

September 9, 2010  
Bank of Japan

**Monthly Report of  
Recent Economic and Financial Developments**  
September 2010

(English translation prepared by the Bank's staff based on the Japanese original  
released on September 8, 2010)

Please contact the Bank of Japan at the address below in advance to request permission when reproducing or copying the content of this document for commercial purposes.

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

Please credit the source when quoting, reproducing, or copying the content of this document.

# Monthly Report of Recent Economic and Financial Developments<sup>1</sup>

September 2010

## Summary

Japan's economy shows further signs of a moderate recovery.

Exports and production have been increasing, albeit at a slower pace. Business fixed investment is showing signs of picking up. The employment and income situation has remained severe, but the degree of severity has eased somewhat. In these circumstances, private consumption has been generally picking up and has recently been boosted by the extremely hot weather and a last-minute increase in demand for durable consumer goods ahead of the expiration of the policy measure. Housing investment has leveled out. Meanwhile, public investment is declining.

Japan's economy is likely to recover at a moderate pace, although the pace of improvement is likely to slow temporarily.

Exports are expected to continue increasing, albeit moderately for the time being, reflecting continued improvement in overseas economic conditions. Signs of picking up in business fixed investment are expected to gradually become more evident as the improvement in corporate profits continues. However, with firms' persistent sense of excessive capital stock, the pace of improvement in business fixed investment is likely to remain moderate for the time being. Private consumption is expected to remain on a recovery trend, despite a likely temporary weakening mainly due to the ending of the boost from the extremely hot weather and the abolition of subsidies for purchasing energy efficient cars. Meanwhile, the decline in public investment is likely to continue. In these circumstances, production is expected to continue to trend upward, although it is likely to temporarily show weakness primarily in durable consumer goods.

On the price front, domestic corporate goods prices have been somewhat lower than their levels of three months earlier, mainly due to the decrease in

---

<sup>1</sup> This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on September 6 and 7, 2010.

commodity prices, amid the persistent slack in supply and demand conditions for products. Consumer prices (excluding fresh food) are declining on a year-on-year basis due to the substantial slack in the economy as a whole, but the slowing trend in the pace of decline has continued.

Domestic corporate goods prices are expected to be somewhat weak for the time being, since the effects of the decrease in commodity prices are likely to continue. The year-on-year pace of decline in consumer prices is expected to slow as a trend as the aggregate supply and demand balance improves gradually.

The weighted average of the overnight call rate has been at around 0.1 percent. Interest rates on term instruments have declined somewhat. Meanwhile, compared with last month, the value of the yen against the U.S. dollar and long-term interest rates have risen, while stock prices have declined.

Financial conditions have continued to show signs of easing.

The overnight call rate has remained at an extremely low level, and the declining trend in firms' funding costs has continued. While stimulative effects from low interest rates are still partly constrained given current developments in economic activity and prices, such effects are beginning to strengthen in light of improved corporate profits. With regard to credit supply, firms see financial institutions' lending attitudes as improving. Issuing conditions for CP and corporate bonds have remained favorable. As for credit demand, firms' need to fund working capital and fixed investment has declined, and some firms have reduced the on-hand liquidity that they had accumulated. Against this backdrop, bank lending has declined on a year-on-year basis. The amount outstanding of corporate bonds has exceeded the previous year's level, while that of CP has declined. In these circumstances, the financial positions of firms have continued to show signs of improvement as a whole. Meanwhile, the year-on-year rate of change in the money stock has been in the range of 2.5-3.0 percent.

## 1. Economic Developments

Public investment is declining. Monthly indicators (Chart 5) show that the value of public works contracted—a measure that reflects public orders—have continued to be relatively weak; it dropped in July compared with the second quarter. The amount of public construction completed—which reflects the progress of public works—fell back sharply in the second quarter, after having risen significantly in the first quarter. These large fluctuations were largely attributable to changes in the statistical method: the coefficient for the progress in public works during the winter season was raised from the fiscal 2009 figures, and this has allowed figures for the first quarter to turn out to be relatively high.

The decline in public investment is likely to continue.

Real exports have been increasing, albeit at a slower pace (Charts 6[1] and 7). Exports registered high growth of 9.5 percent in the second quarter on a quarter-on-quarter basis, followed by a slower pace of increase of 2.5 percent in July relative to the second quarter.

By destination (Chart 7[1]), while exports to East Asia have been decelerating since the second quarter, the increase in those to "other regions" also came to a halt in July relative to the second quarter. Exports to China, however, grew at a relatively fast pace in July, after having declined for two consecutive months in May and June. Exports to the United States, meanwhile, continued to register high growth in July mainly in motor vehicles and their related goods as well as in capital goods and parts.

By goods (Chart 7[2]), exports decelerated for all goods in July compared with the second quarter. Exports of motor vehicles and their related goods—which exhibited strong growth in the second quarter—increased at a slower pace in July, notably for those to "other regions" and to the EU. Exports of capital goods and parts—which have continued their relatively high growth—grew at a reduced pace in July compared with the second quarter, primarily to NIEs and to "other regions." The increase in exports of IT-related goods to all regions recently appears to have come to a halt.

Real imports have been on a moderate uptrend amid consistent increases in production and demand for durable consumer goods (Charts 6[1] and 9). Imports registered high growth of 6.1 percent in the second quarter on a quarter-on-quarter basis, followed by a slower pace of increase of 2.4 percent in July compared with the second quarter.

By goods (Chart 9[2]), imports of IT-related goods—which registered high growth in the second quarter—have recently slowed their pace of increase. As for consumer goods, while imports of audio and visual apparatus have remained steady, articles of apparel have recently been weak.

Net exports—in terms of the real trade balance—have been increasing, reflecting the aforementioned developments in exports and imports, but the pace of increase has slowed (Chart 6[2]). The surplus of the nominal balance on goods and services has been more or less flat, albeit with fluctuations.

Exports are expected to continue increasing, albeit moderately for the time being, reflecting continued improvement in overseas economic conditions. The growth rate of overseas economies, which had been expanding at a considerably fast pace—mainly attributable to emerging countries—is slowing, partly due to adjustments to accommodative monetary policies in emerging economies (Chart 8[2]). The real effective exchange rate of the yen has recently climbed (Chart 8[1]).

Imports are expected to continue increasing gradually, thanks to the recovery trend of the domestic economy.

Business fixed investment is showing signs of picking up. According to the *Financial Statements Statistics of Corporations by Industry, Quarterly*, business fixed investment in nominal terms increased in the second quarter, after the pace of decrease slowed considerably in the fourth and first quarters (Chart 10[1]). By industry and company size (Chart 11), both the manufacturing and nonmanufacturing industries saw an increase in investment by large firms as well as by medium-sized and small firms. The aggregate supply of capital goods—a coincident indicator of machinery investment—edged down in July compared with the second quarter, but,

excluding transport equipment, it rose marginally (Chart 12[1]). As for leading indicators, machinery orders (private demand, excluding orders for ships, those from electric power companies, and those for cell phones)—a leading indicator of machinery investment—had been increasing since the third quarter of 2009, but were level in the second quarter on a quarter-on-quarter basis (Chart 13[1]).<sup>2</sup> By industry, in manufacturing, machinery orders dropped in the second quarter, partly in response to the notable increase for two straight quarters. On the other hand, in nonmanufacturing (excluding orders for ships, those from electric power companies, and those for cell phones), machinery orders rose in the second quarter, after having decreased for two quarters in a row. Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—have shown large fluctuations as a reflection of the recent fluctuations in large-scale projects in nonmanufacturing. They rose sharply in July relative to the second quarter, due to large-scale projects in nonmanufacturing (Chart 13[2]).

Regarding the environment surrounding business fixed investment, corporate profits have been on an improving trend. According to the *Financial Statements Statistics of Corporations by Industry, Quarterly* (Chart 10[2]), the ratio of current profits to sales inched down in the second quarter, whereas the ratio of operating profits to sales improved.

Signs of picking up in business fixed investment are expected to gradually become more evident as the improvement in corporate profits continues. However, with firms' persistent sense of excessive capital stock, the pace of improvement in business fixed investment is likely to remain moderate for the time being.

Private consumption has been generally picking up and has recently been boosted by the extremely hot weather and a last-minute increase in demand for durable consumer goods ahead of the expiration of the policy measure (Chart 14). Consumption of goods—as seen through sales at retail stores (in real

---

<sup>2</sup> According to the forecast on machinery orders, in the third quarter (seasonally adjusted figures, quarter-on-quarter change, same hereafter), private demand (excluding orders of shipbuilding and orders from electric power companies) is forecasted to increase by 0.8 percent; manufacturing is likely to rise by 1.6 percent and nonmanufacturing (excluding orders of shipbuilding and orders from electric power companies) to decline by 0.6 percent.

terms)—increased in July compared with the second quarter, after having been more or less flat in the second quarter (Chart 15[1]). As for durable consumer goods, sales of household electrical appliances (in real terms) rose in July due to the effects of the extremely hot weather mainly in air conditioners, with steady sales of flat panel televisions assisted by the eco-point system (Chart 15[2]).<sup>3</sup> The number of new passenger-car registrations spiked in August propelled by a last-minute increase in demand prior to the abolition of subsidies for purchasing energy efficient cars.<sup>4</sup> Sales at convenience stores have shown signs of picking up lately and combined with the effects of the extremely hot weather, they climbed in July (Chart 16[1]). Sales at both supermarkets and department stores have been seesawing. As for services consumption (Chart 16[2]), outlays for travel have been on an improving trend. Sales in the food service industry increased in July, mainly at fast-food restaurants, buoyed by the extremely hot weather.

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 July relative to the second quarter after having decreased in the second quarter (Chart 15[1]).<sup>5</sup> The total expenditure in the *Survey of Household Economy* (in real terms) rose in July compared with the second quarter.

Indicators related to consumer sentiment, meanwhile, have been firm on the whole (Chart 17).

Private consumption is expected to remain on a recovery trend, despite a likely temporary weakening mainly due to the ending of the boost from the extremely hot weather and the abolition of subsidies for purchasing energy efficient cars.

---

<sup>3</sup> The eco-point system for household electrical appliances will expire at the end of 2010. However, the government's Basic Policy for a New Economic Stimulus Package, released on August 30, includes an extension for this incentive program.

<sup>4</sup> Subsidies for purchasing energy efficient cars will expire at the end of September 2010.

<sup>5</sup> Items in the index are not completely limited to those used for estimating GDP. Education, for example, is not used for estimating GDP.



Housing investment has leveled out. The number of housing starts (Chart 18[1]; annualized)—a leading indicator of housing investment—rose marginally in July compared with the second quarter. Housing investment has tended to pick up—notably in housing for sale—which mainly reflected the progress in inventory and price adjustments.

Housing investment is expected to gradually head for a recovery, considering the number of housing starts. However, housing investment is likely to require more time to show clearer evidence of improvement, mainly because the employment and income situation is expected to remain severe.

Industrial production has been increasing, albeit at a slower pace. Production rose by 0.3 percent in July on a monthly basis. On a quarterly basis, production registered a strong 7.0 percent growth in the first quarter followed by a notably slower pace of increase of 1.5 percent in the second quarter; it was almost flat in July compared with the second quarter, posting a decline of 0.4 percent (Chart 19). It should be noted, however, that this rapid deceleration was partly influenced by a distortion in seasonal adjustments.<sup>6</sup> In fact, the pace of increase in production seems to have been decelerating gradually from the middle of 2009, rather than having slowed suddenly of late.

Shipments increased by 1.6 percent in the second quarter on a quarter-on-quarter basis, but fell back by 0.5 percent in July compared with the second quarter partly due to a distortion in seasonal adjustments. By goods (Chart 20), shipments of producer goods have recently been somewhat weak, mainly in iron and steel and in electronic parts and devices, after having recovered significantly. Those of durable consumer goods have been more or less flat lately. Capital goods (excluding transport equipment) have trended upward. Construction goods have remained sluggish in general. Non-durable consumer goods have recently edged up.

---

<sup>6</sup> As a result of the revision on seasonal adjustments—which was conducted at the time of the annual revision on April 15—a part of the significant drop in production in the first quarter of 2009 was systematically recognized as a seasonal movement. Once the seasonal adjustment method recognizes that production in the first quarter is seasonally weak, it will push future growth rates for the first quarter—in this case the growth rate for the first quarter of 2010—upward, whereas it will exert downward pressure on those for the second and third quarters.

Inventories have been more or less flat. Looking at the shipment-inventory balance by goods (Chart 21), the year-on-year rate of change in inventories has remained almost level, whereas that in shipments has decreased slightly.

Production is expected to continue to trend upward, although it is likely to temporarily show weakness primarily in durable consumer goods. According to anecdotes by firms and other information, production, in fact, is expected to continue increasing in the third quarter. Production of transport equipment is expected to increase due to a last-minute increase in demand prior to the abolition of subsidies for purchasing energy efficient cars; production of air conditioners and beverages is also projected to rise boosted by the extremely hot weather. As for the fourth quarter, along with the ending of the boost from the extremely hot weather, production of transport equipment is likely to drop sharply due to production adjustments resulting from the abolition of subsidies for purchasing energy efficient cars; thus, production is projected to temporarily show weakness.

The employment and income situation has remained severe, but the degree of severity has eased somewhat.

In the labor market, the ratio of job offers to applicants rose for the third month running, recording 0.53 times in July (Chart 22[1]). It has generally recovered moderately after hitting bottom in August 2009. The unemployment rate in July moved down to 5.2 percent, after having increased for four straight months.

In terms of employment (Chart 23[1]), the year-on-year growth rate of the number of employees in the *Labour Force Survey* has continued to be around 0 percent.<sup>7</sup> The number of regular employees in the *Monthly Labour Survey* has increased, albeit marginally, from the previous year's level. The ratio of part-time employees has been on a moderate rising trend (Chart 23[2]). Overtime hours

---

<sup>7</sup> With regard to the Employment Adjustment Subsidy, figures collected from reports on business suspension plans show that the number of applicants for this subsidy has been decreasing moderately as a trend, although it remains at a high level. The number of applicants was 2.53 million at its peak in April 2009, while it was 1.21 million this past July.

worked, meanwhile, have been recovering, although the pace has somewhat slowed (Chart 23[3]).

Nominal wages per employee had been declining significantly, but they have inched up lately on a year-on-year basis (Chart 24[1]). In detail, the pace of decline in regular payments has been moderating considerably, assisted mainly by the pick-up in regular hours worked. Overtime payments have registered a year-on-year increase, facilitated by the increase in overtime hours worked. Special payments have also been above the year-ago level.<sup>8</sup>

Employee income—which had been decreasing on a year-on-year basis—has marked a marginal year-on-year increase lately as a reflection of the aforementioned developments in employment and wages (Chart 24[3]).

The increase in employee income is likely to lack vigor for the time being, mainly due to the persistent sense among firms of excessive employment, although the decline is expected to come to a gradual and clear halt.

## **2. Prices**

The three-month rate of change in import prices (on a yen basis) has decreased as a reflection of the drop in international commodity prices (Chart 26). International commodity prices have decreased from May, and have been more or less flat recently. Domestic commodity prices have been weak since May.

Domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter)<sup>9</sup> have been somewhat lower than their levels of three months earlier, mainly due to the decrease in international commodity

---

<sup>8</sup> Surveys by the Nihon Keizai Shimbun, Inc. (final results as of June 29) and the Japan Business Federation (final results as of July 20) show that summer bonuses among major firms will increase marginally (0.75 and 0.55 percent respectively, on a year-on-year basis).

<sup>9</sup> 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, amid the persistent slack in supply and demand conditions for products (Chart 27). In detail, the three-month rate of change in prices of "goods sensitive to exchange rates and overseas commodity prices" has turned negative due to the drop in international commodity prices. The three-month rate of change in prices of "raw materials (other goods)" has fallen, mainly in prices of chemicals and related products. Meanwhile, the three-month rate of decline in prices of "machinery" has narrowed slightly.

Corporate services prices (excluding international transportation; year-on-year basis, same hereafter) have been declining, a reflection mainly of cost cutting among firms, but the rate of decline has tended to moderate (Chart 28). In July, corporate services prices fell for 21 months in a row. The pace of decline has been slowing since the start of this year.<sup>10</sup> Looking at recent developments in detail, the pace of decline in prices related to selling, general and administrative expenses has tended to slow on average, since firms have shown signs of a slight ease in their stance on cost cutting. The rates of decrease in IT-related prices and prices related to domestic transportation have tended to slow modestly. However, the rate of decline in prices of equipment investment—including those of leasing and rental—has yet to narrow. Prices related to real estate have dropped at a faster pace, affected by a slack in supply and demand conditions with a time lag.

Consumer prices (excluding fresh food; year-on-year basis, same hereafter) are declining due to the substantial slack in the economy as a whole, but the slowing trend in the pace of decline has continued (Charts 29 and 30). In July, the rate of decrease in consumer prices expanded by 0.1 percentage point from June, registering a decrease of 1.1 percent. Looking at developments on a basis that excludes food and energy, consumer prices dropped by 1.5 percent, posting the same rate of decline as in June. Excluding high school fees,<sup>11</sup> the rate of decline in consumer prices—excluding fresh food—expanded by 0.1 percentage point from June with a

---

<sup>10</sup> The category "All items including international transportation" has declined at a somewhat faster pace since the rate of increase in prices of international transportation narrowed sharply due to the decline in shipping prices.

<sup>11</sup> In terms of high school fees, households with public high school students are exempt from paying the annual tuition fee of about 120,000 yen, while those with private high school students will receive subsidies equivalent to the annual tuition fee of public high schools.

decrease of 0.6 percent. The rate of decline—excluding food and energy—marked a decrease of 0.7 percent, posting the same rate of decline as in June. The year-on-year rate of decline in the trimmed mean index—which systematically discards a certain percentage of the highest and lowest marks of the price fluctuation distribution by item (the index which eliminates large relative price fluctuations)—has been narrowing mildly.

Looking at recent movements in detail, in prices of goods, although the pace of increase in prices of petroleum products has slowed, the pace of decline in prices of clothes and of agricultural and aquatic products has moderated slightly. As for prices of general services, the pace of decline—with private high school fees excluded—has been moderating as a whole. The pace of decline in public utility charges—with public high school fees excluded—has also been slowing.

Domestic corporate goods prices are expected to be somewhat weak for the time being, since the effects of the decrease in commodity prices are likely to continue. The year-on-year pace of decline in consumer prices is expected to slow as a trend as the aggregate supply and demand balance improves gradually.

### **3. Financial Developments**

#### **(1) Financial Markets**

In Japan's money markets, interest rates—including those for somewhat longer terms—have declined, albeit slightly, against the background of the Bank of Japan's enhancement of easy monetary conditions. Meanwhile, the volume of transactions in some markets has remained low. The overnight call rate (uncollateralized) has been at around 0.1 percent. Regarding interest rates on term instruments, the T-Bill rate (3-month) has been in the range of 0.10-0.15 percent. The Euroyen interest rate (3-month) has remained high relative to the OIS rates—the OIS rates mainly reflect expectations about future policy interest rates. Interest rates on Euroyen futures have suggested that term funding rates are expected to decline moderately for the time being (Chart 31). In U.S. dollar funding, the LIBOR-OIS spread for the dollar has declined, as market participants have continued to ease their cautious stances on taking counterparty risks in transactions (Chart 32).

Yields on 10-year government bonds (newly issued 10-year JGB)—which had declined, partly due to the downtrend in overseas long-term interest rates amid concerns about a possible U.S. economic slowdown—have shown some fluctuations against the backdrop of profit-realizing sales by investors; they have recently risen to the range of 1.15-1.20 percent (Chart 33).

Yield spreads between corporate bonds and government bonds have been more or less unchanged, due to firm demand among investors (Chart 34).

Stock prices have declined, as the yen has continued to appreciate and U.S. and European stock prices have weakened as a whole. The Nikkei 225 Stock Average has recently been in the range of 9,000-9,500 yen (Chart 35).

In the foreign exchange market, the yen has continued to appreciate against the U.S. dollar, rising to the range of 83-84 yen for the first time since 1995, amid the narrowing interest rate differential between the United States and Japan; it has recently been traded in the range of 84-85 yen (Chart 36).

## **(2) Corporate Finance and Monetary Aggregates**

The declining trend in firms' funding costs has continued, against the background that the overnight call rate has remained at an extremely low level. Meanwhile, issuance rates on CP have remained more or less unchanged at low levels, and those on corporate bonds have declined somewhat. The average contracted interest rates on new loans and discounts have been on a declining trend, albeit with some fluctuations (Chart 38).

With regard to credit supply, firms see financial institutions' lending attitudes as improving (Chart 37). Issuing conditions for CP and corporate bonds have remained favorable. In these circumstances, funding of the private sector has declined on a year-on-year basis, mainly due to the decline in firms' need to fund working capital and fixed investment. Bank lending has declined on a year-on-year basis (Chart 39). The amount outstanding of CP issued has decreased, partly because of the decline in firms' need to fund working capital. On the other hand, the

amount outstanding of corporate bonds issued has been above the previous year's level (Chart 40).

In these circumstances, the financial positions of firms have continued to show signs of improvement as a whole (Chart 37). The number of corporate bankruptcies has continued to decrease; it was down by 23.1 percent in July compared to the previous year's level (Chart 42).

Meanwhile, the year-on-year growth rate of the money stock (M2) has recently been in the range of 2.5-3.0 percent. Its July reading was 2.7 percent on a year-on-year basis, following 2.9 percent in June (Chart 41).<sup>12</sup>

---

<sup>12</sup> On an M3 basis, which includes the Japan Post Bank, the year-on-year growth rate has recently been at around 2 percent; its July reading was 2.0 percent, following 2.2 percent in June. The year-on-year growth rate of broadly-defined liquidity (L) has recently been in the range of 1.0-1.5 percent; it increased by 1.3 percent in July, following an increase of 1.5 percent in June.

## 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	Trend Changes in Consumer Prices
Chart 7	Real Exports	Chart 31	Short-Term Interest Rates
Chart 8	Real Effective Exchange Rate and Overseas Economies	Chart 32	Global Money Markets
Chart 9	Real Imports	Chart 33	Long-Term Interest Rates
Chart 10	Business Fixed Investment and Corporate Profits	Chart 34	Yields of Corporate Bonds
Chart 11	Business Fixed Investment by Industry and Size	Chart 35	Stock Prices
Chart 12	Coincident Indicators for Business Fixed Investment	Chart 36	Exchange Rates
Chart 13	Leading Indicators for Business Fixed Investment	Chart 37	Corporate Finance-Related Indicators
Chart 14	Indicators for Private Consumption (1)	Chart 38	Lending Rates
Chart 15	Indicators for Private Consumption (2)	Chart 39	Lending by Financial Institutions
Chart 16	Indicators for Private Consumption (3)	Chart 40	Private-Sector Fund-Raising in the Capital Markets
Chart 17	Consumer Confidence	Chart 41	Money Stock
Chart 18	Indicators for Housing Investment	Chart 42	Corporate Bankruptcies
Chart 19	Production, Shipments, and Inventories		
Chart 20	Shipments Breakdown by Type of Goods		
Chart 21	Inventory Cycle		
Chart 22	Labor Market (1)		
Chart 23	Labor Market (2)		
Chart 24	Employee Income		



## Main Economic Indicators (1)

s.a., q/q (m/m) % chg.<sup>1</sup>

	2009/Q4	2010/Q1	Q2	2010/May	Jun.	Jul.	Aug.
Index of consumption expenditure level (two-or-more-person households)	0.6	0.3	-2.0	1.0	1.6	0.0	n.a.
Sales at department stores	-2.1	1.2	-1.5	0.9	-3.3	p 2.1	n.a.
Sales at supermarkets	-1.4	-0.3	0.1	-1.3	1.9	p -0.1	n.a.
New passenger-car registrations <sup>3</sup> <s.a., ann. 10,000 units>	< 316>	< 314>	< 320>	< 325>	< 312>	< 319>	< 417>
Sales of household electrical appliances (real, Current Survey of Commerce)	4.6	14.1	1.7	-3.9	0.7	p 3.8	n.a.
Outlays for travel	-2.9	4.3	3.1	4.9	-3.7	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	< 79>	< 84>	< 76>	< 74>	< 75>	< 77>	<n.a.>
Machinery orders (from private sector) excluding volatile orders 1 <sup>4</sup>	1.1	2.9	0.3	-9.1	1.6	n.a.	n.a.
excluding volatile orders 2 <sup>4</sup>	2.6	4.8	-0.1	-13.3	6.1	n.a.	n.a.
Construction Starts (private, nondwelling use)	3.6	24.6	-19.4	3.3	3.6	13.3	n.a.
Mining & manufacturing	-3.0	24.0	-11.2	-24.3	79.5	-22.3	n.a.
Nonmanufacturing <sup>5</sup>	9.0	18.9	-20.1	7.3	-11.1	24.2	n.a.
Value of public works contracted	-4.9	-6.5	5.2	-5.7	-3.4	-0.4	n.a.
Real exports	7.6	5.2	9.5	1.0	-0.3	2.4	n.a.
Real imports	1.1	2.5	6.1	7.3	1.1	-0.6	n.a.
Industrial production	5.9	7.0	1.5	0.1	-1.1	p 0.3	n.a.
Shipments	5.9	7.2	1.6	-1.7	0.2	p -0.1	n.a.
Inventories	-1.5	1.1	3.4	2.0	0.7	p -0.5	n.a.
Inventory Ratio <s.a., CY 2005 = 100>	< 110.0>	< 102.3>	< 106.7>	< 108.5>	< 106.7>	<p 108.3>	<n.a.>
Real GDP	1.0	1.1	0.1	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.1	1.4	0.8	0.1	0.1	n.a.	n.a.

## Main Economic Indicators (2)

	y/y % chg. <sup>1</sup>						
	2009/Q4	2010/Q1	Q2	2010/Apr.	May	Jun.	Jul.
Ratio of job offers to applicants <s.a., times>	< 0.43>	< 0.47>	< 0.50>	< 0.48>	< 0.50>	< 0.52>	< 0.53>
Unemployment rate <s.a., %>	< 5.2>	< 4.9>	< 5.2>	< 5.1>	< 5.2>	< 5.3>	< 5.2>
Overtime working hours <sup>6</sup>	-7.7	10.0	10.8	11.9	10.4	10.2	p 9.9
Number of employees	-1.4	-0.3	-0.3	-0.2	-0.4	-0.1	0.1
Number of regular employees <sup>6</sup>	-0.2	0.1	0.2	0.1	0.4	0.2	p 0.4
Nominal wages per person <sup>6</sup>	-4.1	0.0	1.3	1.6	0.1	1.8	p 1.3
Domestic corporate goods price index <q/q % chg., 3-month rate of change> <sup>7</sup>	-5.2 <-0.5>	-1.7 < 0.3>	0.2 < 0.6>	-0.2 < 0.7>	0.4 < 0.8>	0.4 < 0.2>	p -0.1 <p -0.5>
Consumer price index <sup>8</sup>	-1.8	-1.2	-1.2	-1.5	-1.2	-1.0	-1.1
Corporate services price index <sup>9</sup>	-1.6	-1.6	-1.4	-1.5	-1.2	-1.3	p -1.2
Money Stock (M2) <average outstanding, y/y % chg.>	3.3	2.8	3.0	2.9	3.1	2.9	p 2.7
Number of corporate bankruptcies <cases per month>	<1,176>	<1,156>	<1,108>	<1,154>	<1,021>	<1,148>	<1,066>

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

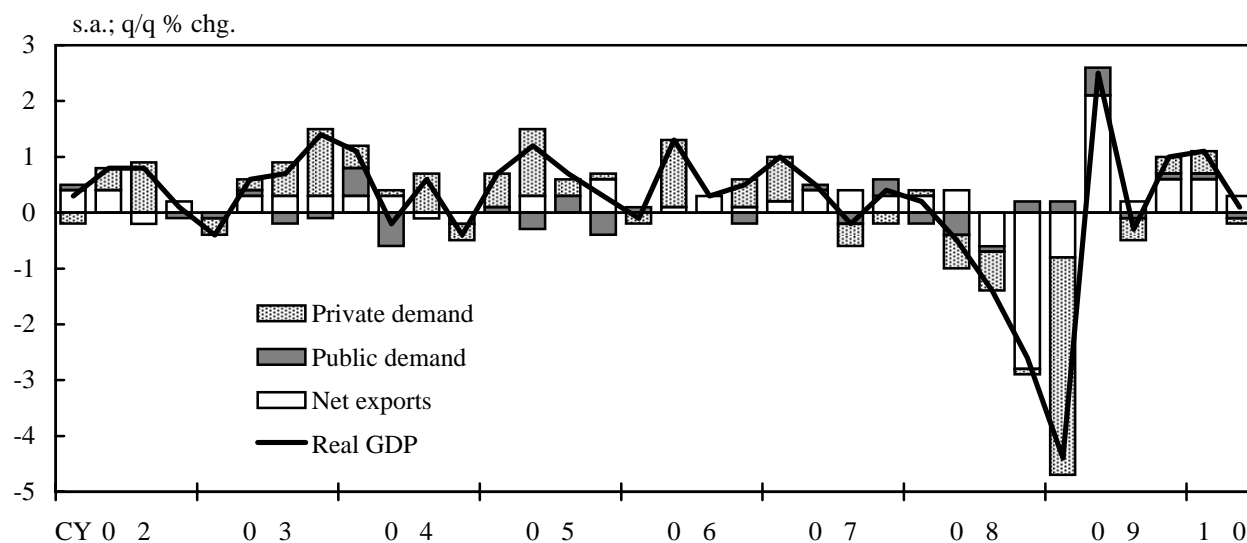
All figures in Chart 2 except figures in angle brackets are year-on-year changes. For details on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes of the respective charts.

2. Figures with "p" indicate preliminary data.
3. Excludes small cars with engine sizes of 660 cc or less.
4. Volatile orders 1: Orders for ships and those from electric power companies.  
Volatile orders 2: Volatile orders 1 and orders for cellphones.
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.
9. Excludes international transportation.

Sources: Ministry of Internal Affairs and Communications, "Labour Force Survey,"  
"Monthly Report on the Family Income and Expenditure Survey," "Consumer Price Index";  
Ministry of Economy, Trade and Industry, "Current Survey of Commerce," "Indices of Industrial Production,"  
"Indices of All Industry Activity";  
Japan Automobile Dealers Association, "Domestic Sales of Automobiles";  
Japan Tourism Agency, "Major Travel Agents' Revenue";  
Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts";  
Ministry of Finance, "Trade Statistics";  
Cabinet Office, "Orders Received for Machinery," "National Accounts";  
East Japan Construction Surety etc., "Public Works Prepayment Surety Statistics";  
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey";  
Bank of Japan, "Corporate Goods Price Index," "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



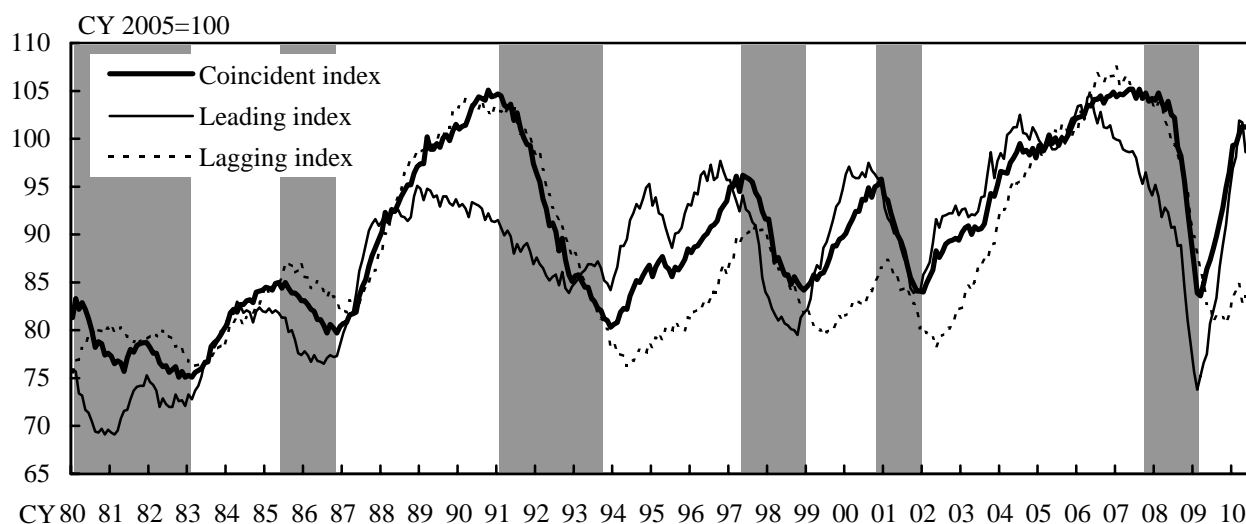
## (2) Components

s.a.; q/q % chg.

	2009			2010	
	Q2	Q3	Q4	Q1	Q2
Real GDP	2.5	-0.3	1.0	1.1	0.1
Domestic demand	0.4	-0.5	0.4	0.5	-0.2
Private demand	-0.0	-0.4	0.3	0.4	-0.1
Private consumption	0.8	0.4	0.4	0.3	0.0
Non-Resi. investment	-0.7	-0.2	0.2	0.1	0.1
Residential investment	-0.3	-0.2	-0.1	0.0	-0.0
Private inventory	0.2	-0.3	-0.2	0.0	-0.2
Public demand	0.5	-0.1	0.1	0.1	-0.1
Public investment	0.4	-0.1	-0.1	-0.1	-0.1
Net exports of goods and services	2.1	0.2	0.6	0.6	0.3
Exports	1.3	1.1	0.8	1.0	0.9
Imports	0.8	-0.9	-0.2	-0.4	-0.5
Nominal GDP	0.6	-0.6	0.4	1.4	-0.9

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

## (3) Indexes of Business Conditions (Composite Indexes)

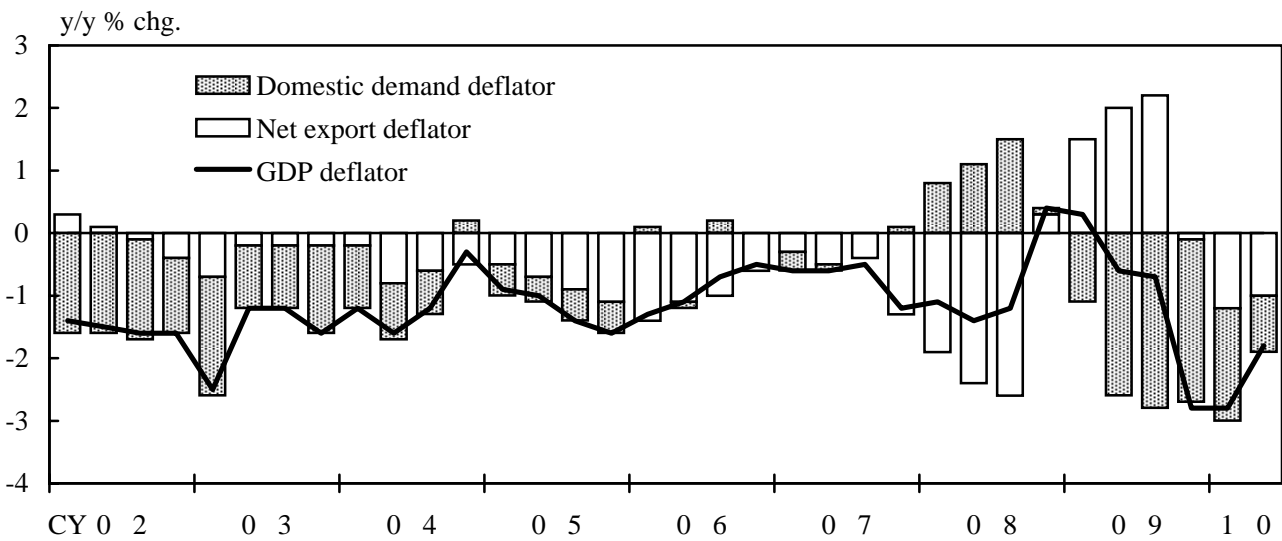


Note: Shaded areas indicate recession periods.

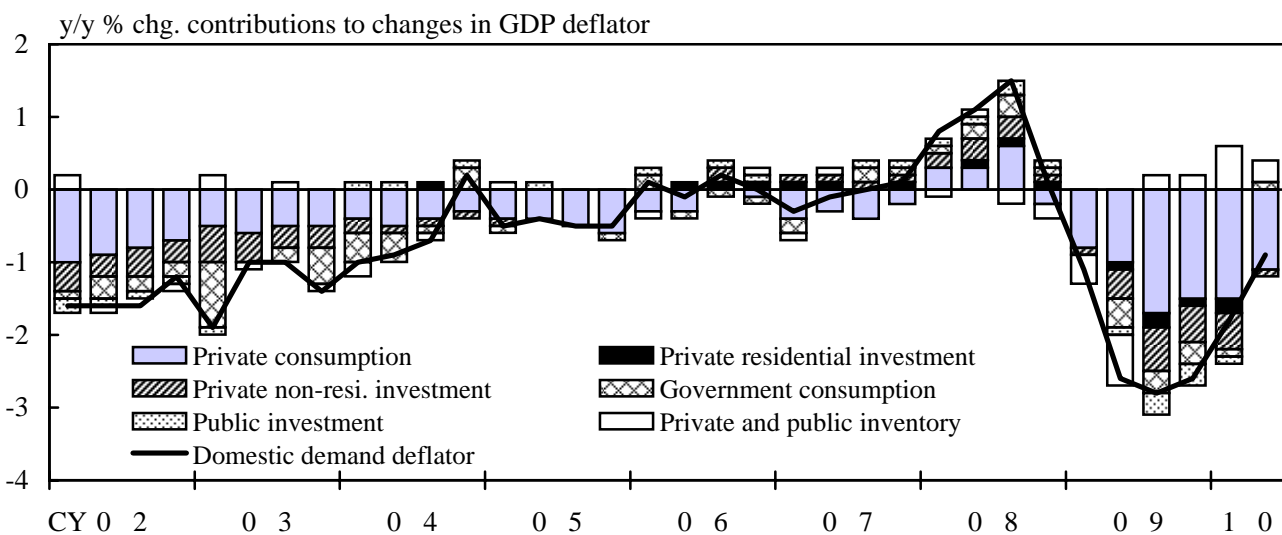
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

GDP Deflator and Income Formation

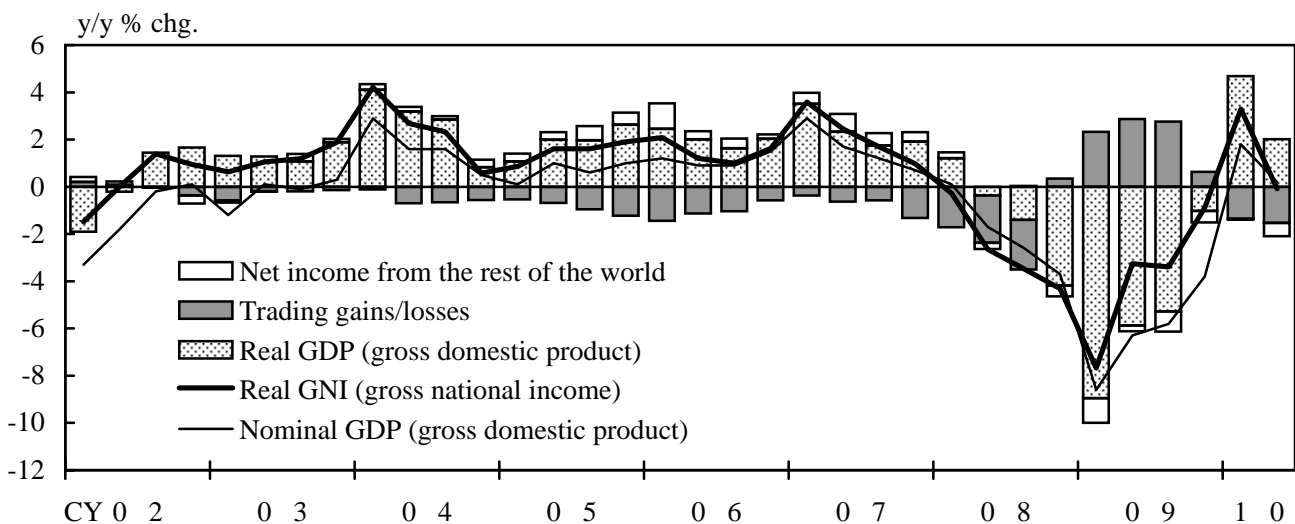
(1) GDP Deflator



(2) Domestic Demand Deflator



(3) Aggregate Income Formation



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

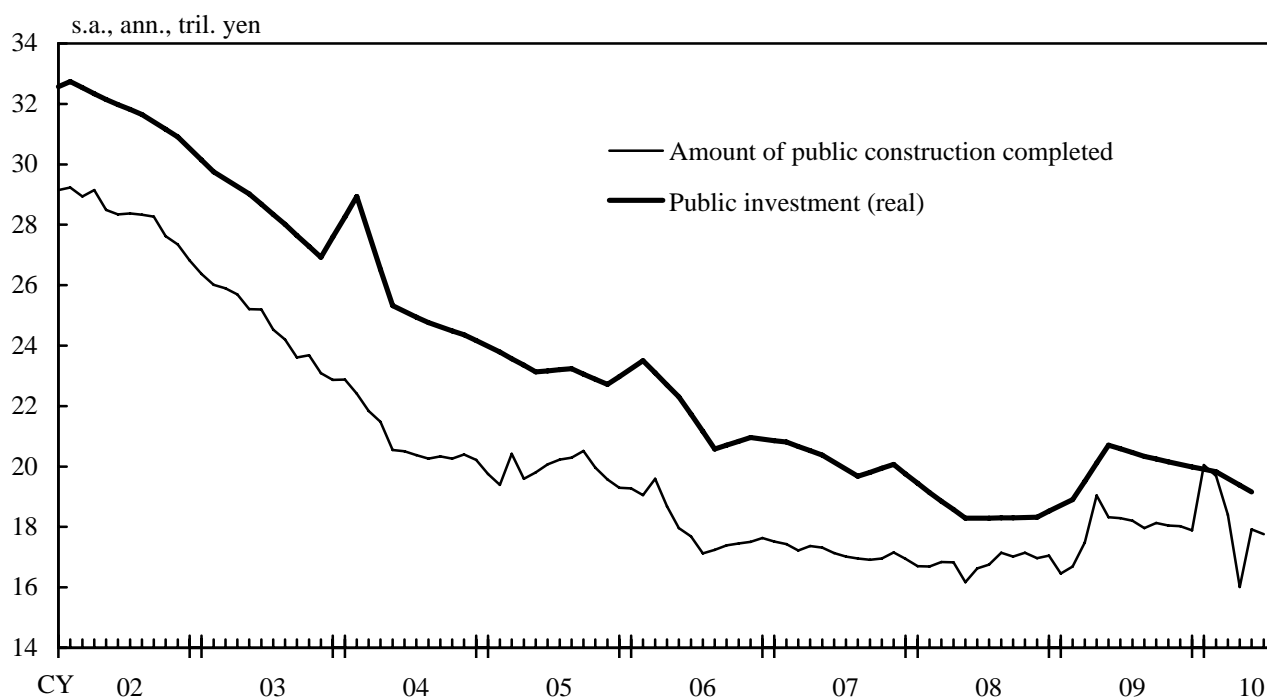
2. Real GNI = real GDP + trading gains/losses + net income from the rest of the world

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

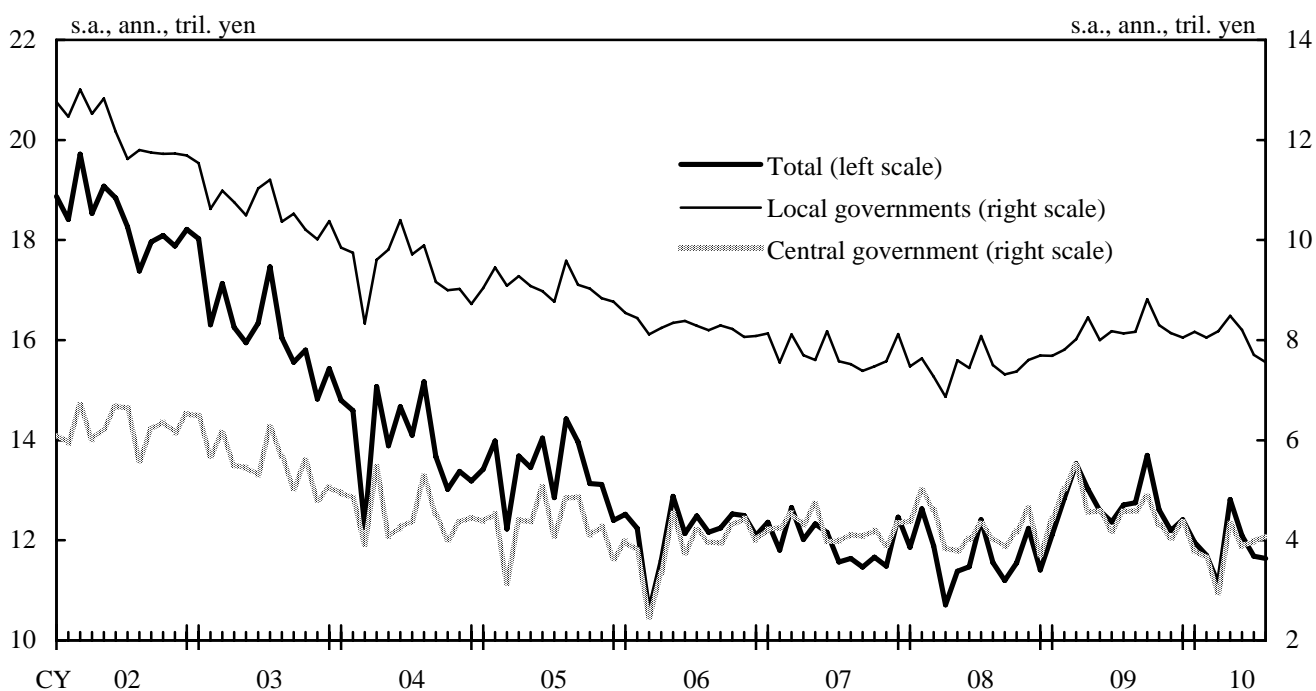
Source: Cabinet Office, "National Accounts."

## Public Investment

### (1) Amount of Public Construction Completed and Public Investment



### (2) Value of Public Works Contracted



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

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

3. Figures of the value of public works contracted and the amount of public construction completed are seasonally adjusted by X-12-ARIMA. As figures of the amount of public construction completed are seasonally adjusted on a monthly basis, the data are retroactively revised every month.

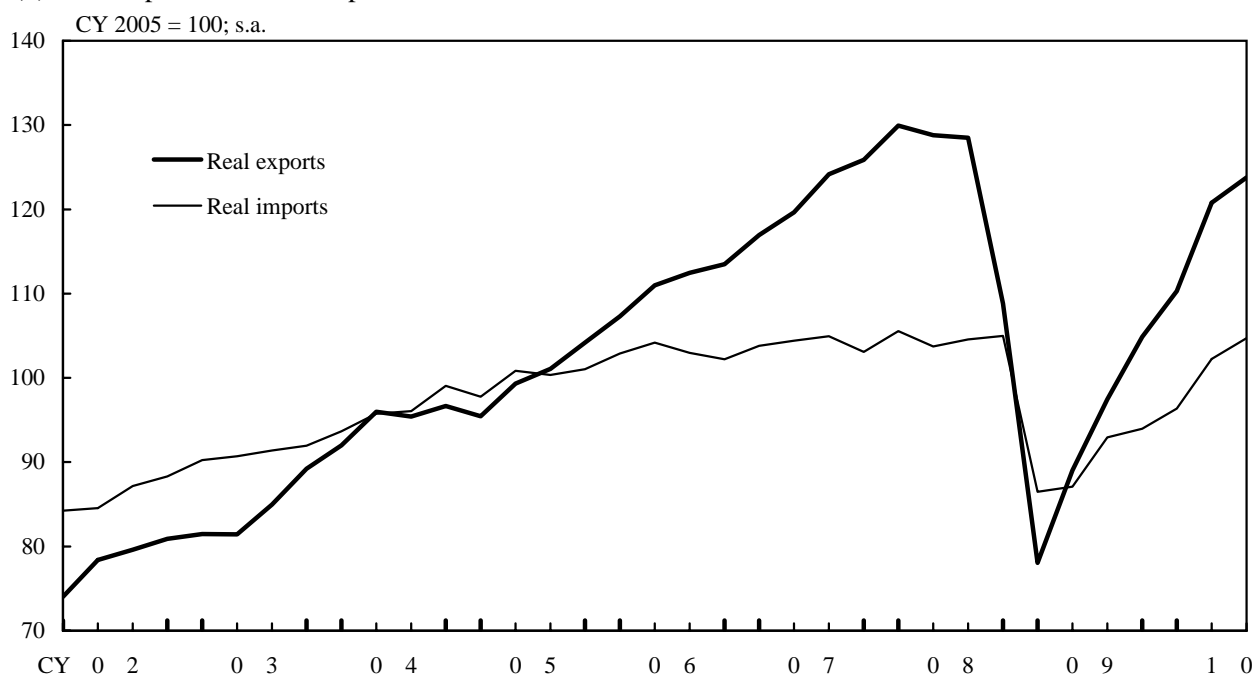
Sources: Cabinet Office, "National Accounts";

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

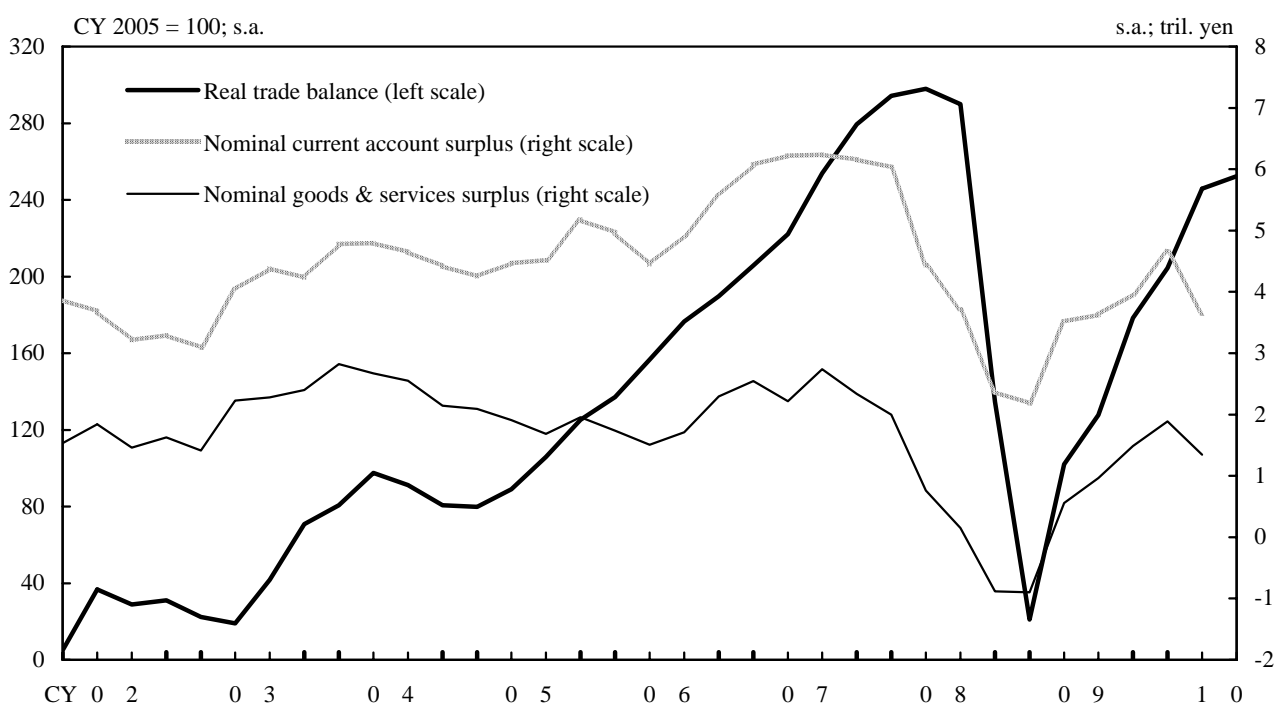
Ministry of Land, Infrastructure, Transport and Tourism, "Integrated Statistics on Construction Works."

## External Balance

## (1) 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. 2010/Q3 figures for real exports/imports and the real trade balance are July figures converted into quarterly amount.

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

Real Exports <sup>1</sup>

## (1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2008	2009	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 May	2010 Jun.	2010 Jul.
United States	<16.1>	-8.8	-32.6	11.2	7.1	-1.1	11.2	9.6	-1.6	6.7	5.6
EU	<12.5>	-0.1	-34.6	4.8	9.6	-4.0	8.5	1.3	8.2	-8.9	5.0
East Asia	<51.4>	3.4	-15.8	13.2	7.8	7.9	4.9	2.7	1.4	-1.0	2.9
China	<18.9>	6.7	-10.2	10.3	6.4	9.1	2.5	5.0	-4.4	-1.6	7.7
NIEs	<23.5>	-0.0	-18.0	12.5	6.7	6.9	5.3	1.1	2.1	0.4	0.1
Korea	<8.1>	-0.3	-16.0	11.2	5.0	5.9	5.8	2.4	3.8	3.3	-1.0
Taiwan	<6.3>	-4.3	-17.7	13.3	11.8	9.7	6.8	1.9	6.1	-2.0	1.2
Hong Kong	<5.5>	-2.4	-18.8	9.6	8.0	4.9	9.9	2.4	2.0	2.1	0.4
Singapore	<3.6>	13.3	-21.6	22.2	-4.7	13.3	-11.1	-1.1	-11.4	3.6	0.7
ASEAN4 <sup>3</sup>	<9.1>	6.4	-20.5	21.8	13.7	8.1	9.0	2.0	11.6	-3.2	0.6
Thailand	<3.8>	5.0	-20.9	27.8	16.0	4.9	11.2	3.7	7.5	2.5	-0.4
Others	<20.0>	16.1	-32.1	9.3	11.3	11.3	9.0	0.3	2.4	2.1	-1.8
Real exports		1.8	-25.6	9.5	7.6	5.2	9.5	2.5	1.0	-0.3	2.4

## (2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2008	2009	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 May	2010 Jun.	2010 Jul.
Intermediate goods	<20.7>	0.4	-5.6	10.0	4.6	0.9	5.4	3.6	7.0	-1.9	2.6
Motor vehicles and their related goods	<20.0>	3.2	-41.4	25.3	11.3	5.2	10.6	3.5	-2.0	6.5	-0.1
Consumer goods <sup>4</sup>	<4.1>	3.5	-28.8	3.5	0.3	-0.5	9.1	2.4	4.2	3.3	-1.1
IT-related goods <sup>5</sup>	<11.3>	0.8	-17.0	9.0	5.8	5.8	7.1	1.2	3.3	0.4	-0.2
Capital goods and parts <sup>6</sup>	<27.9>	5.2	-28.1	7.7	9.9	8.7	14.7	4.9	3.3	-1.9	5.1
Real exports		1.8	-25.6	9.5	7.6	5.2	9.5	2.5	1.0	-0.3	2.4

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2010/Q3 figures are July figures converted into quarterly amount.

2. Shares of each region and goods in 2009 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

CY 2005 = 100



Notes: 1. Figures are based on the broad indices of the BIS effective exchange rate and prior to 1994 are calculated using the narrow indices.

2. Figures for August and September (up to September 3) 2010 have been calculated using the monthly average of the BOJ's Nominal effective exchange rate (the Yen Index).

### (2) Real GDP Growth Rates in Overseas Economies

		CY2007	2008	2009	2009 Q3	Q4	2010 Q1	Q2	
United States <sup>1</sup>		1.9	0.0	-2.6	1.6	5.0	3.7	1.6	
European Union <sup>1</sup>		3.0	0.5	-4.2	1.3	0.9	1.4	4.0	
	Germany	2.7	1.0	-4.7	3.0	1.2	1.9	9.0	
	France	2.3	0.1	-2.5	1.1	2.3	0.7	2.5	
	United Kingdom	2.7	-0.1	-4.9	-1.0	1.7	1.3	4.9	
East Asia <sup>2</sup>	China		14.2	9.6	9.1	9.6	11.3	11.9	10.3
	NIEs	Korea	5.1	2.3	0.2	1.0	6.0	8.1	7.2
		Taiwan	6.0	0.7	-1.9	-1.0	9.1	13.7	12.5
		Hong Kong	6.4	2.2	-2.8	-2.4	2.5	8.0	6.5
		Singapore	8.5	1.8	-1.3	1.8	3.8	16.9	18.8
	ASEAN4	Thailand	4.9	2.5	-2.2	-2.7	5.9	12.0	9.1
		Indonesia	6.3	6.0	4.5	4.2	5.4	5.7	6.2
Malaysia		6.5	4.7	-1.7	-1.2	4.4	10.1	8.9	
Philippines		7.1	3.7	1.1	0.2	2.1	7.8	7.9	

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 <sup>1</sup>

## (1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2008	2009	2009 Q3	2010 Q4	2010 Q1	Q2	Q3	2010 May	Jun.	Jul.
United States	<10.7>	-2.5	-18.7	3.3	6.5	-0.2	4.4	3.3	6.7	-3.3	3.5
EU	<10.7>	-3.0	-13.2	4.8	1.6	-0.7	4.1	3.6	12.5	1.9	-1.5
East Asia	<41.9>	2.4	-13.1	8.4	3.1	4.2	11.2	1.8	10.7	0.9	-2.1
China	<22.2>	4.4	-11.1	8.8	3.9	3.1	13.8	1.3	14.7	2.6	-4.7
NIEs	<8.6>	-1.1	-15.9	8.6	2.2	7.1	6.9	1.7	9.4	-1.8	-0.1
Korea	<4.0>	-5.3	-19.1	9.1	-0.5	4.0	10.6	4.2	11.6	1.4	-0.3
Taiwan	<3.3>	3.5	-12.4	9.3	5.6	6.4	4.6	1.0	6.3	-5.6	2.9
Hong Kong	<0.2>	-1.7	-29.7	-10.8	-4.4	55.9	-7.5	-7.9	72.8	2.2	-21.9
Singapore	<1.1>	1.5	-12.5	0.6	5.1	12.7	7.6	-6.0	5.1	5.0	-10.4
ASEAN <sup>4</sup>	<11.0>	1.4	-15.0	7.3	2.2	4.3	9.1	3.0	3.5	-0.5	2.2
Thailand	<2.9>	2.4	-17.5	10.3	5.9	3.7	11.0	7.2	4.0	6.5	1.5
Others	<36.7>	2.5	-14.1	6.4	-1.0	2.4	2.9	3.7	2.3	-1.3	3.8
Real imports		0.5	-14.1	6.7	1.1	2.5	6.1	2.4	7.3	1.1	-0.6

## (2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2008	2009	2009 Q3	2010 Q4	2010 Q1	Q2	Q3	2010 May	Jun.	Jul.
Raw materials <sup>4</sup>	<34.2>	1.6	-15.1	8.2	-3.1	2.9	2.5	3.6	1.1	-0.9	3.8
Intermediate goods	<14.2>	1.7	-15.3	11.2	2.7	5.9	7.4	1.9	12.6	-0.8	-1.4
Foodstuffs	<9.7>	-3.6	1.0	-0.0	-4.7	3.1	8.3	3.2	5.3	2.2	-0.0
Consumer goods <sup>5</sup>	<8.9>	-2.4	-10.3	8.9	6.1	1.1	11.4	1.5	12.1	-0.3	-1.9
IT-related goods <sup>6</sup>	<11.0>	4.3	-12.4	5.1	4.6	6.2	10.0	1.6	8.4	-2.9	1.0
Capital goods and parts <sup>7</sup>	<11.8>	2.9	-23.8	6.0	11.3	-0.4	6.8	4.3	4.2	3.8	0.3
Excluding aircraft	<11.0>	3.7	-24.4	5.7	6.9	4.8	6.7	4.3	4.1	3.6	0.5
Real imports		0.5	-14.1	6.7	1.1	2.5	6.1	2.4	7.3	1.1	-0.6

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2010/Q3 figures are July figures converted into quarterly amount.

2. Shares of each region and goods in 2009 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.

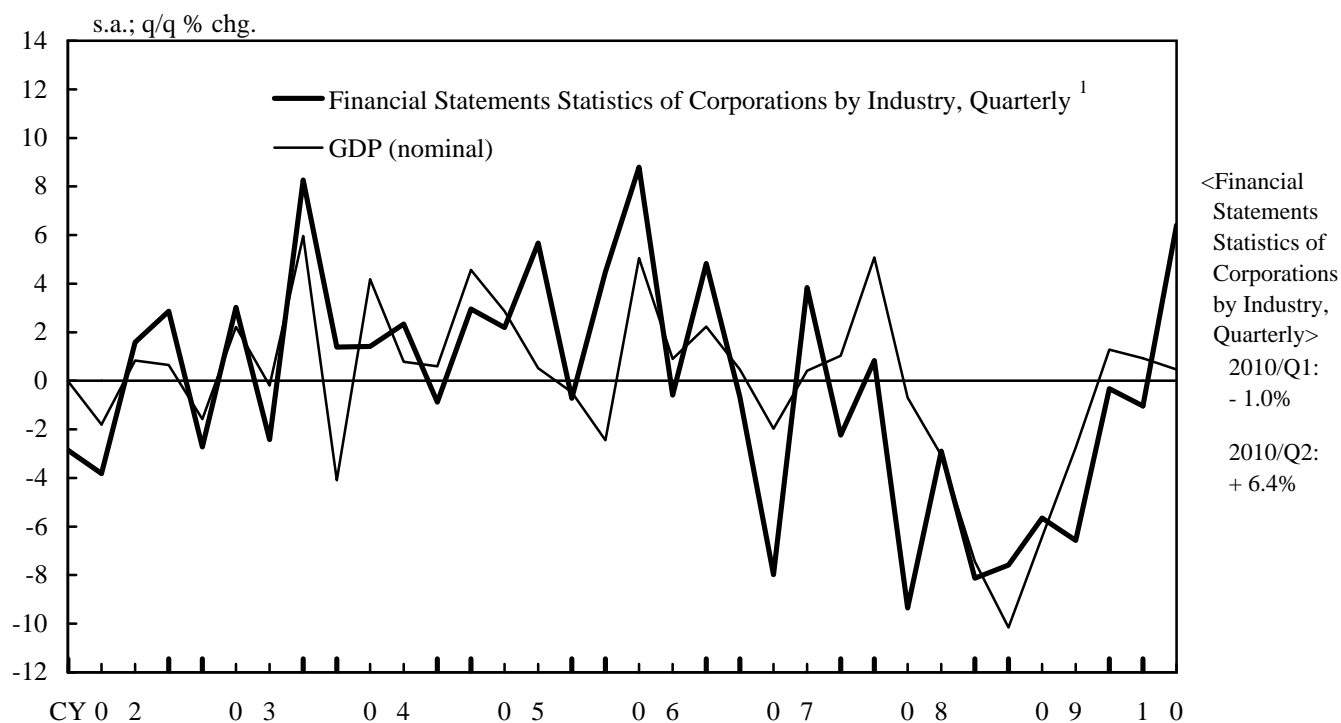
5. Excludes foodstuffs.

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

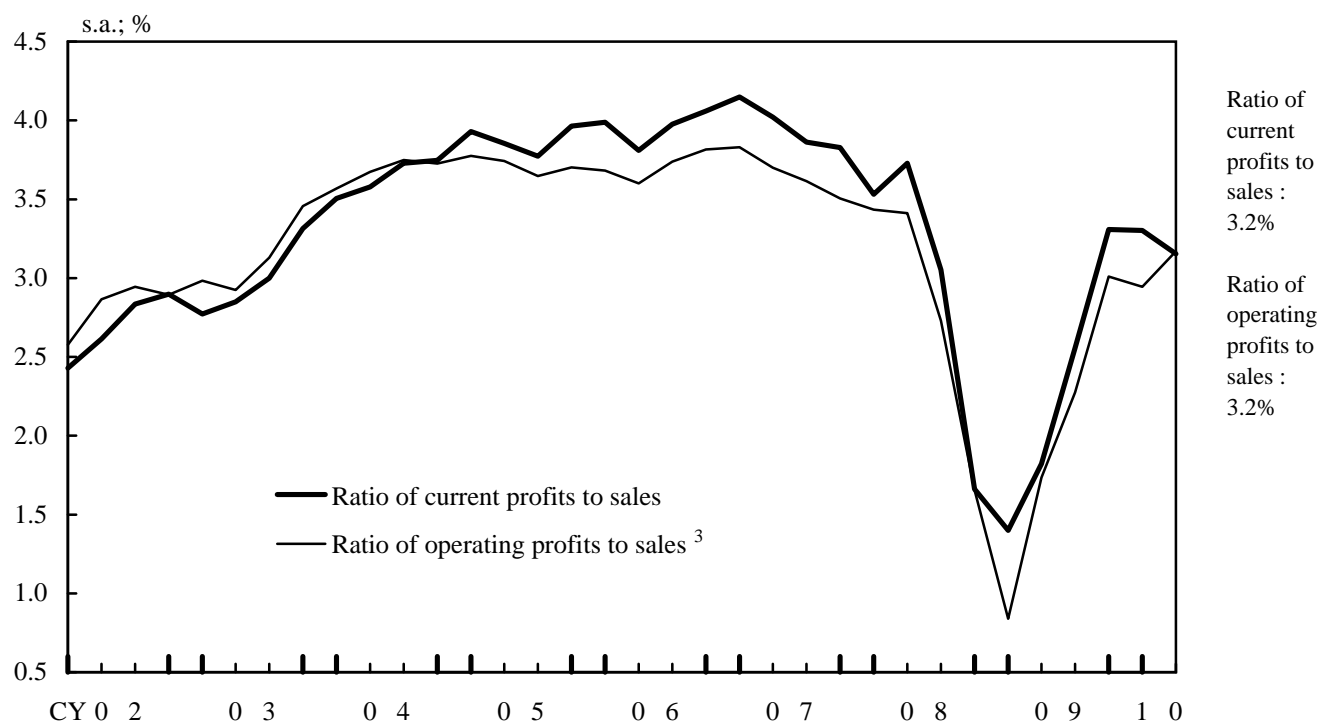
7. Excludes IT-related goods.

Business Fixed Investment and Corporate Profits

(1) Business Fixed Investment



(2) Corporate Profits (Ratio of Profits to Sales)<sup>1,2</sup>



Notes: 1. All enterprises excluding Finance and Insurance.

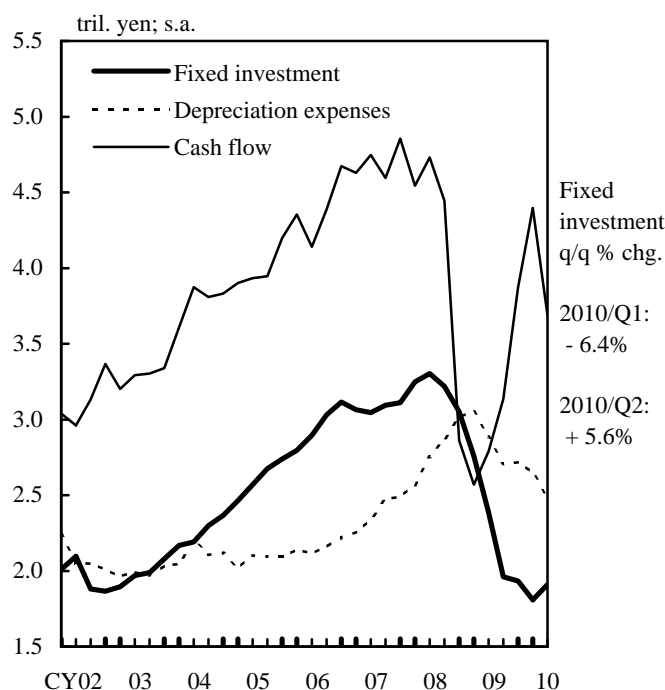
2. Based on the "Financial Statements Statistics of Corporations by Industry, Quarterly."

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

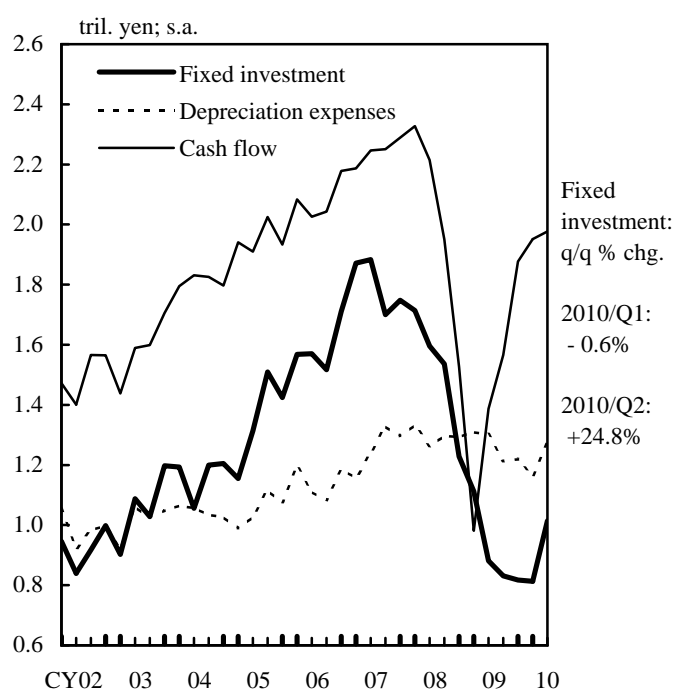
Sources: Cabinet Office, "National Accounts"; Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

Business Fixed Investment by Industry and Size

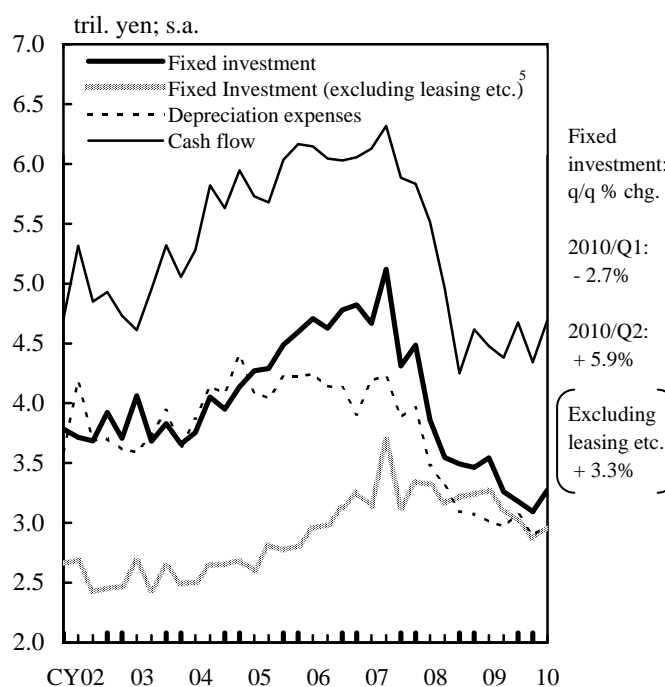
(1) Large Manufacturing Firms



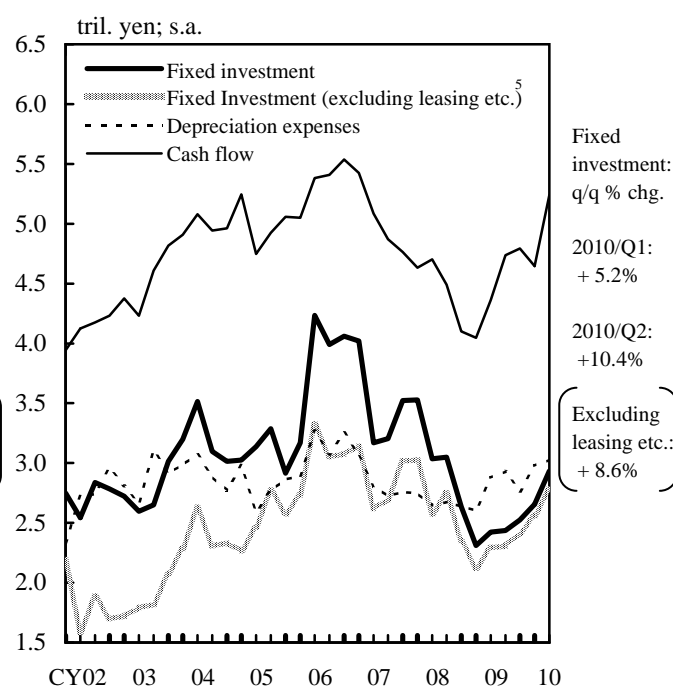
(2) Medium-Sized and Small Manufacturing Firms



(3) Large Nonmanufacturing Firms



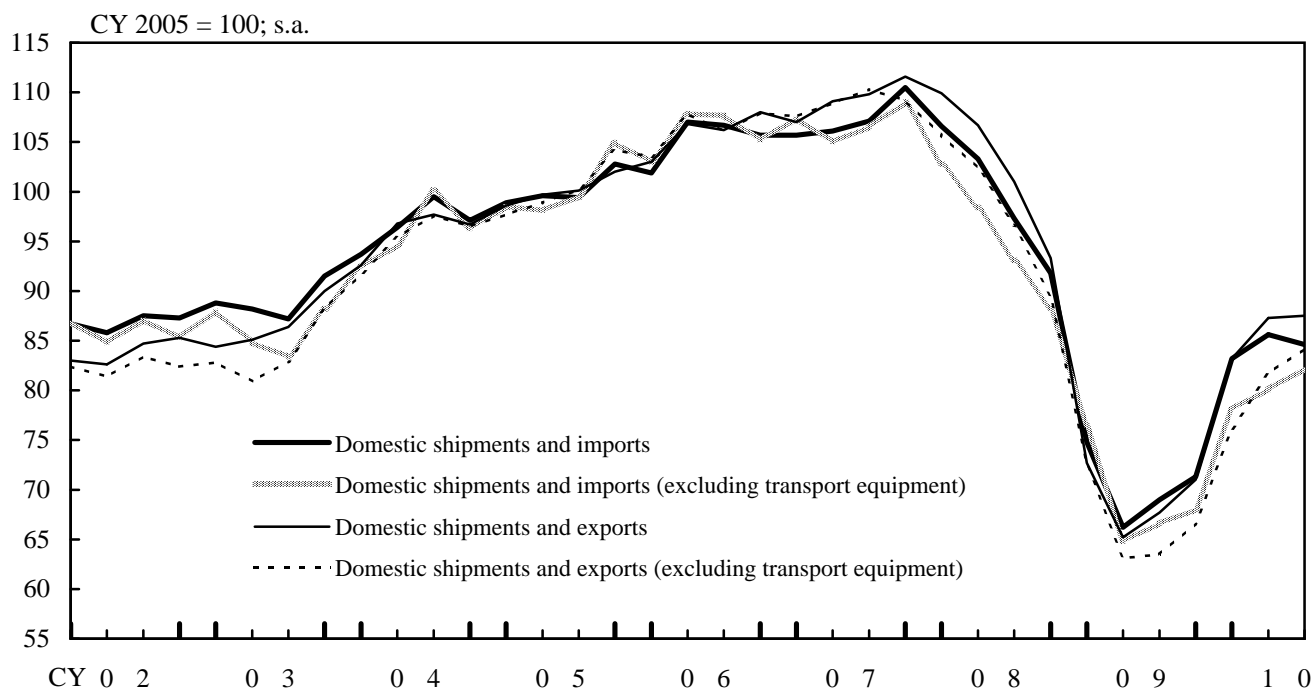
(4) Medium-Sized and Small Nonmanufacturing Firms



Notes: 1. "Large firms" refers to firms with capital stock of 1 billion yen or more, and "medium-sized and small firms" refers to firms with capital stock of 10 million or more but less than 1 billion yen.  
2. Cash flow = current profits / 2 + depreciation expenses.  
3. Seasonally adjusted by X-11.  
4. Excluding Finance and Insurance.  
5. Up to 2004/Q1, excluding business services. From 2004/Q2, excluding goods rental and leasing.

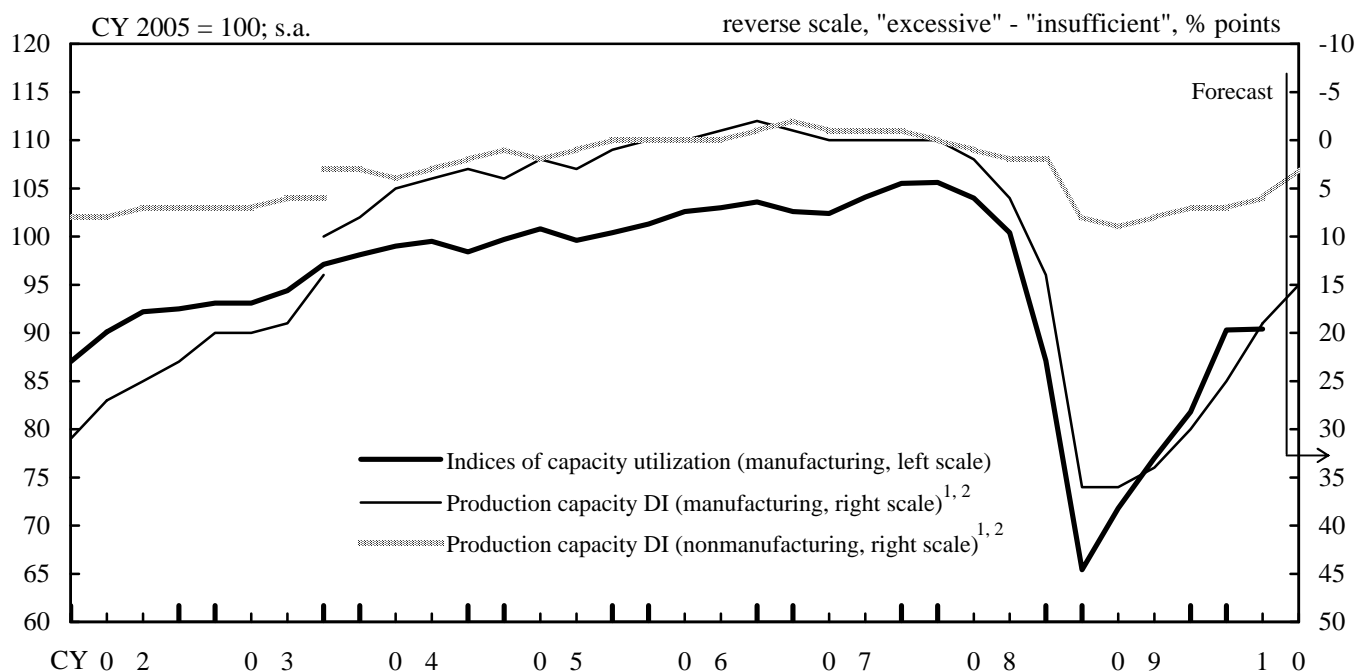
## Coincident Indicators for Business Fixed Investment

## (1) Aggregate Supply and Shipments of Capital Goods



Note: Figures for 2010/Q3 are those of July.

## (2) Indices of Capacity Utilization and Production Capacity DI



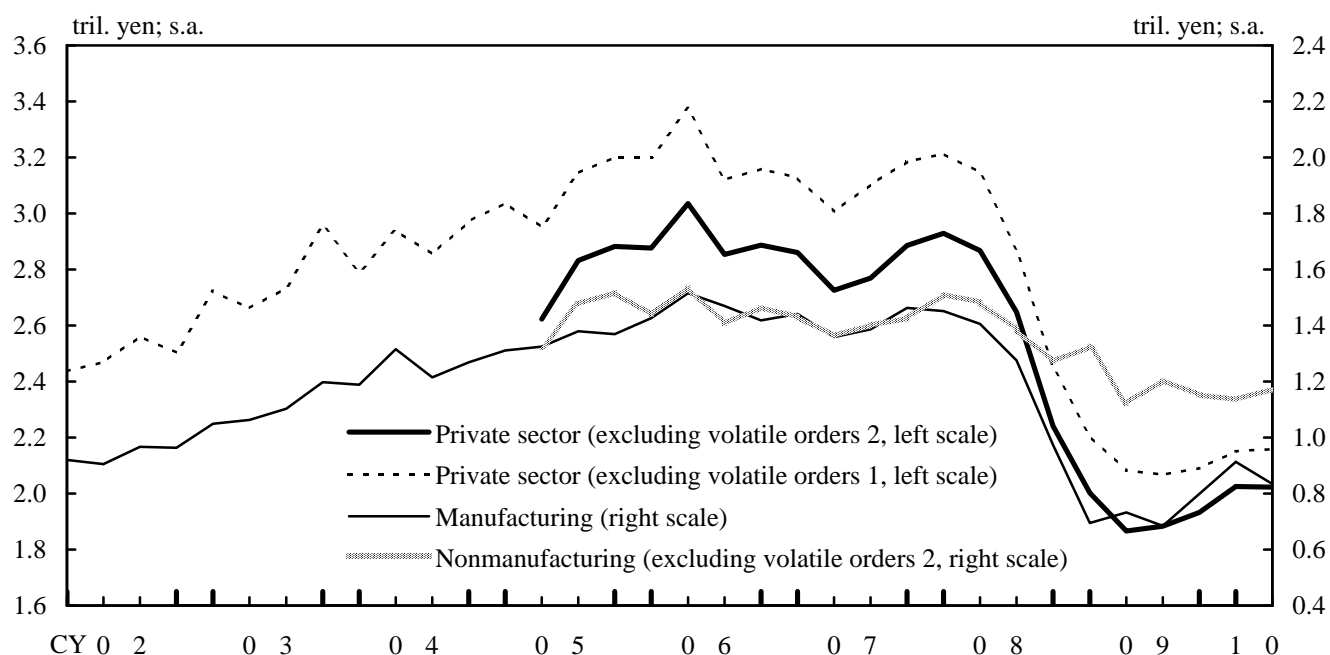
Notes: 1. Production capacity DIs are those of all enterprises.

2. In the March 2004 survey, the *Tankan* underwent major revisions, including the addition of new sample enterprises to the 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."

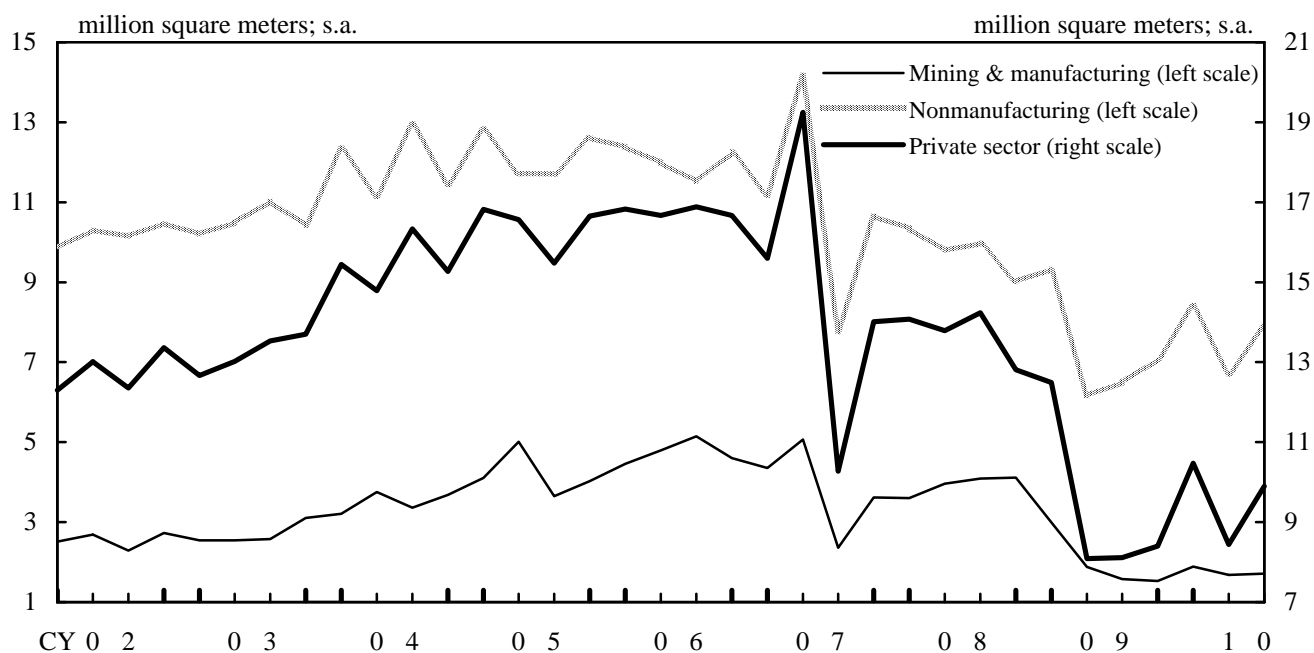
## Leading Indicators for Business Fixed Investment

### (1) Machinery Orders



Note: Volatile orders 1: Orders for ships and those from electric power companies.  
 Volatile orders 2: Volatile orders 1 and orders for cellphones.

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



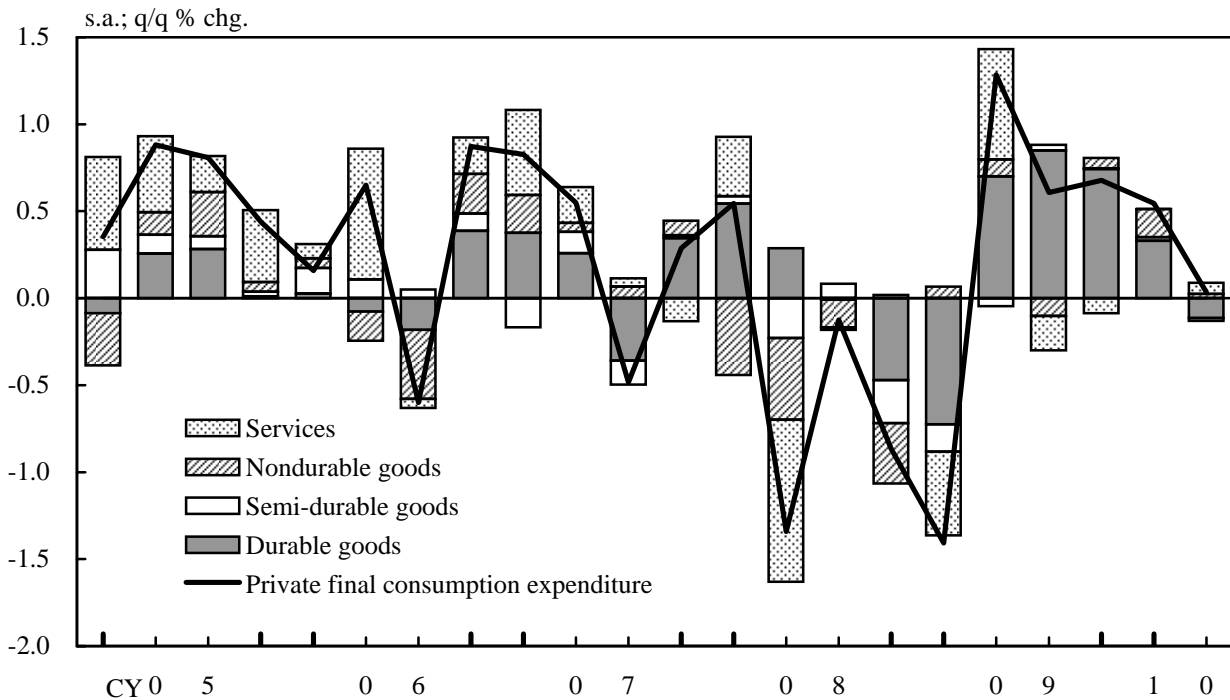
Notes: 1. Seasonally adjusted by X-12-ARIMA.

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 2010/Q3 are those of July in terms of quarterly amount.

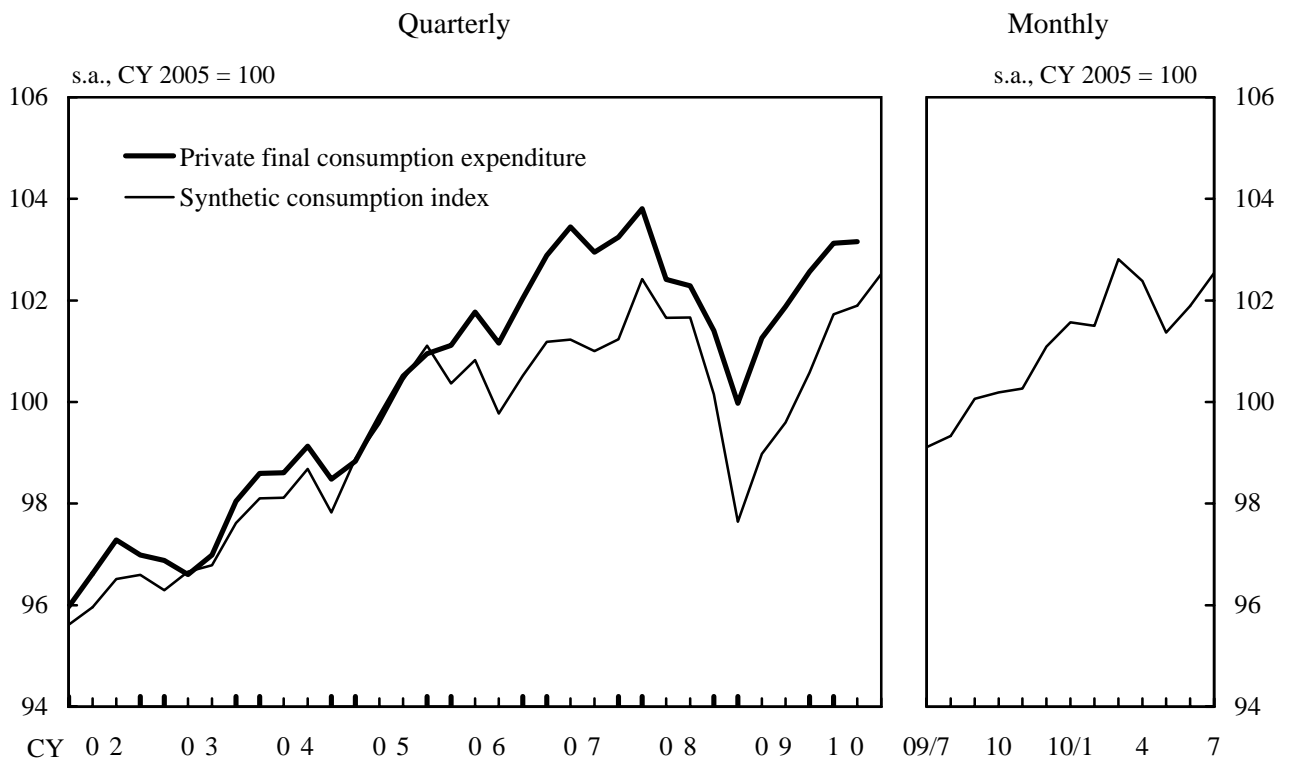
Sources: Cabinet Office, "Orders Received for Machinery";  
 Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts."

Indicators for Private Consumption (1)

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



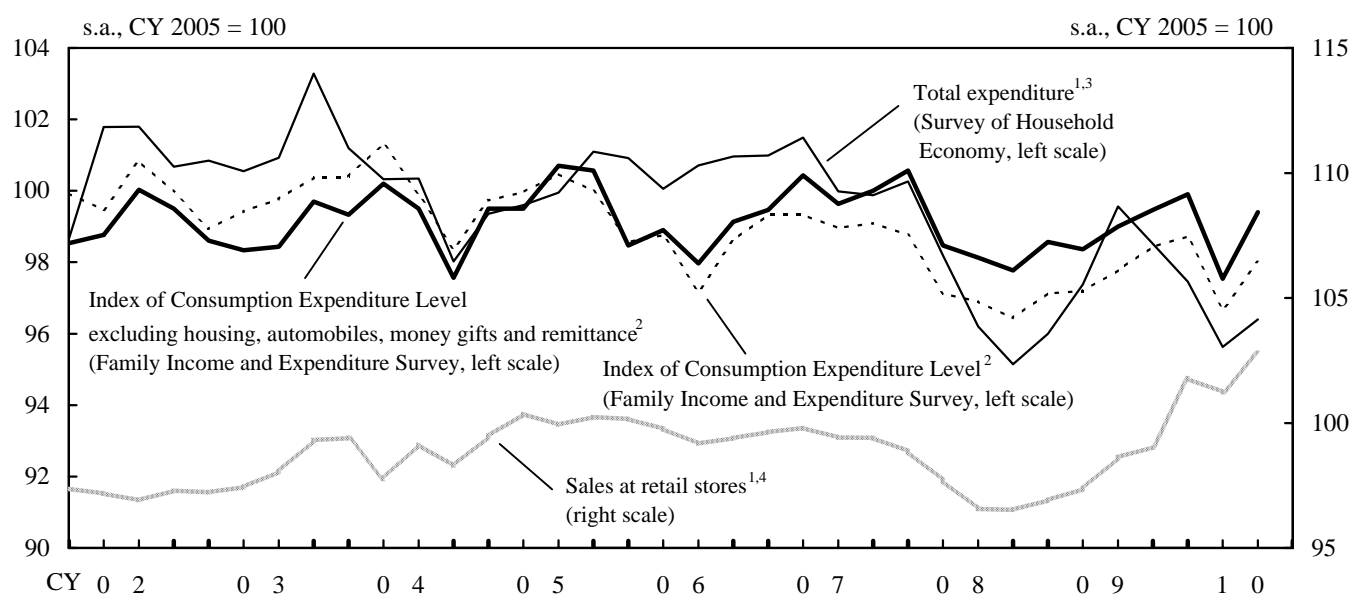
(2) Private Final Consumption Expenditure and Synthetic Consumption Index (Real)



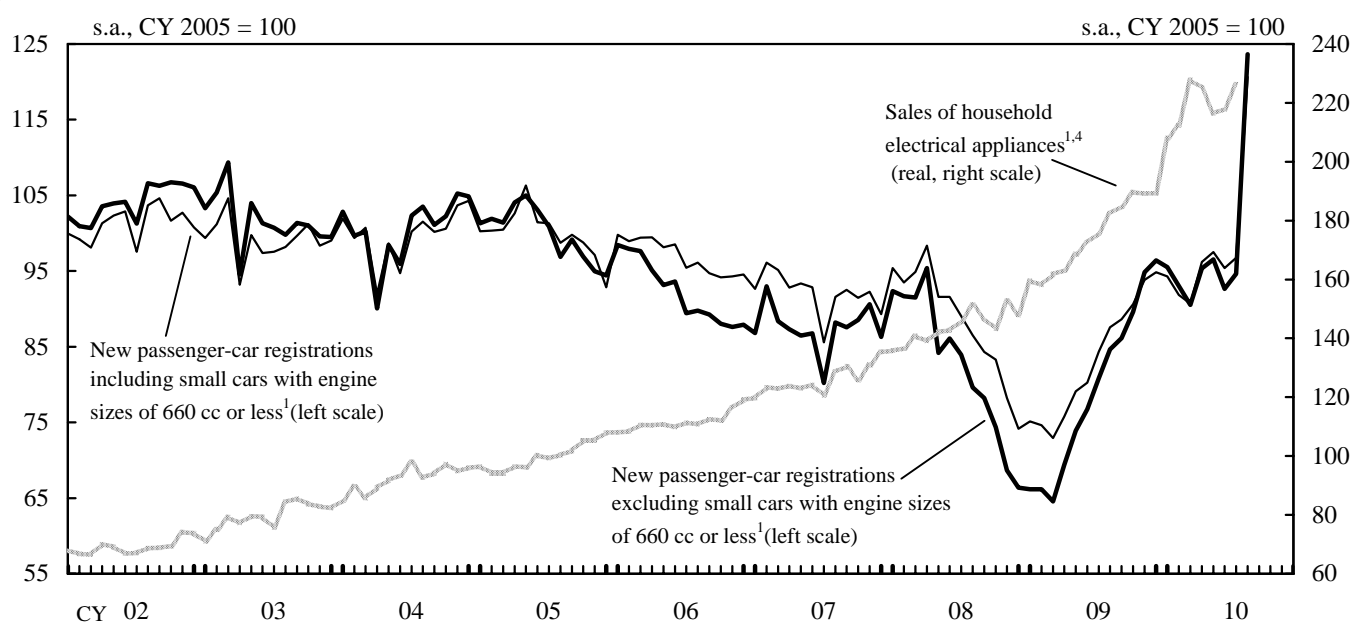
Note: The figure of synthetic consumption index for 2010/Q3 is that of July in terms of quarterly amount.

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

## Indicators for Private Consumption (2)

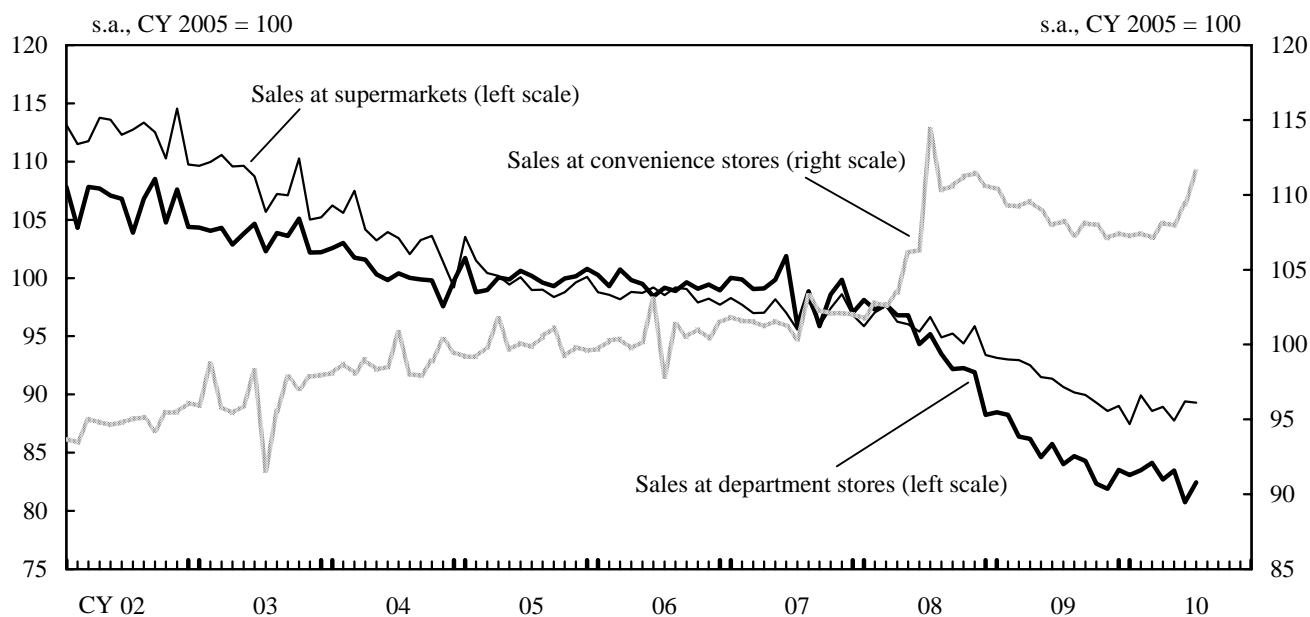
(1) Household Spending (Real)<sup>5</sup>

## (2) Sales of Durable Goods

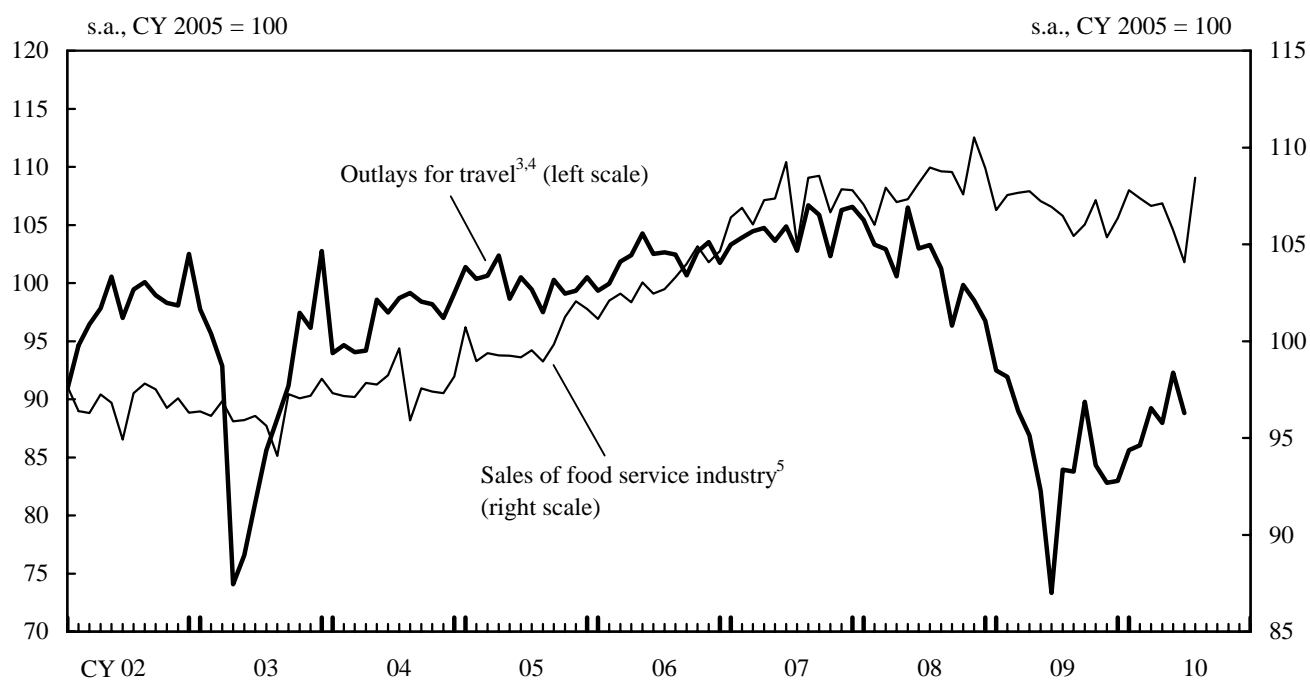


- Notes: 1. Total expenditure, Sales at retail stores, Sales of household electrical appliances and New passenger-car registrations are seasonally adjusted by X-12-ARIMA.
2. Index of consumption expenditure level is based on two-or-more-person households, and is adjusted by the distribution of household by number of household members and age group of household head.
3. Total expenditure is based on two-or-more-person households, and is deflated by the consumer price index excluding imputed rent.
4. 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).
5. Figures for 2010/Q3 are those of July 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 Consumption<sup>1</sup> (3)(1) Sales at Retail Stores (Nominal)<sup>2</sup>

## (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. Excluding those by foreign travelers.

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

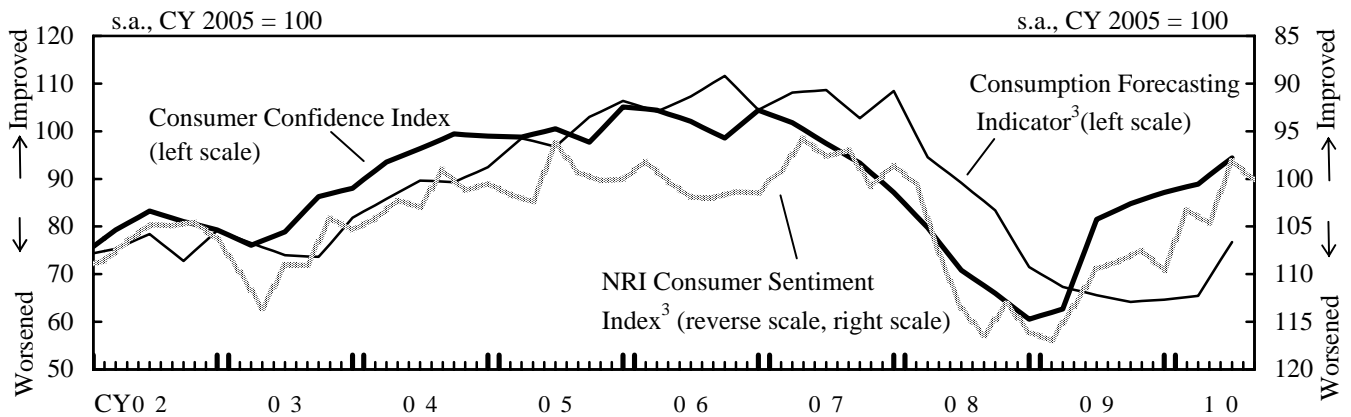
5. Sales of food service industry are calculated using the year-on-year rates of change of every month released by the Japan Food Service Association based on monthly sales amounts in 1993 released by the Food Service Industry Survey & Research Center.

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)."

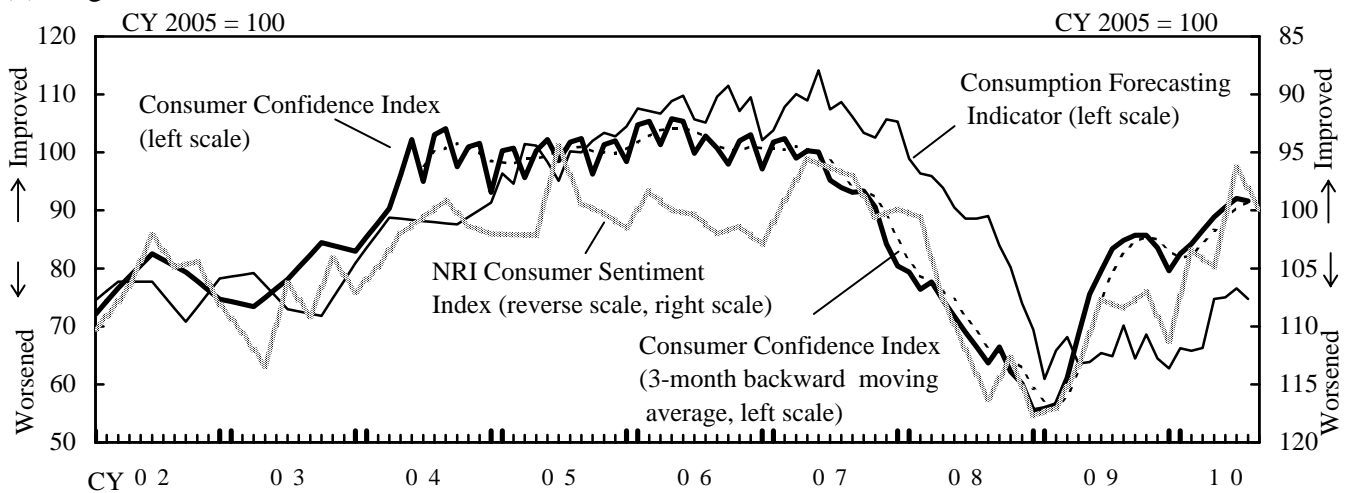


# Consumer Confidence<sup>1,2</sup>

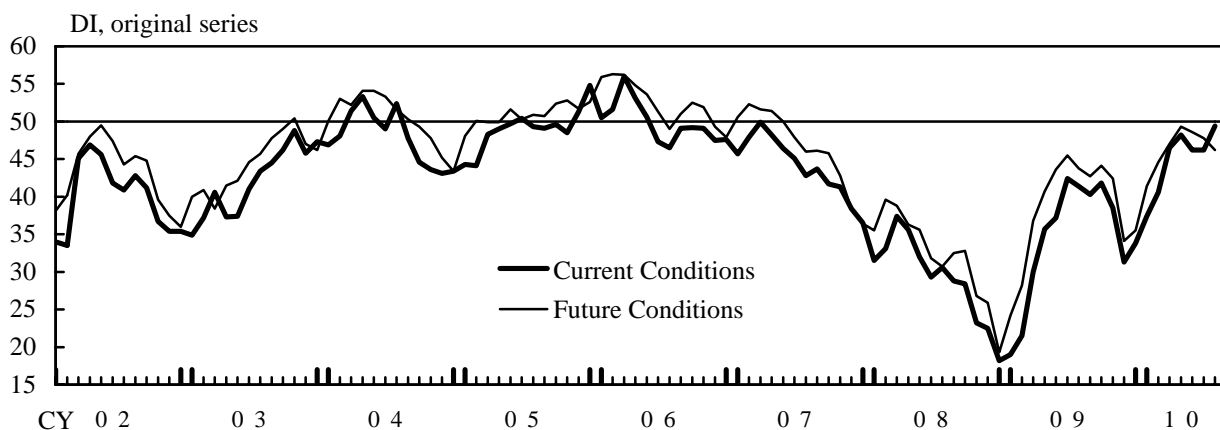
## (1) Seasonally Adjusted Series



## (2) Original Series



## Reference: Economy Watchers Survey (Household Activity)

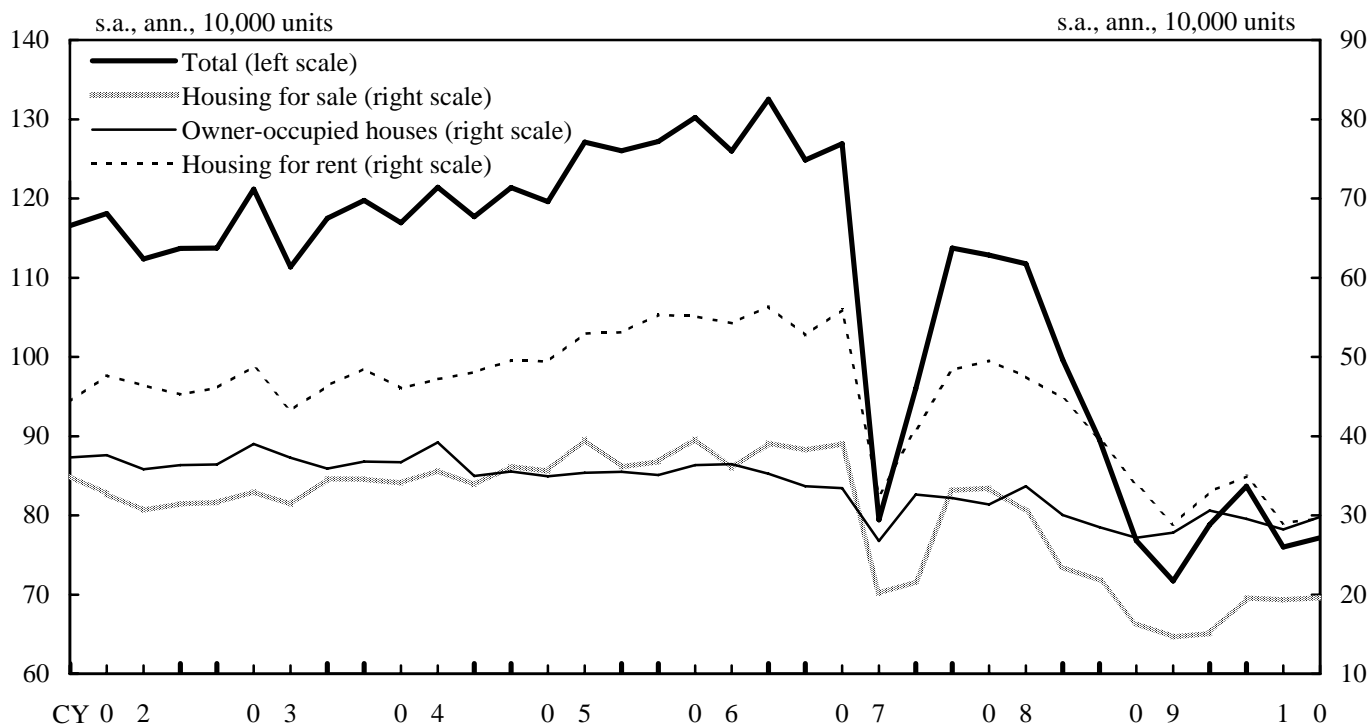


- Notes: 1. The Consumer Confidence Index (with about 4,700 samples on a nationwide basis), Consumption Forecasting Indicator (with 600 samples in the metropolitan area), and NRI Consumer Sentiment Index (with 1,200 samples on a nationwide basis) are based on surveys on consumer confidence.
2. Figures are plotted for each surveyed months and the data for intervening months are linearly interpolated.
3. Figures are seasonally adjusted by X-12-ARIMA. 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."

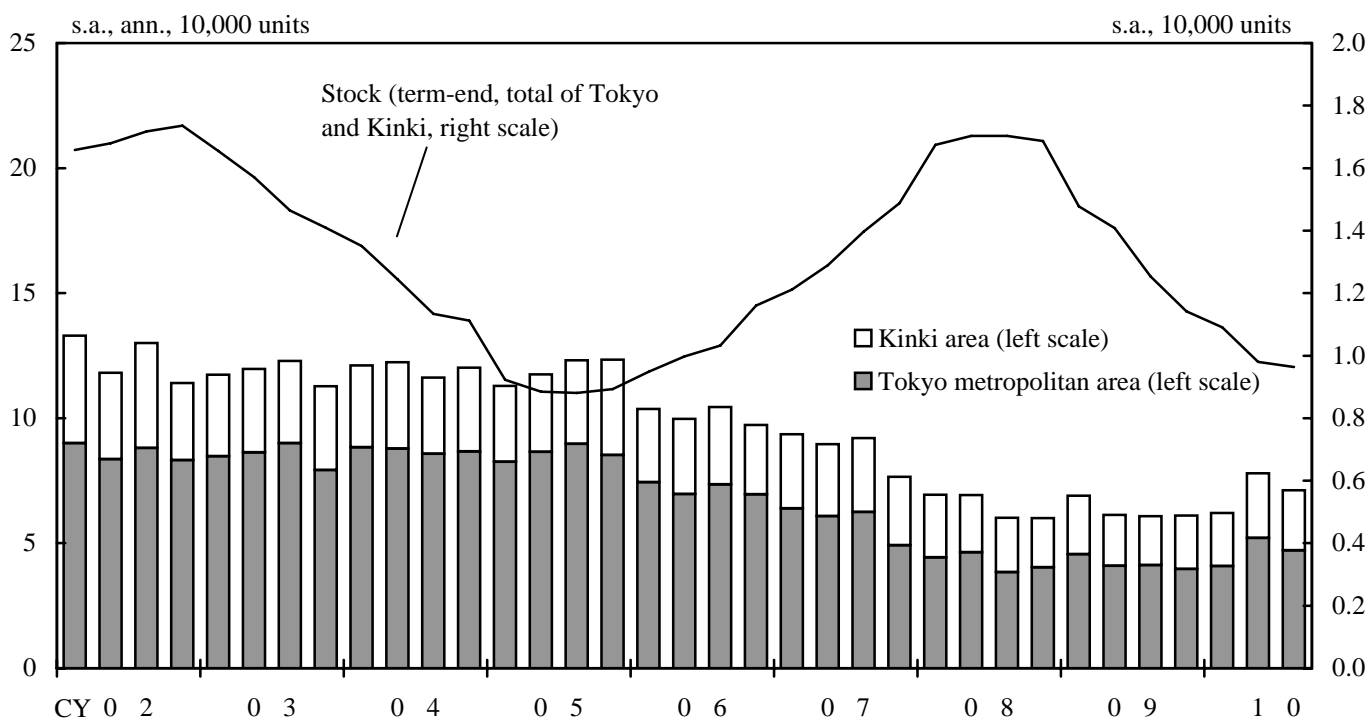
Indicators for Housing Investment

(1) Housing Starts



Note: Figures for 2010/Q3 are those of July.

(2) Sales of Apartments

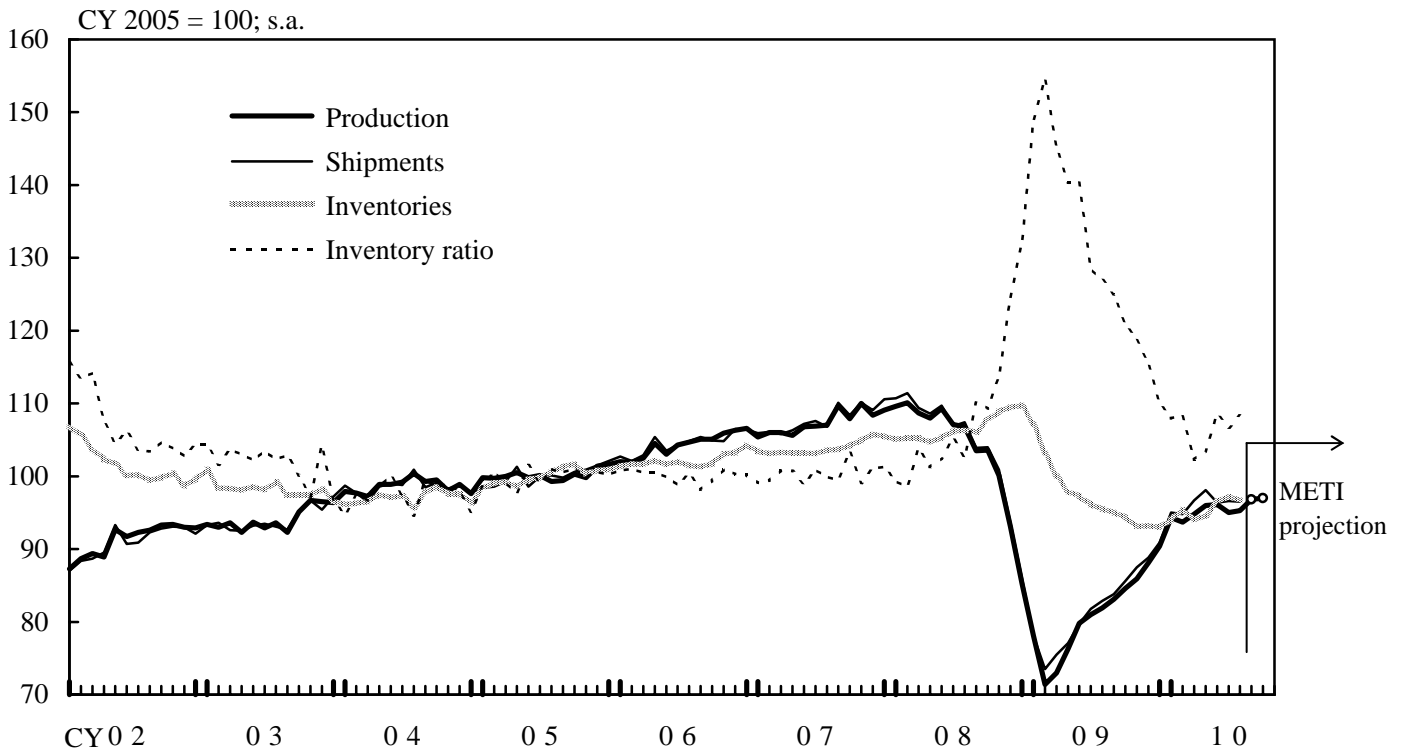


Note: 1. Seasonally adjusted by X-12-ARIMA.  
2. Figures for 2010/Q3 are those of July.

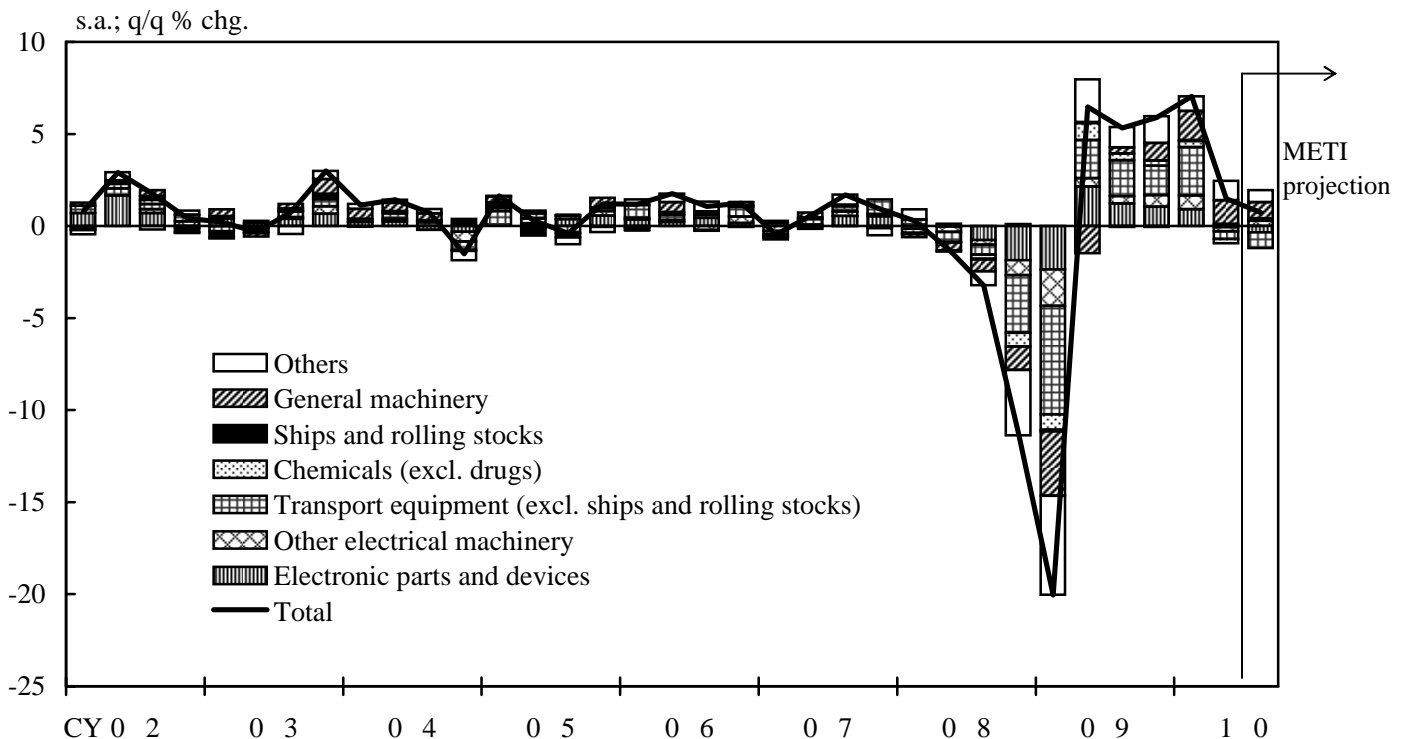
Source: Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts," etc.

Production, Shipments and Inventories

(1) Production, Shipments and Inventories



(2) Production by Industry

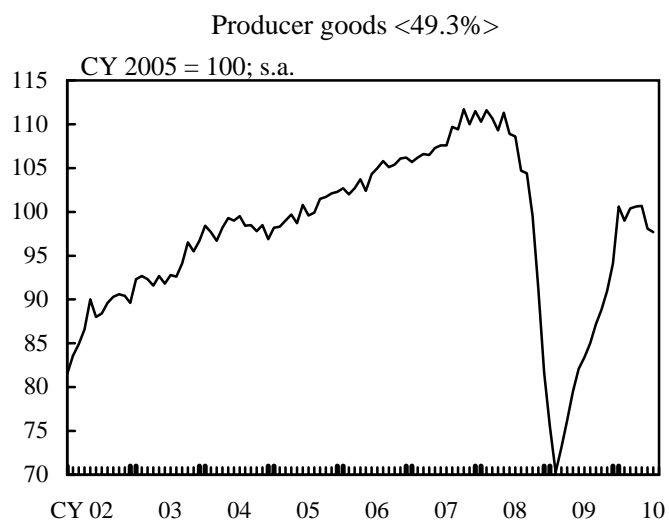
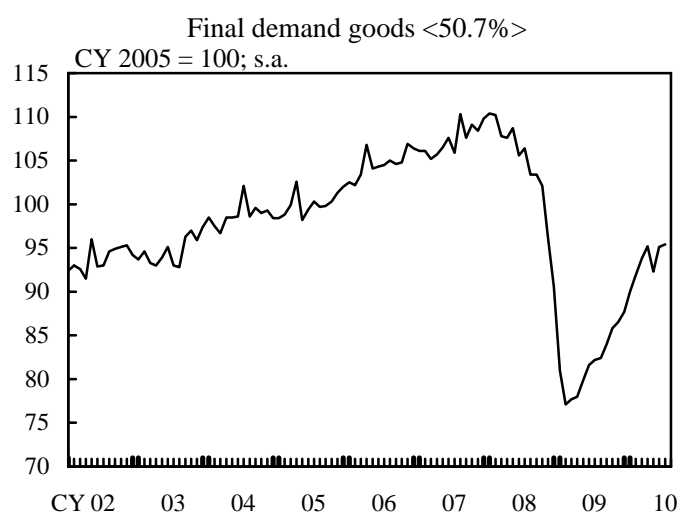


- Notes: 1. "Other electrical machinery" is the weighted sum of "electrical machinery" and "information and communication electronics equipment."  
 2. Figures up to 2003/Q1 are on the 2000 base.  
 3. 2010/Q3 figures are based on the actual production level in July, and the METI projection of August and September.

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

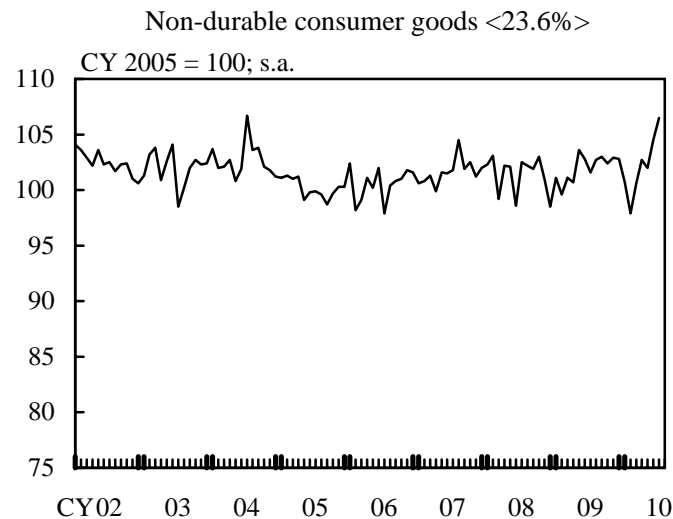
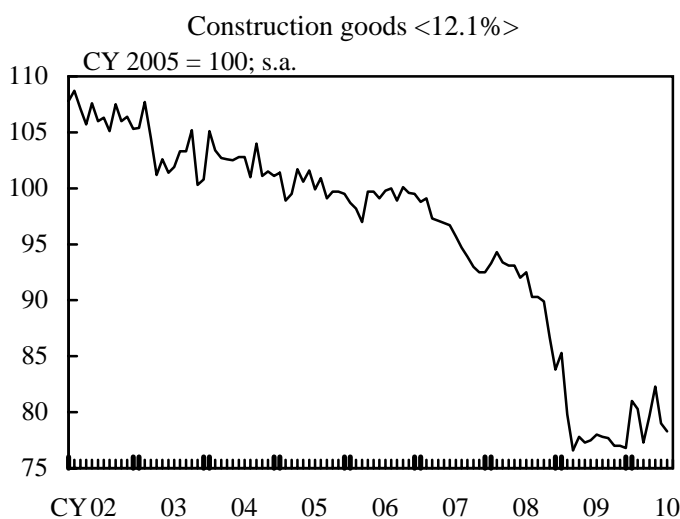
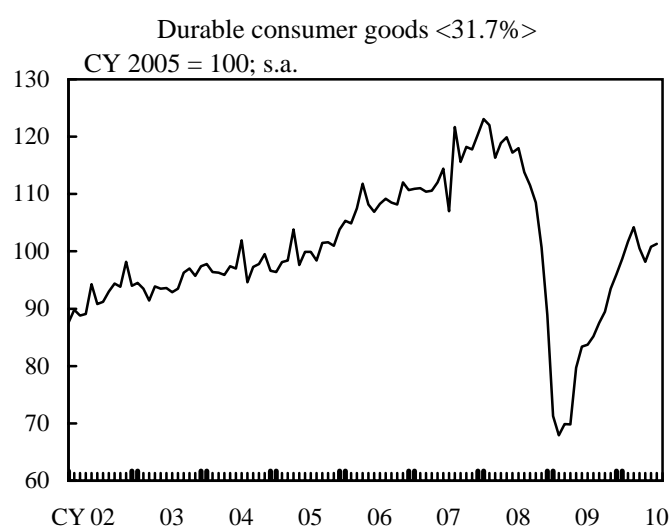
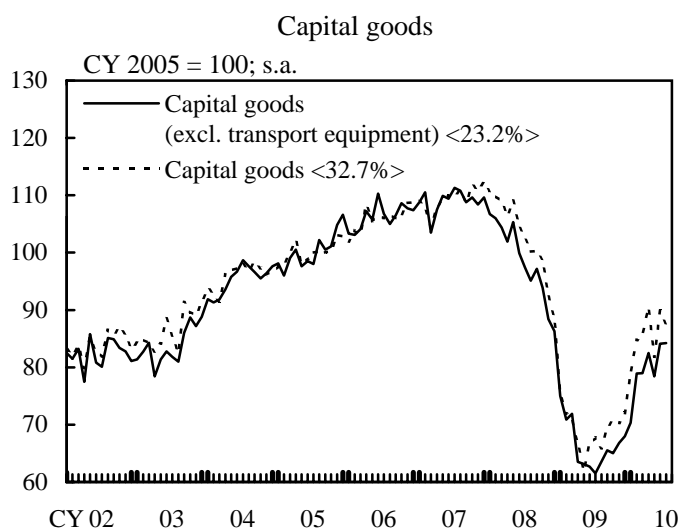
## Shipments Breakdown by Type of Goods

### (1) Final Demand Goods and Producer Goods



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

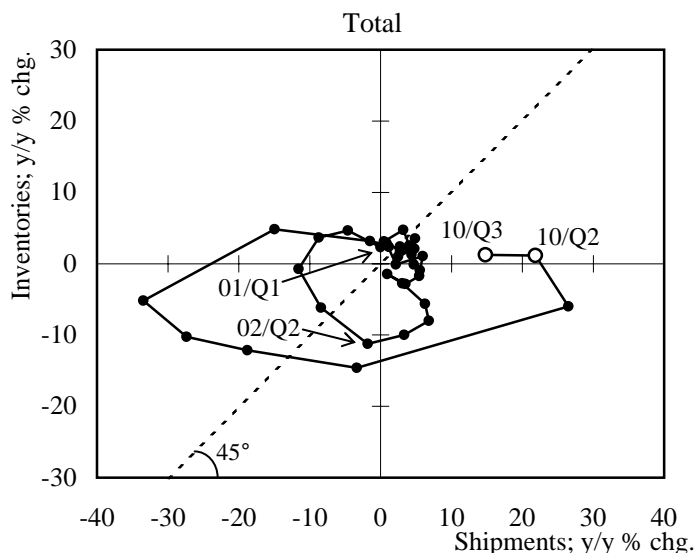
### (2) Breakdown of Final Demand Goods



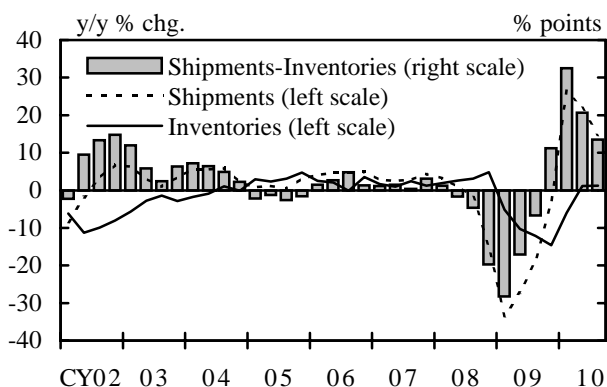
Note: Figures in angle brackets show the shares among shipments of final demand goods.

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

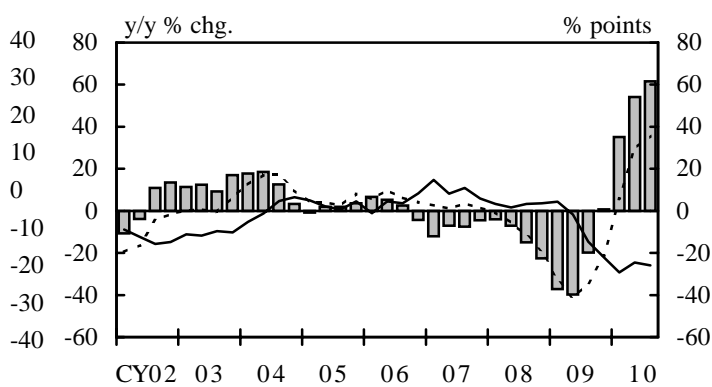
# Inventory Cycle



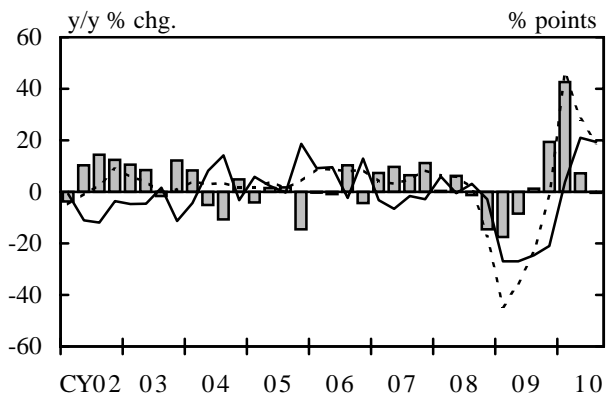
(1) Total



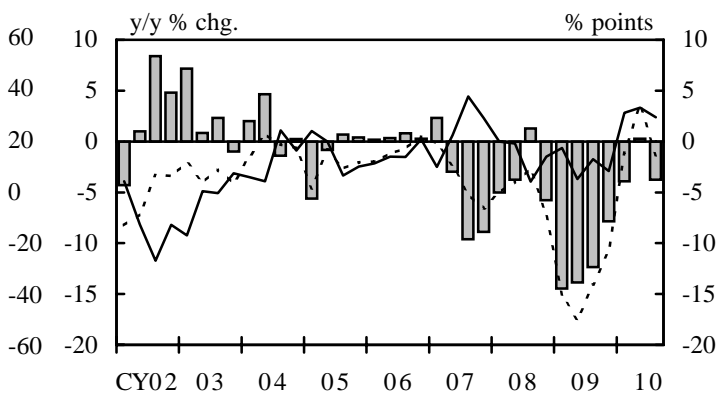
(2) Capital Goods (Excluding Transport Equipment)



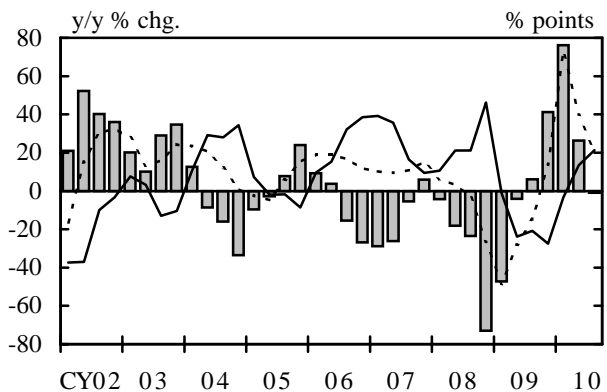
(3) Durable Consumer Goods



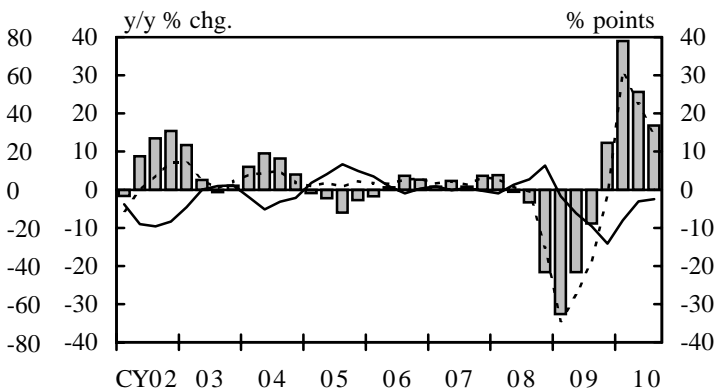
(4) Construction Goods



(5) Electronic Parts and Devices



(6) Producer Goods Excluding Electronic Parts and Devices

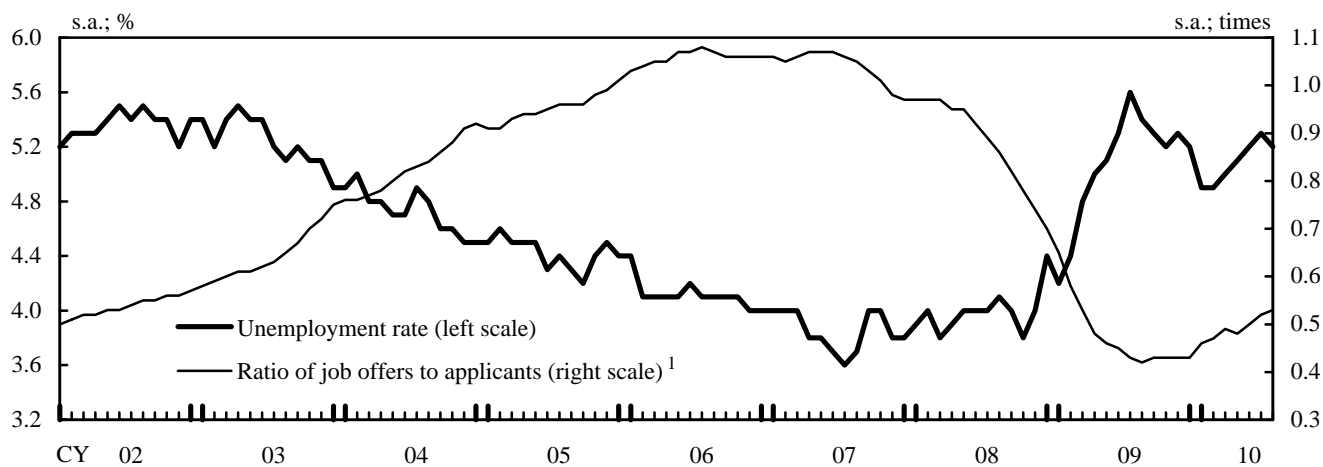


Note: Figures for 2010/Q3 are those of July.

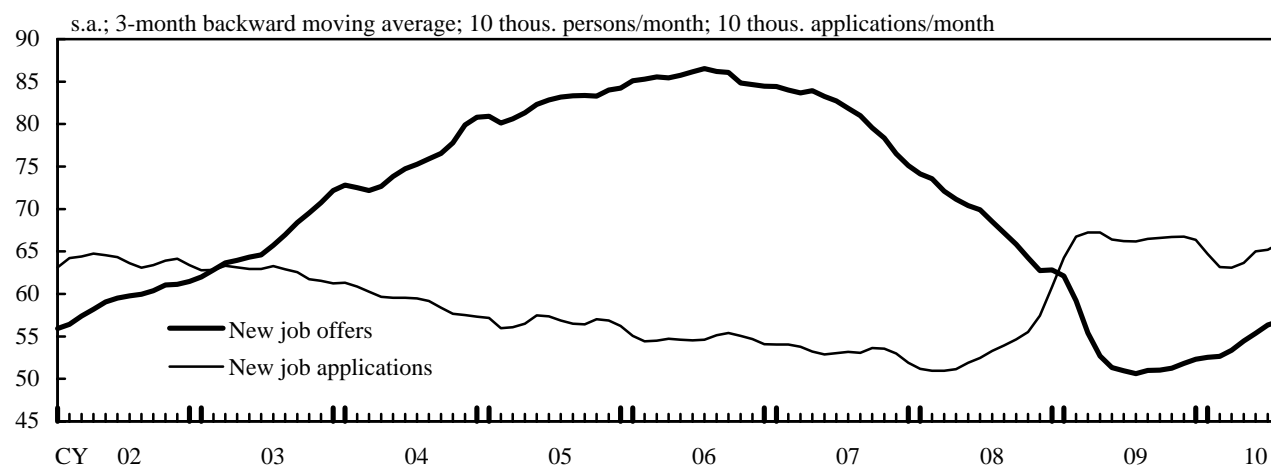
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Labor Market (1)

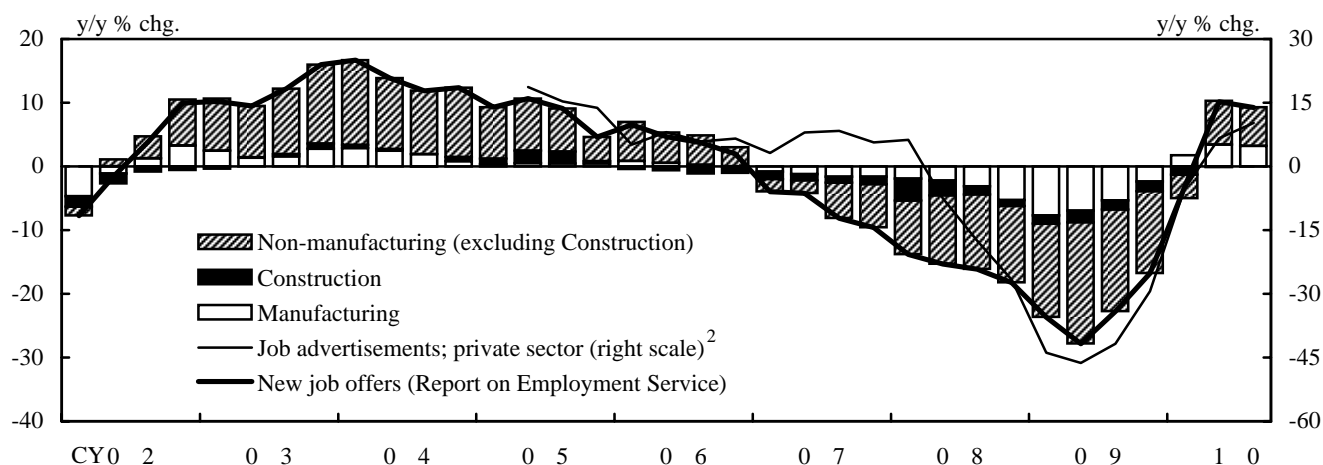
(1) Unemployment Rate and Ratio of Job Offers to Applicants



(2) New Job Offers and New Job Applicants<sup>1</sup>



(3) Breakdown of Job Offers<sup>1,3</sup>

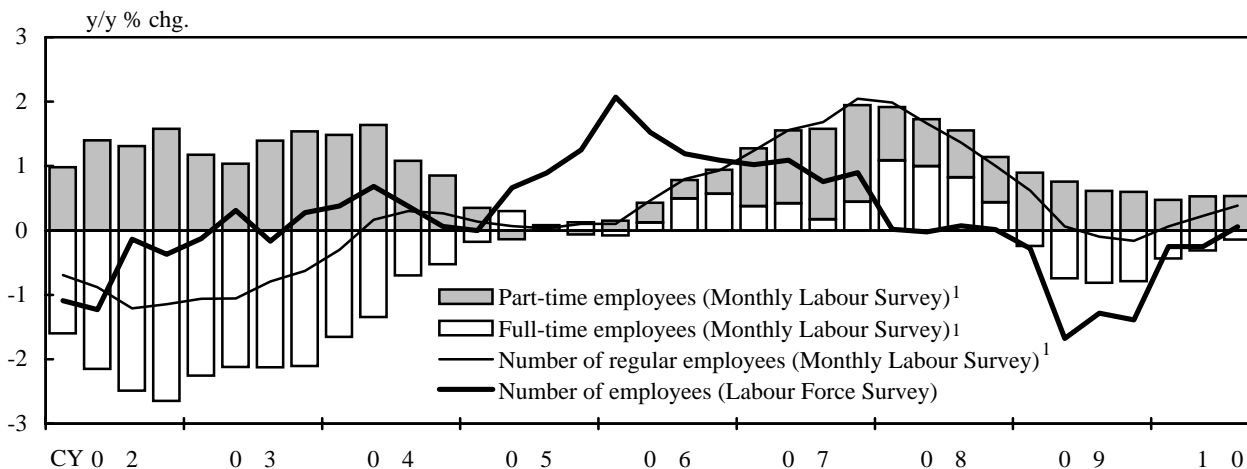


- Notes: 1. Figures do not include jobs offered to new graduates, but include those offered to part-time workers.
- 2. Figures are the sum of job advertisements listed in free/paid job information magazines, newspaper inserts and job information websites provided by member companies of the Association.
- 3. Figures for 2010/Q3 are those of July.

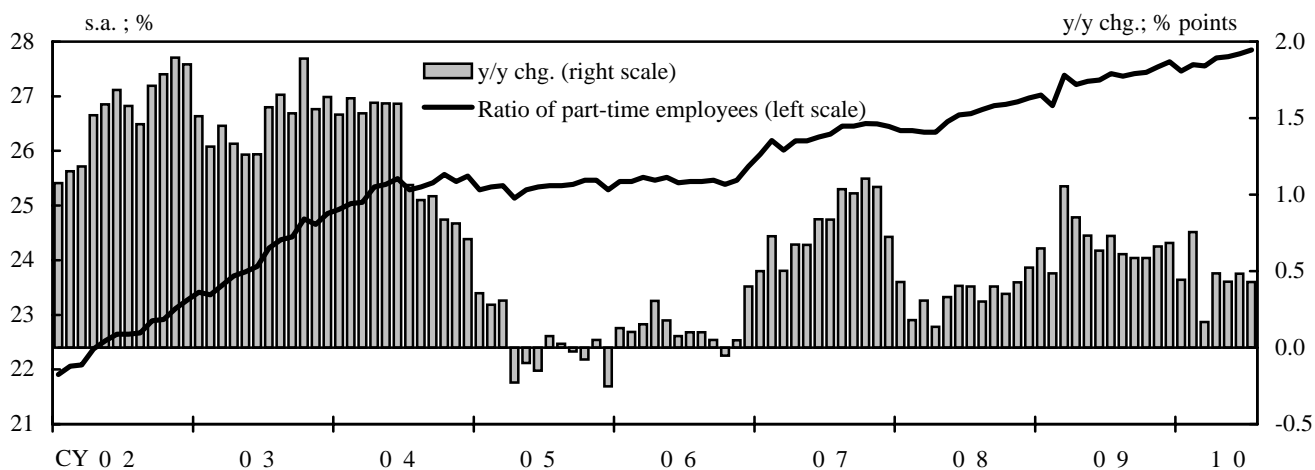
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service";  
 Ministry of Internal Affairs and Communications, "Labour Force Survey";  
 Association of Job Information of Japan, "Kyujin Koukoku Keisaikensu (Survey of Job Advertisements)."

Labor Market (2)

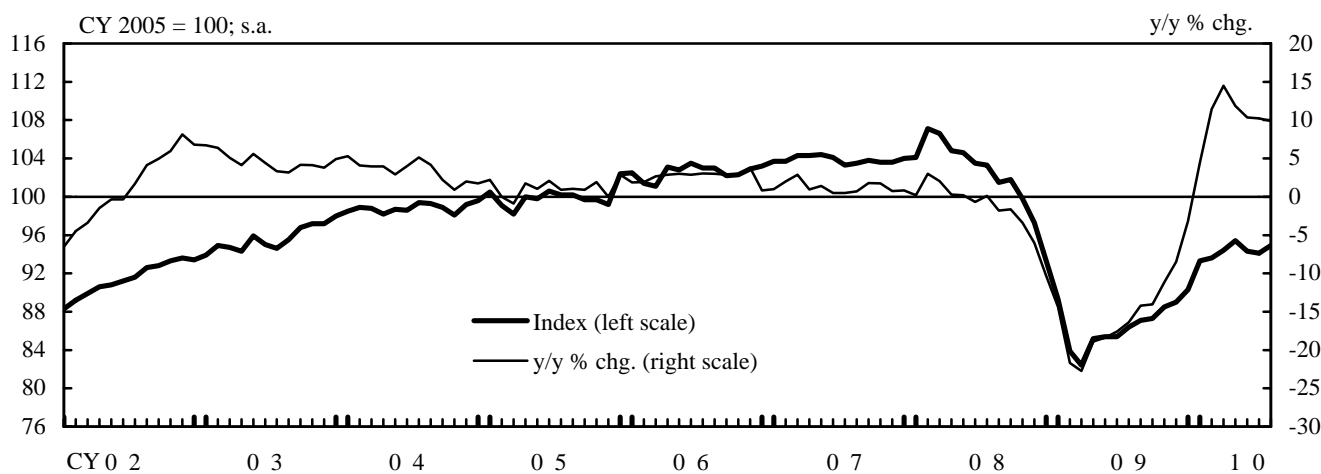
(1) Number of Employees<sup>3</sup>



(2) Ratio of Part-Time Employees<sup>1,2</sup>



(3) Non Scheduled Hours Worked<sup>1</sup>



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

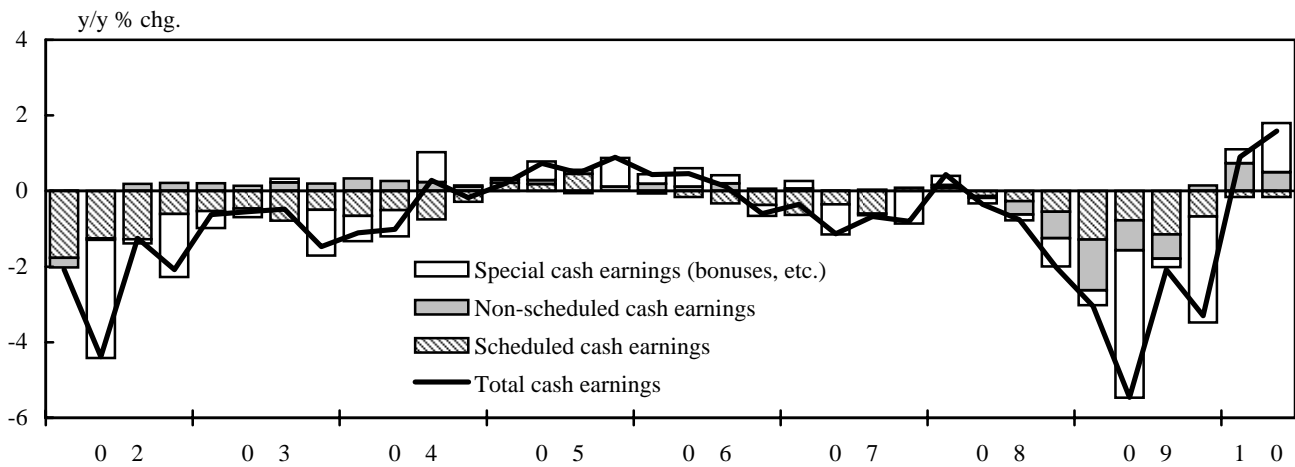
2. The ratio of part-time employees is calculated as the number of part-time employees divided by the number of regular employees times 100.

3. Figures for 2010/Q3 are those of July.

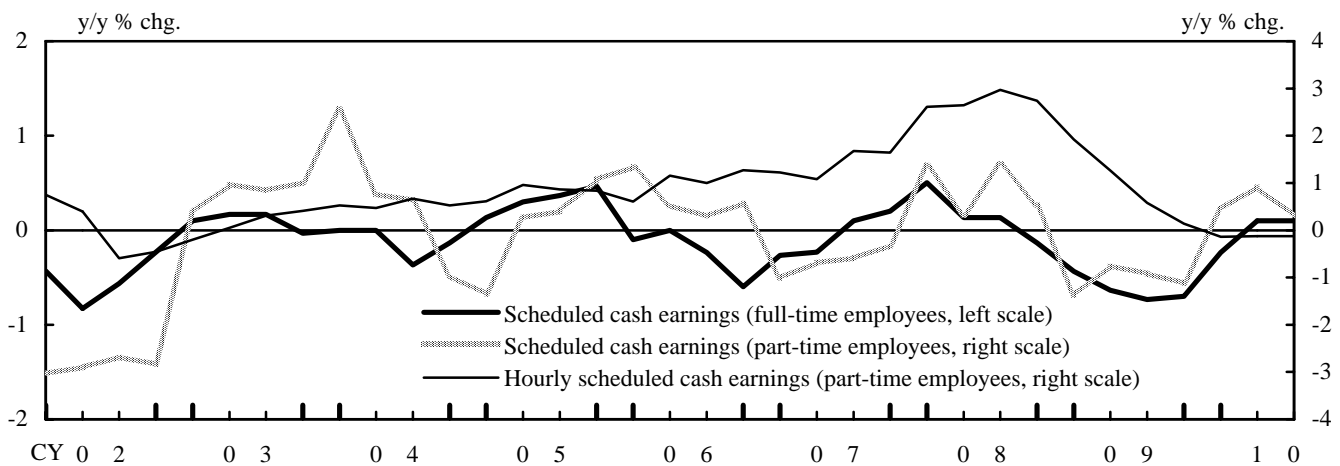
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";  
Ministry of Internal Affairs and Communications, "Labour Force Survey."

Employee Income

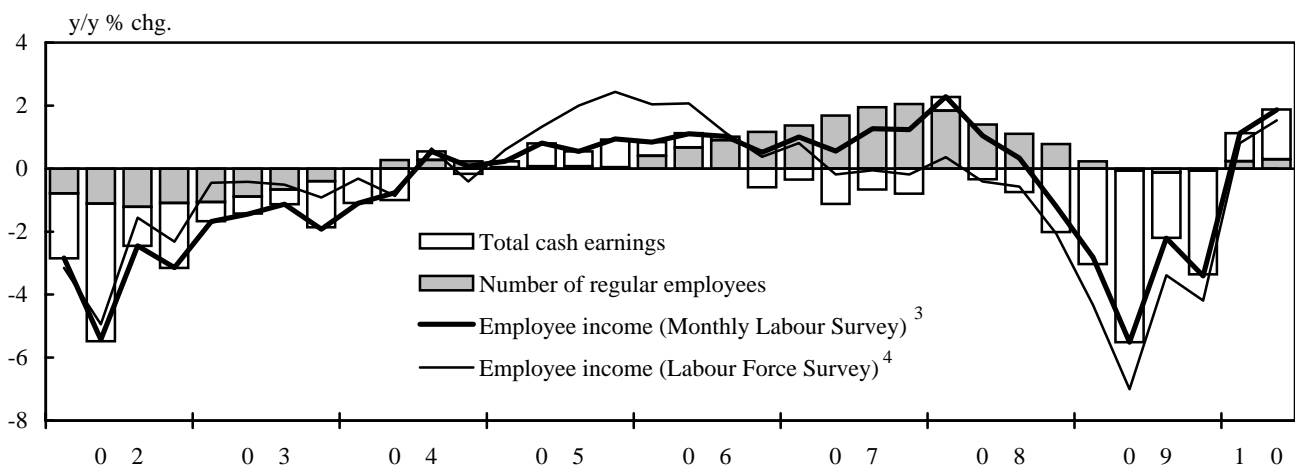
(1) Breakdown of Total Cash Earnings<sup>1,2,5</sup>



(2) Scheduled Cash Earnings<sup>1,6</sup>



(3) Breakdown of Employee Income<sup>1,2,5</sup>



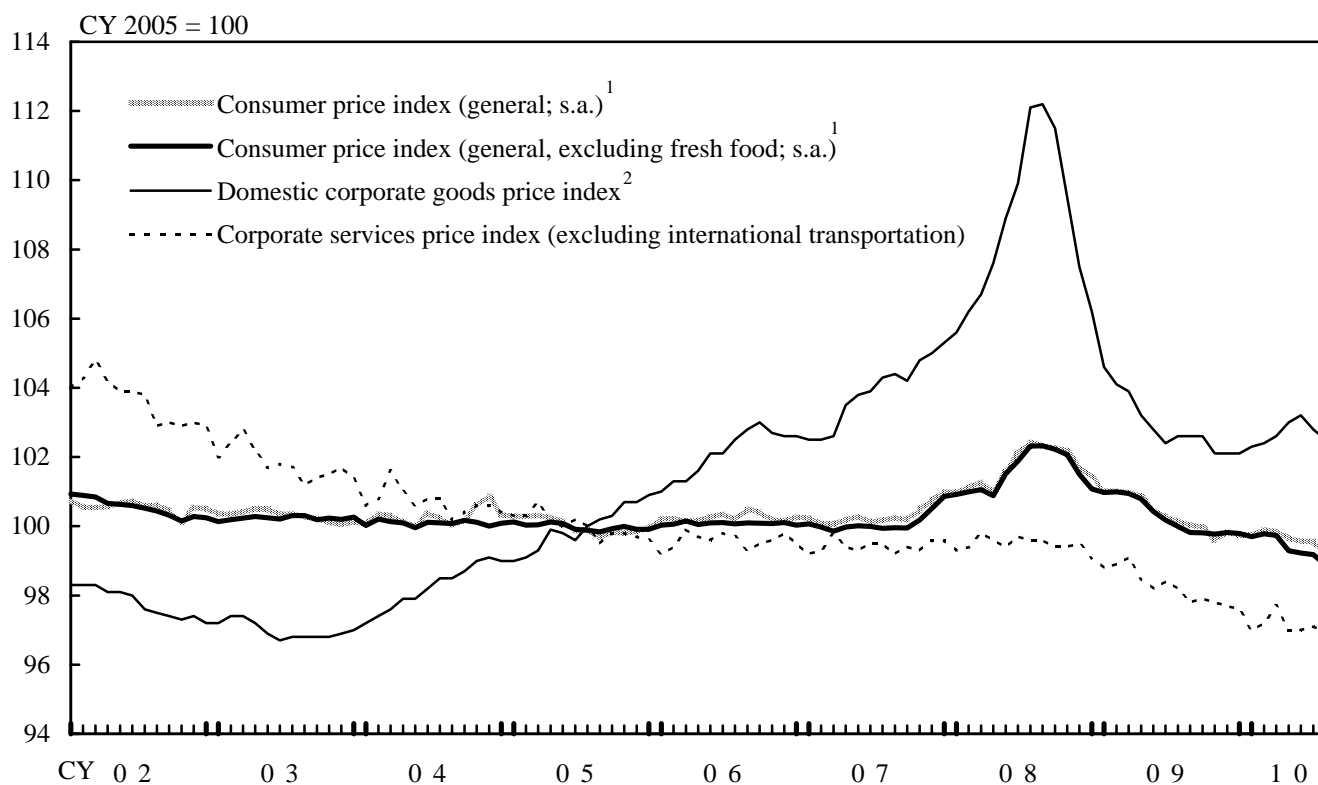
- Notes: 1. Data of the Monthly Labour Survey are for establishments with at least five employees.  
 2. Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.  
 3. Calculated as the number of regular employees (Monthly Labour Survey) times total cash earnings (Monthly Labour Survey).  
 4. Calculated as the number of employees (Labour Force Survey) times total cash earnings (Monthly Labour Survey).  
 5. Figures for 2010/Q2 are those of June-July averages.  
 6. Figures for 2010/Q3 are those of July.

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

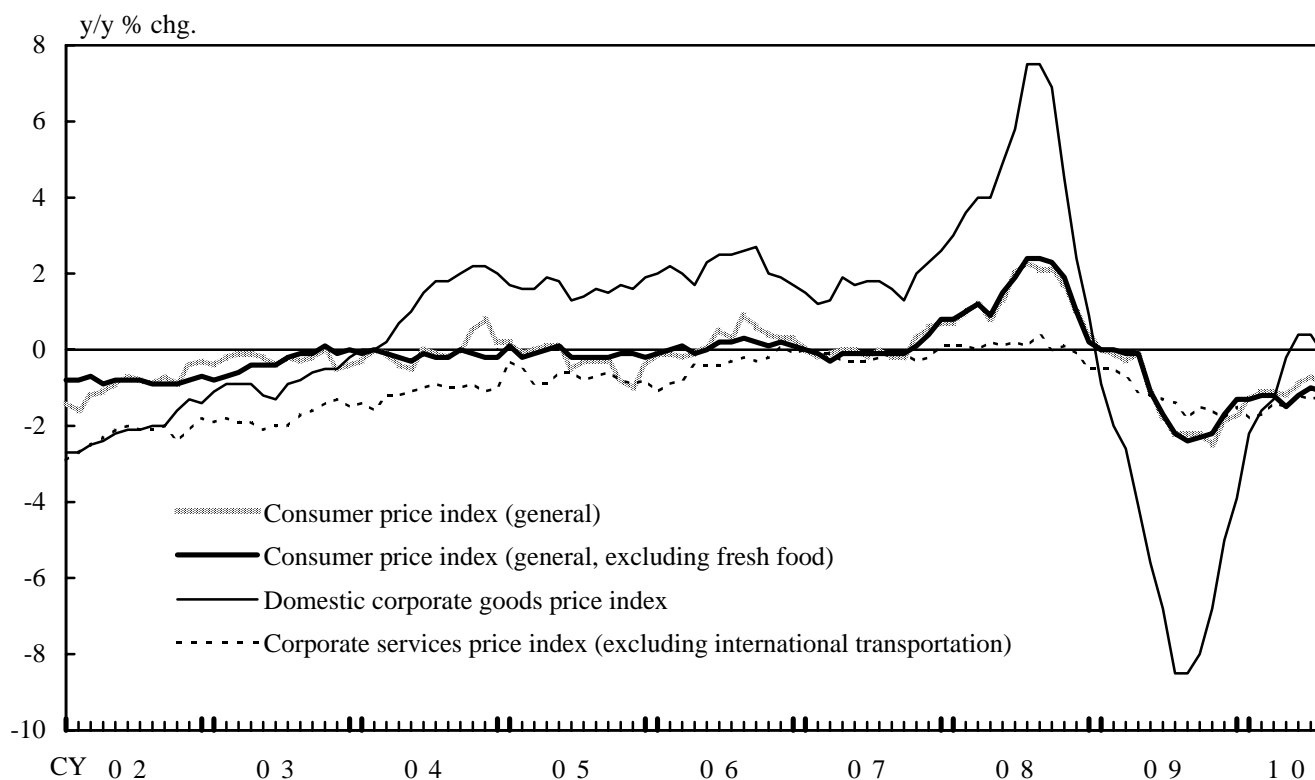


## Prices

## (1) Level



## (2) Changes from a Year Earlier



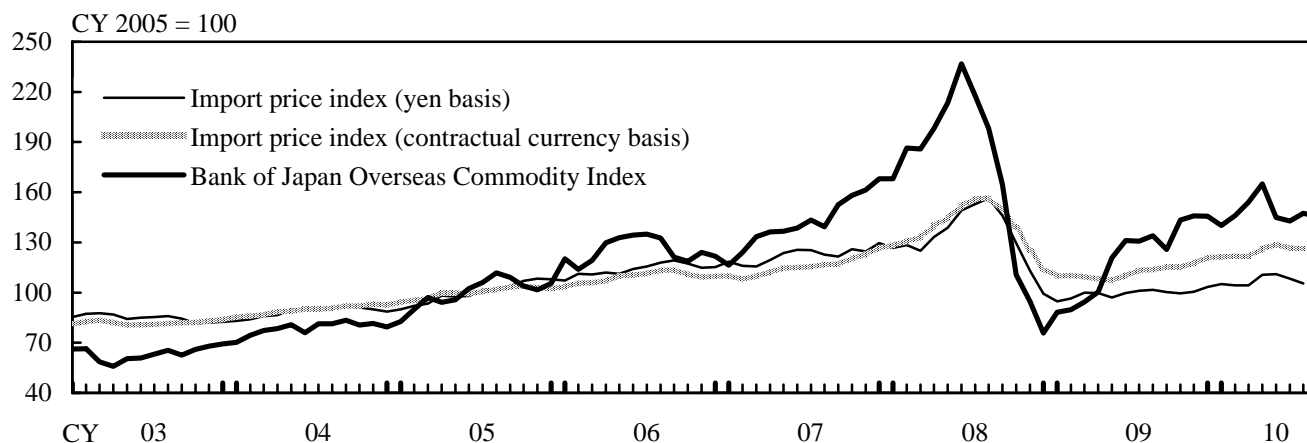
Notes: 1. Seasonally adjusted by X-12-ARIMA.

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

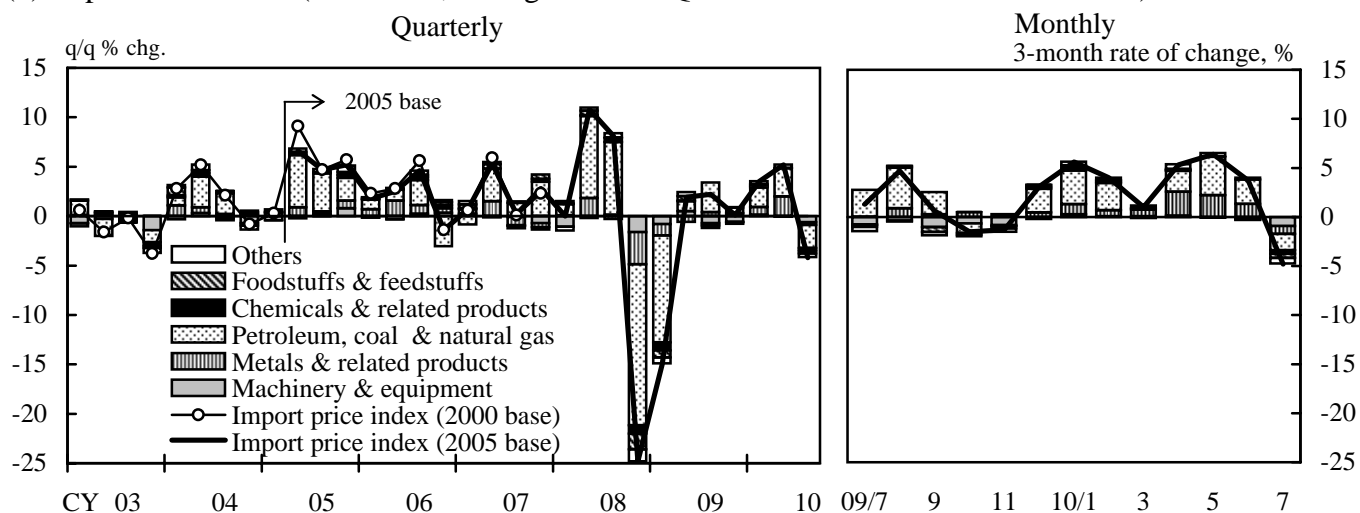
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index."

## Import Prices and International Commodity Prices

### (1) Import Price Index and Overseas Commodity Index



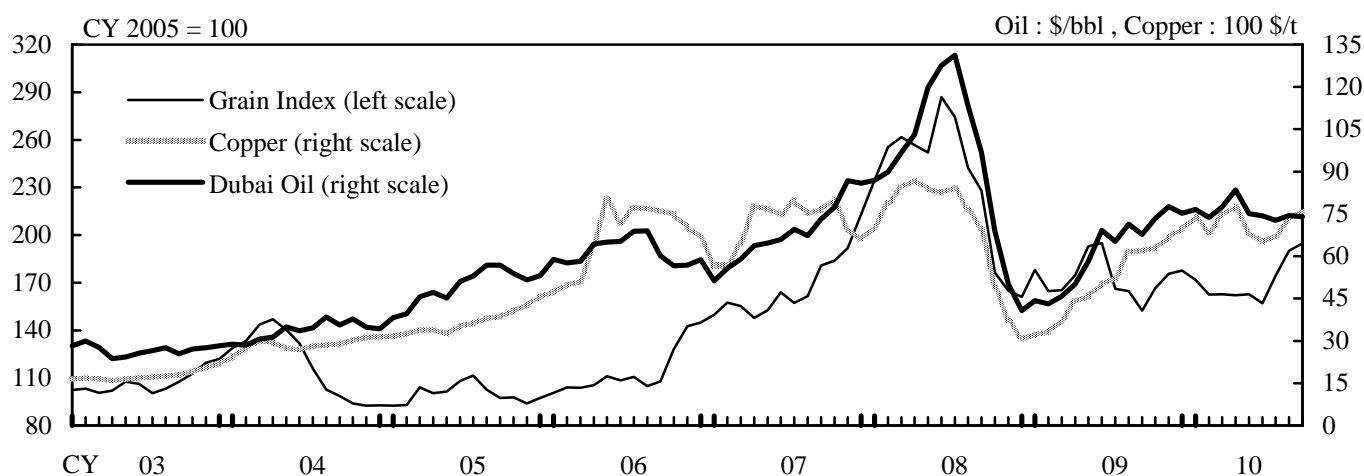
### (2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



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

2. Figures for 2010/Q3 are those of July. Figures for 2007/Q4 on the 2000 base are those of October.

### (3) International Commodity Prices



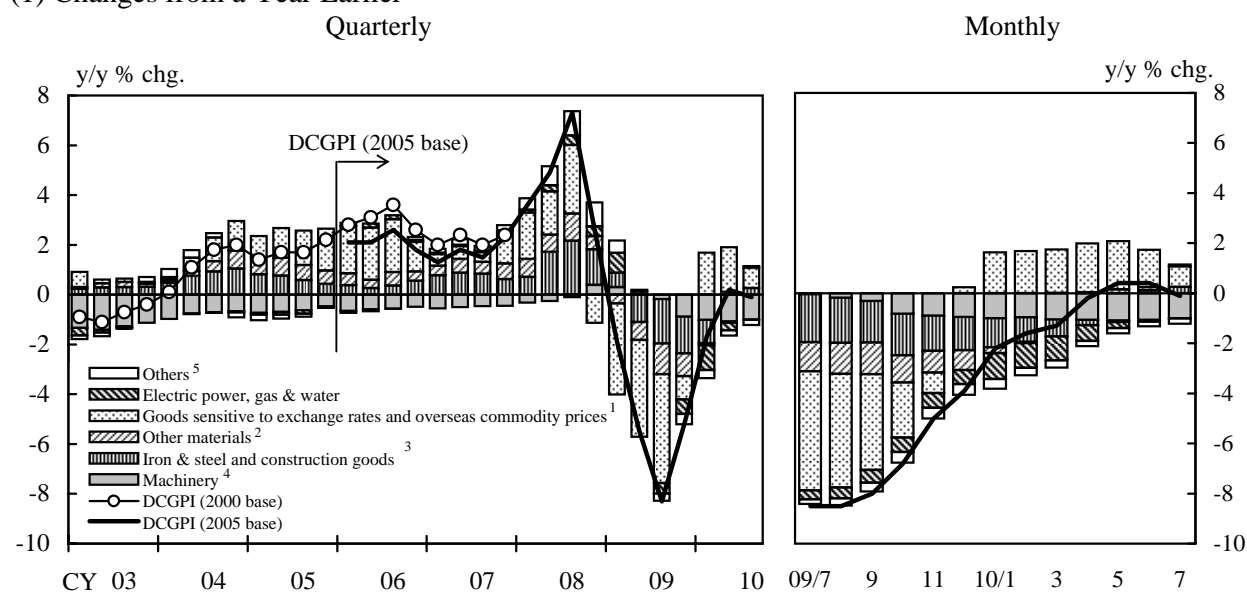
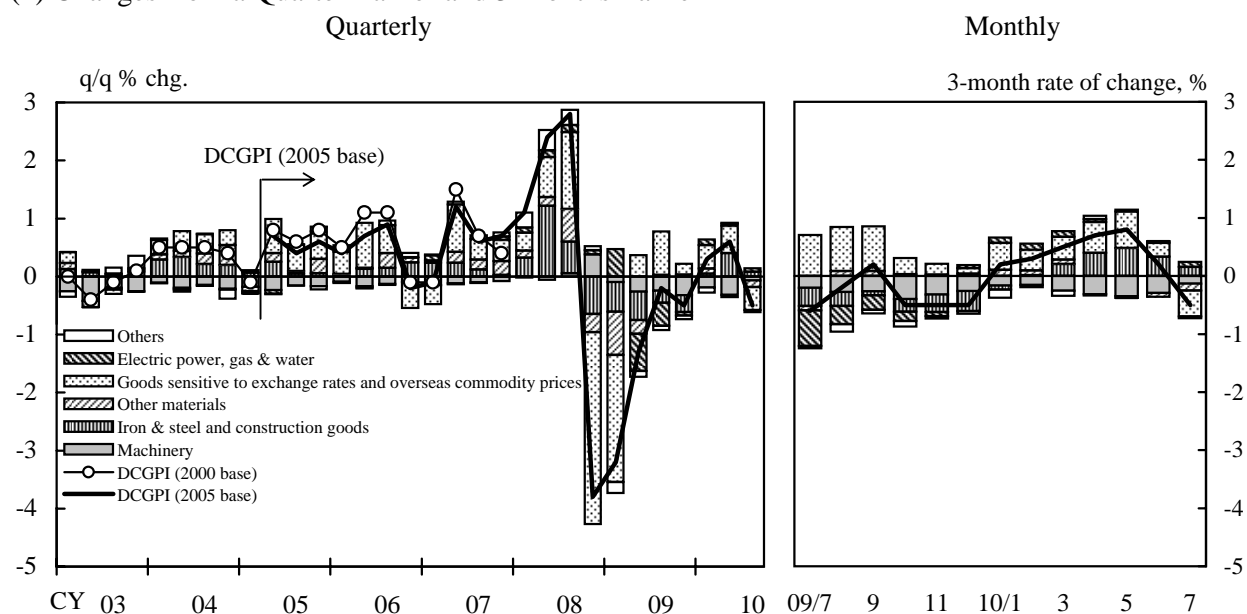
Notes: 1. The Grain Index is the weighted average of prices of three selected items (wheat, soybeans, corn) in overseas commodity markets. The weights are based on the Value of Imports in the Trade Statistics of Japan.

2. Monthly averages. Figures for September 2010 are the averages up to September 6.

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

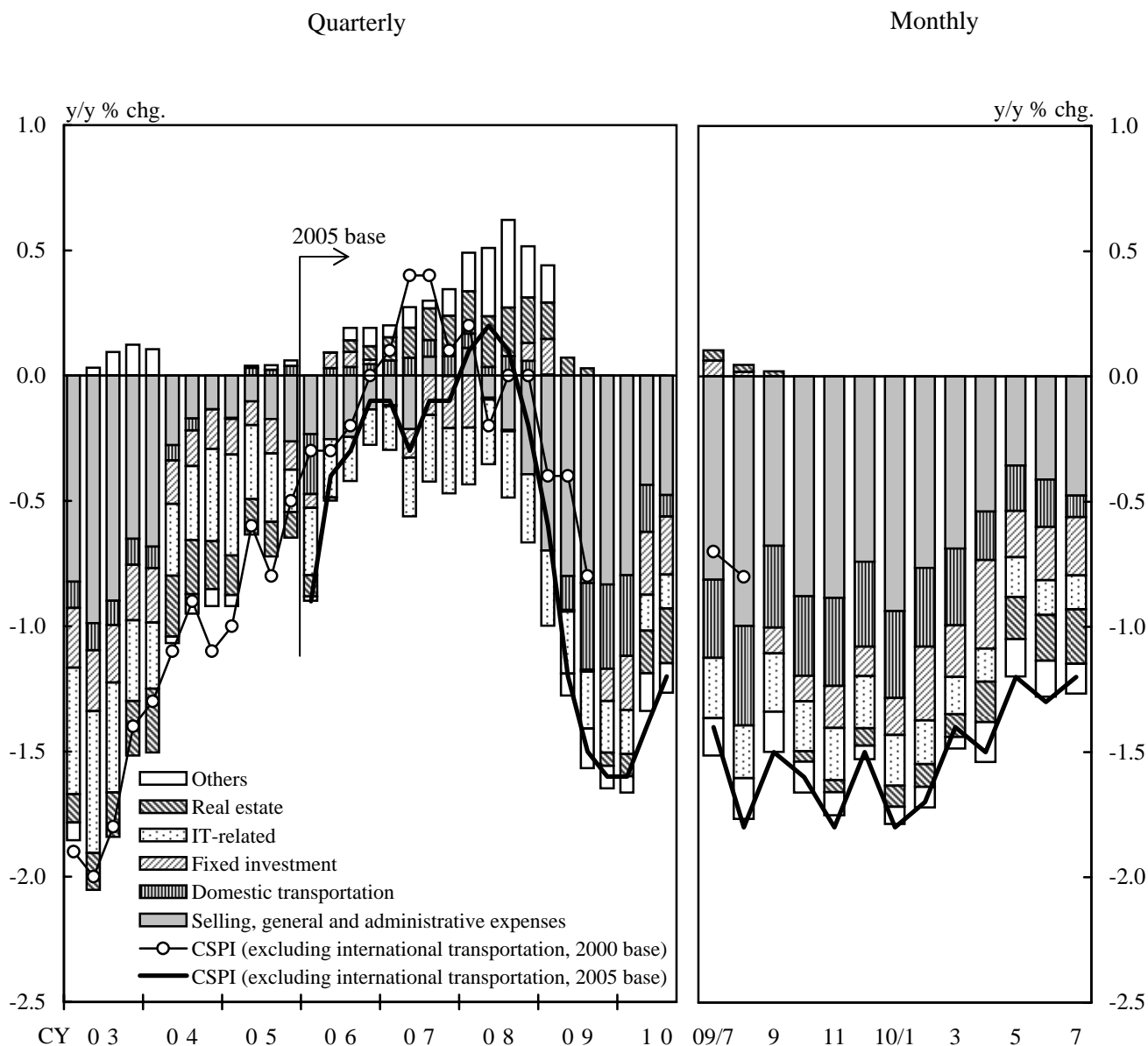
Domestic Corporate Goods Price Index<sup>7</sup>

## (1) Changes from a Year Earlier

(2) Changes from a Quarter Earlier and 3 Months Earlier<sup>6</sup>

- 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 2010/Q3 are those of July. Figures for 2007/Q4 on the 2000 base are those of October.

Corporate Services Price Index

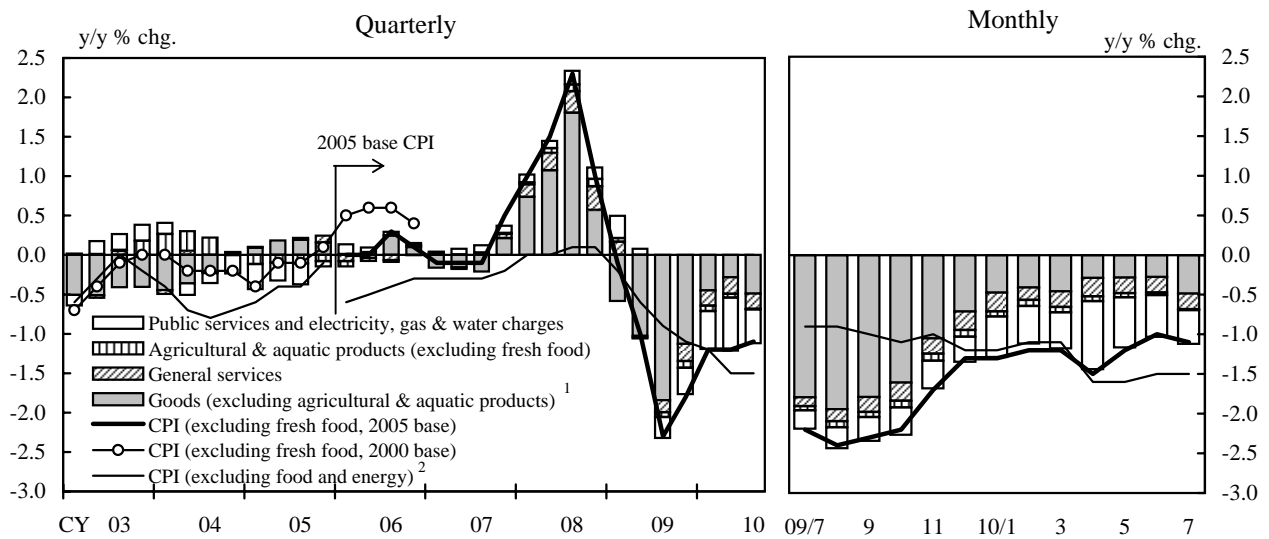


- Notes: 1. Selling, general and administrative expenses: information and communications (excluding newspapers and publishing), advertising services, other services (excluding plant engineering, civil engineering and architectural services).  
 2. Domestic transportation: transportation (excluding international transportation, railroad passenger transportation, road passenger transportation, water passenger transportation, domestic air passenger transportation).  
 3. Fixed investment: leasing and rental (excluding leasing of computer and related equipment, computer rental), civil engineering and architectural services.  
 4. IT-related: leasing of computer related equipment, computer rental.  
 5. Real estate: real estate services.  
 6. Others: finance and insurance, railroad passenger transportation, road passenger transportation, water passenger transportation, domestic air passenger transportation, newspapers and publishing, plant engineering.  
 7. Figures for 2010/Q3 are those of July. Figures for 2009/Q3 on the 2000 base are July-August averages.

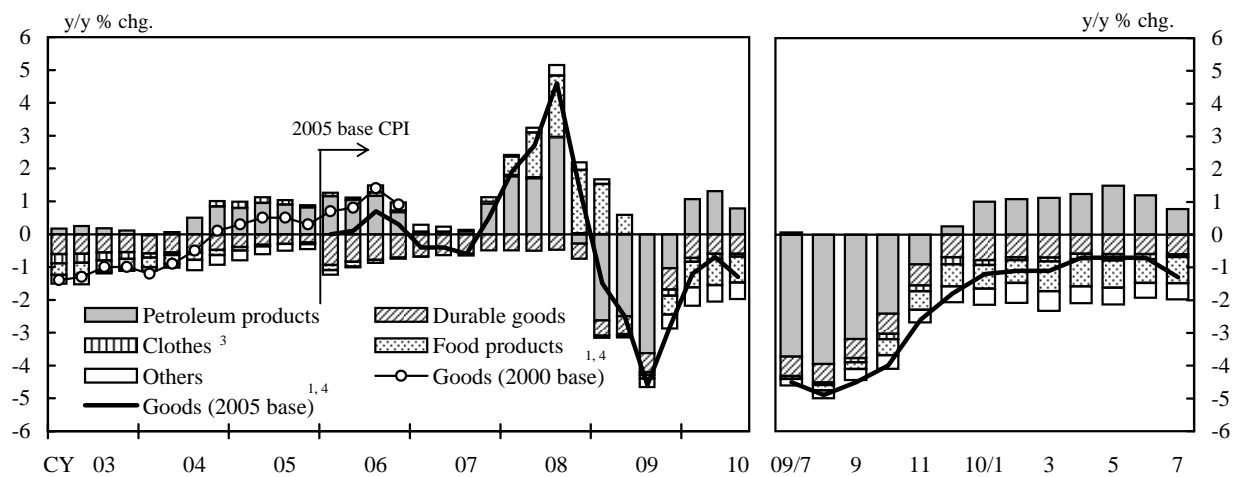
Source: Bank of Japan, "Corporate Services Price Index."

Consumer Price Index (Excluding Fresh Food)

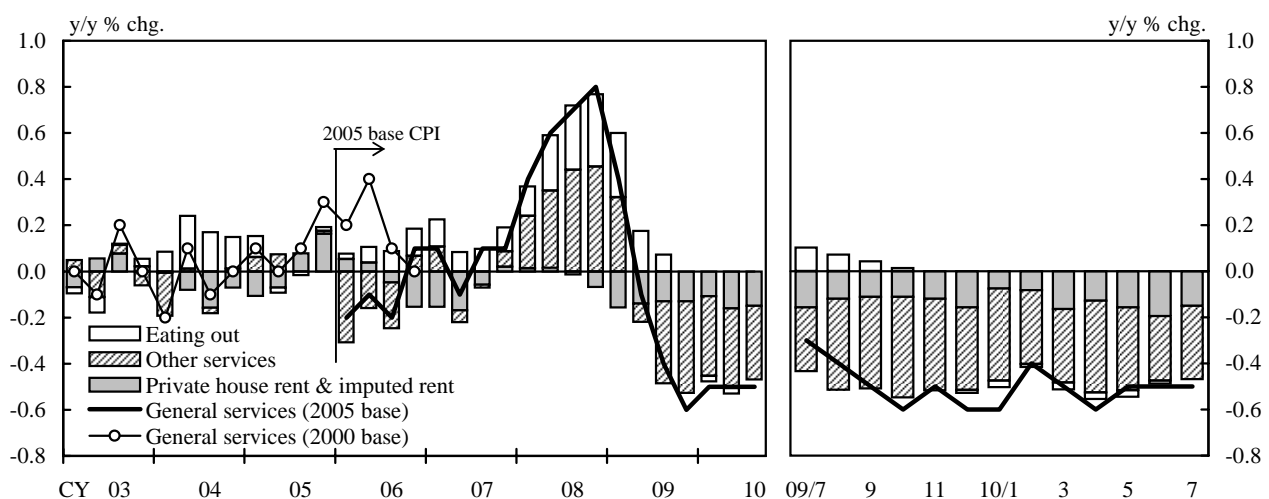
(1) Consumer Price Index (Excluding Fresh Food)



(2) Goods (Excluding Agricultural & Aquatic Products)<sup>1</sup>



(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.

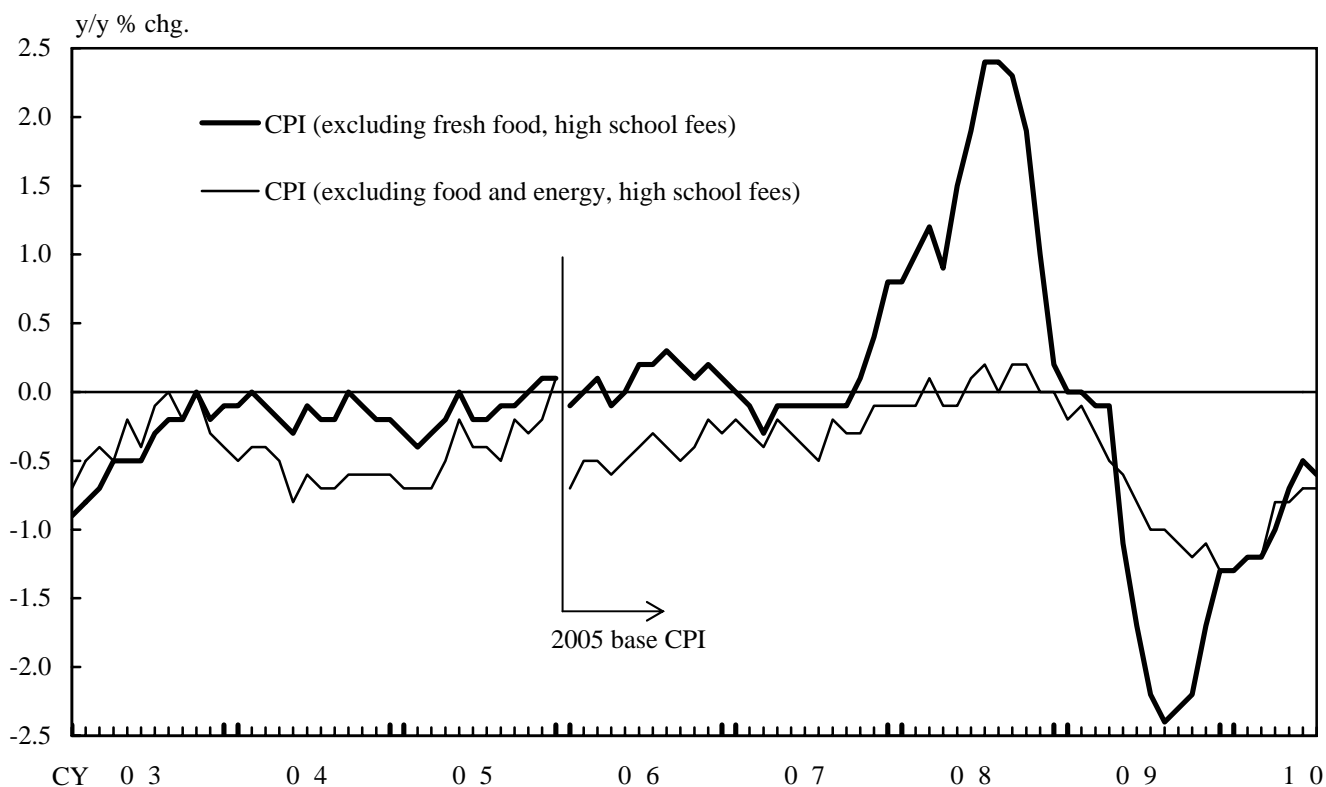
4. Excluding agricultural & aquatic products.

5. Figures for 2010/Q3 are those of July.

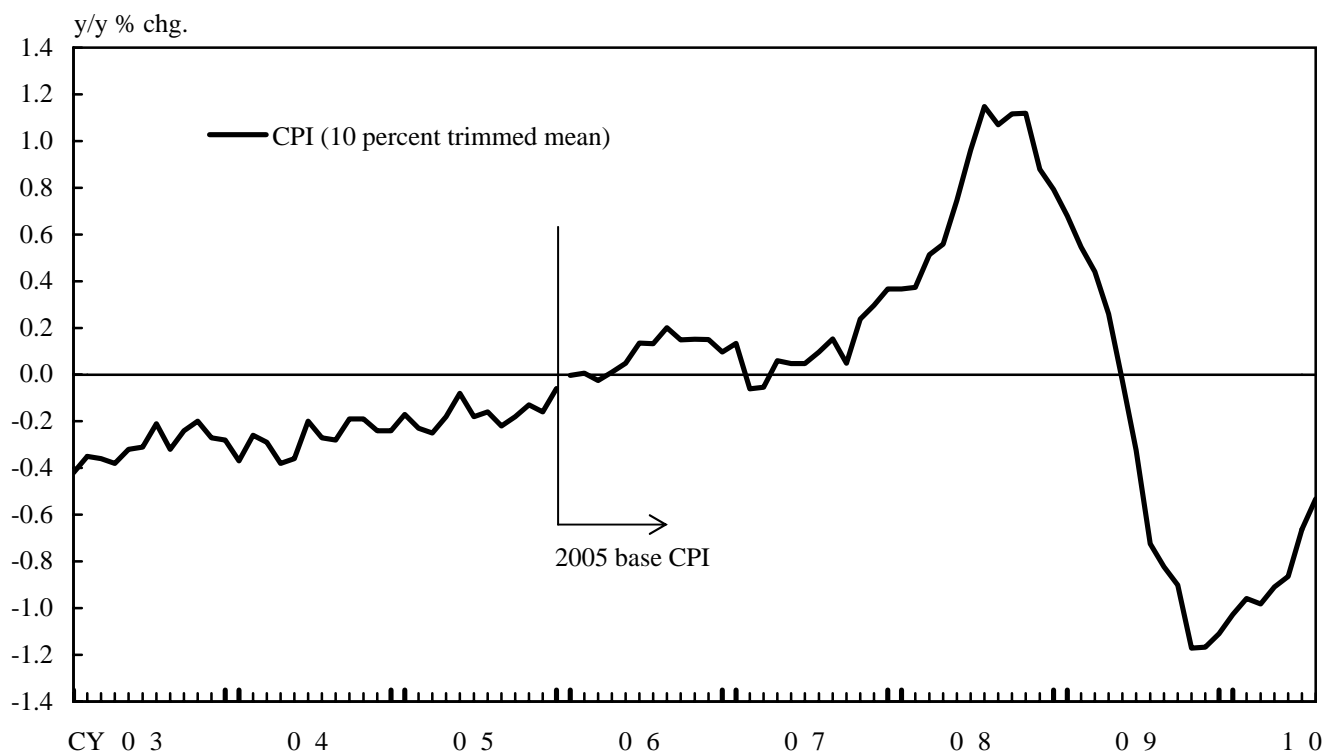
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

## Trend Changes in Consumer Prices

## (1) CPI Excluding High School Fees



## (2) Trimmed Mean



Notes: 1. Alcoholic beverages are excluded from food. Energy: electricity, gas manufactured & piped, liquefied propane, kerosene, and gasoline.

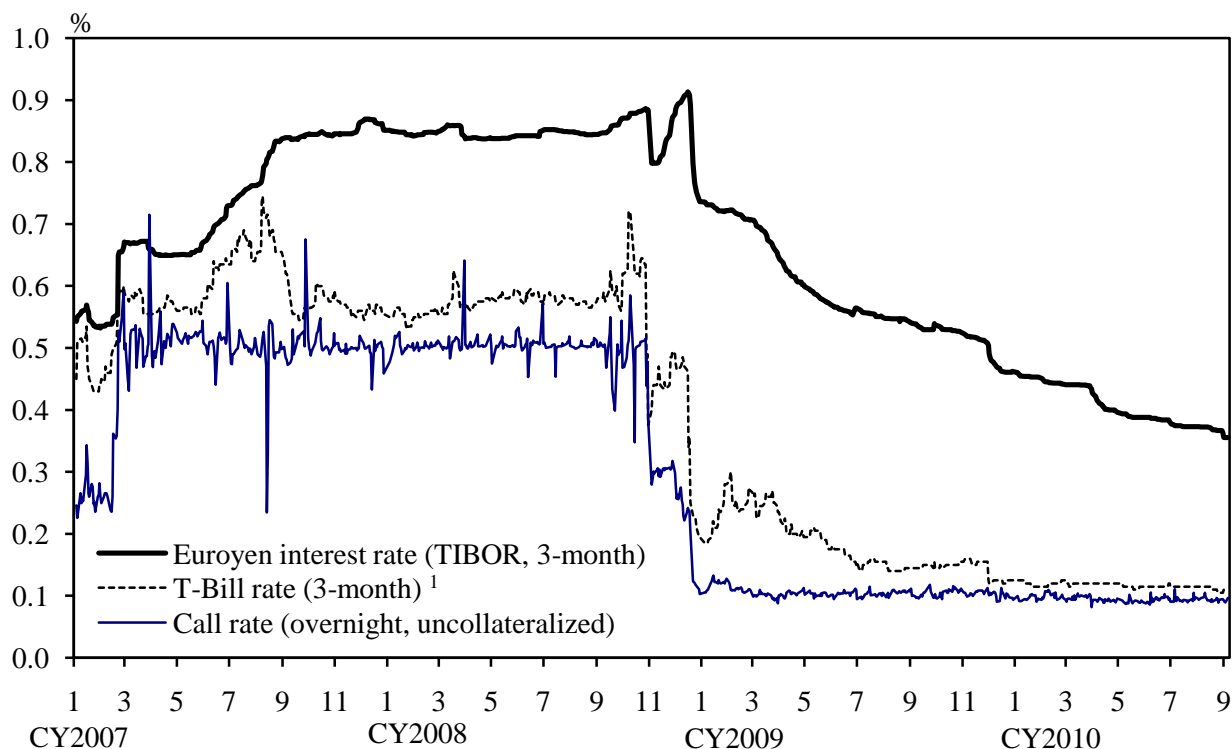
2. High school fees: high school fees (public), and high school fees (private).

3. Figures for the 10 percent trimmed mean are weighted averages of items after excluding (trimming) items in both the upper and lower 10 percent tails by weight with the highest and lowest year-on-year rates of price changes.

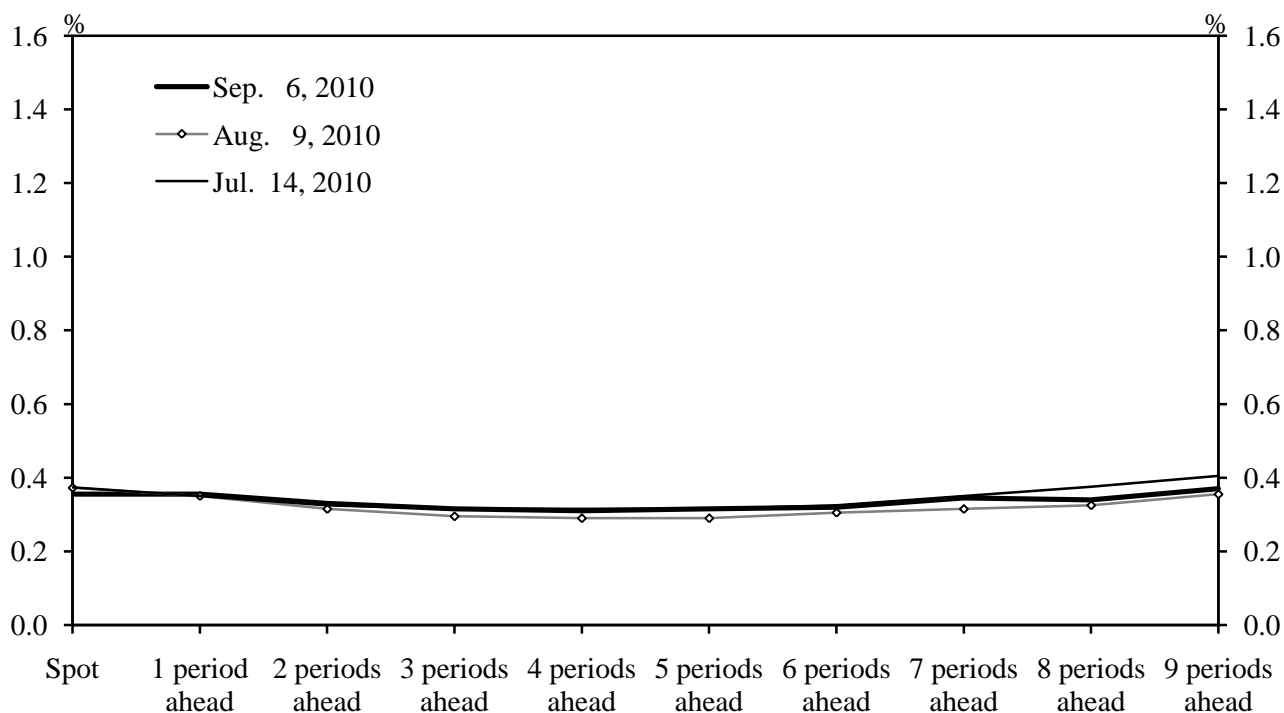
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Short-Term Interest Rates

(1) Short-Term Interest Rates



(2) Euroyen Interest Rate Futures (3-Month) <sup>2</sup>



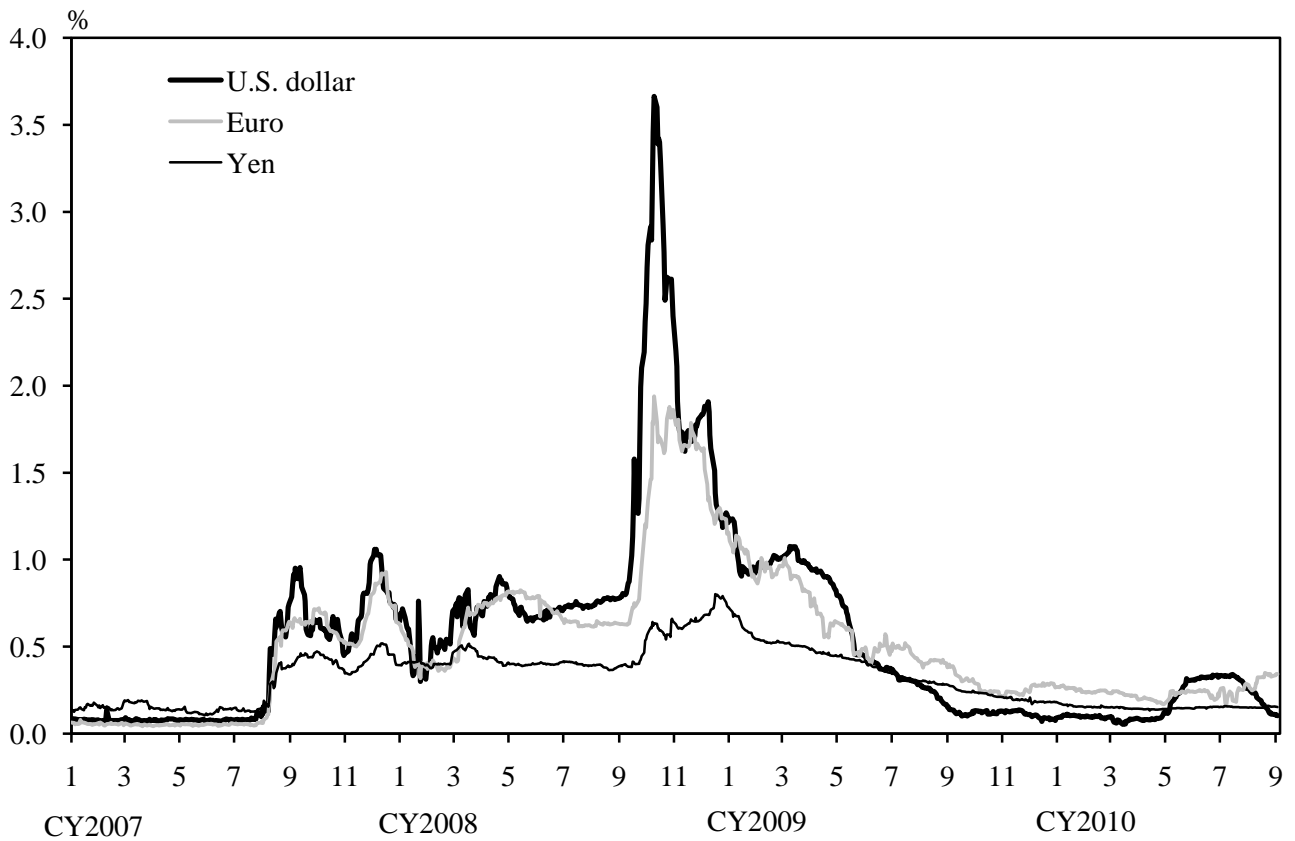
Notes: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.

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

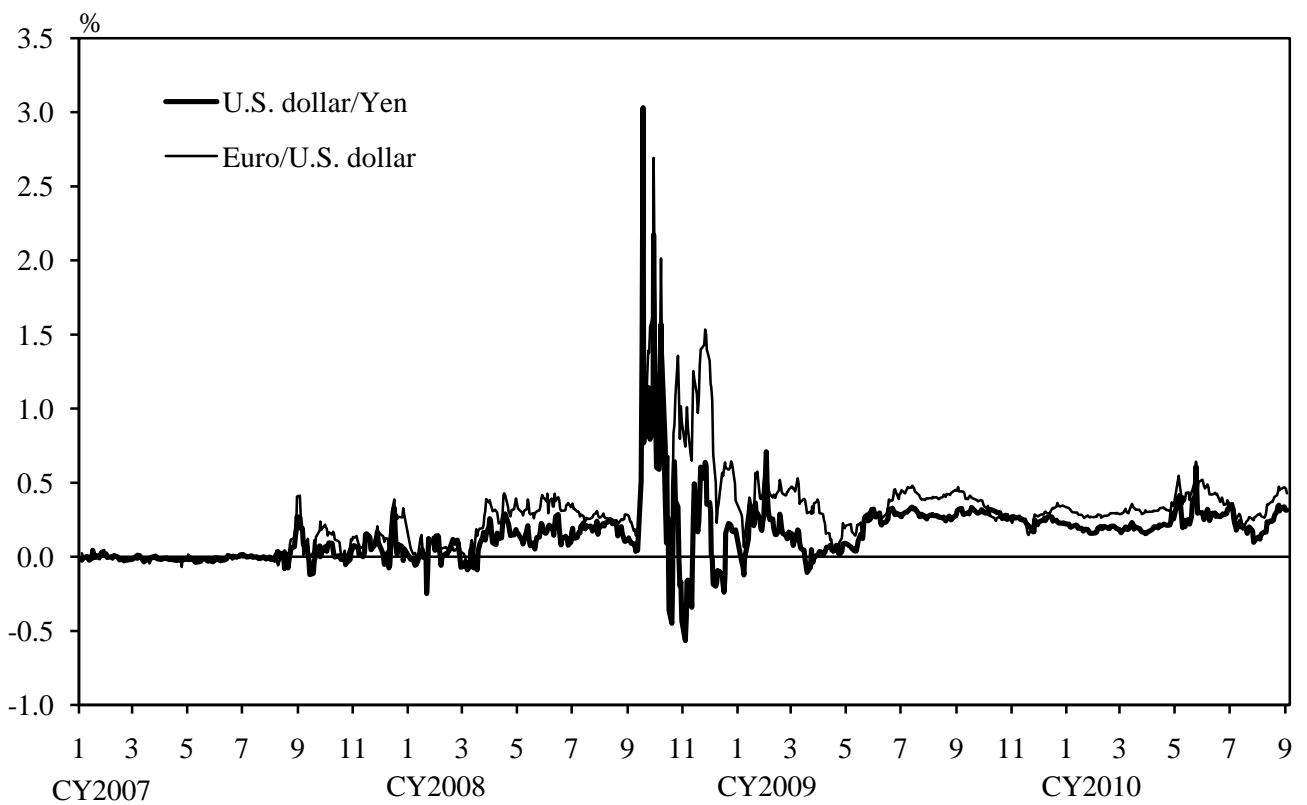
Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.; Tokyo Financial Exchange; Bank of Japan.

Global Money Markets

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



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

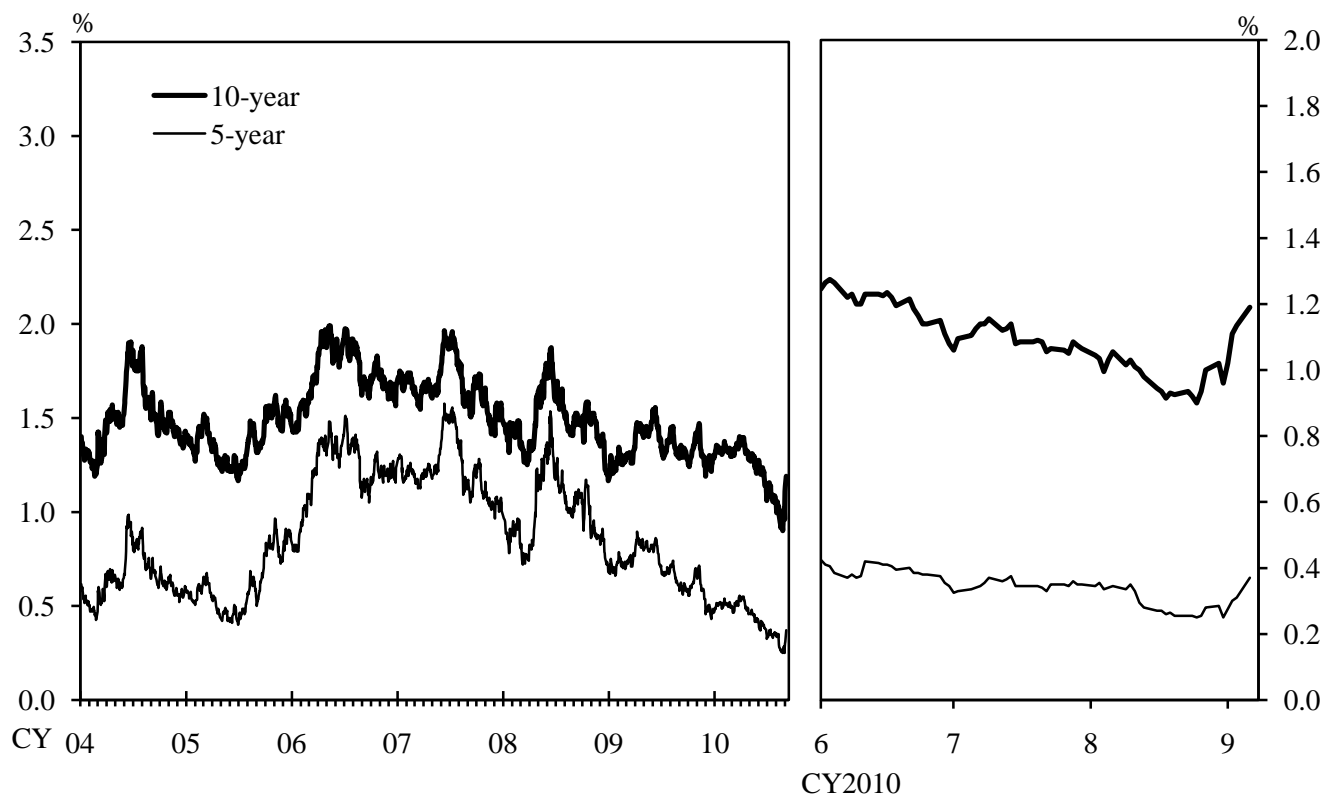


Source: Bloomberg.

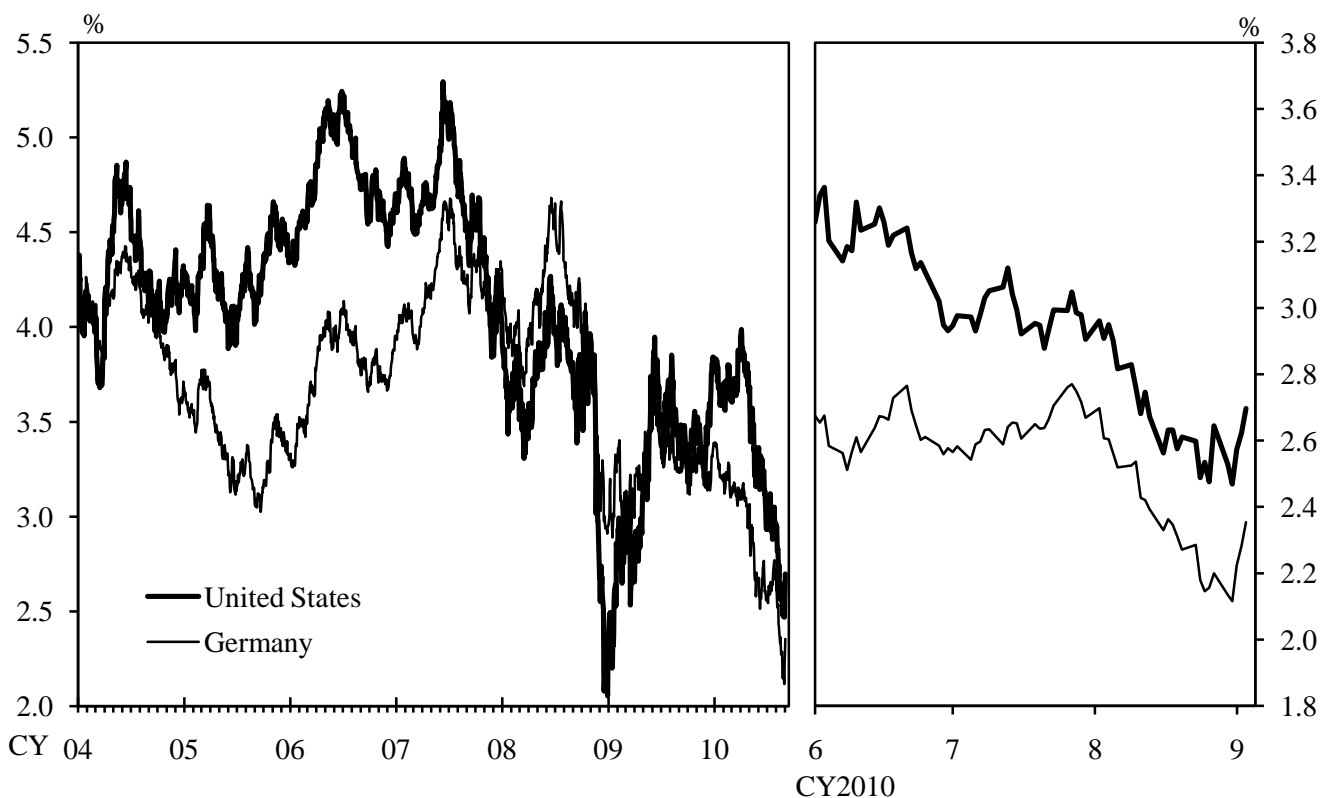


Long-Term Interest Rates

(1) Japanese Government Bond Yields<sup>1</sup>



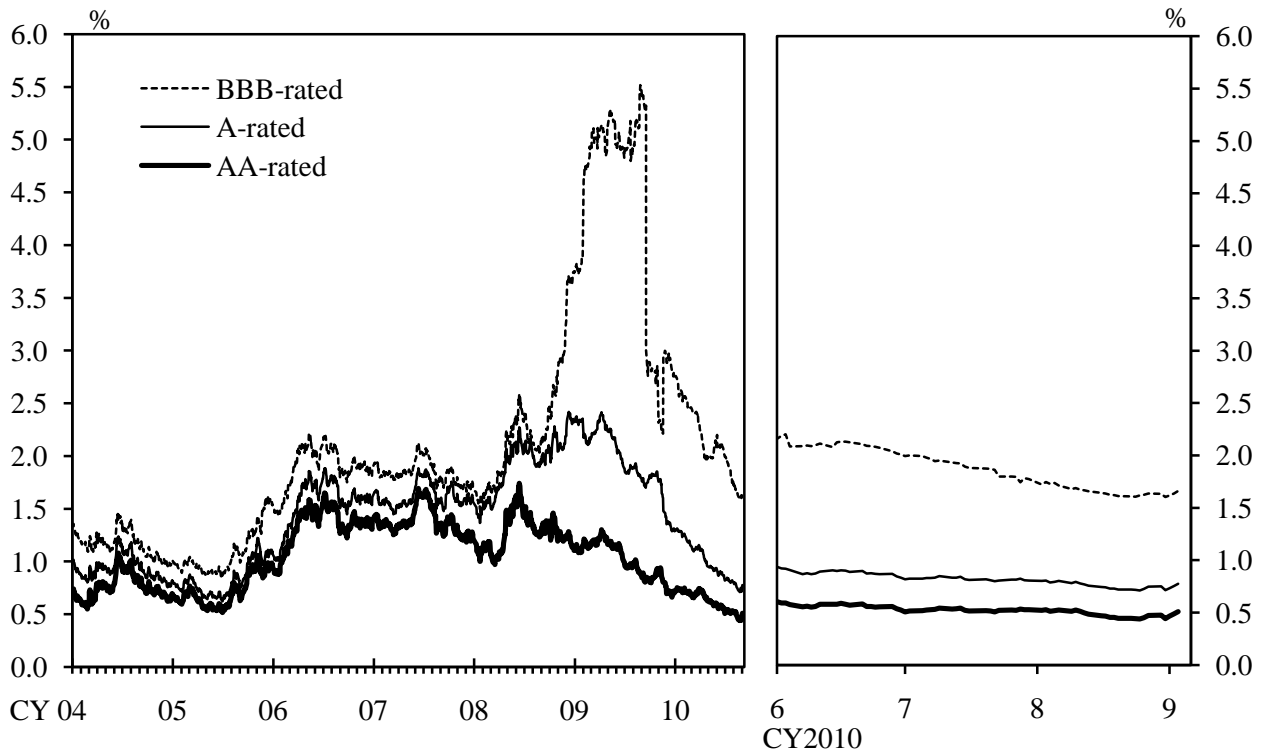
(2) Overseas Government Bond Yields (10-Year)



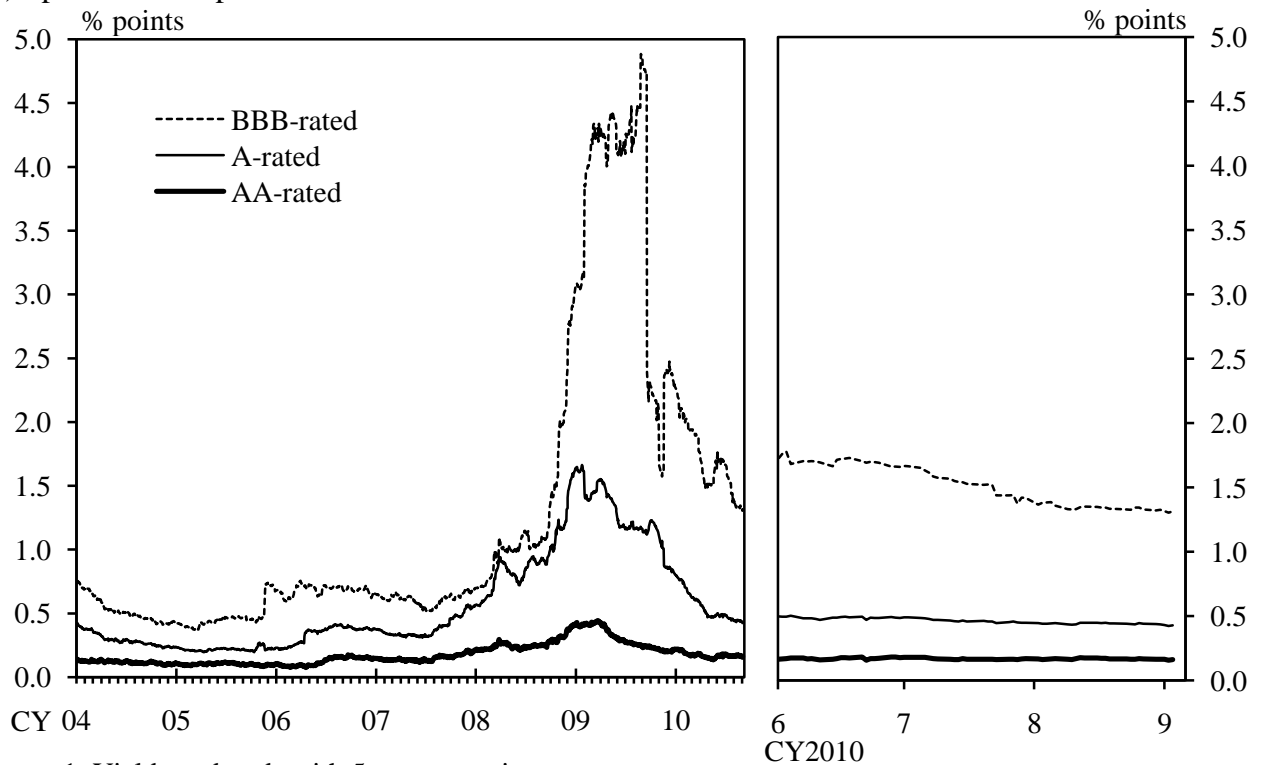
Note: 1. Yields on newly issued bonds.  
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

Yields of Corporate Bonds

(1) Corporate Bond Yields<sup>1,2</sup>



(2) Spreads of Corporate Bond Yields over Government Bond Yields<sup>1,2</sup>



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

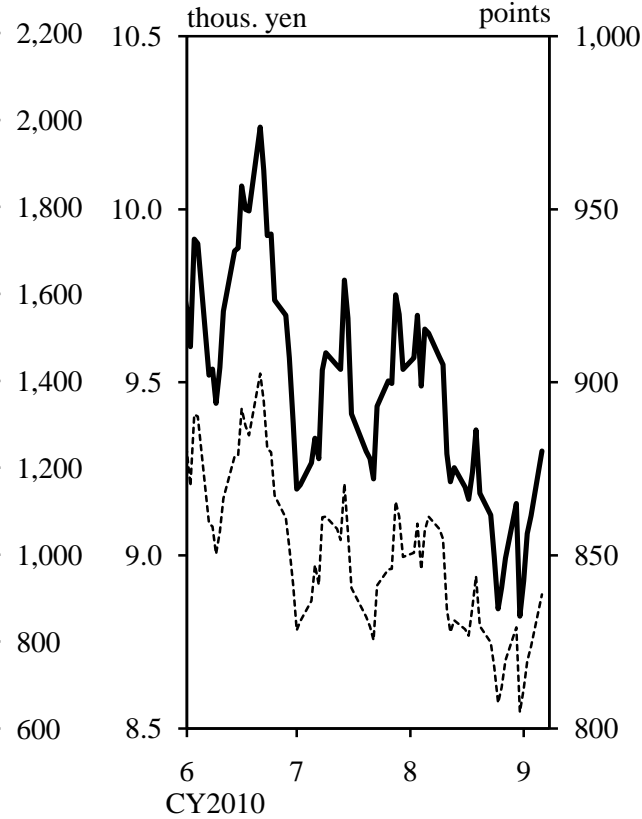
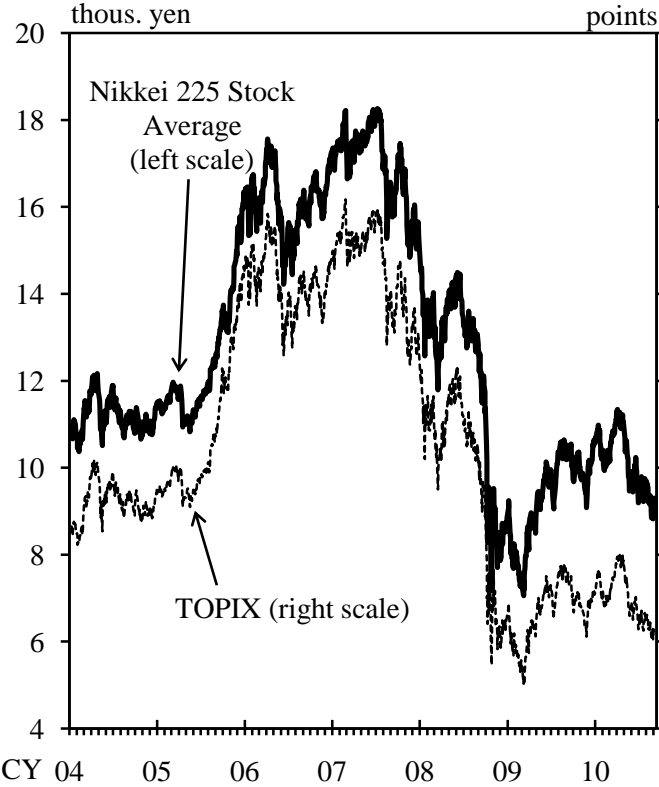
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.

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

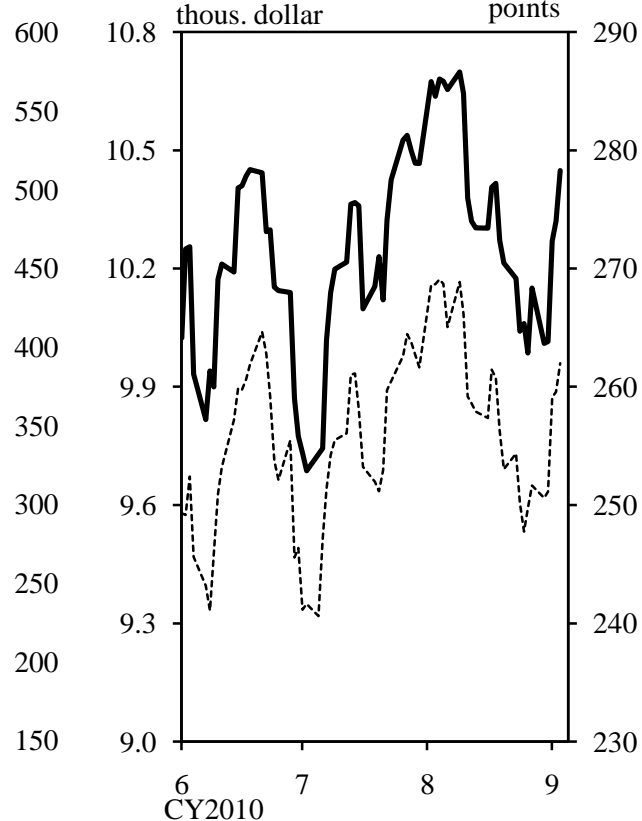
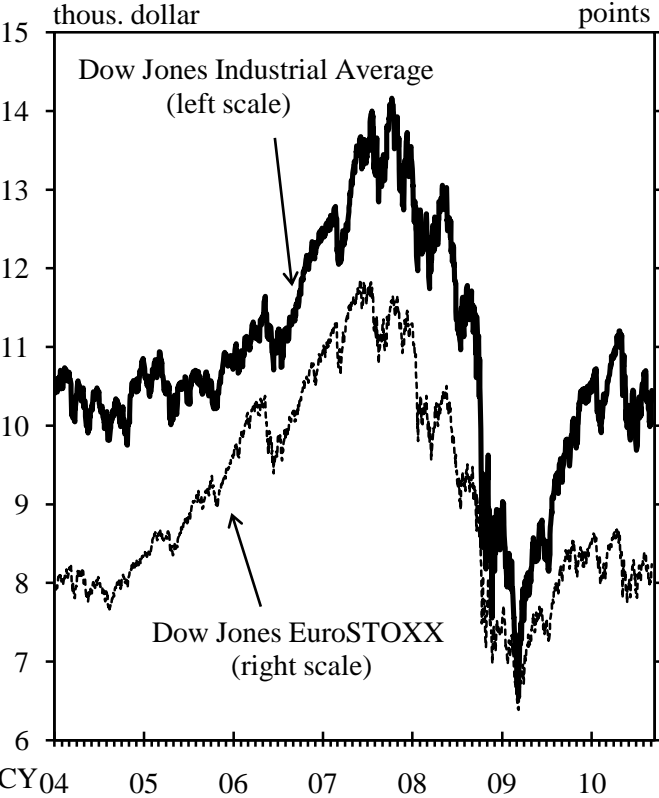
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Japanese Stock Prices



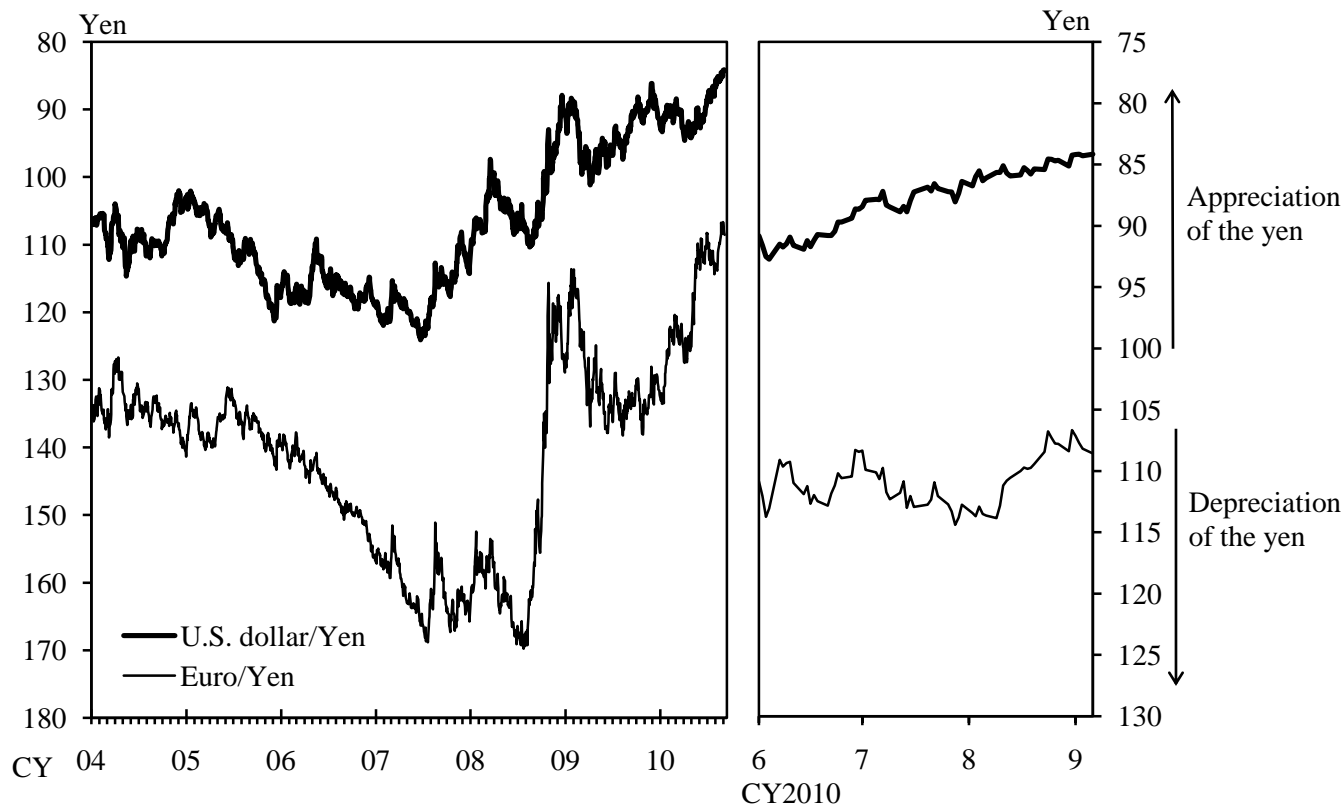
(2) Overseas Stock Prices



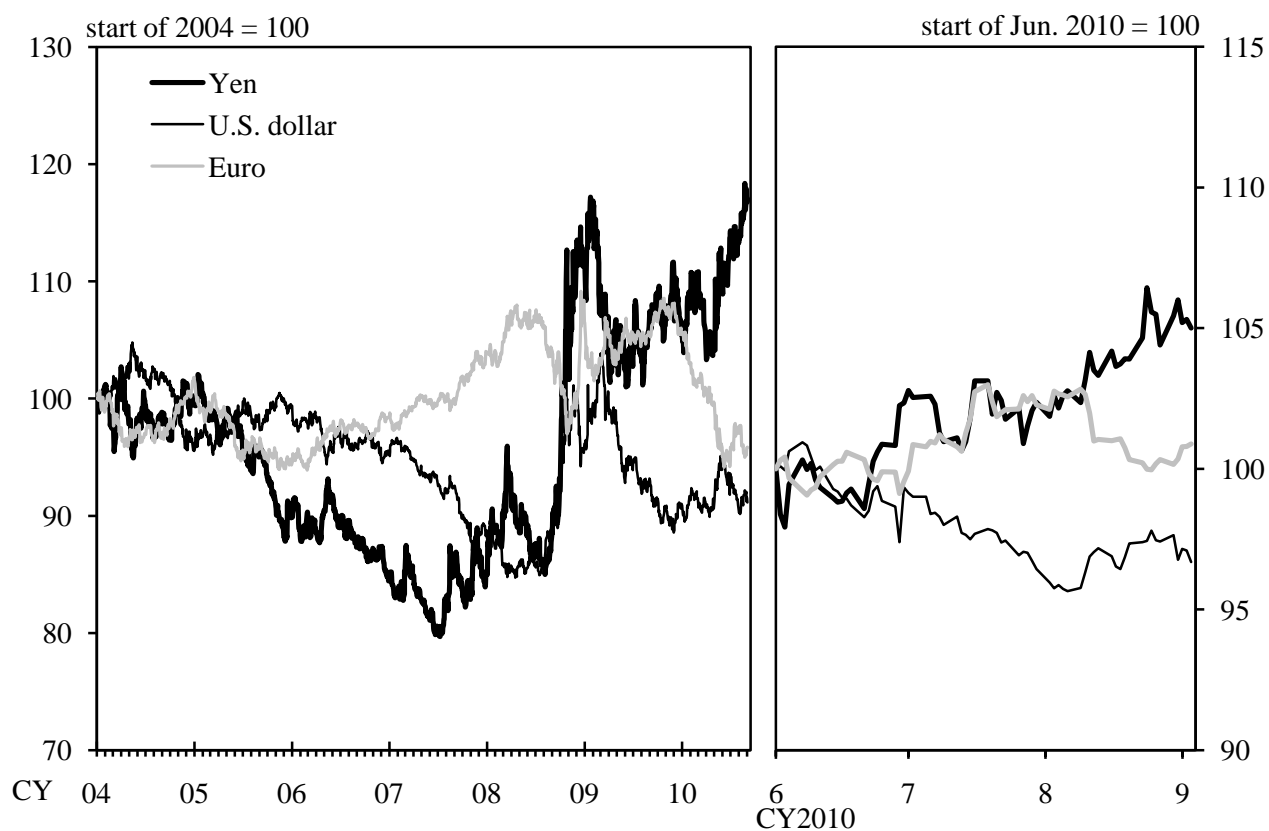
Sources: The *Nihon Keizai Shimbun* ; Tokyo Stock Exchange; Bloomberg.

Exchange Rates

(1) Bilateral Exchange Rates



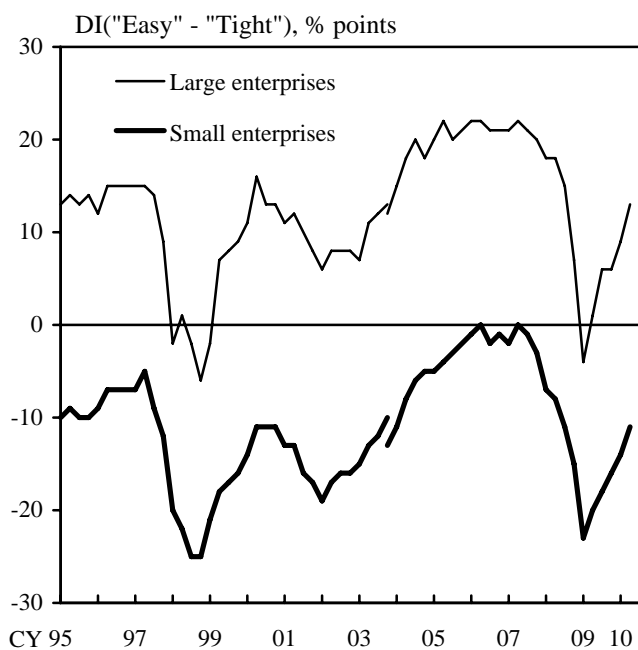
(2) Nominal Effective Exchange Rates



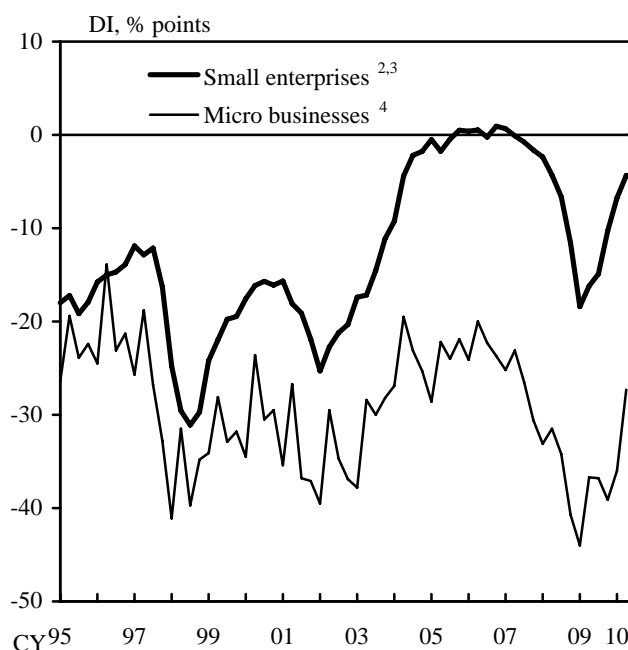
Sources: Bank of Japan; European Central Bank; Bloomberg.

## Corporate Finance-Related Indicators

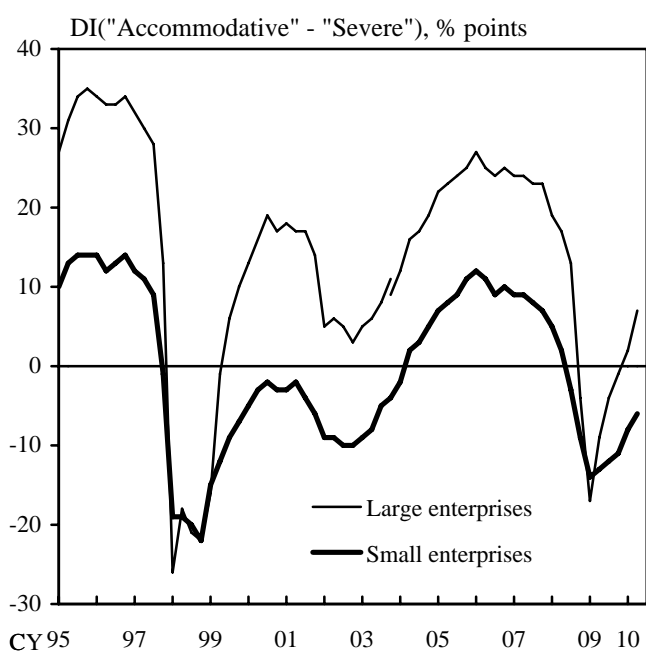
## (1) Financial Position

<Tankan<sup>1</sup>>

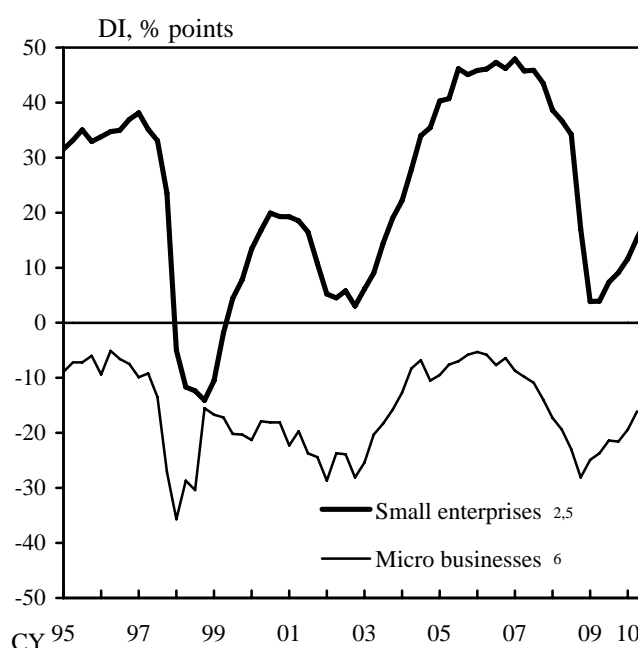
&lt;Japan Finance Corporation Survey&gt;



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

<Tankan<sup>1</sup>>

&lt;Japan Finance Corporation Survey&gt;



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 2010/Q3 are those of Jul.-Aug. averages.

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

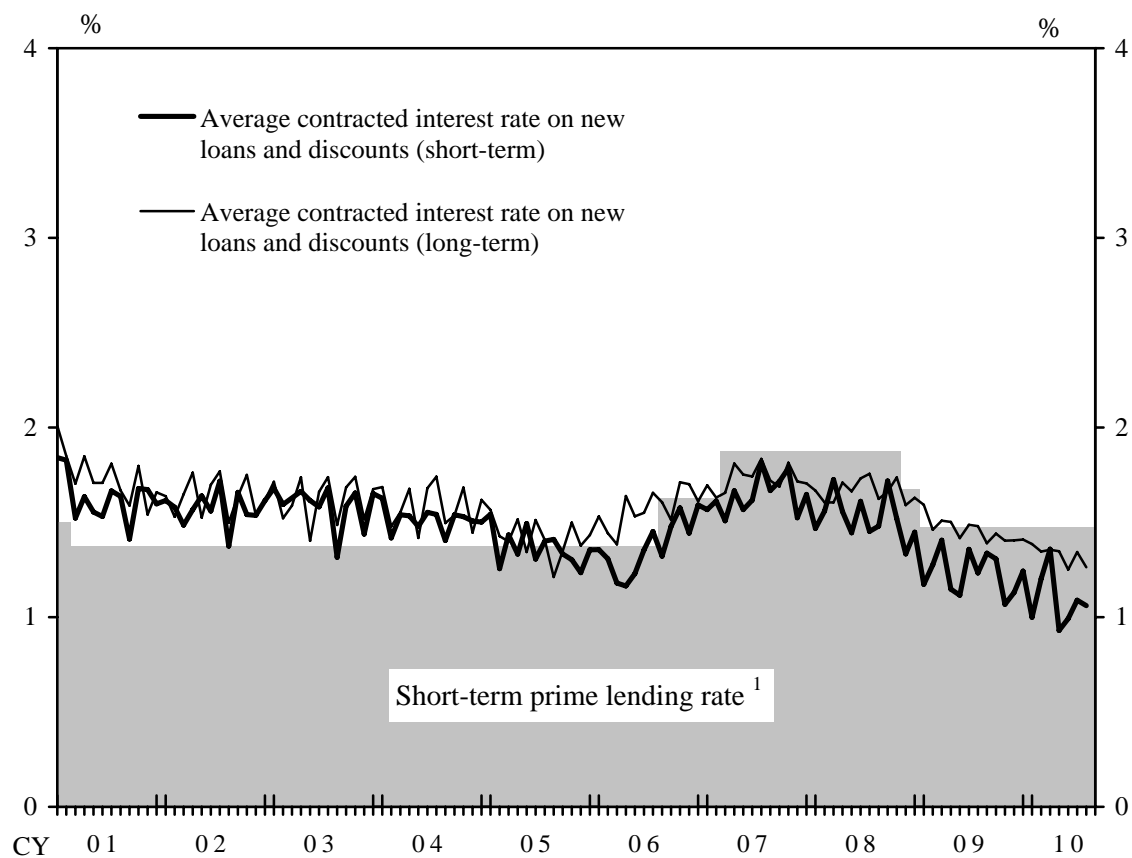
4. DI of "Easier" - "Tighter."

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

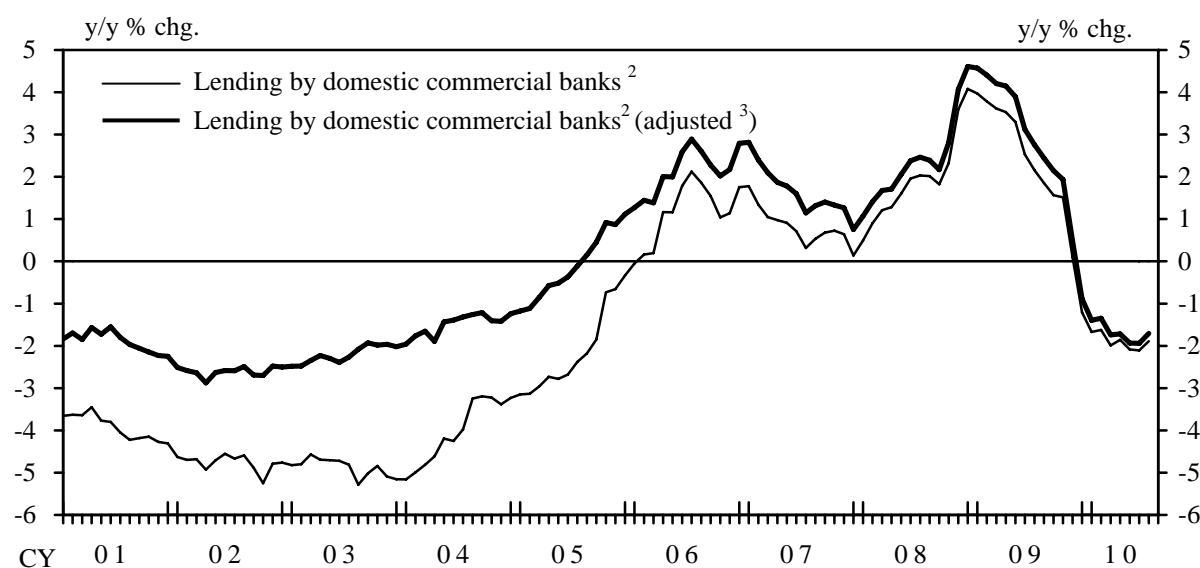


Note: 1. Data are at end of period.

Source: Bank of Japan.

## Lending by Financial Institutions

### (1) Lending by Domestic Commercial Banks<sup>1</sup>



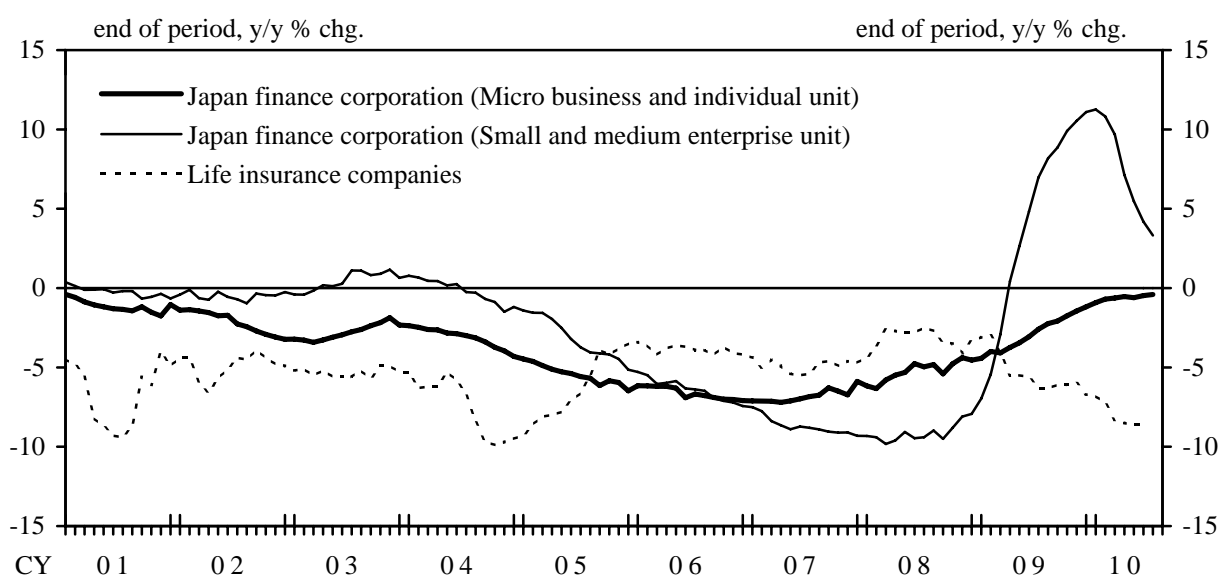
Notes: 1. Percent changes in average amounts outstanding from a year earlier.

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.

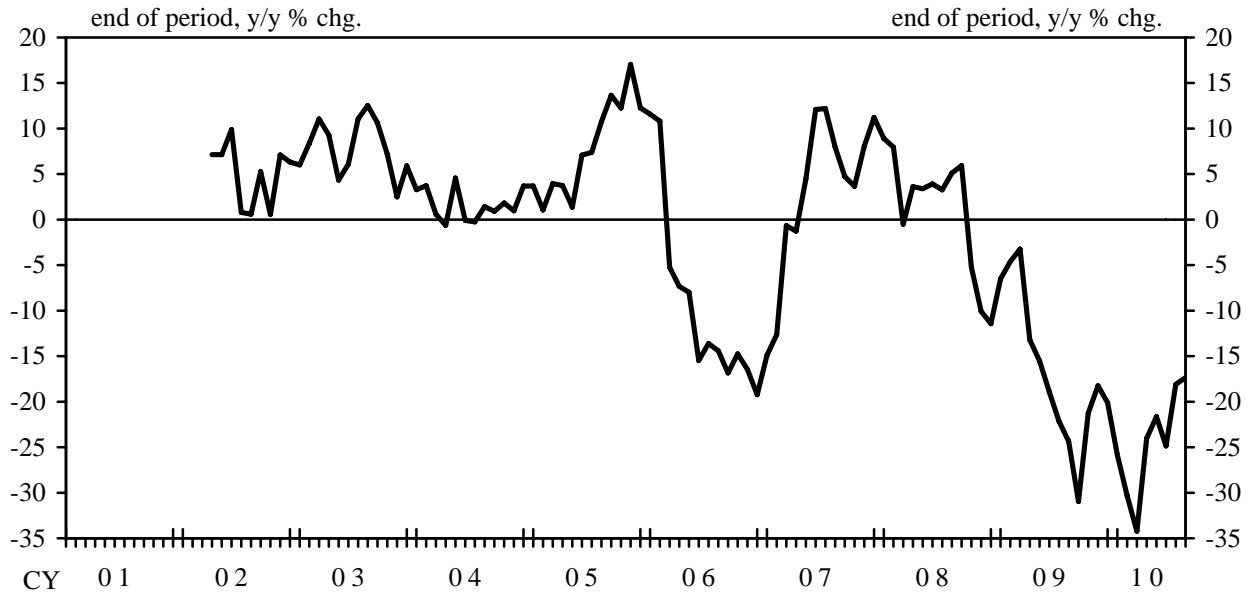
Sources: Bank of Japan; Japan Finance Corporation; The Life Insurance Association of Japan.

---

 Private-Sector Fund-Raising in the Capital Markets
 

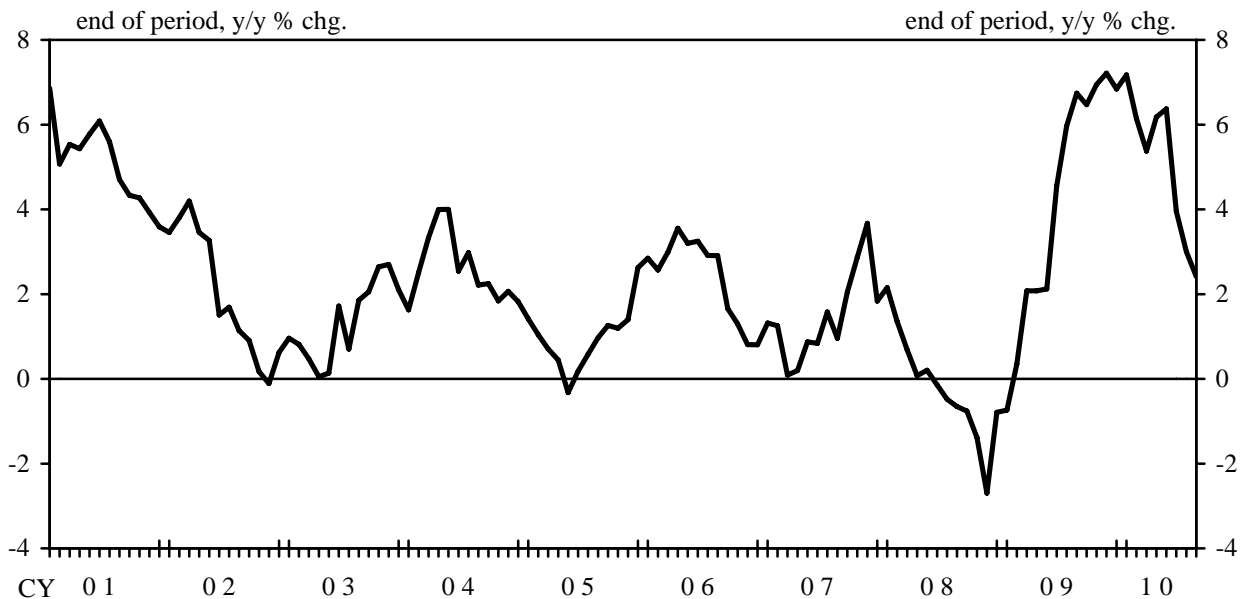
---

## (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:

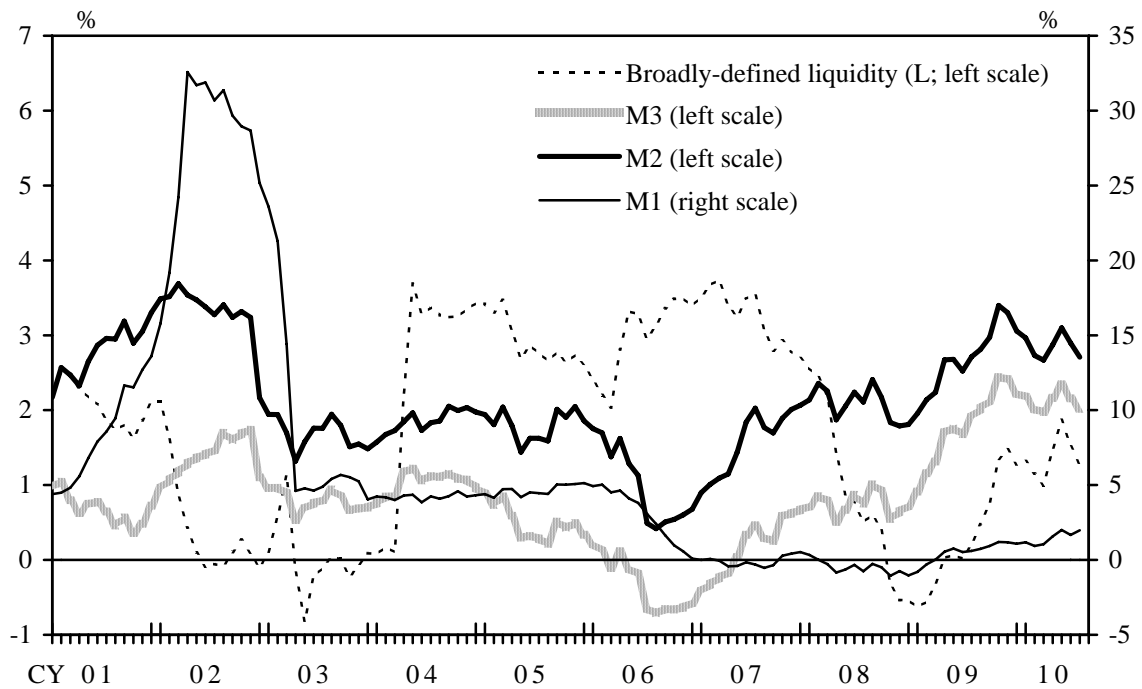
- (1) The sum of straight bonds issued in both domestic and overseas markets is used.
- (2) Bonds issued by banks are included.
- (3) Domestic bonds are those registered at the book-entry transfer system. The series is spliced at April 2008 with the one published by the Japan Securities Dealers Association.

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."

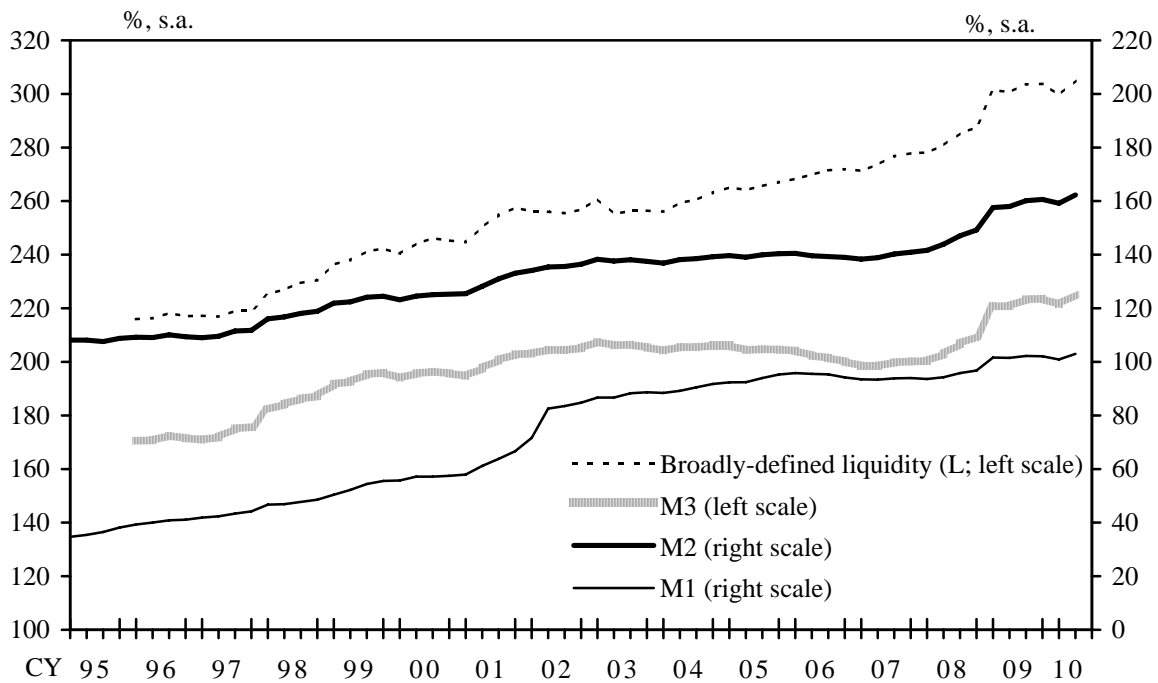


Money Stock

(1) Changes from a Year Earlier



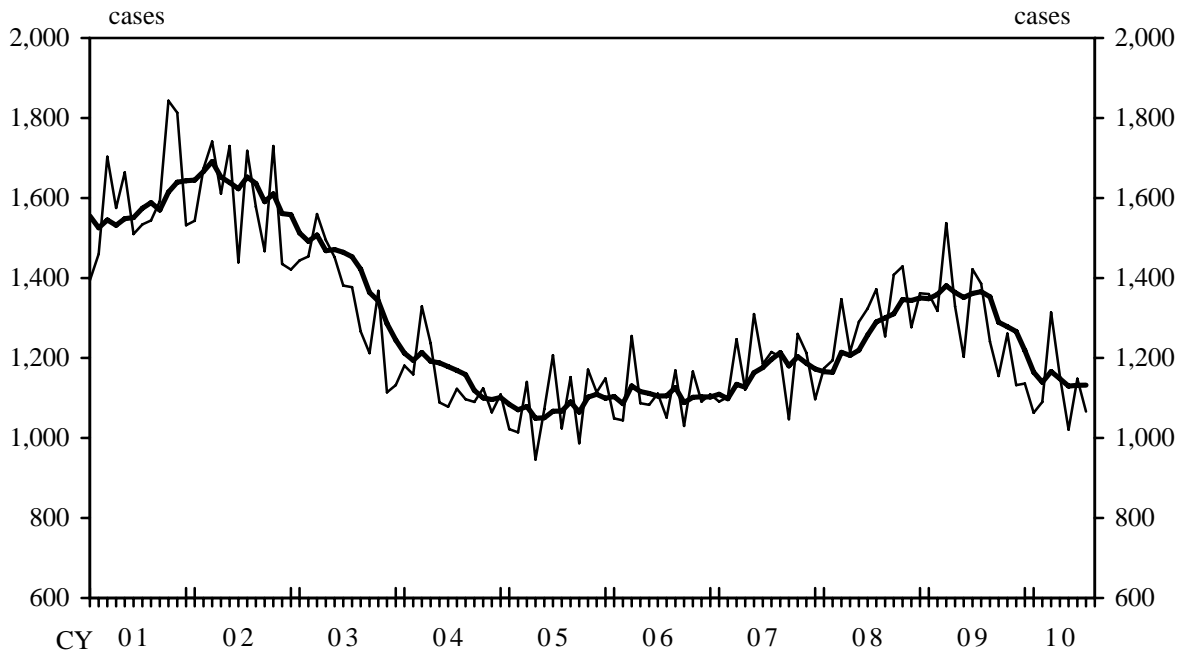
(2) Ratio of Money Stock to Nominal GDP



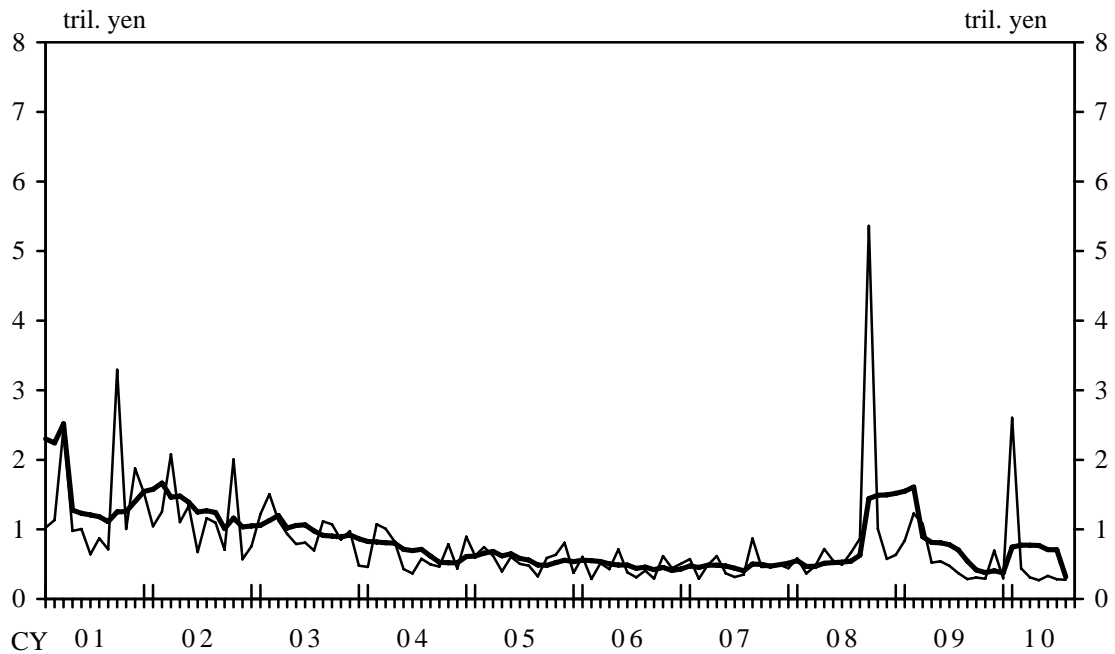
- Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.
- 2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.
- 3. The figures 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)."