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Bank of Japan

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

June 2011

(English translation prepared by the Bank's staff based on the Japanese original released on June 15, 2011)

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

June 2011

## Summary

Japan's economy continues to face downward pressure, mainly on the production side, due to the effects of the earthquake disaster, but is showing some signs of picking up.

After the earthquake, production and exports declined sharply and domestic private demand also weakened. Although such downward pressure remains, production and domestic private demand have recently been showing some signs of picking up, with supply-side constraints starting to ease and household and business sentiment improving somewhat.

Japan's economy is likely to continue facing downward pressure for the time being, mainly on the production side, but is expected to return to a moderate recovery path as production regains traction with further easing of supply-side constraints.

An increase in production is likely to become more noticeable as supply-side constraints ease further. In this situation, exports are also expected to turn upward reflecting the improvement in overseas economic conditions. Business fixed investment, housing investment, and public investment are expected to increase gradually, mainly due to growing demand for the purposes of restoring capital stock. Meanwhile, private consumption is expected to pick up partly due to the improvement in household sentiment as production recovers.

On the price front, the three-month rate of change in domestic corporate goods prices is rising, mainly due to the increase in international commodity prices. The year-on-year rate of change in consumer prices (excluding fresh food) is slightly positive.

The rate of increase in domestic corporate goods prices is expected to slow for the time being, reflecting movements in international commodity prices. The

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<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 June 13 and 14, 2011.

year-on-year rate of change in consumer prices is expected to remain slightly positive.<sup>2</sup>

The weighted average of the overnight call rate has been below the 0.1 percent level, and interest rates on term instruments have been more or less unchanged. Meanwhile, compared with last month, the value of the yen against the U.S. dollar has risen, while long-term interest rates and stock prices have remained at more or less the same levels.

Financial conditions have generally continued to ease, although weakness has been observed in the financial positions of some firms, mainly small ones, since the earthquake.

The overnight call rate has remained at an extremely low level, and the declining trend in firms' funding costs has continued. Stimulative effects from low interest rates are still partly constrained given current developments in economic activity and prices. With regard to credit supply, firms have continued to see financial institutions' lending attitudes as being on an improving trend. Issuing conditions for CP have continued to be favorable, and those for corporate bonds have improved and become favorable as a whole. As for credit demand, firms have recently shown signs of increasing their demand for working capital. Against this backdrop, the year-on-year rate of decline in bank lending is slowing. The amount outstanding of corporate bonds has exceeded the previous year's level and that of CP has been around the year-ago level. In these circumstances, firms have retained their recovered financial positions on the whole, although weakness has been observed in those of some firms, mainly small ones, since the earthquake. Meanwhile, the year-on-year rate of change in the money stock has been in the range of 2.5-3.0 percent.

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<sup>2</sup> The base year for the consumer price index (CPI) is scheduled to be changed to 2010 in August 2011, and year-on-year figures retroactive to January 2011 will be revised accordingly. This rebasing is likely to cause the year-on-year rate of change in the CPI to be revised downward.

## 1. Economic Developments

The rate of decline in public investment has started to narrow gradually. Monthly indicators (Chart 5) show that the value of public works contracted—a measure that reflects public orders—rose in the first quarter and continued to do so in April relative to the first quarter, led by the execution of the budget for prior economic measures. The amount of public construction completed—which reflects the progress of public works—rose in the first quarter on a quarter-on-quarter basis. On a GDP basis, public investment declined only marginally in the first quarter after having decreased significantly in the fourth quarter.

Public investment is expected to increase gradually, mainly due to the restoration of damaged social capital.

Real exports have declined sharply since the earthquake (Charts 6[1] and 7). In April, exports declined by 6.9 percent on a month-on-month basis following the decline of 8.0 percent in March, due to supply-side constraints stemming from the earthquake disaster. By region (Chart 7[1]), exports to the United States and Europe declined at a faster pace, chiefly in motor vehicles and their related goods. On the other hand, exports to East Asia and other regions declined at a reduced pace as a whole since those of capital goods and parts as well as intermediate goods rose, although motor vehicles and their related goods continued to fall. By goods (Chart 7[2]), the rate of decline accelerated for motor vehicles and their related goods and for consumer goods, whereas intermediate goods as well as capital goods and parts turned upward.

Real imports have been more or less flat (Charts 6[1] and 9). They inched up in April on a month-on-month basis after having dropped marginally in March. Due to the effects of the earthquake disaster, imports of intermediate goods rose in response to heightened demand for substitutes for domestic production; raw materials (such as crude oil) also increased due to elevated demand for power generation (Chart 9[2]). Imports such as of foodstuffs surged as well. Meanwhile, consumer goods have been relatively weak, primarily in flat panel televisions and textiles.

Net exports—in terms of the real trade balance—have declined lately, a reflection of the aforementioned developments in exports and imports (Chart 6[2]). The nominal balance on goods and services showed a further deficit increase in April as a whole since the trade balance turned to a deficit, and the services deficit also increased at a faster pace. As a result, the nominal current account surplus diminished in April compared with March.

Exports are expected to turn upward as supply-side constraints ease further, against the background of the ongoing improvement in overseas economic conditions. Overseas economies have continued to recover as a whole and are expected to continue doing so in the future (Chart 8). Advanced economies, however, have concern over weakening real purchasing power as a result of high crude oil prices; emerging economies may decelerate at a faster pace than projected. Meanwhile, in IT-related goods, there has been growing demand for smartphones and tablet devices as well as for parts related to these products. On the other hand, imports are projected to gradually move upward assisted mainly by the pickup in domestic production. As a reflection of these developments in exports and imports, net exports are expected to start turning gradually upward.

Business fixed investment has been weak since the earthquake, but leading indicators show that the investment stance of firms has been solid. According to the *Financial Statements Statistics of Corporations by Industry, Quarterly*, business fixed investment in nominal terms dropped slightly in the first quarter on a quarter-on-quarter basis (Chart 10[1]). By industry and company size (Chart 11), investment by large manufacturing firms rose, mainly in electrical machinery, equipment and supplies, and in chemical and allied products. Investment by medium-sized and small manufacturing firms also increased, mainly in food and in chemical and allied products. In large nonmanufacturing firms, however, investment by transportation equipment as well as information and communication electronics equipment fell back from the upsurge in the previous quarter. That by medium-sized and small nonmanufacturing firms declined, primarily in real estate and services. The aggregate supply of capital goods—a coincident indicator of machinery investment—declined in the first quarter on a quarter-on-quarter basis as a result of the earthquake disaster and continued to do so in April relative to the first quarter,

mainly due to a decline in transport equipment. Excluding transport equipment, it turned to an increase in April compared with the first quarter, after having declined in the first quarter (Chart 12[1]). As for leading indicators, machinery orders (private demand, excluding orders for ships and those from electric power companies)—a leading indicator of machinery investment—dropped marginally in April compared with the first quarter, after having moved up in the first quarter on a quarter-on-quarter basis (Chart 13[1]).<sup>3</sup> By industry, manufacturing inched down in April relative to the first quarter, after having registered a quarter-on-quarter increase in the first quarter. Nonmanufacturing (excluding orders for ships and those from electric power companies) saw an increase in April following that of the first quarter. Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—rose in the first quarter on a quarter-on-quarter basis and continued to do so in April relative to the first quarter (Chart 13[2]). By industry, construction starts rose sharply in mining and manufacturing; nonmanufacturing also saw an upsurge, primarily in construction starts related to medical, health care and welfare, transportation, and real estate.

Regarding the environment surrounding business fixed investment, corporate profits seem to have either slowed their pace of increase or turned to a temporary decrease, due to the effects of the earthquake disaster. According to the *Financial Statements Statistics of Corporations by Industry, Quarterly* (Chart 10[2]), the ratio of current profits to sales had been trending upward until the fourth quarter, but it was roughly around the previous quarter's level in the first quarter.

Business fixed investment is expected to move gradually upward, aided partly by the restoration of quake-hit facilities.<sup>4</sup>

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<sup>3</sup> From June 2011, mobile phones are excluded from all data—including historical data—of machinery orders.

<sup>4</sup> According to the business fixed investment survey (interim results) for fiscal 2011(1,396 firms excluding financial firms; including both overseas and domestic investment; as of April-end) by the Nihon Keizai Shimbun, Inc., business fixed investment of all industries (initial plan) showed a large increase (the projection for fiscal 2010 stood at +2.0 percent on a year-on-year basis—the plan as of October 2010 was +11.5 percent—the initial plan for fiscal 2011 is +15.5 percent).

Private consumption has been weak since the earthquake, but it has been showing some signs of picking up: durable goods and services consumption have started to show increases with household sentiment improving somewhat (Chart 14). Consumption of goods—as seen through sales at retail stores (in real terms)—declined significantly in March on a month-on-month basis due to the earthquake disaster, but inched up in April, chiefly in sales of household electrical appliances and sales at department stores (Chart 15[1]). In comparison to the first quarter, however, the level for April was low. Looking at developments in durable consumer goods, the number of new passenger-car registrations—which had been falling sharply mainly due to supply constraints—turned to an increase in May on a month-on-month basis. Sales of household electrical appliances (in real terms) had plunged since the earthquake, but they increased in April on a month-on-month basis (Chart 15[2]). Sales at department stores bounced back in April, notably in apparel, from the slump caused by the earthquake disaster (Chart 16[1]). Sales at supermarkets moved slightly upward in April mainly due to the rebound in apparel, even though demand for daily necessities fell back. In contrast, sales at convenience stores dropped in April on a month-on-month basis, since they were relatively weak mainly in processed foodstuffs, daily necessities, and tobacco, as the effects of consumer stockpiling had tapered off. As for developments in services consumption (Chart 16[2]), sales in the food service industry moved up slightly in April on a month-on-month basis, after having dropped sharply in March. Outlays for travel marked a significant decline in March due to the earthquake disaster.

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—dropped, albeit marginally, in April on a month-on-month basis, after having declined substantially in March (Chart 15[1]).<sup>5</sup> The total expenditure in the *Survey of Household Economy* (in real terms; two-or-more-person households) continued to show a sizeable decline in April.

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<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.

Indicators related to consumer sentiment have been improving somewhat after having deteriorated in response to the earthquake disaster (Chart 17).

Private consumption is expected to pick up partly due to the improvement in household sentiment as production recovers.

Housing investment has been relatively weak due to the earthquake disaster. The number of housing starts (Chart 18[1])—a leading indicator of housing investment—dropped marginally in April on a month-on-month basis, following the sharp drop in March. It had tended to pick up, notably in owner-occupied houses and housing for sale—mainly due to the progress in inventory and price adjustments and to government measures to support home purchases—amid declines in borrowing rates, but construction starts and housing construction have been delayed, mainly due to supply constraints caused by the earthquake disaster.

Housing investment is expected to edge up, as supply constraints are eased and disaster-stricken homes are rebuilt.

Industrial production has declined sharply since the earthquake due to the supply-side constraints, but it has recently been showing some signs of picking up, with supply-side constraints starting to ease. Production turned slightly positive in April, by 1.0 percent on a month-on-month basis, following the sharp drop of 15.5 percent in March, due to the supply-side constraints caused by the earthquake disaster. In detail, transport equipment—which had declined sharply in March—continued to decline in April, albeit marginally, while electronic parts and devices decreased at a faster pace due to the effects of supply constraints and inventory adjustments. General machinery, on the other hand, increased for both domestic and external demand (Chart 19).

Shipments declined marginally in April, after having plunged in March. By goods (Chart 20), shipments of durable consumer goods—including motor vehicles which have been under severe supply constraints—have continued to drop sharply. Those of producer goods declined marginally as a whole, largely because electronic parts and devices declined while general machinery turned to an increase.

Construction goods have started to increase, as there have been signs of some reconstruction demand related to the earthquake disaster. Capital goods increased for both domestic and external demand, mainly in semiconductor manufacturing equipment. Meanwhile, non-durable consumer goods have continued to decline, mainly due to supply constraints inflicted by the earthquake disaster.

Inventories were more or less flat in April after having dropped in March due to the depletion caused by supply constraints. In detail, flat panel televisions declined sharply as a reflection of inventory adjustments. On the other hand, petroleum and coal—in which production was raised after the earthquake following demand for stable supply—saw a pileup in their inventories, as demand shifted downward. Transport equipment also increased, possibly caused by a pileup in inventories waiting to be shipped overseas. Looking at the shipment-inventory balance on a year-on-year basis (Chart 21), growth in inventories substantially outpaced that in shipments, mainly due to a sharp decline in shipments.

An increase in production is likely to become more noticeable as supply-side constraints ease further. According to anecdotes by firms and other information, production in the second quarter is projected to decline following that of the first quarter, since transport equipment—which has been under severe supply constraints—is expecting a sharp decline, and since a wide range of industries are projecting production decreases. However, production is projected to turn to a distinct increase in the third quarter as supply constraints ease with the supply chain heading toward recovery.<sup>6</sup>

The employment and income situation has become slightly more severe, partly due to the effects of the earthquake disaster.

In the labor market, the ratio of job offers to applicants and the unemployment rate have worsened somewhat (Chart 22[1]). As for the outlook, the labor market is

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<sup>6</sup> According to the production forecast index, production in the second quarter is expected to decrease by 2.2 percent on a quarter-on-quarter basis. On a monthly basis, however, production in May and June is expected to increase by 8.0 percent and 7.7 percent respectively; it has shown a distinct recovery from May onward.

expected to remain relatively weak for the time being, due to the effects of the earthquake disaster.

In terms of employment (Chart 23[1]), the year-on-year growth rate of the number of employees in the *Labour Force Survey* has recently been slightly positive on average.<sup>7</sup> The number of regular employees in the *Monthly Labour Survey* has been increasing on a year-on-year basis.<sup>8</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 risen sharply since March due to the earthquake disaster.<sup>9</sup> Meanwhile, the year-on-year rate of decline in overtime hours worked accelerated in April due to the decline in economic activity (Chart 23[3]).

Nominal wages per employee declined at a faster pace in April on a year-on-year basis (Chart 24[1]). In detail, both regular payments and overtime

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<sup>7</sup> The Great East Japan Earthquake has made it difficult to carry out the *Labour Force Survey* (which includes the unemployment rate and number of employees) in Iwate, Miyagi, and Fukushima prefectures. Therefore, the released figures from March onward are aggregated excluding the above three prefectures. Figures based on 44 prefectures (excluding the above three) are released from January 2009 by the Ministry of Internal Affairs and Communications. Year-on-year figures based on 47 prefectures and 44 prefectures were much the same through February. However, taking into account that the employment situation in these quake-hit areas is severe compared to that of other regions due to the earthquake disaster, figures based on 44 prefectures are likely to turn out to be somewhat stronger than the actual conditions with the quake-hit areas included.

<sup>8</sup> As for the three quake-hit areas (which are Iwate, Miyagi, and Fukushima prefectures), surveys carried out by interviewers of the statistics section (mainly to small establishments) were cancelled after the earthquake, but those reported directly from establishments continued to be collected. However, the response rate has also dropped for those collected directly from establishments, notably in quake-hit areas.

<sup>9</sup> Among areas hit by the Great East Japan Earthquake (which are Aomori, Iwate, Miyagi, Fukushima, Ibaraki, Tochigi, Chiba, Niigata, and Nagano prefectures), the following businesses can receive the Employment Adjustment Subsidy: businesses located in regions where the Disaster Relief Law is applied; those doing a certain amount of business with firms in the disaster-stricken areas; and businesses located in areas that are subject to scheduled black outs and thus business activity has been reduced due to these black outs. These businesses must also meet either of the following requirements to receive this subsidy: (i) the decline such as in the production volume and sales in the most recent one month is 5 percent or more compared with the prior one month or on a year-on-year basis; or (ii) the expected decline such as in the production volume or sales in the one month following the earthquake disaster would be 5 percent or more relative to the prior one month or on a year-on-year basis.

payments fell on a year-on-year basis, led mainly by the decline in the number of hours worked as a result of lowered economic activity.

Employee income turned negative in April on a year-on-year basis as a reflection of the aforementioned developments in employment and wages (Chart 24[3]).

Employee income is likely to be somewhat weak for the time being, affected partly by the earthquake disaster.

## **2. Prices**

International commodity prices have been flat at high levels (Chart 26). Looking at their movements in some detail, crude oil prices—which had been climbing until late April, mainly due to 1) growing demand from emerging economies, 2) accommodative financial conditions on a worldwide basis, and 3) uncertainty about the situations in the Middle East and North Africa—fell back in early May and have remained essentially level since. Prices of nonferrous metals and grain have recently been more or less flat.

The three-month rate of change in import prices (on a yen basis) has risen, as a reflection of movements in international commodity prices.

The three-month rate of change in domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter)<sup>10</sup> is rising, mainly due to the increase in international commodity prices (Chart 27). In detail, as a reflection of the increase in international commodity prices, prices of "goods sensitive to exchange rates and overseas commodity prices" have exhibited high growth. Those of "iron & steel and construction goods" and "other materials" have been on the rise. Prices of "electric power, gas and water" have continued to

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<sup>10</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.

increase since the prior rise in crude oil prices has started to take effect with a time lag.

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 narrowed somewhat in April (Chart 28). In detail, prices of other services (plant engineering) and prices related to fixed investment (such as construction machinery and equipment rental) turned to a year-on-year increase assisted mainly by the rise in demand due to the earthquake disaster. Prices related to selling, general and administrative expenses declined at around the same pace as the previous month since prices of hotels and advertising services fell at a faster pace, despite price increases in building maintenance, such as building cleaning services, and waste disposal, as a result of price revisions at the start of the new fiscal year.

The year-on-year rate of change in consumer prices (excluding fresh food; year-on-year basis, same hereafter) is slightly positive (Chart 29). In April, consumer prices improved by 0.7 percentage points from March, to an increase of 0.6 percent, mainly since the effects of high school fees tapered off.<sup>11,12</sup> Looking at developments on a basis that excludes food and energy, the rate of decline narrowed by 0.6 percentage points from March, to a decline of 0.1 percent, mainly since the effects of high school fees tapered off. Regarded as a method for capturing trend changes, the year-on-year rate of decline in the trimmed mean—which systematically discards a certain percentage of the highest and lowest marks of the price fluctuation distribution by item (which eliminates large relative price fluctuations)—has been narrowing mildly (Chart 30).

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<sup>11</sup> The rise in the tobacco tax and the increase in accident insurance premiums have pushed consumer prices (nationwide; excluding fresh food) upward since October 2010 by about 0.3 percentage points and 0.1 percentage point, respectively, on a year-on-year basis.

<sup>12</sup> In terms of high school fees, from April 2010, 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 receive subsidies equivalent to the annual tuition fee of public high schools. It should be noted that public high school fees and private high school fees are included in public utility charges and general services, respectively.

Looking in detail at recent movements other than high school fees, cigarettes, and accident insurance premiums, as for goods, prices of petroleum products (such as gasoline) have increased at a faster pace and the rate of decline in food products has narrowed to virtually 0 percent. As for general services, the rate of decline was about the same as that in March. As for public utility charges, electricity prices have turned to an increase in response to high crude oil prices. The effects of the earthquake disaster have been limited as a whole: prices of some food products such as hen eggs and dairy products rose, whereas the rate of decline in hotel charges and TV sets expanded.

The rate of increase in domestic corporate goods prices is expected to slow for the time being, reflecting movements in international commodity prices. The year-on-year rate of change in consumer prices is expected to be slightly positive.<sup>13</sup>

### **3. Financial Developments**

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

Japan's money markets have been stable, amid the Bank of Japan's provision of ample funds. The overnight call rate (uncollateralized) has been below the 0.1 percent level. Regarding interest rates on term instruments, the T-Bill rate (3-month) has been slightly above 0.1 percent. The Euroyen interest rate (3-month) has been more or less flat, at a somewhat high level relative to the OIS rates—the OIS rates mainly reflect expectations about future policy interest rates. Interest rates on Euroyen futures have been more or less unchanged (Chart 31). In U.S. dollar funding, the LIBOR-OIS spread for the dollar has been at a low level (Chart 32).

Yields on 10-year government bonds (newly issued 10-year JGB) have generally been within the narrow range of 1.10-1.15 percent (Chart 33).

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<sup>13</sup> The base year for the consumer price index (CPI) is scheduled to be changed to 2010 in August 2011, and year-on-year figures retroactive to January 2011 will be revised accordingly. This rebasing is likely to cause the year-on-year rate of change in the CPI to be revised downward.

Yield spreads between corporate bonds and government bonds—except for those of electric company bonds—have narrowed on the whole, as investors have observed firm demand (Chart 34).

Although stock prices rose temporarily in response to the better-than-expected production forecast index, they have been somewhat weak, against the background of declining U.S. stock prices as well as the yen's appreciation. The Nikkei 225 Stock Average has recently been at around 9,500 yen (Chart 35).

In the foreign exchange market, the yen's exchange rate against the U.S. dollar has appreciated amid declines in U.S. interest rates; it has recently been at around 80 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. Issuance rates on CP and those on corporate bonds, meanwhile, have been at low levels. 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 have continued to see financial institutions' lending attitudes as being on an improving trend (Chart 37). Issuing conditions for CP have continued to be favorable, and those for corporate bonds have improved and become favorable as a whole. In these circumstances, funding of the private sector has declined at a reduced pace on a year-on-year basis. The year-on-year rate of decline in bank lending is slowing (Chart 39). The amount outstanding of corporate bonds issued has exceeded the previous year's level and that of CP issued has been around the year-ago level (Chart 40).

In these circumstances, firms have retained their recovered financial positions on the whole, although weakness has been observed in those of some firms, mainly small ones, since the earthquake (Chart 37). The number of corporate bankruptcies has been at a low level (Chart 42).

Meanwhile, the year-on-year rate of change in the money stock (M2) has recently been in the range of 2.5-3.0 percent. Its May reading was 2.7 percent on a year-on-year basis, following 2.7 percent in April (Chart 41).<sup>14</sup>

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<sup>14</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 May reading was 2.1 percent, following 2.1 percent in April. The amount outstanding of broadly-defined liquidity (L) has recently been below the previous year's level; it decreased by 0.5 percent in May, following a decrease of 0.3 percent in April.

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## Main Economic Indicators (1)

	s.a., q/q (m/m) % chg. <sup>1</sup>						
	2010/Q3	Q4	2011/Q1	2011/Feb.	Mar.	Apr.	May
Index of consumption expenditure level (two-or-more-person households)	1.6	-1.4	-1.1	0.0	-4.2	0.5	n.a.
Sales at department stores	-0.3	-0.2	-3.7	1.4	-14.9	12.9	n.a.
Sales at supermarkets	0.8	-1.0	-0.7	1.2	-4.8	1.7	n.a.
New passenger-car registrations <sup>3</sup> <s.a., ann. 10,000 units>	< 337>	< 217>	< 234>	< 266>	< 188>	< 154>	< 191>
Sales of household electrical appliances (real, "Current Survey of Commerce")	8.9	13.3	-16.2	9.6	-7.7	12.0	n.a.
Outlays for travel	-1.0	0.4	-7.0	-2.1	-21.8	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	< 82>	< 84>	< 84>	< 87>	< 81>	< 80>	<n.a.>
Machinery orders <sup>4</sup> (Private sector, exc. volatile orders)	5.6	-4.3	5.6	1.7	1.0	-3.3	n.a.
Manufacturing <sup>4</sup>	13.2	-1.7	5.3	3.1	-0.8	-2.7	n.a.
Nonmanufacturing <sup>4</sup> (exc. volatile orders)	2.5	-5.1	1.4	1.6	0.1	2.9	n.a.
Construction starts (private, nondwelling use)	16.6	-9.4	5.9	-19.3	26.7	5.2	n.a.
Mining & manufacturing	6.1	7.8	-8.9	-18.3	40.6	13.0	n.a.
Nonmanufacturing <sup>5</sup>	19.2	-10.5	9.1	-16.4	20.8	5.0	n.a.
Value of public works contracted	-5.2	-3.8	2.4	5.9	-6.7	3.4	n.a.
Real exports	0.3	0.2	-1.1	3.7	-8.0	-6.9	n.a.
Real imports	1.3	-0.7	-0.8	-2.4	-1.5	2.0	n.a.
Industrial production	-1.0	-0.1	-2.0	1.8	-15.5	p 1.0	n.a.
Shipments	-0.8	-0.3	-1.9	3.3	-14.6	p -2.7	n.a.
Inventories	0.4	-0.6	1.0	1.5	-4.2	p 0.5	n.a.
Inventory ratio <s.a., CY 2005 = 100>	< 109.1>	< 108.0>	< 108.6>	< 104.3>	< 108.6>	<p 124.4>	<n.a.>
Real GDP	0.9	-0.7	-0.9	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.7	-0.2	-2.0	0.7	-6.3	n.a.	n.a.

## Main Economic Indicators (2)

	y/y % chg. <sup>1</sup>						
	2010/Q3	Q4	2011/Q1	2011/Feb.	Mar.	Apr.	May
Ratio of job offers to applicants <s.a., times>	< 0.54>	< 0.57>	< 0.62>	< 0.62>	< 0.63>	< 0.61>	<n.a.>
Unemployment rate <sup>6</sup> <s.a., %>	< 5.0>	< 5.0>	< 4.7>	< 4.6>	< 4.6>	< 4.7>	<n.a.>
Overtime working hours <sup>7</sup>	9.6	5.7	1.7	3.0	-1.0	p -5.7	n.a.
Number of employees <sup>6</sup>	0.3	0.4	0.5	0.9	-0.2	0.4	n.a.
Number of regular employees <sup>7</sup>	0.5	0.7	0.7	0.7	0.8	p 0.7	n.a.
Nominal wages per person <sup>7</sup>	0.9	0.2	0.1	0.3	-0.1	p -1.4	n.a.
Domestic corporate goods price index <q/q % chg., 3-month rate of change> <sup>8</sup>	-0.2 <-0.5>	1.0 < 0.6>	1.7 < 1.1>	1.7 < 1.1>	2.0 < 1.3>	2.5 < 1.6>	p 2.2 <p 1.3>
Consumer price index <sup>9</sup>	-1.0	-0.5	-0.2	-0.3	-0.1	0.6	n.a.
Corporate services price index <sup>10</sup>	-1.4	-1.5	-1.0	-1.0	-1.1	p -0.7	n.a.
Money stock (M2) <average outstanding, y/y % chg.>	2.8	2.6	2.4	2.4	2.6	2.7	p 2.7
Number of corporate bankruptcies <cases per month>	<1,077>	<1,100>	<1,070>	<987>	<1,183>	<1,076>	<1,071>

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

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

2. Figures with "p" indicate preliminary data.
3. Excludes small cars with engine sizes of 660 cc or less.
4. From June 2011, all data, including historical data, for "Orders Received for Machinery" exclude "mobile phone."  
Volatile orders: Orders for ships and those from electric power companies.
5. Nonmanufacturing is mainly composed of commerce, services, agriculture & fisheries, and public utilities industries.
6. Quarterly and monthly figures from 2011/Q1 and March 2011 respectively are based on data which exclude Iwate, Miyagi, and Fukushima prefectures.
7. Data for establishments with at least five regular employees.
8. Adjusted to exclude a hike in electric power charges during the summer season.
9. Excludes fresh food.
10. 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";

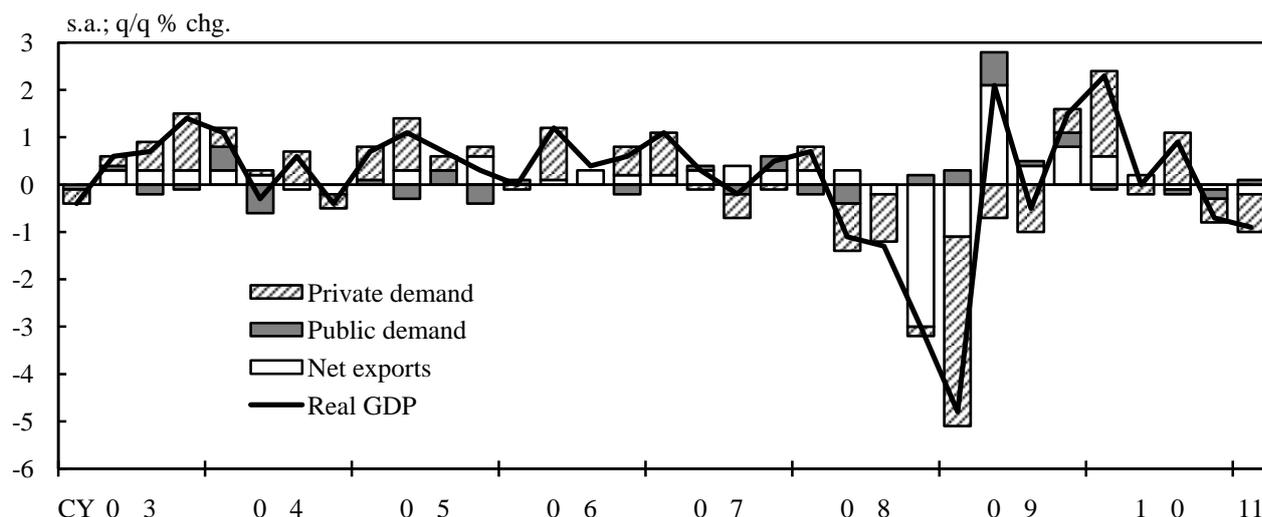
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey";

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



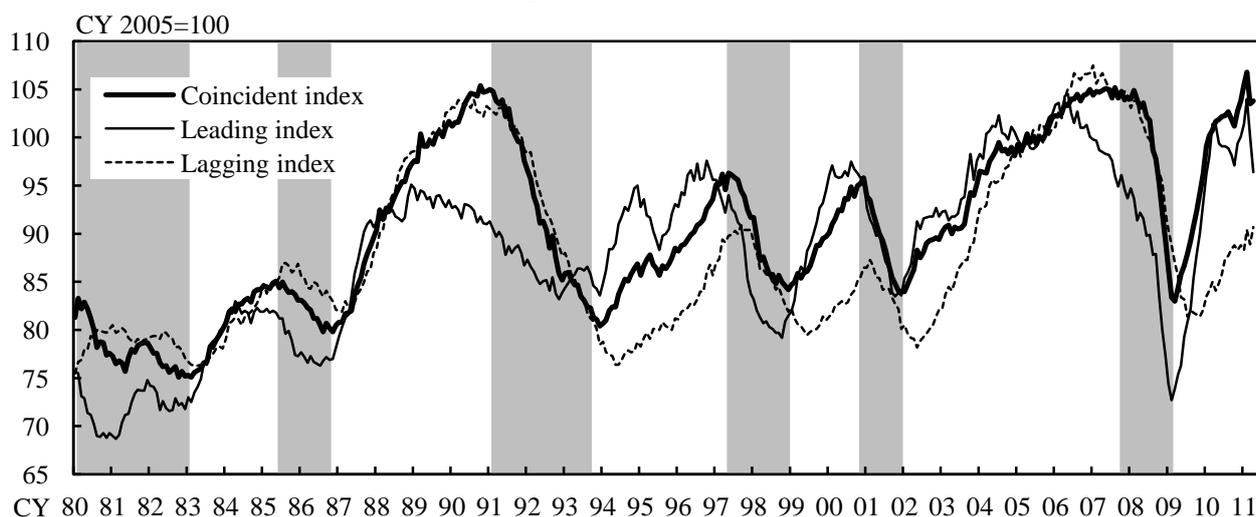
## (2) Components

s.a.; q/q % chg.

	2010				2011
	Q1	Q2	Q3	Q4	Q1
Real GDP	2.3	-0.0	0.9	-0.7	-0.9
[Annual rate]	[9.4]	[-0.0]	[3.6]	[-2.9]	[-3.5]
Domestic demand	1.7	-0.2	1.0	-0.6	-0.7
Private demand	1.8	-0.2	1.1	-0.5	-0.8
Private consumption	0.6	-0.1	0.5	-0.6	-0.3
Non-Resi. investment	0.2	0.3	0.1	0.0	-0.2
Residential investment	0.0	-0.0	0.0	0.1	0.0
Private inventory	1.0	-0.5	0.5	0.0	-0.4
Public demand	-0.1	0.0	-0.1	-0.2	0.1
Public investment	-0.0	-0.2	-0.1	-0.2	-0.1
Net exports of goods and services	0.6	0.2	-0.1	-0.1	-0.2
Exports	0.9	0.7	0.2	-0.1	0.1
Imports	-0.4	-0.5	-0.4	0.0	-0.3
Nominal GDP	2.2	-1.0	0.6	-0.9	-1.3

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

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

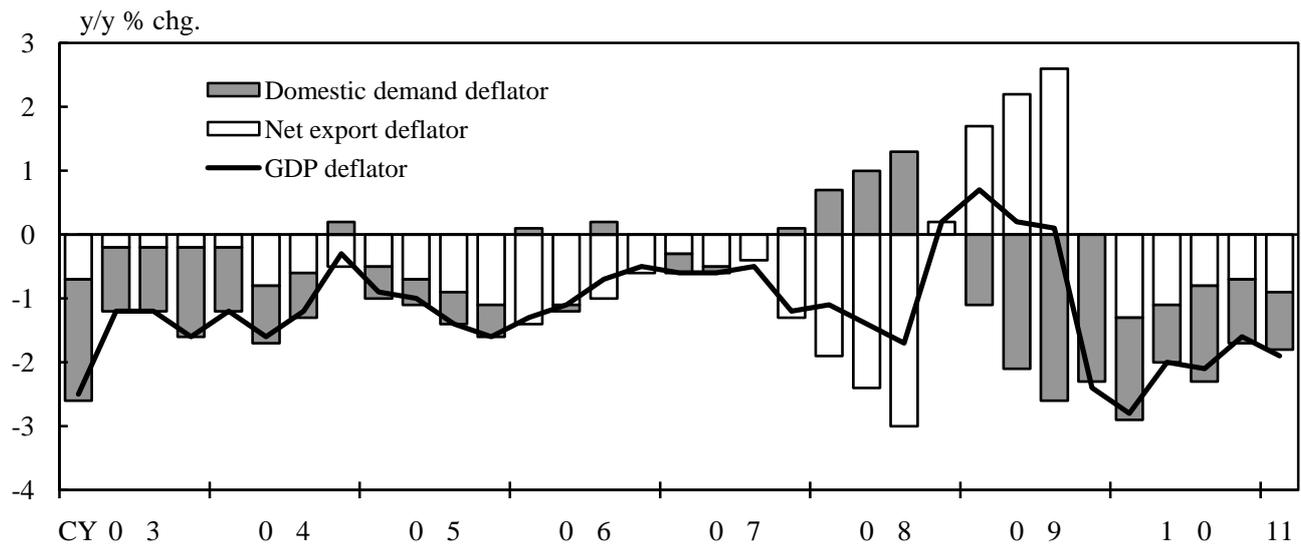


Note: Shaded areas indicate recession periods.

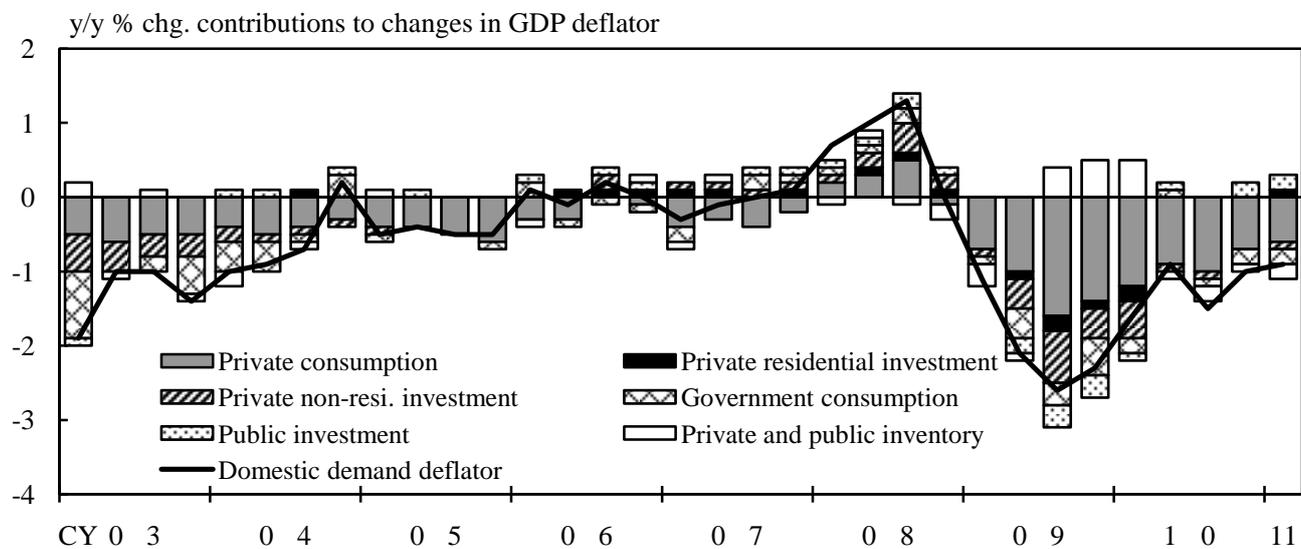
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

GDP Deflator and Income Formation

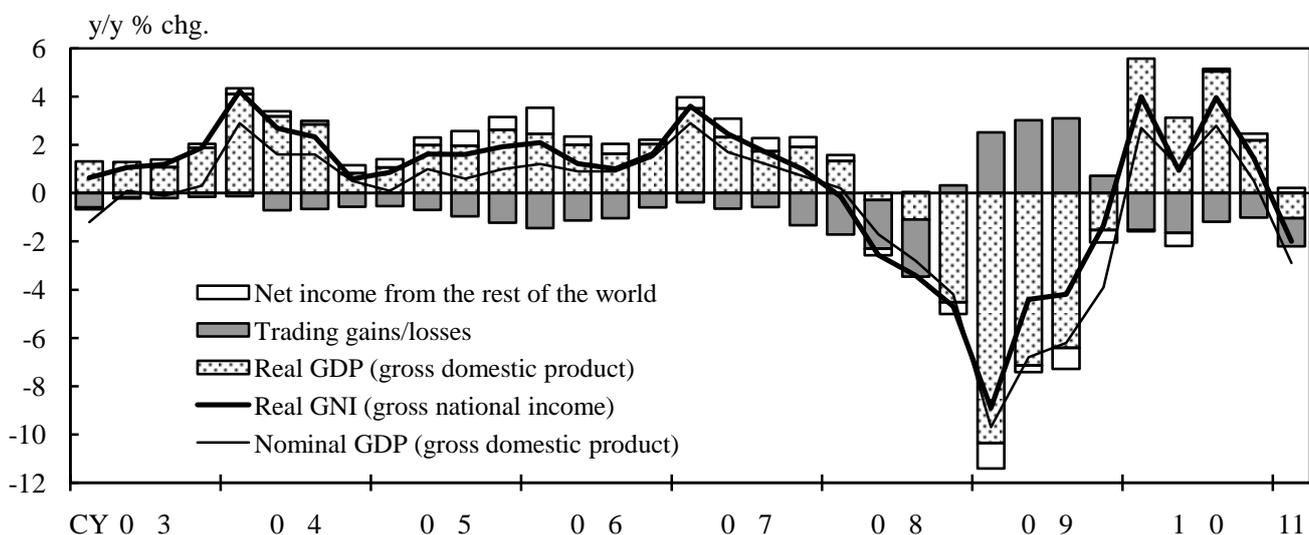
(1) GDP Deflator



(2) Domestic Demand Deflator



(3) Aggregate Income Formation



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

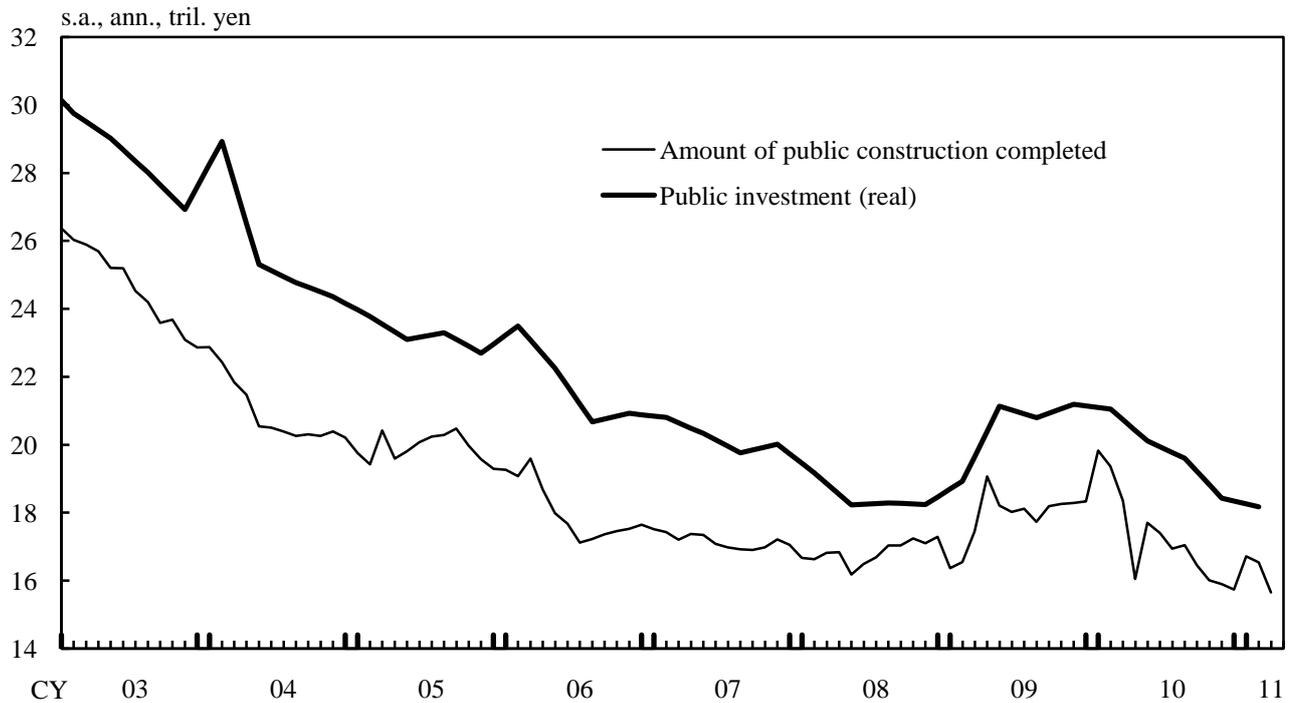
2. Real GNI = real GDP + trading gains/losses + net income from the rest of the world

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

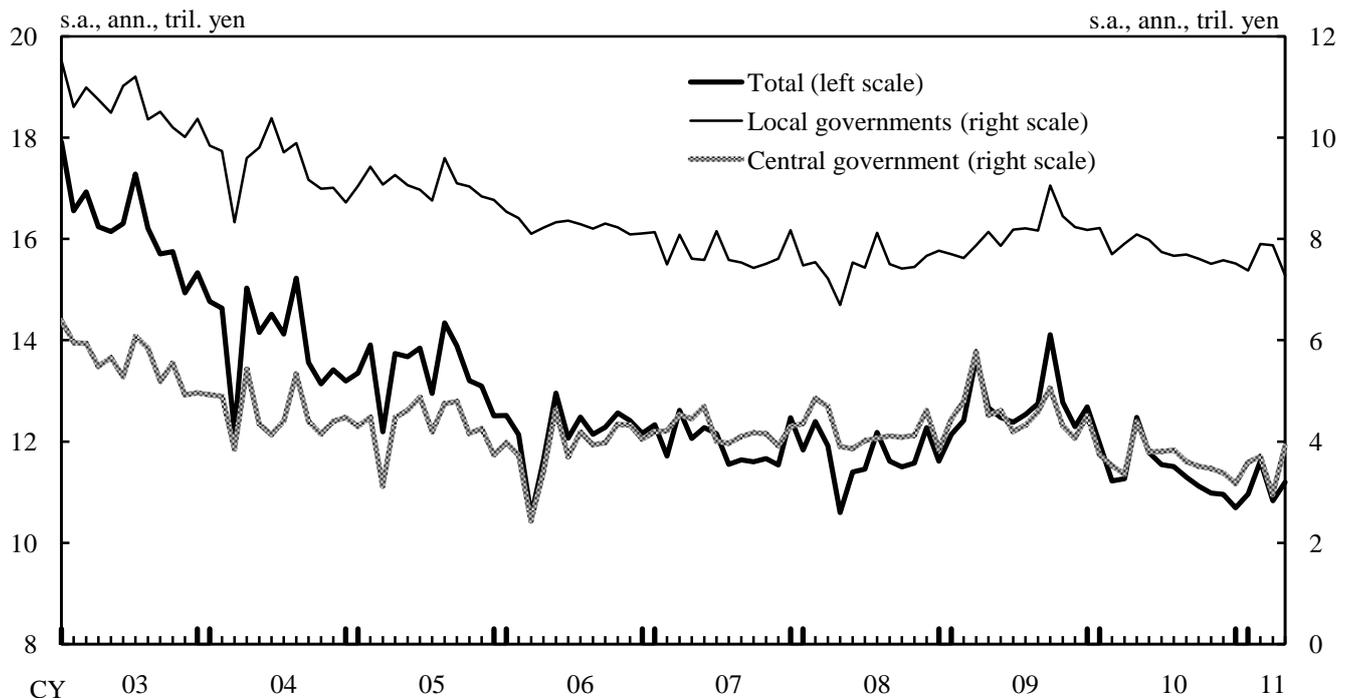
Source: Cabinet Office, "National Accounts."

## 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.

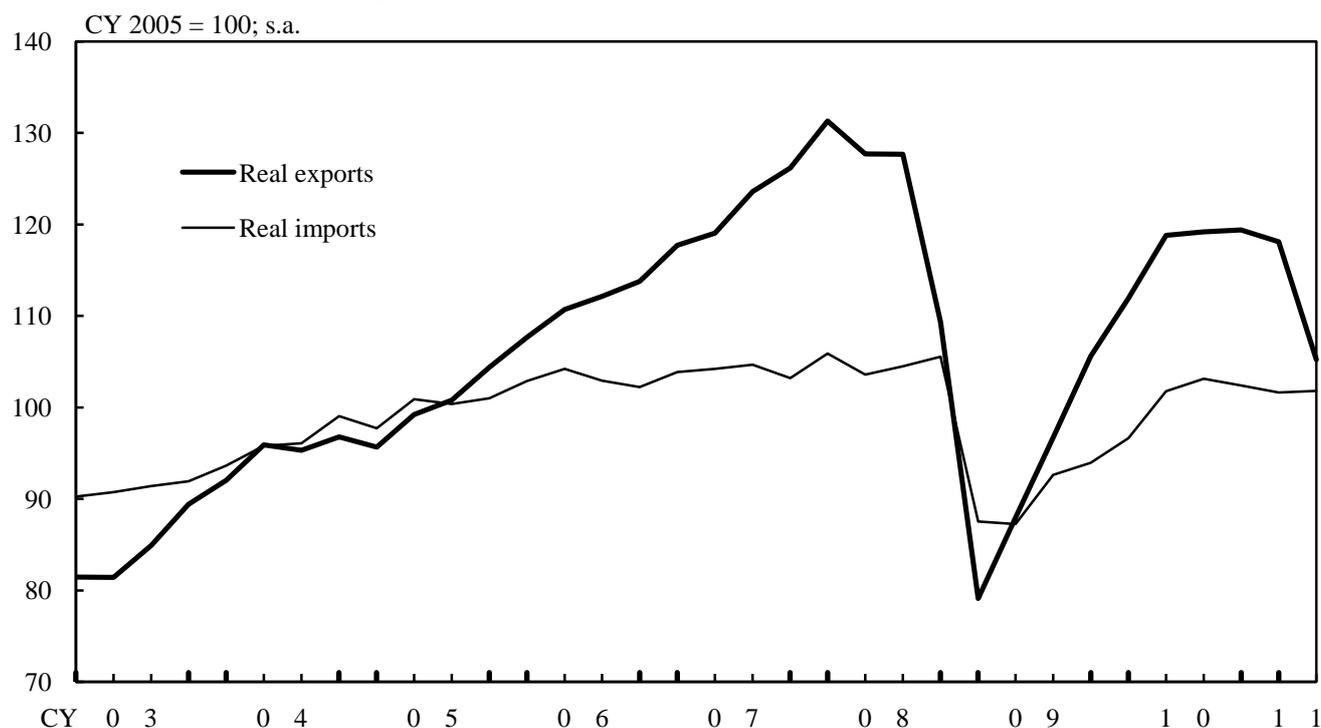
Sources: Cabinet Office, "National Accounts";

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

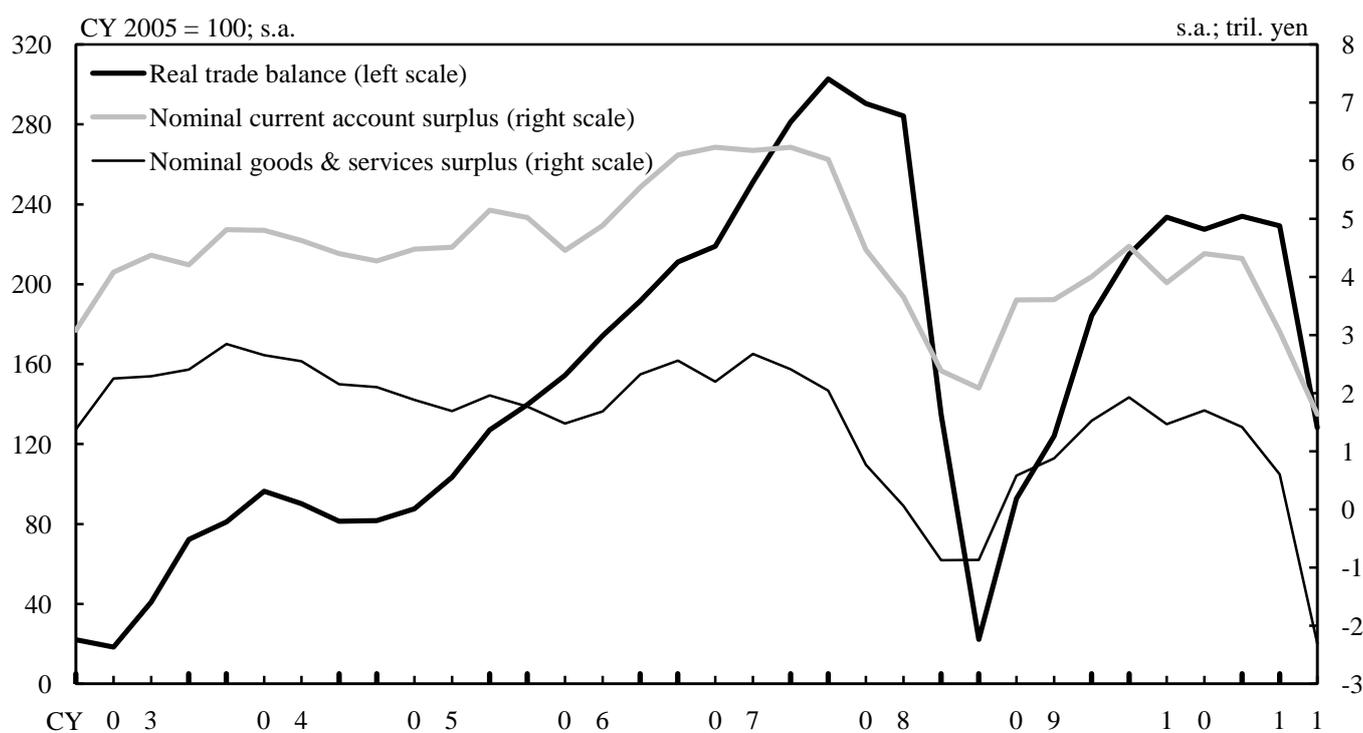
Ministry of Land, Infrastructure, Transport and Tourism, "Integrated Statistics on Construction Works."

## 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 the base year of 2005. Real exports/imports are the value of exports and imports in the "Trade Statistics" deflated by the "Export and Import Price Index."  
2. Figures are seasonally adjusted by X-12-ARIMA.  
3. 2011/Q2 figures are April 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 2009	2010	2010 Q2	Q3	Q4	2011 Q1	Q2	2011 Feb.	Mar.	Apr.
United States	<15.4>	-32.6	24.2	7.9	3.9	0.3	-6.5	-22.2	-0.3	-9.9	-16.4
EU	<11.3>	-34.6	16.8	7.2	2.9	2.2	-3.0	-13.1	3.3	-7.6	-9.3
East Asia	<53.3>	-15.8	31.6	3.9	1.3	2.4	-1.1	-7.9	2.2	-9.9	-2.0
China	<19.4>	-10.2	31.0	2.6	3.5	6.9	0.5	-11.9	8.3	-15.7	-3.6
NIEs	<23.7>	-18.0	27.8	3.6	-0.3	-0.4	-2.3	-5.2	-0.7	-5.3	-1.4
Korea	<8.1>	-16.0	23.6	4.9	1.3	-4.9	1.1	-1.4	-5.0	-3.8	2.9
Taiwan	<6.8>	-17.7	36.8	4.5	-0.5	-0.9	-2.4	-8.2	-0.4	-10.6	-0.8
Hong Kong	<5.5>	-18.8	28.7	6.9	-2.4	2.4	-4.0	-8.3	1.7	-2.6	-7.2
Singapore	<3.3>	-21.6	19.7	-9.5	4.1	7.0	-6.6	-6.7	-4.1	-5.6	-1.5
ASEAN4 <sup>3</sup>	<10.2>	-20.5	42.6	7.0	1.3	-0.1	-1.7	-6.1	-3.2	-7.4	0.1
Thailand	<4.4>	-20.9	46.0	8.8	1.9	-0.1	1.6	-0.7	-1.7	-7.0	4.9
Others	<20.0>	-32.1	29.1	7.7	-3.2	-2.0	0.2	-16.4	0.8	-11.9	-9.1
Real exports		-25.6	27.4	6.1	0.3	0.2	-1.1	-10.9	3.7	-8.0	-6.9

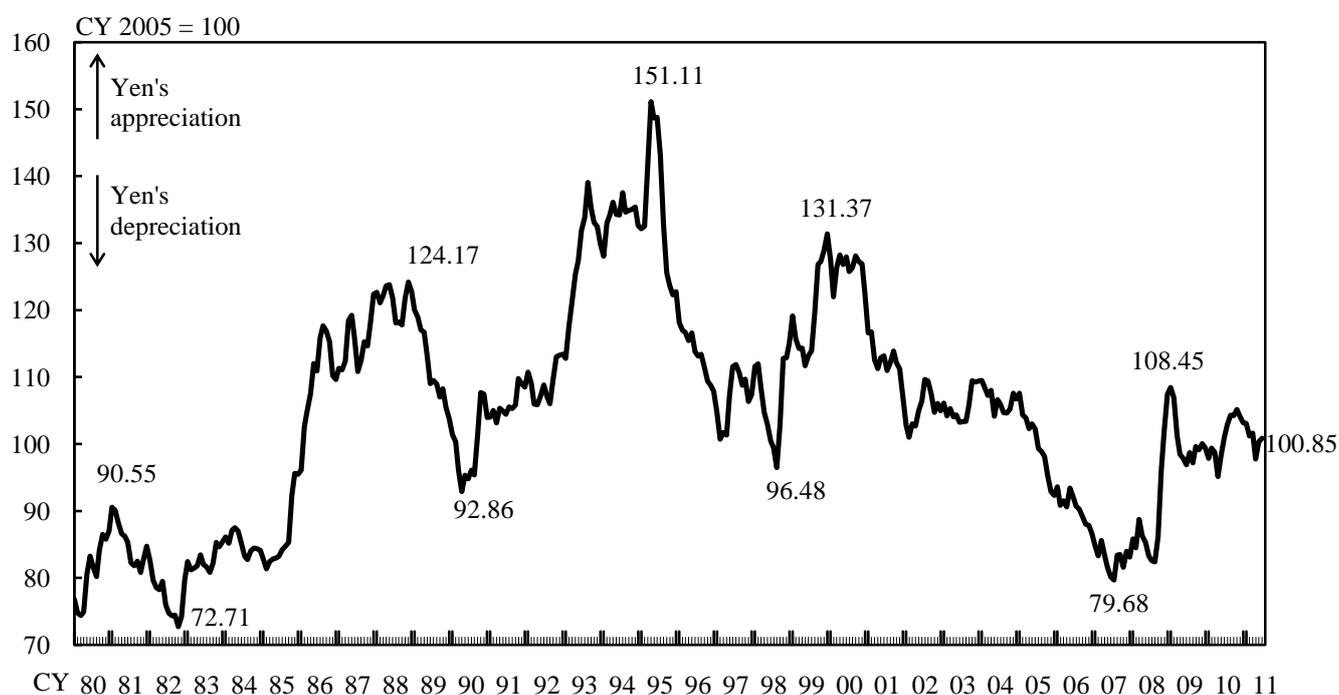
## (2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2009	2010	2010 Q2	Q3	Q4	2011 Q1	Q2	2011 Feb.	Mar.	Apr.
Intermediate goods	<20.6>	-5.6	18.4	3.6	0.8	-0.2	-0.5	0.7	1.6	-6.5	4.8
Motor vehicles and their related goods	<21.6>	-41.4	42.1	7.6	1.2	1.8	-8.8	-44.1	7.3	-26.6	-32.4
Consumer goods <sup>4</sup>	<3.4>	-28.8	10.9	5.4	1.3	-1.7	-1.5	-30.4	9.0	-11.3	-26.7
IT-related goods <sup>5</sup>	<10.7>	-17.0	27.2	4.4	-0.8	-0.5	0.5	-7.7	0.2	0.6	-8.1
Capital goods and parts <sup>6</sup>	<29.2>	-28.1	35.7	9.2	1.9	0.6	1.4	-1.4	2.0	-5.9	2.1
Real exports		-25.6	27.4	6.1	0.3	0.2	-1.1	-10.9	3.7	-8.0	-6.9

- Notes: 1. Seasonally adjusted by X-12-ARIMA. 2011/Q2 figures are April figures converted into quarterly amount.  
2. Shares of each region and goods in 2010 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.

## Real Effective Exchange Rate and Overseas Economies

## (1) Real Effective Exchange Rate



Notes: 1. The figure is based on the broad index of the BIS effective exchange rate and that prior to 1994 is calculated using the narrow index.

2. Figures for May and June (up to June 10) 2011 have been calculated using the monthly average of the BOJ's nominal effective exchange rate (the Yen Index).

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

		CY2008	2009	2010	2010 Q2	Q3	Q4	2011 Q1	
United States <sup>1</sup>		0.0	-2.6	2.9	1.7	2.6	3.1	1.8	
European Union <sup>1</sup>		0.5	-4.3	1.8	4.0	2.1	0.8	3.1	
	Germany	1.0	-4.7	3.6	8.7	3.2	1.5	6.1	
	France	-0.2	-2.6	1.4	2.0	1.7	1.4	3.9	
	United Kingdom	-0.1	-4.9	1.3	4.3	2.9	-1.9	1.9	
East Asia <sup>2</sup>	China	9.6	9.2	10.3	10.3	9.6	9.8	9.7	
	NIEs	Korea	2.3	0.3	6.2	7.5	4.4	4.7	4.2
		Taiwan	0.7	-1.9	10.9	12.9	10.7	7.1	6.5
		Hong Kong	2.3	-2.7	7.0	6.7	6.9	6.4	7.2
		Singapore	1.5	-0.8	14.5	19.4	10.5	12.0	8.3
	ASEAN4	Thailand	2.5	-2.3	7.8	9.2	6.6	3.8	3.0
		Indonesia	6.0	4.6	6.1	6.1	5.8	6.9	6.5
		Malaysia	4.8	-1.6	7.2	9.0	5.3	4.8	4.6
Philippines		4.2	1.1	7.6	8.9	7.3	6.1	4.9	

Notes: 1. Quarterly data of the 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 2009	2010	2010 Q2	Q3	Q4	2011 Q1	Q2	2011 Feb.	Mar.	Apr.
United States	<9.7>	-18.7	8.3	3.5	0.3	-0.8	-5.4	6.2	-0.4	-9.7	14.0
EU	<9.6>	-13.2	6.6	3.7	3.5	-3.3	1.0	11.9	1.1	-10.8	20.5
East Asia	<42.4>	-13.1	22.2	9.2	1.4	2.0	1.6	-1.2	-3.0	0.8	-0.7
China	<22.1>	-11.1	24.1	11.2	0.9	3.7	0.9	-3.6	-4.1	3.5	-4.4
NIEs	<8.8>	-15.9	21.7	5.7	1.1	-0.6	3.6	3.7	-4.2	-5.3	9.1
Korea	<4.1>	-19.1	21.0	9.7	1.4	6.6	6.9	10.8	-7.1	-0.8	14.3
Taiwan	<3.3>	-12.4	21.4	4.1	0.9	-4.1	-1.1	-3.5	0.4	-8.8	2.5
Hong Kong	<0.2>	-29.7	33.1	-8.0	-7.6	-2.0	16.8	-15.1	-16.2	8.2	-14.4
Singapore	<1.2>	-12.5	23.2	4.7	-1.4	-5.7	-1.9	5.4	-4.0	-8.7	13.7
ASEAN4 <sup>3</sup>	<11.5>	-14.9	18.3	8.0	2.8	0.3	1.4	0.0	0.6	-0.3	0.0
Thailand	<3.0>	-17.5	25.9	8.6	4.6	-1.7	2.6	0.7	-0.1	-2.6	2.5
Others	<38.3>	-13.9	6.8	2.5	1.2	-1.8	-1.3	-1.1	-1.6	-5.6	3.5
Real imports		-14.0	12.1	5.3	1.3	-0.7	-0.8	0.2	-2.4	-1.5	2.0

## (2) Breakdown by Goods

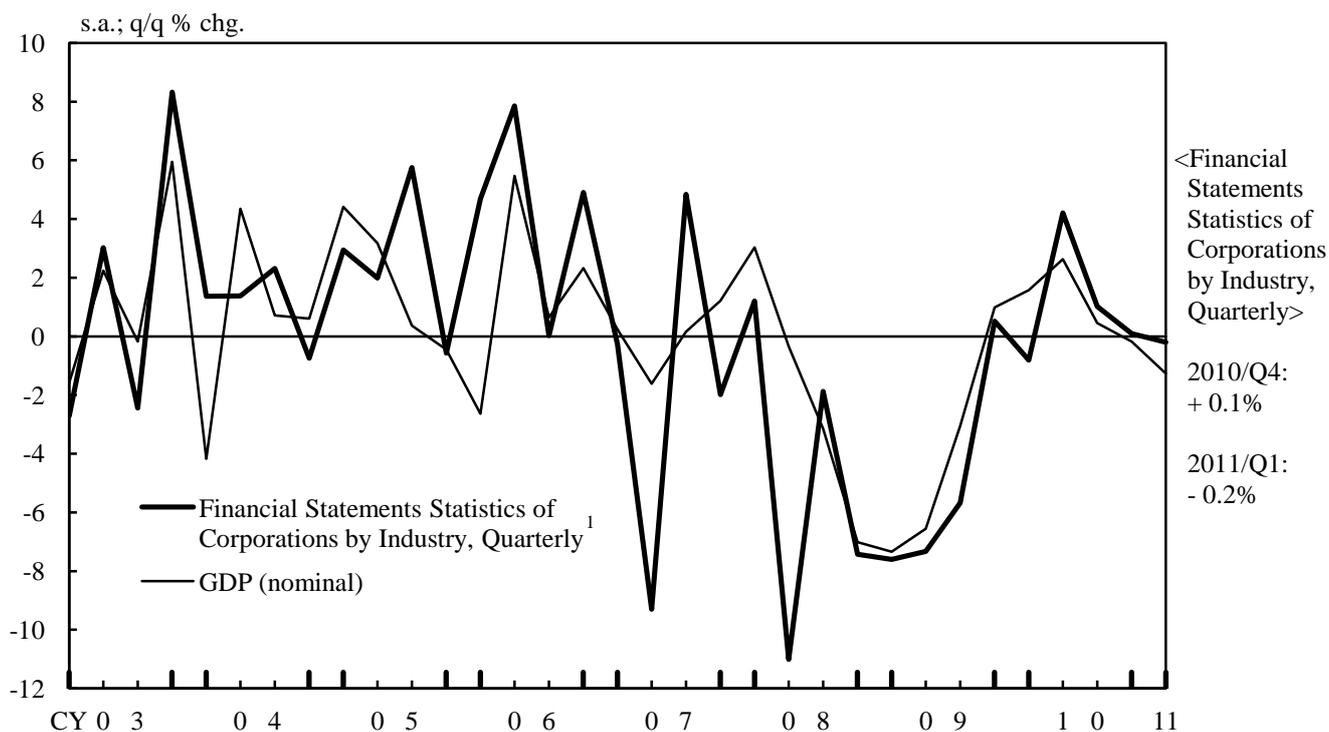
		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2009	2010	2010 Q2	Q3	Q4	2011 Q1	Q2	2011 Feb.	Mar.	Apr.
Raw materials <sup>4</sup>	<36.5>	-14.9	5.6	2.6	1.4	-2.0	-0.9	-1.7	-0.2	-5.0	1.8
Intermediate goods	<14.9>	-15.4	18.7	5.6	1.7	-2.2	2.7	11.2	-1.8	3.0	9.7
Foodstuffs	<8.6>	1.0	2.0	5.5	1.3	-8.2	1.2	9.5	-0.1	-4.9	13.3
Consumer goods <sup>5</sup>	<8.5>	-10.3	22.7	7.9	-0.7	10.1	-0.6	-8.3	-0.4	-7.3	-3.4
IT-related goods <sup>6</sup>	<11.2>	-12.4	27.0	9.3	1.7	3.5	-0.1	-5.2	-7.7	-3.4	-0.2
Capital goods and parts <sup>7</sup>	<11.3>	-23.8	19.1	6.5	3.0	2.4	-0.9	-0.0	-2.4	-2.7	2.6
Excluding aircraft	<10.7>	-24.4	21.9	6.3	2.9	1.4	0.4	2.0	-7.1	1.6	3.5
Real imports		-14.0	12.1	5.3	1.3	-0.7	-0.8	0.2	-2.4	-1.5	2.0

- Notes: 1. Seasonally adjusted by X-12-ARIMA. 2011/Q2 figures are April figures converted into quarterly amount.  
2. Shares of each region and goods in 2010 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 fuels.  
5. Excludes foodstuffs.  
6. IT-related goods are composed of computers and units, parts of computers, telecommunication machinery, ICs, and medical and optical instruments.  
7. Excludes IT-related goods.

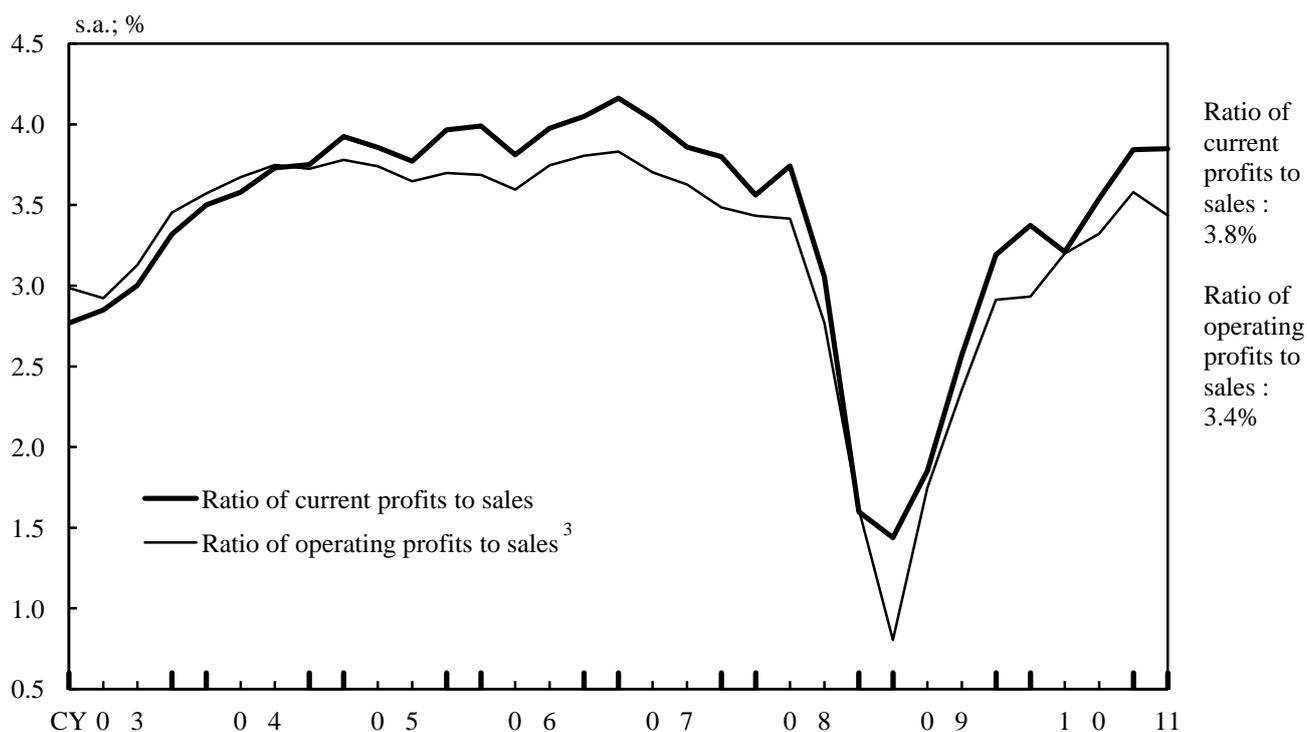
Sources: Ministry of Finance, "Trade Statistics"; Bank of Japan, "Corporate Goods Price Index."

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."

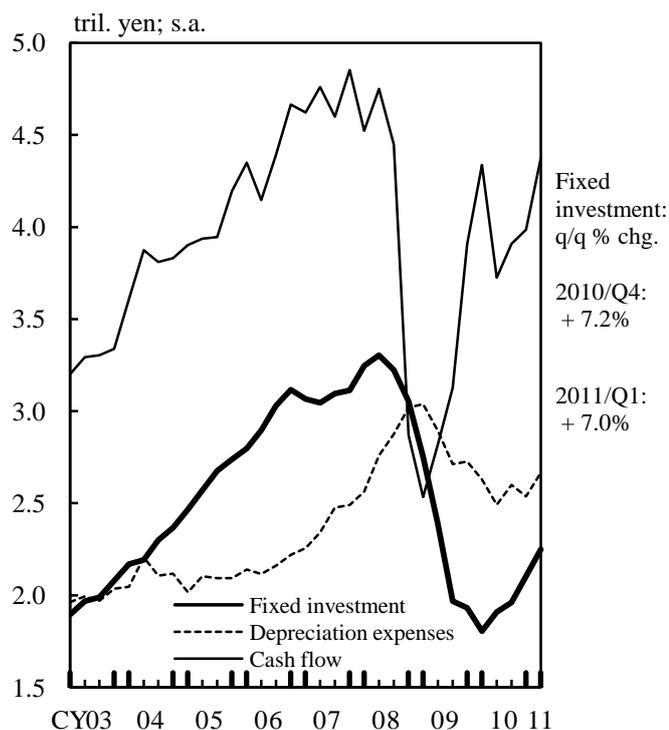
2. Based on the "Financial Statements Statistics of Corporations by Industry, Quarterly."

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

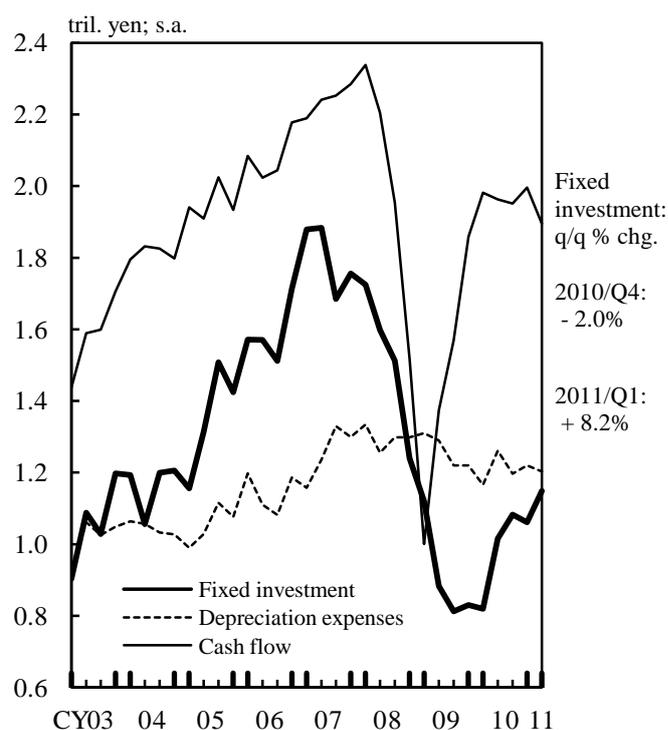
Sources: Cabinet Office, "National Accounts"; Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

Business Fixed Investment by Industry and Size

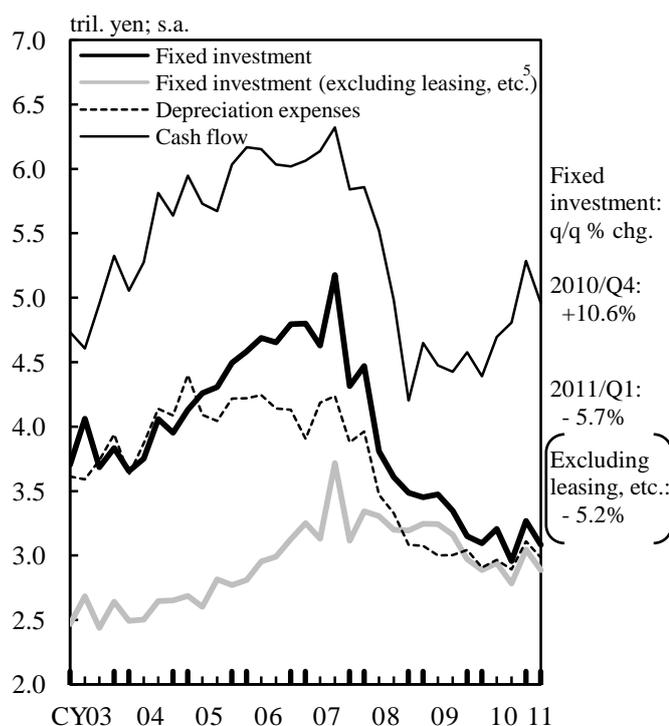
(1) Large Manufacturing Firms



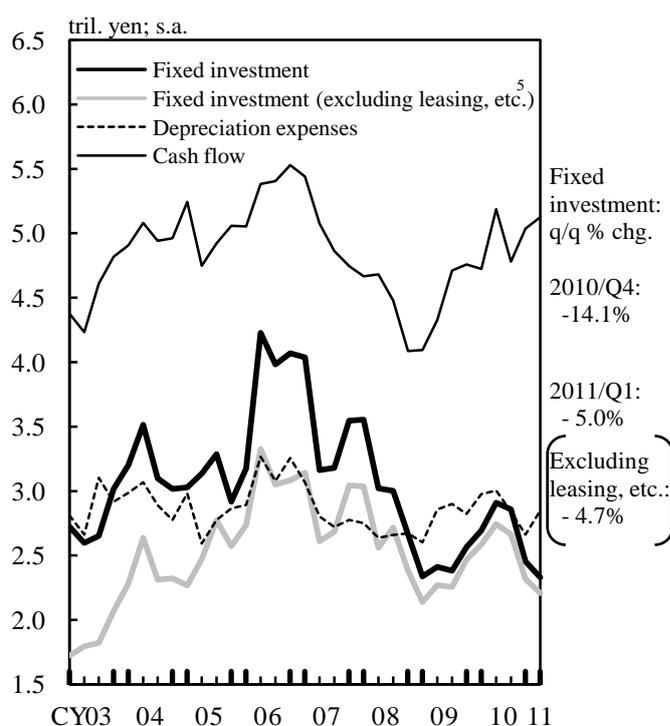
(2) Medium-Sized and Small Manufacturing Firms



(3) Large Nonmanufacturing Firms



(4) Medium-Sized and Small Nonmanufacturing Firms

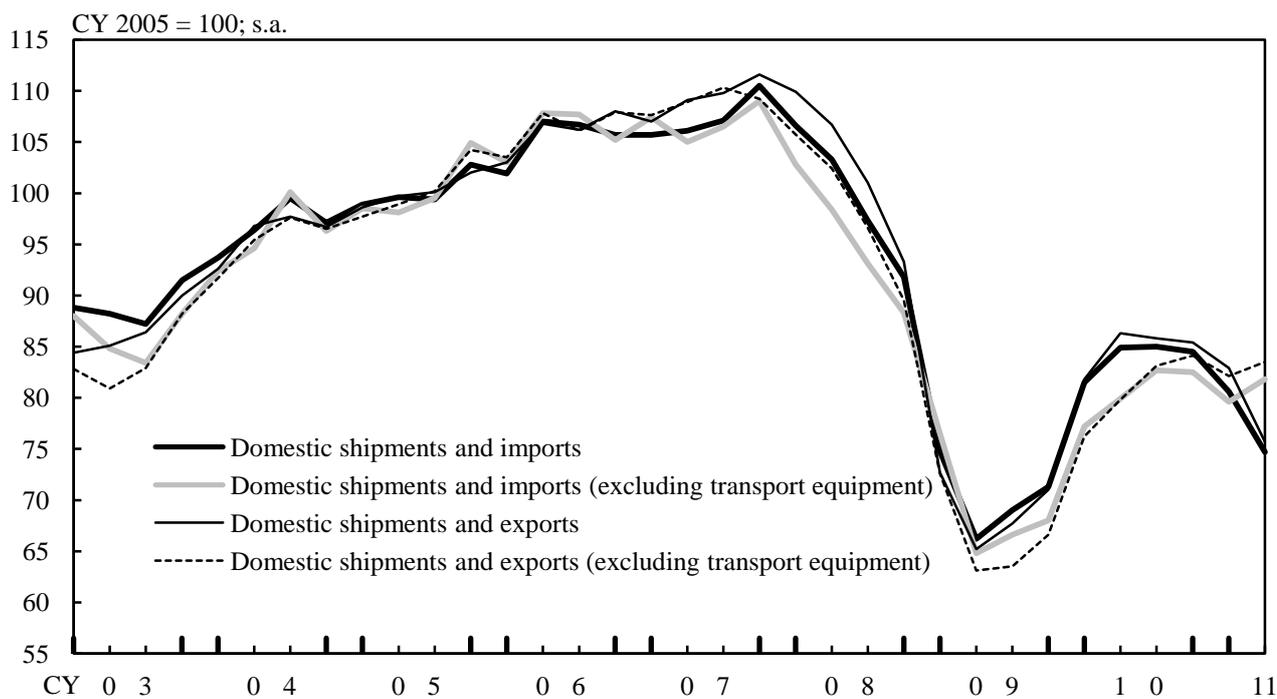


- Notes: 1. "Large firms" refers to firms with capital stock of 1 billion yen or more, and "medium-sized and small firms" refers to firms with capital stock of 10 million or more but less than 1 billion yen.  
2. Cash flow = current profits / 2 + depreciation expenses.  
3. Seasonally adjusted by X-11.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

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

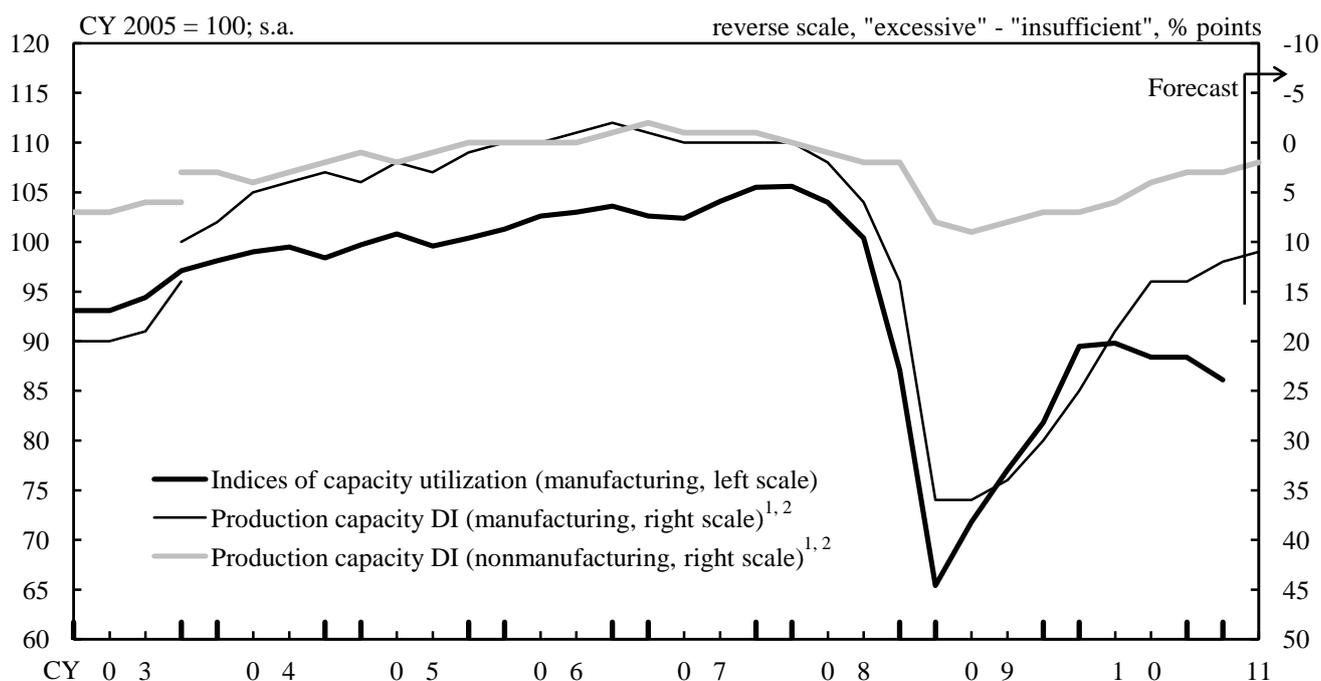
## Coincident Indicators of Business Fixed Investment

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



Note: Figures for 2011/Q2 are those of April.

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



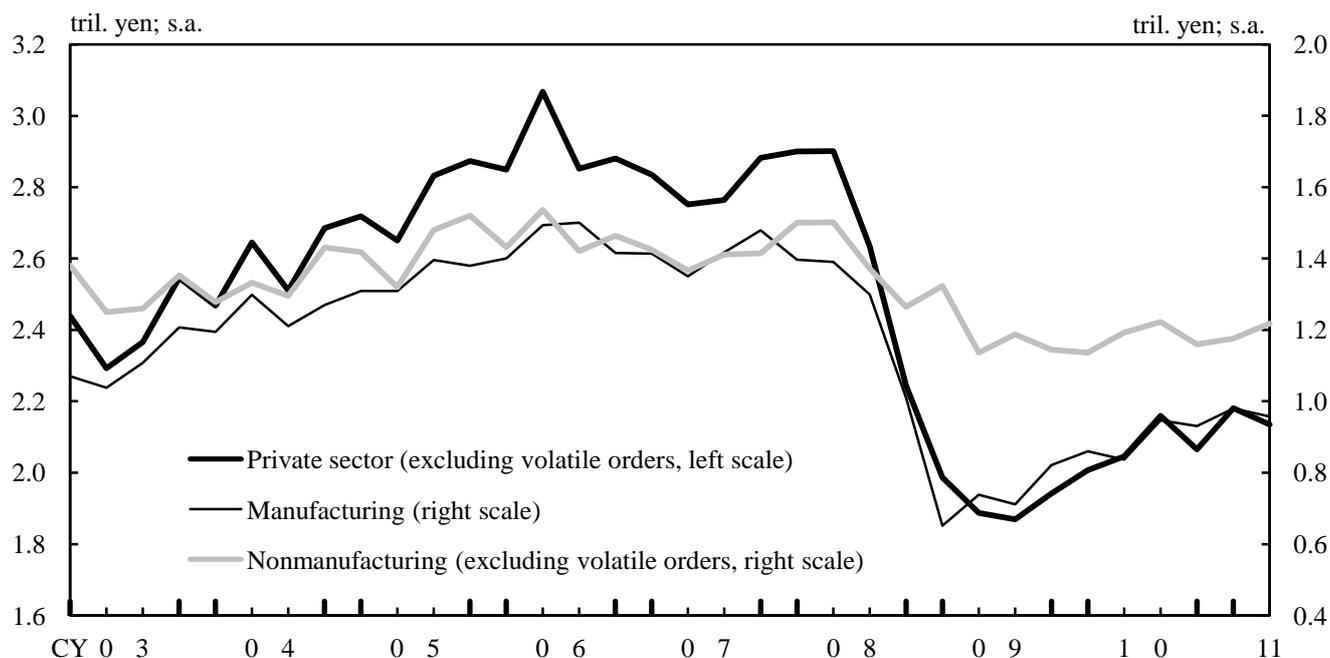
Notes: 1. Production capacity DIs are those of all enterprises.

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 the 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 of Business Fixed Investment

### (1) Machinery Orders



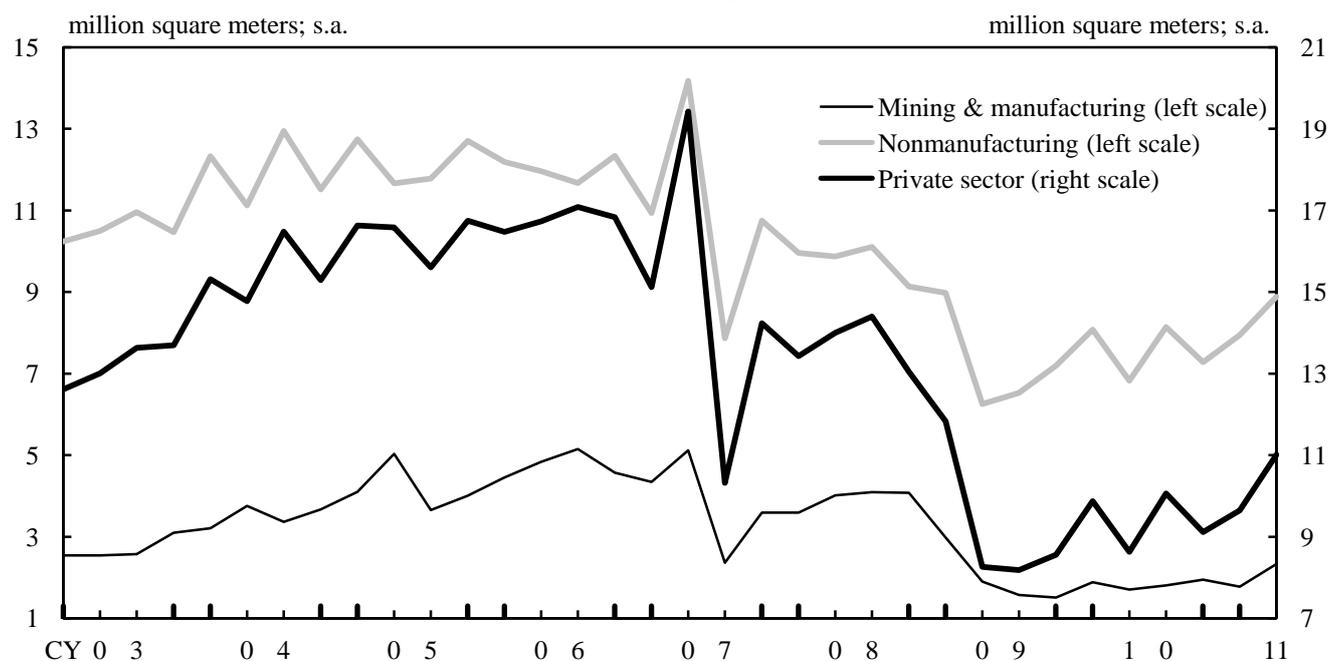
Notes: 1. From June 2011, all data, including historical data, for "Orders Received for Machinery" exclude "mobile phone."

Figures up to FY 2004 are estimated by the Cabinet Office.

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

3. Figures for 2011/Q2 are those of April in quarterly amount.

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



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

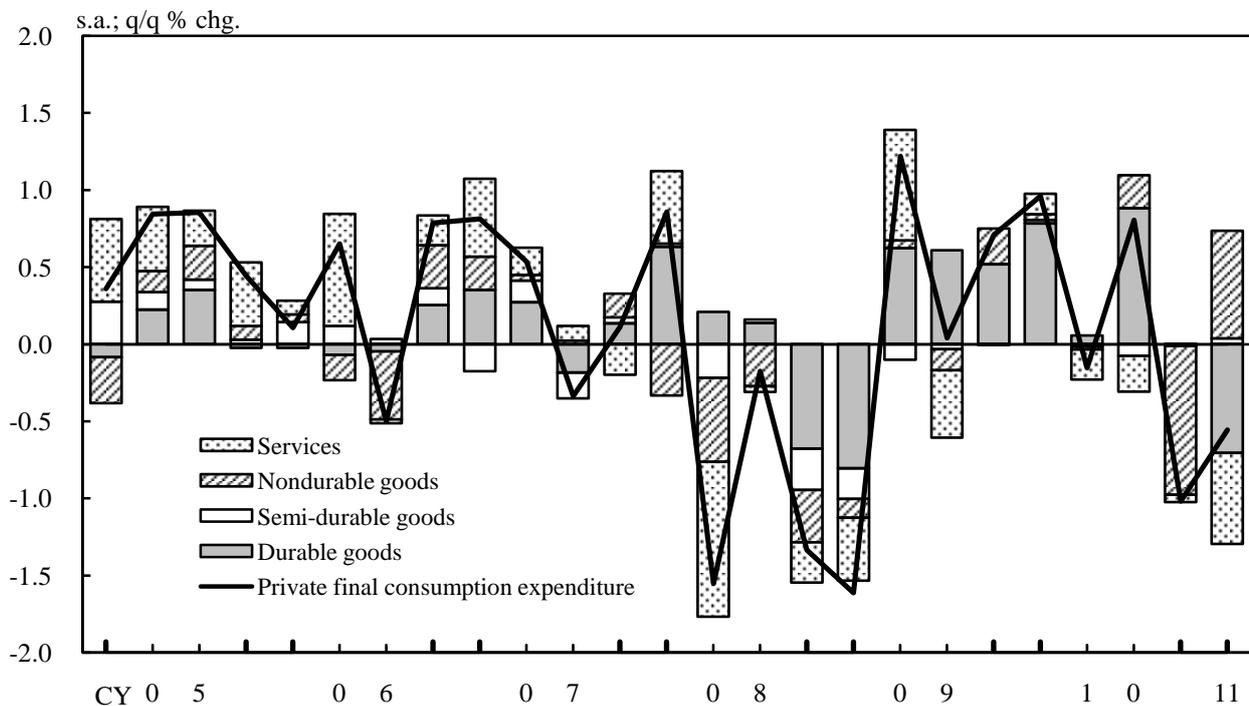
2. Following the revision of the "Standard Industrial Classification for Japan" in March 2002, the industry classification for "newspaper publishing and publishing business" was changed from "mining and manufacturing" to "nonmanufacturing." This new classification applies to data from FY 2003 onward. Accordingly, the data up to FY 2002 were adjusted by using a link coefficient.

3. Figures for 2011/Q2 are those of April in quarterly amount.

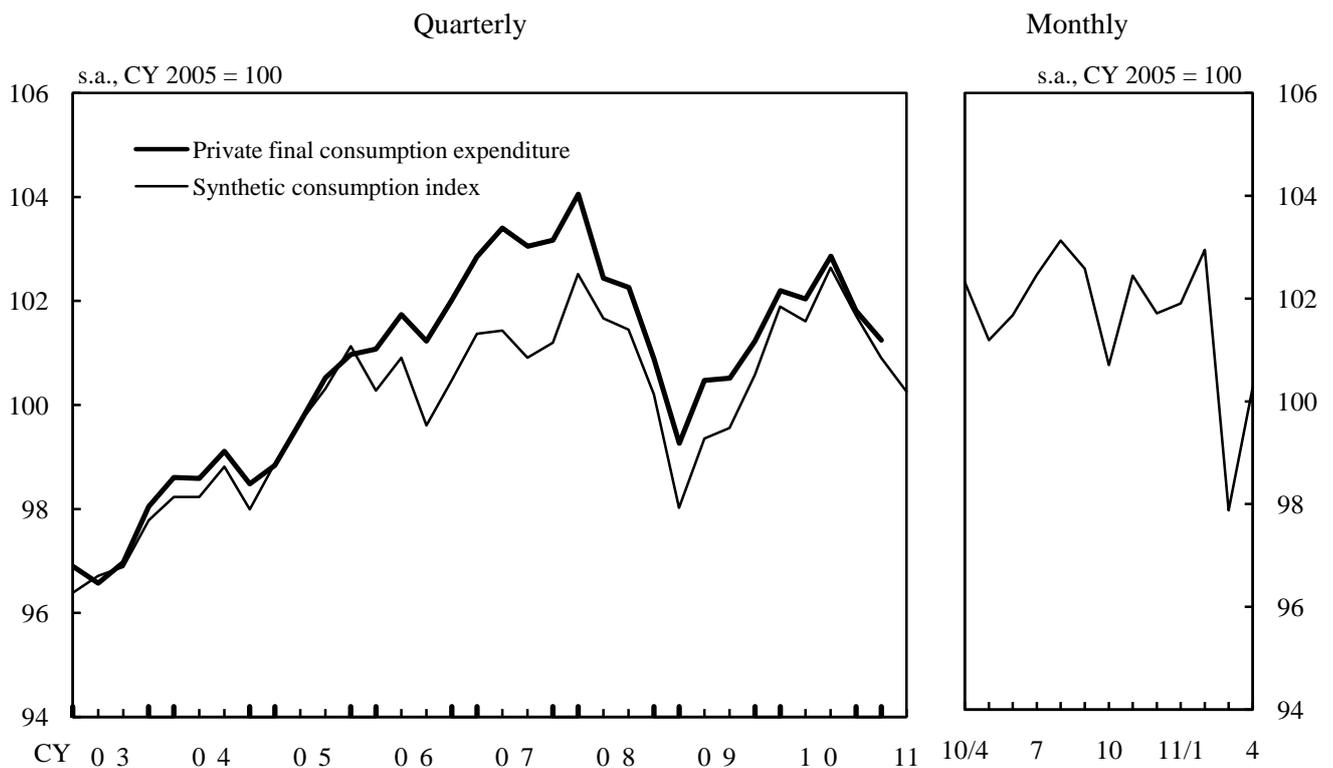
Sources: Cabinet Office, "Orders Received for Machinery";  
Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts."

Indicators of Private Consumption (1)

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



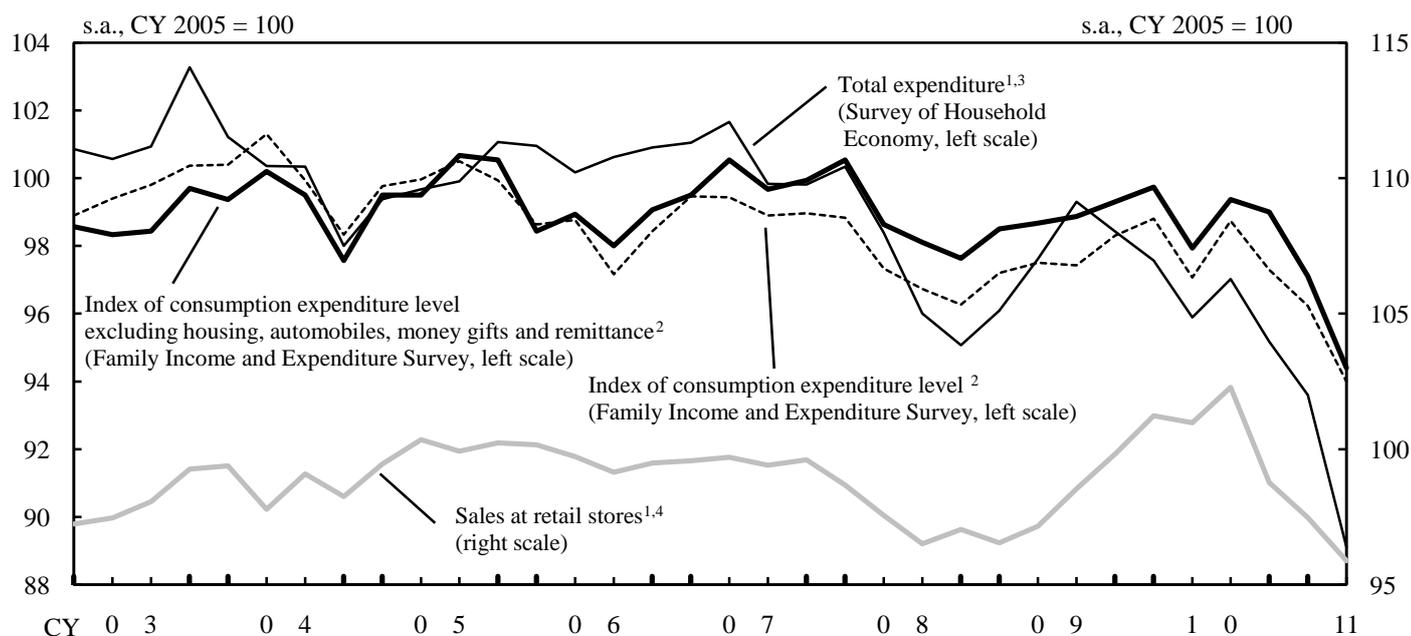
(2) Private Final Consumption Expenditure and Synthetic Consumption Index (Real)



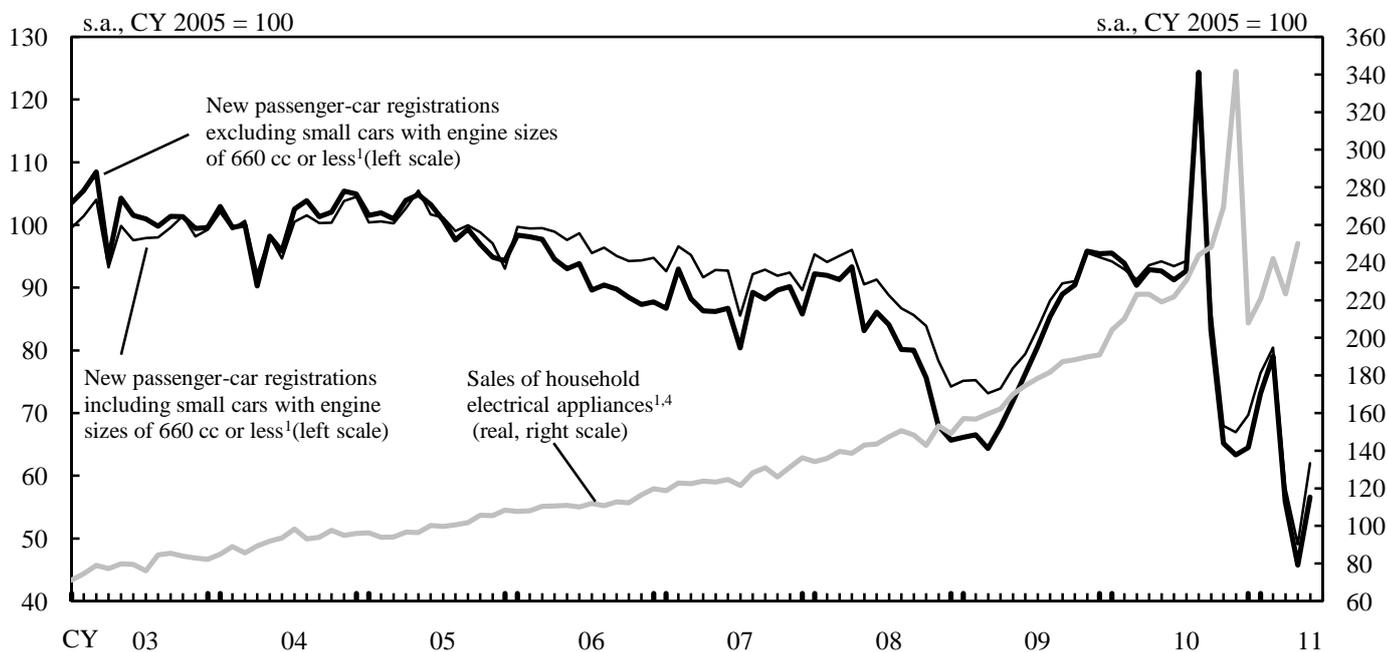
Note: The figure of the synthetic consumption index for 2011/Q2 is that of April in quarterly amount.

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

## Indicators of Private Consumption (2)

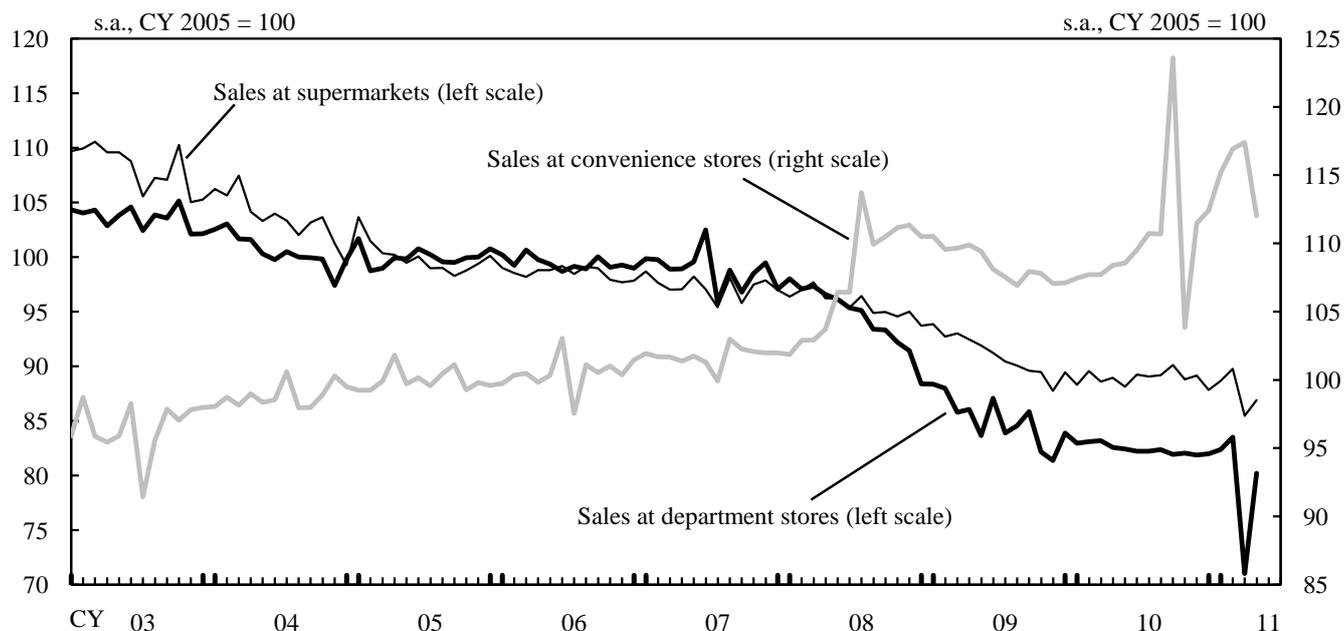
(1) Household Spending (Real)<sup>5</sup>

## (2) Sales of Durable Goods

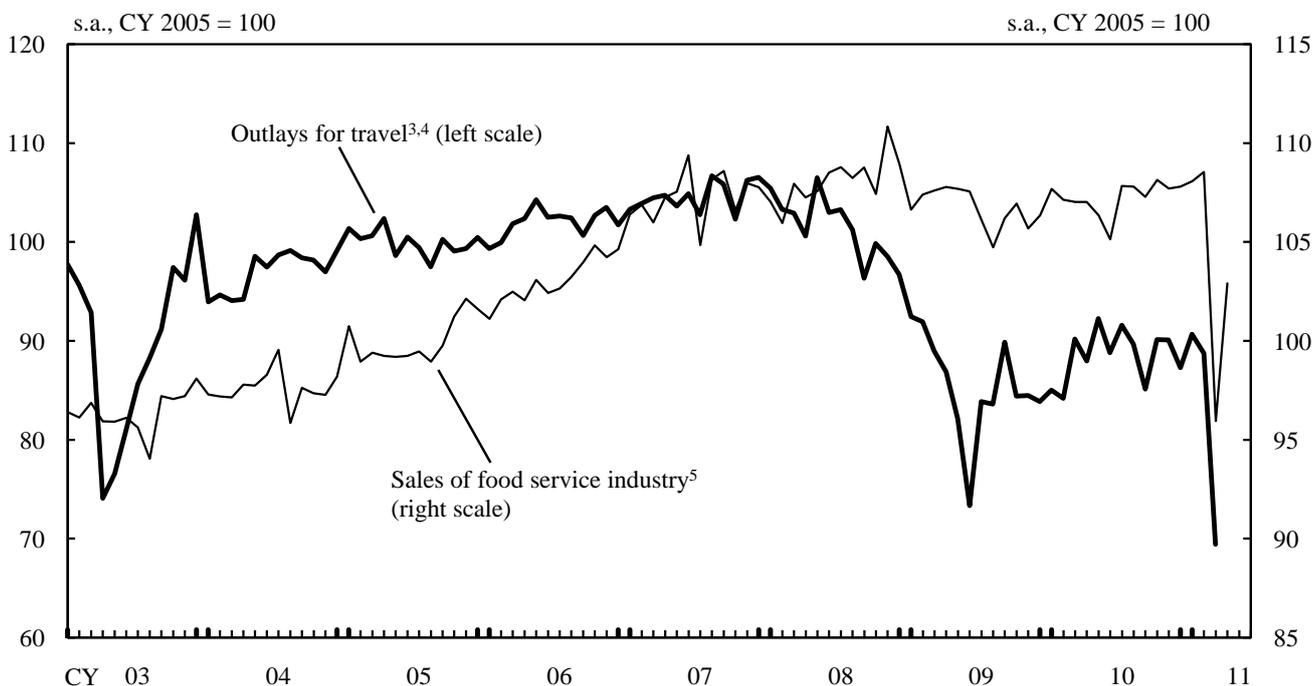


- Notes: 1. Total expenditure, sales at retail stores, sales of household electrical appliances and new passenger-car registrations are seasonally adjusted by X-12-ARIMA.
2. "Index of consumption expenditure level" is based on two-or-more-person households, and is adjusted using the distribution of household 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 (CPI)" excluding imputed rent.
4. "Sales at retail stores" is deflated by the CPI for goods (excluding electricity, gas & water charges). "Sales of household electrical appliances" is calculated as follows: indices of retail sales of machinery and equipment in the "Current Survey of Commerce" are deflated by the geometric means of the corresponding CPI.
5. Figures for 2011/Q2 are those of April in quarterly amount.

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

Indicators of 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.

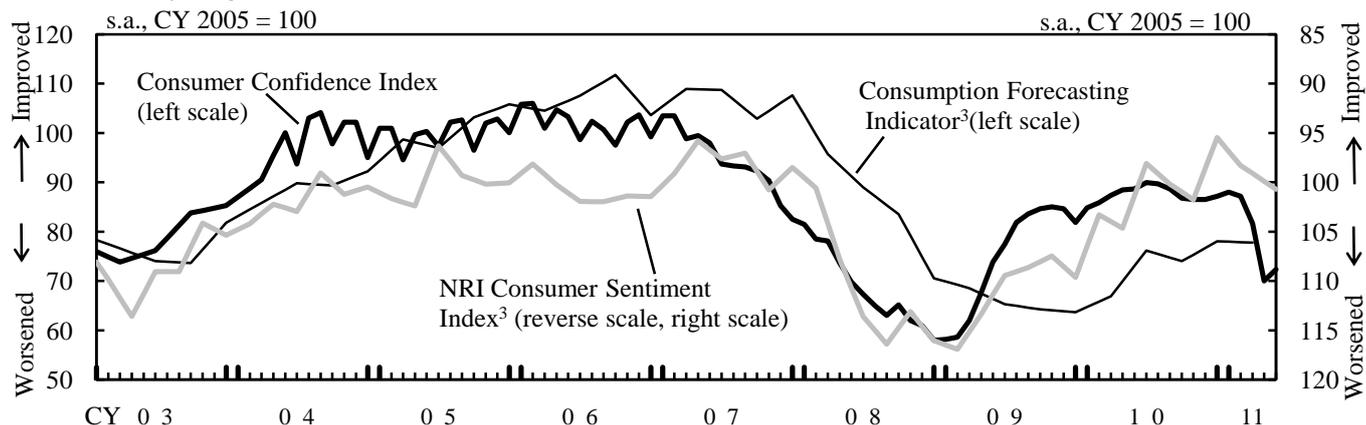
4. There are discontinuities in the underlying data as of April 2007 and April 2010 due to changes in the sample. Data from April 2007 and onward are calculated using the year-on-year rates of change.

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

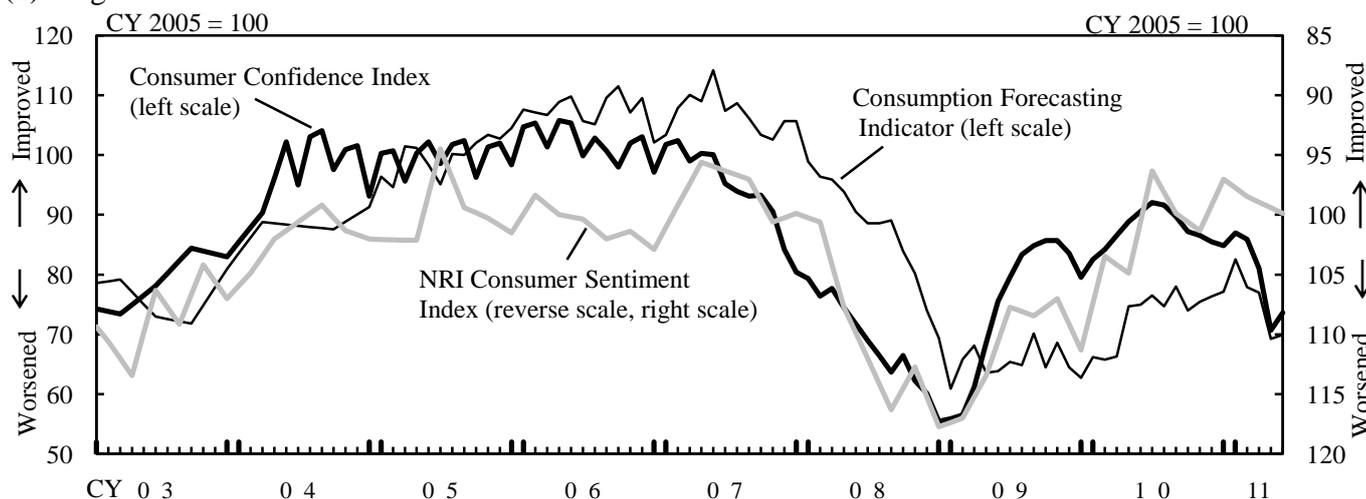
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce"; Japan Tourism Agency, "Major Travel Agents' Revenue"; Food Service Industry Survey & Research Center, "Getsuji Uriage Doukou Chousa (Monthly survey of food service sales)"; Japan Food Service Association, "Gaishoku Sangyou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

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

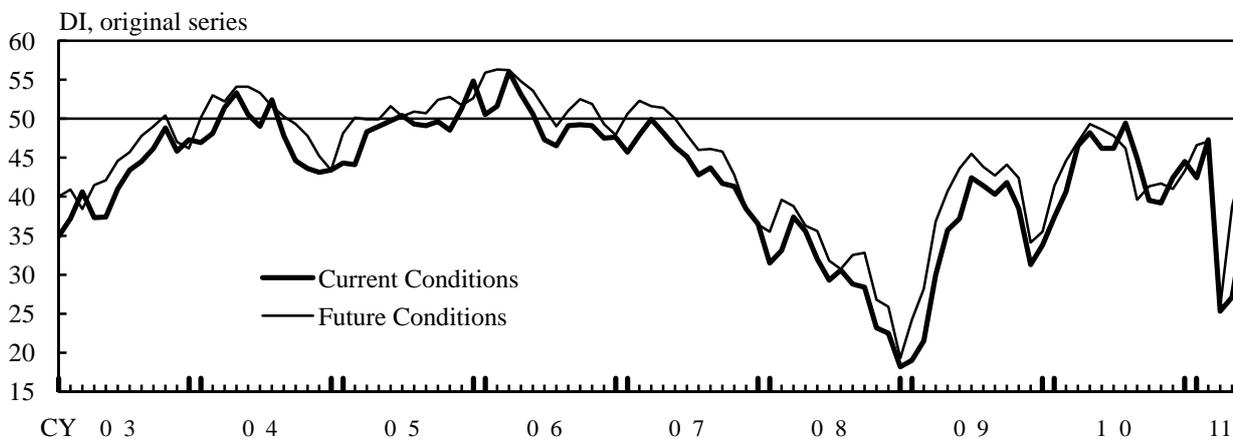
## (1) Seasonally Adjusted Series



## (2) Original Series



## Reference: Economy Watchers Survey (Household Activity)



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

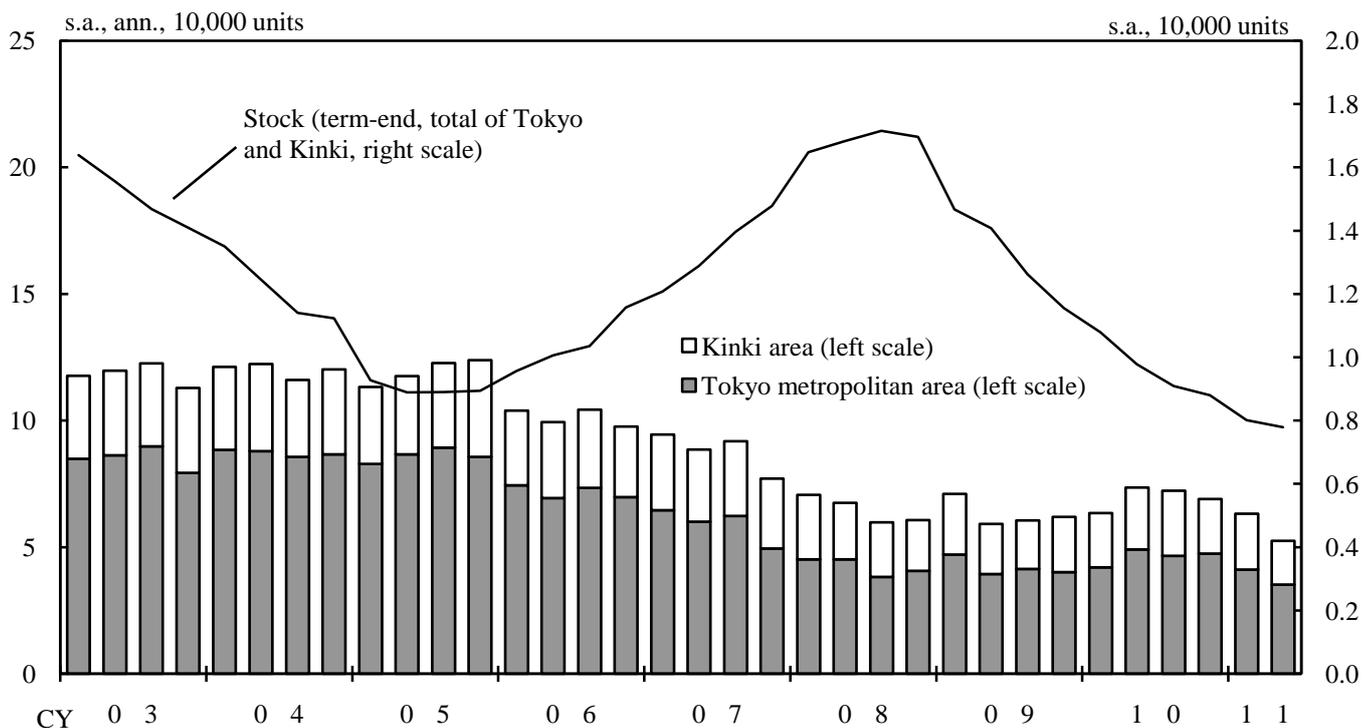
# Indicators of Housing Investment

## (1) Housing Starts



Note: Figures for 2011/Q2 are those of April.

## (2) Sales of Apartments

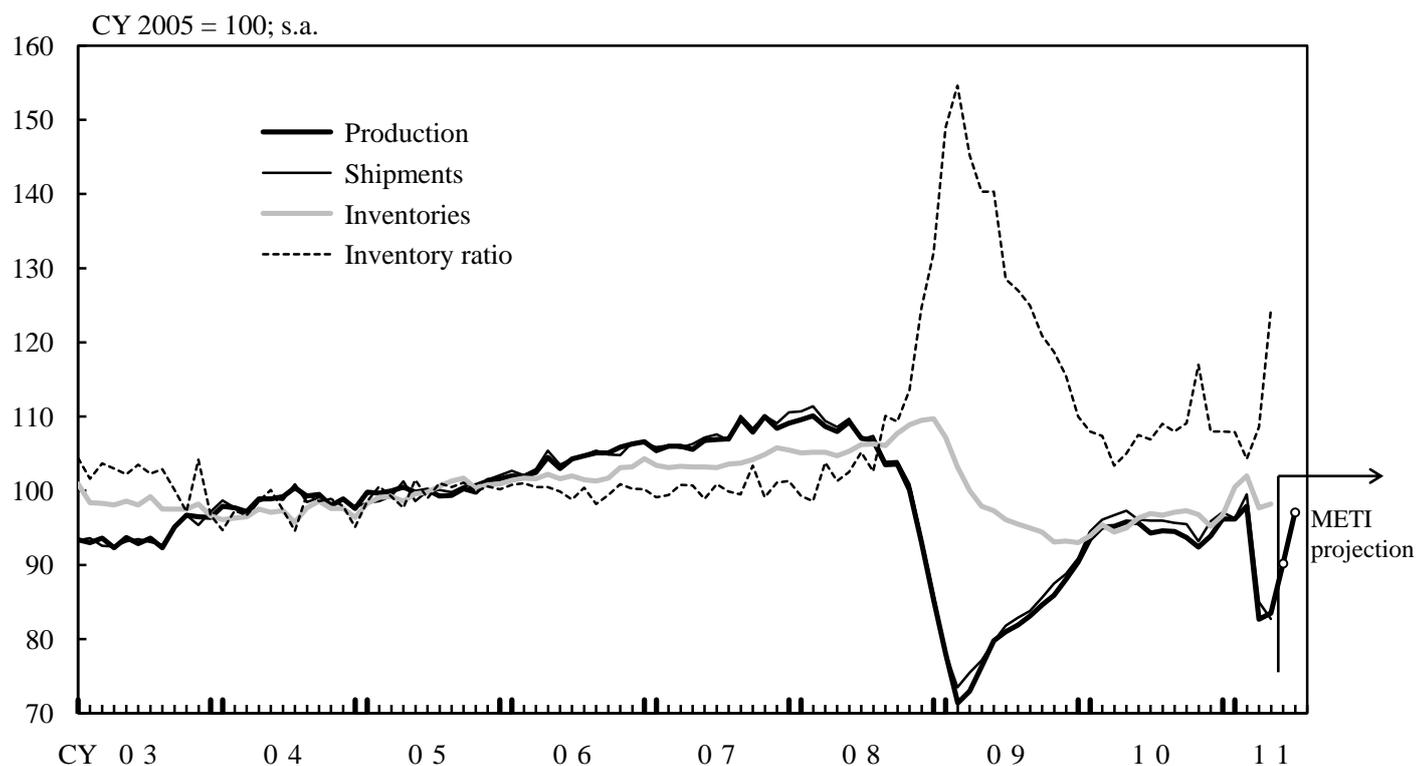


Notes: 1. Seasonally adjusted by X-12-ARIMA.  
2. Figures for 2011/Q2 are those of April.

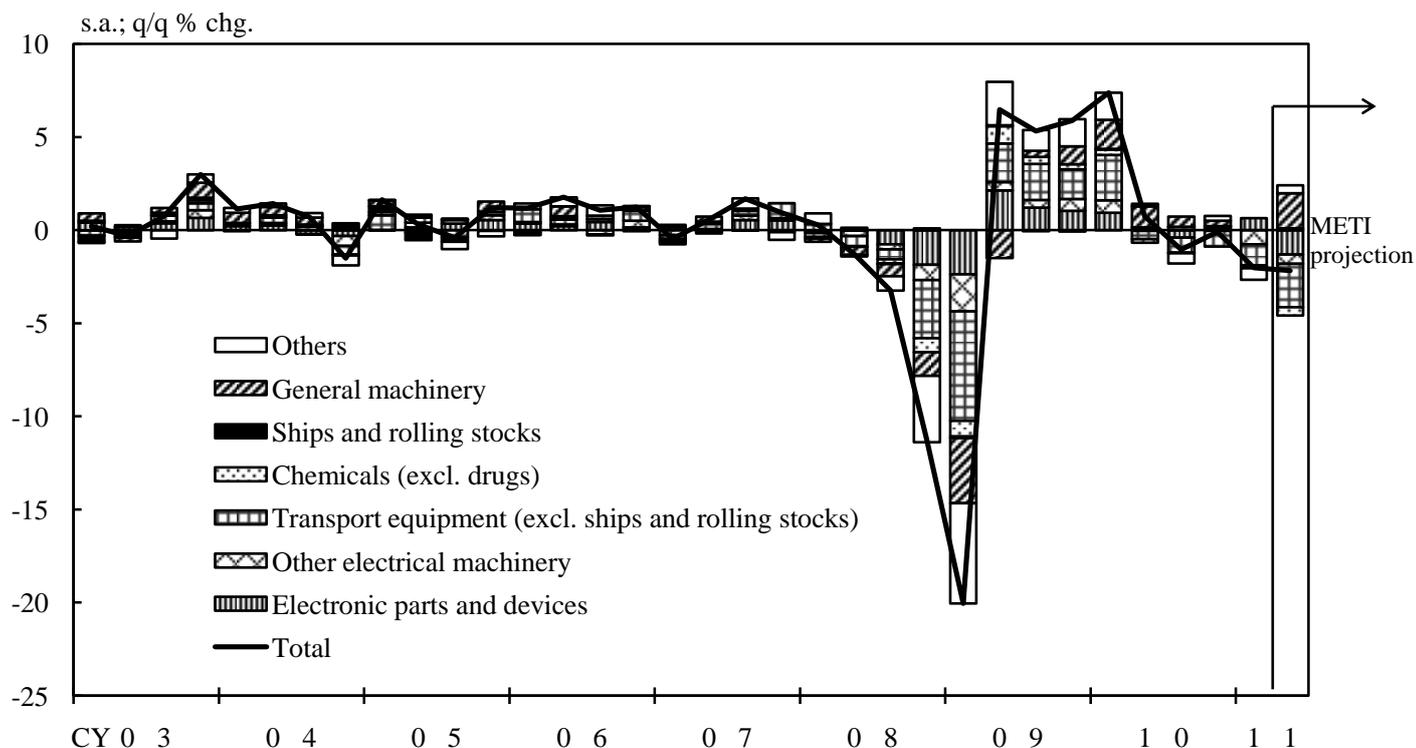
Sources: Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts," etc.

## Production, Shipments, and Inventories

### (1) Production, Shipments, and Inventories



### (2) Production by Industry



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

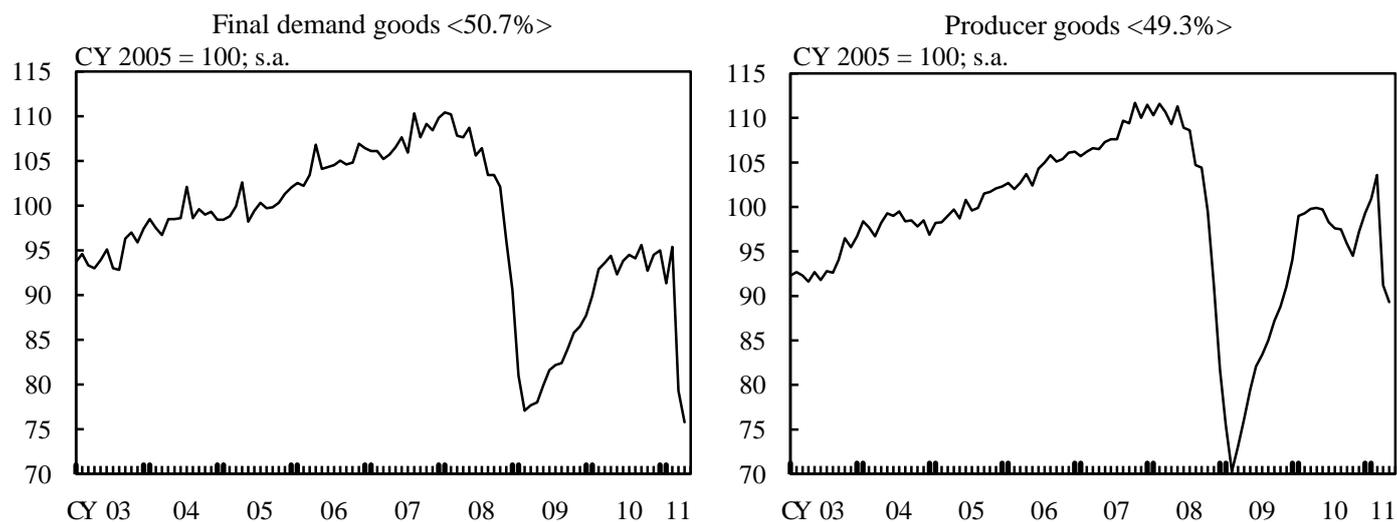
2. 2003/Q1 figures are on the 2000 base.

3. 2011/Q2 figures are based on the actual production levels in April, and the METI projection of May and June.

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

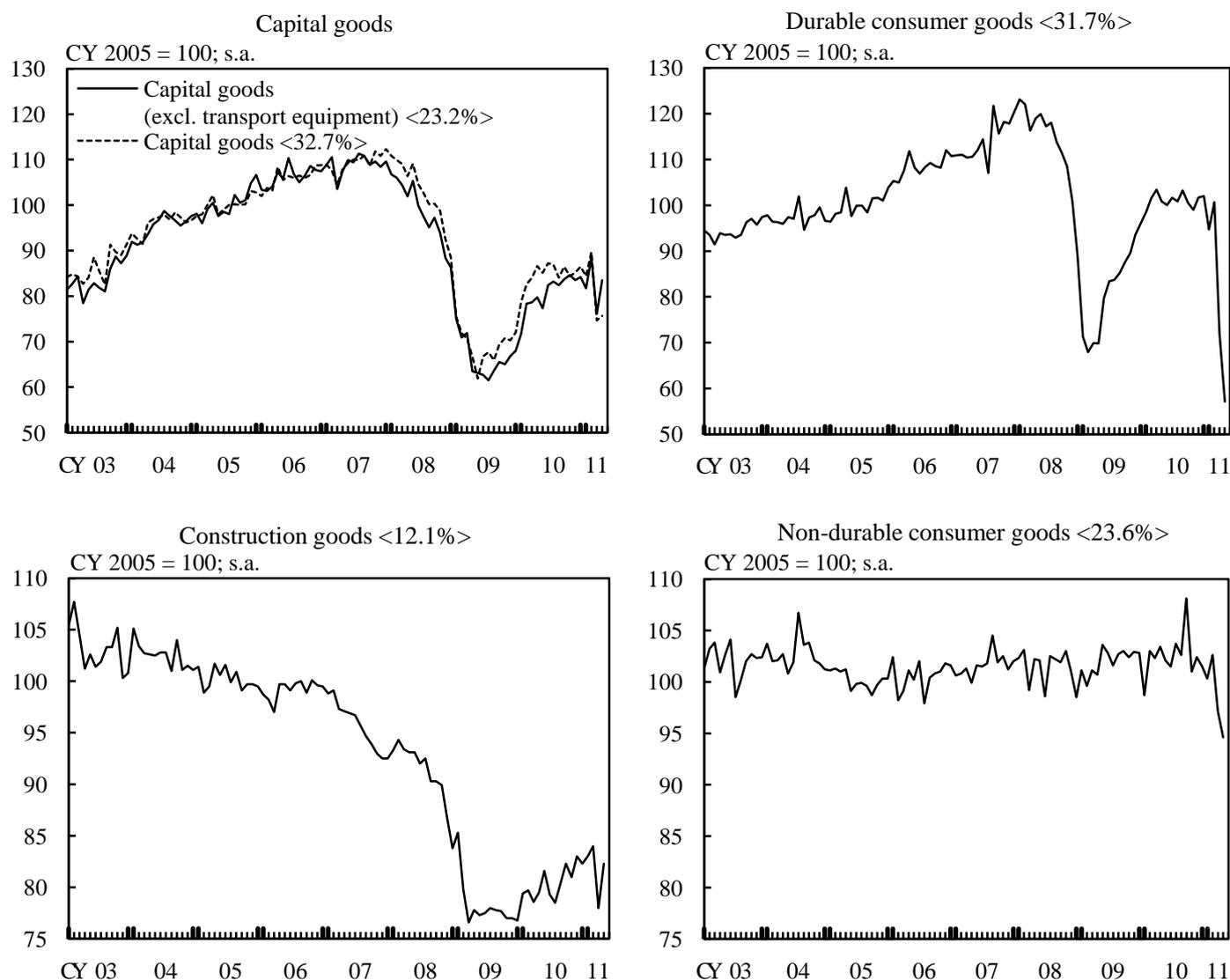
## Shipments by Type of Goods

## (1) Final Demand Goods and Producer Goods



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

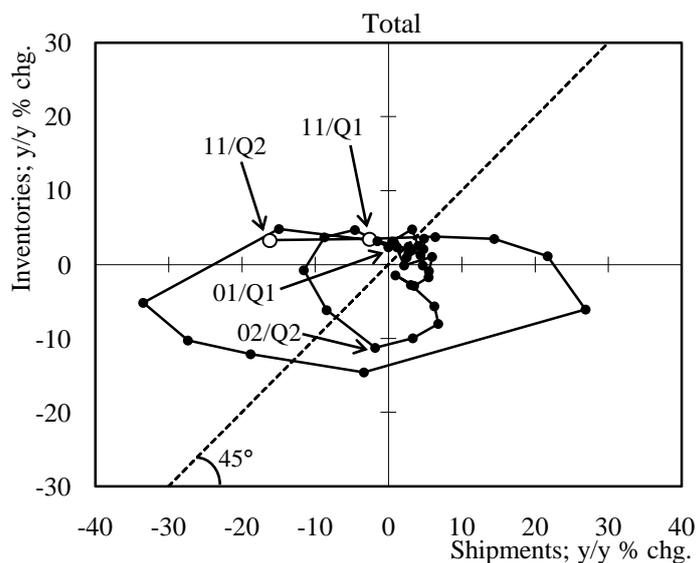
## (2) Breakdown of Final Demand Goods



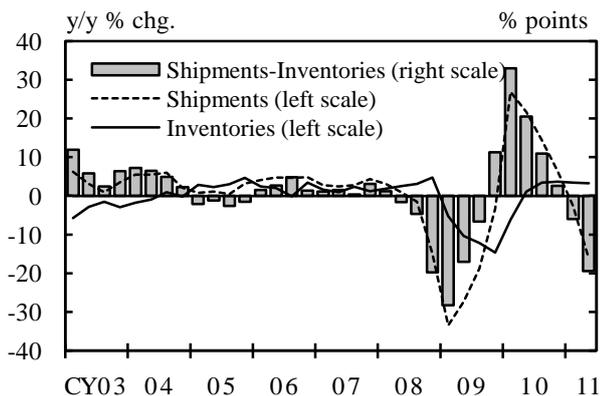
Note: Figures in angle brackets show the shares among shipments of final demand goods.

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

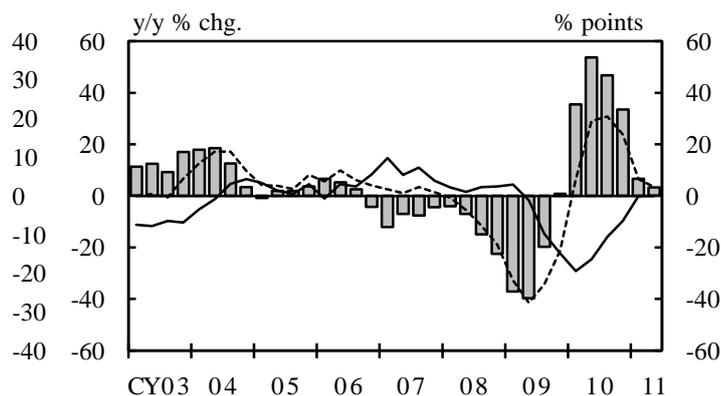
Inventory Cycle



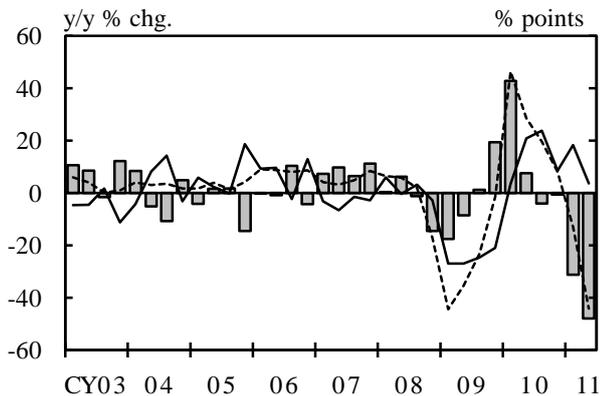
(1) Total



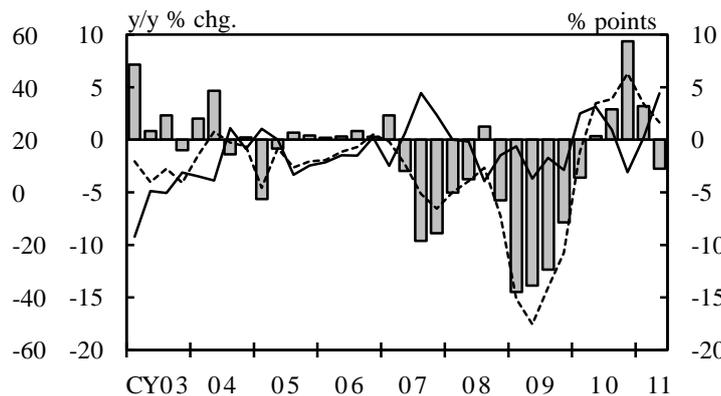
(2) Capital Goods (Excluding Transport Equipment)



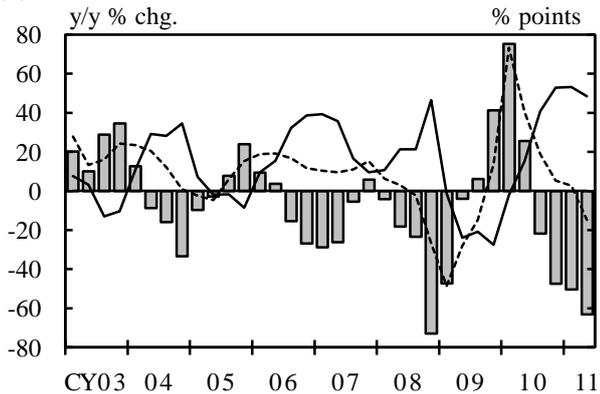
(3) Durable Consumer Goods



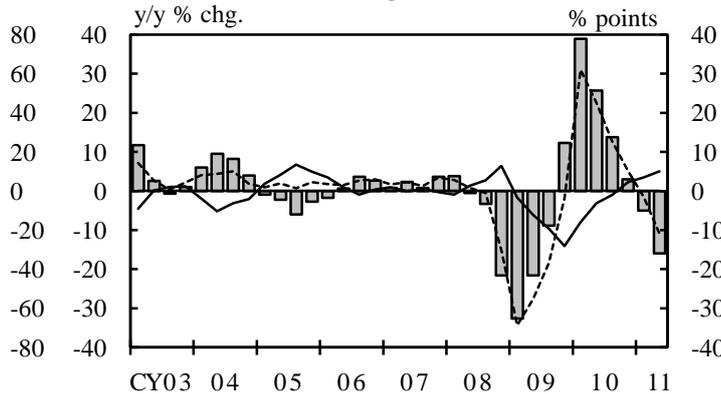
(4) Construction Goods



(5) Electronic Parts and Devices



(6) Producer Goods Excluding Electronic Parts and Devices

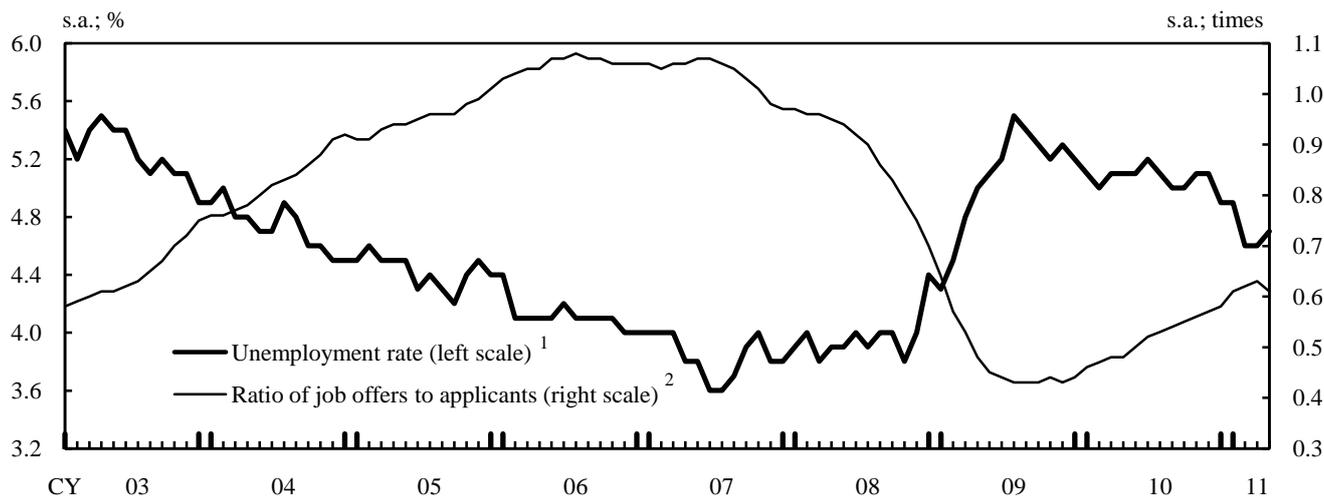
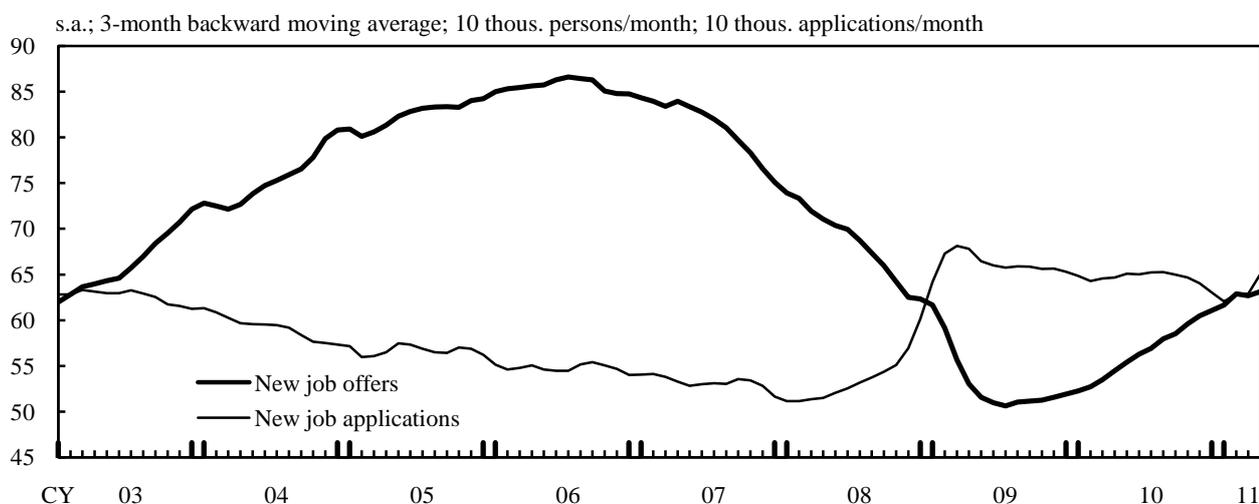
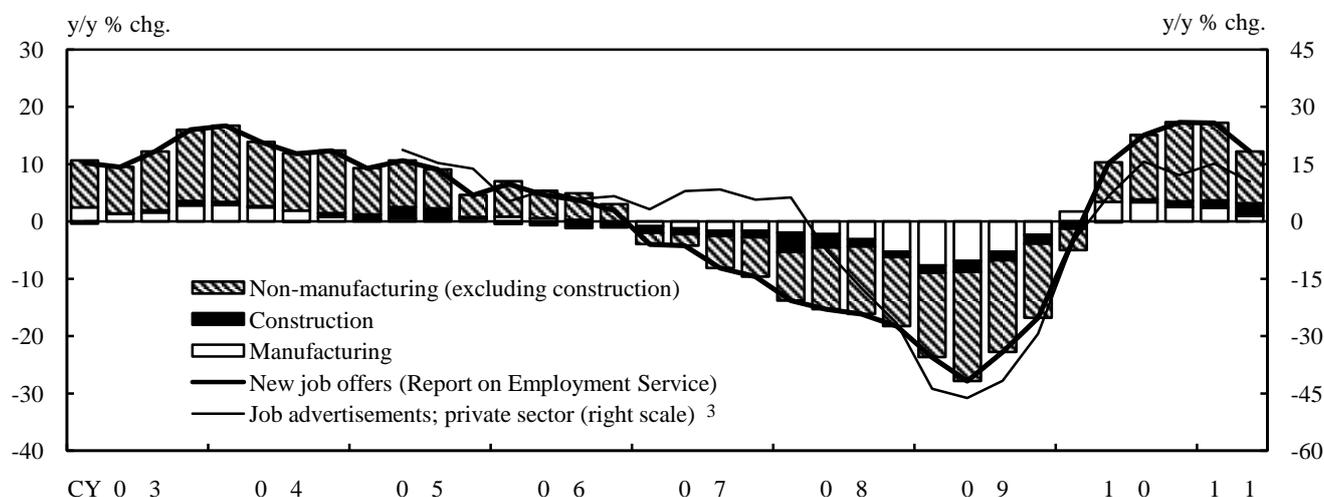


Note: Figures for 2011/Q2 are those of April.

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>2</sup>(3) Breakdown of Job Offers<sup>2,4</sup>

Notes: 1. Figures from March 2011 are based on data which exclude Iwate, Miyagi, and Fukushima prefectures.

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

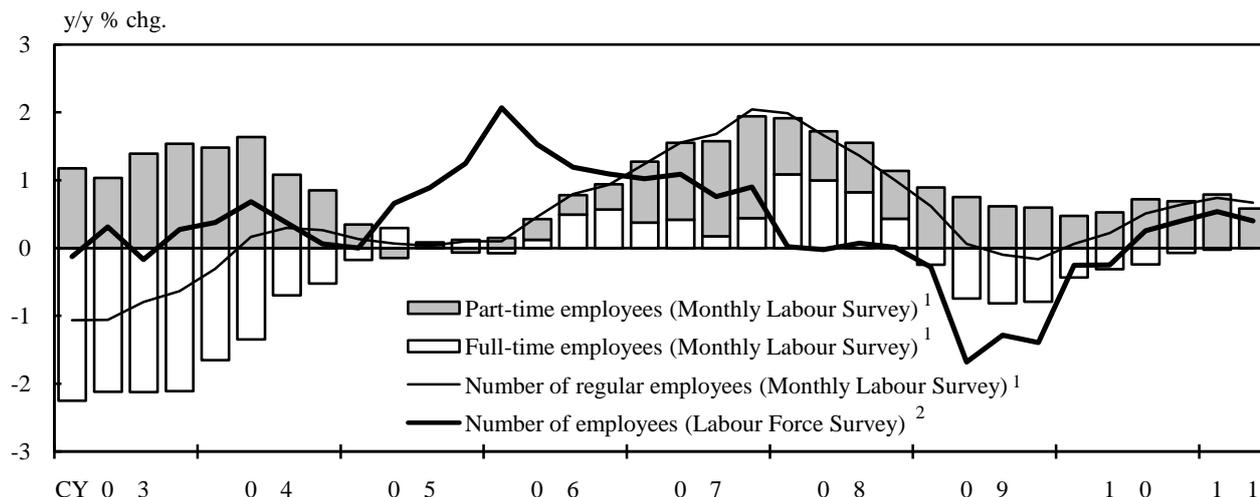
3. Figures are the sum of job advertisements listed in free/paid job information magazines, newspaper inserts, and job information websites provided by member companies of the Association of Job Information of Japan.

4. Figures for 2011/Q2 are those of April.

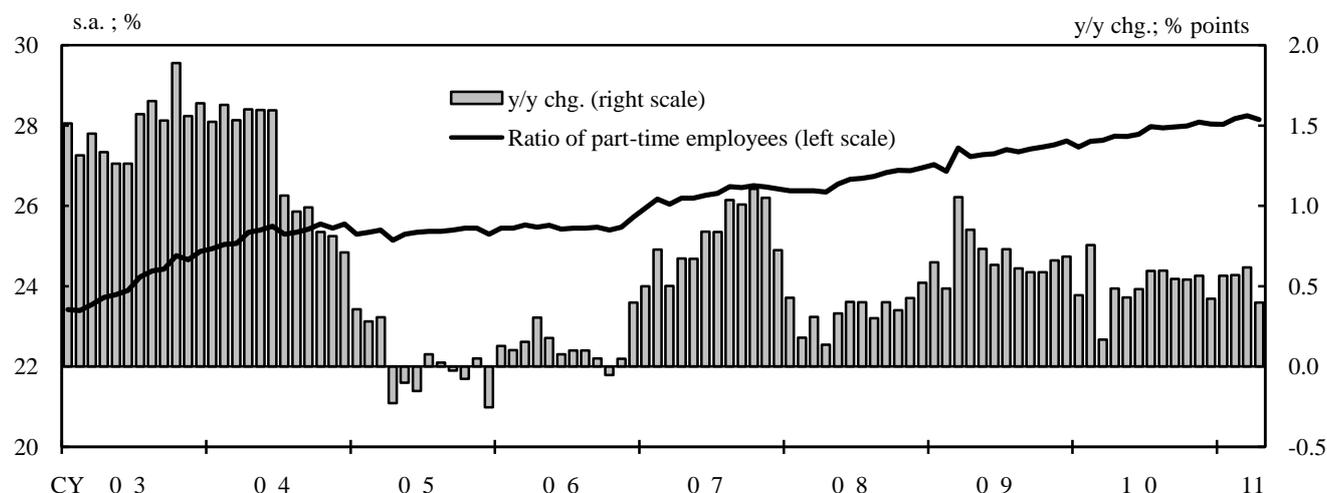
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service";  
Ministry of Internal Affairs and Communications, "Labour Force Survey";  
Association of Job Information of Japan, "Kyujin Koukoku Keisaikensu (Survey of job advertisements)."

Labor Market (2)

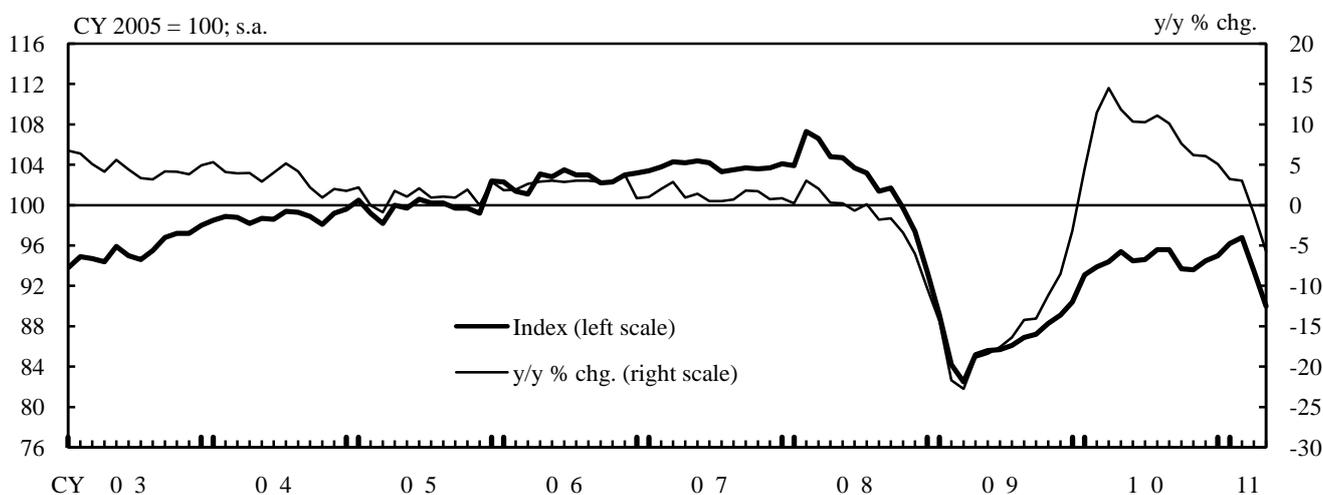
(1) Number of Employees<sup>4</sup>



(2) Ratio of Part-Time Employees<sup>1,3</sup>



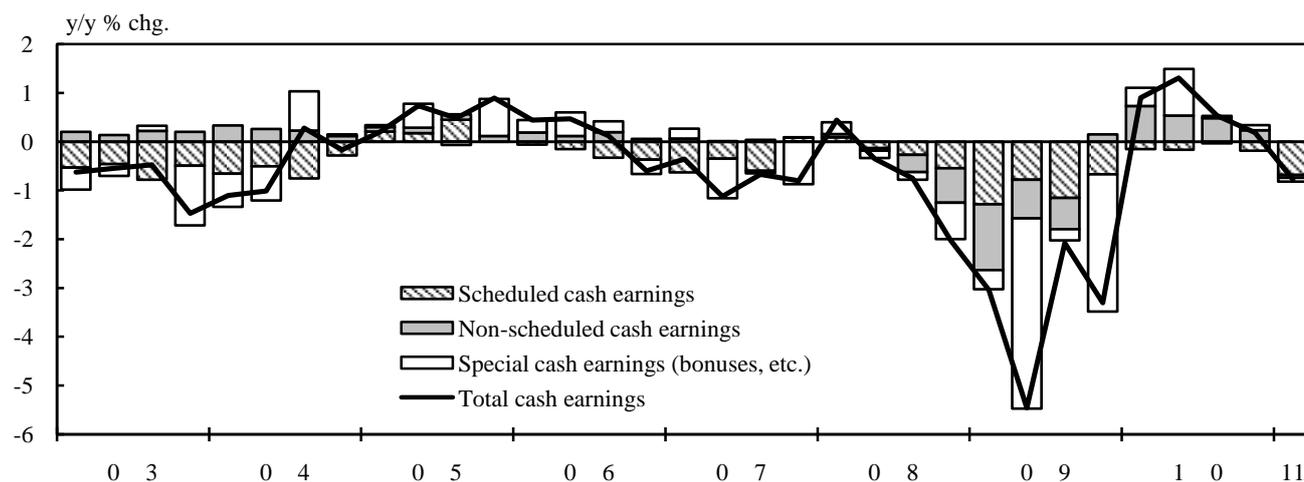
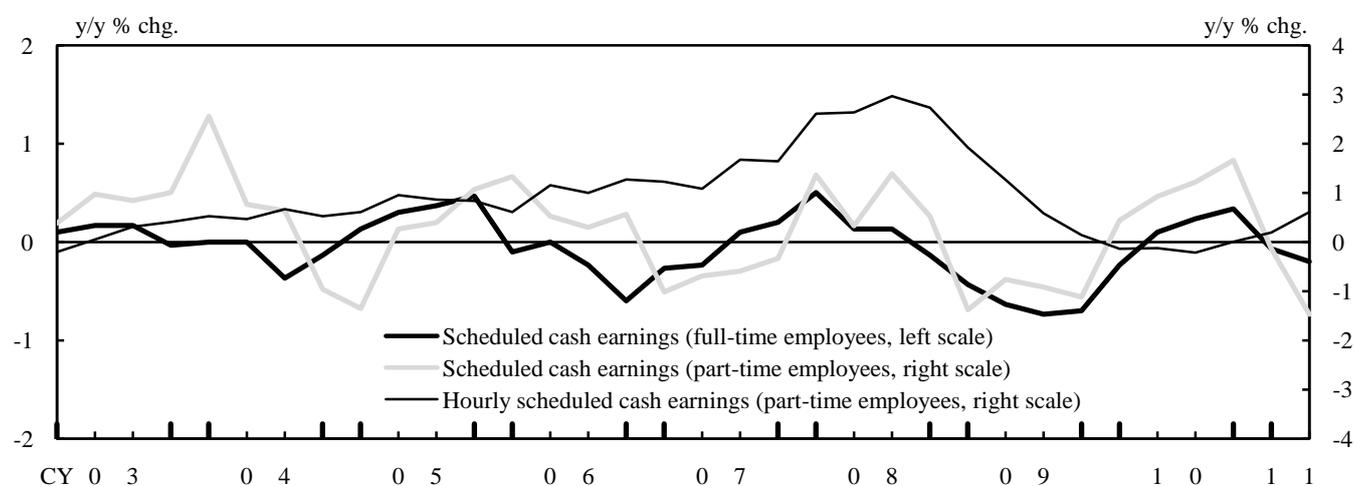
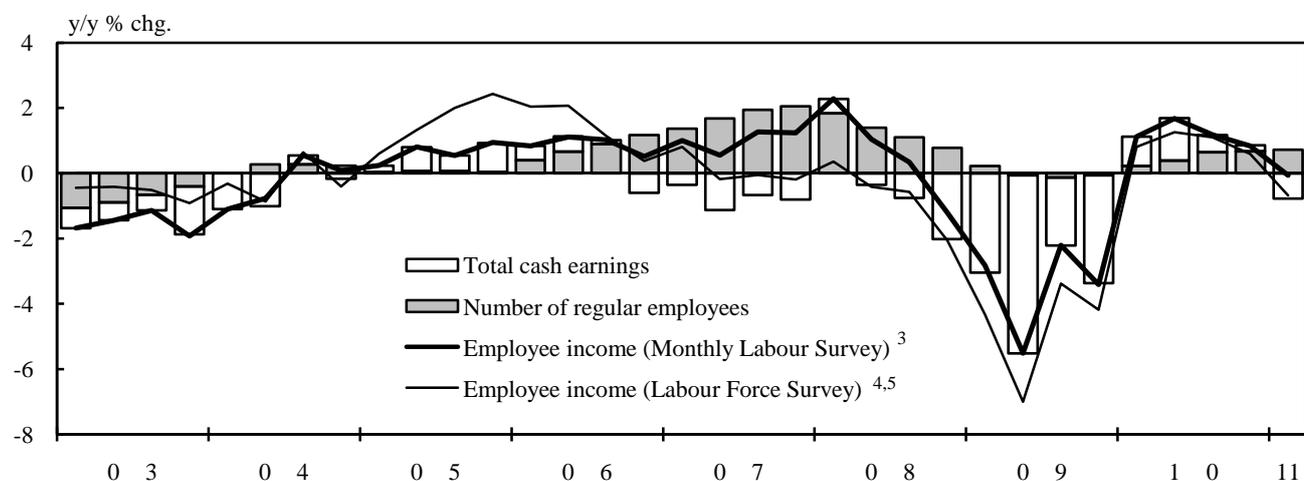
(3) Non Scheduled Hours Worked<sup>1</sup>



- Notes: 1. Data are for establishments with at least five employees.  
 2. Figures from 2011/Q1 are based on data which exclude Iwate, Miyagi, and Fukushima prefectures.  
 3. The ratio of part-time employees is calculated as the number of part-time employees divided by the number of regular employees times 100.  
 4. Figures for 2011/Q2 are those of April.

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</sup>(2) Scheduled Cash Earnings<sup>1,6</sup>(3) Breakdown of Employee Income<sup>1,2</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.

Figures for 2011/Q1 are March-April averages.

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

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

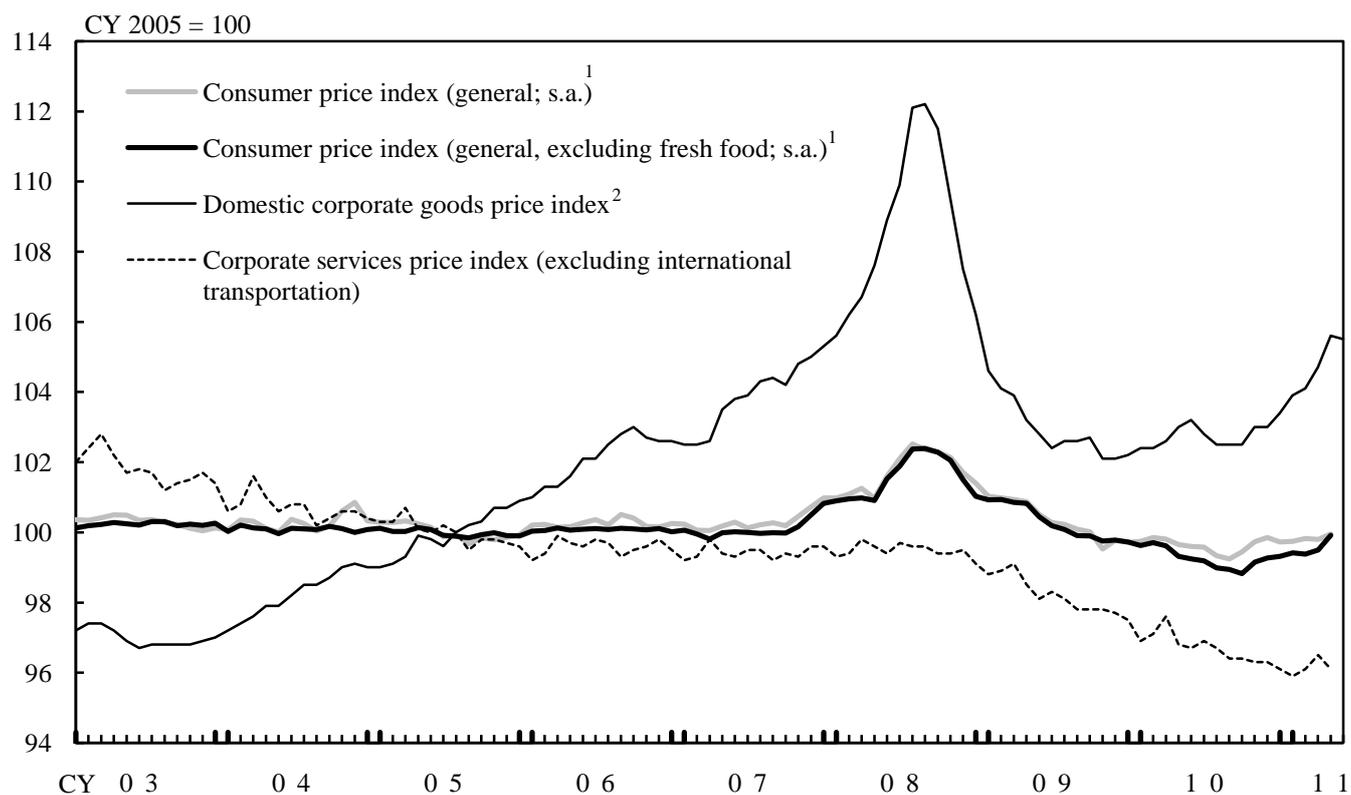
5. Figures from 2011/Q1 are based on data which exclude Iwate, Miyagi, and Fukushima prefectures.

6. Figures for 2011/Q2 are those of April.

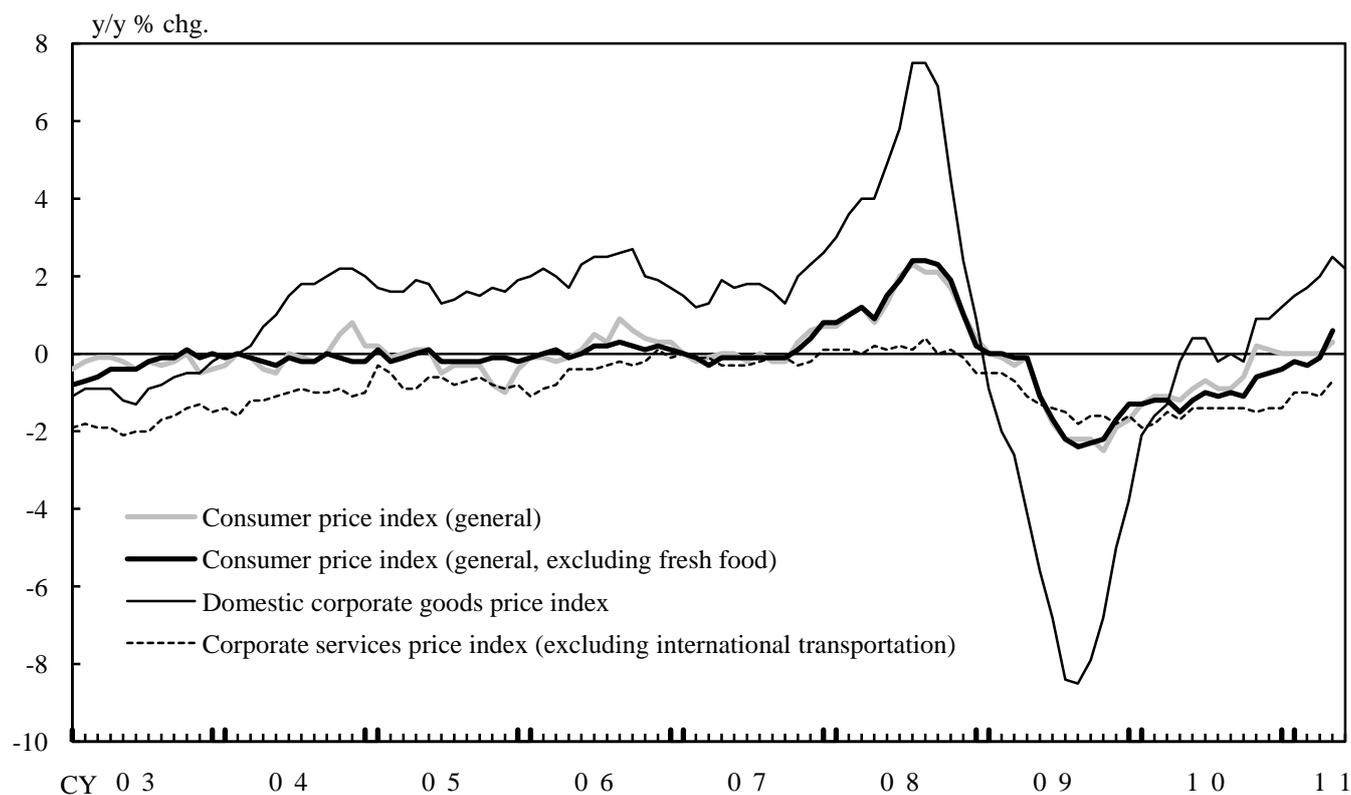
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";  
Ministry of Internal Affairs and Communications, "Labour Force Survey."

## Prices

## (1) Level



## (2) Changes from a Year Earlier



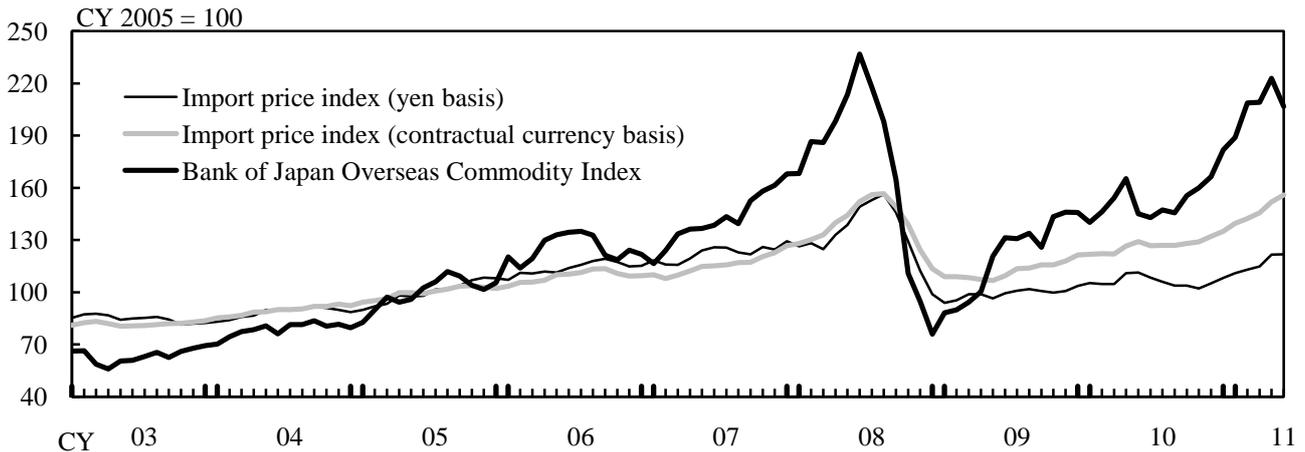
Notes: 1. Seasonally adjusted by X-12-ARIMA.

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

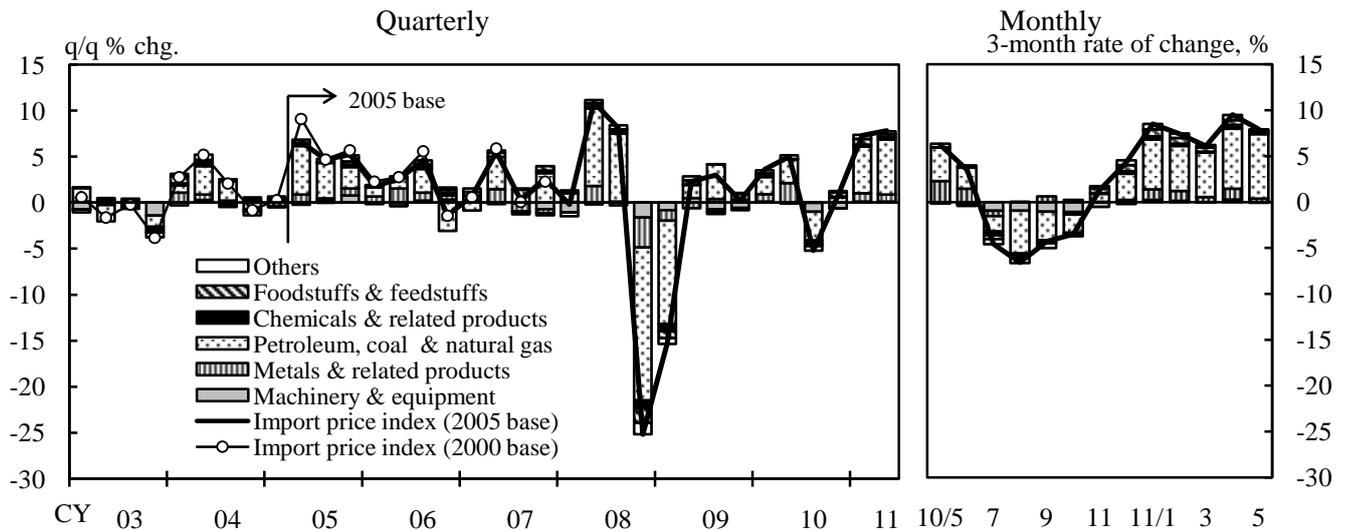
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index."

Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



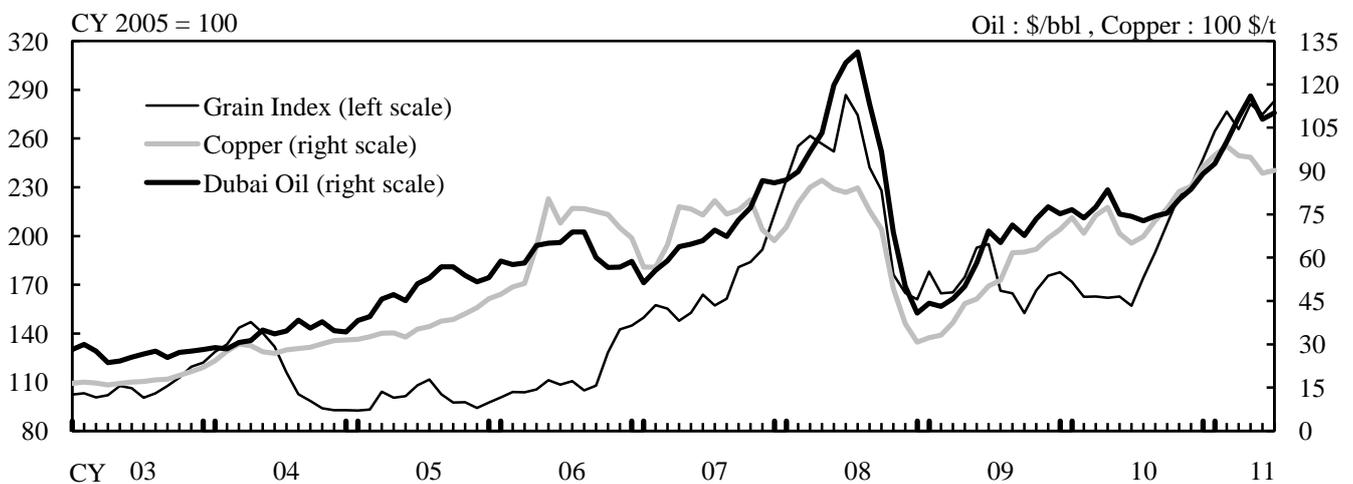
(2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



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

2. Figures for 2011/Q2 are April-May averages. Figures for 2007/Q4 on the 2000 base are those of October.

(3) International Commodity Prices



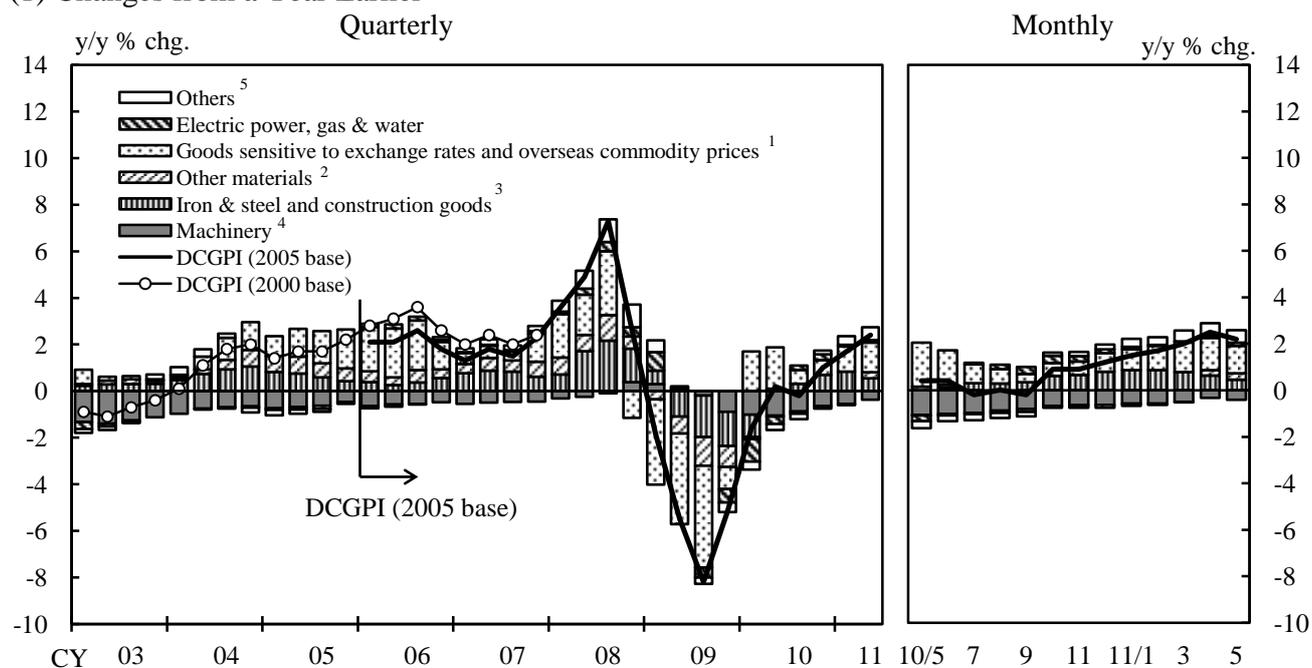
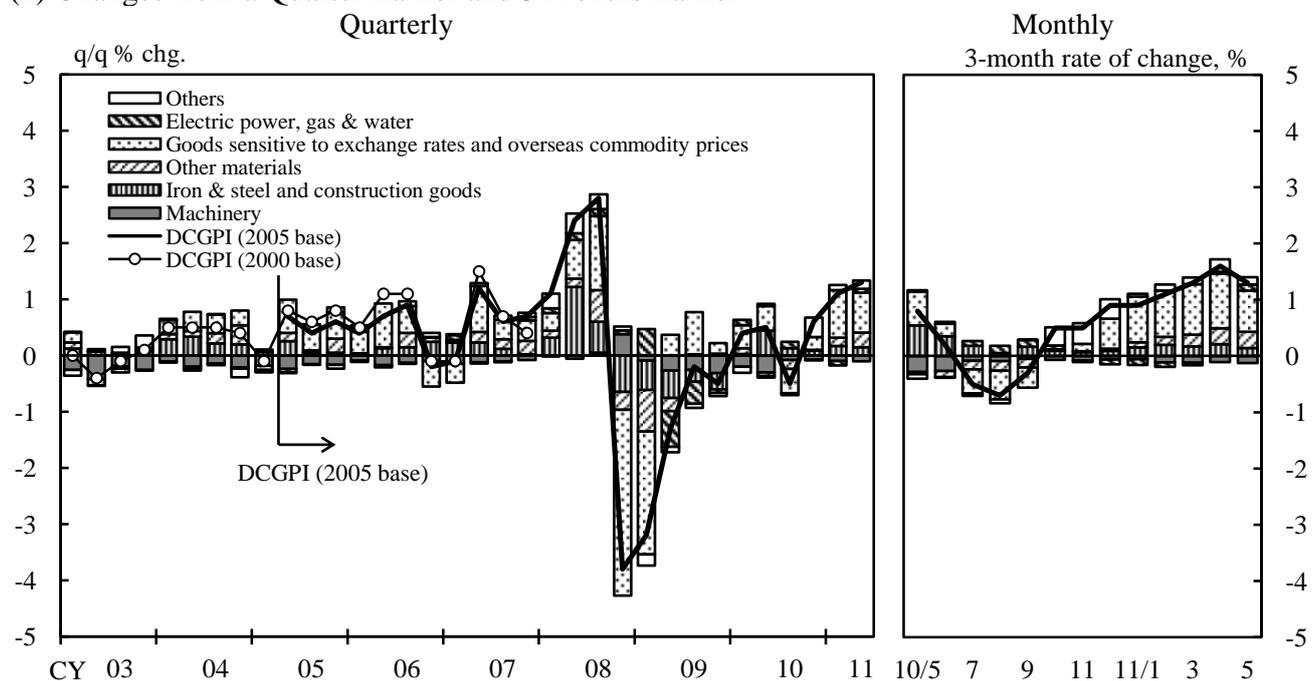
Notes: 1. The "grain index" is the weighted average of prices of three selected items (wheat, soybeans, and corn) in overseas commodity markets. The weights are based on the value of imports in the "Trade Statistics."

2. Monthly averages. Figures for June 2011 are averages up to June 13.

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 and nonferrous metals.

2. Other materials: chemicals & related products, plastic products, textile products, and pulp, paper & related products.

3. Iron & steel and construction goods: iron & steel, metal products, ceramics, stone & clay products, lumber & wood products, and scrap & waste.

4. Machinery: electrical machinery & equipment, information & communications equipment, electronic components & devices, general machinery & equipment, transportation equipment, and precision instruments.

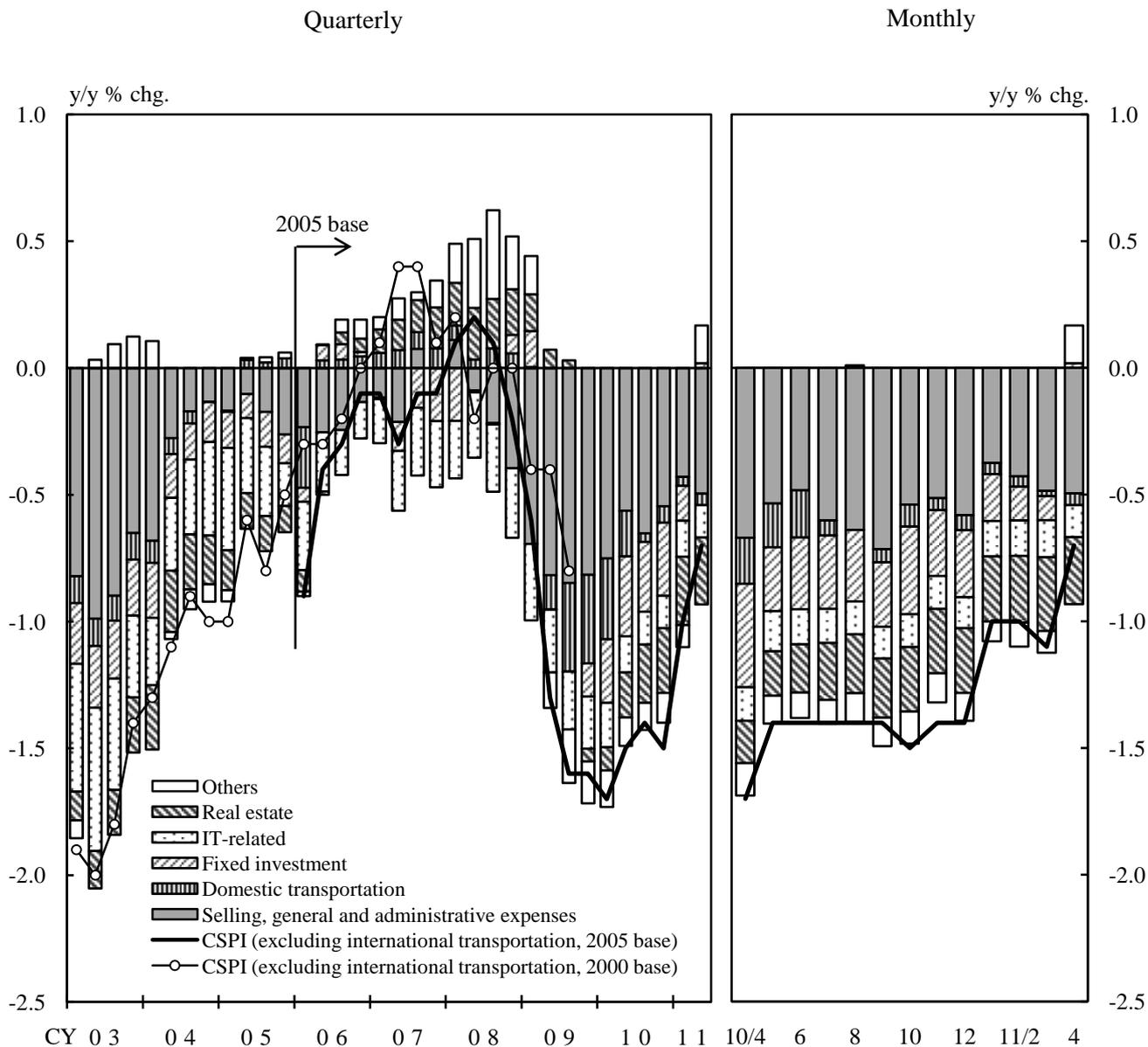
5. Others: processed foodstuffs, other manufacturing industry products, agriculture, forestry & fishery products, and minerals.

6. Adjusted to exclude a hike in electric power charges during the summer season from July to September. This adjustment makes the "Domestic Corporate Goods Price Index" fall by about 0.2%.

7. Figures for 2011/Q2 are April-May averages. Figures for 2007/Q4 on the 2000 base are those of October.

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

Corporate Services Price Index

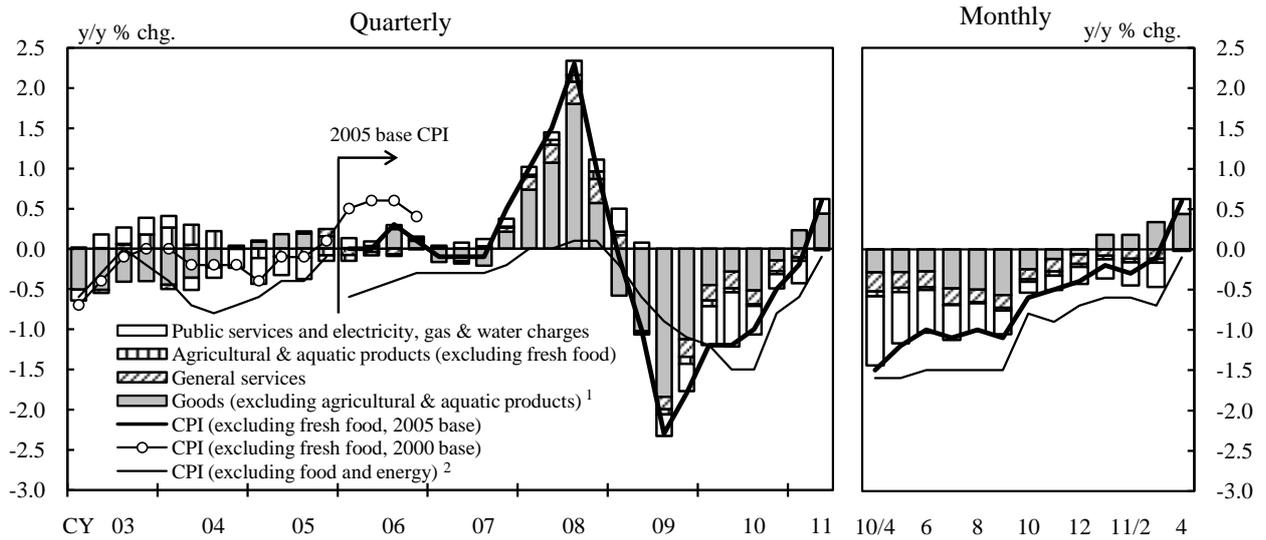


- Notes: 1. Selling, general and administrative expenses: information and communications (excluding newspapers and publishing), advertising services, other services (excluding plant engineering, and civil engineering and architectural services).  
 2. Domestic transportation: transportation (excluding international transportation, railroad passenger transportation, road passenger transportation, water passenger transportation, and domestic air passenger transportation).  
 3. Fixed investment: leasing and rental (excluding leasing of computer and related equipment and computer rental), and civil engineering and architectural services.  
 4. IT-related: leasing of computer and related equipment, and computer rental.  
 5. Real estate: real estate services.  
 6. Others: finance and insurance, railroad passenger transportation, road passenger transportation, water passenger transportation, domestic air passenger transportation, newspapers and publishing, and plant engineering.  
 7. Figures for 2011/Q2 are those of April. Figures for 2009/Q3 on the 2000 base are July-August averages.

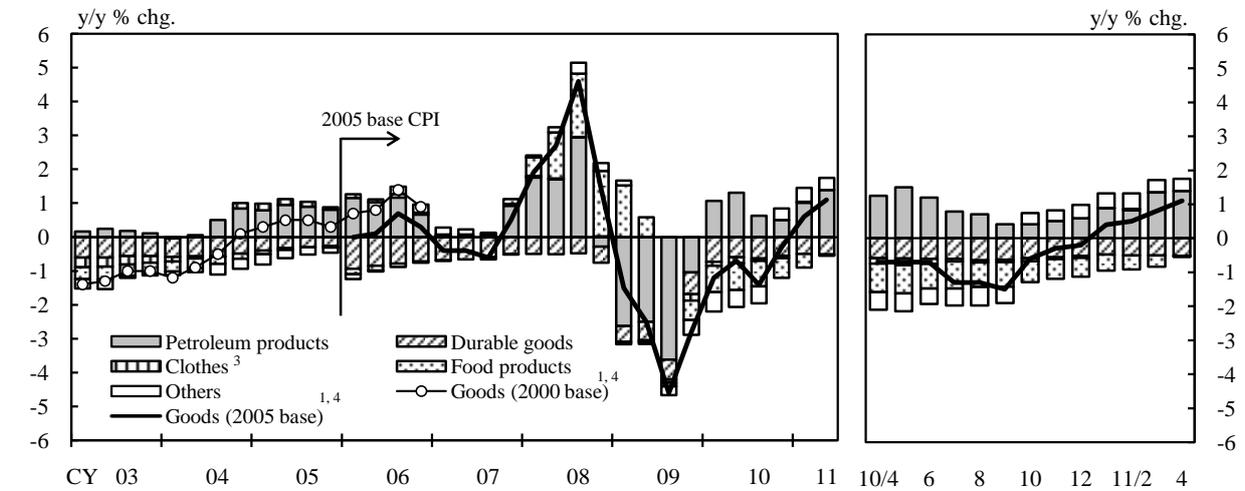
Source: Bank of Japan, "Corporate Services Price Index."

Consumer Price Index (Excluding Fresh Food)

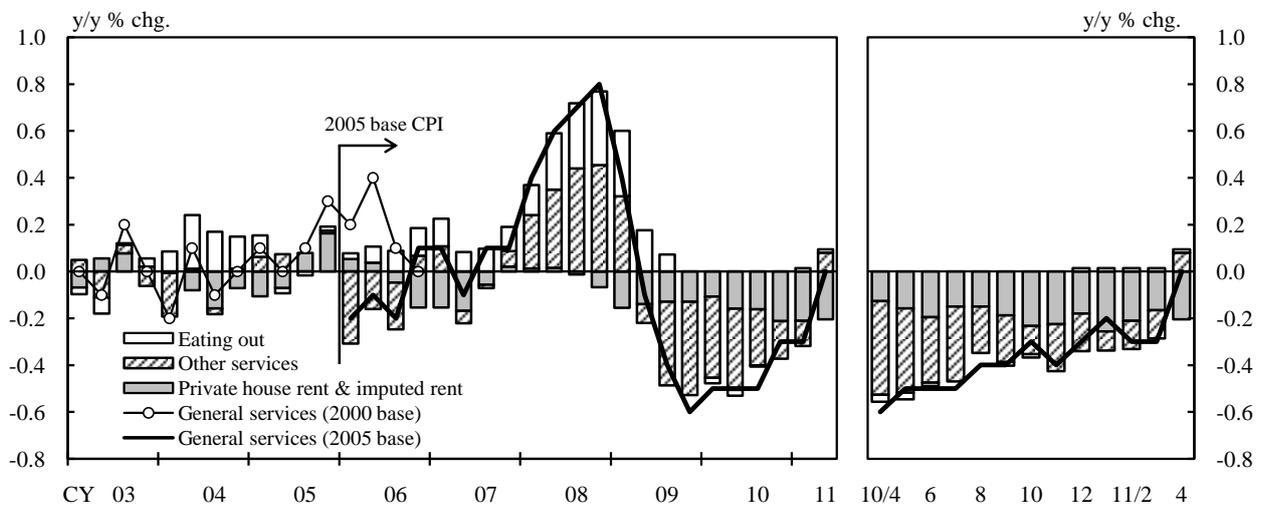
(1) Consumer Price Index (Excluding Fresh Food)



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



(3) General Services



Notes:1. The items are basically the same as those defined 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.

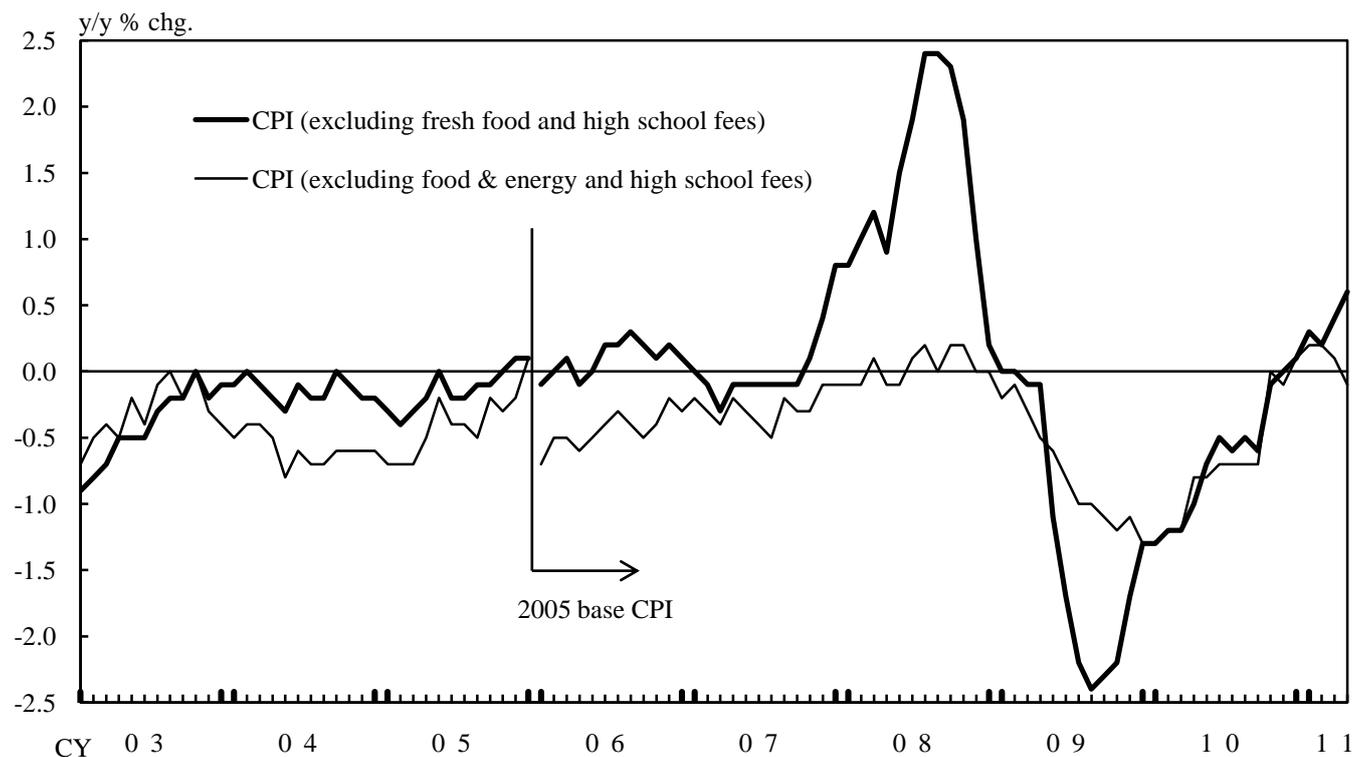
4. Excluding agricultural & aquatic products.

5. Figures for 2011/Q2 are those of April.

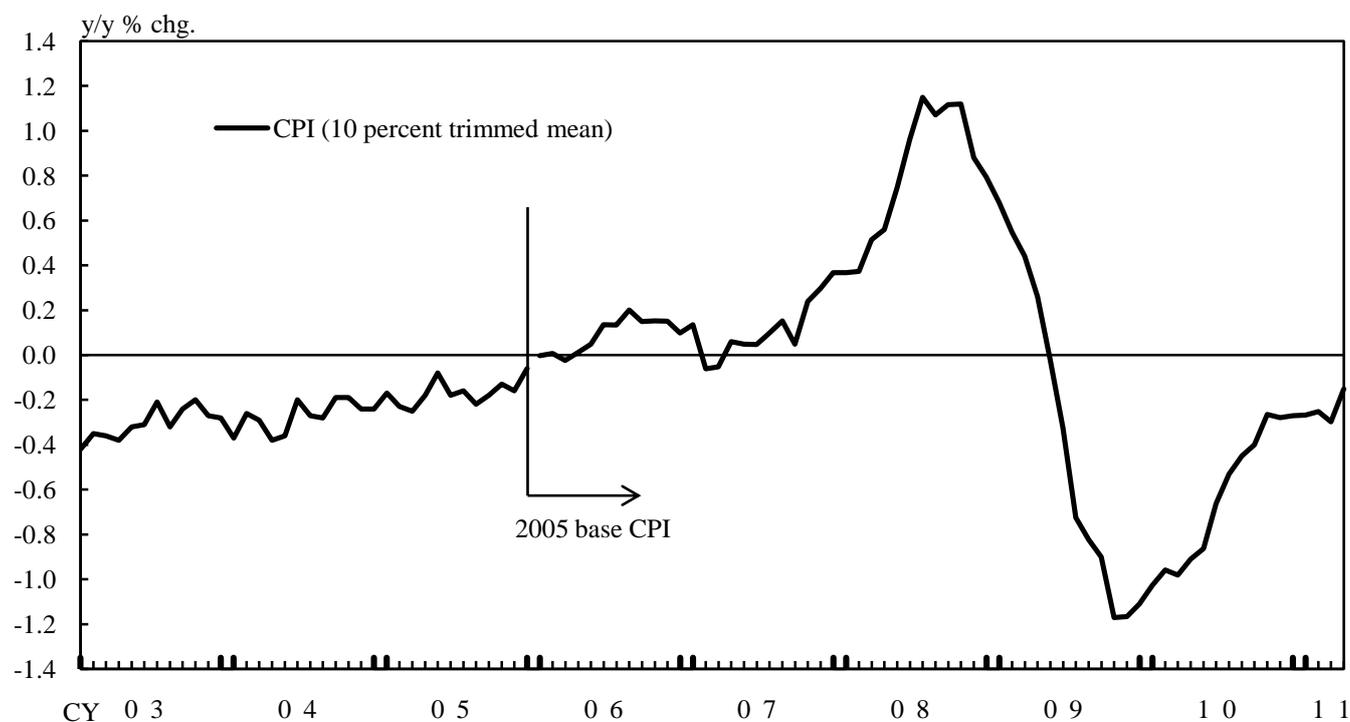
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

## 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.

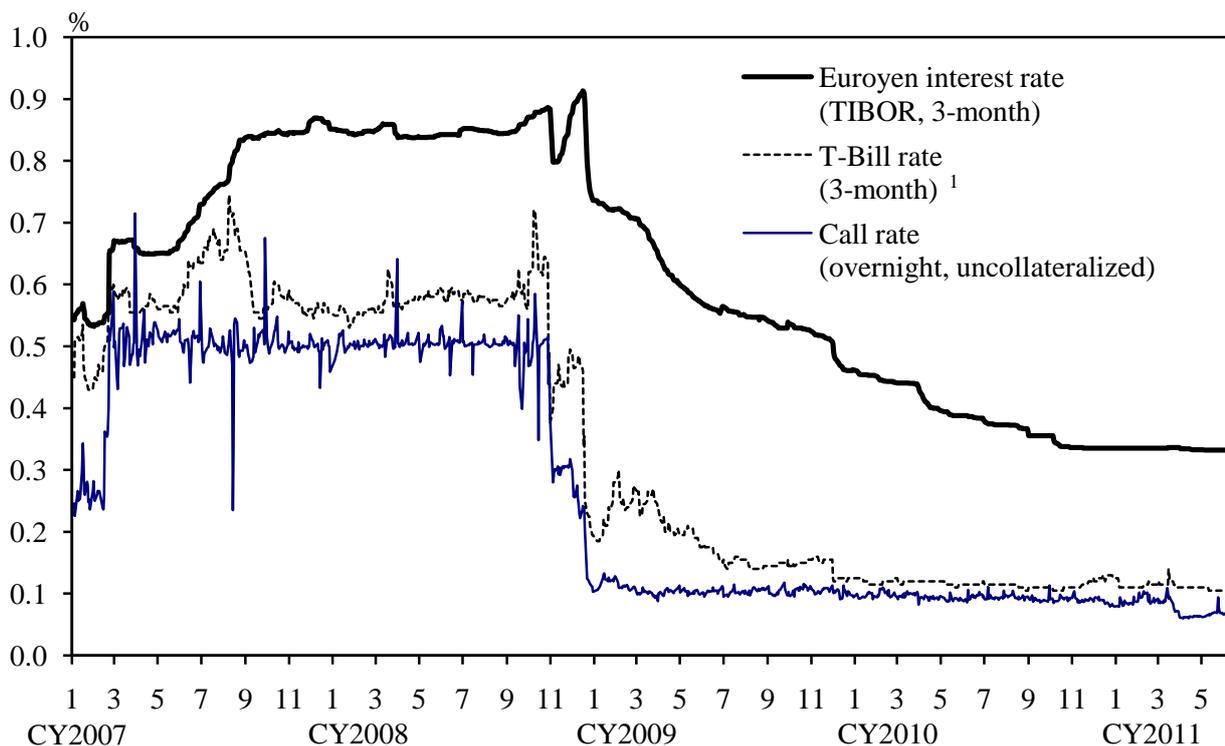
2. High school fees: high school fees (public) and high school fees (private).

3. Figures for the 10 percent trimmed mean are weighted averages of items; these items are obtained by rearranging year-on-year rates of price change in ascending order and then excluding (trimming) items in both the upper and lower 10 percent tails by weight.

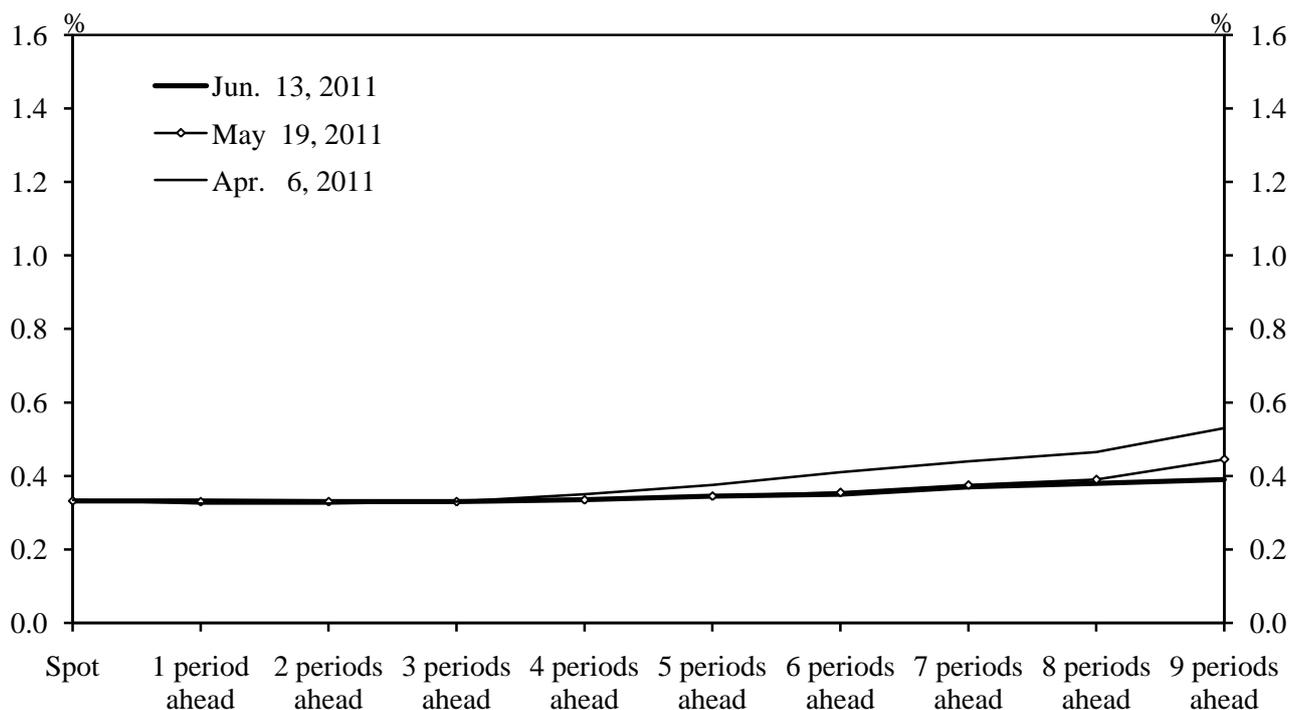
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Short-Term Interest Rates

(1) Short-Term Interest Rates



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



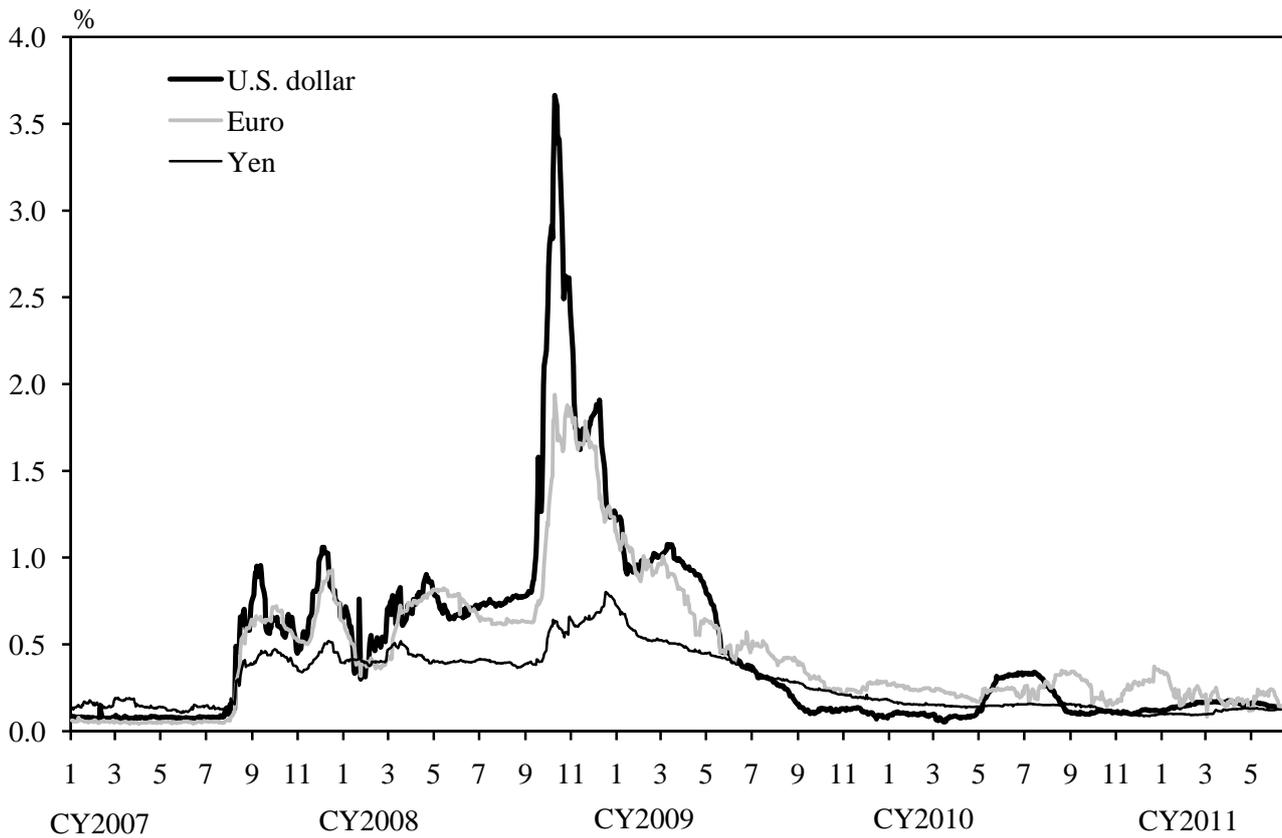
Notes: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.

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

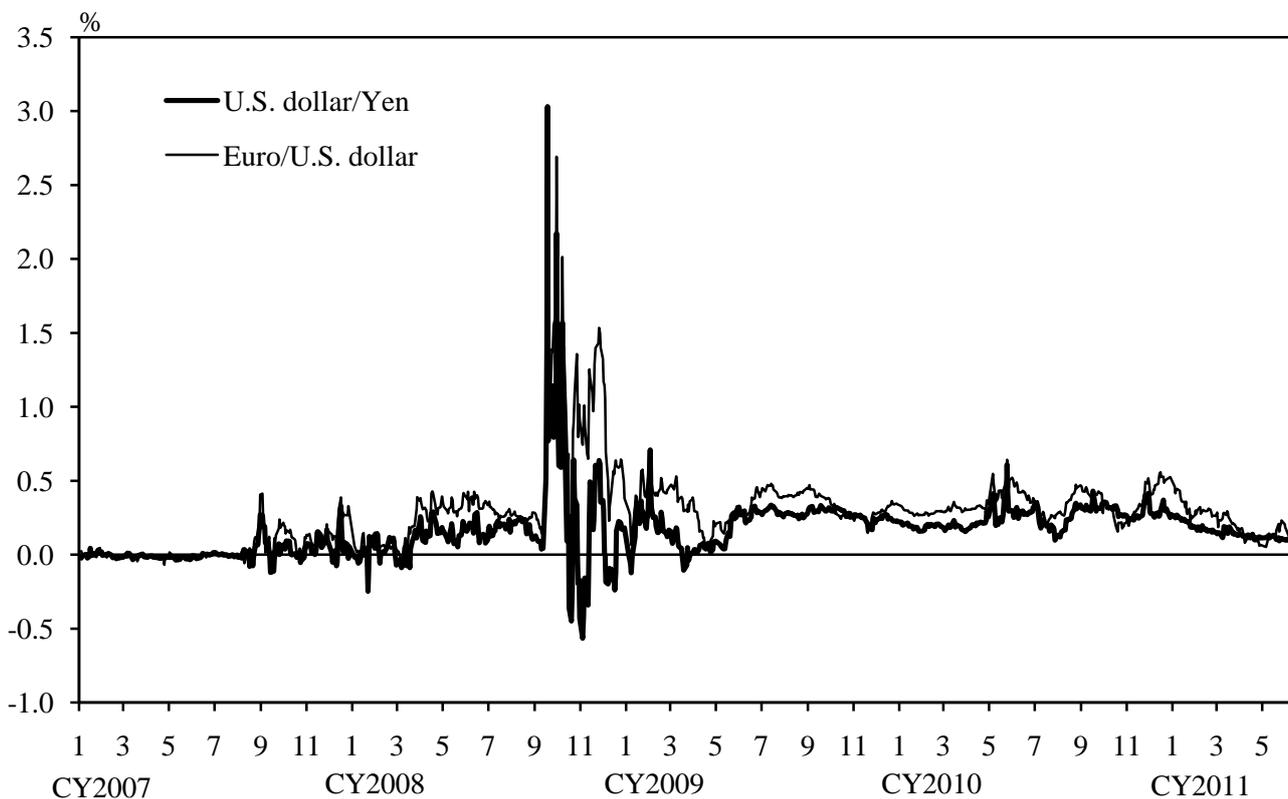
Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.; Tokyo Financial Exchange; Bank of Japan.

Global Money Markets

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



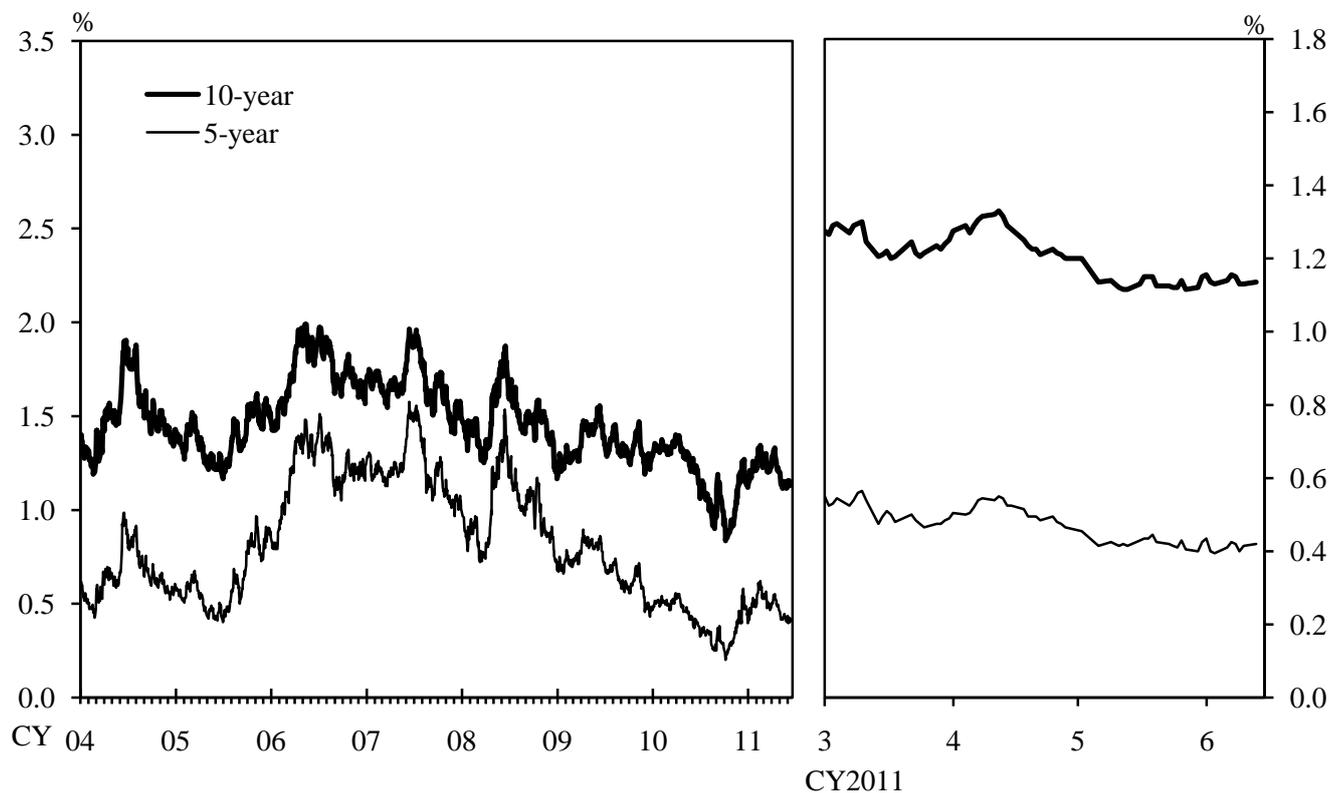
(2) FX swap implied dollar rate - LIBOR spreads (3-Month)



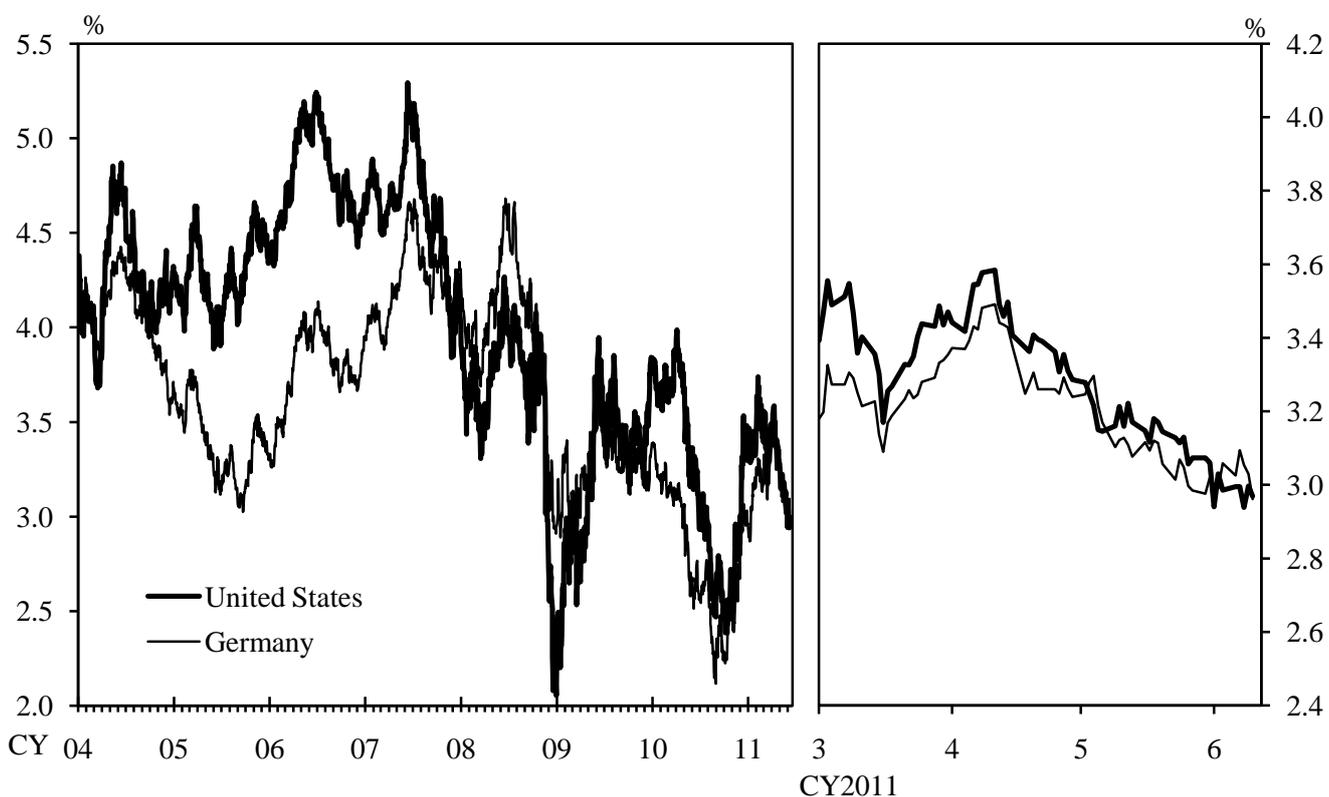
Source: Bloomberg.

Long-Term Interest Rates

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



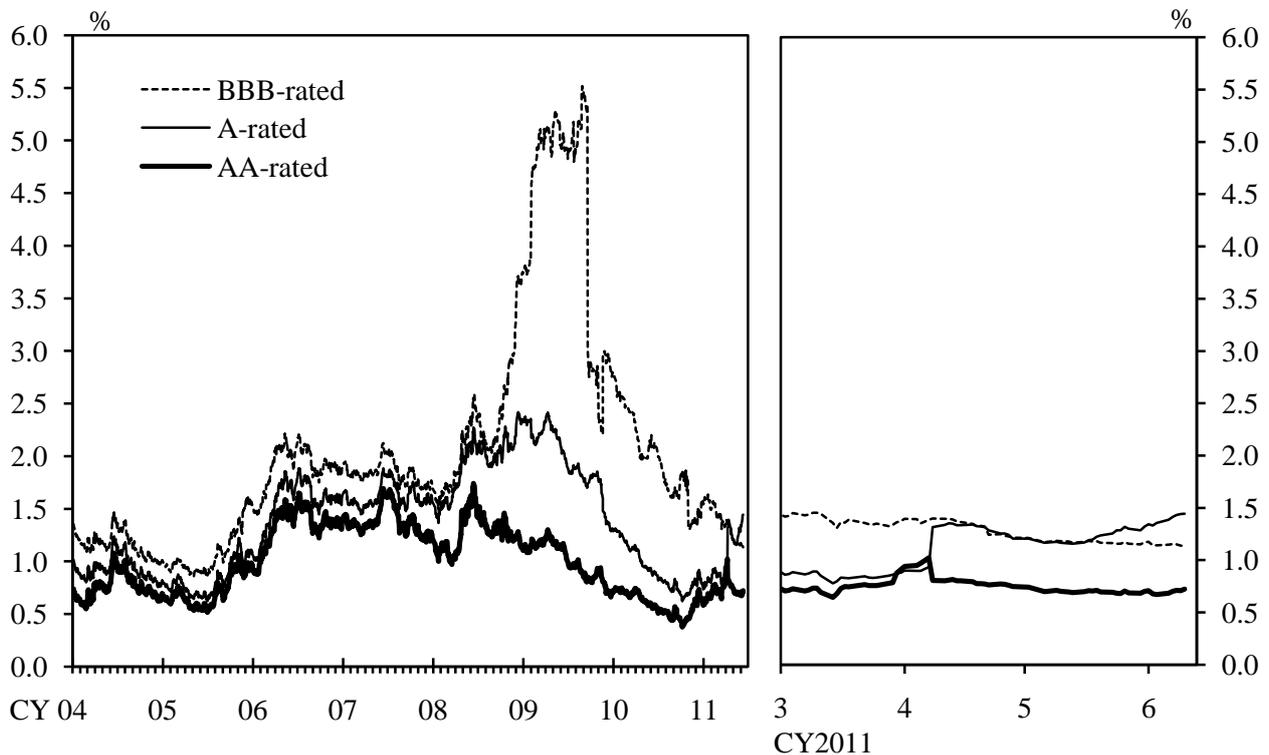
(2) Overseas Government Bond Yields (10-Year)



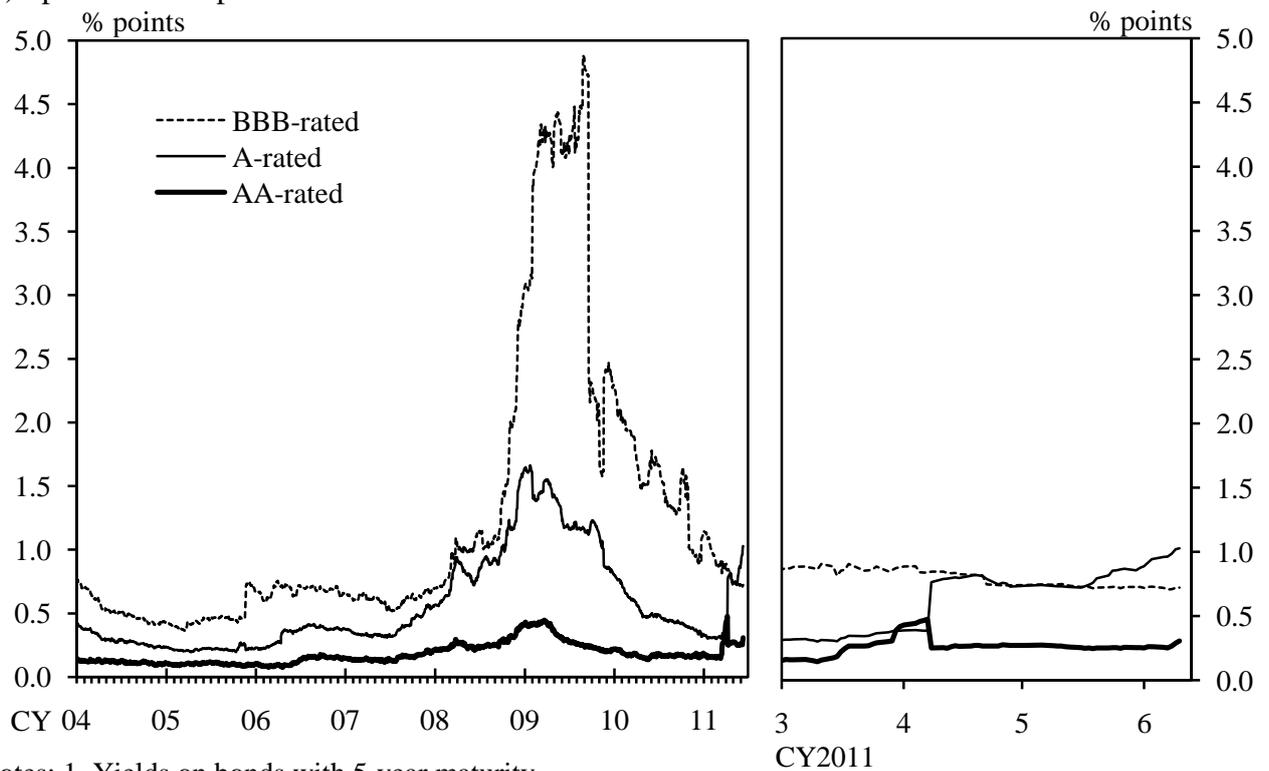
Note: 1. Yields on newly issued bonds.  
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

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.

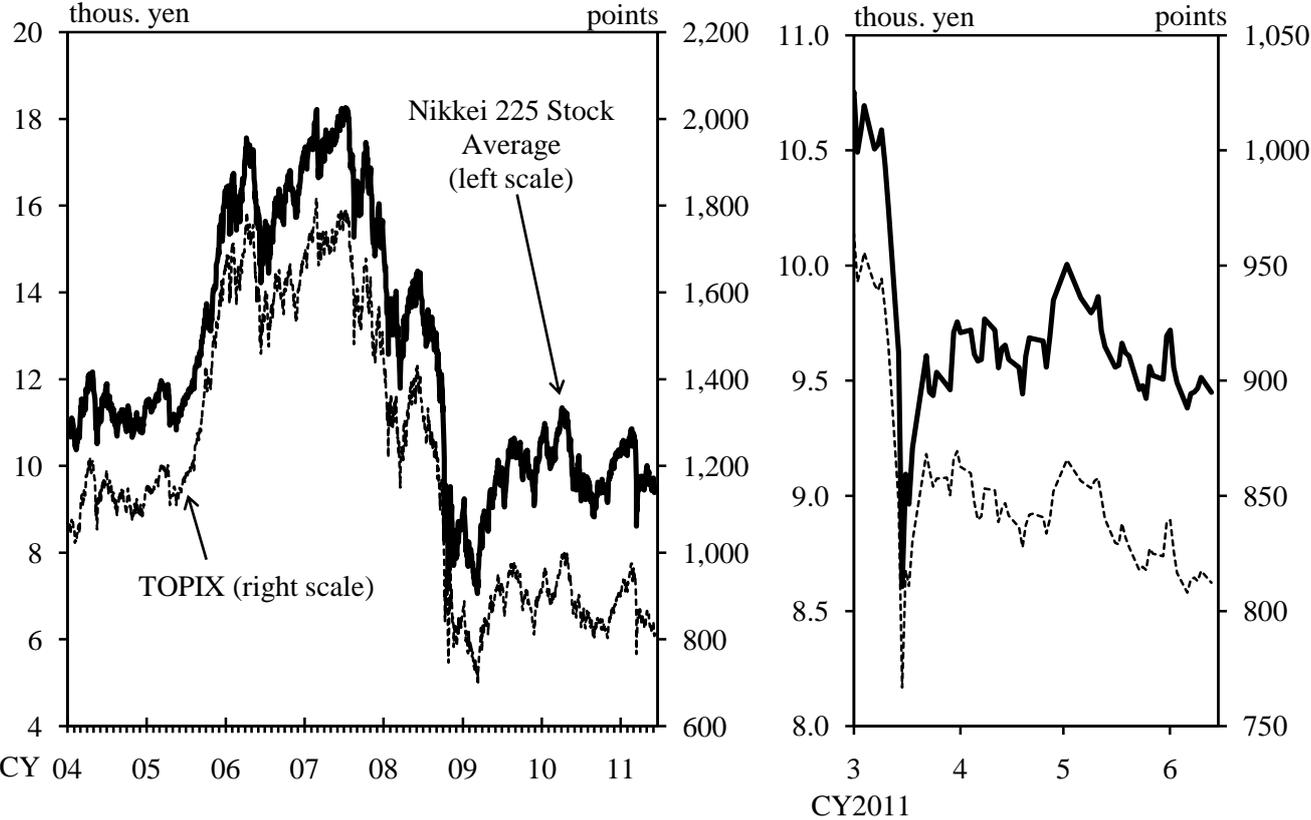
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.

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

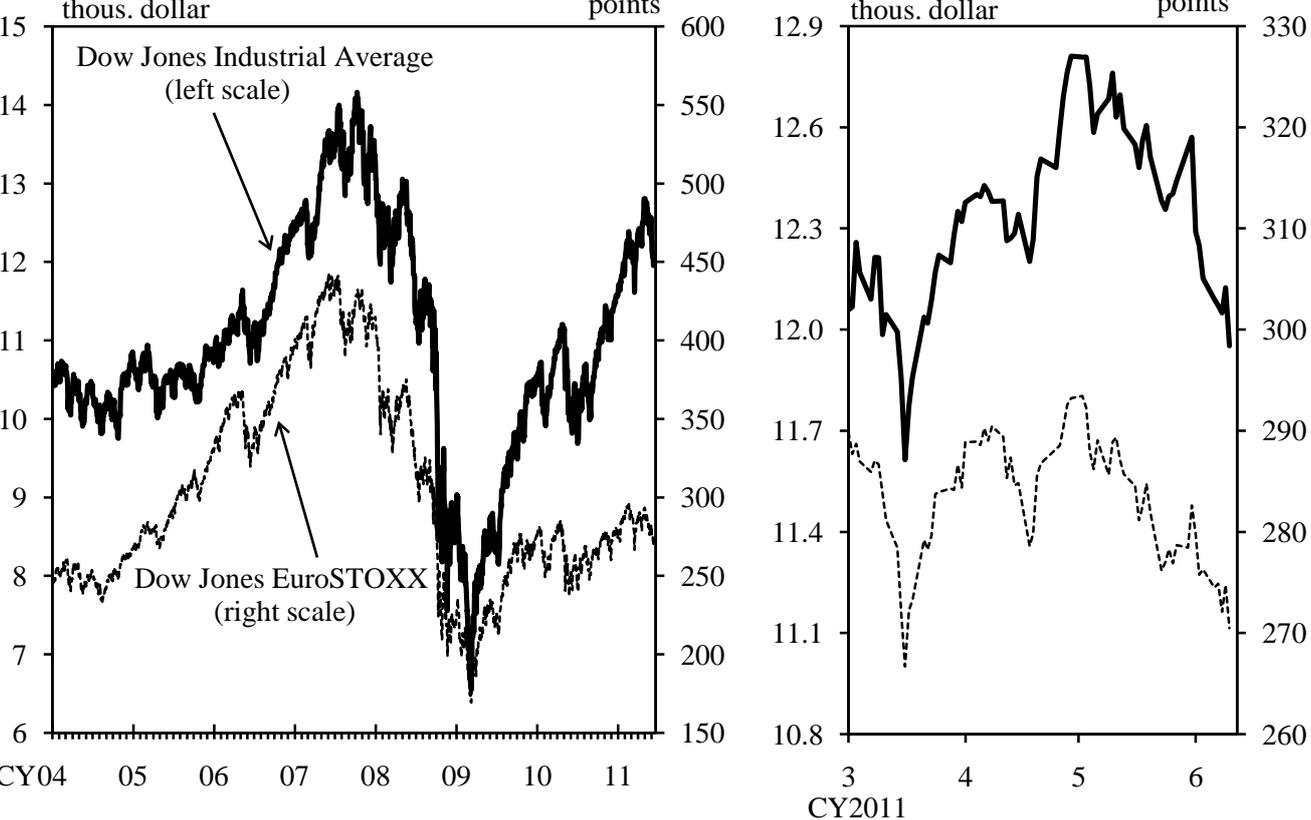
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Japanese Stock Prices



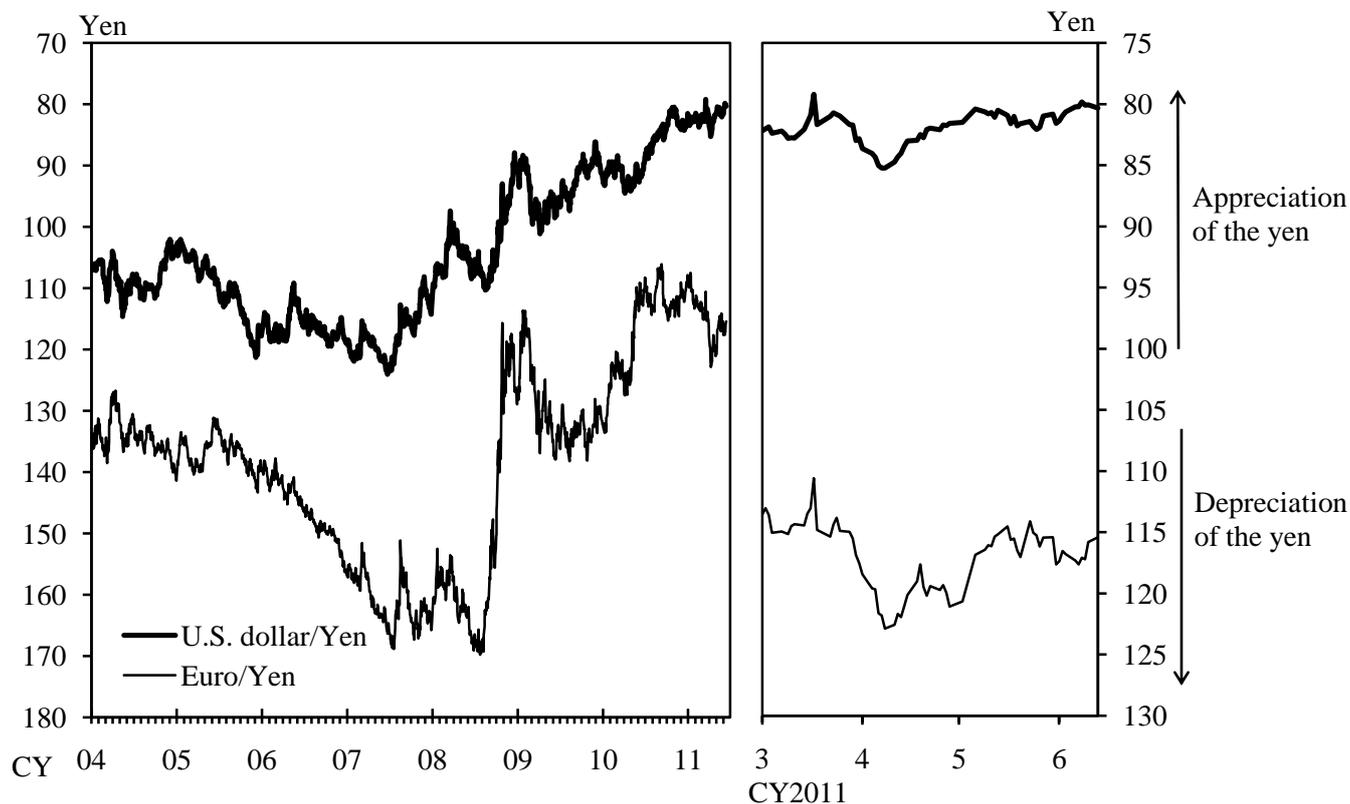
(2) Overseas Stock Prices



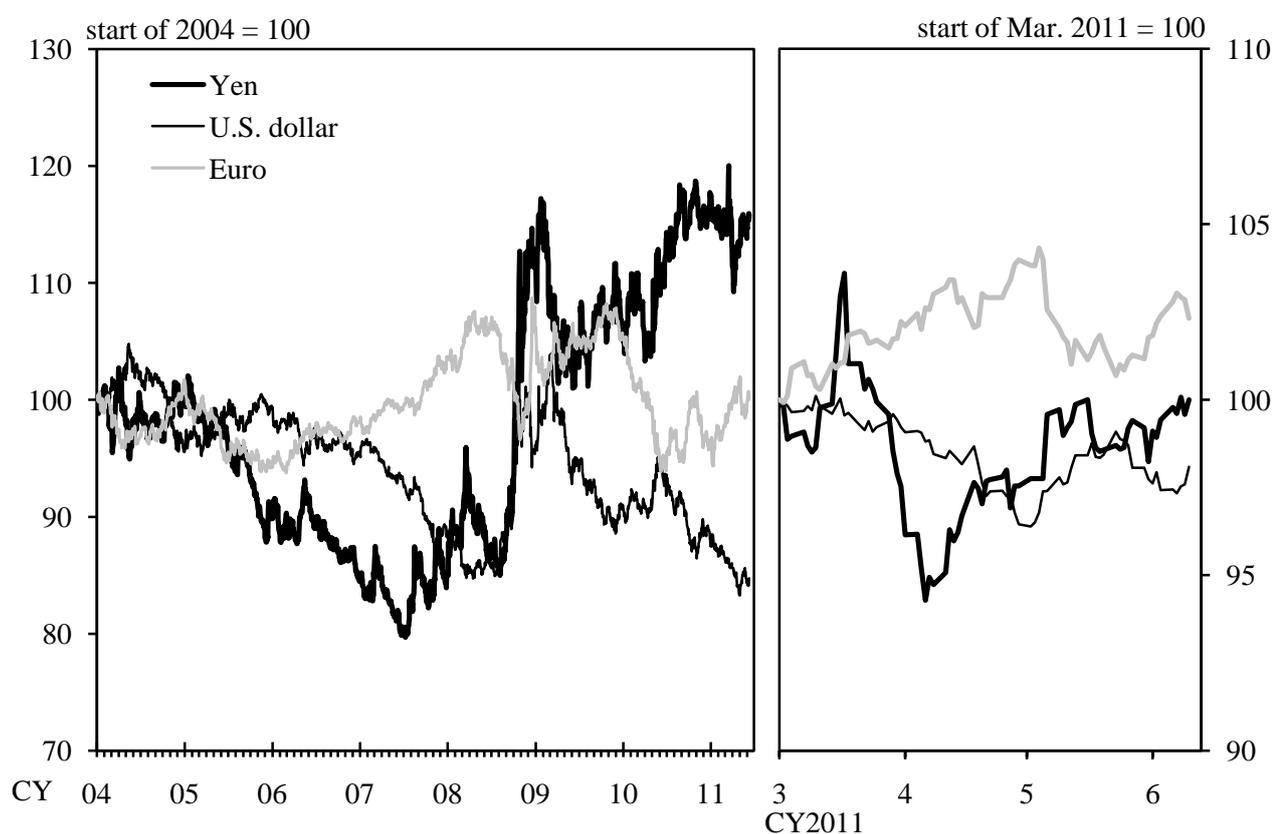
Sources: The *Nihon Keizai Shimbun* ; Tokyo Stock Exchange; Bloomberg.

Exchange Rates

(1) Bilateral Exchange Rates



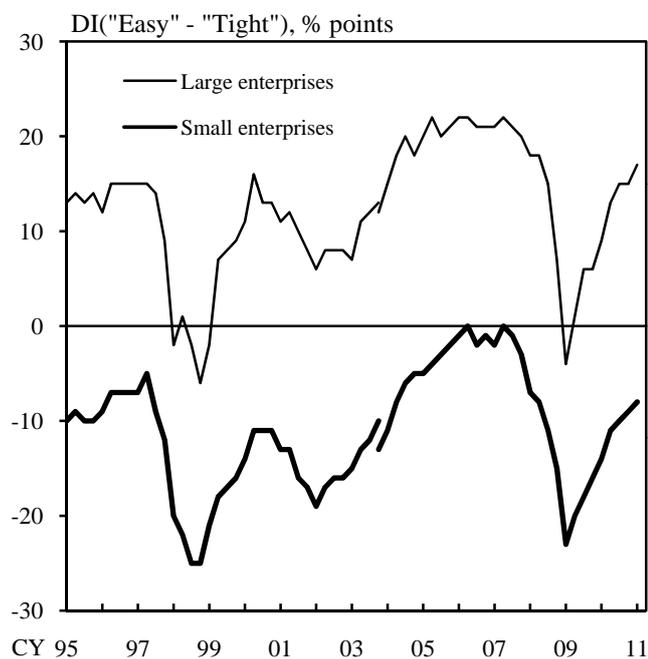
(2) Nominal Effective Exchange Rates



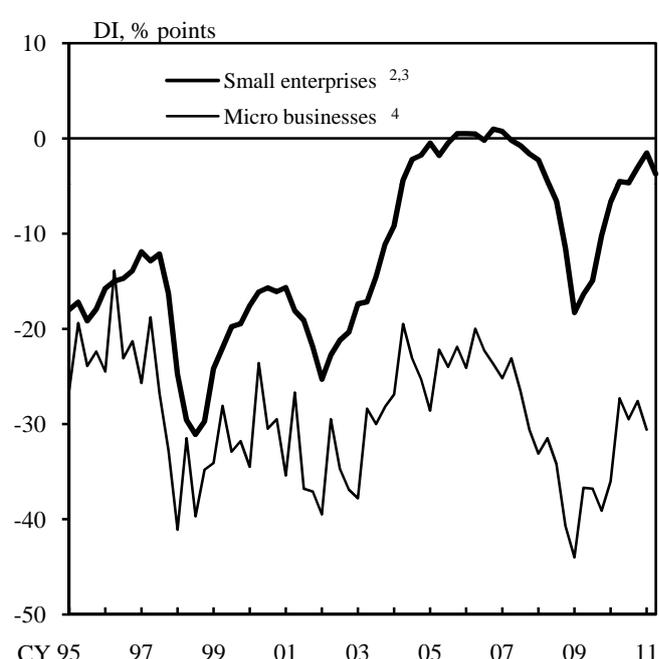
Sources: Bank of Japan; European Central Bank; Bloomberg.

## Corporate Finance-Related Indicators

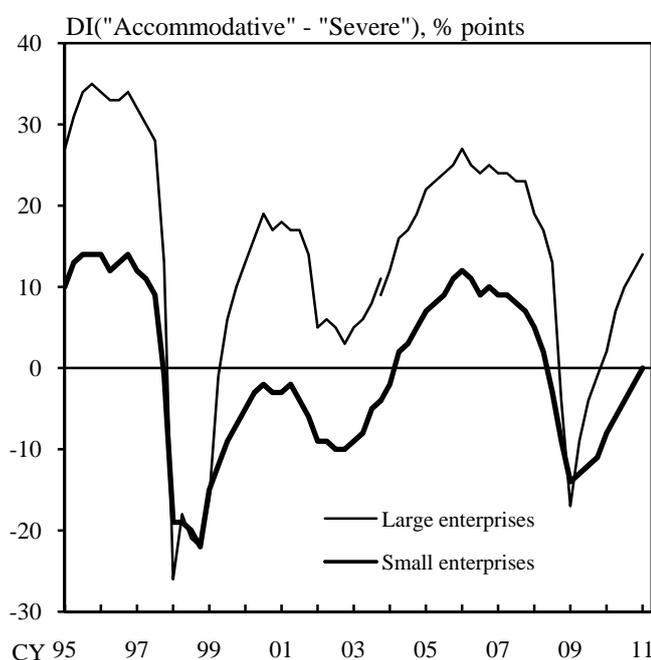
## (1) Financial Position

<Tankan<sup>1</sup>>

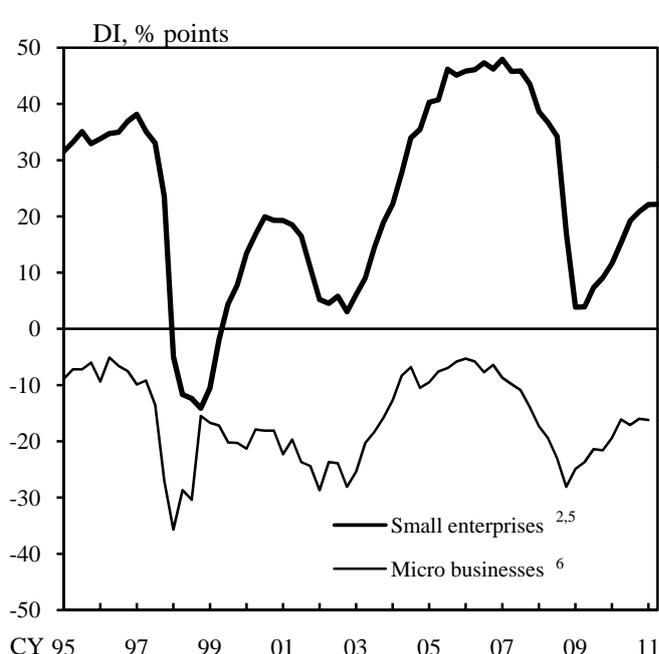
&lt;Japan Finance Corporation Survey&gt;



## (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 2011/Q2 are those of Apr.-May averages.

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

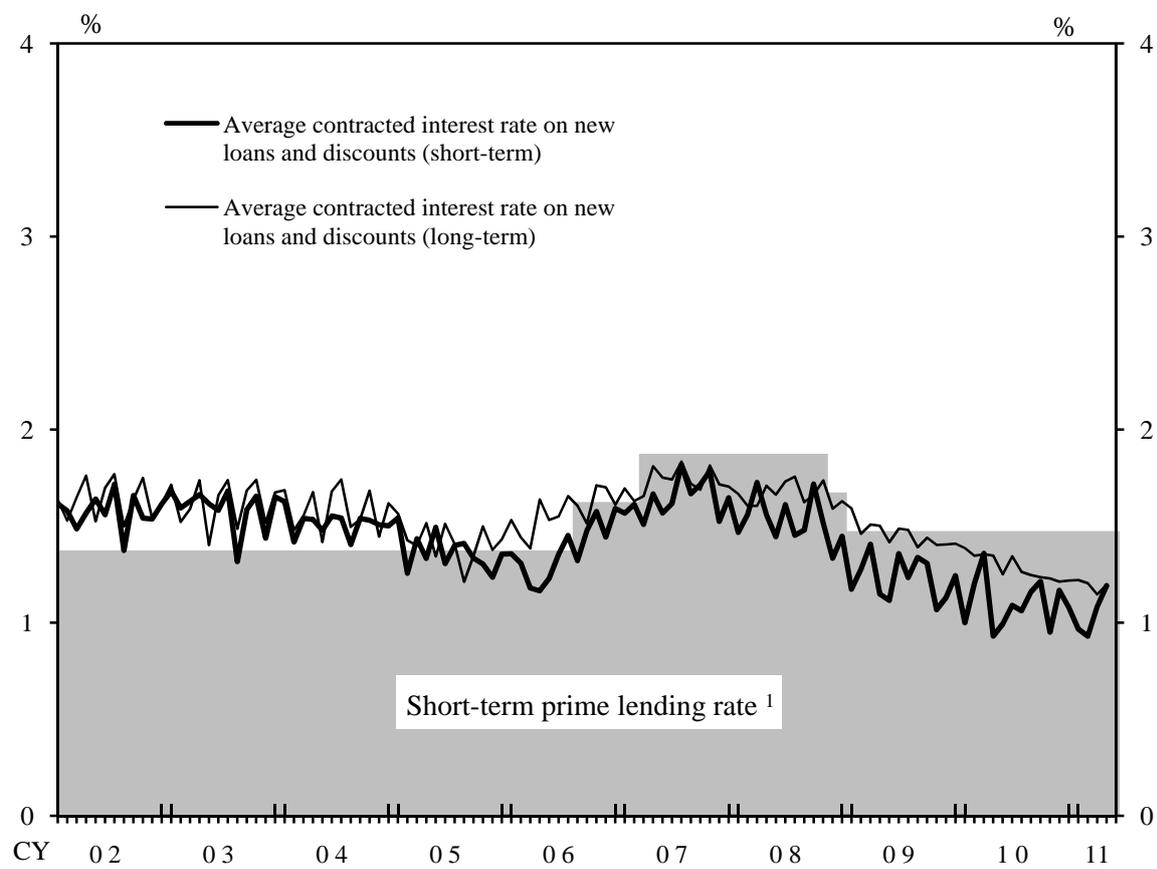
4. DI of "Easier" - "Tighter."

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

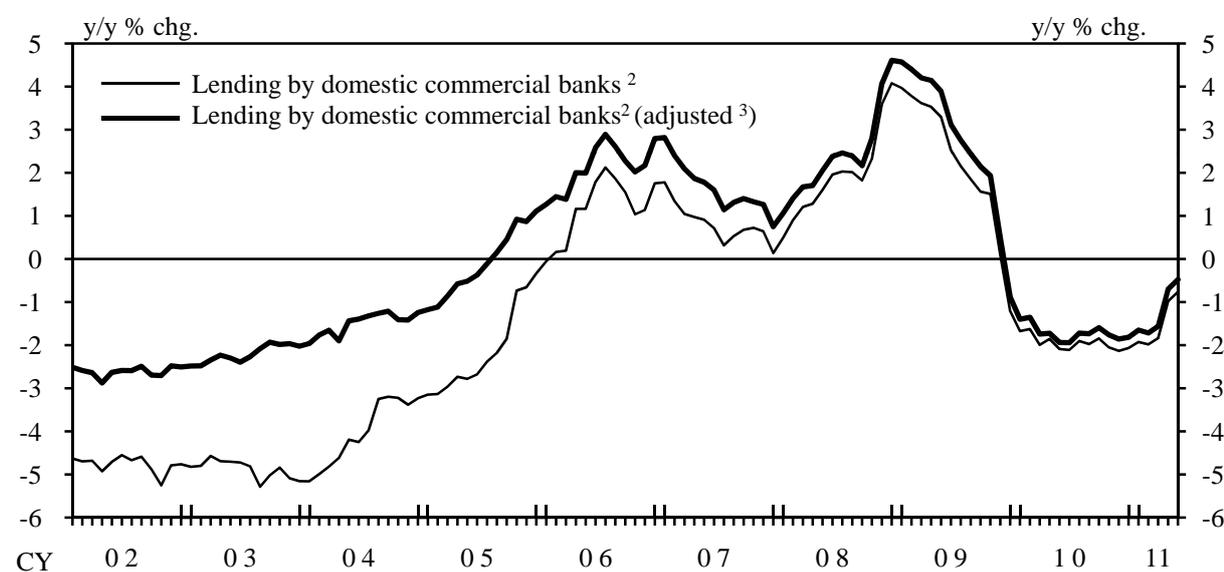


Note: 1. Data are at end of period.

Source: Bank of Japan.

## Lending by Financial Institutions

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



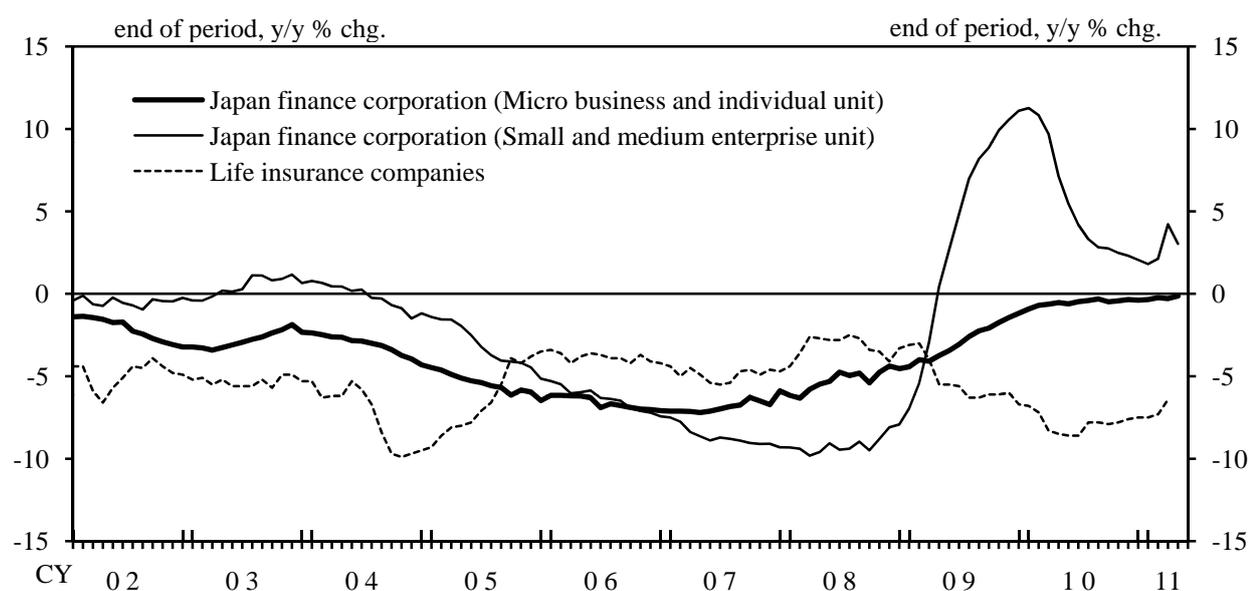
Notes: 1. Percent changes in average amounts outstanding from a year earlier.

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.

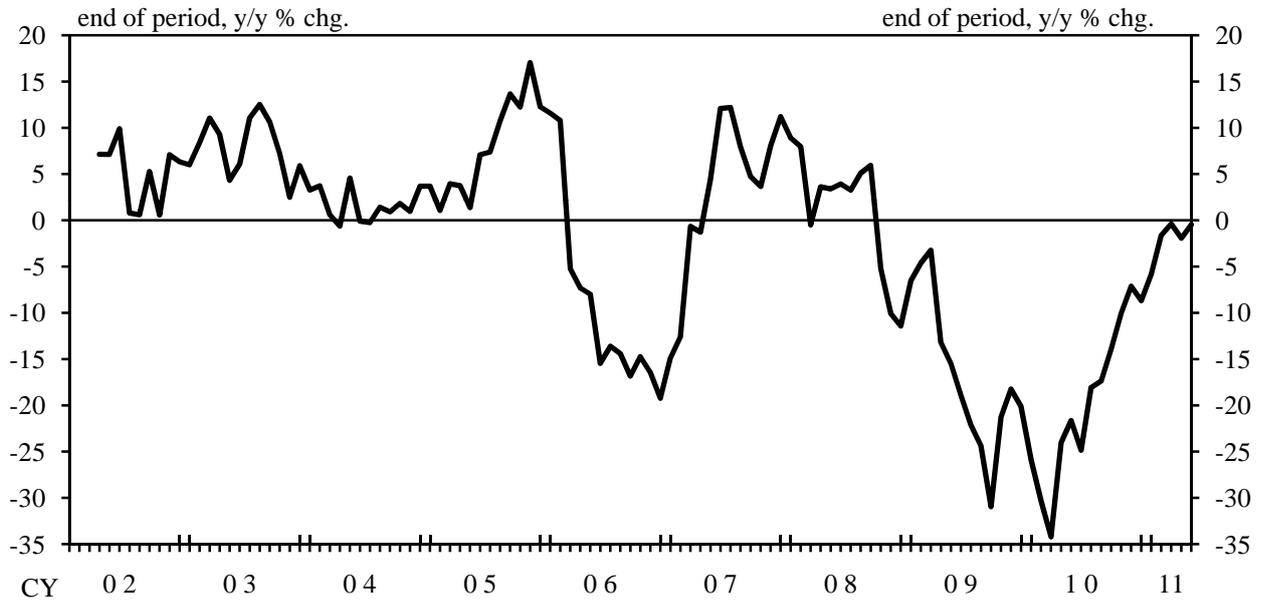
Sources: Bank of Japan; Japan Finance Corporation; The Life Insurance Association of Japan.

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 Private-Sector Fund-Raising in the Capital Markets
 

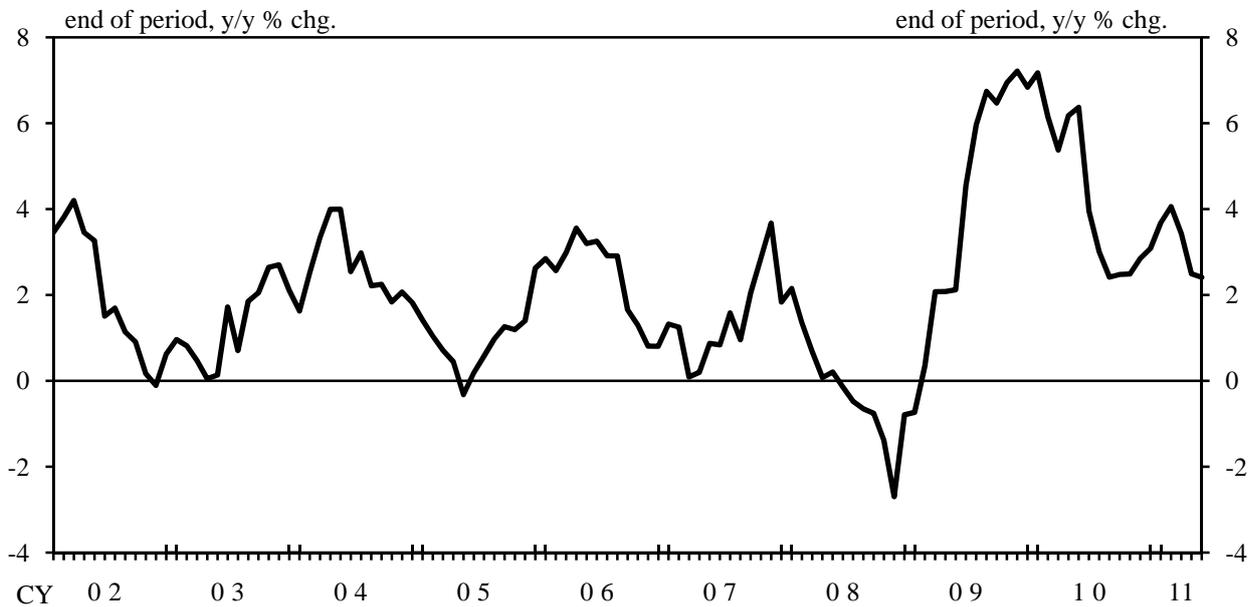
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## (1) Amount Outstanding of Commercial Paper



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

## (2) Amount Outstanding of Corporate Bonds



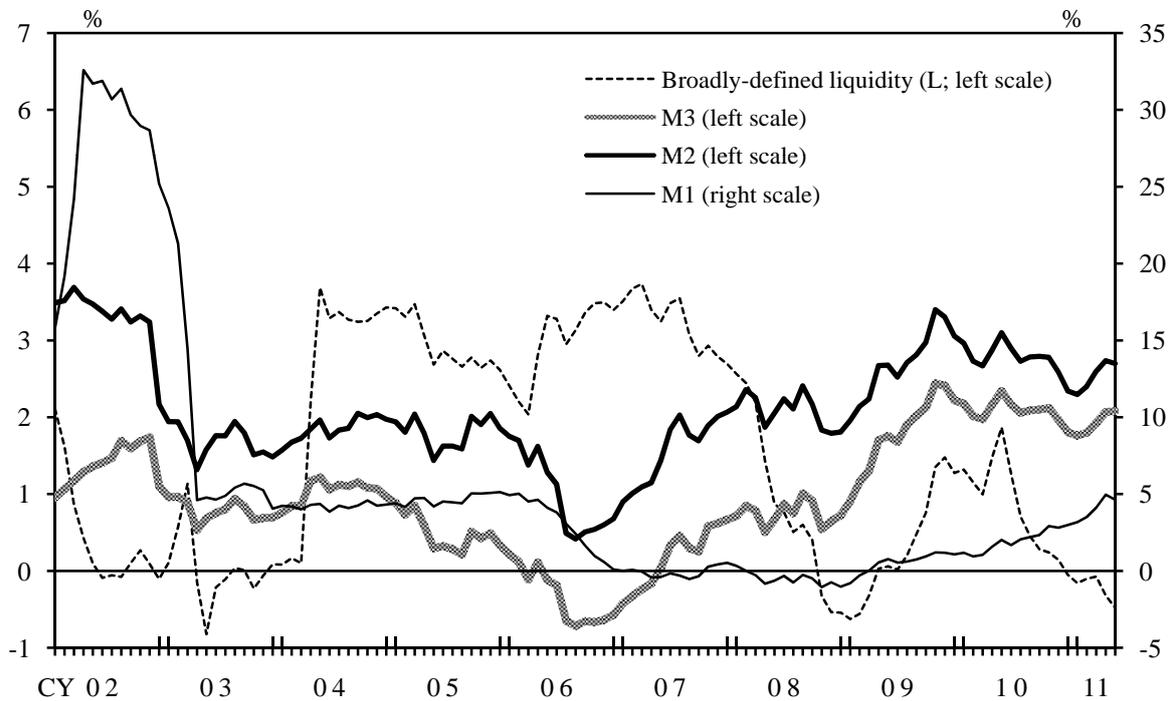
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

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

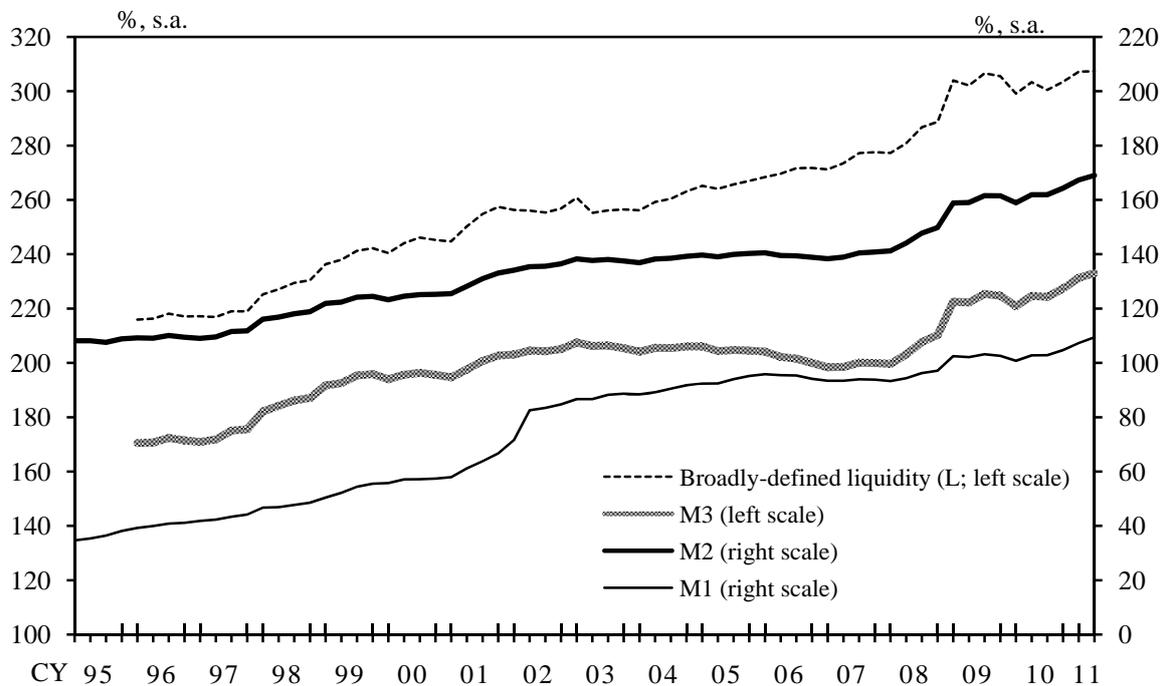
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category";  
 Bank of Japan, "Principal Figures of Financial Institutions";  
 Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts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

## Money Stock

## (1) Changes from a Year Earlier



## (2) Ratio of Money Stock to Nominal GDP

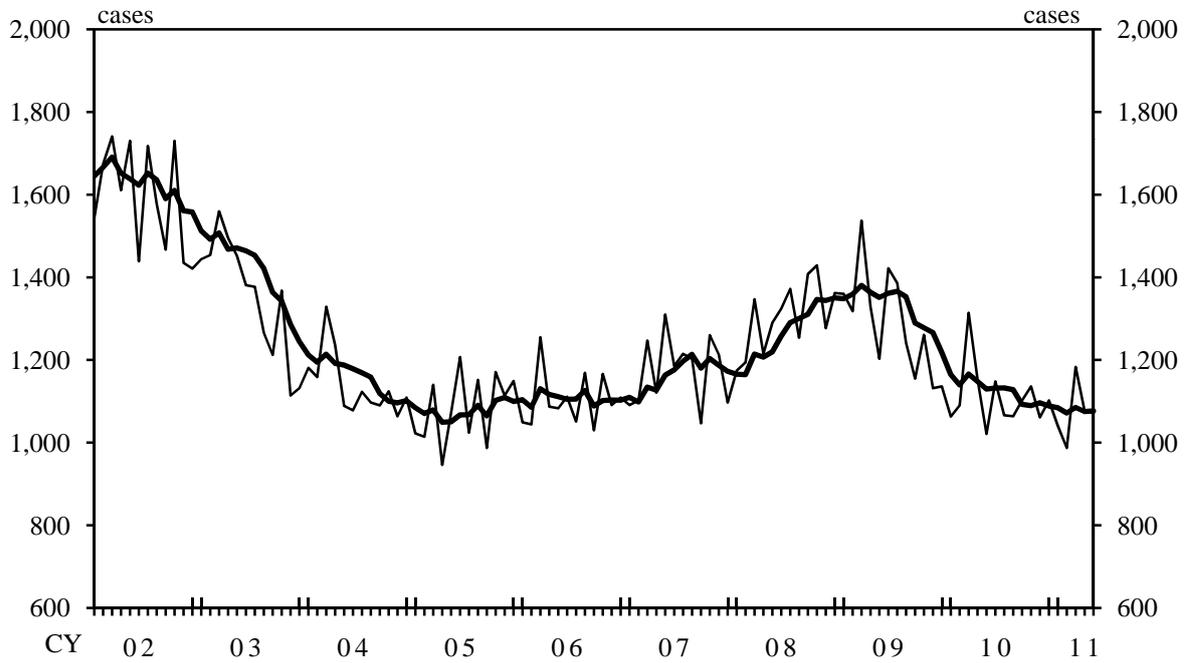


- Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.  
 2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.  
 3. The figures up to March 2004 in the upper panel and those up to March 2003 in the lower panel are based on the former series.  
 4. Figures for money stock in 2011/Q2 are those of Apr.-May averages, and nominal GDP in 2011/Q2 is assumed to be unchanged from the previous quarter.

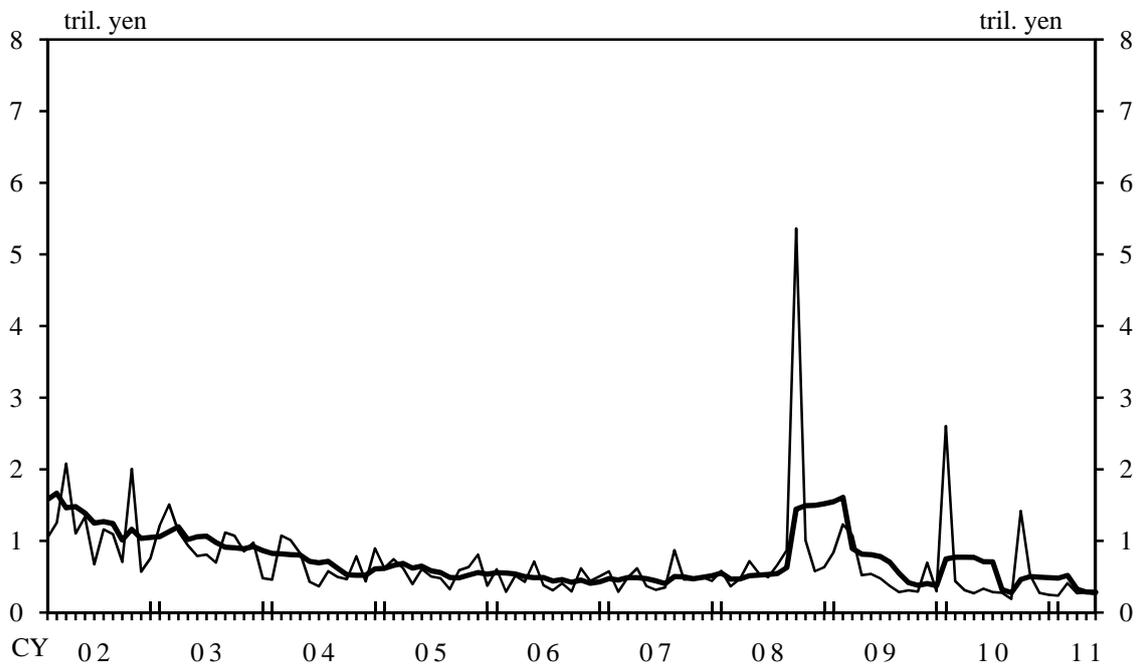
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities



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

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