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Bank of Japan

Monthly Report of
Recent Economic and Financial Developments
December 2015

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

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Monthly Report of Recent Economic and Financial Developments¹

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Summary

Japan's economy has continued to recover moderately, although exports and production have been affected by the slowdown in emerging economies.

Overseas economies -- mainly advanced economies -- have continued to grow at a moderate pace, despite the slowdown in emerging economies. In this situation, exports have been picking up, although sluggishness remains in some areas. On the domestic demand side, business fixed investment has been on a moderate increasing trend as corporate profits have continued to improve markedly. Against the background of steady improvement in the employment and income situation, private consumption has been resilient and housing investment has been picking up. Public investment has been on a moderate declining trend, although it remains at a high level. Industrial production has continued to be more or less flat. Meanwhile, business sentiment has generally stayed at a favorable level, although somewhat cautious developments have been observed in some areas.

With regard to the outlook, Japan's economy is expected to continue recovering moderately.

Exports are expected to increase moderately, as emerging economies move out of their deceleration phase. As for domestic demand, public investment is expected to continue its moderate declining trend, albeit maintaining a somewhat high level. Business fixed investment is projected to continue increasing moderately as corporate profits follow their marked improving trend. Private consumption is expected to remain resilient with the employment and income situation continuing to improve steadily. Housing investment is projected to continue picking up. Reflecting these developments in demand both at home and abroad, industrial

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on December 17 and 18, 2015.

production is expected to remain more or less flat for the time being, but after that, it is likely to increase moderately.

Meanwhile, risks to the outlook include developments in the emerging and commodity-exporting economies, the prospects regarding the debt problem and the momentum of economic activity and prices in Europe, and the pace of recovery in the U.S. economy.

On the price front, producer prices are declining relative to three months earlier, mainly due to the fall in international commodity prices, and the year-on-year rate of change 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, although some indicators have recently shown relatively weak developments.

With regard to the outlook, producer prices are expected to continue declining for the time being, reflecting movements in international commodity prices, and the year-on-year rate of change 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 in the range of 30-35 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 in the range of 2.0-2.5 percent. The year-on-year rate of change in the amount outstanding of CP and corporate bonds has been negative. Firms' financial

positions have been favorable. Meanwhile, the year-on-year rate of growth in the money stock has been in the range of 3.0-3.5 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. Compared with last month, stock prices have fallen. Meanwhile, the value of the yen against the U.S. dollar and long-term interest rates have remained at more or less the same levels as last month.

1. Economic Developments

Public investment has been on a moderate declining trend, although it remains at a high level. The amount of public construction completed—which reflects the progress of public works—declined in October relative to the third quarter, after having inched downward in the third quarter on a quarter-on-quarter basis (Chart 5). In this situation, public investment on a GDP basis registered a quarter-on-quarter decrease in the third quarter. The value of public works contracted—a measure that reflects public orders—rose slightly in October-November compared with the third quarter, after having dropped markedly in the third quarter.

Public investment is expected to continue its moderate declining trend, albeit maintaining a somewhat high level.

Real exports have been picking up, although sluggishness remains in some areas (Charts 6[1] and 7). Although exports of capital goods have continued to show sluggish movements with the effects of the slowdown in emerging economies, including China, and the commodity-exporting economies in place, exports of IT-related goods have recently picked up; exports of motor vehicles and their related goods have also been firm, mainly in those bound for the United States and Europe.

Looking at movements in exports by region (Chart 7[1]), exports to the United States have moved moderately upward, albeit with some fluctuations, primarily in motor vehicles and their related goods, on the back of favorable U.S. automobile sales. Exports to the EU have continued to rise, chiefly in motor vehicles and their related goods and in capital goods. Exports to China—which had registered quarter-on-quarter decreases for three quarters in a row since the first quarter, as a reflection of the slowdown in the Chinese economy—went up in October-November relative to the third quarter, mainly due to the increase in IT-related parts driven by the introduction of new smartphone products. Exports to NIEs increased in October-November compared with the third quarter, after having declined for two straight quarters in the second and third quarters. Exports to ASEAN have still remained relatively weak, although the level has risen slightly after the somewhat large decline in the second quarter. Meanwhile, exports to Others rose in October-November compared with the third quarter, chiefly in motor vehicles and

their related goods and in capital goods and parts bound for commodity-exporting economies.

By goods (Chart 7[2]), exports of motor vehicles and their related goods exhibited a sizeable increase in October-November relative to the third quarter, after rising firmly in the third quarter on a quarter-on-quarter basis. Exports of IT-related goods—which had continued to decrease since the start of the year—inched upward in October-November compared with the third quarter, due to the effects of the introduction of new smartphone products. Exports of intermediate goods, including chemicals as well as iron and steel products, increased in October-November relative to the third quarter, after being more or less flat in the third quarter on a quarter-on-quarter basis. On the other hand, exports of capital goods and parts have continued to show relatively weak movements, mainly in construction machinery associated with natural resources and machine-tools for working metals, with the effects of the slowdown in emerging and commodity-exporting economies in place.

Real imports have continued their moderate increasing trend mainly as a reflection of movements in domestic demand (Charts 6[1] and 9).

Looking at movements in imports by goods (Chart 9[2]), those of IT-related goods were more or less flat in in October-November compared with the third quarter, after exhibiting a somewhat sharp quarter-on-quarter increase in the third quarter, as a reflection of the increase in imports associated with new smartphone products. Imports of intermediate goods have trended moderately upward since the turn of the year, primarily in chemicals. Imports of capital goods and parts have also continued to pick up as a trend, albeit with some fluctuations, mainly as a reflection of developments in business fixed investment at home. In contrast, imports of consumer goods have recently shown somewhat sluggish movements, mainly due to a decrease in imports of textile products from China. Meanwhile, imports of raw materials and foodstuff have stayed more or less flat, with the fluctuations smoothed out.

Net exports—in terms of the real trade balance—had been on a declining trend, but they have recently begun to pick up, as a reflection of the aforementioned

developments in exports and imports (Chart 6[1]). Looking at movements in the nominal current account balance (Chart 6[2] and [3]), the surplus of the current account balance had narrowed slightly to date, but it has recently shown improvement, due to the aforementioned developments in exports and imports and also due in part to the effects of the decline in crude oil prices.

Regarding the environment surrounding exports, overseas economies—mainly advanced economies—have continued to grow at a moderate pace, despite the slowdown in emerging economies (Chart 8[2]). Looking at movements by major region, the U.S. economy has continued to recover firmly, assisted by the firmness in household spending, although production activity of the industrial production sector has lacked vigor, mainly on the back of the appreciation of the U.S. dollar and the slowdown in emerging economies. The European economy has continued to recover moderately, led by an increase in private consumption. The Chinese economy—with downward pressure from an overhang of production capacities and inventory adjustments in the manufacturing sector—has continued to be in a state of deceleration. Emerging economies apart from China and the commodity-exporting economies have continued their subdued pace of growth in light of the slowdown in the Chinese economy, mainly in countries vulnerable to the decline in commodity prices and geopolitical risks, although the recovery in advanced economies has provided positive impetus. Meanwhile, the real effective exchange rate of the yen has been more or less flat at a depreciated level last recorded in 1973, and it is projected to continue underpinning exports, including those of services such as travel (Chart 8[1]).

Overseas economies, mainly advanced economies, are expected to continue their moderate growth as a trend, although the effects of the slowdown in emerging economies in Asia are likely to remain for the time being. By major region, the U.S. economy is expected to continue its recovery centered on the private sector. The European economy is projected to continue its moderate recovery. The Chinese economy is expected to follow a stable growth path on the whole, as the authorities keep themselves engaged in supporting economic activity. However, the slowdown of the economy will continue to be perceived for the time being, mainly in the manufacturing sector. As for the emerging economies apart from China and the

commodity-exporting economies, their growth rates are expected to climb on the back of the positive effects from the recovery in advanced economies, despite the risk that they will remain sluggish, due partly to the effects of the slowdown in the Chinese economy.

Taking the above into consideration, exports are expected to increase moderately, as emerging economies move out of their deceleration phase. 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. As a reflection of these developments in exports and imports, net exports are projected to gradually resume their moderate improving trend, albeit with fluctuations.

Business fixed investment has been on a moderate increasing trend as corporate profits have continued to improve markedly. According to the *Financial Statements Statistics of Corporations by Industry, Quarterly*, business fixed investment in nominal terms (excluding software investment) had dipped temporarily in the second quarter, after registering a quarter-on-quarter increase for three consecutive quarters until the first quarter, but it has increased markedly again in the third quarter (Chart 10). By industry and company size (Chart 11), business fixed investment has increased for all sectors in the third quarter. The aggregate supply of capital goods—a coincident indicator of machinery investment—on a basis excluding transport equipment has stayed more or less flat (Chart 12[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—had temporarily exhibited a somewhat sharp quarter-on-quarter decline in the third quarter, partly in reaction to the previous increase as a result of orders for large projects, but they have moved significantly upward in October relative to the third quarter (Chart 13[1]). By industry, machinery orders of both manufacturing and nonmanufacturing have increased sharply. Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—have recently been more or less flat, albeit with fluctuations (Chart 13[2]). On the other hand, planned construction expenses have kept trending firmly upward, assisted in part by elevated construction costs as well as by the rise in the unit cost of construction as a

result of the increase in high value-added constructions. Meanwhile, the production capacity DI in the December *Tankan* has continued to show the same rate of net "insufficient capacity" as that of the previous survey for all industries and enterprises. As for the outlook, the DI is also expected to continue its net "insufficient capacity" at around the same rate (Chart 12[2]).

Regarding the environment surrounding business fixed investment, corporate profits have continued to improve markedly. According to the *Financial Statements Statistics of Corporations by Industry, Quarterly*, current profits have continued to improve markedly with the fluctuations smoothed out, despite having fallen back with a quarter-on-quarter decline of 6.3 percent in the third quarter for all industries and company sizes, in response to the sharp increase in the previous quarter. The ratio of current profits to sales has inched downward from the record-high level seen in the previous quarter (5.7 percent), but it has stood at 5.4 percent in the third quarter, maintaining a considerably high level (Chart 10[2]). Looking at movements by industry and company size, the ratio of current profits to sales for large manufacturing firms has continued to improve markedly, supported by the decline in crude oil prices and movements in foreign exchange rates. The ratio for medium-sized and small manufacturing firms has recently been more or less flat, due partly to the effects of increased materials prices as a reflection of movements in foreign exchange rates. As for nonmanufacturing, improvement has recently become evident for large as well as medium-sized and small firms, assisted by the decline in crude oil prices. Meanwhile, business sentiment has generally stayed at a favorable level, on the back of improvement in corporate profits and firmness in domestic private demand supported by the decline in crude oil prices and movements in foreign exchange rates, although somewhat cautious developments have been observed in some areas. The business conditions DI for all industries and enterprises in the December *Tankan* improved marginally from the previous survey. By industry and size (Chart 15), the DI for large manufacturing firms remained unchanged from the previous survey. Taking a closer look, the DIs for industries—such as electrical machinery, production machinery, and nonferrous metals—have shown cautiousness, affected by the slowdown in emerging economies and the decline in commodity prices. In contrast, the DIs for general-purpose machinery and business oriented machinery have improved marginally, as a reflection of strengthened momentum in domestic business

fixed investment; the DIs for chemicals and iron & steel have improved as well, assisted partly by the upturn in the terms of trade in response to the decline in commodity prices. The DI for small manufacturing firms has also stayed intact from the previous survey. As for the outlook, the DIs for both large and small firms expect a deterioration, chiefly in chemicals, iron & steel, and production machinery, as the effects of uncertainty surrounding emerging economies, including China, remain in place. Looking at nonmanufacturing, the business conditions DI of large firms remained unchanged from the previous survey, when it recorded a high level last seen in November 1991. Looking in detail, the DIs for retailing and services for individuals have deteriorated marginally, affected by irregular weather in November, despite having maintained a high level, mainly on the back of the firmness in demand from foreign visitors to Japan. On the other hand, the DI for transport & postal activities has improved marginally with the positive effects from the decline in crude oil prices; the DIs for construction and information services have also improved, as a reflection of movements in business fixed investment at home. The DI for small nonmanufacturing firms has improved marginally as a whole, as the positive effects stemming from the decline in crude oil prices as well as increased demand from foreign visitors to Japan seen in large firms have expanded to small firms with some time lag. As for the outlook, the DI expects a somewhat sizeable deterioration, regardless of company size, in view of uncertainty surrounding developments in demand from foreign visitors to Japan, and of a growing labor shortage mainly among small firms.

As for the outlook, corporate profits are expected to continue their marked improving trend, supported by the increase in domestic 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 December *Tankan*, the year-on-year growth of current profits (all industries and enterprises) for fiscal 2015 is forecasted to increase by 5.4 percent, an upward revision of 2.0 percent from the previous survey. Solid profit increases were forecasted, supported mainly by improvement in the terms of trade as a result of the decline in crude oil prices, positive effects from foreign exchange rate movements, and firmness in exports to advanced economies.

Taking the above into consideration, business fixed investment is projected to continue increasing moderately as corporate profits follow their marked improving trend. According to business fixed investment plans for all industries and enterprises in the December *Tankan*, the year-on-year growth of fixed investment (excluding software investment and including land purchasing expenses) for fiscal 2015 was revised upward from the previous survey, and forecasted to be somewhat high with an increase of 7.8 percent. By industry and size (Chart 16), as for large firms, while plans of manufacturing showed a somewhat sizeable downward revision for this time of year, although they retained high growth, those of nonmanufacturing were revised firmly upward from the previous survey; as a whole, all industries retained their solid plans with an increase of 10.8 percent, roughly unchanged from the previous survey. As for small firms, although the rate of upward revision in manufacturing from the previous survey was relatively small, the year-on-year growth of fixed investment was revised firmly upward for all industries, with nonmanufacturing included. As a result, business fixed investment plans for small firms of all industries declined by 0.2 percent as of December. On a "software and fixed investment excluding land purchasing expenses" basis of all industries including financial institutions—a concept close to that of GDP—business fixed investment plans for fiscal 2015 were revised upward from the previous survey by 0.2 percent to a year-on-year increase of 8.6 percent, showing a solid plan for this time of year and last seen in fiscal 2006 (an increase of 10.6 percent).

Private consumption has been resilient against the background of steady improvement in the employment and income situation (Chart 17). Consumption of goods—as seen through sales at retail stores in real terms (Chart 18[1])—turned upward in the third quarter, partly in response to the slight decrease in the second quarter on a quarter-on-quarter basis; it also increased steadily in October compared with the third quarter. Meanwhile, looking at consumption of durable consumer goods (Chart 18[2]), the number of new passenger-car registrations has trended moderately upward of late, supported in part by the introduction of new small cars. On a basis excluding small cars, it has continued to be more or less flat with the fluctuations smoothed out. Sales of household electrical appliances in real terms continued to decline in October compared with the third quarter, mainly due to lackluster sales of PCs and air conditioners, after declining for two straight quarters in

the second and third quarters. Sales at department stores went up in October as well relative to the third quarter, chiefly in apparel and accessories, after registering a quarter-on-quarter increase in the third quarter in response to the dip in the previous quarter (Chart 19[1]). Sales at supermarkets increased in October compared with the third quarter, notably in food and beverages, following quarter-on-quarter increases for three quarters in a row until the third quarter. Sales at convenience stores have continued to show their moderate increasing trend. Meanwhile, as for consumption of services (Chart 19[2]), outlays for travel have remained firm in domestic travel, although those in overseas travel have trended downward, affected by movements in foreign exchange rates as well as in part by concern over the situation overseas including terrorism. Sales in the food service industry have recently increased at a solid pace.

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 18[1])—which is compiled so as to make it similar to items used for estimating GDP—registered a sizeable decline in October relative to the third quarter, after having moved slightly upward in the third quarter on a quarter-on-quarter basis.

Looking at indicators related to consumer confidence, the consumer confidence index has continued its moderate improving trend, albeit with fluctuations; November posted a level last seen before the consumption tax hike in November 2013 (Chart 20).

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

Housing investment has been picking up. The number of housing starts—a leading indicator of housing investment—has been picking up since the start of the year onward, mainly in housing for rent, albeit with fluctuations (Chart 21[1]).

Housing investment is projected to continue picking up with the employment and income situation continuing to improve steadily, also supported by accommodative financial conditions.

Industrial production has continued to be more or less flat, due mainly to the effects of the slowdown in emerging economies and due partly to inventory adjustments (Chart 22). Firms' production activity has recently been more or less flat, due in part to the prolonged inventory adjustments of small cars and other goods at home, while the effects of the slowdown in emerging economies remain in place. Lately, however, it has started to show some signs of picking up, with increased IT-related production, on the back of the introduction of new smartphone products and with production of transport equipment affected by a rise in shipments to the United States and Europe and by moves among firms to shift production bases back home. Looking at quarterly movements by industry, production of transport equipment has declined for two consecutive quarters since the second quarter, mainly due to inventory adjustments of small cars and to the sluggishness in exports bound for Asia, but it registered a sizeable increase in October relative to the third quarter, supported mainly by increased exports to the United States and Europe. Production of iron and steel—which had continued to decline markedly, against the background of the spillover of the production cutbacks in small cars and the deterioration of supply and demand conditions in Asia as well as of inventory adjustments in line with these movements—has recently begun to bottom out. Production of electronic parts and devices has moved noticeably upward of late, chiefly in parts for new smartphone products. Production of general-purpose, production and business oriented machinery has continued to show relatively weak movements as a whole, due in part to inventory adjustments, while the effects of the slowdown in emerging economies, including China, remain in place. Meanwhile, production of chemicals has been on a moderate increasing trend, as domestic shipments of daily necessities, including those for foreign visitors to Japan, have been firm.

Shipments in October registered a relatively larger increase than production compared with the third quarter, following quarter-on-quarter decreases for two consecutive quarters in the second and third quarters (Chart 22[1]). By goods, shipments of non-durable consumer goods have been increasing moderately, mainly

in food and beverage and in those for household use, on the back of resilient private consumption and increased sales to foreign visitors to Japan. Shipments of durable consumer goods have recently shown a pick-up, on the back of the increase in exports of passenger cars to the United States and Europe. Shipments of capital goods have continued to be more or less flat, with the fluctuations smoothed out, as the effects of the slowdown in emerging economies remain in place. Shipments of construction goods have also been more or less flat, with the fluctuations smoothed out, as movements were mixed with the pick-up in housing investment on the one hand, and the decline in public investment on the other. Meanwhile, shipments of producer goods have recently moved moderately upward, mainly in parts for new smartphone products and motor vehicles.

Inventories have still stayed at a somewhat high level, although they have been decreasing moderately as shipments have been showing stronger movements than production (Chart 22[1]). Movements show that inventories—which had been increasing for six straight quarters until June on a quarter-on-quarter basis—declined in October compared with September, after the fall in September compared with June. The level, however, has still remained somewhat high, chiefly in some capital goods and small cars. By goods, inventories of capital goods—which had piled up sharply toward the summer—have recently turned marginally downward, though still at a high level, mainly in engineering and construction machinery. Inventories of consumer goods have been on a moderate downtrend as a whole, although those of small cars and other goods have remained high; inventories of construction goods have also trended downward. Meanwhile, inventories of production goods have been more or less flat. The shipment-inventory balance (year-on-year rate of change in shipments less that in inventories) has continued to be on a moderate improving trend, and growth in inventories has recently been more or less balanced with that in shipments (Chart 23[2]). By goods, growth in inventories of capital goods has significantly outpaced that in shipments. On the other hand, the shipment-inventory balance of consumer goods and that of construction goods have recently improved; their growth in inventories has been below that in shipments. Meanwhile, growth in inventories of producer goods has basically been in balance with that in shipments.

Industrial production is expected to remain more or less flat for the time being, but after that, it is likely to increase moderately, as emerging economies move out of their deceleration phase and as inventory adjustments progress. Based on anecdotes by firms and on other information, industrial production in the fourth quarter is expected to turn moderately upward on a quarter-on-quarter basis. By industry, production of transport equipment is expected to increase for the first time in three quarters, assisted in part by moves among firms to shift production bases back home and by the effects of the introduction of new models to the domestic market. Production of electronic parts and devices is expected to turn upward, primarily in parts for new smartphone products. On the other hand, production of general-purpose, production and business oriented machinery is expected to decline for the third straight quarter, albeit at a slower pace, due to the decline in metal cutting machinery and other machinery bound for China and also partly to the reactionary decline from the front-loaded increase in engineering and construction machinery driven by the tightening of motor vehicle emission control. As for the first quarter next year, notwithstanding large uncertainty, industrial production is forecasted to increase firmly on a quarter-on-quarter basis, mainly in motor vehicles and their related goods. By industry, production of transport equipment is expected to move noticeably upward for two quarters in a row, assisted mainly by the effects of the introduction of new models. Triggered by this movement, production of goods related to motor vehicles is expected to rise across a wide-range of industries, including iron and steel, chemicals, and fabricated metals. Production of general-purpose, production and business oriented machinery is also expected to turn upward for the first time in four quarters, notably in motor vehicles and their related goods and for business fixed investment at home. On the contrary, production of electronic parts and devices is expected to turn marginally downward, since production of parts for new smartphone products has paused.

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 has continued a moderate improving trend, with the fluctuations smoothed out; it

stood at 3.1 percent in October, a low level last seen in July 1995 (Chart 24). New job openings have continued to trend upward, albeit with fluctuations, since the fourth quarter last year. Amid these developments, the ratio of new job openings has also continued its clear uptrend, and it has been at a high level since July, moving in the range of 1.8-1.9 percent. The active job openings-to-applicants ratio has also continued to improve steadily; it recorded a high level in October—last seen in January 1992—following that in September. Non-scheduled hours worked have continued to be more or less flat. Looking at the employment conditions DI in the December *Tankan*, a perception of labor shortage has continued to strengthen steadily for all industries and enterprises, and the net "insufficient employment" is expected to expand in the future (Chart 25). By industry, both manufacturing and nonmanufacturing have basically shown similar movements.

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 27[1]). The number of regular employees in the *Monthly Labour Survey* has continued to register somewhat high growth at about 2 percent.

Total cash earnings per employee have risen moderately, disregarding special cash earnings (Chart 27[2]).² Taking a somewhat closer look, the year-on-year rate of increase in scheduled cash earnings has expanded at a moderate pace as a whole since the rate of increase in scheduled cash earnings of full-time employees has accelerated at a moderate pace, mainly due to the effects of the rise in base wages, with the effects of downward pressure on earnings stemming from the increase in the ratio of part-time workers tending to wane moderately (Chart 26[3]). Non-scheduled cash earnings have also been increasing markedly since July onward on a year-on-year basis. Special cash earnings have continued to show large fluctuations; they showed sizeable increases in September and October—though bonuses are not

² In the *Monthly Labour Survey*, samples for establishments with 30 or more employees—subject to replacement every few years—were replaced 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.

paid during these months—after registering a somewhat large year-on-year decline in the June-August period that covers summer bonuses.³ Meanwhile, hourly cash earnings have continued a moderate improving trend, disregarding the effects of summer bonuses. The year-on-year rate of increase in hourly cash earnings of part-time employees, in particular, has recently expanded at a moderate pace; they have recently been registering a year-on-year increase of slightly below 2 percent, assisted in part by the increase in the minimum wage.

Employee income has risen moderately, albeit with fluctuations, as a reflection of the aforementioned developments in employment and wages (Chart 27[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—which had been more or less flat, after declining significantly toward the summer—have recently been declining again (Chart 29[1] and [3]). Prices of crude oil have been declining, due to downward pressure stemming from (i) the effects of the slowdown in emerging economies, (ii) elevated shale oil production, (iii) the outlook over a possible expansion in crude oil exports from Iran in line with the lifting of economic sanctions, and (iv) the appreciation of the U.S. dollar, and also partly due to the result of the Organization of the Petroleum Exporting Countries (OPEC) meeting to postpone production cutbacks of late. Prices of nonferrous metals have shown movements similar to those of crude oil. On the other hand, prices of grains have recently been more or less flat.

Import prices (on a yen basis) have been declining relative to three months earlier, as a reflection of movements in international commodity prices and foreign exchange rates (Chart 29[2]).

³ The year-on-year rate of decline in special cash earnings paid in June-August was significant for establishments with 30 or more employees whose samples were replaced in January this year.

Producer prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter) are declining relative to three months earlier, mainly due to the fall in international commodity prices (Chart 30[2]).⁴ Looking in detail at producer price movements, the rate of change in prices of "goods sensitive to exchange rates and overseas commodity prices" has continued to be negative, as a reflection of the decline in petroleum & coal products and in nonferrous metals. Prices of "other materials" have continued to decline, in response to the weakness in chemicals & related products on the back of the deterioration in supply and demand conditions in Asia. Prices of "iron & steel and construction goods" have also continued to decline at a faster pace, due mainly to the decline in scrap & waste and in iron & steel as a result of the deterioration in supply and demand conditions in Asia. Prices of "electric power, gas & water" have continued to fall, albeit at a subdued pace, due to adjustments in prices of fuel surcharges for electric power and gas in response to the decline in crude oil prices. Prices of "machinery" have recently been somewhat weak. Meanwhile, prices of "others" have somewhat narrowed their rate of increase, since the rise in prepared & processed foodstuffs paused in November.

The year-on-year rate of increase in services producer prices (excluding international transportation; year-on-year basis, same hereafter) has been moving at around 0.5 percent (Chart 31). Looking in detail at recent services producer price movements on a year-on-year basis, the rate of increase in prices related to "selling, general and administrative expenses" has continued a moderate expanding trend as a whole since (i) temporary employment agency services has continued to rise on the back of tightening supply and demand conditions in the labor market and (ii) hotel services has risen markedly at an accelerated pace, due to the firmness in demand from sightseeing and businesses, although advertising services has continued to be virtually flat with the fluctuations smoothed out. The rate of increase in prices of "real estate services," including office space rental, has been expanding at a moderate pace, albeit with fluctuations. On the other hand, prices related to "fixed investment" have recently reduced their pace of increase, as a reflection of the somewhat weak movement in leasing and rental. Prices of "others" have reduced

⁴ 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.

their pace of increase as a whole, in response to the narrowing rate of increase in finance and insurance (financial services, etc.). Meanwhile, the rate of change in prices of "domestic transportation" has been registering a slight positive, due mainly to the rise in overland freight transportation.

The year-on-year rate of change in consumer prices (all items less fresh food; year-on-year basis, same hereafter) is about 0 percent (Chart 32[1]). Consumer prices for October, on an all items less fresh food basis, registered negative 0.1 percent for the third straight month since August. In contrast, on an all items less fresh food and energy basis (Chart 33[2]), the year-on-year rate of increase has continued to expand steadily as a trend, after bottoming in January-February, and it stood at positive 1.2 percent in October, on par with the previous month. Regarded as a method for capturing trend changes, the year-on-year rate of increase in the trimmed mean has recently been around 0.5 percent, albeit with some fluctuations (Chart 33[1]).⁵ Meanwhile, the indicator—showing the difference between the share of items in the consumer price index for which prices have risen compared to the previous year and that for which prices have declined—has continued to trend upward (Chart 33[3]). Although having moved slightly downward in October from the previous month, due mainly to the drop in some goods related to daily necessities, it has kept moving markedly above the recent peak (October 2008).

Looking at the recent year-on-year rate of change in consumer prices, prices for goods (excluding agricultural, aquatic & livestock products) have continued to improve steadily, with the exception of petroleum products. Looking in detail, the rate of increase in prices of food products has continued to be on an expanding trend due to the resilience in private consumption, since movements of price increases have continued to be seen across a broad range of items on the back of cost increases as a result of movements in foreign exchange rates. Prices of durable goods have also continued to rise at a noticeably faster pace as a trend, driven by movements to raise prices of TV sets and other goods. Prices of clothes have also recently shown somewhat strong movements, albeit with fluctuations. On the other hand, prices of other goods—which had tended to increase at an accelerated pace since early spring

⁵ 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.

and onward—have reduced their pace of increase lately. The rate of change in prices of petroleum products has been negative, as a reflection of movements in crude oil prices. Meanwhile, prices of agricultural, aquatic & livestock products have seen their rate of increase expand markedly in October.

Prices of general services have expanded their rate of increase at a moderate pace; they have recently stood at around 0.5 percent. Looking in detail, the rate of increase in prices of meals outside the home has continued to be somewhat high, due partly to price increases on the back of elevated materials prices and wage increases. Prices of other services have also expanded their rate of increase at a moderate pace as a trend, on the back of increases in prices such as of hotel charges and services related to domestic duties, but in October, they narrowed their rate of increase marginally as a whole, since prices of package tours to overseas fell back in response to the long consecutive holidays and prices of mobile telephone charges declined as a result of the introduction of new products. In this situation, prices of other services have slightly narrowed their rate of increase. Meanwhile, prices of rent—which account for a large share of general services—have continued to decline slightly, although the rate of decline has narrowed marginally since September.

Fees for public services have continued to decline at a faster pace as a whole. With electricity prices and gas prices expanding their rate of decline as a trend, due to lowered prices as a result of the Fuel Cost Adjustment System, price declines in automotive insurance premium in October have also added downward impetus to these fees.

With regard to domestic supply and demand conditions in the December *Tankan* (Chart 34), the domestic supply and demand conditions DI for products and services, on the whole, has remained more or less flat after having improved toward early last year, although the DIs of large and small firms have shown some dispersion. The weighted average of the production capacity DI and employment conditions DI has continued to expand its net "insufficient" as a trend at a steady pace and is projected to maintain a similar trend in the future. Meanwhile, the output prices DI has recently weakened for both large and small manufacturing firms, affected by the

decline in commodity prices, although the DI for both large and small nonmanufacturing firms has stayed more or less flat.⁶

With regard to the outlook, producer prices are expected to continue declining for the time being, reflecting movements in international commodity prices, and the year-on-year rate of change 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, although some indicators have recently shown relatively weak developments (Chart 35).

Looking at developments in land prices through the *Urban Land Price Index* (Chart 36), the rate of increase in the six large city areas relative to six months earlier has continued to expand very moderately for commercial land; it stood at around 2.5 percent at the end of September. On the other hand, the rate of change in the six large city areas for residential land has remained positive at around 0.5 percent. Excluding the six large city areas, the rate of decline has tended to narrow moderately for both commercial and residential land.

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 in the range of 30-35 percent (Chart 37).

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 39).

⁶ With the rate of decline in the change in input prices DI having outpaced that in the change in output prices DI for all industries and sizes, business profits appear to have improved, mainly on the back of the decline in crude oil prices.

With regard to credit supply, firms have continued to see financial institutions' lending attitudes as being on an improving trend (Chart 38). 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 in the range of 2.0-2.5 percent, mainly in demand for working capital and funds related to mergers and acquisitions (Chart 40). The year-on-year rate of change in the amount outstanding of CP and corporate bonds has been negative (Chart 41).

Firms' financial positions have been favorable (Chart 38). The number of corporate bankruptcies has remained at a low level (Chart 43).

Meanwhile, the year-on-year rate of growth in the money stock (M2) has been in the range of 3.0-3.5 percent. Its November reading was 3.3 percent on a year-on-year basis, following 3.7 percent in October (Chart 42).⁷

(2) Financial Markets

In Japan's money markets, interest rates have been stable at low levels, including those for longer term rates. The overnight call rate (uncollateralized) has been below the 0.1 percent level. Regarding interest rates on term instruments, the T-Bill rate (3-month) has been more or less flat in negative territory. Both the Euroyen interest rate (3-month) and interest rates on Euroyen futures have been virtually level (Chart 44). Meanwhile, Japanese banks' foreign currency funding conditions have remained stable on the whole, although premiums for the U.S. dollar funding through the dollar/yen foreign exchange swap market have been at a high level compared with those prior to the summer, due to the tightening in the supply-demand balance (Chart 45).

Yields on 10-year government bonds (newly issued 10-year JGB) have been more or less flat; they are recently hovering around 0.3 percent (Chart 46).

⁷ On an M3 basis, which includes the Japan Post Bank, the year-on-year rate of growth has been in the range of 2.5-3.0 percent; its November reading was 2.7 percent, following 2.9 percent in October. The year-on-year rate of growth in broadly-defined liquidity (L) has recently been at around 4 percent; it increased by 4.0 percent in November, following an increase of 4.3 percent in October.

Yield spreads between corporate bonds and government bonds have been more or less flat at low levels (Chart 47).

Stock prices have fallen, mainly in response to sluggish U.S. and European stock prices. The Nikkei 225 Stock Average is recently moving in the range of 19,000-19,500 yen (Chart 48).

In the foreign exchange market, the yen's exchange rate has been more or less flat against the U.S. dollar; the yen is currently moving in the range of 122-123 yen against the U.S. dollar. The yen's exchange rate has been essentially flat against the euro; the yen is recently moving in the range of 132-133 yen against the euro (Chart 49).

Charts

Chart 1	Main Economic Indicators (1)	Chart 25	Employment Conditions
Chart 2	Main Economic Indicators (2)	Chart 26	Wages
Chart 3	Real GDP and Indexes of Business Conditions	Chart 27	Employee Income
Chart 4	GDP Deflator and Income Formation	Chart 28	Prices
Chart 5	Public Investment	Chart 29	Import Prices and International Commodity Prices
Chart 6	External Balance	Chart 30	Producer Price Index
Chart 7	Real Exports	Chart 31	Services Producer Price Index
Chart 8	Real Effective Exchange Rate and Overseas Economies	Chart 32	Consumer Price Index (Less Fresh Food)
Chart 9	Real Imports	Chart 33	Trend Changes in Consumer Prices
Chart 10	Business Fixed Investment and Corporate Profits	Chart 34	Domestic Supply and Demand Conditions
Chart 11	Business Fixed Investment by Industry and Size	Chart 35	Inflation Expectations
Chart 12	Coincident Indicators of Business Fixed Investment	Chart 36	Urban Land Price Index
Chart 13	Leading Indicators of Business Fixed Investment	Chart 37	Monetary Base
Chart 14	Current Profits	Chart 38	Corporate Finance-Related Indicators
Chart 15	Business Conditions	Chart 39	Lending Rates
Chart 16	Business Fixed Investment Plans as Surveyed	Chart 40	Lending by Financial Institutions
Chart 17	Indicators of Private Consumption (1)	Chart 41	Private-Sector Fund-Raising in the Capital Markets
Chart 18	Indicators of Private Consumption (2)	Chart 42	Money Stock
Chart 19	Indicators of Private Consumption (3)	Chart 43	Corporate Bankruptcies
Chart 20	Confidence Indicators Related to Private Consumption	Chart 44	Short-Term Interest Rates
Chart 21	Indicators of Housing Investment	Chart 45	Global Money Markets
Chart 22	Production, Shipments, and Inventories	Chart 46	Long-Term Interest Rates
Chart 23	Inventory Cycle	Chart 47	Yields of Corporate Bonds
Chart 24	Labor Market	Chart 48	Stock Prices
		Chart 49	Exchange Rates

Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2015/Q1	Q2	Q3	2015/Aug.	Sep.	Oct.	Nov.
Index of consumption expenditure level (two-or-more-person households)	0.5	-1.3	0.8	2.9	-2.1	-2.3	n.a.
Sales at department stores	2.1	-2.3	1.6	1.4	0.1	0.8	n.a.
Sales at supermarkets	0.6	0.5	0.2	1.4	-1.1	1.1	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 268>	< 277>	< 270>	< 277>	< 267>	< 272>	< 264>
Sales of household electrical appliances (real, "Current Survey of Commerce")	3.6	-5.7	-4.1	3.1	-8.6	3.3	n.a.
Outlays for travel	0.0	-1.8	2.1	0.3	9.2	-2.0	n.a.
Housing starts <s.a., ann. 10,000 units>	< 90>	< 96>	< 92>	< 93>	< 90>	< 86>	<n.a.>
Machinery orders ⁴ (Private sector, exc. volatile orders)	6.3	2.9	-10.0	-5.7	7.5	10.7	n.a.
Manufacturing	2.3	12.1	-15.3	-3.2	-5.5	14.5	n.a.
Nonmanufacturing ⁴ (exc. volatile orders)	8.5	-1.7	-6.5	-6.1	14.3	10.7	n.a.
Construction starts (private, nondwelling use)	-4.4	6.3	-4.4	-13.6	-2.1	3.7	n.a.
Mining & manufacturing	4.8	4.4	15.3	42.5	-19.6	-23.2	n.a.
Nonmanufacturing ⁵	-6.8	5.0	-8.2	-26.2	5.9	13.8	n.a.
Value of public works contracted	-1.2	10.2	-12.0	6.5	-11.6	7.6	5.9
Real exports	1.0	-3.6	0.3	-0.3	2.1	1.3	p 1.6
Real imports	0.8	-1.8	2.6	0.1	3.7	-3.1	p -0.7
Industrial production	1.5	-1.4	-1.2	-1.2	1.1	1.4	n.a.
Shipments	1.7	-2.4	-0.6	-0.7	1.4	2.1	n.a.
Inventories	1.0	1.1	-0.9	0.3	-0.4	-1.9	n.a.
Inventory ratio <s.a., CY 2010 = 100>	< 114.4>	< 113.5>	< 115.5>	< 119.2>	< 115.5>	< 112.0>	<n.a.>
Real GDP	1.1	-0.1	0.3	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	1.1	-0.3	-0.1	-0.1	-0.2	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2015/Q1	Q2	Q3	2015/Aug.	Sep.	Oct.	Nov.
Active job openings-to-applicants ratio <s.a., times>	< 1.15>	< 1.18>	< 1.22>	< 1.23>	< 1.24>	< 1.24>	<n.a.>
Unemployment rate <s.a., %>	< 3.5>	< 3.3>	< 3.4>	< 3.4>	< 3.4>	< 3.1>	<n.a.>
Non-scheduled hours worked ⁶	-0.6	-1.6	-0.9	-0.8	-0.8	p -0.8	n.a.
Number of employees	0.9	0.7	0.7	0.7	0.9	1.3	n.a.
Number of regular employees ⁶	2.0	2.0	2.0	2.0	2.0	p 2.2	n.a.
Nominal wages per person ⁶	0.2	-0.7	0.5	0.4	0.4	p 0.7	n.a.
Producer price index <excluding consumption tax, y/y % chg.>	0.5	-2.2	-3.6	-3.6	-4.0	-3.8	p -3.6
<q/q % chg., 3-month rate of change> ⁷	<-2.3>	<-2.2>	<-3.5>	<-3.5>	<-4.1>	<-3.8>	<p -3.6>
Consumer price index ⁸ <consumption tax adjusted, y/y % chg.>	<-1.7>	< 0.3>	<-1.2>	<-1.3>	<-1.7>	<-1.6>	<p -1.1>
Services producer price index ⁹ <excluding consumption tax, y/y % chg.>	2.1	0.1	-0.1	-0.1	-0.1	-0.1	n.a.
Money stock (M2) <average outstanding, y/y % chg.>	< 0.1>	< 0.0>					
Number of corporate bankruptcies <cases per month>	3.2	0.6	0.7	0.8	0.6	p 0.6	n.a.
	< 0.5>	< 0.6>	< 0.7>	< 0.8>	< 0.6>	<p 0.5>	<n.a.>
	3.5	3.9	4.0	4.2	3.8	3.7	p 3.3
	<757>	<765>	<697>	<632>	<673>	<742>	<711>

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

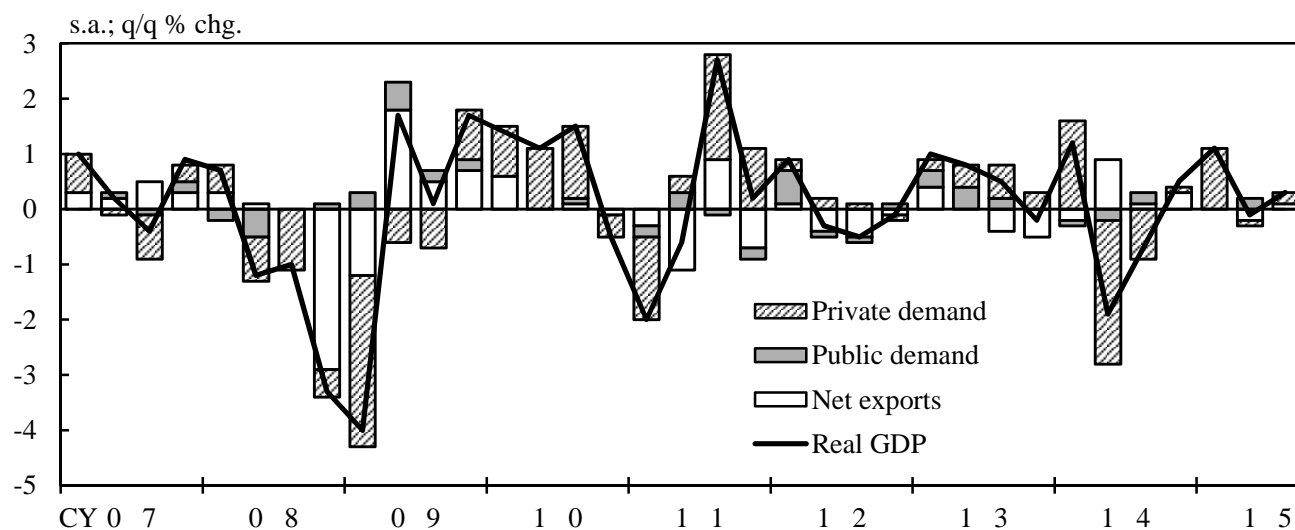
All figures in Chart 2 except figures in angle brackets are year-on-year changes. For details on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes of respective charts.

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 orders 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



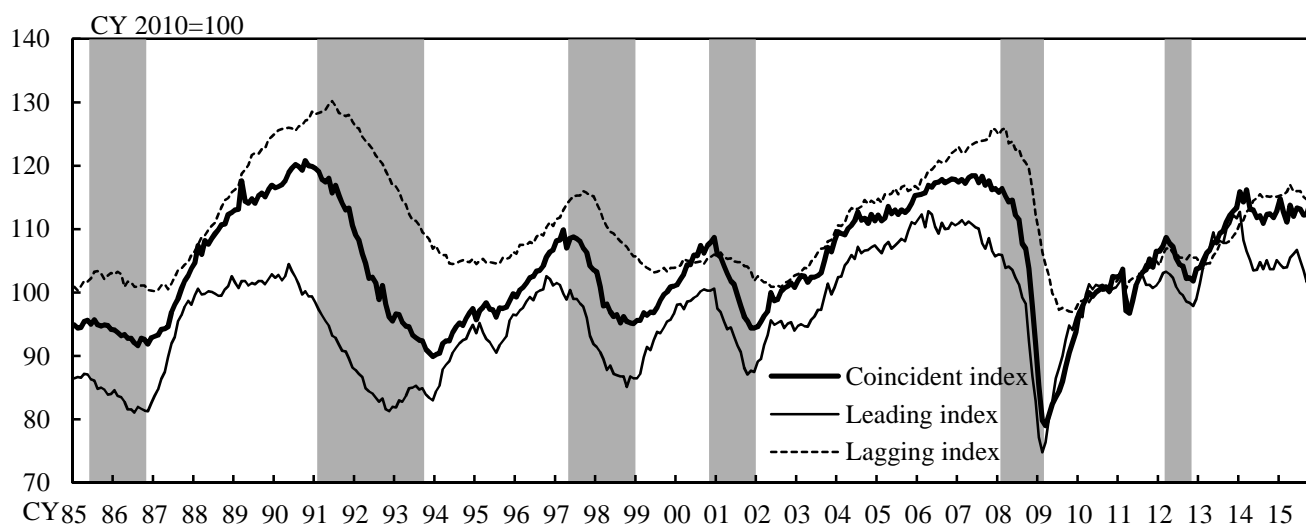
(2) Components

s.a.; q/q % chg.

	2014		2015		
	Q3	Q4	Q1	Q2	Q3
Real GDP	-0.7	0.5	1.1	-0.1	0.3
[Annual rate]	[-2.8]	[1.8]	[4.4]	[-0.5]	[1.0]
Domestic demand	-0.7	0.1	1.1	0.1	0.1
Private demand	-0.9	0.1	1.1	-0.1	0.2
Private consumption	0.0	0.2	0.2	-0.3	0.2
Non-Resi. investment	-0.1	0.0	0.4	-0.2	0.1
Residential investment	-0.2	-0.0	0.1	0.1	0.1
Private inventory	-0.6	-0.1	0.5	0.3	-0.2
Public demand	0.2	0.0	-0.0	0.2	-0.0
Public investment	0.1	-0.0	-0.1	0.2	-0.1
Net exports of goods and services	0.1	0.3	-0.0	-0.2	0.1
Exports	0.3	0.5	0.4	-0.8	0.5
Imports	-0.2	-0.2	-0.4	0.6	-0.4
Nominal GDP	-0.9	0.8	2.0	0.2	0.4

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

(3) Indexes of Business Conditions (Composite Indexes)

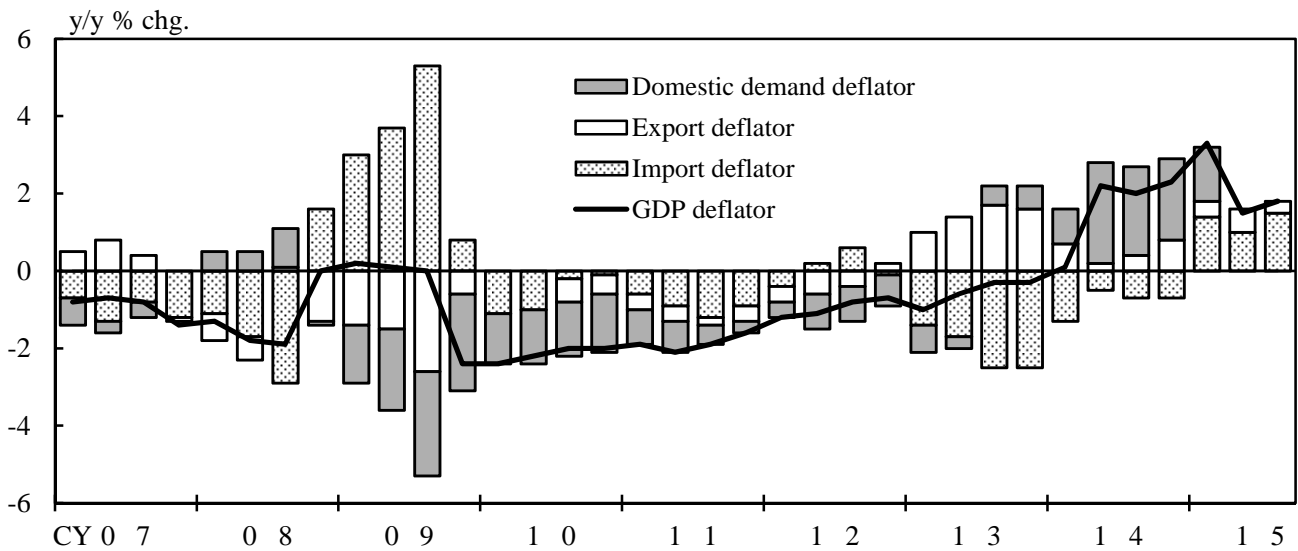


Note: Shaded areas indicate recession periods.

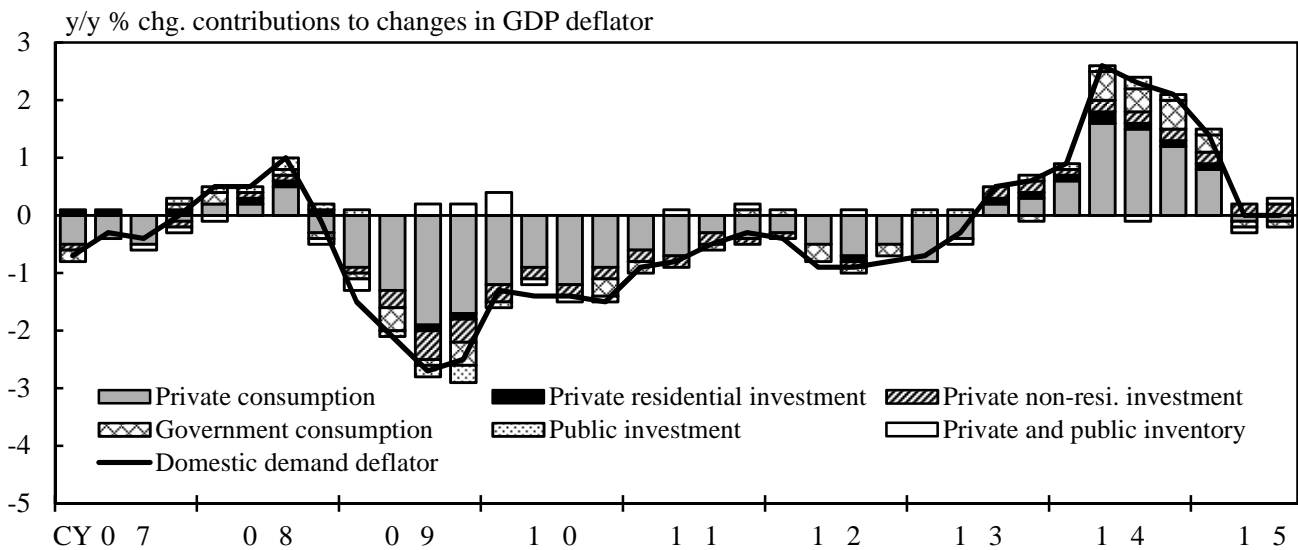
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

GDP Deflator and Income Formation

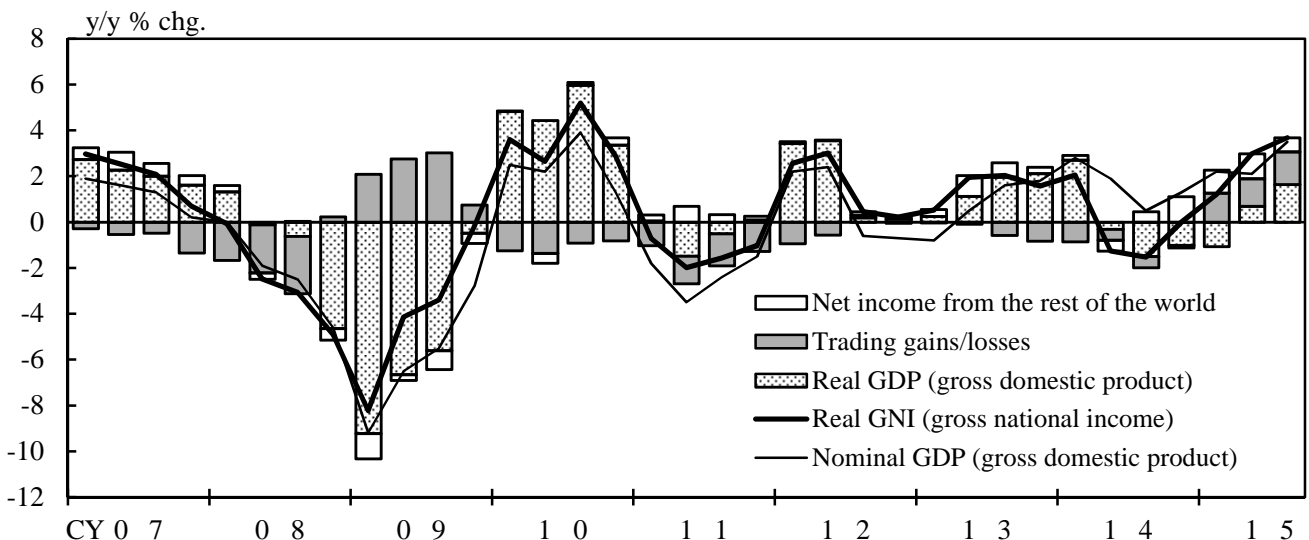
(1) GDP Deflator



(2) Domestic Demand Deflator



(3) Aggregate Income Formation



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

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

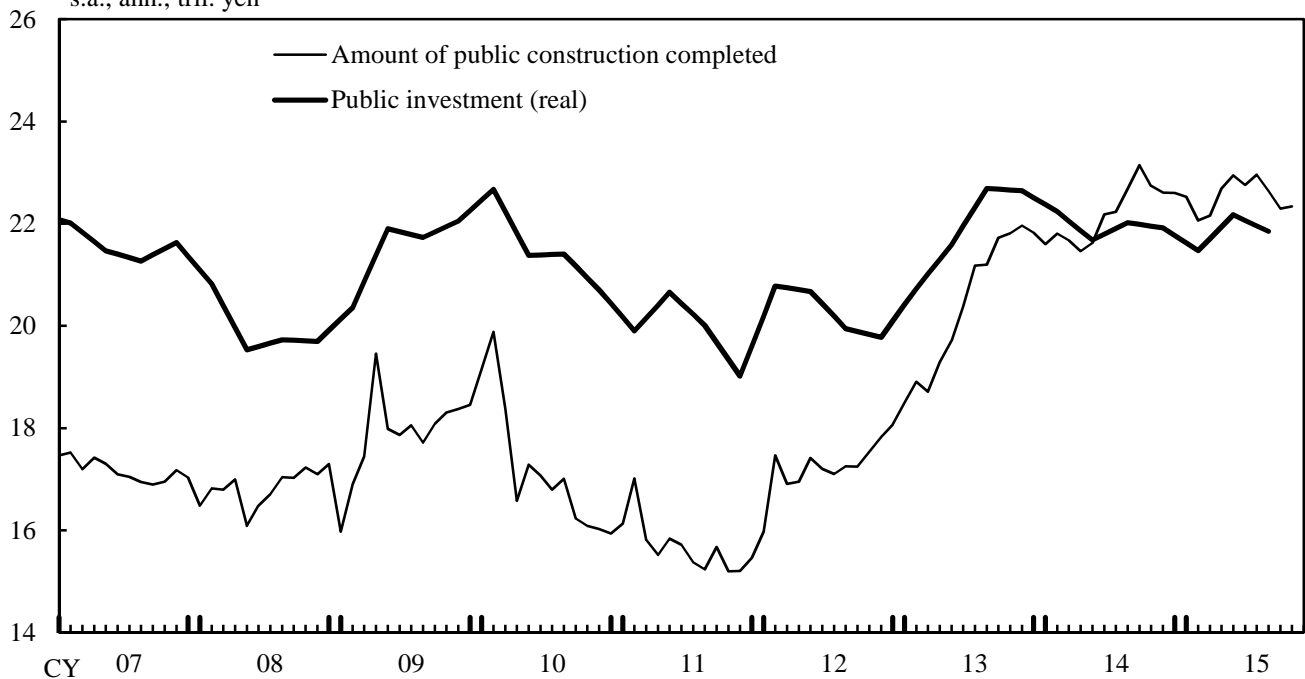
Trading gains/losses = nominal net exports / weighted average of export and import deflators - real net exports

Source: Cabinet Office, "National Accounts."

Public Investment

(1) Amount of Public Construction Completed and Public Investment

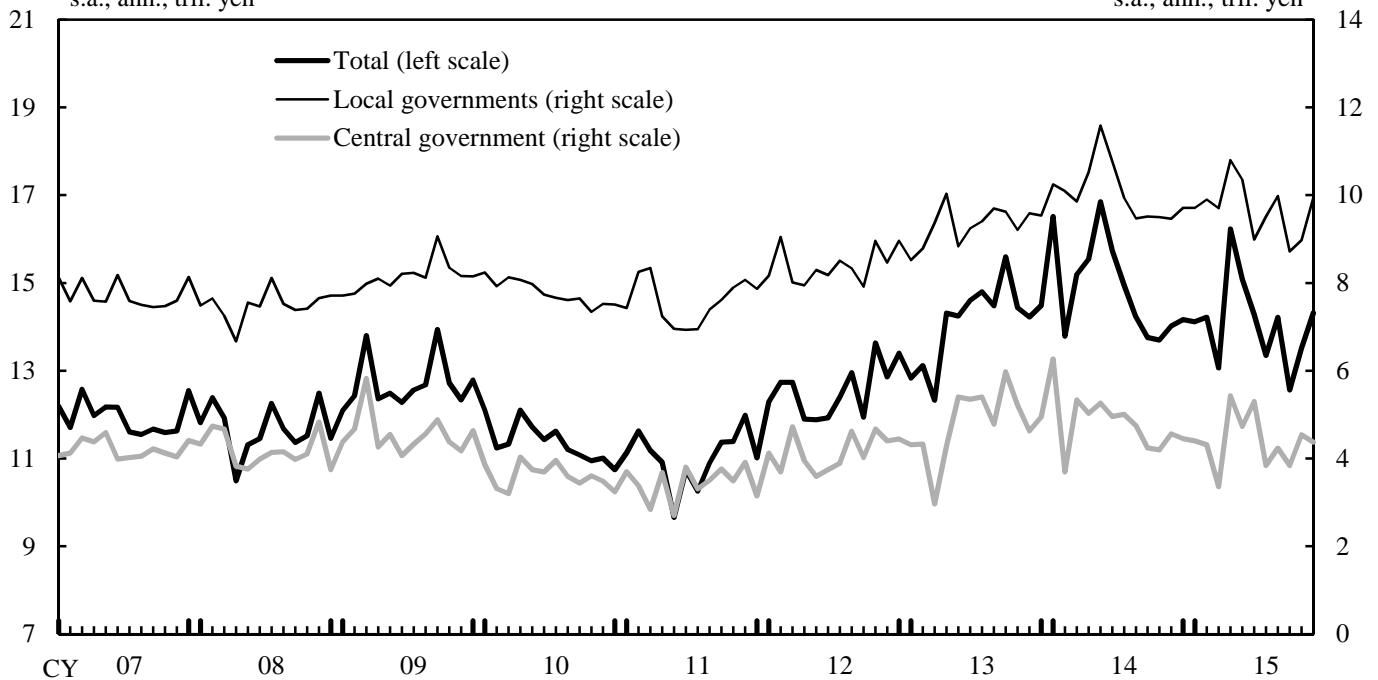
s.a., ann., tril. yen



(2) Value of Public Works Contracted

s.a., ann., tril. yen

s.a., ann., tril. yen

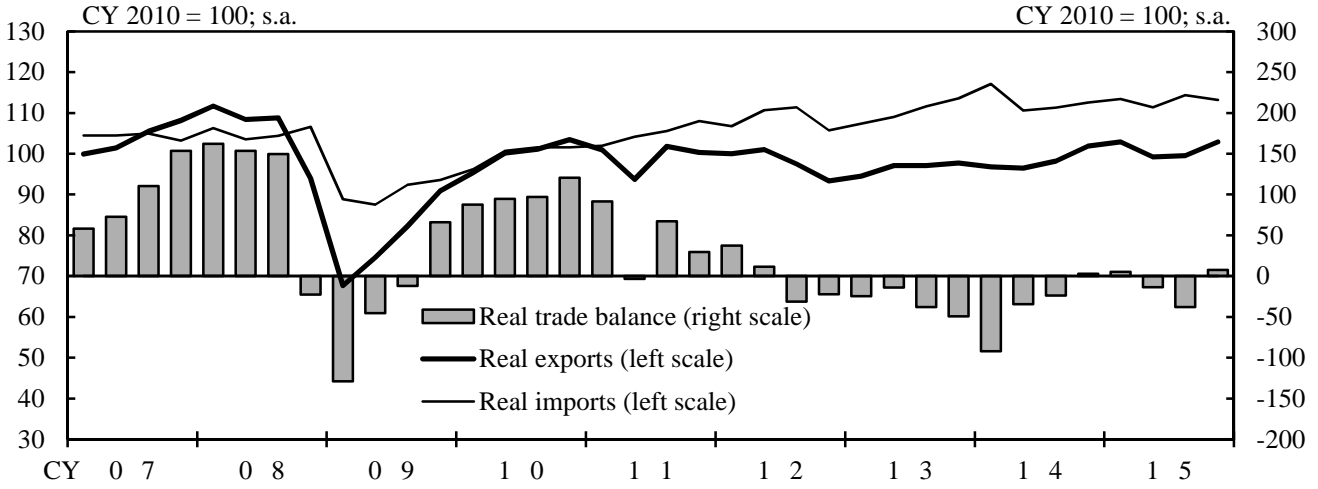


- Notes: 1. Quarterly figures of public investment are plotted at the middle month of each quarter.
 2. The amount of public construction completed is based on the general tables in the "Integrated Statistics on Construction Works."
 3. Figures of the value of public works contracted and the amount of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

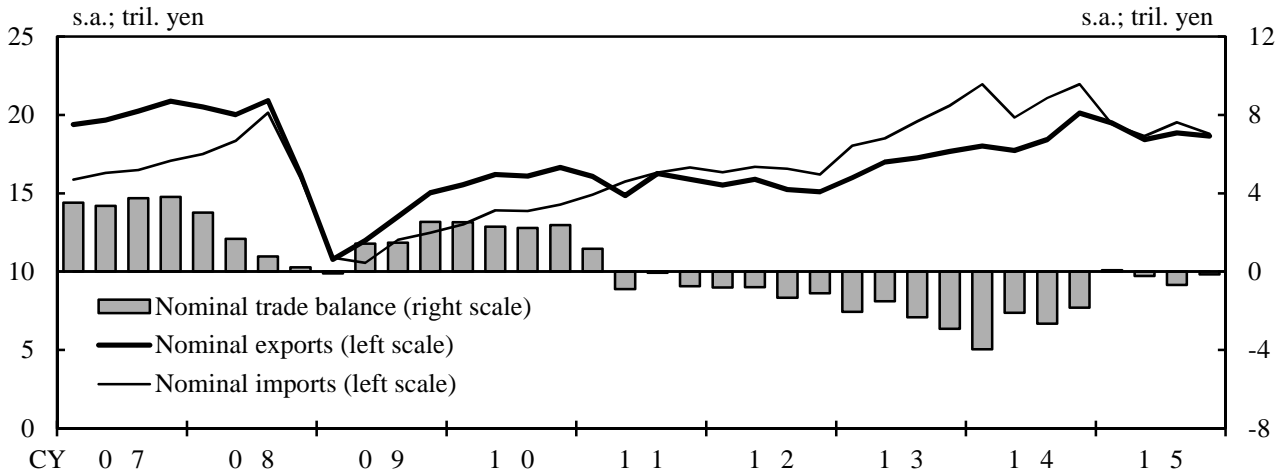
Sources: Cabinet Office, "National Accounts";
 East Japan Construction Surety etc., "Public Works Prepayment Surety Statistics";
 Ministry of Land, Infrastructure, Transport and Tourism, "Integrated Statistics on Construction Works."

External Balance ¹

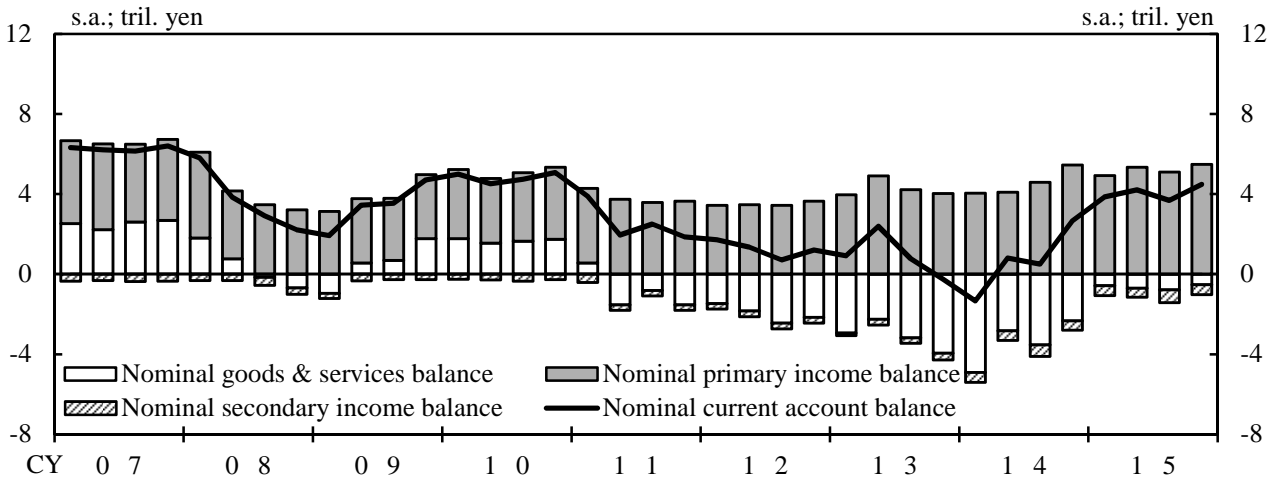
(1) Real Exports, Real Imports, and Real Trade Balance ²



(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.

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. 2015/Q4 figures are October-November averages converted into quarterly amount.

3. Figures are based on the "Balance of Payments." 2015/Q4 figures are October figures converted into quarterly amount.

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 Q4	2015 Q1	Q2	Q3	Q4	2015 Sep.	Oct.	Nov.
United States	<18.7>	2.8	1.8	6.9	5.7	-3.6	-0.3	2.7	2.9	1.0	-0.1
EU	<10.4>	-3.6	5.2	-1.5	3.0	-2.6	2.3	6.6	0.2	6.0	3.9
East Asia	<50.3>	-3.0	1.1	3.1	0.8	-4.0	-0.5	2.4	3.3	0.9	-1.1
China	<18.3>	-1.7	3.5	1.5	-2.1	-0.7	-2.6	4.1	4.5	2.5	-0.5
NIEs	<21.8>	-1.0	2.0	5.4	1.2	-3.0	-0.6	1.0	4.2	-0.5	-4.3
Korea	<7.5>	0.4	-3.9	5.1	-1.1	-4.4	-2.1	-0.4	1.5	-0.3	-4.4
Taiwan	<5.8>	-1.5	1.7	1.7	3.0	-1.3	4.0	2.2	-3.4	3.0	3.7
Hong Kong	<5.5>	-1.4	8.7	4.3	3.0	-2.0	-1.8	-0.3	10.8	-4.8	-4.7
Singapore	<3.0>	-2.8	6.5	12.7	4.2	-6.7	-4.1	5.8	11.4	1.8	-13.6
ASEAN4 ³	<10.2>	-8.5	-4.7	1.1	5.3	-11.9	3.9	2.7	-0.6	1.4	5.3
Thailand	<4.5>	-9.3	-7.8	0.8	5.8	-11.4	6.2	3.0	2.6	1.1	3.4
Others	<20.7>	-5.0	1.2	1.7	-0.9	-3.1	1.1	1.1	-2.3	0.3	5.6
Real exports		-1.9	1.7	3.8	1.0	-3.6	0.3	3.4	2.1	1.3	1.6

(2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2013	2014	2014 Q4	2015 Q1	Q2	Q3	Q4	2015 Sep.	Oct.	Nov.
Intermediate goods	<20.9>	1.2	0.1	2.3	1.2	-4.5	-0.0	2.5	0.2	0.9	1.7
Motor vehicles and their related goods	<23.6>	-1.4	-1.4	-0.9	-1.1	-1.5	2.6	6.8	3.5	2.4	5.9
IT-related goods ⁴	<10.6>	-7.5	3.6	3.3	-0.3	-4.5	-1.4	1.7	7.6	-0.8	-2.8
Capital goods and parts ⁵	<27.8>	-5.8	3.1	3.7	-1.8	-4.6	-0.0	0.3	-1.8	2.2	-0.5
Real exports		-1.9	1.7	3.8	1.0	-3.6	0.3	3.4	2.1	1.3	1.6

Notes. 1. Seasonally adjusted by X-12-ARIMA. 2015/Q4 figures are October-November 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.

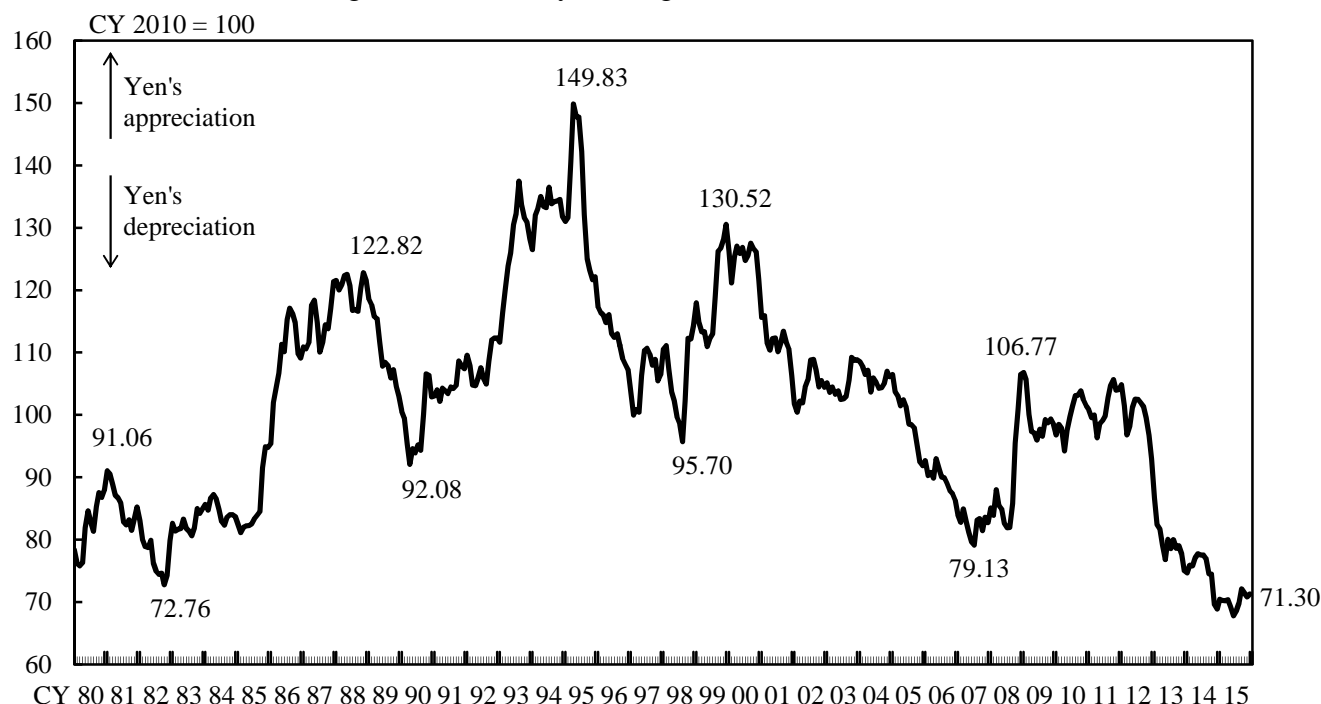
4. IT-related goods are composed of computers and units, telecommunication machinery, ICs, visual apparatus, audio apparatus, and medical and optical instruments.

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 (EER), and those prior to 1994 are calculated using the narrow index. The figures have been retroactively revised, since the BIS has revised the weights of the EERs along with other minor changes.

2. Figures for November and December (up to December 16) 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 Q4	2015 Q1	Q2	Q3
United States ¹	2.2	1.5	2.4	2.1	0.6	3.9	2.1
European Union ²	-0.5	0.2	1.4	1.9	2.3	1.9	1.5
Germany ¹	0.4	0.3	1.6	2.5	1.4	1.8	1.3
France ¹	0.2	0.7	0.2	0.5	2.9	0.2	1.4
United Kingdom ¹	1.2	2.2	2.9	3.0	1.5	2.6	1.9
East Asia ³	5.1	4.9	4.7	4.4	3.7	3.2	4.7
China ¹	7.7	7.7	7.3	7.0	5.3	7.4	7.4
NIEs ^{1,3}	2.3	3.0	3.2	1.5	2.9	-0.7	2.6
ASEAN4 ^{1,3,4}	6.6	4.3	3.4	6.0	2.4	3.9	4.2
Main economies ³	3.7	3.6	3.8	3.6	2.8	3.2	3.7

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

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

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

The members are described below.

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

East Asia: China, NIEs, and ASEAN4

NIEs: Korea, Taiwan, Hong Kong, and Singapore

ASEAN4: Thailand, 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	2014	2014 Q4	2015 Q1	Q2	Q3	Q4	2015 Sep.	Oct.	Nov.
United States	<8.8>	-2.1	5.5	-0.7	3.2	2.0	-4.2	4.0	-3.8	6.0	0.8
EU	<9.5>	0.8	2.6	-0.8	-1.9	2.1	6.2	10.8	-10.5	14.0	6.8
East Asia	<41.3>	2.5	2.8	3.3	1.0	-5.8	4.0	-2.8	5.9	-3.6	-6.8
China	<22.3>	5.4	3.9	3.5	-2.0	-6.3	7.0	-6.0	6.4	-6.7	-8.2
NIEs	<8.3>	-0.4	1.5	-1.7	3.4	1.2	-0.2	-2.3	6.2	-6.0	-2.5
Korea	<4.1>	-4.8	-3.0	-0.5	0.3	3.1	-7.4	-4.4	3.7	-9.3	0.6
Taiwan	<3.0>	8.0	5.2	-0.6	5.3	-0.7	2.0	4.0	0.4	7.3	-5.3
Hong Kong	<0.2>	9.2	6.0	-1.3	14.2	-1.7	11.8	-20.8	58.6	-28.5	8.5
Singapore	<1.0>	-7.0	8.5	-0.3	11.4	-2.5	8.6	1.0	20.4	-11.9	-0.3
ASEAN4 ³	<10.7>	-1.2	1.1	7.2	6.0	-10.1	1.2	4.5	4.3	6.2	-7.0
Thailand	<2.7>	1.5	2.7	2.0	6.1	-4.2	-0.6	-0.1	0.8	-2.6	0.5
Others	<40.4>	0.2	0.1	-1.9	3.6	-1.5	2.8	-5.8	4.6	-9.6	3.5
Real imports		0.9	2.1	1.1	0.8	-1.8	2.6	-1.0	3.7	-3.1	-0.7

(2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2013	2014	2014 Q4	2015 Q1	Q2	Q3	Q4	2015 Sep.	Oct.	Nov.
Raw materials ⁴	<38.7>	-2.1	-1.1	-1.5	4.8	-3.8	5.1	-7.7	4.8	-10.3	0.8
Intermediate goods	<13.3>	-2.7	4.2	-0.0	4.0	-0.2	1.0	4.9	-4.7	4.1	6.4
Foodstuffs	<7.8>	-3.3	-1.6	-2.7	0.1	3.0	-2.3	4.2	6.1	0.1	-1.5
Consumer goods ⁵	<7.7>	4.1	-0.3	1.5	2.3	-7.5	3.7	-3.4	2.2	-7.5	3.4
IT-related goods ⁶	<13.0>	12.8	5.8	10.0	-8.3	-4.6	9.2	-0.4	14.8	-2.7	-12.8
Capital goods and parts ⁷	<12.3>	4.7	8.2	0.8	1.4	-2.7	-1.2	3.7	3.8	1.8	-1.6
Excluding aircraft	<11.5>	5.3	9.0	0.3	2.9	-4.0	1.3	3.8	2.0	1.0	0.9
Real imports		0.9	2.1	1.1	0.8	-1.8	2.6	-1.0	3.7	-3.1	-0.7

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2015/Q4 figures are October-November 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.

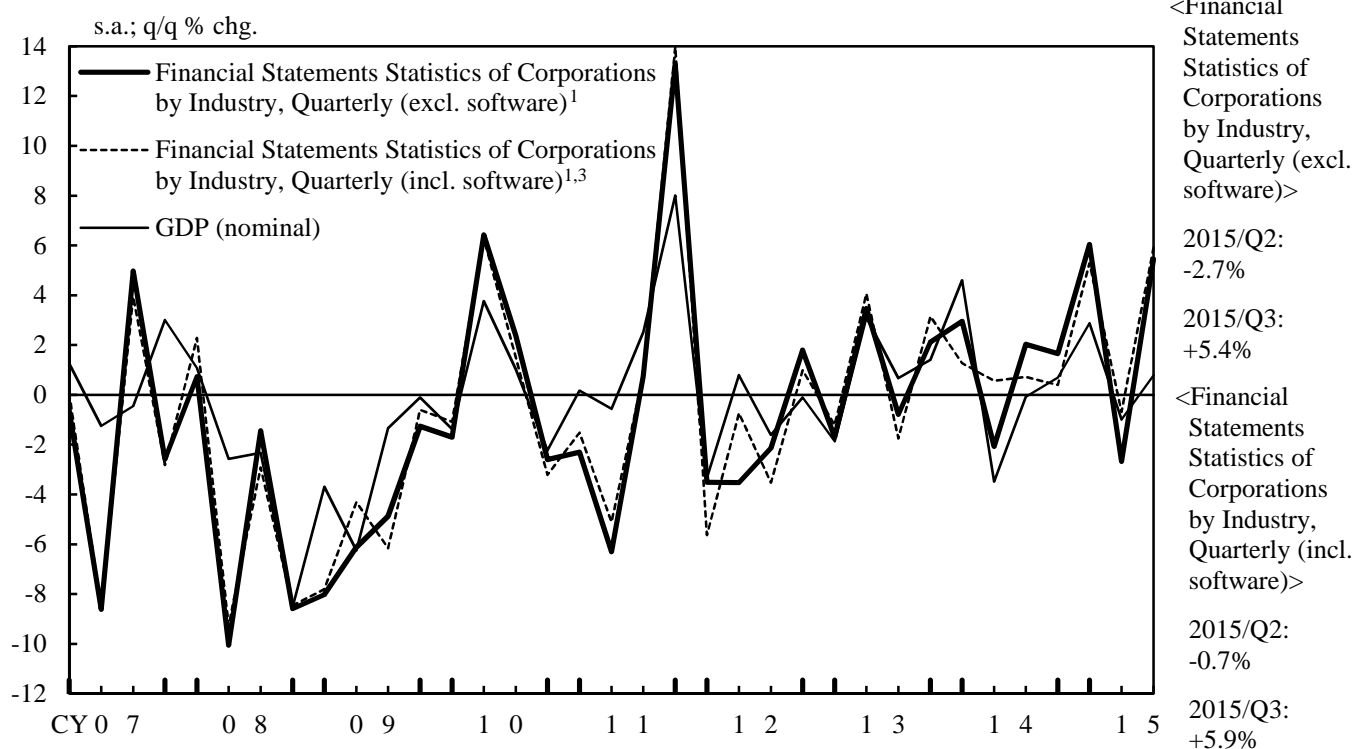
5. Excludes foodstuffs.

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.

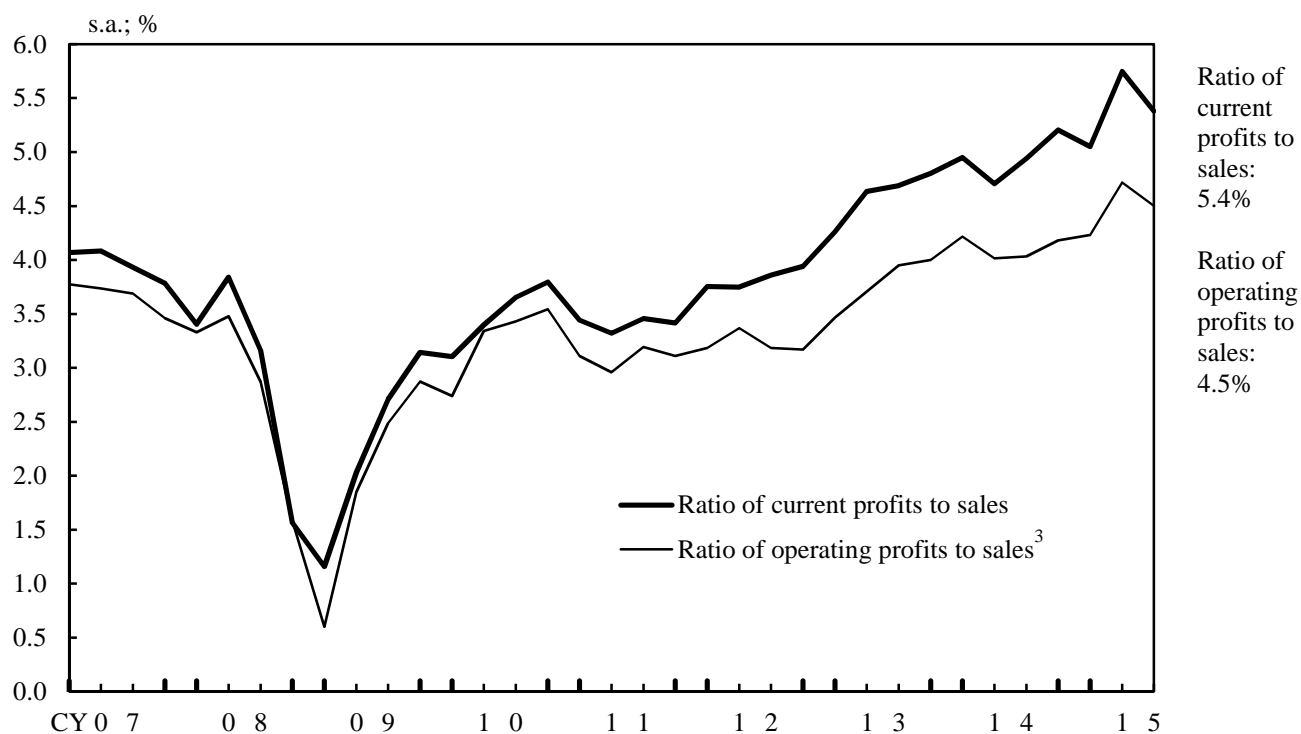
7. Excludes IT-related goods.

Business Fixed Investment and Corporate Profits

(1) Business Fixed Investment



(2) Corporate Profits (Ratio of Profits to Sales)^{1,2}



Notes: 1. All enterprises excluding "Finance and Insurance."

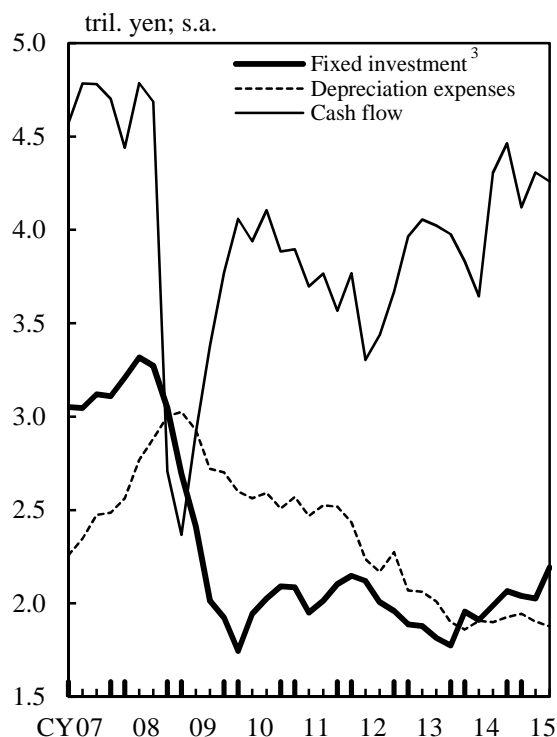
2. Based on the "Financial Statements Statistics of Corporations by Industry, Quarterly."

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

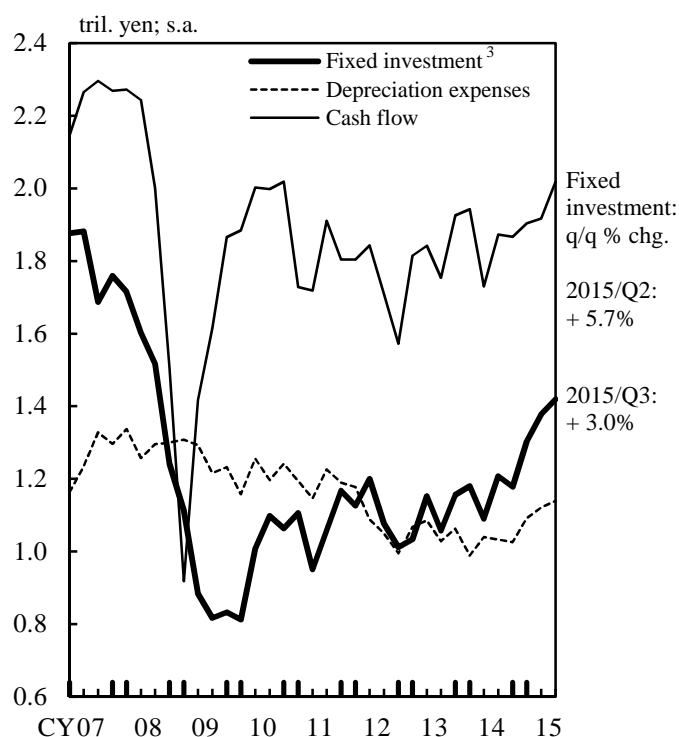
Sources: Cabinet Office, "National Accounts"; Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

Business Fixed Investment by Industry and Size

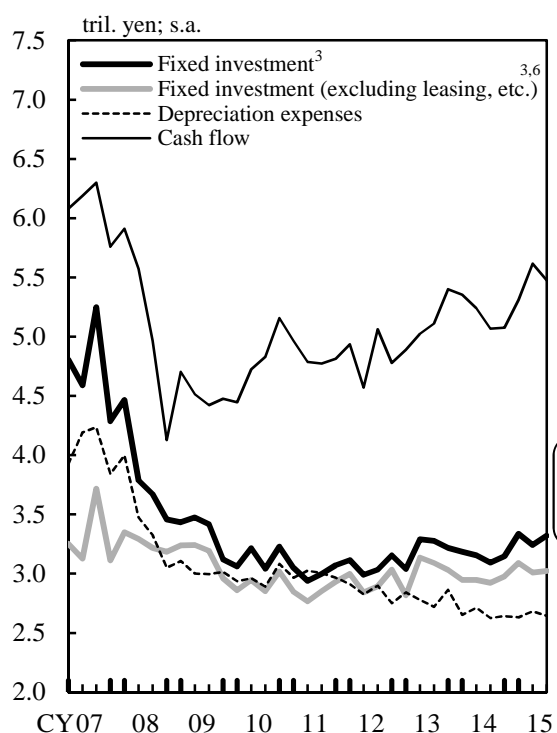
(1) Large Manufacturing Firms



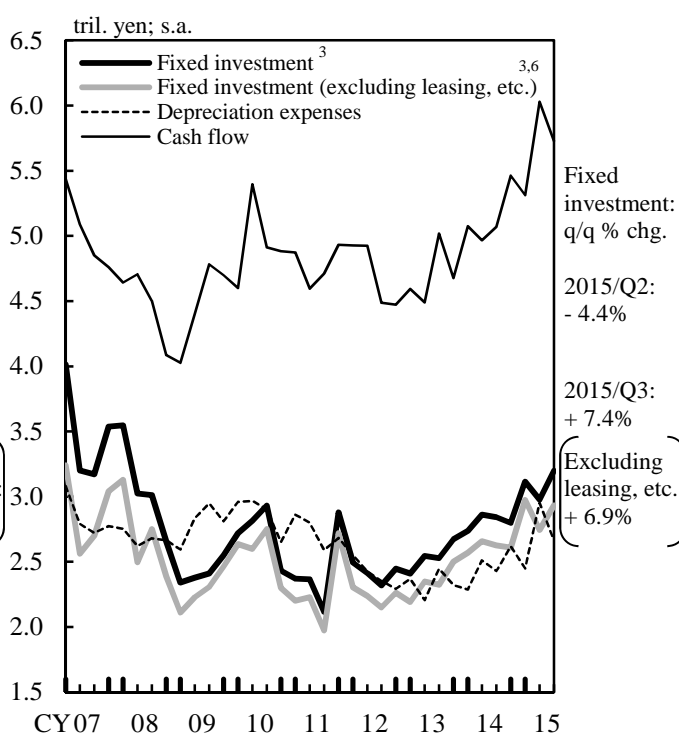
(2) Medium-Sized and Small Manufacturing Firms



(3) Large Nonmanufacturing Firms



(4) Medium-Sized and Small Nonmanufacturing Firms

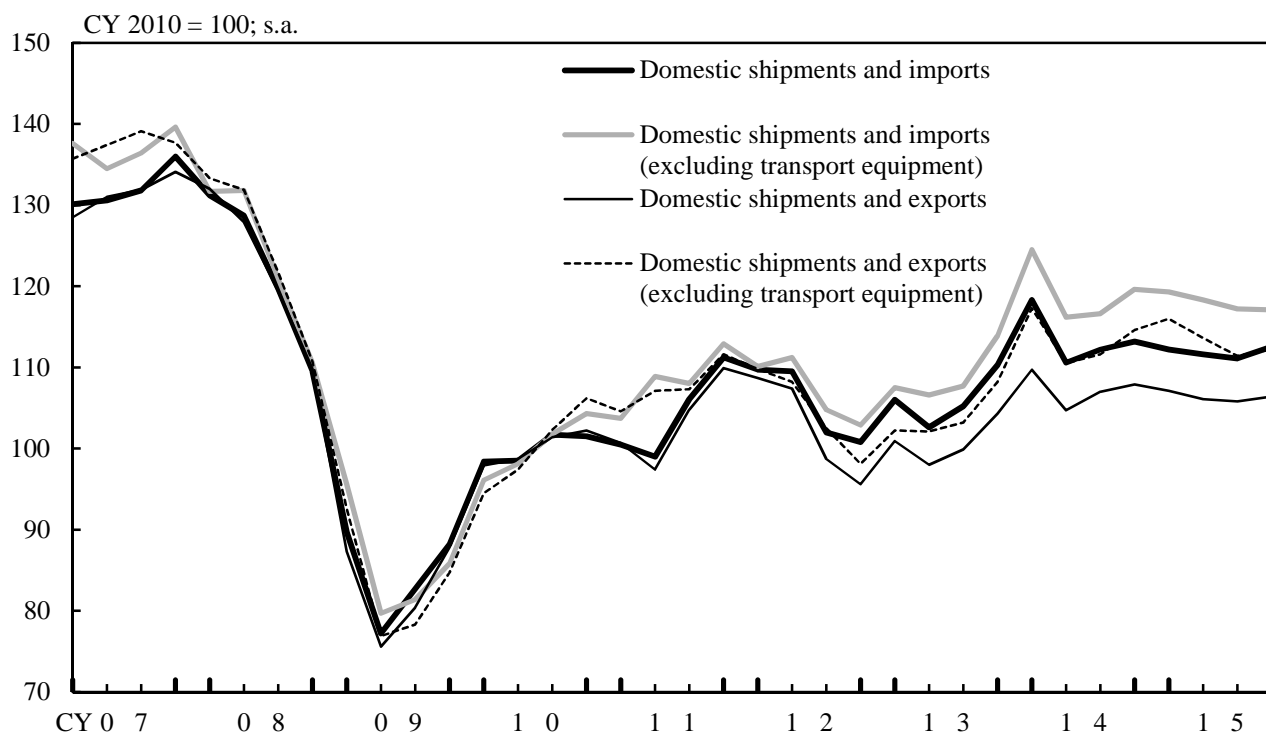


- Notes: 1. "Large firms" refers to firms with capital stock of 1 billion yen or more, and "medium-sized and small firms" refers to firms with capital stock of 10 million or more but less than 1 billion yen.
 2. Cash flow = current profits / 2 + depreciation expenses.
 3. Excluding software investment.
 4. Seasonally adjusted by X-12-ARIMA.
 5. Excluding "Finance and Insurance."
 6. Excluding "Goods rental and Leasing."

Source: Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

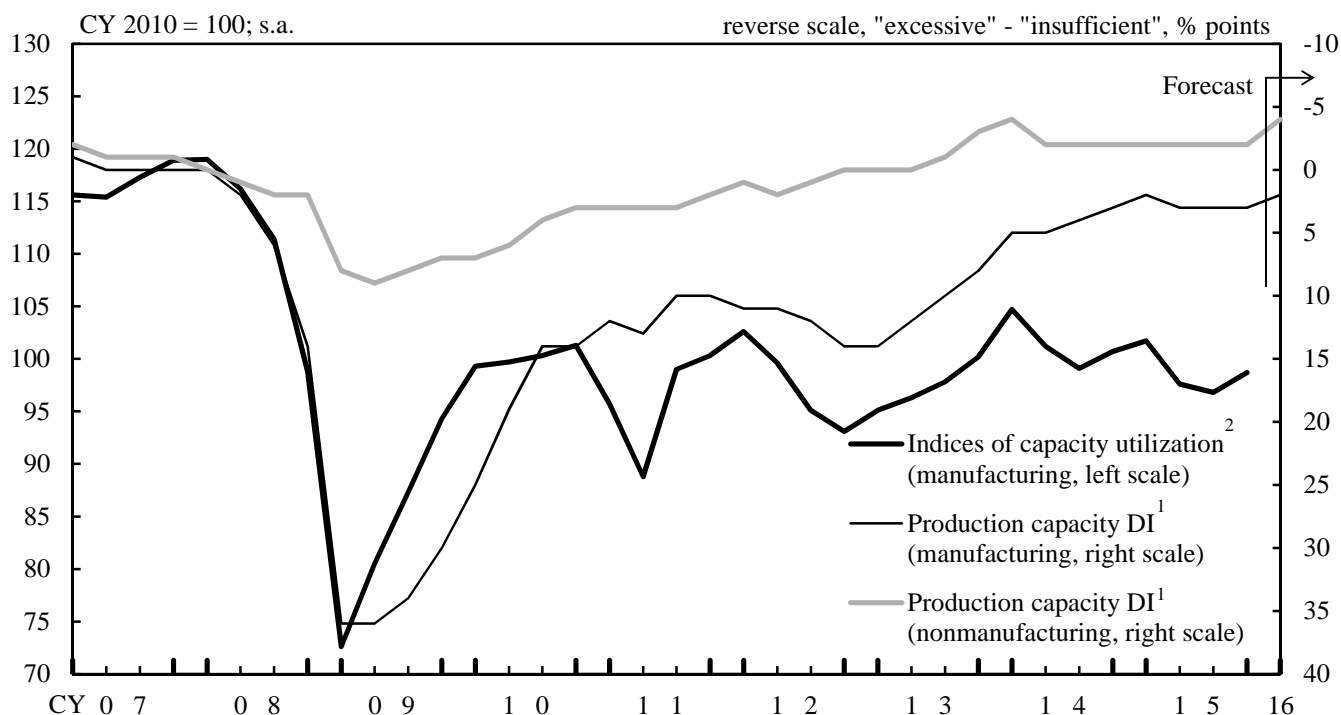
Coincident Indicators of Business Fixed Investment

(1) Aggregate Supply and Shipments of Capital Goods



Note: Figures for 2015/Q4 are those of October.

(2) Indices of Capacity Utilization and Production Capacity DI



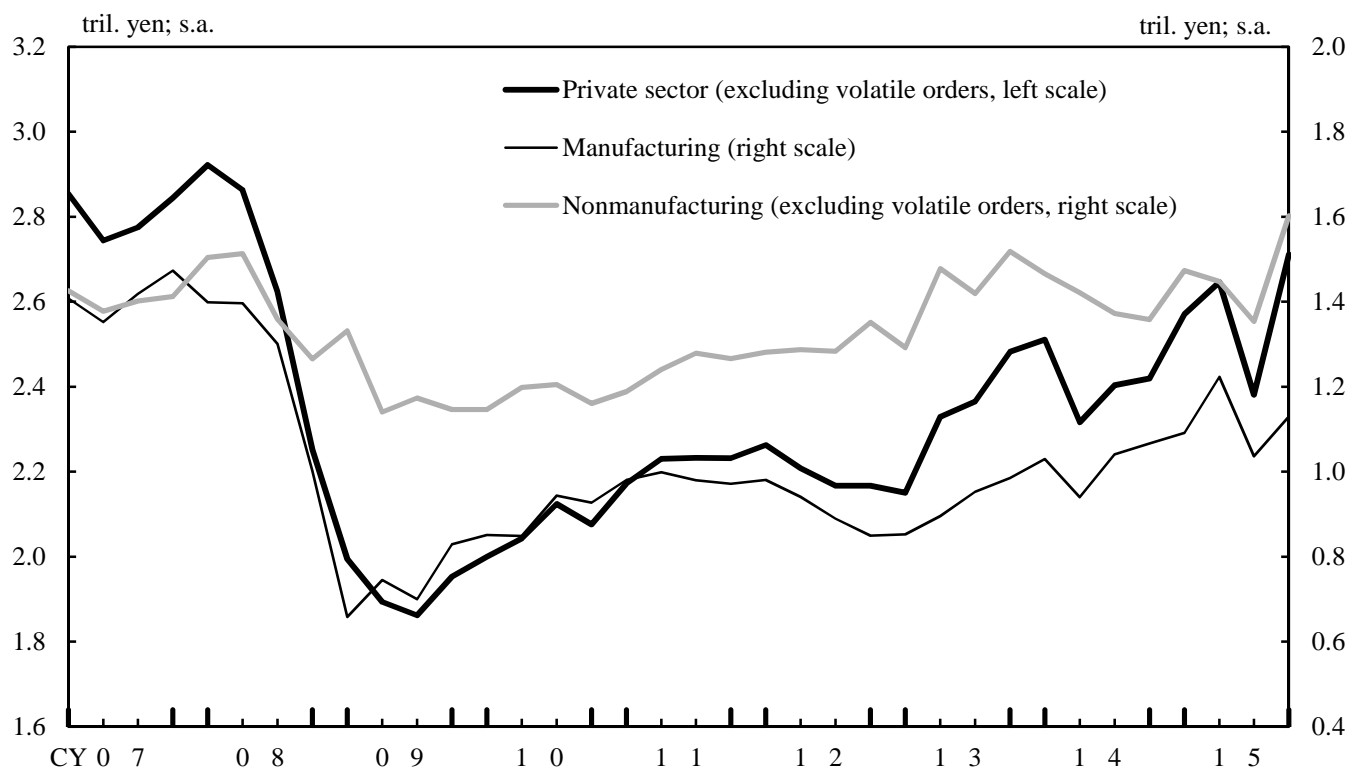
Notes: 1. Production capacity DIs are those of all enterprises.

2. The figure for 2015/Q4 is that of October.

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."

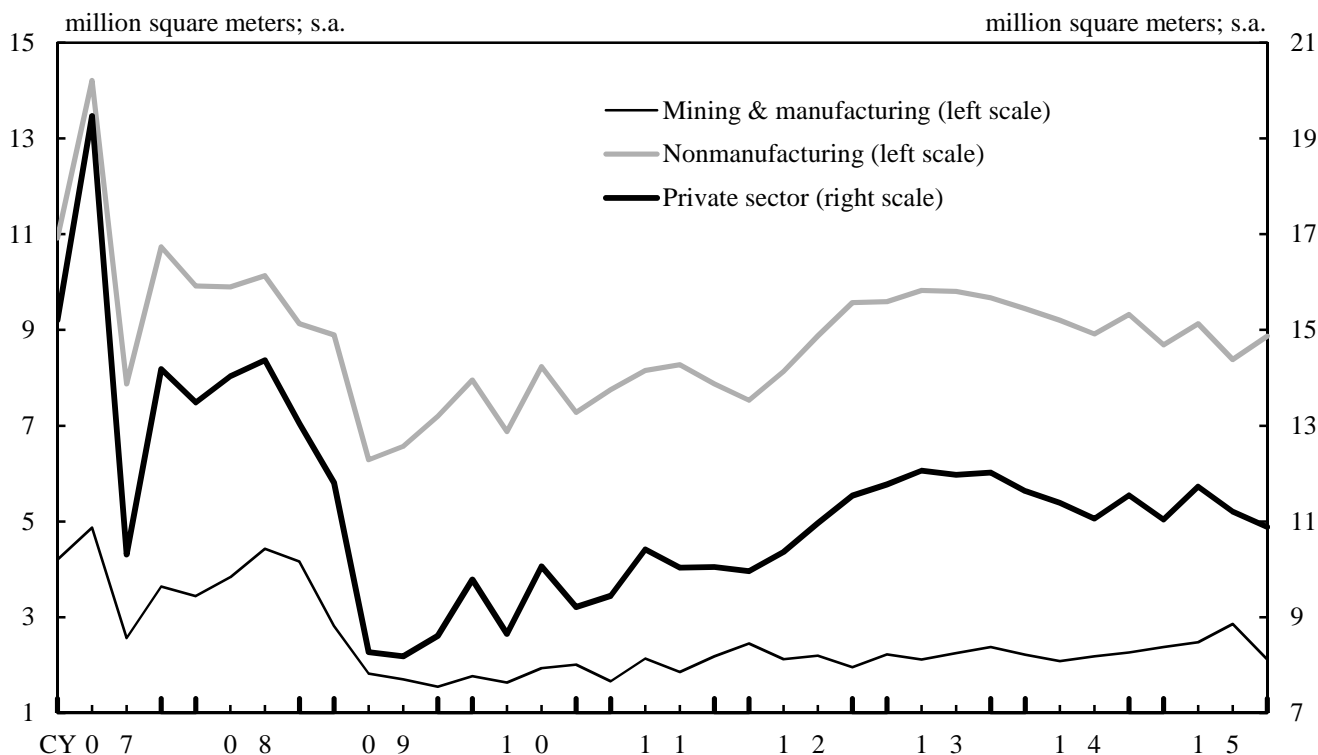
Leading Indicators of Business Fixed Investment

(1) Machinery Orders



Notes: 1. Volatile orders: orders for ships and orders from electric power companies.
 2. Figures for 2015/Q4 are those of October in the quarterly amount.

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

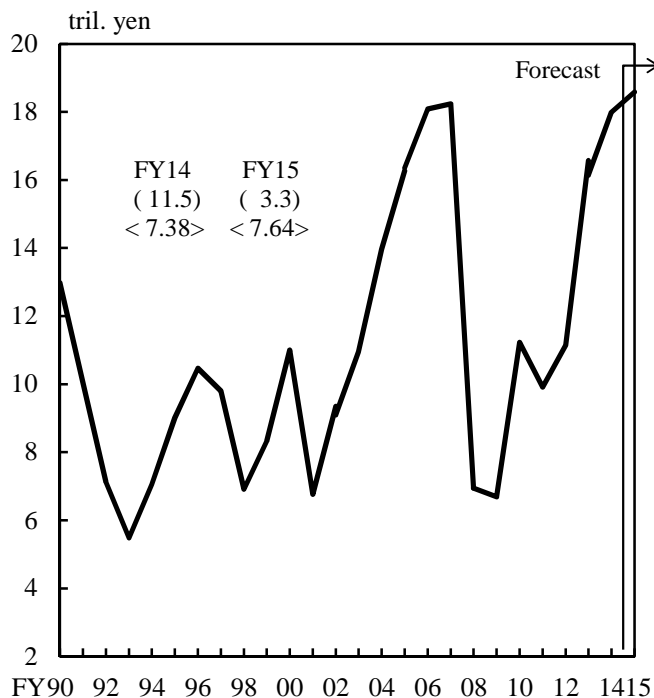


Notes: 1. Seasonally adjusted by X-12-ARIMA.
 2. Figures for 2015/Q4 are those of October in the quarterly amount.

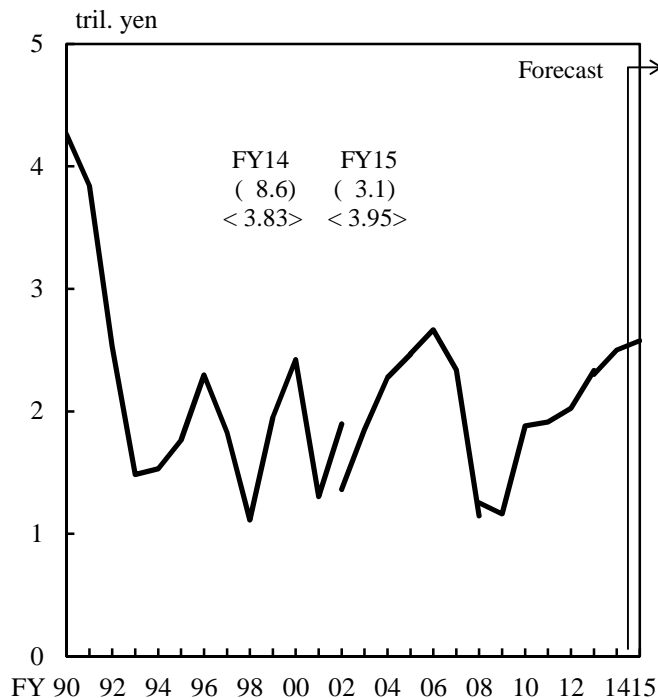
Sources: Cabinet Office, "Orders Received for Machinery";
 Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts."

Current Profits

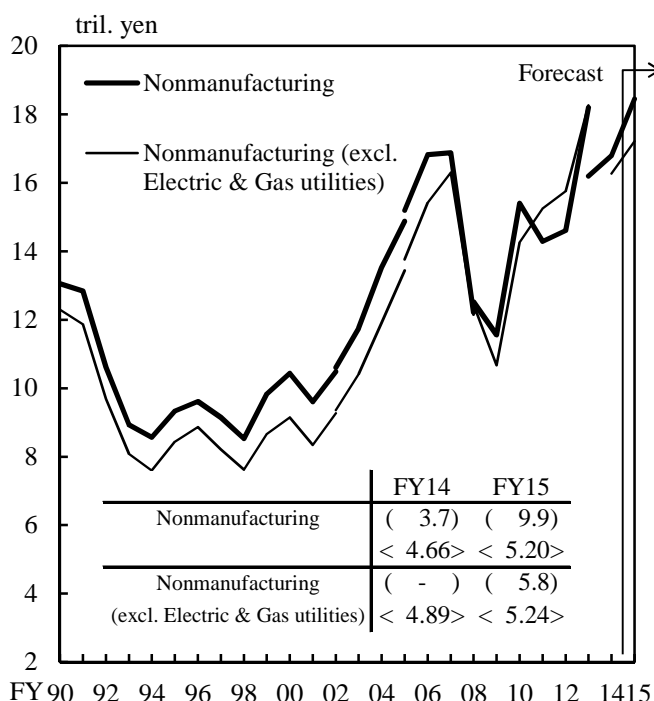
(1) Large Manufacturing Enterprises



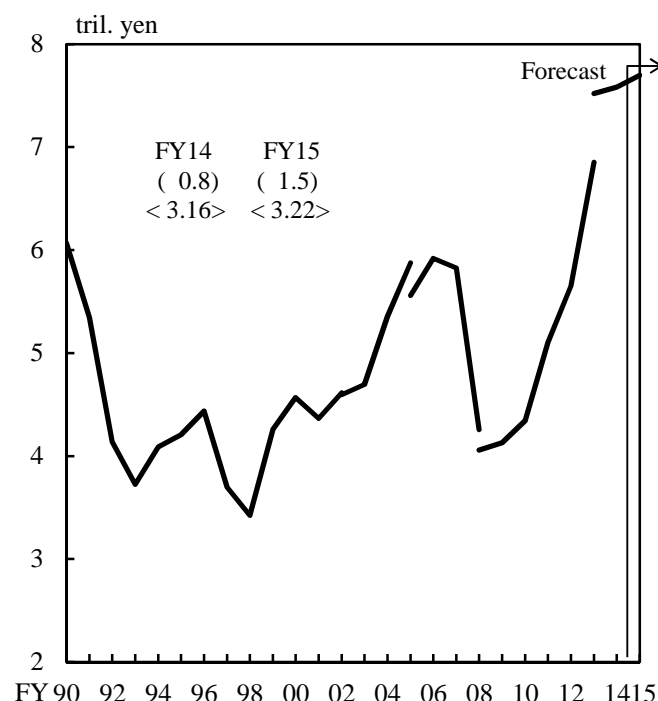
(2) Small Manufacturing Enterprises



(3) Large Nonmanufacturing Enterprises



(4) Small Nonmanufacturing Enterprises



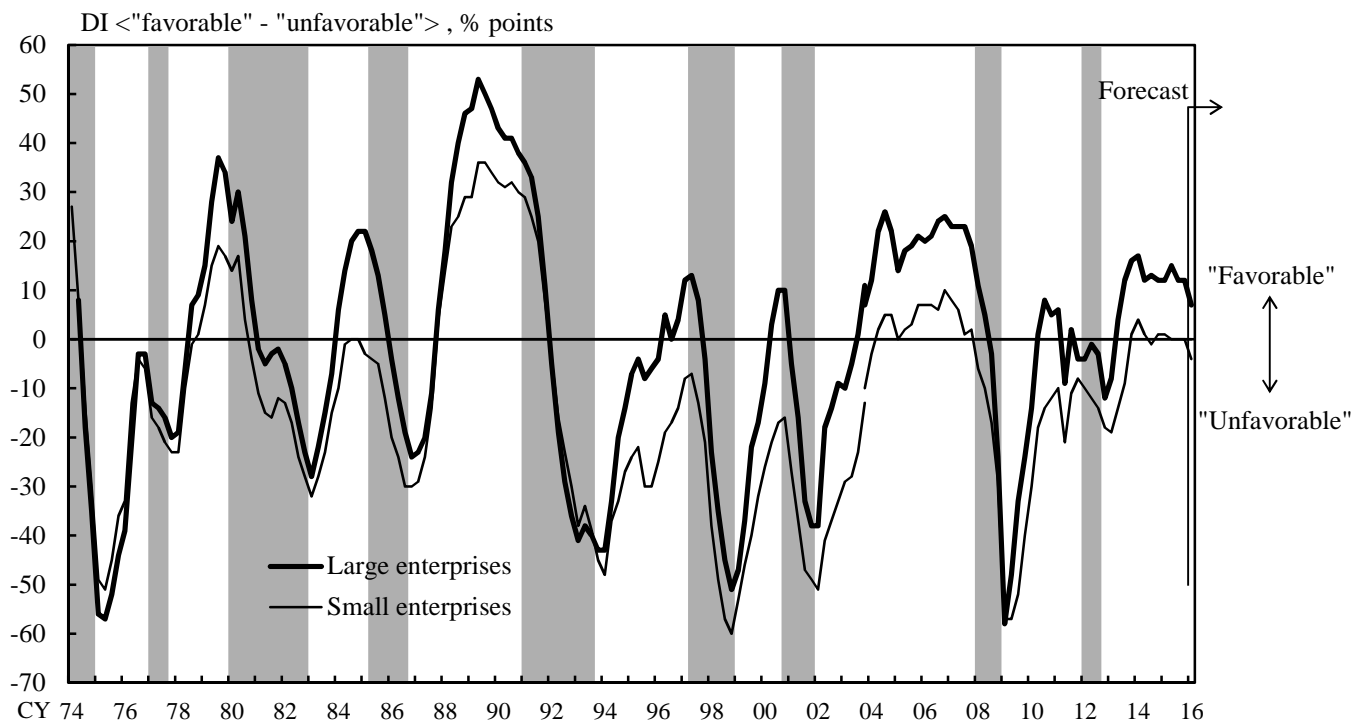
Notes: 1. (): Current profits (y/y % chg.); < >: Ratio of current profit to sales (%).

2. In the March 2004 survey, the "Tankan" underwent major revisions, including the addition of new sample enterprises to the survey. In the March 2007, March 2010 and March 2015 surveys regular revisions were made to the sample enterprises. The data show some discontinuities coincided with these timings.

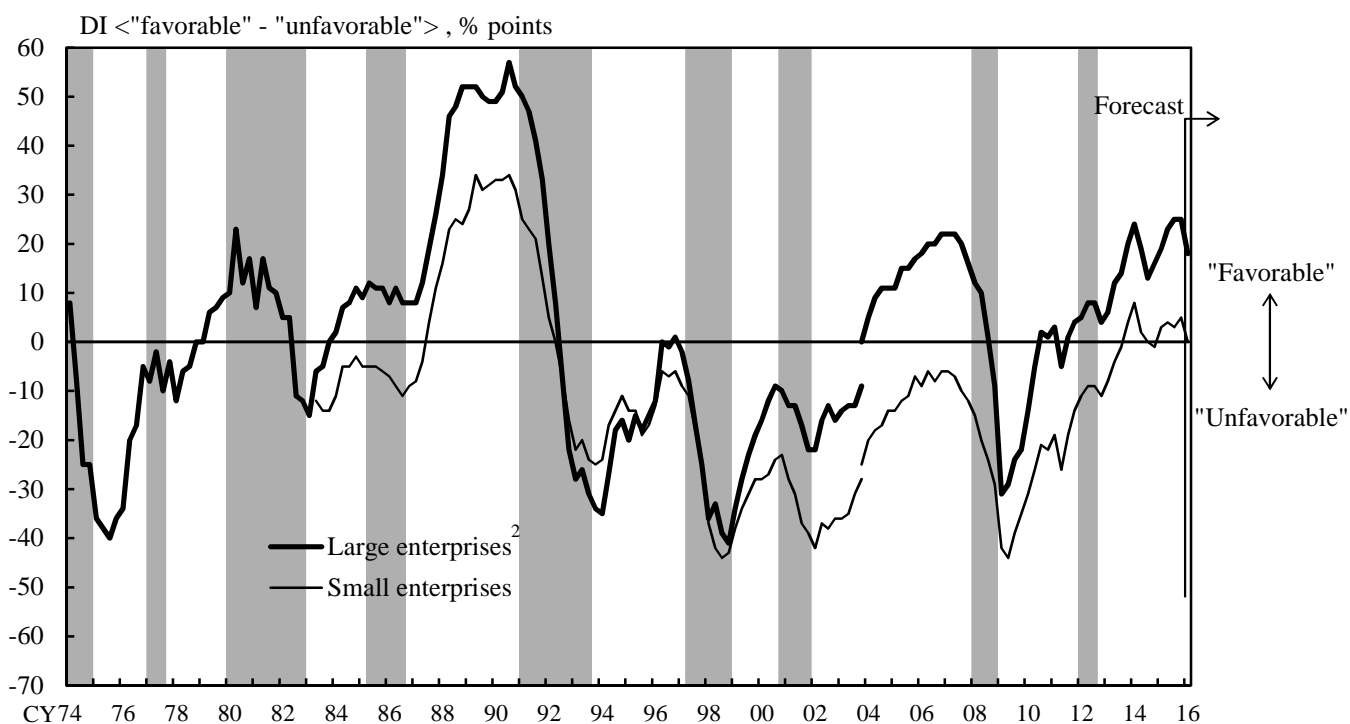
Source: Bank of Japan, "Tankan", Short-term Economic Survey of Enterprises in Japan."

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 the new basis.

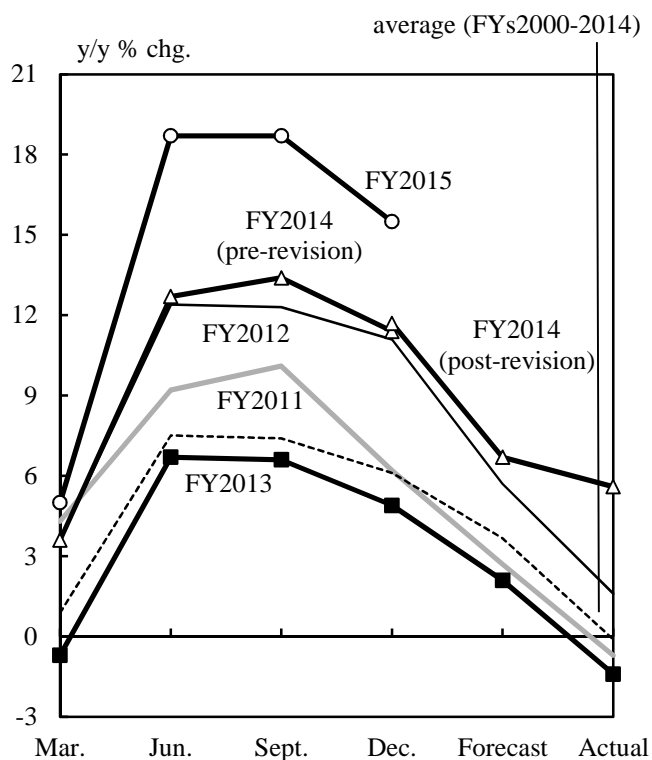
2. Data prior to February 1983 are those of principal enterprises.

3. Shaded areas indicate recession periods.

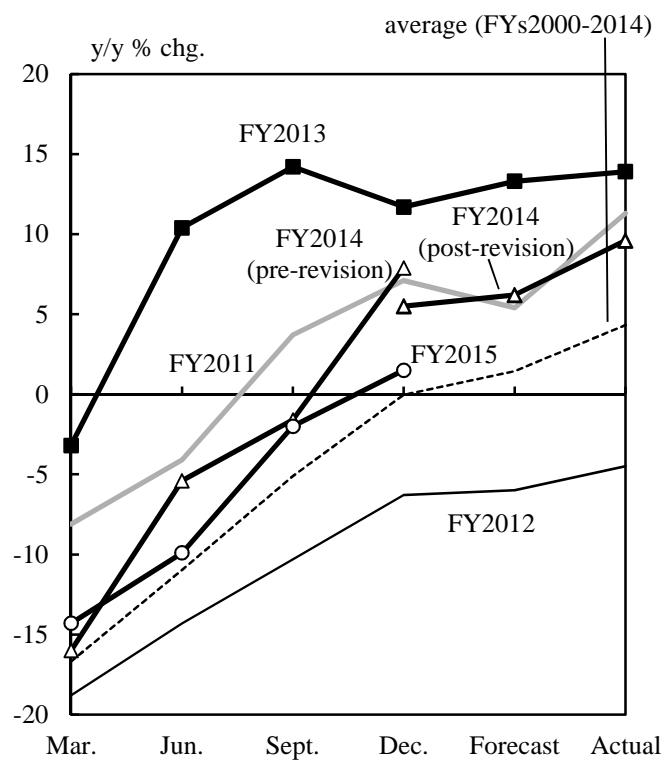
Source: Bank of Japan, "Tankan", Short-term Economic Survey of Enterprises in Japan."

Business Fixed Investment Plans as Surveyed

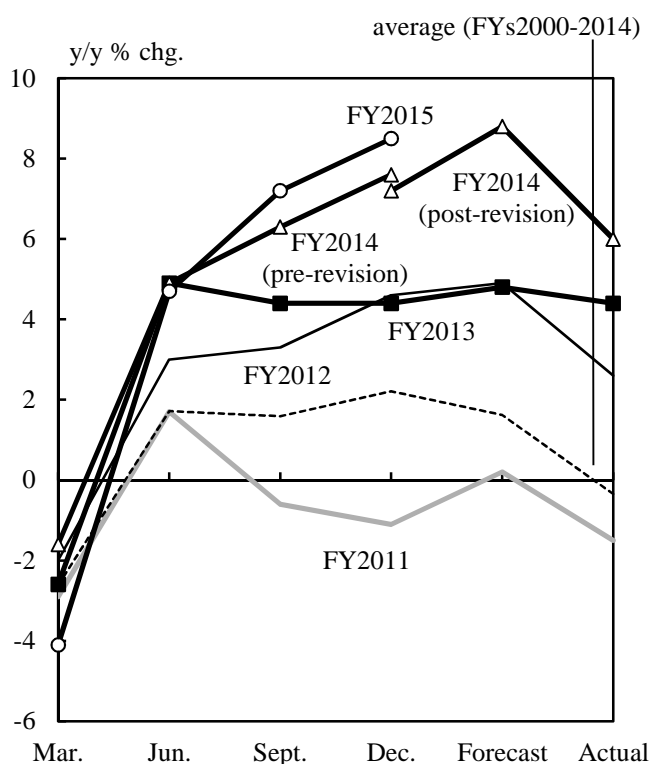
(1) Large Manufacturing Enterprises



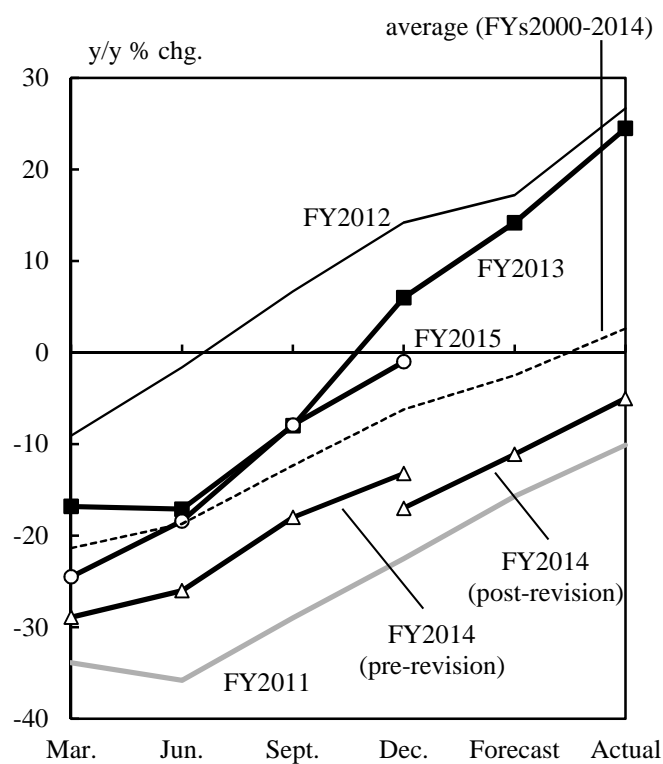
(2) Small Manufacturing Enterprises



(3) Large Nonmanufacturing Enterprises



(4) Small Nonmanufacturing Enterprises

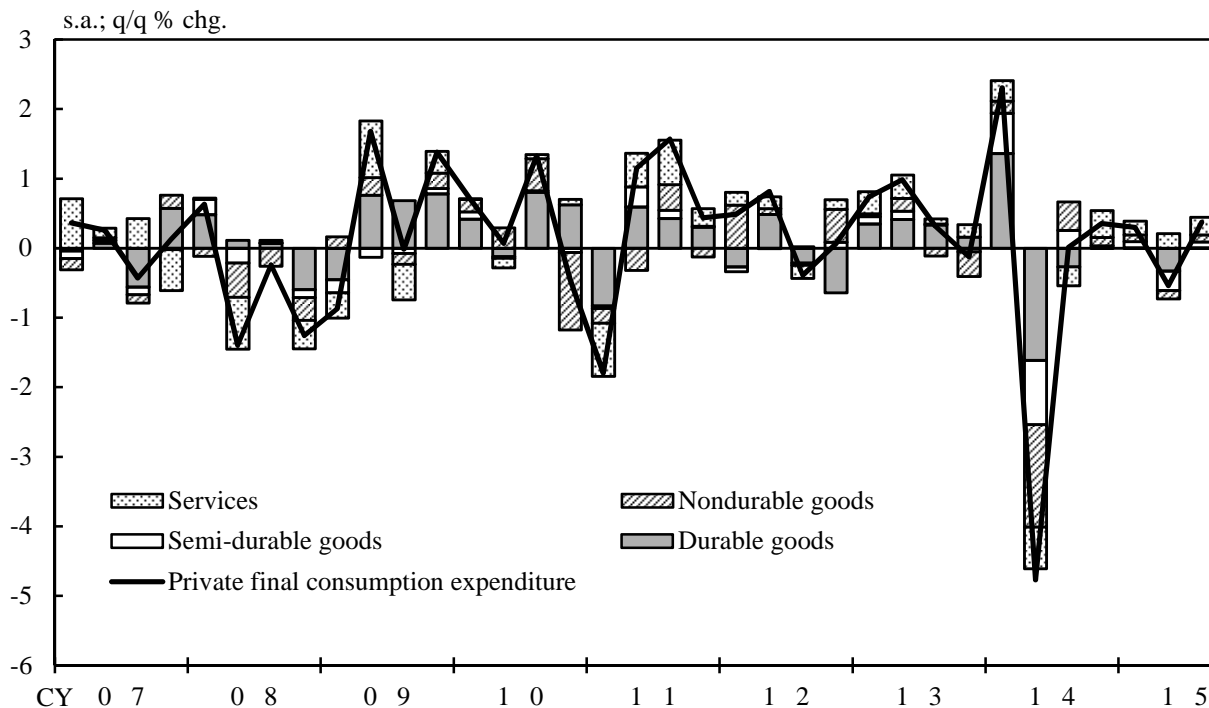


- Notes: 1. Includes land purchasing expenses and excludes software investment.
 2. Since the introduction of the new accounting standard for lease transactions beginning April 1, 2008, figures up to FY2008 are based on the previous standard and figures from FY2009 onward are based on the new standard. Past averages (FYs 2000-2014) 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.

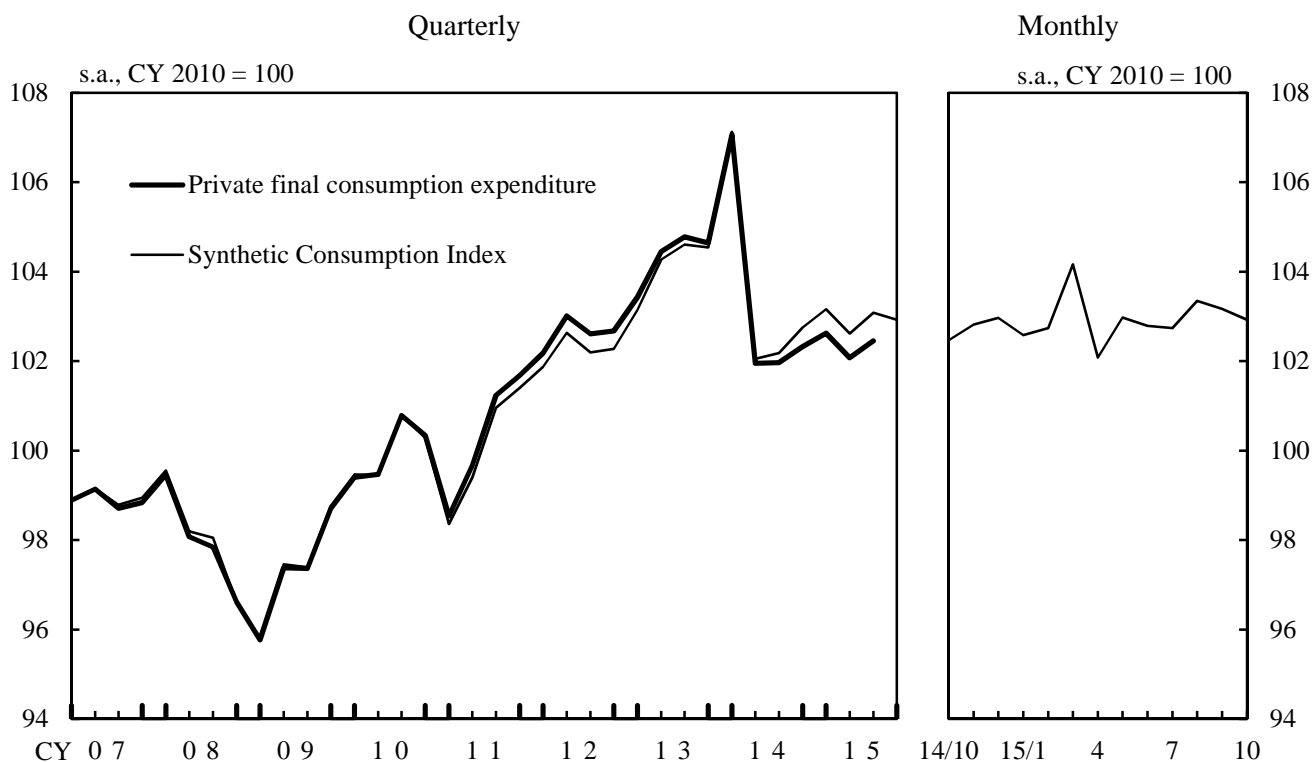
Source: Bank of Japan, "Tankan, Short-term Economic Survey of Enterprises in Japan."

Indicators of Private Consumption (1)

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



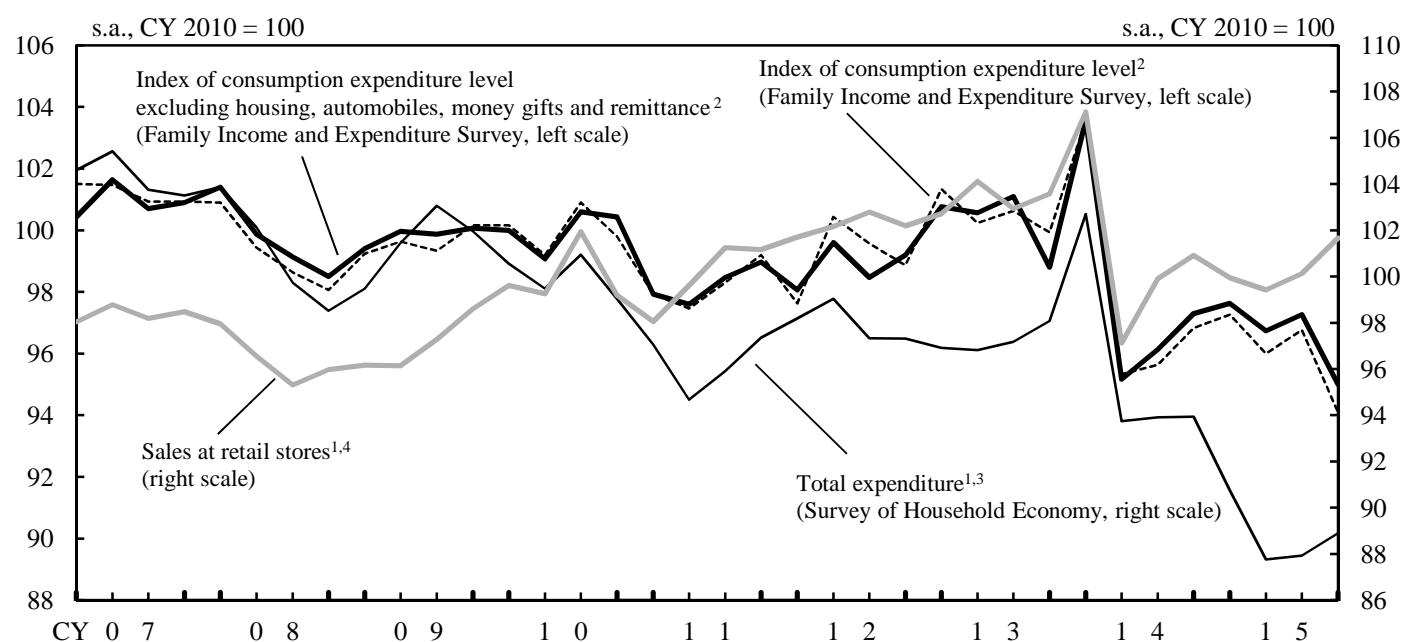
(2) Private Final Consumption Expenditure and Synthetic Consumption Index (Real)



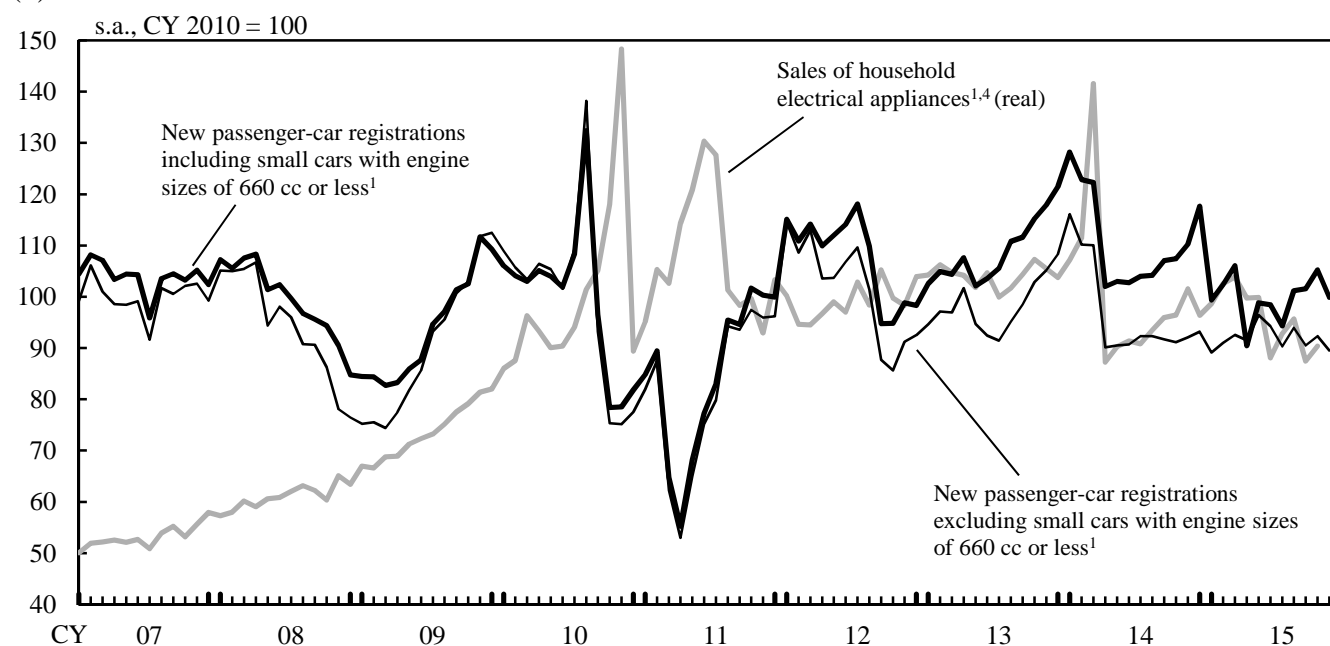
Note: The figure for 2015/Q4 is that of October in quarterly amount.

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

Indicators of Private Consumption (2)

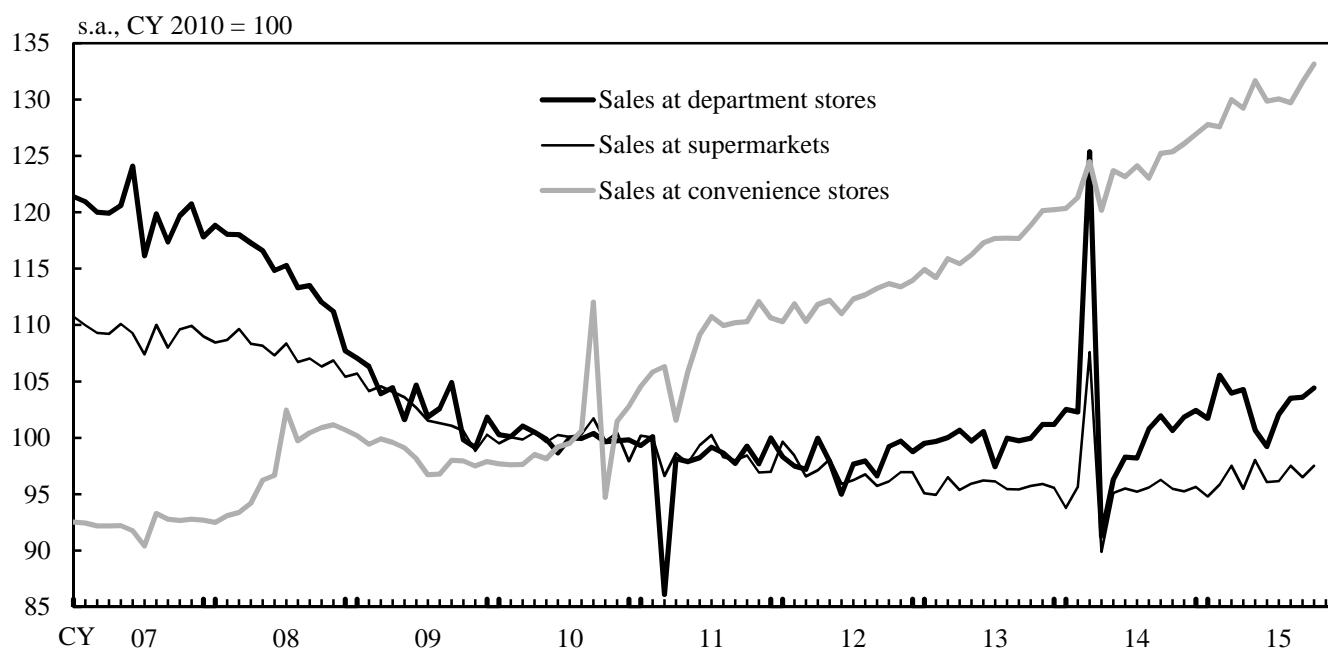
(1) Household Spending (Real)⁵

(2) Sales of Durable Goods

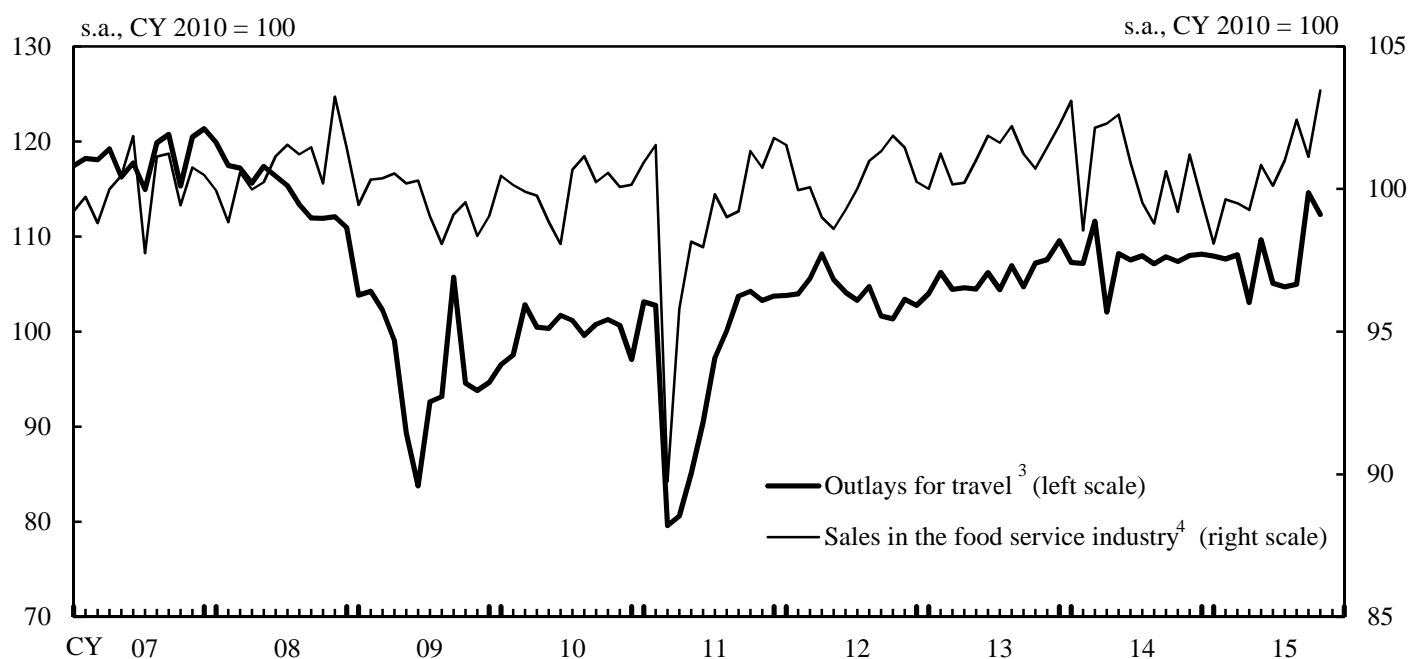


- Notes: 1. Figures for total expenditure, sales at retail stores, sales of household electrical appliances, and new passenger-car registrations are seasonally adjusted by X-12-ARIMA.
2. Figures for index of consumption expenditure level are based on two-or-more-person households, and are adjusted using 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/Q4 are those of October in quarterly amount.

Sources: Ministry of Internal Affairs and Communications, "Monthly Report on the Family Income and Expenditure Survey," "Survey of Household Economy," "Consumer Price Index"; 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 Consumption¹ (3)(1) Sales at Retail Stores (Nominal)²

(2) Consumption of Services (Nominal)



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

2. Adjusted to exclude the effects of the increase in the number of stores (except for convenience stores).

3. Excluding those by foreign travelers. Figures are calculated using the year-on-year rates of change of every month based on the monthly outlay amounts in FY2006.

4. 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 CY1993 released by the Food Service Industry Survey & Research Center.

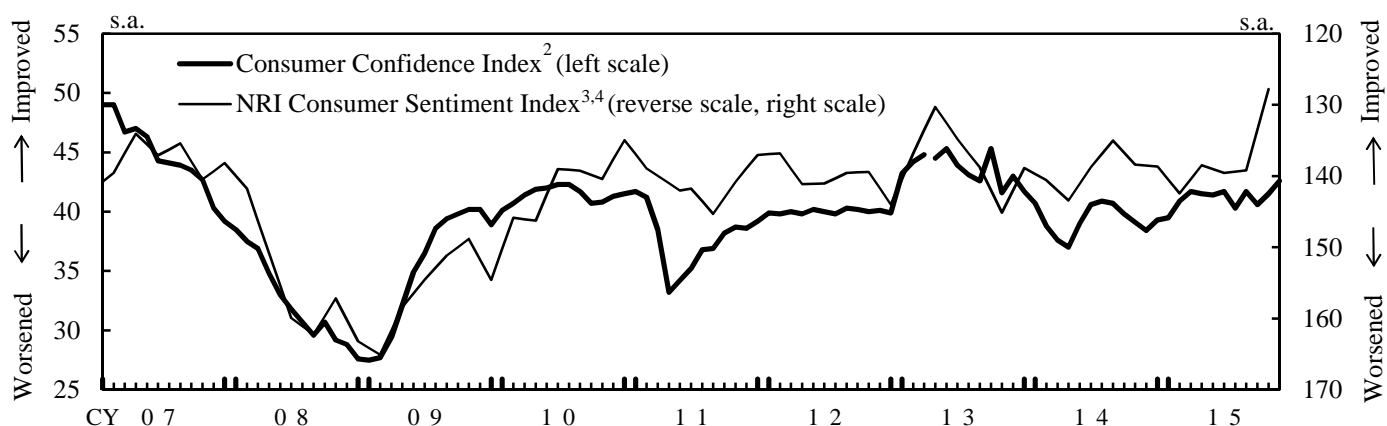
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce";

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

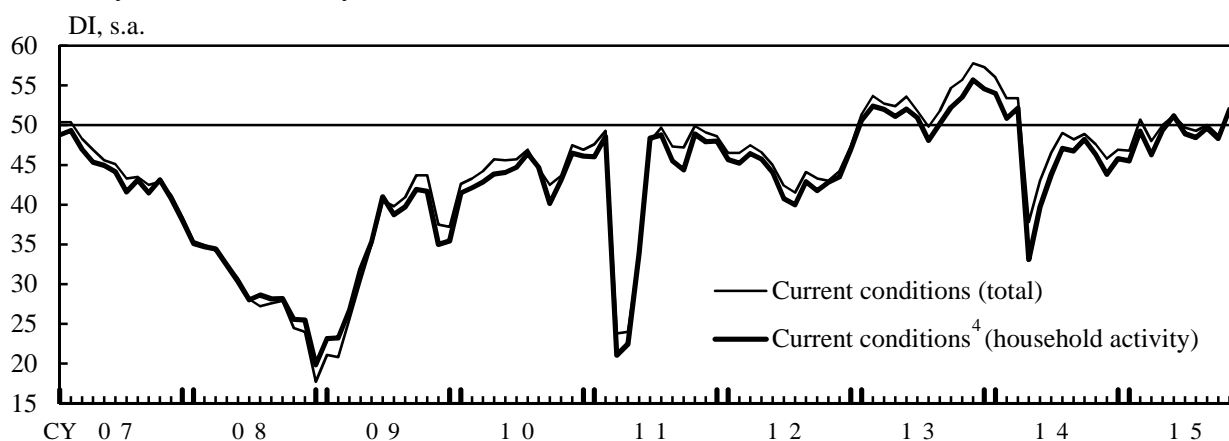
Food Service Industry Survey & Research Center, "*Getsuji Uriage Doukou Chousa* (Monthly survey on food service sales)"; Japan Food Service Association, "*Gaishoku Sangyou Shijou Doukou Chousa* (Research on the food service industry)."

Confidence Indicators Related to Private Consumption

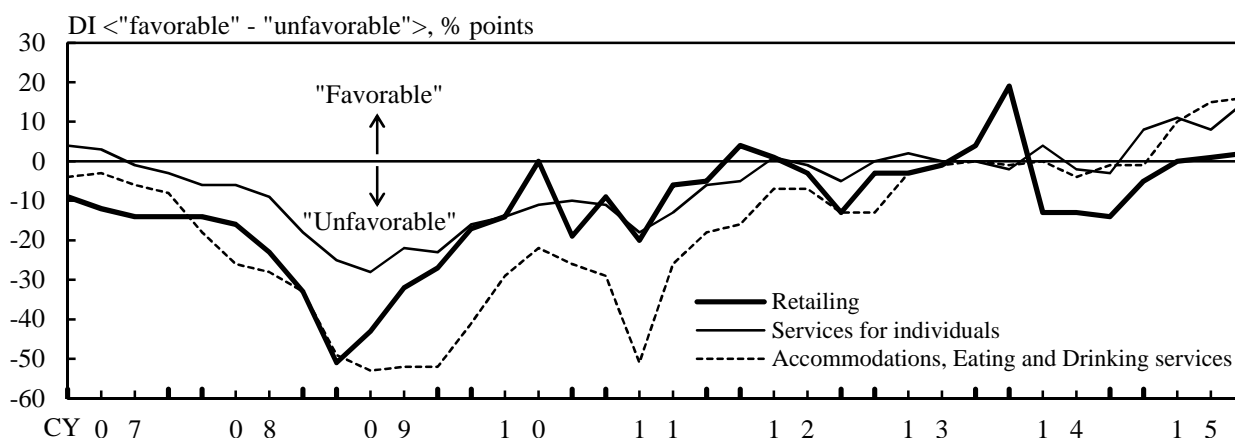
(1) Consumer Confidence Index and NRI Consumer Sentiment Index¹



(2) Economy Watchers Survey



(3) Business Conditions of Industries Related to Private Consumption (*Tankan*, Enterprises of All Sizes)

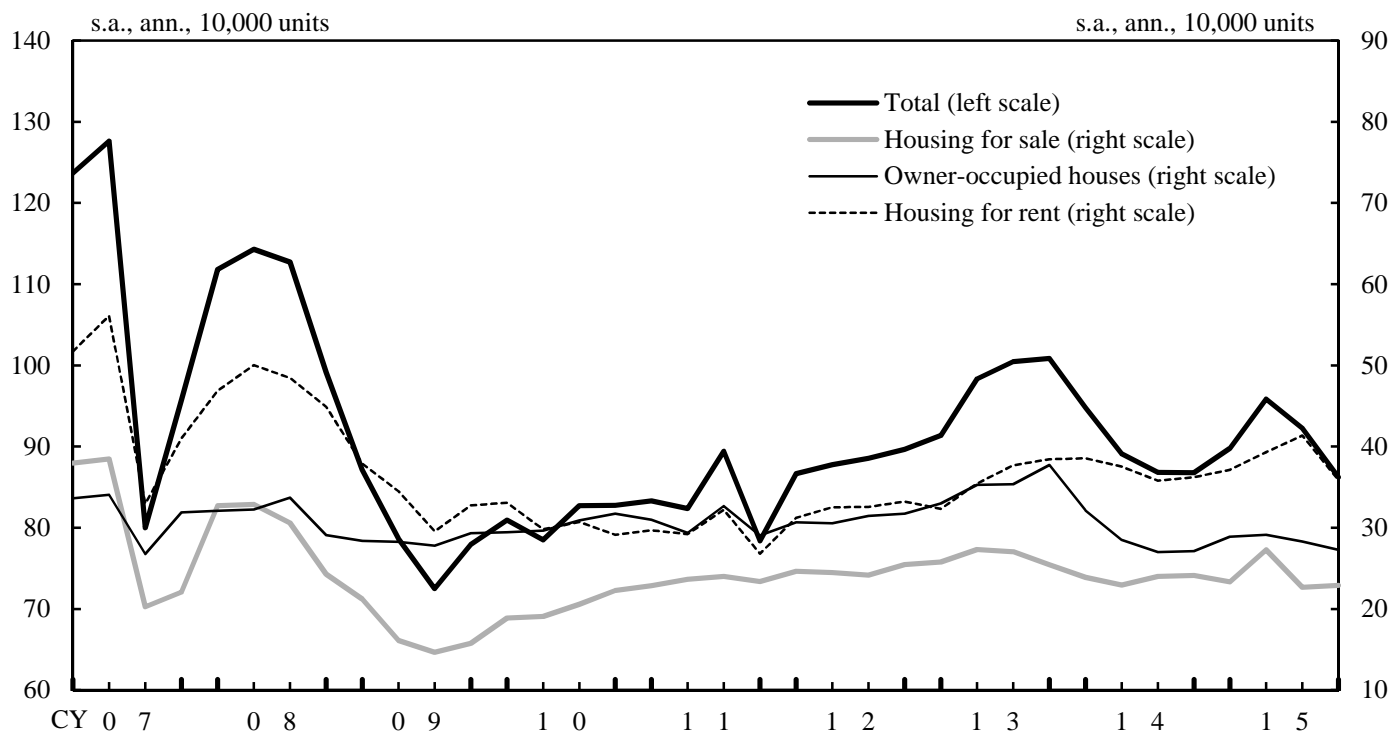


- Notes: 1. The Consumer Confidence Index (covering about 5,700 samples on a nationwide basis from April 2013 onward) and NRI Consumer Sentiment Index (1,200 samples on a nationwide basis) are based on surveys on consumer confidence.
2. In April 2013, the Cabinet Office changed the method for conducting the Consumer Confidence Survey to a mail survey method. For this reason, there is a discontinuity between data up to March 2013—which were obtained on a direct-visit and self-completion questionnaires method—and those on the new method.
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";
 Bank of Japan, "*Tankan*, Short-term Economic Survey of Enterprises in Japan."

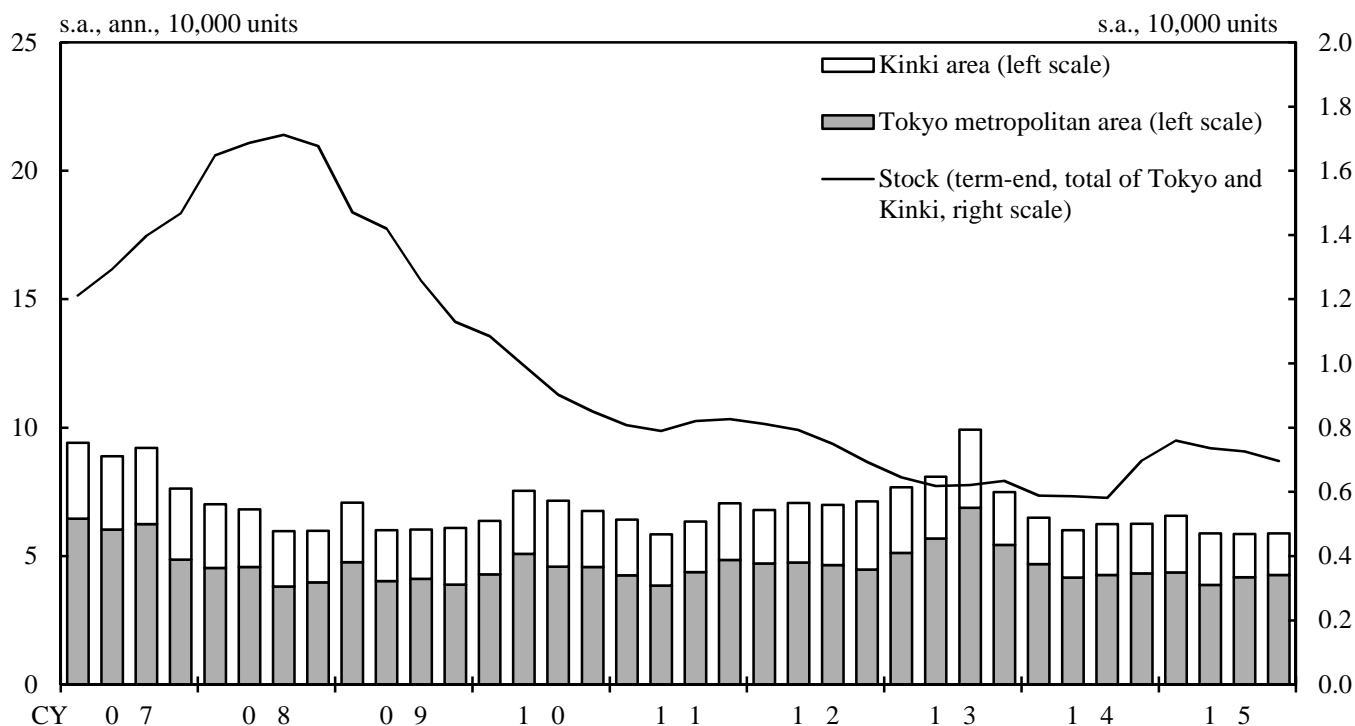
Indicators of Housing Investment

(1) Housing Starts



Note: Figures for 2015/Q4 are those of October.

(2) Sales of Apartments



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

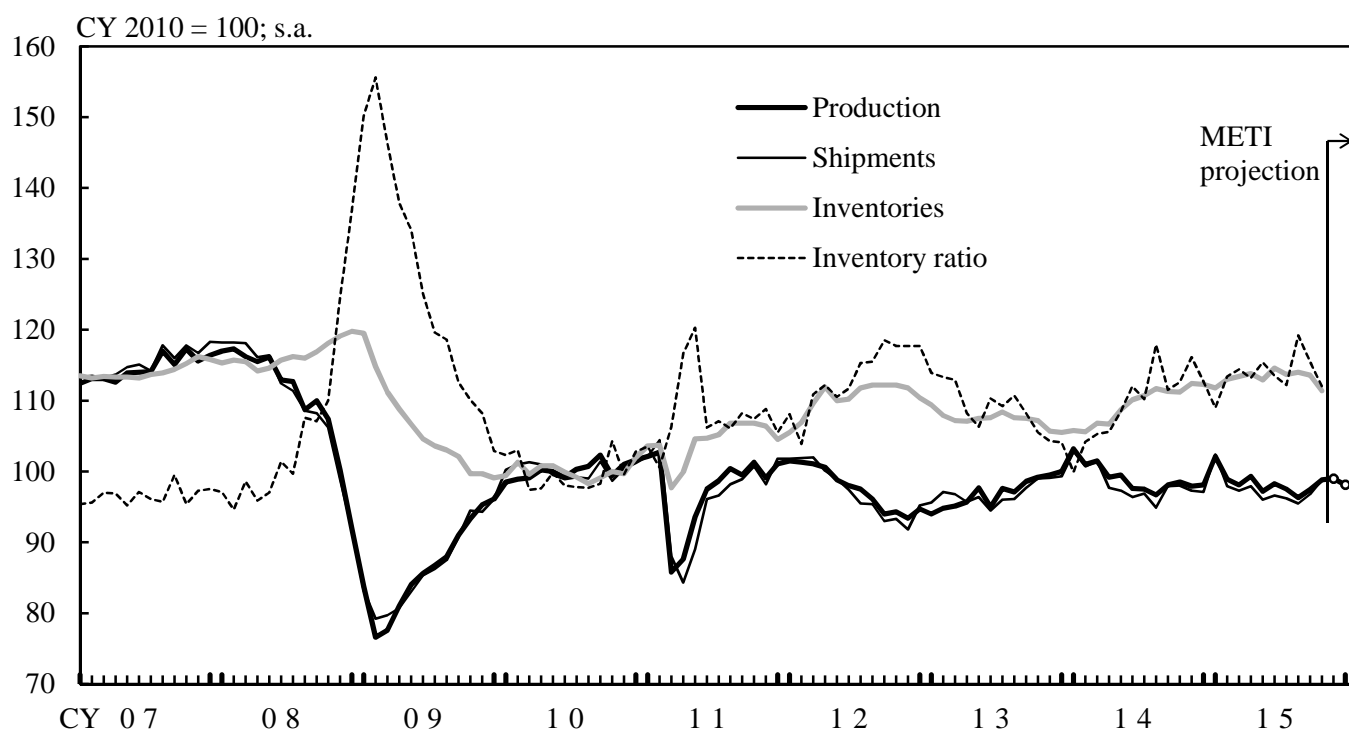
2. The figure of total apartment sales for 2015/Q4 is the October-November average.

The term-end stock for 2015/Q4 is that of November.

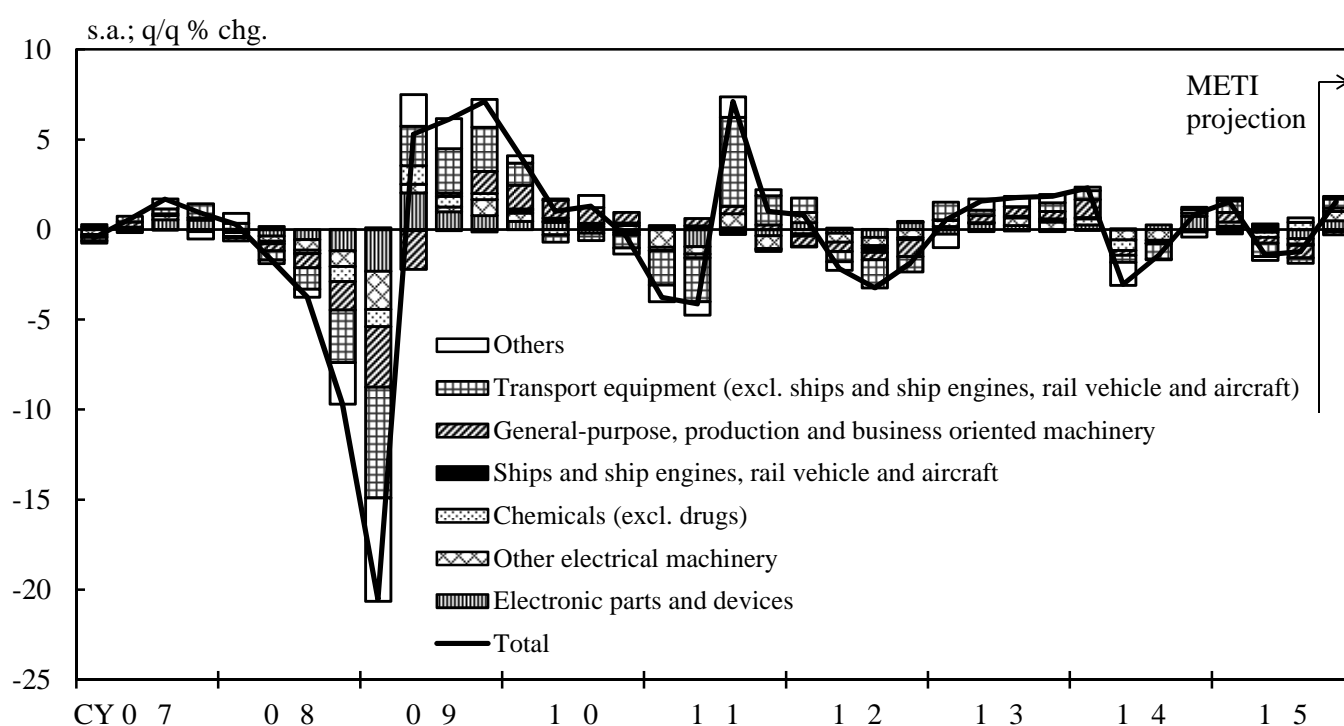
Sources: Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts," etc.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



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

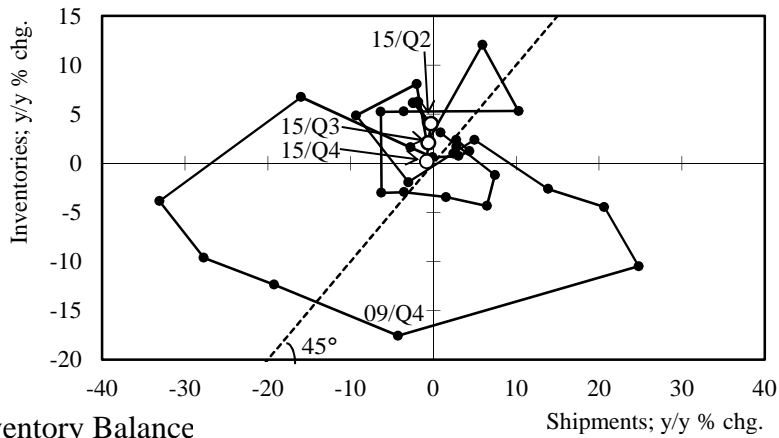


- Notes: 1. "Other electrical machinery" is the weighted sum of "electrical machinery" and "information and communication electronics equipment."
 2. Figures up to 2008/Q1 are on the 2005 base.
 Figures for "general-purpose, production and business oriented machinery" up to 2008/Q1 are those for "general machinery."
 3. 2015/Q4 figures are based on the actual production levels in October, and the METI projection of November and December.

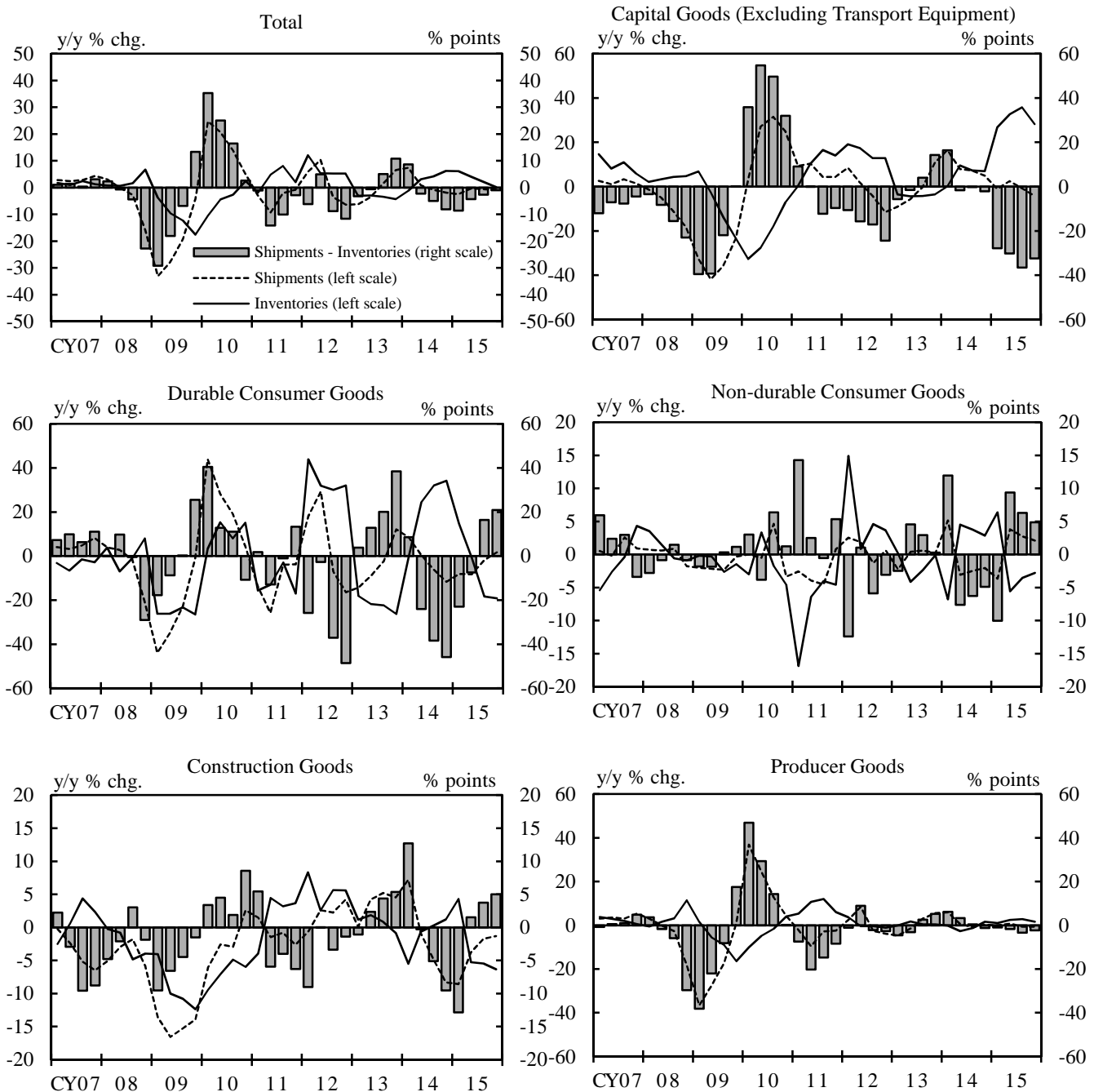
Source: Ministry of Economy, Trade and Industry (METI), "Indices of Industrial Production."

Inventory Cycle

(1) Inventory Cycle (Total)



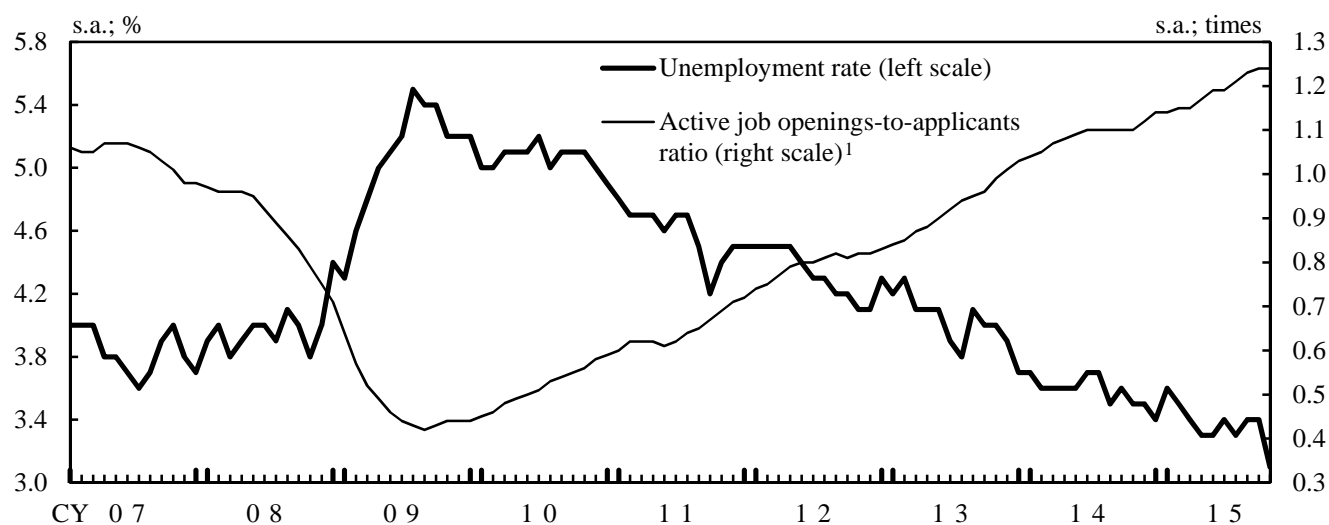
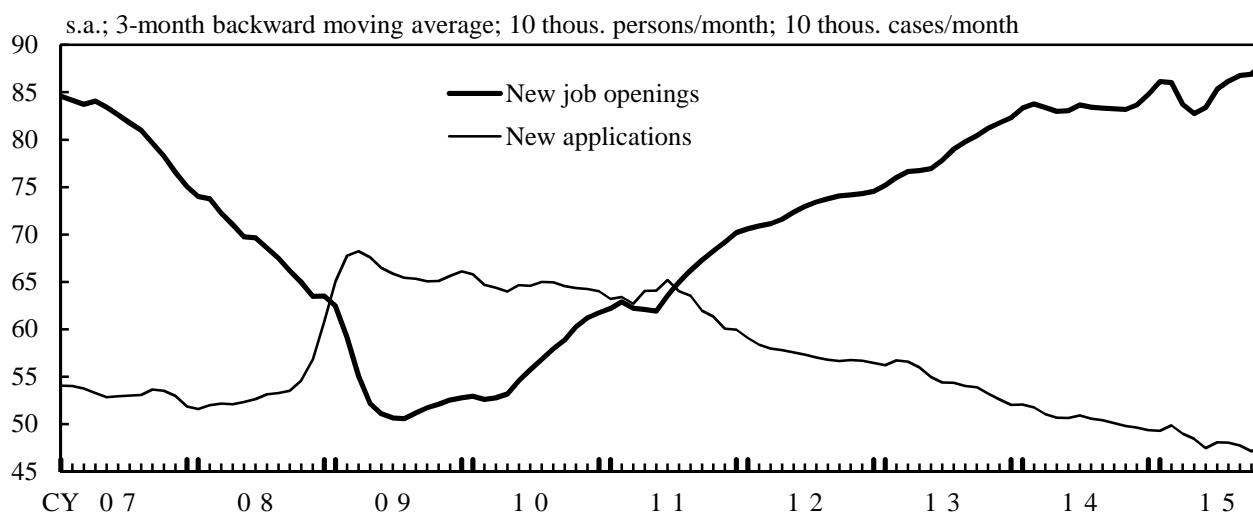
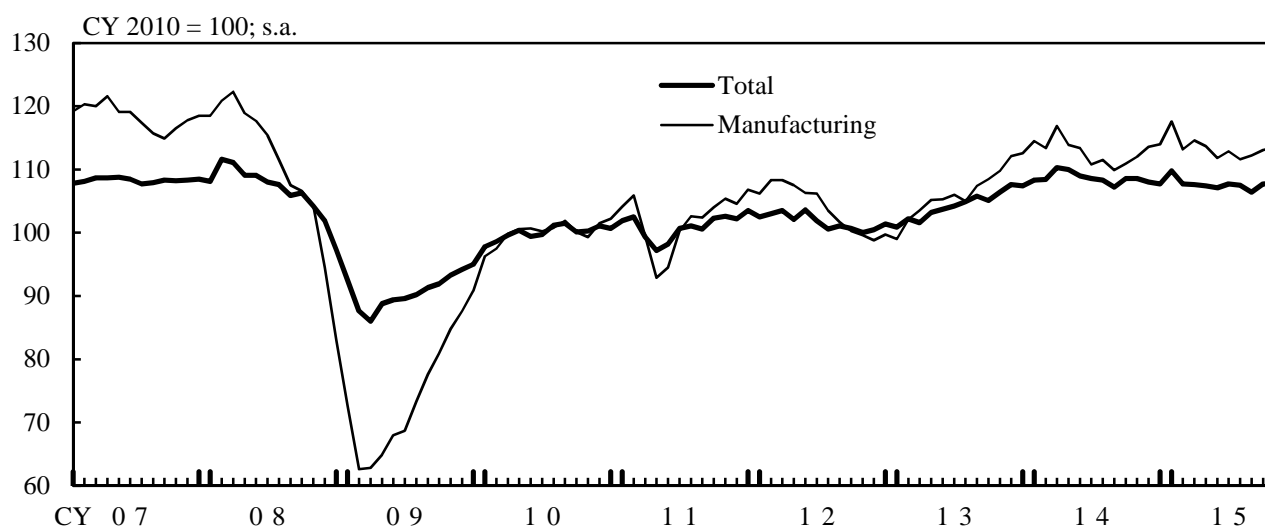
(2) Shipment-Inventory Balance



Note: Figures for 2015/Q4 are those of October.
 Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Labor Market

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

(2) New Job Openings and New Applications¹(3) Non-Scheduled Hours Worked²

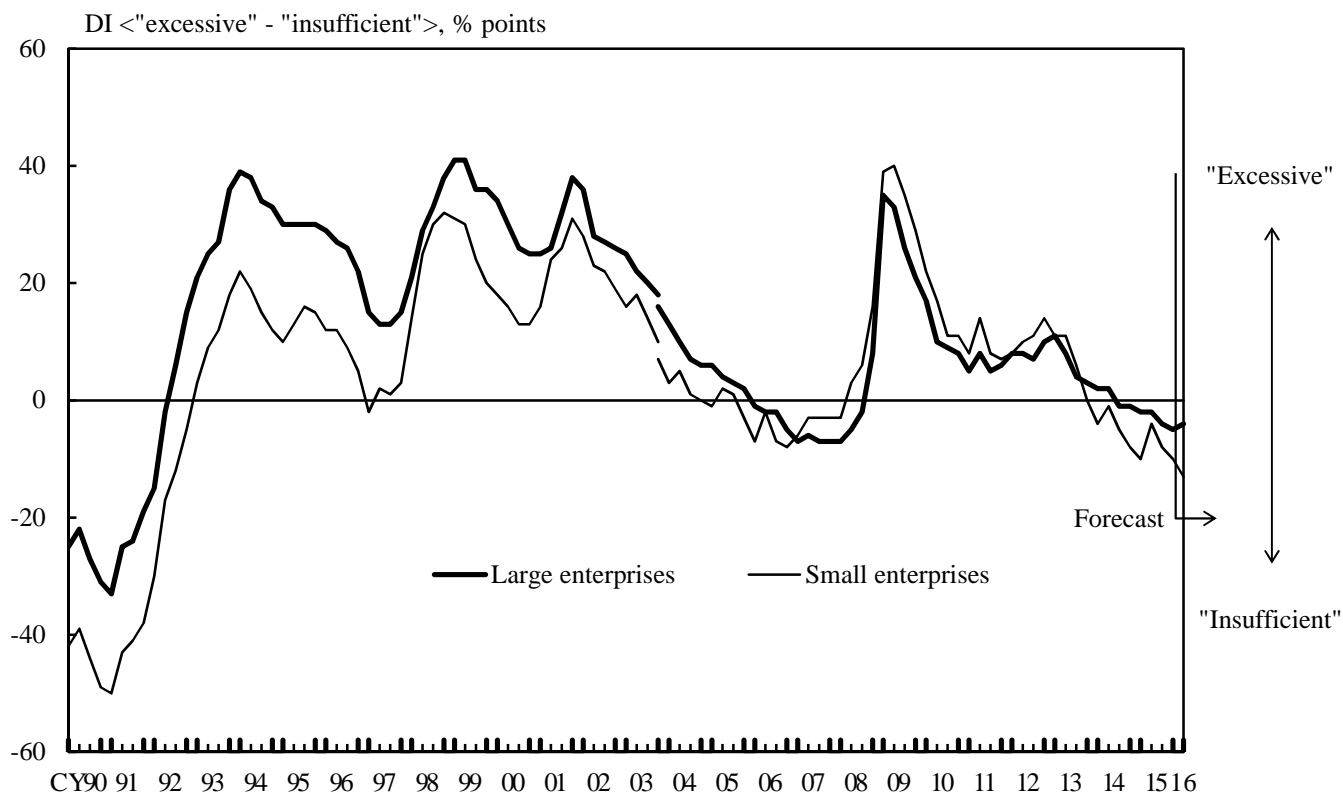
Notes: 1. Excluding new school graduates and including part-timers.

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

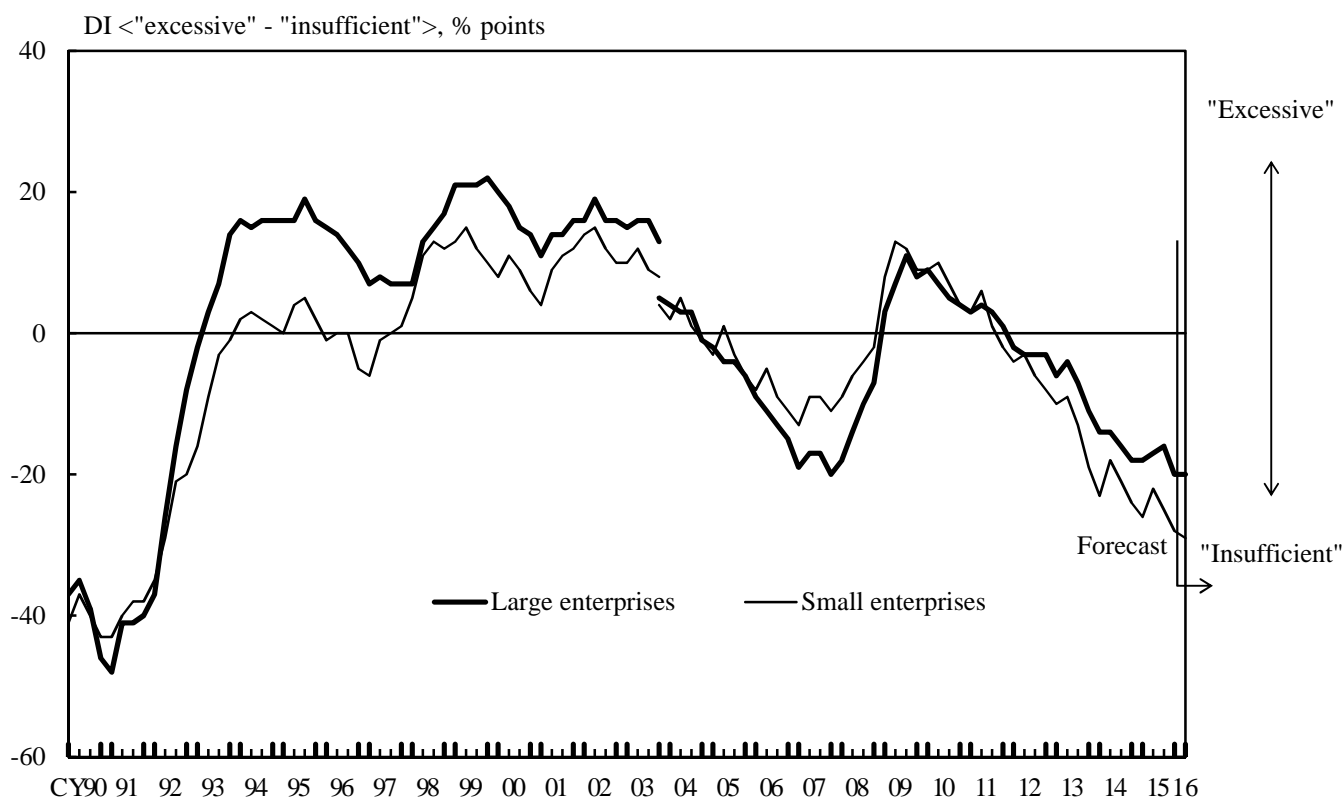
Sources: Ministry of Internal Affairs and Communications, "Labour Force Survey";
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey."

Employment Conditions

(1) Manufacturing

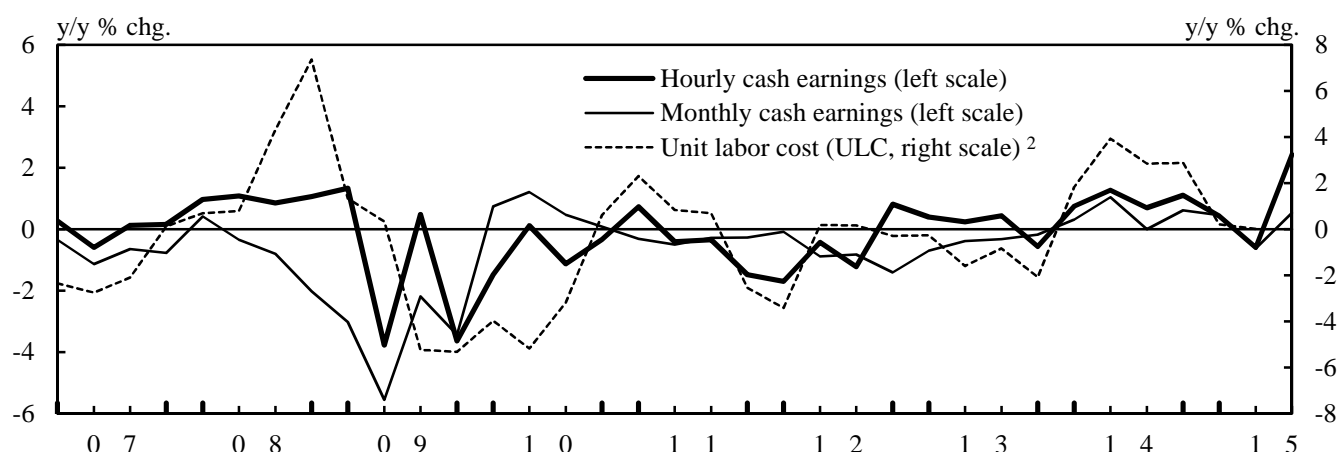
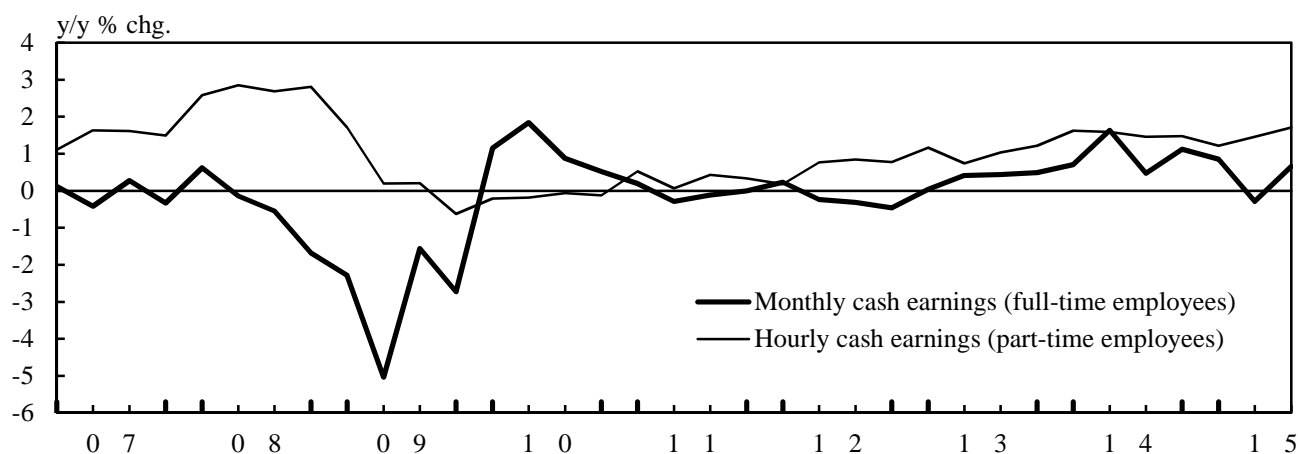
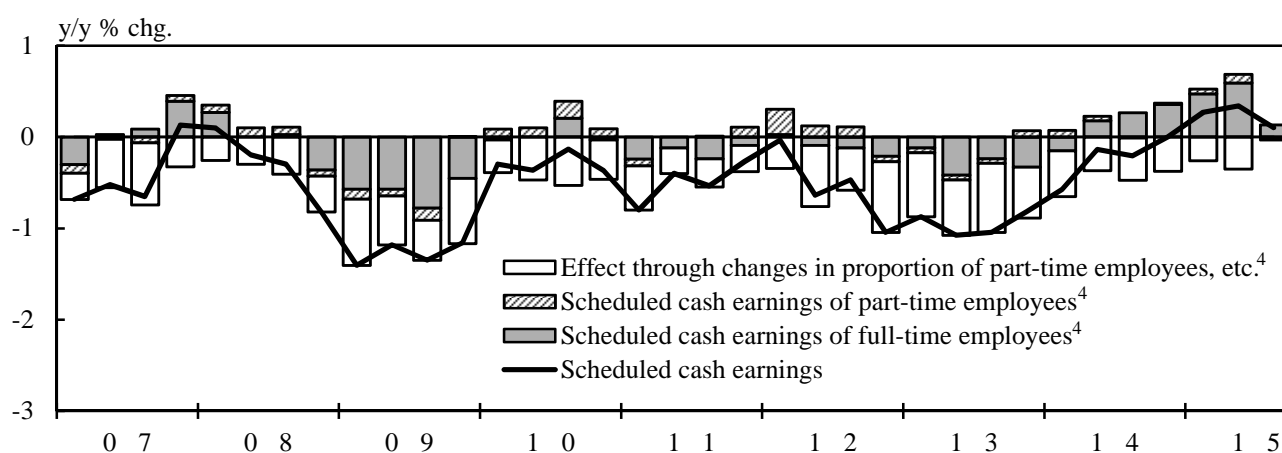


(2) Nonmanufacturing



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

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. Figures for 2015/Q3 are September-October averages (except ULC).

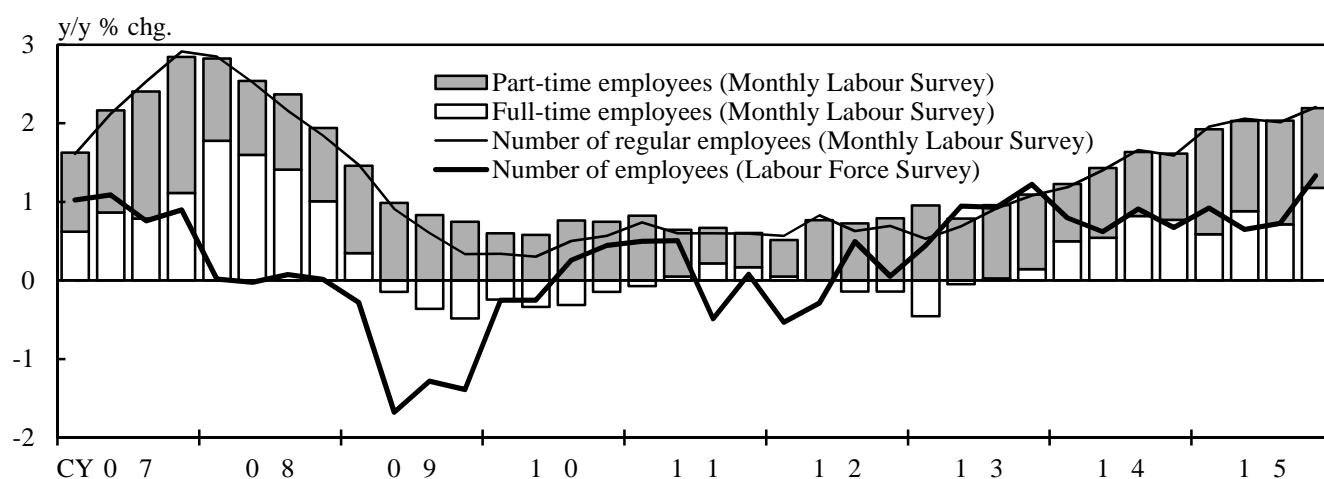
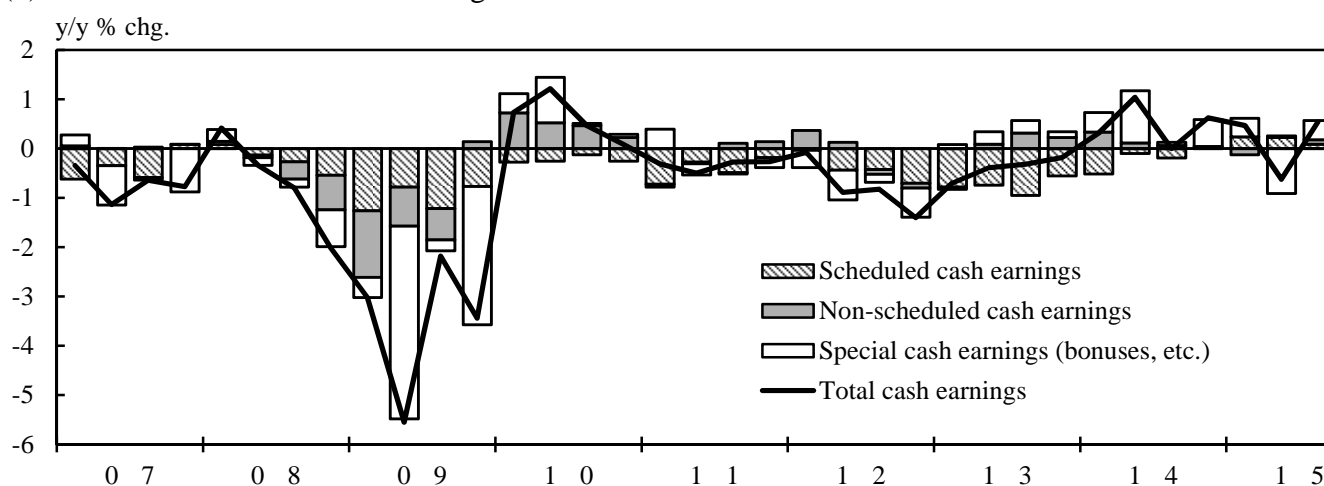
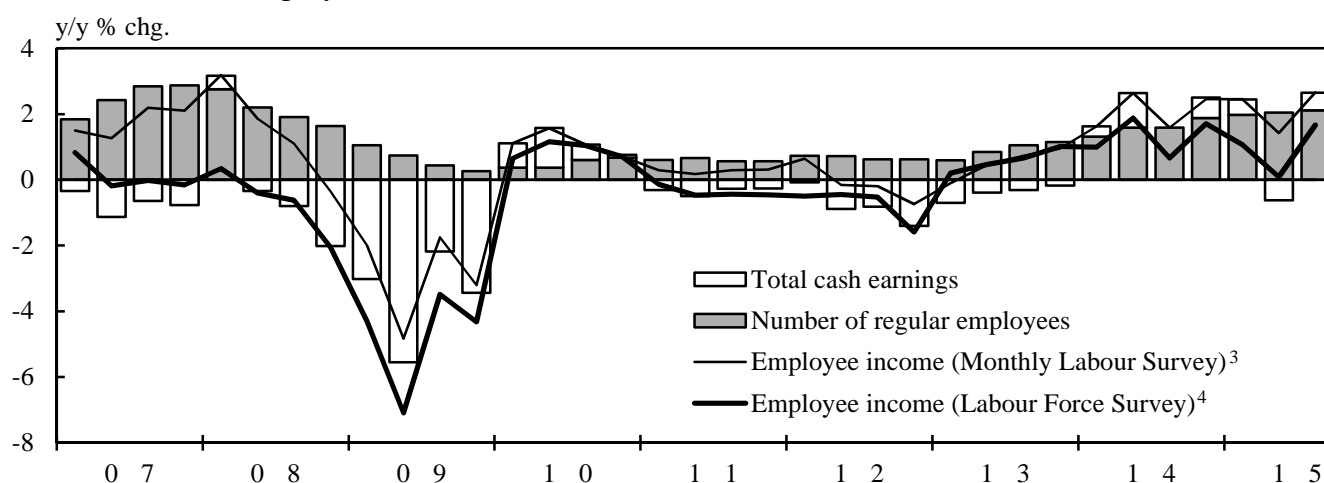
Except ULC : Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.

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, etc. 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.

Figures for 2015/Q3 are September-October averages.

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

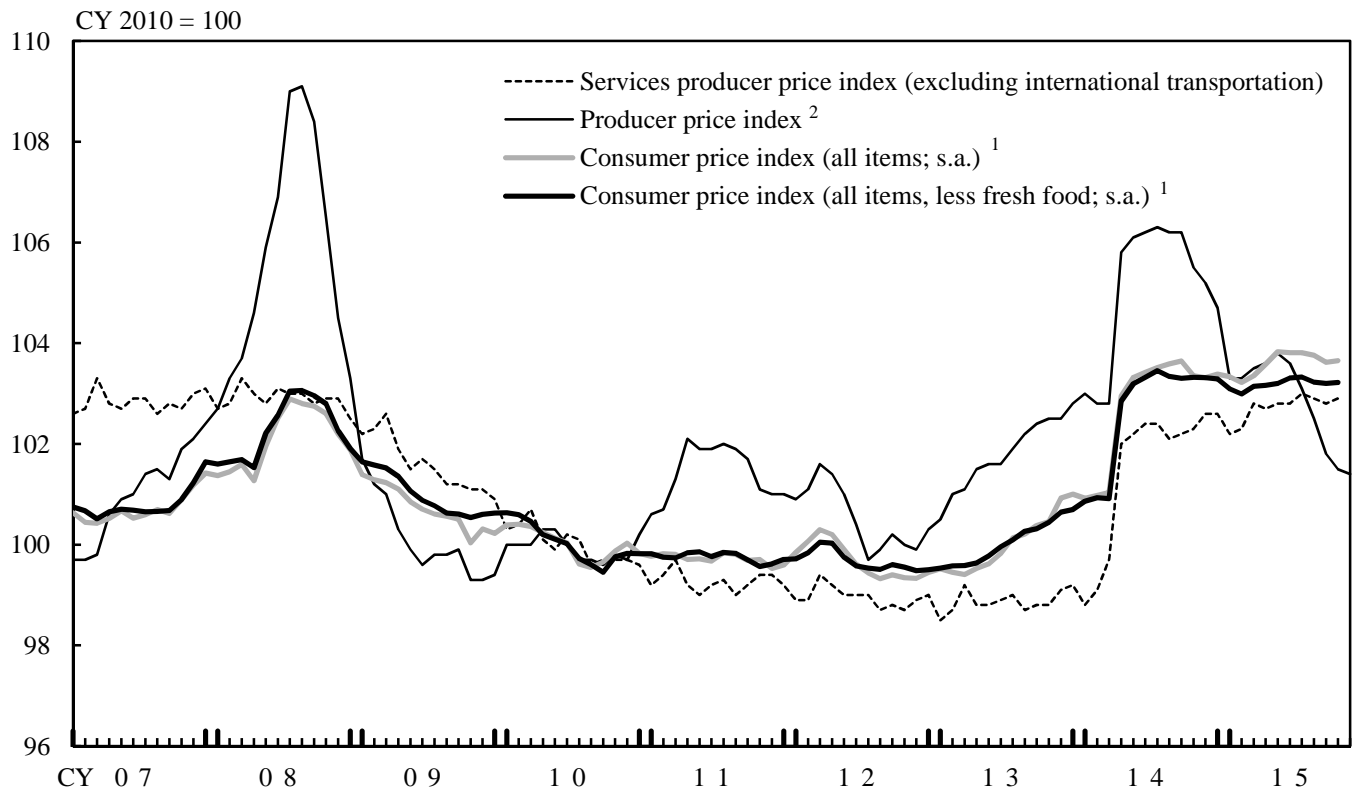
4. Calculated as the "number of employees" (Labour Force Survey) times "total cash earnings" (Monthly Labour Survey).

5. Figures for 2015/Q4 are those of October.

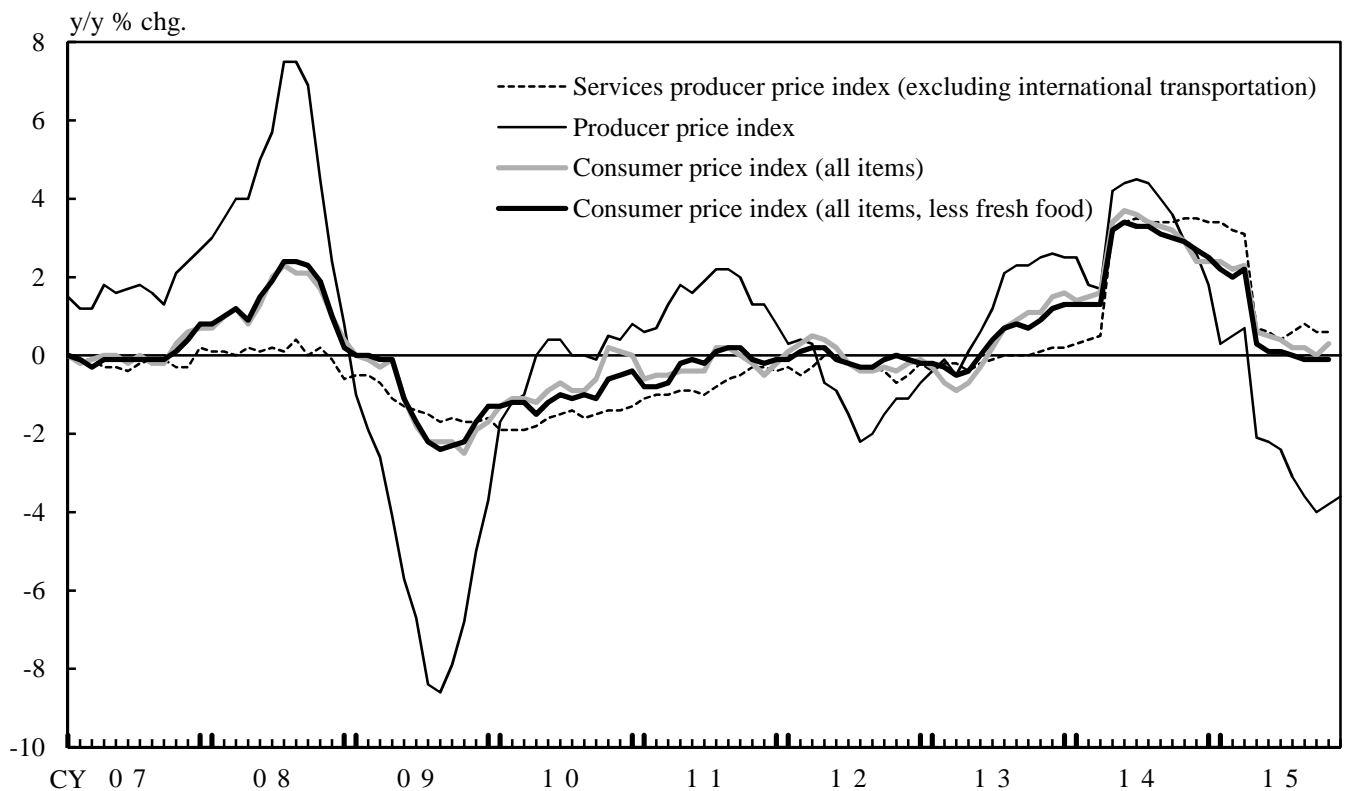
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
Ministry of Internal Affairs and Communications, "Labour Force Survey."

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.

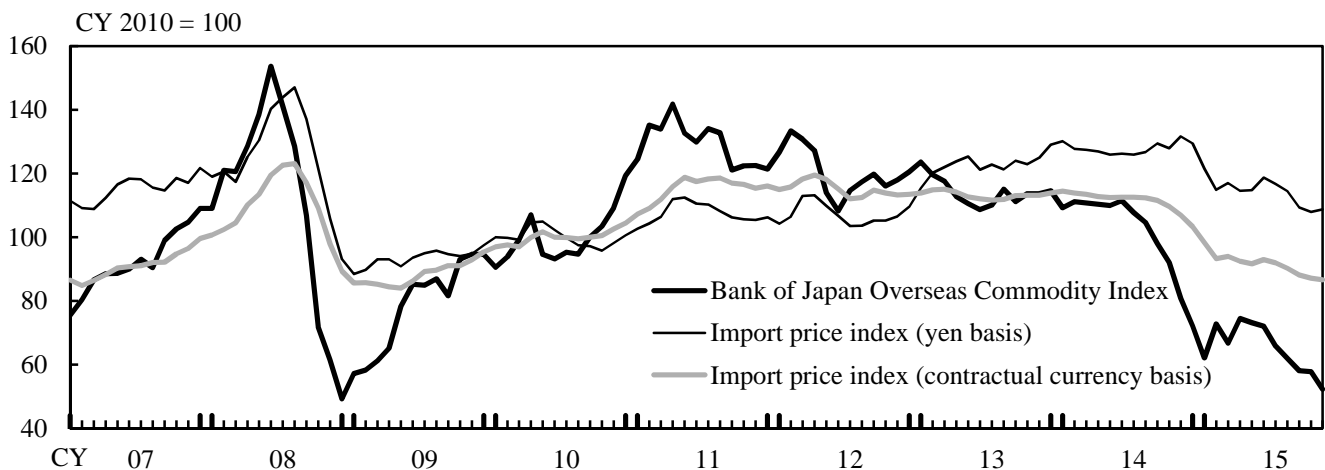
4. Figures of "Services Producer Price Index" and "Producer Price Index" up to 2009 are based on the linked indices.

5. Figures include the consumption tax.

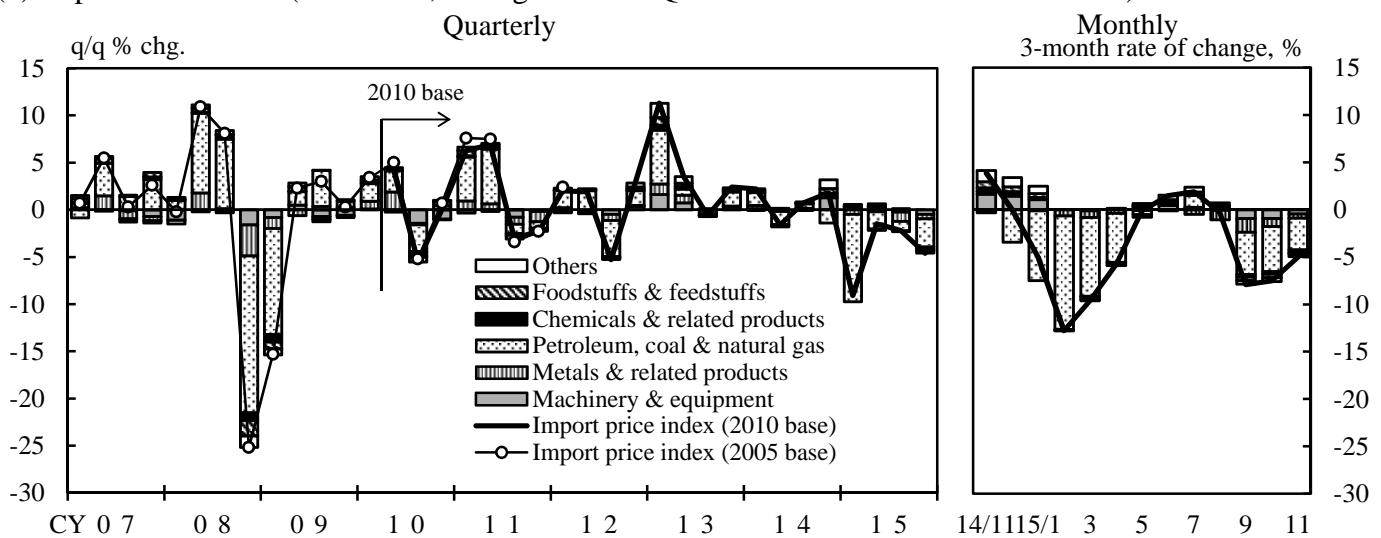
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Services Producer Price Index."

Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index

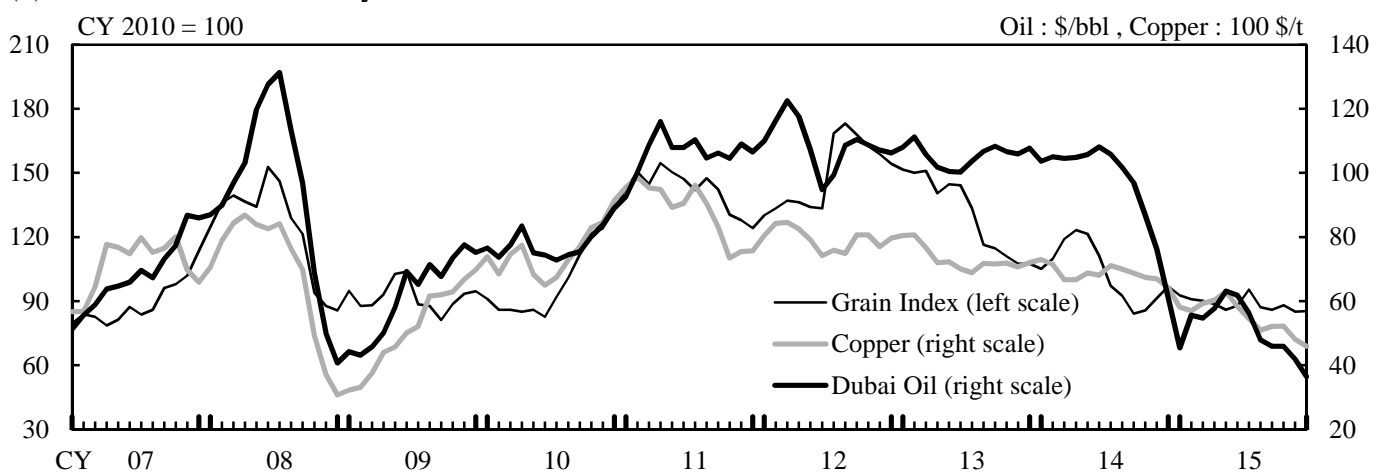


(2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



Notes: 1. Machinery & equipment: general purpose, production & business oriented machinery, electric & electronic products, and transportation equipment.
 2. Figures for 2015/Q4 are October-November averages.

(3) International Commodity Prices

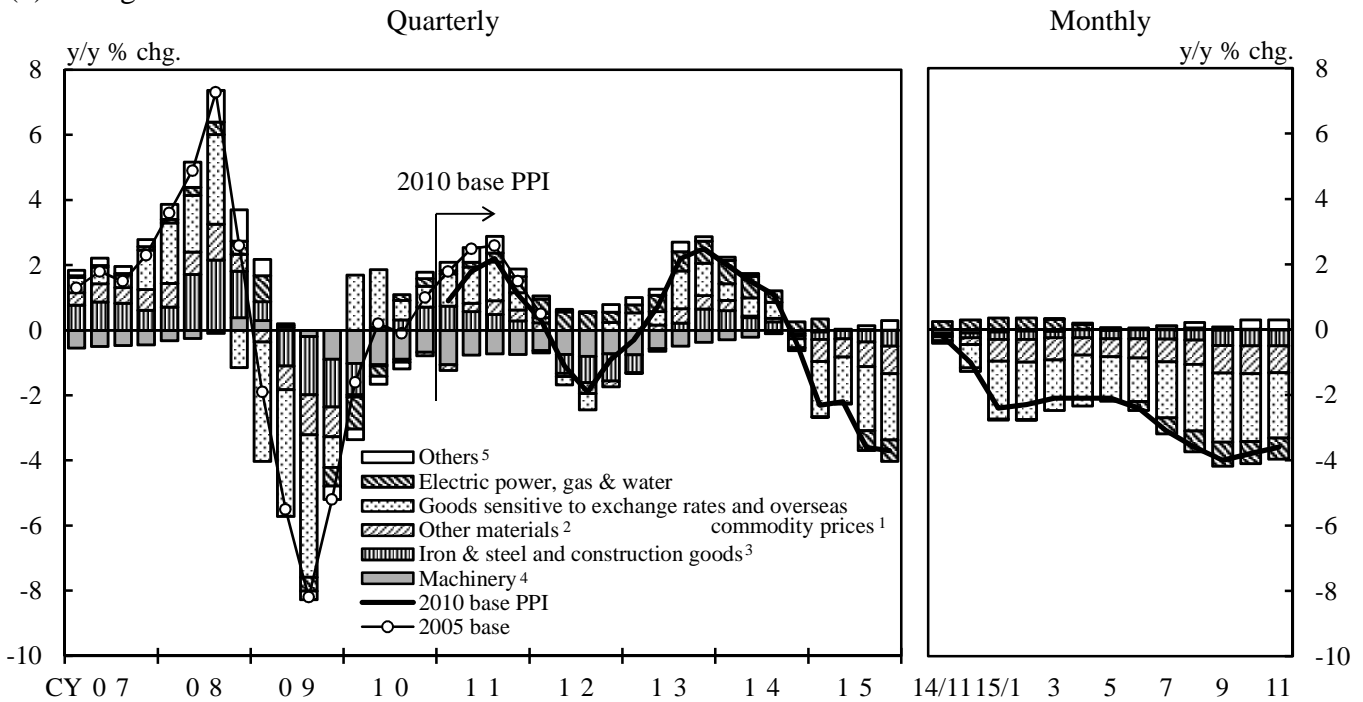


Notes: 1. The "grain index" is the weighted average of prices of three selected items (wheat, soybeans, and corn) in overseas commodity markets. The weights are based on the value of imports in the "Trade Statistics."
 2. Monthly averages. Figures for December 2015 are averages up to December 17.

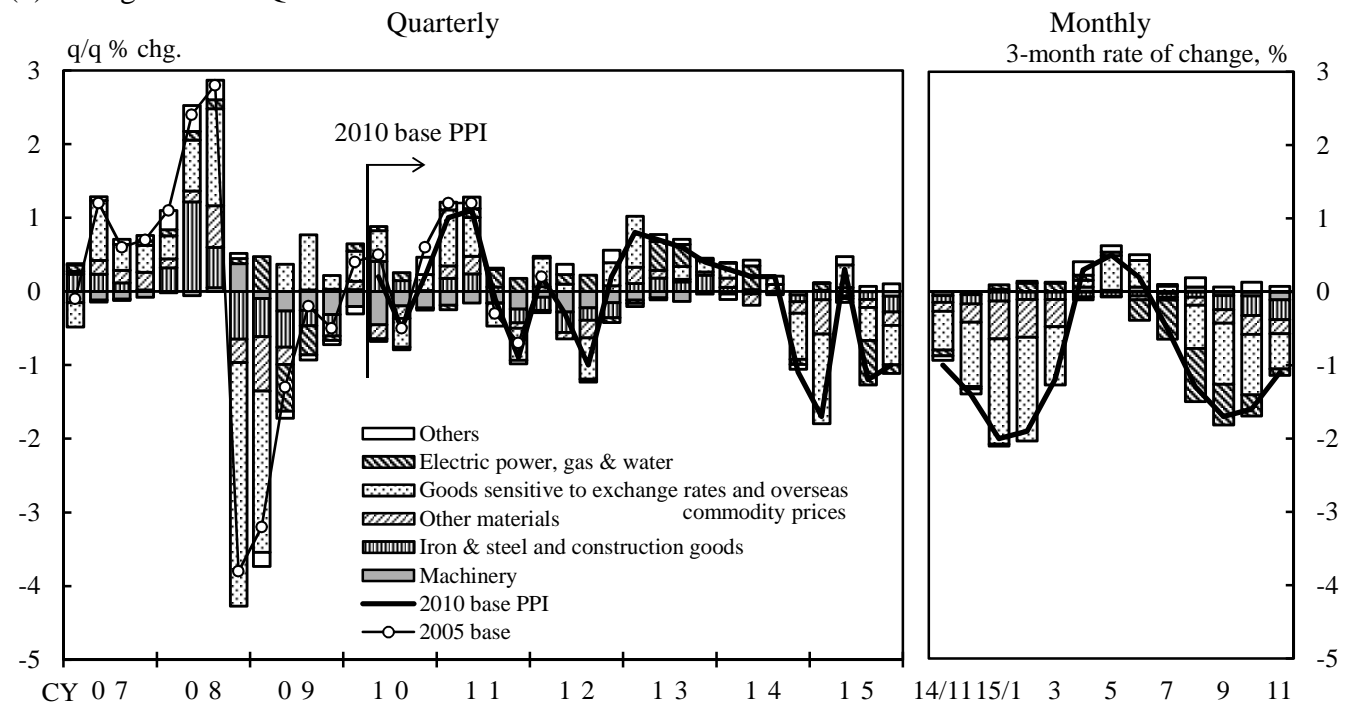
Sources: Bank of Japan, "Corporate Goods Price Index," "Bank of Japan Overseas Commodity Index," etc.

Producer Price Index

(1) Changes from a Year Earlier



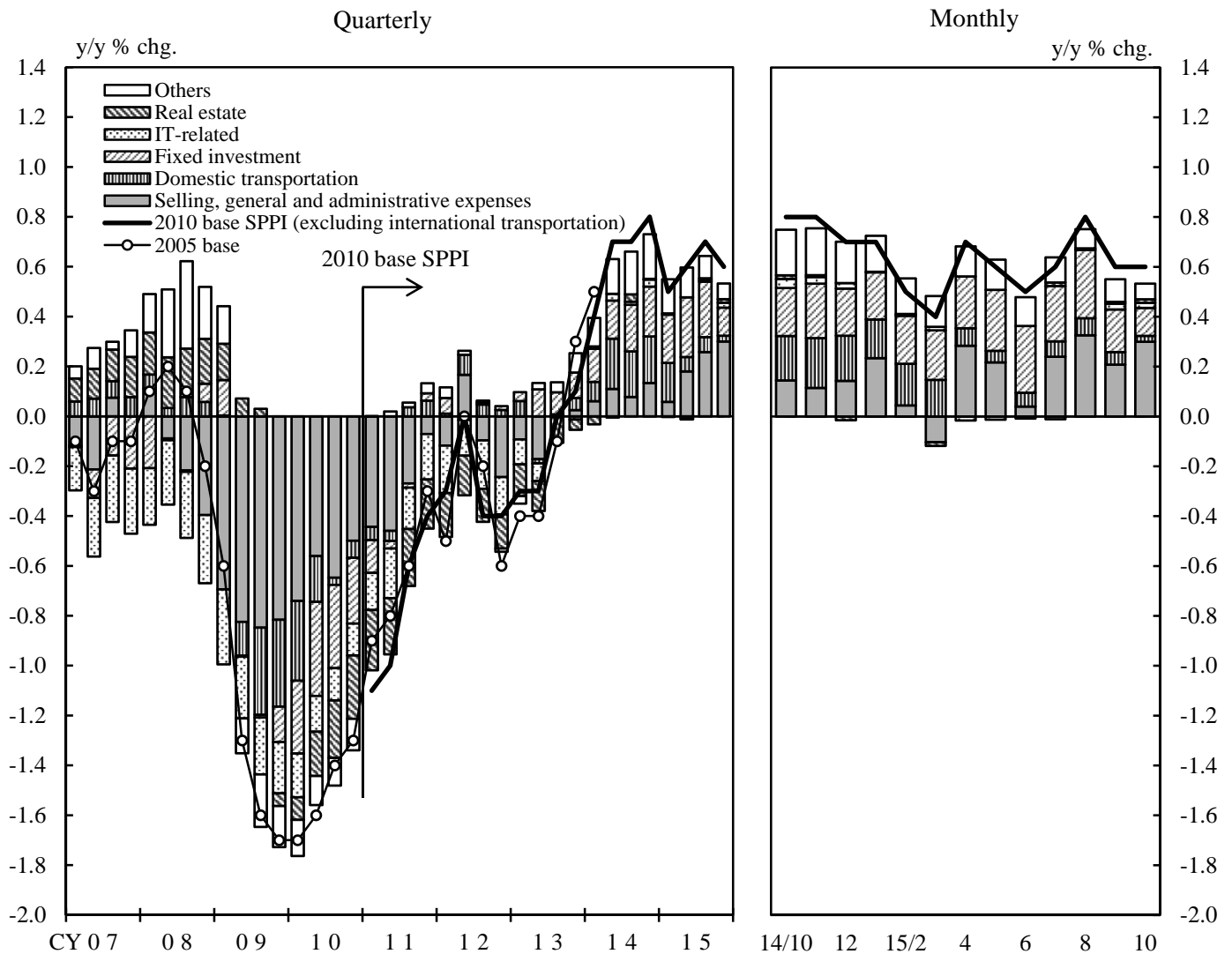
(2) Changes from a Quarter Earlier and 3 Months Earlier⁶



- Notes: 1. Goods sensitive to exchange rates and overseas commodity prices: petroleum & coal products and nonferrous metals.
 2. Other materials: chemicals & related products, plastic products, textile products, and pulp, paper & related products.
 3. Iron & steel and construction goods: iron & steel, metal products, ceramic, stone & clay products, lumber & wood products, and scrap & waste.
 4. Machinery: general purpose machinery, production machinery, business oriented machinery, electronic components & devices, electrical machinery & equipment, information & communications equipment, and transportation equipment.
 5. Others: food, beverages, tobacco & feedstuffs, other manufacturing industry products, agriculture, forestry & fishery products, and minerals.
 6. Adjusted to exclude a hike in electric power charges during the summer season from July to September. This adjustment makes the "Producer Price Index" fall by about 0.2%.
 7. Figures are adjusted to exclude the direct effects of the consumption tax hike in April 2014, using indices excluding the consumption tax.
 8. Figures for 2015/Q4 are October-November averages.

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

Services Producer Price Index

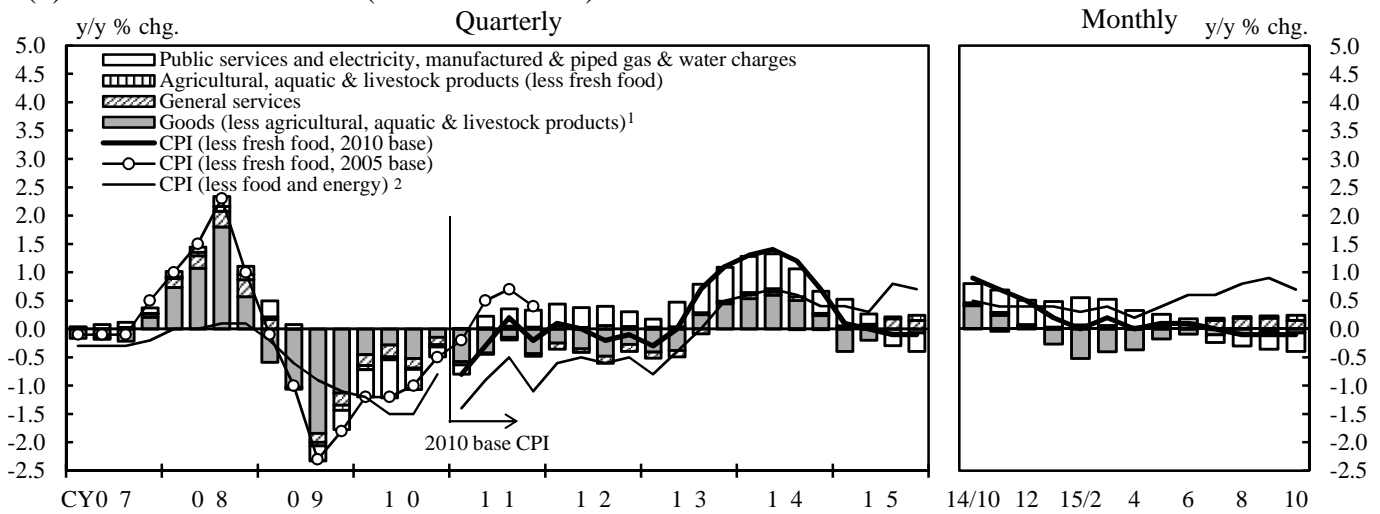


- Notes: 1. Selling, general and administrative expenses: information and communications (excluding newspapers and publishing), advertising services, other services (excluding plant engineering, and civil engineering and architectural services).
2. Domestic transportation: transportation and postal services (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 are adjusted to exclude the direct effects of the consumption tax hike in April 2014, using indices excluding the consumption tax.
8. Figures for 2015/Q4 are those of October.

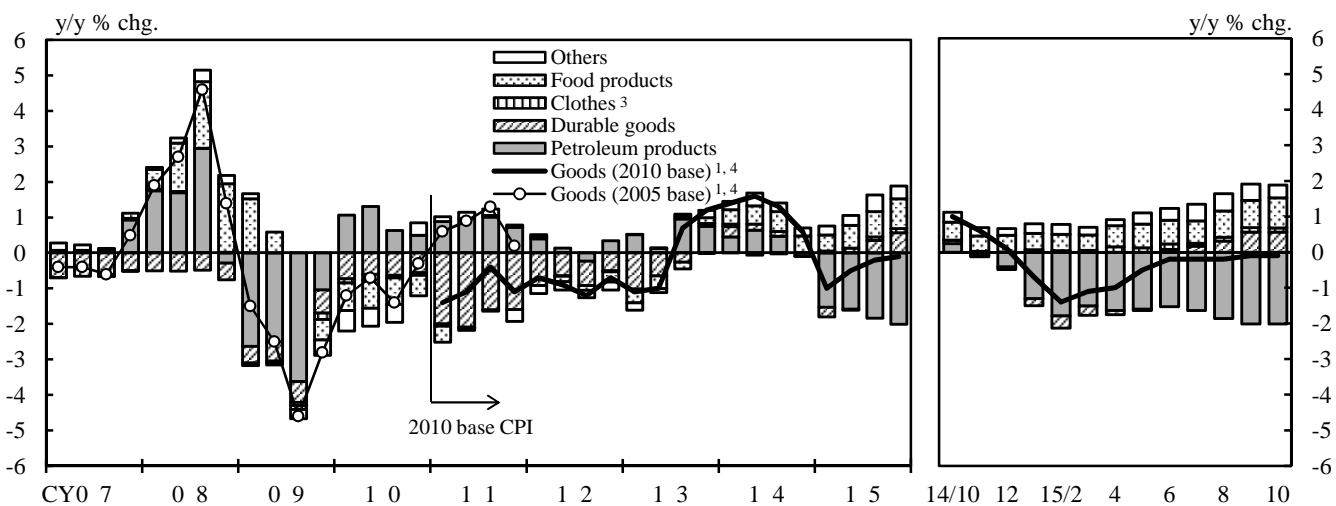
Source: Bank of Japan, "Services Producer Price Index."

Consumer Price Index (Less Fresh Food)

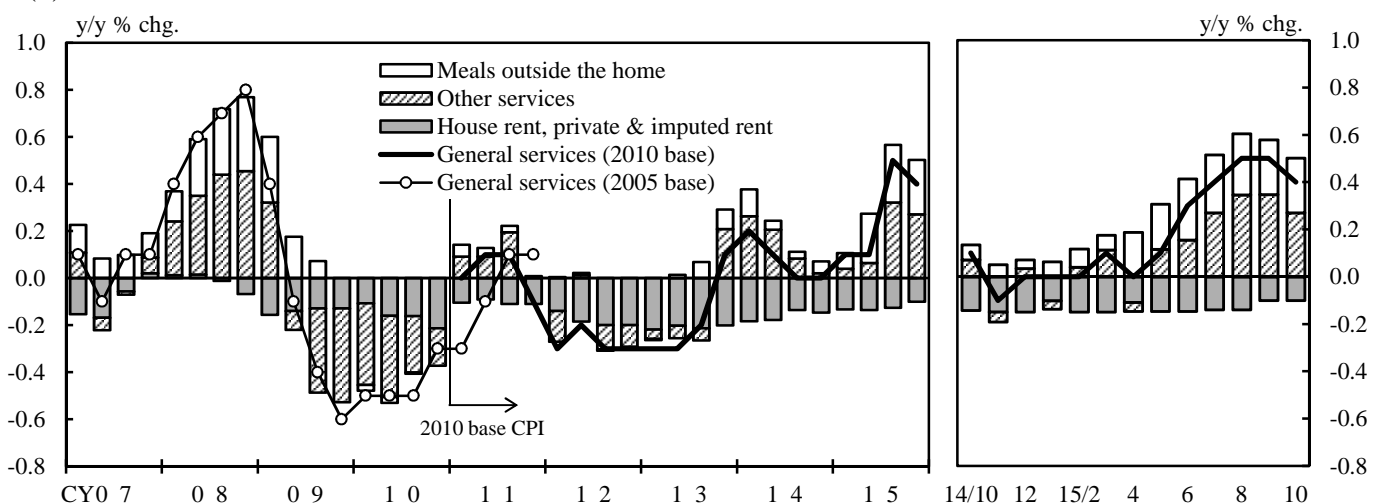
(1) Consumer Price Index (Less Fresh Food)



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



(3) General Services

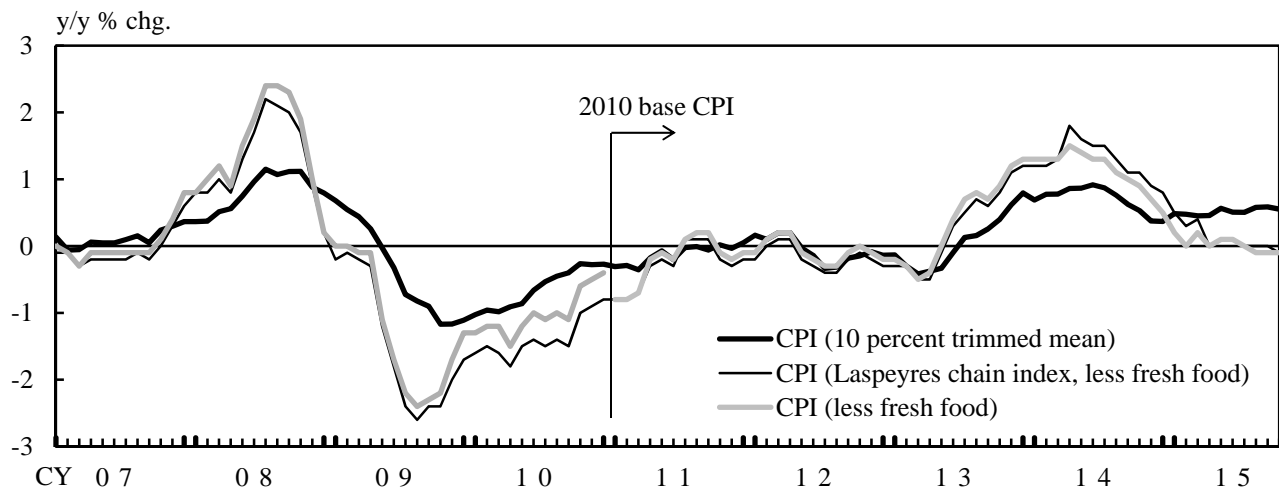


- Notes: 1. The items are basically the same as those defined by the Ministry of Internal Affairs and Communications. However, electricity, manufactured & piped gas & water charges are excluded from goods.
 2. Alcoholic beverages are excluded from food. Energy: electricity, gas manufactured & piped, 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 are estimated by adjusting the direct effects of the consumption tax hike in April 2014.
 7. Figures for 2015/Q4 are those of October.

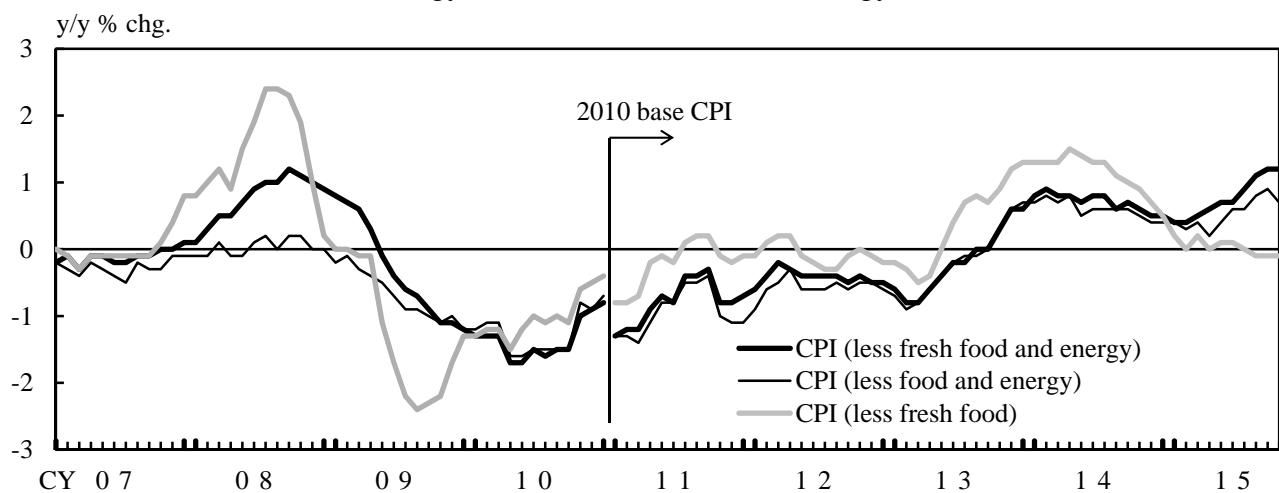
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Trend Changes in Consumer Prices

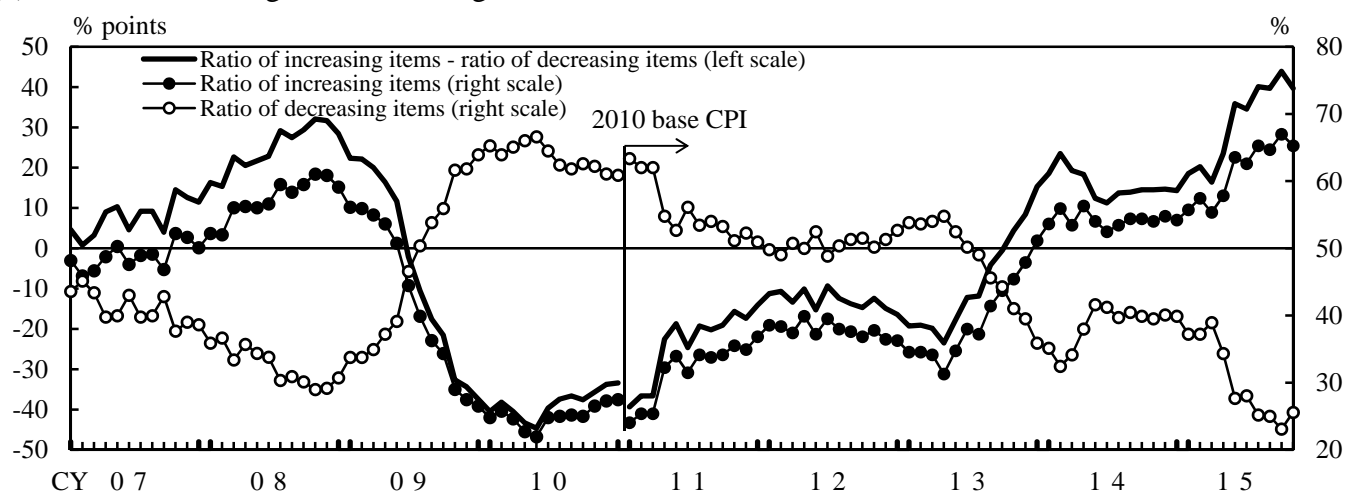
(1) Trimmed Mean and Laspeyres Chain Index



(2) CPI (Less Fresh Food and Energy) and CPI (Less Food and Energy)



(3) Ratio of Increasing and Decreasing Items

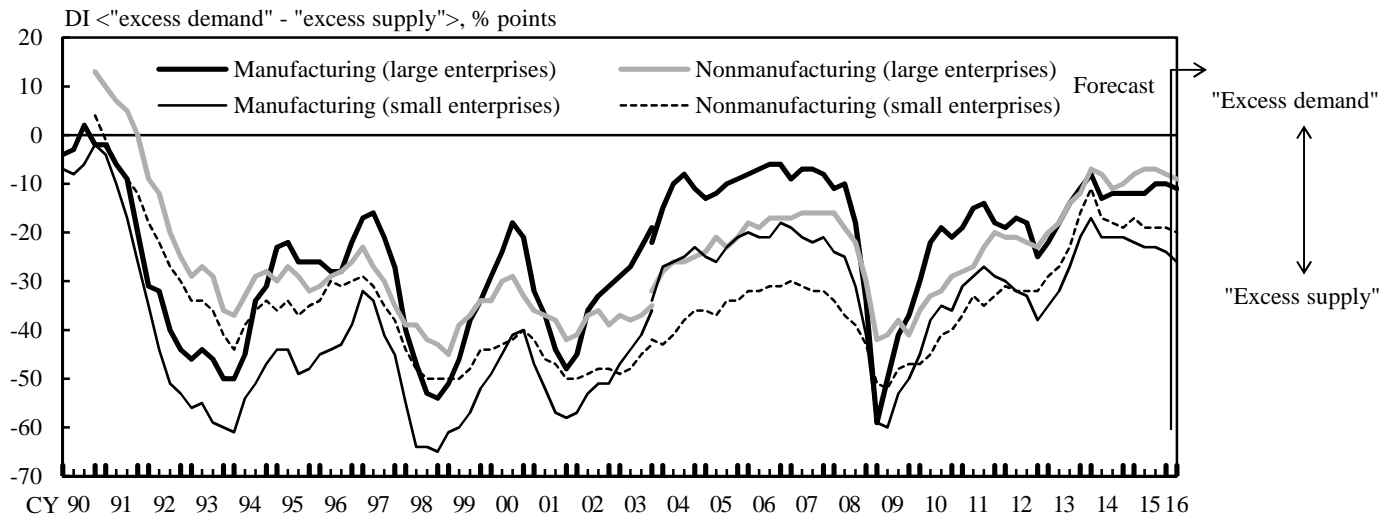


- Notes: 1. Figures for the 10 percent trimmed mean are the weighted averages of the year-on-year price changes in individual items making up the CPI. Items are arranged in ascending order of their year-on-year rate of price change and those falling into the upper and lower 10 percent tails by weight are trimmed.
2. 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 for the CPI (less fresh food and energy) are calculated by the Research and Statistics Department, Bank of Japan.
4. Figures for the ratio of increasing and decreasing items are proportions of items whose indices increased/decreased from a year earlier. All items less fresh food.
5. Figures are estimated by adjusting the direct effects of the consumption tax hike in April 2014.

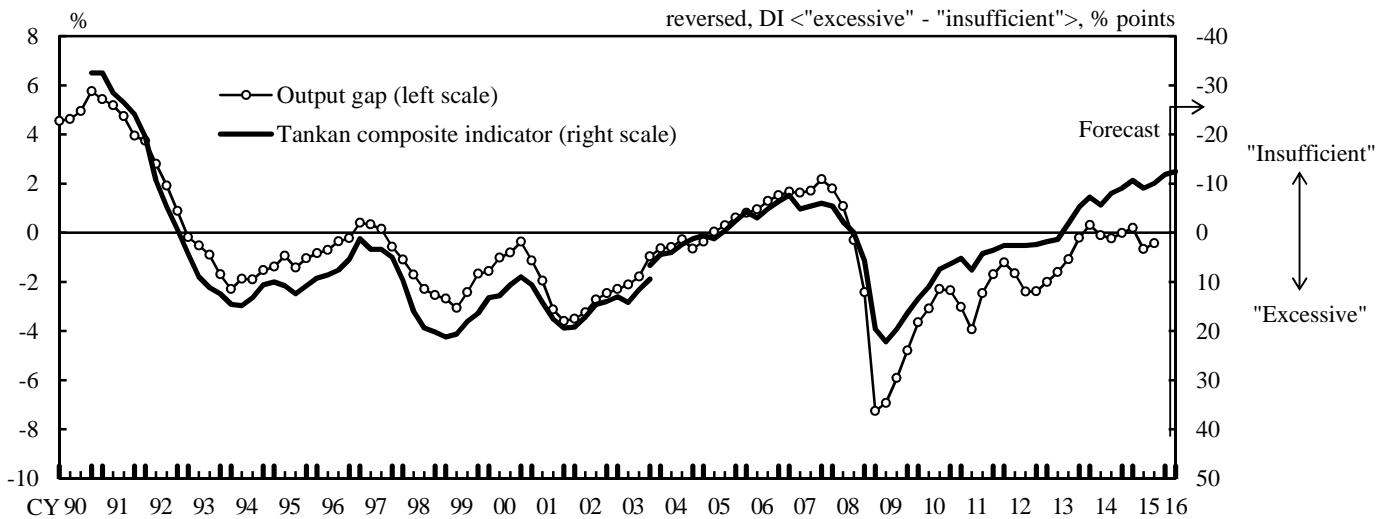
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Domestic Supply and Demand Conditions¹

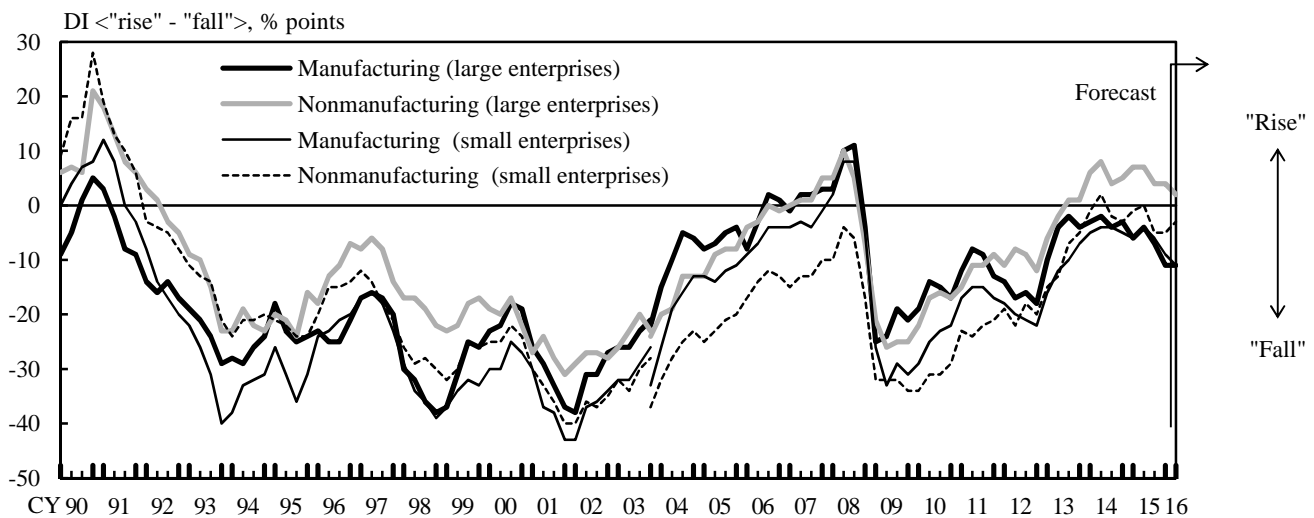
(1) Domestic Supply and Demand Conditions for Products and Services



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



(3) Change in Output Prices



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

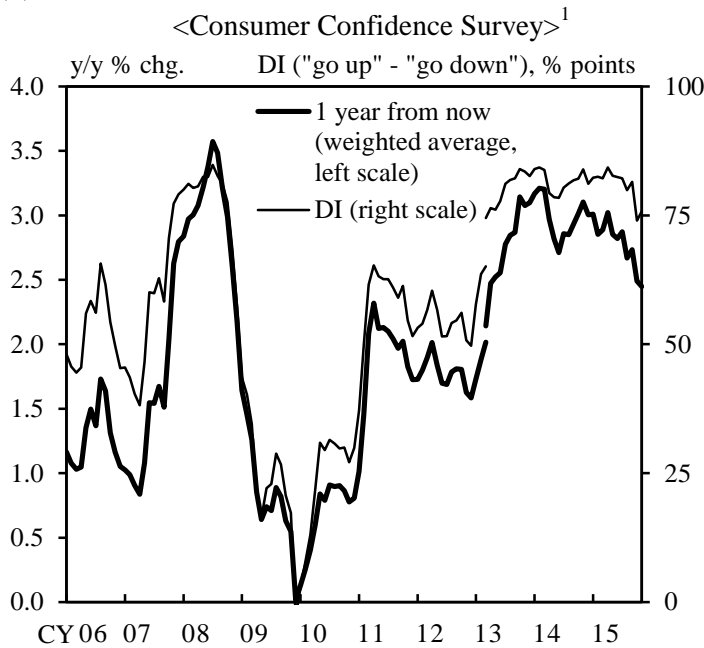
2. Figures are weighted averages of the production capacity DI and employment conditions DI. The FY 1990-2013 averages of capital and labor shares in the "National Accounts" are used as the weight.

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.

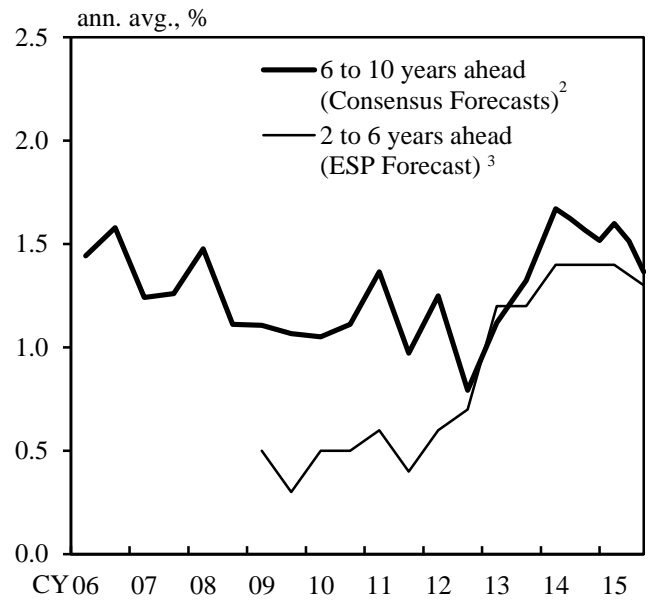
Sources: Cabinet Office, "National Accounts"; Bank of Japan, "Tankan, Short-Term Economic Survey of Enterprises in Japan," etc.

Inflation Expectations

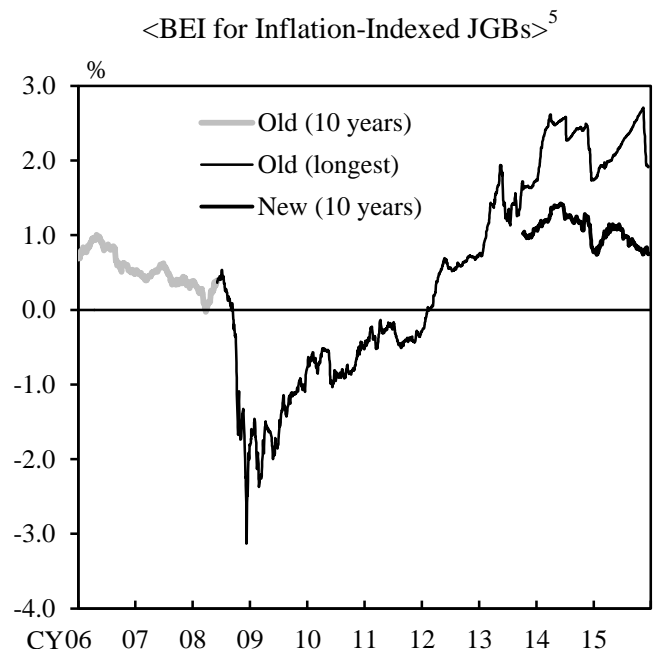
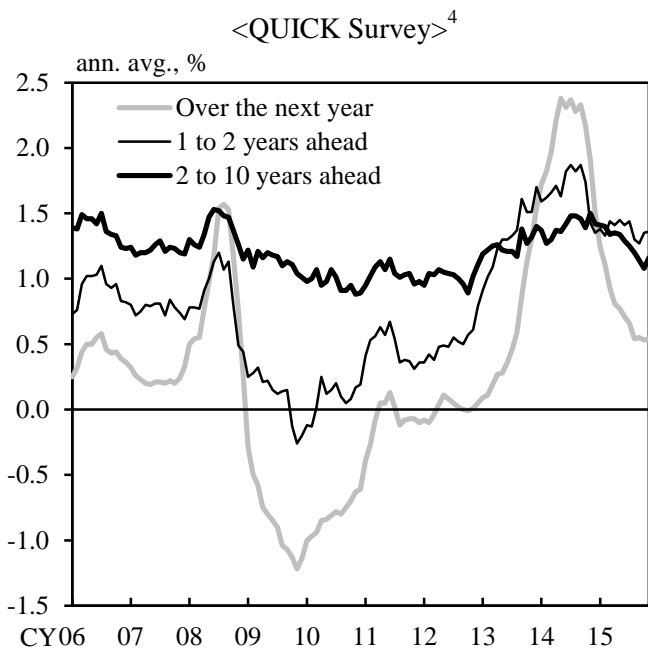
(1) Households



(2) Economists



(3) Market Participants

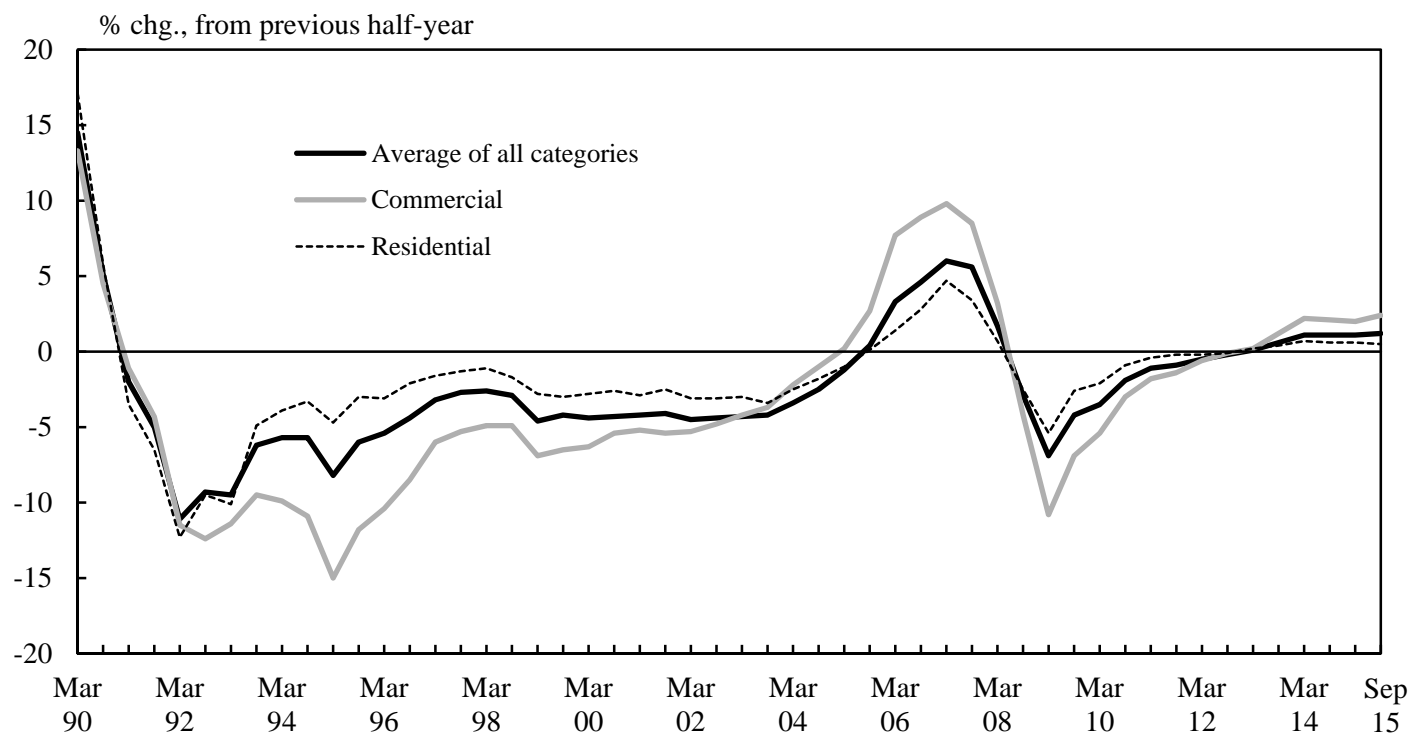


- Notes: 1. The Consumer Confidence Survey asks households to provide their price expectations one year from now. Figures are for all households. The weighted average is calculated based on the following assumption: survey responses chosen by households as their expected inflation rates -- "-5% or below," "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 inflation-indexed JGBs, which matures in June 2018.

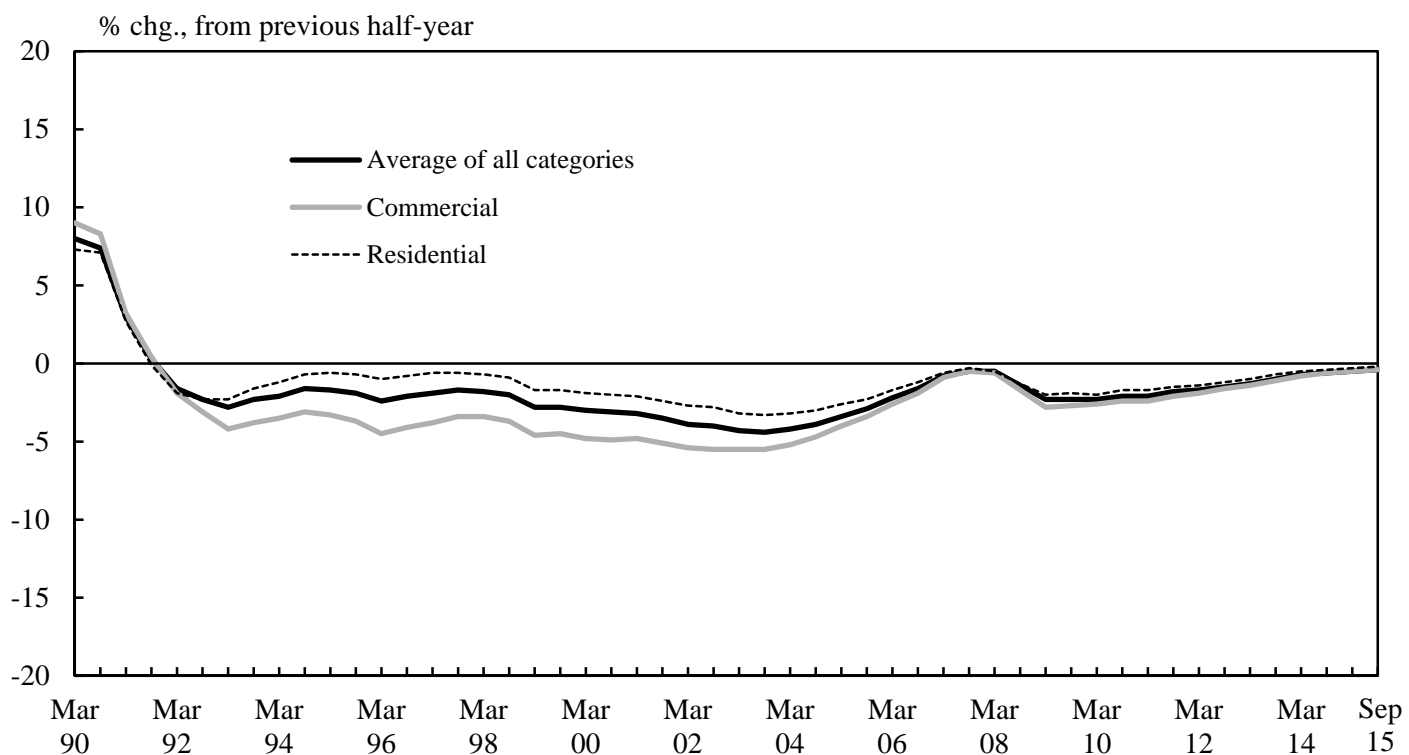
Sources: Cabinet Office, "Consumer Confidence Survey"; Consensus Economics Inc., "Consensus Forecasts"; JCER, "ESP Forecast"; QUICK, "QUICK Monthly Market Survey (Bonds)"; Bloomberg.

Urban Land Price Index

(1) Six Large City Areas



(2) Excluding Six Large City Areas

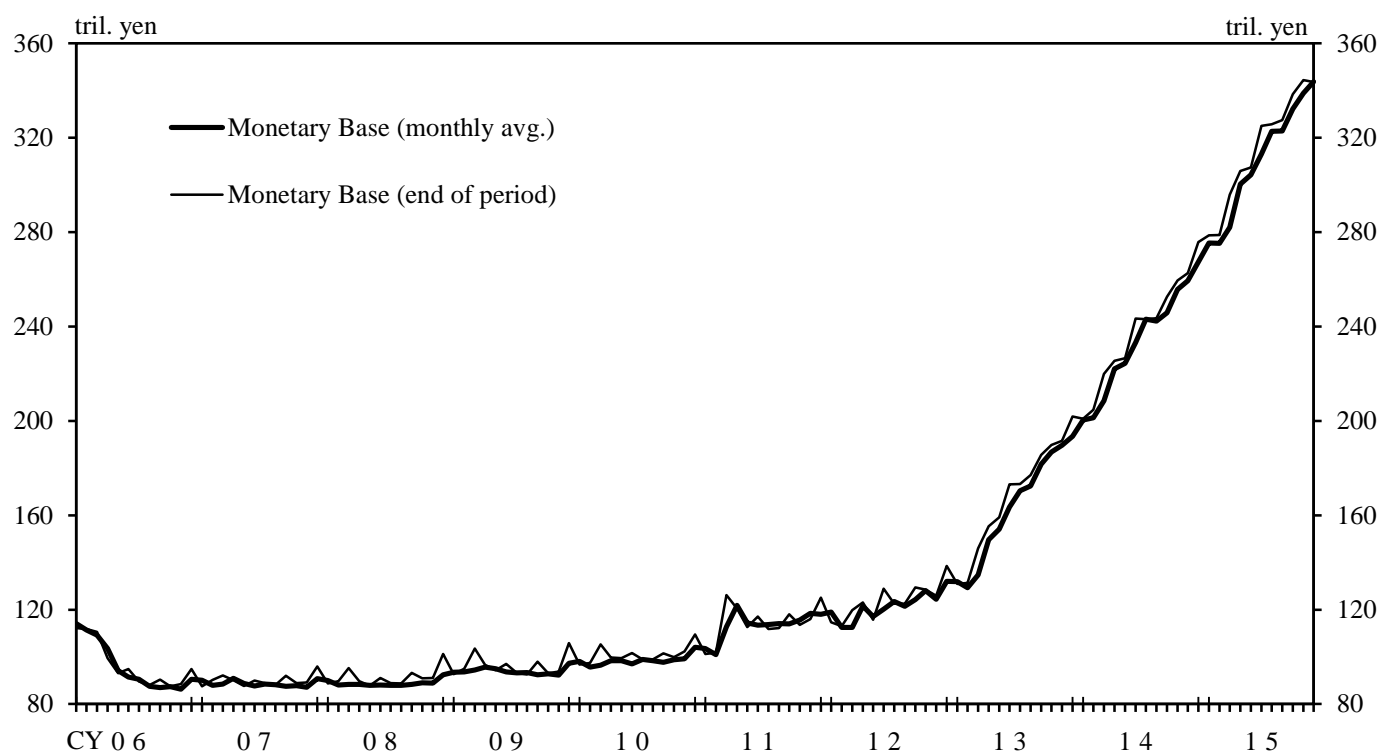


Notes: 1. The Urban Land Price Index is based on surveys conducted at the end of March and September each year.
 2. Six Large City Areas are Tokyo Metropolitan wards, Yokohama, Nagoya, Kyoto, Osaka, and Kobe.

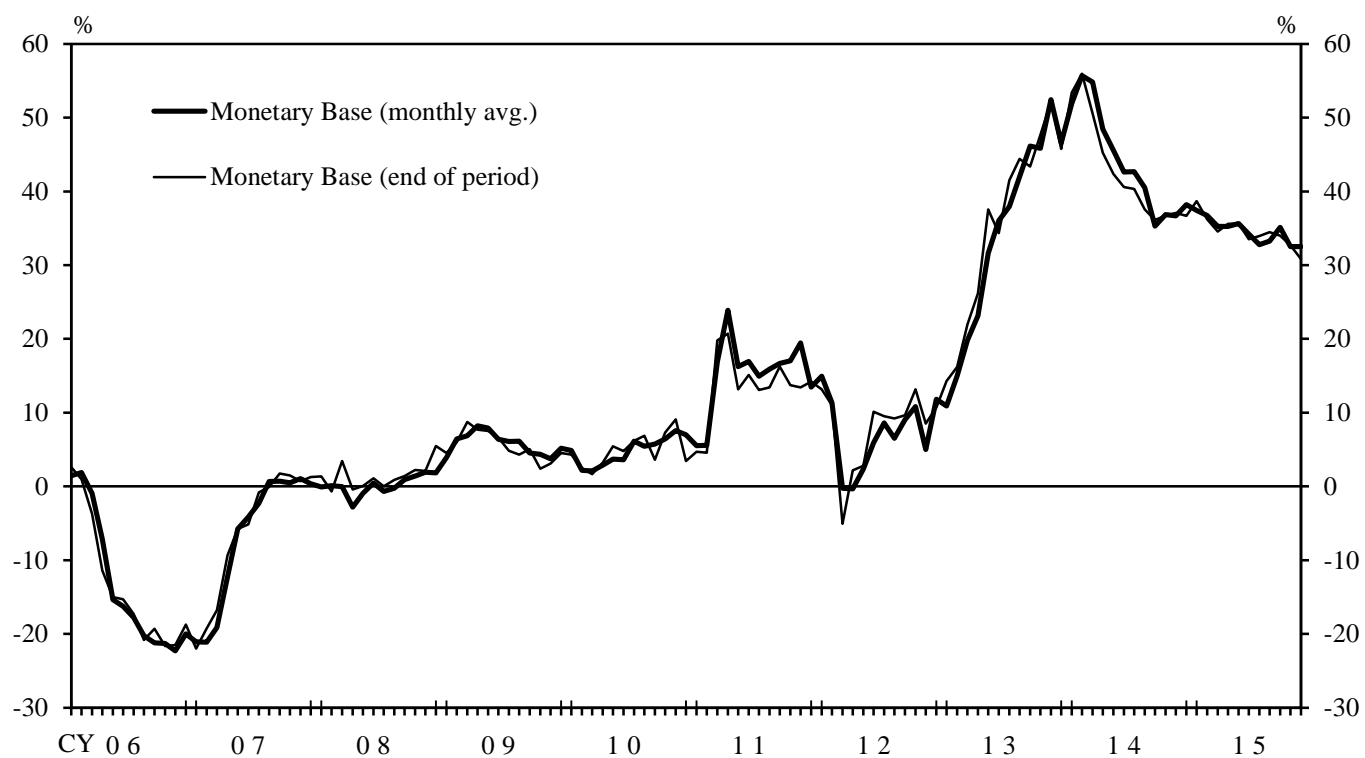
Source: Japan Real Estate Institute, "Urban Land Price Index."

Monetary Base

(1) Level



(2) Changes from a Year Earlier

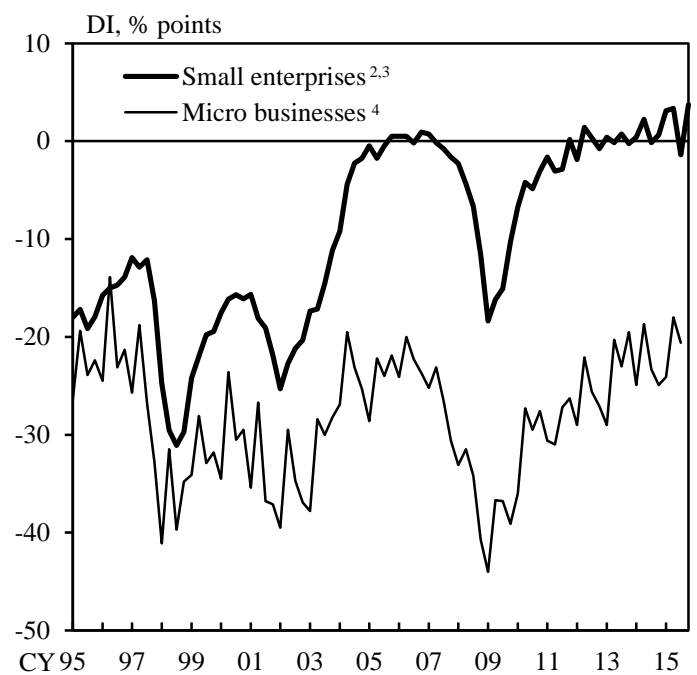
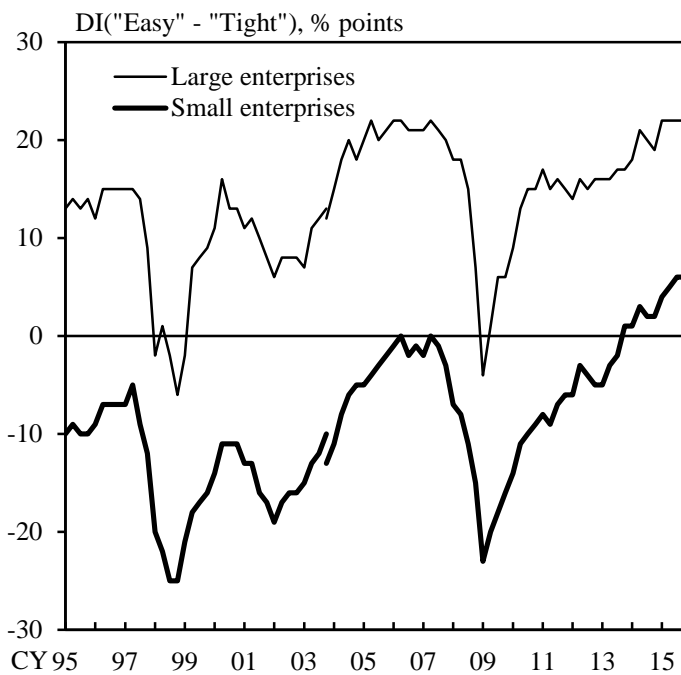


Corporate Finance-Related Indicators

(1) Financial Position

<Tankan¹>

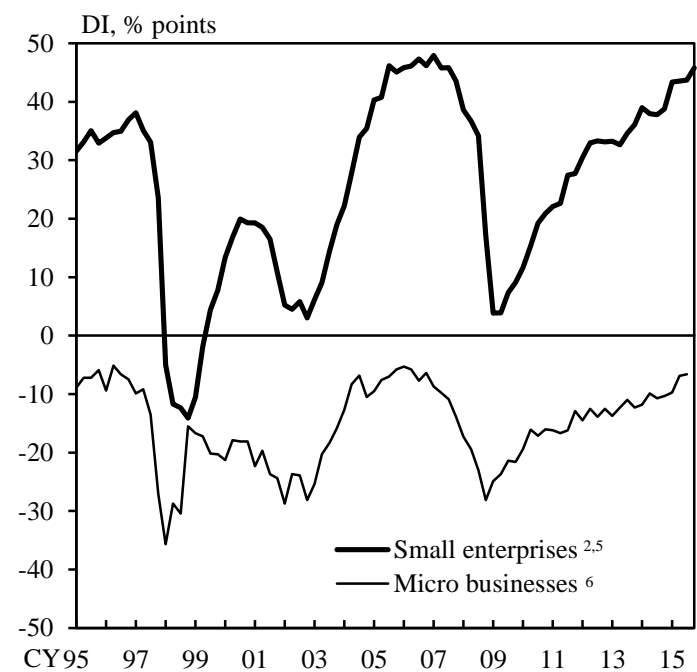
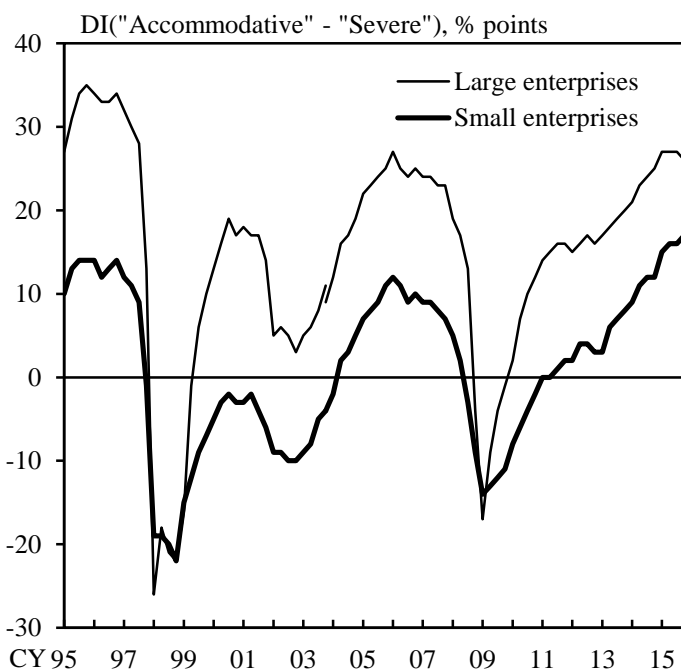
<Japan Finance Corporation Survey>



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

<Tankan¹>

<Japan Finance Corporation Survey>



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

2. Figures are quarterly averages of monthly data. Figures for 2015/Q4 are those of Oct.-Nov. averages.

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

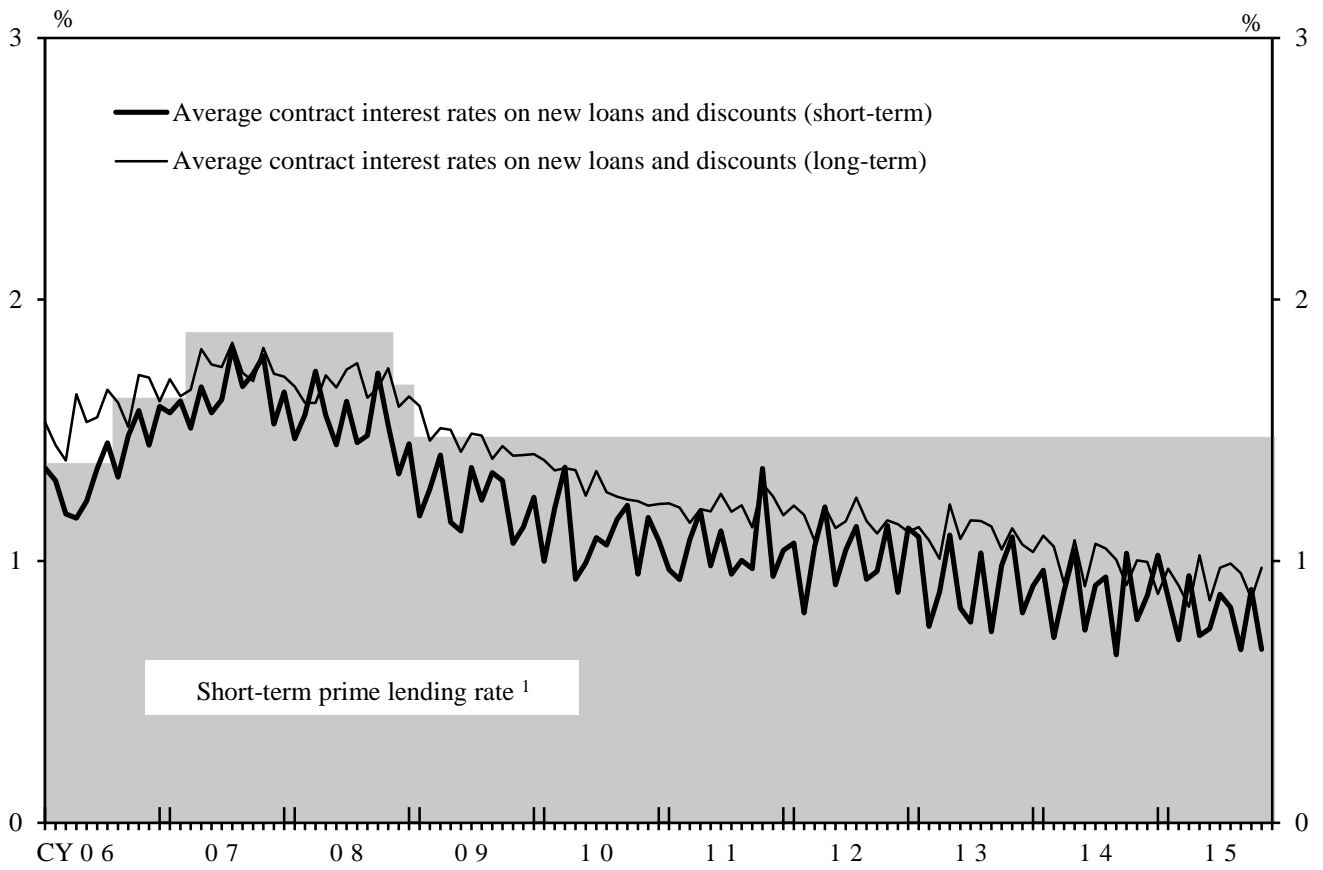
4. DI of "Easier" - "Tighter."

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

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

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

Lending Rates

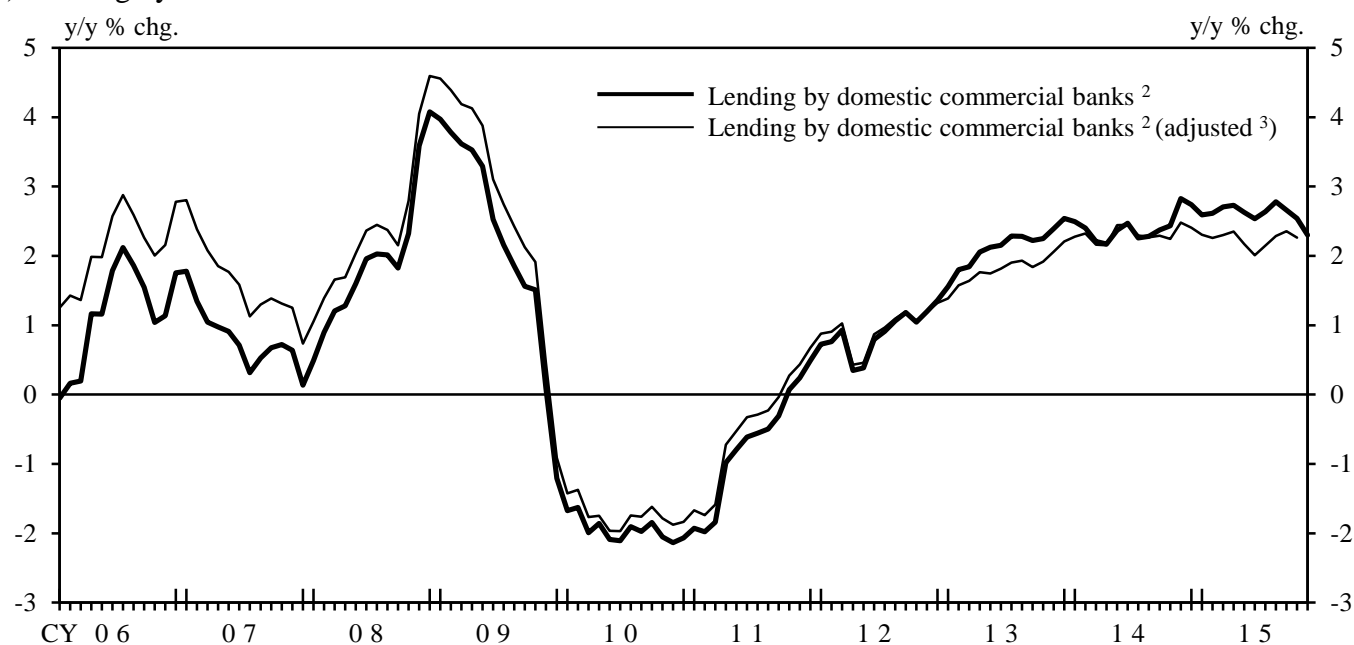


Note: 1. Data are at end of period.

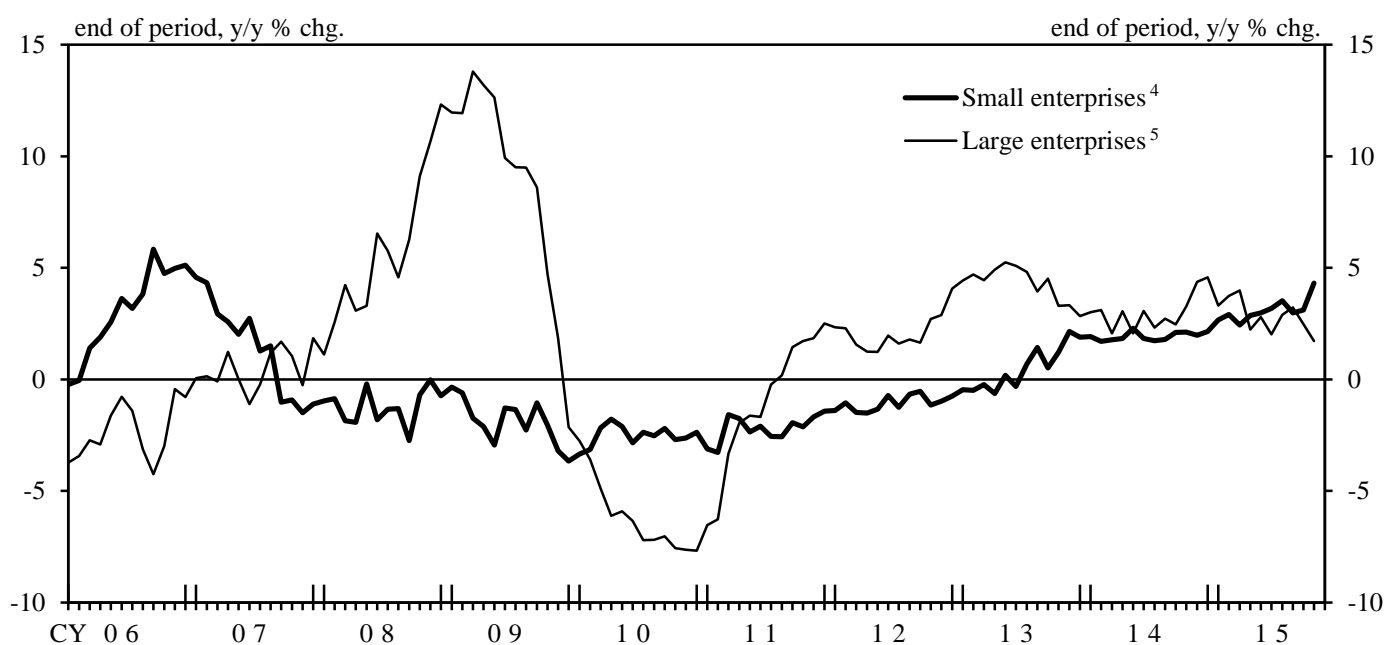
Source: Bank of Japan.

Lending by Financial Institutions

(1) Lending by Domestic Commercial Banks¹



(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.

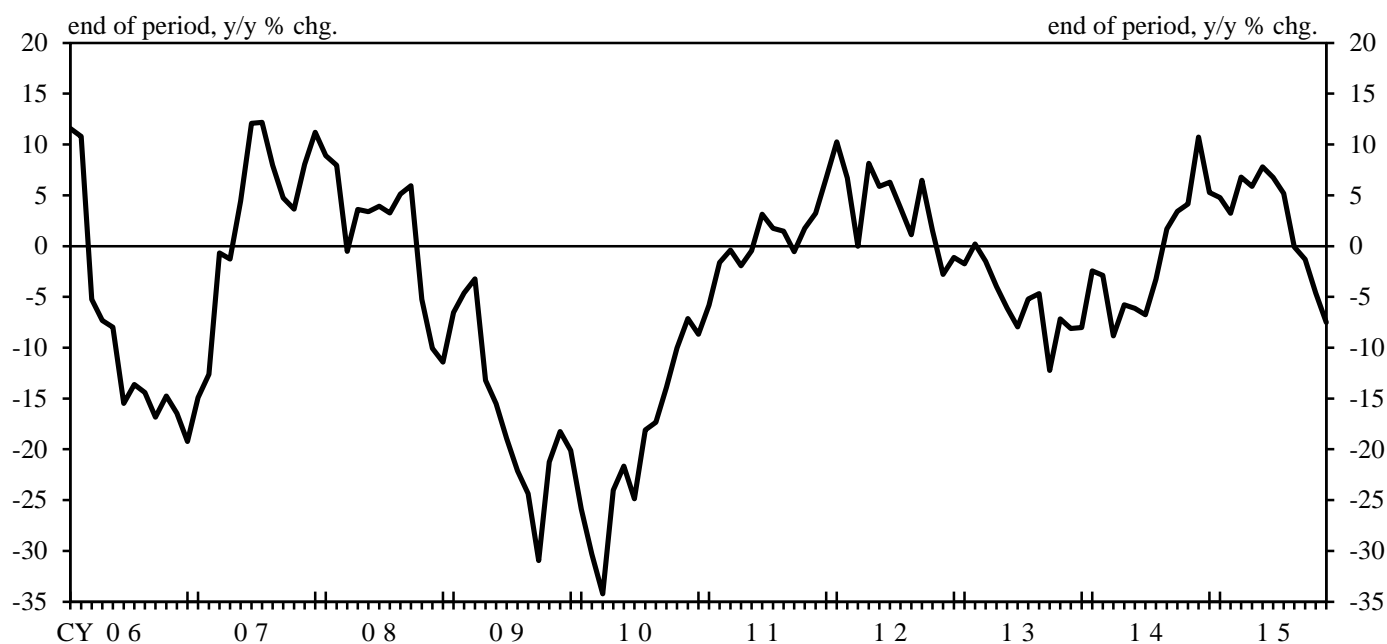
4. Small enterprises are those capitalized at 300 million yen or less or with regular employees of 300 persons or less ("wholesale trade" capitalized at 100 million yen or less or with regular employees of 100 persons or less, "retail trade" and "eating and drinking services" capitalized at 50 million 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.

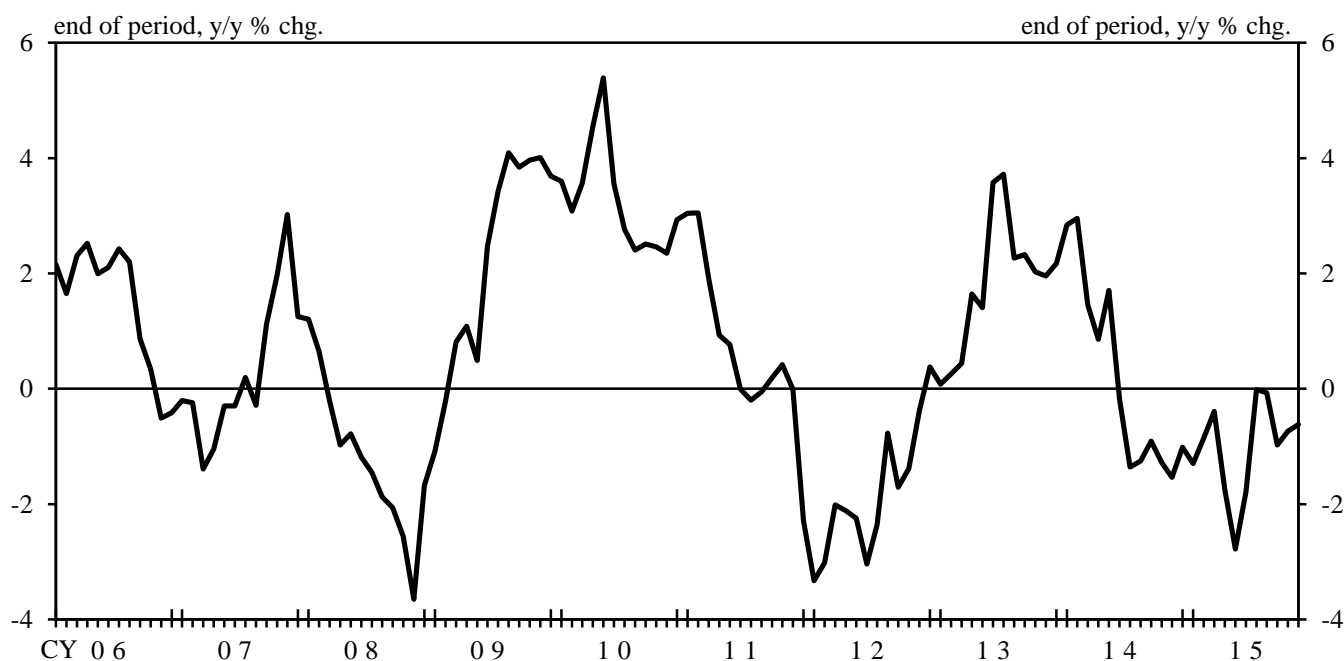
Private-Sector Fund-Raising in the Capital Markets

(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



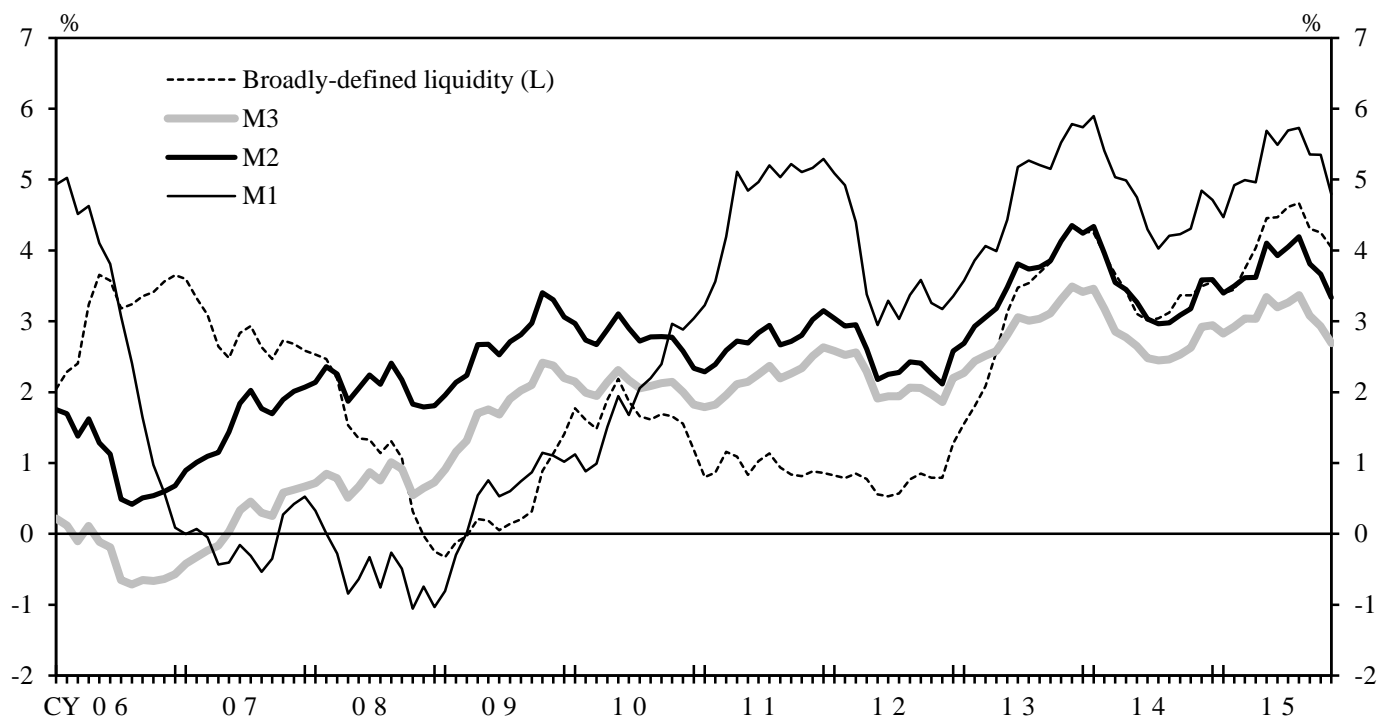
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

- (1) The sum of straight bonds issued in both domestic and overseas markets is used.
- (2) Bonds issued by banks and insurance companies are excluded.
- (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.

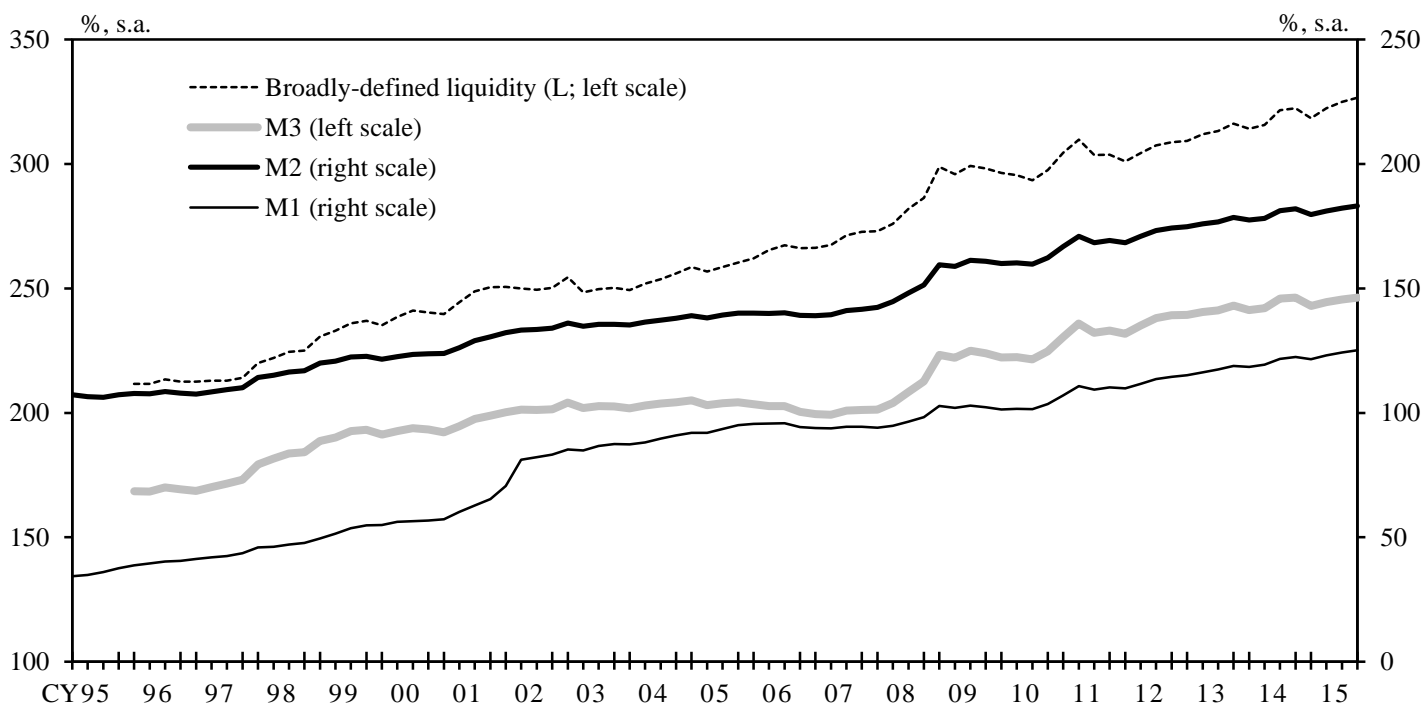
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category";
 Bank of Japan, "Principal Figures of Financial Institutions";
 Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts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

Money Stock

(1) Changes from a Year Earlier



(2) Ratio of Money Stock to Nominal GDP

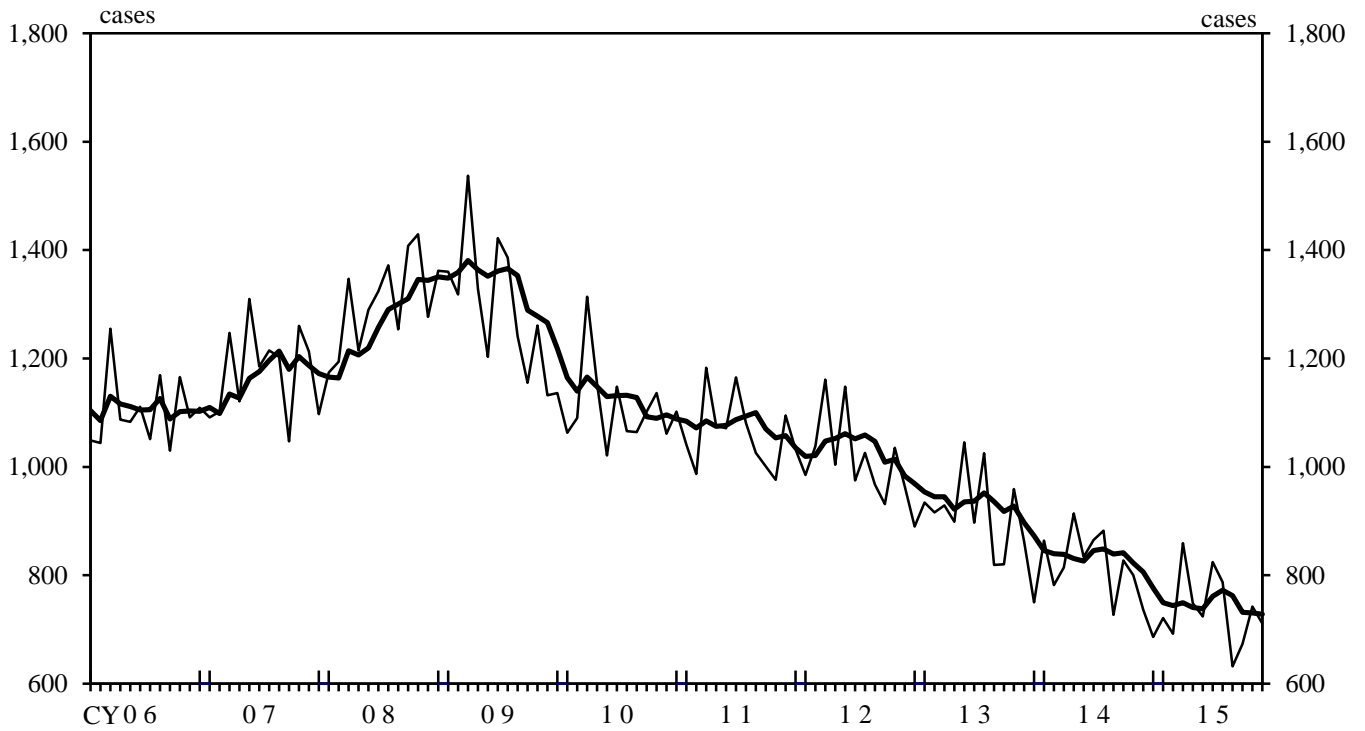


- Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.
 2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.
 3. The figures up to March 2003 are based on the former series.
 4. Figures for money stock in 2015/Q4 are those of Oct.-Nov. averages, and nominal GDP in 2015/Q4 is assumed to be unchanged from the previous quarter.

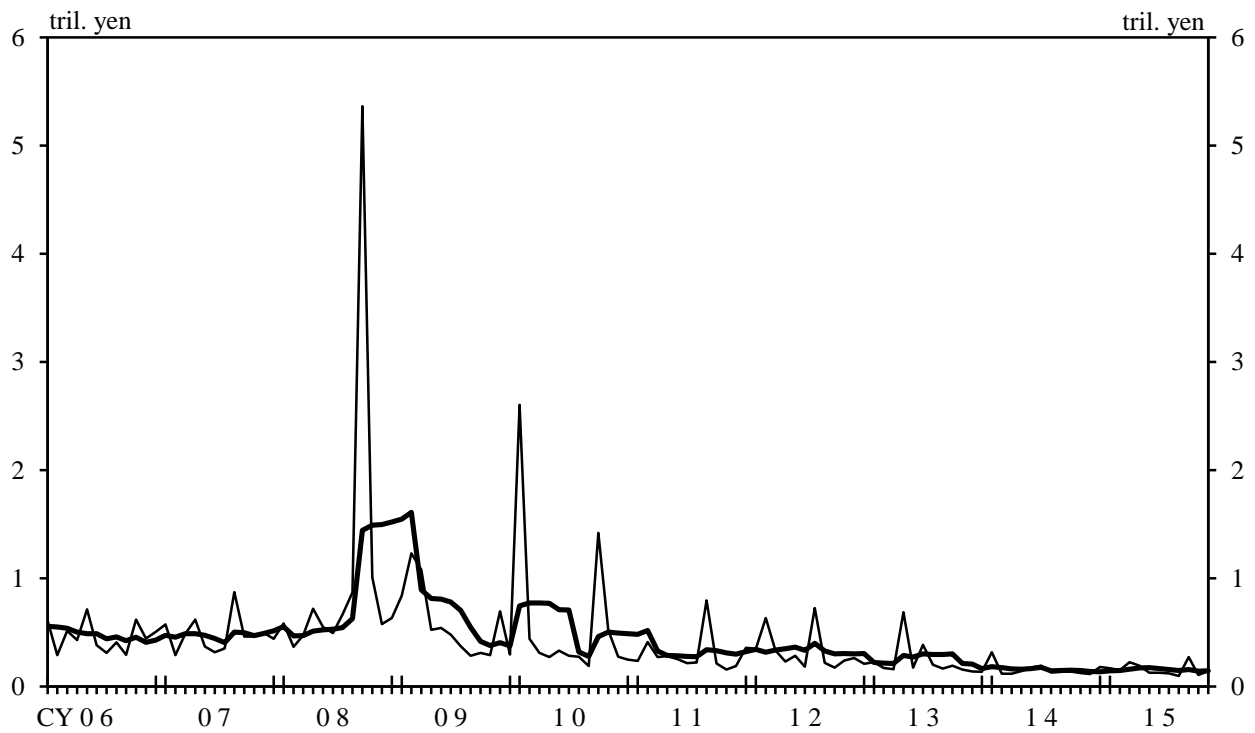
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities

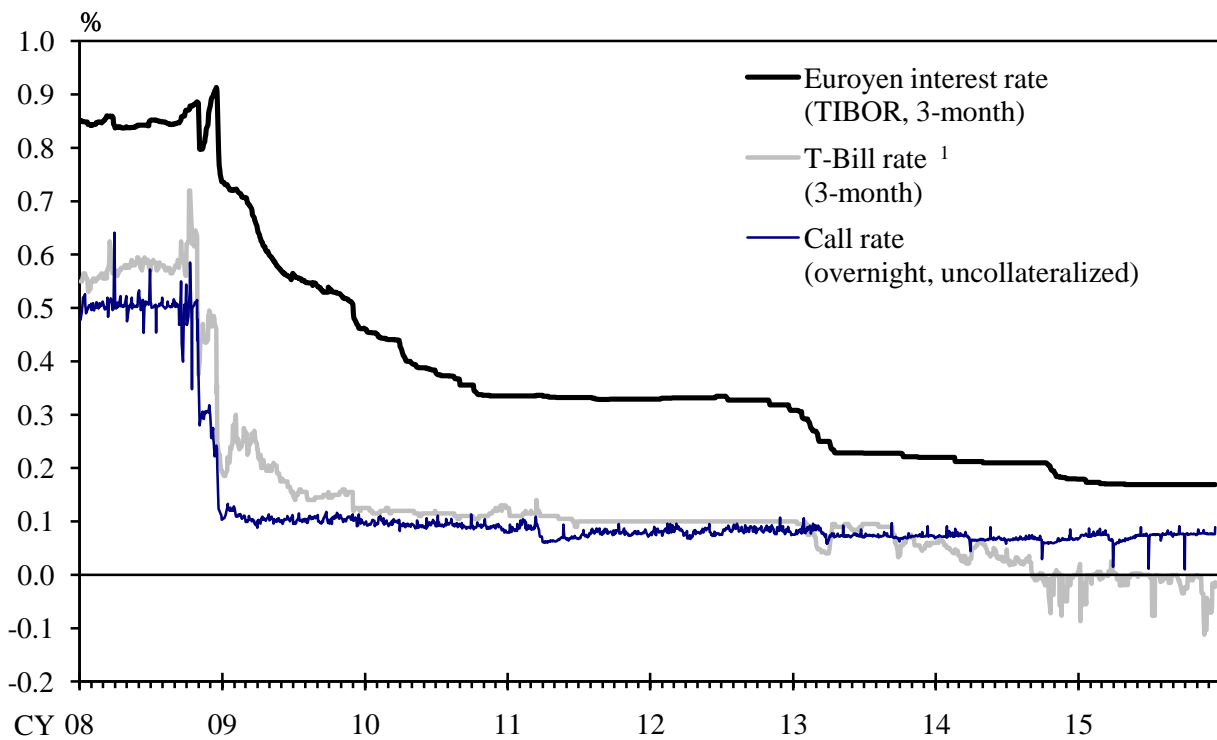


Note: Bold lines are the six-month moving average.

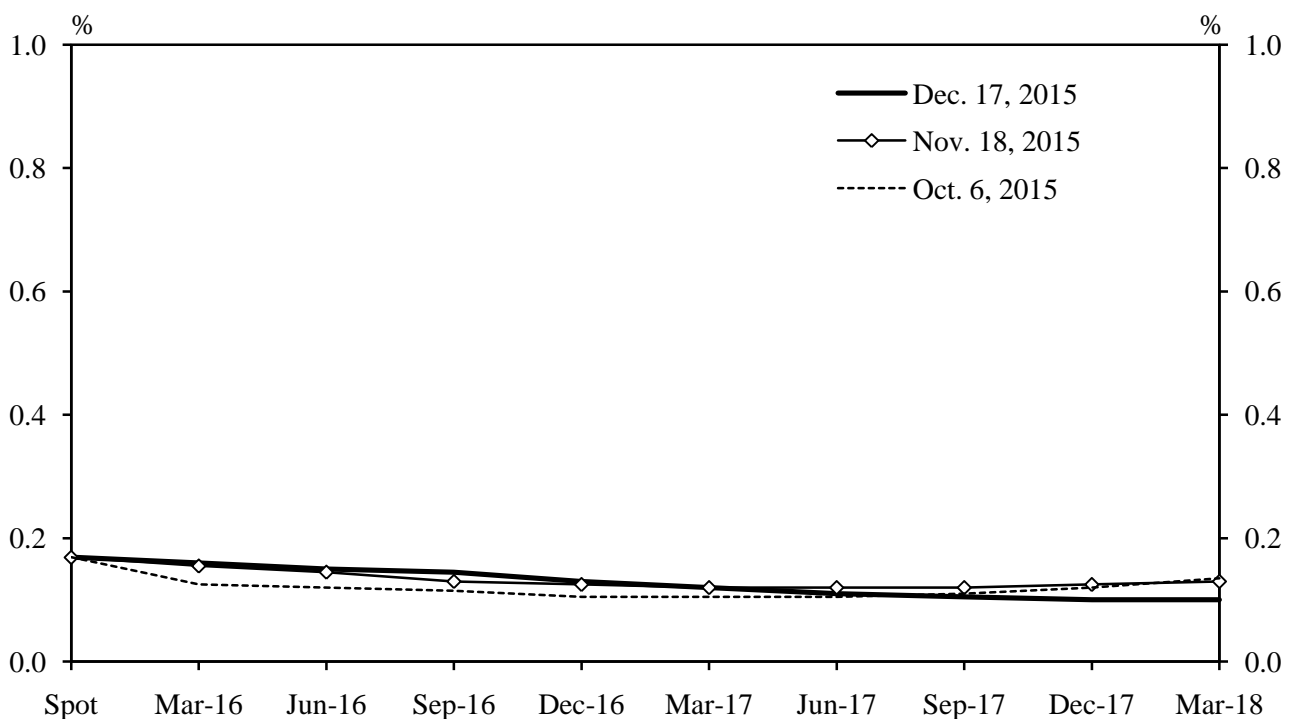
Source: Tokyo Shoko Research Ltd., "Tosan Geppo (Monthly review of corporate bankruptcies)."

Short-Term Interest Rates

(1) Short-Term Interest Rates



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

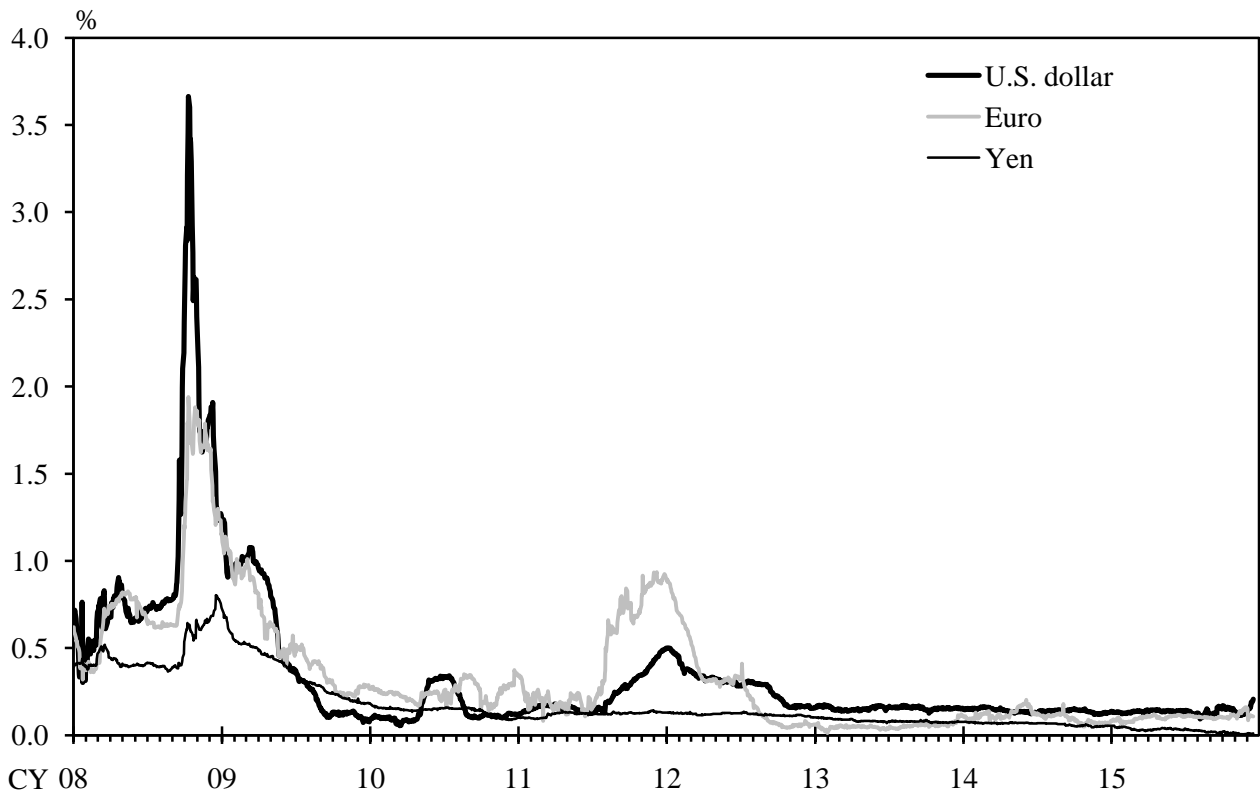


Note: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.

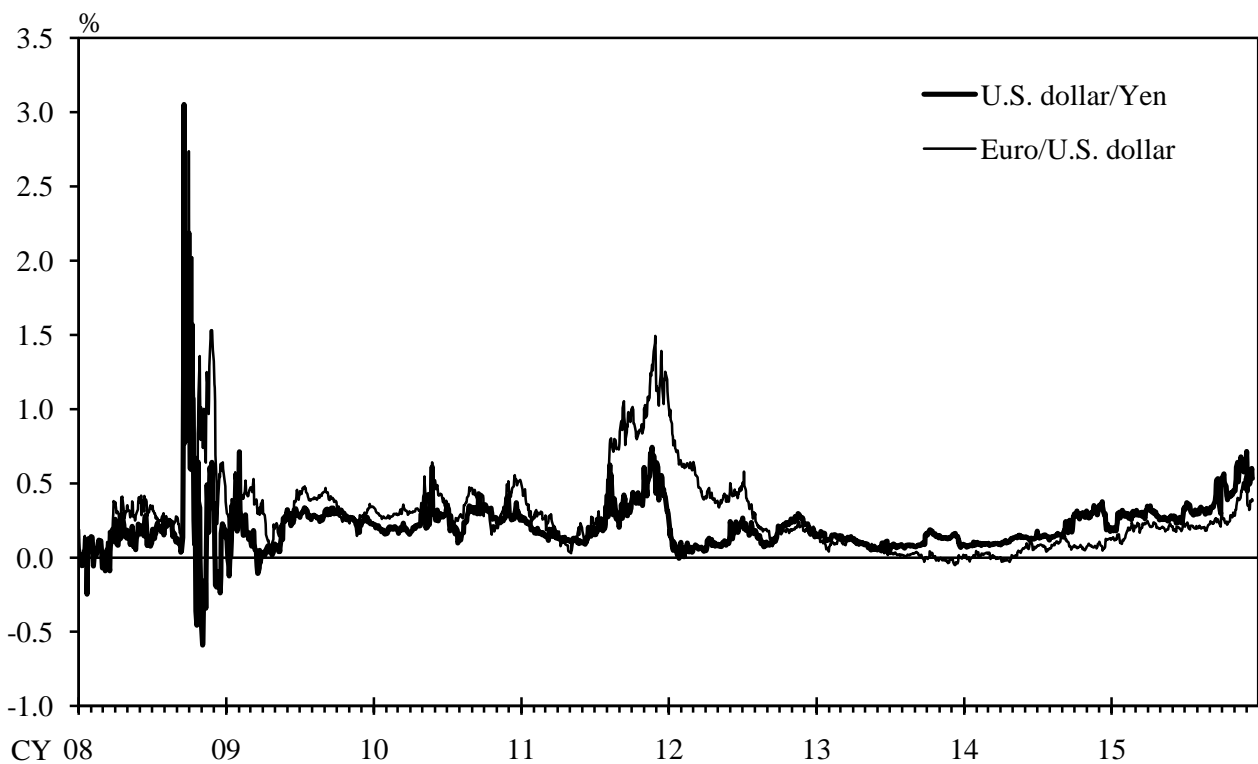
Sources: Japanese Bankers Association; JBA TIBOR Administration; Japan Bond Trading Co., Ltd.; Tokyo Financial Exchange; Bank of Japan.

Global Money Markets

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



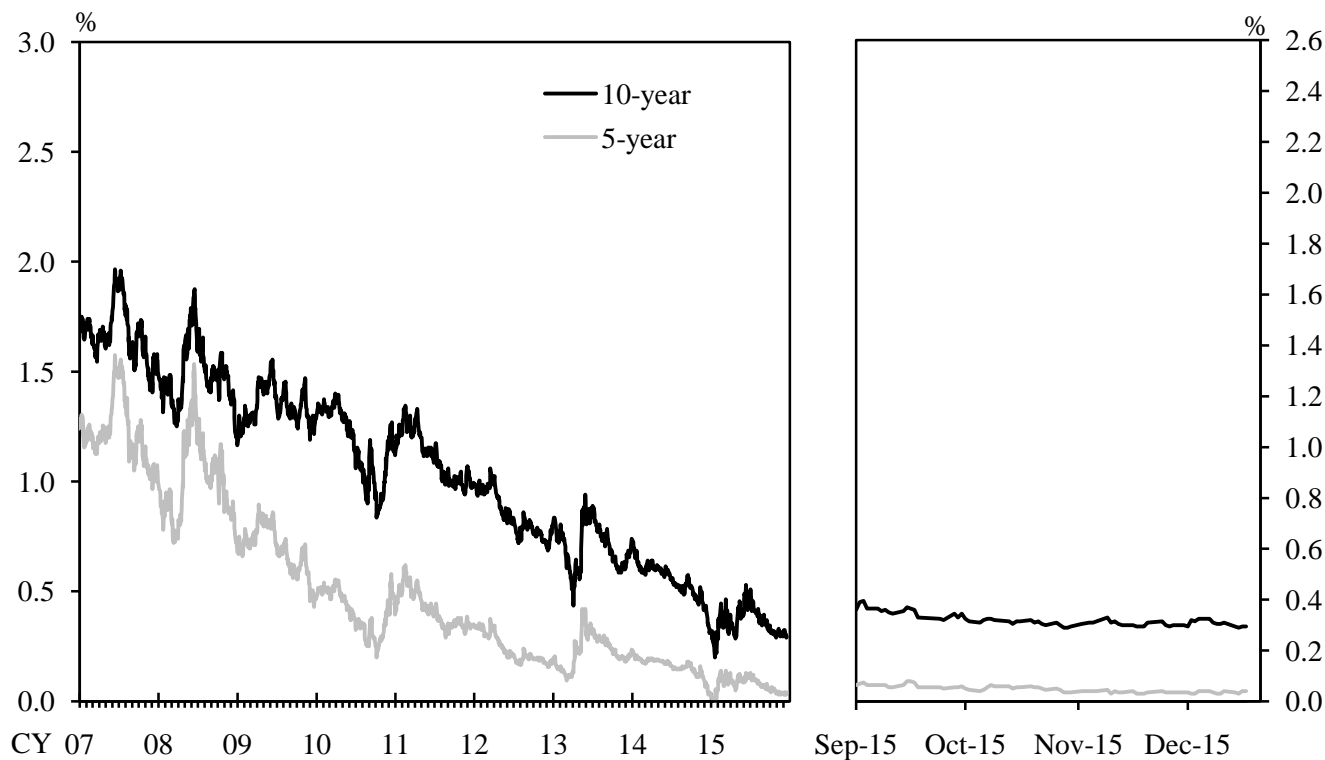
(2) FX swap implied dollar rate - LIBOR spreads (3-Month)



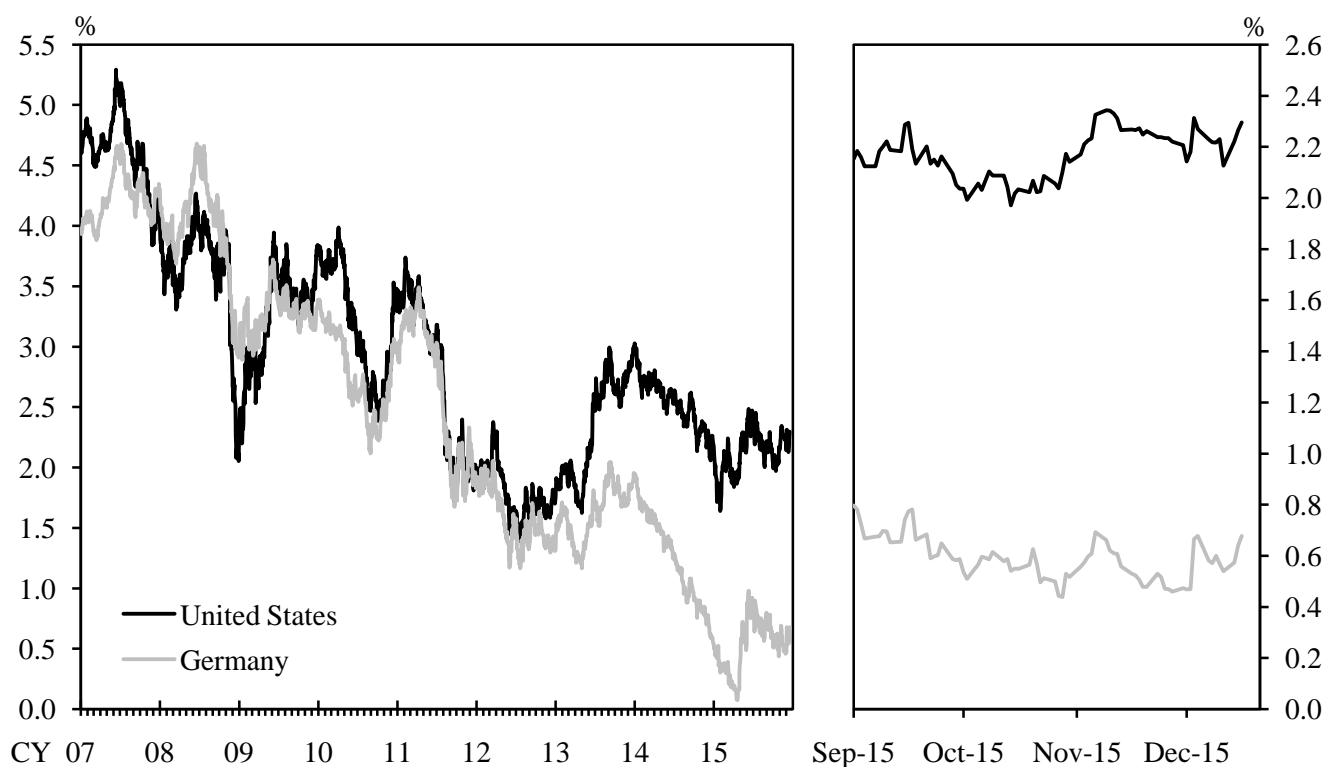
Source: Bloomberg.

Long-Term Interest Rates

(1) Japanese Government Bond Yields¹



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

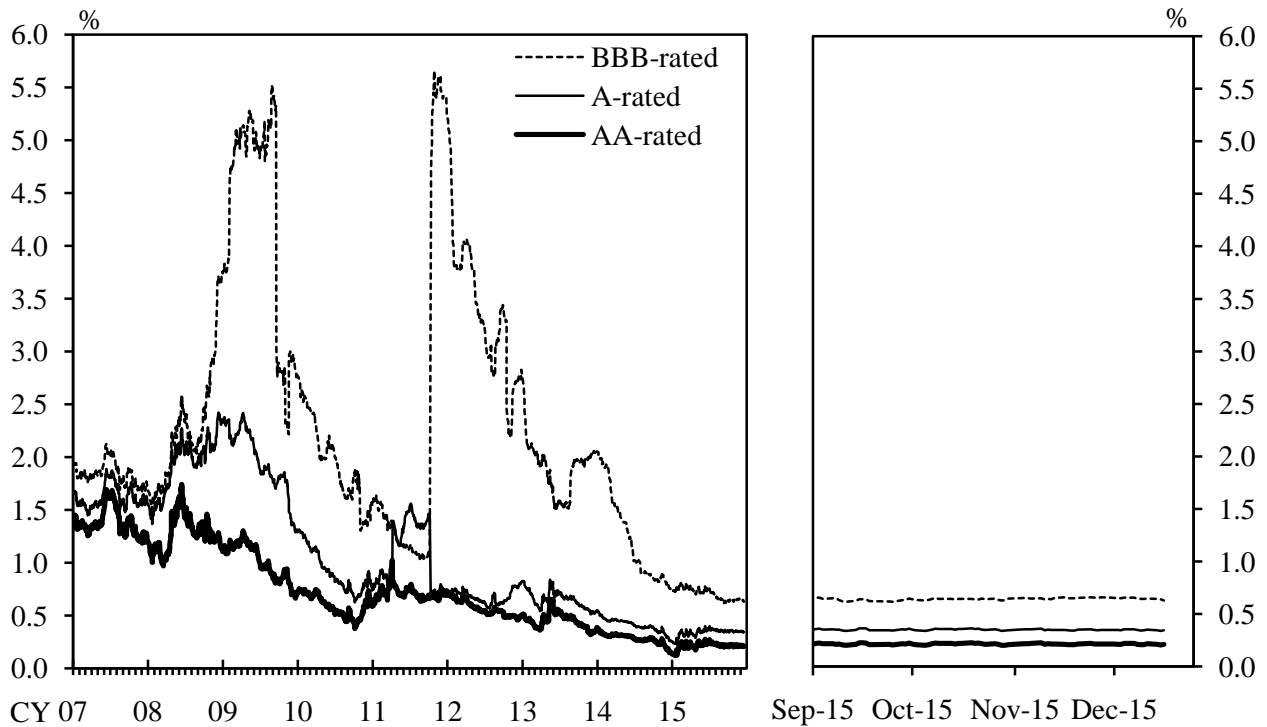


Note: 1. Yields on newly issued bonds.

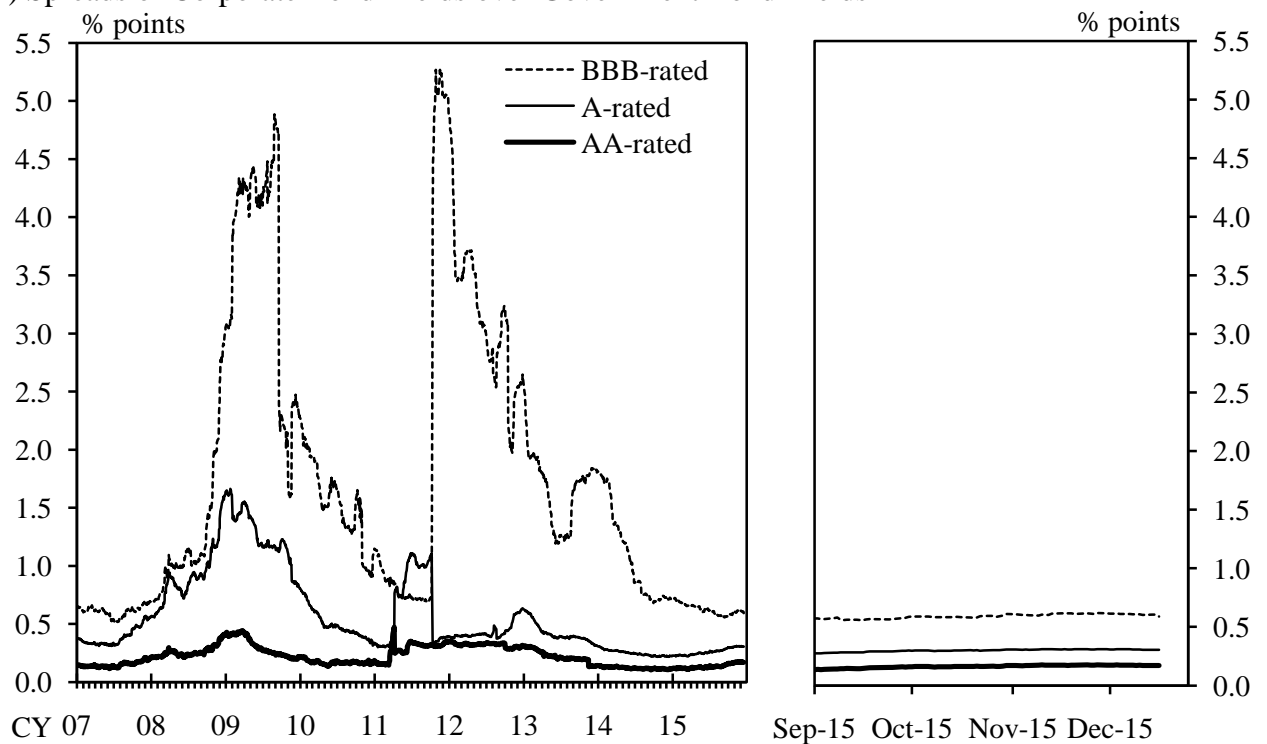
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

Yields of Corporate Bonds

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



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



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

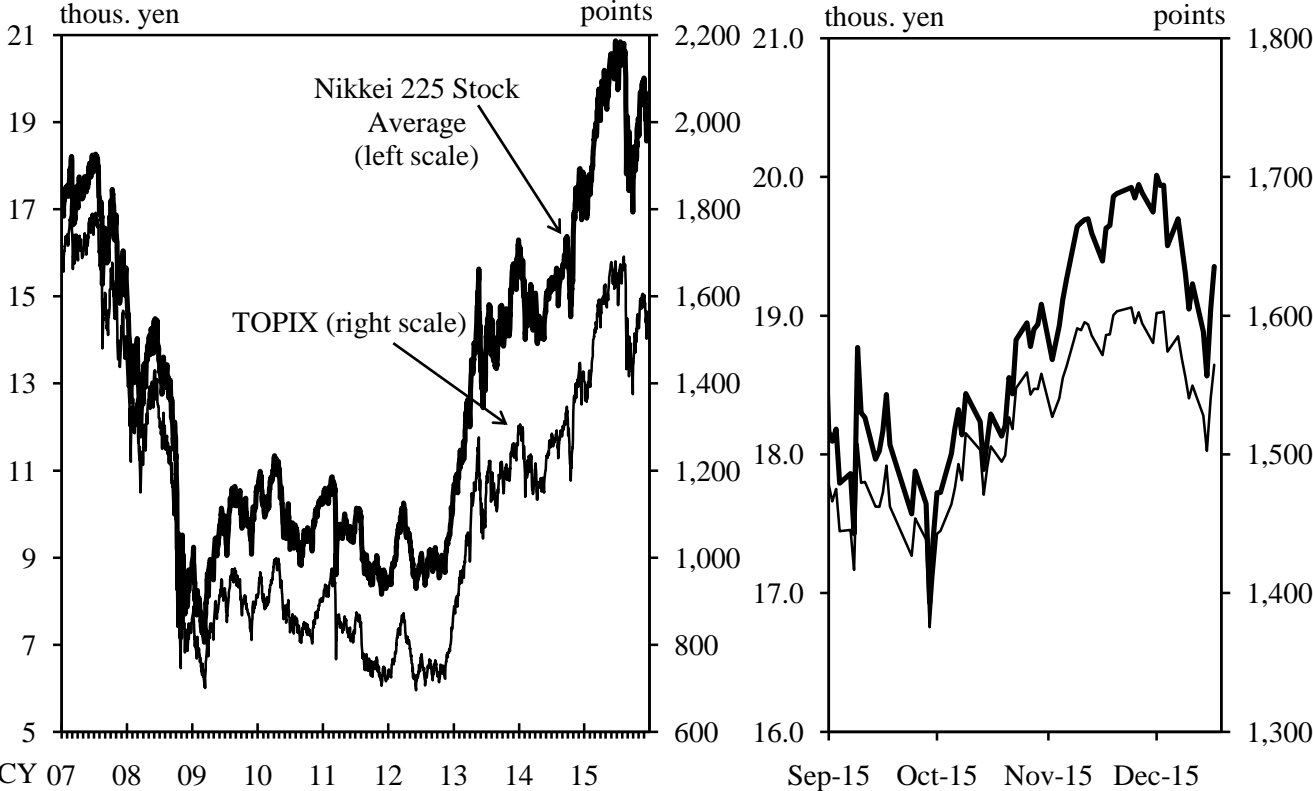
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.

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

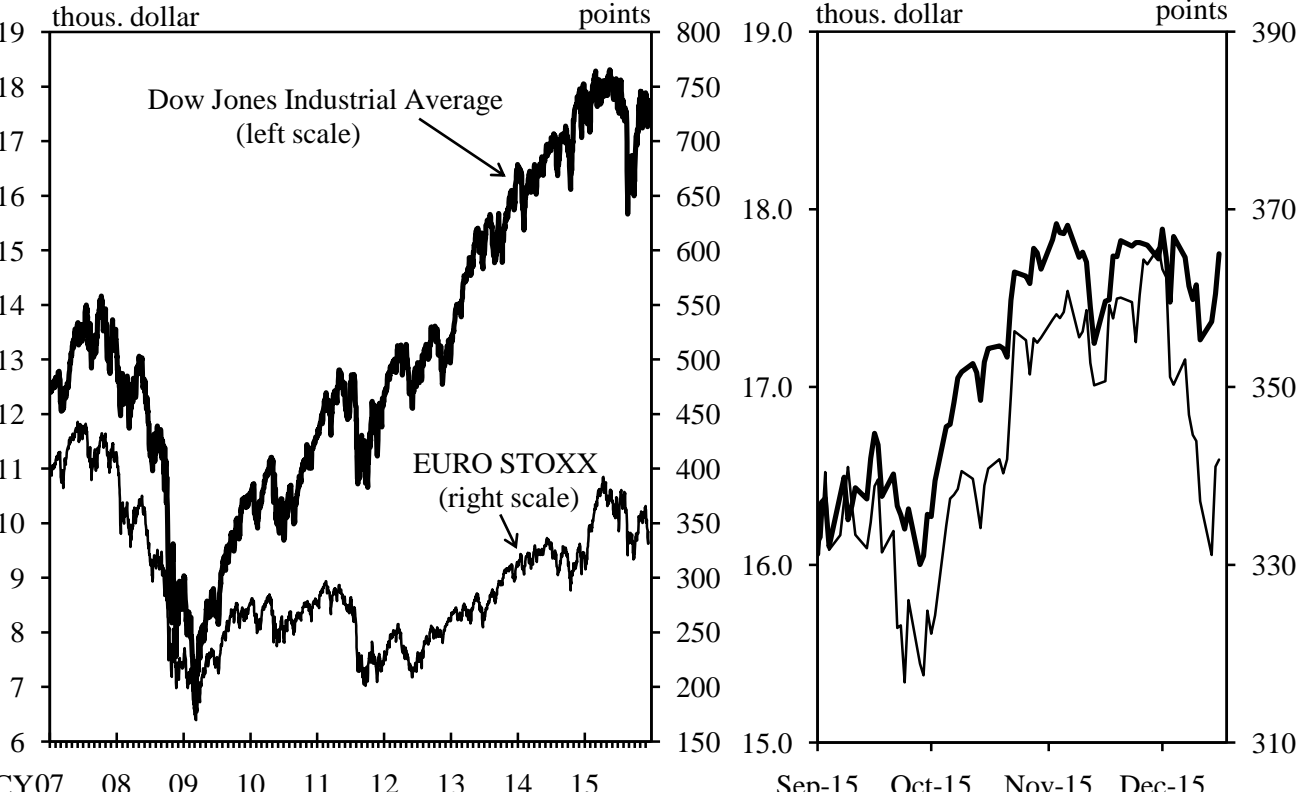
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Japanese Stock Prices



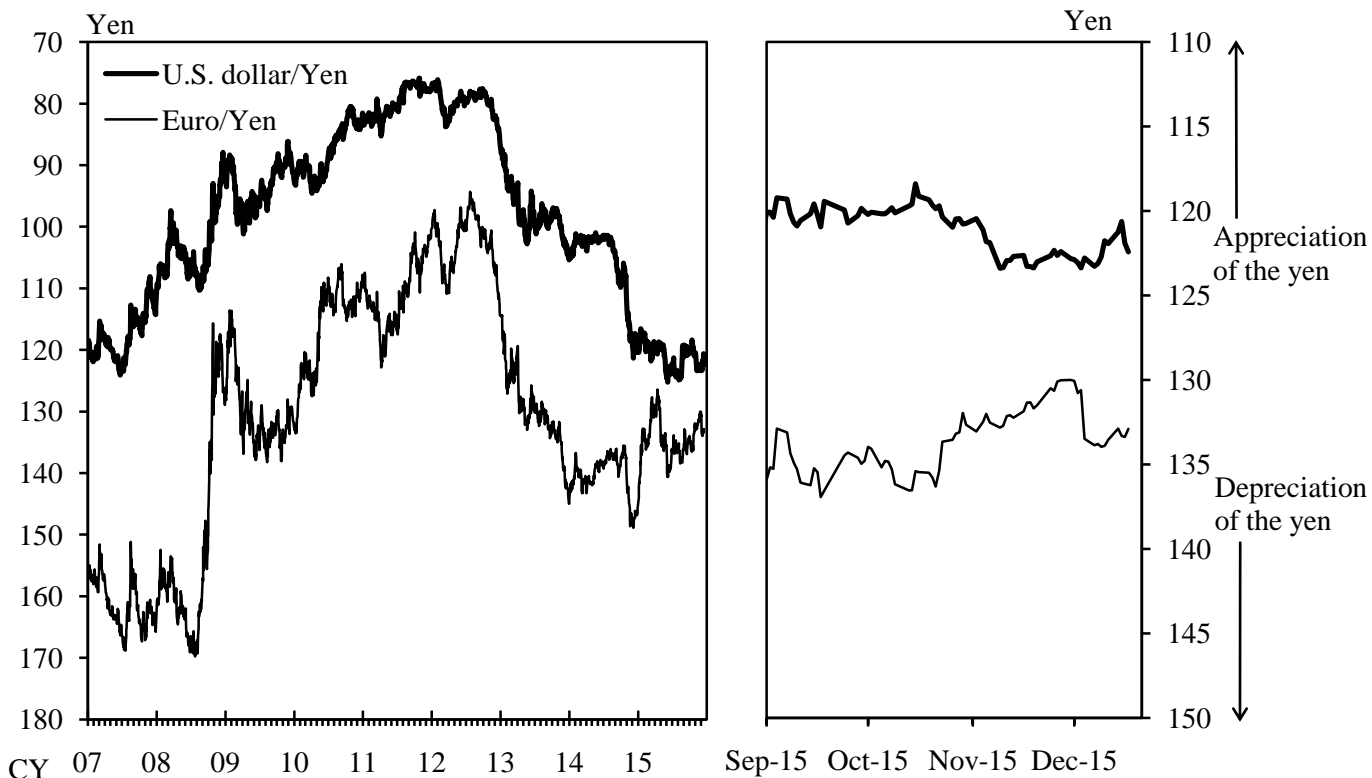
(2) Overseas Stock Prices



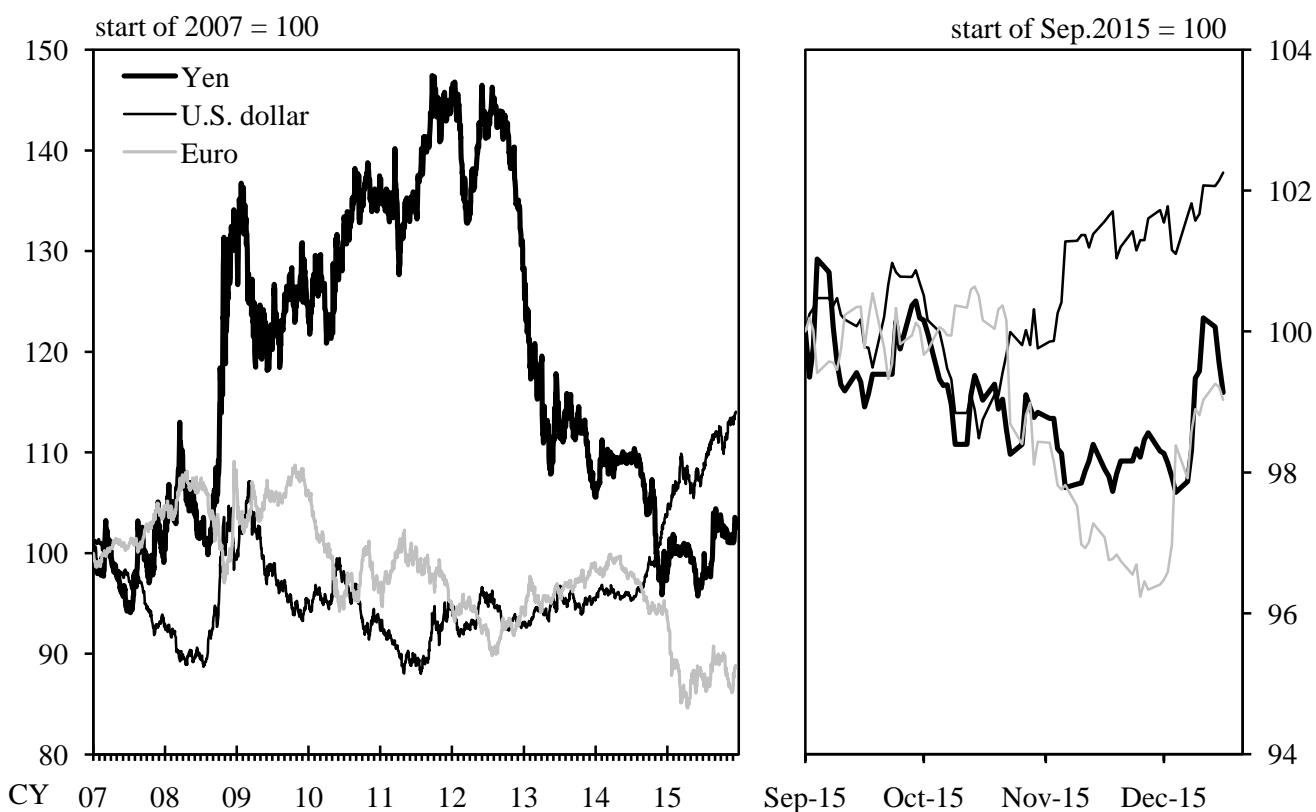
Sources: The *Nihon Keizai Shimbun* ; Tokyo Stock Exchange; Bloomberg.

Exchange Rates

(1) Bilateral Exchange Rates



(2) Nominal Effective Exchange Rates



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