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Bank of Japan

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

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Monthly Report of Recent Economic and Financial Developments¹

September 2011

Summary

Japan's economic activity has been picking up steadily while the supply-side constraints caused by the earthquake disaster have been mostly resolved.

Production and exports have continued to increase and have almost recovered the pre-quake levels while the supply-side constraints have been mostly resolved. In this situation, business fixed investment has been picking up, aided partly by the restoration of disaster-stricken facilities. Private consumption has also been picking up on the whole, although weakness remains in some aspects of consumer behavior.

With regard to the outlook, Japan's economy is expected to return to a moderate recovery path.

Exports are expected to be on the rise against the background of firm overseas demand. In this situation, 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 expected to hold steady. Production is expected to continue increasing, albeit at a moderate pace.

On the price front, the three-month rate of change in domestic corporate goods prices has been more or less flat, reflecting movements in international commodity prices. The year-on-year rate of decline in consumer prices (all items less fresh food) has continued to slow, and is currently around 0 percent.²

Domestic corporate goods prices are expected to remain more or less flat for the time being. The year-on-year rate of change in consumer prices is expected to remain at around 0 percent for the time being.

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on September 6 and 7, 2011.

² The base year for the consumer price index (CPI) was changed to 2010 in August 2011, and year-on-year figures as far back as January 2011 were revised downward retroactively.

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 stock prices have fallen. Meanwhile, long-term interest rates 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 firms' funding costs have declined moderately. 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 seen in the 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.

1. Economic Developments

Public investment has recently stopped declining, albeit with fluctuations. Monthly indicators (Chart 5) show that both the value of public works contracted—a measure that reflects public orders—and the amount of public construction completed—which reflects the progress of public works—have shown signs of bottoming, mainly in response to the execution of the first supplementary budget for this fiscal year, despite monthly fluctuations. On a GDP basis, public investment rose in the second quarter after having dropped for five quarters in a row.

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

Real exports have continued to increase and have almost recovered the pre-earthquake levels while the supply-side constraints have been mostly resolved (Charts 6[1] and 7). Exports rose sharply in both May and June with the easing of supply-side constraints and continued to move up, albeit marginally, in July. Looking at exports in July on a month-on-month basis by goods (Chart 7[2]), motor vehicles and their related goods as well as consumer goods exhibited relatively high growth, although the pace has slowed compared to that through June. Exports of IT-related goods have continued to increase mildly. Those of intermediate goods (chemicals as well as iron and steel)—which had been registering a decline—turned positive, although the level is low. Meanwhile, exports of capital goods and parts—which had been on the rise—recorded a somewhat large decline partly since ships fell back. By region (Chart 7[1]), exports to the United States and Europe increased—chiefly in motor vehicles and their related goods—following that through the previous month, but the pace has slowed. Exports to China rose for the second month running, chiefly in capital goods and parts as well as motor vehicles and their related goods. Exports to NIES were more or less flat in July since large-scale items—which had increased in the previous month, including those for ships—fell back. Exports to the ASEAN economies continued to move up, mainly in motor vehicles and their related goods. Exports to other regions had risen substantially until June, mainly due to motor vehicles and their related goods, but they turned to a decrease as a whole, partly due to the decline in ships in capital goods and parts, on top of the slowdown in motor vehicles and their related goods.

Real imports have continued to increase (Charts 6[1] and 9). They have moved upward for four straight months since April on a month-on-month basis. As for the effects of the earthquake disaster, imports of foodstuffs—which rose sharply in April mainly due to demand for substitutes—have shown consistent declines, whereas imports of raw materials have grown at a faster pace, mainly as a reflection of heightened demand for thermal power generations (Chart 9[2]). Imports of IT-related goods and of capital goods and parts (excluding aircraft) have increased, assisted mainly by the pick-up in domestic production and demand. Those of consumer goods declined as a whole, since flat panel televisions leveled off and motor vehicles—which had been increasing since the earthquake—declined.

Net exports—in terms of the real trade balance—have recently turned upward, after having declined sharply, a reflection of the aforementioned developments in exports and imports (Chart 6[2]). The nominal balance on goods and services—having registered a diminished surplus in the first quarter—turned to a deficit as a whole in the second quarter since the trade balance marked a deficit, and the services deficit also increased at a somewhat faster pace, both due to the effects of the earthquake disaster. As a result, the nominal current account surplus diminished in the second quarter compared with the first quarter. Looking at June alone, however, the trade balance turned to a surplus and the current account surplus grew further.

Exports are expected to be on the rise against the background of firm overseas demand, although the pace is expected to moderate somewhat. Imports are projected to continue climbing, assisted mainly by increases in domestic production and thermal power generations. As a reflection of these developments in exports and imports, net exports are expected to trend upward.

Regarding the environment surrounding exports, overseas economies have been decelerating, mainly due to (i) the decline in the real purchasing power caused by the previous rise in crude oil prices, (ii) supply-chain disruptions in Japan, and (iii) the effects of monetary tightening in emerging economies (Chart 8[2]). Overseas economies are expected to be firm, mainly in emerging economies. There is significant uncertainty regarding the outlook for both advanced and emerging

economies, however. Meanwhile, as for IT-related goods, global demand for PCs and televisions has weakened and demand for smartphones and tablet devices seems to be growing at a somewhat slower pace compared to a while ago. As a result, demand, including that for Japanese electronic parts, is likely to be sluggish for the time being. 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 picking up, aided partly by the restoration of disaster-stricken facilities. According to the *Financial Statements Statistics of Corporations by Industry, Quarterly* (Chart 10[1]), business fixed investment in nominal terms marked a quarter-on-quarter decrease in the second quarter.³ By industry and company size (Chart 11), both small and medium-sized as well as large manufacturing firms saw a decline. In nonmanufacturing, investment declined for large firms, but posted slight gains in small and medium-sized firms. The aggregate supply of capital goods—a coincident indicator of machinery investment—rose in the second quarter on a quarter-on-quarter basis followed by an increase in July relative to the second 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—increased in the first quarter on a quarter-on-quarter basis and continued to do so in the second quarter (Chart 13[1]). By industry, manufacturing was more or less flat in the second quarter on a quarter-on-quarter basis, after having increased in the first quarter. Nonmanufacturing (excluding orders for ships and those from electric power companies) continued to increase in the second quarter, after having moved up marginally in the first quarter. Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—registered quarter-on-quarter increases for two consecutive quarters in the first and second quarters alike, but they were down in July compared with the second quarter (Chart 13[2]). Looking at construction starts in July relative to the second quarter by industry, mining and manufacturing fell back somewhat sharply partly from the upsurge in the second quarter on a quarter-on-quarter basis. Nonmanufacturing faced a quarter-on-quarter

³ A decline was recorded, possibly because the repair of some disaster-stricken equipment was listed as repair expenses instead of business fixed investment.

increase in the second quarter, but saw a decline in July compared with the second quarter.

Regarding the environment surrounding business fixed investment, corporate profits have started to show signs of bottoming out, assisted by the pick-up in economic activity, after having 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 profit to sales decreased in the second quarter compared with the first quarter. Corporate profits are projected to resume their uptrend, with increases in production and demand. Under these circumstances, business fixed investment is expected to move upward, aided partly by the restoration of disaster-stricken facilities.

Private consumption has been picking up on the whole, although weakness remains in some aspects of consumer behavior (Chart 14). Consumption of goods—as seen through sales at retail stores (in real terms)—was almost flat in July after having been on the rise since April (Chart 15[1]). Looking at developments in durable consumer goods, the number of new passenger-car registrations rose sharply with supply constraints almost removed (Chart 15[2]). Sales of household electrical appliances (in real terms) have soared since April; they were flat at a high level in July, 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 continued to increase until June, mainly in apparel related to the "Cool Biz" campaign, but they dropped slightly in July as apparel fell back (Chart 16[1]). Sales at supermarkets continued to move up in July, mainly due to an increase in food and beverages and in household items (bedding and household electrical appliances). Sales at convenience stores also continued to climb in July, 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 16[2]), sales in the food service industry have been picking up, albeit with fluctuations. 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—moved up in July on a month-on-month basis (Chart 15[1]).⁴ The total expenditure in the *Survey of Household Economy* (in real terms; two-or-more-person households) declined marginally in July on a month-on-month basis after having turned to an increase in June.

Indicators related to consumer sentiment have been improving (Chart 17).

Private consumption is expected to hold steady as the employment situation gradually heads for improvement.

Housing investment has shown signs of a pick up, aided partly by the removal of supply constraints. The number of housing starts (Chart 18[1])—a leading indicator of housing investment—climbed steeply in July on a month-on-month basis. The upsurge in July was partly attributable to the pent-up in the number of applications of construction starts, which had been held back in the past few months, along with increased building materials supply due to the recovery in the supply chain.

Housing investment is expected to edge up, partly since disaster-stricken homes are being rebuilt.

Industrial production has continued to increase and has almost recovered the pre-earthquake levels while the supply-side constraints have been mostly resolved. Production has been on the rise, chiefly in transport equipment, since the supply chain has mostly recovered, aided by the limited restraint on electric power supply during the summer (Chart 19). Looking at production in July, transport equipment rose sharply, propelled by the recovery in the supply chain; information and communication electronics equipment—facing steady domestic demand—also

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

increased. On the other hand, electronic parts and devices—which have been under strong inventory adjustment pressure—declined. After eliminating the seasonal adjustment distortions, the actual production level of July has basically recovered to pre-earthquake levels.⁵

Shipments continued to grow, as did production. By goods (Chart 20), shipments of durable consumer goods continued to increase as a whole mainly assisted by the rise in cellular telephones, PCs, and small passenger cars, even though flat panel televisions declined. Those of non-durable consumer goods increased, mainly since supply constraints eased. Shipments of capital goods (excluding transport equipment) have also been on the rise. Meanwhile, shipments of construction goods and producer goods have been roughly flat.

Inventories have been decreasing since June. This decline has been driven primarily by information and communication electronics equipment in which shipments of flat panel television as well as PCs—both facing favorable demand—rose. Electronic parts and devices—which have been in an inventory adjustment phase—have continued to see an increase in their inventories, even though production cutbacks have taken place. Looking at the shipment-inventory balance (Chart 21), growth in inventories has continued to outpace that in shipments. As for industrial production as a whole, however, the shipment-inventory balance has improved slightly, as a reflection of the upturn in durable consumer goods.

Production is expected to continue increasing, albeit at a moderate pace. According to anecdotes by firms and other information, production is projected to turn to a profound increase for the third quarter as power supply constraints have been limited and as the supply chain has almost recovered. As shown in the production forecast index and other data, however, growth in production on a single month basis

⁵ 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 those for the second and third quarters. This continues to be evident even after the revision on seasonal adjustments in April 2011.

is expected to be moderate compared with the rebound phase in May and June.⁶ As for the fourth quarter, production is projected to be on the rise, chiefly in transport equipment, although the pace will moderate relative to the third quarter. There is, however, significant uncertainty over developments in overseas demand as well as over the appreciating yen; a downswing in production of electronic parts and devices notably requires careful monitoring since the inventory adjustment pressure is high at present.

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 has been improving. On the other hand, the unemployment rate has been more or less flat, albeit with monthly fluctuations (Chart 22[1]).

In terms of employment (Chart 23[1]), the year-on-year growth rate of the number of employees in the *Labour Force Survey* seems to have been somewhat positive on average, despite large monthly fluctuations.^{7,8} The number of regular

⁶ After having grown at a reduced pace of 0.6 percent in July on a month-on-month basis, the forecast index shows an increase of 2.8 percent in August and a decrease of 2.4 percent in September. With the monthly fluctuations smoothed out, the pace of increase in production is expected to become gradual. On a quarterly basis, however, production in the third quarter is projected to mark a large increase of 6.3 percent.

⁷ 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.

⁸ The *Labour Force Survey* uses the sample rotation system in which half of the samples are replaced every month with new samples. These newly added samples will continue to be included in the following month. Due to the nature of this system, a fluctuation in the figure of a particular month tends to be carried on to the following month, which allows figures to fluctuate for two months in a row. The fact that growth in the number of employees was strong in May and June, but weak in July is possibly due to this sampling factor.

employees in the *Monthly Labour Survey* has also been increasing on a year-on-year basis.⁹ 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 since May.¹⁰ Meanwhile, overtime hours worked have tended to reduce their year-on-year pace of decline, propelled by the pick-up in economic activity (Chart 23[3]).

Nominal wages per employee dropped marginally as a whole on a year-on-year basis in June-July, since special payments were relatively weak (Chart 24[1]). As for developments in summer bonuses, various surveys covering large firms showed a year-on-year positive, but special payments for the June-July period based on the *Monthly Labour Survey*—which includes small firms—were below the previous year's level.

The year-on-year growth rate of employee income has declined moderately, albeit with monthly fluctuations, 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—mainly since the decline in corporate profits caused by the earthquake disaster will take effect with a time lag—although the improvement in the labor market is expected to support income gradually.

⁹ As for the three quake-hit areas (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.

¹⁰ 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).

2. Prices

International commodity prices have been flat, at high levels, as a trend, albeit with some fluctuations (Chart 26). 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 as a trend: they have recently inched up reflecting adverse weather notably in the United States, after having fallen slightly in line with the improved projection of planted acreage.

The three-month rate of change in import prices (on a yen basis) has declined somewhat due to movements in international commodity prices and to the yen's appreciation.

The three-month rate of change in domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter)¹¹ has been more or less flat, reflecting movements in international commodity prices (Chart 27). In detail, the rate of change in prices of "goods sensitive to exchange rates and overseas commodity prices" has turned to a decrease as international commodity prices have fallen back. 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 28). Looking in detail at prices in July on a year-on-year basis, prices related to selling, general and administrative expenses (advertising services) declined at a reduced pace as the

¹¹ 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.

effects of the earthquake disaster waned, while the rate of change in prices of other services was more or less flat.

The year-on-year rate of decline in consumer prices (all items less fresh food; year-on-year basis, same hereafter) has continued to slow, and is currently around 0 percent (Chart 29).¹² Consumer prices in July on the new 2010 year basis improved by 0.3 percentage points from June to an increase of 0.1 percent.¹³ Looking at developments on a basis that excludes food and energy, prices improved by 0.3 percentage points from the previous month and stood at a negative 0.5 percent. Regarded as a method for capturing trend changes, the year-on-year rates of decline in both the trimmed mean and the chain index have been narrowing mildly (Chart30).¹⁴

Looking in detail at movements in July other than cigarettes and charges for accident insurance, prices for goods decreased at a somewhat slower pace, mainly as a reflection of the movement in petroleum products (such as gasoline), durable consumer goods, and food products. Prices of general services increased at a somewhat faster pace since package tours to overseas grew sharply. The rate of increase in fees for public services accelerated as a whole, since electricity prices and

¹² The base year for the consumer price index (CPI) was changed to 2010 in August 2011. The degree of downward revision in the year-on-year figures of consumer prices (all items less fresh food) as a result of the base year revision was 0.8 percentage points for the second quarter and 0.6 percentage points for July. The downward revision was mainly due to the following two factors: (i) televisions—with a significant year-on-year rate of decline—expanded their weight sharply as a result of increased purchases assisted by the eco-point system; and (ii) along with televisions, the index levels of other durable consumer goods—such as PCs and energy-efficient household electrical appliances—were reset, and the negative contributions of these goods on the overall index were expanded.

¹³ The rise in the tobacco tax and the increase in charges for accident insurance have pushed consumer prices (nationwide; all items less fresh food) upward by about 0.2 percentage points and 0.15 percentage points, respectively, on a year-on-year basis; these positive contributions will drop off from this October.

¹⁴ The trimmed mean is obtained by systematically discarding a certain percentage of the highest and lowest marks of the price fluctuation distribution by item to eliminate large relative price fluctuations. The Laspeyres chain index is compiled as follows: (i) aggregates are produced after updating the weights of items of the base year and resetting the index level of individual items to 100 every year; then (ii) multiplying the previous year's chain index by the aggregated year-on-year figures obtained from the above calculation. Disregarding such factors as adopting and terminating items and revising model formulae, it is virtually equivalent to compiling an index in which the base year is updated every year.

airplane fares increased at a faster pace and since expressway tolls charges turned to an increase.¹⁵

Domestic corporate goods prices are expected to remain more or less flat for the time being. The year-on-year rate of change in consumer prices is expected to remain at around 0 percent for the time being.

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 ongoing 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 have moved slightly downward (Chart 31). In U.S. dollar funding, the LIBOR-OIS spread for the dollar has expanded, as market participants have been cautious about taking on counterparty risks in transactions amid persisting anxiety over the European debt problem (Chart 32).

Yields on 10-year government bonds (newly issued 10-year JGB) have recently been moving at around 1.0 percent (Chart 33).

Yield spreads between corporate bonds and government bonds have tended to narrow moderately on the whole (Chart 34).

¹⁵ As for expressway tolls charges, the 1,000 yen upper limit on national holidays was abolished from June 20 and the effects from the suspension of a toll-free expressway trial under way at some highways have become evident.

Stock prices have declined as sharp adjustments were observed in U.S. stock prices and as the yen continued to appreciate. The Nikkei 225 Stock Average has fallen to the range of 8,500-9,000 yen (Chart 35).

In the foreign exchange market, the yen's exchange rate against the U.S. dollar depreciated temporarily, triggered by the foreign exchange intervention, but it has rebounded as U.S. interest rates decreased against the background of concern over a slowdown in the U.S. economy; it has recently been in the range of 77-78 yen (Chart 36).

(2) Corporate Finance and Monetary Aggregates

Firms' funding costs have declined moderately, 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 declined moderately (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. Those for corporate bonds have been favorable as seen in the increased variety of corporate bond issuers. In these circumstances, funding of the private sector has continued to decline at a reduced pace on a year-on-year basis. The year-on-year rate of decline in bank lending is slowing somewhat (Chart 39). The amounts outstanding of both corporate bonds and CP issued have exceeded their previous year's levels (Chart 40).

In these circumstances, firms have retained their recovered financial positions on the whole, albeit with weakness observed at some firms, mainly small ones (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 at around 3 percent. Its July reading was 2.9 percent on a year-on-year basis, following 2.9 percent in June (Chart 41).¹⁶

¹⁶ 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 July reading was 2.3 percent, following 2.3 percent in June. The year-on-year growth rate of broadly-defined liquidity (L) has recently been at around 1 percent; it increased by 0.8 percent in July, following an increase of 0.4 percent in June.

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Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2010/Q4	2011/Q1	Q2	2011/May	Jun.	Jul.	Aug.
Index of consumption expenditure level ¹¹ (two-or-more-person households)	-1.1	-1.5	-1.4	2.9	-1.4	1.4	n.a.
Sales at department stores	-0.2	-3.7	2.9	1.1	1.7	p -1.6	n.a.
Sales at supermarkets	-1.0	-0.7	-0.8	-0.5	2.4	p 1.1	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 217>	< 234>	< 192>	< 191>	< 230>	< 220>	< 285>
Sales of household electrical appliances ¹¹ (real, "Current Survey of Commerce")	14.8	-17.9	23.4	11.2	12.0	p -0.7	n.a.
Outlays for travel	-0.2	-5.0	-9.4	5.1	7.6	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	< 84>	< 84>	< 81>	< 81>	< 82>	< 96>	<n.a.>
Machinery orders ⁴ (Private sector, exc. volatile orders)	-4.3	5.6	2.5	3.0	7.7	n.a.	n.a.
Manufacturing	-1.7	5.3	-0.2	-1.4	9.3	n.a.	n.a.
Nonmanufacturing ⁴ (exc. volatile orders)	-5.1	1.4	5.0	-5.4	15.7	n.a.	n.a.
Construction starts (private, nondwelling use)	-9.4	5.9	7.3	-9.6	1.4	-3.9	n.a.
Mining & manufacturing	7.8	-8.9	24.5	-7.7	-0.2	-9.3	n.a.
Nonmanufacturing ⁵	-10.5	9.1	1.5	-15.7	4.6	0.0	n.a.
Value of public works contracted	-3.8	2.4	-3.7	-12.9	15.2	-10.0	n.a.
Real exports	0.2	-1.1	-5.6	4.5	8.5	0.3	n.a.
Real imports	-0.7	-0.9	2.1	3.3	0.2	1.9	n.a.
Industrial production	-0.1	-2.0	-4.0	6.2	3.8	p 0.6	n.a.
Shipments	-0.3	-1.9	-5.9	5.3	8.1	p 0.2	n.a.
Inventories	-0.6	1.0	3.2	5.6	-2.8	p -0.2	n.a.
Inventory ratio <s.a., CY 2005 = 100>	< 108.0>	< 108.6>	< 111.9>	< 120.7>	< 111.9>	<p 116.3>	<n.a.>
Real GDP	-0.6	-0.9	-0.3	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	-0.2	-1.9	-0.4	1.8	2.3	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2010/Q4	2011/Q1	Q2	2011/Apr.	May	Jun.	Jul.
Ratio of job offers to applicants <s.a., times>	< 0.57>	< 0.62>	< 0.62>	< 0.61>	< 0.61>	< 0.63>	< 0.64>
Unemployment rate ⁶ <s.a., %>	< 5.1>	< 4.7>	< 4.6>	< 4.7>	< 4.5>	< 4.6>	< 4.7>
Overtime working hours ⁷	5.7	1.7	-2.0	-3.9	-2.1	0.0	p -1.0
Number of employees ⁶	0.4	0.5	0.8	0.4	1.1	1.1	-0.2
Number of regular employees ⁷	0.7	0.7	0.7	0.7	0.6	0.8	p 0.6
Nominal wages per person ⁷	0.2	0.1	-0.4	-1.4	1.0	-0.7	p -0.1
Domestic corporate goods price index <q/q % chg., 3-month rate of change> ⁸	1.0 < 0.6>	1.7 < 1.1>	2.4 < 1.2>	2.5 < 1.6>	2.1 < 1.2>	2.6 < 0.8>	p 2.9 <p -0.2>
Consumer price index ⁹	-0.5	-0.8	-0.3	-0.2	-0.1	-0.2	0.1
Corporate services price index ¹⁰	-1.4	-1.0	-0.8	-0.7	-0.8	-0.8	p -0.5
Money stock (M2) <average outstanding, y/y % chg.>	2.6	2.4	2.8	2.7	2.7	2.9	p 2.9
Number of corporate bankruptcies <cases per month>	<1,100>	<1,070>	<1,104>	<1,076>	<1,071>	<1,165>	<1,081>

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. All items, less fresh food. Data have been revised to the 2010 base. Figure for 2010/Q4, however, remains on the 2005 base.
10. Excludes international transportation.
11. Data have been retroactively revised.

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";

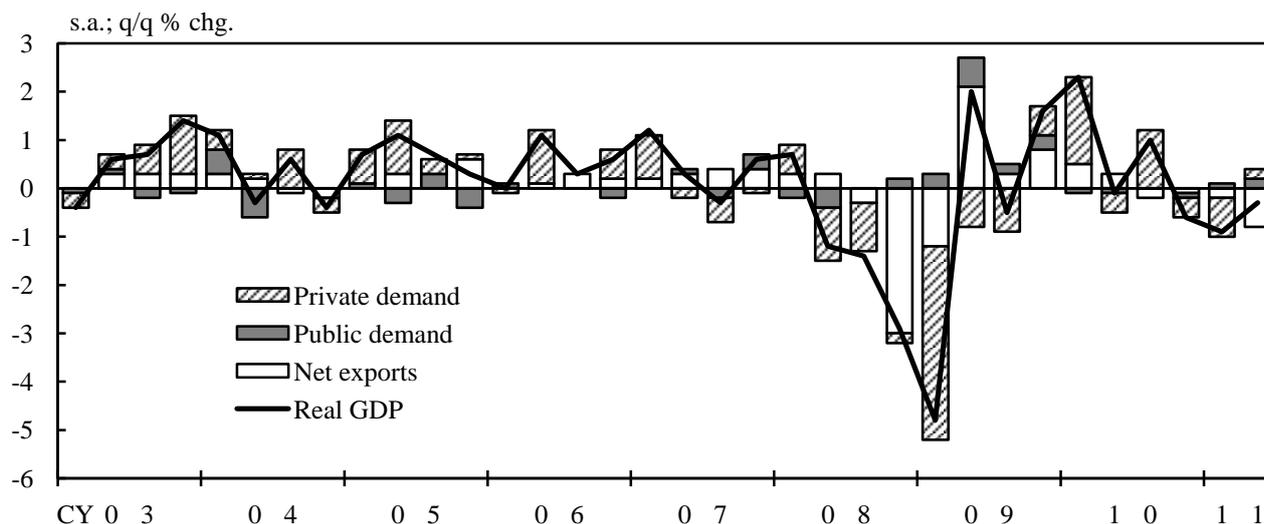
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey";

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



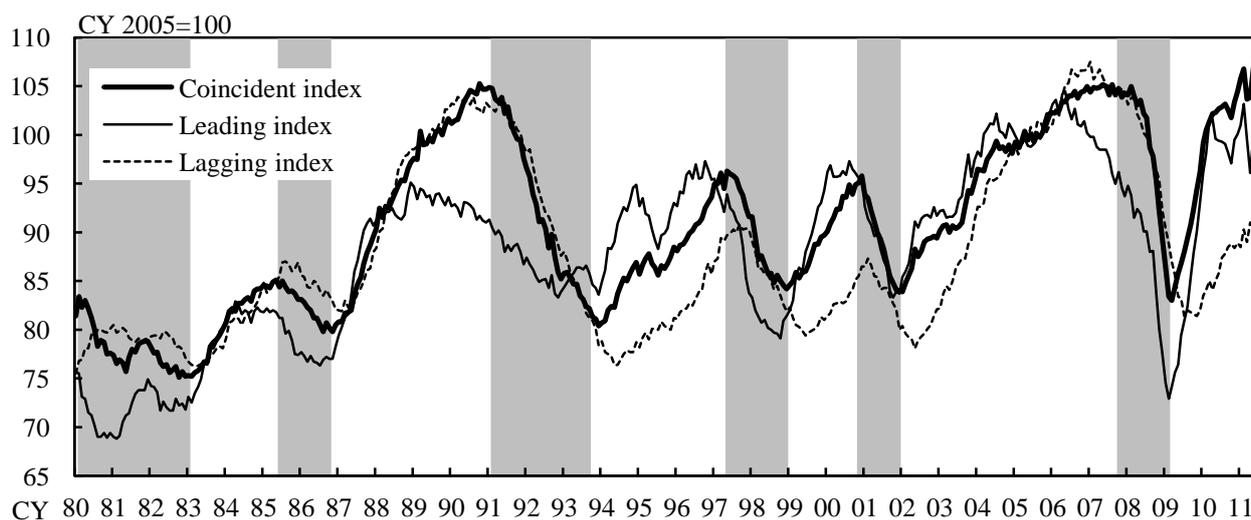
(2) Components

s.a.; q/q % chg.

	2010			2011	
	Q2	Q3	Q4	Q1	Q2
Real GDP	-0.1	1.0	-0.6	-0.9	-0.3
[Annual rate]	[-0.5]	[3.9]	[-2.5]	[-3.6]	[-1.3]
Domestic demand	-0.5	1.2	-0.6	-0.7	0.4
Private demand	-0.4	1.2	-0.4	-0.8	0.2
Private consumption	-0.2	0.5	-0.5	-0.4	-0.0
Non-Resi. investment	0.3	0.1	0.0	-0.2	0.0
Residential investment	-0.0	0.1	0.1	0.0	-0.1
Private inventory	-0.5	0.5	0.0	-0.3	0.3
Public demand	-0.1	-0.0	-0.1	0.1	0.2
Public investment	-0.2	-0.1	-0.2	-0.0	0.1
Net exports of goods and services	0.3	-0.2	-0.1	-0.2	-0.8
Exports	1.0	0.1	-0.1	0.0	-0.8
Imports	-0.6	-0.3	0.1	-0.2	-0.0
Nominal GDP	-0.9	0.6	-1.0	-1.5	-1.4

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

(3) Indexes of Business Conditions (Composite Indexes)

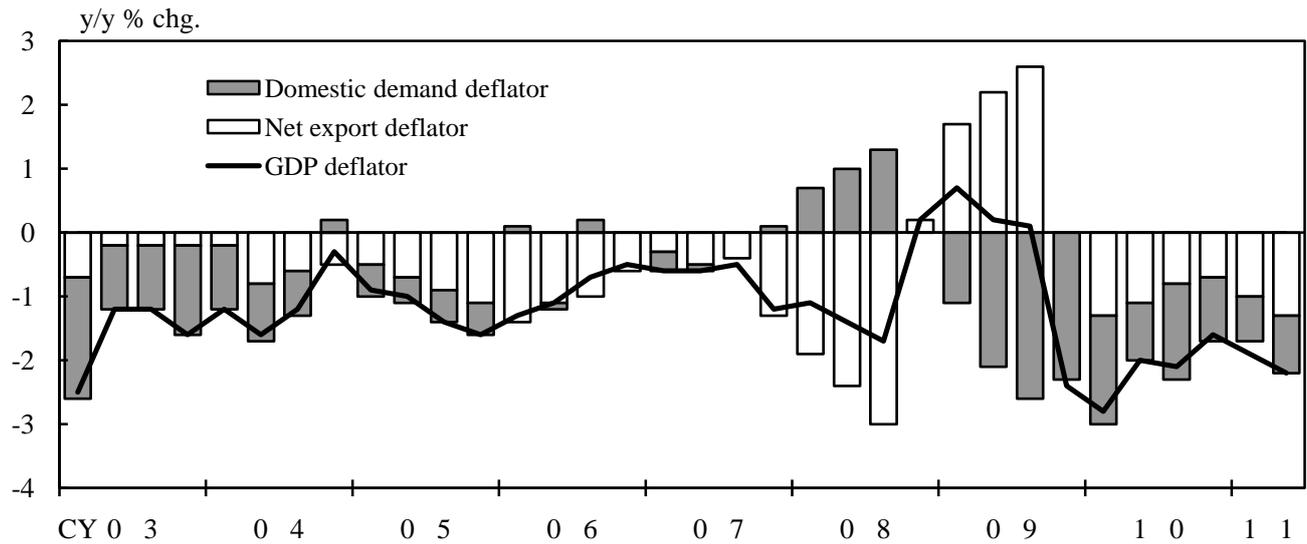


Note: Shaded areas indicate recession periods.

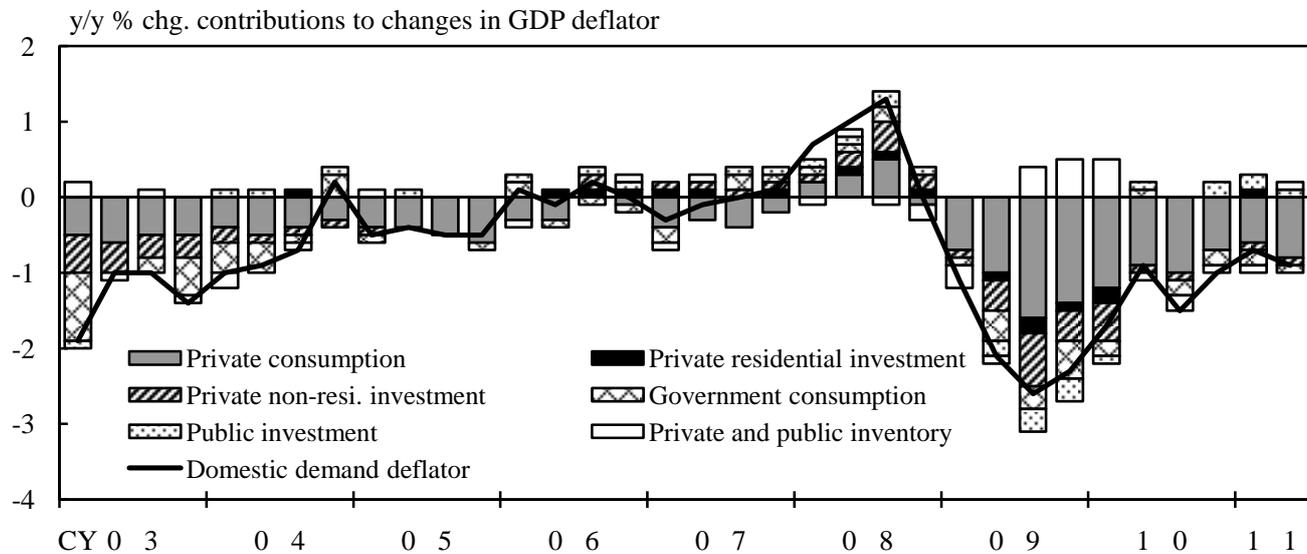
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

GDP Deflator and Income Formation

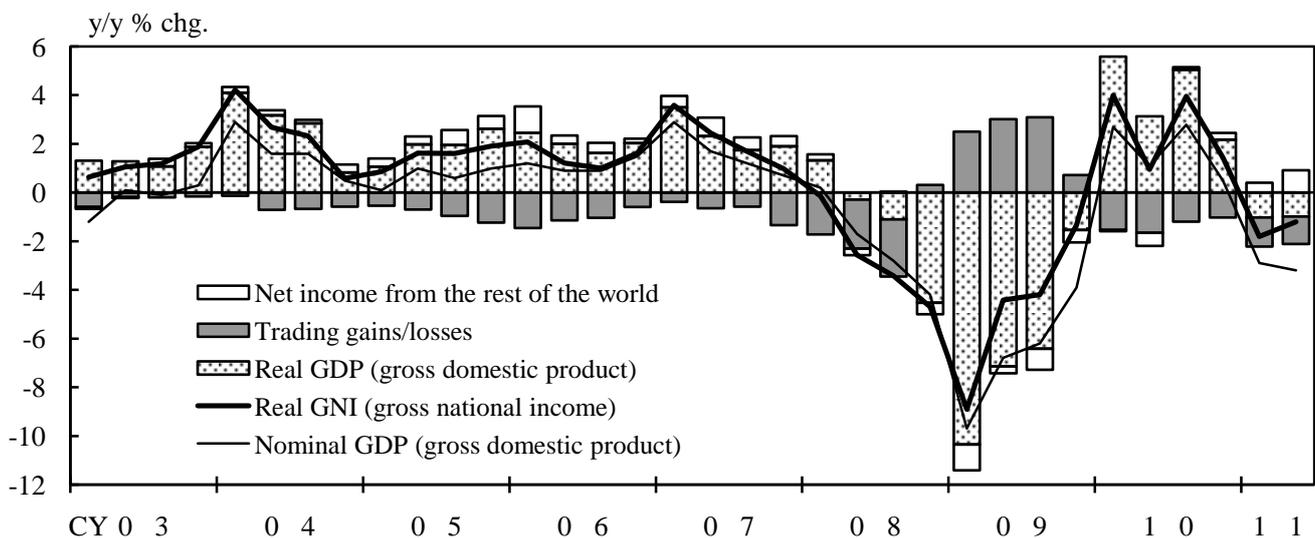
(1) GDP Deflator



(2) Domestic Demand Deflator



(3) Aggregate Income Formation



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

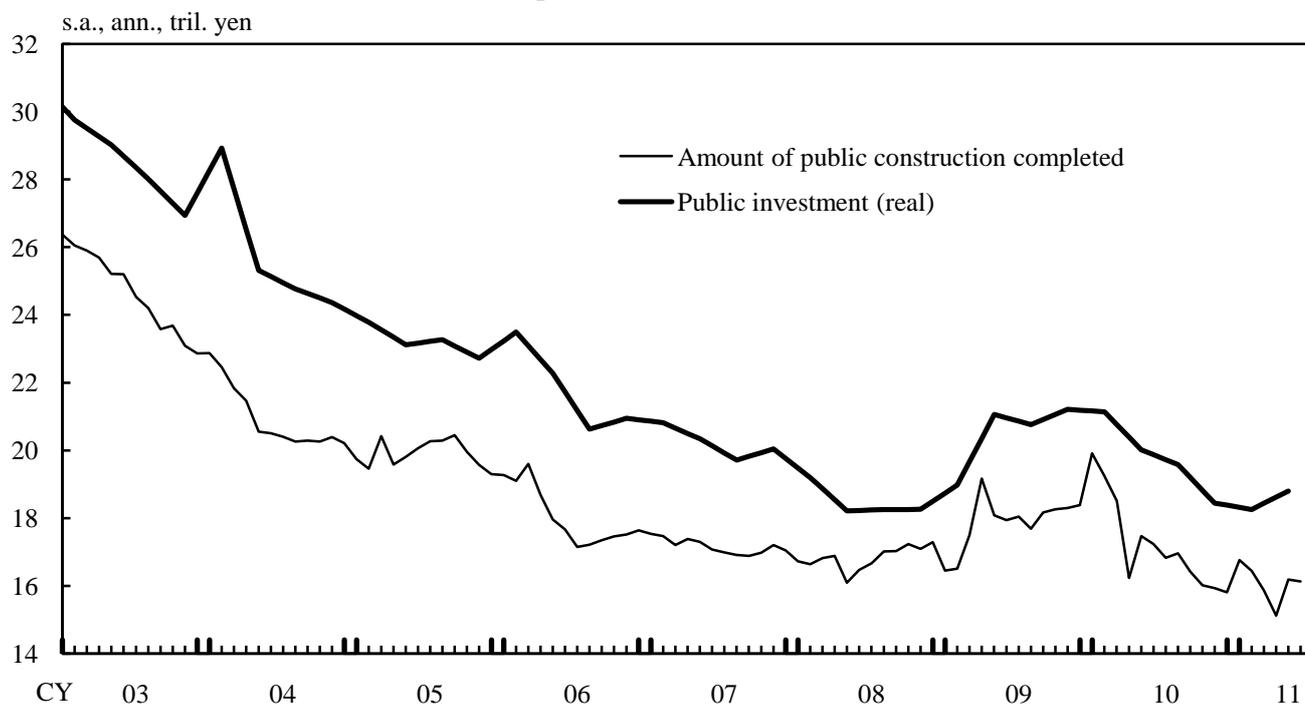
2. Real GNI = real GDP + trading gains/losses + net income from the rest of the world

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

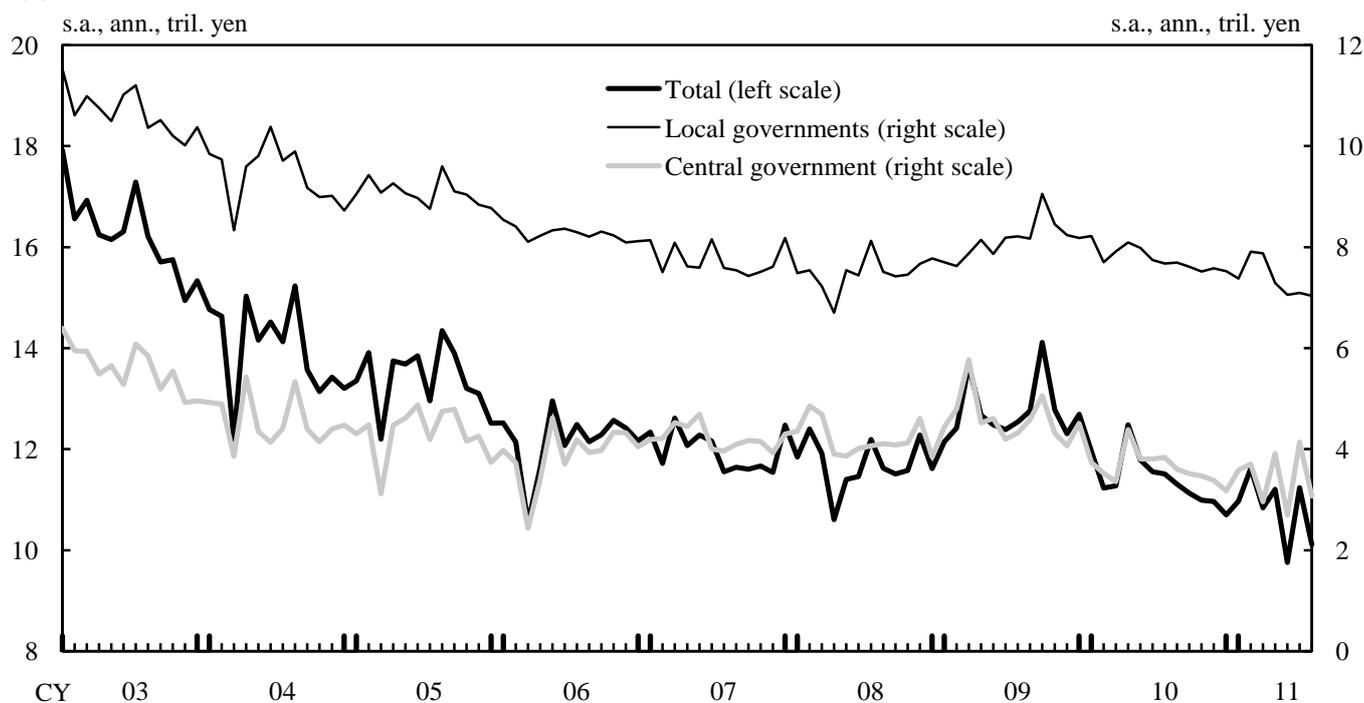
Source: Cabinet Office, "National Accounts."

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";

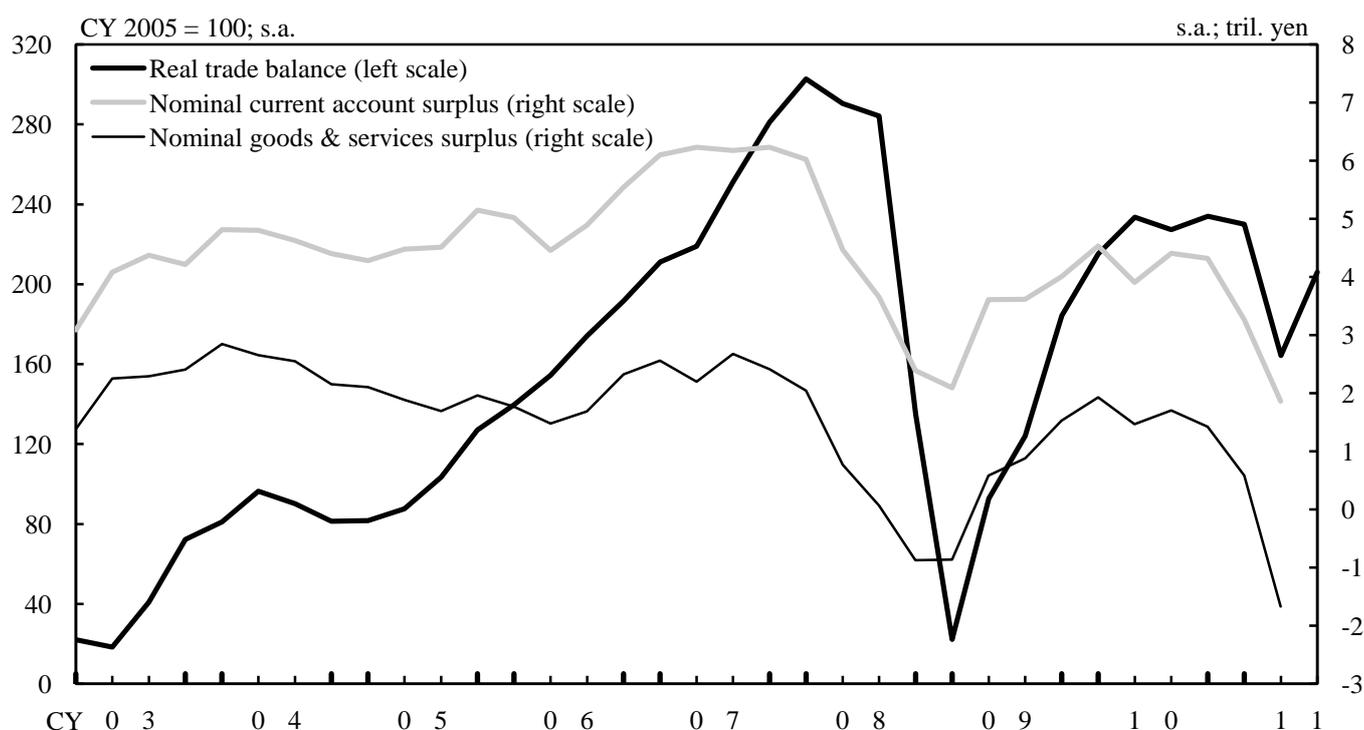
Ministry of Land, Infrastructure, Transport and Tourism, "Integrated Statistics on Construction Works."

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/Q3 figures for real exports/imports and the real trade balance are July figures converted into quarterly amount.

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

Real Exports ¹

(1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2009	2010	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 May	2011 Jun.	2011 Jul.
United States	<15.4>	-32.6	24.2	3.9	0.3	-6.5	-10.3	19.3	14.1	15.8	4.2
EU	<11.3>	-34.6	16.8	2.9	2.2	-3.0	-2.6	13.0	12.4	10.4	2.1
East Asia	<53.3>	-15.8	31.6	1.3	2.4	-1.1	-6.1	6.6	0.1	6.1	2.5
China	<19.4>	-10.2	31.0	3.5	6.9	0.5	-11.1	9.8	-2.6	8.2	5.2
NIEs	<23.7>	-18.0	27.8	-0.3	-0.4	-2.3	-2.6	3.9	1.6	5.1	0.0
Korea	<8.1>	-16.0	23.6	1.3	-4.9	1.1	1.6	-1.1	3.1	3.2	-4.1
Taiwan	<6.8>	-17.7	36.8	-0.5	-0.9	-2.4	-6.9	0.3	2.1	0.3	-0.6
Hong Kong	<5.5>	-18.8	28.7	-2.4	2.4	-4.0	-6.7	9.1	-0.5	6.5	4.9
Singapore	<3.3>	-21.6	19.7	4.1	7.0	-6.6	0.2	20.1	0.0	22.2	5.6
ASEAN4 ³	<10.2>	-20.5	42.6	1.3	-0.1	-1.7	-3.4	6.7	2.0	4.4	3.0
Thailand	<4.4>	-20.9	46.0	1.9	-0.1	1.6	-1.7	1.1	-5.3	8.0	-2.2
Others	<20.0>	-32.1	29.1	-3.2	-2.0	0.2	-4.2	8.5	13.8	14.4	-4.4
Real exports		-25.6	27.4	0.3	0.2	-1.1	-5.6	7.4	4.5	8.5	0.3

(2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2009	2010	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 May	2011 Jun.	2011 Jul.
Intermediate goods	<20.6>	-5.6	18.4	0.8	-0.2	-0.5	-4.6	-1.4	-6.6	-2.3	2.5
Motor vehicles and their related goods	<21.6>	-41.4	42.1	1.2	1.8	-8.8	-22.8	41.5	34.1	34.5	8.4
Consumer goods ⁴	<3.4>	-28.8	10.9	1.3	-1.7	-1.5	-9.1	36.5	25.7	32.4	7.2
IT-related goods ⁵	<10.7>	-17.0	27.2	-0.8	-0.5	0.5	-2.5	7.1	6.4	2.9	3.0
Capital goods and parts ⁶	<29.2>	-28.1	35.7	1.9	0.6	1.4	1.6	-1.8	2.8	3.5	-4.9
Real exports		-25.6	27.4	0.3	0.2	-1.1	-5.6	7.4	4.5	8.5	0.3

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2011/Q3 figures are July 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.

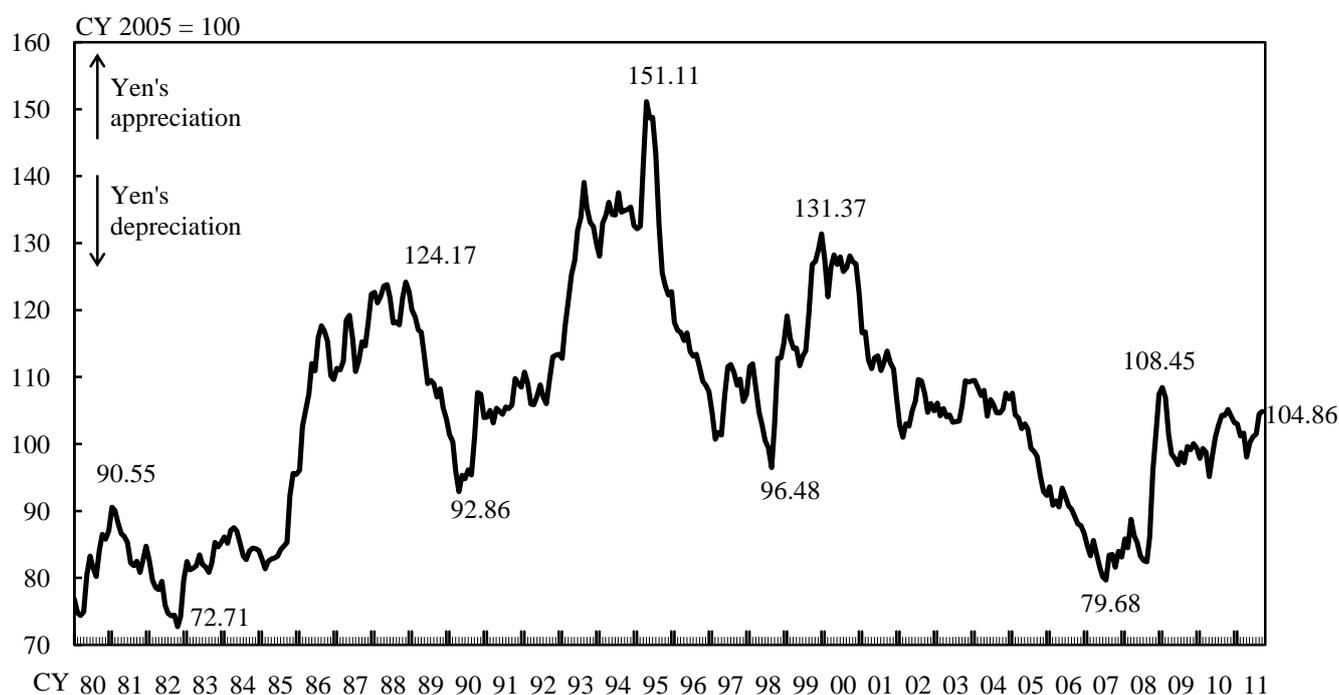
4. Excludes motor vehicles.

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 August and September (up to September 5) 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 ¹		-0.3	-3.5	3.0	2.5	2.3	0.4	1.0	
European Union ¹		0.5	-4.3	1.8	2.0	0.9	2.9	0.9	
	Germany	1.1	-5.1	3.7	3.2	1.9	5.5	0.5	
	France	-0.2	-2.6	1.4	1.5	1.3	3.6	-0.0	
	United Kingdom	-0.1	-4.9	1.4	2.5	-2.0	1.9	0.7	
East Asia ²	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	6.2	5.0
		Hong Kong	2.3	-2.7	7.0	6.9	6.4	7.5	5.1
		Singapore	1.5	-0.8	14.5	10.5	12.0	9.3	0.9
	ASEAN4	Thailand	2.5	-2.3	7.8	6.6	3.8	3.2	2.6
		Indonesia	6.0	4.6	6.1	5.8	6.9	6.5	6.5
		Malaysia	4.8	-1.6	7.2	5.3	4.8	4.9	4.0
Philippines		4.2	1.1	7.6	7.3	6.1	4.6	3.4	

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 ¹

(1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2009	2010	2010 Q3	2011 Q4	2011 Q1	Q2	Q3	2011 May	Jun.	Jul.
United States	<9.7>	-18.7	8.3	0.3	-0.8	-5.5	5.8	-2.4	3.7	-7.6	1.7
EU	<9.6>	-13.2	6.6	3.6	-3.3	1.0	7.8	0.1	-5.4	1.1	1.3
East Asia	<42.4>	-13.1	22.2	1.4	2.0	1.6	1.0	6.2	2.4	2.0	4.0
China	<22.1>	-11.1	24.1	0.9	3.7	0.9	1.4	8.9	7.2	0.9	5.9
NIEs	<8.8>	-15.9	21.7	1.1	-0.6	3.6	0.8	2.6	-4.5	1.4	3.3
Korea	<4.1>	-19.1	21.0	1.4	6.6	6.8	6.7	0.4	-7.2	4.2	0.2
Taiwan	<3.3>	-12.4	21.4	0.9	-4.1	-1.1	-5.3	3.1	-1.8	-1.3	4.7
Hong Kong	<0.2>	-29.7	33.1	-7.6	-2.0	16.7	-16.3	11.0	-8.0	13.4	5.1
Singapore	<1.2>	-12.5	23.2	-1.4	-5.7	-1.9	4.8	4.7	0.4	-2.8	6.6
ASEAN4 ³	<11.5>	-14.9	18.3	2.8	0.2	1.3	0.1	2.7	-2.1	5.0	0.2
Thailand	<3.0>	-17.5	25.9	4.7	-1.7	2.6	2.6	3.4	0.5	4.8	0.0
Others	<38.3>	-13.9	6.8	1.2	-1.8	-1.5	0.0	1.5	2.9	-0.8	1.1
Real imports		-14.0	12.1	1.4	-0.7	-0.9	2.1	3.2	3.3	0.2	1.9

(2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2009	2010	2010 Q3	2011 Q4	2011 Q1	Q2	Q3	2011 May	Jun.	Jul.
Raw materials ⁴	<36.5>	-14.9	5.6	1.4	-2.1	-1.3	-0.9	3.8	1.6	1.0	2.6
Intermediate goods	<14.9>	-15.4	18.7	1.7	-2.2	2.7	9.1	0.5	0.4	-4.1	3.2
Foodstuffs	<8.6>	1.0	2.0	1.3	-8.2	1.2	7.0	-4.7	-1.7	-2.8	-2.3
Consumer goods ⁵	<8.5>	-10.3	22.7	-0.7	10.1	-0.6	-4.1	6.5	1.0	11.2	-0.9
IT-related goods ⁶	<11.2>	-12.4	27.0	1.7	3.5	-0.1	-1.5	7.8	4.8	1.2	5.3
Capital goods and parts ⁷	<11.3>	-23.8	19.1	3.0	2.4	-0.9	2.0	4.0	2.8	-0.1	3.2
Excluding aircraft	<10.7>	-24.4	21.9	2.9	1.4	0.4	3.9	6.9	1.0	2.8	4.7
Real imports		-14.0	12.1	1.4	-0.7	-0.9	2.1	3.2	3.3	0.2	1.9

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2011/Q3 figures are July 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.

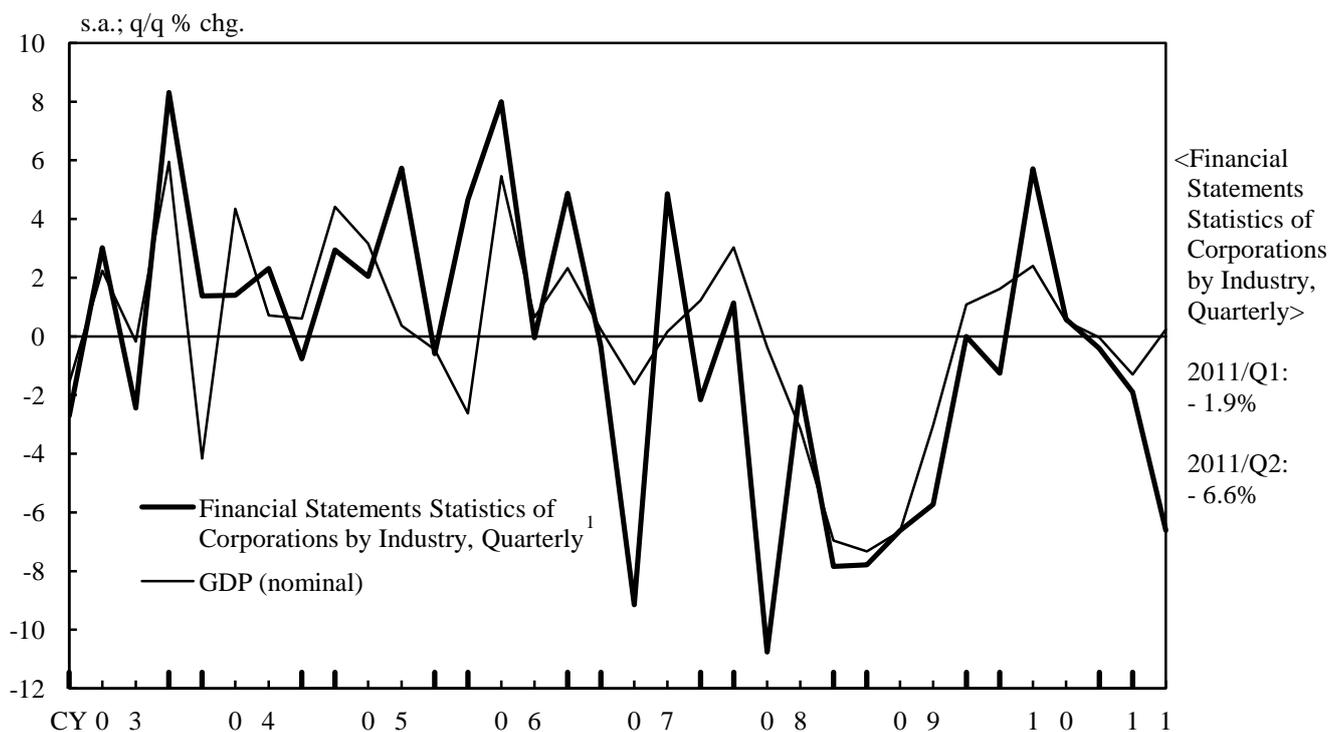
6. IT-related goods are composed of computers and units, parts of computers, telecommunication machinery, ICs, and medical and optical instruments.

7. Excludes IT-related goods.

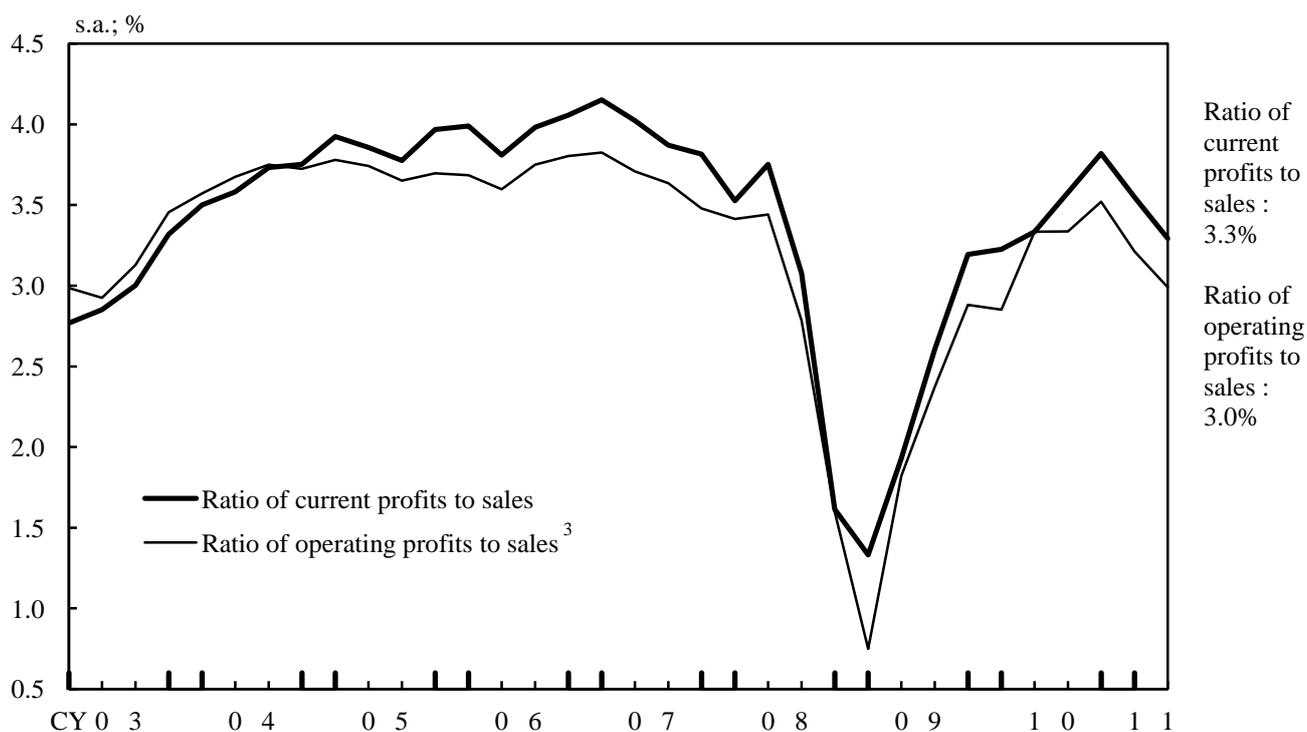
Sources: Ministry of Finance, "Trade Statistics"; Bank of Japan, "Corporate Goods Price Index."

Business Fixed Investment and Corporate Profits

(1) Business Fixed Investment



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



Notes: 1. All enterprises excluding "Finance and Insurance."

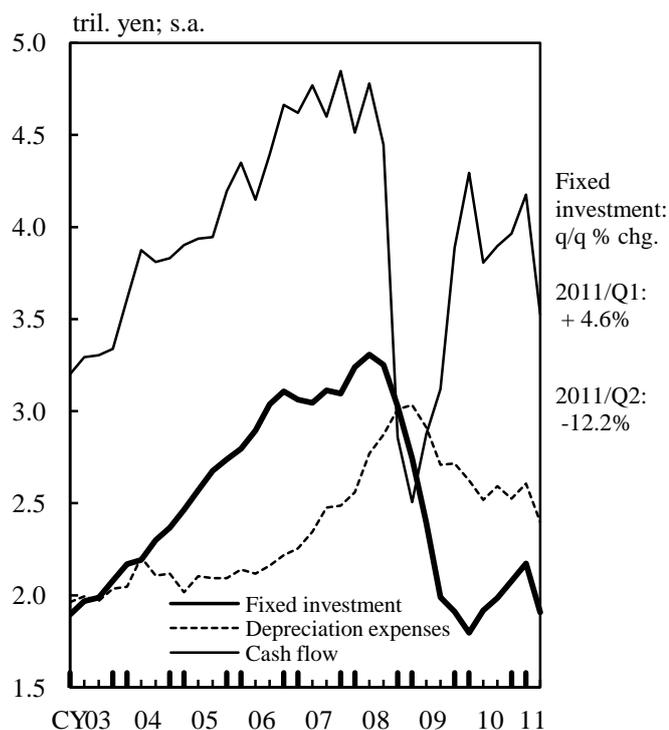
2. Based on the "Financial Statements Statistics of Corporations by Industry, Quarterly."

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

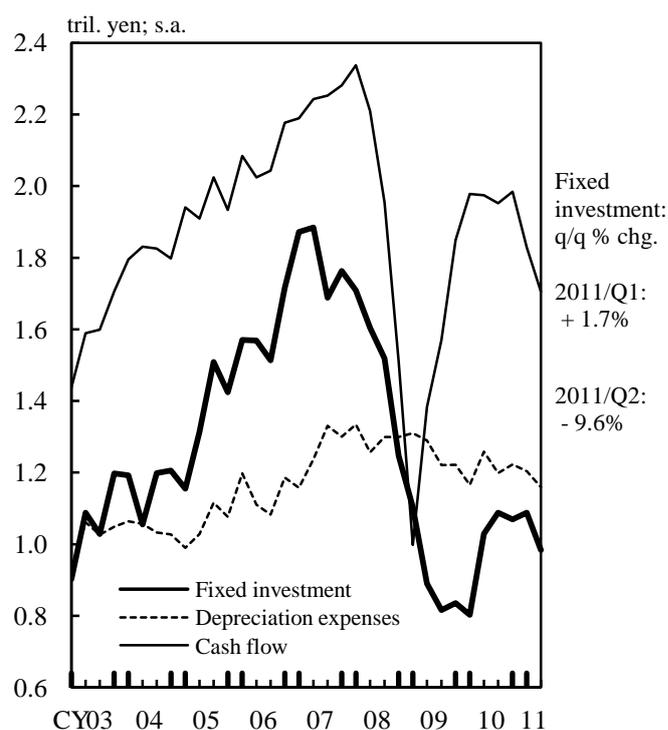
Sources: Cabinet Office, "National Accounts"; Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

Business Fixed Investment by Industry and Size

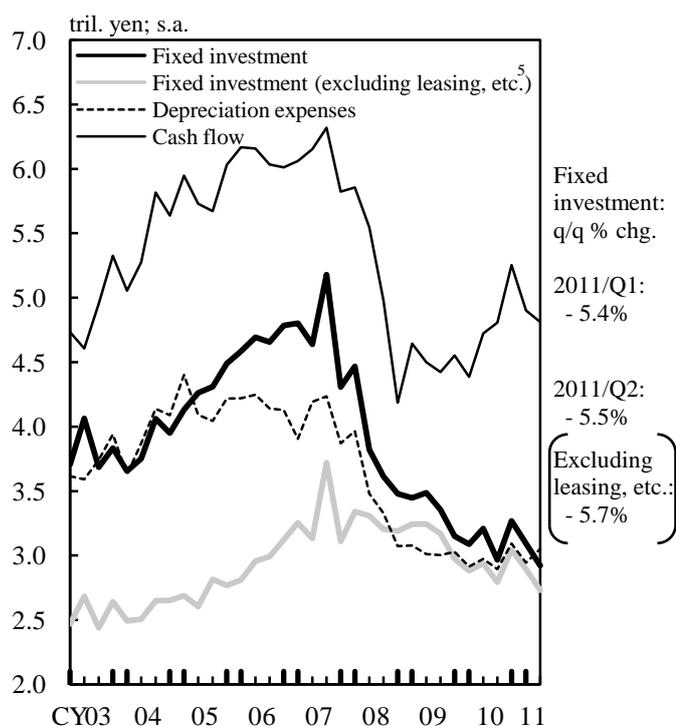
(1) Large Manufacturing Firms



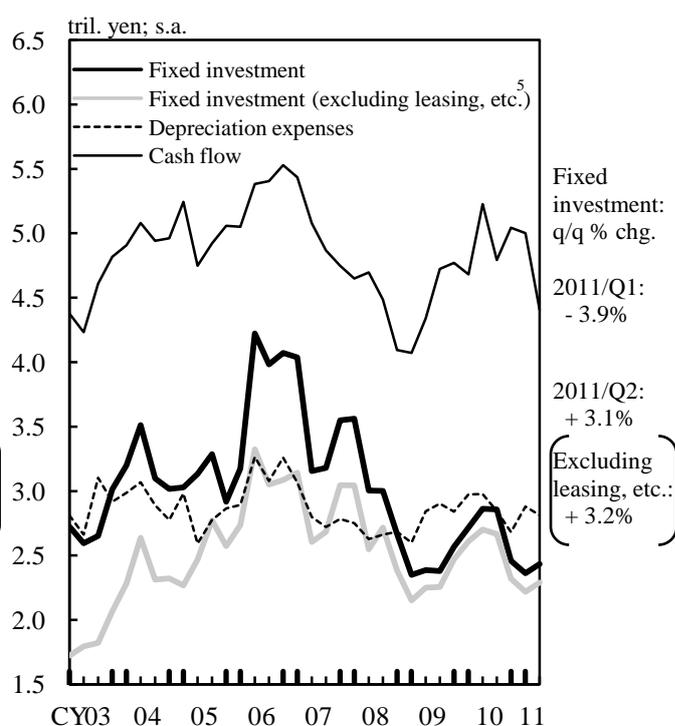
(2) Medium-Sized and Small Manufacturing Firms



(3) Large Nonmanufacturing Firms



(4) Medium-Sized and Small Nonmanufacturing Firms

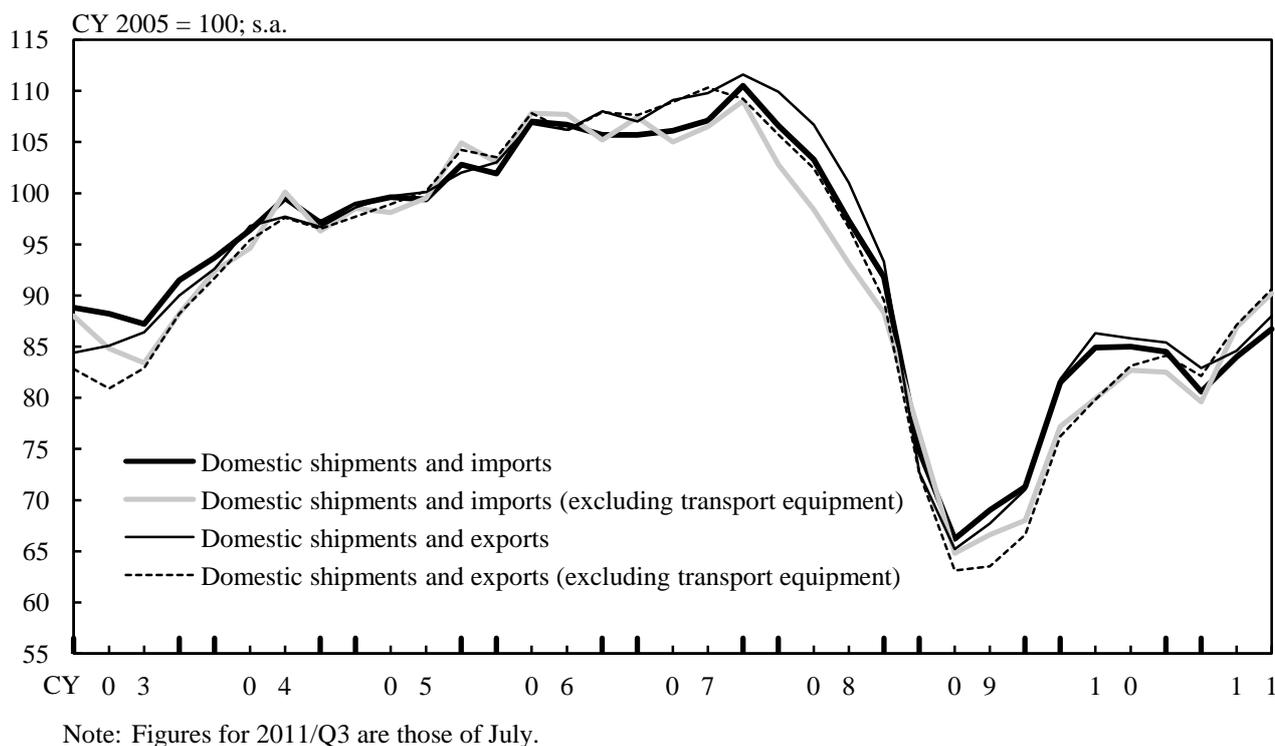


- Notes: 1. "Large firms" refers to firms with capital stock of 1 billion yen or more, and "medium-sized and small firms" refers to firms with capital stock of 10 million or more but less than 1 billion yen.
2. Cash flow = current profits / 2 + depreciation expenses.
3. Seasonally adjusted by X-11.
4.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

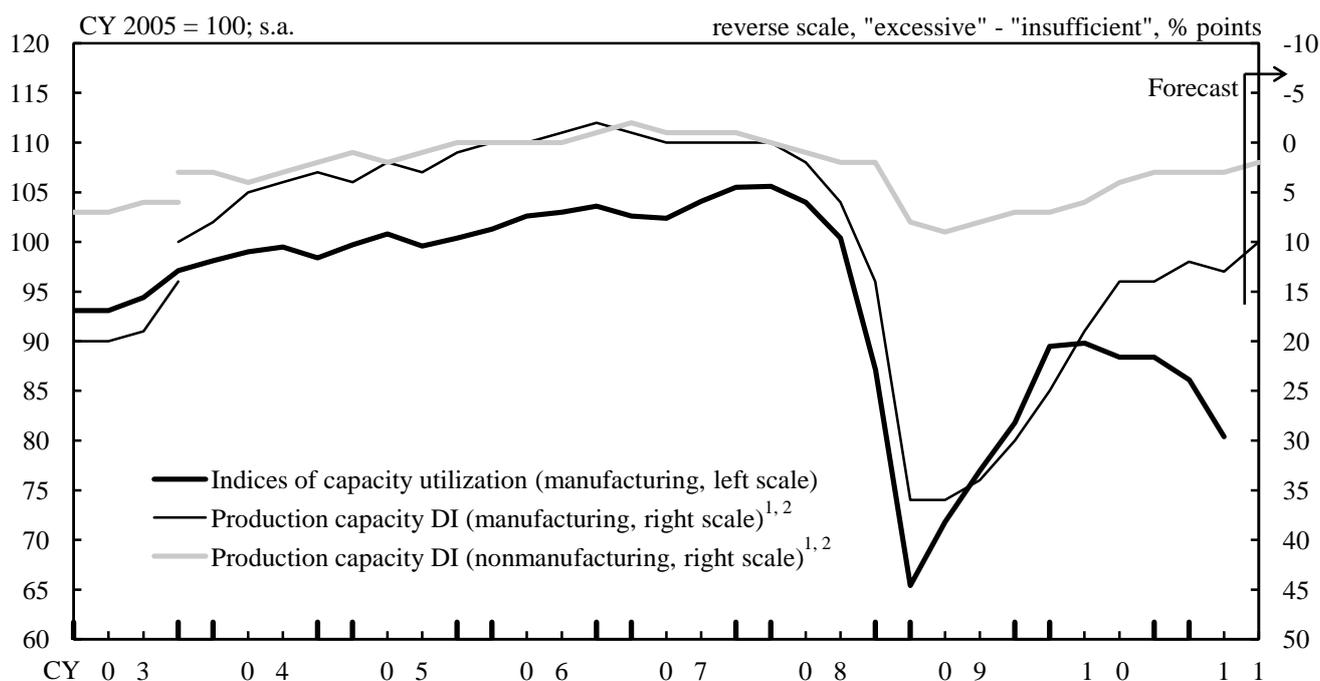
Source: Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

Coincident Indicators of Business Fixed Investment

(1) Aggregate Supply and Shipments of Capital Goods



(2) Indices of Capacity Utilization and Production Capacity DI



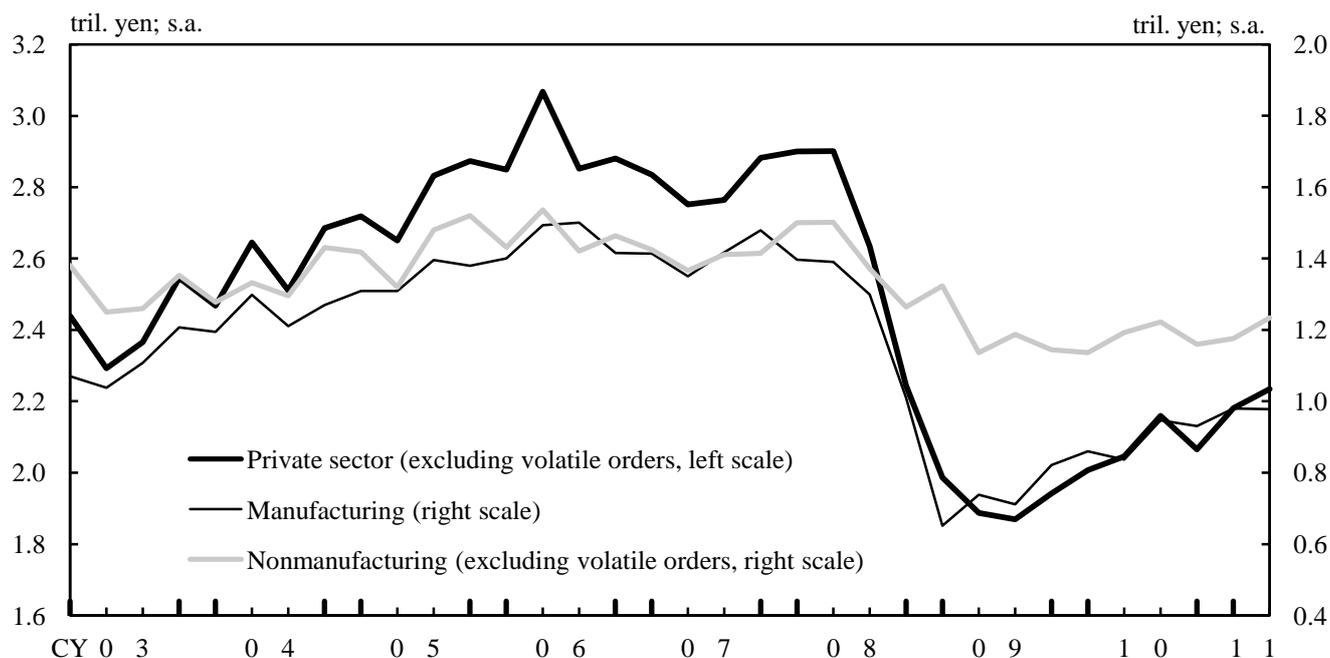
Notes: 1. Production capacity DIs are those of all enterprises.

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

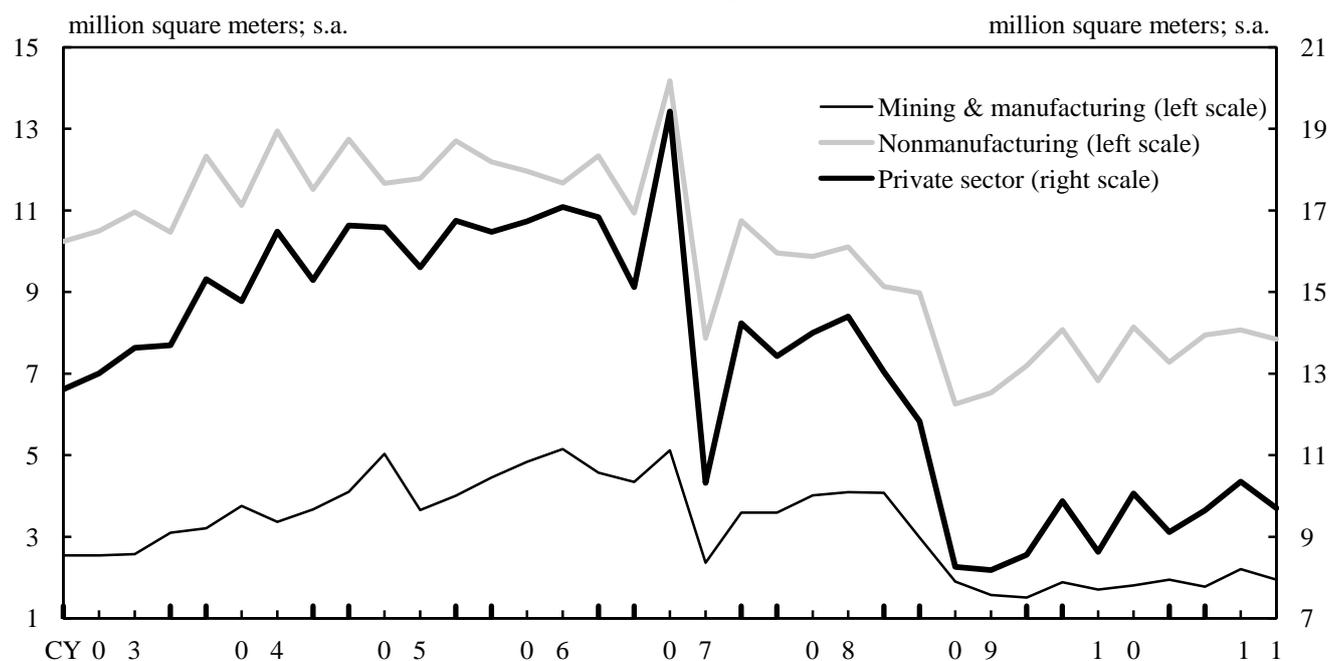
(1) Machinery Orders



Notes: 1. Figures up to FY 2004 are estimated by the Cabinet Office.

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

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



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

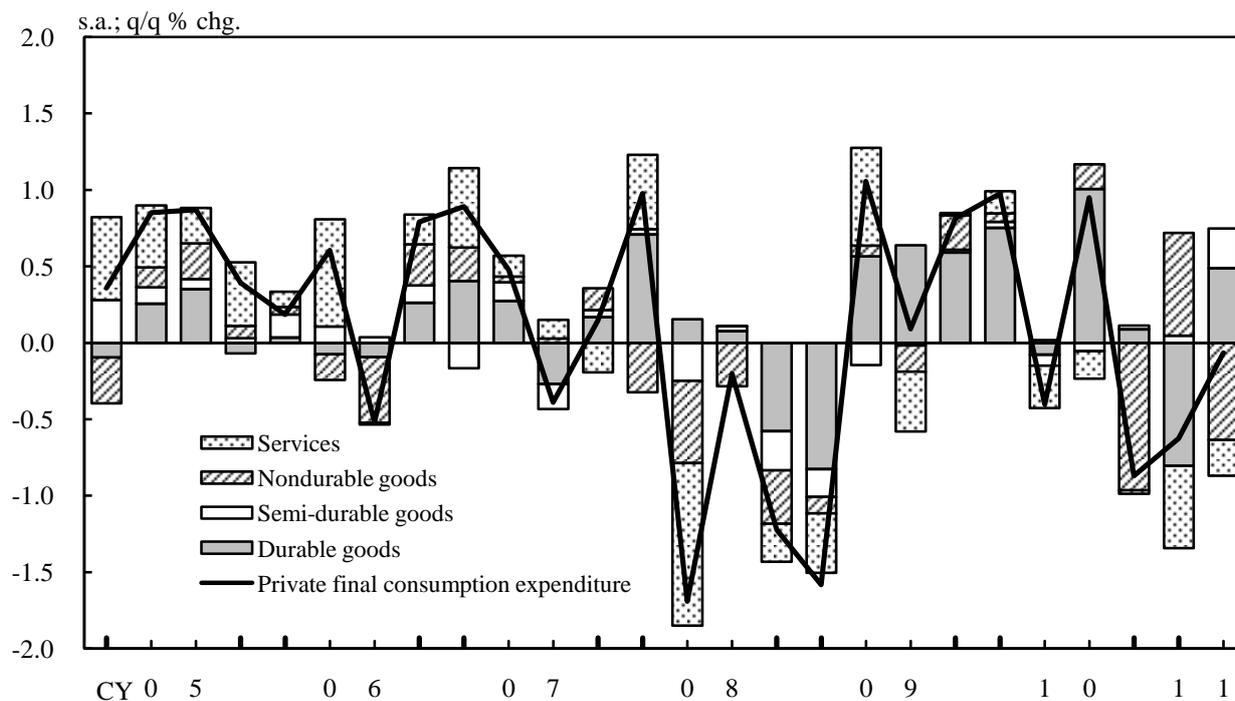
2. Following the revision of the "Standard Industrial Classification for Japan" in March 2002, the industry classification for "newspaper publishing and publishing business" was changed from "mining and manufacturing" to "nonmanufacturing." This new classification applies to data from FY 2003 onward.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

3. Figures for 2011/Q3 are those of July in quarterly amount.

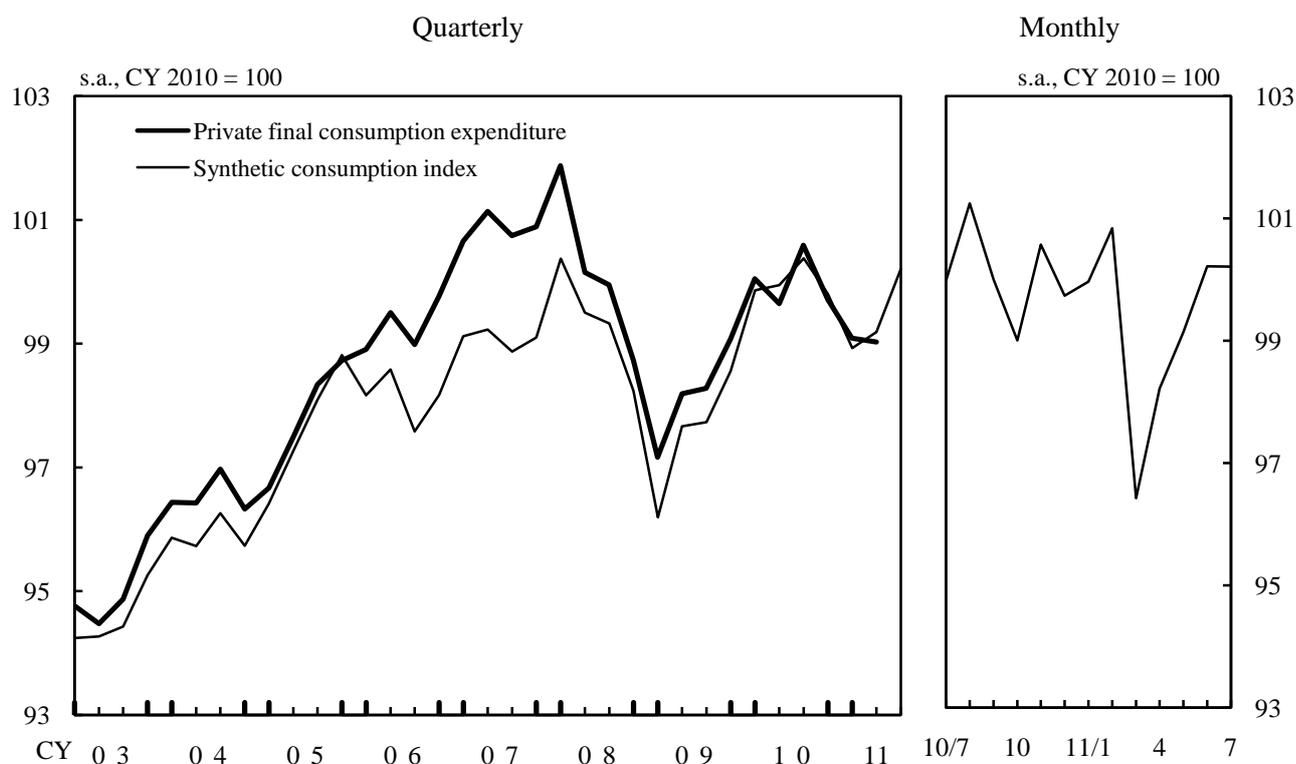
Sources: Cabinet Office, "Orders Received for Machinery";
Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts."

Indicators of Private Consumption (1)

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



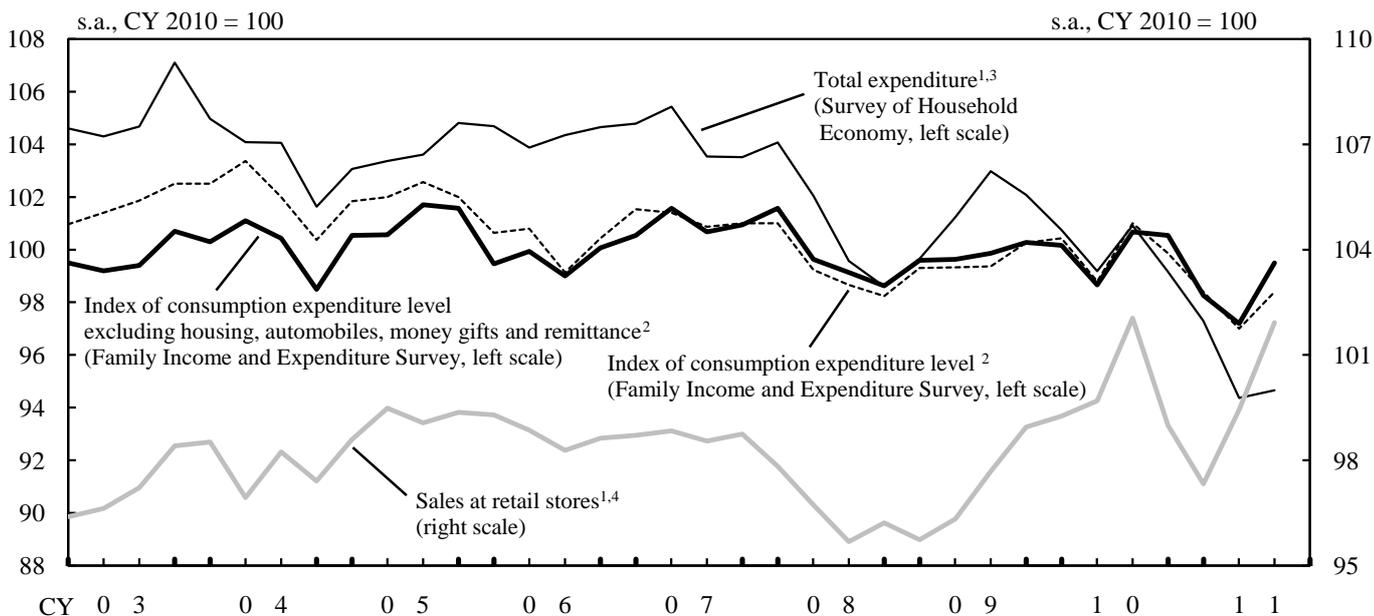
(2) Private Final Consumption Expenditure and Synthetic Consumption Index (Real)



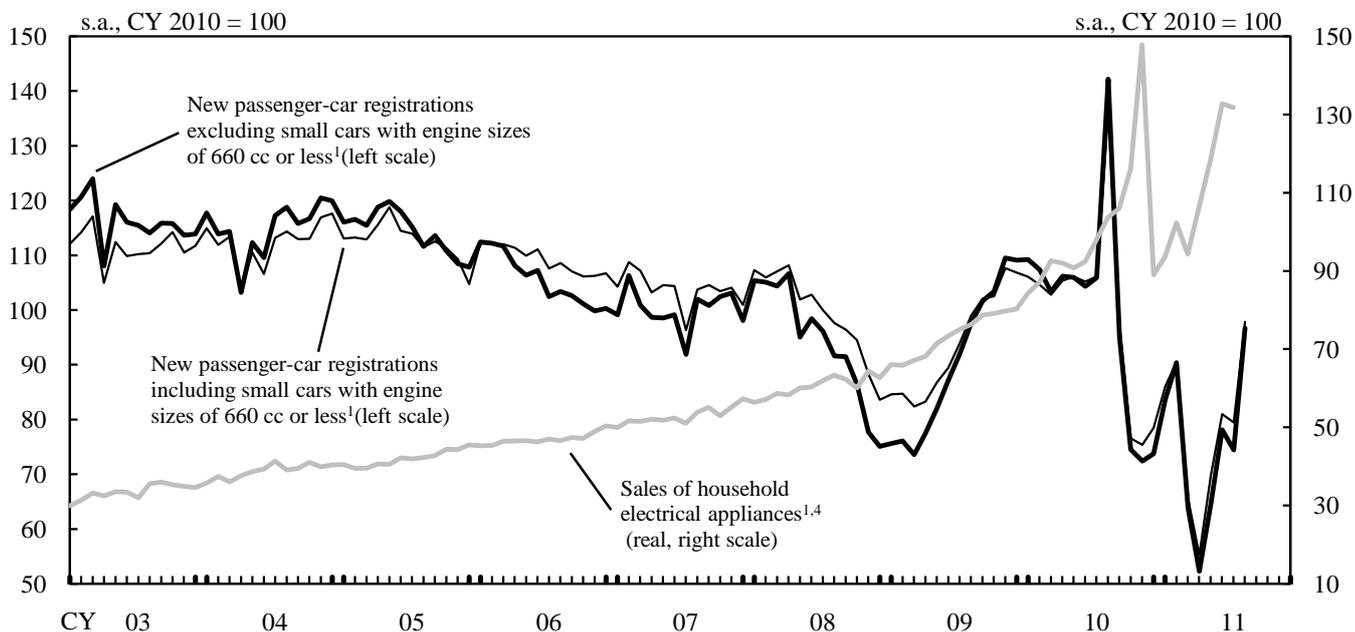
Note: The figure of the synthetic consumption index for 2011/Q3 is that of July in quarterly amount.

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

Indicators of Private Consumption (2)

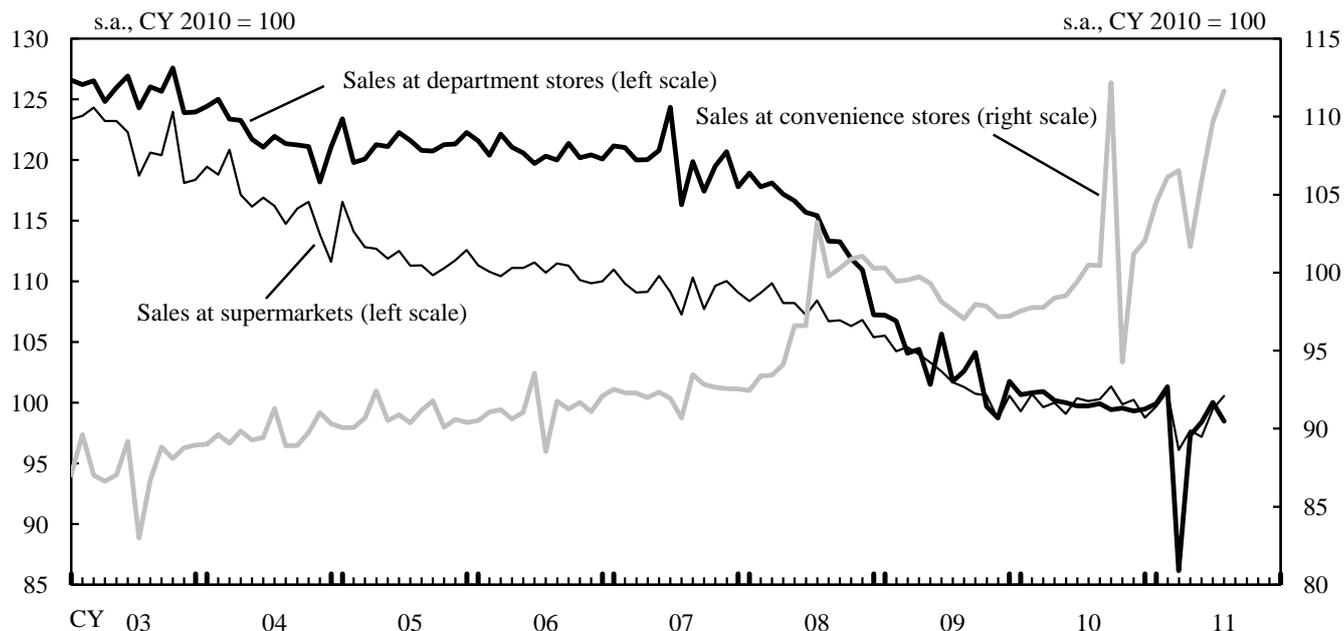
(1) Household Spending (Real)⁶

(2) Sales of Durable Goods

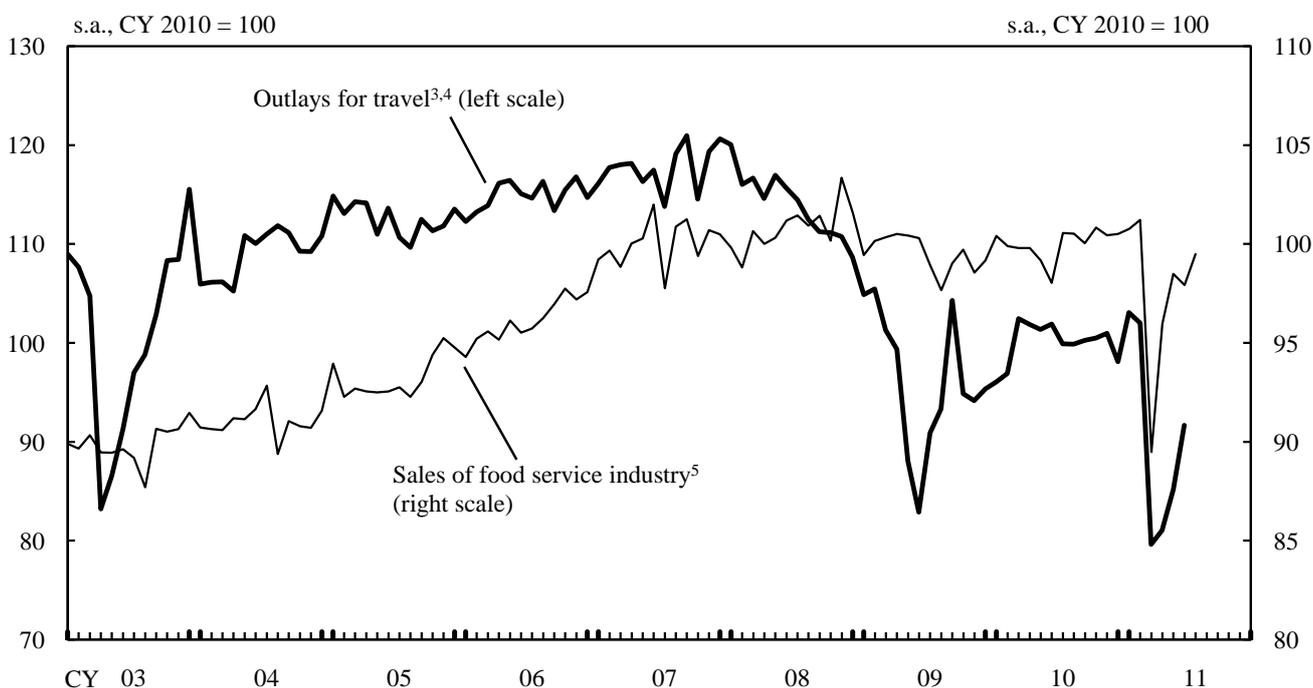


- Notes: 1. Total expenditure, sales at retail stores, sales of household electrical appliances and new passenger-car registrations are seasonally adjusted by X-12-ARIMA.
2. "Index of consumption expenditure level" is based on two-or-more-person households, and is adjusted using the distribution of household 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. Index of consumption expenditure level, total expenditure, sales at retail stores, and sales of household electrical appliances have been retroactively revised reflecting the base revision of the CPI.
6. Figures for 2011/Q3 are those of July 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 Consumption¹ (3)(1) Sales at Retail Stores (Nominal)²

(2) Consumption of Services (Nominal)



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

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

3. Excluding those by foreign travelers.

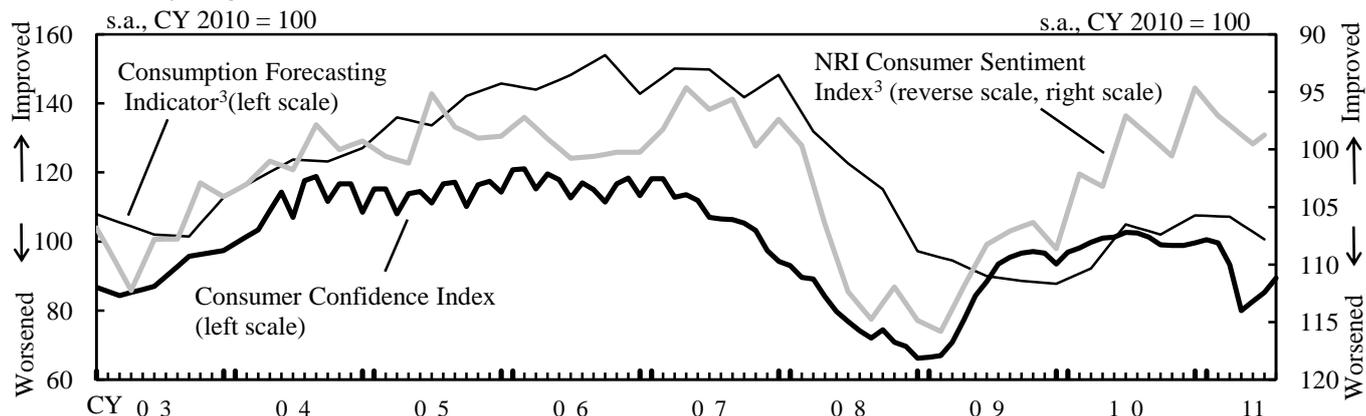
4. There are discontinuities in the underlying data as of April 2007 and April 2010 due to changes in the sample. Data from April 2007 and onward are calculated using the year-on-year rates of change.

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.

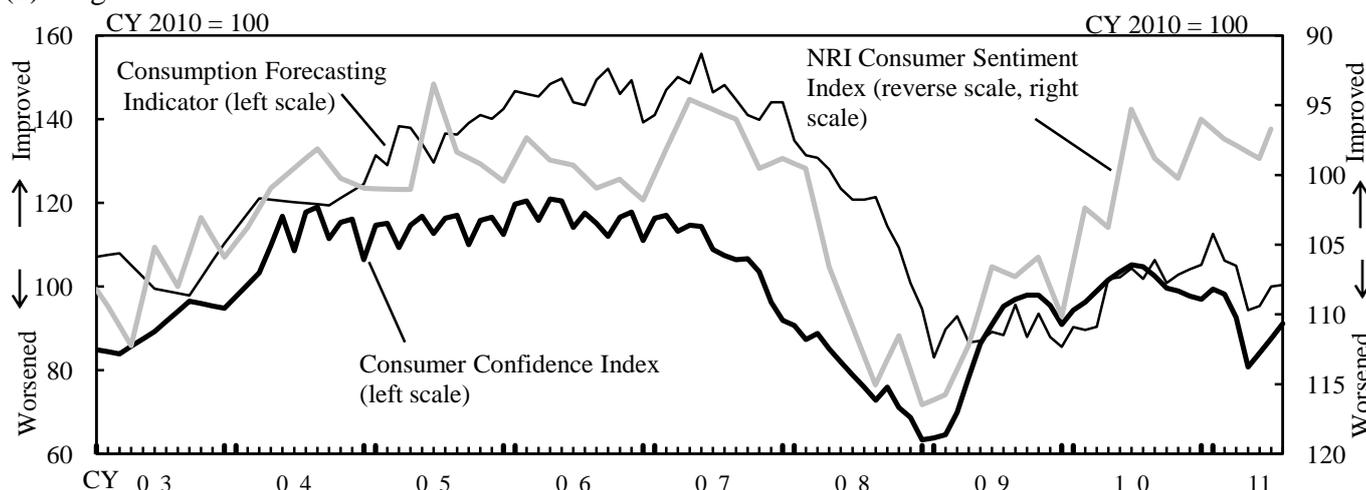
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce"; Japan Tourism Agency, "Major Travel Agents' Revenue"; Food Service Industry Survey & Research Center, "Getsuji Uriage Doukou Chousa (Monthly survey of food service sales)"; Japan Food Service Association, "Gaishoku Sangyou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

Consumer Confidence ^{1,2}

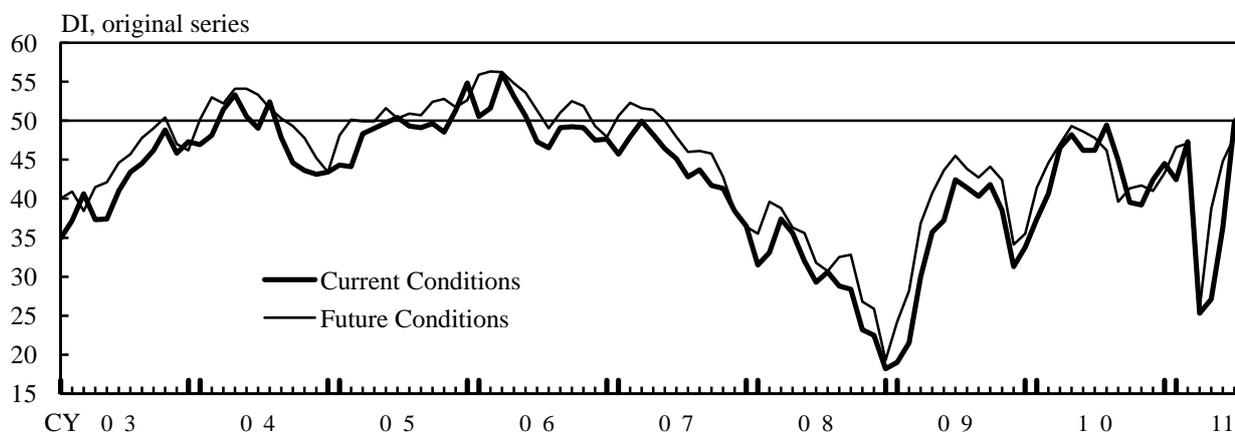
(1) Seasonally Adjusted Series



(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."

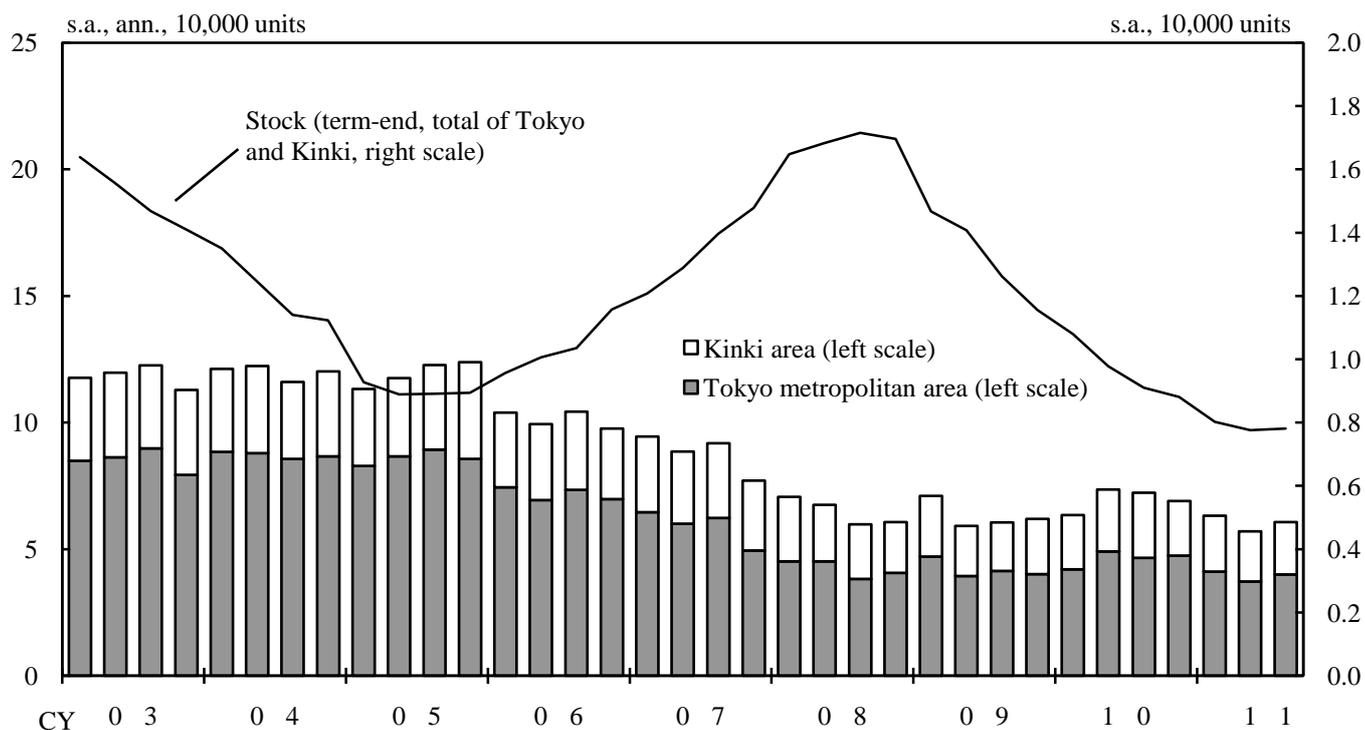
Indicators of Housing Investment

(1) Housing Starts



Note: Figures for 2011/Q3 are those of July.

(2) Sales of Apartments



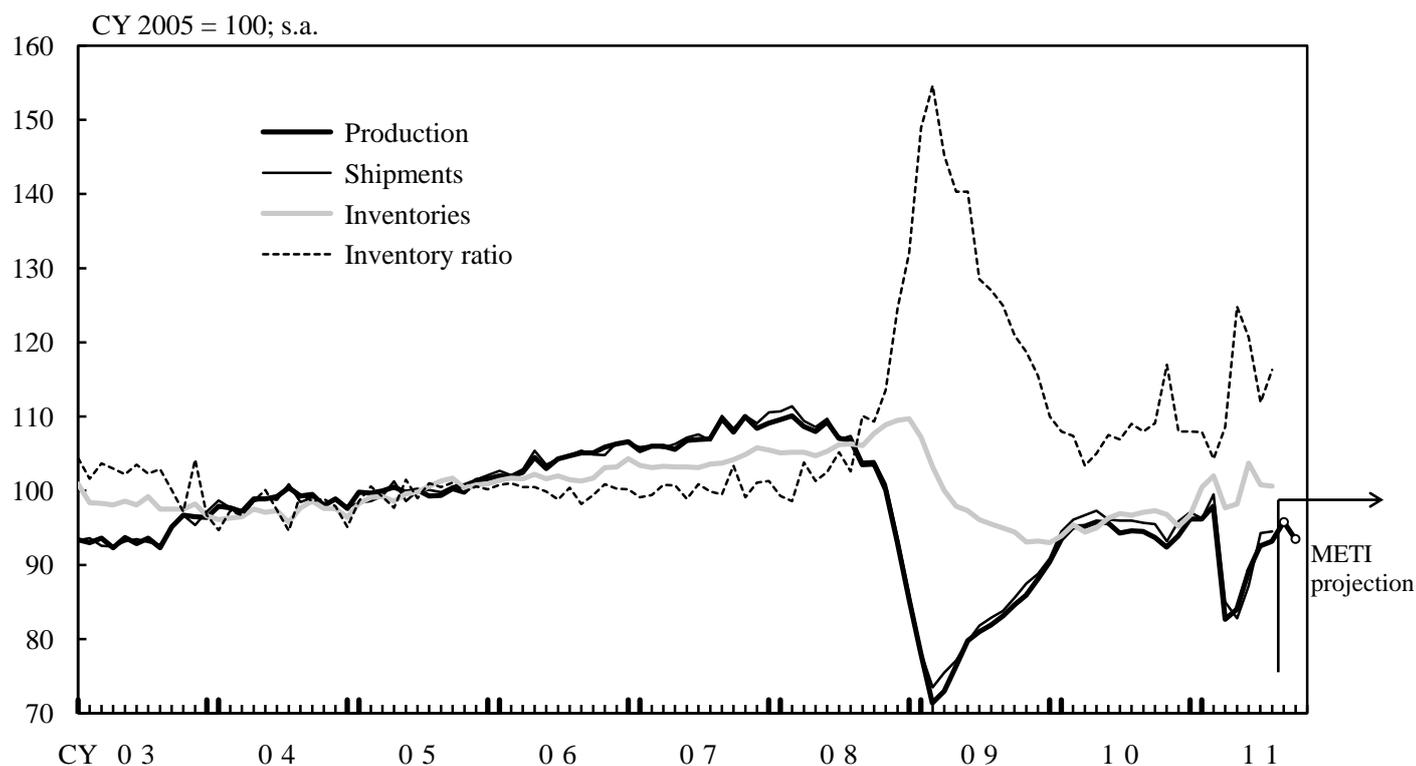
Notes: 1. Seasonally adjusted by X-12-ARIMA.

2. Figures for 2011/Q3 are those of July.

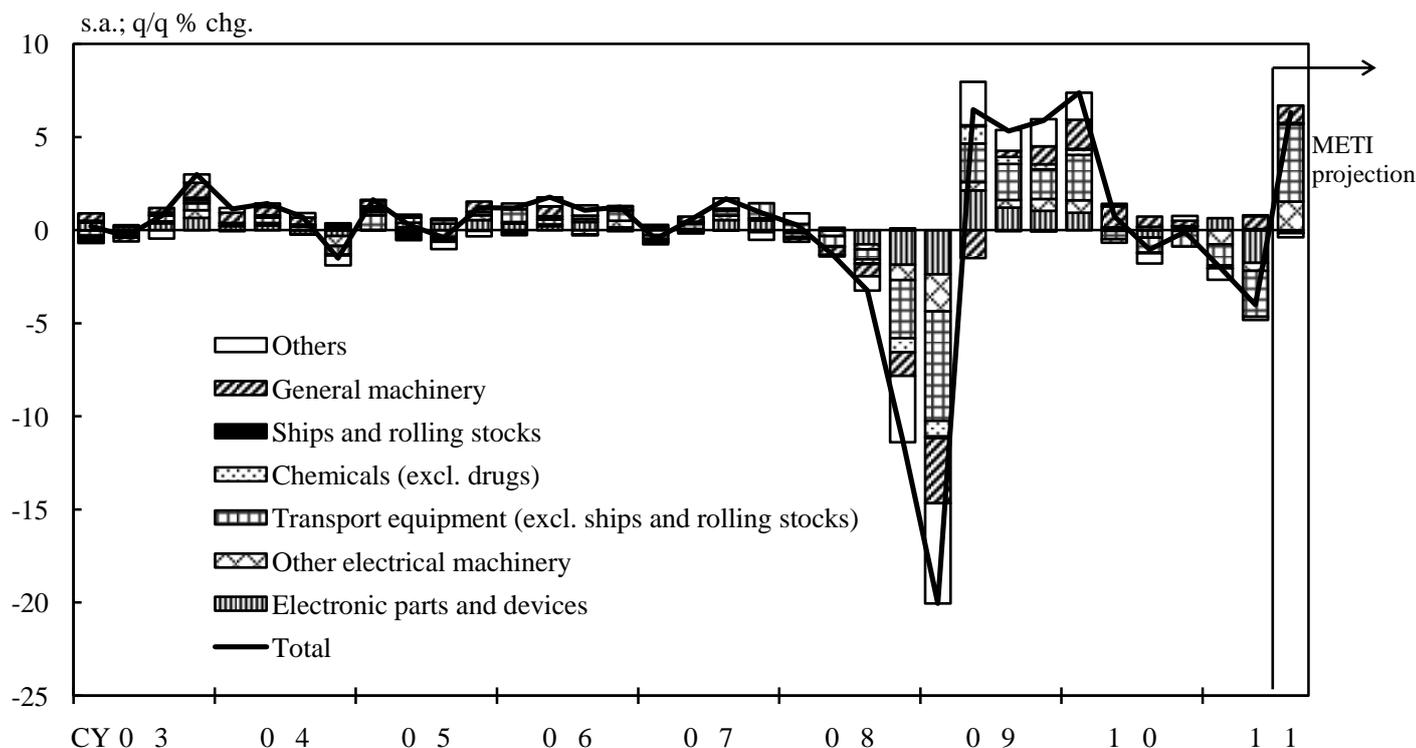
Sources: Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts," etc.

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."

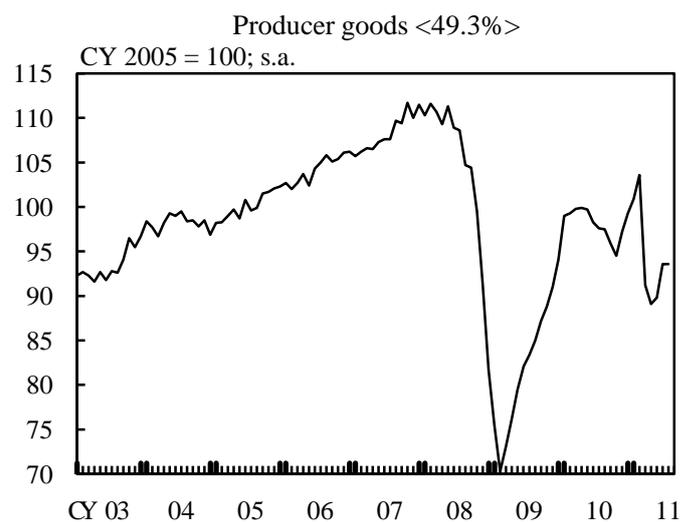
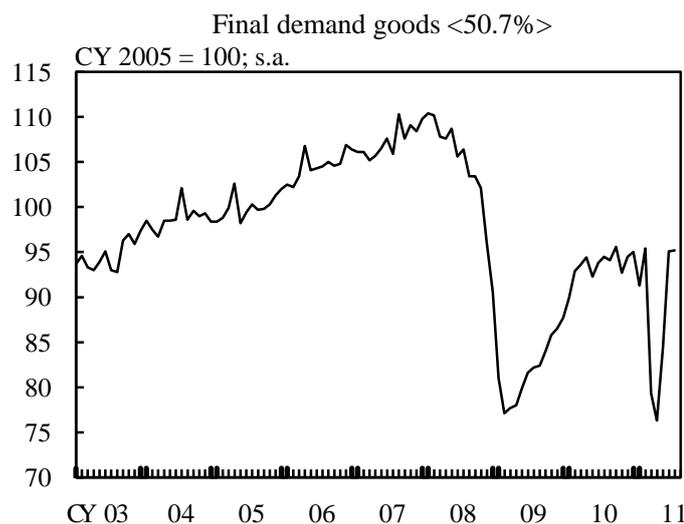
2. 2003/Q1 figures are on the 2000 base.

3. 2011/Q3 figures are based on the actual production levels in July, and the METI projection of August and September.

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

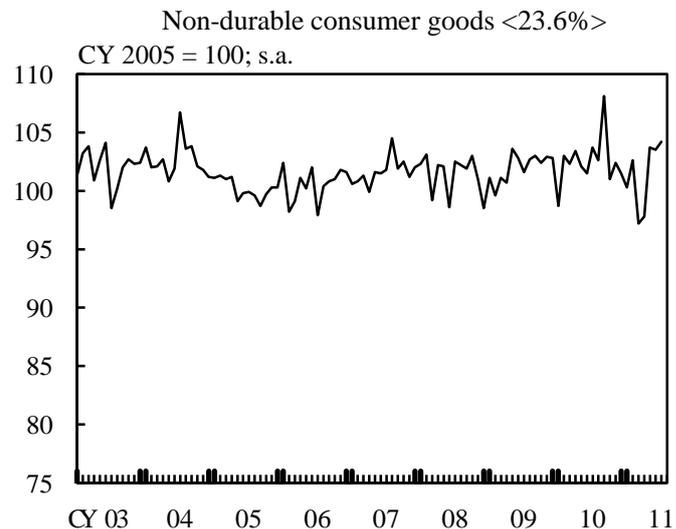
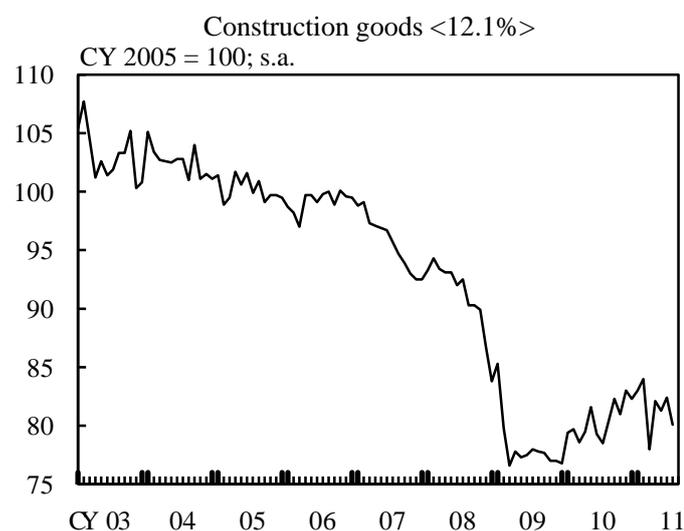
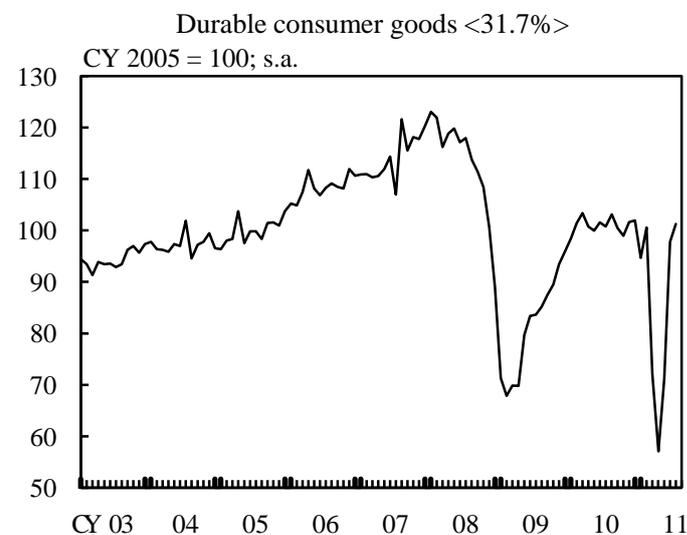
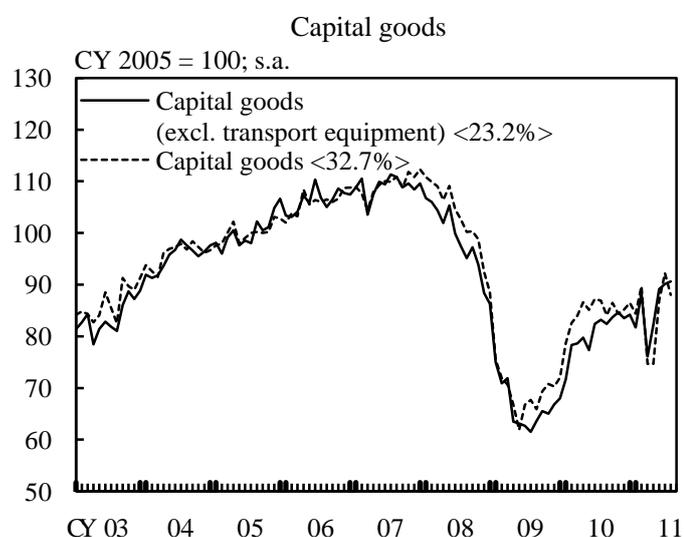
Shipments by Type of Goods

(1) Final Demand Goods and Producer Goods



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

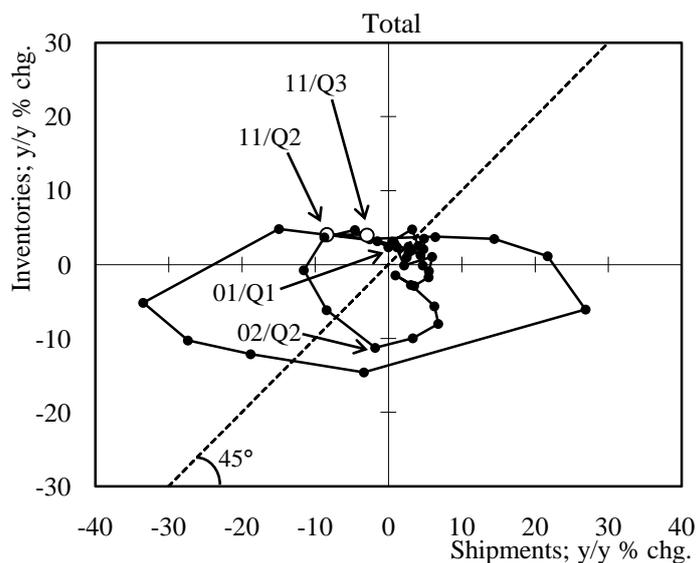
(2) Breakdown of Final Demand Goods



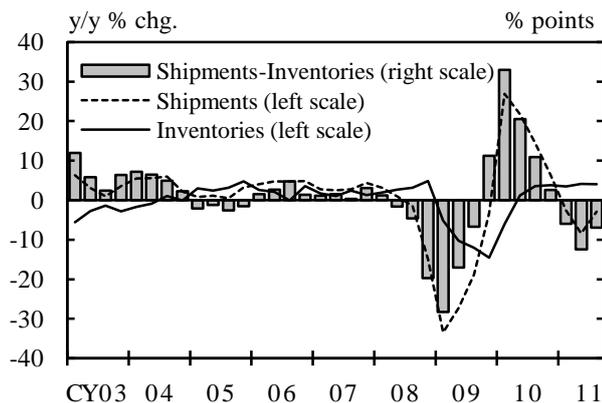
Note: Figures in angle brackets show the shares among shipments of final demand goods.

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

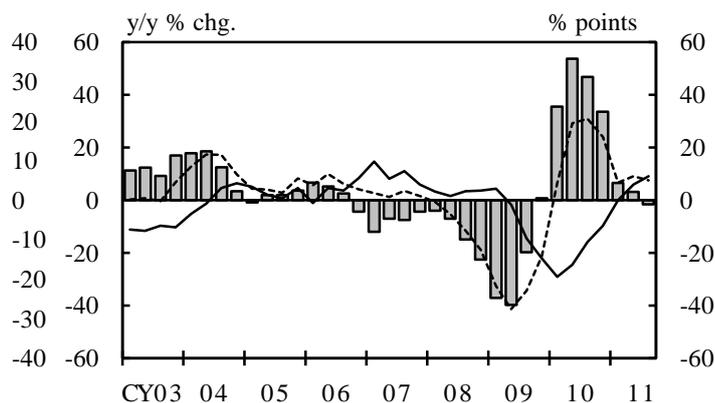
Inventory Cycle



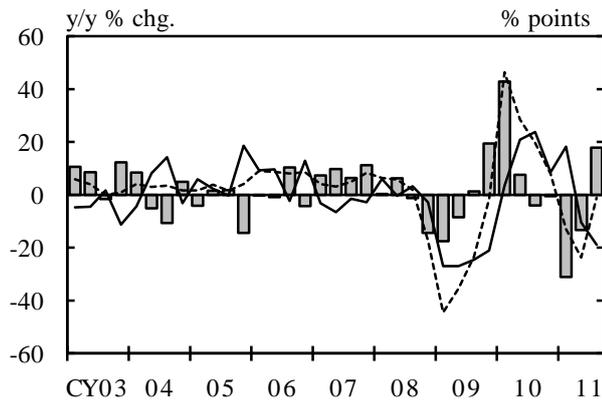
(1) Total



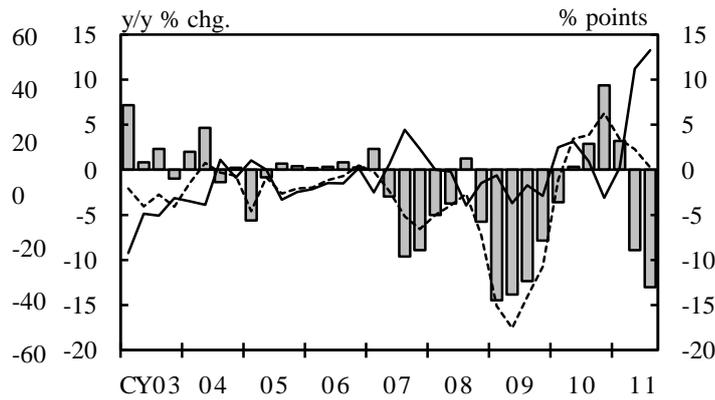
(2) Capital Goods (Excluding Transport Equipment)



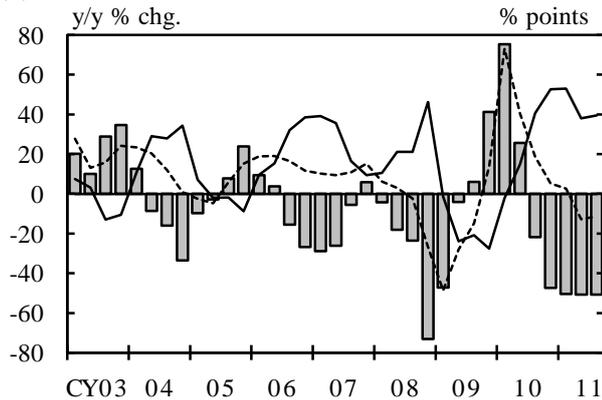
(3) Durable Consumer Goods



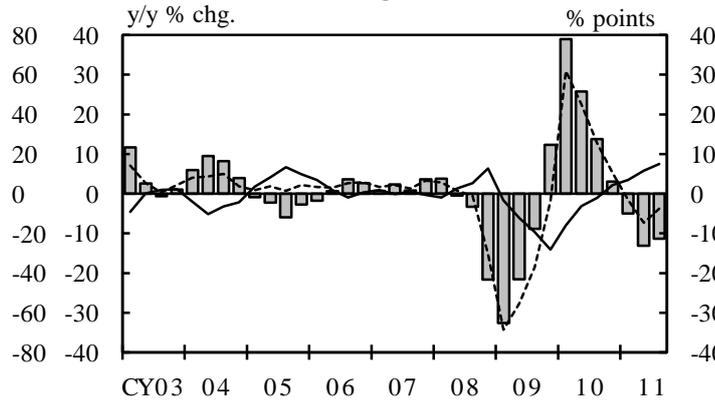
(4) Construction Goods



(5) Electronic Parts and Devices



(6) Producer Goods Excluding Electronic Parts and Devices

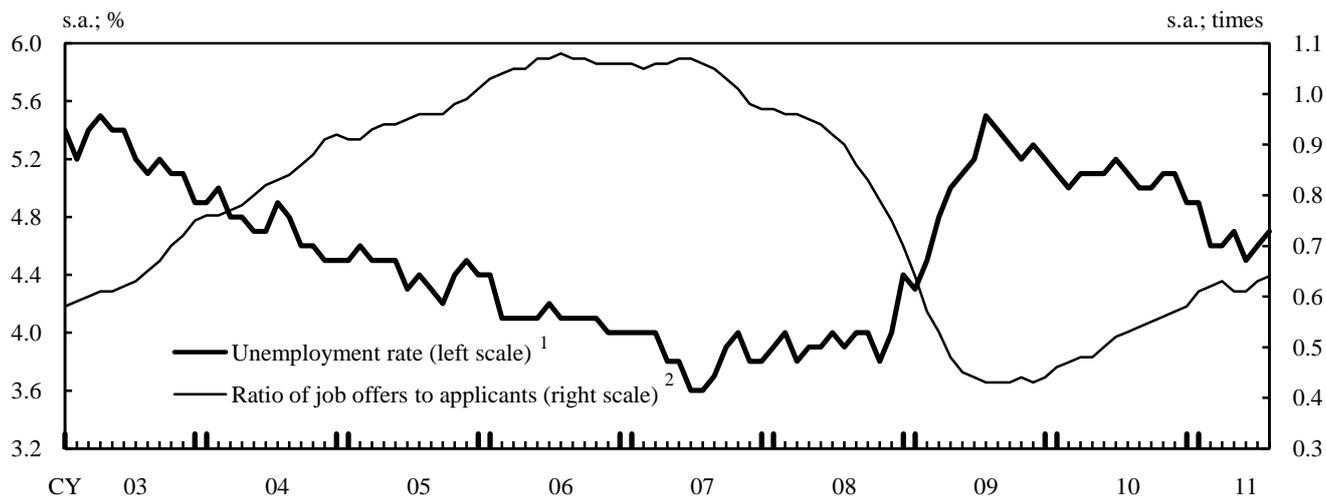
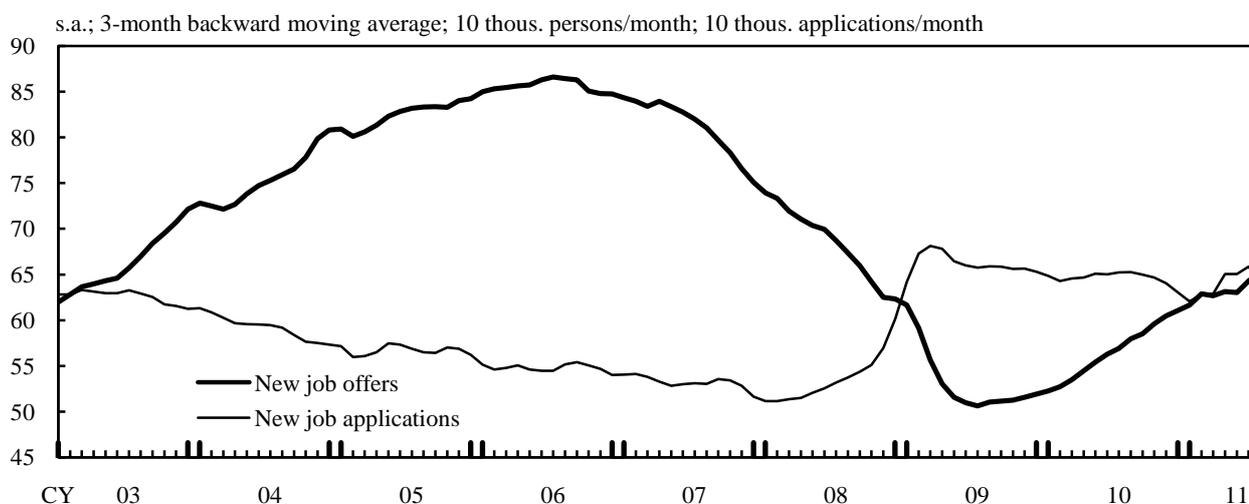
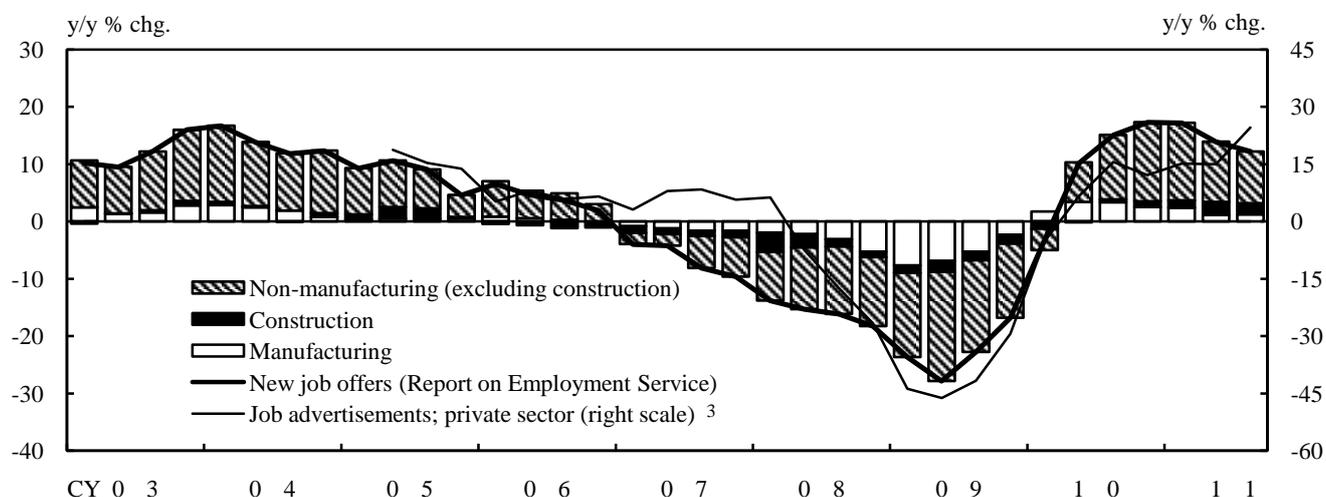


Note: Figures for 2011/Q3 are those of July.

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

Labor Market (1)

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

(2) New Job Offers and New Job Applicants²(3) Breakdown of Job Offers^{2,4}

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

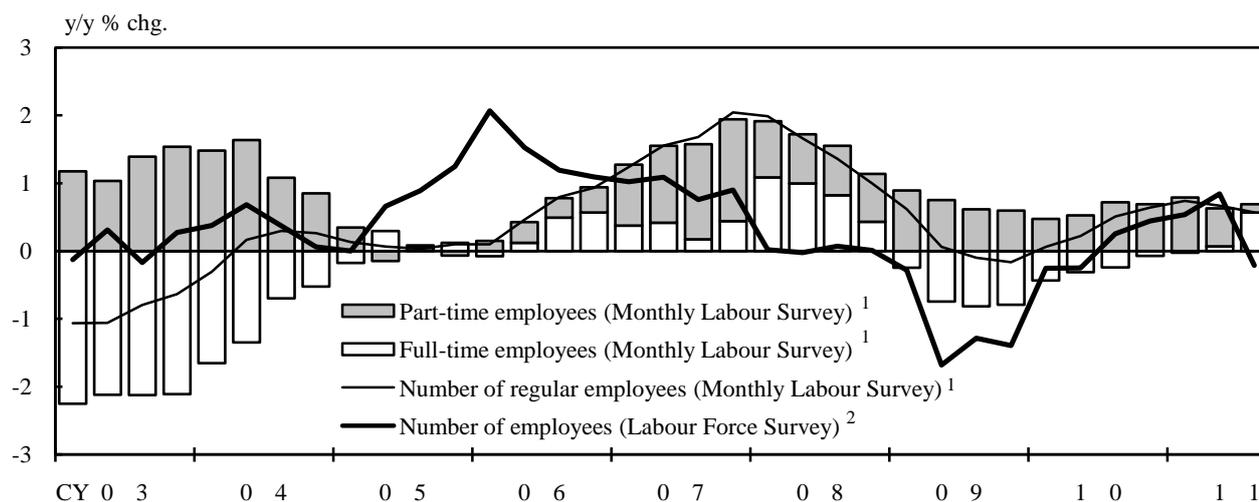
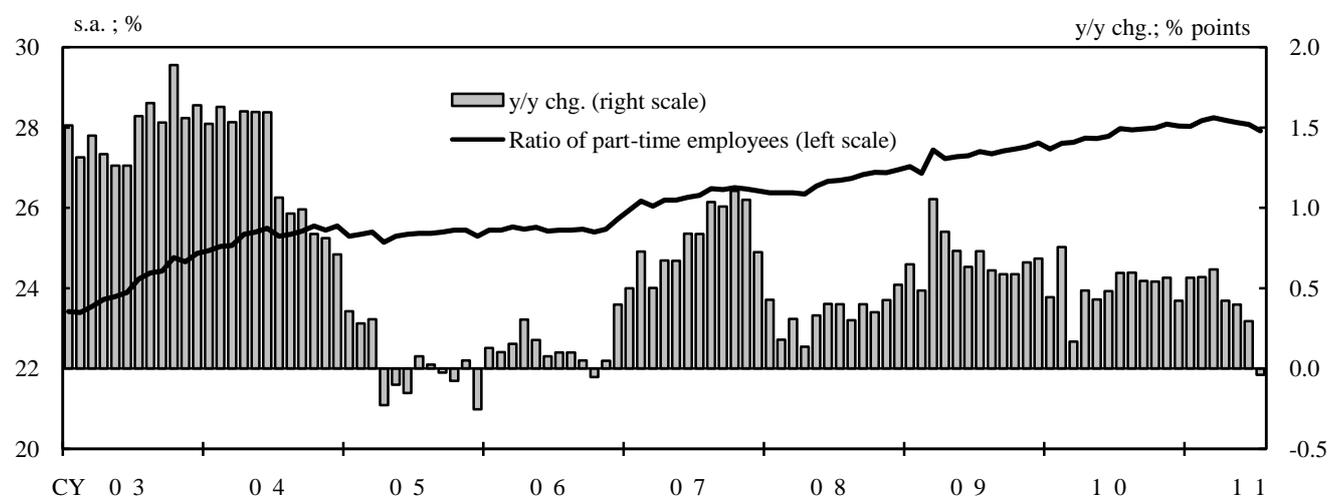
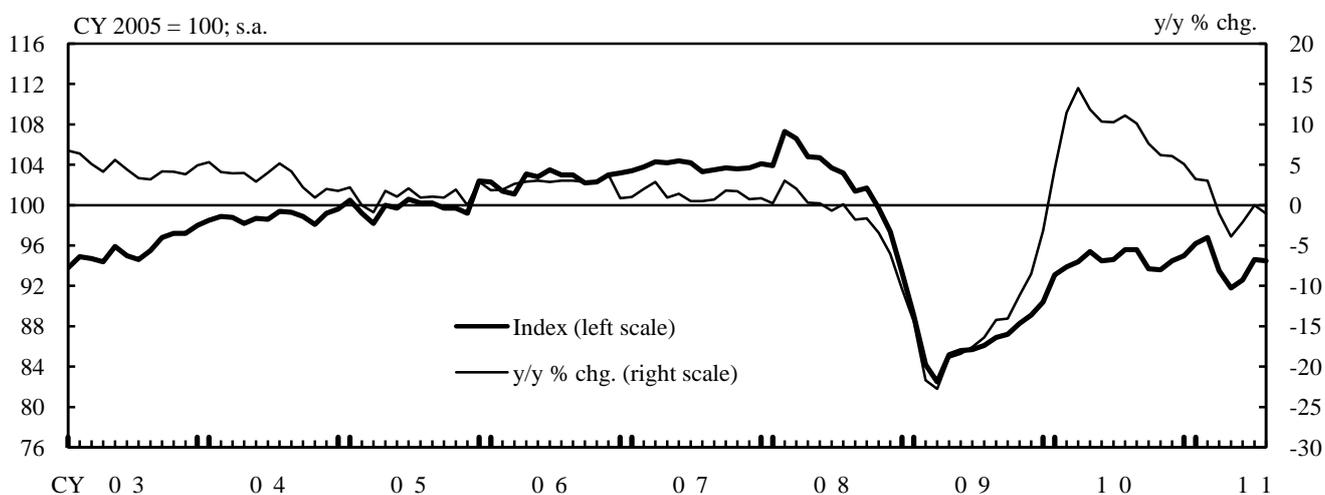
2. Figures do not include jobs offered to new graduates, but include those offered to part-time workers.

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/Q3 are those of July.

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

Labor Market (2)

(1) Number of Employees⁴(2) Ratio of Part-Time Employees^{1,3}(3) Non Scheduled Hours Worked¹

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

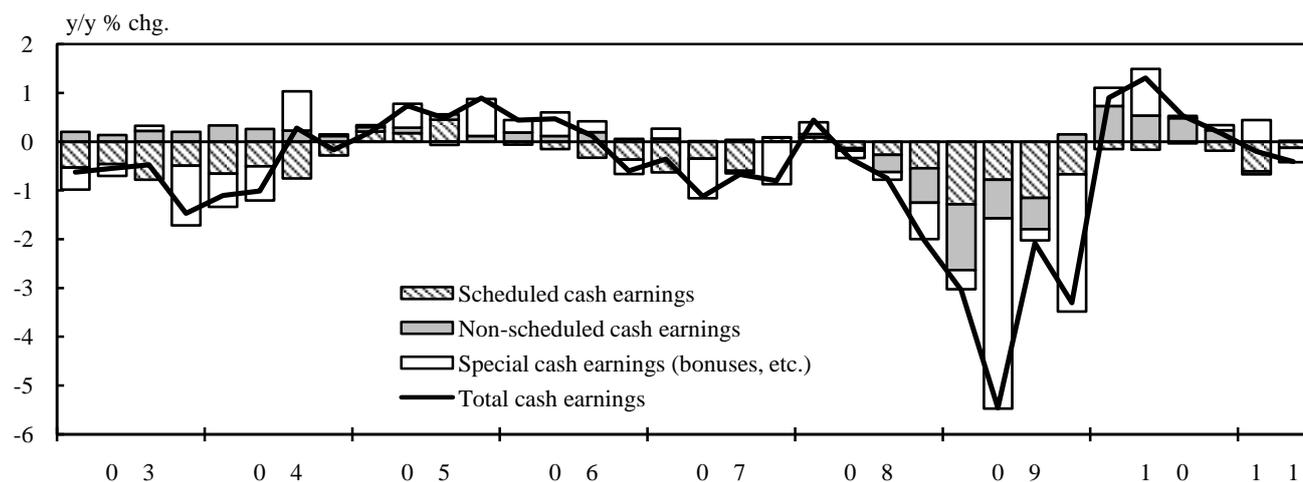
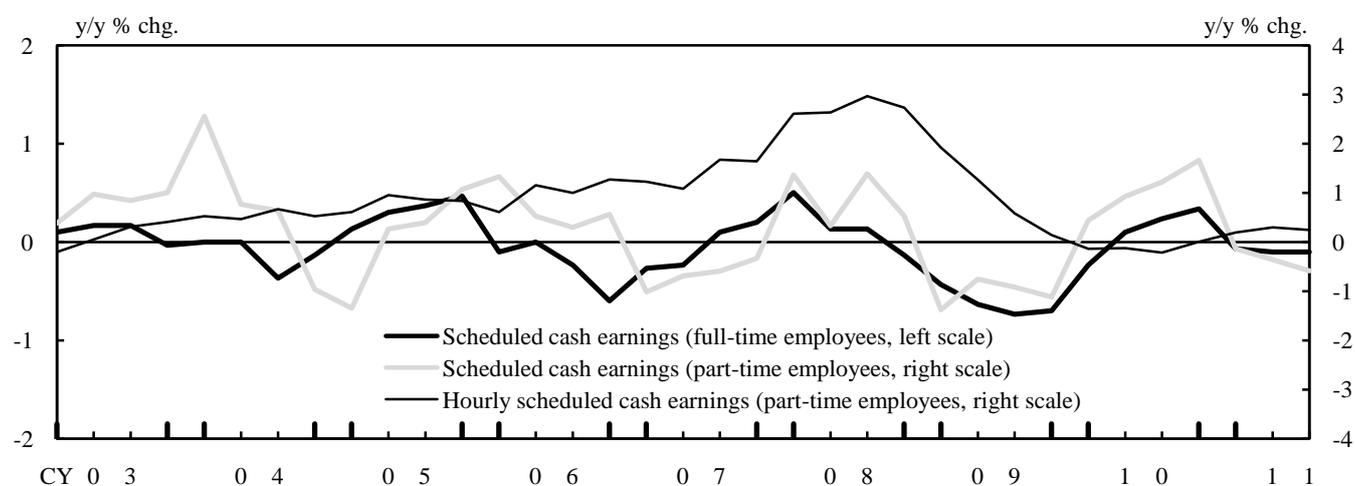
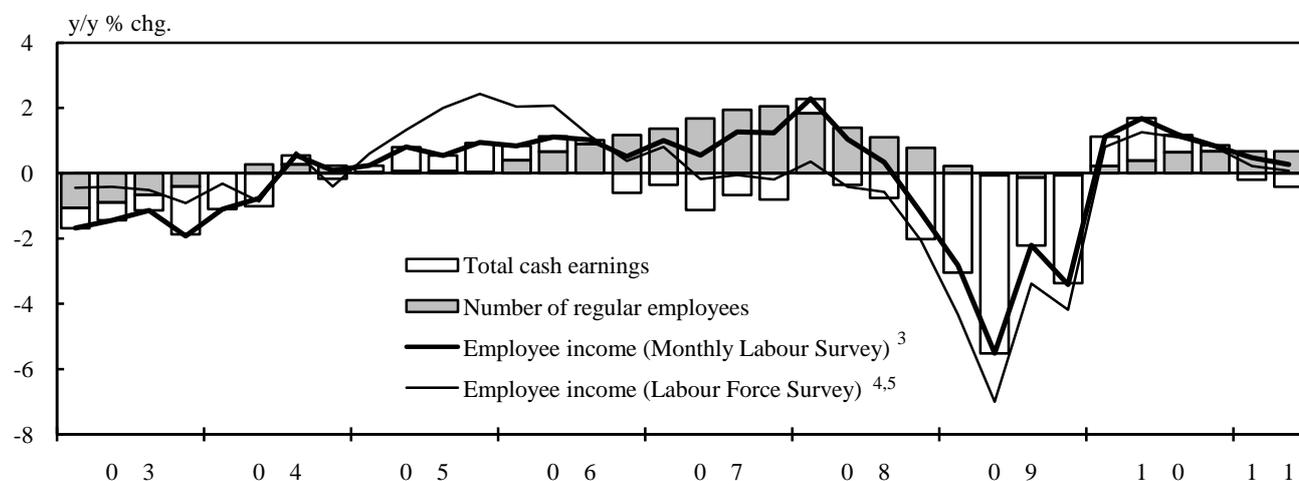
2. Figures from 2011/Q1 are based on data which exclude Iwate, Miyagi, and Fukushima prefectures.

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/Q3 are those of July.

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

Employee Income

(1) Breakdown of Total Cash Earnings^{1,2}(2) Scheduled Cash Earnings^{1,6}(3) Breakdown of Employee Income^{1,2}

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 June-July 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).

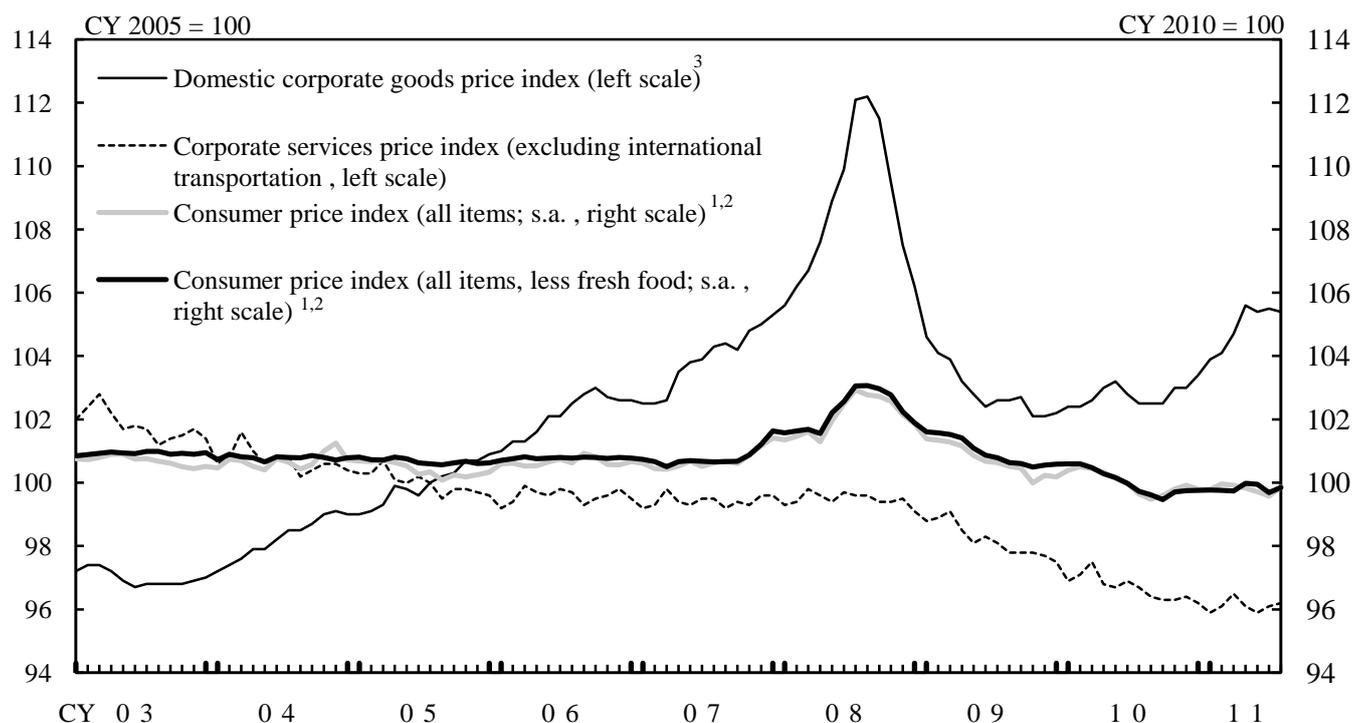
5. Figures from 2011/Q1 are based on data which exclude Iwate, Miyagi, and Fukushima prefectures.

6. Figures for 2011/Q3 are those of July.

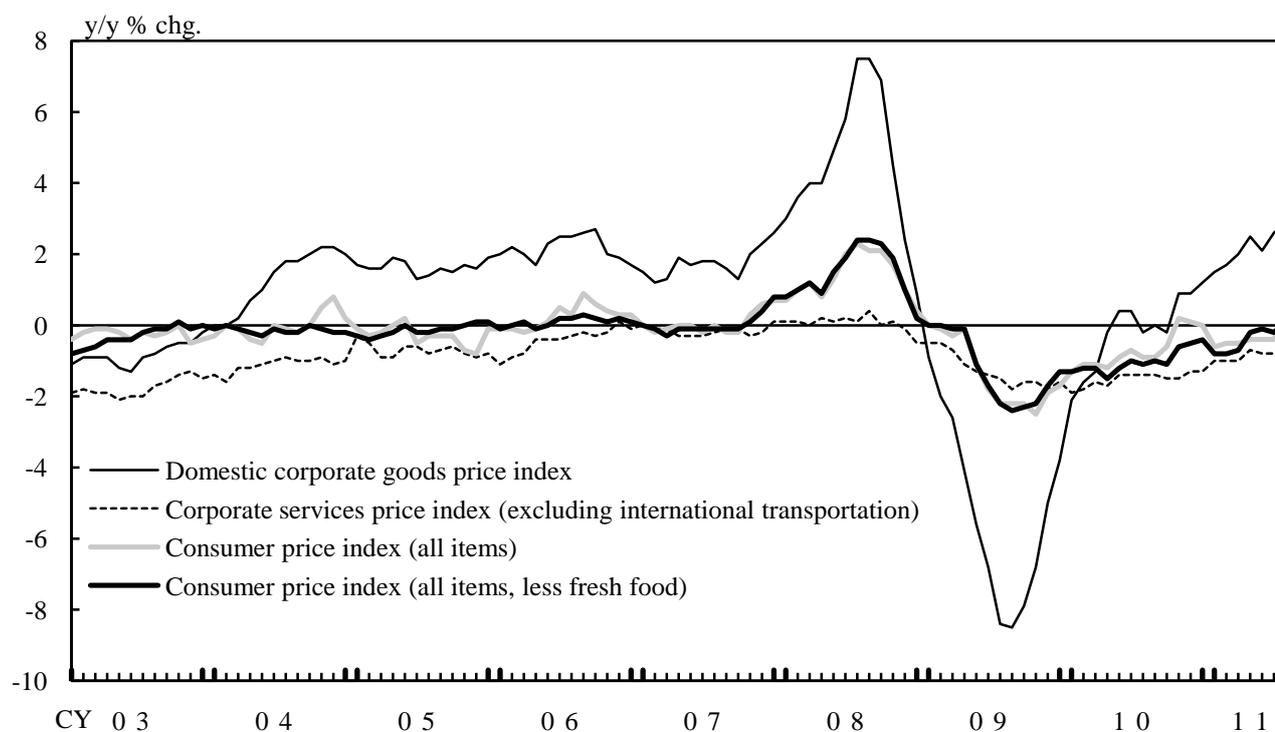
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
Ministry of Internal Affairs and Communications, "Labour Force Survey."

Prices

(1) Level



(2) Changes from a Year Earlier



Notes: 1. The base year of the CPI has been switched from the 2005 base to the 2010 base.

2. Seasonally adjusted by X-12-ARIMA.

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

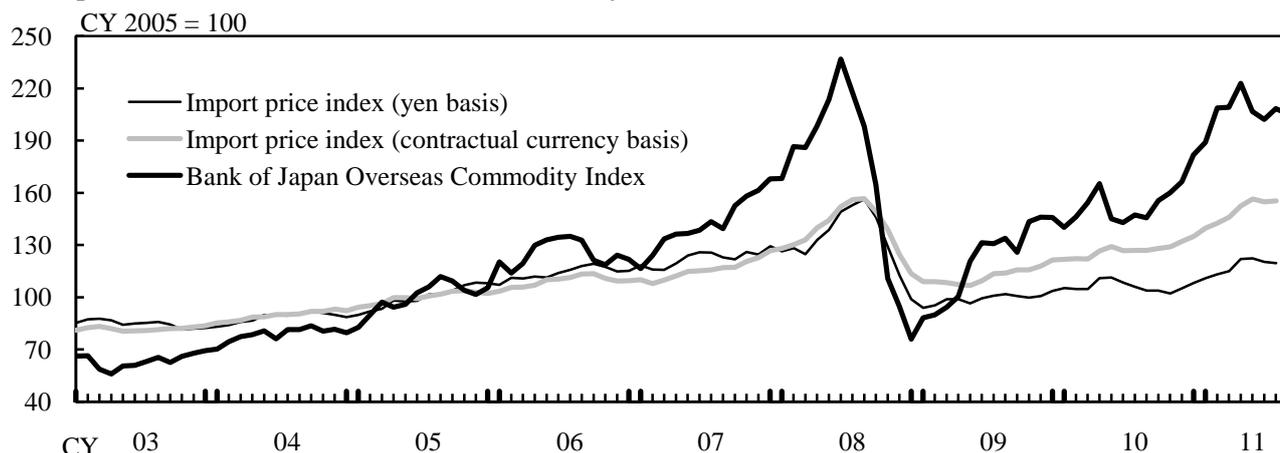
4. The levels of "Consumer Price Index" up to 2009 are based on the linked indices.

5. Figures of "Corporate Goods Price Index" and "Corporate Services Price Index" up to 2004 are based on the linked indices.

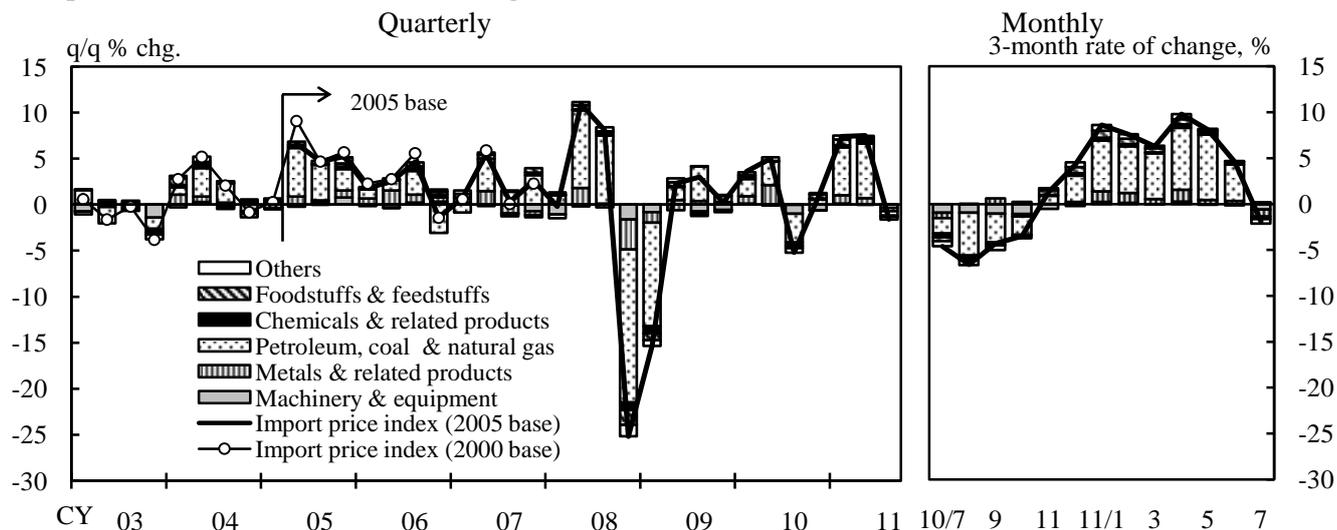
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index."

Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



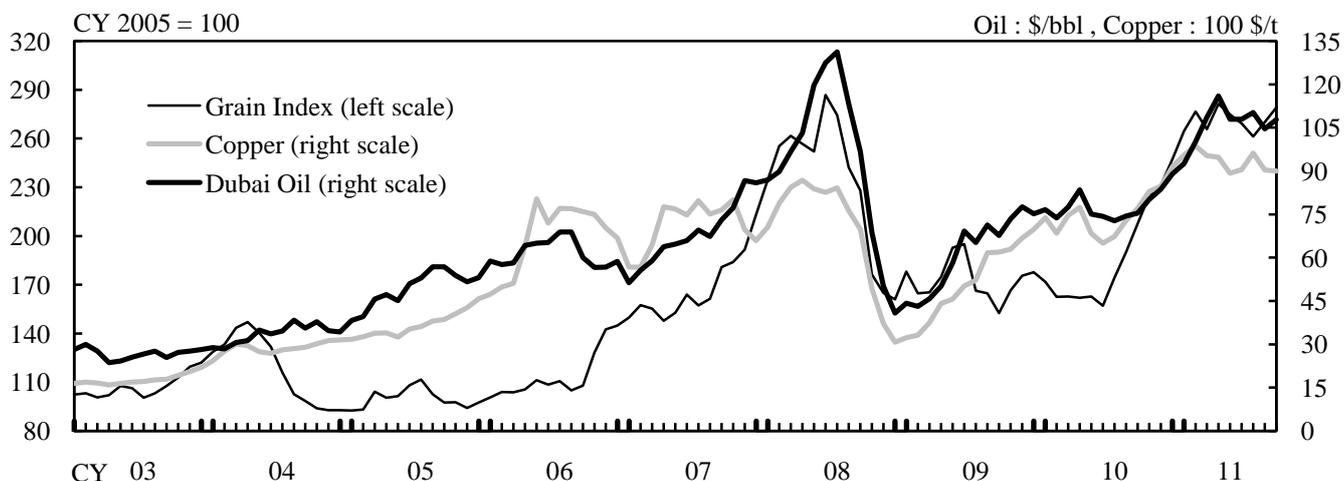
(2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



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

2. Figures for 2011/Q3 are those of July. Figures for 2007/Q4 on the 2000 base are those of October.

(3) International Commodity Prices



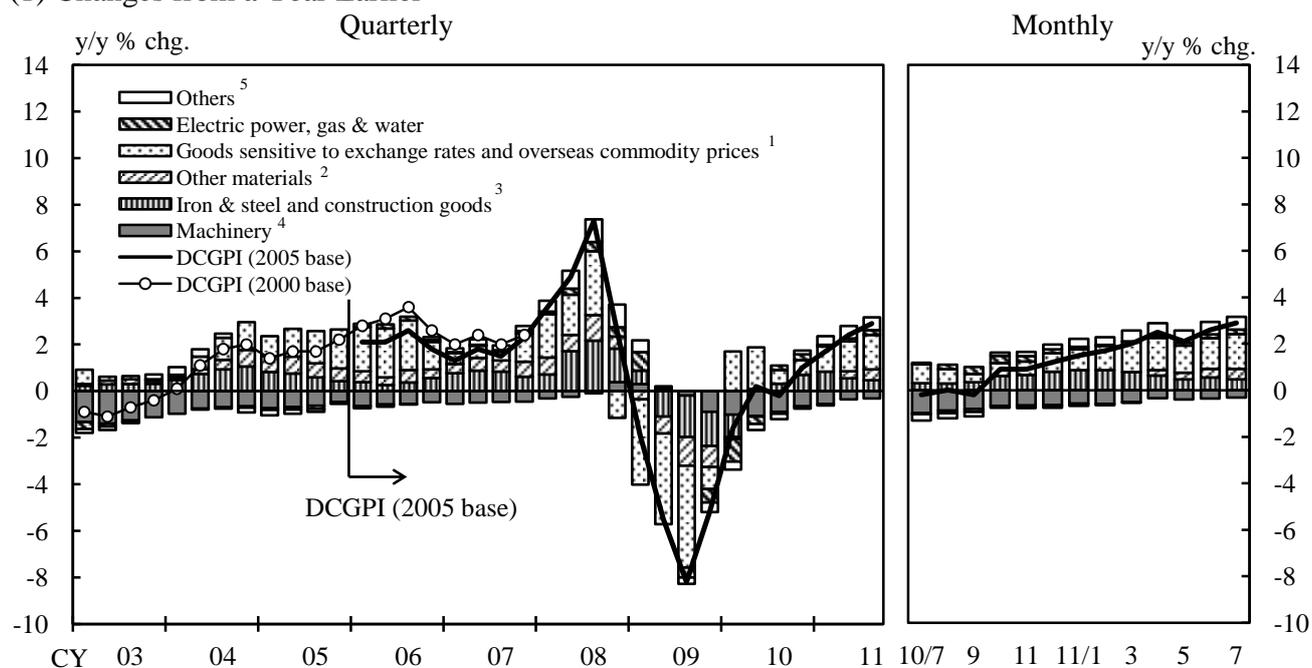
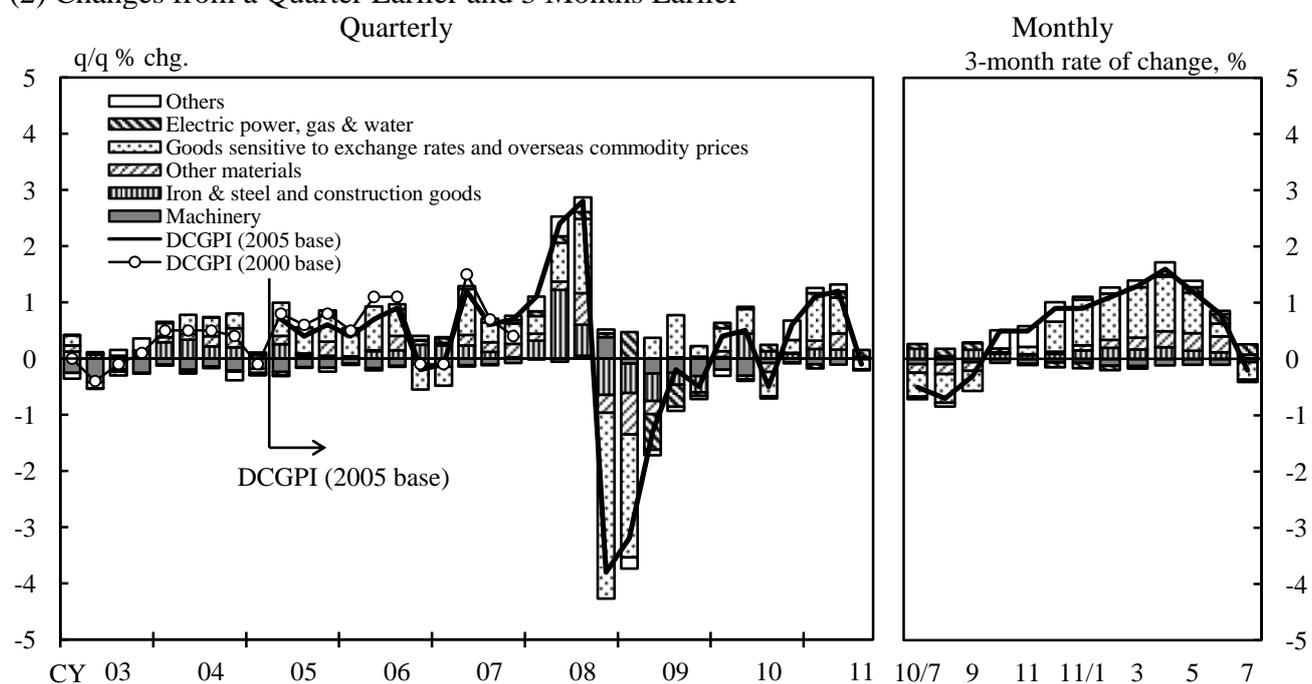
Notes: 1. The "grain index" is the weighted average of prices of three selected items (wheat, soybeans, and corn) in overseas commodity markets. The weights are based on the value of imports in the "Trade Statistics."

2. Monthly averages. Figures for September 2011 are averages up to September 6.

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

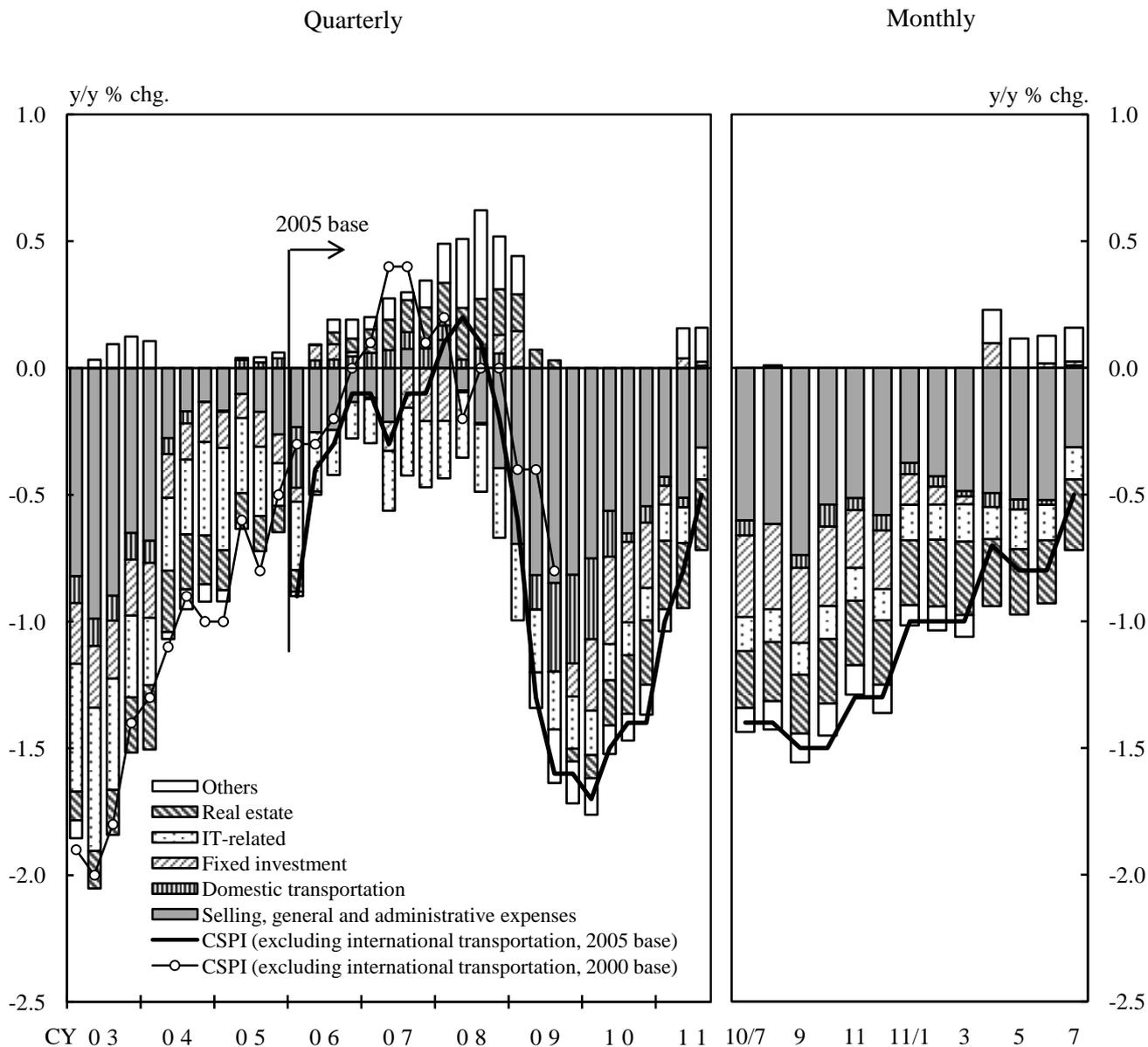
Domestic Corporate Goods Price Index⁷

(1) Changes from a Year Earlier

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

- Notes: 1. Goods sensitive to exchange rates and overseas commodity prices: petroleum & coal products 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/Q3 are those of July. Figures for 2007/Q4 on the 2000 base are those of October.

Corporate Services Price Index

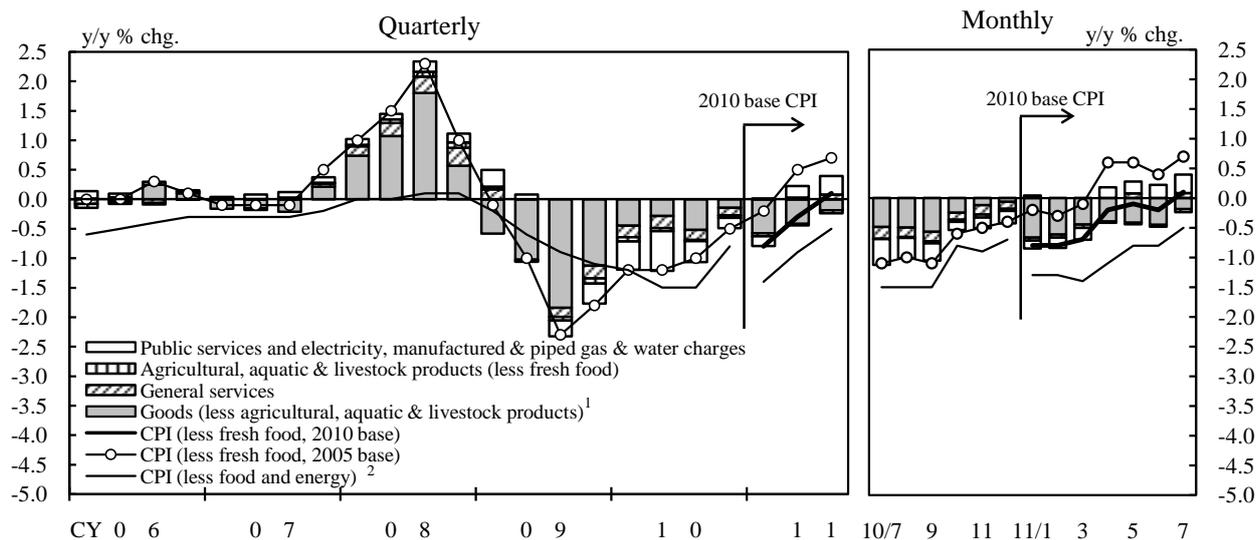


- Notes: 1. Selling, general and administrative expenses: information and communications (excluding newspapers and publishing), advertising services, other services (excluding plant engineering, and civil engineering and architectural services).
 2. Domestic transportation: transportation (excluding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

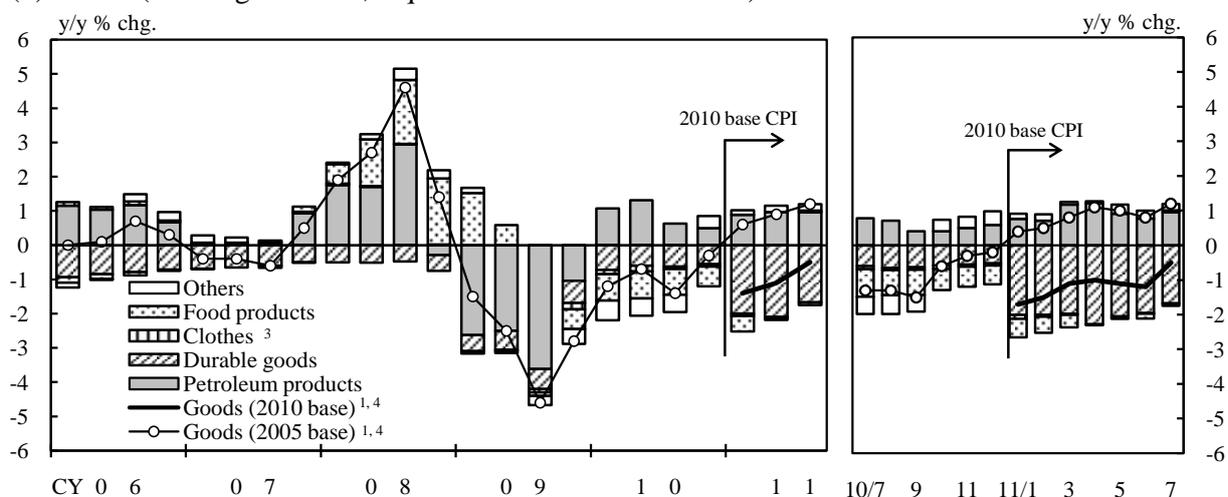
Source: Bank of Japan, "Corporate Services Price Index."

Consumer Price Index (Less Fresh Food)

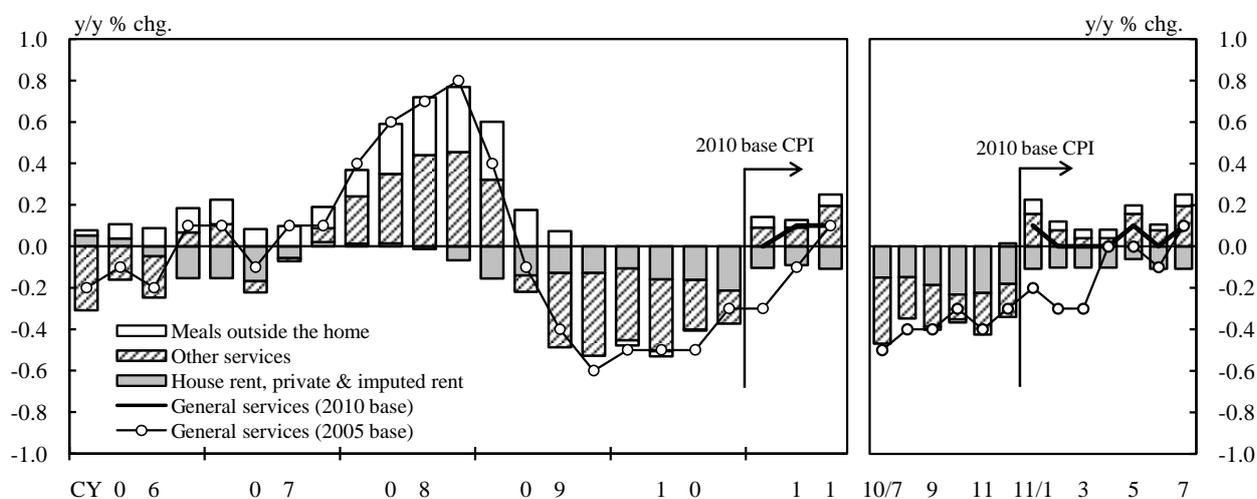
(1) Consumer Price Index (Less Fresh Food)



(2) Goods (Less Agricultural, Aquatic & Livestock Products)¹



(3) General Services



Notes:1. The items are basically the same as those defined by the Ministry of Internal Affairs and Communications.

However, electricity, manufactured & piped 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. Less agricultural, aquatic & livestock products.

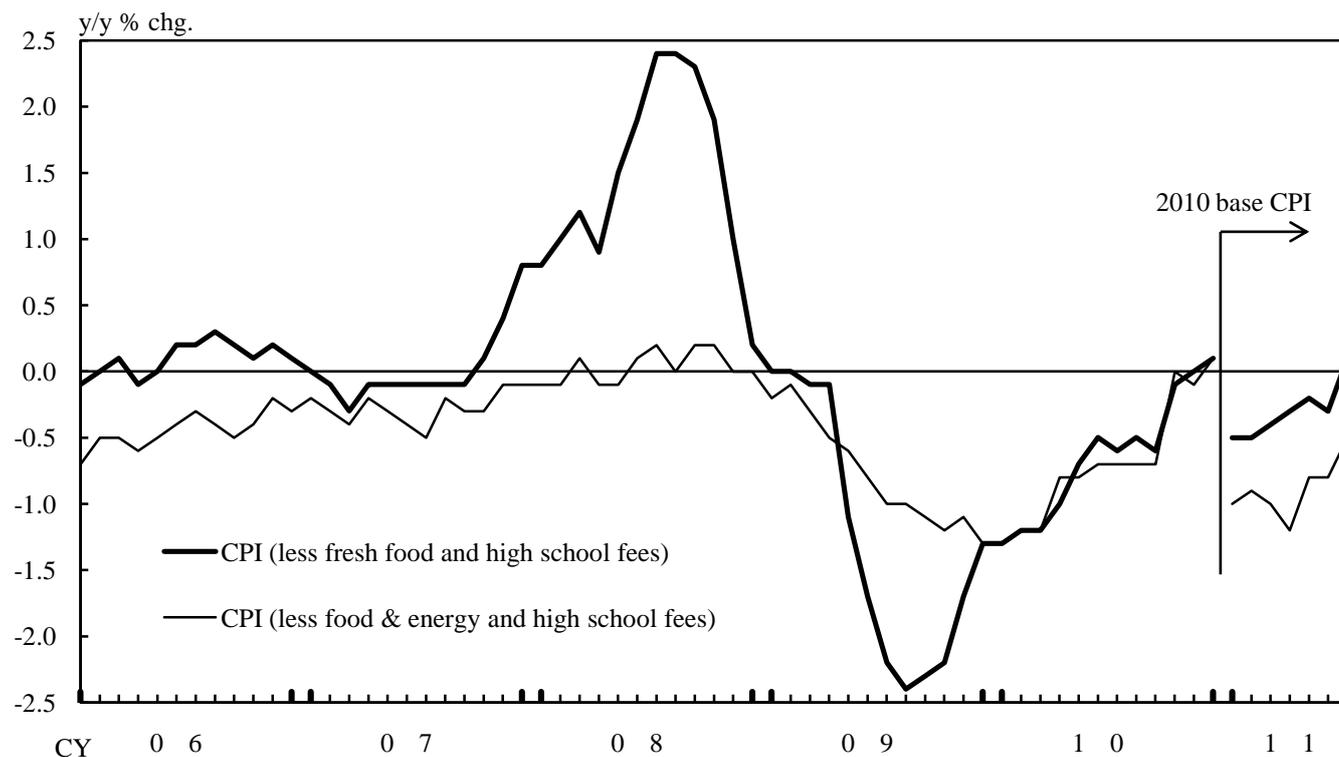
5. The year-on-year rates of change other than those of the CPI (less fresh food), CPI (less food and energy), and General services are calculated using published indices.

6. Figures for 2011/3Q are those of July.

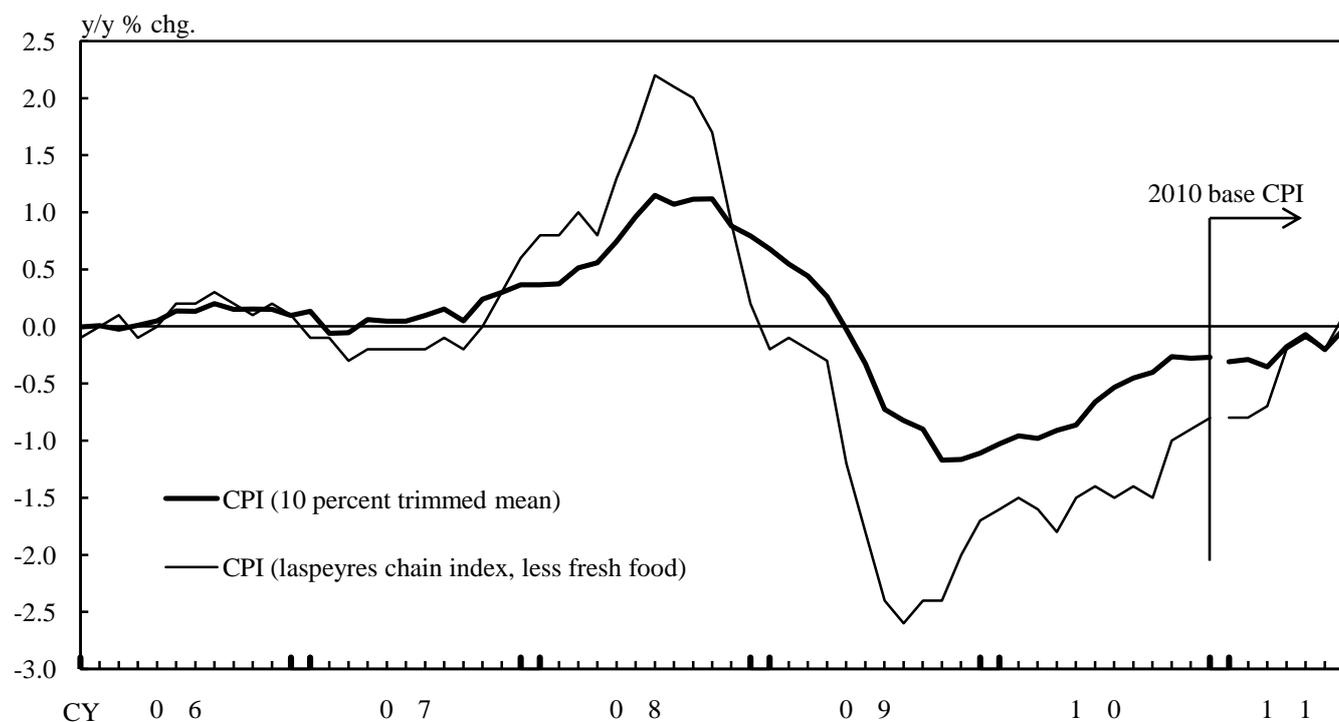
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Trend Changes in Consumer Prices

(1) CPI Less High School Fees



(2) Trimmed Mean and Laspeyres Chain Index



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).

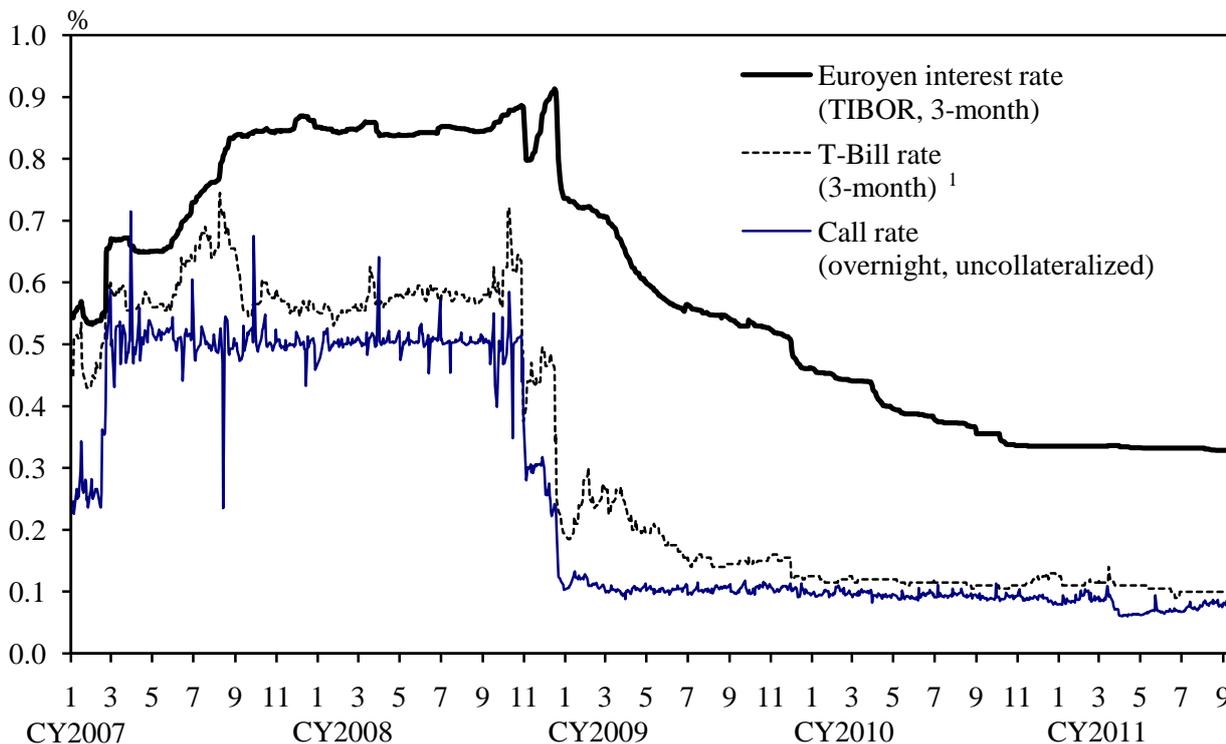
3. Figures for the 10 percent trimmed mean are weighted averages of items; these items are obtained by rearranging year-on-year rates of price change in ascending order and then excluding (trimming) items in both the upper and lower 10 percent tails by weight.

4. Figures of the Laspeyres chain index for 2006 and 2011 are the year-on-year rates of the fixed-based method.

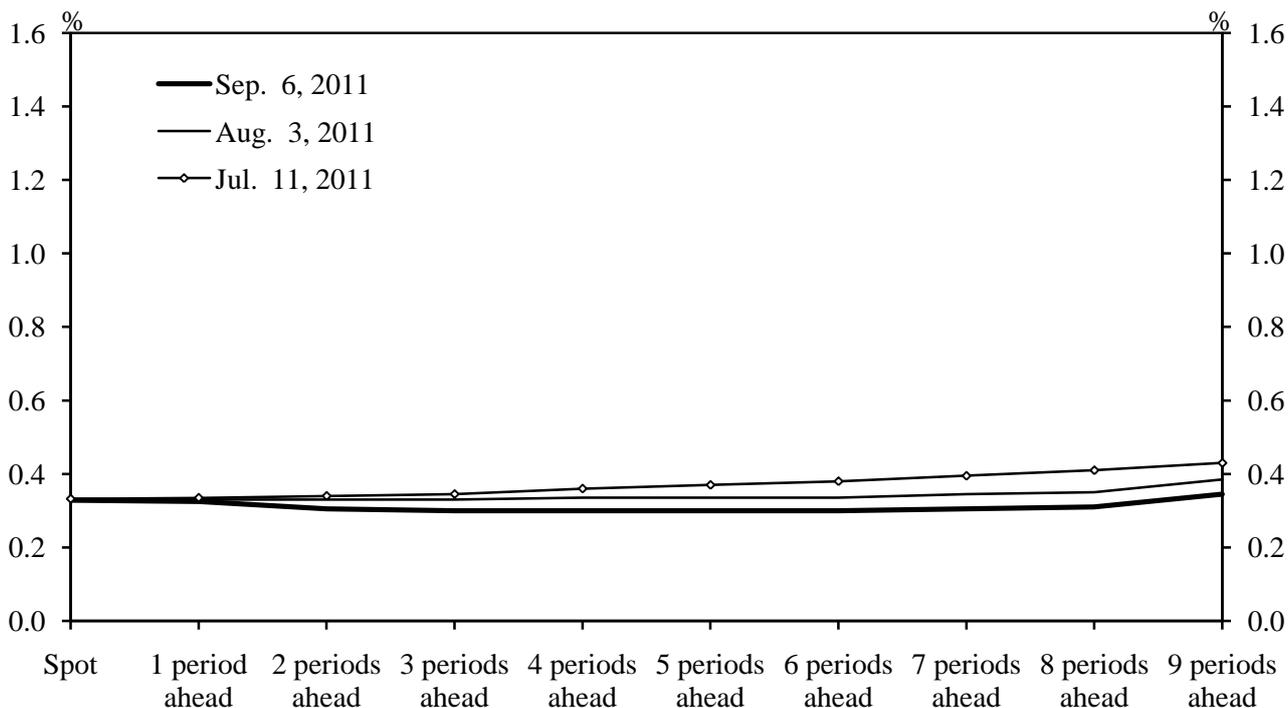
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Short-Term Interest Rates

(1) Short-Term Interest Rates



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



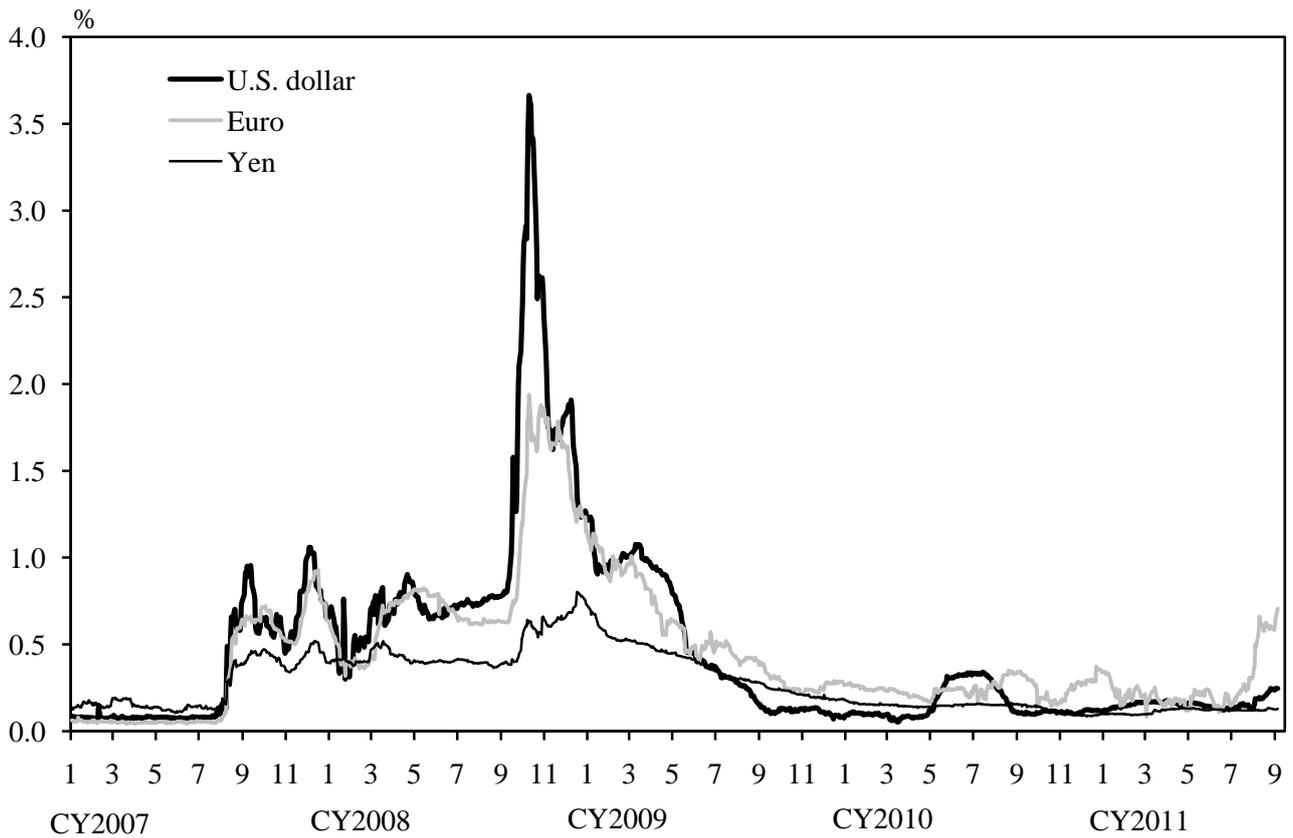
Notes: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.

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

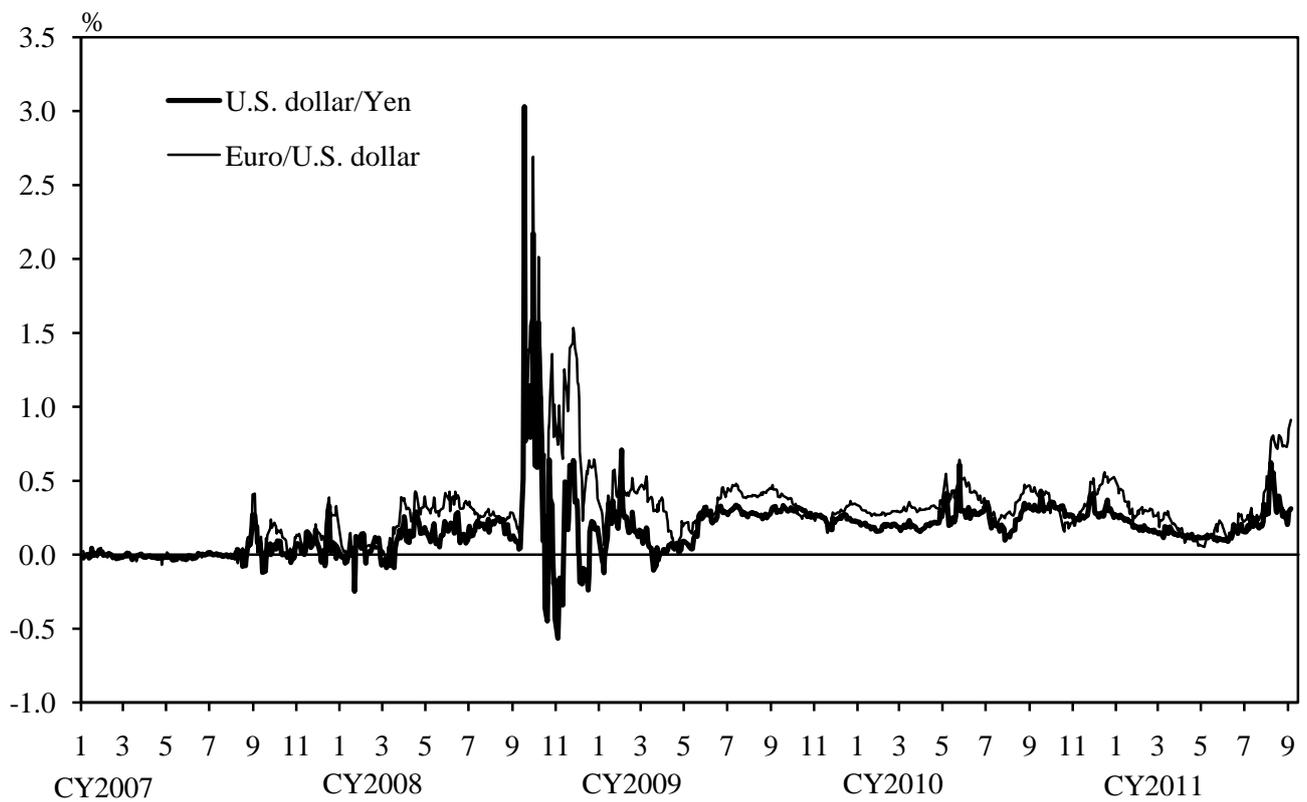
Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.; Tokyo Financial Exchange; Bank of Japan.

Global Money Markets

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



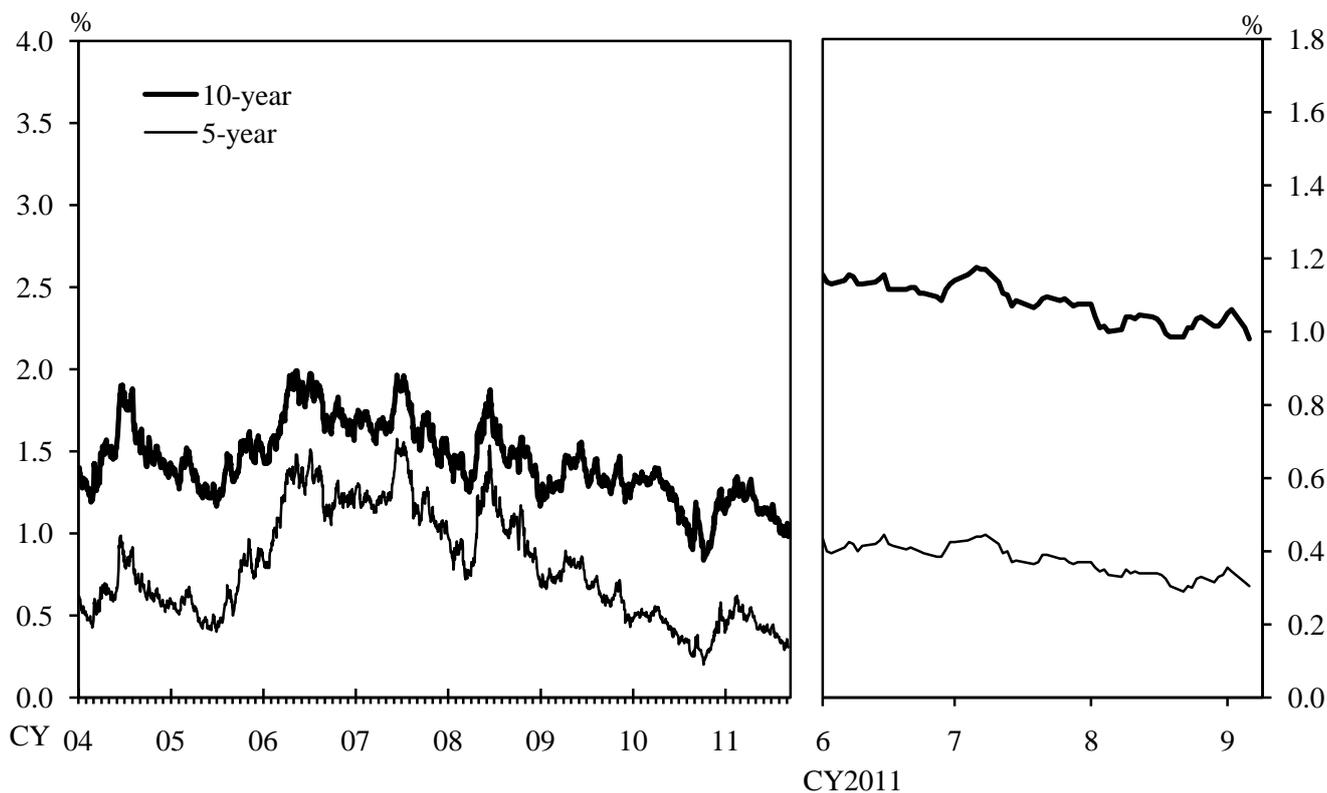
(2) FX swap implied dollar rate - LIBOR spreads (3-Month)



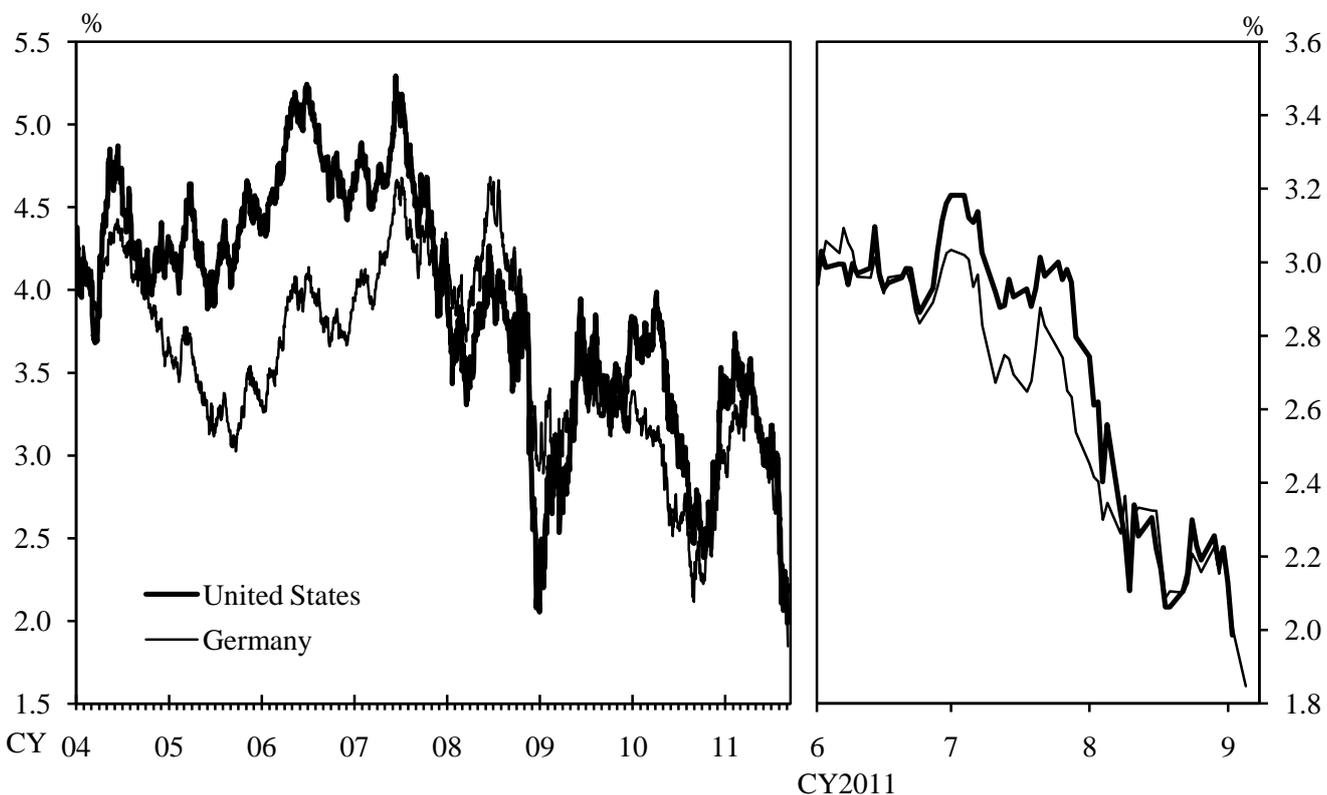
Source: Bloomberg.

Long-Term Interest Rates

(1) Japanese Government Bond Yields¹



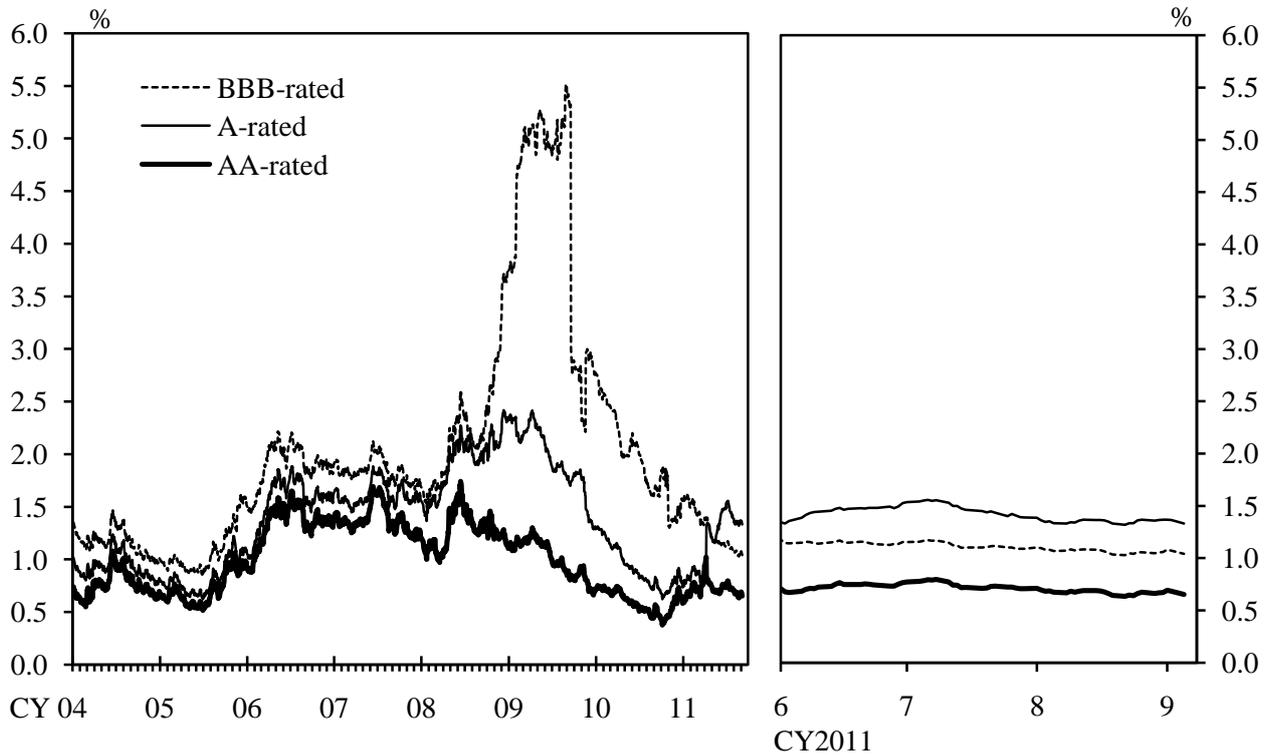
(2) Overseas Government Bond Yields (10-Year)



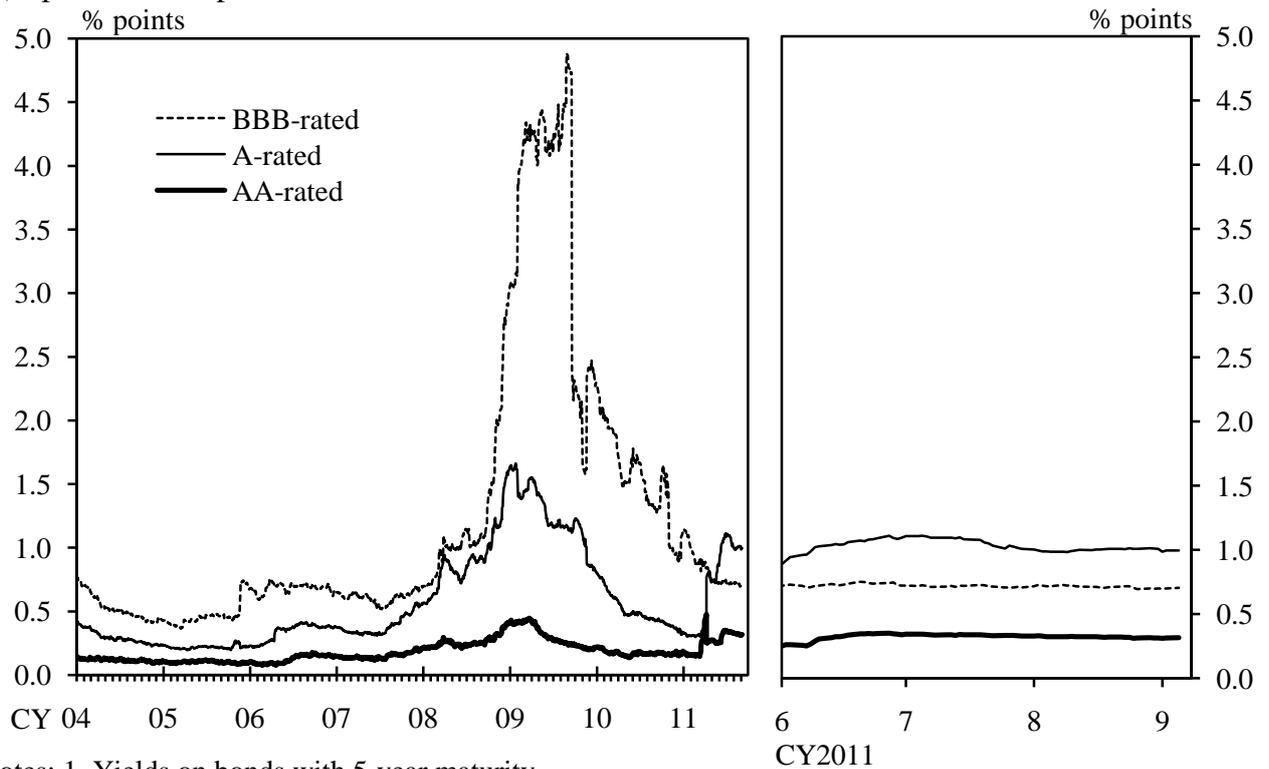
Note: 1. Yields on newly issued bonds.
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

Yields of Corporate Bonds

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



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



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

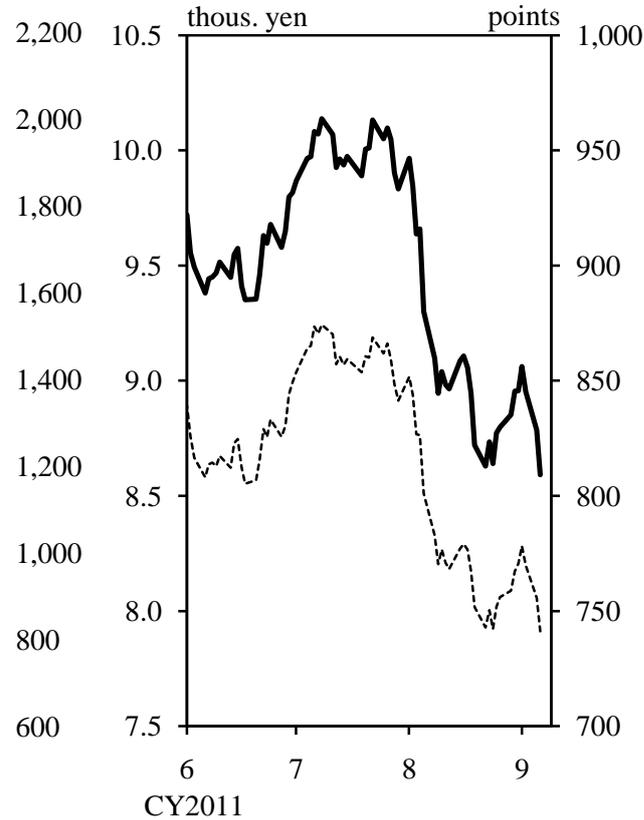
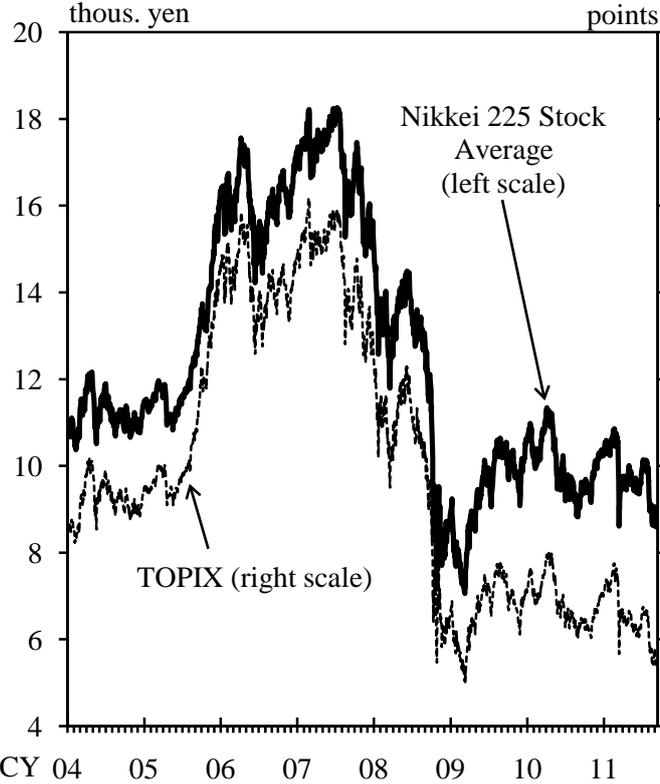
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.

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

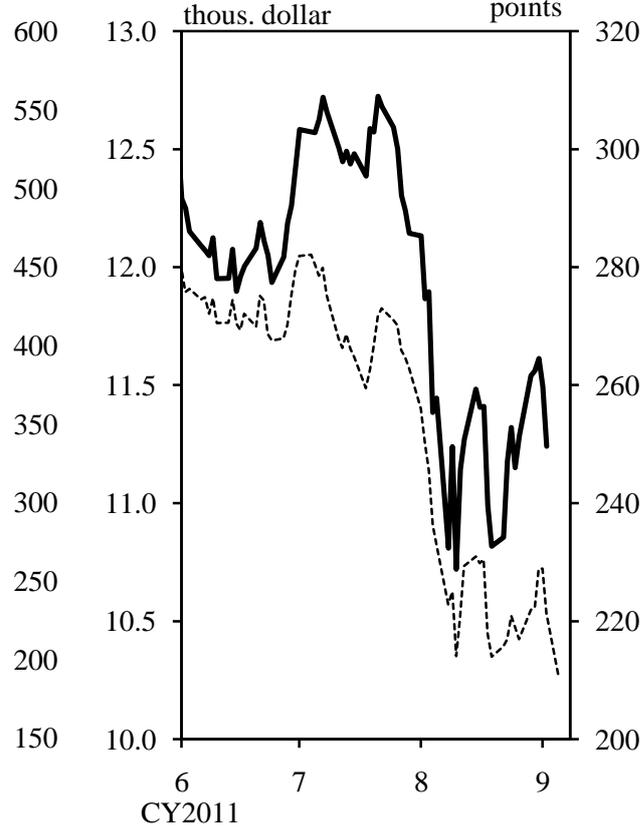
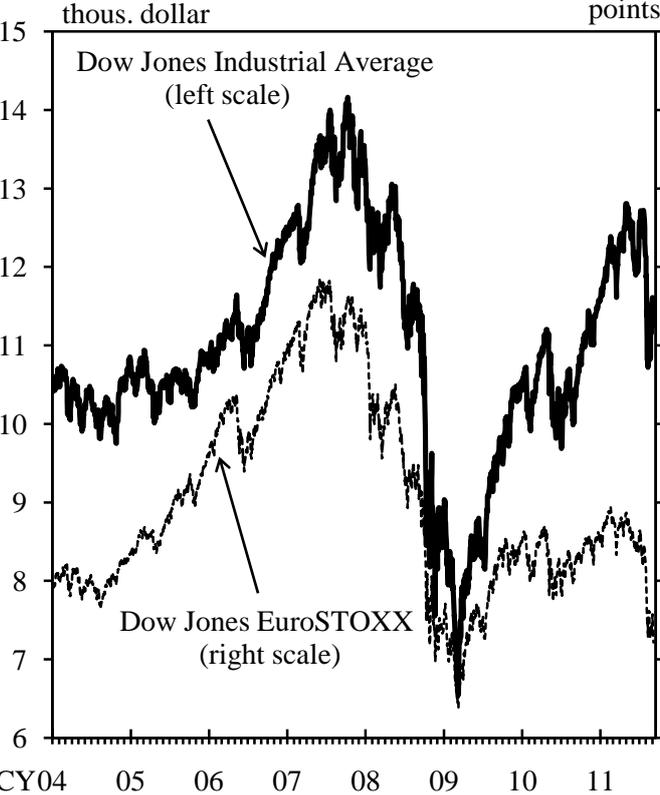
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Japanese Stock Prices



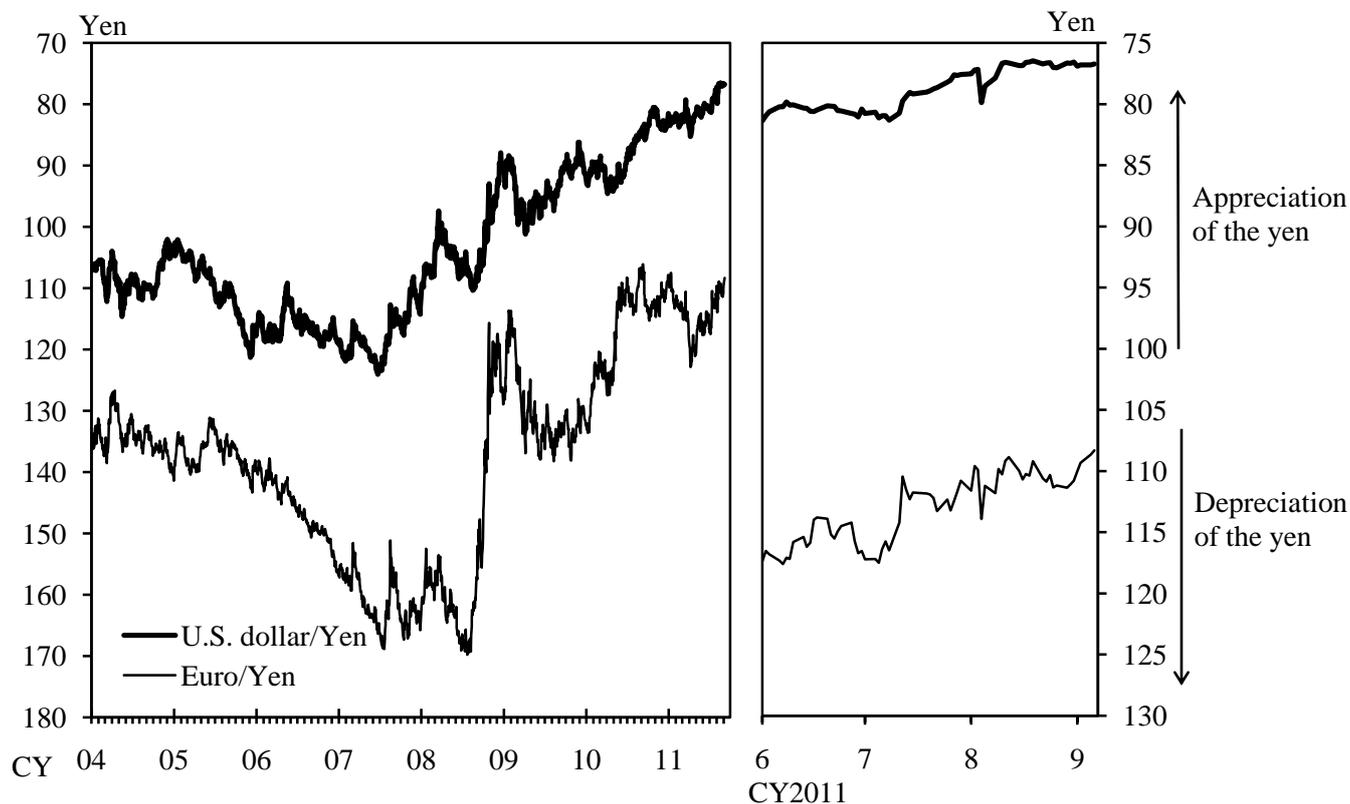
(2) Overseas Stock Prices



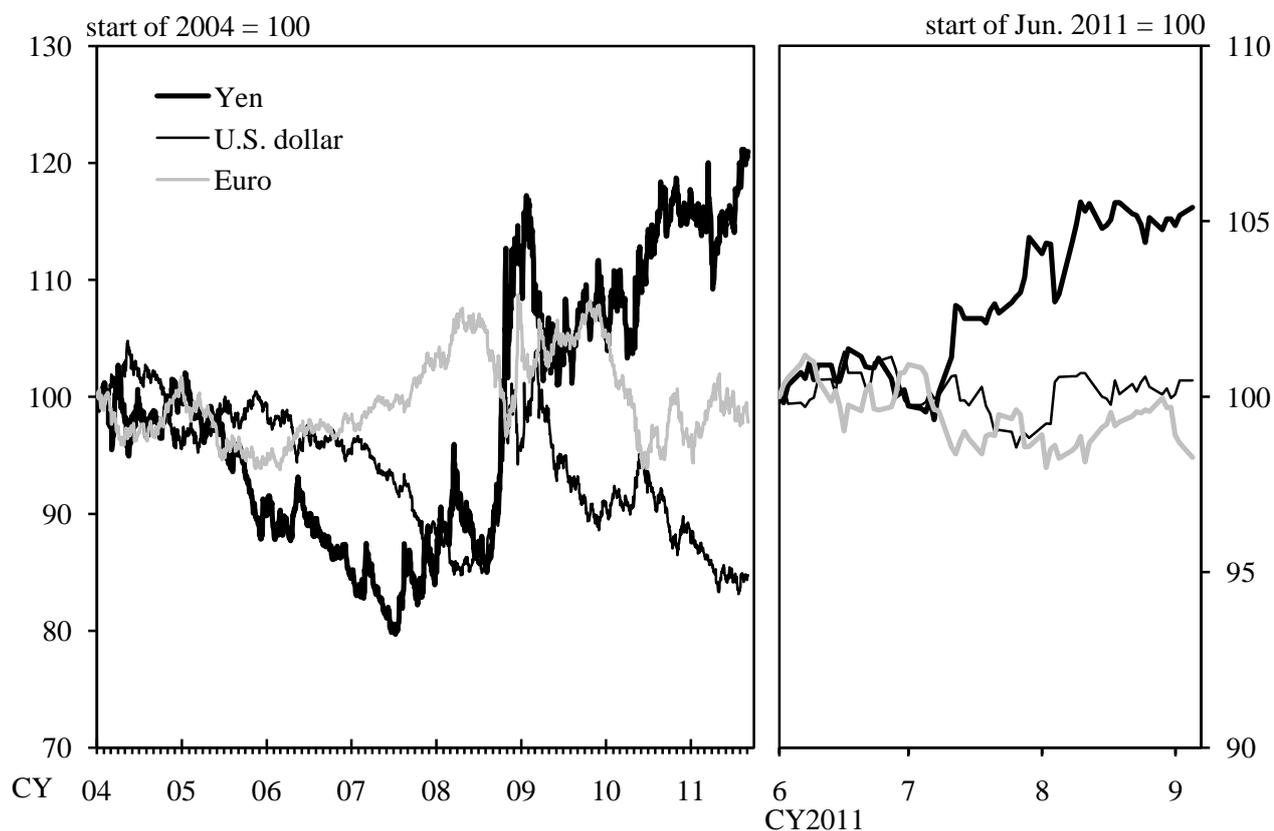
Sources: The *Nihon Keizai Shimbun* ; Tokyo Stock Exchange; Bloomberg.

Exchange Rates

(1) Bilateral Exchange Rates



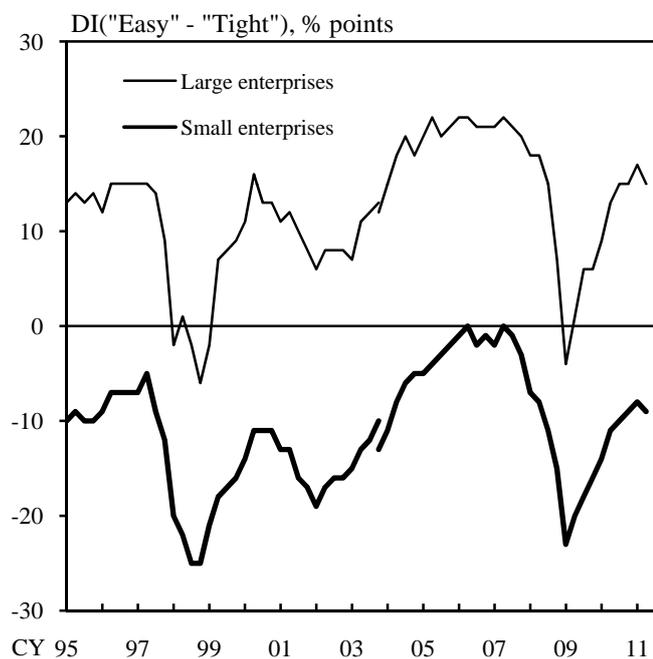
(2) Nominal Effective Exchange Rates



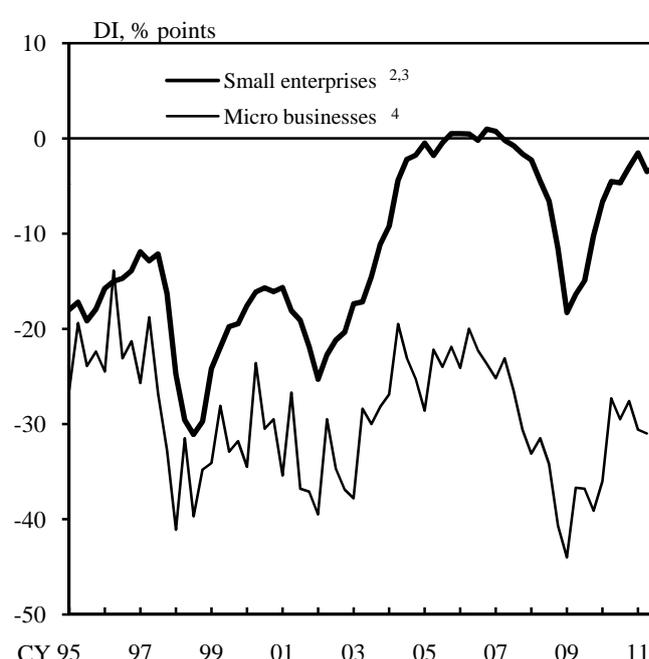
Sources: Bank of Japan; European Central Bank; Bloomberg.

Corporate Finance-Related Indicators

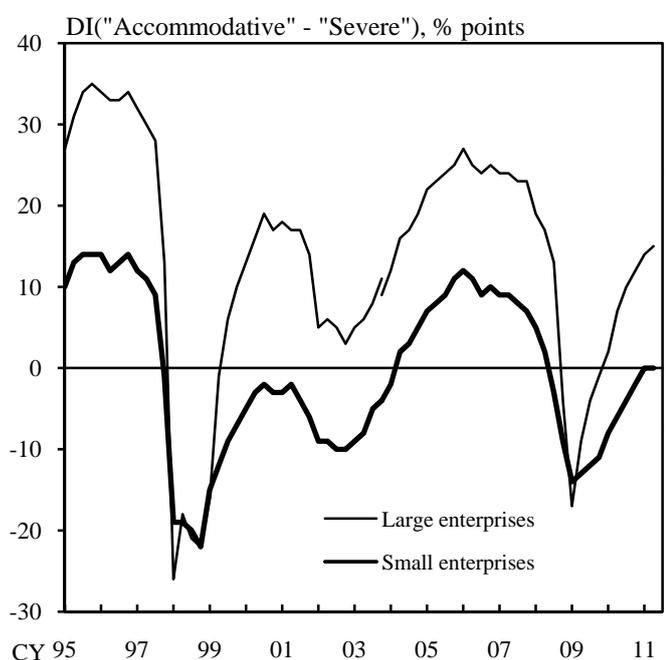
(1) Financial Position

<Tankan¹>

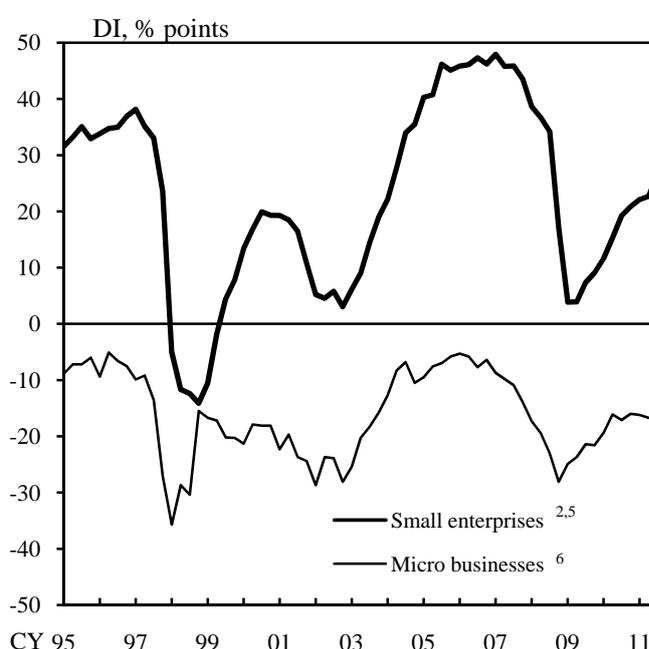
<Japan Finance Corporation Survey>



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

<Tankan¹>

<Japan Finance Corporation Survey>



Notes: 1. Data of the *Tankan* are based on all industries. The *Tankan* has been revised from the March 2004 survey.

Figures up to the December 2003 survey are based on the previous data sets. Figures from the December 2003 survey are on a new basis.

2. Figures are quarterly averages of monthly data. Figures for 2011/Q3 are those of Jul.-Aug. averages.

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

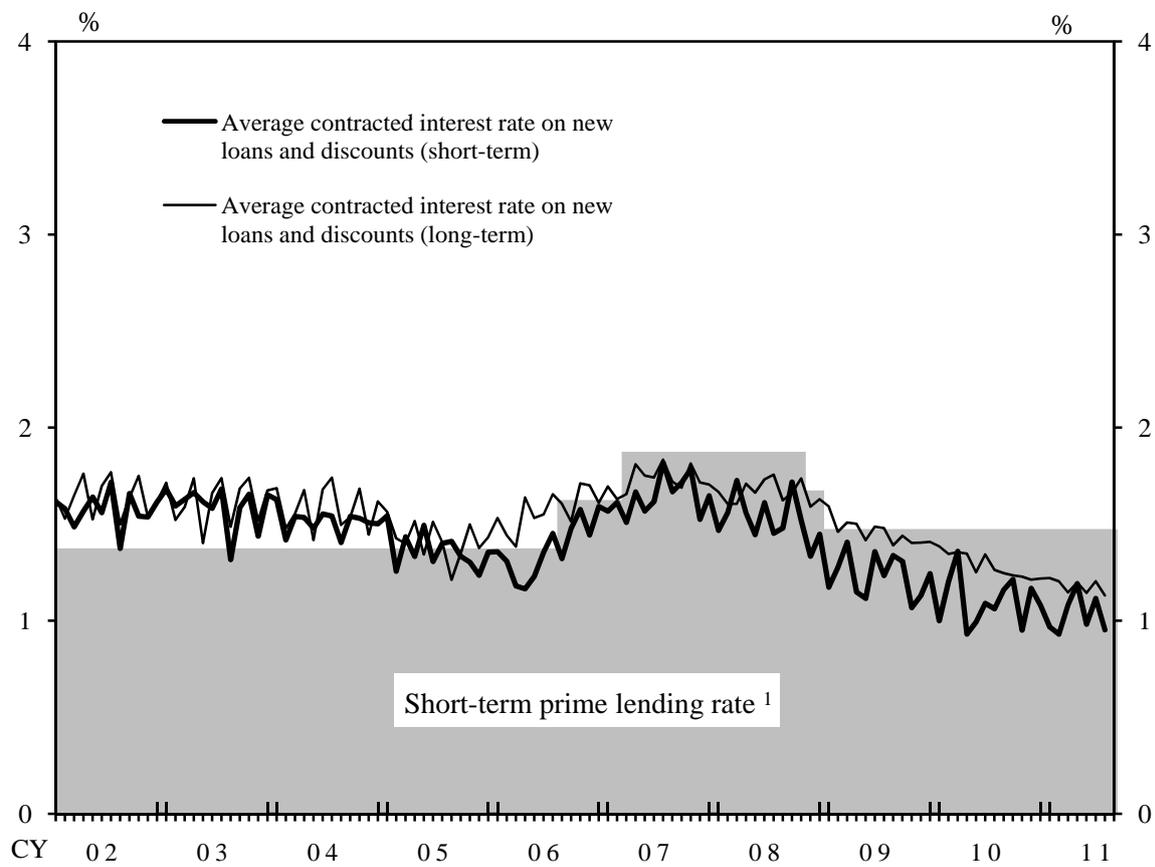
4. DI of "Easier" - "Tighter."

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

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

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

Lending Rates

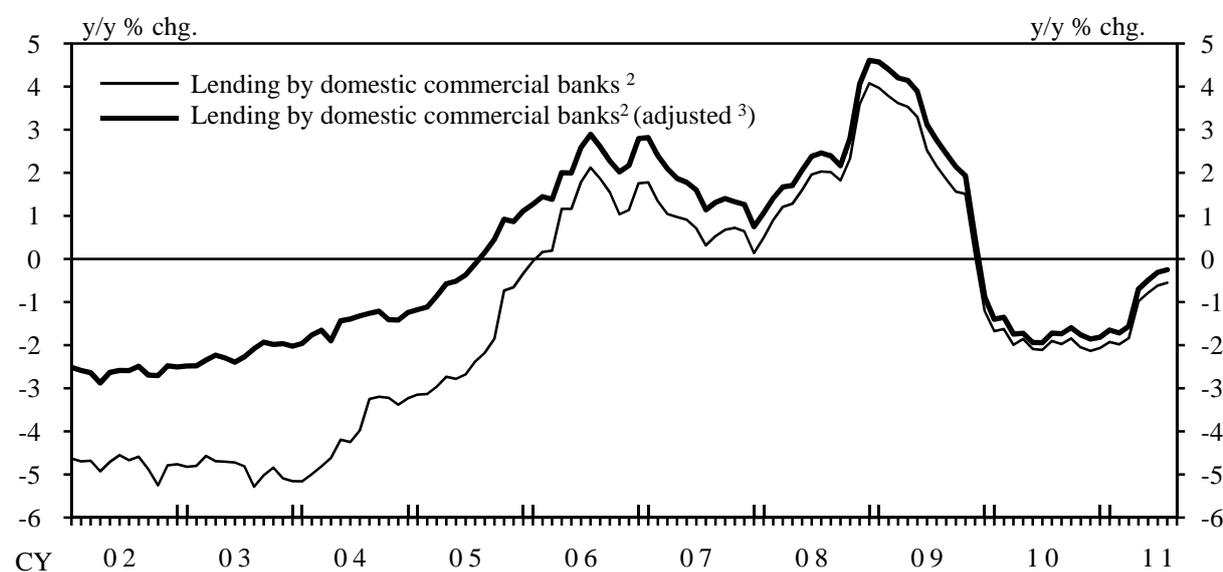


Note: 1. Data are at end of period.

Source: Bank of Japan.

Lending by Financial Institutions

(1) Lending by Domestic Commercial Banks¹



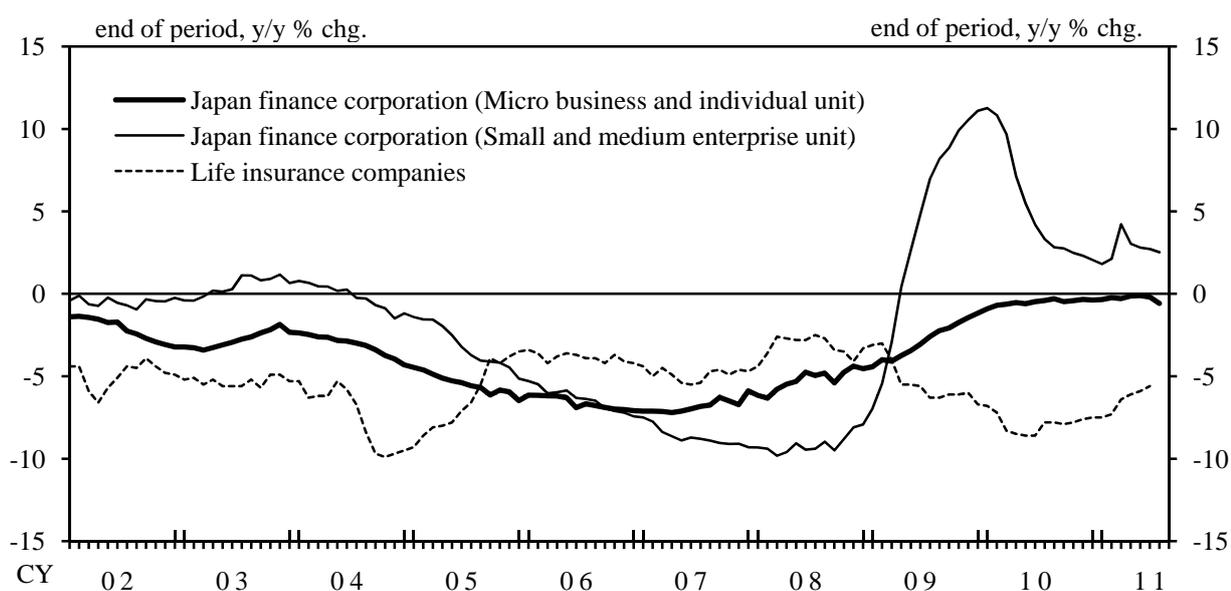
Notes: 1. Percent changes in average amounts outstanding from a year earlier.

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

3. Adjusted to exclude

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

(2) Lending by Other Financial Institutions

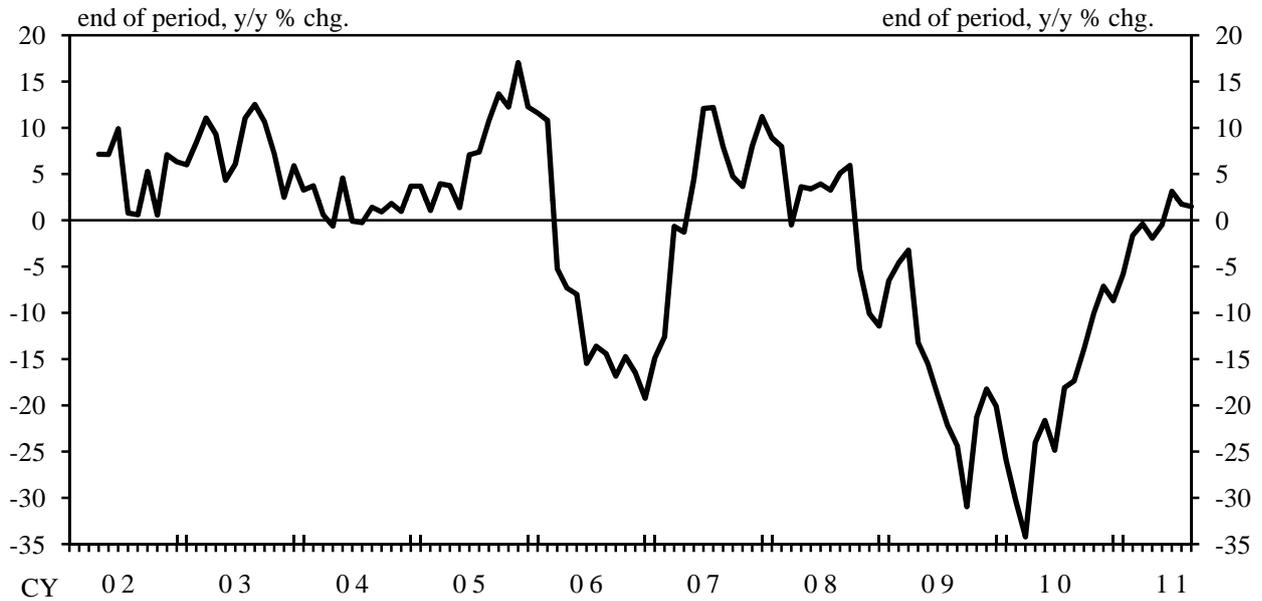


Note: The figures of the Japan Finance Corporation (Small and Medium Enterprise Unit) exclude the amounts outstanding of lending to the Credit Guarantee Corporations.

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

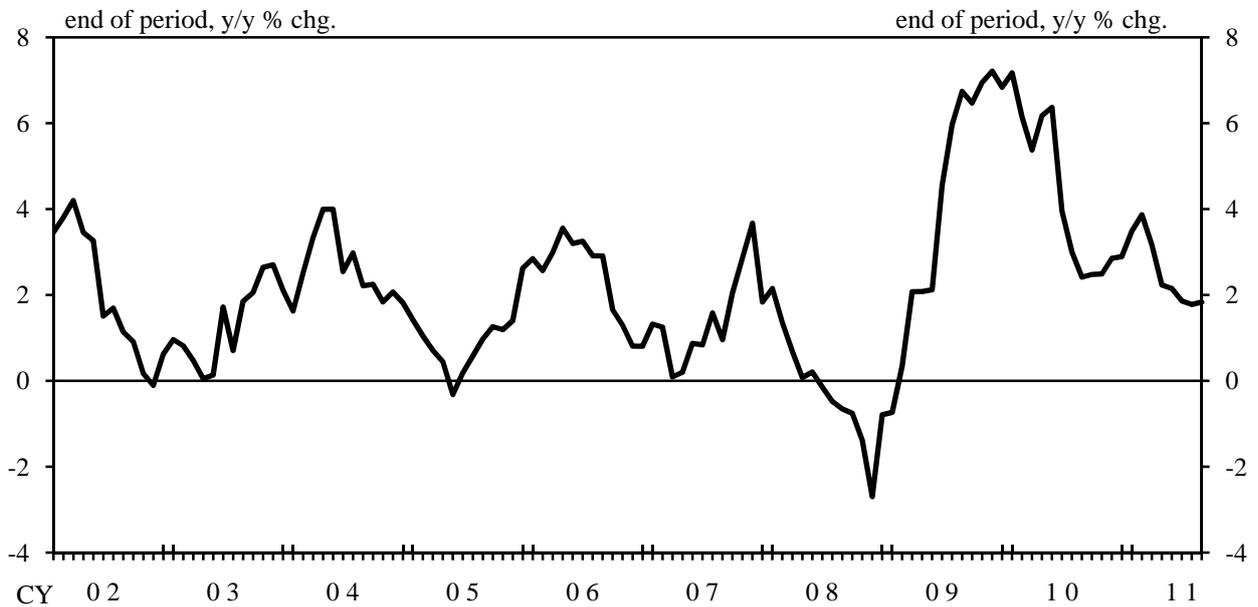
Private-Sector Fund-Raising in the Capital Markets

(1) Amount Outstanding of Commercial Paper



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

(2) Amount Outstanding of Corporate Bonds



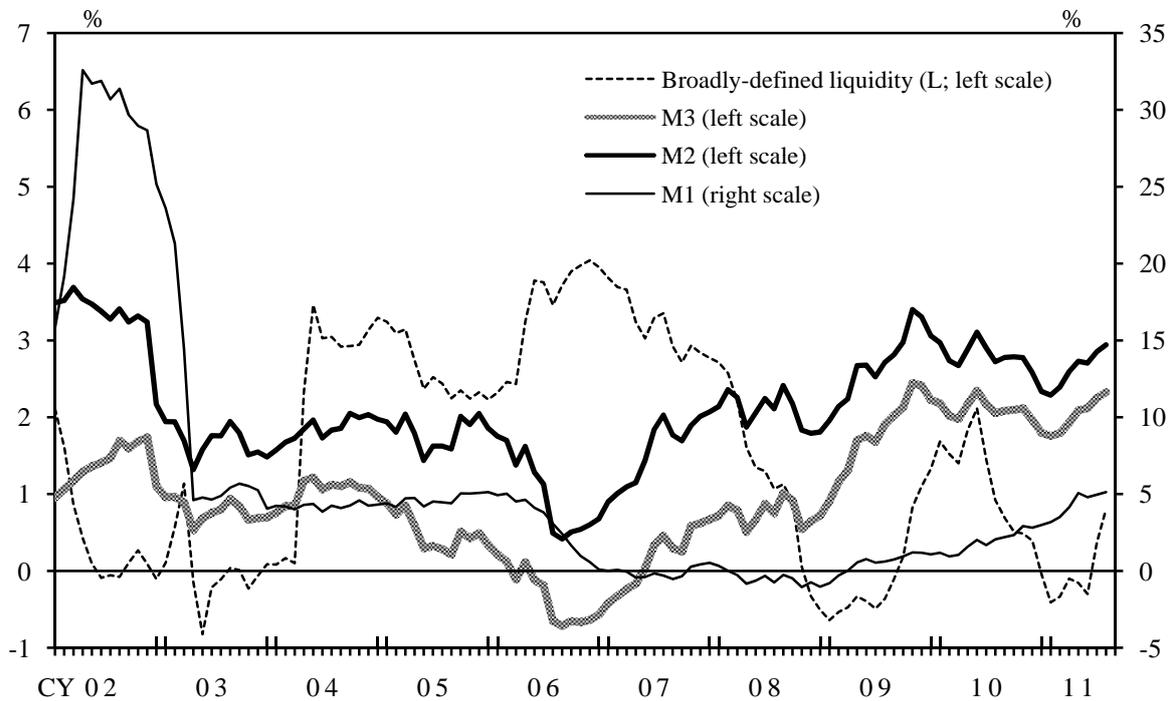
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

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

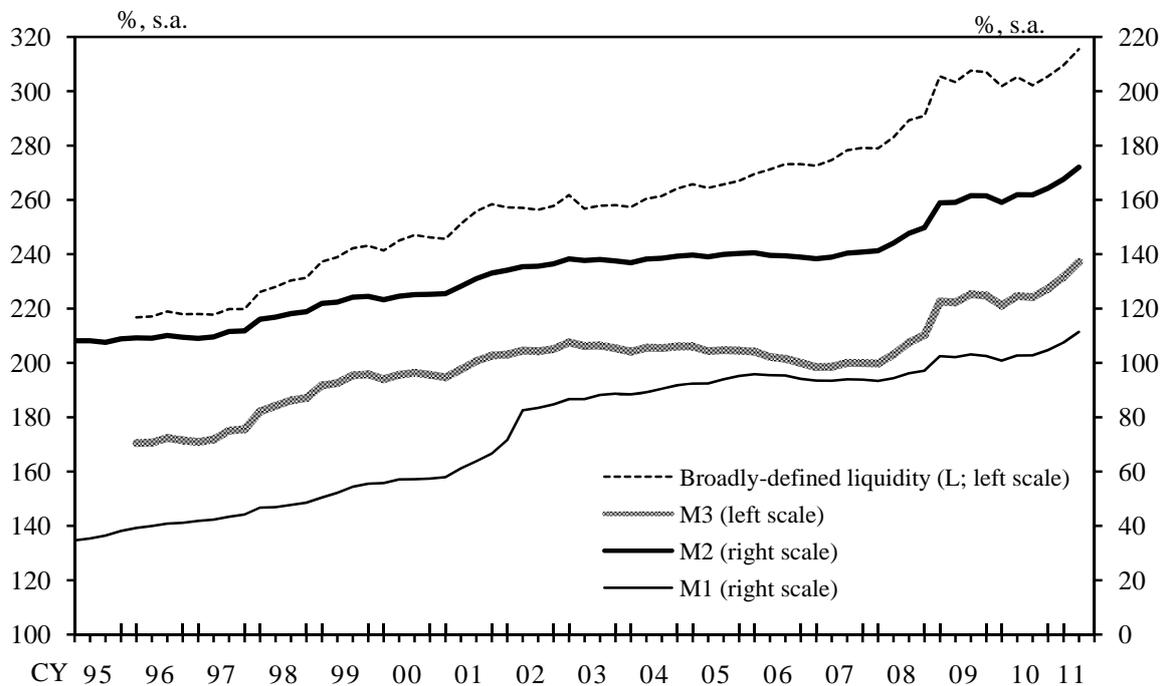
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category";
 Bank of Japan, "Principal Figures of Financial Institutions";
 Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts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

Money Stock

(1) Changes from a Year Earlier



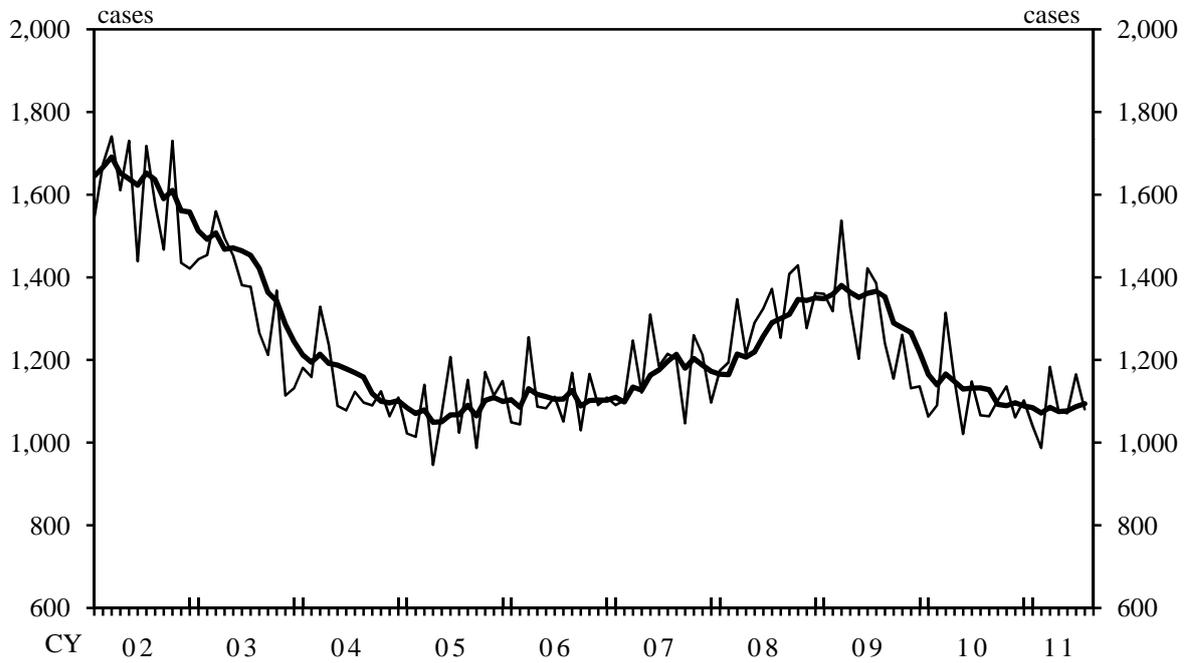
(2) Ratio of Money Stock to Nominal GDP



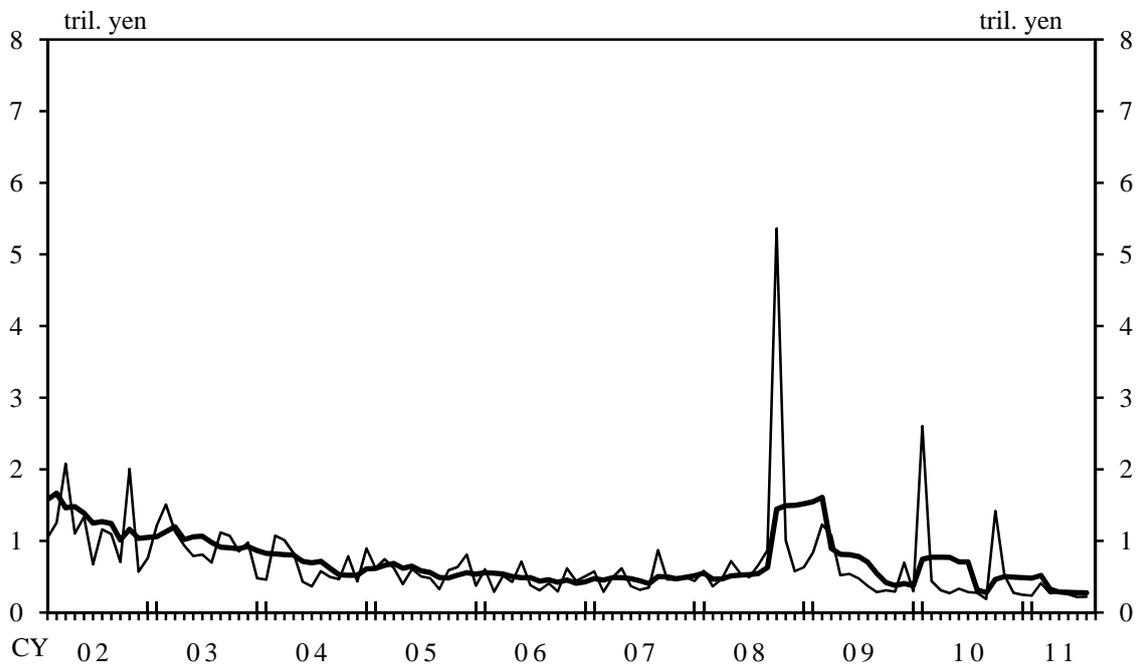
- Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.
- 2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.
- 3. The figures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

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities



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

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