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Bank of Japan

**Monthly Report of
Recent Economic and Financial Developments
January 2012**

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Summary

Japan's economic activity has been more or less flat, mainly due to the effects of a slowdown in overseas economies and the appreciation of the yen.

As for domestic demand, business fixed investment has been on a moderate increasing trend, aided partly by the restoration of disaster-stricken facilities. Private consumption has remained firm. Housing investment has generally been picking up and public investment has stopped declining. On the other hand, exports and production have remained more or less flat, due to the slowdown in overseas economies and the yen's appreciation as well as the remaining effects of the flooding in Thailand.

With regard to the outlook, Japan's economic activity will remain more or less flat for the time being. After that, the economy is expected to return to a moderate recovery path as the pace of recovery in overseas economies picks up, led by emerging and commodity-exporting economies, and reconstruction-related demand after the earthquake disaster gradually materializes.

Exports and production are expected to remain more or less flat for the time being and increase moderately thereafter, mainly reflecting a pick-up in the pace of recovery in overseas economies. Business fixed investment is projected to continue a moderate increasing trend, partly due to efforts by firms to restore and reconstruct disaster-stricken facilities, although it will be affected by the slowdown in overseas economies for the time being. Housing investment and public investment are expected to increase gradually, mainly due to the materialization of reconstruction-related demand. Private consumption is expected to remain firm.

On the price front, the three-month rate of change in domestic corporate goods prices shows that they have been somewhat weak, mainly due to the earlier decline in

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on January 23 and 24, 2012.

international commodity prices. The year-on-year rate of change in consumer prices (all items less fresh food) is currently around 0 percent.

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 at around 0 percent for the time being.

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

Financial conditions have continued to ease.

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 also remained favorable on the whole. As for credit demand, firms have shown signs of increasing their demand mainly for working capital and funds related to mergers and acquisitions. Against this backdrop, the year-on-year rate of change in bank lending has been slightly positive. The amount outstanding of corporate bonds has been around its year-ago level, while that of CP has continued to exceed its previous year's level. In these circumstances, firms have retained their recovered financial positions on the whole. Meanwhile, the year-on-year rate of change in the money stock has been at around 3 percent.

1. Economic Developments

Public investment has stopped declining. The amount of public construction completed—which reflects the progress of public works—has started to bottom out, albeit with fluctuations, although it declined at a somewhat faster pace in October-November relative to the third quarter after having reduced its quarter-on-quarter pace of decline in the third quarter (Chart 5). The value of public works—a measure that reflects public orders—rose at a faster pace in the fourth quarter compared with the third quarter, after having turned to an increase in the third quarter on a quarter-on-quarter basis. The execution of the supplementary budgets for this fiscal year seems to be progressing along.

Public investment is expected to increase gradually, mainly due to the restoration of damaged social capital.^{2,3}

Real exports have remained more or less flat, due to the slowdown in overseas economies and the yen's appreciation as well as the remaining effects of the flooding in Thailand (Charts 6[1] and 7). Exports fell in November following October for the second month running on a month-on-month basis; they turned to a decline in October-November relative to the third quarter. Looking at exports in October-November by region (Chart 7[1]), exports to the EU—in which an economic slowdown has become evident due to the sovereign debt problem—plunged. Exports to Thailand also registered a sharp decline of more than 20 percent due to the effects of the flooding. Meanwhile, exports to the United States were virtually level on the whole, since those of motor vehicles and their related goods increased whereas consumer goods (digital cameras) saw a decline due to supply constraints caused by the flooding in Thailand. Exports to China, NIEs, and Others all turned to a decrease. This weakness in exports to the emerging and commodity-exporting

² The fourth supplementary budget for fiscal 2011 worth about 2.5 trillion yen—which includes support for SME financing and expenses for the promotion of environmentally-friendly vehicles—was decided at the Cabinet meeting on December 20. Expenses related to the Great East Japan Earthquake are not included in this budget.

³ The budget for fiscal 2012—which was decided at the Cabinet meeting on December 24—adds to a total sum of around 90 trillion yen. Of that, approximately 4 trillion yen is allocated for expenses related to the Great East Japan Earthquake. In conjunction with the first, second, and third supplementary budgets for fiscal 2011 (around 4 trillion, 2 trillion, and 9 trillion yen, respectively), this adds to a total of about 19 trillion yen, which is around 4 percent of Japan's nominal GDP.

economies was affected by a slowdown in domestic demand due to monetary tightening and the sluggishness in global IT-related demand; in addition, the slowdown in the European economy caused by the sovereign debt problem has been an indirect impediment to exports, and furthermore, the appreciation of the yen has been weighing on the price competitiveness of exporting firms in Japan. By goods (Chart 7[2]), exports of consumer goods (digital cameras) fell sharply due to supply constraints of electronic parts caused by the flooding in Thailand; those of IT-related goods and of capital goods and parts also moved down. Exports of intermediate goods continued to decline, albeit marginally, in response to sluggish demand for those exported to Asia. Meanwhile, exports of motor vehicles and their related goods have been on the rise, but the pace of increase has slowed significantly compared with the third quarter, partly due to supply constraints of parts caused by the flooding in Thailand.

Real imports have trended upward (Charts 6[1] and 9). Imports fell in November on a month-on-month basis, although they continued to increase in October-November relative to the third quarter. Looking at imports in October-November by goods (Chart 9[2]), those of all goods increased with consumer goods—in which imports of flat panel televisions fell back—as an exception. An increase was most notable in imports of foodstuffs (fish and meat) and IT-related goods (new models of smartphones). By region (Chart 9[1]), although imports from Thailand dropped sharply, chiefly in IT-related goods and in capital goods and parts, those from most of the other regions increased.

Net exports—in terms of the real trade balance—were more or less flat, albeit with fluctuations, a reflection of the aforementioned developments in exports and imports (Chart 6[2]). The nominal balance on goods and services increased its deficit in October-November compared with the third quarter, mainly since the trade balance increased its deficit. As a result, the nominal current account surplus decreased in October-November.

As for the outlook, exports are expected to remain more or less flat for the time being and increase moderately thereafter, mainly reflecting a pick-up in the pace of recovery in overseas economies. Imports are projected to trend gradually upward,

assisted by firm domestic demand, the yen's appreciation, and an increase in thermal power generations. As a reflection of these developments in exports and imports, net exports are projected to remain more or less flat for the time being and eventually increase at a moderate pace.

Regarding the environment surrounding exports, overseas economies have been decelerating, mainly due to (i) disturbances in the global financial and capital markets as a reflection of Europe's sovereign debt problem and the decline in confidence in response to these factors and (ii) the effects of the previous monetary tightening in emerging economies (Chart 8[2]). Overseas economies are expected to continue to decelerate for the time being, chiefly in the EU and United States. After that, the pace of recovery in overseas economies is expected to pick up gradually, led by emerging economies, although there is high uncertainty in this regard. The appreciating yen is also considered to weigh on exports to some extent for the time being (Chart 8[1]). Meanwhile, as for the flooding in Thailand, restoration efforts have been making steady progress and an increasing number of factories have reactivated. Taking this into account, a recovery in exports in line with the removal of supply constraints of parts as well as an increase in exports of capital goods needed for restoring production facilities in Thailand may well be expected for the time being.

Business fixed investment has been on a moderate increasing trend, aided partly by the restoration of disaster-stricken facilities. The aggregate supply of capital goods—a coincident indicator of machinery investment—rose in the second and third quarters on a quarter-on-quarter basis and continued to do so in October-November relative to the third 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—fell in October-November compared with the third quarter, after having registered a quarter-on-quarter increase for three quarters in a row through the third quarter (Chart 11[1]). On a monthly basis, however, they rebounded sharply in November from the decline in September and October. By industry, both manufacturing and nonmanufacturing (excluding orders for ships and those from electric power companies) declined in October-November after having increased in the third quarter.

Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—exhibited a quarter-on-quarter decrease in the third quarter, and also inched down in October-November relative to the third quarter (Chart 11[2]). From a somewhat long-term perspective, however, they have been on a gradual uptrend, albeit with fluctuations. By industry, construction starts for mining and manufacturing were up sharply in October-November compared with the third quarter, whereas those for nonmanufacturing were down.

Regarding the environment surrounding business fixed investment, corporate profits have been more or less flat. They are projected to be affected by the slowdown in overseas economies and the yen's appreciation for the time being and thereafter resume their uptrend gradually, following increases in production and demand. In these circumstances, business fixed investment is projected to continue a moderate increasing trend, partly due to efforts by firms to restore and reconstruct disaster-stricken facilities as well as to strengthen earthquake resistance and business continuity systems, although it will be affected by the slowdown in overseas economies for the time being.

Private consumption has remained firm (Chart 12). Consumption of goods—as seen through sales at retail stores in real terms (Chart 13[1])—was flat in October-November relative to the third quarter, after having registered a quarter-on-quarter increase in the third quarter. Looking at developments in durable consumer goods (Chart 13[2]), the number of new passenger-car registrations—which had been rising sharply with the removal of supply constraints after the earthquake—has been virtually flat in the past few months, partly due to supply constraints resulting from the flooding in Thailand. Sales of household electrical appliances (in real terms) were down. This is considered to be due to a shortage of supply in electrical appliances such as digital cameras caused by the flooding in Thailand, in addition to weak demand for flat panel televisions. Sales at department stores and supermarkets fell slightly in November, since sales of, for example, winter apparel were sluggish due to relatively warm temperatures (Chart 14[1]). After that, however, year-end and start-of-year sales appeared to be steady as the temperature dropped. Sales at convenience stores have trended upward, albeit with fluctuations.

As for developments in services consumption (Chart 14[2]), sales in the food service industry and outlays for travel have been picking up, albeit with fluctuations.

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—was flat in October-November relative to the third quarter, after having turned to an increase in the third quarter on a quarter-on-quarter basis (Chart 13[1]).⁴ The total expenditure in the *Survey of Household Economy* (in real terms; two-or-more-person households) continued to rise in October-November compared with the third quarter, after having turned upward in the third quarter on a quarter-on-quarter basis.

Indicators related to consumer confidence have been steady as a whole (Chart 15).

Private consumption is expected to remain firm as the employment situation gradually heads toward improvement.

Housing investment has generally been picking up. The number of housing starts—a leading indicator of housing investment—fell back in October-November from the rush in demand prior to the ending of various incentives for home purchasing,⁵ after having risen to an annualized rate of 890,000 units in the third quarter (Chart 16[1]). On a monthly basis, however, the level went up in October and November, after having declined to an annualized rate of 750,000 units in September.

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

⁵ The rush in demand toward July-August is considered to have occurred prior to the deadline for construction starts which were eligible for receiving eco-points for housing (end of July) and to the ending of the preferential interest rate measures for the Flat 35S (end of September).

Housing investment is expected to increase gradually, mainly due to the reconstruction of disaster-stricken homes.⁶

Industrial production has remained more or less flat, due to the slowdown in overseas economies and the yen's appreciation as well as the remaining effects of the flooding in Thailand (Chart 17). Production declined in November mainly due to the flooding in Thailand, but it has been virtually level with the movements of the past few months smoothed out. Looking in detail at production in November, transport equipment (such as passenger cars) and information and communication electronics equipment (such as digital cameras) saw a decline due to a shortage of supply in parts as a result of the flooding in Thailand. Production of iron and steel fell, mainly due to the decline in those used for transport equipment and also to the slowdown in Asian economies as well as to the yen's appreciation.

Shipments have started to flatten out more or less, as has production, with the movements of the past few months smoothed out. Looking at shipments in November by goods (Chart 18), those of durable consumer goods (motor vehicles and digital cameras) and producer goods (iron and steel; motor vehicle parts) registered a sizeable decline due to the flooding in Thailand. Shipments of other goods were virtually level.

Inventories have moved up moderately, albeit with fluctuations. They inched downward in November on a month-on-month basis. In detail, inventories of transport equipment (motor vehicles) were down sharply, since inventories were adjusted in response to a shortage of supply in parts resulting from the flooding in Thailand; those of information and communication electronics equipment also declined. As a reflection of inventory adjustments in light of weak demand, inventories of electrical machinery, chemicals, and iron and steel came down. Looking at the shipment-inventory balance (Chart 19), on the whole, growth in inventories has continued to outpace that in shipments.

⁶ With the enactment of the third supplementary budget for fiscal 2011, the eco-point system for housing as well as the preferential interest rate measures for the Flat 35S were introduced once again with preferential treatment for disaster-stricken areas.

Production is expected to remain more or less flat for the time being and increase moderately thereafter, mainly reflecting the gradual materialization of domestic reconstruction-related demand and a pick-up in the pace of recovery in overseas economies. According to anecdotes by firms and other information, production in the fourth quarter is projected to be virtually flat as a whole on a quarter-on-quarter basis. Production of automobiles is expected to rise due to a recovery in production led by restocking of inventories abroad and by a reduction in the backlog of domestic orders. However, production, including automobiles, is likely to be adversely affected by supply-chain disruptions resulting from the flooding in Thailand; production of information and communication electronics equipment, electronic parts and devices, general machinery, iron and steel, and chemicals is likely to be affected primarily by the slowdown in overseas economies and the yen's appreciation. As for the first quarter, production is projected to remain more or less level as a whole, since production of transport equipment is forecasted to increase as difficulties in procuring parts resulting from the flooding in Thailand dissipate, whereas production of general machinery as well as electronic parts and devices is projected to decline, mainly due to the slowdown in overseas economies.

The employment and income situation has continued to be severe, although there have been signs of improvement.

As for supply and demand conditions in the labor market, the ratio of job offers to applicants has continued to improve (Chart 20[1]). The unemployment rate has been trending downward, albeit with monthly fluctuations.

In terms of employment, the number of employees in the *Labour Force Survey* has recently increased marginally on a year-on-year basis, despite large monthly fluctuations (Chart 21[1]). Meanwhile, with regard to the Employment Adjustment Subsidy, figures collected from reports on business suspension plans show that the number of applicants for this subsidy—which had fallen since May—inched upward in November due to the effects of the flooding in Thailand.⁷ The number of regular

⁷ Currently, businesses are 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." As part of the government's new measure for dealing with the yen's appreciation, however, the requirement was

employees in the *Monthly Labour Survey* has been increasing on a year-on-year basis. The ratio of part-time employees has been on a gradual uptrend (Chart 21[2]). Meanwhile, overtime hours worked fell to 0 percent in November, mainly due to production adjustments resulting from the flooding in Thailand (Chart 21[3]).

Nominal wages per employee have declined marginally (Chart 22[1]). Both regular and overtime payments have been on an improving trend. Overtime payments in November, however, grew at a reduced pace, mainly due to production adjustments resulting from the flooding in Thailand. Special payments marked a negative in November, although the December figure needs to be taken into account to capture the actual situation of winter bonuses.⁸

The year-on-year growth rate of employee income has been almost 0 percent with the monthly fluctuations smoothed out, as a reflection of the aforementioned developments in employment and wages (Chart 22[3]).

Employee income is highly expected to be somewhat weak, mainly since the decline in corporate profits caused by the earthquake disaster will take effect with a time lag and since economic activity will remain more or less flat for the time being, although improvement in the labor market will support income gradually.

2. Prices

International commodity prices have been more or less flat lately, after having trended downward from the peak around spring last year (Chart 24). Prices of crude oil have recently moved slightly upward in response to geopolitical risks. Prices of grains have rebounded somewhat mainly as a reflection of unseasonable weather

relaxed so that businesses can receive the subsidy on the condition that "the decline 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 as well as on a projected decline basis." After the earthquake, the requirement is also applied to firms in the disaster-stricken areas and to businesses located in areas that were subject to scheduled black outs.

⁸ Winter bonuses correspond to the November-January aggregates of special payments in the *Monthly Labour Survey*. The actual figures for fiscal 2010 show that winter bonuses comprise about 5 percent of special payments made in November, 91 percent in December, and 4 percent in January.

conditions in South America; those of nonferrous metals have ceased to decline, mainly due to the effects of the improvement in U.S. economic indicators.

The three-month rate of change in import prices (on a yen basis) has been essentially level, as a reflection of movements in international commodity prices (Chart 24[2]).

The three-month rate of change in domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter)⁹ shows that they have been somewhat weak, mainly due to the earlier decline in international commodity prices (Chart 25[2]). In December, the three-month rate of change declined at a slower pace compared with November. In detail, prices of "goods sensitive to exchange rates and overseas commodity prices" declined at a slower pace, while international commodity prices have been more or less flat. Prices of "electric power, gas and water" have continued to move up, since the earlier rise in crude oil prices takes effect with a time lag.

The year-on-year rate of change in corporate services prices (excluding international transportation; year-on-year basis, same hereafter) has tended to decline at a reduced pace (Chart 26). Looking in detail at prices in November on a year-on-year basis, prices of selling, general and administrative expenses declined at an increased pace, mainly since firms stopped placing their advertisements due to the effects of the flooding in Thailand. Other corporate services prices were on par with those of the previous month.

The year-on-year rate of change in consumer prices (all items less fresh food; year-on-year basis, same hereafter) is currently around 0 percent (Chart 27[1]). Consumer prices in November fell by 0.1 percentage point from October to negative 0.2 percent. Looking at developments on a basis that excludes food and energy, prices fell by 0.1 percentage point from October to negative 1.1 percent. Regarded

⁹ 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.

as a method for capturing trend changes, the year-on-year rates of decline in both the trimmed mean and the chain index have tended to narrow mildly; they have recently been moving at around 0 percent (Chart 28).¹⁰

Looking in detail at consumer price movements in November, prices for goods were virtually level as a whole, since prices of petroleum products (such as gasoline) reduced their pace of increase, whereas prices of durable consumer goods (cellular phones) and other goods (such as automobile navigation) declined at a subdued pace and those of agricultural, aquatic and livestock products (rice) rose at an accelerated pace. Prices of general services turned to a decrease as a whole, mainly since prices of package tours to overseas grew at a reduced pace. Fees for public services rose at an increased pace, since electricity and gas prices accelerated their pace of increase.

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 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—including those for longer term rates—as market participants share perceptions of an excess of liquidity, 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

¹⁰ 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.

reflect expectations about future policy interest rates. Interest rates on Euroyen futures have been virtually level (Chart 29). In U.S. dollar funding, the LIBOR-OIS spread for the dollar has declined—albeit slightly—since the start of the year, amid receding concerns over the financial positions of financial institutions for the time being as various central banks conduct liquidity support measures, including U.S. dollar funds-supplying operations (Chart 30).

Yields on 10-year government bonds (newly issued 10-year JGB)—which had been moving at around 0.95 percent—have increased slightly as Japanese stock prices have risen somewhat. They have recently been moving at around 1.0 percent (Chart 31).

Yield spreads between corporate bonds and government bonds have generally been more or less flat (Chart 32).

Stock prices have moved up somewhat in response to firm U.S. stock prices mainly as a result of favorable U.S. economic indicators on the whole. The Nikkei 225 Stock Average has been moving in the range of 8,500-9,000 yen (Chart 33).

In the foreign exchange market, the yen's exchange rate against the U.S. dollar has been more or less unchanged; the yen has been moving at around 77 yen. Meanwhile, the value of the euro has depreciated across a wide range of currencies, with the sovereign debt problems in Europe persistently in place. In these circumstances, the yen's exchange rate against the euro has appreciated; it is currently moving at around 100 yen against the euro (Chart 34).

(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 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 also remained favorable on the whole. In these circumstances, as for funding of the private sector, the year-on-year rate of change in bank lending has been slightly positive, mainly in demand for working capital and funds related to mergers and acquisitions (Chart 37). The amount outstanding of corporate bonds has been around its year-ago level, while that of CP has continued to exceed its previous year's level (Chart 38).

In these circumstances, firms have retained their recovered financial positions on the whole (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 been at around 3 percent. Its December reading was 3.1 percent on a year-on-year basis, following 3.0 percent in November (Chart 39).¹¹

¹¹ On an M3 basis, which includes the Japan Post Bank, the year-on-year growth rate has been at around 2.5 percent; its December reading was 2.6 percent, following 2.5 percent in November. The year-on-year growth rate of broadly-defined liquidity (L) has been in the range of 0.0-0.5 percent; it increased by 0.4 percent in December, following an increase of 0.3 percent in November.

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Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2011/Q2	Q3	Q4	2011/Sep.	Oct.	Nov.	Dec.
Index of consumption expenditure level (two-or-more-person households)	-1.4	1.3	n.a.	0.8	1.5	-2.1	n.a.
Sales at department stores	2.9	-0.9	n.a.	-2.3	3.1	-1.6	n.a.
Sales at supermarkets	-0.8	0.5	n.a.	-1.5	1.9	-1.7	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 192>	< 263>	< 273>	< 285>	< 281>	< 267>	< 271>
Sales of household electrical appliances (real, "Current Survey of Commerce")	23.4	-6.5	n.a.	-0.5	-2.0	-12.3	n.a.
Outlays for travel	-9.4	18.6	n.a.	-0.3	1.5	-0.7	n.a.
Housing starts <s.a., ann. 10,000 units>	< 81>	< 89>	<n.a.>	< 75>	< 77>	< 84>	<n.a.>
Machinery orders ⁴ (Private sector, exc. volatile orders)	2.5	1.5	n.a.	-8.2	-6.9	14.8	n.a.
Manufacturing	-0.2	2.5	n.a.	-17.5	5.5	4.7	n.a.
Nonmanufacturing ⁴ (exc. volatile orders)	5.0	5.0	n.a.	8.5	-7.3	6.2	n.a.
Construction starts (private, nondwelling use)	7.3	-3.3	n.a.	-20.9	9.8	-2.0	n.a.
Mining & manufacturing	24.5	-21.7	n.a.	-11.5	45.1	5.2	n.a.
Nonmanufacturing ⁵	1.5	0.9	n.a.	-20.0	5.1	-4.7	n.a.
Value of public works contracted	-3.7	1.6	3.6	1.6	1.5	0.6	-8.0
Real exports	-5.7	8.7	n.a.	3.4	-4.6	-2.7	n.a.
Real imports	2.2	2.6	n.a.	-1.6	4.6	-1.8	n.a.
Industrial production	-4.0	4.3	n.a.	-3.3	2.2	-2.7	n.a.
Shipments	-5.9	6.6	n.a.	-2.0	0.2	-1.6	n.a.
Inventories	3.2	1.9	n.a.	-0.1	0.9	-0.6	n.a.
Inventory ratio <s.a., CY 2005 = 100>	< 111.9>	< 119.2>	<n.a.>	< 119.2>	< 118.1>	< 116.2>	<n.a.>
Real GDP	-0.5	1.4	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	-0.4	2.0	n.a.	-0.8	0.8	-1.1	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2011/Q2	Q3	Q4	2011/Sep.	Oct.	Nov.	Dec.
Ratio of job offers to applicants <s.a., times>	< 0.62>	< 0.66>	<n.a.>	< 0.67>	< 0.67>	< 0.69>	<n.a.>
Unemployment rate ⁶ <s.a., %>	< 4.6>	< 4.4>	<n.a.>	< 4.1>	< 4.5>	< 4.5>	<n.a.>
Overtime working hours ⁷	-2.0	-0.6	n.a.	1.0	1.0	0.0	n.a.
Number of employees ⁶	0.8	-0.4	n.a.	-0.5	-0.4	0.4	n.a.
Number of regular employees ⁷	0.7	0.7	n.a.	0.6	0.5	0.7	n.a.
Nominal wages per person ⁷	-0.4	-0.3	n.a.	-0.4	0.0	-0.2	n.a.
Domestic corporate goods price index <q/q % chg., 3-month rate of change> ⁸	2.5 < 1.2>	2.6 <-0.3>	p 1.5 <p -0.7>	2.5 <-0.4>	1.6 <-0.9>	1.6 <-0.7>	p 1.3 <p -0.4>
Consumer price index ⁹	-0.3	0.2	n.a.	0.2	-0.1	-0.2	n.a.
Corporate services price index ¹⁰	-0.6	-0.4	n.a.	-0.1	-0.1	p -0.2	n.a.
Money stock (M2) <average outstanding, y/y % chg.>	2.8	2.8	p 3.0	2.7	2.8	3.0	p 3.1
Number of corporate bankruptcies <cases per month>	<1,104>	<1,036>	<1,034>	<1,001>	<976>	<1,095>	<1,032>

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

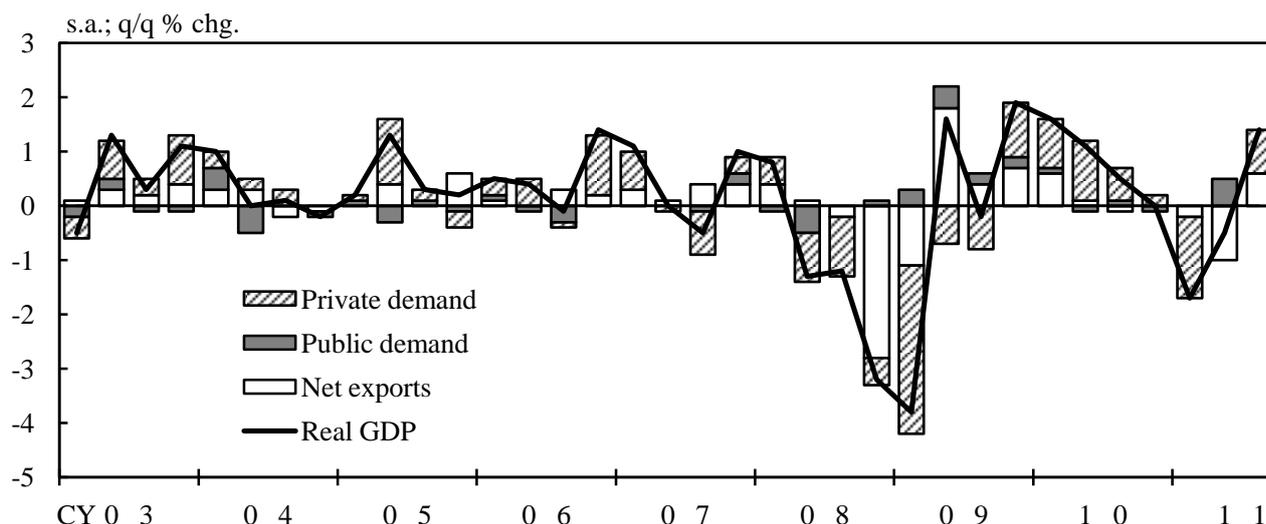
All figures in Chart 2 except figures in angle brackets are year-on-year changes. For details on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes of respective charts.

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. Figures for 2011/Q2 and Q3 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.
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



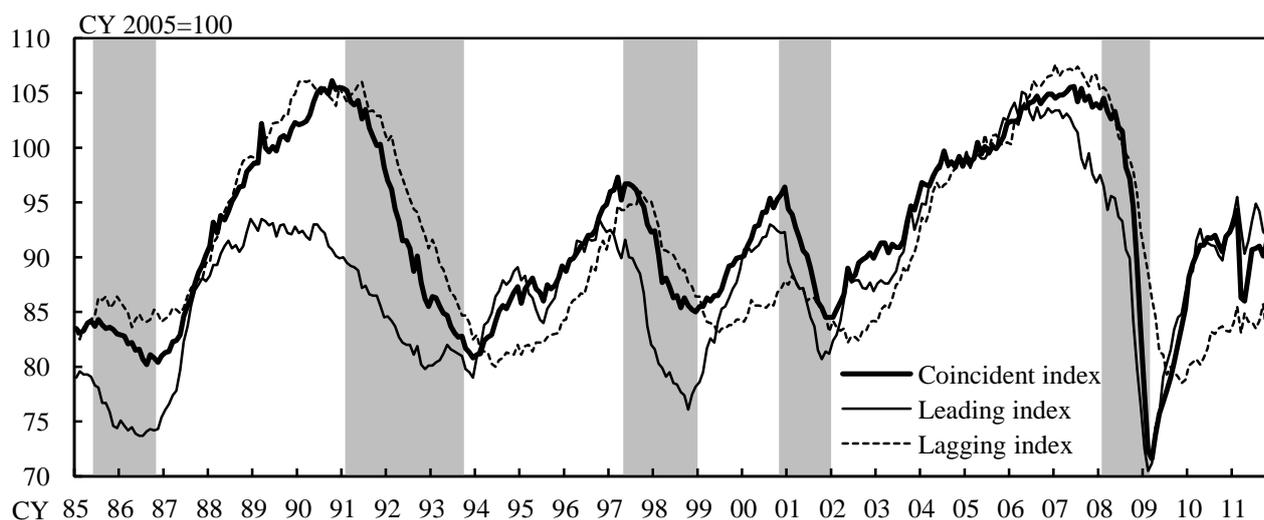
(2) Components

s.a.; q/q % chg.

	2010		2011		
	Q3	Q4	Q1	Q2	Q3
Real GDP	0.5	0.0	-1.7	-0.5	1.4
[Annual rate]	[2.0]	[0.1]	[-6.6]	[-2.0]	[5.6]
Domestic demand	0.6	0.1	-1.5	0.5	0.8
Private demand	0.6	0.2	-1.5	0.0	0.8
Private consumption	0.2	0.2	-0.7	0.2	0.4
Non-Resi. investment	0.1	-0.1	-0.1	-0.1	-0.1
Residential investment	0.0	0.1	0.0	-0.1	0.1
Private inventory	0.3	-0.0	-0.7	-0.0	0.3
Public demand	0.1	-0.1	0.0	0.5	0.0
Public investment	0.0	-0.2	-0.1	0.3	-0.0
Net exports of goods and services	-0.1	-0.0	-0.2	-1.0	0.6
Exports	0.1	-0.0	-0.0	-0.9	1.1
Imports	-0.2	-0.0	-0.2	-0.1	-0.5
Nominal GDP	0.1	-0.8	-1.7	-1.6	1.2

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

(3) Indexes of Business Conditions (Composite Indexes)

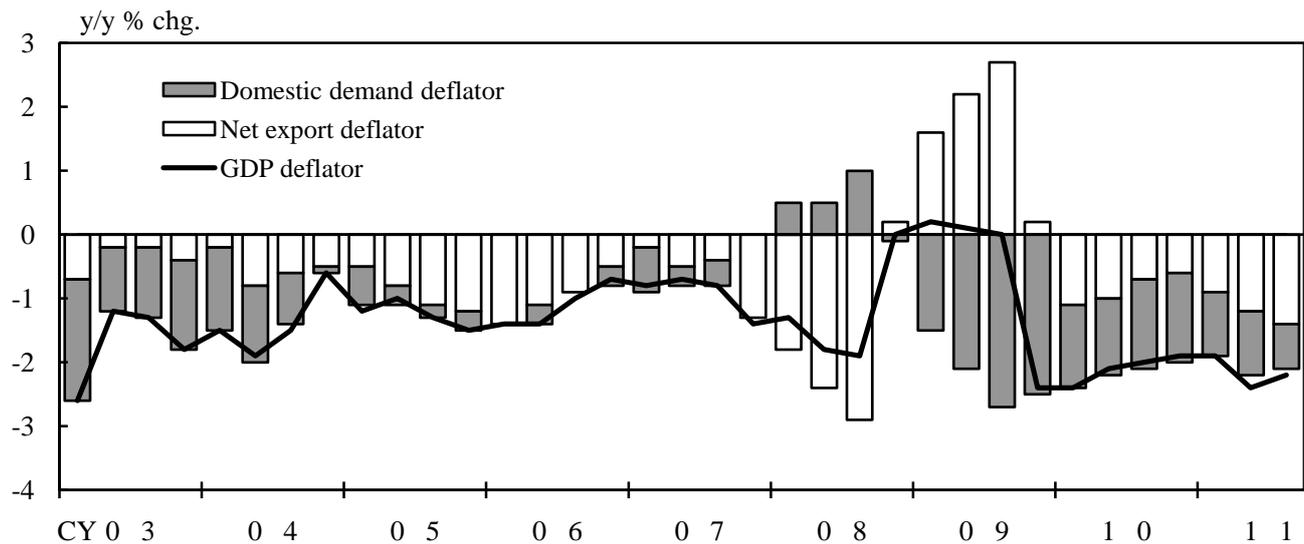


Note: Shaded areas indicate recession periods.

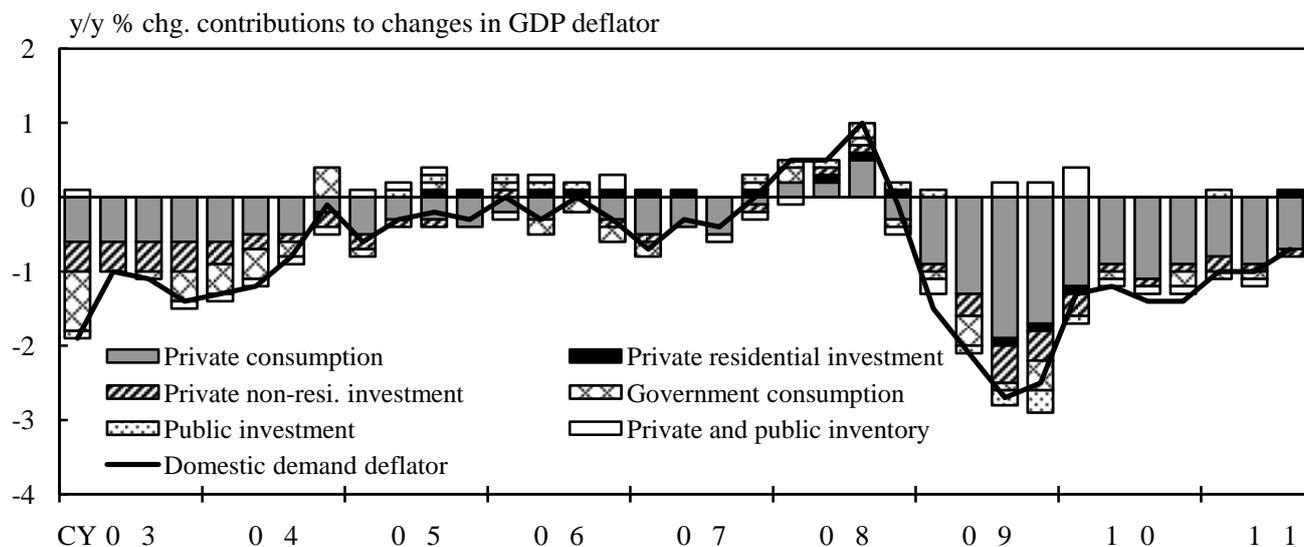
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

GDP Deflator and Income Formation

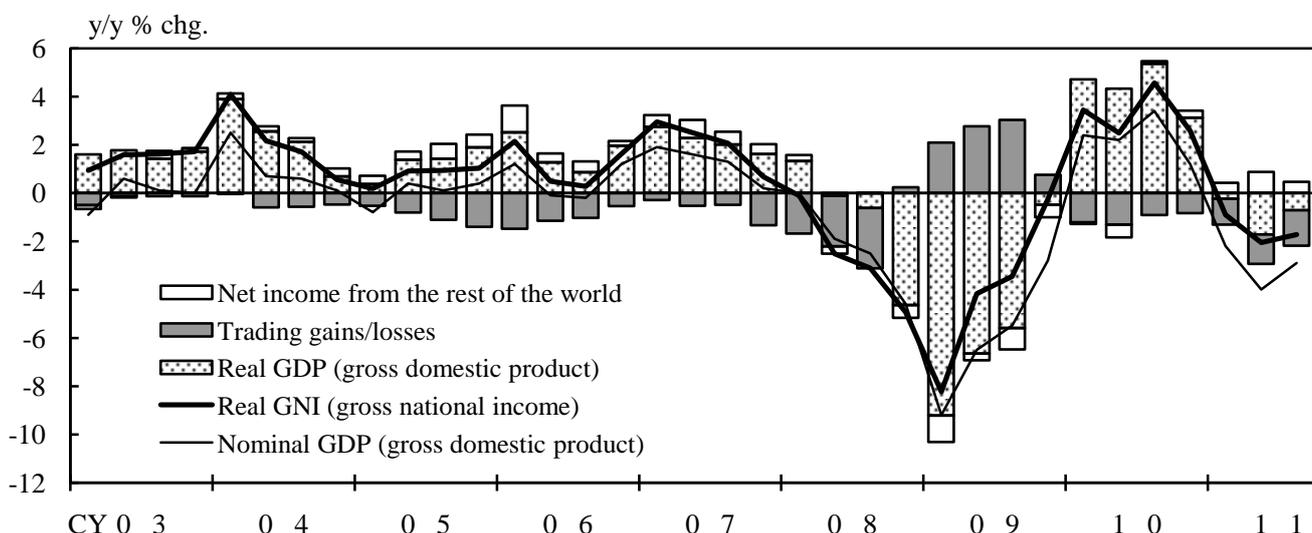
(1) GDP Deflator



(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

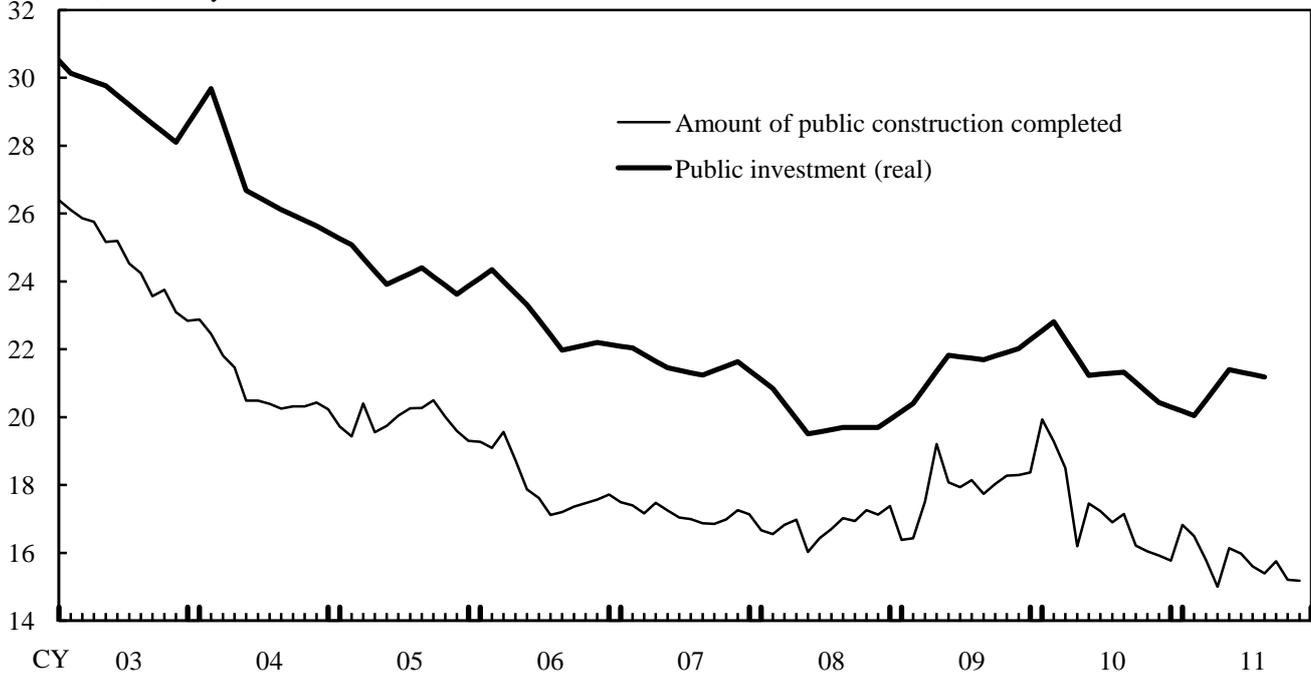
Trading gains/losses = nominal net exports / weighted average of export and import deflators - real net exports

Source: Cabinet Office, "National Accounts."

Public Investment

(1) Amount of Public Construction Completed and Public Investment

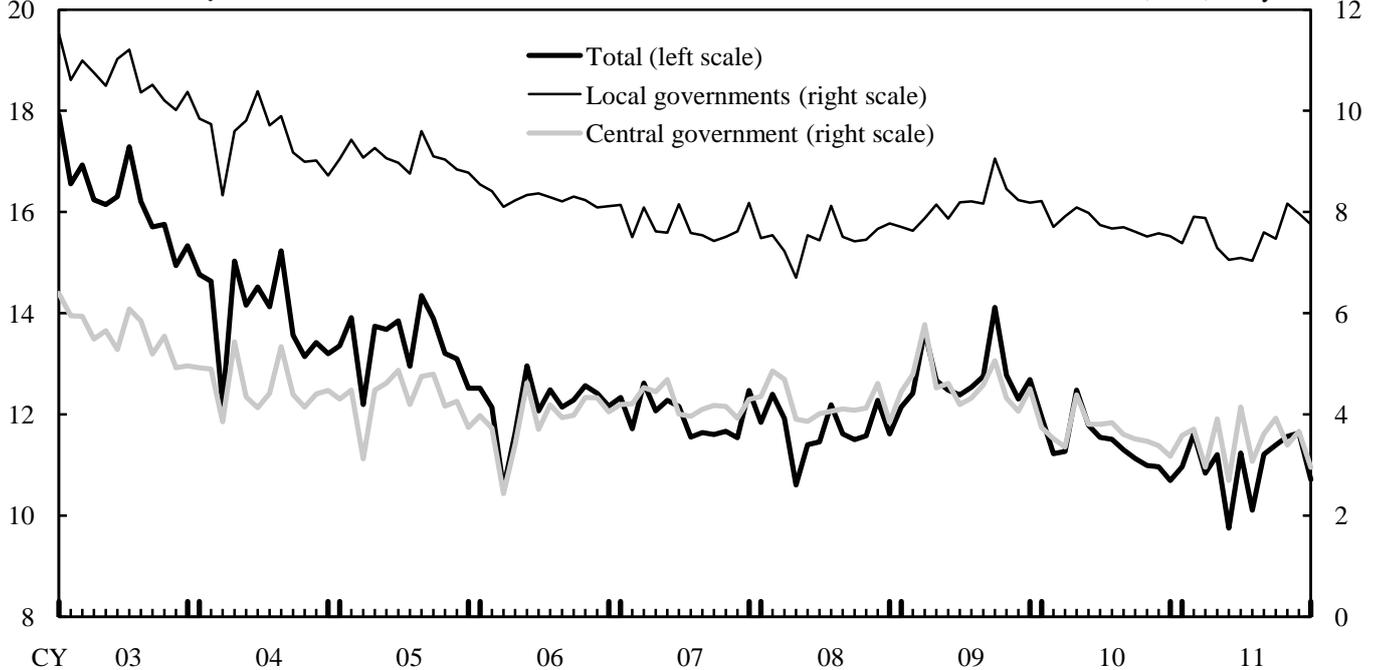
s.a., ann., tril. yen



(2) Value of Public Works Contracted

s.a., ann., tril. yen

s.a., ann., tril. yen



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";

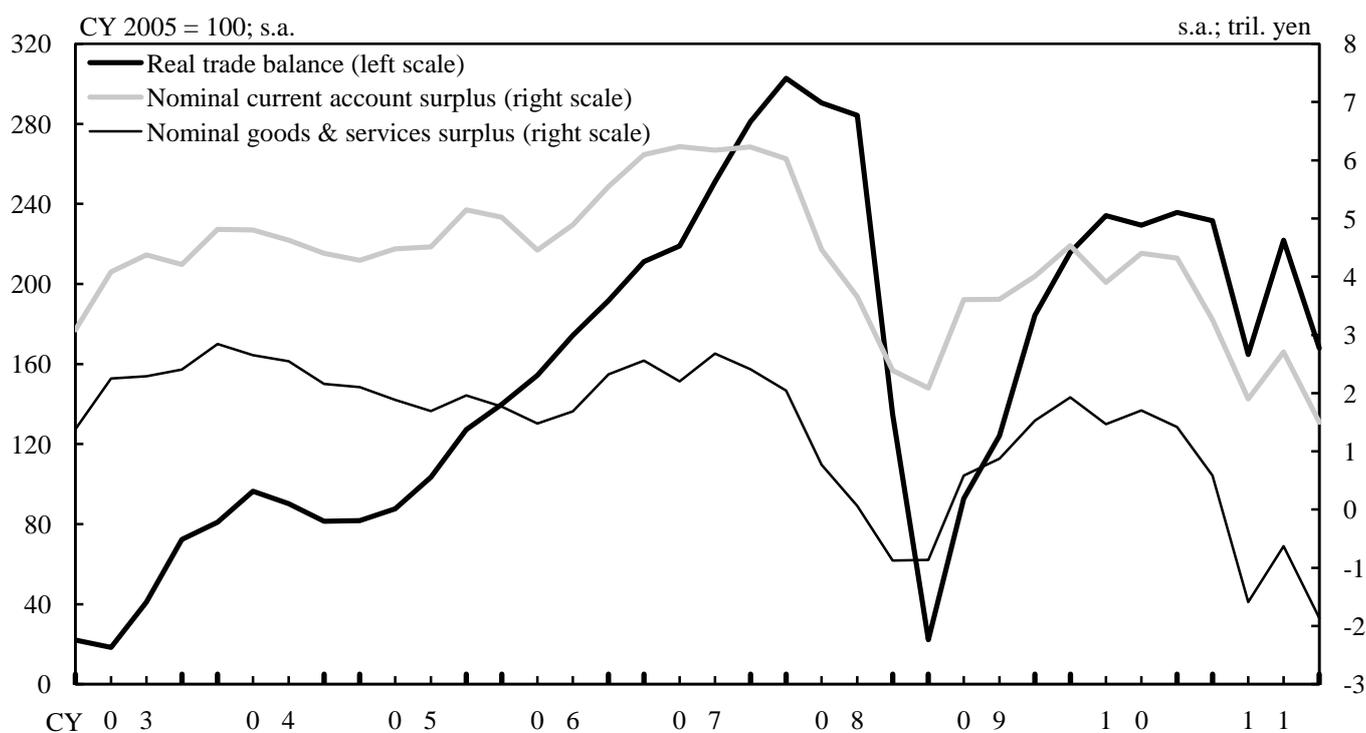
Ministry of Land, Infrastructure, Transport and Tourism, "Integrated Statistics on Construction Works."

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/Q4 figures are October-November 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 ¹

(1) Breakdown by Region

	y/y % chg.	CY		s.a.; q/q % chg.					s.a.; m/m % chg.		
		2009	2010	2010 Q4	2011 Q1	Q2	Q3	Q4	2011 Sep.	Oct.	Nov.
United States <15.4>		-32.6	24.7	0.3	-6.5	-10.2	20.7	0.4	-1.6	0.2	0.8
EU <11.3>		-34.6	17.4	2.1	-3.0	-2.6	12.5	-7.3	3.0	-8.2	-0.6
East Asia <53.3>		-15.8	31.8	2.3	-1.2	-6.0	5.7	-5.4	2.1	-3.6	-4.6
China <19.4>		-10.2	31.3	6.8	0.5	-11.0	9.2	-4.6	1.8	-3.7	-3.0
NIEs <23.7>		-18.0	28.0	-0.4	-2.4	-2.6	1.1	-5.4	-1.9	-0.9	-4.4
Korea <8.1>		-16.0	23.6	-4.9	1.0	1.6	-5.4	-1.7	-7.0	6.1	-3.0
Taiwan <6.8>		-17.7	36.8	-0.9	-2.4	-6.7	-2.4	-3.1	3.0	0.2	-6.6
Hong Kong <5.5>		-18.8	29.2	2.3	-4.0	-6.7	9.3	-5.1	-0.0	-3.2	-4.0
Singapore <3.3>		-21.6	20.2	6.9	-6.6	0.2	14.0	-16.9	-7.7	-15.8	11.1
ASEAN4 ³ <10.2>		-20.5	42.7	-0.2	-1.8	-3.4	9.8	-6.8	11.6	-8.9	-8.3
Thailand <4.4>		-20.9	46.1	-0.2	1.4	-1.7	8.7	-21.5	6.4	-17.0	-22.6
Others <20.0>		-32.1	29.2	-2.1	0.1	-4.2	14.1	-2.1	7.5	-6.7	-2.1
Real exports		-25.6	27.5	0.2	-1.1	-5.7	8.7	-3.8	3.4	-4.6	-2.7

(2) Breakdown by Goods

	y/y % chg.	CY		s.a.; q/q % chg.					s.a.; m/m % chg.		
		2009	2010	2010 Q4	2011 Q1	Q2	Q3	Q4	2011 Sep.	Oct.	Nov.
Intermediate goods <20.6>		-5.6	18.3	-0.2	-0.9	-4.4	-2.2	-0.4	-0.7	4.5	-7.5
Motor vehicles and their related goods <21.6>		-41.4	41.8	1.7	-8.7	-22.8	47.4	1.8	6.4	0.1	-6.6
Consumer goods ⁴ <3.4>		-28.8	13.7	-1.3	-1.4	-9.4	24.4	-24.2	-12.9	-2.5	-26.2
IT-related goods ⁵ <10.7>		-17.0	27.6	-0.5	0.6	-2.5	6.0	-6.0	4.0	-5.9	-2.6
Capital goods and parts ⁶ <29.2>		-28.1	36.3	0.5	1.4	1.5	-0.5	-3.6	2.0	-7.0	3.9
Real exports		-25.6	27.5	0.2	-1.1	-5.7	8.7	-3.8	3.4	-4.6	-2.7

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2011/Q4 figures are October-November averages 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.

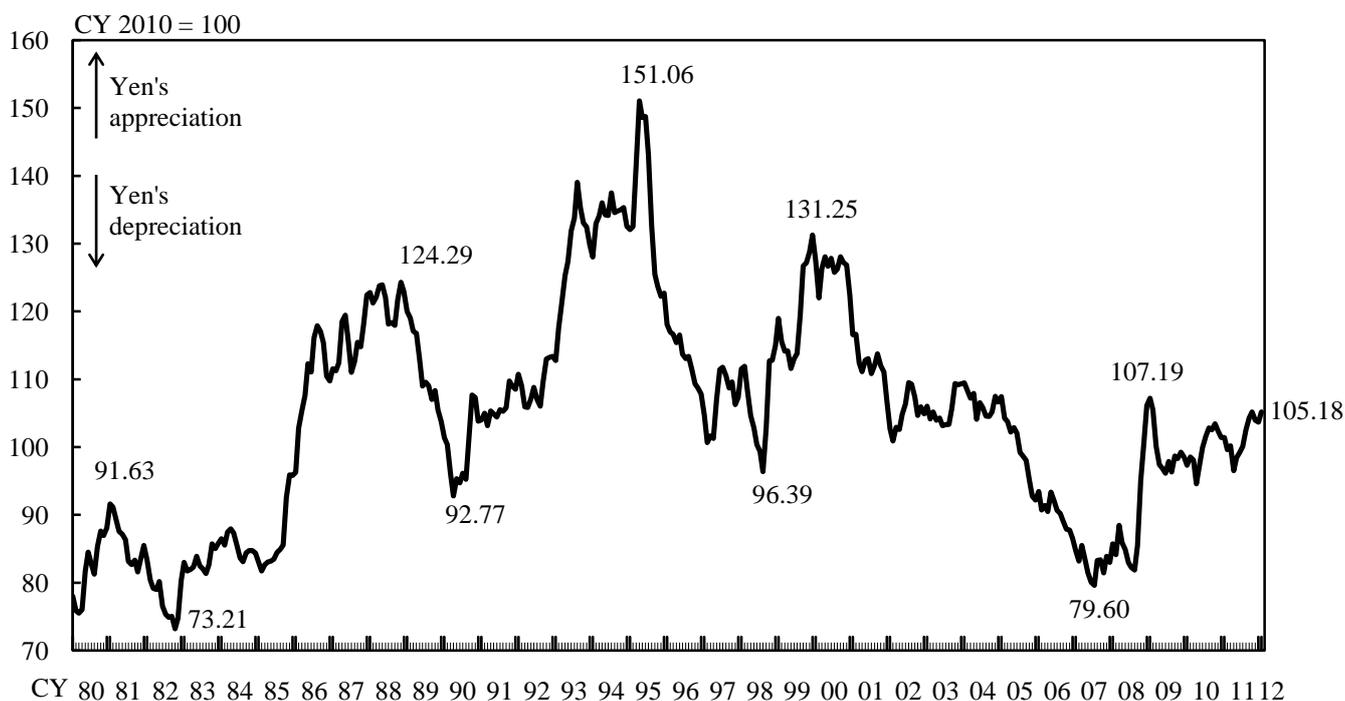
5. IT-related goods are composed of computers and units, telecommunication machinery, ICs, and medical and optical instruments.

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

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

Real Effective Exchange Rate and Overseas Economies

(1) Real Effective Exchange Rate



Notes: 1. The figures are based on the broad index of the BIS effective exchange rate, and those prior to 1994 are calculated using the narrow index.

2. The figure for January (up to January 20) 2012 has 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

		CY2009	2010	2011	2011 Q1	Q2	Q3	Q4	
United States ¹		-3.5	3.0	n.a.	0.4	1.3	1.8	n.a.	
European Union ¹		-4.3	2.0	n.a.	2.9	0.9	1.1	n.a.	
	Germany	-5.1	3.7	3.0	5.5	1.1	2.0	n.a.	
	France	-2.6	1.4	n.a.	3.7	-0.2	1.2	n.a.	
	United Kingdom	-4.4	2.1	n.a.	1.7	-0.0	2.3	n.a.	
East Asia ²	China	9.2	10.4	9.2	9.7	9.5	9.1	8.9	
	NIEs	Korea	0.3	6.2	n.a.	4.2	3.4	3.5	n.a.
		Taiwan	-1.8	10.7	n.a.	6.6	4.5	3.4	n.a.
		Hong Kong	-2.7	7.0	n.a.	7.5	5.3	4.3	n.a.
		Singapore	-0.8	14.5	4.8	9.1	0.9	5.9	3.6
	ASEAN4	Thailand	-2.3	7.8	n.a.	3.2	2.7	3.5	n.a.
		Indonesia	4.6	6.1	n.a.	6.5	6.5	6.5	n.a.
		Malaysia	-1.6	7.2	n.a.	5.2	4.3	5.8	n.a.
Philippines		1.1	7.6	n.a.	4.6	3.1	3.2	n.a.	

Notes: 1. Quarterly data of the U.S. and EU are quarter-to-quarter percent changes at annualized 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 Q4	2011 Q1	Q2	Q3	Q4	2011 Sep.	Oct.	Nov.
United States	<9.7>	-18.7	8.2	-0.7	-5.6	6.0	-1.8	4.4	6.0	0.6	1.0
EU	<9.6>	-13.3	6.4	-3.4	0.8	8.2	0.6	4.6	8.0	-1.6	4.0
East Asia	<42.4>	-13.1	22.0	2.3	1.5	1.2	3.2	1.9	-4.6	8.1	-4.2
China	<22.1>	-11.1	23.9	4.1	0.9	1.7	5.3	3.4	-8.5	11.3	-2.4
NIEs	<8.8>	-15.9	21.6	-0.5	3.5	1.0	-0.8	3.0	1.7	6.8	-5.4
Korea	<4.1>	-19.1	20.9	6.7	6.7	6.8	-2.9	2.2	1.3	7.1	-7.2
Taiwan	<3.3>	-12.4	21.2	-4.0	-1.2	-5.2	0.8	5.1	0.1	9.3	-5.6
Hong Kong	<0.2>	-29.7	32.8	-2.0	16.6	-16.1	4.2	-0.1	16.8	-26.8	61.6
Singapore	<1.2>	-12.5	22.9	-5.5	-2.1	5.1	-1.1	4.2	1.6	9.1	-4.9
ASEAN4 ³	<11.5>	-14.9	18.2	0.5	1.3	0.2	1.6	-2.6	-0.1	1.9	-7.7
Thailand	<3.0>	-17.5	25.7	-1.4	2.6	2.7	2.1	-13.5	-0.0	-7.0	-12.9
Others	<38.3>	-13.9	6.8	-1.8	-1.6	0.1	2.9	1.8	-2.9	3.9	-2.5
Real imports		-14.0	12.0	-0.7	-0.9	2.2	2.6	2.5	-1.6	4.6	-1.8

(2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2009	2010	2010 Q4	2011 Q1	Q2	Q3	Q4	2011 Sep.	Oct.	Nov.
Raw materials ⁴	<36.5>	-14.9	5.5	-2.1	-1.3	-0.9	4.9	0.7	-1.1	2.0	-2.6
Intermediate goods	<14.9>	-15.4	18.5	-2.4	2.3	9.6	-2.6	2.4	-1.0	4.5	-0.3
Foodstuffs	<8.6>	1.0	2.2	-8.2	1.1	6.9	-3.4	7.2	1.4	3.2	4.9
Consumer goods ⁵	<8.5>	-10.3	22.7	10.9	-0.7	-3.8	2.3	-2.1	-1.5	3.7	-5.8
IT-related goods ⁶	<11.2>	-12.4	26.7	4.1	0.1	-1.4	2.7	7.9	0.5	13.2	-5.4
Capital goods and parts ⁷	<11.3>	-23.8	19.0	2.7	-0.9	2.1	5.8	4.1	-0.1	3.2	0.5
Excluding aircraft	<10.7>	-24.4	21.8	1.6	0.4	3.8	5.6	1.2	-2.9	6.6	-5.7
Real imports		-14.0	12.0	-0.7	-0.9	2.2	2.6	2.5	-1.6	4.6	-1.8

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2011/Q4 figures are October-November averages 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.

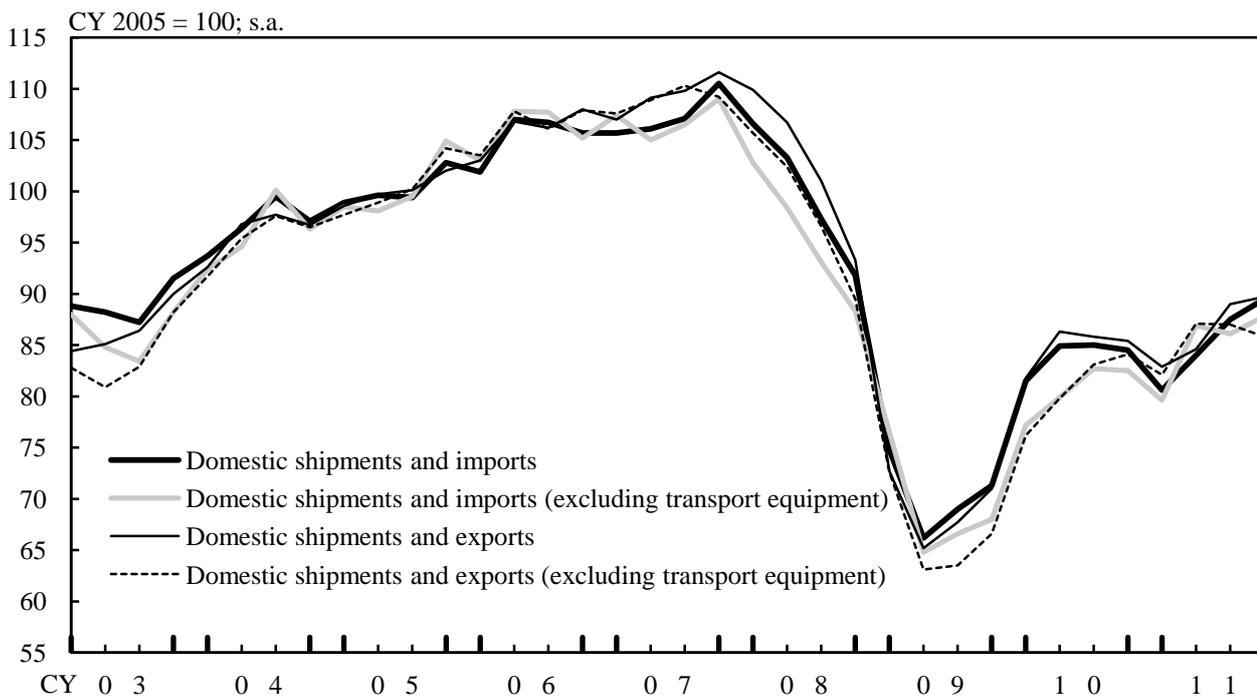
5. Excludes foodstuffs.

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.

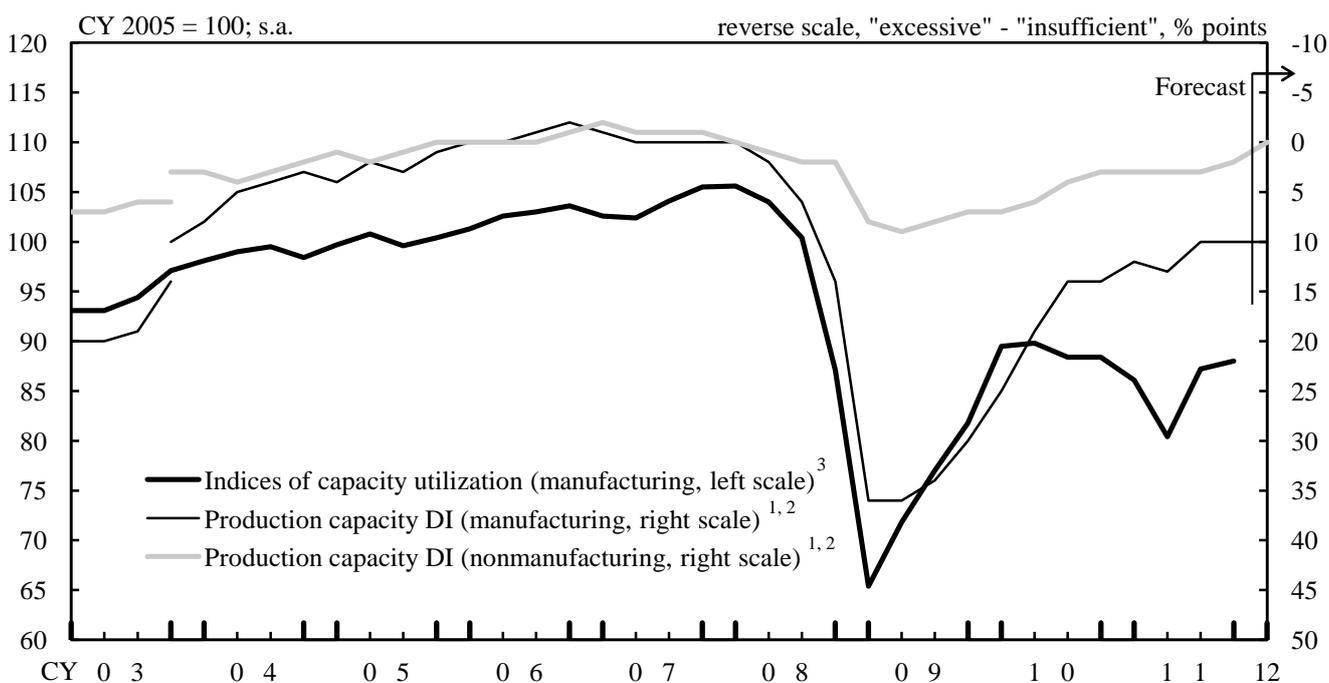
Coincident Indicators of Business Fixed Investment

(1) Aggregate Supply and Shipments of Capital Goods



Note: Figures for 2011/Q4 are October-November averages.

(2) Indices of Capacity Utilization and Production Capacity DI



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

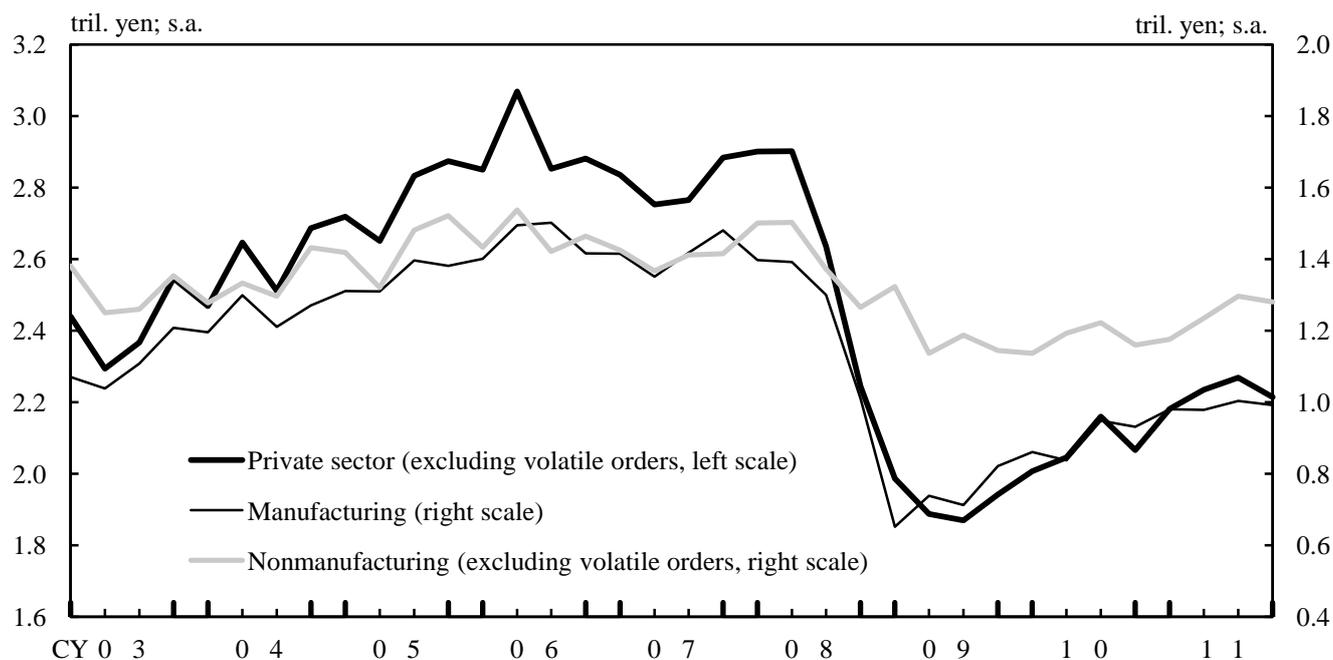
2. In the March 2004 survey, the "Tankan" underwent major revisions, including the addition of new sample enterprises to the survey. Figures up to the December 2003 survey are based on the previous data sets. Figures from the December 2003 survey are on the new basis.

3. The figure for 2011/Q4 is the average of October-November.

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."

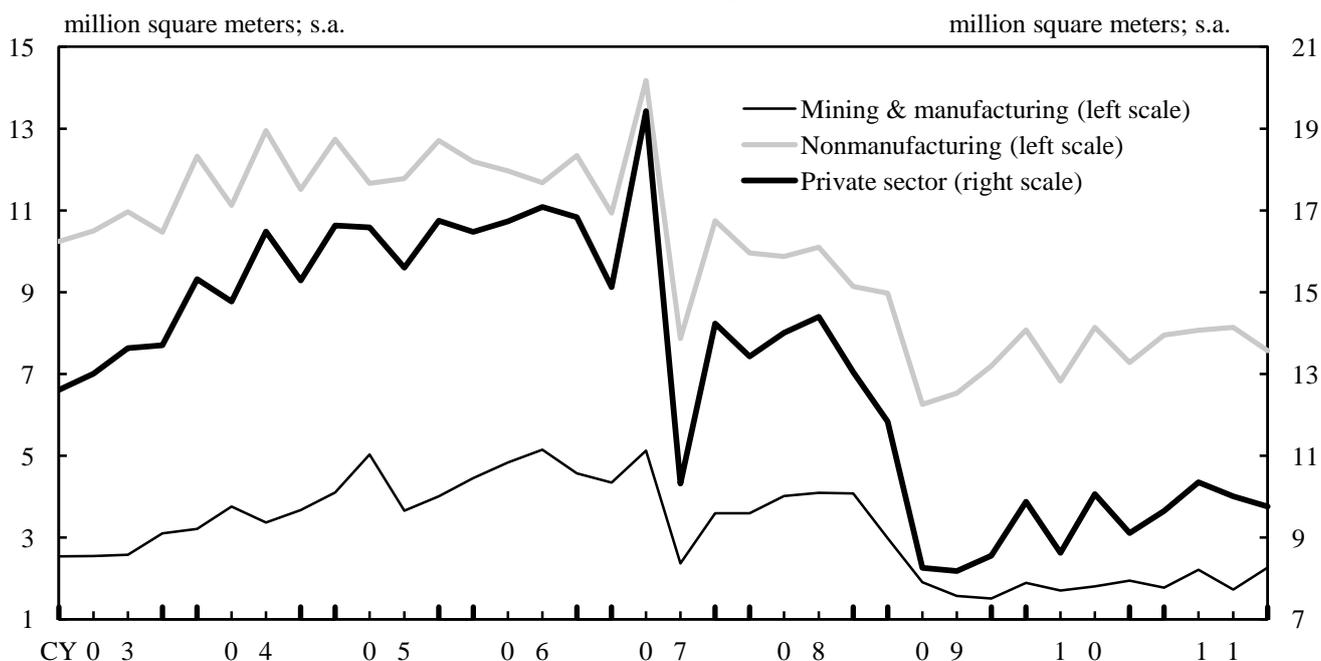
Leading Indicators of Business Fixed Investment

(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/Q4 are October-November averages in quarterly amount.

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

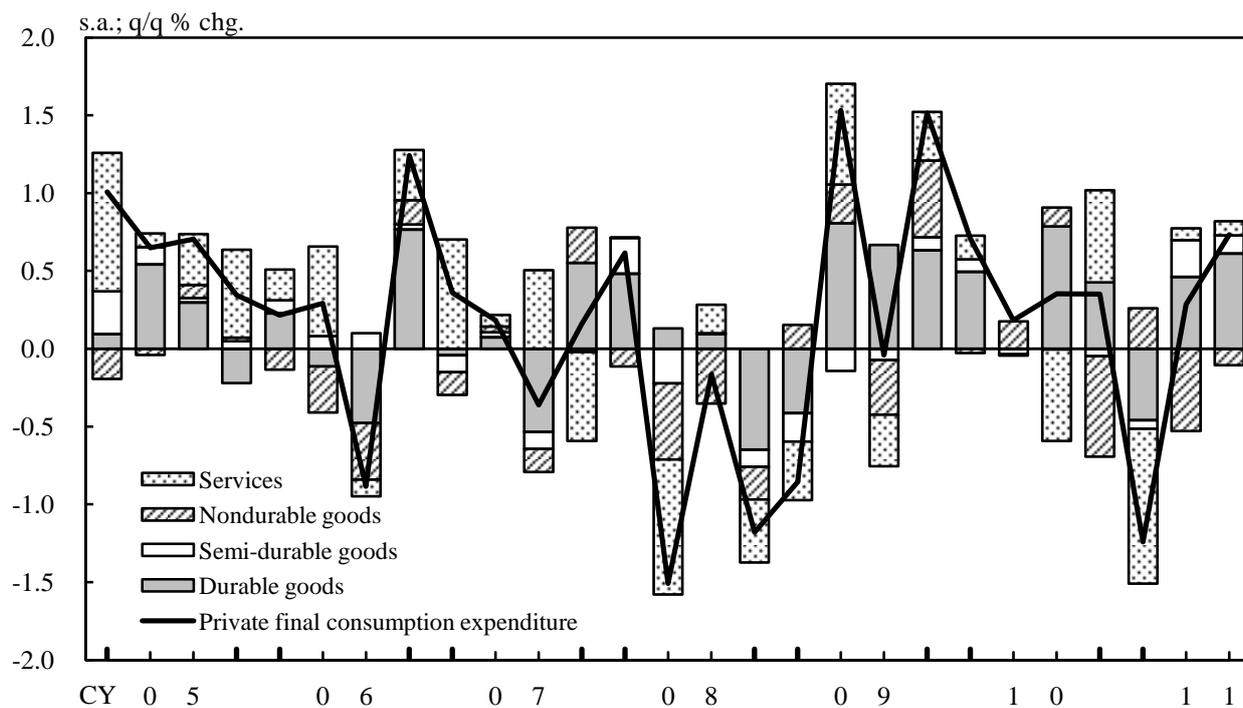


- Notes: 1. Seasonally adjusted by X-12-ARIMA.
 2. Following the revision of the "Standard Industrial Classification for Japan" in March 2002, the industry classification for "newspaper publishing and publishing business" was changed from "mining and manufacturing" to "nonmanufacturing." This new classification applies to data from FY 2003 onward. Accordingly, the data up to FY 2002 were adjusted by using a link coefficient.
 3. Figures for 2011/Q4 are October-November averages in quarterly amount.

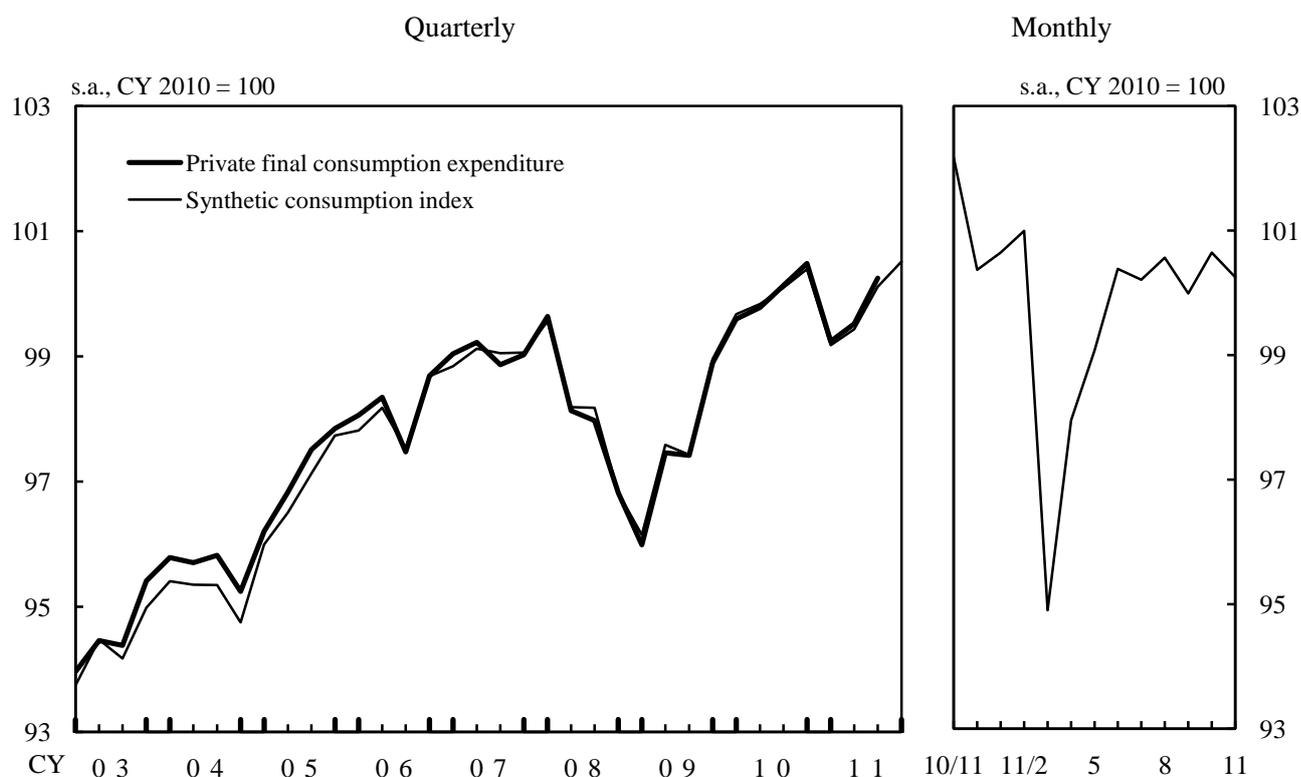
Sources: Cabinet Office, "Orders Received for Machinery";
 Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts."

Indicators of Private Consumption (1)

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



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

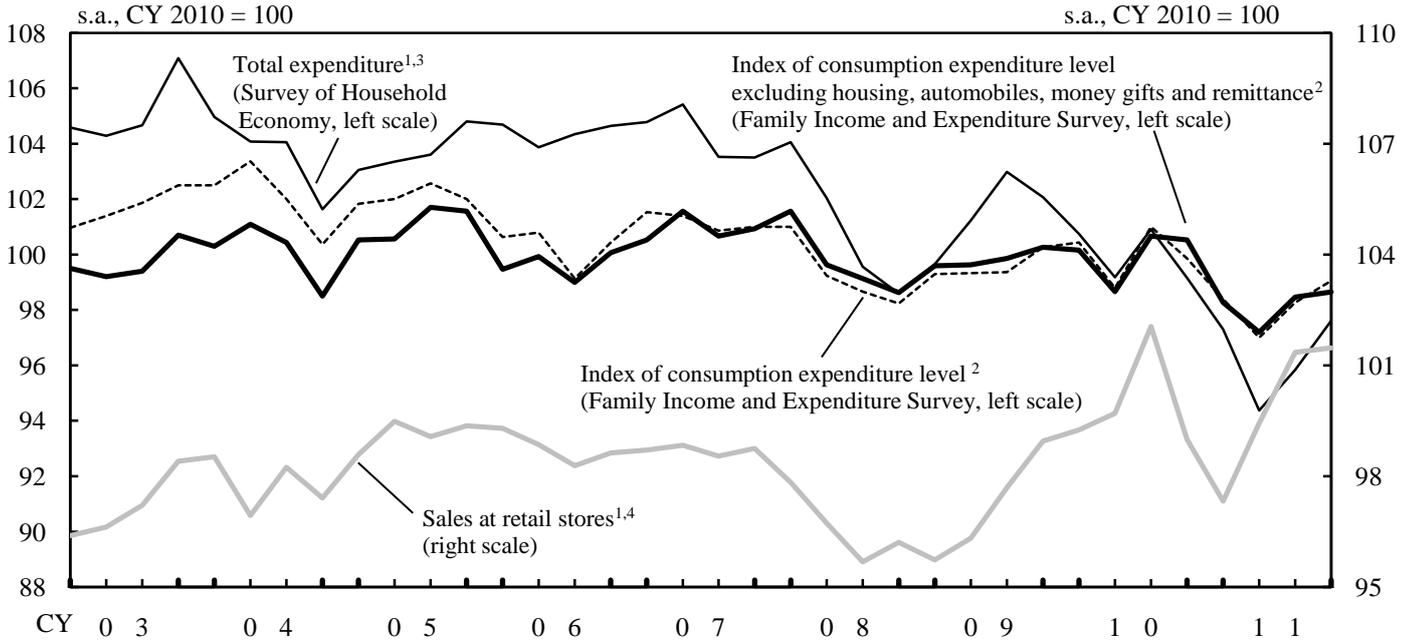


Note: The figure of the synthetic consumption index for 2011/Q4 is the average of October-November in quarterly amount. The data of this index have been retroactively revised.

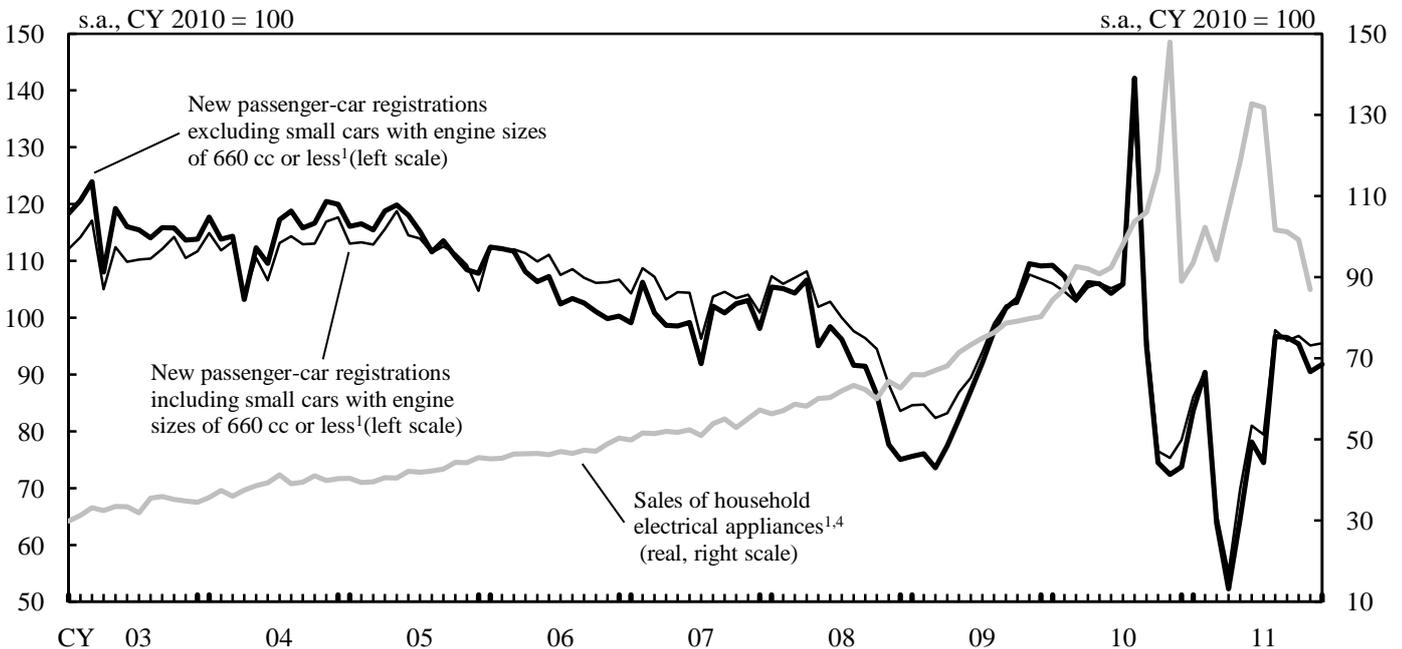
Source: Cabinet Office, "National Accounts," "Synthetic Consumption Index."

Indicators of Private Consumption (2)

(1) Household Spending (Real)⁵

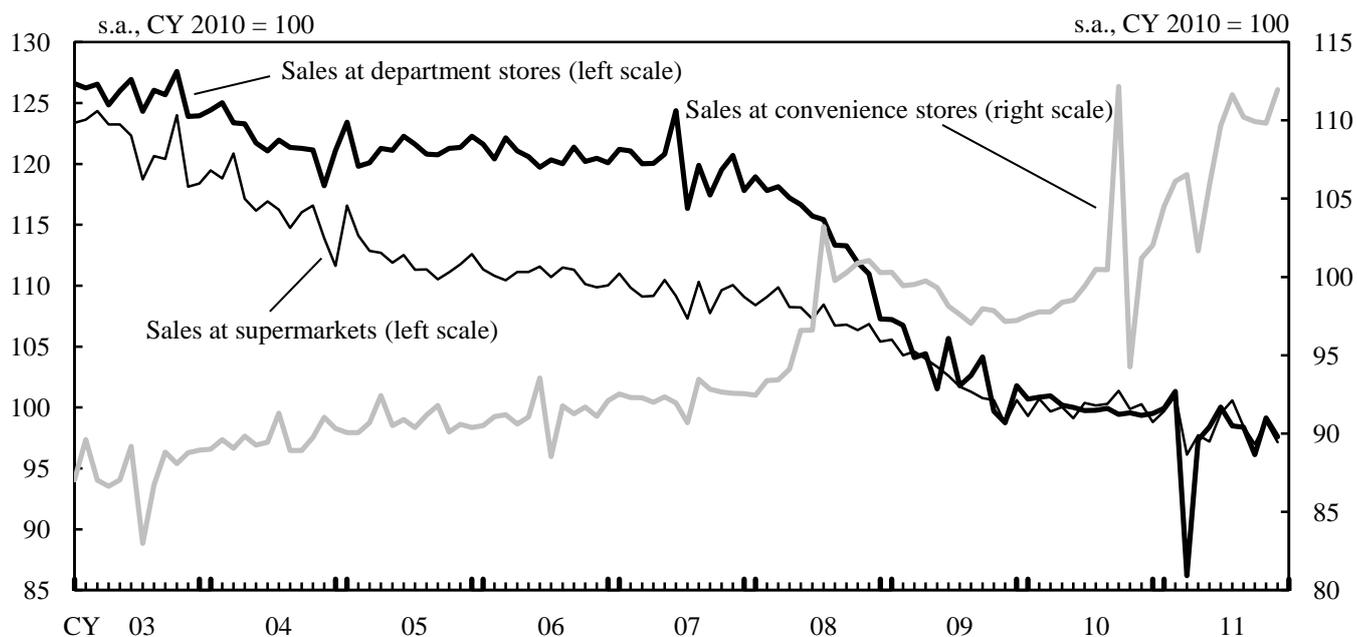


(2) Sales of Durable Goods

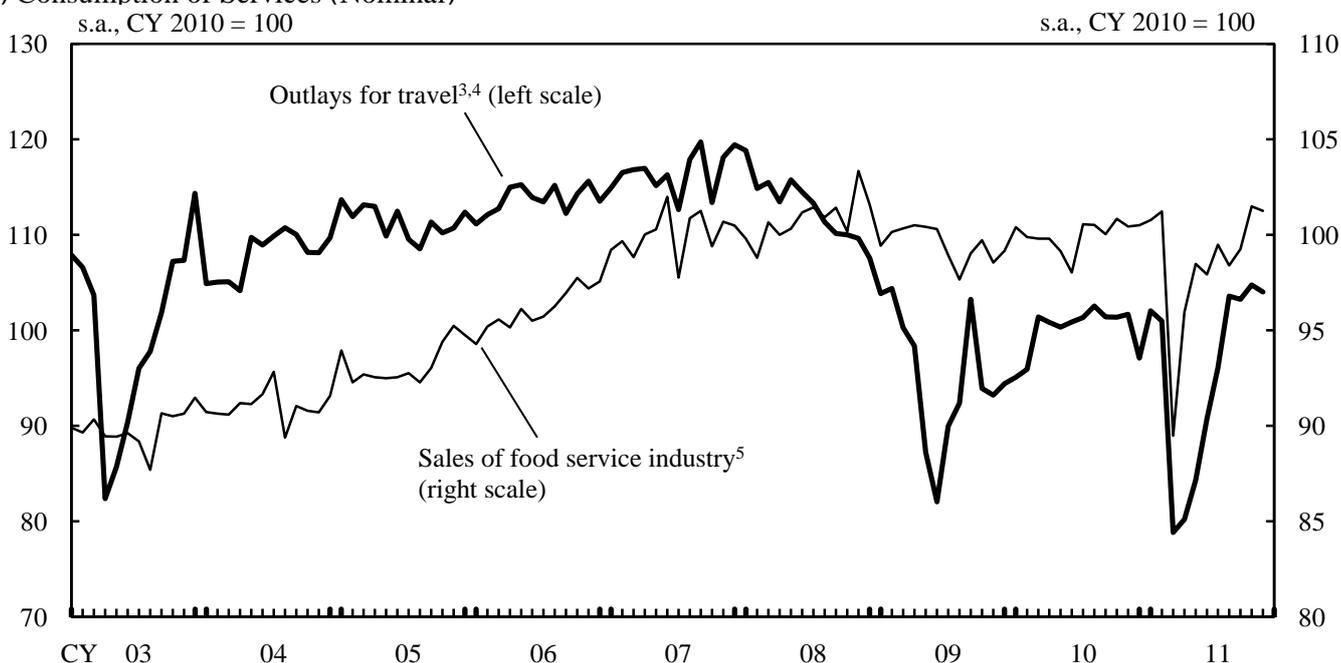


- Notes: 1. Total expenditure, sales at retail stores, sales of household electrical appliances and new passenger-car registrations are seasonally adjusted by X-12-ARIMA.
2. "Index of consumption expenditure level" is based on two-or-more-person households, and is adjusted using the distribution of household 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 the CPI.
5. Figures for 2011/Q4 are those of October-November 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 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.

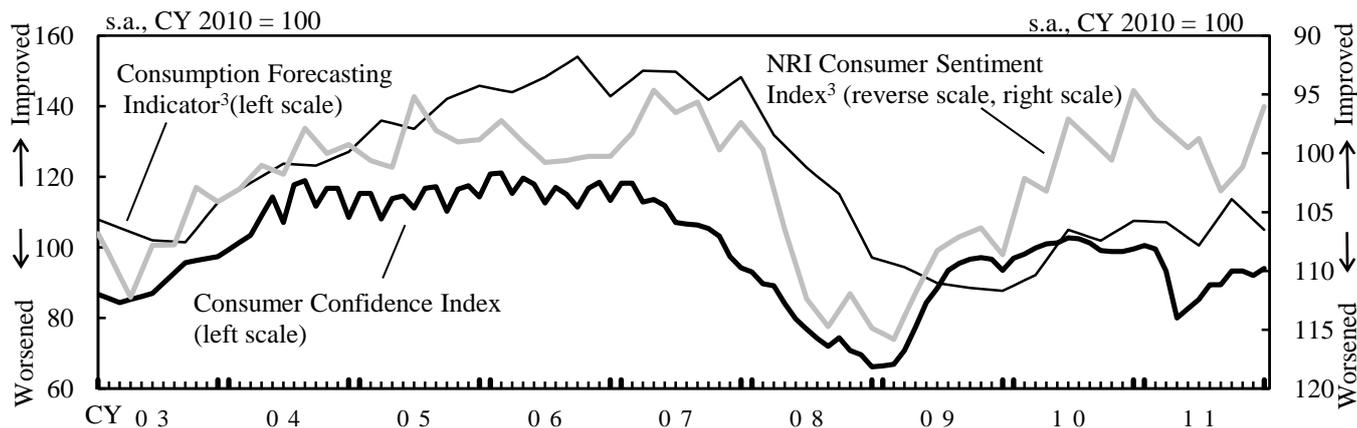
4. There are discontinuities in the underlying data as of April 2007 and April 2010 due to changes in the sample. Data from April 2007 and onward are calculated using the year-on-year rates of change.

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.

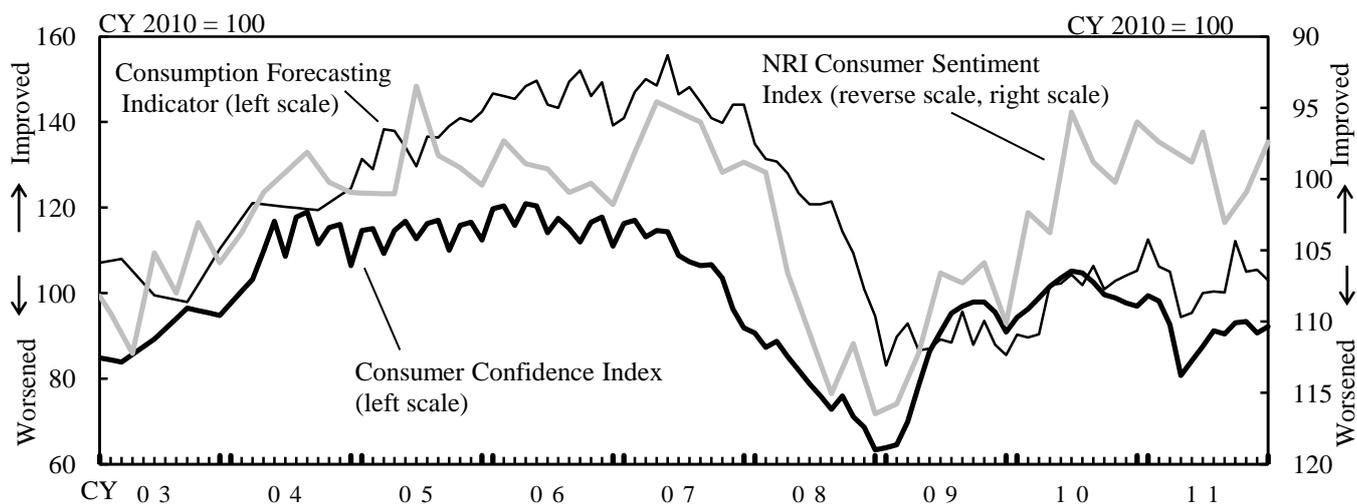
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce"; Japan Tourism Agency, "Major Travel Agents' Revenue"; Food Service Industry Survey & Research Center, "Getsuji Uriage Doukou Chousa (Monthly survey of food service sales)"; Japan Food Service Association, "Gaishoku Sangyou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

Consumer Confidence ^{1,2}

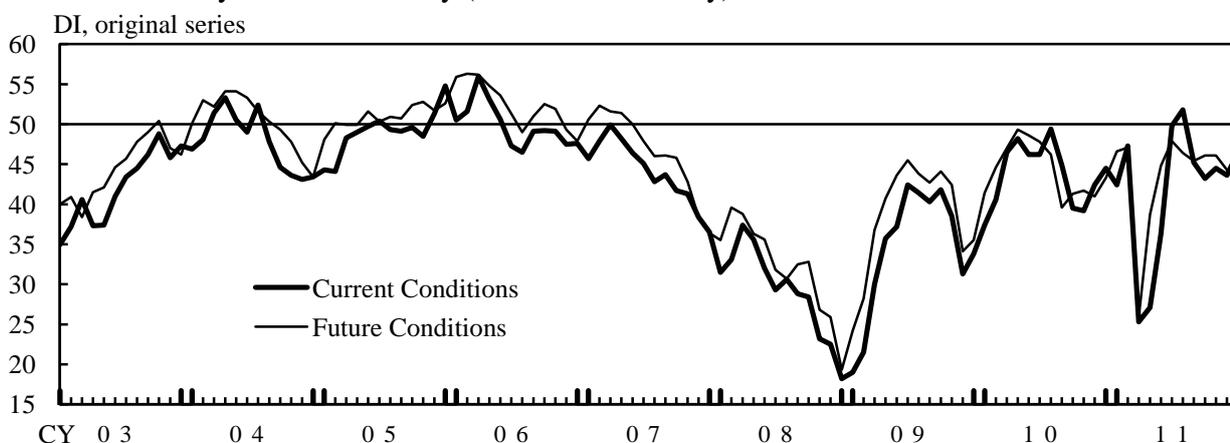
(1) Seasonally Adjusted Series



(2) Original Series



Reference: Economy Watchers Survey (Household Activity)

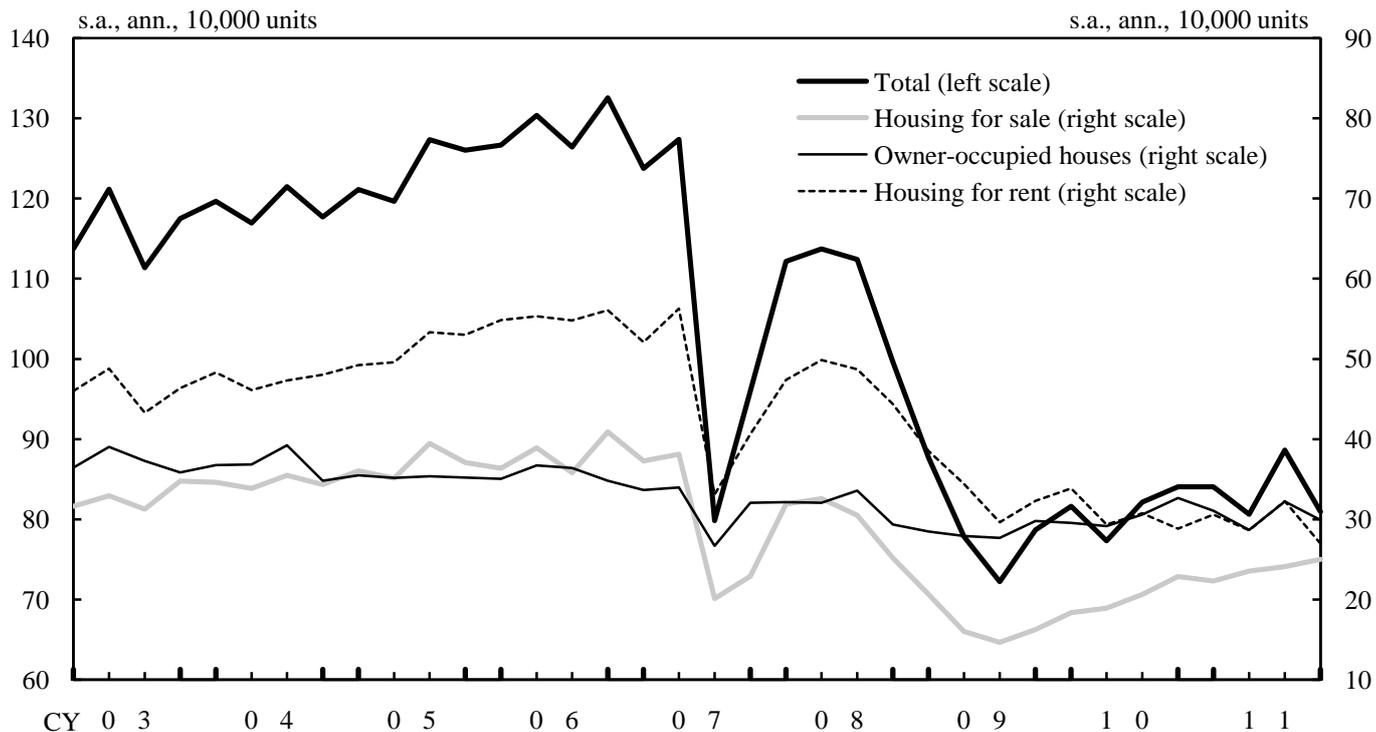


- Notes: 1. The Consumer Confidence Index (covering about 4,700 samples on a nationwide basis), Consumption Forecasting Indicator (600 samples in the metropolitan area), and NRI Consumer Sentiment Index (1,200 samples on a nationwide basis) are based on surveys on consumer confidence.
2. Figures are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

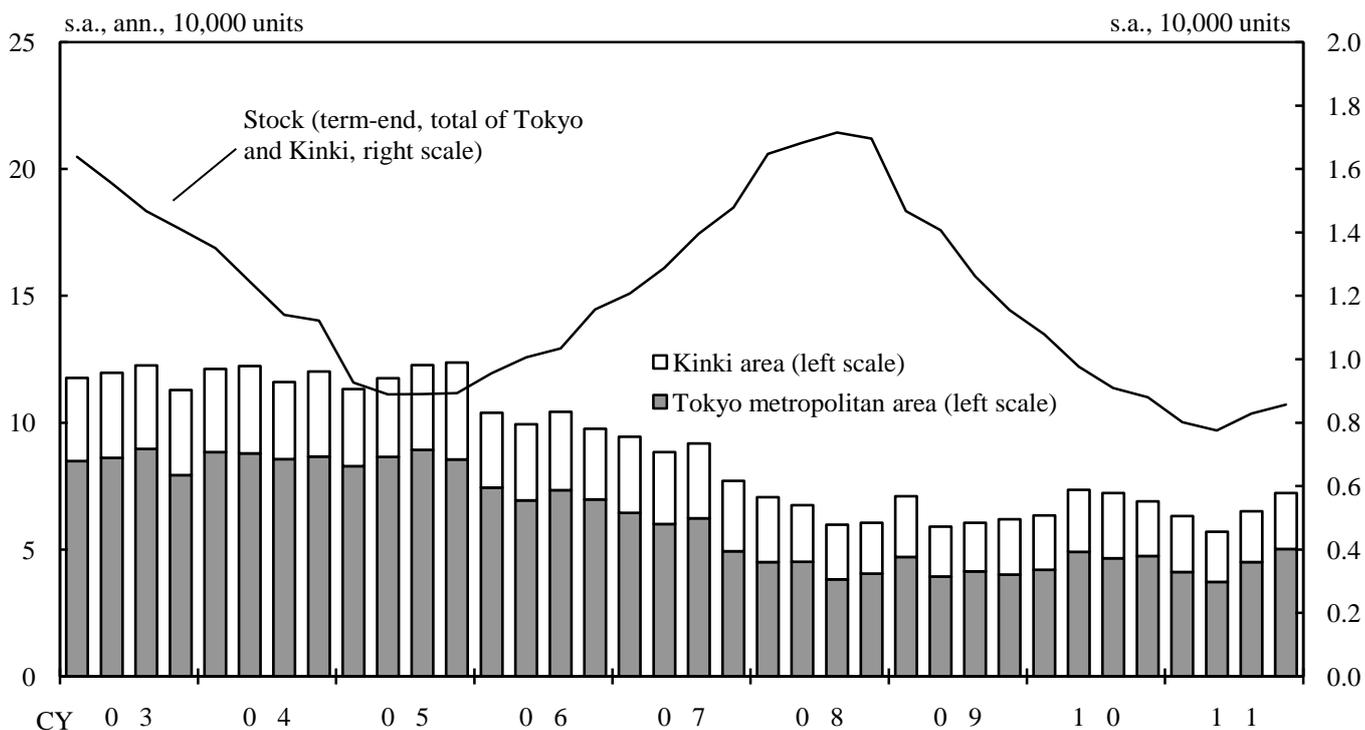
Indicators of Housing Investment

(1) Housing Starts



Note: Figures for 2011/Q4 are October-November averages.

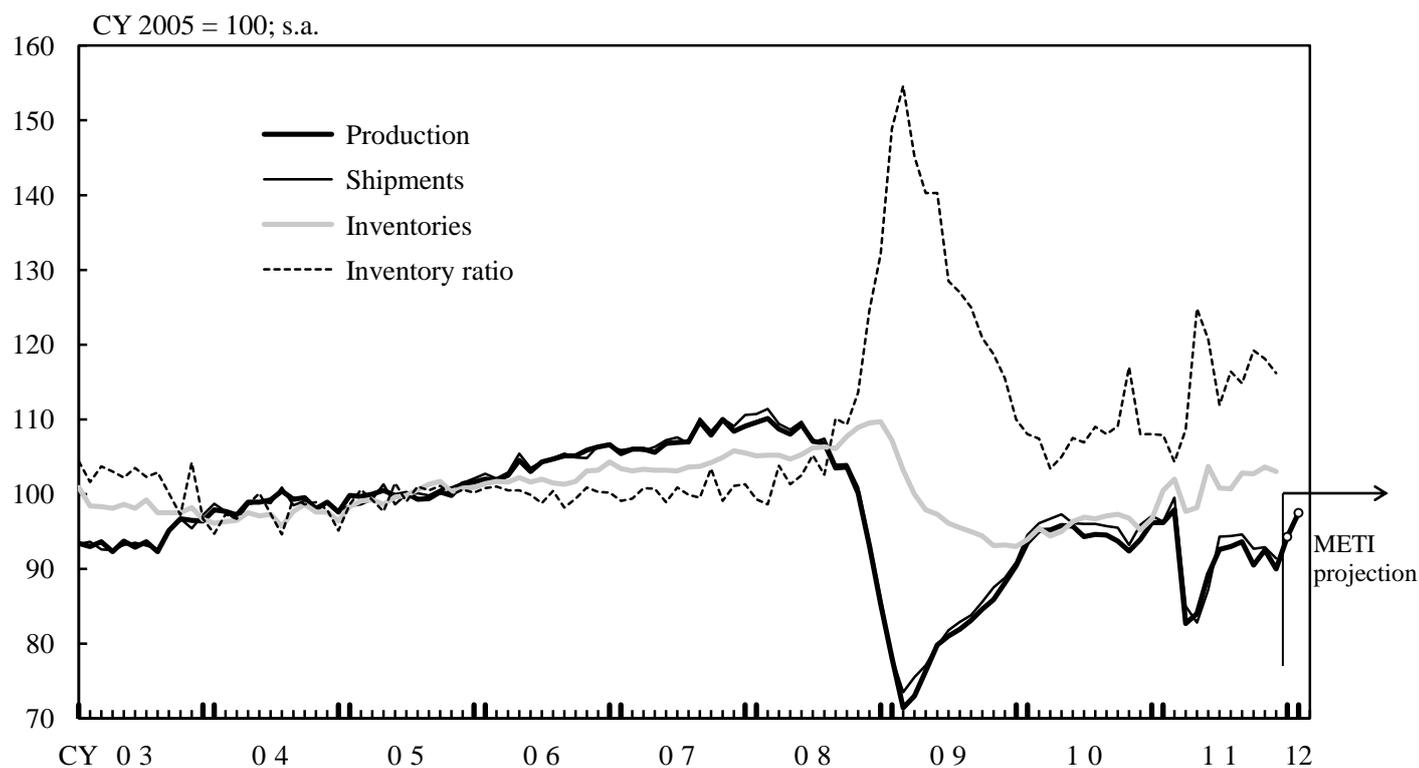
(2) Sales of Apartments



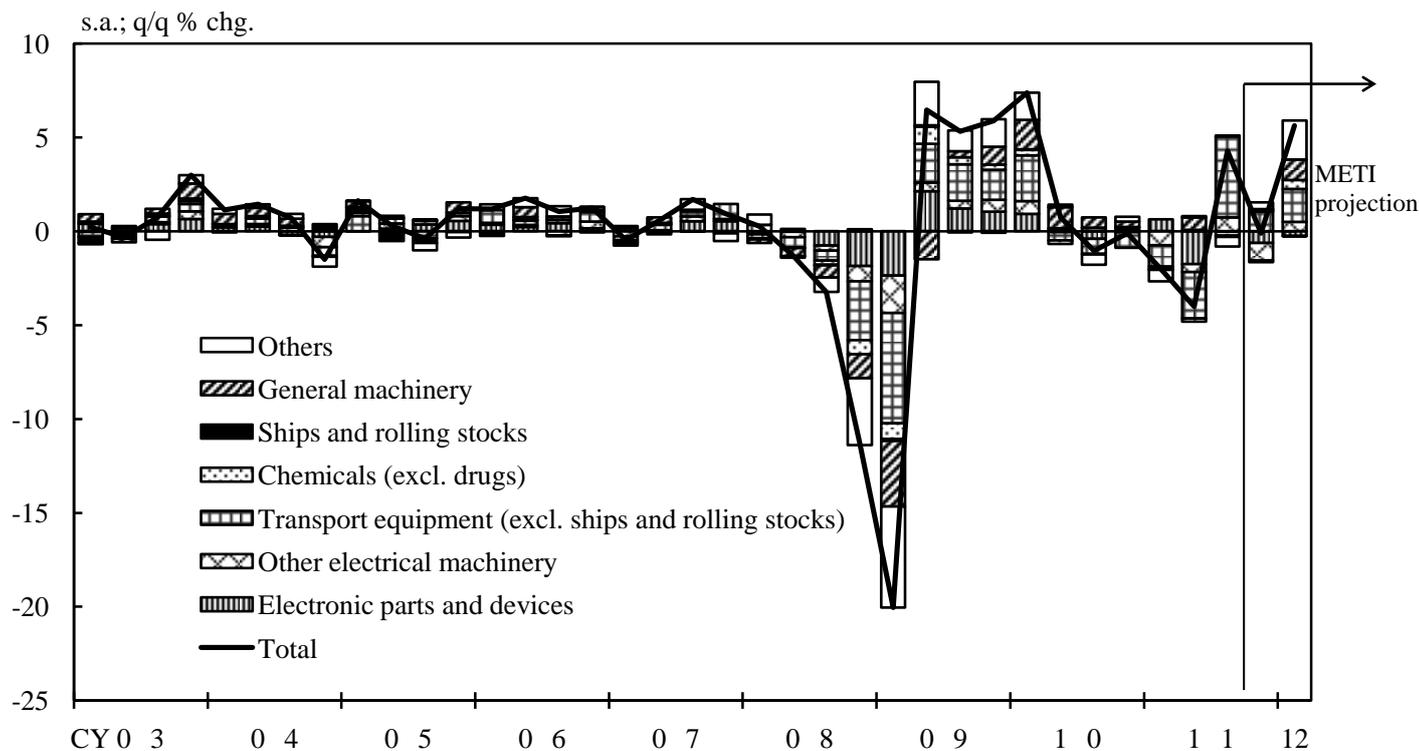
Note: Seasonally adjusted by X-12-ARIMA.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industry

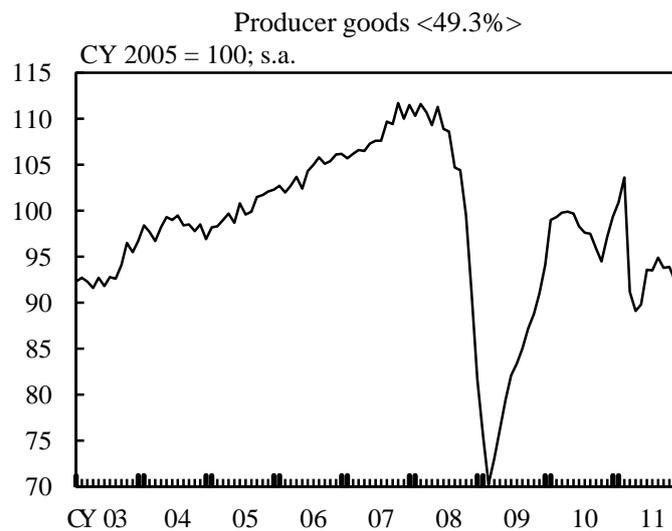
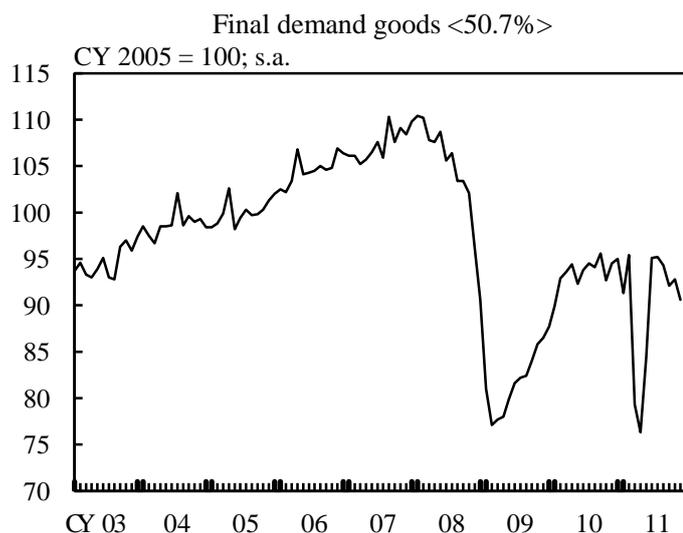


- Notes: 1. "Other electrical machinery" is the weighted sum of "electrical machinery" and "information and communication electronics equipment."
 2. 2003/Q1 figures are on the 2000 base.
 3. 2011/Q4 figures are based on the actual production levels in October and November, and the METI projection of December. 2012/Q1 figures are based on the assumption that the production levels in February and March are the same as those of January.

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

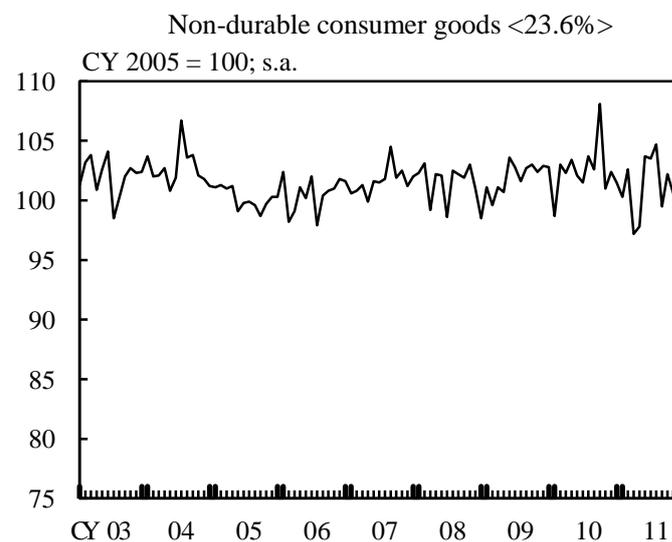
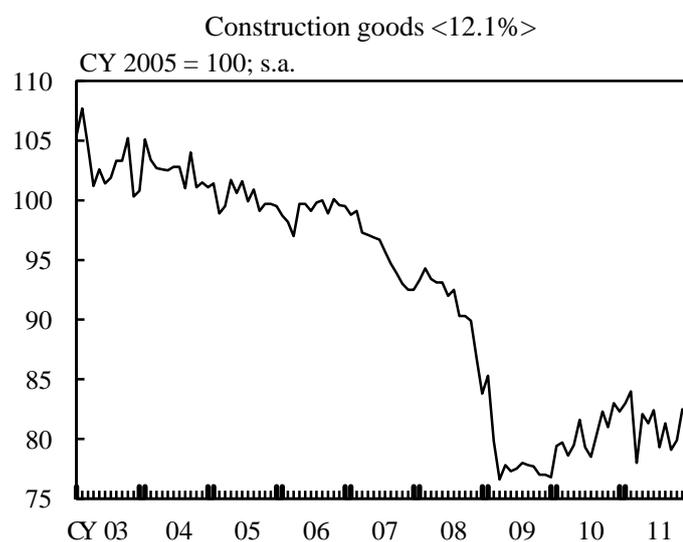
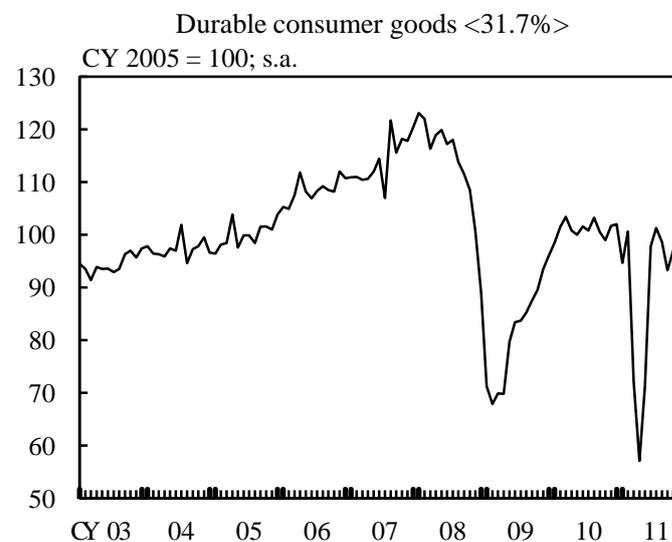
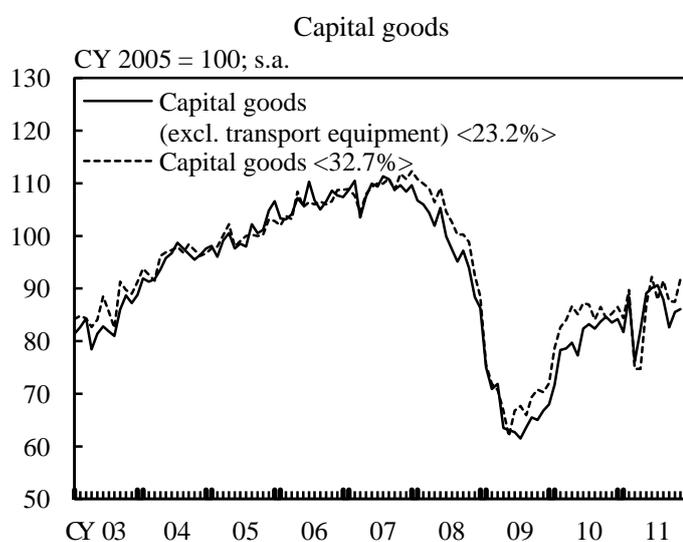
Shipments by Type of Goods

(1) Final Demand Goods and Producer Goods



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

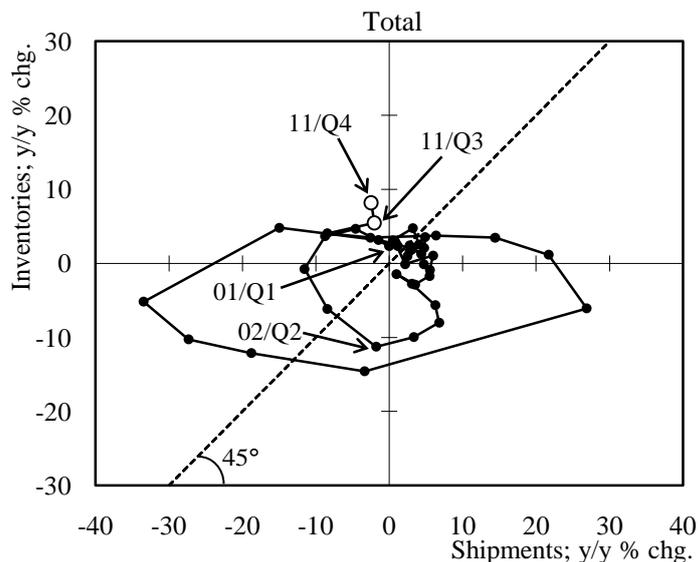
(2) Breakdown of Final Demand Goods



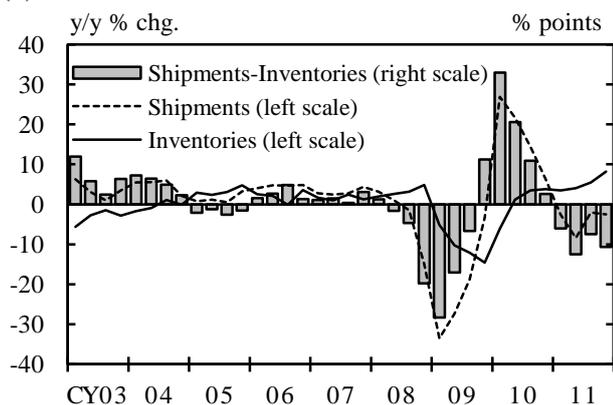
Note: Figures in angle brackets show the shares among shipments of final demand goods.

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

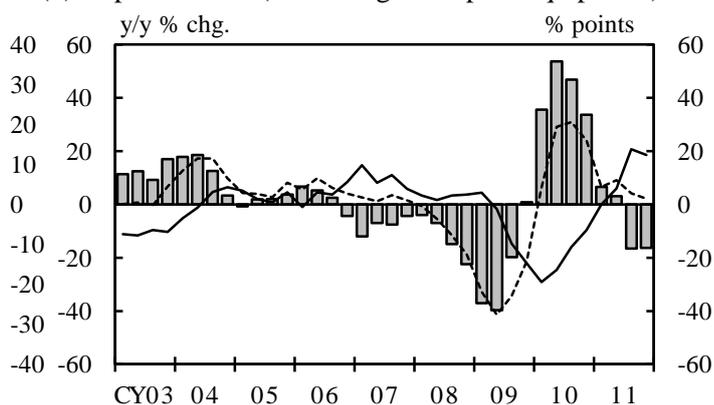
Inventory Cycle



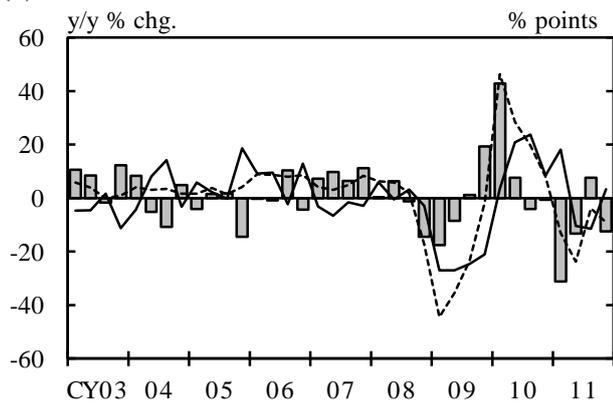
(1) Total



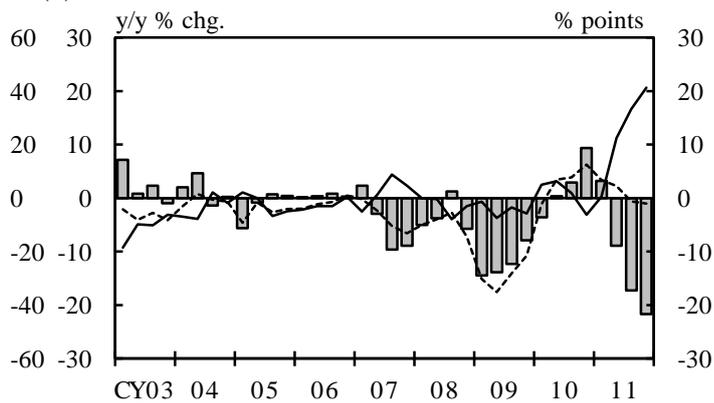
(2) Capital Goods (Excluding Transport Equipment)



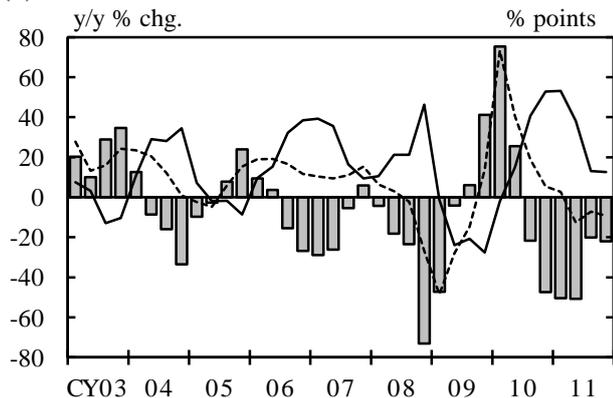
(3) Durable Consumer Goods



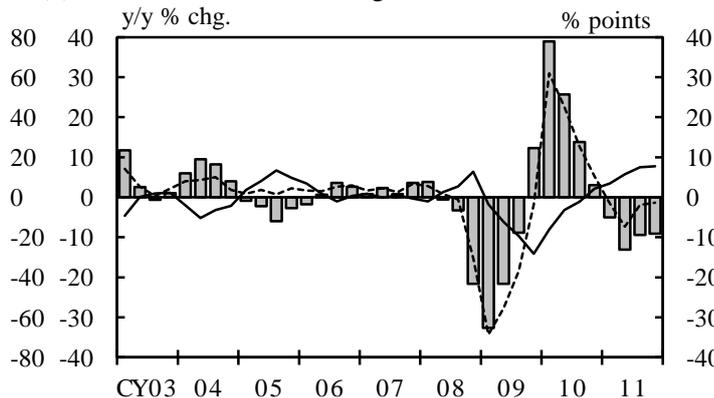
(4) Construction Goods



(5) Electronic Parts and Devices



(6) Producer Goods Excluding Electronic Parts and Devices

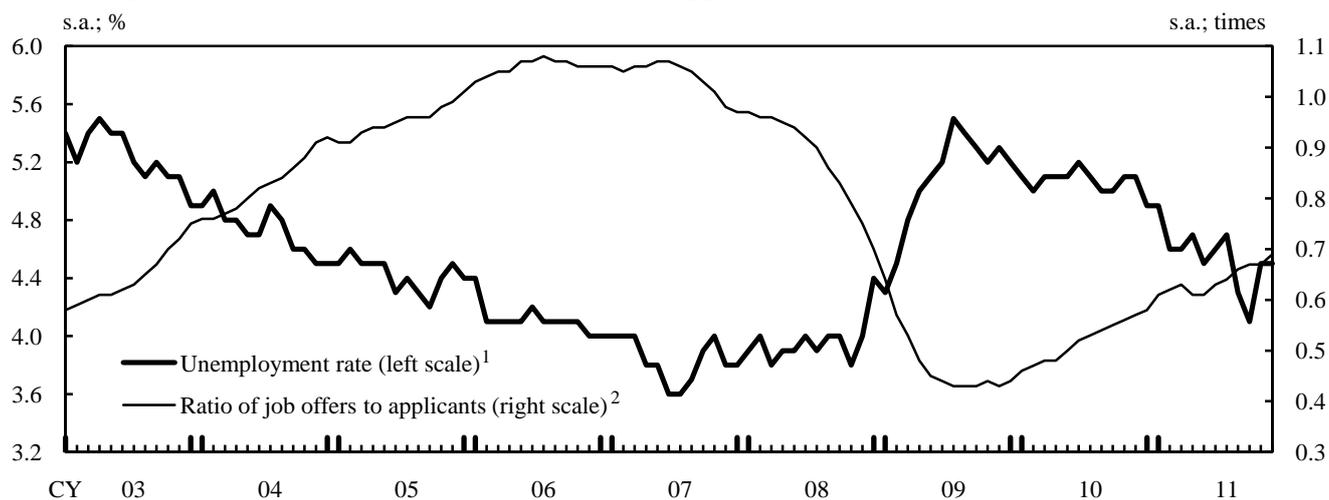
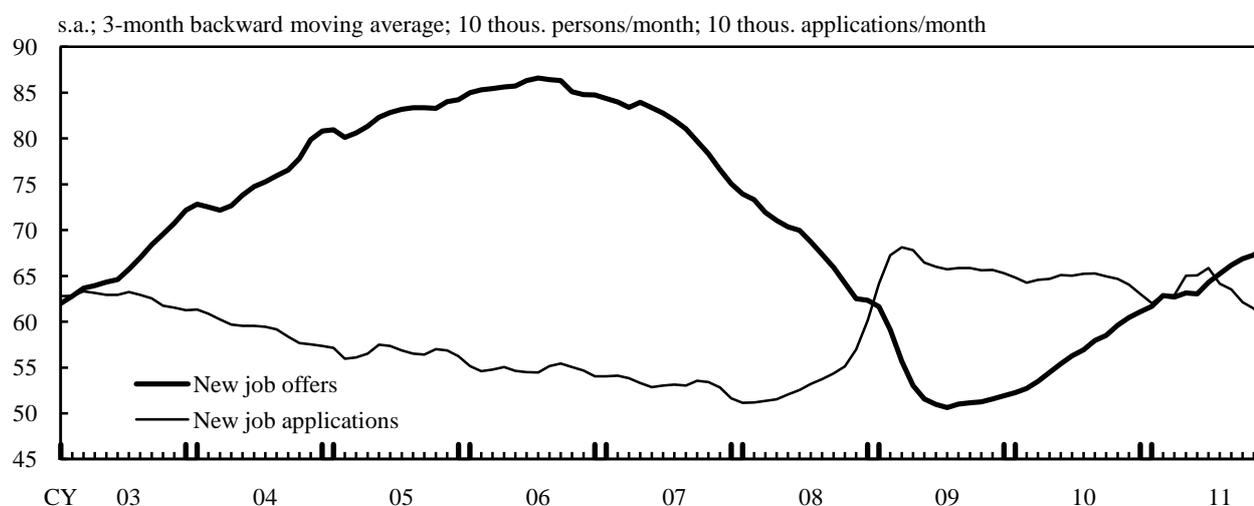
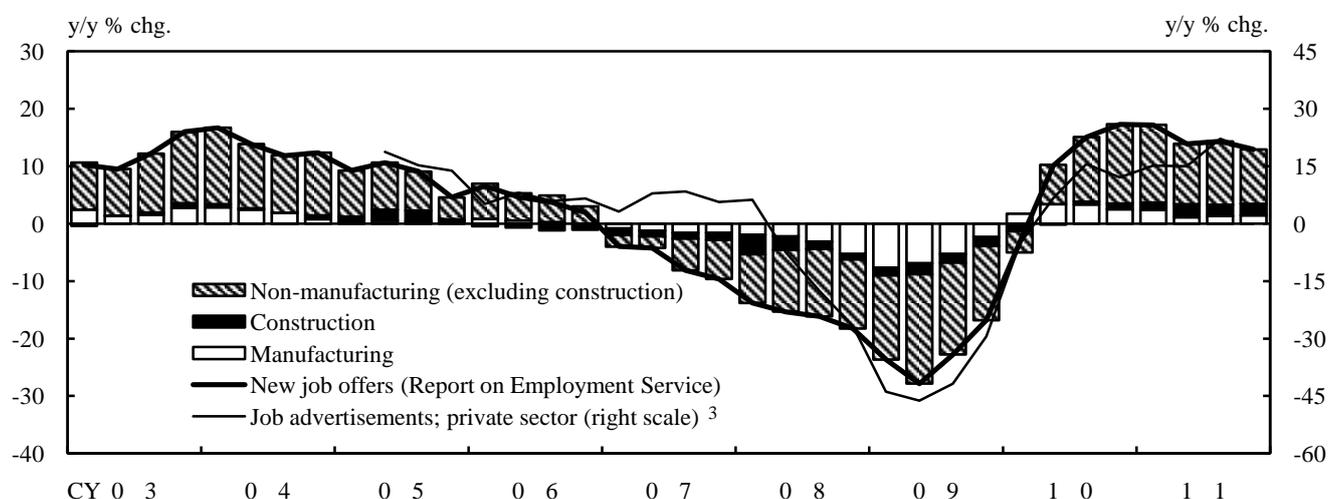


Note: Figures of shipments for 2011/Q4 are October-November averages.
Inventories for 2011/Q4 are those of November.

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 to August 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.

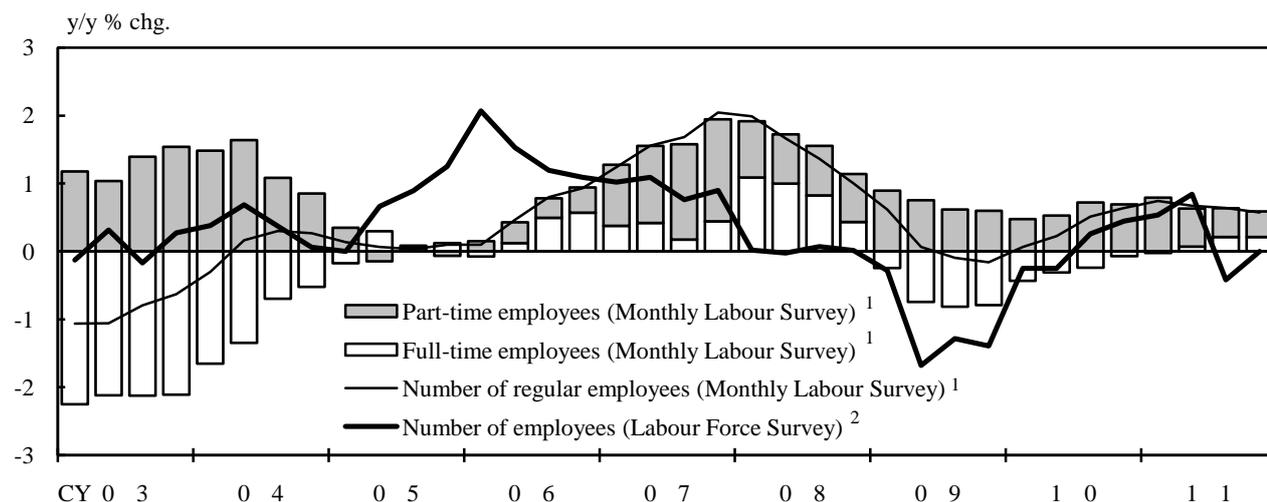
3. Figures are the sum of job advertisements listed in free/paid job information magazines, newspaper inserts, and job information websites provided by member companies of the Association of Job Information of Japan.

4. Figures for 2011/Q4 are October-November averages.

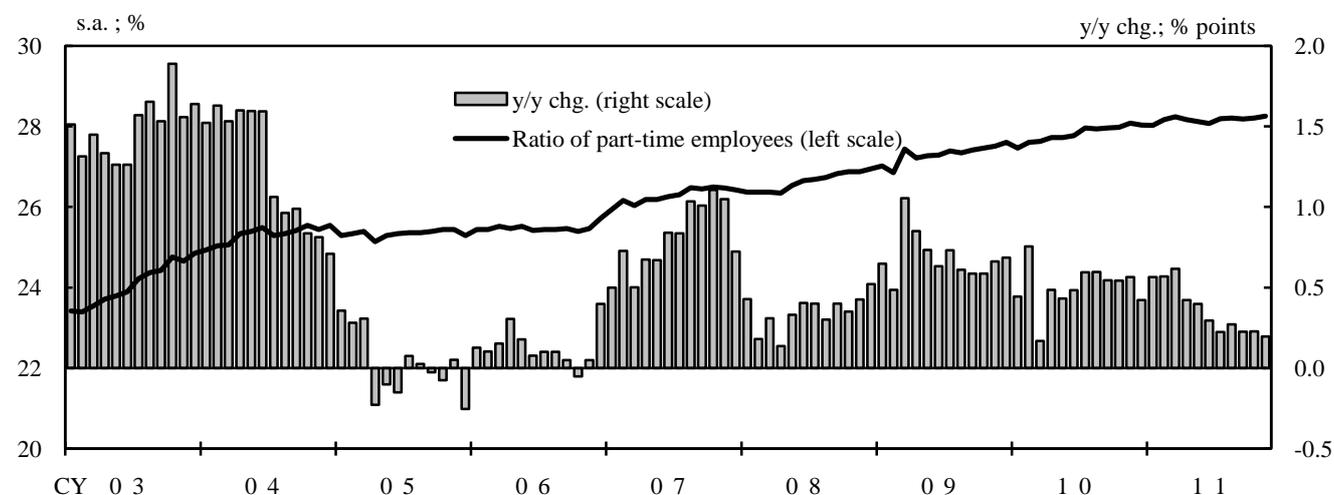
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service";
Ministry of Internal Affairs and Communications, "Labour Force Survey";
Association of Job Information of Japan, "Kyujin Koukoku Keisaikensu (Survey of job advertisements)."

Labor Market (2)

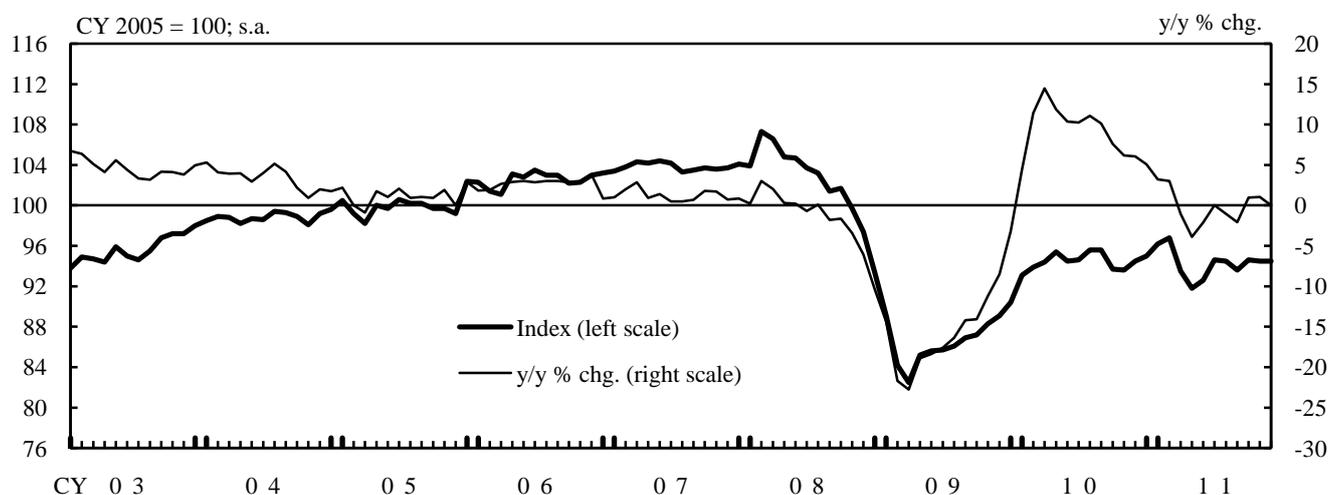
(1) Number of Employees⁴



(2) Ratio of Part-Time Employees^{1,3}



(3) Non Scheduled Hours Worked¹

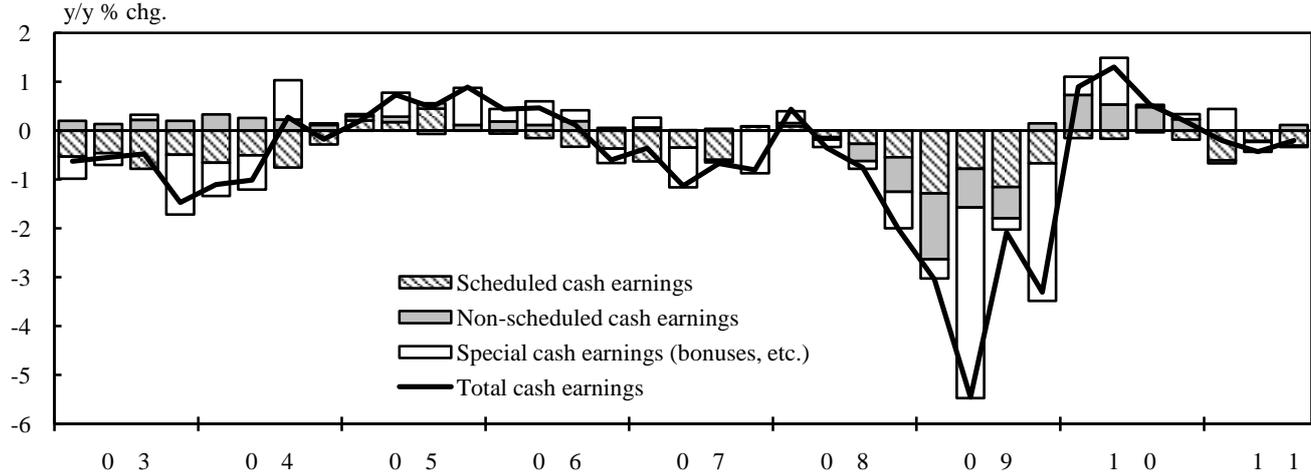


- Notes: 1. Data are for establishments with at least five employees.
- 2. Figures from 2011/Q1 to 2011/Q3 are based on data which exclude Iwate, Miyagi, and Fukushima Prefectures.
- 3. The ratio of part-time employees is calculated as the number of part-time employees divided by the number of regular employees times 100.
- 4. Figures for 2011/Q4 are October-November averages.

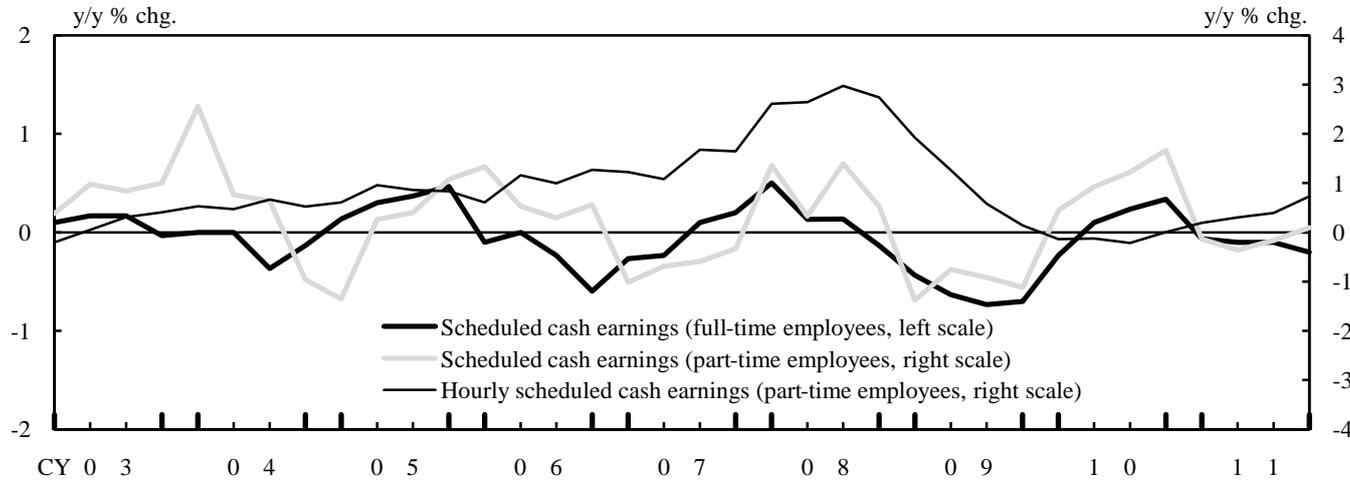
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
Ministry of Internal Affairs and Communications, "Labour Force Survey."

Employee Income

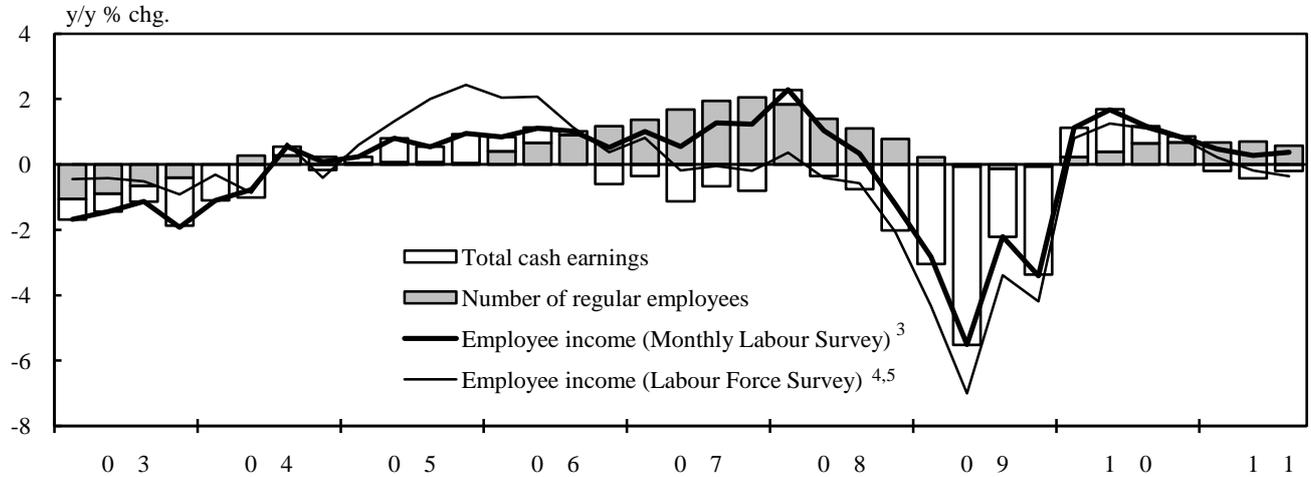
(1) Breakdown of Total Cash Earnings^{1,2}



(2) Scheduled Cash Earnings^{1,6}



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

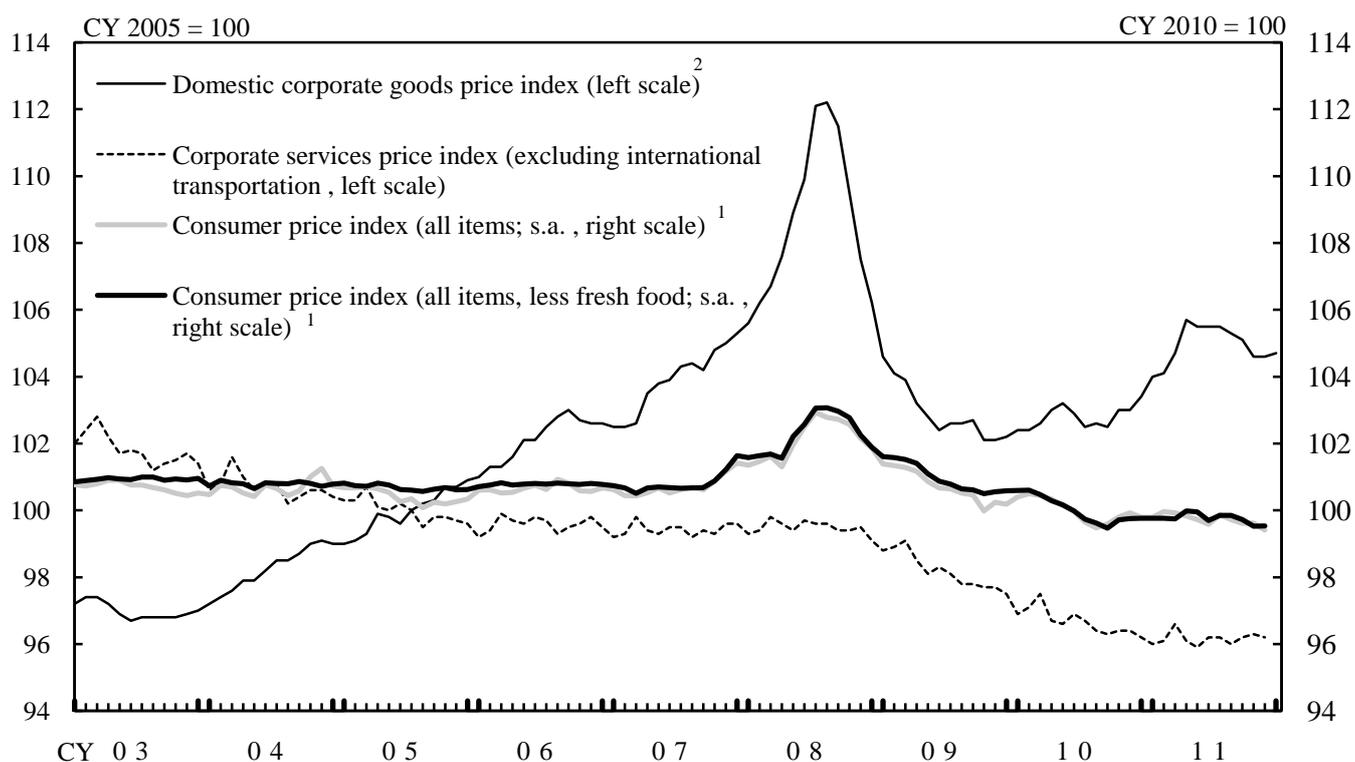


Notes: 1. Data of the "Monthly Labour Survey" are for establishments with at least five employees.
 2. Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.
 3. Calculated as the "number of regular employees" (Monthly Labour Survey) times "total cash earnings" (Monthly Labour Survey).
 4. Calculated as the "number of employees" (Labour Force Survey) times "total cash earnings" (Monthly Labour Survey).
 5. The "number of employees" (Labour Force Survey) used for calculating figures from 2011/Q1 to 2011/Q2 excludes Iwate, Miyagi, and Fukushima Prefectures.
 6. Figures for 2011/Q4 are October-November averages.

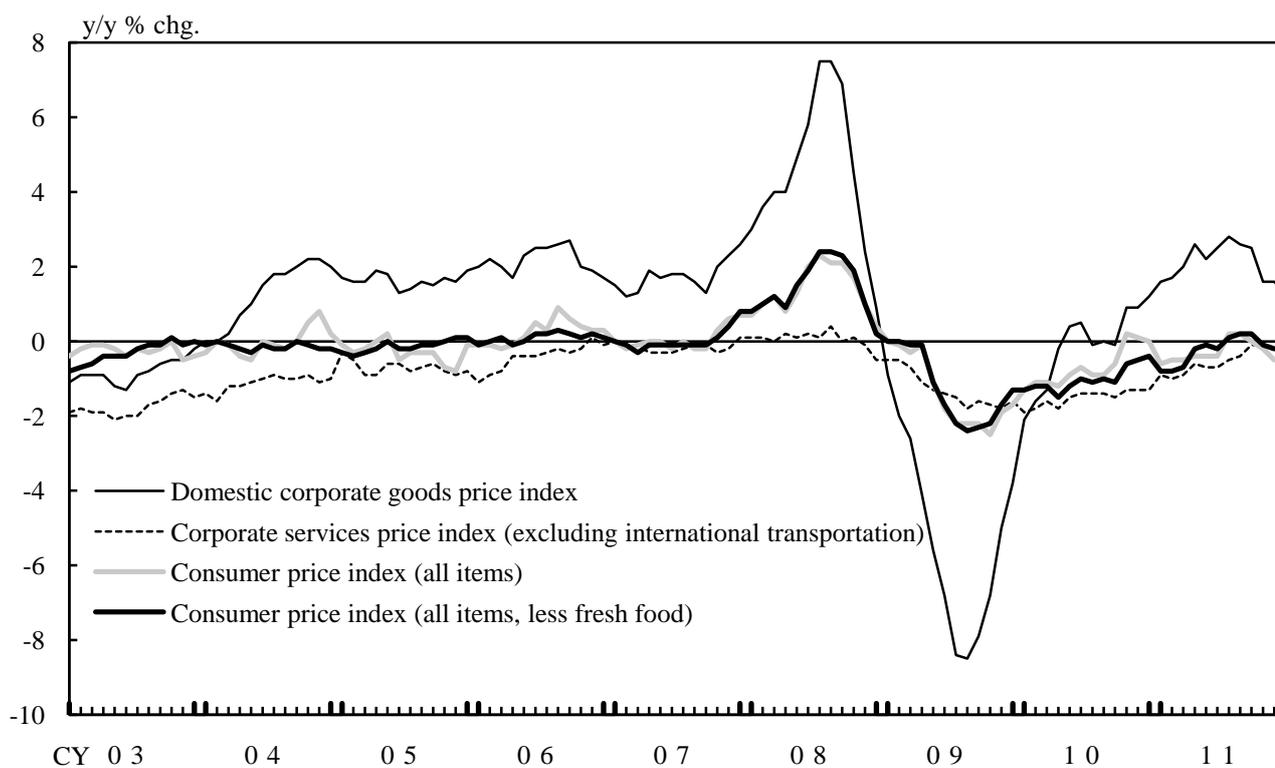
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
 Ministry of Internal Affairs and Communications, "Labour Force Survey."

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.

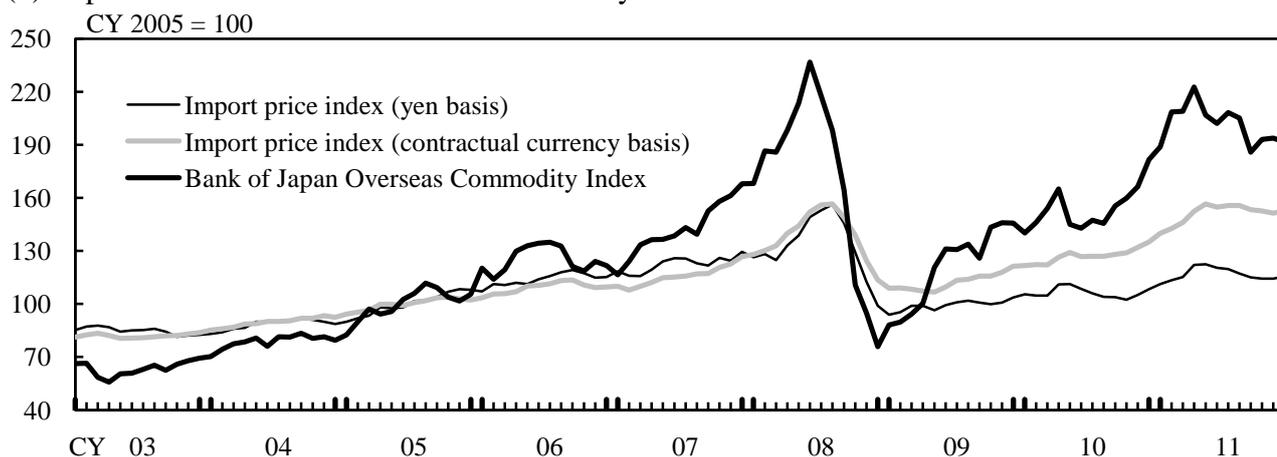
3. The levels of "Consumer Price Index" up to 2009 are based on the linked indices.

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

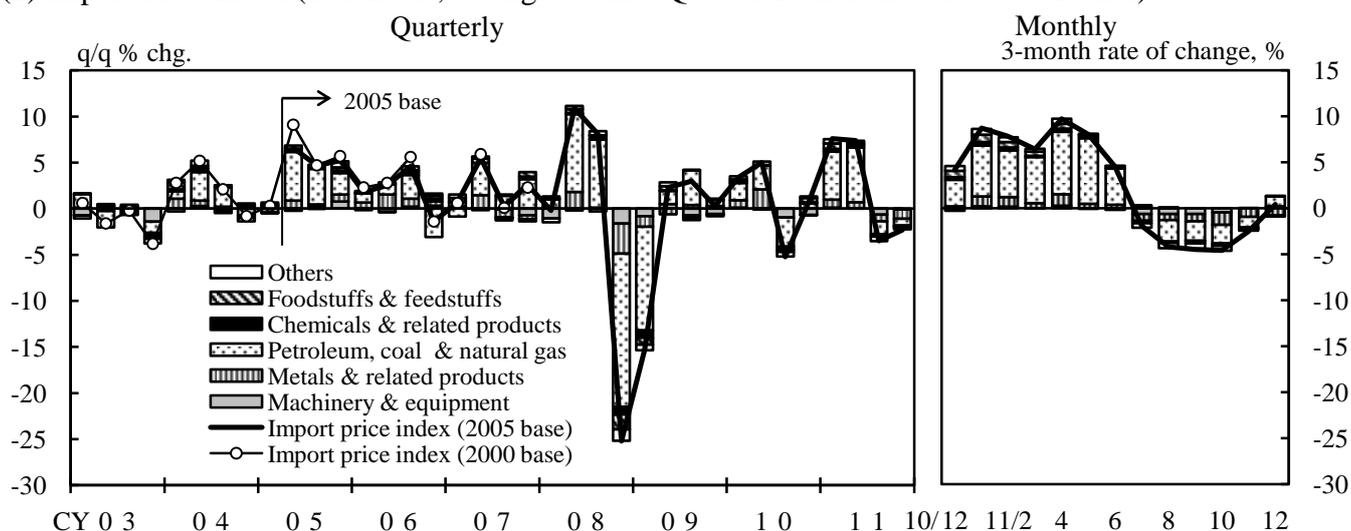
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index."

Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



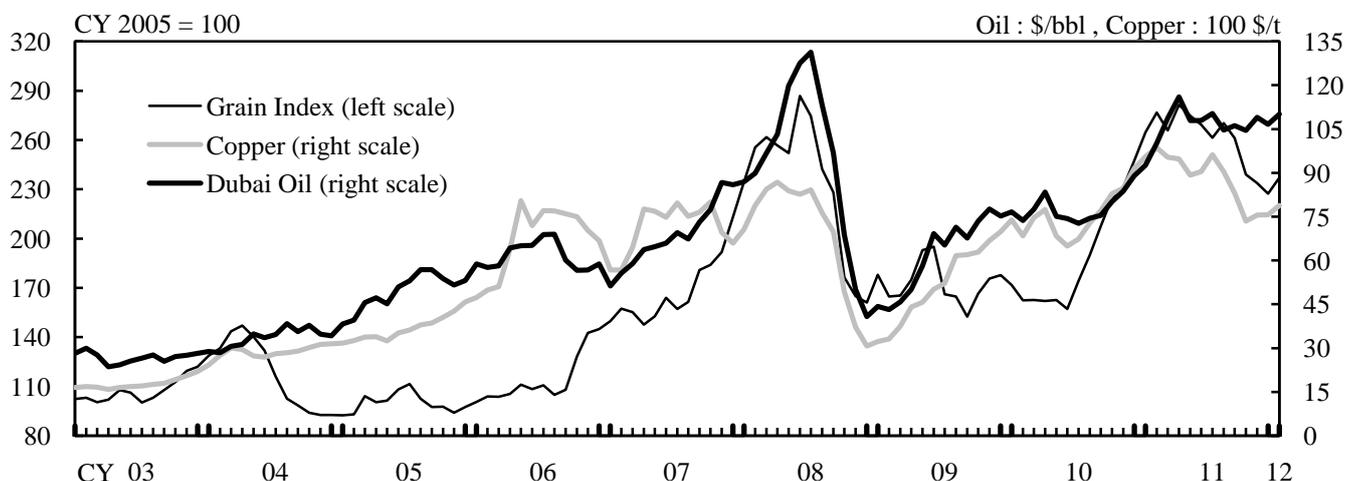
(2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



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

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

(3) International Commodity Prices



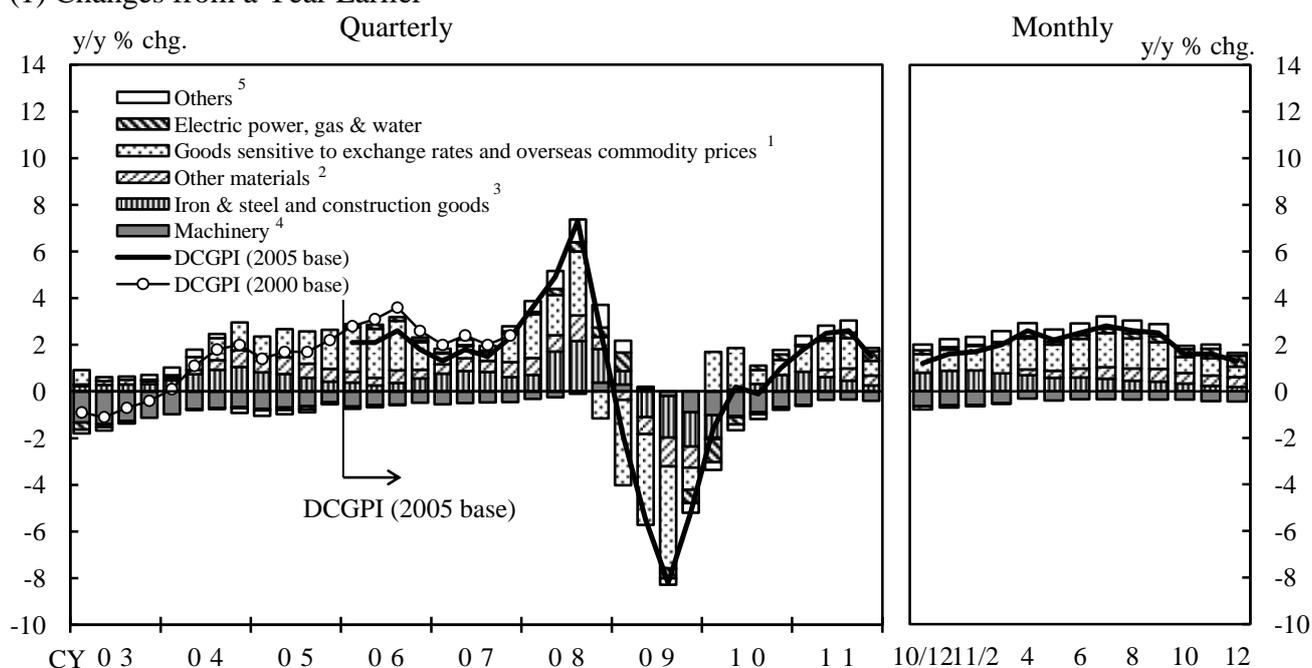
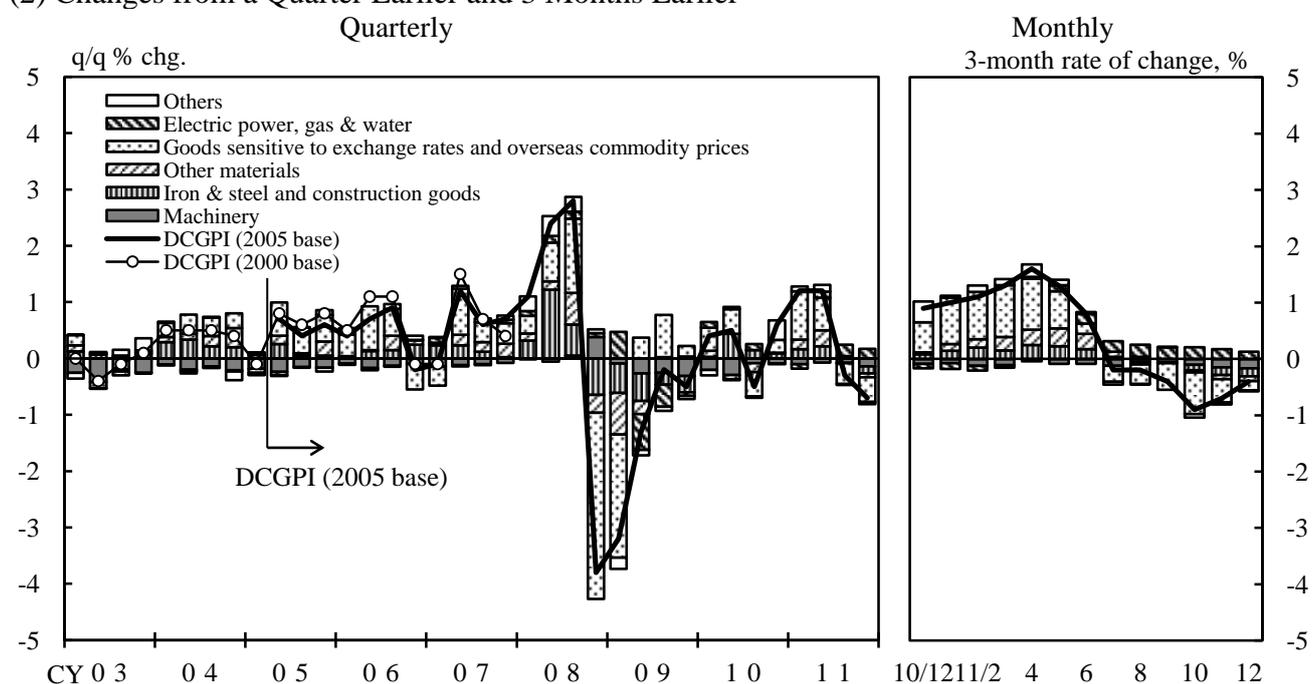
Notes: 1. The "grain index" is the weighted average of prices of three selected items (wheat, soybeans, and corn) in overseas commodity markets. The weights are based on the value of imports in the "Trade Statistics."

2. Monthly averages. Figures for January 2012 are averages up to January 23.

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.

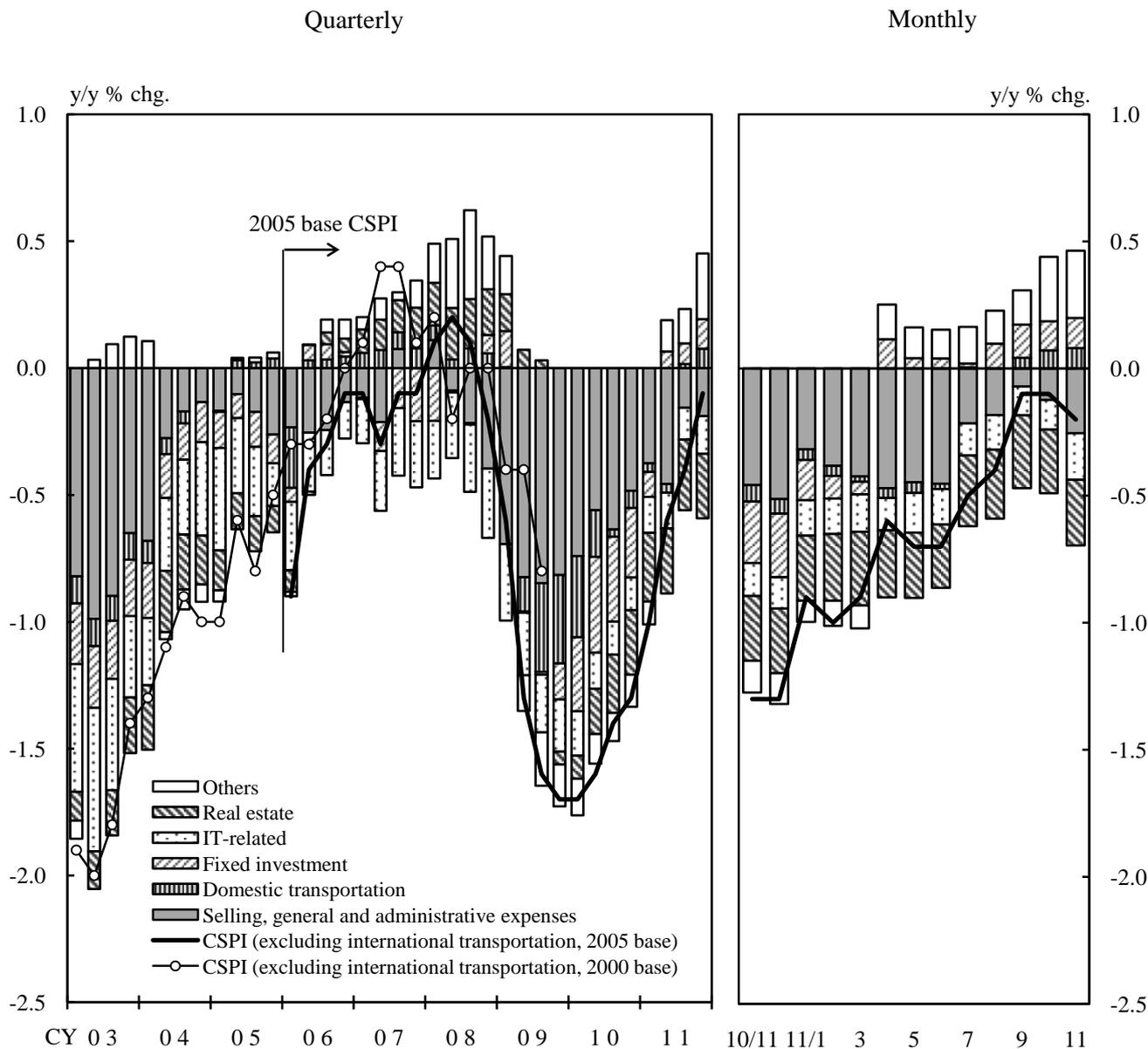
4. Machinery: electrical machinery & equipment, information & communications equipment, electronic components & devices, general machinery & equipment, transportation equipment, and precision instruments.

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

Corporate Services Price Index

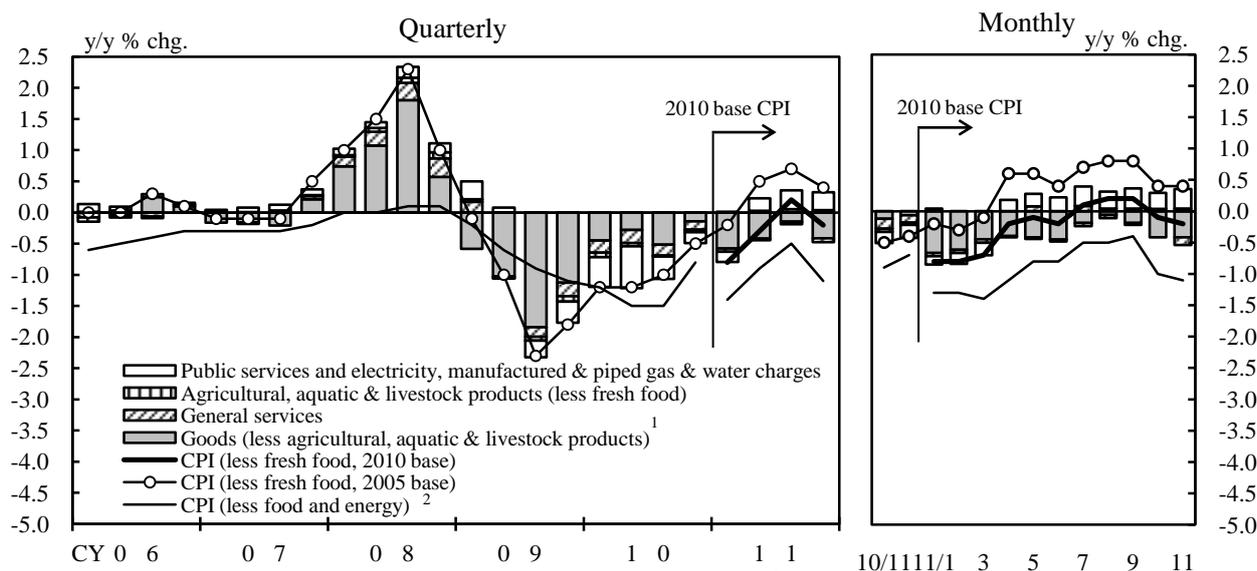


- Notes: 1. Selling, general and administrative expenses: information and communications (excluding newspapers and publishing), advertising services, other services (excluding plant engineering, and civil engineering and architectural services).
 2. Domestic transportation: transportation (excluding 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/Q4 are October-November averages. Figures for 2009/Q3 on the 2000 base are July-August averages.

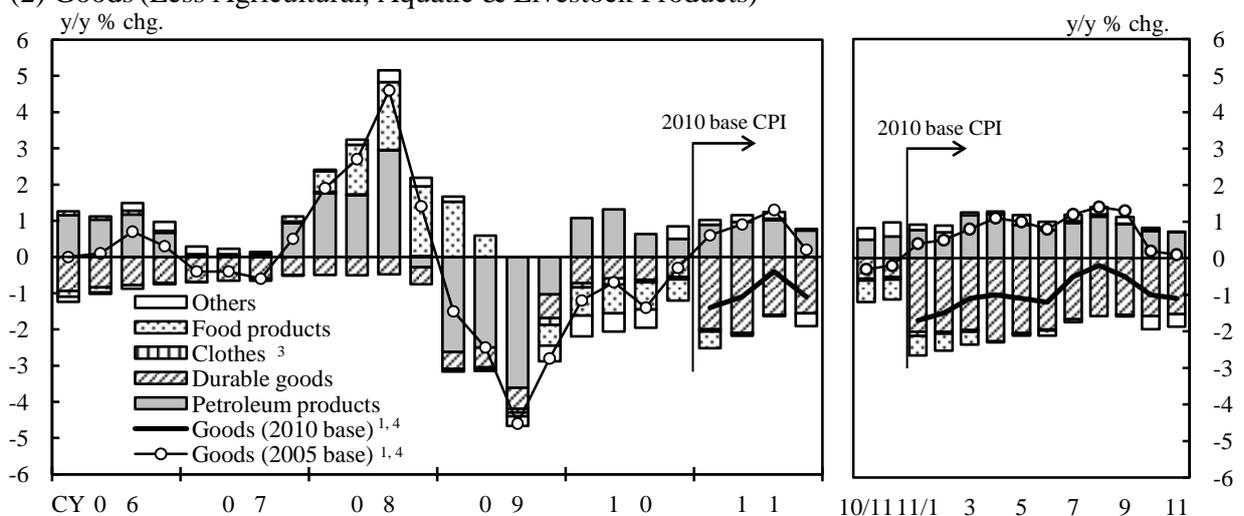
Source: Bank of Japan, "Corporate Services Price Index."

Consumer Price Index (Less Fresh Food)

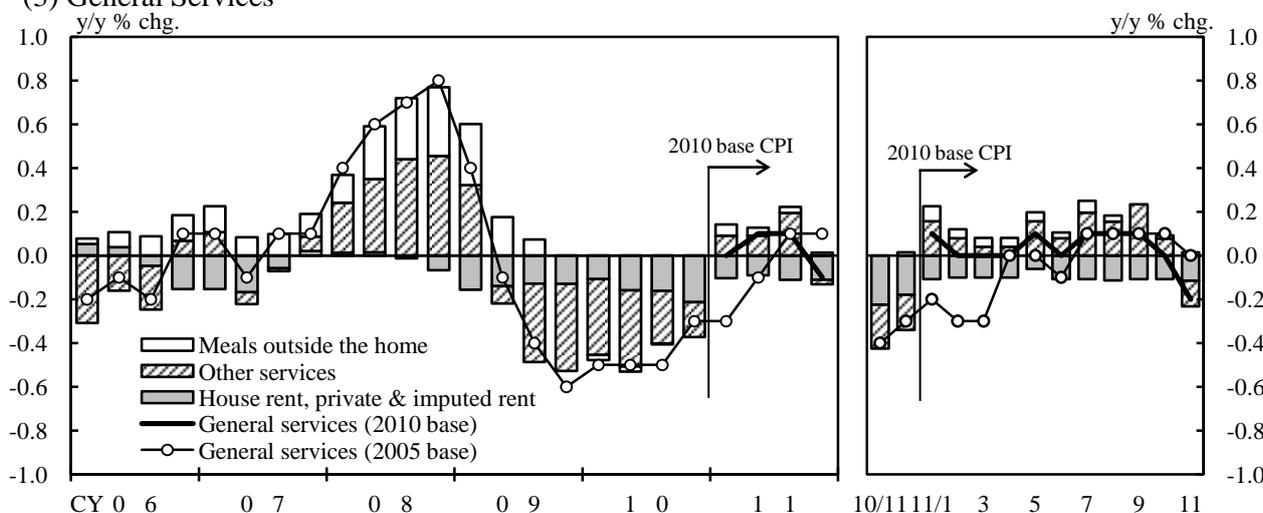
(1) Consumer Price Index (Less Fresh Food)



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



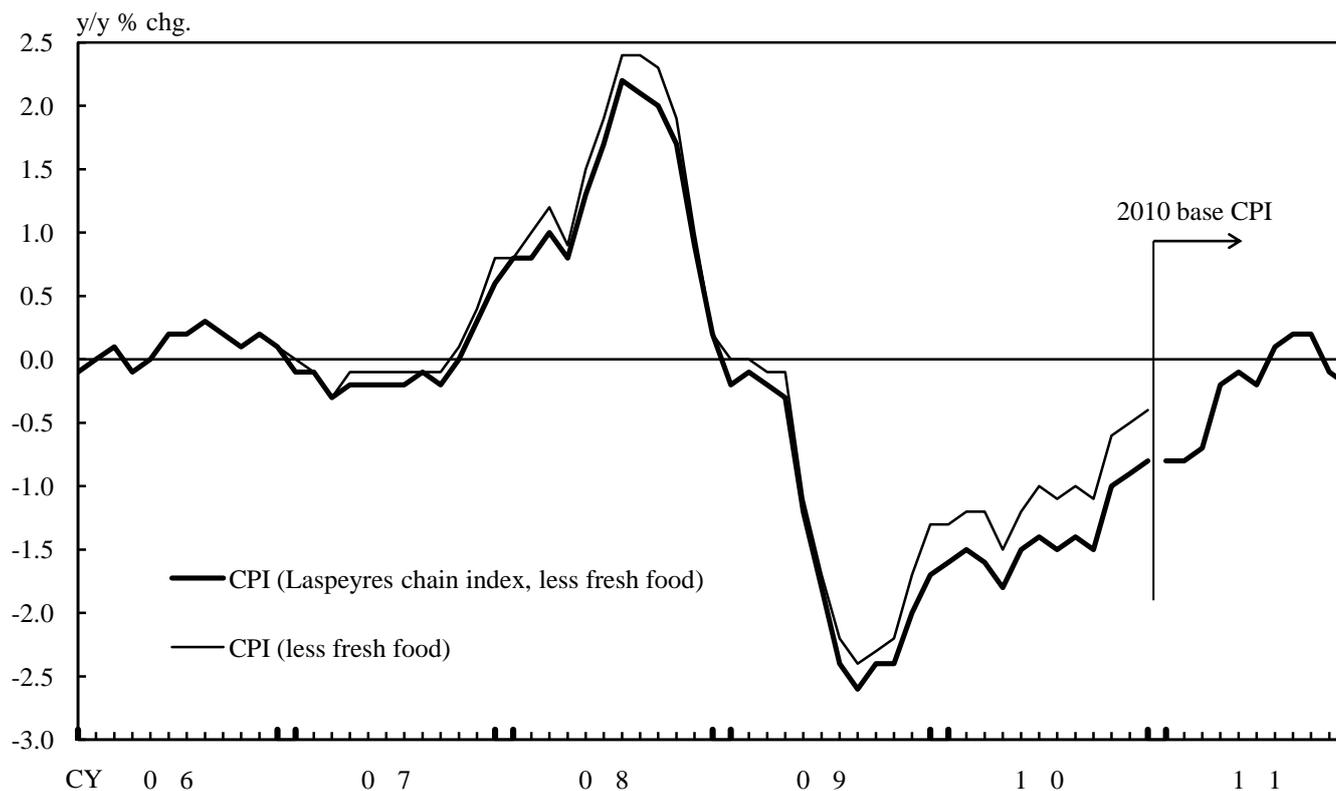
(3) General Services



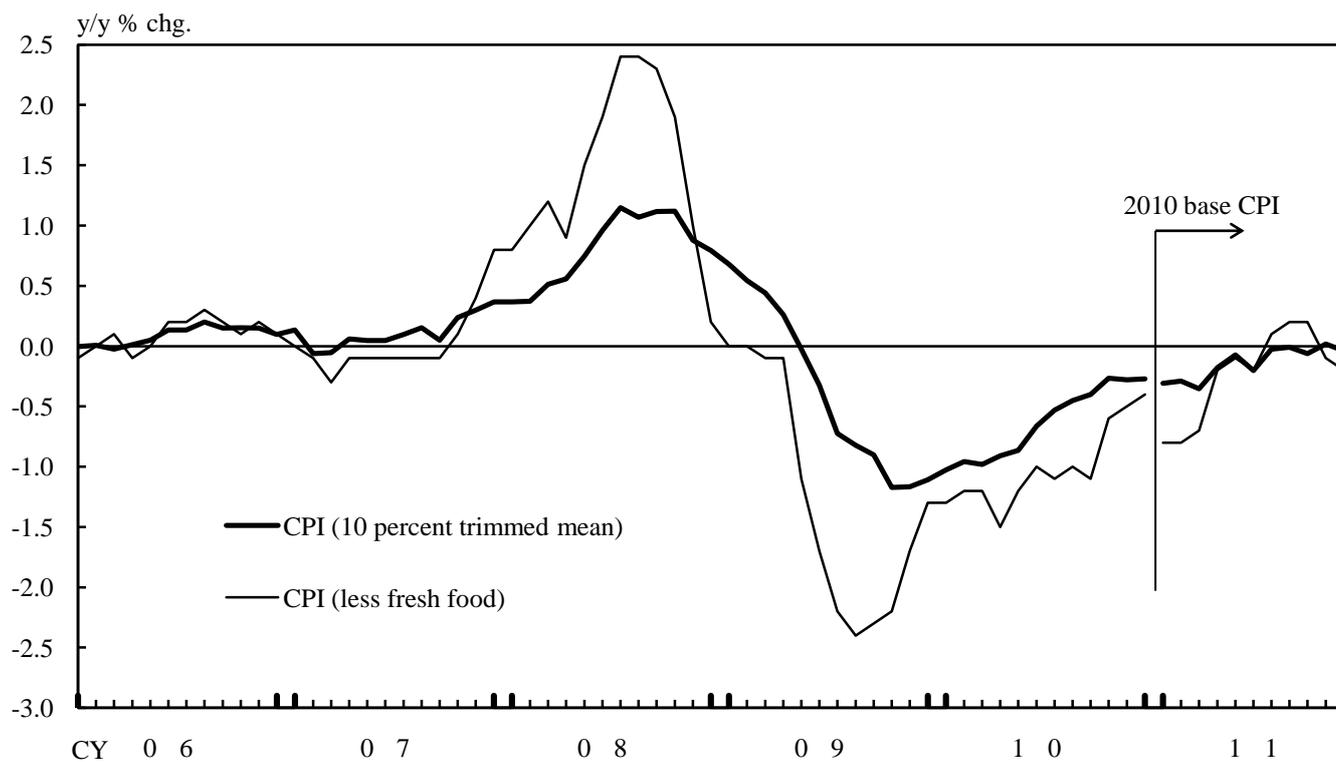
Notes: 1. The items are basically the same as those defined by the Ministry of Internal Affairs and Communications. However, electricity, manufactured & piped gas & water charges are excluded from goods.
 2. Alcoholic beverages are excluded from food. Energy: electricity, gas manufactured & piped, Liquefied 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/Q4 are October-November averages.

Trend Changes in Consumer Prices

(1) Laspeyres Chain Index



(2) Trimmed Mean



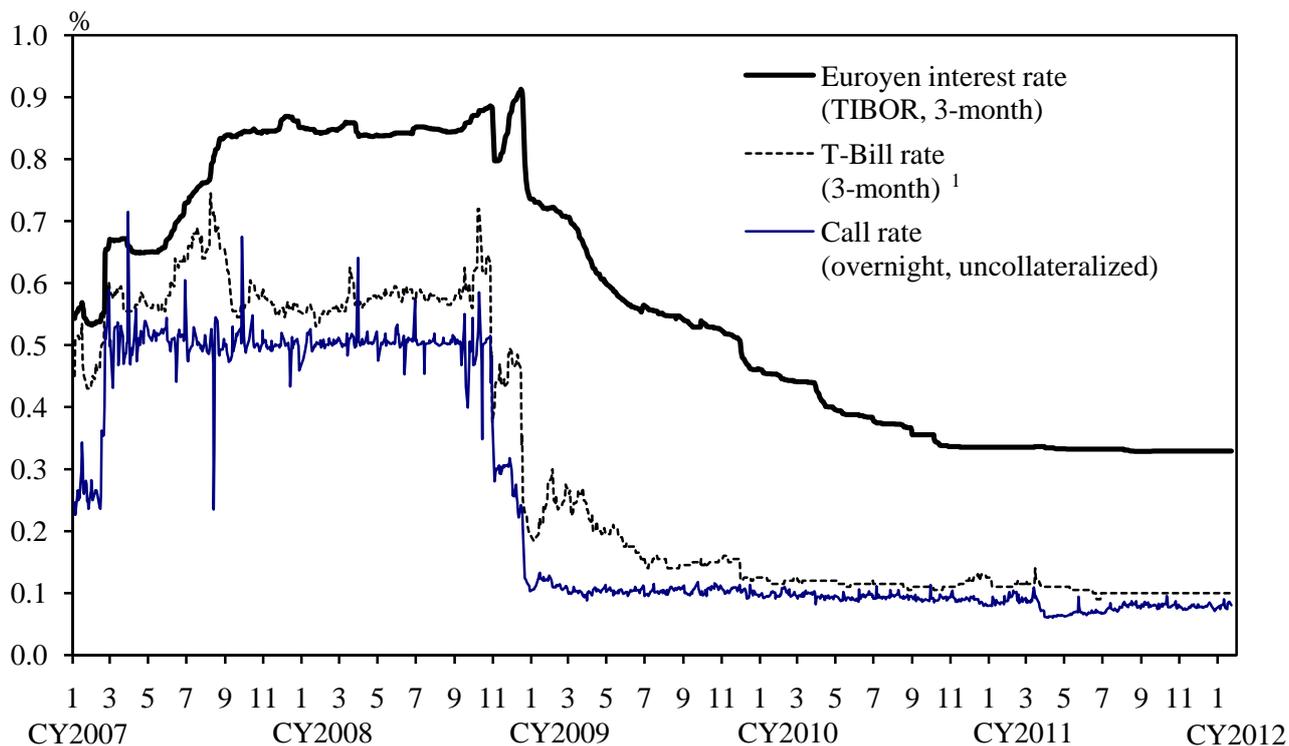
Notes:1. Figures for the 10 percent trimmed mean are weighted averages of items; these items are obtained by rearranging year-on-year rates of price change in ascending order and then excluding items in both the upper and lower 10 percent tails by weight.

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

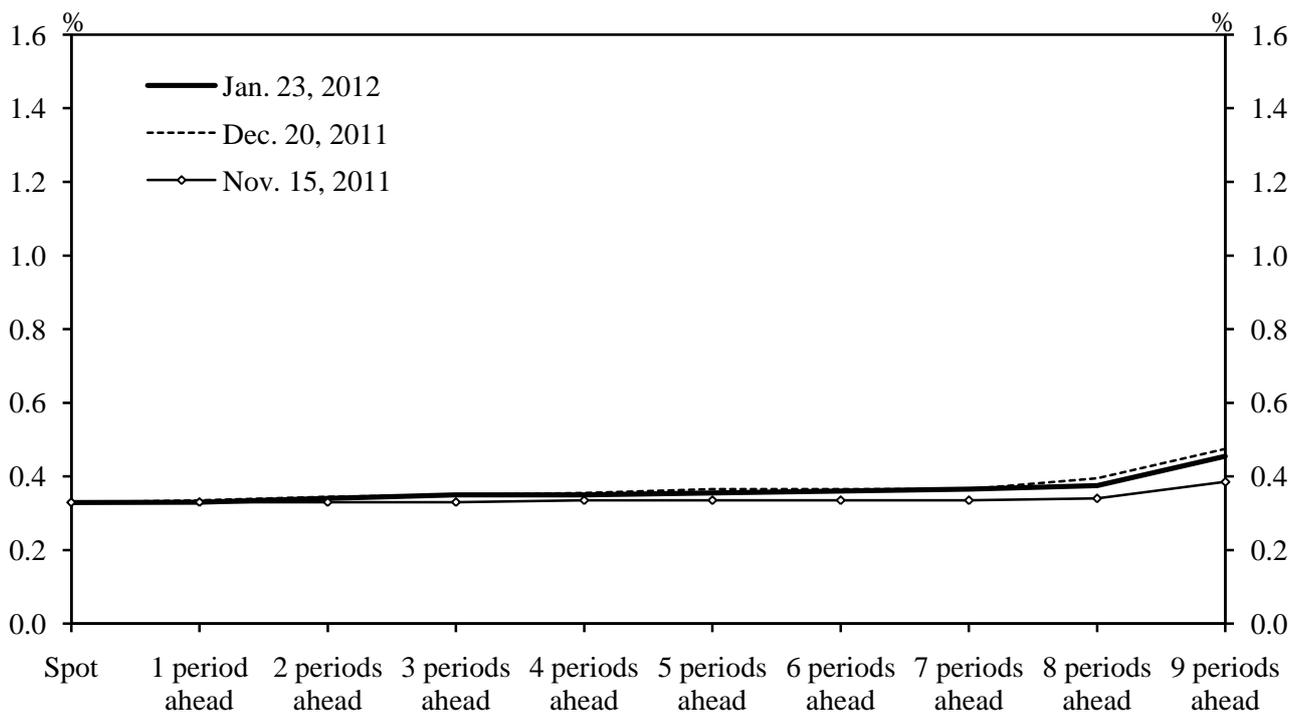
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Short-Term Interest Rates

(1) Short-Term Interest Rates



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



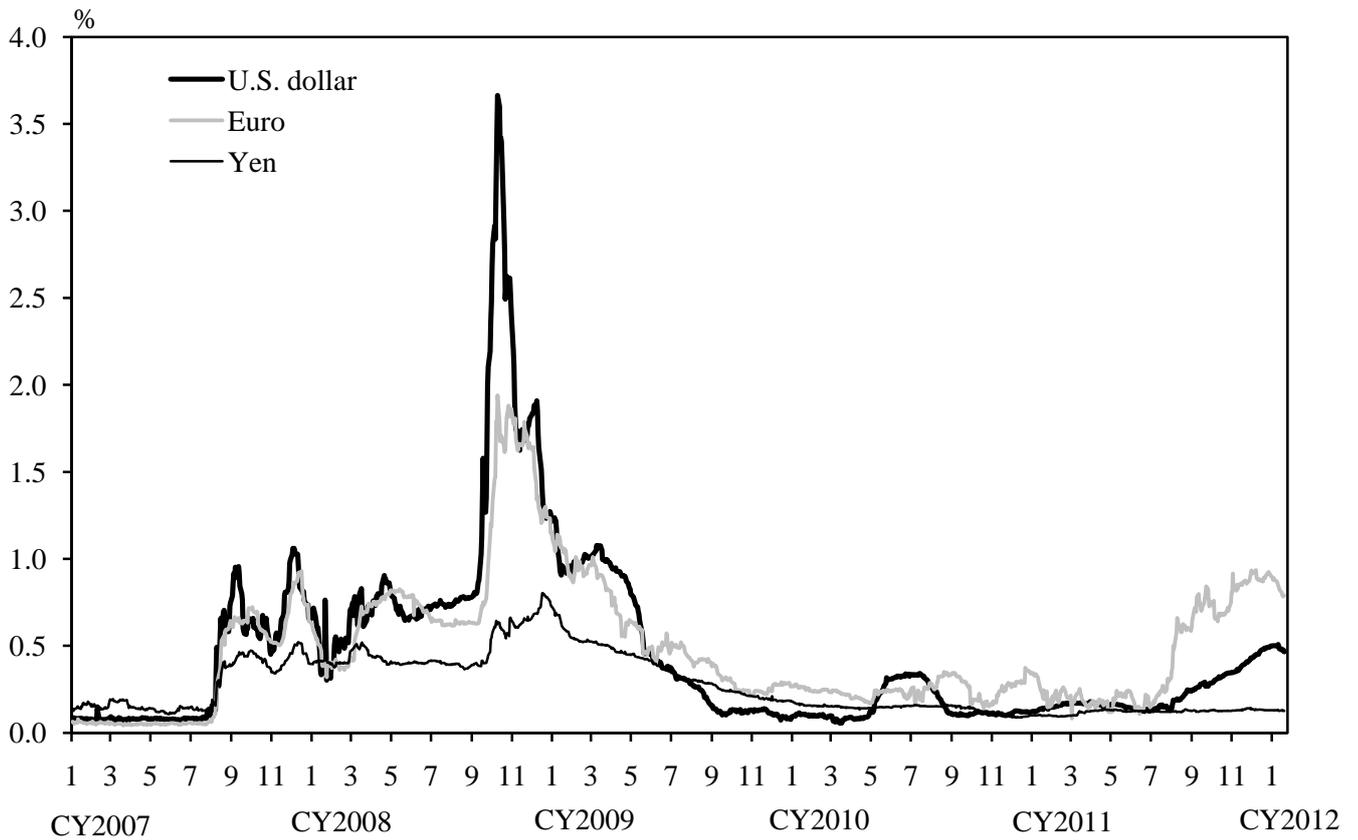
Notes: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.

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

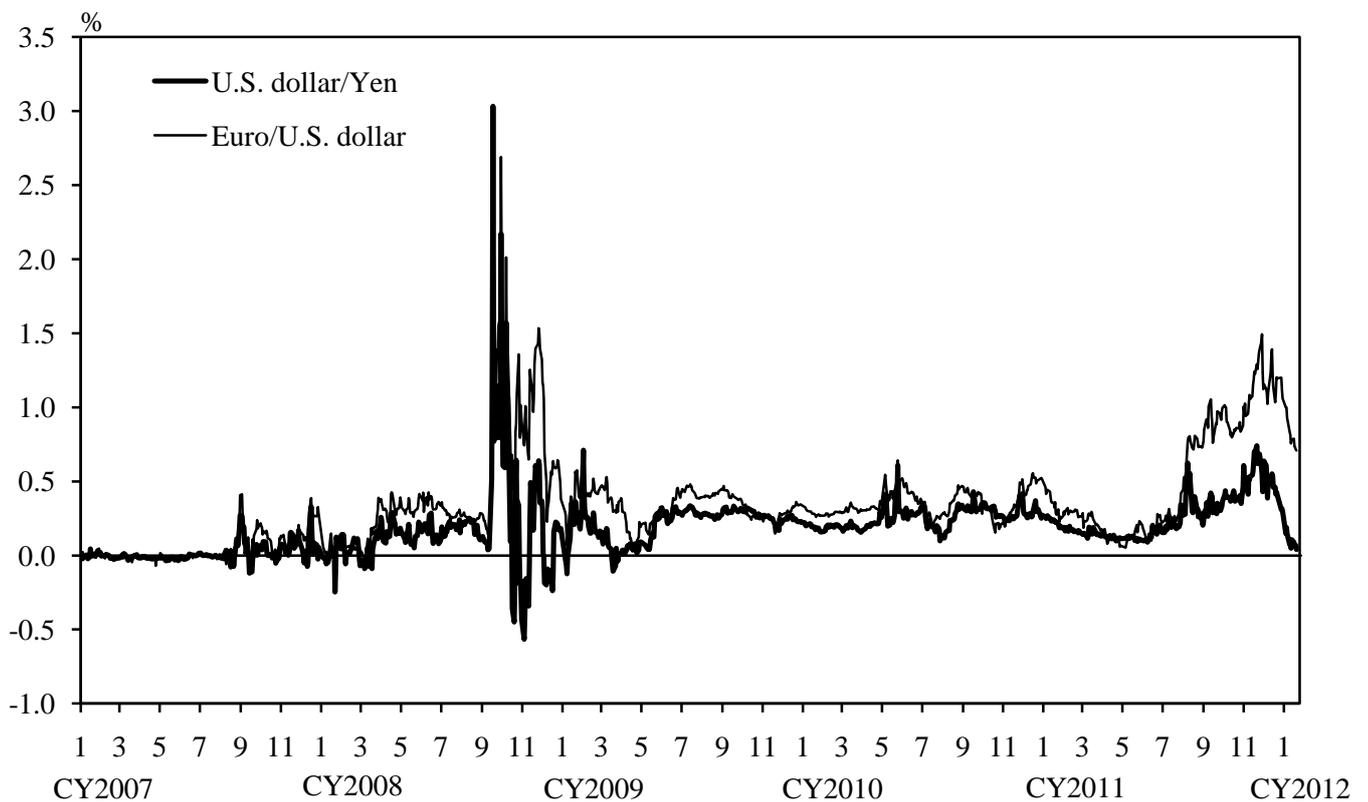
Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.; Tokyo Financial Exchange; Bank of Japan.

Global Money Markets

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



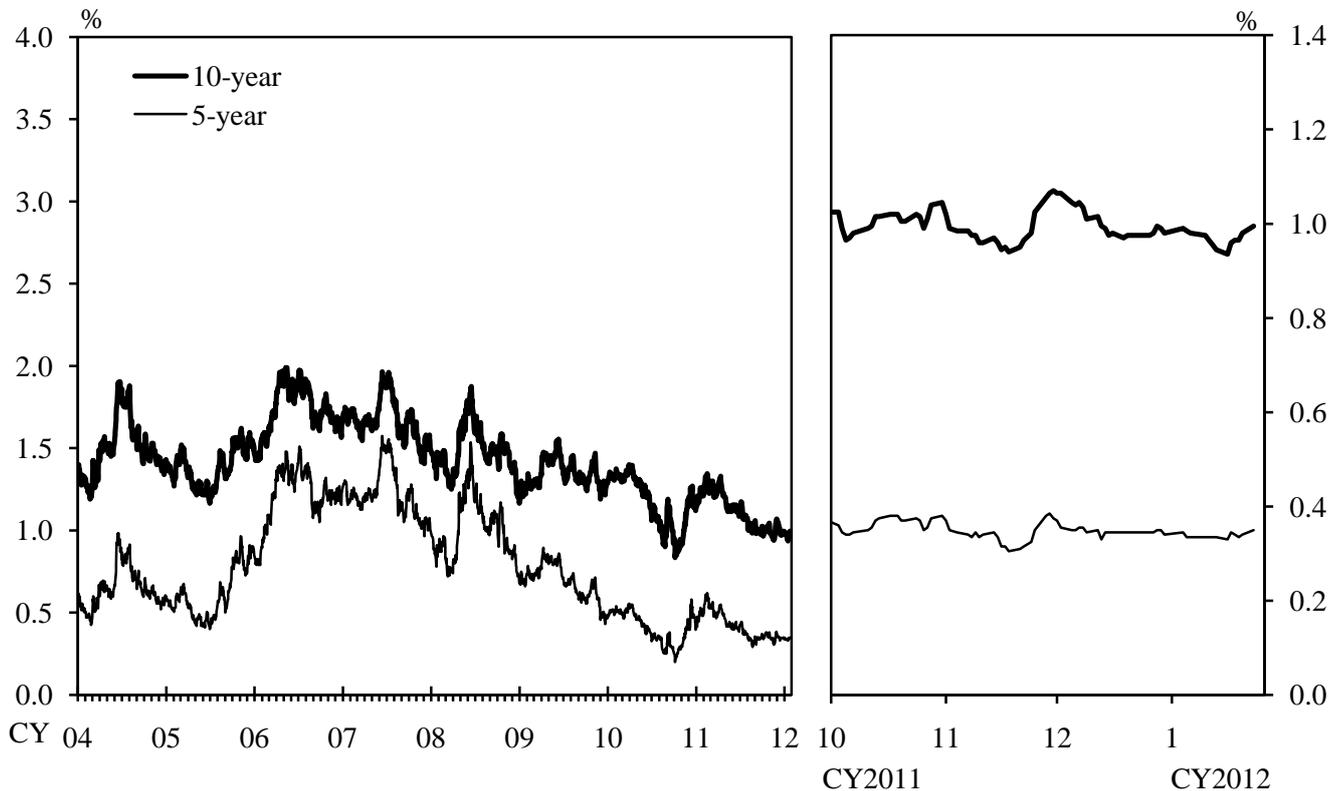
(2) FX swap implied dollar rate - LIBOR spreads (3-Month)



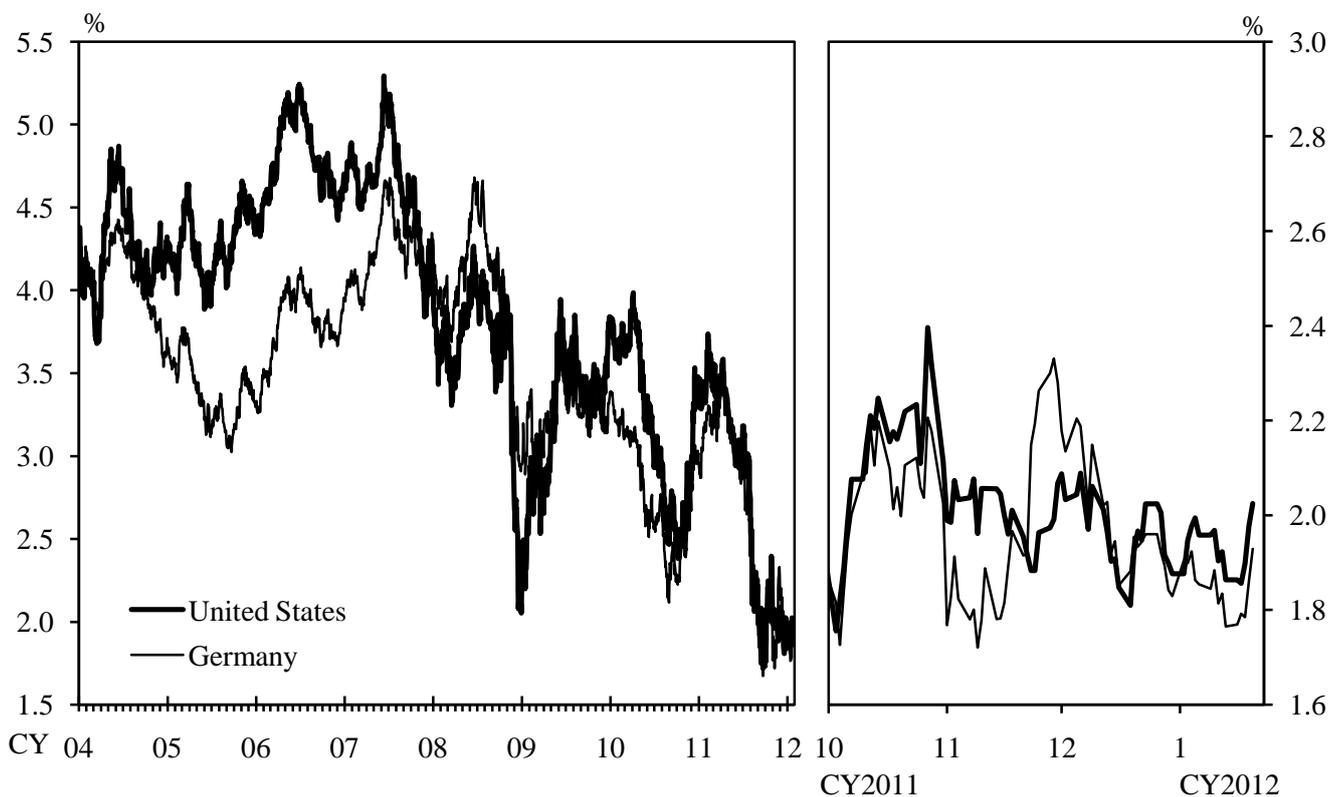
Source: Bloomberg.

Long-Term Interest Rates

(1) Japanese Government Bond Yields¹



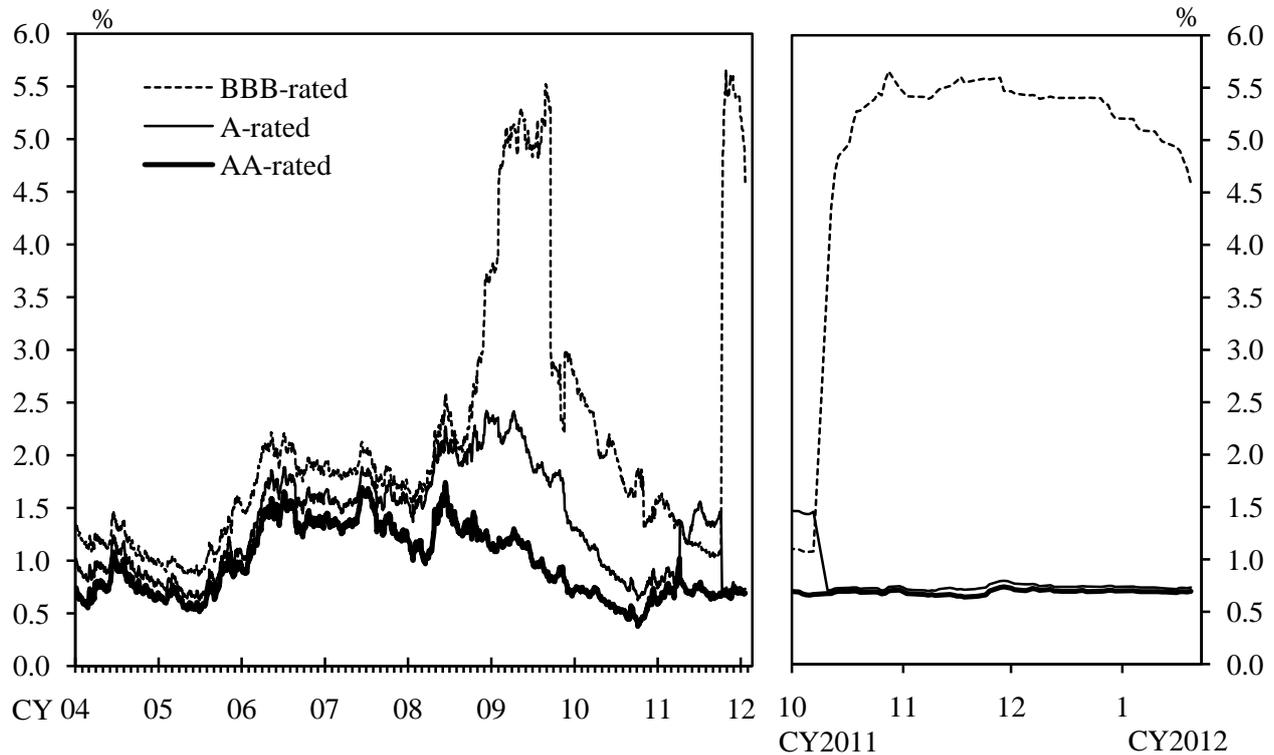
(2) Overseas Government Bond Yields (10-Year)



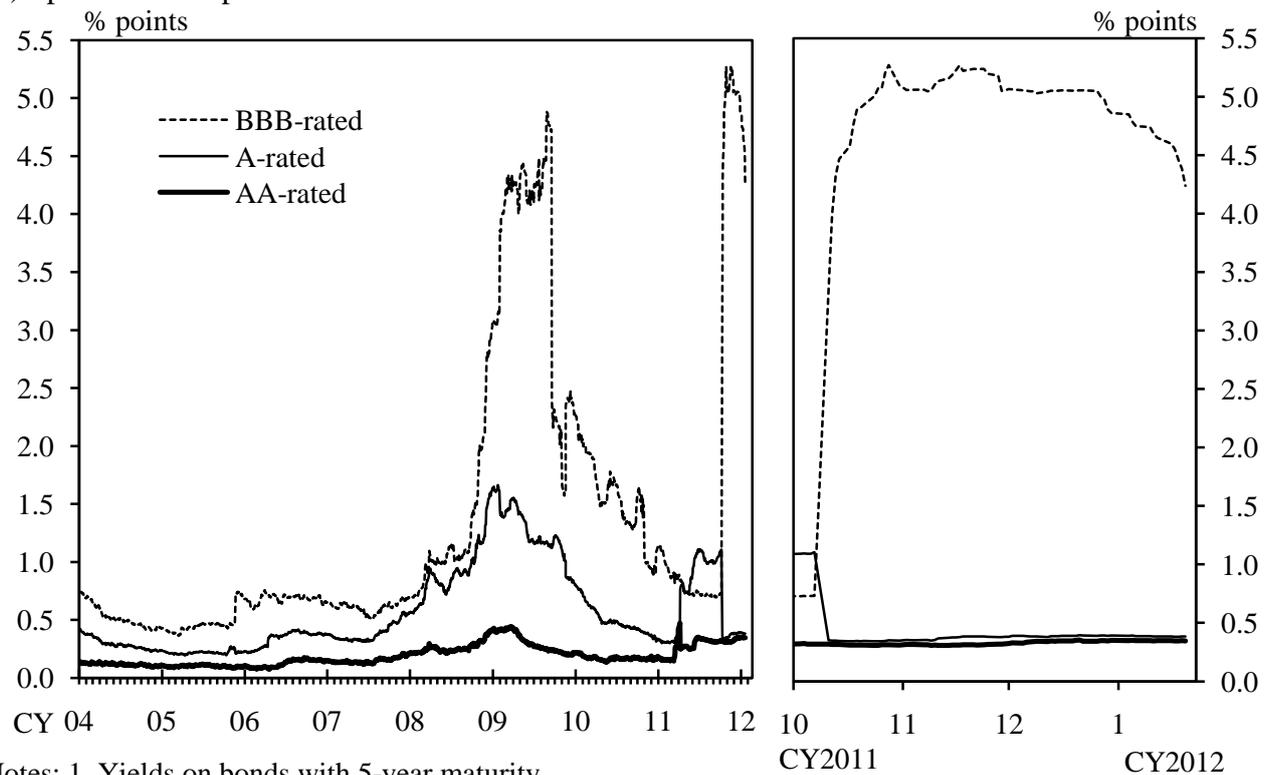
Note: 1. Yields on newly issued bonds.
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

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.

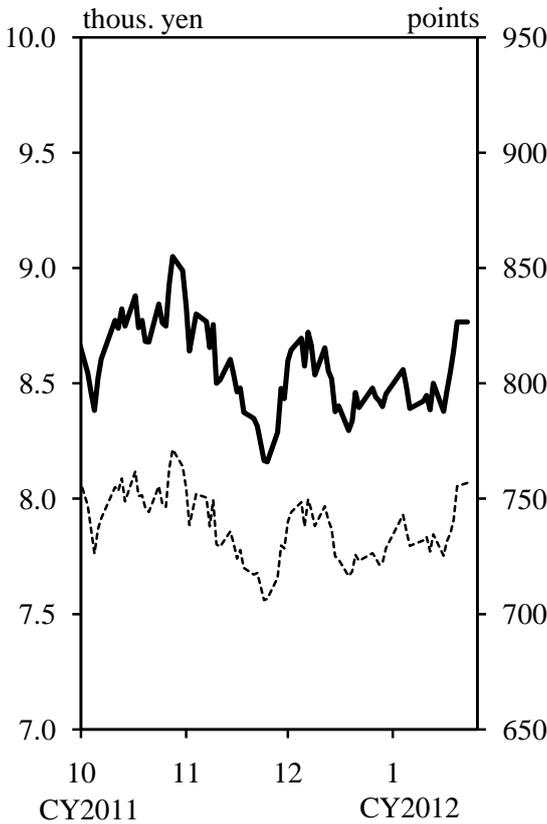
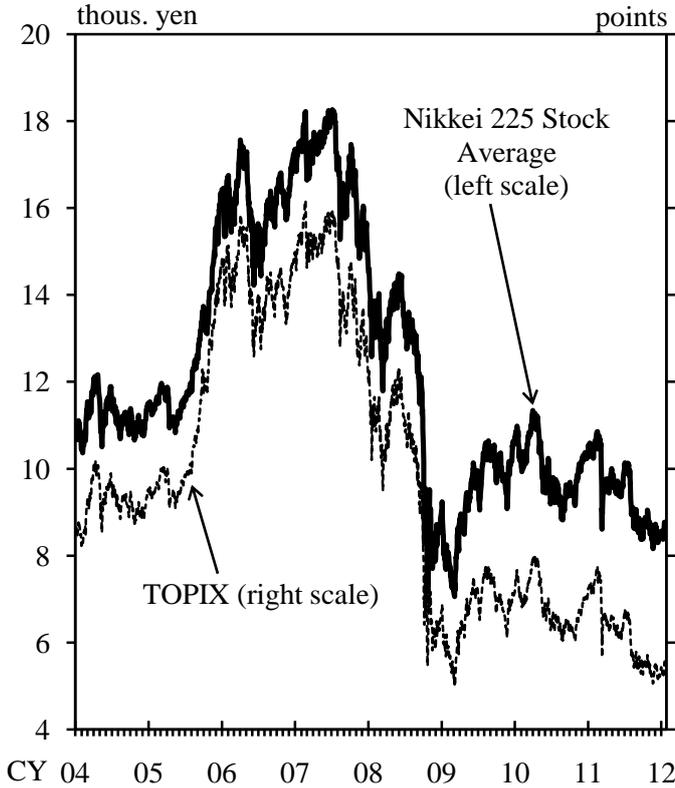
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.

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

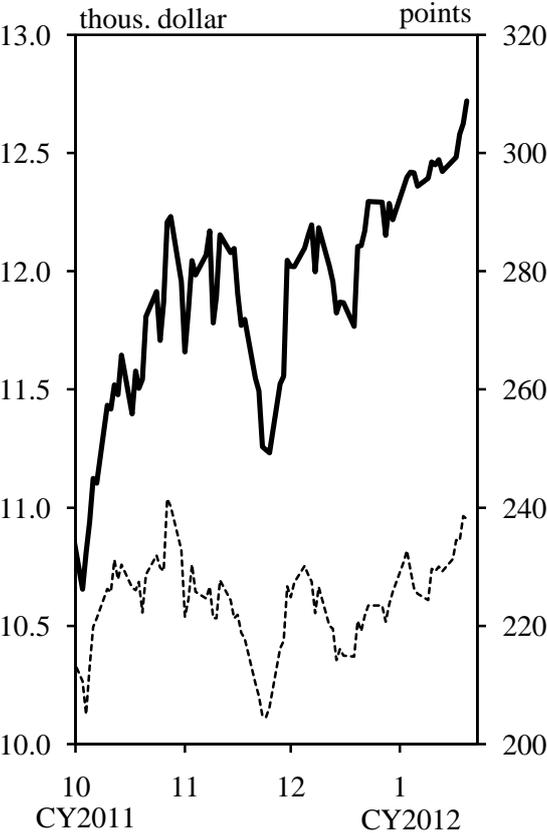
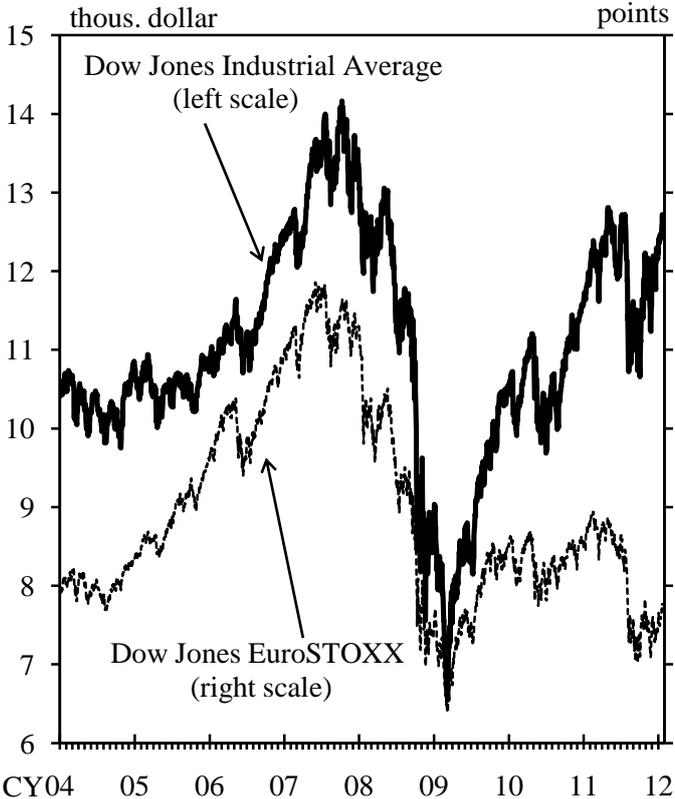
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Japanese Stock Prices



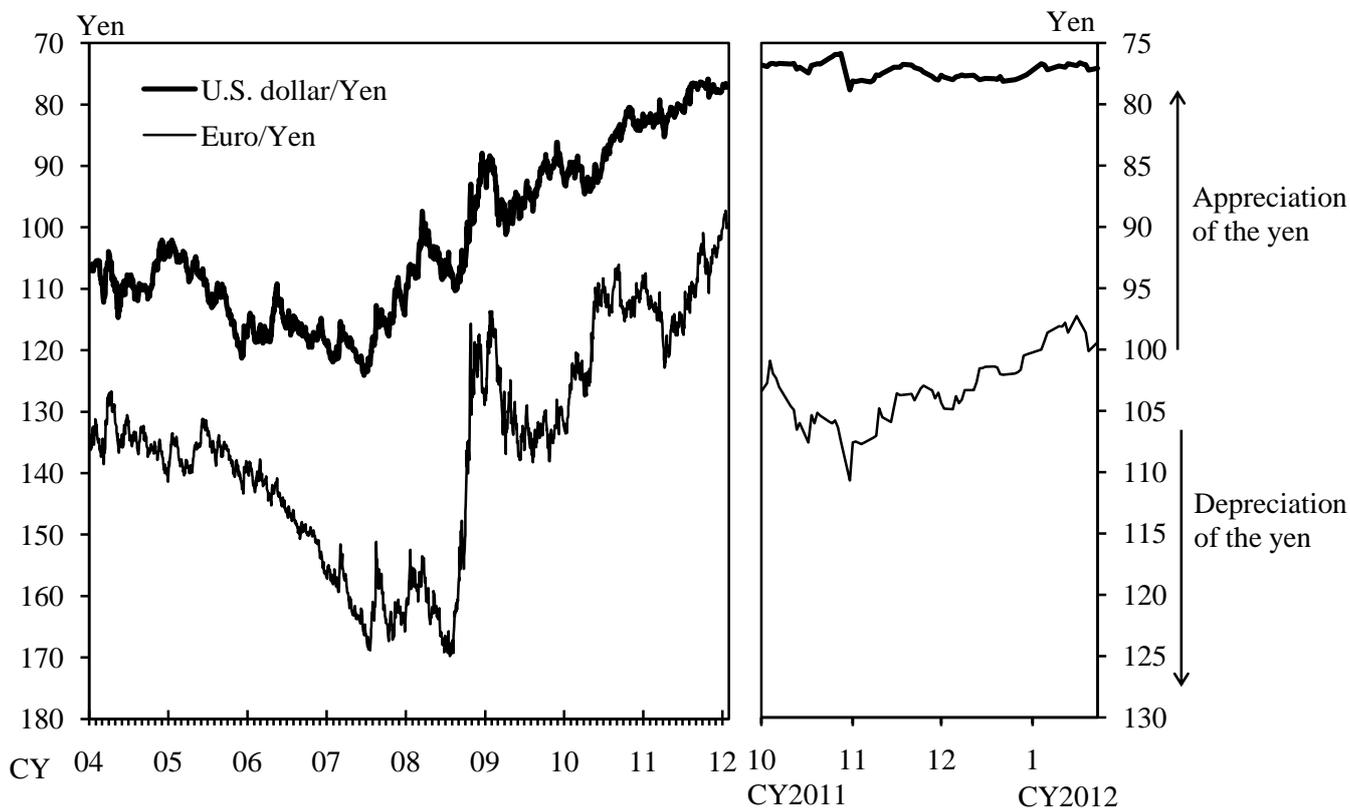
(2) Overseas Stock Prices



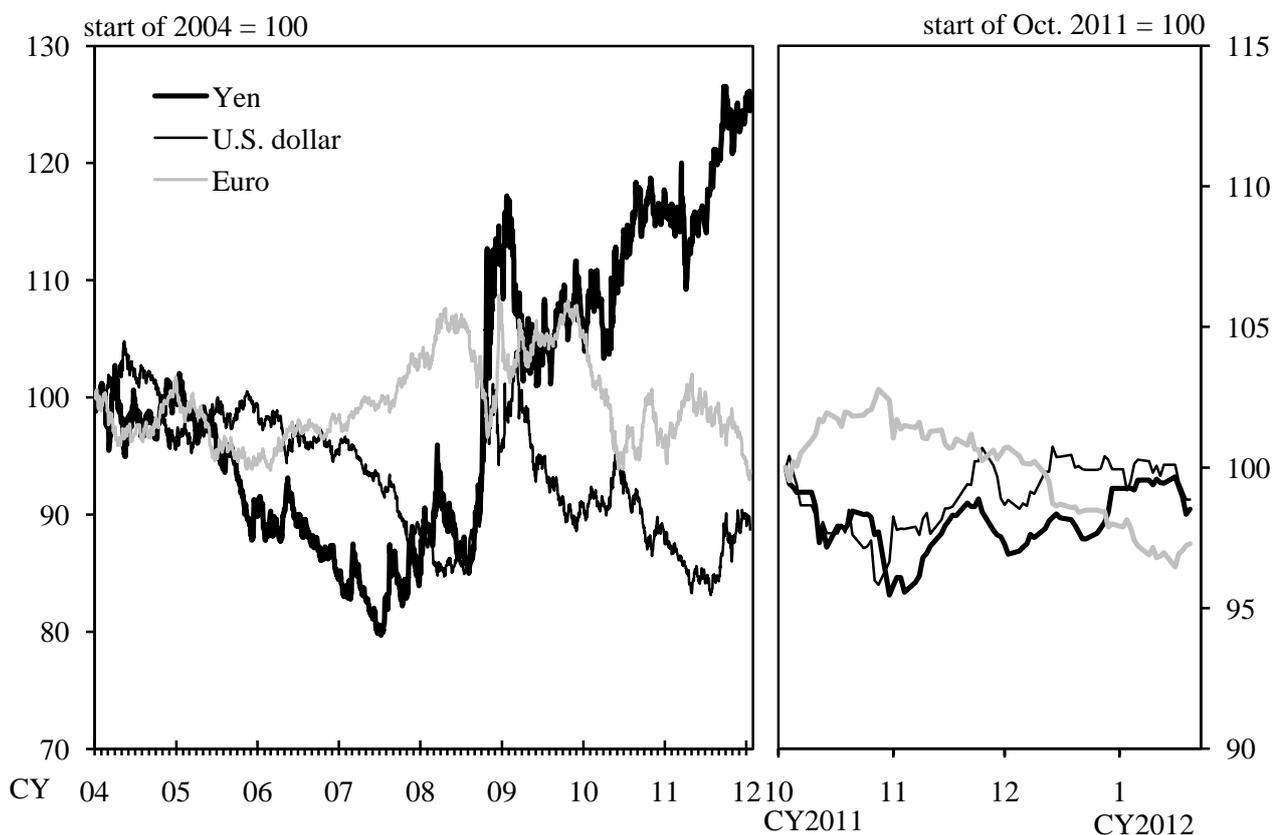
Sources: The *Nihon Keizai Shimbun* ; Tokyo Stock Exchange; Bloomberg.

Exchange Rates

(1) Bilateral Exchange Rates



(2) Nominal Effective Exchange Rates



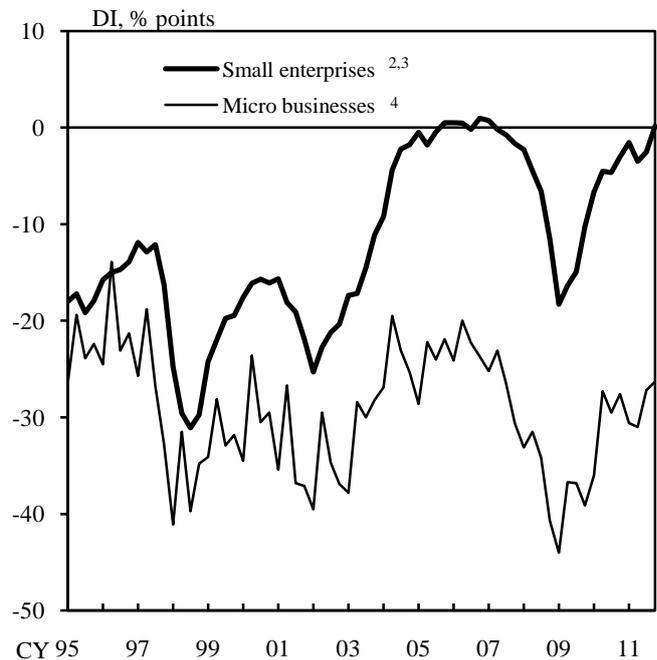
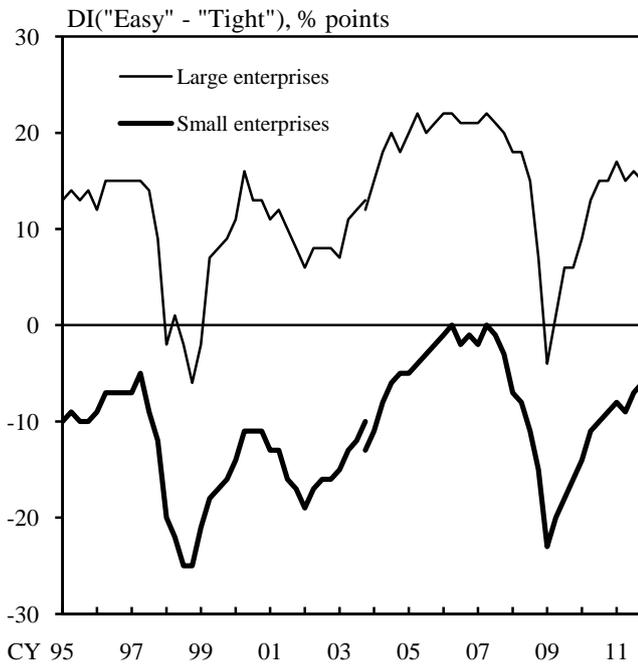
Sources: Bank of Japan; European Central Bank; Bloomberg.

Corporate Finance-Related Indicators

(1) Financial Position

<Tankan¹>

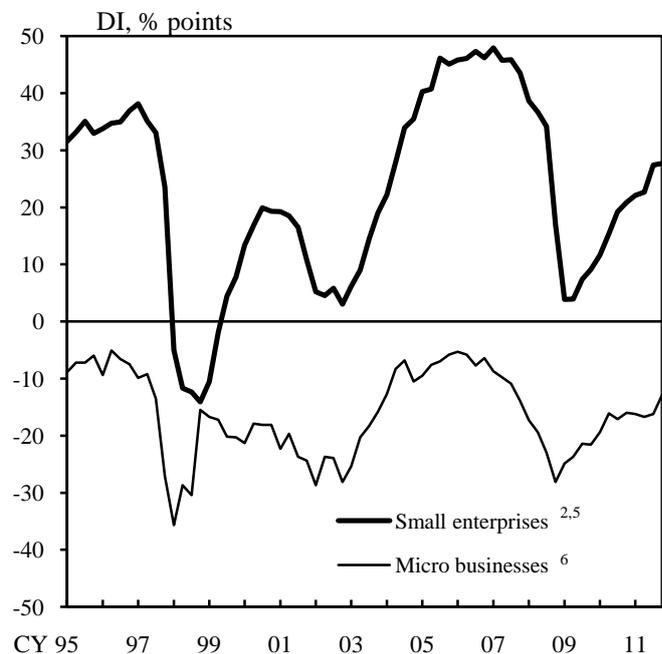
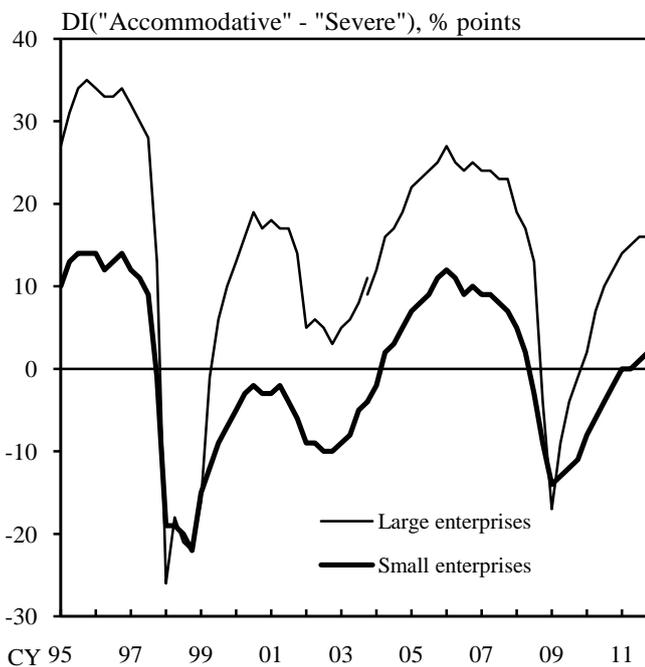
<Japan Finance Corporation Survey>



(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.

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

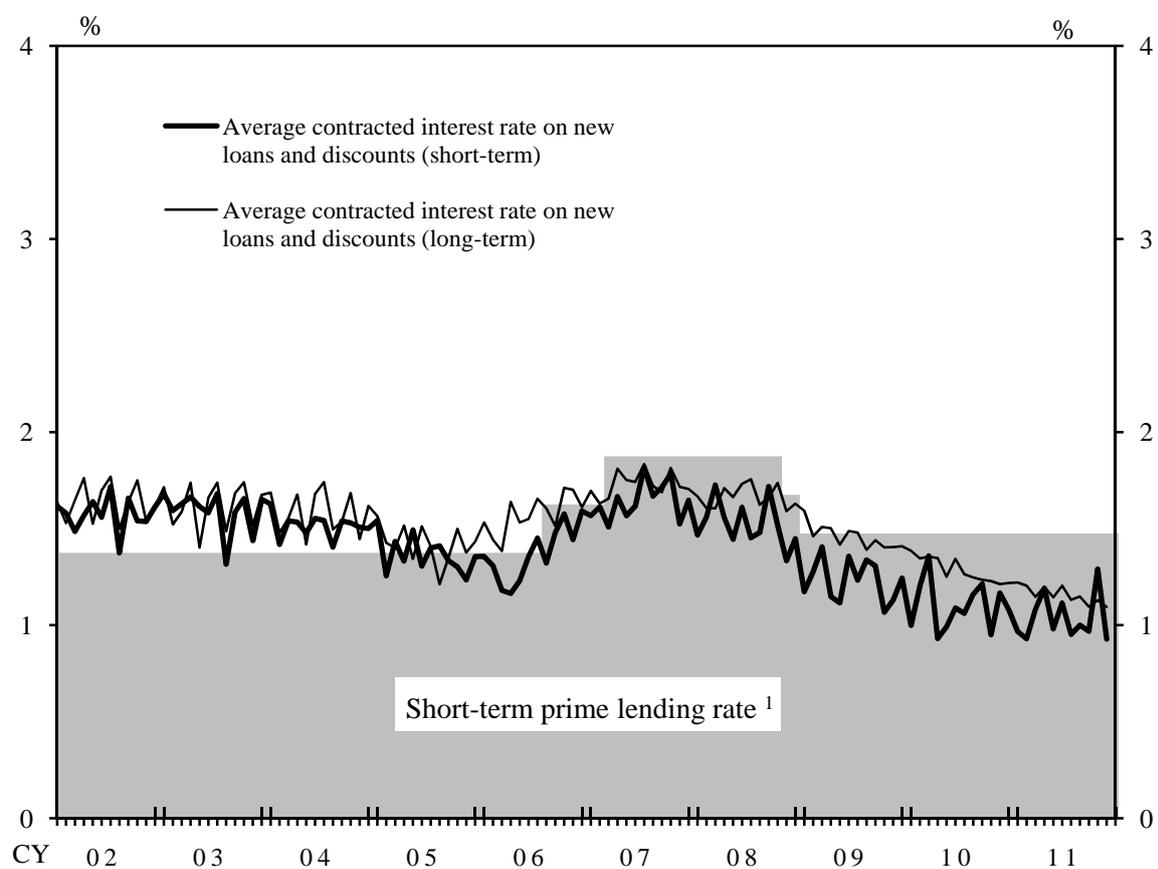
4. DI of "Easier" - "Tighter."

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

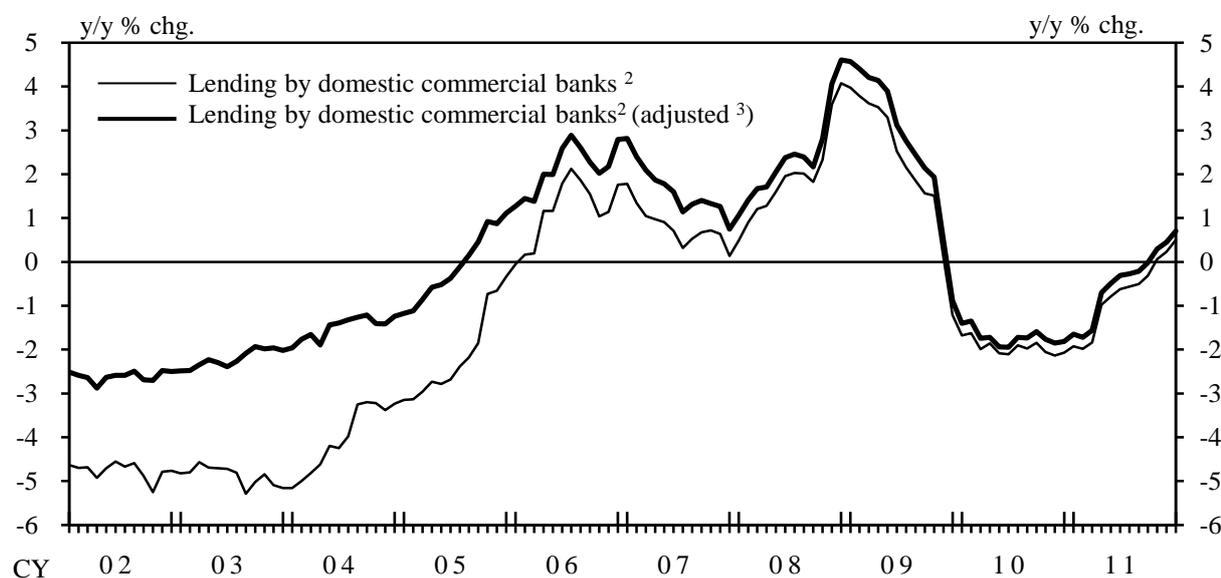


Note: 1. Data are at end of period.

Source: Bank of Japan.

Lending by Financial Institutions

(1) Lending by Domestic Commercial Banks¹



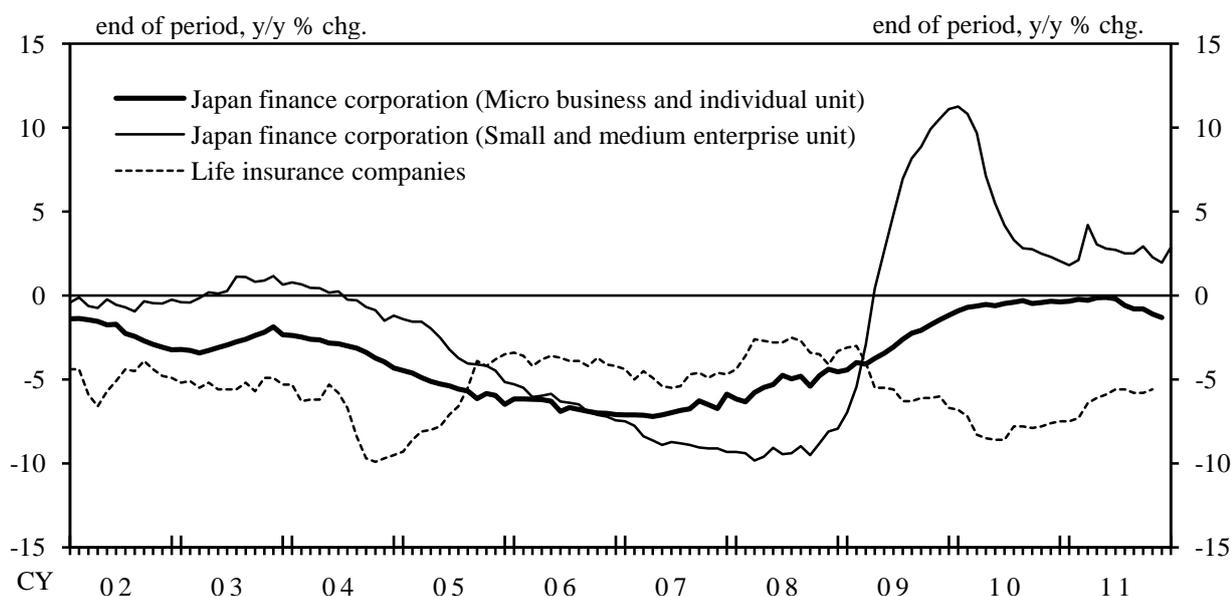
Notes: 1. Percent changes in average amounts outstanding from a year earlier.

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.

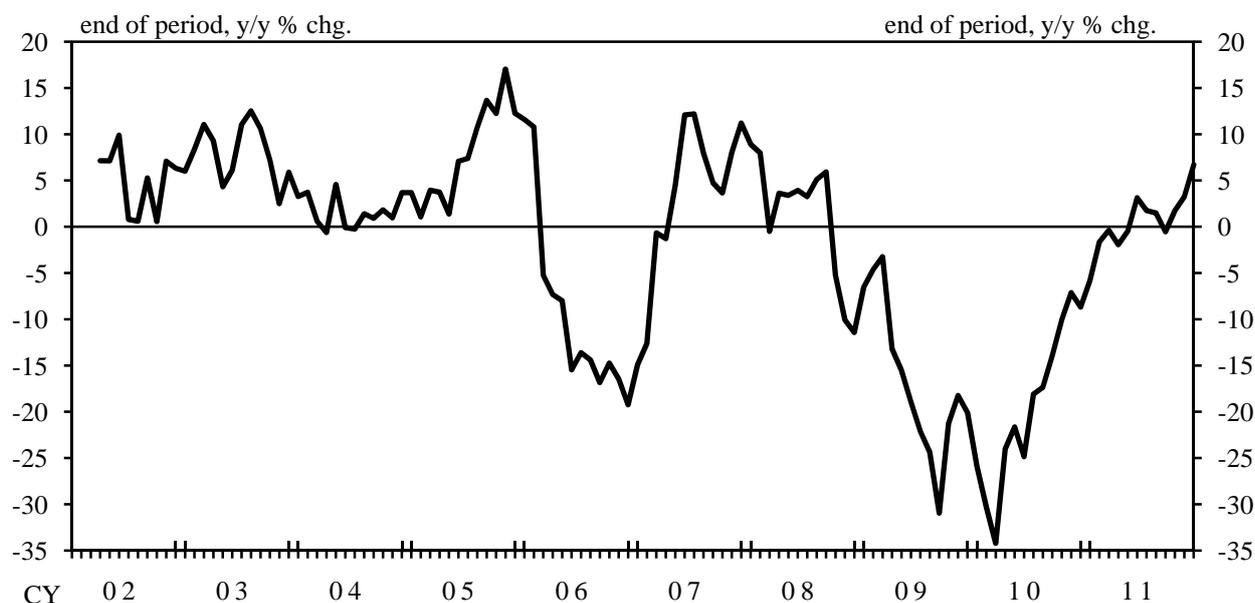
(2) Lending by Other Financial Institutions



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

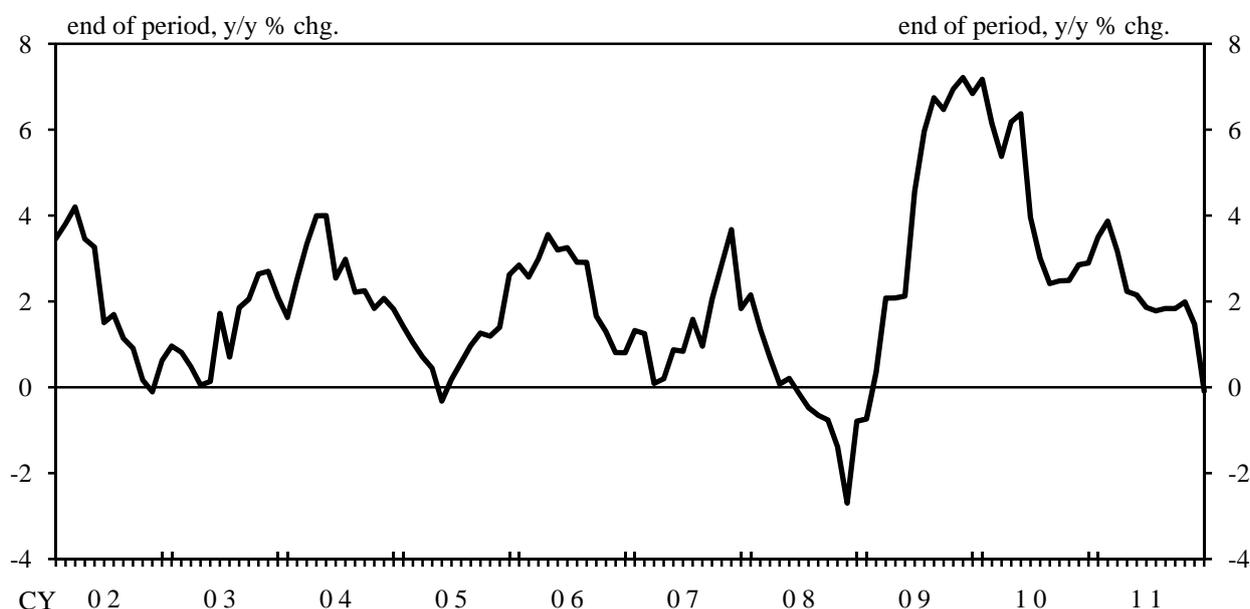
Private-Sector Fund-Raising in the Capital Markets

(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



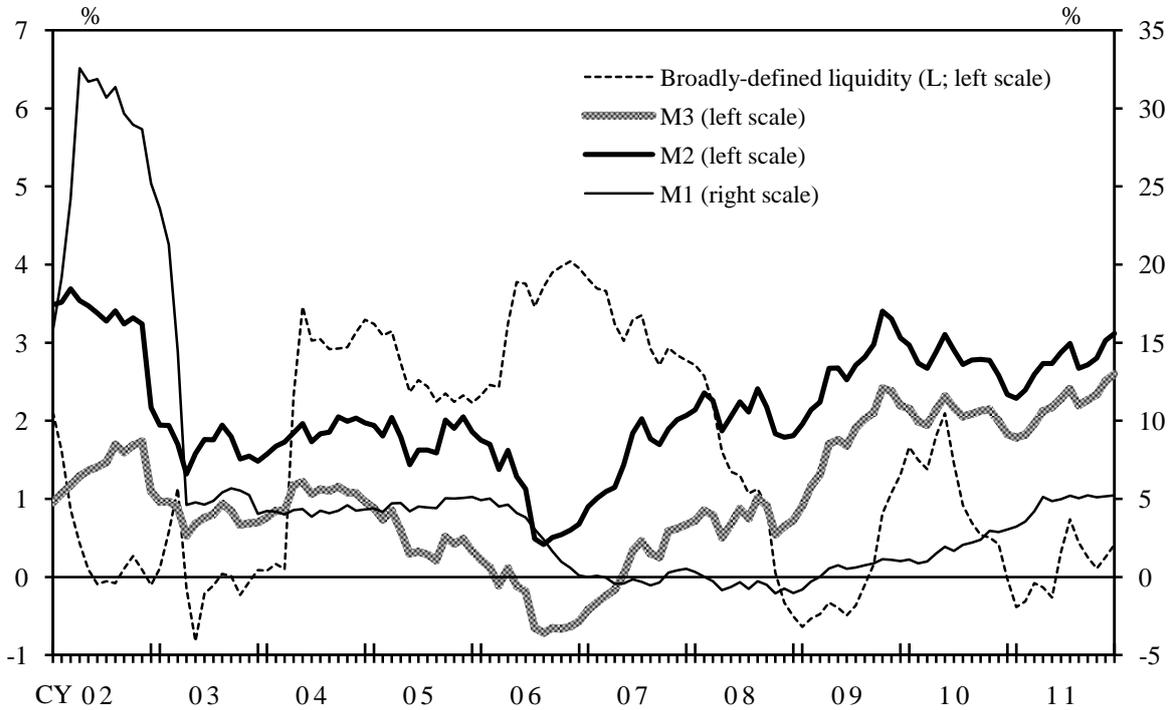
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

- (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.

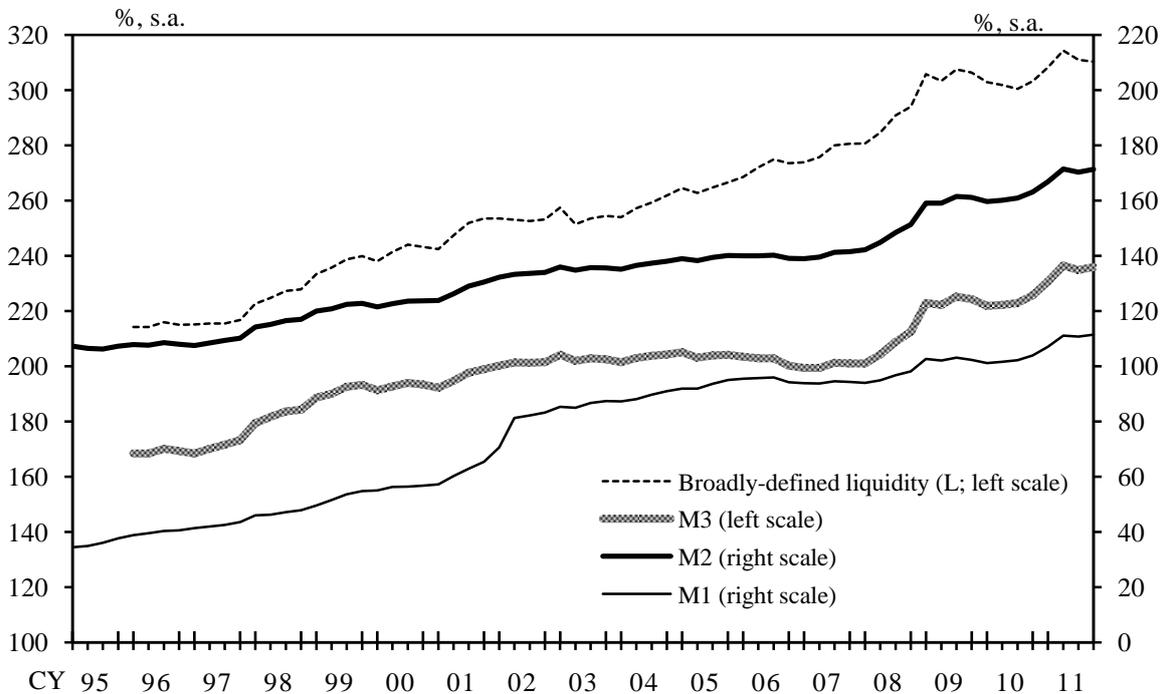
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category";
 Bank of Japan, "Principal Figures of Financial Institutions";
 Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts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

Money Stock

(1) Changes from a Year Earlier



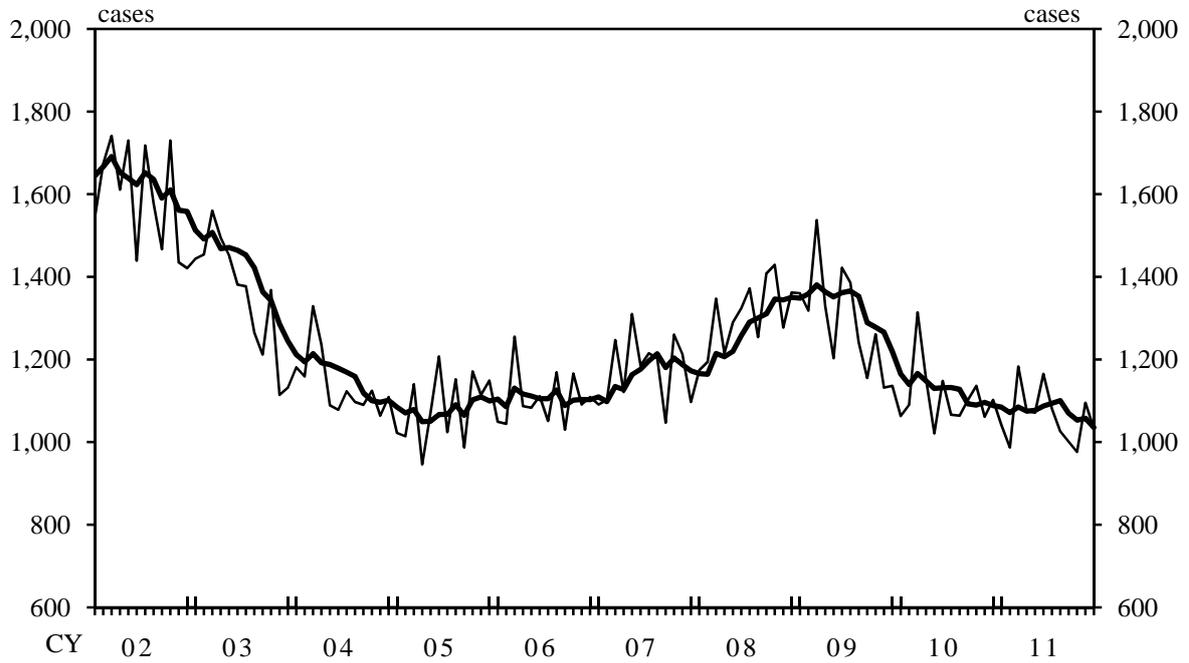
(2) Ratio of Money Stock to Nominal GDP



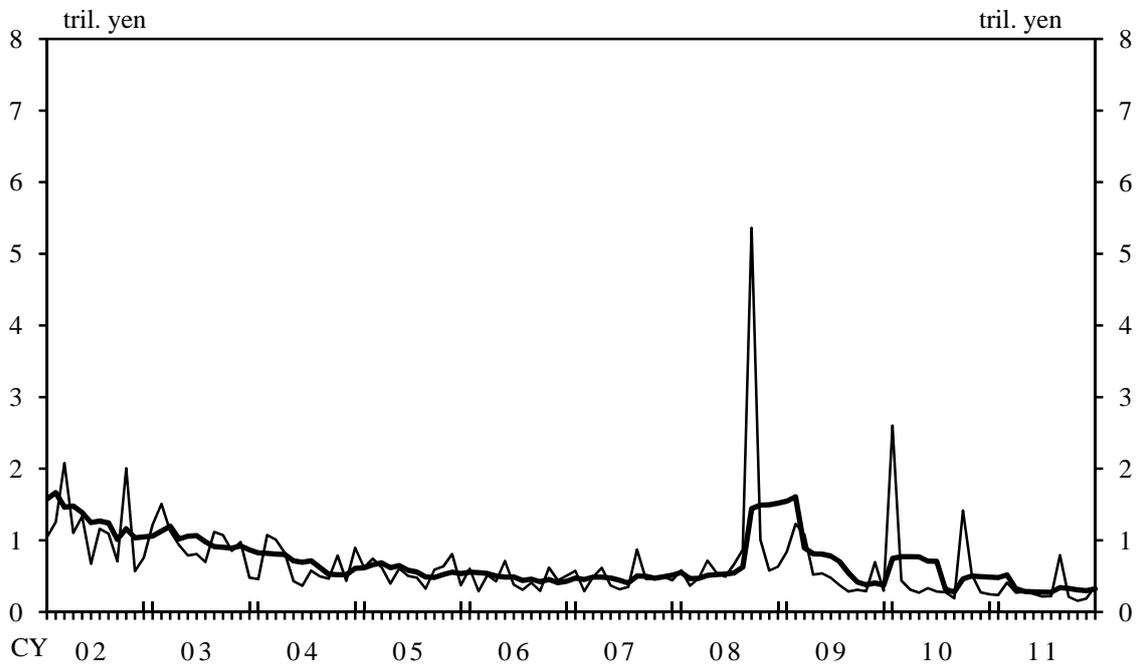
- Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.
 - 2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.
 - 3. The 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.
 - 4. The figure for nominal GDP in 2011/Q4 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)."