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Bank of Japan

**Monthly Report of
Recent Economic and Financial Developments
July 2013**

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Monthly Report of Recent Economic and Financial Developments¹

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Summary

Japan's economy is starting to recover moderately.

As for overseas economies, while the manufacturing sector continues to show a lackluster performance, they are gradually heading toward a pick-up as a whole. In this situation, exports have been picking up. Business fixed investment has stopped weakening and shown some signs of picking up as corporate profits have improved. Public investment has continued to increase, and the pick-up in housing investment has become evident. Private consumption has remained resilient, assisted by the improvement in consumer sentiment. Reflecting these developments in demand both at home and abroad, industrial production is increasing moderately. Business sentiment has been improving.

With regard to the outlook, Japan's economy is expected to recover moderately on the back of the resilience in domestic demand and the pick-up in overseas economies.

Exports are expected to increase moderately mainly against the background of the pick-up in overseas economies. As for domestic demand, public investment is expected to continue trending upward supported by the effects of various economic measures, and housing investment to increase. Business fixed investment is projected to follow a moderate increasing trend, partly due to investment related to disaster prevention and energy, as corporate profits continue to improve. Private consumption is expected to remain resilient, supported in part by improvement in the employment situation. Under these circumstances, industrial production is expected to continue increasing moderately.

Meanwhile, there remains a high degree of uncertainty about the global economy.

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on July 10 and 11, 2013.

On the price front, the three-month rate of increase in domestic corporate goods prices is narrowing against the backdrop of movements in international commodity prices and foreign exchange rates. The year-on-year rate of change in consumer prices (all items less fresh food) is currently 0 percent. Some indicators suggest a rise in inflation expectations.

Domestic corporate goods prices are expected to rise moderately for the time being. The year-on-year rate of change in consumer prices is likely to turn positive.

Financial conditions are accommodative.

The monetary base has increased significantly as asset purchases by the Bank of Japan have progressed, and the year-on-year rate of growth has been at around 35 percent.

Firms' funding costs have been hovering at low levels. With regard to credit supply, firms have continued to see financial institutions' lending attitudes as being on an improving trend. Issuing conditions for CP and corporate bonds have remained favorable on the whole. Firms' credit demand has been increasing moderately, mainly for working capital and funds related to mergers and acquisitions. Against this backdrop, the year-on-year rate of increase in the amount outstanding of bank lending has been at around 2 percent. The year-on-year rate of change in the amount outstanding of CP and corporate bonds has been positive. Firms have retained their recovered financial positions on the whole. Meanwhile, the year-on-year rate of growth in the money stock has been in the range of 3.5-4.0 percent.

The weighted average of the overnight call rate has been below the 0.1 percent level, and interest rates on term instruments have been more or less unchanged. Compared with last month, stock prices have risen. Meanwhile, the value of the yen against the U.S. dollar and long-term interest rates have remained at more or less the same levels as last month.

1. Economic Developments

Public investment has continued to increase. The amount of public construction completed—which reflects the progress of public works—increased marginally in April relative to the first quarter, after having risen for five quarters in a row until the first quarter this year (Chart 5). The value of public works contracted—a measure that reflects public orders—dipped marginally in the first quarter, after having continued to be more or less flat on average, albeit with monthly fluctuations, since the second quarter last year, but it increased significantly at the start of the new fiscal year in April-May compared with the first quarter.

Public investment is expected to continue trending upward supported by the effects of various economic measures.

Real exports have been picking up (Charts 6[1] and 7). Real exports turned upward in the first quarter and kept increasing in April-May relative to the first quarter, after having continued to decline in the third and fourth quarters last year. On a monthly basis, exports fell back only marginally in May, after having increased in both March and April. Looking at movements in exports by region (Chart 7[1]), exports to the United States have exhibited relatively high growth on the whole, particularly in motor vehicles and their related goods, and together with the moderate recovery in the U.S. economy, they have resumed their uptrend, assisted partly by the effects of recent foreign exchange rates. Exports to Others seem to have turned moderately upward, mainly in motor vehicles and their related goods as well as in capital goods and parts (excluding ships), disregarding the fluctuations in ships. Exports to East Asia have still shown some sluggishness, but those particularly to China and NIEs have started to show signs of picking up. Meanwhile, exports to the EU have continued to move downward. By goods (Chart 7[2]), exports of motor vehicles and their related goods—due in part to the effects of developments in foreign exchange rates—have resumed an uptrend, assisted by the pick-up in those to China—which had seen a significant drop—amid steady exports to the United States and Others. Exports of capital goods and parts have recently started to bottom out as a whole, with upward movements observed in exports to the United States and East Asia, disregarding the fluctuations in ships, after having plunged in the second half of last year. Exports of IT-related goods (including visual and audio apparatus) appear

to be heading for bottom as a whole, as the downshift in demand for parts for final products of smartphones—which had taken place since the end of last year—has eased, although digital cameras have stayed somewhat sluggish. Meanwhile, intermediate goods have shown some weakness again, due to the ease in the supply and demand balance in the Asian region.

Real imports have been more or less flat (Charts 6[1] and 9). Real imports—which rose in the first quarter on a quarter-on-quarter basis after having fallen sharply in the fourth quarter last year—fell back marginally in April-May relative to the first quarter partly from the previous increase and also due in part to the effects of foreign exchange rates. Looking at movements in imports by goods (Chart 9[2]), those of raw materials have become more or less flat on average, although the underlying trend is difficult to read with the large fluctuations. Imports of IT-related goods appear to be on an increasing trend, chiefly in smartphones. As to imports of capital goods and parts, the downtrend appears to be coming to a halt, assisted mainly by the progress in inventory adjustments at home. Meanwhile, imports of goods including intermediate goods (such as chemicals as well as iron and steel) have recently inched downward; these movements are likely to be affected by movements in foreign exchange rates.

Net exports—in terms of the real trade balance—have picked up moderately as a reflection of the aforementioned developments in exports and imports (Chart 6[1]). The nominal current account surplus—which had been narrowing its rate of surplus until the first quarter—increased its level in April-May as a whole compared with the first quarter, since the nominal goods and services balance saw its deficit narrow and since the income surplus increased (Chart 6[2] and [3]).

Regarding the environment surrounding exports, overseas economies, while the manufacturing sector continues to show a lackluster performance, are gradually heading toward a pick-up as a whole (Chart 8[2]). Looking at movements by major region, the U.S. economy has been on a moderate recovery trend against the background of steady private demand. On the other hand, the European economy has continued to recede slowly as a whole, although signs of bottoming out have been observed in areas such as corporate and household sentiment. A clear recovery in

the Chinese economy is also still yet to be confirmed as the manufacturing sector continues to show some weakness. Affected by these movements, the pick-up in the NIEs and ASEAN economies has been modest as a whole; the corporate sector has recently shown somewhat sluggish movements. As for the exchange rate, the yen has depreciated from a while ago against both the U.S. dollar and euro, albeit with fluctuations; in terms of the real effective exchange rate, the yen has fallen to a level similar to that last observed around 2007 (Chart 8[1]).

Overseas economies, including the United States, are expected to gradually pick up. The aforementioned movements in foreign exchange rates are also projected to underpin exports more markedly. A high degree of uncertainty remains about overseas economies, however, and the pace of pick-up is expected to remain very modest for the time being. Attention should continue to be paid to the risk that the sluggishness in the European economy may inhibit the pick-up in the global economy through channels of trade, foreign investment, and worsening business sentiment. As for the Chinese economy, the manufacturing sector—which has a large influence on Japan’s economy—may face a situation in which the loose supply and demand conditions may prevail even further, mainly because the supply of raw materials and other goods seems to have exceeded demand as a result of increased business fixed investment. As for the U.S. economy, although private demand has held steady, downward pressure from the fiscal side is likely to work as a restraining factor for the time being. In relation to this, as for the IT-related sector, the effects of the downshift in demand for parts for products of smartphones—which had pushed exports and domestic production of IT-related goods downward since the end of last year—have started to ease; for the outlook, shipments of parts for new products are expected to gradually start exerting upward pressure on exports. Final demand of this sector as a whole, however, has yet to show noticeable improvement, and thus future developments in overall final demand, including new products of these smartphones as well as conventional products such as PCs, continue to require close monitoring. Meanwhile, the impact of the bilateral relationship between Japan and China on Japan's economy has continued to become less visible, with the pick-up in automobile-related exports to China. Ongoing attention, however, should be paid to whether or not this trend of improvement will continue on into the future.

Taking the above into consideration, exports are expected to increase moderately mainly against the background of the pick-up in overseas economies. Imports are projected to resume their moderate uptrend along with movements in industrial production, against the backdrop of increased resilience in domestic demand, even though movements in foreign exchange rates will bear down on some areas. As a reflection of these developments in exports and imports, net exports are projected to trend moderately upward.

Business fixed investment has stopped weakening and shown some signs of picking up as corporate profits have improved. The aggregate supply of capital goods—a coincident indicator of machinery investment—rose in April-May as well relative to the first quarter following the quarter-on-quarter increase in the first quarter, after having decreased for two quarters in a row until the fourth quarter last year (Chart 10[1]). As for leading indicators, machinery orders (private sector, excluding orders for ships and those from electric power companies)—a leading indicator of machinery investment—turned upward in April-May compared with the first quarter after having been almost flat in the first quarter, following a decline for three straight quarters until the fourth quarter last year (Chart 11[1]). By industry, machinery orders of manufacturing turned upward in April-May relative to the first quarter, after having declined for six quarters in a row until the first quarter. Those of nonmanufacturing (excluding orders for ships and those from electric power companies) fell back in the first quarter from the increase in the fourth quarter last year, but rose significantly in April-May compared with the first quarter. Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—were more or less flat in April-May compared with the first quarter, after having increased for three consecutive quarters through the first quarter (Chart 11[2]). By industry, construction starts of mining and manufacturing have continued to be more or less flat, albeit with fluctuations, after having surged in the first quarter last year. Those of nonmanufacturing registered somewhat high growth in April-May relative to the first quarter, after having moved upward for four straight quarters until the first quarter. Meanwhile, the production capacity DI in the June *Tankan* improved for the present, particularly in manufacturing; firms as a whole continued to project an improvement in their forecast (Chart 10 [2]).

Regarding the environment surrounding business fixed investment, corporate profits have improved and so has business sentiment. The business conditions DI for all industries and enterprises in the June *Tankan* posted a high level for the first time in five and a half years by having noticeably reduced its net "unfavorable." By industry and size (Chart 13), the DI for large manufacturing firms moved into positive territory for the first time in seven quarters; almost all industries showed a distinct improvement. Looking in detail, the DIs for motor vehicles and electrical machinery improved significantly as a reflection of demand at home and abroad as well as of movements in foreign exchange rates; the effects of the improvement had also spread to other industries, including general-purpose machinery and production machinery. The firmness in sectors related to public and housing investment continued to exert upward pressure on basic materials industries. Furthermore, some industries, such as food & beverages, have shown improvement mainly since the rise in input prices has started to be passed on in the form of increased output prices, and this in turn has somewhat reduced the squeeze on profits brought on by cost increases in imports. The DI for small manufacturing firms improved almost in line with large firms, but as these firms are susceptible to cost increases, improvement remained marginal compared with that of large manufacturing firms. Meanwhile, for both large and small nonmanufacturing firms, the DIs for industries related to public and housing investment (construction and real estate) and those with ties to private consumption (retailing, services for individuals, and accommodations, eating & drinking services) continued to hold steady; the DIs for industries such as wholesaling, transport & postal activities, and services for businesses also showed improvement, as a reflection of the pick-up in manufacturing activity.

Corporate profits are projected to keep improving, supported by increased resilience in domestic demand as well as by the moderate rise in exports and movements in foreign exchange rates. In the June *Tankan*, current profits (for all industries and enterprises) on a fiscal year basis were forecasted to continue increasing firmly for fiscal 2013 with a year-on-year increase of 5.2 percent, following positive 7.2 percent on a year-on-year basis for fiscal 2012. In comparison to the March *Tankan*, profits were revised markedly upward for both fiscal 2012 and 2013, particularly in manufacturing, as a reflection of movements in foreign exchange rates. By industry and size (Chart 12), profits of large manufacturing firms are

forecasted to increase markedly for fiscal 2013 as well, following fiscal 2012. Even small manufacturing firms forecasted that profits will continue to move upward throughout fiscal 2013, although at a slightly modest pace compared with those of large firms. Large nonmanufacturing firms forecasted that profits will keep increasing moderately against the background of resilient domestic demand, despite downward pressure from some industries such as electric utilities. Small nonmanufacturing firms projected that profits will maintain their high level even for fiscal 2013, following the significant increase in fiscal 2012.

Taking the above into consideration, business fixed investment is projected to follow a moderate increasing trend, partly due to investment related to disaster prevention and energy, as corporate profits continue to improve. Business fixed investment plans (excluding software investment and including land purchasing expenses) for fiscal 2013 in the June *Tankan* were revised upward from the March *Tankan* for all industries and enterprises with a year-on-year increase of 2.0 percent. By industry and size (Chart 14), plans of large manufacturing and nonmanufacturing firms showed a year-on-year increase of 6.7 percent and 4.9 percent, respectively; these plans were set somewhat higher than past averages for this time of year, especially in nonmanufacturing. Plans of small manufacturing firms, after the decline in fiscal 2012, saw a year-on-year increase of 10.4 percent for fiscal 2013; their plans were considerably strong for this time of year. Plans of small nonmanufacturing firms were somewhat weak at this present stage with a year-on-year decline of 17.1 percent. This, however, was largely affected by the fact that plans for the previous fiscal year were revised remarkably upward and thereby exhibiting extremely high growth (a year-on-year increase of 26.7 percent); together with the fact that the revision rate from the March *Tankan* was relatively high, these plans suggest that small nonmanufacturing firms have held a firm stance on investment. Based on "software and fixed investment excluding land purchasing expenses"—a concept close to that of GDP—business fixed investment plans of all industries and enterprises are projected to grow firmly for fiscal 2013 with a year-on-year increase of 5.3 percent, after having stood at positive 4.7 percent on a year-on-year basis for fiscal 2012.

Private consumption has remained resilient, assisted by the improvement in consumer sentiment (Chart 15). Consumption of goods—as seen through sales at retail stores in real terms (Chart 16[1])—rose in the first quarter on a quarter-on-quarter basis and continued to do so in April-May relative to the first quarter, after having been more or less level through the fourth quarter last year, albeit with some fluctuations. Looking at consumption of durable goods (Chart 16[2]), the number of new passenger-car registrations—although having fallen back recently from the upsurge, aided partly by the introduction of new models since the start of this year—has tended to pick up, after having fallen significantly following the ending of subsidies for purchasing energy-efficient cars. Sales of household electrical appliances in real terms have been steady as a whole, albeit with fluctuations, aided by sales of smartphones, tablet devices, and white goods installed with energy-saving devices, although those of televisions and PCs continued to be sluggish. Sales at department stores have been firm, notably in imports and high-end products, as they were more or less flat in April-May compared with the first quarter, after having climbed toward the first quarter (Chart 17[1]). Sales at supermarkets were somewhat sluggish in April-May, after having rebounded toward March buoyed by increased temperatures from the decline in January which was partly affected by snowfalls in the Tokyo metropolitan areas. Sales at convenience stores have continued to trend moderately upward. As for consumption of services (Chart 17[2]), outlays for travel dipped in early fall, chiefly in overseas travel (bound for China and South Korea), but they have held steady since the end of last year. Sales in the food service industry have recently shown some strength, while they have been steady as a whole.

As for statistics on the demand side, consumption expenditure in the *Family Income and Expenditure Survey* (in real terms; two-or-more-person households) shows that the index on an "excluding housing, automobiles, money gifts, and remittance" basis (Chart 16[1])—which is compiled so as to make it similar to items used for estimating GDP—fell back slightly in April-May relative to the first quarter, after having advanced significantly in the first quarter, mainly due to strong automobiles and services (reading & recreation).² The total expenditure in the *Survey of Household Economy* (in real terms; two-or-more-person households) inched

² Items in the index are not completely limited to those used for estimating GDP. Education, for example, is not used for estimating GDP.

down in April-May compared with the first quarter, after having been level in both the fourth and first quarters on a quarter-on-quarter basis.

Indicators related to consumer confidence have improved as a reflection of the rise in stock prices since the end of last year and of recent movements in the employment situation (Chart 18).

Private consumption is expected to remain resilient, supported in part by improvement in the employment situation.

The pick-up in housing investment has become evident. The number of housing starts—a leading indicator of housing investment—rose noticeably in April-May relative to the first quarter, after having fallen slightly in the first quarter on a quarter-on-quarter basis following the moderate increase toward the fourth quarter last year (Chart 19[1]). Looking at May alone, housing starts recorded 1.027 million units (on a seasonally adjusted, annual basis), reaching the level of 1 million units for the first time since October 2008 (1.052 million units).

Housing investment is expected to increase.

Industrial production is increasing moderately (Chart 20).³ Industrial production, on a quarterly basis, turned upward, albeit marginally, in the first quarter and accelerated its pace of increase in April-May relative to the first quarter, after having declined for three quarters in a row since the second quarter last year. Looking at movements in April-May compared with the first quarter by industry, production of transport equipment (such as passenger cars) continued to move

³ The base year of industrial production was changed from 2005 to 2010, starting from the revised report for April 2013 which was released on June 18. Released figures on the new basis, particularly such characteristics as the underlying trend, did not differ substantially from the 2005 base index. As a result of changes in the seasonal adjustment method, the figure for February 2009 after the Lehman shock has been added to the list of detected outliers; in line with this, the month-on-month as well as the quarter-on-quarter patterns of seasonally adjusted figures were also revised. The Bank of Japan had calculated seasonally adjusted figures by detecting large fluctuations after the Lehman Shock as outliers (named the “adjusted-base”) and had described movements of this in conjunction with those of the released figures. Taking account of changes in the aforementioned seasonal adjustment method, the Bank will basically mention movements in industrial production based on the released figures from now on.

upward, after having registered somewhat high growth in the first quarter. While domestic sales have been steady, supported in part by the introduction of new models, production for exports to China—which was affected by the bilateral relationship between Japan and China—continued an improving trend and exports to the United States and Others held steady. Production of iron and steel and of chemicals also kept moving upward, aided by the effects of the pick-up in production of motor vehicles and also by the increase in exports as well as the decline in imports in some sectors as a reflection of recent movements in foreign exchange rates. Production of electronic parts and devices has recently picked up, mainly in parts for smartphones and tablet devices to be produced in Asia, after having declined in the first quarter. It is considered that with the effects of the downshift in demand for parts for smartphones—which had pushed production downward—becoming eased, parts for new products have gradually started to place upward pressure on production. Production of general-purpose, production and business oriented machinery—which had fallen toward the end of last year as a reflection of developments in business fixed investment at home and abroad—is considered to gradually head for a pick-up, as the production in April-May was up, after having almost hit bottom in the first quarter.⁴

Shipments have been on a mild uptrend, with the fluctuations smoothed out (Chart 22[1]). Looking at the trend in shipments by goods (Chart 21), those of producer goods have increased mildly overall since: (i) those for motor vehicles (such as motor vehicle parts, iron and steel, and chemicals) have continued to improve; (ii) some of those related to materials have seen an increase in exports as well as a decline in imports affected by recent movements in foreign exchange rates; and (iii) electronic parts and devices—which had remained sluggish—have recently headed for an increase. Shipments of construction goods have recently moved slightly upward in response to movements in public and housing investment.⁵ Shipments of durable consumer goods have tended to pick up on average, notably in motor vehicles. On

⁴ For the changes in the base year to 2010, some alterations were made to the classification of industry: "general machinery" in the old basis was subdivided into "general purpose machinery," "production machinery," and "business oriented machinery (a part of "precision instruments" was also transferred)."

⁵ Photovoltaic modules—which had created the uptrend in shipments of construction goods in the 2005 base index—were excluded from the construction goods category in the 2010 base index and instead were divided into capital goods (for electricity) and durable consumer goods (for household use).

the other hand, shipments of non-durable consumer goods have continued to be more or less flat. Meanwhile, shipments of capital goods have bottomed out and have started to pick up.

Inventories have continued to trend downward (Chart 22[1]). Movements in inventories suggest that they have been on a declining trend since the end of last year, although they recently seem to have shown signs of bottoming out with May posting a marginal increase relative to the end of March. By industry, those of transport equipment have been on a downtrend amid a pick-up in shipments. Inventories of general-purpose, production and business oriented machinery—which were at relatively high levels a while ago—have trended downward on average. Inventories of electronic parts and devices have been on a downtrend since the start of this year, after having remained elevated toward the end of last year. Meanwhile, inventories of such industries as iron and steel have risen slightly of late, which may be attributable to movements to front-load production in view of increases in electricity prices. As for the shipment-inventory balance (year-on-year rate of change in shipments less that in inventories), growth in shipments has moved in line with that in inventories overall (Chart 22[3]). As for durable consumer goods, construction goods, and electronic parts and devices, shipments have recently grown at a faster pace than inventories as a result of improved shipments. Growth in inventories and in shipments has been broadly balanced for capital goods (excluding transport equipment); the shipment-inventory balance for producer goods excluding electronic parts and devices has improved moderately.

Industrial production is expected to continue increasing moderately, mainly reflecting developments in demand at home and abroad. Based on anecdotes by firms and other information, regarding the second quarter, transport equipment is projected to increase moderately as demand holds steady at home and abroad, after having registered somewhat high growth in the first quarter; partly in response to this, iron and steel as well as chemicals are also expected to continue growing. General-purpose, production and business oriented machinery is expected to turn upward as a reflection of the pick-up in business fixed investment at home and abroad; electronic parts and devices are likely to increase again, due mainly to the progress in inventory adjustments. Moreover, ceramics, stone and clay products as

well as fabricated metals are expected to increase noticeably against the backdrop of steady construction demand. As a result, industrial production as a whole is projected to advance markedly. Although uncertainty is still in place, production in the third quarter is expected to increase in a wide range of industries, including transport equipment, electronic parts and devices, and general-purpose, production and business oriented machinery, driven mainly by a more pronounced recovery in demand both at home and abroad. Industrial production as a whole is forecasted to continue increasing.

The employment and income situation has continued to be severe, but supply and demand conditions in the labor market have been improving moderately.

As for supply and demand conditions in the labor market, the unemployment rate—which had been almost level since last summer—has recently headed toward a moderate decline again (Chart 23). New job openings—which had been sluggish as a whole until around the end of last year amid the weakness mainly in manufacturing as a reflection of movements in exports and industrial production—have recently trended upward again. In response to these movements, the active job openings-to-applicants ratio also continued its moderate improving trend. Non-scheduled hours worked has increased at a mild pace, together with the pick-up in manufacturing, while nonmanufacturing has been resilient. Meanwhile, the employment conditions DI in the June *Tankan* showed that it remained unchanged in June for all industries and enterprises from the level in March when it turned to net "insufficient" employment, albeit marginally. This is attributable to a seasonal factor in which an increase in employment occurs at the start of the fiscal year due to the recruitment of new graduates; a considerably noticeable expansion in net "insufficient" employment is projected toward September since manufacturing will face a narrowing of their net "sufficient" employment, while net "insufficient" employment will expand for nonmanufacturing (Chart 24).

In terms of employment, the year-on-year rate of change in the number of employees in the *Labour Force Survey* has recently risen somewhat on average, as a reflection of movements in nonmanufacturing (Chart 25[1]). The number of regular employees in the *Monthly Labour Survey* has been increasing as a whole on a

year-on-year basis supported by the rise in nonmanufacturing, although manufacturing has continued to decline.

The year-on-year rate of change in total cash earnings per employee has still been slightly negative, but the pace of decline has started to slow as a whole (Chart 25[2]). Looking in detail, the rate of decline in scheduled cash earnings has recently narrowed slightly since scheduled cash earnings per regular employee has almost stopped declining and scheduled cash earnings per hour of part-time employees has turned upward at a very mild pace, although the uptrend in the ratio of part-time employees has exerted downward pressure. Non-scheduled cash earnings have also started to turn positive, in response to movements in the number of hours worked. Meanwhile, special cash earnings have recently stood positive, although this was of a month in which they comprise only a small amount.

The year-on-year rate of change in employee income has recently registered a small positive, although it has remained in the vicinity of 0 percent, as a reflection of the aforementioned developments in employment and wages (Chart 25[3]).

As for the outlook regarding employee income, improvement is expected to become gradually evident as the recovery in economic activity and business performance becomes noticeable.

2. Prices

International commodity prices have continued to show sluggish movements (Chart 27[1] and [3]). Prices of crude oil and of nonferrous metals have been somewhat weak, with persistent uncertainty over the outlook for the global economy as the Chinese economy seems to show lackluster performance. Prices of grains have been more or less flat, albeit with fluctuations, after having lowered their levels as anxiety over supply due to the unseasonable weather was reduced.

The three-month rate of change in import prices (on a yen basis) has recently been more or less flat after having risen consistently, reflecting movements in international commodity prices and foreign exchange rates (Chart 27[2]).

The three-month rate of increase in domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter) is narrowing against the backdrop of movements in international commodity prices and foreign exchange rates (Chart 28[2]).⁶ The three-month rate of increase narrowed in May and June, having posted positive 0.5 percent, following an increase of 1.0 percent in April. Looking in detail at domestic corporate goods price movements in June, prices of "goods sensitive to exchange rates and overseas commodity prices" turned slightly negative, as a reflection of movements in international commodity prices, including crude oil, as well as foreign exchange rates of late. Prices of "iron & steel and construction goods" reduced their pace of increase in response to price declines in scrap & waste. Meanwhile, prices of "electric power, gas & water" rose at an accelerated pace, mainly because movements in foreign exchange rates since the end of last year have pushed prices upward through the fuel cost adjustment system.⁷

The year-on-year rate of change in corporate services prices (excluding international transportation; year-on-year basis, same hereafter) has continued to mark a slight negative on average, albeit with fluctuations (Chart 29). As for developments on a year-on-year basis, corporate services prices registered negative 0.2 percent in May, narrowing their rate of decline from negative 0.7 percent in April. Looking in detail at corporate services price movements, prices related to "selling, general and administrative expenses" narrowed their rate of decline markedly as a whole, since prices of advertising services fell at a reduced pace (i) in response to a significant decline in the previous month caused partly by a temporary factor and (ii) due to increased advertisement placements by some industries. The rate of decline in prices related to "real estate" has tended to narrow moderately, with the monthly fluctuations smoothed out. Prices related to "fixed investment" continued to increase marginally, primarily in civil engineering and architectural services. Meanwhile, "IT-related" prices continued to decrease, due to price declines in leasing of equipment.

⁶ 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.

⁷ Under the fuel cost adjustment system, electricity prices reflect fuel costs of three to five months earlier.

The year-on-year rate of change in consumer prices (all items less fresh food; year-on-year basis, same hereafter) is currently 0 percent (Chart 30[1]). In May, consumer prices marked 0 percent as the negative factors—such as the reversal of the previous year's movements in energy-related as well as durable consumer goods—dissipated, after having stood at negative 0.4 percent in April. Those on a basis that excludes food and energy stood at negative 0.4 percent in May, improving by 0.2 percentage points from April. Regarded as a method for capturing trend changes, the year-on-year rate of change in the trimmed mean—which had ceased to improve since the middle of last year—has most recently shown signs of heading toward improvement again (Chart 31[2]).⁸ The year-on-year rate of change in the Laspeyres chain index has moved in tandem with that in the 2010-base index (Chart 31[1]).⁹

Looking in detail at consumer price movements over the past few months, fees for public services have expanded their year-on-year rate of increase lately as a whole, since the automotive insurance premium was raised and also since electricity prices have risen at an accelerated pace again in response to increases in fuel costs as a reflection of movements in foreign exchange rates as well as the rise in electricity prices by some electric power companies, despite having reduced their pace of increase since the second half of last year, mainly due to the slower pace of increase in electricity prices as a reflection of the effects of the decline in crude oil prices toward the middle of last year. Prices for goods had accelerated their pace of decline since the start of this year, as the rate of decline in durable goods expanded and also as petroleum products turned negative, both due to the reversal of the previous year's movements; most recently, however, the rate of decline has narrowed slightly with these factors having dissipated. Meanwhile, prices of general services have continued to decline marginally, mainly in rent. Taking a closer look at price

⁸ The trimmed mean is obtained by systematically discarding a certain percentage of the highest and lowest marks of the price fluctuation distribution by item to eliminate large relative price fluctuations.

⁹ The Laspeyres chain index is compiled as follows: (i) aggregates are produced after updating the weights of items of the base year and resetting the index level of individual items to 100 every year; then (ii) multiplying the previous year's chain index by the aggregated year-on-year figures obtained from the above calculation. Disregarding such factors as adopting and terminating items and revising model formulae, it is virtually equivalent to compiling an index in which the base year is updated every year.

movements in May relative to April, prices of goods (excluding agricultural, aquatic and livestock products) narrowed their rate of decline markedly as a whole, since prices of petroleum products declined at a reduced pace as the effects of the reversal of last year's movements waned slightly and also since prices of durable goods narrowed their rate of decline substantially, mainly due to the diminished rate of decline in TV sets. The year-on-year rate of increase in fees for public services expanded even more as a whole, affected by the further rise in electricity prices partly due to price increases by some electric power companies, in light of upward pressure from movements in foreign exchange rates since the end of last year via the fuel cost adjustment system. On the other hand, the year-on-year rate of decline in prices of general services was on par with that of the previous month.

With regard to domestic supply and demand conditions in the June *Tankan* (Chart 32), the net "excess supply" of the domestic supply and demand conditions DI for products and services narrowed for both manufacturing and nonmanufacturing, regardless of size. In this situation, the output prices DI saw its net "fall" narrow, partly since movements to pass increased import costs onto prices were observed. Meanwhile, the weighted average of the production capacity DI and employment conditions DI has improved moderately.

Domestic corporate goods prices are expected to rise moderately for the time being. The year-on-year rate of change in consumer prices is likely to turn positive.

Meanwhile, some indicators suggest a rise in inflation expectations (Chart 33).

3. Financial Developments

(1) Corporate Finance and Monetary Aggregates

The monetary base (average amounts outstanding) has increased significantly as asset purchases by the Bank of Japan have progressed, and the year-on-year rate of growth has been at around 35 percent (Chart 34).

Firms' funding costs have been hovering at low levels. Issuance rates on CP and those on corporate bonds have been at low levels. The average contract interest rates on new loans and discounts have also been low (Chart 36).

With regard to credit supply, firms have continued to see financial institutions' lending attitudes as being on an improving trend (Chart 35). Issuing conditions for CP and corporate bonds have remained favorable on the whole. In these circumstances, as for funding of the private sector, the year-on-year rate of increase in the amount outstanding of bank lending has been at around 2 percent, mainly in demand for working capital and funds related to mergers and acquisitions (Chart 37). The year-on-year rate of change in the amount outstanding of CP and corporate bonds has been positive (Chart 38).

Firms have retained their recovered financial positions on the whole (Chart 35). The number of corporate bankruptcies has remained at a low level (Chart 40).

Meanwhile, the year-on-year rate of growth in the money stock (M2) has been in the range of 3.5-4.0 percent. Its June reading was 3.8 percent on a year-on-year basis, following 3.5 percent in May (Chart 39).¹⁰

(2) Financial Markets

In Japan's money markets, interest rates have been stable at low levels, including those for longer term rates. The overnight call rate (uncollateralized) has been below the 0.1 percent level. Regarding interest rates on term instruments, the T-Bill rate (3-month) has been slightly below the 0.1 percent level. The Euroyen interest rate (3-month) has been more or less flat. Interest rates on Euroyen futures have been virtually level (Chart 41). In U.S. dollar funding, the LIBOR-OIS spread for the dollar has basically been more or less flat (Chart 42).

Yields on 10-year government bonds (newly issued 10-year JGB) have basically been more or less flat, despite having shown slight increases in line with the

¹⁰ On an M3 basis, which includes the Japan Post Bank, the year-on-year rate of growth has been at around 3 percent; its June reading was 3.0 percent, following 2.8 percent in May. The year-on-year rate of growth in broadly-defined liquidity (L) has recently been at around 3 percent; it increased by 3.2 percent in June, following an increase of 2.7 percent in May.

rise in U.S. long-term interest rates; they are currently moving at around 0.85 percent (Chart 43).

Yield spreads between corporate bonds and government bonds have generally been more or less flat (Chart 44).

Stock prices temporarily dropped sharply, but then moved upward mainly in response to the yen's depreciation. The Nikkei 225 Stock Average is currently moving in the range of 14,000-14,500 yen (Chart 45).

In the foreign exchange market, the yen had temporarily appreciated in view of the decline in Japanese stock prices, but then has depreciated against the U.S. dollar due to speculation about U.S. monetary policies; the yen is currently moving at around 99 yen against the U.S. dollar (Chart 46). In these circumstances, the yen's exchange rate against the euro has basically been more or less unchanged, albeit with some fluctuations; the yen is currently moving in the range of 129-130 yen against the euro.

Charts

Chart 1	Main Economic Indicators (1)	Chart 26	Prices
Chart 2	Main Economic Indicators (2)	Chart 27	Import Prices and International Commodity Prices
Chart 3	Real GDP and Indexes of Business Conditions	Chart 28	Domestic Corporate Goods Price Index
Chart 4	GDP Deflator and Income Formation	Chart 29	Corporate Services Price Index
Chart 5	Public Investment	Chart 30	Consumer Price Index (Less Fresh Food)
Chart 6	External Balance	Chart 31	Trend Changes in Consumer Prices
Chart 7	Real Exports	Chart 32	Domestic Supply and Demand Conditions
Chart 8	Real Effective Exchange Rate and Overseas Economies	Chart 33	Inflation Expectations
Chart 9	Real Imports	Chart 34	Monetary Base
Chart 10	Coincident Indicators of Business Fixed Investment	Chart 35	Corporate Finance-Related Indicators
Chart 11	Leading Indicators of Business Fixed Investment	Chart 36	Lending Rates
Chart 12	Current Profits	Chart 37	Lending by Financial Institutions
Chart 13	Business Conditions	Chart 38	Private-Sector Fund-Raising in the Capital Markets
Chart 14	Business Fixed Investment Plans as Surveyed	Chart 39	Money Stock
Chart 15	Indicators of Private Consumption (1)	Chart 40	Corporate Bankruptcies
Chart 16	Indicators of Private Consumption (2)	Chart 41	Short-Term Interest Rates
Chart 17	Indicators of Private Consumption (3)	Chart 42	Global Money Markets
Chart 18	Consumer Confidence	Chart 43	Long-Term Interest Rates
Chart 19	Indicators of Housing Investment	Chart 44	Yields of Corporate Bonds
Chart 20	Production	Chart 45	Stock Prices
Chart 21	Shipments by Type of Goods	Chart 46	Exchange Rates
Chart 22	Shipments and Inventories		
Chart 23	Labor Market		
Chart 24	Employment Conditions		
Chart 25	Employee Income		

Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2012/Q4	2013/Q1	Q2	2013/Mar.	Apr.	May	Jun.
Index of consumption expenditure level (two-or-more-person households)	-0.7	4.4	n.a.	1.1	-2.2	-1.8	n.a.
Sales at department stores	1.1	1.5	n.a.	0.1	-2.1	p 1.9	n.a.
Sales at supermarkets	0.8	-1.9	n.a.	3.4	-3.2	p 0.8	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 263>	< 304>	< 283>	< 285>	< 310>	< 278>	< 261>
Sales of household electrical appliances (real, "Current Survey of Commerce")	-1.0	6.1	n.a.	-3.5	-2.3	p -2.0	n.a.
Outlays for travel	-0.1	0.8	n.a.	-1.2	-0.7	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	< 91>	< 90>	<n.a.>	< 90>	< 94>	< 103>	<n.a.>
Machinery orders ⁴ (Private sector, exc. volatile orders)	-0.8	-0.0	n.a.	14.2	-8.8	10.5	n.a.
Manufacturing	-5.3	-1.7	n.a.	13.3	-7.3	3.8	n.a.
Nonmanufacturing ⁴ (exc. volatile orders)	5.6	-3.1	n.a.	14.3	-6.0	25.4	n.a.
Construction starts (private, nondwelling use)	8.2	5.2	n.a.	1.4	-5.8	0.7	n.a.
Mining & manufacturing	-13.2	20.0	n.a.	-12.2	4.3	8.3	n.a.
Nonmanufacturing ⁵	9.3	0.7	n.a.	-1.4	0.9	-5.3	n.a.
Value of public works contracted	1.1	-3.6	n.a.	-5.6	28.7	5.1	n.a.
Real exports	-4.2	1.5	n.a.	2.8	2.0	-0.5	n.a.
Real imports	-5.5	3.1	n.a.	0.1	-2.3	0.9	n.a.
Industrial production ¹⁰	-1.9	0.6	n.a.	0.1	0.9	p 2.0	n.a.
Shipments ¹⁰	-1.3	4.1	n.a.	-0.8	-1.4	p 0.8	n.a.
Inventories ¹⁰	-1.6	-3.4	n.a.	-0.7	0.8	p -0.3	n.a.
Inventory ratio ¹⁰ <s.a., CY 2010 = 100>	< 117.7>	< 112.8>	<n.a.>	< 112.8>	< 107.1>	<p 104.9>	<n.a.>
Real GDP	0.3	1.0	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	-0.1	-0.1	n.a.	0.2	0.4	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2012/Q4	2013/Q1	Q2	2013/Mar.	Apr.	May	Jun.
Active job openings-to-applicants ratio <s.a., times>	< 0.82>	< 0.85>	<n.a.>	< 0.86>	< 0.89>	< 0.90>	<n.a.>
Unemployment rate <s.a., %>	< 4.2>	< 4.2>	<n.a.>	< 4.1>	< 4.1>	< 4.1>	<n.a.>
Non-scheduled hours worked ⁶	-2.5	-1.6	n.a.	-1.9	0.9	p 0.0	n.a.
Number of employees	0.1	0.4	n.a.	0.7	1.0	1.1	n.a.
Number of regular employees ⁶	0.7	0.5	n.a.	0.5	0.6	p 0.6	n.a.
Nominal wages per person ⁶	-1.1	-0.6	n.a.	-0.9	0.0	p 0.0	n.a.
Domestic corporate goods price index <q/q % chg., 3-month rate of change> ⁷	-0.9 < 0.2>	-0.3 < 0.8>	p 0.6 <p 0.6>	-0.5 < 0.8>	0.1 < 1.0>	0.5 < 0.5>	p 1.2 <p 0.5>
Consumer price index ⁸	-0.1	-0.3	n.a.	-0.5	-0.4	0.0	n.a.
Corporate services price index ⁹	-0.5	-0.4	n.a.	-0.4	-0.7	p -0.2	n.a.
Money stock (M2) <average outstanding, y/y % chg.>	2.3	2.9	p 3.5	3.1	3.2	3.5	p 3.8
Number of corporate bankruptcies <cases per month>	<963>	<926>	<947>	<929>	<899>	<1,045>	<897>

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

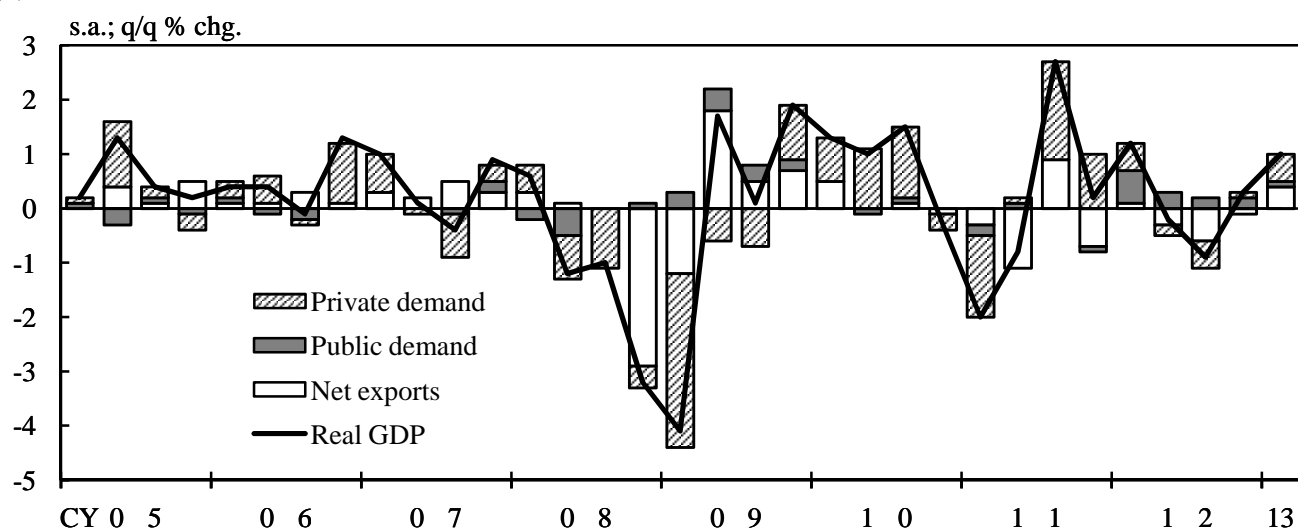
All figures in Chart 2 except figures in angle brackets are year-on-year changes. For details on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes of respective charts.

2. Figures with "p" indicate preliminary data.
3. Excludes small cars with engine sizes of 660 cc or less.
4. Volatile orders: Orders for ships and those from electric power companies.
5. Nonmanufacturing is mainly composed of commerce, services, agriculture & fisheries, and public utilities industries.
6. Data for establishments with at least five regular employees.
7. Adjusted to exclude a hike in electric power charges during the summer season.
8. All items, less fresh food.
9. Excludes international transportation.
10. Data have been revised to the 2010 base.

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



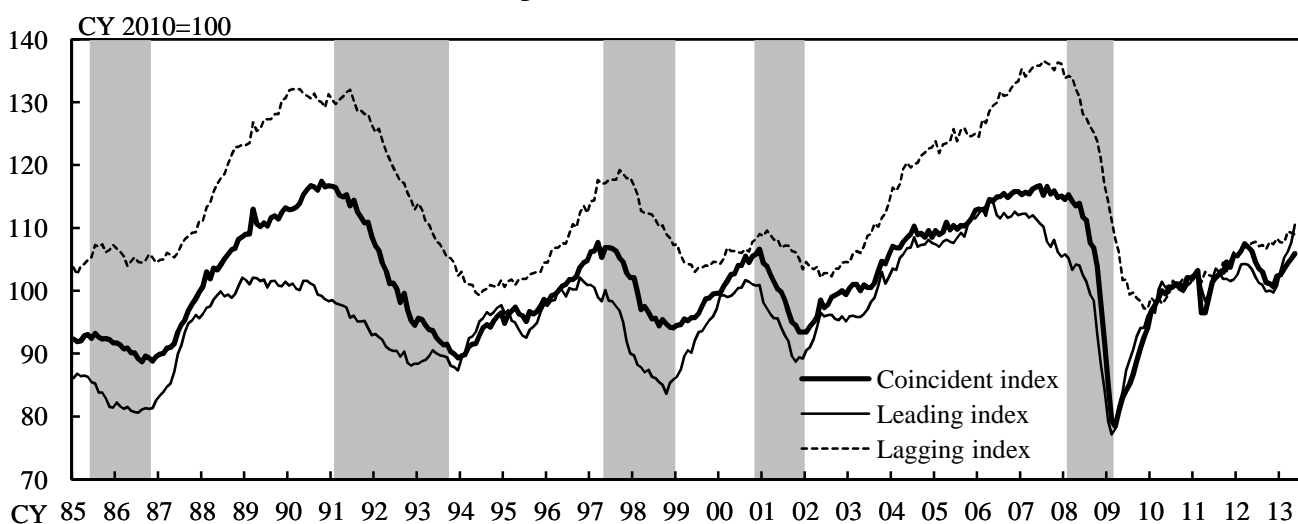
(2) Components

s.a.; q/q % chg.

	2012				2013
	Q1	Q2	Q3	Q4	Q1
Real GDP	1.2	-0.2	-0.9	0.3	1.0
[Annual rate]	[4.8]	[-0.6]	[-3.6]	[1.2]	[4.1]
Domestic demand	1.1	0.1	-0.3	0.4	0.6
Private demand	0.5	-0.2	-0.5	0.1	0.5
Private consumption	0.5	0.1	-0.2	0.3	0.5
Non-Resi. investment	-0.4	-0.0	-0.4	-0.2	-0.0
Residential investment	-0.0	0.1	0.0	0.1	0.1
Private inventory	0.4	-0.3	0.1	-0.1	-0.0
Public demand	0.6	0.3	0.2	0.2	0.1
Public investment	0.3	0.3	0.2	0.1	0.0
Net exports of goods and services	0.1	-0.3	-0.6	-0.1	0.4
Exports	0.4	-0.0	-0.7	-0.4	0.5
Imports	-0.3	-0.3	0.1	0.4	-0.2
Nominal GDP	1.1	-0.5	-1.1	0.2	0.6

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

(3) Indexes of Business Conditions (Composite Indexes)

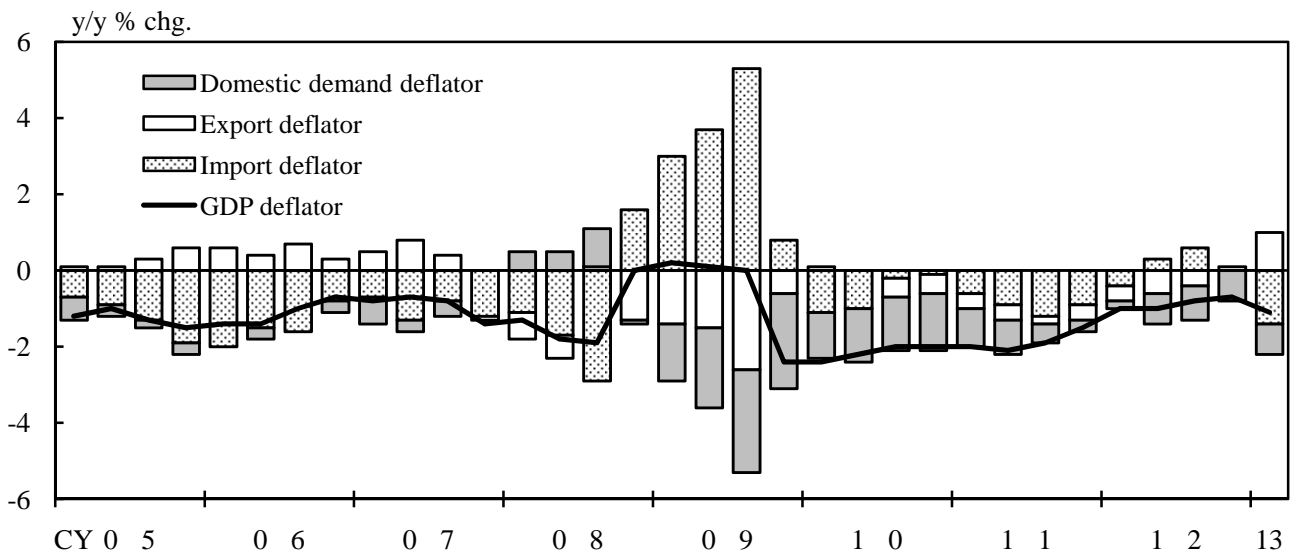


Note: Shaded areas indicate recession periods.

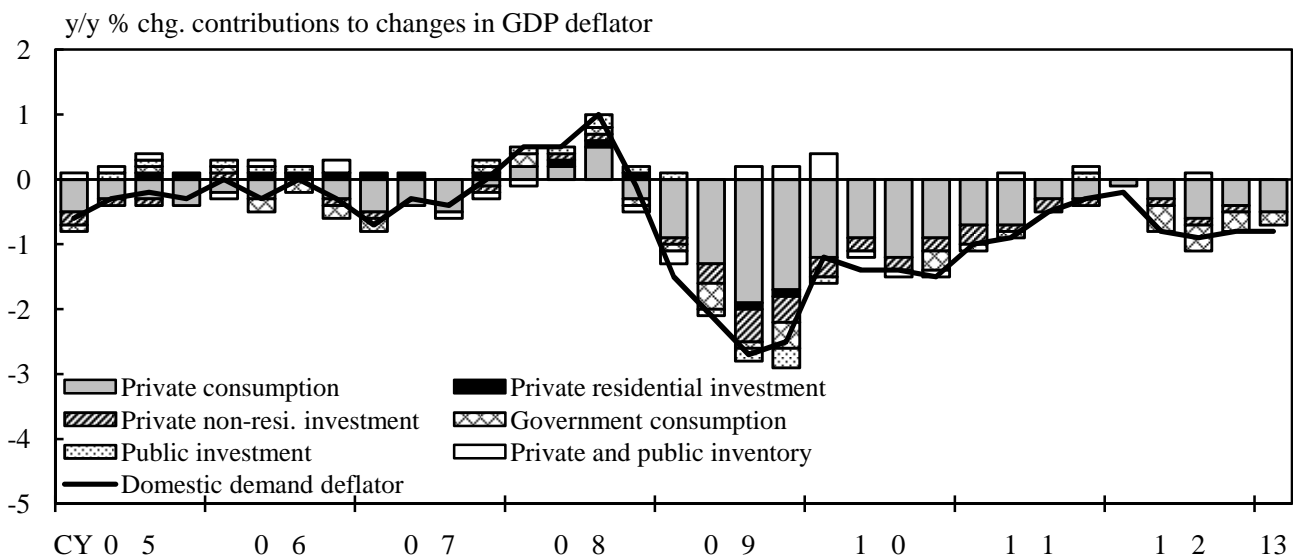
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

GDP Deflator and Income Formation

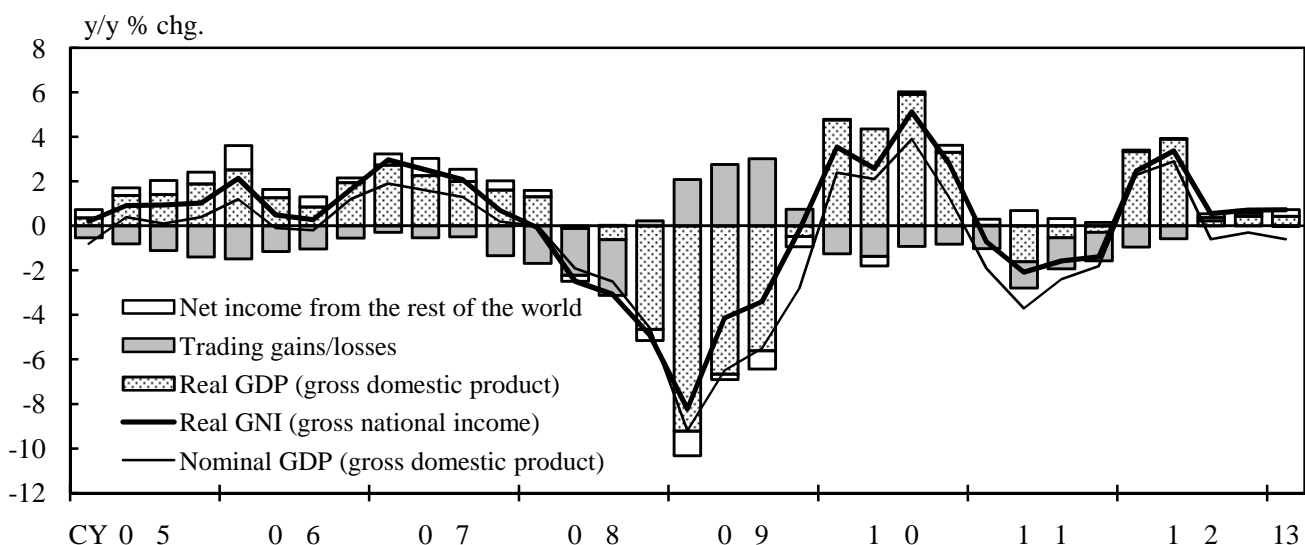
(1) GDP Deflator



(2) Domestic Demand Deflator



(3) Aggregate Income Formation



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

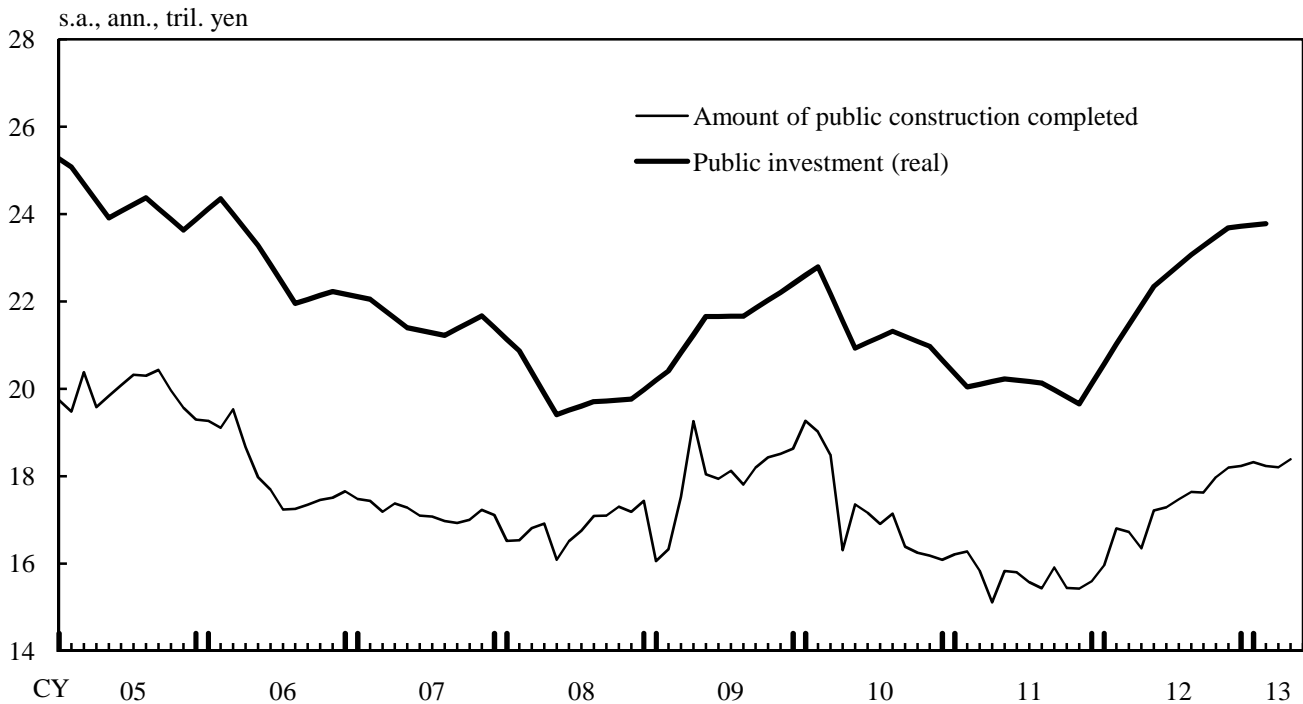
2. Real GNI = real GDP + trading gains/losses + net income from the rest of the world

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

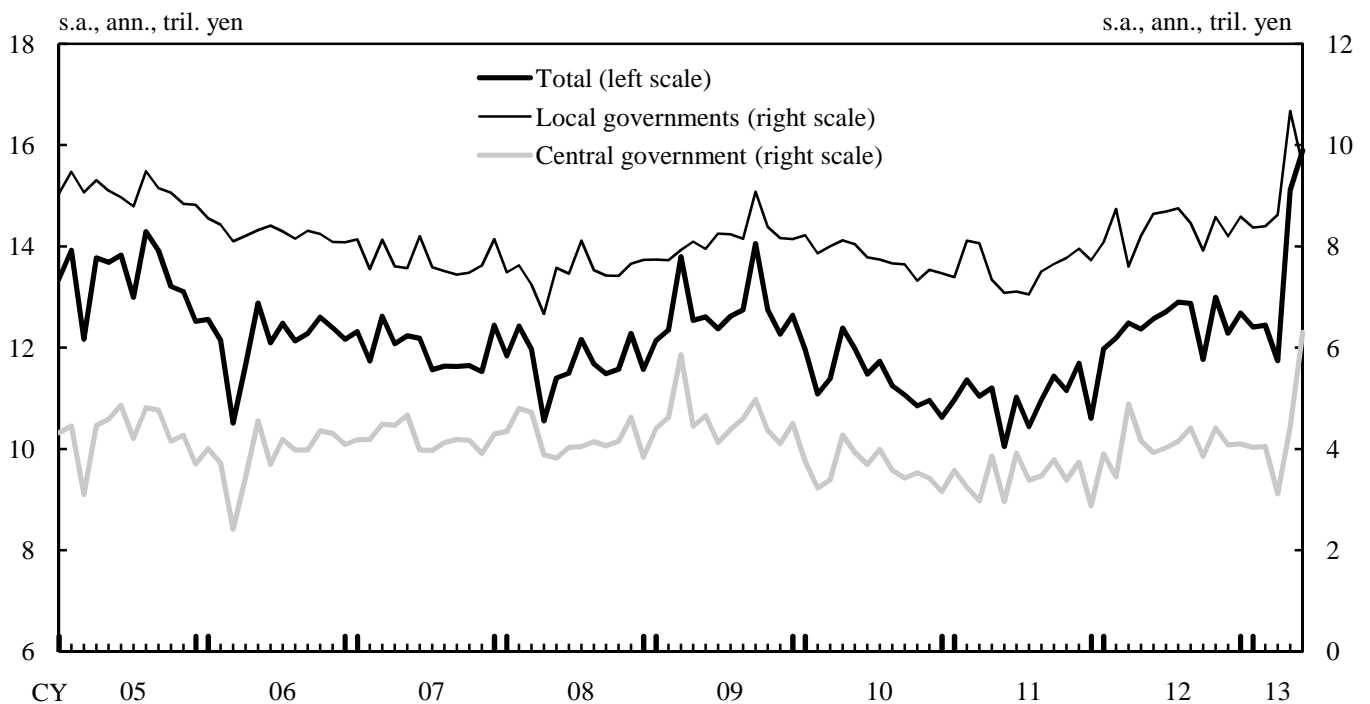
Source: Cabinet Office, "National Accounts."

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.

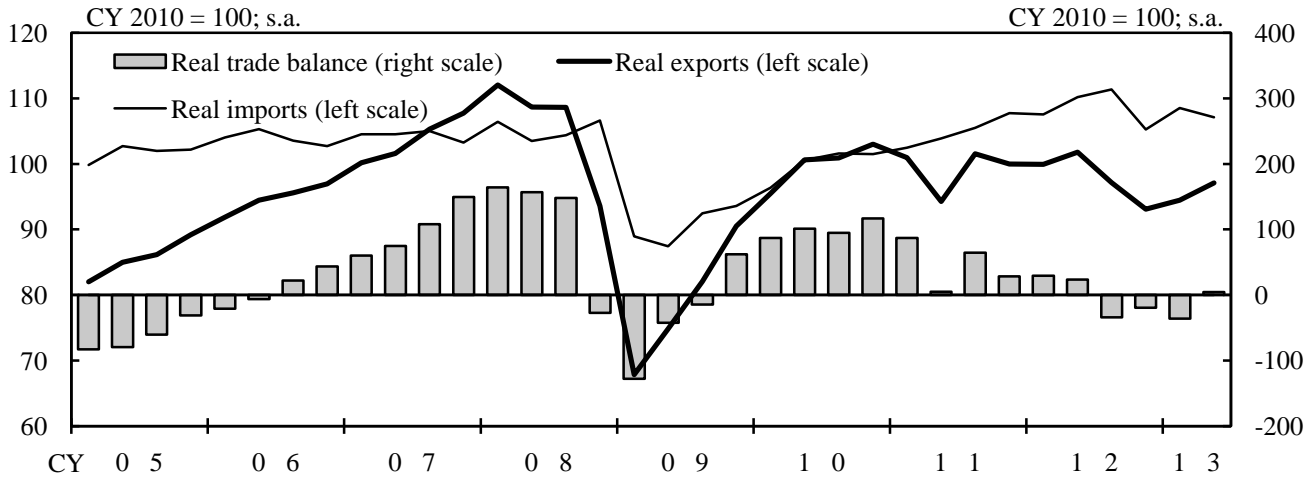
Sources: Cabinet Office, "National Accounts";

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

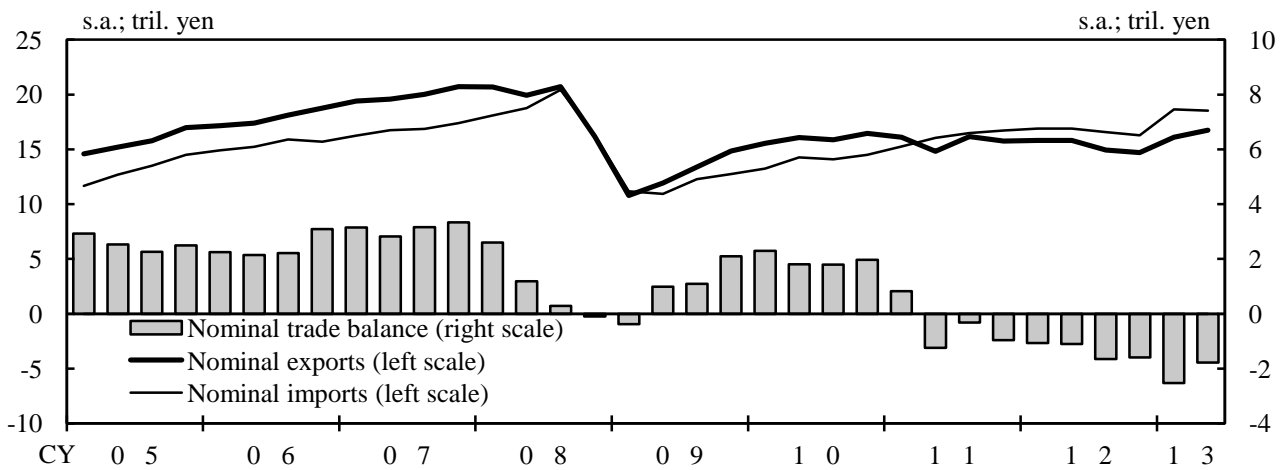
Ministry of Land, Infrastructure, Transport and Tourism, "Integrated Statistics on Construction Works."

External Balance ¹

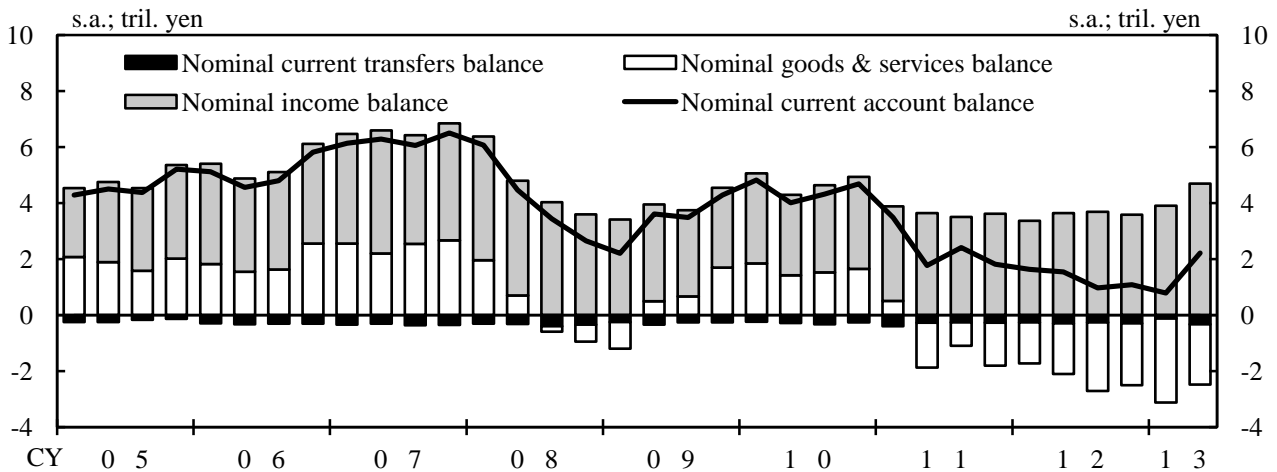
(1) Real Exports, Real Imports, and Real Trade Balance ²



(2) Nominal Exports, Nominal Imports, and Nominal Trade Balance ³



(3) Nominal Current Account Balance and Nominal Goods & Services Balance ³



Notes: 1. Seasonally adjusted by X-12-ARIMA. 2013/Q2 figures are April-May averages converted into quarterly amount.
 2. Real exports/imports are the value of exports and imports in the "Trade Statistics" deflated by the "Export and Import Price Index." "Real trade balance" is defined as real exports minus real imports.
 3. Figures are based on the "Balance of Payments."

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 2011	2012	2012 Q2	Q3	Q4	2013 Q1	Q2	2013 Mar.	Apr.	May
United States	<17.6>	-0.3	13.0	4.6	-3.8	-3.0	2.1	6.4	0.7	6.9	-4.2
EU	<10.2>	3.4	-12.9	-2.5	-6.3	-4.4	-0.4	-2.2	-1.7	4.0	-6.3
East Asia	<51.3>	-1.4	-2.6	1.8	-2.6	-3.9	-1.1	2.7	5.1	-0.4	2.3
China	<18.1>	1.3	-8.1	0.7	-2.6	-9.2	-0.7	5.2	11.4	-2.3	5.0
NIEs	<21.5>	-4.5	-4.7	1.6	-2.5	-0.5	-0.3	4.0	3.5	2.6	2.6
Korea	<7.7>	-2.6	-3.5	-2.6	-0.1	1.1	1.0	1.9	4.0	4.3	-8.4
Taiwan	<5.8>	-9.4	-6.0	5.4	0.6	-2.8	2.4	-5.2	-1.9	-6.3	9.2
Hong Kong	<5.1>	-4.2	-0.7	-1.7	-0.4	-0.9	-5.1	11.3	4.7	5.4	15.4
Singapore	<2.9>	0.6	-11.6	13.1	-15.9	-2.6	0.5	17.1	10.8	18.3	-1.5
ASEAN4 ³	<11.7>	0.6	12.5	4.0	-2.7	-1.9	-3.1	-3.9	-1.0	-3.1	-2.8
Thailand	<5.5>	1.4	19.3	9.1	-0.8	0.1	-6.0	-1.3	0.8	0.1	-1.6
Others	<21.0>	0.9	1.7	1.4	-7.5	-5.1	3.6	0.2	3.0	-5.6	8.5
Real exports		-0.9	-1.0	1.8	-4.5	-4.2	1.5	2.8	2.8	2.0	-0.5

(2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2011	2012	2012 Q2	Q3	Q4	2013 Q1	Q2	2013 Mar.	Apr.	May
Intermediate goods	<20.4>	-3.2	-0.7	5.0	0.4	-3.4	1.9	-0.9	3.2	-0.9	-3.0
Motor vehicles and their related goods	<23.4>	-4.9	7.7	1.5	-6.2	-5.8	0.6	4.7	-2.2	8.1	-4.2
IT-related goods ⁴	<11.2>	2.3	3.6	-1.3	-0.3	-1.9	-6.5	-0.1	6.7	-4.7	3.1
Capital goods and parts ⁵	<29.3>	5.8	-4.0	0.8	-5.7	-6.5	1.1	-0.9	4.1	-5.3	5.4
Real exports		-0.9	-1.0	1.8	-4.5	-4.2	1.5	2.8	2.8	2.0	-0.5

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2013/Q2 figures are April-May averages converted into quarterly amount.

2. Shares of each region and goods in 2012 are shown in angle brackets.

3. Data of four members: Thailand, Indonesia, Malaysia, and Philippines.

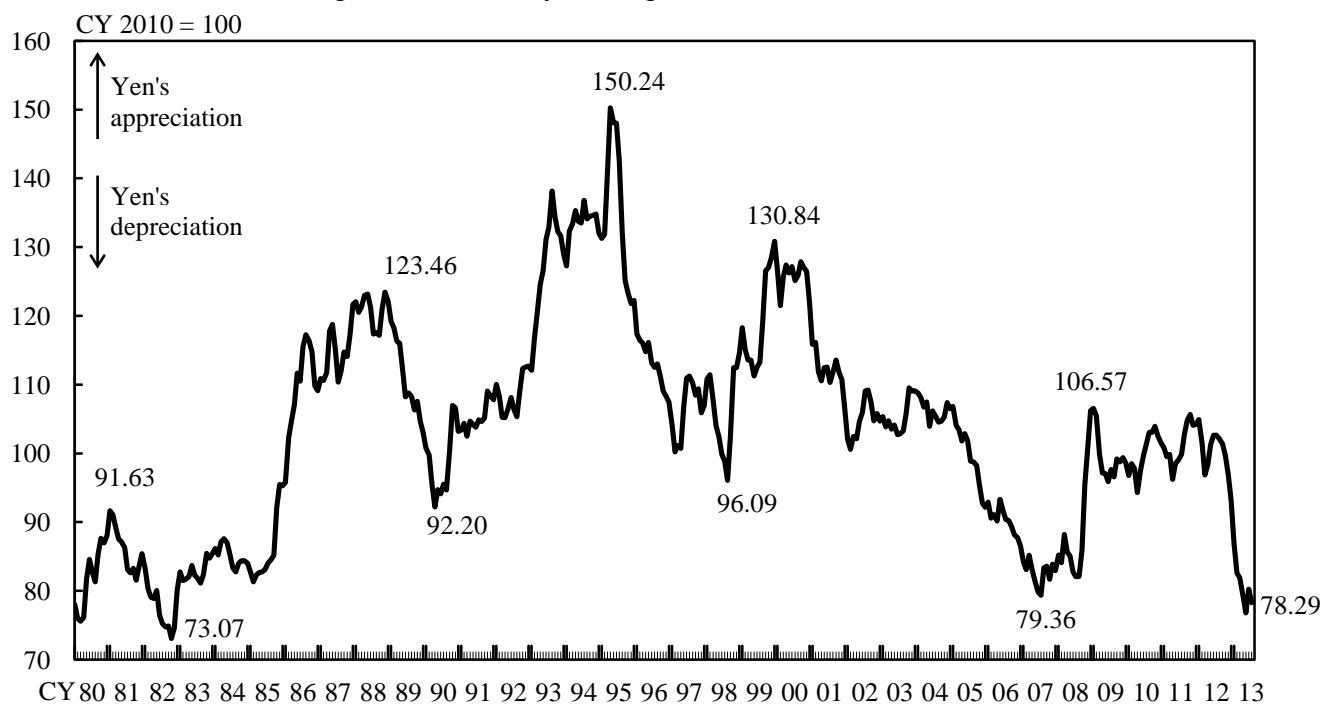
4. IT-related goods are composed of computers and units, telecommunication machinery, ICs, visual apparatus, audio apparatus, and medical and optical instruments.

5. 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 (Monthly Average)



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

2. Figures for June and July (up to July 9) 2013 have been calculated using the monthly average of the BOJ's nominal effective exchange rate (the Yen Index).

(2) Real GDP Growth Rates of Overseas Economies

s.a., ann., q/q % chg.

	CY2010	2011	2012	2012 Q2	Q3	Q4	2013 Q1
United States ¹	2.4	1.8	2.2	1.3	3.1	0.4	1.8
European Union ²	2.1	1.6	-0.4	-0.8	0.2	-1.9	-0.5
Germany ¹	4.2	3.0	0.7	0.6	0.9	-2.7	0.3
France ¹	1.6	2.0	0.0	-0.8	0.3	-0.6	-0.6
United Kingdom ¹	1.7	1.1	0.2	-2.0	3.0	-0.9	1.1
East Asia ³	9.2	5.9	4.8	4.8	5.0	6.7	2.2
China ¹	10.4	9.3	7.8	7.8	8.7	8.2	6.6
NIEs ^{1,3}	8.9	4.3	1.6	0.3	1.2	4.1	1.0
ASEAN4 ^{1,3,4}	7.4	3.0	6.3	8.9	6.3	9.6	-2.3
Main economies ³	6.7	4.5	3.6	3.3	3.9	4.2	1.8

Notes: 1. Figures for each country are based on those released by the government or central bank. Quarterly figures for China are annualized based on quarter-on-quarter changes released by the National Bureau of Statistics of China.

2. Figures are based on those released by the European Commission.

3. Figures are averages of members' real GDP growth rates, weighted by the value of exports from Japan to each country or region.

The members are described below.

Main economies: United States, European Union, and East Asia

East Asia: China, NIEs, and ASEAN4

NIEs: Korea, Taiwan, Hong Kong, and Singapore

ASEAN4: Thailand, Indonesia, Malaysia, and Philippines

4. To calculate the quarterly figures, real GDP growth rates of some member countries are seasonally adjusted by the Bank of Japan using X-11.

Real Imports ¹

(1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2011	2012	2012 Q2	Q3	Q4	2013 Q1	Q2	2013 Mar.	Apr.	May
United States	<8.6>	0.5	3.8	0.5	1.7	-8.1	-0.1	-0.5	-2.6	0.1	6.1
EU	<9.4>	10.3	4.0	1.7	3.0	-1.2	-1.8	-3.0	-1.3	-3.7	-2.6
East Asia	<40.8>	11.1	3.8	1.2	0.6	-2.0	2.8	-3.5	-3.1	-3.5	1.0
China	<21.3>	14.5	4.9	2.0	0.9	-0.9	3.6	-3.4	-6.6	-1.4	0.6
NIEs	<8.5>	10.0	4.9	0.1	2.0	-1.6	1.1	-7.6	0.7	-8.2	3.3
Korea	<4.6>	24.3	4.2	-4.7	2.7	-3.8	2.8	-11.1	-2.1	-10.6	5.6
Taiwan	<2.7>	-3.1	7.2	7.4	2.3	1.5	-1.1	0.1	4.1	-1.7	-1.2
Hong Kong	<0.2>	-5.6	-2.5	-18.6	-5.2	-1.3	8.2	-12.5	37.7	-17.2	-6.7
Singapore	<1.0>	-0.1	2.9	5.9	-1.2	-0.4	-1.1	-16.0	0.8	-16.8	7.3
ASEAN4 ³	<11.1>	5.6	0.5	0.3	-0.9	-4.7	2.7	-0.1	1.9	-4.1	-0.1
Thailand	<2.7>	7.3	-1.0	9.0	-2.4	-2.9	3.5	0.8	5.6	-3.2	-1.8
Others	<41.2>	-0.4	4.6	4.5	0.5	-10.5	7.7	0.6	1.8	-0.9	-1.4
Real imports		4.8	4.1	2.5	1.0	-5.5	3.1	-1.3	0.1	-2.3	0.9

(2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2011	2012	2012 Q2	Q3	Q4	2013 Q1	Q2	2013 Mar.	Apr.	May
Raw materials ⁴	<40.8>	-0.2	4.5	2.9	0.3	-12.3	9.8	-2.3	-0.1	-4.4	1.0
Intermediate goods	<13.5>	11.7	-2.7	0.7	3.0	-3.1	-1.5	-3.0	-0.0	-1.5	-5.1
Foodstuffs	<8.3>	1.3	-0.7	-2.7	0.6	-3.9	3.4	-6.5	-1.9	-7.9	1.6
Consumer goods ⁵	<7.5>	9.9	4.5	3.6	0.8	-2.9	1.9	-0.0	-9.3	2.2	1.4
IT-related goods ⁶	<12.0>	11.2	8.8	2.3	2.1	3.5	2.9	-1.0	0.6	-3.9	7.4
Capital goods and parts ⁷	<10.9>	11.3	10.3	3.8	-0.7	-3.7	0.5	2.3	-0.3	2.9	1.8
Excluding aircraft	<10.1>	12.6	6.9	3.8	0.2	-2.3	-0.3	3.3	1.0	3.6	-2.0
Real imports		4.8	4.1	2.5	1.0	-5.5	3.1	-1.3	0.1	-2.3	0.9

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2013/Q2 figures are April-May averages converted into quarterly amount.

2. Shares of each region and goods in 2012 are shown in angle brackets.

3. Data of four members: Thailand, Indonesia, Malaysia, and Philippines.

4. Raw materials are mainly composed of woods, ores, and mineral fuels.

5. Excludes foodstuffs.

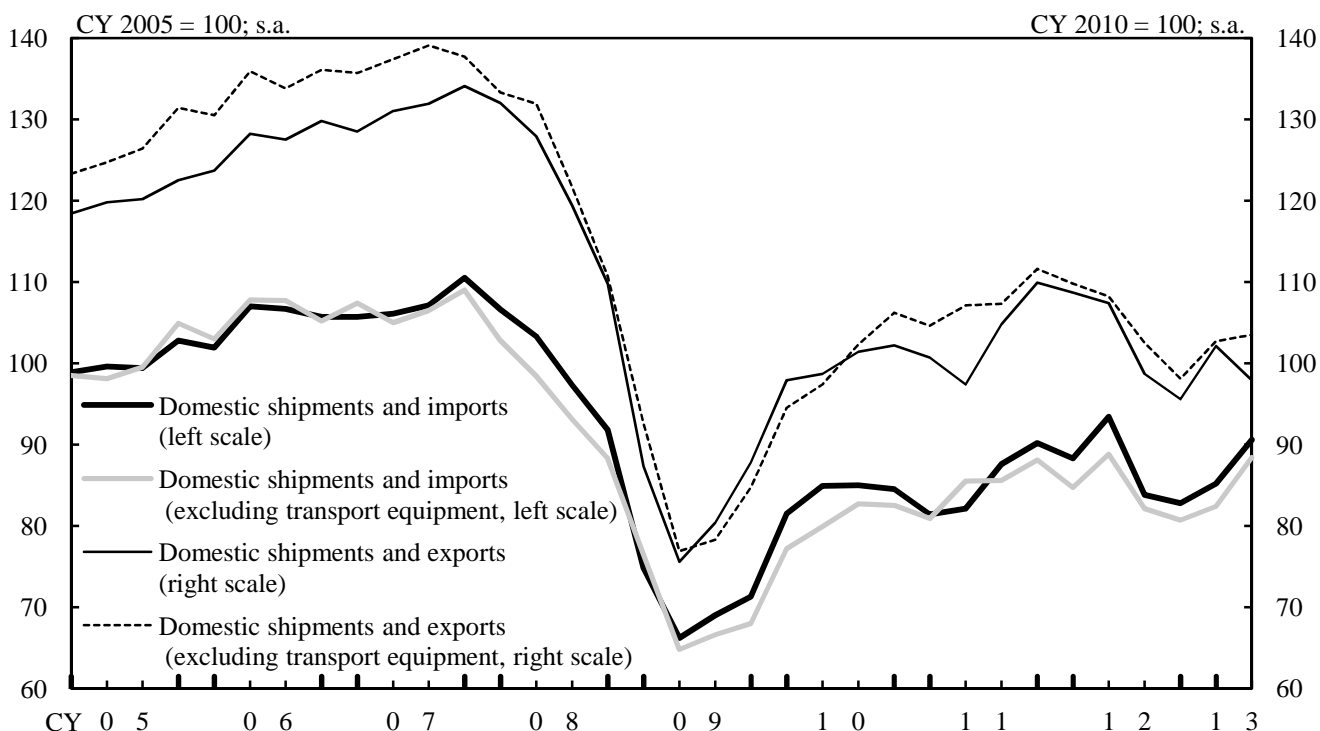
6. IT-related goods are composed of computers and units, parts of computers, telecommunication machinery, ICs, audio and visual apparatus, and medical and optical instruments.

7. Excludes IT-related goods.

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

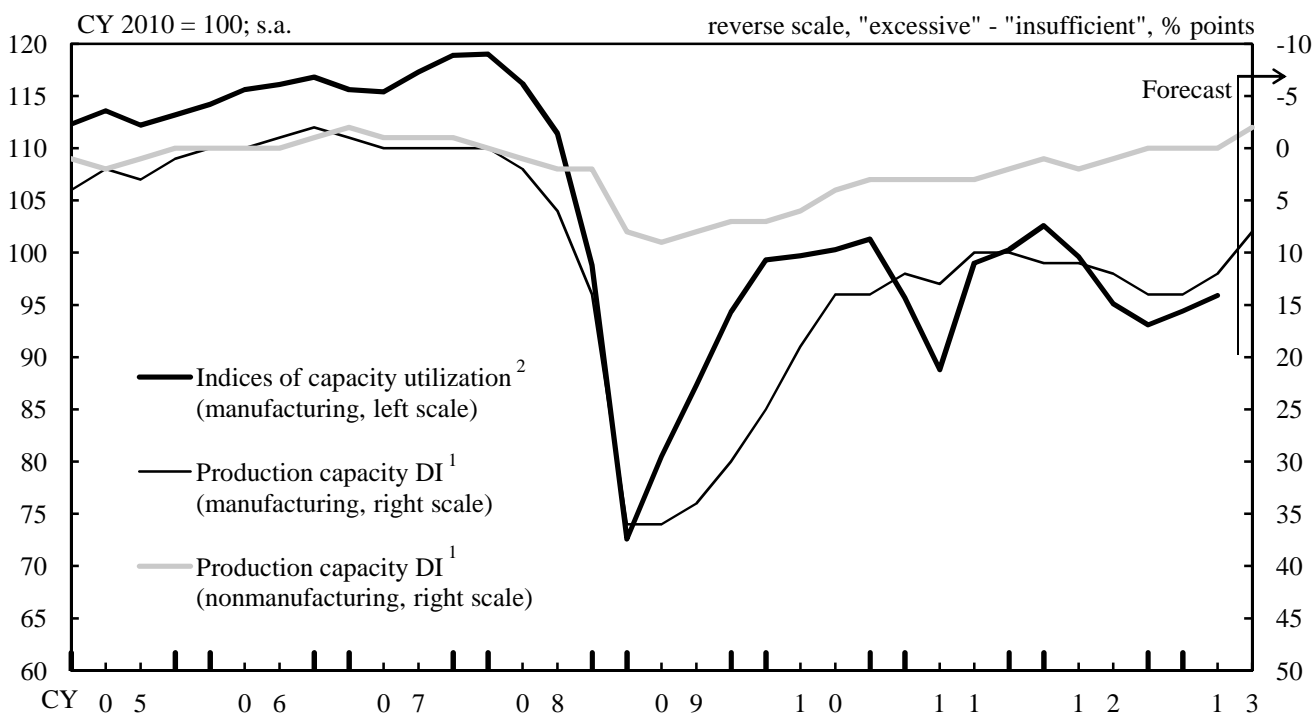
Coincident Indicators of Business Fixed Investment

(1) Aggregate Supply and Shipments of Capital Goods



Note: Figures for 2013/Q2 are April-May averages.

(2) Indices of Capacity Utilization and Production Capacity DI



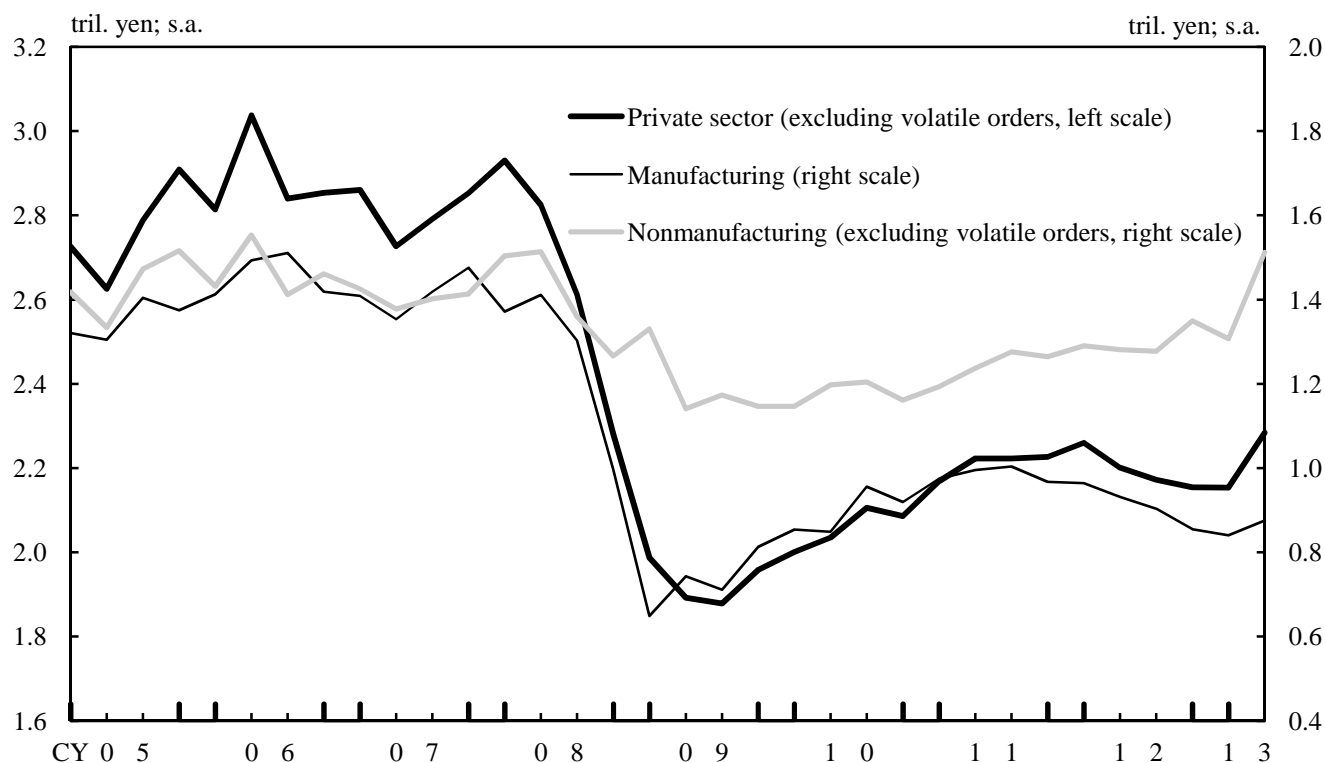
Notes: 1. Production capacity DIs are those of all enterprises.

2. The figure for 2013/Q2 is that of April.

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."

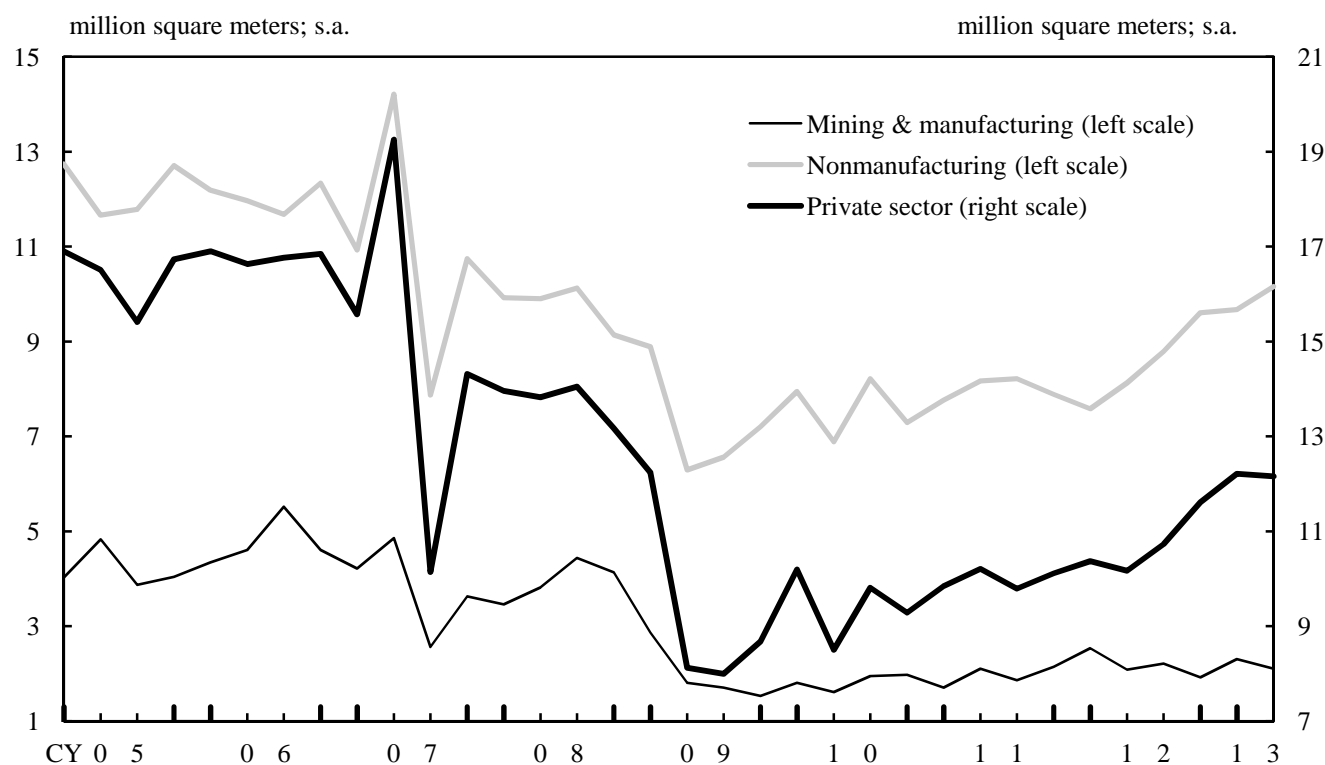
Leading Indicators of Business Fixed Investment

(1) Machinery Orders



- Notes: 1. Figures for 2005/Q1 are estimated by the Cabinet Office.
- 2. Volatile orders: Orders for ships and those from electric power companies.
- 3. Figures for 2013/Q2 are April-May averages in quarterly amount.

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

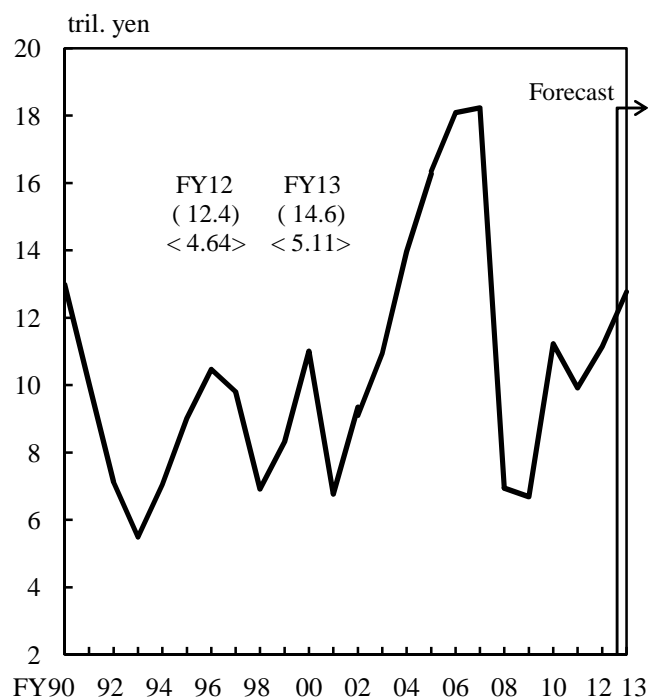


- Notes: 1. Seasonally adjusted by X-12-ARIMA.
- 2. Figures for 2013/Q2 are April-May averages in quarterly amount.

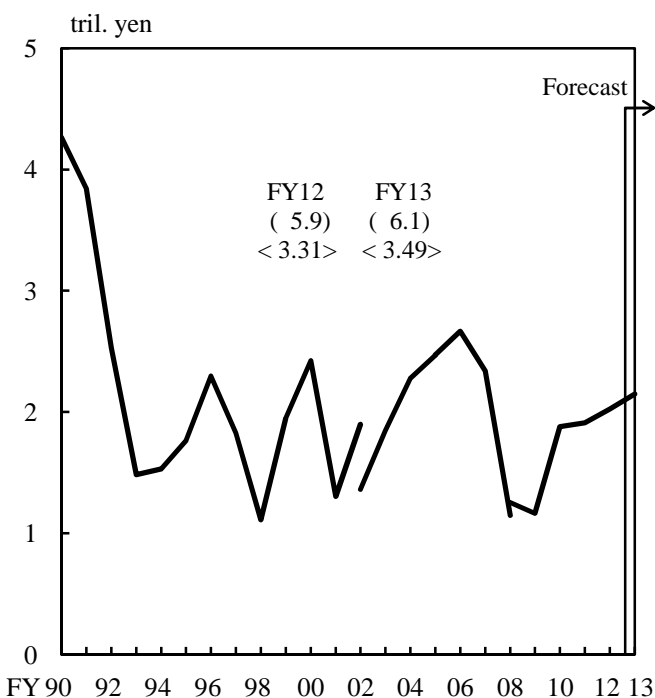
Sources: Cabinet Office, "Orders Received for Machinery";
 Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts."

Current Profits

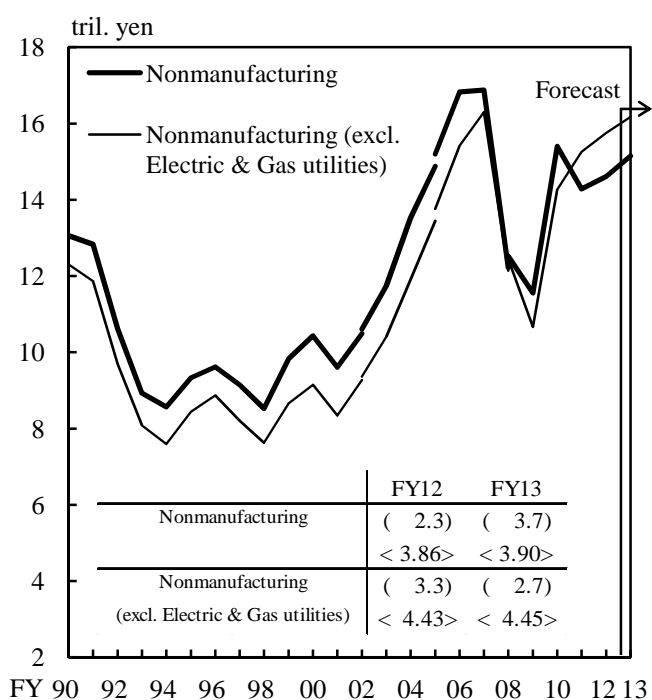
(1) Large Manufacturing Enterprises



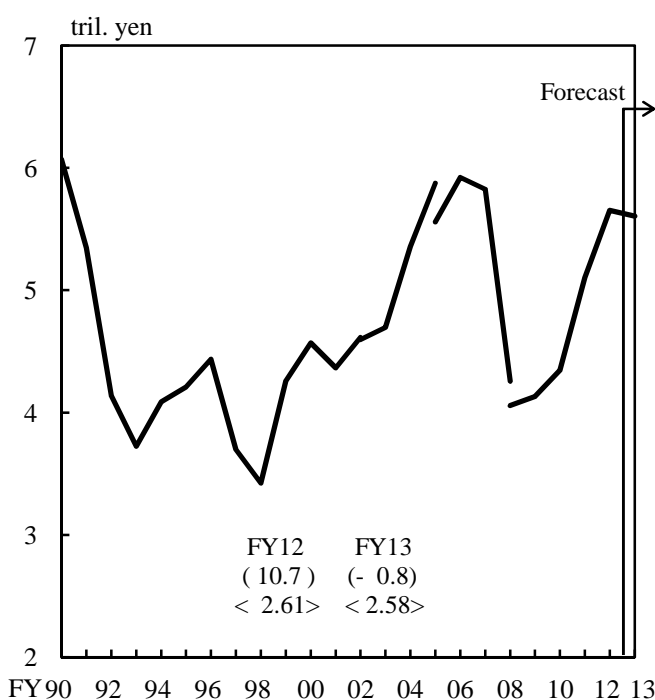
(2) Small Manufacturing Enterprises



(3) Large Nonmanufacturing Enterprises



(4) Small Nonmanufacturing Enterprises



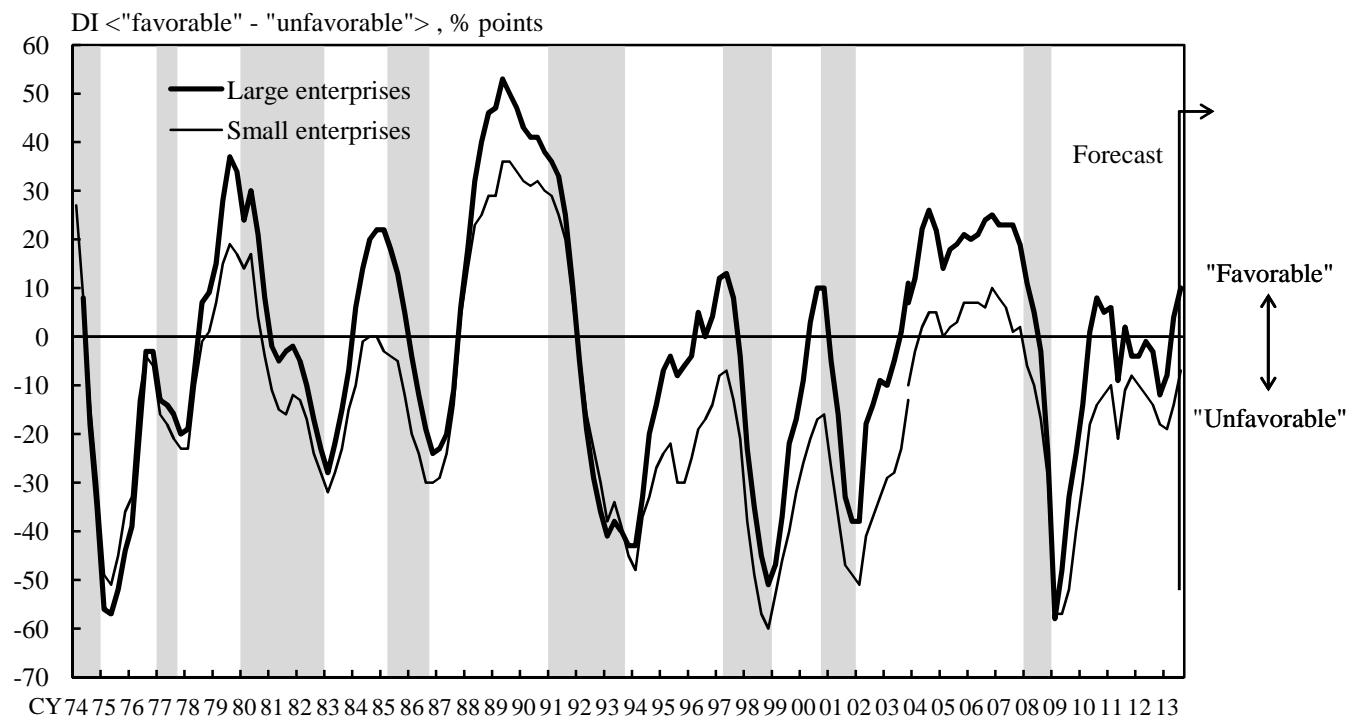
Notes: 1. (): Current profits (y/y % chg.); < >: Ratio of current profit to sales (%).

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

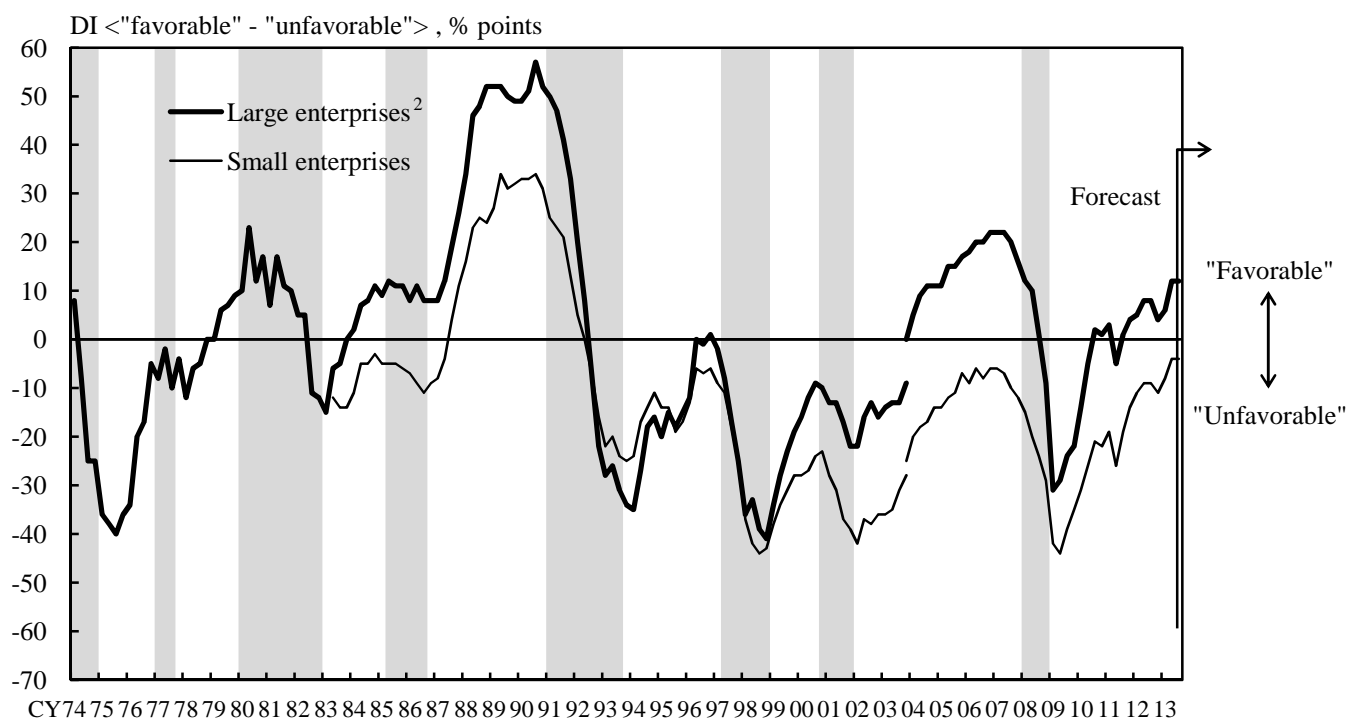
Source: Bank of Japan, "Tankan", Short-term Economic Survey of Enterprises in Japan."

Business Conditions

(1) Manufacturing



(2) Nonmanufacturing



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

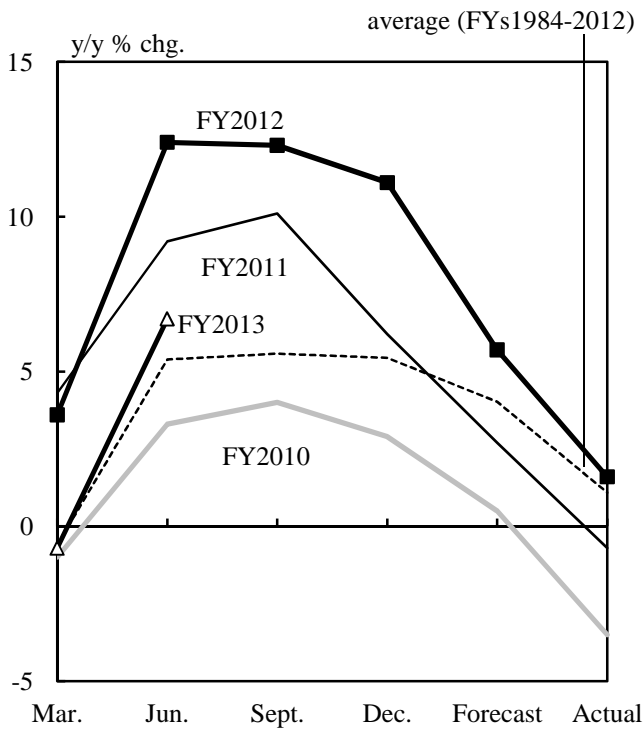
2. Data prior to February 1983 are those of principal enterprises.

3. Shaded areas indicate recession periods.

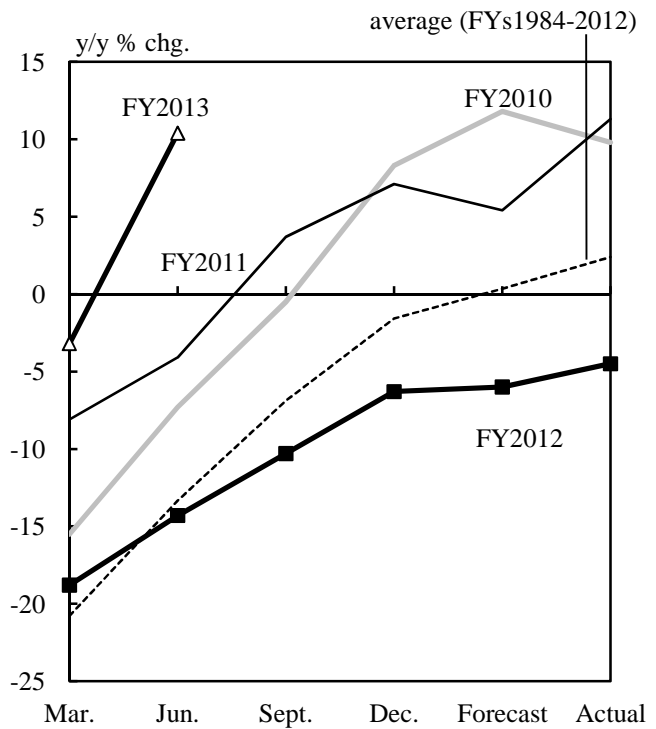
Source: Bank of Japan, "Tankan", Short-term Economic Survey of Enterprises in Japan."

Business Fixed Investment Plans as Surveyed

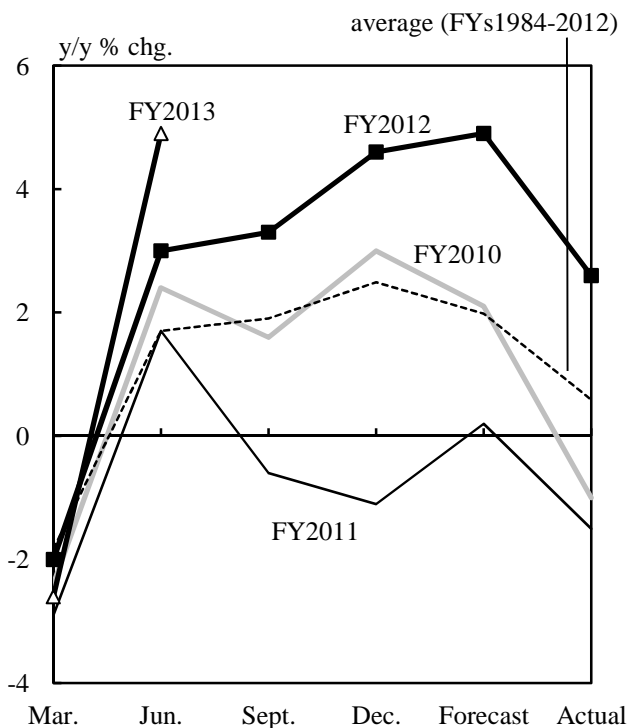
(1) Large Manufacturing Enterprises



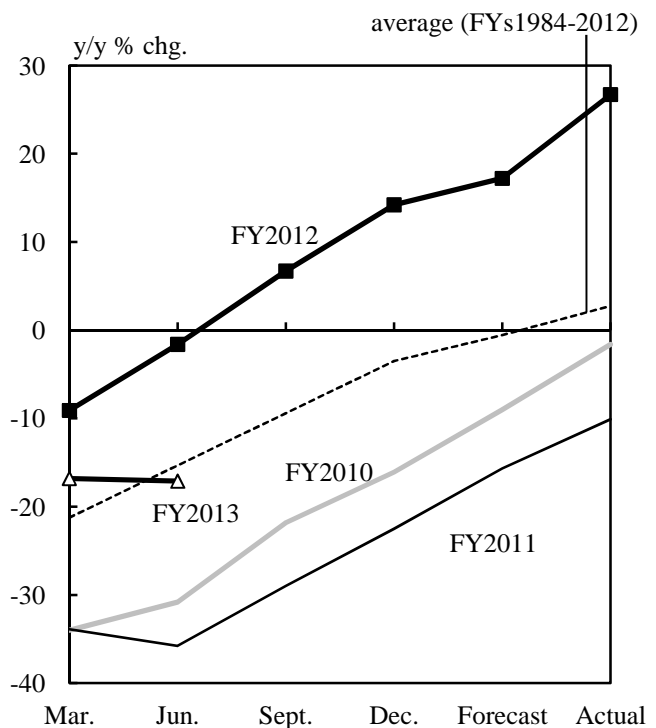
(2) Small Manufacturing Enterprises



(3) Large Nonmanufacturing Enterprises



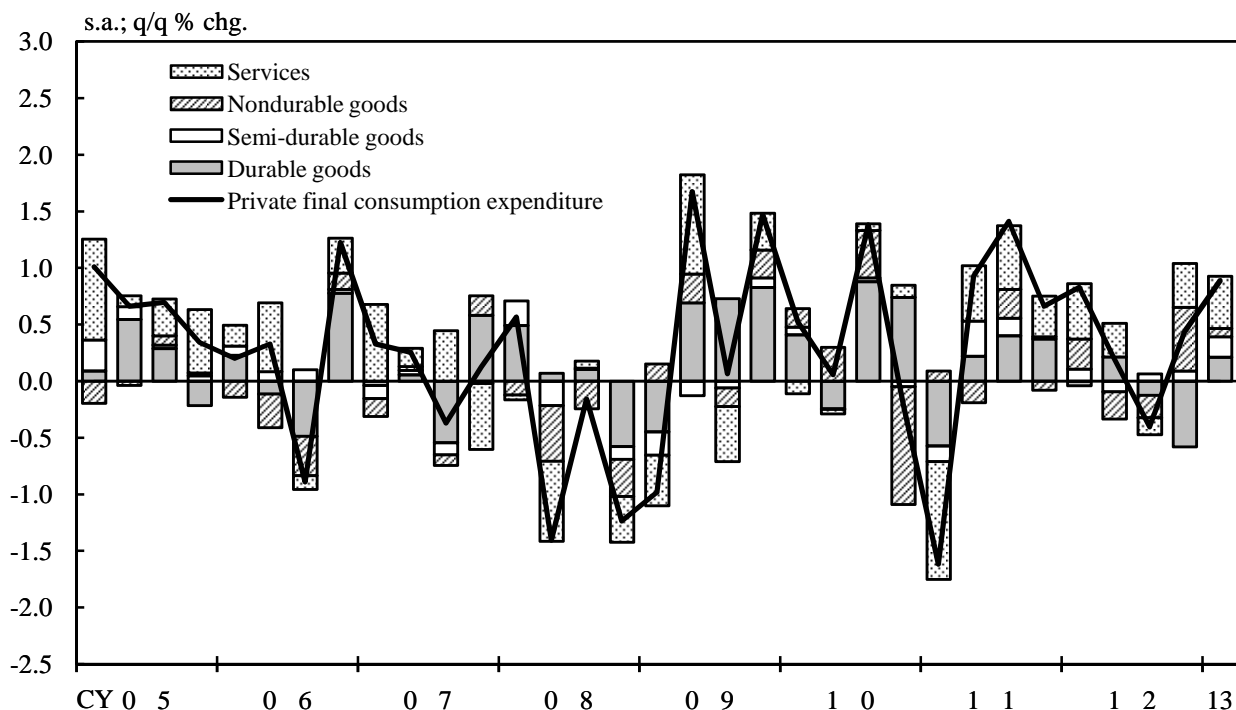
(4) Small Nonmanufacturing Enterprises



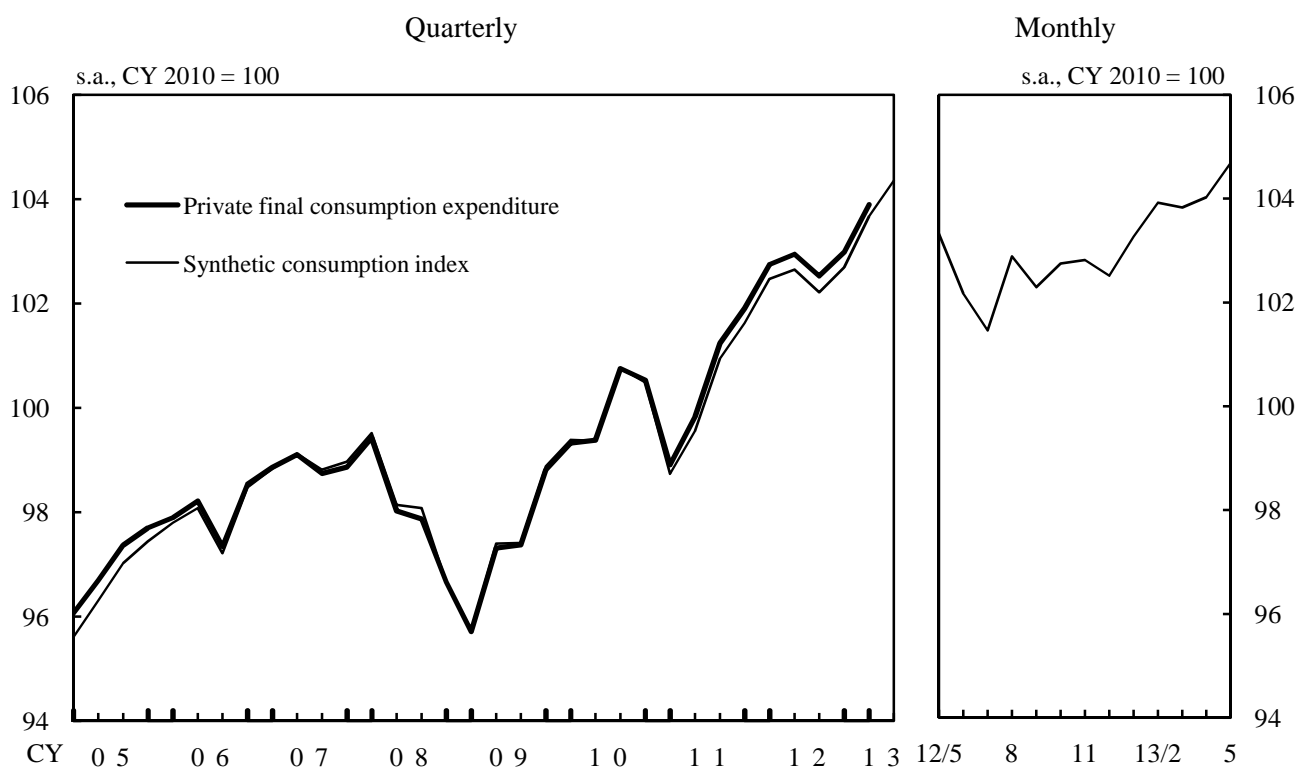
Notes: 1. Includes land purchasing expenses and excludes software investment.
 2. Since the introduction of the new accounting standard for lease transactions beginning April 1, 2008, figures up to FY2008 are based on the previous standard and figures from FY2009 onward are based on the new standard. Past averages (FYs 1984-2012) are calculated using these figures.

Indicators of Private Consumption (1)

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



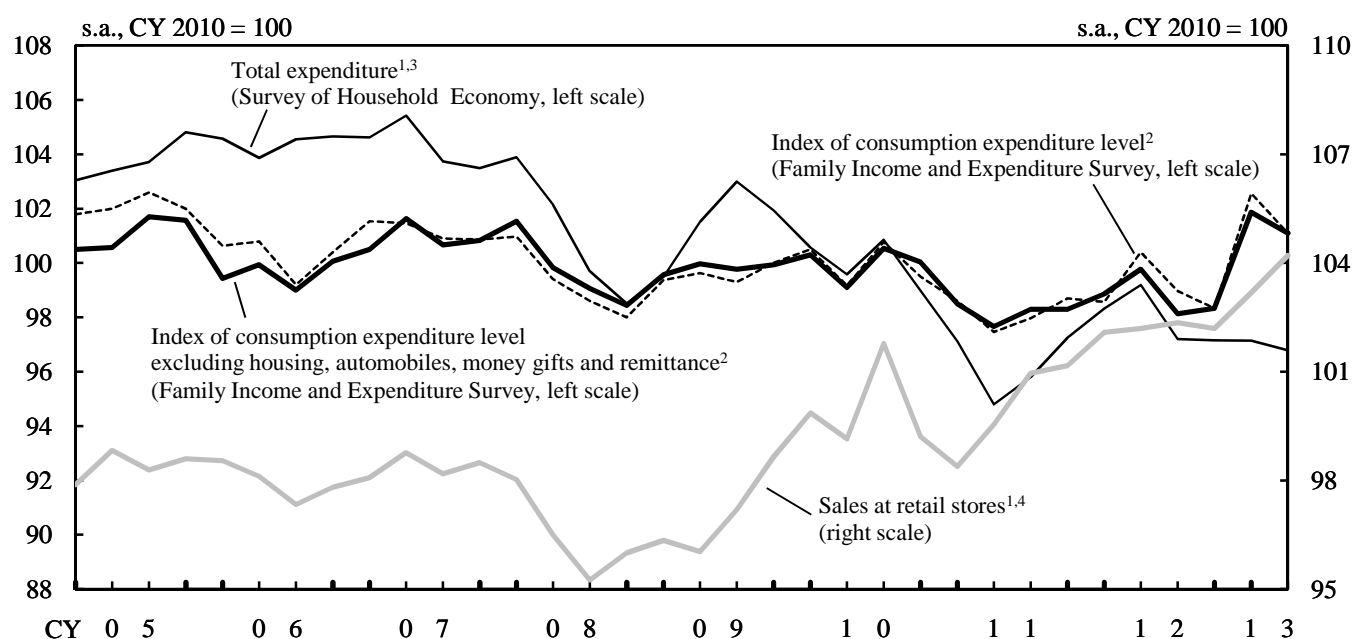
(2) Private Final Consumption Expenditure and Synthetic Consumption Index (Real)



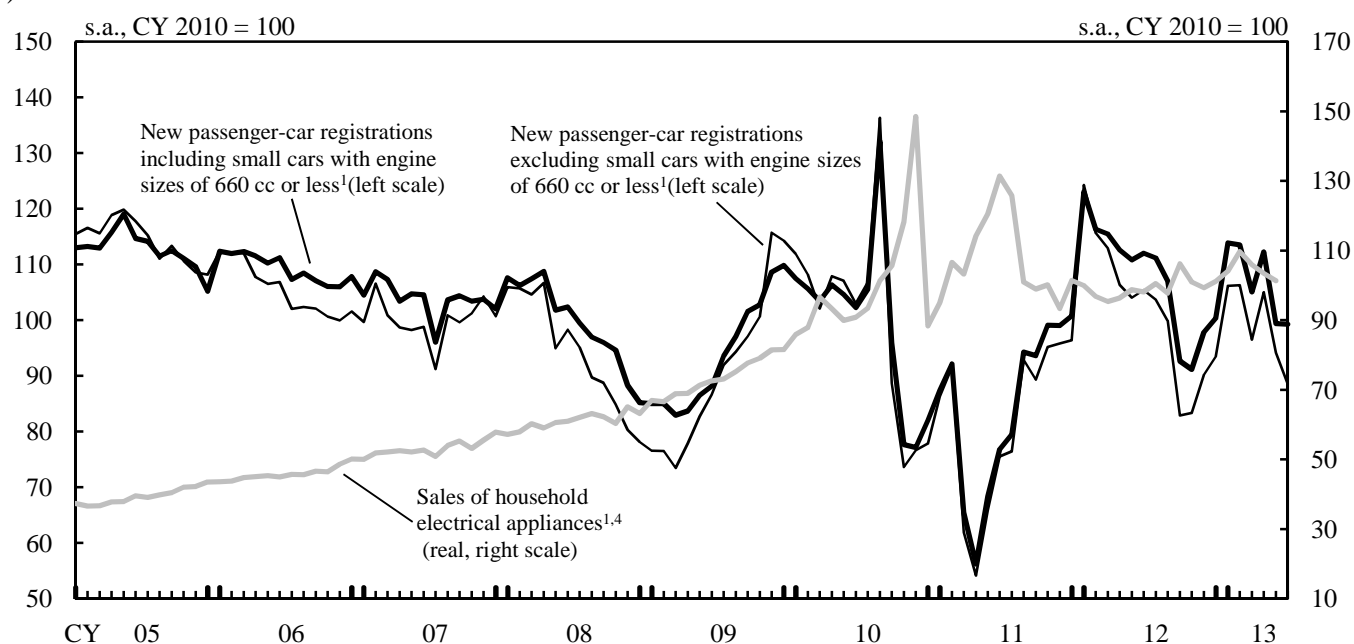
Note: The figure of the synthetic consumption index for 2013/Q2 is the average of April-May in quarterly amount.

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

Indicators of Private Consumption (2)

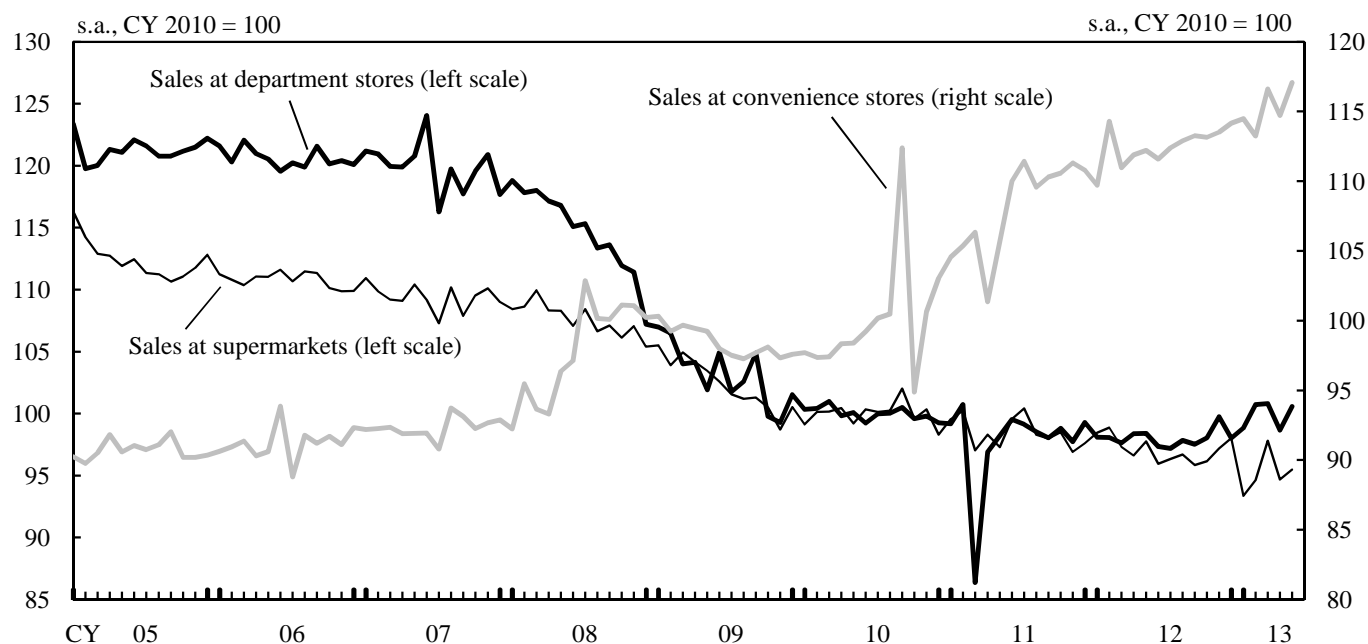
(1) Household Spending (Real)⁵

(2) Sales of Durable Goods

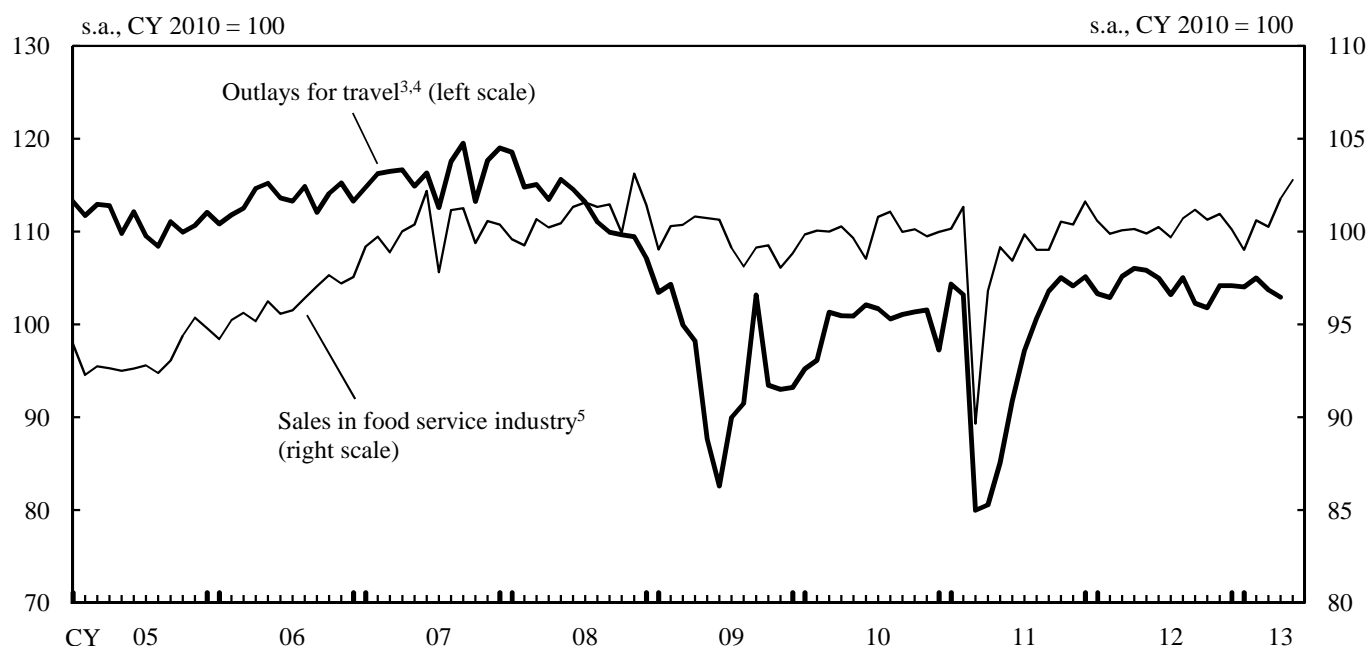


- Notes: 1. Total expenditure, sales at retail stores, sales of household electrical appliances and new passenger-car registrations are seasonally adjusted by X-12-ARIMA.
2. "Index of consumption expenditure level" is based on two-or-more-person households, and is adjusted using the distribution of household 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 (CPI)" excluding imputed rent.
4. "Sales at retail stores" is deflated by the CPI for goods (excluding electricity, gas & water charges). "Sales of household electrical appliances" is 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 CPI.
5. Figures for 2013/Q2 are those of April-May averages in 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"; Japan Automobile Dealers Association, "Domestic Sales of Automobiles"; Japan Mini Vehicles Association, "Sales of Mini Vehicles."

Indicators of Private Consumption¹ (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 for 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 rates of change.

5. "Sales in food service industry" is calculated using the year-on-year rates of change of every month released by the Japan Food Service Association based on the amount of monthly sales in 1993 released by the Food Service Industry Survey & Research Center.

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

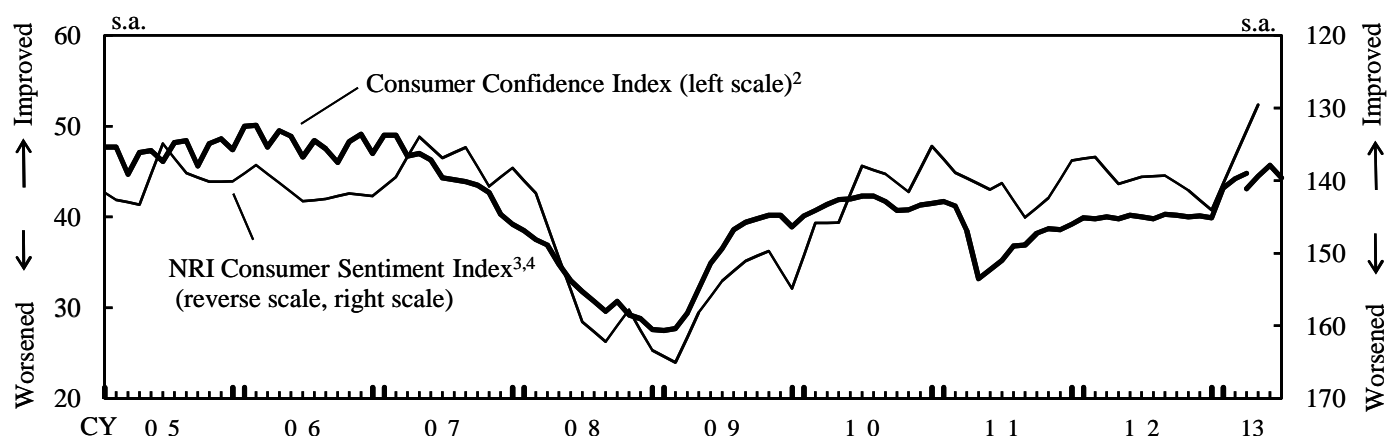
Japan Tourism Agency, "Major Travel Agents' Revenue";

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

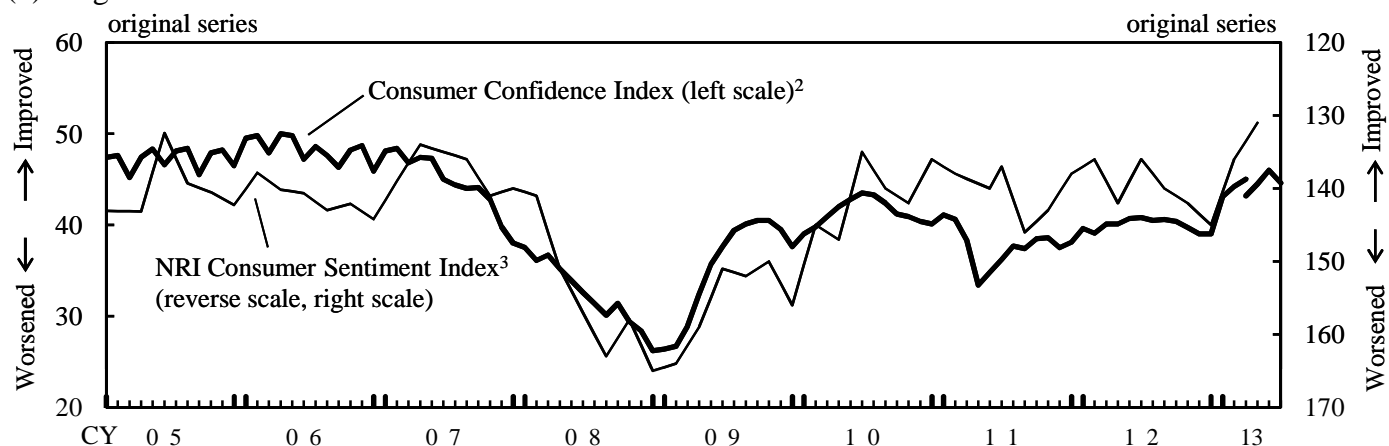
(Research on the food service industry)."

Consumer Confidence¹

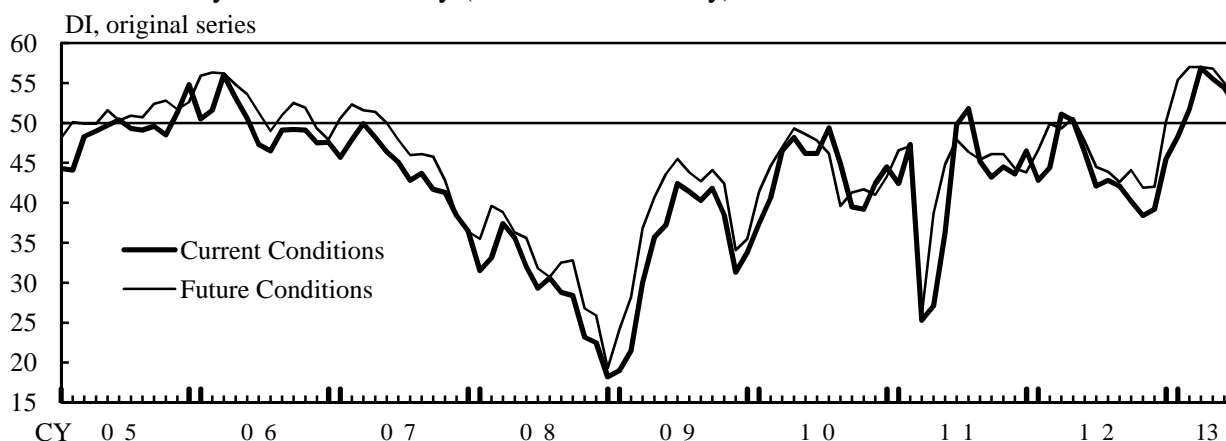
(1) Seasonally Adjusted Series



(2) Original Series



Reference: Economy Watchers Survey (Household Activity)

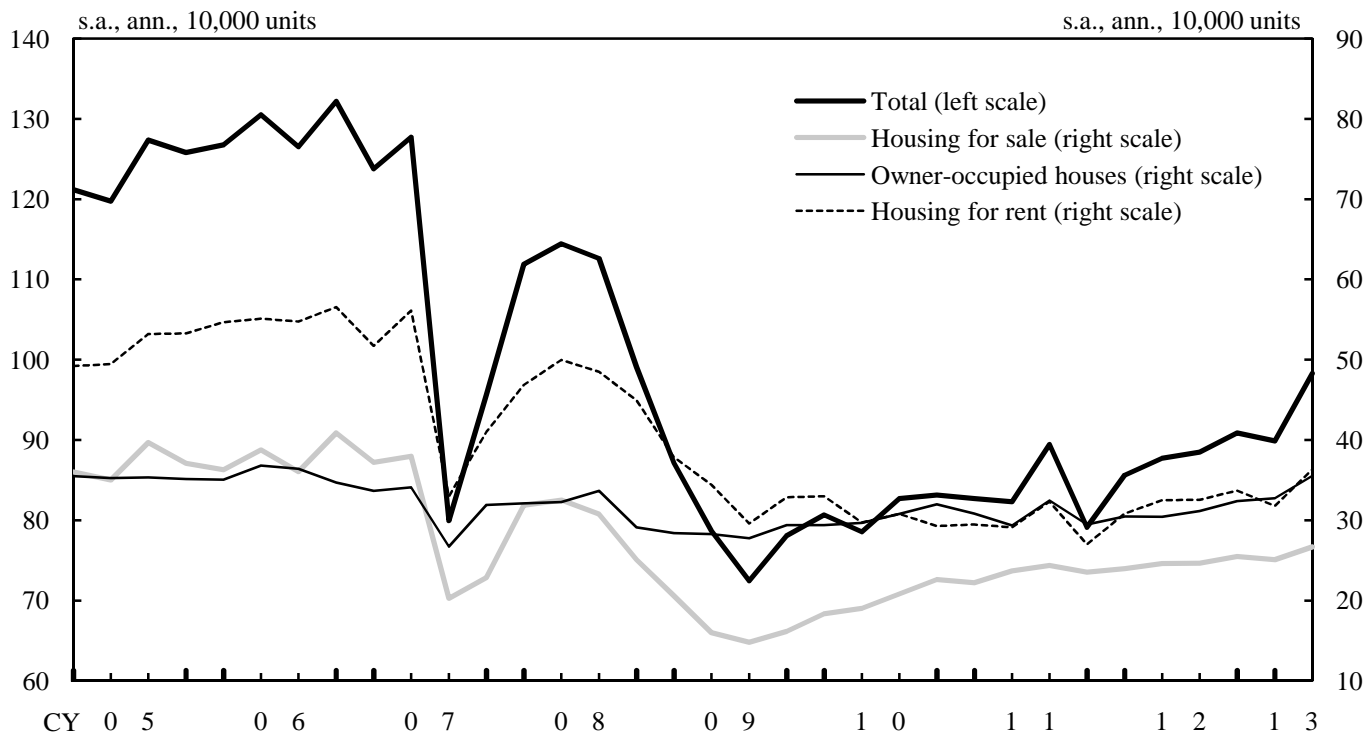


- Notes: 1. The Consumer Confidence Index (covering about 5,700 samples on a nationwide basis from April 2013 onward) and NRI Consumer Sentiment Index (1,200 samples on a nationwide basis) are based on surveys on consumer confidence.
2. In April 2013, the Cabinet Office changed the method for conducting the Consumer Confidence Survey to a postal method, along with some other changes. For this reason, there is a discontinuity between data up to March 2013, which were obtained from the survey on a visit-and-leave method, and those thereafter. The figure for March 2013 on a postal-method basis is obtained from an examination survey.
3. Figures are plotted for each surveyed month and the data for the intervening months are linearly interpolated.
4. Figures are seasonally adjusted by X-12-ARIMA.

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

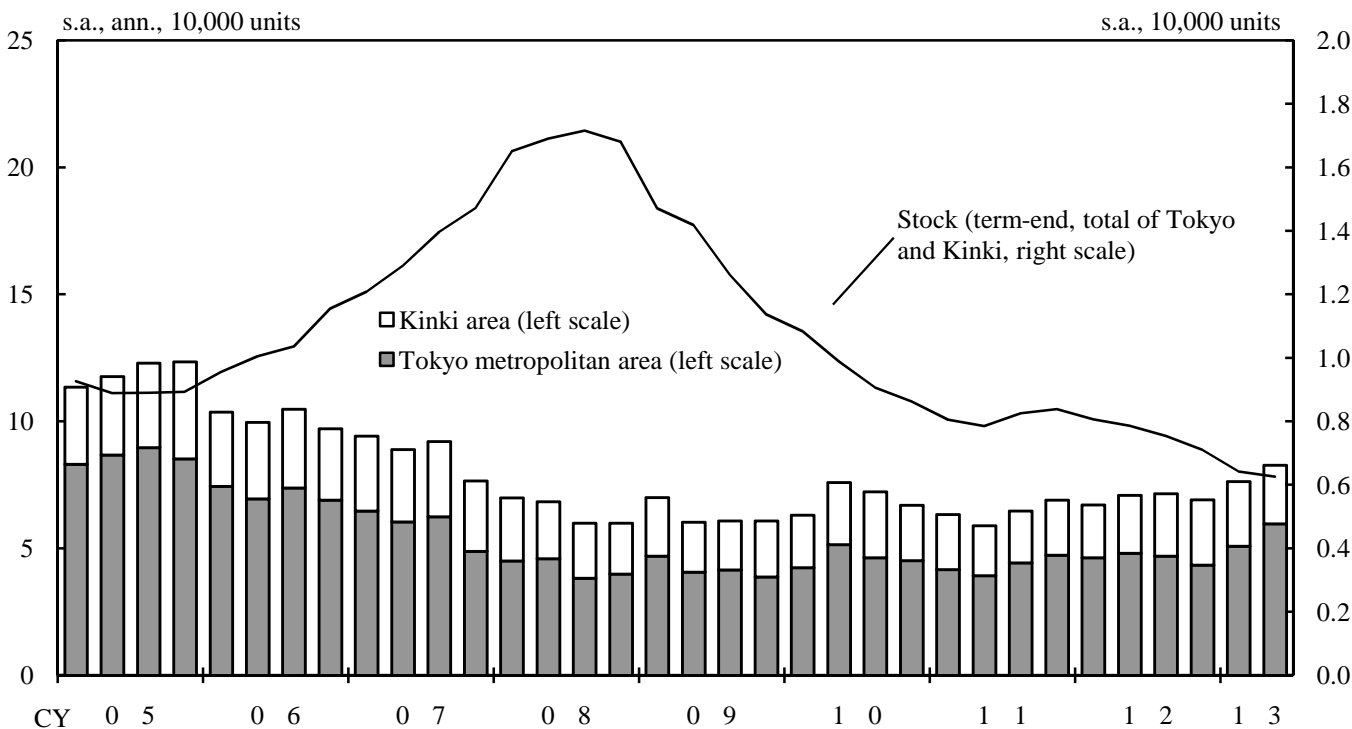
Indicators of Housing Investment

(1) Housing Starts



Note: Figures for 2013/Q2 are April-May averages.

(2) Sales of Apartments

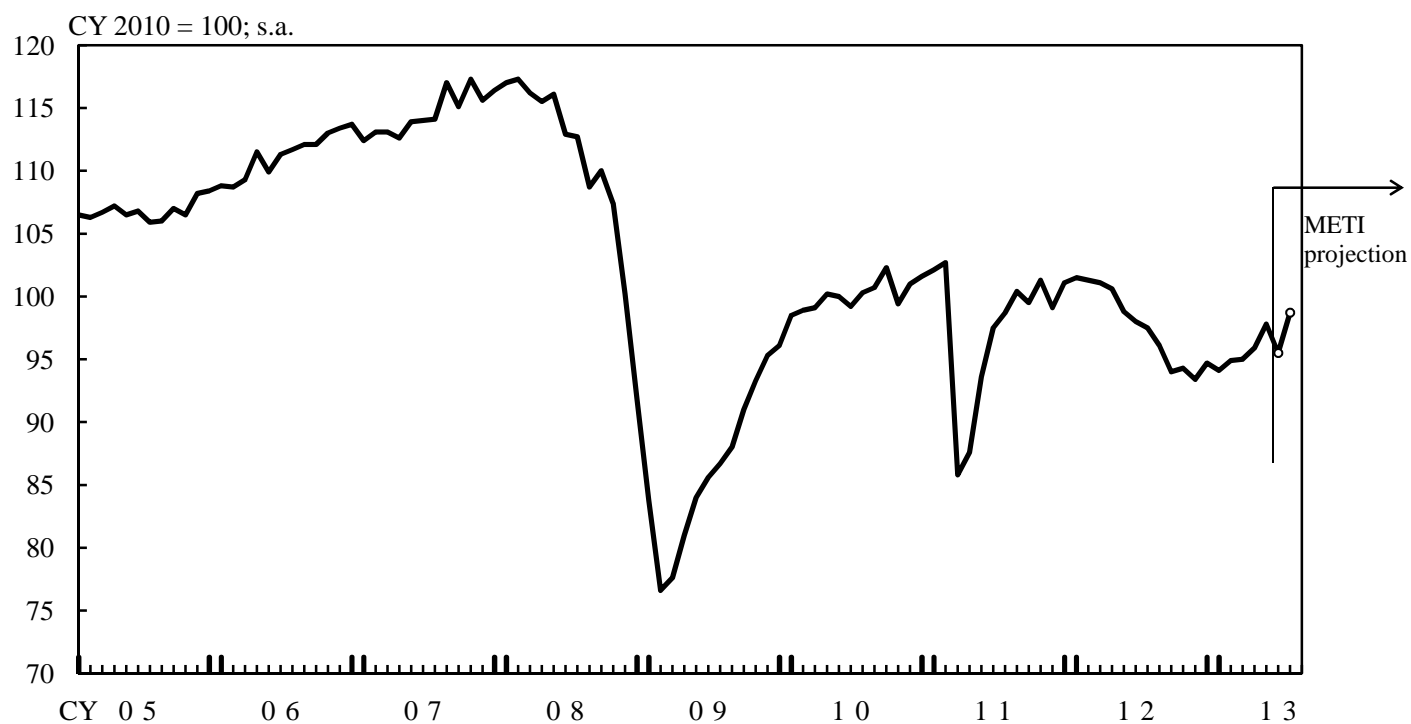
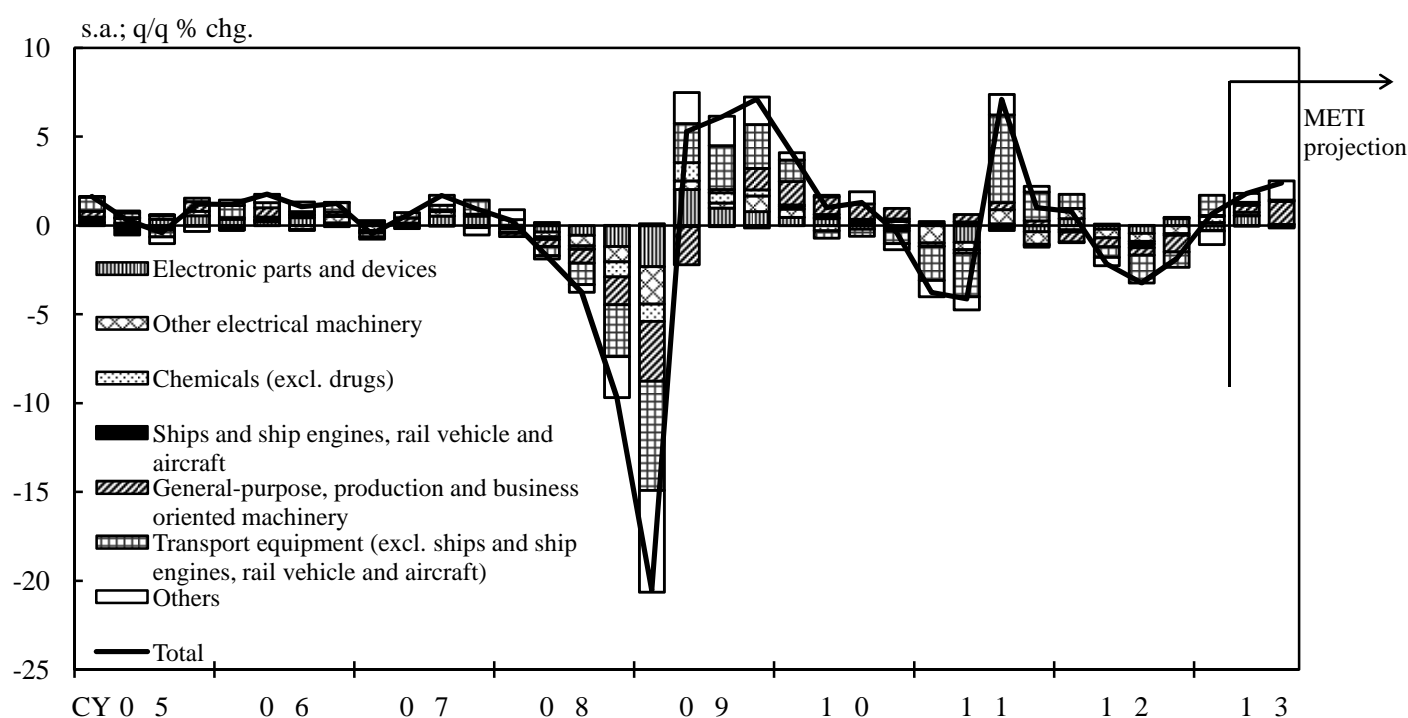


Notes: 1. Seasonally adjusted by X-12-ARIMA.
 2. The figure of total apartment sales for 2013/Q2 is the April-May average.
 The term-end stock for 2013/Q2 is that of May.

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

Production

(1) Production

(2) Production by Industry^{1,2,3}

Notes: 1. "Other electrical machinery" is the weighted sum of "electrical machinery" and "information and communication electronics equipment."

2. Figures up to 2008/Q1 are on the 2005 base.

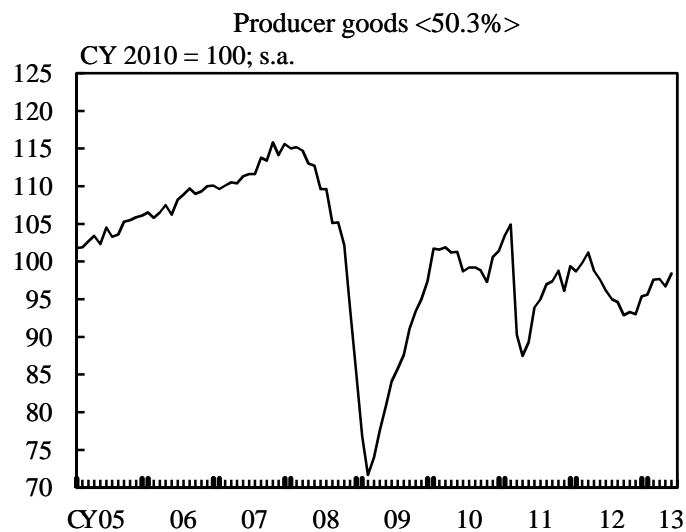
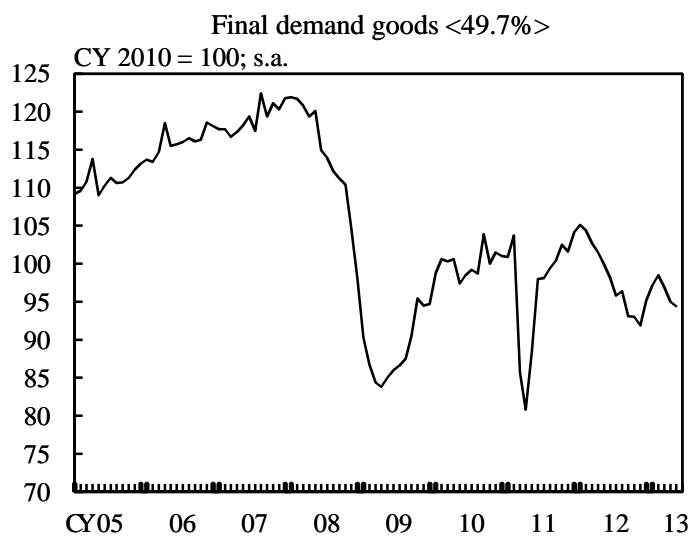
Figures for "general-purpose, production and business oriented machinery" up to 2008/Q1 are those for "general machinery."

3. 2013/Q2 figures are based on the actual production levels in April and May, and the METI projection of June. 2013/Q3 figures are based on the assumption that the production levels in August and September are the same as those of July.

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

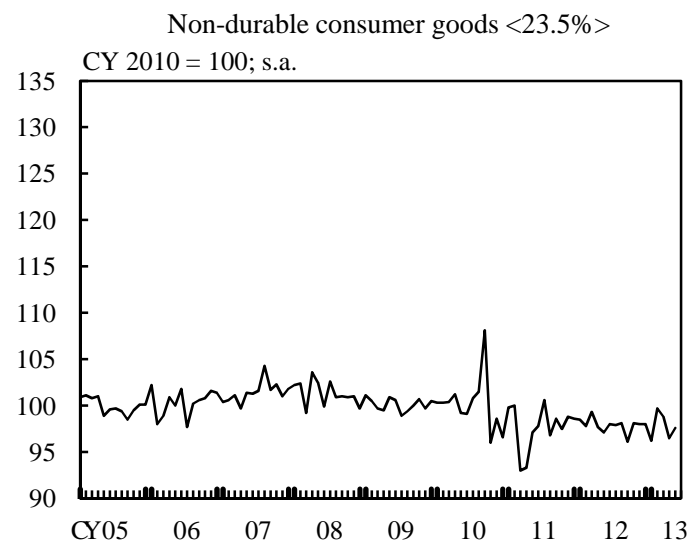
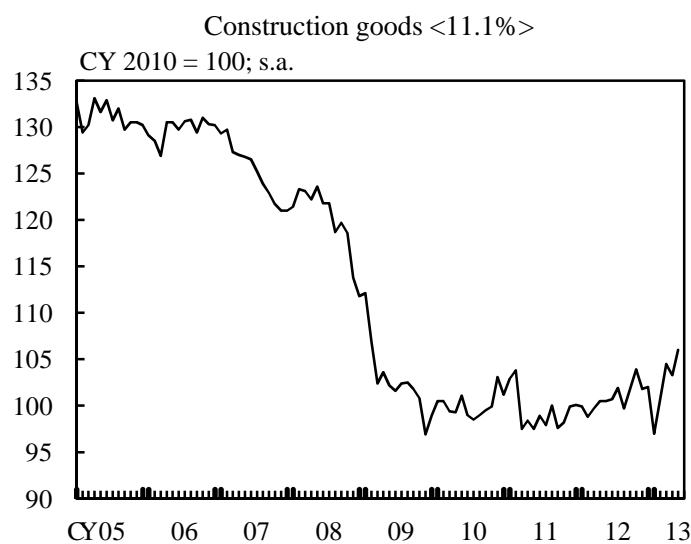
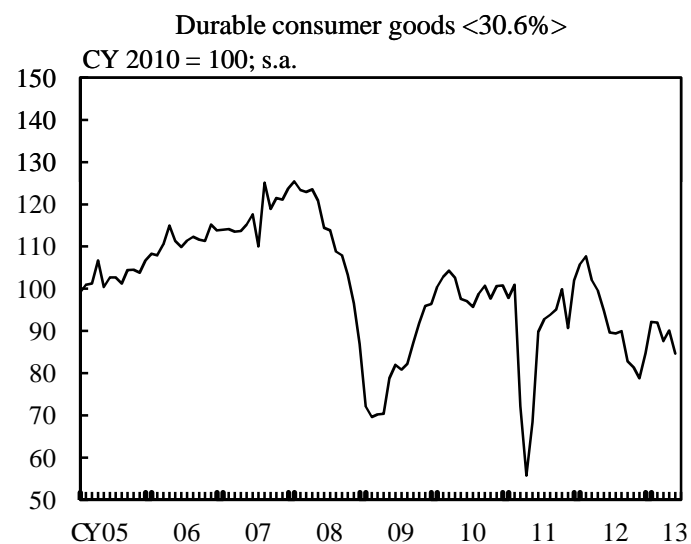
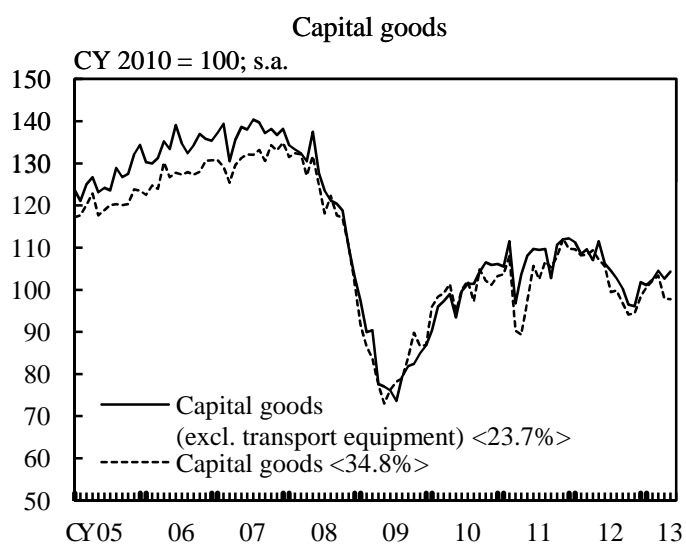
Shipments by Type of Goods

(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

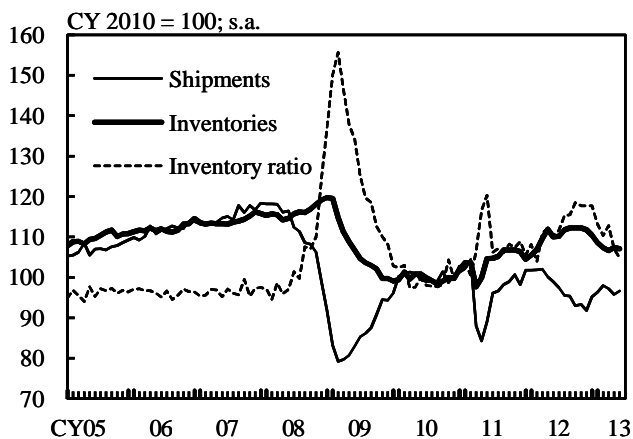


Note: Figures in angle brackets show the shares among shipments of final demand goods.

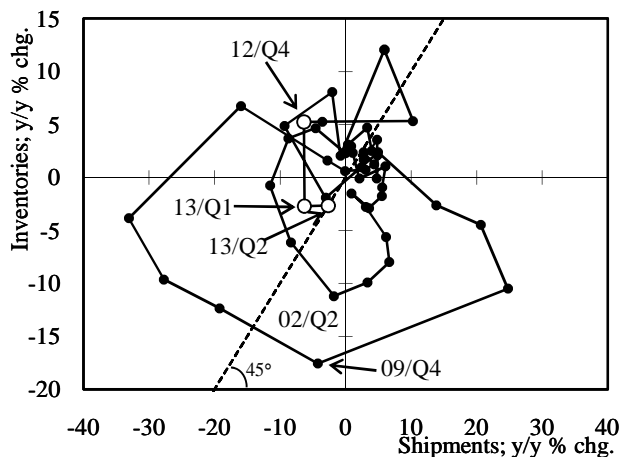
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Shipments and Inventories

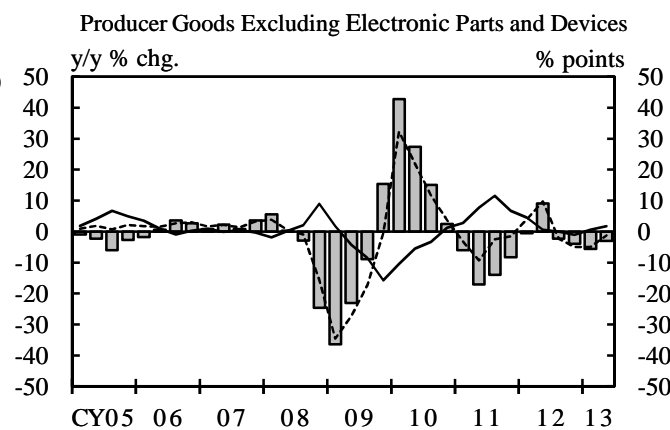
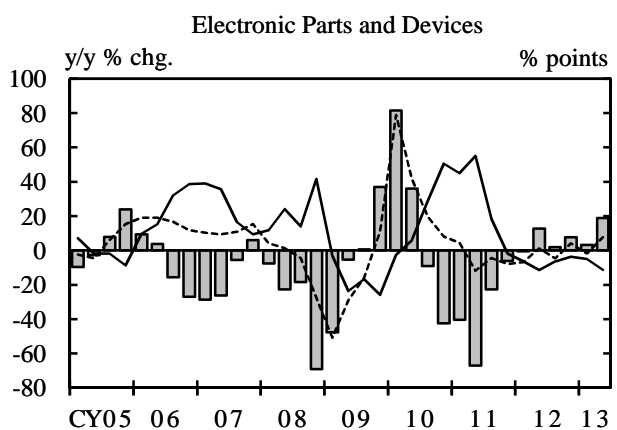
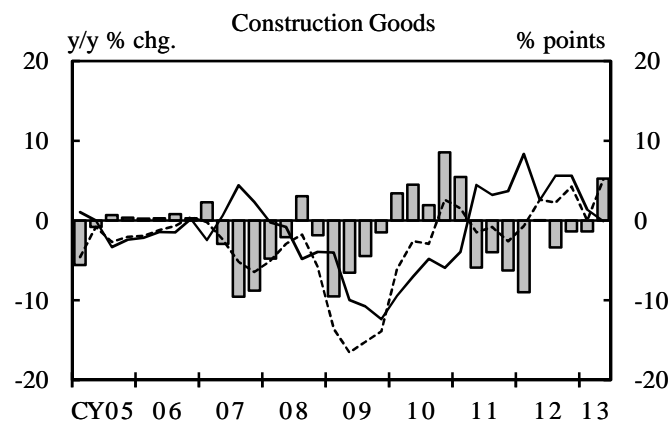
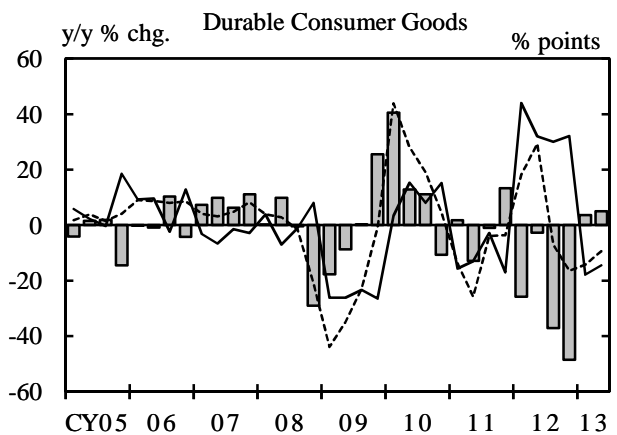
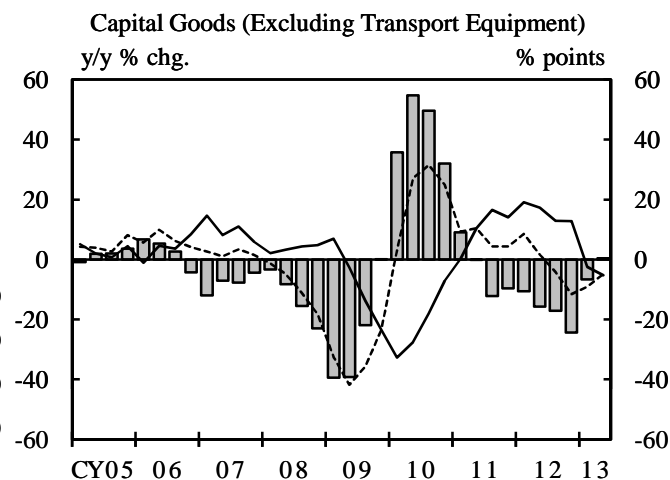
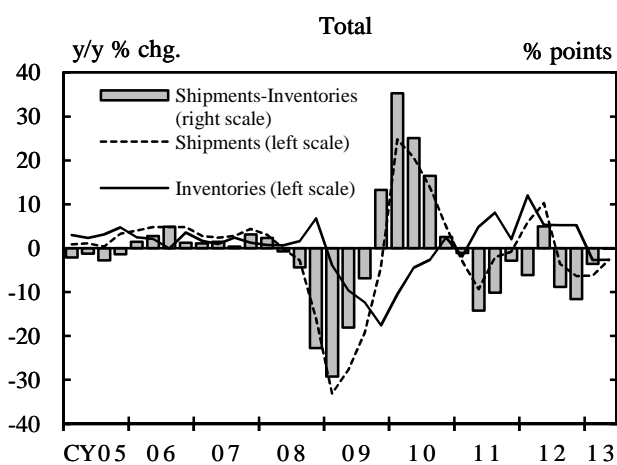
(1) Shipments and Inventories (Total)



(2) Inventory Cycle (Total)



(3) Shipment-Inventory Balance



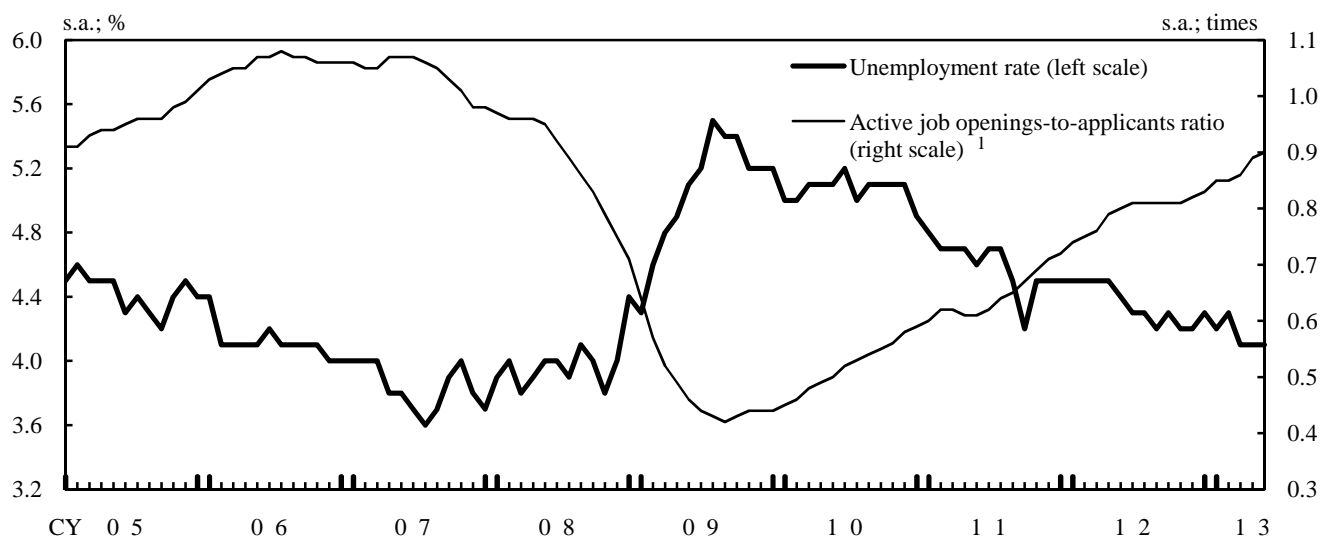
Note: Figures of shipments for 2013/Q2 are April-May averages.

Inventories for 2013/Q2 are those of May.

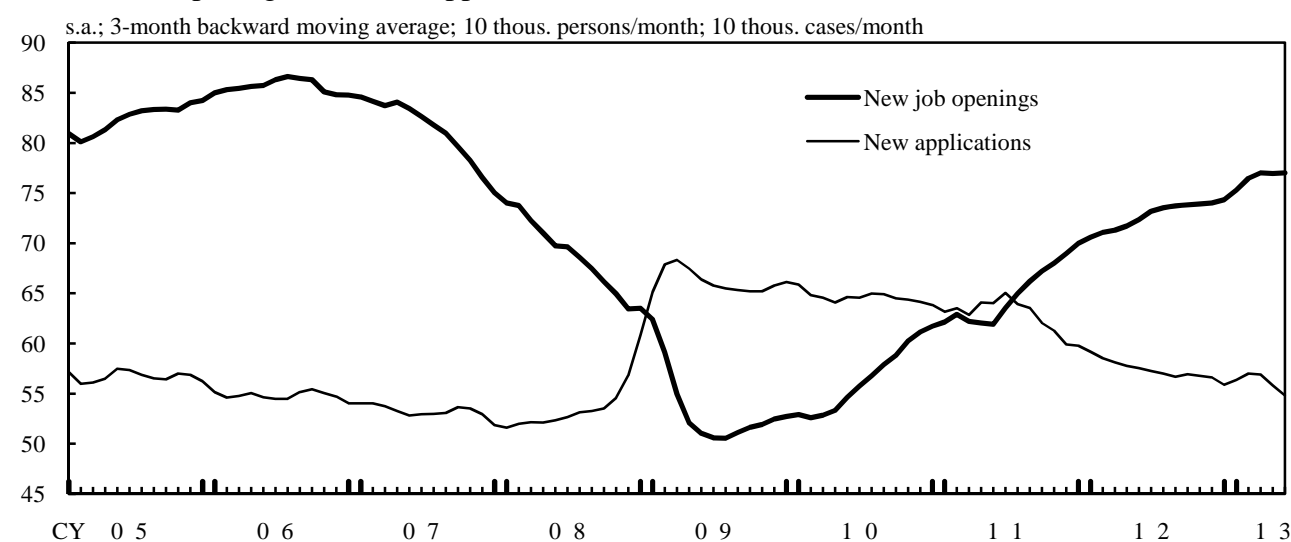
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Labor Market

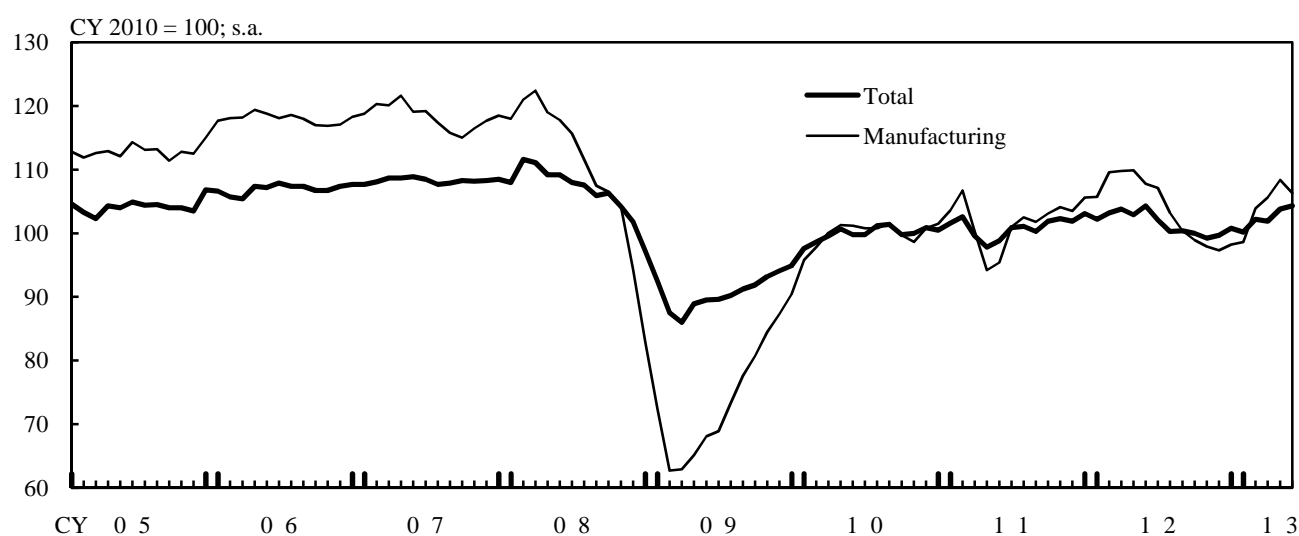
(1) Unemployment Rate and Active Job Openings-to-Applicants Ratio



(2) New Job Openings and New Applications¹



(3) Non-Scheduled Hours Worked²



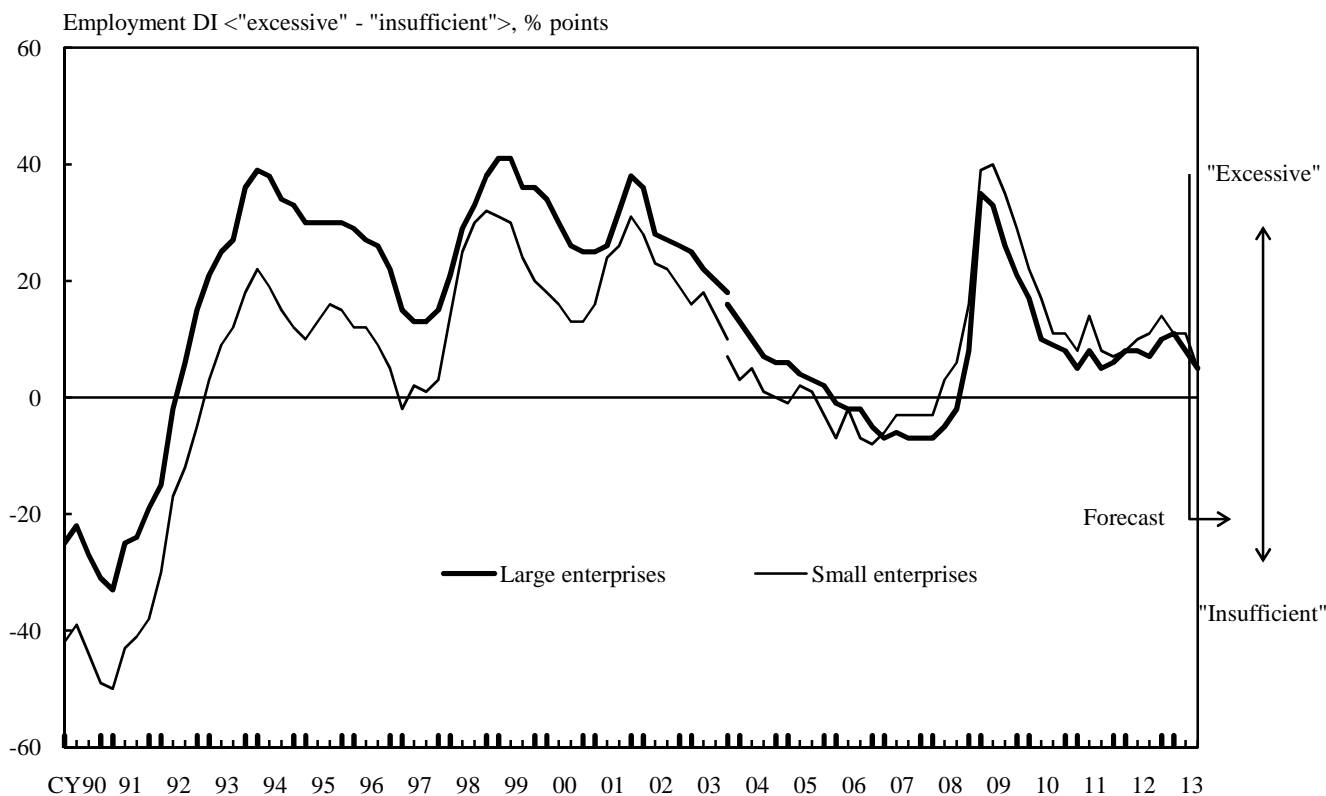
Notes: 1. Excluding new school graduates and including part-timers.

2. Data are for establishments with at least five employees.

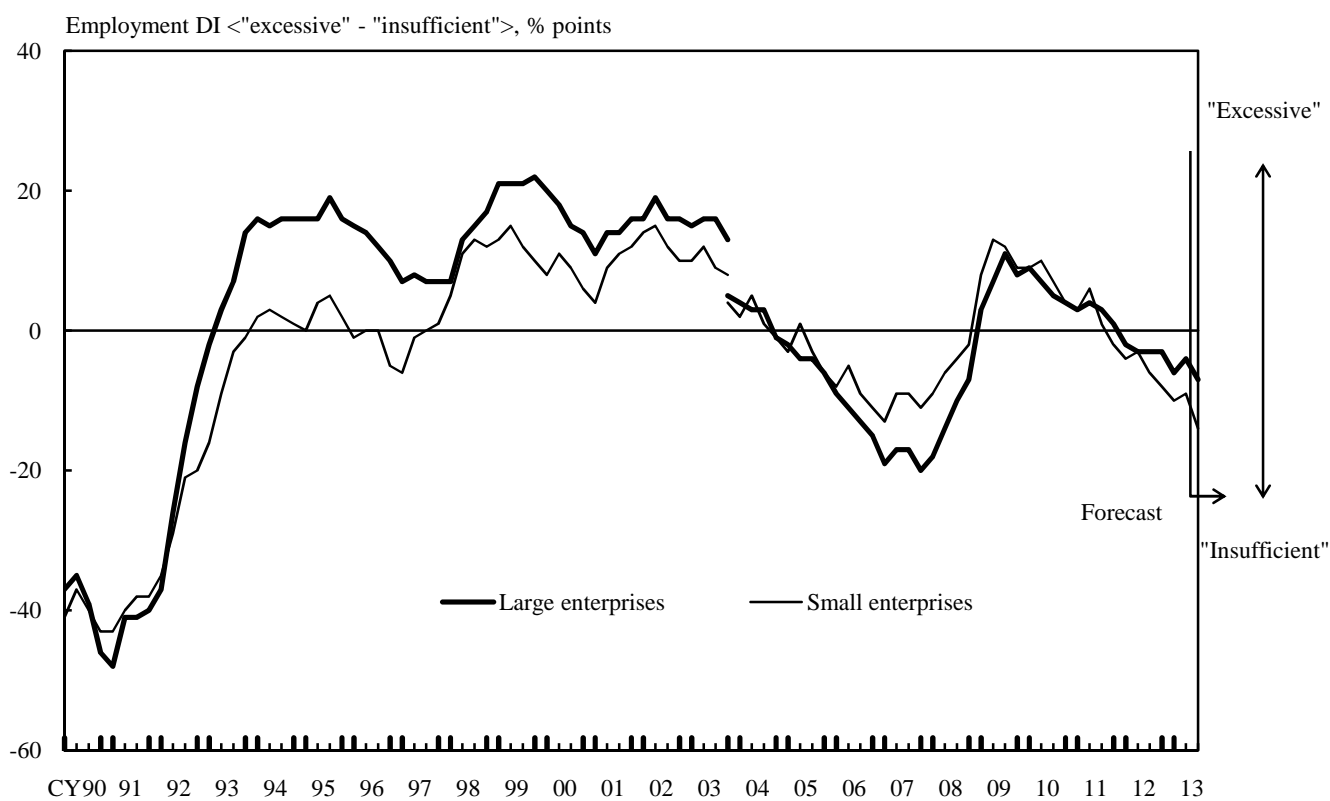
Sources: Ministry of Internal Affairs and Communications, "Labour Force Survey";
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey."

Employment Conditions

(1) Manufacturing



(2) Nonmanufacturing

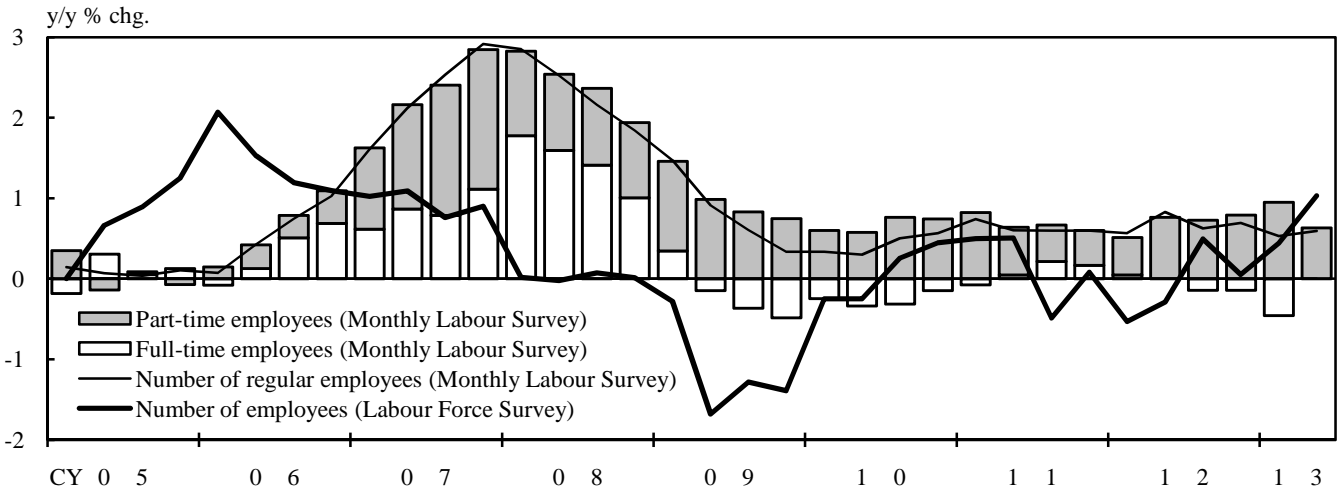


Note: The "Tankan" has been revised from the March 2004 survey. Figures up to the December 2003 survey are based on the previous data sets. Figures from the December 2003 survey are on the new basis.

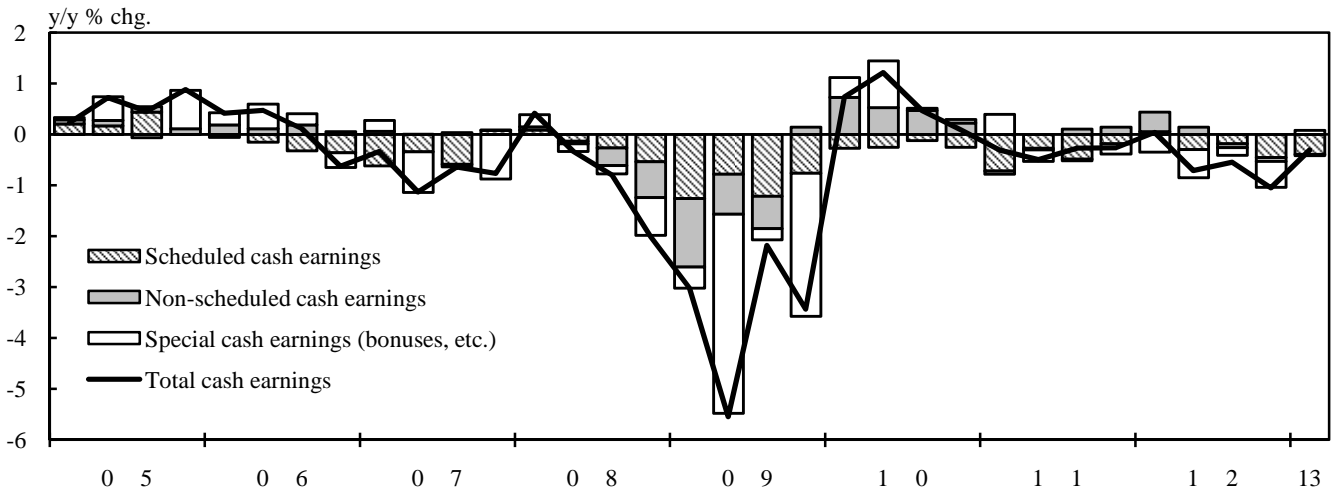
Source: Bank of Japan, "Tankan", Short-term Economic Survey of Enterprises in Japan."

Employee Income

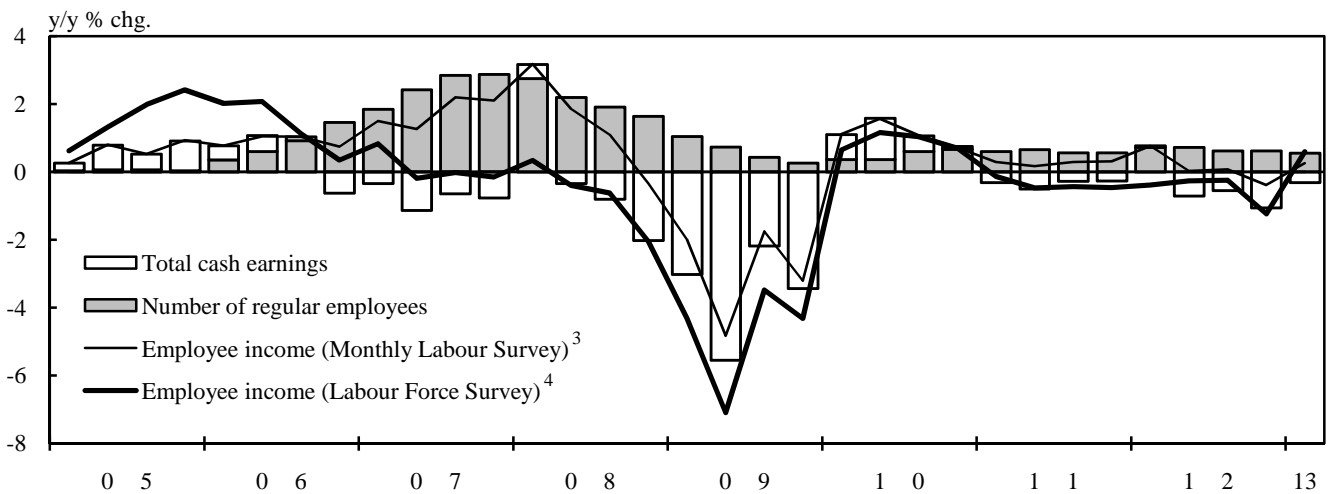
(1) Number of Employees^{1,5}



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



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

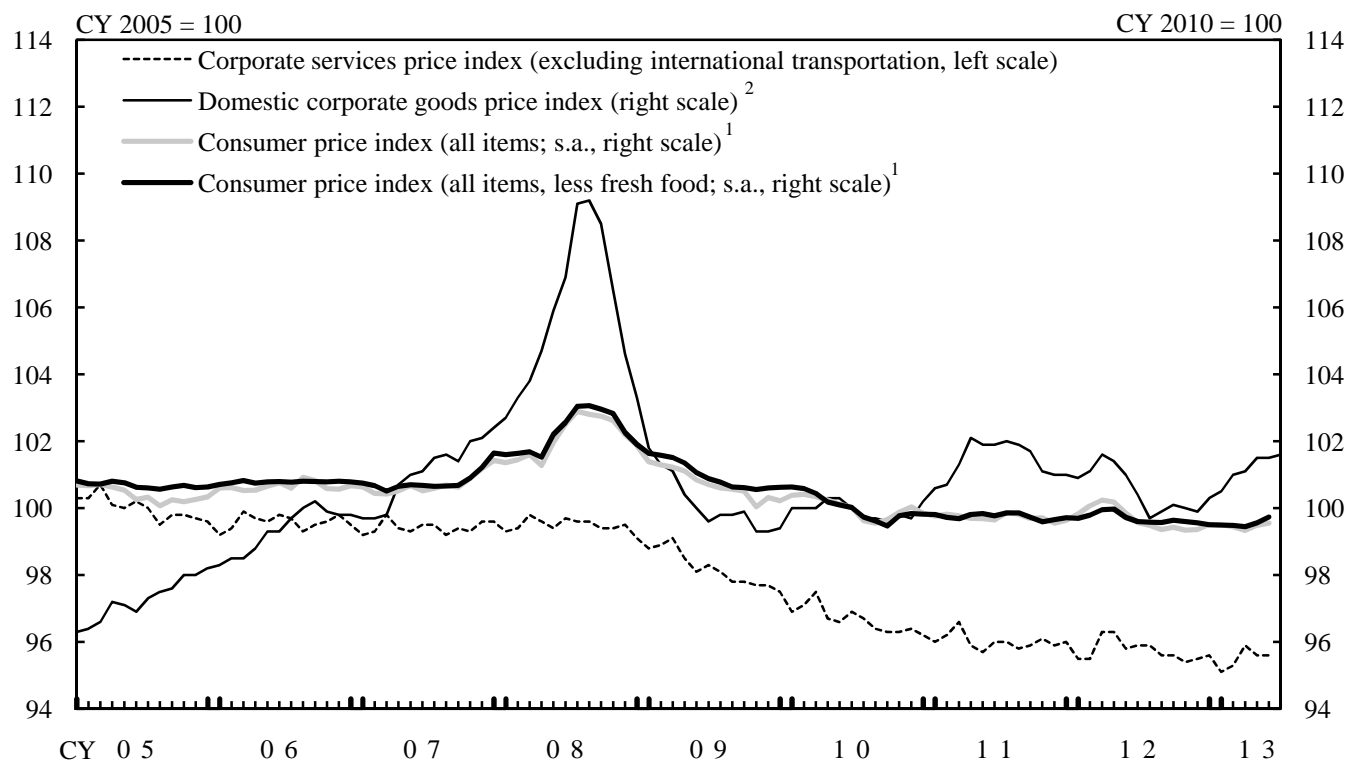


Notes: 1. Data of the "Monthly Labour Survey" are for establishments with at least five employees.
 2. Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.
 3. Calculated as the "number of regular employees" (Monthly Labour Survey) times "total cash earnings" (Monthly Labour Survey).
 4. Calculated as the "number of employees" (Labour Force Survey) times "total cash earnings" (Monthly Labour Survey).
 5. Figures for 2013/Q2 are April-May averages.

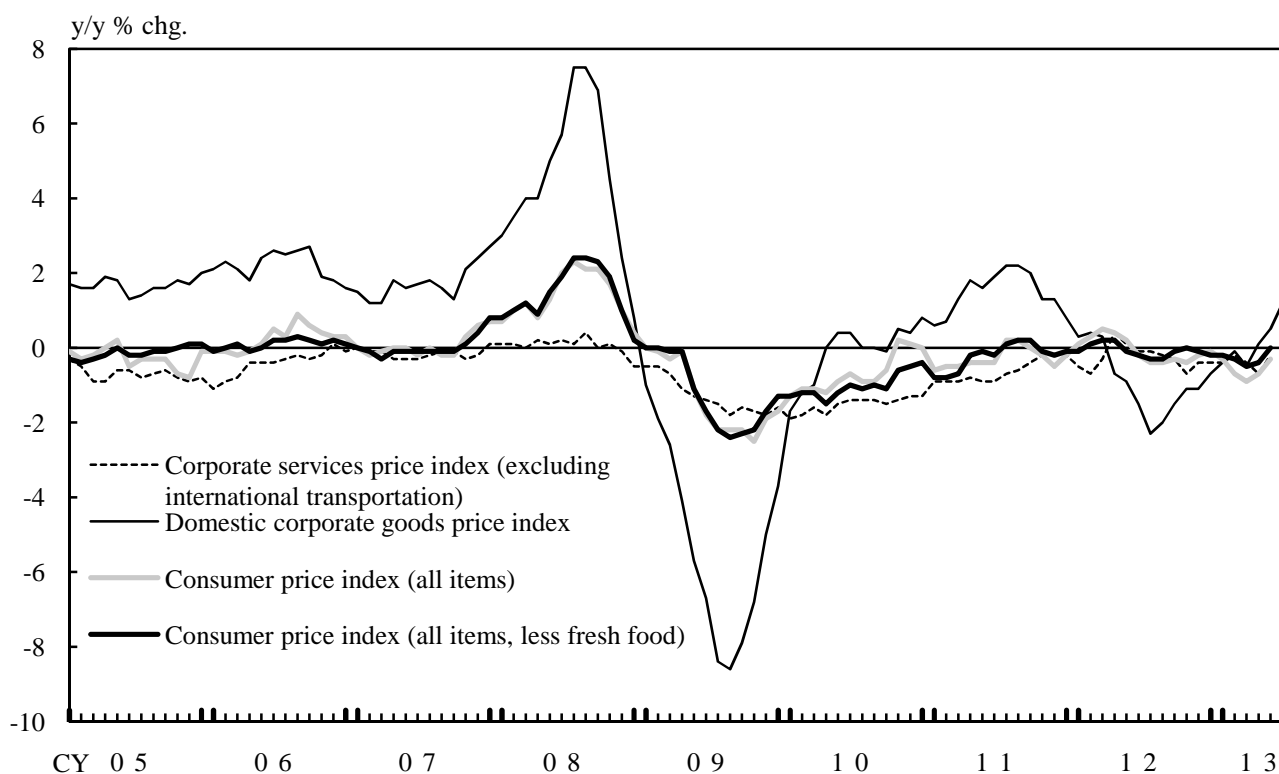
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
 Ministry of Internal Affairs and Communications, "Labour Force Survey."

Prices

(1) Level



(2) Changes from a Year Earlier



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

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

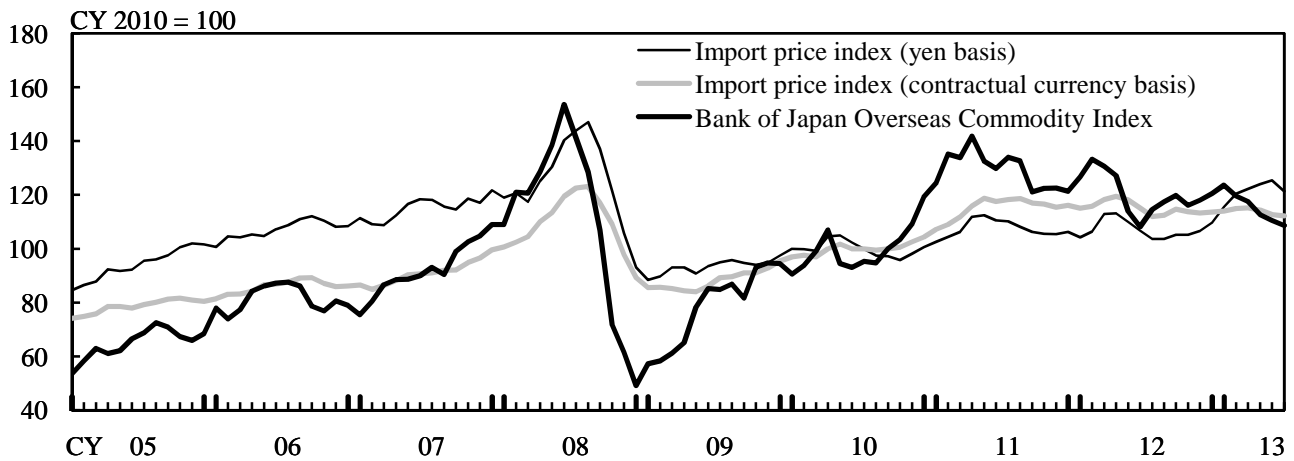
3. The levels of "Consumer Price Index" up to 2009 are based on the linked indices.

4. Figures of "Corporate Services Price Index" up to 2004 and "Corporate Goods Price Index" up to 2009 are based on the linked indices.

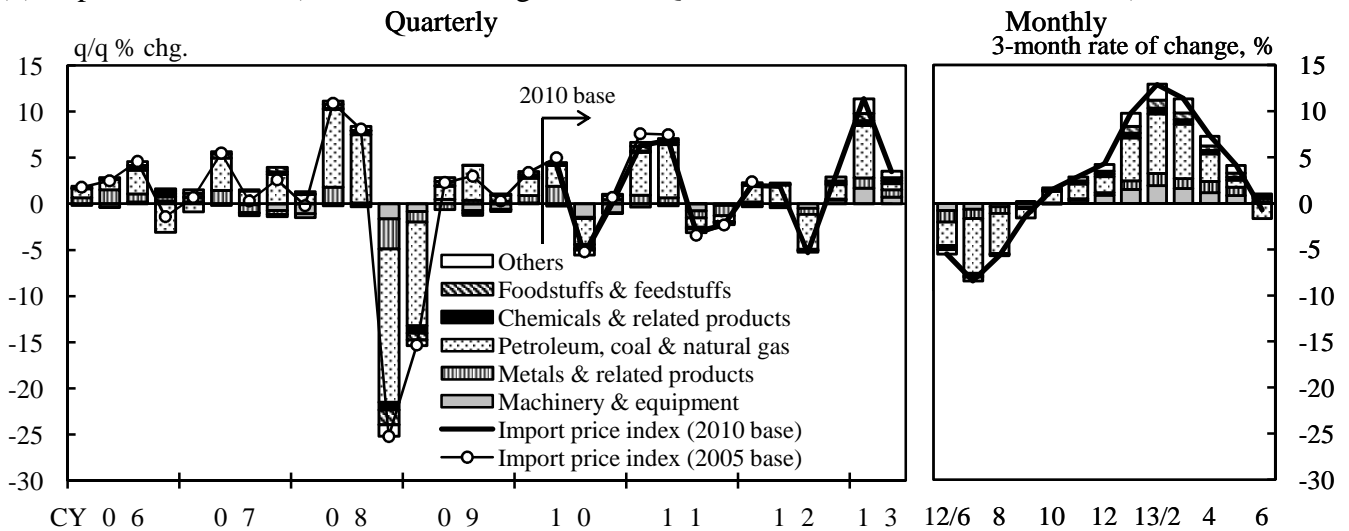
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index."

Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index

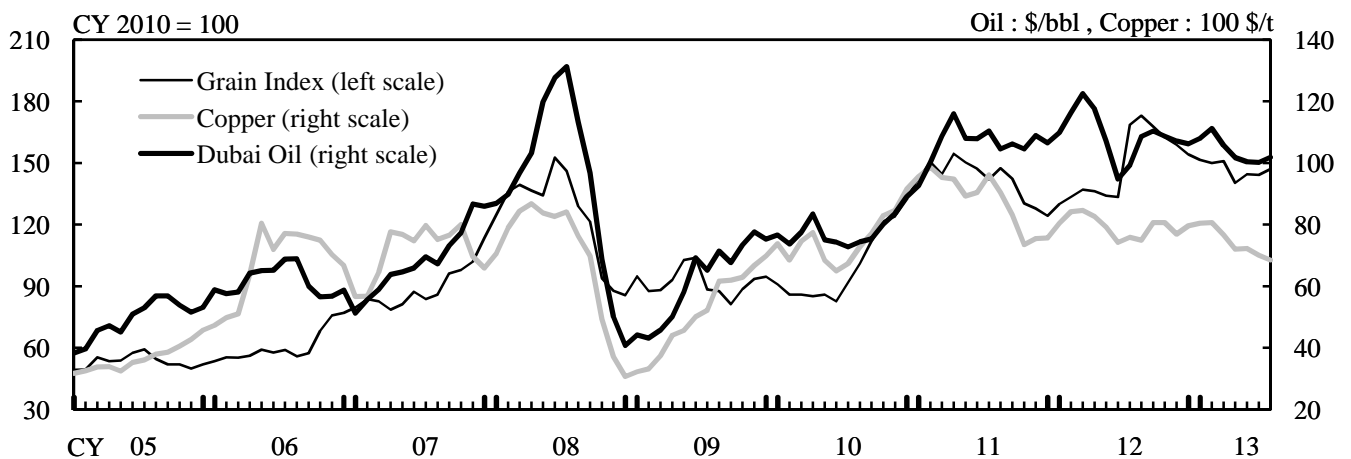


(2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



Note: Machinery & equipment: general purpose, production & business oriented machinery, electric & electronic products, and transportation equipment.

(3) International Commodity Prices

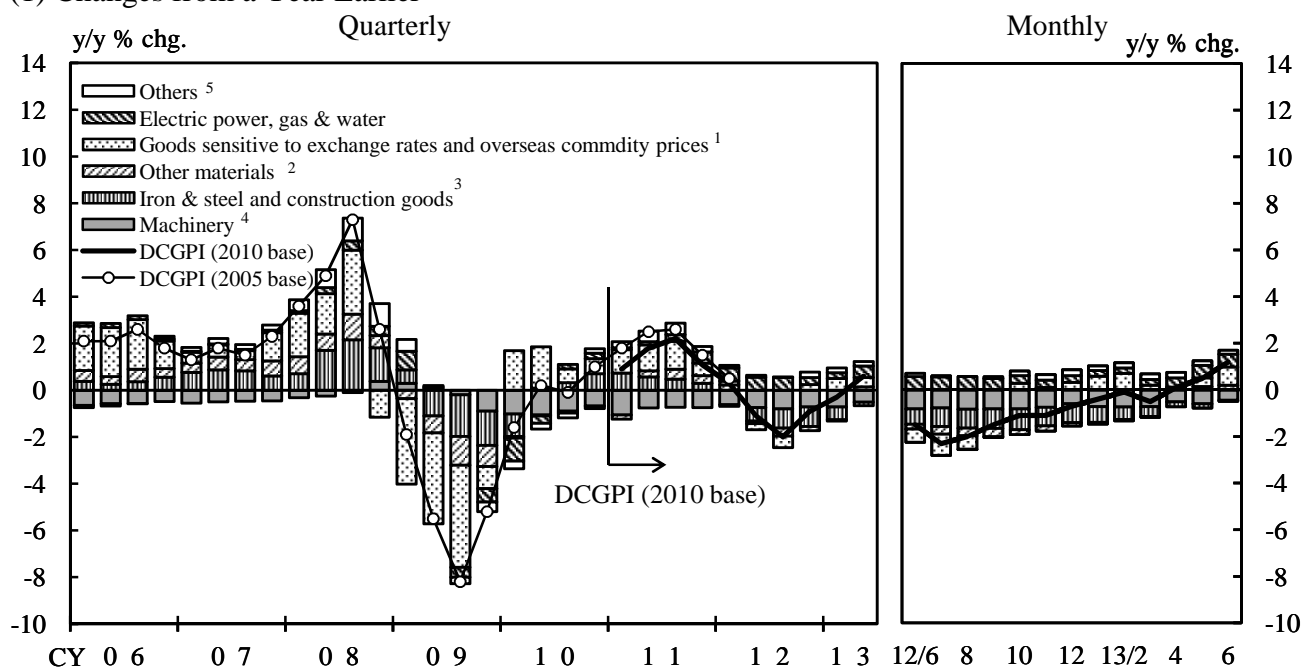
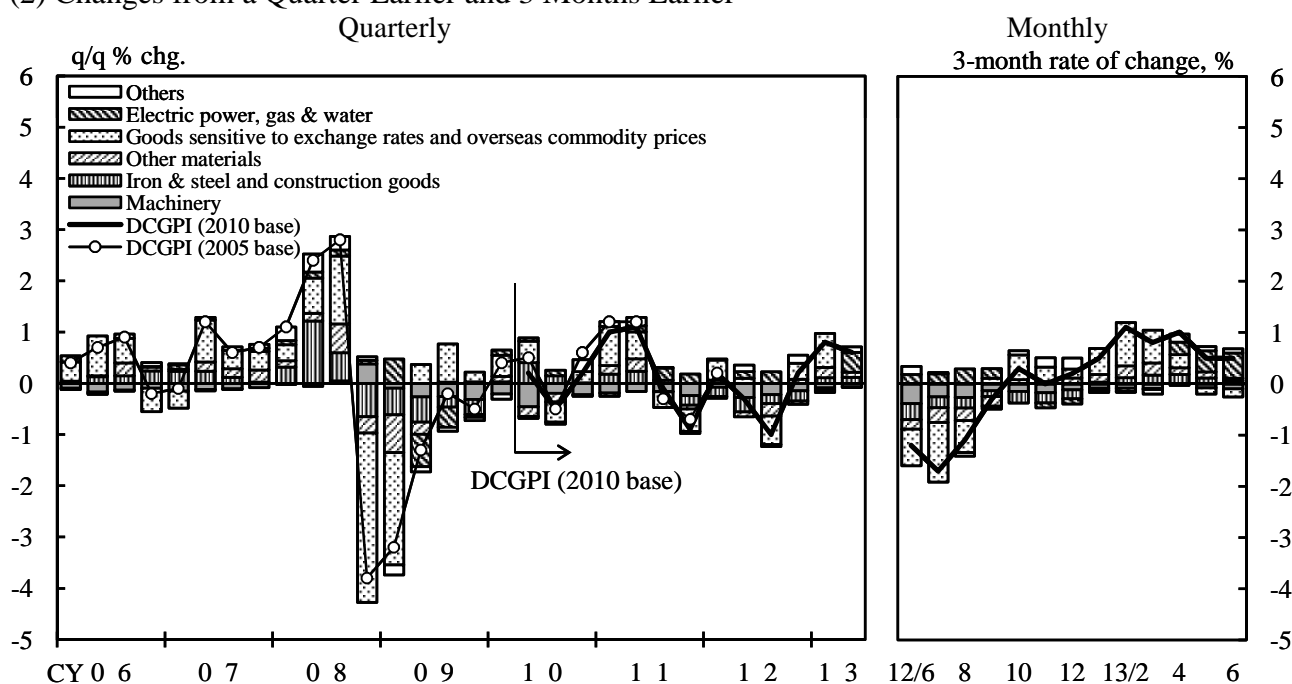


Notes: 1. The "grain index" is the weighted average of prices of three selected items (wheat, soybeans, and corn) in overseas commodity markets. The weights are based on the value of imports in the "Trade Statistics."
 2. Monthly averages. Figures for July 2013 are averages up to July 10.

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

Domestic Corporate Goods Price Index

(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 and nonferrous metals.

2. Other materials: chemicals & related products, plastic products, textile products, and pulp, paper & related products.

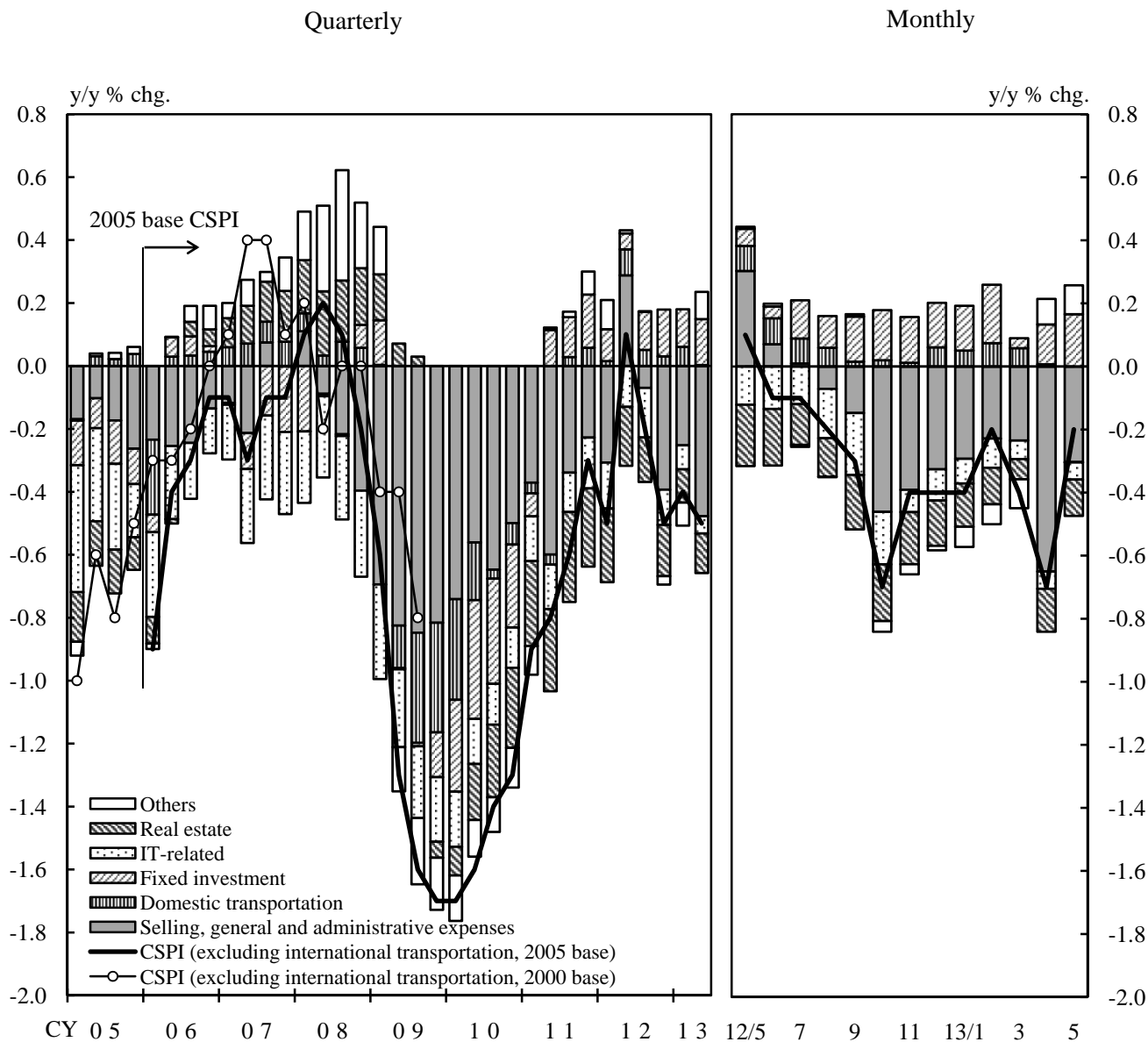
3. Iron & steel and construction goods: iron & steel, metal products, ceramic, stone & clay products, lumber & wood products, and scrap & waste.

4. Machinery: general purpose machinery, production machinery, business oriented machinery, electronic components & devices, electrical machinery & equipment, information & communications equipment, and transportation equipment.

5. Others: food, beverages, tobacco & feedstuffs, other manufacturing industry products, agriculture, forestry & fishery products, and minerals.

6. Adjusted to exclude a hike in electric power charges during the summer season from July to September. This adjustment makes the "Domestic Corporate Goods Price Index" fall by about 0.2%.

Corporate Services Price Index

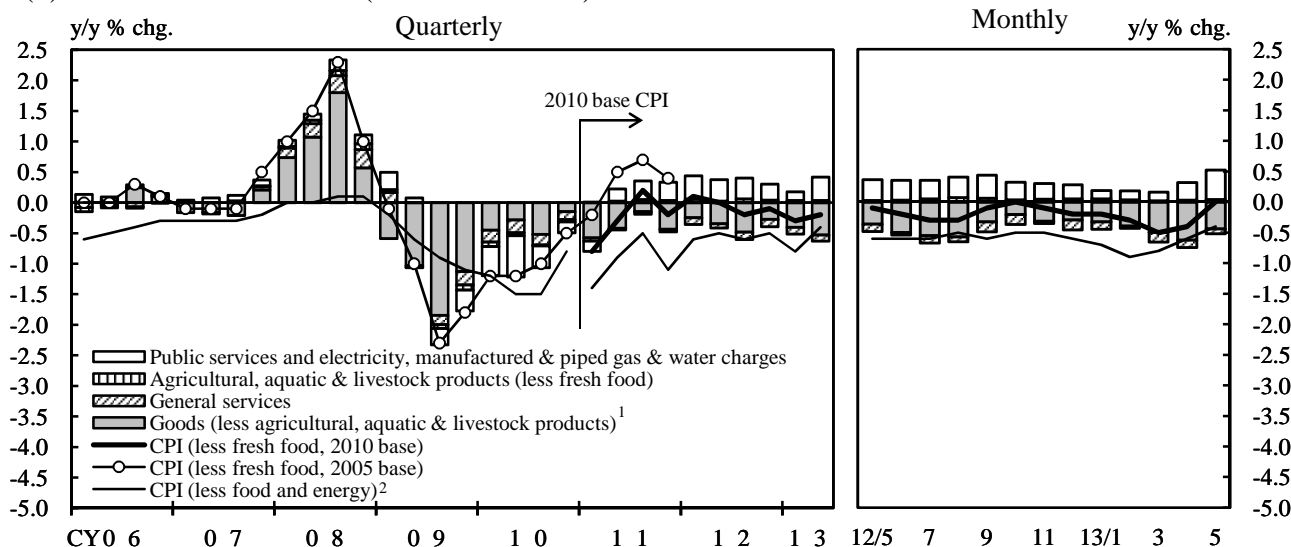


- Notes: 1. Selling, general and administrative expenses: information and communications (excluding newspapers and publishing), advertising services, other services (excluding plant engineering, and civil engineering and architectural services).
 2. Domestic transportation: transportation (excluding international transportation, railroad passenger transportation, road passenger transportation, water passenger transportation, and domestic air passenger transportation).
 3. Fixed investment: leasing and rental (excluding leasing of computer and related equipment and computer rental), and civil engineering and architectural services.
 4. IT-related: leasing of computer and related equipment, and 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, and plant engineering.
 7. Figures for 2013/Q2 are April-May averages. Figures for 2009/Q3 on the 2000 base are July-August averages.

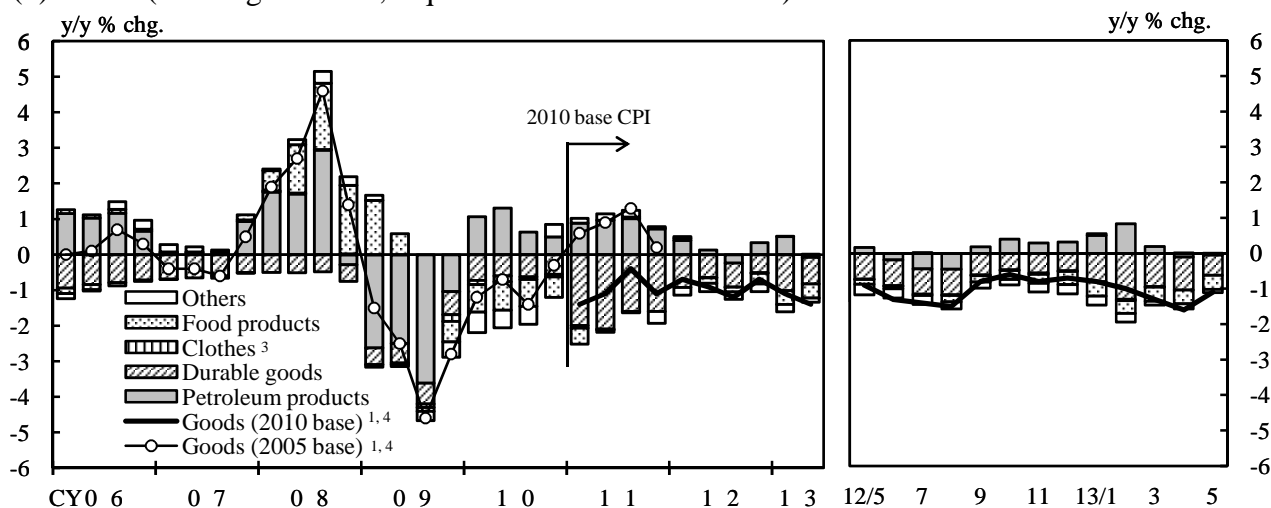
Source: Bank of Japan, "Corporate Services Price Index."

Consumer Price Index (Less Fresh Food)

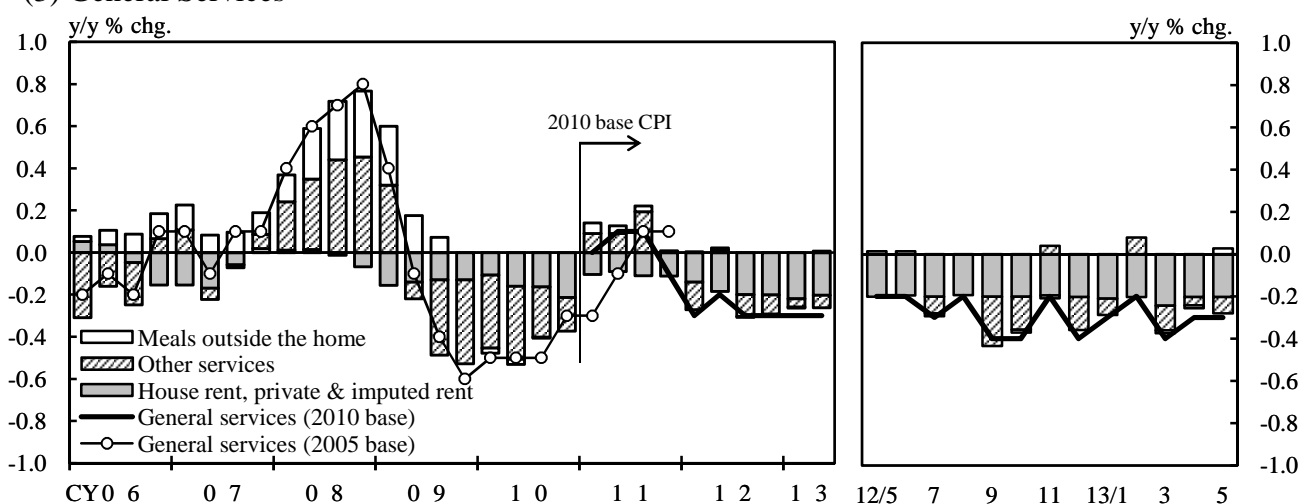
(1) Consumer Price Index (Less Fresh Food)



(2) Goods (Less Agricultural, Aquatic & Livestock Products)¹



(3) General Services



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

However, electricity, manufactured & piped 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. Less agricultural, aquatic & livestock products.

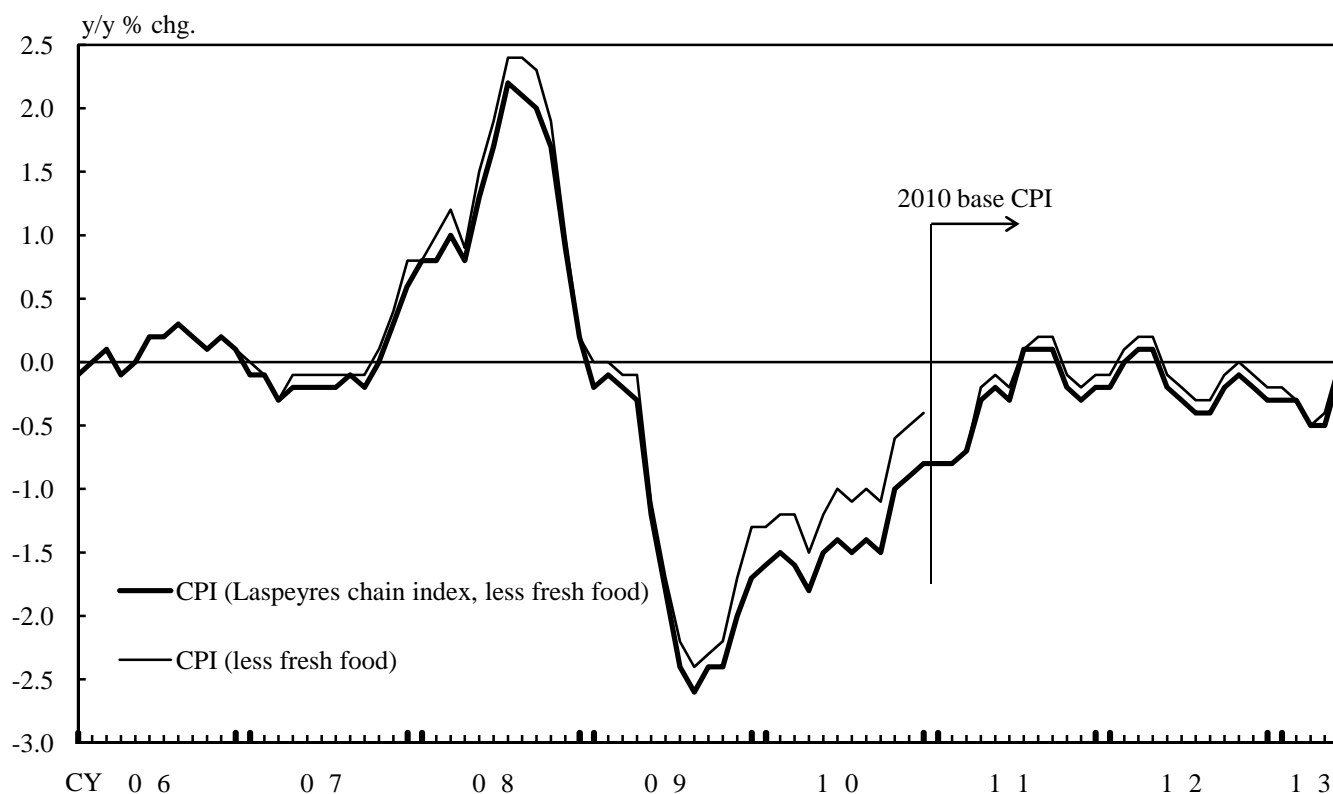
5. The year-on-year rates of change other than those of the CPI (less fresh food), CPI (less food and energy), and General services are calculated using published indices.

6. Figures for 2013/Q2 are April-May averages.

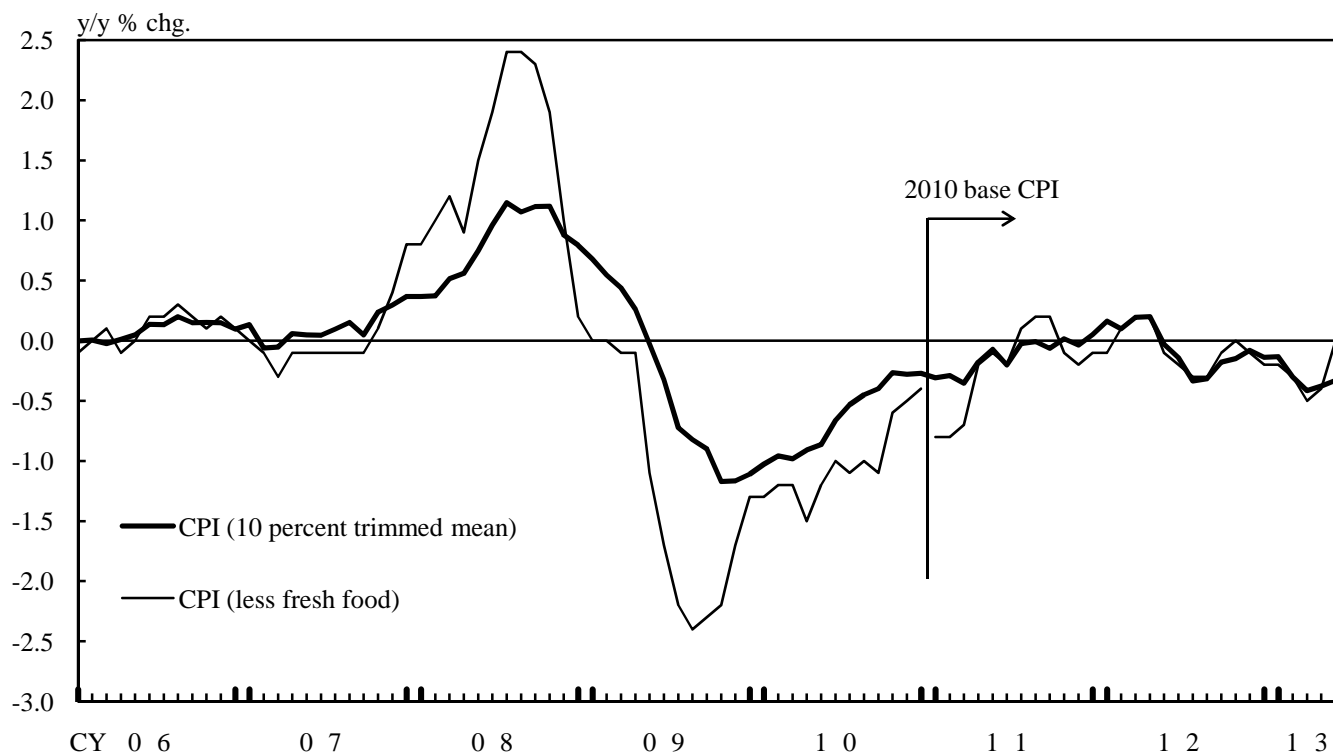
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Trend Changes in Consumer Prices

(1) Laspeyres Chain Index



(2) Trimmed Mean



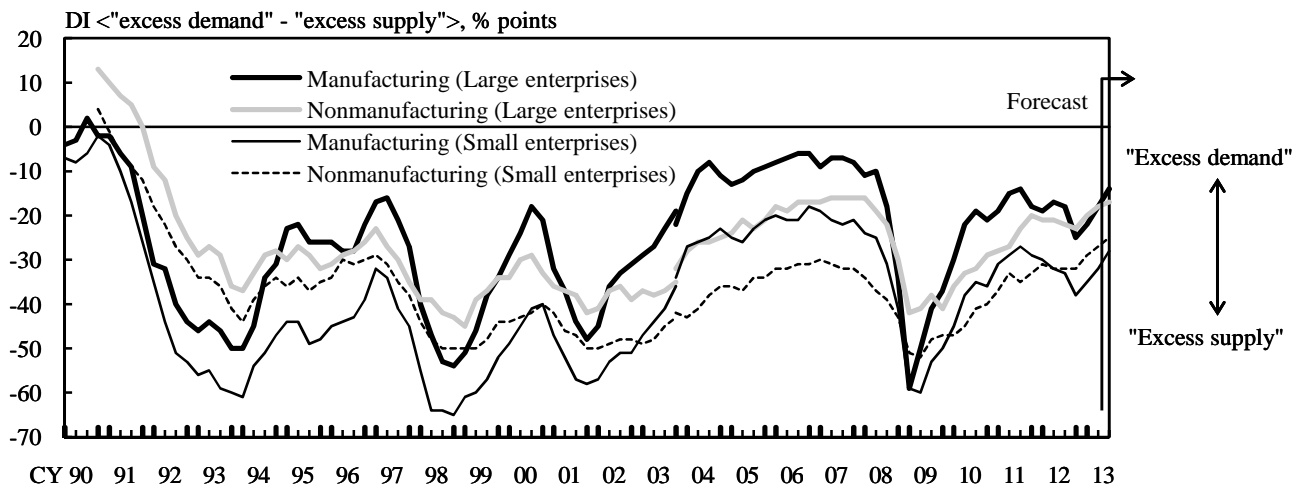
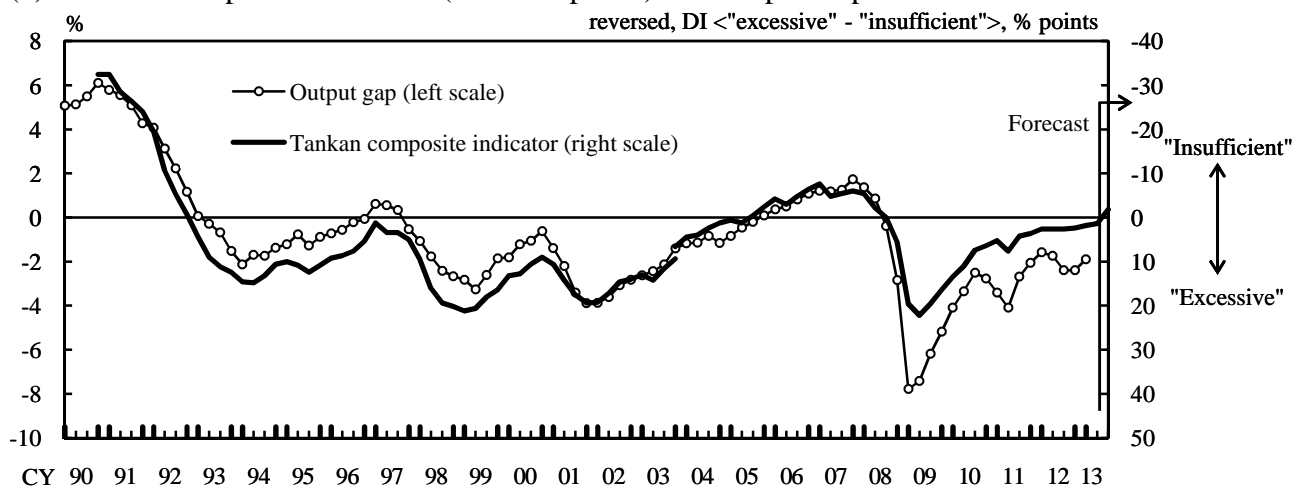
Notes: 1. Figures for the 10 percent trimmed mean are weighted averages of items; these items are obtained by rearranging year-on-year rates of price change in ascending order and then excluding items in both the upper and lower 10 percent tails by weight.

2. Figures for the Laspeyres chain index for 2006 are the year-on-year rates for the fixed-base method. The year-on-year figures for the Laspeyres chain index up to 2010 are on the 2005 base, and those from 2011 onward are on the 2010 base.

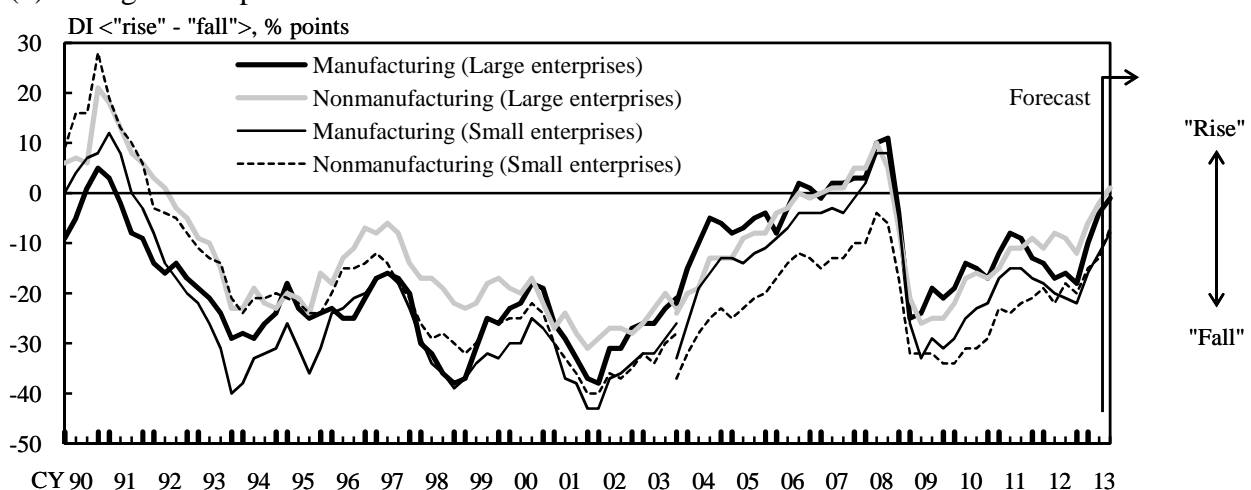
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Domestic Supply and Demand Conditions¹

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

(2) *Tankan* Composite Indicator² (All Enterprises) and Output Gap³

(3) Change in Output Prices



Notes: 1. The "Tankan" has been revised from the March 2004 Survey. Figures up to the December 2003 Survey are based on the previous data sets. Figures from the December 2003 Survey are on a new basis.

2. Figures are weighted averages of the production capacity DI and employment conditions DI.

The FY 1990-2011 averages of capital and labor shares in the "National Accounts" are used as the weight.

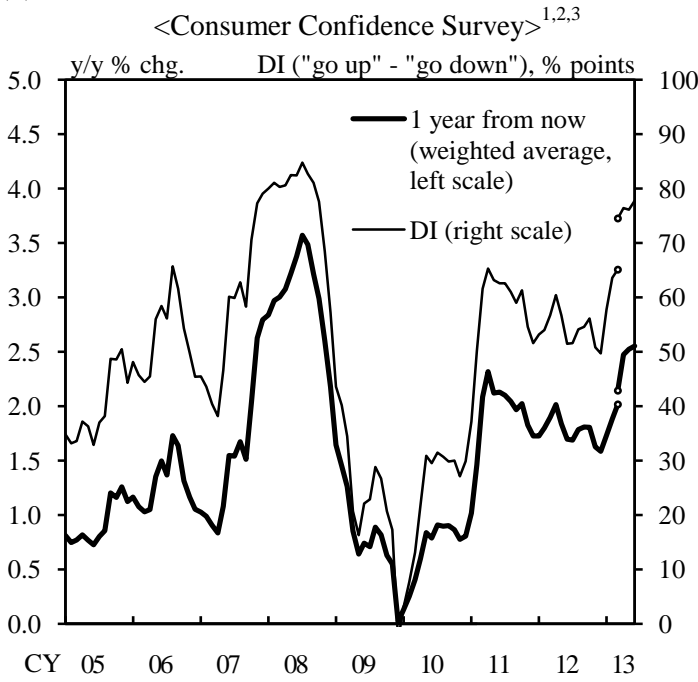
3. The output gap is estimated by the Research and Statistics Department, Bank of Japan. Since the estimation of the output gap includes various errors, considerable latitude should be allowed for this estimation.

Sources: Cabinet Office, "National Accounts";

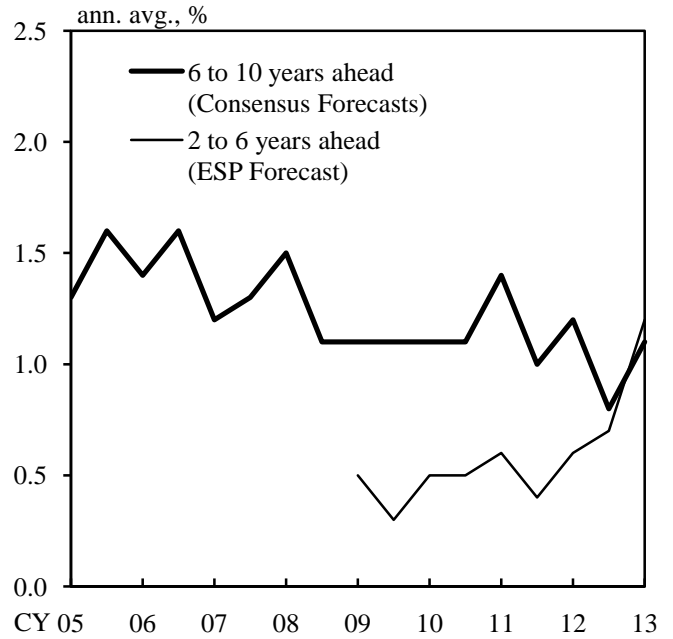
Bank of Japan, "*Tankan*, Short-Term Economic Survey of Enterprises in Japan," etc.

Inflation Expectations

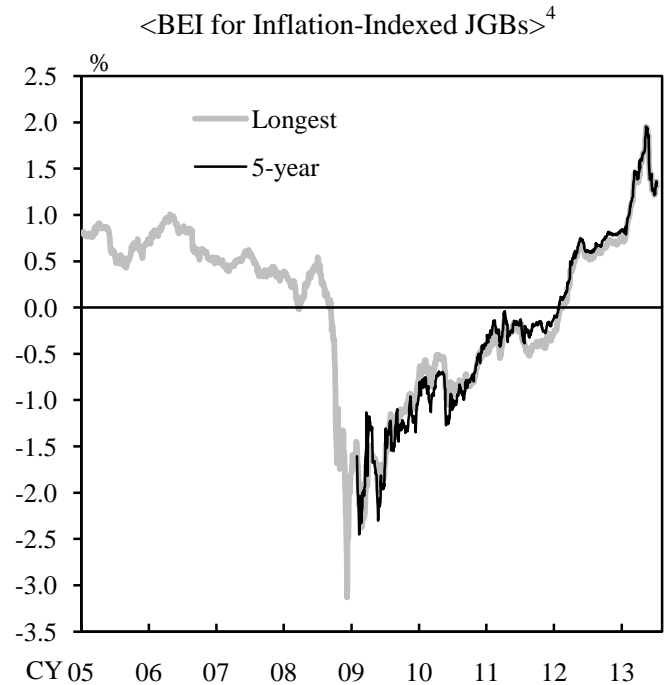
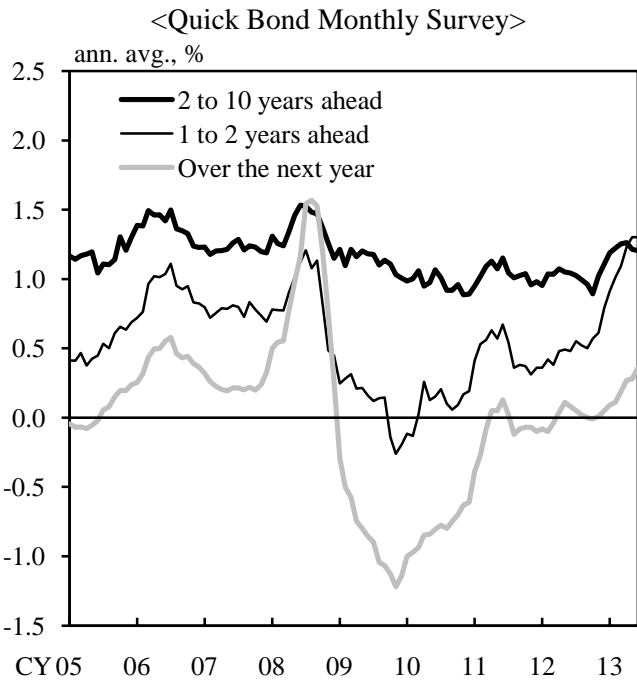
(1) Households



(2) Economists



(3) Market Participants

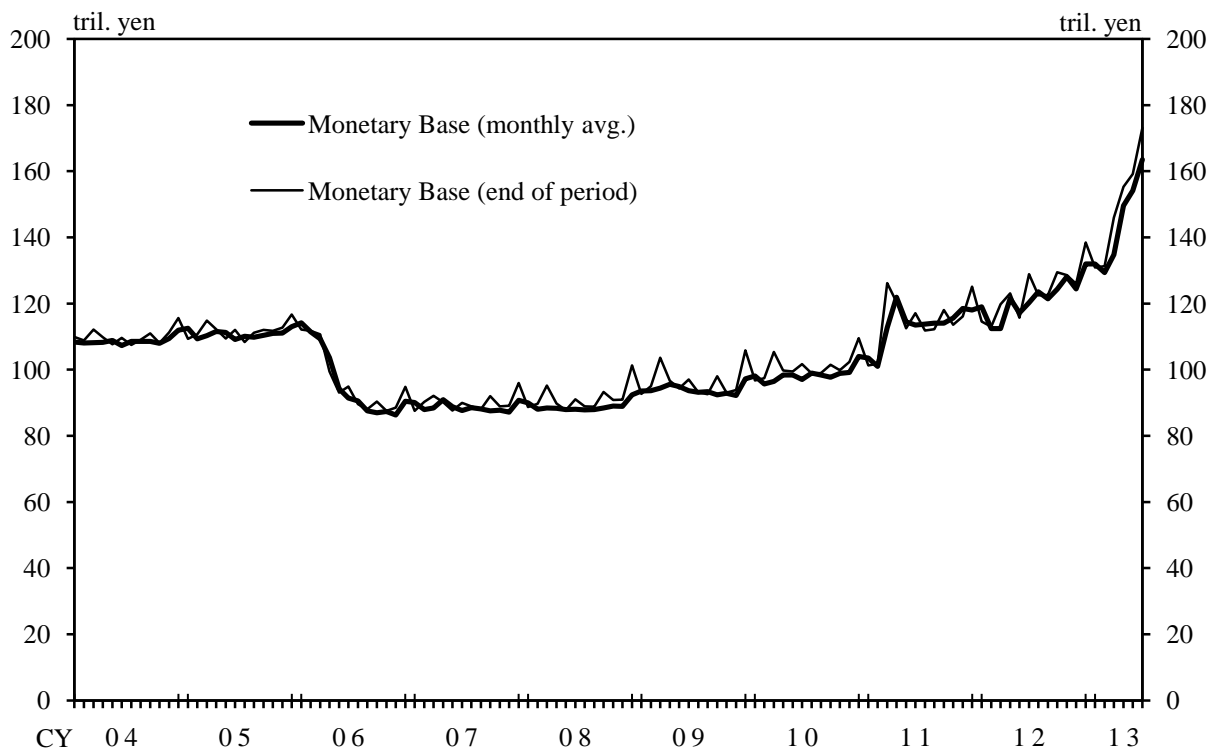


- Notes: 1. Figures are for all households.
 2. The Consumer Confidence Survey asks households to provide their price expectations one year from now. The weighted average is calculated based on the following assumption: survey responses chosen by households as their expected inflation rates -- "-5% or below," "from -5% to -2%," "from -2% to 0%," "from 0% to +2%," "from +2% to +5%," and "+5% or above" -- indicate inflation rates of -5%, -3.5%, -1%, +1%, +3.5%, and +5%, respectively.
 3. There is discontinuity between figures up to March 2013 and those thereafter due to the change in the survey method in April 2013. Figures for March 2013 via the new survey method are reference values obtained from the examination survey.
 4. Yield spreads between fixed-rate coupon-bearing JGBs and inflation-indexed JGBs. Figures for "Longest" are calculated using yield data for the inflation-indexed JGBs that have the longest maturity at each period.

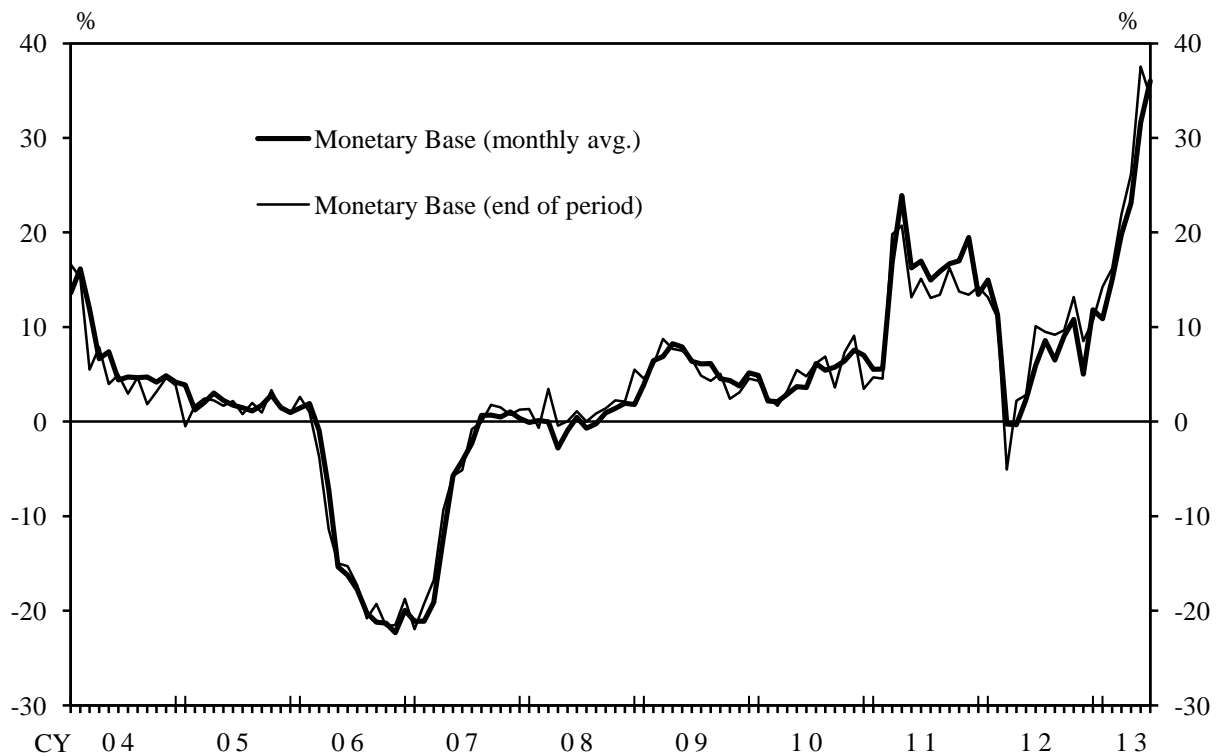
Sources: Cabinet Office, "Consumer Confidence Survey"; Consensus Economics Inc., "Consensus Forecasts"; JCER, "ESP Forecast"; QUICK, "Quick Bond Monthly Survey"; Bloomberg.

Monetary Base

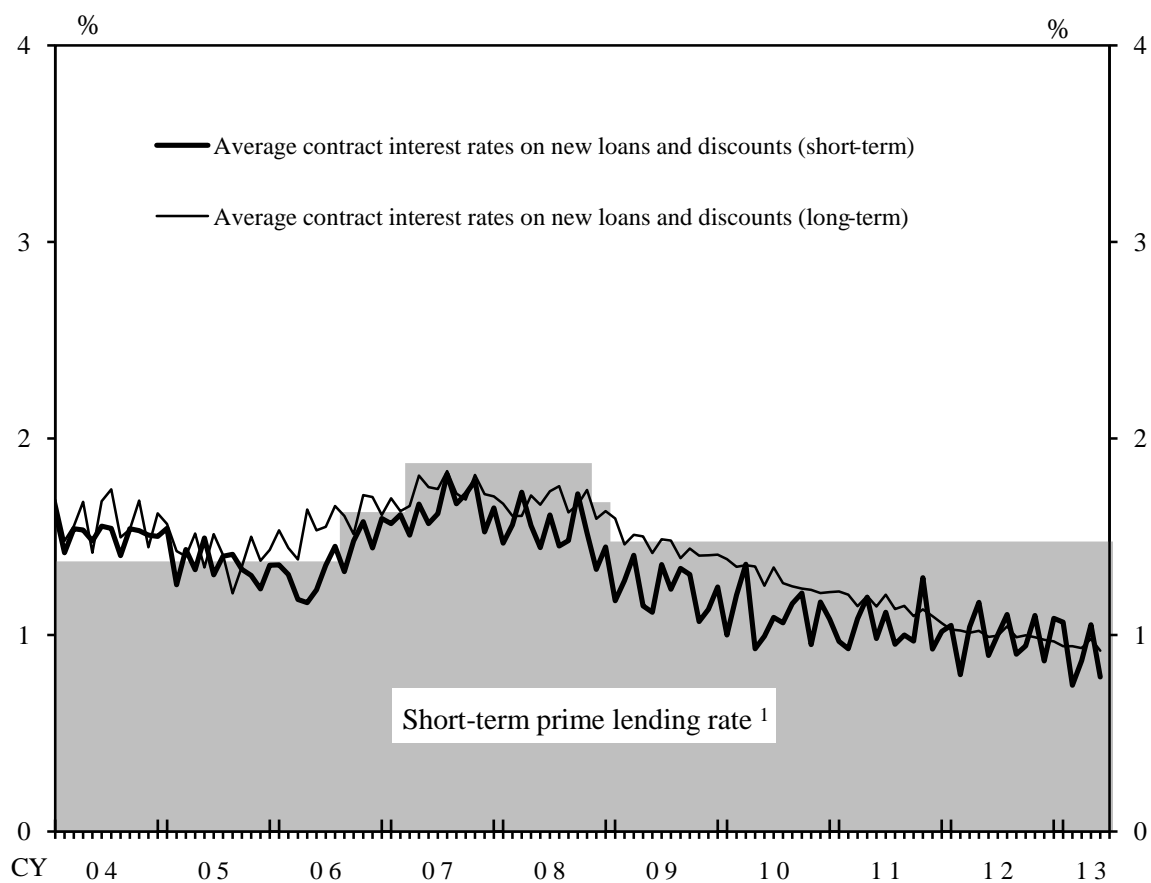
(1) Level



(2) Changes from a Year Earlier



Lending Rates

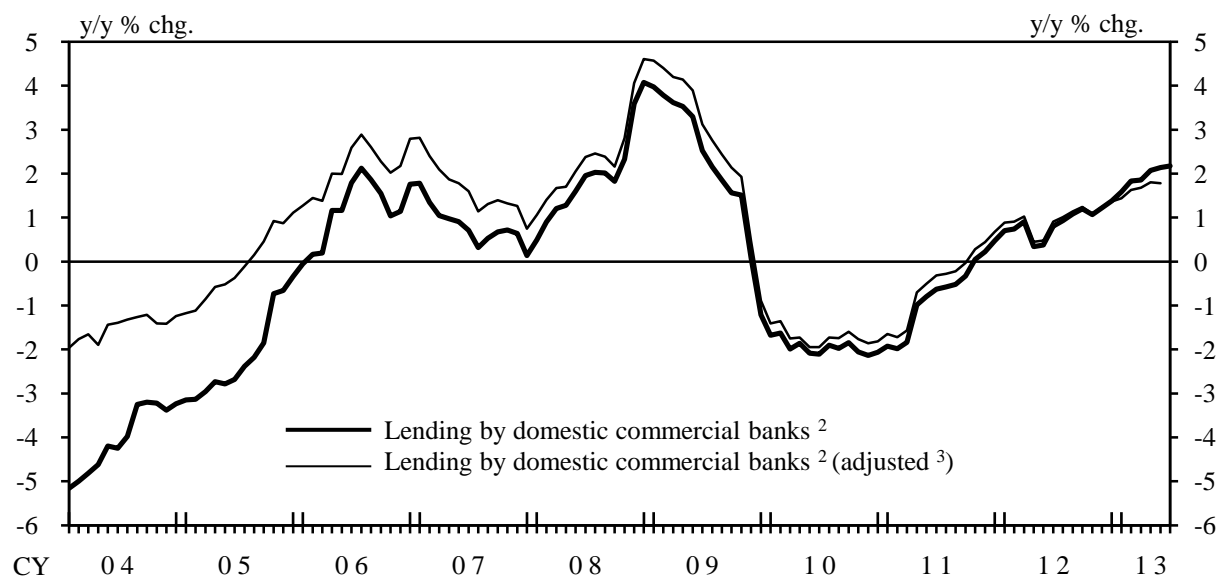


Note: 1. Data are at end of period.

Source: Bank of Japan.

Lending by Financial Institutions

(1) Lending by Domestic Commercial Banks¹



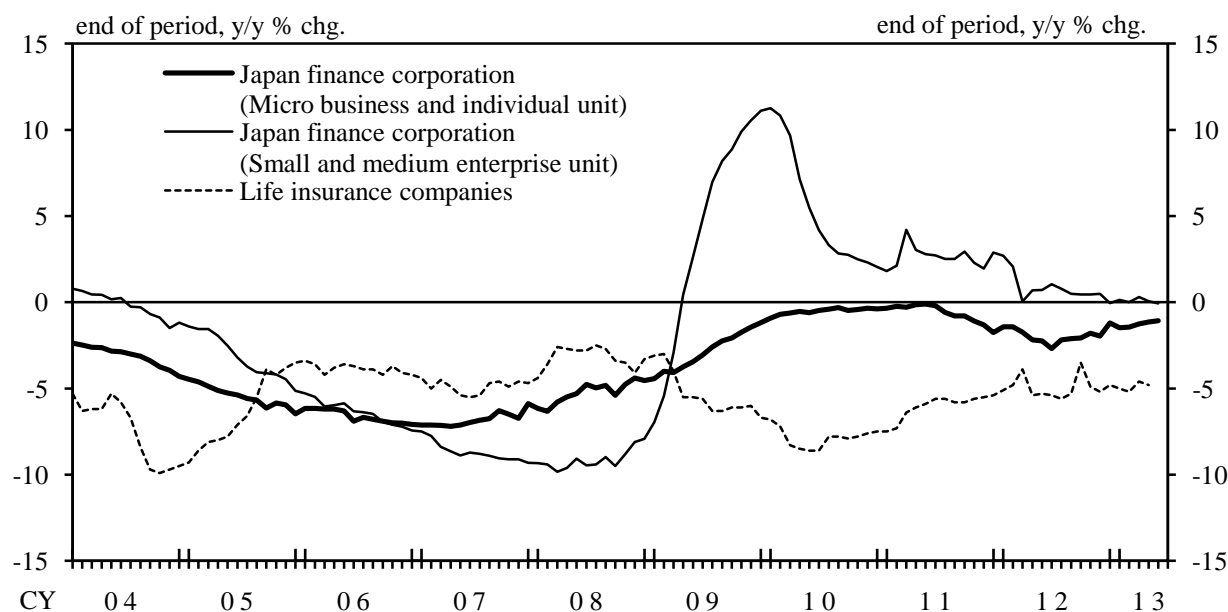
Notes: 1. Percent changes in average amounts outstanding from a year earlier.

2. "Domestic commercial banks" refers to major banks, regional banks I, 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.

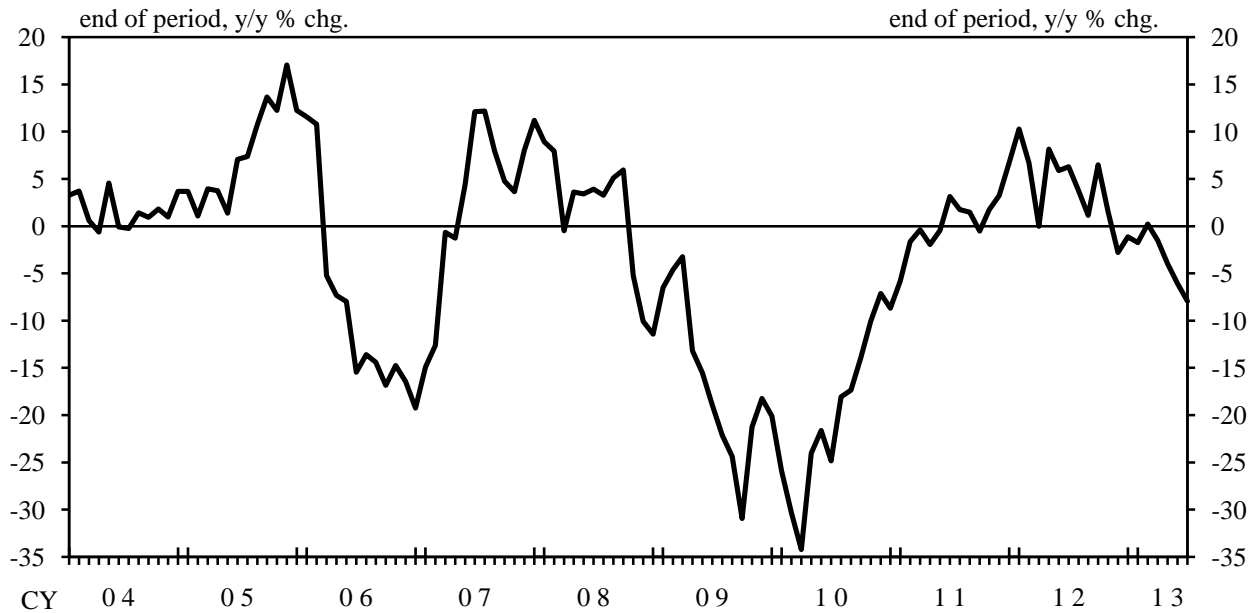
(2) Lending by Other Financial Institutions



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

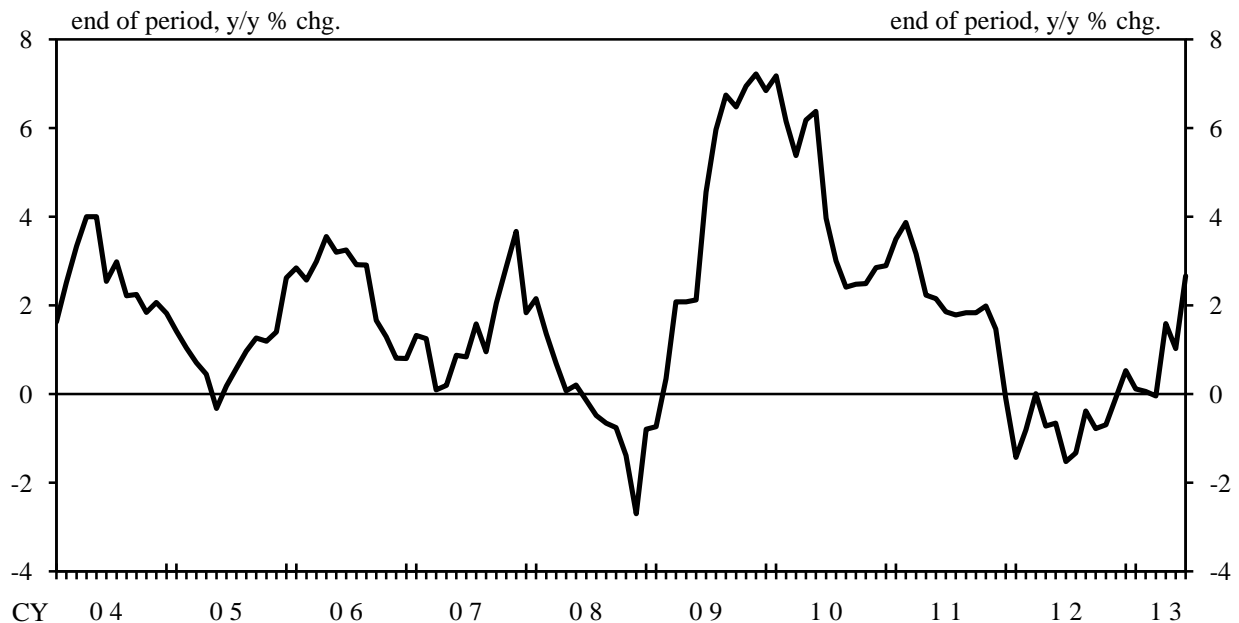
 Private-Sector Fund-Raising in the Capital Markets

(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



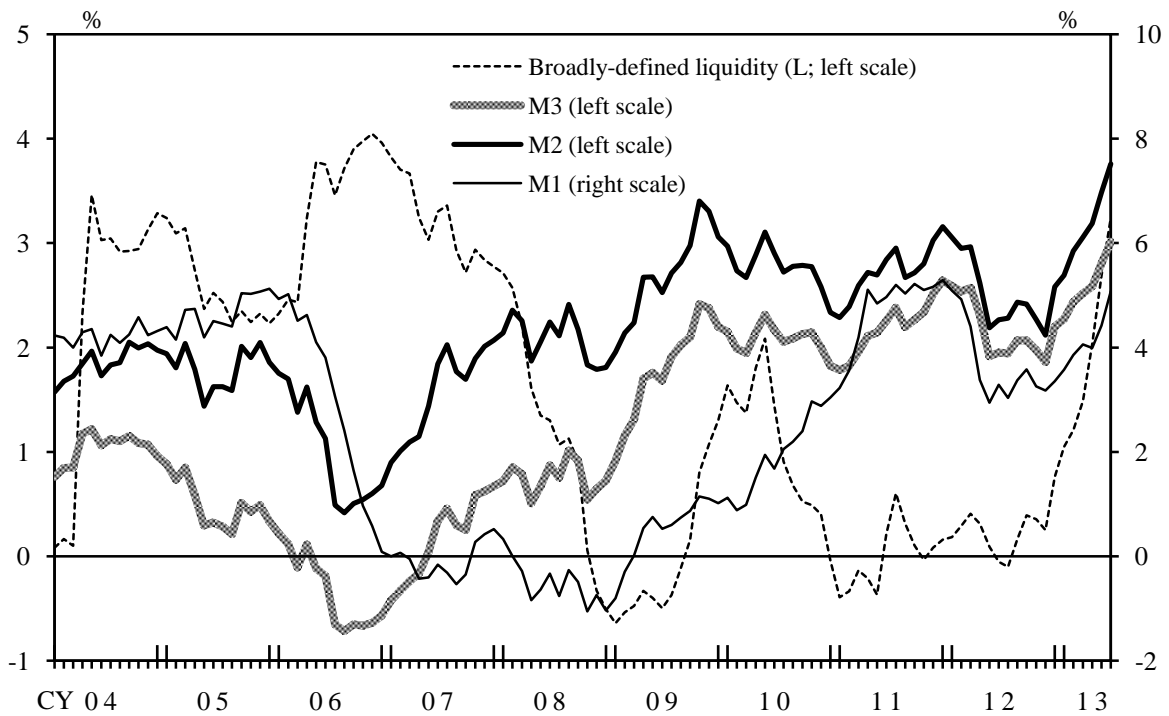
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

- (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.

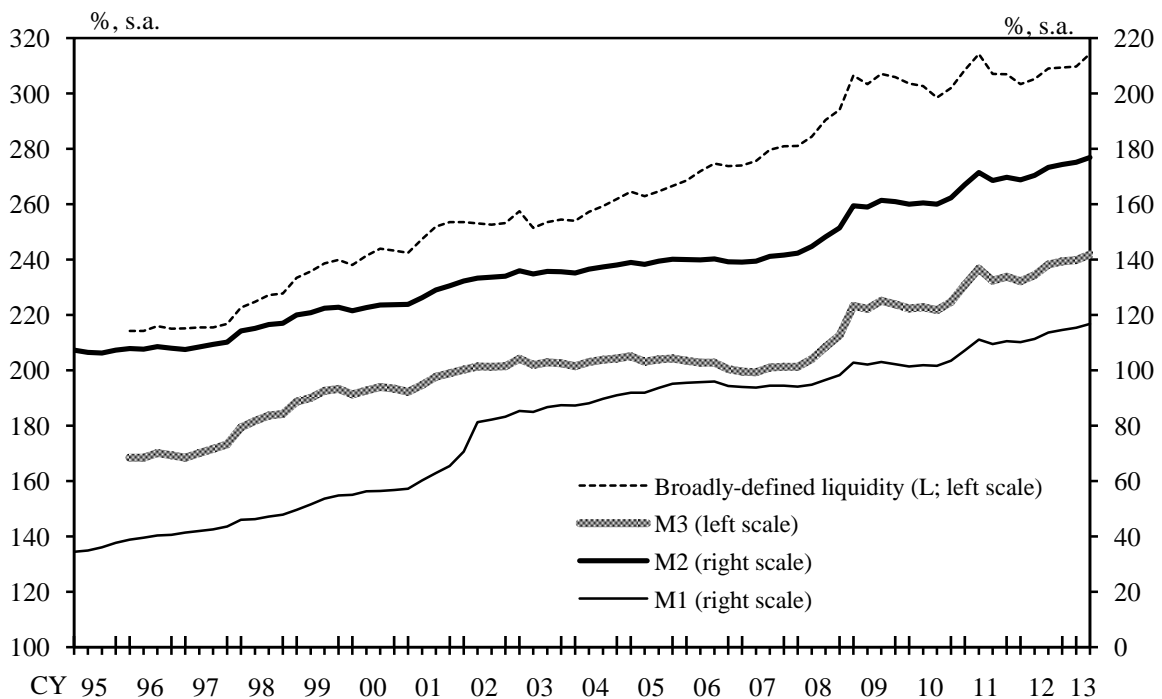
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category";
 Bank of Japan, "Principal Figures of Financial Institutions";
 Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts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

Money Stock

(1) Changes from a Year Earlier



(2) Ratio of Money Stock to Nominal GDP

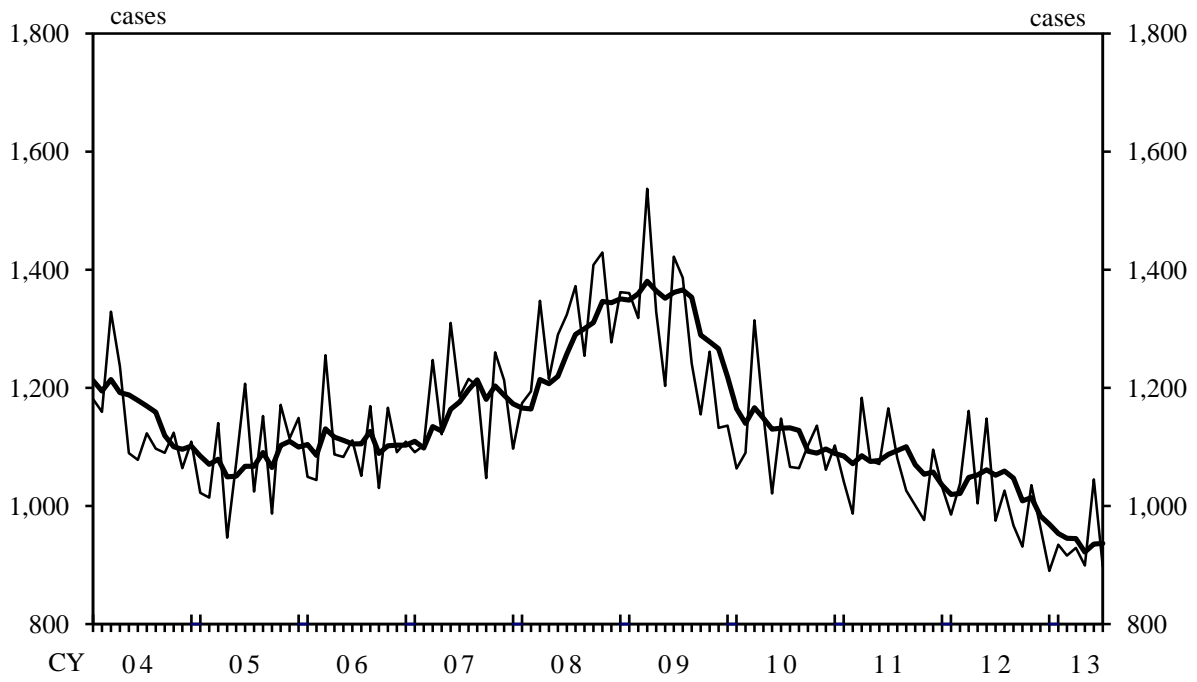


- Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.
- 2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.
- 3. The figures 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 2013/Q2 is assumed to be unchanged from the previous quarter.

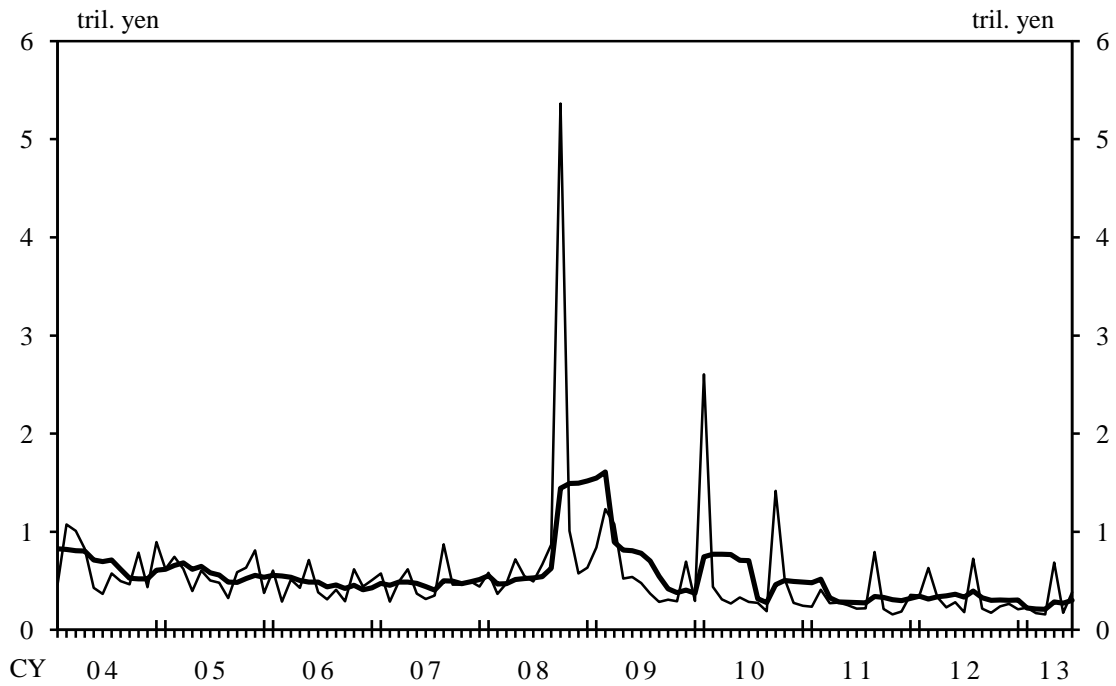
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities

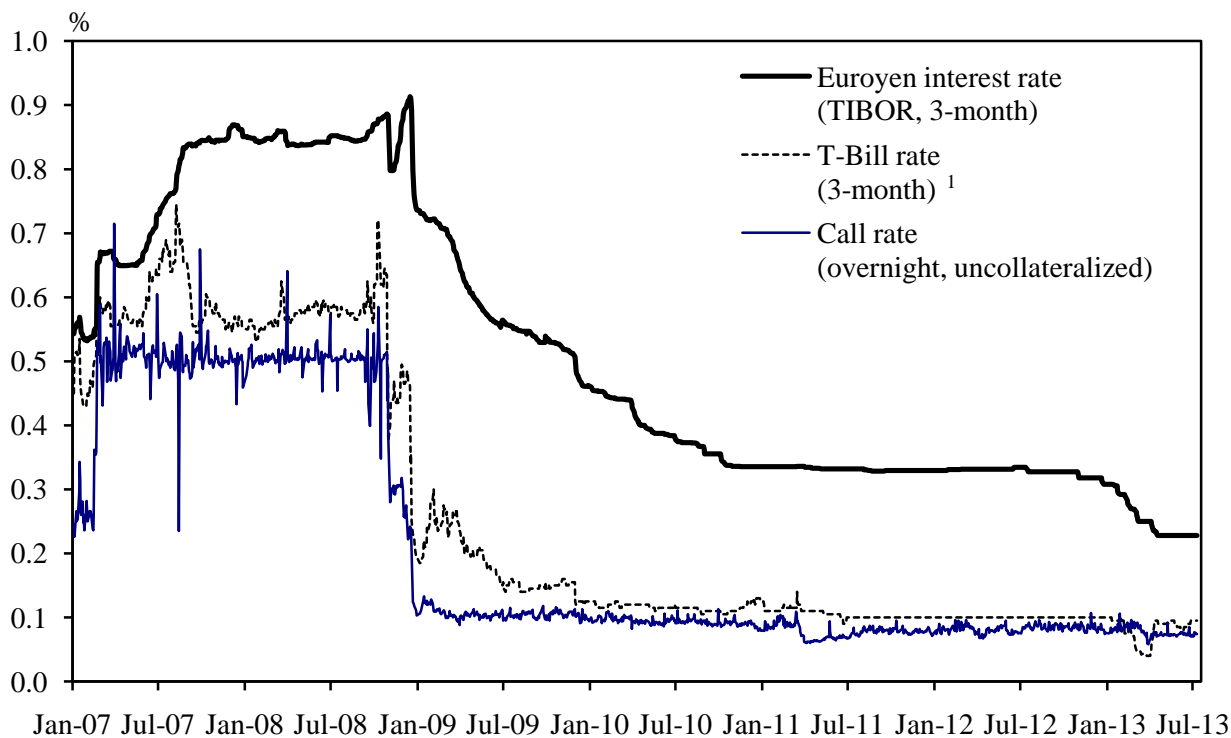


Note: Bold lines are the six-month moving average.

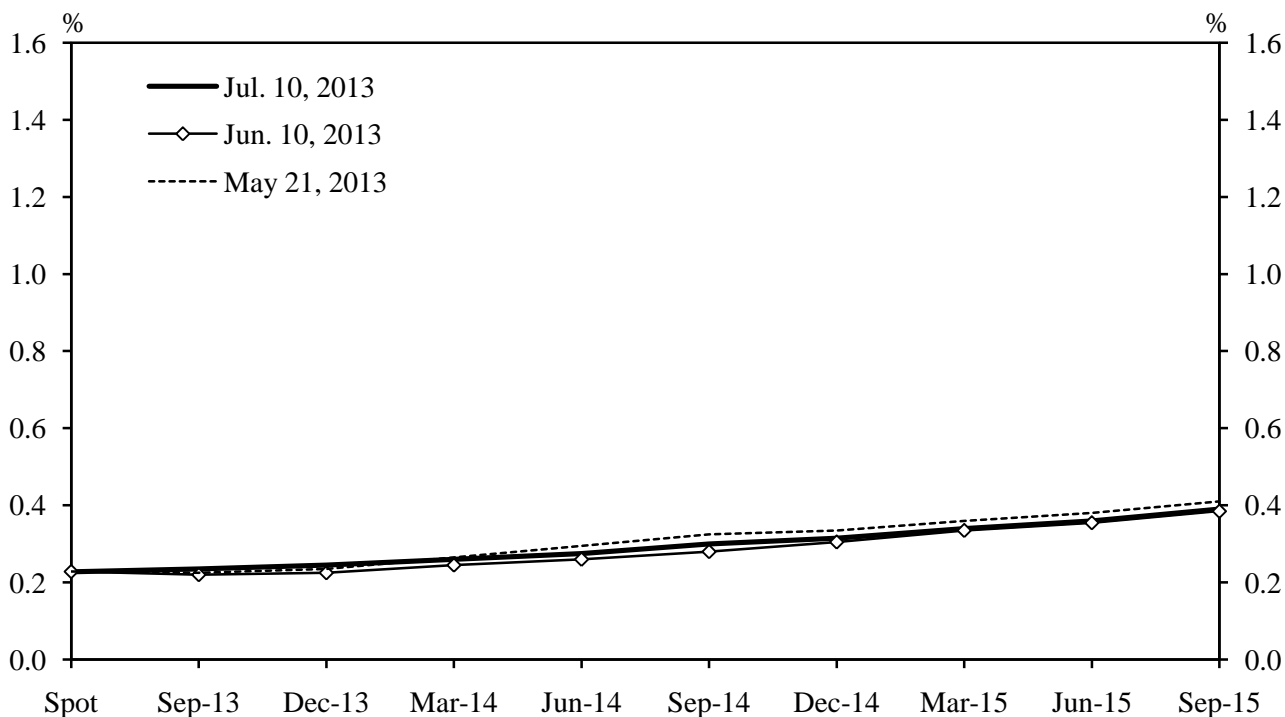
Source: Tokyo Shoko Research Ltd., "Tosan Geppo (Monthly review of corporate bankruptcies)."

Short-Term Interest Rates

(1) Short-Term Interest Rates



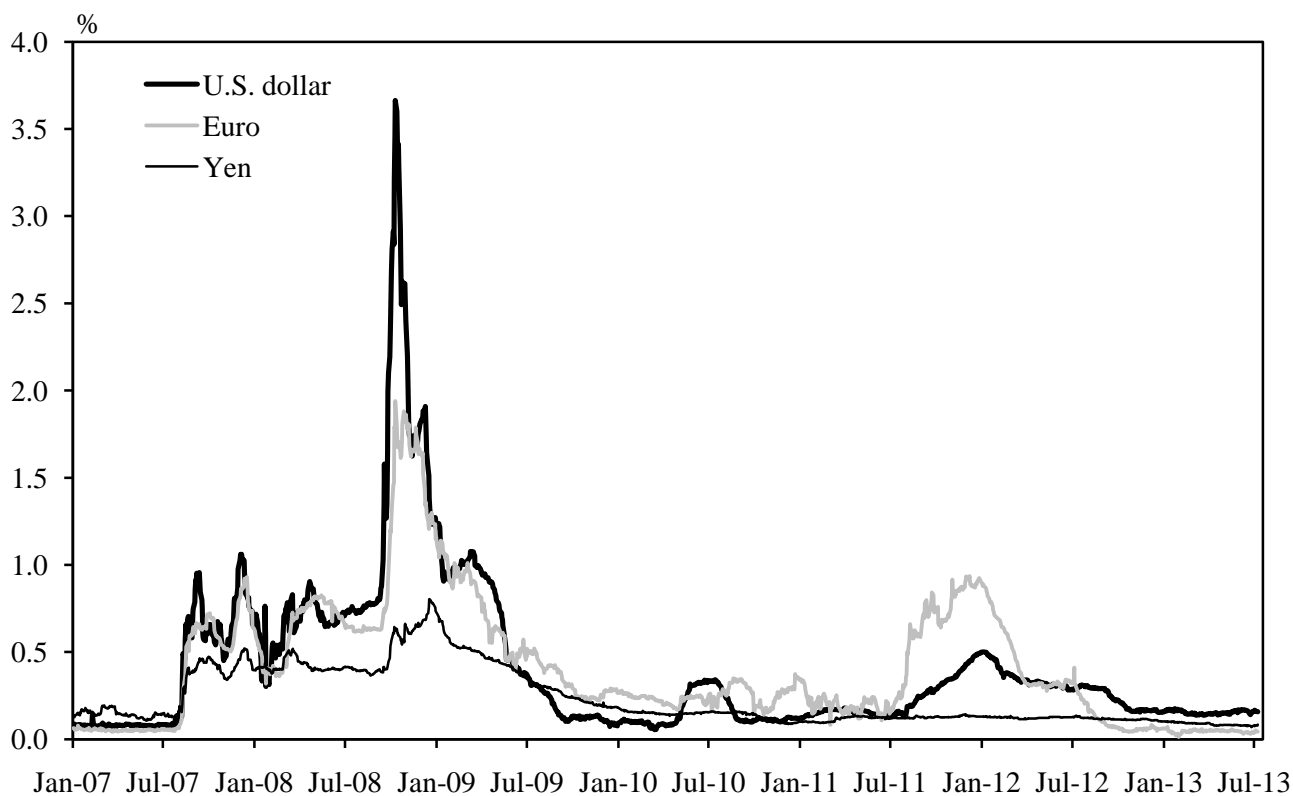
(2) Euroyen Interest Rate Futures (3-Month)



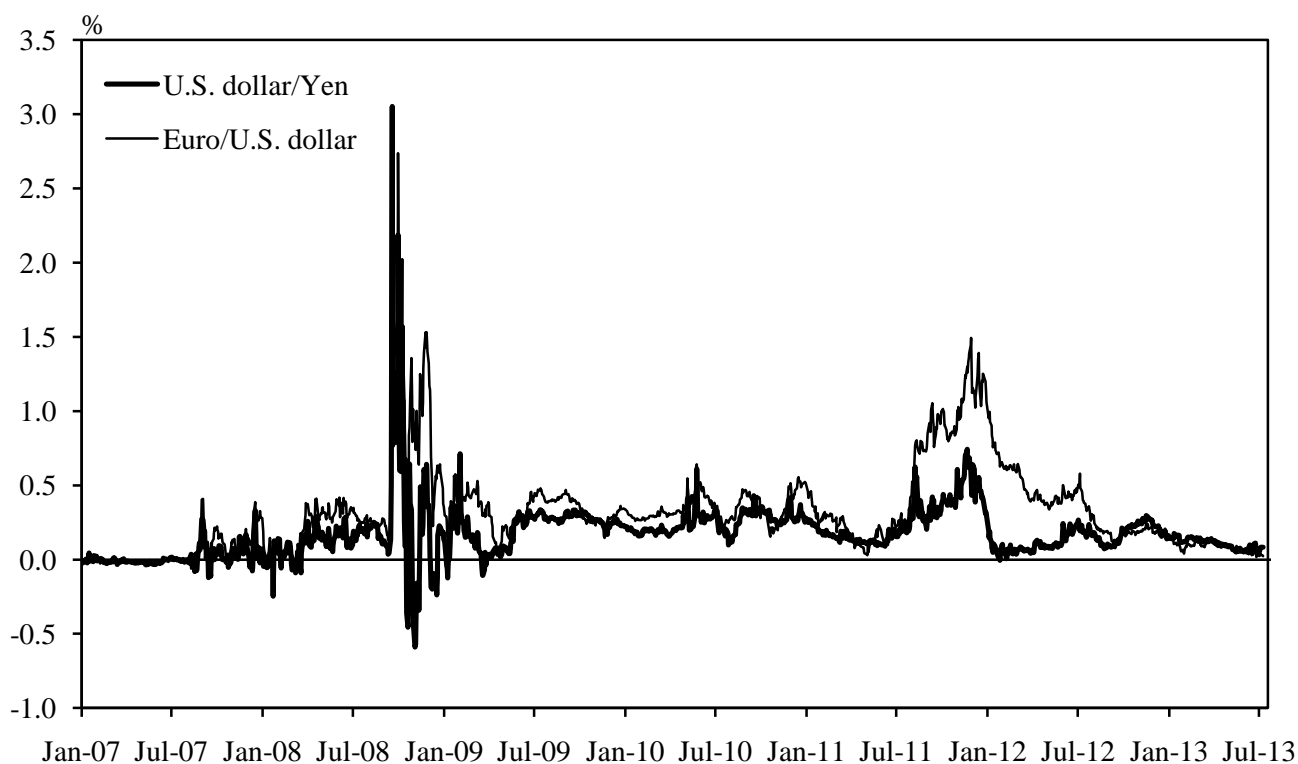
Note: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.
 Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.;
 Tokyo Financial Exchange; Bank of Japan.

Global Money Markets

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



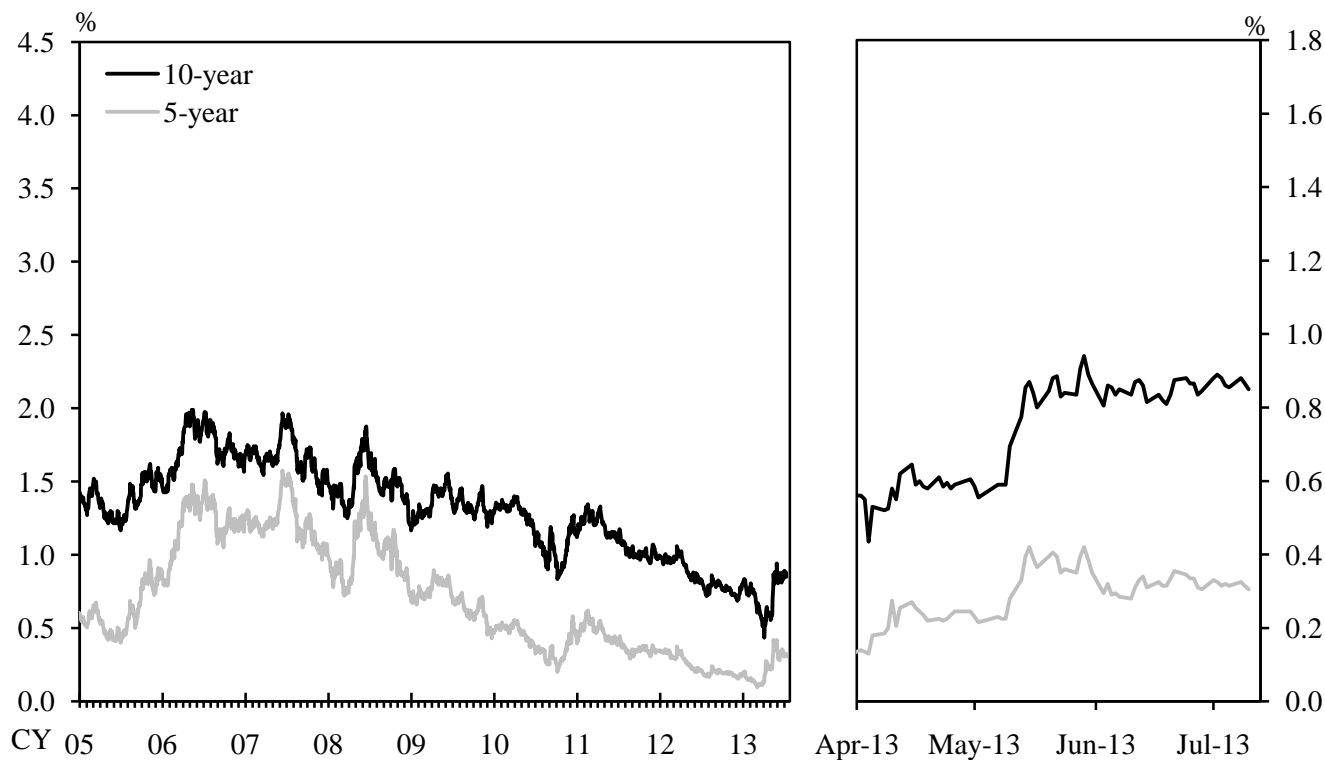
(2) FX swap implied dollar rate - LIBOR spreads (3-Month)



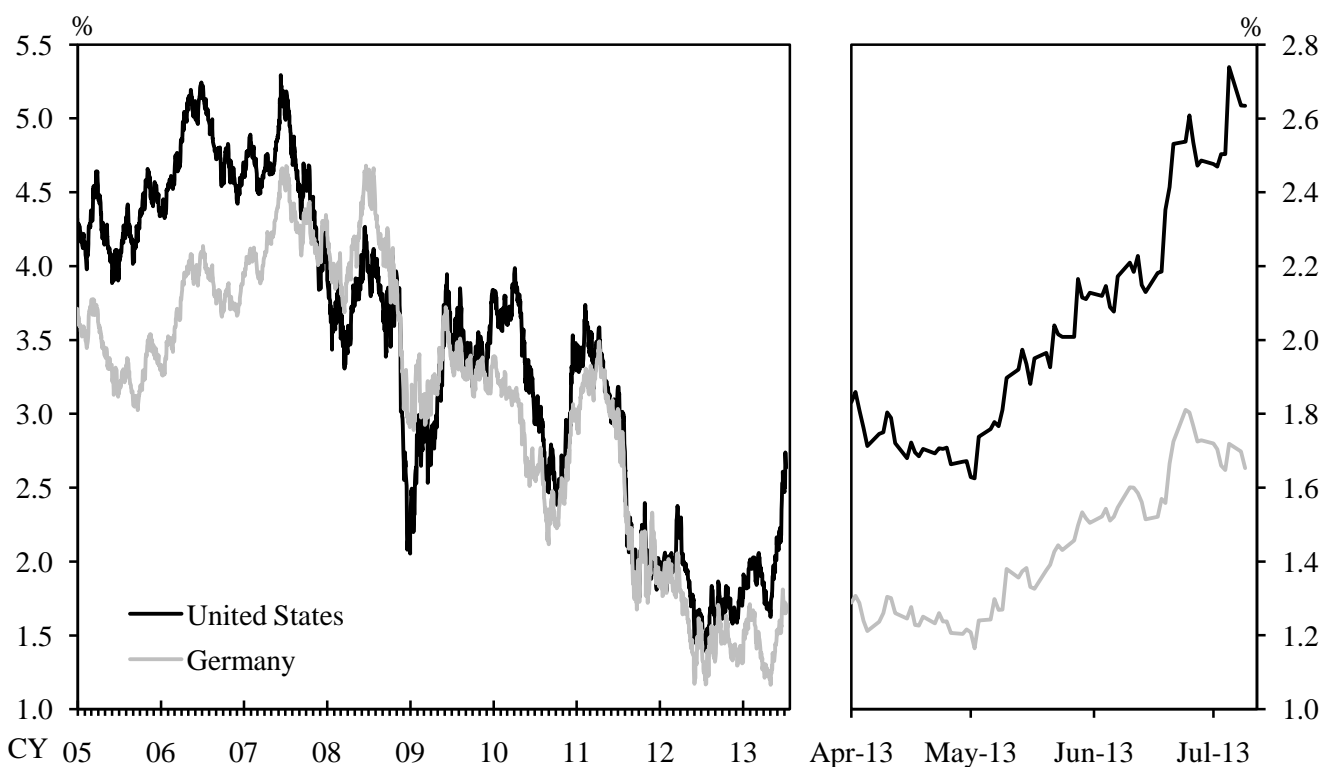
Source: Bloomberg.

Long-Term Interest Rates

(1) Japanese Government Bond Yields¹



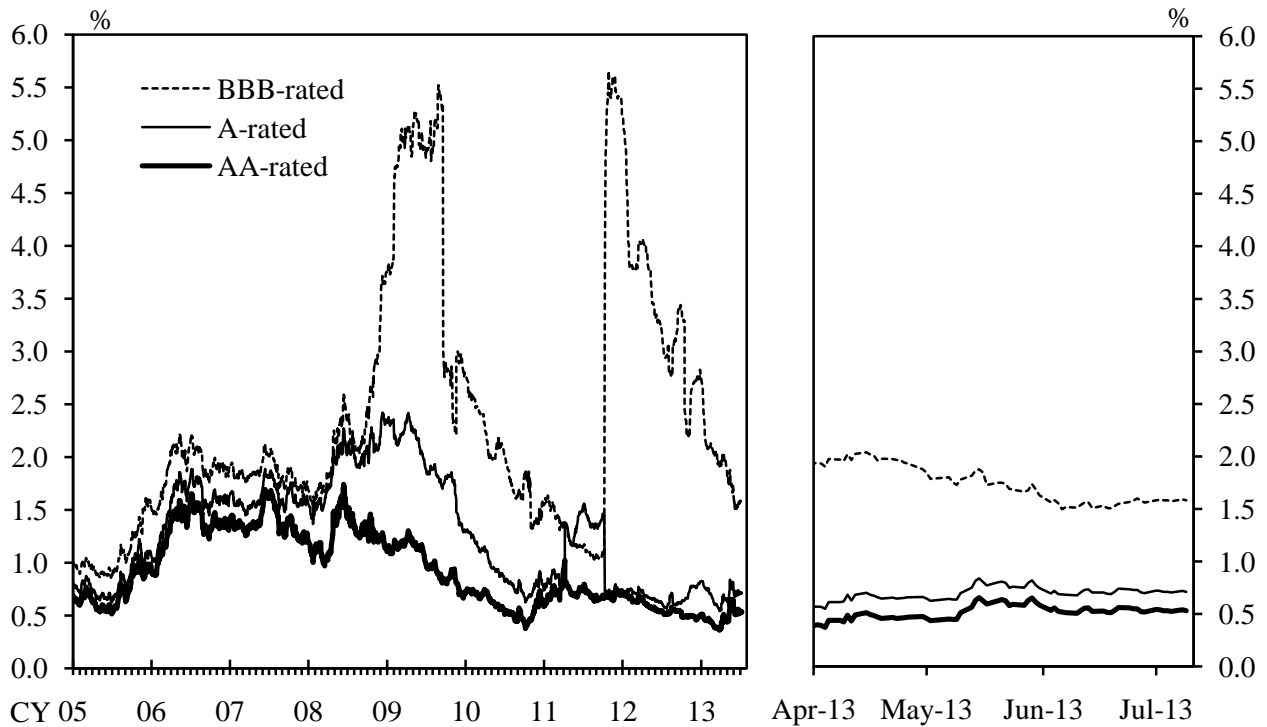
(2) Overseas Government Bond Yields (10-Year)



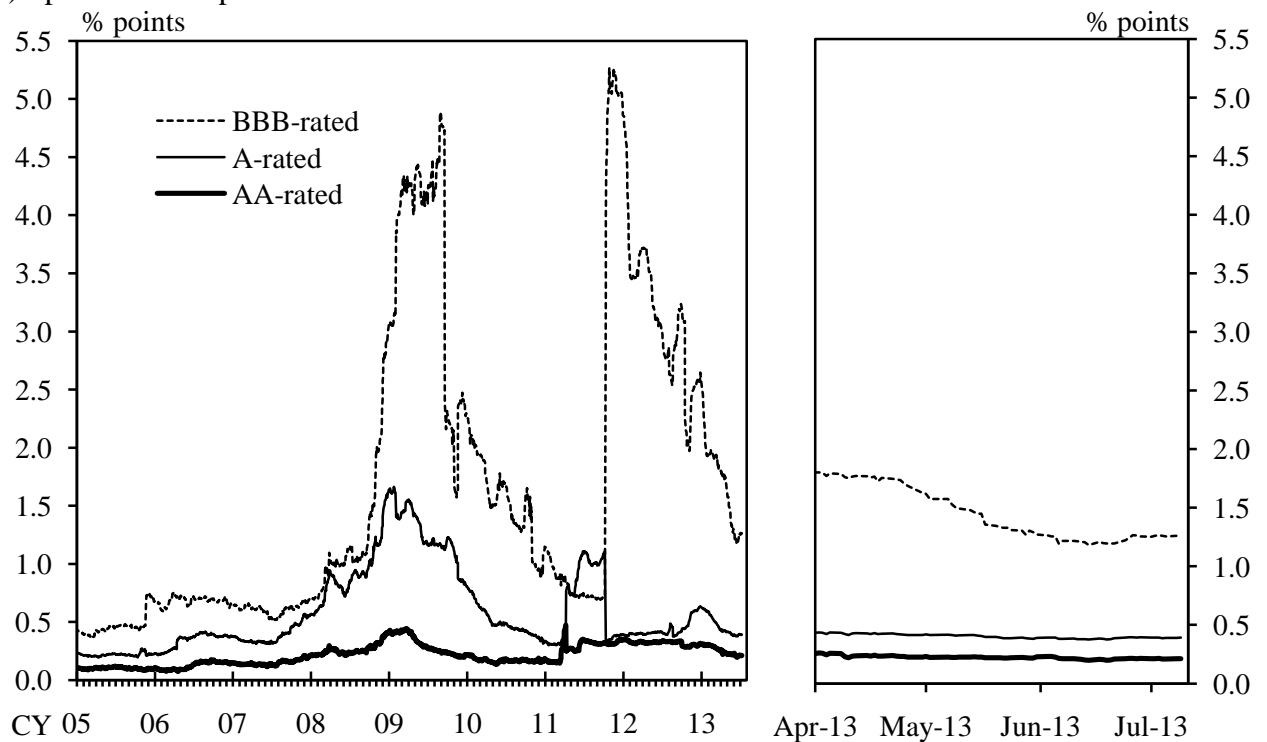
Note: 1. Yields on newly issued bonds.
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

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.

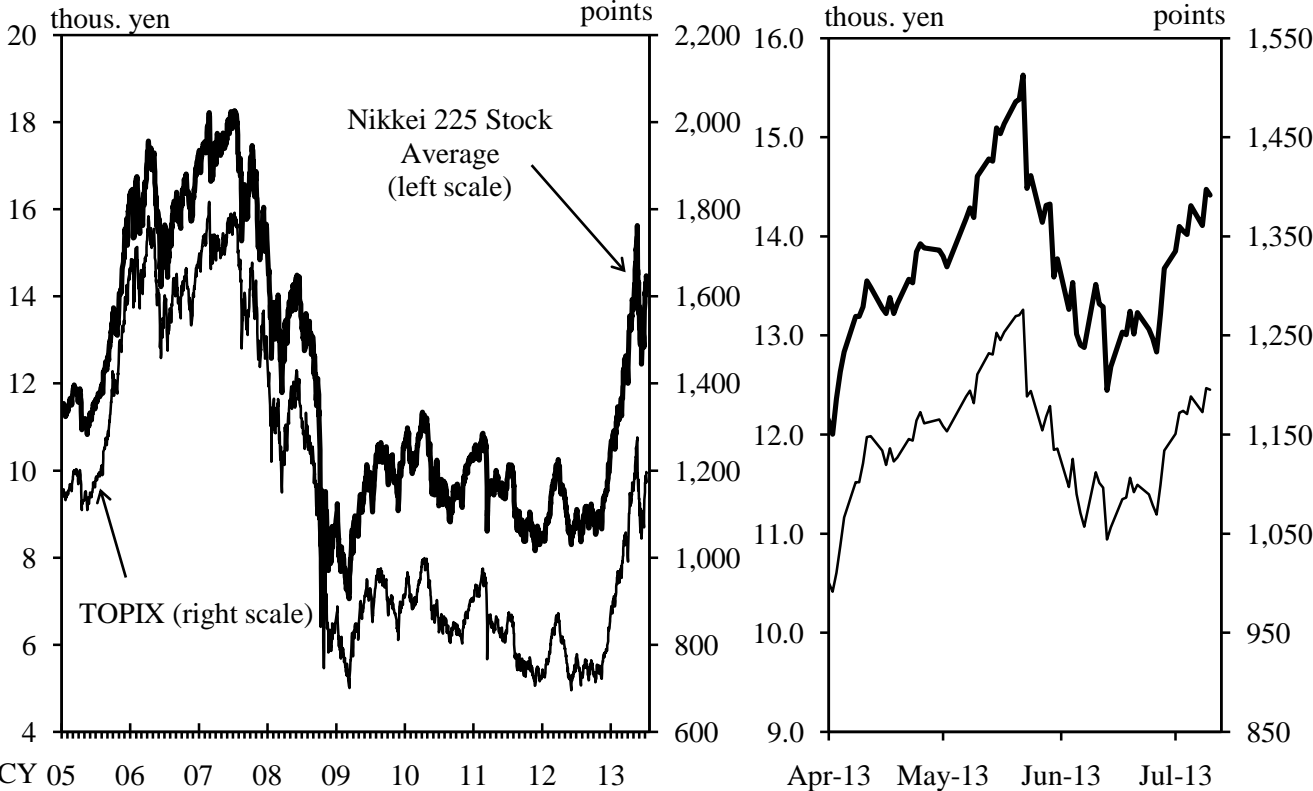
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.

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

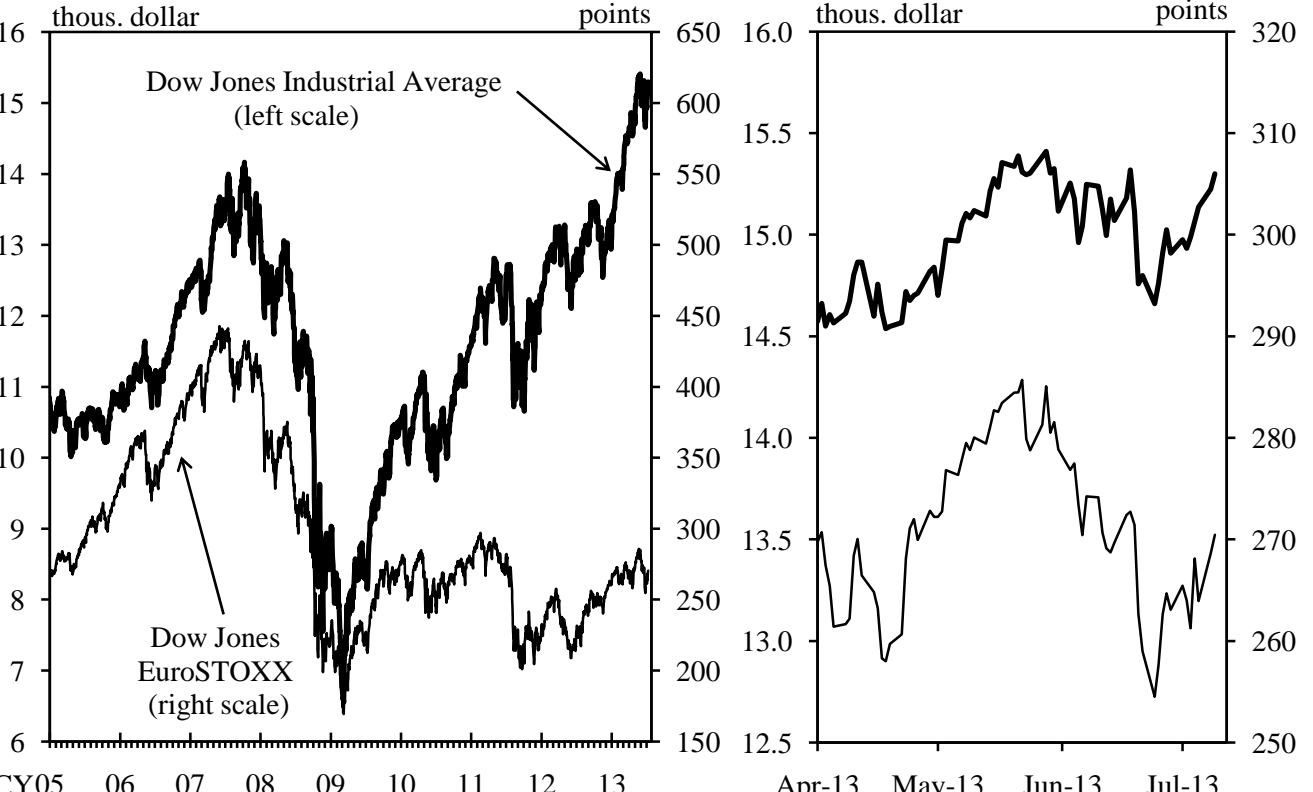
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Japanese Stock Prices



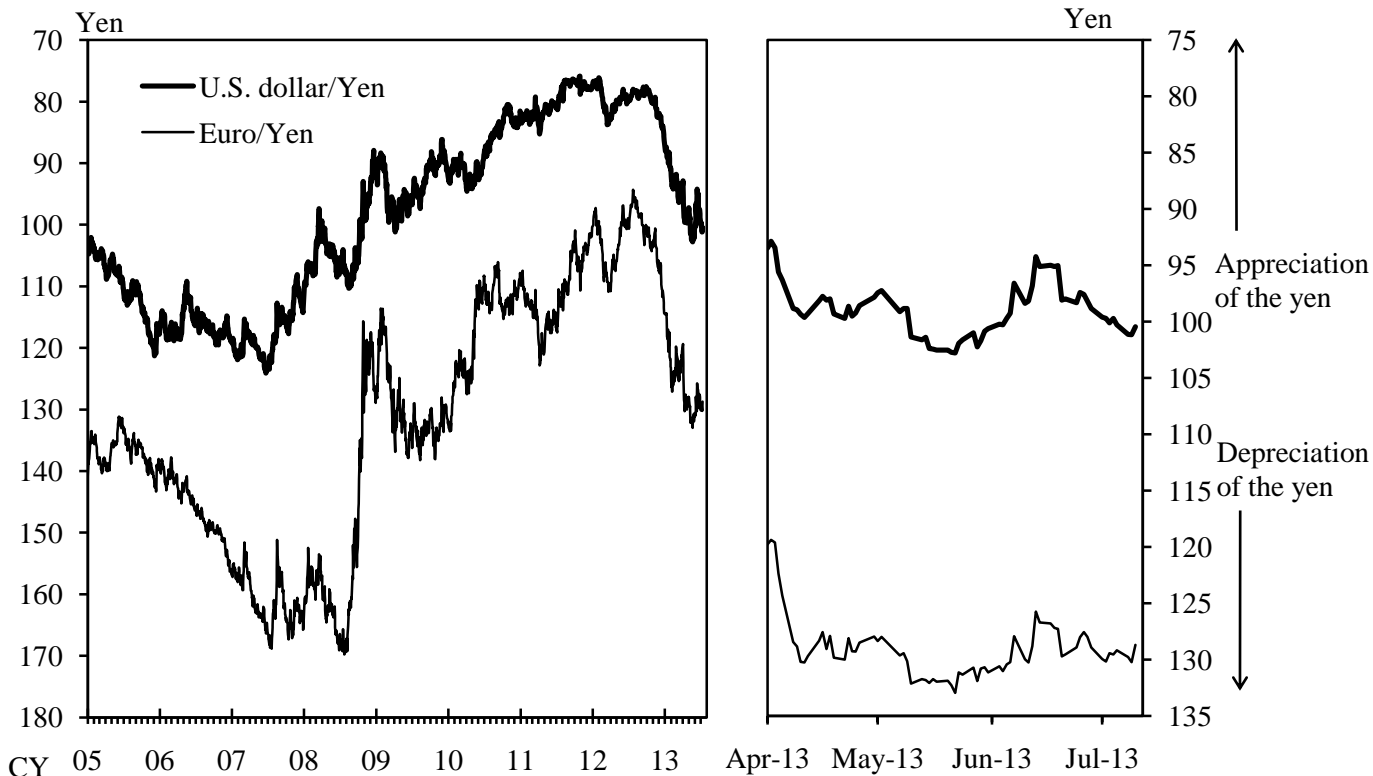
(2) Overseas Stock Prices



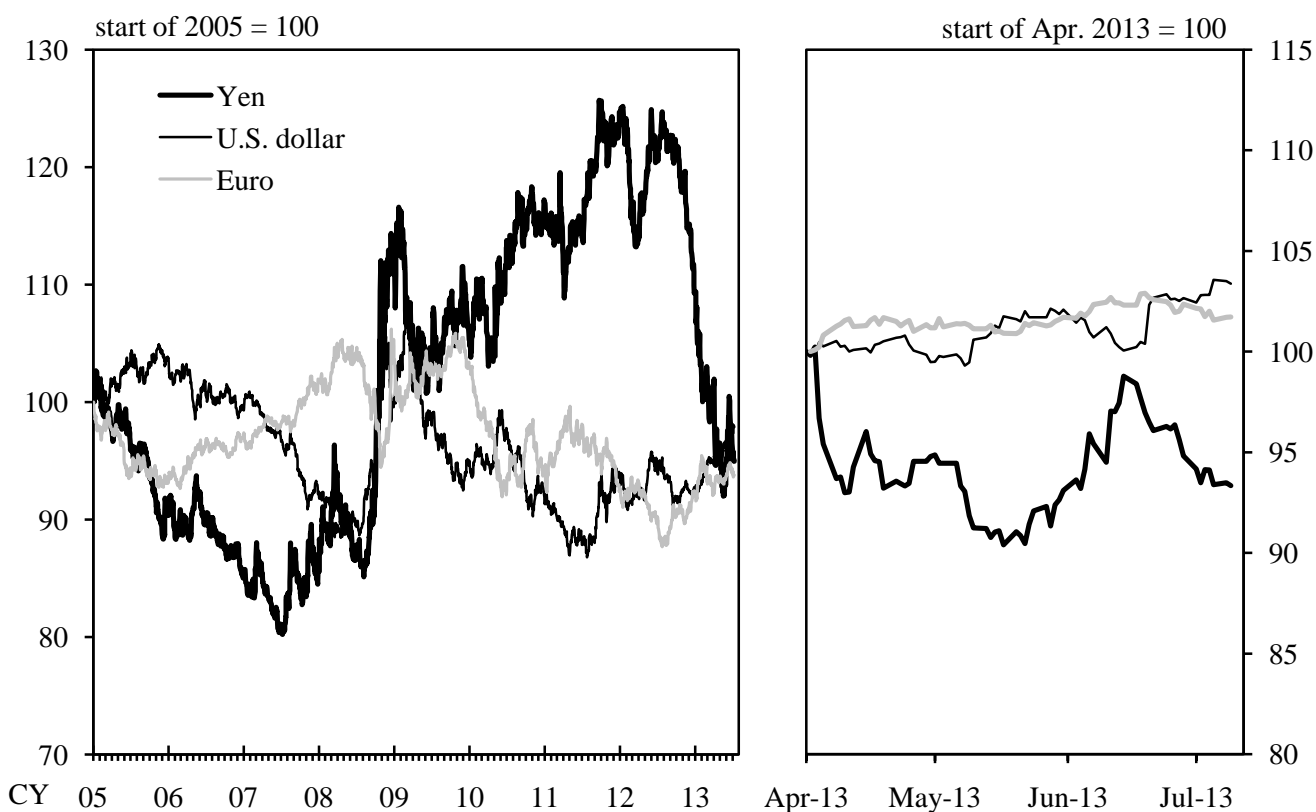
Sources: The *Nihon Keizai Shimbun* ; Tokyo Stock Exchange; Bloomberg.

Exchange Rates

(1) Bilateral Exchange Rates



(2) Nominal Effective Exchange Rates



Sources: Bank of Japan; European Central Bank; Thomson Reuters Datastream.