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Bank of Japan

**Monthly Report of  
Recent Economic and Financial Developments**  
August 2011

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released on August 5, 2011)

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

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

August 2011

## Summary

Japan's economic activity has been picking up steadily with an easing of the supply-side constraints caused by the earthquake disaster.

After declining sharply following the earthquake, production and exports have continued to increase with the easing of supply-side constraints. In this situation, business fixed investment has been generally picking up, aided partly by the restoration of disaster-stricken facilities. Private consumption has begun to pick up on the whole, although weakness remains in evidence with regard to some aspects of consumer behavior.

Japan's economy is expected to return to a moderate recovery path with supply-side constraints easing further and production regaining traction.

Production is expected to continue picking up as supply-side constraints ease further. In this situation, exports are also expected to be on the rise 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. Private consumption is also expected to pick up, due partly to the improvement in household sentiment.

On the price front, the three-month rate of increase in domestic corporate goods prices is slowing as international commodity prices have fallen back. The year-on-year rate of change in consumer prices (excluding fresh food) has been slightly positive.

Domestic corporate goods prices are expected to be more or less flat 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 August 4, 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. Compared with last month, the value of the yen against the U.S. dollar has risen, while long-term interest rates have fallen. Meanwhile, stock prices have remained at more or less the same level as last month.

Financial conditions have generally continued to ease, albeit with weakness observed in the financial positions of some firms, mainly small ones.

The overnight call rate has remained at an extremely low level, and the levels of firms' funding costs have also continued to be low. 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. Those for corporate bonds have been favorable as a whole, leading to an increased variety of corporate bond issuers. As for credit demand, firms have 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 amounts outstanding of both corporate bonds and CP have exceeded their previous year's levels. In these circumstances, firms have retained their recovered financial positions on the whole, albeit with weakness observed at some firms, mainly small ones. Meanwhile, the year-on-year rate of change in the money stock has been at around 3 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

Public investment has recently stopped declining, albeit with fluctuations. Monthly indicators (Chart 5) show that the amount of public construction completed—which reflects the progress of public works—dropped in April-May from the quarter-on-quarter increase in the first quarter. The value of public works contracted—a measure that reflects public orders—increased in the first quarter, led by the execution of the budget for prior economic measures, but declined in the second quarter. On a monthly basis, however, it has shown signs of bottoming, mainly in response to the execution of the first supplementary budget for this fiscal year.

Public investment is expected to increase gradually, mainly due to the restoration of damaged social capital. Following the enactment of the first supplementary budget for fiscal 2011 on May 2 (worth approximately 4 trillion yen), the second supplementary budget of about 2 trillion yen passed the Diet on July 25.<sup>3</sup>

Real exports have been increasing with the easing of supply-side constraints (Charts 6[1] and 7). Exports plunged in both March and April on a month-on-month basis due to supply-side constraints stemming from the earthquake disaster, but they turned upward in May on a month-on-month basis, with an increase of 4.5 percent, and were also up sharply—by 8.6 percent—in June. The level of real exports in June has recovered close to pre-earthquake levels. Looking at exports in June on a month-on-month basis by goods (Chart 7[2]), motor vehicles and their related goods as well as consumer goods continued increasing rapidly following that in May. Those of IT-related goods and of capital goods and parts were also on the rise. On the other hand, exports of intermediate goods fell for two months in a row, notably among those to emerging economies. By region (Chart 7[1]), exports to the United States and Europe and to other regions rose sharply, chiefly in motor vehicles and their related goods, following that in the previous month. Exports to NIES registered relatively high growth in June assisted by large-scale items such as ships. As for

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<sup>3</sup> The first supplementary budget included the following expenses: public works for the restoration from the Great East Japan Earthquake, construction of temporary housing, and disposal of disaster waste. The second supplementary budget includes payments of damage compensation related to the nuclear power plant accident, subsidies for disaster victims, and other costs related to restoration and reconstruction.

exports to the ASEAN economies, motor vehicles and their related goods as well as capital goods and parts rose significantly. Meanwhile, exports to China rose for the first time in four months, mainly in motor vehicles and their related goods and in IT-related goods, but they still lack vigor, mainly due to the weakness in capital goods and parts.

Real imports have increased somewhat (Charts 6[1] and 9). They have continued to move upward for three straight months since April on a month-on-month basis. As for the effects of the earthquake disaster, imports of intermediate goods and foodstuffs—which rose sharply in April mainly due to demand for substitutes—have recently inched down (Chart 9[2]). Meanwhile, imports of raw materials have been on the rise, mainly as a reflection of heightened demand for thermal power generations. Imports of consumer goods, IT-related goods, and capital goods and parts (excluding aircraft) have increased, assisted mainly by the pick-up in domestic production and demand. As for consumer goods, the upsurge was evident mainly in flat panel televisions which have been facing a rush in demand. IT-related goods saw an increase in imports of smartphones, which have enjoyed favorable demand.

Net exports—in terms of the real trade balance—have recently turned upward, after having declined sharply since the earthquake, a reflection of the aforementioned developments in exports and imports (Chart 6[2]). The real trade balance dropped sharply in the second quarter, but, on a monthly basis, it recorded an increase in both May and June. The nominal balance on goods and services—whose surplus diminished in the first quarter—turned to a deficit in April-May as a whole since the trade balance marked a deficit, and the services deficit also increased at a faster pace, both due to the effects of the earthquake disaster. As a result, the nominal current account surplus diminished in April-May compared with the first quarter.

Exports are expected to continue increasing as supply-side constraints ease further, against the background of the improvement in overseas economic conditions. Imports are projected to 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 increase gradually.

Regarding the environment surrounding exports, overseas economies have been decelerating, mainly due to the decline in the real purchasing power caused by the previous rise in crude oil prices, to supply-chain disruptions in Japan, and to the effects of monetary tightening in emerging economies (Chart 8[2]). Demand for IT-related goods—including that related to smartphones and tablet devices—seems to be growing at a slower pace compared to a while ago. Overseas economies are projected to continue relatively high growth as a trend, mainly in emerging economies. There is significant uncertainty regarding the outlook for both advanced and emerging economies, however. As for the foreign exchange rate, with the yen recently moving toward appreciation, attention should also be paid to its effects on exports (Chart 8[1]).

Business fixed investment has been generally picking up, aided partly by the restoration of disaster-stricken facilities. 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, but turned to an increase in the second quarter (Chart 10[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—were more or less flat in April-May compared with the first quarter, after having moved up in the first quarter on a quarter-on-quarter basis (Chart 11[1]). By industry, manufacturing inched down in April-May 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) was flat in April-May relative to the first quarter, after having moved up marginally in 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 the second quarter (Chart 11[2]). By industry, construction starts rose sharply in mining and manufacturing; nonmanufacturing also increased, primarily in construction starts related to medical, health care and welfare and to transportation.

Regarding the environment surrounding business fixed investment, corporate profits have recently turned to a decrease due to the effects of the earthquake disaster, but they are expected to move up again, assisted mainly by the pick-up in production.

Under these circumstances, business fixed investment is expected to move upward, aided partly by the restoration of disaster-stricken facilities.

Private consumption has begun to pick up on the whole, although weakness remains in evidence with regard to some aspects of consumer behavior, as production recovers and as household sentiment improves somewhat (Chart 12). 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 has been on the rise since April (Chart 13[1]). Looking at developments in durable consumer goods, the number of new passenger-car registrations has been trending upward since May with the easing of supply constraints (Chart 13[2]). Sales of household electrical appliances (in real terms) have soared since April, aided partly by measures for electricity conservation and replacement demand in disaster-stricken areas, in addition to the rush in demand mainly for flat panel televisions prior to the ending of the analogue TV broadcasting. Sales at department stores have continued to rise moderately since May, mainly in apparel related to the "Cool Biz" campaign, after having rebounded sharply in April (Chart 14[1]). Sales at supermarkets rose in June, mainly due to an increase in household items (bedding and household electrical appliances) and in food and beverages. Sales at convenience stores also continued to climb in June, mainly due to the further easing of supply constraints in tobacco and to an increase in sales of food and beverages buoyed by the temperature rise. As for developments in services consumption (Chart 14[2]), sales in the food service industry increased in May after having rebounded in April, but they fell back slightly in June. Outlays for travel have remained well below pre-earthquake levels, although they have continued to increase since April after having dropped sharply 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 in June on a month-on-month basis, after having turned to an increase in May (Chart 13[1]).<sup>4</sup>

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<sup>4</sup> Items in the index are not completely limited to those used for estimating GDP. Education, for example, is not used for estimating GDP.

The total expenditure in the *Survey of Household Economy* (in real terms; two-or-more-person households) continued to decrease in May.

Indicators related to consumer sentiment have been improving somewhat (Chart 15).

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

Housing investment—which had been relatively weak due to the earthquake disaster—has recently shown signs of a pick up. The number of housing starts (Chart 16[1])—a leading indicator of housing investment—had continued to decline until April, but turned to an increase in May; it was more or less flat in June. The effects of supply constraints caused by the earthquake disaster appear to be on the wane.

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

After declining sharply following the earthquake, industrial production has continued to pick up along with the easing of supply-side constraints. On a monthly basis, production recorded a sharp decline of 15.5 percent in March on a month-on-month basis due to the supply-side constraints caused by the earthquake disaster, but turned slightly positive by registering 1.6 percent in April followed by significant increases of 6.2 percent and 3.9 percent in May and June, respectively (Chart 17). Looking at production in detail, production of transport equipment rose sharply in June following that of May propelled by the recovery in the supply chain. On a quarterly basis, production posted a significant decline of 4.0 percent in the second quarter after having marked a negative 2.0 percent in the first quarter. After eliminating the seasonal adjustment distortions, the actual production level of June seems to have recovered close to pre-earthquake levels.<sup>5</sup>

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<sup>5</sup> As a result of the revision on seasonal adjustments conducted in April 2010, it is likely that a part of the significant drop in production in the fourth quarter of 2008 and the first quarter of 2009 has been recognized as a seasonal movement. This seasonal adjustment method pushes future growth rates for the fourth and first quarters upward, whereas it exerts downward pressure on

Growth in shipments significantly outpaced that in production in June. By goods (Chart 18), shipments of durable consumer goods—including motor vehicles in which supply constraints have been easing as well as flat panel televisions which have been facing a rush in demand—increased significantly. Those of non-durable consumer goods increased, mainly since supply constraints—inflicted by the earthquake disaster—eased and demand related to the "Cool Biz" campaign surged. Capital goods and construction goods have also been picking up. Meanwhile, shipments of producer goods increased at a faster pace as a whole, supported mainly by the pick-up in production of transport equipment (motor vehicle parts). Producer goods as a whole, however, have remained clearly below the level prior to the earthquake, partly since the slump in shipments just after the earthquake was smaller than that of final demand goods.

Inventories turned to a decrease in June, after having increased for two consecutive months in April and May. In detail, they declined notably in information and communication electronics equipment, electronic parts and devices, and transport equipment. The decline in inventories of information and communication electronics equipment is attributable to the recent increase in shipments of flat panel televisions, which are facing favorable demand of late; that of transport equipment is due to the decline in inventories waiting to be shipped overseas. The decrease in inventories of electronic parts and devices seems to have been led by the progress in inventory adjustments of items facing sluggish demand. Looking at the quarterly shipment-inventory balance on a year-on-year basis (Chart 19), growth in inventories substantially outpaced that in shipments, mainly due to a sharp decline in shipments.

Production is expected to continue picking up as supply-side constraints ease further. According to anecdotes by firms and other information, production is projected to turn to a profound increase for the third quarter as power supply

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those for the second and third quarters. This continues to be evident even after the revision on seasonal adjustments in April 2011.

constraints appear to be limited and as recovery in the supply chain becomes more evident.<sup>6</sup>

The employment and income situation has continued to be severe, partly due to the effects of the earthquake disaster.

In the labor market, the ratio of job offers to applicants seems to be heading toward improvement. The unemployment rate has been more or less flat, albeit with some monthly fluctuations (Chart 20[1]).

In terms of employment (Chart 21[1]), the year-on-year growth rate of the number of employees in the *Labour Force Survey* has been positive, albeit with monthly fluctuations.<sup>7</sup> The number of regular employees in the *Monthly Labour Survey* has also 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 rose sharply in March and April due to the earthquake disaster, but that number has fallen slightly

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<sup>6</sup> According to the released production forecast index, production is expected to increase in both July and August, by 2.2 percent and 2.0 percent respectively, on a month-on-month basis. Based on the assumption that the figure for September is the same as that of August, production in the third quarter is expected to increase by 8.4 percent on a quarter-on-quarter basis.

<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. From the May survey, data have resumed to be collected from some areas in the Iwate and Miyagi Prefectures. The data of these prefectures, however, continue to be excluded from the aggregates in the national survey since the number of samples is still insufficient.

<sup>8</sup> As for the three quake-hit areas (which are Iwate, Miyagi, and Fukushima Prefectures) in March and April as well as for the Miyagi Prefecture in May, 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.

since May.<sup>9</sup> Meanwhile, overtime hours worked have begun to pick up gradually from the decline after the earthquake (Chart 21[3]).

Nominal wages per employee dropped marginally in June on a year-on-year basis, led mainly by the decrease in special payments (Chart 22[1]). Special payments in June declined somewhat as a whole: they rose in manufacturing, but were down in nonmanufacturing, notably in small and medium-sized firms.<sup>10</sup>

Employee income has grown at a reduced pace on a year-on-year basis, as a reflection of the aforementioned developments in employment and wages (Chart 22[3]).

Employee income is likely to be somewhat weak for the time being, due in part by the earthquake disaster.

## **2. Prices**

International commodity prices have been flat at high levels, after they had fallen back slightly (Chart 24). Looking at their recent movements in some detail, crude oil prices have shown somewhat large fluctuations amid mixed views on the global economy, but they have been flat at high levels as a trend. Prices of nonferrous metals have also recently been more or less flat. Prices of grains have been basically level, after having fallen slightly in line with the improved projection of planted acreage.

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<sup>9</sup> Businesses are usually eligible for the Employment Adjustment Subsidy on the condition that "the decline in the average of sales or production volume in the most recent three months is 5 percent or more compared with the prior three months or on a year-on-year basis." After the earthquake, however, the requirement has been relaxed so that (i) businesses located in regions where the Disaster Relief Law is applied, (ii) those doing a certain amount of business with firms in the disaster-stricken areas, and (iii) businesses located in areas that are subject to scheduled black outs and thus business activity has been reduced due to these black outs, can also receive the subsidy on the condition that 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 (projection-based applications were also accepted until June 16).

<sup>10</sup> Meanwhile, surveys by the Nihon Keizai Shimbun, Inc. (final results as of July 5) and the Japan Business Federation (final results as of July 28) both show that summer bonuses among large firms will increase (a year-on-year increase of 4.21 and 4.42 percent respectively).

The three-month rate of increase in import prices (on a yen basis) is slowing as international commodity prices have fallen back.

The three-month rate of increase in domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter)<sup>11</sup> is slowing as international commodity prices have fallen back (Chart 25). In detail, the rate of increase in prices of "goods sensitive to exchange rates and overseas commodity prices"—which had exhibited high growth to date—has slowed markedly; the rates of increase in those of "iron & steel and construction goods" and "other materials" have also slowed. Meanwhile, prices of "electric power, gas and water" have continued to 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 has tended to narrow (Chart 26). Looking in detail at prices in June, IT-related prices declined at a somewhat reduced pace, while those of other services were more or less flat.

The year-on-year rate of change in consumer prices (excluding fresh food; year-on-year basis, same hereafter) has been slightly positive (Chart 27). In June, the rate of increase in consumer prices narrowed by 0.2 percentage points from May to an increase of 0.4 percentage points.<sup>12</sup> Looking at developments on a basis that excludes food and energy, the year-on-year increase was 0.1 percentage point and equal to that in May. 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

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<sup>11</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.

<sup>12</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.

by item (which eliminates large relative price fluctuations)—has been narrowing mildly (Chart 28).

Looking in detail at recent movements other than cigarettes and accident insurance premiums, prices for goods have increased at a somewhat slower pace, mainly as a reflection of the movement in petroleum products (such as gasoline) and food products. Prices of general services turned to a decrease since hotel charges declined at a faster pace. Public utility charges were flat as a whole since admission fees to art museums dropped, even though electricity prices and airplane fares increased at a faster pace.

Domestic corporate goods prices are expected to be more or less flat for the time being, reflecting movements in international commodity prices. The year-on-year rate of change in consumer prices is expected to remain slightly positive.<sup>13</sup>

### **3. Financial Developments**

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

In Japan's money markets, interest rates have been stable at low levels, as they—mainly longer term rates—continue to be under moderate downward pressure, 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 at around 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, mainly those with distant contract months, have decreased somewhat (Chart 29). In U.S. dollar funding, the LIBOR-OIS spread for the dollar has remained at a low level compared to that in the past, although it has inched up, notably in longer term rates, as market participants

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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.

have been cautious about taking on counterparty risks in transactions due to mounting anxiety over the European debt problem (Chart 30).

Yields on 10-year government bonds (newly issued 10-year JGB) have declined as the yield curve has flattened as a whole; they have recently been moving at around 1.0 percent (Chart 31).

Yield spreads between corporate bonds and government bonds have narrowed moderately on the whole (Chart 32).

Stock prices 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 in the range of 9,500-10,000 yen (Chart 33).

In the foreign exchange market, the yen's exchange rate against the U.S. dollar appreciated partly because U.S. interest rates decreased against the background of rising concern over a slowdown in the U.S. economy, and once reached the range of 76-77 yen for the first time since last March, but it has depreciated thereafter, triggered by the foreign exchange intervention; it has recently been in the range of 79-80 yen (Chart 34).

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

The levels of firms' funding costs have continued to be low, 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 also been at low levels (Chart 36).

With regard to credit supply, firms have continued to see financial institutions' lending attitudes as being on an improving trend (Chart 35). Issuing conditions for CP have continued to be favorable. Those for corporate bonds have been favorable as a whole, leading to an increased variety of corporate bond issuers. 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 37). The amounts outstanding of both corporate bonds and CP issued have exceeded their previous year's levels (Chart 38).

In these circumstances, firms have retained their recovered financial positions on the whole, albeit with weakness observed at some firms, mainly small ones (Chart 35). The number of corporate bankruptcies has been at a low level (Chart 40).

Meanwhile, the year-on-year rate of change in the money stock (M2) has recently been at around 3 percent. Its June reading was 2.9 percent on a year-on-year basis, following 2.7 percent in May (Chart 39).<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 in the range of 2.0-2.5 percent; its June reading was 2.2 percent, following 2.2 percent in May. The year-on-year growth rate of broadly-defined liquidity (L) has recently been at around 0 percent; it increased by 0.1 percent in June, following a decrease of 0.4 percent in May.

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## Main Economic Indicators (1)

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

	2010/Q4	2011/Q1	Q2	2011/Apr.	May	Jun.	Jul.
Index of consumption expenditure level (two-or-more-person households)	-1.4	-1.2	-1.6	1.0	1.8	-1.8	n.a.
Sales at department stores	-0.2	-3.7	p 2.9	12.9	1.1	p 1.7	n.a.
Sales at supermarkets	-1.0	-0.7	p -0.8	1.7	-0.5	p 2.5	n.a.
New passenger-car registrations <sup>3</sup> <s.a., ann. 10,000 units>	< 217>	< 234>	< 192>	< 154>	< 191>	< 230>	< 220>
Sales of household electrical appliances (real, "Current Survey of Commerce")	13.3	-16.2	p 22.8	12.0	11.9	p 11.7	n.a.
Outlays for travel	-0.2	-5.0	n.a.	1.8	5.1	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	< 84>	< 84>	< 81>	< 80>	< 81>	< 82>	<n.a.>
Machinery orders <sup>4</sup> (Private sector, exc. volatile orders)	-4.3	5.6	n.a.	-3.3	3.0	n.a.	n.a.
Manufacturing	-1.7	5.3	n.a.	-2.7	-1.4	n.a.	n.a.
Nonmanufacturing <sup>4</sup> (exc. volatile orders)	-5.1	1.4	n.a.	2.9	-5.4	n.a.	n.a.
Construction starts (private, nondwelling use)	-9.4	5.9	7.3	5.2	-9.6	1.4	n.a.
Mining & manufacturing	7.8	-8.9	24.5	13.0	-7.7	-0.2	n.a.
Nonmanufacturing <sup>5</sup>	-10.5	9.1	1.5	5.0	-15.7	4.6	n.a.
Value of public works contracted	-3.8	2.4	-3.7	3.4	-12.9	15.2	n.a.
Real exports	0.2	-1.1	-5.6	-7.0	4.5	8.6	n.a.
Real imports	-0.7	-0.8	2.2	1.8	3.2	0.3	n.a.
Industrial production	-0.1	-2.0	p -4.0	1.6	6.2	p 3.9	n.a.
Shipments	-0.3	-1.9	p -5.8	-2.6	5.3	p 8.5	n.a.
Inventories	-0.6	1.0	p 3.2	0.5	5.6	p -2.8	n.a.
Inventory ratio <s.a., CY 2005 = 100>	< 108.0>	< 108.6>	<p 111.9>	< 124.8>	< 120.7>	<p 111.9>	<n.a.>
Real GDP	-0.7	-0.9	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	-0.2	-1.9	n.a.	1.4	2.0	n.a.	n.a.

## Main Economic Indicators (2)

	y/y % chg. <sup>1</sup>						
	2010/Q4	2011/Q1	Q2	2011/Mar.	Apr.	May	Jun.
Ratio of job offers to applicants <s.a., times>	< 0.57>	< 0.62>	< 0.62>	< 0.63>	< 0.61>	< 0.61>	< 0.63>
Unemployment rate <sup>6</sup> <s.a., %>	< 5.0>	< 4.7>	< 4.6>	< 4.6>	< 4.7>	< 4.5>	< 4.6>
Overtime working hours <sup>7</sup>	5.7	1.7	p -2.0	-1.0	-3.9	-2.1	p 0.0
Number of employees <sup>6</sup>	0.4	0.5	0.8	-0.2	0.4	1.1	1.1
Number of regular employees <sup>7</sup>	0.7	0.7	p 0.7	0.8	0.7	0.6	p 0.7
Nominal wages per person <sup>7</sup>	0.2	0.1	p -0.5	-0.1	-1.4	1.0	p -0.8
Domestic corporate goods price index <q/q % chg., 3-month rate of change> <sup>8</sup>	1.0	1.7	p 2.4	2.0	2.5	2.2	p 2.5
	< 0.6>	< 1.1>	<p 1.2>	< 1.3>	< 1.6>	< 1.3>	<p 0.7>
Consumer price index <sup>9</sup>	-0.5	-0.2	0.5	-0.1	0.6	0.6	0.4
Corporate services price index <sup>10</sup>	-1.4	-1.0	p -0.8	-1.0	-0.7	-0.8	p -0.8
Money stock (M2) <average outstanding, y/y % chg.>	2.6	2.4	p 2.8	2.6	2.7	2.7	p 2.9
Number of corporate bankruptcies <cases per month>	<1,100>	<1,070>	<1,104>	<1,183>	<1,076>	<1,071>	<1,165>

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

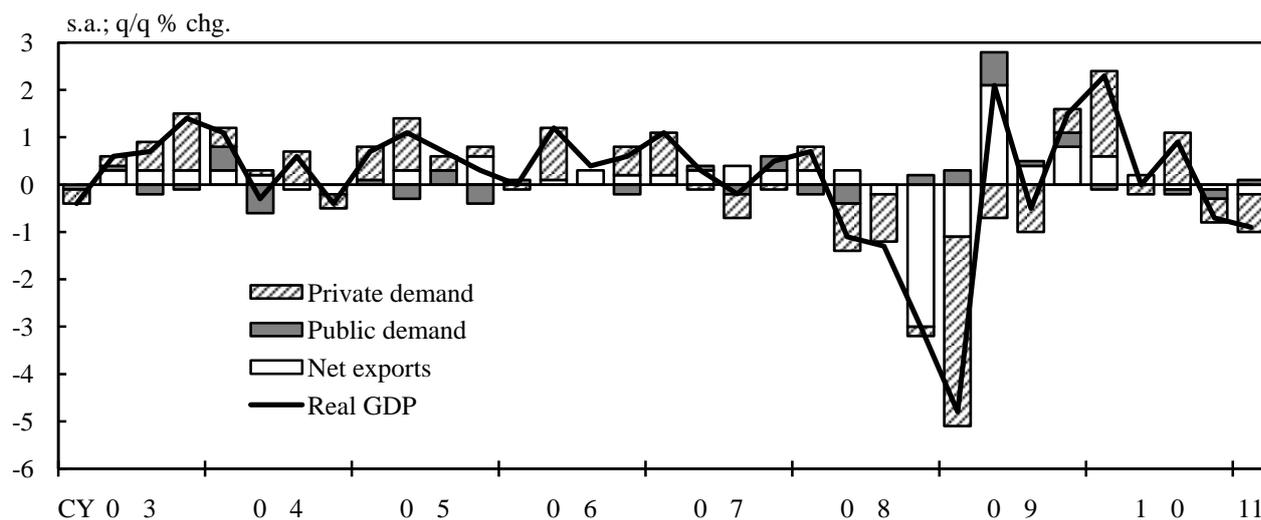
All figures in Chart 2 except figures in angle brackets are year-on-year changes. For details on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes of respective charts.

2. Figures with "p" indicate preliminary data.
3. Excludes small cars with engine sizes of 660 cc or less.
4. Volatile orders: Orders for ships and 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



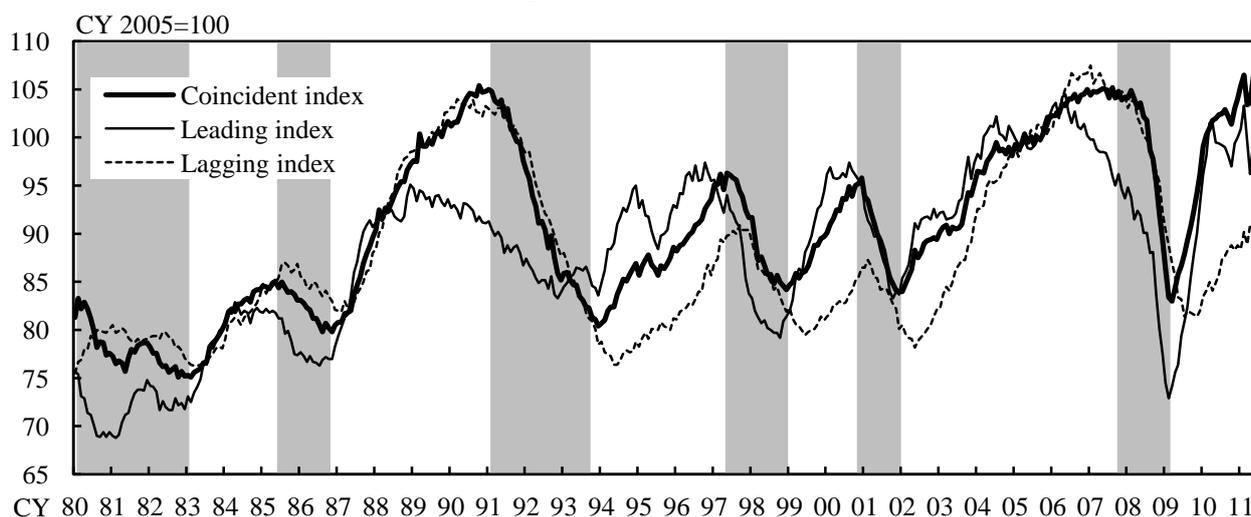
## (2) Components

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)

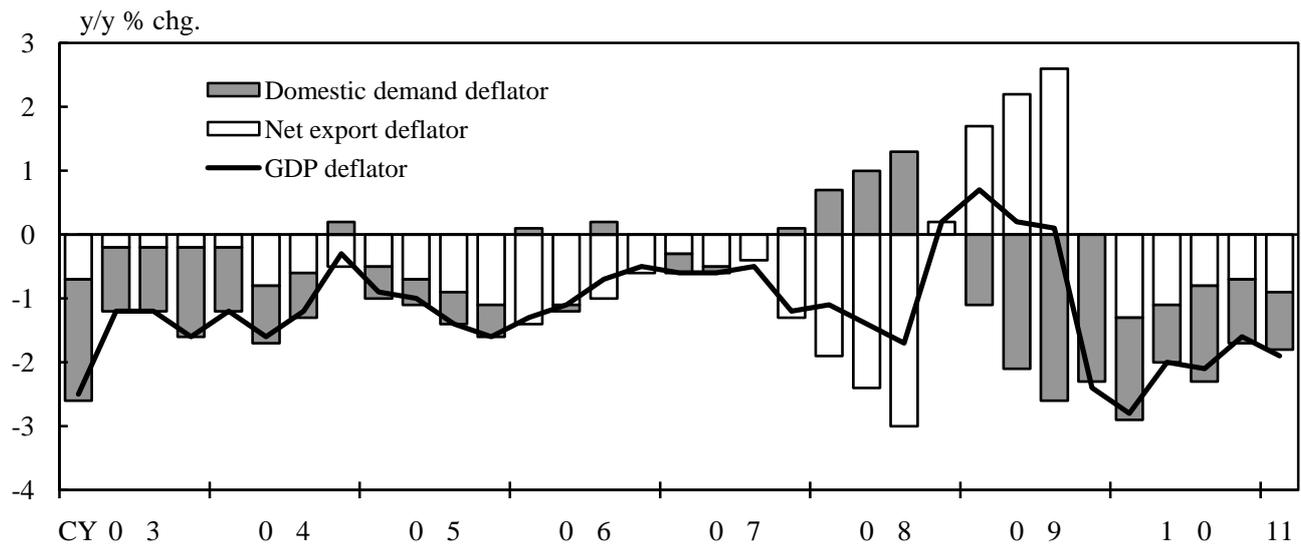


Note: Shaded areas indicate recession periods.

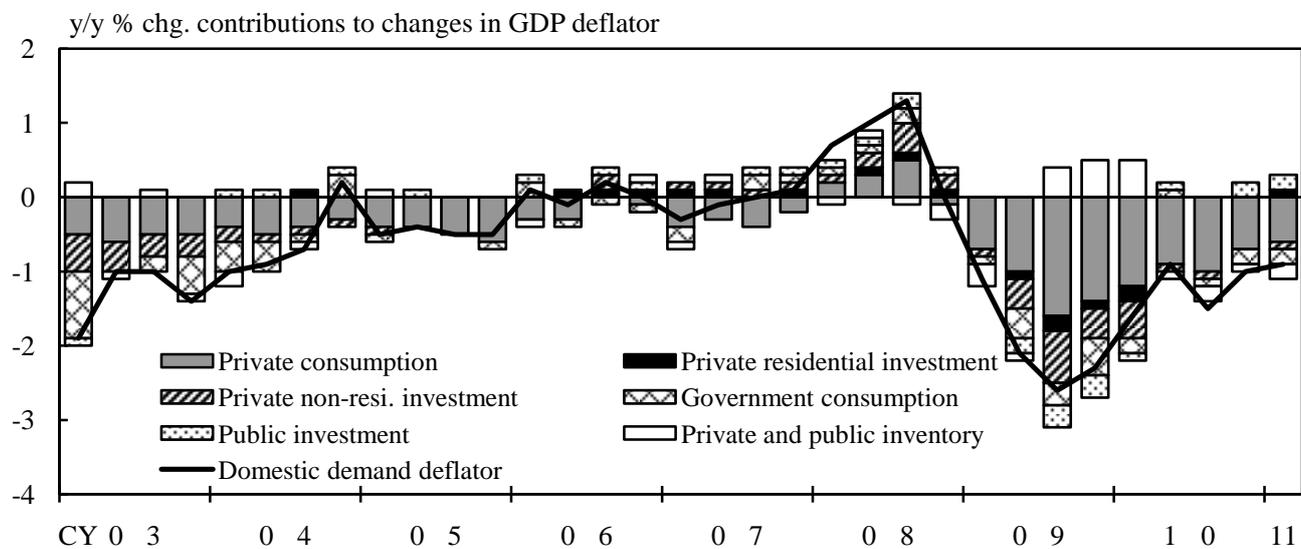
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

GDP Deflator and Income Formation

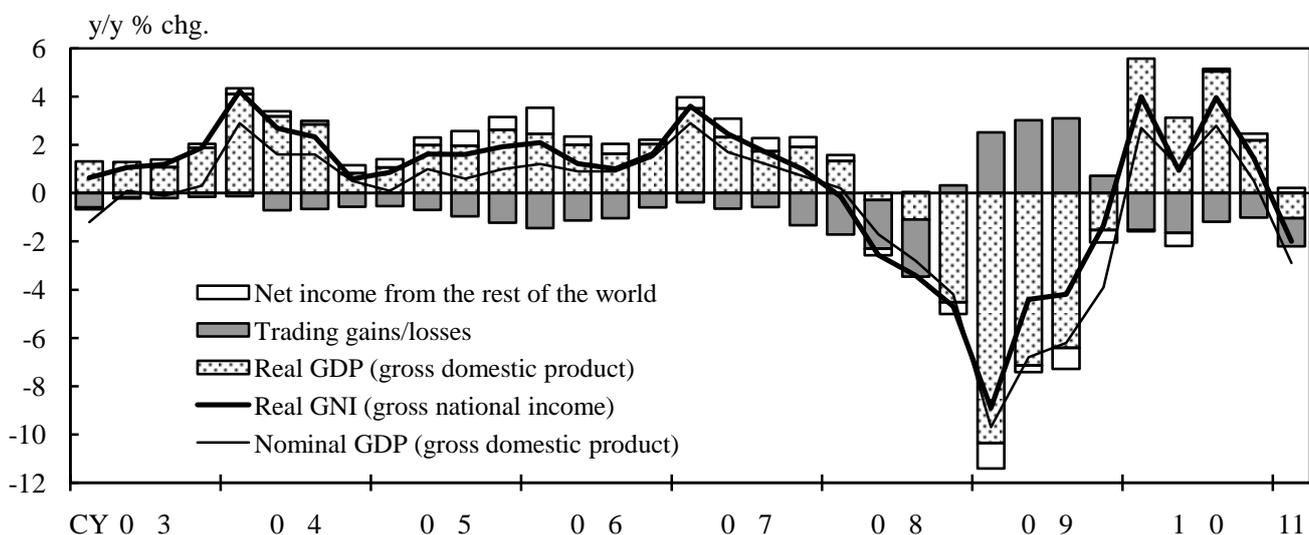
(1) GDP Deflator



(2) Domestic Demand Deflator



(3) Aggregate Income Formation



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

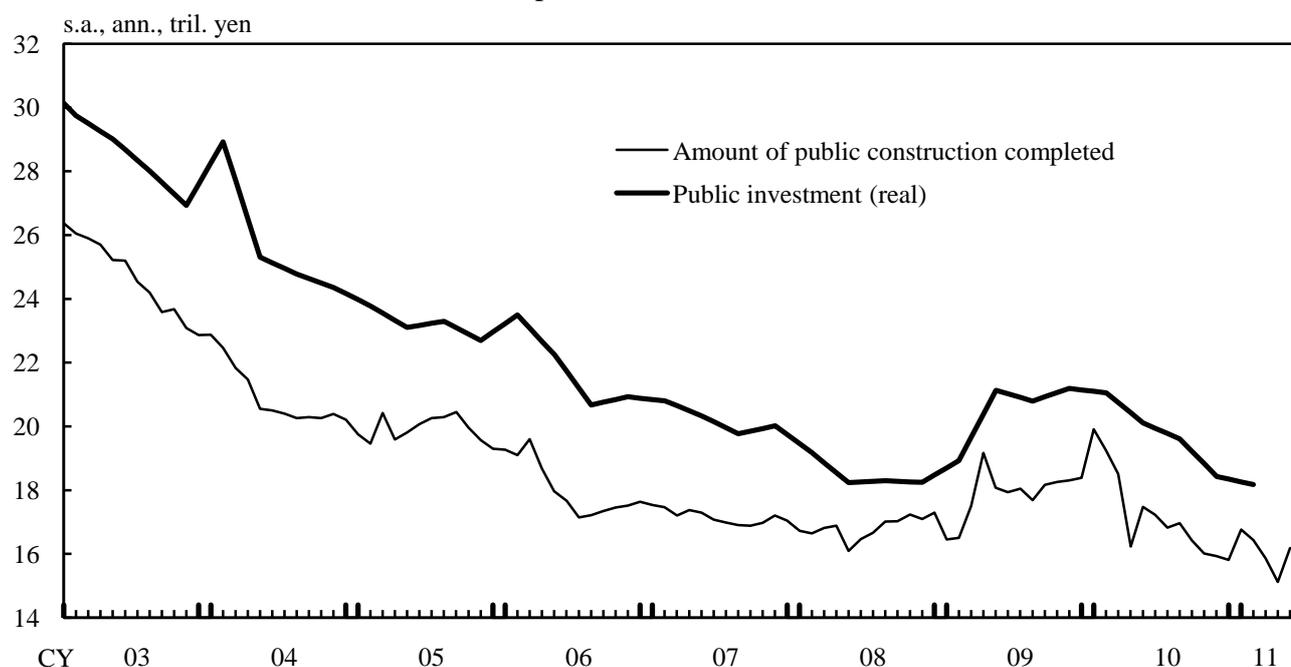
2. Real GNI = real GDP + trading gains/losses + net income from the rest of the world

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

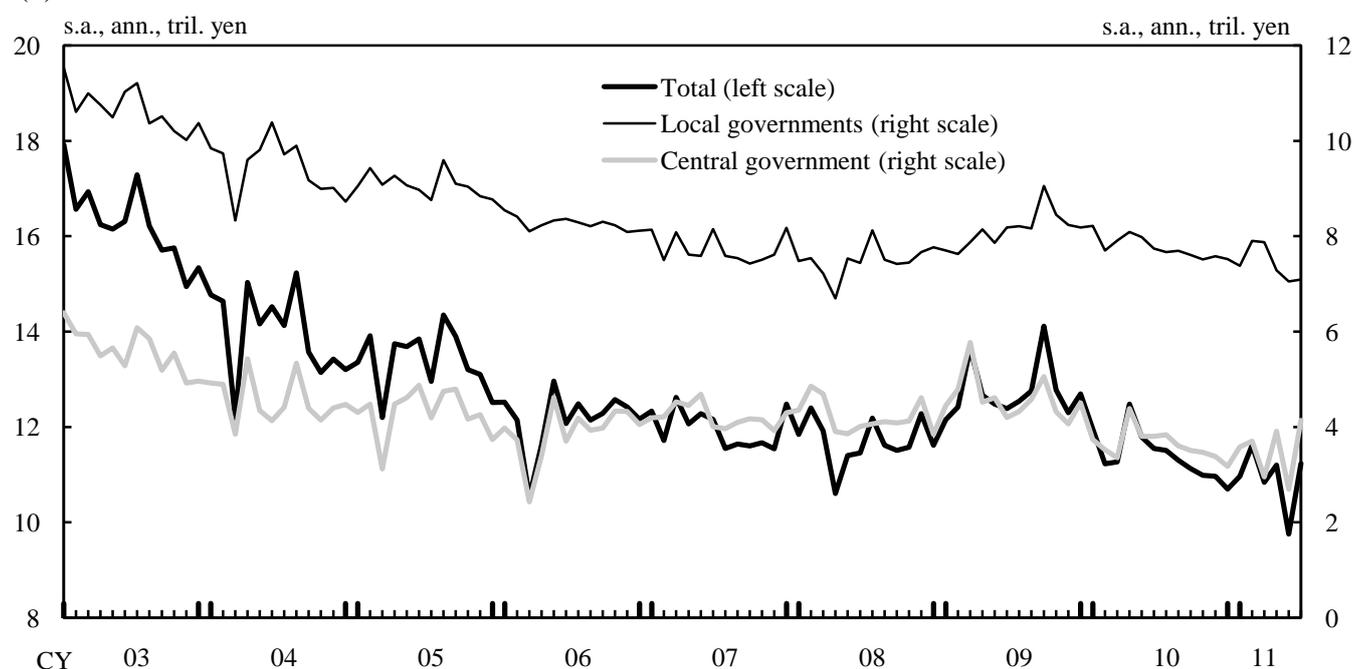
Source: Cabinet Office, "National Accounts."

## 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." Due to the Great East Japan Earthquake, the released figure for April 2011 had been based on data which exclude Miyagi Prefecture. Therefore, the April figure for Miyagi Prefecture had been estimated by the Bank of Japan's Research and Statistics Department using year-on-year figures of the other 46 prefectures. The April figure has been revised this time in line with the release of the reaggregated April figure with Miyagi Prefecture included by the Ministry of Land, Infrastructure, Transport and Tourism.

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.

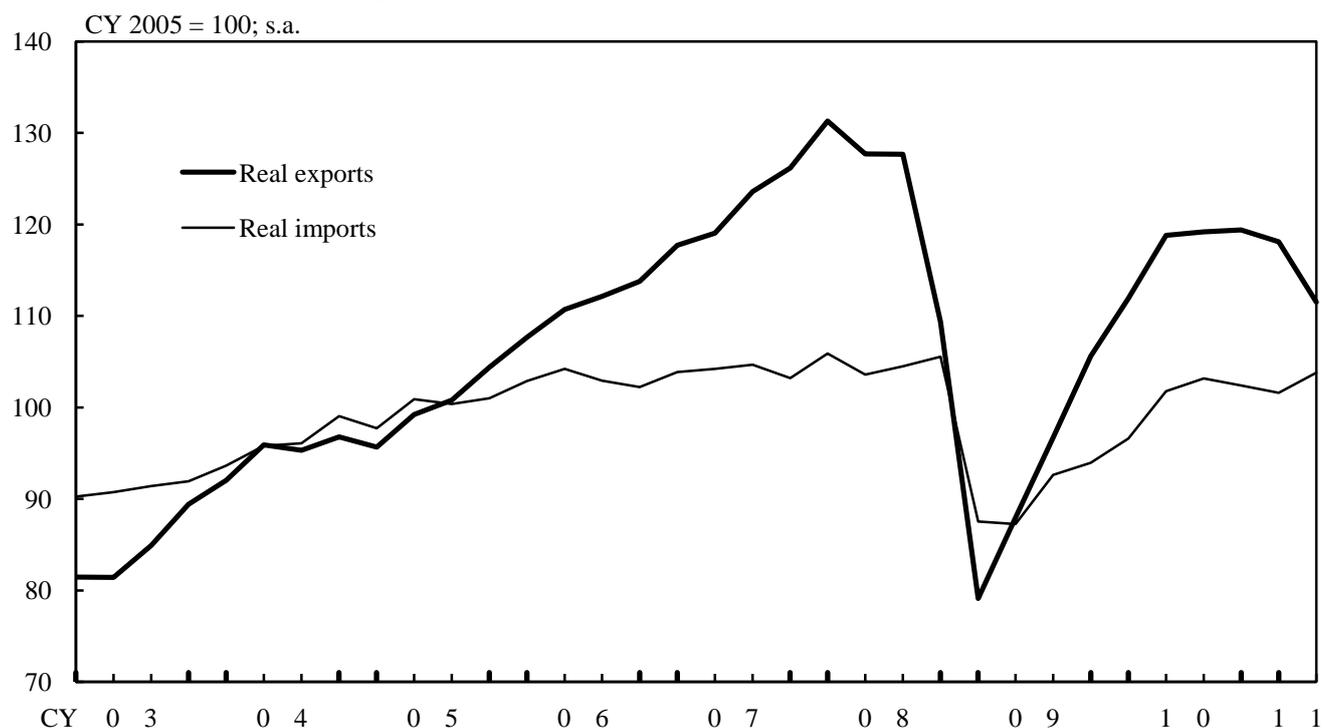
Sources: Cabinet Office, "National Accounts";

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

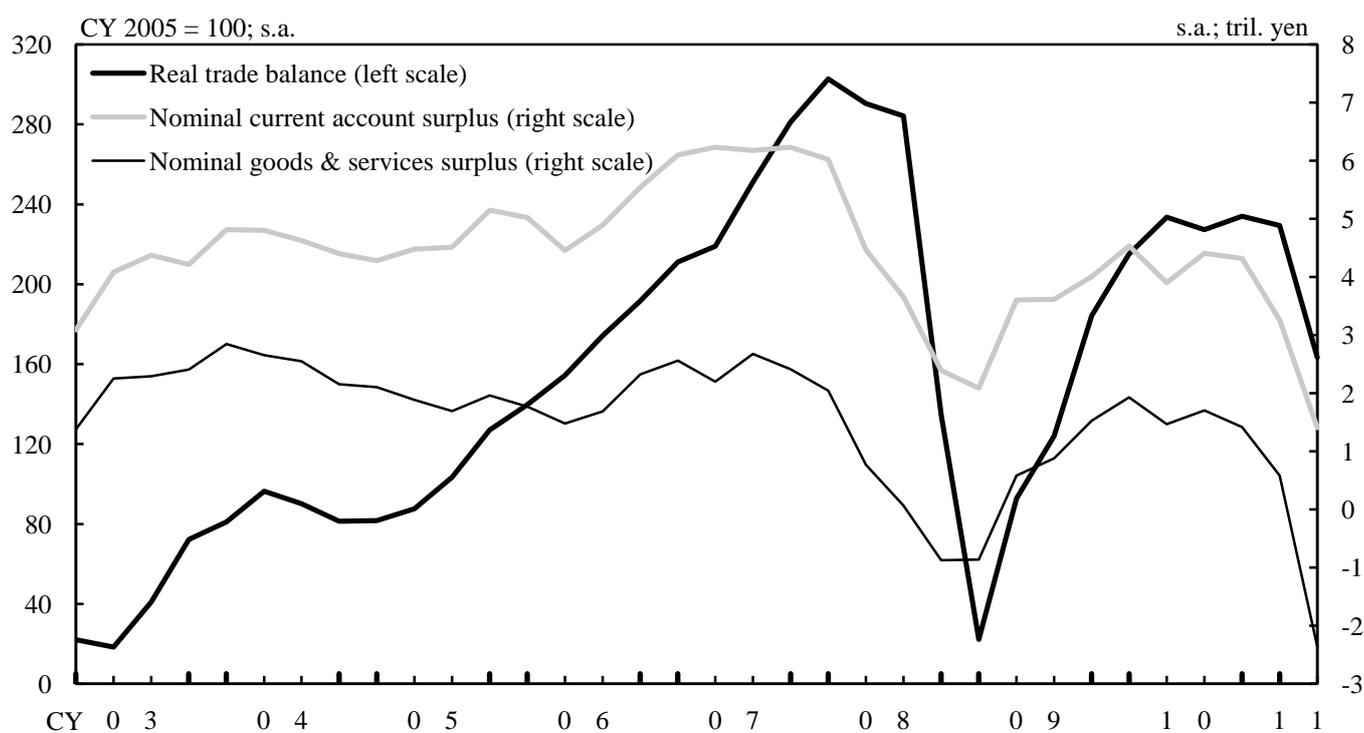
Ministry of Land, Infrastructure, Transport and Tourism, "Integrated Statistics on Construction Works."

## 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 for the nominal current account surplus and nominal goods & services surplus are April-May averages 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 Apr.	May	Jun.
United States	<15.4>	-32.6	24.2	7.9	3.9	0.3	-6.5	-10.3	-16.5	14.1	15.6
EU	<11.3>	-34.6	16.8	7.2	2.9	2.2	-3.0	-2.6	-9.4	12.4	10.2
East Asia	<53.3>	-15.8	31.6	3.9	1.3	2.4	-1.1	-6.0	-2.0	0.1	6.2
China	<19.4>	-10.2	31.0	2.6	3.5	6.9	0.5	-11.1	-3.6	-2.6	8.2
NIEs	<23.7>	-18.0	27.8	3.6	-0.3	-0.4	-2.3	-2.6	-1.5	1.6	5.1
Korea	<8.1>	-16.0	23.6	4.9	1.3	-4.9	1.1	1.6	2.8	3.1	3.3
Taiwan	<6.8>	-17.7	36.8	4.5	-0.5	-0.9	-2.4	-6.8	-0.9	2.1	0.4
Hong Kong	<5.5>	-18.8	28.7	6.9	-2.4	2.4	-4.0	-6.7	-7.2	-0.5	6.4
Singapore	<3.3>	-21.6	19.7	-9.5	4.1	7.0	-6.6	0.2	-1.5	0.0	22.2
ASEAN4 <sup>3</sup>	<10.2>	-20.5	42.6	7.0	1.3	-0.1	-1.7	-3.4	0.1	2.0	4.6
Thailand	<4.4>	-20.9	46.0	8.8	1.9	-0.1	1.6	-1.6	4.8	-5.3	8.2
Others	<20.0>	-32.1	29.1	7.7	-3.2	-2.0	0.2	-4.1	-9.2	13.8	14.4
Real exports		-25.6	27.4	6.1	0.3	0.2	-1.1	-5.6	-7.0	4.5	8.6

## (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 Apr.	May	Jun.
Intermediate goods	<20.6>	-5.6	18.4	3.6	0.8	-0.2	-0.5	-4.5	4.6	-6.6	-1.8
Motor vehicles and their related goods	<21.6>	-41.4	42.1	7.6	1.2	1.8	-8.8	-22.8	-32.3	34.1	34.5
Consumer goods <sup>4</sup>	<3.4>	-28.8	10.9	5.4	1.3	-1.7	-1.5	-10.5	-26.7	25.7	27.8
IT-related goods <sup>5</sup>	<10.7>	-17.0	27.2	4.4	-0.8	-0.5	0.5	-2.5	-7.8	6.4	2.9
Capital goods and parts <sup>6</sup>	<29.2>	-28.1	35.7	9.2	1.9	0.6	1.4	1.7	2.0	2.8	3.6
Real exports		-25.6	27.4	6.1	0.3	0.2	-1.1	-5.6	-7.0	4.5	8.6

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

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.

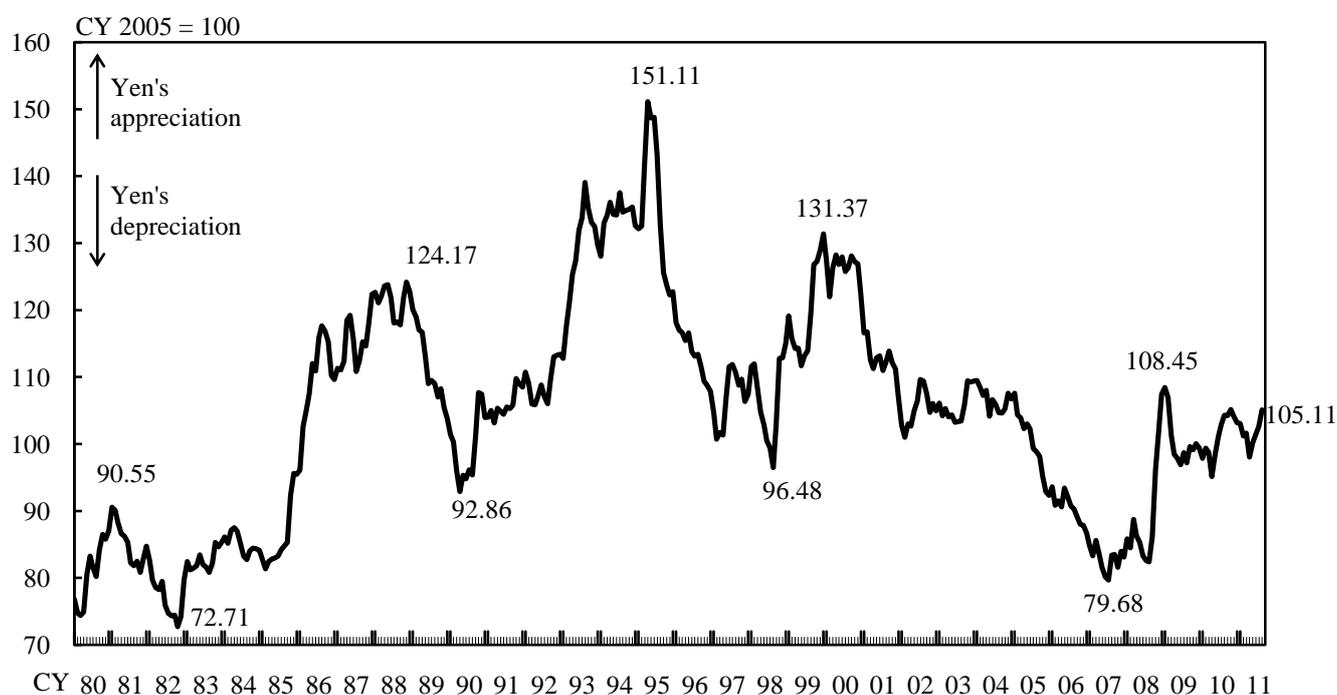
4. Excludes motor vehicles.

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 July and August (up to August 2) 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 Q3	Q4	2011 Q1	Q2	
United States <sup>1</sup>		-0.3	-3.5	3.0	2.5	2.3	0.4	1.3	
European Union <sup>1</sup>		0.5	-4.3	1.8	2.0	0.8	3.1	n.a.	
	Germany	1.0	-4.7	3.6	3.2	1.5	6.1	n.a.	
	France	-0.2	-2.6	1.4	1.5	1.3	3.8	n.a.	
	United Kingdom	-0.1	-4.9	1.4	2.5	-2.0	1.9	0.7	
East Asia <sup>2</sup>	China	9.6	9.2	10.3	9.6	9.8	9.7	9.5	
	NIEs	Korea	2.3	0.3	6.2	4.4	4.7	4.2	3.4
		Taiwan	0.7	-1.9	10.9	10.7	7.1	6.5	4.9
		Hong Kong	2.3	-2.7	7.0	6.9	6.4	7.2	n.a.
		Singapore	1.5	-0.8	14.5	10.5	12.0	9.3	0.5
	ASEAN4	Thailand	2.5	-2.3	7.8	6.6	3.8	3.0	n.a.
		Indonesia	6.0	4.6	6.1	5.8	6.9	6.5	n.a.
		Malaysia	4.8	-1.6	7.2	5.3	4.8	4.6	n.a.
Philippines		4.2	1.1	7.6	7.3	6.1	4.9	n.a.	

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 Apr.	May	Jun.
United States	<9.7>	-18.7	8.3	3.5	0.3	-0.8	-5.4	5.8	13.7	3.7	-7.6
EU	<9.6>	-13.2	6.6	3.7	3.6	-3.3	1.0	7.9	20.1	-5.4	1.4
East Asia	<42.4>	-13.1	22.2	9.2	1.4	2.0	1.6	1.0	-0.7	2.4	1.9
China	<22.1>	-11.1	24.1	11.2	0.9	3.7	0.9	1.4	-4.4	7.2	0.9
NIEs	<8.8>	-15.9	21.7	5.7	1.1	-0.6	3.6	0.9	9.0	-4.5	1.4
Korea	<4.1>	-19.1	21.0	9.7	1.4	6.6	6.9	6.8	14.1	-7.2	4.3
Taiwan	<3.3>	-12.4	21.4	4.1	0.9	-4.1	-1.1	-5.3	2.4	-1.8	-1.3
Hong Kong	<0.2>	-29.7	33.1	-8.0	-7.6	-2.0	16.7	-16.4	-14.6	-8.0	13.3
Singapore	<1.2>	-12.5	23.2	4.7	-1.4	-5.7	-1.9	4.8	13.8	0.4	-2.9
ASEAN4 <sup>3</sup>	<11.5>	-14.9	18.3	8.0	2.8	0.2	1.4	0.2	-0.0	-2.1	5.0
Thailand	<3.0>	-17.5	25.9	8.6	4.7	-1.7	2.6	2.6	2.5	0.5	4.8
Others	<38.3>	-13.9	6.8	2.5	1.2	-1.8	-1.3	0.2	3.1	2.9	-0.6
Real imports		-14.0	12.1	5.3	1.4	-0.7	-0.8	2.2	1.8	3.2	0.3

## (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 Apr.	May	Jun.
Raw materials <sup>4</sup>	<36.5>	-14.9	5.6	2.6	1.4	-2.1	-1.0	-0.7	1.5	1.5	1.1
Intermediate goods	<14.9>	-15.4	18.7	5.6	1.7	-2.2	2.7	9.4	8.9	0.4	-3.4
Foodstuffs	<8.6>	1.0	2.0	5.5	1.3	-8.2	1.2	6.9	13.0	-1.7	-2.9
Consumer goods <sup>5</sup>	<8.5>	-10.3	22.7	7.9	-0.7	10.1	-0.6	-4.1	-3.2	1.0	11.1
IT-related goods <sup>6</sup>	<11.2>	-12.4	27.0	9.3	1.7	3.5	-0.1	-1.6	0.0	4.8	1.0
Capital goods and parts <sup>7</sup>	<11.3>	-23.8	19.1	6.5	3.0	2.4	-0.9	2.0	2.9	2.8	-0.3
Excluding aircraft	<10.7>	-24.4	21.9	6.3	2.9	1.4	0.4	3.8	3.7	1.0	2.6
Real imports		-14.0	12.1	5.3	1.4	-0.7	-0.8	2.2	1.8	3.2	0.3

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

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.

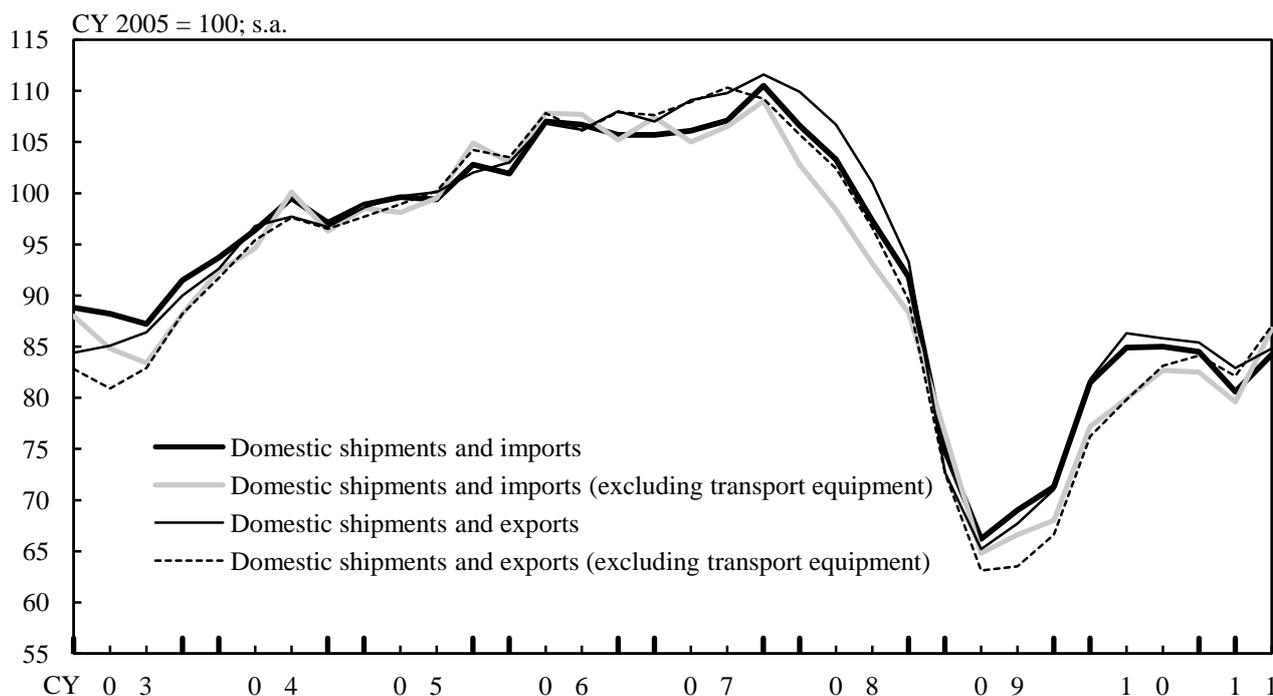
6. IT-related goods are composed of computers and units, parts of computers, telecommunication machinery, ICs, and medical and optical instruments.

7. Excludes IT-related goods.

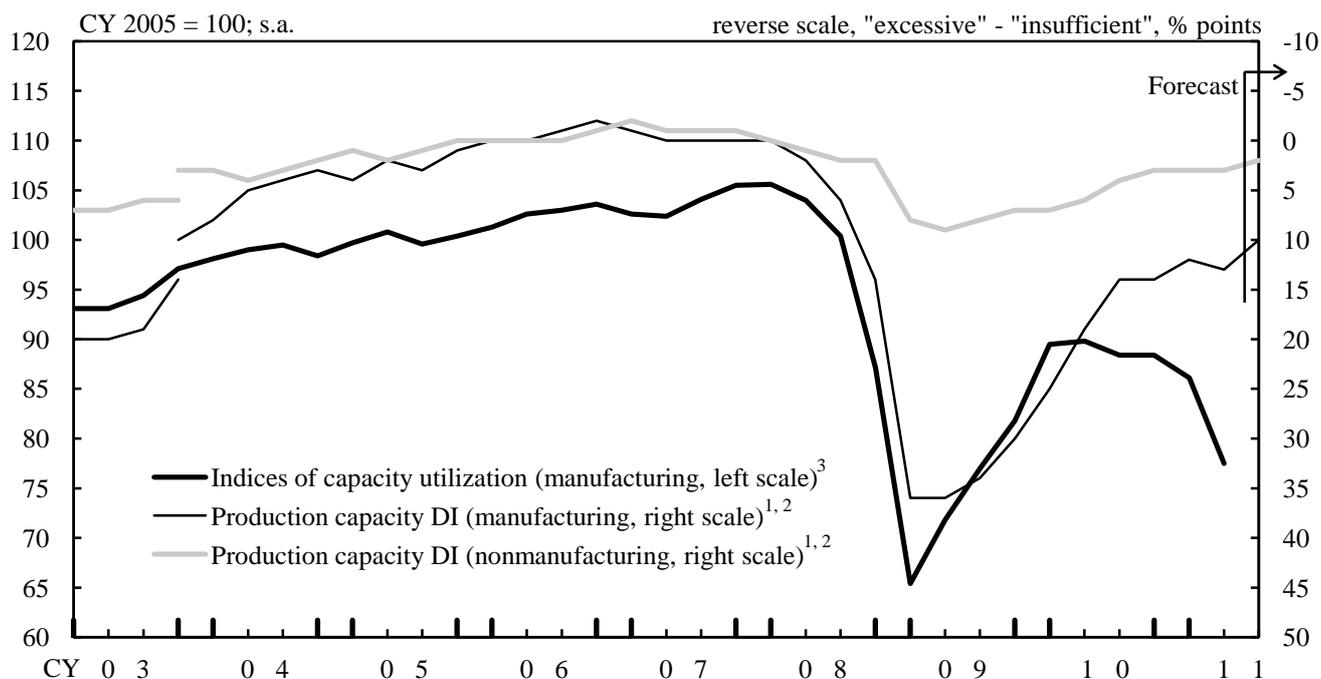
Sources: Ministry of Finance, "Trade Statistics"; Bank of Japan, "Corporate Goods Price Index."

## Coincident Indicators of Business Fixed Investment

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



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



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

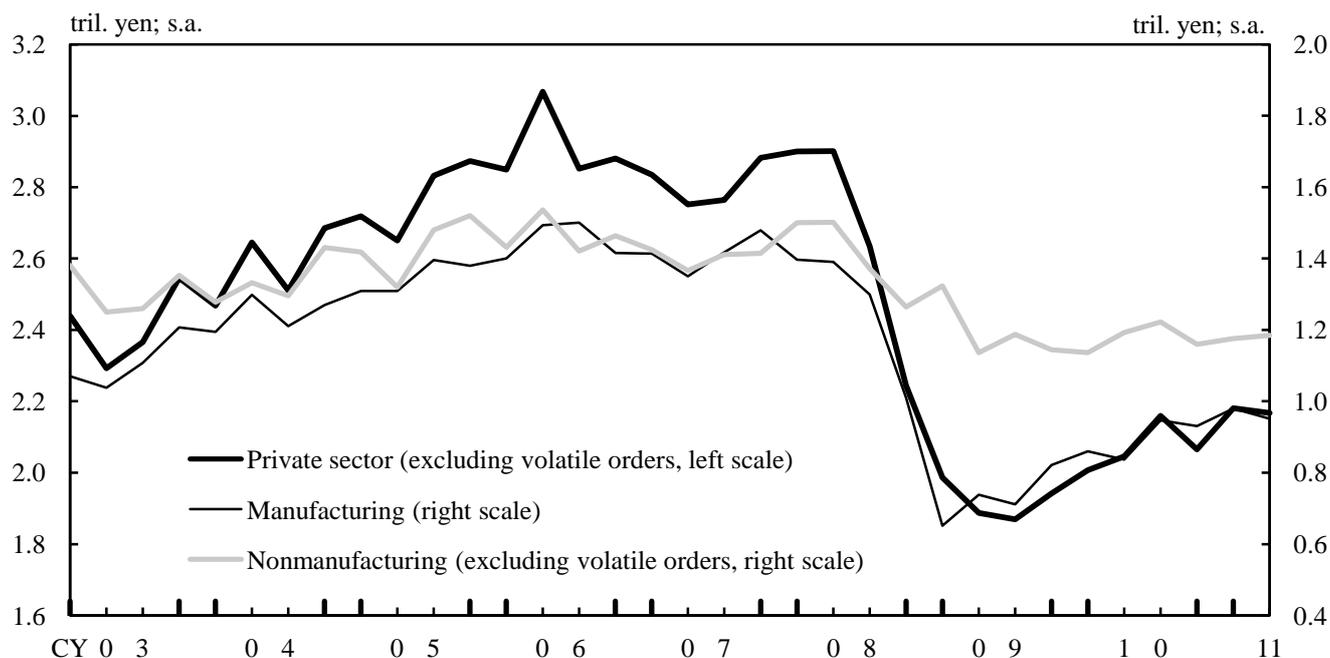
2. In the March 2004 survey, the "Tankan" underwent major revisions, including the addition of new sample enterprises to the survey. Figures up to the December 2003 survey are based on the previous data sets. Figures from the December 2003 survey are on the new basis.

3. The figure for 2011/Q2 is the average of April-May.

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."

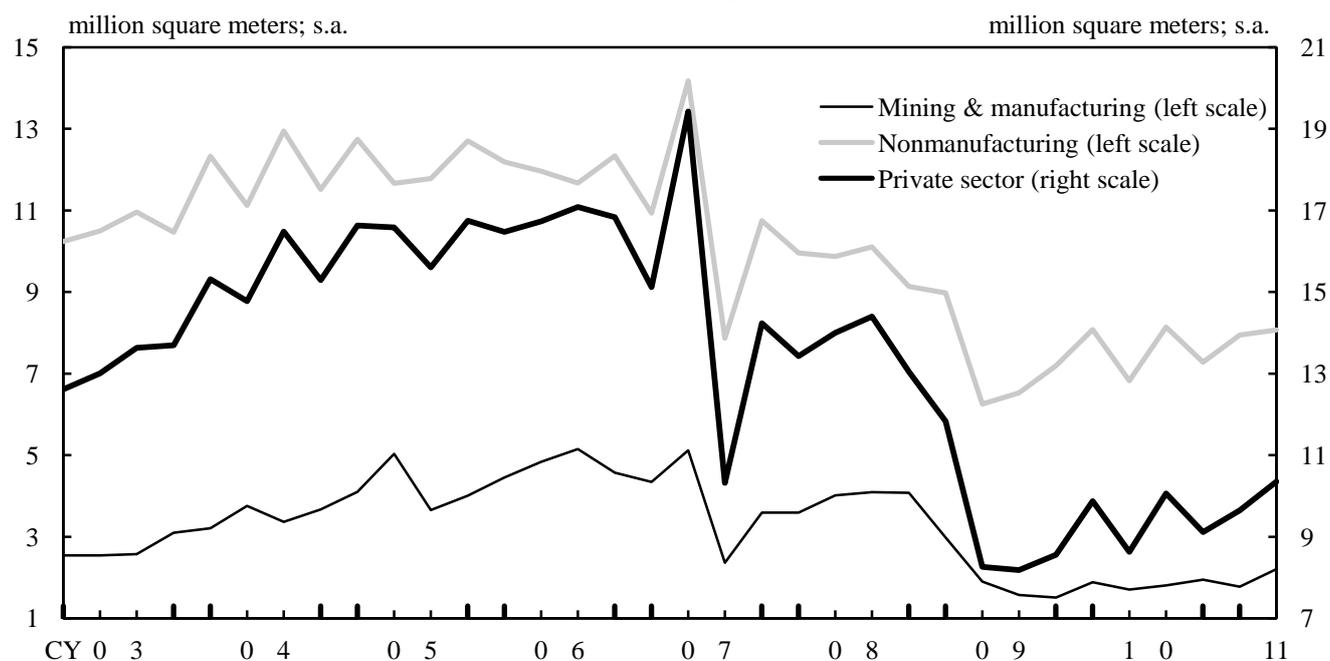
## Leading Indicators of Business Fixed Investment

### (1) Machinery Orders



- Notes: 1. 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 April-May averages in quarterly amount.

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

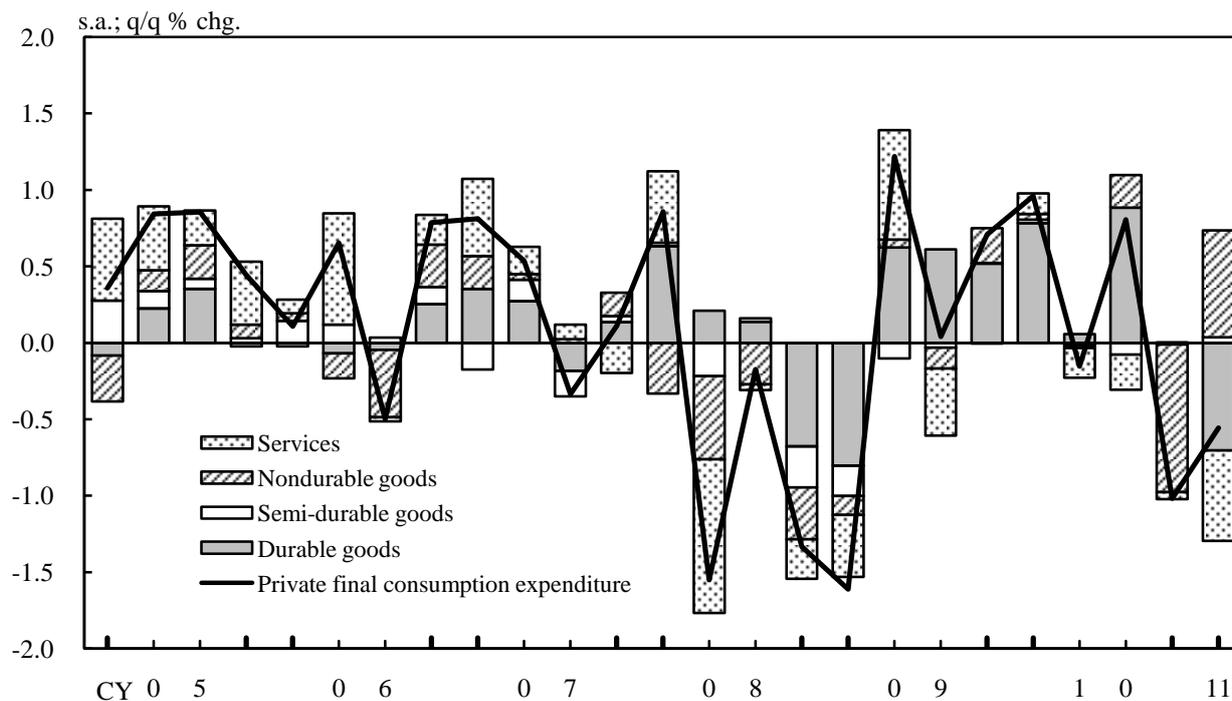


- Notes: 1. Seasonally adjusted by X-12-ARIMA.  
 2. Following the revision of the "Standard Industrial Classification for Japan" in March 2002, the industry classification for "newspaper publishing and publishing business" was changed from "mining and manufacturing" to "nonmanufacturing." This new classification applies to data from FY 2003 onward. Accordingly, the data up to FY 2002 were adjusted by using a link coefficient.

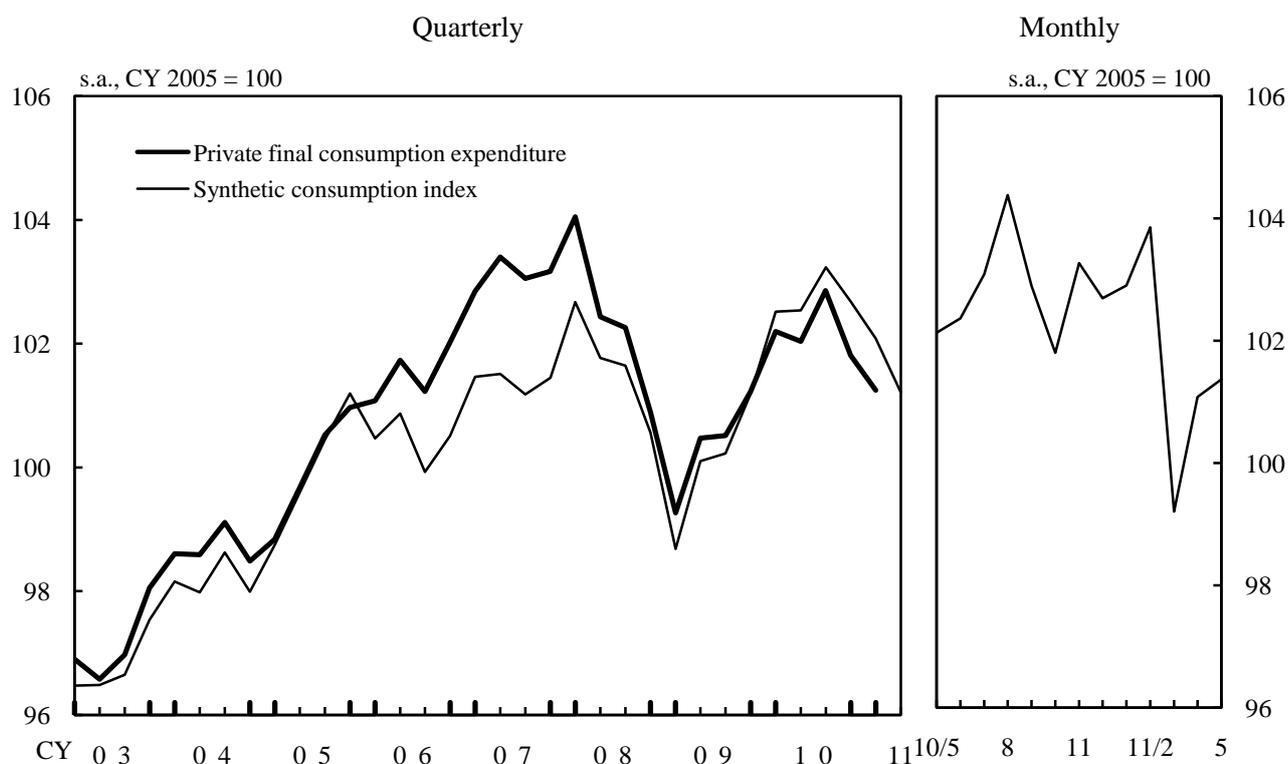
Sources: Cabinet Office, "Orders Received for Machinery";  
 Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts."

Indicators of Private Consumption (1)

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



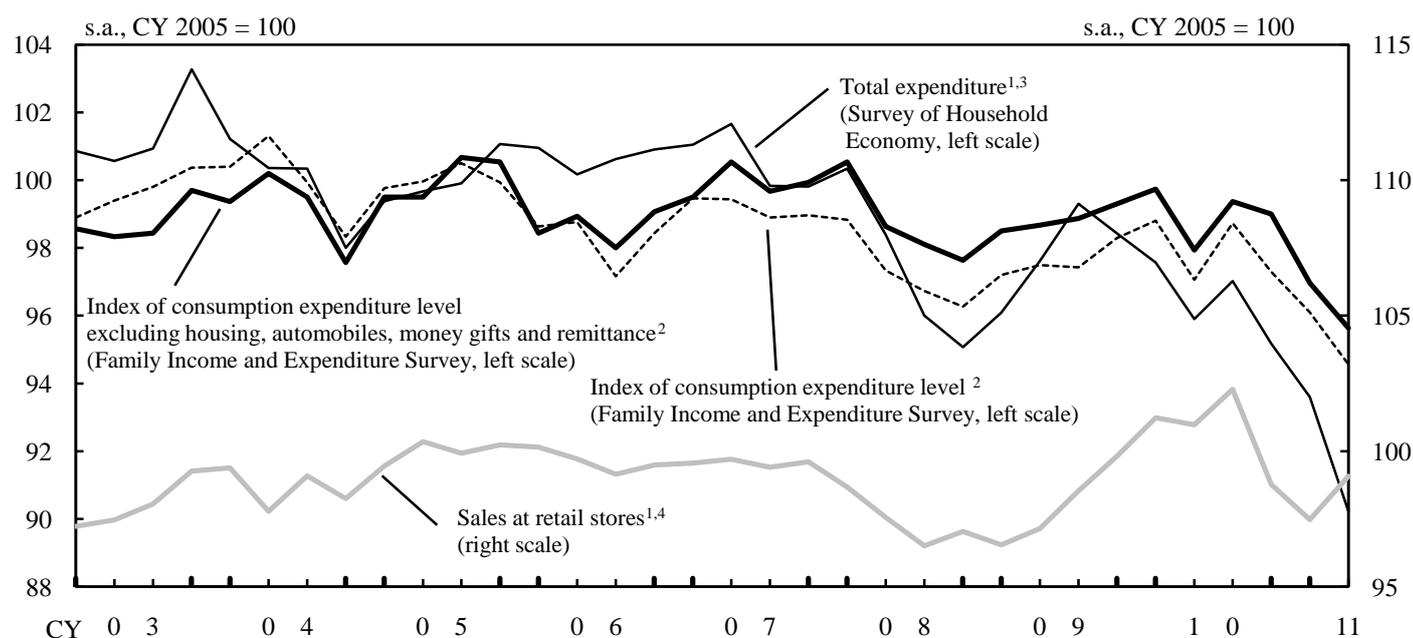
(2) Private Final Consumption Expenditure and Synthetic Consumption Index (Real)



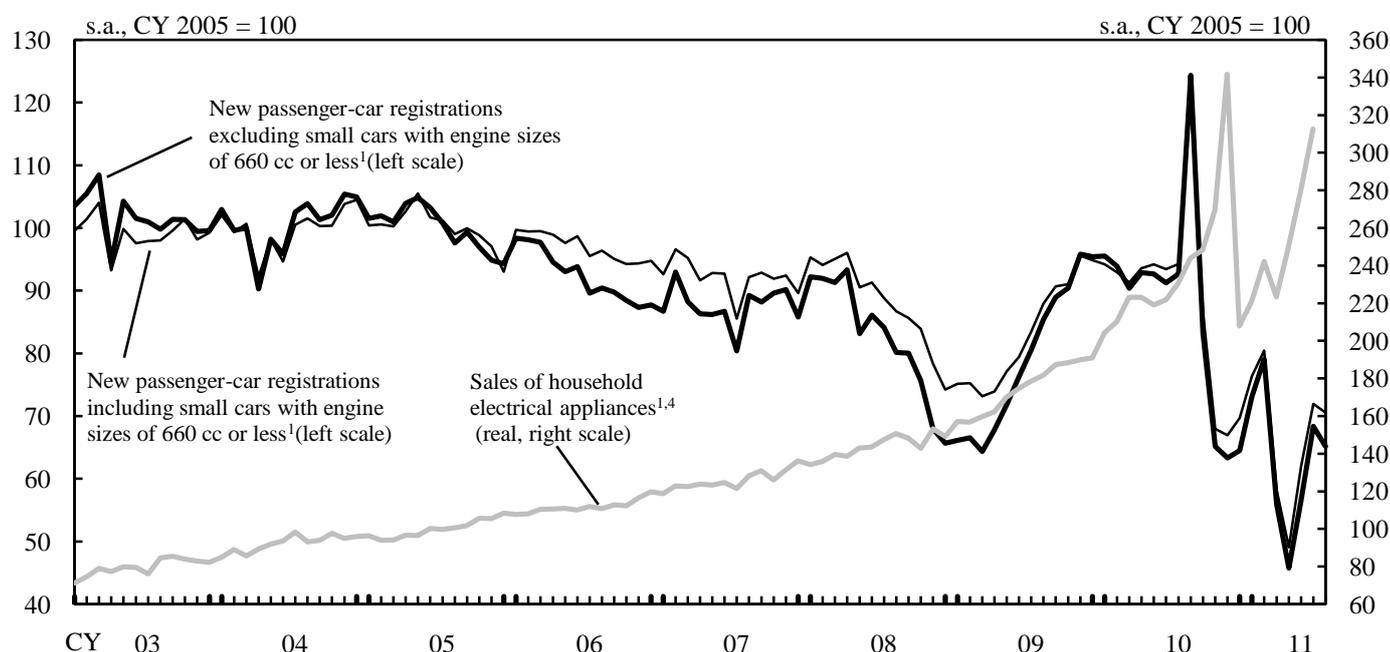
Note: The figure of the synthetic consumption index for 2011/Q2 is the average of April-May in quarterly amount.

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

## Indicators of Private Consumption (2)

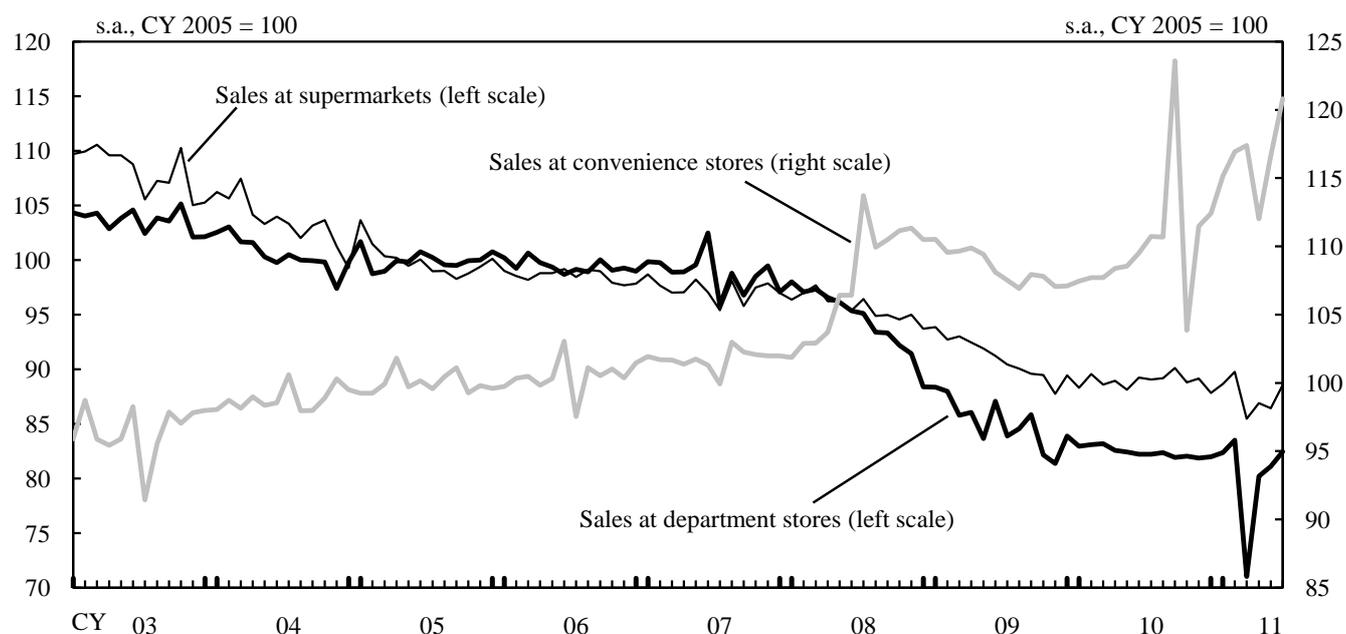
(1) Household Spending (Real)<sup>5</sup>

## (2) Sales of Durable Goods

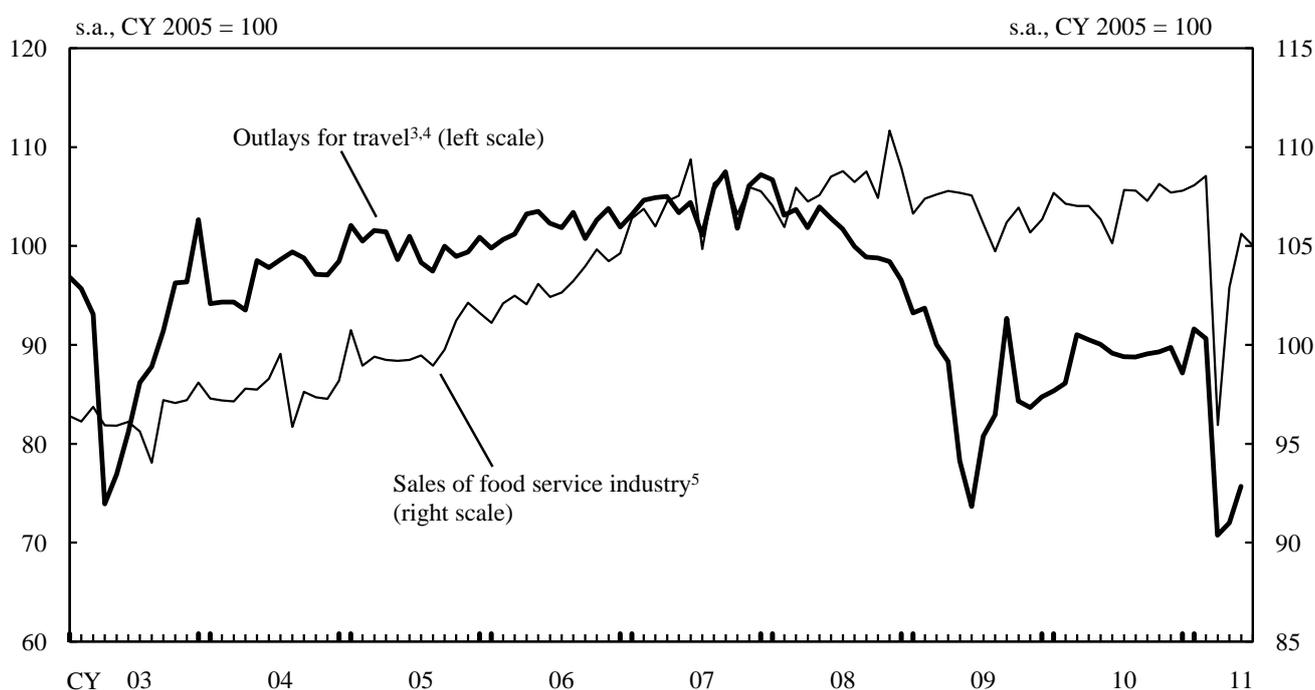


- Notes: 1. Total expenditure, sales at retail stores, sales of household electrical appliances and new passenger-car registrations are seasonally adjusted by X-12-ARIMA.
2. "Index of consumption expenditure level" is based on two-or-more-person households, and is adjusted using the distribution of household 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. The figure of total expenditure for 2011/Q2 is April-May averages 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";

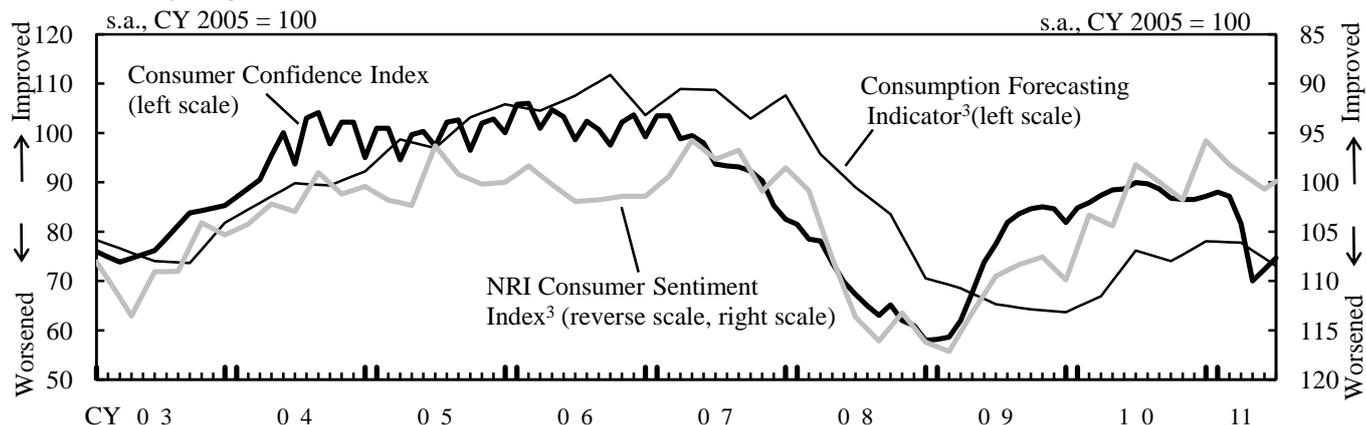
Japan Tourism Agency, "Major Travel Agents' Revenue";

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

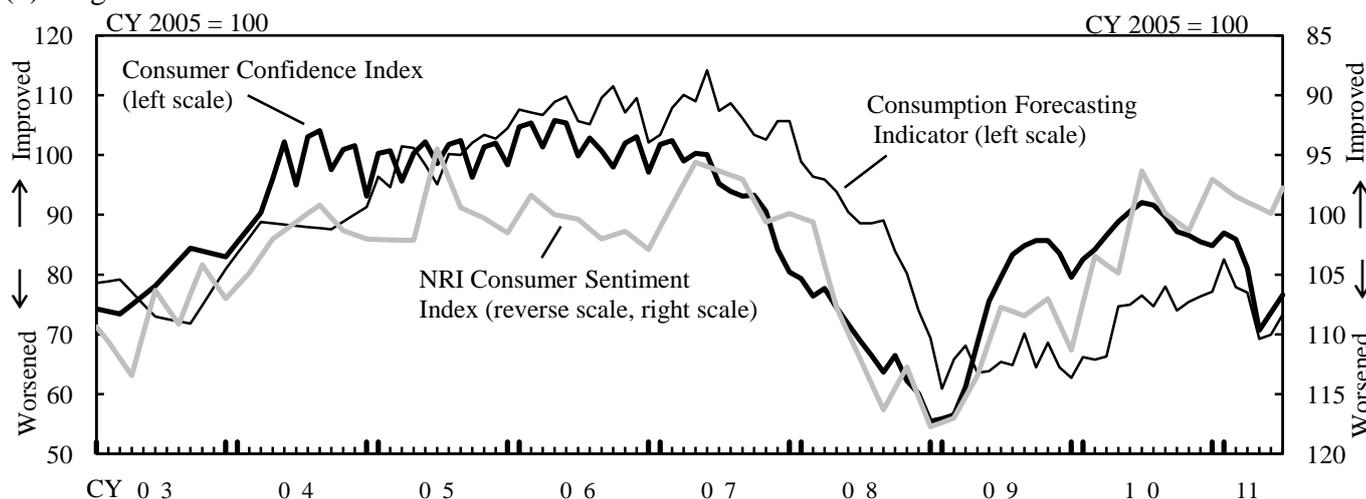
(Research on the food service industry)."

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

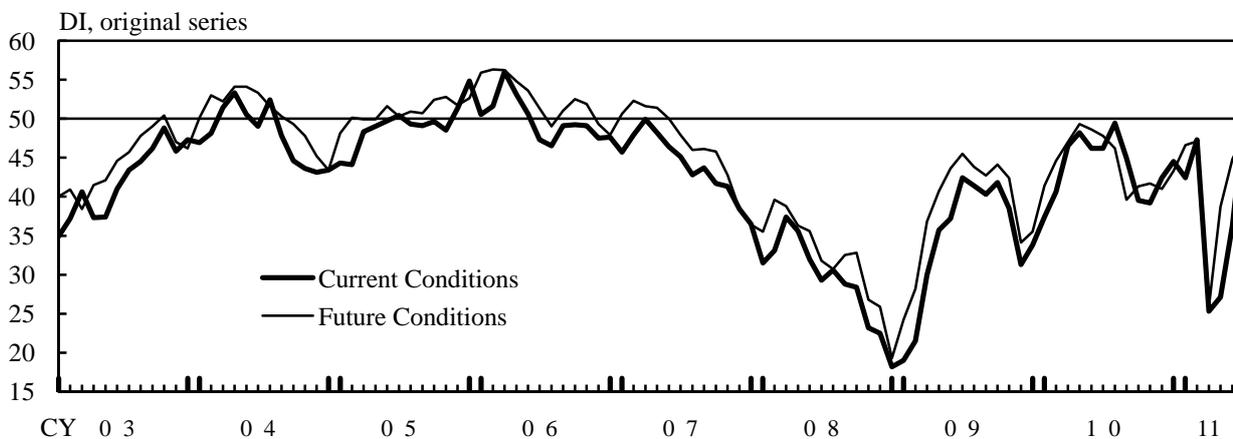
## (1) Seasonally Adjusted Series



## (2) Original Series



## Reference: Economy Watchers Survey (Household Activity)

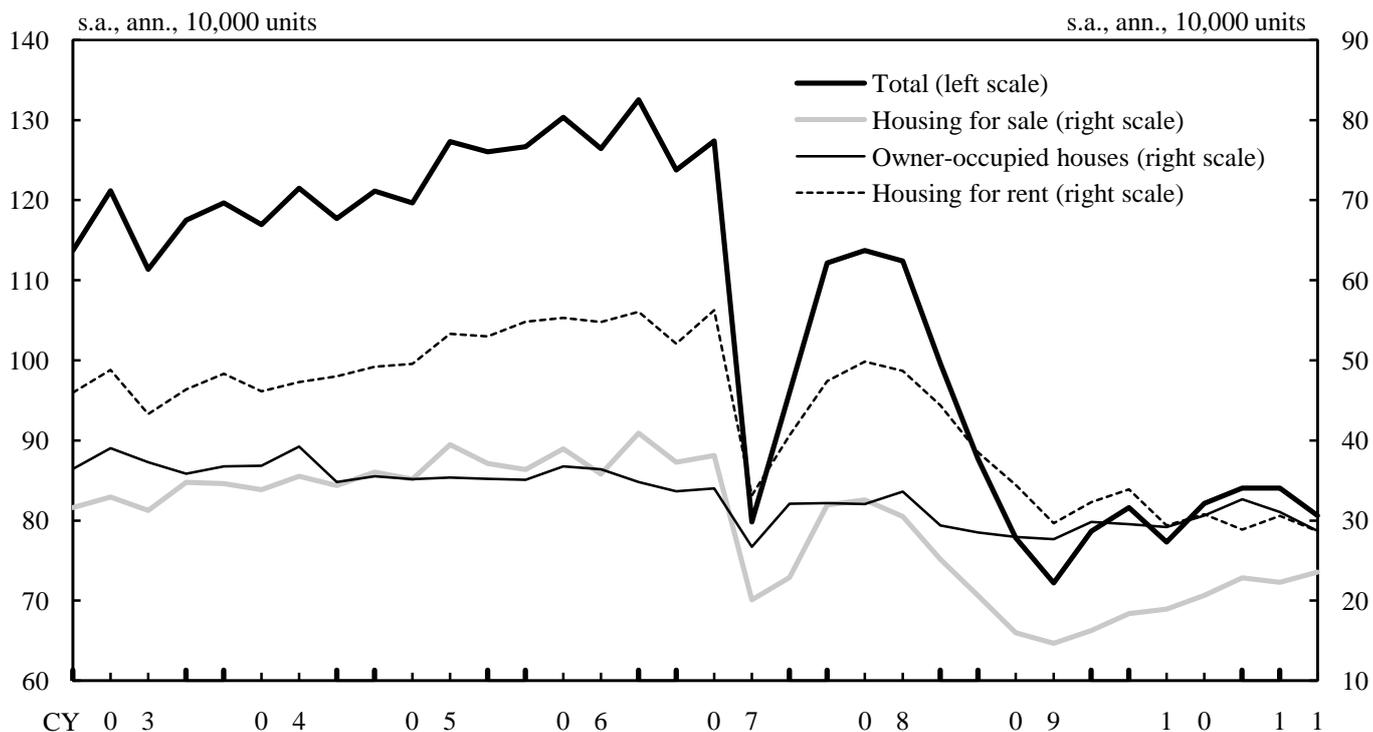


- Notes: 1. The Consumer Confidence Index (covering about 4,700 samples on a nationwide basis), Consumption Forecasting Indicator (600 samples in the metropolitan area), and NRI Consumer Sentiment Index (1,200 samples on a nationwide basis) are based on surveys on consumer confidence.
2. Figures are 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.

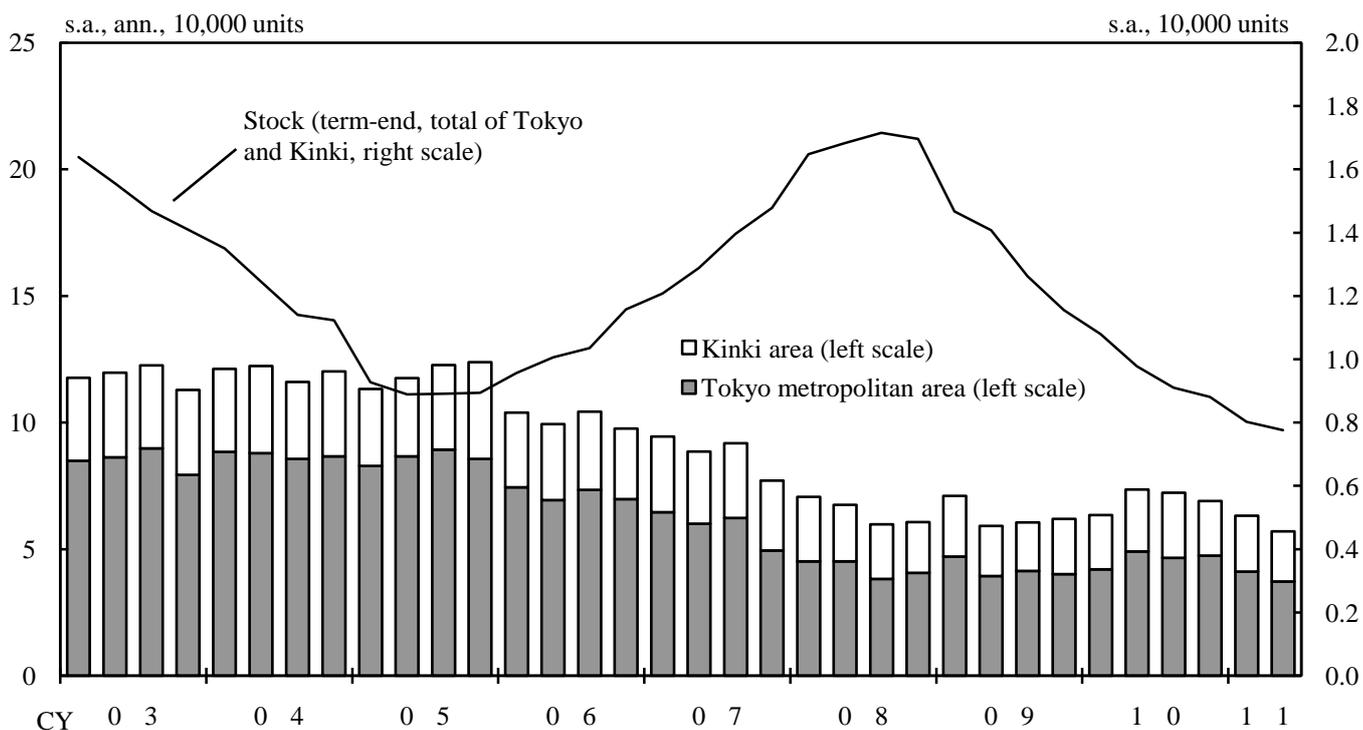
Sources: Cabinet Office, "Consumer Confidence Survey," "Economy Watchers Survey";  
Nikkei inc., "Consumption Forecasting Indicator"; Nippon Research Institute (NRI), "Consumer Sentiment Survey."

Indicators of Housing Investment

(1) Housing Starts



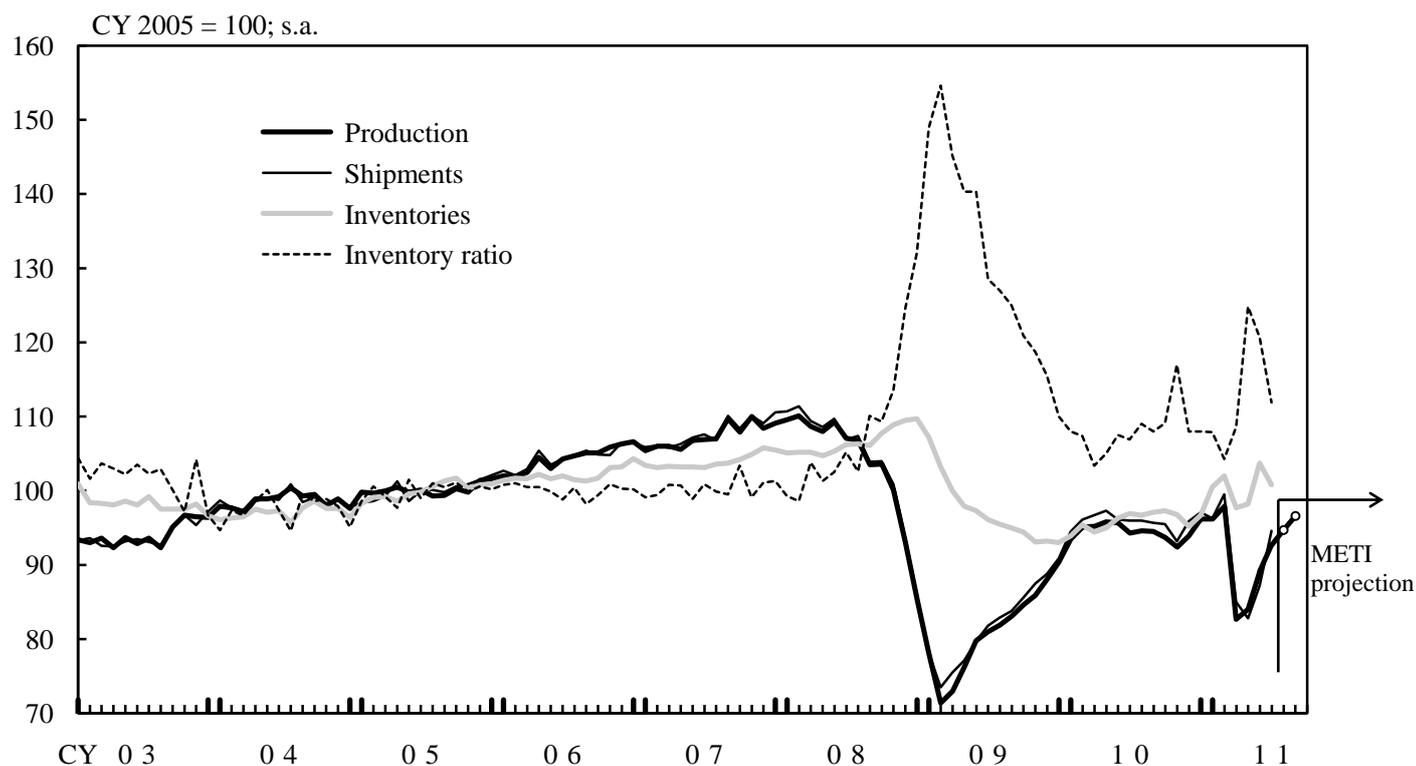
(2) Sales of Apartments



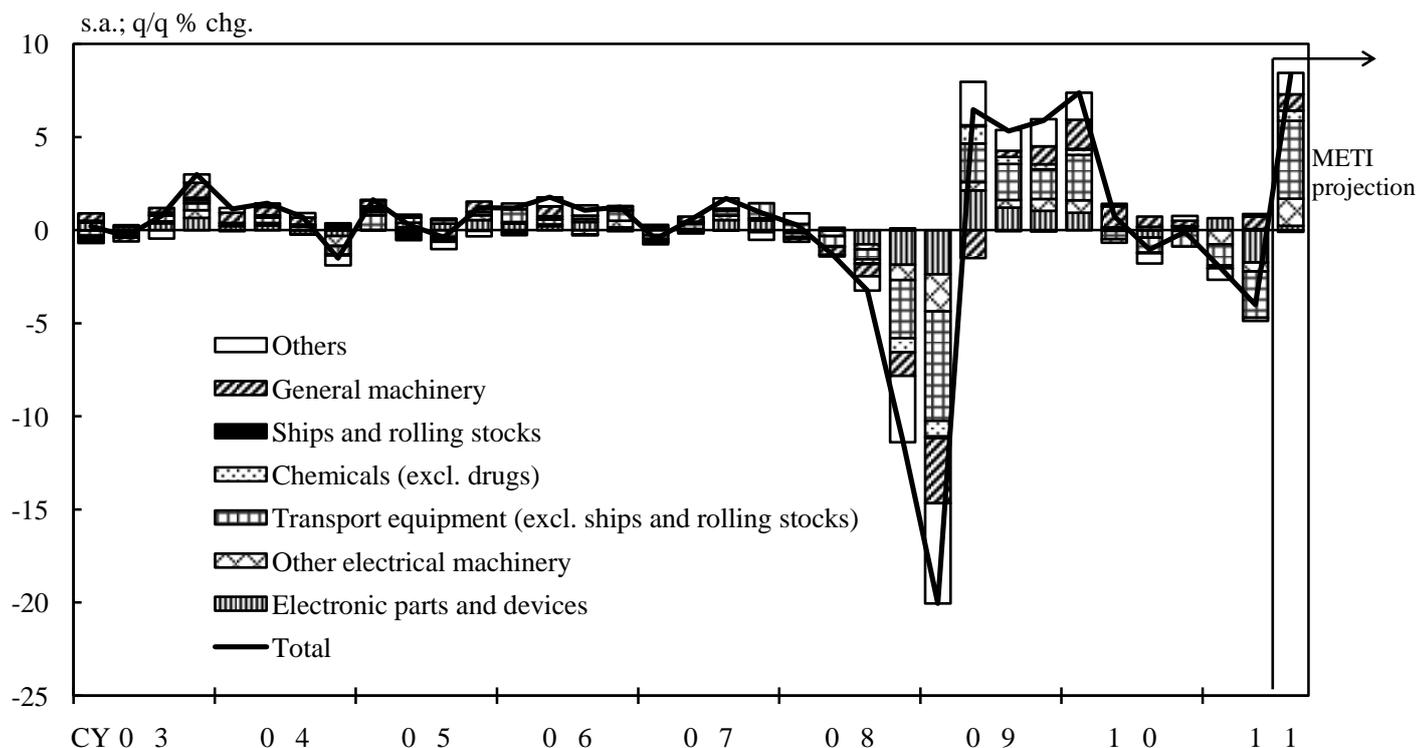
Note: Seasonally adjusted by X-12-ARIMA.

## 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."

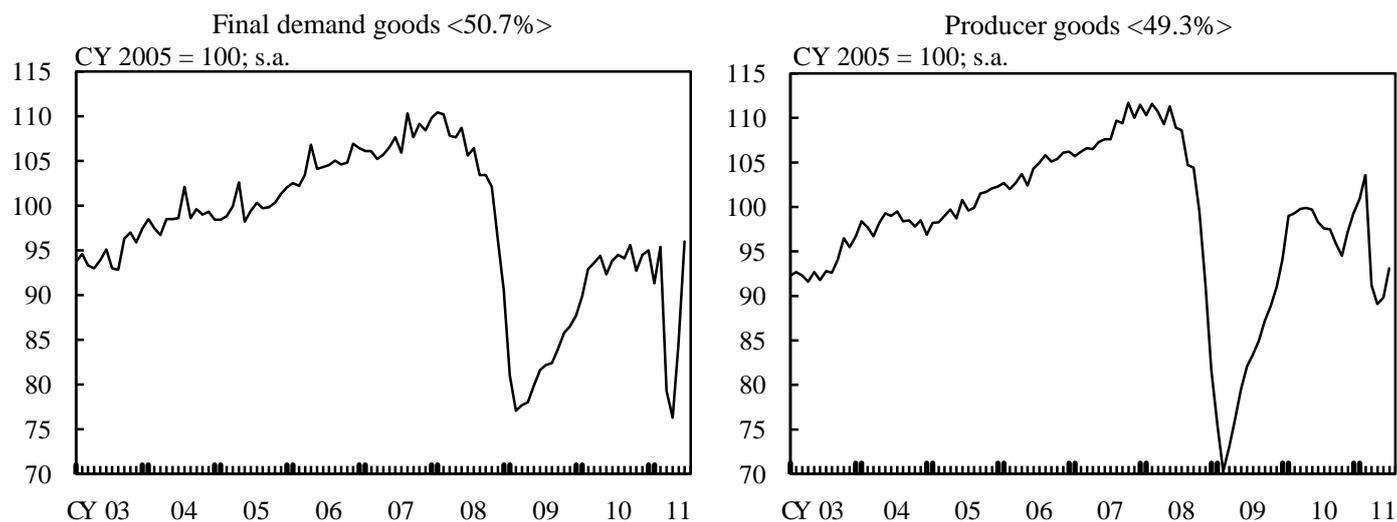
2. 2003/Q1 figures are on the 2000 base.

3. 2011/Q3 figures are based on the assumption that the production levels in September are the same as those of August.

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

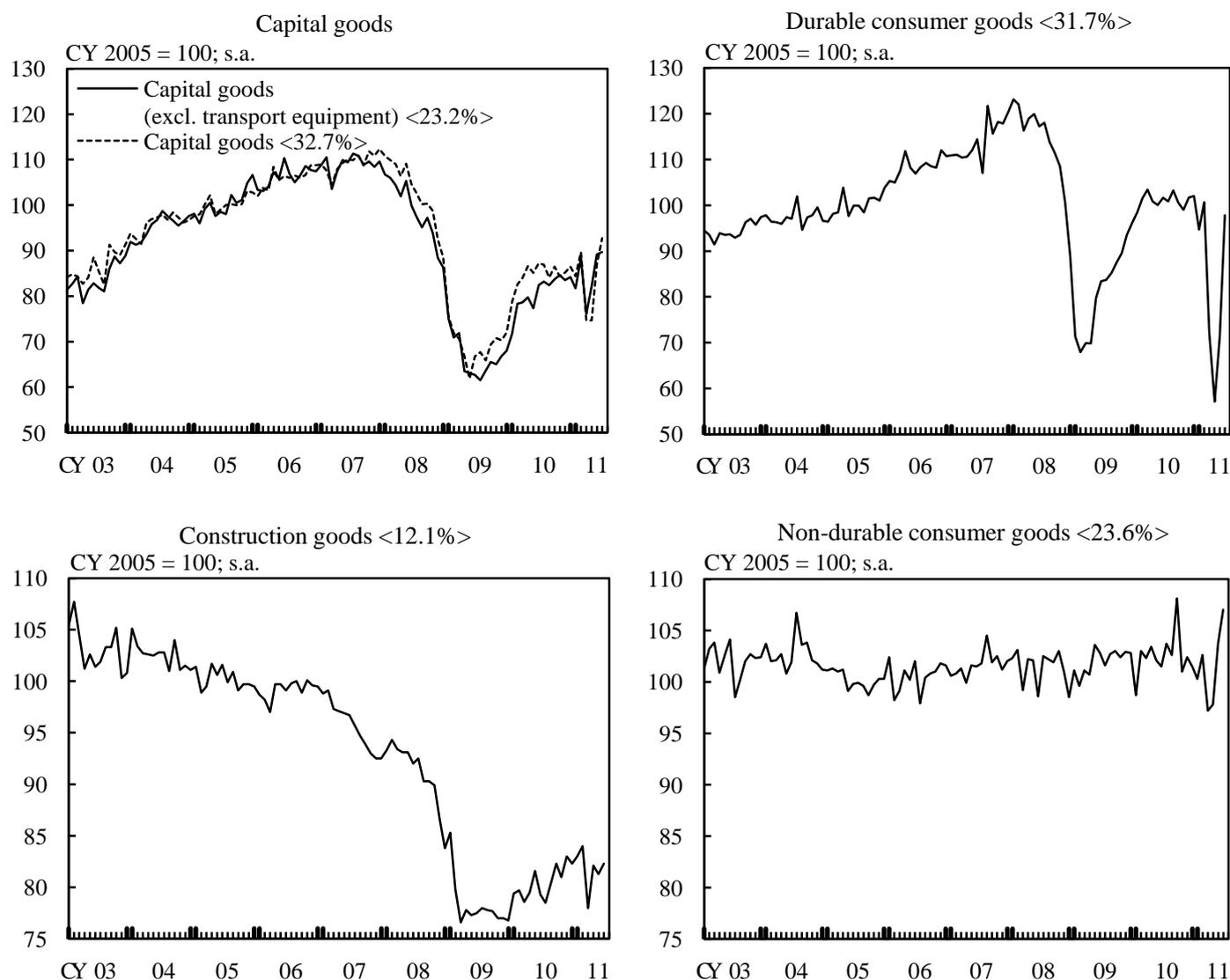
## Shipments by Type of Goods

## (1) Final Demand Goods and Producer Goods



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

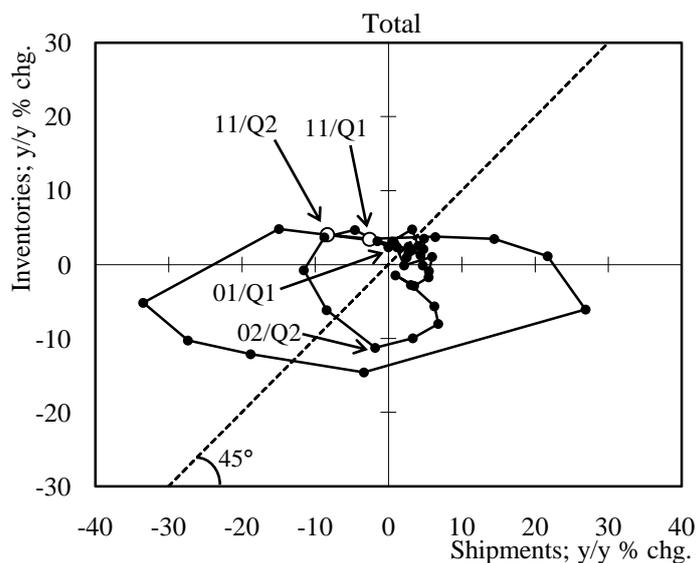
## (2) Breakdown of Final Demand Goods



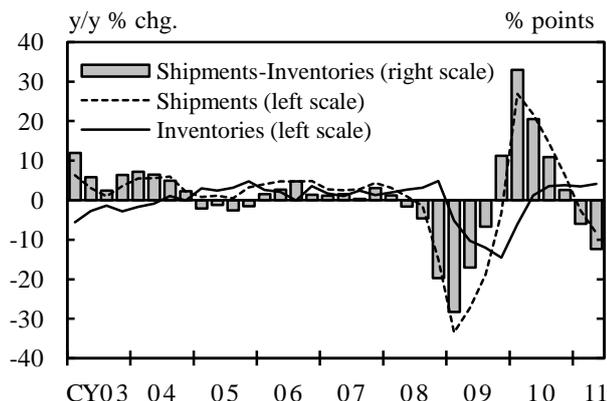
Note: Figures in angle brackets show the shares among shipments of final demand goods.

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

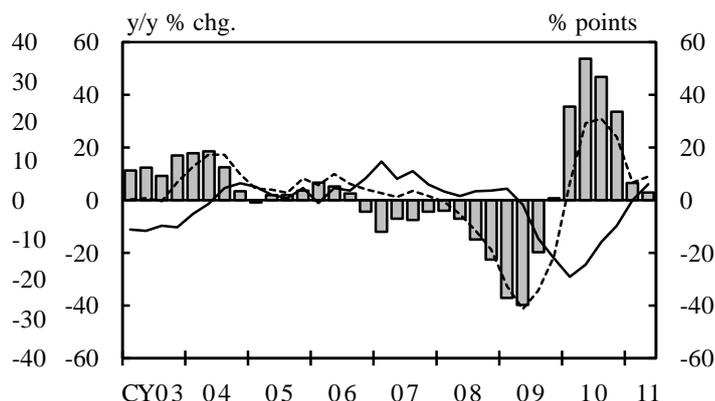
# Inventory Cycle



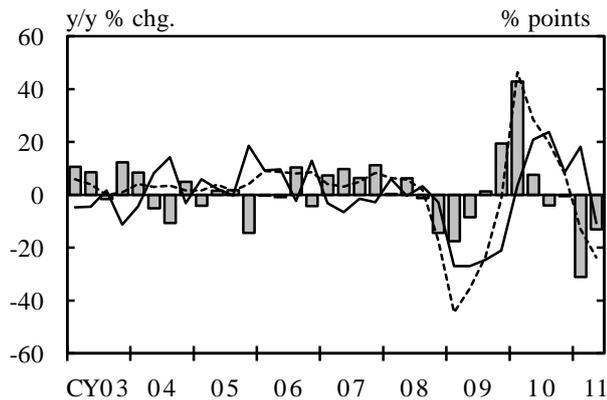
(1) Total



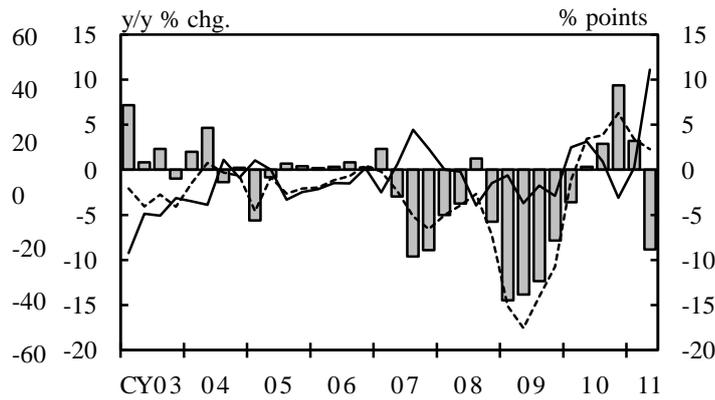
(2) Capital Goods (Excluding Transport Equipment)



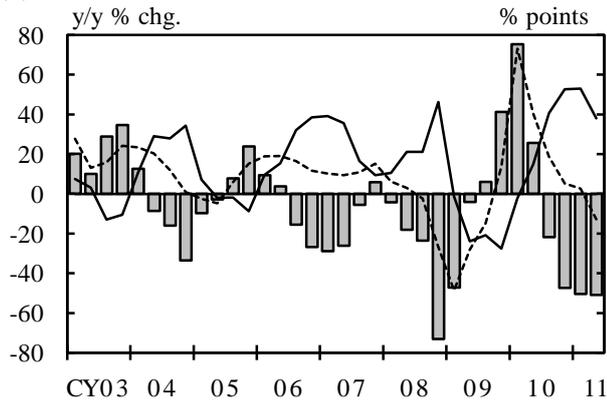
(3) Durable Consumer Goods



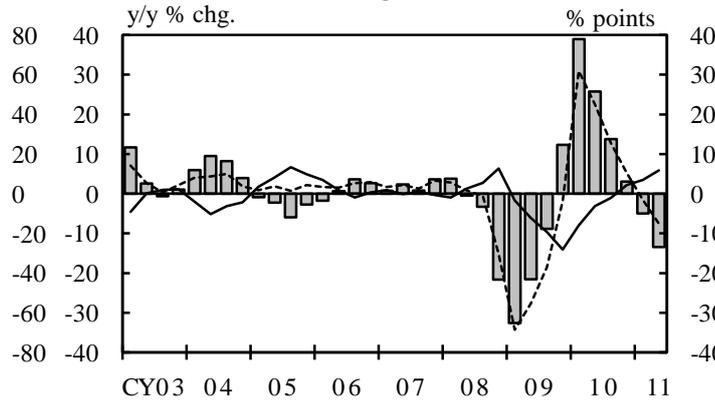
(4) Construction Goods



(5) Electronic Parts and Devices

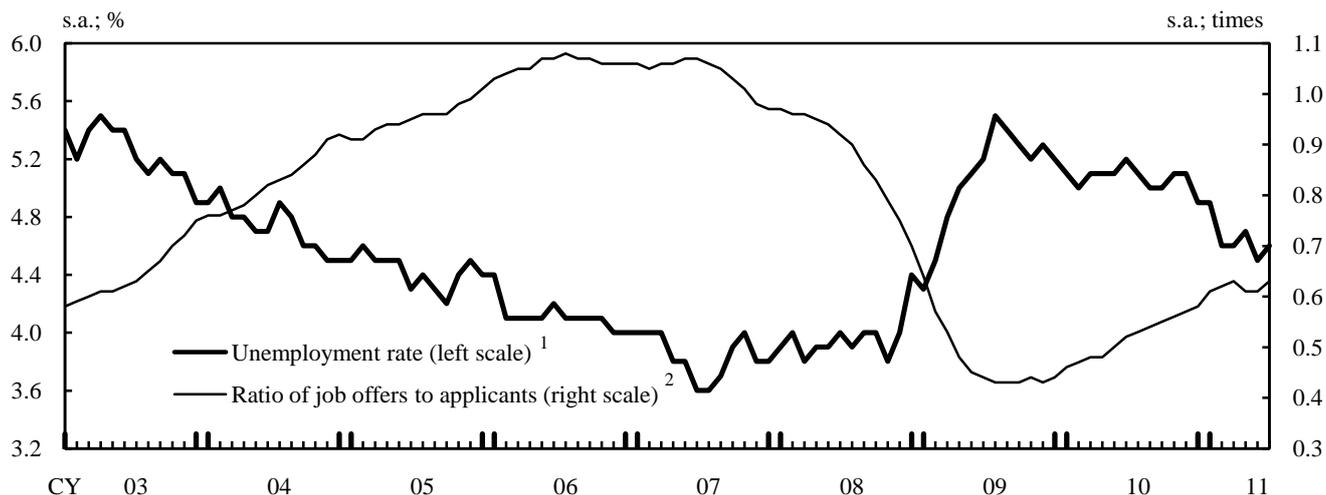
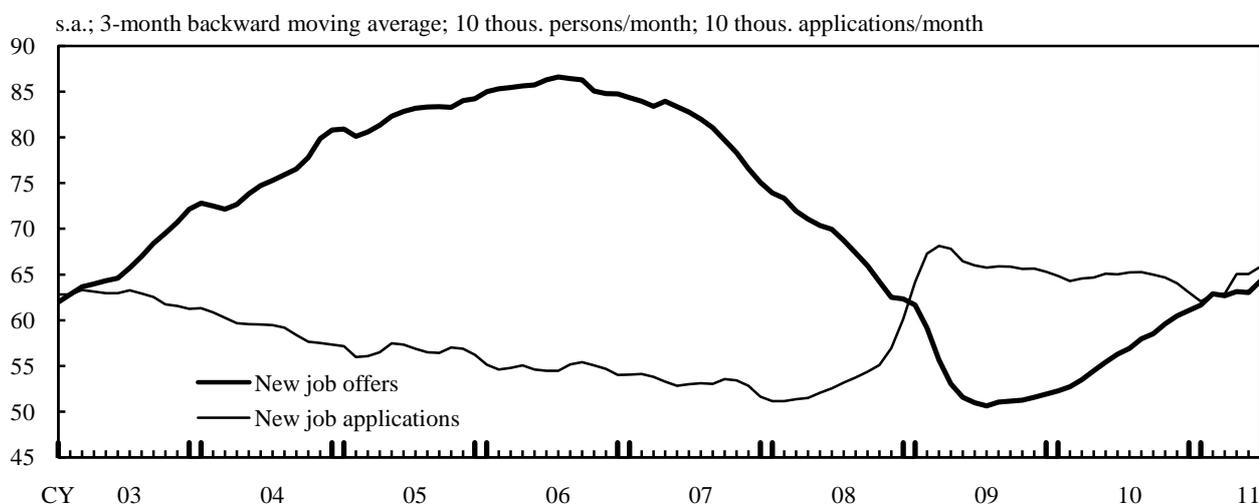
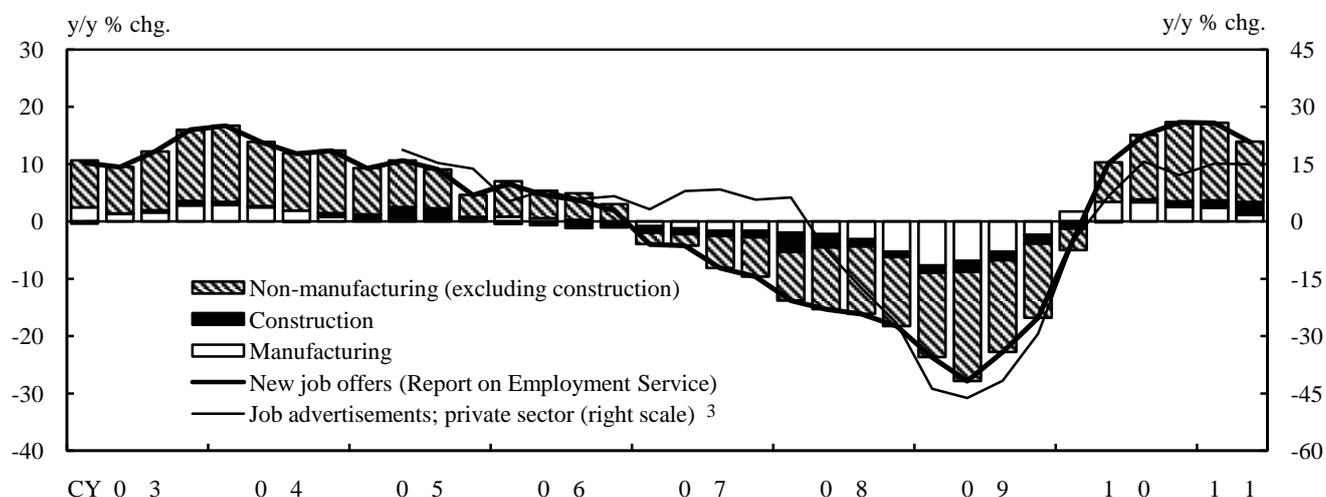


(6) Producer Goods Excluding Electronic Parts and Devices



## 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</sup>

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

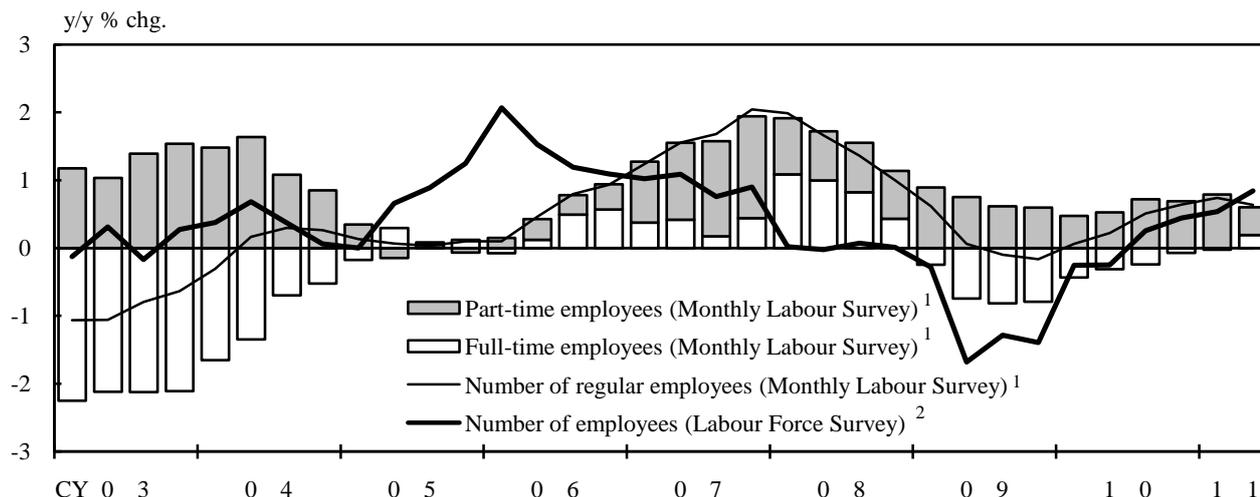
2. Figures do not include jobs offered to new graduates, but include those offered to part-time workers.

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.

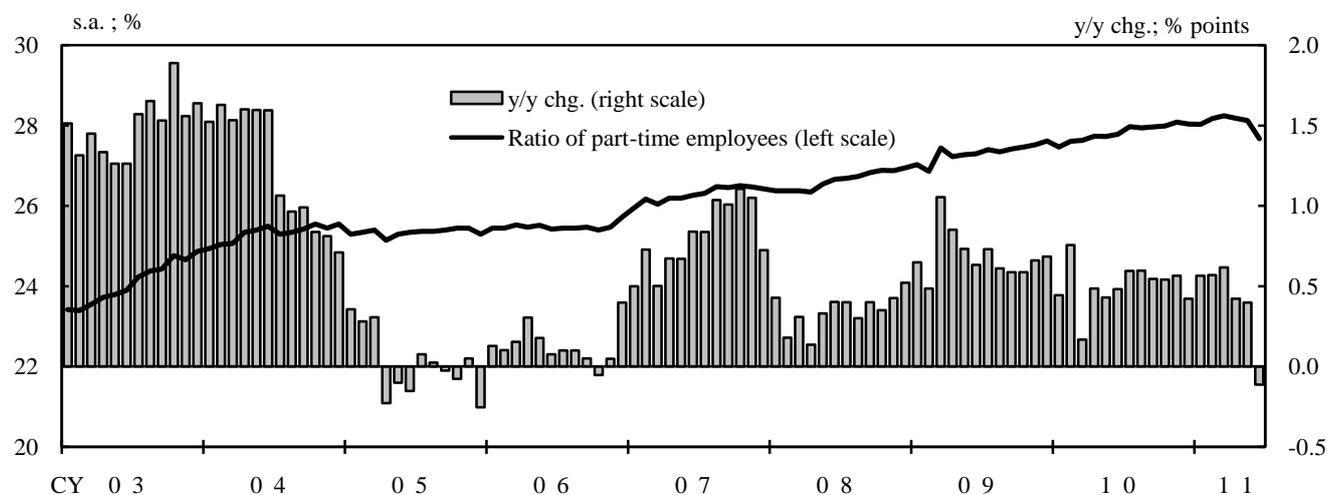
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service";  
Ministry of Internal Affairs and Communications, "Labour Force Survey";  
Association of Job Information of Japan, "Kyujin Koukoku Keisaikensu (Survey of job advertisements)."

Labor Market (2)

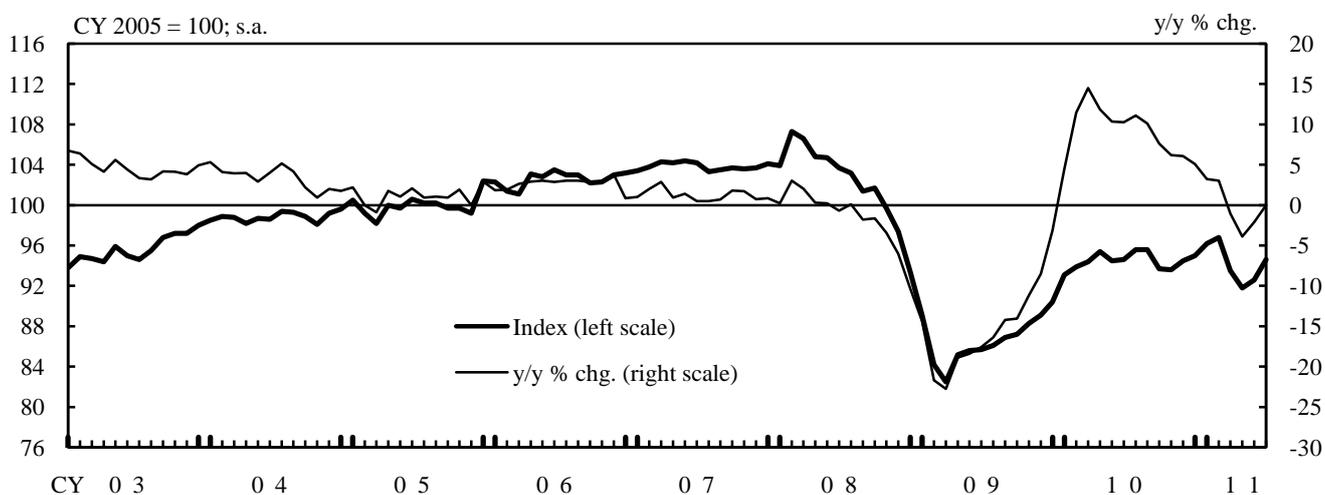
(1) Number of Employees



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



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

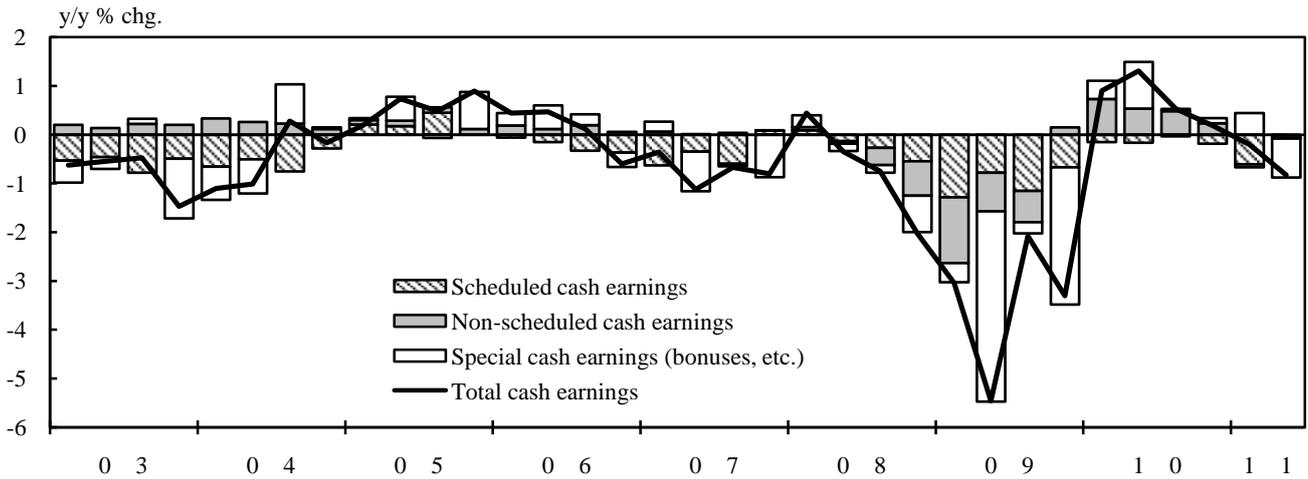


- Notes: 1. Data are for establishments with at least five employees.  
 2. Figures from 2011/Q1 are based on data which exclude Iwate, Miyagi, and Fukushima prefectures.  
 3. The ratio of part-time employees is calculated as the number of part-time employees divided by the number of regular employees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

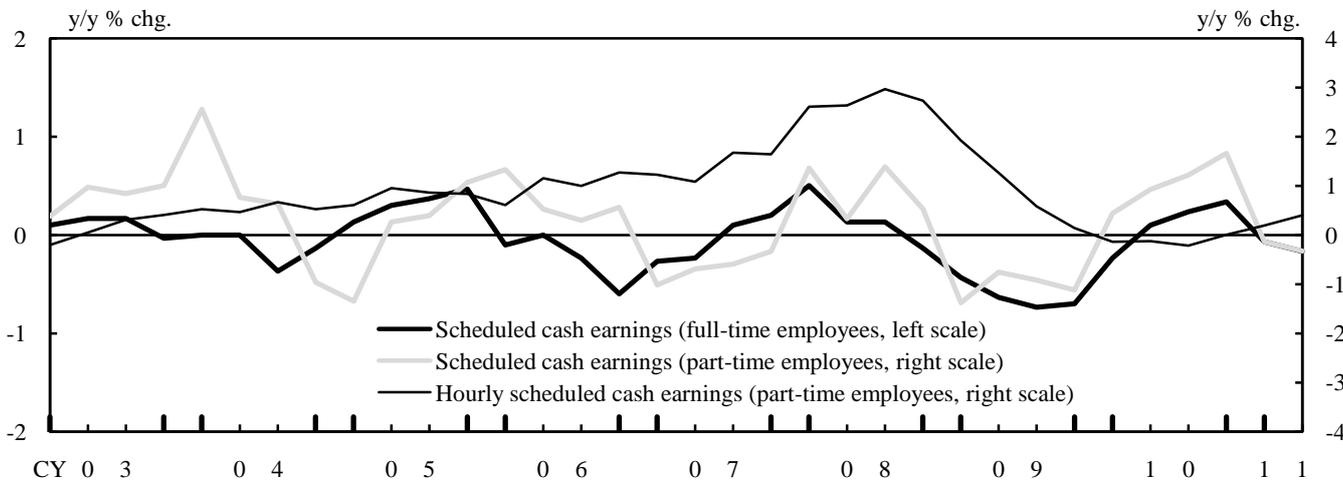
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";  
 Ministry of Internal Affairs and Communications, "Labour Force Survey."

Employee Income

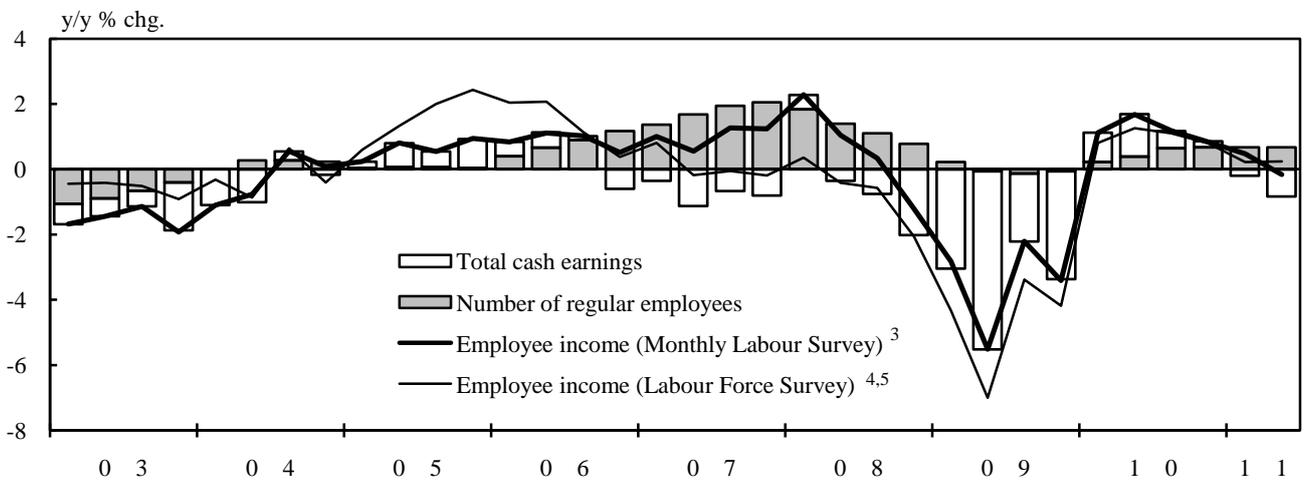
(1) Breakdown of Total Cash Earnings<sup>1,2</sup>



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



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

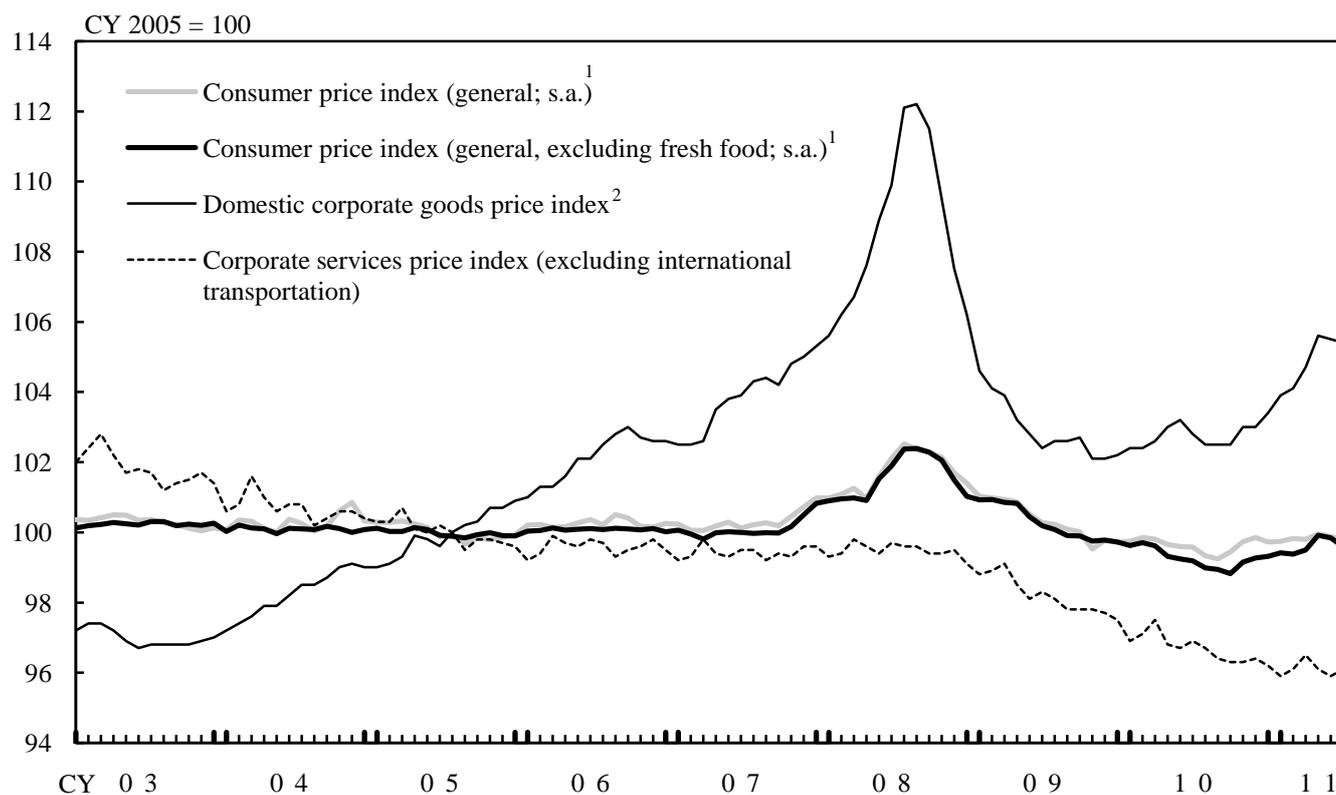


Notes: 1. Data of the "Monthly Labour Survey" are for establishments with at least five employees.  
 2. Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.  
 Figures for 2011/Q2 are those of June.  
 3. Calculated as the "number of regular employees" (Monthly Labour Survey) 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.

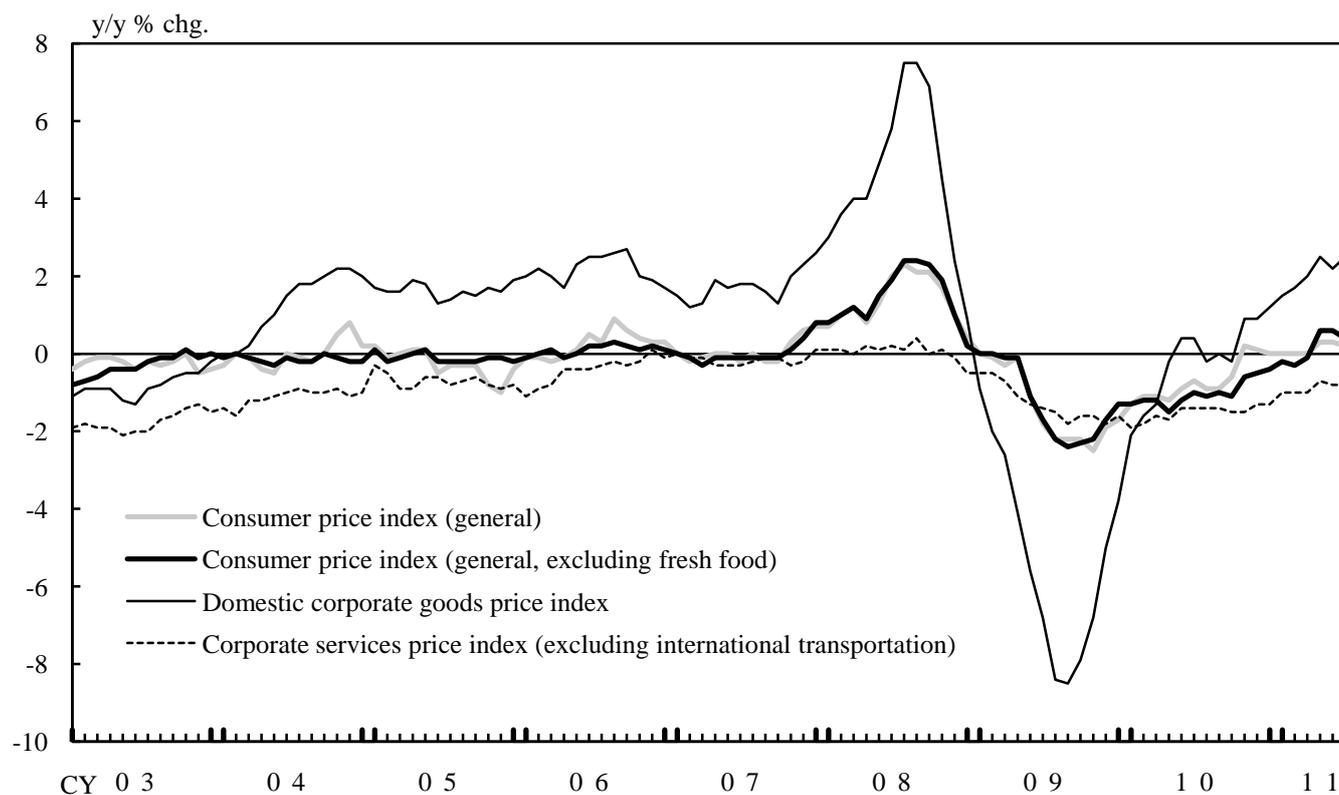
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";  
 Ministry of Internal Affairs and Communications, "Labour Force Survey."

## Prices

## (1) Level



## (2) Changes from a Year Earlier



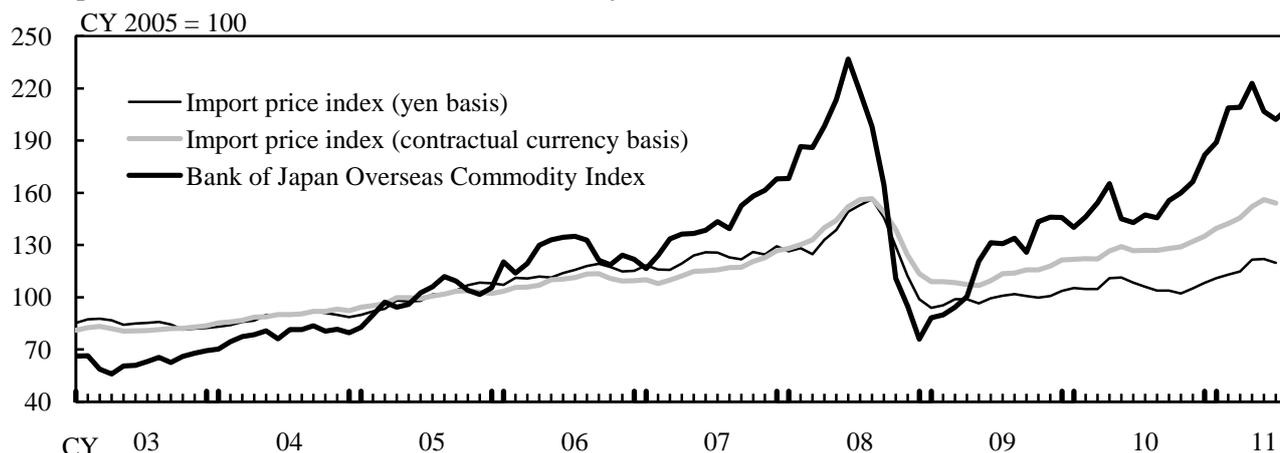
Notes: 1. Seasonally adjusted by X-12-ARIMA.

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

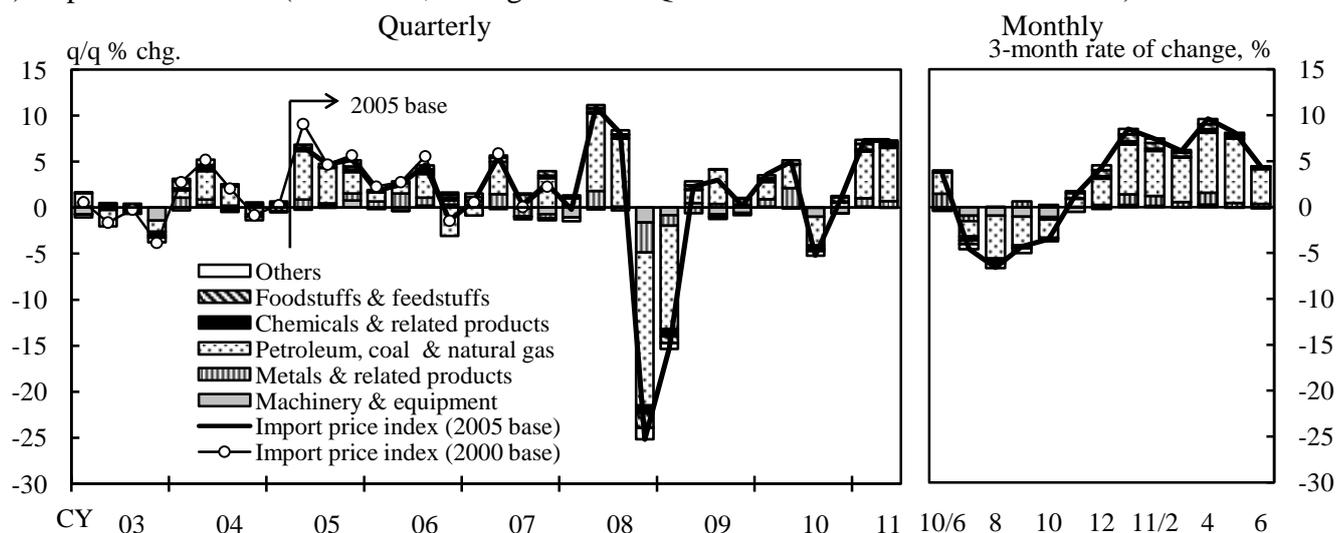
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index."

Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



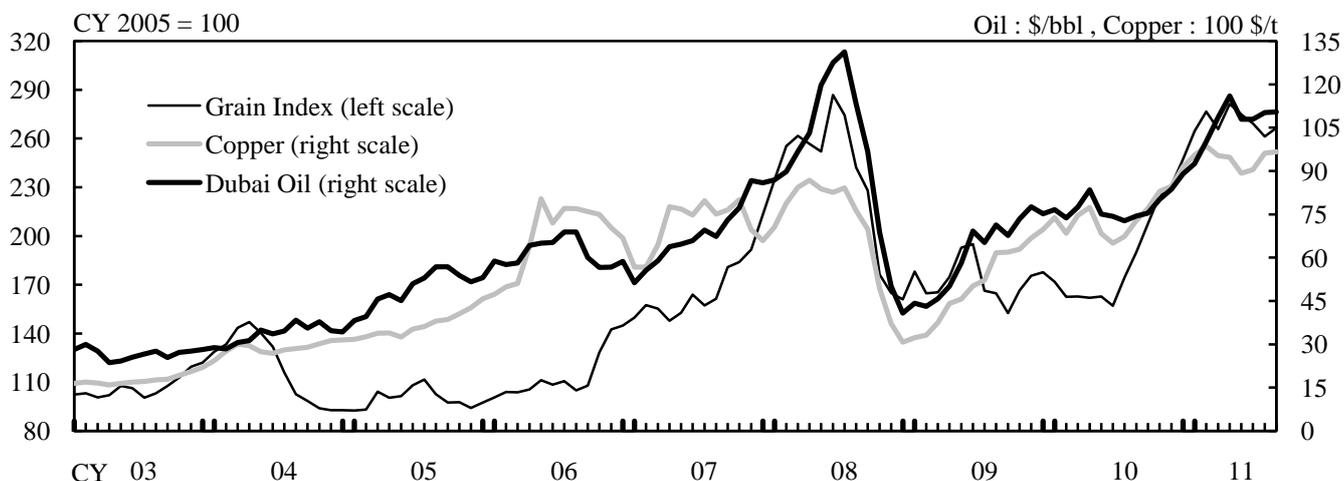
(2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



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

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

(3) International Commodity Prices



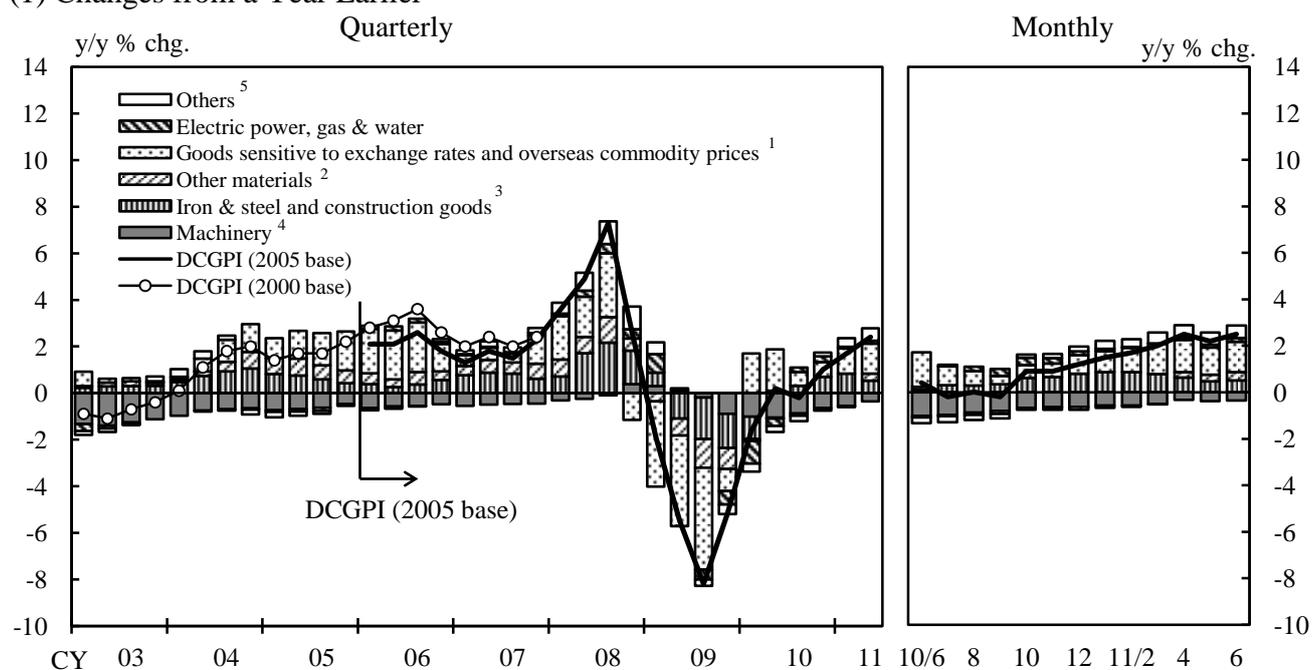
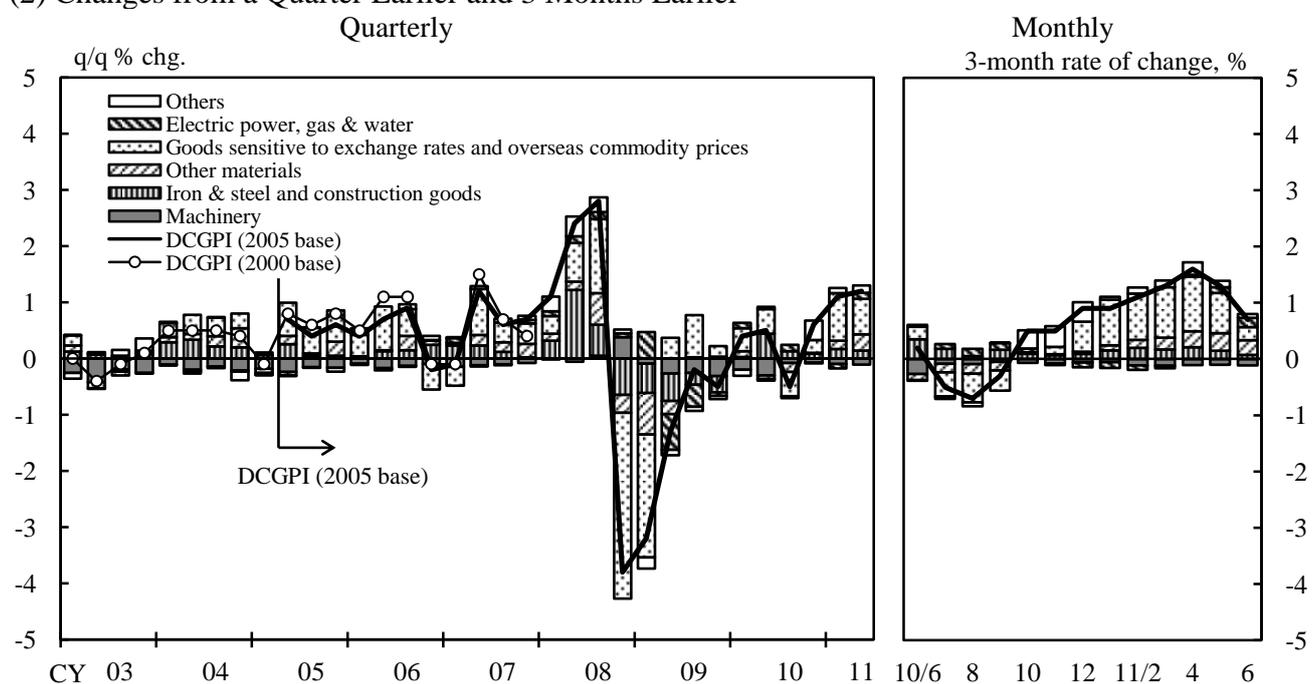
Notes: 1. The "grain index" is the weighted average of prices of three selected items (wheat, soybeans, and corn) in overseas commodity markets. The weights are based on the value of imports in the "Trade Statistics."

2. Monthly averages. Figures for August 2011 are averages up to August 3.

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.

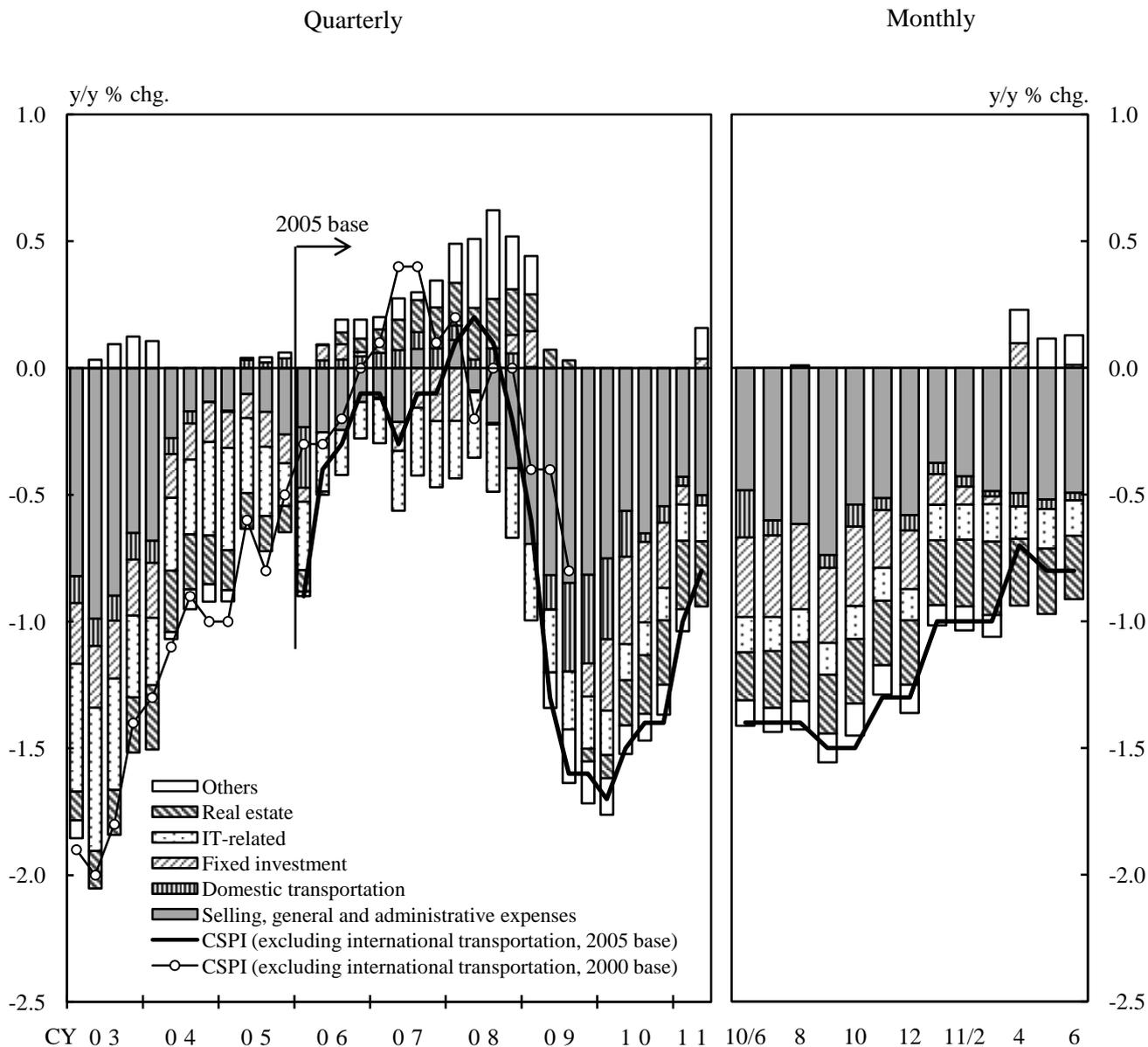
4. Machinery: electrical machinery & equipment, information & communications equipment, electronic components & devices, general machinery & equipment, transportation equipment, and precision instruments.

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 2007/Q4 on the 2000 base are those of October.

Corporate Services Price Index

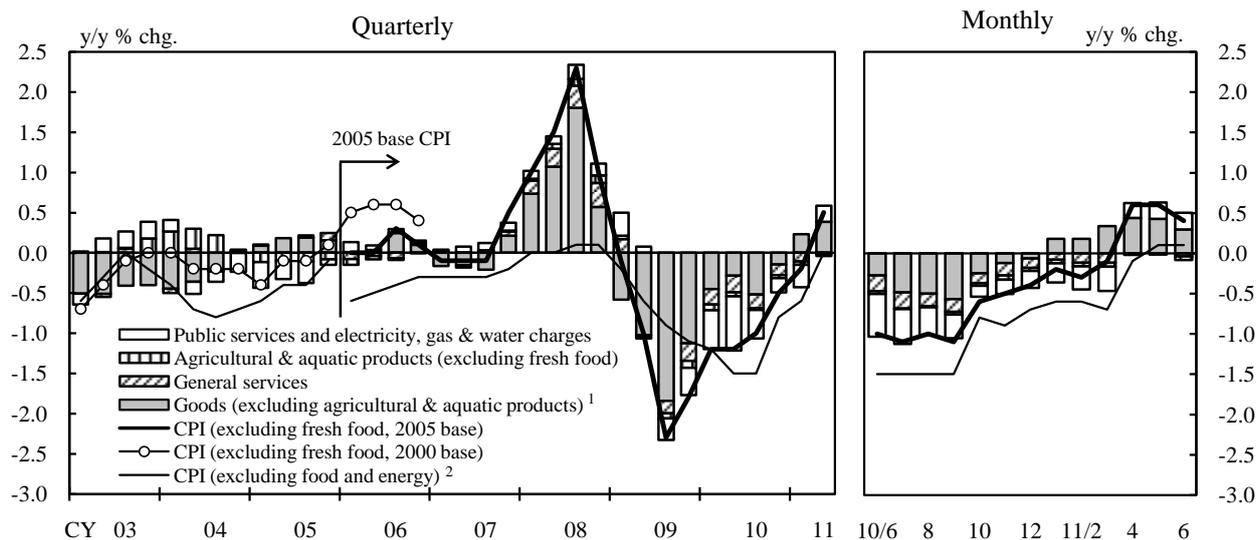


- Notes: 1. Selling, general and administrative expenses: information and communications (excluding newspapers and publishing), advertising services, other services (excluding plant engineering, and civil engineering and architectural services).  
 2. Domestic transportation: transportation (excluding 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 2009/Q3 on the 2000 base are July-August averages.

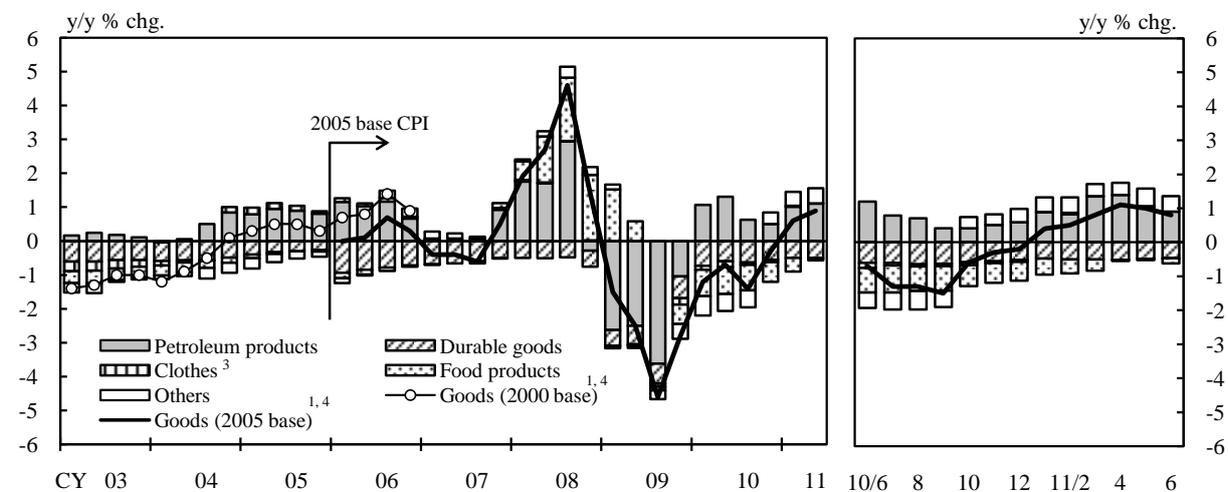
Source: Bank of Japan, "Corporate Services Price Index."

Consumer Price Index (Excluding Fresh Food)

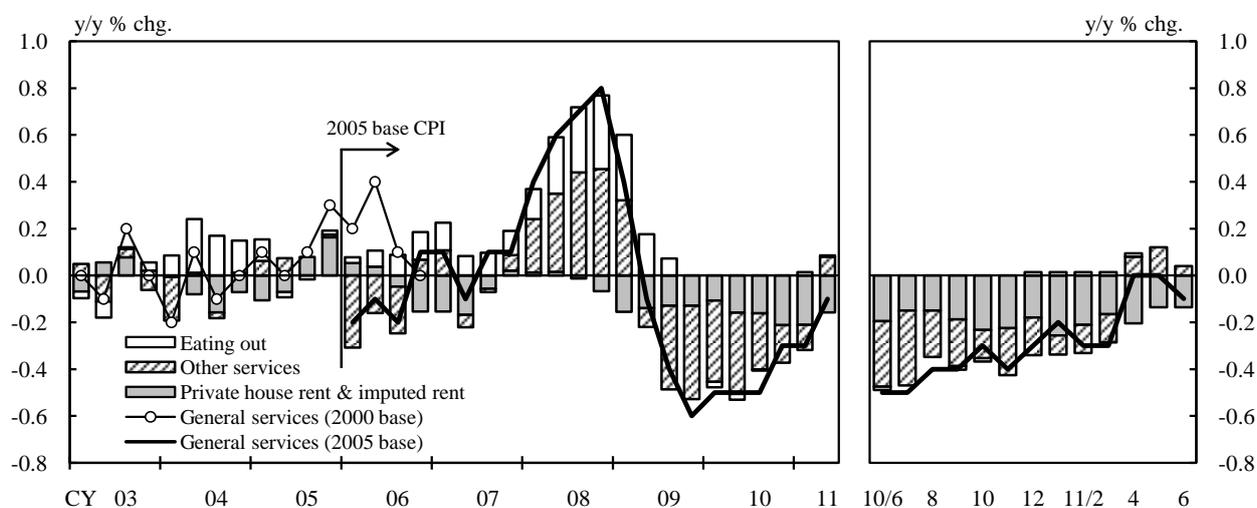
(1) Consumer Price Index (Excluding Fresh Food)



(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.

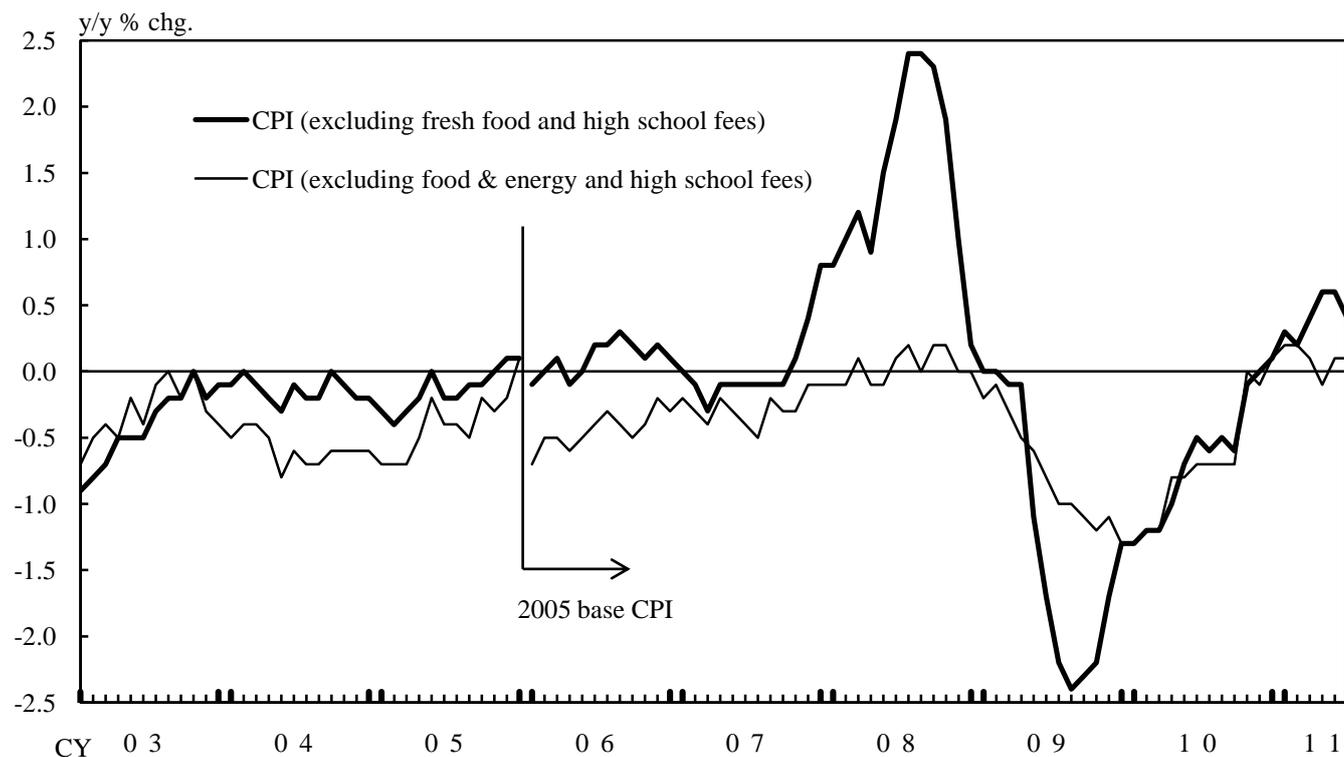
3. Including shirts, sweaters & underwear.

4. Excluding agricultural & aquatic products.

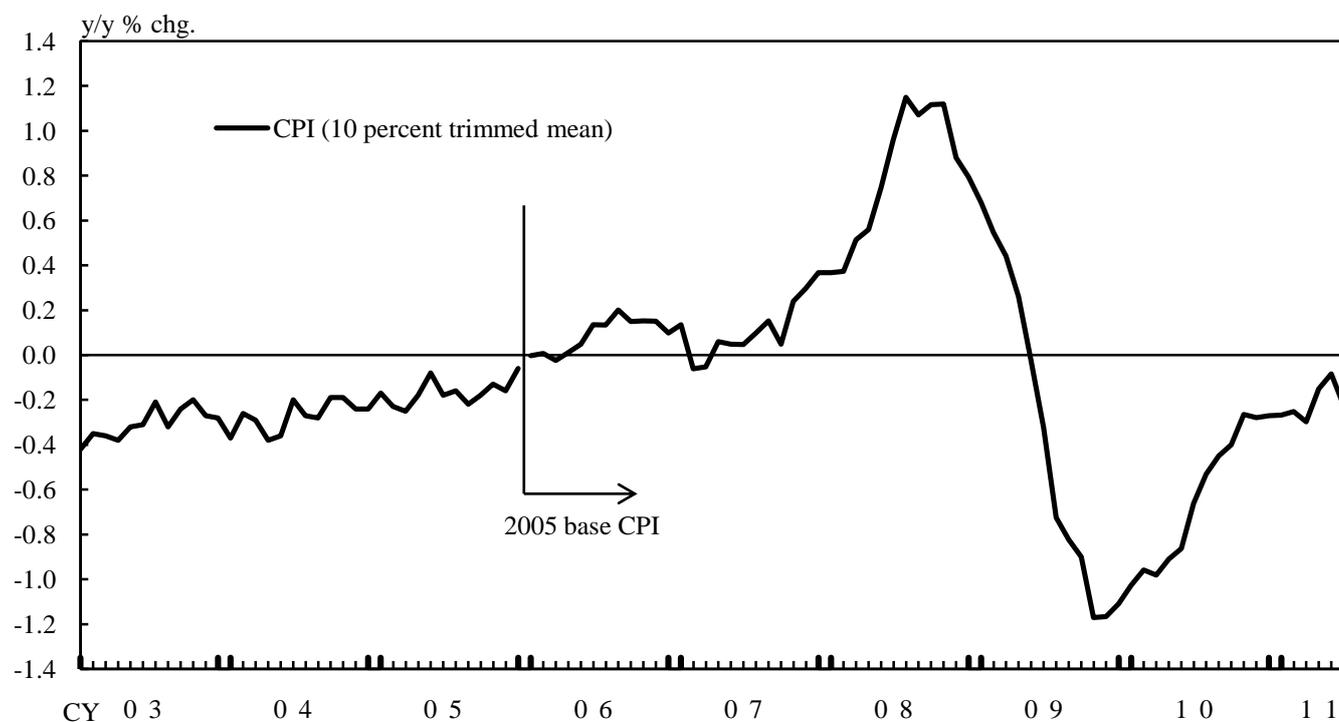
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

## 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.

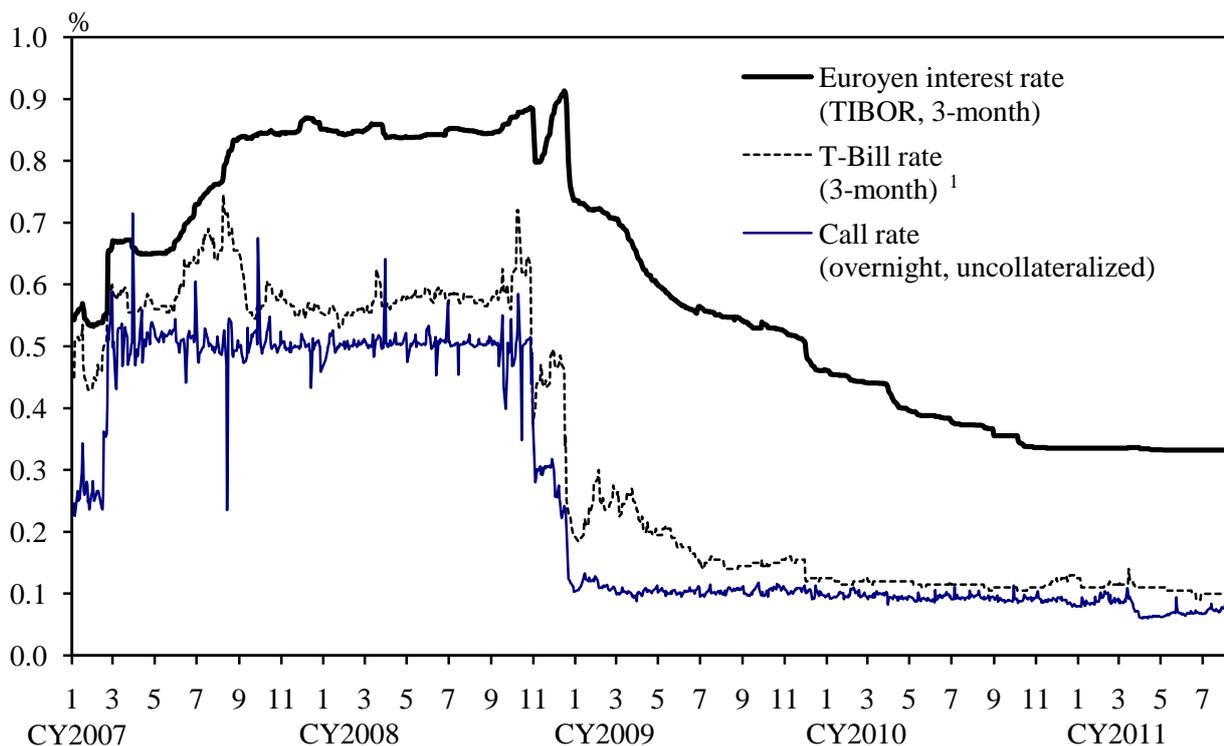
2. High school fees: high school fees (public) and high school fees (private).

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.

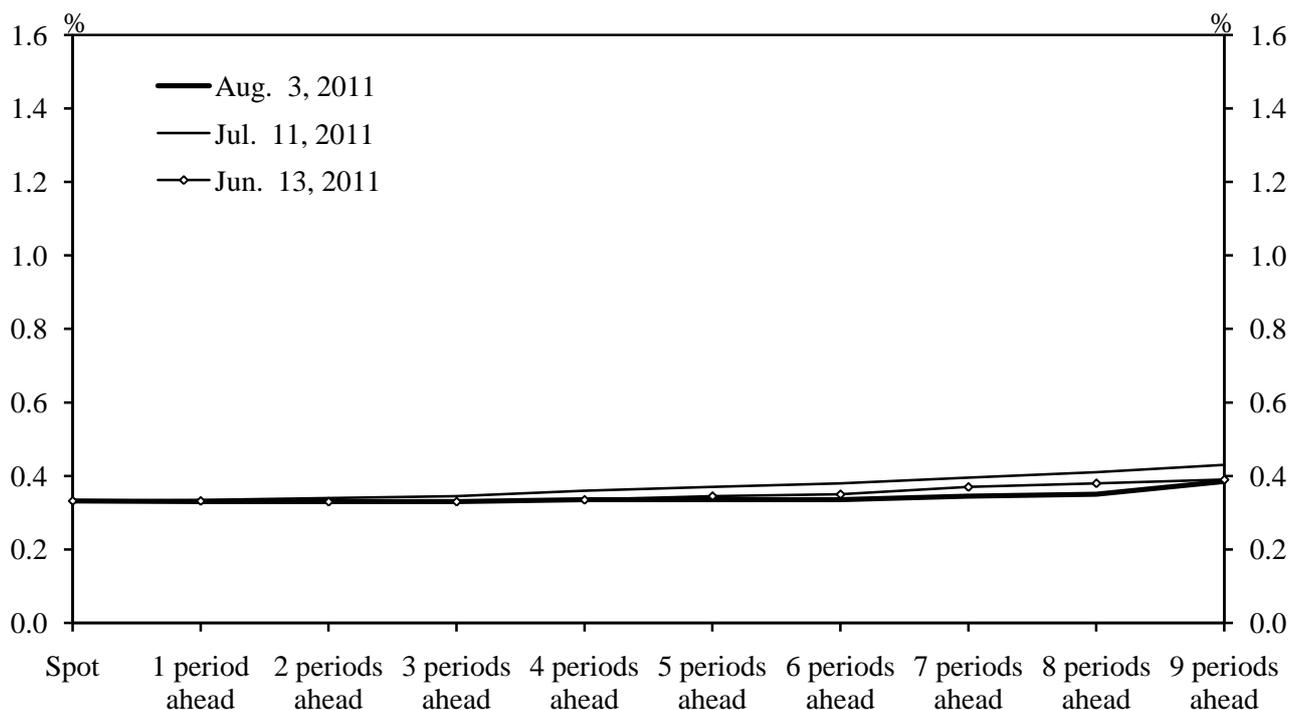
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Short-Term Interest Rates

(1) Short-Term Interest Rates



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



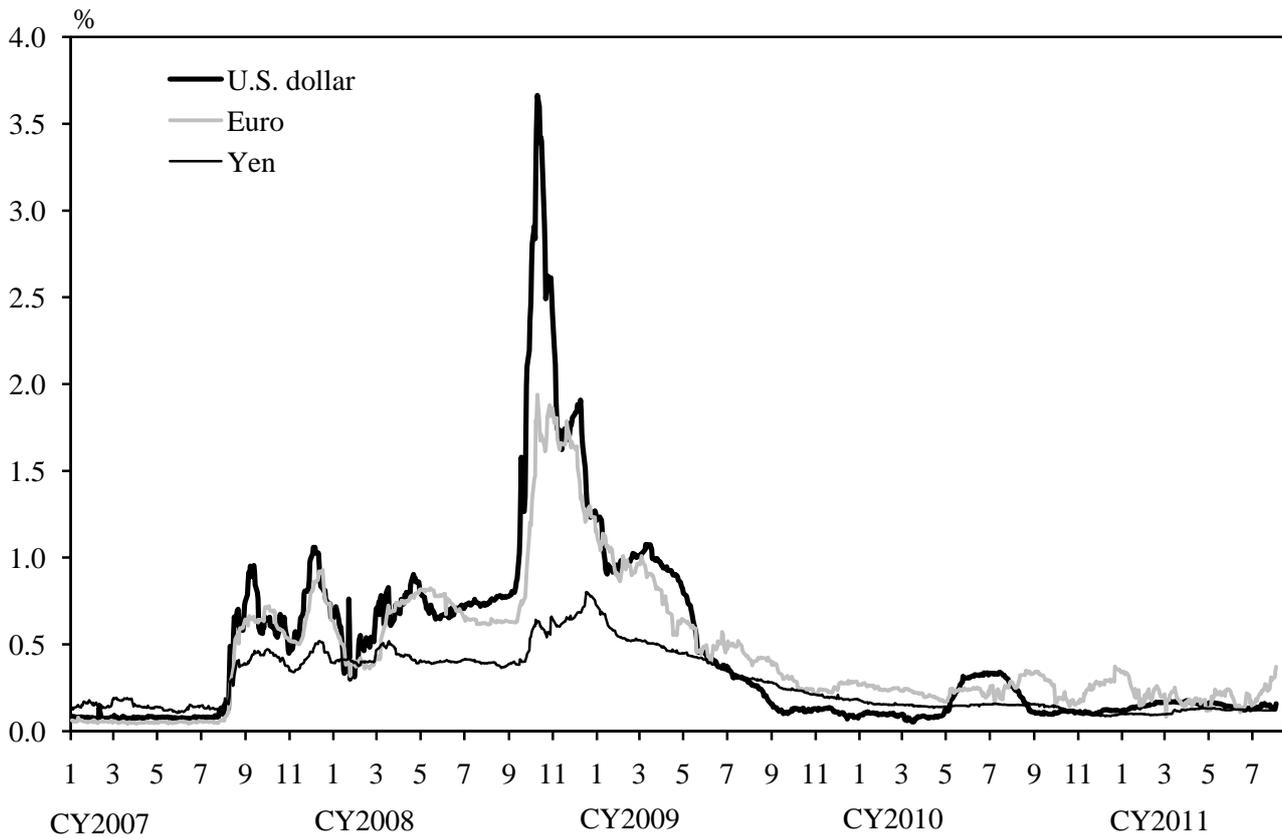
Notes: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.

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

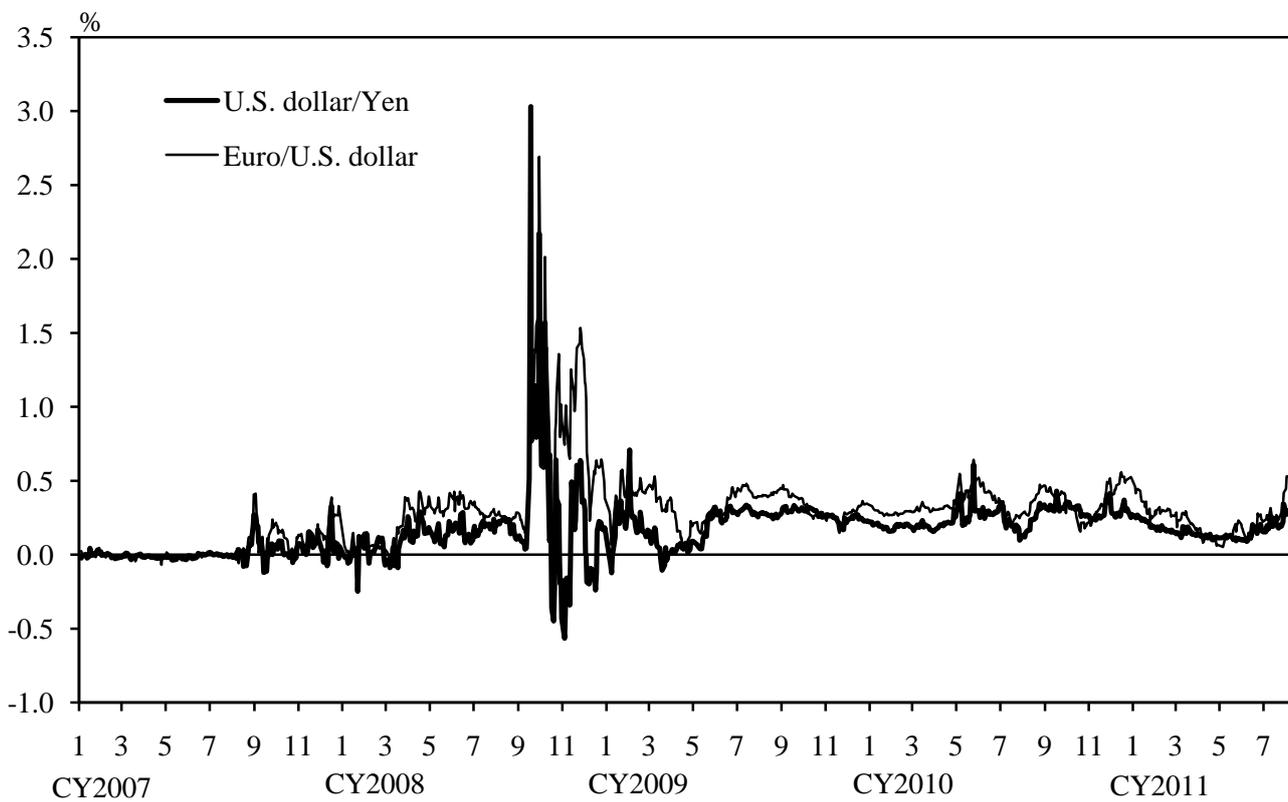
Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.; Tokyo Financial Exchange; Bank of Japan.

Global Money Markets

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



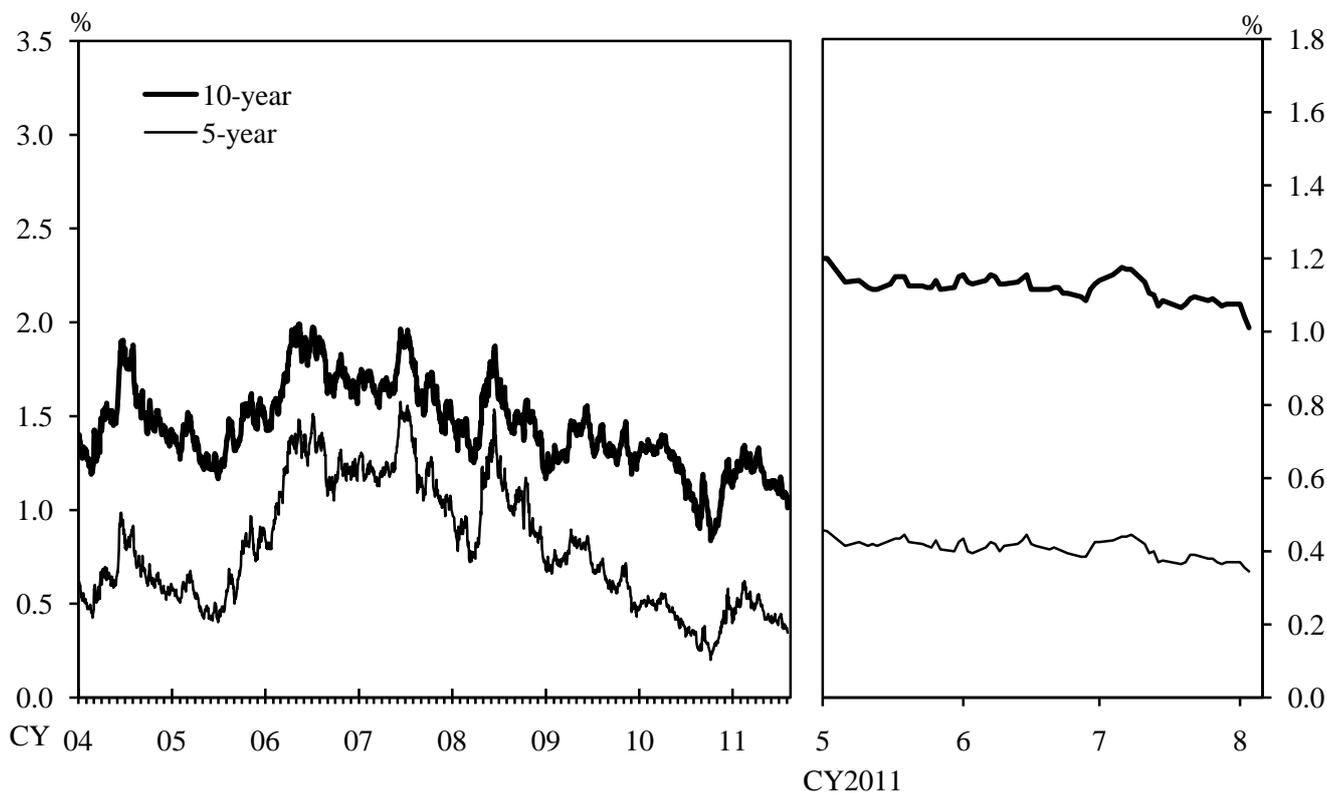
(2) FX swap implied dollar rate - LIBOR spreads (3-Month)



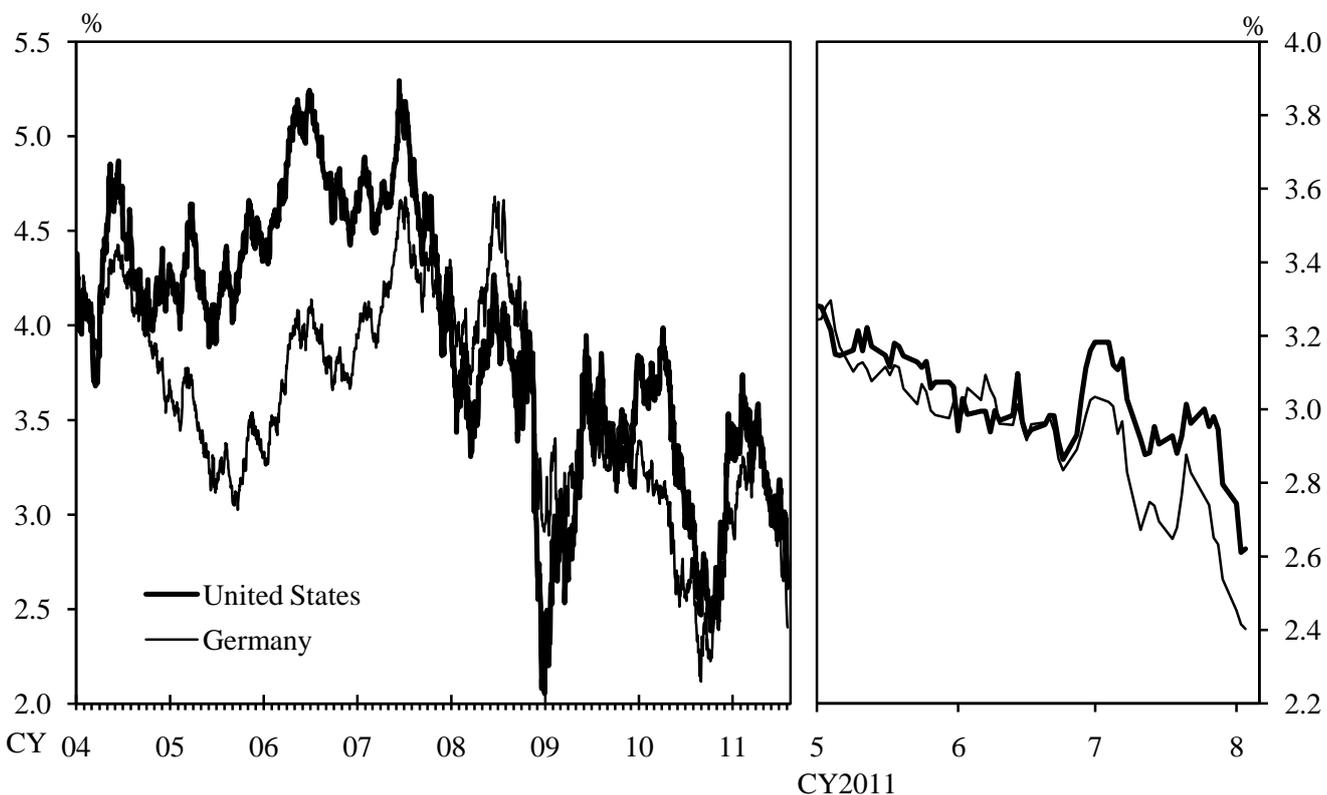
Source: Bloomberg.

Long-Term Interest Rates

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



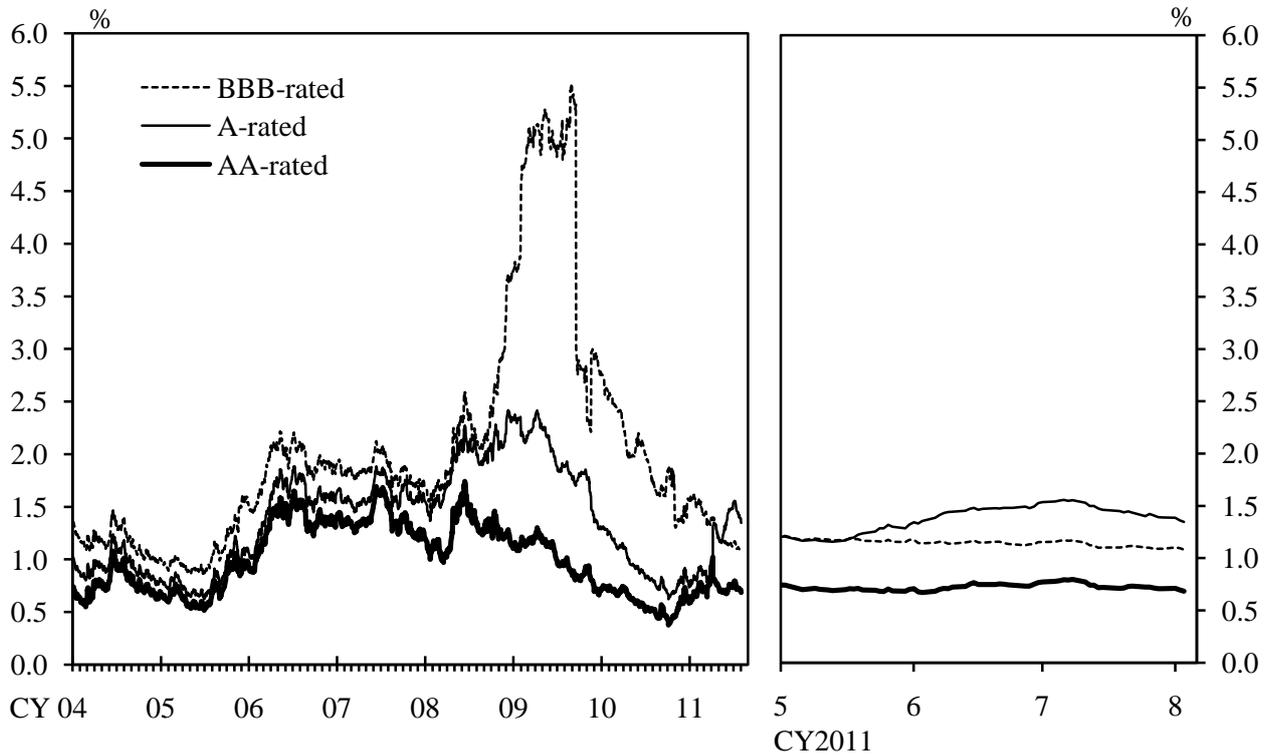
(2) Overseas Government Bond Yields (10-Year)



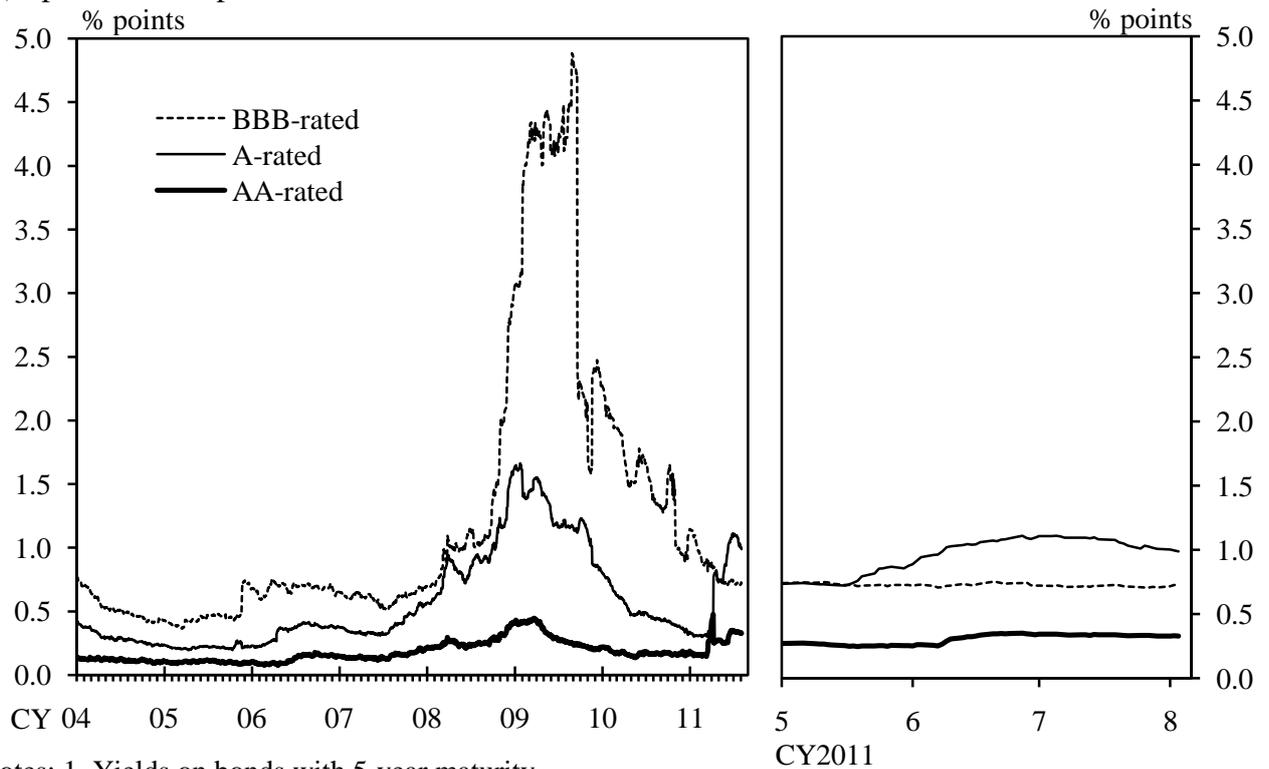
Note: 1. Yields on newly issued bonds.  
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

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.

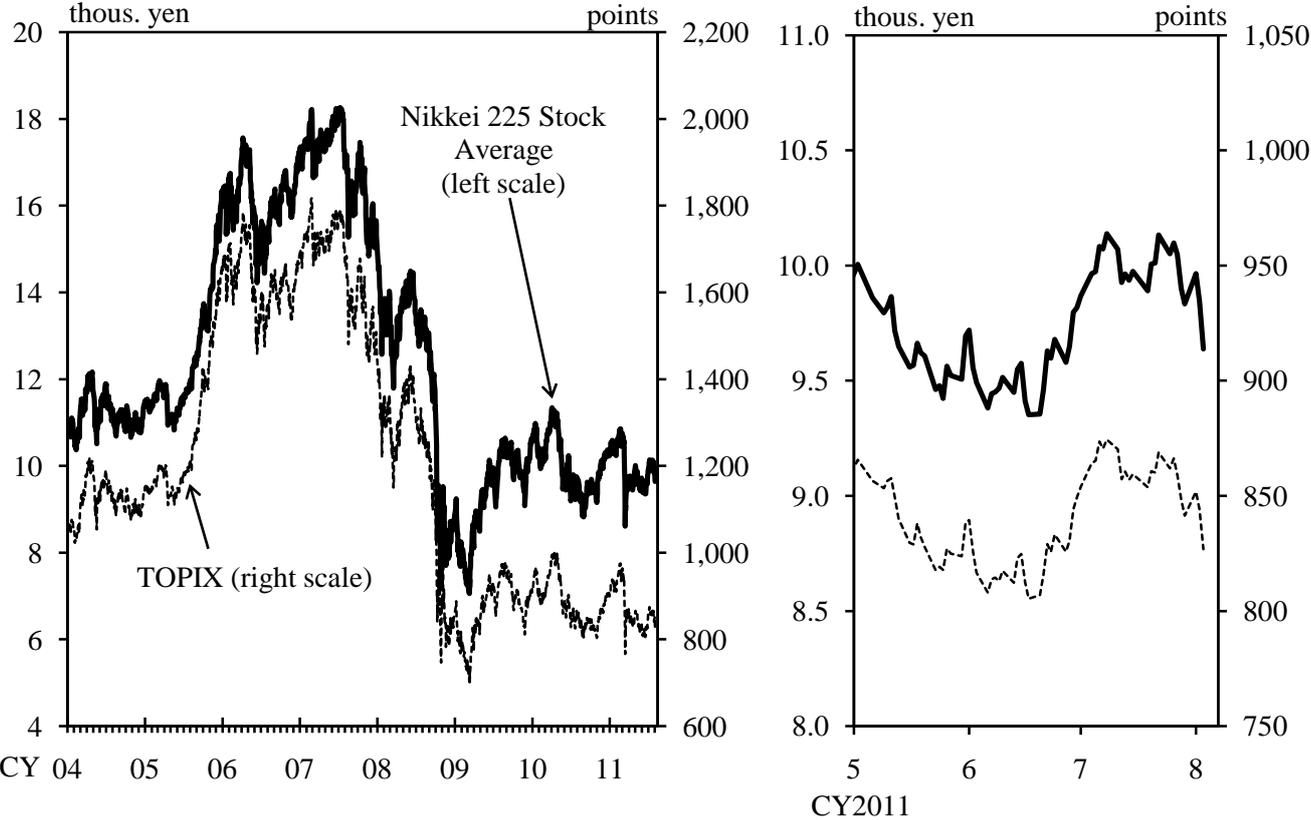
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.

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

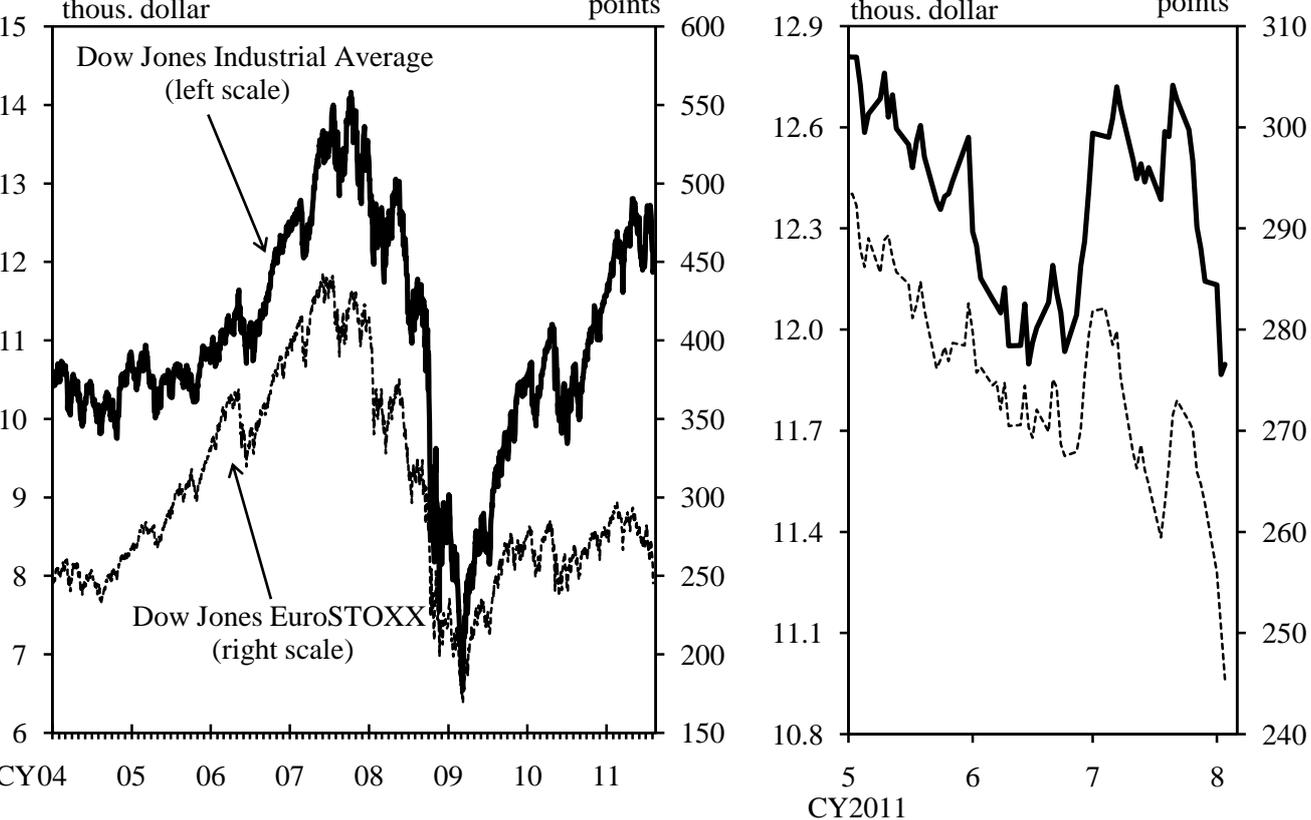
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Japanese Stock Prices



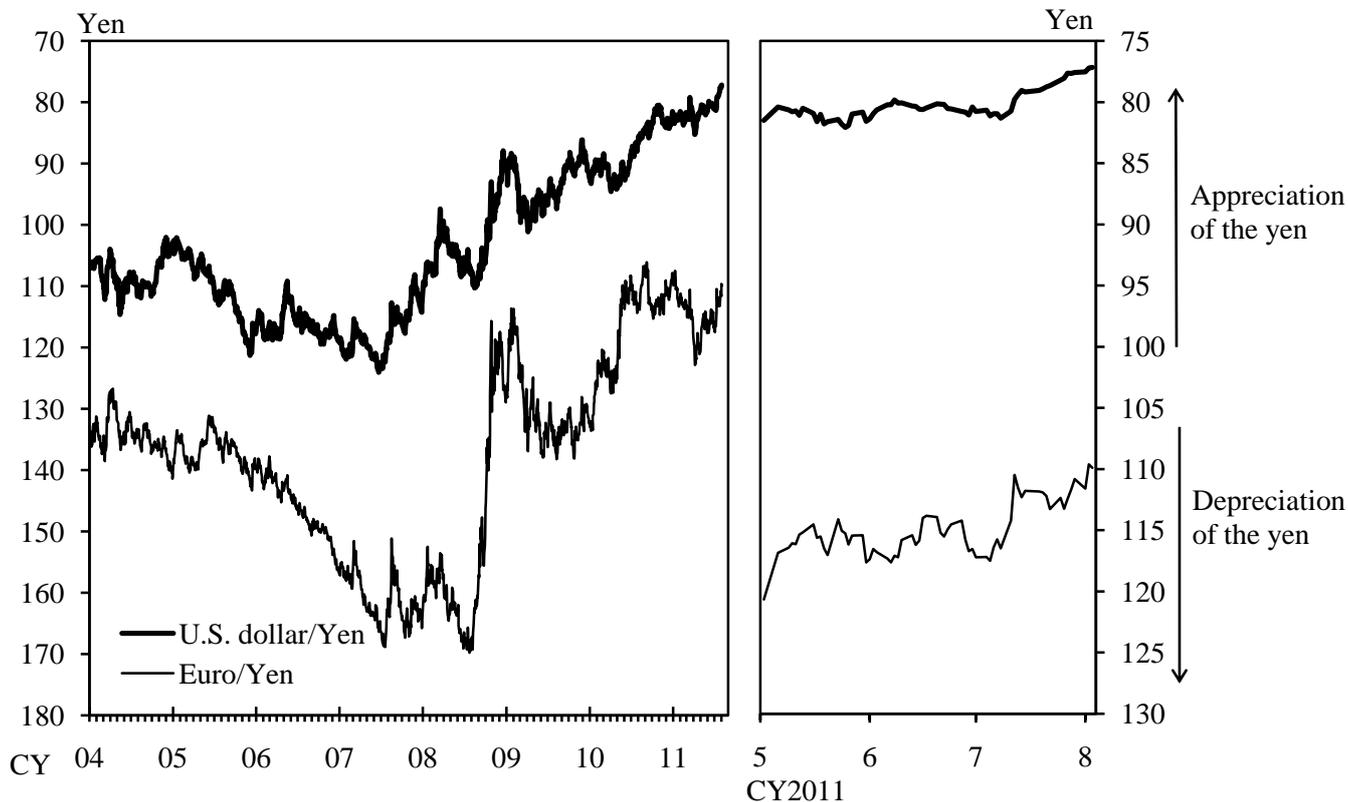
(2) Overseas Stock Prices



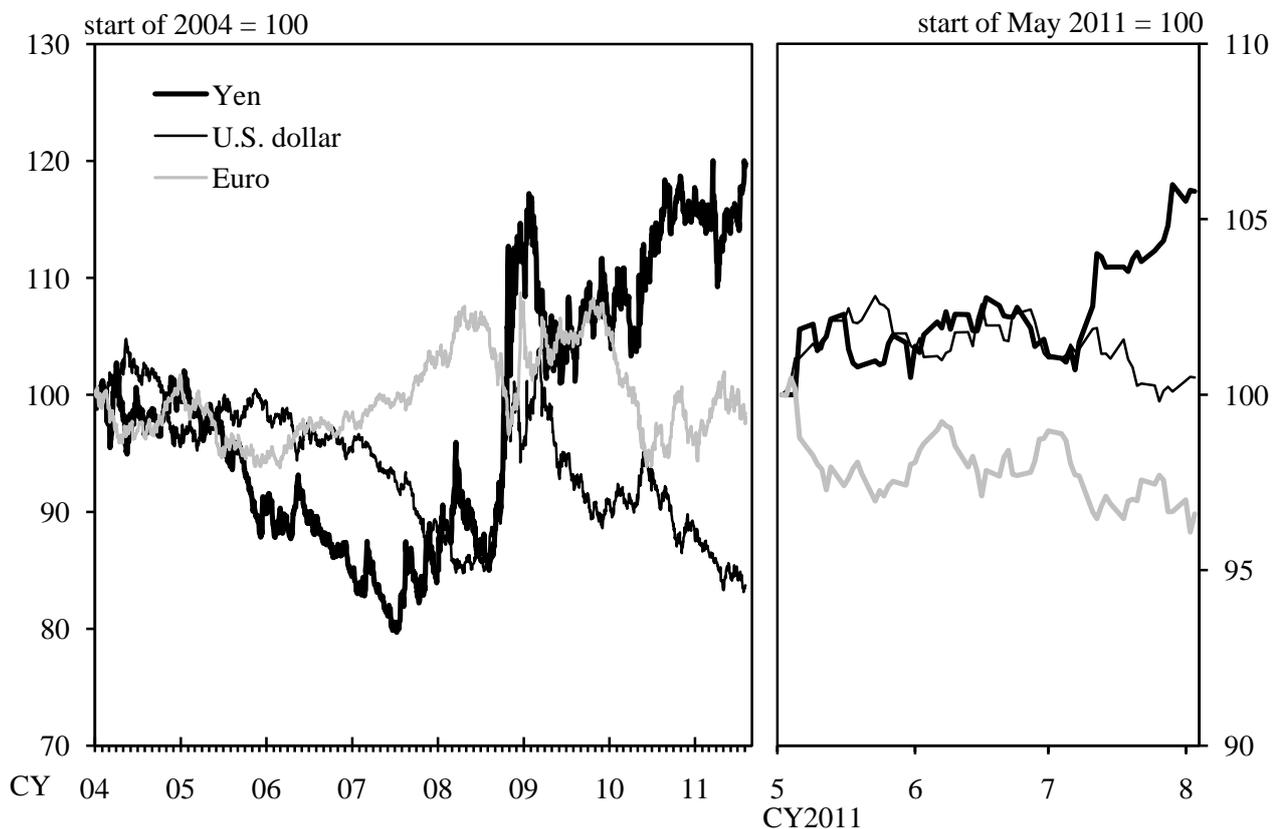
Sources: The *Nihon Keizai Shimbun* ; Tokyo Stock Exchange; Bloomberg.

Exchange Rates

(1) Bilateral Exchange Rates



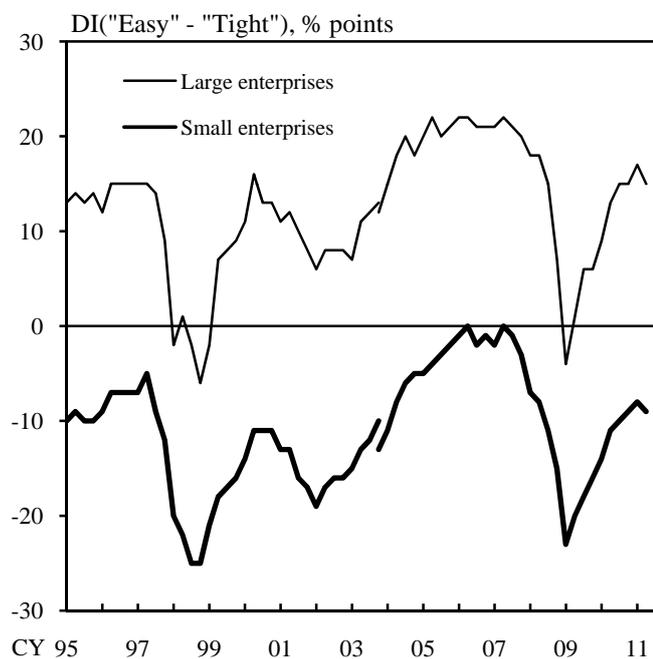
(2) Nominal Effective Exchange Rates



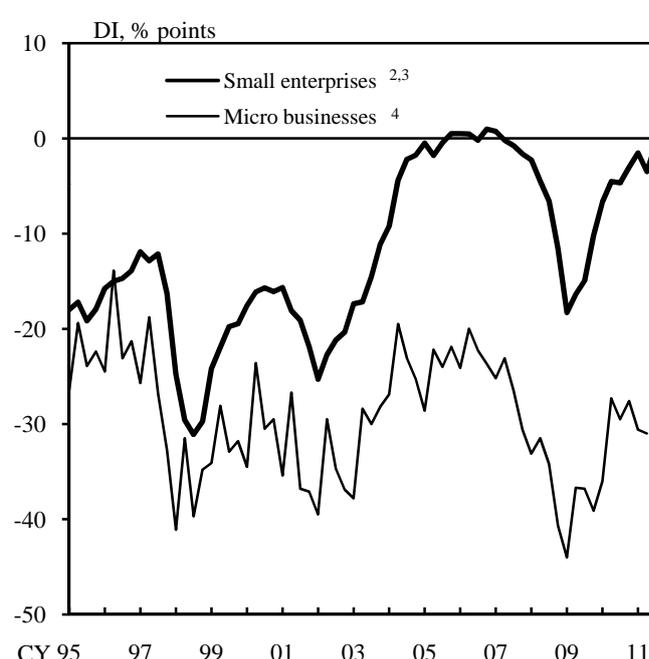
Sources: Bank of Japan; European Central Bank; Bloomberg.

## Corporate Finance-Related Indicators

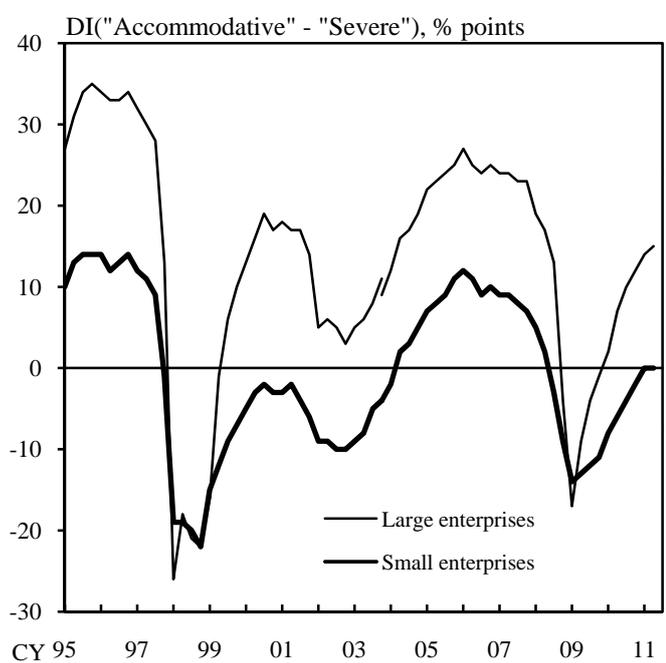
## (1) Financial Position

<Tankan<sup>1</sup>>

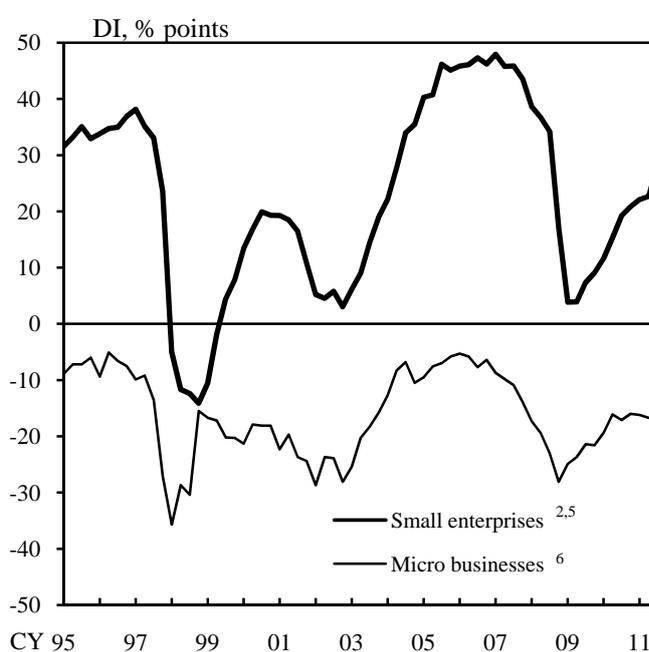
&lt;Japan Finance Corporation Survey&gt;



## (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/Q3 are those of July.

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

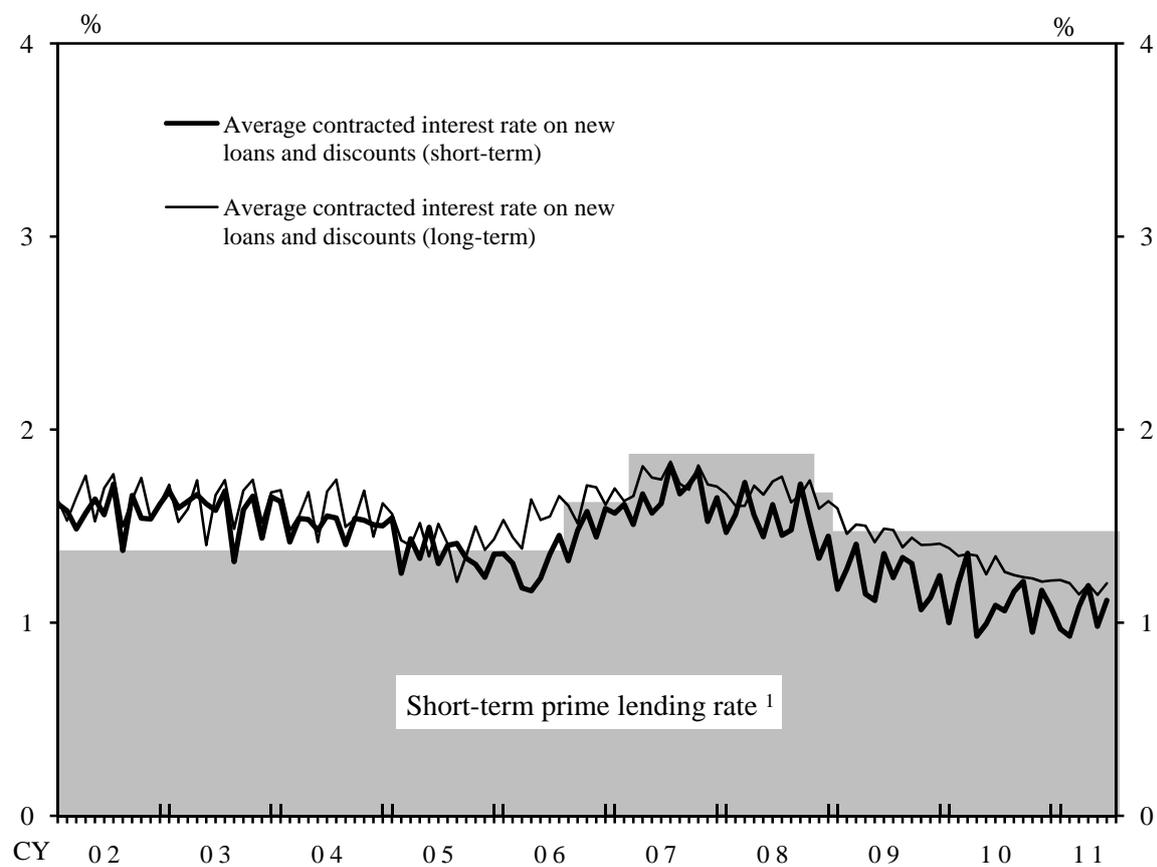
4. DI of "Easier" - "Tighter."

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

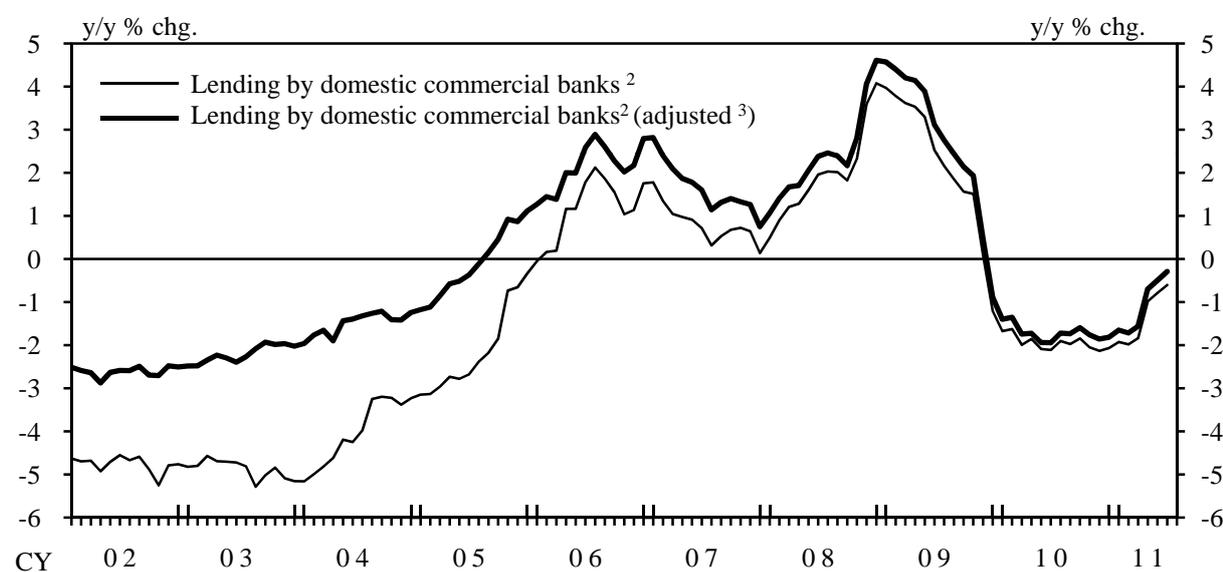


Note: 1. Data are at end of period.

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,

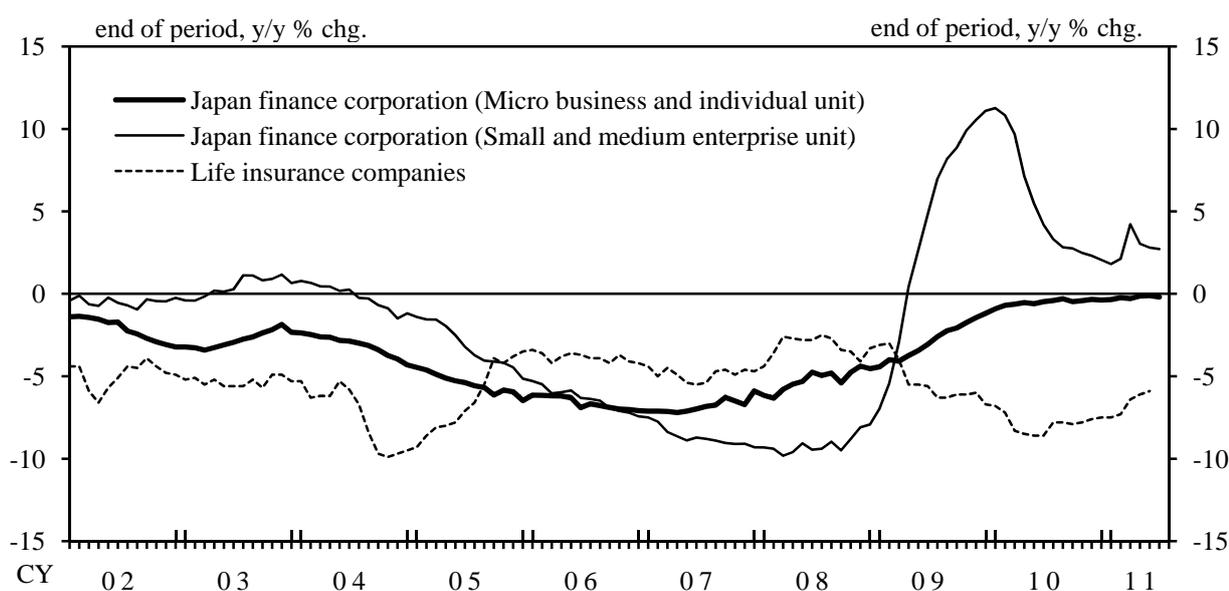
(2) fluctuations in the yen value of foreign currency-denominated loans due to changes in exchange rates,

(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
 

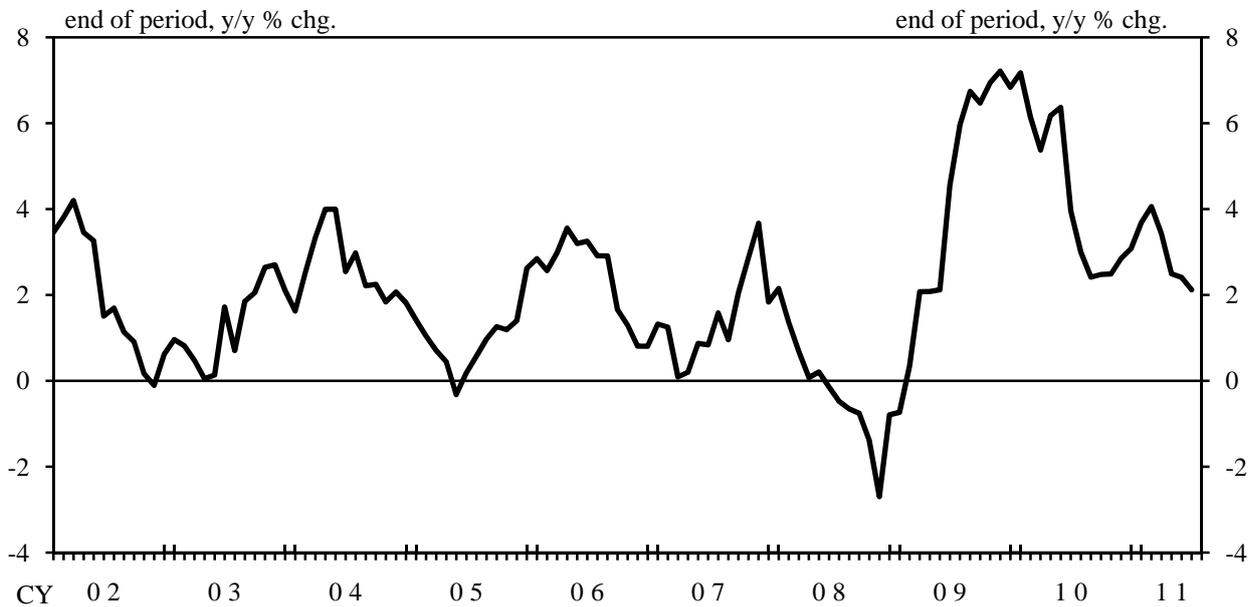
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## (1) Amount Outstanding of Commercial Paper



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



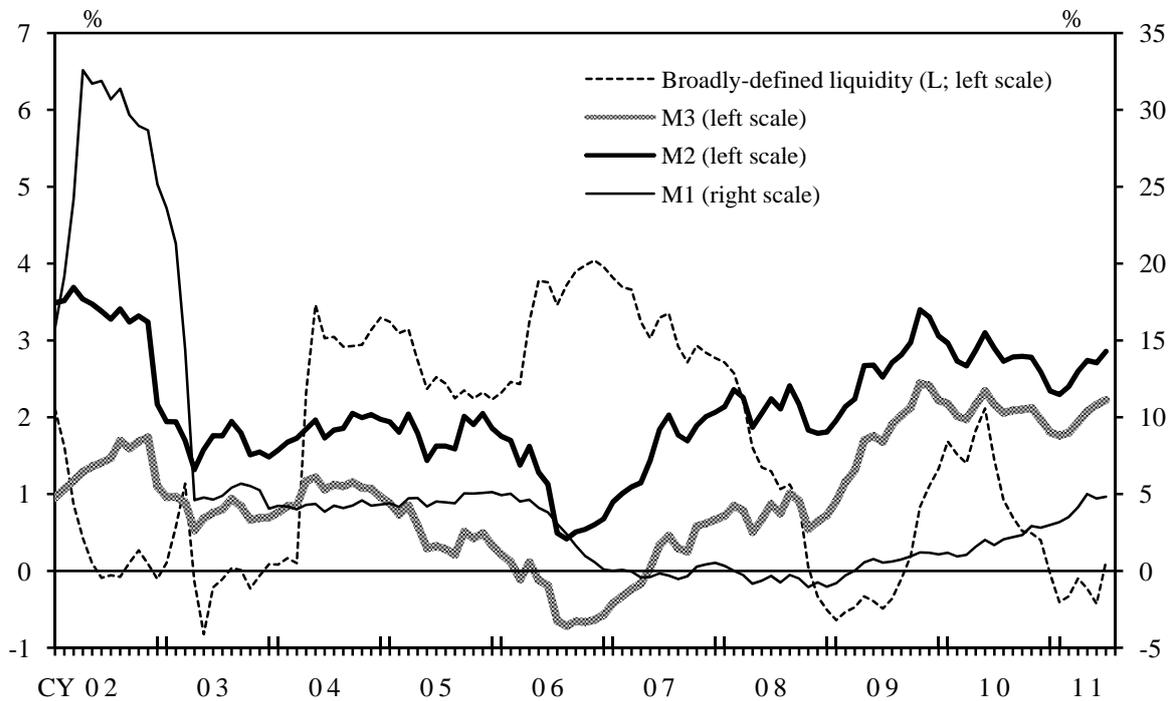
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

- (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.

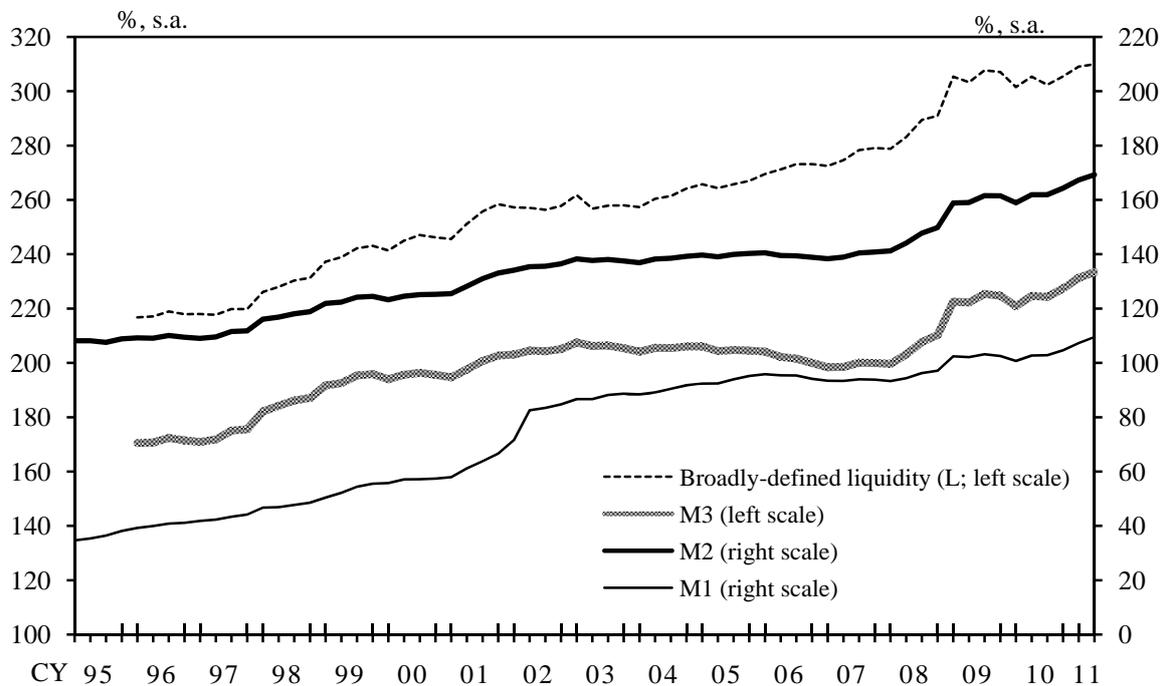
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category";  
 Bank of Japan, "Principal Figures of Financial Institutions";  
 Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts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

Money Stock

(1) Changes from a Year Earlier



(2) Ratio of Money Stock to Nominal GDP

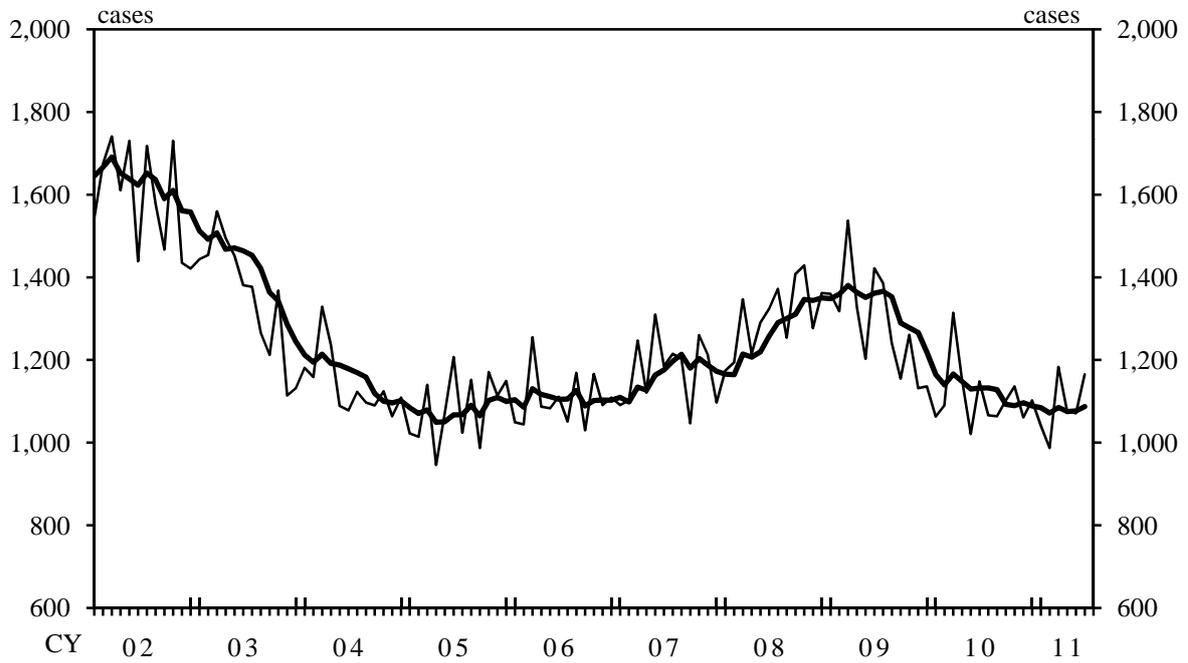


- Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.
- 2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.
- 3. The figures 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. The figure for nominal GDP in 2011/Q2 is assumed to be unchanged from the previous quarter.

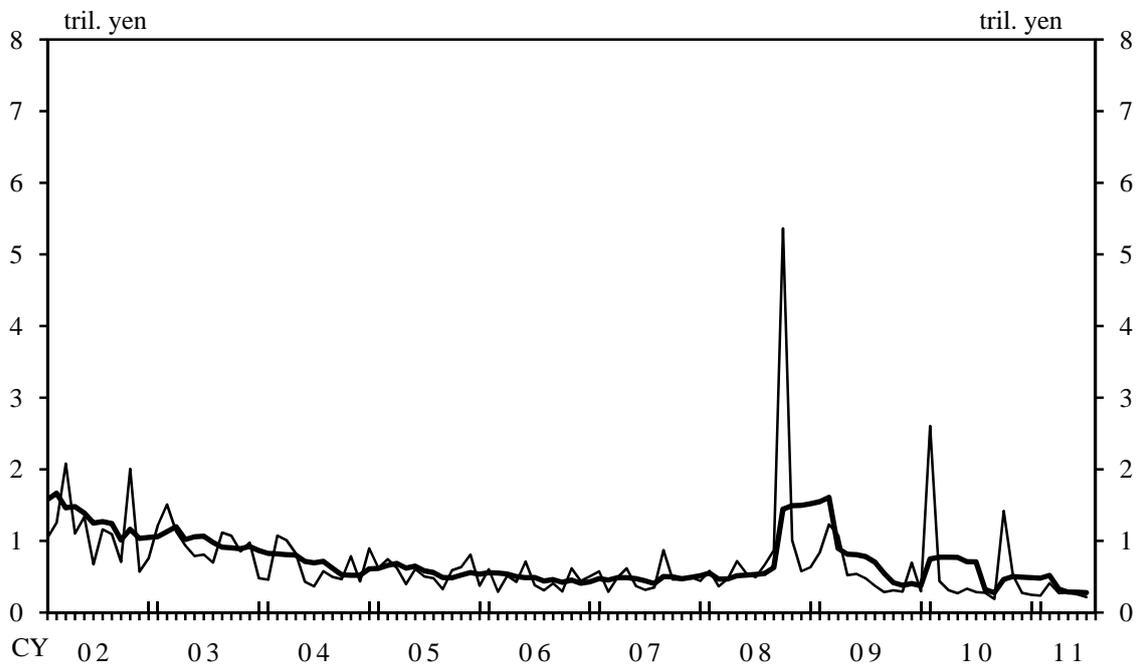
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

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)."