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Bank of Japan

Monthly Report of Recent Economic and Financial Developments

April 2015

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Summary

Japan's economy has continued its moderate recovery trend.

Overseas economies -- mainly advanced economies -- have been recovering, albeit with a lackluster performance still seen in part. In this situation, exports have been picking up. Business fixed investment has been on a moderate increasing trend as corporate profits have improved. Public investment has more or less leveled off at a high level. Private consumption as a whole has remained resilient against the background of steady improvement in the employment and income situation, although recovery in some areas has been sluggish. Housing investment, which continued to decline following the front-loaded increase prior to the consumption tax hike, has recently started to bottom out. Against the backdrop of these developments in demand both at home and abroad, industrial production has been picking up, due in part to the progress in inventory adjustments. Business sentiment has generally stayed at a favorable level.

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

Exports are expected to increase moderately mainly against the background of the recovery in overseas economies. As for domestic demand, public investment is expected to enter a moderate declining trend, albeit maintaining a somewhat high level. Business fixed investment is projected to continue a moderate increasing trend as corporate profits follow their improving trend. Private consumption is expected to remain resilient with the employment and income situation continuing to improve steadily. Housing investment is projected to regain its resilience gradually. Reflecting these developments in demand both at home and abroad, industrial production is expected to increase moderately.

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[1] This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on April 7 and 8, 2015.

Meanwhile, risks to the outlook include developments in the emerging and commodity-exporting economies, the prospects regarding the debt problem and the risk of low inflation rates being protracted in Europe, and the pace of recovery in the U.S. economy.

On the price front, excluding the direct effects of the consumption tax hike, producer prices are declining relative to three months earlier, reflecting the significant fall in international commodity prices to date, and the year-on-year rate of increase in consumer prices (all items less fresh food) is about 0 percent. Inflation expectations appear to be rising on the whole from a somewhat longer-term perspective.

With regard to the outlook, excluding the direct effects of the consumption tax hike, producer prices are expected to decline at a reduced pace for the time being, reflecting movements in international commodity prices, and the year-on-year rate of increase in consumer prices is likely to be about 0 percent for the time being, due to the effects of the decline in energy prices.

Financial conditions are accommodative.

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

Firms' funding costs have been hovering at low levels. With regard to credit supply, firms have continued to see financial institutions' lending attitudes as being on an improving trend. Issuing conditions for CP and corporate bonds have continued to be favorable. Firms' credit demand has been increasing moderately, mainly for working capital and funds related to mergers and acquisitions. Against this backdrop, the year-on-year rate of increase in the amount outstanding of bank lending has been at around 2.5 percent. The year-on-year rate of change in the amount outstanding of CP and corporate bonds has been positive. Firms' financial positions have been favorable. Meanwhile, the year-on-year rate of growth in the money stock has been at around 3.5 percent.

The weighted average of the overnight call rate has been below the 0.1 percent level, and interest rates on term instruments have been more or less unchanged. 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.

1. Economic Developments

Public investment has more or less leveled off at a high level. The amount of public construction completed—which reflects the progress of public works—has been more or less flat since the fourth quarter last year on a quarter-on-quarter basis, after it continued to increase in the third quarter, following the rise in the second quarter mainly due to the effects of the supplementary budget for fiscal 2013 (Chart 5). The value of public works contracted—a measure that reflects public orders—registered a sharp quarter-on-quarter increase in the second quarter last year, assisted partly by the effects of the early implementation of the initial budget for fiscal 2014. It then fell back significantly in the third quarter and declined slightly in the fourth quarter as well, but it rose again in January-February relative to the fourth quarter.

Public investment is expected to enter a moderate declining trend, albeit maintaining a somewhat high level.[2]

Real exports have been picking up (Charts 6[1] and 7). They marked a slight increase in the third quarter last year, after declining slightly for two quarters in a row through the second quarter, and rose noticeably in the fourth quarter. Since the start of the year, exports rose in January-February on average relative to the fourth quarter, despite large monthly fluctuations such as the jump in January and the decline in February following the prior increase. Those fluctuations were caused partly by the effects of the Lunar New Year holidays (in China and other countries) on exports to East Asia including China. Looking at movements in exports by region (Chart 7[1]), exports to the United States—which decreased in the second quarter and leveled off in the third quarter—continued to increase markedly in both the fourth quarter on a quarter-on-quarter basis and January-February compared with the fourth quarter. With the pick-up in motor vehicles and their related goods, exports to the United States have moved moderately upward overall since capital goods and parts have recently increased, reflecting the recovery in business fixed investment in the United States. Exports to the EU—which dropped in the fourth quarter, after being roughly

[2] Public construction, included in the "Emergency Economic Measures" based on the supplementary budget for fiscal 2014, is expected to underpin public investment in the future to a certain degree.

flat in the third quarter—turned upward in January-February relative to the fourth quarter. Exports to China—which increased slightly in the third quarter, after declining for two quarters in a row through the second quarter—rose in the fourth quarter as well, mainly in IT-related goods. They fell somewhat in January-February compared with the fourth quarter, showing large monthly fluctuations since the turn of the year, due to the aforementioned effects of the Lunar New Year holidays. Exports to NIEs of late also seem to be affected by the Lunar New Year holidays, but with the fluctuations smoothed out, they have picked up markedly, mainly in IT-related goods and in capital goods and parts since last fall. Exports to ASEAN—which had remained somewhat sluggish—have recently bottomed out and shown early signs of a pick-up. Meanwhile, exports to Others have continued to trend moderately upward, supported in part by movements in foreign exchange rates. By goods (Chart 7[2]), exports of motor vehicles and their related goods have continued to be more or less flat with the fluctuations smoothed out. Exports of IT-related goods have picked up markedly, mainly in parts for smartphone products, supported partly by movements in foreign exchange rates. Exports of capital goods and parts have also increased moderately with the fluctuations smoothed out, against the backdrop of the recovery in business fixed investment in the United States and of the firmness in global IT-related demand. Exports of intermediate goods, including iron and steel as well as chemicals, had been somewhat weak until early last fall, mainly in those bound for East Asia, but they have recently moved upward, supported in part by movements in foreign exchange rates.

Real imports have continued their moderate increasing trend mainly as a reflection of movements in domestic demand (Charts 6[1] and 9). Real imports fell back sharply in the second quarter last year in response to various declines in demand following the front-loaded increases, but they turned upward, albeit slightly, in the third quarter and rose in both the fourth quarter on a quarter-on-quarter basis and January-February relative to the fourth quarter. Looking at movements in imports by goods (Chart 9[2]), those of raw materials—which had continued to be relatively weak since last spring with the fluctuations smoothed out—increased somewhat sharply in January-February compared with the fourth quarter. Imports of consumer goods have been picking up since the third quarter with the fluctuations smoothed out, after declining noticeably in the second quarter, due mainly to the effects of the decline in demand following the front-loaded increase prior to the consumption tax hike. Imports of IT-related goods—which had surged in the fourth quarter, partly due to the increase in imports of new smartphone products, after the subsequent decline in demand until the summer following the front-loaded increase in line with the ending of support for some software (operating system)—fell back again in January-February compared with the fourth quarter. Imports of capital goods and parts have continued to pick up as a trend, albeit with fluctuations, mainly as a reflection of developments in business fixed investment at home. Meanwhile, imports of intermediate goods declined, affected in part by movements in foreign exchange rates, for three consecutive quarters since the second quarter, but they turned upward in January-February relative to the fourth quarter, as a reflection of the pick-up in production activity at home.

Net exports—in terms of the real trade balance—have continued to improve, after bottoming in the first quarter last year (Chart 6[1]). Looking at movements in the nominal current account balance on a quarterly basis (Chart 6[2] and [3]), the current account balance returned to a surplus in the second quarter last year, mainly because of a subsequent decline in imports, in response to the front-loaded increase in demand, and maintained a similar amount of surplus in the third quarter. The surplus of the current account balance has continued its expanding trend since the fourth quarter onward, due to (i) the ongoing surplus in primary income balance, (ii) the improvement in travel balance, and (iii) the improvement in trade balance as a result of the pick-up in exports and the decline in crude oil prices.

Regarding the environment surrounding exports, overseas economies—mainly advanced economies—have been recovering, albeit with a lackluster performance still seen in part (Chart 8[2]). Looking at movements by major region, the U.S. economy has continued to recover solidly, since the firmness in the household sector has been feeding through to the corporate sector. The European economy has been on a moderate recovery trend. The Chinese economy has maintained its stable growth as a trend; however, growth momentum has continued to be sluggish, with downward pressure from an overhang in supply in the manufacturing sector and from adjustments in the real estate market. Emerging economies apart from China and the commodity-exporting economies have continued to lose pace as a whole. As for the exchange rate, the yen has remained significantly depreciated mainly against the U.S. dollar compared to a while ago; in terms of the real effective exchange rate, the yen has depreciated to the level last recorded in 1973, below that of around 2007 (Chart 8[1]).

Overseas economies, mainly advanced economies, are expected to continue recovering moderately. The aforementioned movements in foreign exchange rates are also projected to continue underpinning exports, including those of services such as travel. By major region, the U.S. economy is expected to continue a firm recovery centered on private demand. The European economy is projected to continue its moderate recovery trend, but attention should continue to be paid to such issues as the outcome of its debt problem, including the developments in Greece, and the effects of the slowdown in the Russian economy. As for the Chinese economy, stable growth will continue, but the growth rate is projected to be somewhat lower than that of previous years. Growth in emerging economies apart from China and the commodity-exporting economies might lose pace for a protracted period, although the recovery in advanced economies is basically expected to exert positive effects gradually.

Taking the above into consideration, exports are expected to increase moderately mainly against the background of the recovery in overseas economies. Imports are projected to continue their moderate increasing trend, largely as a reflection of movements in domestic demand, although movements in foreign exchange rates are expected to exert downward pressure on imports. Considering these developments in exports and imports, net exports are projected to be on a moderate improving trend, albeit with fluctuations.

<u>Business fixed investment</u> has been on a moderate increasing trend as corporate profits have improved. The aggregate supply of capital goods—a coincident indicator of machinery investment—on a basis excluding transport equipment increased firmly in the fourth quarter last year for the first time in three quarters and continued to grow at about the same rate in January-February compared with the fourth quarter; these movements show that the uptrend has recently become evident (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—have been on a moderate uptrend since the third quarter last year, notably in manufacturing, after falling back somewhat significantly in the second quarter from the increase in the previous quarter (Chart 11[1]). Machinery orders of nonmanufacturing—which had continued to be relatively weak since last spring—registered positive growth in January relative to the fourth quarter. Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—had shown some weakness since the start of last year, mainly in nonmanufacturing, but they have bounced back up again since the end of last year, assisted in part by an upsurge in large-scale projects (Chart 11[2]). Meanwhile, looking at the production capacity DI in the March *Tankan*, net "insufficient capacity" for all industries and enterprises was at a level on par with that in December; as for the outlook, the net "insufficient capacity" is expected to expand, albeit marginally (Chart 10[2]).

Regarding the environment surrounding business fixed investment, corporate profits have continued to improve. Business sentiment has generally stayed at a favorable level. The business conditions DI for all industries and enterprises in the March *Tankan* improved, albeit slightly, for the second straight term; it has come close to the peak level of the economic expansion period prior to the Lehman shock. By industry (Chart 13), the results were somewhat mixed: the DI for manufacturing deteriorated marginally, while that for nonmanufacturing improved slightly. Nevertheless, the DIs of both sectors were in "favorable" territory. Taking a somewhat closer look at manufacturing, the DI for chemicals improved markedly, primarily in large firms, due mainly to the decline in input costs as a result of soft crude oil prices; the DIs for general-purpose machinery and business oriented machinery improved as well, supported in part by movements in foreign exchange rates. In contrast, the DI for food & beverages deteriorated slightly, due in part to the rise in input prices that were affected mainly by movements in foreign exchange rates; the DI for nonferrous metals also became cautious, mainly as a reflection of the deterioration in supply and demand conditions abroad. Meanwhile, the DIs for motor vehicles and electrical machinery were more or less flat. Movements in nonmanufacturing are characterized as follows: the DIs for industries associated with private consumption such as retailing and services for individuals improved, due partly to the effects of the rise in the number of foreign visitors to Japan; the DI for real estate improved as well in response to public perception that housing sales have bottomed out and to tightening supply and demand in offices. Added to this, the DI for transport & postal activities improved, mainly in small firms, on the back of positive effects from soft fuel prices.

As for the outlook, corporate profits are projected to continue an improving trend, supported by the increase in domestic and foreign demand as well as by the decline in crude oil prices and movements in foreign exchange rates. According to business plans of firms in the March *Tankan*, current profits (all industries and enterprises) in fiscal 2014 were revised slightly upward from the December *Tankan* to a year-on-year increase of 1.9 percent; slight profit increases were retained following the upsurge in fiscal 2013. By industry and size (Chart 12), current profits were revised upward from the December *Tankan*, mainly in large manufacturing firms. Meanwhile, current profit plans for fiscal 2015 show that a slight increase in profits is projected following that for fiscal 2014.

Taking the above into consideration, business fixed investment is projected to continue a moderate increasing trend as corporate profits follow their improving trend. Business fixed investment plans for all industries and enterprises (excluding software investment and including land purchasing expenses) in the March *Tankan* were revised slightly upward from the December *Tankan* for fiscal 2014 to a year-on-year increase of 4.4 percent. By industry and size (Chart 14), business plans of large firms maintained high year-on-year growth of 8.2 percent as a whole: although plans of manufacturing firms, with a year-on-year increase of 6.7 percent, were revised downward from those of a double-digit increase in December, plans of nonmanufacturing firms were revised slightly upward to a year-on-year increase of 8.8 percent. Plans of small firms were still negative for fiscal 2014 with a year-on-year decrease of 6.2 percent, partly in response to the high growth in the previous fiscal year (year-on-year increase of 21.0 percent). Nevertheless, they have continued to be revised steadily upward from their initial plans, and it is considered that small firms have retained their strong investment appetite. As for fiscal 2015, plans of large firms were in sync with movements of past averages as a whole. Plans of small firms were somewhat low, mainly in nonmanufacturing. However, taking into account that business fixed investment plans for fiscal 2014 are also projected to turn out strong following the significant increase for two consecutive years in fiscal 2012 and 2013, their plans are basically considered to be steady. On a "software and fixed investment excluding land purchasing expenses" basis—a concept close to that of GDP—business fixed investment plans of all industries and enterprises for fiscal 2014 are projected to register solid growth of positive 5.3 percent on a year-on-year basis, on par with fiscal 2013 (a year-on-year increase of 5.3 percent). Plans for fiscal 2015 were somewhat cautious relative to past averages with a year-on-year decline of 2.4 percent at this stage, but the aforementioned movements of small firms imply that firms are considered to maintain their solid plans overall.

Private consumption as a whole has remained resilient against the background of steady improvement in the employment and income situation, although recovery in some areas has been sluggish (Chart 15). Looking at consumption of goods—as seen through sales at retail stores in real terms (Chart 16[1])—it fell substantially in the second quarter last year on a quarter-on-quarter basis due to the effects of the decline in demand following the front-loaded increase, and moved upward in both the third and fourth quarters as the effects of the subsequent decline in demand dissipated; however, it dropped slightly in January-February relative to the fourth quarter. Meanwhile, looking at consumption of durable consumer goods (Chart 16[2]), the number of new passenger-car registrations almost bottomed out in the third quarter, despite falling substantially in the second quarter due to the effects of the decline in demand following the front-loaded increase. Since then, it has shown some signs of picking up, albeit with large fluctuations of small cars.[3] Sales of household electrical appliances in real terms decreased significantly in the second quarter, due to the decline following (i) the front-loaded demand in line with the consumption tax hike and (ii) the renewal demand for PCs in line with the ending of support for some software, but sales have tended to pick up since the third quarter, mainly due to increased sales of smartphone products and those to foreign visitors to Japan. Sales at department stores have been on an improving trend supported by the pick-up in demand following the subsequent decline and the wealth effects as a result of the rise in stock prices as well as in part by increased sales to foreign visitors to Japan (Chart

[3] Sales of small cars with engine sizes of 660cc or less registered somewhat high growth in the fourth quarter due in part to aggressive sales promotions by the automobile industry, but they fell back sharply in the first quarter in response to these movements relative to the fourth quarter.

17[1]). Sales at supermarkets—which had been picking up moderately until early fall last year—have shown relatively weak movements, as sales inched down in both the fourth quarter on a quarter-on-quarter basis and January-February relative to the fourth quarter. Sales at convenience stores have continued to show their moderate increasing trend. Meanwhile, as for consumption of services (Chart 17[2]), outlays for travel have been steady on the whole, aided by the firmness in domestic travel, despite some weakness in overseas travel that were affected partly by movements in foreign exchange rates. Sales in the food service industry have remained steady as a trend, disregarding the effects of issues related to contamination of some food items and other factors.

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, purchase of vehicles, money gifts and remittance" basis (Chart 16[1])—which is compiled so as to make it similar to items used for estimating GDP—tended to pick up moderately in the third and fourth quarters last year, after falling back sharply in the second quarter from the front-loaded increase in demand, but it registered a slight decrease in January-February compared with the fourth quarter. The total expenditure in the *Survey of Household Economy* (in real terms; two-or-more-person households)—which had continued to be more or less flat since the summer, after decreasing significantly in the second quarter in response to the front-loaded increase in demand, notably in durable consumer goods—declined somewhat in January-February relative to the fourth quarter.

Looking at indicators related to consumer confidence, the consumer confidence index—which had become cautious since the summer last year—has recently shown signs of picking up (Chart 18).

Private consumption is expected to remain resilient with the employment and income situation continuing to improve steadily.

<u>Housing investment</u>, which continued to decline following the front-loaded increase prior to the consumption tax hike, has recently started to bottom out. The

number of housing starts—a leading indicator of housing investment—continued to fall back since the first quarter last year due to the decline in demand following the front-loaded increase, mainly in owner-occupied houses, but it has almost leveled off since the middle of last year, albeit with fluctuations (Chart 19[1]).

Housing investment is projected to regain its resilience gradually with the employment and income situation continuing to improve steadily, also supported by accommodative financial conditions.

<u>Industrial production</u> has been picking up, due in part to the moderate increase in demand both at home and abroad as well as to the progress in inventory adjustments (Chart 20). Industrial production—which had continued to decrease in the third quarter last year on a quarter-on-quarter basis, after falling back noticeably in the second quarter from the front-loaded increase in demand—turned upward in the fourth quarter. Although monthly fluctuations have become significant since the start of the year due to the effects of the Lunar New Year holidays in East Asia, production increased in January-February on average relative to the fourth quarter. This pick-up in production is attributable to the progress in inventory adjustments in durable consumer goods (automobiles and household electrical appliances) and construction goods. In addition, the recent rise in exports has also facilitated the pick-up in production. Looking at quarterly movements by industry, production of transport equipment turned upward in the fourth quarter, albeit marginally, following noticeable decreases for two quarters in a row in the second and third quarters in light of continued inventory adjustments in line with the decline in demand following the front-loaded increase; it increased in January-February as well compared with the fourth quarter. Inventories have trended downward with the fluctuations smoothed out, amid a moderate increase in shipments, mainly to North America, and firms' inventory adjustment phase has almost come to an end at this stage, with the exception of small cars. Production of electrical machinery and of information and communication electronics equipment—which continued to register a sizeable decline since last spring, mainly due to the effects of the decline in household electrical appliances (air conditioners and PCs) in response to prior increases—has recently started to pick up. Production of general-purpose, production and business oriented machinery has continued a moderate increasing trend, albeit with fluctuations, in light

of developments in business fixed investment at home and abroad. Production of electronic parts and devices has also continued a marked increase, primarily in parts for smartphone products produced in Asia, supported by movements in foreign exchange rates. Meanwhile, production of chemicals has continued to pick up moderately since the summer, as a reflection of movements in domestic demand.

Shipments, like production, continued to decline in the second and third quarters last year on a quarter-on-quarter basis, but they turned upward in the fourth quarter and increased somewhat significantly in January-February relative to the fourth quarter (Chart 20[1]). By goods, although the recovery in shipments of construction goods has remained sluggish, shipments of durable consumer goods have bottomed out, and have shown some signs of picking up; those of producer goods (mainly electronic parts and devices) and capital goods have moved up steadily.

Inventories have recently trended moderately downward, although they are still at a somewhat high level (Chart 20[1]). Recent movements show that inventories were almost flat as of the end of December last year compared with the end of September, after building up for two quarters in a row until the end of September; they were also more or less flat as of the end of February relative to the end of December. On a monthly basis, inventories rose slightly in February, after falling for two months in a row in December and January. As for the shipment-inventory balance (year-on-year rate of change in shipments less that in inventories), growth in inventories has marginally outpaced that in shipments on the whole, partly in response to the increase in demand prior to the consumption tax hike in the previous year (Chart 21[2]).[4] By goods, growth in inventories of durable consumer goods and construction goods has outpaced that in shipments, whereas growth in inventories of capital goods, nondurable consumer goods, and producer goods has been generally balanced with that in shipments, with the fluctuations smoothed out.

[4] As for the shipment-inventory balance, growth in shipments on a year-on-year basis tends to be somewhat low and that in inventories to be somewhat high in the second half of fiscal 2014, due to the front-loaded increase in demand prior to the consumption tax hike in the second half of fiscal 2013.

Reflecting these developments in demand both at home and abroad, industrial production is expected to increase moderately. Based on anecdotes by firms and on other information, industrial production is projected to continue increasing in the first quarter. By industry, production of transport equipment is expected to increase with domestic inventory adjustments having come to an end as well as with favorable demand in North America. Production of general-purpose, production and business oriented machinery is also projected to keep moving firmly upward as a reflection of developments in business fixed investment at home and abroad. Production of electronic parts and devices is projected to maintain its moderate growth even after the noticeable increase in the previous quarter, assisted in part by the effects of movements in foreign exchange rates, in light of firm final demand for smartphones. As for the second quarter, large uncertainty still exists, but it seems that production will tentatively become more or less flat, partly in response to the relatively high growth in the latest two quarters. By industry, production of general-purpose, production and business oriented machinery is projected to keep moving moderately upward as a reflection of developments in business fixed investment at home and abroad. It seems that production of electronic parts and devices will maintain a relatively high production level, mainly on the back of firm final demand, after increasing for three consecutive quarters until the first quarter. Production of transport equipment is expected to be more or less flat since the recovery following inventory adjustments will come to a halt. On the other hand, production of iron and steel is projected to decline as a result of minor inventory adjustments.

As for the employment and income situation, supply and demand conditions in the labor market have continued to improve steadily, and employee income has increased moderately.

As for supply and demand conditions in the labor market, the unemployment rate stood at 3.5 percent in January-February, after falling to 3.4 percent in December last year, a level last seen in August 1997; it has been on a moderate improving trend with the fluctuations smoothed out (Chart 22). New job openings had ceased to improve as a reflection of economic activity during the first half of this fiscal year, but they have been moving steadily upward again since the fourth quarter. Amid these movements, the ratio of new job openings has recently shown large monthly fluctuations, but it has been on a clear uptrend on average. As for the active job openings-to-applicants ratio, the pace of improvement turned tentatively sluggish up until early fall, but the improving trend has recently become evident again; it recorded 1.15 in February, a high level on par with that in March 1992. Non-scheduled hours worked have been more or less flat since last spring. Looking at recent movements by industry, manufacturing has trended upward since early last fall, as a reflection of the pick-up in production activity. In contrast, nonmanufacturing has continued to be somewhat weak compared with manufacturing. Meanwhile, looking at the employment conditions DI in the March *Tankan*, net "insufficient employment" for all industries and enterprises expanded slightly from December; the current level is the largest since May 1992 (Chart 23). Firms have maintained their strong stance on employment; the net "insufficient employment" is expected to expand further in the future as well.

In terms of employment, the year-on-year rate of increase in the number of employees in the *Labour Force Survey* has been moving in the range of 0.5 percent to around 1.0 percent, with the fluctuations smoothed out (Chart 25[1]). The number of regular employees in the *Monthly Labour Survey* has continued to register somewhat high growth, moving in the range of 1.5 to about 2.0 percent.

Total cash earnings per employee have risen moderately, albeit with fluctuations (Chart 25[2]).[5] Hourly cash earnings of overall employees have also been on a moderate improving trend as a whole (Chart 24[1]). Taking a closer look, both monthly cash earnings of full-time employees per employee and hourly cash earnings of part-time employees have accelerated their year-on-year rates of increase at a moderate pace, albeit with fluctuations (Chart 24[2]). Scheduled cash earnings on a year-on-year basis have recently turned slightly positive with downward pressure from the increase in the ratio of part-time workers having diminished moderately, while scheduled cash earnings of full-time employees have been on a positive trend mainly due to the effects of the rise in base wages last spring (Chart 24[3]). The

[5] In the *Monthly Labour Survey*, samples for establishments with 30 or more employees—subject to replacement every few years—were replaced this time from the January 2015 final report. Replacements are carried out in terms of wages and hours worked by revising the current gap between the old and new survey results retroactively to the time of the previous replacement. As a result, the year-on-year growth of total cash earnings from February 2012 onward was revised downward by about 0.3 percentage points on average.

year-on-year rate of increase of non-scheduled cash earnings had been diminishing since last spring, as a reflection of movements in the number of hours worked, but they have recently shown a pick-up.

Employee income has risen moderately, as a reflection of the aforementioned developments in employment and wages (Chart 25[3]).

As for the outlook, employee income is expected to continue increasing moderately, in line with the recovery in economic activity and business performance.

2. Prices

International commodity prices have recently been more or less flat, after continuing to fall significantly since the summer last year (Chart 27[1] and [3]). Prices of crude oil—which had been declining sharply in light of the slack in supply and demand conditions worldwide—have continued to fluctuate since the start of the year, in view of upward pressure from the decline in the number of oil drilling rigs in the United States and from geopolitical risks in the Middle East, while downward pressure from the pile-up in inventories of crude oil in the United States has been in place. Prices of nonferrous metals—which had been soft, mainly in view of subdued growth in emerging economies including China—have bounced back up modestly of late. Meanwhile, prices of grains—which had been rising toward the year-end—have recently fallen back, due in part to a good harvest forecast in the United States.

Import prices (on a yen basis) are declining sharply relative to three months earlier, as a reflection of the significant fall in international commodity prices to date (Chart 27[2]).

Producer prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter), on a basis excluding the direct effects of the consumption tax hike, are declining relative to three months earlier, reflecting the significant fall in international commodity prices to date (Chart 28[2]).[6] Excluding the direct effects of the consumption tax hike, the three-month rate of change in producer prices stood at negative 1.9 percent in February, declining at almost the same pace as that in January. Looking in detail at producer price movements in February relative to three months earlier, prices of "goods sensitive to exchange rates and overseas commodity prices" continued to post a large negative, mainly due to price declines in petroleum products such as gasoline and naphtha, which is a reflection of the decline in crude oil prices to date. Prices of "other materials" and "iron & steel and construction goods" continued to decline as well, chiefly in chemicals & related products, iron & steel, and scrap & waste, due to the effects of the fall in international commodity prices to date and partly to the deterioration of supply and demand conditions in Asia. Prices of "others"—which had continued to decline moderately—were more or less flat in February, partly since polished rice and brown rice bottomed out. Meanwhile, prices of "machinery" have continued to be more or less flat with the fluctuations smoothed out.

The year-on-year rate of increase in services producer prices (excluding international transportation; year-on-year basis, same hereafter), on a basis excluding the direct effects of the consumption tax hike, has been moving in the range of 0.5-1.0 percent (Chart 29). Looking in detail at recent services producer price movements, the year-on-year rate of change in prices related to "selling, general and administrative expenses" has been rising slightly as a whole, since (i) temporary employment agency services have continued to be positive on the back of tightening supply and demand conditions in the labor market and (ii) hotel services have registered a relatively large increase in light of firm demand from business and sightseeing, although advertising services have recently been somewhat weak in response to the previous year's increase. The rate of increase in prices related to "fixed investment" has tended to expand, mainly in civil engineering and architectural services. The rate of change in prices related to "domestic transportation" has been somewhat elevated, mainly in overland freight transportation and in warehousing and other transportation services.

[6] Figures are adjusted to exclude large seasonal fluctuations in electric power charges to observe the underlying changes in producer prices. Industrial and commercial electric power charges are set relatively high during July-September, when electric power consumption increases substantially.

Prices of "others" have continued to register somewhat high growth since August last year, together with the price increase in domestic air passenger transportation, since finance and insurance (mainly motor vehicle insurance) has continued to show relatively strong movements. Meanwhile, the rate of change in prices of "real estate services" including office space rental—which had been slightly positive since July—has more or less leveled off recently on a year-on-year basis, partly in response to the previous year's price increase.

The year-on-year rate of increase in consumer prices (all items less fresh food; year-on-year basis, same hereafter), on a basis excluding the direct effects of the consumption tax hike, is about 0 percent (Chart 30[1]).[7] Consumer prices for February, on a basis excluding the direct effects of the consumption tax hike, somewhat narrowed their rate of growth to 0.0 percent from positive 0.2 percent in January on a less fresh food basis, posting a low level last seen in May 2013 (0.0 percent). On a basis excluding food and energy, the rate of increase also diminished marginally to positive 0.3 percent from positive 0.4 percent in January. Regarded as a method for capturing trend changes, the year-on-year rate of increase in the trimmed mean had been on a diminishing trend after the peak in June, but it has recently improved marginally (Chart 31[2]).[8]

Looking at recent year-on-year growth in consumer prices, prices for goods (excluding agricultural, aquatic & livestock products) have continued to reduce their rate of increase since the summer last year; they turned negative in January and declined further at an accelerated pace in February. Looking in detail, prices of petroleum products continued to reduce their year-on-year rate of increase since the

[7] As for the direct effects of the consumption tax hike on the year-on-year rate of change in the CPI, an estimate—based on the assumption that the tax hike in April 2014 is basically passed on in full to all current taxable items—shows that the rates of change are pushed up by about 2.0 percentage points for all items less fresh food and by about 1.7 percentage points for those excluding food and energy. Although these effects will wear off from this April onward, upward pressure on the year-on-year rates of change is expected to remain for April due to transitional measures in the previous year, resulting in an increase of about 0.3 percentage points on a less fresh food basis and about 0.2 percentage points on a basis excluding food and energy. For details, see BOX in the *Monthly Report of Recent Economic and Financial Developments*, March 2014.

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

summer as a reflection of the decline in crude oil prices. They turned negative in November and have continued to expand their rate of decline since then. Prices of food products—which had continued to be somewhat strong on the back of past cost increases in the form of higher prices—have narrowed their rate of increase marginally compared to a while ago in light of sluggishness in some areas in private consumption. Prices of durable goods have also recently declined at a somewhat accelerated pace, mainly in air conditioners, due to the effects of movements in private consumption after the consumption tax hike and in response to the previous year's increase. Prices of clothes have also somewhat narrowed their rate of increase as well since fall, albeit with fluctuations. Meanwhile, prices of agricultural, aquatic & livestock products (less fresh food) have recently expanded their rate of increase marginally, due to the effects of the rise in prices of meats. Prices of general services have more or less leveled off since June on a year-on-year basis. Looking in detail, prices of hotel charges have been on a positive trend, albeit with fluctuations, and in addition, prices of various services—including those related to housing construction—have expanded their rate of increase moderately on the back of the rise in wages. Prices of meals outside the home have also somewhat expanded their rate of increase since January, assisted in part by the effects of some price increases. Nevertheless, the introduction of new price plans for mobile telephone charges since June and the reduction in some prices of meals outside the home last spring have been exerting downward pressure on a year-on-year basis. Apart from this, prices of package tours to overseas, despite large monthly fluctuations, have recently tended to reduce their rate of increase, due in part to the effects of the weakness in overseas travel in line with movements in foreign exchange rates. Meanwhile, the year-on-year rate of decline in prices of rent—which accounts for a large share of general services—has tended to narrow, albeit very moderately, from a somewhat longer-term perspective. Fees for public services have recently expanded their year-on-year rate of increase, mainly due to the effects of the decline in electricity prices in response to the previous year's increase and to another round of price increases by one electric power company. As a result, the year-on-year rate of increase of fees for public services as a whole has accelerated marginally.

With regard to domestic supply and demand conditions in the March *Tankan* (Chart 32), the supply and demand conditions DI for products and services was more or less unchanged for manufacturing, while it improved marginally for nonmanufacturing mainly as a reflection of movements in private consumption. The output prices DI deteriorated marginally for manufacturing, while that for both large and small nonmanufacturing firms improved marginally. As for the outlook, the DI is projected to improve marginally for both manufacturing and nonmanufacturing. Meanwhile, the weighted average of the production capacity DI and employment conditions DI has continued to improve moderately, and the level of the net "insufficient" in March was the largest since that in May 1992. As for the outlook, the net "insufficient" is expected to continue expanding moderately.

With regard to the outlook, excluding the direct effects of the consumption tax hike, producer prices are expected to decline at a reduced pace for the time being, reflecting movements in international commodity prices, and the year-on-year rate of increase in consumer prices is likely to be about 0 percent for the time being, due to the effects of the decline in energy prices.

Meanwhile, inflation expectations appear to be rising on the whole from a somewhat longer-term perspective (Chart 33).

As for land prices, the *Land Market Value Publication* as of January shows that, in terms of the average of all land prices, both commercial and residential land prices narrowed their year-on-year rates of decline for the fifth year running; commercial land prices, in particular, bottomed out for the first time in seven years (Chart 34). As for the average of land prices in the three metropolitan areas (Tokyo, Osaka, and Nagoya areas), both commercial and residential land prices continued to register a slight year-on-year positive. The average of land prices in other areas has still continued to decline, but the year-on-year rate of decline has narrowed moderately for residential and commercial land prices alike.

3. Financial Developments

(1) Corporate Finance and Monetary Aggregates

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

Firms' funding costs have been hovering at low levels. Issuance rates on CP and those on corporate bonds have been at low levels. The average contract interest rates on new loans and discounts have also been low (Chart 37).

With regard to credit supply, firms have continued to see financial institutions' lending attitudes as being on an improving trend (Chart 36). Issuing conditions for CP and corporate bonds have continued to be favorable. In these circumstances, as for funding of the private sector, the year-on-year rate of increase in the amount outstanding of bank lending has been at around 2.5 percent, mainly in demand for working capital and funds related to mergers and acquisitions (Chart 38). The year-on-year rate of change in the amount outstanding of CP and corporate bonds has been positive (Chart 39).

Firms' financial positions have been favorable (Chart 36). The number of corporate bankruptcies has remained at a low level (Chart 41).

Meanwhile, the year-on-year rate of growth in the money stock (M2) has been at around 3.5 percent. Its February reading was 3.5 percent on a year-on-year basis, following 3.4 percent in January (Chart 40).[9]

(2) Financial Markets

In Japan's money markets, interest rates have been stable at low levels, including those for longer term rates. The overnight call rate (uncollateralized) has been below the 0.1 percent level. Regarding interest rates on term instruments, the T-Bill rate (3-month) has generally been at around 0 percent. The Euroyen interest

[9] On an M3 basis, which includes the Japan Post Bank, the year-on-year rate of growth has been at around 3 percent; its February reading was 2.9 percent, following 2.8 percent in January. The year-on-year rate of growth in broadly-defined liquidity (L) has recently been at around 3.5 percent; it increased by 3.5 percent in February, following an increase of 3.4 percent in January.

rate (3-month) and interest rates on Euroyen futures have both been virtually level (Chart 42). In U.S. dollar funding, the LIBOR-OIS spread for the dollar has basically been flat (Chart 43).

Yields on 10-year government bonds (newly issued 10-year JGB) have been declining somewhat, mainly as a reflection of the decline in U.S. long-term interest rates; they are recently moving at around 0.35 percent (Chart 44).

Yield spreads between corporate bonds and government bonds have been more or less flat at low levels (Chart 45).

Stock prices have increased somewhat, mainly due to anticipation of improvement in corporate profits. The Nikkei 225 Stock Average is recently moving in the range of 19,500-20,000 yen (Chart 46).

In the foreign exchange market, the yen's exchange rate has appreciated somewhat against the U.S. dollar, mainly due to speculations about U.S. monetary policies; the yen is currently moving at around 120 yen against the U.S. dollar. The yen's exchange rate against the euro has depreciated somewhat; the yen is recently moving at around 130 yen against the euro (Chart 47).

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Main Economic Indicators (1)

s.a., q/q (m/m) % chg.[1]

	2014/Q3	Q4	2015/Q1	2014/Dec.	2015/Jan.	Feb.	Mar.
Index of consumption expenditure level (two-or-more-person households)	0.3	1.3	n.a.	-0.9	-0.2	0.2	n.a.
Sales at department stores	5.3	1.3	n.a.	0.6	-0.7	p 3.8	n.a.
Sales at supermarkets	2.3	-0.3	n.a.	0.4	-0.9	p 1.1	n.a.
New passenger-car registrations[3] <s.a., ann. 10,000 units>	< 271>	< 271>	< 268>	< 275>	< 263>	< 268>	< 273>
Sales of household electrical appliances (real, "Current Survey of Commerce")	4.2	5.0	n.a.	-5.1	2.4	p 3.6	n.a.
Outlays for travel	1.9	-0.2	n.a.	-1.0	1.3	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	< 87>	< 87>	<n.a.>	< 88>	< 86>	< 90>	<n.a.>
Machinery orders[4] (Private sector, exc. volatile orders)	5.6	0.4	n.a.	8.3	-1.7	n.a.	n.a.
Manufacturing	12.6	0.8	n.a.	24.1	-11.3	n.a.	n.a.
Nonmanufacturing[4] (exc. volatile orders)	-1.2	-0.7	n.a.	7.2	3.7	n.a.	n.a.
Construction starts (private, nondwelling use)	-2.7	5.5	n.a.	-10.9	12.6	20.3	n.a.
Mining & manufacturing	5.8	2.8	n.a.	2.4	15.1	16.2	n.a.
Nonmanufacturing[5]	-3.8	6.4	n.a.	-11.7	10.9	20.2	n.a.
Value of public works contracted	-16.8	-1.4	n.a.	3.2	-5.5	9.7	n.a.
Real exports	1.8	3.8	n.a.	2.4	4.1	-6.3	n.a.
Real imports	0.7	1.2	n.a.	1.3	1.0	3.3	n.a.
Industrial production	-1.9	1.7	n.a.	0.8	3.7	p -3.4	n.a.
Shipments	-0.8	2.2	n.a.	1.0	5.6	p -3.4	n.a.
Inventories	1.1	-0.1	n.a.	-0.7	-0.4	p 0.5	n.a.
Inventory ratio <s.a., CY 2010 = 100>	< 111.4>	< 112.0>	<n.a.>	< 112.0>	< 108.2>	<p 112.8>	<n.a.>
Real GDP	-0.7	0.4	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	-0.1	0.8	n.a.	-0.1	1.9	n.a.	n.a.

Chart 2

Main Economic Indicators (2)

y/y % chg.[1]

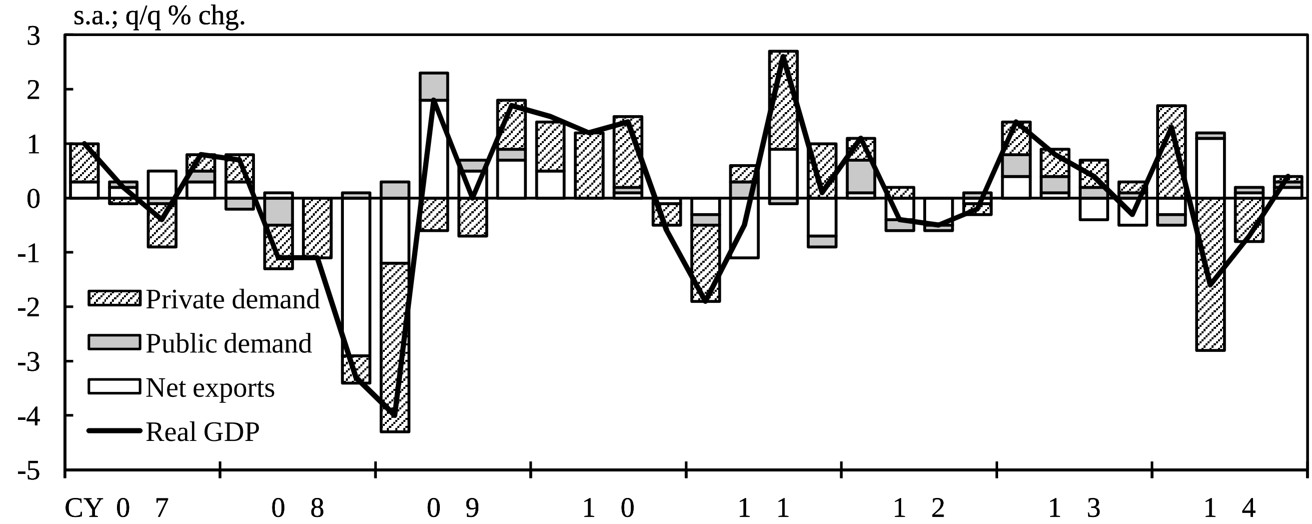
	2014/Q2	Q3	Q4	2014/Nov.	Dec.	2015/Jan.	Feb.
Active job openings-to-applicants ratio <s.a., times>	< 1.09>	< 1.10>	< 1.12>	< 1.12>	< 1.14>	< 1.14>	< 1.15>
Unemployment rate <s.a., %>	< 3.6>	< 3.6>	< 3.5>	< 3.5>	< 3.4>	< 3.6>	< 3.5>
Non-scheduled hours worked[6]	5.4	2.6	0.9	0.4	0.3	1.3	p -0.7
Number of employees	0.6	0.9	0.7	0.3	1.1	1.1	0.9
Number of regular employees[6]	1.4	1.7	1.6	1.6	1.7	2.0	p 2.1
Nominal wages per person[6]	0.4	1.1	0.4	-0.2	0.9	0.6	p 0.5
Producer price index	4.3	4.0	2.4	2.6	1.8	0.3	p 0.5
<excluding consumption tax, y/y % chg.>	< 1.5>	< 1.1>	<-0.4>	<-0.2>	<-1.0>	<-2.5>	<p -2.3>
<excluding consumption tax, q/q % chg., 3-month rate of change>[7]	< 0.2>	< 0.2>	<-1.1>	<-0.9>	<-1.4>	<-2.1>	<p -1.9>
Consumer price index[8]	3.3	3.2	2.7	2.7	2.5	2.2	2.0
<consumption tax adjusted, y/y % chg.>	< 1.4>	< 1.2>	< 0.7>	< 0.7>	< 0.5>	< 0.2>	< 0.0>
Services producer price index[9]	3.4	3.6	3.6	3.6	3.5	3.5	p 3.3
<excluding consumption tax, y/y % chg.>	< 0.7>	< 0.8>	< 0.9>	< 0.9>	< 0.8>	< 0.8>	<p 0.6>
Money stock (M2) <average outstanding, y/y % chg.>	3.2	3.0	3.5	3.6	3.6	3.4	p 3.5
Number of corporate bankruptcies <cases per month>	<871>	<812>	<741>	<736>	<686>	<721>	<692>

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.

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," "Services Producer 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



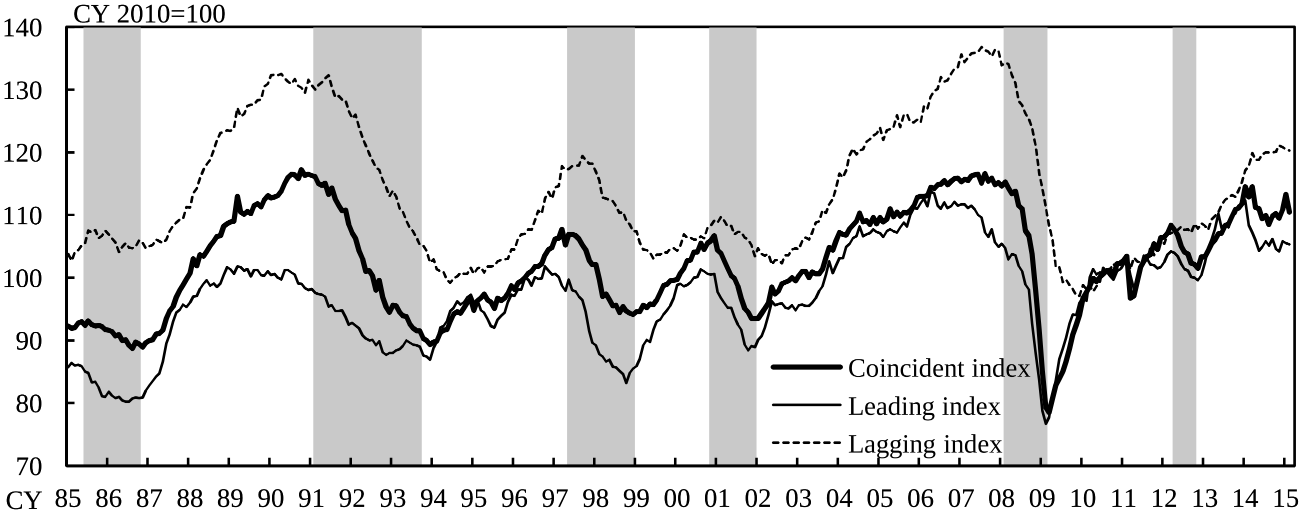
(2) Components

s.a.; q/q % chg.

	2013	2014			
	Q4	Q1	Q2	Q3	Q4
Real GDP	-0.3	1.3	-1.6	-0.7	0.4
[Annual rate]	[-1.2]	[5.1]	[-6.4]	[-2.6]	[1.5]
Domestic demand	0.2	1.6	-2.7	-0.7	0.2
Private demand	0.2	1.7	-2.8	-0.8	0.1
Private consumption	-0.1	1.3	-3.1	0.2	0.3
Non-Resi. investment	0.2	0.8	-0.7	-0.0	-0.0
Residential investment	0.1	0.1	-0.3	-0.2	-0.0
Private inventory	0.0	-0.5	1.4	-0.8	-0.2
Public demand	0.1	-0.2	0.1	0.1	0.1
Public investment	0.0	-0.1	0.1	0.1	0.0
Net exports of goods and services	-0.5	-0.3	1.1	0.1	0.2
Exports	-0.0	1.1	-0.1	0.3	0.5
Imports	-0.5	-1.3	1.1	-0.2	-0.3
Nominal GDP	-0.1	1.4	0.3	-0.9	1.0

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

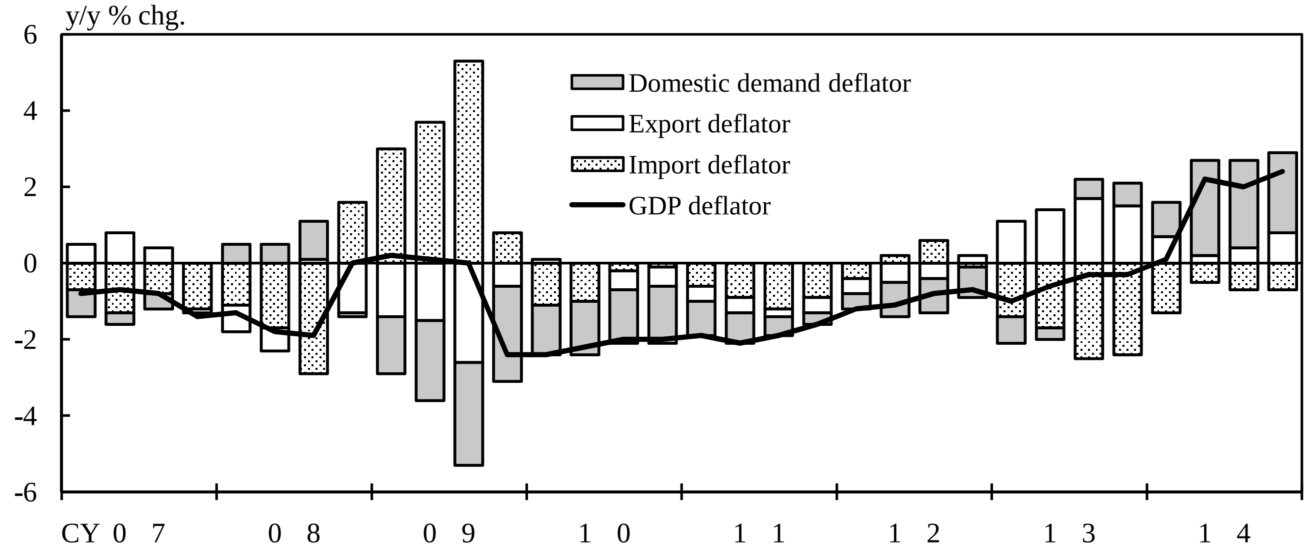
(3) Indexes of Business Conditions (Composite Indexes)



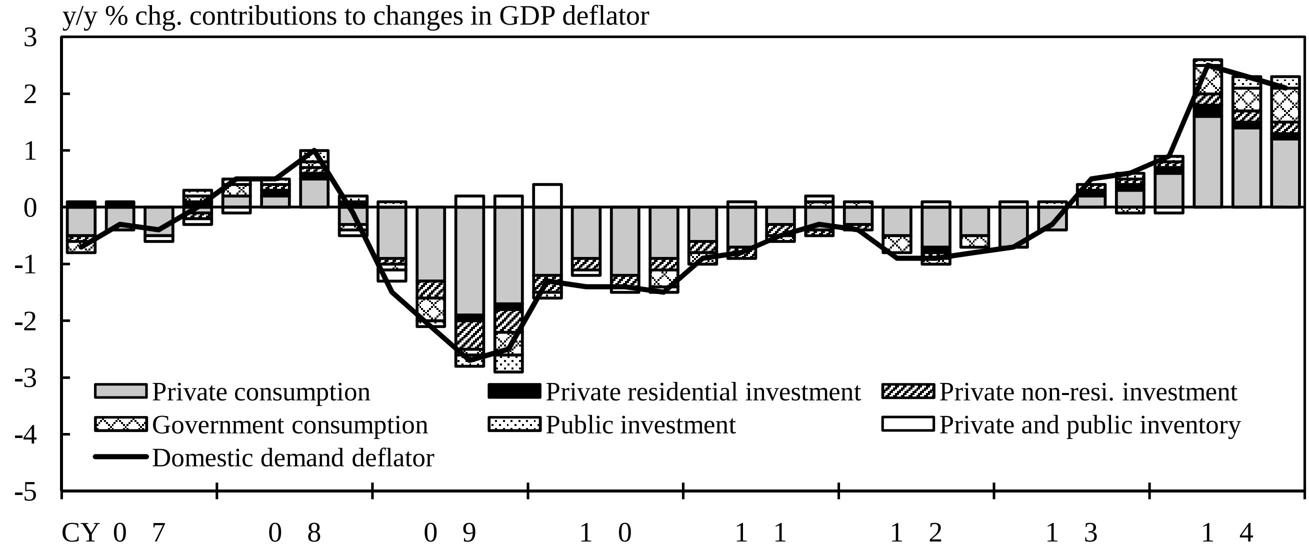
Note: Shaded areas indicate recession periods.
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

GDP Deflator and Income Formation

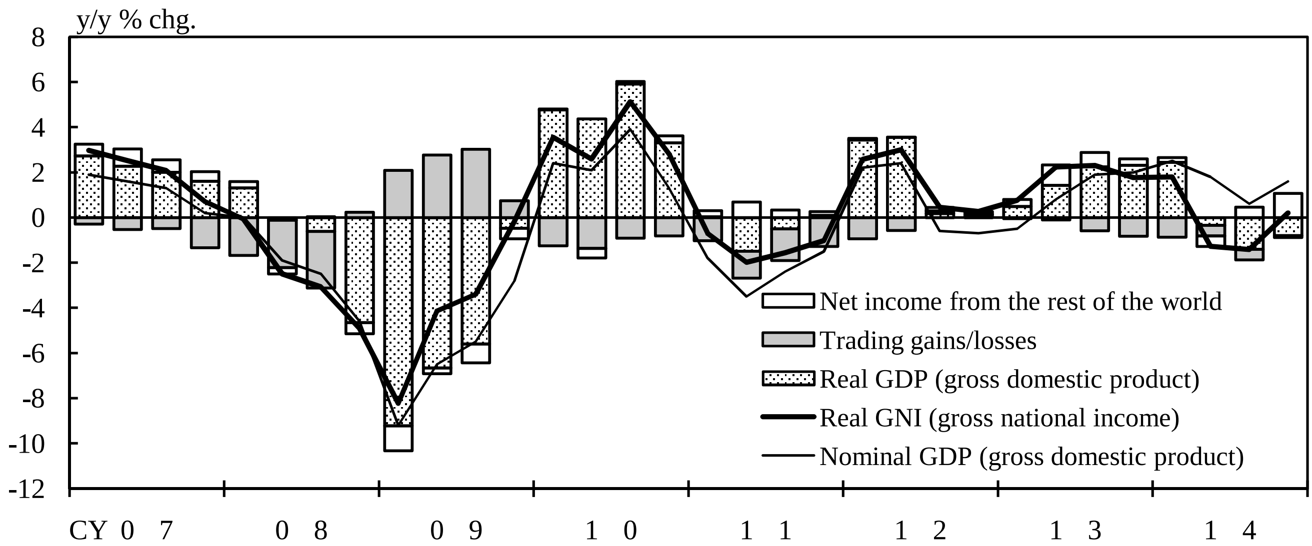
(1) GDP Deflator



(2) Domestic Demand Deflator



(3) Aggregate Income Formation

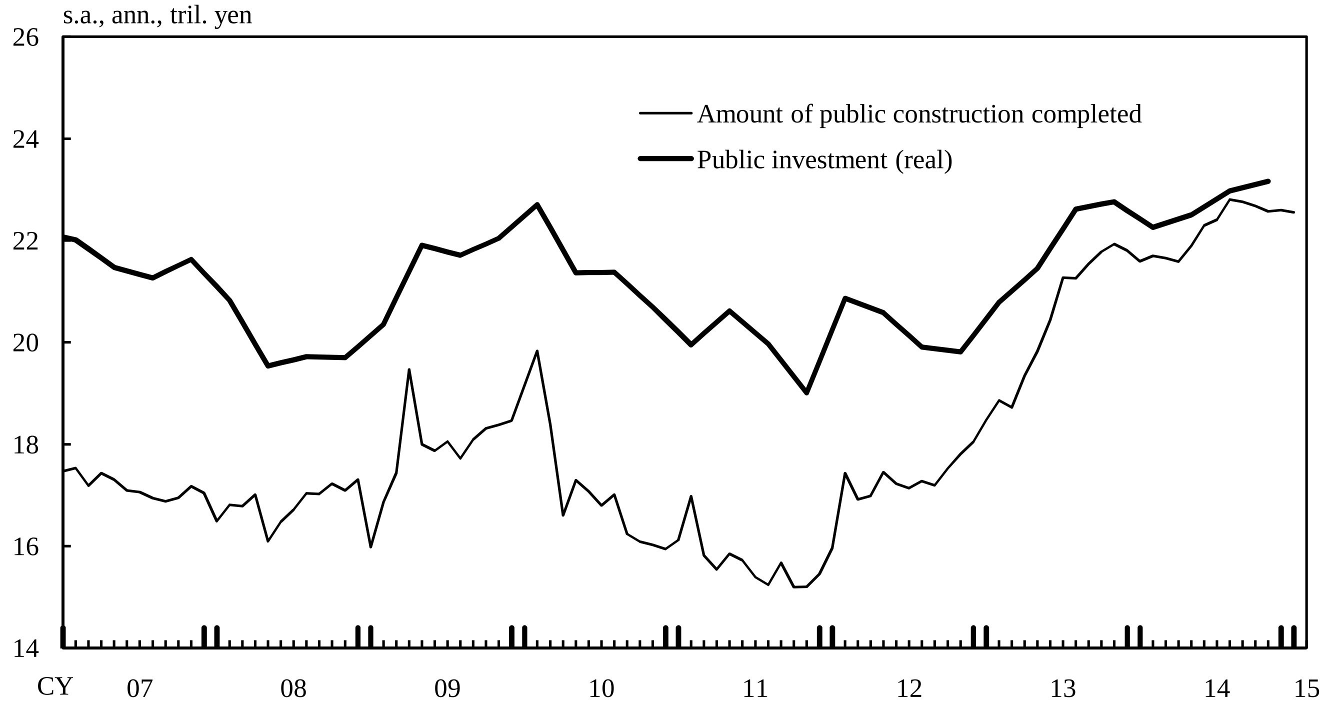


Notes: 1. Figures of components indicate contributions to changes in real GNI.
2. Real GNI = real GDP + trading gains/losses + net income from the rest of the world
Trading gains/losses = nominal net exports / weighted average of export and import deflators - real net exports

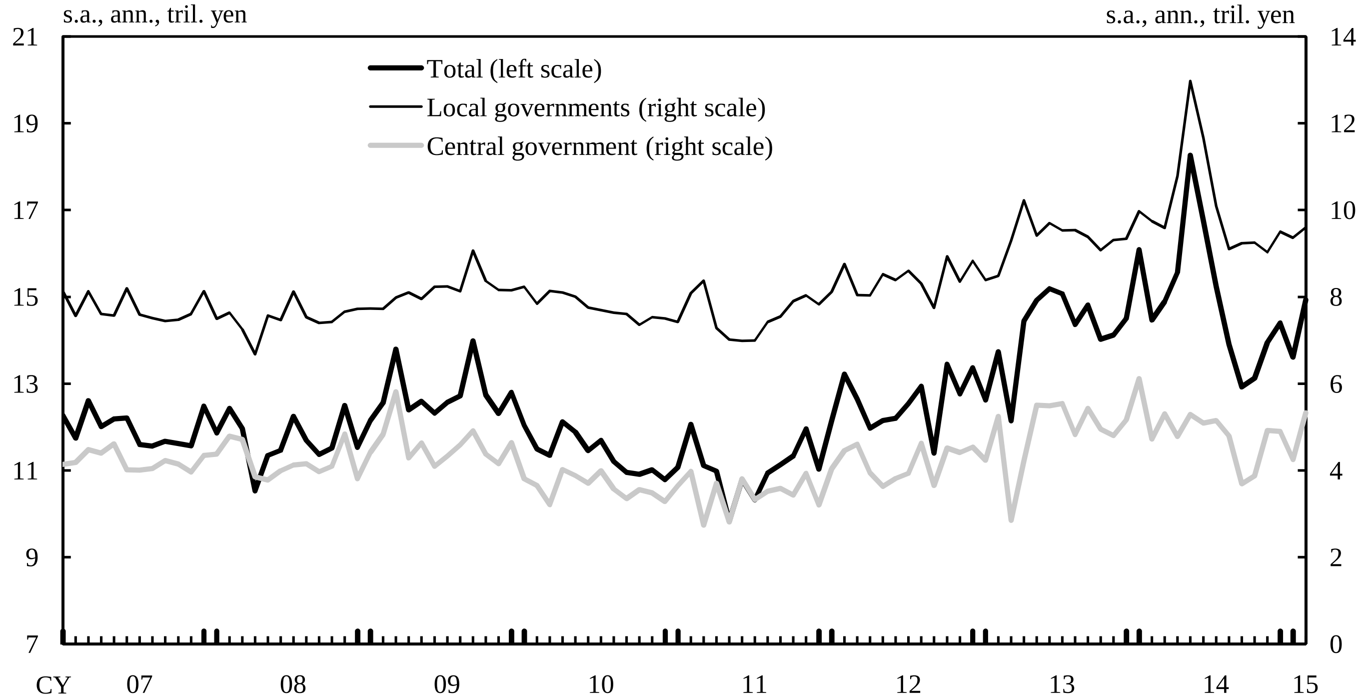
Source: Cabinet Office, "National Accounts."

Public Investment

(1) Amount of Public Construction Completed and Public Investment



(2) Value of Public Works Contracted

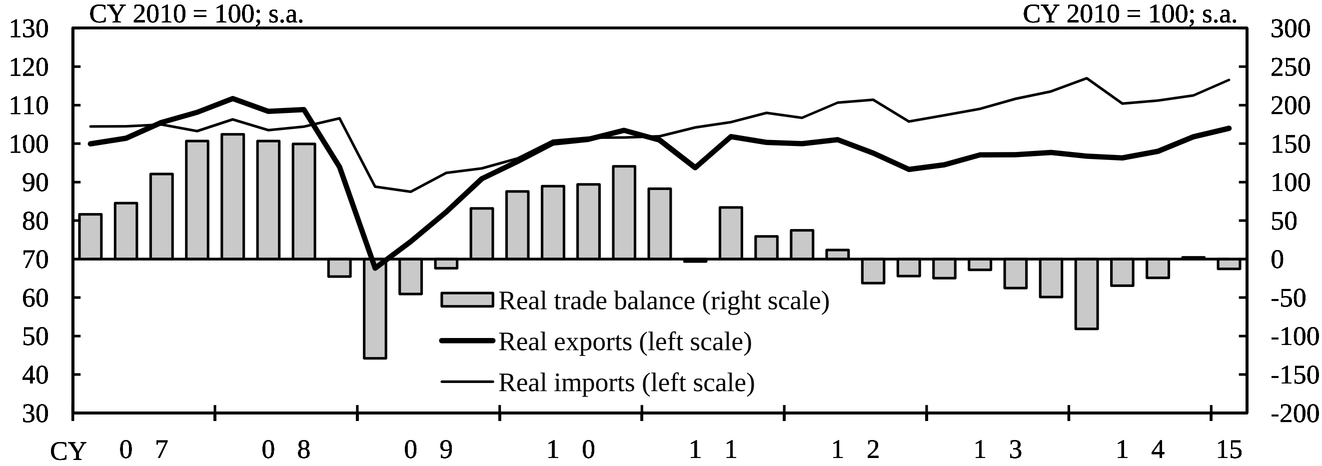


Notes: 1. Quarterly figures of public investment are plotted at the middle month of each quarter.
2. The amount of public construction completed is based on the general tables in the "Integrated Statistics on Construction Works."
3. Figures of the value of public works contracted and the amount of public construction completed are seasonally adjusted by X-12-ARIMA. As figures of the amount of public construction completed are seasonally adjusted on a monthly basis, the data are retroactively revised every month.

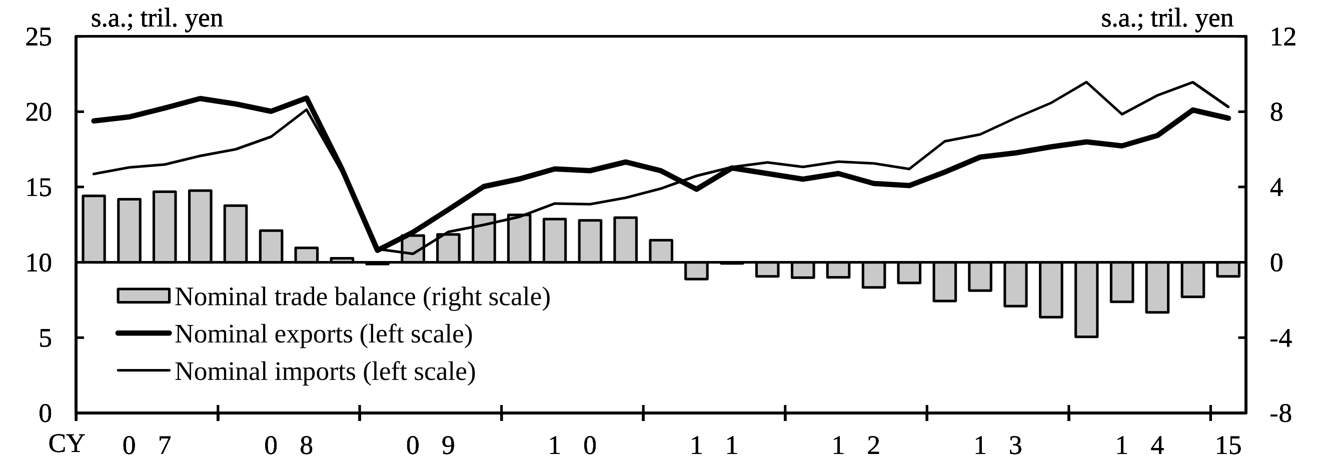
Sources: Cabinet Office, "National Accounts";
East Japan Construction Surety etc., "Public Works Prepayment Surety Statistics";
Ministry of Land, Infrastructure, Transport and Tourism, "Integrated Statistics on Construction Works."

External Balance [1]

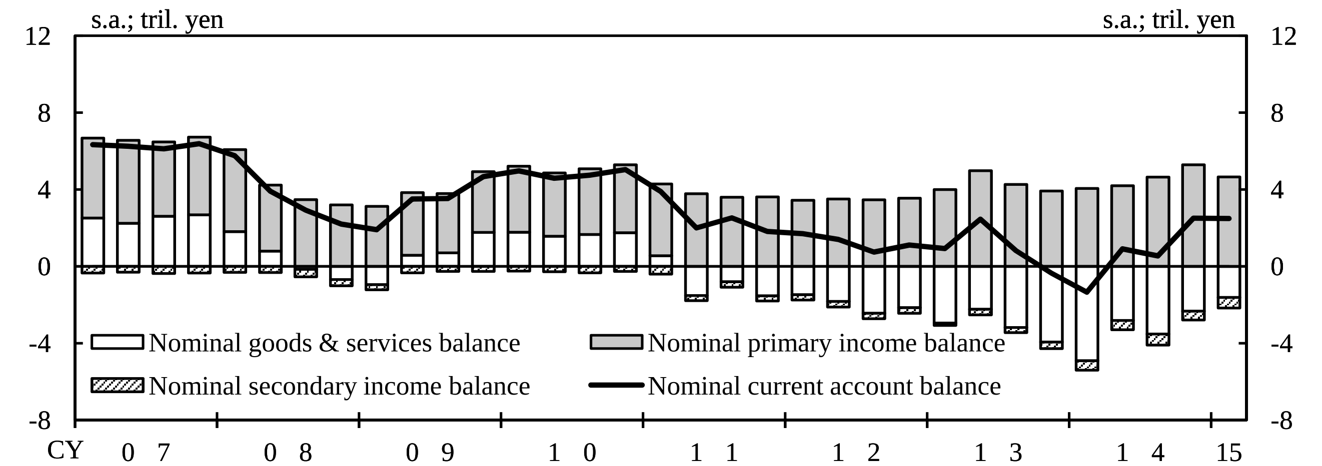
(1) Real Exports, Real Imports, and Real Trade Balance [2]



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



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



Notes: 1. Seasonally adjusted by X-12-ARIMA. 2015/Q1 figures are January-February averages converted into quarterly amount.

2. Real exports/imports are the value of exports and imports in the "Trade Statistics" deflated by the "Export and Import Price Index." "Real trade balance" is defined as real exports minus real imports. The seasonally adjusted figures have been retroactively revised due to the regular annual revision of the previous year's data in the "Trade Statistics." Figures by region or goods, however, have not been revised this time. This also applies to Charts 7 and 9.

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 2013	2014	2014 Q1	Q2	Q3	Q4	2015 Q1	2014 Dec.	2015 Jan.	Feb.
United States	<18.7>	2.8	1.6	0.9	-2.3	-0.0	8.9	5.1	8.1	2.6	-5.4
EU	<10.4>	-3.6	5.1	0.6	0.5	-0.1	-2.0	3.6	11.0	2.3	-6.0
East Asia	<50.3>	-3.0	1.1	-1.5	-1.5	1.9	4.2	3.2	-0.4	10.9	-13.5
China	<18.3>	-1.7	3.5	-3.9	-0.7	1.2	3.3	-2.0	-0.4	11.3	-24.0
NIEs	<21.8>	-1.0	2.0	1.0	-3.1	3.8	6.5	5.2	-0.7	12.6	-11.4
Korea	<7.5>	0.4	-3.8	0.4	-6.3	3.7	6.8	1.1	-6.8	6.0	-7.0
Taiwan	<5.8>	-1.5	1.7	0.5	-0.7	1.6	2.0	4.2	0.1	13.8	-12.8
Hong Kong	<5.5>	-1.4	8.7	2.2	4.6	4.0	4.1	12.2	-0.5	20.4	-16.2
Singapore	<3.0>	-2.8	6.5	4.0	-11.3	6.5	15.9	10.2	8.6	19.3	-10.9
ASEAN4 [3]	<10.2>	-8.5	-4.7	-2.1	0.3	-0.9	0.7	8.1	0.4	6.4	2.0
Thailand	<4.5>	-9.3	-7.7	-1.9	0.5	0.9	0.8	9.4	-1.4	7.9	1.5
Others	<20.7>	-5.0	0.9	0.2	1.4	2.4	1.6	0.5	5.9	1.3	-2.9
Real exports		-1.9	1.6	-1.0	-0.5	1.8	3.8	2.1	2.4	4.1	-6.3

(2) Breakdown by Goods

y/y % chg. | s.a.; q/q % chg. | s.a.; m/m % chg.

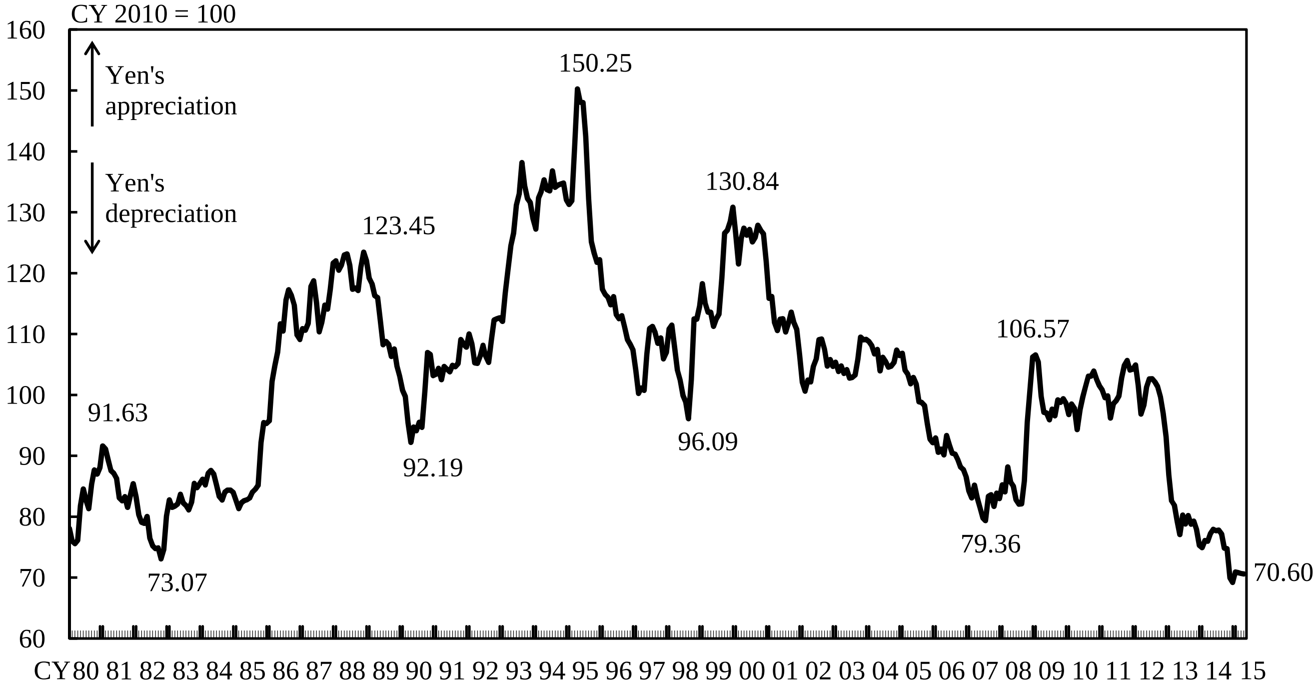
		CY 2013	2014	2014 Q1	Q2	Q3	Q4	2015 Q1	2014 Dec.	2015 Jan.	Feb.
Intermediate goods	<20.9>	1.2	0.2	1.1	-1.9	-0.9	3.4	2.5	0.8	6.6	-8.5
Motor vehicles and their related goods	<23.6>	-1.4	-2.0	-4.6	-0.8	3.0	-1.1	-1.2	5.0	-0.6	-4.6
IT-related goods [4]	<10.6>	-7.5	3.6	-0.6	0.8	2.1	4.6	1.3	0.7	3.8	-8.1
Capital goods and parts [5]	<27.8>	-5.8	3.1	-1.8	0.0	2.4	4.9	-0.9	3.1	5.4	-11.6
Real exports		-1.9	1.6	-1.0	-0.5	1.8	3.8	2.1	2.4	4.1	-6.3

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2015/Q1 figures are January-February averages converted into quarterly amount.
2. Shares of each region and goods in 2014 are shown in angle brackets.
3. Data of four members: Thailand, Indonesia, Malaysia, and Philippines.
4. IT-related goods are composed of computers and units, telecommunication machinery, ICs, visual apparatus, audio apparatus, and medical and optical instruments.
5. Excludes IT-related goods, power generating machinery, and parts of motor vehicles.

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

Real Effective Exchange Rate and Overseas Economies

(1) Real Effective Exchange Rate (Monthly Average)



Notes: 1. Figures are based on the broad index of the BIS effective exchange rate, and those prior to 1994 are calculated using the narrow index.
2. Figures for March and April (up to April 6) 2015 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.

	CY2012	2013	2014	2014 Q1	Q2	Q3	Q4
United States[1]	2.3	2.2	2.4	-2.1	4.6	5.0	2.2
European Union[2]	-0.5	0.0	1.3	1.5	0.8	1.3	1.6
Germany[1]	0.4	0.1	1.6	3.1	-0.3	0.3	2.8
France[1]	0.4	0.4	0.4	-0.3	-0.4	1.2	0.5
United Kingdom[1]	0.7	1.7	2.8	3.6	3.4	2.5	2.5
East Asia[3]	5.1	4.9	4.7	3.3	4.6	5.5	5.0
China[1]	7.7	7.7	7.4	6.6	7.8	7.8	6.1
NIEs[1,3]	2.3	2.9	3.1	2.6	1.4	4.1	2.7
ASEAN4[1,3,4]	6.2	4.4	3.3	-0.6	5.7	4.5	7.7
Main economies[3]	3.7	3.7	3.7	1.8	4.1	4.8	3.9

Notes: 1. Figures for each country are based on those released by the government or central bank. Quarterly figures for China are annualized based on quarter-on-quarter changes released by the National Bureau of Statistics of China.
2. Figures are based on those released by the European Commission.
3. Figures are averages of members' real GDP growth rates, weighted by the value of exports from Japan to each country or region.
The members are described below.
Main economies: United States, European Union, and East Asia
East Asia: China, NIEs, and ASEAN4
NIEs: Korea, Taiwan, Hong Kong, and Singapore
ASEAN4: Thailand, Indonesia, Malaysia, and Philippines
4. To calculate the quarterly figures, real GDP growth rates of a member country are seasonally adjusted by the Bank of Japan using X-12-ARIMA.

Real Imports [1]

(1) Breakdown by Region

y/y % chg. | s.a.; q/q % chg. | s.a.; m/m % chg.

		CY 2013	CY 2014	2014 Q1	Q2	Q3	Q4	2015 Q1	2014 Dec.	2015 Jan.	Feb.
United States	<8.8>	-2.1	5.4	5.7	-7.1	6.8	-1.0	-1.5	3.3	-2.5	-1.3
EU	<9.5>	0.8	2.3	5.4	-5.0	-1.2	-1.7	0.2	-0.2	2.0	1.2
East Asia	<41.3>	2.5	2.7	5.3	-8.7	-0.8	4.9	8.9	-2.2	1.0	16.6
China	<22.3>	5.4	3.9	5.8	-9.2	-0.7	5.8	10.3	-3.5	-2.4	31.7
NIEs	<8.3>	-0.4	1.4	5.6	-8.2	1.5	-1.5	7.4	0.5	4.4	4.3
Korea	<4.1>	-4.8	-3.1	2.0	-6.8	-1.2	-1.8	2.9	-4.9	5.2	-1.7
Taiwan	<3.0>	8.0	5.1	8.4	-8.8	3.0	-0.8	13.1	0.3	6.9	11.4
Hong Kong	<0.2>	9.2	5.8	0.5	9.3	1.6	-7.0	0.0	89.0	-28.8	9.4
Singapore	<1.0>	-7.0	8.3	13.8	-10.6	0.6	0.5	15.0	20.1	7.0	0.5
ASEAN4 [3]	<10.7>	-1.2	1.1	3.9	-7.7	-3.0	8.1	6.9	-1.1	5.9	-5.0
Thailand	<2.7>	1.5	2.6	7.1	-8.4	-0.3	2.1	10.4	6.9	5.0	-4.6
Others	<40.4>	0.2	0.1	4.6	-6.0	1.7	-2.5	6.3	6.2	4.0	-2.7
Real imports		0.9	2.0	3.0	-5.6	0.7	1.2	3.6	1.3	1.0	3.3

(2) Breakdown by Goods

y/y % chg. | s.a.; q/q % chg. | s.a.; m/m % chg.

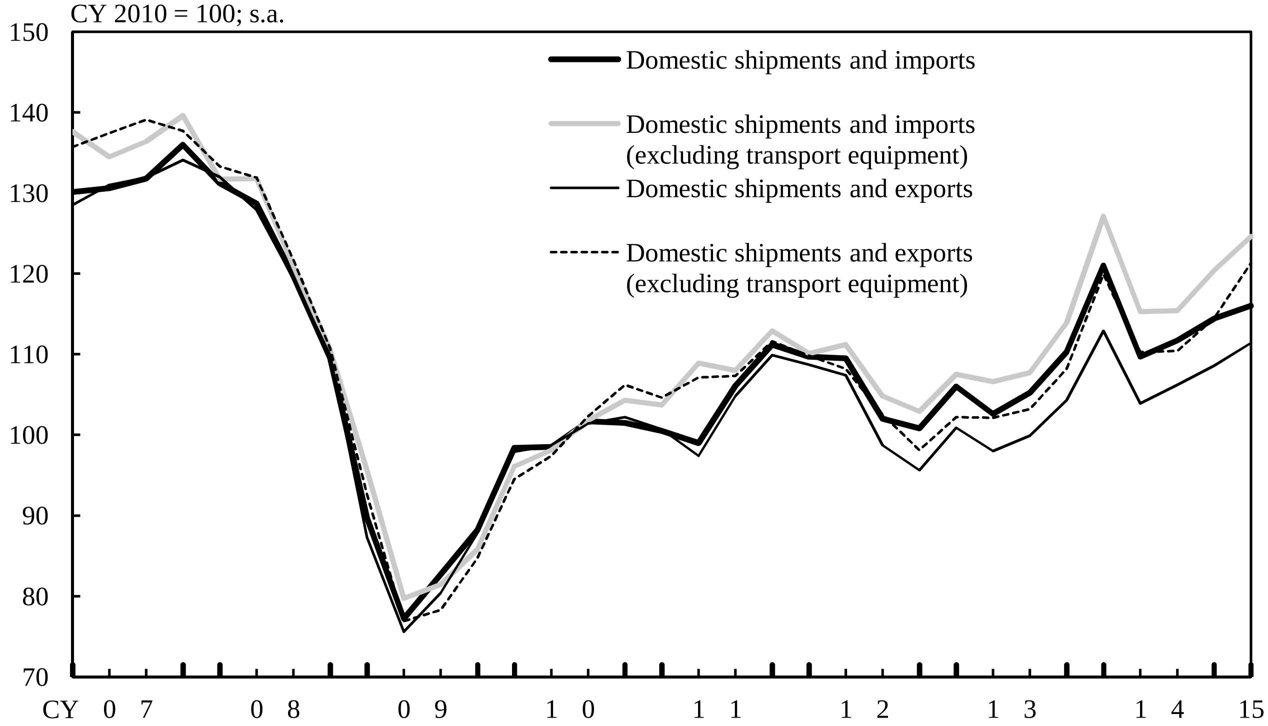
		CY 2013	CY 2014	2014 Q1	Q2	Q3	Q4	2015 Q1	2014 Dec.	2015 Jan.	Feb.
Raw materials [4]	<38.8>	-2.1	-1.1	5.0	-7.0	1.4	-2.1	7.1	4.7	6.3	-5.4
Intermediate goods	<13.3>	-2.7	3.7	5.2	-2.6	-1.2	-1.4	8.4	1.2	3.5	9.0
Foodstuffs	<7.8>	-3.3	-1.7	-1.3	-2.2	3.6	-3.9	3.3	0.2	3.1	3.8
Consumer goods [5]	<7.7>	4.1	-0.3	2.2	-8.8	2.7	2.4	12.8	-0.6	-1.3	30.6
IT-related goods [6]	<13.0>	12.8	5.8	7.0	-12.6	-1.2	13.6	-5.9	-5.1	-6.5	7.6
Capital goods and parts [7]	<12.3>	4.7	8.1	7.1	-8.2	3.8	0.4	8.1	3.6	2.3	4.6
Excluding aircraft	<11.5>	5.3	9.0	8.4	-6.6	1.3	-0.5	10.3	2.6	4.1	8.1
Real imports		0.9	2.0	3.0	-5.6	0.7	1.2	3.6	1.3	1.0	3.3

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2015/Q1 figures are January-February averages converted into quarterly amount.
2. Shares of each region and goods in 2014 are shown in angle brackets.
3. Data of four members: Thailand, Indonesia, Malaysia, and Philippines.
4. Raw materials are mainly composed of woods, ores, and mineral fuels.
5. Excludes foodstuffs.
6. IT-related goods are composed of computers and units, parts of computers, telecommunication machinery, ICs, audio and visual apparatus, and medical and optical instruments.
7. Excludes IT-related goods.

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

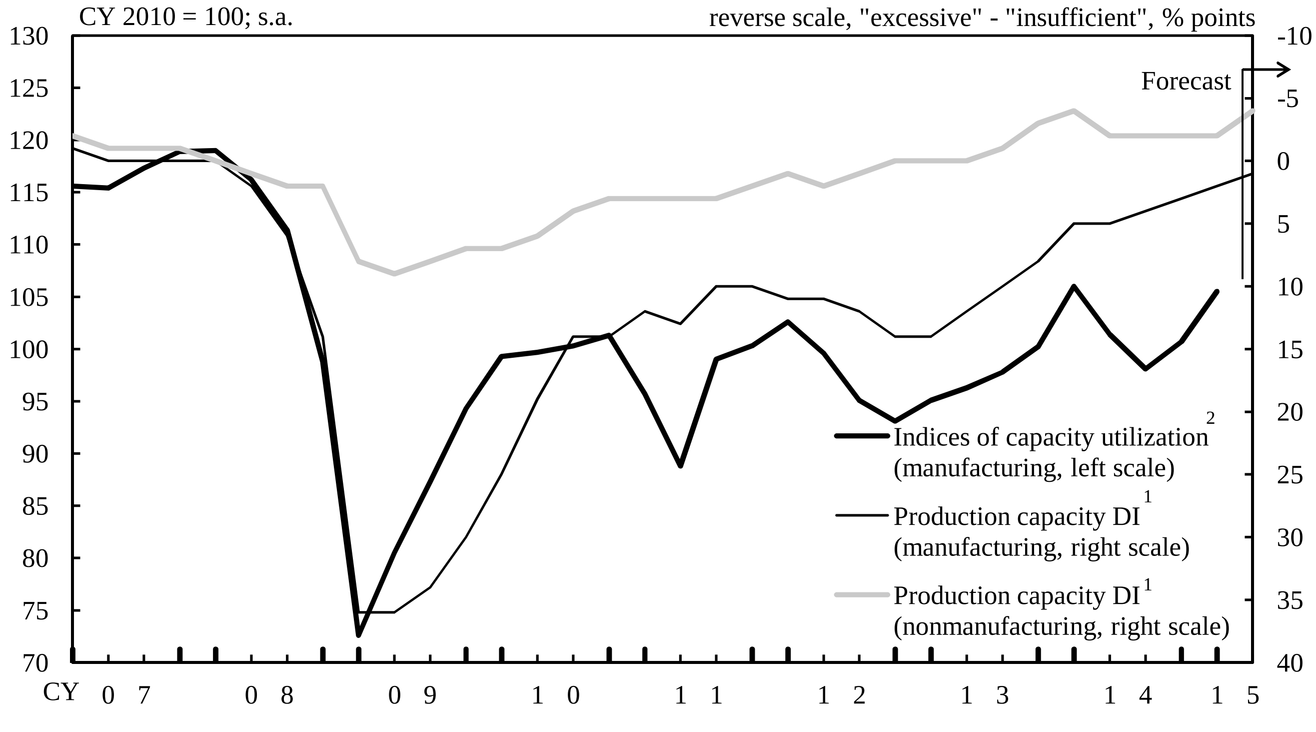
Coincident Indicators of Business Fixed Investment

(1) Aggregate Supply and Shipments of Capital Goods



Note: Figures for 2015/Q1 are January-February averages.

(2) Indices of Capacity Utilization and Production Capacity DI

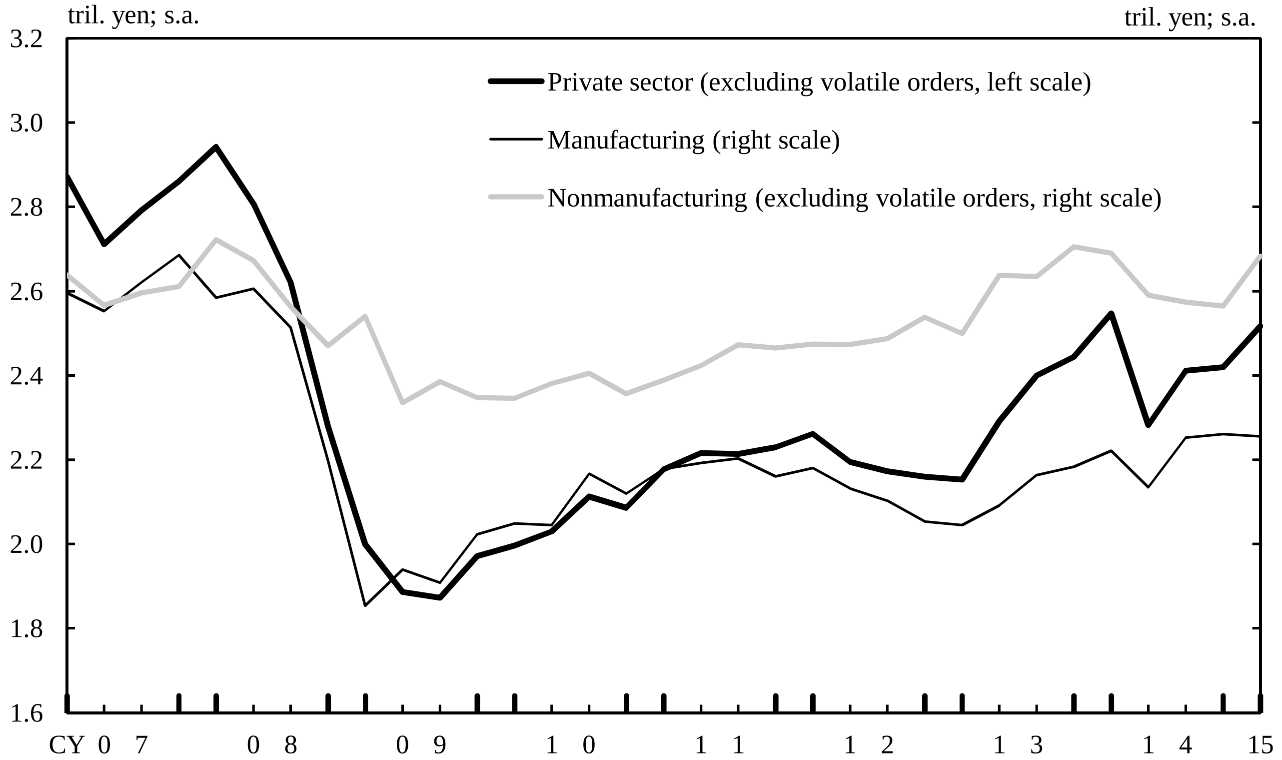


Notes: 1. Production capacity DIs are those of all enterprises.
2. The figure for 2015/Q1 is that of January.

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."

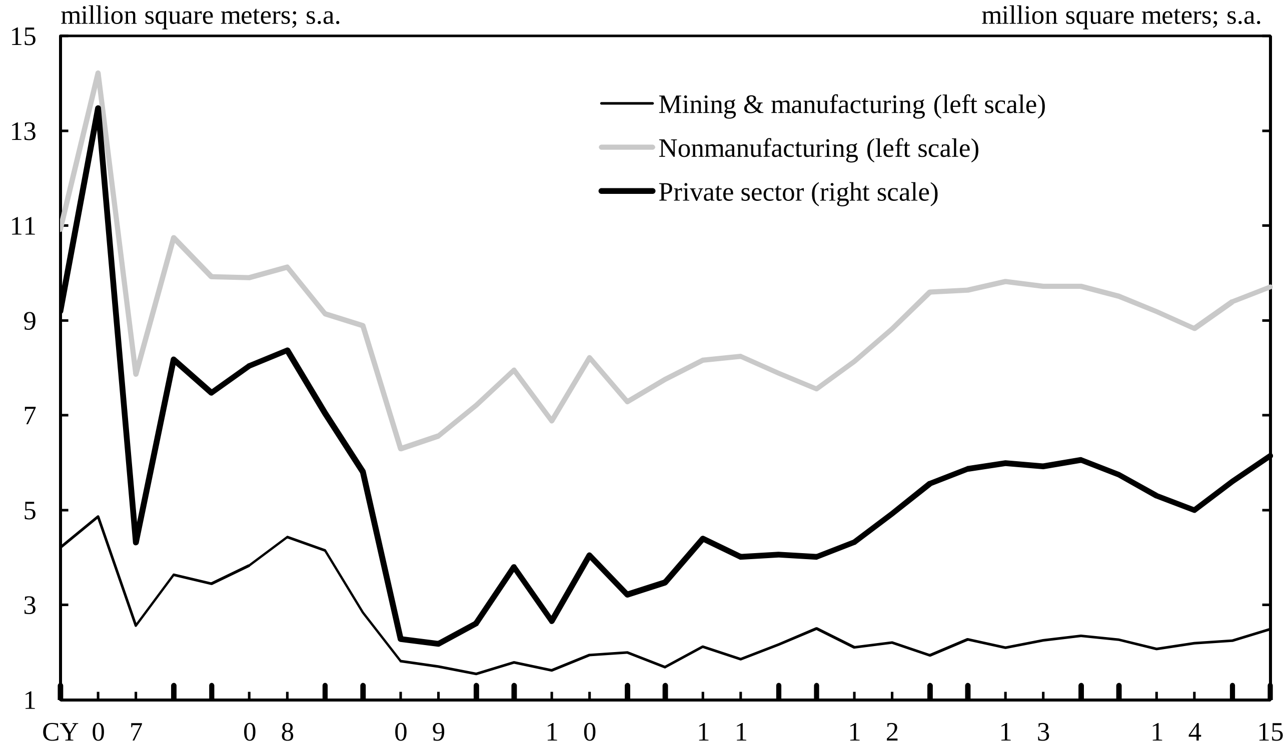
Leading Indicators of Business Fixed Investment

(1) Machinery Orders



Notes: 1. Volatile orders: Orders for ships and those from electric power companies.
2. Figures for 2015/Q1 are those of January in the quarterly amount.

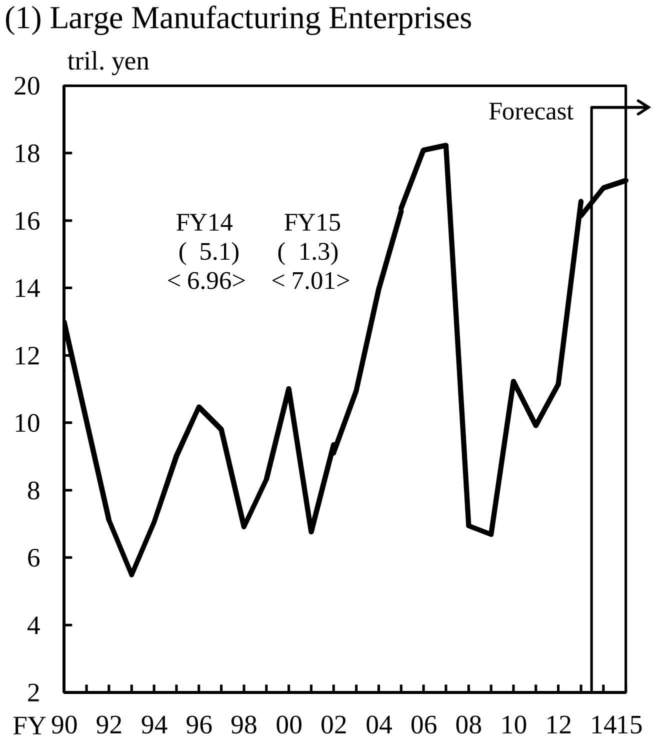
(2) Construction Starts (Floor Area, Private, Nondwelling Use)

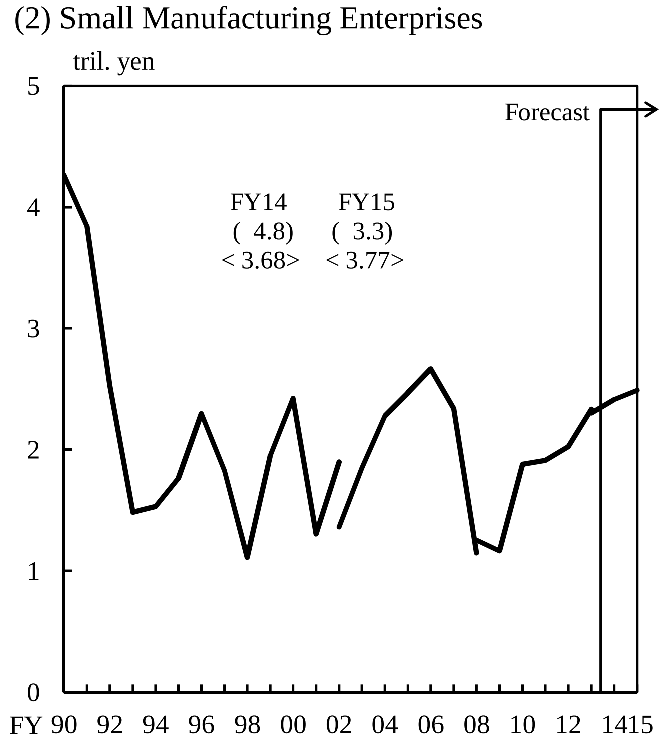


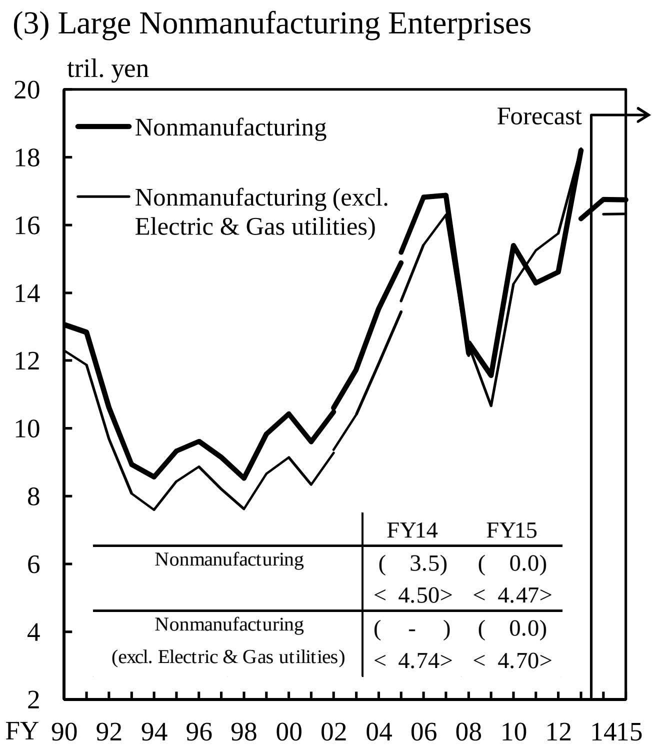
Notes: 1. Seasonally adjusted by X-12-ARIMA.
2. Figures for 2015/Q1 are January-February averages in the quarterly amount.

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

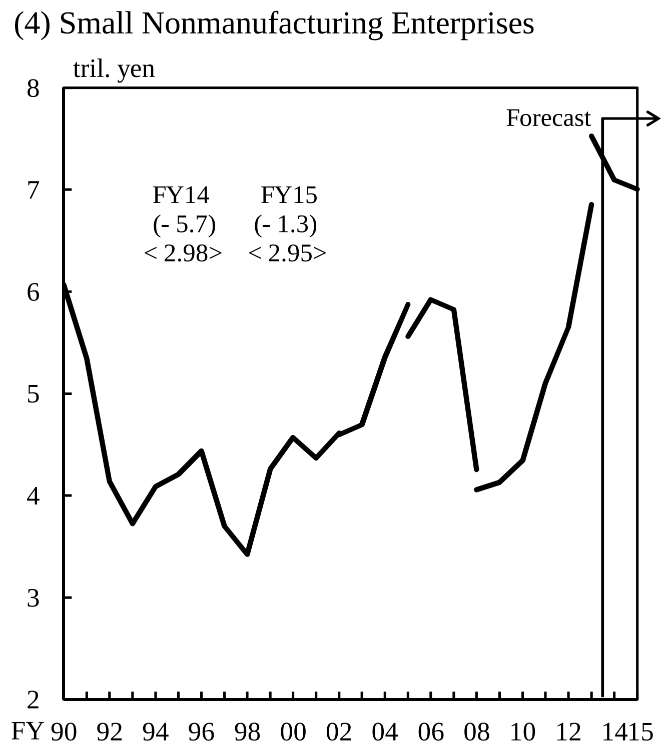
Current Profits







	FY14	FY15
Nonmanufacturing	(3.5)	(0.0)
	< 4.50>	< 4.47>
Nonmanufacturing (excl. Electric & Gas utilities)	(-)	(0.0)
	< 4.74>	< 4.70>



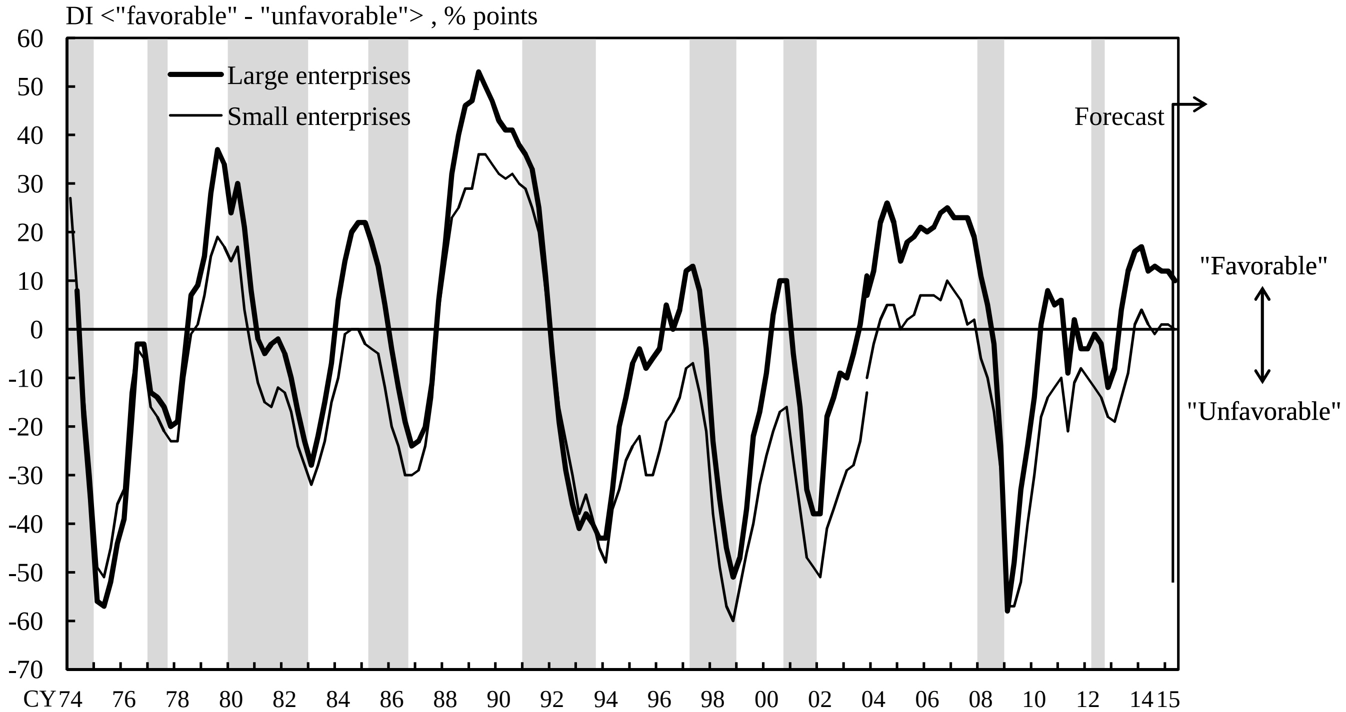
Notes: 1. ( ): Current profits (y/y % chg.); < >: Ratio of current profit to sales (%).

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, March 2010 and March 2015 surveys regular revisions were made to the sample enterprises. The data show some discontinuities coincided with these timings.

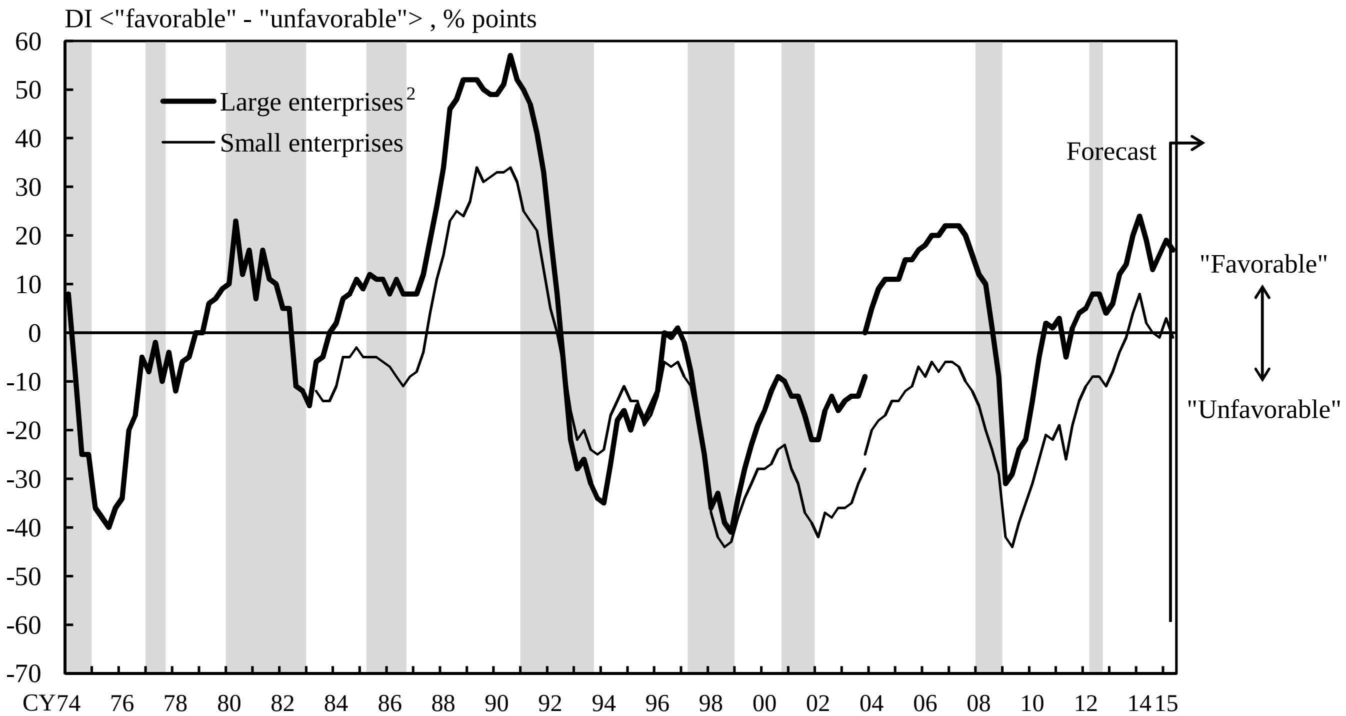
Source: Bank of Japan, "*Tankan*, Short-term Economic Survey of Enterprises in Japan."

Business Conditions

(1) Manufacturing



(2) Nonmanufacturing

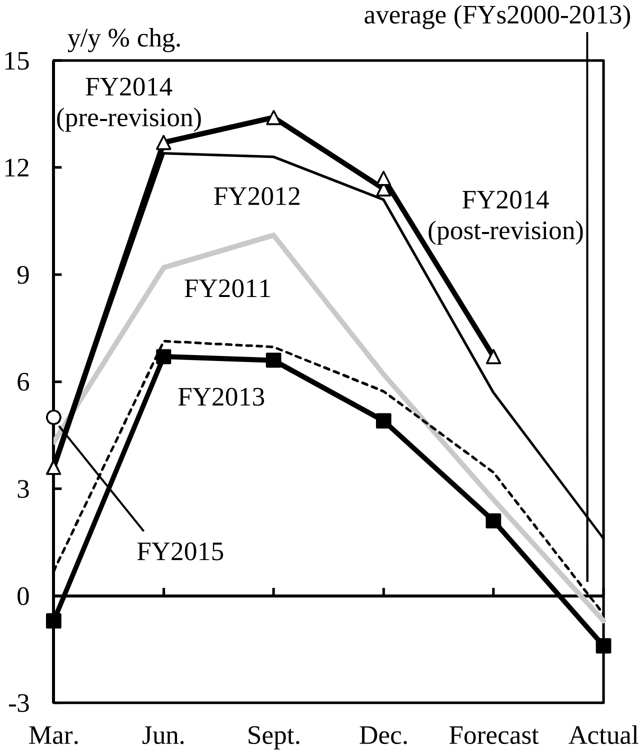


Notes: 1. The "Tankan" has been revised from the March 2004 survey. Figures up to the December 2003 survey are based on the previous data sets. Figures from the December 2003 survey are on a new basis.
2. Data prior to February 1983 are those of principal enterprises.
3. Shaded areas indicate recession periods.

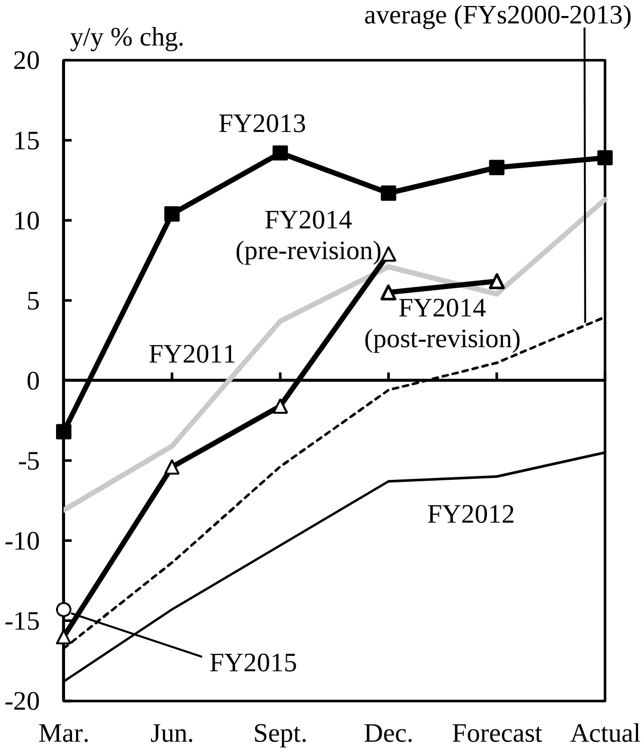
Source: Bank of Japan, "*Tankan* , Short-term Economic Survey of Enterprises in Japan."

Business Fixed Investment Plans as Surveyed

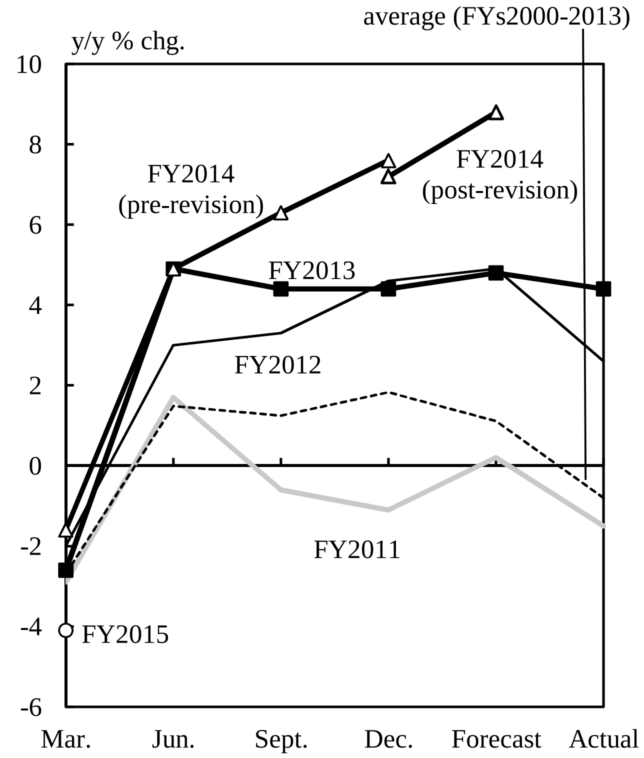
(1) Large Manufacturing Enterprises



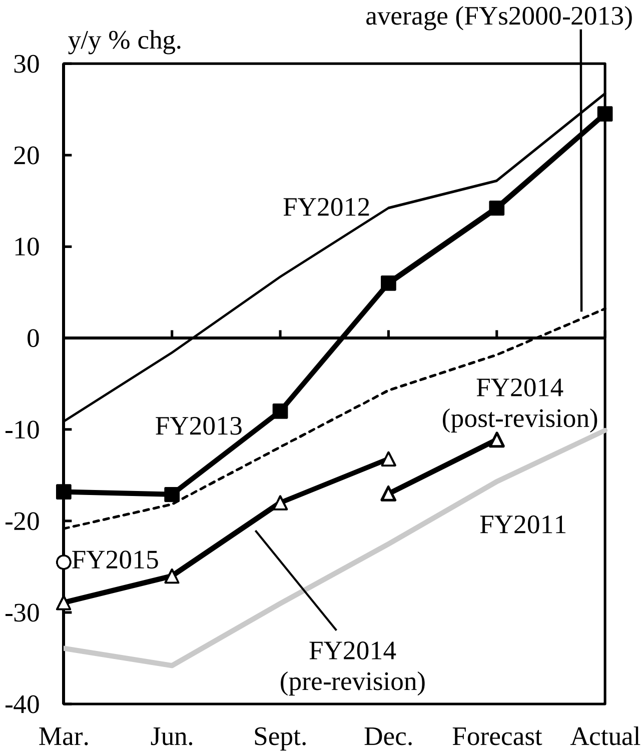
(2) Small Manufacturing Enterprises



(3) Large Nonmanufacturing Enterprises



(4) Small Nonmanufacturing Enterprises

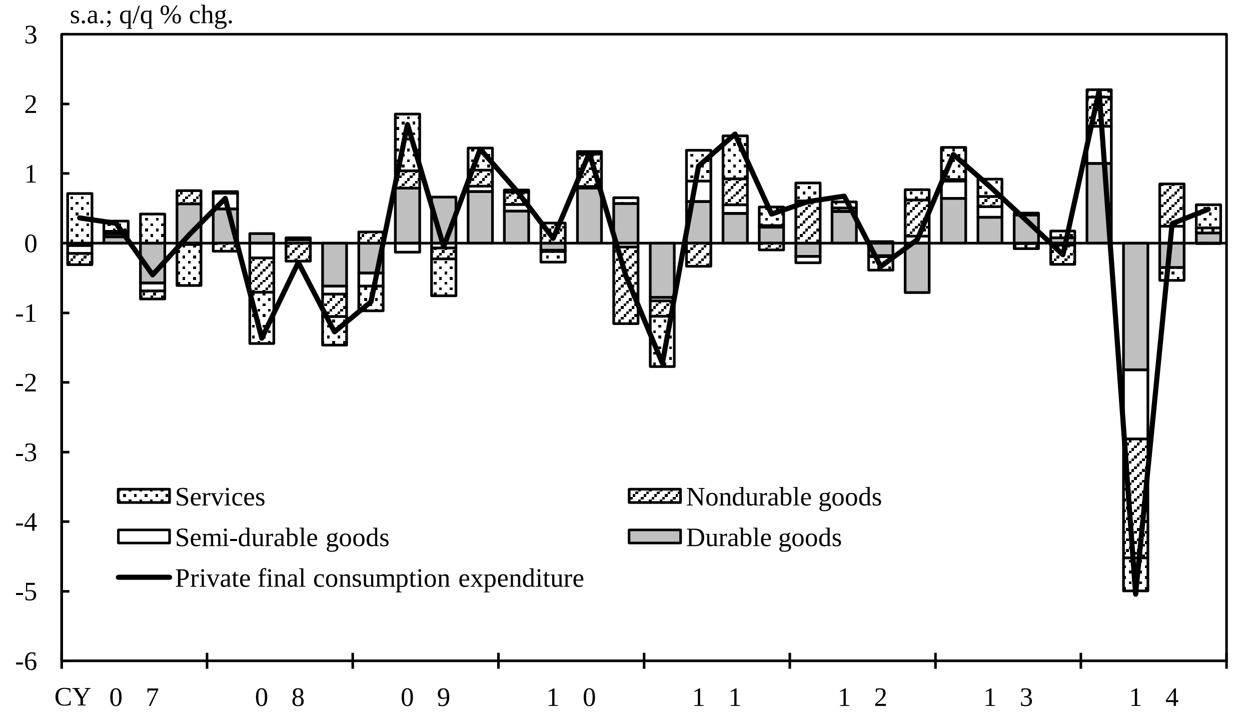


Notes: 1. Includes land purchasing expenses and excludes software investment.
2. Since the introduction of the new accounting standard for lease transactions beginning April 1, 2008, figures up to FY2008 are based on the previous standard and figures from FY2009 onward are based on the new standard. Past averages (FYs 2000-2013) are calculated using these figures.
3. In the March 2015 survey, regular revisions were made to the sample enterprises. The data show some discontinuities coincided with this timing.

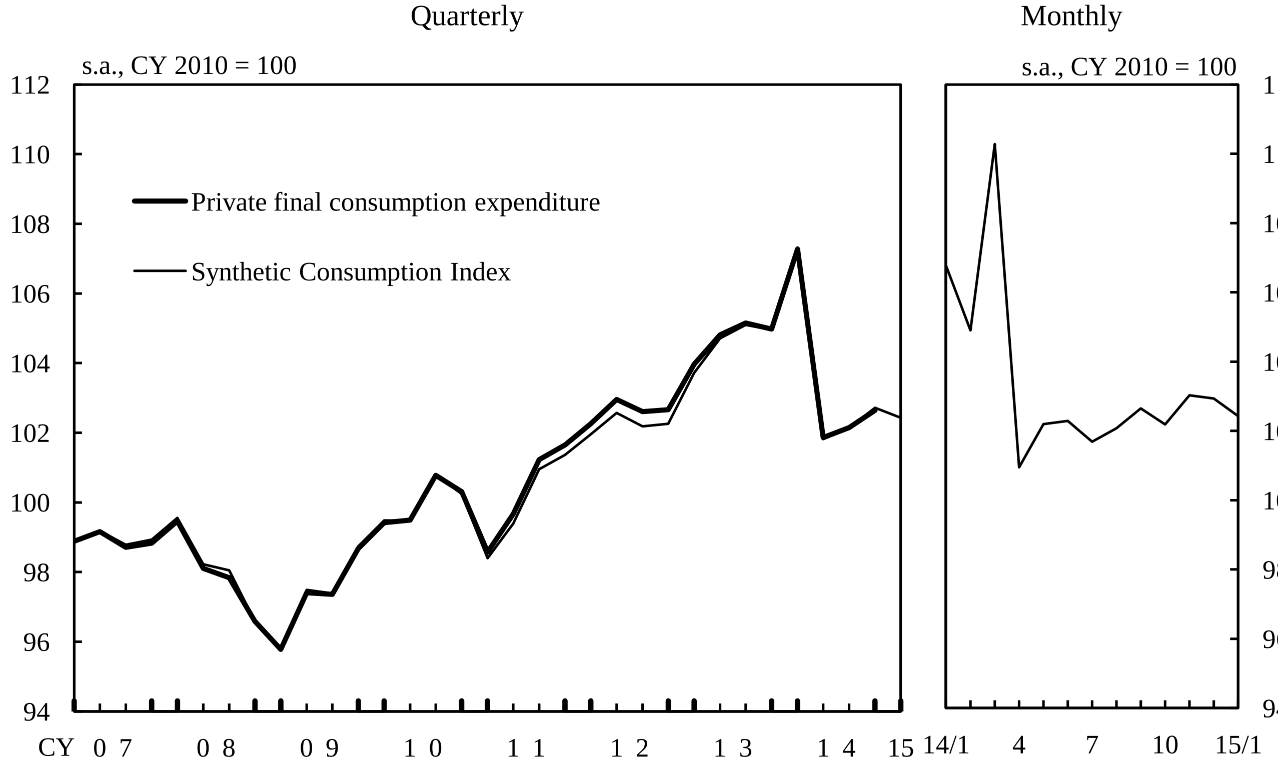
Source: Bank of Japan, "*Tankan*, Short-term Economic Survey of Enterprises in Japan."

Indicators of Private Consumption (1)

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



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

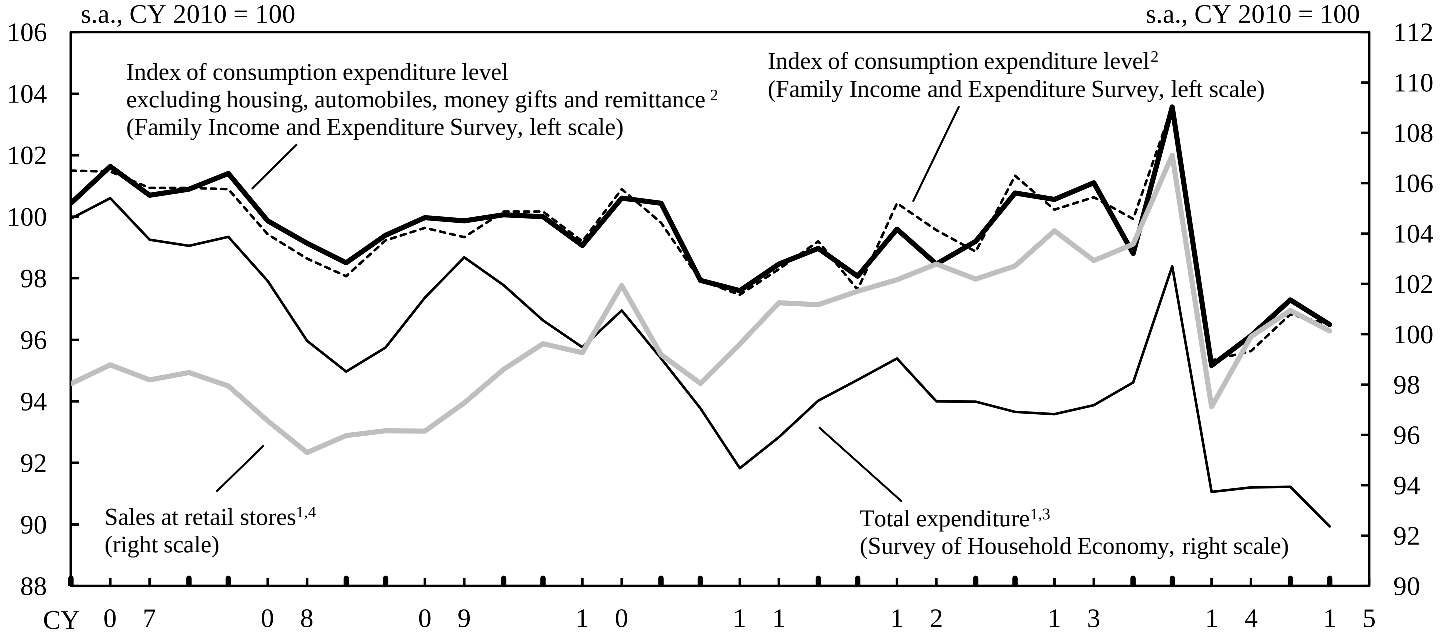


Note: The figure for 2015/Q1 is that of January in quarterly amount.

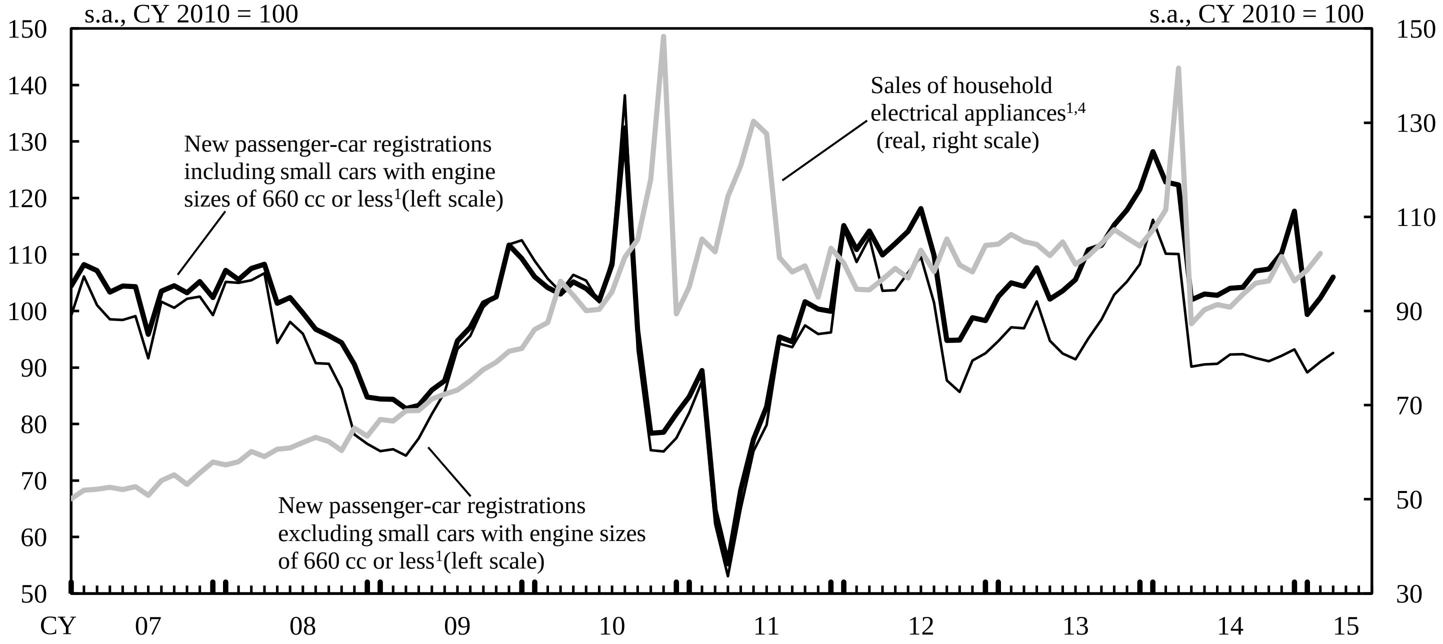
Source: Cabinet Office, "National Accounts," "Synthetic Consumption Index."

Indicators of Private Consumption (2)

(1) Household Spending (Real)[5]



(2) Sales of Durable Goods



Notes: 1. Figures for total expenditure, sales at retail stores, sales of household electrical appliances, and new passenger-car registrations are seasonally adjusted by X-12-ARIMA.

2. Figures for index of consumption expenditure level are based on two-or-more-person households, and are adjusted using the distribution of household by number of household members and age group of household head.

3. Figures for total expenditure are based on two-or-more-person households, and are deflated by the "Consumer Price Index (CPI)" excluding imputed rent.

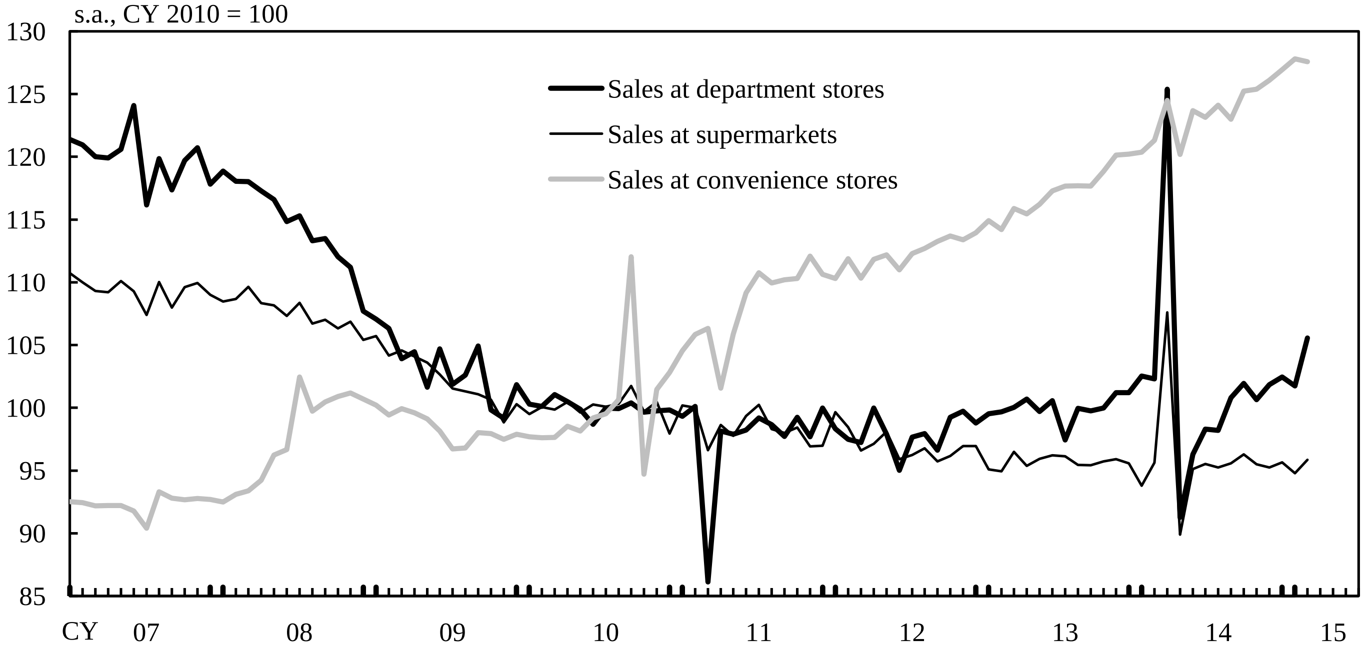
4. Figures for sales at retail stores are deflated by the CPI for goods (excluding electricity, gas & water charges). Figures for sales of household electrical appliances are calculated as follows: indices of retail sales of machinery and equipment in the "Current Survey of Commerce" are deflated by the geometric means of the corresponding CPI.

5. Figures for 2015/Q1 are those of January-February averages in quarterly amount.

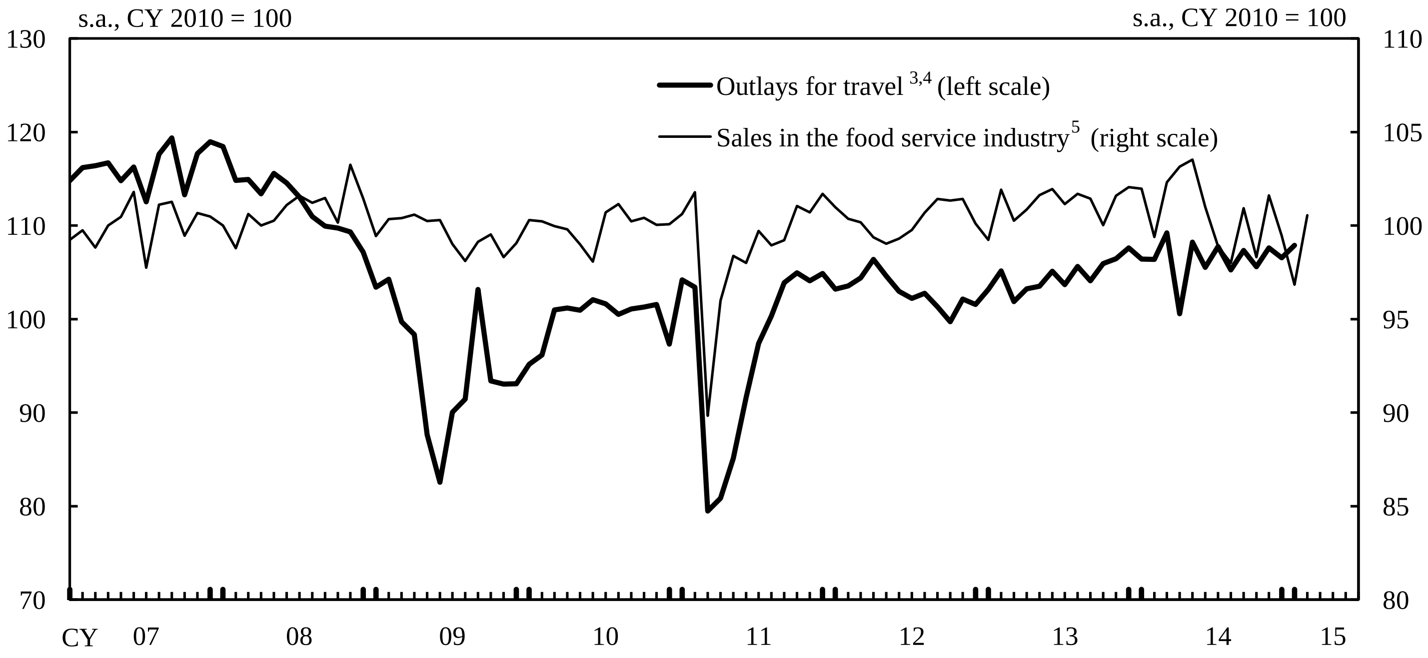
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index,"
"Monthly Report on the Family Income and Expenditure Survey," "Survey of Household Economy";
Ministry of Economy, Trade and Industry, "Current Survey of Commerce";
Japan Automobile Dealers Association, "Domestic Sales of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

Indicators of Private Consumption[1] (3)

(1) Sales at Retail Stores (Nominal)[2]



(2) Consumption of Services (Nominal)

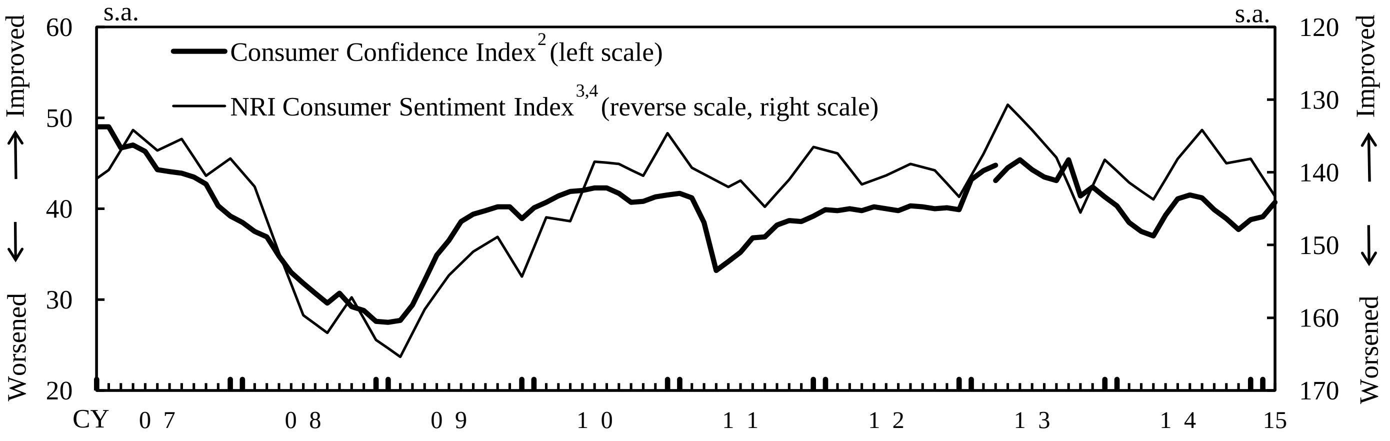


Notes: 1. Seasonally adjusted by X-12-ARIMA.
2. Adjusted to exclude the effects of the increase in the number of stores (except for convenience stores).
3. Excluding those by foreign travelers.
4. There are discontinuities in the underlying data as of April 2007, April 2010, and April 2014 due to changes in the sample. Data from April 2007 and onward are calculated using the year-on-year rates of change.
5. Figures for sales in the food service industry are calculated using the year-on-year rates of change of every month released by the Japan Food Service Association based on the amount of monthly sales in 1993 released by the Food Service Industry Survey & Research Center.

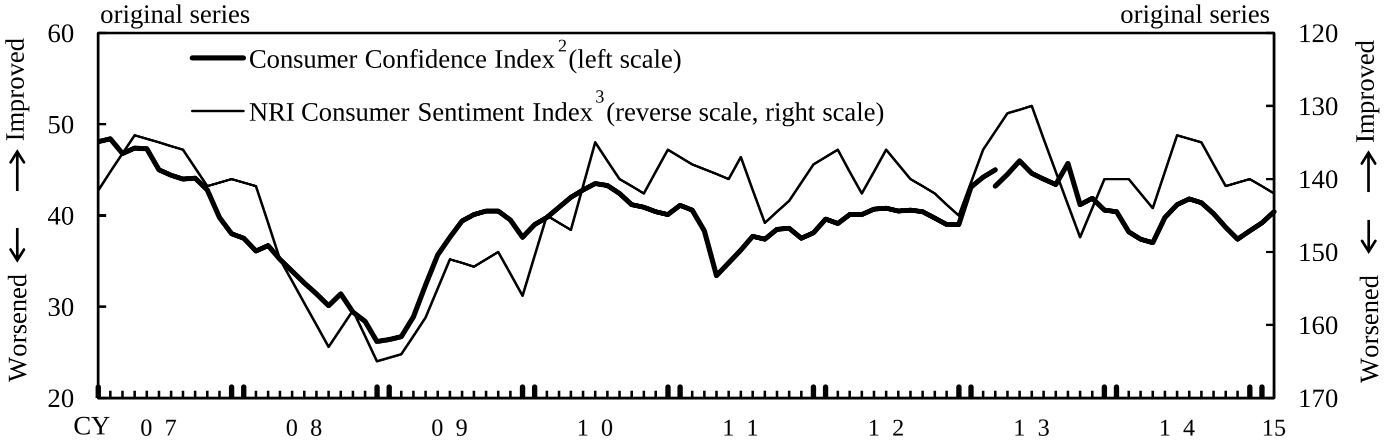
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce"; Japan Tourism Agency, "Major Travel Agents' Revenue"; Food Service Industry Survey & Research Center, "*Getsuji Uriage Doukou Chousa* (Monthly survey on food service sales)"; Japan Food Service Association, "*Gaishoku Sangyou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

Consumer Confidence[1]

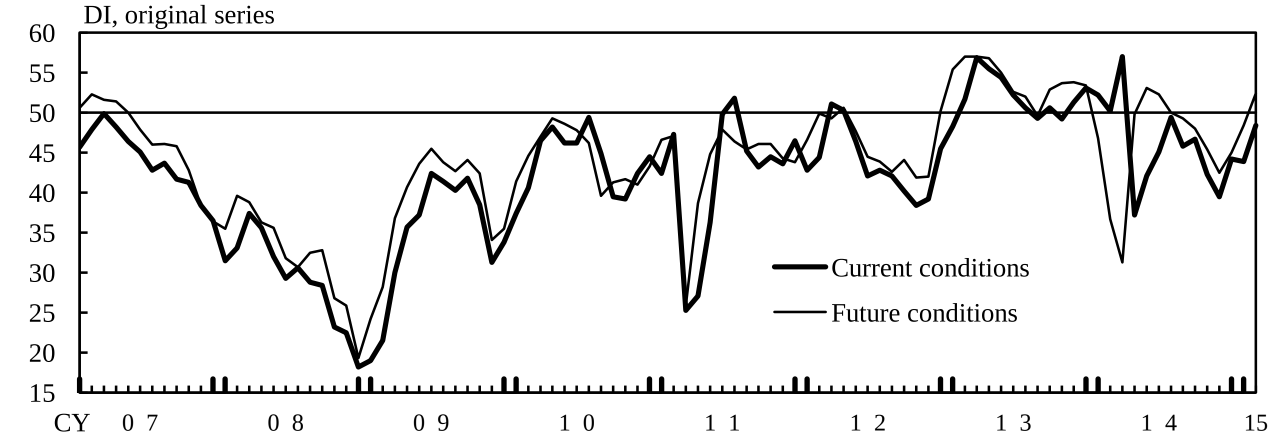
(1) Seasonally Adjusted Series



(2) Original Series



Reference: Economy Watchers Survey (Household Activity)

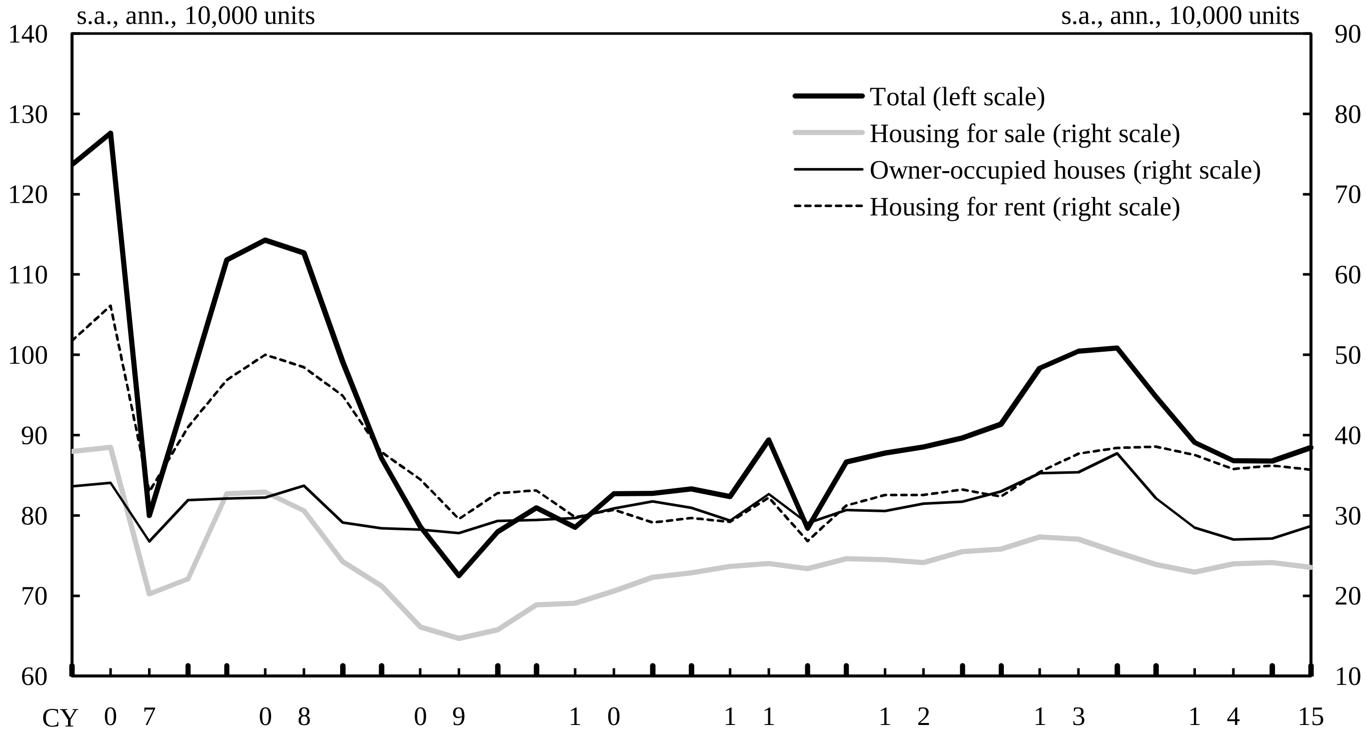


Notes: 1. The Consumer Confidence Index (covering about 5,700 samples on a nationwide basis from April 2013 onward) and NRI Consumer Sentiment Index (1,200 samples on a nationwide basis) are based on surveys on consumer confidence.
2. In April 2013, the Cabinet Office changed the method for conducting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

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

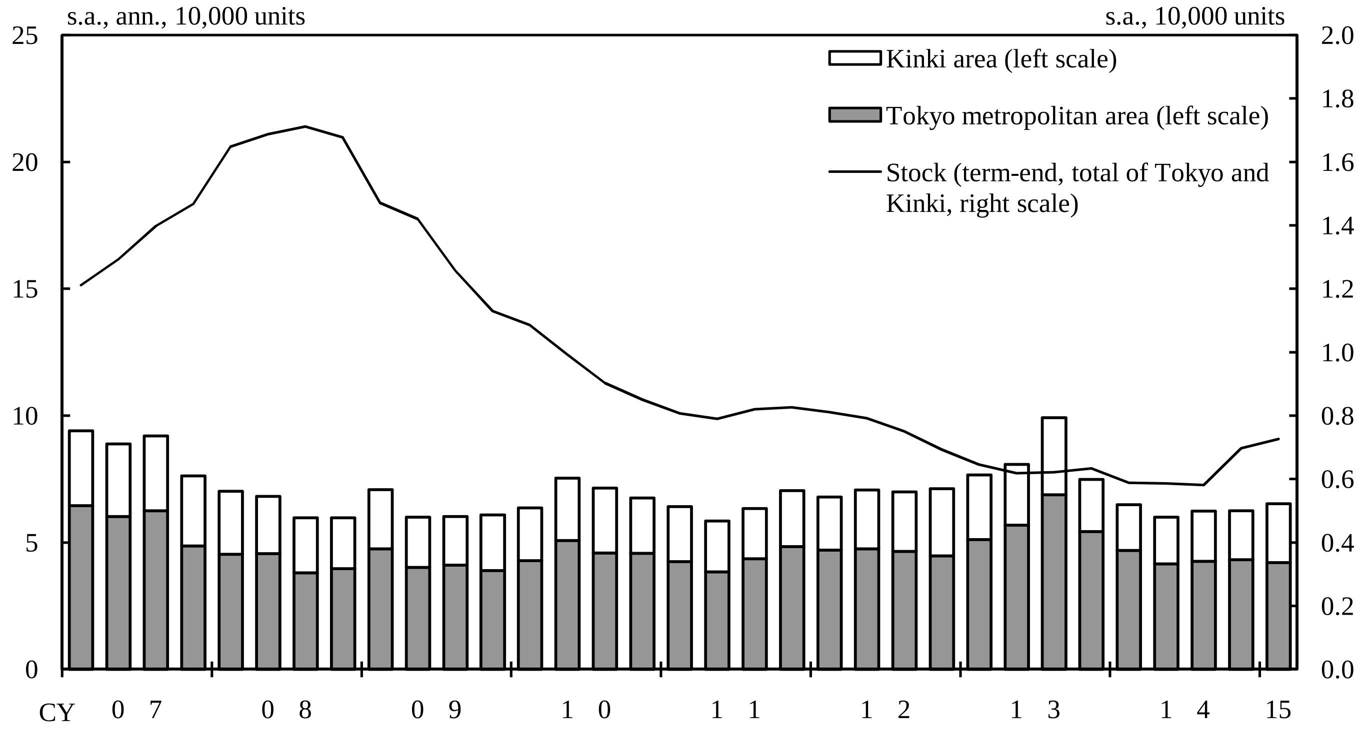
Indicators of Housing Investment

(1) Housing Starts



Note: Figures for 2015/Q1 are January-February averages.

(2) Sales of Apartments

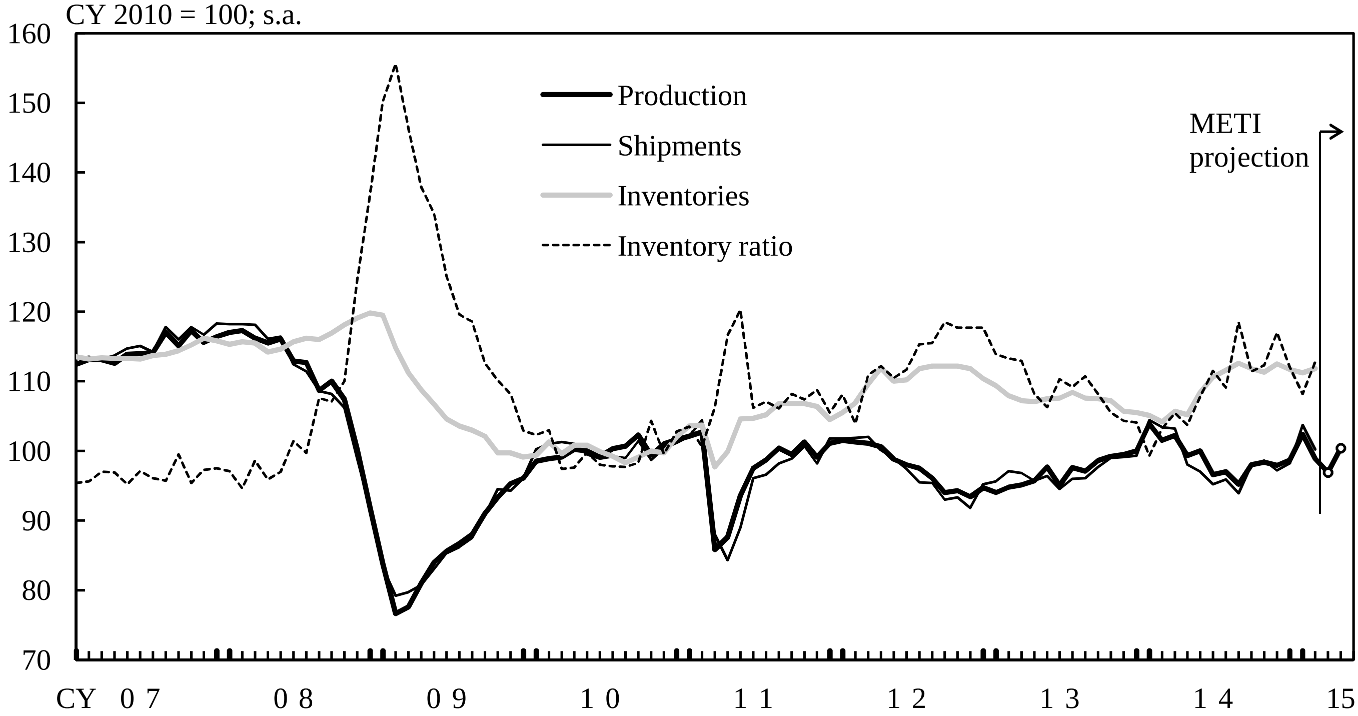


Notes: 1. Seasonally adjusted by X-12-ARIMA.
2. The figure of total apartment sales for 2015/Q1 is the January-February average.
The term-end stock for 2015/Q1 is that of February.

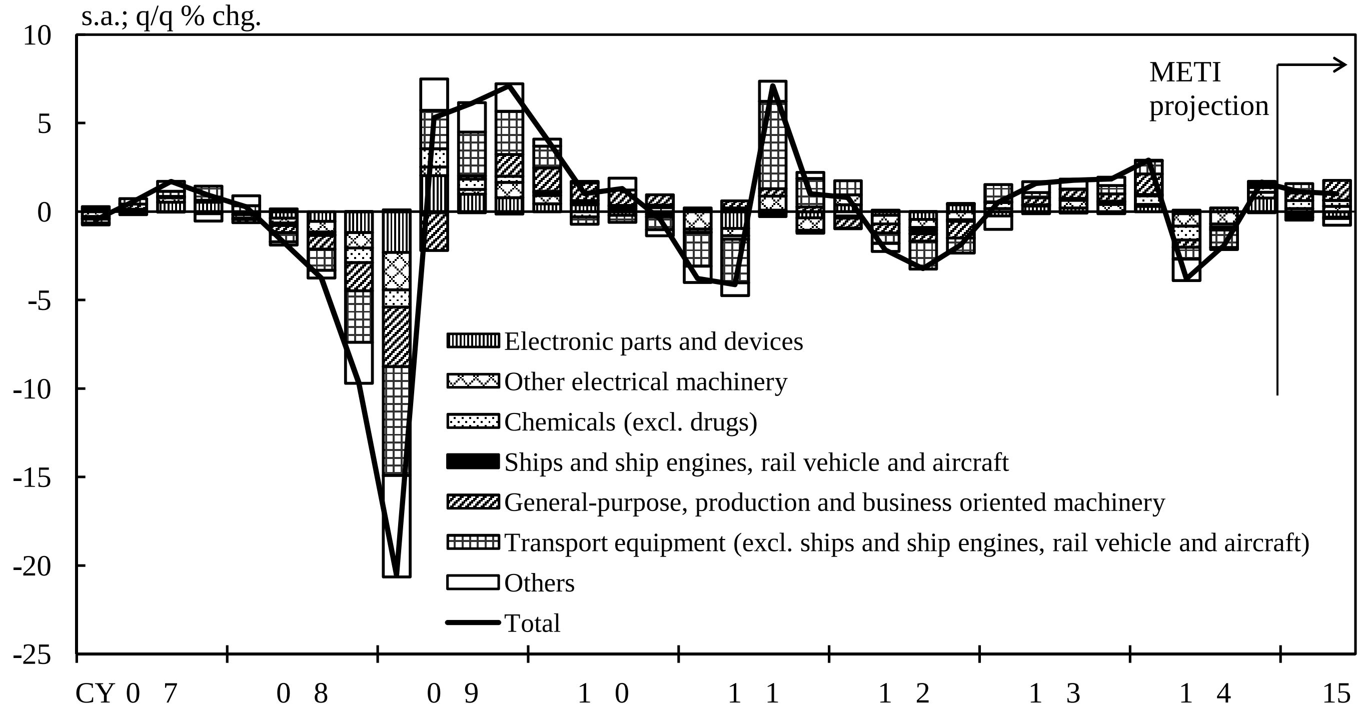
Sources: Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts," etc.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industry[1,2,3]

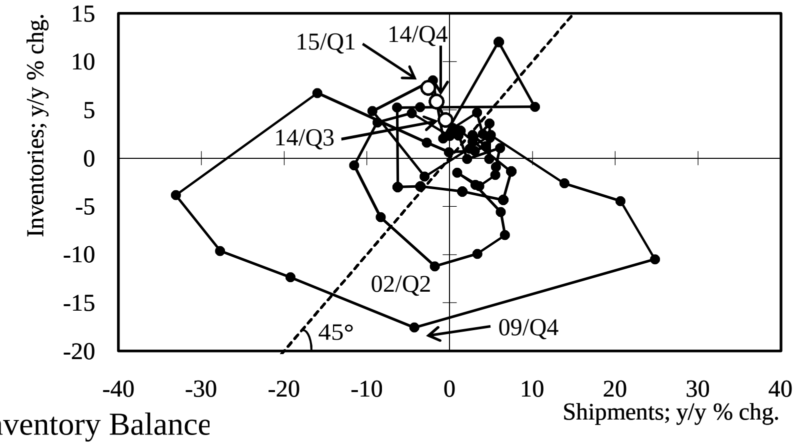


Notes: 1. "Other electrical machinery" is the weighted sum of "electrical machinery" and "information and communication electronics equipment."
2. Figures up to 2008/Q1 are on the 2005 base.
Figures for "general-purpose, production and business oriented machinery" up to 2008/Q1 are those for "general machinery."
3. 2015/Q1 figures are based on the actual production levels in January and February, and the METI projection of March. 2015/Q2 figures are based on the assumption that the production levels in May and June are the same as those of April.

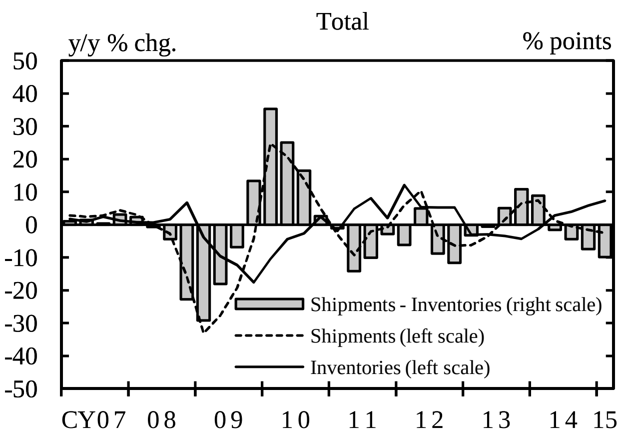
Source: Ministry of Economy, Trade and Industry (METI), "Indices of Industrial Production."

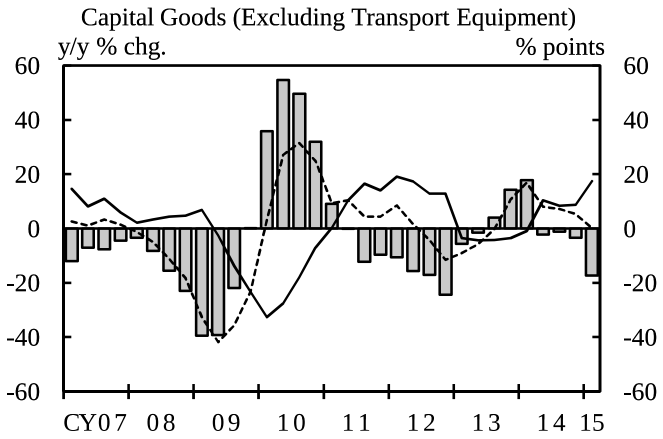
Inventory Cycle

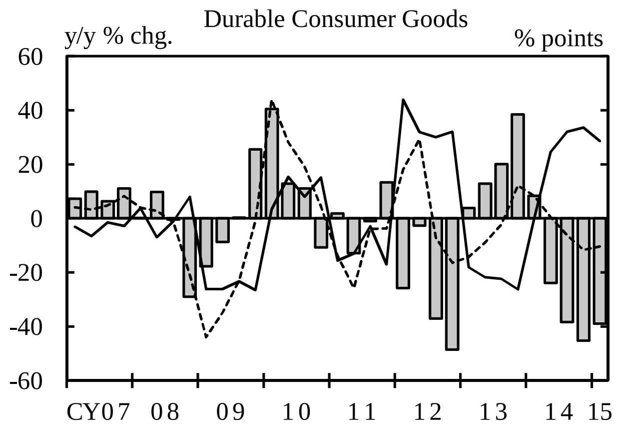
(1) Inventory Cycle (Total)

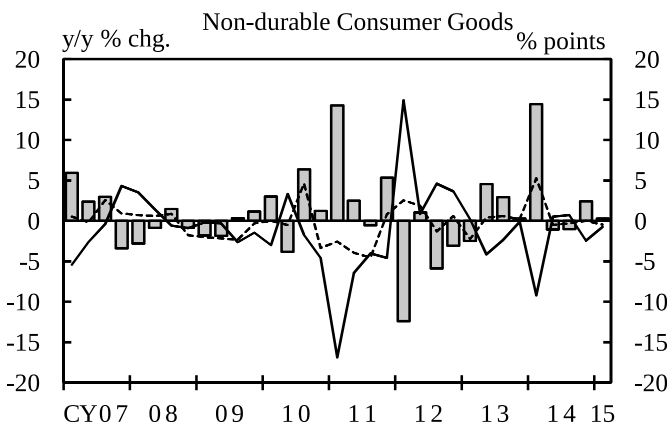


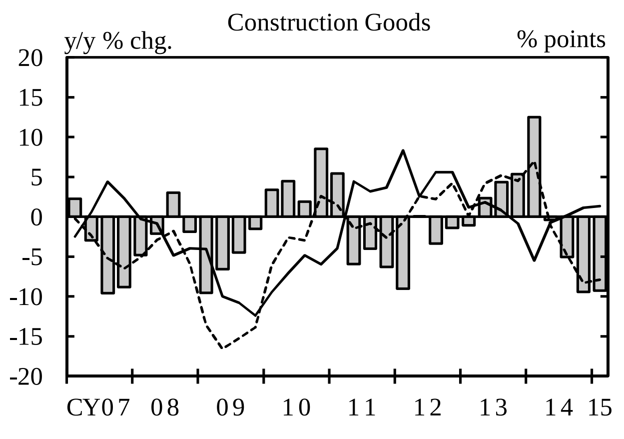
(2) Shipment-Inventory Balance

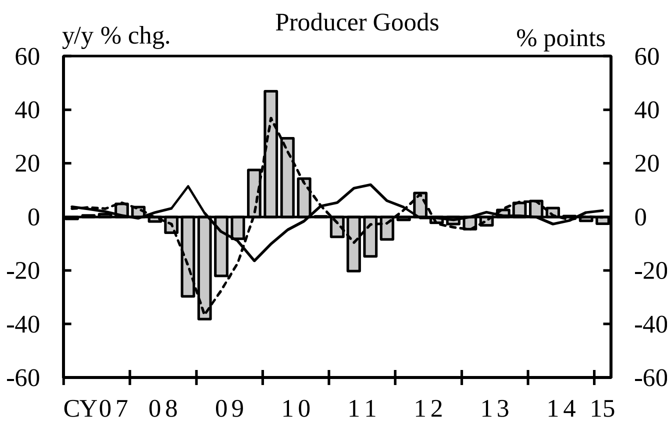










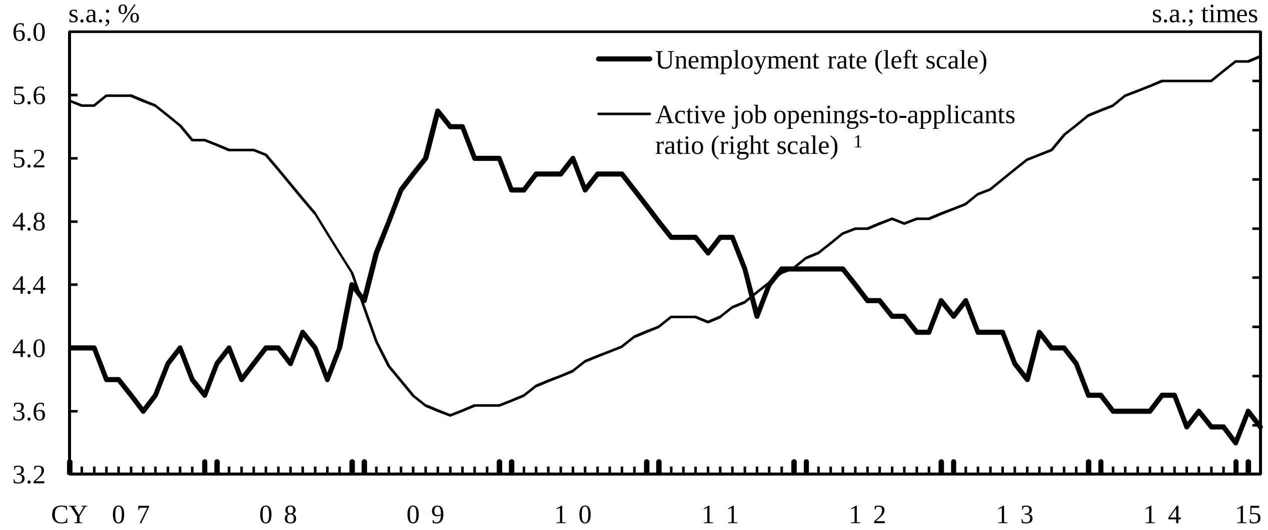


Note: Figures of shipments for 2015/Q1 are January-February averages.
Inventories for 2015/Q1 are those of February.

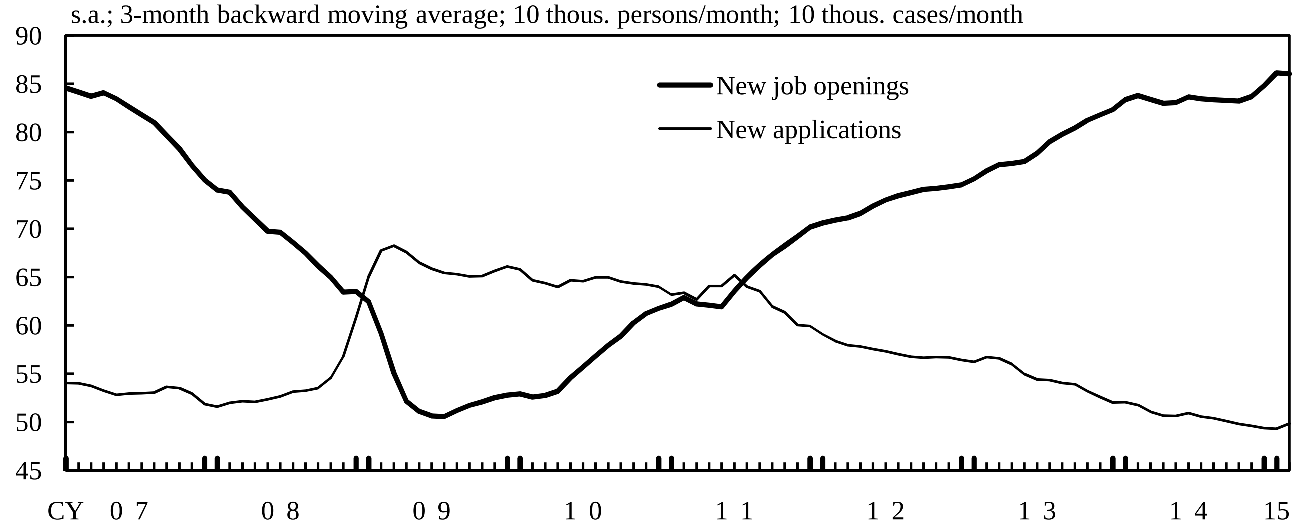
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Labor Market

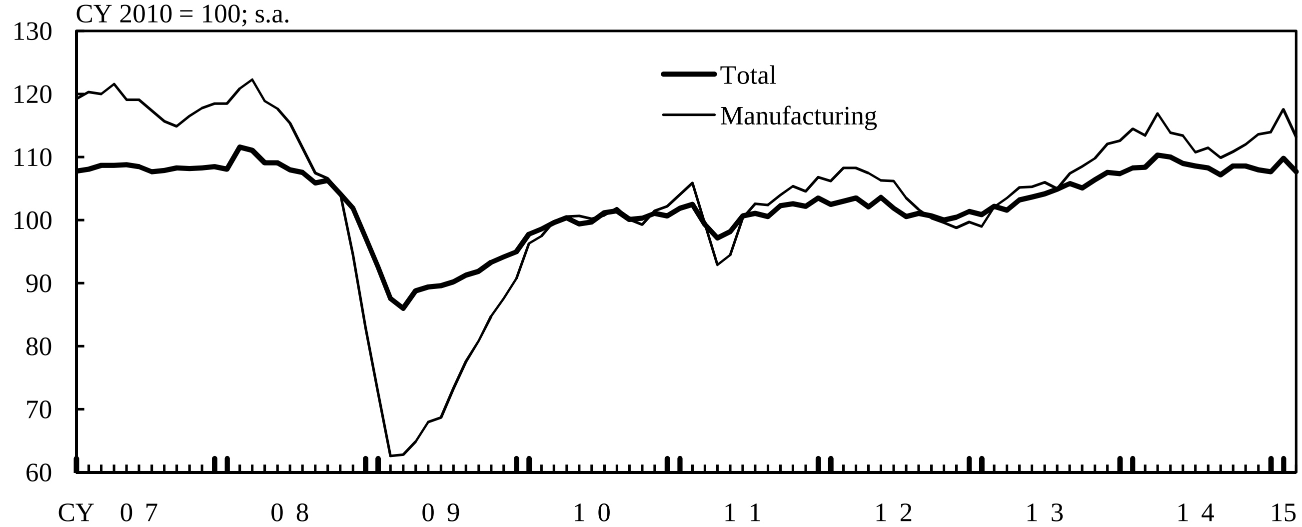
(1) Unemployment Rate and Active Job Openings-to-Applicants Ratio



(2) New Job Openings and New Applications[1]



(3) Non-Scheduled Hours Worked[2]

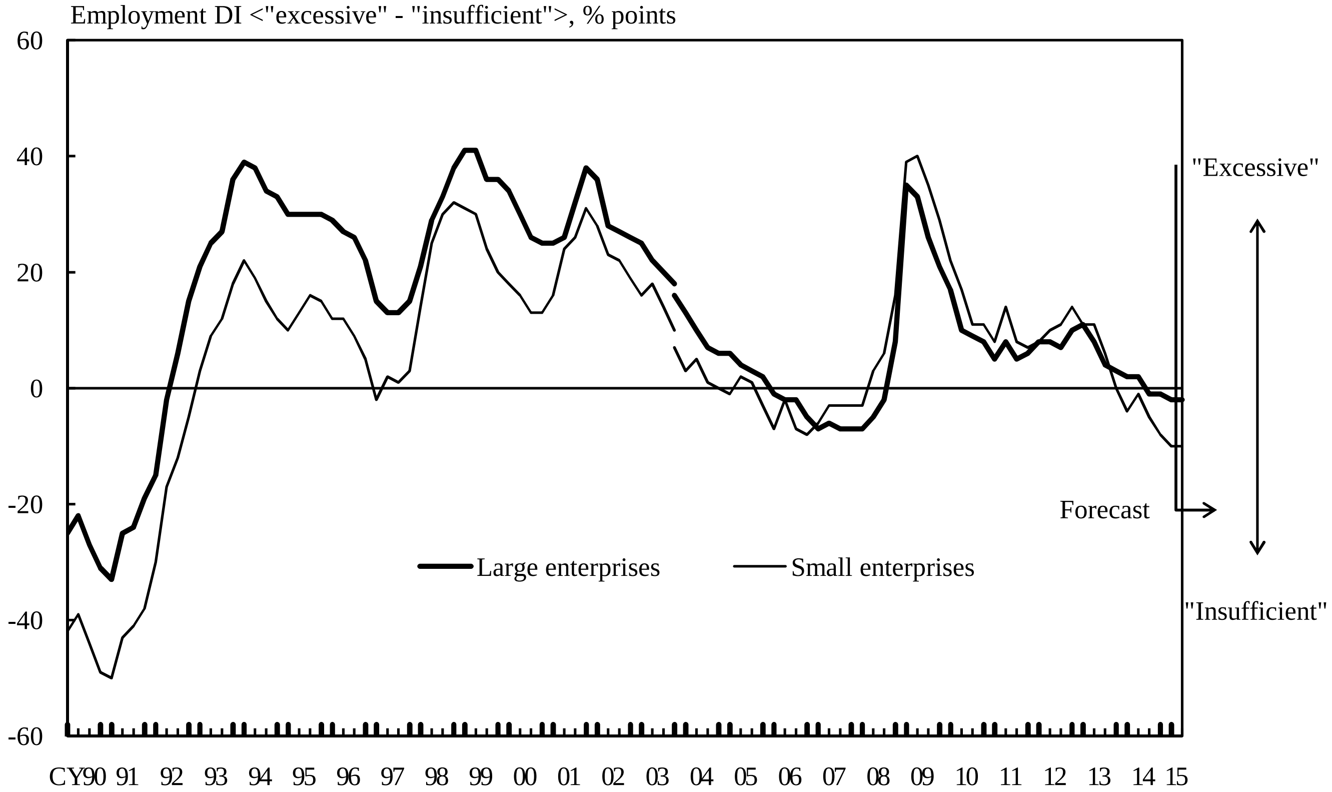


Notes: 1. Excluding new school graduates and including part-timers.
2. Data are for establishments with at least five employees.

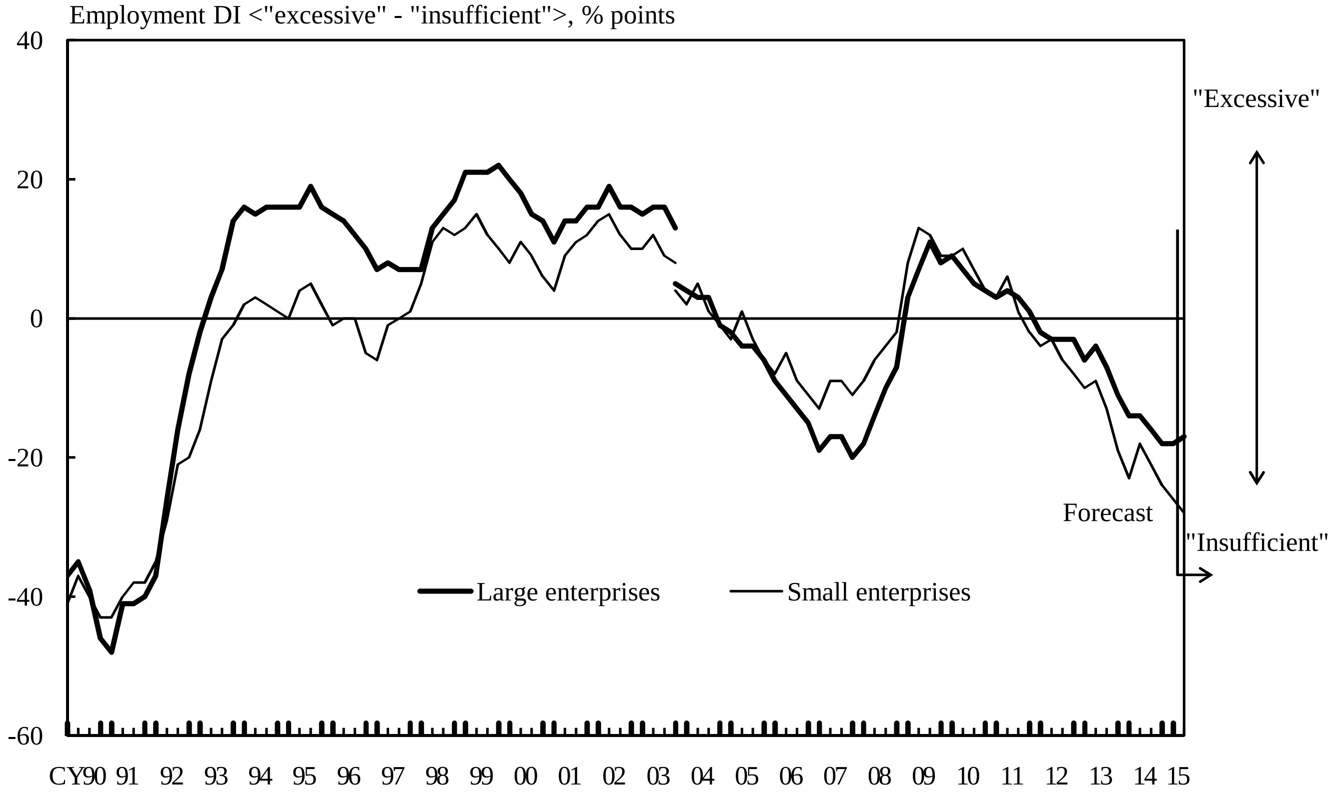
Sources: Ministry of Internal Affairs and Communications, "Labour Force Survey";
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey."

Employment Conditions

(1) Manufacturing



(2) Nonmanufacturing

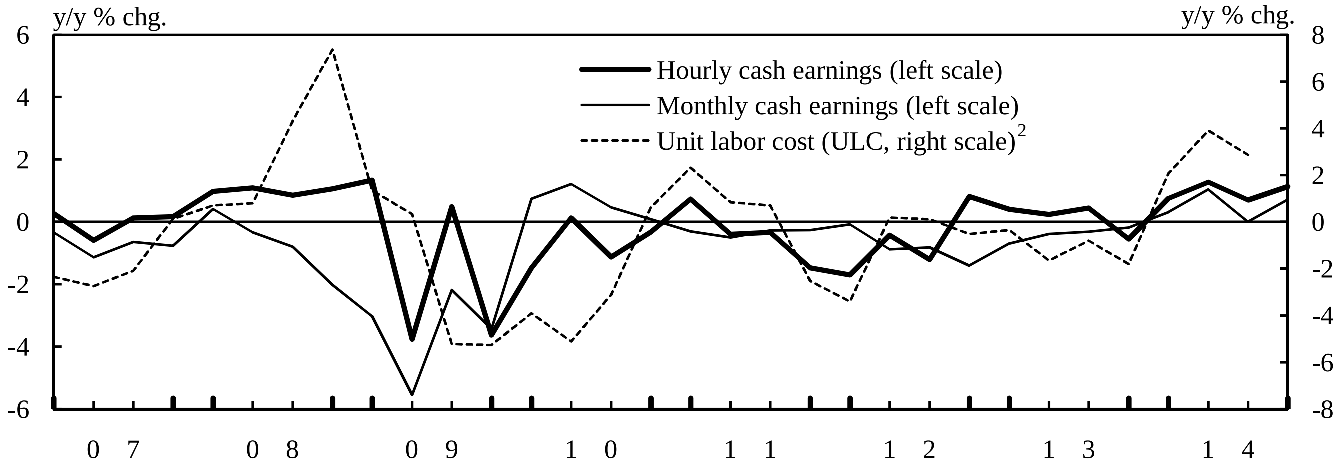


Note: The "Tankan" has been revised from the March 2004 survey. Figures up to the December 2003 survey are based on the previous data sets. Figures from the December 2003 survey are on the new basis.

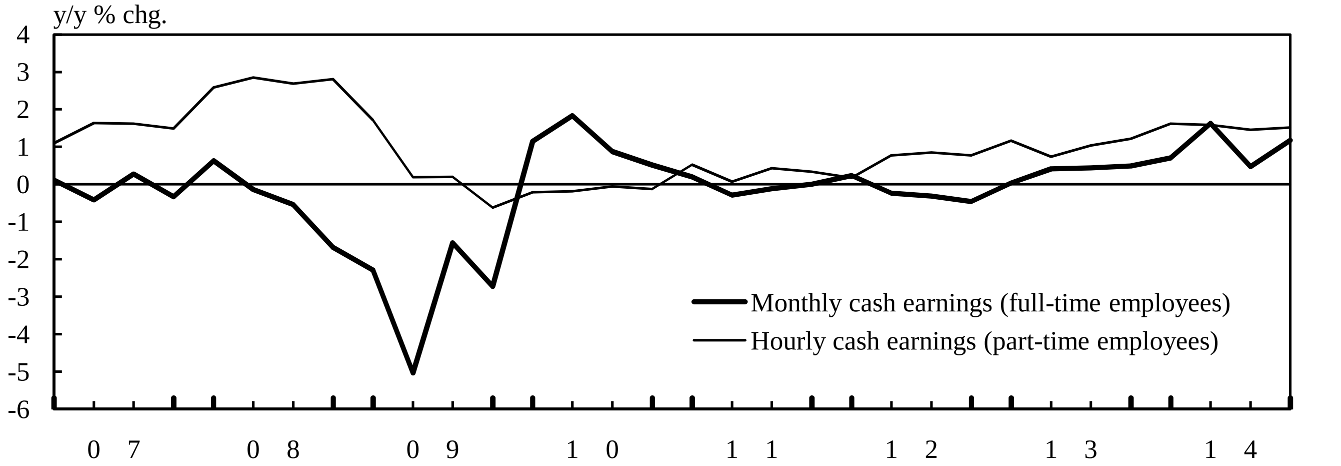
Source: Bank of Japan, "*Tankan* , Short-term Economic Survey of Enterprises in Japan."

Wages

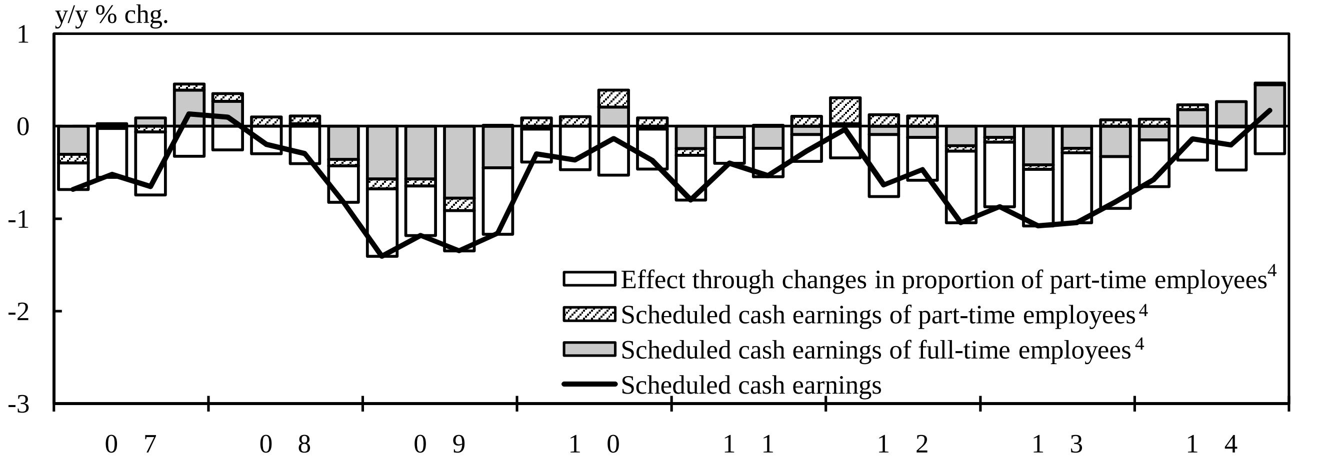
(1) Total[1,3]



(2) Cash Earnings by Type of Worker[1,3]



(3) Breakdown of Scheduled Cash Earnings[1,3]

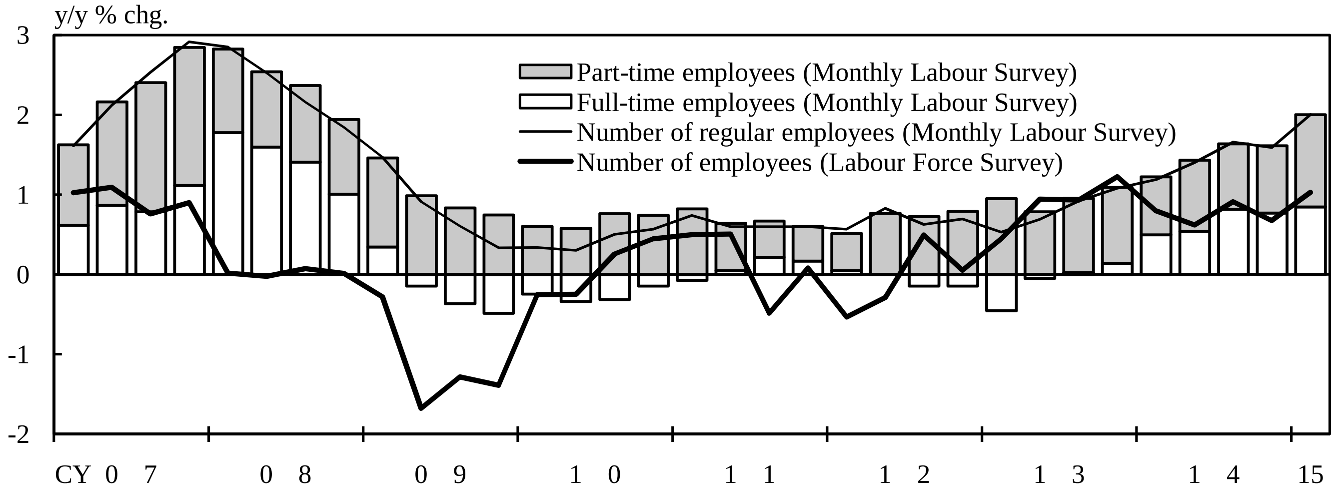


Notes: 1. Data for the "Monthly Labour Survey" are for establishments with at least five employees.
2. ULC = nominal compensation of employees (SNA) / real GDP
3. Except ULC : Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.
ULC : Q1 = April-June, Q2 = July-September, Q3 = October-December, Q4 = January-March.
4. Contributions from scheduled cash earnings of full-time employees and those of part-time employees are calculated as: "scheduled cash earnings of each type of employee (y/y chg.)" times "proportion of the corresponding type's scheduled cash earnings to the previous year's total." Contributions from the effect through changes in proportion of part-time employees are the residuals.

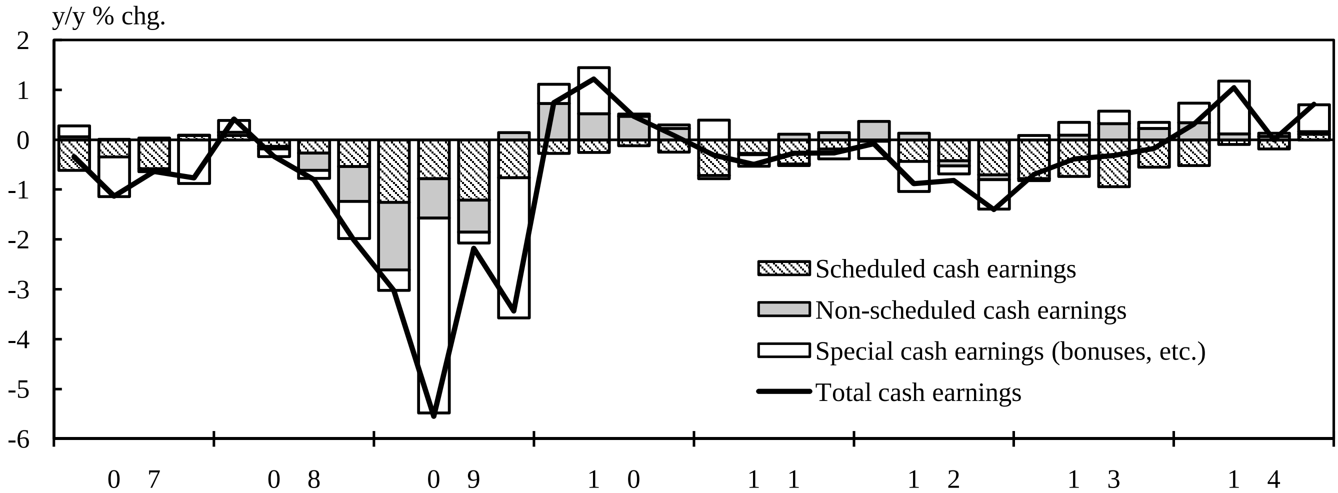
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey"; Cabinet Office, "National Accounts."

Employee Income

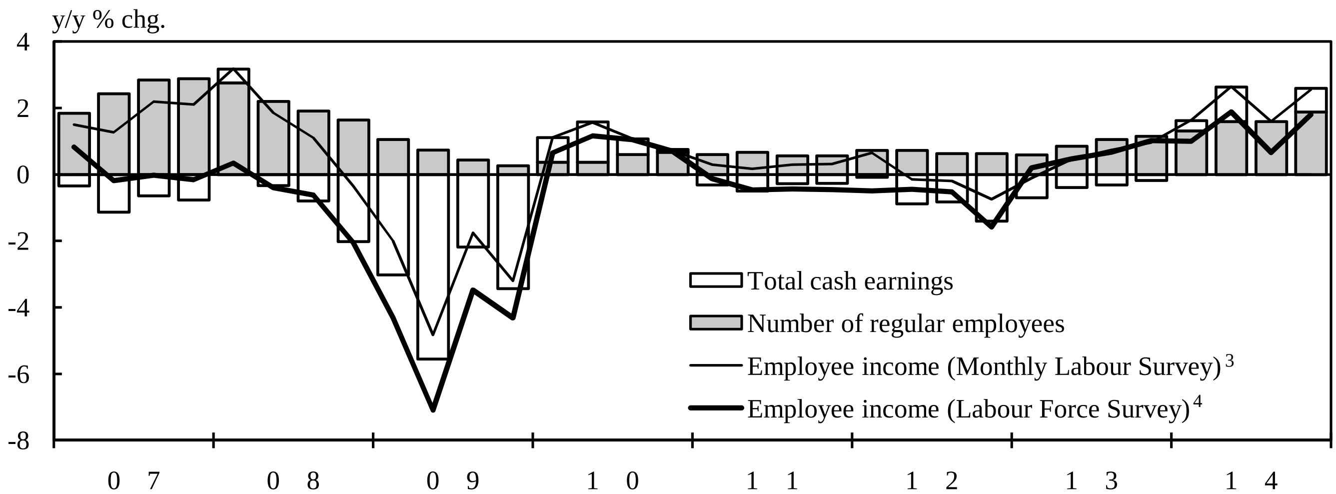
(1) Number of Employees[1,5]



(2) Breakdown of Total Cash Earnings[1,2]



(3) Breakdown of Employee Income[1,2]

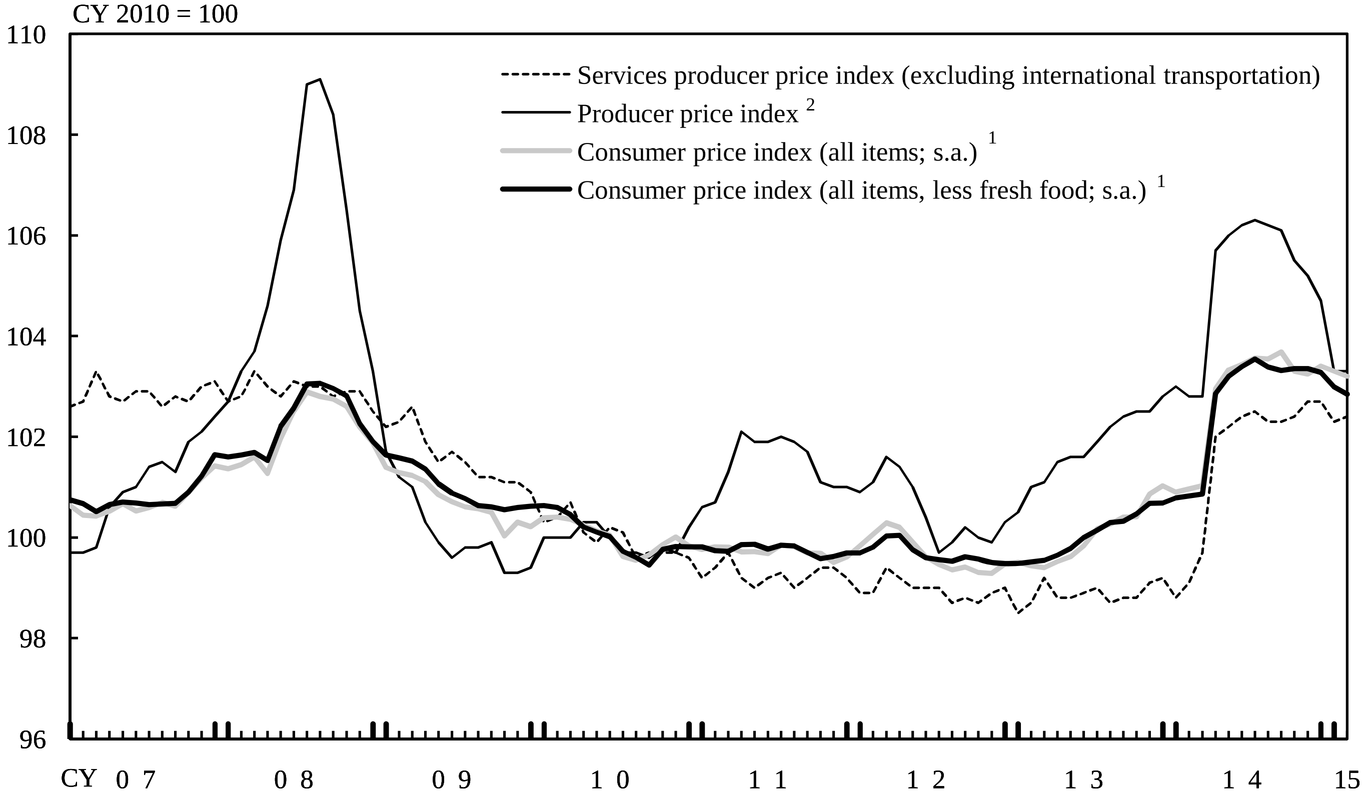


Notes: 1. Data for the "Monthly Labour Survey" are for establishments with at least five employees.
2. Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.
3. Calculated as the "number of regular employees" (Monthly Labour Survey) times "total cash earnings" (Monthly Labour Survey).
4. Calculated as the "number of employees" (Labour Force Survey) times "total cash earnings" (Monthly Labour Survey).
5. Figures for 2015/Q1 are January-February averages.

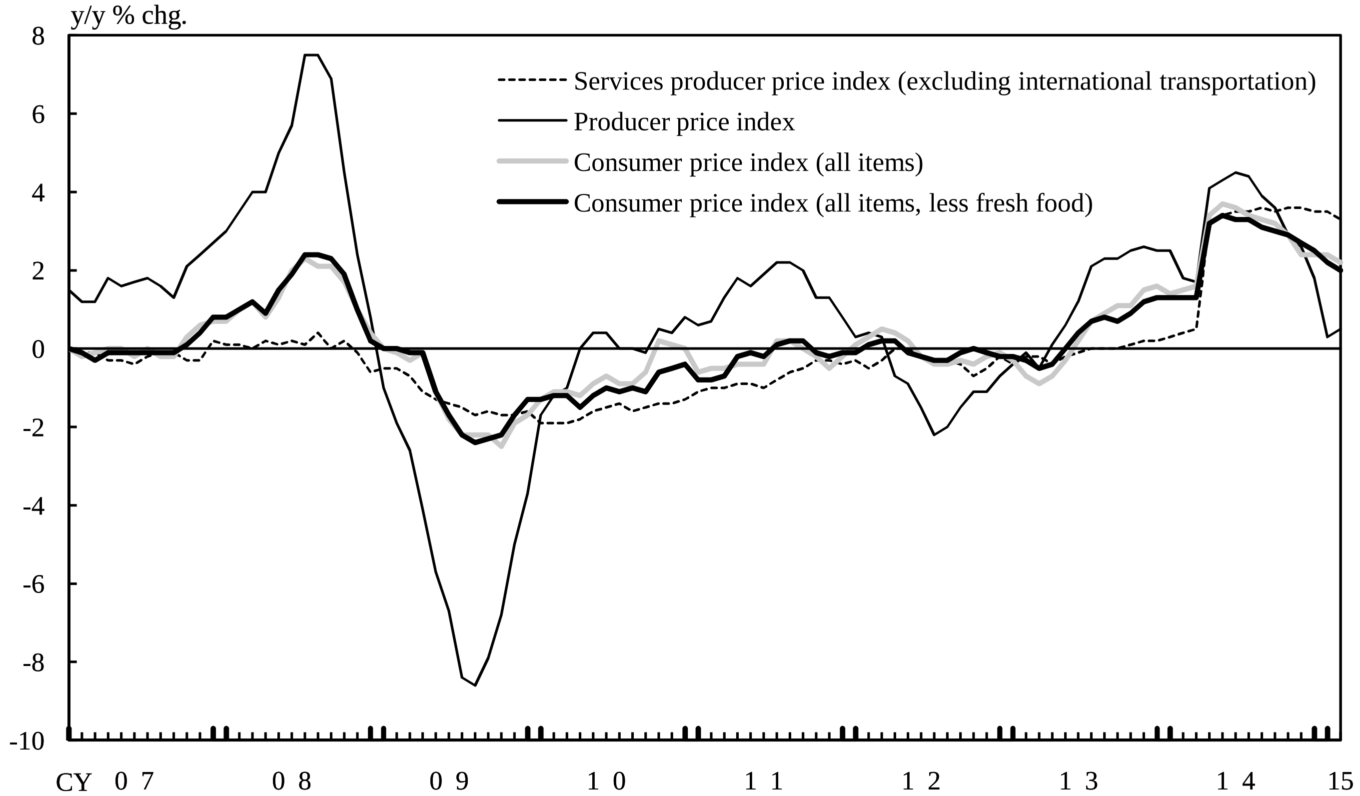
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey"; Ministry of Internal Affairs and Communications, "Labour Force Survey."

Prices

(1) Level



(2) Changes from a Year Earlier

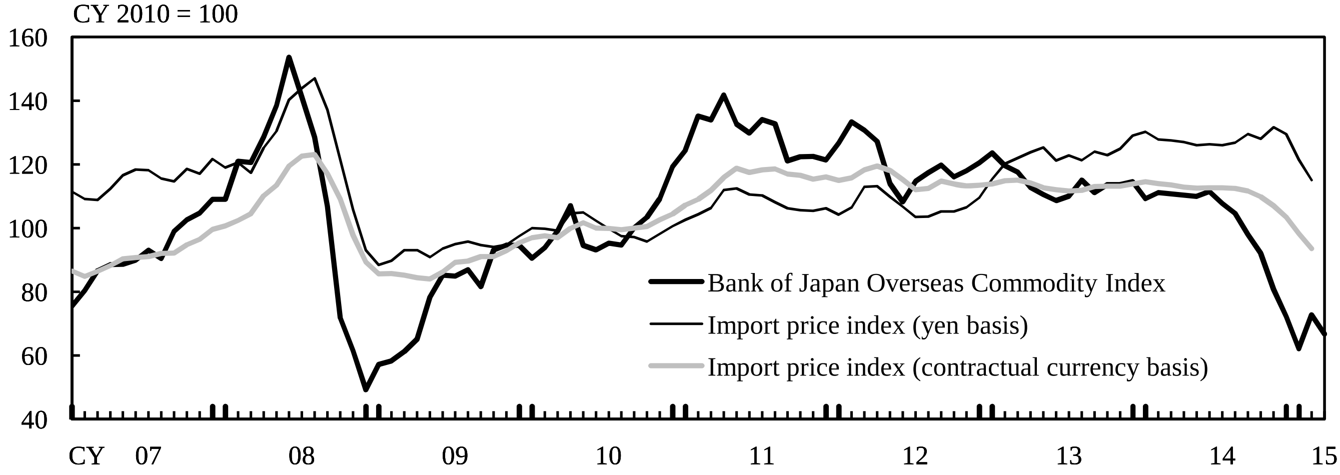


Notes: 1. Seasonally adjusted by X-12-ARIMA.
2. Adjusted to exclude a hike in electric power charges during the summer season from July to September.
3. The levels of "Consumer Price Index" up to 2009 are based on the linked indices.
4. Figures of "Services Producer Price Index" and "Producer Price Index" up to 2009 are based on the linked indices.
5. Figures include the consumption tax.

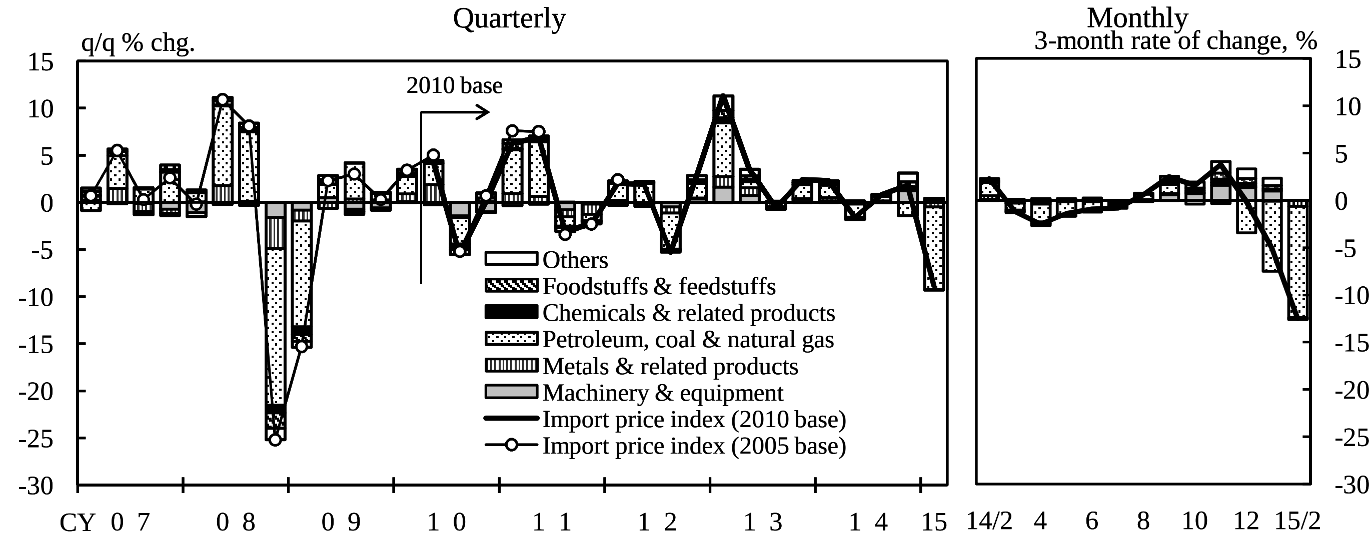
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Services Producer Price Index."

Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index

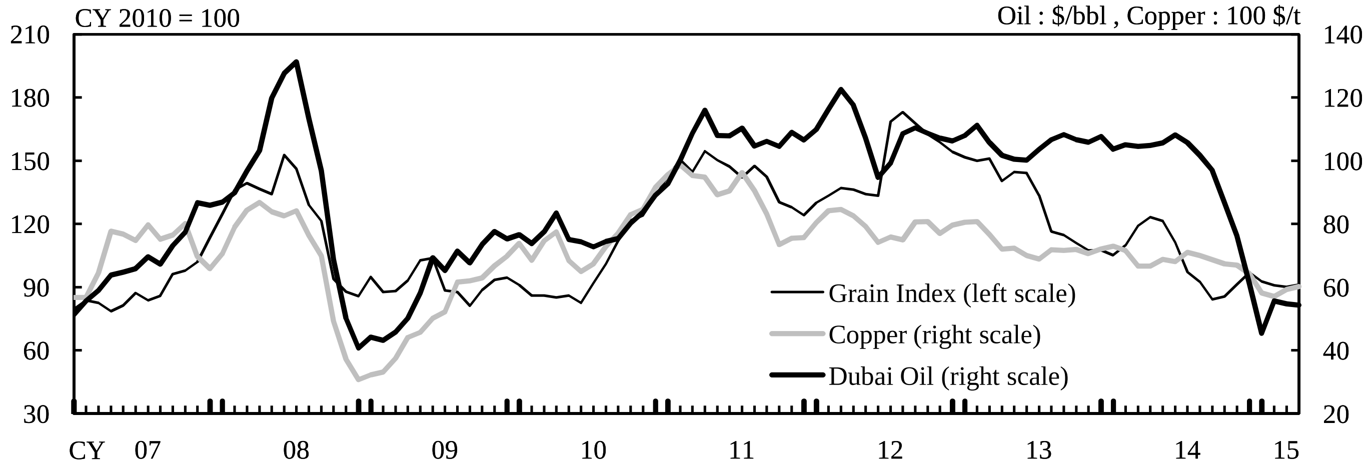


(2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



Notes: 1. Machinery & equipment: general purpose, production & business oriented machinery, electric & electronic products, and transportation equipment.
2. Figures for 2015/Q1 are January-February averages.

(3) International Commodity Prices

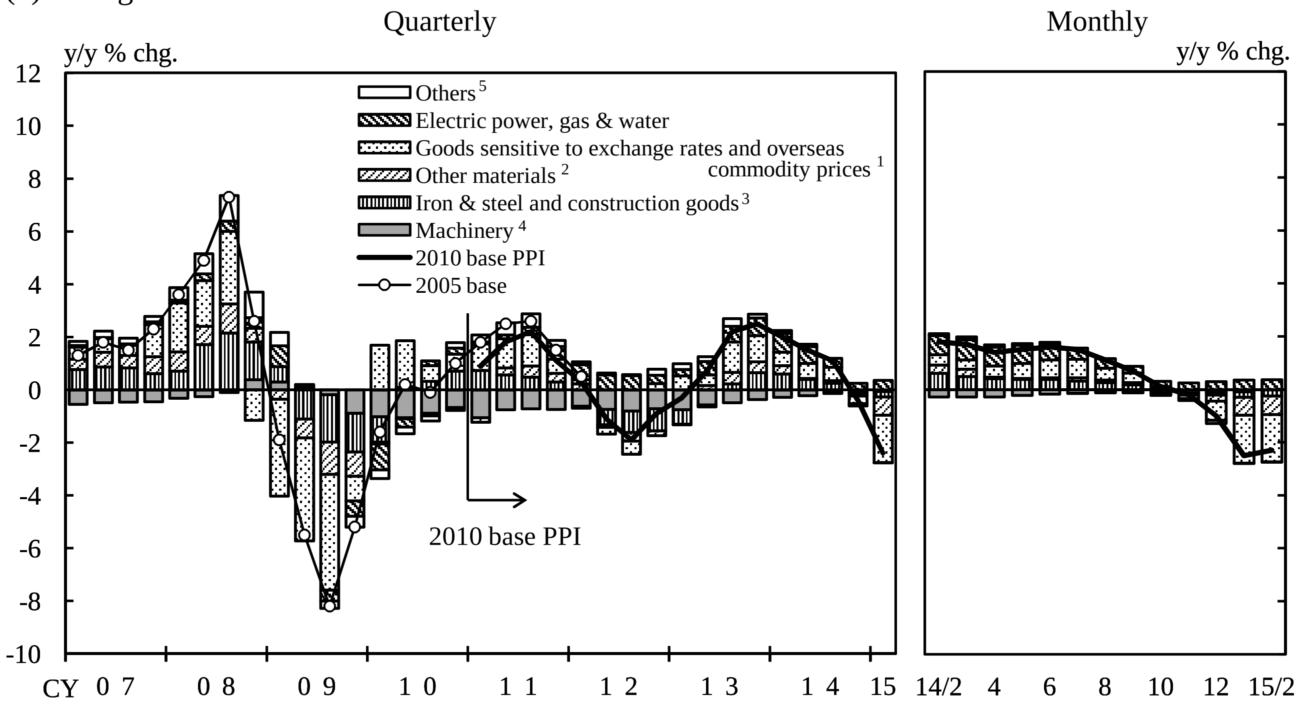


Notes: 1. The "grain index" is the weighted average of prices of three selected items (wheat, soybeans, and corn) in overseas commodity markets. The weights are based on the value of imports in the "Trade Statistics."
2. Monthly averages. Figures for April 2015 are averages up to April 7.

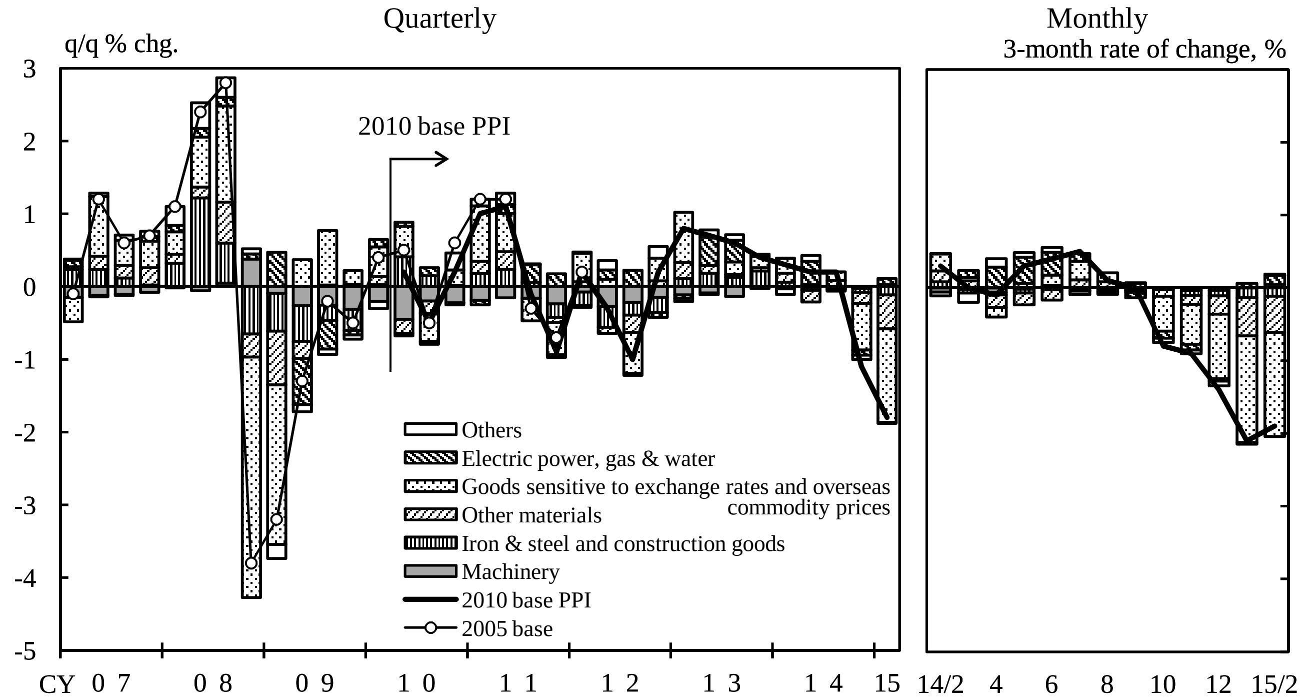
Sources: Bank of Japan, "Corporate Goods Price Index," "Bank of Japan Overseas Commodity Index," etc.

Producer Price Index

(1) Changes from a Year Earlier



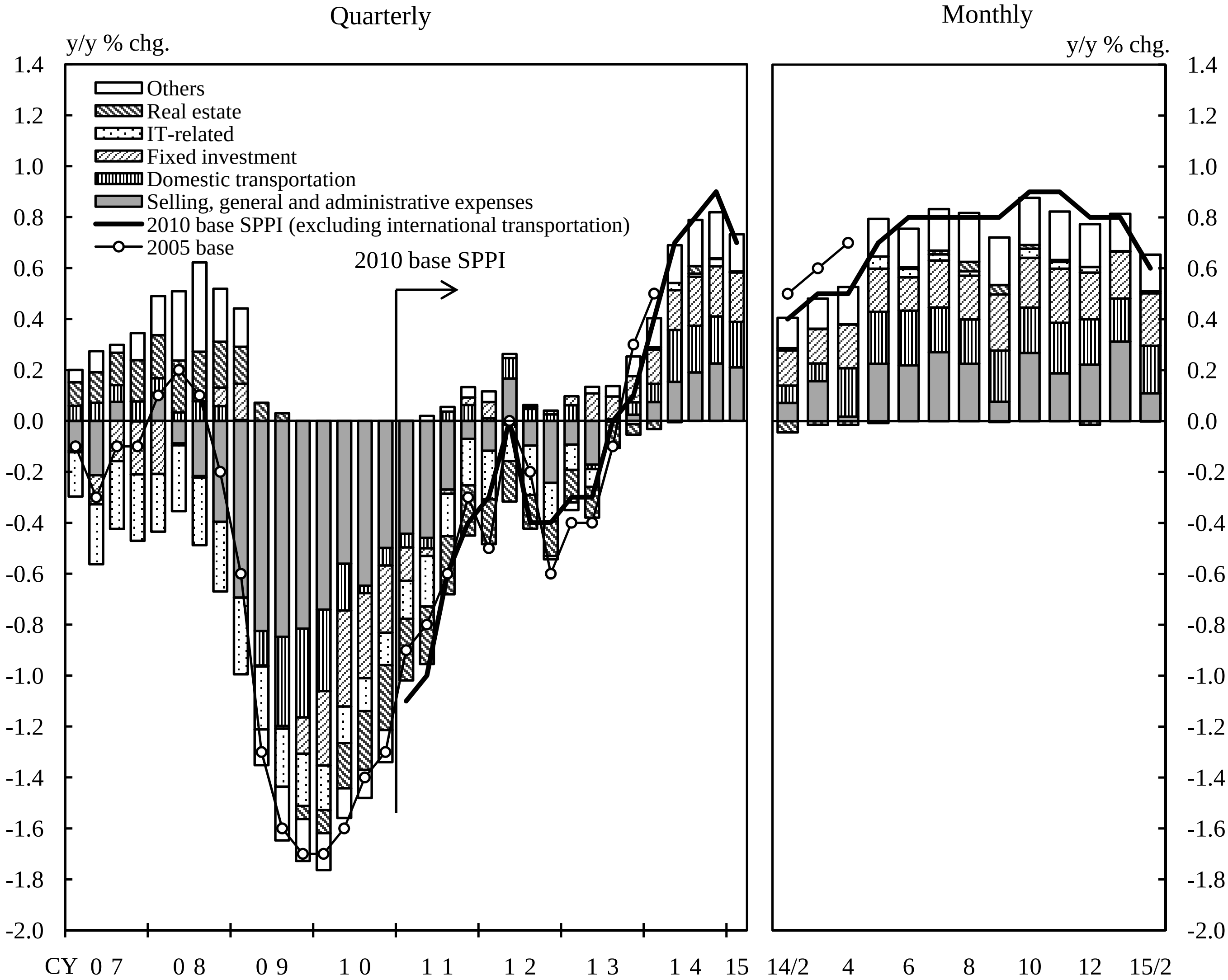
(2) Changes from a Quarter Earlier and 3 Months Earlier [6]



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, ceramic, stone & clay products, lumber & wood products, and scrap & waste.
4. Machinery: general purpose machinery, production machinery, business oriented machinery, electronic components & devices, electrical machinery & equipment, information & communications equipment, and transportation equipment.
5. Others: food, beverages, tobacco & feedstuffs, other manufacturing industry products, agriculture, forestry & fishery products, and minerals.
6. Adjusted to exclude a hike in electric power charges during the summer season from July to September. This adjustment makes the "Producer Price Index" fall by about 0.2%.
7. Figures from April 2014 onward are adjusted to exclude the direct effects of the consumption tax hike, using indices excluding the consumption tax.
8. Figures for 2015/Q1 are January-February averages.

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

Services Producer Price Index



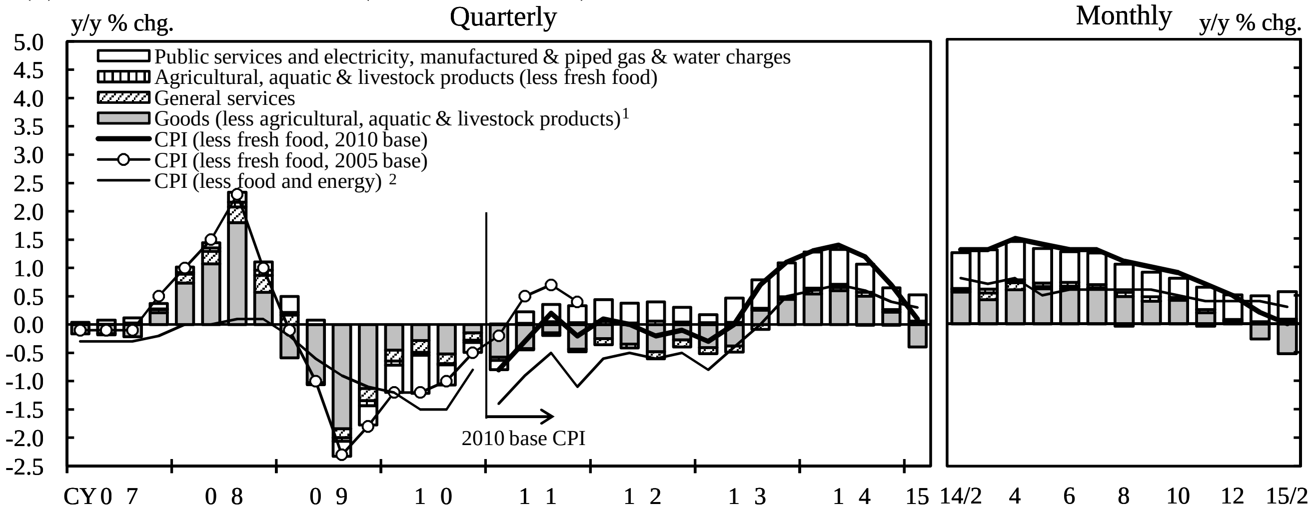
Notes: 1. Selling, general and administrative expenses: information and communications (excluding newspapers and publishing), advertising services, other services (excluding plant engineering, and civil engineering and architectural services).

2. Domestic transportation: transportation and postal services (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 from April 2014 onward are adjusted to exclude the direct effects of the consumption tax hike, using indices excluding the consumption tax.
8. Figures for 2015/Q1 are January-February averages.

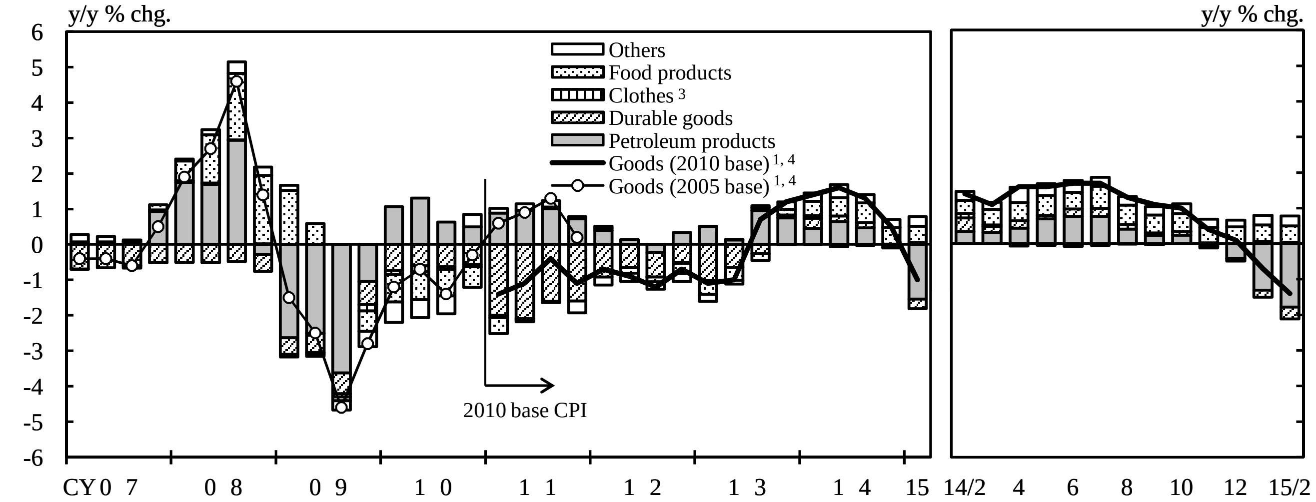
Source: Bank of Japan, "Services Producer Price Index."

Consumer Price Index (Less Fresh Food)

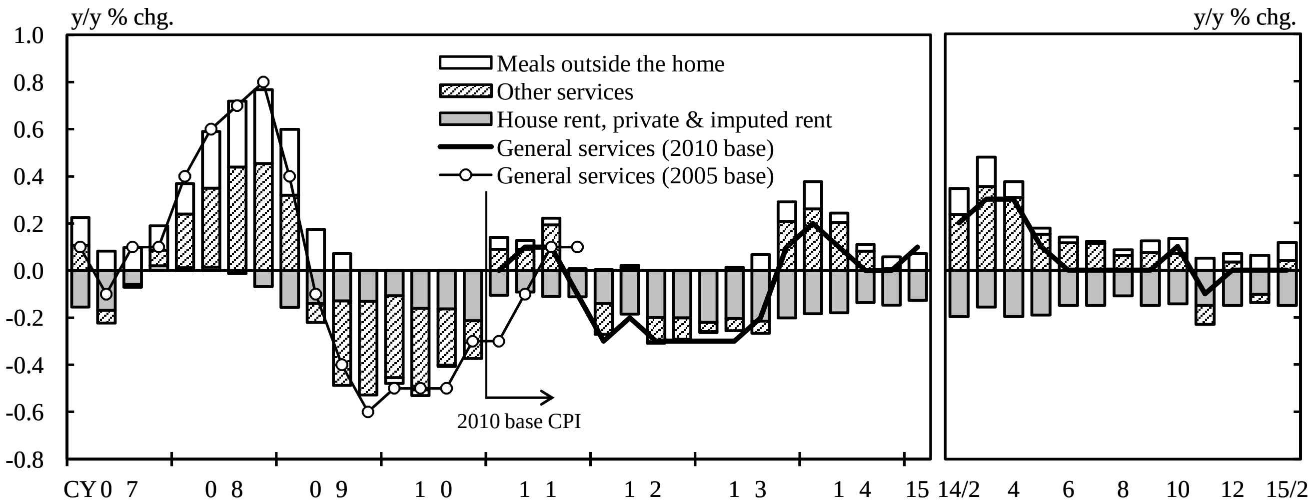
(1) Consumer Price Index (Less Fresh Food)



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



(3) General Services

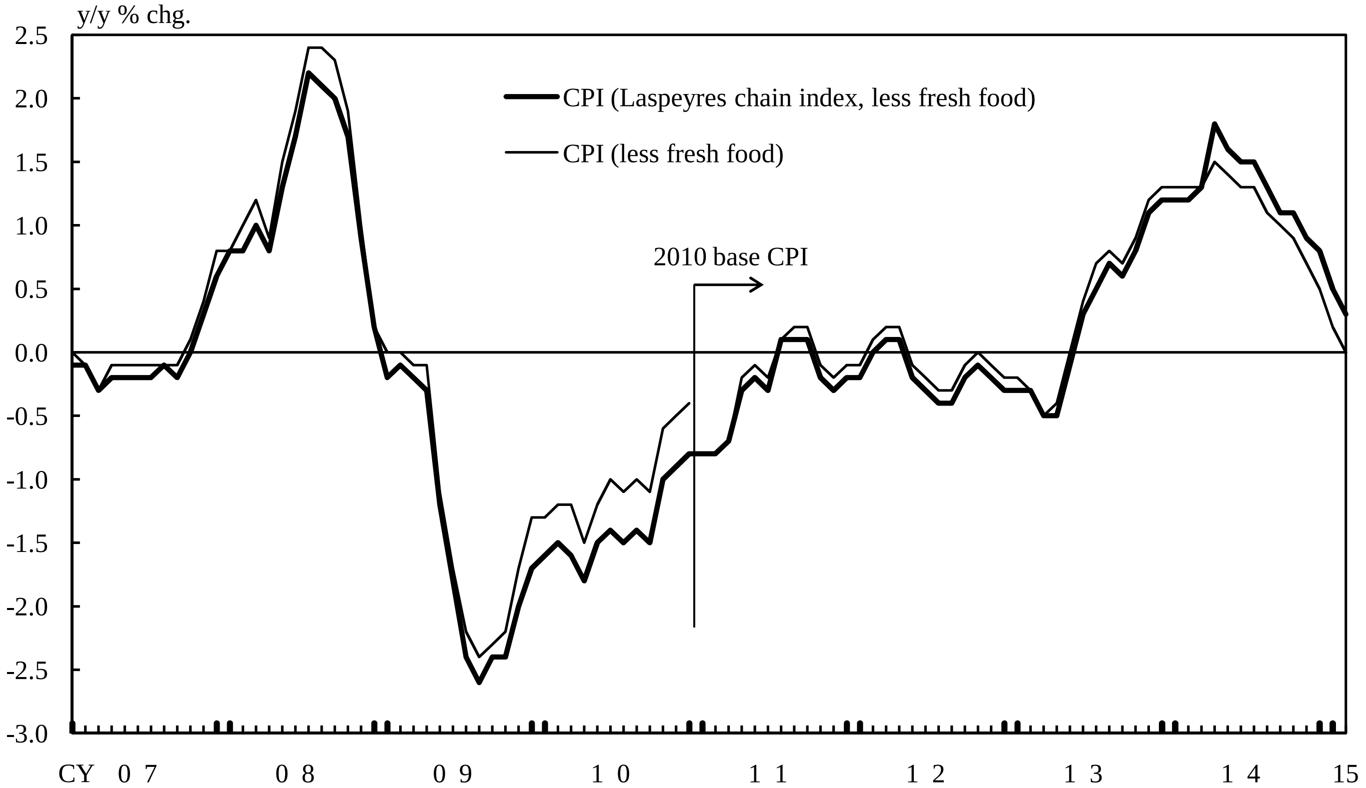


Notes: 1. The items are basically the same as those defined by the Ministry of Internal Affairs and Communications. However, electricity, manufactured & piped gas & water charges are excluded from goods.
2. Alcoholic beverages are excluded from food. Energy: electricity, gas manufactured & piped, liquefied 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 from April 2014 onward are estimated to adjust the direct effects of the consumption tax hike. Figures for 2015/Q1 are January-February averages.

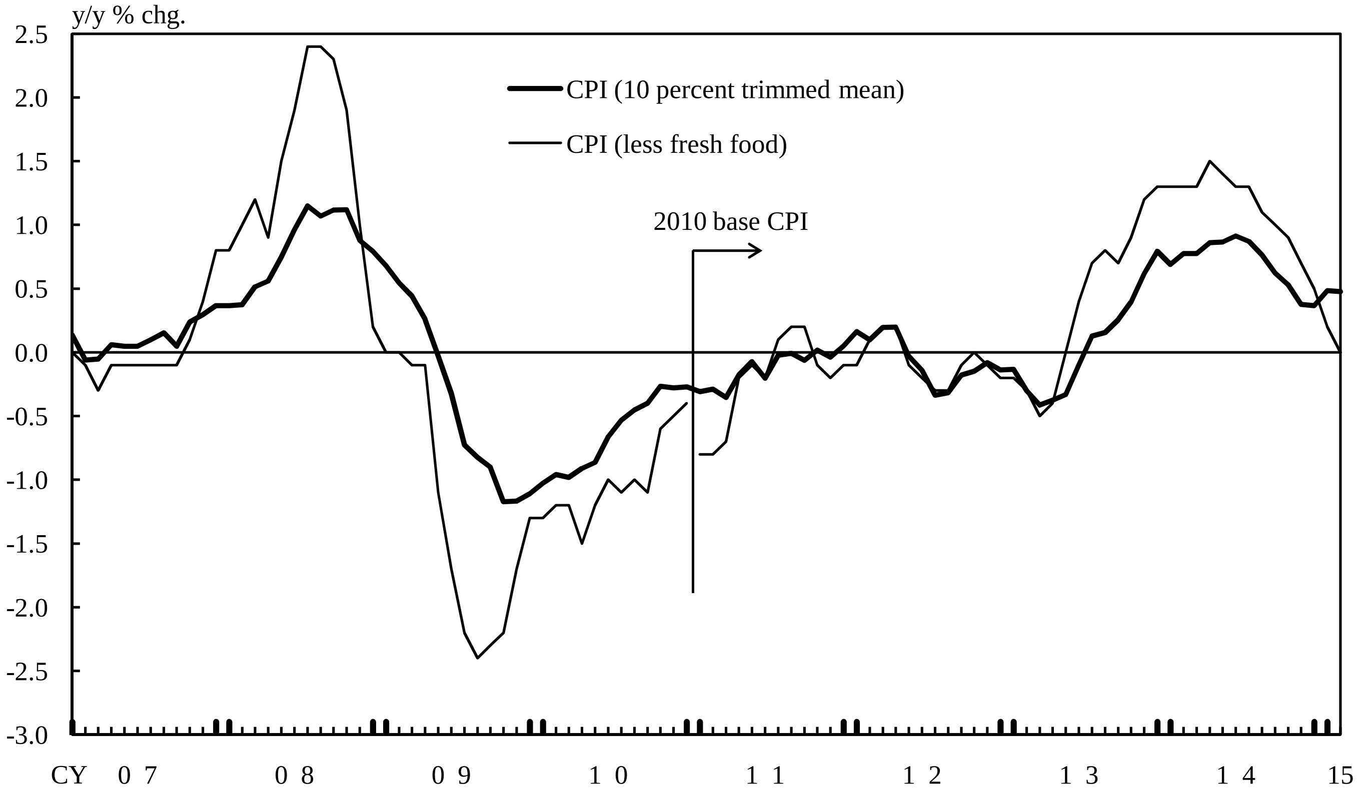
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Trend Changes in Consumer Prices

(1) Laspeyres Chain Index



(2) Trimmed Mean



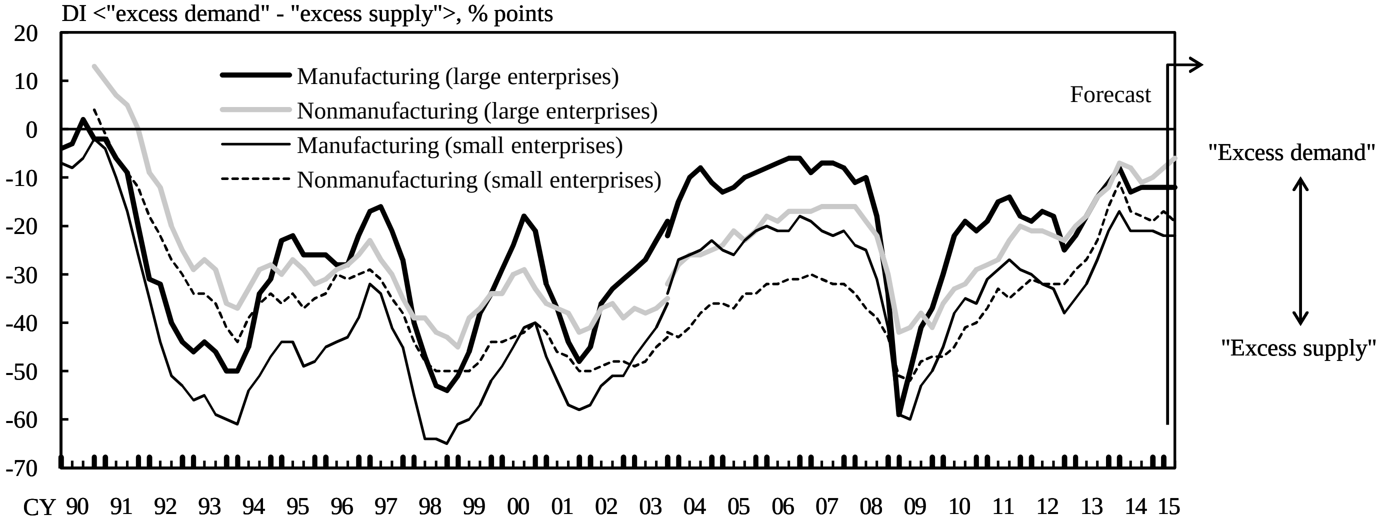
Notes: 1. Figures for the 10 percent trimmed mean are weighted averages of items; these items are obtained by rearranging year-on-year rates of price change in ascending order and then excluding items in both the upper and lower 10 percent tails by weight.
2. Figures for the Laspeyres chain index for 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.
3. Figures from April 2014 onward are estimated to adjust the direct effects of the consumption tax hike.

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

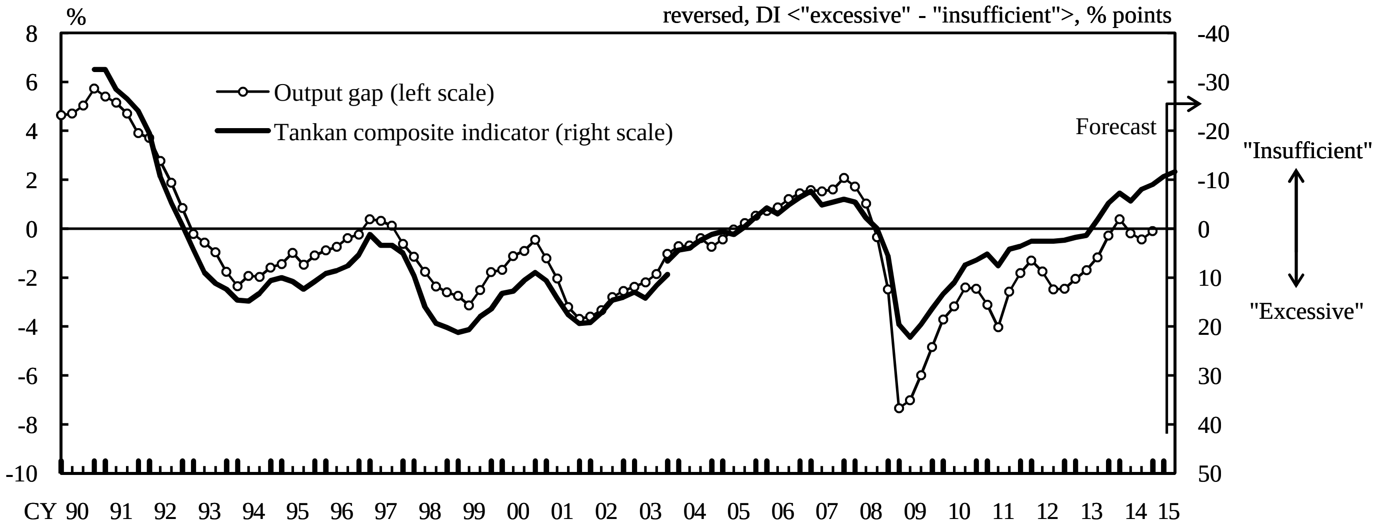
Chart 32

Domestic Supply and Demand Conditions[1]

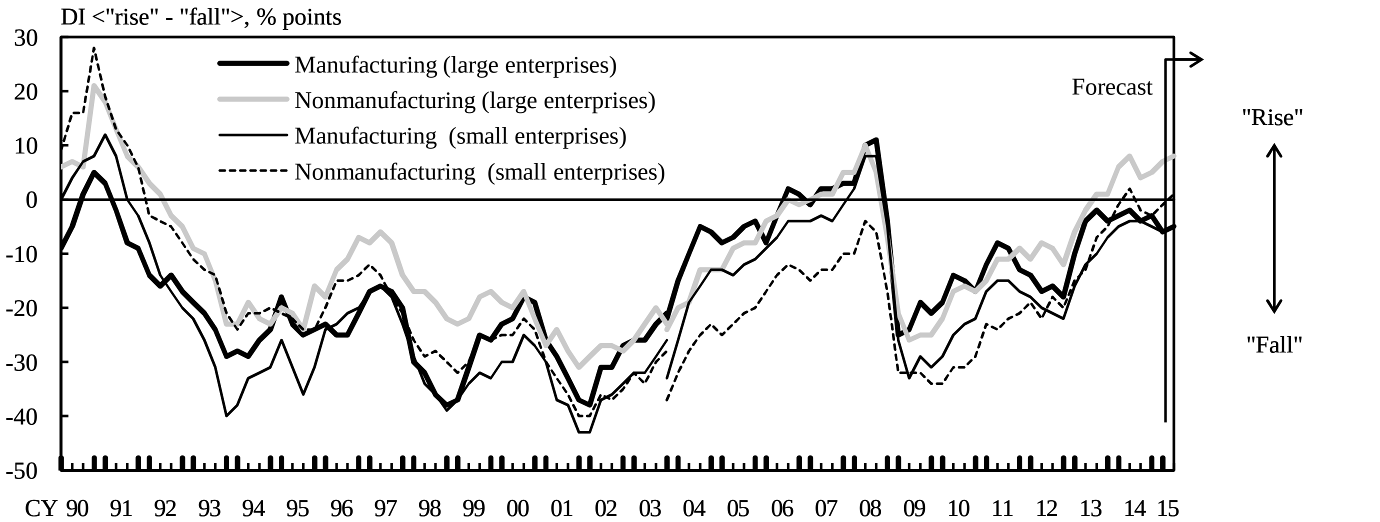
(1) Domestic Supply and Demand Conditions for Products and Services



(2) *Tankan* Composite Indicator[2] (All Enterprises) and Output Gap[3]



(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 the new basis.

2. Figures are weighted averages of the production capacity DI and employment conditions DI. The FY 1990-2013 averages of capital and labor shares in the "National Accounts" are used as the weight.

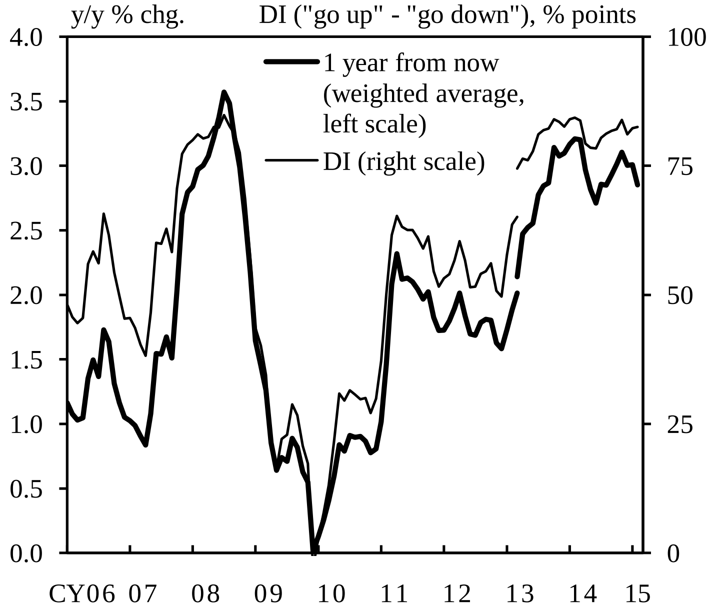
3. The output gap is estimated by the Research and Statistics Department, Bank of Japan. Since the estimation of the output gap includes various errors, considerable latitude should be allowed for this estimation.

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

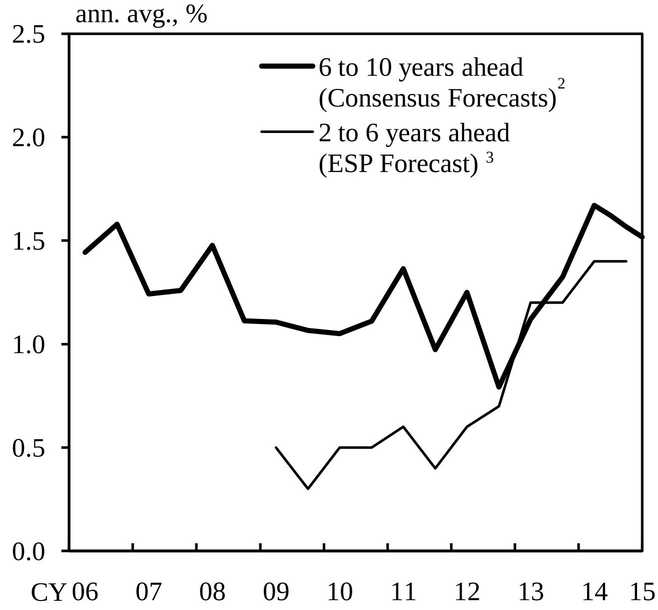
Inflation Expectations

(1) Households

<Consumer Confidence Survey>[1]

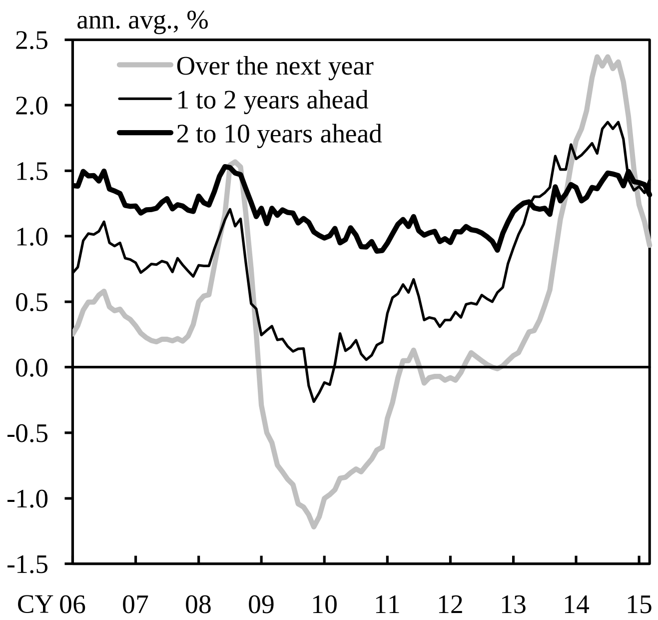


(2) Economists

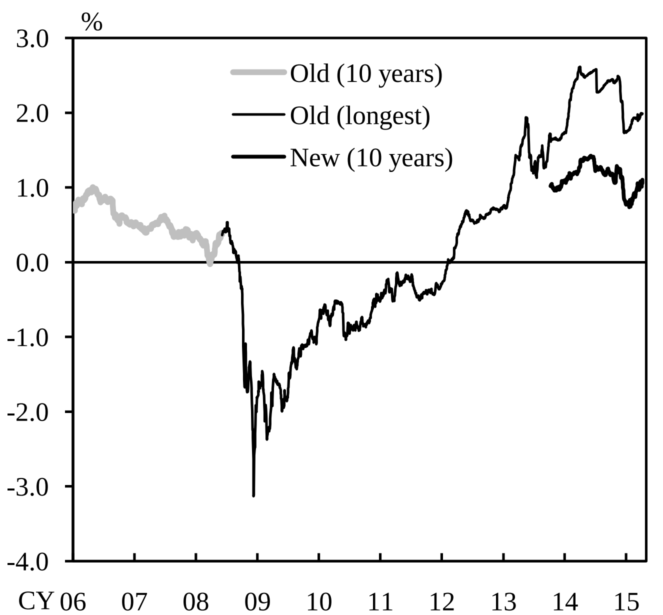


(3) Market Participants

<QUICK Survey>[4]



<BEI for Inflation-Indexed JGBs>[5]



Notes: 1. The Consumer Confidence Survey asks households to provide their price expectations one year from now. Figures are for all households. The weighted average is calculated based on the following assumption: survey responses chosen by households as their expected inflation rates -- "-5% or below," "from -5% to -2%," "from -2% to 0%," "from 0% to +2%," "from +2% to +5%," and "+5% or above" -- indicate inflation rates of -5%, -3.5%, -1%, +1%, +3.5%, and +5%, respectively. There is discontinuity between figures up to March 2013 and those thereafter due to the change in the survey method in April 2013.

2. Figures are forecasts made every January, April, July, and October. Those up through April 2014 are forecasts made every April and October.

3. Figures are forecasts made every June and December. The effects of the consumption tax hikes are excluded.

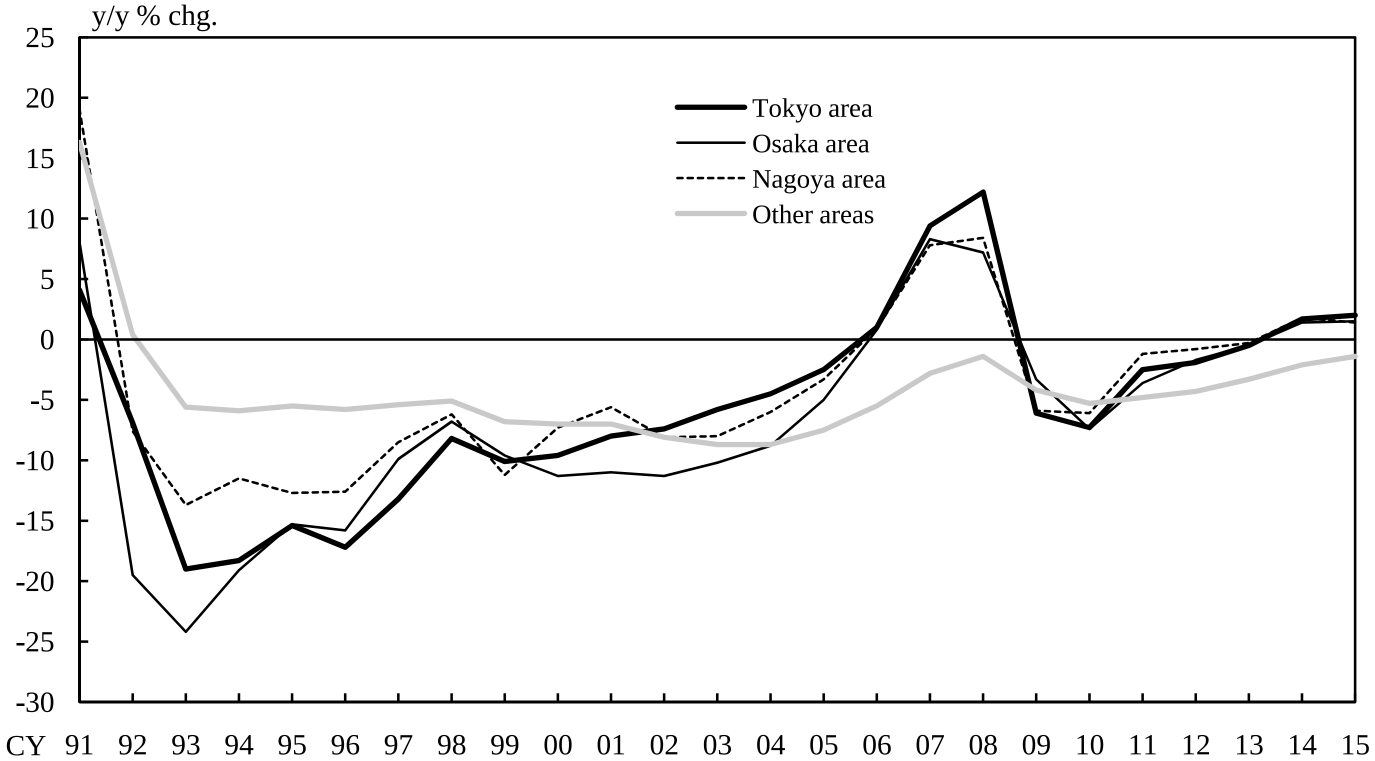
4. From the September 2013 survey, the QUICK Monthly Market Survey (Bonds) has asked respondents to include the effects of the consumption tax hikes.

5. Yield spreads between fixed-rate coupon-bearing JGBs and inflation-indexed JGBs. Inflation-indexed JGBs issued since October 2013 are designated as "new," while the rest are designated as "old." Figures for "old (longest)" are calculated using yield data for issue No. 16 of the inflation-indexed JGBs, which matures in June 2018.

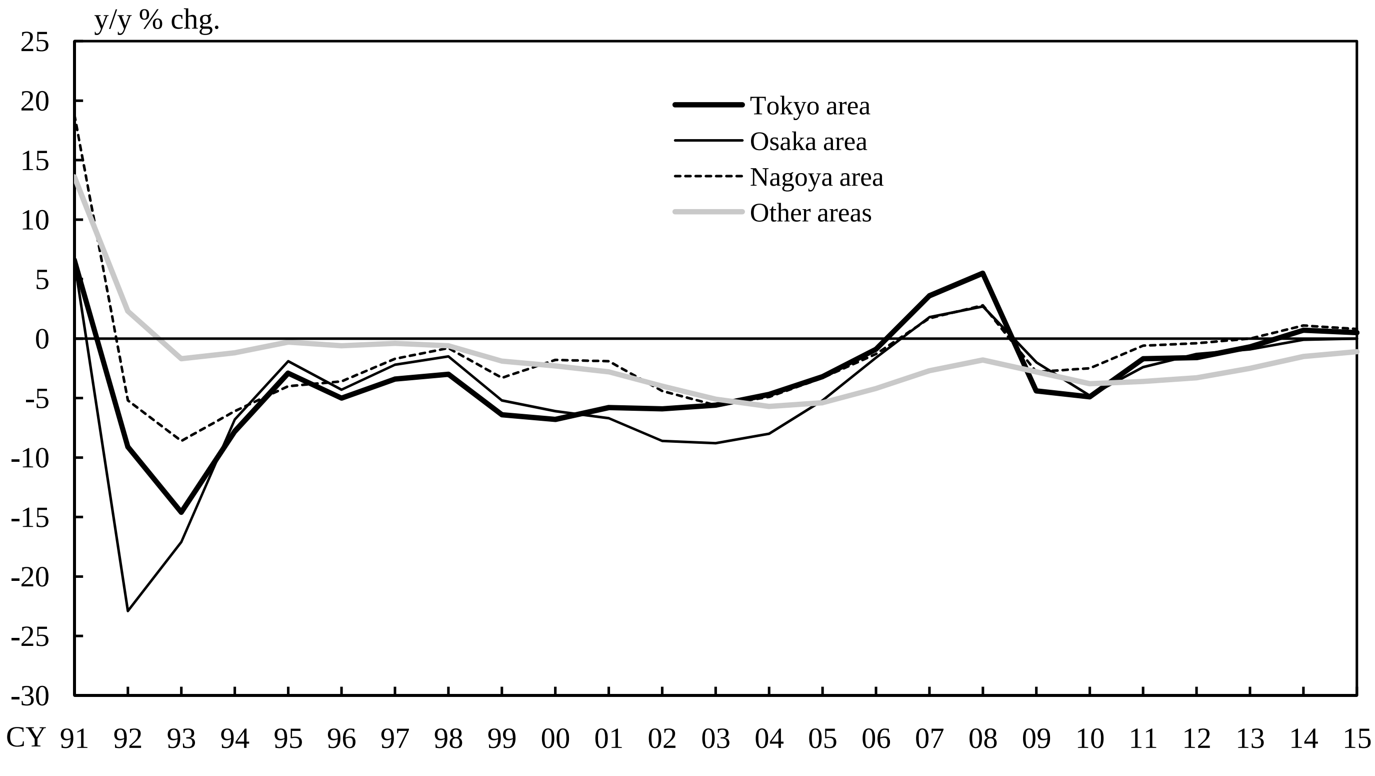
Sources: Cabinet Office, "Consumer Confidence Survey"; Consensus Economics Inc., "Consensus Forecasts"; JCER, "ESP Forecast"; QUICK, "QUICK Monthly Market Survey (Bonds)"; Bloomberg.

Land Prices

(1) Commercial Land



(2) Residential Land

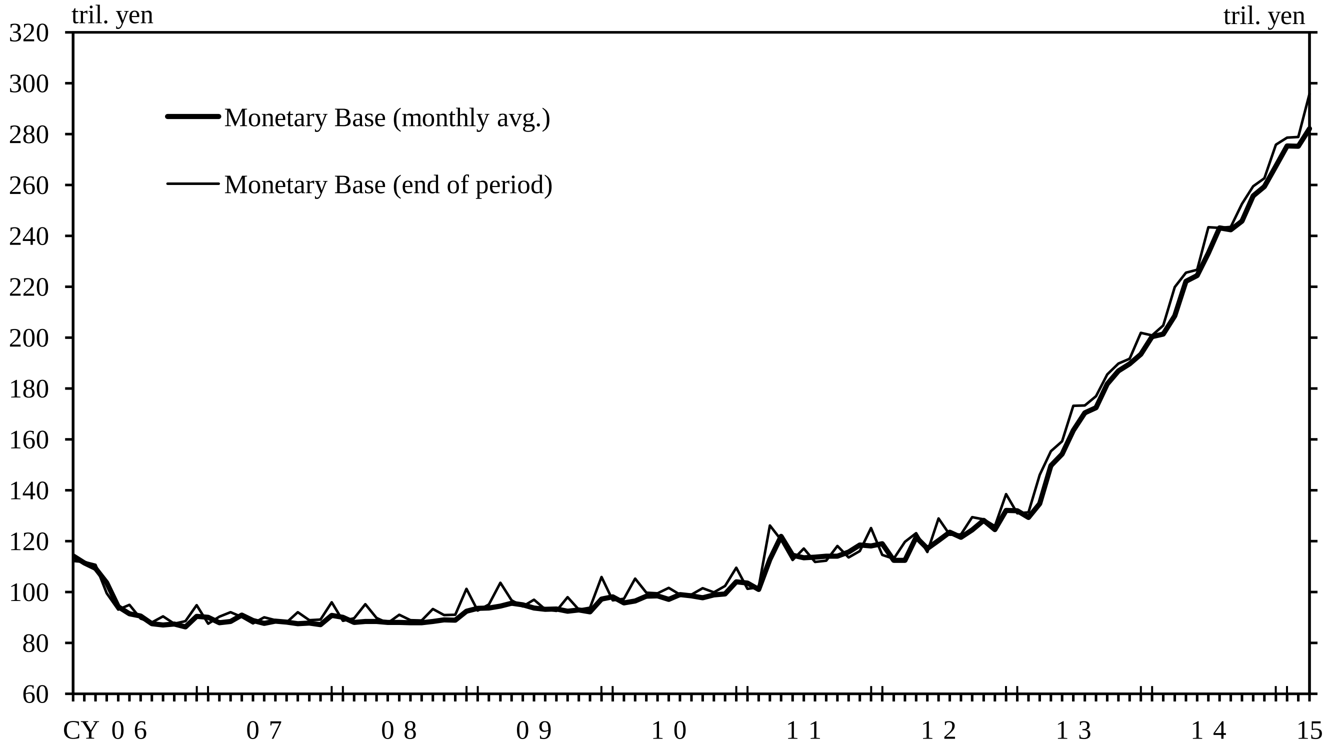


Note: "Land Market Value Publication" surveyed by the Ministry of Land, Infrastructure, Transport and Tourism, shows land prices as of January 1.

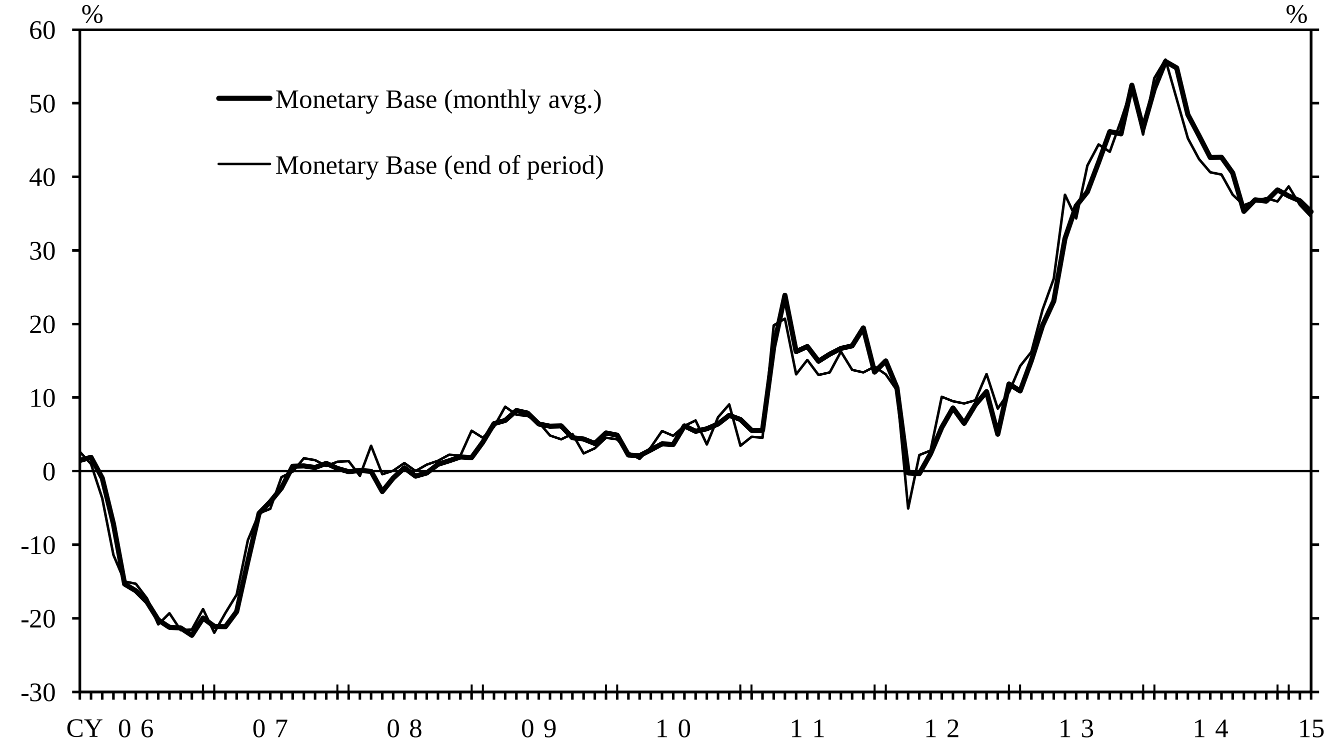
Source: Ministry of Land, Infrastructure, Transport and Tourism, "Land Market Value Publication."

Monetary Base

(1) Level



(2) Changes from a Year Earlier

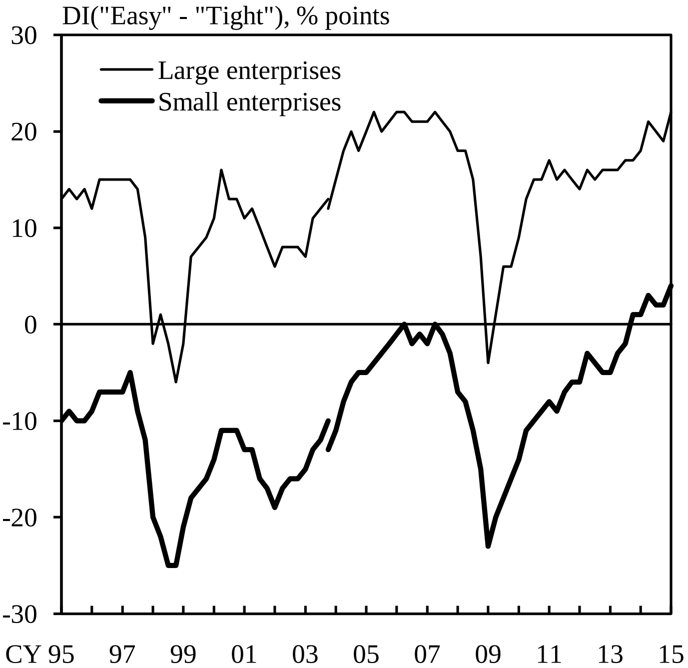


Source: Bank of Japan.

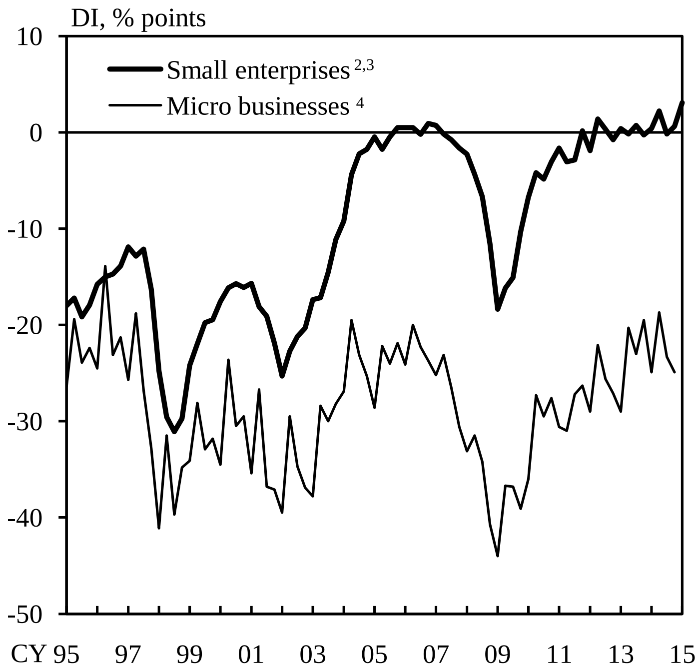
Corporate Finance-Related Indicators

(1) Financial Position

<Tankan[1]>

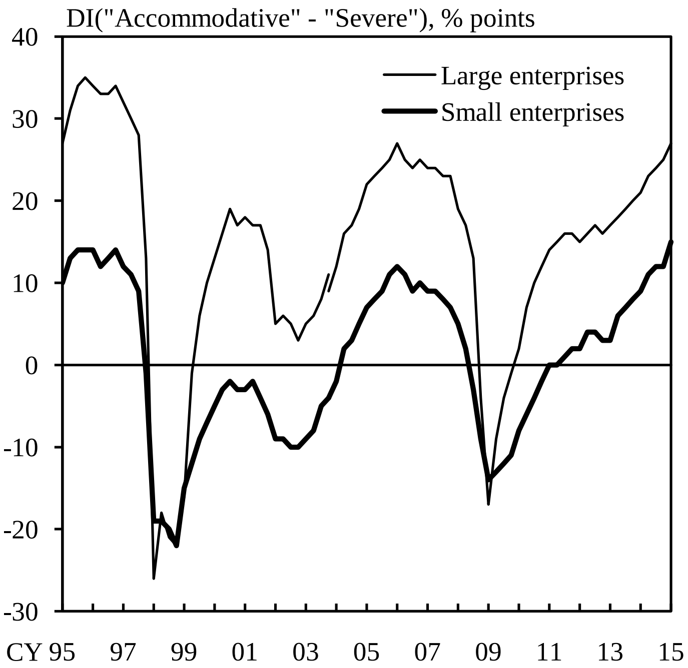


<Japan Finance Corporation Survey>

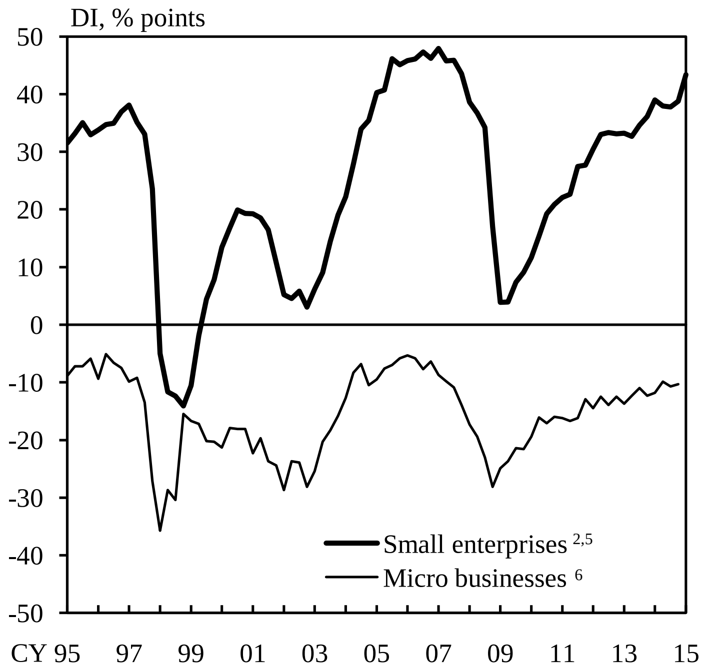


(2) Lending Attitude of Financial Institutions as Perceived by Firms

<Tankan[1]>



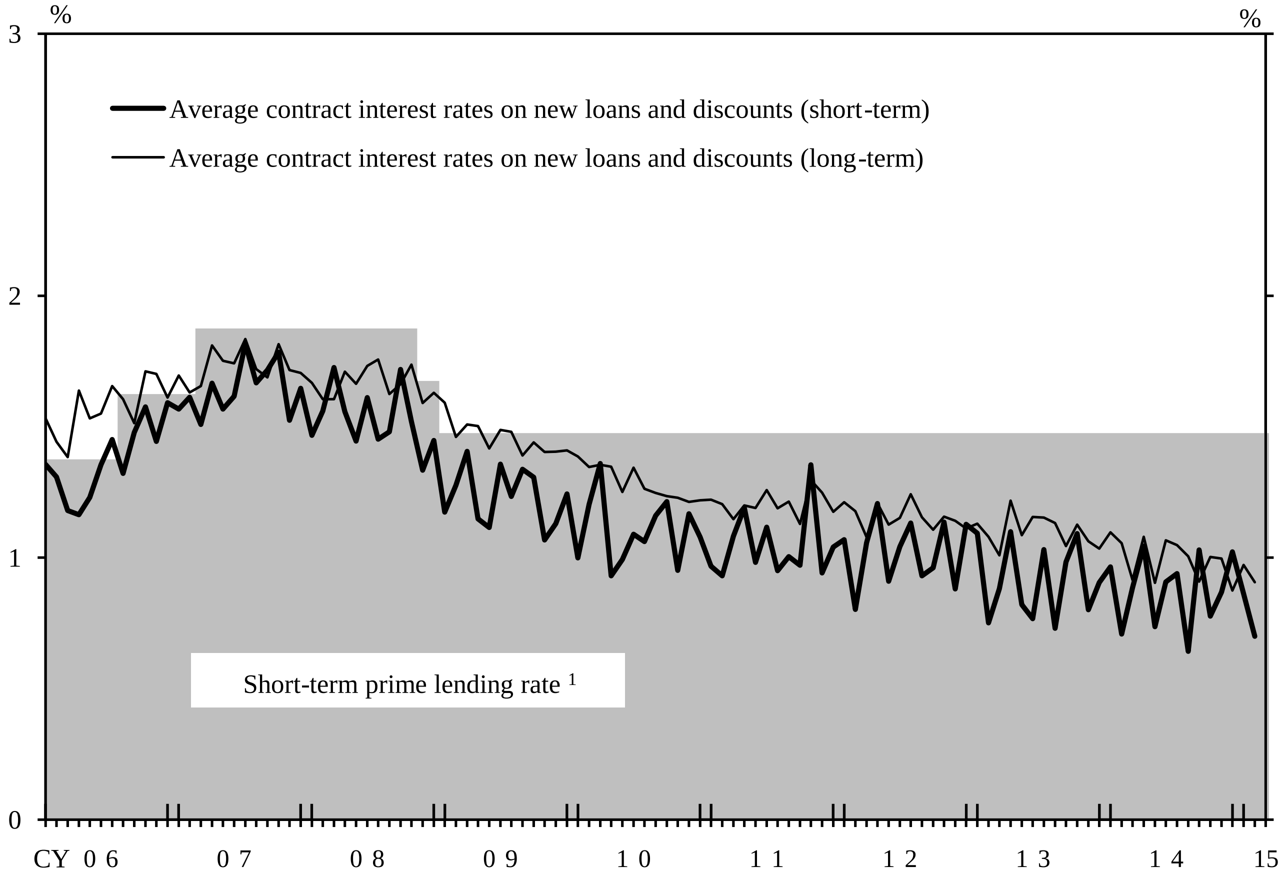
<Japan Finance Corporation Survey>



Notes: 1. Data of the "Tankan" are based on all industries. The "Tankan" has been revised from the March 2004 survey. Figures up to the December 2003 survey are based on the previous data sets. Figures from the December 2003 survey are on the new basis.
2. Figures are quarterly averages of monthly data.
3. DI of "Easy" - "Tight."
4. DI of "Easier" - "Tighter."
5. DI of "Accommodative" - "Severe."
6. DI of "More accommodative" - "More severe."

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

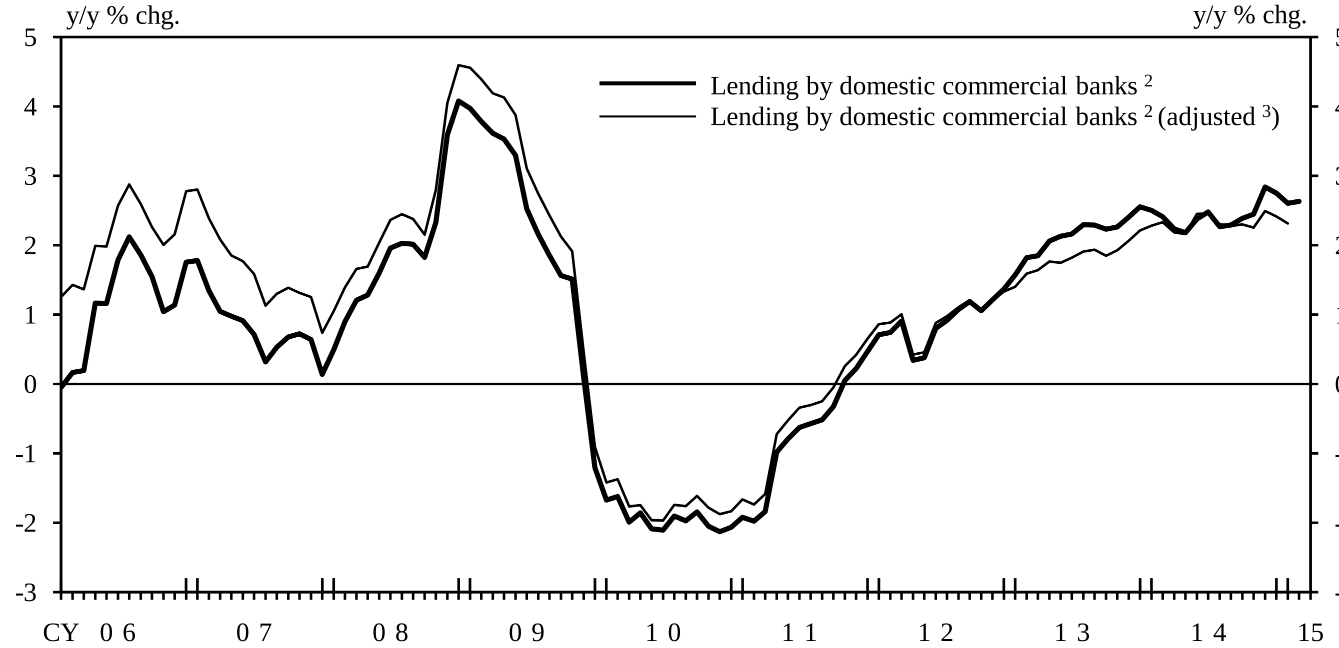
Lending Rates



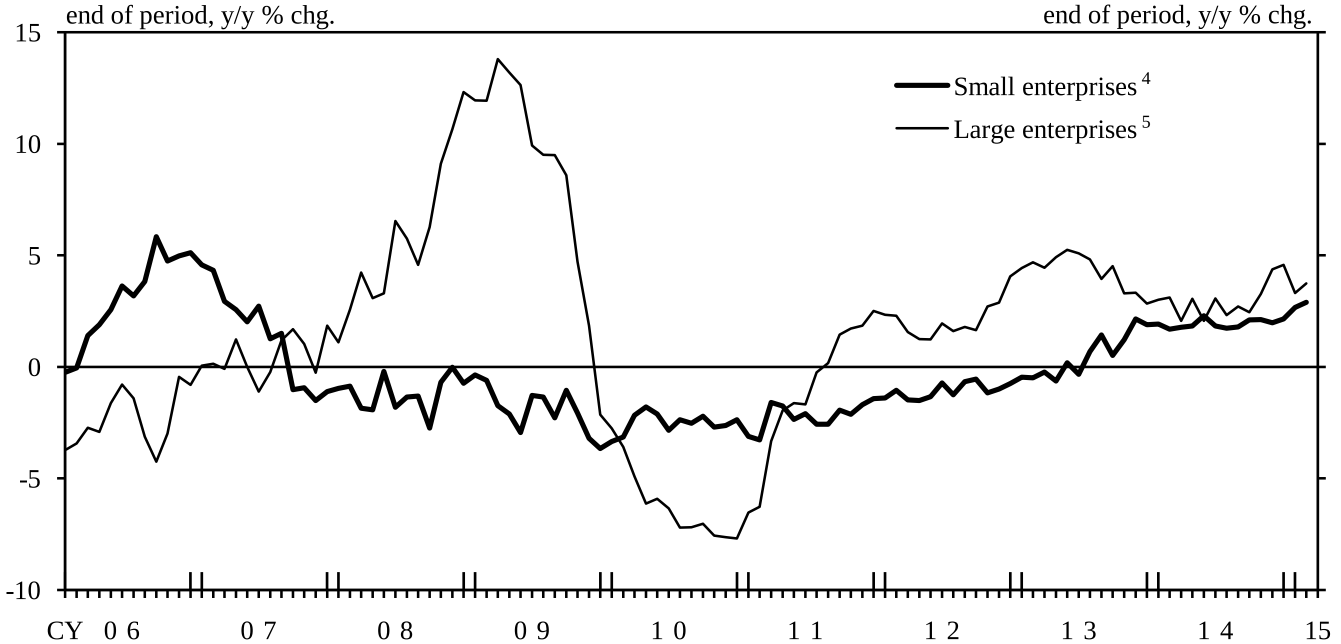
Note: 1. Data are at end of period.
Source: Bank of Japan.

Lending by Financial Institutions

(1) Lending by Domestic Commercial Banks[1]



(2) Lending by Domestically Licensed Banks (by Firm Size)

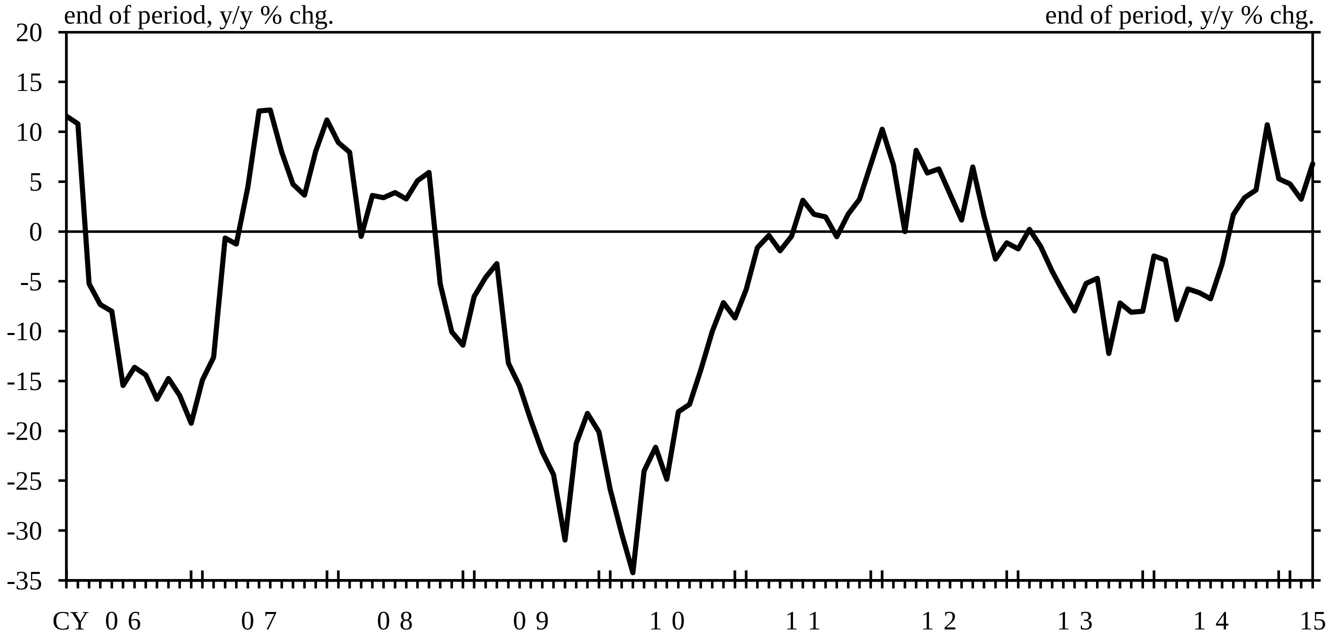


Notes: 1. Percent changes in average amounts outstanding from a year earlier.
2. "Domestic commercial banks" refers to major banks, regional banks I, and regional banks II.
3. Adjusted to exclude
(1) fluctuations due to the liquidation of loans,
(2) fluctuations in the yen value of foreign currency-denominated loans due to changes in exchange rates,
(3) fluctuations due to loan write-offs,
(4) the transfer of loans to the former Japan National Railways Settlement Corporation to the General Account, and
(5) the transfer of loans to the former Housing Loan Administration Corporation to the Resolution and Collection Corporation.
4. Small enterprises are those capitalized at 300 million yen or less or with regular employees of 300 persons or less ("wholesale trade" capitalized at 100 million yen or less or with regular employees of 100 persons or less, "retail trade" and "eating and drinking services" capitalized at 50 million yen or less or with regular employees of 50 persons or less, and "goods rental and leasing," etc. capitalized at 50 million yen or less or with regular employees of 100 persons or less).
5. Other than small enterprises.

Source: Bank of Japan.

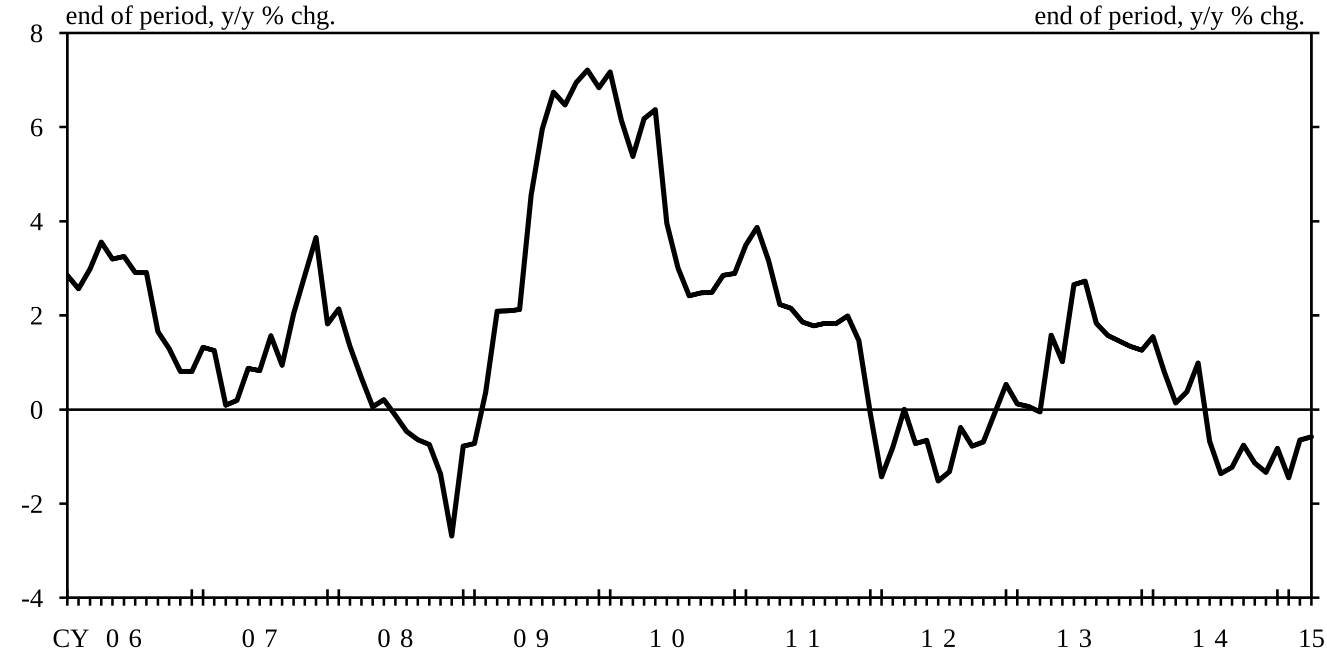
Private-Sector Fund-Raising in the Capital Markets

(1) Amount Outstanding of Commercial Paper



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

(2) Amount Outstanding of Corporate Bonds



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

(1) The sum of straight bonds issued in both domestic and overseas markets is used.

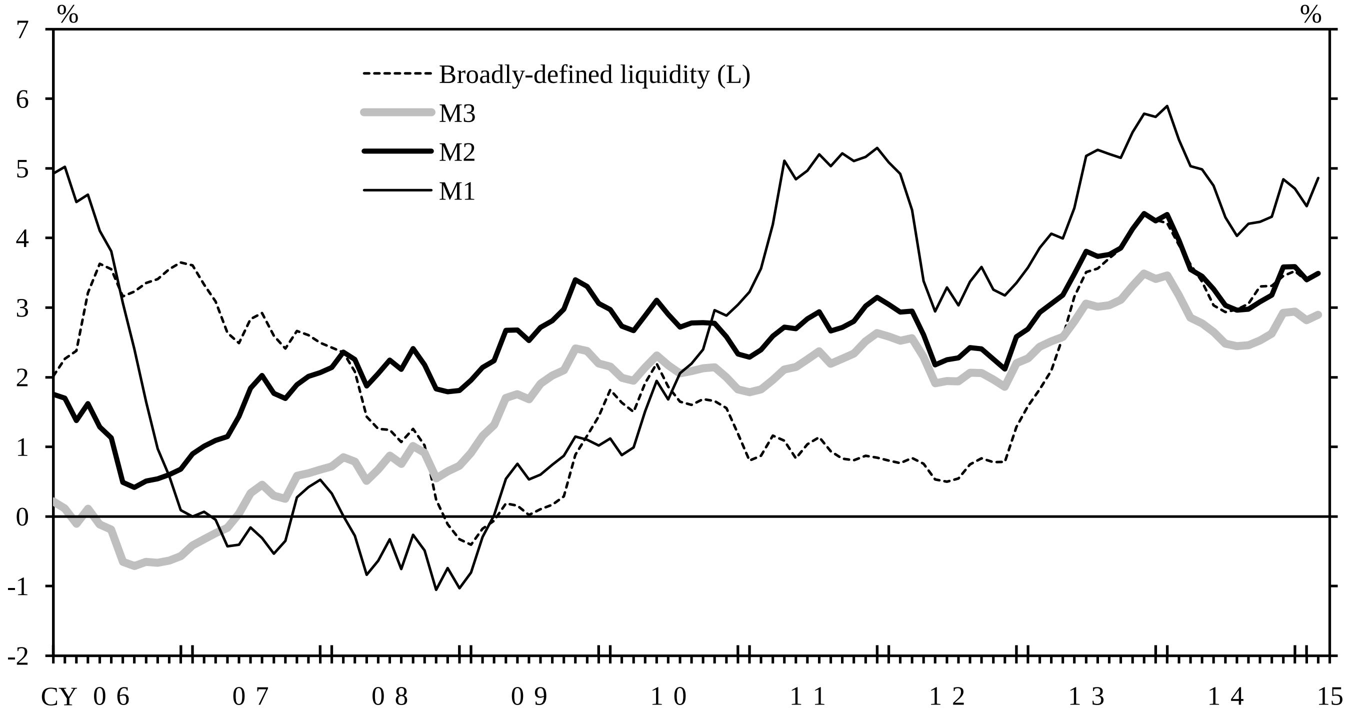
(2) Bonds issued by banks are included.

(3) Domestic bonds are those registered at the book-entry transfer system. The series is spliced at April 2008 with the one published by the Japan Securities Dealers Association.

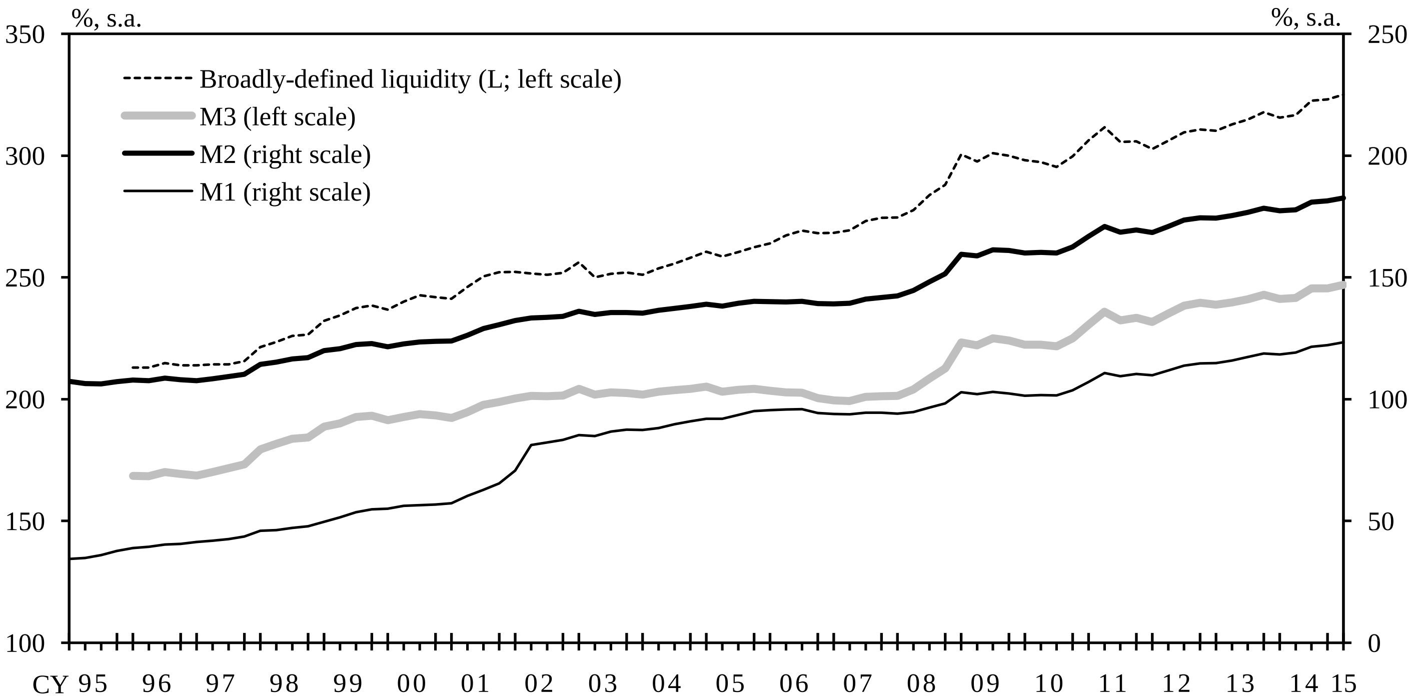
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category";
Bank of Japan, "Principal Figures of Financial Institutions";
Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts of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

Money Stock

(1) Changes from a Year Earlier



(2) Ratio of Money Stock to Nominal GDP

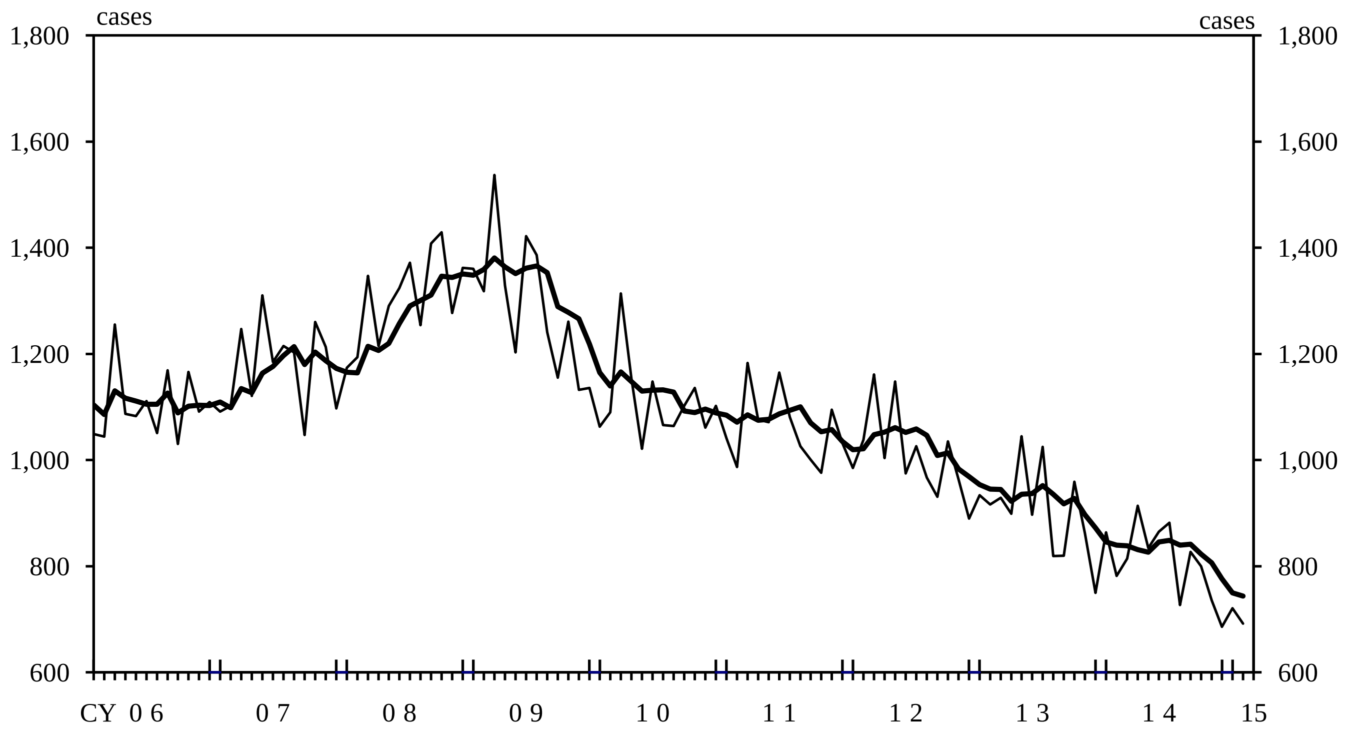


Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.
2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.
3. The figures up to March 2003 are based on the former series.
4. Figures for money stock in 2015/Q1 are those of Jan.-Feb. averages, and nominal GDP in 2015/Q1 is assumed to be unchanged from the previous quarter.

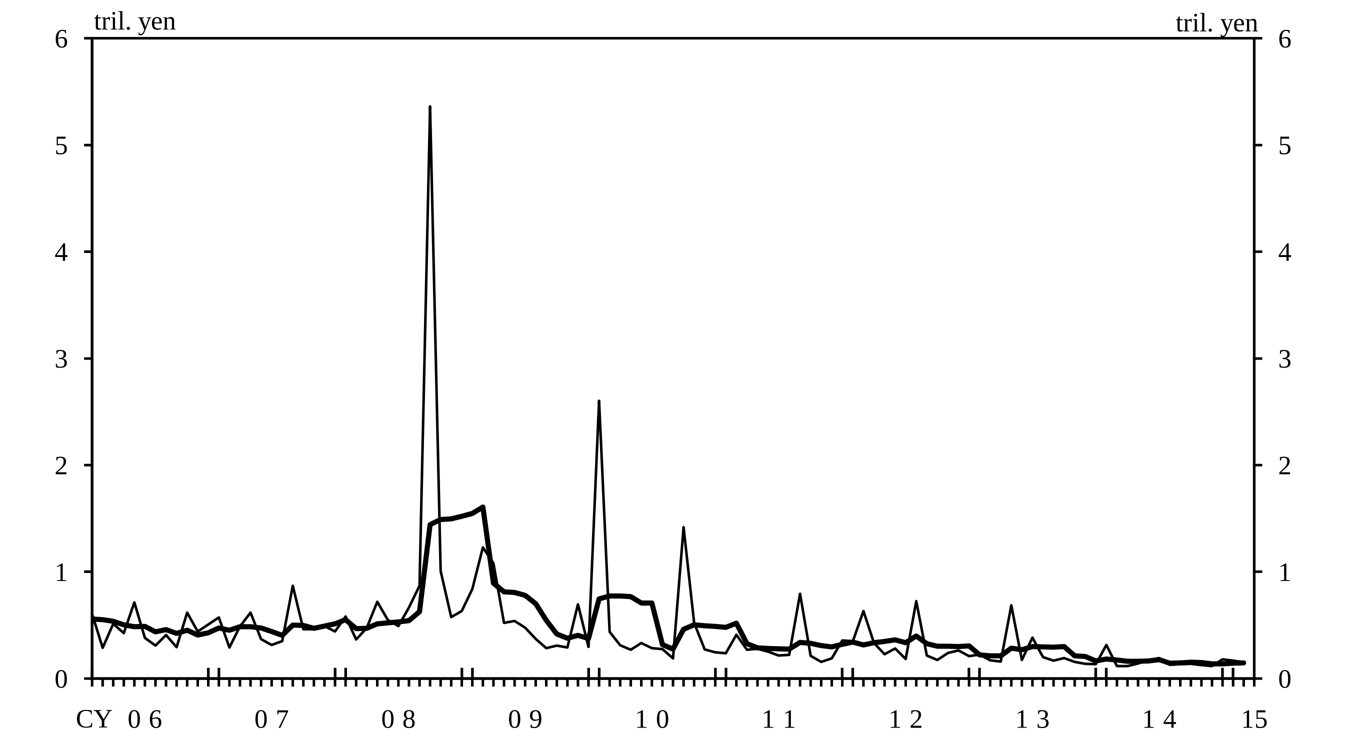
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities

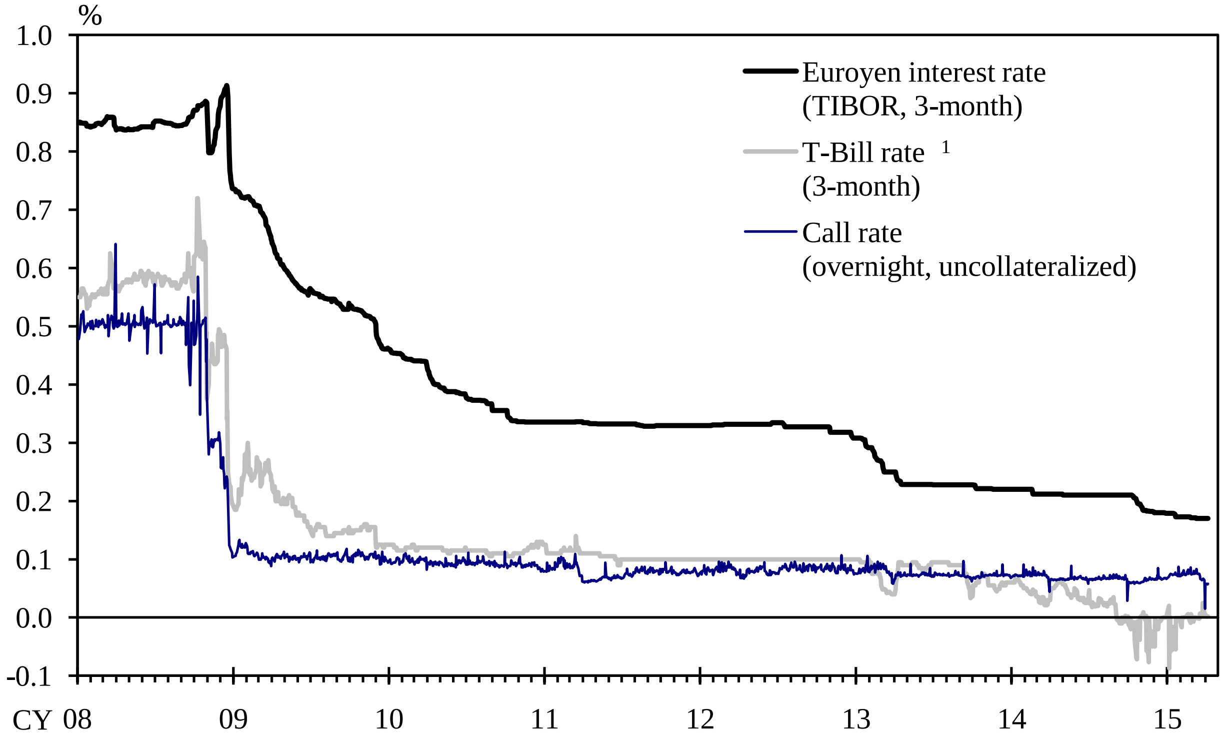


Note: Bold lines are the six-month moving average.

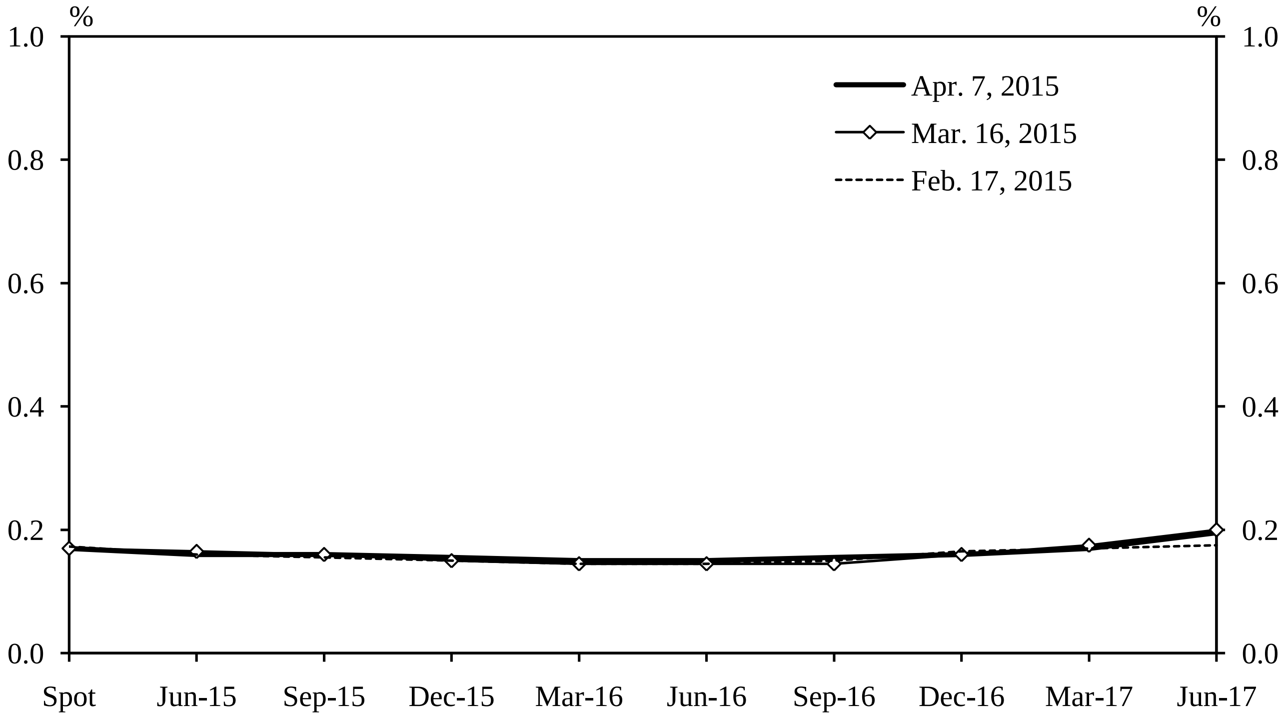
Source: Tokyo Shoko Research Ltd., "*Tosan Geppo* (Monthly review of corporate bankruptcies)."

Short-Term Interest Rates

(1) Short-Term Interest Rates



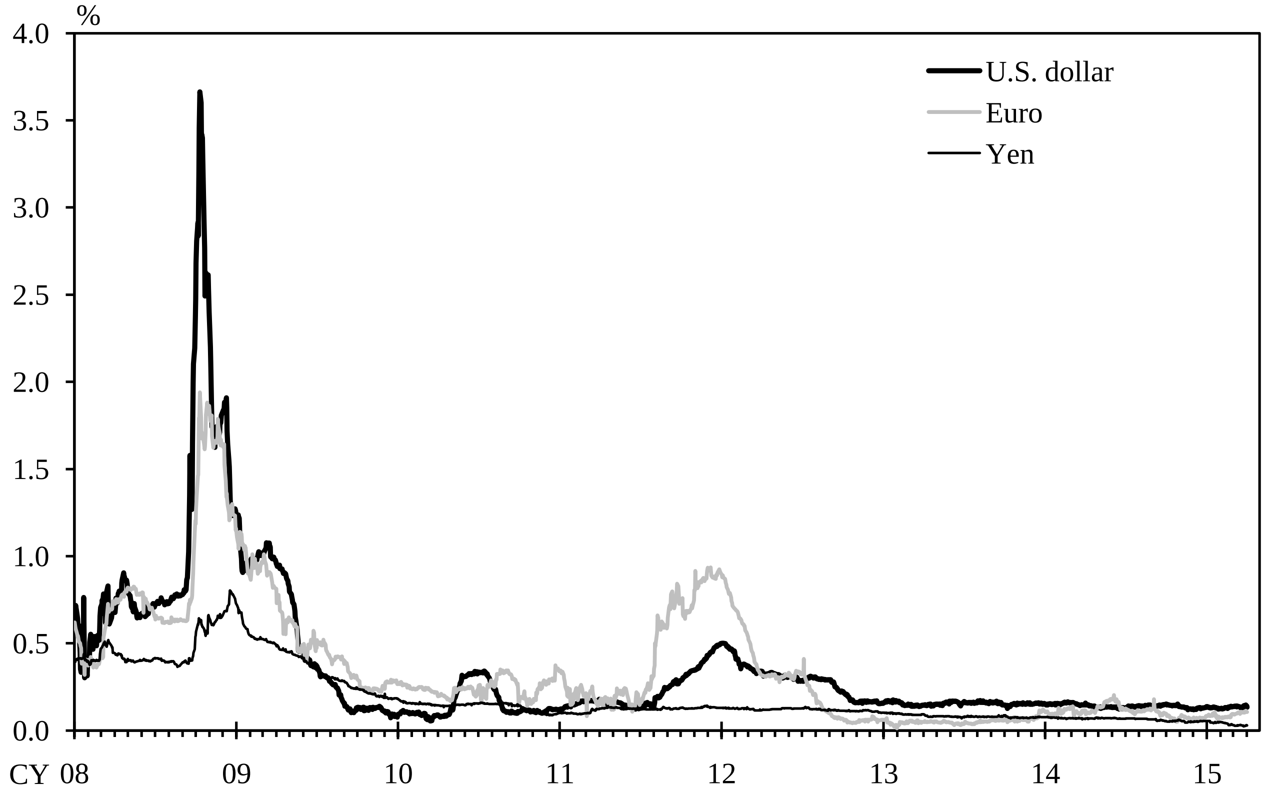
(2) Euroyen Interest Rate Futures (3-Month)



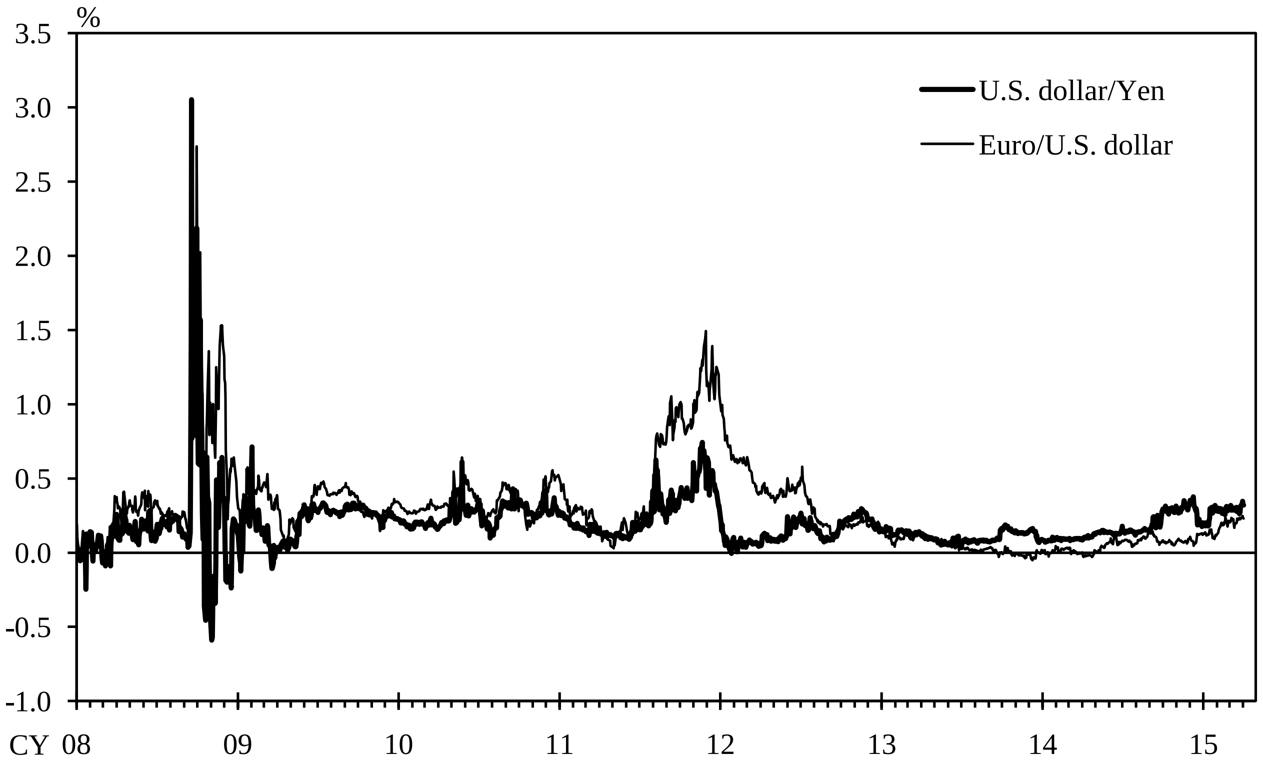
Note: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.
Sources: Japanese Bankers Association; JBA TIBOR Administration; Japan Bond Trading Co., Ltd.; Tokyo Financial Exchange; Bank of Japan.

Global Money Markets

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



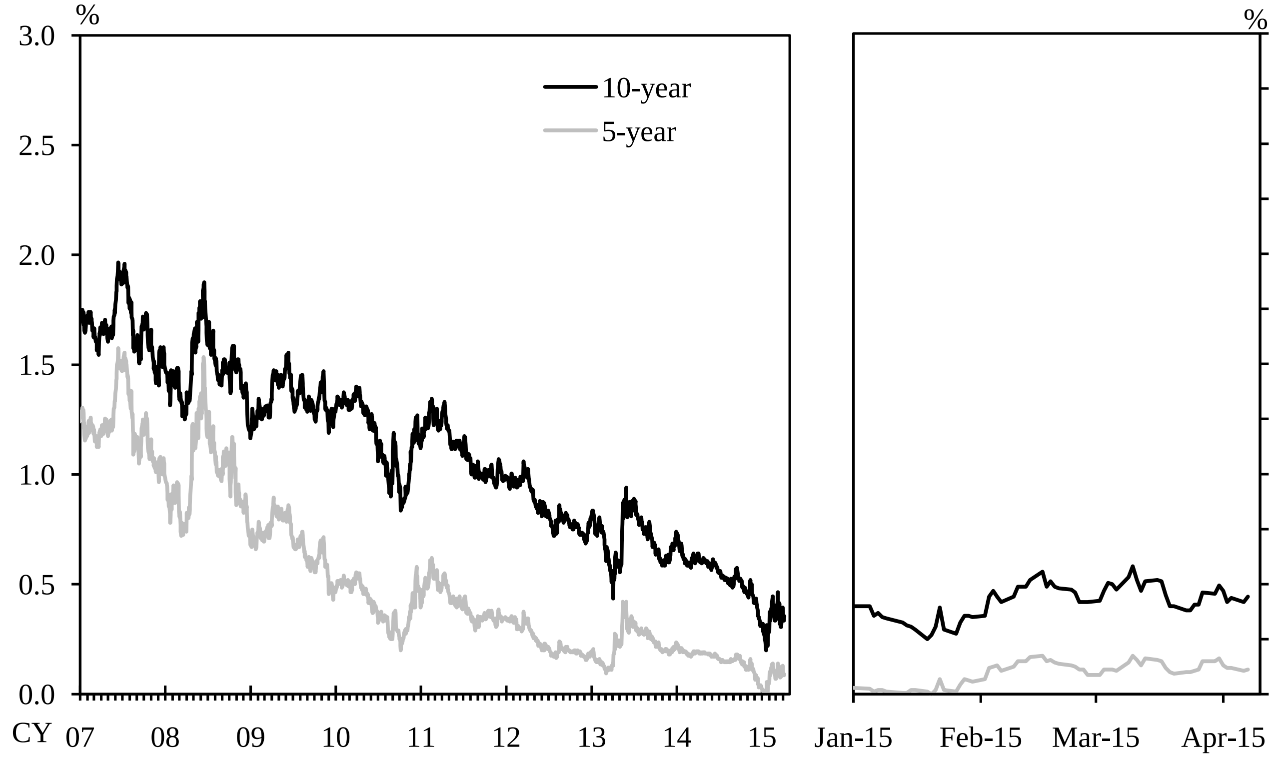
(2) FX swap implied dollar rate - LIBOR spreads (3-Month)



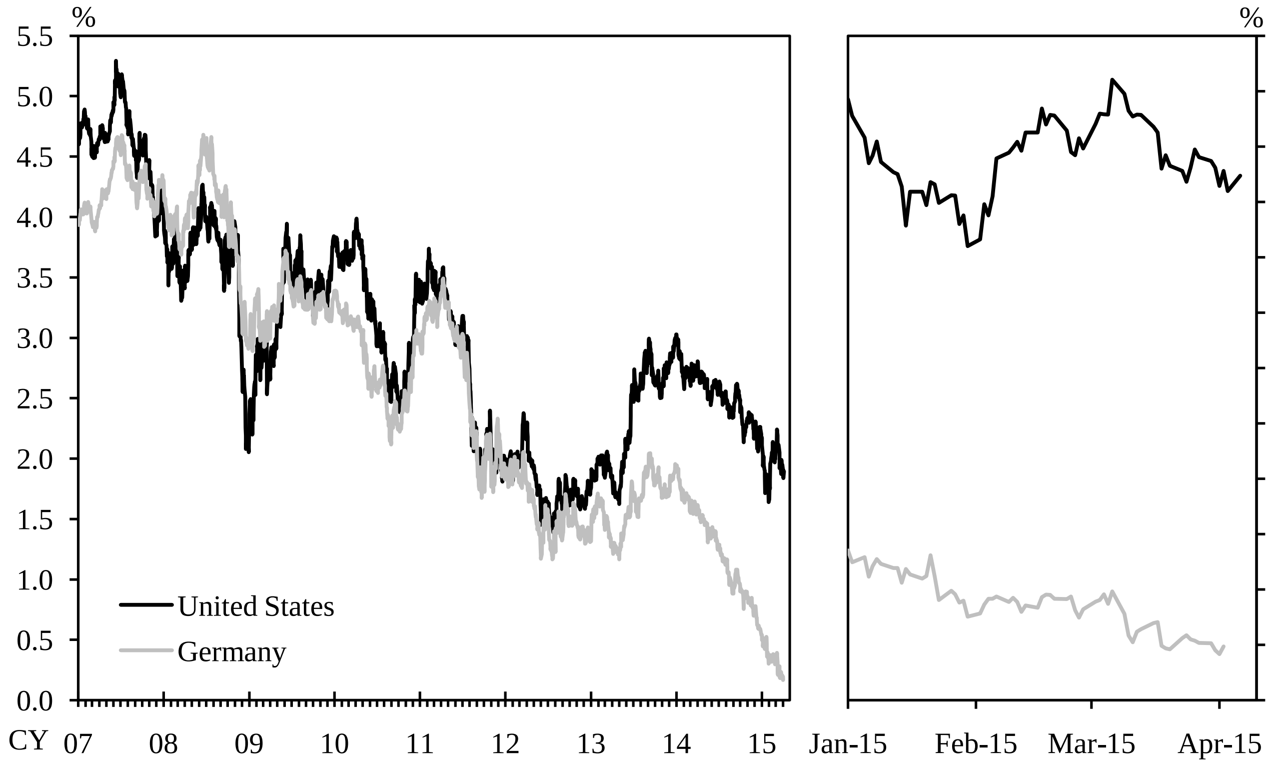
Source: Bloomberg.

Long-Term Interest Rates

(1) Japanese Government Bond Yields[1]



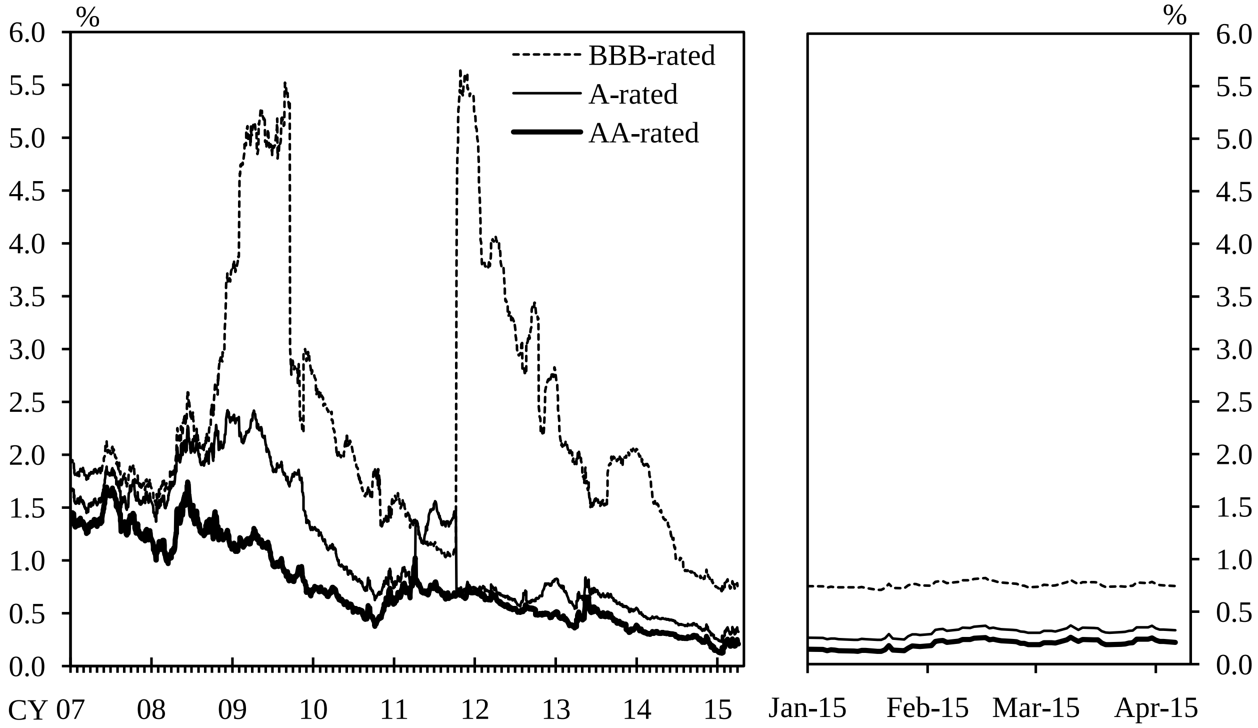
(2) Overseas Government Bond Yields (10-Year)



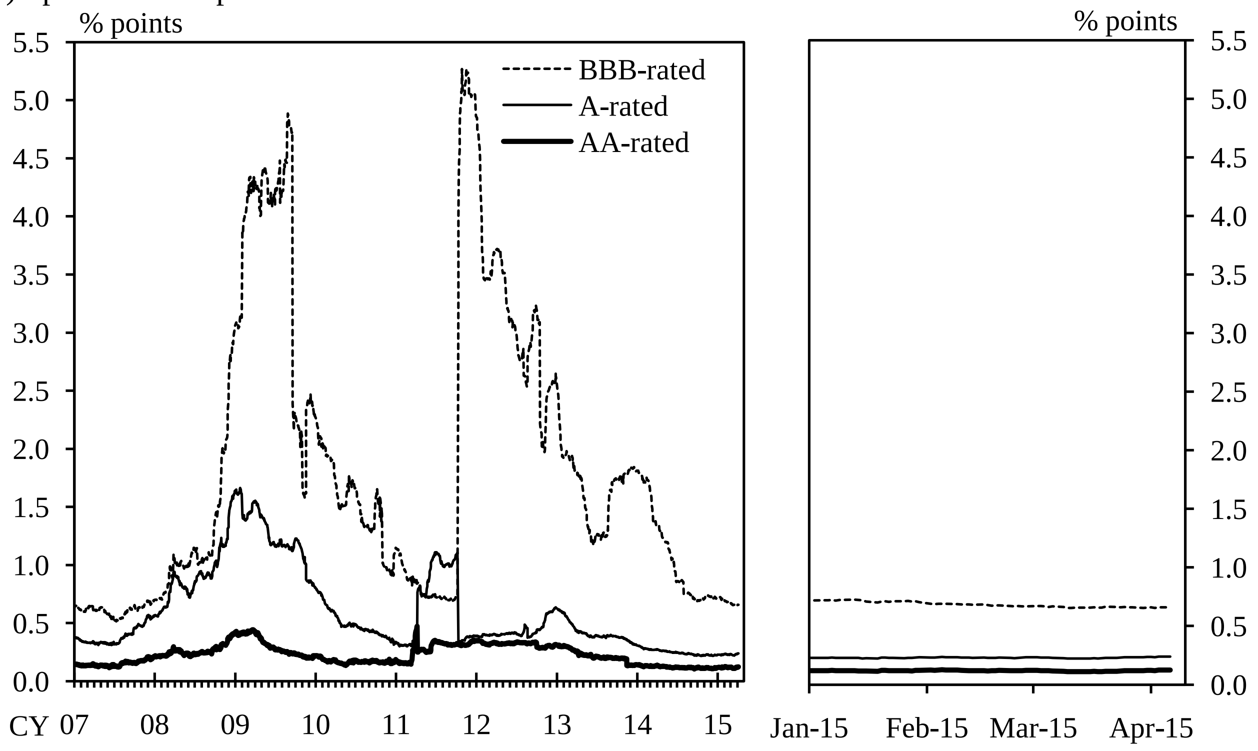
Note: 1. Yields on newly issued bonds.
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

Yields of Corporate Bonds

(1) Corporate Bond Yields[1,2]



(2) Spreads of Corporate Bond Yields over Government Bond Yields[1,2]

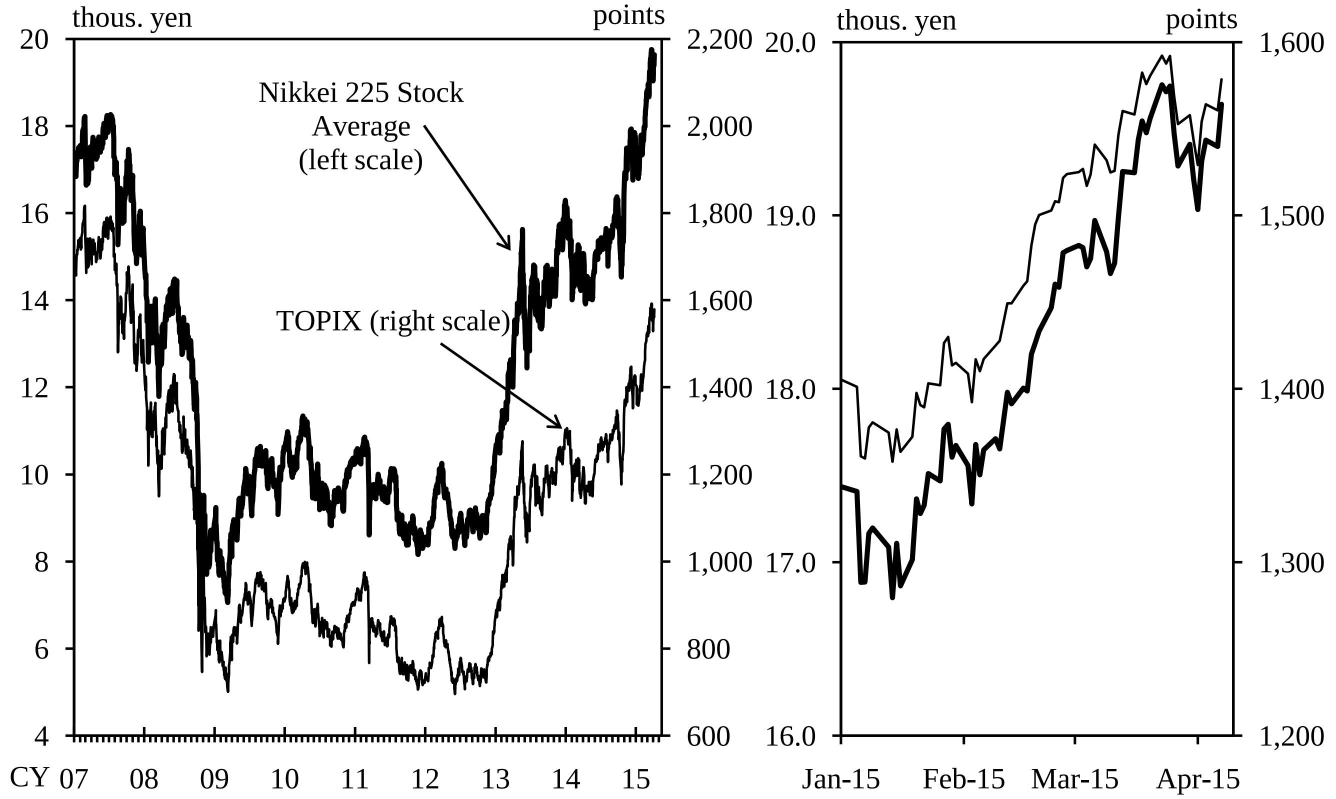


Notes: 1. Yields on bonds with 5-year maturity.
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.
2. The indicated ratings are of Rating and Investment Information, Inc.

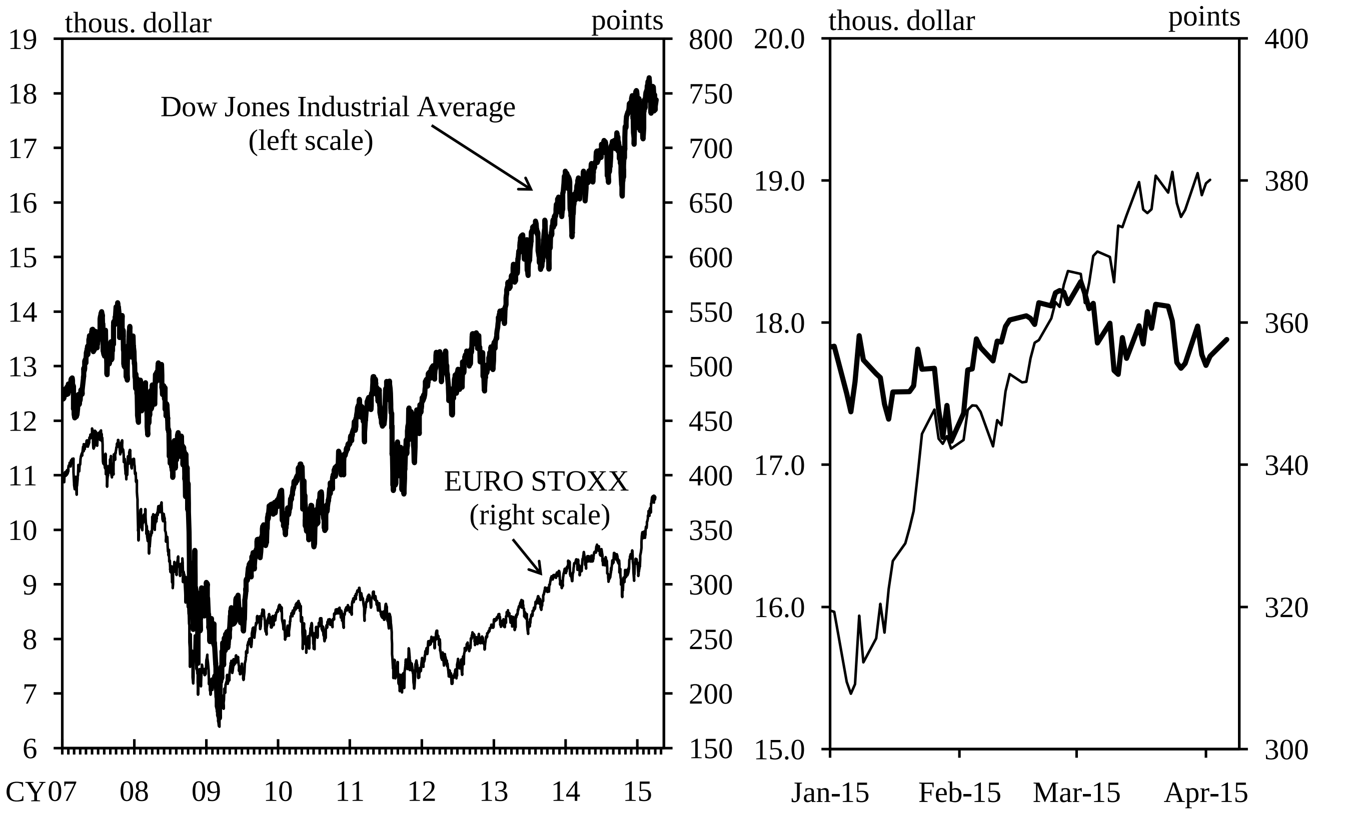
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Japanese Stock Prices



(2) Overseas Stock Prices

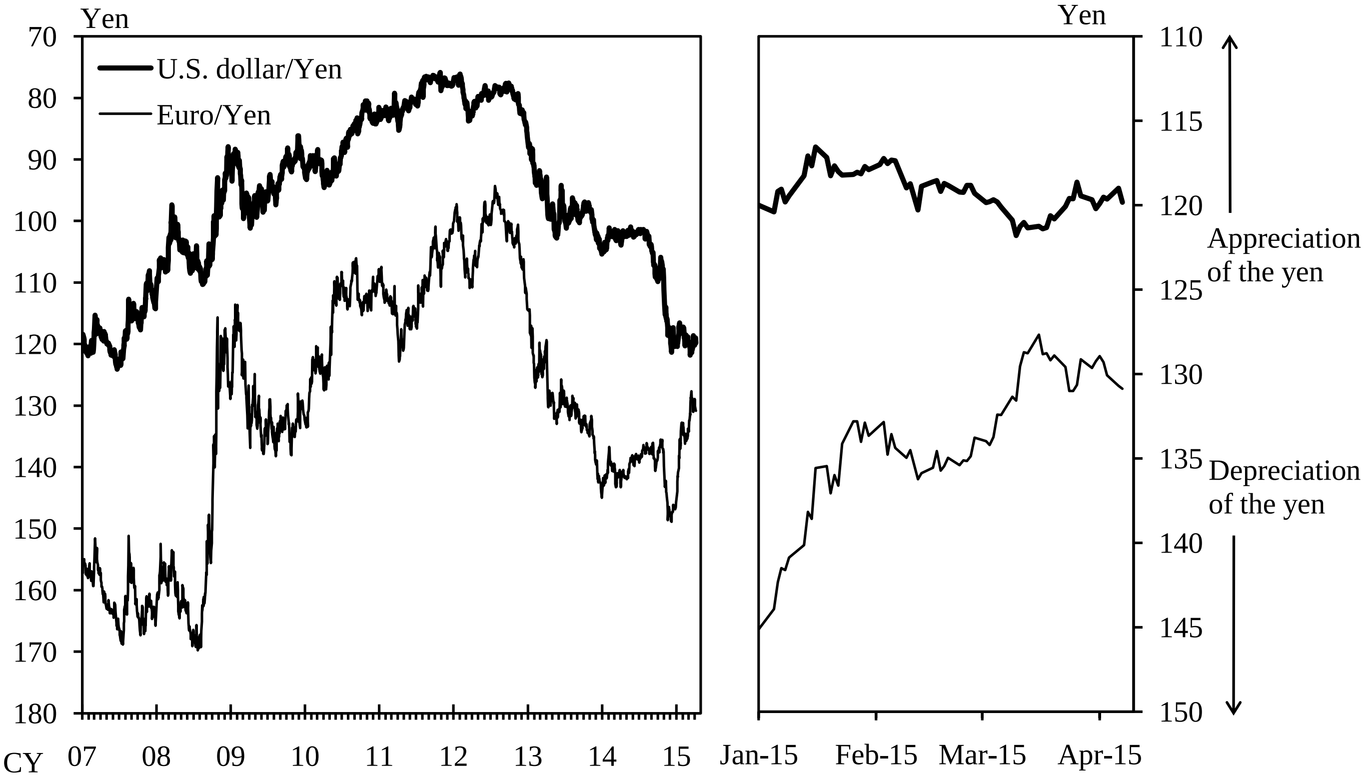


Sources: The *Nihon Keizai Shimbun* ; Tokyo Stock Exchange; Bloomberg.

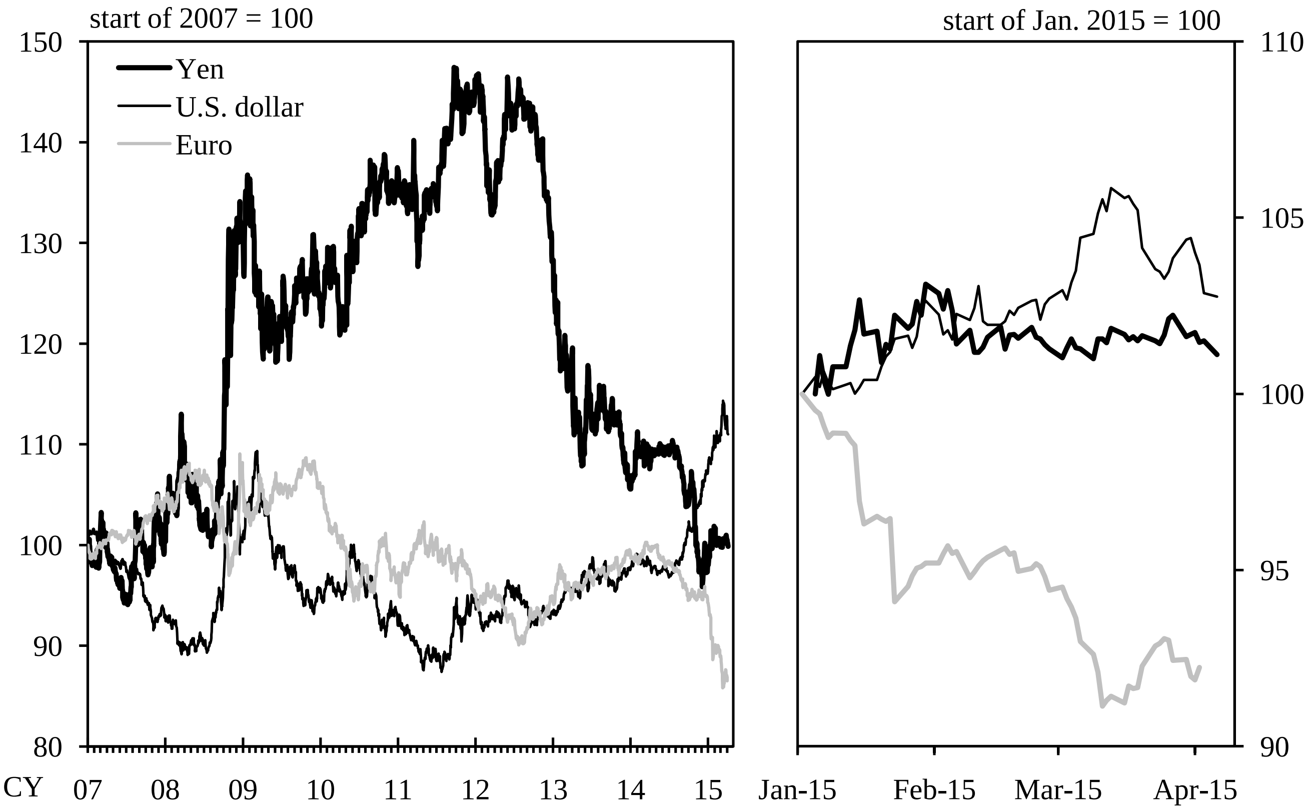
Chart 47

Exchange Rates

(1) Bilateral Exchange Rates



(2) Nominal Effective Exchange Rates



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