

(English translation prepared by the Bank's staff based on the Japanese original)

November 22, 2013

Bank of Japan

Monthly Report of Recent Economic and Financial Developments¹

November 2013

Summary

Japan's economy has been recovering moderately.

Overseas economies as a whole are picking up moderately, although a lackluster performance is partly seen. In this situation, exports have generally been picking up. Business fixed investment has been picking up as corporate profits have improved. Public investment has continued to increase, and housing investment has also increased. Private consumption has remained resilient, with some improvement observed in the employment and income situation. Reflecting these developments in demand both at home and abroad, industrial production has been increasing moderately.

With regard to the outlook, Japan's economy is expected to continue a moderate recovery.

Exports are expected to increase moderately mainly against the background of the pick-up in overseas economies. As for domestic demand, both public and housing investments are expected to continue trending upward. Business fixed investment is projected to follow a moderate increasing trend as corporate profits continue to improve. Private consumption is expected to remain resilient, supported by improvement in the employment and income 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 November 20 and 21, 2013.

On the price front, domestic corporate goods prices are rising moderately relative to three months earlier 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 in the range of 0.5-1.0 percent. Inflation expectations appear to be rising on the whole.

Domestic corporate goods prices are expected to rise at a reduced pace for the time being, reflecting movements in international commodity prices. The year-on-year rate of increase in consumer prices is likely to rise gradually.

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 45 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 have continued to be favorable. Those for corporate bonds have also 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 in the range of 2.0-2.5 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 at around 4 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, while the value of the yen against the U.S. dollar has fallen. Meanwhile, long-term interest rates have remained at more or less the same level as last month.