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Bank of Japan

**Monthly Report of
Recent Economic and Financial Developments
July 2012**

(English translation prepared by the Bank's staff based on the Japanese original released on July 13, 2012)

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Monthly Report of Recent Economic and Financial Developments¹

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Summary

Japan's economic activity has started picking up moderately as domestic demand remains firm mainly supported by reconstruction-related demand.

Overseas economies have shown some, albeit moderate, improvement, but on the whole still have not emerged from a deceleration phase. As for domestic demand in Japan, public investment has continued to increase. Business fixed investment has been on a moderate increasing trend with improvement in corporate profits. Against the background of improvement in consumer sentiment, private consumption has continued to increase moderately due to the effects of measures to stimulate demand for automobiles. Housing investment has generally been picking up. Exports have shown signs of a pick-up. Reflecting these developments in demand at home and abroad, production has started picking up moderately with some fluctuations. Under these circumstances, business sentiment has been improving moderately particularly in domestic demand-oriented sectors.

With regard to the outlook, Japan's economy is expected to return to a moderate recovery path as domestic demand remains firm and overseas economies emerge from the deceleration phase.

Exports are expected to increase moderately as overseas economies emerge from the deceleration phase. As for domestic demand, public investment is expected to be on the rise and housing investment to continue to generally pick up, mainly supported by reconstruction-related demand. Business fixed investment is projected to continue a moderate increasing trend, partly due to efforts by firms to restore and reconstruct disaster-stricken facilities, as corporate profits keep improving. Private consumption is expected to remain firm as the employment situation is on an improving trend. Reflecting these developments in demand at home and abroad, production is expected to increase moderately.

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on July 11 and 12, 2012.

Meanwhile, there remains a high degree of uncertainty about the global economy. Specifically, particular attention should be given to developments in global financial markets associated with the European debt problem.

On the price front, the three-month rate of change in domestic corporate goods prices has turned to a decrease, mainly because international commodity prices have fallen back. 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 continue declining moderately for the time being, mainly reflecting movements in international commodity prices. 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. 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. 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 the amount outstanding of bank lending has been positive. That of CP has also been positive. In contrast, the year-on-year rate of change in the amount outstanding of corporate bonds has been negative as the amount of electric company bonds redeemed has continued to exceed the amount issued. 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 positive at around 2 percent.

1. Economic Developments

Public investment has continued to increase, primarily in that related to reconstruction after the earthquake disaster. The amount of public construction completed—which reflects the progress of public works—was almost flat in April relative to the first quarter, after having registered a quarter-on-quarter increase in the first quarter (Chart 5). The value of public works contracted—a measure that reflects public orders—rose in the first quarter on a quarter-on-quarter basis, and continued to increase significantly in April-May relative to the first quarter.

Public investment is expected to be on the rise.

Real exports have shown signs of a pick-up (Charts 6[1] and 7). They rose in April-May relative to the first quarter, after having been roughly level in the first quarter on a quarter-on-quarter basis. Looking at exports in April-May by region (Chart 7[1]), those to the United States continued to move upward, mainly in motor vehicles and their related goods and in capital goods and parts. Exports to ASEAN were on the rise, assisted partly by a spike in those to Thailand where the effects of the flooding had dissipated. Exports to both China and NIEs increased in April-May, notably in intermediate goods, after having declined for two consecutive quarters through the first quarter. It is difficult, however, to figure out whether they have started to trend noticeably upward at the current stage. Exports to the EU are considered to continue a downward trend, although they bounced back in April-May after having declined sharply for two quarters in a row through the first quarter. Meanwhile, exports to Others have remained firm. Looking at exports in April-May relative to the first quarter by goods (Chart 7[2]), those of motor vehicles and their related goods, chiefly to the U.S., have continued to move upward. Exports of capital goods and parts rose, assisted by the increase in those to the U.S., together with an upswing in ships exported to Others. Exports of intermediate goods—which had been somewhat weak primarily in those to China—grew at an accelerated pace in April-May, notably to East Asia (China, NIEs, and ASEAN). On the other hand, exports of IT-related goods dipped in April-May since final demand has not shown clear signs of improvement, even though exports rose temporarily in the first quarter as a reflection of the progress in inventory adjustments on a global scale. Consumer goods (digital cameras) saw their exports decrease, since the effects of upward

pressure caused by the removal of supply constraints as a result of the flooding in Thailand had waned.

Real imports have trended upward (Charts 6[1] and 9). They rebounded in April-May compared with the first quarter, when they had exhibited a marginal quarter-on-quarter decline for the first time in four quarters. Looking at imports in April-May relative to the first quarter by goods (Chart 9[2]), those of raw materials rose for four straight quarters from the third quarter last year, primarily in mineral fuels used for thermal power generation. Imports of IT-related goods trended upward, particularly in smartphones. Those of capital goods and parts have also been on the rise and registered relatively high growth in April-May. Those of intermediate goods bounced back in April-May, partly from the plunge in the first quarter, primarily in chemicals. In contrast, imports of foodstuffs were down in April-May, after having risen, albeit marginally, for two consecutive quarters through the first quarter. Those of consumer goods remained somewhat sluggish, mainly due to the decline in flat panel televisions.

Net exports—in terms of the real trade balance—rose in April-May relative to the first quarter as a reflection of the aforementioned developments in exports and imports, after having been more or less flat (Chart 6[1]). The nominal goods and services balance expanded its deficit in April-May relative to the first quarter, since both the trade and services balance deficits rose further (Chart 6[2] and [3]). Meanwhile, the income balance surplus in April-May was on par with that in the first quarter. As a result, the nominal current account surplus narrowed in April-May compared with the first quarter.

As for the outlook, exports are expected to increase moderately as overseas economies emerge from the deceleration phase.² Imports are projected to trend gradually upward, assisted heavily by firm domestic demand and an increase in thermal power generation. As a reflection of these developments in exports and

² The overseas supply and demand conditions for products DI of large manufacturing firms in the *Tankan* shows that in June, the net "excess supply" improved marginally and its forecast continued to display a marginal improvement, chiefly in electrical machinery, after it leveled off in March. Annual projections for exports by large manufacturing firms show an increase for fiscal 2012 on a year-on-year basis after posting a decline in fiscal 2011.

imports, net exports are projected to be more or less flat for the time being and then increase at a moderate pace.

Regarding the environment surrounding exports, overseas economies have shown some, albeit moderate, improvement, but on the whole still have not emerged from the deceleration phase (Chart 8[2]). Looking at movements by major region, the U.S. economy has continued to recover moderately as business fixed investment and private consumption have remained firm, although the pace of improvement in the employment situation has remained moderate relative to around the start of this year. As for emerging and commodity-exporting economies, signs of improvement have started to appear in some economies, supported mainly by the decline in inflation rates and the effects of monetary easing. The Chinese economy, however, has continued to decelerate. The European economy has also remained sluggish. Attention should be paid to the fact that business sentiment has become somewhat cautious on a global scale including areas other than Europe. Meanwhile, global financial markets have regained some stability for once, assisted mainly by movements such as the EU-Eurozone Summit held at the end of June. As for the exchange rate, the appreciation of the yen has come to a halt and the real effective exchange rate shows that the yen has depreciated slightly compared to levels of the second half of last year when the yen kept appreciating (Chart 8[1]). It is considered, however, that it will take some time for drastic actions to be taken to solve the European debt problem; some nervousness continues to be seen in global financial markets.

Overseas economies are basically expected to gradually emerge from the deceleration phase. However, there remains a high degree of uncertainty about the global economy. Specifically, particular attention should be given to developments in global financial markets associated with the European debt problem. In the IT-related sector, inventory adjustments have been in progress on a global scale, and global semiconductor shipments have gradually been picking up. This is projected to underpin Japan's exports for some time ahead, but final demand in this sector has not shown clear signs of a pick-up at this current stage. In these circumstances, attention should be paid to the risk of a delay in the recovery of Japan's exports as a result of a prolonged deceleration of overseas economies.

Business fixed investment has been on a moderate increasing trend with improvement in corporate profits. The aggregate supply of capital goods—a coincident indicator of machinery investment—declined in the first quarter for the first time in four quarters on a quarter-on-quarter basis, but bounced back again in April-May relative to the first quarter (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—fell in April-May compared with the first quarter, after having inched upward in the first quarter on a quarter-on-quarter basis (Chart 11[1]). By industry, manufacturing saw a decline in April-May, after having been almost level in the first quarter. Nonmanufacturing (excluding orders for ships and those from electric power companies) continued to show a marginal increase in April-May, following that in the first quarter. Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—continued to increase in April-May compared with the first quarter, following the rise in the first quarter on a quarter-on-quarter basis (Chart 11[2]). By industry, construction starts of mining and manufacturing fell back in April-May, partly since they increased sharply for two consecutive quarters through the first quarter. On the other hand, those of nonmanufacturing rose markedly, aided partly by large projects in sectors related to distribution (wholesale and retail trade, transportation). Meanwhile, the production capacity DI in the June *Tankan* was almost flat and its forecast showed an improvement (Chart 10[2]).

Business fixed investment is projected to continue a moderate increasing trend, partly due to efforts by firms to restore and reconstruct disaster-stricken facilities as well as to strengthen earthquake resistance and business continuity systems, as corporate profits keep improving. According to business fixed investment plans (excluding software investment and including land purchasing expenses) in the June *Tankan*, all industries and firms revised their plans upward for fiscal 2012 from the March survey by registering a year-on-year increase of 4.0 percent. By industry and company size (Chart 14), all firms revised their plans upward from the March survey and the growth rate also revealed that their plans—except for those of small manufacturing firms—were somewhat stronger than usual years. Furthermore, on a "software and fixed investment excluding land purchasing expenses" basis—a concept close to business fixed investment in

GDP—all industries and firms revised their plans upward for fiscal 2012 from the March survey to a year-on-year increase of 6.7 percent; this was also relatively stronger than usual years.

Regarding the environment surrounding business fixed investment, corporate profits have been improving, notably in domestic demand-oriented sectors. Business sentiment has been improving moderately particularly in domestic demand-oriented sectors. The business conditions DI for all industries and firms in the June *Tankan* has improved, albeit marginally, for four quarters in a row. By industry and company size (Chart 13), the DI for large manufacturing firms improved marginally as a whole, despite great uncertainty regarding overseas economies, mainly since: (i) motor vehicles displayed an improvement, primarily as a reflection of a pick-up in exports to the U.S. and strong domestic sales, and this in turn has added a certain impetus to other industries; (ii) electrical machinery also showed some improvement, assisted mainly by an increase in demand related to smartphones; and (iii) upward pressure from reconstruction-related demand was observed, mainly in raw materials. The level of DI, however, has remained somewhat lower than that prior to the earthquake disaster, mainly due to the effects of the slowdown in overseas economies and the yen's appreciation. The DI for small manufacturing firms deteriorated marginally as a whole, primarily since motor vehicles and electrical machinery saw a decline unlike those in large manufacturing firms, even though industries such as food & beverages and processed metals improved thanks to steady domestic demand. The deterioration in motor vehicles and other industries is considered to be affected partly by relocation of production bases from Japan by clients. In contrast, the business conditions DIs for both large and small nonmanufacturing firms have continued to improve and have registered levels well above those prior to the earthquake disaster, mainly as a reflection of reconstruction-related demand and firm private consumption.

Corporate profits are projected to keep improving, following an increase in demand at home and abroad and in production. According to the business plans of firms in the June *Tankan*, current profits (for all industries and firms) on a fiscal year basis were forecasted to turn to a year-on-year increase of 3.4 percent for fiscal 2012, after a decrease of 3.2 percent for fiscal 2011. In comparison to the March survey, current profits were revised noticeably upward, primarily for fiscal 2012. By

industry and company size (Chart 12), large manufacturing firms are forecasting a considerable increase in their profits for fiscal 2012 after a plunge in fiscal 2011. Small manufacturing firms are projecting a sharp rise in their profits for fiscal 2012 after a marginal increase in fiscal 2011. Current profits of large nonmanufacturing firms are projected to continue declining for fiscal 2012 following fiscal 2011, mainly due to the deficit in electric power companies. However, industries that are likely to be affected by reconstruction-related demand—such as construction and real estate—as well as industries related to private consumption—such as retailing, services for individuals, and restaurants & accommodations—are projecting an increase in their profits for fiscal 2012. Small nonmanufacturing firms are forecasting an increase in their profits for fiscal 2012 as well, following the upsurge in fiscal 2011, as reflection of firm domestic demand.

Against the background of improvement in consumer sentiment, private consumption has continued to increase moderately due to the effects of measures to stimulate demand for automobiles (Chart 15). Consumption of goods—as seen through sales at retail stores in real terms (Chart 16[1])—was almost level in April-May relative to the first quarter, after having increased for four quarters in a row through the first quarter. Looking at consumption of durable goods (Chart 16[2]), the number of new passenger-car registrations remained high, primarily in new models of small cars and mini-vehicles. However, since this was supported in part by subsidies for purchasing energy efficient cars that had been reintroduced at the end of last year, attention should be given to developments in automobile sales after the effects of these subsidies dissipate.³ Sales of household electrical appliances in real terms have been more or less flat as a whole, since sales of tablet devices and of white goods installed with energy saving devices were firm, whereas those of televisions and PCs were sluggish. Sales at department stores and supermarkets had been almost level, but in April-May relative to the first quarter, those at department stores moved upward, while supermarkets saw their sales fall marginally (Chart 17[1]). Meanwhile, sales at convenience stores have continued to trend upward. As for

³ For business vehicles, applications for subsidies for purchasing energy efficient cars closed on July 5. It is said that for private vehicles, applications may possibly come to an end around this summer, since sales of automobiles have been remarkably strong so far. Attention should be paid to how far automobile sales and furthermore production will fall back with the ending of the subsidies.

consumption of services (Chart 17[2]), outlays for travel have trended upward, albeit with fluctuations. Sales in the food service industry are considered to be solid as a trend, although they have recently shown some weakness.

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—which is compiled so as to make it similar to items used for estimating GDP—registered somewhat high growth in April-May compared with the first quarter, after having inched upward on a quarter-on-quarter basis for three quarters in a row through the first quarter (Chart 16[1]).⁴ The total expenditure in the *Survey of Household Economy* (in real terms; two-or-more-person households) continued to rise in April-May relative to the first quarter, following quarter-on-quarter increases for three straight quarters through the first quarter.

Indicators related to consumer confidence have been on an improving trend as a whole, mainly as a reflection of improvements in the employment situation (Chart 18).

Private consumption is expected to remain firm as the employment situation is on an improving trend.

Housing investment has generally been picking up, supported in part by reconstruction of disaster-stricken homes. The number of housing starts—a leading indicator of housing investment—has tended to pick up, supported partly by construction starts in disaster-stricken areas, as it increased in the first quarter on a quarter-on-quarter basis and continued to rise in April-May relative to the first quarter (Chart 19[1]).

Housing investment is expected to continue to generally pick up.⁵

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

⁵ With the enactment of the third supplementary budget for fiscal 2011, the eco-point system for housing as well as the preferential interest rate measures for the Flat 35S were introduced once

Industrial production has started picking up moderately with some fluctuations (Chart 20). Production in April-May relative to the first quarter declined in the released-base index and was more or less flat in the adjusted-base index, due to the effects of the month-on-month decrease in May.⁶ However, this sizeable decline in May was affected by factors regarded as temporary;⁷ the production forecast index shows that production is projected to increase markedly in June and July. Taking into account developments of demand at home and abroad as well as anecdotes by firms and other information, production is considered to pick up moderately, albeit with monthly fluctuations.

Looking at production in April-May relative to the first quarter by industry, that of transport equipment (such as passenger cars) has continued to register strong growth, since domestic sales remained high aided mainly by the reintroduction of subsidies for purchasing energy efficient cars and the release of popular models of new cars to the market, together with a pick-up in exports notably to the U.S. Production of iron and steel and of ceramics, stone and clay products inched upward, due in part to reconstruction-related demand. In contrast, production of electronic parts and devices temporarily turned upward in the first quarter in light of the gradual progress in inventory adjustments, but has yet to resume a noticeable uptrend since it moved down again in April-May. Production of general machinery has continued to decline marginally, amid somewhat sluggish demand overseas.

Shipments have started to picking up moderately with some fluctuations, as has production (Chart 22[1]). Looking at the trend in shipments by goods (Chart

again with preferential treatment for disaster-stricken areas. Applications for the housing eco-points outside disaster-stricken areas have closed as of those received on July 4. Attention should be paid to the magnitude of its impact on future housing starts.

⁶ The adjusted-base index of industrial production is calculated by detecting large fluctuations after the Lehman shock as outliers (estimation by the Research and Statistics Department, Bank of Japan).

⁷ This decline in production in May is considered to be largely attributable to the following two factors: (1) the number of operating days of factories is considered to have been less than that of working days because this year's Golden Week holiday allowed the number of operating days to be reduced, and (2) production in May last year registered high growth due to the rebound in production after the earthquake disaster, and some of this growth is regarded as a seasonal factor, which in turn exerted downward pressure on the seasonally adjusted figures for this May. On the other hand, these factors are considered to exert upward pressure on the production forecast index for June.

21), those of durable consumer goods have continued to pick up, mainly in motor vehicles, and non-durable consumer goods have also increased moderately. Shipments of capital goods have been on a mild uptrend, albeit with fluctuations. Shipments of producer goods have trended moderately upward, chiefly for motor vehicles (such as iron and steel as well as motor vehicle parts), whereas those of electronic parts and devices, like production of these goods, have yet to show clear signs of an upturn. Meanwhile, shipments of construction goods have remained more or less level, but goods such as photovoltaic modules have recently shown signs of an increase.

Inventories have recently been at somewhat high levels. On a month-on-month basis, inventories fell in May, although the rate of decline was only marginal, after having registered a sizeable increase in March and April (Chart 22[1]). Looking at movements in May by industry, transport equipment (large passenger cars) saw its inventories come down, since it is considered that some inventories were reduced to accommodate domestic shipments in light of a sizeable decline in production and that some inventories waiting to be shipped overseas thinned out,. In contrast, as for information and communication electronics equipment, the overhang in stocks of new PC models prior to their market release seemed to push inventories upward. Inventories of electronic parts and devices—which came down in May—have shown mixed movements on the whole, with an ongoing pile-up in some inventories as the pick-up in both domestic and foreign demand lagged behind. As for the shipment-inventory balance (year-on-year rate of change in shipments less that in inventories), growth in shipments has started to outpace that in inventories, notably in production goods and durable consumer goods (Chart 22[3]). This was partly because shipments plunged in April-May last year due to the influence of the earthquake disaster, which in turn caused shipments—mainly of durable consumer goods—to register particularly high growth on a year-on-year basis. The shipment-inventory balance of electronic parts and devices are considered to maintain its moderate improving trend as a whole, but attention should be paid to the recent pile-up of some inventories.

Production is expected to increase moderately, as domestic demand remains firm and as exports pick up gradually. Based on anecdotes by firms and other

information, production in terms of the adjusted-base index is projected to increase at a modest pace toward the third quarter, mainly reflecting the rise in domestic demand, particularly in reconstruction-related demand, as well as the progress in inventory adjustments of chemicals and IT-related goods.

The employment and income situation has generally been improving, although it remains severe.

As for supply and demand conditions in the labor market, the ratio of job offers to applicants has continued to improve (Chart 23). The unemployment rate has been trending downward, albeit with monthly fluctuations. Overtime hours worked (non-scheduled hours worked) have been on a mild uptrend. The employment conditions DI in the June *Tankan* was flat for all industries and company sizes (Chart 24), but this was due to a seasonal factor which is increased employment of new recruits at the start of the fiscal year; as a trend, the DI is expected to continue improving moderately.

In terms of employment, the year-on-year rate of change in the number of employees in the *Labour Force Survey* has recently declined marginally, notwithstanding large monthly fluctuations (Chart 25[1]).⁸ In contrast, the number of regular employees in the *Monthly Labour Survey* has been increasing on a year-on-year basis. Meanwhile, with regard to the Employment Adjustment Subsidy, figures collected from reports on business suspension plans show that the number of applicants for this subsidy has been trending downward, albeit with fluctuations; it has recently been below the pre-earthquake level.

⁸ Recently, the number of employees in the *Labour Force Survey* has been relatively weak compared with the number of regular employees in the *Monthly Labour Survey*. In this respect, a detailed look at the *Labour Force Survey* indicates that the following four categories specific to this survey are not counted as factors that place noticeable downward pressure on the number of employees: (1) employees at small establishments with 1 to 4 persons; (2) government employees; (3) agricultural, forestry and fisheries workers; and (4) workers on a very short-term contract such as daily employees. Therefore, the difference between the number of employees and that of regular employees is hard to explain just from the distinction in the coverage of the two surveys. As a result, the difference is basically considered to be attributable to fluctuations in samples of the *Labour Force Survey*.

The year-on-year rate of change in nominal wages per employee (total cash earnings) marked a somewhat sharp decline in May, after having increased marginally (Chart 25[2]). This was largely attributable to the upsurge in special payments due to a temporary fluctuation in May last year, against the background in which the effects of the rebound from the plunge (in hours and days worked and hence in wages) caused by the earthquake disaster last year—which were observed in March and April—dissipated. Looking at the trend with these monthly fluctuations smoothed out, the year-on-year rate of decline has narrowed and the rate of change has recently been almost 0 percent.

The year-on-year rate of change in employee income has been almost 0 percent with its monthly fluctuations smoothed out, as a reflection of the aforementioned developments in employment and wages (Chart 25[3]).

Employee income is highly expected to be more or less flat, mainly since the lackluster business performance of fiscal 2011 will weigh on income with a time lag for the time being, although improvements in the labor market will support income gradually.

2. Prices

International commodity prices have been almost level, after having fallen back through June (Chart 27[1] and [3]). Prices of nonferrous metals have fallen back, mainly due to concern about a slowdown in the global economy, and those of crude oil have also fallen back sharply in conjunction with decreased anxiety over oil supply mainly since OPEC increased its production volume and tensions regarding the situation in Iran were muted; both of these prices have bottomed out or picked up slightly most recently. In contrast, prices of grains rose somewhat sharply, mainly due to the unseasonable weather in the U.S.

The three-month rate of change in import prices (on a yen basis) has turned to a decrease, largely because international commodity prices have fallen back (Chart 27[2]).⁹

The three-month rate of increase in domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter)¹⁰ has turned to a decrease, mainly because international commodity prices have fallen back (Chart 28[2]).¹¹ In June, the three-month rate of change turned negative. Looking in detail at domestic corporate goods price movements in June, prices of "electric power, gas & water" rose at an accelerated pace, due mainly to increases in electricity prices for firms by one electric power company, but prices of "goods sensitive to exchange rates and overseas commodity prices" turned to a decline and those of "other materials" and of "iron & steel and construction goods" fell at an increased pace, largely since international commodity prices fell back. Moreover, prices of "machinery" continued to decline mildly.

Corporate services prices (excluding international transportation; year-on-year basis, same hereafter) have recently increased marginally, after having reduced their pace of decline (Chart 29). Corporate services prices in May registered an increase on a year-on-year basis for the second month running following April. Looking in detail at corporate services price movements in May, prices of advertising services and hotels—in the category of selling, general and administrative expenses—have recently registered a noticeable year-on-year increase, mainly due to steady advertisement placements and a recovery in the number of foreign visitors to Japan, against a background in which prices have rebounded from the plunge caused by the

⁹ The base year of the Import Price Index (IPI) was changed from 2005 to 2010 this July and the index has been revised downward, due mainly to the reset effect (this effect is caused by modifying the index of individual items so that the level in 2010 is equal to 100). The year-on-year rate of change in the IPI was revised downward by 0.4 percentage points on average during January-April.

¹⁰ 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.

¹¹ The base year of the Corporate Goods Price Index (CGPI), like the IPI, was changed from 2005 to 2010 this July and the index has been revised downward due mainly to the reset effect. The year-on-year rate of change in the CGPI was revised downward by 0.2 percentage points on average during January-April.

effects of the earthquake disaster in May last year. Prices related to domestic transportation and fixed investment have been increasing marginally. Meanwhile, prices related to real estate have continued their year-on-year decline, but the pace has tended to slow, albeit moderately.

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 30[1]). In May, consumer prices fell by 0.3 percentage points from April to a decline of 0.1 percent on a year-on-year basis—the first such fall in four months. Looking at developments on a basis that excludes food and energy, prices in May declined by 0.3 percentage points from April, to negative 0.6 percent on a year-on-year basis. Regarded as a method for capturing trend changes, the year-on-year rate of decline in the trimmed mean has tended to narrow mildly, albeit with fluctuations; the rate of change has recently been around 0 percent (Chart 31[2]).¹² The year-on-year rate of change in the Laspeyres chain index has moved up in tandem with that in the 2010-base index (Chart 31[1]).¹³

Looking in detail at consumer price movements in May, prices for goods (excluding agricultural, aquatic and livestock products) on a year-on-year basis fell at an accelerated pace overall. This was mainly because the rate of increase in prices of petroleum products diminished and prices of durable consumer goods accelerated their pace of decline as a result of TV sets having turned marginally downward on a year-on-year basis, even though prices of food products reduced their pace of decline as the downward pressure caused by the rebound from price increases in April last year due to short supply after the earthquake disaster waned.¹⁴ Prices of general

¹² 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.

¹³ 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.

¹⁴ TV sets—which turned to an increase in February on a year-on-year basis due to the selected-item change—stood negative, albeit marginally, in May after having expanded their year-on-year increase through April (the year-on-year rate of change for TV sets was: -36.1

services somewhat accelerated their year-on-year pace of decline as a whole, partly since those of package tours to overseas increased at a reduced pace and rent declined at a somewhat accelerated pace. Fees for public services somewhat reduced their year-on-year pace of increase as a whole, primarily since the rate of increase in prices of electricity and gas, manufactured & piped narrowed.

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 somewhat narrowed for large manufacturing firms and was flat for large nonmanufacturing firms, whereas it expanded slightly for both small manufacturing and nonmanufacturing firms. As for the output prices DI, the net "fall" diminished for large nonmanufacturing firms, but the other firms saw an expansion in their net "fall" mainly since commodity prices fell back. Meanwhile, the weighted average of the production capacity DI and employment conditions DI was flat for June, but as a trend—with the outlook included—it is has been improving moderately.

Domestic corporate goods prices are expected to continue declining moderately for the time being, mainly reflecting movements in international commodity prices. The year-on-year rate of change in consumer prices is expected to remain at around 0 percent for the time being.

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

percent in January, +0.5 percent in February, +2.3 percent in March, +8.1 percent in April, and -0.4 percent in May).

reflect expectations about future policy interest rates. Interest rates on Euroyen futures have fallen slightly (Chart 33). In U.S. dollar funding, the LIBOR-OIS spread for the dollar has basically been more or less flat (Chart 34).

Yields on 10-year government bonds (newly issued 10-year JGB) inched down as U.S. long-term interest rates declined slightly, due in part to the buying of bonds by investors facing an excess of funds in light of massive redemption of JGBs; they are currently moving below the 0.8 percent level (Chart 35).

Yield spreads between corporate bonds and government bonds have generally been more or less flat (Chart 36).

Stock prices have risen somewhat following an increase in European and U.S. stock prices assisted by policies taken in relation to the situation in Europe. The Nikkei 225 Stock Average has been moving in the range of 8,500-9,000 yen (Chart 37).

In the foreign exchange market, the yen's exchange rate has been moving around the range of 79-80 yen against the U.S. dollar, albeit with fluctuations, partly because U.S. interest rates have been in a narrow range as a whole (Chart 38).

(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 40).

With regard to credit supply, firms have continued to see financial institutions' lending attitudes as being on an improving trend (Chart 39). Issuing conditions for CP have continued to be favorable. Those for corporate bonds have also remained favorable on the whole. In these circumstances, as for funding of the private sector, the year-on-year rate of change in the amount outstanding of bank lending has been positive, mainly in demand for working capital and funds related to mergers and

acquisitions (Chart 41). That of CP has also been positive. In contrast, the year-on-year rate of change in the amount outstanding of corporate bonds has been negative as the amount of electric company bonds redeemed has continued to exceed the amount issued (Chart 42).

In these circumstances, firms have retained their recovered financial positions on the whole (Chart 39). The number of corporate bankruptcies has been at a low level (Chart 44).

Meanwhile, the year-on-year rate of change in the money stock (M2) has been positive at around 2 percent. Its June reading was 2.2 percent on a year-on-year basis, following 2.2 percent in May (Chart 43).¹⁵

¹⁵ On an M3 basis, which includes the Japan Post Bank, the year-on-year rate of change has been positive at around 2 percent; its June reading was 2.0 percent, following 1.9 percent in May. The year-on-year rate of change in broadly-defined liquidity (L) has been in the positive range of 0.0-0.5 percent; it increased by 0.2 percent in June, following an increase of 0.1 percent in May.

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Main Economic Indicators (1)

| | 2011/Q4 | 2012/Q1 | Q2 | 2012/Mar. | Apr. | May | Jun. |
|--|-------------------------------------|----------|--------|-----------|----------|-----------|--------|
| | s.a., q/q (m/m) % chg. ¹ | | | | | | |
| Index of consumption expenditure level (two-or-more-person households) | 0.5 | -0.3 | n.a. | 0.3 | 1.6 | 1.9 | n.a. |
| Sales at department stores | 0.4 | -0.9 | n.a. | -0.3 | 3.2 | p -1.0 | n.a. |
| Sales at supermarkets | -0.7 | 0.5 | n.a. | -2.3 | -0.9 | p 2.0 | n.a. |
| New passenger-car registrations ³ <s.a., ann. 10,000 units> | < 267> | < 349> | < 316> | < 356> | < 313> | < 309> | < 327> |
| Sales of household electrical appliances (real, "Current Survey of Commerce") | -5.2 | 0.9 | n.a. | -0.9 | -2.2 | p 2.4 | n.a. |
| Outlays for travel | 4.3 | 0.4 | n.a. | 0.7 | 4.7 | n.a. | n.a. |
| Housing starts <s.a., ann. 10,000 units> | < 80> | < 86> | <n.a.> | < 85> | < 90> | < 90> | <n.a.> |
| Machinery orders ⁴ (Private sector, exc. volatile orders) | -0.7 | 0.9 | n.a. | -2.8 | 5.7 | -14.8 | n.a. |
| Manufacturing | -0.7 | 0.1 | n.a. | -8.4 | 3.4 | -8.0 | n.a. |
| Nonmanufacturing ⁴ (exc. volatile orders) | -0.5 | 0.5 | n.a. | -3.9 | 5.7 | -6.4 | n.a. |
| Construction starts (private, nondwelling use) | -1.0 | 1.9 | n.a. | -4.7 | 0.8 | 15.5 | n.a. |
| Mining & manufacturing | 20.9 | 24.9 | n.a. | -4.3 | -9.5 | -5.1 | n.a. |
| Nonmanufacturing ⁵ | -3.2 | -3.1 | n.a. | -8.4 | 6.1 | 15.2 | n.a. |
| Value of public works contracted | 1.8 | 3.5 | n.a. | -0.5 | 2.8 | 10.9 | n.a. |
| Real exports | -2.8 | -0.1 | n.a. | -0.0 | 6.4 | -2.7 | n.a. |
| Real imports | 1.3 | -0.4 | n.a. | 3.9 | 2.1 | 3.2 | n.a. |
| Industrial production | 0.4 | 1.3 | n.a. | 1.3 | -0.2 | p -3.1 | n.a. |
| Shipments | 0.3 | 0.8 | n.a. | 0.5 | 0.6 | p -1.5 | n.a. |
| Inventories | -1.4 | 5.9 | n.a. | 4.3 | 2.0 | p -0.6 | n.a. |
| Inventory ratio <s.a., CY 2005 = 100> | < 112.7> | < 115.3> | <n.a.> | < 115.3> | < 123.2> | <p 118.7> | <n.a.> |
| Real GDP | 0.0 | 1.2 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Index of all industry activity | 0.5 | -0.1 | n.a. | -0.3 | 0.1 | n.a. | n.a. |

Main Economic Indicators (2)

| | y/y % chg. ¹ | | | | | | |
|---|-------------------------|---------------|-------------------|---------------|----------------|----------------|--------------------|
| | 2011/Q4 | 2012/Q1 | Q2 | 2012/Mar. | Apr. | May | Jun. |
| Ratio of job offers to applicants <s.a., times> | < 0.69> | < 0.75> | <n.a.> | < 0.76> | < 0.79> | < 0.81> | <n.a.> |
| Unemployment rate <s.a., %> | < 4.5> | < 4.6> | <n.a.> | < 4.5> | < 4.6> | < 4.4> | <n.a.> |
| Overtime working hours ⁶ | 2.0 | 1.8 | n.a. | 4.3 | 5.3 | p 4.5 | n.a. |
| Number of employees | 0.1 | -0.5 | n.a. | -0.3 | -0.3 | -0.7 | n.a. |
| Number of regular employees ⁶ | 0.6 | 0.6 | n.a. | 0.6 | 0.7 | p 0.8 | n.a. |
| Nominal wages per person ⁶ | -0.1 | 0.0 | n.a. | 0.9 | 0.2 | p -0.8 | n.a. |
| Domestic corporate goods price index ¹⁰ <q/q % chg., 3-month rate of change> ⁷ | 1.1 <-0.9> | 0.3 < 0.2> | p -0.8 <p 0.0> | 0.3 < 0.6> | -0.4 < 0.8> | -0.7 < 0.1> | p -1.3 <p -1.0> |
| Consumer price index ⁸ | -0.2 | 0.1 | n.a. | 0.2 | 0.2 | -0.1 | n.a. |
| Corporate services price index ⁹ | -0.3 | -0.5 | n.a. | -0.3 | 0.4 | p 0.2 | n.a. |
| Money stock (M2) <average outstanding, y/y % chg.> | 3.0 | 3.0 | p 2.3 | 3.0 | 2.6 | 2.2 | p 2.2 |
| Number of corporate bankruptcies <cases per month> | <1,034> | <1,061> | <1,042> | <1,161> | <1,004> | <1,148> | <975> |

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

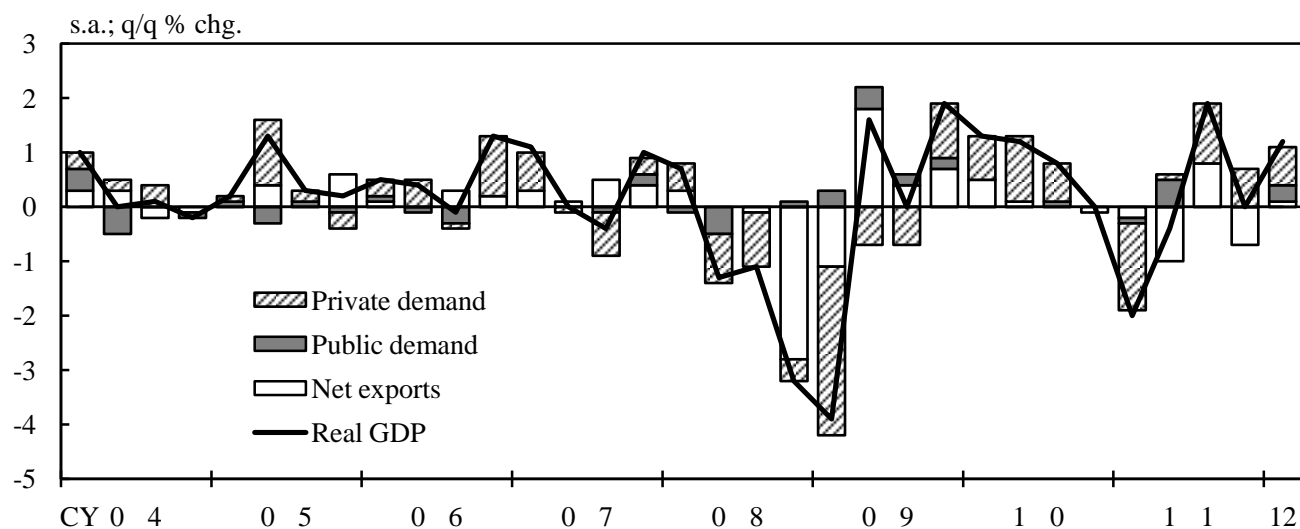
All figures in Chart 2 except figures in angle brackets are year-on-year changes. For details on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes of respective charts.

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



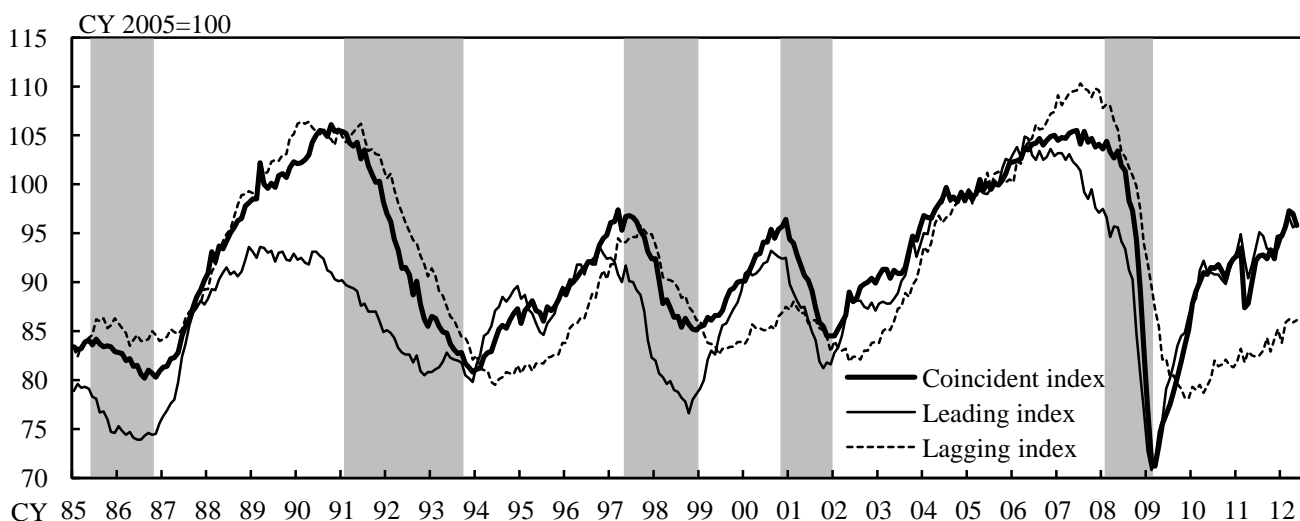
(2) Components

s.a.; q/q % chg.

| | 2011 | | | | 2012 |
|-----------------------------------|--------|--------|-------|-------|-------|
| | Q1 | Q2 | Q3 | Q4 | Q1 |
| Real GDP | -2.0 | -0.4 | 1.9 | 0.0 | 1.2 |
| [Annual rate] | [-7.7] | [-1.7] | [7.8] | [0.1] | [4.7] |
| Domestic demand | -1.8 | 0.6 | 1.1 | 0.7 | 1.0 |
| Private demand | -1.6 | 0.1 | 1.1 | 0.7 | 0.7 |
| Private consumption | -0.9 | 0.4 | 0.6 | 0.4 | 0.7 |
| Non-Resi. investment | -0.0 | -0.0 | 0.0 | 0.7 | -0.3 |
| Residential investment | 0.0 | -0.1 | 0.1 | 0.0 | -0.0 |
| Private inventory | -0.7 | -0.1 | 0.3 | -0.4 | 0.3 |
| Public demand | -0.1 | 0.5 | 0.0 | 0.0 | 0.3 |
| Public investment | -0.2 | 0.3 | -0.0 | -0.0 | 0.2 |
| Net exports of goods and services | -0.2 | -1.0 | 0.8 | -0.7 | 0.1 |
| Exports | -0.1 | -1.0 | 1.3 | -0.6 | 0.4 |
| Imports | -0.2 | -0.0 | -0.5 | -0.1 | -0.3 |
| Nominal GDP | -2.4 | -1.3 | 1.6 | -0.3 | 1.2 |

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

(3) Indexes of Business Conditions (Composite Indexes)

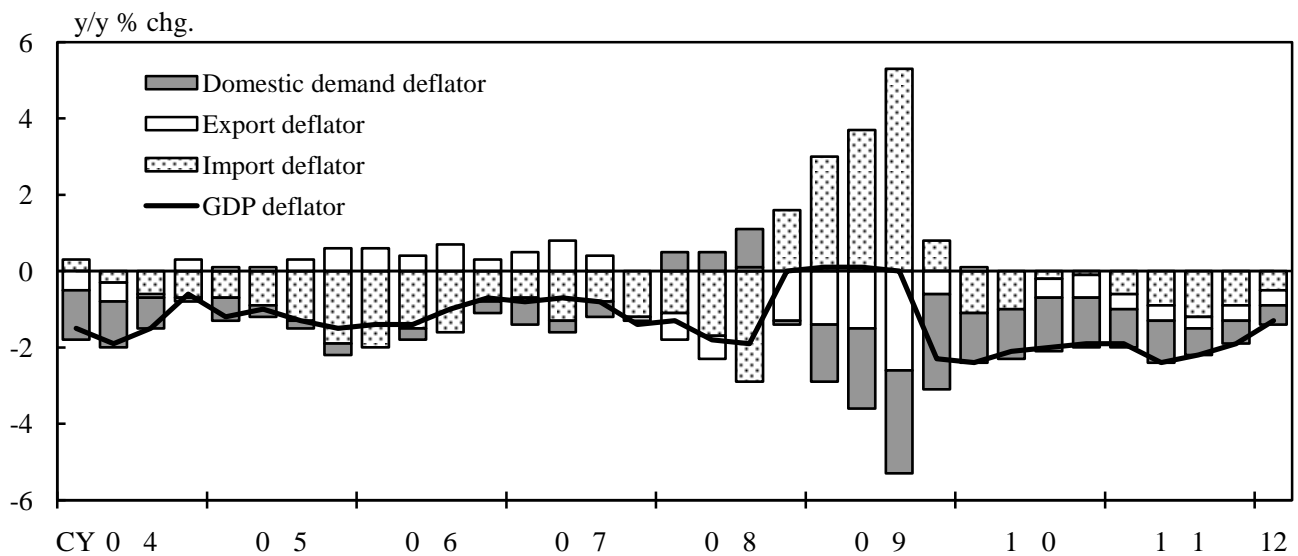


Note: Shaded areas indicate recession periods.

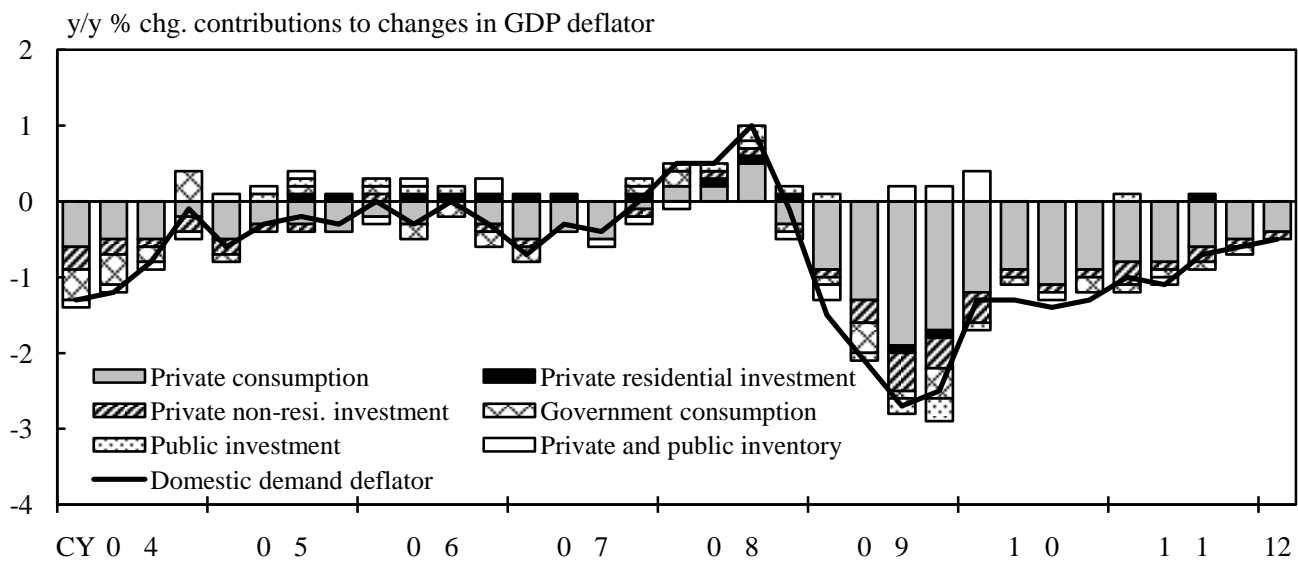
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

GDP Deflator and Income Formation

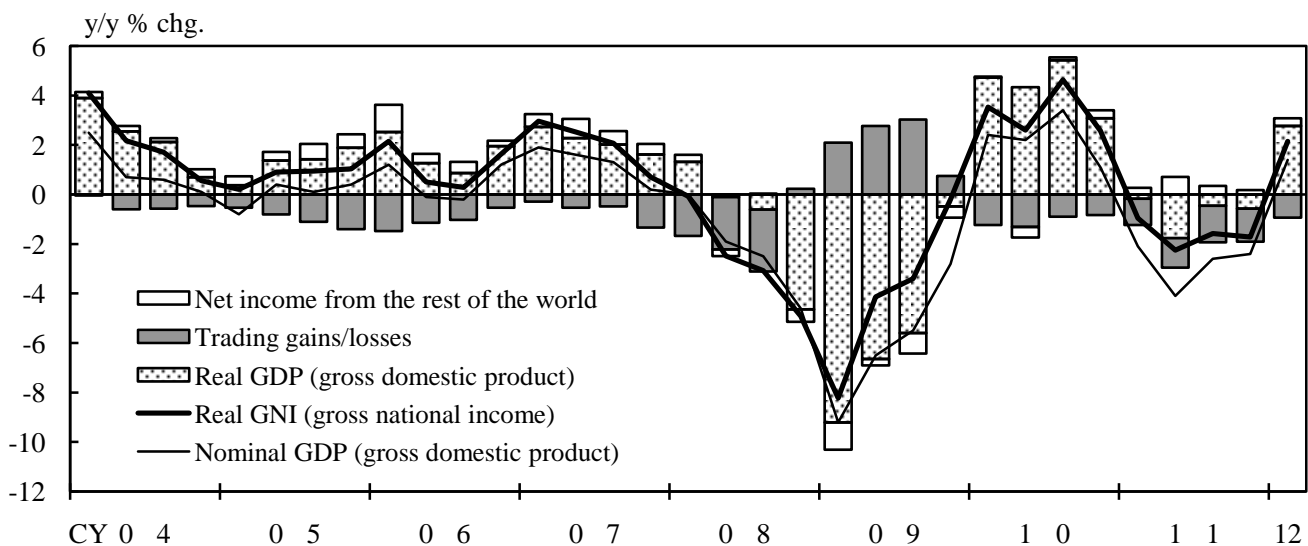
(1) GDP Deflator



(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

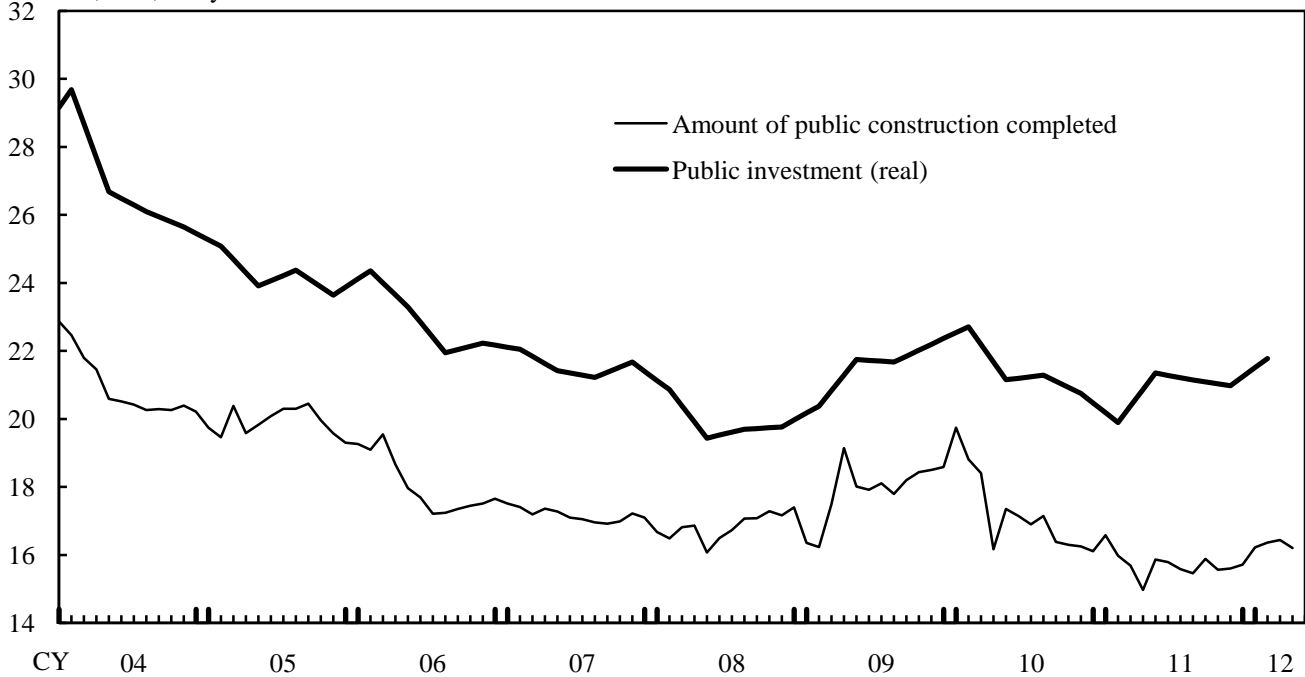
Trading gains/losses = nominal net exports / weighted average of export and import deflators - real net exports

Source: Cabinet Office, "National Accounts."

Public Investment

(1) Amount of Public Construction Completed and Public Investment

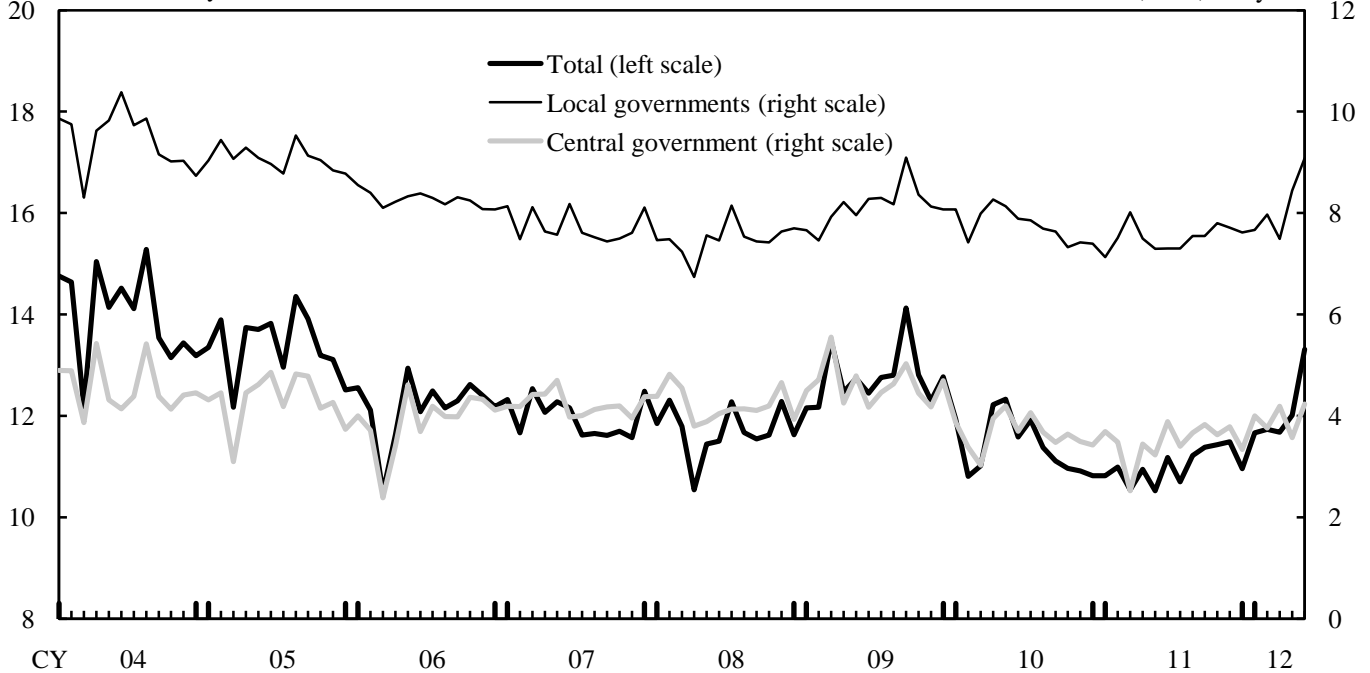
s.a., ann., tril. yen



(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.

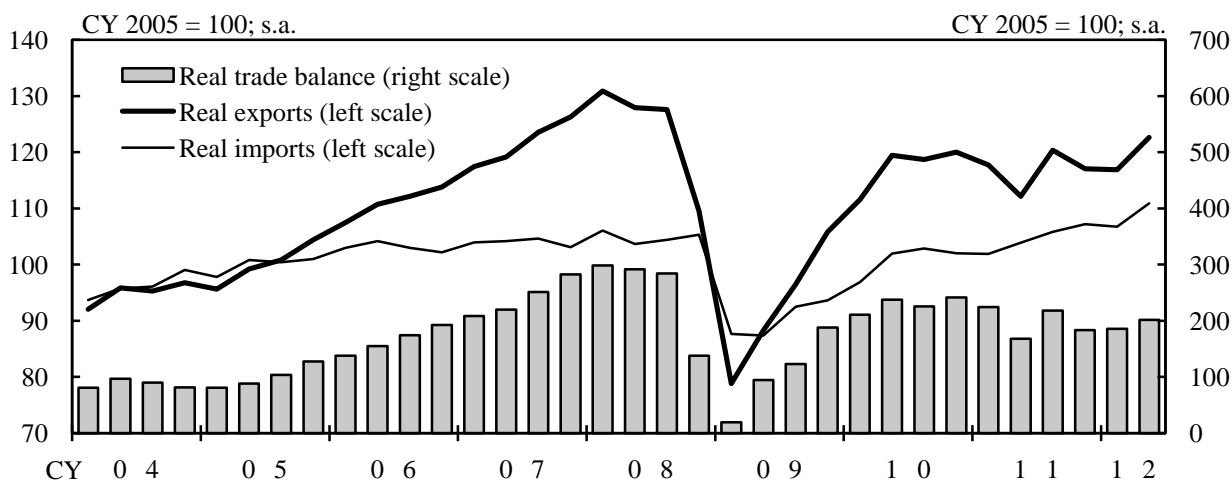
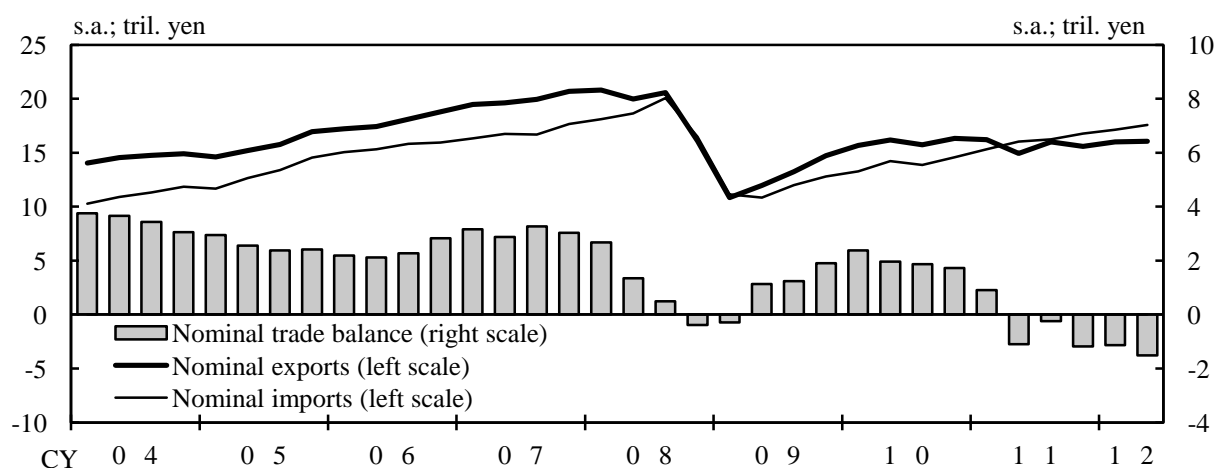
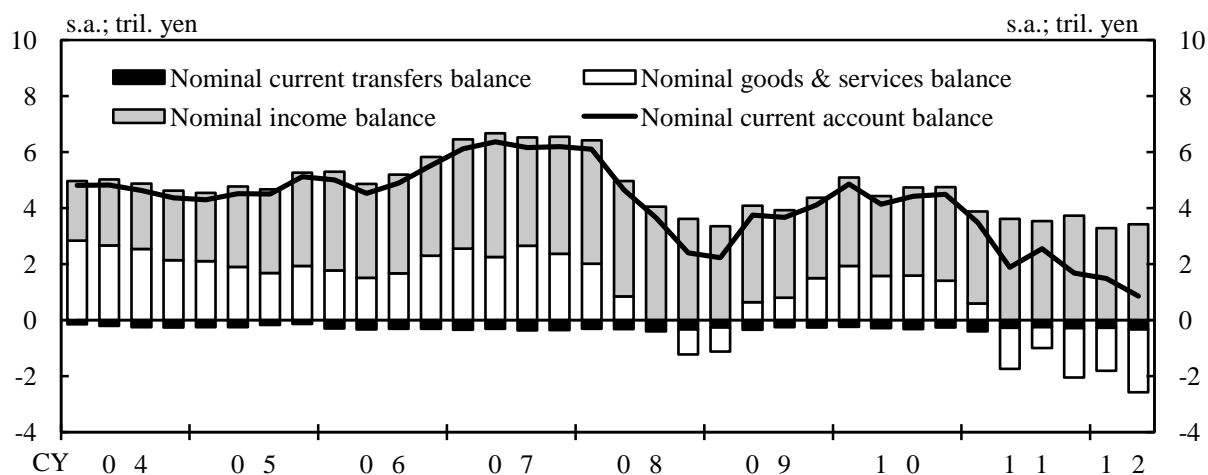
2. The amount of public construction completed is based on the general tables in the "Integrated Statistics on Construction Works."

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 Balance¹(1) Real Exports, Real Imports, and Real Trade Balance²(2) Nominal Exports, Nominal Imports, and Nominal Trade Balance³(3) Nominal Current Account Balance and Nominal Goods & Services Balance³

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2012/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," indexed with the base year of 2005. "Real trade balance" is defined as real exports minus real imports, indexed with the base year of 2005.

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 2010 | 2011 | 2011 Q2 | Q3 | Q4 | 2012 Q1 | Q2 | 2012 Mar. | Apr. | May |
| United States | <15.3> | 24.7 | -0.3 | -11.2 | 19.8 | 4.9 | 2.5 | 6.2 | 0.9 | 6.8 | -2.2 |
| EU | <11.6> | 17.4 | 2.9 | -4.9 | 9.8 | -8.3 | -4.0 | 1.9 | -3.5 | 8.4 | -2.0 |
| East Asia | <52.8> | 31.8 | -1.2 | -5.7 | 4.8 | -4.5 | 0.9 | 1.8 | -1.2 | 2.3 | -1.2 |
| China | <19.7> | 31.3 | 1.9 | -9.9 | 7.5 | -4.8 | -1.9 | 0.6 | -4.7 | 1.8 | -0.5 |
| NIEs | <22.8> | 28.0 | -4.6 | -2.9 | 0.7 | -4.1 | -1.5 | 1.5 | -0.6 | 3.0 | -2.0 |
| Korea | <8.0> | 23.6 | -3.0 | 1.0 | -4.1 | -0.8 | 0.3 | -0.9 | 1.1 | 1.5 | -1.8 |
| Taiwan | <6.2> | 36.8 | -9.3 | -6.0 | -3.4 | -3.6 | -4.9 | 3.9 | -5.5 | 4.0 | 2.6 |
| Hong Kong | <5.2> | 29.2 | -4.0 | -6.0 | 7.7 | -4.3 | 2.0 | -2.4 | -8.8 | 5.3 | -5.8 |
| Singapore | <3.3> | 20.2 | 0.3 | -0.6 | 10.0 | -13.2 | -3.1 | 7.0 | 14.3 | -1.9 | 4.4 |
| ASEAN4 ³ | <10.4> | 42.7 | 0.8 | -3.5 | 9.4 | -4.9 | 11.4 | 4.3 | 3.9 | 1.9 | -1.0 |
| Thailand | <4.6> | 46.1 | 1.3 | -0.9 | 8.9 | -20.8 | 27.1 | 10.3 | 3.7 | 4.8 | -0.7 |
| Others | <20.3> | 29.2 | 1.6 | -6.3 | 13.7 | -0.5 | 3.2 | 0.5 | 0.4 | 0.5 | -0.6 |
| Real exports | | 27.5 | -0.5 | -4.7 | 7.3 | -2.8 | -0.1 | 4.9 | -0.0 | 6.4 | -2.7 |

(2) Breakdown by Goods

| | | y/y % chg. | | s.a.; q/q % chg. | | | | | s.a.; m/m % chg. | | |
|--|--------|------------|------|------------------|------|-------|------------|------|------------------|------|------|
| | | CY 2010 | 2011 | 2011 Q2 | Q3 | Q4 | 2012 Q1 | Q2 | 2012 Mar. | Apr. | May |
| Intermediate goods | <20.9> | 18.3 | -4.6 | -4.2 | -2.1 | -1.4 | -2.9 | 6.7 | 2.1 | 3.4 | 4.5 |
| Motor vehicles and their related goods | <20.6> | 41.8 | -3.8 | -24.8 | 44.5 | 4.1 | 0.3 | 2.8 | -3.2 | 4.1 | 1.4 |
| Consumer goods ⁴ | <3.2> | 13.7 | -2.9 | -10.2 | 23.7 | -20.2 | 28.6 | -5.5 | 8.6 | -8.5 | -6.9 |
| IT-related goods ⁵ | <10.0> | 27.6 | 0.9 | -1.4 | 4.9 | -3.5 | 1.6 | -0.8 | -0.7 | 1.7 | -5.8 |
| Capital goods and parts ⁶ | <30.3> | 36.3 | 5.0 | 1.0 | -0.1 | -2.6 | 1.0 | 2.2 | 0.3 | 5.9 | -6.3 |
| Real exports | | 27.5 | -0.5 | -4.7 | 7.3 | -2.8 | -0.1 | 4.9 | -0.0 | 6.4 | -2.7 |

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2012/Q2 figures are April-May averages converted into quarterly amount.

2. Shares of each region and goods in 2011 are shown in angle brackets.

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

4. Excludes motor vehicles.

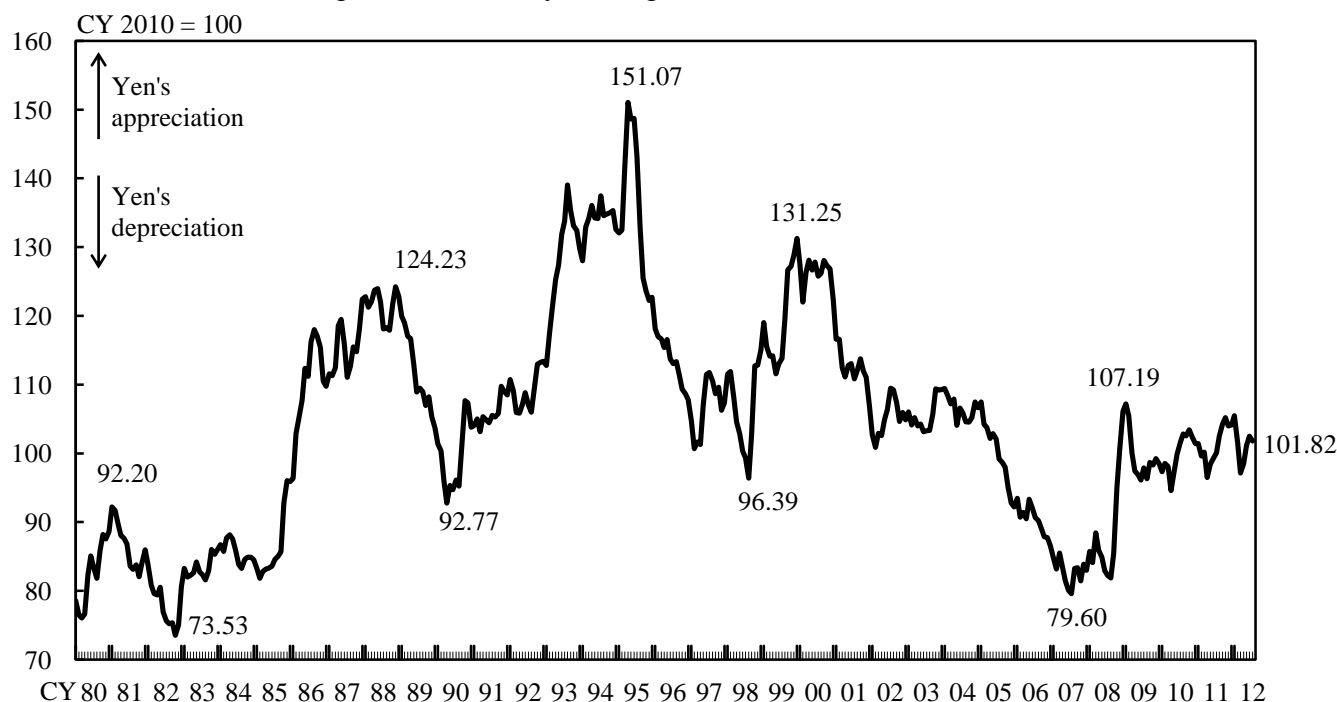
5. IT-related goods are composed of computers and units, telecommunication machinery, ICs, and medical and optical instruments.

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

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

Real Effective Exchange Rate and Overseas Economies

(1) Real Effective Exchange Rate (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 10) 2012 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.

| | CY2009 | 2010 | 2011 | 2011 Q2 | Q3 | Q4 | 2012 Q1 |
|-----------------------------|--------|------|------|------------|------|-------|------------|
| United States ¹ | -3.5 | 3.0 | 1.7 | 1.3 | 1.8 | 3.0 | 1.9 |
| European Union ² | -4.3 | 2.0 | 1.5 | 0.8 | 0.9 | -1.2 | -0.0 |
| Germany ¹ | -5.1 | 3.7 | 3.0 | 1.1 | 2.3 | -0.7 | 2.1 |
| France ¹ | -3.1 | 1.6 | 1.7 | -0.2 | 1.0 | 0.2 | 0.1 |
| United Kingdom ¹ | -4.0 | 1.8 | 0.8 | -0.4 | 2.4 | -1.4 | -1.3 |
| East Asia ³ | 2.5 | 9.2 | 5.8 | 4.4 | 4.9 | 0.5 | 9.5 |
| China ¹ | 9.2 | 10.4 | 9.2 | 9.5 | 10.0 | 7.8 | 7.4 |
| NIEs ^{1,3} | -1.1 | 9.0 | 4.2 | 1.0 | 1.0 | -0.1 | 3.8 |
| ASEAN4 ^{1,3,4} | -0.3 | 7.3 | 3.0 | 2.6 | 4.2 | -11.7 | 26.2 |
| Main economies ³ | -0.0 | 6.8 | 4.4 | 3.3 | 3.7 | 0.8 | 6.7 |

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, Malaysia, Indonesia, 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 2010 | 2011 | 2011 Q2 | Q3 | Q4 | 2012 Q1 | Q2 | 2012 Mar. | Apr. | May |
| United States | <8.7> | 8.2 | -1.0 | 4.7 | -1.0 | 2.9 | 1.6 | 3.2 | -0.9 | 7.8 | -2.9 |
| EU | <9.4> | 6.4 | 7.9 | 6.4 | 0.7 | 0.6 | -1.3 | 0.4 | -1.4 | -0.7 | 2.8 |
| East Asia | <41.5> | 22.0 | 9.1 | 1.1 | 2.5 | 1.5 | -1.8 | 2.1 | 5.1 | -0.8 | 4.0 |
| China | <21.5> | 23.9 | 12.2 | 1.4 | 4.3 | 2.6 | -3.5 | 3.8 | 10.2 | 0.3 | 2.0 |
| NIEs | <8.6> | 21.6 | 5.9 | 0.7 | -0.7 | 2.8 | -0.3 | -0.7 | -2.0 | -0.5 | 2.3 |
| Korea | <4.7> | 20.9 | 19.9 | 3.9 | -2.5 | 3.8 | 1.6 | -8.6 | 2.0 | -7.4 | -2.1 |
| Taiwan | <2.7> | 21.2 | -5.6 | -3.8 | -0.1 | 4.1 | -3.4 | 7.1 | -1.8 | 1.5 | 12.4 |
| Hong Kong | <0.2> | 32.8 | -5.4 | -7.6 | 5.8 | -0.1 | 23.3 | -15.3 | -67.0 | 55.7 | -5.3 |
| Singapore | <1.0> | 22.9 | -2.8 | 2.3 | -0.5 | 2.6 | -2.1 | 9.4 | 0.8 | 12.6 | -9.5 |
| ASEAN4 ³ | <11.5> | 18.2 | 4.8 | 0.6 | 1.0 | -2.3 | 1.1 | 0.6 | -0.2 | -3.6 | 10.8 |
| Thailand | <2.9> | 25.7 | 4.0 | 1.7 | 0.7 | -14.9 | 4.7 | 8.5 | 3.3 | 1.9 | 8.4 |
| Others | <40.4> | 6.8 | -0.3 | 0.3 | 1.8 | 1.2 | 0.8 | 6.4 | 3.7 | 5.8 | 0.4 |
| Real imports | | 12.0 | 3.7 | 2.0 | 1.9 | 1.3 | -0.4 | 3.9 | 3.9 | 2.1 | 3.2 |

(2) Breakdown by Goods

| | | y/y % chg. | | s.a.; q/q % chg. | | | | | s.a.; m/m % chg. | | |
|--------------------------------------|--------|------------|------|------------------|------|------|------------|------|------------------|------|------|
| | | CY 2010 | 2011 | 2011 Q2 | Q3 | Q4 | 2012 Q1 | Q2 | 2012 Mar. | Apr. | May |
| Raw materials ⁴ | <39.8> | 5.5 | -0.2 | -0.8 | 3.5 | 0.6 | 2.6 | 3.6 | 2.3 | 1.5 | 3.4 |
| Intermediate goods | <15.0> | 18.5 | 8.7 | 5.3 | -2.1 | 0.7 | -6.9 | 1.5 | 5.1 | 1.4 | -0.3 |
| Foodstuffs | <8.6> | 2.2 | 1.6 | 6.2 | -2.0 | 0.6 | 0.8 | -2.1 | 0.9 | 0.8 | -0.3 |
| Consumer goods ⁵ | <8.1> | 22.7 | 6.1 | -2.6 | 1.8 | -3.3 | -0.1 | 1.6 | 6.4 | -2.8 | 6.8 |
| IT-related goods ⁶ | <9.8> | 26.7 | 8.1 | -1.7 | 2.5 | 5.5 | 0.1 | 2.6 | -0.4 | 3.5 | -2.7 |
| Capital goods and parts ⁷ | <10.4> | 19.0 | 9.5 | 2.4 | 4.6 | 2.5 | 1.5 | 6.6 | 9.6 | 1.4 | 5.2 |
| Excluding aircraft | <10.0> | 21.8 | 10.6 | 3.0 | 4.5 | 1.0 | -1.1 | 5.6 | 6.1 | 1.5 | 3.6 |
| Real imports | | 12.0 | 3.7 | 2.0 | 1.9 | 1.3 | -0.4 | 3.9 | 3.9 | 2.1 | 3.2 |

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2012/Q2 figures are April-May averages converted into quarterly amount.

2. Shares of each region and goods in 2011 are shown in angle brackets.

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

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

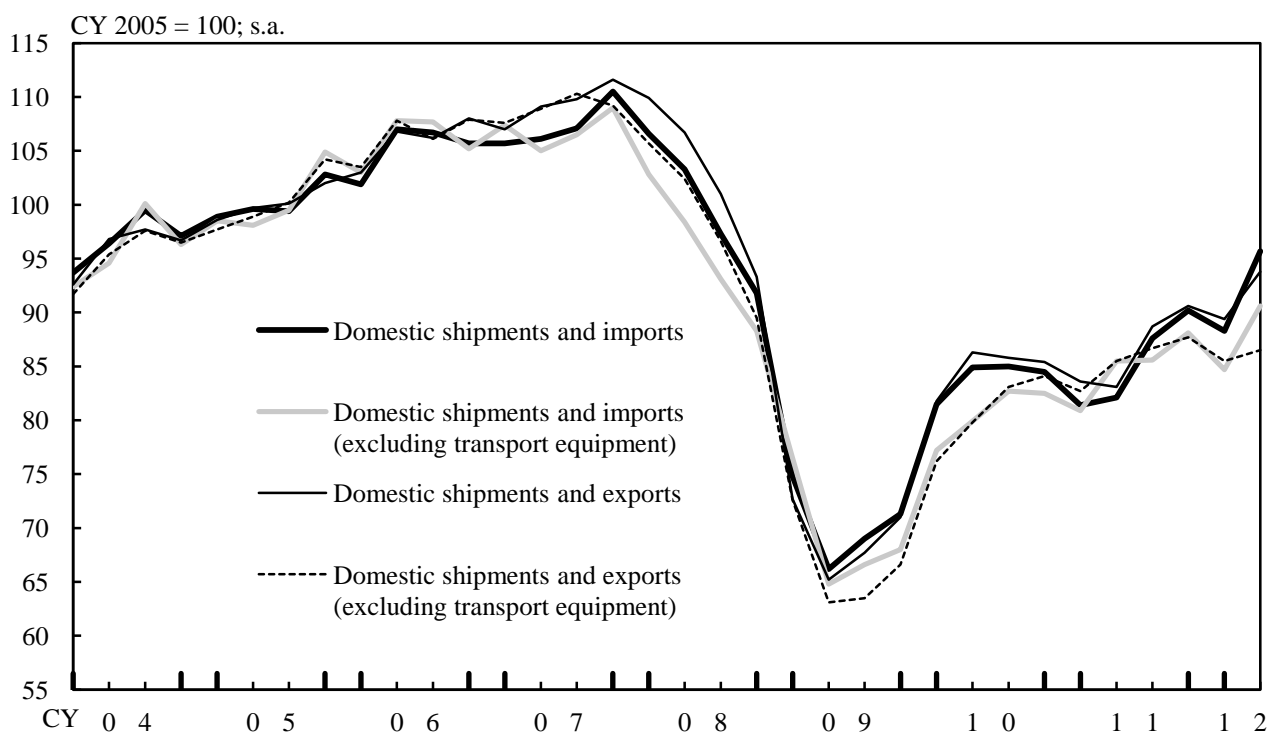
5. Excludes foodstuffs.

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

7. Excludes IT-related goods.

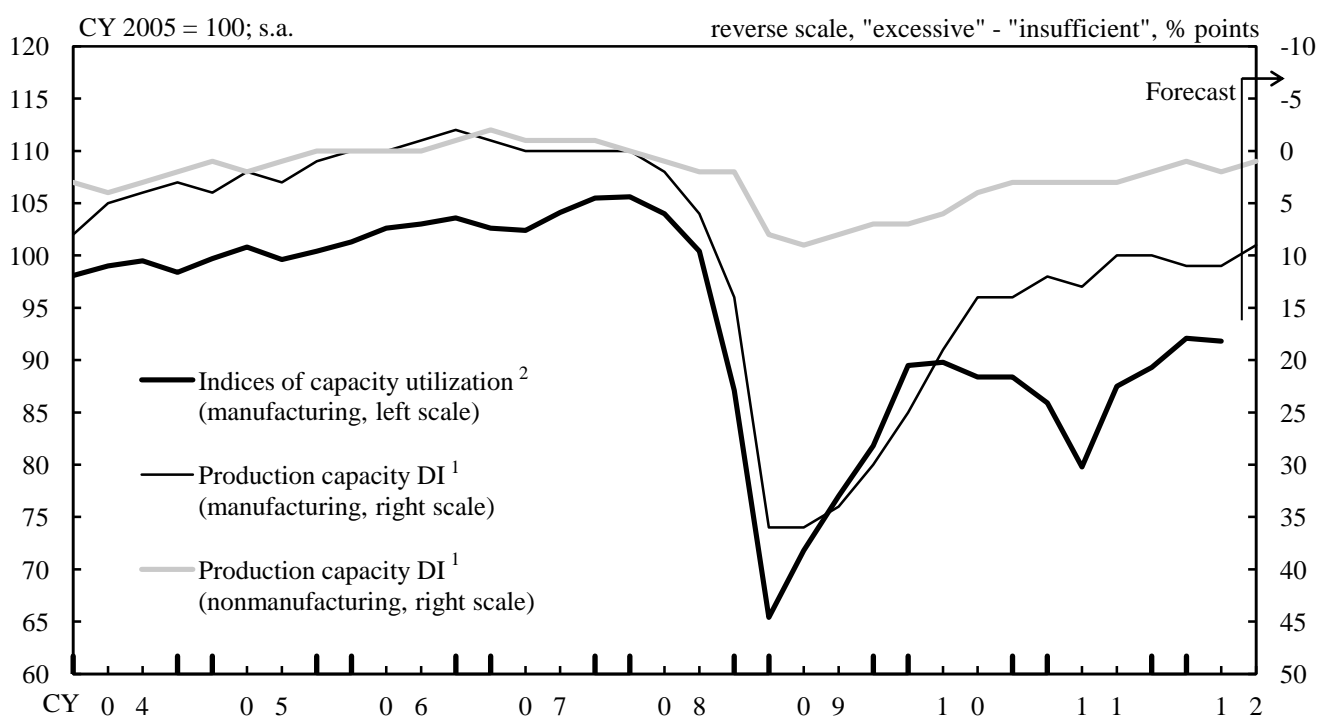
Coincident Indicators of Business Fixed Investment

(1) Aggregate Supply and Shipments of Capital Goods



Note: Figures for 2012/Q2 are April-May averages.

(2) Indices of Capacity Utilization and Production Capacity DI



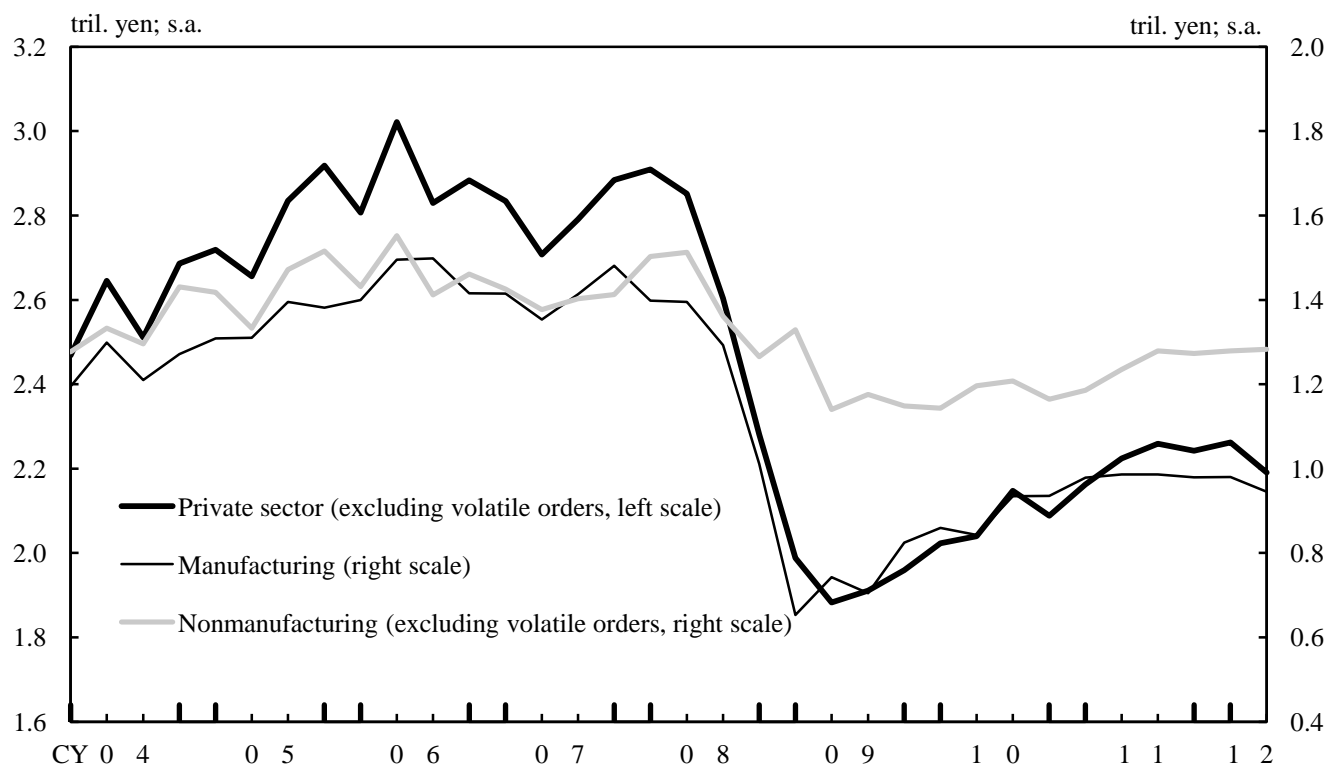
Notes: 1. Production capacity DIs are those of all enterprises.

2. The figure for 2012/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."

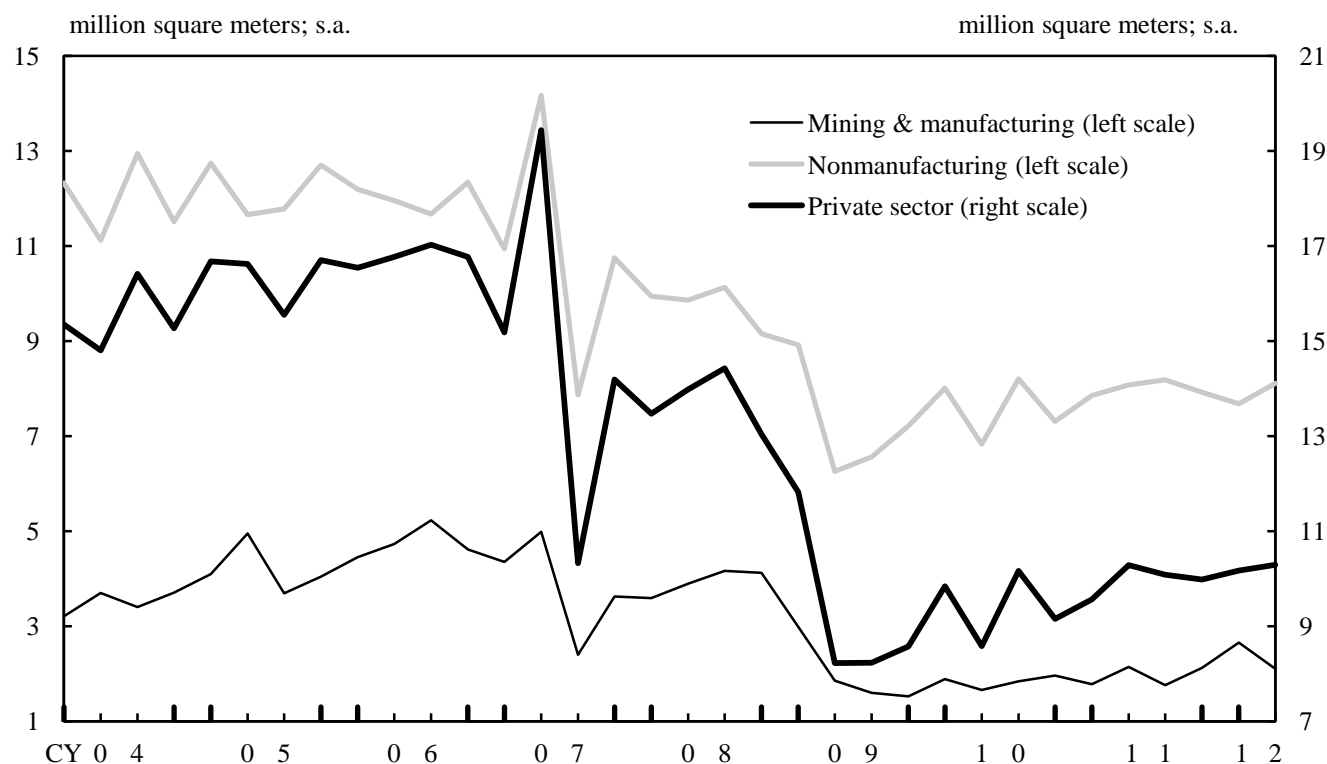
Leading Indicators of Business Fixed Investment

(1) Machinery Orders



- Notes: 1. Figures up to FY 2004 are estimated by the Cabinet Office.
 2. Volatile orders: Orders for ships and those from electric power companies.
 3. Figures for 2012/Q2 are April-May averages in quarterly amount.

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

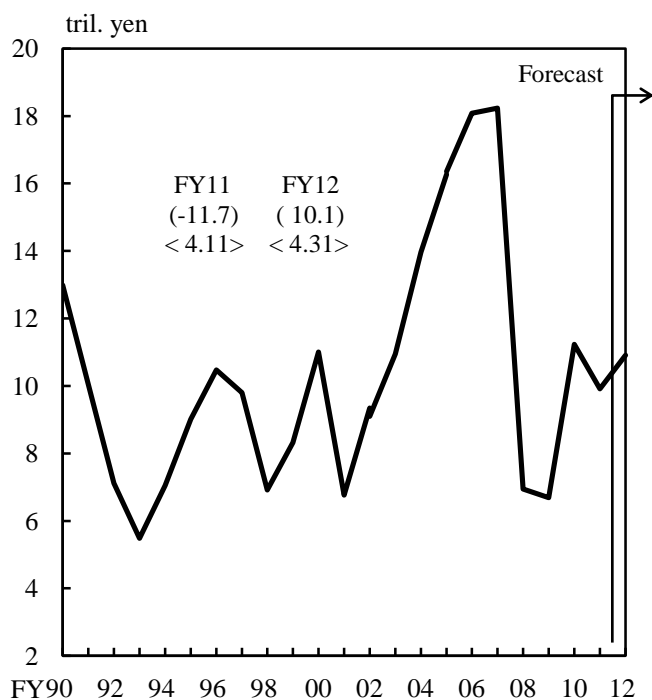


- Notes: 1. Seasonally adjusted by X-12-ARIMA.
 2. Figures for 2012/Q2 are April-May averages in quarterly amount.

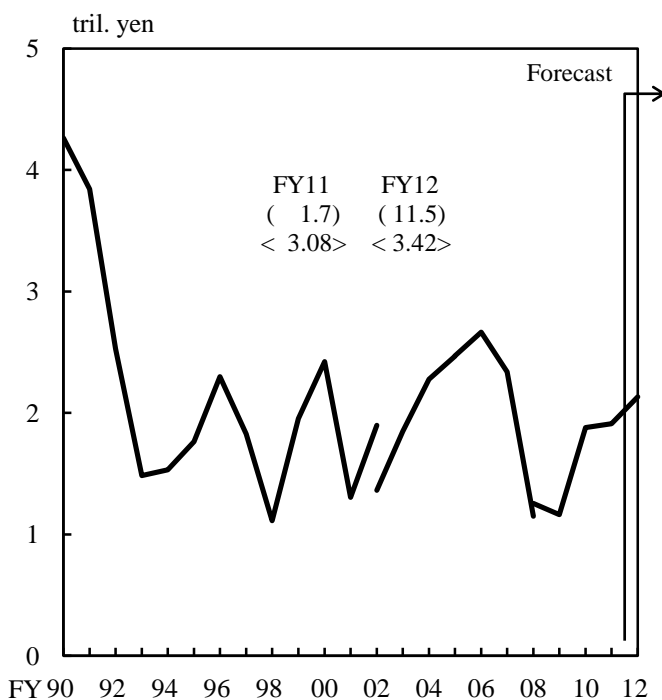
Sources: Cabinet Office, "Orders Received for Machinery";
 Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts."

Current Profits

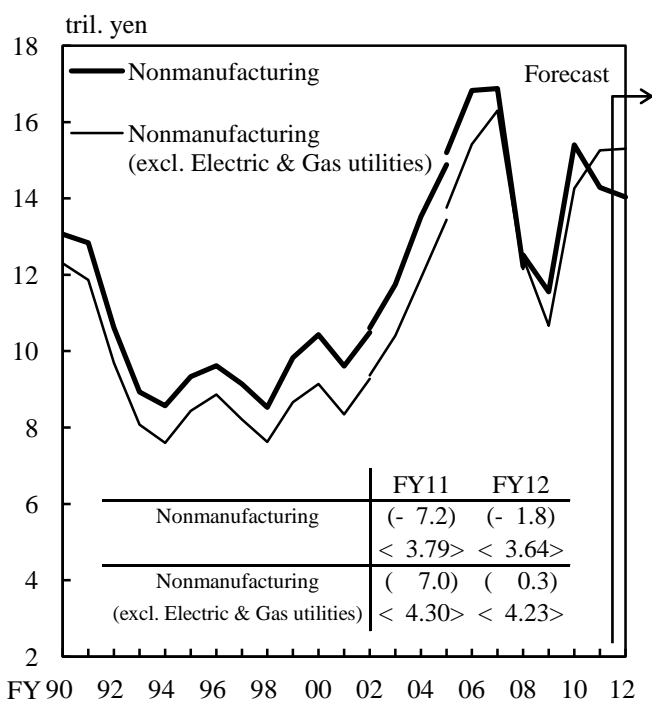
(1) Large Manufacturing Enterprises



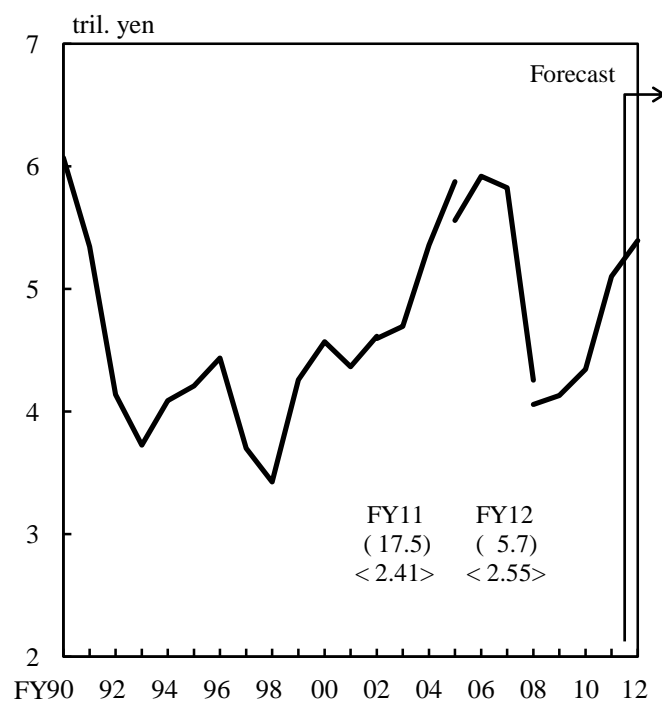
(2) Small Manufacturing Enterprises



(3) Large Nonmanufacturing Enterprises



(4) Small Nonmanufacturing Enterprises



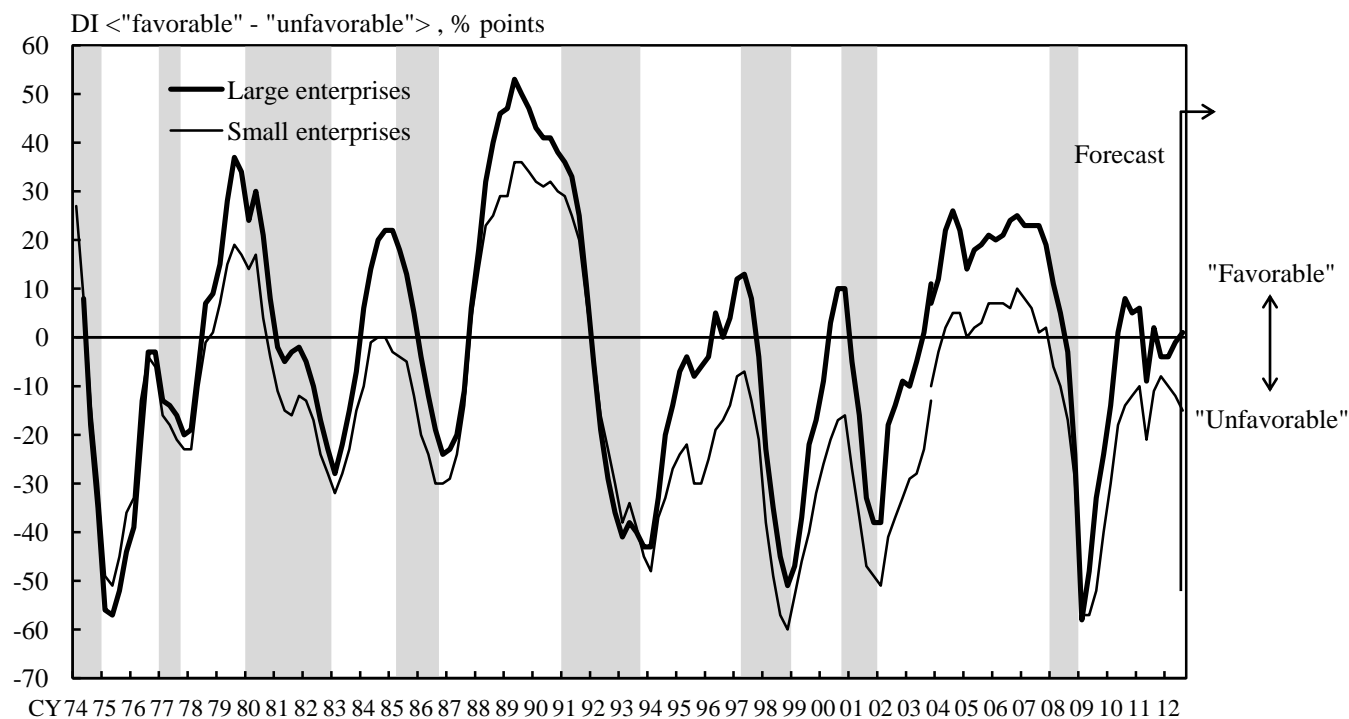
Notes: 1. (): Current profits (y/y % chg.); < >: Ratio of current profit to sales (%).

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.

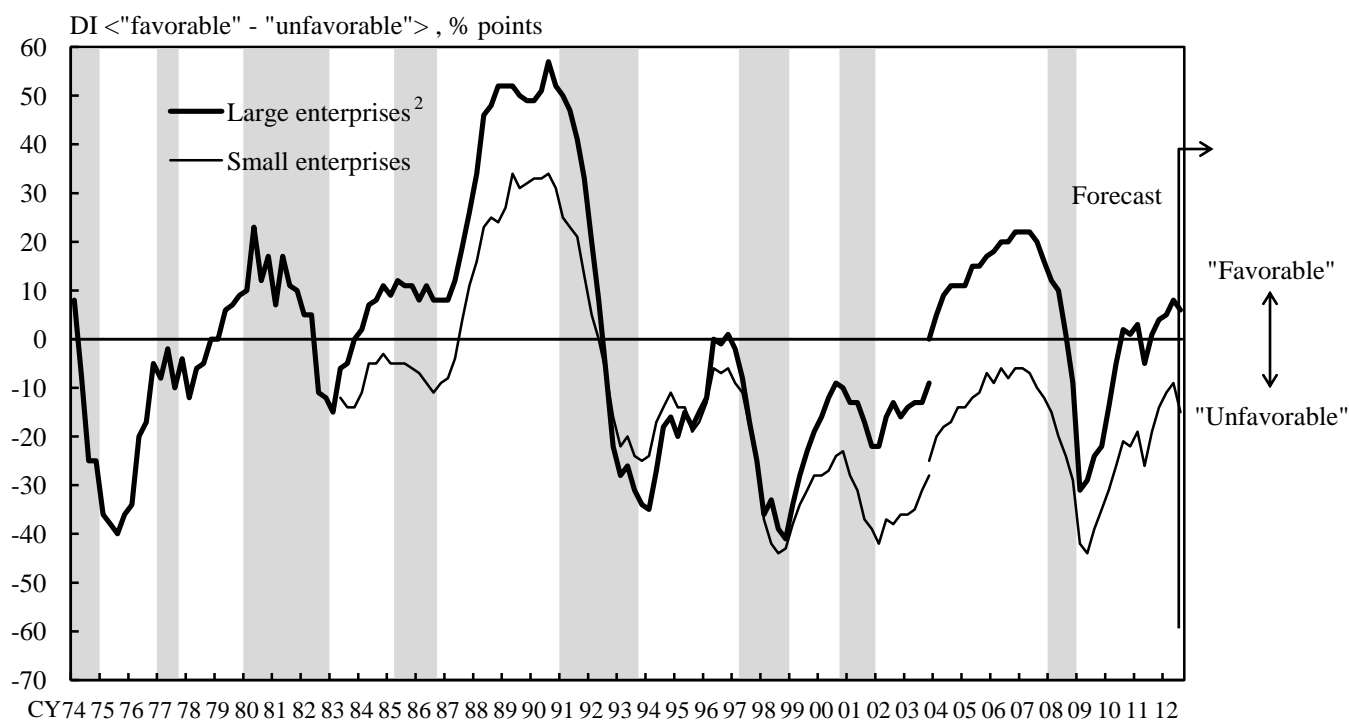
Source: Bank of Japan, "Tankan", Short-term Economic Survey of Enterprises in Japan."

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.

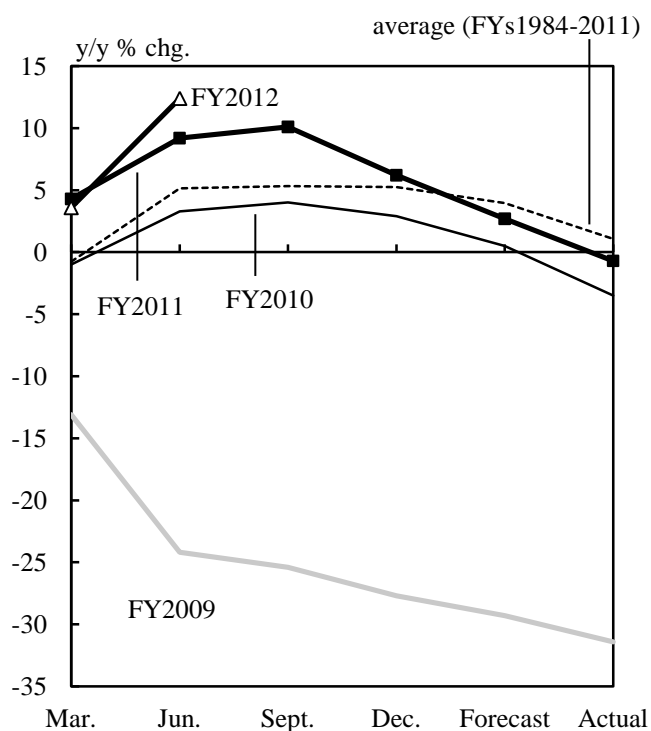
2. Data prior to February 1983 are those of principal enterprises.

3. Shaded areas indicate recession periods.

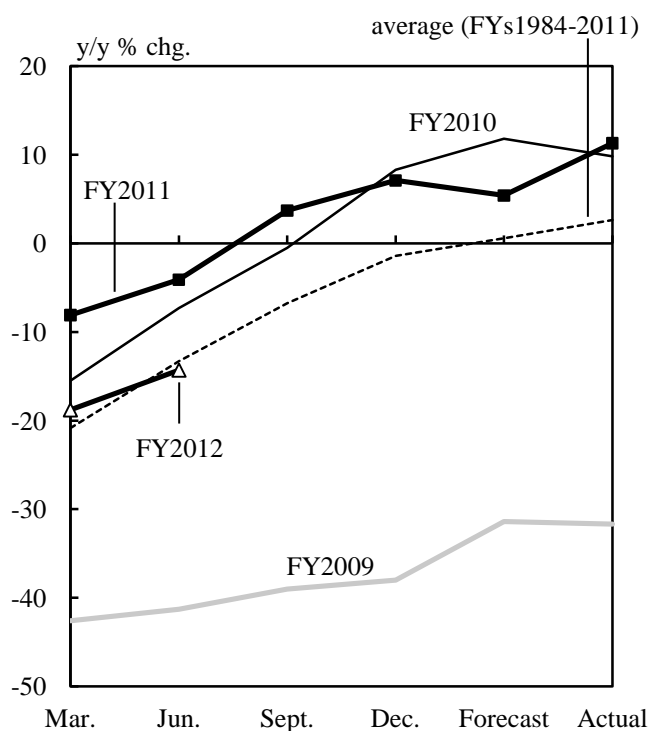
Source: Bank of Japan, "Tankan", Short-term Economic Survey of Enterprises in Japan."

Business Fixed Investment Plans as Surveyed

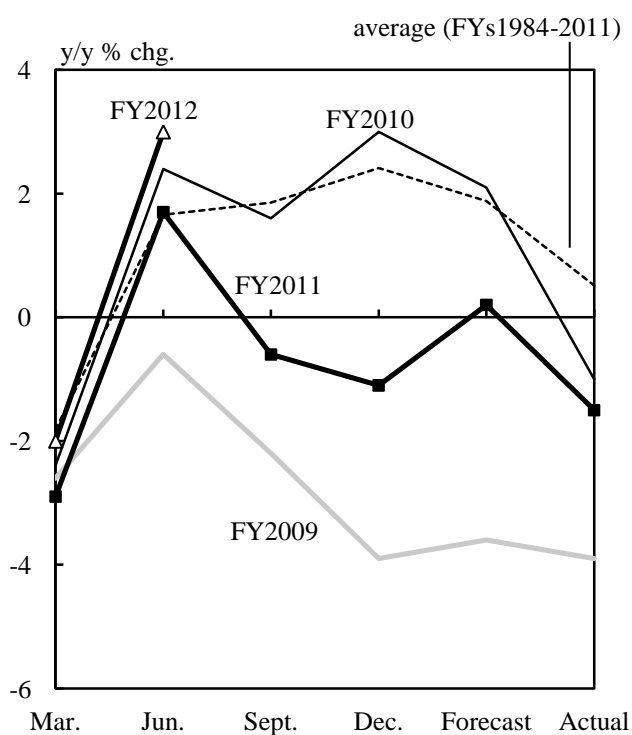
(1) Large Manufacturing Enterprises



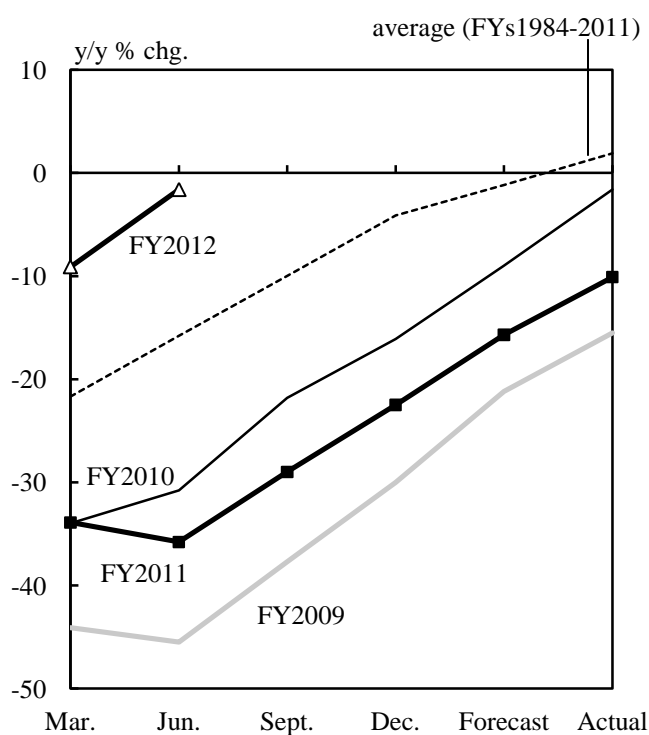
(2) Small Manufacturing Enterprises



(3) Large Nonmanufacturing Enterprises



(4) Small Nonmanufacturing Enterprises



Notes: 1. Includes land purchasing expenses and excludes software investment.

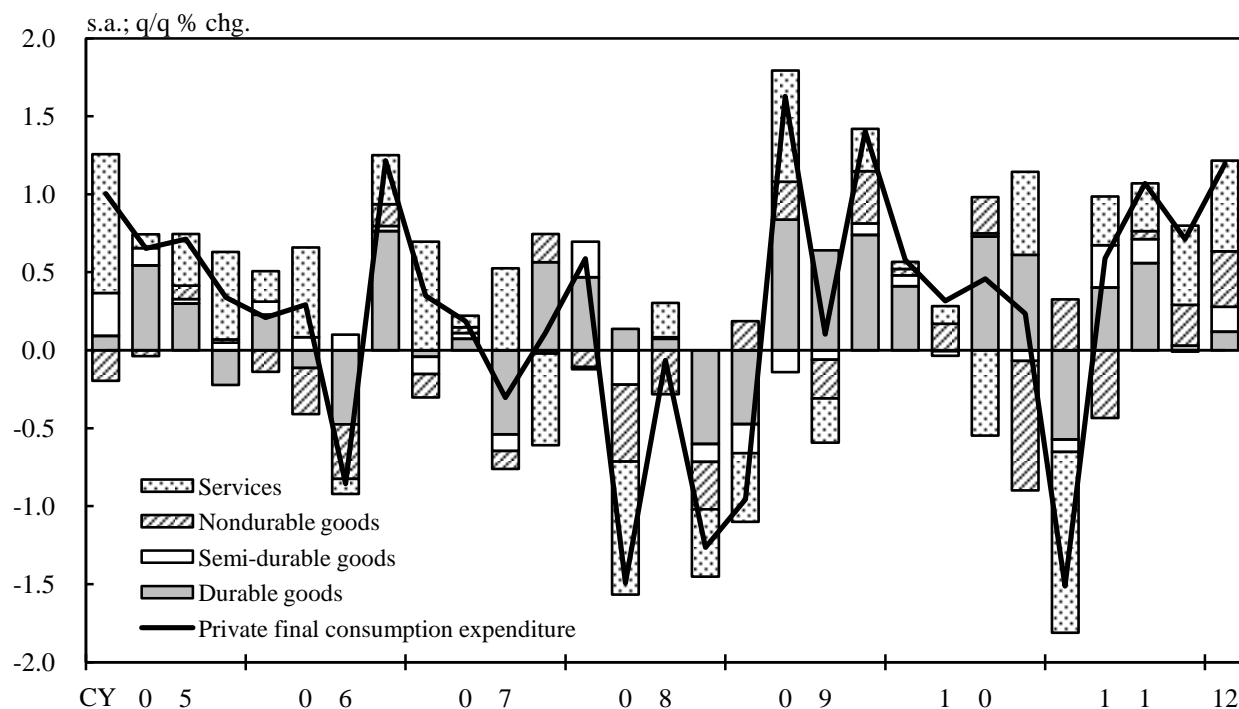
2. Sample enterprises were revised in the March 2010 survey. Therefore, as for FY 2009, figures up to the December survey are based on the previous data sets, and the figures of "forecast" and "actual result" are based on the new basis.

3. 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 1984-2011) are calculated using these figures.

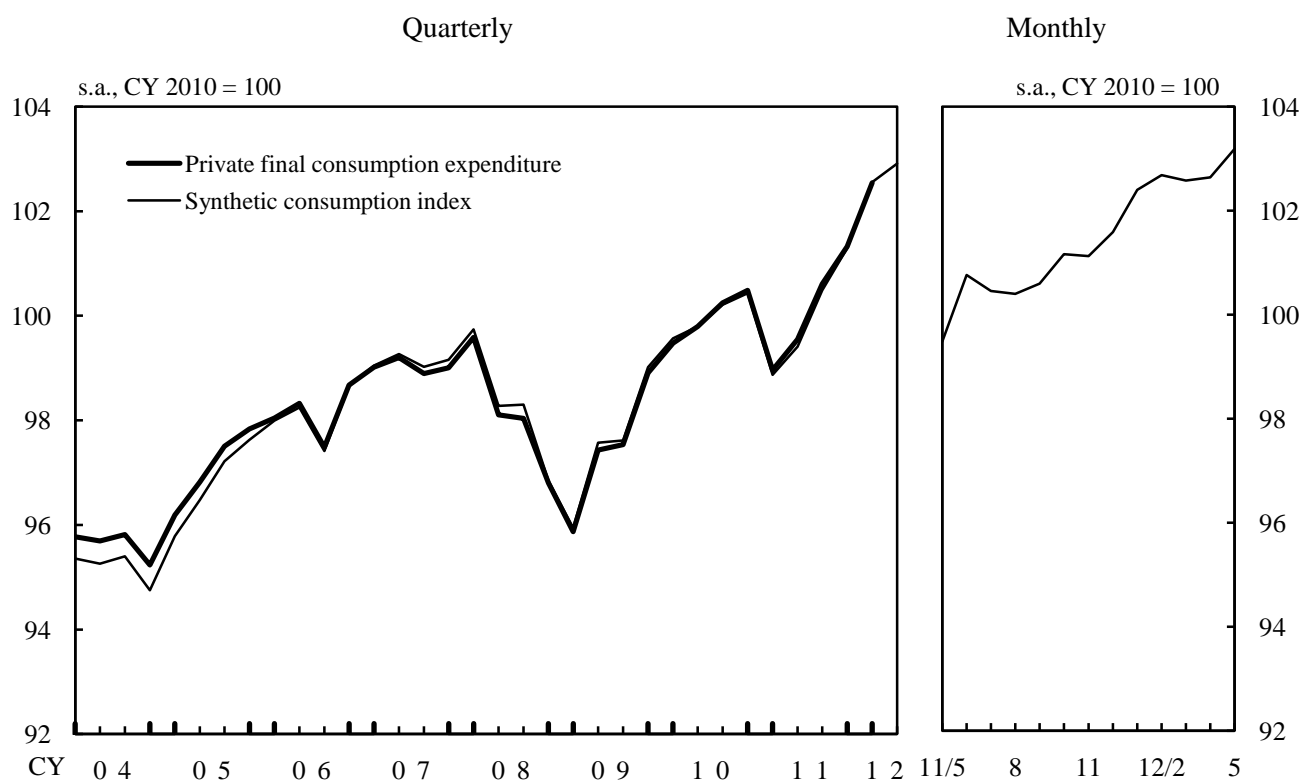
Source: Bank of Japan, "Tankan", Short-term Economic Survey of Enterprises in Japan."

Indicators of Private Consumption (1)

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



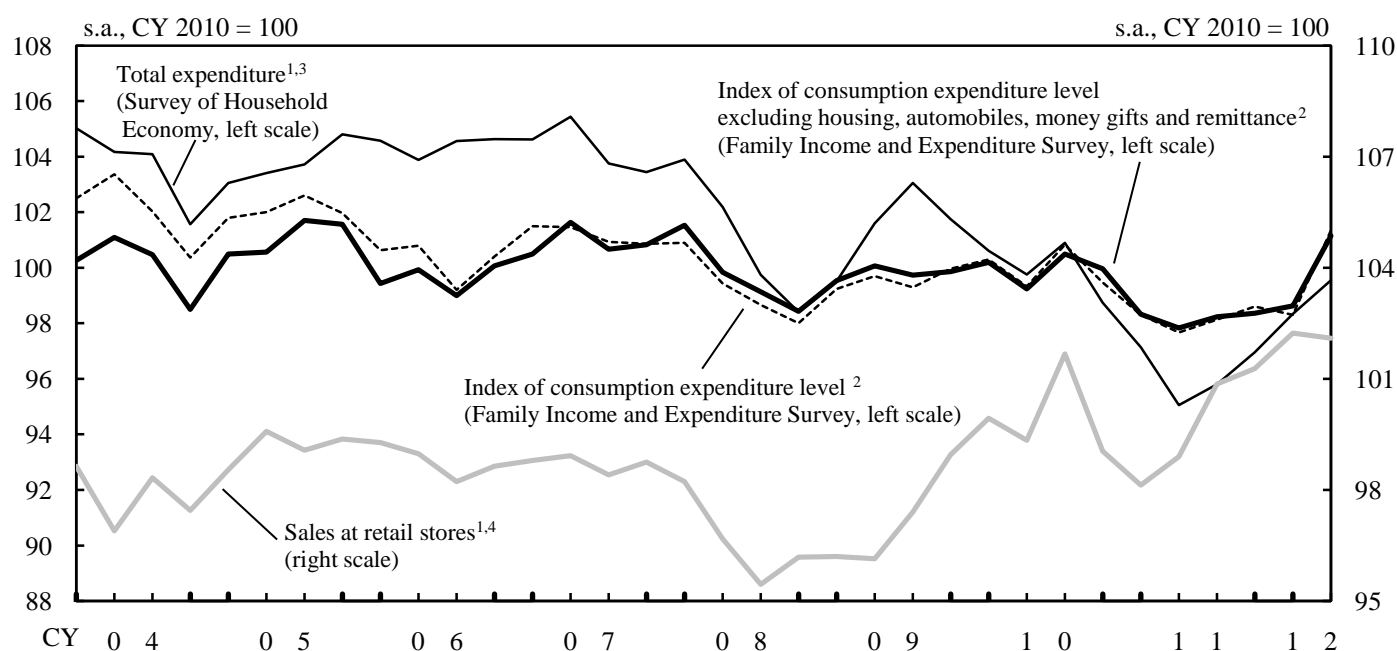
(2) Private Final Consumption Expenditure and Synthetic Consumption Index (Real)



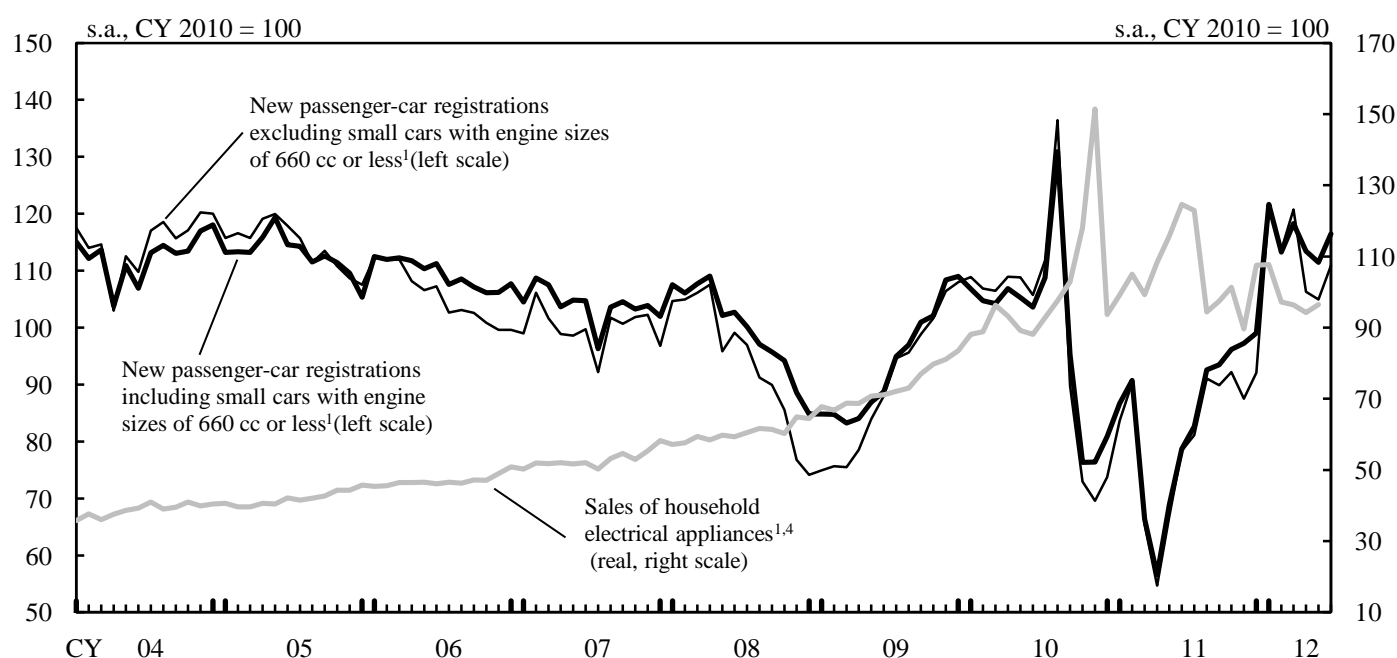
Note: The figure of the synthetic consumption index for 2012/Q2 is the average of April-May in quarterly amount.

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

Indicators of Private Consumption (2)

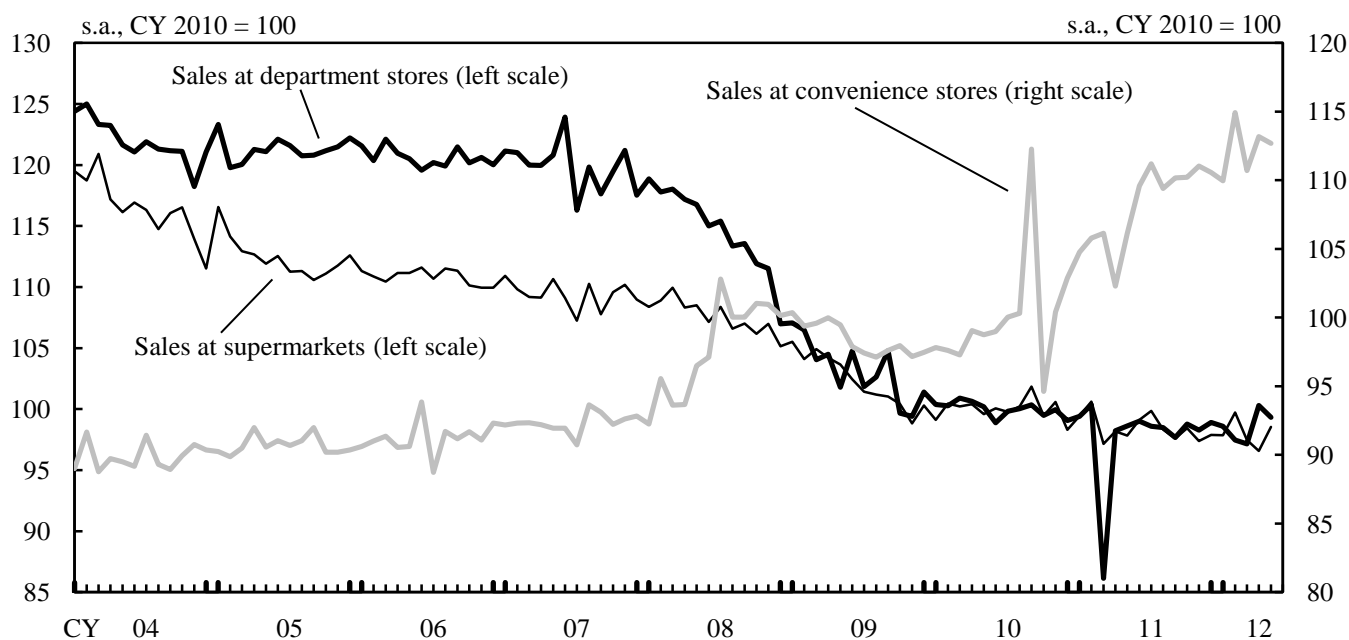
(1) Household Spending (Real)⁵

(2) Sales of Durable Goods

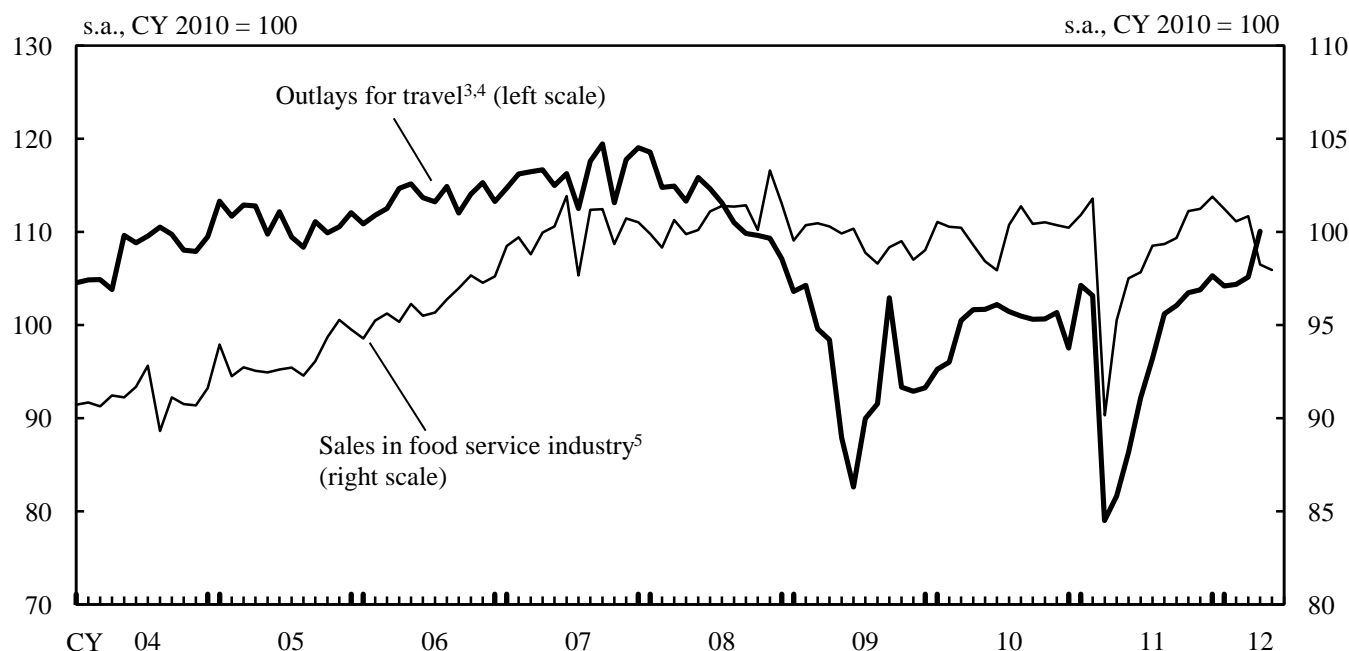


- Notes: 1. Total expenditure, sales at retail stores, sales of household electrical appliances and new passenger-car registrations are seasonally adjusted by X-12-ARIMA.
2. "Index of consumption expenditure level" is based on two-or-more-person households, and is adjusted using the distribution of household 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 2012/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.

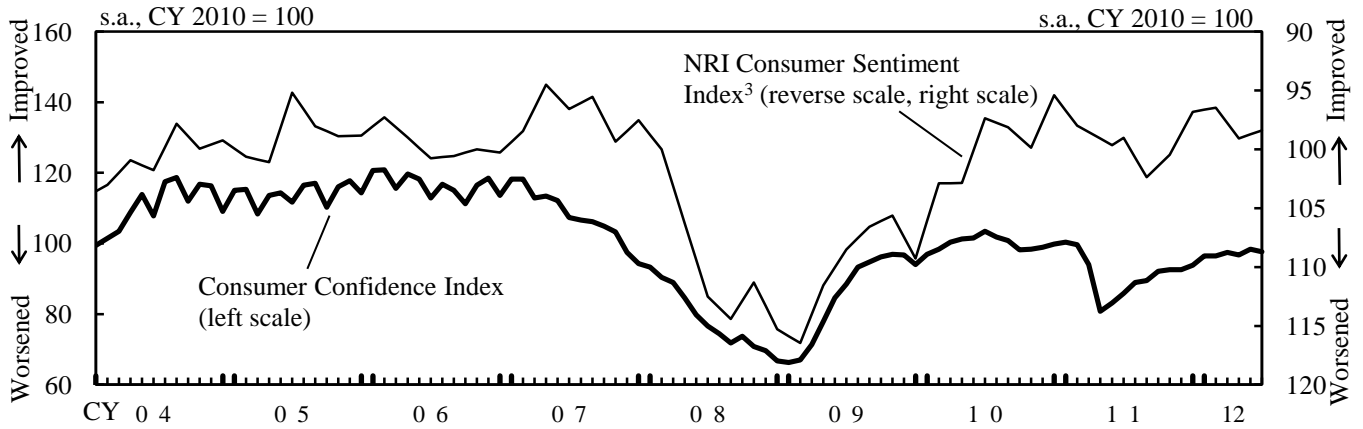
4. There are discontinuities in the underlying data as of April 2007 and April 2010 due to changes in the sample. Data from April 2007 and onward are calculated using the year-on-year rates of change.

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.

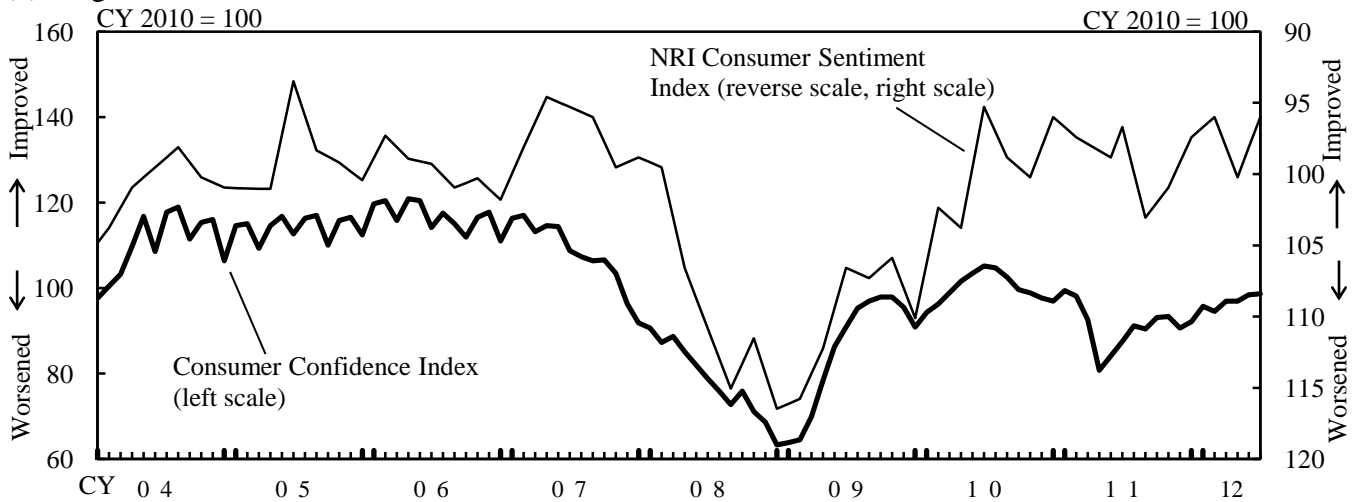
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce"; Japan Tourism Agency, "Major Travel Agents' Revenue"; Food Service Industry Survey & Research Center, "Getsuji Uriage Doukou Chousa (Monthly survey of food service sales)"; Japan Food Service Association, "Gaishoku Sangyou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

Consumer Confidence^{1,2}

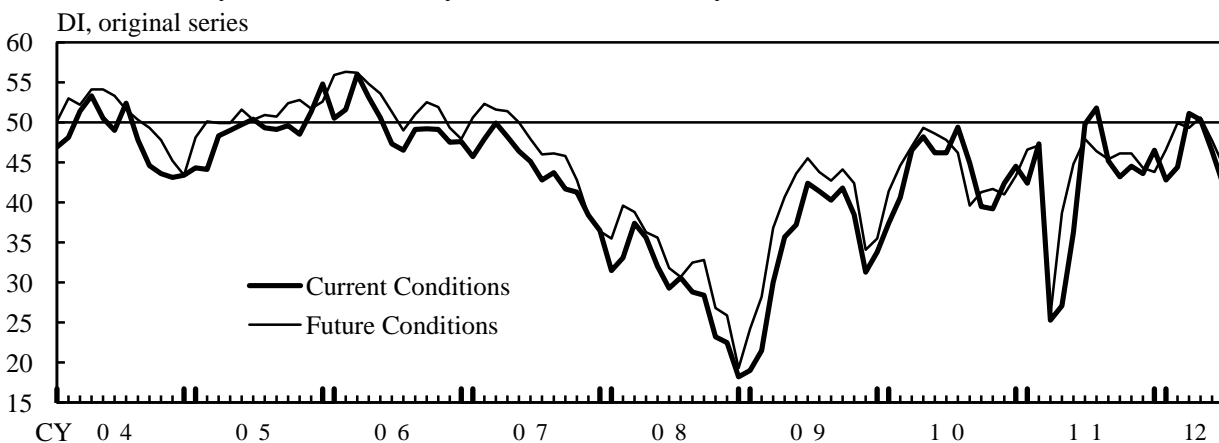
(1) Seasonally Adjusted Series



(2) Original Series



Reference: Economy Watchers Survey (Household Activity)

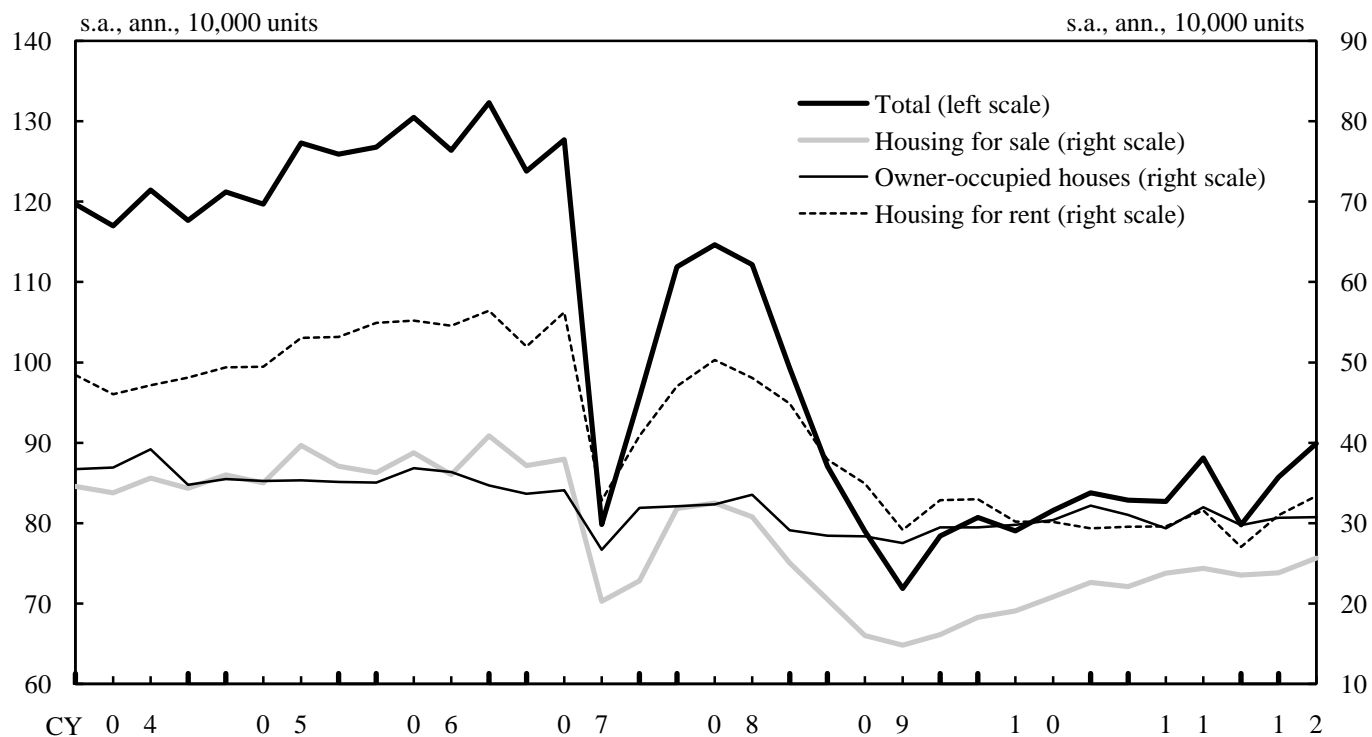


- Notes: 1. The Consumer Confidence Index (covering about 4,700 samples on a nationwide basis) and NRI Consumer Sentiment Index (1,200 samples on a nationwide basis) are based on surveys on consumer confidence.
 2. Figures are plotted for each surveyed month and the data for the intervening months are linearly interpolated.
 3. Figures are seasonally adjusted by X-12-ARIMA.

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

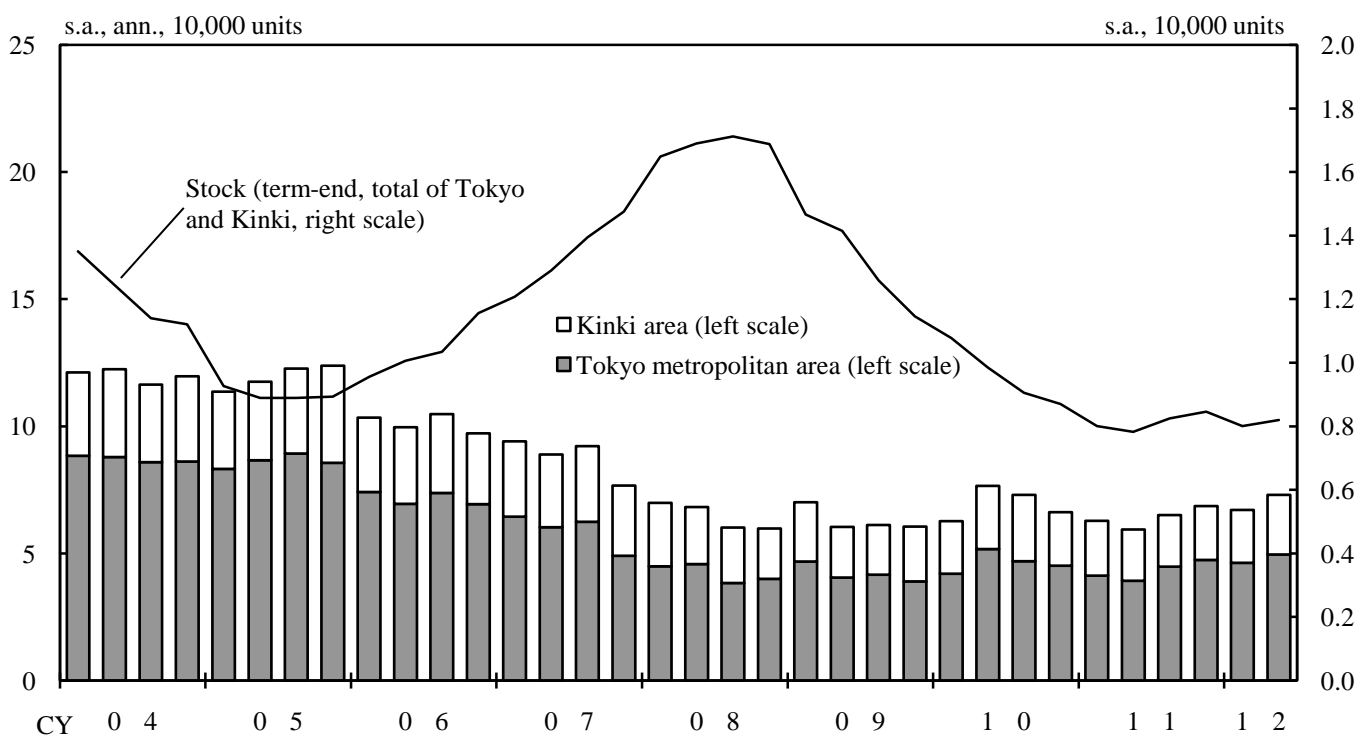
Indicators of Housing Investment

(1) Housing Starts



Note: Figures for 2012/Q2 are April-May averages.

(2) Sales of Apartments



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

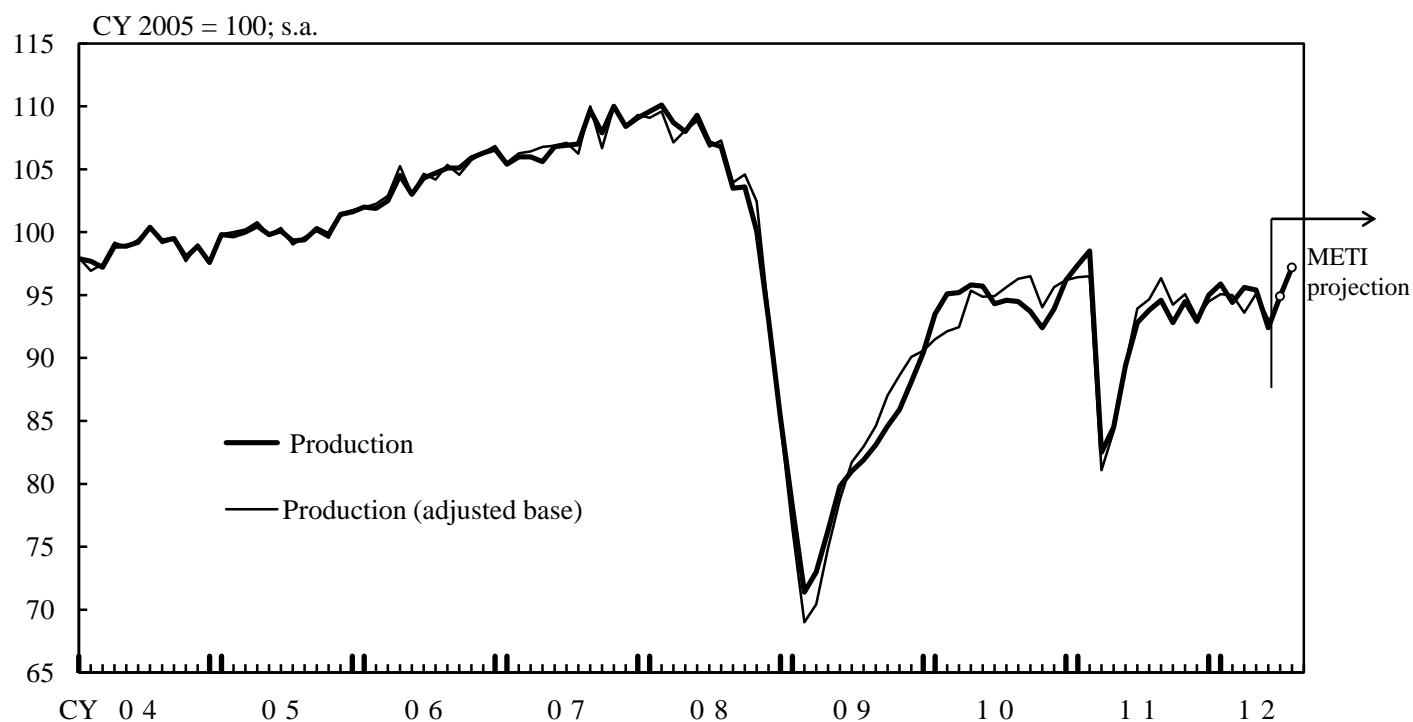
2. The figure of total apartment sales for 2012/Q2 is the April-May average.

The term-end stock for 2012/Q2 is that of May.

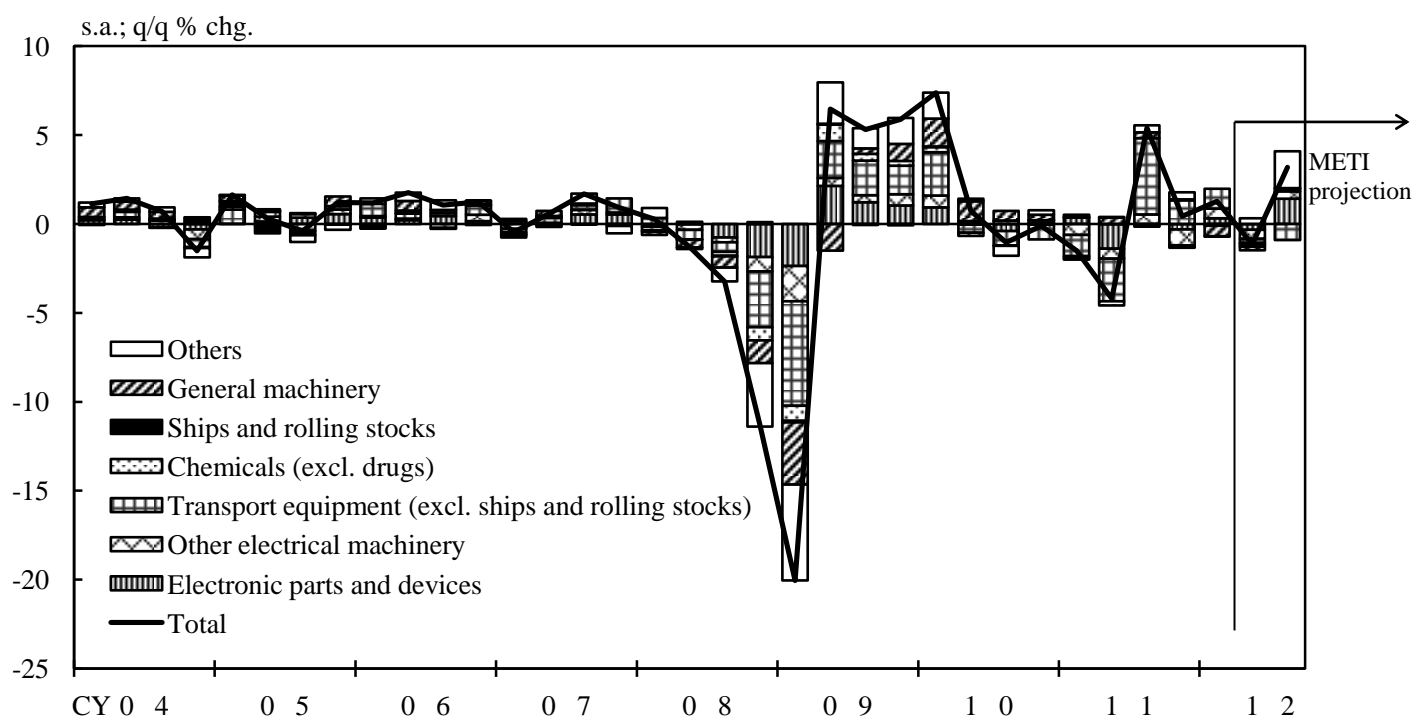
Sources: Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts," etc.

Production

(1) Production



(2) Production by Industry

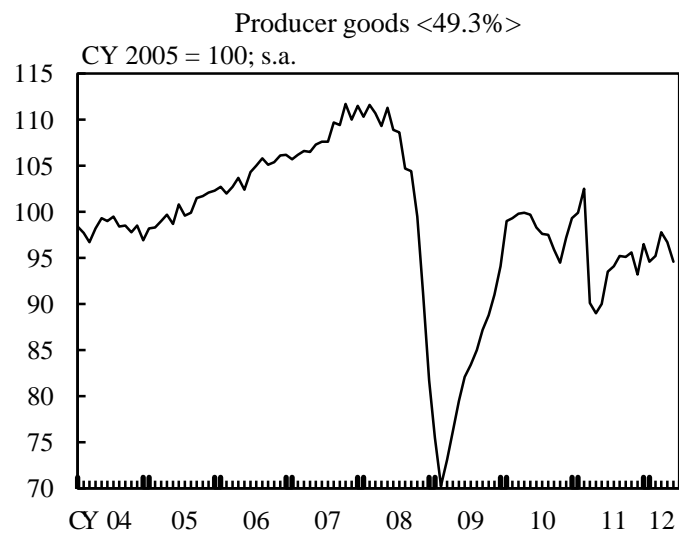
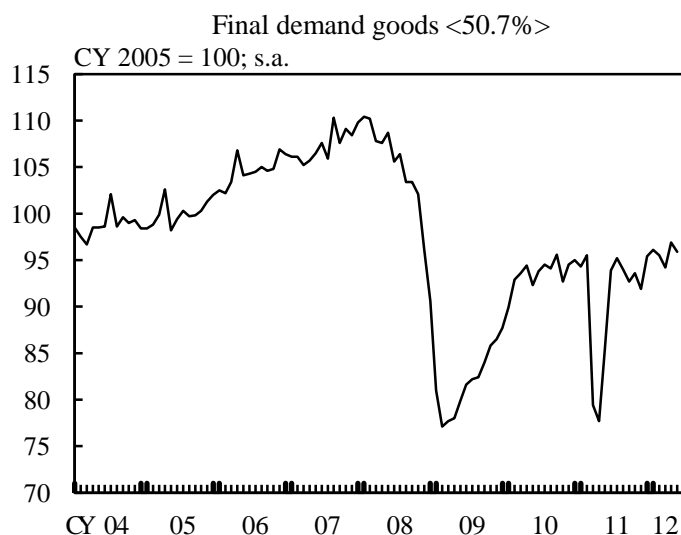


- Notes: 1. Industrial production (adjusted base) is calculated by detecting large fluctuations after the Lehman shock as outliers (estimation by the Research and Statistics Department, Bank of Japan).
2. "Other electrical machinery" is the weighted sum of "electrical machinery" and "information and communication electronics equipment."
3. 2012/Q2 figures are based on the actual production levels in April and May, and the METI projection of June. 2012/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."

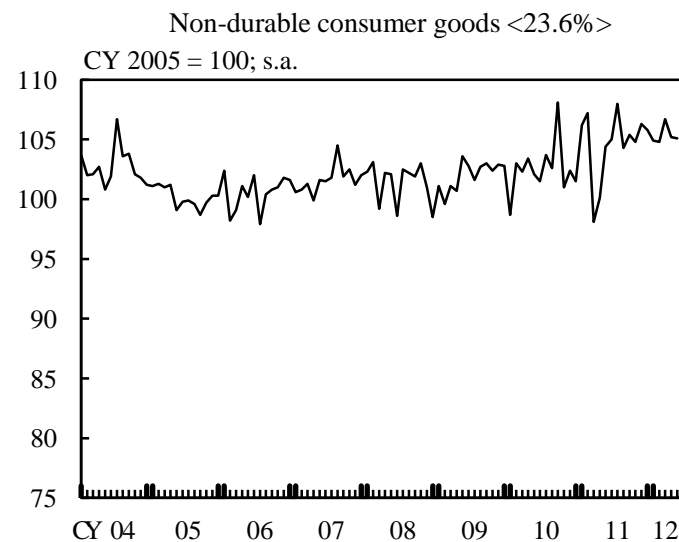
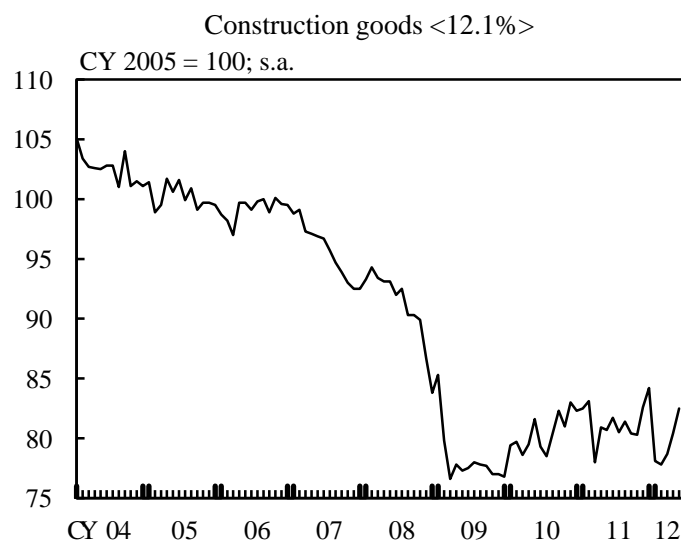
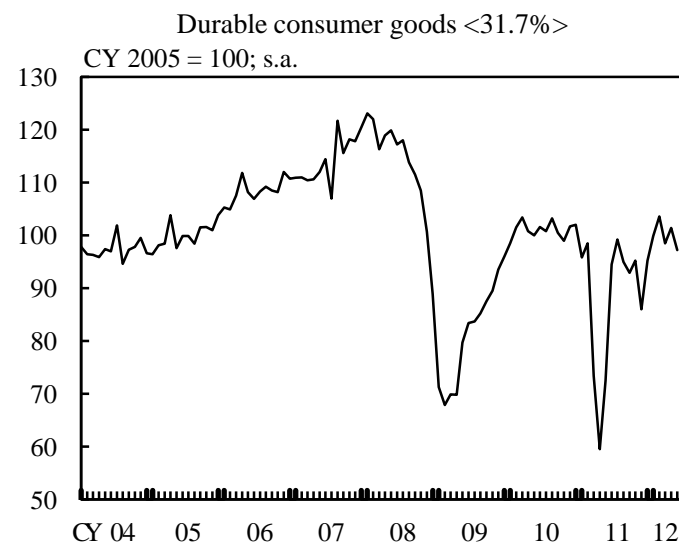
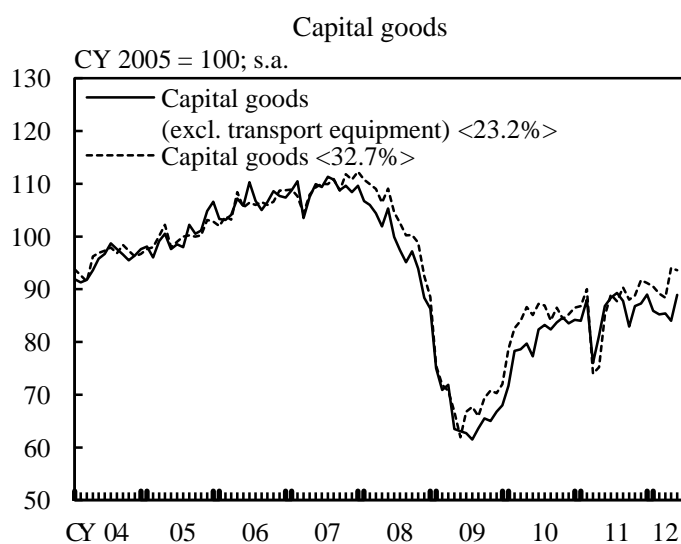
Shipments by Type of Goods

(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

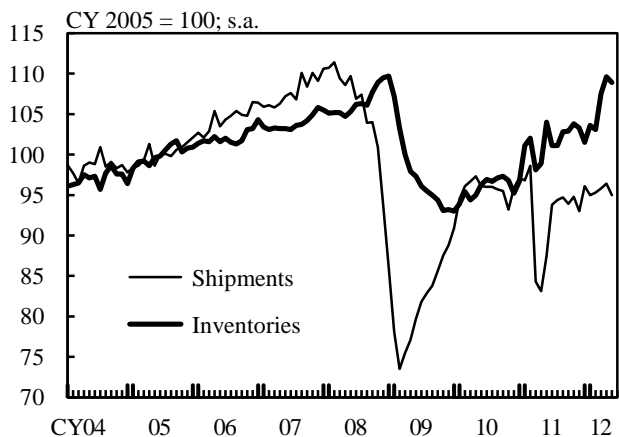


Note: Figures in angle brackets show the shares among shipments of final demand goods.

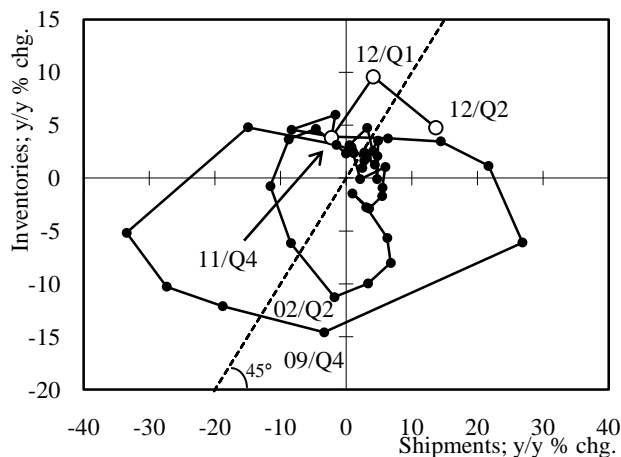
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Shipments and Inventories

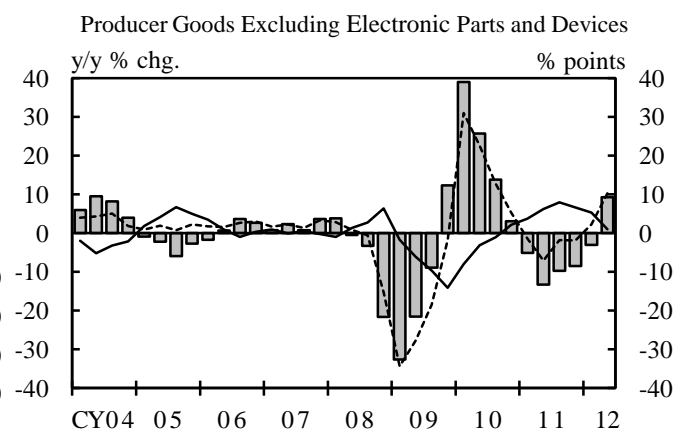
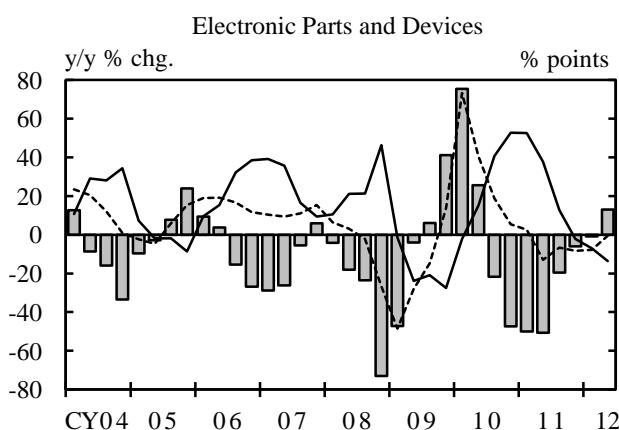
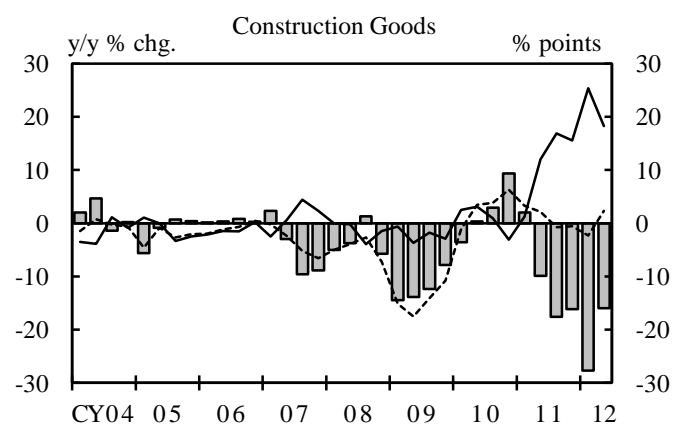
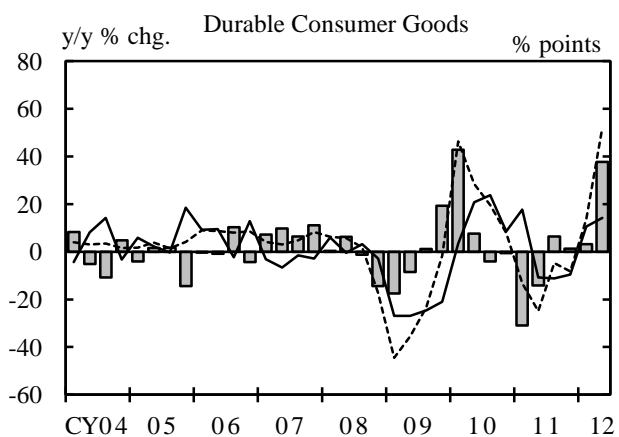
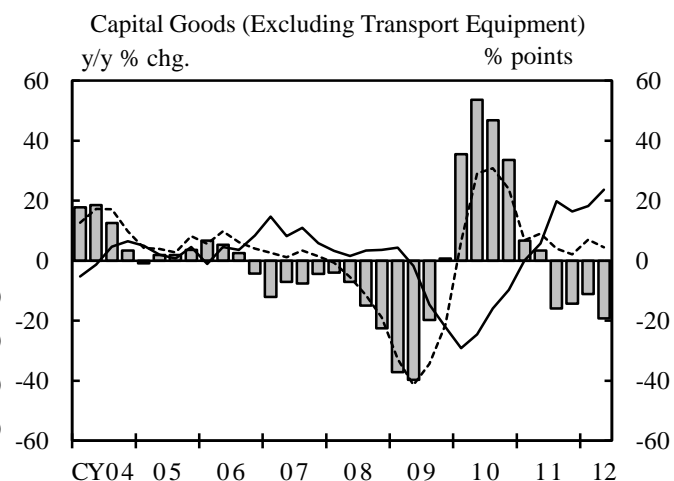
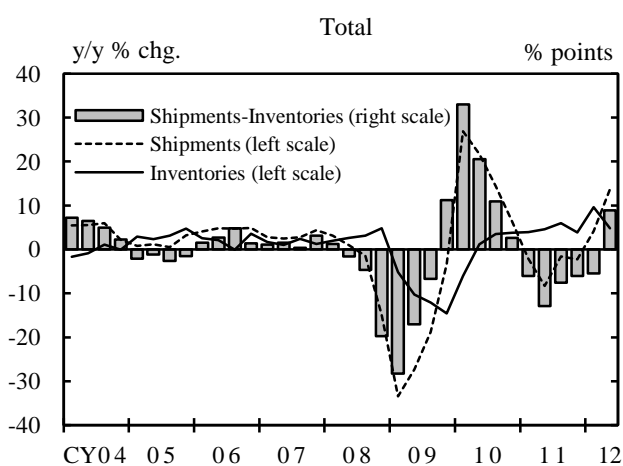
(1) Shipments and Inventories (Total)



(2) Inventory Cycle (Total)



(3) Shipment-Inventory Balance



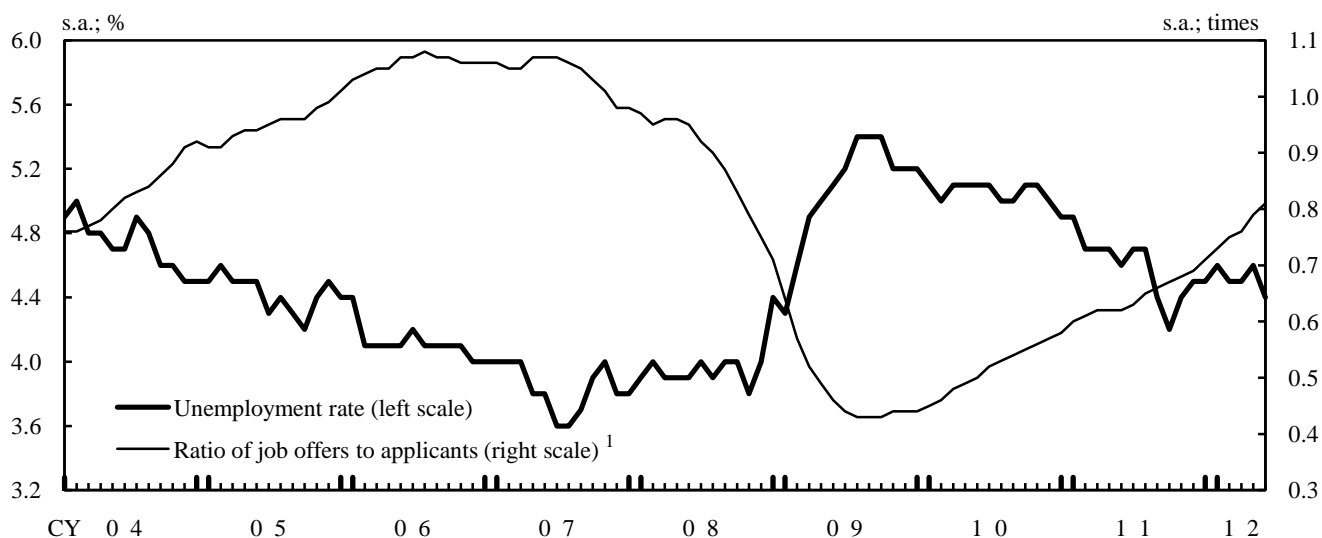
Note: Figures of shipments for 2012/Q2 are April-May averages.

Inventories for 2012/Q2 are those of May.

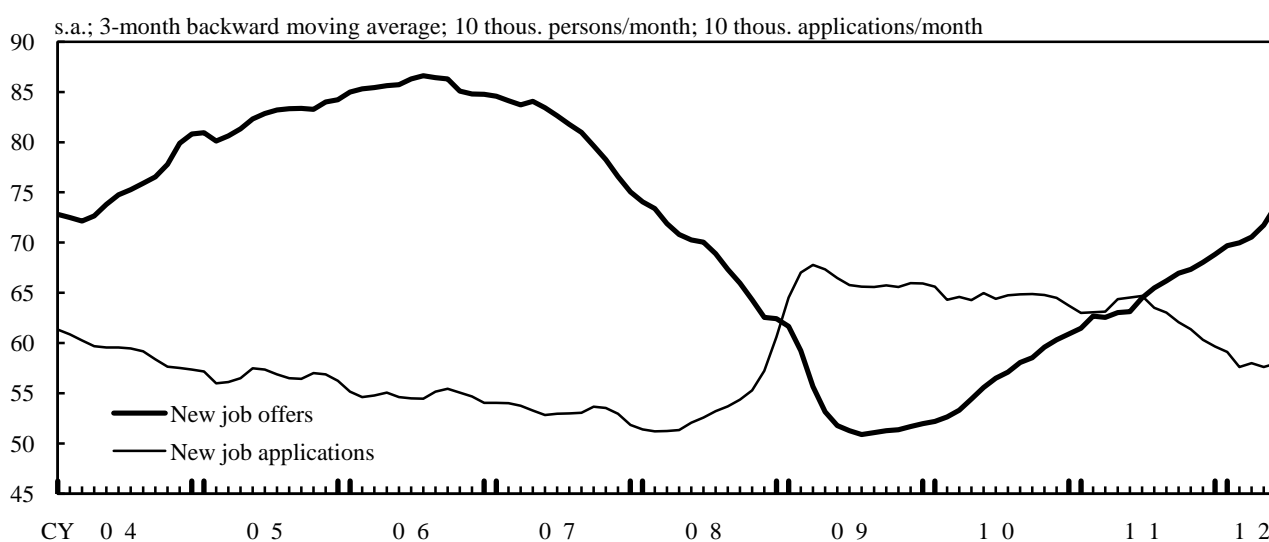
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Labor Market

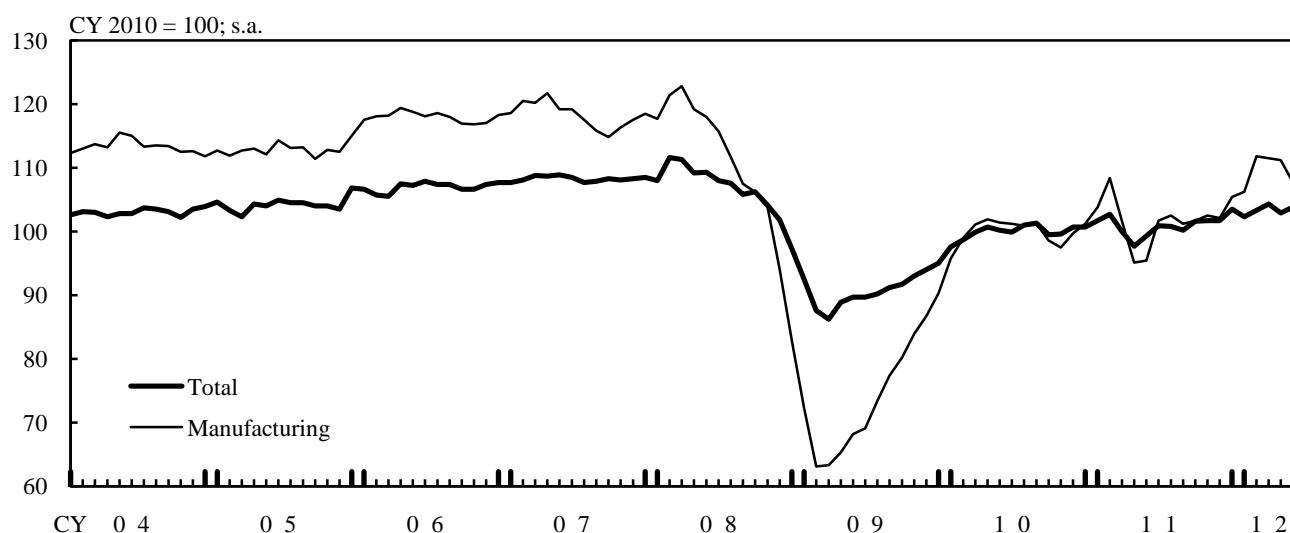
(1) Unemployment Rate and Ratio of Job Offers to Applicants



(2) New Job Offers and New Job Applicants¹



(3) Non-Scheduled Hours Worked²



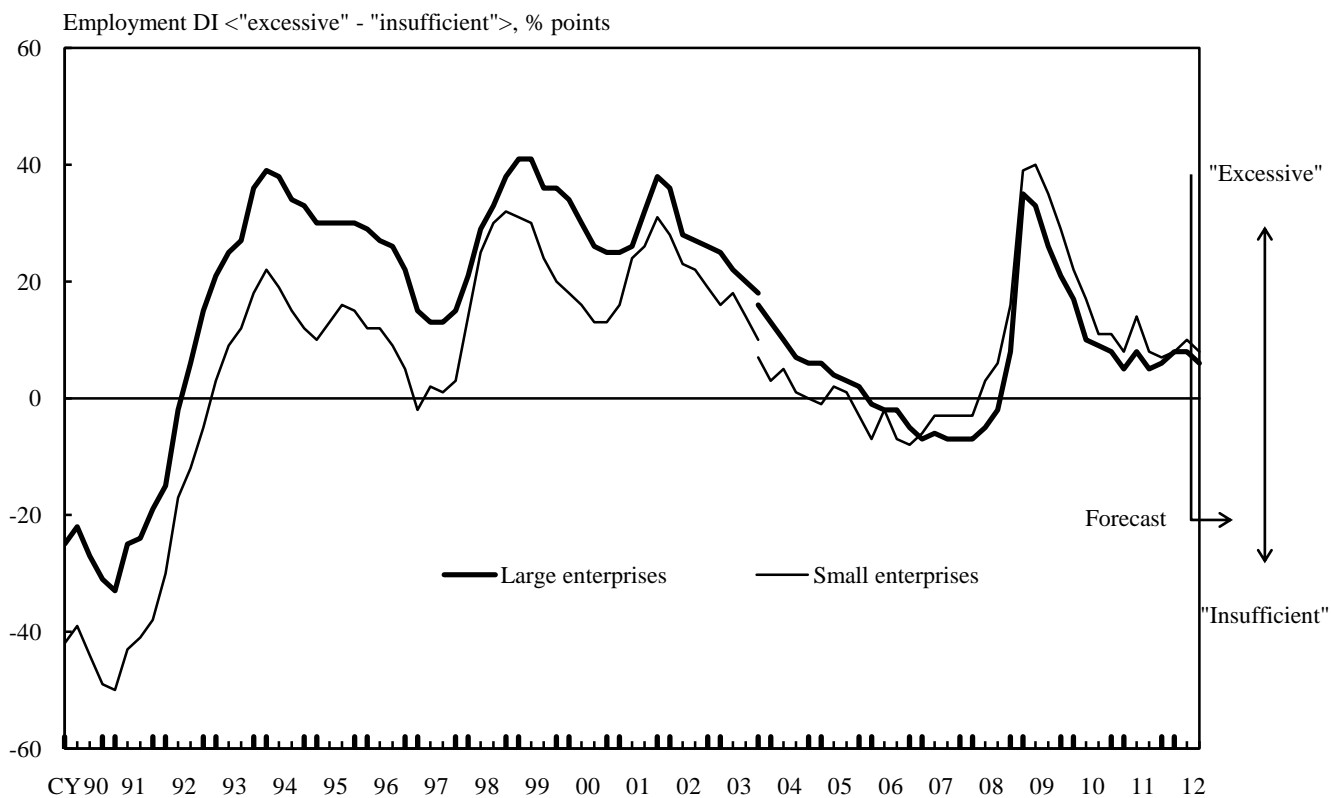
Notes: 1. Figures do not include jobs offered to new graduates, but include those offered to part-time workers.

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

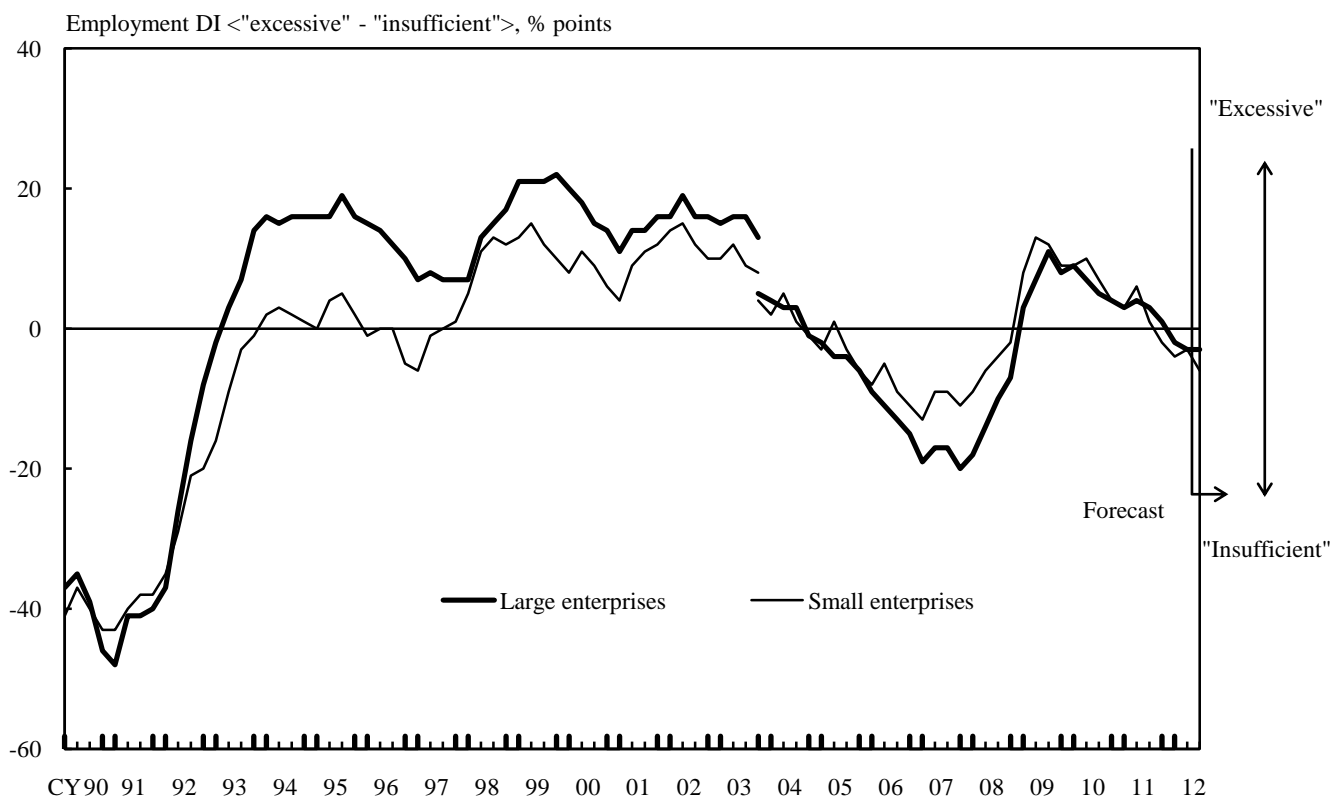
Sources: Ministry of Internal Affairs and Communications, "Labour Force Survey";
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey."

Employment Conditions

(1) Manufacturing



(2) Nonmanufacturing

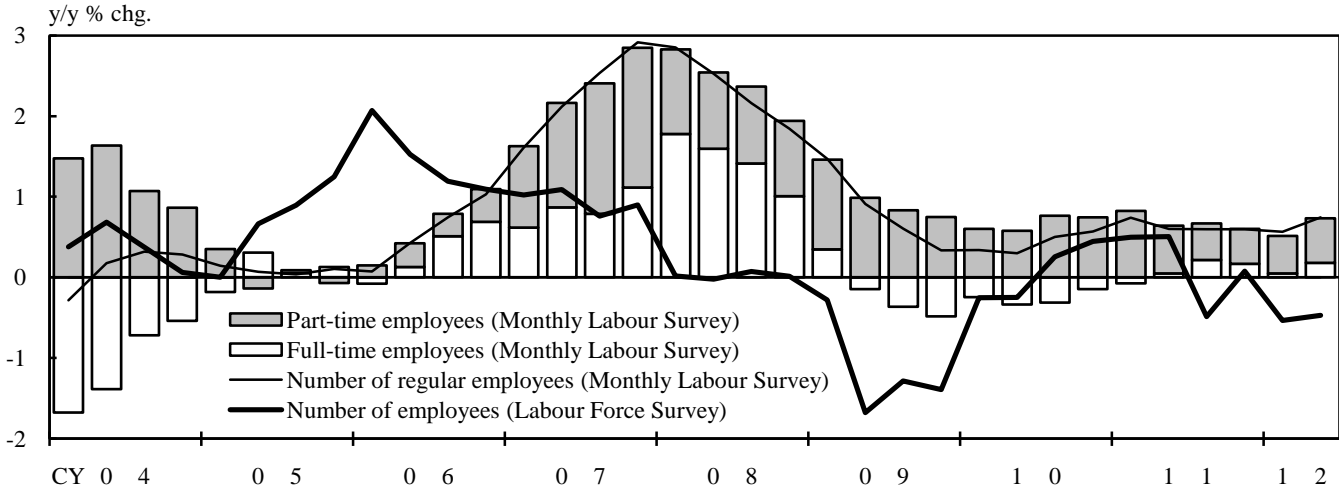


Note: The "Tankan" has been revised from the March 2004 survey. Figures up to the December 2003 survey are based on the previous data sets. Figures from the December 2003 survey are on the new basis.

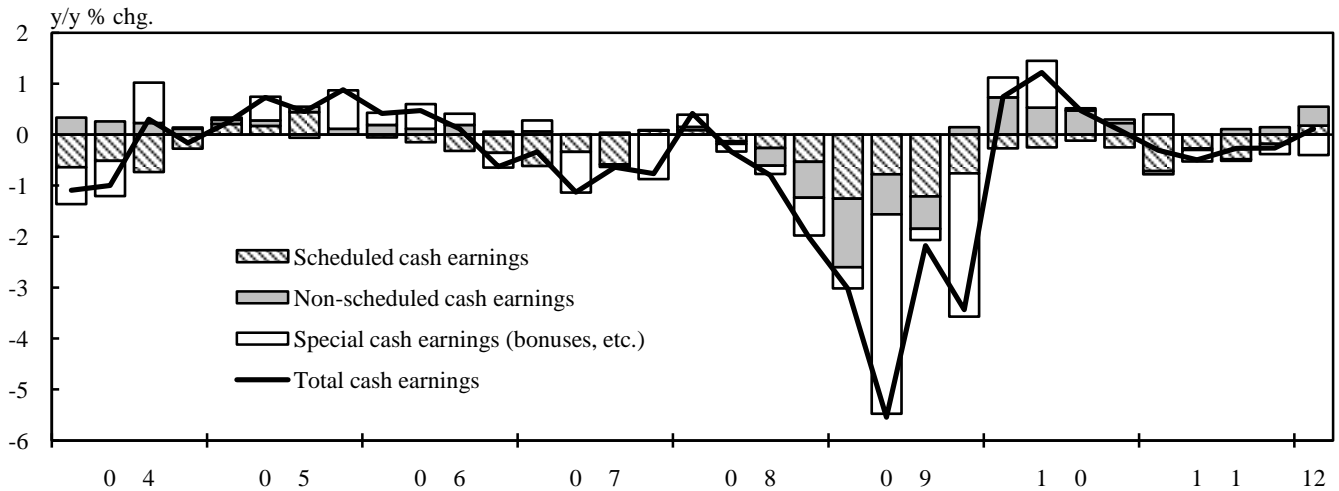
Source: Bank of Japan, "Tankan", Short-term Economic Survey of Enterprises in Japan."

Employee Income

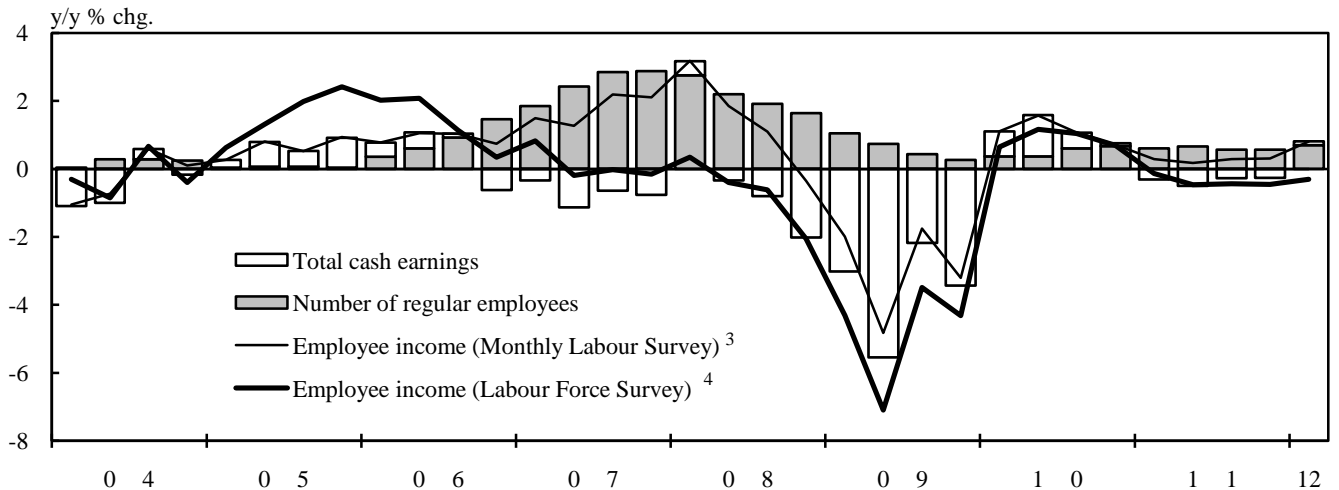
(1) Number of Employees^{1,5}



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



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

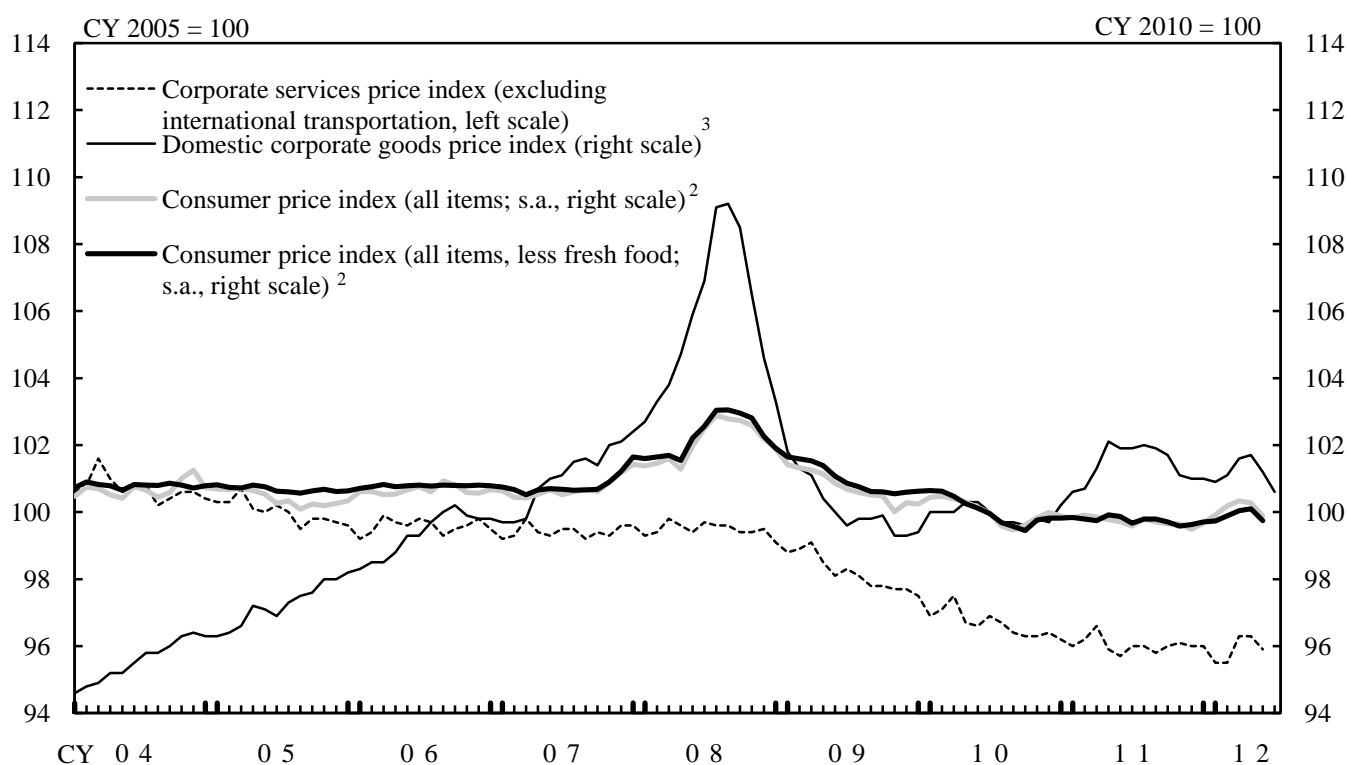


Notes: 1. Data of the "Monthly Labour Survey" are for establishments with at least five employees.
 2. Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.
 3. Calculated as the "number of regular employees" (Monthly Labour Survey) times "total cash earnings" (Monthly Labour Survey).
 4. Calculated as the "number of employees" (Labour Force Survey) times "total cash earnings" (Monthly Labour Survey).
 5. Figures for 2012/Q2 are April-May averages.

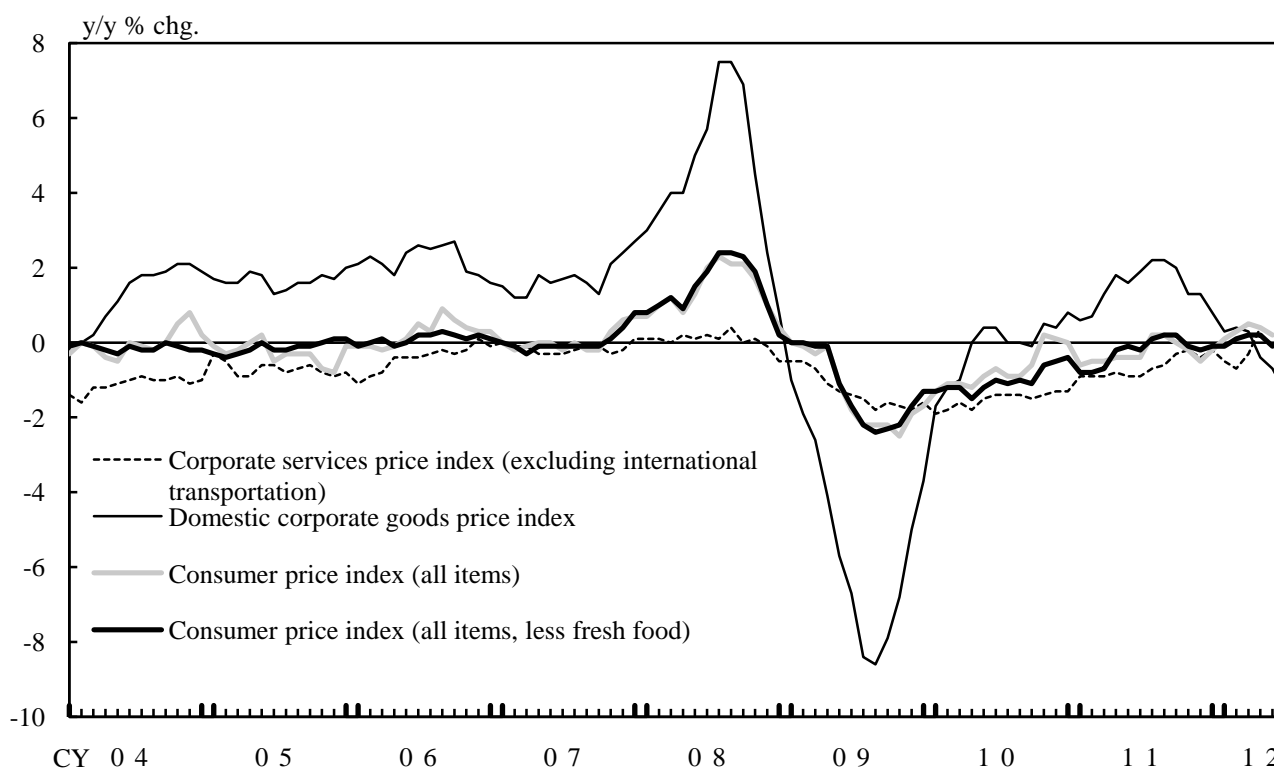
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
 Ministry of Internal Affairs and Communications, "Labour Force Survey."

Prices

(1) Level



(2) Changes from a Year Earlier



Notes: 1. The base year of "Domestic Corporate Goods Price Index" has been switched from the 2005 base to the 2010 base.

2. Seasonally adjusted by X-12-ARIMA.

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

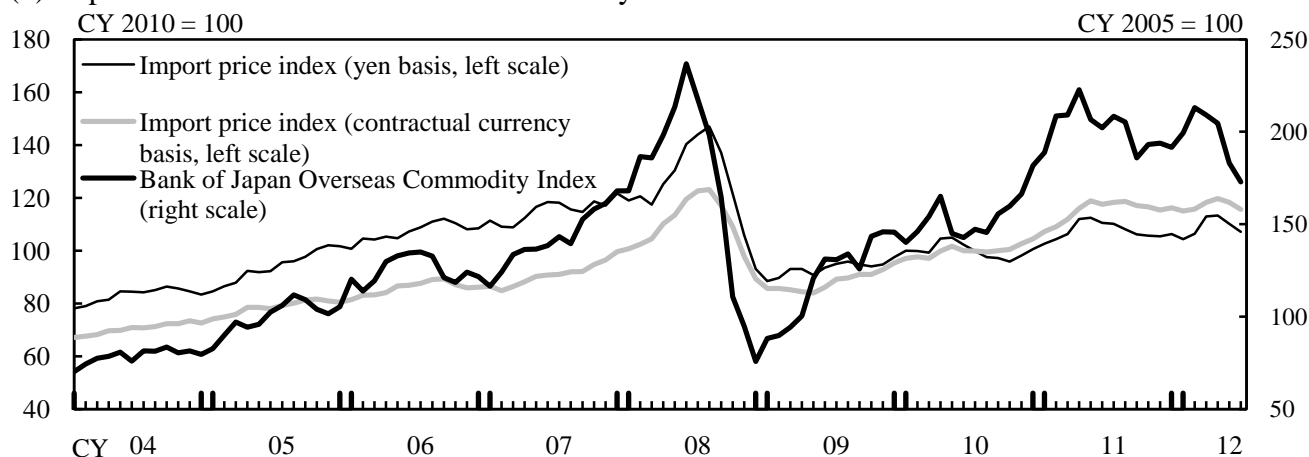
4. The levels of "Consumer Price Index" up to 2009 are based on the linked indices.

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

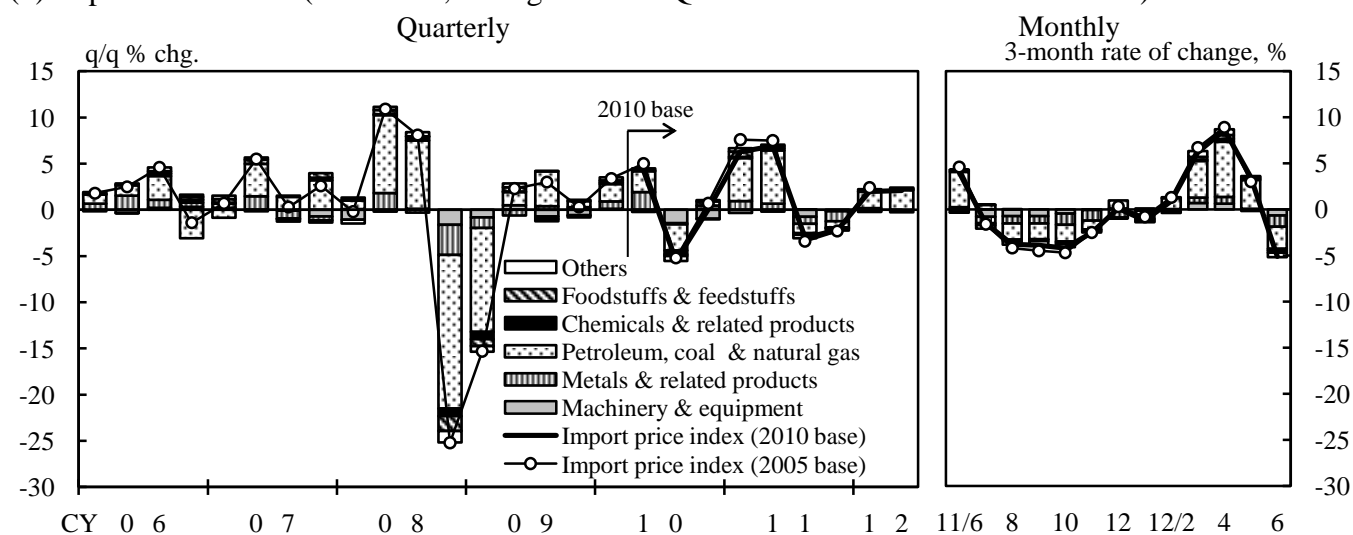
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index."

Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index

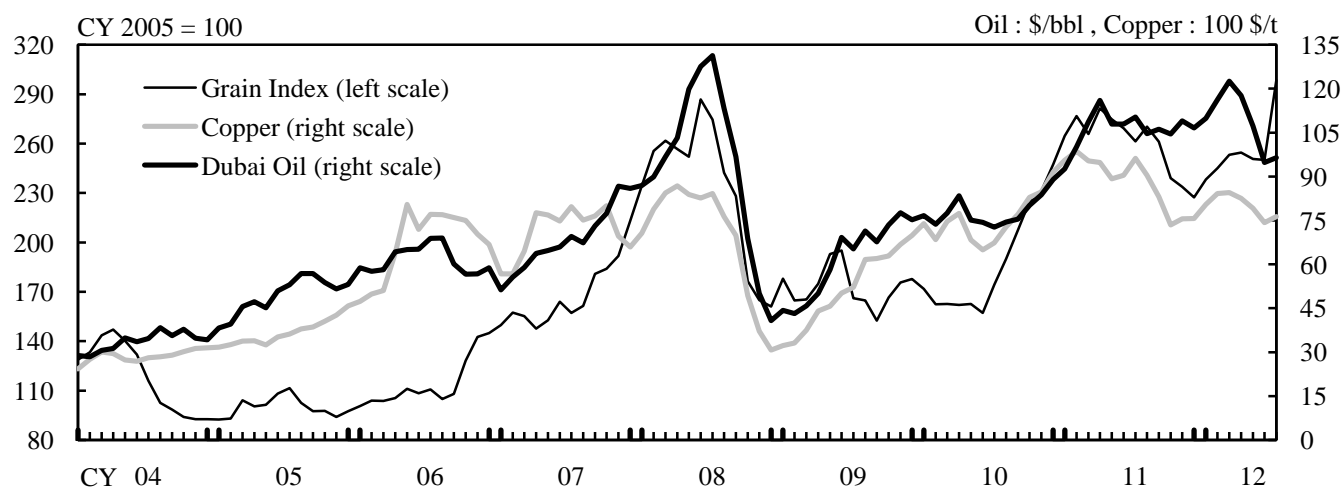


(2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



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

(3) International Commodity Prices



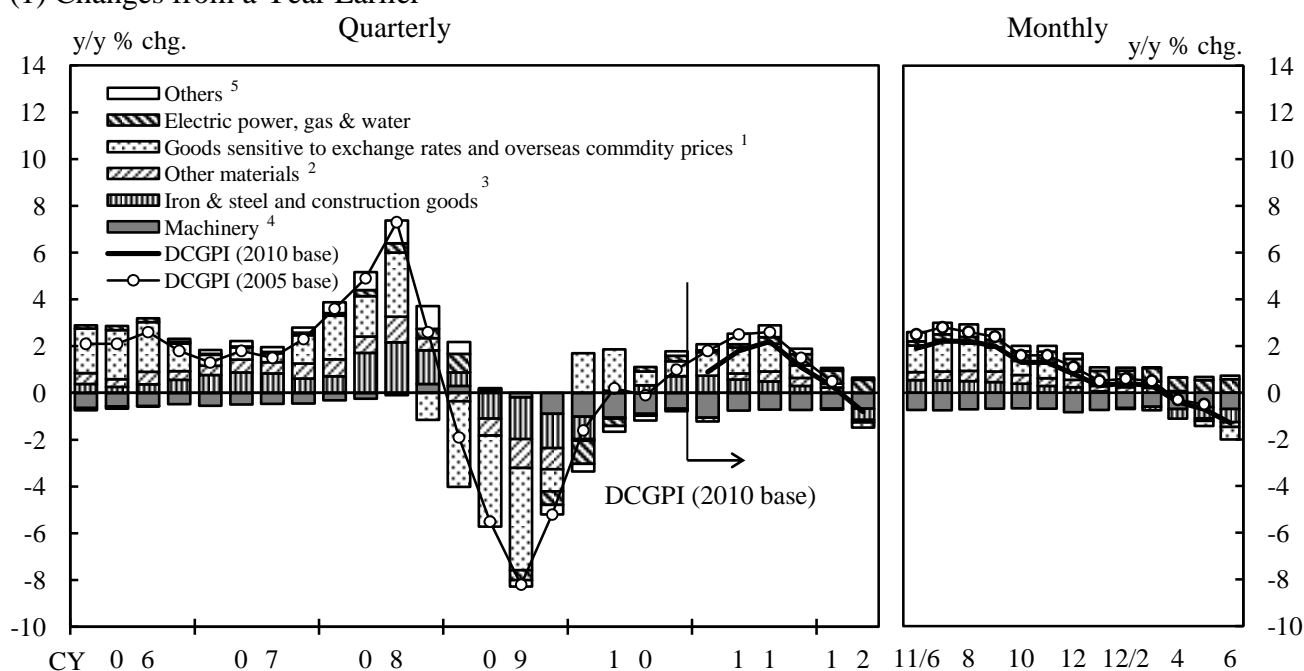
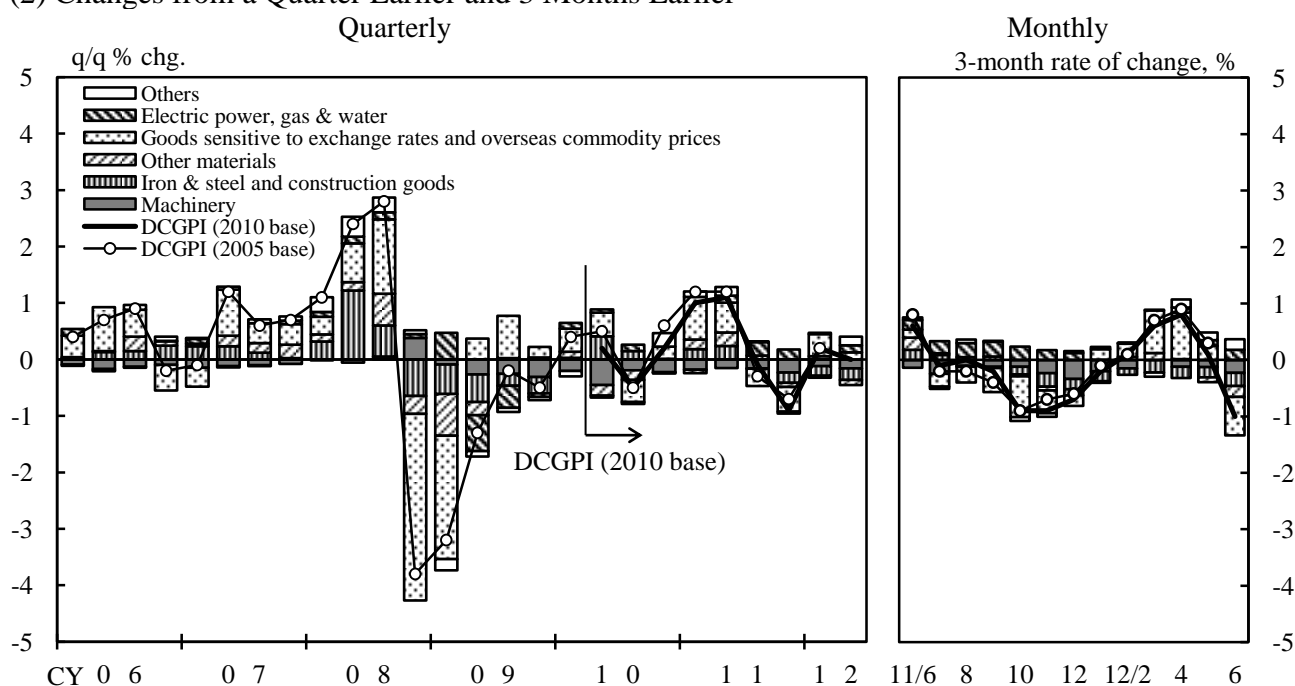
Notes: 1. The "grain index" is the weighted average of prices of three selected items (wheat, soybeans, and corn) in overseas commodity markets. The weights are based on the value of imports in the "Trade Statistics."

2. Monthly averages. Figures for July 2012 are averages up to July 11.

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 Earlier ⁶

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.

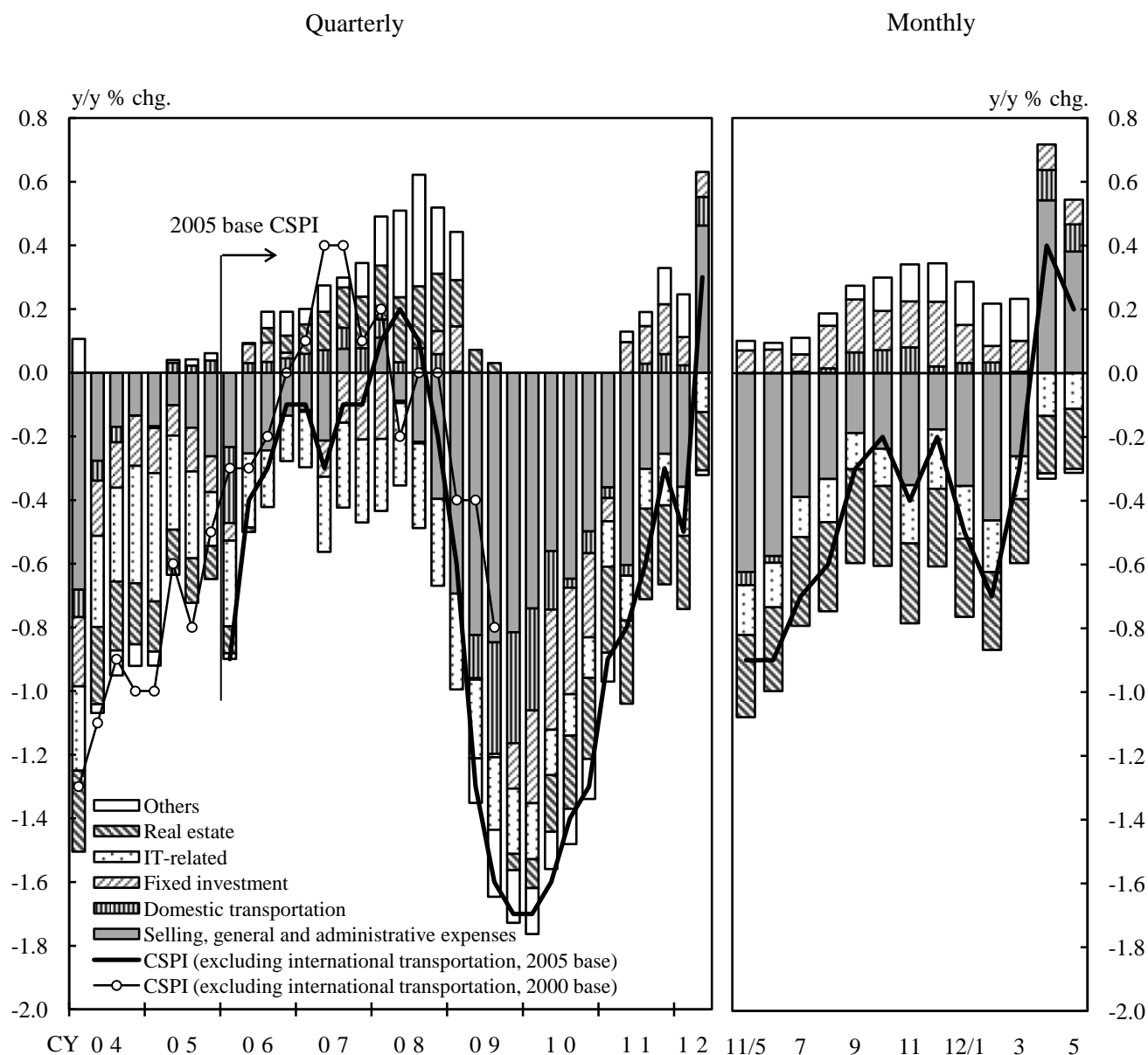
3. Iron & steel and construction goods: iron & steel, metal products, ceramics, stone & clay products, lumber & wood products, and scrap & waste.

4. Machinery: 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

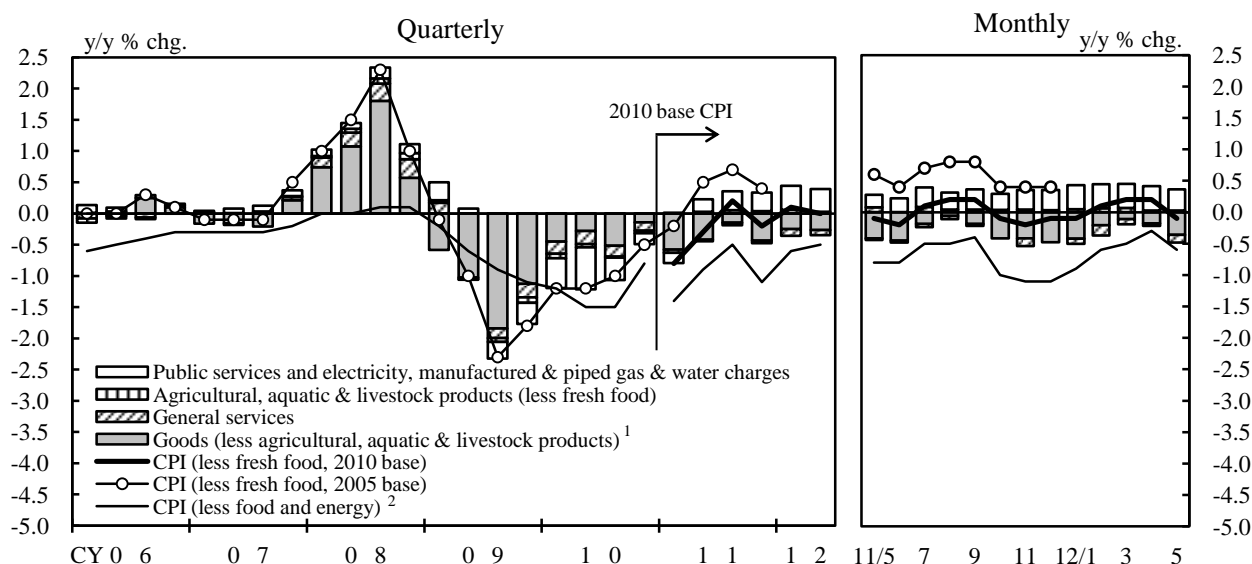


- Notes: 1. Selling, general and administrative expenses: information and communications (excluding newspapers and publishing), advertising services, other services (excluding plant engineering, and civil engineering and architectural services).
 2. Domestic transportation: transportation (excluding 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 2012/Q2 are April-May averages. Figures for 2009/Q3 on the 2000 base are July-August averages.

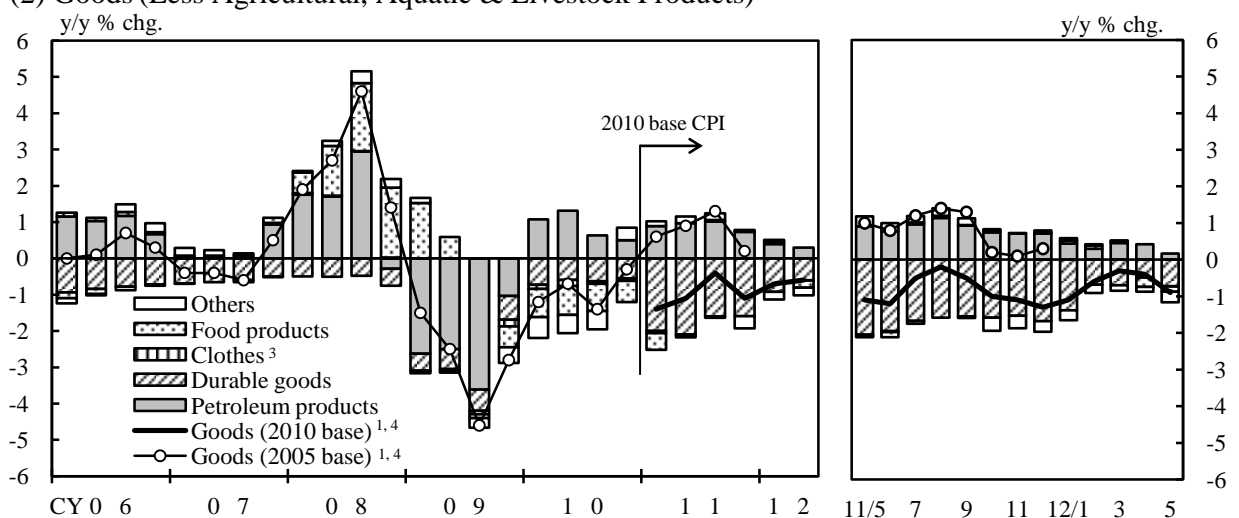
Source: Bank of Japan, "Corporate Services Price Index."

Consumer Price Index (Less Fresh Food)

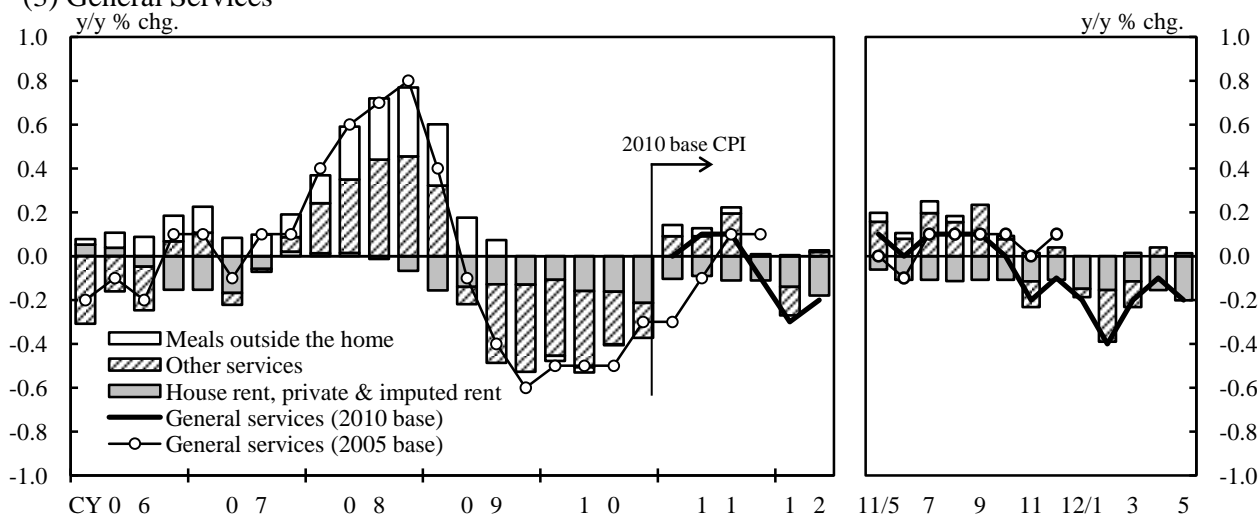
(1) Consumer Price Index (Less Fresh Food)



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



(3) General Services

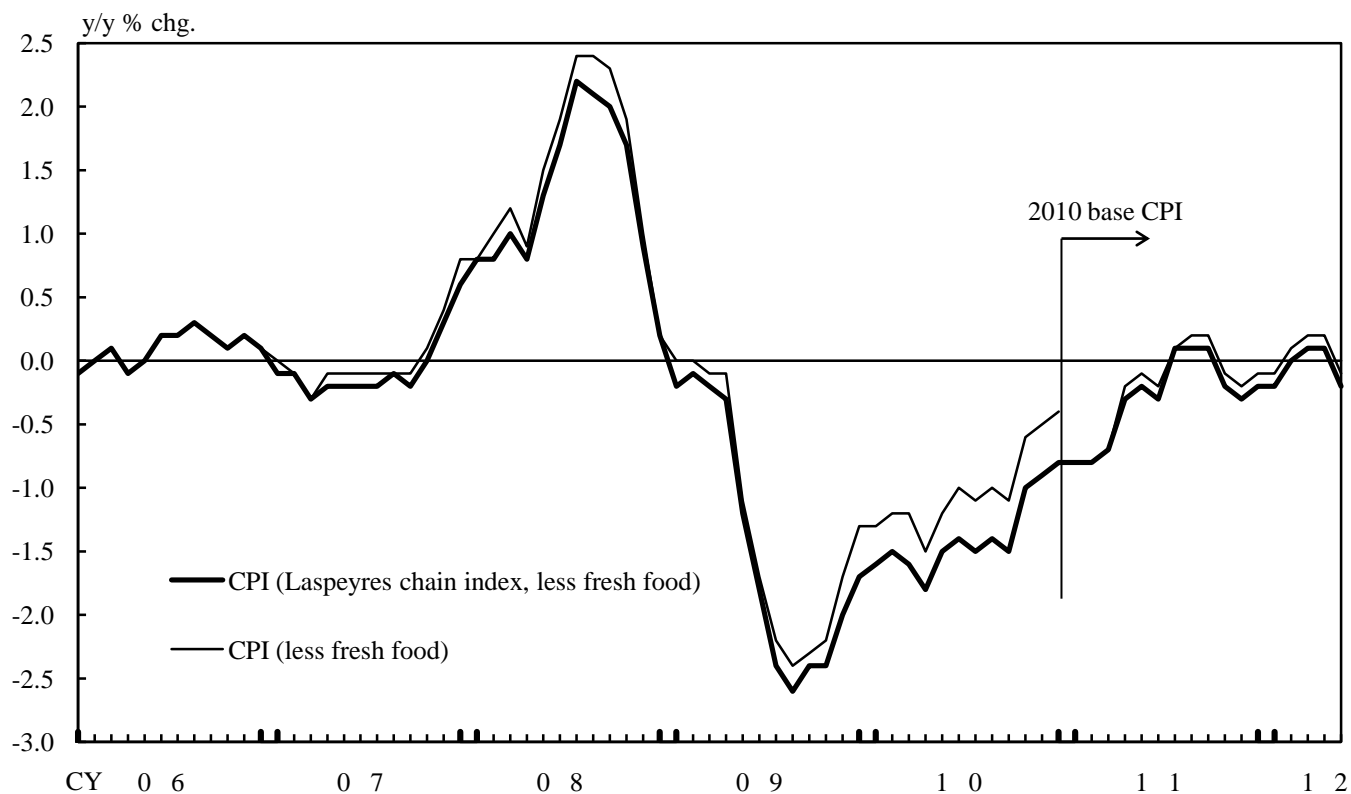


- Notes: 1. The items are basically the same as those defined by the Ministry of Internal Affairs and Communications. However, electricity, manufactured & piped gas & water charges are excluded from goods.
2. Alcoholic beverages are excluded from food. Energy: electricity, gas manufactured & piped, Liquefied 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 2012/Q2 are April-May averages.

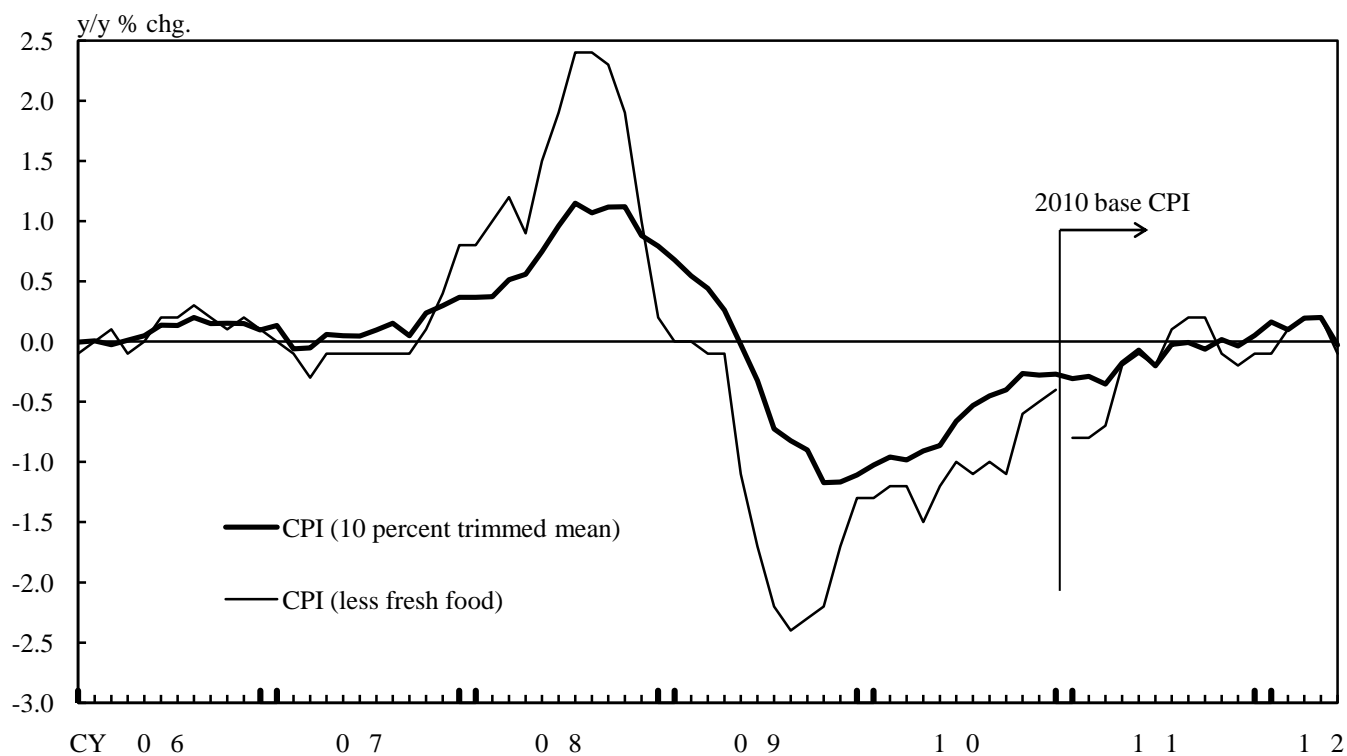
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Trend Changes in Consumer Prices

(1) Laspeyres Chain Index



(2) Trimmed Mean



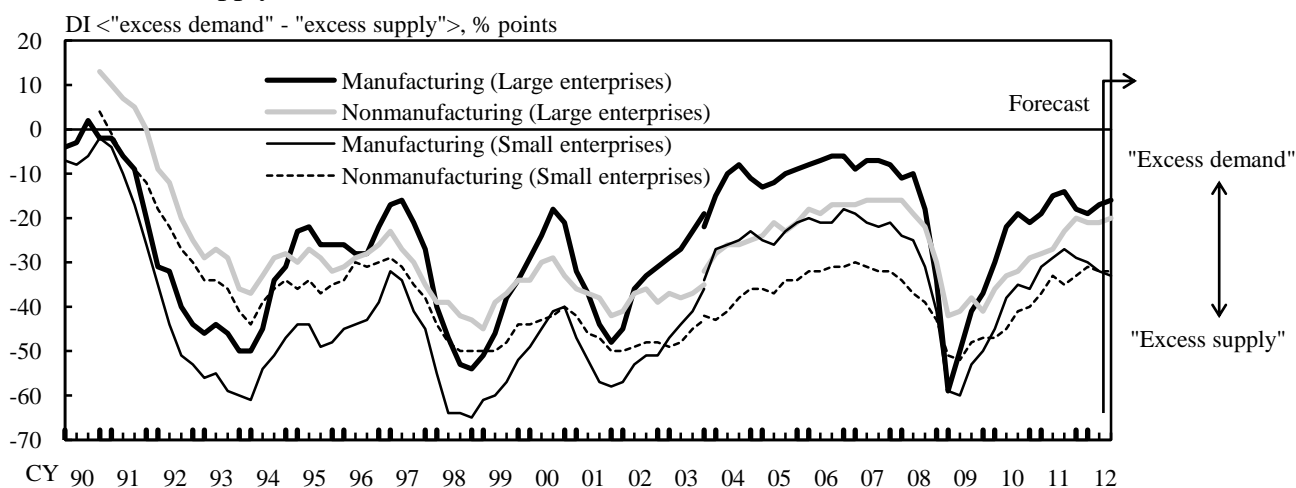
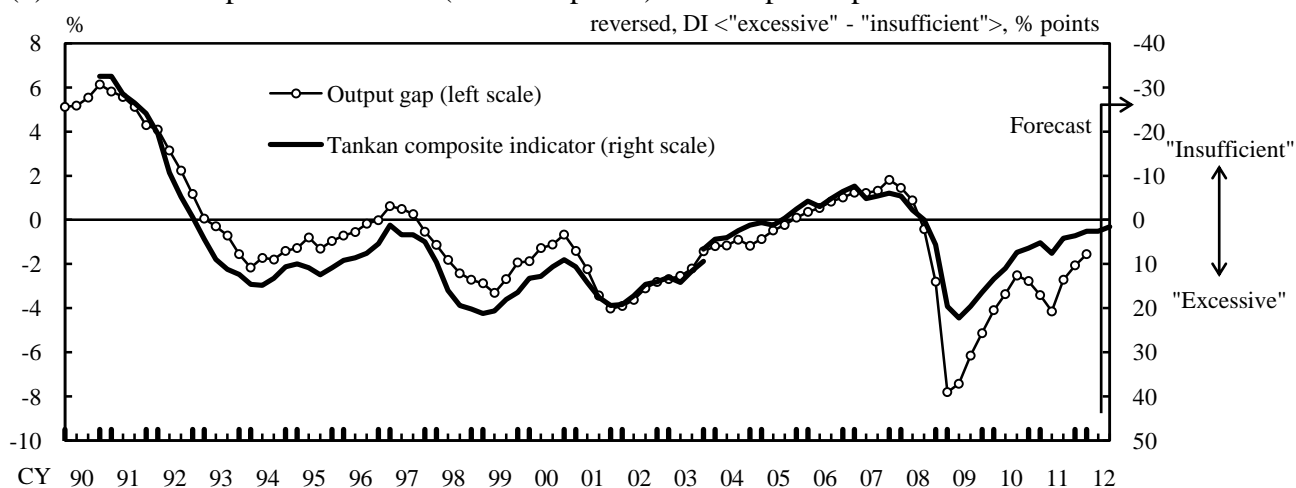
Notes:1. Figures for the 10 percent trimmed mean are weighted averages of items; these items are obtained by rearranging year-on-year rates of price change in ascending order and then excluding items in both the upper and lower 10 percent tails by weight.

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.

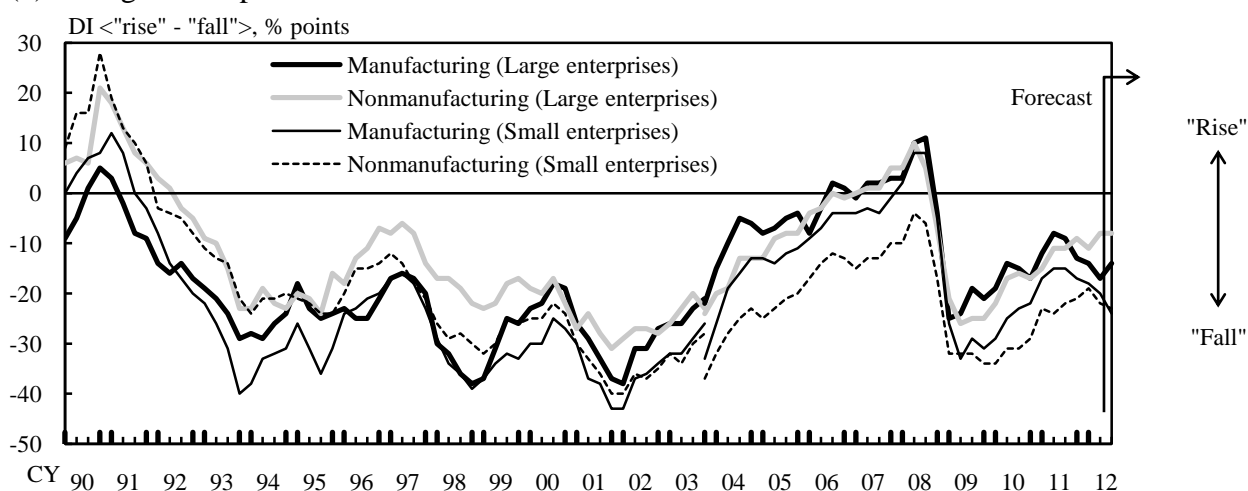
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

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

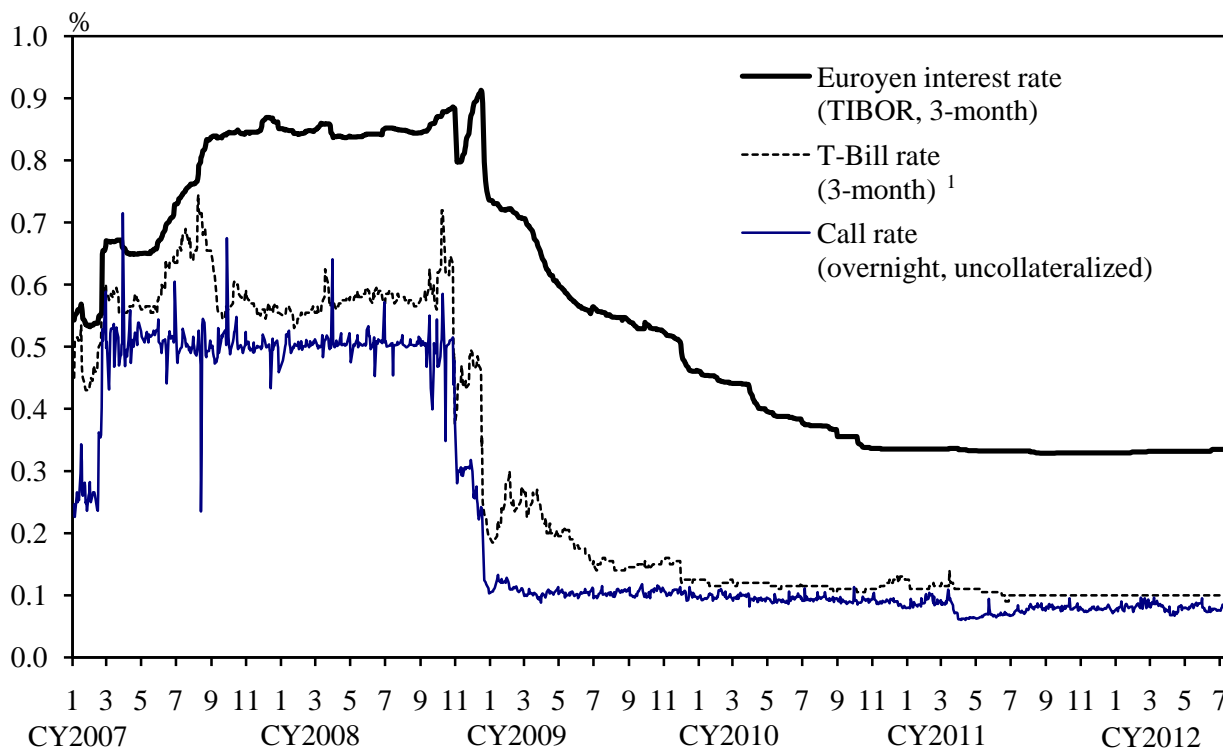


- Notes: 1. The "Tankan" has been revised from the March 2004 Survey. Figures up to the December 2003 Survey are based on the previous data sets. Figures from the December 2003 Survey are on a new basis.
2. Figures are weighted averages of the production capacity DI and employment conditions DI. The FY 1990-2010 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.

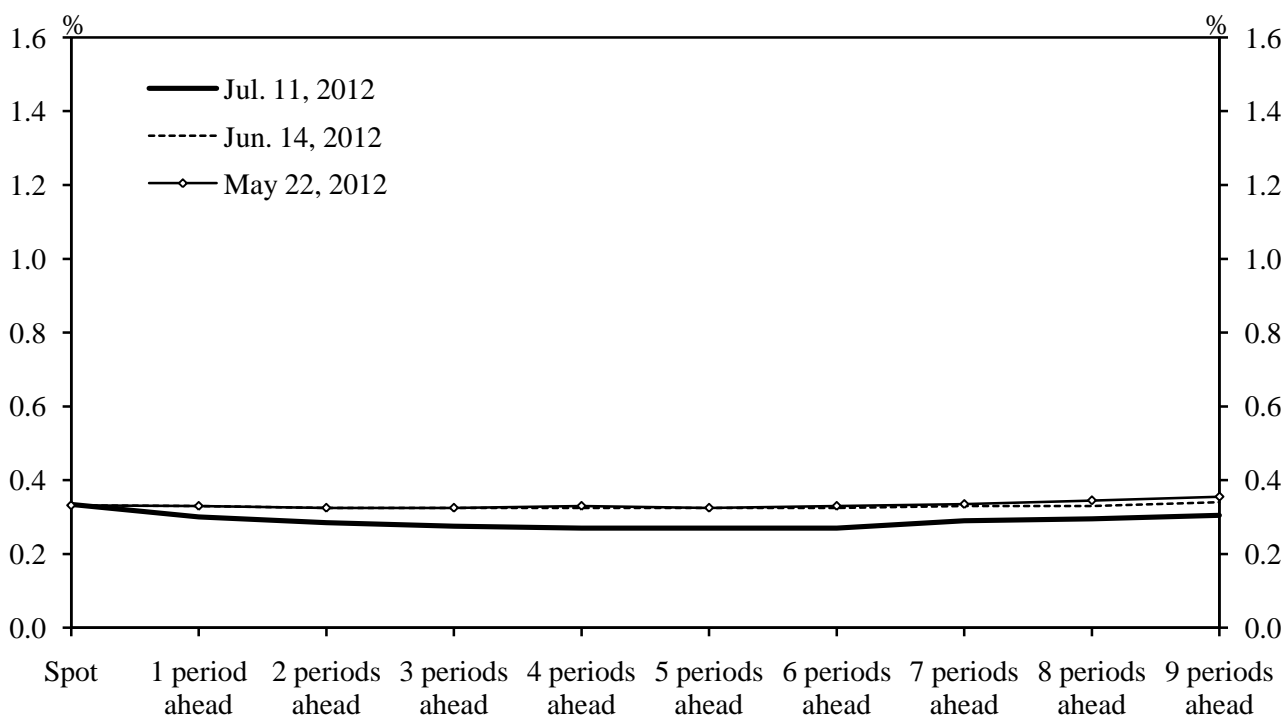
Sources: Cabinet Office, "National Accounts";
Bank of Japan, "*Tankan*, Short-Term Economic Survey of Enterprises in Japan," etc.

Short-Term Interest Rates

(1) Short-Term Interest Rates



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



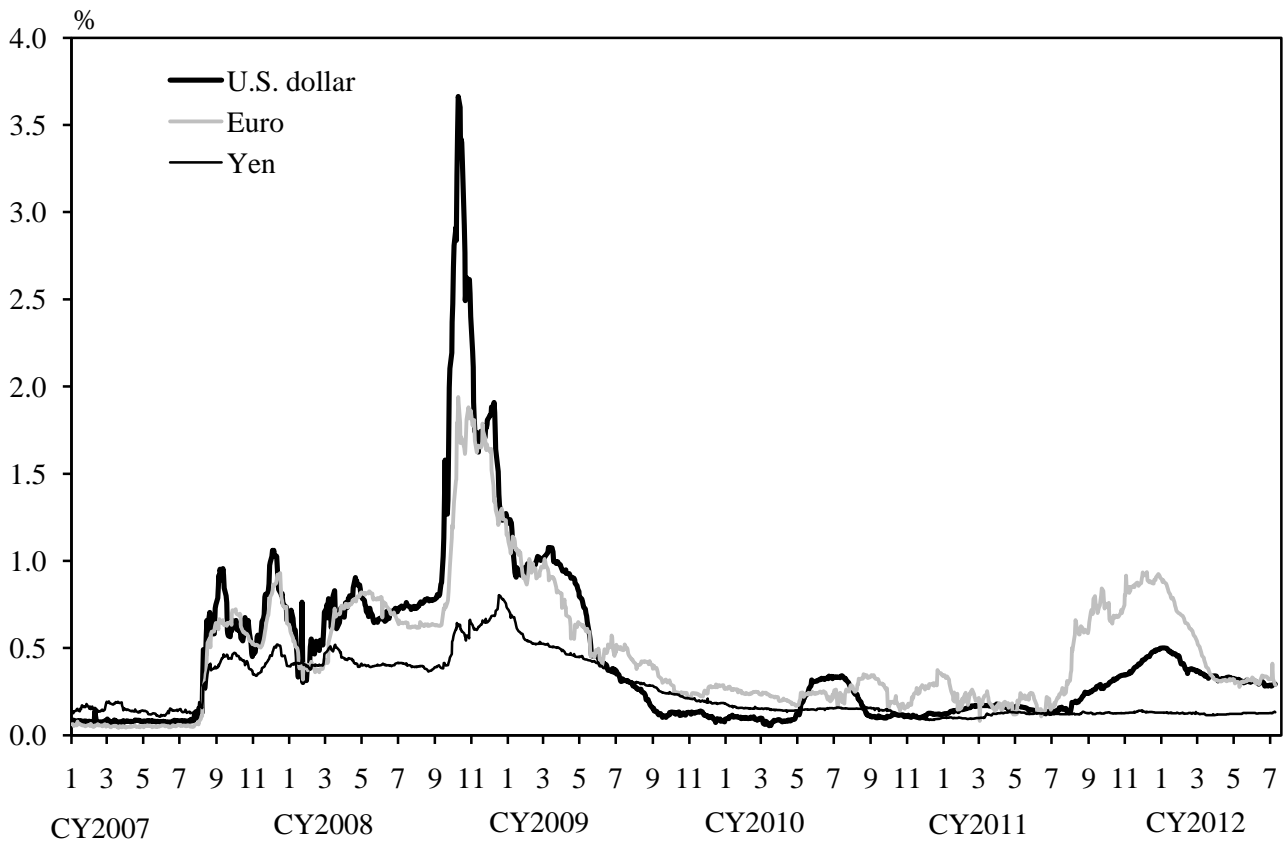
Notes: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.

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

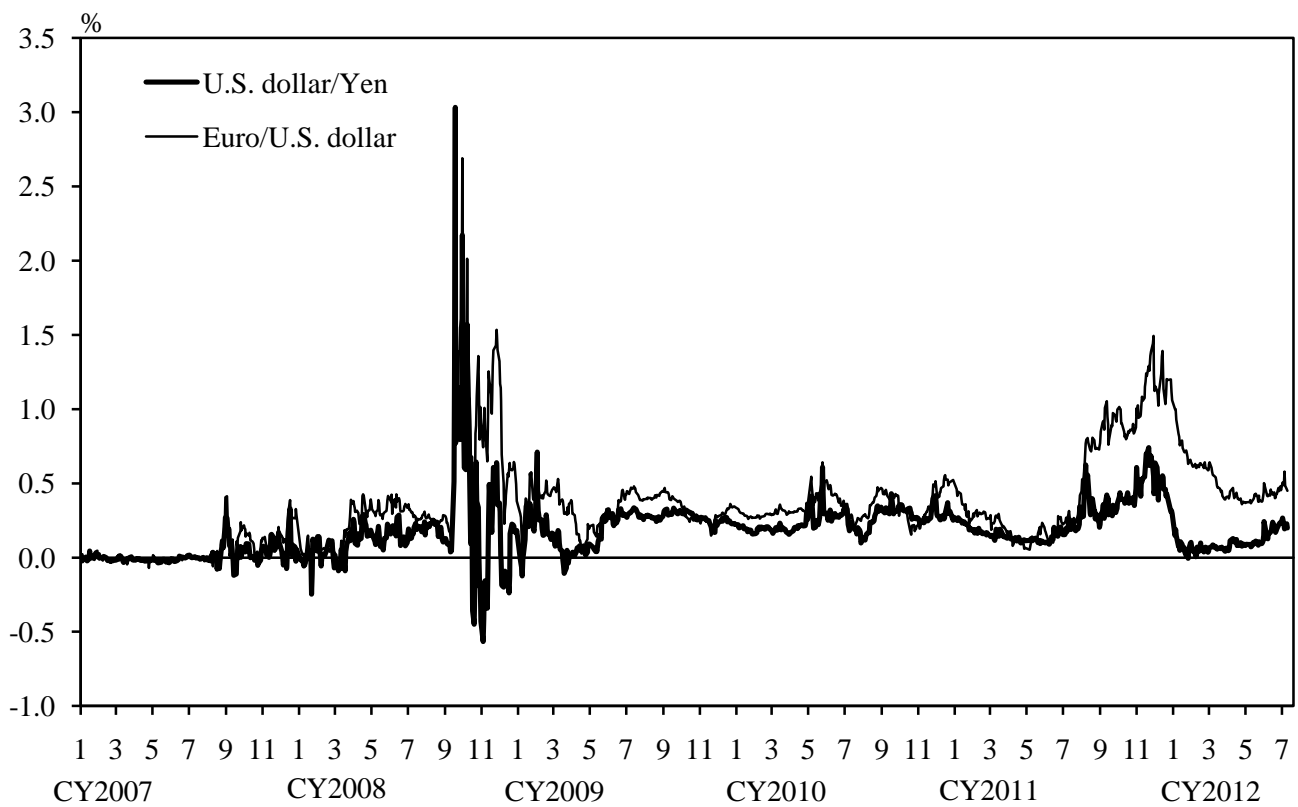
Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.; Tokyo Financial Exchange; Bank of Japan.

Global Money Markets

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



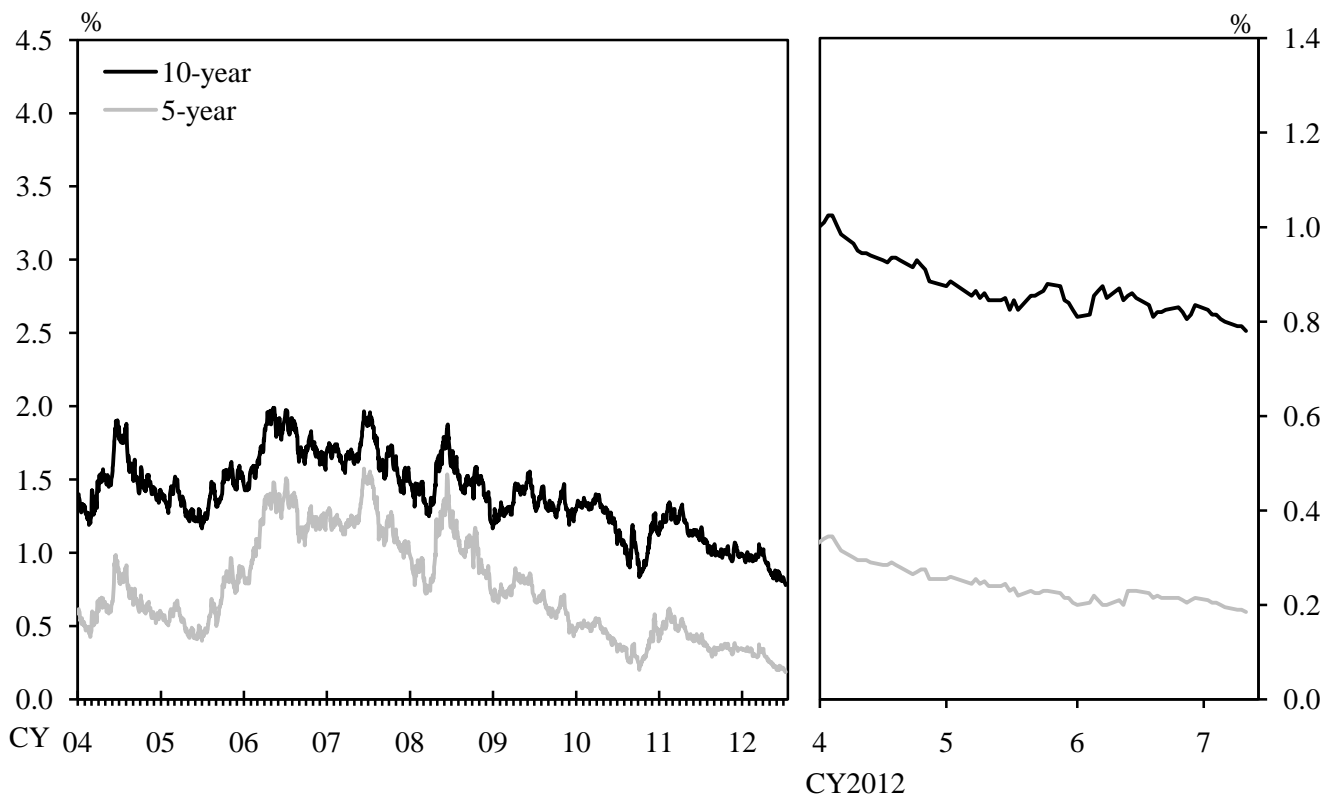
(2) FX swap implied dollar rate - LIBOR spreads (3-Month)



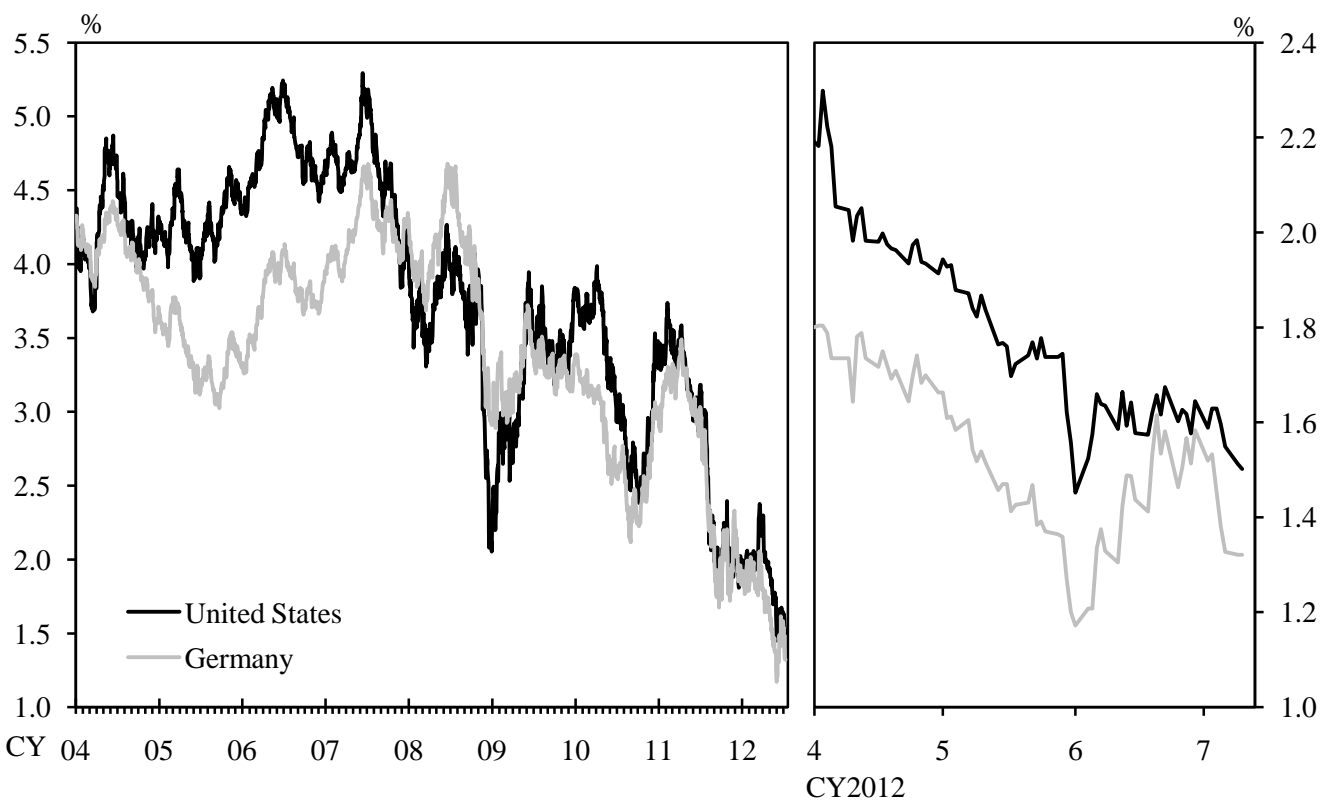
Source: Bloomberg.

Long-Term Interest Rates

(1) Japanese Government Bond Yields¹



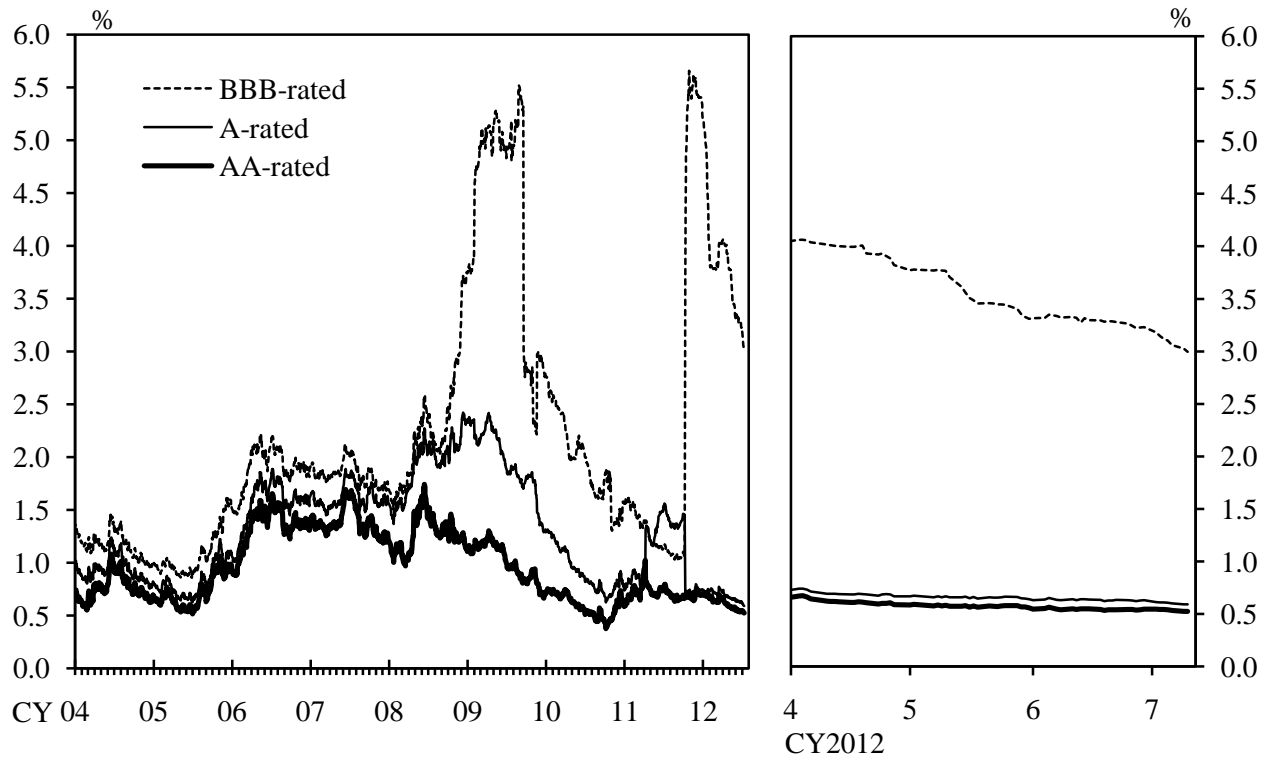
(2) Overseas Government Bond Yields (10-Year)



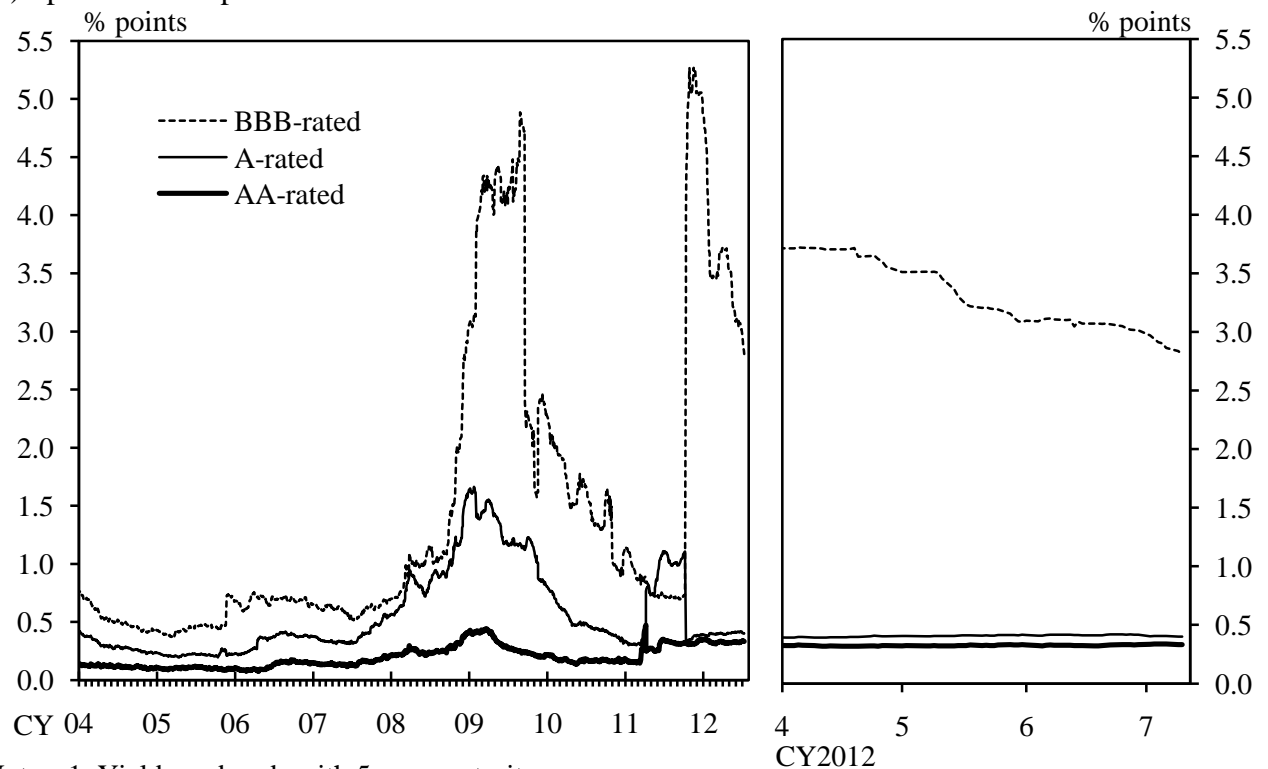
Note: 1. Yields on newly issued bonds.
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

Yields of Corporate Bonds

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



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



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

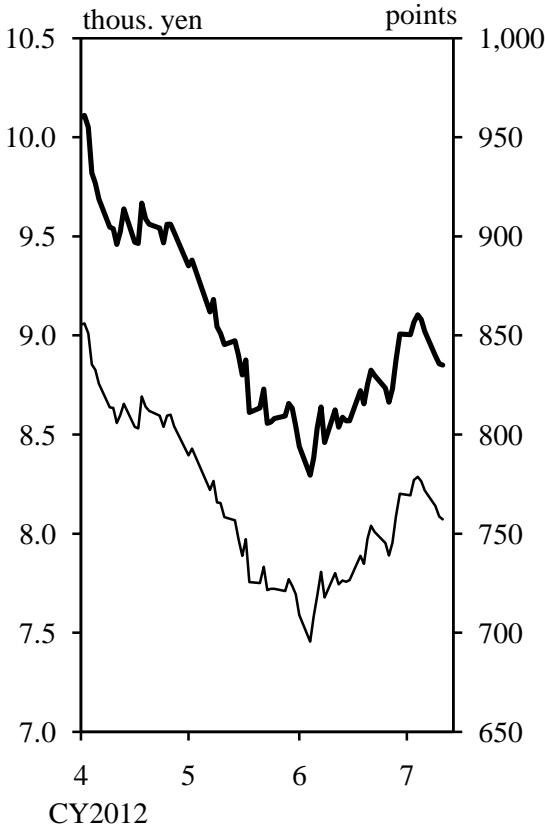
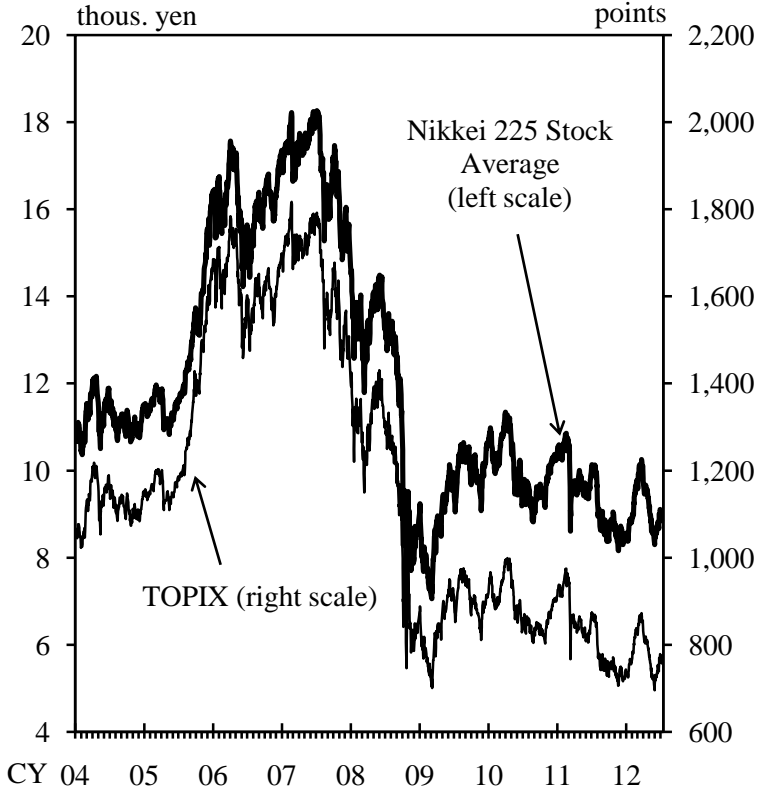
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.

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

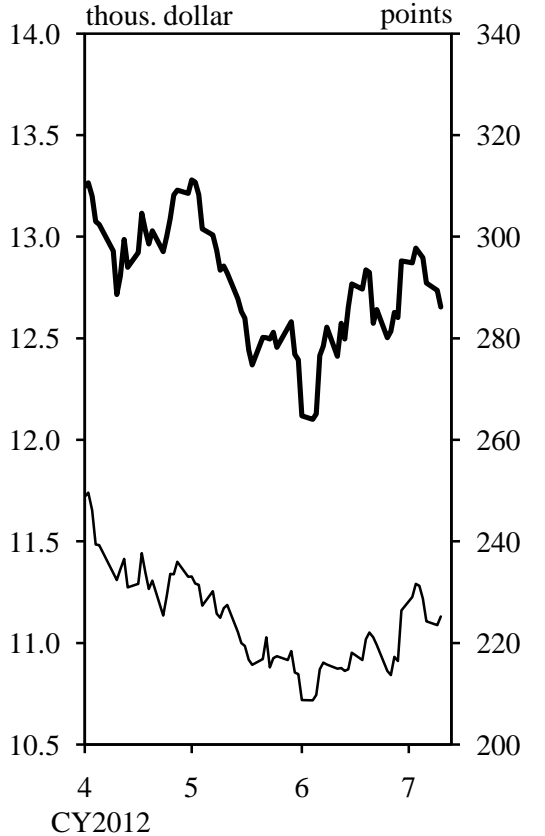
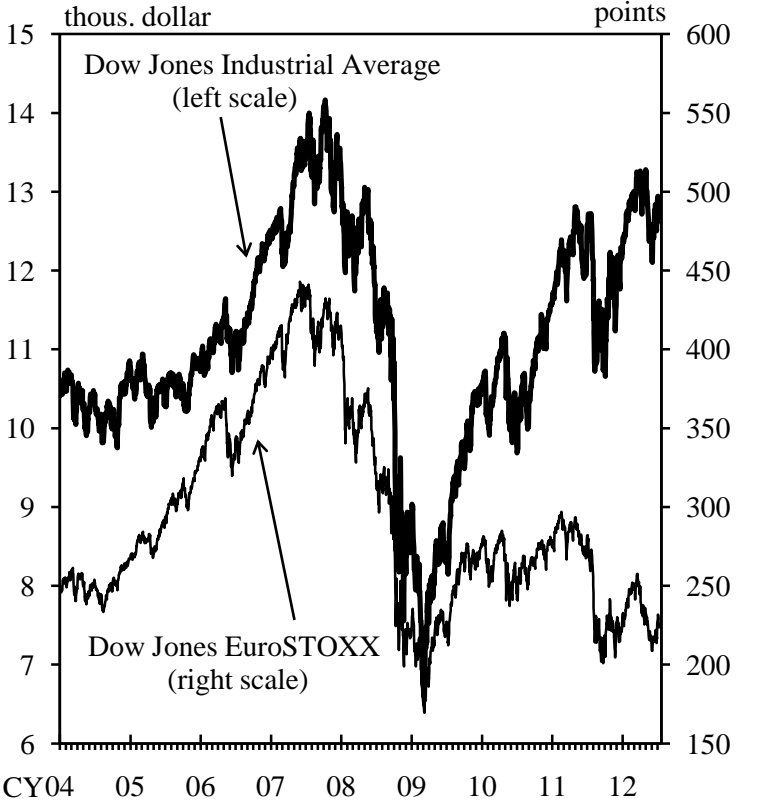
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Japanese Stock Prices



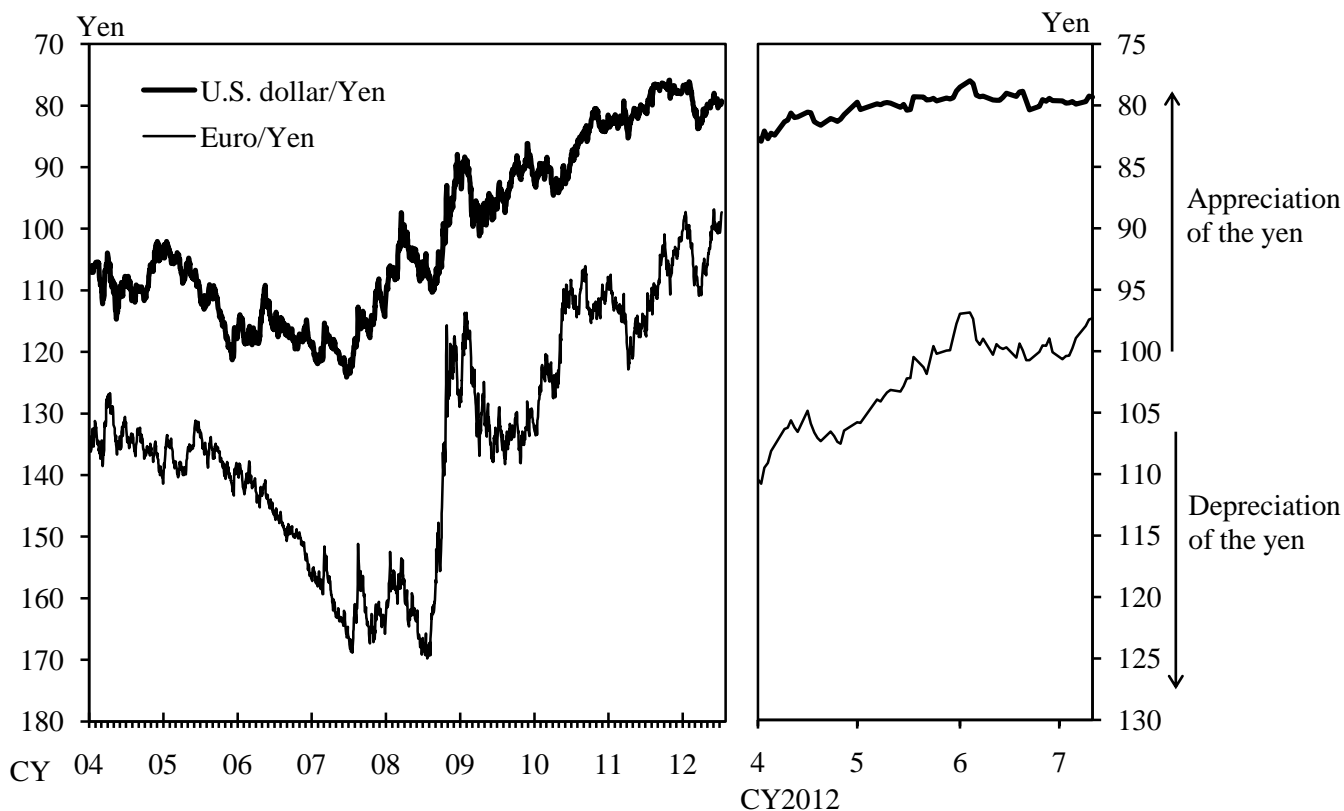
(2) Overseas Stock Prices



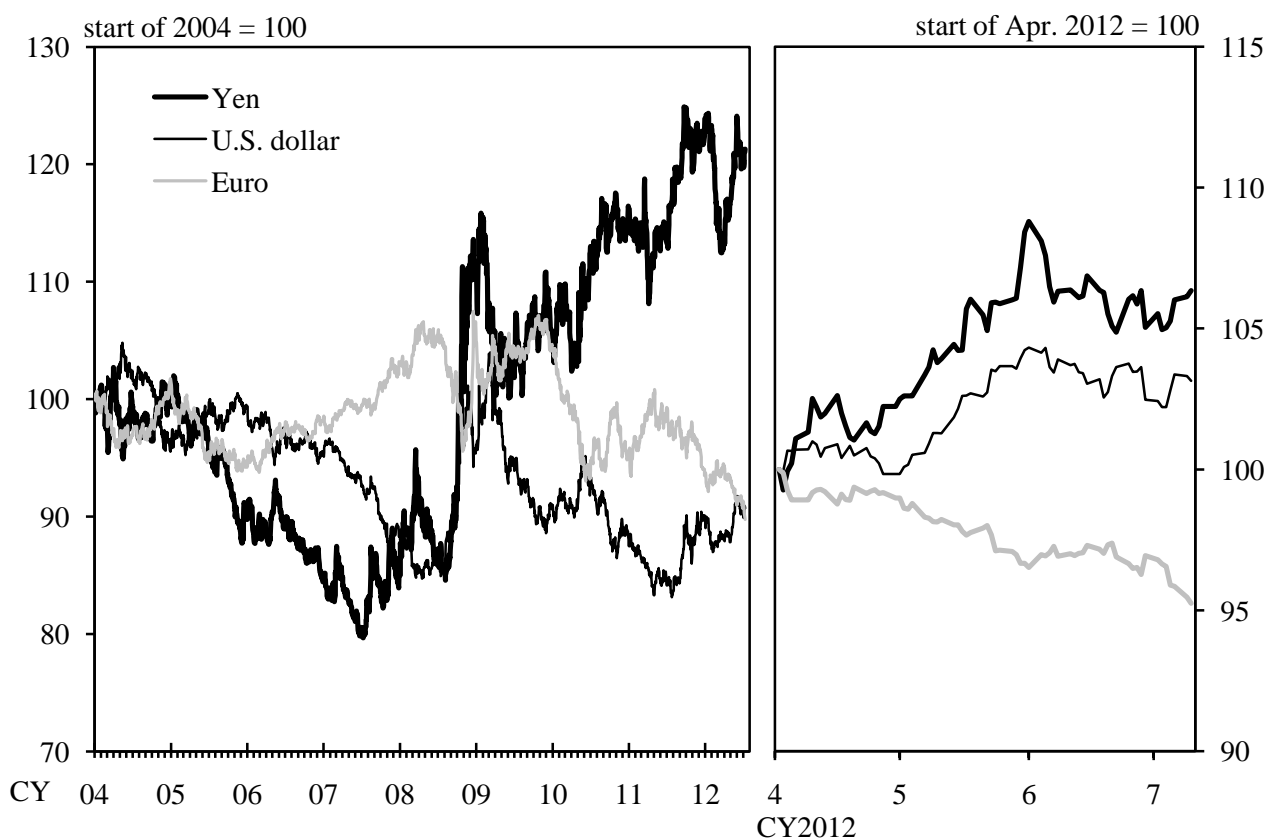
Sources: The *Nihon Keizai Shimbun* ; Tokyo Stock Exchange; Bloomberg.

Exchange Rates

(1) Bilateral Exchange Rates

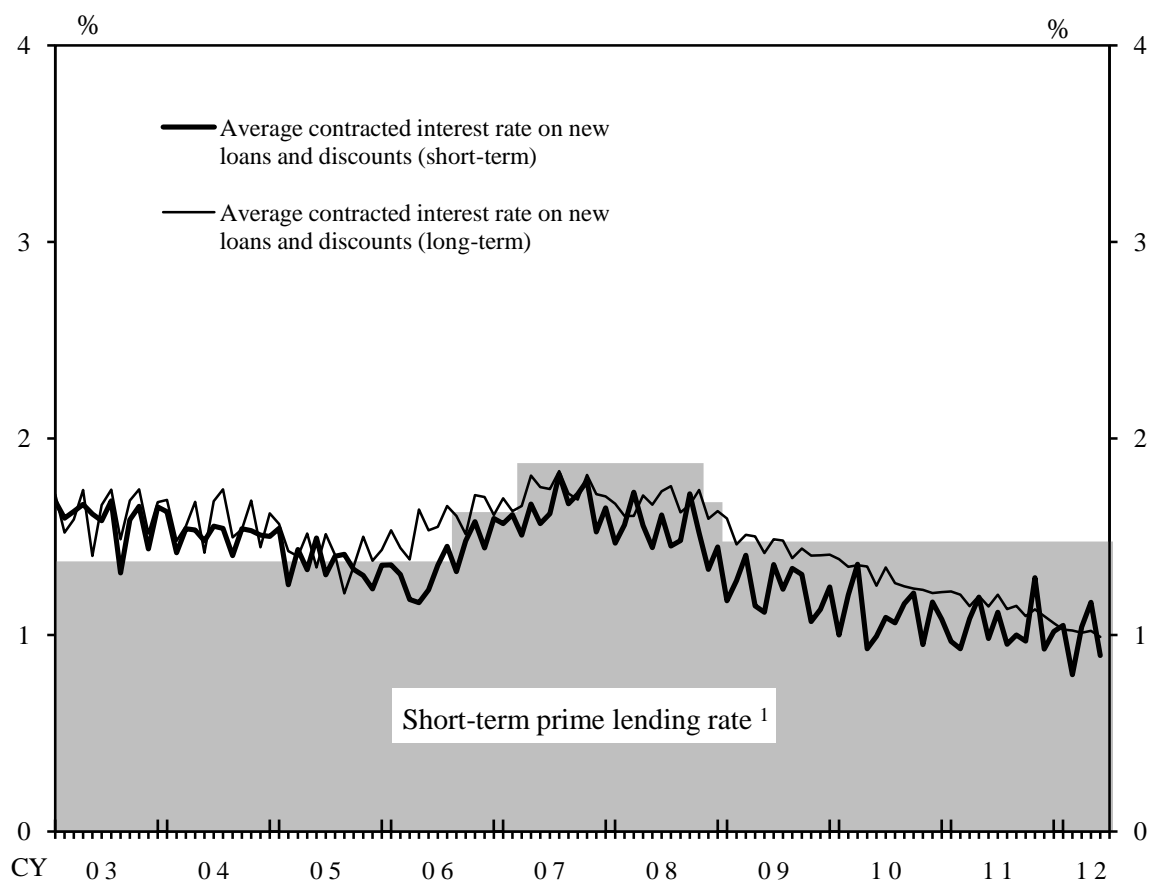


(2) Nominal Effective Exchange Rates



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

Lending Rates

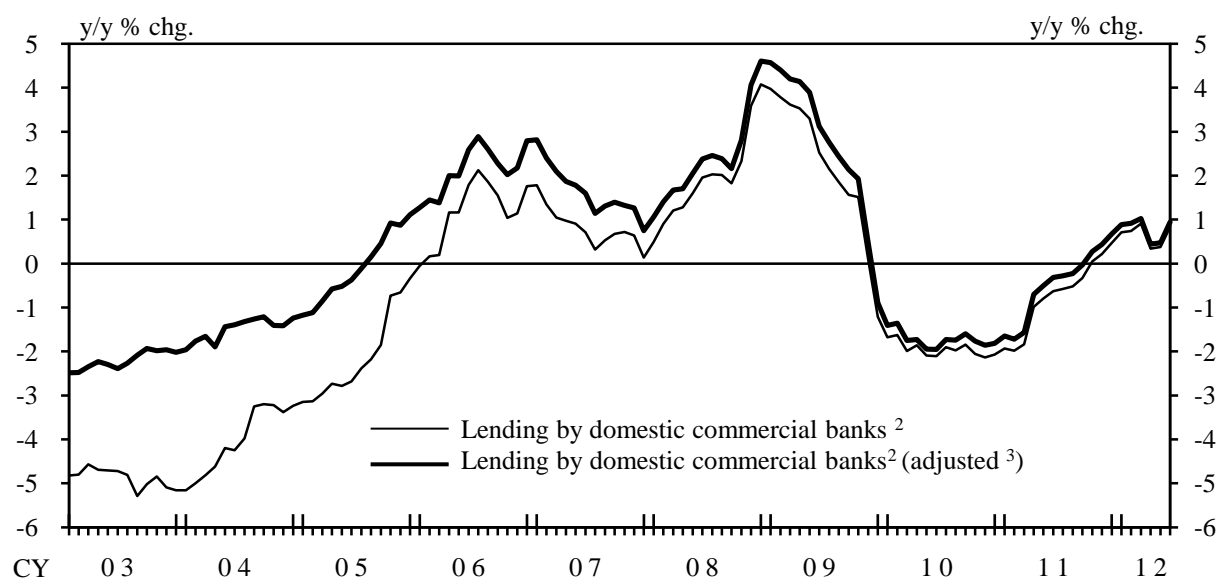


Note: 1. Data are at end of period.

Source: Bank of Japan.

Lending by Financial Institutions

(1) Lending by Domestic Commercial Banks¹



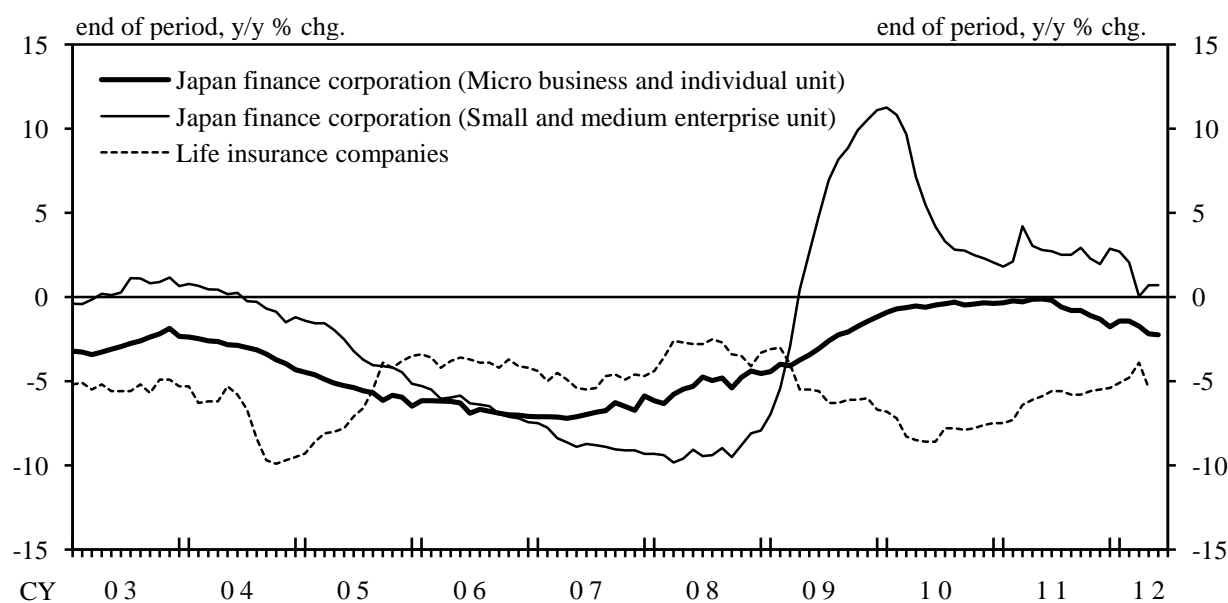
Notes: 1. Percent changes in average amounts outstanding from a year earlier.

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.

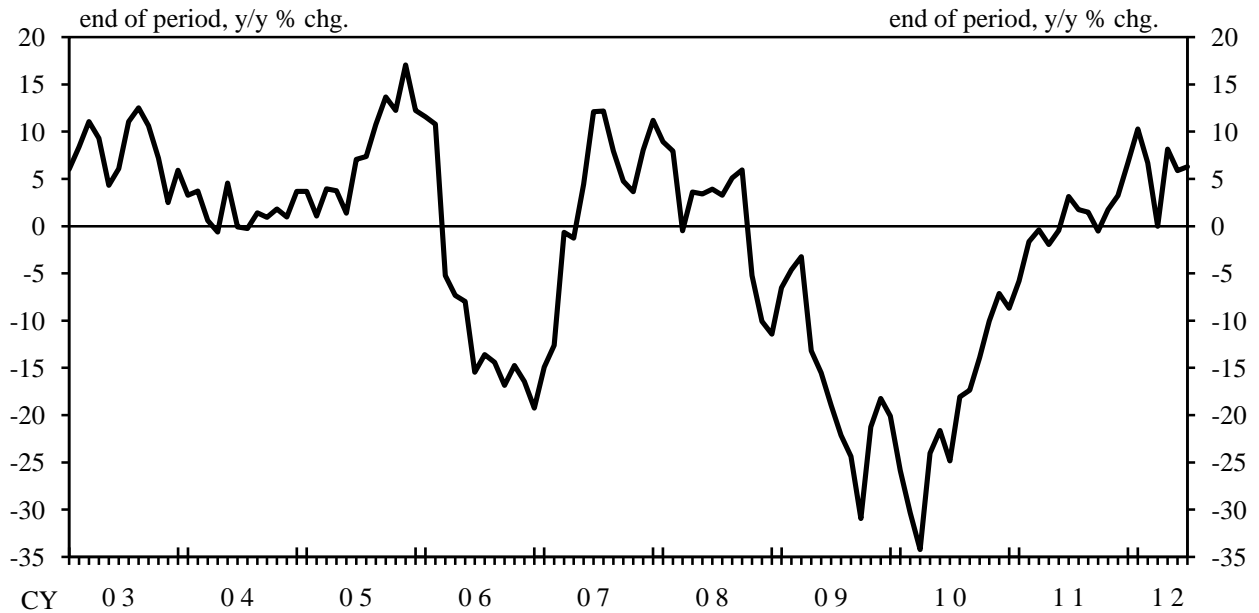
(2) Lending by Other Financial Institutions



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

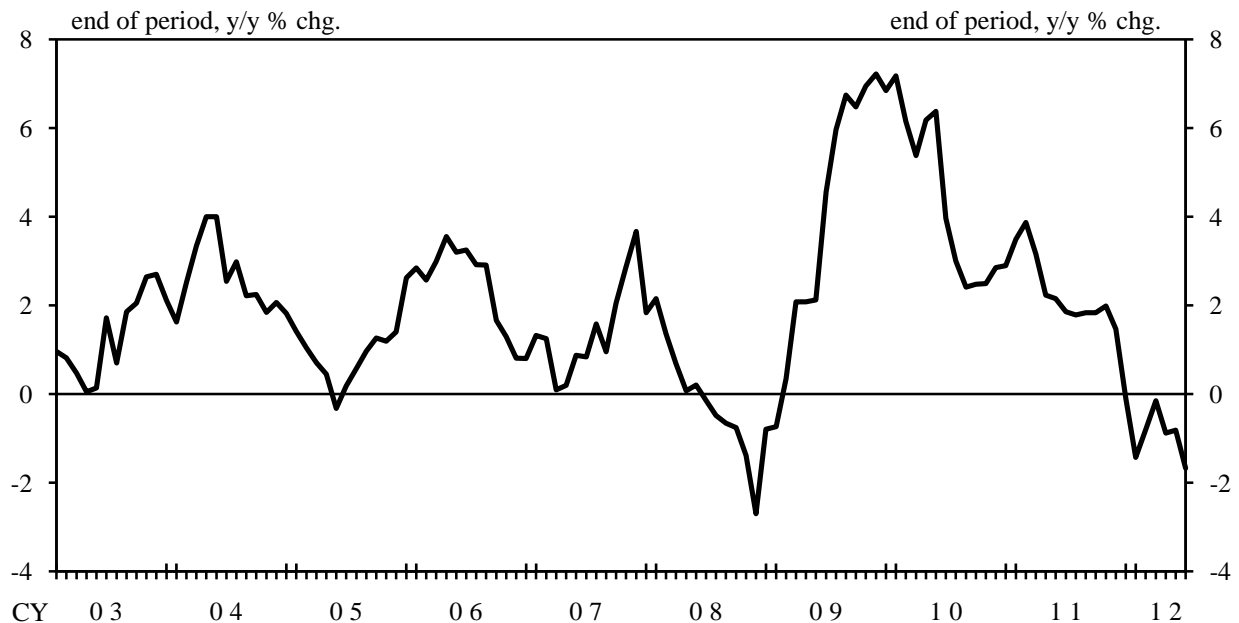
 Private-Sector Fund-Raising in the Capital Markets

(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



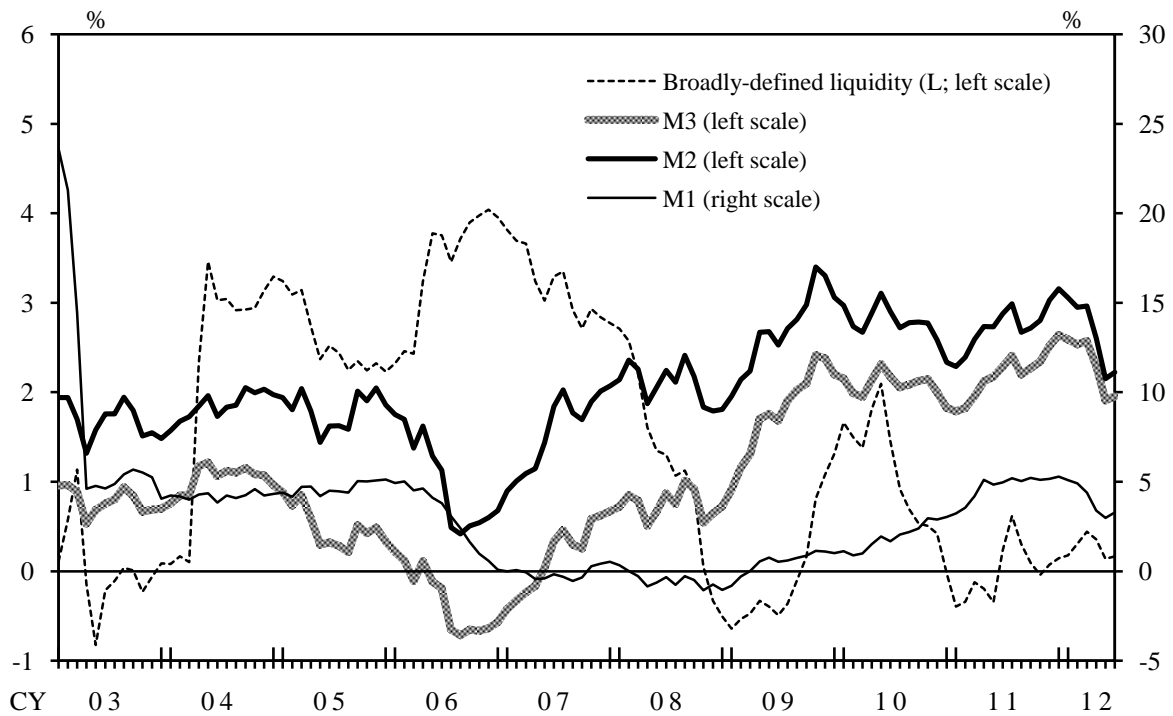
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

- (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.

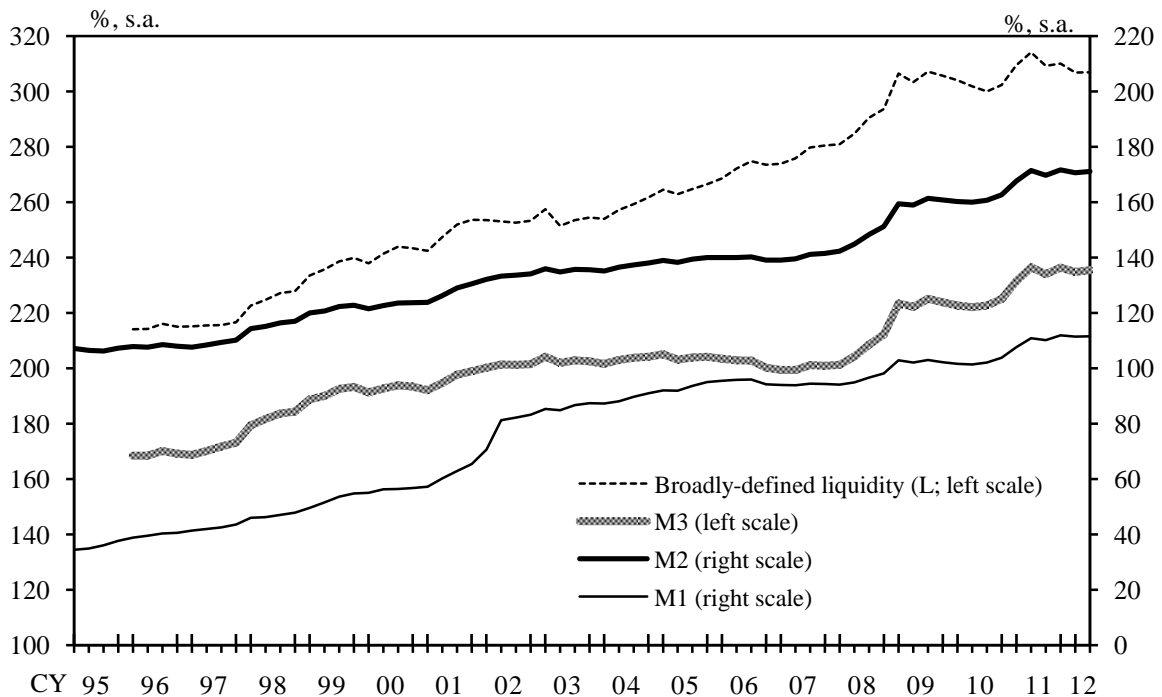
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category";
 Bank of Japan, "Principal Figures of Financial Institutions";
 Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts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

Money Stock

(1) Changes from a Year Earlier



(2) Ratio of Money Stock to Nominal GDP

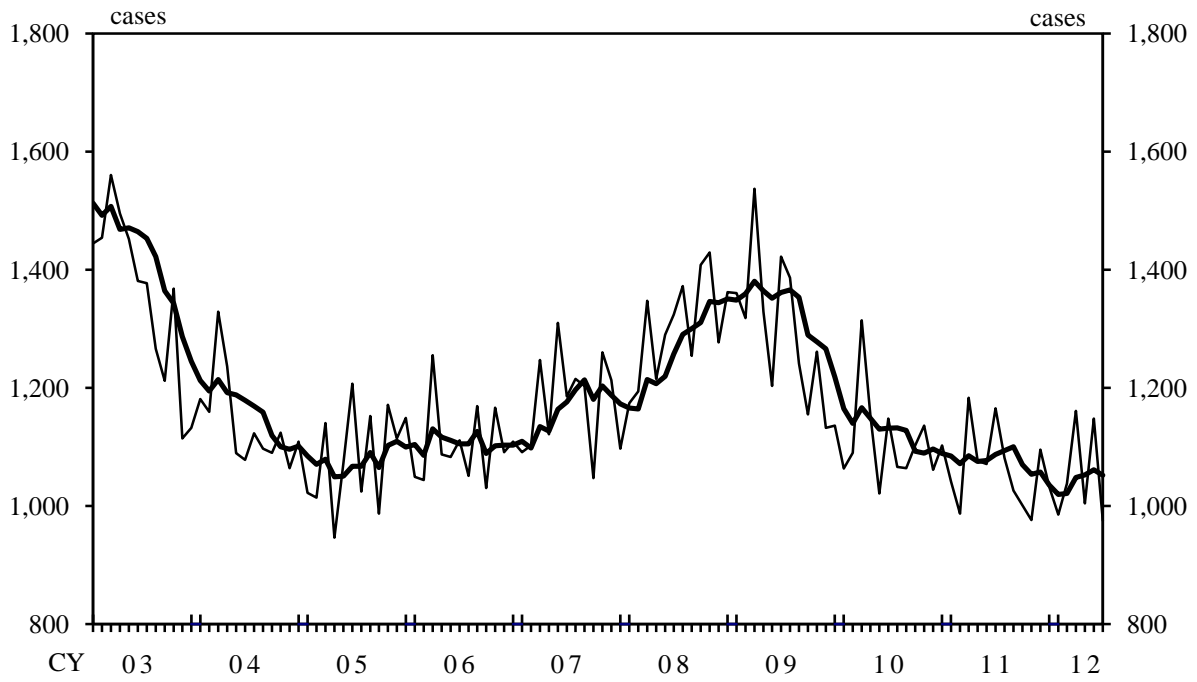


- Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.
- 2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.
- 3. The figures 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 2012/2Q is assumed to be unchanged from the previous quarter.

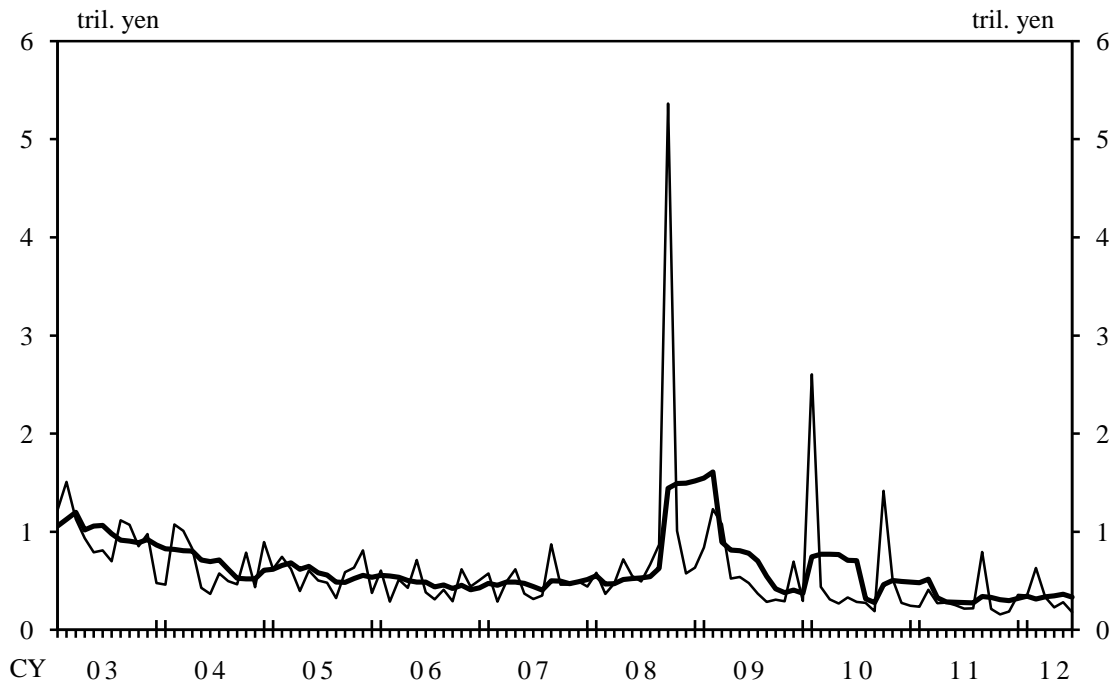
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

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)."