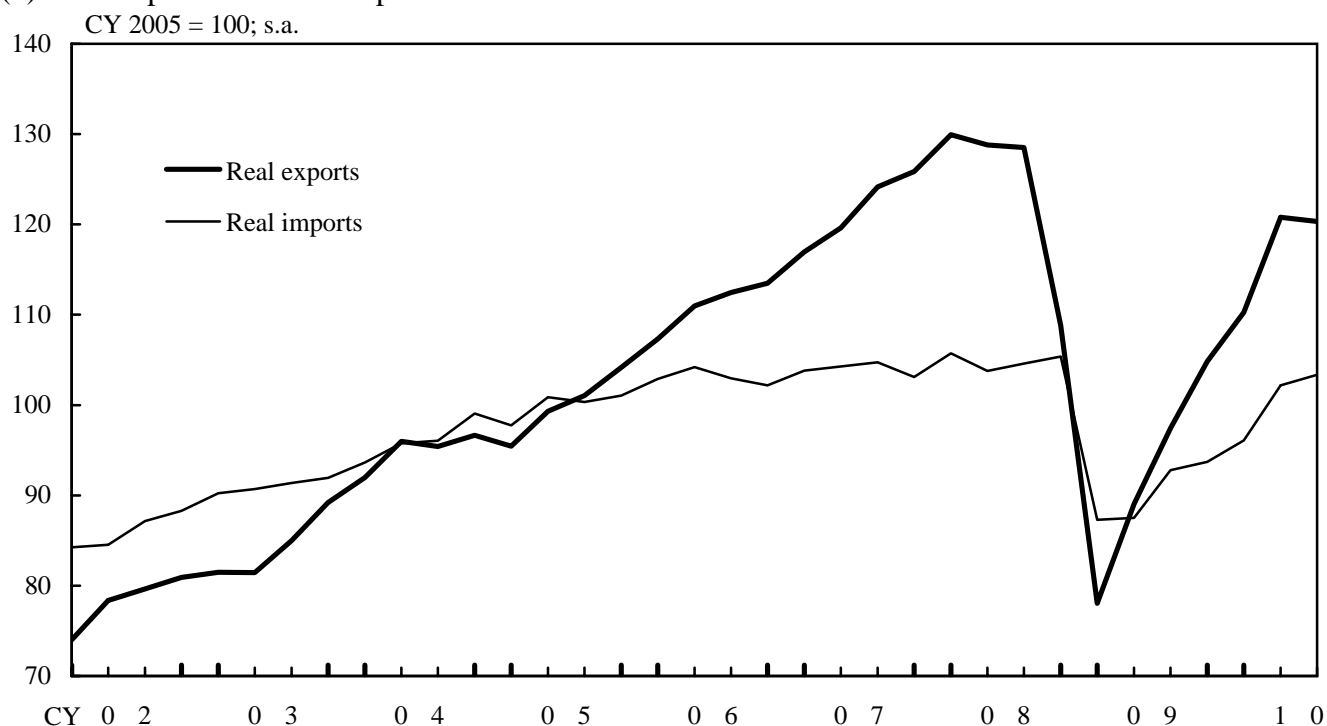
Sources: Cabinet Office, "National Accounts";

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

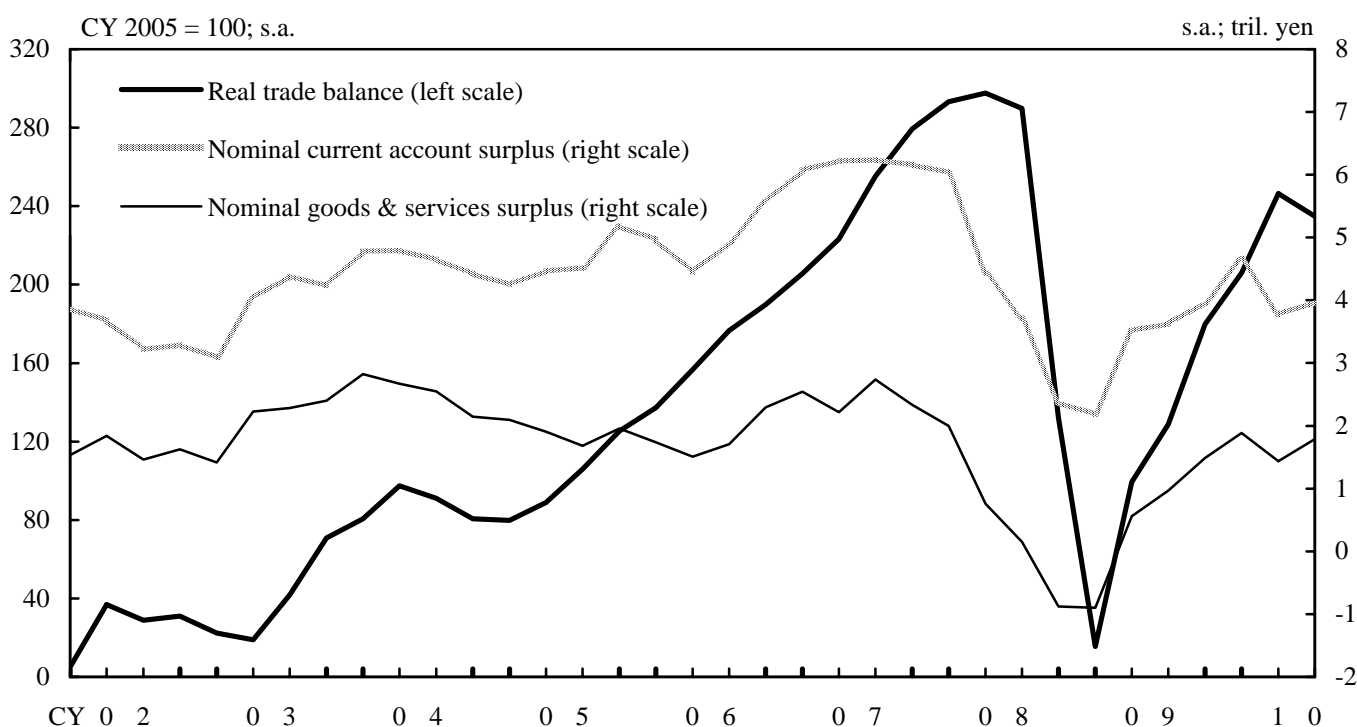
Ministry of Land, Infrastructure, Transport and Tourism, "Integrated Statistics on Construction Works."

## 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 the base year of 2005. Real exports /imports are the "Value of Exports and Imports in the Trade Statistics" deflated by the "Export and Import Price Index."  
 2. Figures are seasonally adjusted by X-12-ARIMA.  
 3. 2010/Q3 figures for the nominal current account surplus and nominal goods & services surplus are July-August averages converted into quarterly amounts.

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

Real Exports <sup>1</sup>

## (1) Breakdown by Region

|                     |        | y/y % chg. |       | s.a.; q/q % chg. |            |            |            |            | s.a.; m/m % chg. |              |              |
|---------------------|--------|------------|-------|------------------|------------|------------|------------|------------|------------------|--------------|--------------|
|                     |        | CY<br>2008 | 2009  | 2009<br>Q3       | 2009<br>Q4 | 2010<br>Q1 | 2010<br>Q2 | 2010<br>Q3 | 2010<br>Jul.     | 2010<br>Aug. | 2010<br>Sep. |
| United States       | <16.1> | -8.8       | -32.6 | 11.2             | 7.1        | -1.2       | 11.3       | 3.5        | 5.7              | -9.1         | 1.5          |
| EU                  | <12.5> | -0.1       | -34.6 | 4.8              | 9.6        | -4.0       | 8.5        | 4.2        | 5.1              | 5.7          | -2.7         |
| East Asia           | <51.4> | 3.4        | -15.8 | 13.1             | 7.8        | 7.9        | 5.0        | 0.8        | 3.0              | -1.7         | -2.4         |
| China               | <18.9> | 6.7        | -10.2 | 10.3             | 6.4        | 9.1        | 2.5        | 2.7        | 7.8              | -1.3         | -4.2         |
| NIEs                | <23.5> | -0.0       | -18.0 | 12.4             | 6.7        | 6.9        | 5.3        | -0.6       | 0.2              | -1.4         | -2.8         |
| Korea               | <8.1>  | -0.3       | -16.0 | 11.2             | 5.0        | 5.9        | 5.8        | 1.6        | -0.9             | 2.5          | -7.5         |
| Taiwan              | <6.3>  | -4.3       | -17.7 | 13.3             | 11.8       | 9.7        | 6.8        | -0.8       | 1.3              | 0.7          | -9.6         |
| Hong Kong           | <5.5>  | -2.4       | -18.8 | 9.5              | 8.0        | 4.9        | 10.0       | -3.9       | 0.5              | -12.3        | 6.5          |
| Singapore           | <3.6>  | 13.3       | -21.6 | 22.1             | -4.7       | 13.3       | -11.0      | 6.0        | 0.8              | 8.5          | 4.0          |
| ASEAN4 <sup>3</sup> | <9.1>  | 6.4        | -20.5 | 21.7             | 13.7       | 8.1        | 9.0        | 0.6        | 0.7              | -3.1         | 1.7          |
| Thailand            | <3.8>  | 5.0        | -20.9 | 27.8             | 16.1       | 4.9        | 11.1       | 1.2        | -0.3             | -3.1         | -1.4         |
| Others              | <20.0> | 16.1       | -32.1 | 9.2              | 11.3       | 11.1       | 9.1        | -3.9       | -1.8             | -10.3        | 8.8          |
| Real exports        |        | 1.8        | -25.6 | 9.4              | 7.6        | 5.2        | 9.6        | -0.4       | 2.4              | -4.2         | -0.1         |

## (2) Breakdown by Goods

|  |        | y/y % chg. |       | s.a.; q/q % chg. |            |            |            |            | s.a.; m/m % chg. |              |              |
|--|--------|------------|-------|------------------|------------|------------|------------|------------|------------------|--------------|--------------|
|  |        | CY<br>2008 | 2009  | 2009<br>Q3       | 2009<br>Q4 | 2010<br>Q1 | 2010<br>Q2 | 2010<br>Q3 | 2010<br>Jul.     | 2010<br>Aug. | 2010<br>Sep. |
| Intermediate goods                     | <20.7> | 0.4        | -5.6  | 10.0             | 4.6        | 0.9        | 5.4        | 1.3        | 2.8              | -2.1         | -3.5         |
| Motor vehicles and their related goods | <20.0> | 3.2        | -41.4 | 25.3             | 11.3       | 4.9        | 10.7       | 0.5        | -0.1             | -5.0         | 1.9          |
| Consumer goods <sup>4</sup>            | <4.1>  | 3.5        | -28.8 | 3.4              | 0.3        | -0.5       | 9.2        | 1.1        | -0.8             | -2.7         | 0.8          |
| IT-related goods <sup>5</sup>          | <11.3> | 0.8        | -17.0 | 9.0              | 5.7        | 5.9        | 7.2        | -1.7       | -0.1             | -0.8         | -7.1         |
| Capital goods and parts <sup>6</sup>   | <27.9> | 5.2        | -28.1 | 7.7              | 9.9        | 8.7        | 14.7       | 1.3        | 5.2              | -7.4         | 4.5          |
| Real exports                           |        | 1.8        | -25.6 | 9.4              | 7.6        | 5.2        | 9.6        | -0.4       | 2.4              | -4.2         | -0.1         |

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. Excludes motor vehicles.

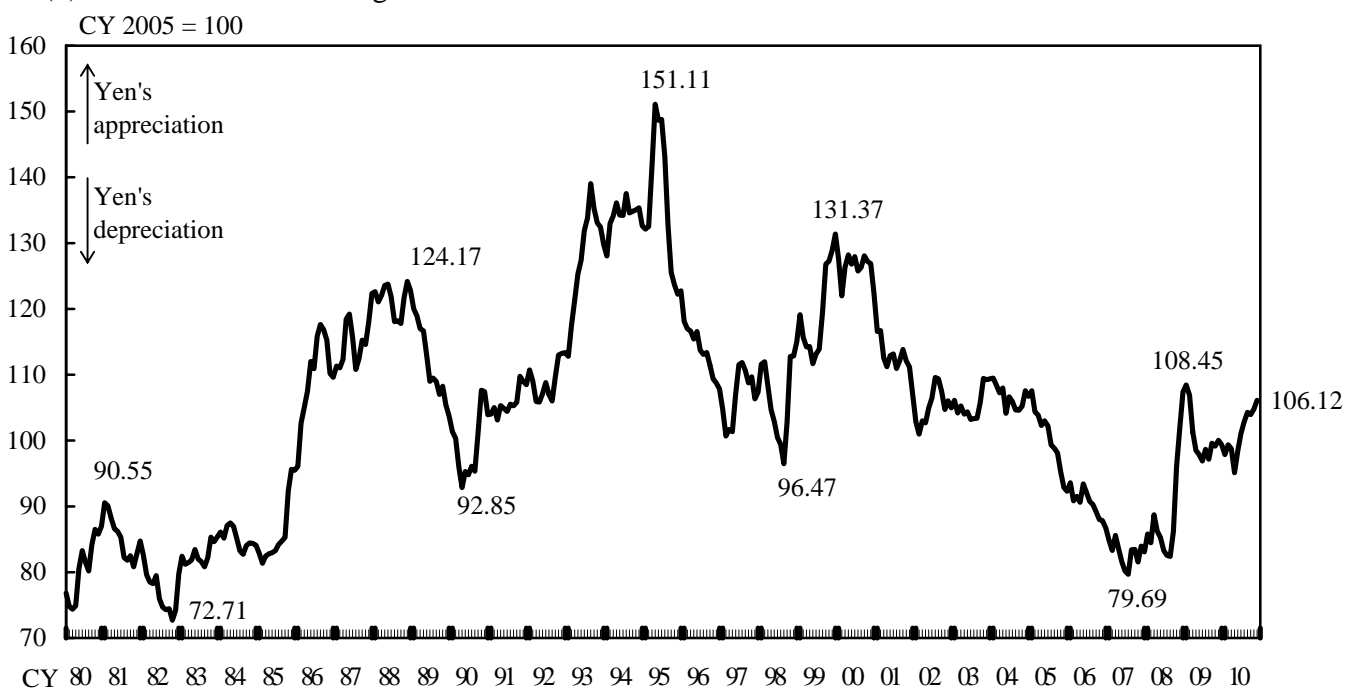
5. IT-related goods are composed of computers and units, telecommunication machinery, ICs, and medical and optical instruments.

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. The figure is based on the broad index of the BIS effective exchange rate and prior to 1994 is calculated using the narrow index.

2. Figures for October and November (up to November 2) 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<br>Q4 | 2010<br>Q1 | Q2   | Q3   |      |
|-----------------------------|----------------|-----------|------|------|------------|------------|------|------|------|
| United States <sup>1</sup>  |                | 1.9       | 0.0  | -2.6 | 5.0        | 3.7        | 1.7  | 2.0  |      |
| European Union <sup>1</sup> |                | 3.0       | 0.5  | -4.2 | 1.0        | 1.6        | 4.2  | n.a. |      |
|                             | Germany        | 2.7       | 1.0  | -4.7 | 1.2        | 1.9        | 9.0  | n.a. |      |
|                             | France         | 2.3       | 0.1  | -2.5 | 2.4        | 0.7        | 2.8  | n.a. |      |
|                             | United Kingdom | 2.7       | -0.1 | -5.0 | 1.4        | 1.8        | 4.7  | 3.2  |      |
| East Asia <sup>2</sup>      | China          | 14.2      | 9.6  | 9.1  | 11.3       | 11.9       | 10.3 | 9.6  |      |
|                             | NIEs           | Korea     | 5.1  | 2.3  | 0.2        | 6.0        | 8.1  | 7.2  | 4.5  |
|                             |                | Taiwan    | 6.0  | 0.7  | -1.9       | 9.1        | 13.7 | 12.5 | n.a. |
|                             |                | Hong Kong | 6.4  | 2.2  | -2.8       | 2.5        | 8.0  | 6.5  | n.a. |
|                             |                | Singapore | 8.5  | 1.8  | -1.3       | 3.8        | 16.9 | 19.6 | 10.3 |
|                             | ASEAN4         | Thailand  | 4.9  | 2.5  | -2.2       | 5.9        | 12.0 | 9.1  | n.a. |
|                             |                | Indonesia | 6.3  | 6.0  | 4.5        | 5.4        | 5.7  | 6.2  | n.a. |
| Malaysia                    |                | 6.5       | 4.7  | -1.7 | 4.4        | 10.1       | 8.9  | n.a. |      |
| Philippines                 |                | 7.1       | 3.7  | 1.1  | 2.1        | 7.8        | 7.9  | 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 <sup>1</sup>

## (1) Breakdown by Region

|                    |        | y/y % chg. |       | s.a.; q/q % chg. |            |            |      |      | s.a.; m/m % chg. |      |      |
|--------------------|--------|------------|-------|------------------|------------|------------|------|------|------------------|------|------|
|                    |        | CY<br>2008 | 2009  | 2009<br>Q3       | 2010<br>Q4 | 2010<br>Q1 | Q2   | Q3   | 2010<br>Jul.     | Aug. | Sep. |
| United States      | <10.7> | -2.5       | -18.7 | 3.3              | 6.5        | -0.4       | 4.5  | 0.7  | 3.5              | -4.3 | 0.7  |
| EU                 | <10.7> | -3.0       | -13.2 | 4.8              | 1.6        | -0.8       | 4.1  | 4.6  | -1.5             | 0.2  | 2.5  |
| East Asia          | <41.9> | 2.5        | -13.1 | 8.2              | 3.1        | 4.2        | 11.2 | 1.2  | -2.1             | -0.8 | -0.3 |
| China              | <22.2> | 4.4        | -11.1 | 8.8              | 3.9        | 3.0        | 13.8 | 0.9  | -4.6             | 0.2  | -1.7 |
| NIEs               | <8.6>  | -1.0       | -15.9 | 8.5              | 2.2        | 7.0        | 6.9  | 0.7  | 0.0              | -0.9 | -1.5 |
| Korea              | <4.0>  | -5.2       | -19.0 | 8.9              | -0.5       | 4.0        | 10.7 | 0.9  | -0.3             | -2.9 | -4.2 |
| Taiwan             | <3.3>  | 3.5        | -12.4 | 9.3              | 5.6        | 6.3        | 4.6  | 1.2  | 3.0              | 1.0  | -1.9 |
| Hong Kong          | <0.2>  | -1.7       | -29.7 | -10.8            | -4.4       | 55.5       | -7.4 | -4.8 | -21.7            | 0.6  | 8.3  |
| Singapore          | <1.1>  | 1.6        | -12.4 | 0.4              | 5.1        | 12.6       | 7.7  | -3.9 | -10.3            | 3.0  | 0.2  |
| ASEAN <sup>4</sup> | <11.0> | 1.7        | -14.9 | 6.6              | 2.1        | 4.3        | 9.3  | 2.6  | 2.3              | -2.9 | 4.3  |
| Thailand           | <2.9>  | 2.4        | -17.5 | 10.3             | 5.9        | 3.6        | 11.0 | 6.1  | 1.6              | -0.5 | -2.2 |
| Others             | <36.7> | 3.0        | -13.9 | 4.7              | -1.2       | 2.6        | 3.4  | 0.8  | 3.8              | -2.4 | -3.6 |
| Real imports       |        | 0.7        | -14.0 | 6.0              | 1.0        | 2.5        | 6.3  | 1.1  | -0.7             | -1.6 | -0.3 |

## (2) Breakdown by Goods

|                                      |        | y/y % chg. |       | s.a.; q/q % chg. |            |            |      |      | s.a.; m/m % chg. |      |      |
|--------------------------------------|--------|------------|-------|------------------|------------|------------|------|------|------------------|------|------|
|                                      |        | CY<br>2008 | 2009  | 2009<br>Q3       | 2010<br>Q4 | 2010<br>Q1 | Q2   | Q3   | 2010<br>Jul.     | Aug. | Sep. |
| Raw materials <sup>4</sup>           | <34.2> | 2.4        | -14.9 | 6.0              | -3.4       | 3.2        | 3.1  | 1.0  | 3.7              | -3.7 | 0.1  |
| Intermediate goods                   | <14.2> | 1.7        | -15.3 | 11.2             | 2.7        | 5.8        | 7.4  | 1.6  | -1.4             | -0.9 | 0.9  |
| Foodstuffs                           | <9.7>  | -3.6       | 1.0   | -0.0             | -4.7       | 2.2        | 8.6  | 3.4  | -0.3             | 3.0  | -5.1 |
| Consumer goods <sup>5</sup>          | <8.9>  | -2.4       | -10.3 | 8.9              | 6.1        | 1.0        | 11.3 | -1.5 | -2.1             | -6.4 | 4.4  |
| IT-related goods <sup>6</sup>        | <11.0> | 4.3        | -12.4 | 5.1              | 4.6        | 6.2        | 10.0 | 1.7  | 1.0              | -1.9 | 3.9  |
| Capital goods and parts <sup>7</sup> | <11.8> | 2.9        | -23.8 | 6.0              | 11.3       | -0.4       | 6.8  | 3.4  | 0.6              | -4.8 | 6.9  |
| Excluding aircraft                   | <11.0> | 3.7        | -24.4 | 5.7              | 6.9        | 4.9        | 6.7  | 3.3  | 0.8              | -2.2 | 0.7  |
| Real imports                         |        | 0.7        | -14.0 | 6.0              | 1.0        | 2.5        | 6.3  | 1.1  | -0.7             | -1.6 | -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. Raw materials are mainly composed of woods, ores and mineral fuel.

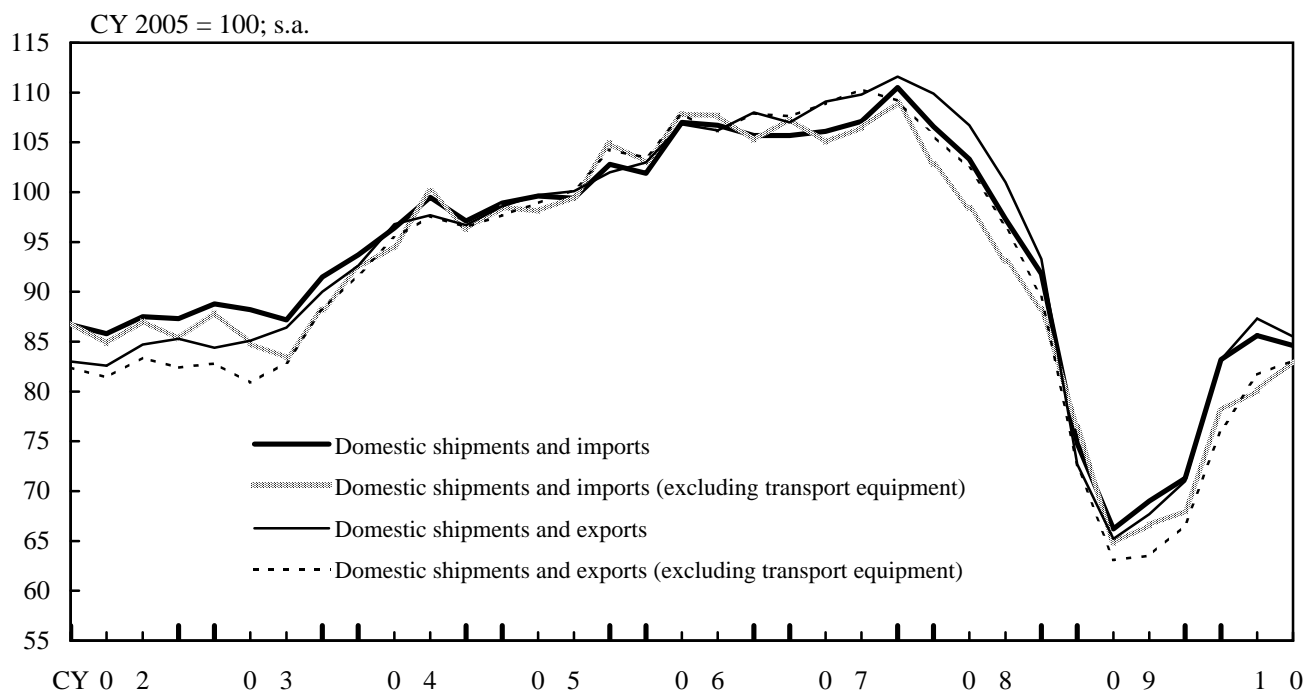
5. Excludes foodstuffs.

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

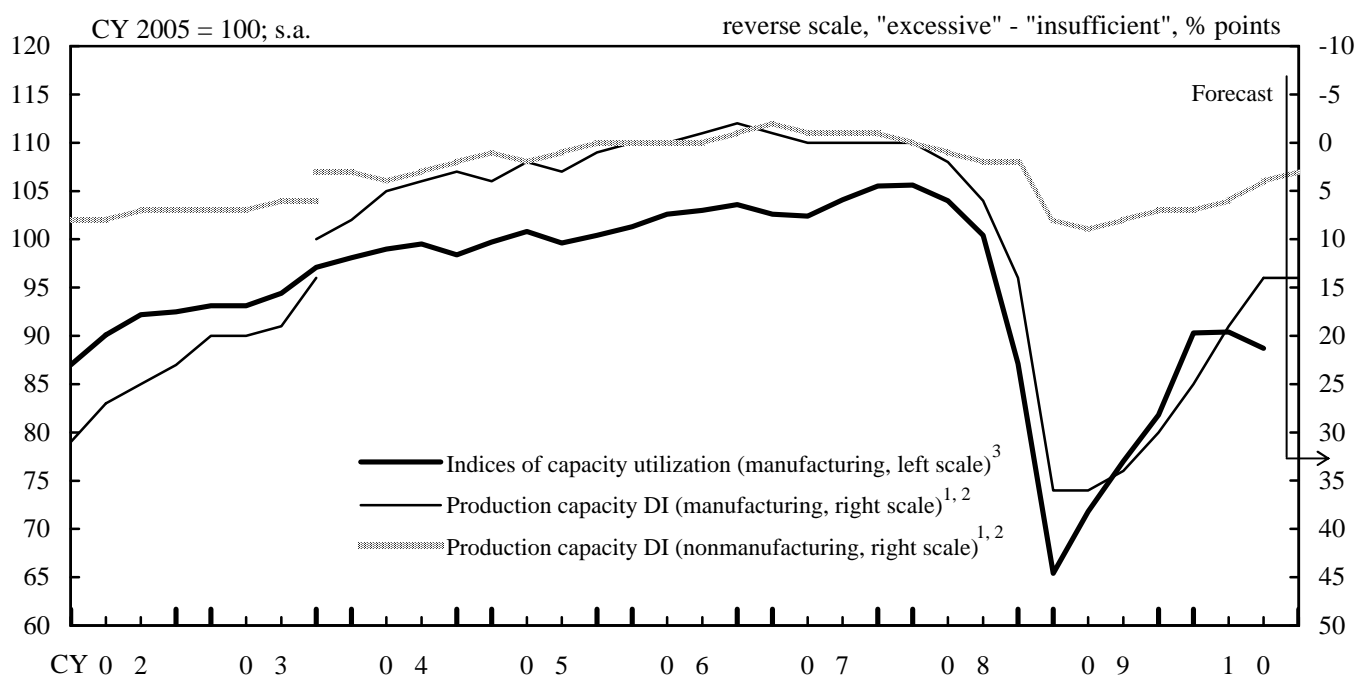
7. Excludes IT-related goods.

## 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.

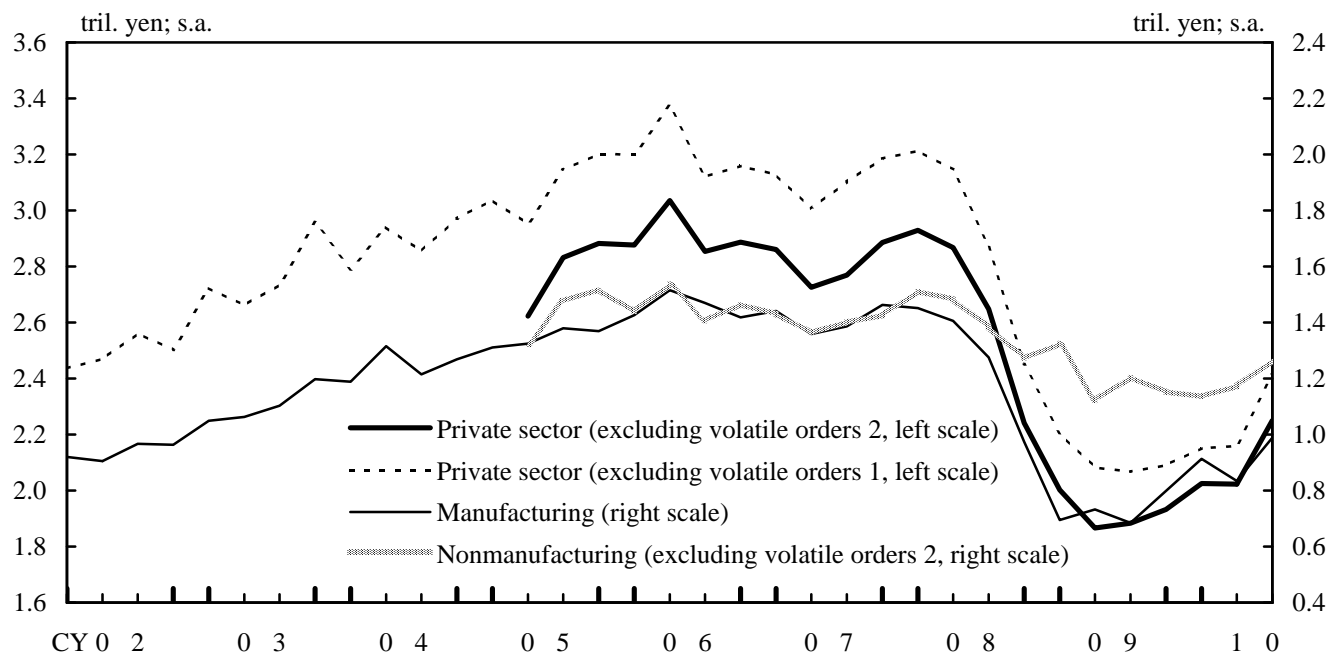
2. In the March 2004 survey, the *Tankan* underwent major revisions, including the addition of new sample enterprises to the survey. Figures up to the December 2003 survey are based on the previous data sets. Figures from the December 2003 survey are on a new basis.

3. The figure for 2010/Q3 is that of July-August 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

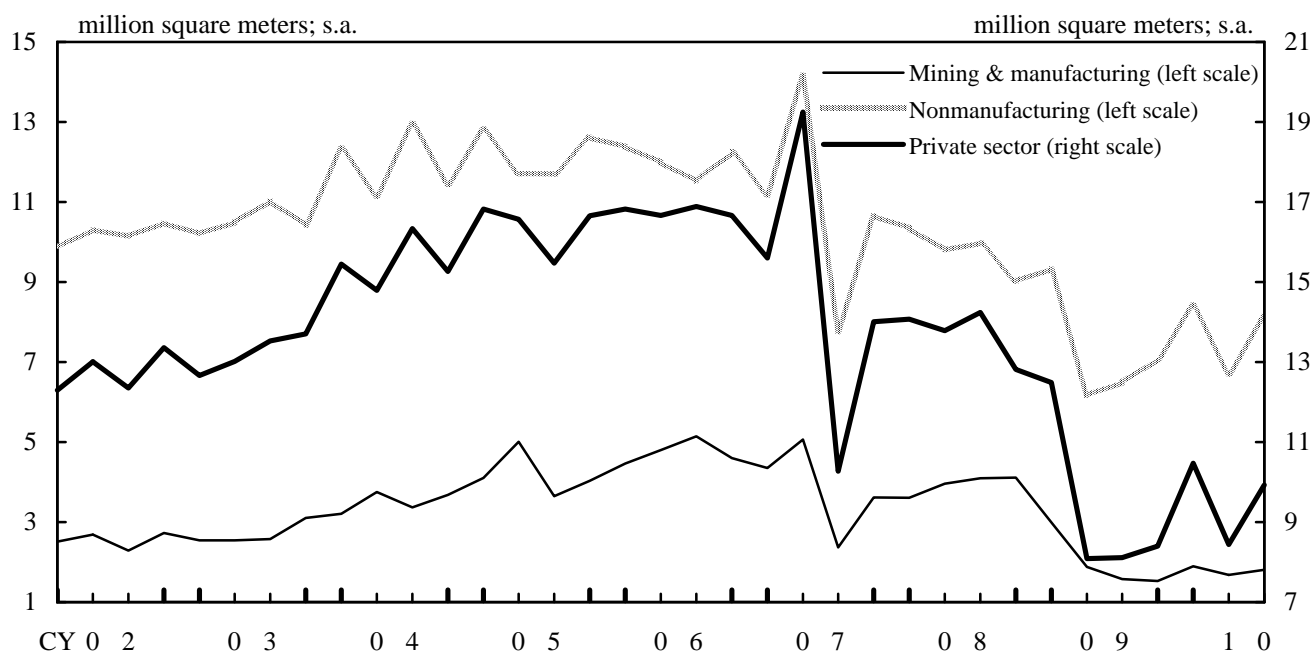


Notes: 1. Volatile orders 1: Orders for ships and those from electric power companies.

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

2. Figures for 2010/Q3 are those of July-August in terms of quarterly amount.

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



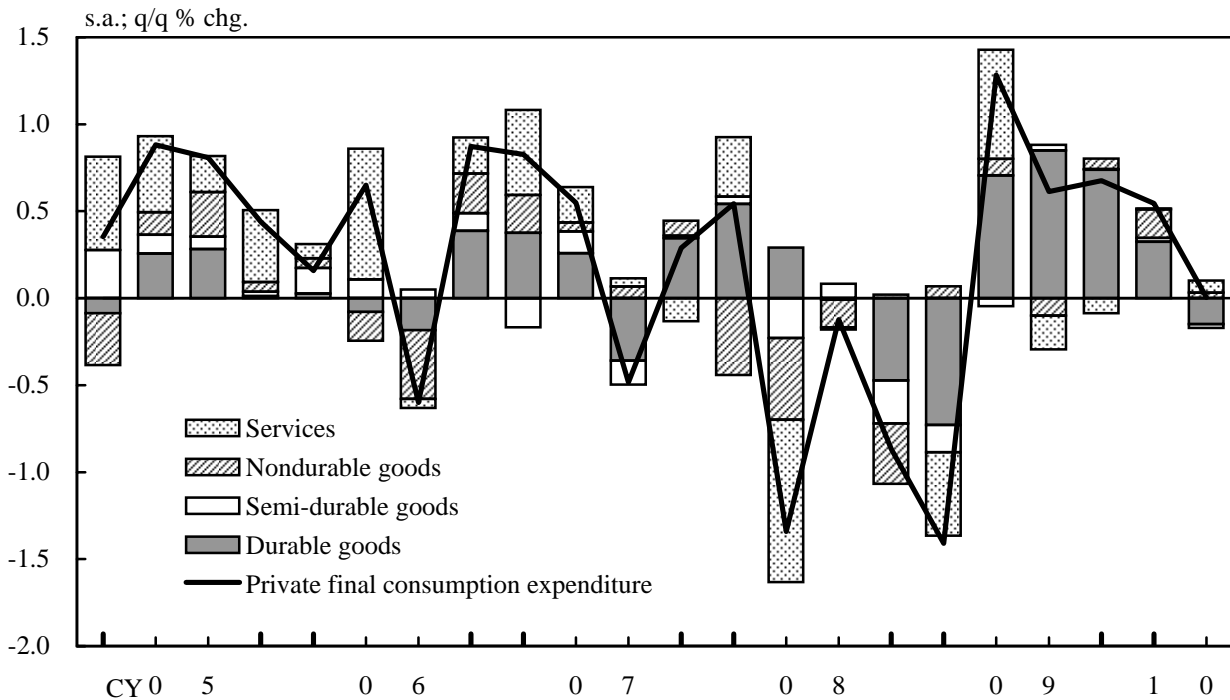
Notes: 1. Seasonally adjusted by X-12-ARIMA.

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.

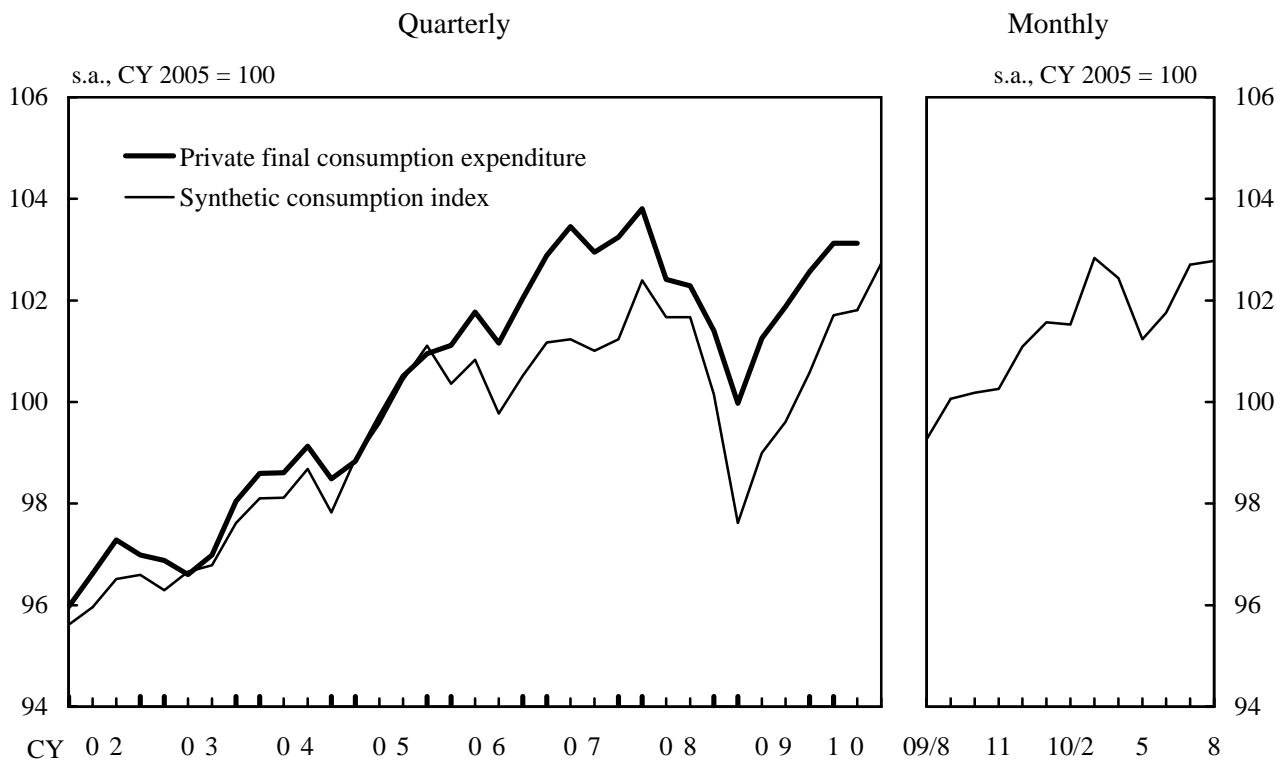
Sources: Cabinet Office, "Orders Received for Machinery";  
Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts."

Indicators for Private Consumption (1)

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



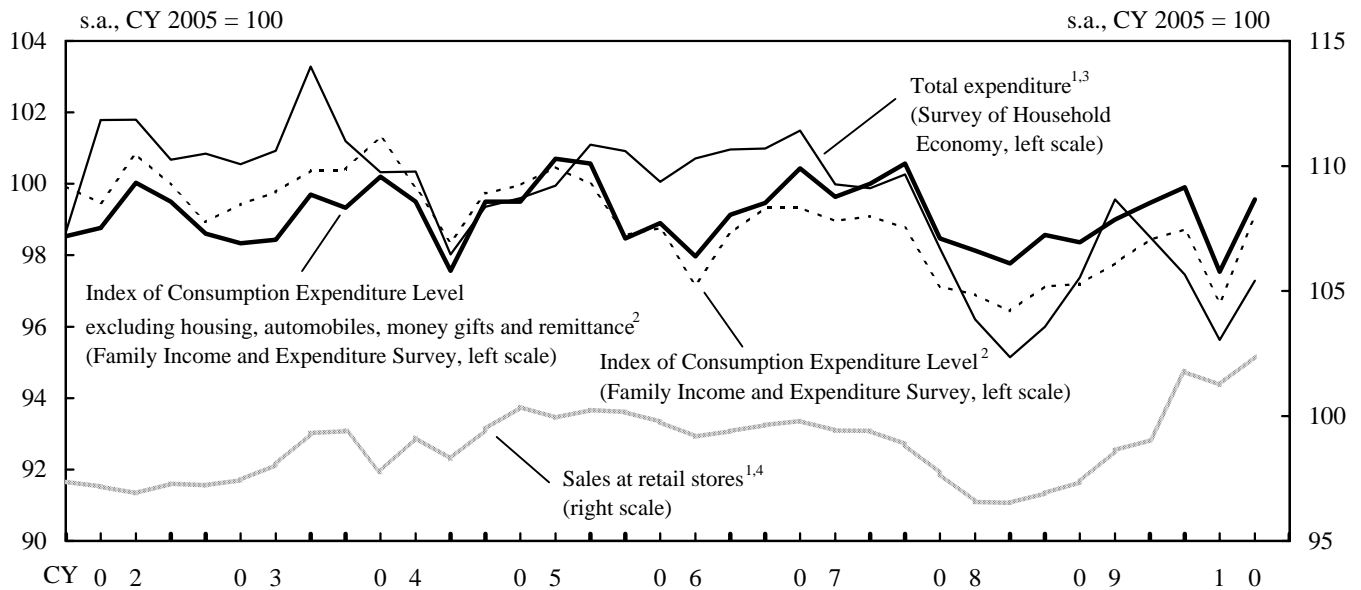
(2) Private Final Consumption Expenditure and Synthetic Consumption Index (Real)



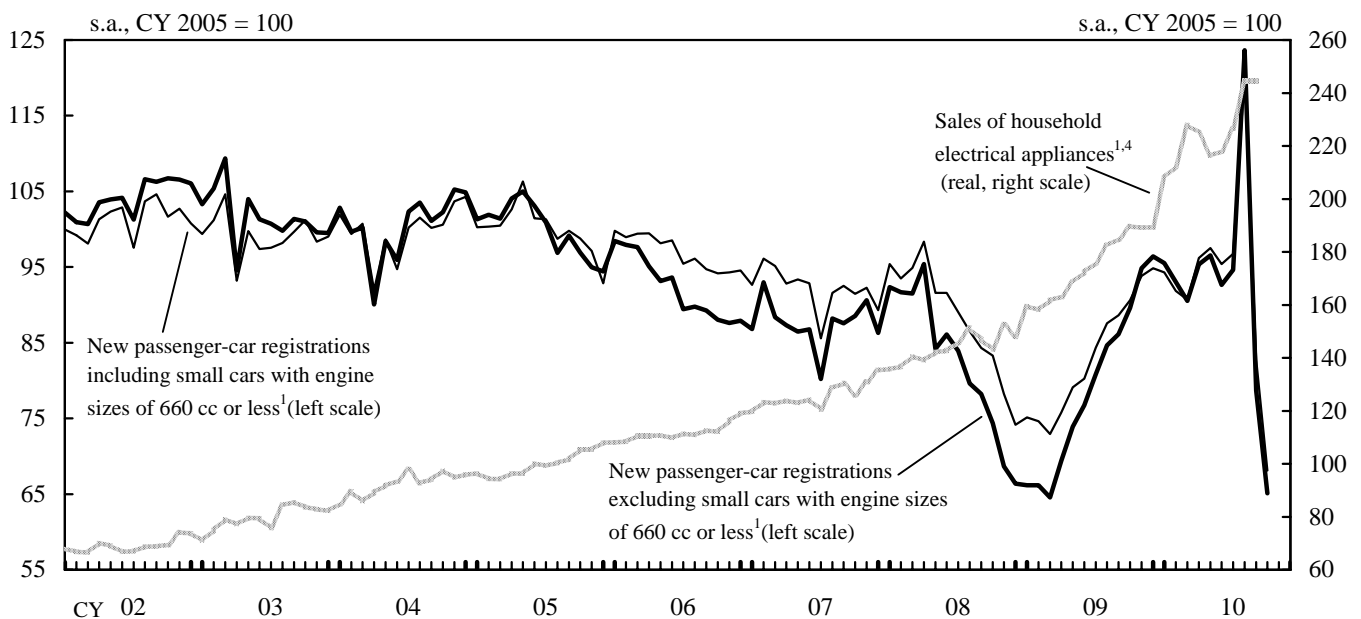
Note: The figure of synthetic consumption index for 2010/Q3 is that of July-August averages in terms of quarterly amount.

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

## Indicators for Private Consumption (2)

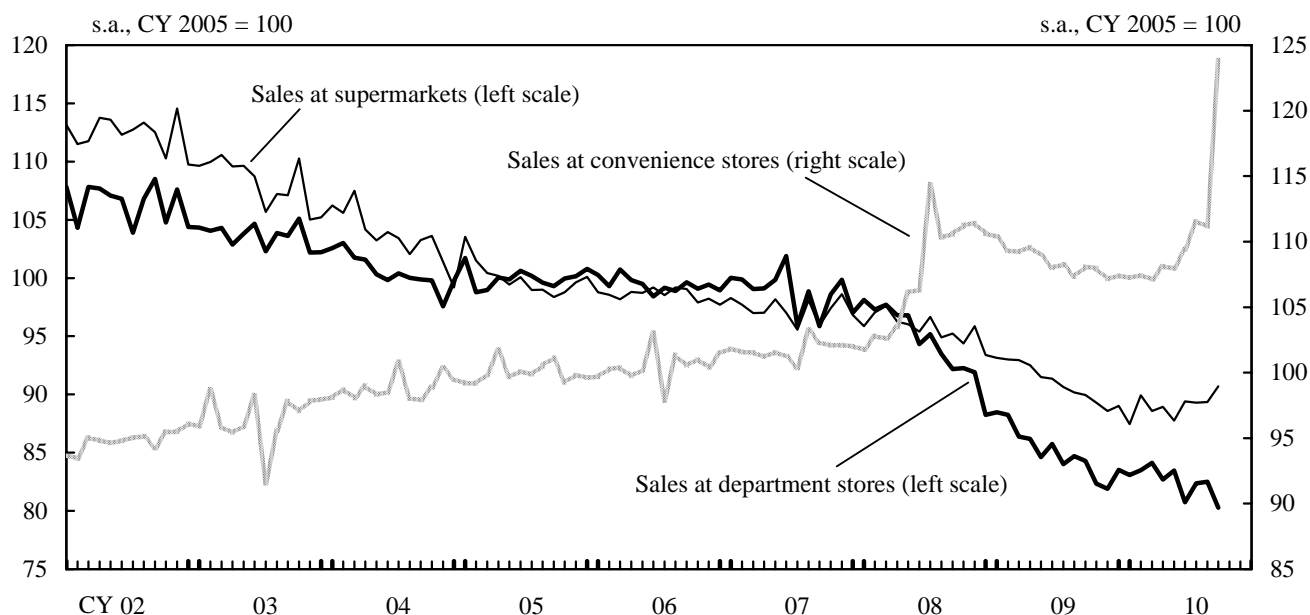
(1) Household Spending (Real)<sup>5</sup>

## (2) Sales of Durable Goods

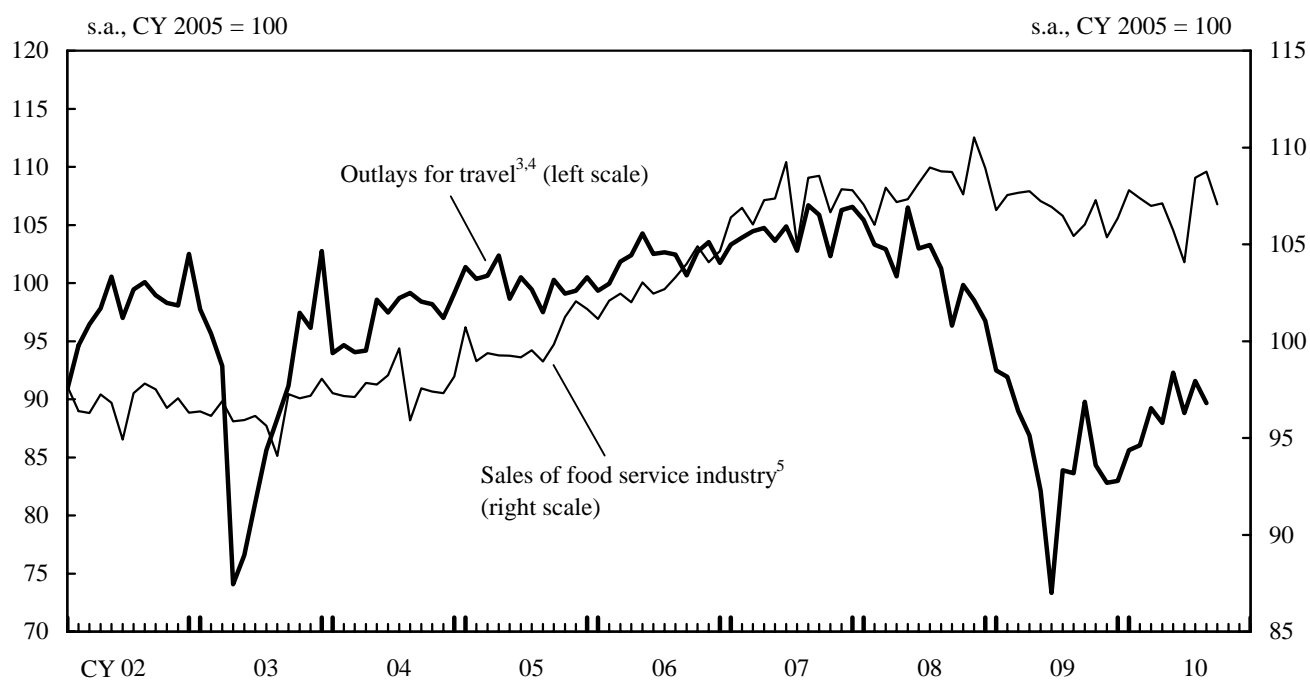


- Notes: 1. Total expenditure, Sales at retail stores, Sales of household electrical appliances and New passenger-car registrations are seasonally adjusted by X-12-ARIMA.
2. Index of consumption expenditure level is based on two-or-more-person households, and is adjusted by the distribution of household by number of household members and age group of household head.
3. Total expenditure is based on two-or-more-person households, and is deflated by the consumer price index excluding imputed rent.
4. Sales at retail stores are deflated by the consumer price index for goods (excluding electricity, gas & water charges). Sales of household electrical appliances are calculated as follows: indices of retail sales of machinery and equipment in the Current Survey of Commerce are deflated by the geometric means of the corresponding consumer price indexes (or by the corporate goods price index for PC printers before 2002).
5. Figures of Total expenditure for 2010/Q3 are those of July-August averages in terms of quarterly amount.

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

Indicators for Private Consumption<sup>1</sup> (3)(1) Sales at Retail Stores (Nominal)<sup>2</sup>

## (2) Consumption of Services (Nominal)



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

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

3. Excluding those by foreign travelers.

4. There 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.

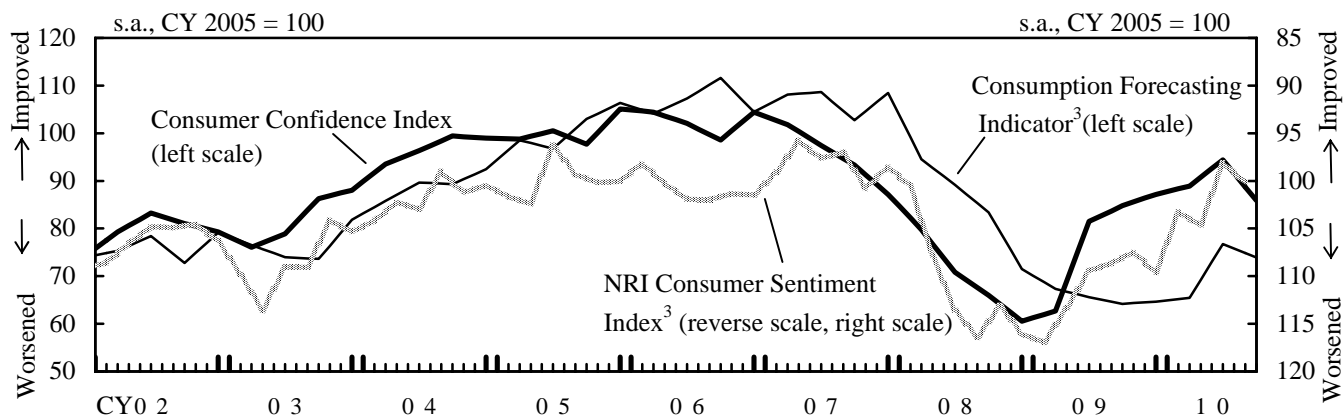
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce";

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

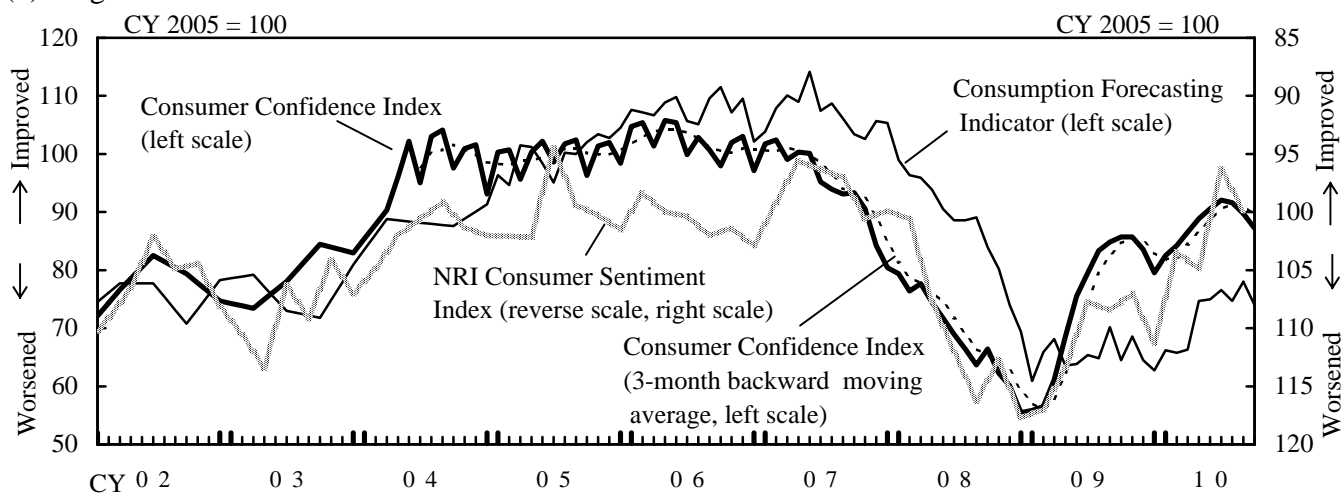
Food Service Industry Survey & Research Center, "*Getsuji Uriage Doukou Chousa* (Monthly Survey of Food Service Sales)"; Japan Food Service Association, "*Gaishoku Sangyou Shijou Doukou Chousa* (Research on the Food Service Industry)."

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

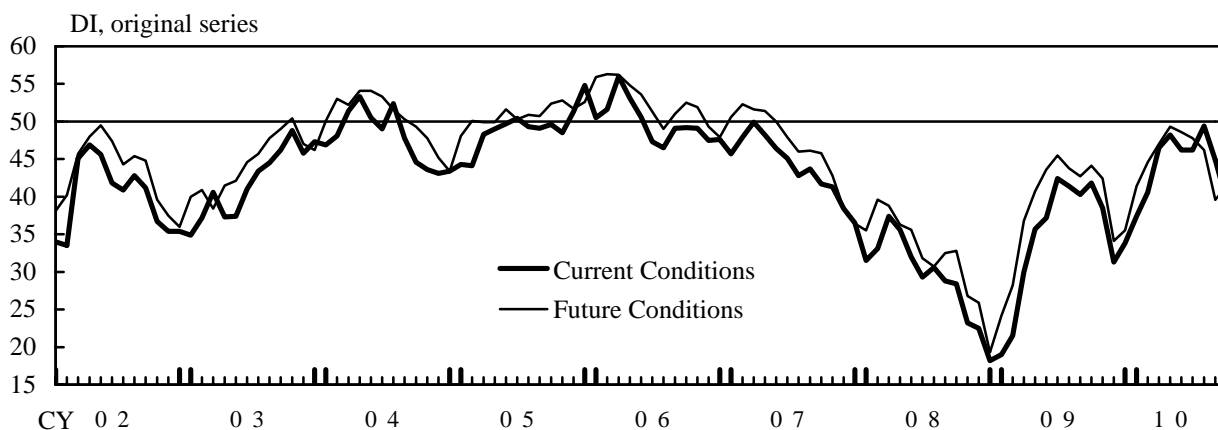
## (1) Seasonally Adjusted Series



## (2) Original Series



## Reference: Economy Watchers Survey (Household Activity)



- Notes: 1. The Consumer Confidence Index (with about 4,700 samples on a nationwide basis), Consumption Forecasting Indicator (with 600 samples in the metropolitan area), and NRI Consumer Sentiment Index (with 1,200 samples on a nationwide basis) are based on surveys on consumer confidence.
2. Figures are plotted for each surveyed months and the data for intervening months are linearly interpolated.
3. Figures are seasonally adjusted by X-12-ARIMA. The Consumption Forecasting Indicator is seasonally adjusted using quarterly figures because the survey was quarterly until 2004.

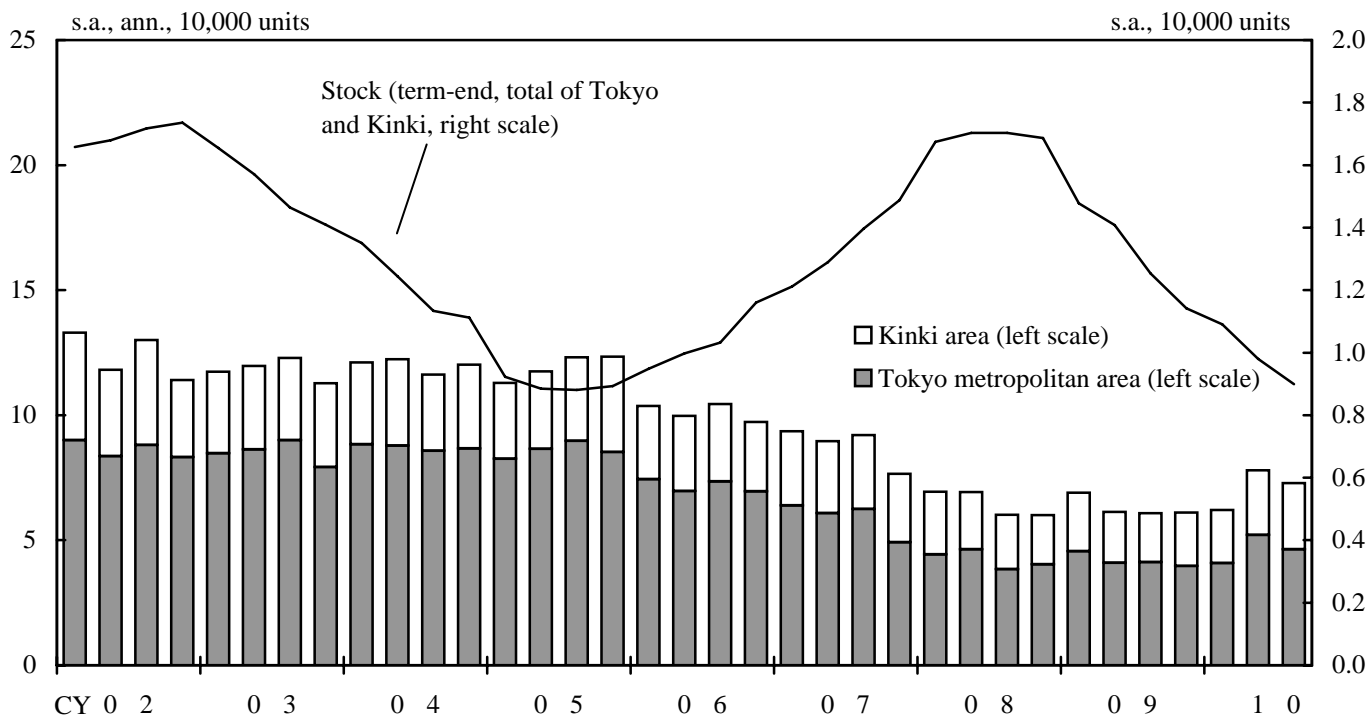
Sources: Cabinet Office, "Consumer Confidence Survey," "Economy Watchers Survey"; Nikkei inc., "Consumption Forecasting Indicator"; Nippon Research Institute (NRI), "Consumer Sentiment Survey."

Indicators for Housing Investment

(1) Housing Starts



(2) Sales of Apartments

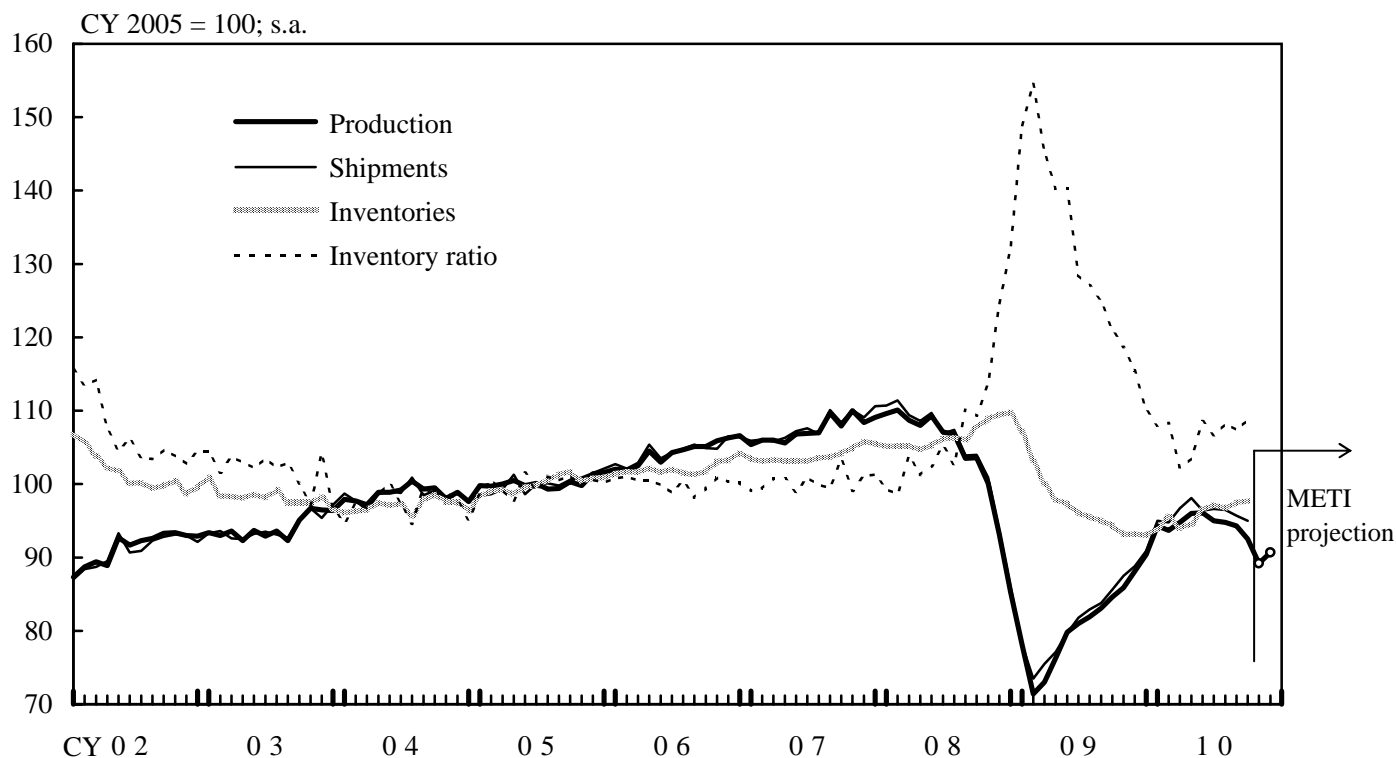


Note: Seasonally adjusted by X-12-ARIMA.

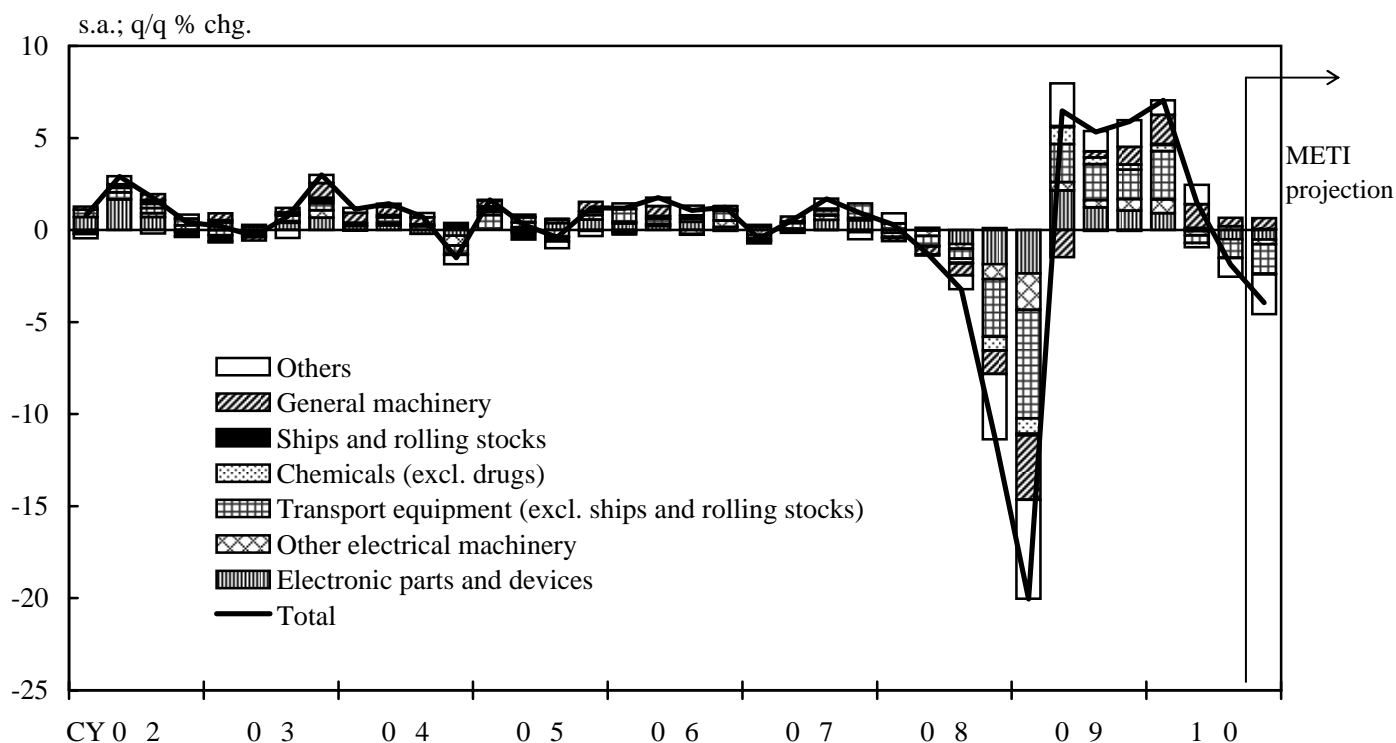


## Production, Shipments and Inventories

## (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."

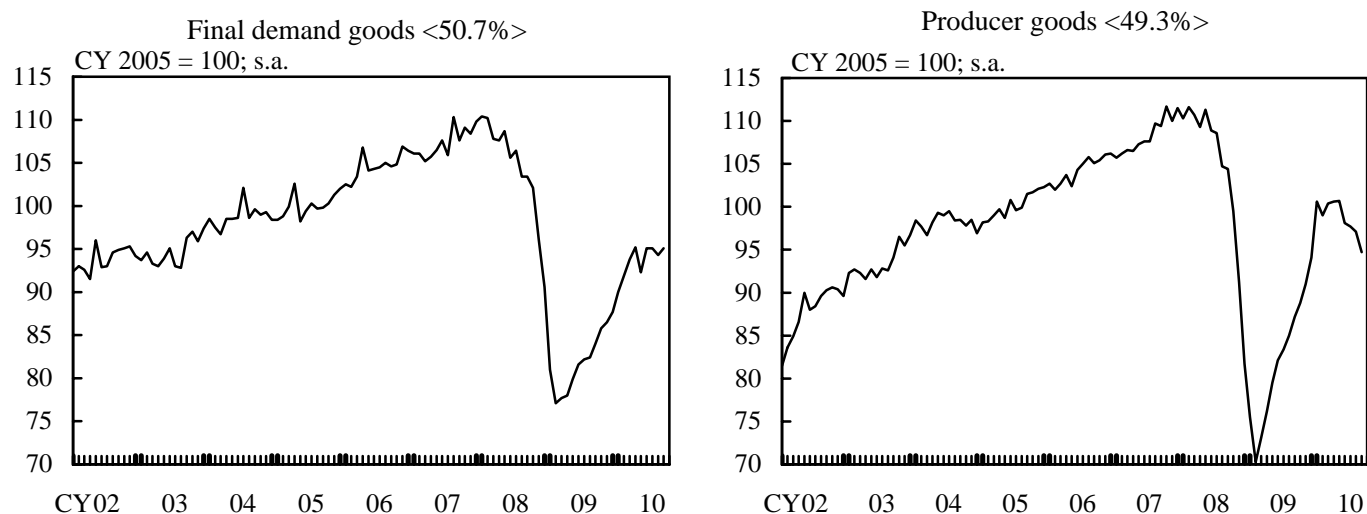
2. Figures up to 2003/Q1 are on the 2000 base.

3. 2010/Q4 figures are based on the assumption that each production level in December is the same as that of November.

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

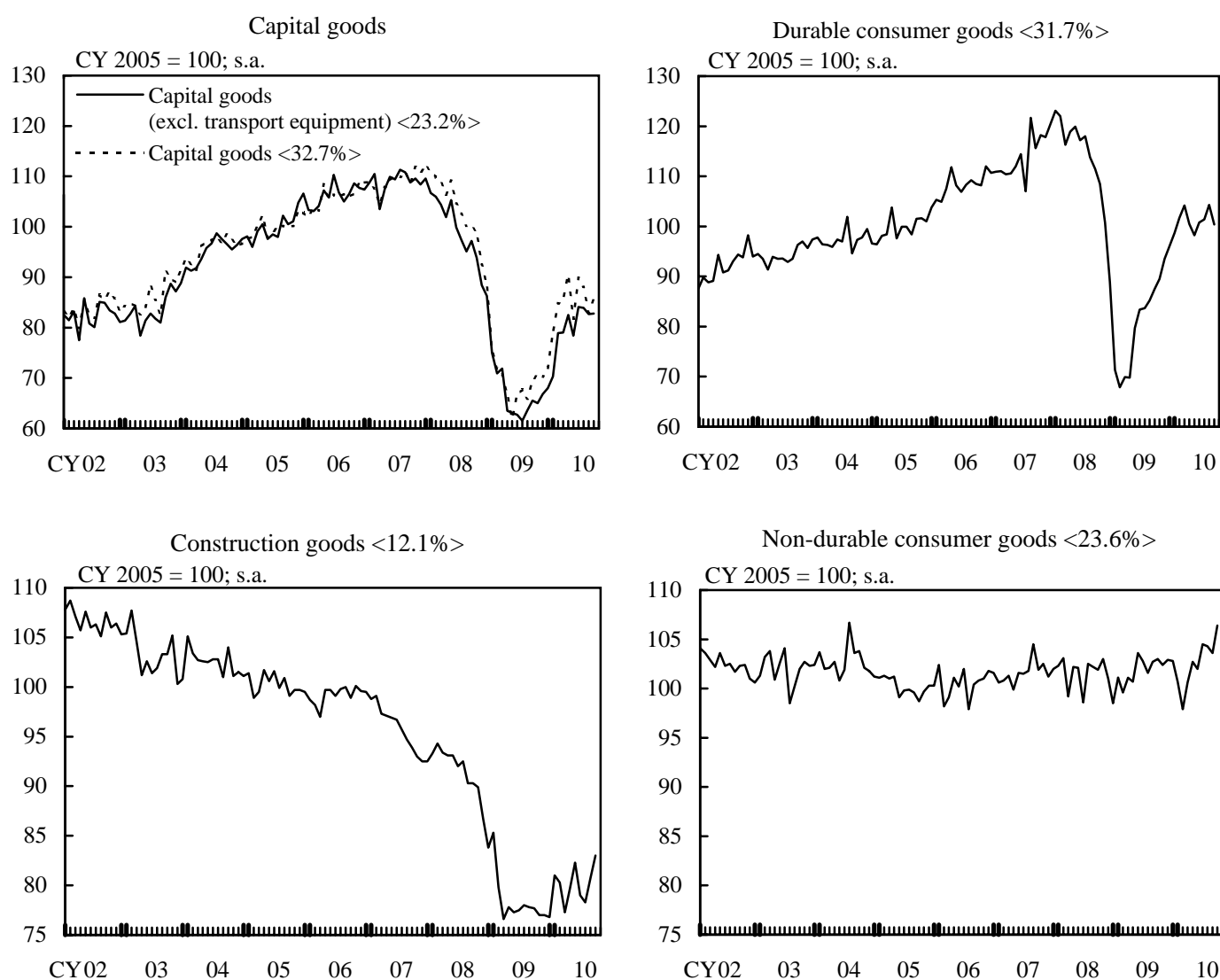
## Shipments Breakdown by Type of Goods

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



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

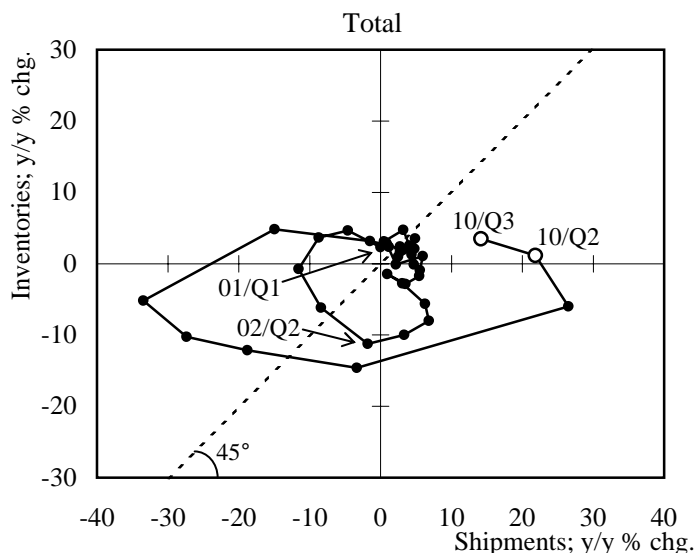
### (2) Breakdown of Final Demand Goods



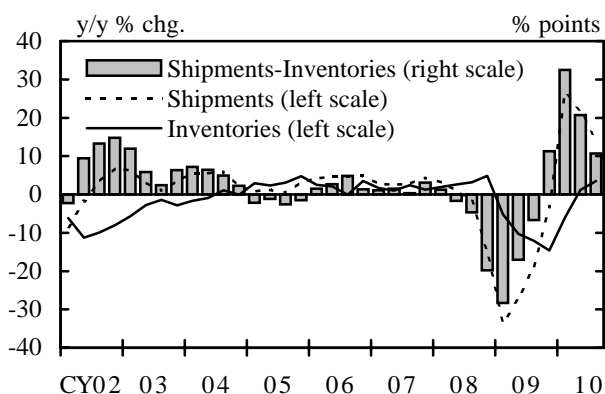
Note: Figures in angle brackets show the shares among shipments of final demand goods.

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

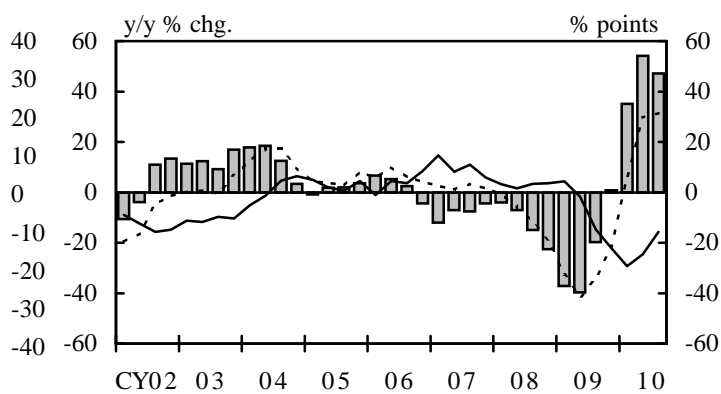
Inventory Cycle



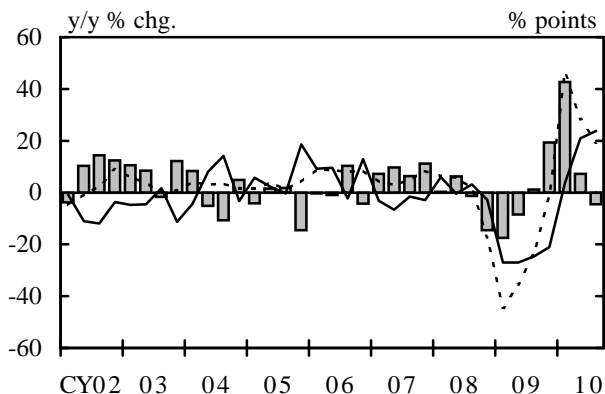
(1) Total



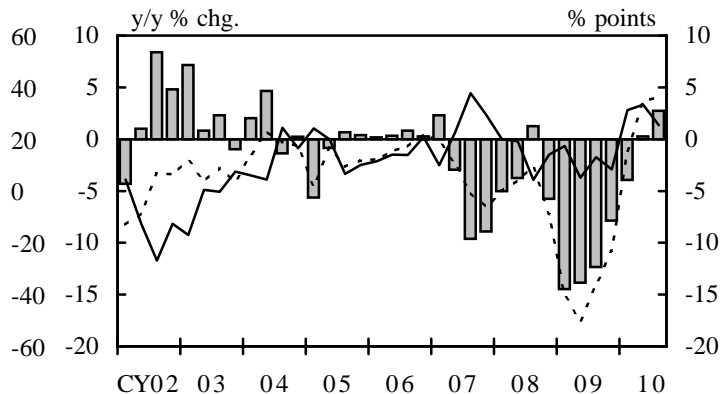
(2) Capital Goods (Excluding Transport Equipment)



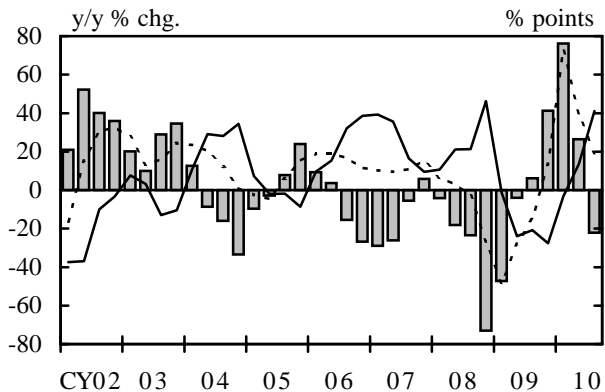
(3) Durable Consumer Goods



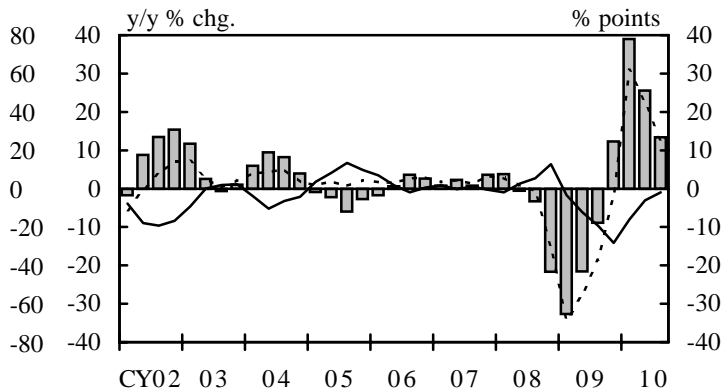
(4) Construction Goods



(5) Electronic Parts and Devices



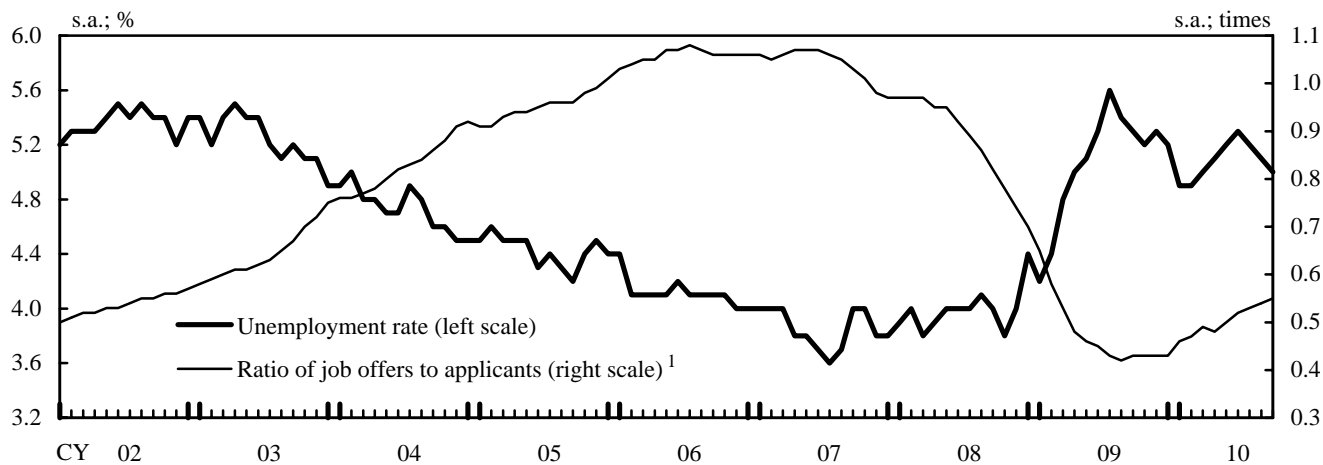
(6) Producer Goods Excluding Electronic Parts and Devices



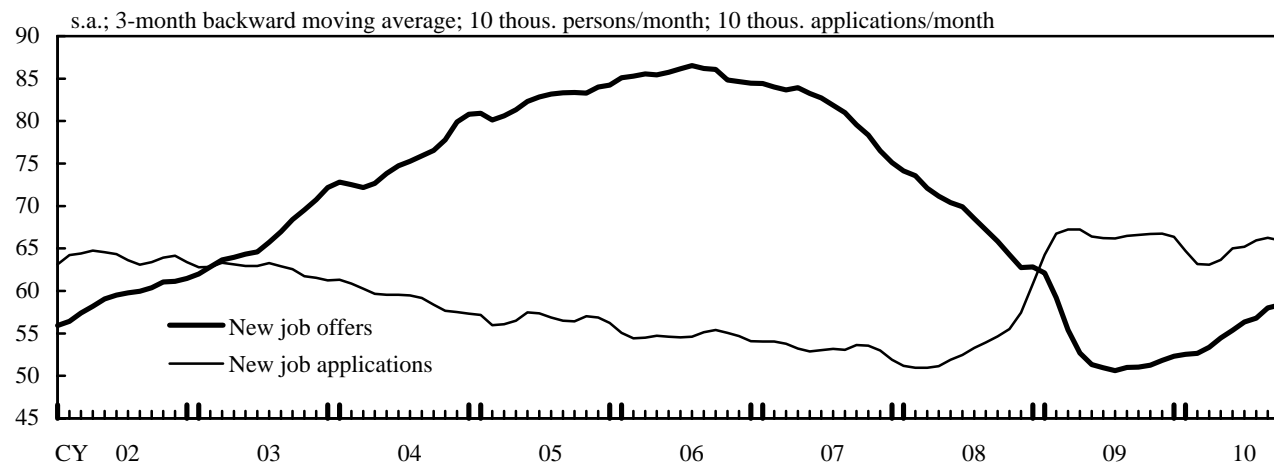
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Labor Market (1)

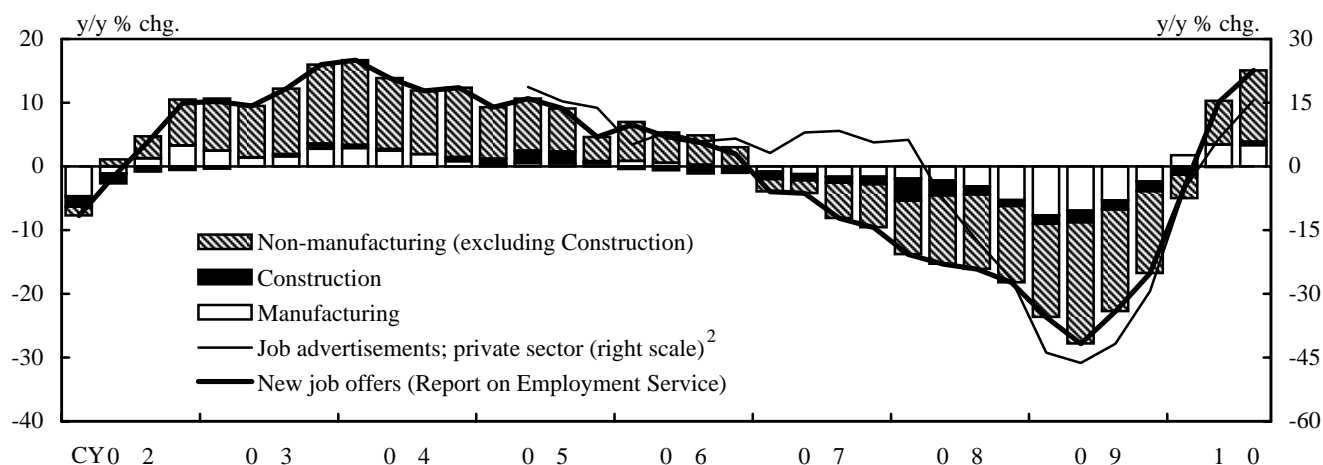
(1) Unemployment Rate and Ratio of Job Offers to Applicants



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



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



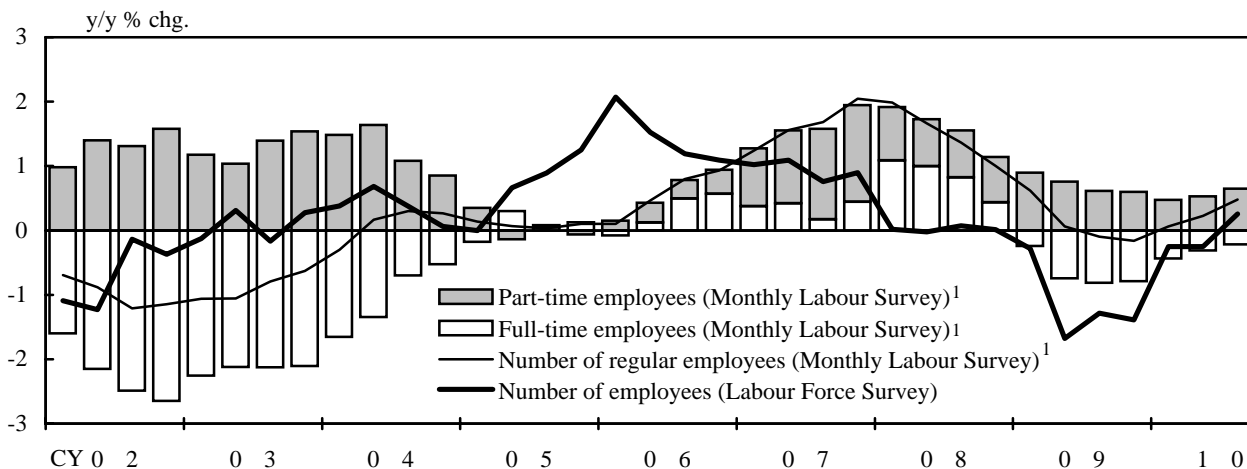
Notes: 1. Figures do not include jobs offered to new graduates, but include those offered to part-time workers.

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

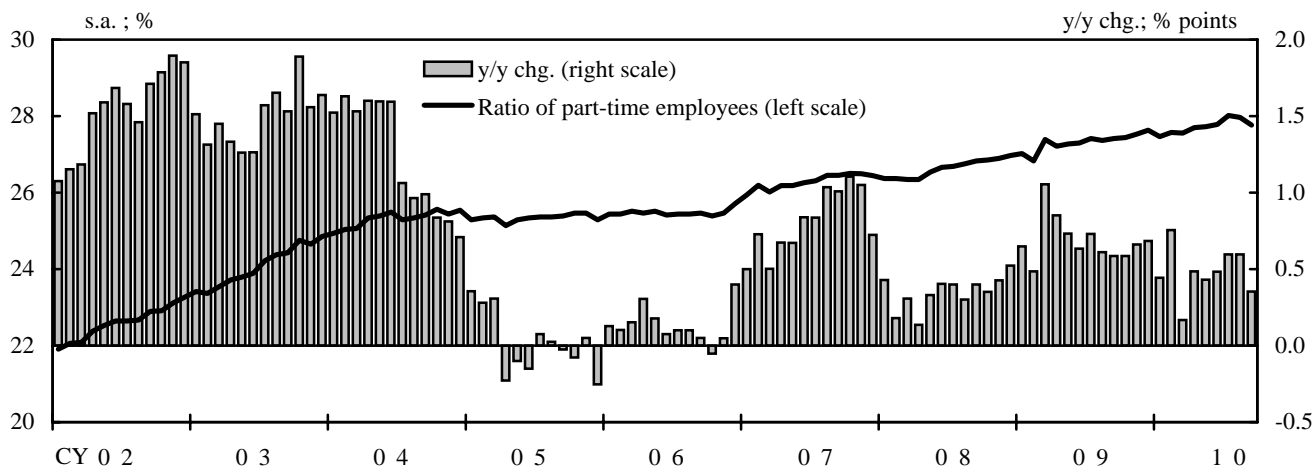
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service";  
 Ministry of Internal Affairs and Communications, "Labour Force Survey";  
 Association of Job Information of Japan, "Kyujin Koukoku Keisaikensu (Survey of Job Advertisements)."

Labor Market (2)

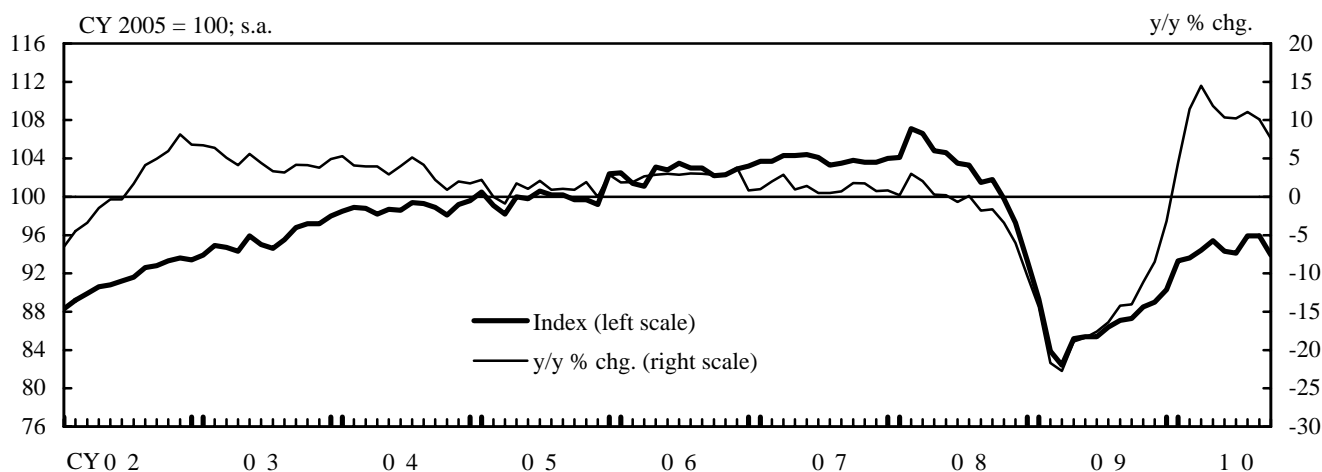
(1) Number of Employees



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



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



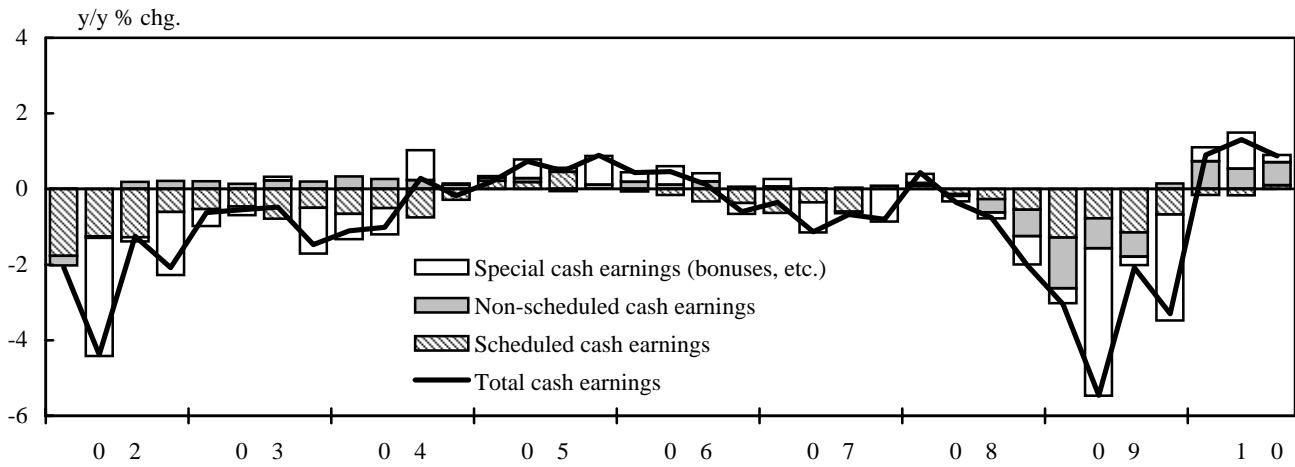
Notes: 1. Data are for establishments with at least five employees.

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

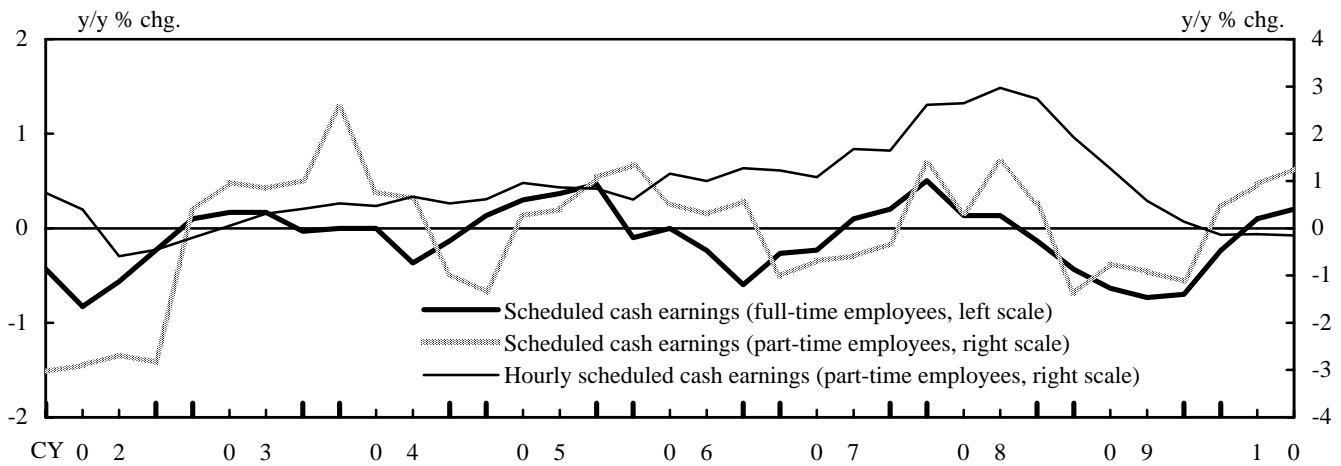
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";  
Ministry of Internal Affairs and Communications, "Labour Force Survey."

Employee Income

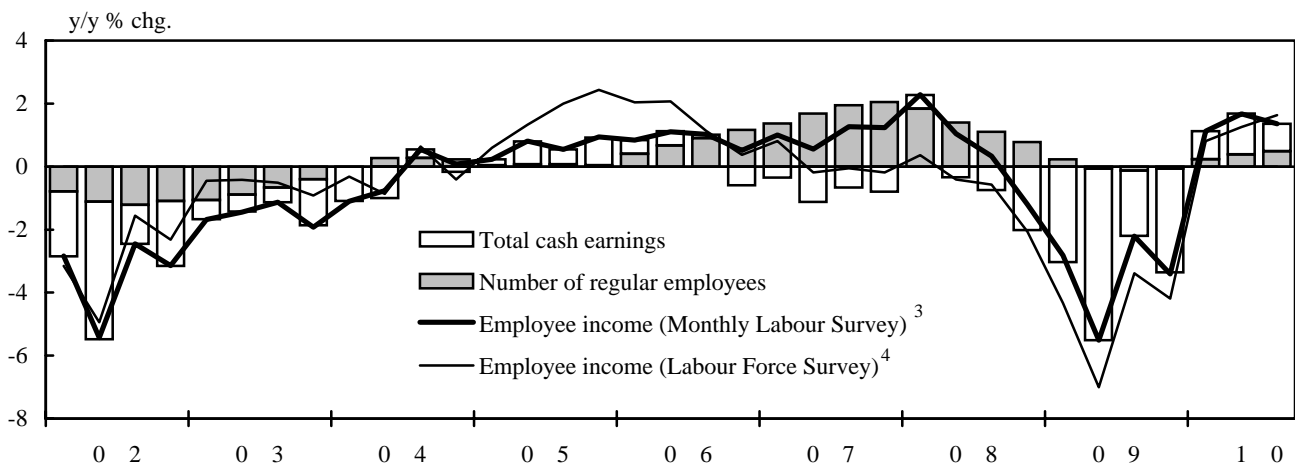
(1) Breakdown of Total Cash Earnings<sup>1,2,5</sup>



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



(3) Breakdown of Employee Income<sup>1,2,5</sup>

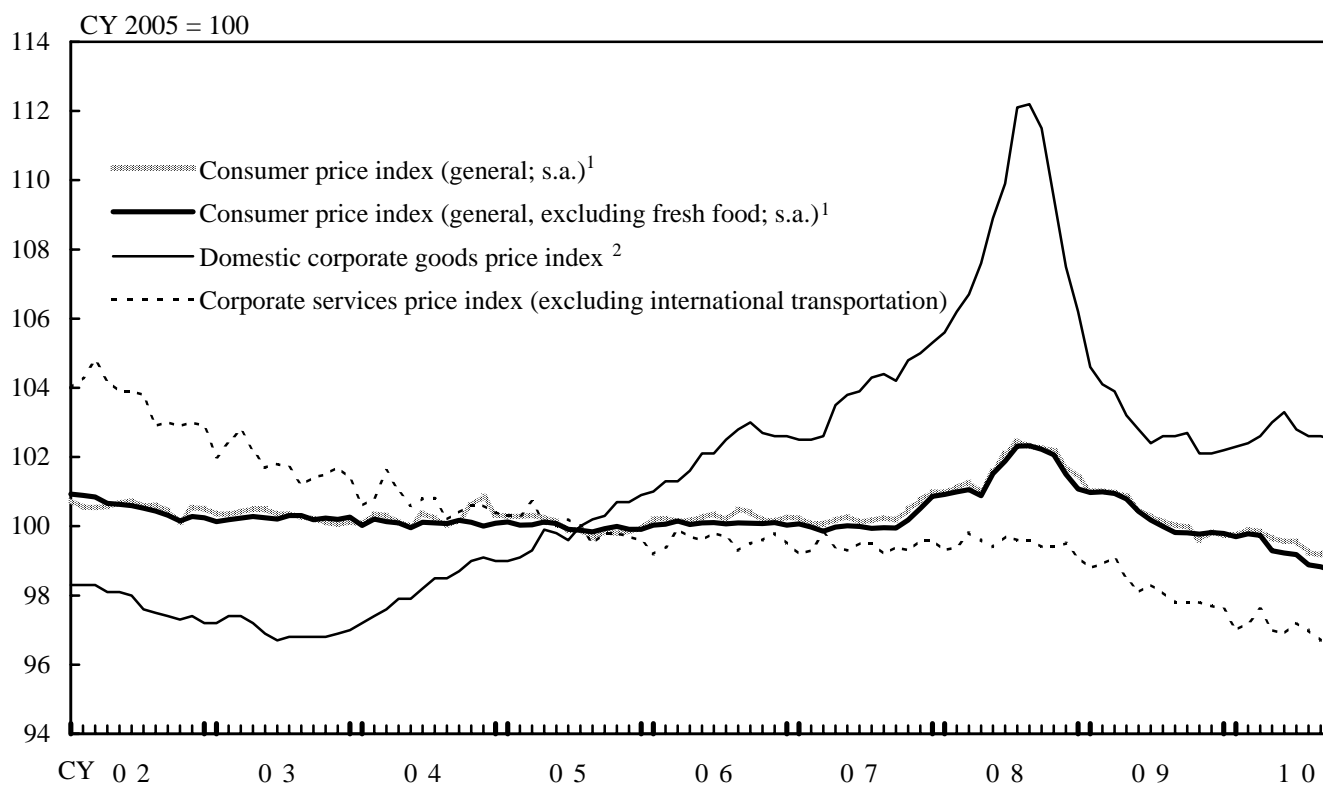


- Notes: 1. Data of the Monthly Labour Survey are for establishments with at least five employees.  
 2. Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.  
 3. Calculated as the number of regular employees (Monthly Labour Survey) times total cash earnings (Monthly Labour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

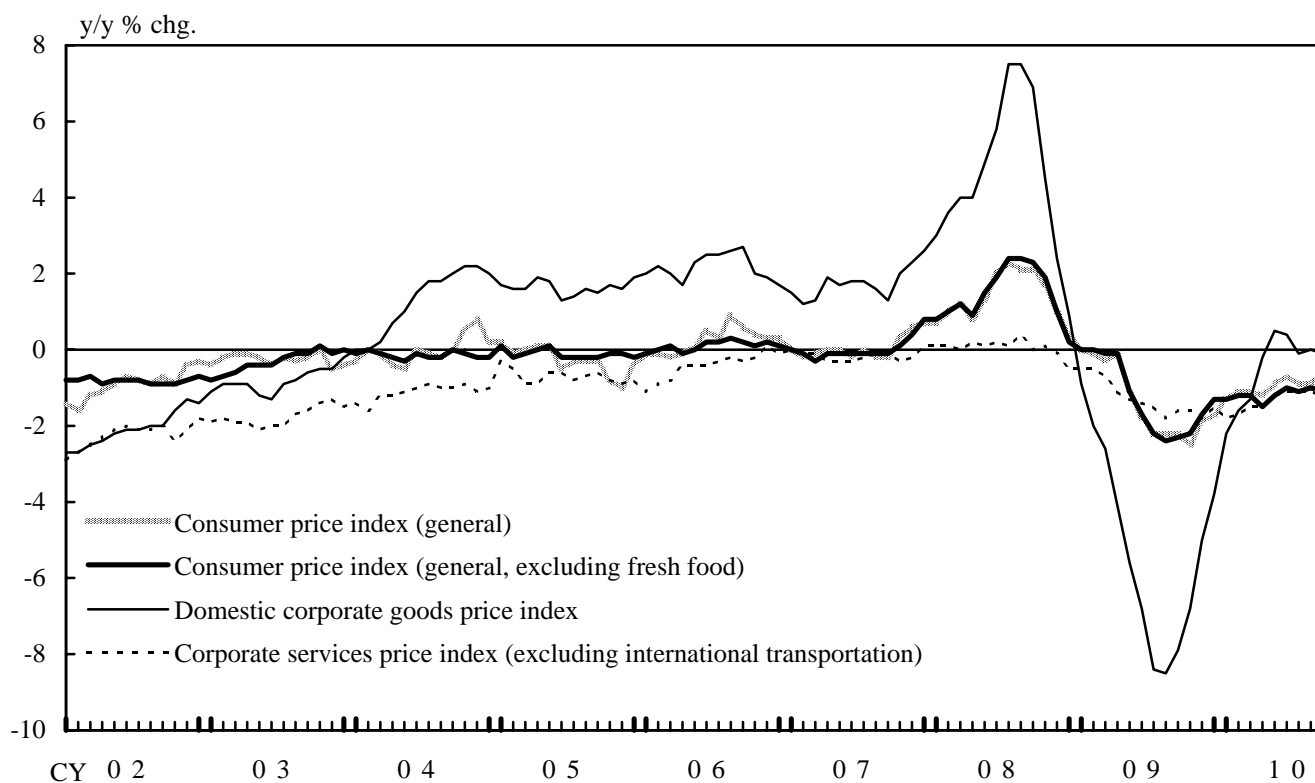
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";  
 Ministry of Internal Affairs and Communications, "Labour Force Survey."

## Prices

## (1) Level



## (2) Changes from a Year Earlier



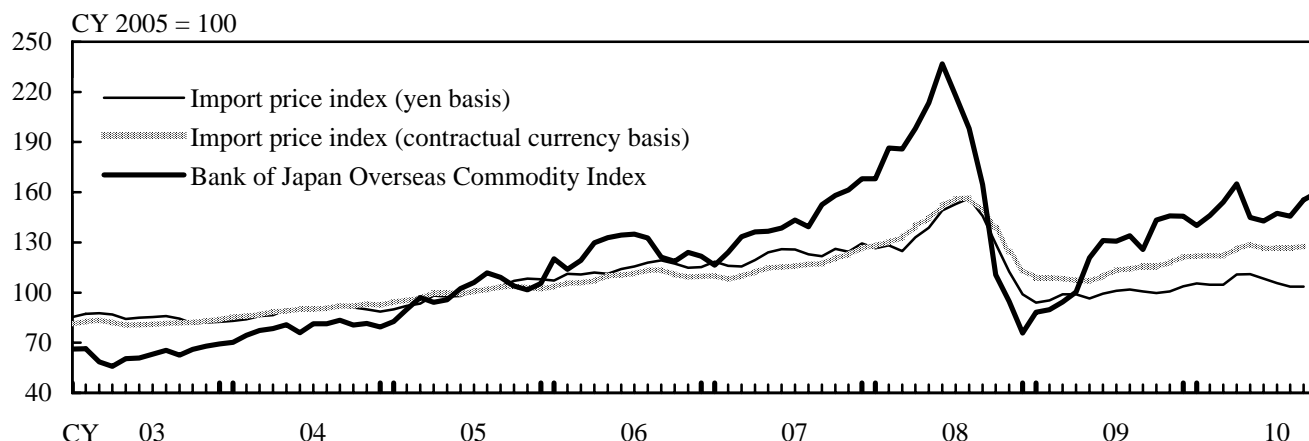
Notes: 1. Seasonally adjusted by X-12-ARIMA.

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

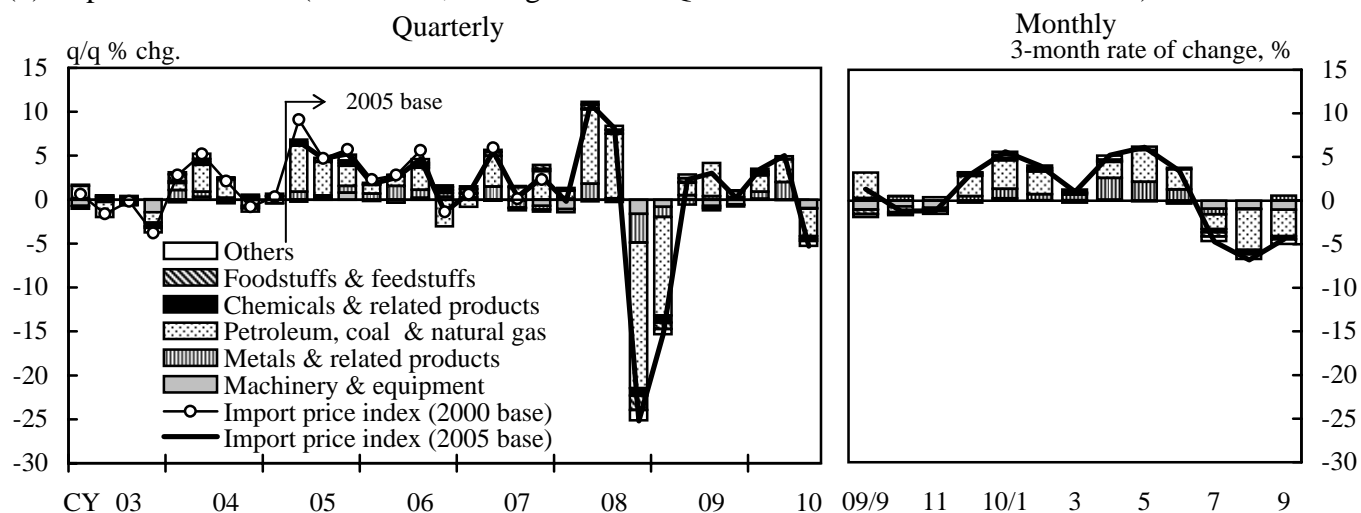
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index."

## Import Prices and International Commodity Prices

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



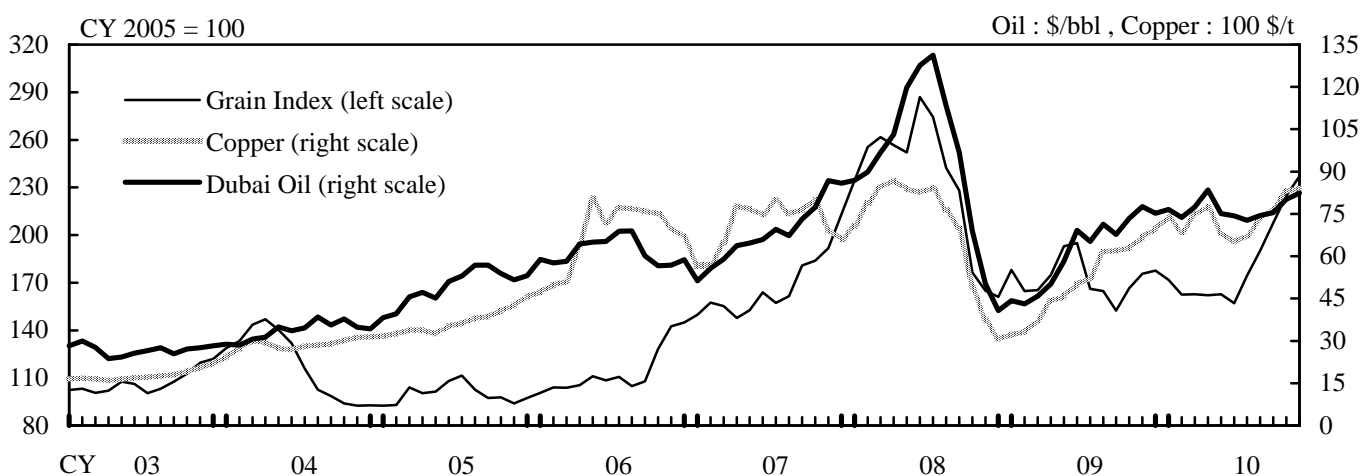
### (2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



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.

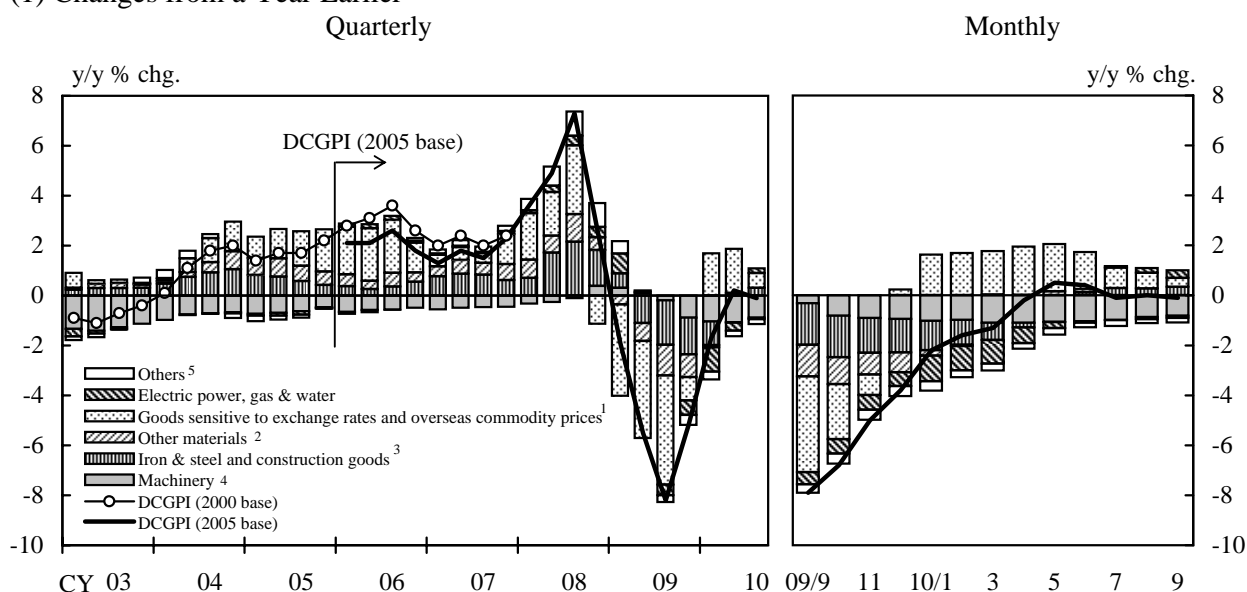
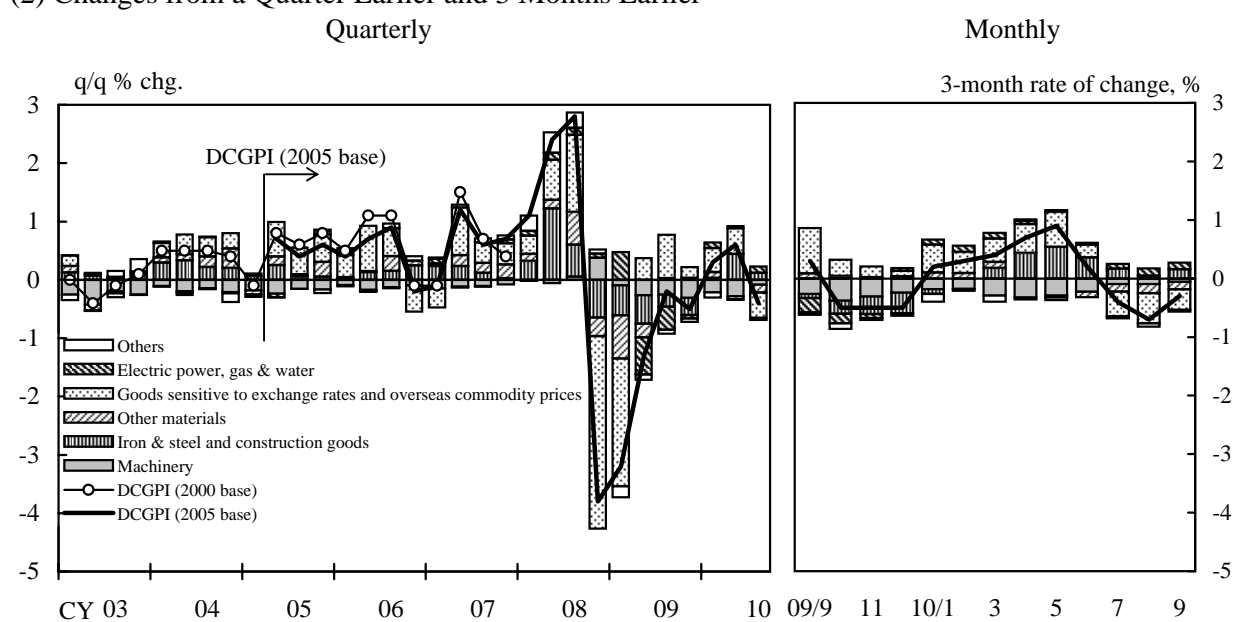
2. Monthly averages. Figures for November 2010 are the averages up to November 4.

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



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

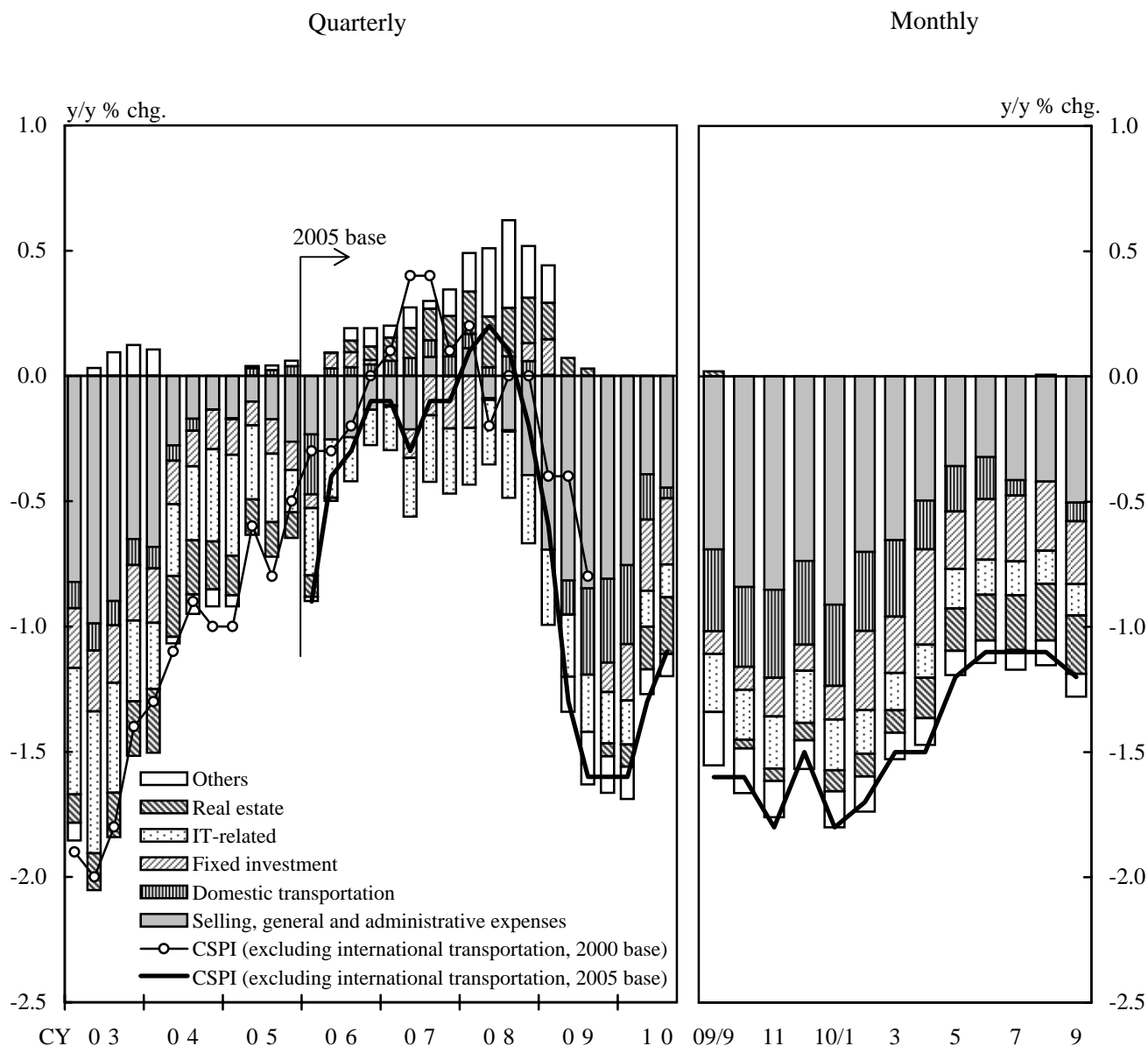
## (1) Changes from a Year Earlier

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

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

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

## Corporate Services Price Index

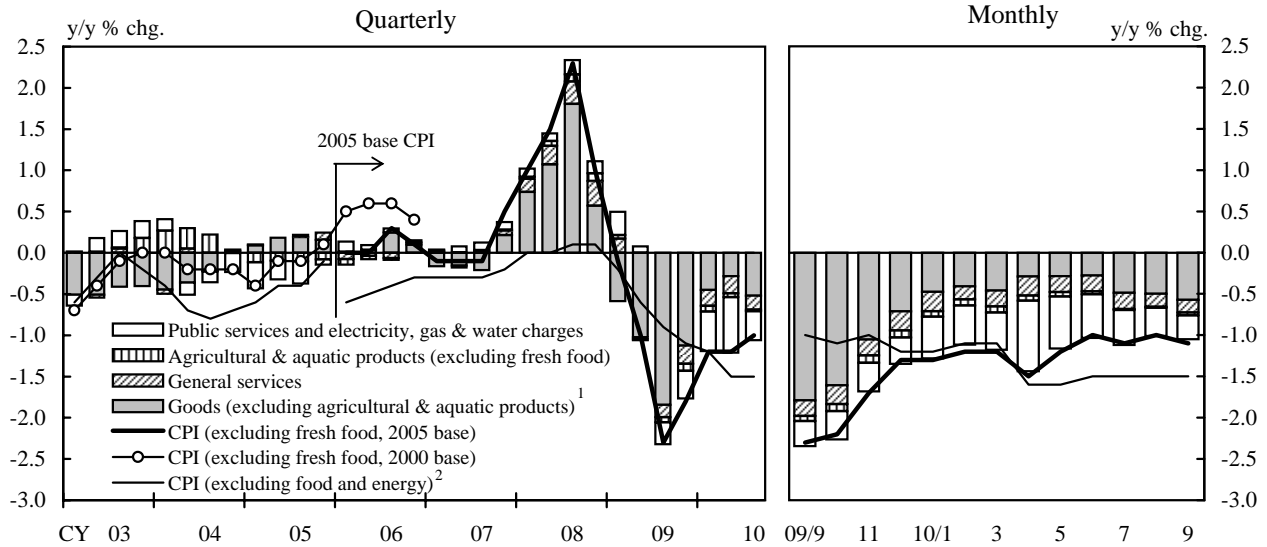


- Notes: 1. Selling, general and administrative expenses: information and communications (excluding newspapers and publishing), advertising services, other services (excluding plant engineering, civil engineering and architectural services).  
 2. Domestic transportation: transportation (excluding international 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 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.

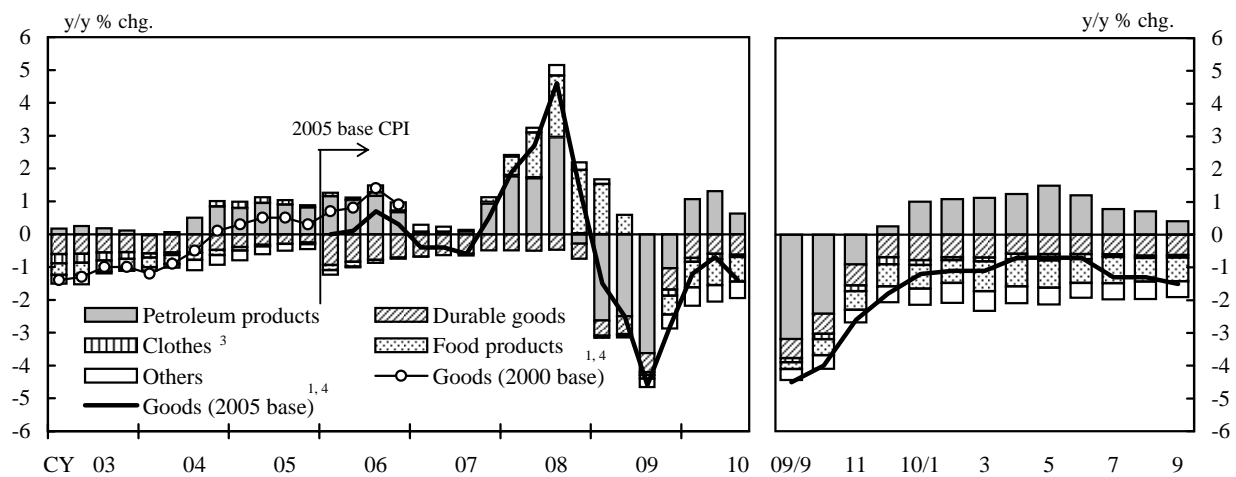
Source: Bank of Japan, "Corporate Services Price Index."

Consumer Price Index (Excluding Fresh Food)

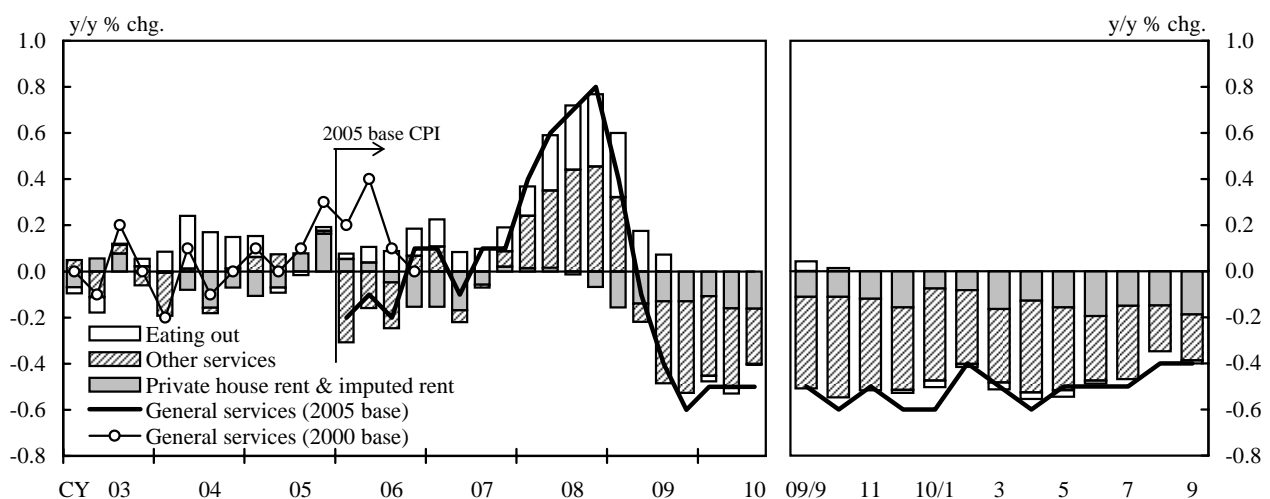
(1) Consumer Price Index (Excluding Fresh Food)



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



(3) General Services



Notes:1. The items are basically the same as the definition published by the Ministry of Internal Affairs and Communications.

However, electricity, gas & water charges are excluded from goods.

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

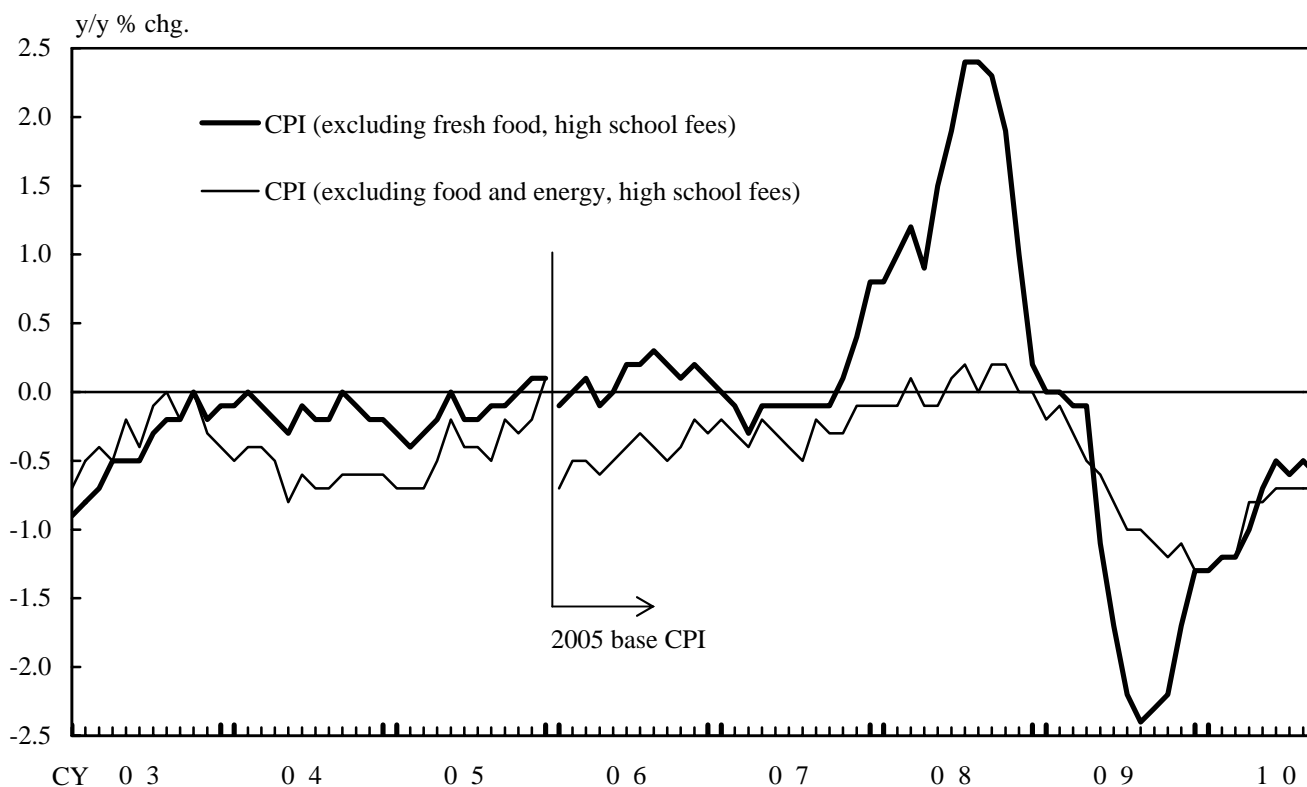
3. Including shirts, sweaters & underwear.

4. Excluding agricultural & aquatic products.

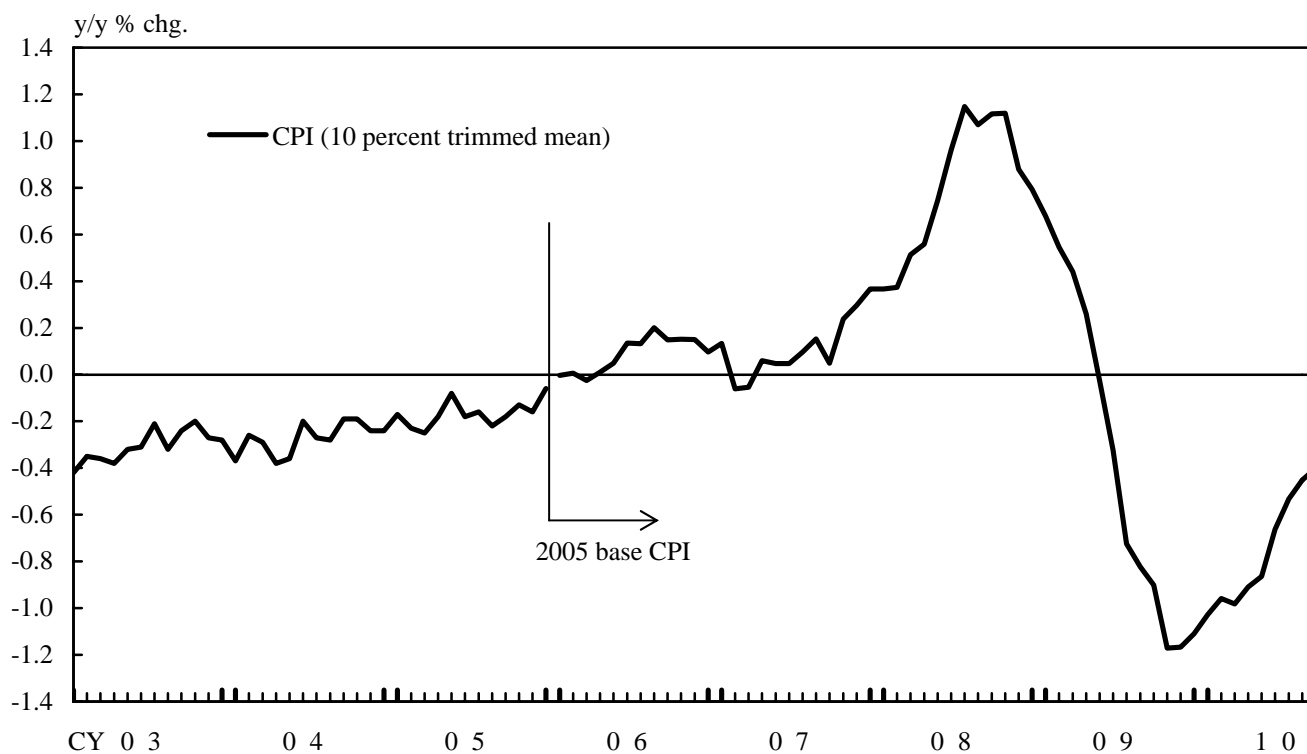
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

## 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.

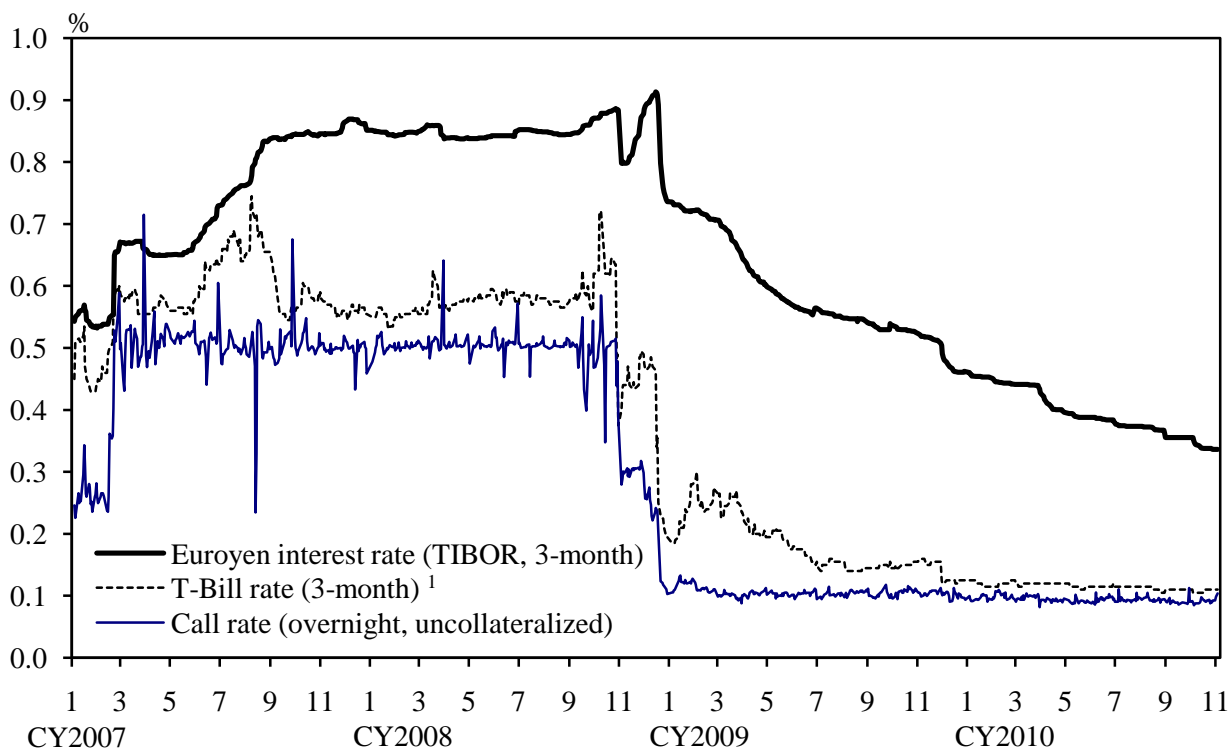
2. High school fees: high school fees (public), and high school fees (private).

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.

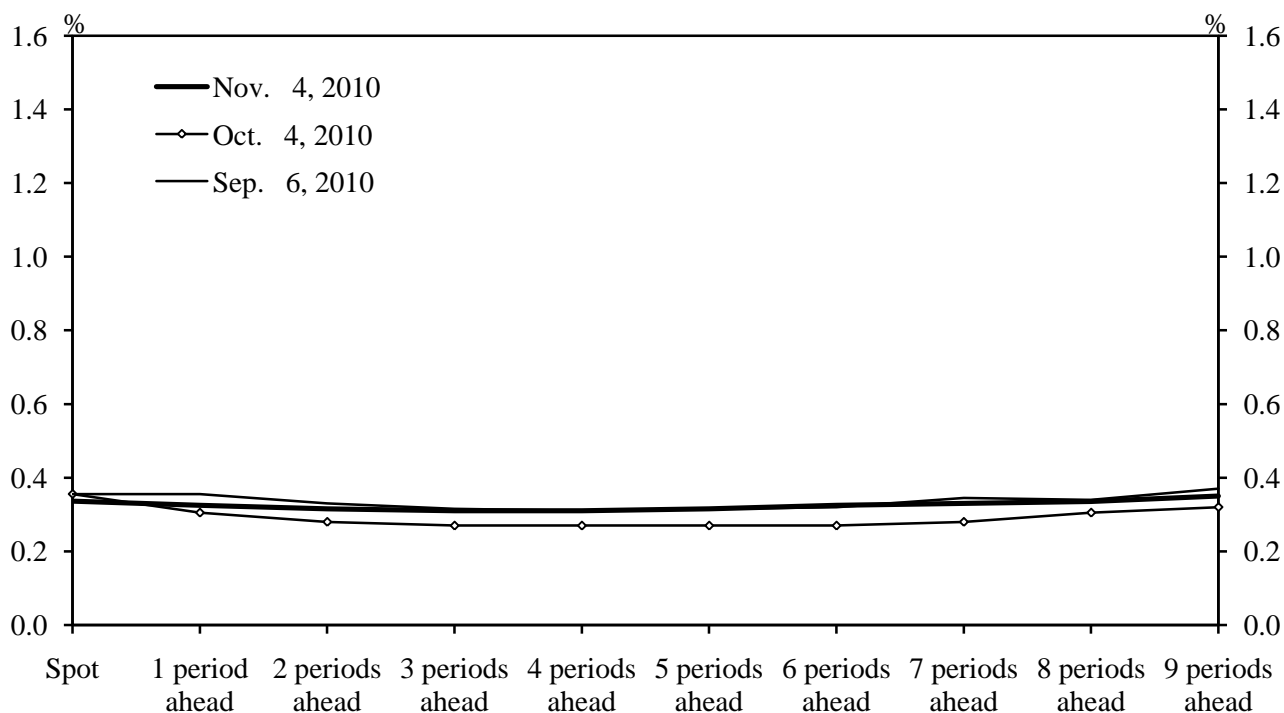
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Short-Term Interest Rates

(1) Short-Term Interest Rates



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



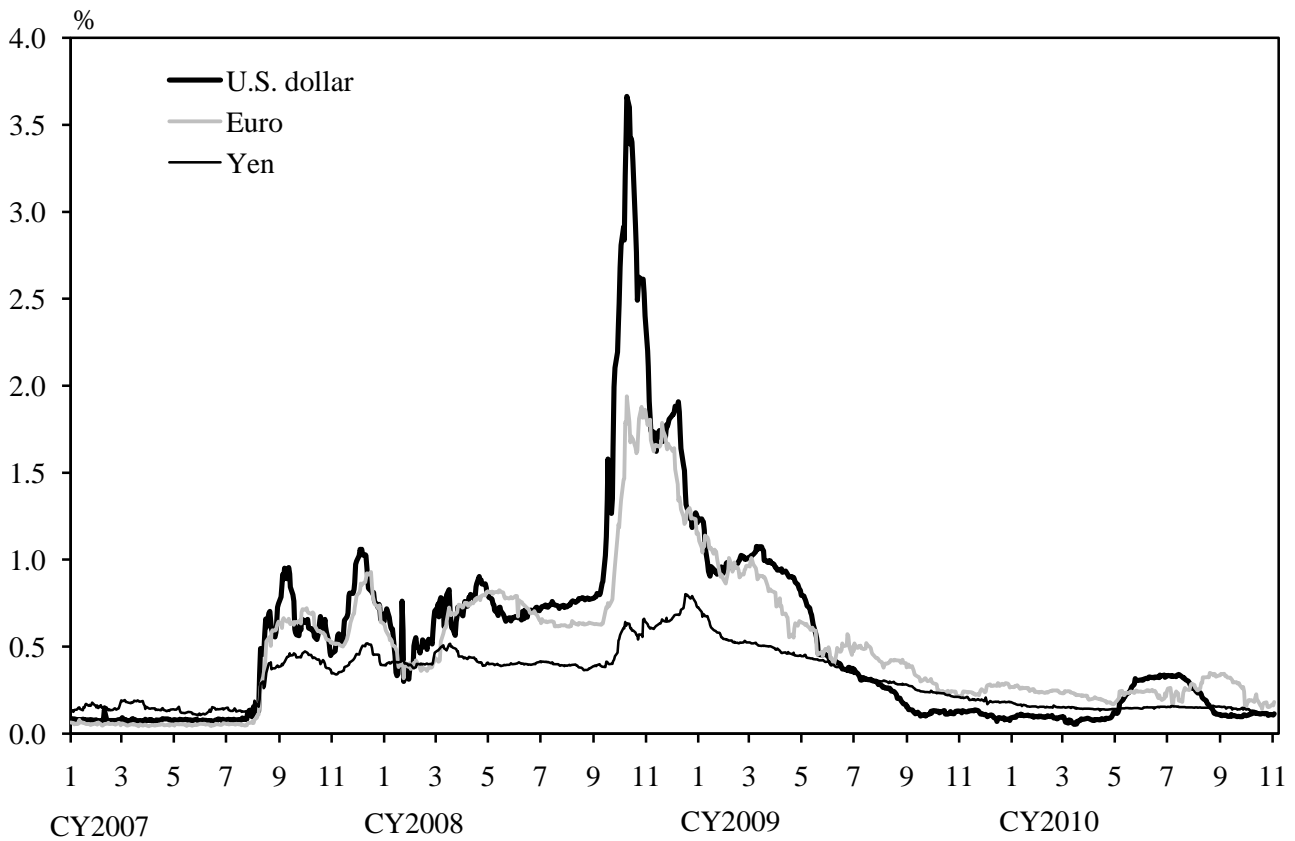
Notes: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.

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

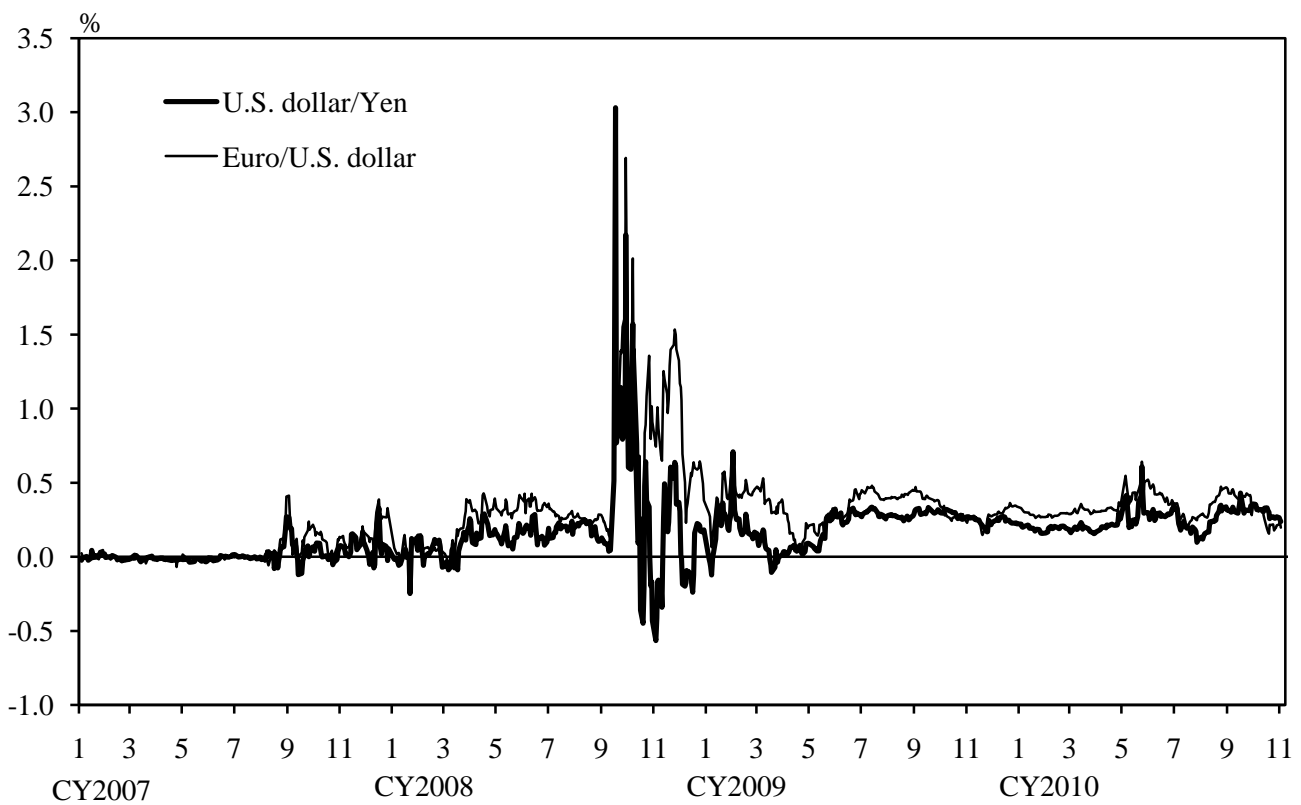
Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.; Tokyo Financial Exchange; Bank of Japan.

Global Money Markets

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



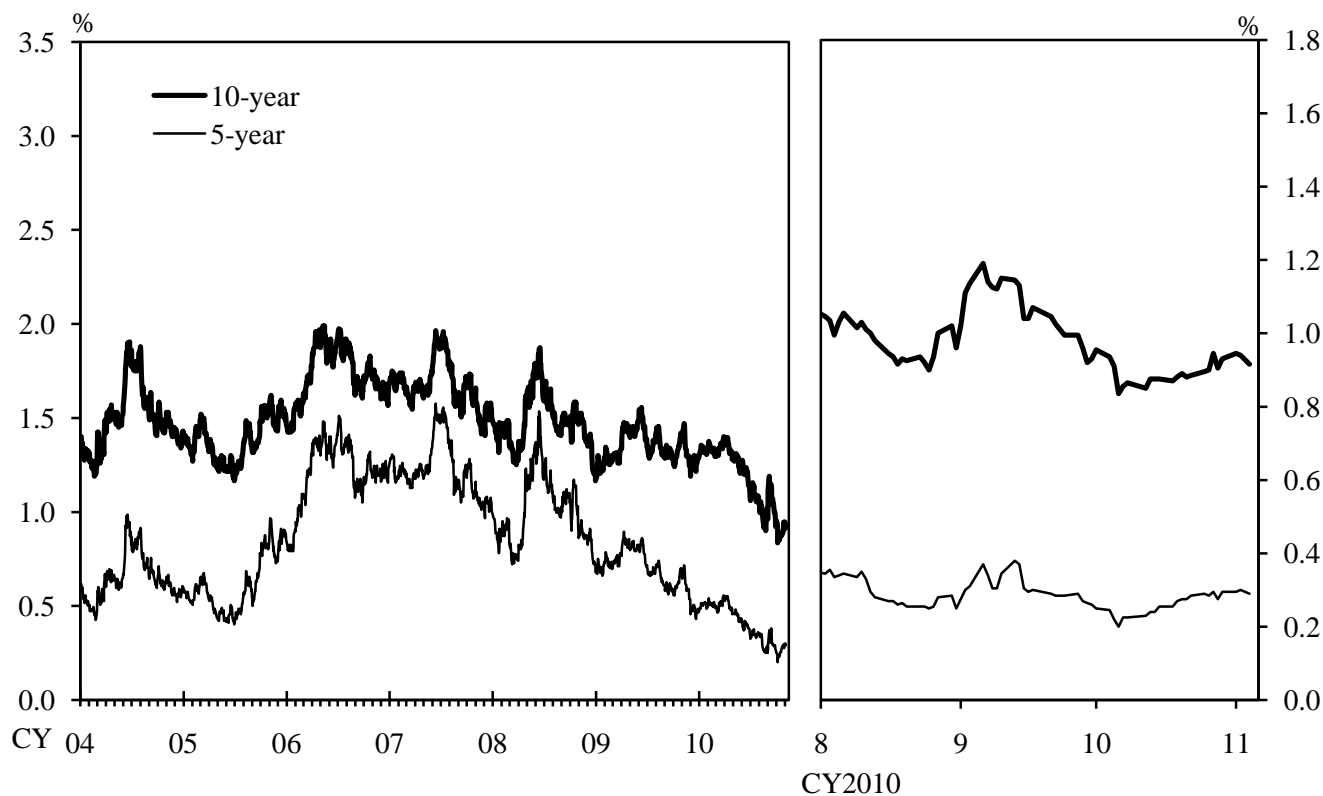
(2) FX swap implied dollar rate - LIBOR spreads (3-Month)



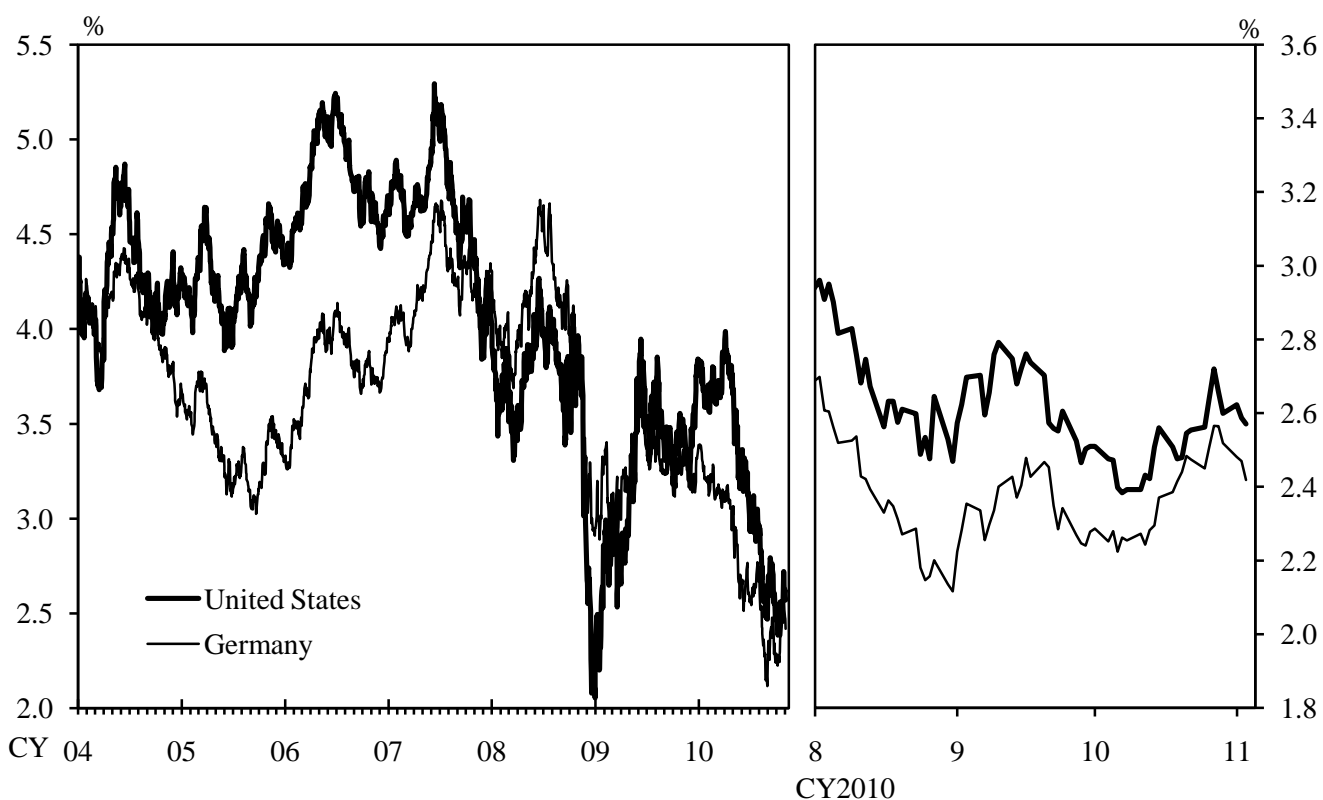
Source: Bloomberg.

Long-Term Interest Rates

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



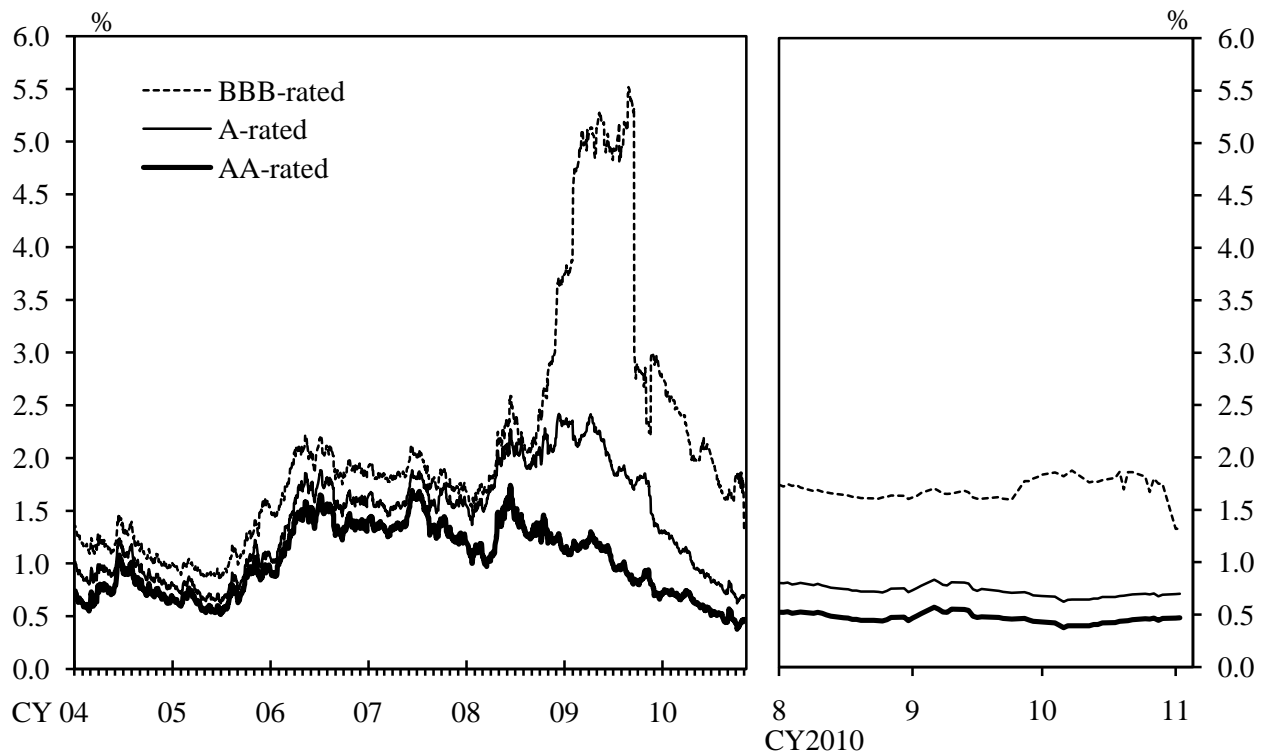
(2) Overseas Government Bond Yields (10-Year)



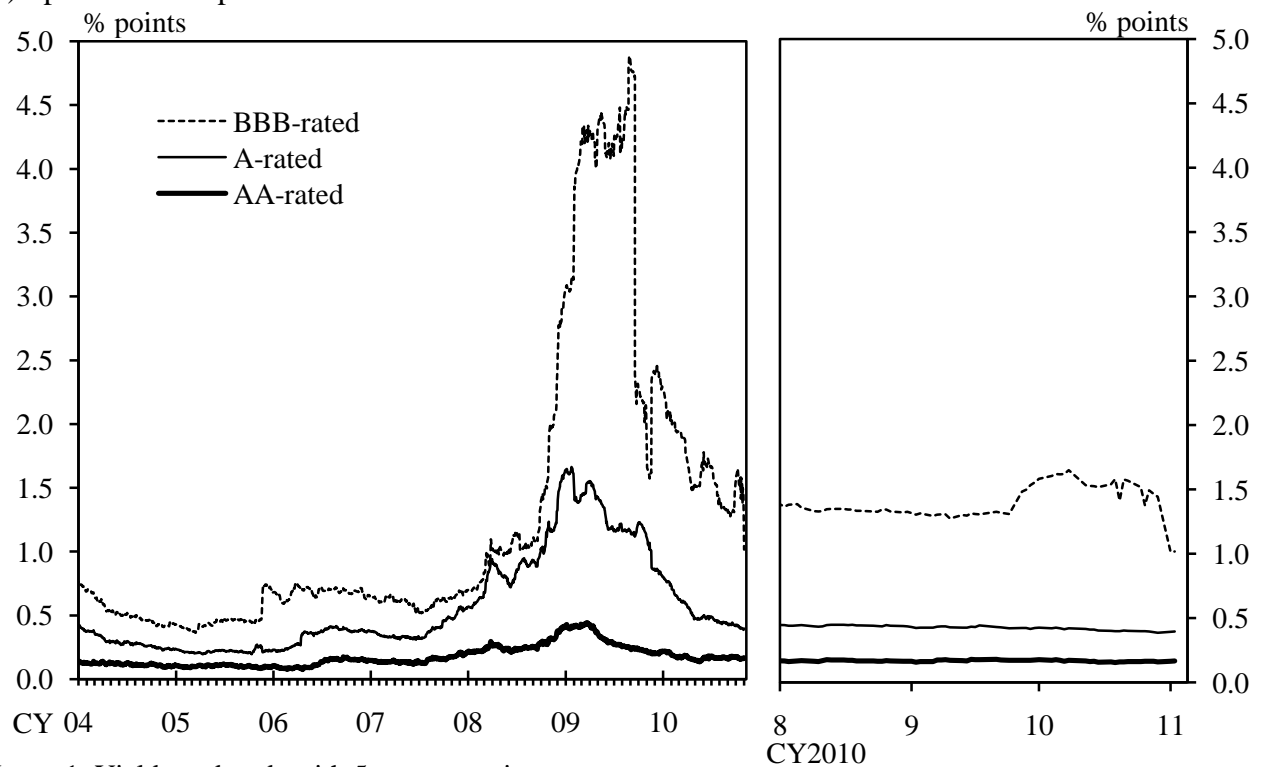
Note: 1. Yields on newly issued bonds.  
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

Yields of Corporate Bonds

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



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



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

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

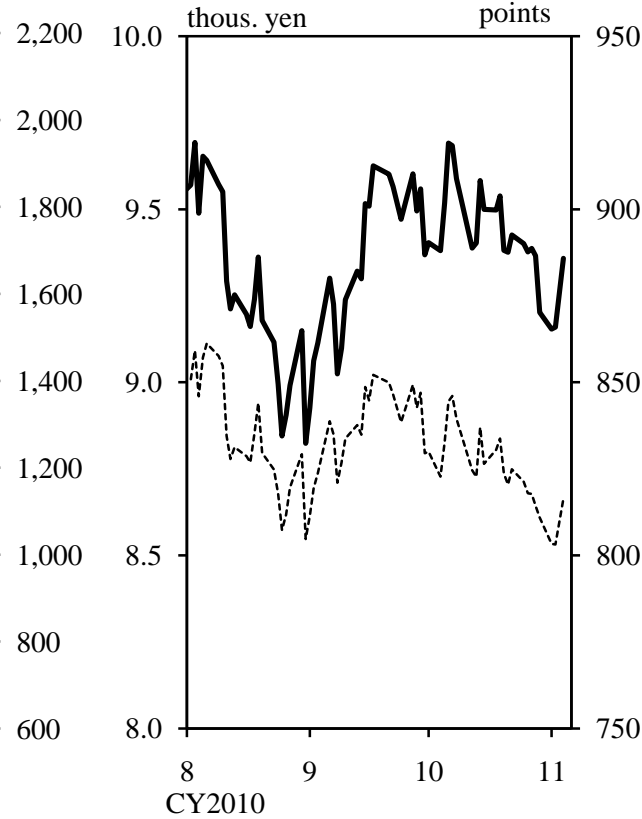
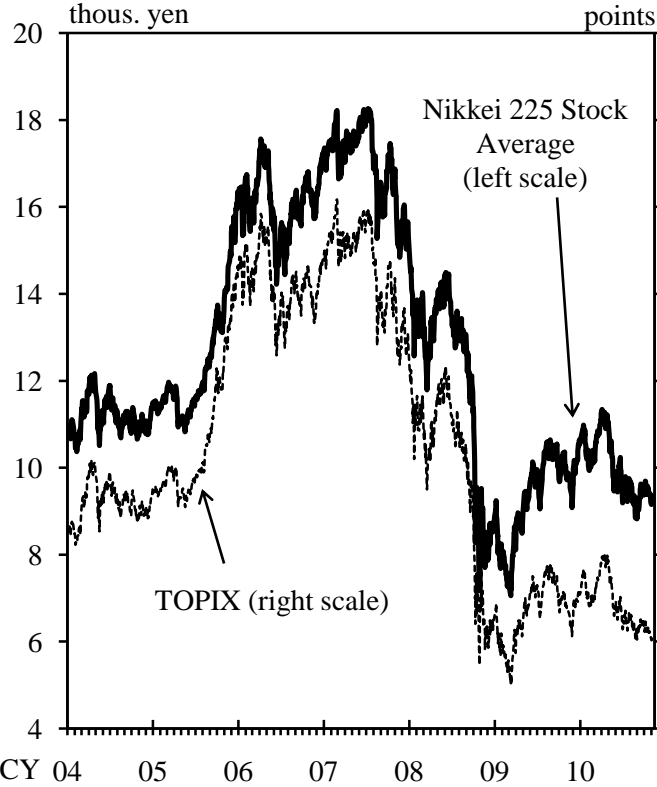
2. The indicated ratings are of Rating and Investment Information, Inc.

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

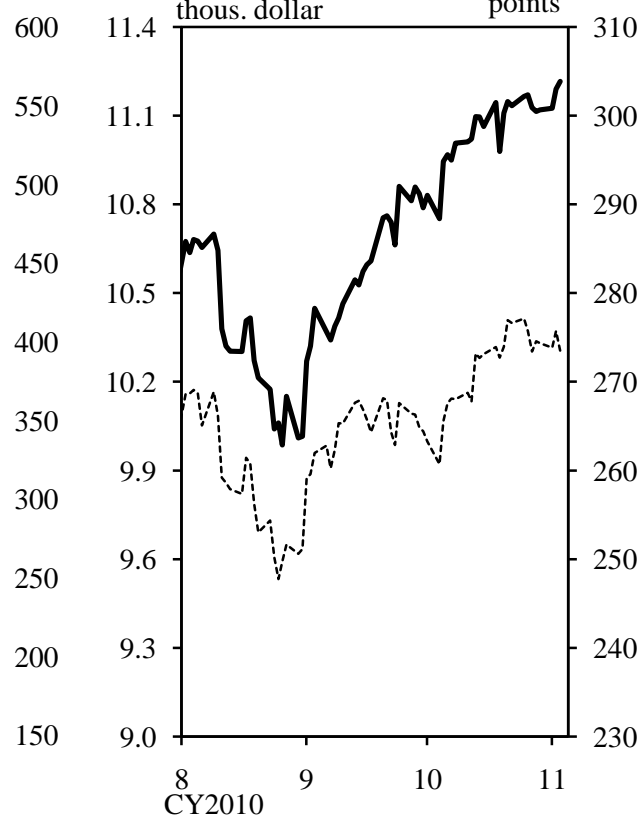
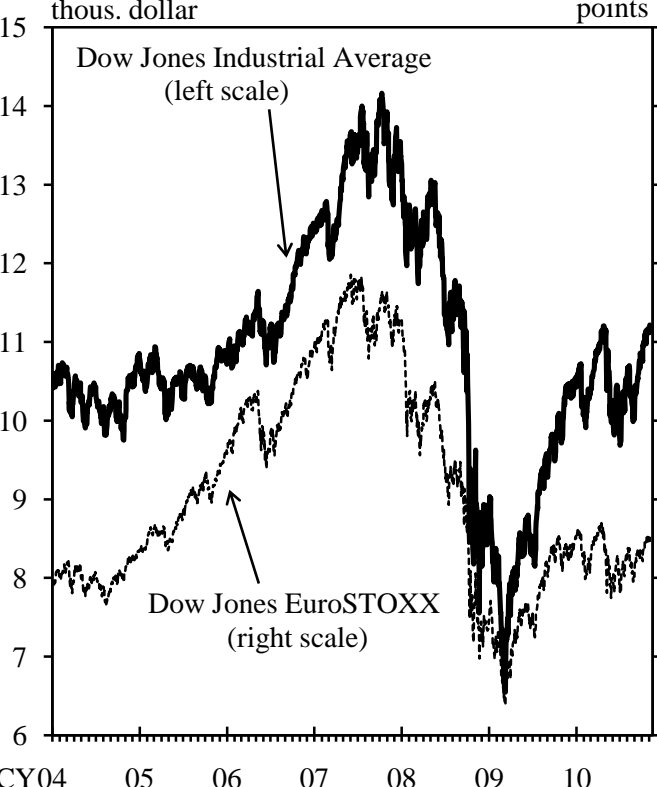


Stock Prices

(1) Japanese Stock Prices



(2) Overseas Stock Prices



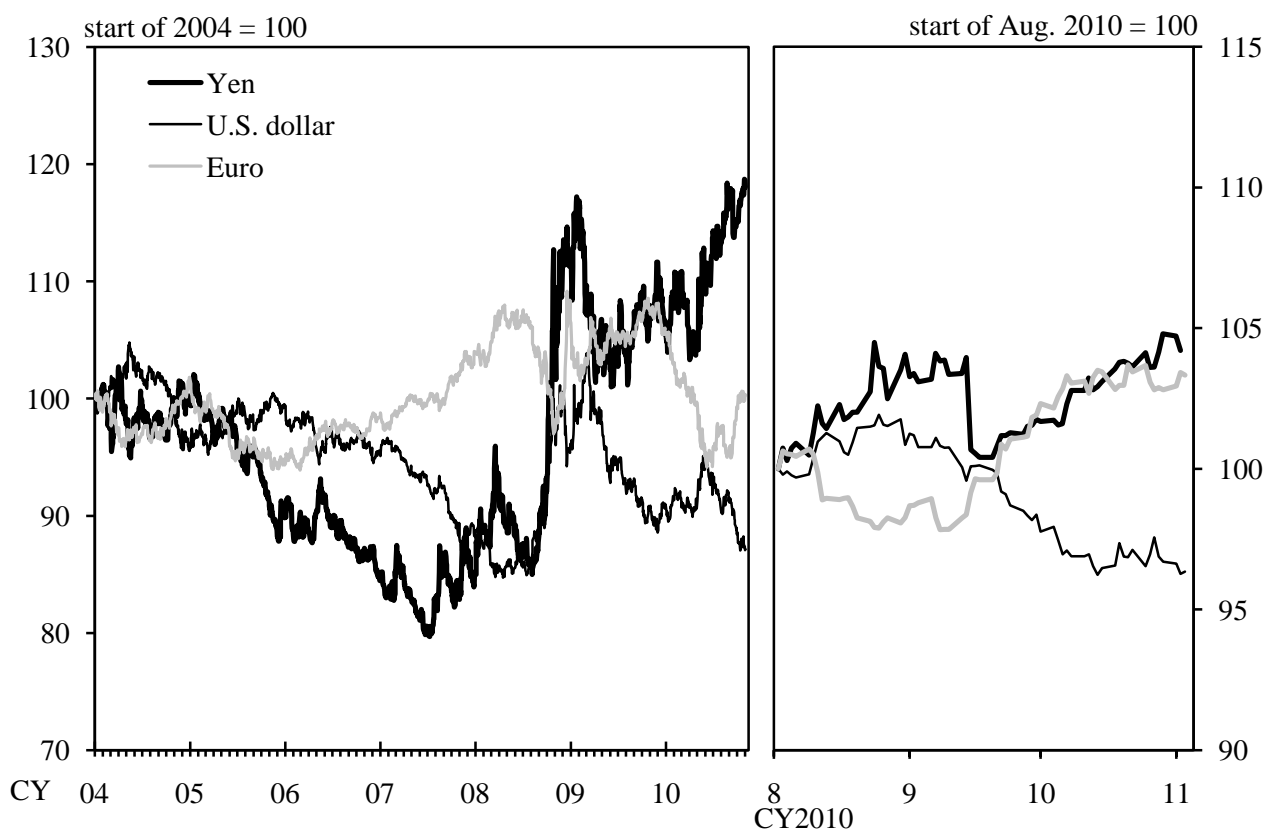
Sources: The *Nihon Keizai Shimbun* ; Tokyo Stock Exchange; Bloomberg.

Exchange Rates

(1) Bilateral Exchange Rates



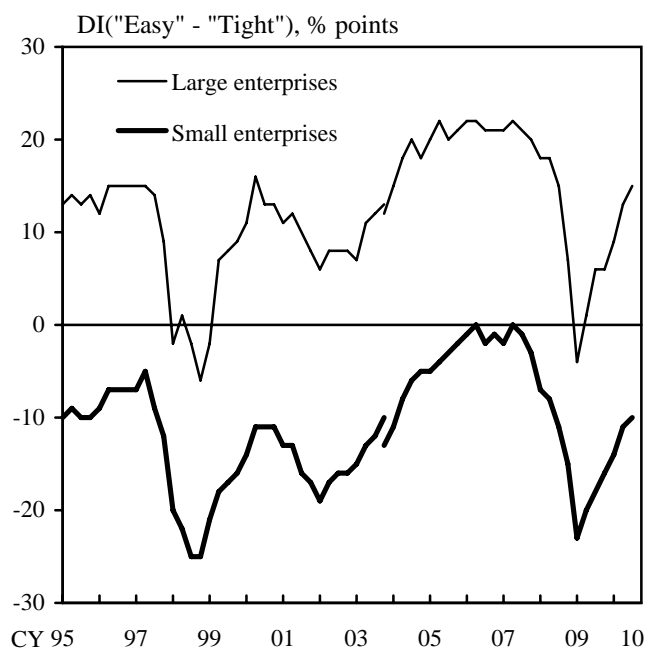
(2) Nominal Effective Exchange Rates



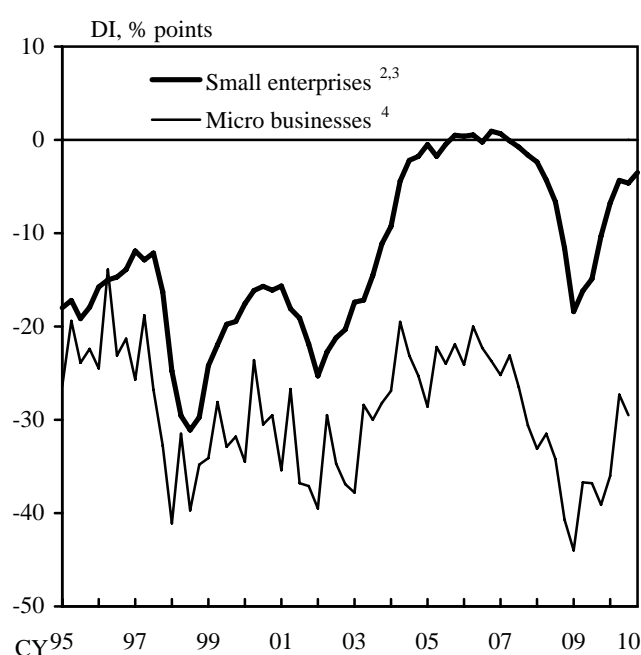
Sources: Bank of Japan; European Central Bank; Bloomberg.

## Corporate Finance-Related Indicators

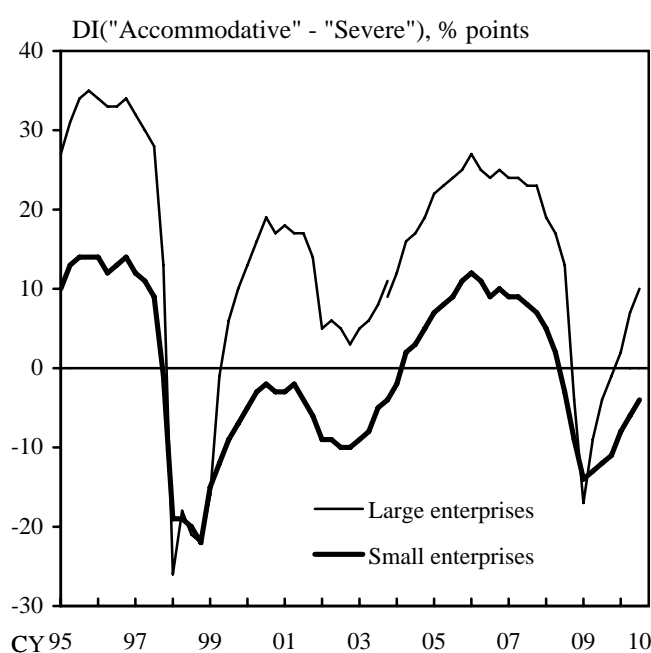
## (1) Financial Position

<Tankan<sup>1</sup>>

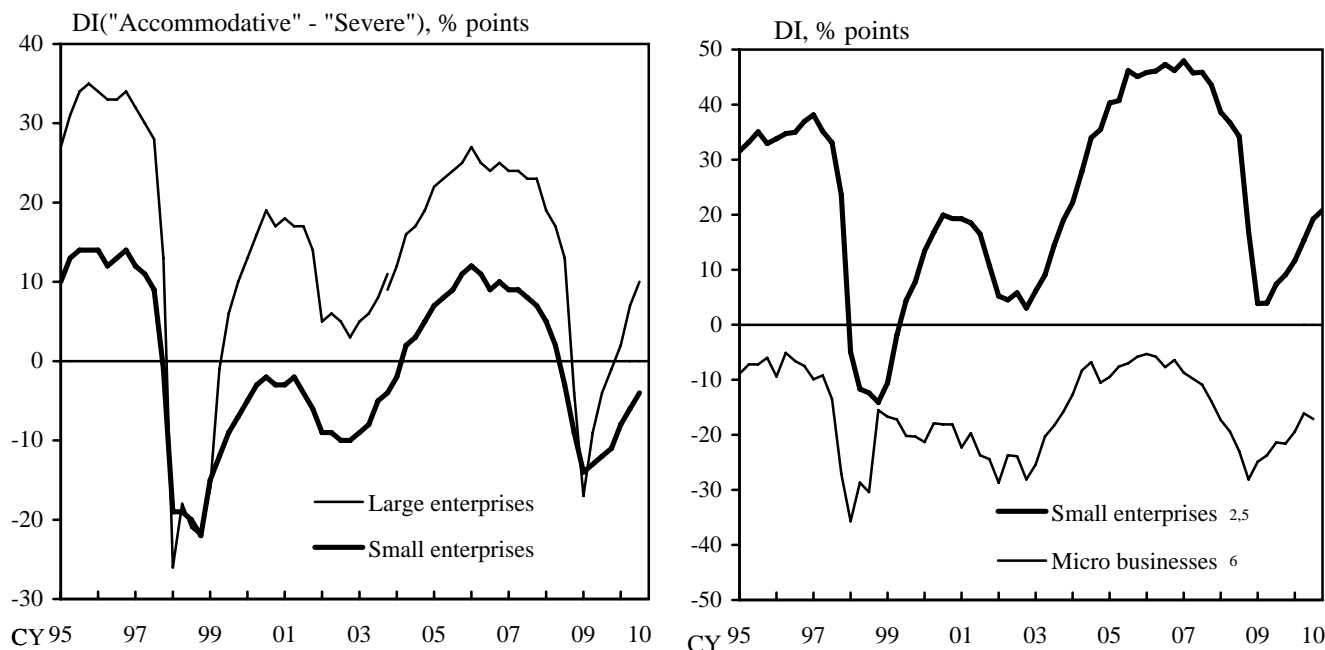
&lt;Japan Finance Corporation Survey&gt;



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

<Tankan<sup>1</sup>>

&lt;Japan Finance Corporation Survey&gt;



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

2. Figures are quarterly averages of monthly data. Figures for 2010/Q4 are those of October.

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

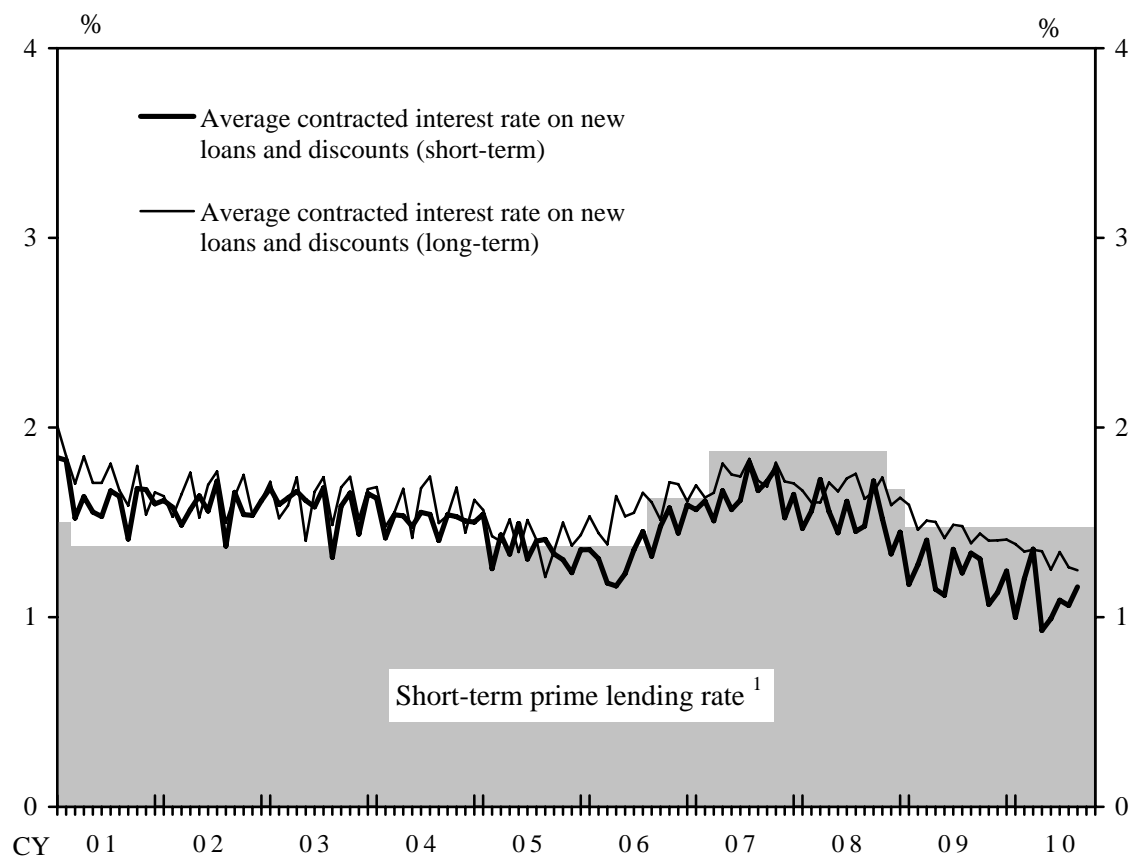
4. DI of "Easier" - "Tighter."

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

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

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

## Lending Rates

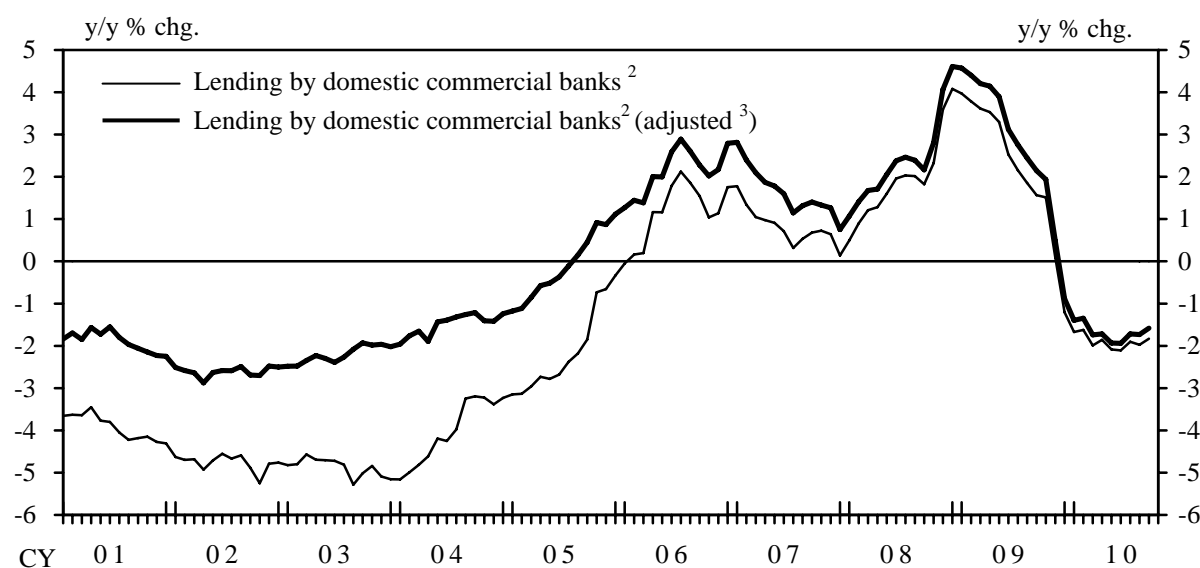


Note: 1. Data are at end of period.

Source: Bank of Japan.

## Lending by Financial Institutions

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



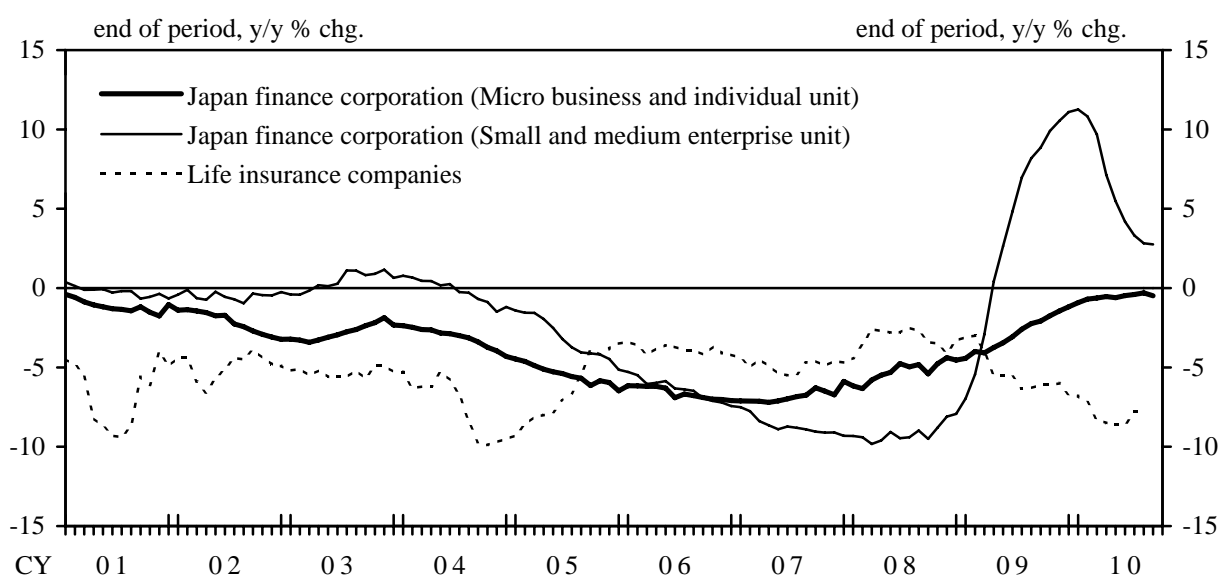
Notes: 1. Percent changes in average amounts outstanding from a year earlier.

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

3. Adjusted to exclude

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

### (2) Lending by Other Financial Institutions

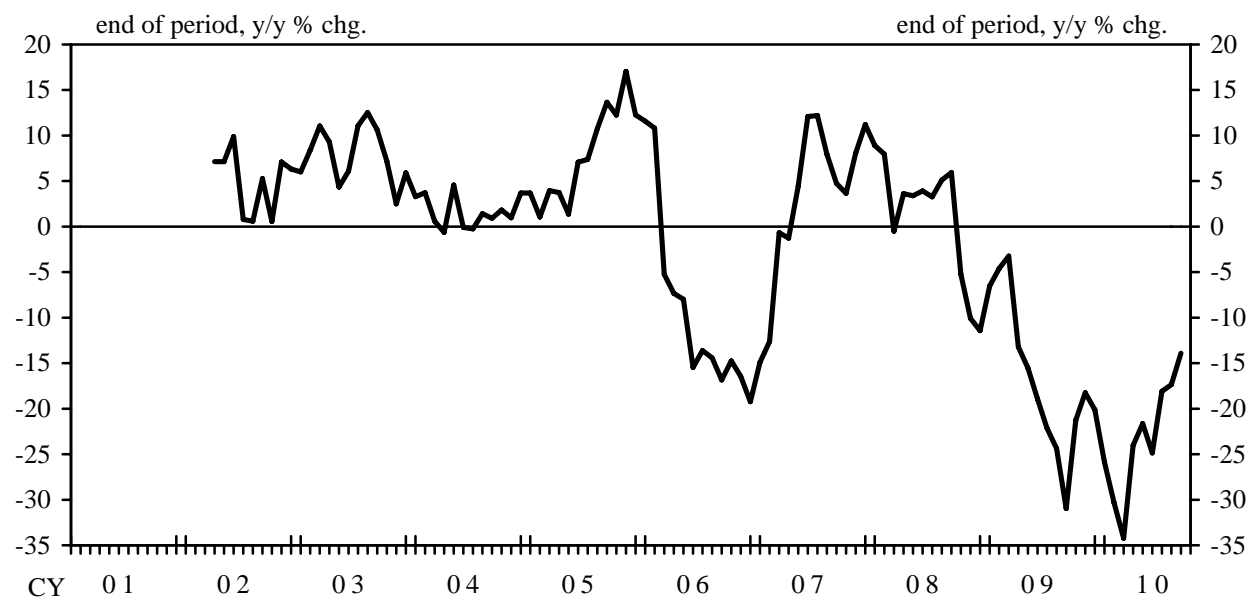


Note: The figures of the Japan Finance Corporation (Small and Medium Enterprise Unit) exclude the amounts outstanding of lending to the Credit Guarantee Corporations.

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

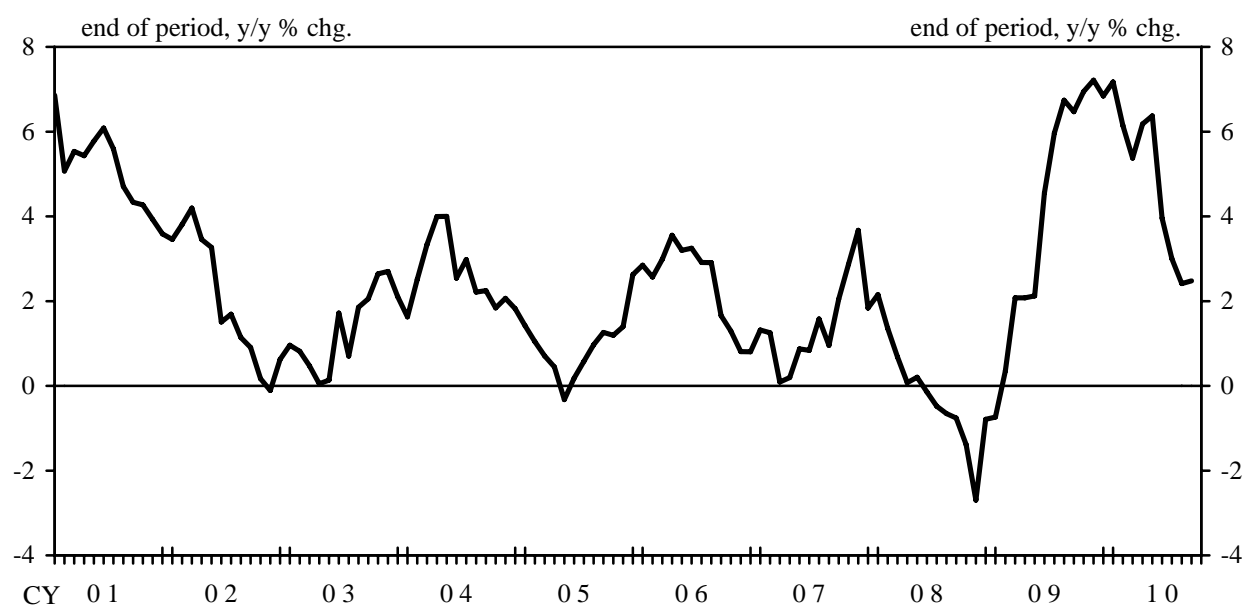
## Private-Sector Fund-Raising in the Capital Markets

## (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



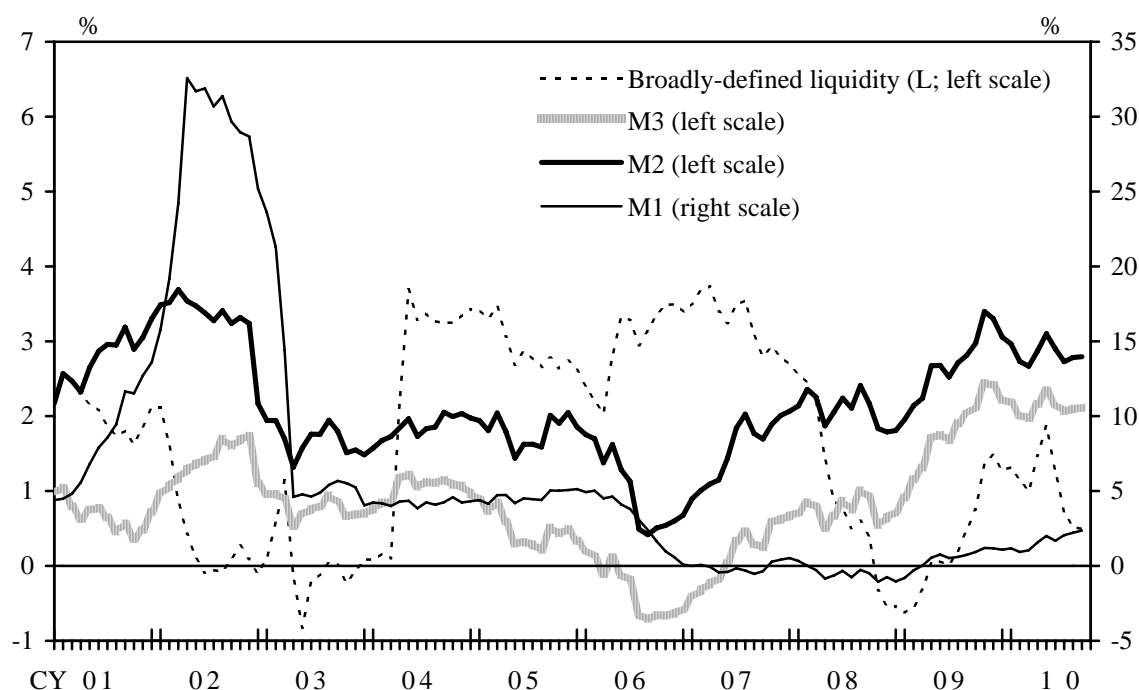
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

- (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.

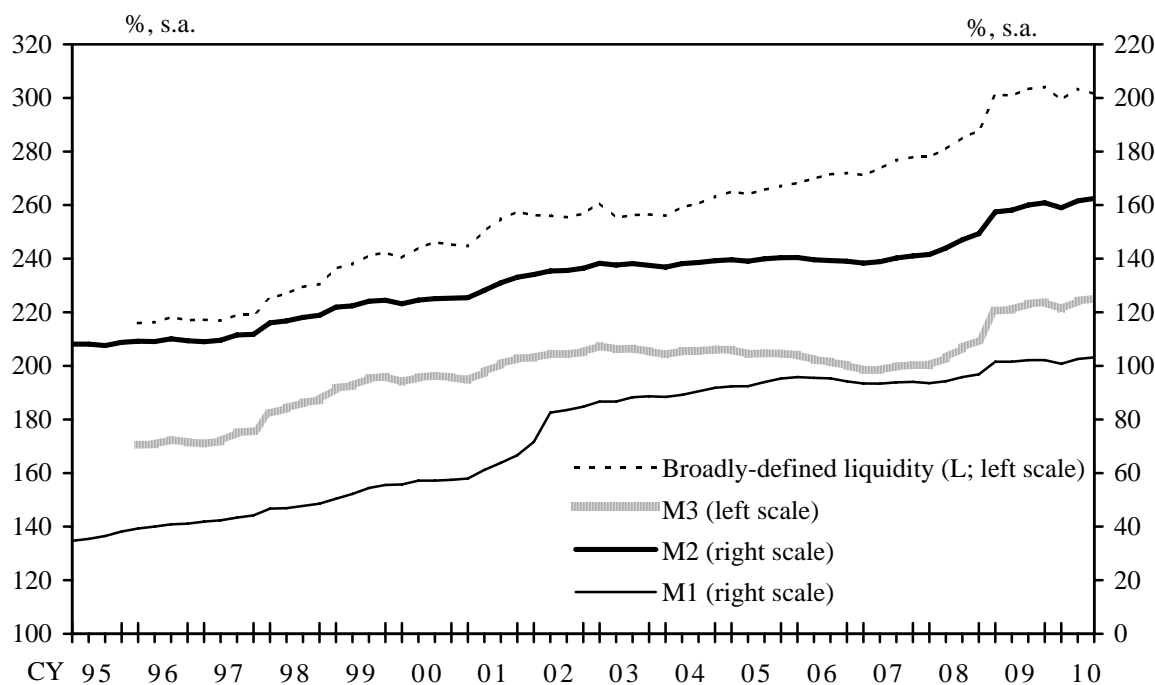
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category";  
Bank of Japan, "Principal Figures of Financial Institutions";  
Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts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

## Money Stock

## (1) Changes from a Year Earlier



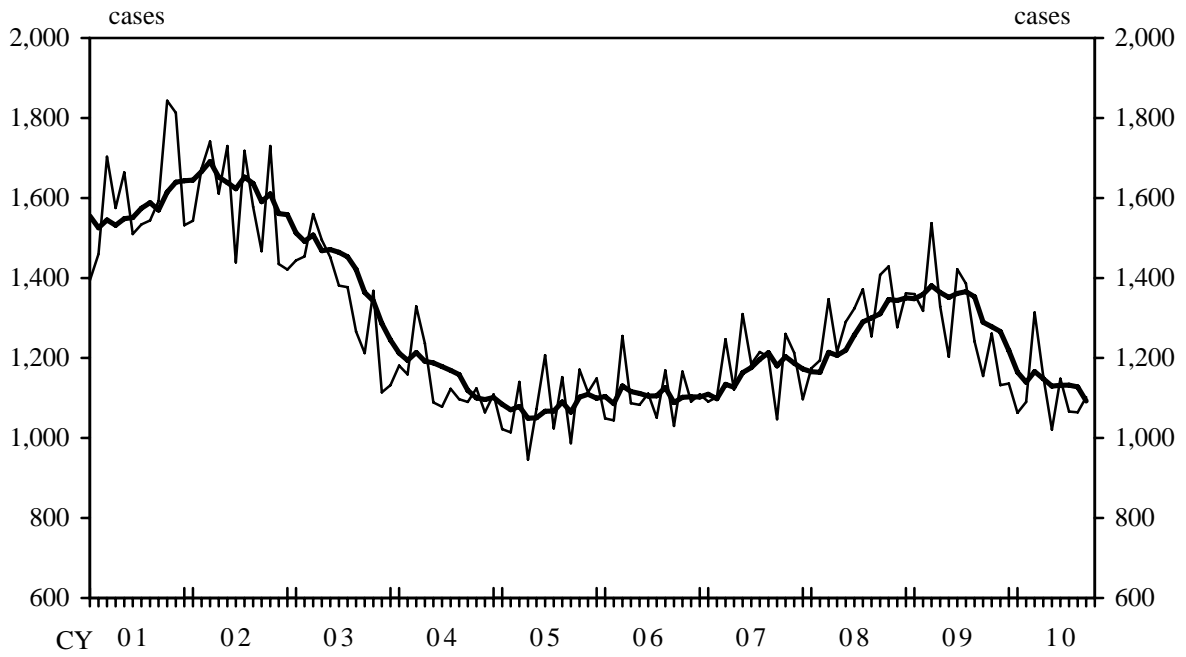
## (2) Ratio of Money Stock to Nominal GDP



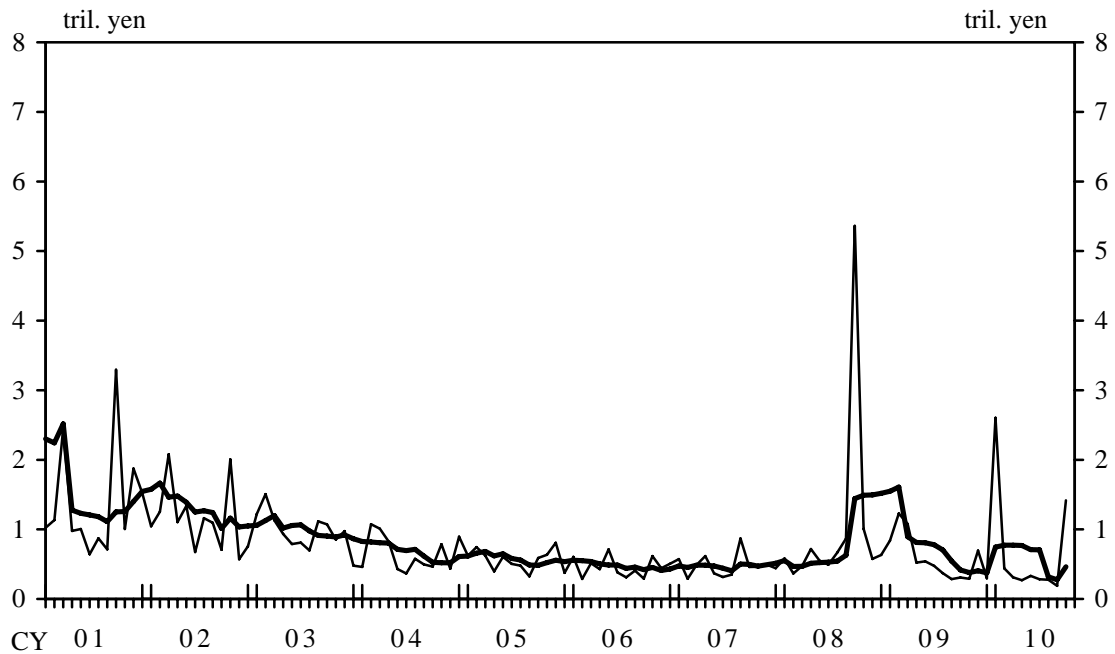
- Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.  
 2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.  
 3. The 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/Q3 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)."