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Bank of Japan

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

March 2009

(English translation prepared by the Bank's staff based on the Japanese original released on March 19, 2009)

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Summary

Japan's economic conditions have deteriorated significantly.

Exports have decreased substantially. Corporate profits have deteriorated at a faster pace, and business fixed investment has declined substantially. Private consumption has weakened, as the employment and income situation has become increasingly severe. As for housing investment, the number of housing starts has begun decreasing again. Public investment, meanwhile, has been sluggish. Reflecting these developments in demand both at home and abroad and increased adjustment pressures on inventories, production has decreased at a much faster pace.

Japan's economic conditions are likely to continue deteriorating for the time being.

Exports are expected to continue to decrease due to the deterioration in overseas economic conditions and the appreciation of the yen. Domestic private demand is also likely to weaken further as corporate profits and firms' funding conditions deteriorate and the employment and income situation becomes increasingly severe. Public investment, meanwhile, is projected to be sluggish. Reflecting these developments in demand, production is expected to continue to decrease, but the pace of decrease is expected to moderate gradually as adjustment pressures on inventories wane.

On the price front, the three-month rate of change in domestic corporate goods prices has continued to be negative, mainly due to the drop in international commodity prices. The year-on-year rate of increase in consumer prices (excluding fresh food) has declined to 0 percent, mainly reflecting the declines in the prices of petroleum products and the stabilization of food prices.

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on March 17 and 18, 2009.

Domestic corporate goods prices are likely to continue decreasing for the time being, as the effects of the drop in international commodity prices are expected to remain and the easing of supply-demand conditions for products will continue. The year-on-year rate of increase in consumer prices is expected to become negative, mainly due to the declines in the prices of petroleum products and the stabilization of food prices and also to increasing slackness in supply and demand conditions in the overall economy.

Japanese stock prices, after declining alongside U.S. and European stock prices, have recently risen to a level higher than last month. The yen has depreciated against the U.S. dollar. Meanwhile, the weighted average of the overnight call rate has remained at around 0.1 percent. Interest rates on term instruments and yields on long-term government bonds have remained more or less unchanged from last month.

Financial conditions in Japan have remained tight.

The overnight call rate has been at an extremely low level, but the stimulative effects from this have become increasingly limited given the significant deterioration in economic activity. Firms' funding costs have declined compared to the levels at the end of last year, following the reductions in the policy interest rate and improvements in issuance conditions in the CP market. The amount outstanding of CP and corporate bonds issued has been increasing since a while ago, and that of bank lending, especially to large firms, has continued to increase rapidly. However, issuance of corporate bonds by firms with low credit ratings has remained subdued, and an increasing number of firms, especially small firms, have reported that their financial positions are weak and lending attitudes of financial institutions are severe. Meanwhile, the year-on-year rate of change in the money stock has been around 2 percent.

1. Economic Developments

Public investment has been sluggish (Chart 5). On a GDP basis, real public investment has been essentially flat (Chart 3). Looking at monthly indicators, both the amount of public construction completed—which reflects the progress of public works—and the value of public works contracted—a measure that reflects public orders—have been sluggish on average.

Public investment is projected to be sluggish for the time being due to tight national and local fiscal conditions.²

Real exports have decreased substantially (Charts 6[1] and 7). They decreased sharply by 15.1 percent, the largest-ever decrease, in the fourth quarter, and then decreased at a much faster pace, by 25.6 percent, in January compared with the fourth quarter.³

By destination (Chart 7[1]), exports to most countries and regions have decreased sharply. Exports to the United States dropped substantially, by a little over 30 percent, in January compared with the fourth quarter, mainly due to the drop in motor vehicles and their related goods. The drop in motor vehicles and their related goods was largely affected by movements to reduce piled up local inventories, in addition to the decrease in sales in the United States. Exports to the EU, NIEs, and China plunged by around 20 percent in January, following the fourth quarter. Exports to the ASEAN economies and other regions (such as the Middle East, Latin America, and Russia) dropped by about 10 percent in the fourth quarter, and then plunged by more than 20 percent in January.

By goods (Chart 7[2]), almost all goods have decreased substantially. In particular, exports of motor vehicles and their related goods marked a drop by more than 40 percent in January compared with the fourth quarter; in addition to exports to the United States, those to the EU and other regions have dropped substantially.

² The decreasing trend is expected to end, and public investment is likely to be essentially flat at a low level, given factors such as the increase in the supplementary budget.

³ The largest rate of decline on a quarter-on-quarter basis used to be 6.0 percent, recorded in the third quarter of 1995.

Real imports have started to fall, as domestic demand and production have continued to drop substantially (Charts 6[1] and 9). Real imports were more or less flat through the fourth quarter, partly due to an increase mainly in raw materials and foodstuffs which seems to be a temporary phenomenon. However, with domestic demand and production continuing to drop substantially, real imports started to fall noticeably; they marked a decrease of 10.0 percent in January compared with the fourth quarter.

Looking at developments in January compared with the fourth quarter by goods (Chart 9[2]), imports of raw materials and intermediate goods declined substantially, in addition to those of capital goods and parts (excluding aircraft) and IT-related goods, which have declined since the fourth quarter. On the other hand, imports of foodstuffs and consumer goods declined only marginally, in response to the relatively small drop in domestic private consumption compared with production etc. and to the positive contribution of the yen's appreciation.

Net exports, in terms of the real trade balance, have decreased substantially, reflecting the aforementioned developments in imports and exports (Chart 6[2]). A deficit in the nominal balance on goods and services was recorded in the fourth quarter in response to the substantial deterioration in the real trade balance; it expanded in January.

Exports are expected to continue decreasing for the time being, due to the deterioration in overseas economic conditions and the appreciation of the yen.

As for the environment surrounding exports, overseas economic growth overall has deteriorated. In the United States, economic conditions have deteriorated substantially, with ongoing adjustments in the housing market. With tighter financial conditions having exerted downward pressures on the U.S. economy and the increasingly severe employment situation, sales of automobiles—which have a large impact on Japan's exports—have declined substantially. In the EU, economic conditions have also deteriorated substantially; they have been affected mainly by tighter lending stances of financial institutions. In emerging economies and countries that export natural resources, economic conditions have deteriorated overall,

due to the decrease in exports in response to the deteriorating U.S. and European economic conditions and to the tighter financial environment caused mainly by the outflow of funds (Chart 8[2]). While progress in inventory adjustments and fiscal and monetary policies are expected to have effects on the economies in the future, there is great uncertainty about how much these developments will mitigate the strong negative synergy between the financial markets and the real economies. Regarding the environment surrounding exports of IT-related goods, adjustments in inventories of electronic parts and devices seem to have started to show progress, but global demand for finished products has been reaching a plateau as a whole, as shown in the sudden slowdown in cellular phones, PCs, and digital cameras, and also in the further slowdown in the growth rate of flat-panel TVs. Meanwhile, in the foreign exchange market, the appreciation of the yen has recently come to a pause. However, the yen has appreciated by over 30 percent compared to the middle of 2007, mainly against European and NIEs currencies, in terms of the real effective exchange rate, which incorporates differentials in the inflation rates between home and abroad (Chart 8[1]).

Imports are expected to decrease substantially for the time being, mainly because the domestic economy is likely to continue to deteriorate, despite the positive contribution of the yen's appreciation.

Business fixed investment has declined substantially. On a GDP basis, real business fixed investment decreased, and the rate of decrease accelerated, for four consecutive quarters (Chart 3). Based on the *Financial Statements Statistics of Corporations by Industry, Quarterly*, business fixed investment in nominal terms has fallen for five consecutive quarters since the fourth quarter of 2007 (Chart 10). By industry (Chart 11), investment in the manufacturing industry, mainly in small firms, decreased at a much faster pace in the fourth quarter compared with the third quarter. As for the nonmanufacturing industry, investment by the leasing industry plunged due to changes in the accounting standard for finance lease transactions, and that by other industries was also weak in general.⁴ Looking at monthly indicators, the aggregate

⁴ Most leased property in finance lease transactions had been booked as fixed assets (business fixed investment) on the lessor's side (leasing companies) and treated off the balance sheet on the lessee's side (firms). However, with the new accounting standard for lease transactions, which has been applied from the business year starting on April 1, 2008, leased property is booked as liquid assets on the lessor's side and as fixed assets on the lessee's side. Since the difference is on

supply of capital goods (both including and excluding transport equipment)—a coincident indicator of machinery investment—decreased at a faster pace in January compared with the fourth quarter (Chart 12[1]). Machinery orders (private demand, excluding orders of shipbuilding and orders from electric power companies)—a leading indicator of machinery investment—dropped significantly in January compared with the fourth quarter, following significant drops in the third and fourth quarters on a quarter-on-quarter basis (Chart 13[1]).⁵ Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—decreased in the fourth quarter, and then increased in January compared with the fourth quarter. But the increase in January was partly due to the increase in construction starts of transportation and wholesale and retail trade buildings, which seems to be a temporary development (Chart 13[2]).⁶

Looking at the environment surrounding business fixed investment, corporate profits have decreased at a faster pace. According to the *Financial Statements Statistics of Corporations by Industry, Quarterly* (Chart 10[2]), in the fourth quarter, the ratio of current profits to sales declined significantly, even though energy and materials costs started to fall, since the effects of the drop in volume exceeded those of the decline in energy and materials costs. By industry and company size, in the manufacturing industry, ratios of both large and small firms dropped significantly; in particular, the ratio of large firms became negative.⁷ As for the nonmanufacturing industry, ratios of both large and small firms declined; the drop in the ratio of large

which side business fixed investment is counted, the aggregate amount of business fixed investment will basically be unaffected, but there are effects of special exemptions. That is, in cases in which the lessee is a small firm or in which the price of the leased property is low, lessees do not have to change their accounting procedures. Therefore, as a whole, only the negative impact of leasing companies remains. The fact that the timing of change in the accounting procedure is not the same for all firms has also affected the aggregates.

⁵ The forecast survey shows an increase of 4.1 percent in the first quarter, but it is highly likely that the actual increase will be smaller. The forecast figures are calculated by multiplying the sum of corporate forecasts by the average achievement ratio in the past three quarters (92.9 percent for the first quarter), but the actual achievement ratio is significantly different, and recently, the actual achievement ratio has a tendency to be lower than the forecast figure. As for the fourth quarter, the average achievement ratio used for calculation at the time of forecast was 97.7 percent, but the actual achievement ratio was 80.0 percent.

⁶ The number of cases in which construction starts are recognized in the statistics but actual constructions are on hold tends to increase in times of economic recession.

⁷ The ratio of current profits to sales of large firms in the manufacturing industry was negative (-0.85 percent) for the first time under the present compilation method, which began in 1959.

firms was large, mainly in industries such as wholesaling (such as trading companies) and transportation, which have a strong connection with the manufacturing industry.

Business fixed investment is likely to continue declining significantly for the time being, given the ongoing deterioration in corporate profits and firms' funding conditions, as well as the growing sense of excessive capacity.

Private consumption has weakened, as the employment and income situation has become increasingly severe. On a GDP basis, real private consumption decreased in the second quarter, followed by a temporary increase in the third quarter, and decreased again in the fourth quarter (Chart 3). Looking at individual indicators of consumption (Charts 14 and 15), sales at department stores and supermarkets have continued to be relatively weak, since consumers have further curtailed their purchases. Sales at department stores in particular—in which the shares of apparel and high-end products are large—have softened further. Meanwhile, sales at convenience stores have continued to be relatively strong, assisted mainly by the special factor of cigarettes (the so-called "Taspo" effect). As for durable consumer goods, sales of household electrical appliances seem to have been losing steam compared to a while ago, although they have remained steady. The drop in the number of new passenger-car registrations has become even larger. As for services consumption, the drop in outlays for travel has become evident, mainly in overseas travel; it has been partly affected by the deterioration in the employment and income situation. Sales in the food service industry have been sluggish, albeit with fluctuations.

The *Indices of Aggregated Sales* (in real terms)—which are comprised of major sales indicators of goods and services mentioned above—have become noticeably weak since last fall (Chart 16[1]).⁸ The aggregate supply of consumer goods—which comprehensively captures producers' supply of goods—has recently decreased at a faster pace due to the decrease in durable goods consumption

⁸ The *Indices of Aggregated Sales* are the weighted averages of individual sales indicators. "Outlays for travel" in January was not released at the time these indices were compiled, and hence was incorporated into the indices under the assumption that the seasonally adjusted figure for January was at the same level as that for December.

(automobiles) and to the reduction in distributors' inventories (Chart 16[2]). Looking at statistics on the demand side, as for the index of consumption expenditure level (in real terms) in the *Family Income and Expenditure Survey*, the index on an "excluding housing, automobiles, money gifts, and remittance" basis—which is mostly limited to items used for estimating the GDP—increased marginally in January compared with the fourth quarter, mainly due to the increase in items with large fluctuations such as education, after decreasing for three consecutive quarters through the fourth quarter.⁹ Total expenditure in the *Survey of Household Economy* (in real terms) also increased in January compared with the fourth quarter, after decreasing for three consecutive quarters (Chart 14[1]).¹⁰

Meanwhile, indicators related to consumer sentiment have stayed at extremely low levels which are below the previous bottoms (Chart 17), mainly due to the drop in stock prices and to growing employment uncertainty, although they seem to have stopped declining, mainly reflecting the decline in gasoline prices.

Private consumption is likely to continue weakening for the time being, as the employment and income situation becomes increasingly severe.

Housing investment has been more or less flat, but the number of housing starts has recently begun decreasing again. On a GDP basis, real housing investment increased in the fourth quarter, following the third quarter, aided by lagged contributions of the pickup in housing starts toward the spring of 2008 (Chart 3). The number of housing starts (Chart 18[1])—a leading indicator of housing investment—had been more or less flat since the beginning of 2008, when the effects of the revised Building Standard Law waned, but has been moderating to a lower level again since last fall.

Looking ahead, housing investment is expected to weaken somewhat for the time being, considering the number of housing starts.

⁹ Items in the index are not limited to those used for estimating the GDP. For example, education, which contributed to the increase in January, is not used for estimating the GDP.

¹⁰ In the *Family Income and Expenditure Survey*, the number of samples is about 8,000 households, while that in the *Survey of Household Economy* is about 30,000.

Industrial production has decreased at a much faster pace, reflecting the reduction in demand both at home and abroad and increased adjustment pressures on inventories. Production registered a significant decline of 12.0 percent on a quarter-on-quarter basis in the fourth quarter, and then dropped at a faster pace, by 18.8 percent, in January compared with the fourth quarter (Chart 19).¹¹ By industry, production in many industries continued to decrease following the fourth quarter; in particular, the negative contribution of industries such as transport equipment (excluding ships and rolling stocks), electronic parts and devices, and general machinery has become larger.

Shipments also decreased substantially, by 11.8 percent, in the fourth quarter, and then decreased at a faster pace, by 18.9 percent, in January compared with the fourth quarter. By goods (Chart 20), shipments of capital goods have fallen sharply in many items such as semiconductor products machinery, and also engineering and construction machinery, and metal cutting machinery. The decline in shipments of durable consumer goods has recently become significant, notably in automobiles. Shipments of non-durable consumer goods, mainly foods and cosmetics, have remained more or less flat, but have recently been slightly weak. Shipments of construction goods stopped declining temporarily as the effects of the revised Building Standard Law waned, but they have started to decrease again lately. Meanwhile, as for producer goods, along with shipments of electronic parts and devices, those of iron and steel, chemicals, non-ferrous metals, and fabricated metals have dropped significantly.

The increase in inventories is coming to a halt due to the substantial decrease in production, but with the much faster pace of decrease in shipments, the shipment-inventory balance has continued to deteriorate (Chart 21). Looking at the shipment-inventory balance by goods, the increase in inventories of capital goods (excluding transport equipment) and durable consumer goods has remained marginal, but adjustment pressures on inventories have built up, as their shipments have declined at an accelerated pace. As for construction goods, the shipment-inventory balance has started to deteriorate again due to the faster pace of decline in shipments.

¹¹ On a quarterly basis, currently released connected indexes—which have been available since 1953—show that the largest rate of decline used to be 6.7 percent, recorded in the first quarter of 1975.

As for producer goods, the shipment-inventory balance has deteriorated substantially, with the sharp fall in shipments, as their inventories have remained at a high level. This shows that the shipment-inventory balance has deteriorated across a wide range of industries, and this will continue to contribute to pressing production downward for the time being.

As for the outlook, production is expected to continue to decrease, in response to the decrease in demand both at home and abroad, but the pace of decrease is expected to moderate gradually as adjustment pressures on inventories wane. According to anecdotes from firms, production in the first quarter is projected to register a significant decline that will be larger than that in the fourth quarter, but production in the second quarter is expected to decrease at a slower pace.¹²

The employment and income situation has become increasingly severe, with the easing of the labor market and relatively weak employee income (Chart 22[3]).

In the labor market, overtime hours worked have decreased substantially, notably in the manufacturing industry (Chart 24[3]). The ratio of job offers to applicants has continued to decline (Chart 23[1]). The unemployment rate, on balance, has been on a moderate uptrend.

In terms of employment (Chart 24[1]), the growth rate of the number of employees in the *Labour Force Survey* has been around 0 percent on a year-on-year basis. As for the number of regular employees in the *Monthly Labour Survey*, the year-on-year growth rate has continued to fall after having peaked near the end of 2007, and the growth rate of the manufacturing industry became negative in January. The ratio of part-time employees has been essentially level (Chart 24[2]).

The year-on-year growth rate of nominal wages per employee has been on a downtrend; the growth rate has been negative lately (Chart 22[1]). In detail, regular payments have stayed around the previous year's level, whereas overtime payments

¹² According to a calculation using the production forecast index, production in the first quarter is expected to decrease by 22.7 percent on a quarter-on-quarter basis. In this case, the index level of production will record 72.2, the lowest level since the fourth quarter of 1983.

have declined at a much faster pace, and special payments have decreased marginally.¹³

Looking ahead, employee income is likely to continue declining for the time being, in response to the decrease in corporate profits and production.

2. Prices

Import prices (on a yen basis; the three-month rate of change) have dropped at a slower pace, mainly reflecting developments in international commodity prices (Chart 26). As for international commodity prices, prices of crude oil, nonferrous metals, and crops have recently been essentially flat, at low levels, after having dropped substantially since last summer. Meanwhile, domestic commodity prices have been soft, in response to developments in international commodity prices and to the easing of supply-demand conditions for products.

The three-month rate of change in domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter)¹⁴ has continued to be negative, mainly due to the drop in international commodity prices (Chart 27). In detail, the pace of decrease in prices of "iron and steel and construction goods" overall has continued to moderate, since prices of scrap and waste have stopped declining, although prices of iron and steel have continued to decline. Prices of "goods sensitive to exchange rates and overseas commodity prices" and prices of "other materials" have declined at a slightly slower pace. The former has reflected price developments of petroleum and coal products and of nonferrous metals, and the latter has reflected those of chemicals and related products. Prices of "others" have declined due to the drop in prices of other manufacturing industry products (such as formula feeds) and of agriculture, forestry and fishery

¹³ As for winter bonuses in 2008, special payments in November to January decreased by 1.2 percent on a year-on-year basis.

¹⁴ The figures are adjusted to exclude large seasonal fluctuations in electric power charges to observe the underlying changes in domestic corporate goods prices. Industrial and commercial electric power charges are set relatively high during July-September, when electric power consumption increases substantially.

products. Prices of "machinery," mainly transportation equipment, slowed their pace of increase, and have recently been flat. Meanwhile, prices of "electric power, gas and water" have risen substantially, mainly due to the increase in electric power charges in response to earlier high fuel costs. Looking at domestic demand products as a whole, including imports, prices of raw materials, intermediate goods, and finished goods have all continued to drop, but the pace of decline has slowed.

The year-on-year rate of change in corporate services prices (excluding external factors)¹⁵ has lately been slightly negative (Chart 28), mainly reflecting cost cutting among firms.¹⁶ Looking at recent developments by category, the year-on-year rate of decrease in prices of advertising services has shown an accelerating trend, since firms have been more cautious about placing advertisements. The rate of decrease in prices of information services has also shown a gradual declining trend, since firms have tightened the reins on their software investment. Prices of finance and insurance have recently declined at a faster pace, partly because the rate of increase in prices of financial services has moderated as prices of property and casualty insurance services continue to fall. On the other hand, the year-on-year rate of change in prices of real estate services has remained positive, but the pace of increase has been slowing gradually, reflecting the weakness in sales space rental that has been caused by the decrease in sales. The rate of increase in prices of "other services" has shown a gradual diminishing trend in response to cost cutting among firms, even though the passing on of earlier high fuel costs has still contributed to an upward pressure. Meanwhile, prices of leasing and rental have recently increased marginally, influenced mainly by the increase in leasing rates in response to rising credit costs.

The year-on-year rate of increase in consumer prices (excluding fresh food, same hereafter) has declined to 0 percent, mainly reflecting the declines in the prices of petroleum products and the stabilization of food prices (Chart 29). In detail, prices of goods have decreased at a faster pace, mainly due to the drop in prices of

¹⁵ "Excluding external factors" means that international air passenger transportation, ocean liner, ocean tramper, ocean tanker, oceangoing ship chartering services, and international air freight transportation are excluded from all items.

¹⁶ "All items including external factors," mainly ocean freight transportation, has decreased significantly on a year-on-year basis.

petroleum products. The rate of increase in prices of general services has slowed as a whole, reflecting the moderation in the rate of increase in prices of package tours to overseas—which has been influenced by the reduction in fuel surcharges—and the drop in rents. Public utility charges, mainly electricity charges and city gas charges, have increased at a faster pace. Meanwhile, the year-on-year rate of change in consumer prices, excluding food and energy, has become slightly negative.

Domestic corporate goods prices are likely to continue decreasing for the time being, as the effects of the drop in international commodity prices are expected to remain and the easing of supply-demand conditions for products will continue. The year-on-year rate of increase in consumer prices is expected to become negative, mainly due to the declines in the prices of petroleum products and the stabilization of food prices and also to increasing slackness in supply and demand conditions in the overall economy.

3. Financial Developments

(1) Financial Markets

Japan's money markets have continued to be nervous, reflecting the cautious stance of financial institutions on investment and funding. The overnight call rate (uncollateralized) has been at around 0.1 percent (Chart 30[1]). Regarding interest rates on term instruments, the T-Bill rate (3-month) has remained likely to rise in response to concerns over worsening of supply-demand conditions caused by an increase in issue size. The Euroyen interest rate (3-month) has declined gradually, partly due to the expansion of funds-supplying measures taken by the Bank of Japan, but it has been still at a high level relative to OIS rates, which mainly reflect expectations about future policy interest rates (Chart 31). Interest rates on Euroyen futures have suggested that term funding rates may decline somewhat after the fiscal year-end (Chart 30[2]). In U.S. dollar funding, the LIBOR-OIS spread has inched up, reflecting the deteriorating business conditions of U.S and European financial institutions.

Yields on 10-year government bonds (newly issued 10-year JGB) have shown marginal changes compared to those in the United States and Europe, since major

investors have avoided large changes in their investment positions and repeated profit-taking sales and buying on dips as the fiscal year-end approaches. Recently, the yields have been moving at around 1.3 percent (Chart 32).

Yield spreads between corporate bonds and government bonds have continued to widen, mainly in those with low credit ratings and those of some industries, due to the intensification of risk-averse attitudes among investors (Chart 33).

Stock prices have continued to show unstable movements in response to the significant deterioration in economic conditions and corporate profits. The Nikkei 225 Stock Average dropped to a post-bubble bottom, but has recently rebounded to around 8,000 yen (Chart 34).

In the foreign exchange market, the yen temporarily depreciated to the range of 99-100 yen against the U.S. dollar, in response to the significant deterioration in Japan's economic conditions and to the expansion of trade deficits. The yen has recently been traded in the range of 97-99 yen (Chart 35).

(2) Corporate Finance and Monetary Aggregates

Funding costs have remained below the levels registered at the end of last year. Issuance rates on CP, after declining in January from the high levels at the end of last year, have been more or less unchanged, while those on corporate bonds—whose spreads over government bonds have continued to expand—have risen. Notwithstanding recent widening in spreads on bank lending, the January average contracted interest rates on new loans and discounts declined slightly compared with the previous month, a reflection of the reduction of short-term prime lending rates (Chart 37).

The funding of the private sector has risen in response to firms' demands to cover the decline in cash inflow and to hold ample liquidity toward the end of the fiscal year. Lending by private banks, especially to large firms, has continued to increase rapidly (Chart 38). Although the amount outstanding of CP issued has remained below the previous year's level, the rate of decline has moderated. The

amount outstanding of corporate bonds issued in February exceeded the previous year's level for the first time in 9 months (Chart 39).

Despite the increase in funding of the private sector, an increasing number of firms have reported that their financial positions are weak, and lending attitudes of financial institutions are severe (Chart 36). In particular, the DI for small firms on their financial positions has deteriorated to the levels experienced in 1998 and 2002, as has that on lending attitudes of financial institutions. Firms with low credit ratings have continued to face difficulties in issuing corporate bonds. Under such circumstances, the number of corporate bankruptcies has continued to increase (Chart 41).

The money stock (M2) has continued to increase by around 2 percent, year-on-year. Its February reading was 2.1 percent on a year-on-year basis, following 2.0 percent in January (Chart 40).¹⁷

¹⁷ On an M3 basis, which includes the Japan Post Bank, the year-on-year growth rate has been around 1 percent—it increased by 1.1 percent in February following 0.9 percent in January. Broadly-defined liquidity has continued to be below the previous year's level. In February, it declined by 0.2%, year-on-year, following a 0.3% decline in January.

Charts

Chart 1	Main Economic Indicators (1)	Chart 25	Prices
Chart 2	Main Economic Indicators (2)	Chart 26	Import Prices and International Commodity Prices
Chart 3	Real GDP and Indexes of Business Conditions	Chart 27	Domestic Corporate Goods Price Index
Chart 4	GDP Deflator and Income Formation	Chart 28	Corporate Services Price Index
Chart 5	Public Investment	Chart 29	Consumer Price Index (Excluding Fresh Food)
Chart 6	External Balance	Chart 30	Short-Term Interest Rates
Chart 7	Real Exports	Chart 31	Global Money Markets
Chart 8	Real Effective Exchange Rate and Overseas Economies	Chart 32	Long-Term Interest Rates
Chart 9	Real Imports	Chart 33	Yields of Corporate Bonds
Chart 10	Business Fixed Investment and Corporate Profits	Chart 34	Stock Prices
Chart 11	Business Fixed Investment by Industry and Size	Chart 35	Exchange Rates
Chart 12	Coincident Indicators for Business Fixed Investment	Chart 36	Corporate Finance-Related Indicators
Chart 13	Leading Indicators for Business Fixed Investment	Chart 37	Lending Rates
Chart 14	Indicators for Private Consumption (1)	Chart 38	Lending by Financial Institutions
Chart 15	Indicators for Private Consumption (2)	Chart 39	Private-Sector Fund-Raising in the Capital Markets
Chart 16	Indicators for Private Consumption (3)	Chart 40	Money Stock
Chart 17	Consumer Confidence	Chart 41	Corporate Bankruptcies
Chart 18	Indicators for Housing Investment		
Chart 19	Production, Shipments, and Inventories		
Chart 20	Shipments Breakdown by Type of Goods		
Chart 21	Inventory Cycle		
Chart 22	Employee Income		
Chart 23	Labor Market (1)		
Chart 24	Labor Market (2)		

Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2008/Q2	Q3	Q4	2008/Nov.	Dec.	2009/Jan.	Feb.
Index of consumption expenditure level (two-or-more-person households)	-2.0	-0.4	-0.3	1.9	-1.8	1.5	n.a.
Sales at department stores	-2.9	0.7	-4.7	-0.7	-1.0	-2.2	n.a.
Sales at supermarkets	-1.7	0.2	-1.3	2.2	-1.6	-1.4	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 292>	< 277>	< 249>	< 248>	< 238>	< 221>	< 213>
Sales of household electrical appliances (real, Current Survey of Commerce)	1.8	7.2	-2.1	6.7	-5.9	9.7	n.a.
Outlays for travel	-2.8	-1.6	-1.4	-1.6	-2.1	-5.4	n.a.
Housing starts <s.a., ann. 10,000 units>	< 112>	< 110>	< 101>	< 99>	< 100>	< 96>	<n.a.>
Machinery orders (from private sector ⁴)	0.6	-10.4	-16.7	-16.2	-1.7	-3.2	n.a.
Manufacturing	2.7	-10.9	-21.5	-33.2	7.0	-27.4	n.a.
Nonmanufacturing ⁴	1.0	-12.0	-10.8	0.5	-8.3	13.5	n.a.
Construction Starts (private, nondwelling use)	-2.8	0.2	-7.7	-3.9	16.0	2.3	n.a.
Mining & manufacturing	7.6	10.0	-2.8	-4.8	29.0	-37.5	n.a.
Nonmanufacturing ⁵	-5.4	-1.2	-11.9	-2.2	4.9	23.6	n.a.
Value of public works contracted	-8.3	11.3	-4.3	9.0	-15.1	13.7	1.5
Real exports	-3.4	1.8	-15.1	-14.0	-9.7	-15.8	n.a.
Real imports	-3.2	2.9	0.6	-2.3	-3.3	-7.3	n.a.
Industrial production	-0.8	-1.3	-12.0	-8.5	-9.8	-10.2	n.a.
Shipments	-0.9	-1.8	-11.8	-8.4	-8.1	-11.4	n.a.
Inventories	0.4	1.6	2.7	0.8	0.1	-2.0	n.a.
Inventory Ratio <s.a., CY 2005 = 100>	< 105.0>	< 108.3>	< 135.2>	< 127.0>	< 135.2>	< 151.3>	<n.a.>
Real GDP	-1.2	-0.4	-3.2	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.5	-0.8	-3.4	-2.4	-2.7	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2008/Q2	Q3	Q4	2008/Nov.	Dec.	2009/Jan.	Feb.
Ratio of job offers to applicants <s.a., times>	< 0.92>	< 0.85>	< 0.76>	< 0.76>	< 0.73>	< 0.67>	<n.a.>
Unemployment rate <s.a., %>	< 4.0>	< 4.0>	< 4.0>	< 4.0>	< 4.3>	< 4.1>	<n.a.>
Overtime working hours ⁶	-1.2	-2.3	-7.7	-7.0	-11.3	p -15.2	n.a.
Number of employees	-0.0	0.1	0.0	-0.2	-0.1	0.1	n.a.
Number of regular employees ⁶	1.7	1.5	1.1	1.0	1.1	p 1.0	n.a.
Nominal wages per person ⁶	0.7	0.2	-0.5	-0.7	-0.8	p -1.3	n.a.
Domestic corporate goods price index <q/q % chg., 3-month rate of change> ⁷	4.9 < 2.4>	7.1 < 2.8>	2.9 <-3.2>	2.8 <-3.7>	1.1 <-4.3>	-0.3 <-4.2>	p -1.1 <p -2.7>
Consumer price index ⁸	1.5	2.3	1.0	1.0	0.2	0.0	n.a.
Corporate services price index	1.0	1.0	-2.0	-2.0	-2.5	p -2.2	n.a.
Money Stock (M2) <average outstanding, y/y % chg.>	2.1	2.2	1.8	1.8	1.8	2.0	p 2.1
Number of corporate bankruptcies <cases per month>	<1,276>	<1,345>	<1,356>	<1,277>	<1,362>	<1,360>	<1,318>

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

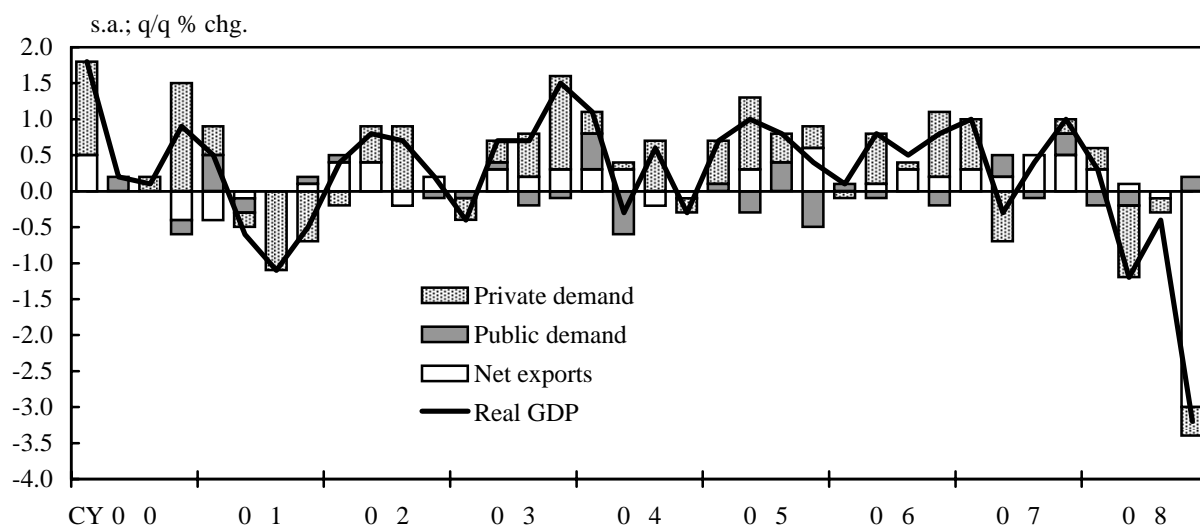
All figures in Chart 2 except figures in angle brackets are year-on-year changes. For details on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes of the respective charts.

2. Figures with "p" indicate preliminary data.
3. Excludes small cars with engine sizes of 660 cc or less.
4. Excludes orders of shipbuilding 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. Excludes fresh food.

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, "The Summary Report on Trade of Japan"; Cabinet Office, "Orders Received for Machinery," "National Accounts"; East Japan Construction Surety etc., "Public Works Prepayment Surety Statistics"; Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey"; Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index," "Money Stock"; Tokyo Shoko Research Ltd., "Tosan Geppo (Monthly Review of Corporate Bankruptcies)."

Real GDP and Indexes of Business Conditions

(1) Real GDP



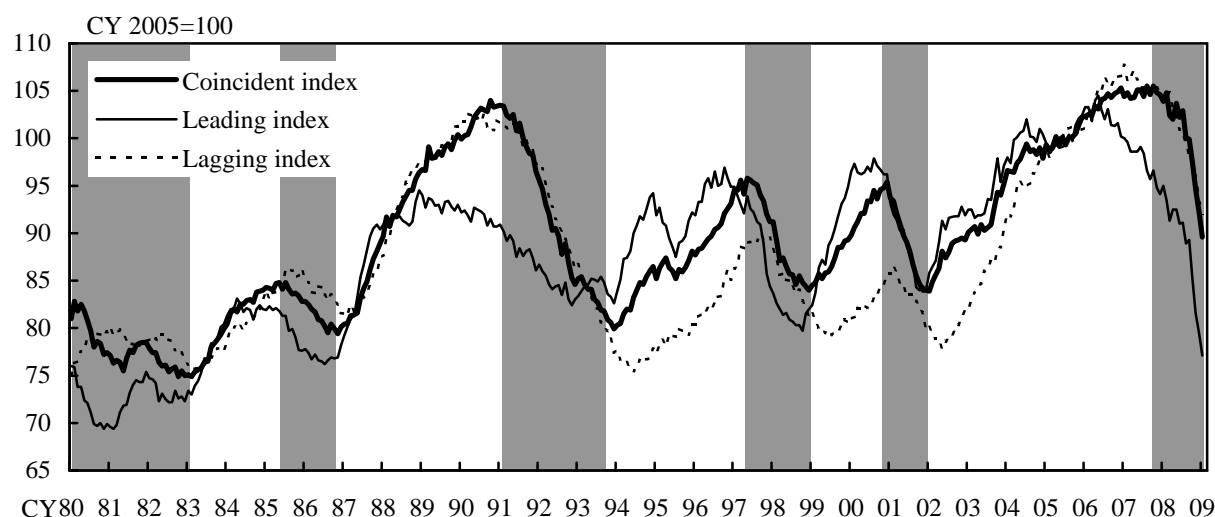
(2) Components

s.a.; q/q % chg.

	2007	2008			
	Q4	Q1	Q2	Q3	Q4
Real GDP	1.0	0.3	-1.2	-0.4	-3.2
Domestic demand	0.5	0.0	-1.2	-0.2	-0.1
Private demand	0.2	0.3	-1.0	-0.2	-0.4
Private consumption	0.2	0.4	-0.4	0.2	-0.2
Non-Resi. investment	0.3	-0.1	-0.4	-0.5	-0.8
Residential investment	-0.3	0.1	-0.1	0.1	0.2
Private inventory	0.0	-0.2	-0.2	0.0	0.5
Public demand	0.3	-0.2	-0.2	0.0	0.2
Public investment	-0.0	-0.2	-0.0	0.0	0.0
Net exports of goods and services	0.5	0.3	0.1	-0.1	-3.0
Exports	0.5	0.5	-0.4	0.1	-2.6
Imports	-0.1	-0.2	0.5	-0.3	-0.5
Nominal GDP	0.4	0.0	-1.4	-0.7	-1.6

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

(3) Indexes of Business Conditions (Composite Indexes)

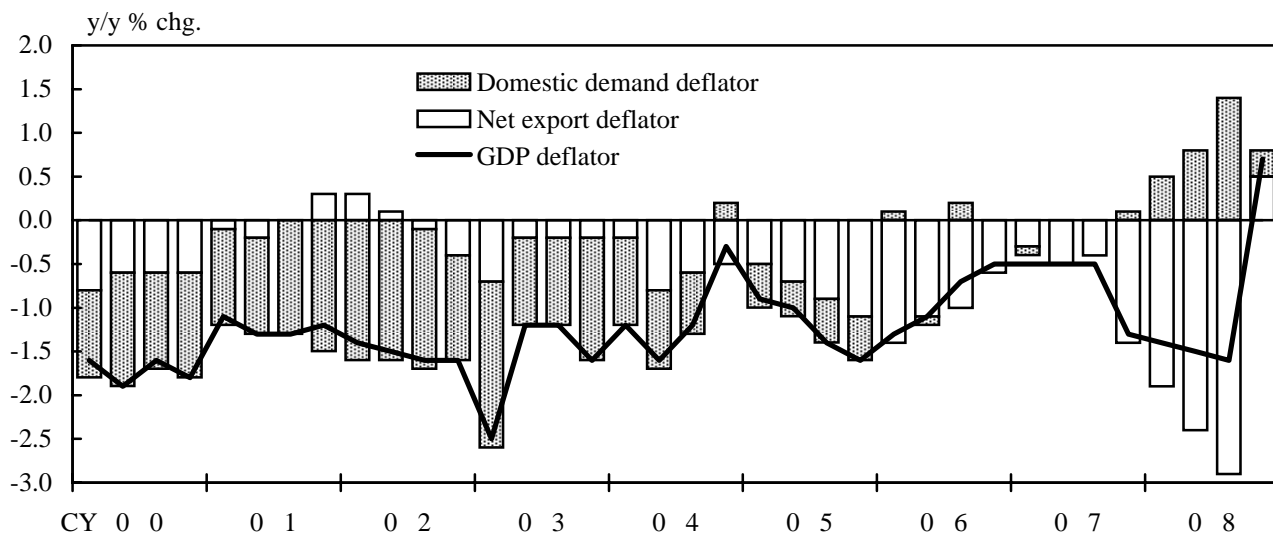


Note: Shaded areas indicate recession periods.

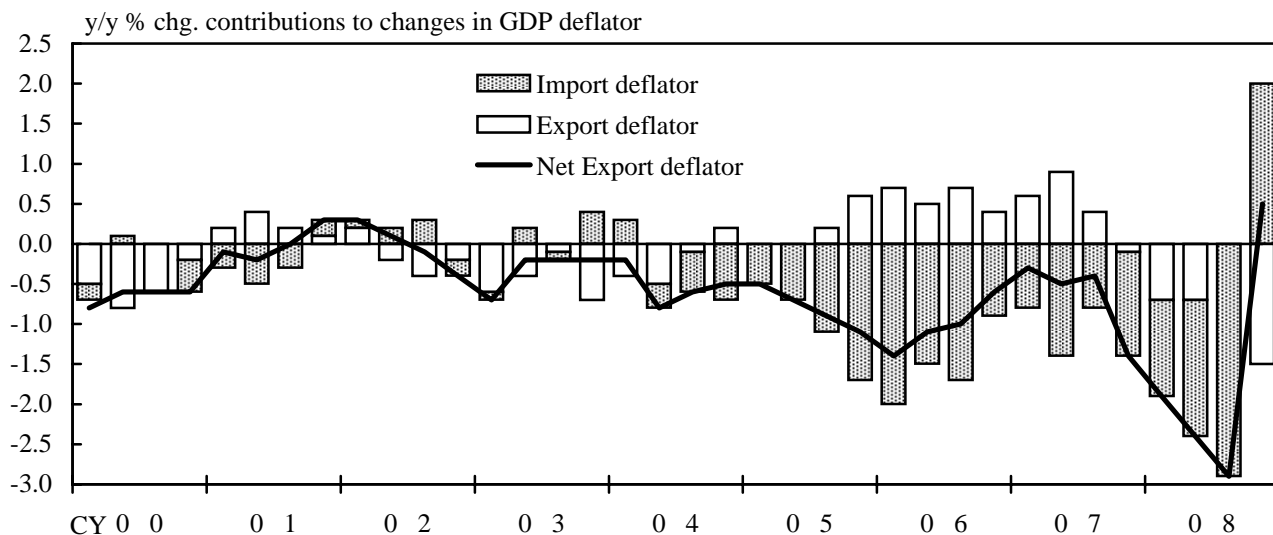
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

GDP Deflator and Income Formation

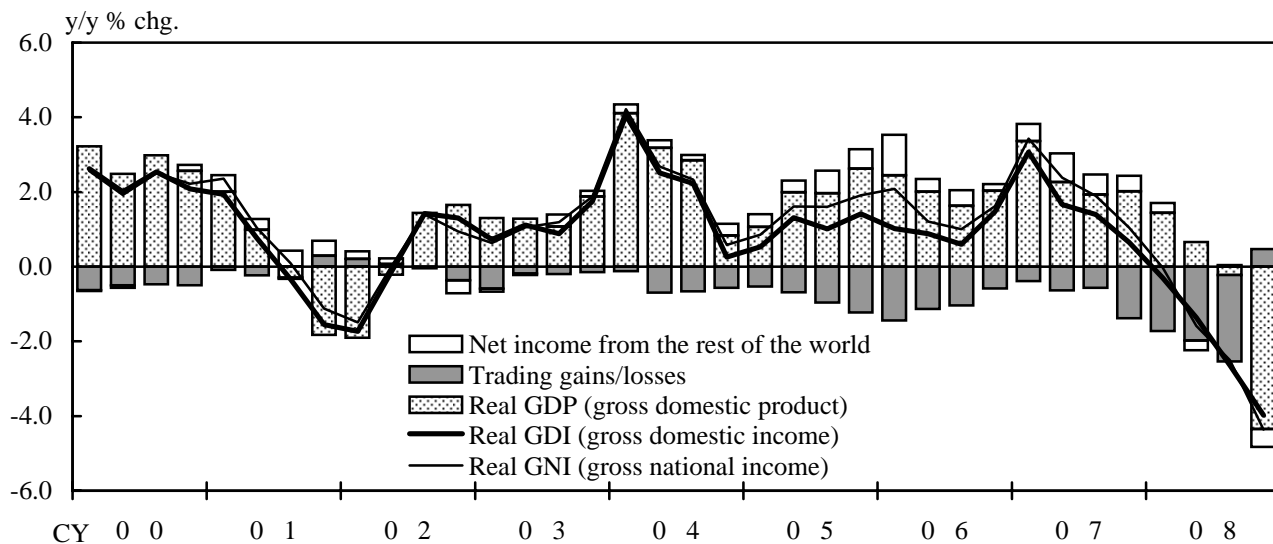
(1) GDP Deflator



(2) Net Export Deflator



(3) Aggregate Income Formation



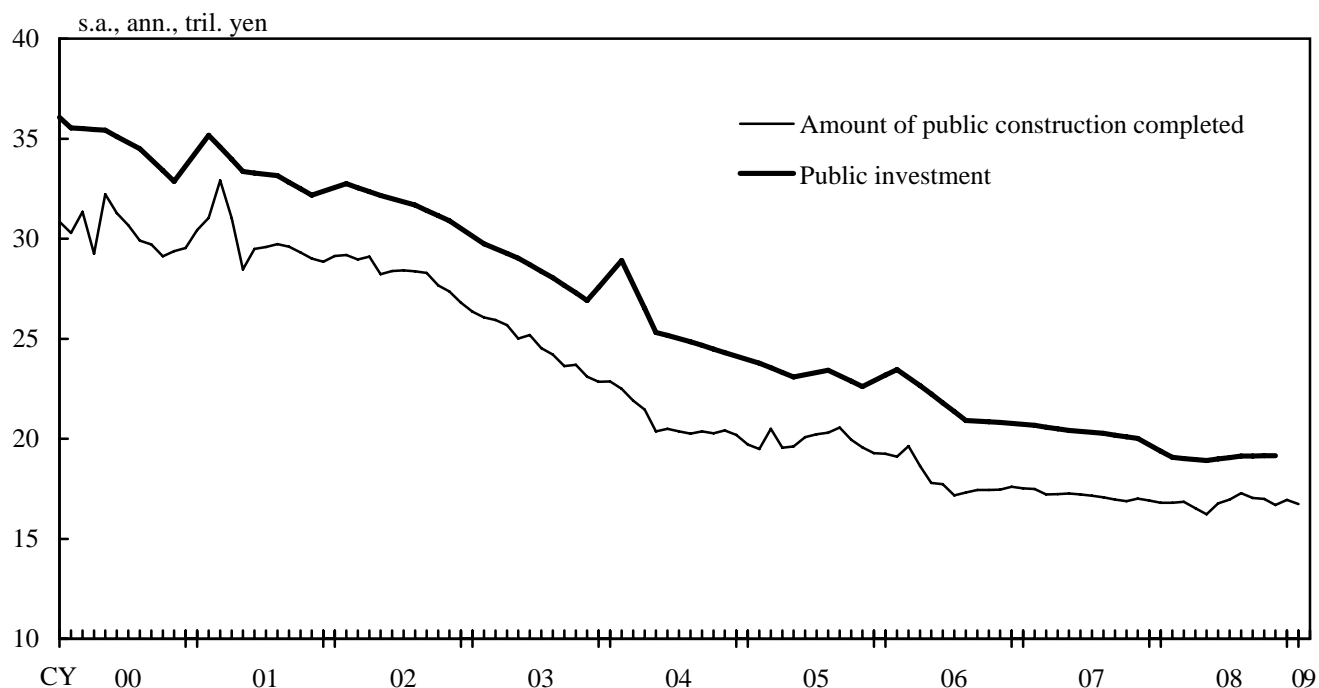
Note: Figures of components indicate contributions to changes in real GNI.

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

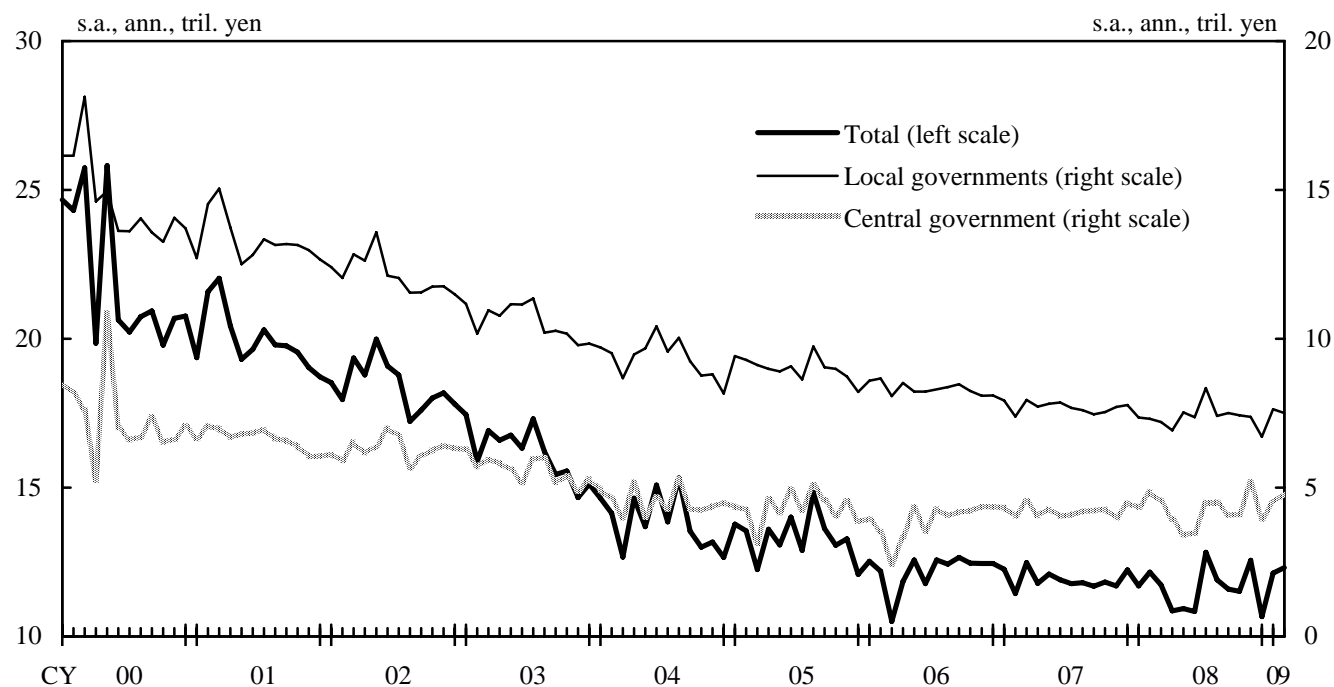
Source: Cabinet Office, "National Accounts."

Public Investment

(1) Amount of Public Construction Completed and Public Investment



(2) Value of Public Works Contracted



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

2. Amount of public construction completed is based on the general tables in the "Integrated Statistics on Construction Works." The figures until March 2000 are retroactively calculated with year-to-year growth rates on the former basis.

3. The figures of value of public works contracted and amount of public construction completed are seasonally adjusted by X-12-ARIMA.

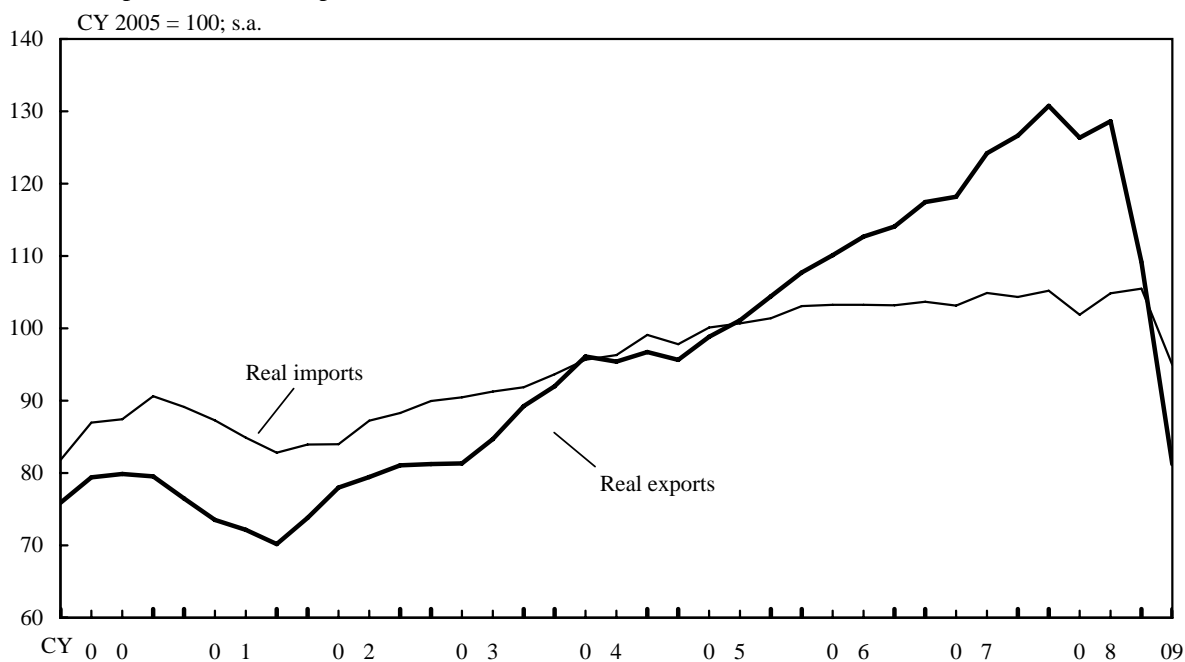
Sources: Cabinet Office, "National Accounts";

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

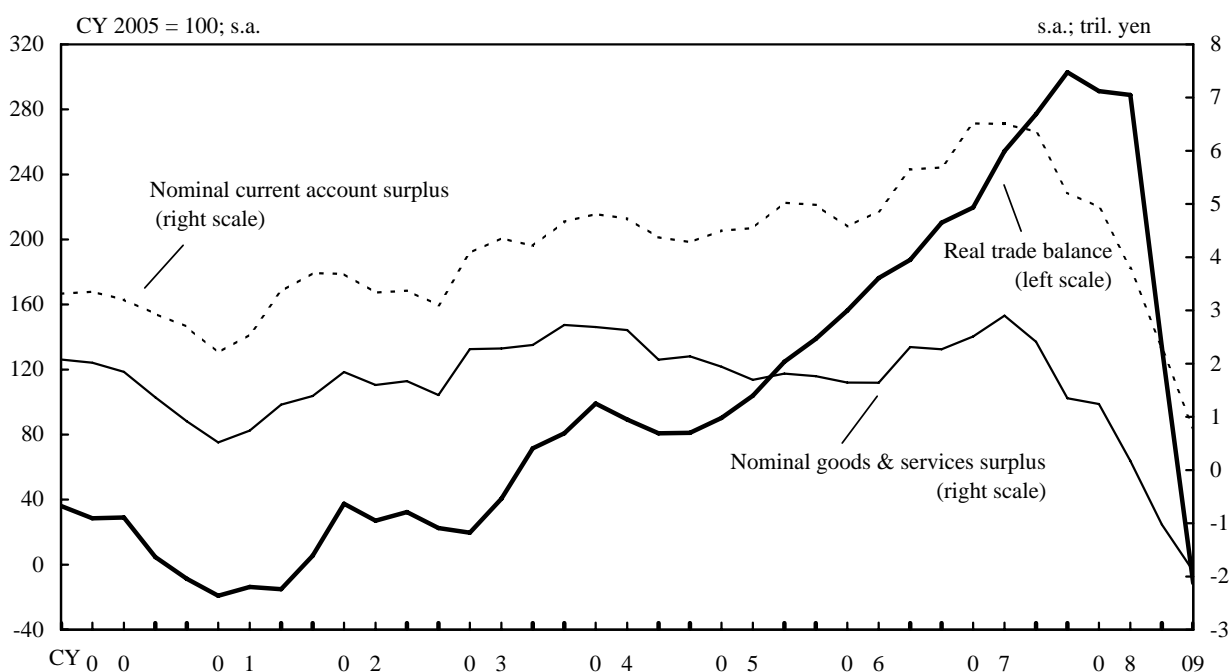
Ministry of Land, Infrastructure, Transport and Tourism, "Integrated Statistics on Construction Works."

External Balance

(1) Real Exports and Real Imports



(2) Real Trade Balance and Nominal Current Account Surplus



- Notes: 1. Real trade balance is defined as real exports minus real imports, indexed with base year of 2005. Real exports/imports are "The Value of Exports and Imports in Trade Statistics" deflated by the "Export and Import Price Index."
 2. Figures are seasonally adjusted by X-12-ARIMA.
 3. 2009/Q1 figures are January figures converted into quarterly amount.

Sources: Ministry of Finance, "The Summary Report on Trade of Japan";
 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 2007	2008	2008 Q1	Q2	Q3	Q4	2009 Q1	2008 Nov.	Dec.	2009 Jan.
United States	<17.5>	-1.2	-8.8	-0.2	-6.9	-4.0	-9.6	-33.1	-11.9	-2.2	-29.1
EU	<14.1>	13.0	-0.1	4.2	-7.4	2.1	-18.8	-20.4	-13.0	-15.7	-5.8
East Asia	<46.8>	10.3	3.7	4.9	-2.4	1.8	-16.9	-24.8	-14.7	-13.2	-12.2
China	<16.0>	16.8	6.7	5.1	1.7	1.0	-16.6	-22.4	-17.4	-16.8	-5.3
NIEs	<22.1>	5.2	-0.1	5.3	-5.9	3.2	-20.0	-25.2	-14.6	-10.1	-14.9
Korea	<7.6>	5.3	-0.4	3.6	-4.9	6.0	-24.3	-15.9	-13.8	-14.3	-1.3
Taiwan	<5.9>	0.0	-4.5	8.7	-8.9	0.5	-23.8	-25.9	-14.1	-15.1	-12.3
ASEAN ⁴	<8.8>	13.2	8.3	3.6	-0.7	0.3	-10.2	-27.6	-10.3	-13.7	-16.7
Thailand	<3.8>	9.8	4.9	5.1	-6.9	4.8	-5.5	-31.1	-6.8	-12.7	-22.5
Others	<21.5>	19.9	15.6	4.8	-0.1	4.1	-9.4	-22.3	-12.3	-8.1	-13.7
Real exports		9.1	1.8	3.2	-3.4	1.8	-15.1	-25.6	-14.0	-9.7	-15.8

(2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.				s.a.; m/m % chg.			
		CY 2007	2008	2008 Q1	Q2	Q3	Q4	2009 Q1	2008 Nov.	Dec.	2009 Jan.
Intermediate goods	<18.9>	5.3	0.0	2.1	-6.0	2.1	-9.4	-15.8	-6.9	-13.3	-4.7
Motor vehicles and their related goods	<23.8>	13.2	3.2	3.1	-4.8	0.0	-16.6	-44.6	-13.3	-13.1	-35.8
Consumer goods ⁴	<4.1>	6.4	3.5	4.3	3.1	-1.1	-17.4	-25.1	-12.2	-11.7	-14.5
IT-related goods ⁵	<10.2>	12.2	0.8	-1.3	4.4	2.4	-22.4	-29.9	-14.5	-15.9	-16.3
Capital goods and parts ⁶	<28.3>	8.0	5.2	4.3	-2.0	1.7	-10.9	-21.2	-15.1	-5.6	-13.1
Real exports		9.1	1.8	3.2	-3.4	1.8	-15.1	-25.6	-14.0	-9.7	-15.8

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2009/Q1 figures are January figures converted into quarterly amount.

2. Shares of each region and goods in 2008 are shown in angle brackets.

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

4. Excludes motor vehicles.

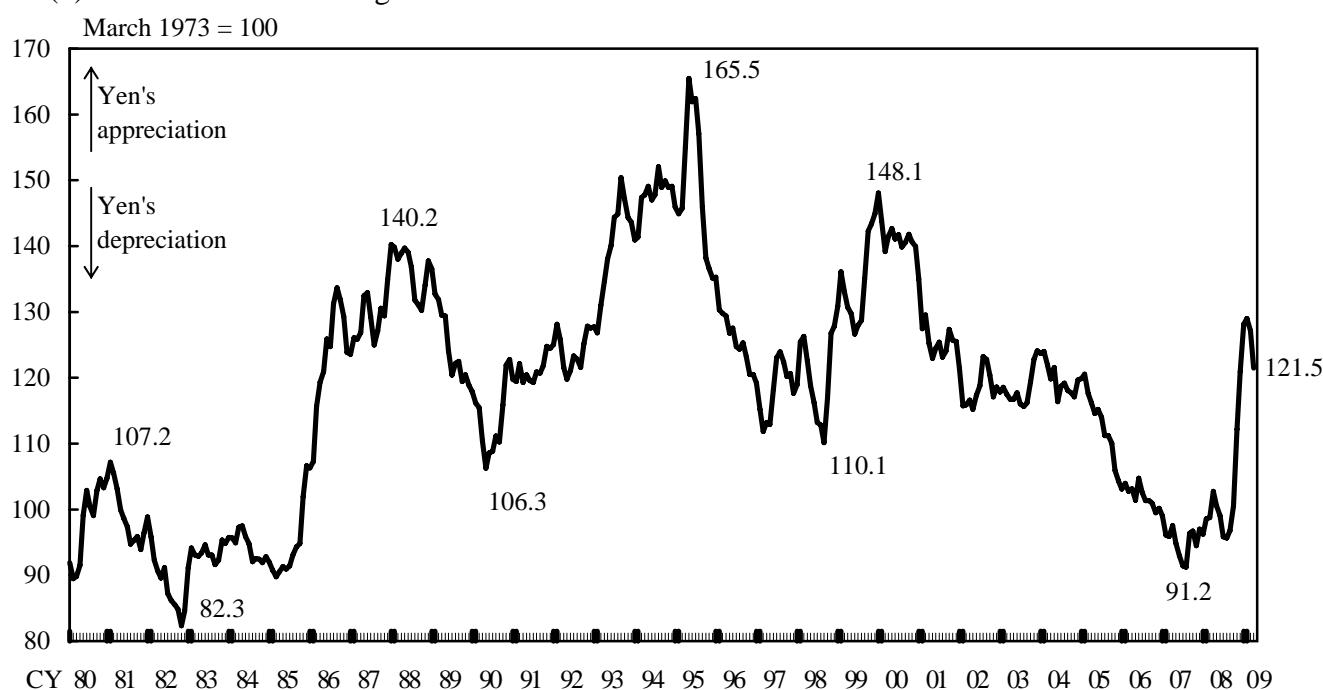
5. IT-related goods are composed of computers and units, telecommunication machinery, ICs, and medical and optical instruments.

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

Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Real Effective Exchange Rate and Overseas Economies

(1) Real Effective Exchange Rate



Note: Calculated by the Bank of Japan. Monthly average. Figure for March 2009 is the average up to March 17.

Figures are the index of weighted average of the yen's real exchange rates versus 15 major currencies (30 countries) which are calculated from nominal exchange rates and price indexes of the respective countries.

(2) Real GDP Growth Rates in Overseas Economies

		CY2006	2007	2008	2008 Q1	Q2	Q3	Q4	
United States ¹		2.8	2.0	1.1	0.9	2.8	-0.5	-6.2	
European Union ¹		3.2	2.9	0.9	2.1	-0.4	-1.1	-5.8	
	Germany	3.2	2.6	1.0	6.2	-2.0	-2.1	-8.2	
	France	2.4	2.1	0.7	1.6	-1.2	0.4	-4.6	
	United Kingdom	2.8	3.0	0.7	1.6	-0.1	-2.8	-6.0	
East Asia ²	China		11.6	13.0	9.0	10.6	10.1	9.0	6.8
	NIEs	Korea	5.1	5.0	2.5	5.8	4.8	3.8	-3.4
		Taiwan	4.8	5.7	0.1	6.2	4.6	-1.0	-8.4
		Hong Kong	7.0	6.4	2.5	7.3	4.3	1.7	-2.5
		Singapore	8.4	7.8	1.1	6.7	2.5	0.0	-4.2
	ASEAN4	Thailand	5.2	4.9	2.6	6.0	5.3	3.9	-4.3
		Indonesia	5.5	6.3	6.1	6.2	6.4	6.4	5.2
		Malaysia	5.8	6.3	4.6	7.4	6.7	4.7	0.1
Philippines		5.4	7.2	4.6	4.7	4.4	5.0	4.5	

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

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

Real Imports ¹

(1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.				s.a.; m/m % chg.			
		CY 2007	2008	2008 Q1	Q2	Q3	Q4	2009 Q1	2008 Nov.	Dec.	2009 Jan.
United States	<10.2>	-1.5	-2.5	-1.1	-3.9	2.3	-2.4	-15.3	-4.5	-4.9	-11.0
EU	<9.2>	4.0	-3.0	-1.0	0.2	-3.0	-2.4	-0.5	-0.0	-1.7	0.7
East Asia	<38.0>	3.3	3.1	2.2	-3.0	4.3	0.8	-10.2	-2.4	-6.1	-5.6
China	<18.8>	5.7	4.3	0.8	-0.9	7.2	-0.9	-5.9	-3.4	-5.8	-0.8
NIEs	<8.0>	-3.8	-1.1	3.0	-4.4	1.8	-6.4	-19.9	-2.3	-11.4	-12.4
Korea	<3.9>	-3.3	-5.3	3.3	-9.2	1.4	-7.3	-20.7	-2.2	-6.6	-16.3
Taiwan	<2.9>	-3.0	3.6	4.2	1.6	3.2	-7.5	-18.6	-3.0	-17.9	-5.7
ASEAN4 ³	<11.2>	4.8	4.0	4.1	-5.5	0.8	9.7	-11.4	-0.8	-2.9	-9.4
Thailand	<2.7>	4.4	2.3	1.2	-3.2	5.4	-0.6	-19.5	-8.9	-1.5	-16.0
Others	<42.6>	-0.1	1.2	0.9	-3.8	3.4	2.3	-11.3	-1.0	-2.3	-9.7
Real imports		0.7	0.4	0.8	-3.2	2.9	0.6	-10.0	-2.3	-3.3	-7.3

(2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.				s.a.; m/m % chg.			
		CY 2007	2008	2008 Q1	Q2	Q3	Q4	2009 Q1	2008 Nov.	Dec.	2009 Jan.
Raw materials ⁴	<42.0>	0.7	1.5	1.6	-5.9	3.3	4.7	-11.6	-0.8	-1.4	-10.5
Intermediate goods	<14.1>	2.0	1.7	-1.7	2.3	1.4	5.1	-7.0	1.4	-6.1	-3.4
Foodstuffs	<7.9>	-9.6	-3.8	-1.0	-0.7	2.4	14.4	-1.3	-3.2	4.0	-2.8
Consumer goods ⁵	<6.9>	-0.1	-2.7	0.6	-3.2	2.3	-3.9	-2.7	-0.9	-5.2	1.2
IT-related goods ⁶	<9.5>	4.2	4.5	4.1	-2.3	4.7	-7.2	-16.7	-4.8	-7.2	-11.0
Capital goods and parts ⁷	<11.2>	8.5	2.8	1.2	-1.3	2.4	-9.3	-13.4	-3.6	-6.6	-8.1
Excluding aircraft	<10.5>	7.9	3.6	0.0	2.5	-2.1	-4.2	-15.3	-2.9	-12.0	-6.6
Real imports		0.7	0.4	0.8	-3.2	2.9	0.6	-10.0	-2.3	-3.3	-7.3

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2009/Q1 figures are January figures converted into quarterly amount.

2. Shares of each region and goods in 2008 are shown in angle brackets.

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

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

5. Excludes foodstuffs.

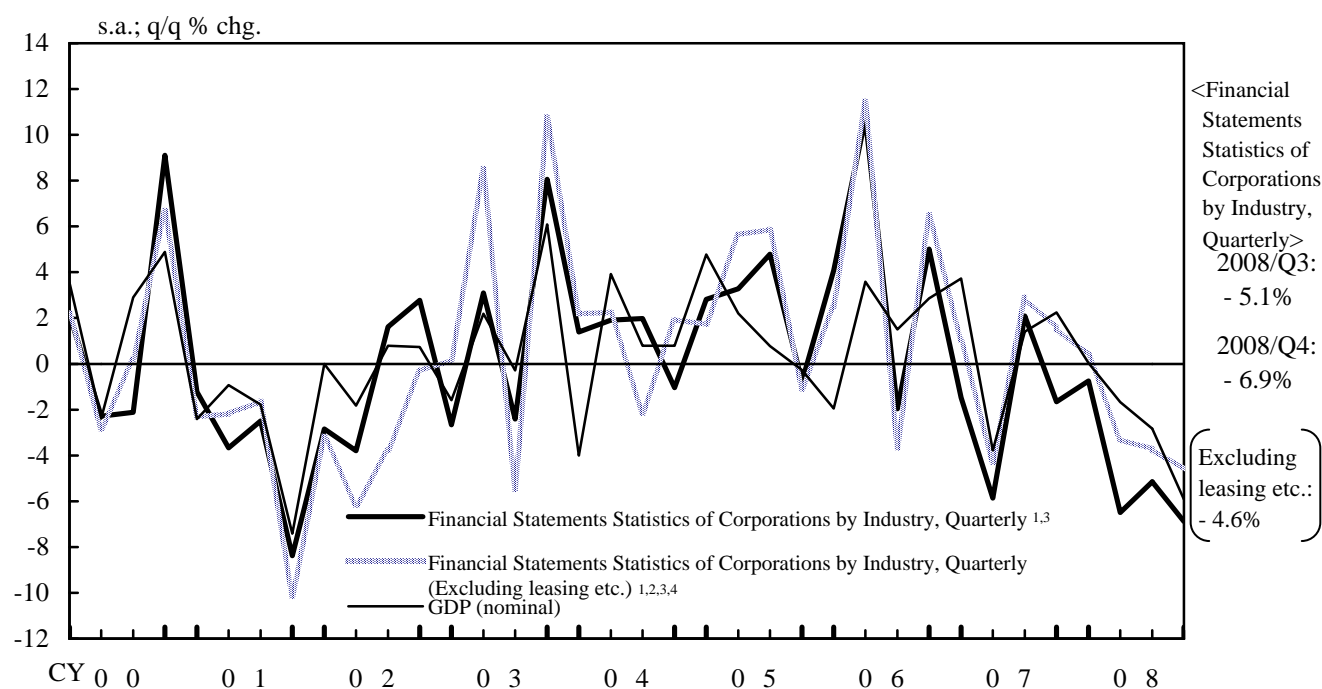
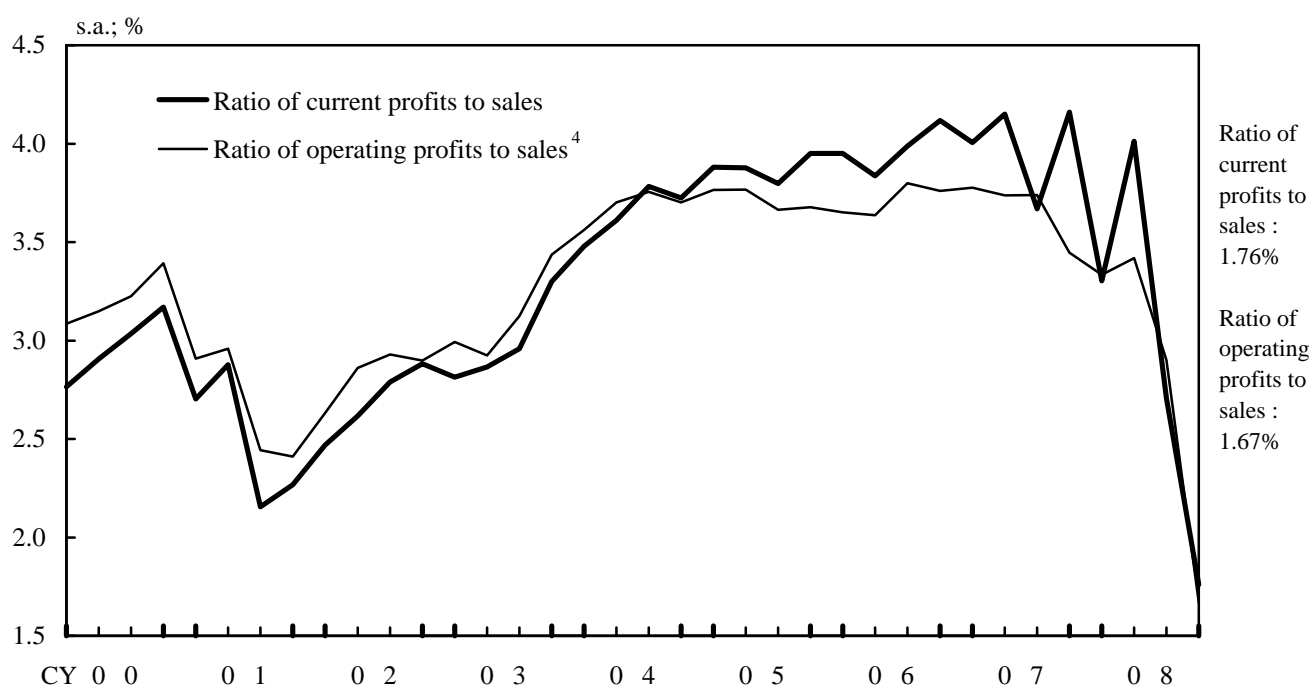
6. IT-related goods are composed of computers and units, parts of computer, telecommunication machinery, ICs, and medical and optical instruments.

7. Excludes IT-related goods.

Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Business Fixed Investment and Corporate Profits

(1) Business Fixed Investment

(2) Corporate Profits (Ratio of Profits to Sales)^{1,3}

Notes: 1. All enterprises excluding Finance and Insurance.

2. Up to 2004/1Q, excluding business services. From 2004/2Q, excluding leasing, miscellaneous rental and leasing goods, advertising, and miscellaneous business services.

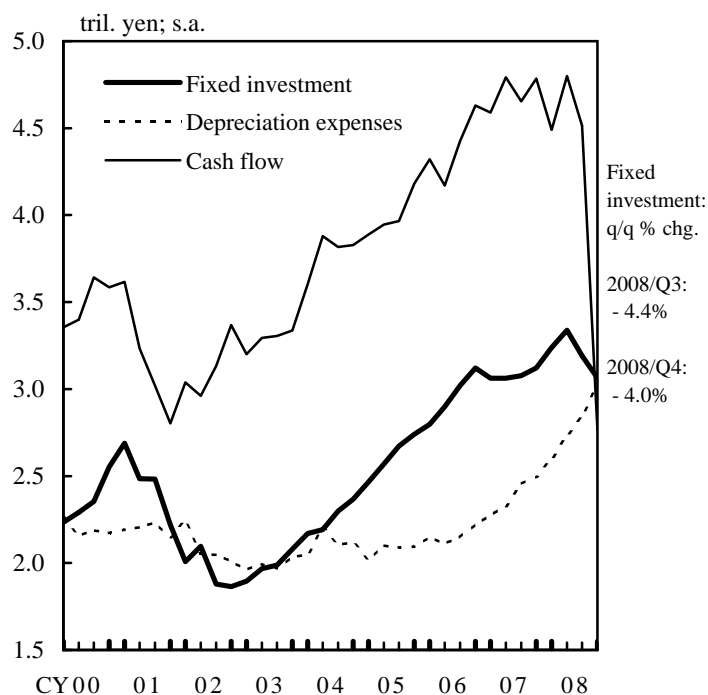
3. Based on the "Financial Statements Statistics of Corporations by Industry, Quarterly."

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

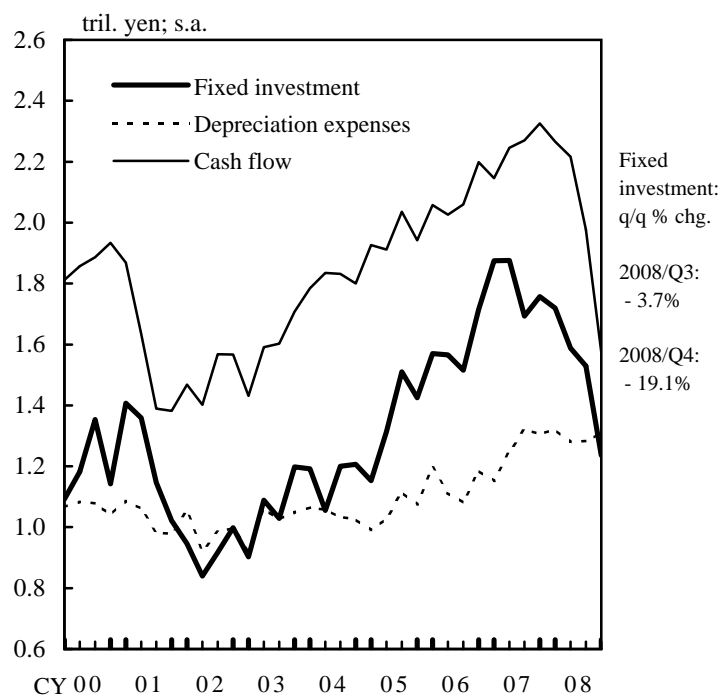
Sources: Cabinet Office, "National Accounts"; Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

Business Fixed Investment by Industry and Size

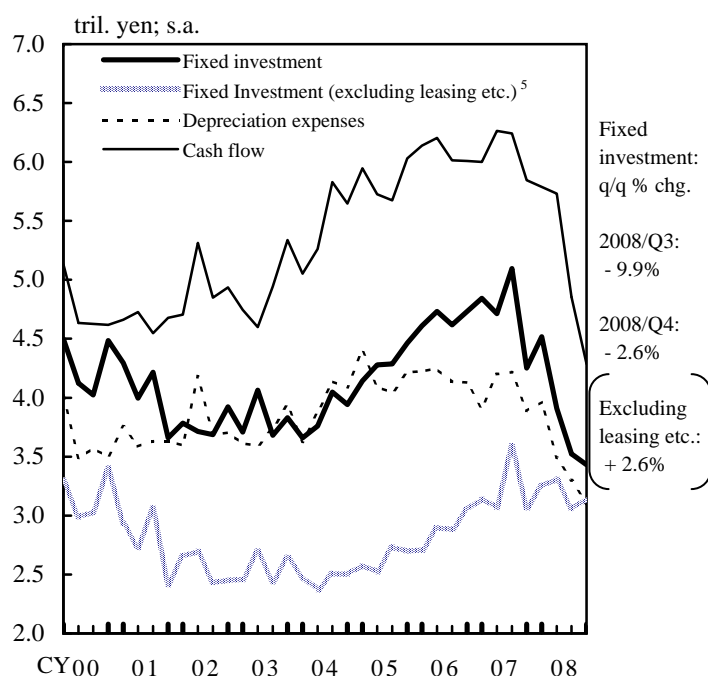
(1) Large Manufacturing Firms



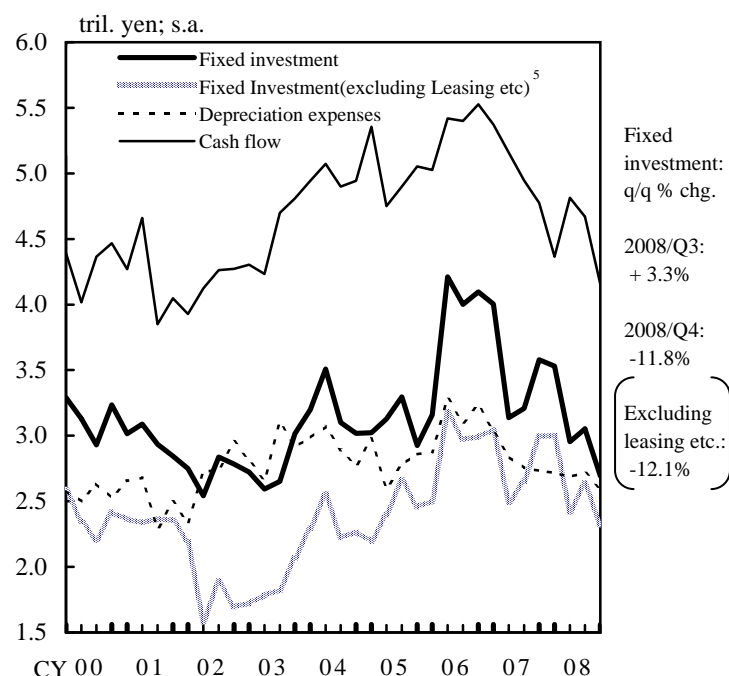
(2) Medium-Sized and Small Manufacturing Firms



(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. Seasonally adjusted by X-11.

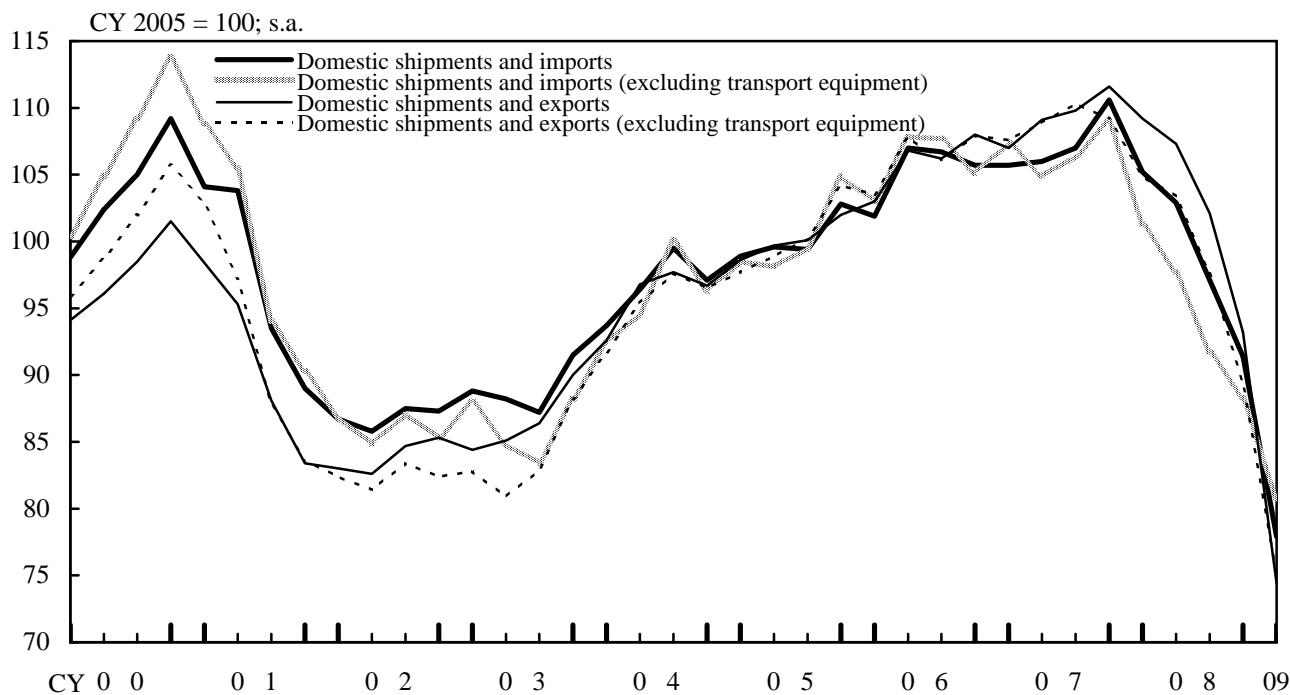
4. Excluding Finance and Insurance.

5. Up to 2004/1Q, excluding business services. From 2004/2Q, excluding leasing, miscellaneous rental and leasing goods, advertising, and miscellaneous business services.

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

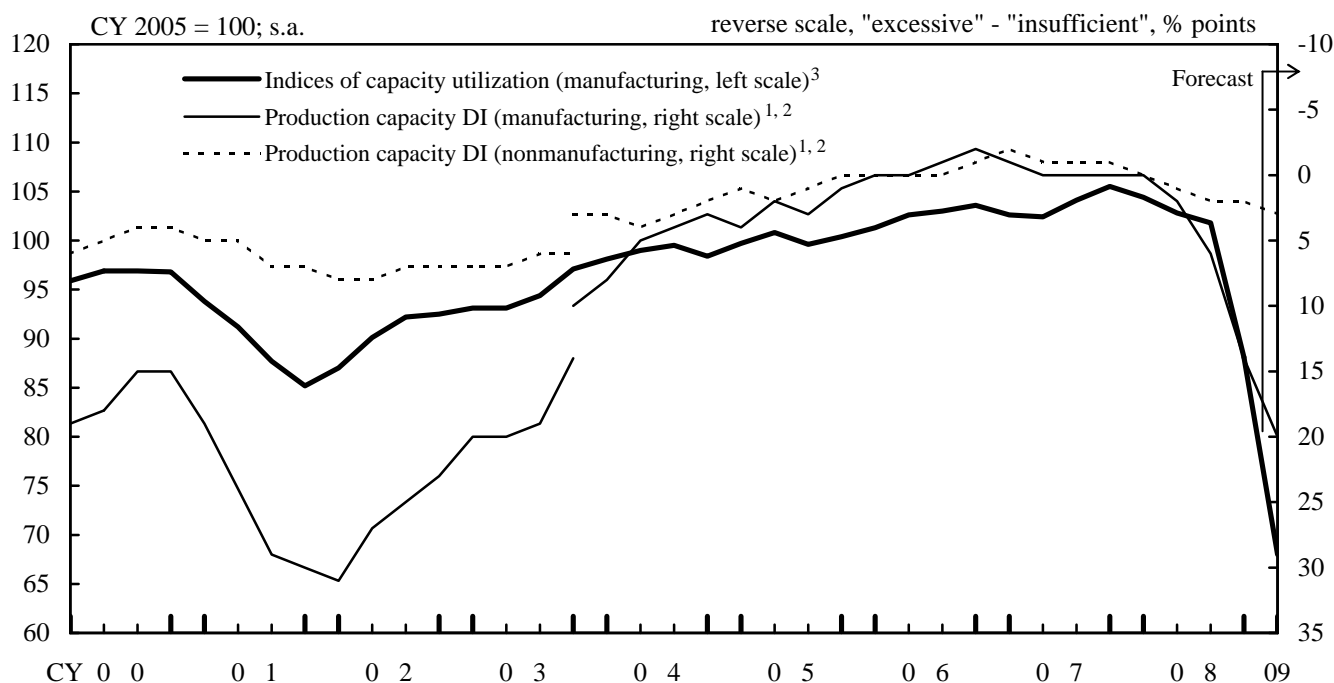
Coincident Indicators for Business Fixed Investment

(1) Aggregate Supply and Shipments of Capital Goods



Note: Figures for 2009/Q1 are those of January.

(2) Indices of Capacity Utilization and Production Capacity DI



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

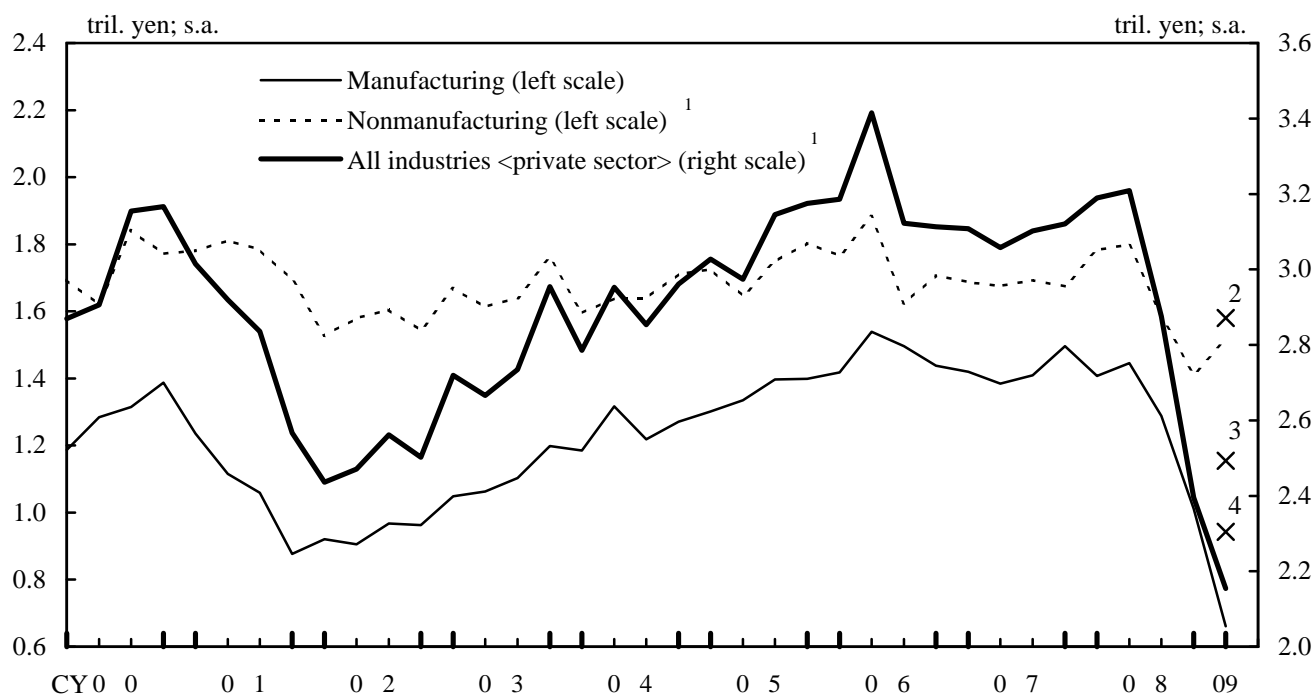
2. The *Tankan* has been revised from the March 2004 survey. Figures up to the December 2003 survey are based on the previous data sets. Figures from the December 2003 survey are on a new basis.

3. The figure for 2009/Q1 is January.

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

Leading Indicators for Business Fixed Investment

(1) Machinery Orders



Notes: 1. Excludes orders of shipbuilding and orders from electric power companies.

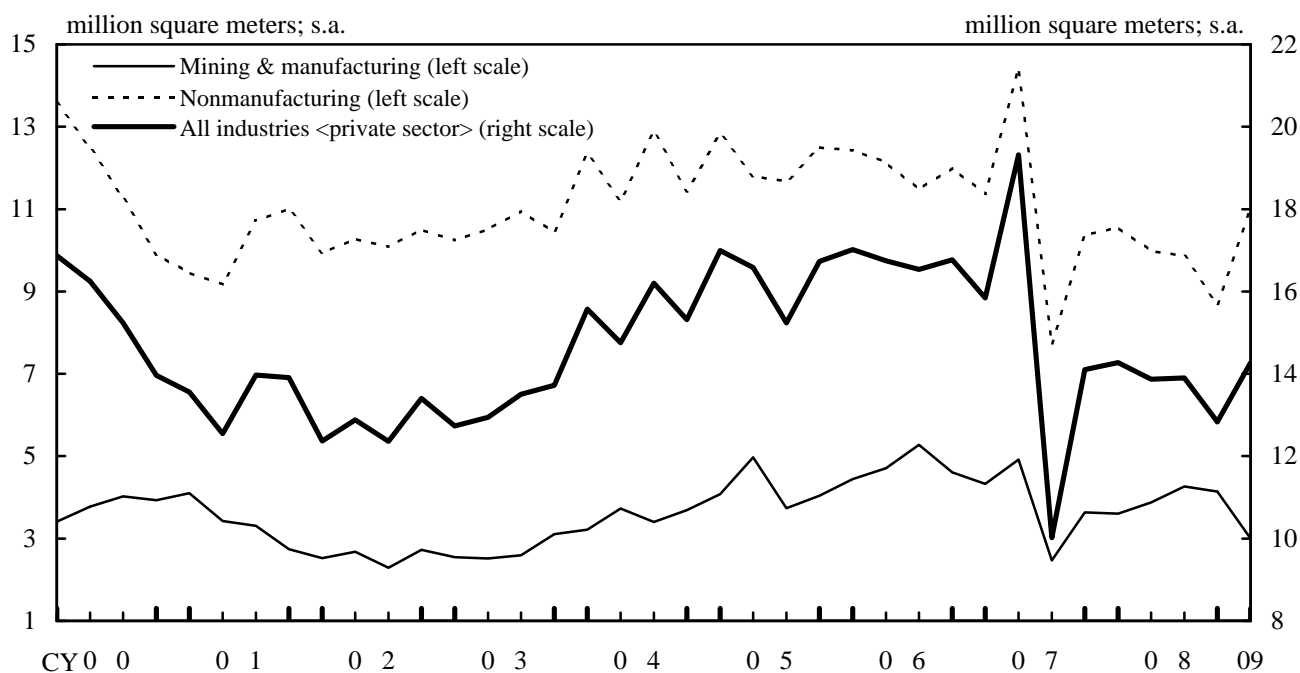
2. Forecast of nonmanufacturing industries for 2009/Q1.

3. Forecast of all industries <private sector> for 2009/Q1.

4. Forecast of manufacturing industries for 2009/Q1.

5. Figures for 2009/Q1 are those of January in terms of quarterly amount.

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



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

2. Because the Standard Industrial Classification for Japan was revised in March 2002, the industry classification for newspaper publishing and publishing business was changed from mining and manufacturing to nonmanufacturing. Accordingly, the data up to FY 2002 were adjusted by using a link coefficient.

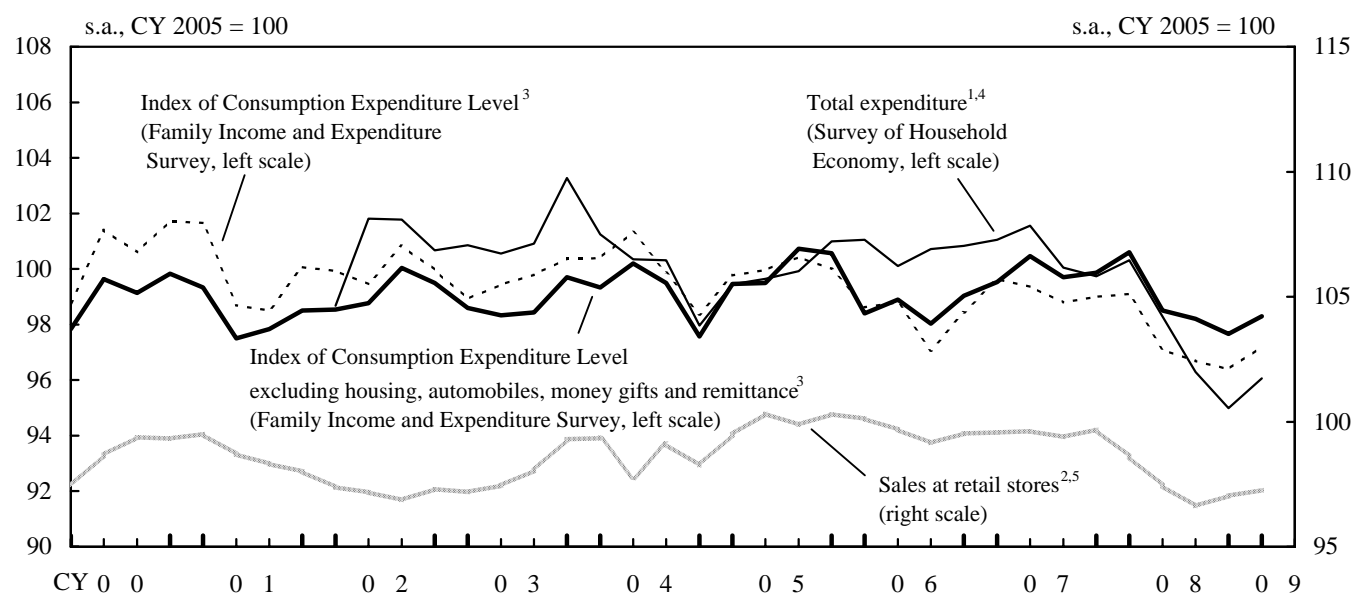
3. Figures for 2009/Q1 are those of January in terms of quarterly amount.

Sources: Cabinet Office, "Orders Received for Machinery";

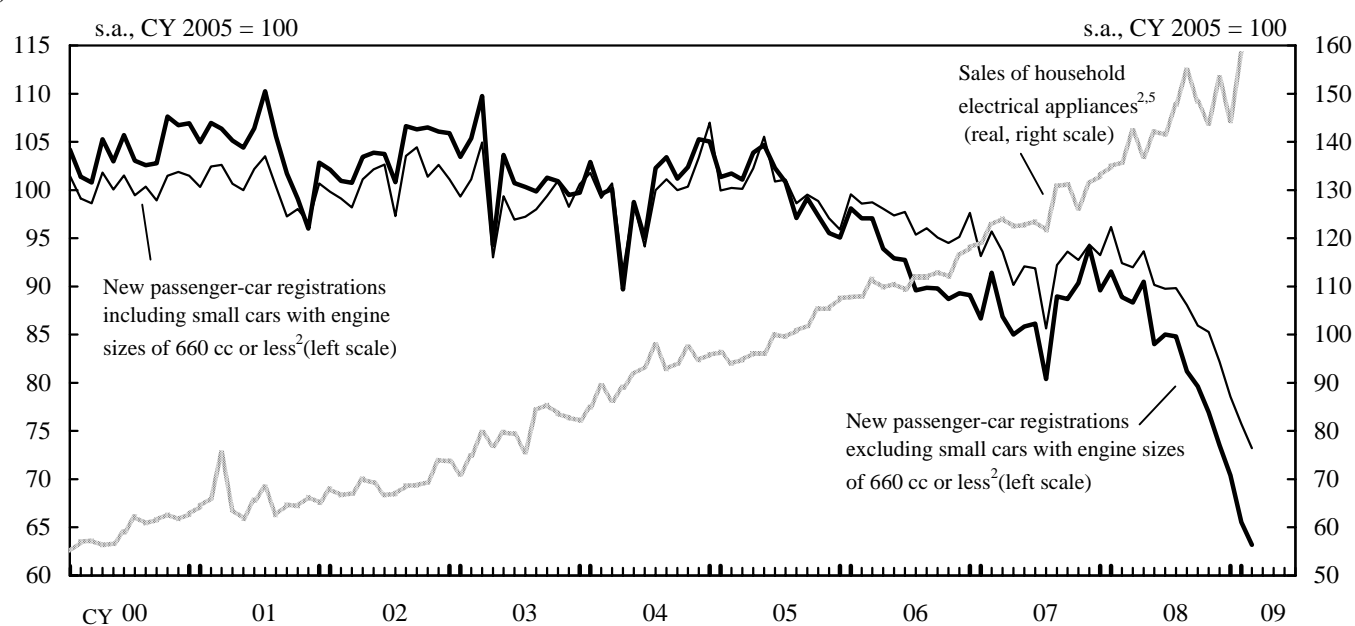
Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts."

Indicators for Private Consumption (1)

(1) Household Spending (Real)



(2) Sales of Durable Goods



Notes: 1. Total expenditure is seasonally adjusted by X-11.

2. Seasonally adjusted by X-12-ARIMA.

3. Index of consumption expenditure level is based on two-or-more-person households, and is adjusted by the distribution of household by number of household members and age group of household head.

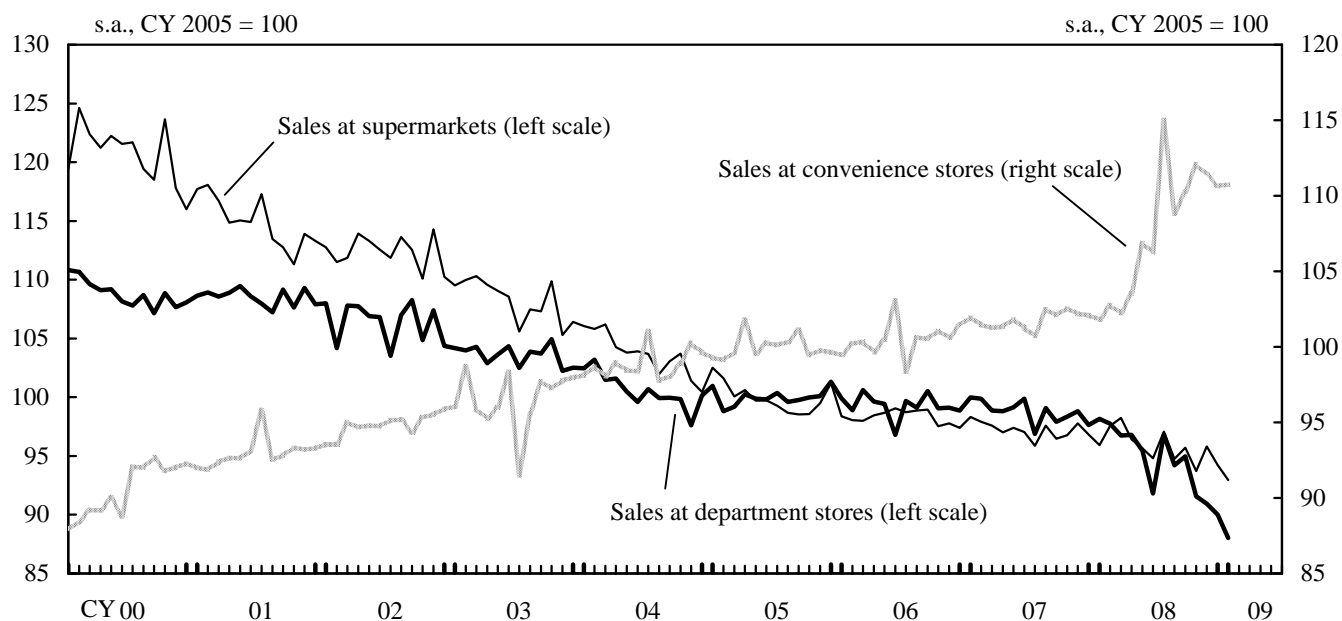
4. Total expenditure is based on two-or-more-person households, and is deflated by the consumer price index excluding imputed rent.

5. Sales at retail stores are deflated by the consumer price index for goods (excluding electricity, gas & water charges).

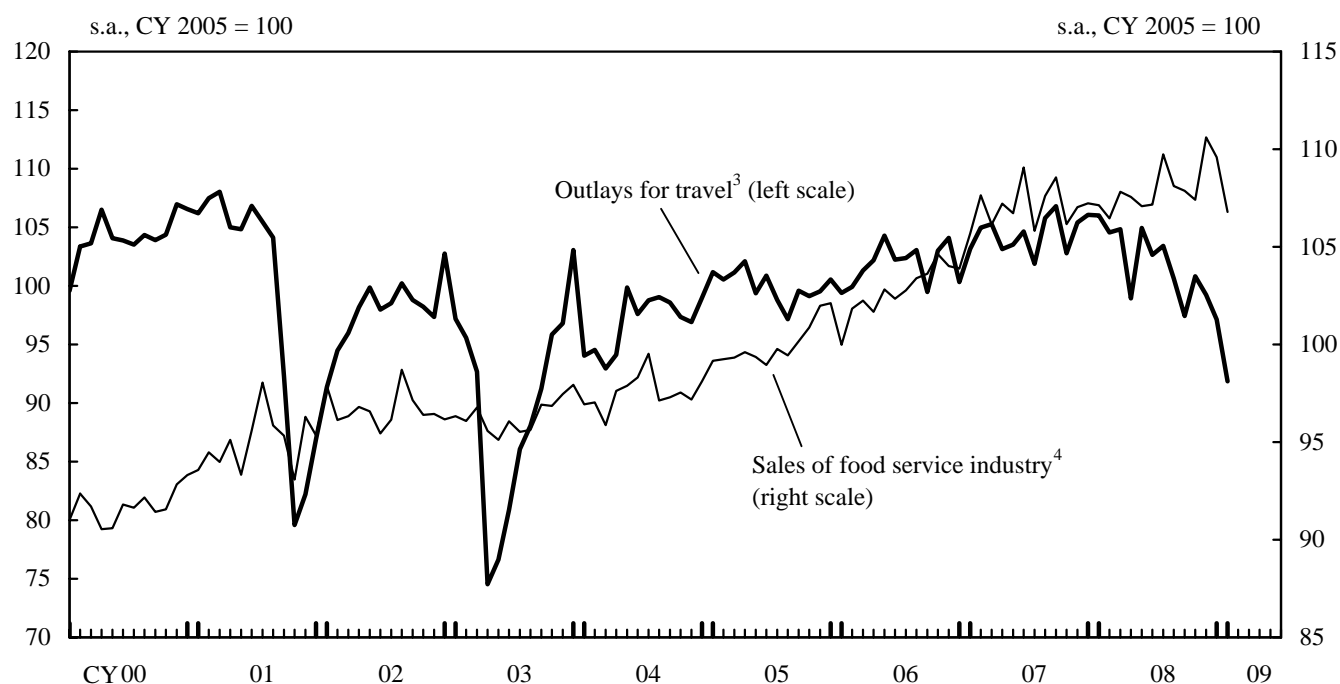
Sales of household electrical appliances are calculated as follows: indices of retail sales of machinery and equipment in the Current Survey of Commerce are deflated by the geometric means of the corresponding consumer price indexes (or by the corporate goods price index for PC printers before 2002).

6. Figures for 2009/Q1 are those of January in terms of quarterly amount.

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

Indicators for Private Consumption¹ (2)(1) Sales at Retail Stores (Nominal)²

(2) Consumption of Services (Nominal)



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

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

3. As for "outlays for travel," there is a discontinuity in the underlying data as of April 2007 due to changes in the sample. Data from April 2007 and onward are calculated using the year-on-year rate of changes on the new basis.

4. Sales of 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 monthly sales amounts in 1993 released by the Food Service Industry Survey & Research Center.

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

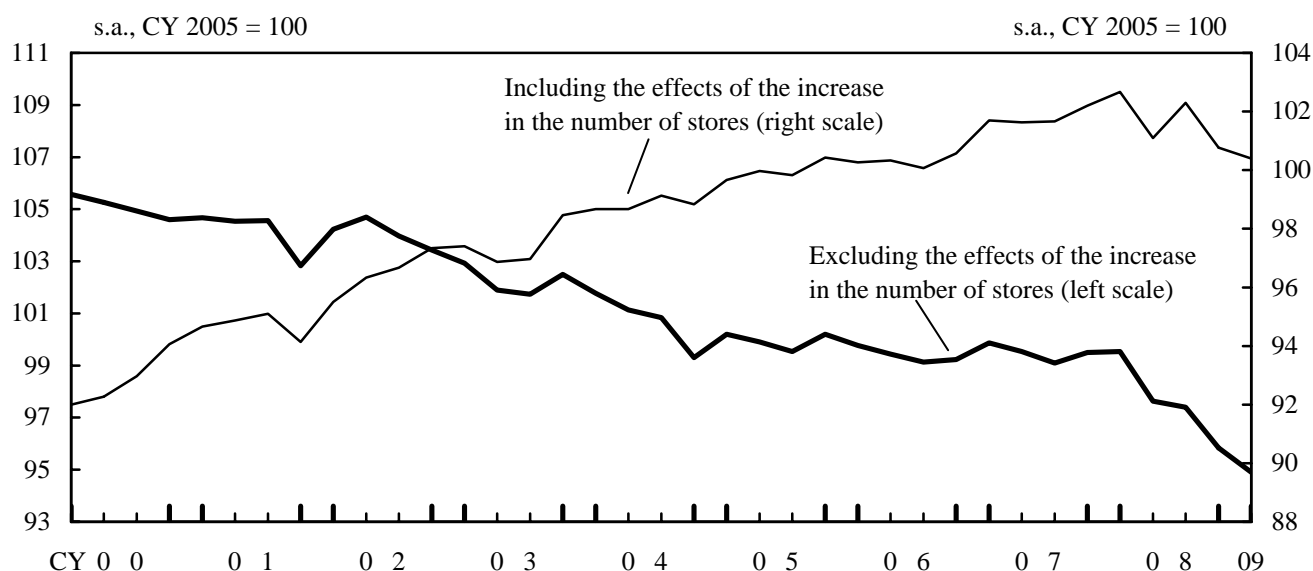
Japan Tourism Agency, "Major Travel Agents' Revenue";

Food Service Industry Survey & Research Center, "Getsuji Uriage Doukou Chousa (Monthly Survey of Food Service Sales)"; Japan Food Service Association, "Gaishoku Sangyou Shijou Doukou Chousa

(Research on the Food Service Industry)."

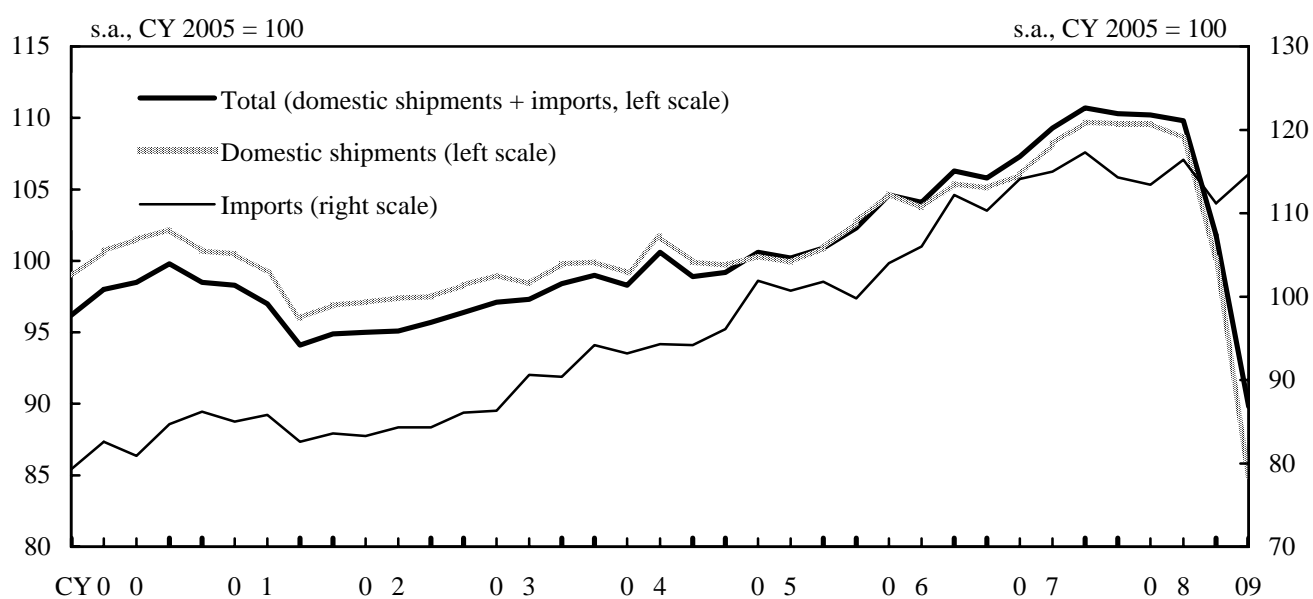
Indicators for Private Consumption (3)

(1) Indices of Aggregated Sales (Real)



- Notes: 1. The Indices of Aggregated Sales are the weighted sum of "sales at department stores and supermarkets," "new passenger-car registrations," "sales of household electrical appliances," "outlays for travel," and "sales of food service industry," where the weights come from household expenditure in the Family Income and Expenditure Survey. These indices of aggregated sales consist of the series including and excluding the effects of the increase in the number of stores. Indices "including the effects of the increase in the number of stores" reflect the fluctuations in sales due to changes in the number of stores caused by the opening and closing down of businesses (indices "including the effects of the increase in the number of stores" include sales at convenience stores). On the other hand, those "excluding the effects of the increase in the number of stores" aim to capture consumption trends only from stores for which sales data can be obtained continuously.
2. Sales indicators in nominal terms are deflated by the corresponding items of the price indices.
3. Seasonally adjusted by X-12-ARIMA.
4. Data for 2009/Q1 figures are those of January in terms of quarterly amount.

(2) Aggregate Supply of Consumer Goods

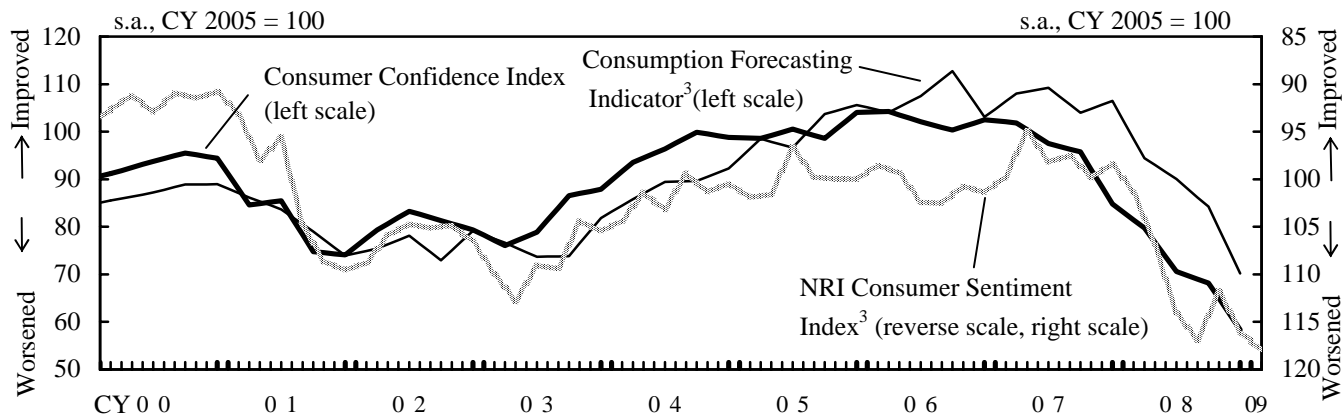


Note: Data for 2009/Q1 figures are those of January in terms of quarterly amount.

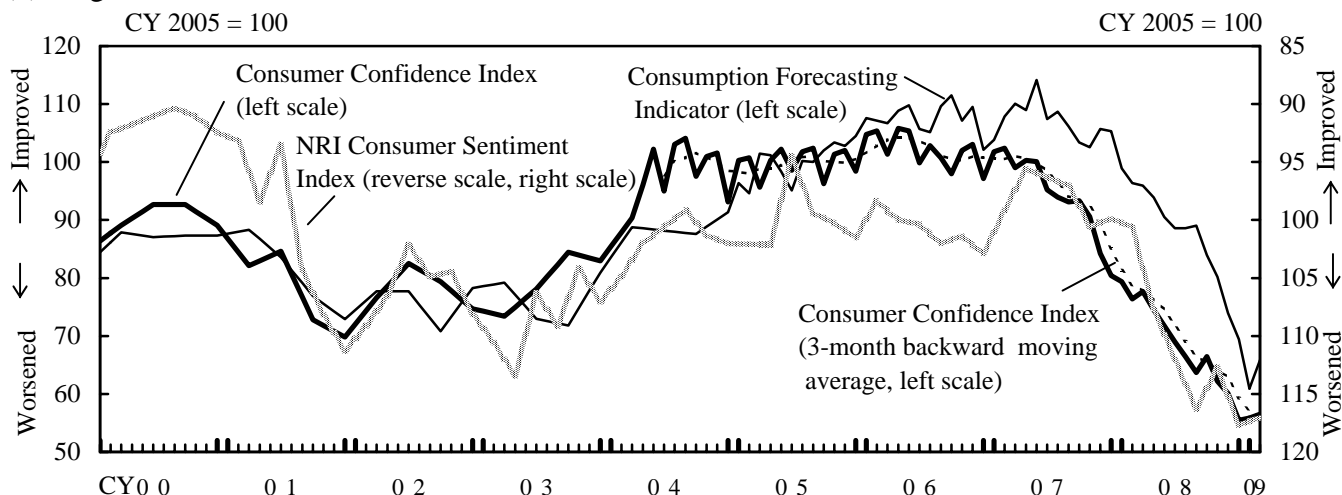
Sources: Bank of Japan, "Indices of Aggregated Sales";
Ministry of Economy, Trade and Industry, "Indices of Industrial Domestic Shipments and Imports."

Consumer Confidence^{1,2}

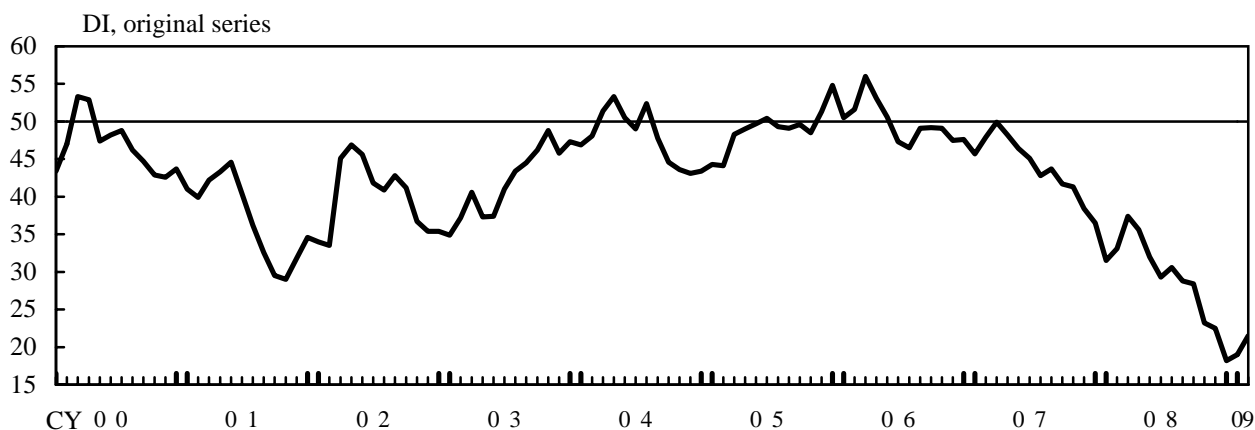
(1) Seasonally Adjusted Series



(2) Original Series



Reference: Economy Watchers Survey (Household Activity, Current Conditions)

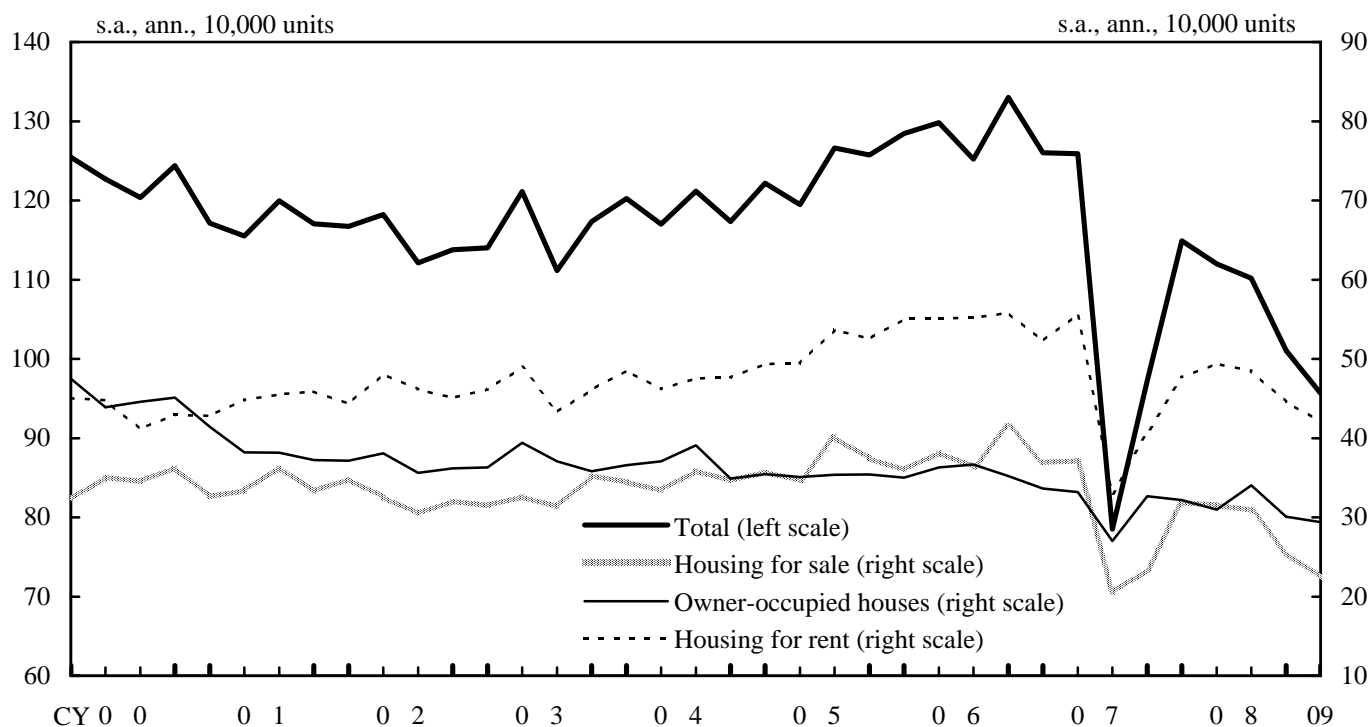


- Notes: 1. The Consumer Confidence Index (with about 5,000 samples on a nationwide basis), Consumption Forecasting Indicator (with 600 samples in the metropolitan area), and NRI Consumer Sentiment Index (with 1,200 samples on a nationwide basis) are based on surveys on consumer confidence.
2. Figures are plotted for each surveyed months and the data for intervening months are linearly interpolated.
3. Figures are seasonally adjusted by X-11. The Consumption Forecasting Indicator is seasonally adjusted using quarterly figures because the survey was quarterly until 2004.

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

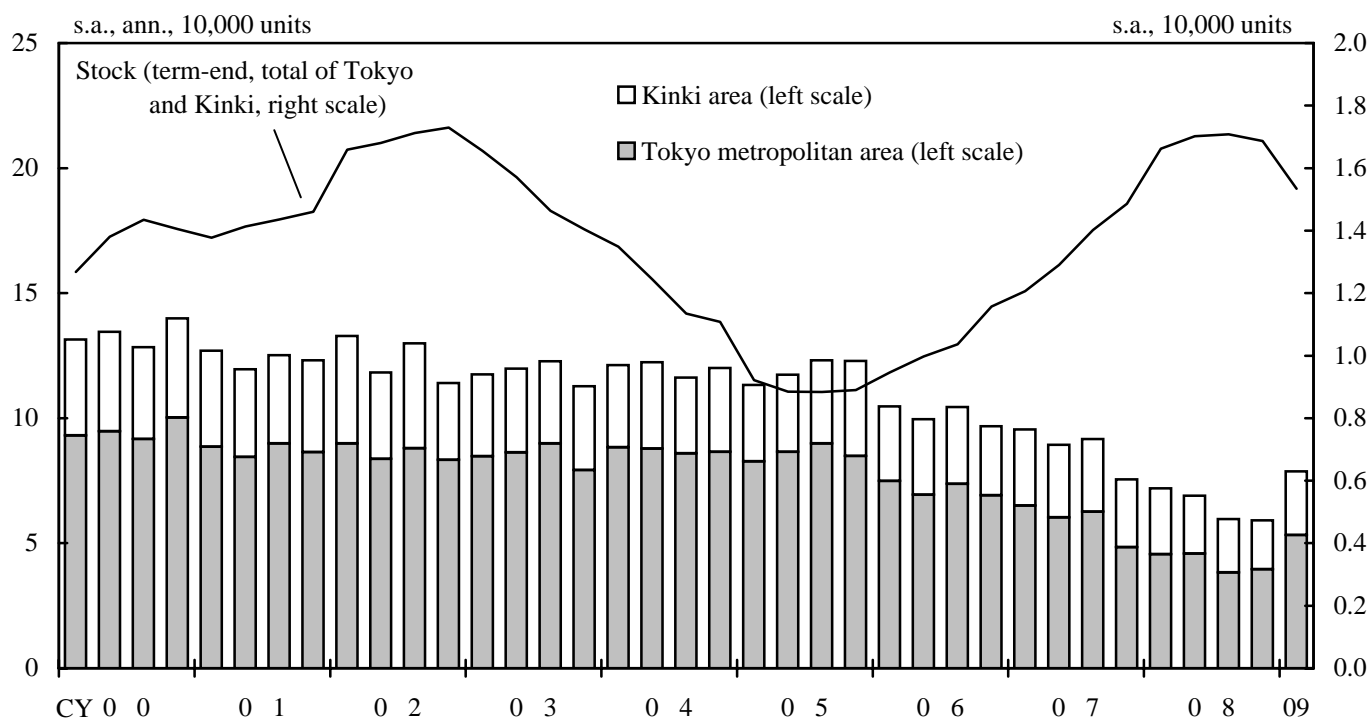
Indicators for Housing Investment

(1) Housing Starts



Note: Figures for 2009/Q1 are those of January.

(2) Sales of Apartments



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

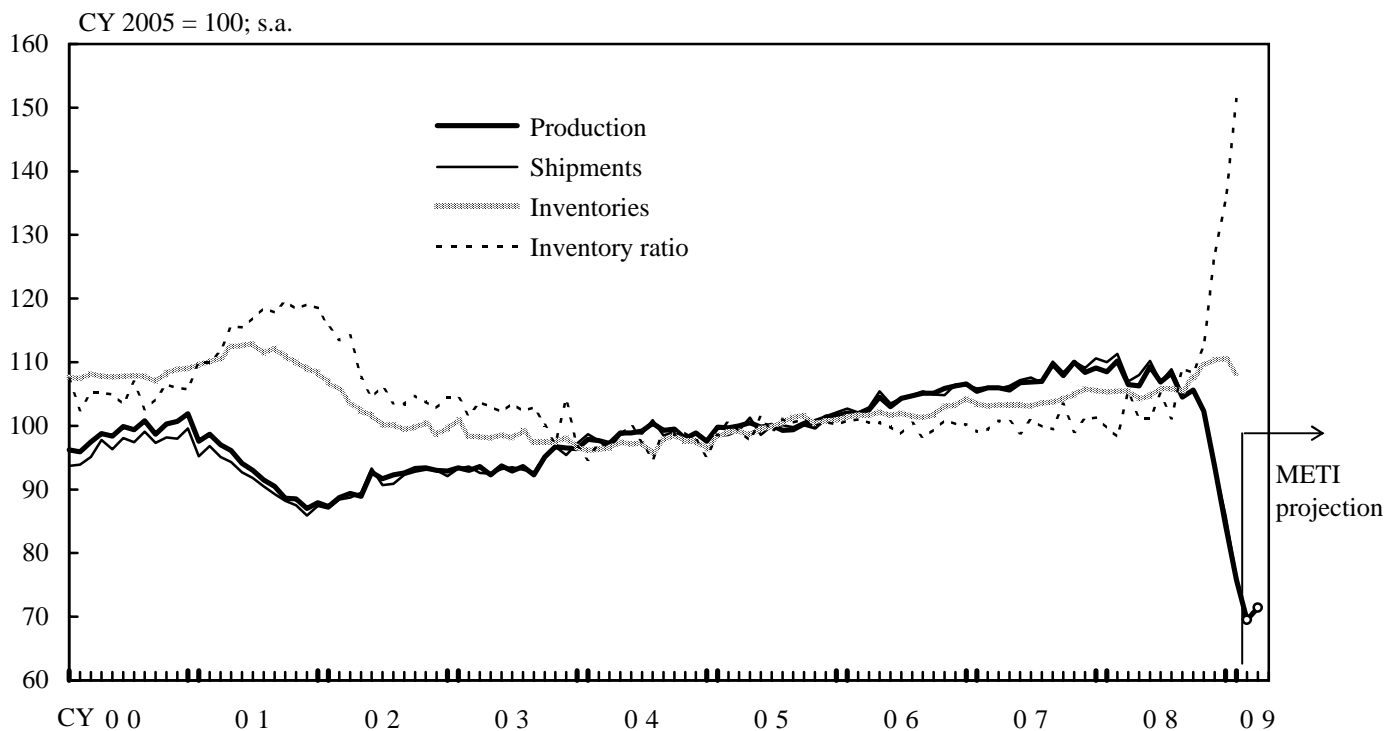
2. Figures of total apartments sales for 2009/Q1 are those of January-February averages.

Term-end stocks for 2009/Q1 are those of February.

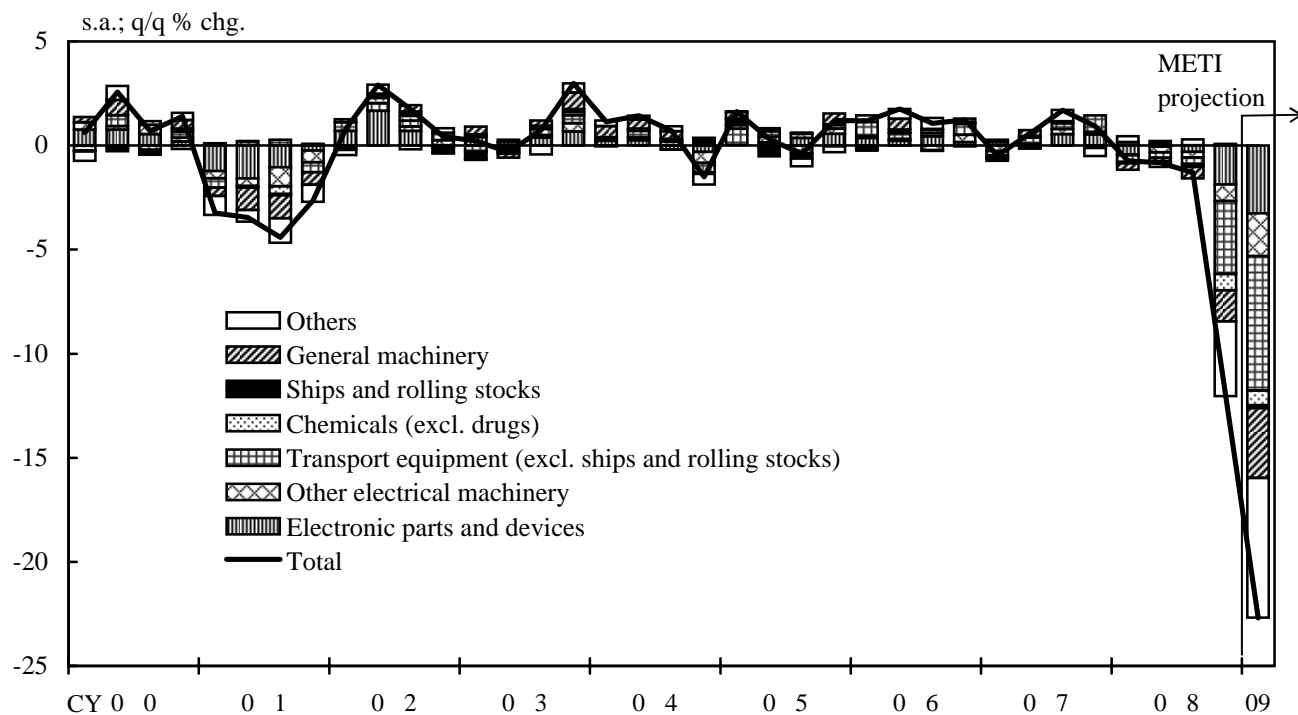
Source: Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts," etc.

Production, Shipments and Inventories

(1) Production, Shipments and Inventories



(2) Production by Industry



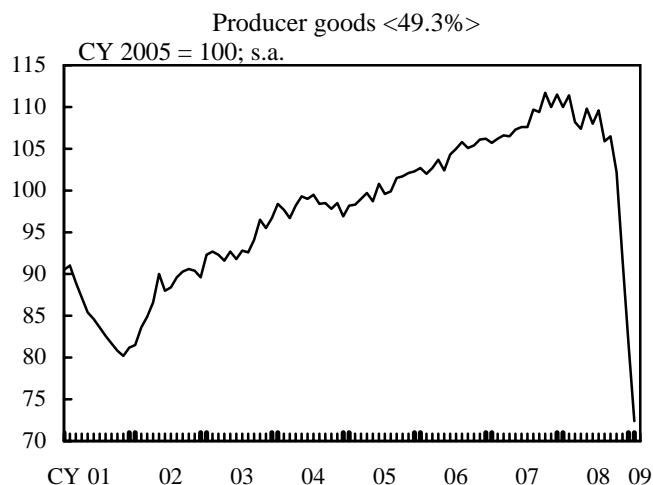
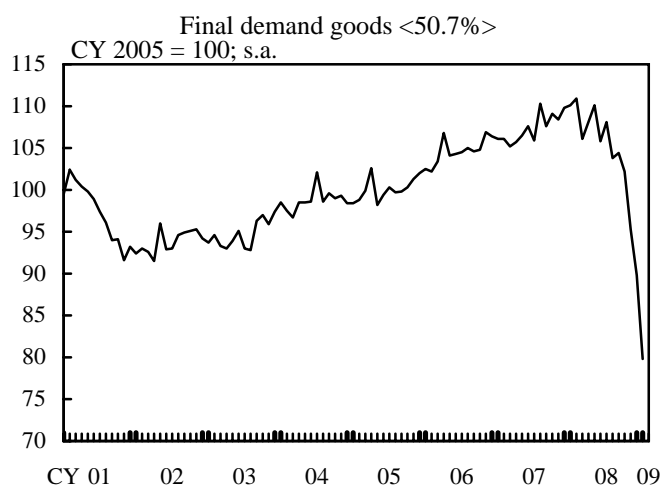
Notes: 1. "Other electrical machinery" is the weighted sum of "electrical machinery" and "information and communication electronics equipment."

2. Figures up to 2003/Q1 are on the 2000 base.

3. 2009/Q1 figures are based on the actual production level in January, and the METI projection of February and March.

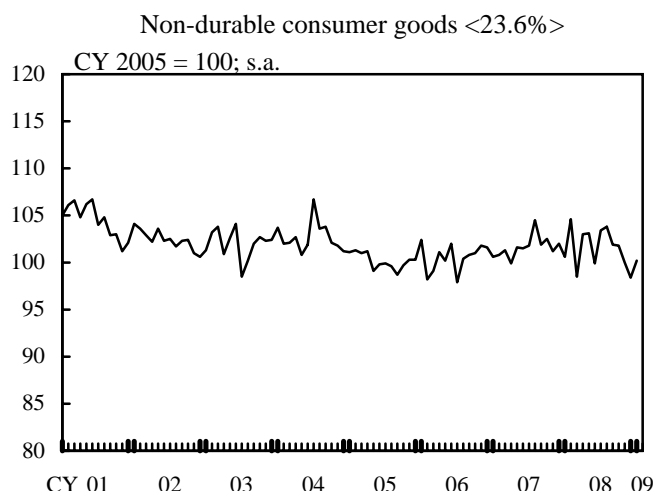
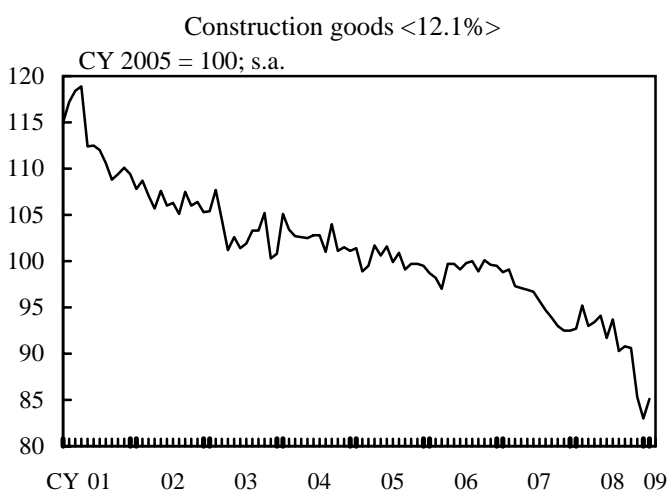
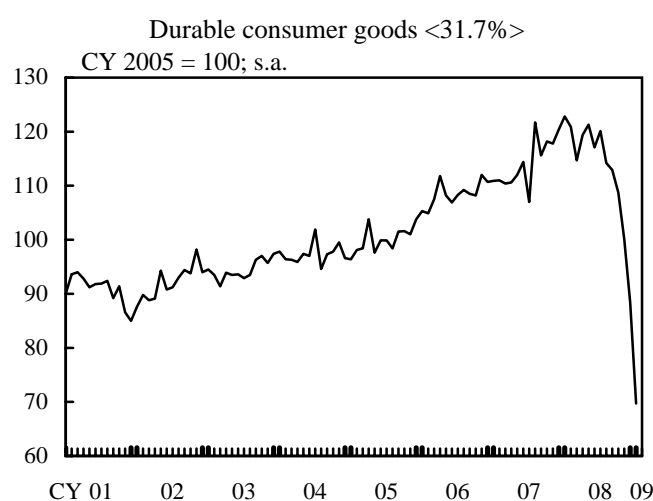
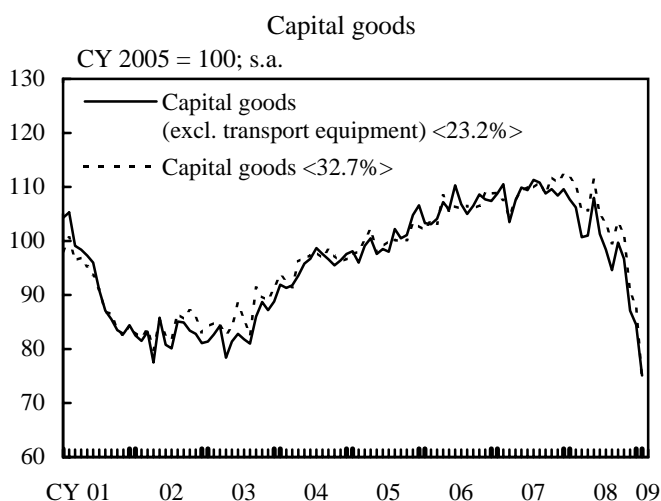
Shipments Breakdown by Type of Goods

(1) Final Demand Goods and Producer Goods



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

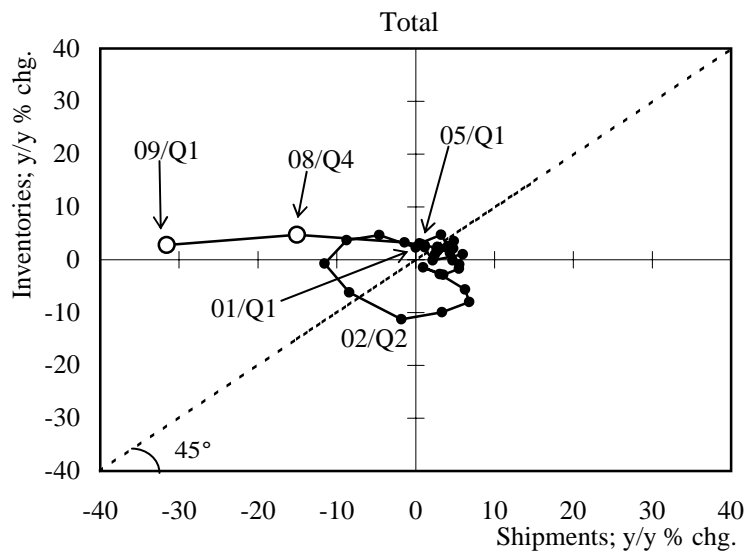
(2) Breakdown of Final Demand Goods



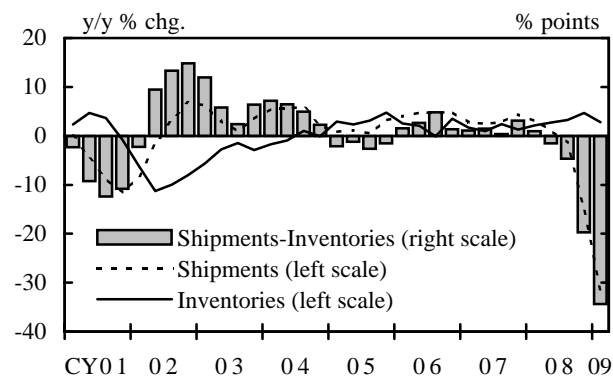
Note: Figures in angle brackets show the shares among shipments of final demand goods.

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

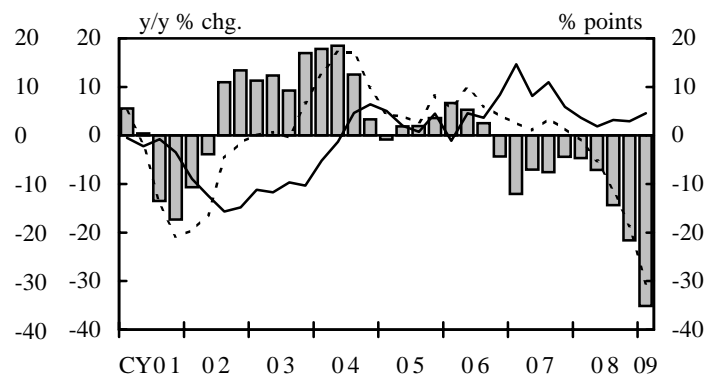
Inventory Cycle



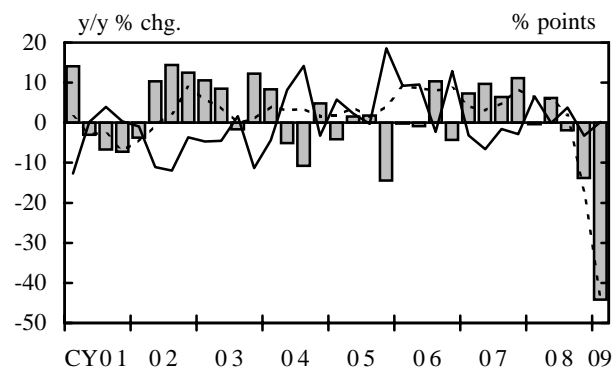
(1) Total



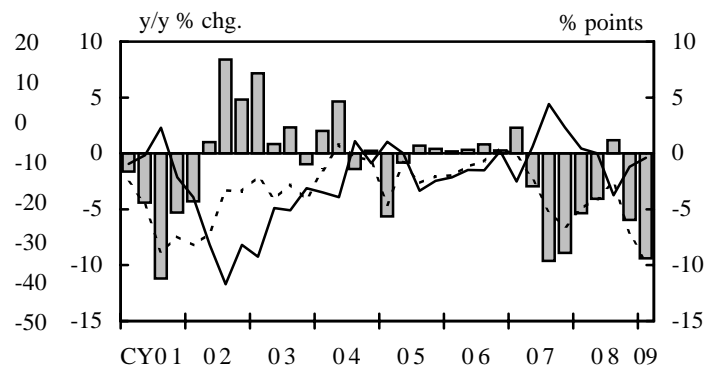
(2) Capital Goods (Excluding Transport Equipment)



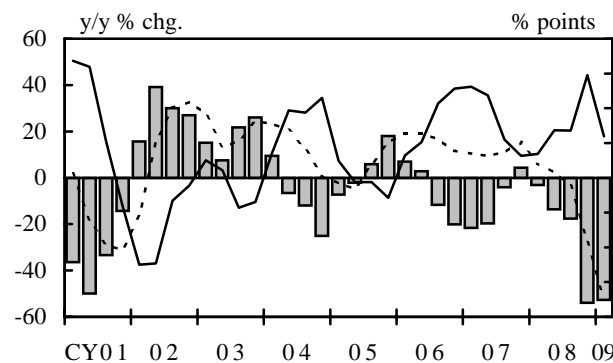
(3) Durable Consumer Goods



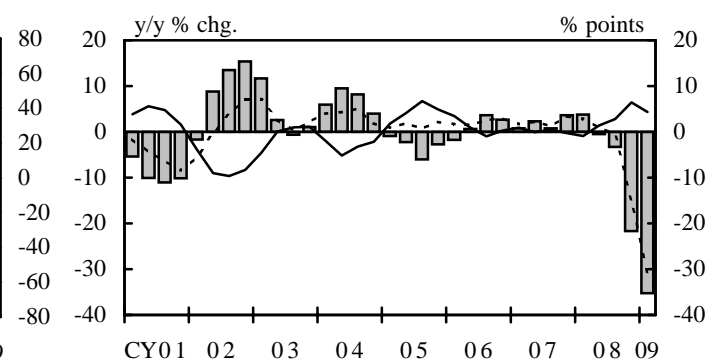
(4) Construction Goods



(5) Electronic Parts and Devices



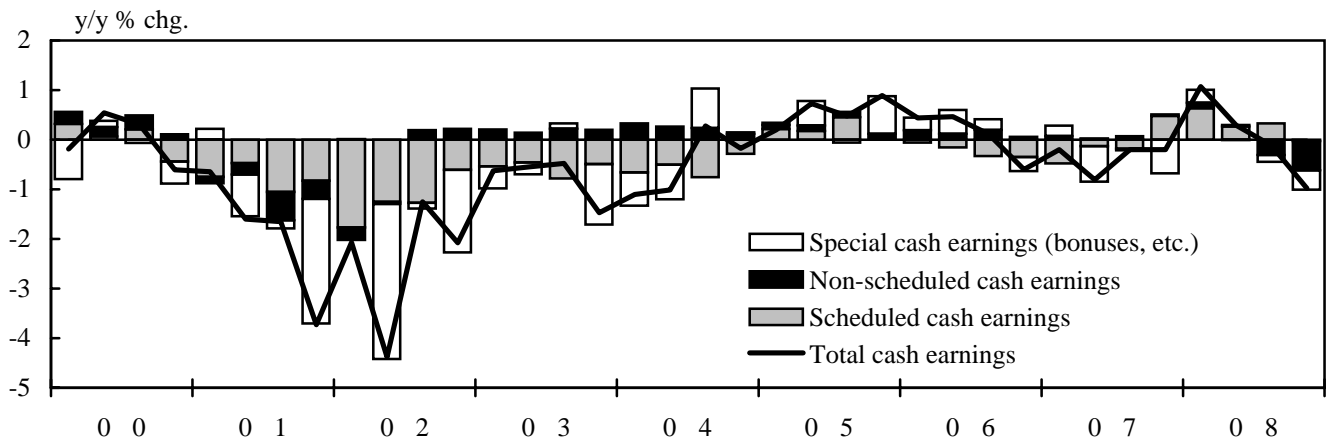
(6) Producer Goods Excluding Electronic Parts and Devices



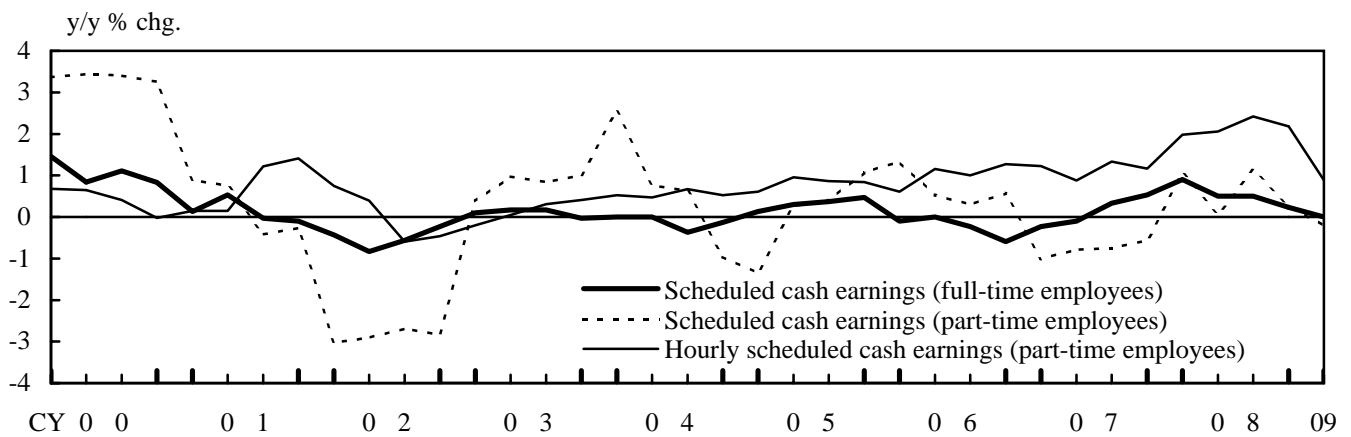
Note: Figures for 2009/Q1 are those of January.
 Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Employee Income

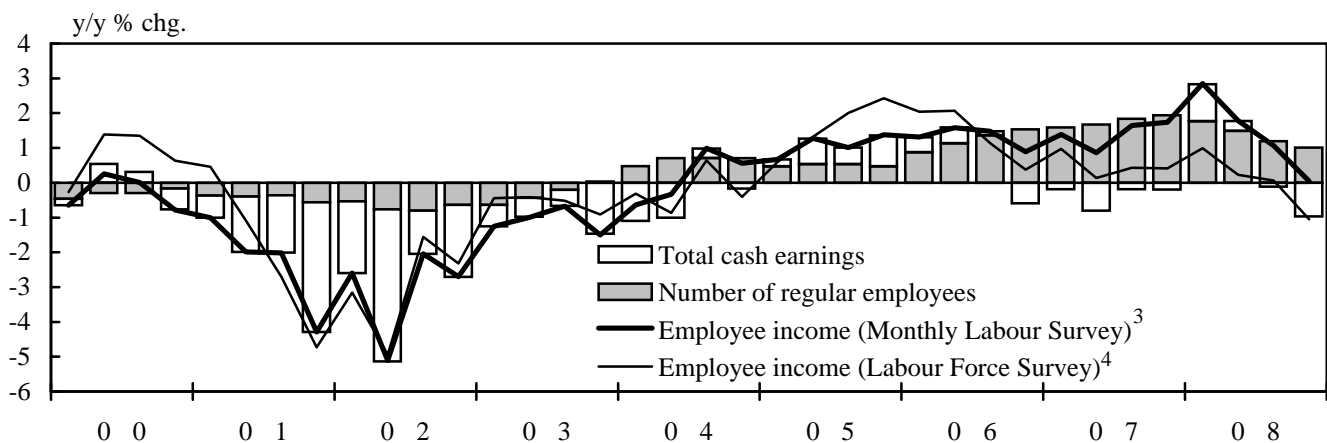
(1) Breakdown of Total Cash Earnings^{1,2,6}



(2) Scheduled Cash Earnings^{1,5}



(3) Breakdown of Employee Income^{1,2,6}



Notes: 1. Data are for establishments with at least five employees.

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

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

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

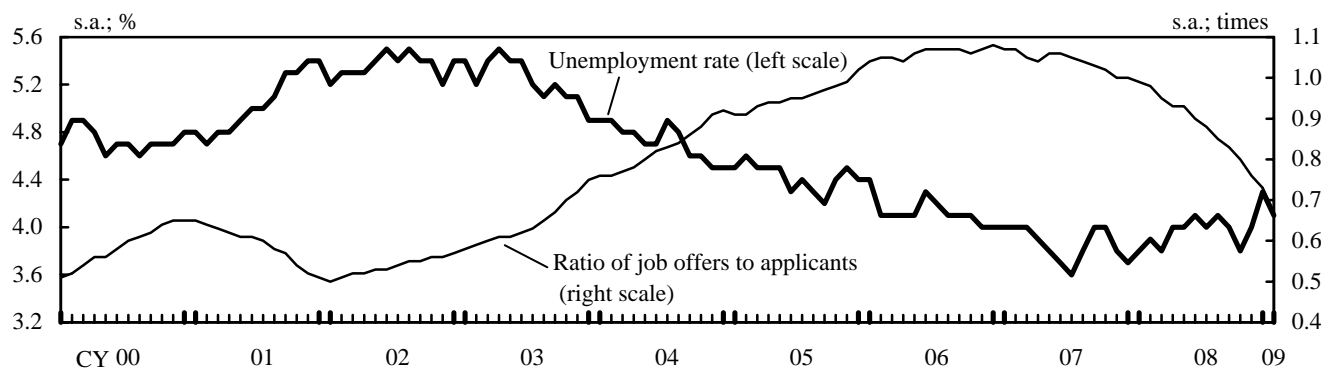
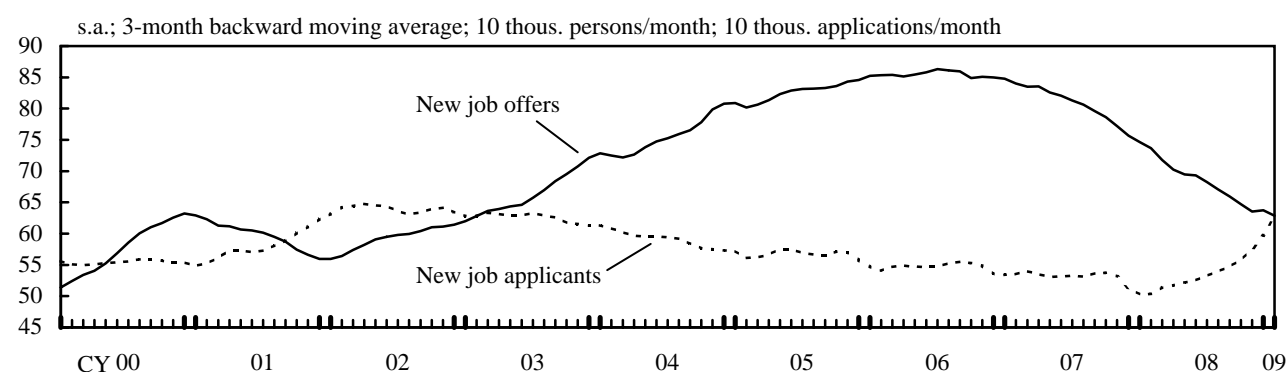
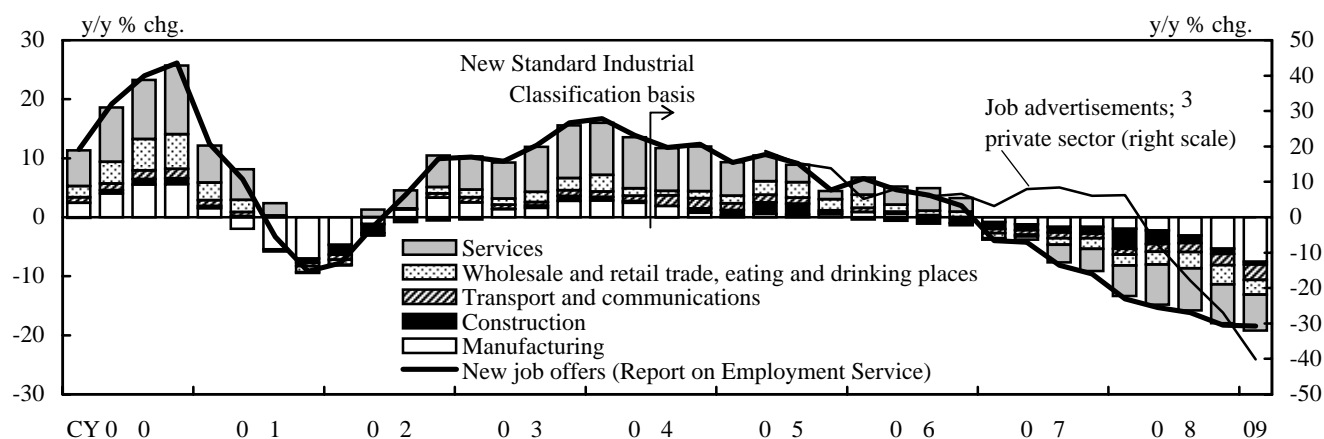
5. Figures for 2009/Q1 are those of January.

6. Figures for 2008/Q4 are those of December 2008 - January 2009 averages.

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

Labor Market (1)

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

(2) New Job Offers and New Job Applicants¹(3) Breakdown of Job Offers^{1,2,4}

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

2. Figures up to 2004/Q2 are based on the previous Standard Industrial Classification. Figures from 2004/Q3 are based on the new Standard Industrial Classification. To keep the continuation of the data, some industries from 2004/Q3 are rearranged as follows. "Transport and communications" are the sum of "electricity and gas," "information and communications" and "transport." "Wholesale and retail trade, eating and drinking places" are the sum of "wholesale and retail trade" and "eating and drinking places, accommodations." "Services" are the sum of "medical, health care and welfare," "education, learning support," "compound services" and "services (not elsewhere classified)."

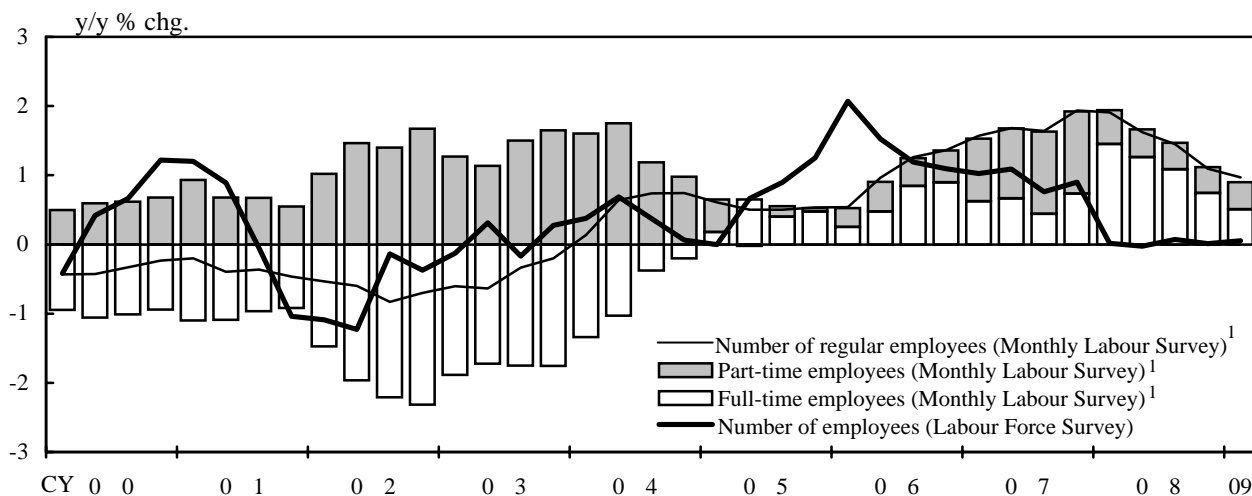
3. Figures are the sum of job advertisements listed in free/paid job information magazines, newspaper inserts and job information websites provided by member companies of the Association.

4. Figures for 2009/Q1 are those of January.

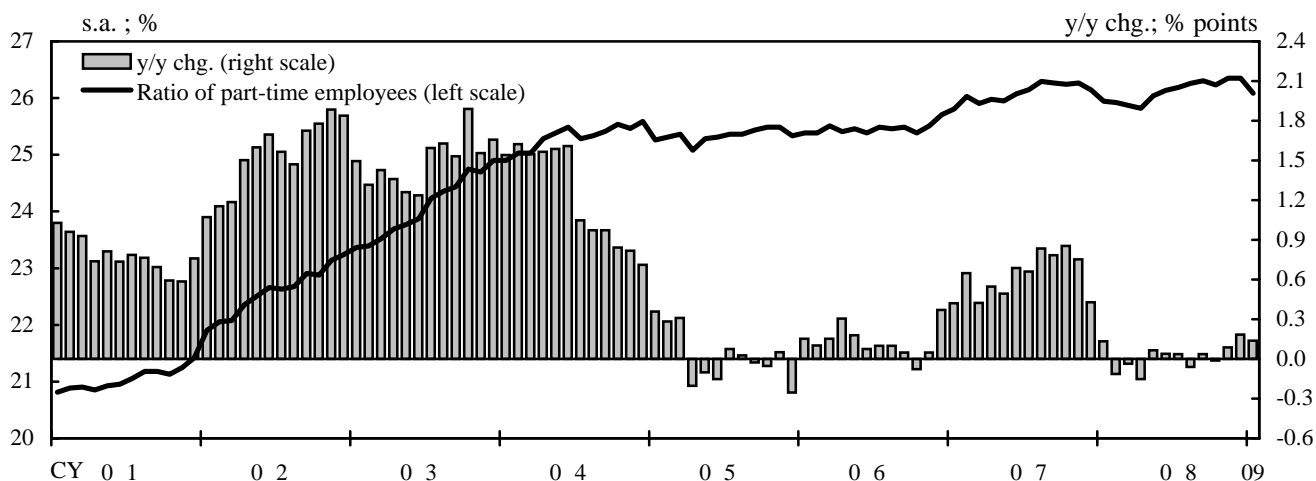
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service";
Ministry of Internal Affairs and Communications, "Labour Force Survey";
Association of Job Information of Japan, "Kyujin Koukoku Keisaiensu (Survey of Job Advertisements)."

Labor Market (2)

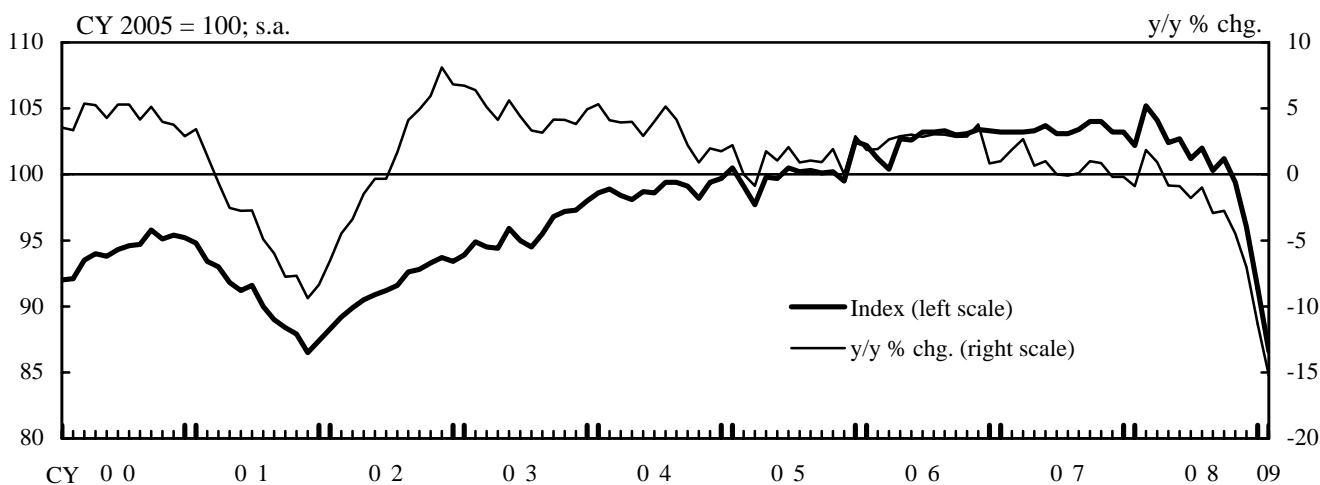
(1) Number of Employees³



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



(3) Non Scheduled Hours Worked¹



Notes: 1. Data are for establishments with at least five employees.

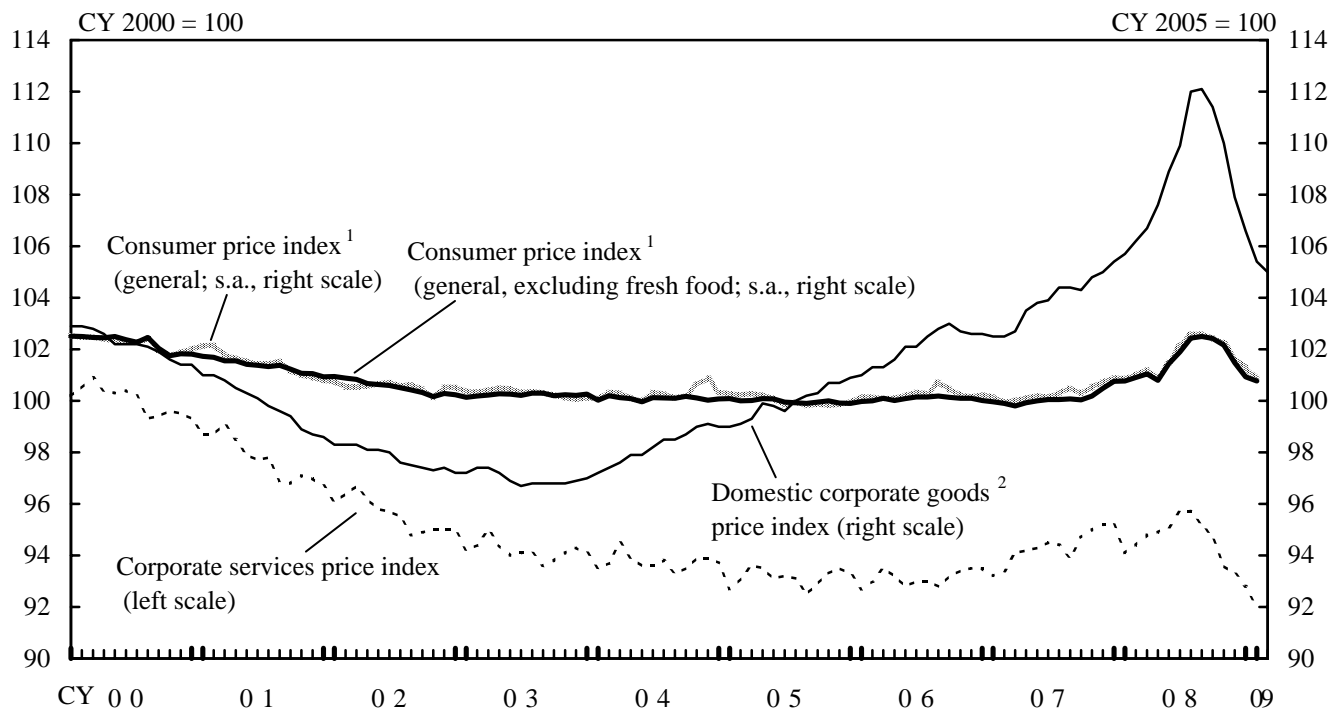
2. The ratio of part-time employees is calculated as the number of part-time employees divided by the number of regular employees times 100.

3. Figures for 2009/Q1 are those of January.

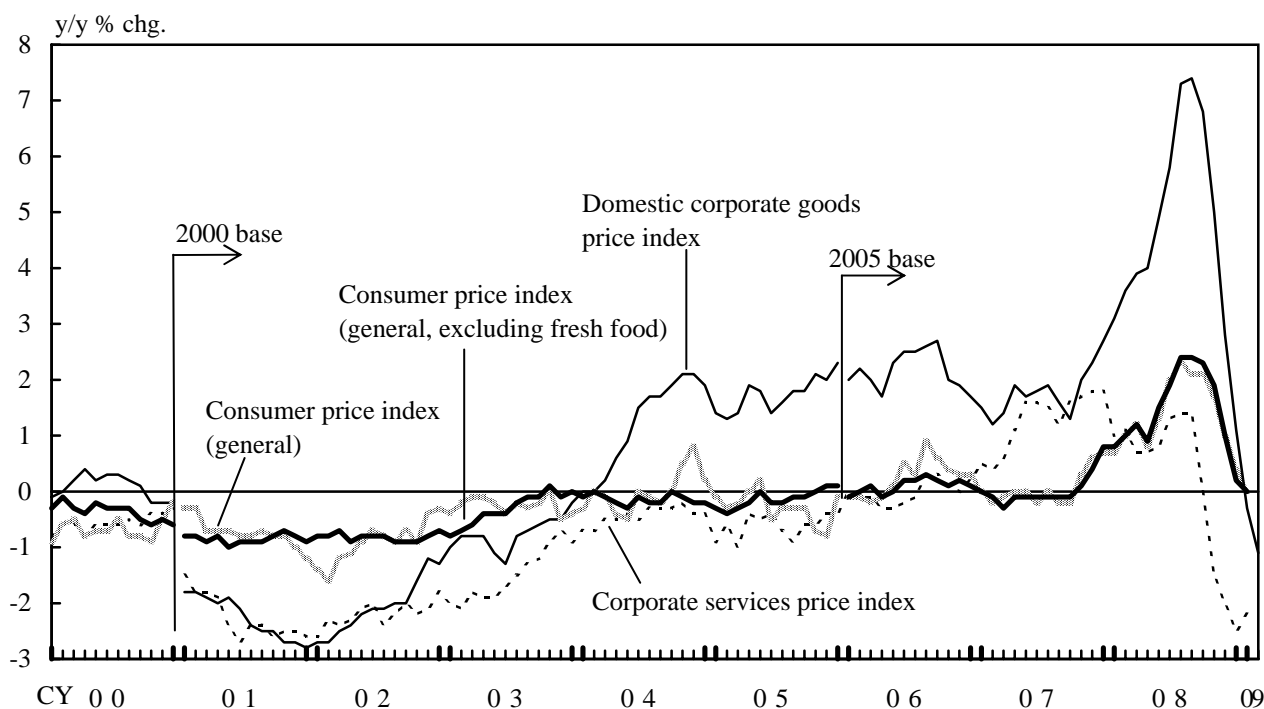
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
Ministry of Internal Affairs and Communications, "Labour Force Survey."

Prices

(1) Level



(2) Changes from a Year Earlier³



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.

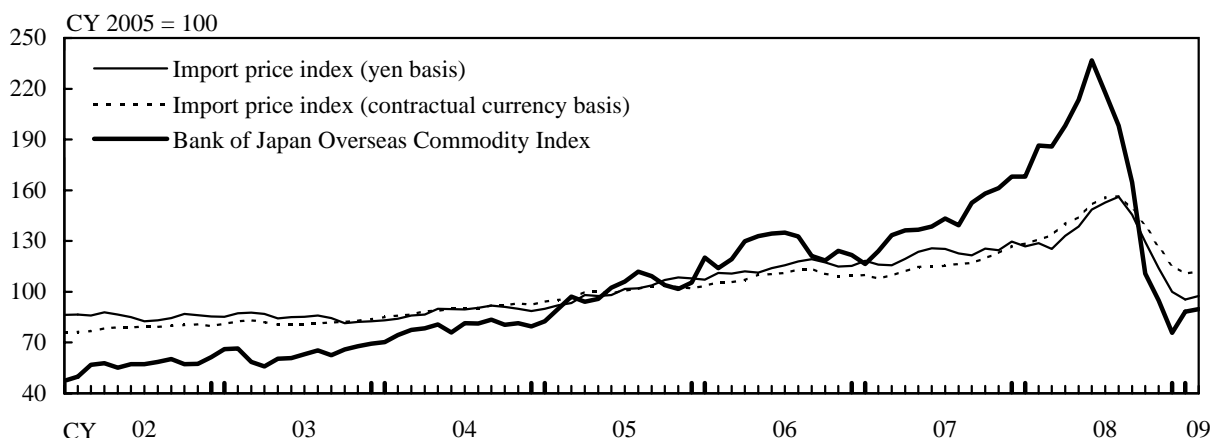
3. Figures up to CY 2000 are on the 1995 base. From CY2001 up to CY 2005, CGPI and CPI are calculated on the 2000 base.

Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index";

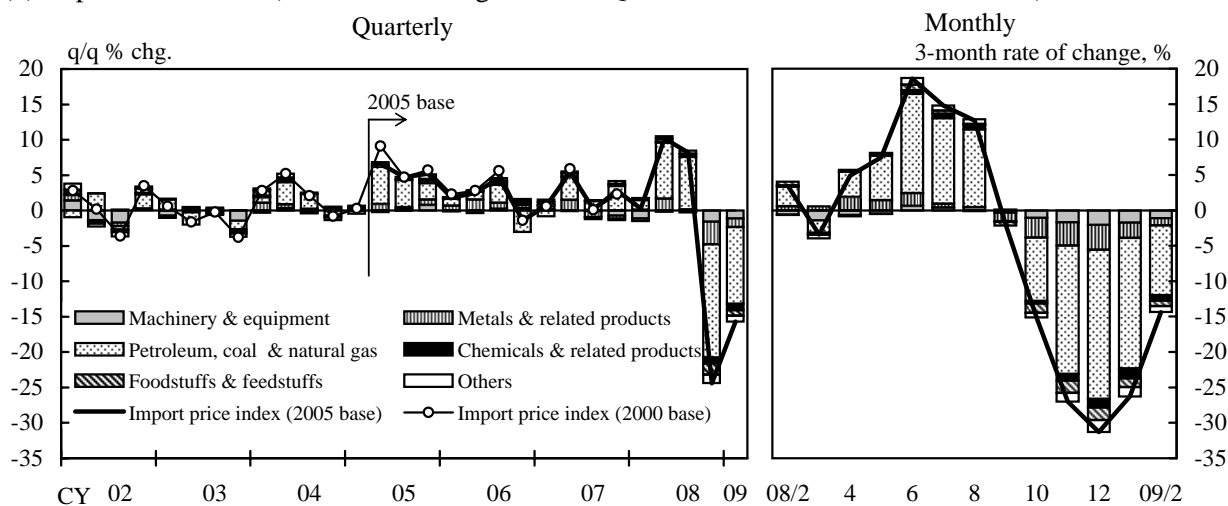
Bank of Japan, "Corporate Goods Price Index," "Wholesale Price Indexes," "Corporate Services Price Index."

Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



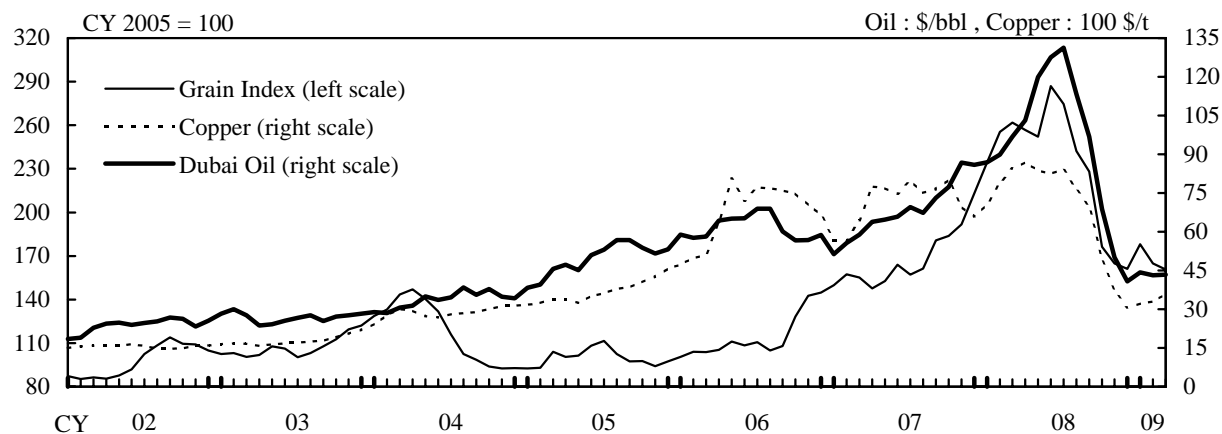
(2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



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

2. Figures for 2009/Q1 are January-February averages. Figures for 2007/Q4 on the 2000 base are those of October.

(3) International Commodity Prices



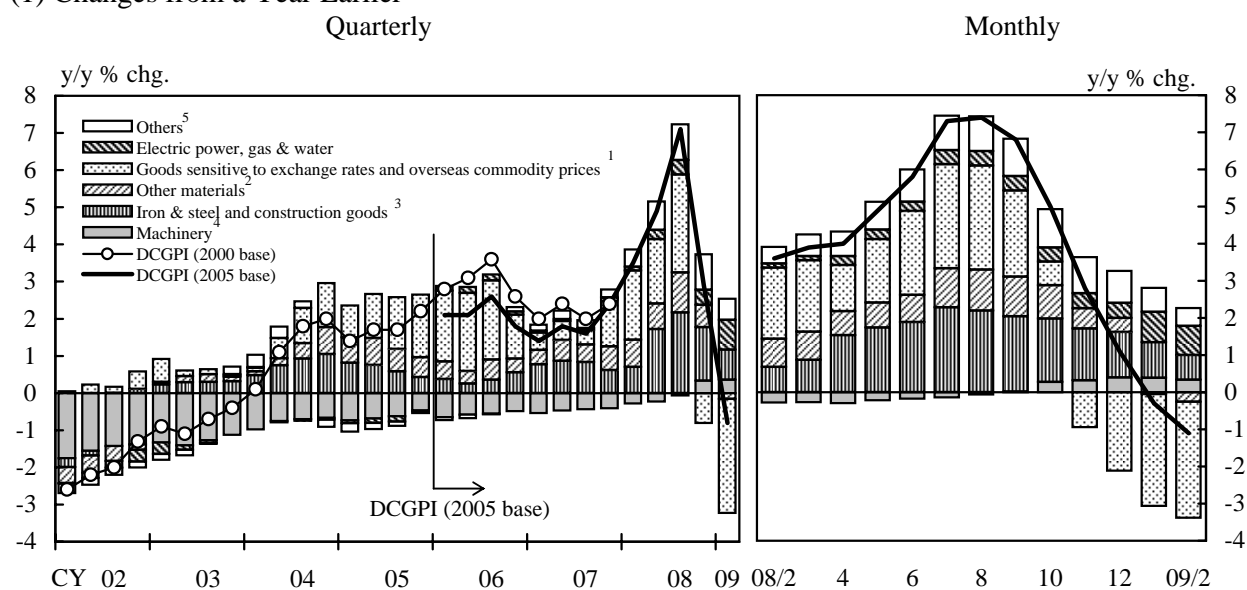
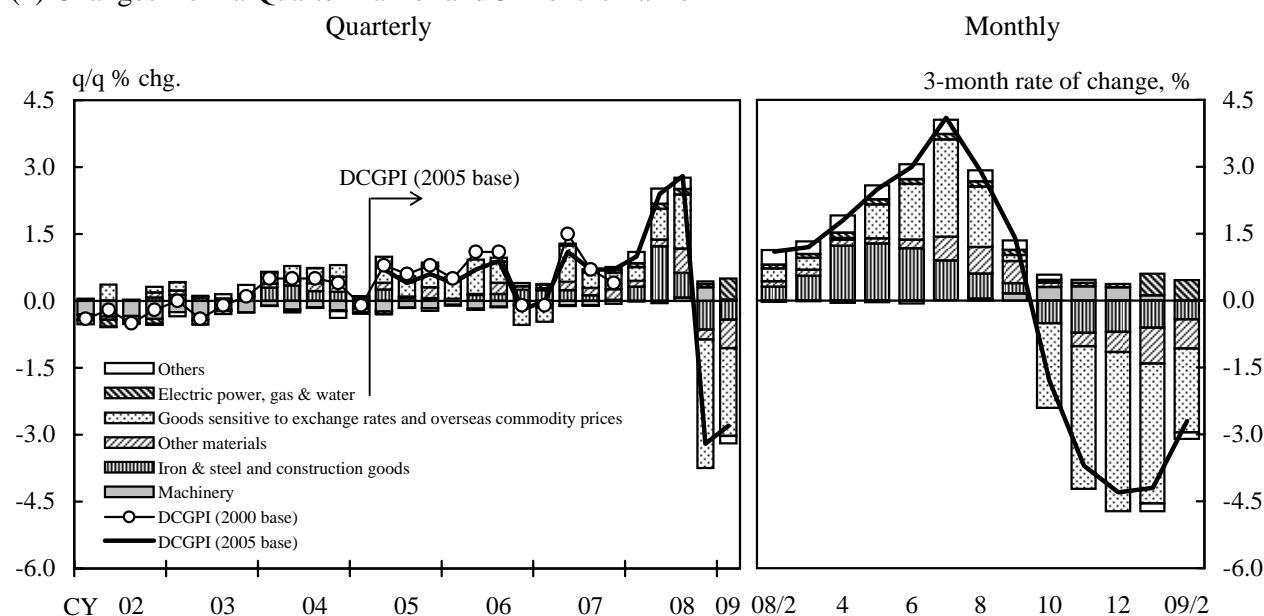
Notes: 1. The Grain Index is the weighted average of prices of three selected items (wheat, soybeans, corn) in overseas commodity markets. The weights are based on the Value of Imports in the Trade Statistics of Japan.

2. Monthly averages. Figures for March 2009 are the averages up to March 17.

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

Domestic Corporate Goods Price Index⁷

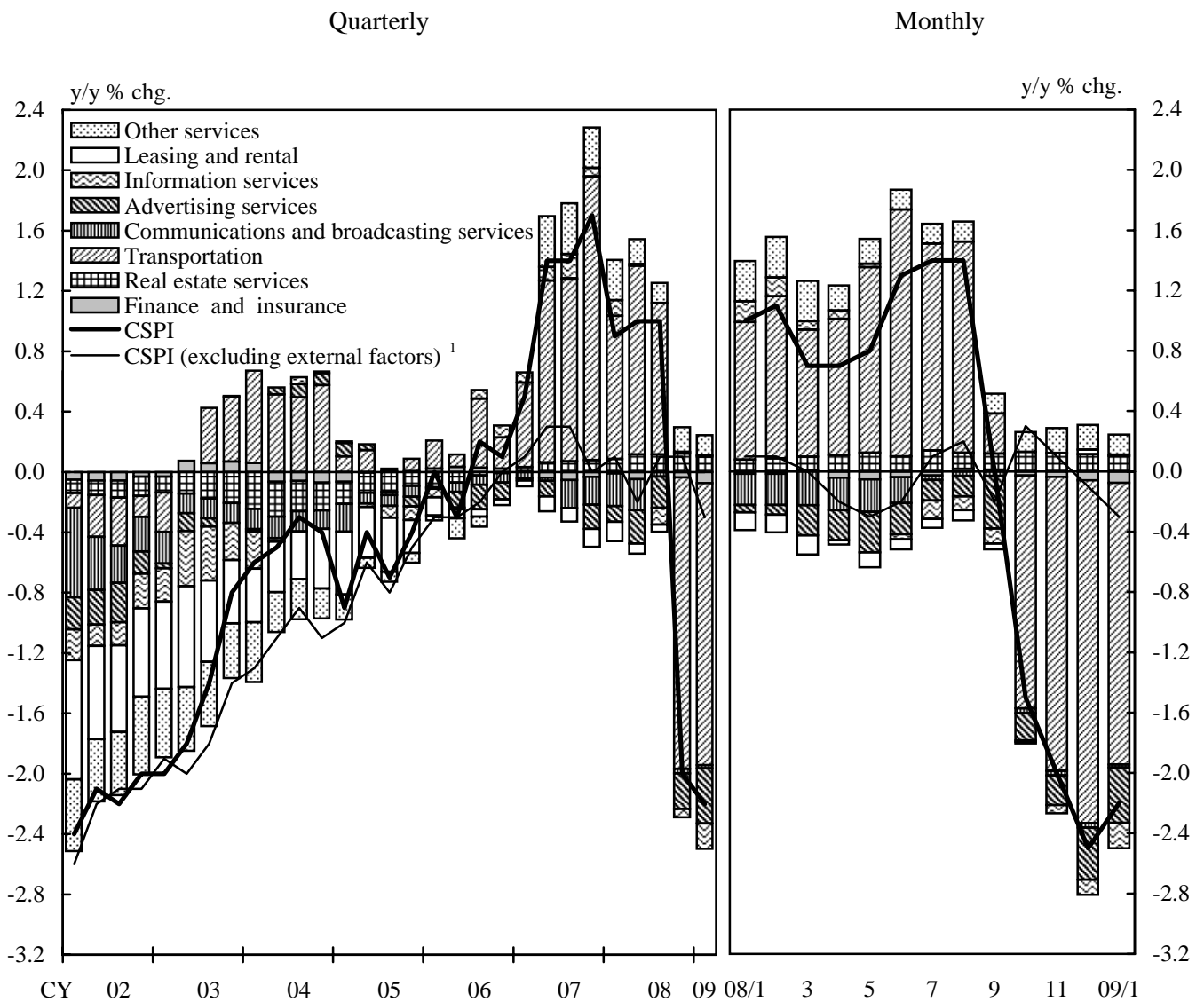
(1) Changes from a Year Earlier

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

- Notes: 1. Goods sensitive to exchange rates and overseas commodity prices: petroleum & coal products, nonferrous metals.
2. Other materials: chemicals & related products, plastic products, textile products, pulp, paper & related products.
3. Iron & steel and construction goods: iron & steel, metal products, ceramics, stone & clay products, lumber & wood products, scrap & waste.
4. Machinery: electrical machinery & equipment, information & communications equipment, electronic components & devices, general machinery & equipment, transportation equipment, precision instruments.
5. Others: processed foodstuffs, other manufacturing industry products, agriculture, forestry & fishery products, minerals.
6. Adjusted to exclude a hike in electric power charges during the summer season from July to September. This effect makes the Domestic Corporate Goods Price Index rise by about 0.2%.
7. Figures for 2009/Q1 are January-February averages. Figures for 2007/Q4 on the 2000 base are those of October.

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

Corporate Services Price Index

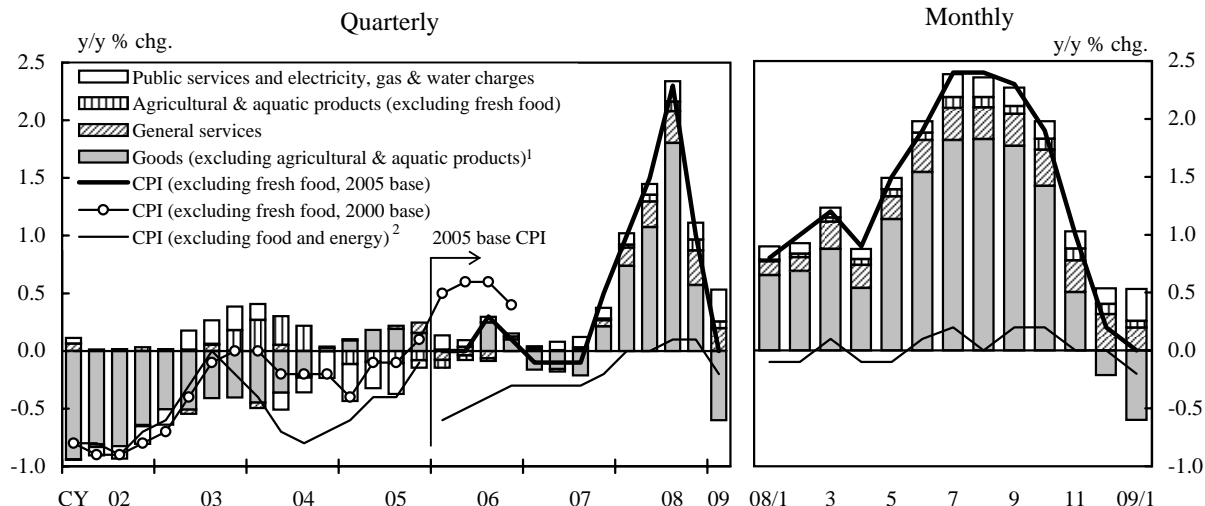


- Notes: 1. External factors: international air passenger transportation, ocean liner, ocean tramper, ocean tanker, oceangoing ship chartering services, and international air freight.
 2. Figures of components indicate contributions to changes in CSPI.
 3. Figures for 2009/Q1 are those of January.

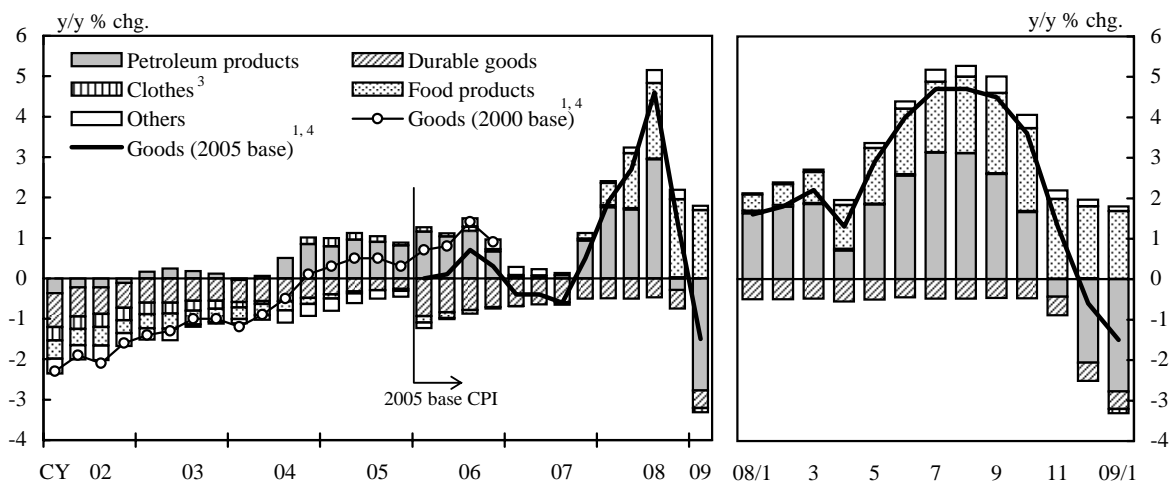
Source: Bank of Japan, "Corporate Services Price Index."

Consumer Price Index (Excluding Fresh Food)

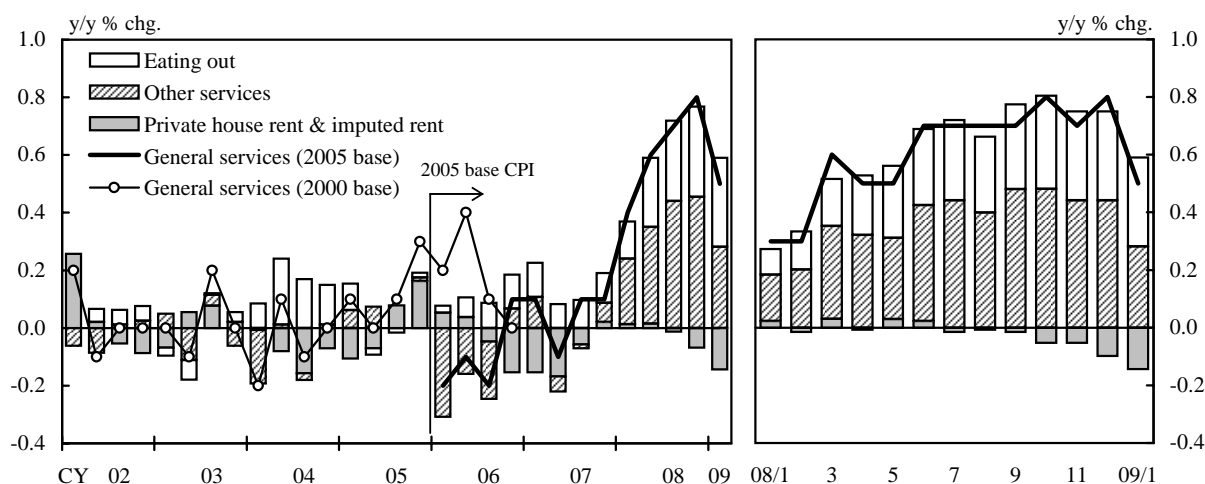
(1) Consumer Price Index (Excluding Fresh Food)



(2) Goods (Excluding Agricultural & Aquatic Products)¹



(3) General Services



Notes: 1. The items are basically the same as the definition published by the Ministry of Internal Affairs and Communications. However, electricity, 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.

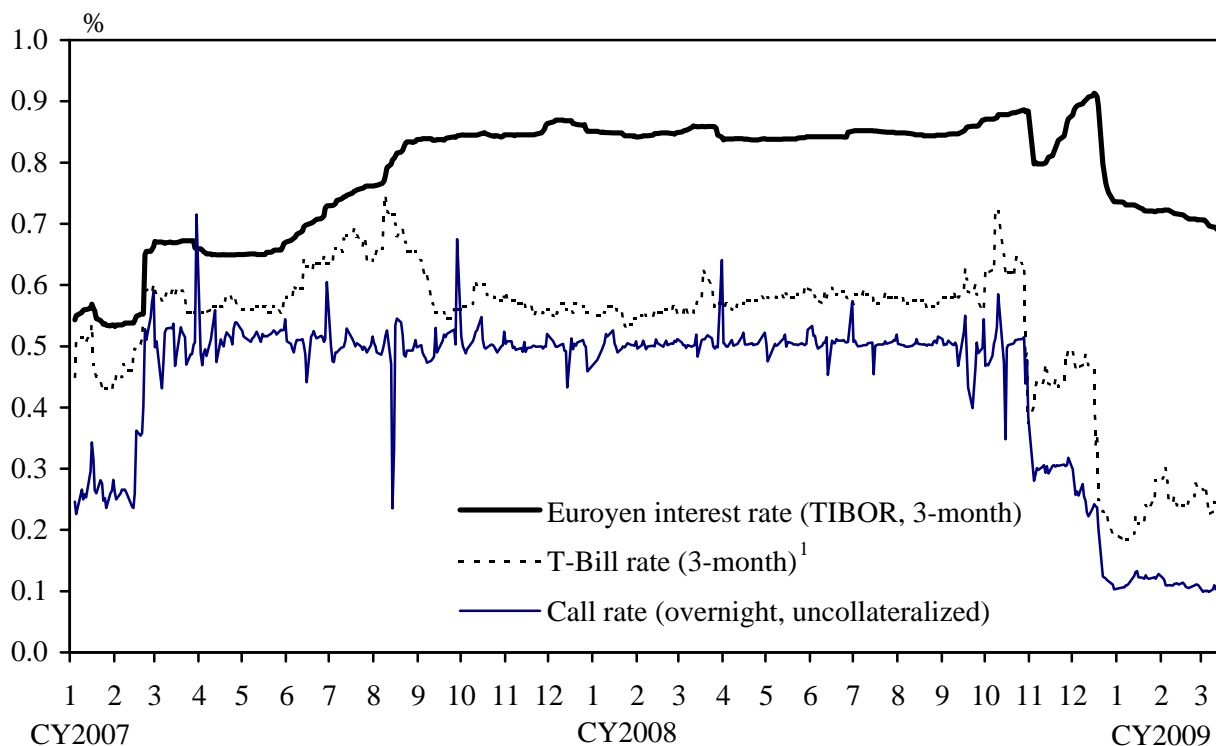
4. Excluding agricultural & aquatic products.

5. Figures for 2009/Q1 are those of January.

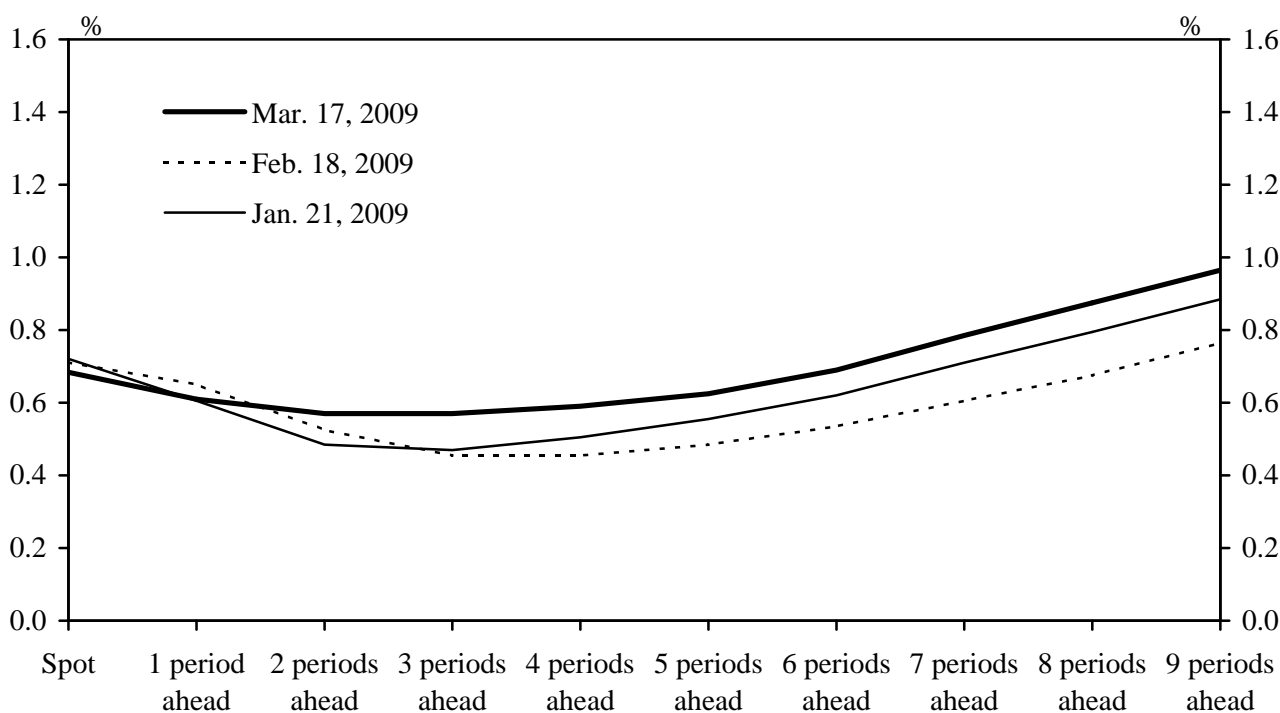
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Short-Term Interest Rates

(1) Short-Term Interest Rates



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



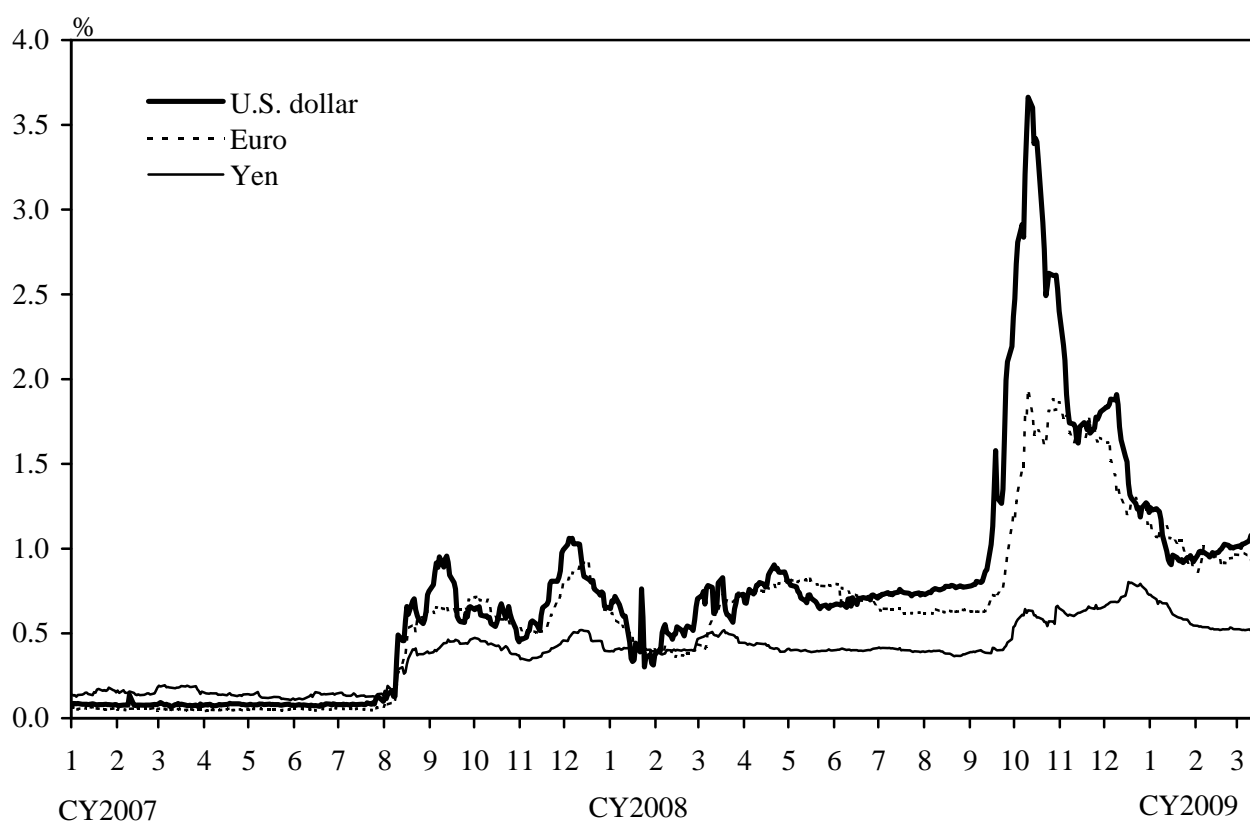
Notes: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.

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

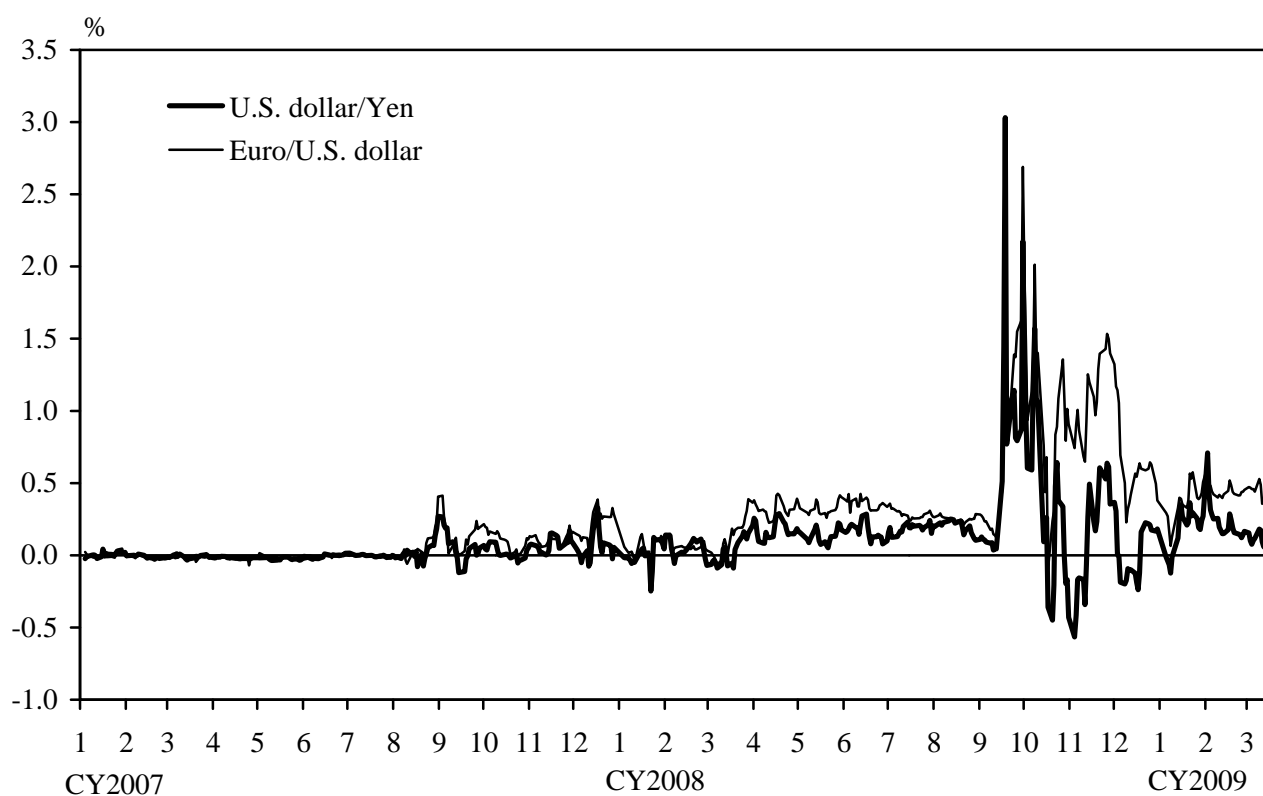
Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.; Tokyo Financial Exchange; Bank of Japan.

Global Money Markets

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

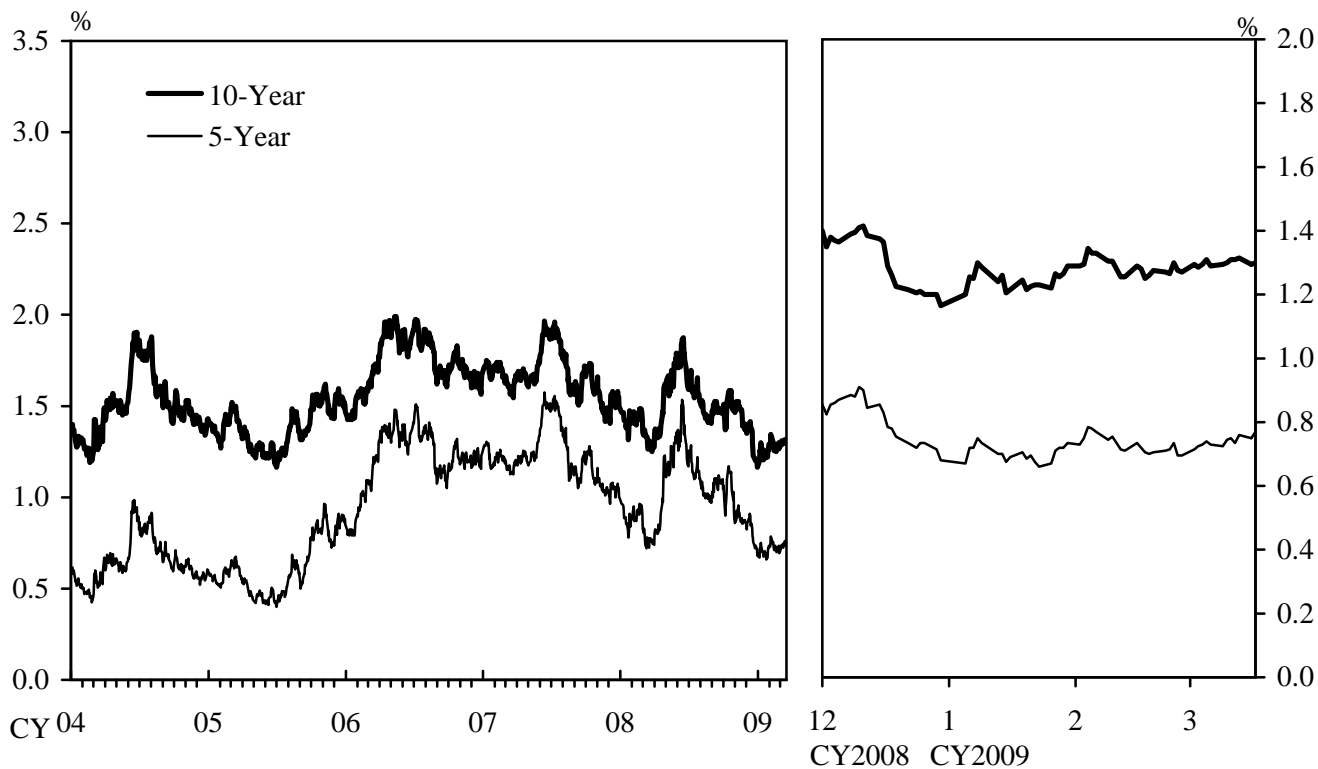


(2) FX swap implied dollar rate - LIBOR spreads (3-month)

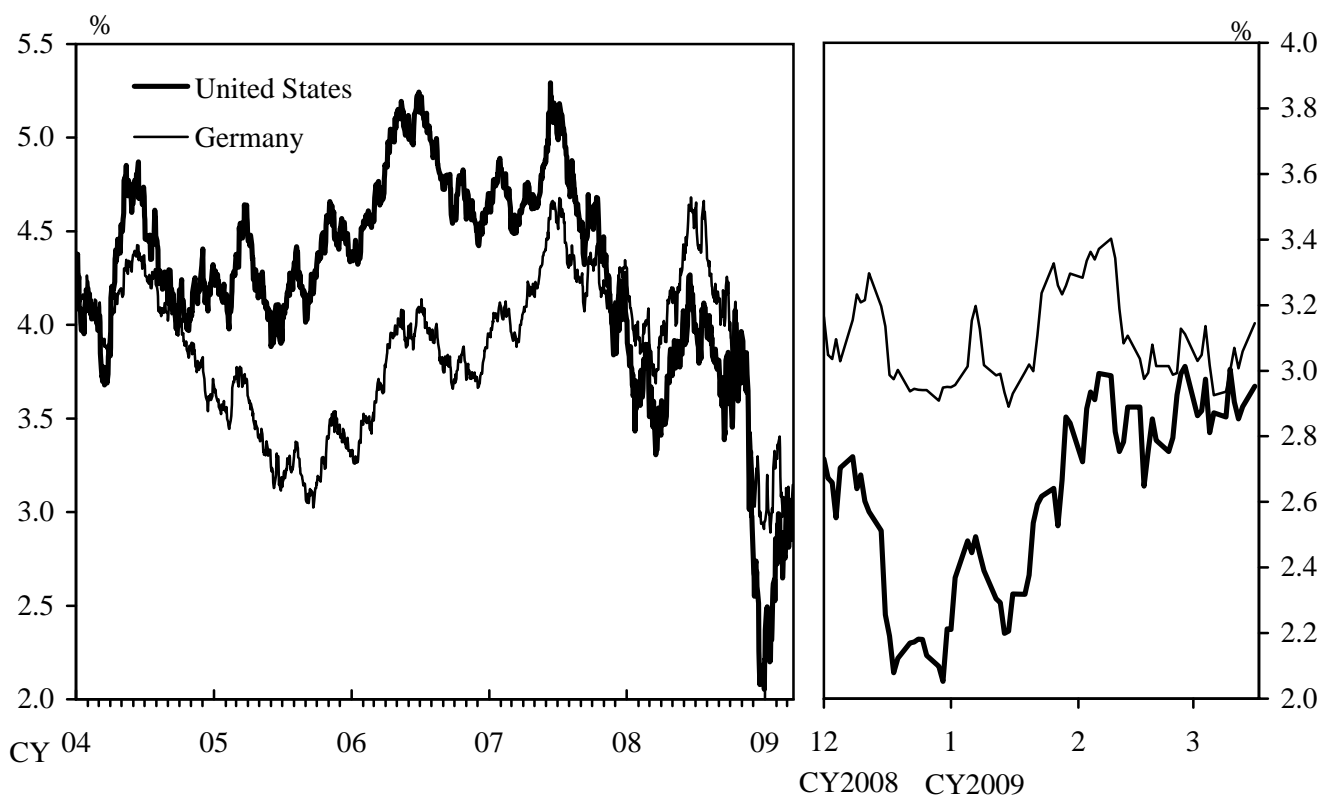


Long-Term Interest Rates

(1) Japanese Government Bond Yields¹



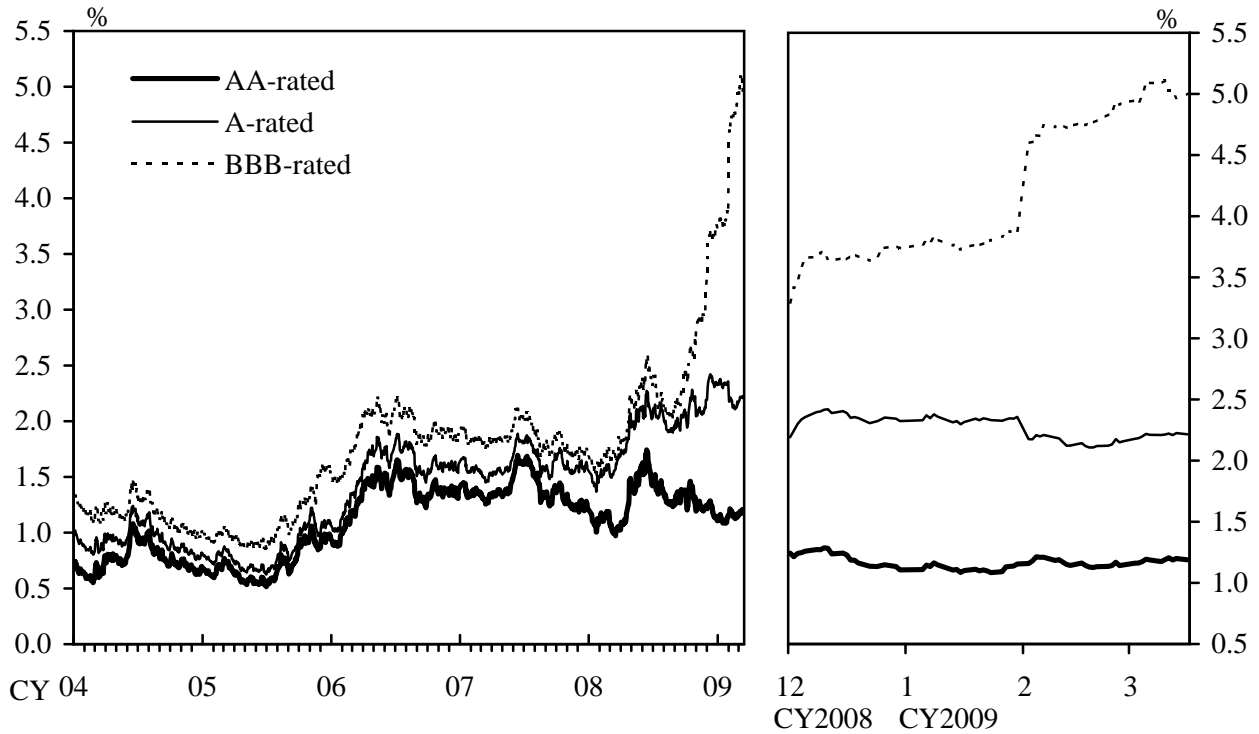
(2) Overseas Government Bond Yields (10-Year)



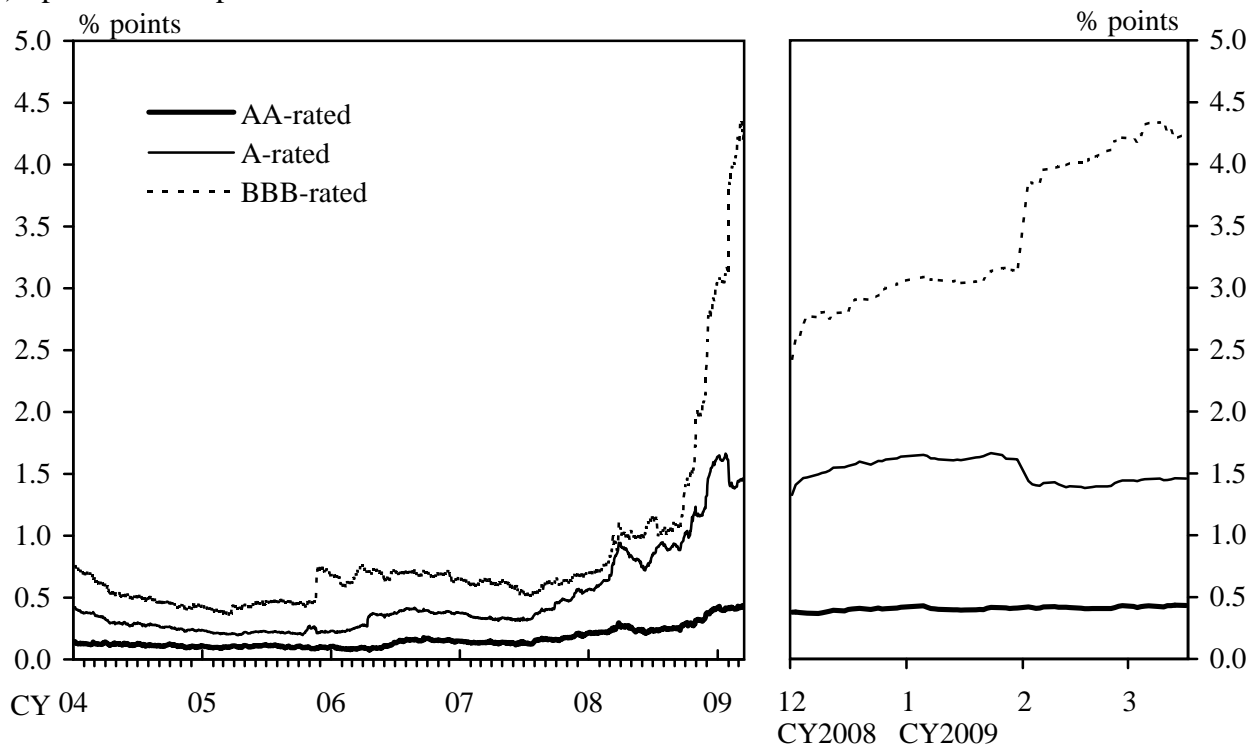
Note: 1. Yields on newly issued bonds.
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

Yields of Corporate Bonds

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



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



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

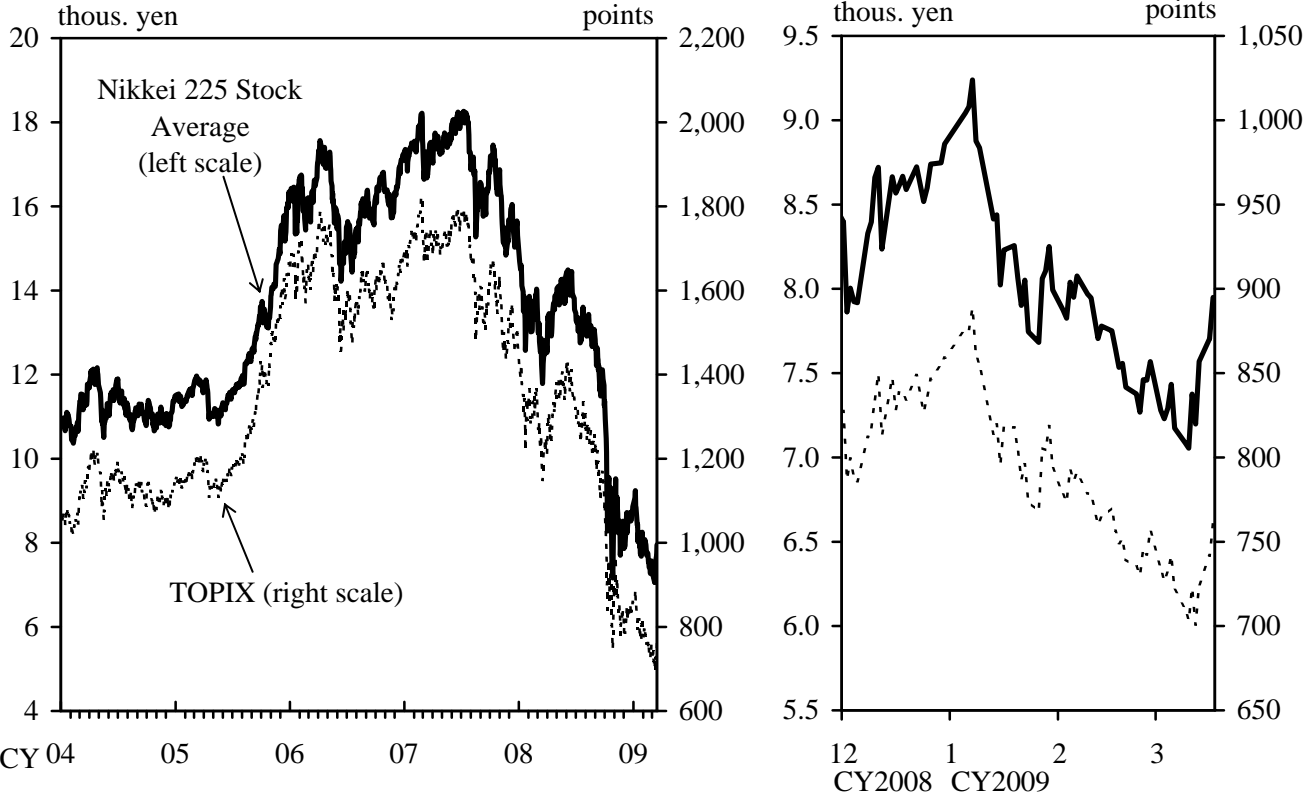
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.

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

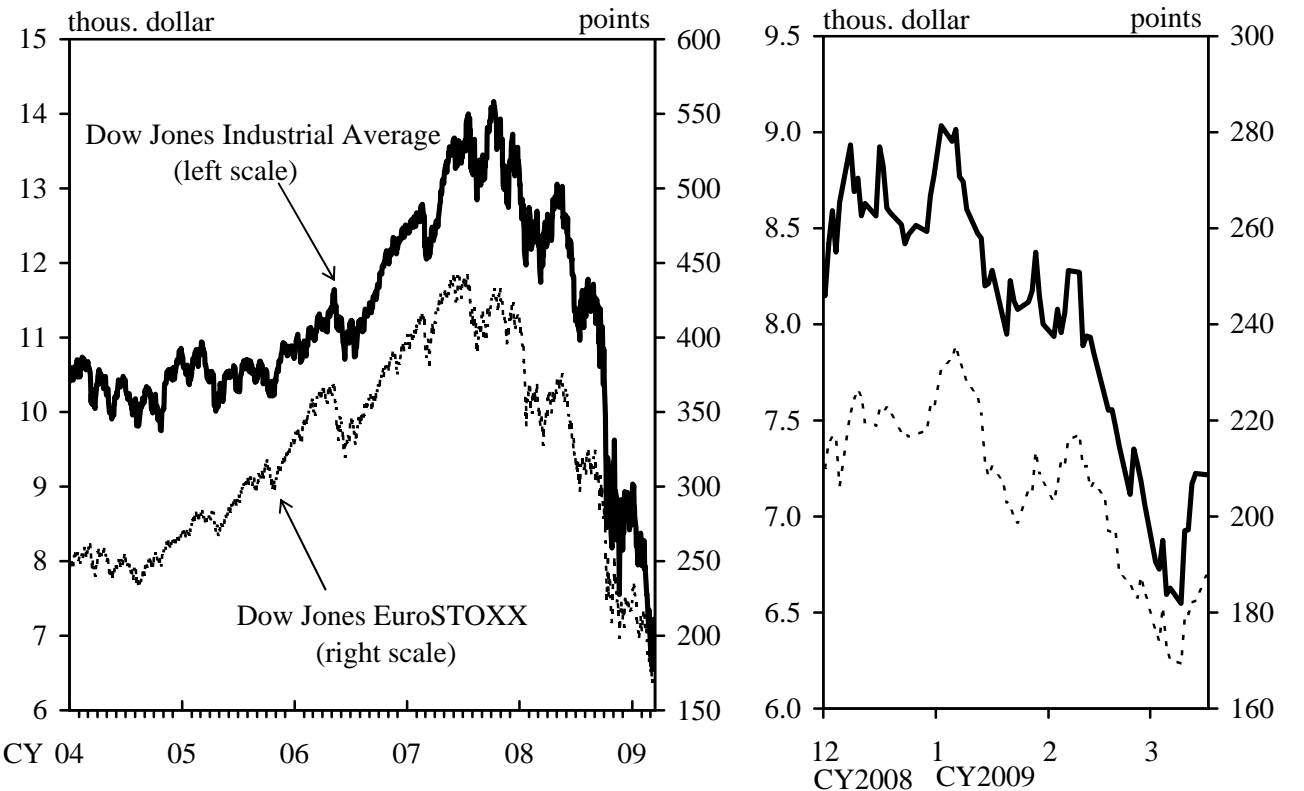
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Japanese Stock Prices



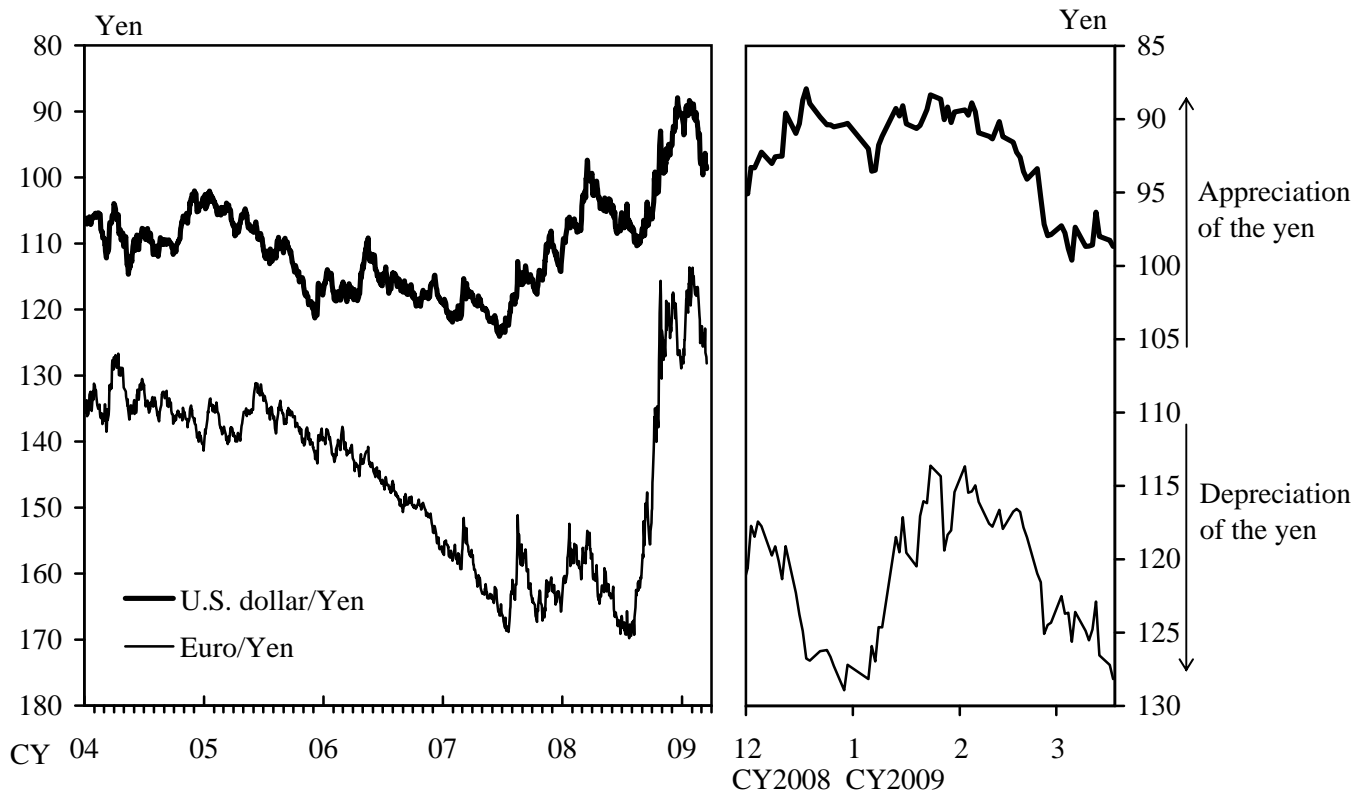
(2) Overseas Stock Prices



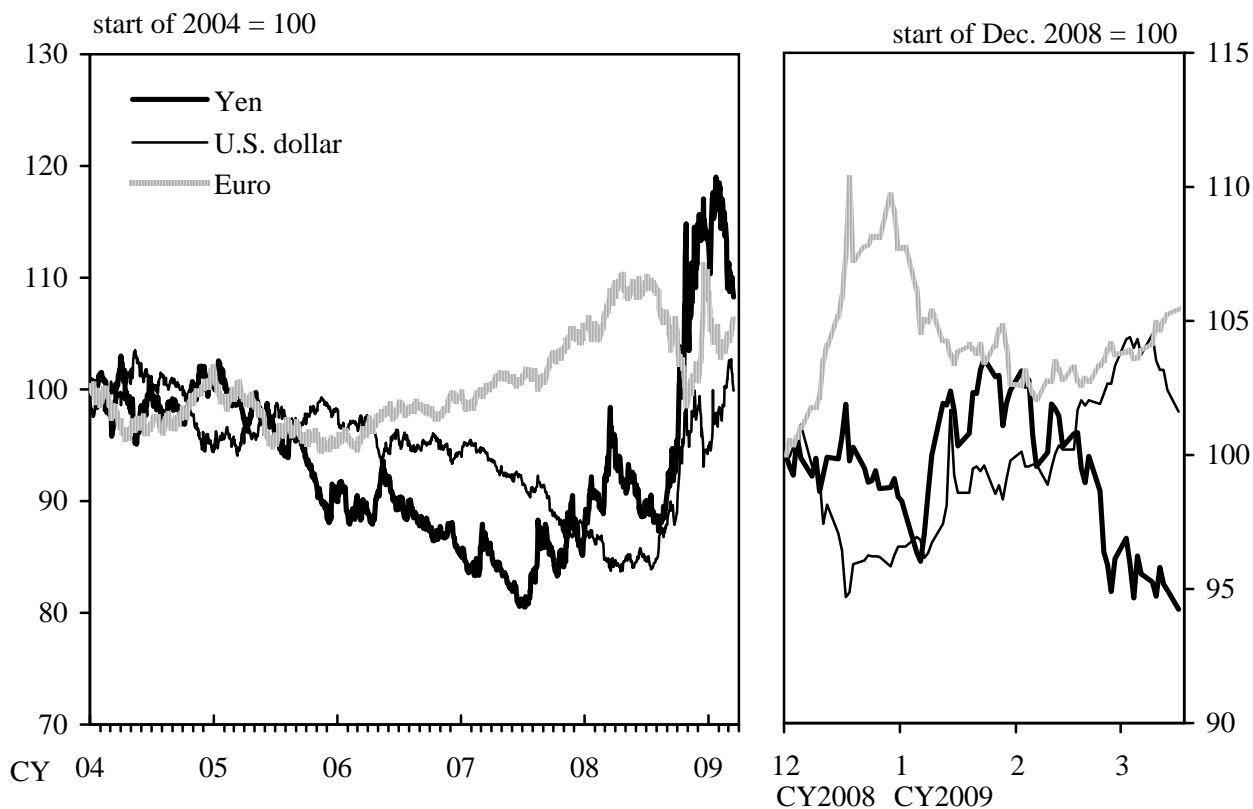
Sources: The *Nihon Keizai Shimbun* ; Tokyo Stock Exchange; Bloomberg.

Exchange Rates

(1) Bilateral Exchange Rates



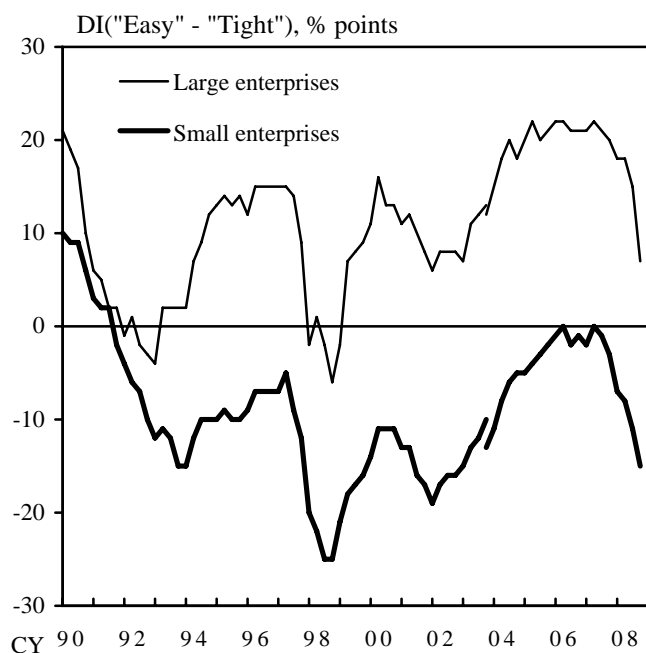
(2) Nominal Effective Exchange Rates



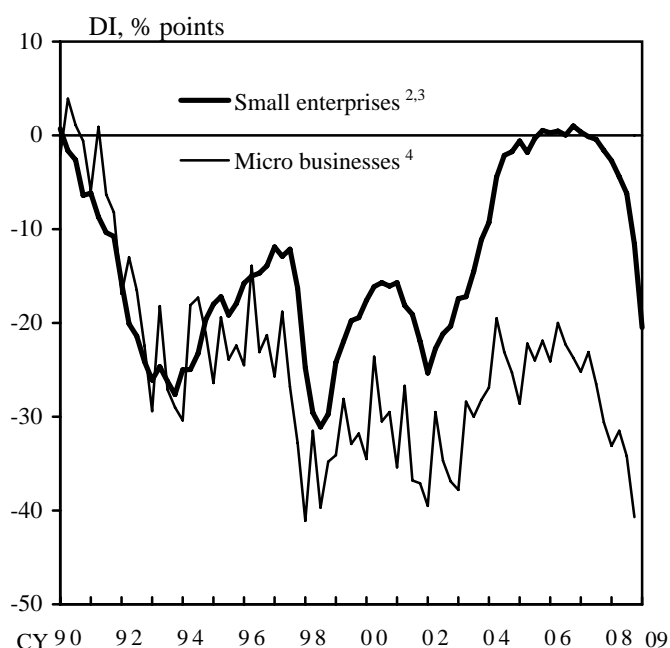
Sources: Bank of Japan; European Central Bank; Bloomberg.

Corporate Finance-Related Indicators

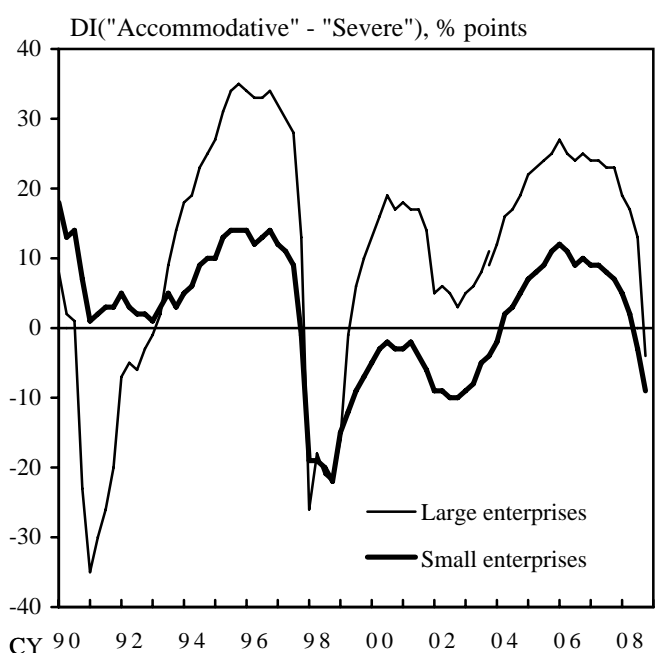
(1) Financial Position

<Tankan¹>

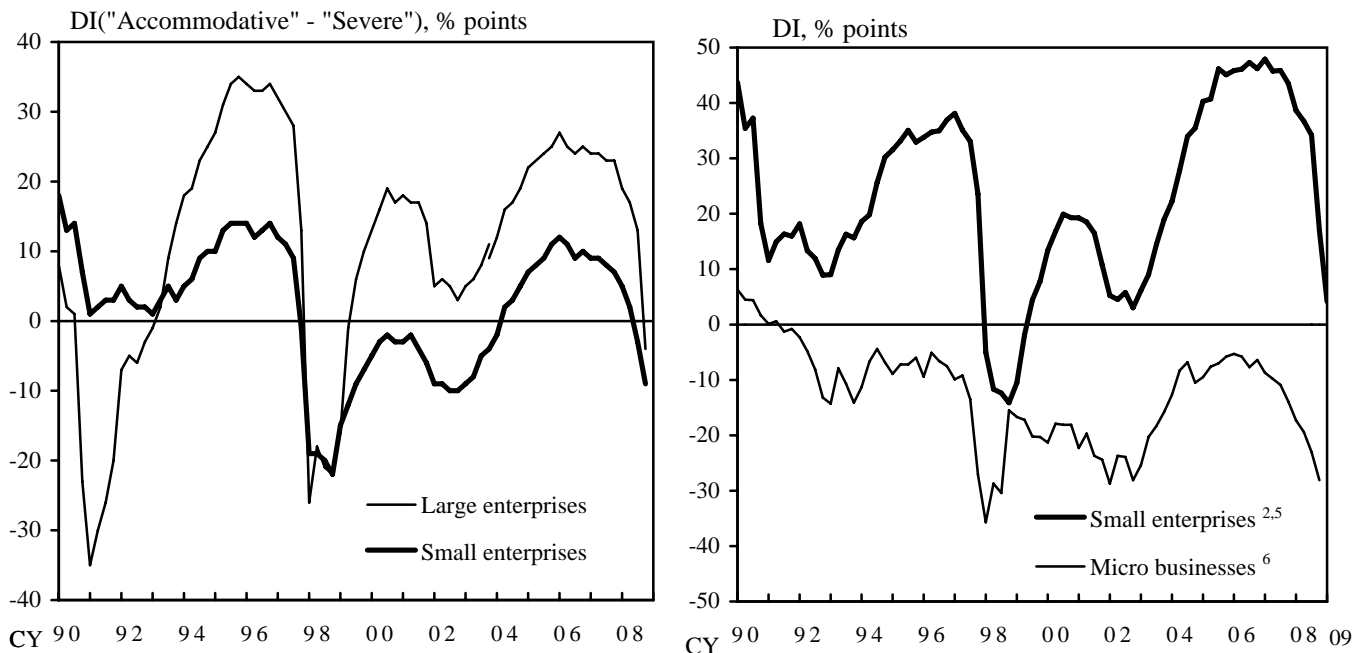
<Japan Finance Corporation Survey>



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

<Tankan¹>

<Japan Finance Corporation Survey>



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

2. Figures are quarterly averages of monthly data. Figures for 2009/Q1 are those of Jan.-Feb. averages.

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

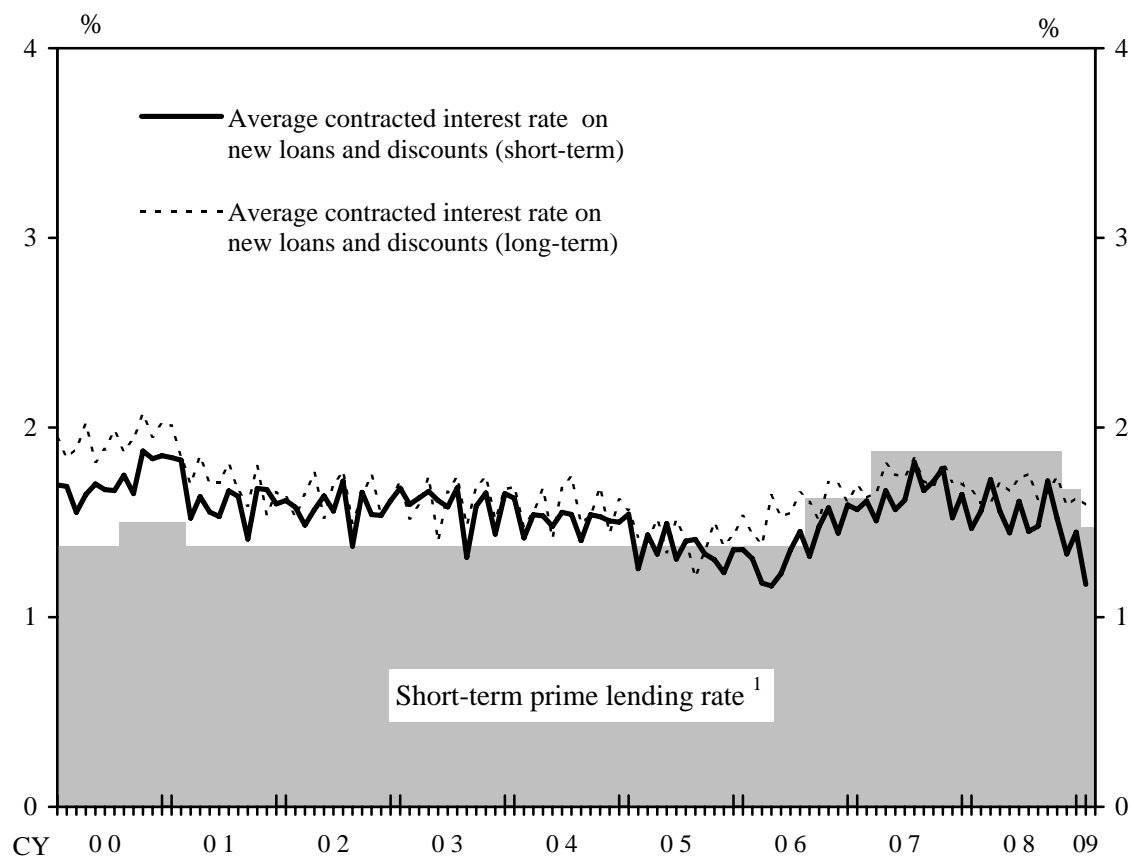
4. DI of "Easier" - "Tighter."

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

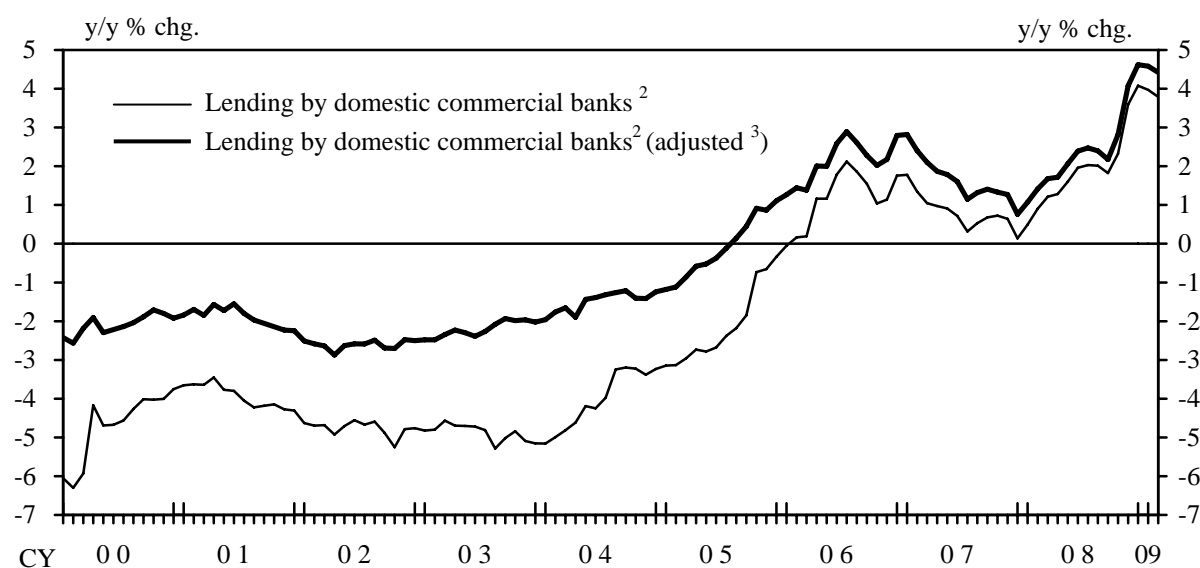


Note: 1. Data are at end of period.

Source: Bank of Japan.

Lending by Financial Institutions

(1) Lending by Domestic Commercial Banks¹



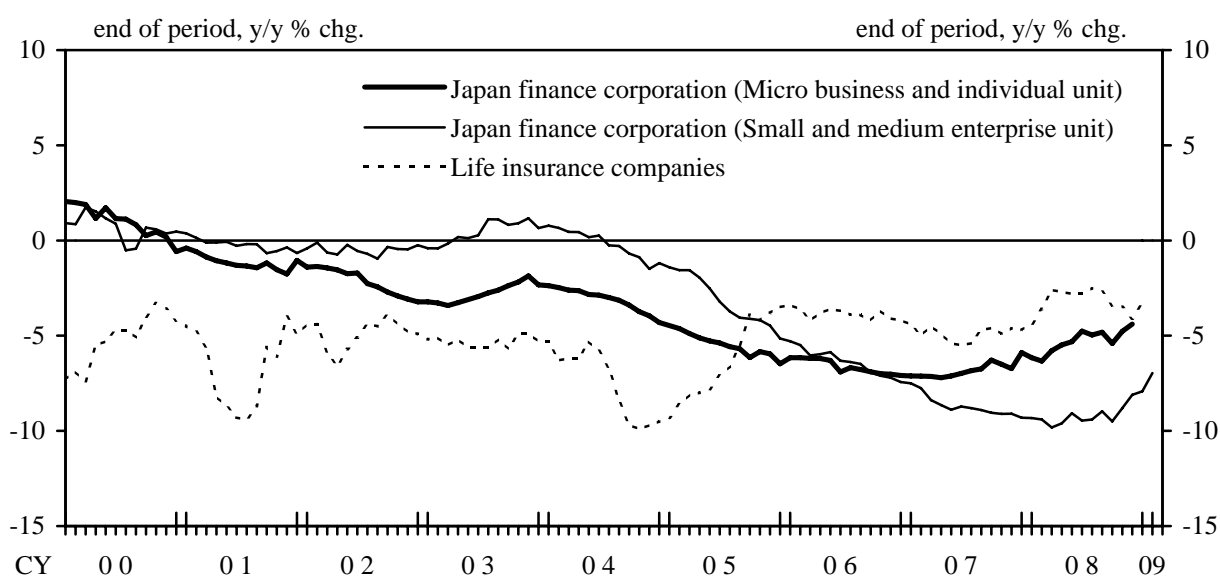
Notes: 1. Percent changes in average amounts outstanding from a year earlier.

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

3. Adjusted to exclude

- (1) fluctuations due to the liquidation of loans,
- (2) fluctuations in the yen value of foreign currency-denominated loans due to changes in exchange rates,
- (3) fluctuations due to loan write-offs,
- (4) the transfer of loans to the former Japan National Railways Settlement Corporation to the General Account, and
- (5) the transfer of loans to the former Housing Loan Administration Corporation to the Resolution and Collection Corporation.

(2) Lending by Other Financial Institutions

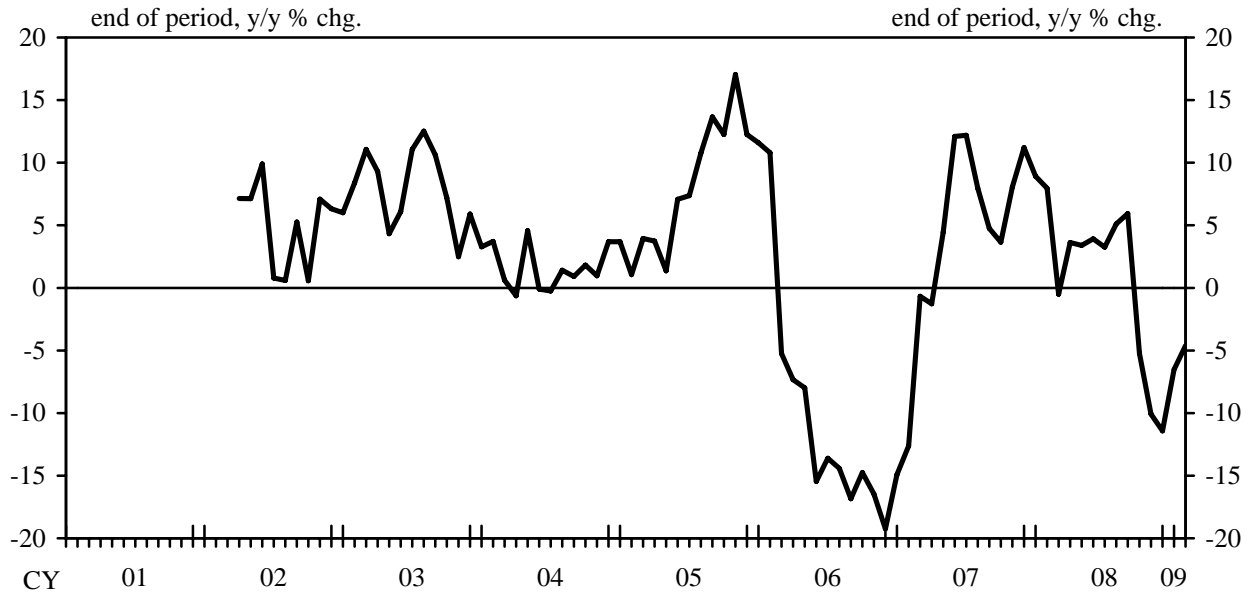


Note: The figures of the Japan Finance Corporation (Small and Medium Enterprise Unit) exclude the amounts outstanding of lending to the Credit Guarantee Corporations.

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

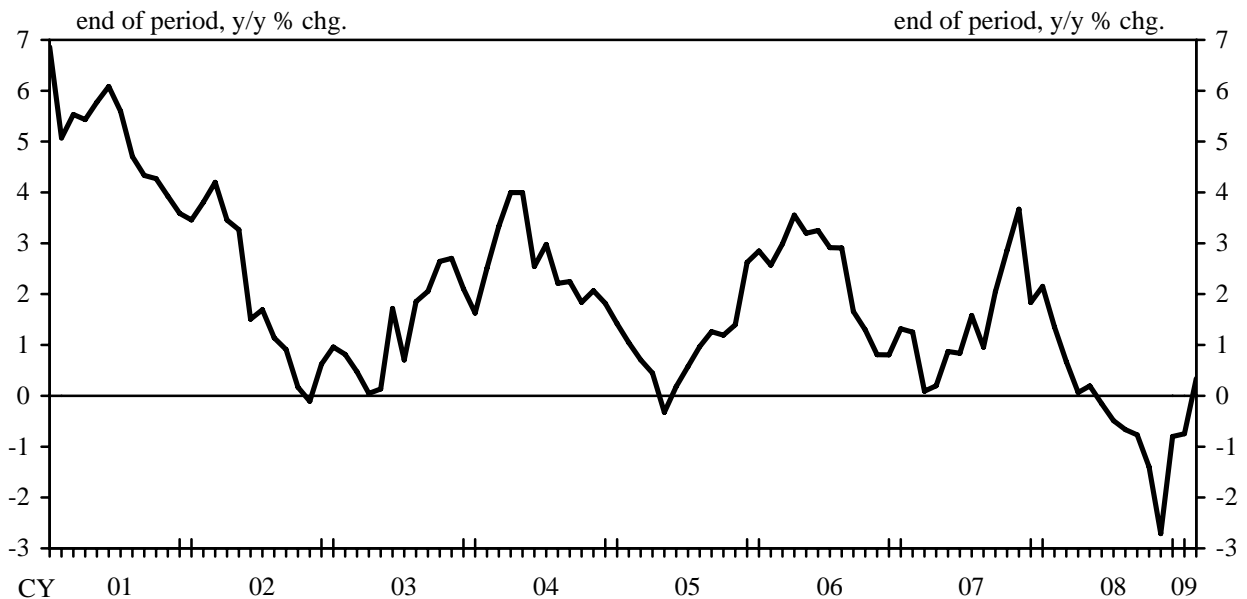
Private-Sector Fund-Raising in the Capital Markets

(1) Amount Outstanding of Commercial Paper



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

(2) Amount Outstanding of Corporate Bonds



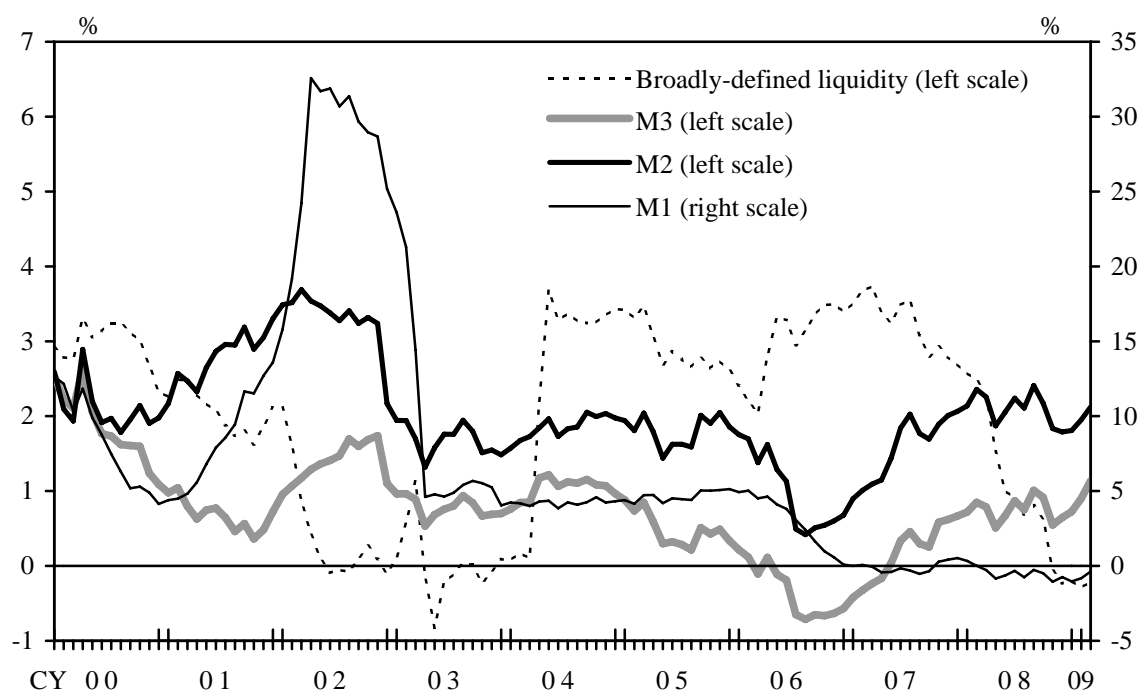
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

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

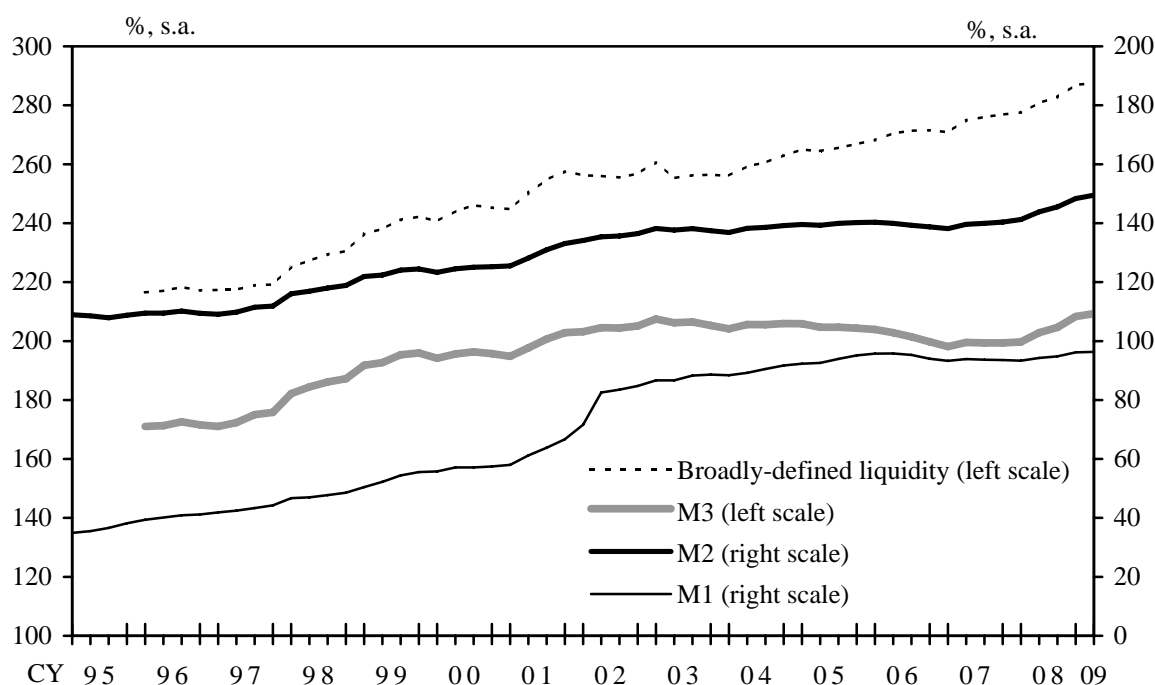
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category";
Bank of Japan, "Principal Figures of Financial Institutions";
Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts of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

Money Stock

(1) Changes from a Year Earlier



(2) Ratio of Money Stock to Nominal GDP

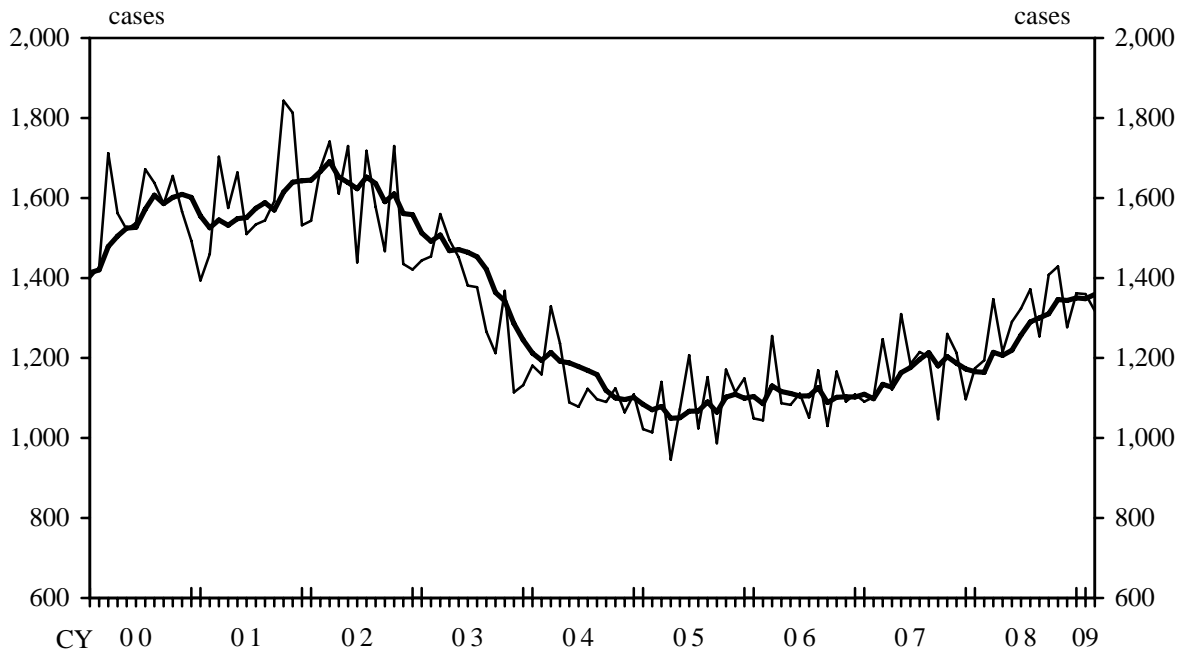


- Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.
2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.
3. The figures up to March 2004 in the upper panel and those up to March 2003 in the lower panel are based on the former series.
4. Figures for money stock in 2009/Q1 are those of Jan.-Feb. averages, and nominal GDP in 2009/Q1 is assumed to be unchanged from the previous quarter.

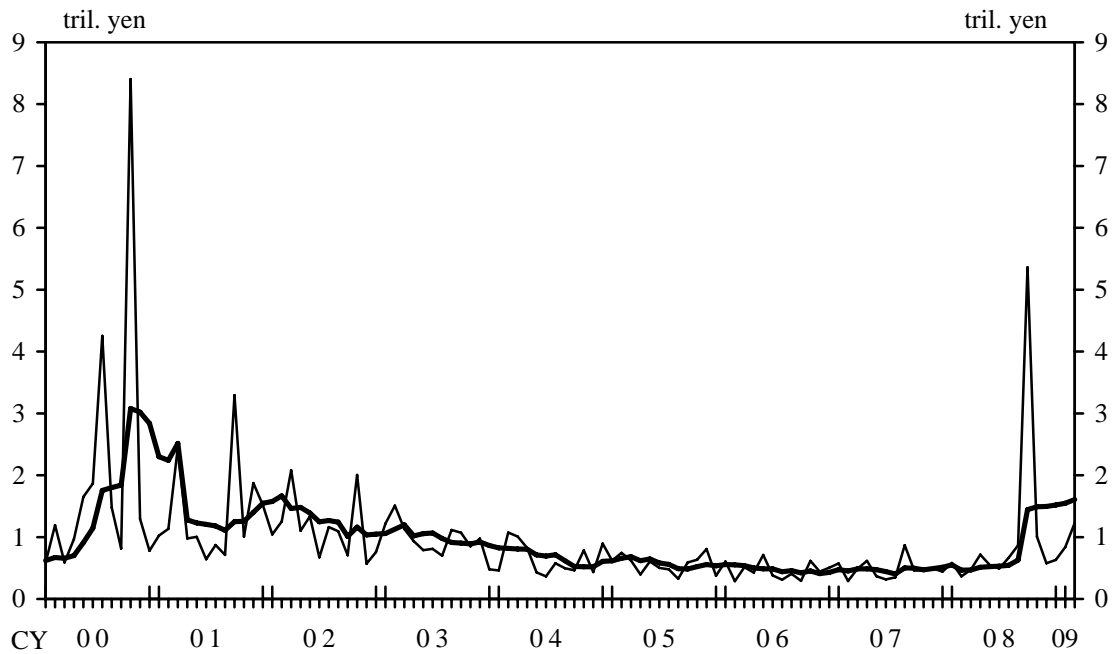
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities



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

Source: Tokyo Shoko Research Ltd., "Tosan Geppo (Monthly Review of Corporate Bankruptcies)."