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Bank of Japan

**Monthly Report of
Recent Economic and Financial Developments**
May 2009

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Monthly Report of Recent Economic and Financial Developments¹

May 2009

Summary

Japan's economic conditions have been deteriorating, but exports and production are beginning to level out.

Business fixed investment has declined substantially, reflecting the significant deterioration in corporate profits. Private consumption has weakened and housing investment has decreased, as the employment and income situation has become increasingly severe. On the other hand, exports and production have started to level out, after having fallen substantially. Public investment, meanwhile, has begun to turn upward.

The pace of deterioration in Japan's economic conditions is likely to moderate gradually, leading to a leveling out of the economy.

Domestic private demand is likely to continue weakening with corporate profits and firms' funding conditions remaining severe and a worsening employment and income situation. On the other hand, exports and production are expected to level out and start recovering, mainly due to progress in inventory adjustments both at home and abroad. Public investment, meanwhile, is also expected to increase.

On the price front, the three-month rate of change in domestic corporate goods prices has continued to be negative due to the earlier fall in international commodity prices and the easing of supply-demand conditions for products, but the pace of decline has been moderating. The year-on-year rate of increase in consumer prices (excluding fresh food) has declined to around 0 percent, mainly reflecting the declines in the prices of petroleum products and the stabilization of food prices.

Domestic corporate goods prices are likely to continue decreasing gradually for the time being, as supply-demand conditions for products are likely to remain

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on May 21 and 22, 2009.

slack. 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.

The weighted average of the overnight call rate has been at around 0.1 percent, and interest rates on term instruments have remained more or less unchanged. Meanwhile, the yen has appreciated against the U.S. dollar compared with last month, whereas yields on long-term government bonds and stock prices have remained at more or less the same level as last month.

Financial conditions in Japan have remained tight, although there has been some easing of tension compared to some time ago.

The overnight call rate has remained at an extremely low level. It seems that firms' funding costs, after declining at the beginning of this year, have remained more or less unchanged at low levels. However, the stimulative effects from low interest rates have been limited given that economic activity and corporate profits have continued to deteriorate. The amount outstanding of bank lending, especially to large firms, has continued to increase rapidly. Funding conditions for CP and corporate bonds have been improving: the decline in issuance of CP has mainly reflected a weakening of firms' demand for additional liquidity, and an increasing number of firms have been issuing corporate bonds. However, issuance of corporate bonds by firms with low credit ratings has remained subdued, and many firms have continued to see their financial positions as weak and lending attitudes of financial institutions as severe. Meanwhile, the year-on-year rate of change in the money stock has risen to around 2.5 percent.

1. Economic Developments

Public investment has been turning upward (Chart 5). On a GDP basis, real public investment has been essentially flat in the fourth and first quarters (Chart 3). Looking at monthly indicators, the amount of public construction completed—which reflects the progress of public works—decreased marginally in the fourth quarter, on a quarter-on-quarter basis, and then increased marginally in the first quarter. On the other hand, the value of public works contracted—a measure that reflects public orders—turned to a marginal increase in the first quarter, and then increased substantially in April compared with the first quarter. This development was influenced by the implementation of the supplementary budget of fiscal 2008.

Public investment is projected to increase for the time being, due to the implementation of various economic measures.

Real exports have decreased substantially since last fall, mainly due to the deterioration in overseas economic conditions, but they have recently started to level out due to the waning of adjustment pressures on local inventories (Charts 6[1] and 7). Exports decreased sharply, by 14.6 percent—the largest-ever decrease—in the fourth quarter, and then decreased at a much faster pace, by 28.8 percent, in the first quarter.² Looking at monthly developments, however, exports were flat in March after their pace of decline moderated considerably in February. These developments imply that exports have started to level out in response to the recovery in demand in China and to progress in inventory adjustments abroad for motor vehicles and electronic parts and devices.

By destination (Chart 7[1]), on a quarterly basis, exports to most countries and regions have decreased sharply in the fourth and first quarters. As seen in the case of the drop in exports of motor vehicles and their related goods to the United States, this development has been largely affected by the rapid reduction in local inventories, in addition to the decrease in local demand. On the other hand, on a monthly basis, exports to East Asia, especially to China, increased for two months in a row in February and March, and those to the United States also increased in March.

² The previous largest rate of decline on a quarter-on-quarter basis was 6.1 percent, recorded in the third quarter of 1995.

However, exports to the EU and other regions (such as the Middle East, Latin America, and Russia) have also continued to decrease significantly on a monthly basis, notably of motor vehicles and capital goods.

By goods (Chart 7[2]), on a quarterly basis, almost all goods have decreased substantially. In particular, exports of motor vehicles and their related goods decreased by 50 percent in the first quarter. On the other hand, on a monthly basis, exports of IT-related goods increased for two consecutive months, and those of intermediate goods (such as chemicals) increased in March, mainly to East Asia. Also, the pace of decline in exports of motor vehicles and their related goods moderated, mainly due to progress in the reduction of local inventories in the United States. However, exports of capital goods also continued to decrease substantially on a monthly basis.

Real imports have dropped significantly, reflecting the fall in domestic demand and production (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. With domestic demand and production continuing to drop substantially, however, real imports started to fall significantly; they marked a decrease of 17.9 percent in the first quarter.

Looking at developments in the first 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), IT-related goods, and consumer goods, which have declined since the fourth quarter. On the other hand, imports of foodstuffs declined only marginally, in response to the relatively small drop in domestic consumption and to the positive contribution of the yen's appreciation.

Net exports, in terms of the real trade balance, have recently started to level out, after having decreased substantially, due to 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; a deficit of a similar size was also recorded in the first quarter.

Exports are expected to level out and start recovering, mainly due to progress in local inventories. According to anecdotes from firms, exports in the second quarter are projected to turn upward.

As for the environment surrounding exports, overseas economic growth has continued to deteriorate (Chart 8[2]), but the pace of deterioration has moderated compared with a while ago. In the United States and Europe, economic conditions have deteriorated substantially amid the severe financial conditions. However, data showing signs that economies are starting to level out—such as progress in inventory adjustments and improvement in the sentiment of firms and households—have increased. In emerging economies and countries that export natural resources, economic conditions have continued to deteriorate overall due to the decrease in exports in response to deteriorating U.S. and European economic conditions and to the severe financial conditions, but there have also been some signs of recovery, especially in China, are visible. Economies are projected to level out in response to progress in inventory adjustments and to effects of fiscal and monetary policies, but the negative synergy between the financial markets and the real economies, which seems to have slightly abated recently, needs due attention as it might worsen again. Regarding the environment surrounding exports of IT-related goods, adjustments in inventories of electronic parts and devices seem to have made steady progress. On the other hand, global demand for finished products has shown a slowing trend as a whole, but in some countries signs of recovery have been seen in response to positive policy effects and to the decline in prices. Meanwhile, in the foreign exchange market, the yen has appreciated by over 20 percent compared to around 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 continue decreasing for the time being, mainly because the effects of the domestic economy's deterioration are likely to remain, despite the positive contribution of the yen's appreciation.

Business fixed investment has declined substantially. On a GDP basis, real business fixed investment declined; the pace of that decline had continued to

accelerate, for four consecutive quarters toward the first quarter (Chart 3). Looking at monthly indicators, the aggregate supply of capital goods (both including and excluding transport equipment)—a coincident indicator of machinery investment—decreased substantially (Chart 10[1]). Machinery orders (private demand, excluding orders of shipbuilding and orders from electric power companies)—a leading indicator of machinery investment—dropped significantly in the first quarter, following the third and fourth quarters (Chart 11[1]). In the first quarter, the drop in the manufacturing industry was extremely large, while the nonmanufacturing industry was relatively steady, mainly in investments related to infrastructure.³ Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—decreased noticeably in the fourth quarter, and then remained more or less flat in the first quarter. In the first quarter, the manufacturing industry decreased substantially, while the nonmanufacturing industry increased, mainly in real estate buildings and wholesale and retail trade buildings, even though the increase seems to be influenced by a temporary development (Chart 11[2]).⁴

Business fixed investment is likely to continue declining for the time being, reflecting the severe conditions in corporate profits and firms' funding and the strong 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 fourth and first quarters, after being more or less flat in the third quarter (Chart 3). Looking at individual indicators of consumption (Charts 12 and 13), sales at department stores have lately decreased relatively largely due to a slump in sales of apparel and high-end products, reflecting the further curtail on purchases by consumers. Sales at supermarkets have been relatively weak in general, even though they have partly been underpinned by the contribution of discount sales. Meanwhile, sales at convenience stores have continued to be relatively strong on a

³ The forecast survey projects that the second quarter will continue to decrease by 5.0 percent, but that the pace of decrease will moderate.

⁴ 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.

year-on-year basis, assisted mainly by the special factor of cigarettes (the so-called "Taspo" effect). As for durable consumer goods, sales of household electrical appliances have remained steady compared to other indicators, mainly due to the effects of price declines. The number of new passenger-car registrations dropped sharply toward the first quarter, and then recovered slightly in April. This might have been influenced by the implementation of the reduction in automobile taxes.⁵ As for services consumption, the drop in outlays for travel has been evident, mainly due to 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 14[1]).⁶ The aggregate supply of consumer goods—which comprehensively captures producers' supply of goods—has recently decreased substantially due to the fall in durable goods consumption (automobiles) and to the reduction in distributors' inventories (Chart 14[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 GDP—increased in the first quarter, mainly due to the increase in items with large fluctuations such as education, after decreasing for three consecutive quarters through the fourth quarter.⁷ Total expenditure in the *Survey of Household*

⁵ According to the fiscal 2009 tax reform, during fiscal 2009 to 2011, the automobile acquisition tax and automobile weight tax will be either exempted or reduced for eco-friendly cars. Usually, the automobile acquisition tax is imposed on the price of the car at the time of purchase, and the automobile weight tax is imposed at the time of purchase and automobile inspection, on the weight of the car. However, from April, these taxes have been exempted for electric, fuel cell, and hybrid cars; normal gasoline cars are also subject to tax reduction, but the amount of reduction depends on their level of energy efficiency. Also, according to the "Countermeasures to Address the Economic Crisis," released on April 10, a measure to promote the purchasing of eco-friendly cars has been introduced, and the government intends to grant subsidies for cars that have been purchased after April 10.

⁶ The *Indices of Aggregated Sales* are the weighted averages of individual sales indicators. "Outlays for travel" in March 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 March was at the same level as that for February.

⁷ Items in the index are not completely limited to those used for estimating GDP. For example, education, which contributed to the increase in the first quarter, is not used for estimating GDP.

Economy (in real terms) also increased in the first quarter, after decreasing for three consecutive quarters (Chart 12[1]).⁸

Meanwhile, indicators related to consumer sentiment have continued to remain at extremely low levels, but they have recently recovered slightly due to various demand-boosting policy measures and to the decline in retail prices, notably in gasoline (Chart 15).

Private consumption is likely to remain relatively weak for the time being, as the employment and income situation becomes increasingly severe, although it is expected to be supported by the positive effects of various measures and by the decline in prices.

Housing investment has decreased. On a GDP basis, real housing investment turned to a decrease in the first quarter, although it had been increasing in the third and fourth quarters (Chart 3). The number of housing starts (Chart 16[1])—a leading indicator of housing investment—has dropped significantly since last fall, as the employment and income situation and firms' funding conditions have become increasingly severe.

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

Industrial production has decreased substantially since last fall, but recently the decrease is coming to a halt, mainly due to the waning of adjustment pressures on inventories both at home and abroad. Production registered a significant decline of 11.3 percent on a quarter-on-quarter basis in the fourth quarter, and then dropped at a faster pace, by 22.1 percent, in the first quarter (Chart 17).⁹ By industry, production in transport equipment (excluding ships and rolling stocks), general machinery, and electronic parts and devices decreased substantially, at a faster pace compared with

⁸ 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.

⁹ 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.

the fourth quarter. Production in basic materials such as iron and steel and chemicals (excluding drugs) also decreased at a faster pace. However, on a monthly basis, production increased marginally, by 1.6 percent, in March for the first time in six months, mainly due to an increase in electronic parts and devices.

Shipments, on a quarterly basis, also decreased at a faster pace in the first quarter, by 21.0 percent, compared with the fourth quarter, but on a monthly basis, they increased marginally, by 1.5 percent, in March for the first time in six months. By goods (Chart 18), shipments of producer goods fell sharply since last fall, and then increased in March, notably in electronic parts and devices. As for durable consumer goods and capital goods, shipments have dropped since last fall, and then became essentially flat in March. On the other hand, shipments of non-durable consumer goods have remained more or less flat, but have been slightly weak since the fourth quarter. Shipments of construction goods have lately declined substantially.

Inventories have continued to decrease due to the substantial fall in production, and adjustment pressures on inventories have started to wane (Chart 19). Looking at the shipment-inventory balance by goods, adjustment pressures on inventories have remained large for capital goods (excluding transport equipment), construction goods, and other producer goods (such as iron and steel), reflecting the substantial decrease in shipments. On the other hand, for electronic parts and devices and durable consumer goods, inventory adjustments have progressed, even though shipments have decreased largely as inventories have also decreased substantially.

As for the outlook, production is expected to level out and start recovering, as inventory adjustments both at home and abroad progress further. According to anecdotes from firms, production in the second quarter is projected to turn upward.¹⁰

¹⁰ Looking at the production forecast index, production in April and May is expected to increase by 4.3 percent and 6.1 percent, respectively. According to a calculation under the assumption that the production level in June will be the same as that of May, the second quarter is expected to mark an increase of 5.9 percent on a quarter-on-quarter basis. However, even if the forecasted figures are actually achieved, the rebound in production will not be very strong, considering that the drop in production through the first quarter was extremely large.

The employment and income situation has become increasingly severe, with the labor market easing substantially and employee income decreasing noticeably.

In the labor market, overtime hours worked have decreased substantially, notably in the manufacturing industry (Chart 22[3]). The ratio of job offers to applicants has continued to decline, and the pace of decline has accelerated recently (Chart 21[1]). The unemployment rate has risen noticeably of late.

In terms of employment (Chart 22[1]), the growth rate of the number of employees in the *Labour Force Survey* had been around 0 percent on a year-on-year basis, but decreased markedly in March.¹¹ 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 has decreased at a faster pace. The ratio of part-time employees has been rising moderately (Chart 22[2]).

The year-on-year growth rate of nominal wages per employee has been on a faster downtrend (Chart 20[1]). In detail, overtime payments and special payments have declined at a much faster pace, and regular payments have fallen noticeably below the previous year's level, mainly reflecting the decrease in the number of operating days, especially in the manufacturing industry.

Employee income has decreased at a faster pace on a year-on-year basis, reflecting the aforementioned developments in employment and wages (Chart 20[3]).

Looking ahead, employee income is likely to continue declining for the time being due to lagged effects of the earlier substantial decrease in corporate profits and production.¹²

¹¹ The decline in the number of employees has still remained marginal compared with the drop in economic activities. This can be attributed to efforts to maintain employment through the use of the Employment Adjustment Subsidy, whose conditions to grant subsidies have been eased as part of an economic measure. The number of applications for the subsidy in March rose sharply to 2.38 million employees, which is about 4.5 percent of all employees.

¹² As for summer bonuses among main firms, according to a survey by The Institute of Labor Administration (results as of April 14, 140 firms), the year-on-year rate of increase decreased by 14.4 percent, and a survey by the Nihon Keizai Shimbun, Inc. (results as of April 22, 234 firms)

2. Prices

Import prices (on a yen basis; the three-month rate of change) have turned upward, mainly reflecting the depreciation of the yen and the rise in international commodity prices (Chart 24). International commodity prices have recently risen gradually, after having dropped substantially since last summer. Domestic commodity prices have been more or less flat as a whole, as domestic supply-demand conditions have remained slack, while international commodity prices have risen gradually.

The three-month rate of change in domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter)¹³ has continued to decline due to the earlier fall in international commodity prices and the easing in supply-demand conditions for products, but the pace of decline has been moderating (Chart 25). In detail, prices of "goods sensitive to exchange rates and overseas commodity prices" have turned upward, reflecting price developments of petroleum and coal products and of nonferrous metals. The pace of decline in prices of "other materials" and "others" has moderated respectively. The former has reflected price developments of chemicals and related products, and the latter has reflected those of other manufacturing industry products (such as formula feeds) and of agriculture, forestry and fishery products. On the other hand, prices of "iron and steel and construction goods" have continued to decline as prices of iron and steel have continued to decline, although there have been signs of leveling out of scrap and waste prices. Prices of "machinery" have continued to decline marginally, as prices of information and communications equipment have declined at a faster pace. Meanwhile, prices of "electric power, gas and water" have turned negative, reflecting price developments of electric power charges. Looking at domestic demand products as a whole, including imports, for products such as raw materials, intermediate goods, and finished goods—especially for those that are imported—

showed a decrease of 15.2 percent, on a year-on-year basis. Also, a survey by the Nippon Keidanren (results as of May 20, 67 firms) marked a decrease of 19.4 percent, on a year-on-year basis. All surveys recorded the largest-ever decreases since they were started (The Institute of Labor Administration: 1970, Nihon Keizai Shimbun, Inc.: 1977, Nippon Keidanren: 1959).

¹³ 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.

prices have either declined at a more moderate pace or have turned upward, due to effects of the depreciation of the yen and the rise in international commodity prices.

The year-on-year rate of change in corporate services prices (excluding external factors)¹⁴ has lately been marginally negative (Chart 26), mainly reflecting cost cutting among firms.¹⁵ 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 pace 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 change in prices of financial services has become negative 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 caused by the decrease in sales. The pace of increase in prices of "other services" has shown a slight diminishing trend compared to a while ago, in response to cost cutting among firms. Meanwhile, prices of leasing and rental have increased marginally lately, 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 around 0 percent, mainly reflecting the declines in the prices of petroleum products and the stabilization of food prices (Chart 27). In detail, looking at the recent trend in price developments, the pace of decrease in prices of goods has shown an accelerating trend as a whole, mainly because prices of petroleum products decreased at a faster pace and those of food products increased at a moderated pace. The pace of increase in prices of general services has been slowing as a whole, reflecting the moderation in the pace of increase in prices of

¹⁴ "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.

¹⁵ "All items including external factors"—mainly ocean freight transportation—has decreased significantly on a year-on-year basis. Recently, a periodic revision was implemented on the Corporate Services Price Index, and figures based on "all items including external factors" were revised by a range of -0.1 to 0.2 % point for the period of October 2007 to January 2009.

package tours to overseas and "eating out," and the drop in rents. Public utility charges—mainly electricity charges and city gas charges—have been increasing at a faster pace. Meanwhile, the year-on-year rate of change in consumer prices, excluding food and energy, has been marginally negative lately.

Domestic corporate goods prices are likely to continue decreasing gradually for the time being, as supply-demand conditions for products are likely to remain slack. 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.

Meanwhile, looking at developments in land prices in terms of the *Urban Land Price Index*, prices of both commercial and residential land have declined at a faster pace for the six major cities and other cities compared to six months ago (Chart 28).

3. Financial Developments

(1) Financial Markets

Japan's money markets have continued to be nervous. The overnight call rate (uncollateralized) has been at around 0.1 percent (Chart 29[1]). Regarding interest rates on term instruments, the T-Bill rate (3-month) has been stable due to increased investments from banks since the start of the new fiscal year, although market concerns have continued over worsening 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 still remained at a high level relative to OIS rates, which mainly reflect expectations about future policy interest rates (Chart 30[1]). Interest rates on Euroyen futures have suggested that term funding rates may remain more or less flat for the time being (Chart 29[2]). In U.S. dollar funding, liquidity conditions have remained tight, despite their improving trend, reflecting the uncertainty about future business conditions among U.S and European financial institutions (Chart 30).

Yields on 10-year government bonds (newly issued 10-year JGB) have shown marginal changes compared to those in the United States and Europe. The yields inched up through the start of the new fiscal year, reflecting the rebound in stock prices and outlook for an increased issue size of JGBs. They have recently been more or less flat, in the range of 1.40-1.45 percent (Chart 31).

Yield spreads between corporate bonds and government bonds have been narrowing moderately for those with high credit ratings due to the inflow of investment funds of the new fiscal year. Spreads for those with low credit ratings and those of some industries, on the other hand, have remained high, reflecting the selective stance among investors toward bond issues for investment (Chart 32).

Stock prices have moved in line with U.S. and European stock prices. The Nikkei 225 Stock Average rose to around 9,500 yen at the beginning of May, and is currently moving in the range of 9,000-9,500 yen (Chart 33).

In the foreign exchange market, the yen has fluctuated against the U.S. dollar, mainly in response to U.S. economic indicators. The yen has recently risen to the 94-95 yen level, due to U.S. fiscal issues and deteriorated consumption indicators (Chart 34).

(2) Corporate Finance and Monetary Aggregates

It seems that funding costs have remained more or less unchanged, at low levels, as the overnight call rate has remained at an extremely low level. The average contracted interest rates on new loans and discounts, after declining in January, remained more or less unchanged in February compared with the previous month (Chart 36). Issuance rates on corporate bonds, which had risen gradually, have lately been more or less flat. Meanwhile, issuance rates on CP have declined, especially for firms with high credit ratings, in response to various policy measures. The average issuance rate on three-month CP with ratings of A-1 or higher was 0.45 percent in April, following 0.84 percent in February, and 0.66 percent in March.

The funding of the private sector has increased in response partly to firms' demands to cover declines in cash inflow. Lending by private banks has continued

to increase rapidly (Chart 37). Although the amount outstanding of CP issued has decreased reflecting receding demand for additional liquidity especially among large firms, the amount outstanding of corporate bonds issued has continued to exceed the previous year's level (Chart 38).

Despite the increase in funding of the private sector, a number of firms have reported that their financial positions are weak, and lending attitudes of financial institutions are severe (Chart 35). Firms with low credit ratings and those in some industries have continued to face difficulties in issuing corporate bonds. Under such circumstances, the number of corporate bankruptcies has remained at an elevated level (Chart 40).

The money stock (M2) has increased to around 2.5 percent, year-on-year. Its April reading was 2.6 percent on a year-on-year basis, following 2.2 percent in March (Chart 39).¹⁶

¹⁶ On an M3 basis, which includes the Japan Post Bank, the year-on-year growth rate has increased compared with last month—it increased by 1.7 percent in April following a 1.3 percent increase in March. Broadly-defined liquidity has continued to be below the previous year's level. It declined by 0.2 percent in March, year-on-year, although the tentative reading for April was nearly zero.

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Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2008/Q3	Q4	2009/Q1	2009/Jan.	Feb.	Mar.	Apr.
Index of consumption expenditure level (two-or-more-person households)	-0.4	-0.3	1.0	1.5	0.3	0.1	n.a.
Sales at department stores	-2.1	-3.1	-3.9	-1.0	-0.5	-4.0	n.a.
Sales at supermarkets	-0.2	-1.3	-1.3	-0.3	-0.9	0.3	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 277>	< 249>	< 213>	< 221>	< 213>	< 204>	< 218>
Sales of household electrical appliances (real, Current Survey of Commerce)	5.8	-0.0	7.1	7.9	-1.1	3.2	n.a.
Outlays for travel	-1.6	-1.4	-7.3	-5.4	1.3	-2.8	n.a.
Housing starts <s.a., ann. 10,000 units>	< 110>	< 101>	< 90>	< 96>	< 87>	< 89>	<n.a.>
Machinery orders (from private sector ⁴)	-8.9	-15.1	-9.9	-3.8	0.6	-1.3	n.a.
Manufacturing	-10.9	-22.4	-31.1	-27.7	-3.1	21.8	n.a.
Nonmanufacturing ⁴	-8.6	-10.0	4.9	9.2	2.4	-3.1	n.a.
Construction Starts (private, nondwelling use)	0.2	-7.7	-0.6	2.3	-9.3	-14.5	n.a.
Mining & manufacturing	10.0	-2.8	-28.2	-37.5	-6.5	11.2	n.a.
Nonmanufacturing ⁵	-1.2	-11.9	11.4	23.6	-9.4	-19.2	n.a.
Value of public works contracted	4.6	-1.4	3.7	6.2	1.0	2.6	11.8
Real exports	1.0	-14.6	-28.8	-17.5	-3.6	0.0	n.a.
Real imports	1.7	0.7	-17.9	-7.7	-14.5	1.5	n.a.
Industrial production	-3.2	-11.3	-22.1	-10.1	-9.4	1.6	n.a.
Shipments	-3.0	-11.0	-21.0	-10.8	-6.1	1.5	n.a.
Inventories	1.4	1.9	-9.0	-1.5	-4.2	-3.6	n.a.
Inventory Ratio <s.a., CY 2005 = 100>	< 109.3>	< 132.1>	< 150.1>	< 150.3>	< 158.5>	< 150.1>	<n.a.>
Real GDP	-0.6	-3.8	-4.0	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	-0.8	-3.4	n.a.	-1.7	-2.0	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2008/Q3	Q4	2009/Q1	2009/Jan.	Feb.	Mar.	Apr.
Ratio of job offers to applicants <s.a., times>	< 0.85>	< 0.76>	< 0.59>	< 0.67>	< 0.59>	< 0.52>	<n.a.>
Unemployment rate <s.a., %>	< 4.0>	< 4.0>	< 4.5>	< 4.1>	< 4.4>	< 4.8>	<n.a.>
Overtime working hours ⁶	-1.1	-6.6	-19.7	-14.4	-21.7	-22.7	n.a.
Number of employees	0.1	0.0	-0.3	0.1	0.0	-0.9	n.a.
Number of regular employees ⁶	1.4	1.0	0.6	0.9	0.5	0.5	n.a.
Nominal wages per person ⁶	-0.4	-1.2	-3.0	-2.7	-2.4	-3.9	n.a.
Domestic corporate goods price index <q/q % chg., 3-month rate of change> ⁷	7.3 < 2.9>	2.6 <-3.8>	-1.8 <-3.2>	-0.9 <-4.4>	-1.8 <-3.0>	-2.5 <-2.2>	p -3.8 <p -1.1>
Consumer price index ⁸	2.3	1.0	-0.1	0.0	0.0	-0.1	n.a.
Corporate services price index	1.1	-2.1	p -2.4	-2.5	-2.6	p -2.1	n.a.
Money Stock (M2) <average outstanding, y/y % chg.>	2.2	1.8	2.1	2.0	2.1	2.2	p 2.6
Number of corporate bankruptcies <cases per month>	<1,345>	<1,356>	<1,405>	<1,360>	<1,318>	<1,537>	<1,329>

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

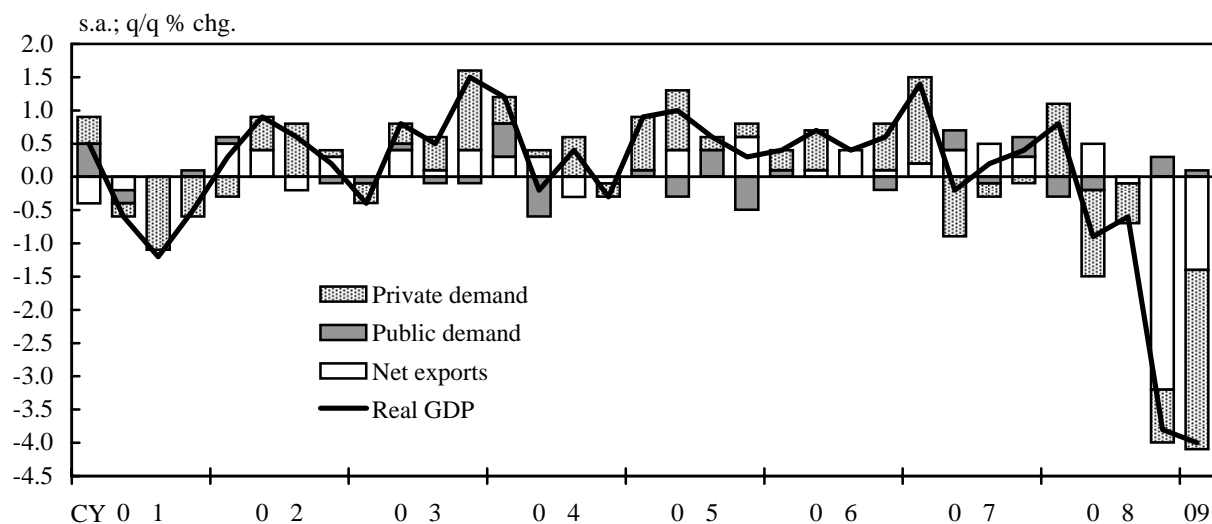
All figures in Chart 2 except figures in angle brackets are year-on-year changes. For details on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes of the respective charts.

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

Real GDP and Indexes of Business Conditions

(1) Real GDP



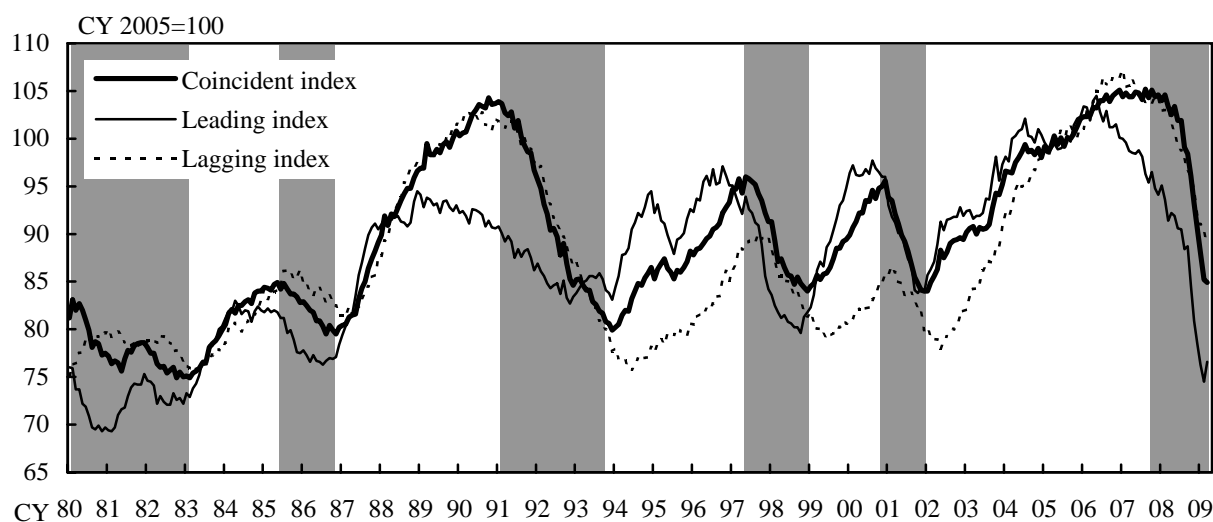
(2) Components

s.a.; q/q % chg.

	2008				2009
	Q1	Q2	Q3	Q4	Q1
Real GDP	0.8	-0.9	-0.6	-3.8	-4.0
Domestic demand	0.8	-1.4	-0.6	-0.6	-2.6
Private demand	1.1	-1.3	-0.6	-0.8	-2.7
Private consumption	0.8	-0.5	0.1	-0.4	-0.6
Non-Resi. investment	0.3	-0.5	-0.7	-1.0	-1.6
Residential investment	0.1	-0.1	0.1	0.2	-0.2
Private inventory	-0.1	-0.2	-0.0	0.5	-0.3
Public demand	-0.3	-0.2	-0.0	0.3	0.1
Public investment	-0.2	-0.0	0.0	-0.0	-0.0
Net exports of goods and services	0.0	0.5	-0.1	-3.2	-1.4
Exports	0.4	-0.1	0.2	-2.8	-4.2
Imports	-0.4	0.7	-0.2	-0.5	2.7
Nominal GDP	1.3	-2.1	-1.5	-1.6	-2.9

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

(3) Indexes of Business Conditions (Composite Indexes)

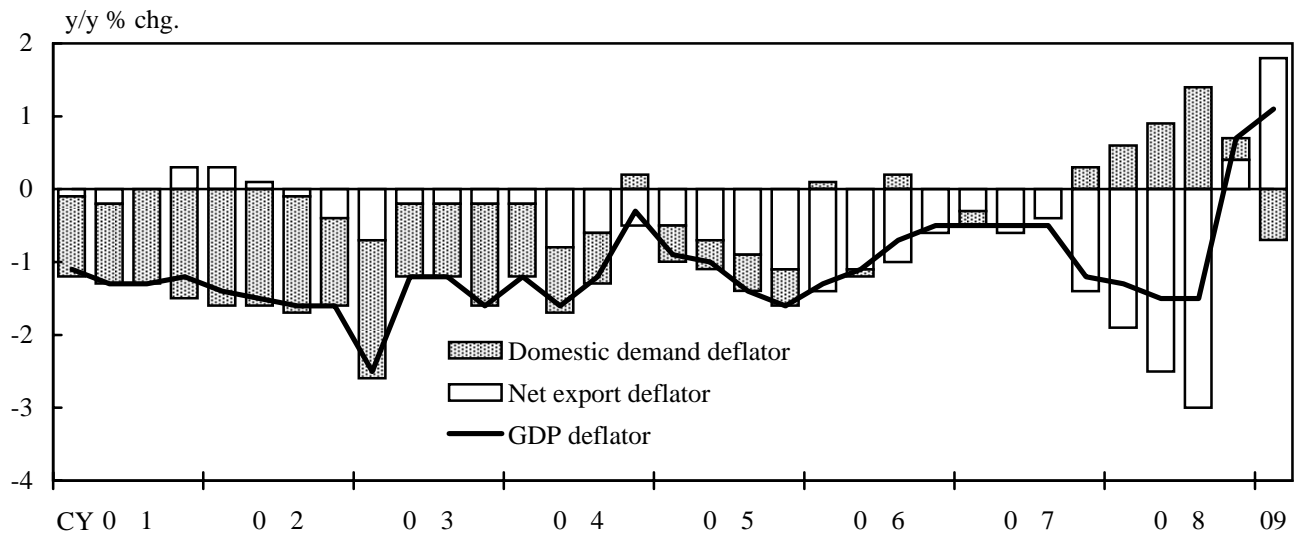


Note: Shaded areas indicate recession periods.

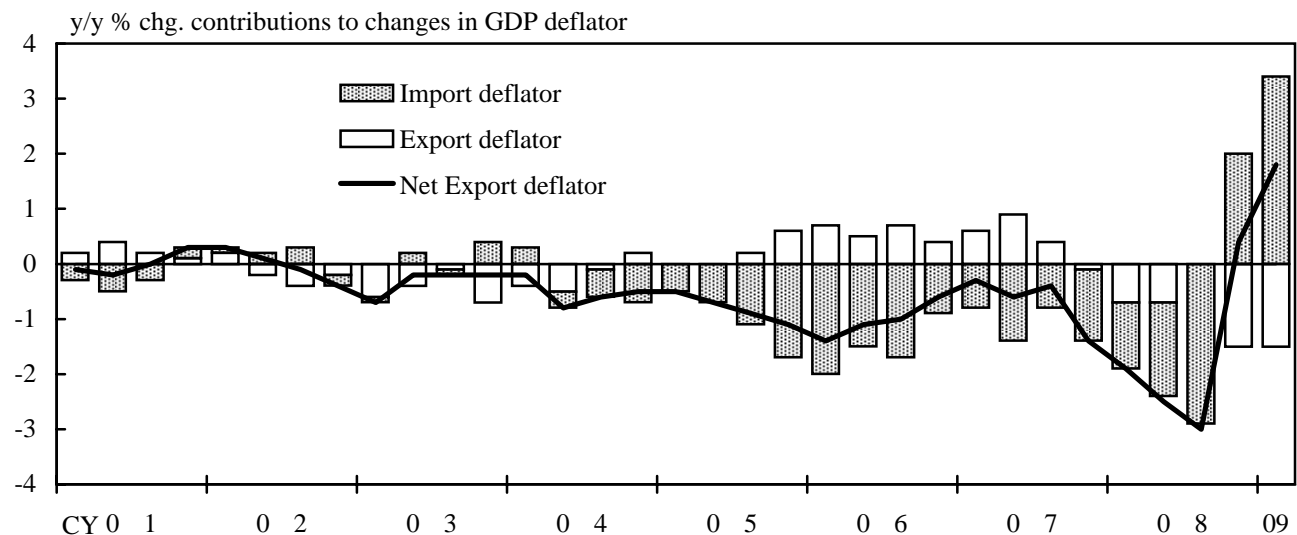
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

GDP Deflator and Income Formation

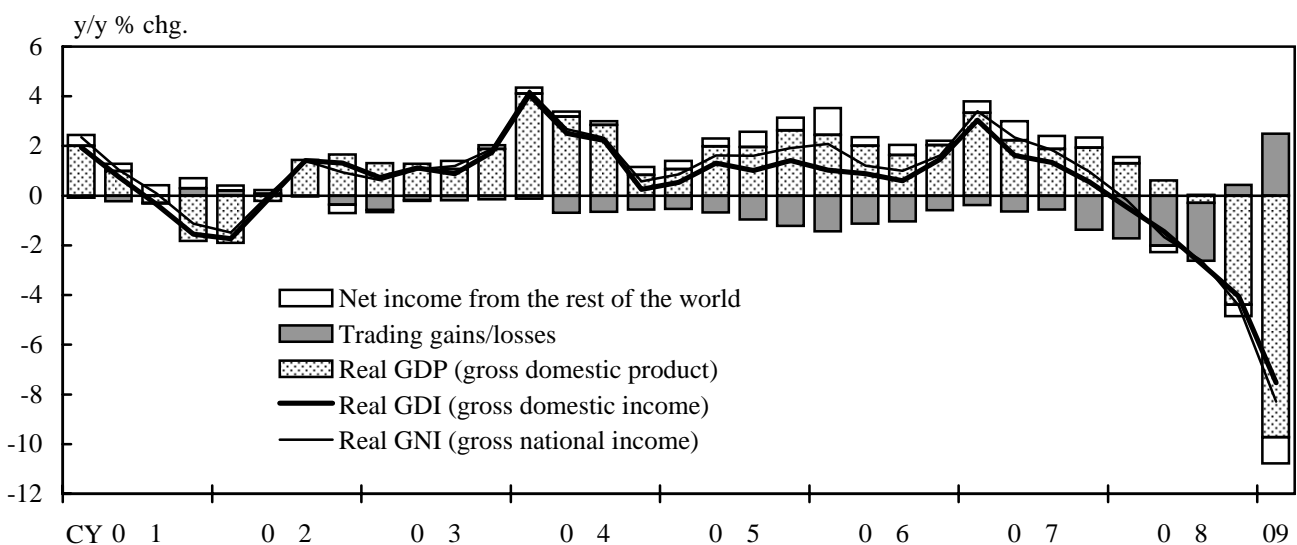
(1) GDP Deflator



(2) Net Export Deflator



(3) Aggregate Income Formation



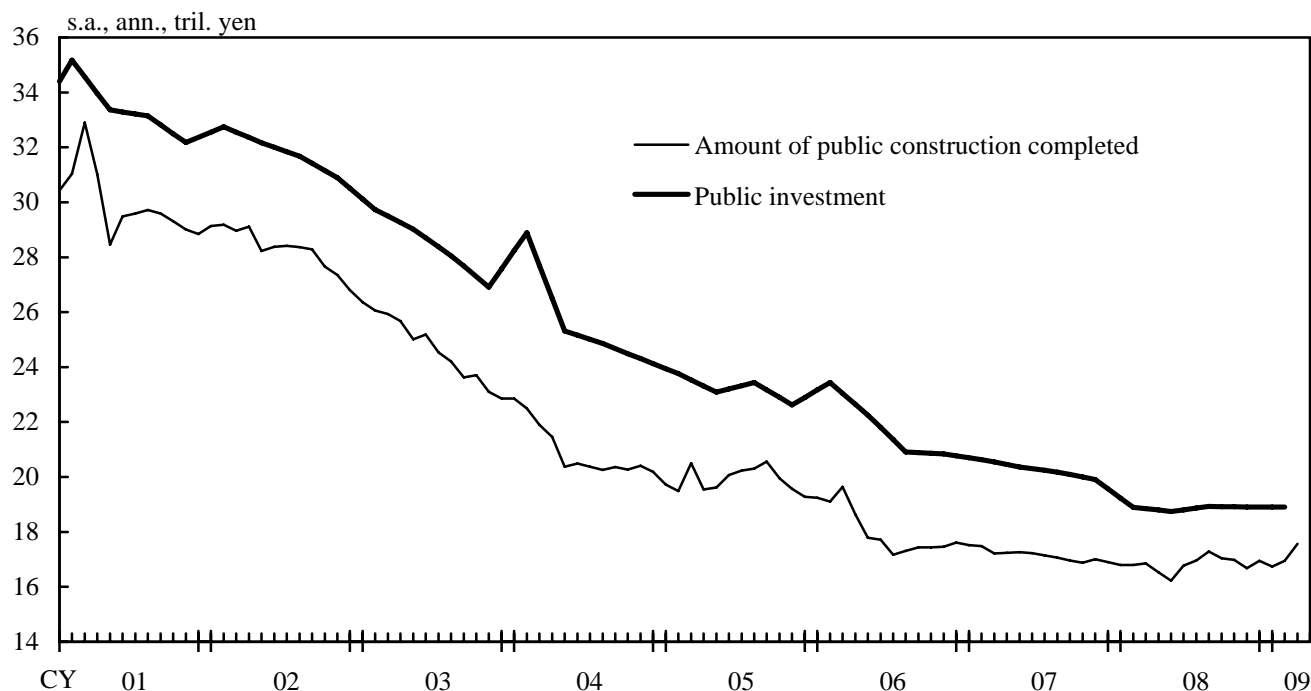
Note: Figures of components indicate contributions to changes in real GNI.

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

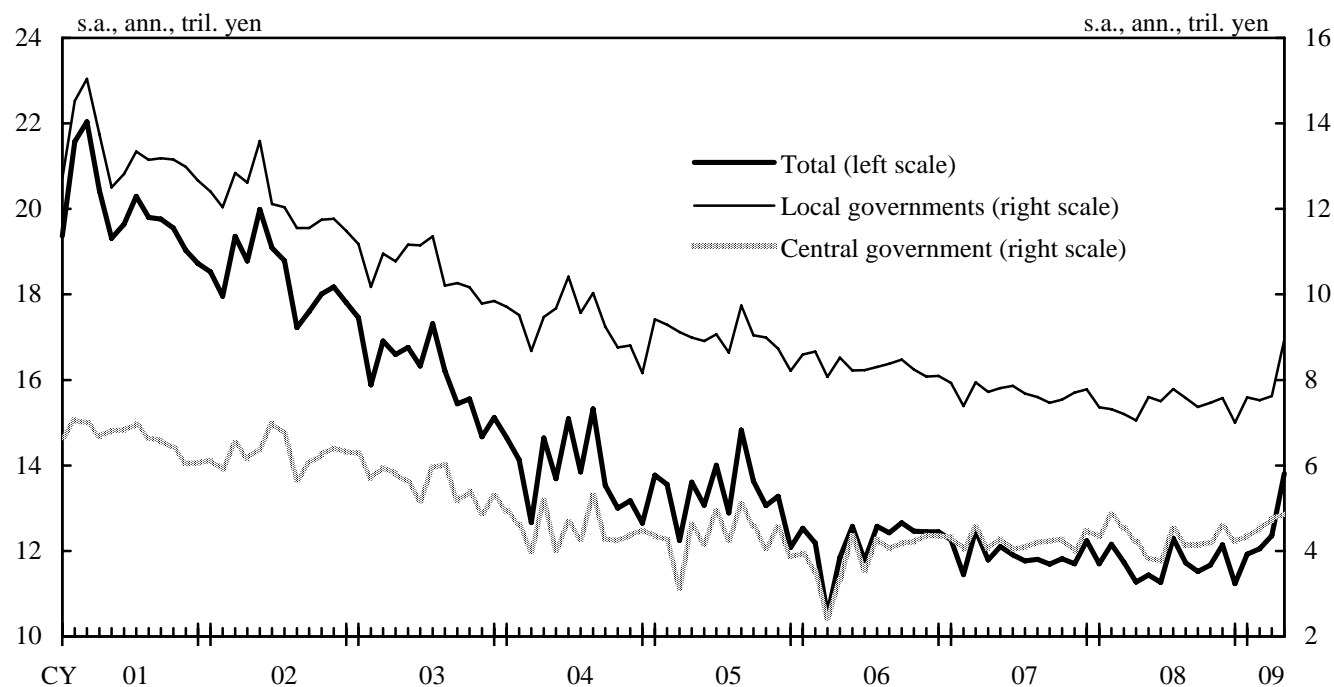
Source: Cabinet Office, "National Accounts."

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.

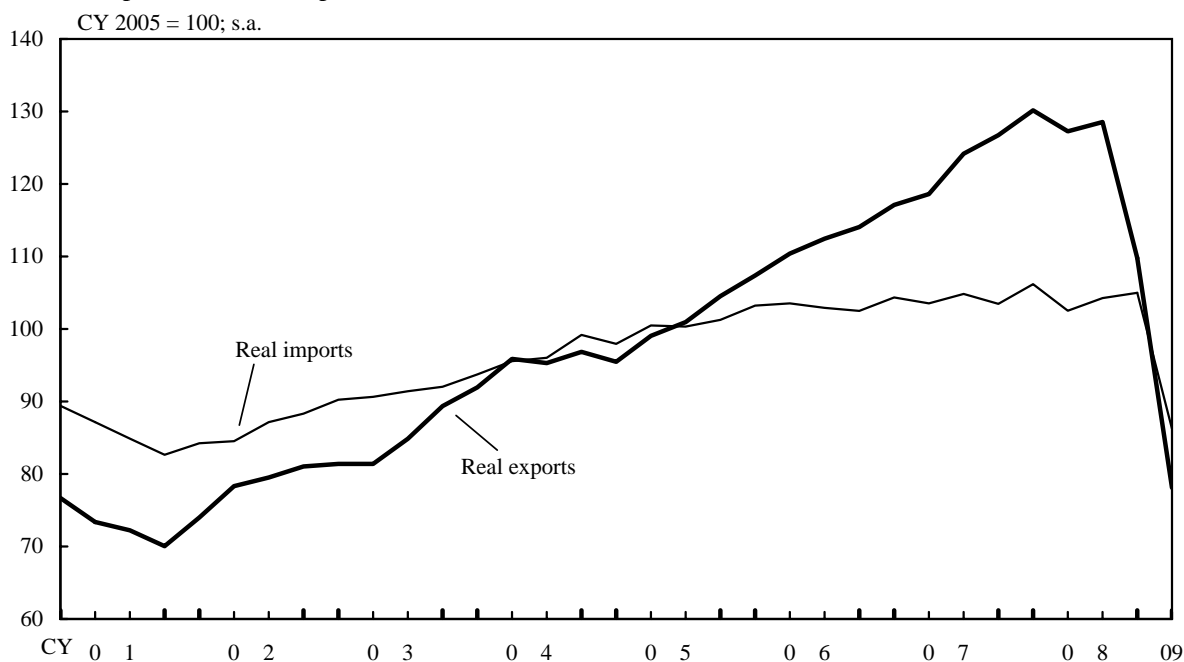
Sources: Cabinet Office, "National Accounts";

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

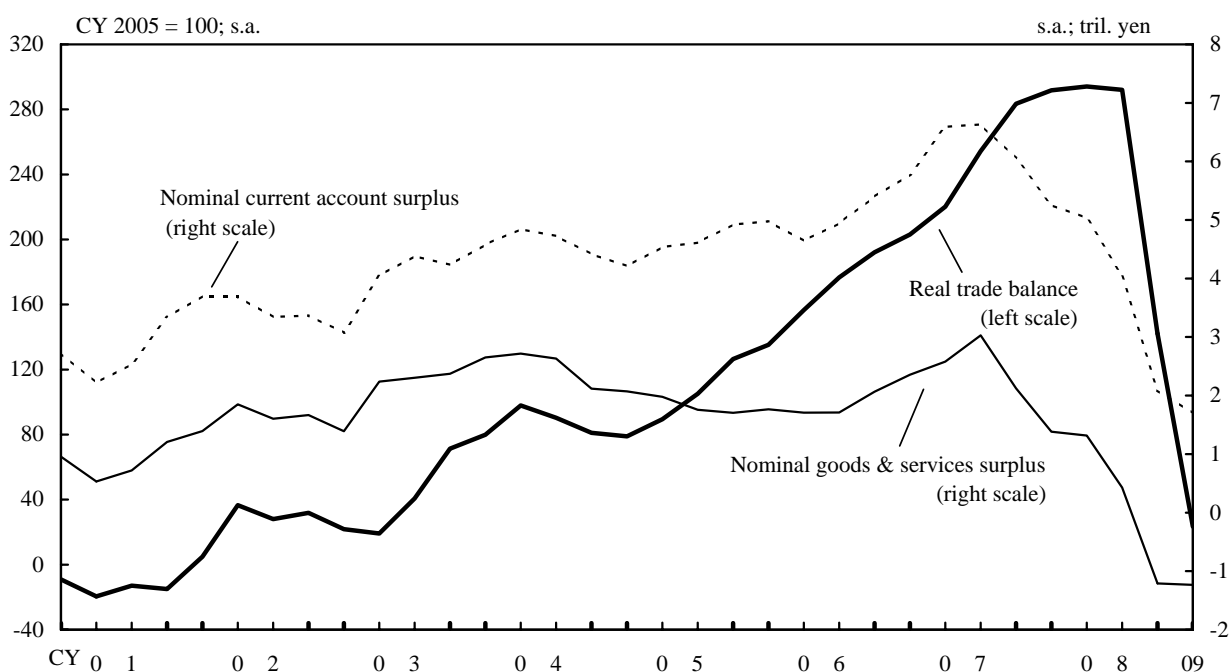
Ministry of Land, Infrastructure, Transport and Tourism, "Integrated Statistics on Construction Works."

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.

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 2007	2008	2008 Q1	Q2	Q3	Q4	2009 Q1	2009 Jan.	Feb.	Mar.
United States	<17.5>	-1.2	-8.9	0.9	-7.2	-4.9	-9.0	-35.7	-30.6	-7.4	5.3
EU	<14.1>	13.0	-0.1	7.6	-7.8	-2.8	-17.2	-27.0	-6.1	-12.0	-10.2
East Asia	<46.8>	9.9	3.3	5.3	-2.5	-0.4	-15.6	-22.2	-12.6	3.7	0.9
China	<16.0>	16.8	6.7	6.6	-0.0	-1.3	-14.8	-17.1	-6.4	6.8	0.7
NIEs	<22.1>	5.2	-0.1	4.7	-4.8	0.8	-18.4	-22.4	-16.6	8.5	-1.4
Korea	<7.6>	5.3	-0.3	4.0	-4.8	2.2	-21.6	-13.6	-3.9	4.3	0.1
Taiwan	<5.9>	0.0	-4.4	9.0	-9.0	-2.5	-21.9	-19.8	-12.8	9.0	5.8
ASEAN ⁴	<8.8>	11.4	6.3	4.4	-1.1	-1.5	-9.9	-30.7	-13.8	-13.7	8.1
Thailand	<3.8>	9.8	4.9	7.0	-5.4	1.2	-6.6	-36.1	-22.2	-12.8	-1.9
Others	<21.5>	20.4	16.1	5.7	-0.9	1.9	-7.9	-30.6	-14.4	-13.5	-9.7
Real exports		9.1	1.8	2.7	-2.2	1.0	-14.6	-28.8	-17.5	-3.6	0.0

(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	2009 Jan.	Feb.	Mar.
Intermediate goods	<18.9>	5.3	0.3	1.6	-4.4	0.8	-8.2	-16.5	-6.6	-1.7	10.1
Motor vehicles and their related goods	<23.8>	13.2	3.2	1.7	-3.7	-1.4	-14.5	-50.5	-38.0	-11.7	-0.3
Consumer goods ⁴	<4.1>	6.4	3.5	4.9	0.9	-4.4	-12.1	-26.9	-20.0	1.0	-5.5
IT-related goods ⁵	<10.2>	12.2	0.7	1.2	2.7	-0.3	-20.8	-26.0	-17.4	6.3	4.7
Capital goods and parts ⁶	<28.3>	8.0	5.2	4.6	-0.7	-1.0	-9.9	-26.4	-17.5	-1.7	-8.8
Real exports		9.1	1.8	2.7	-2.2	1.0	-14.6	-28.8	-17.5	-3.6	0.0

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

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.

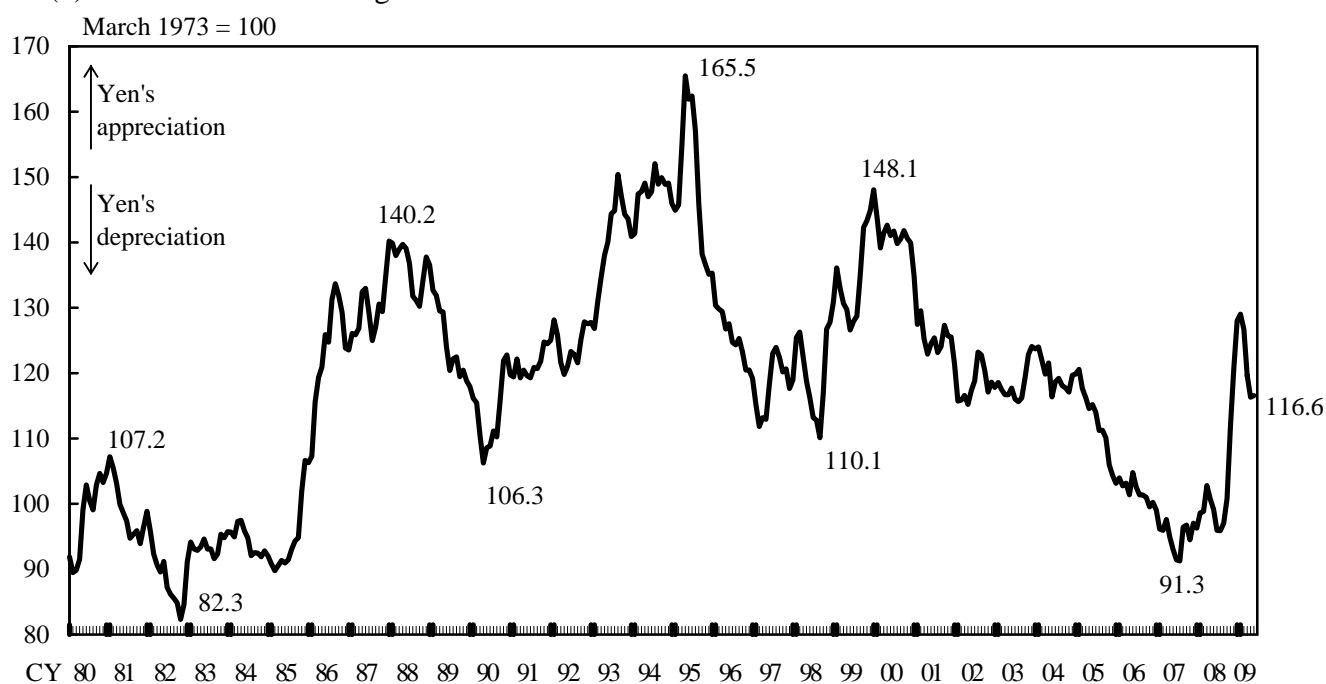
5. IT-related goods are composed of computers and units, telecommunication machinery, ICs, and medical and optical instruments.

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

Sources: Ministry of Finance, "Trade Statistics"; 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 May 2009 is the average up to May 21.

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 Q2	Q3	Q4	2009 Q1	
United States ¹		2.8	2.0	1.1	2.8	-0.5	-6.3	-6.1	
European Union ¹		3.1	2.9	0.9	-0.5	-1.2	-5.9	-9.6	
	Germany	3.0	2.5	1.3	-2.0	-2.1	-8.6	-14.4	
	France	2.4	2.3	0.3	-1.6	-0.7	-5.7	-4.7	
	United Kingdom	2.8	3.0	0.7	-0.1	-2.8	-6.1	-7.4	
East Asia ²	China	11.6	13.0	9.0	10.1	9.0	6.8	6.1	
	NIEs	Korea	5.2	5.1	2.2	4.3	3.1	-3.4	-4.3
		Taiwan	4.8	5.7	0.1	4.6	-1.0	-8.6	-10.2
		Hong Kong	7.0	6.4	2.4	4.1	1.5	-2.6	-7.8
		Singapore	8.4	7.8	1.1	2.5	0.0	-4.2	-10.1
	ASEAN4	Thailand	5.2	4.9	2.6	5.3	3.9	-4.3	n.a.
		Indonesia	5.5	6.3	6.1	6.4	6.4	5.2	4.4
		Malaysia	5.8	6.3	4.6	6.7	4.7	0.1	n.a.
Philippines		5.4	7.2	4.6	4.4	5.0	4.5	n.a.	

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	2009 Jan.	Feb.	Mar.
United States	<10.2>	-1.5	-2.6	1.2	-4.6	1.1	-2.7	-14.3	-10.2	-1.6	-0.9
EU	<9.2>	4.0	-3.0	0.4	-0.3	-3.4	-2.3	-10.4	0.4	-12.5	-5.8
East Asia	<37.9>	3.1	2.3	4.9	-2.3	1.1	-0.2	-17.6	-4.9	-17.2	5.8
China	<18.8>	5.7	4.3	4.8	-0.7	3.1	-1.2	-15.1	0.0	-23.5	14.7
NIEs	<8.0>	-3.8	-1.2	5.1	-4.1	-0.9	-6.3	-20.5	-10.9	-3.2	-6.6
Korea	<3.9>	-3.3	-5.4	4.9	-9.5	-1.1	-6.6	-20.5	-15.4	0.4	-6.8
Taiwan	<2.9>	-3.0	3.5	5.4	1.2	0.2	-6.4	-21.9	-4.1	-11.3	-4.3
ASEAN4 ³	<11.1>	4.5	1.1	5.0	-3.9	-1.5	7.5	-20.6	-10.4	-13.5	-1.7
Thailand	<2.7>	4.4	2.3	5.4	-3.6	2.5	-1.9	-21.8	-12.6	-8.1	-6.1
Others	<42.7>	0.2	2.0	3.3	-4.1	2.0	3.2	-18.7	-8.1	-14.0	-5.2
Real imports		0.7	0.2	2.6	-3.5	1.7	0.7	-17.9	-7.7	-14.5	1.5

(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	2009 Jan.	Feb.	Mar.
Raw materials ⁴	<42.0>	0.7	1.0	3.2	-5.9	1.9	4.4	-20.3	-9.7	-14.3	-5.7
Intermediate goods	<14.1>	2.0	1.7	0.2	1.9	0.9	4.3	-19.1	-3.0	-21.3	-0.8
Foodstuffs	<7.9>	-9.6	-3.6	1.1	0.6	2.0	11.3	-3.0	-2.5	-2.1	-2.7
Consumer goods ⁵	<6.9>	-0.1	-2.7	0.0	-1.4	0.6	-2.7	-16.4	0.0	-29.9	24.2
IT-related goods ⁶	<9.5>	4.2	4.3	7.6	-1.5	1.0	-7.9	-17.0	-8.5	-6.2	1.4
Capital goods and parts ⁷	<11.2>	8.5	2.8	4.6	-3.0	0.6	-9.2	-18.7	-7.0	-11.5	-1.9
Excluding aircraft	<10.5>	7.9	3.6	2.7	0.4	-2.4	-4.5	-23.7	-4.6	-19.5	1.0
Real imports		0.7	0.2	2.6	-3.5	1.7	0.7	-17.9	-7.7	-14.5	1.5

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

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.

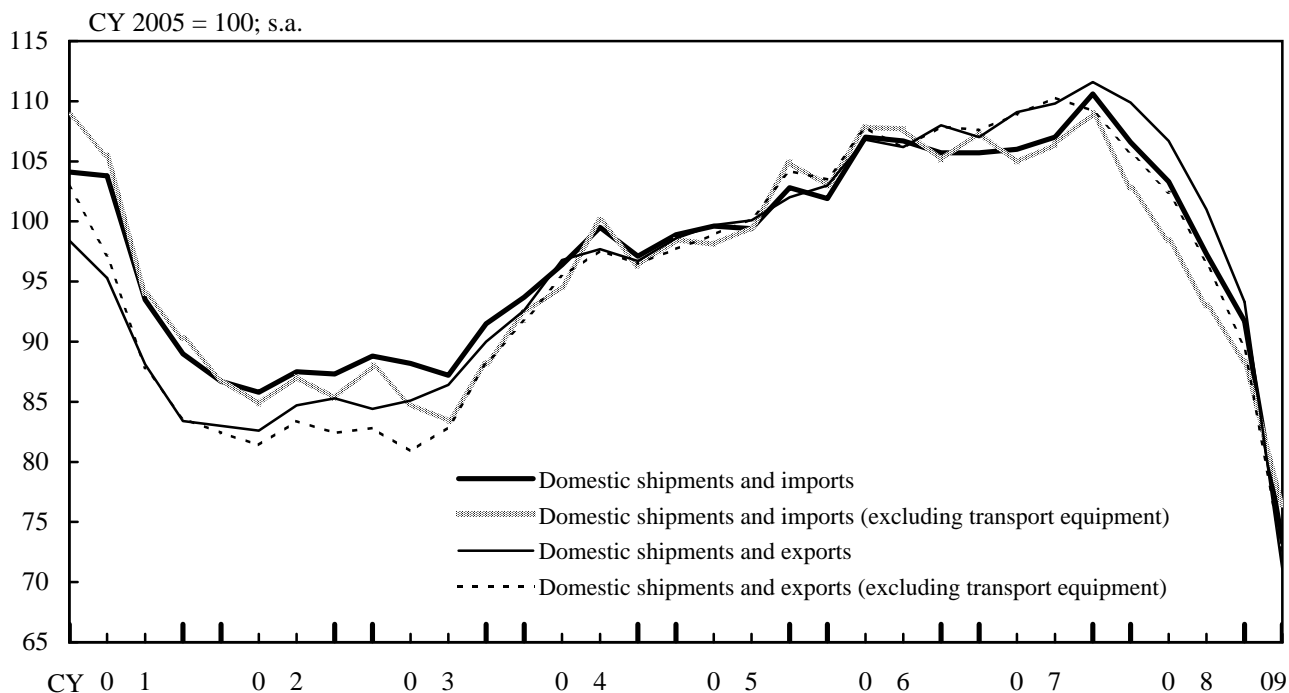
6. IT-related goods are composed of computers and units, parts of computer, telecommunication machinery, ICs, and medical and optical instruments.

7. Excludes IT-related goods.

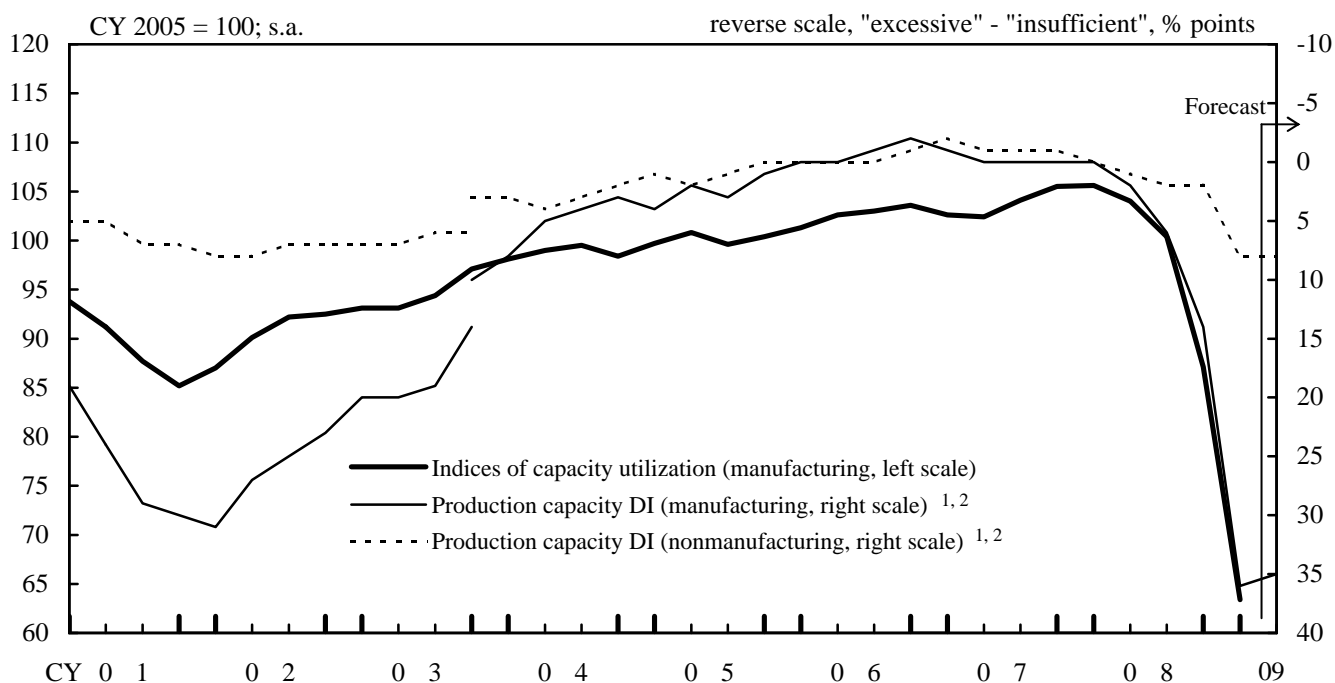
Sources: Ministry of Finance, "Trade Statistics"; Bank of Japan, "Corporate Goods Price Index."

Coincident Indicators for Business Fixed Investment

(1) Aggregate Supply and Shipments of Capital Goods



(2) Indices of Capacity Utilization and Production Capacity DI



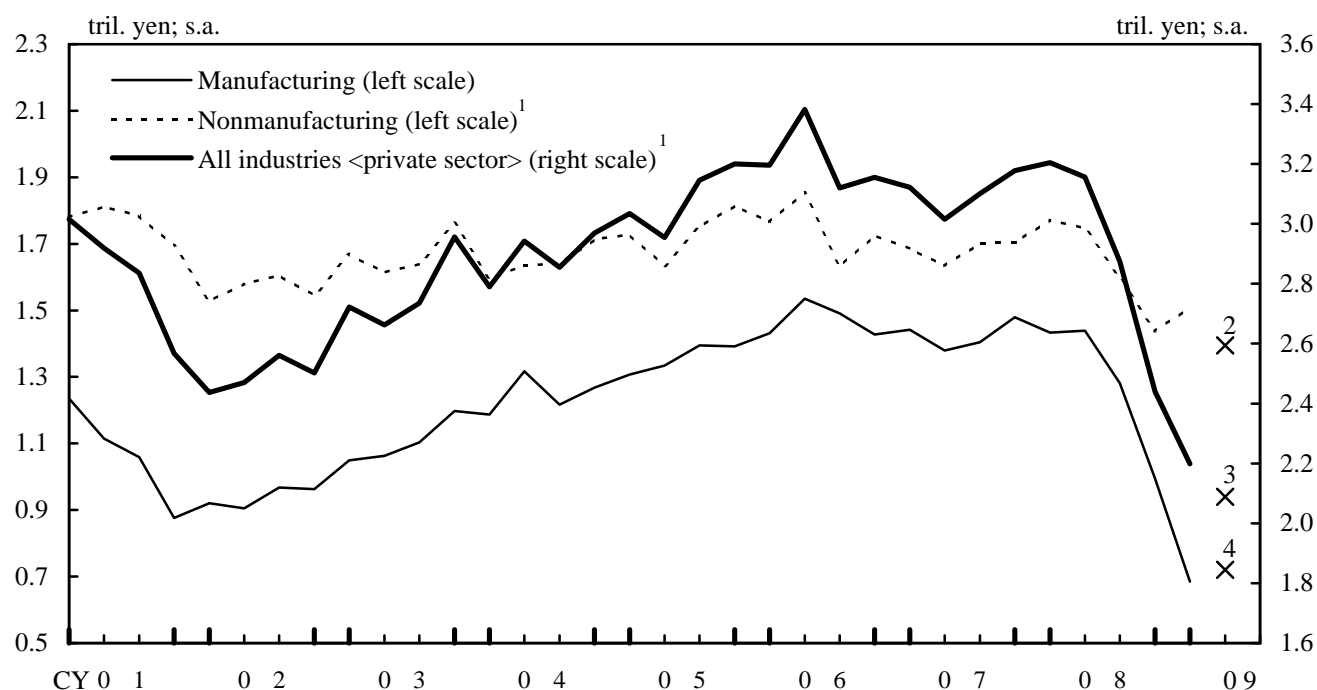
Notes: 1. Production capacity DIs are those of all enterprises.

2. 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.

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



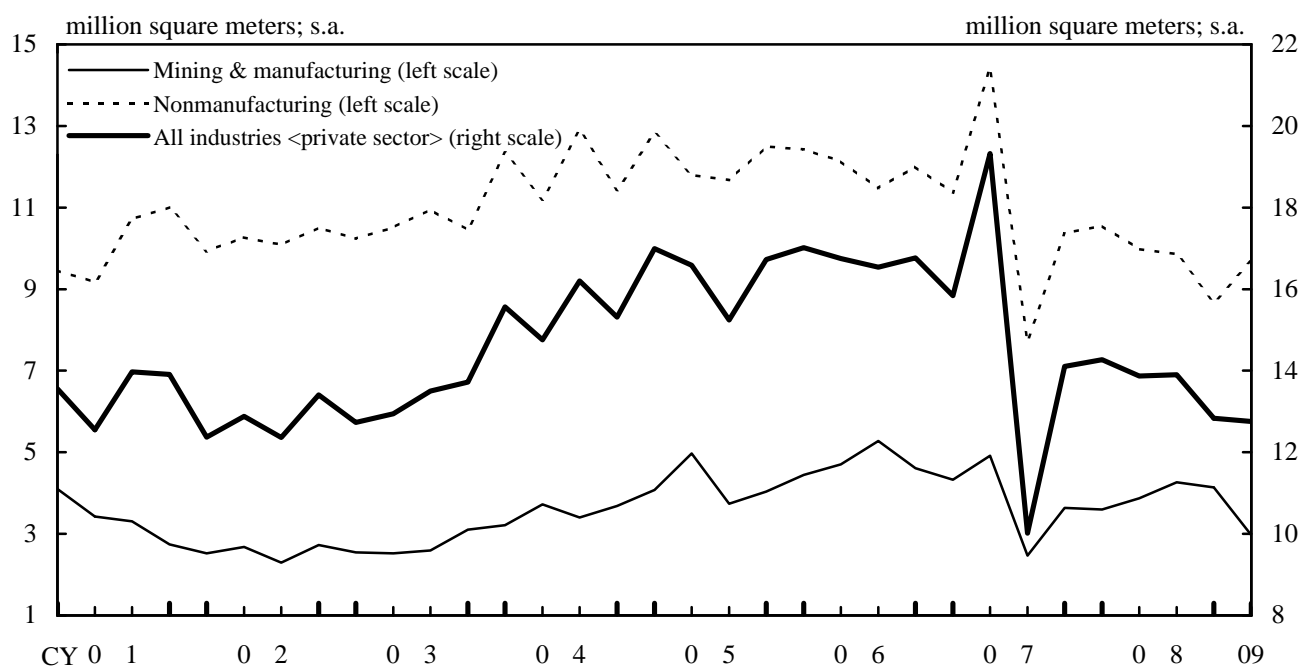
Notes: 1. Excludes orders of shipbuilding and orders from electric power companies.

2. Forecast of nonmanufacturing industries for 2009/Q2.

3. Forecast of all industries <private sector> for 2009/Q2.

4. Forecast of manufacturing industries for 2009/Q2.

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



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

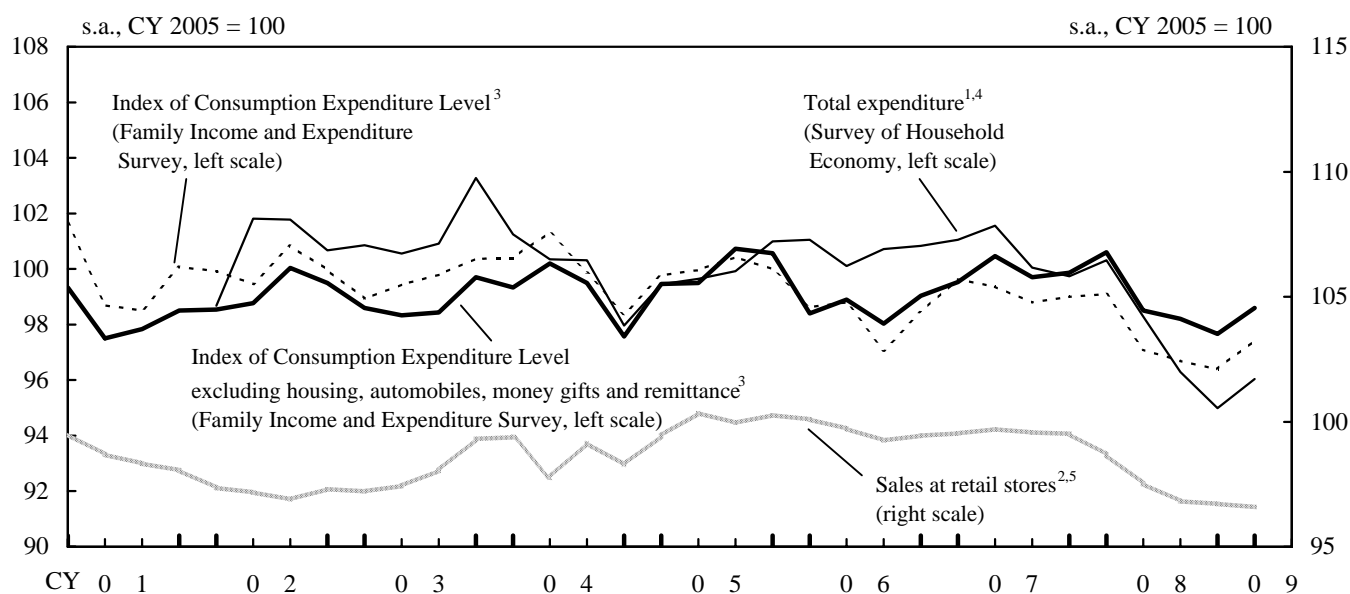
2. Because the Standard Industrial Classification for Japan was revised in March 2002, the industry classification for newspaper publishing and publishing business was changed from mining and manufacturing to nonmanufacturing. Accordingly, the data up to FY 2002 were adjusted by using a link coefficient.

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

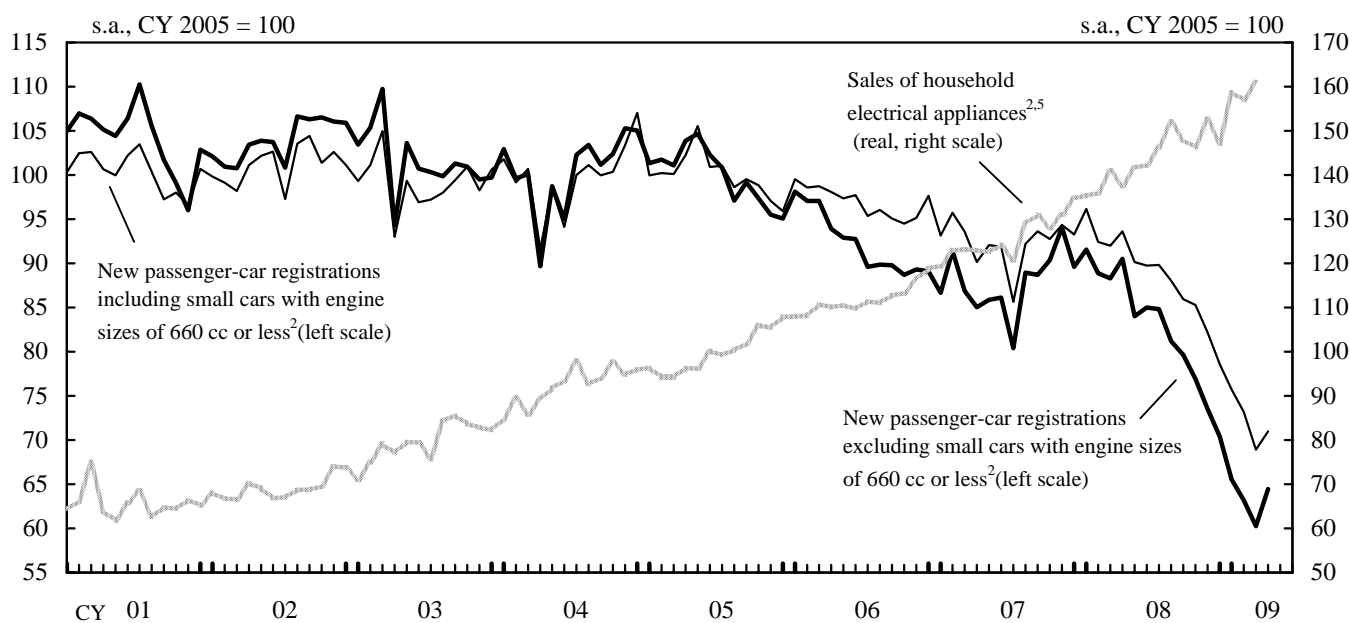
Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts."

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.

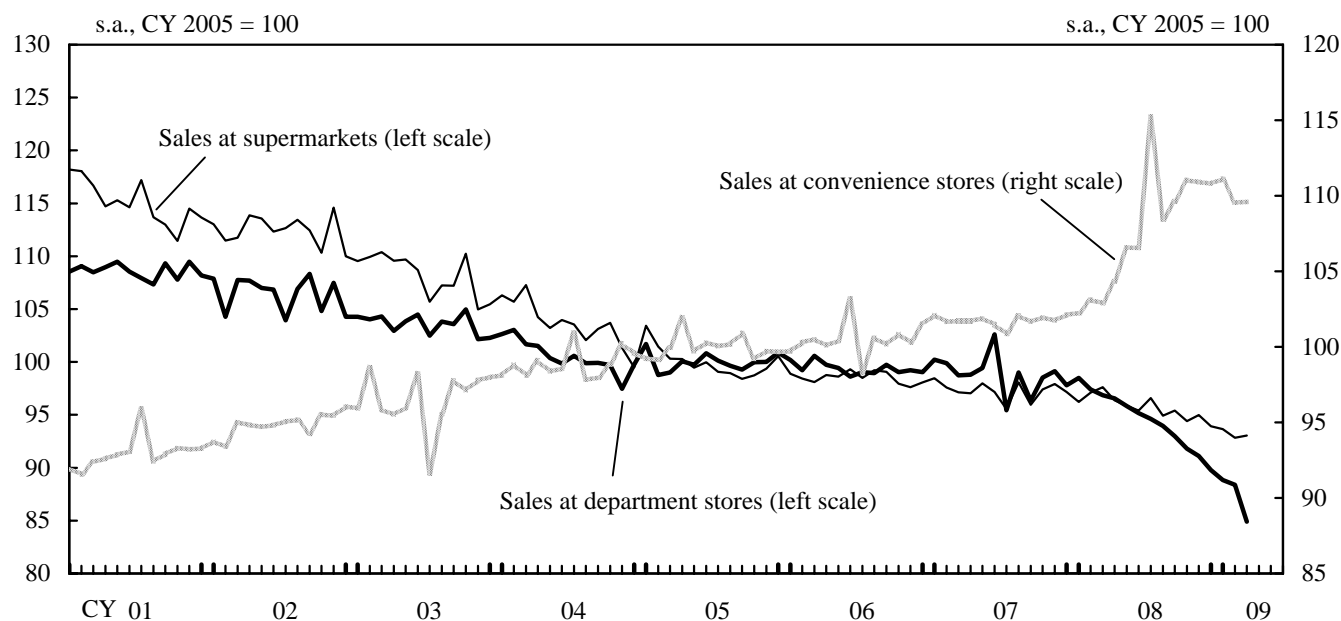
3. Index of consumption expenditure level is based on two-or-more-person households, and is adjusted by the distribution of household by number of household members and age group of household head.

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

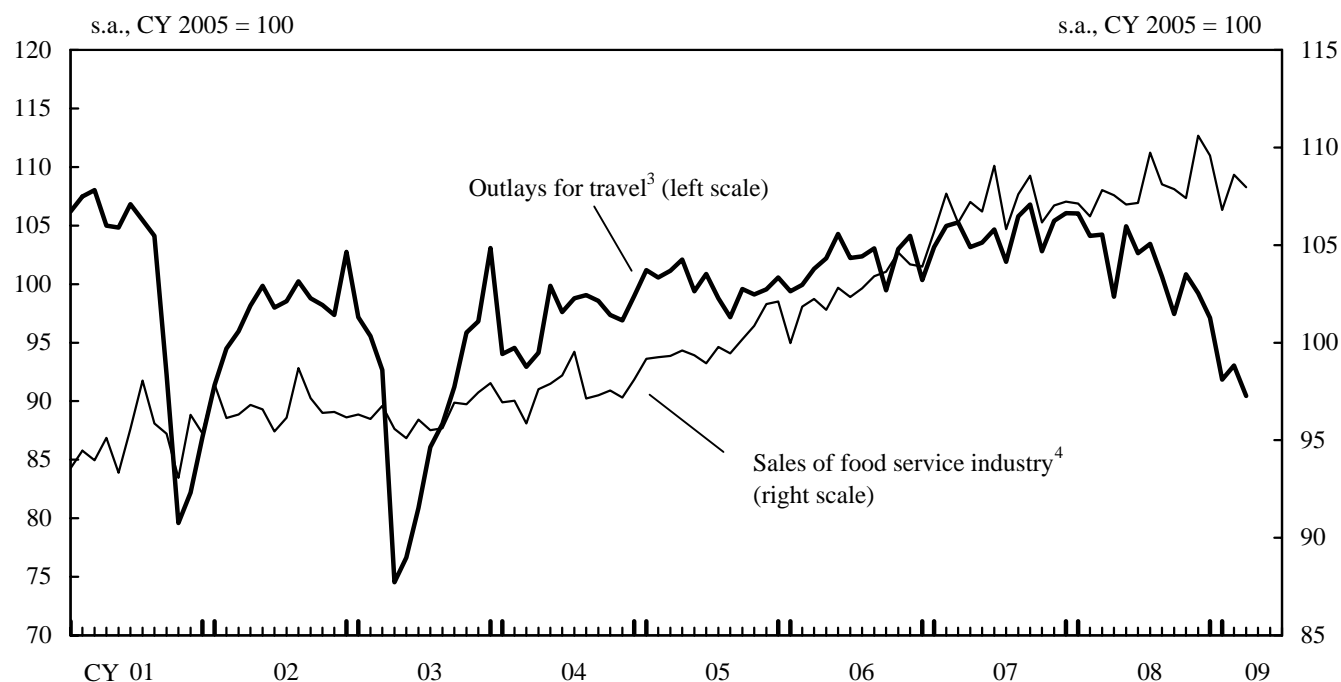
5. Sales at retail stores are deflated by the consumer price index for goods (excluding electricity, gas & water charges).

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).

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";

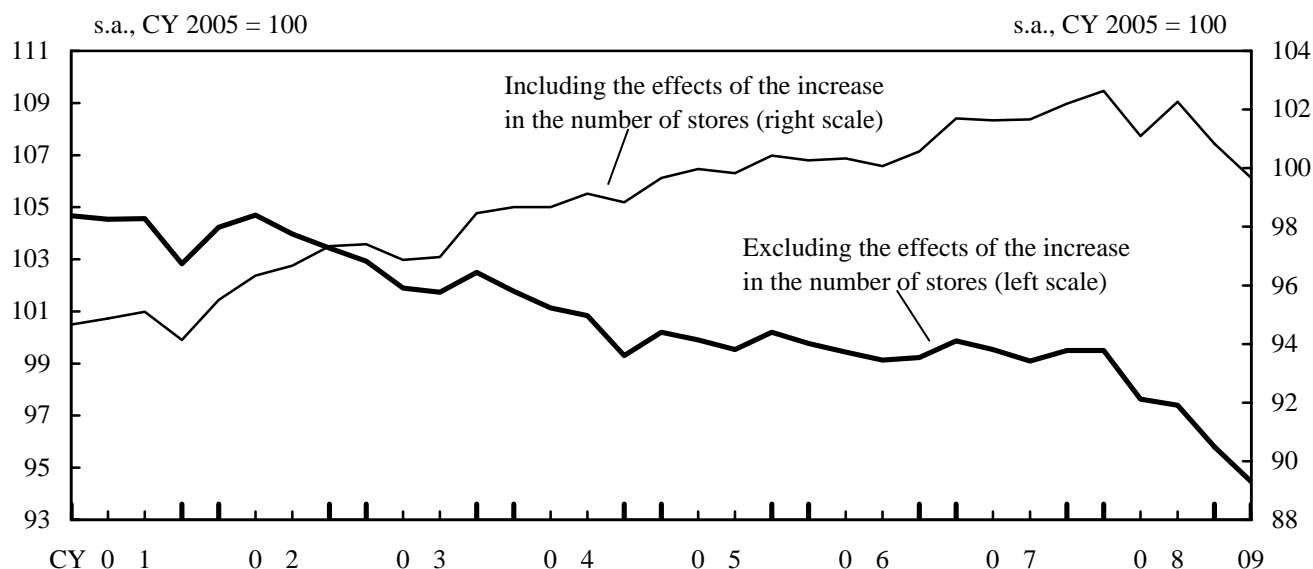
Japan Tourism Agency, "Major Travel Agents' Revenue";

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)."

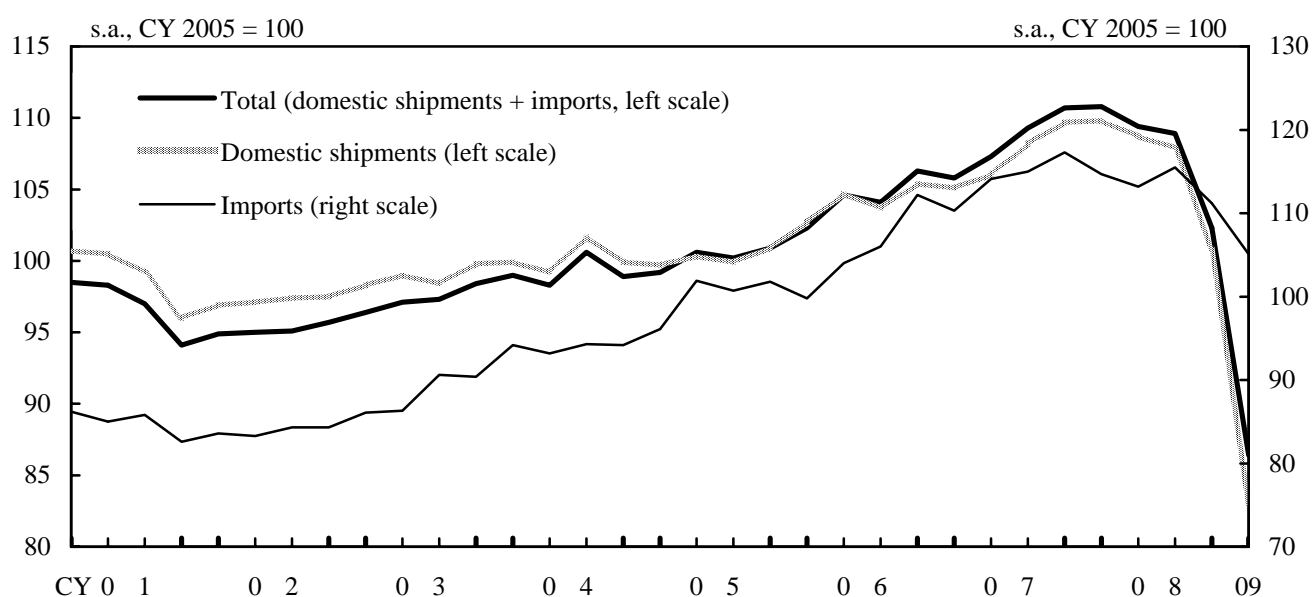
Indicators for Private Consumption (3)

(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.

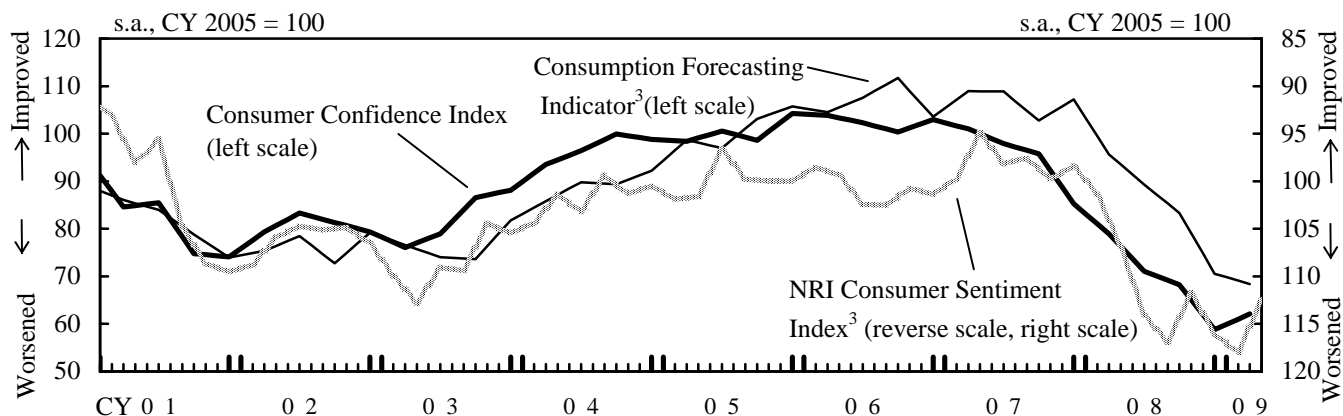
(2) Aggregate Supply of Consumer Goods



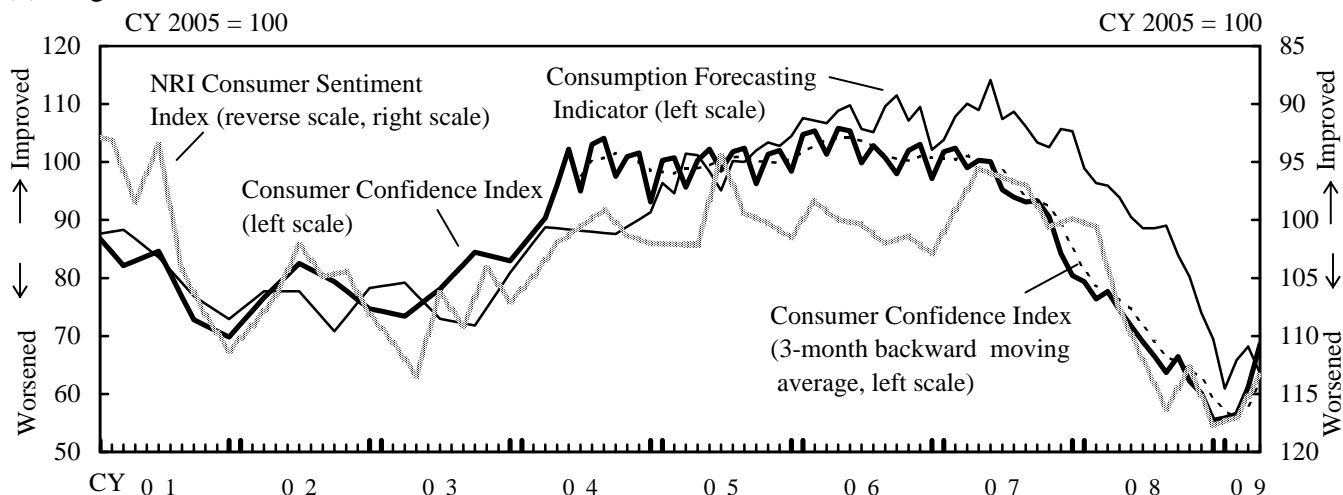
Sources: Bank of Japan, "Indices of Aggregated Sales";
Ministry of Economy, Trade and Industry, "Indices of Industrial Domestic Shipments and Imports."

Consumer Confidence^{1,2}

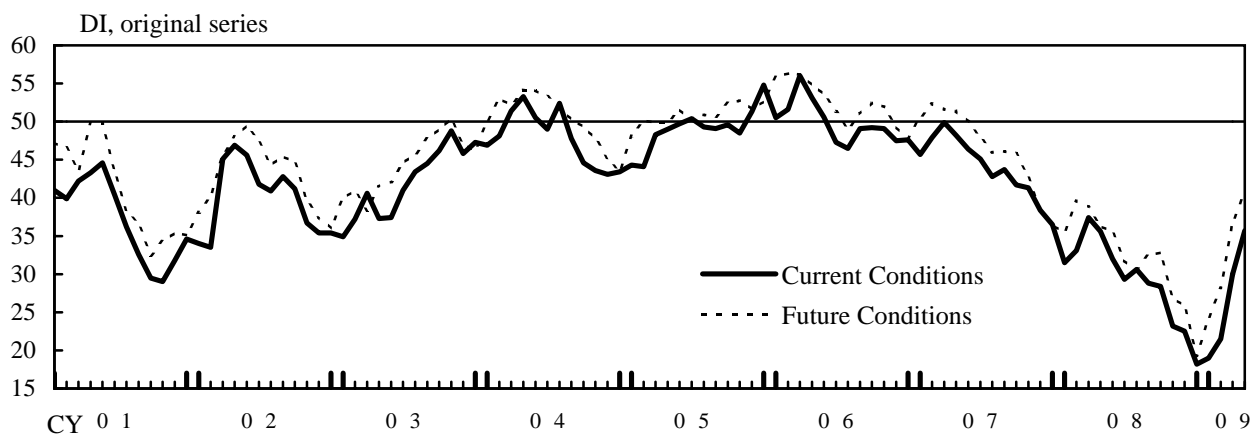
(1) Seasonally Adjusted Series



(2) Original Series



Reference: Economy Watchers Survey (Household Activity)

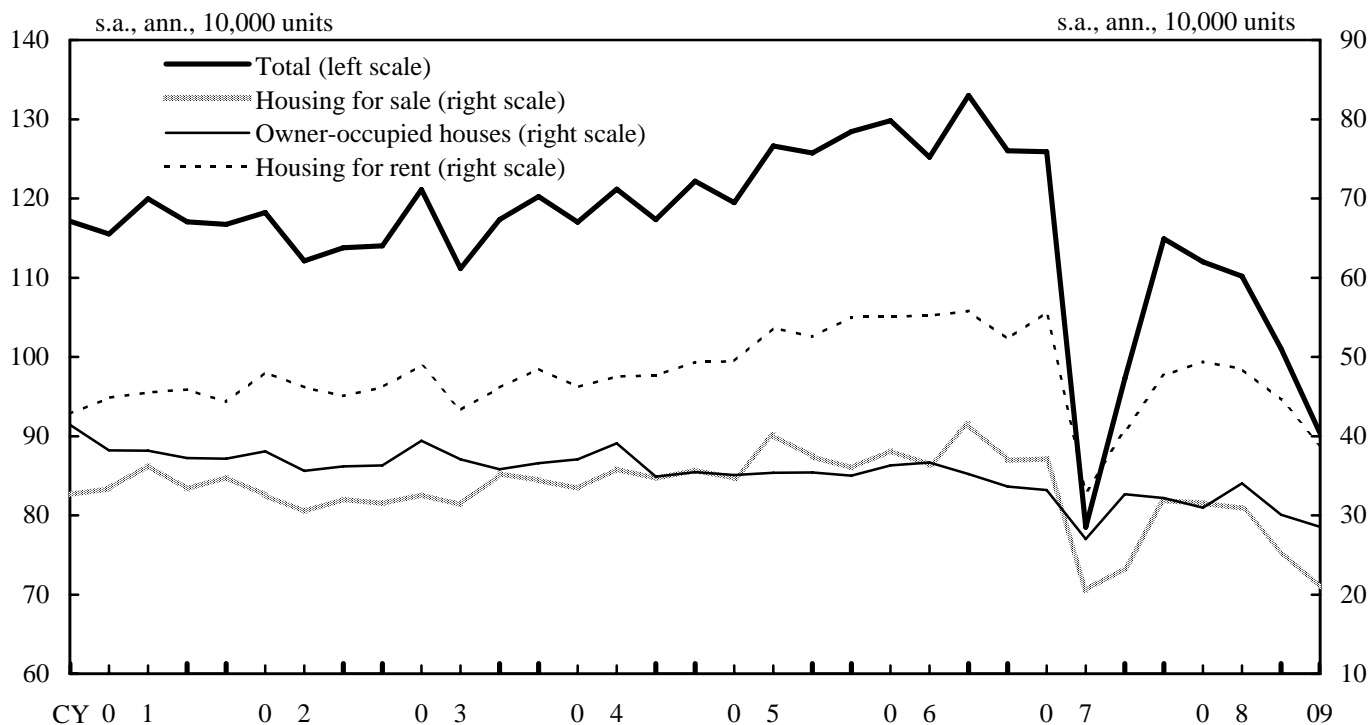


- Notes: 1. The Consumer Confidence Index (with about 5,000 samples on a nationwide basis), Consumption Forecasting Indicator (with 600 samples in the metropolitan area), and NRI Consumer Sentiment Index (with 1,200 samples on a nationwide basis) are based on surveys on consumer confidence.
2. Figures 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.

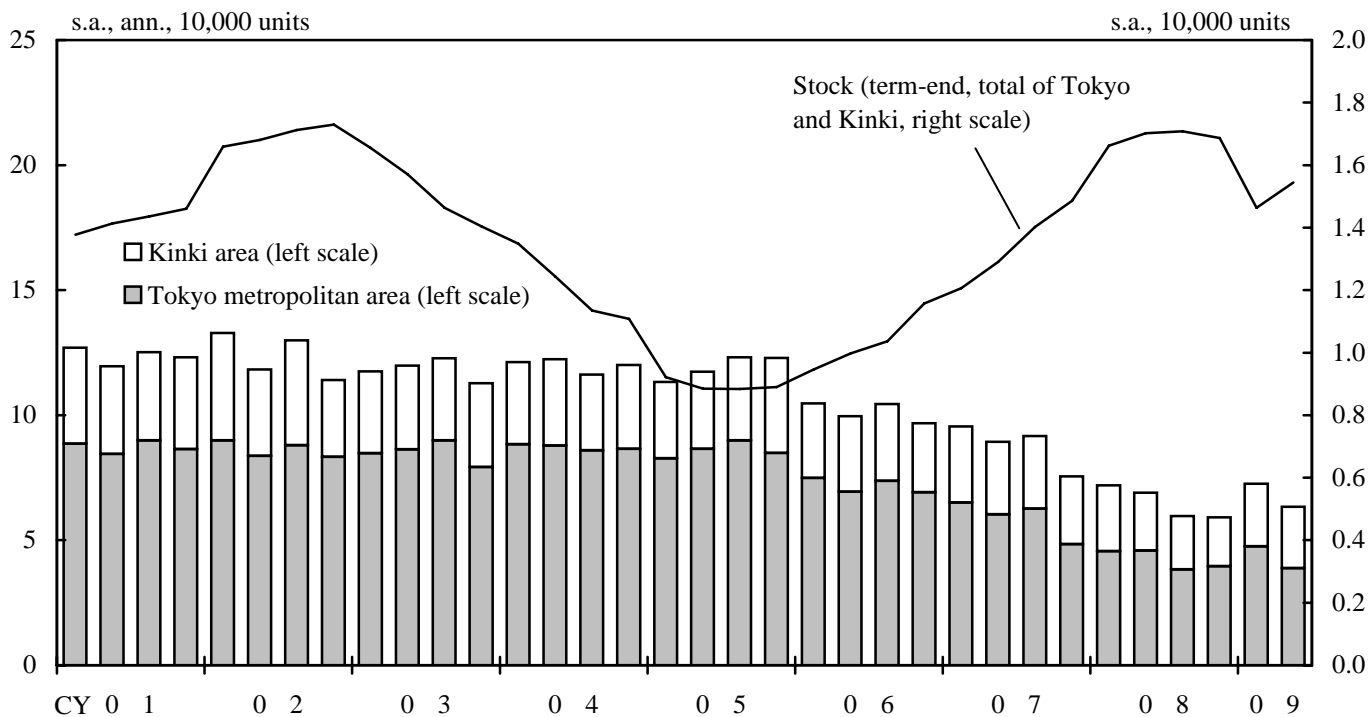
Sources: Cabinet Office, "Consumer Confidence Survey," "Economy Watchers Survey";
Nikkei inc., "Consumption Forecasting Indicator"; Nippon Research Institute (NRI), "Consumer Sentiment Survey."

Indicators for Housing Investment

(1) Housing Starts



(2) Sales of Apartments

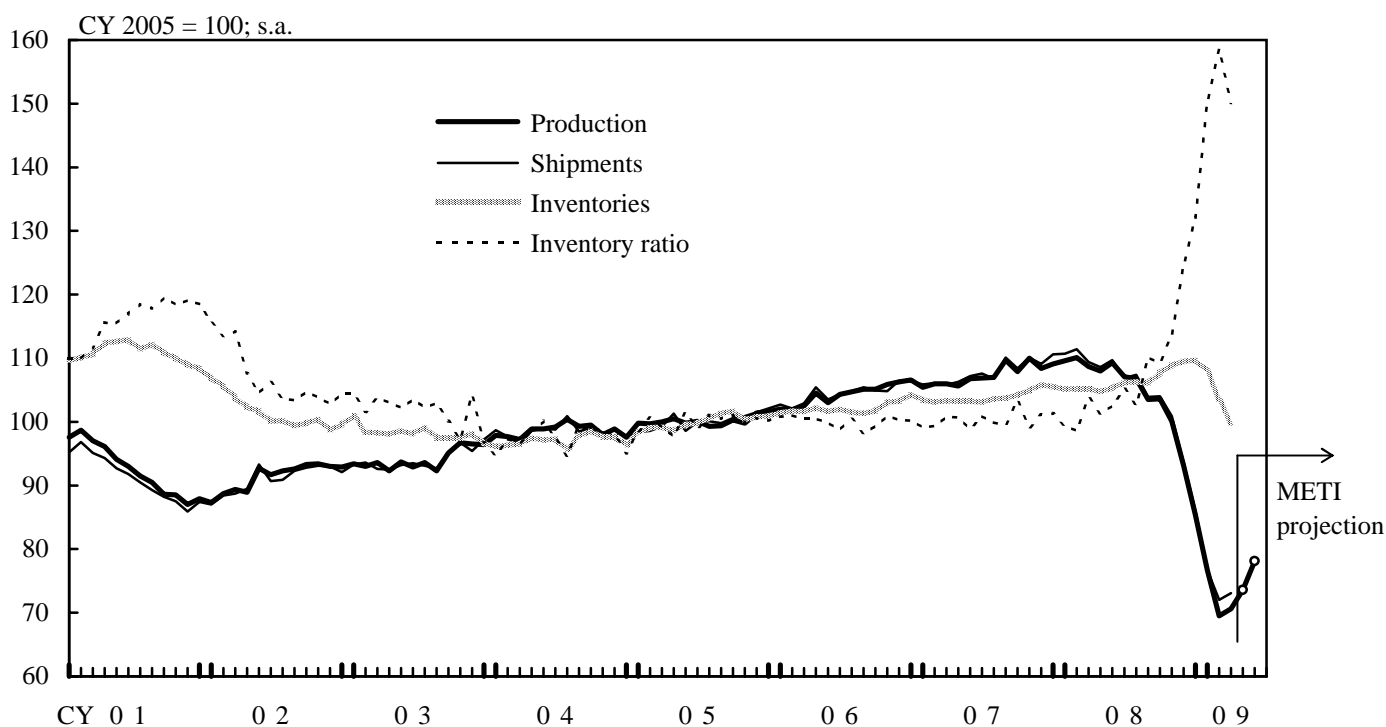


Notes: 1. Seasonally adjusted by X-12-ARIMA.
 2. Figures for 2009/Q2 are those of April.

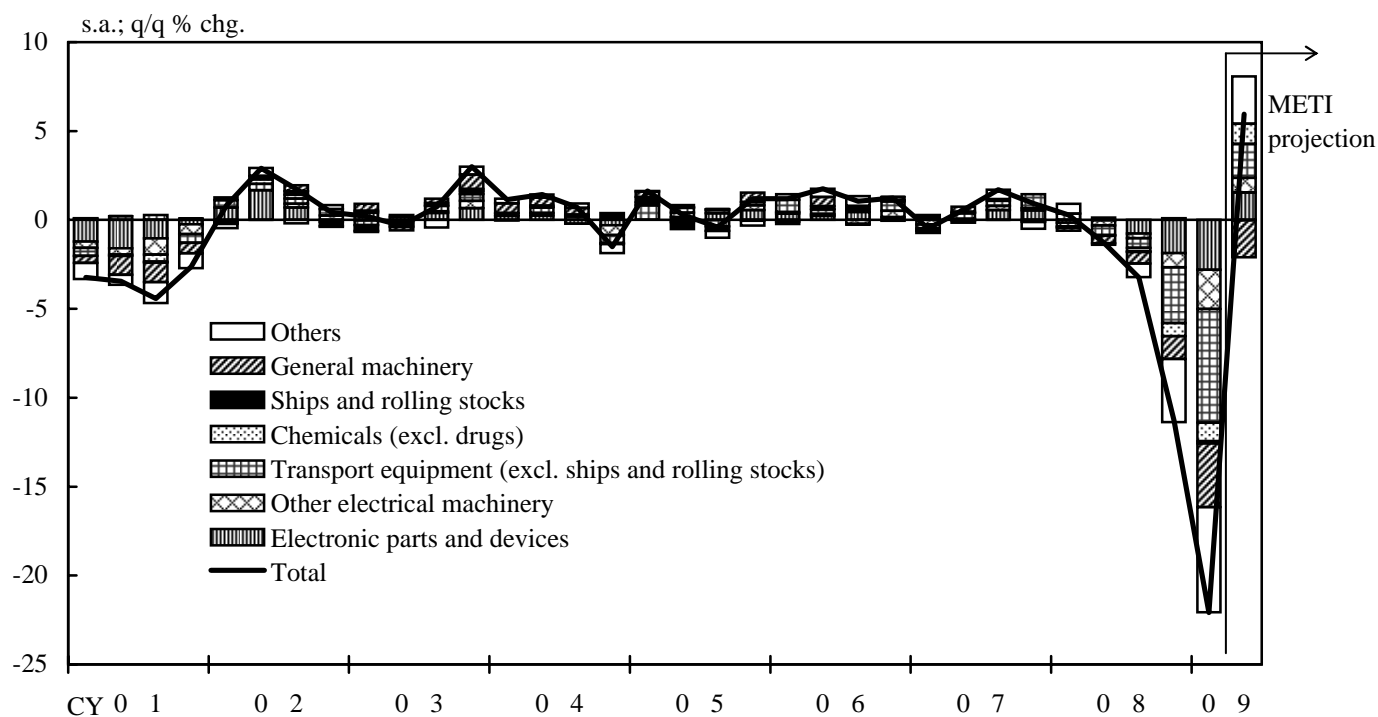
Source: Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts," etc.

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."

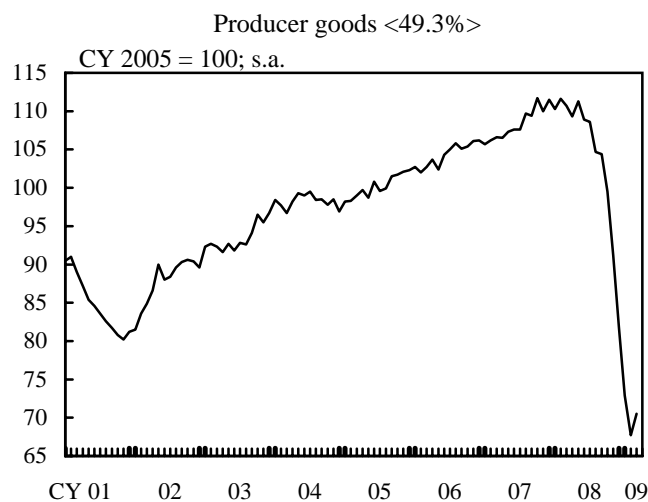
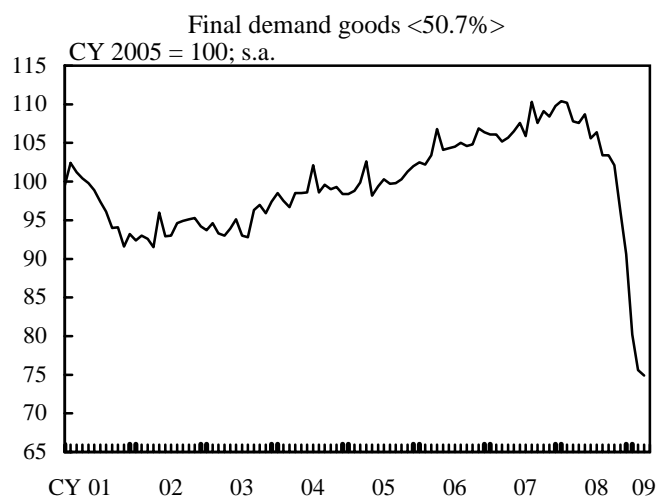
2. Figures up to 2003/Q1 are on the 2000 base.

3. 2009/Q2 figures are based on the assumption that each production level in June is the same as that of May.

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

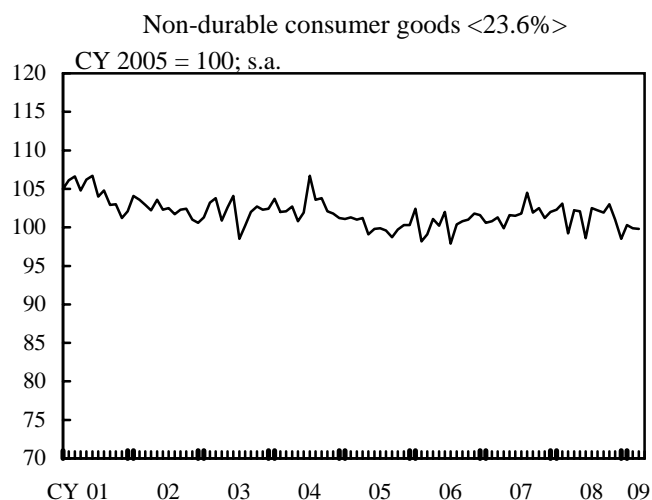
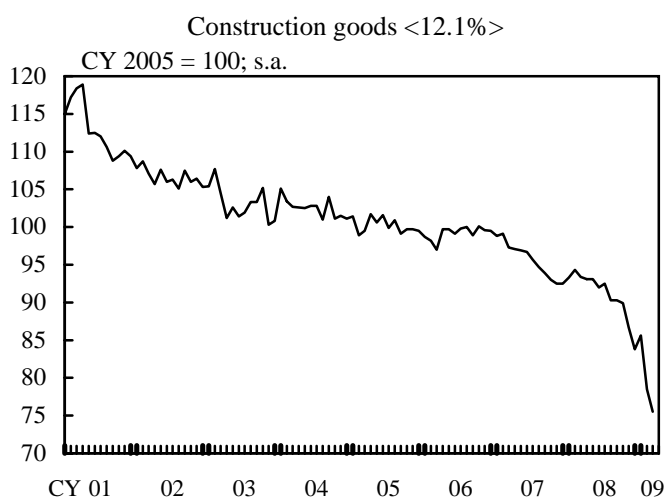
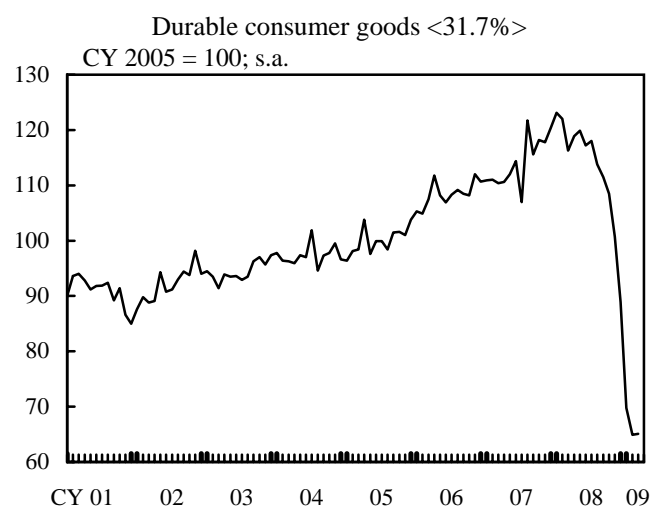
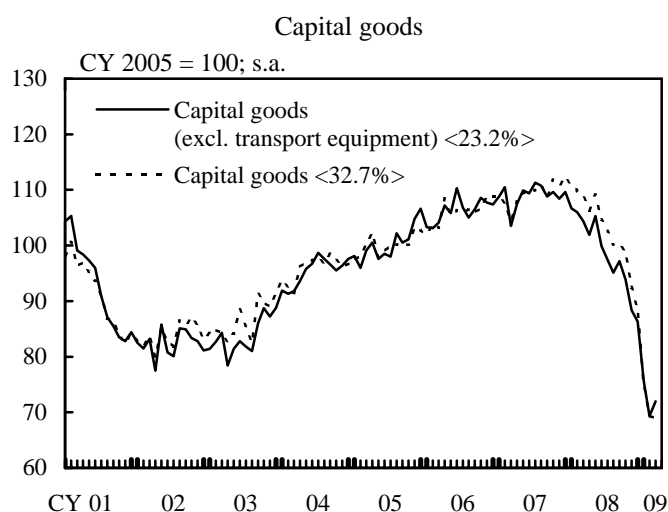
Shipments Breakdown by Type of Goods

(1) Final Demand Goods and Producer Goods



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

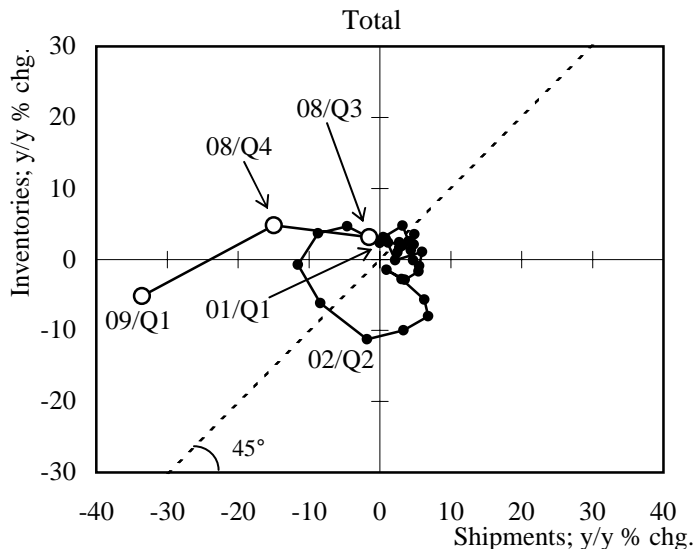
(2) Breakdown of Final Demand Goods



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

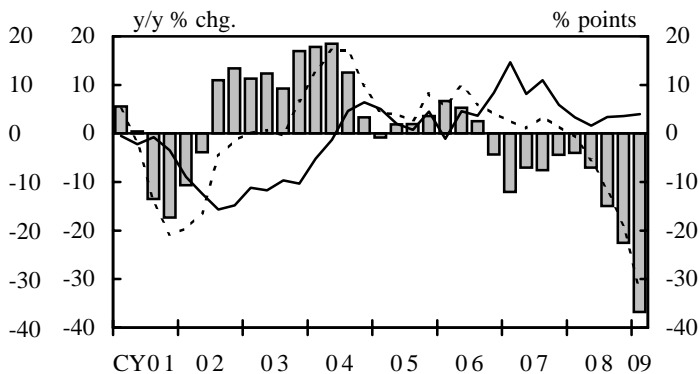
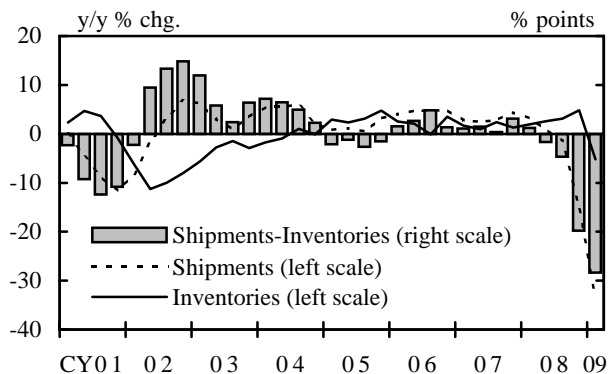
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Inventory Cycle



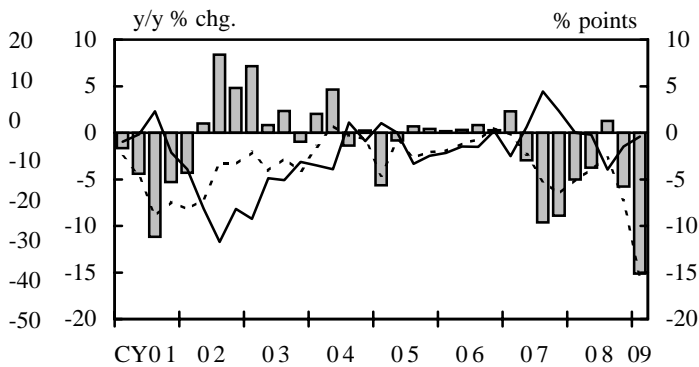
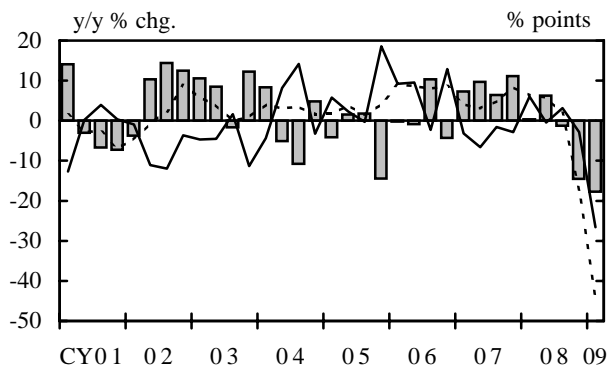
(1) Total

(2) Capital Goods (Excluding Transport Equipment)



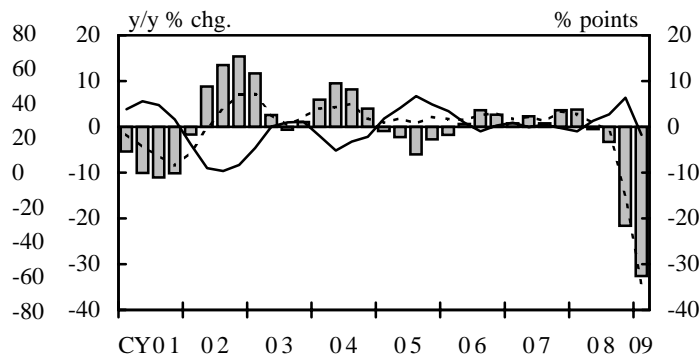
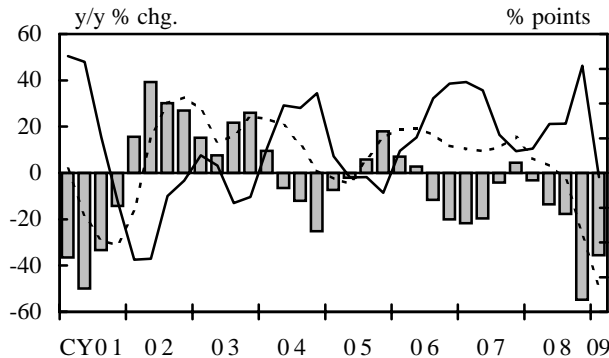
(3) Durable Consumer Goods

(4) Construction Goods



(5) Electronic Parts and Devices

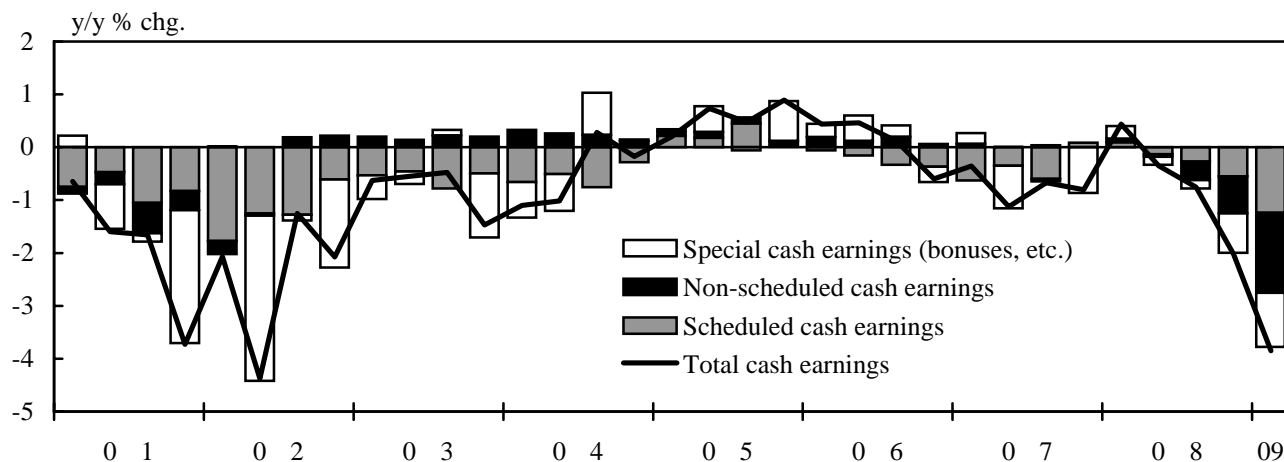
(6) Producer Goods Excluding Electronic Parts and Devices



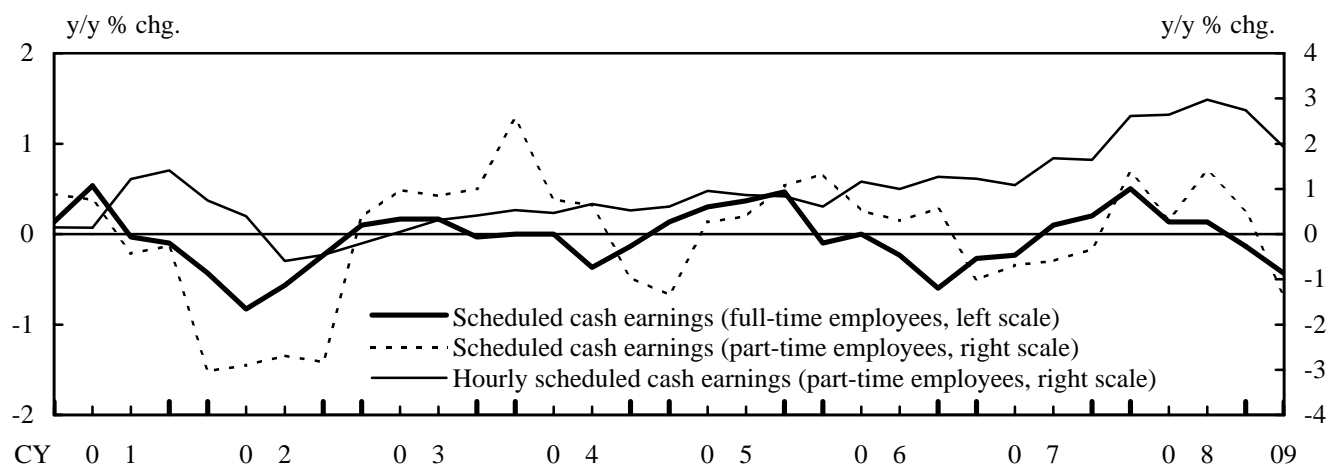
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Employee Income

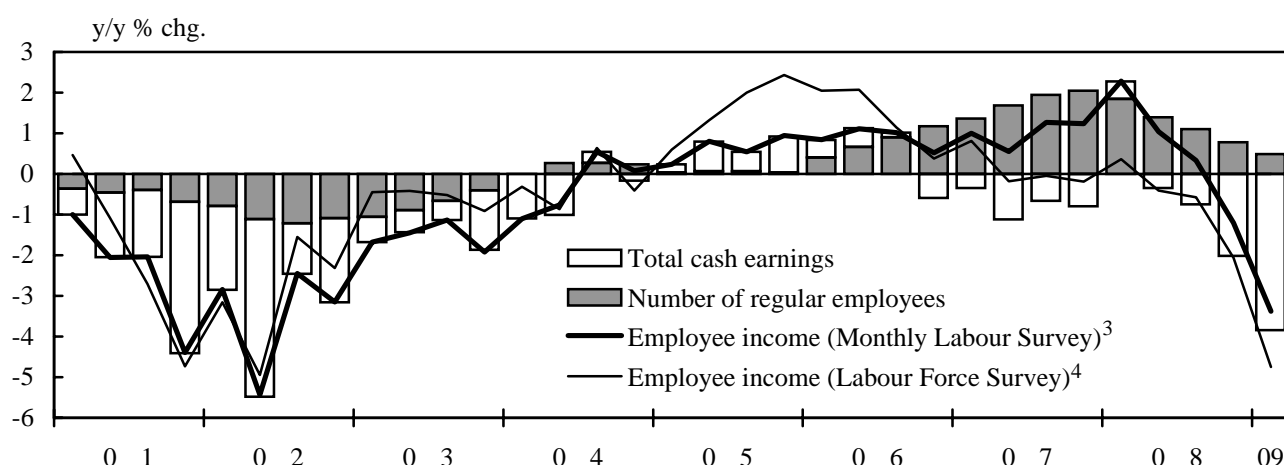
(1) Breakdown of Total Cash Earnings^{1,2,5}



(2) Scheduled Cash Earnings¹



(3) Breakdown of Employee Income^{1,2,5}

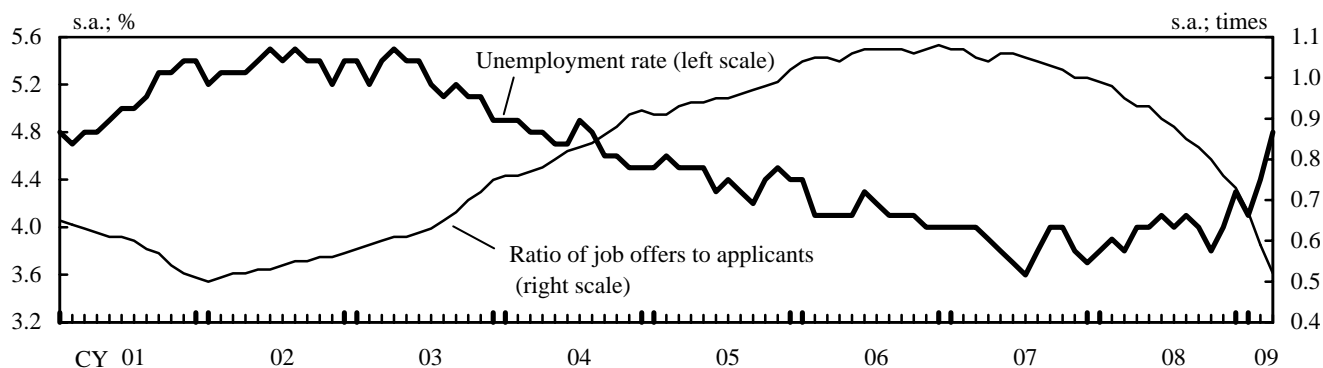
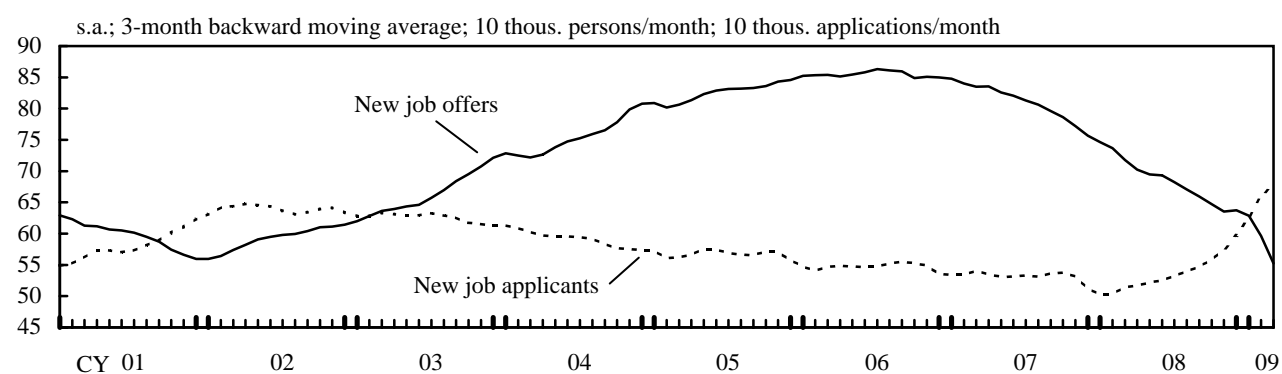
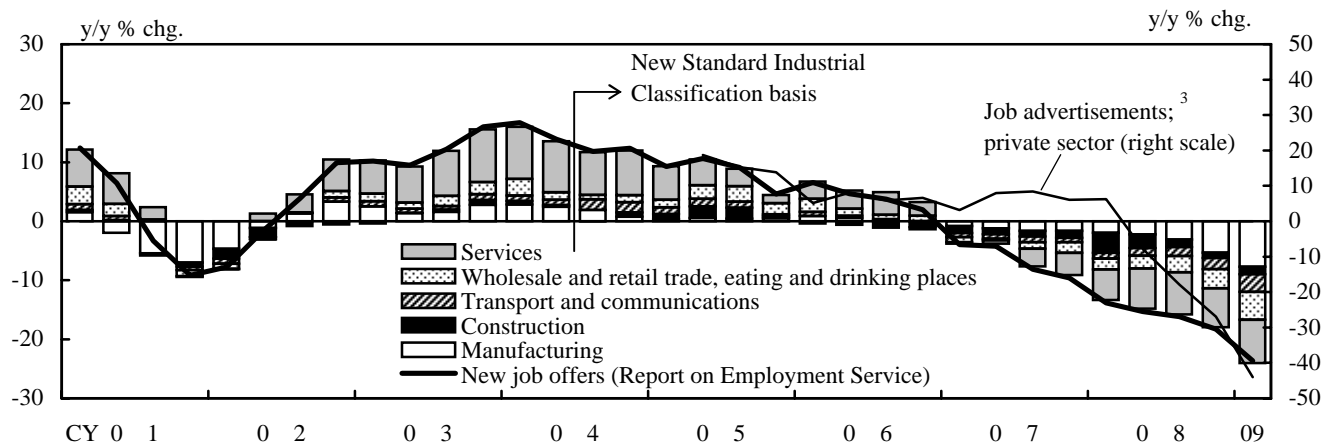


- Notes: 1. Data are for establishments with at least five employees.
 2. Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.
 3. Calculated as the number of regular employees (Monthly Labour Survey) times total cash earnings (Monthly Labour Survey).
 4. Calculated as the number of employees (Labour Force Survey) times total cash earnings (Monthly Labour Survey).
 5. Figures for 2009/Q1 are those of March.

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}

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

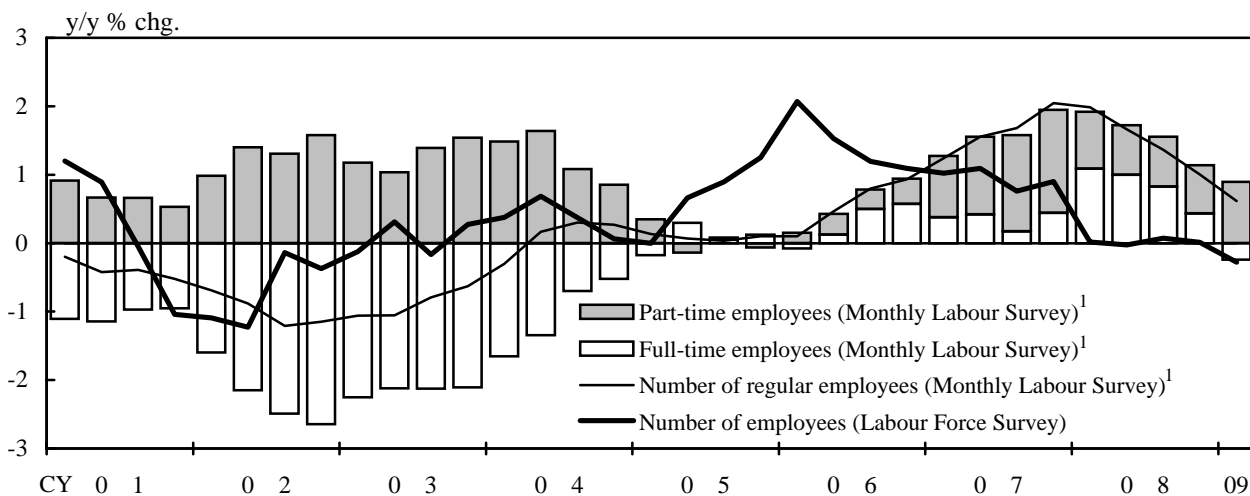
2. Figures up to 2004/Q2 are based on the previous Standard Industrial Classification. Figures from 2004/Q3 are based on the new Standard Industrial Classification. To keep the continuation of the data, some industries from 2004/Q3 are rearranged as follows. "Transport and communications" are the sum 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.

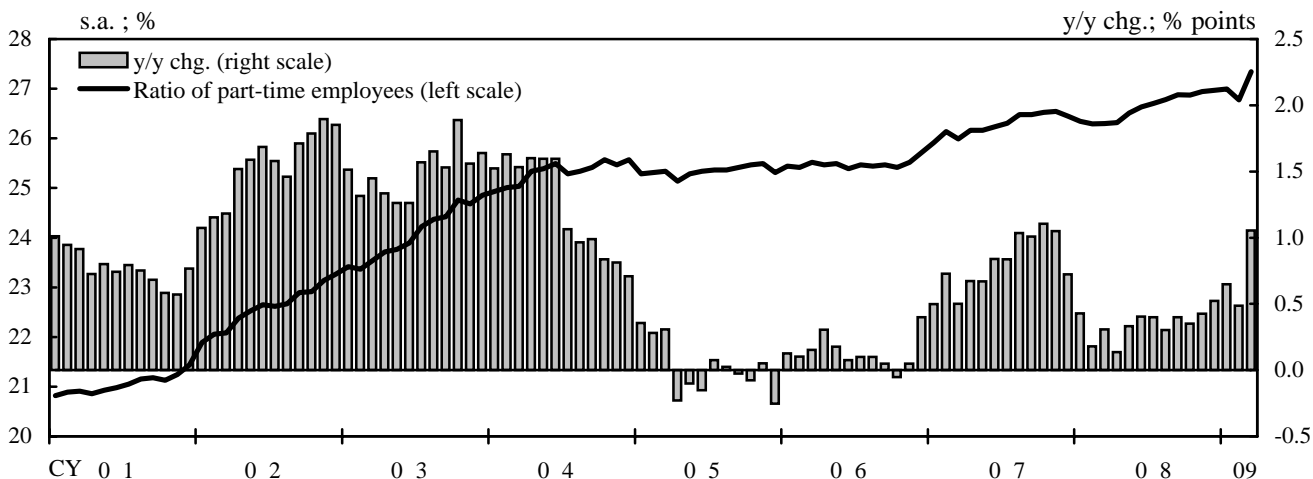
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service";
Ministry of Internal Affairs and Communications, "Labour Force Survey";
Association of Job Information of Japan, "Kyujin Koukoku Keisaiensu (Survey of Job Advertisements)."

Labor Market (2)

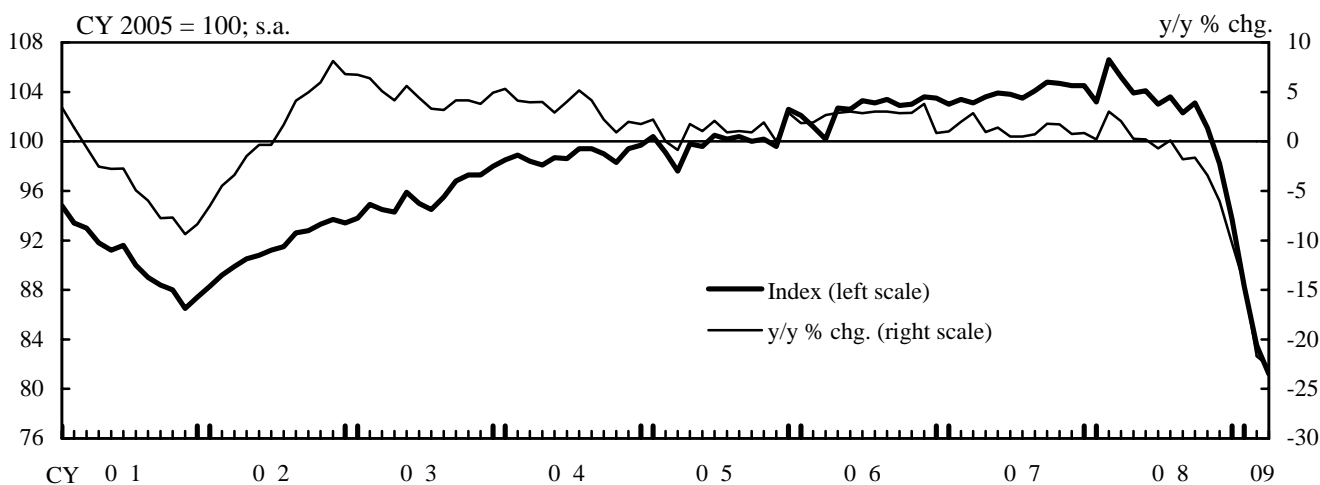
(1) Number of Employees



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



(3) Non Scheduled Hours Worked¹



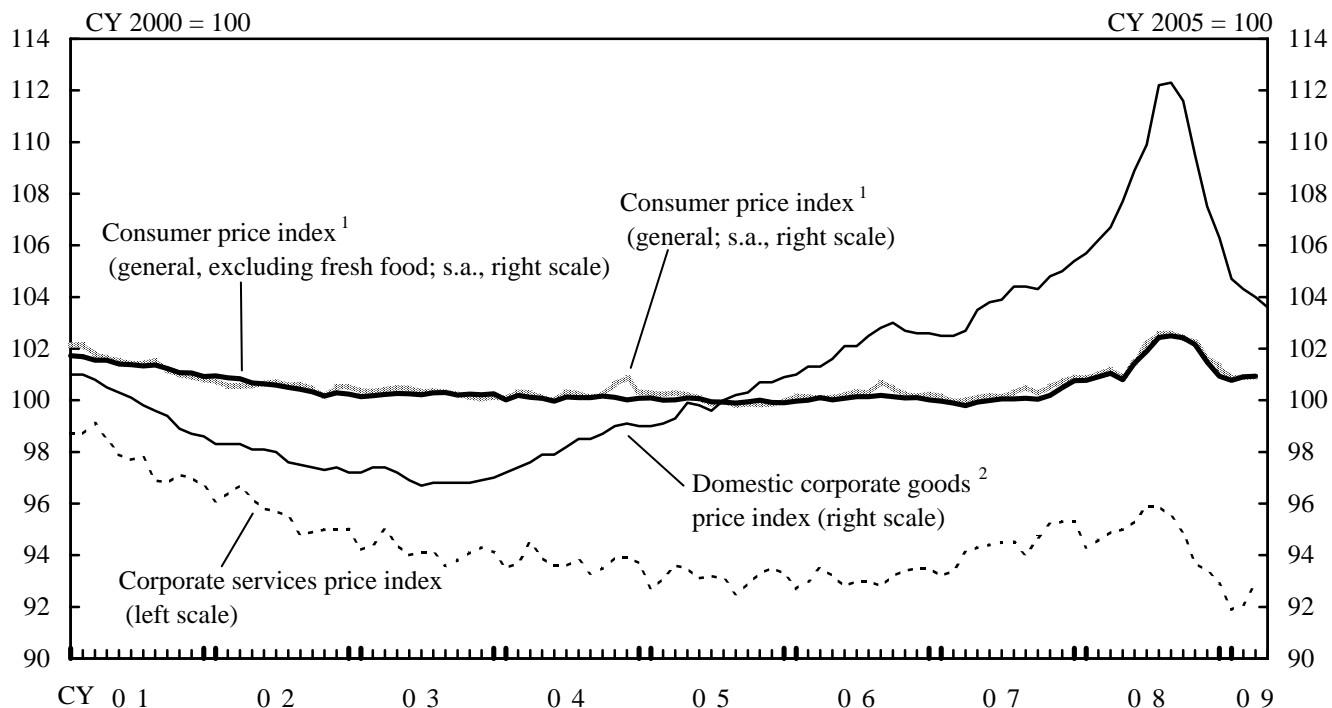
Notes: 1. Data are for establishments with at least five employees.

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.

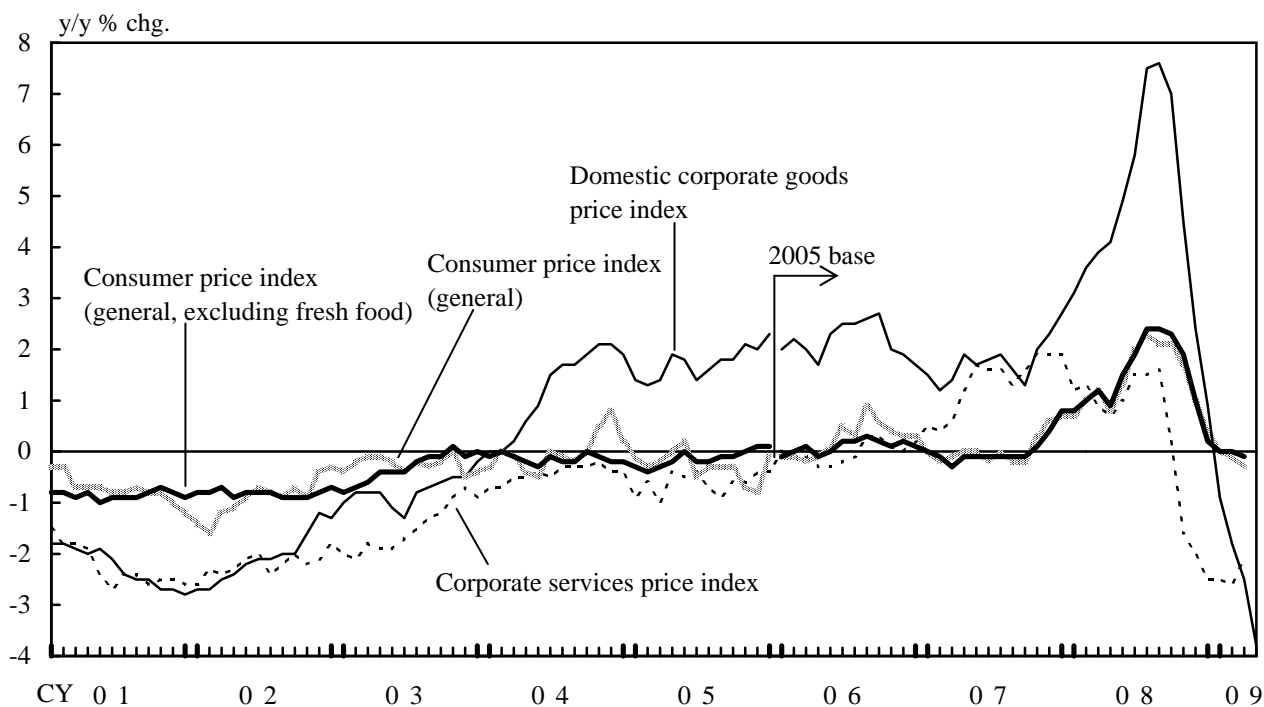
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
Ministry of Internal Affairs and Communications, "Labour Force Survey."

Prices

(1) Level



(2) Changes from a Year Earlier³



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

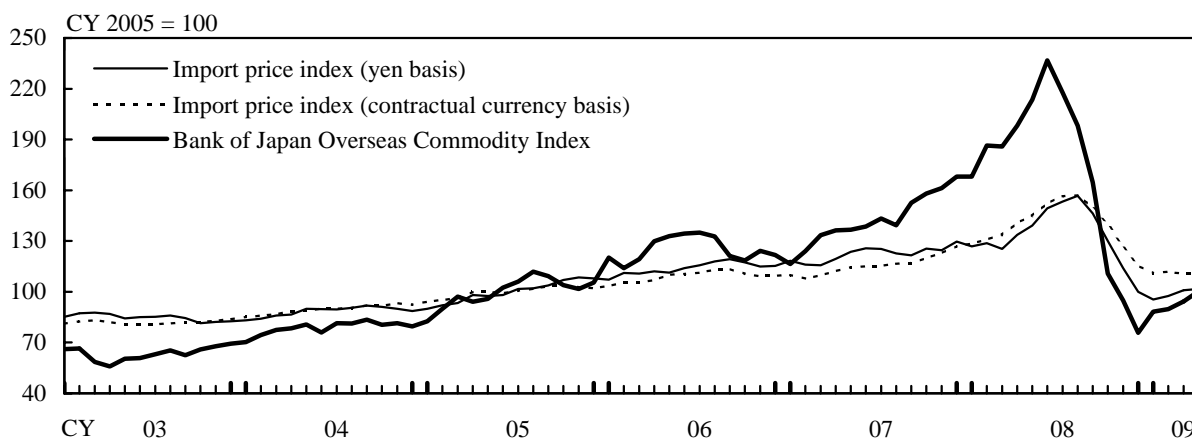
2. Adjusted to exclude a hike in electric power charges during the summer season from July to September.

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

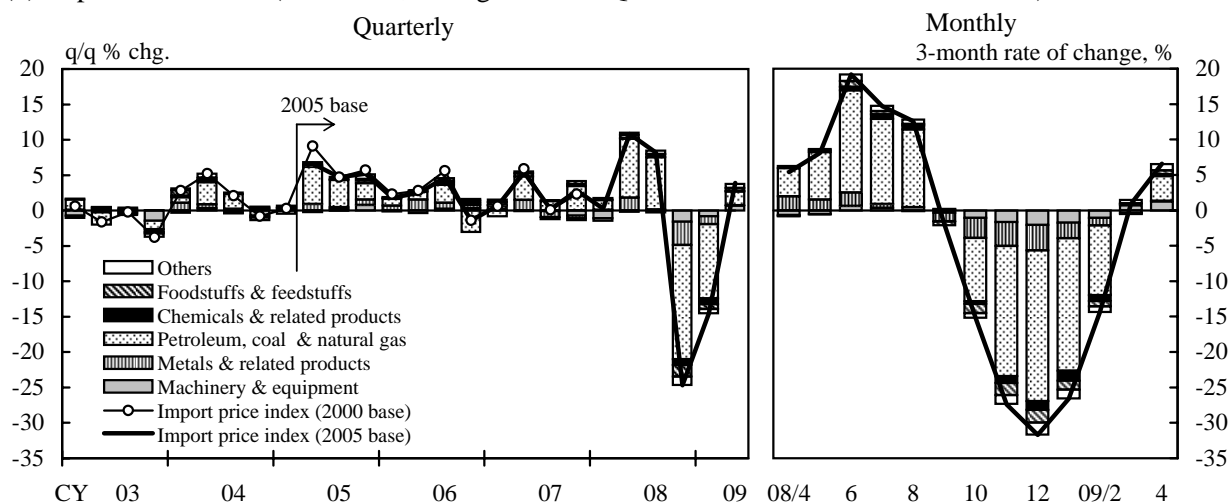
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index";
Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index."

Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index

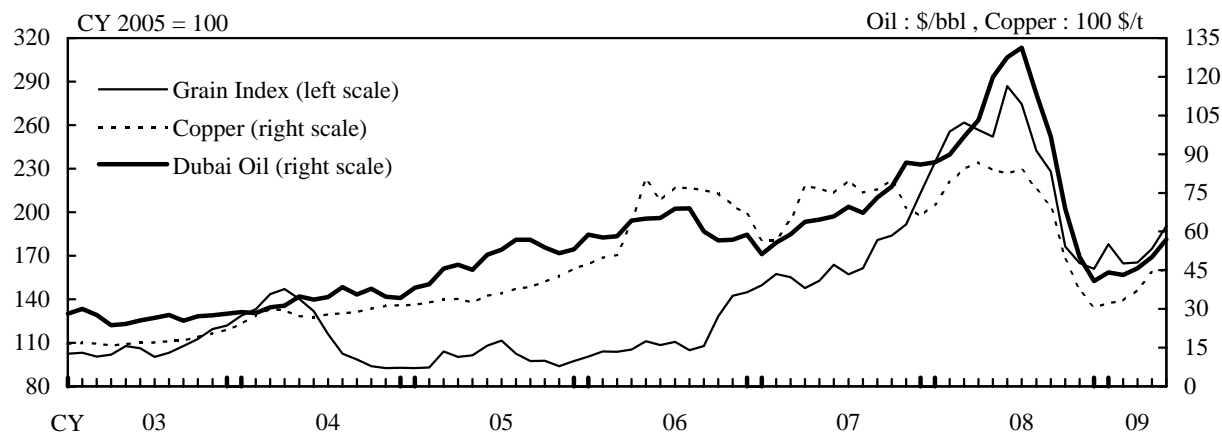


(2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



Notes: 1. Machinery & equipment: general machinery, electric & electronic products, transportation equipment, precision instruments.
 2. Figures for 2009/Q2 are those of April. Figures for 2007/Q4 on the 2000 base are those of October.

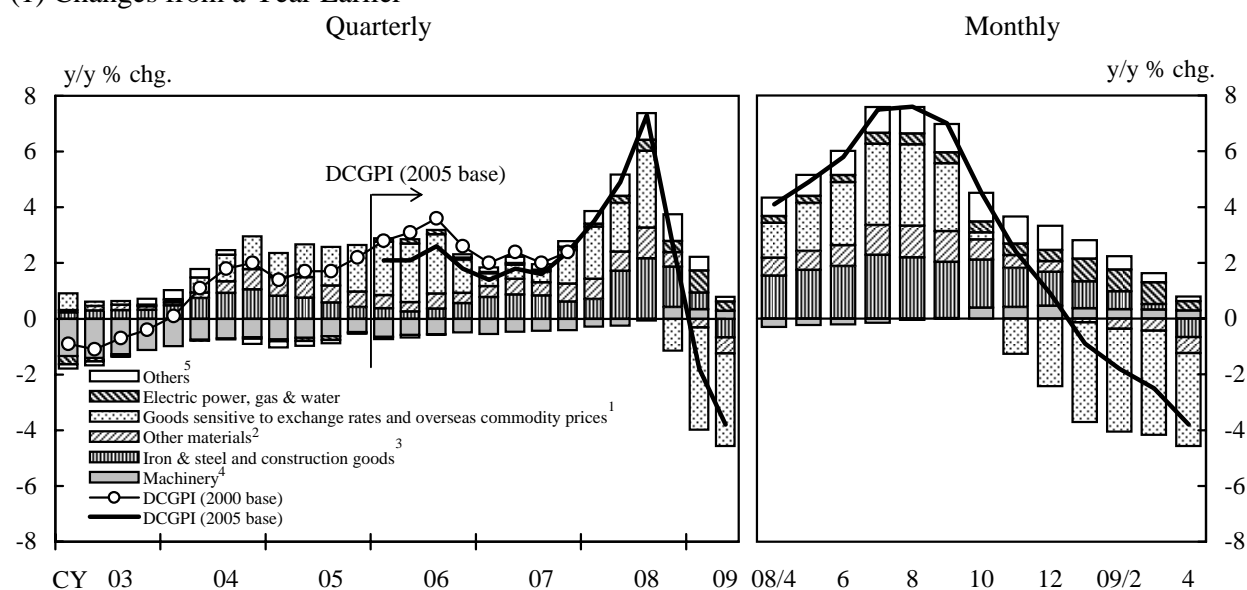
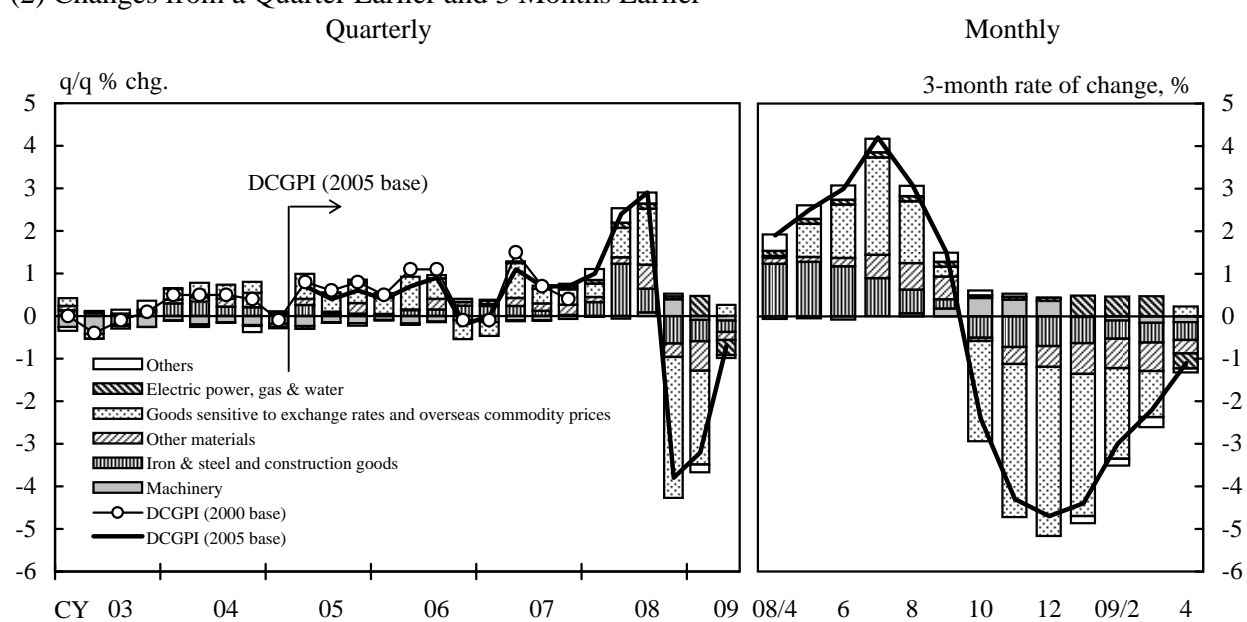
(3) International Commodity Prices



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 May 2009 are the averages up to May 21.
 Sources: Bank of Japan, "Corporate Goods Price Index," "Bank of Japan Overseas Commodity Index," etc.

Domestic Corporate Goods Price Index⁷

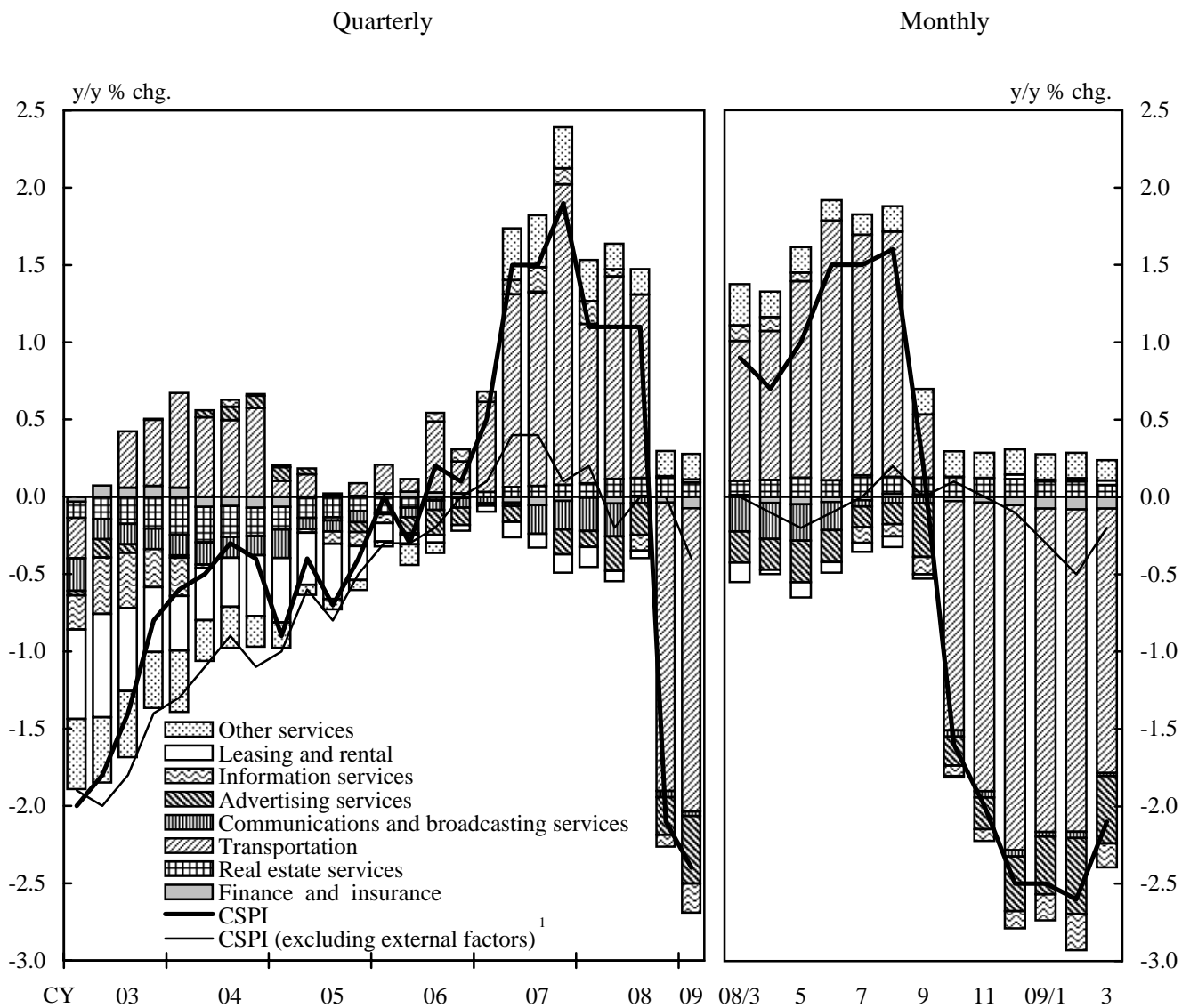
(1) Changes from a Year Earlier

(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/Q2 are those of April. Figures for 2007/Q4 on the 2000 base are those of October.

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

Corporate Services Price Index



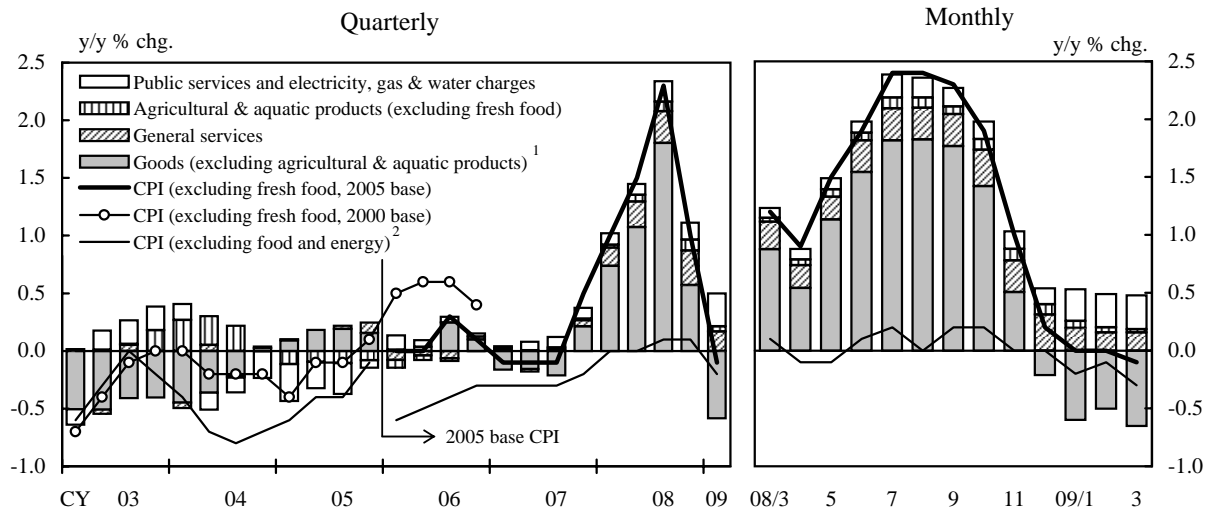
Notes: 1. External factors: international air passenger transportation, ocean liner, ocean tramper, ocean tanker, oceangoing ship chartering services, and international air freight.

2. Figures of components indicate contributions to changes in CSPI.

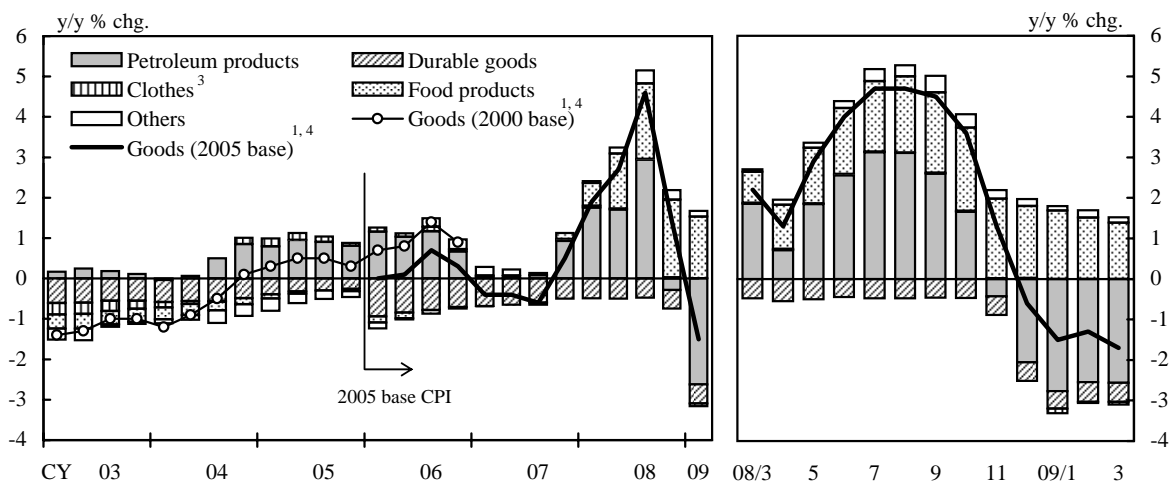
Source: Bank of Japan, "Corporate Services Price Index."

Consumer Price Index (Excluding Fresh Food)

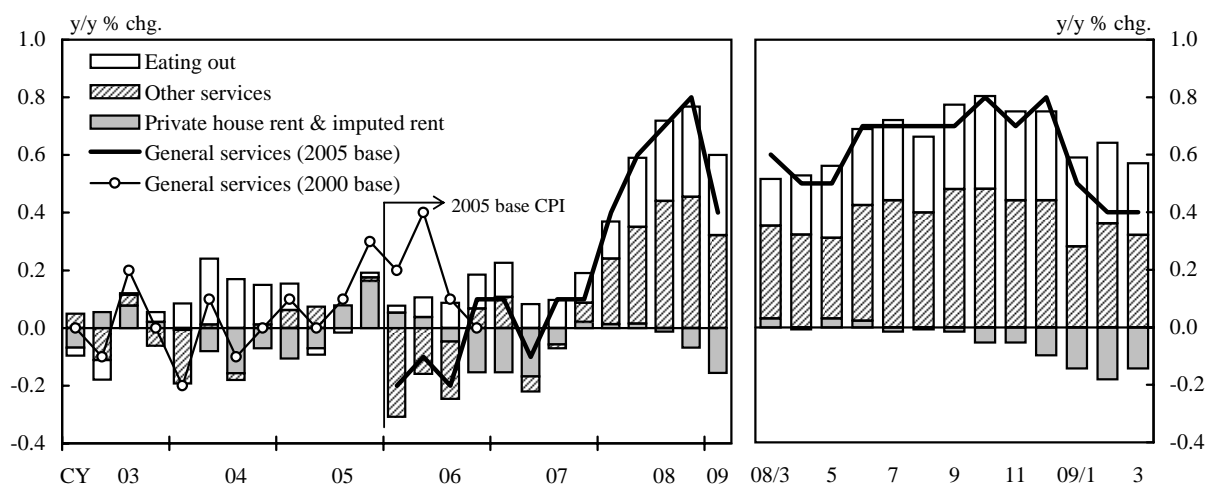
(1) Consumer Price Index (Excluding Fresh Food)



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



(3) General Services

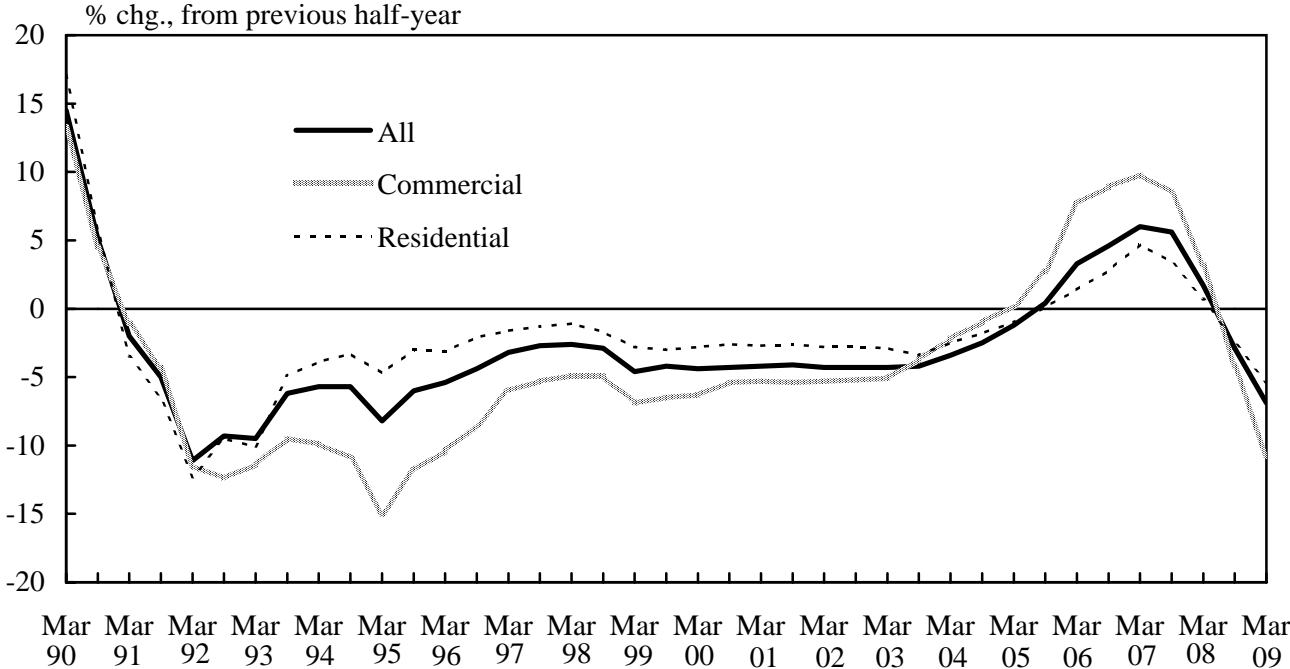


- Notes: 1. The items are basically the same as the definition published by the Ministry of Internal Affairs and Communications. However, electricity, gas & water charges are excluded from goods.
 2. Alcoholic beverages are excluded from food.
 Energy: electricity, gas manufactured & piped, liquefied propane, kerosene, and gasoline.
 3. Including shirts, sweaters & underwear.
 4. Excluding agricultural & aquatic products.

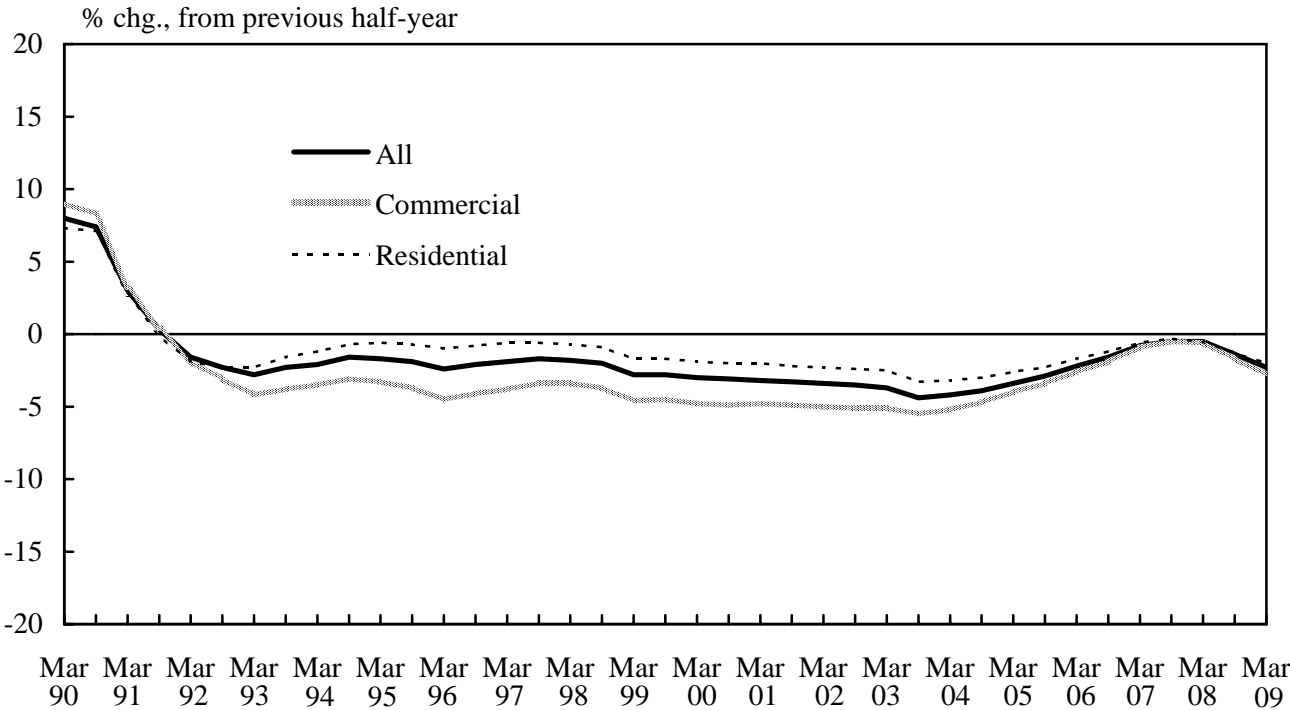
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Urban Land Price Index

(1) Six Large City Areas



(2) Excluding Six Large City Areas

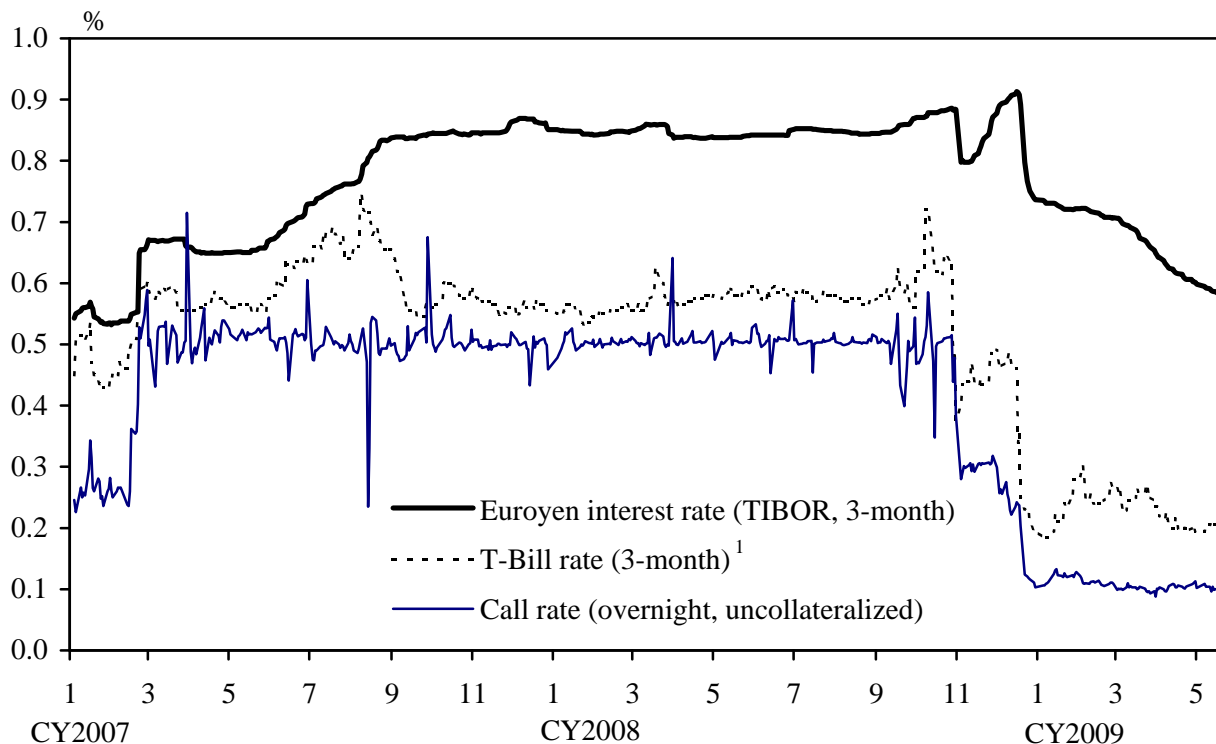


Notes: 1. The Urban Land Price Index is based on surveys conducted at the end of March and September each year.
2. Six Large City Areas are Tokyo Metropolitan wards, Yokohama, Nagoya, Kyoto, Osaka, and Kobe.

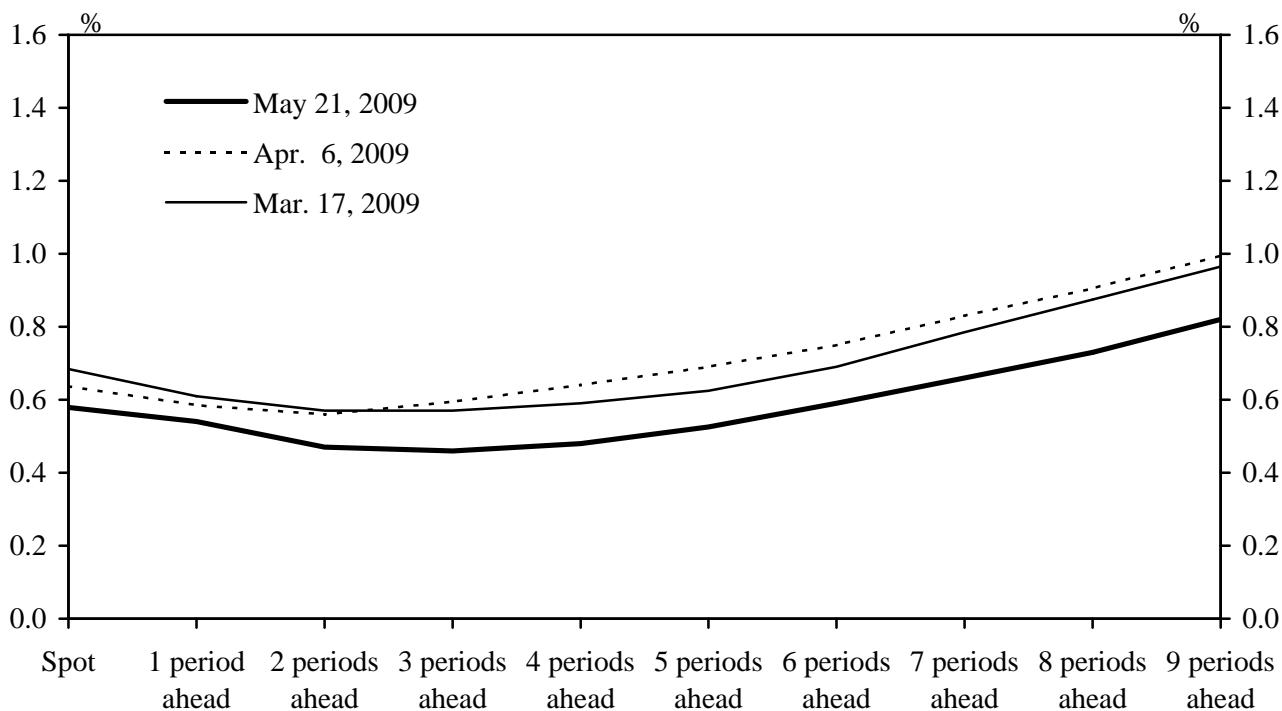
Source: Japan Real Estate Institute, "Urban Land Price Index."

Short-Term Interest Rates

(1) Short-Term Interest Rates



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



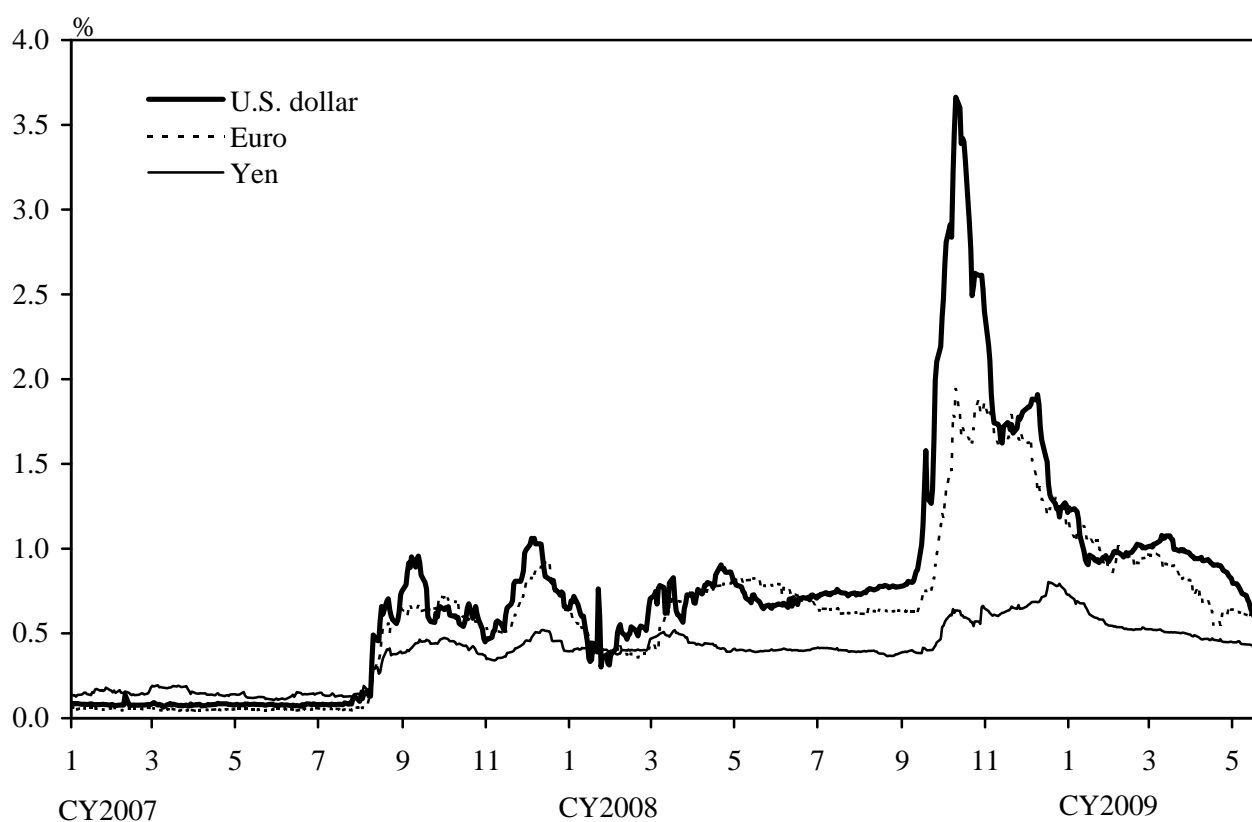
Notes: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.

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

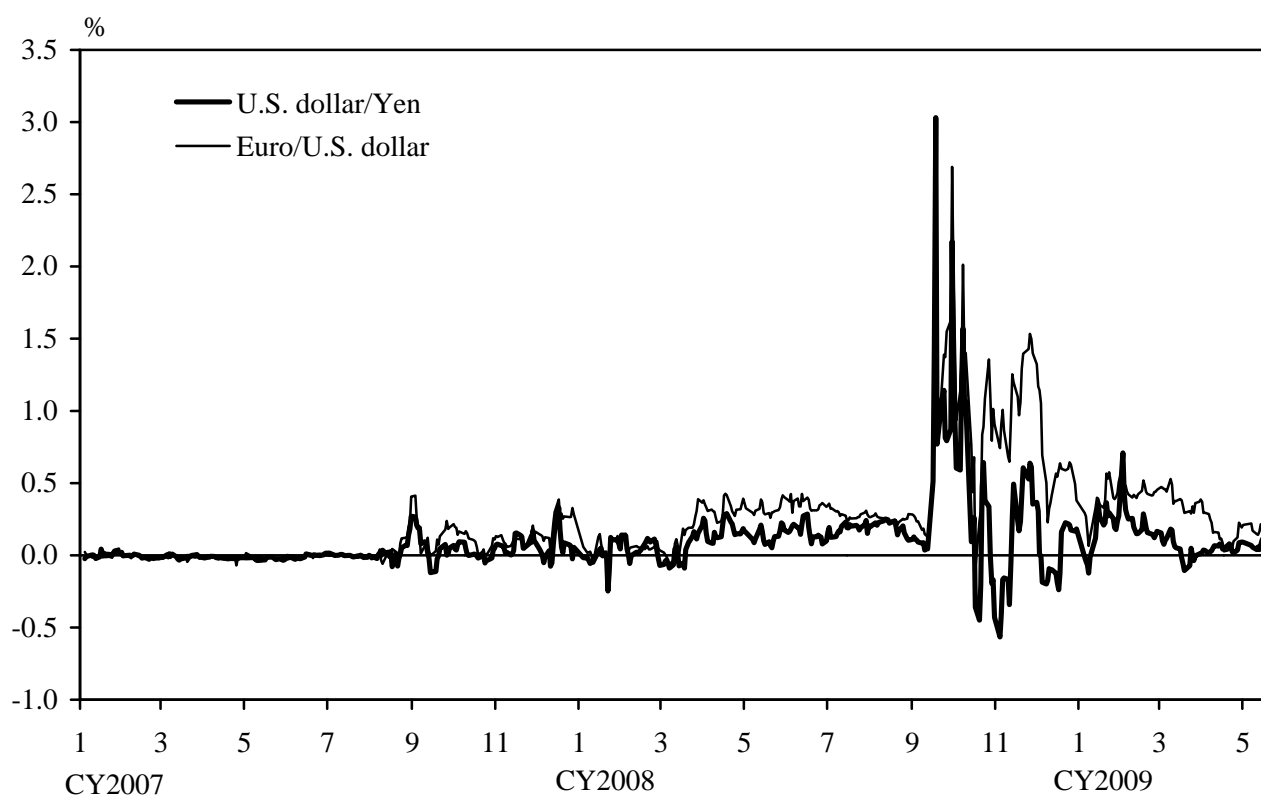
Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.; Tokyo Financial Exchange; Bank of Japan.

Global Money Markets

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

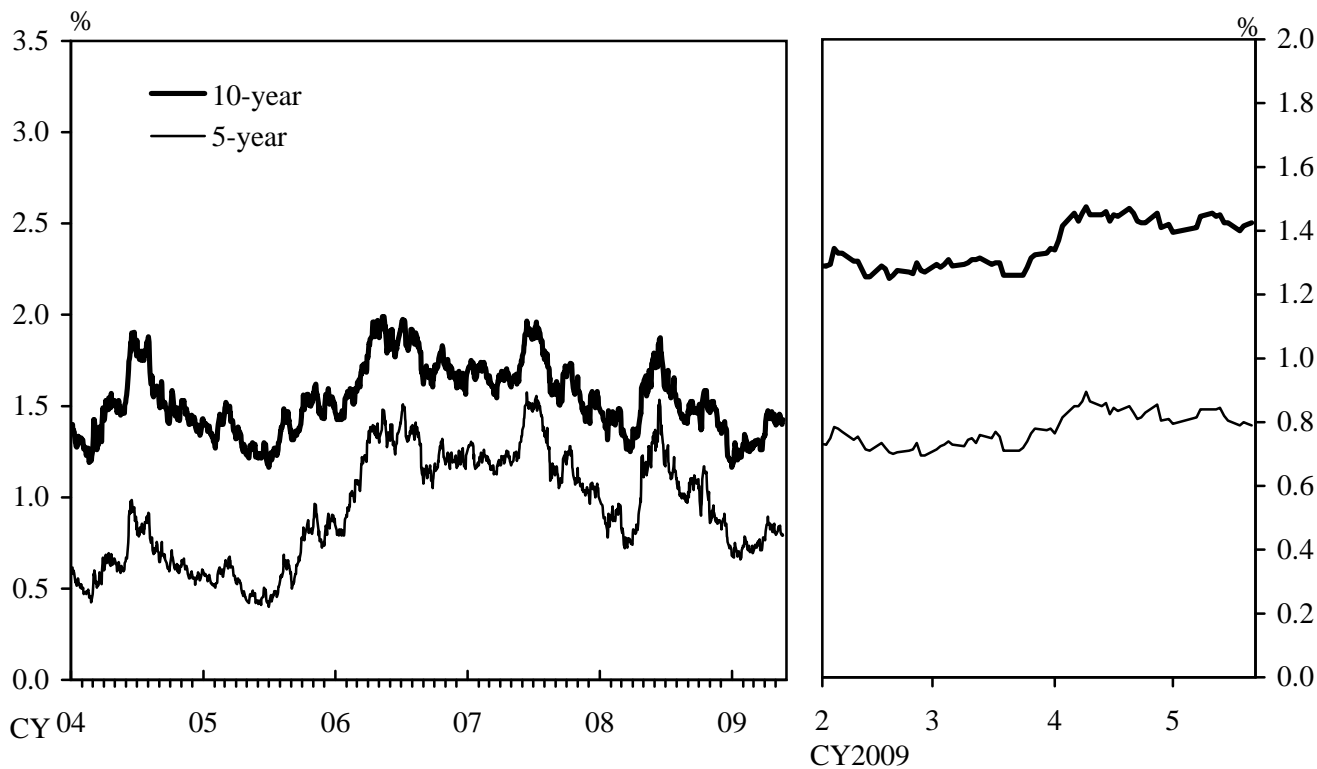


(2) FX swap implied dollar rate - LIBOR spreads (3-month)

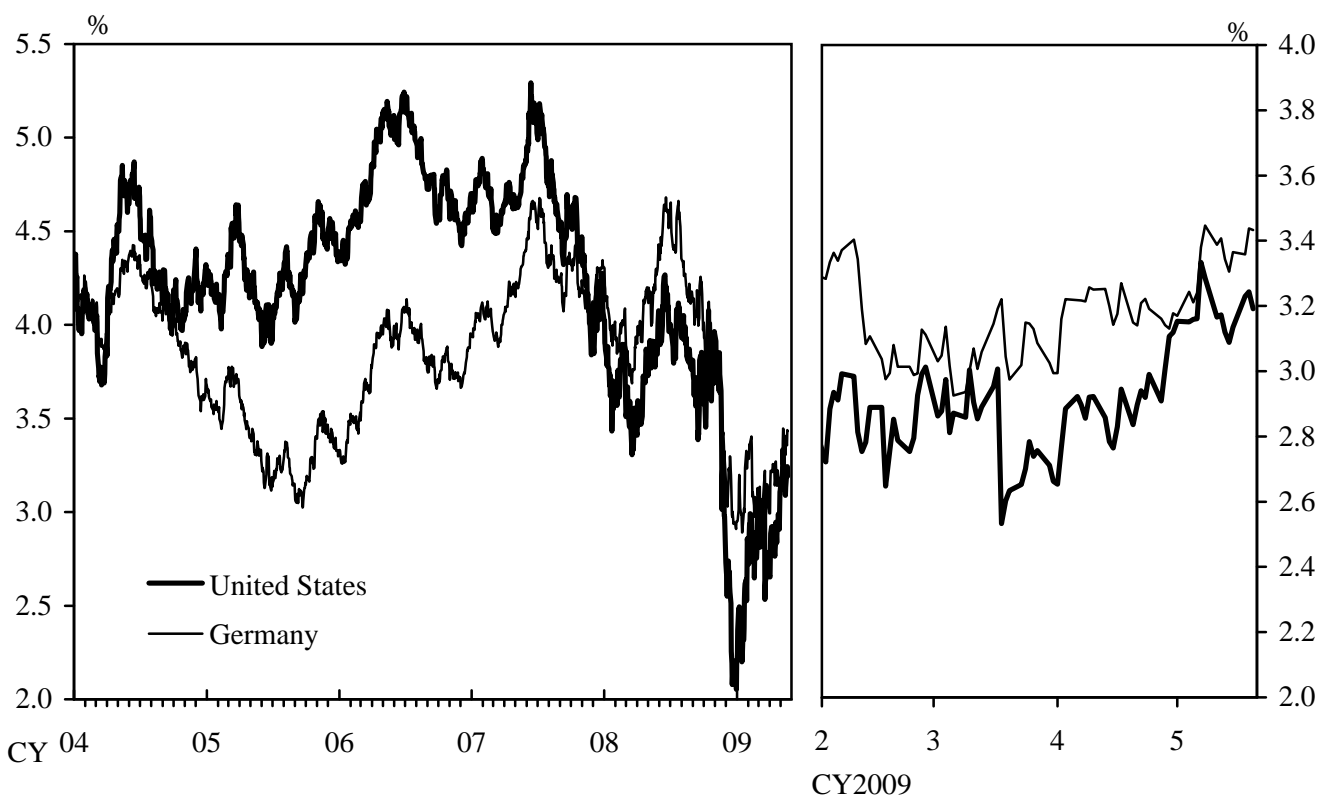


Long-Term Interest Rates

(1) Japanese Government Bond Yields¹



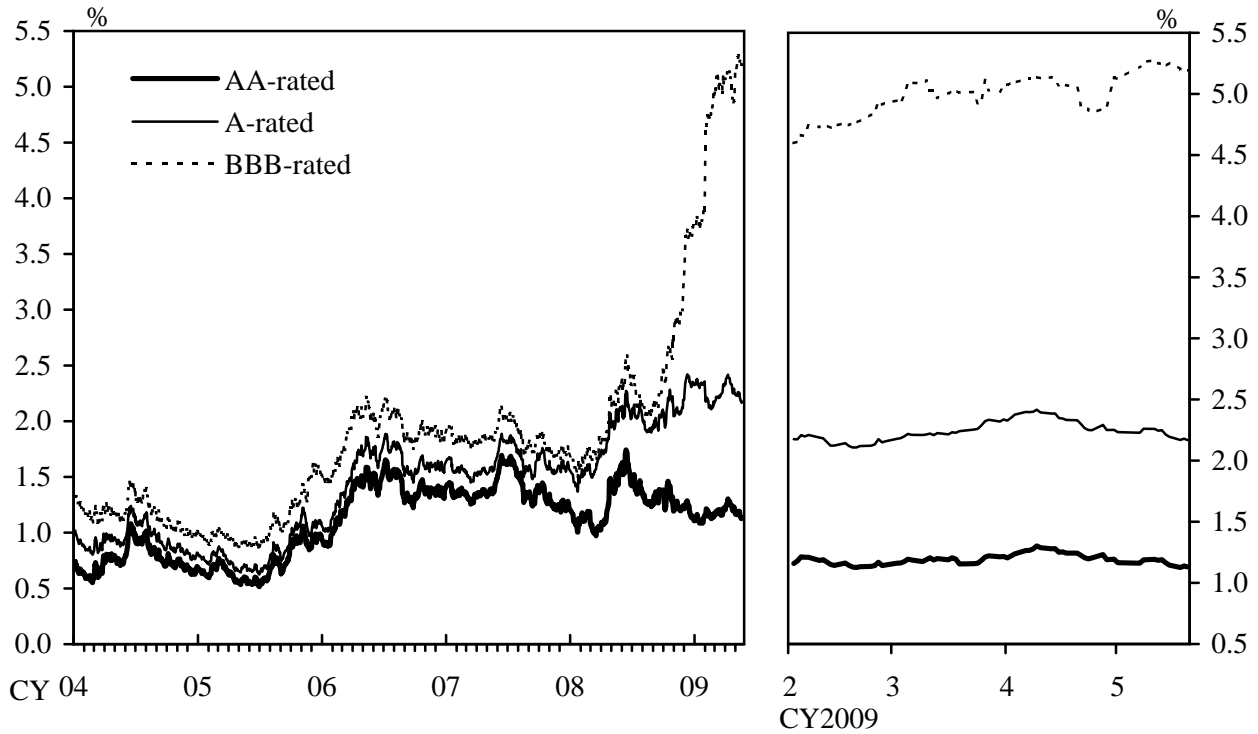
(2) Overseas Government Bond Yields (10-Year)



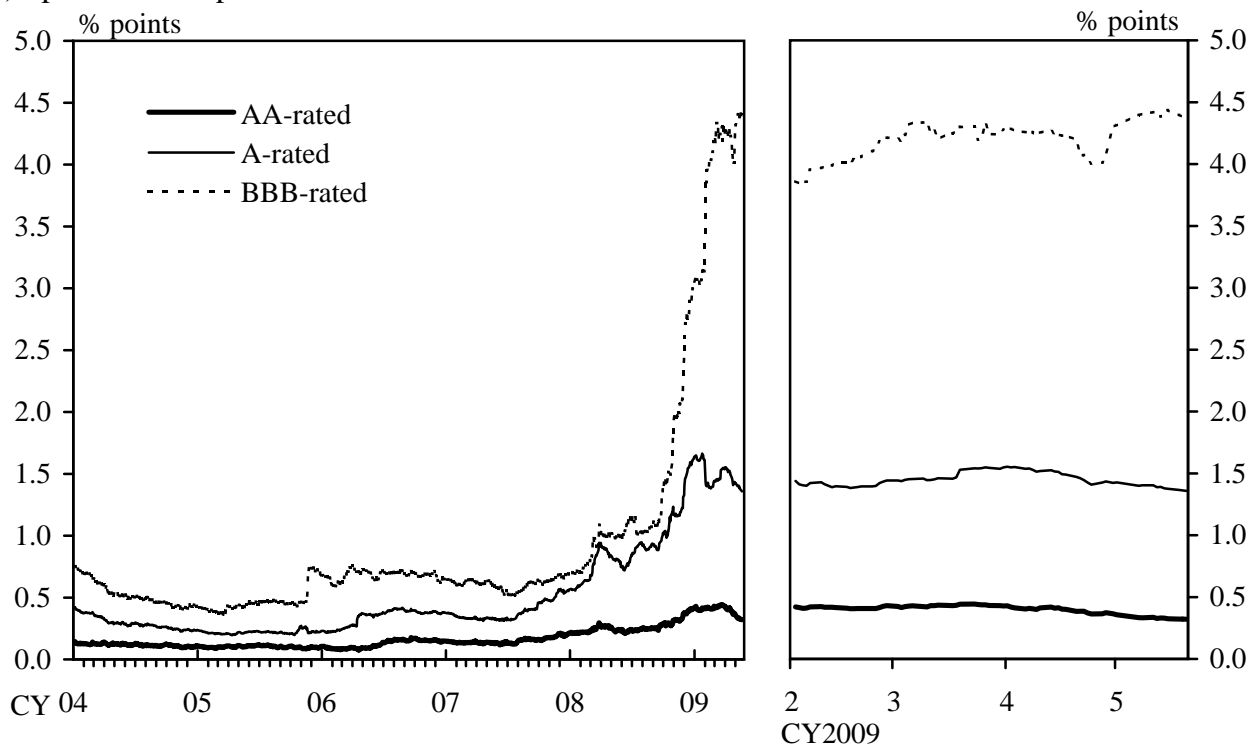
Note: 1. Yields on newly issued bonds.
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

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.

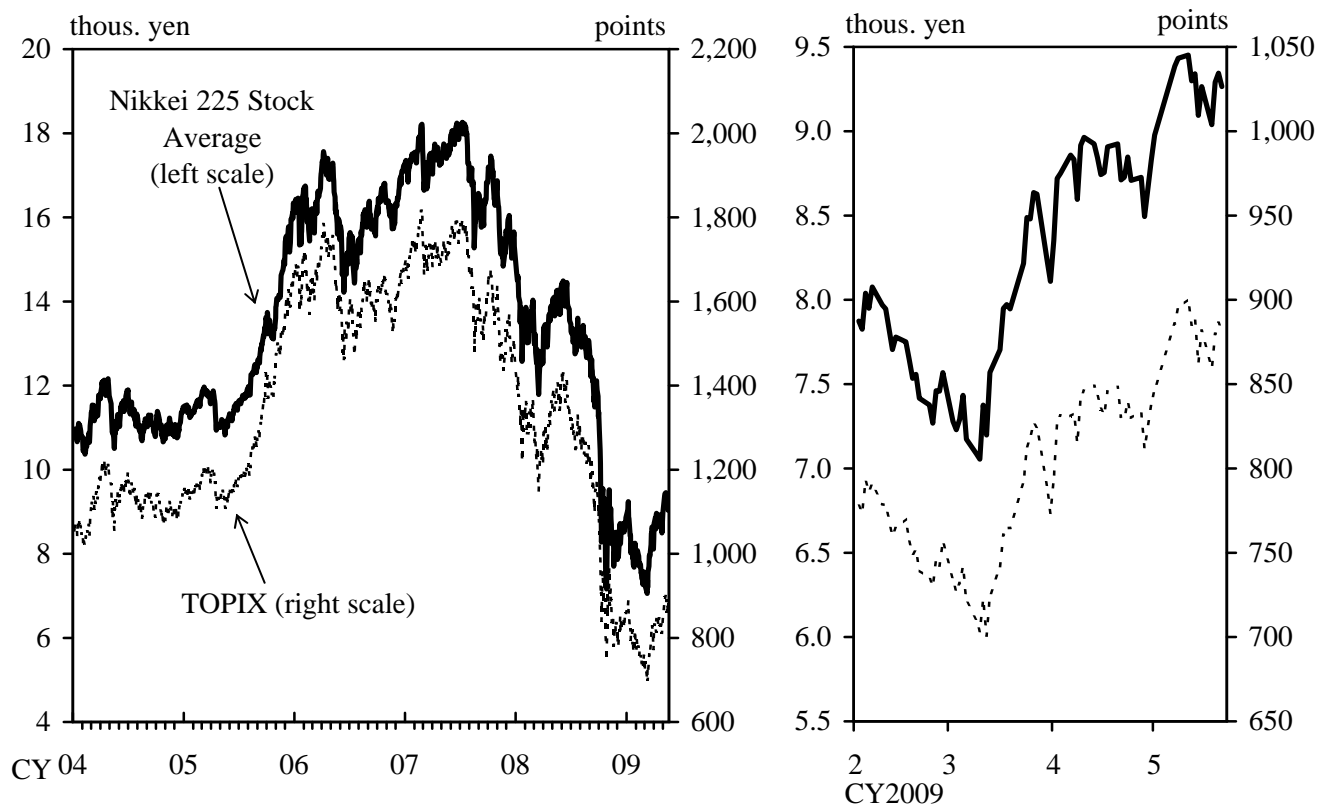
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.

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

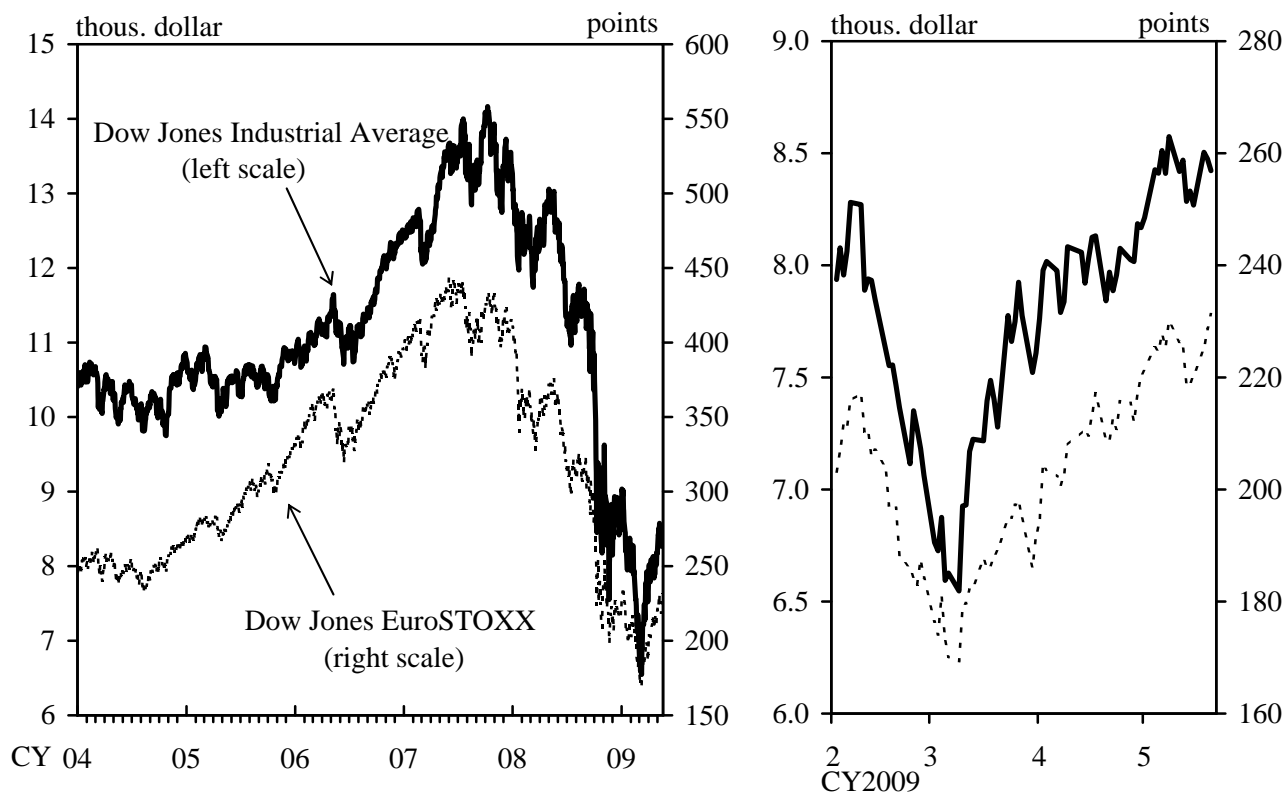
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Japanese Stock Prices



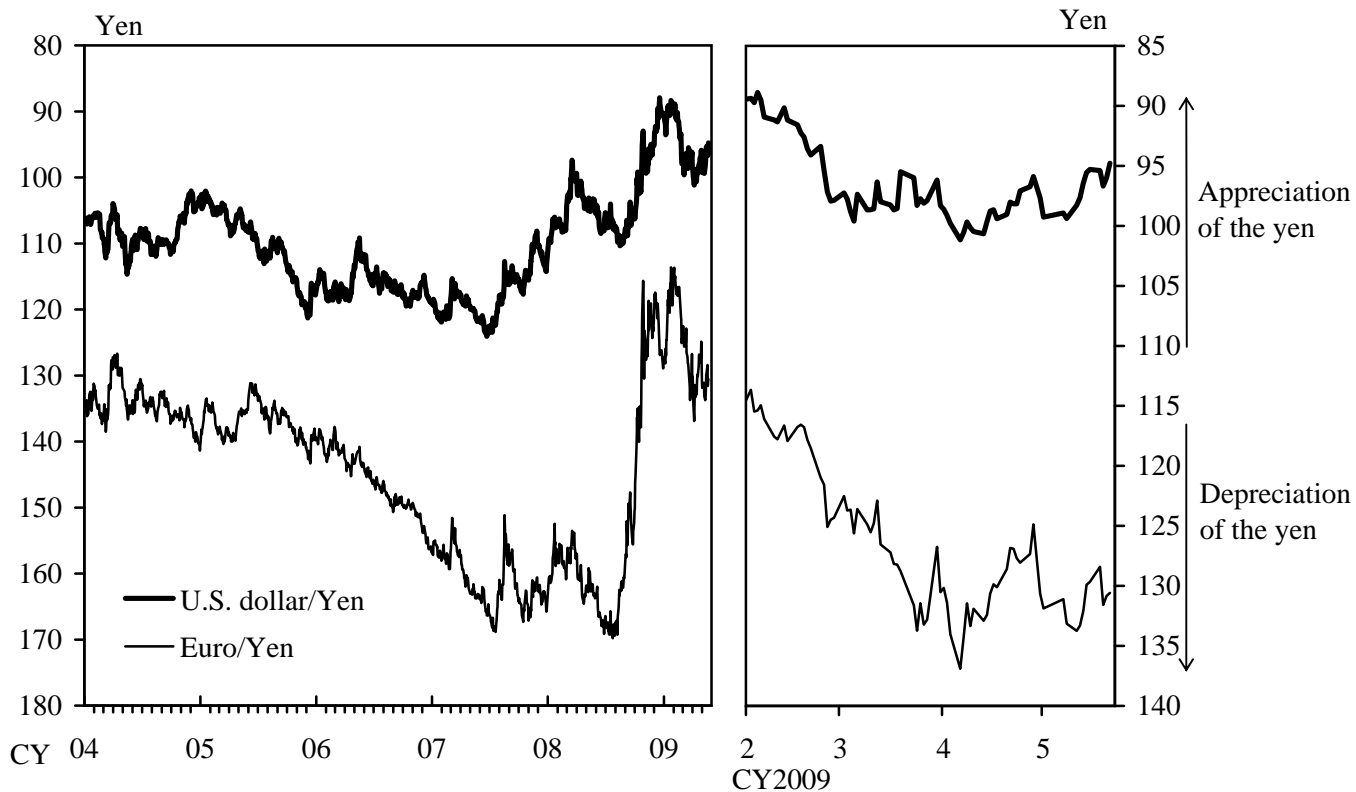
(2) Overseas Stock Prices



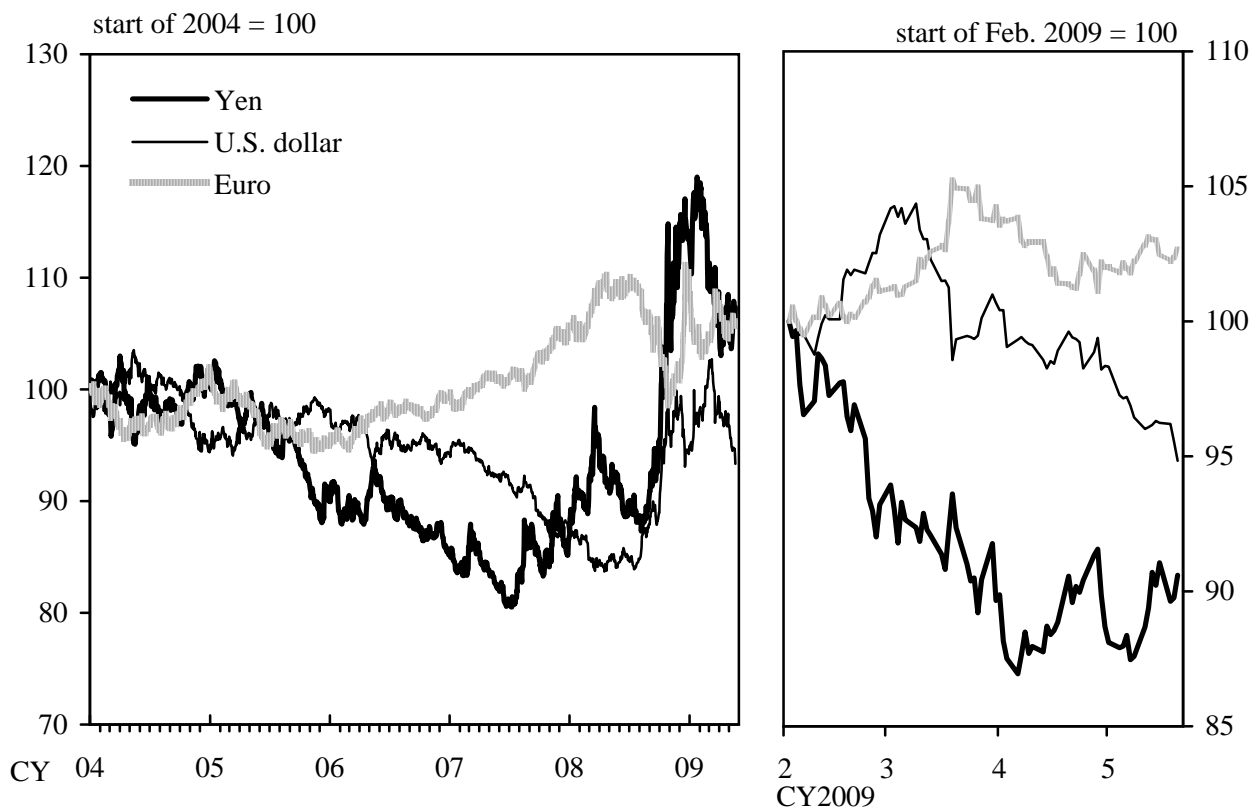
Sources: The *Nihon Keizai Shimbun* ; Tokyo Stock Exchange; Bloomberg.

Exchange Rates

(1) Bilateral Exchange Rates



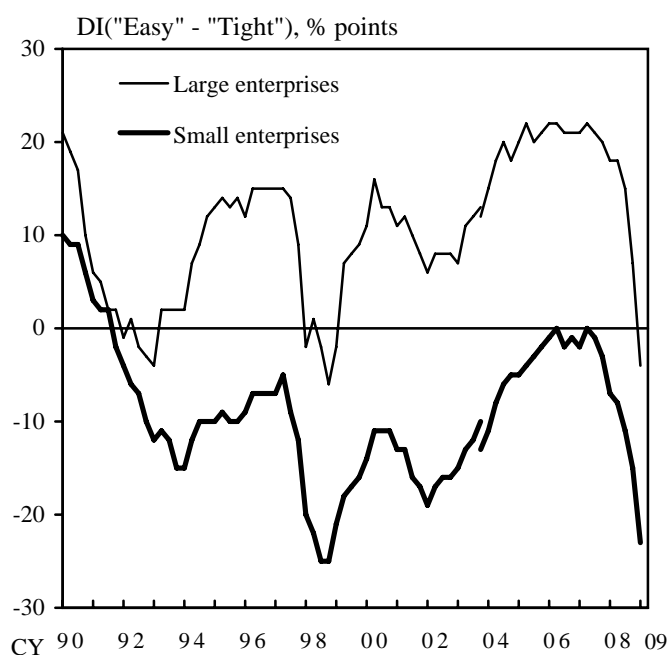
(2) Nominal Effective Exchange Rates



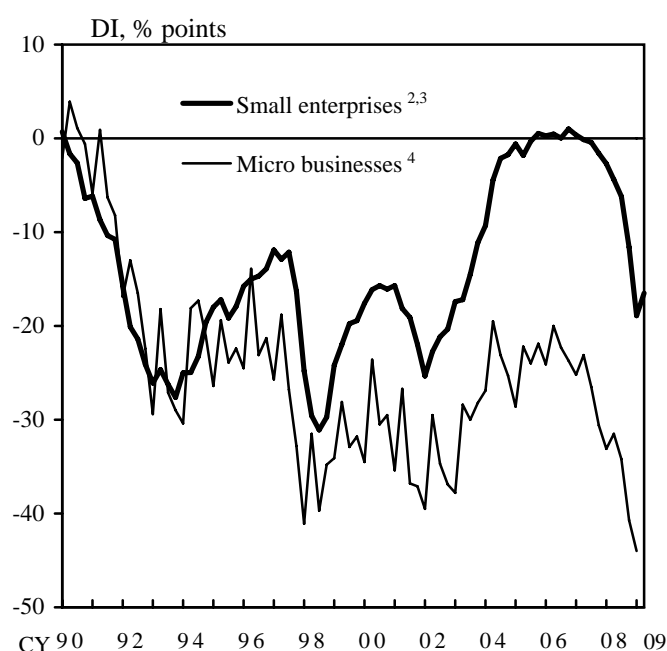
Sources: Bank of Japan; European Central Bank; Bloomberg.

Corporate Finance-Related Indicators

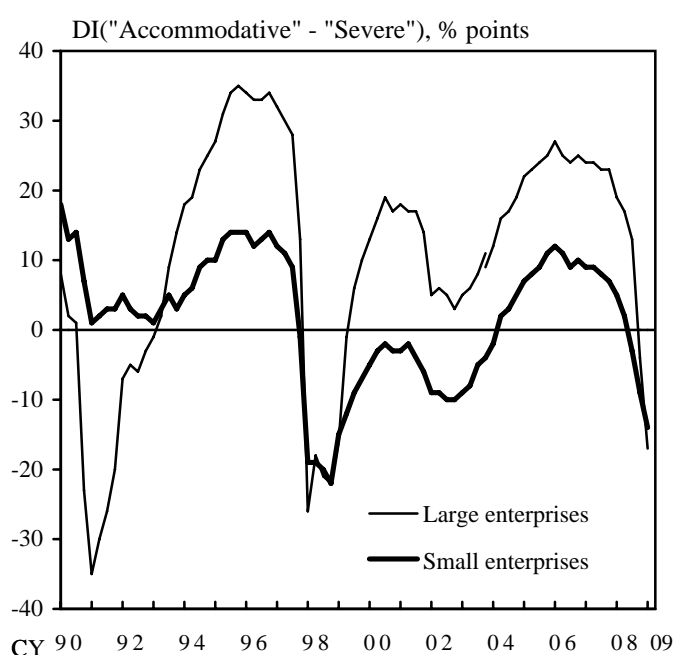
(1) Financial Position

<Tankan¹>

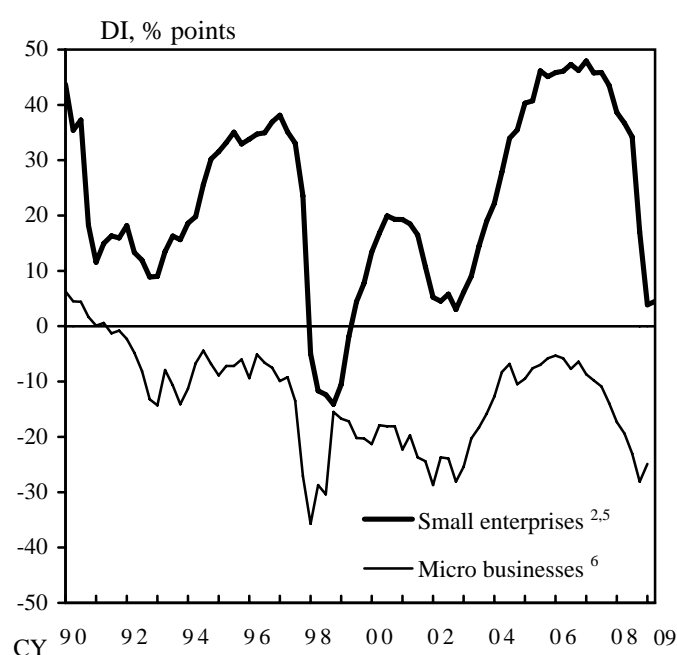
<Japan Finance Corporation Survey>



(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/Q2 are those of April.

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

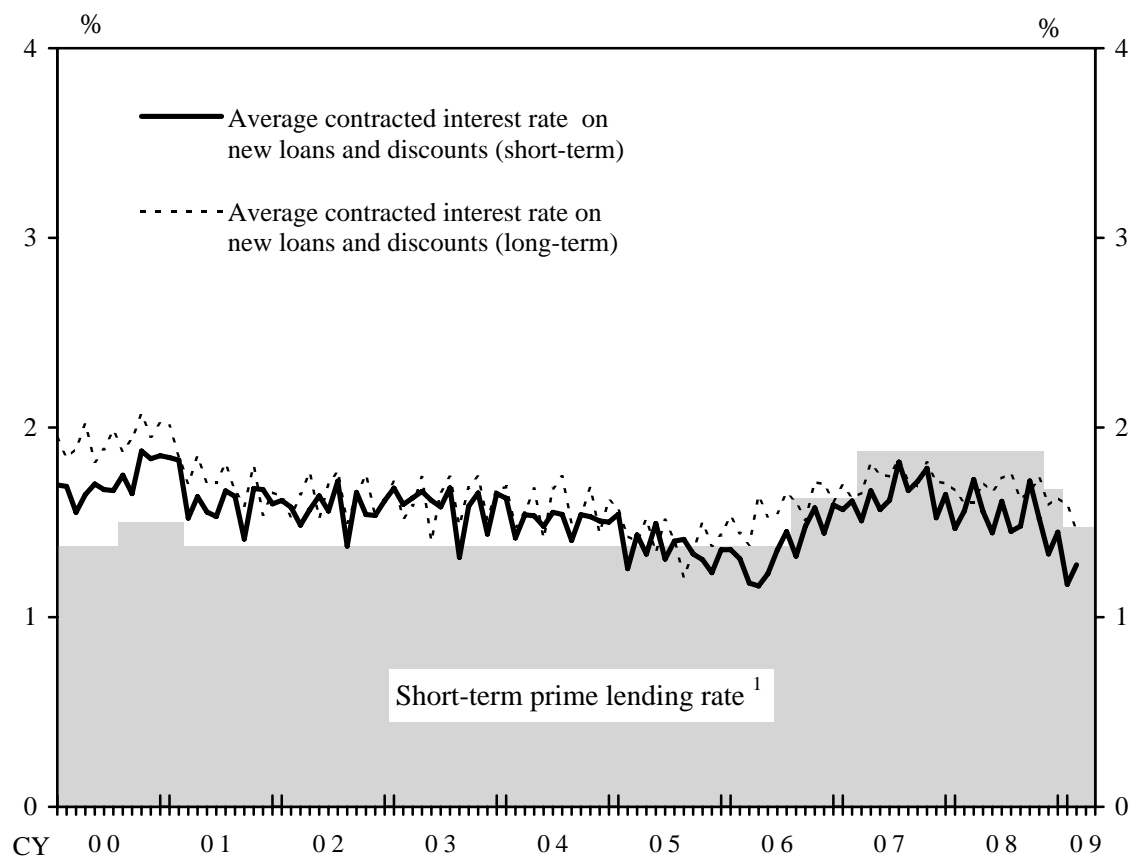
4. DI of "Easier" - "Tighter."

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

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

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

Lending Rates

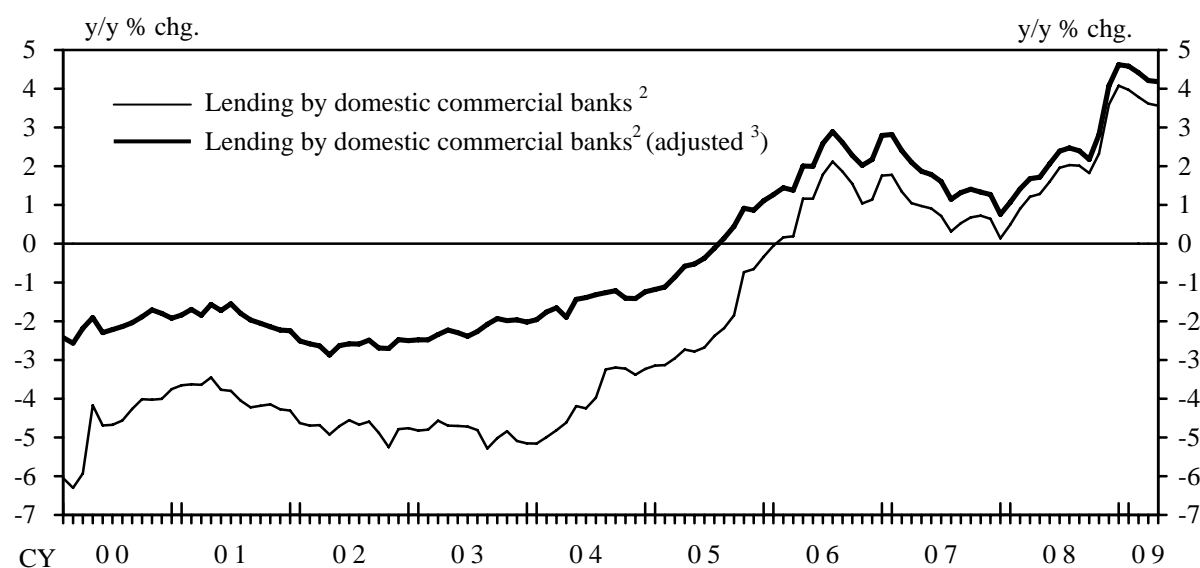


Note: 1. Data are at end of period.

Source: Bank of Japan.

Lending by Financial Institutions

(1) Lending by Domestic Commercial Banks¹



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

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

3. Adjusted to exclude

(1) fluctuations due to the liquidation of loans,

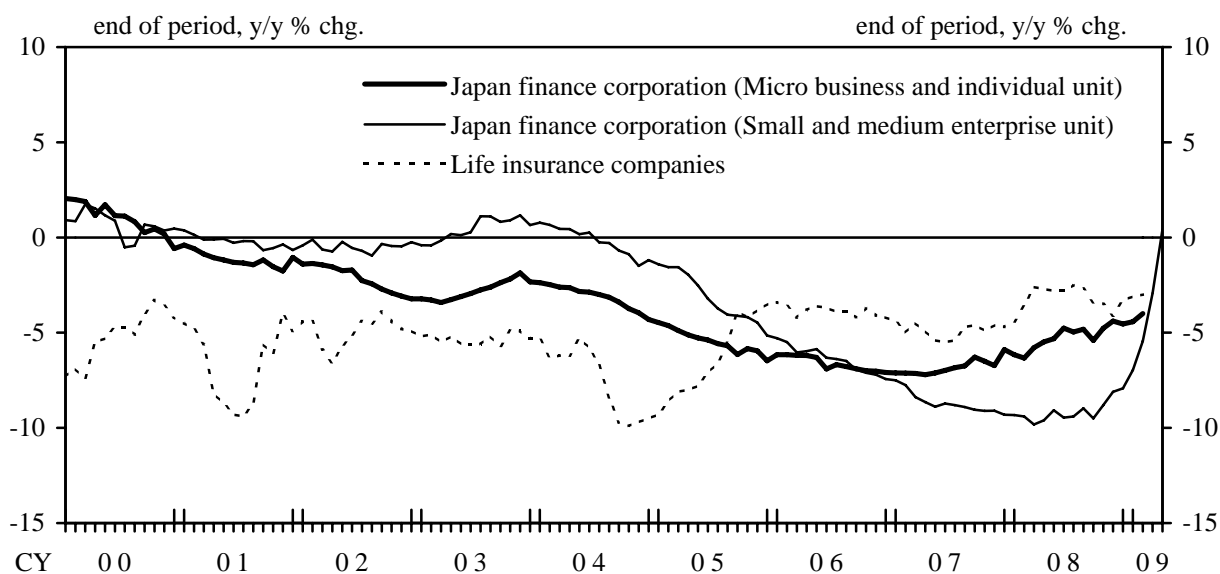
(2) fluctuations in the yen value of foreign currency-denominated loans due to changes in exchange rates,

(3) fluctuations due to loan write-offs,

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

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

(2) Lending by Other Financial Institutions

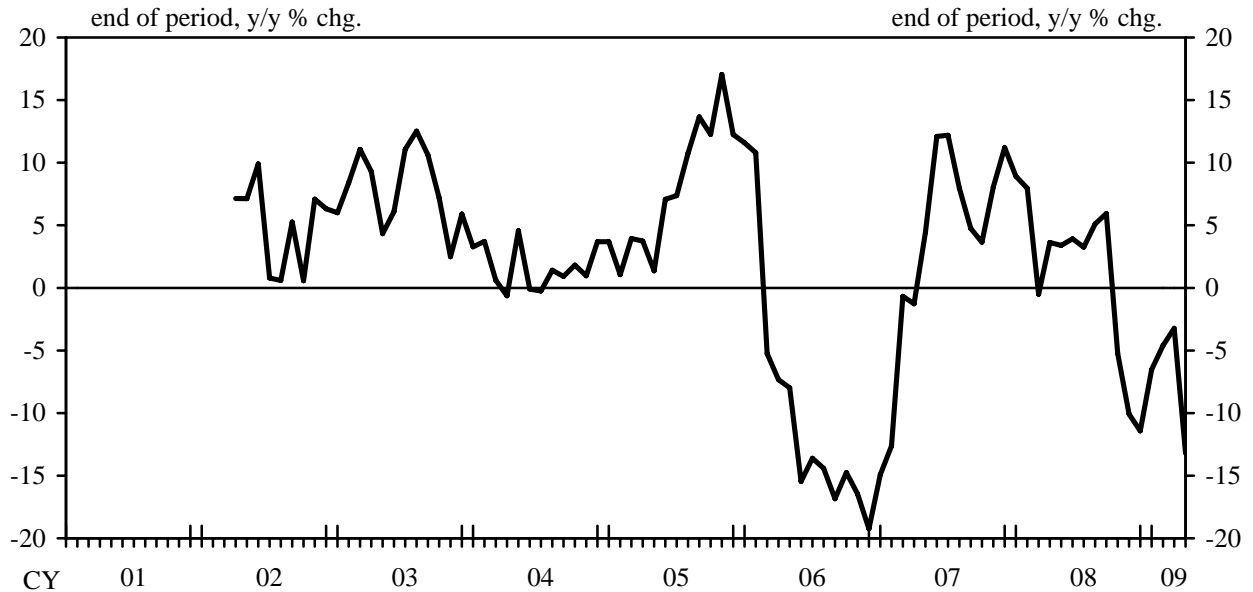


Note: The figures of the Japan Finance Corporation (Small and Medium Enterprise Unit) exclude the amounts outstanding of lending to the Credit Guarantee Corporations.

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

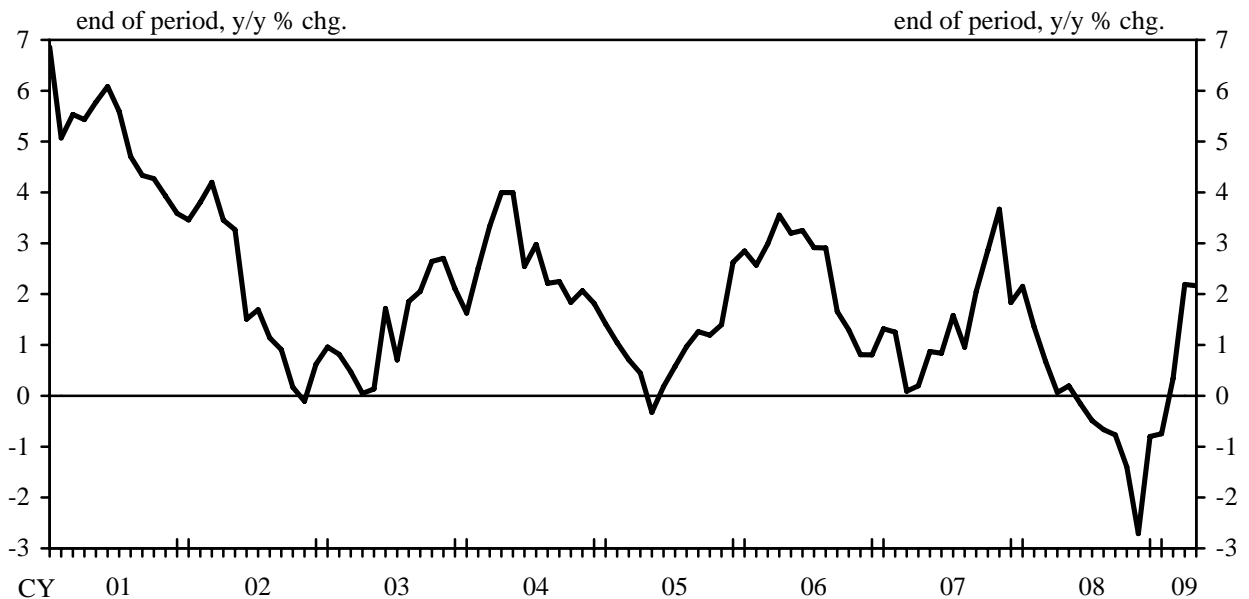
 Private-Sector Fund-Raising in the Capital Markets

(1) Amount Outstanding of Commercial Paper



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

(2) Amount Outstanding of Corporate Bonds



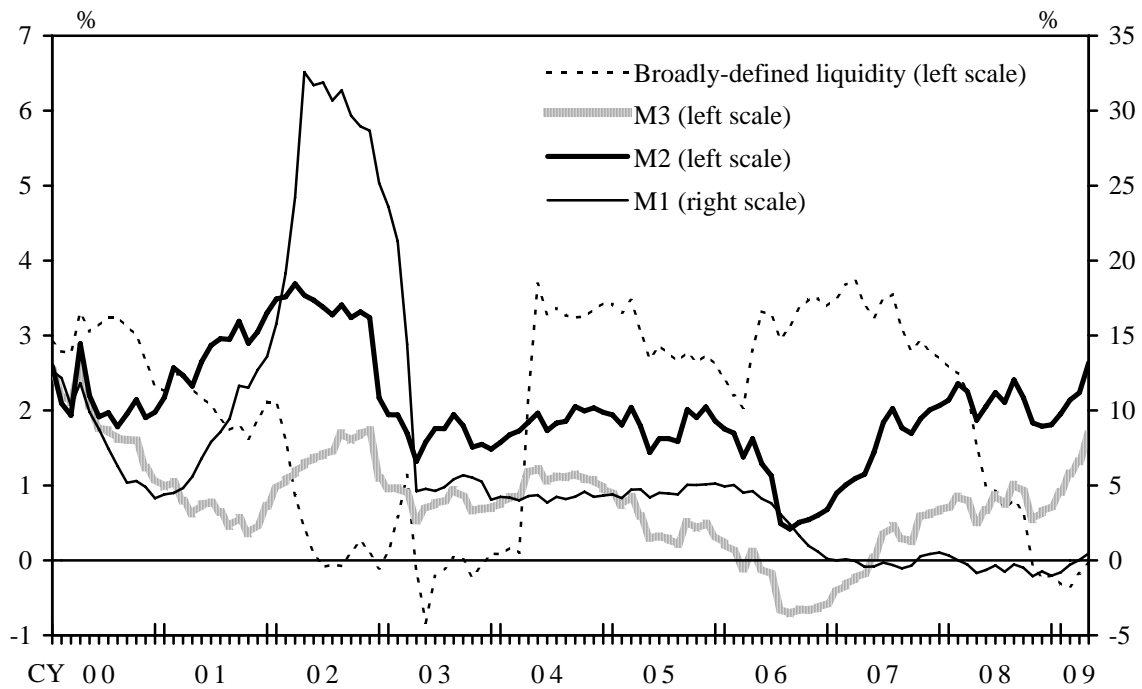
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

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

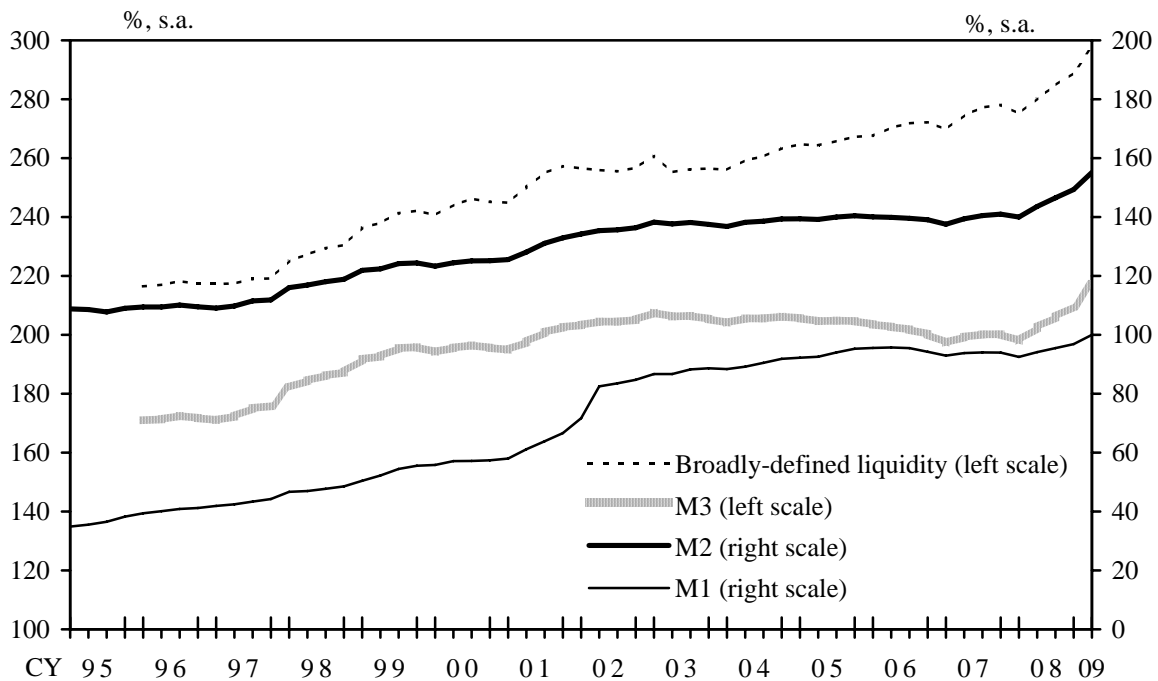
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category";
 Bank of Japan, "Principal Figures of Financial Institutions";
 Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts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

Money Stock

(1) Changes from a Year Earlier



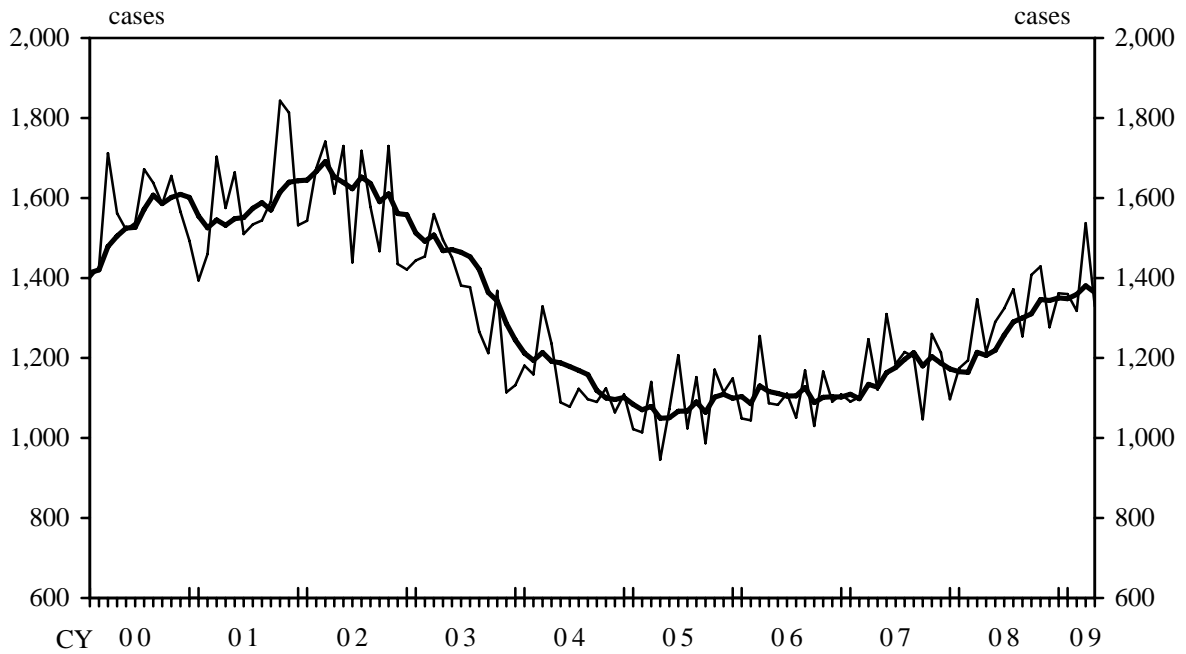
(2) Ratio of Money Stock to Nominal GDP



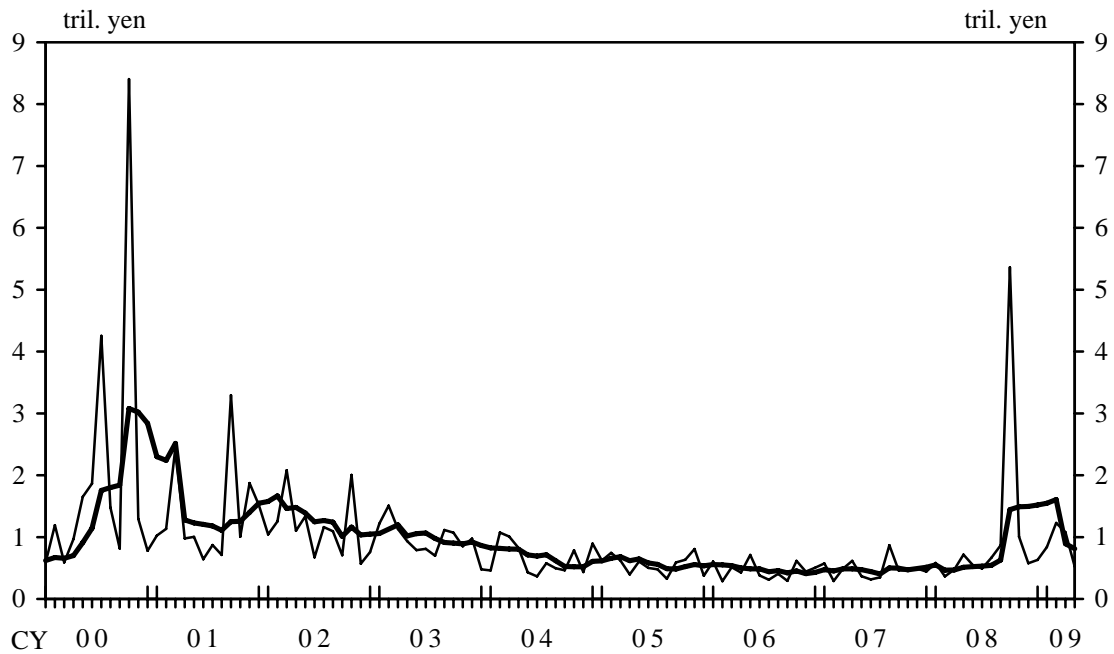
- Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.
- 2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.
- 3. The figures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

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities



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

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