

November 18, 2011
Bank of Japan

**Monthly Report of
Recent Economic and Financial Developments
November 2011**

(English translation prepared by the Bank's staff based on the Japanese original released on November 17, 2011)

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

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

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

Monthly Report of Recent Economic and Financial Developments¹

November 2011

Summary

Japan's economic activity has continued picking up, but at a more moderate pace mainly due to effects of a slowdown in overseas economies.

As for domestic demand, business fixed investment has been increasing moderately, aided partly by the restoration of disaster-stricken facilities. Private consumption has remained firm. Housing investment has generally been picking up and public investment has almost stopped declining. On the other hand, exports and production have continued to increase, due in part to the restocking of inventories abroad that had declined after the earthquake, but at a more moderate pace mainly reflecting the effects of the slowdown in overseas economies.

With regard to the outlook, for the time being, Japan's economy will face an adverse effect from the slowdown in overseas economies and the appreciation of the yen as well as from the flooding in Thailand. After that, the economy is expected to return to a moderate recovery path as the pace of recovery in overseas economies picks up, led by emerging and commodity-exporting economies, and reconstruction-related demand after the earthquake disaster gradually materializes.

Exports and production are expected to be more or less flat for the time being and increase moderately thereafter, mainly reflecting a pick-up in the pace of recovery in overseas economies. On the other hand, business fixed investment, housing investment, and public investment are expected to increase gradually, mainly due to growing demand for the purposes of restoring capital stock. Private consumption is expected to remain firm.

On the price front, the three-month rate of change in domestic corporate goods prices shows that they have been somewhat weak, mainly due to the decline in

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on November 15 and 16, 2011.

international commodity prices. The year-on-year rate of change in consumer prices (all items less fresh food) is currently around 0 percent.

Domestic corporate goods prices are expected to remain somewhat weak for the time being. The year-on-year rate of change in consumer prices is expected to remain at around 0 percent for the time being.

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. Meanwhile, the value of the yen against the U.S. dollar, long-term interest rates, and stock prices have remained at more or less the same levels as last month.

Financial conditions have continued to ease.

The overnight call rate has remained at an extremely low level, and firms' funding costs have declined moderately. Stimulative effects from low interest rates are still partly constrained given current developments in economic activity and prices. 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 as seen in the increased variety of corporate bond issuers. As for credit demand, firms have shown signs of increasing their demand mainly for working capital and funds related to mergers and acquisitions. Against this backdrop, the year-on-year rate of change in bank lending has turned to a small positive. The amounts outstanding of both corporate bonds and CP have exceeded their previous year's levels. In these circumstances, firms have retained their recovered financial positions on the whole. Meanwhile, the year-on-year rate of change in the money stock has been in the range of 2.5-3.0 percent.

1. Economic Developments

Public investment has almost stopped declining recently, albeit with fluctuations. The amount of public construction completed—which reflects the progress of public works—declined at a reduced pace in July-August relative to the second quarter after having registered a quarter-on-quarter decrease in the second quarter (Chart 5). The value of public works—a measure that reflects public orders—again rose in October compared with the third quarter, after having registered a quarter-on-quarter increase in the third quarter. The execution of the first and second supplementary budgets for this fiscal year seems to be gradually progressing.

Public investment is expected to increase gradually, mainly due to the restoration of damaged social capital.²

Real exports have continued to increase, due in part to the restocking of inventories abroad that had declined after the earthquake, but at a more moderate pace mainly reflecting the effects of the slowdown in overseas economies (Charts 6[1] and 7). Looking at exports in September on a month-on-month basis by goods (Chart 7[2]), motor vehicles and their related goods rose at a faster pace again, aided mainly by the restocking of inventories abroad. Exports of IT-related goods (such as electronic parts) moved up after having recorded a sizeable decline in August. Exports of capital goods and parts increased in September assisted mainly by the rise in ships, but they exhibited a marginal decrease in the third quarter. Exports of consumer goods (such as digital cameras) declined at a faster pace, especially among those to China; those of intermediate goods (iron and steel as well as chemicals) have continued to be relatively weak. By region (Chart 7[1]), exports to the United States turned to a decrease in September, chiefly in motor vehicles and their related goods, but they rose sharply in the third quarter. Meanwhile, exports to the EU resumed their growth since motor vehicles and their related goods rose further. Exports to China moved up as a whole due to the increase chiefly in motor vehicles and their related goods, although consumer goods declined. Exports to NIES continued to

² The third supplementary budget for fiscal 2011—which is currently being discussed in the Diet—adds to a total sum of around 12 trillion yen. Of that, approximately 9 trillion yen is allocated for expenses related to the Great East Japan Earthquake (not including expenses need to cover special pension revenue sources); this amount is larger than the first and second supplementary budgets (around 4 trillion yen and 2 trillion yen, respectively).

decrease following that of the previous month, since intermediate goods as well as capital goods and parts were relatively weak. Exports to ASEAN and other regions rose, notably in motor vehicles and their related goods as well as in capital goods and parts.

Real imports have trended upward (Charts 6[1] and 9); they declined in September for the first time in six months on a month-on-month basis. Looking at imports in September on a month-on-month basis by goods (Chart 9[2]), imports of foodstuffs continued to increase following the previous month, whereas those of raw materials decreased since the rise in imports of mineral fuels—mainly associated with heightened demand for thermal power generations after the earthquake disaster—came to a standstill. Imports of intermediate goods were relatively weak in response to the upsurge after the earthquake; those of consumer goods were also somewhat weak following the rush in demand such as for flat panel televisions. Imports of IT-related goods (electronic parts) were almost level in September after having plunged in August. Meanwhile, imports of capital goods and parts grew at a somewhat fast pace in the third quarter, although they marked a decrease in September.

Net exports—in terms of the real trade balance—increased moderately, albeit with fluctuations, a reflection of the aforementioned developments in exports and imports (Chart 6[2]). The nominal balance on goods and services posted a somewhat smaller deficit in September, since the trade balance turned to a surplus, mainly since exports increased and also since the rate of decline in the services surplus narrowed. The nominal current account surplus increased at a faster pace in September, since the income surplus rose at a somewhat faster pace and also since the nominal balance on goods and services reduced its volume of deficit. The nominal current account surplus expanded in the third quarter, primarily due to the reduced volume of deficit in the nominal balance on goods and services.

As for the outlook, exports are expected to be more or less flat for the time being, mainly due to an adverse effect from the slowdown in overseas economies and the appreciation of the yen as well as from the flooding in Thailand. However, they are expected to increase moderately thereafter, mainly reflecting a pick-up in the pace

of recovery in overseas economies. Imports are projected to trend gradually upward, assisted mainly by firm domestic demand and an increase in thermal power generations. As a reflection of these developments in exports and imports, net exports are projected to remain more or less flat for the time being and eventually increase at a moderate pace.

Regarding the environment surrounding exports, overseas economies have been decelerating, mainly due to (i) disturbances in the global financial and capital markets as a reflection of Europe's fiscal problems and the decline in confidence in response to these factors, (ii) the effects of balance sheet adjustments by households and a squeeze on fiscal spending in the United States, and (iii) the effects of the previous monetary tightening in emerging economies (Chart 8[2]). Overseas economies are expected to continue decelerating for the time being, chiefly in the EU and United States. The yen's appreciation is also considered to weigh on exports to some extent (Chart 8[1]). Furthermore, the flooding in Thailand is likely to have a certain impact on Japan's exports for the fourth quarter, taking into account that exports to Thailand comprise about 4 percent of total exports along with its indirect effects through supply-chain disruptions with other Asian economies. In the somewhat longer term, however, overseas economies are projected to remain steady, primarily among emerging economies and pick up gradually. With the flooding in Thailand having finally stopped, Japan's exports are expected to pick up, driven in part by exports of capital goods which are in need for restoring production facilities in Thailand. Uncertainty regarding future developments, however, is extremely high.

Business fixed investment has been increasing moderately, aided partly by the restoration of disaster-stricken facilities. The aggregate supply of capital goods—a coincident indicator of machinery investment—rose in the second quarter on a quarter-on-quarter basis and continued to do so in the third quarter (Chart 10[1]). As for leading indicators, machinery orders (private demand, excluding orders for ships and those from electric power companies)—a leading indicator of machinery investment—continued to register a quarter-on-quarter increase in the third quarter following that of the second quarter (Chart 11[1]). By industry, manufacturing moved up in the third quarter, after having been flat in the second quarter. Nonmanufacturing (excluding orders for ships and those from electric power

companies) increased in the second quarter and continued to do so in the third quarter. Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—declined in the third quarter on a quarter-on-quarter basis, after having exhibited high growth in the second quarter (Chart 11[2]). By industry, mining and manufacturing fell back somewhat sharply in the third quarter from the upsurge in the second quarter. Nonmanufacturing rose in the second quarter, notably in medical, health care and welfare; it also saw an increase in the third quarter, chiefly in education and learning support.

Regarding the environment surrounding business fixed investment, corporate profits have started to show signs of bottoming, assisted by the pick-up in economic activity, after having turned to a temporary decrease due to the effects of the earthquake disaster. Corporate profits are projected to gradually resume their uptrend along with increases in production and demand, despite the effects of the slowdown in overseas economies as well as the yen's appreciation.

Business fixed investment is expected to basically continue its uptrend, due in part to movements by firms to repair and reconstruct disaster-stricken facilities as well as to strengthen their earthquake-resistant and business continuity systems.

Private consumption has remained firm (Chart 12). Consumption of goods—as seen through sales at retail stores (in real terms)—inched down in September, due in part to powerful typhoons, although it was more or less flat in July-August, after having increased markedly until June (Chart 13[1]). Looking at developments in durable consumer goods, the number of new passenger-car registrations—which had been rising sharply with the removal of supply constraints—has remained flat from September (Chart 13[2]). Sales of household electrical appliances (in real terms) were flat after having fallen back sharply in August from the rush in demand, mainly for flat panel televisions, prior to the ending of the analogue TV broadcasting as well as heightened demand for electricity conservation products such as air conditioners. Sales at department stores, supermarkets, and convenience stores dipped slightly in September, affected mainly by the powerful typhoons (Chart 14[1]). As for developments in services consumption (Chart 14[2]), sales in the food service industry have been picking up,

albeit with fluctuations. Outlays for travel—which had been picking up with a time lag—have recovered to levels above those prior to the earthquake during the summer travel season.

Looking at statistics on the demand side, as for the index of consumption expenditure level (in real terms) in the *Family Income and Expenditure Survey*, the index on an "excluding housing, automobiles, money gifts, and remittance" basis—which is mostly limited to items used for estimating GDP—turned to an increase in the third quarter on a quarter-on-quarter basis (Chart 13[1]).³ The total expenditure in the *Survey of Household Economy* (in real terms; two-or-more-person households) also turned upward in the third quarter on a quarter-on-quarter basis.

Indicators related to consumer confidence—which had been improving—have recently been more or less level (Chart 15).

Private consumption is expected to remain firm as the employment situation gradually heads toward improvement.

Housing investment has generally been picking up, aided partly by the removal of supply constraints. Looking at the number of housing starts—a leading indicator of housing investment—(Chart 16[1]), it rose sharply in July-August, partly due to the rush in demand prior to the ending of various incentives for home purchasing, in addition to the upsurge in the number of construction starts which had been put off after the earthquake;⁴ it fell back somewhat sharply in September. On a quarterly basis, however, the number of housing starts rose to an annualized rate of 890,000 units in the third quarter—above the pre-earthquake level of around 850,000 units—after having dropped to 810,000 units in the second quarter.

³ Items in the index are not completely limited to those used for estimating GDP. Education, for example, is not used for estimating GDP.

⁴ The rush in demand toward July-August is considered to have occurred prior to the deadline for construction starts which were eligible for receiving eco-points for housing (end of July) and the ending of the preferential interest rate measures for the Flat 35S (end of September). In the third supplementary budget for this fiscal year—which is currently being discussed in the Diet—the eco-point system for housing as well as the preferential interest rate measures for the Flat 35S are included once again with preferential treatment for disaster-stricken areas.

Housing investment is expected to edge up, albeit with fluctuations, partly since disaster-stricken homes are being rebuilt.

Industrial production has continued to increase, due in part to the restocking of inventories abroad that had declined after the earthquake, but at a more moderate pace mainly reflecting the effects of the slowdown in overseas economies (Chart 17). Production in September dipped for the first time in six months. Looking in detail at production in September, transport equipment fell back from the increase in August; general machinery (such as semiconductor manufacturing equipment), information and communication electronics equipment (such as digital cameras), and electronic parts and devices were relatively weak, mainly due to the slowdown in overseas economies and the yen's appreciation. Production of electrical machinery (such as air conditioners) was adjusted, since demand for electricity conservation products has leveled off, resulting in a pile-up of inventories.

Shipments declined in September, as did production. Looking at shipments in September by goods (Chart 18), shipments of durable consumer goods dipped slightly, chiefly in flat panel televisions. Shipments of capital goods also moved down mainly due to a decline in semiconductor manufacturing equipment. Those of non-durable consumer goods, construction goods, and production goods decreased somewhat.

Inventories have been more or less flat, albeit with fluctuations. They were level as a whole in September, since inventories of information and communication electronics equipment as well as those of iron and steel increased whereas those of transport equipment and electronic parts and devices declined. Looking at industries in which inventories rose, inventories of information and communication electronics equipment increased due to the buildup in new PC products. Those of iron and steel piled up slightly as a reflection of relatively weak shipments of products for exports. On the other hand, looking at industries in which inventories declined, transport equipment saw a decline in their inventories, since inventories waiting to be shipped overseas leveled off. Moreover, electronic parts and devices—which have been in an inventory adjustment phase—have maintained a somewhat high level of inventories relative to shipments, although inventories have declined compared to a

while ago. Looking at the shipment-inventory balance (Chart 19), on the whole, growth in inventories has continued to outpace that in shipments.

Production is expected to be more or less flat for the time being, mainly due to an adverse effect from the slowdown in overseas economies and the appreciation of the yen as well as from the flooding in Thailand, but it is expected to increase moderately thereafter, mainly reflecting the materialization of domestic reconstruction-related demand and a pick-up in the pace of recovery in overseas economies. According to anecdotes by firms and other information, production is projected to be essentially level in the fourth quarter compared with the previous quarter; although production of automobiles is projected to recover led by restocking of inventories abroad and a reduction in the backlog of domestic orders, production including automobiles is likely to be adversely affected by supply-chain disruptions resulting from the flooding in Thailand as well as by the slowdown in overseas economies and the yen's appreciation. The effects of the flooding in Thailand are highly uncertain in both negative and positive terms, since the whole picture of the disaster is yet to be revealed. There are risks that the effects of supply-chain disruptions will become larger whereas the recovery of the supply-chain may turn out to be faster than projected as was observed just after the great earthquake.

The employment and income situation has continued to be severe, although there have been signs of improvement.

In the labor market, the ratio of job offers to applicants has continued to improve. The unemployment rate has been trending downward, albeit with monthly fluctuations (Chart 20[1]).

In terms of employment, the number of employees in the *Labour Force Survey* has recently declined marginally on a year-on-year basis, despite large monthly fluctuations (Chart 21[1]).^{5, 6} Meanwhile, with regard to the Employment

⁵ The released figures of the *Labour Force Survey* (which includes the unemployment rate and number of employees) were aggregated excluding Iwate, Miyagi, and Fukushima prefectures since March due to the effects of the Great East Japan Earthquake. From the September figures, however, the above three prefectures have also been included.

Adjustment Subsidy, figures collected from reports on business suspension plans show that the number of applicants for this subsidy rose in March and April due to the earthquake disaster, but that number has fallen since May.⁷ The number of regular employees in the *Monthly Labour Survey* has been increasing on a year-on-year basis. The ratio of part-time employees has been on a gradual uptrend (Chart 21[2]). Meanwhile, overtime hours worked have tended to reduce their year-on-year pace of decline, due to the pick-up in economic activity (Chart 21[3]).

Looking at nominal wages per employee (Chart 22[1]), they improved as a whole and posted 0 percent on a year-on-year basis, since the effects of the decline in summer bonuses dissipated for September while both regular and overtime payments tend to improve in response to the pick-up in economic activity.

The year-on-year growth rate of employee income has been almost 0 percent with the monthly fluctuations smoothed out, as a reflection of the aforementioned developments in employment and wages (Chart 22[3]).

Employee income is likely to be somewhat weak for the time being, mainly since the decline in corporate profits caused by the earthquake disaster will take effect with a time lag, although improvement in the labor market is expected to support income gradually.

⁶ The *Labour Force Survey* uses the sample rotation system in which half of the samples are replaced every month with new samples. These newly added samples will continue to be included in the following month. Due to the nature of this system, a fluctuation in the figure of a particular month tends to be carried on at least to the following month, which allows figures to fluctuate for two months in a row.

From the August survey, the spike in the number of those leaving the country after the Great East Japan Earthquake has been included in the Population Estimates, which form the basis for estimating the survey. This factor may have affected the recent year-on-year decline in the number of employees.

⁷ Currently, businesses are eligible for the Employment Adjustment Subsidy on the condition that "the decline in the average of sales or production volume in the most recent three months is 5 percent or more compared with the prior three months or on a year-on-year basis." As part of the government's new measure for dealing with the yen's appreciation, however, the requirement was relaxed so that businesses can receive the subsidy on the condition that "the decline in the production volume and sales in the most recent one month is 5 percent or more compared with the prior one month or on a year-on-year basis as well as on a projected decline basis." After the earthquake, the requirement is also applied to firms in the disaster-stricken areas and to businesses located in areas that were subject to scheduled black outs.

2. Prices

International commodity prices have been more or less flat most recently, after having trended downward from the peak around spring (Chart 24). Prices of crude oil, nonferrous metals, and grains declined, mainly as a reflection of anxiety over a downshift in the global economy, but they have been virtually level since mid-October.

The three-month rate of change in import prices (on a yen basis) has been declining, due to the decline in international commodity prices and to the yen's appreciation.

The three-month rate of change in domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter)⁸ shows that they have been somewhat weak, mainly due to the decline in international commodity prices (Chart 25). In October, the three-month rate of change in domestic corporate goods prices declined at a somewhat faster pace compared with September. In detail, prices of "goods sensitive to exchange rates and overseas commodity prices," "other materials," and "iron & steel and construction goods" increased their pace of decline, due mainly to movements in international commodity prices. On the other hand, prices of "electric power, gas and water" have continued to move up, since the prior rise in crude oil prices takes effect with a time lag.

The year-on-year rate of change in corporate services prices (excluding international transportation; year-on-year basis, same hereafter) has tended to decline at a reduced pace (Chart 26). Looking in detail at prices in September, prices related to fixed investment (civil engineering and architectural services) rose at a faster pace. Prices related to domestic transportation turned to an increase following the ending of free highway tolls in the Tohoku region (applied mainly to trucks). Prices related to selling, general and administrative expenses (such as advertising services) have

⁸ 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.

tended to decline at a reduced pace, partly since the effects of the earthquake disaster have dissipated.

The year-on-year rate of change in consumer prices (all items less fresh food; year-on-year basis, same hereafter) is currently around 0 percent (Chart 27). Consumer prices in September stood at positive 0.2 percent following that of August. Looking at developments on a basis that excludes food and energy, prices improved by 0.1 percentage point from August to negative 0.4 percent. Regarded as a method for capturing trend changes, the year-on-year rates of decline in both the trimmed mean and the chain index have tended to narrow mildly; they have recently been moving at around 0 percent (Chart 28[2]).⁹

Looking in detail at movements in September, prices for goods decreased at a somewhat faster pace, mainly since positive contributions from petroleum products (such as gasoline) diminished. Prices of general services were more or less flat as a whole, since prices of package tours to overseas were up while those of eating out reduced their pace of increase. Fees for public services grew somewhat rapidly as a whole, due to the faster pace of increase in electricity prices and airplane fares.

Domestic corporate goods prices are expected to remain somewhat weak for the time being. The year-on-year rate of change in consumer prices is expected to remain at around 0 percent for the time being.¹⁰

⁹ 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. 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.

¹⁰ As for consumer prices (all items less fresh food) in October on a year-on-year basis, the effects of the rise in the tobacco tax and in charges for accident insurance (contribution of 0.2 percentage points and 0.15 percentage points respectively on a year-on-year basis) are projected to dissipate.

3. Financial Developments

(1) Financial Markets

In Japan's money markets, interest rates have been stable at low levels—including those for longer term rates—as market participants share perceptions of an excess of liquidity, amid the Bank of Japan's ongoing provision of ample funds. 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 at around 0.1 percent. The Euroyen interest rate (3-month) has been more or less flat, at a somewhat high level relative to the OIS rates—the OIS rates mainly reflect expectations about future policy interest rates. Interest rates on Euroyen futures have been virtually level (Chart 29). In U.S. dollar funding, the LIBOR-OIS spread for the dollar has been expanding, as market participants have remained cautious about taking on counterparty risks in transactions amid persisting anxiety over the sovereign debt problems in Europe (Chart 30).

Yields on 10-year government bonds (newly issued 10-year JGB) inched up in the face of somewhat strong stock prices, but have since declined partly due to sagging stock prices; they have recently been moving below the 1.0 percent level (Chart 31).

Yield spreads between corporate bonds and government bonds have generally been more or less flat (Chart 32).¹¹

Stock prices temporarily rose to the 9,000 yen level in line with fluctuations in US and European stock prices, but they have dropped sharply thereafter. The Nikkei 225 Stock Average has been moving at around 8,500 yen (Chart 33).

In the foreign exchange market, although the yen's exchange rate recorded a historical high against the U.S. dollar, the yen temporarily depreciated triggered by a foreign exchange intervention; it has recently been at around 77 yen (Chart 34).

¹¹ The tightening in spreads of A-rated corporate bonds as well as the widening in spreads of BBB-rated corporate bonds were due to the fact that some electric company bonds were downgraded from A-rated to BBB-rated.

(2) Corporate Finance and Monetary Aggregates

Firms' funding costs have declined moderately, against the background that the overnight call rate has remained at an extremely low level. Issuance rates on CP and those on corporate bonds, meanwhile, have been at low levels. The average contracted interest rates on new loans and discounts have declined moderately (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 have continued to be favorable. Those for corporate bonds have also remained favorable as seen in the increased variety of corporate bond issuers. In these circumstances, as for funding of the private sector, the year-on-year rate of change in bank lending has turned to a small positive, mainly in demand for working capital and funds related to mergers and acquisitions (Chart 37). The amounts outstanding of both corporate bonds and CP have exceeded their previous year's levels (Chart 38).

In these circumstances, firms have retained their recovered financial positions on the whole (Chart 35). The number of corporate bankruptcies has been at a low level (Chart 40).

Meanwhile, the year-on-year rate of change in the money stock (M2) has been in the range of 2.5-3.0 percent. Its October reading was 2.7 percent on a year-on-year basis, following 2.7 percent in September (Chart 39).¹²

¹² On an M3 basis, which includes the Japan Post Bank, the year-on-year growth rate has been in the range of 2.0-2.5 percent; its October reading was 2.3 percent, following 2.3 percent in September. The year-on-year growth rate of broadly-defined liquidity (L) has recently been at around 0 percent; it declined by 0.1 percent in October, following an increase of 0.2 percent in September.

Charts

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

Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2011/Q1	Q2	Q3	2011/Jul.	Aug.	Sep.	Oct.
Index of consumption expenditure level (two-or-more-person households)	-1.5	-1.4	1.3	1.4	-0.6	0.8	n.a.
Sales at department stores	-3.7	2.9	-0.9	-1.6	-0.1	-2.3	n.a.
Sales at supermarkets	-0.7	-0.8	0.5	1.1	-2.1	-1.5	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 234>	< 192>	< 263>	< 220>	< 285>	< 285>	< 281>
Sales of household electrical appliances (real, "Current Survey of Commerce")	-17.9	23.4	-6.5	-0.7	-22.9	-0.5	n.a.
Outlays for travel	-5.0	-9.4	18.6	5.8	7.8	-0.3	n.a.
Housing starts <s.a., ann. 10,000 units>	< 84>	< 81>	< 89>	< 96>	< 93>	< 75>	<n.a.>
Machinery orders ⁴ (Private sector, exc. volatile orders)	5.6	2.5	1.5	-8.2	11.0	-8.2	n.a.
Manufacturing	5.3	-0.2	2.5	-5.2	13.7	-17.5	n.a.
Nonmanufacturing ⁴ (exc. volatile orders)	1.4	5.0	5.0	-1.4	-6.1	8.5	n.a.
Construction starts (private, nondwelling use)	5.9	7.3	-3.3	-3.9	17.1	-20.9	n.a.
Mining & manufacturing	-8.9	24.5	-21.7	-9.3	-11.7	-11.5	n.a.
Nonmanufacturing ⁵	9.1	1.5	0.9	0.0	17.5	-20.0	n.a.
Value of public works contracted	2.4	-3.7	1.6	-10.0	10.9	1.6	1.5
Real exports	-1.1	-5.7	8.7	0.4	0.1	3.4	n.a.
Real imports	-0.9	2.2	2.5	1.9	0.0	-1.8	n.a.
Industrial production	-2.0	-4.0	4.3	0.4	0.6	-3.3	n.a.
Shipments	-1.9	-5.9	6.6	0.1	0.2	-2.0	n.a.
Inventories	1.0	3.2	1.9	-0.1	2.1	-0.1	n.a.
Inventory ratio <s.a., CY 2005 = 100>	< 108.6>	< 111.9>	< 119.2>	< 116.4>	< 114.8>	< 119.2>	<n.a.>
Real GDP	-0.7	-0.3	1.5	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	-1.9	-0.4	n.a.	0.4	-0.5	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2011/Q1	Q2	Q3	2011/Jul.	Aug.	Sep.	Oct.
Ratio of job offers to applicants <s.a., times>	< 0.62>	< 0.62>	< 0.66>	< 0.64>	< 0.66>	< 0.67>	<n.a.>
Unemployment rate ⁶ <s.a., %>	< 4.7>	< 4.6>	< 4.4>	< 4.7>	< 4.3>	< 4.1>	<n.a.>
Overtime working hours ⁷	1.7	-2.0	p -1.0	-1.0	-2.1	p 0.0	n.a.
Number of employees ⁶	0.5	0.8	-0.4	-0.2	-0.5	-0.5	n.a.
Number of regular employees ⁷	0.7	0.7	p 0.6	0.7	0.7	p 0.5	n.a.
Nominal wages per person ⁷	0.1	-0.4	p -0.2	-0.2	-0.4	p 0.0	n.a.
Domestic corporate goods price index <q/q % chg., 3-month rate of change> ⁸	1.8 < 1.2>	2.5 < 1.2>	2.6 <-0.3>	2.8 <-0.2>	2.6 <-0.2>	2.5 <-0.4>	p 1.7 <p -0.8>
Consumer price index ⁹	-0.8	-0.3	0.2	0.1	0.2	0.2	n.a.
Corporate services price index ¹⁰	-1.0	-0.6	p -0.4	-0.5	-0.4	p -0.1	n.a.
Money stock (M2) <average outstanding, y/y % chg.>	2.4	2.8	2.8	3.0	2.7	2.7	p 2.7
Number of corporate bankruptcies <cases per month>	<1,070>	<1,104>	<1,036>	<1,081>	<1,026>	<1,001>	<976>

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. Quarterly figures from 2011/Q1 and monthly figures for July and August 2011 are based on data which exclude Iwate, Miyagi, and Fukushima prefectures.
7. Data for establishments with at least five regular employees.
8. Adjusted to exclude a hike in electric power charges during the summer season.
9. All items, less fresh food.
10. Excludes international transportation.

Sources: Ministry of Internal Affairs and Communications, "Labour Force Survey,"

"Monthly Report on the Family Income and Expenditure Survey," "Consumer Price Index";

Ministry of Economy, Trade and Industry, "Current Survey of Commerce," "Indices of Industrial Production,"

"Indices of All Industry Activity";

Japan Automobile Dealers Association, "Domestic Sales of Automobiles";

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

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

Ministry of Finance, "Trade Statistics";

Cabinet Office, "Orders Received for Machinery," "National Accounts";

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

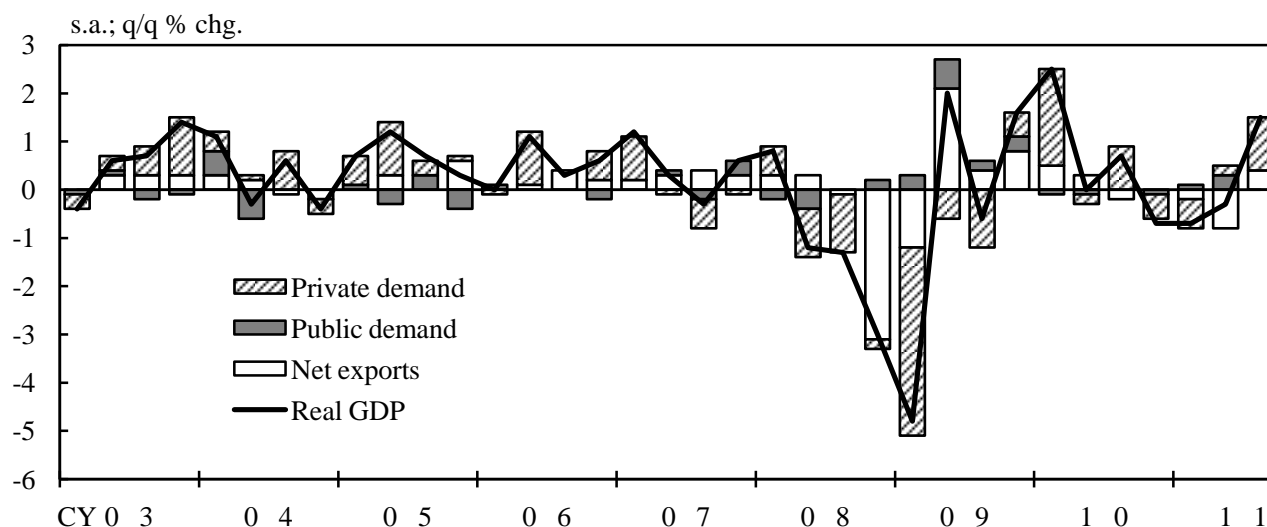
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey";

Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index," "Money Stock";

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

Real GDP and Indexes of Business Conditions

(1) Real GDP



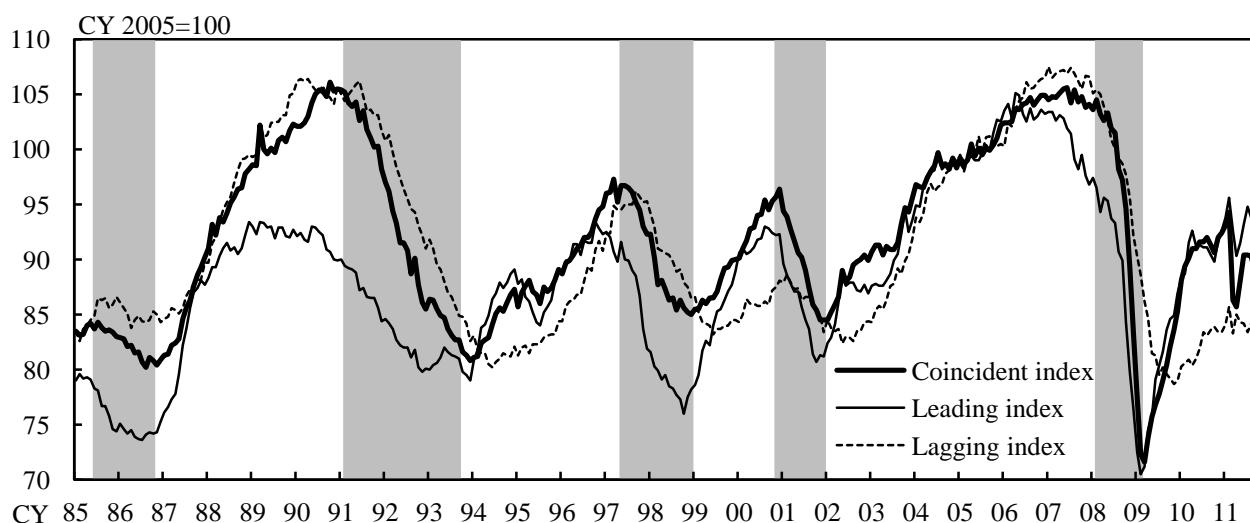
(2) Components

s.a.; q/q % chg.

	2010		2011		
	Q3	Q4	Q1	Q2	Q3
Real GDP	0.7	-0.7	-0.7	-0.3	1.5
[Annual rate]	[2.9]	[-2.7]	[-2.7]	[-1.3]	[6.0]
Domestic demand	0.9	-0.6	-0.5	0.5	1.0
Private demand	0.9	-0.5	-0.6	0.2	1.1
Private consumption	0.4	-0.5	-0.3	0.1	0.6
Non-Resi. investment	0.1	-0.0	-0.2	-0.1	0.1
Residential investment	0.0	0.1	0.0	-0.0	0.1
Private inventory	0.4	-0.0	-0.2	0.2	0.2
Public demand	-0.0	-0.1	0.1	0.3	-0.0
Public investment	-0.1	-0.2	-0.0	0.1	-0.1
Net exports of goods and services	-0.2	-0.0	-0.2	-0.8	0.4
Exports	0.0	-0.1	0.0	-0.8	0.9
Imports	-0.2	0.0	-0.2	-0.0	-0.5
Nominal GDP	0.1	-0.9	-1.1	-1.5	1.4

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

(3) Indexes of Business Conditions (Composite Indexes)

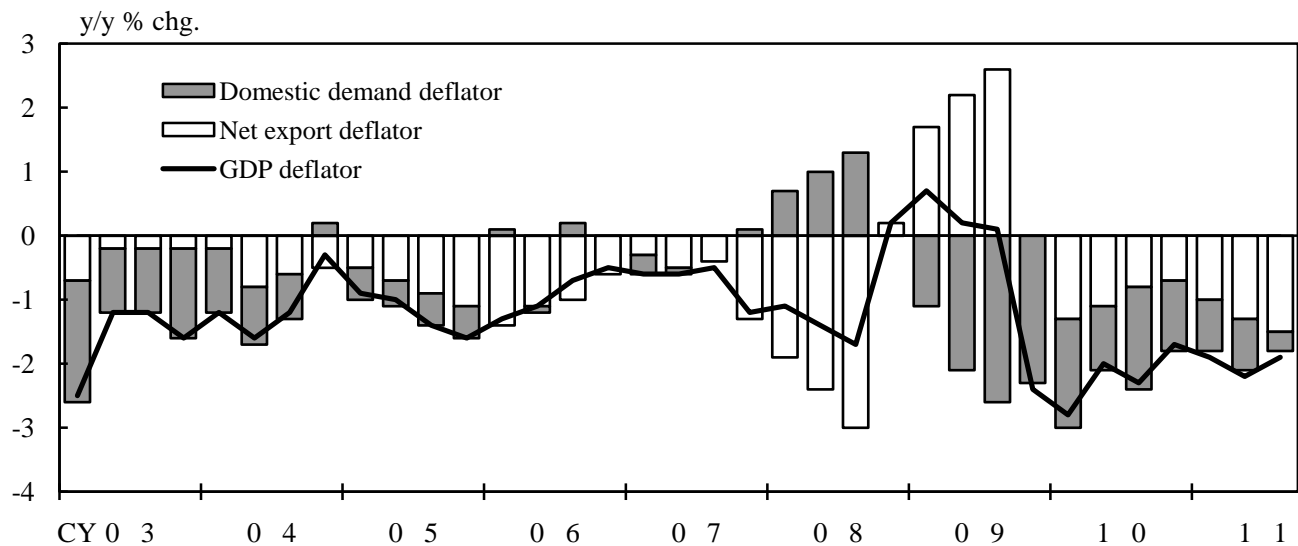


Note: Shaded areas indicate recession periods.

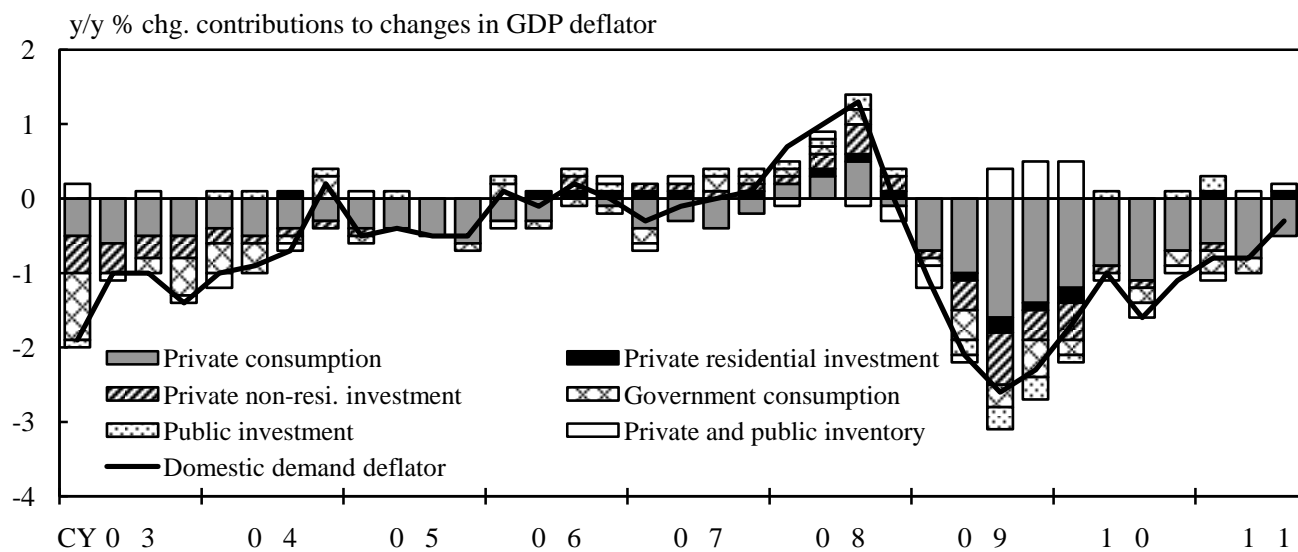
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

GDP Deflator and Income Formation

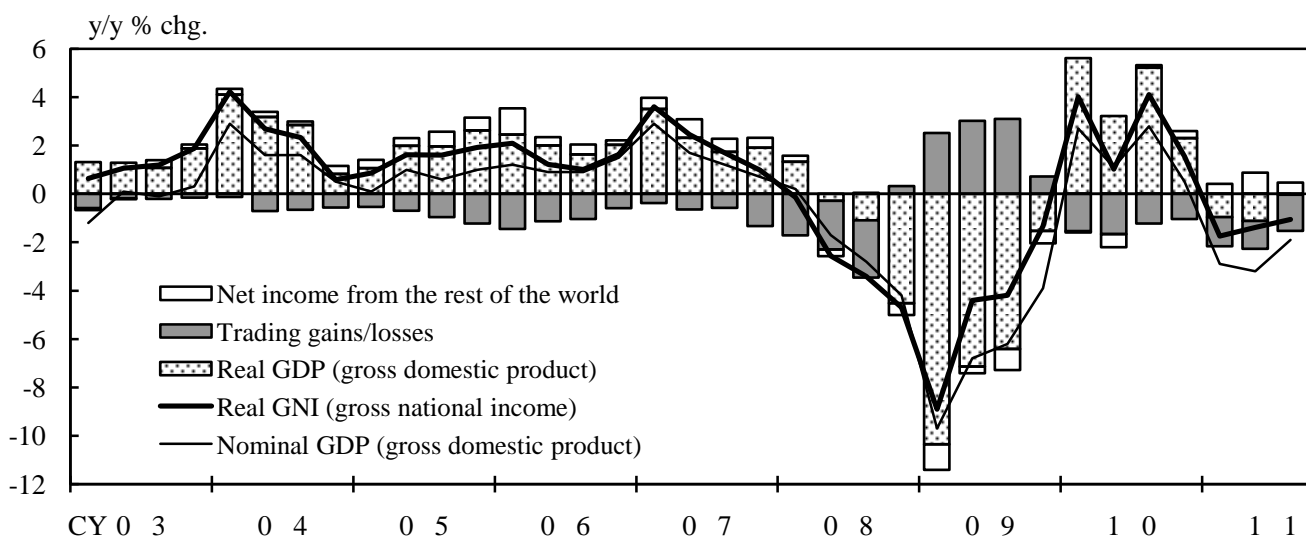
(1) GDP Deflator



(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

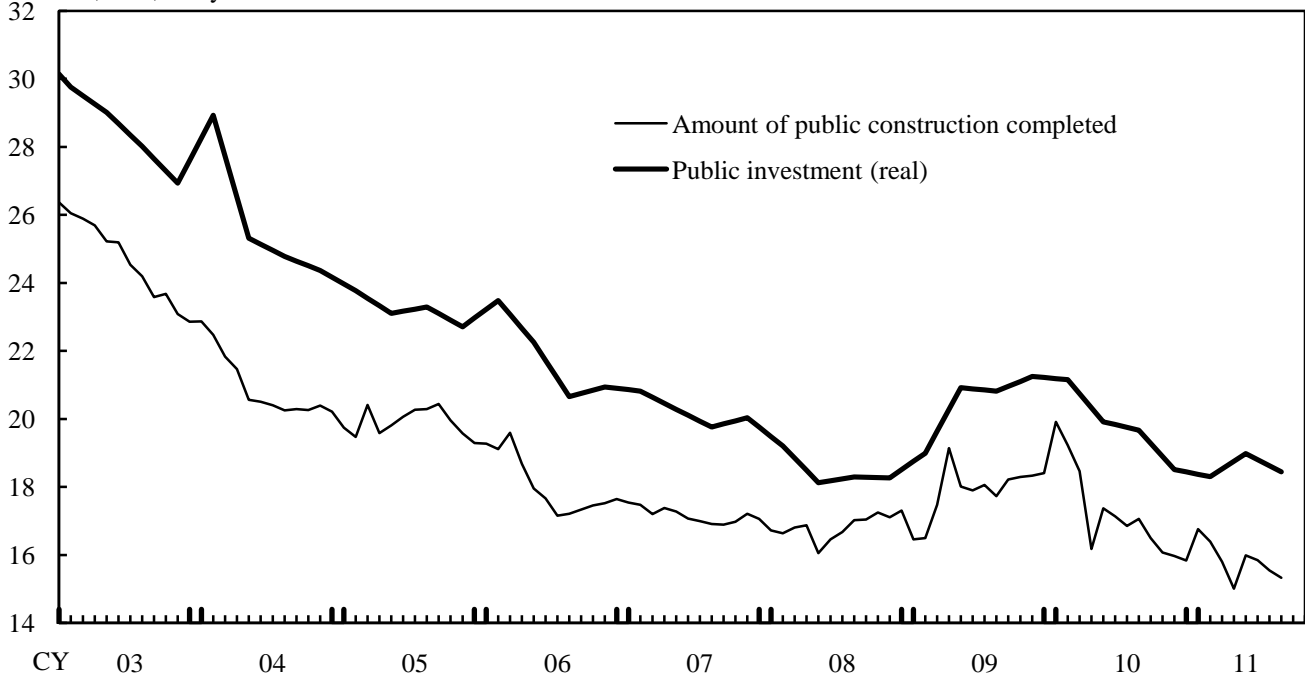
Trading gains/losses = nominal net exports / weighted average of export and import deflators - real net exports

Source: Cabinet Office, "National Accounts."

Public Investment

(1) Amount of Public Construction Completed and Public Investment

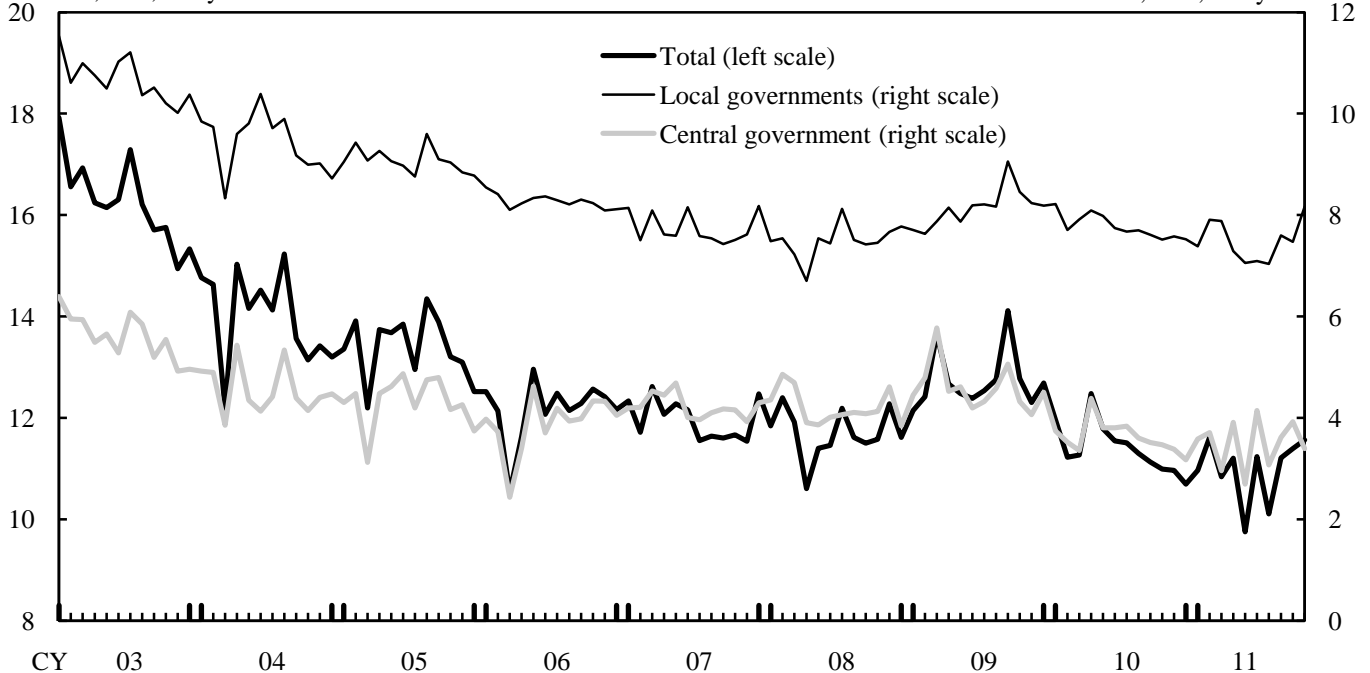
s.a., ann., tril. yen



(2) Value of Public Works Contracted

s.a., ann., tril. yen

s.a., ann., tril. yen



Notes: 1. Quarterly figures of public investment are plotted at the middle month of each quarter.

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

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

Sources: Cabinet Office, "National Accounts";

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

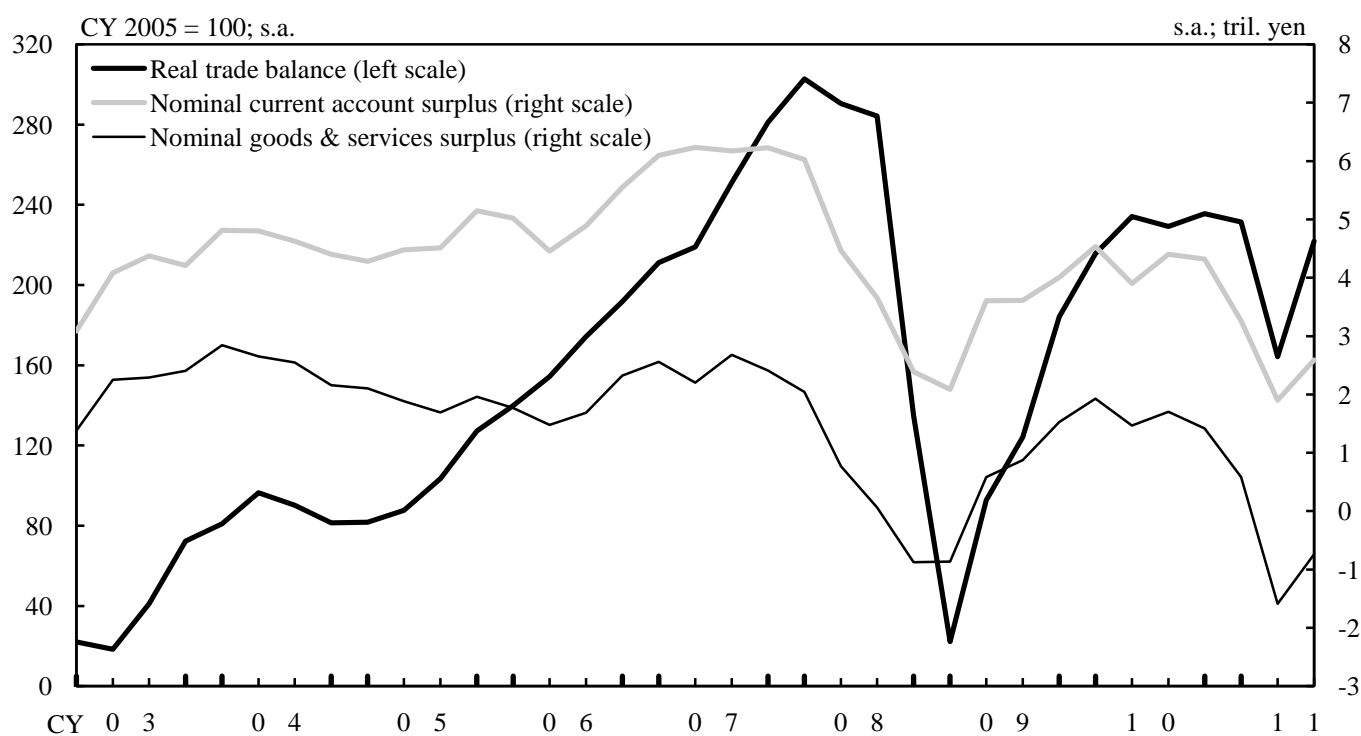
Ministry of Land, Infrastructure, Transport and Tourism, "Integrated Statistics on Construction Works."

External Balance

(1) Real Exports and Real Imports



(2) Real Trade Balance and Nominal Current Account Surplus



Notes: 1. "Real trade balance" is defined as real exports minus real imports, indexed with the base year of 2005.

Real exports/imports are the value of exports and imports in the "Trade Statistics" deflated by the "Export and Import Price Index."

2. Figures are seasonally adjusted by X-12-ARIMA.

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 2009	2010	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Jul.	2011 Aug.	2011 Sep.
United States	<15.4>	-32.6	24.7	4.1	0.3	-6.5	-10.2	20.7	4.1	2.8	-1.6
EU	<11.3>	-34.6	17.4	3.2	2.1	-3.0	-2.6	12.6	2.1	-2.0	3.0
East Asia	<53.3>	-15.8	31.8	1.4	2.3	-1.2	-6.0	5.7	2.6	-2.5	2.1
China	<19.4>	-10.2	31.3	3.6	6.8	0.5	-11.0	9.2	5.3	-2.0	1.9
NIEs	<23.7>	-18.0	28.0	-0.3	-0.4	-2.4	-2.6	1.1	0.1	-3.3	-2.0
Korea	<8.1>	-16.0	23.6	1.2	-4.9	1.0	1.6	-5.4	-4.0	-3.4	-7.0
Taiwan	<6.8>	-17.7	36.8	-0.5	-0.9	-2.4	-6.7	-2.4	-0.5	-5.8	3.0
Hong Kong	<5.5>	-18.8	29.2	-2.2	2.3	-4.0	-6.7	9.3	4.9	0.2	-0.0
Singapore	<3.3>	-21.6	20.2	4.3	6.9	-6.6	0.2	14.0	5.7	-4.0	-7.7
ASEAN4 ³	<10.2>	-20.5	42.7	1.4	-0.2	-1.8	-3.4	9.8	3.1	-1.7	11.6
Thailand	<4.4>	-20.9	46.1	1.9	-0.2	1.4	-1.7	8.7	-2.1	7.5	6.4
Others	<20.0>	-32.1	29.2	-3.0	-2.1	0.1	-4.2	14.1	-4.4	3.7	7.5
Real exports		-25.6	27.5	0.4	0.2	-1.1	-5.7	8.7	0.4	0.1	3.4

(2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2009	2010	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Jul.	2011 Aug.	2011 Sep.
Intermediate goods	<20.6>	-5.6	18.3	0.6	-0.2	-0.9	-4.4	-2.2	2.6	-1.6	-0.7
Motor vehicles and their related goods	<21.6>	-41.4	41.8	1.4	1.7	-8.7	-22.8	47.4	8.3	3.0	6.4
Consumer goods ⁴	<3.4>	-28.8	13.7	3.0	-1.3	-1.4	-9.4	24.4	6.8	-4.5	-12.7
IT-related goods ⁵	<10.7>	-17.0	27.6	-0.8	-0.5	0.6	-2.5	6.0	3.4	-4.2	3.8
Capital goods and parts ⁶	<29.2>	-28.1	36.3	2.1	0.5	1.4	1.5	-0.5	-4.9	0.9	2.1
Real exports		-25.6	27.5	0.4	0.2	-1.1	-5.7	8.7	0.4	0.1	3.4

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

2. Shares of each region and goods in 2010 are shown in angle brackets.

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

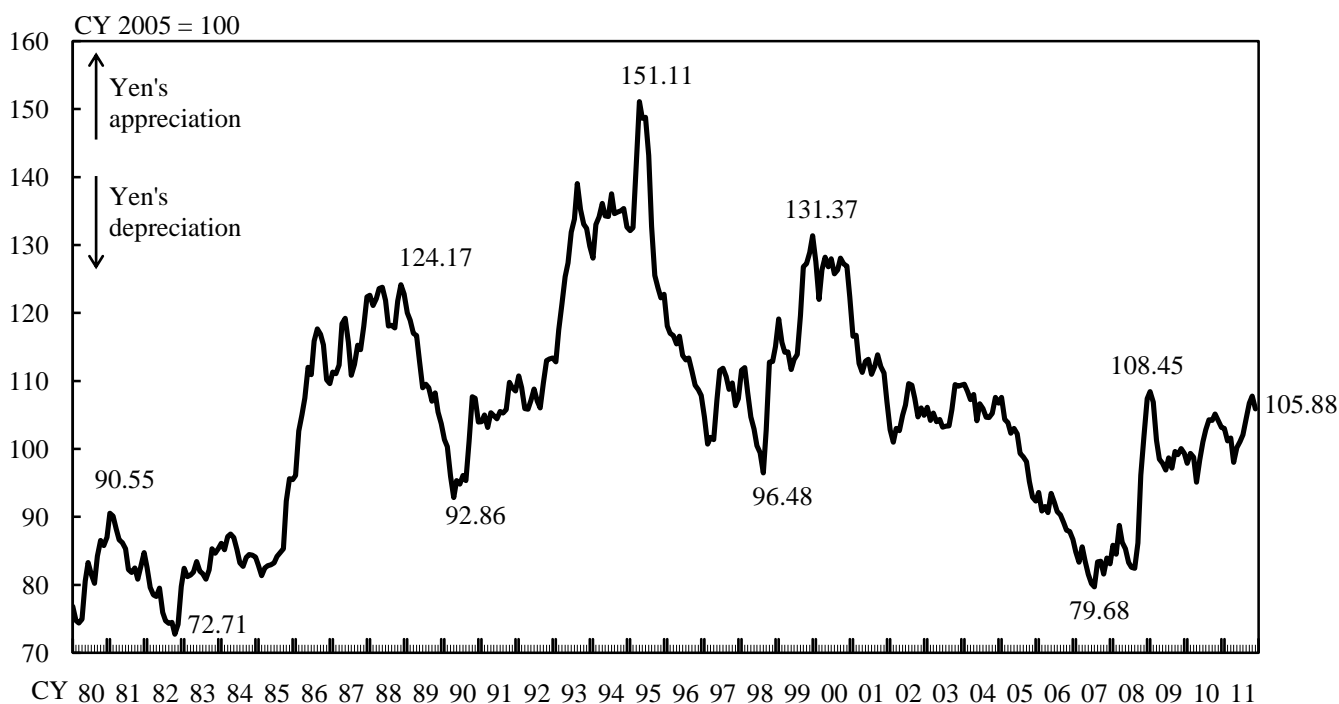
4. Excludes motor vehicles.

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

6. Excludes IT-related goods, power generating machinery, and parts of motor vehicles.

Real Effective Exchange Rate and Overseas Economies

(1) Real Effective Exchange Rate



Notes: 1. The figure is based on the broad index of the BIS effective exchange rate, and that prior to 1994 is calculated using the narrow index.

2. Figures for October and November (up to November 14) 2011 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

		CY2008	2009	2010	2010 Q4	2011 Q1	Q2	Q3	
United States ¹		-0.3	-3.5	3.0	2.3	0.4	1.3	2.5	
European Union ¹		0.5	-4.3	1.9	0.8	2.9	0.9	0.9	
	Germany	1.1	-5.1	3.7	1.9	5.5	1.1	2.0	
	France	-0.2	-2.6	1.4	1.3	3.8	-0.2	1.6	
	United Kingdom	-1.1	-4.4	1.8	-2.0	1.6	0.4	2.0	
East Asia ²	China	9.6	9.2	10.4	9.8	9.7	9.5	9.1	
	NIEs	Korea	2.3	0.3	6.2	4.7	4.2	3.4	3.4
		Taiwan	0.7	-1.9	10.9	7.1	6.2	5.0	3.4
		Hong Kong	2.3	-2.7	7.0	6.4	7.5	5.3	4.3
		Singapore	1.5	-0.8	14.5	12.0	9.3	1.0	5.9
	ASEAN4	Thailand	2.5	-2.3	7.8	3.8	3.2	2.6	n.a.
		Indonesia	6.0	4.6	6.1	6.9	6.5	6.5	6.5
		Malaysia	4.8	-1.6	7.2	4.8	4.9	4.0	n.a.
Philippines		4.2	1.1	7.6	6.1	4.6	3.4	n.a.	

Notes: 1. Quarterly data of the U.S. and EU are quarter-to-quarter percent changes at annual rates.

2. Quarterly data of East Asia are percent changes from a year earlier.

Real Imports ¹

(1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2009	2010	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Jul.	2011 Aug.	2011 Sep.
United States	<9.7>	-18.7	8.2	0.2	-0.7	-5.5	6.1	-1.8	1.7	-1.8	5.9
EU	<9.6>	-13.2	6.5	3.5	-3.4	0.9	8.3	0.6	1.2	-3.1	7.9
East Asia	<42.4>	-13.1	22.0	1.4	2.3	1.5	1.2	3.1	3.8	-1.8	-4.8
China	<22.1>	-11.1	23.9	0.9	4.1	0.9	1.7	5.3	5.6	-0.6	-8.7
NIEs	<8.8>	-15.9	21.6	1.1	-0.5	3.5	1.0	-0.8	3.1	-5.6	1.7
Korea	<4.1>	-19.1	21.0	1.4	6.7	6.7	6.8	-2.9	0.1	-5.4	1.2
Taiwan	<3.3>	-12.4	21.2	0.9	-4.0	-1.2	-5.1	0.8	4.5	-3.4	0.2
Hong Kong	<0.2>	-29.7	32.8	-7.6	-2.0	16.6	-16.1	4.2	4.8	-16.1	16.8
Singapore	<1.2>	-12.5	22.9	-1.5	-5.5	-2.0	5.2	-1.2	6.3	-8.7	1.4
ASEAN4 ³	<11.5>	-14.9	18.2	2.8	0.5	1.3	0.2	1.5	0.1	-1.6	-0.3
Thailand	<3.0>	-17.5	25.7	4.7	-1.4	2.6	2.8	2.0	0.0	-1.8	-0.2
Others	<38.3>	-13.9	6.8	1.2	-1.8	-1.6	0.1	2.8	0.9	3.8	-3.2
Real imports		-14.0	12.1	1.3	-0.7	-0.9	2.2	2.5	1.9	0.0	-1.8

(2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2009	2010	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Jul.	2011 Aug.	2011 Sep.
Raw materials ⁴	<36.5>	-14.9	5.5	1.4	-2.1	-1.3	-0.9	4.9	2.4	2.5	-1.4
Intermediate goods	<14.9>	-15.4	18.6	1.7	-2.4	2.4	9.8	-2.6	3.0	-3.8	-1.0
Foodstuffs	<8.6>	1.0	2.2	1.3	-8.2	1.1	6.9	-3.4	-2.3	1.5	1.1
Consumer goods ⁵	<8.5>	-10.3	22.7	-0.4	10.9	-0.7	-3.8	2.2	-1.1	-5.2	-2.1
IT-related goods ⁶	<11.2>	-12.4	26.7	1.6	4.1	0.1	-1.4	2.7	4.9	-6.8	0.4
Capital goods and parts ⁷	<11.3>	-23.8	19.0	2.9	2.7	-0.9	2.1	5.7	3.5	2.1	-0.2
Excluding aircraft	<10.7>	-24.4	21.8	2.9	1.6	0.4	3.8	5.6	5.0	-0.9	-3.1
Real imports		-14.0	12.1	1.3	-0.7	-0.9	2.2	2.5	1.9	0.0	-1.8

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

2. Shares of each region and goods in 2010 are shown in angle brackets.

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

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

5. Excludes foodstuffs.

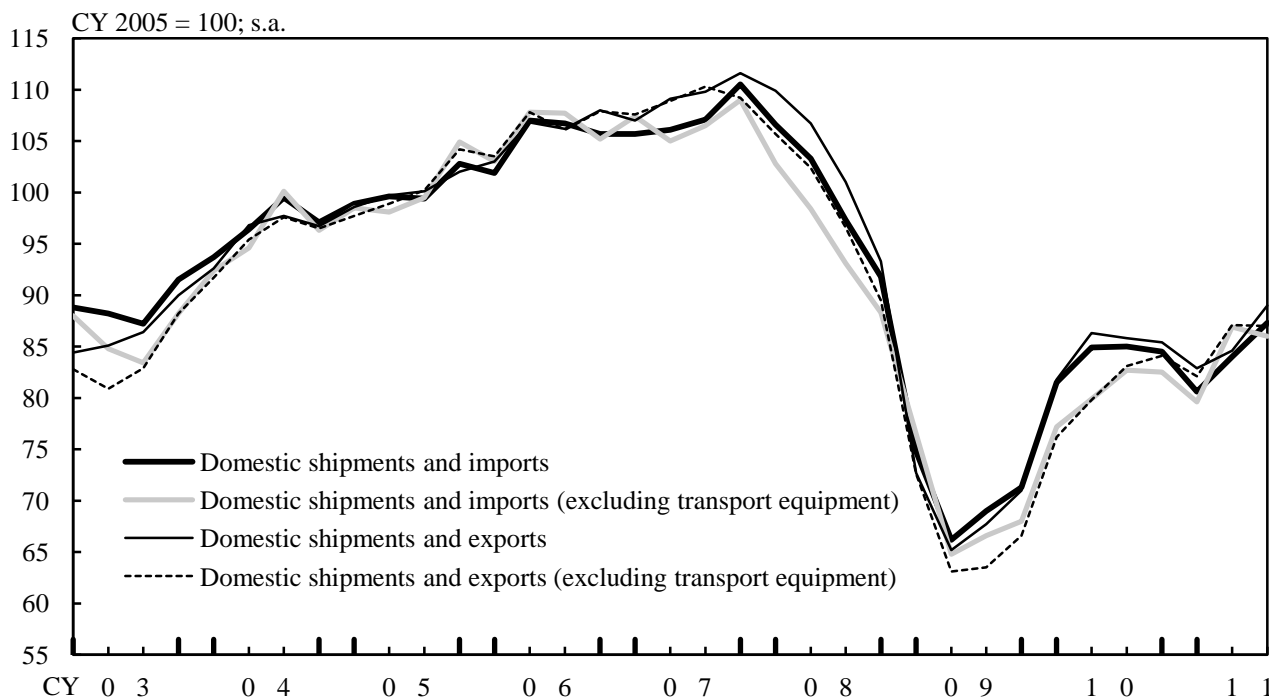
6. IT-related goods are composed of computers and units, parts of computers, telecommunication machinery, ICs, and medical and optical instruments.

7. Excludes IT-related goods.

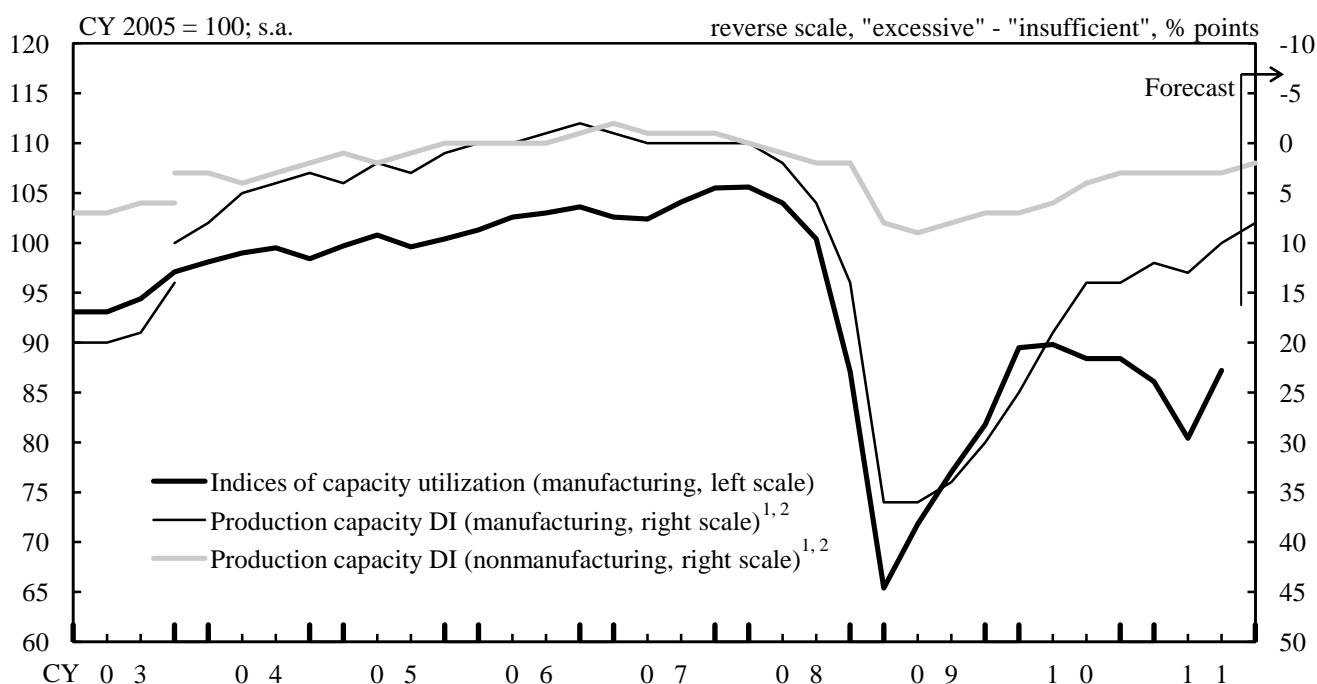
Sources: Ministry of Finance, "Trade Statistics"; Bank of Japan, "Corporate Goods Price Index."

Coincident Indicators of Business Fixed Investment

(1) Aggregate Supply and Shipments of Capital Goods



(2) Indices of Capacity Utilization and Production Capacity DI



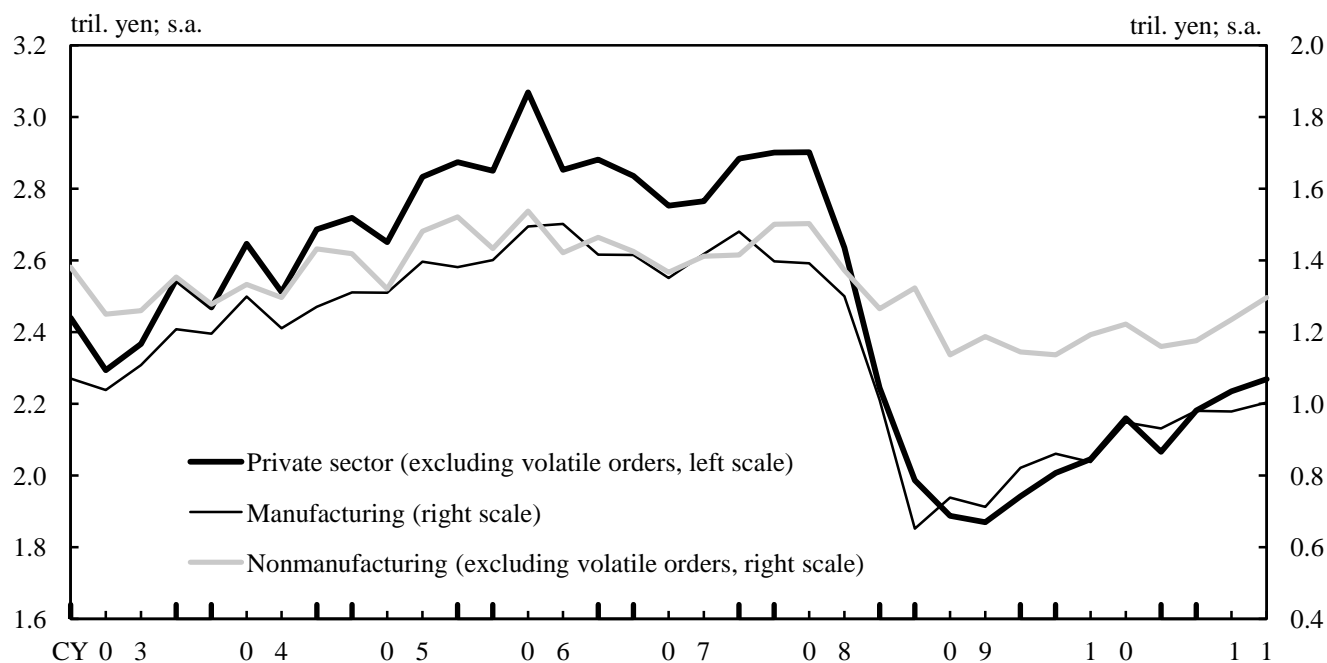
Notes: 1. Production capacity DIs are those of all enterprises.

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

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

Leading Indicators of Business Fixed Investment

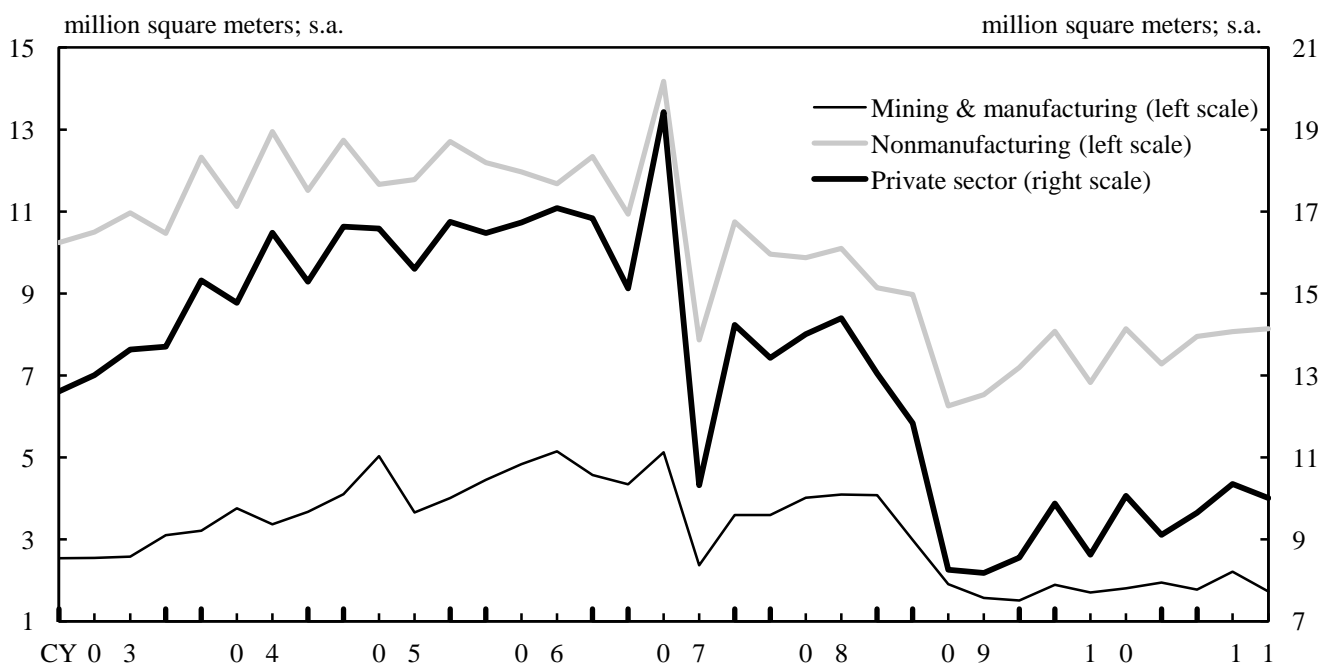
(1) Machinery Orders



Notes: 1. Figures up to FY 2004 are estimated by the Cabinet Office.

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

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



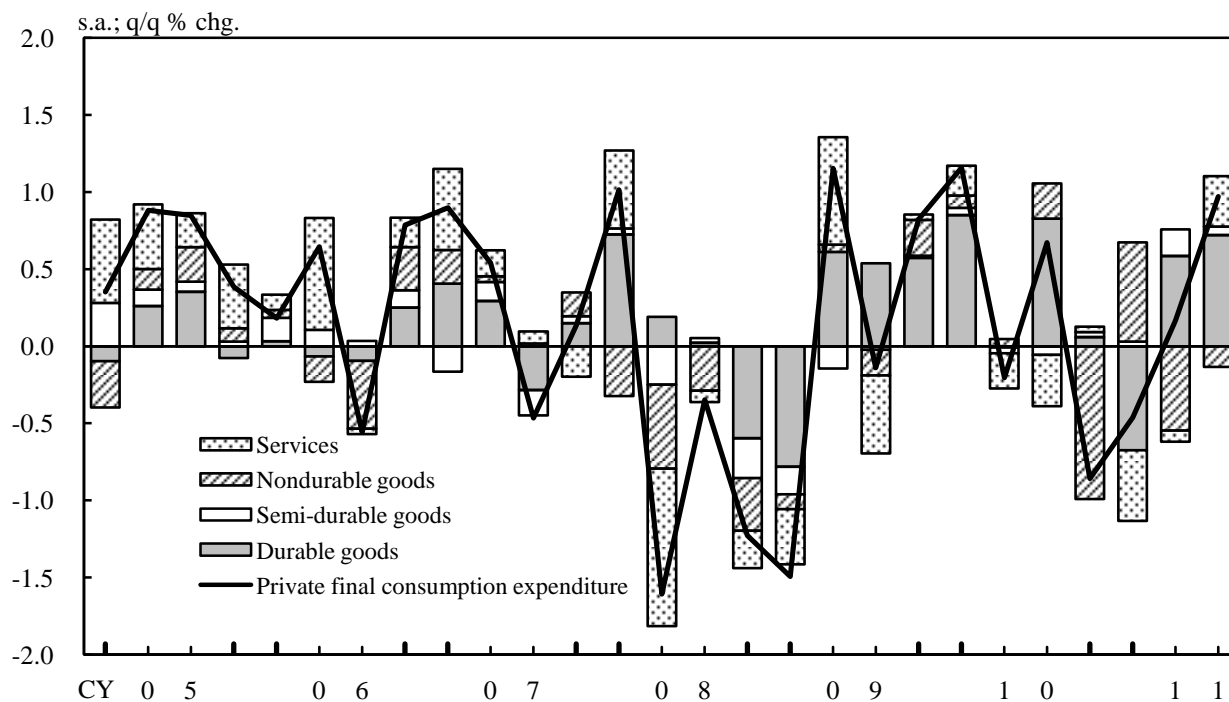
Notes: 1. Seasonally adjusted by X-12-ARIMA.

2. Following the revision of the "Standard Industrial Classification for Japan" in March 2002, the industry classification for "newspaper publishing and publishing business" was changed from "mining and manufacturing" to "nonmanufacturing." This new classification applies to data from FY 2003 onward. Accordingly, the data up to FY 2002 were adjusted by using a link coefficient.

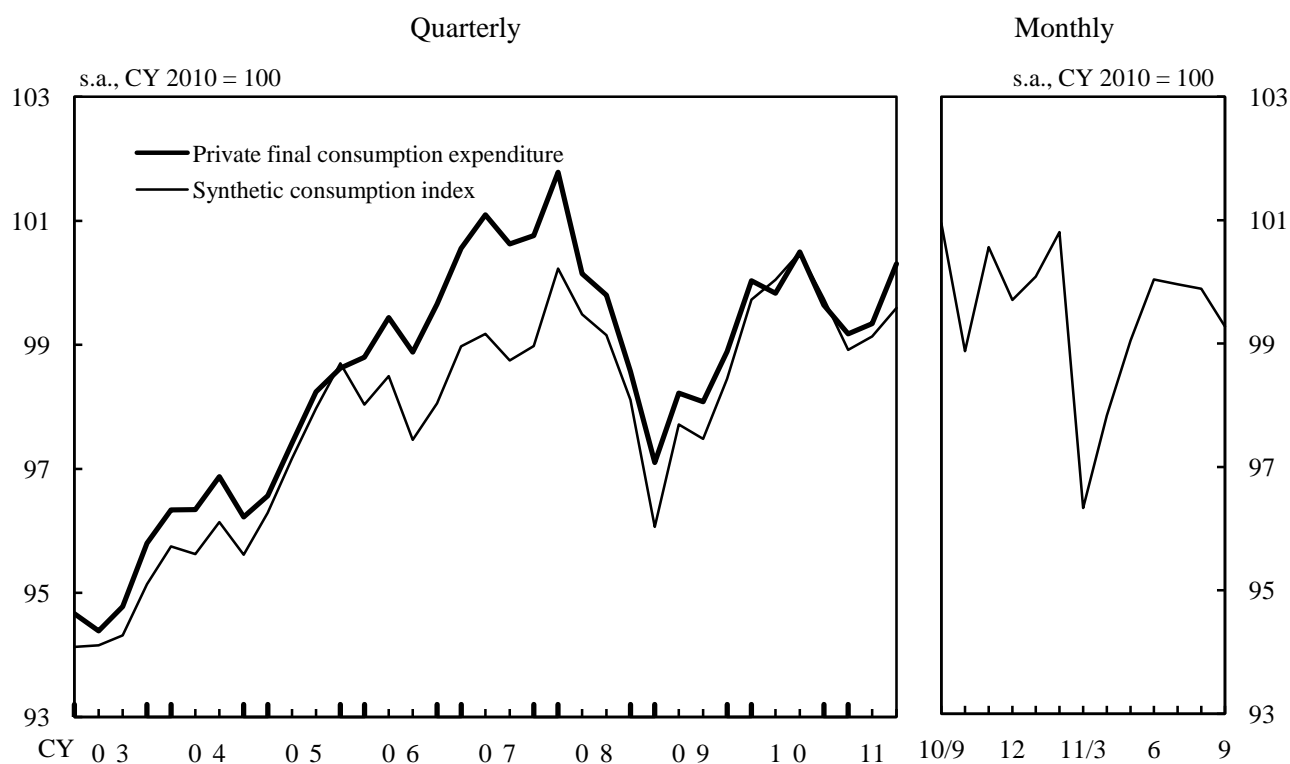
Sources: Cabinet Office, "Orders Received for Machinery";
 Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts."

Indicators of Private Consumption (1)

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



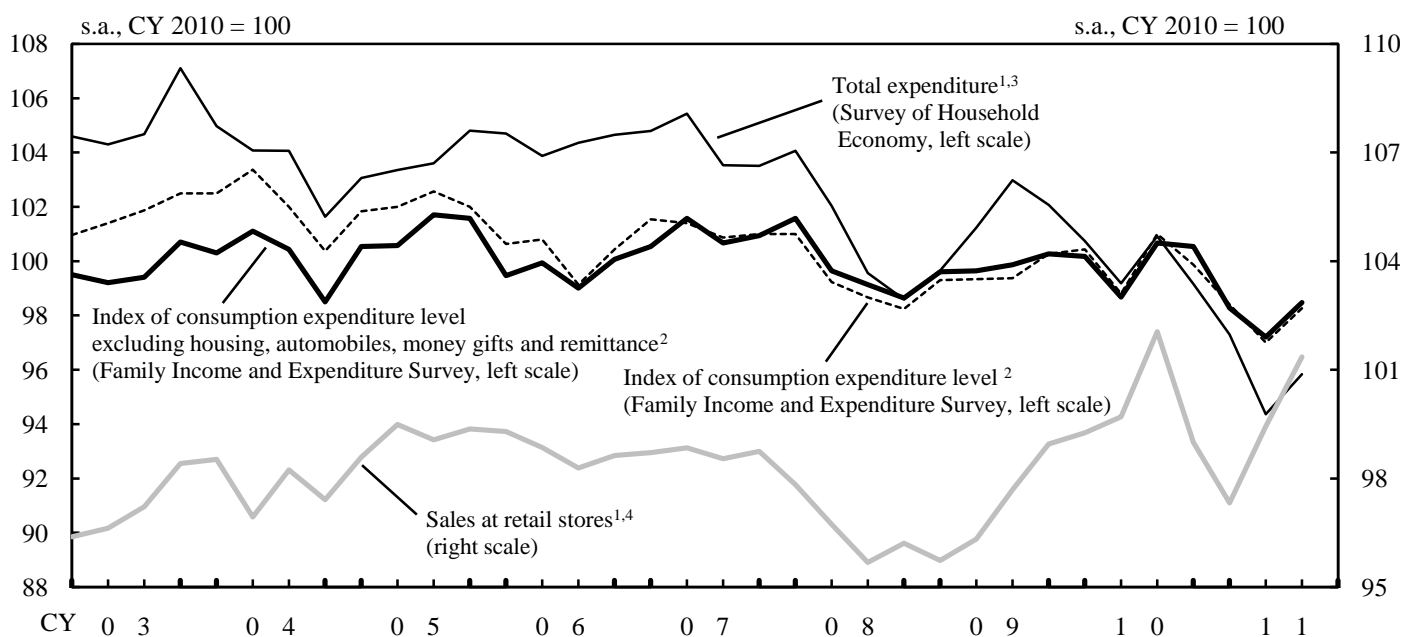
(2) Private Final Consumption Expenditure and Synthetic Consumption Index (Real)



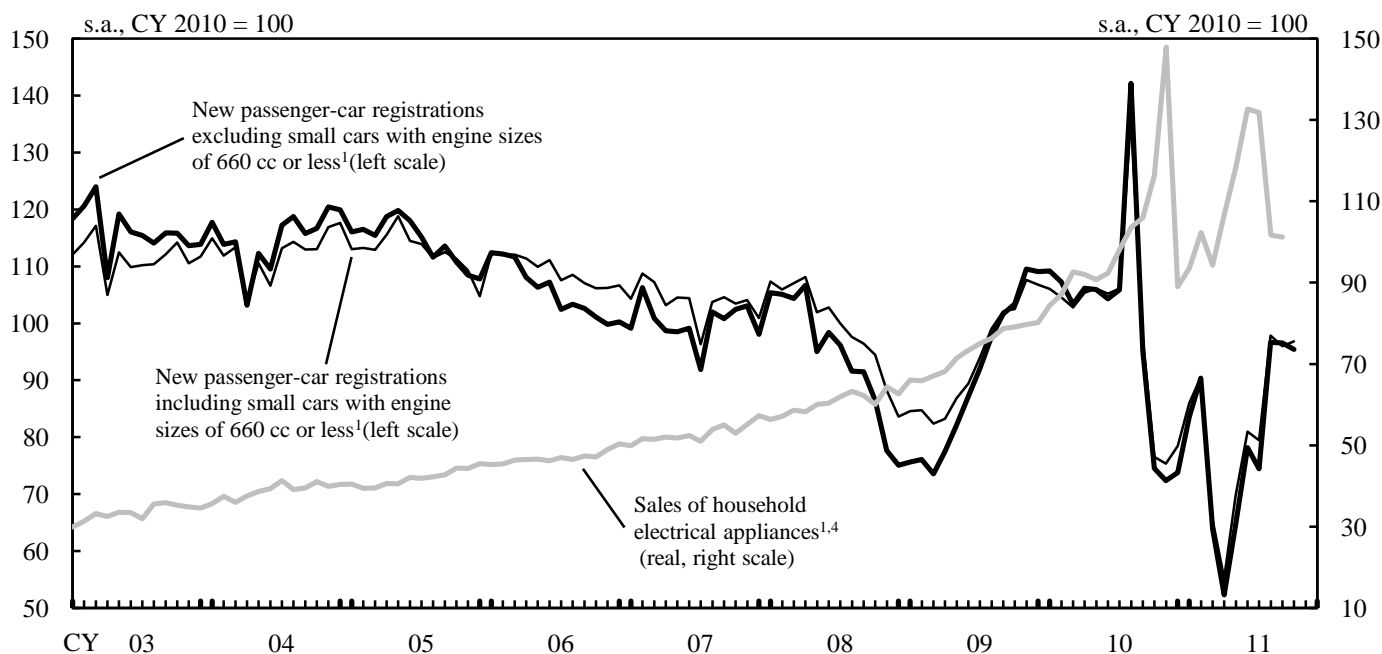
Source: Cabinet Office, "National Accounts," "Synthetic Consumption Index."

Indicators of Private Consumption (2)

(1) Household Spending (Real)

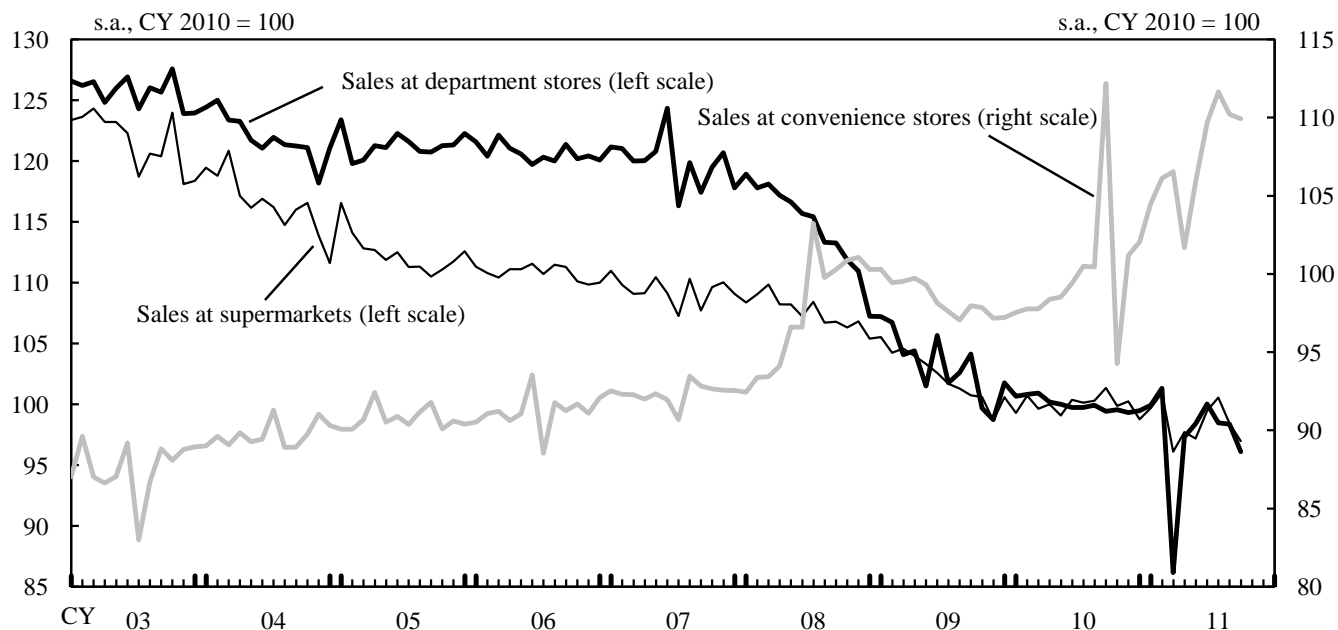


(2) Sales of Durable Goods

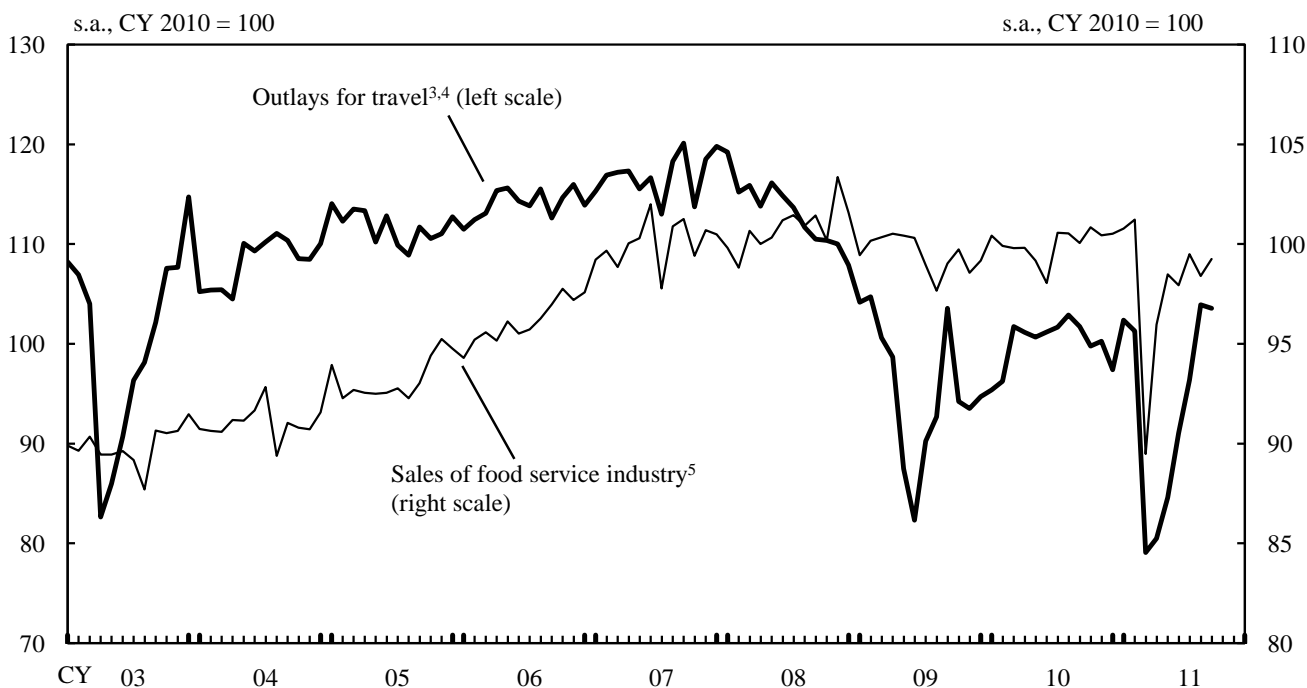


- Notes: 1. Total expenditure, sales at retail stores, sales of household electrical appliances and new passenger-car registrations are seasonally adjusted by X-12-ARIMA.
2. "Index of consumption expenditure level" is based on two-or-more-person households, and is adjusted using the distribution of household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

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 convenience stores).

3. Excluding those by foreign travelers.

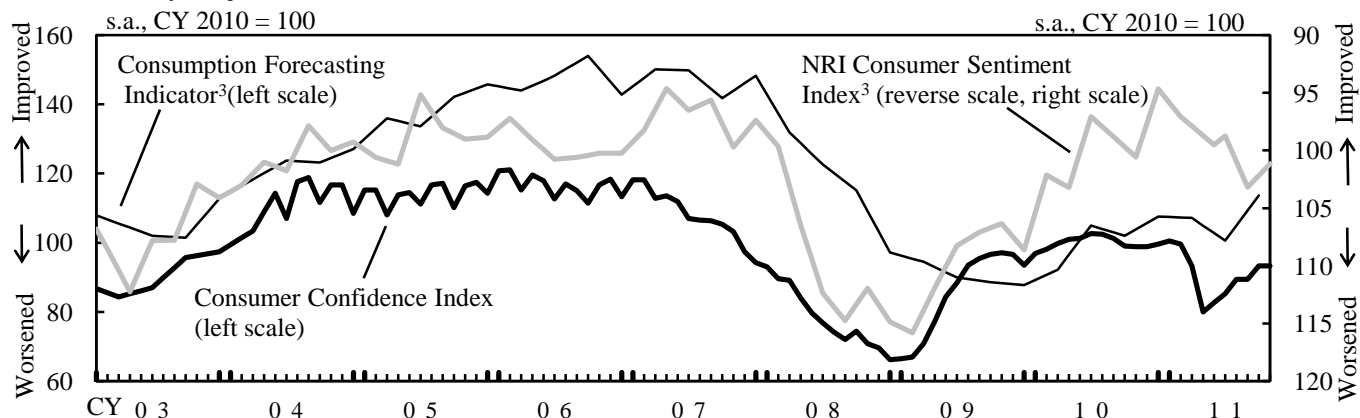
4. There are discontinuities in the underlying data as of April 2007 and April 2010 due to changes in the sample. Data from April 2007 and onward are calculated using the year-on-year rates of change.

5. "Sales of 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.

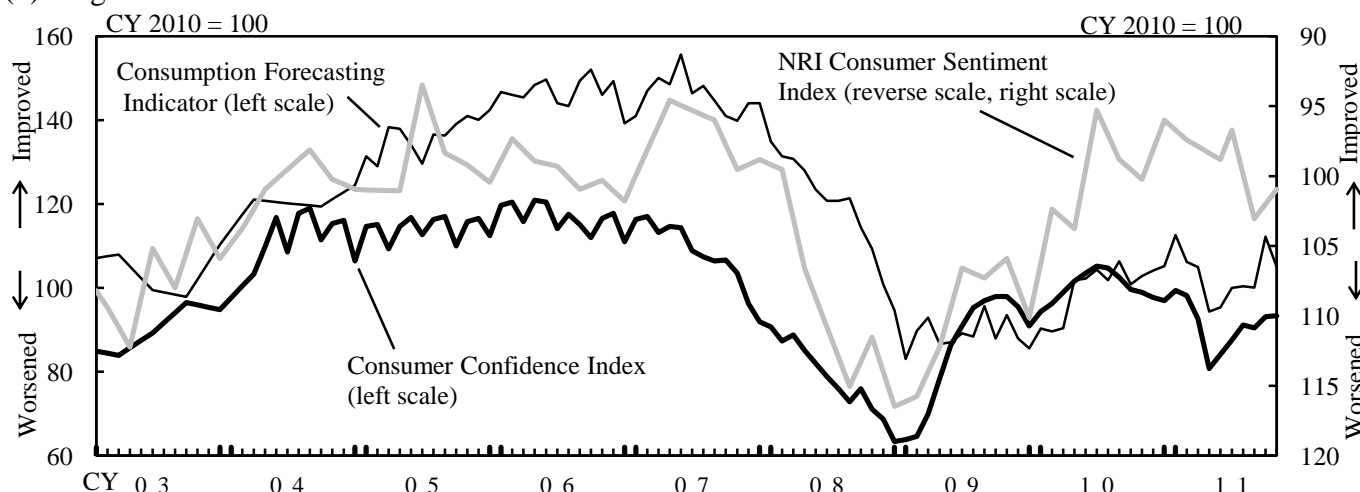
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce"; Japan Tourism Agency, "Major Travel Agents' Revenue"; Food Service Industry Survey & Research Center, "Getsuji Uriage Doukou Chousa (Monthly survey of food service sales)"; Japan Food Service Association, "Gaishoku Sangyou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

Consumer Confidence ^{1,2}

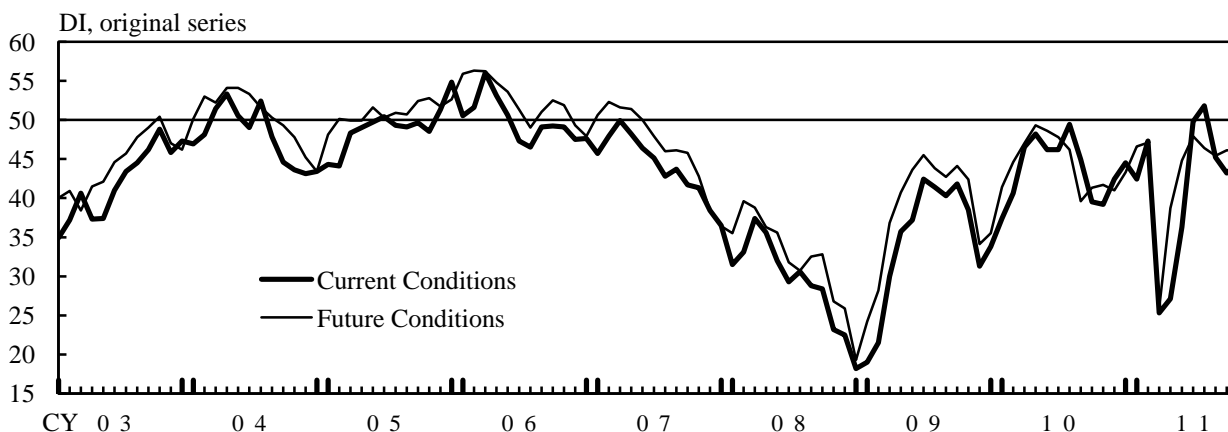
(1) Seasonally Adjusted Series



(2) Original Series



Reference: Economy Watchers Survey (Household Activity)



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

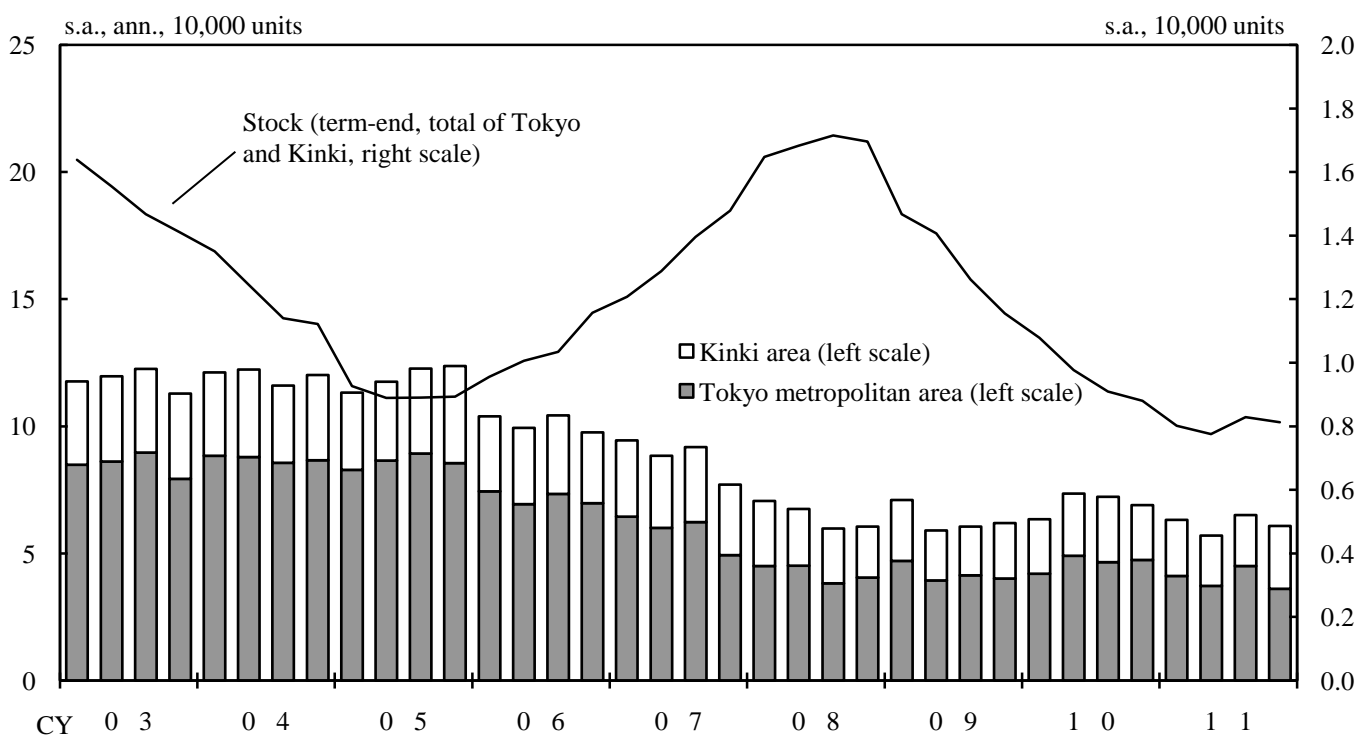
Sources: Cabinet Office, "Consumer Confidence Survey," "Economy Watchers Survey"; Nikkei inc., "Consumption Forecasting Indicator"; Nippon Research Institute (NRI), "Consumer Sentiment Survey."

Indicators of Housing Investment

(1) Housing Starts



(2) Sales of Apartments

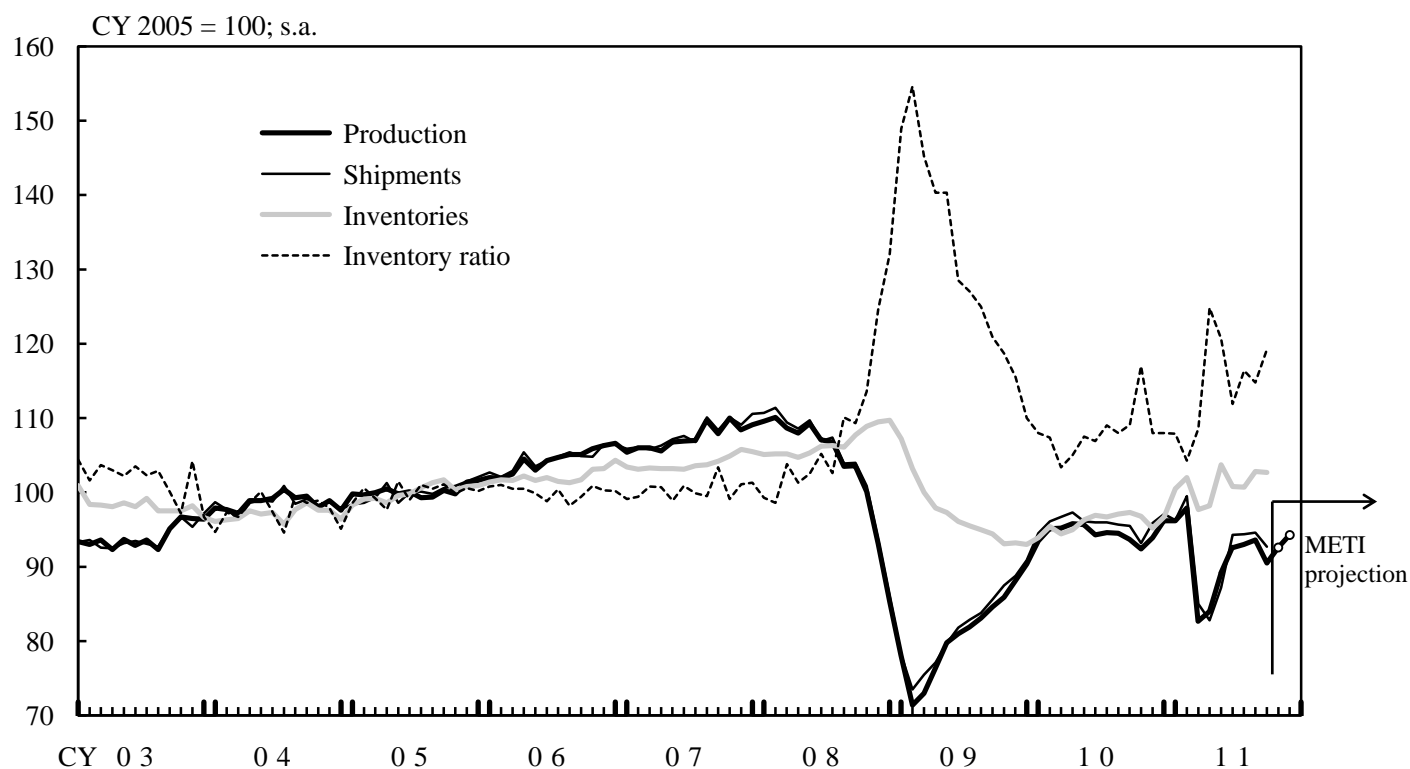


Notes: 1. Seasonally adjusted by X-12-ARIMA.
 2. Figures for 2011/Q4 are those of October.

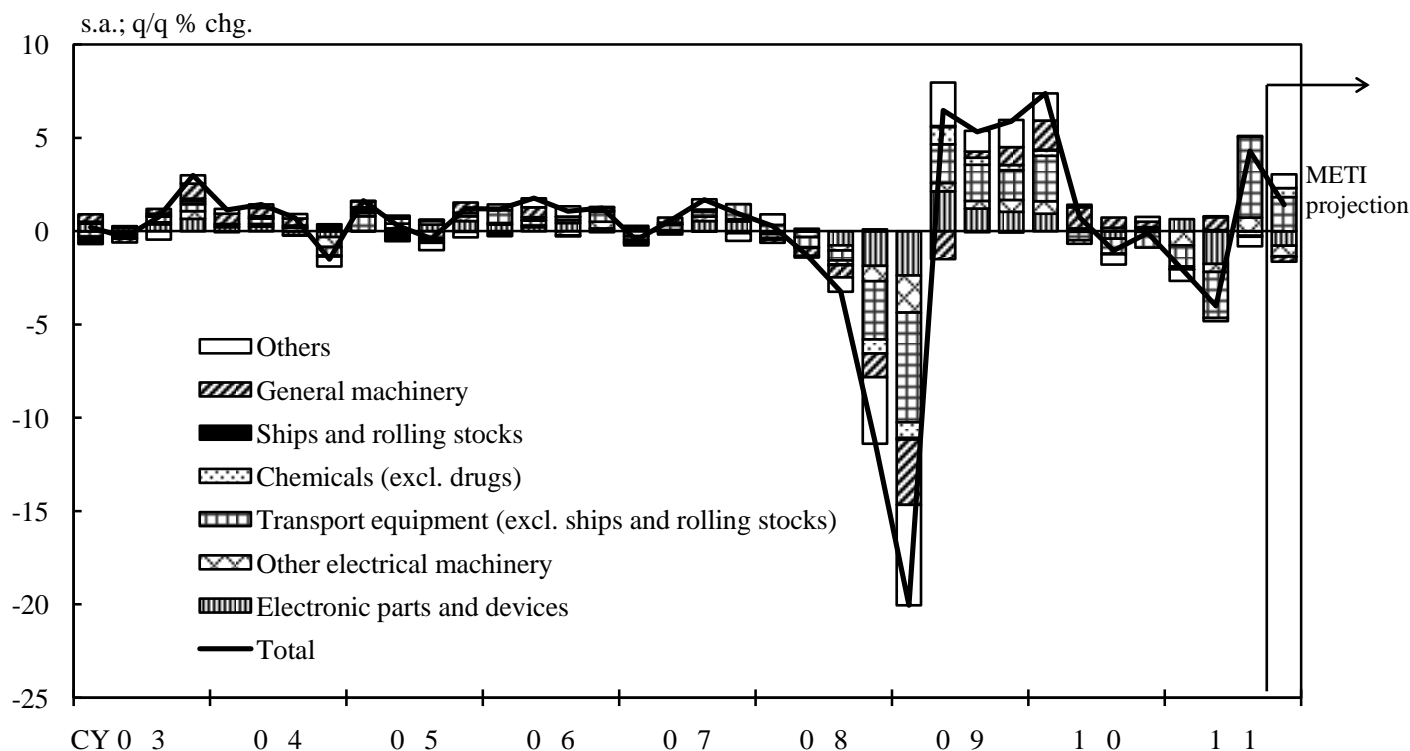
Sources: Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts," etc.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industry



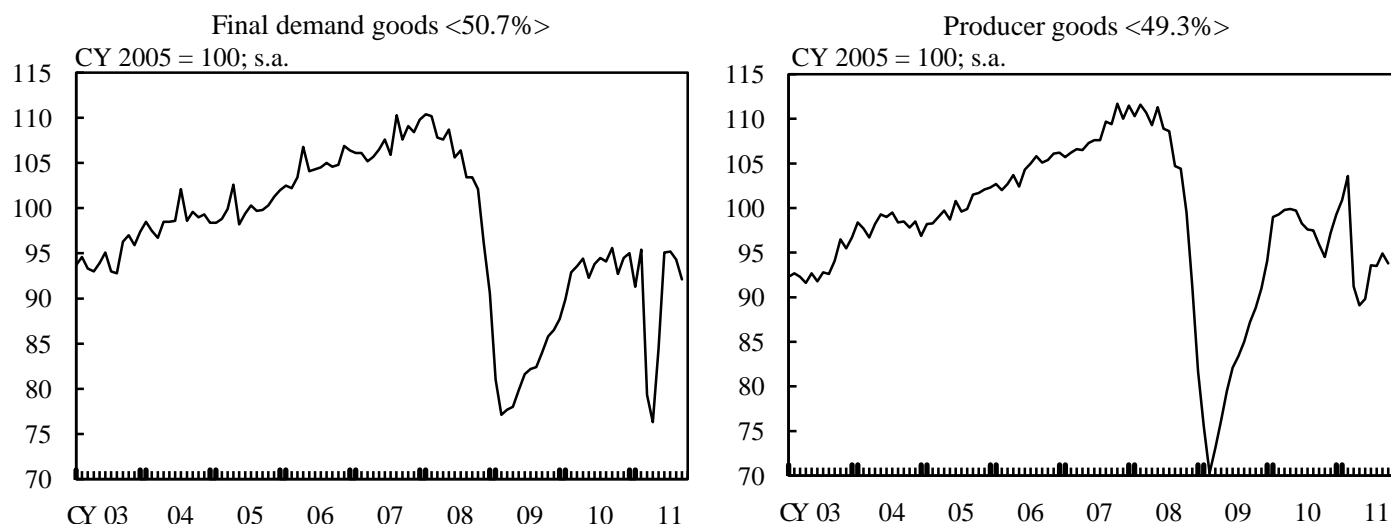
Notes: 1. "Other electrical machinery" is the weighted sum of "electrical machinery" and "information and communication electronics equipment."

2. 2003/Q1 figures are on the 2000 base.

3. 2011/Q4 figures are based on the assumption that the production levels in December are the same as those of November.

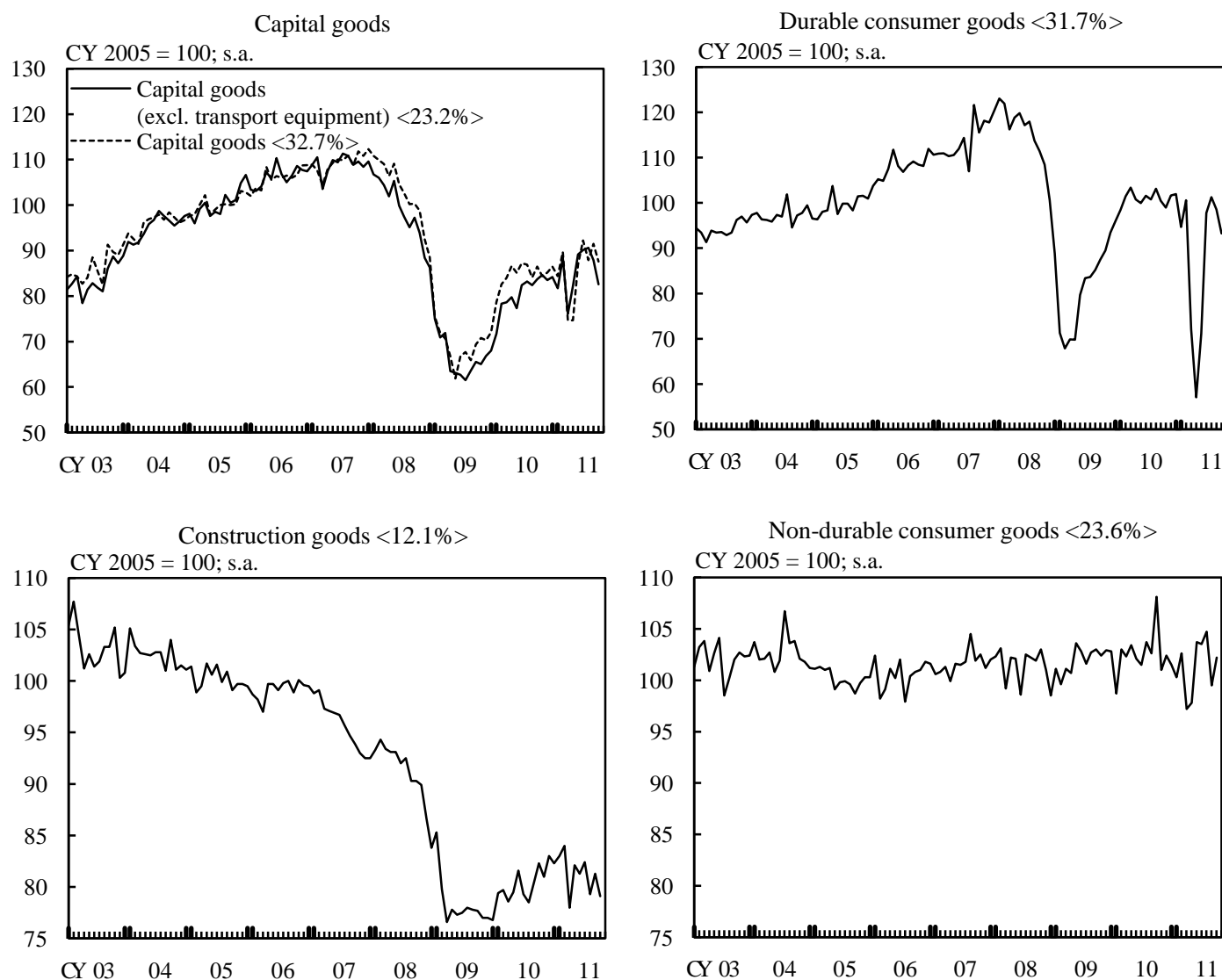
Shipments by Type of Goods

(1) Final Demand Goods and Producer Goods



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

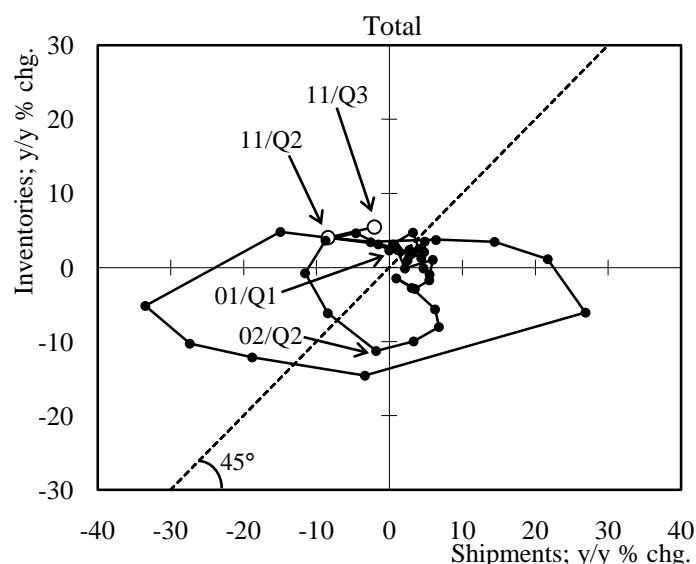
(2) Breakdown of Final Demand Goods



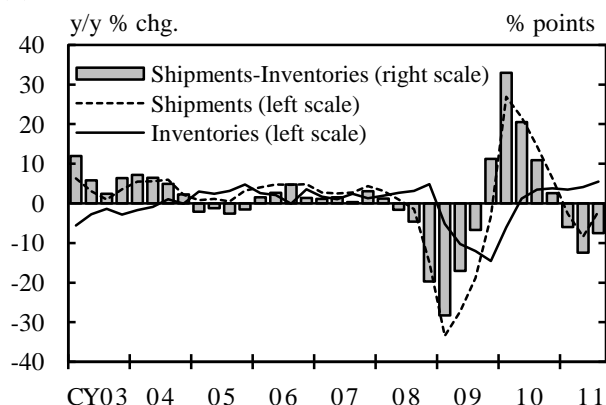
Note: Figures in angle brackets show the shares among shipments of final demand goods.

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

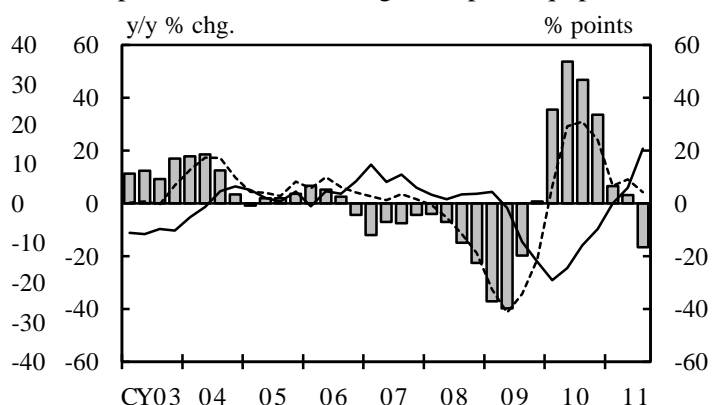
Inventory Cycle



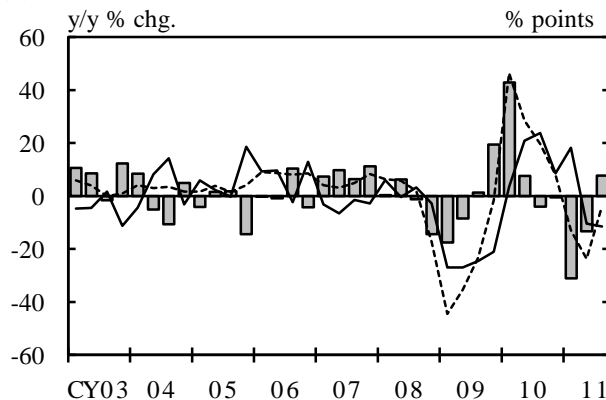
(1) Total



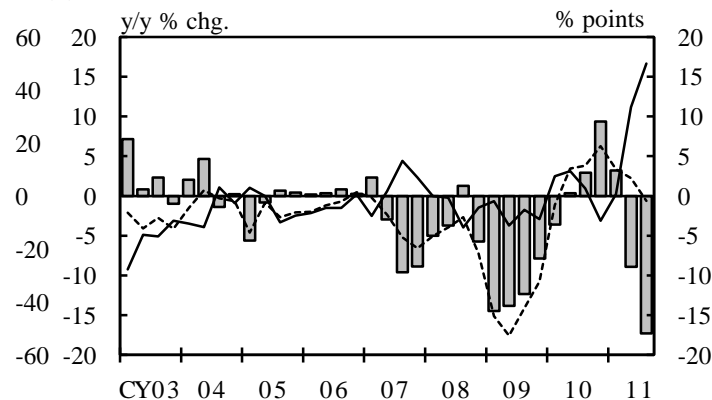
(2) Capital Goods (Excluding Transport Equipment)



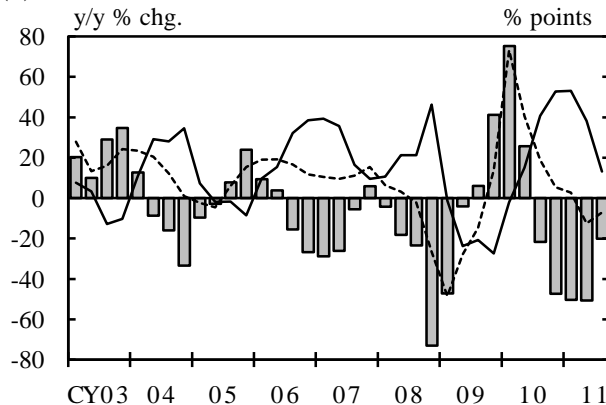
(3) Durable Consumer Goods



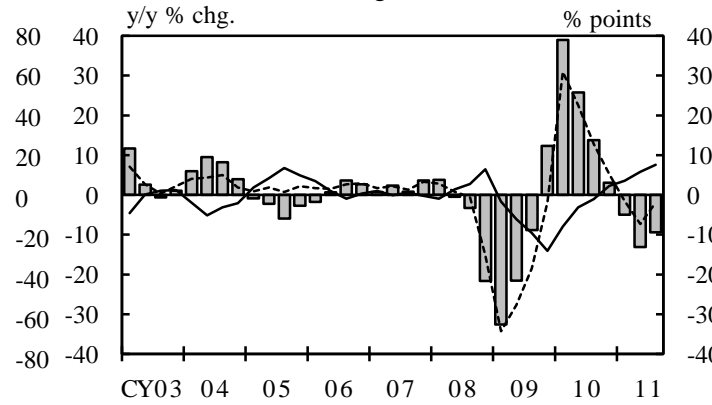
(4) Construction Goods



(5) Electronic Parts and Devices

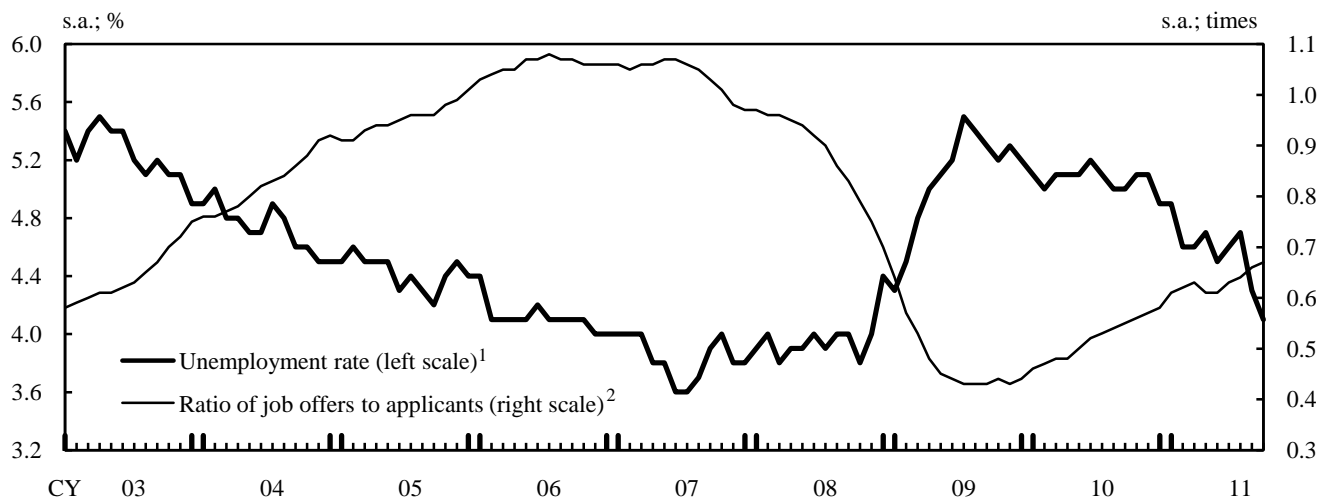
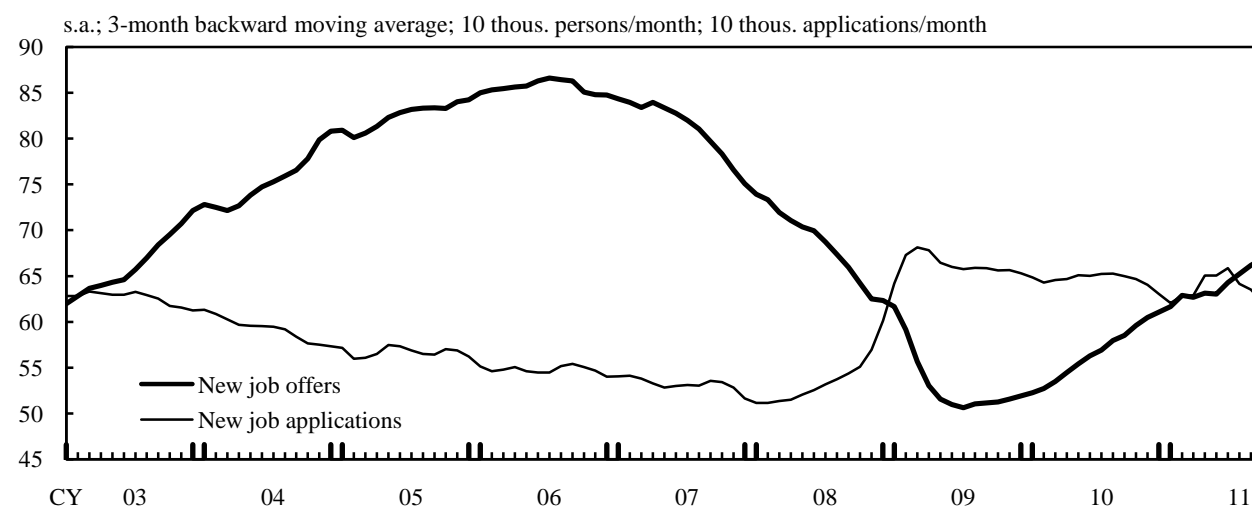
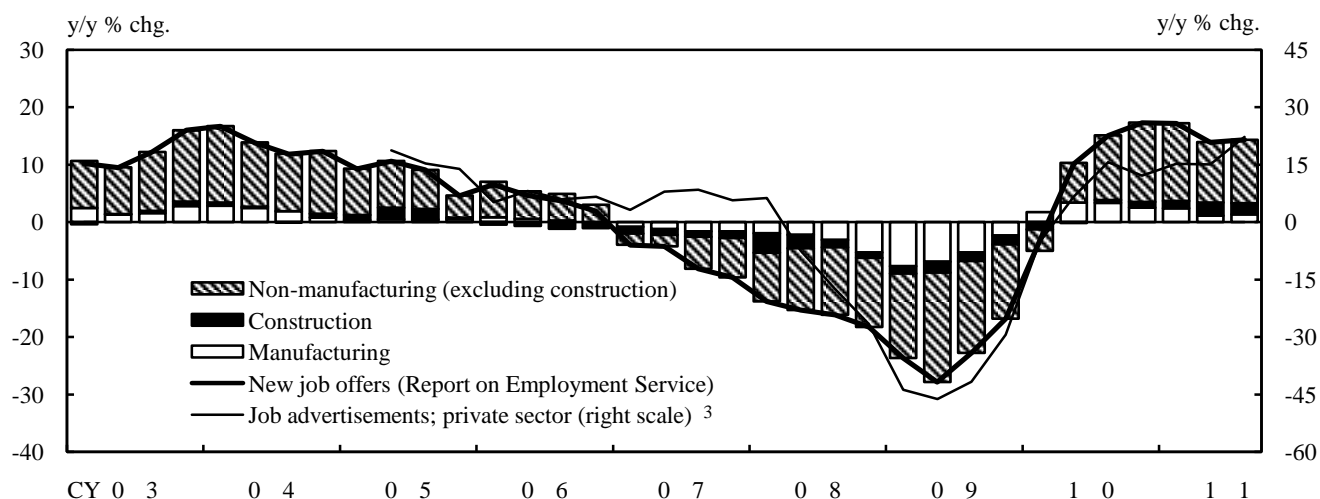


(6) Producer Goods Excluding Electronic Parts and Devices



Labor Market (1)

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

(2) New Job Offers and New Job Applicants²(3) Breakdown of Job Offers²

Notes: 1. Figures from March to August 2011 are based on data which exclude Iwate, Miyagi, and Fukushima prefectures.

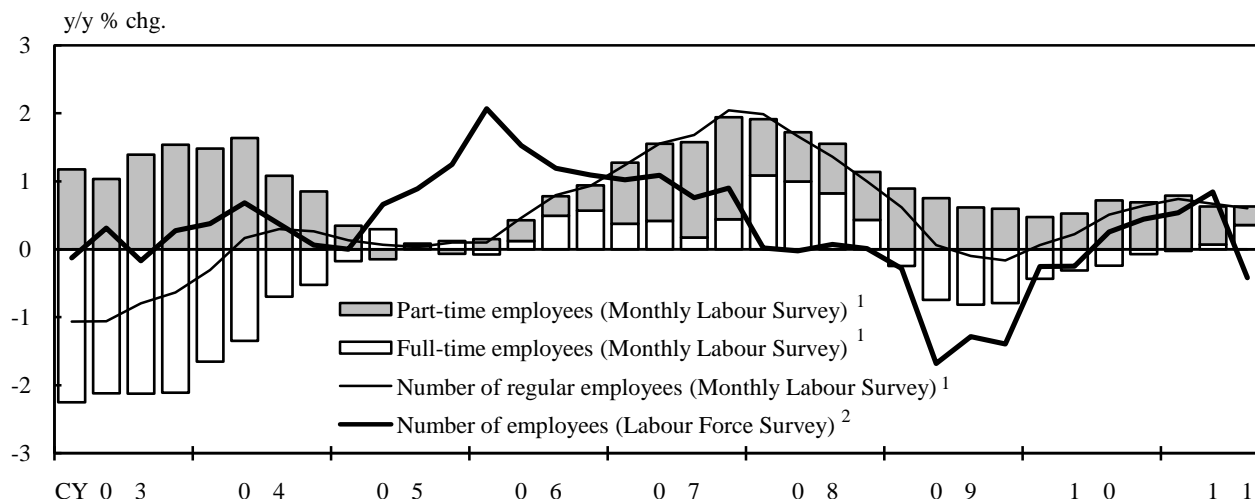
2. Figures do not include jobs offered to new graduates, but include those offered to part-time workers.

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

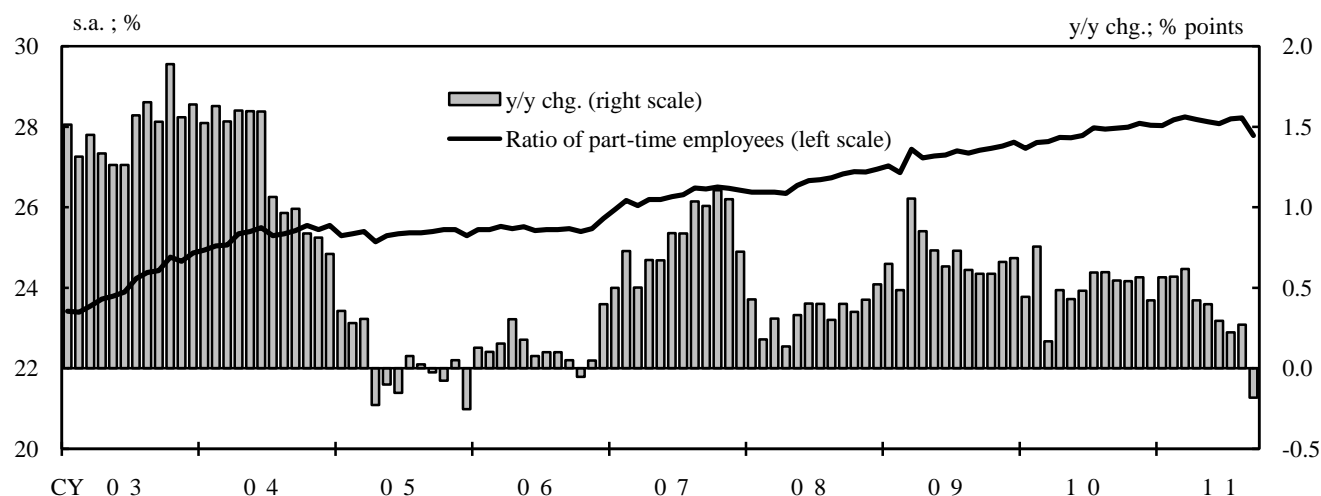
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service";
Ministry of Internal Affairs and Communications, "Labour Force Survey";
Association of Job Information of Japan, "Kyujin Koukoku Keisaikensu (Survey of job advertisements)."

Labor Market (2)

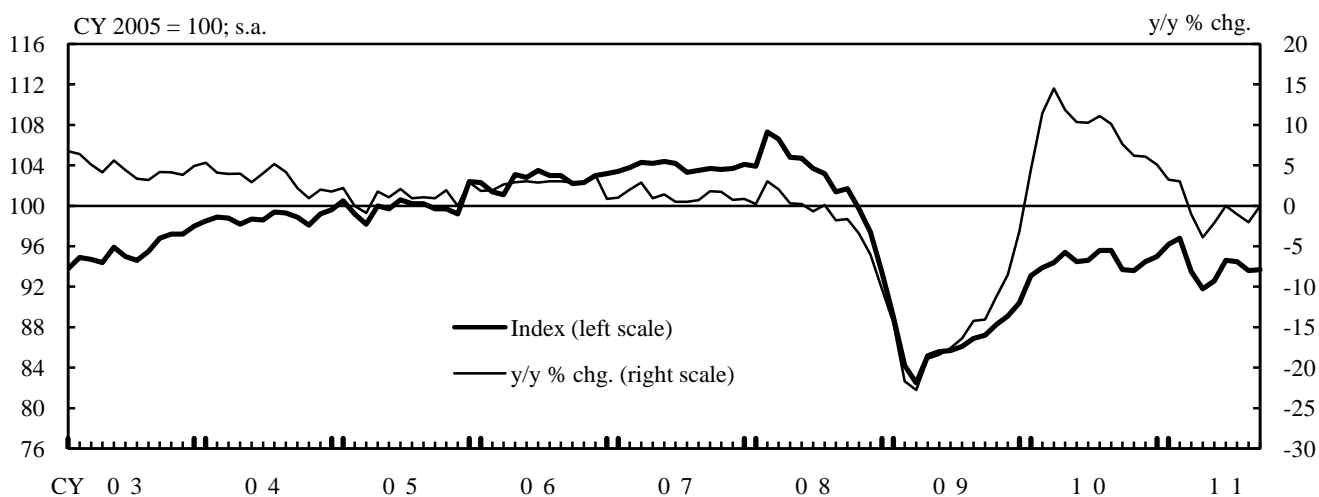
(1) Number of Employees



(2) Ratio of Part-Time Employees^{1,3}



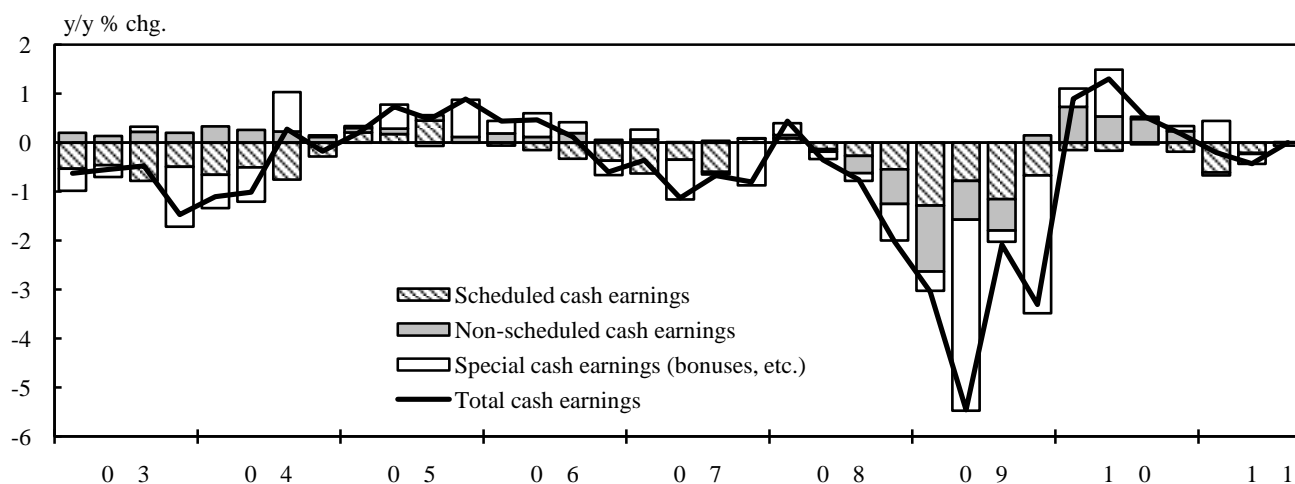
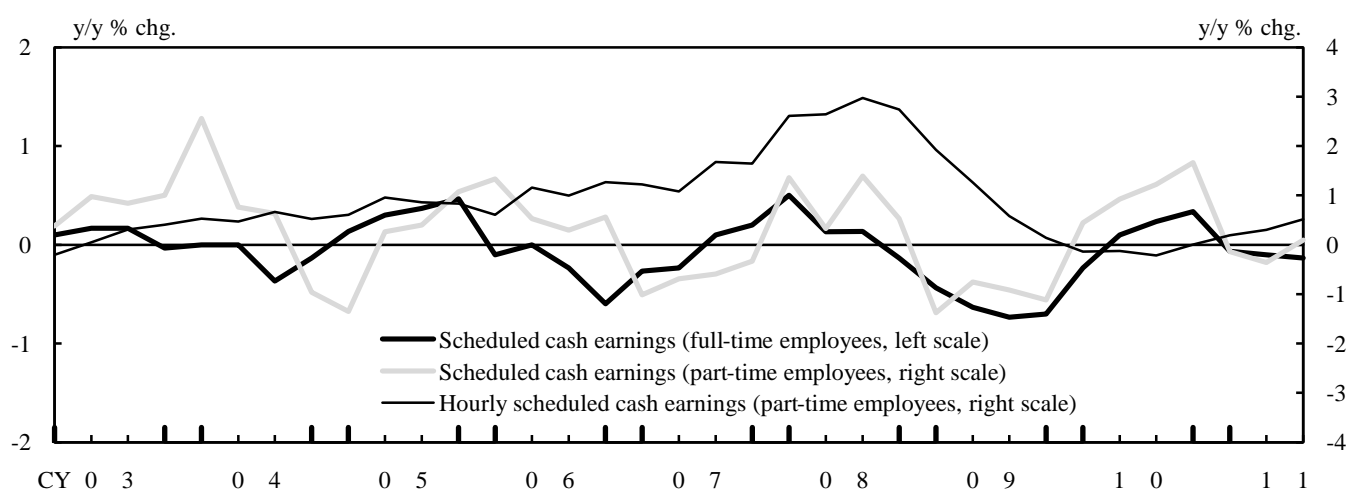
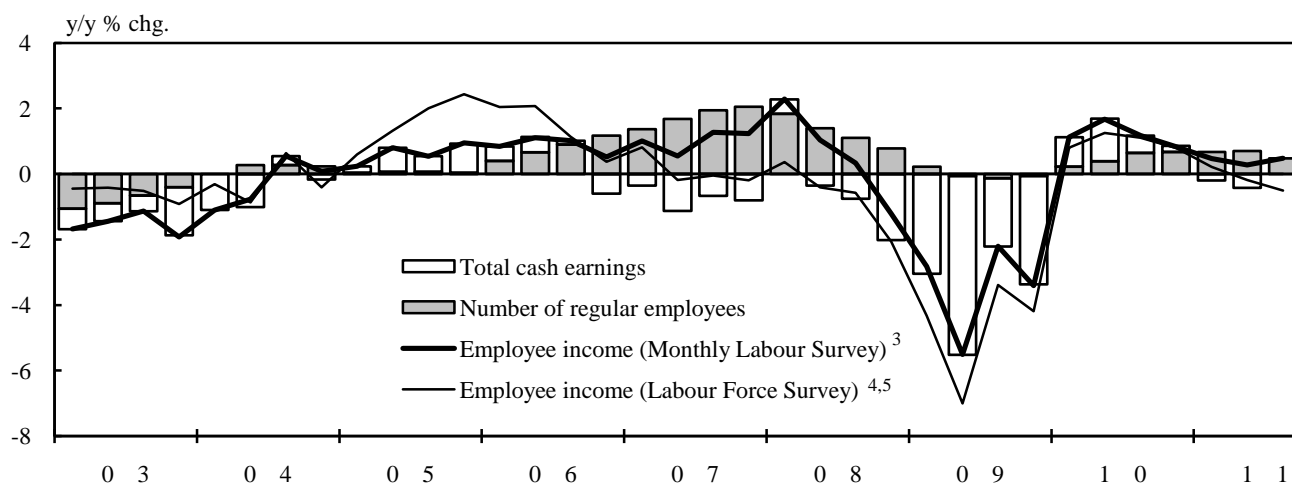
(3) Non Scheduled Hours Worked¹



- Notes: 1. Data are for establishments with at least five employees.
 2. Figures from 2011/Q1 are based on data which exclude Iwate, Miyagi, and Fukushima prefectures.
 3. The ratio of part-time employees is calculated as the number of part-time employees divided by the number of regular employees times 100.

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

Employee Income

(1) Breakdown of Total Cash Earnings^{1,2}(2) Scheduled Cash Earnings¹(3) Breakdown of Employee Income^{1,2}

Notes: 1. Data of the "Monthly Labour Survey" are for establishments with at least five employees.

2. Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.

Figures for 2011/Q3 are those of September.

3. Calculated as the "number of regular employees" (Monthly Labour Survey) times "total cash earnings" (Monthly Labour Survey).

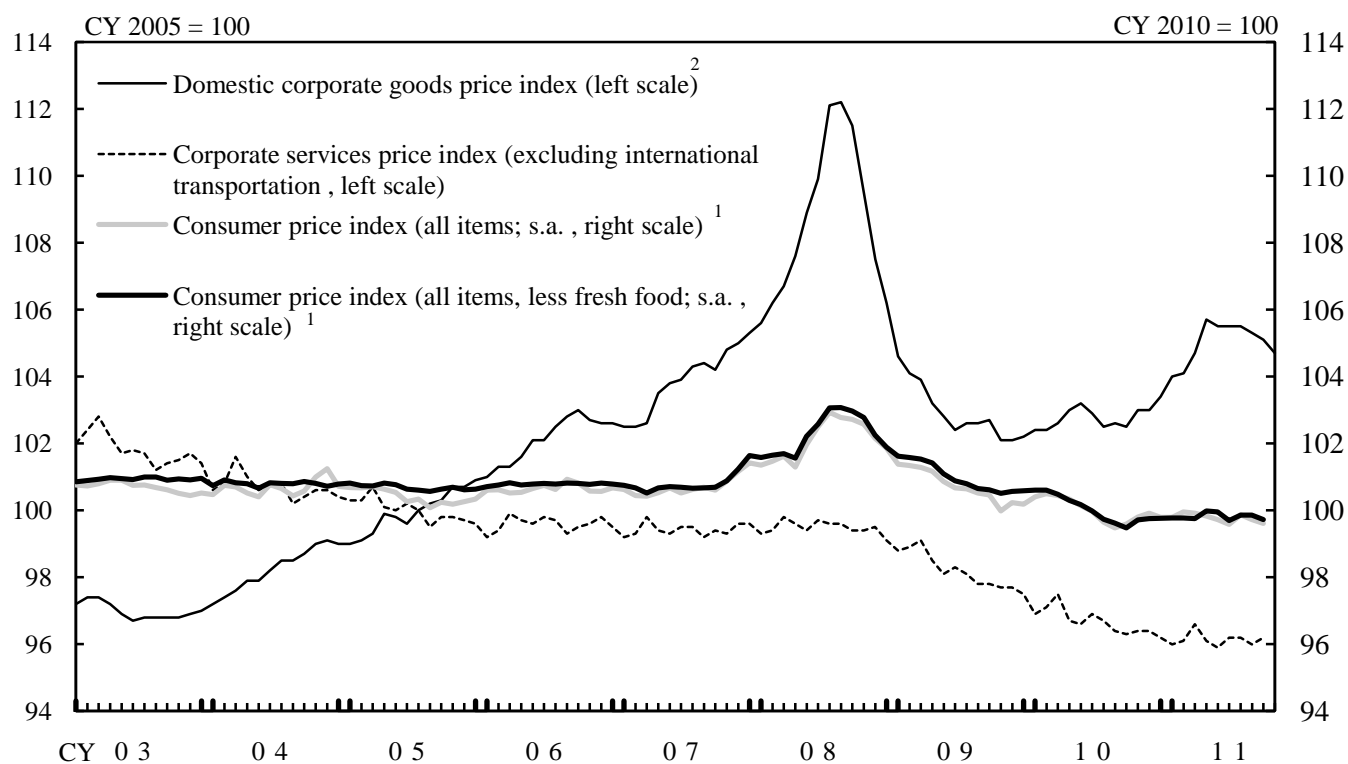
4. Calculated as the "number of employees" (Labour Force Survey) times "total cash earnings" (Monthly Labour Survey).

5. The "number of employees" (Labour Force Survey) used for calculating figures from 2011/Q1 to 2011/Q2 excludes Iwate, Miyagi, and Fukushima prefectures.

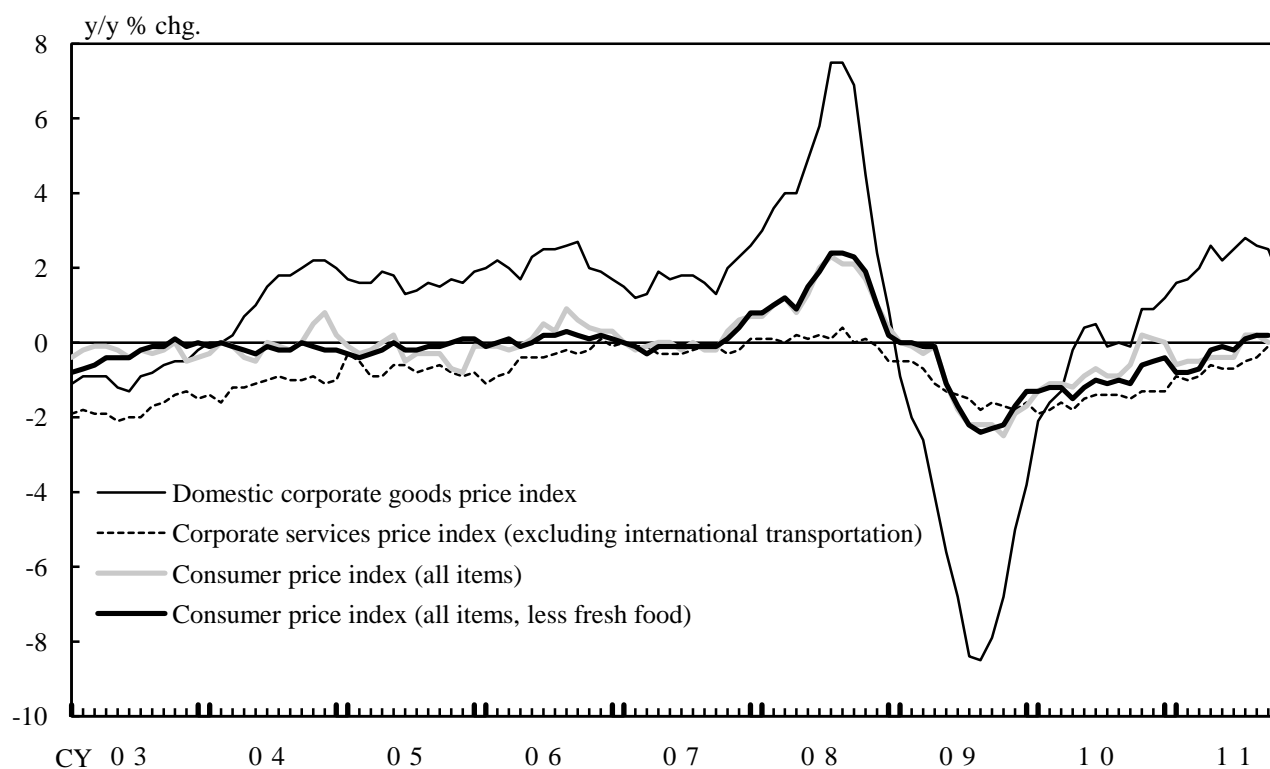
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
Ministry of Internal Affairs and Communications, "Labour Force Survey."

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.

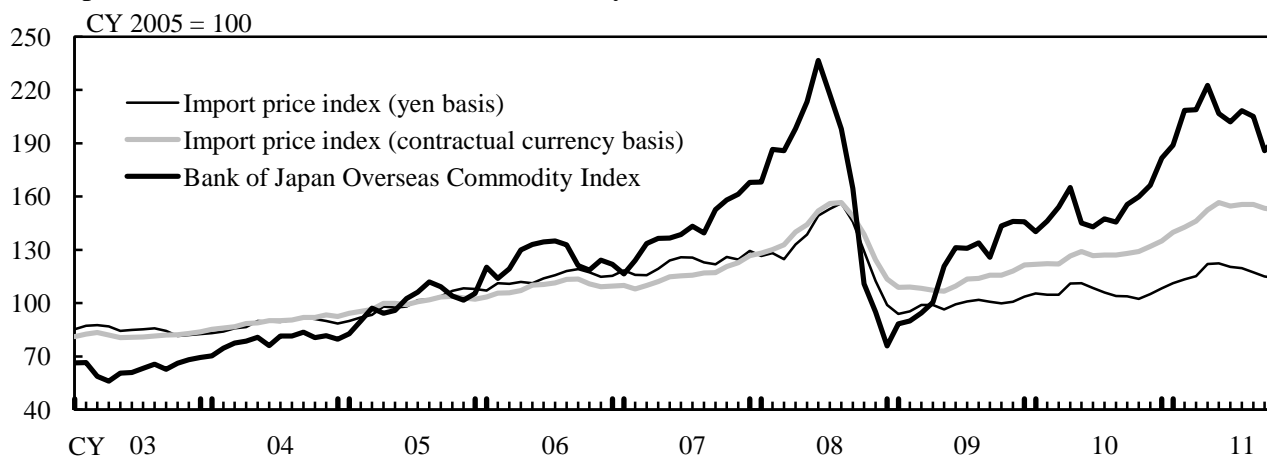
3. The levels of "Consumer Price Index" up to 2009 are based on the linked indices.

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

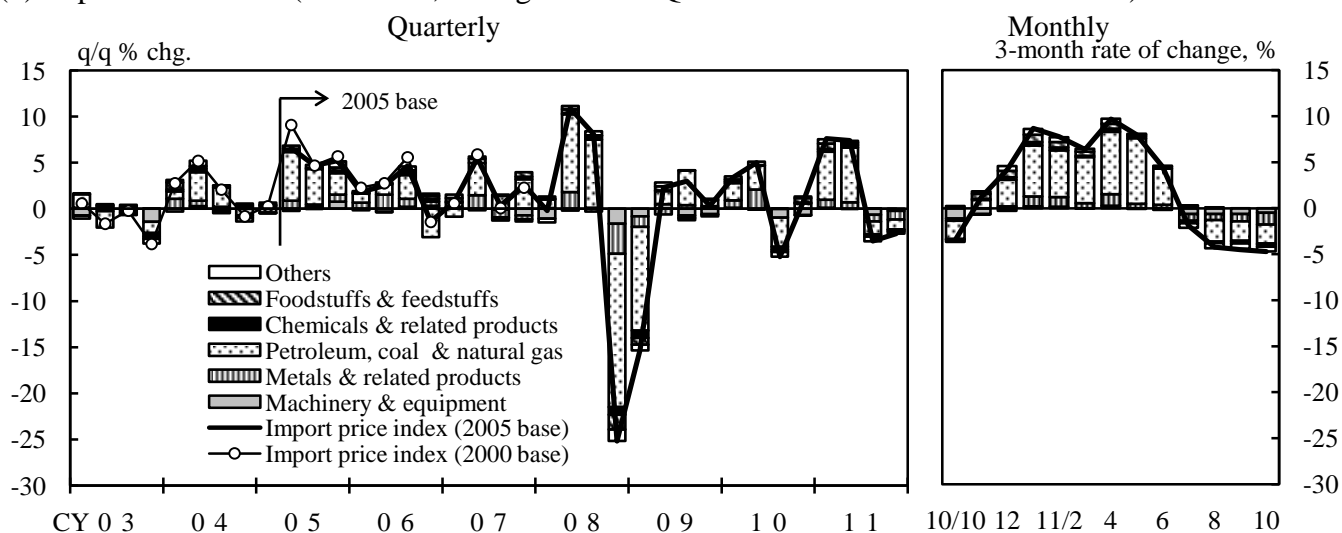
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index."

Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



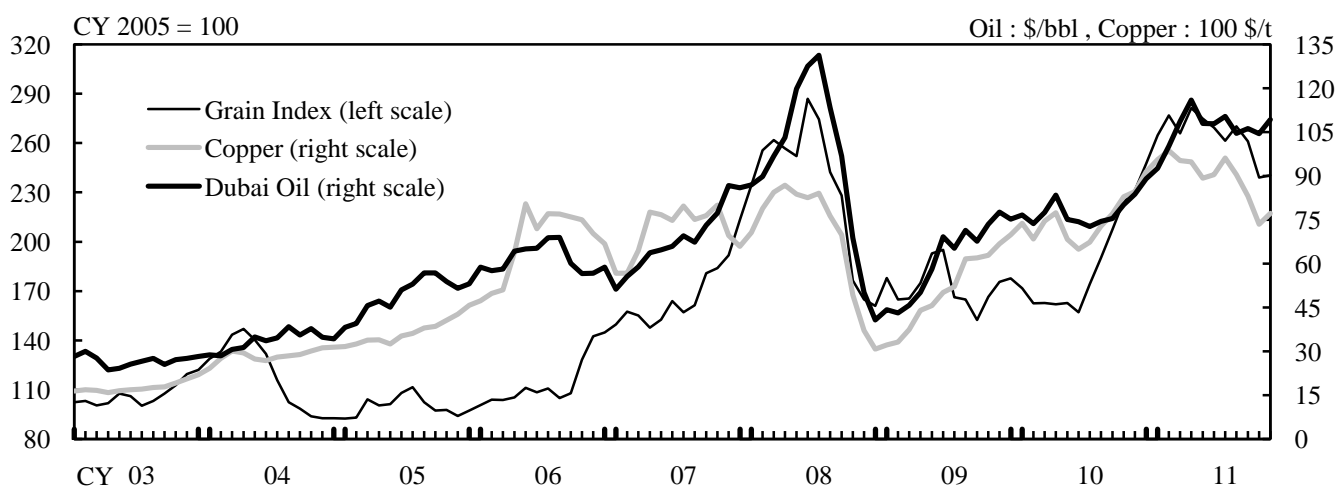
(2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



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

2. Figures for 2011/Q4 are those of October. Figures for 2007/Q4 on the 2000 base are those of October.

(3) International Commodity Prices



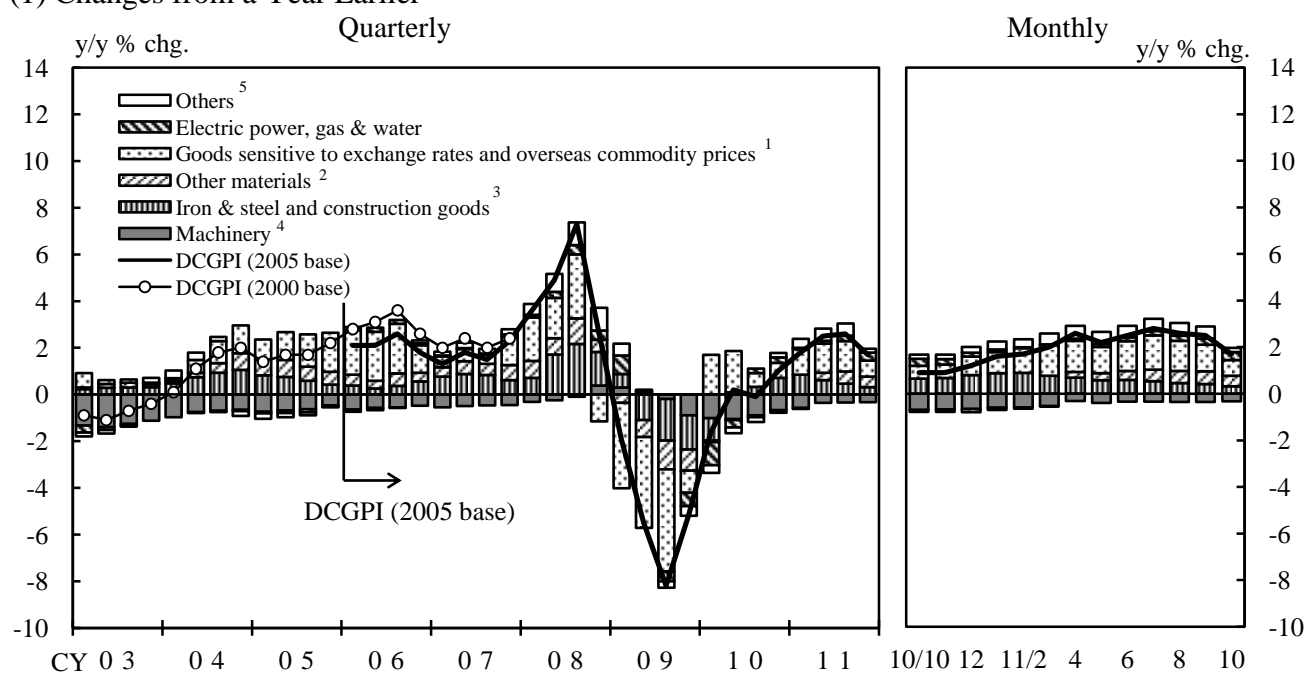
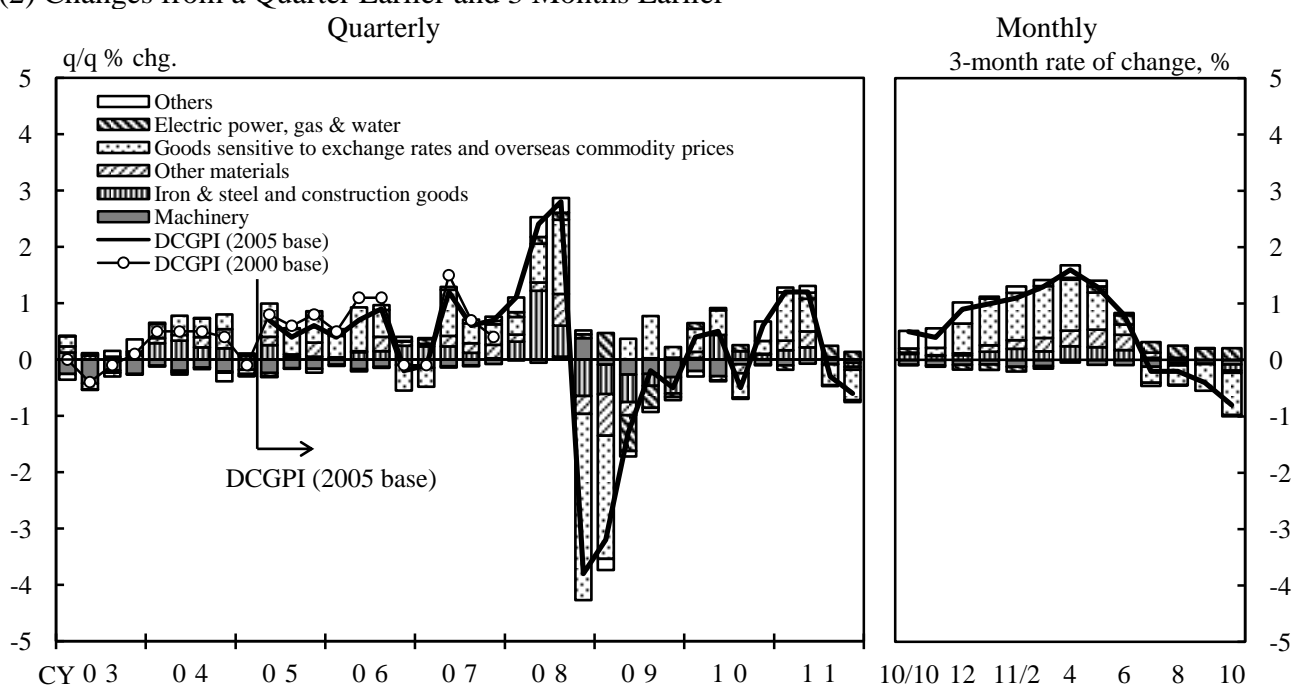
Notes: 1. The "grain index" is the weighted average of prices of three selected items (wheat, soybeans, and corn) in overseas commodity markets. The weights are based on the value of imports in the "Trade Statistics."

2. Monthly averages. Figures for November 2011 are averages up to November 15.

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

Domestic Corporate Goods Price Index⁷

(1) Changes from a Year Earlier

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

Notes: 1. Goods sensitive to exchange rates and overseas commodity prices: petroleum & coal products 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, ceramics, stone & clay products, lumber & wood products, and scrap & waste.

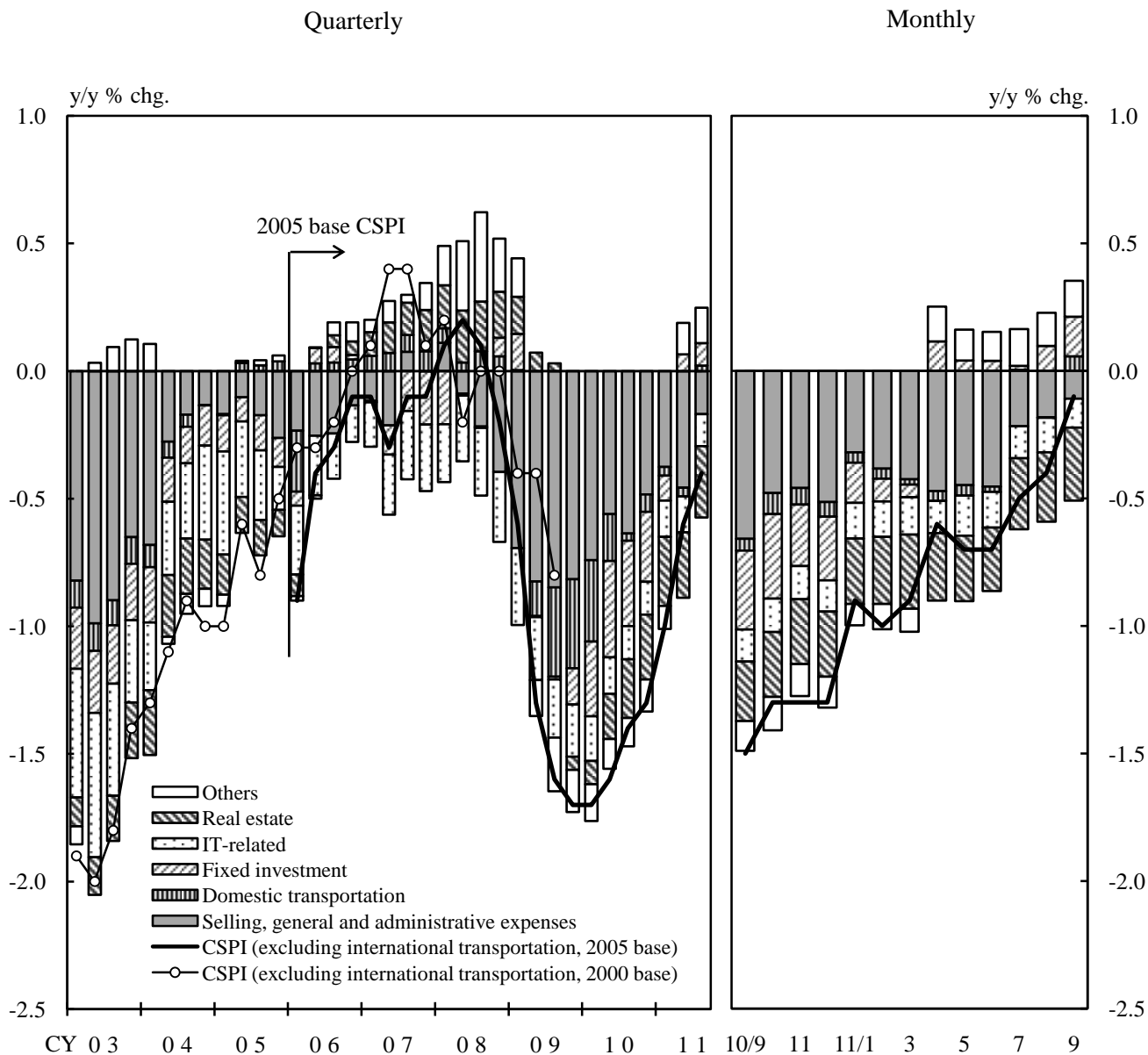
4. Machinery: electrical machinery & equipment, information & communications equipment, electronic components & devices, general machinery & equipment, transportation equipment, and precision instruments.

5. Others: processed foodstuffs, 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%.

7. Figures for 2011/Q4 are those of October. Figures for 2007/Q4 on the 2000 base are those of October.

Corporate Services Price Index

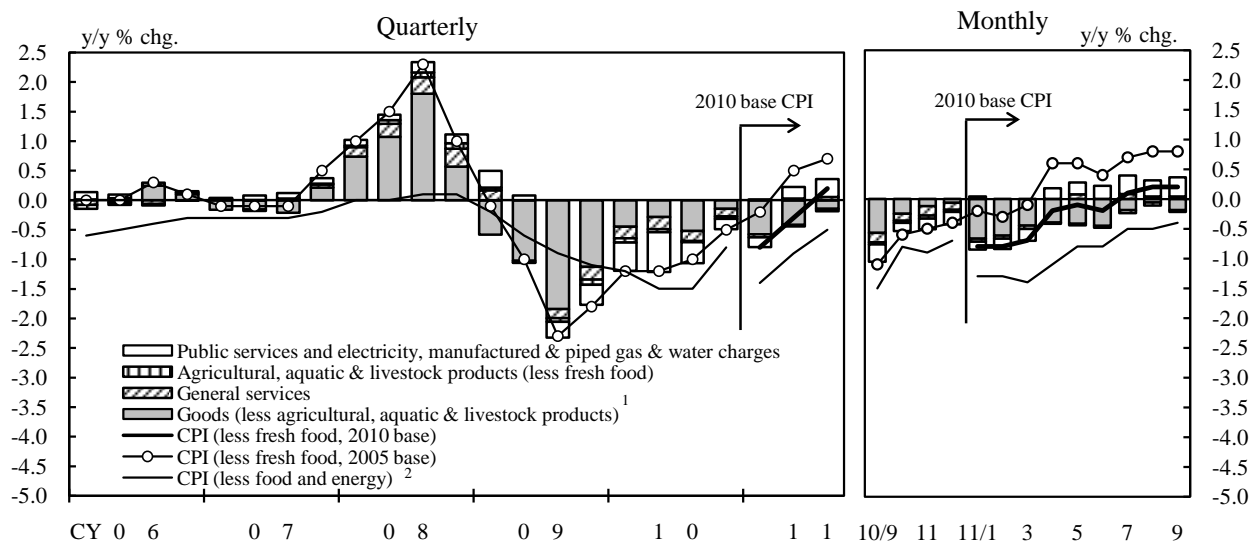


- Notes: 1. Selling, general and administrative expenses: information and communications (excluding newspapers and publishing), advertising services, other services (excluding plant engineering, and civil engineering and architectural services).
 2. Domestic transportation: transportation (excluding 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 2009/Q3 on the 2000 base are July-August averages.

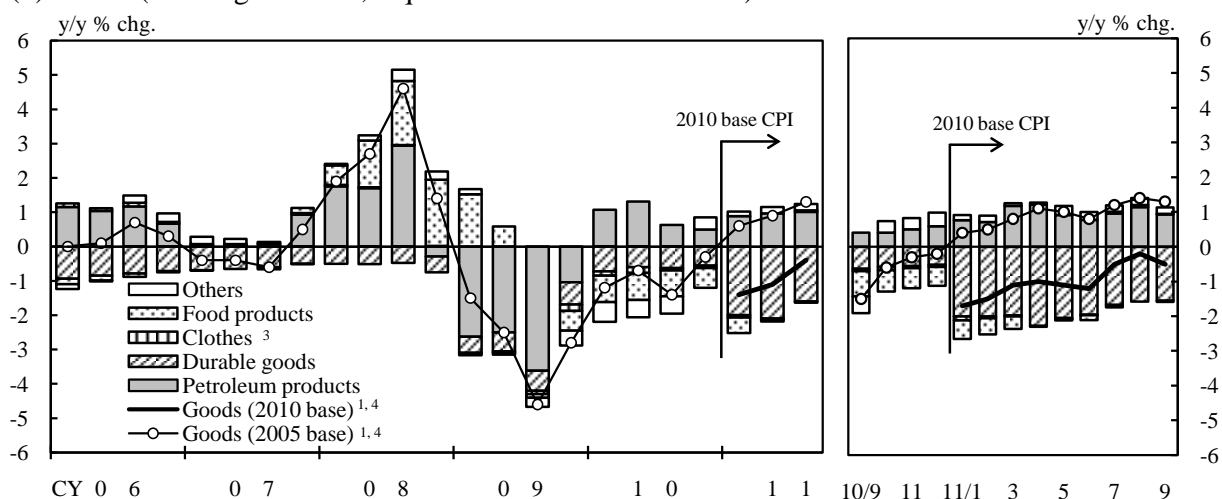
Source: Bank of Japan, "Corporate Services Price Index."

Consumer Price Index (Less Fresh Food)

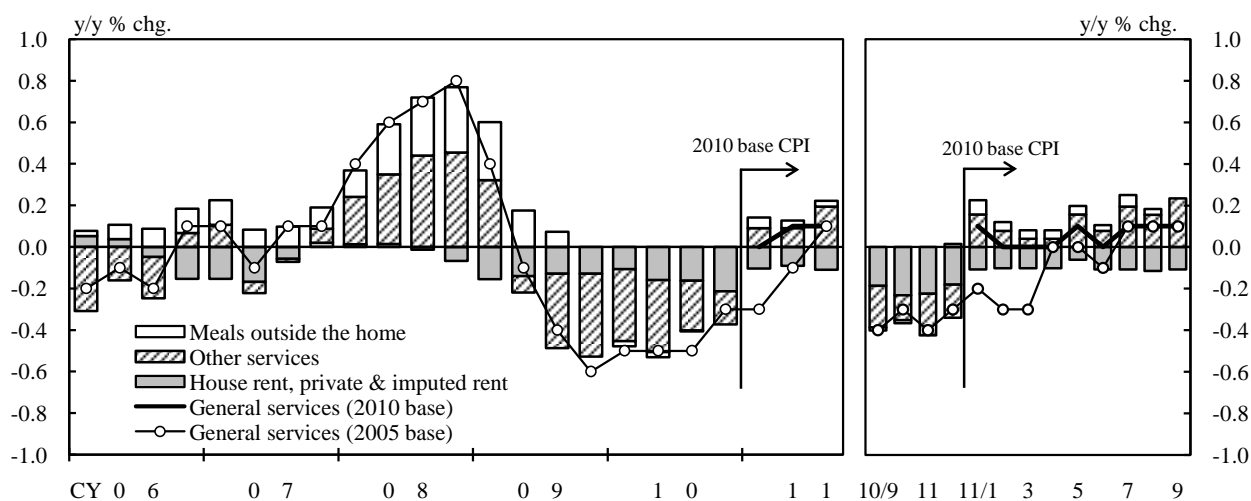
(1) Consumer Price Index (Less Fresh Food)



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



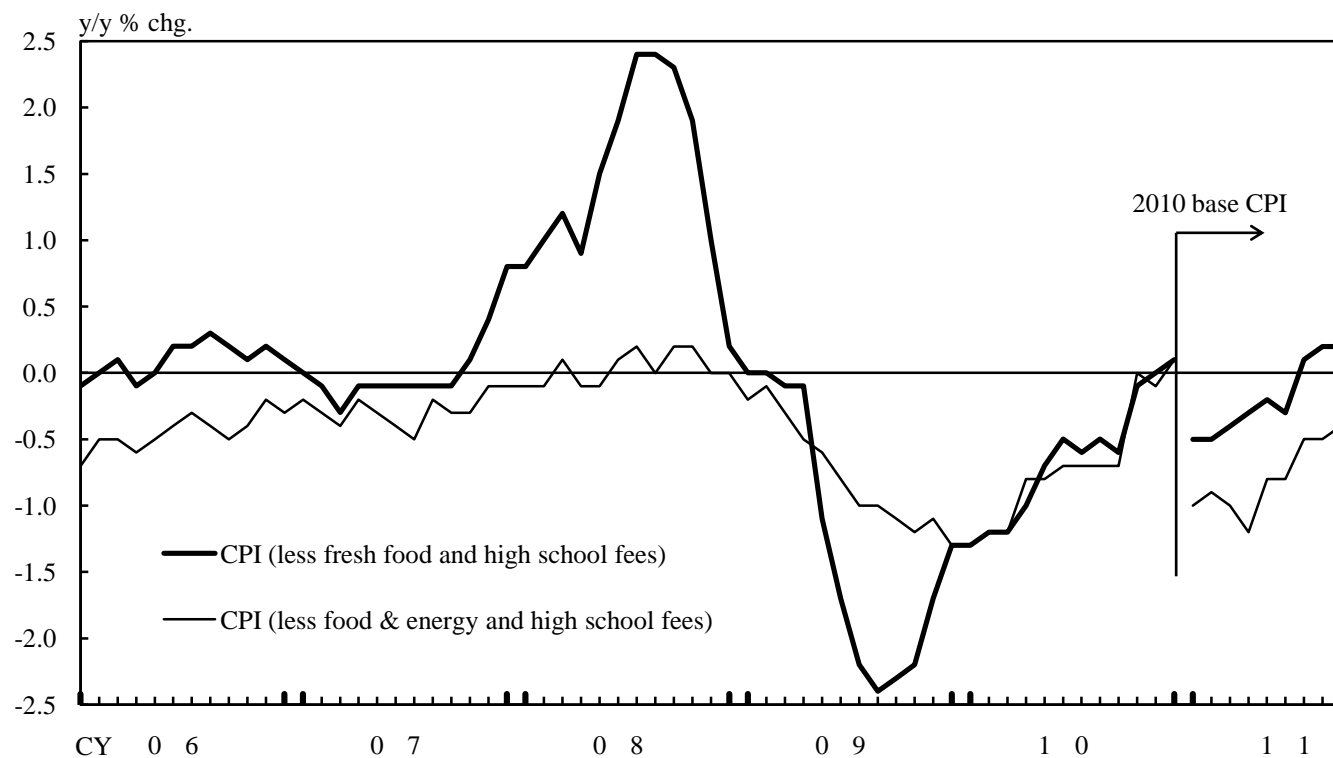
(3) General Services



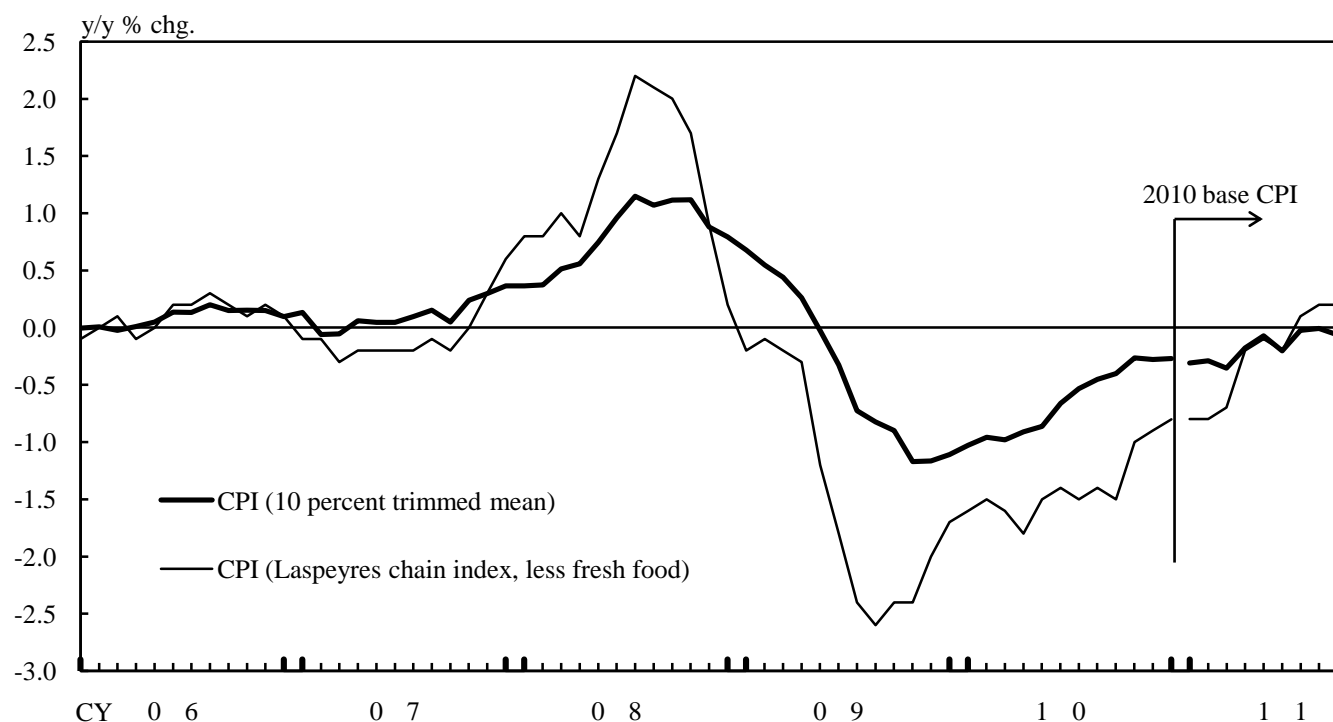
- Notes: 1. The items are basically the same as those defined by the Ministry of Internal Affairs and Communications. However, electricity, manufactured & piped gas & water charges are excluded from goods.
 2. Alcoholic beverages are excluded from food. Energy: electricity, gas manufactured & piped, 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.

Trend Changes in Consumer Prices

(1) CPI Less High School Fees



(2) Trimmed Mean and Laspeyres Chain Index



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

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

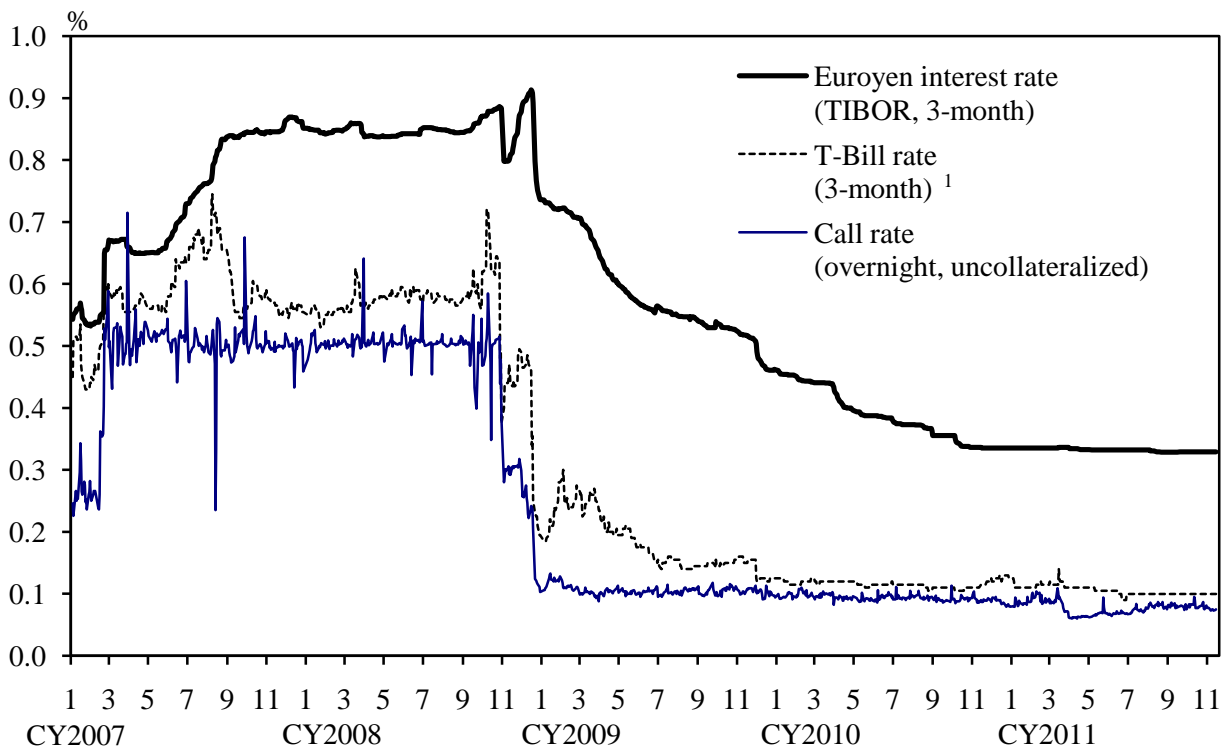
3. Figures for the 10 percent trimmed mean are weighted averages of items; these items are obtained by rearranging year-on-year rates of price change in ascending order and then excluding items in both the upper and lower 10 percent tails by weight.

4. Figures of the Laspeyres chain index for 2006 and 2011 are the year-on-year rates of the fixed-base method.

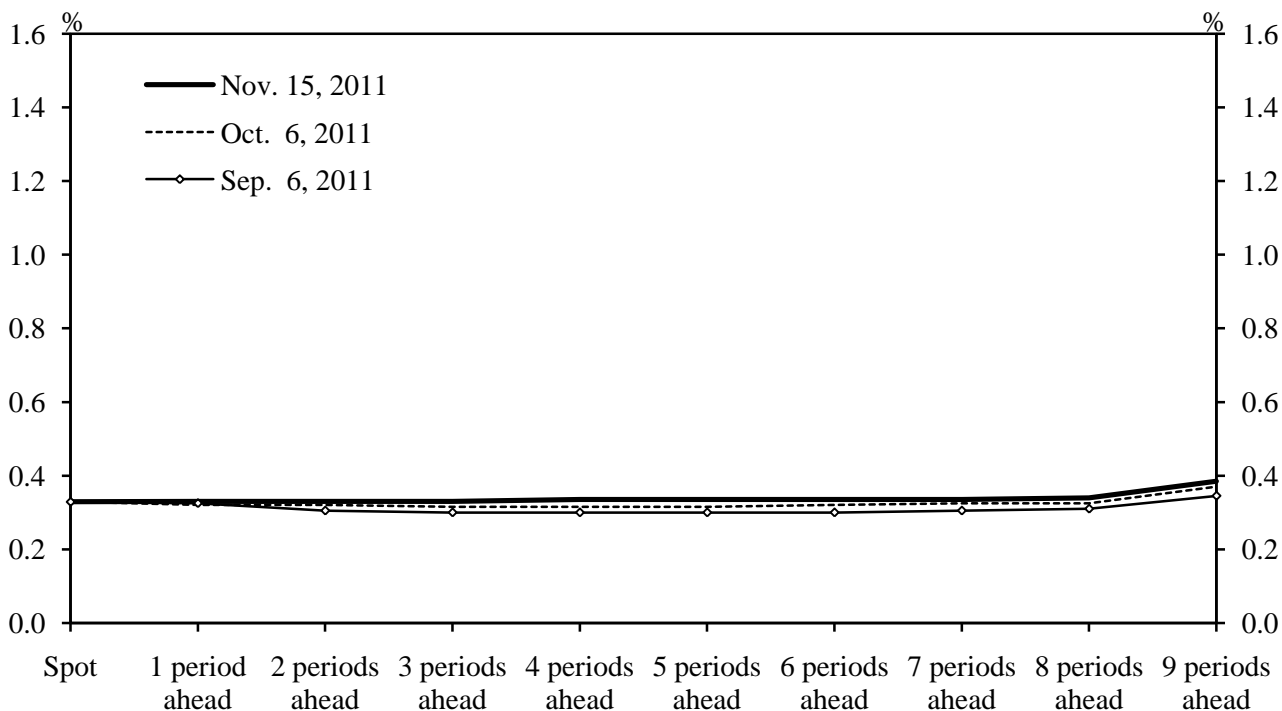
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Short-Term Interest Rates

(1) Short-Term Interest Rates



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



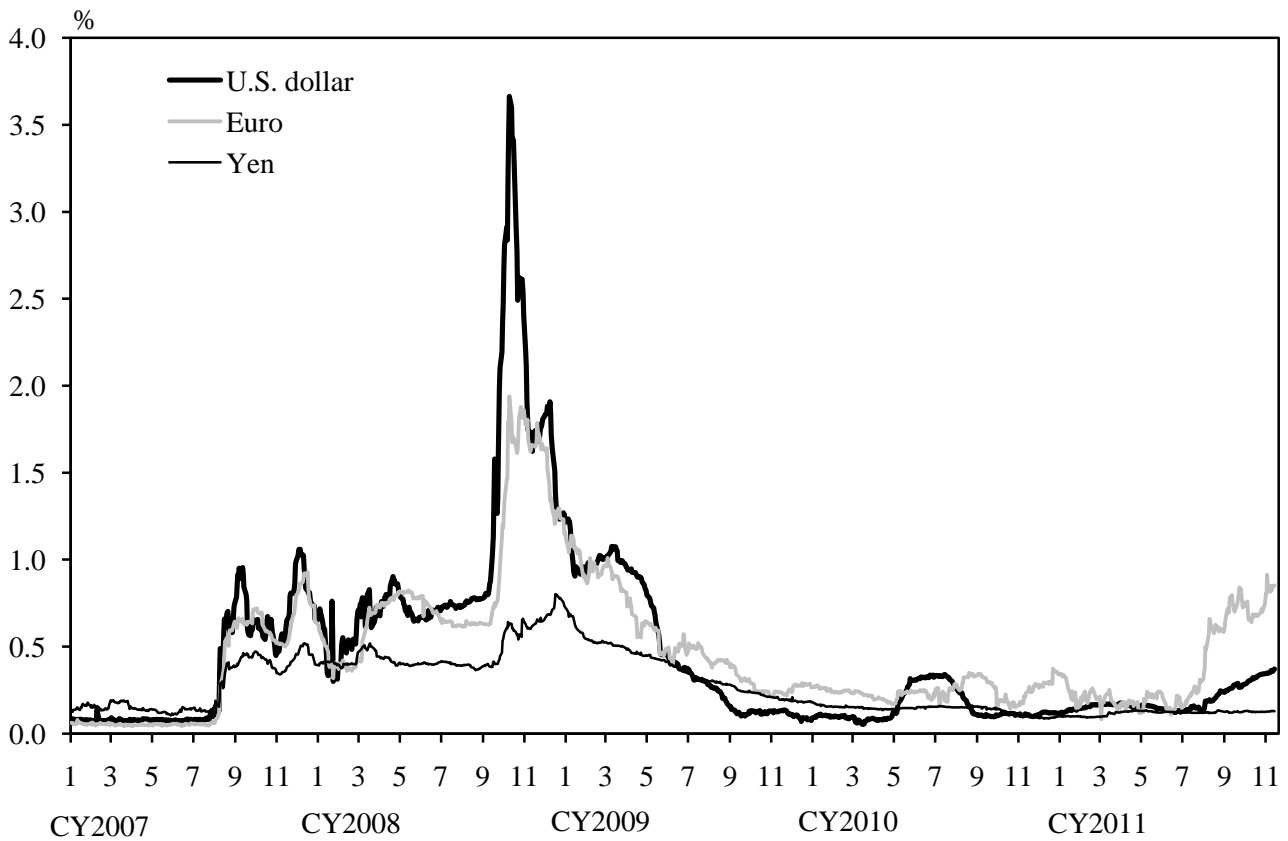
Notes: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.

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

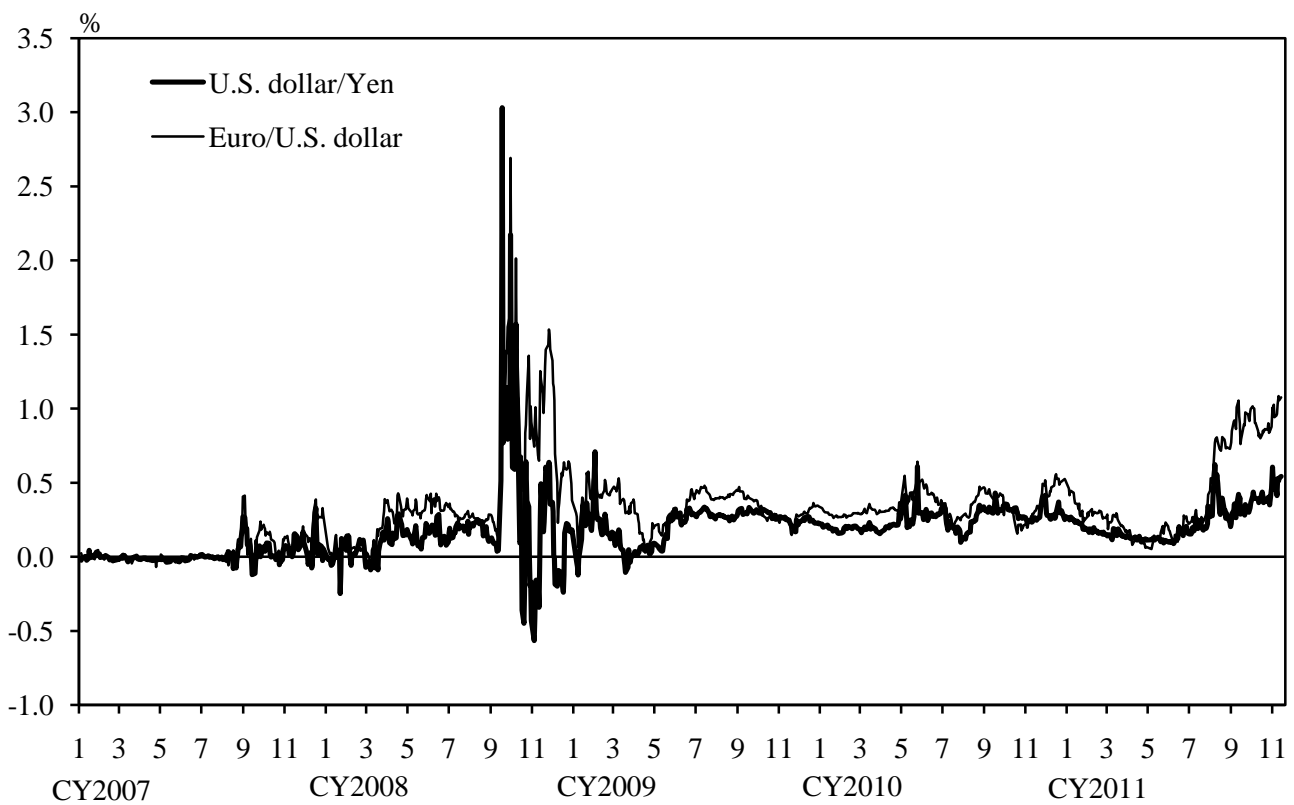
Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.; Tokyo Financial Exchange; Bank of Japan.

Global Money Markets

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



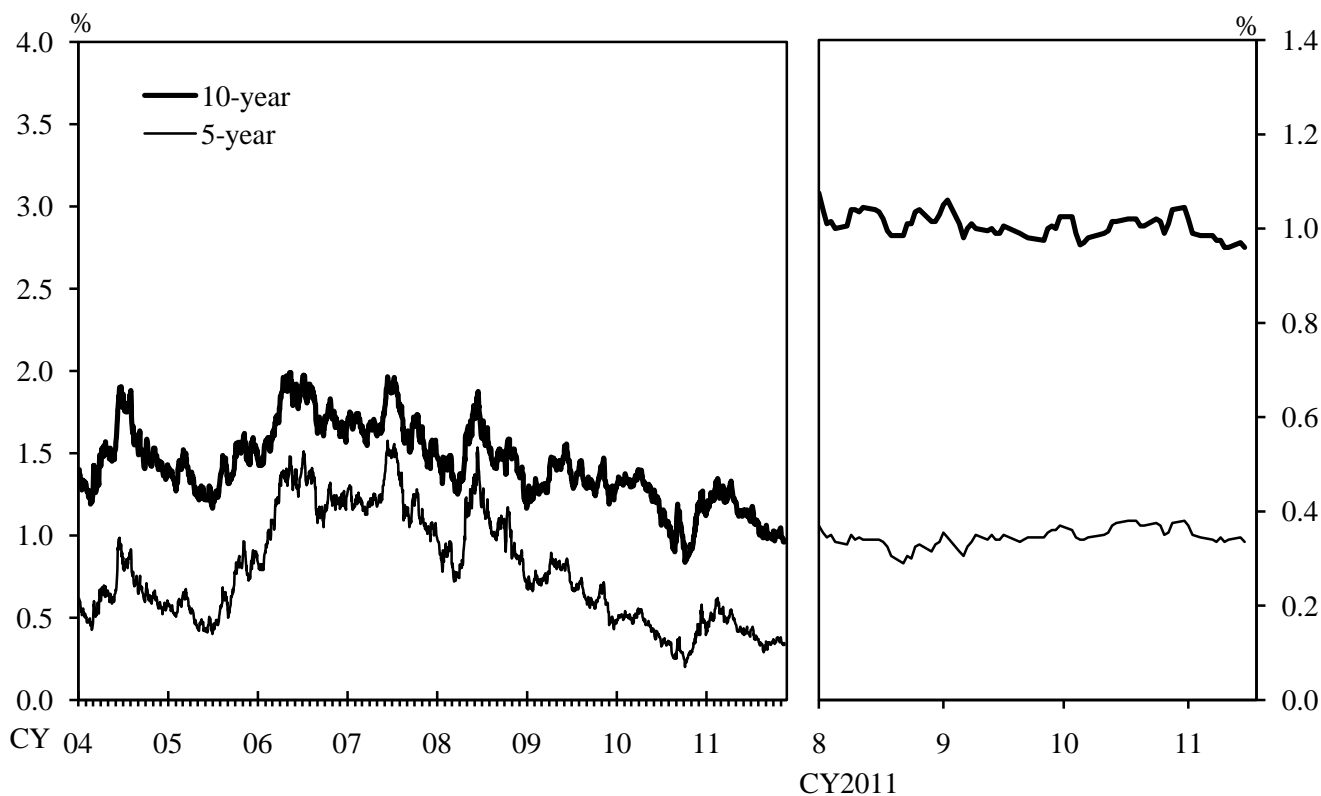
(2) FX swap implied dollar rate - LIBOR spreads (3-Month)



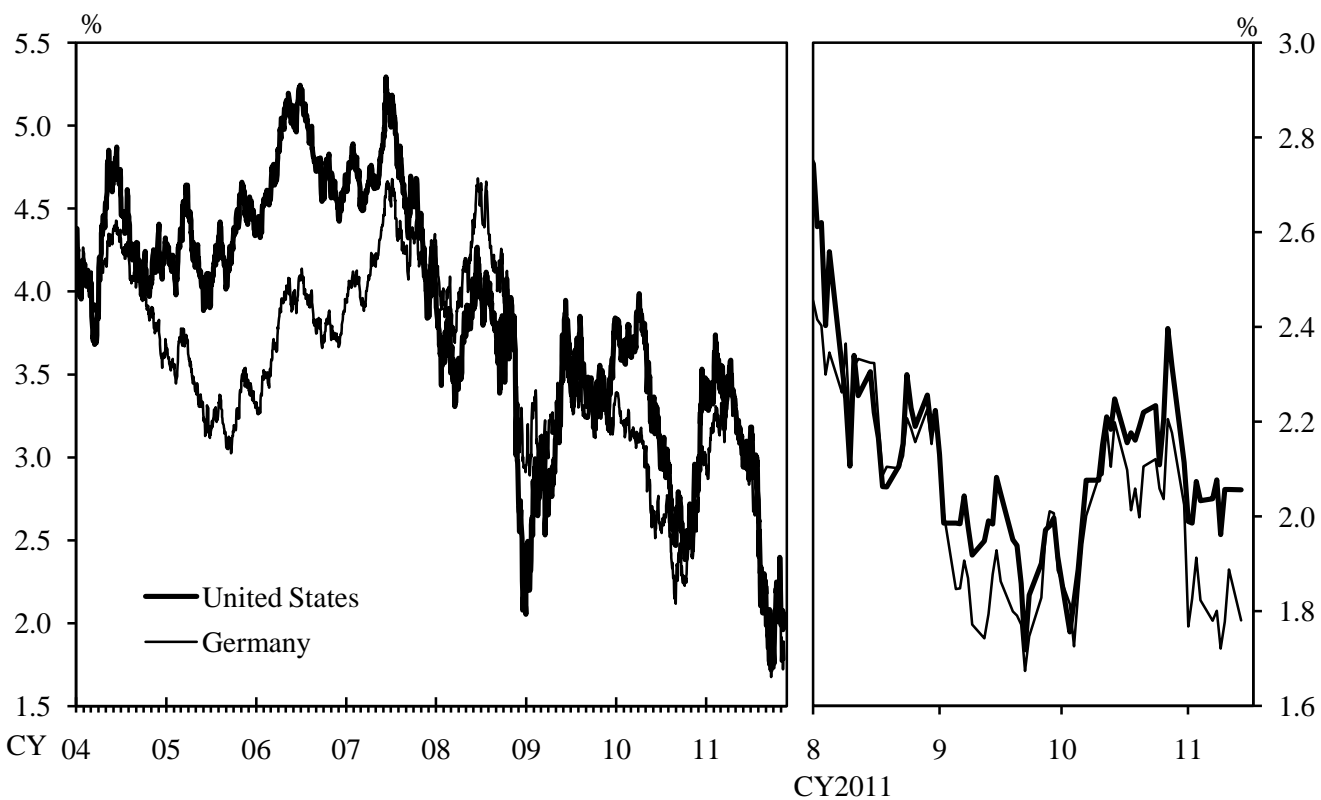
Source: Bloomberg.

Long-Term Interest Rates

(1) Japanese Government Bond Yields¹



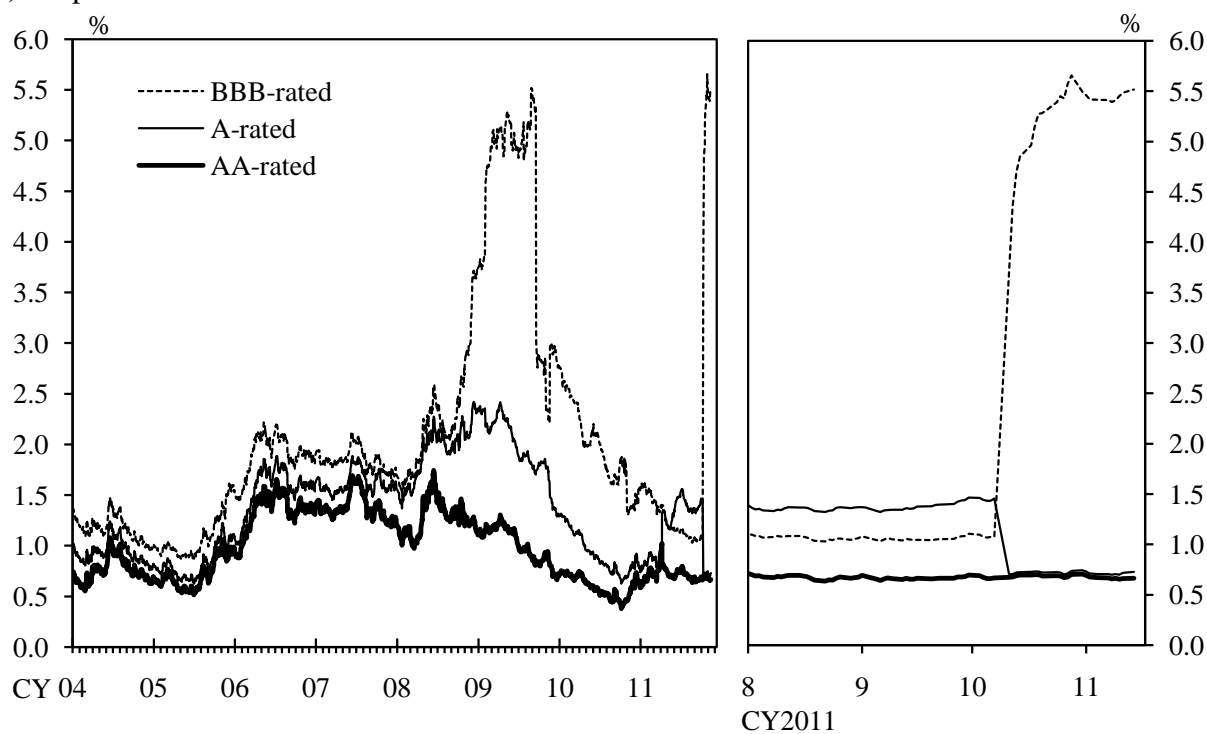
(2) Overseas Government Bond Yields (10-Year)



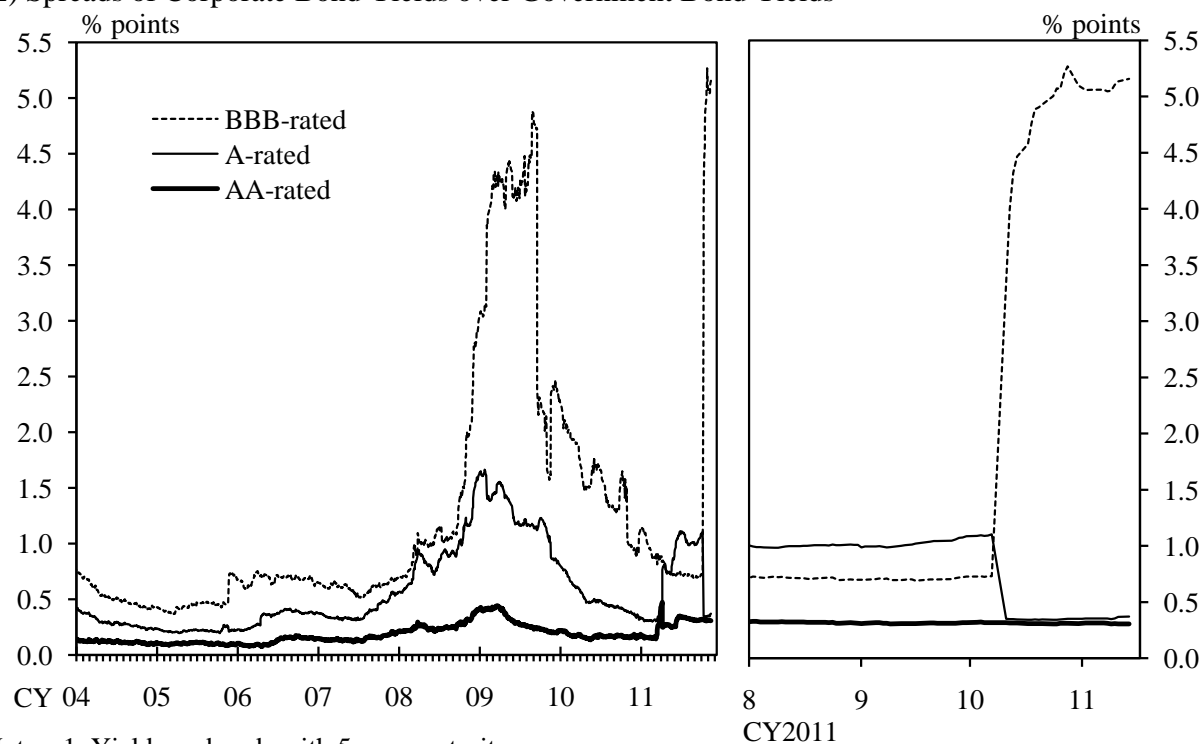
Note: 1. Yields on newly issued bonds.
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

Yields of Corporate Bonds

(1) Corporate Bond Yields^{1,2,3}



(2) Spreads of Corporate Bond Yields over Government Bond Yields^{1,2,3}



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.

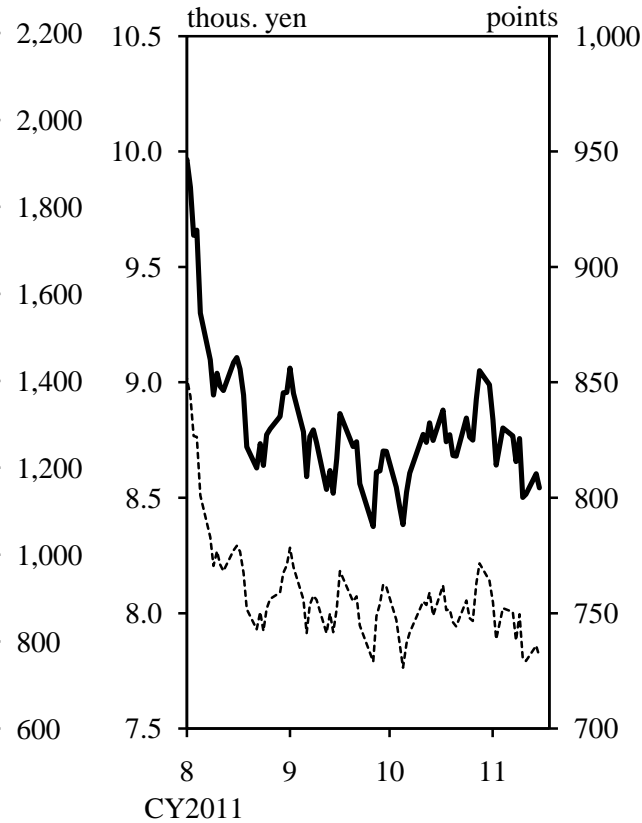
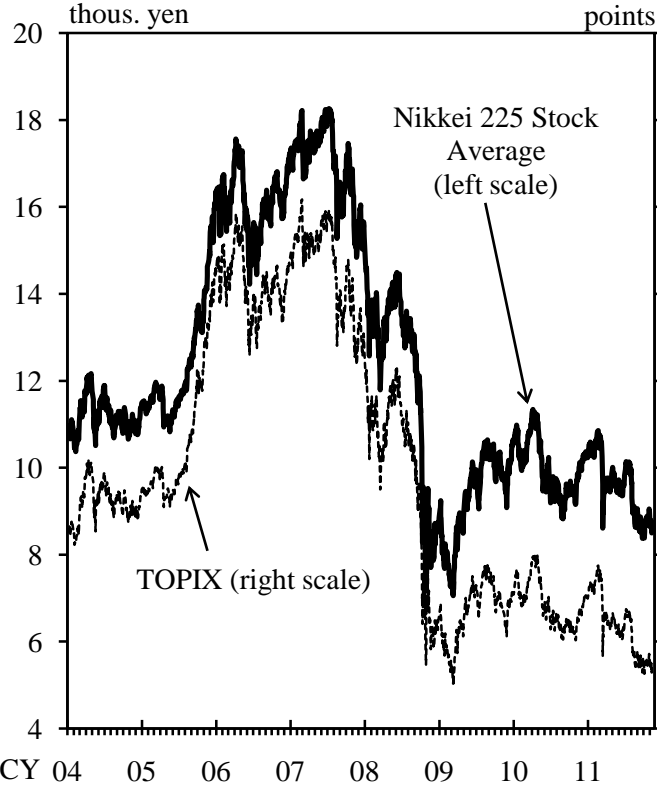
2. The indicated ratings are of Rating and Investment Information, Inc.

3. Shifts in A and BBB-rated spreads in October 2011 are due to rating changes of some electric company bonds.

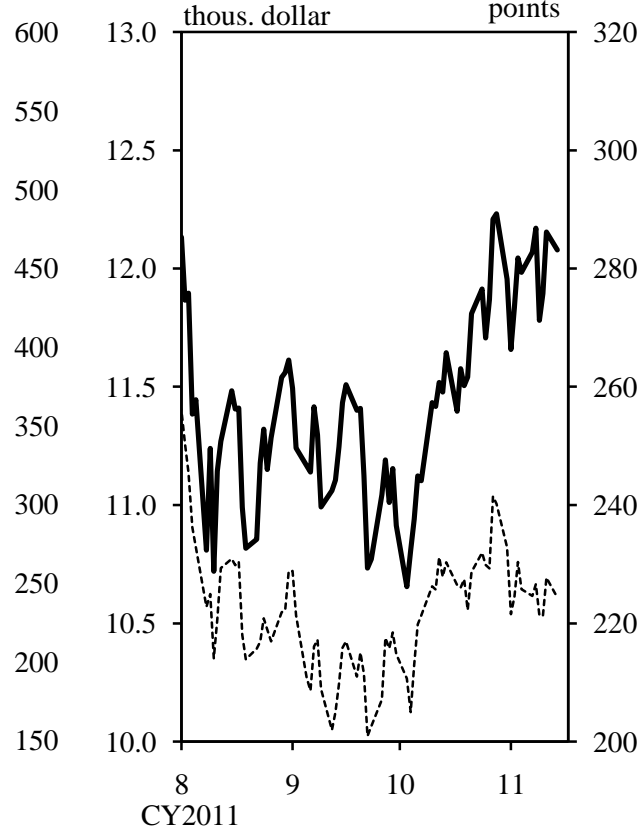
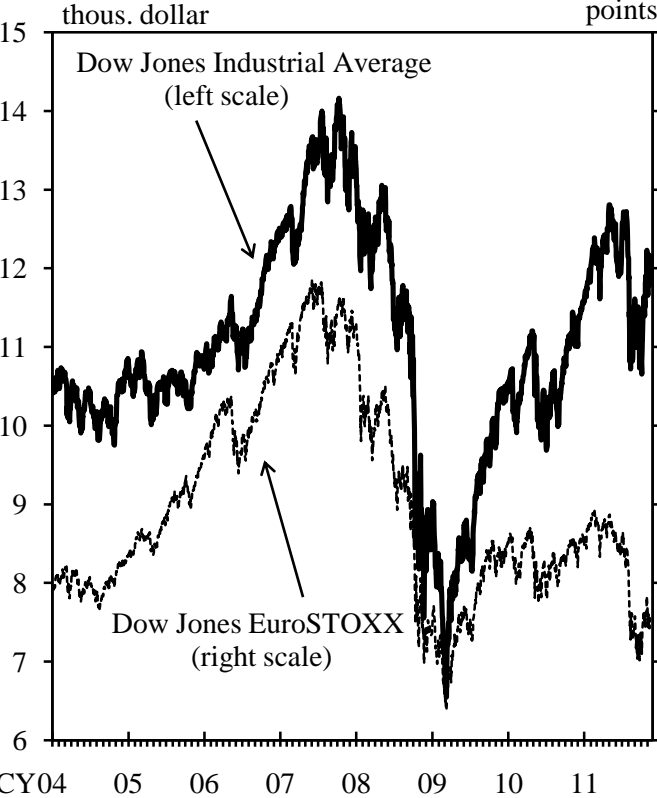
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Japanese Stock Prices



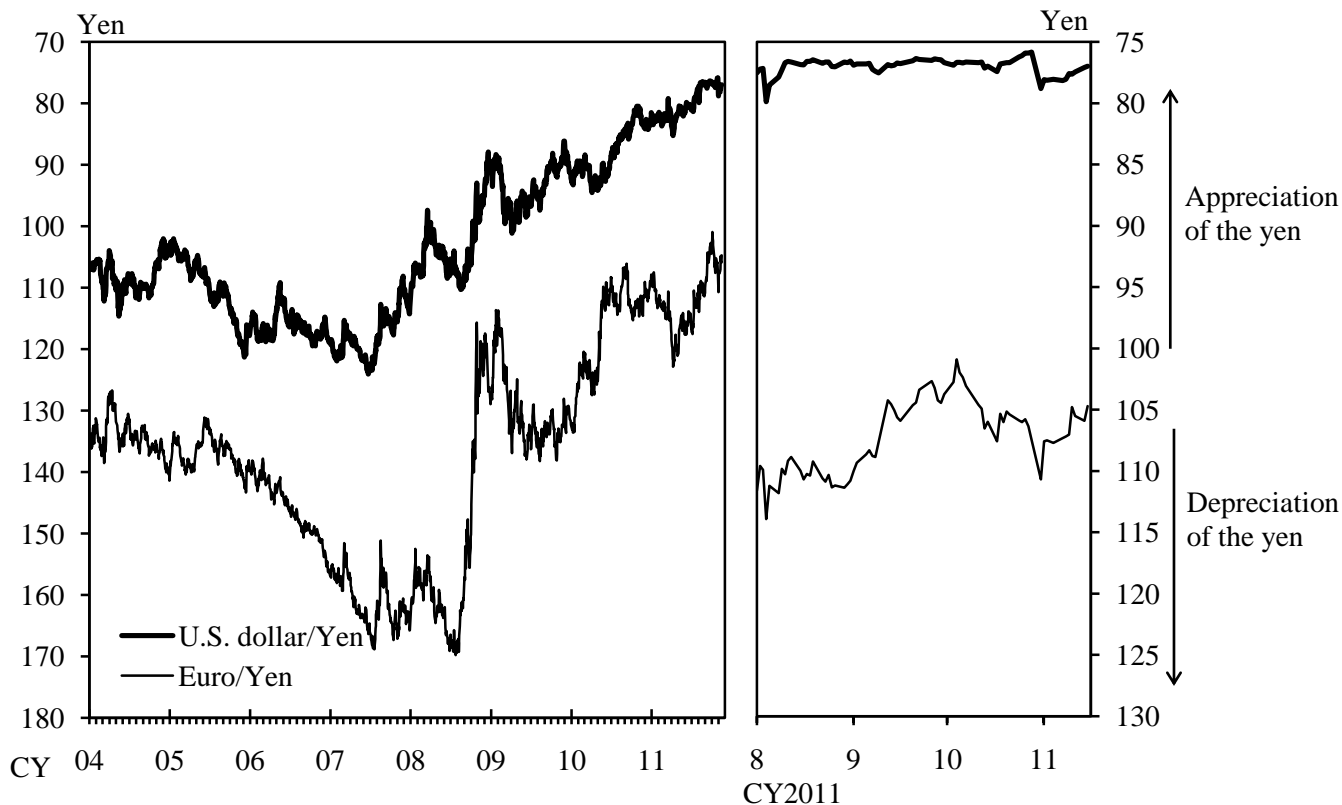
(2) Overseas Stock Prices



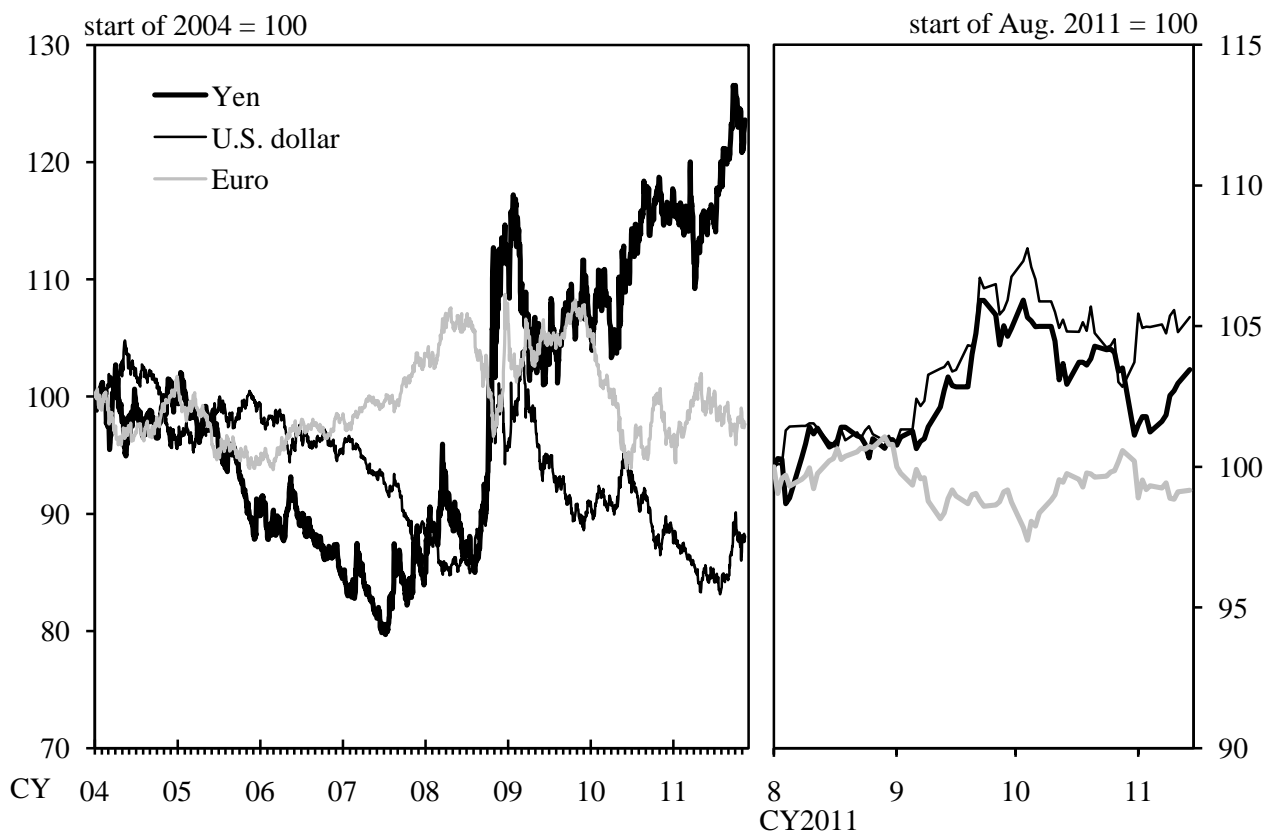
Sources: The *Nihon Keizai Shimbun* ; Tokyo Stock Exchange; Bloomberg.

Exchange Rates

(1) Bilateral Exchange Rates



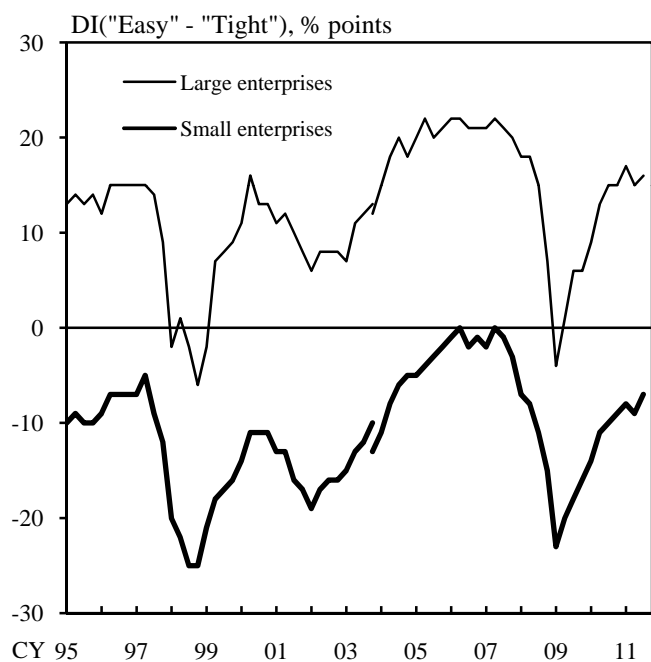
(2) Nominal Effective Exchange Rates



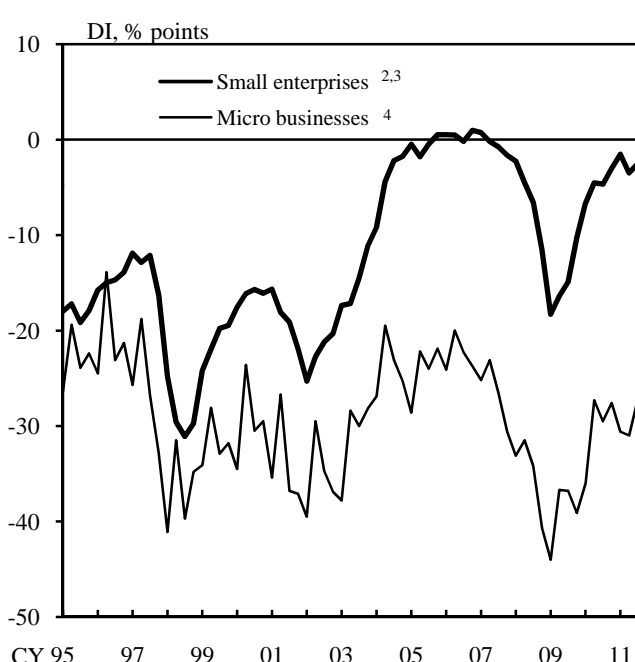
Sources: Bank of Japan; European Central Bank; Bloomberg.

Corporate Finance-Related Indicators

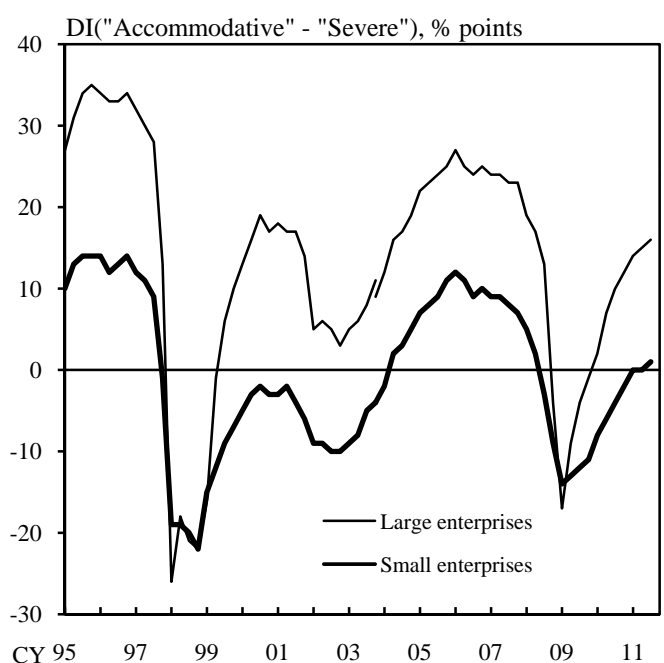
(1) Financial Position

<Tankan¹>

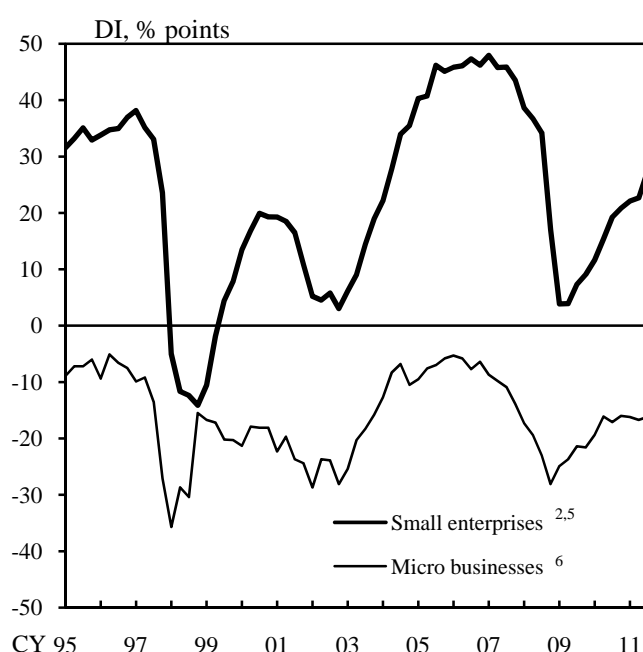
<Japan Finance Corporation Survey>



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

<Tankan¹>

<Japan Finance Corporation Survey>



Notes: 1. Data of the *Tankan* are based on all industries. The *Tankan* has been revised from the March 2004 survey.

Figures up to the December 2003 survey are based on the previous data sets. Figures from the December 2003 survey are on a new basis.

2. Figures are quarterly averages of monthly data. Figures for 2011/Q4 are those of October.

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

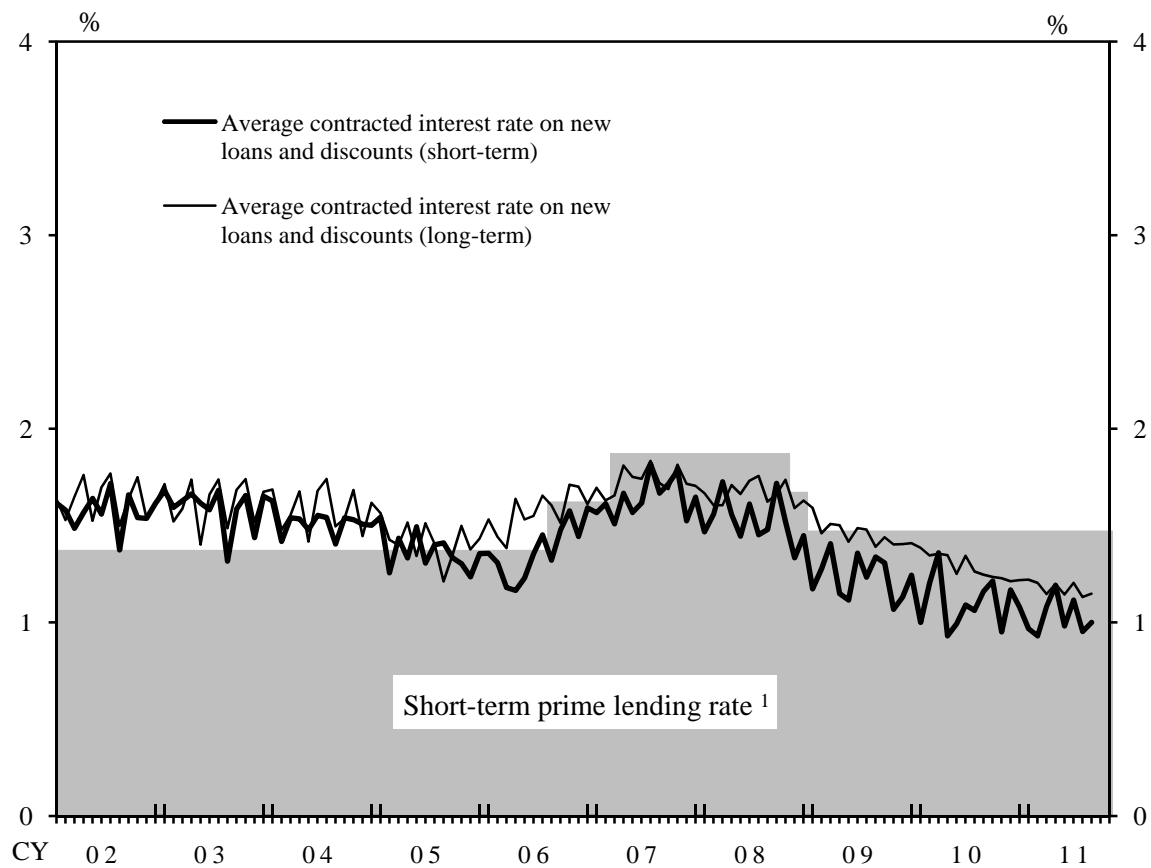
4. DI of "Easier" - "Tighter."

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

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

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

Lending Rates

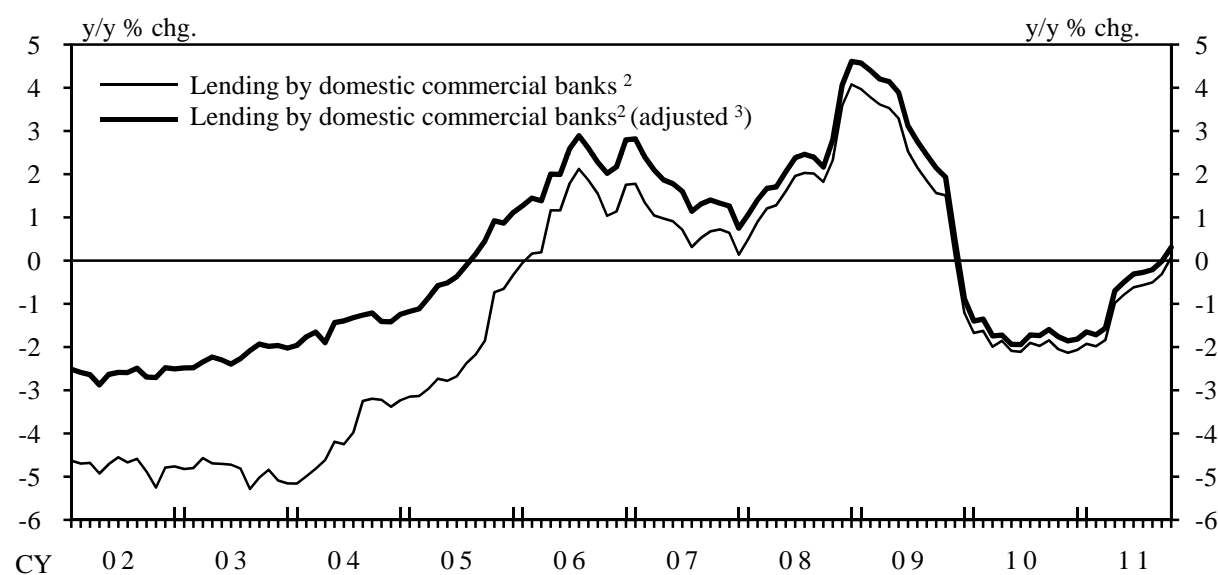


Note: 1. Data are at end of period.

Source: Bank of Japan.

Lending by Financial Institutions

(1) Lending by Domestic Commercial Banks¹



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

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

3. Adjusted to exclude

(1) fluctuations due to the liquidation of loans,

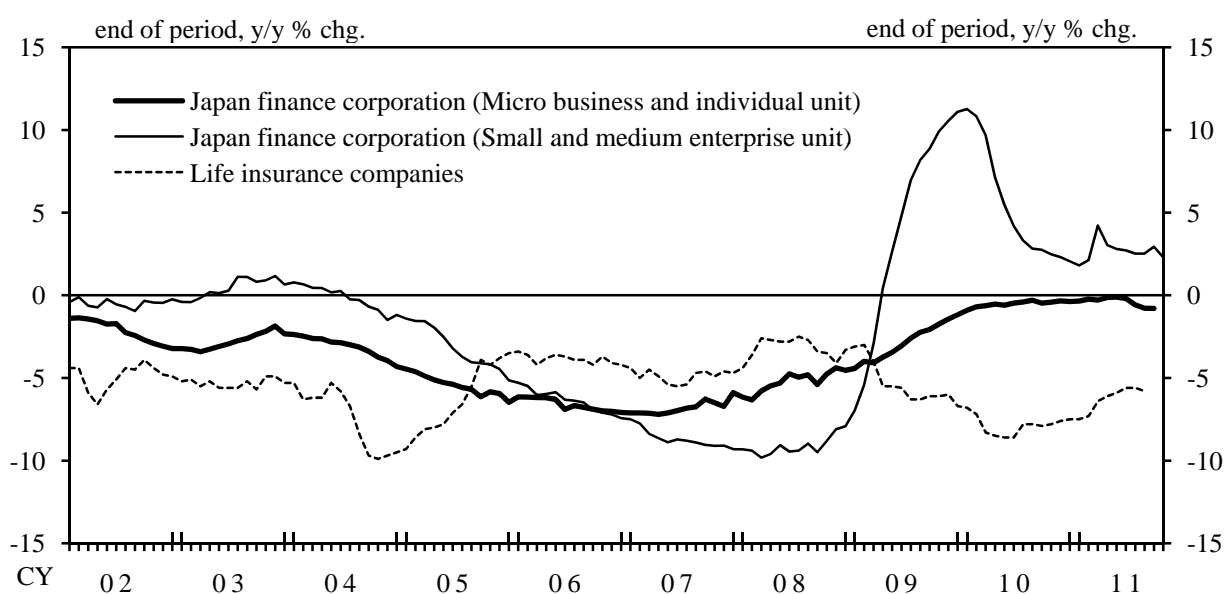
(2) fluctuations in the yen value of foreign currency-denominated loans due to changes in exchange rates,

(3) fluctuations due to loan write-offs,

(4) the transfer of loans to the former Japan National Railways Settlement Corporation to the General Account, and

(5) the transfer of loans to the former Housing Loan Administration Corporation to the Resolution and Collection Corporation.

(2) Lending by Other Financial Institutions

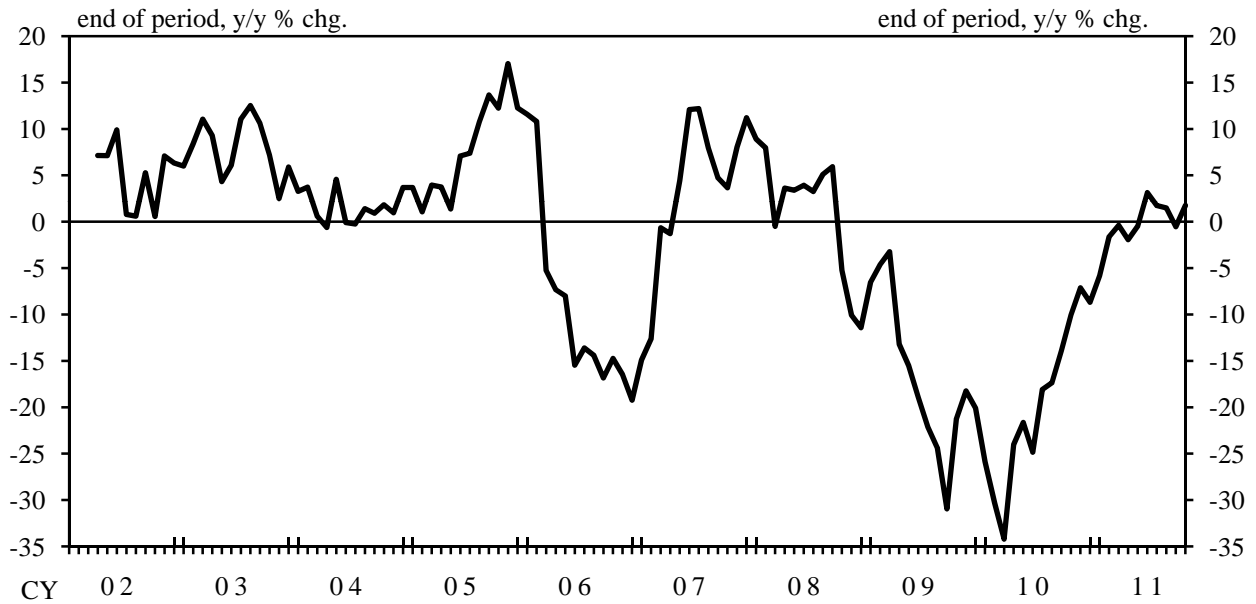


Note: The figures of the Japan Finance Corporation (Small and Medium Enterprise Unit) exclude the amounts outstanding of lending to the Credit Guarantee Corporations.

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

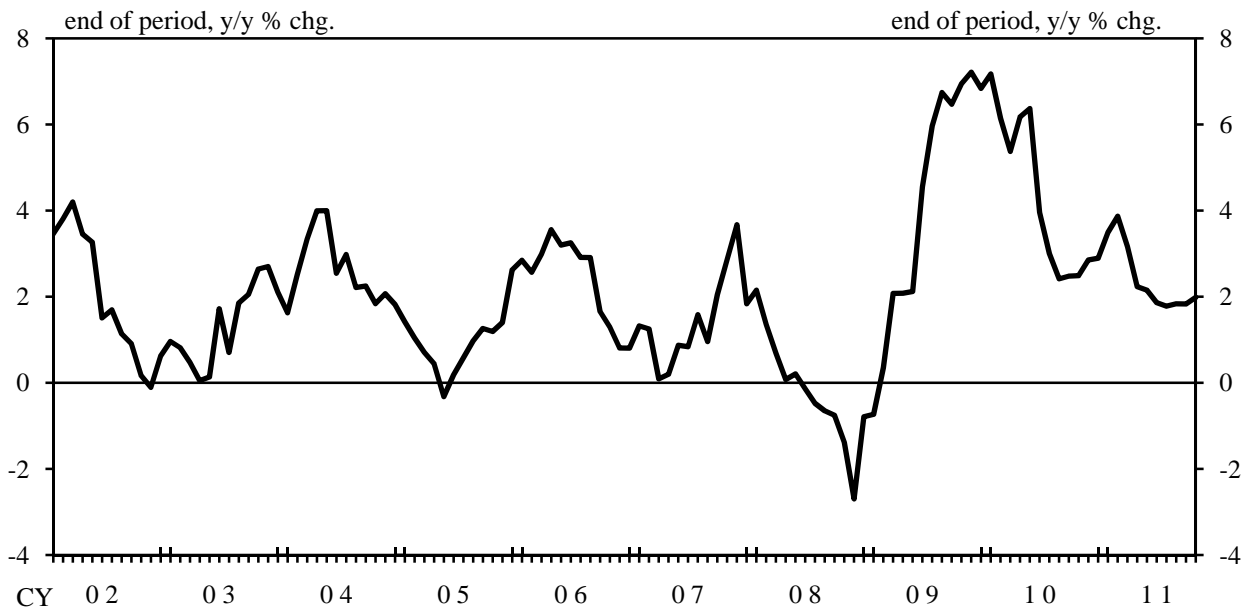
 Private-Sector Fund-Raising in the Capital Markets

(1) Amount Outstanding of Commercial Paper



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

(2) Amount Outstanding of Corporate Bonds



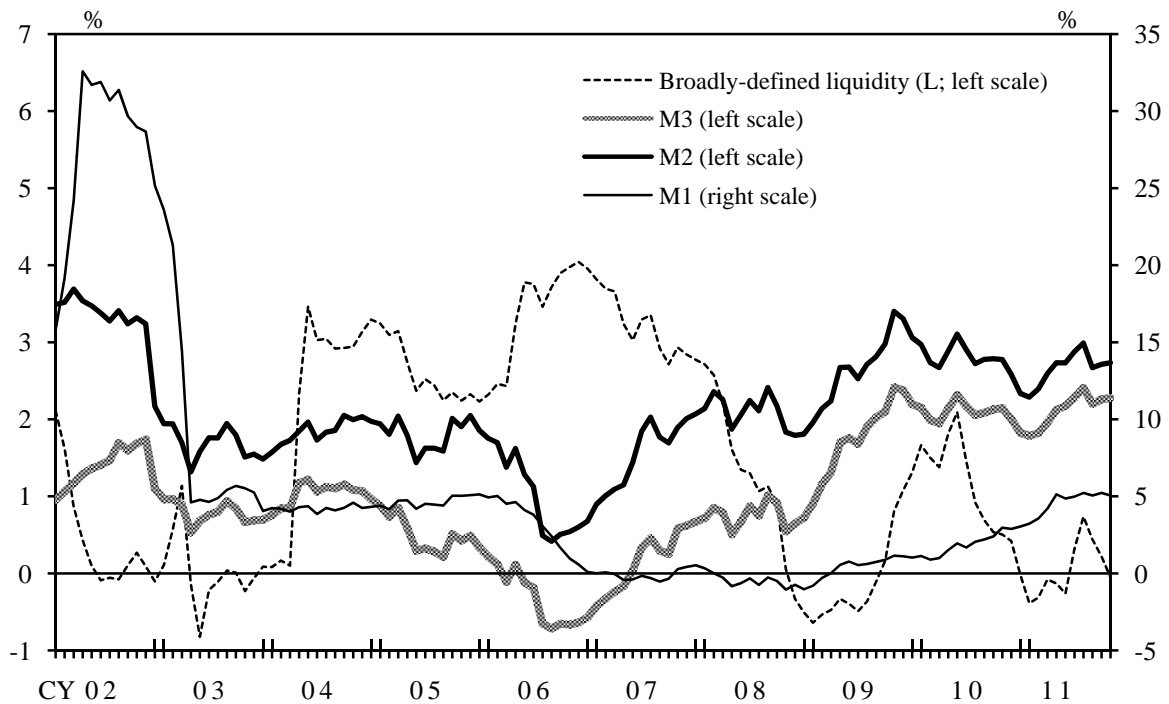
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

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

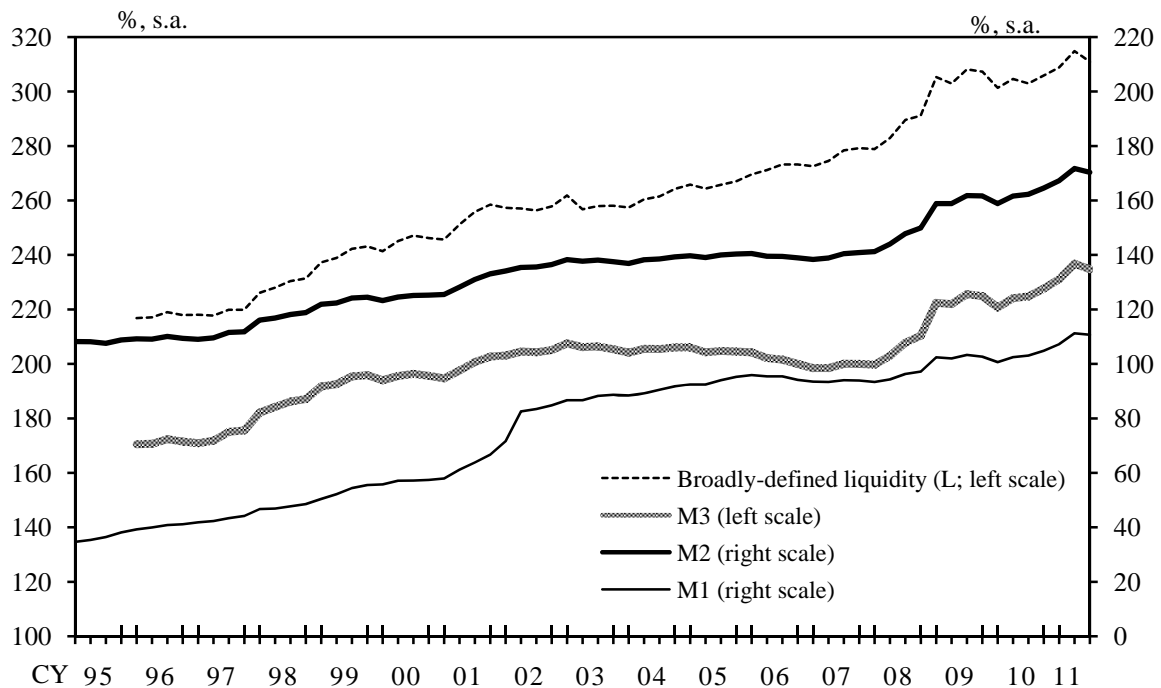
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category";
 Bank of Japan, "Principal Figures of Financial Institutions";
 Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts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

Money Stock

(1) Changes from a Year Earlier



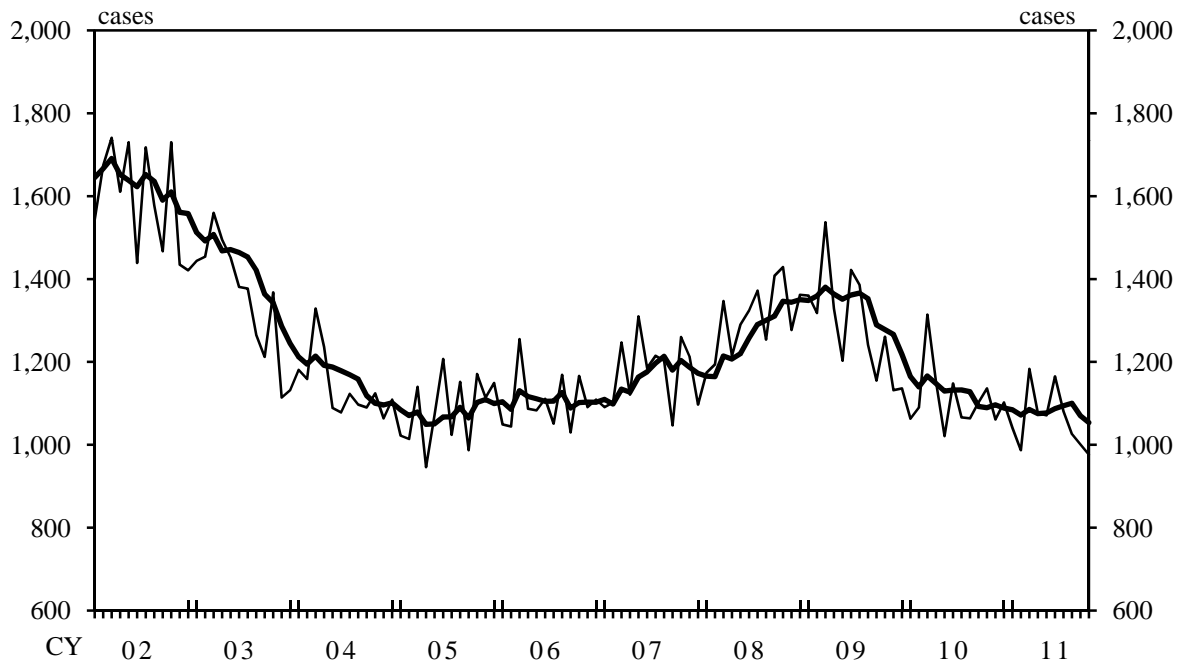
(2) Ratio of Money Stock to Nominal GDP



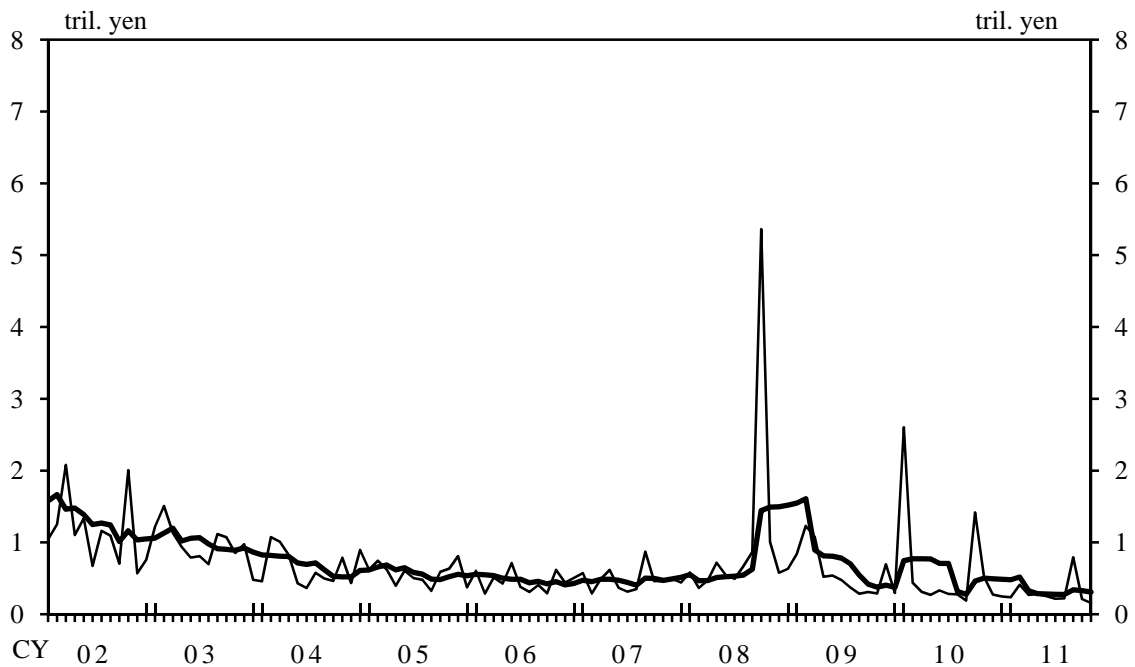
- Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.
 2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.
 3. The figures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

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities



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

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