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Bank of Japan

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

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

March 2012

## Summary

Japan's economic activity has remained more or less flat, although it has shown some signs of picking up.

Overseas economies still have not emerged from a deceleration phase on the whole. Exports and production have remained more or less flat, mainly due to the developments in overseas economies and to the effects of the yen's appreciation. As for domestic demand, business fixed investment has been on a moderate increasing trend aided by the restoration of disaster-stricken facilities. Private consumption has firmed up due in part to the effects of measures to stimulate demand for automobiles. Housing investment has generally been picking up and public investment has stopped declining. Meanwhile, production and public investment have begun to show signs of a possible pick-up in the coming period.

With regard to the outlook, Japan's economy is expected to gradually emerge from the current phase of flat growth and 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 strengthens.

Exports are expected to gradually emerge from the current phase of flat growth and increase moderately, 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 the effects such as those of the slowdown in overseas economies will remain 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 as the employment situation gradually heads toward improvement. With these

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<sup>1</sup> This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on March 12 and 13, 2012.

developments in demand both at home and abroad, production is expected to increase moderately.

On the price front, the three-month rate of change in domestic corporate goods prices has been more or less flat. 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 move slightly upward for the time being, mainly 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, compared with last month, stock prices have risen, while the value of the yen against the U.S. dollar has fallen. Long-term interest rates have remained at more or less the same level 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 increase in the amount outstanding of bank lending has risen. The year-on-year rate of change in the amount outstanding of CP has been positive, while that of corporate bonds has recently been slightly negative partly because some issuers have shifted to the CP market. 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 positive 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—on a monthly basis indicates that it has started to bottom out, albeit with fluctuations, although the amount on a quarterly basis declined at a somewhat faster pace in the fourth quarter relative to the third quarter, after having reduced its pace of decline in the third quarter (Chart 5). The value of public works contracted—a measure that reflects public orders—accelerated its pace of increase both in the fourth quarter on a quarter-on-quarter basis and in January relative to the fourth quarter, after having turned to an increase in the third quarter; it is considered that this will eventually give a boost to the amount of public construction completed.

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

Real exports have remained more or less flat, mainly due to the effects of the slowdown in overseas economies and the yen's appreciation (Charts 6[1] and 7). On a monthly basis, exports picked up from their November bottom as the effects of the flooding in Thailand eased, but their level in January was lower than the most recent peak in September. On a quarterly basis, their rate of change in January compared with the fourth quarter stayed at 0 percent, after having registered a decrease in the fourth quarter. In sum, exports are considered to have remained more or less flat on average. Looking at exports in January relative to the fourth quarter by region (Chart 7[1]), those to the United States rose, mainly in consumer goods (digital cameras) for which supply constraints caused by the flooding in Thailand eased. Exports to the EU have plunged recently in light of the stagnant European economy stemming from its debt problem, but they picked up slightly in January since consumer goods (digital cameras) as well as ships—which show large fluctuations—moved up. Exports to China and NIEs fell, chiefly in intermediate goods (chemicals; iron and steel), affected mainly by the Chinese New Year holidays.<sup>2</sup> Exports to ASEAN and Others rose, mainly in motor vehicles and their

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<sup>2</sup> The Chinese New Year holidays fell in the January 22-28 period this year. The holidays were from February 2 to 8 last year.

related goods. Of those to ASEAN, exports to Thailand registered a sizable increase of over 20 percent in January on a month-on-month basis, following growth of slightly above 10 percent in December. Looking at exports in January relative to the fourth quarter by goods (Chart 7[2]), exports of consumer goods (digital cameras) rose sharply since supply constraints caused by the flooding in Thailand eased. Exports of capital goods and parts increased as well, mainly in ships. Exports of IT-related goods and of motor vehicles and their related goods were roughly flat. Those of intermediate goods have remained somewhat weak.

Real imports have trended upward (Charts 6[1] and 9). Imports recorded quarter-on-quarter increases through the fourth quarter for three consecutive quarters and continued to move up in January compared with the fourth quarter. Looking at imports in January relative to the fourth quarter by goods (Chart 9[2]), those of raw materials expanded, primarily in mineral fuels used for thermal power generation; those of foodstuffs continued to rise. Imports of capital goods and parts exhibited high growth, assisted partly by an increase in imports of aircraft. Those of consumer goods increased, chiefly in apparel and motor vehicles. On the other hand, imports of IT-related goods fell back from the rise in the previous quarter. Looking at imports in January relative to the fourth quarter by region (Chart 9[1]), a distinctive feature is that imports from Thailand—which had fallen sharply—turned to an increase, while imports from other regions were mixed.

Net exports—in terms of the real trade balance—have shown somewhat weak movements as a reflection of the aforementioned developments in exports and imports (Chart 6[1]). The seasonally adjusted figures show that the nominal goods and services balance increased its deficit in January, mainly because the trade balance also did so (Chart 6[2] and [3]). The income balance decreased its surplus in January. As a result, the nominal current account balance decreased its surplus in January.<sup>3</sup>

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<sup>3</sup> As for the original figures, the nominal current account balance marked a deficit in January, mainly since the trade balance increased its deficit substantially. The volume of exports tends to be lower in January, mainly due to the effects of the New Year holidays, and this in turn is likely to cause the original figures of the nominal current account balance to turn to a deficit. Indeed, looking at the comparable data from 1985, monthly deficits were recorded a total of five times, all of which were in January.

As for the outlook, exports are expected to gradually emerge from the current phase of flat growth and increase moderately, 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 generation. 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 still have not emerged from a deceleration phase on the whole (Chart 8[2]). Some improvement, however, has recently been observed in the U.S. economy and the sluggish European economy has stopped deteriorating. Global financial markets have also regained some stability. Overseas economies are basically expected to gradually emerge from their current deceleration phase and pick up, led by emerging and commodity-exporting economies, although uncertainty in this regard remains high. In the IT-related sector, inventory adjustments seem to have been in progress on a global scale, and this in turn is also projected to underpin exports. As for the exchange rate, the yen has been depreciating slightly against the U.S. dollar of late. Although the previous yen's appreciation is considered to exert some restraint on exports for the time being, such downward pressure on exports is expected to wane as the yen's depreciation will stay in place (Chart 8[1]). With regard to the effects of the flooding in Thailand, the ongoing recovery there is projected to exert upward pressure on exports from Japan for the time being, mainly due to the removal of supply constraints of parts and heightened restoration demand in Thailand.

Business fixed investment has been on a moderate increasing trend, aided partly by the restoration of disaster-stricken facilities. According to the *Financial Statements Statistics of Corporations by Industry, Quarterly*, business fixed investment in nominal terms rose substantially in the fourth quarter by posting a quarter-on-quarter increase for the first time in five quarters (Chart 10[1]). Looking at this investment by industry and size (Chart 11), that of manufacturing registered quarter-on-quarter increases for two consecutive quarters in the third and fourth quarters in both large firms and medium-sized and small firms. As for nonmanufacturing, nominal business fixed investment of large firms saw a marginal

increase in the fourth quarter, after having stayed flat in the third quarter; that of medium-sized and small nonmanufacturing firms jumped in the fourth quarter on a quarter-on-quarter basis, after having declined in the third quarter, although it has a tendency to fluctuate sharply. The aggregate supply of capital goods—a coincident indicator of machinery investment—inched downward in January compared with the fourth quarter, after having recorded quarter-on-quarter increases for three straight quarters through the fourth quarter (Chart 12[1]). As for leading indicators, machinery orders (private sector, excluding orders for ships and those from electric power companies)—a leading indicator of machinery investment—registered quarter-on-quarter increases for three quarters in a row through the third quarter; they dipped in the fourth quarter on a quarter-on-quarter basis, but bounced back again in January compared with the fourth quarter (Chart 13[1]). Looking at machinery orders by industry, those of manufacturing declined in the fourth quarter and continued to do so in January; those of nonmanufacturing (excluding orders for ships and those from electric power companies) were flat in January, after having declined in the fourth quarter. Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—surged in January relative to the fourth quarter, after having inched downward for two consecutive quarters in the third and fourth quarters on a quarter-on-quarter basis (Chart 13[2]). Looking at construction starts in January compared with the fourth quarter by industry, those of mining and manufacturing as well as nonmanufacturing increased; a significant rise was seen in mining and manufacturing.

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 the effects such as those of the slowdown in overseas economies will remain for the time being.

Regarding the environment surrounding business fixed investment, corporate profits have been more or less flat on the whole, although they varied by industry and size. According to the *Financial Statements Statistics of Corporations by Industry, Quarterly* (Chart 10[2]), the ratio of current profit to sales fell somewhat in the fourth quarter, after having moved up slightly in the third quarter. Looking at this ratio by

industry and size, it inched downward for both large firms and medium-sized and small firms in manufacturing. As for nonmanufacturing, the ratio for all large firms declined slightly, but when that for production, transmission and distribution of electricity is excluded, the ratio turned out to be firm; that for medium-sized and small firms rose for two straight quarters in the third and fourth quarters. Corporate profits are projected to resume their uptrend gradually, following increases in production and demand, although the effects such as those of the slowdown in overseas economies and the yen's appreciation will remain for the time being.

Private consumption has firmed up due in part to the effects of measures to stimulate demand for automobiles (Chart 14). Consumption of goods—as seen through sales at retail stores in real terms (Chart 15[1])—moved up in January relative to the fourth quarter, after having stayed roughly flat in the fourth quarter on a quarter-on-quarter basis. Looking at consumption of durable goods (Chart 15[2]), the number of new passenger-car registrations remained high in February following the jump in January, mainly since (i) supply constraints caused by the flooding in Thailand eased, (ii) subsidies for purchasing energy efficient cars were reintroduced, and (iii) popular models of new cars were released to the market. Sales of household electrical appliances in real terms were roughly flat in January, after having increased in December mainly due to favorable demand for seasonal products (such as air conditioners) and smartphones. Sales at department stores and supermarkets climbed in December, and were roughly flat in January, since sales of seasonal products—such as winter apparel—were firm whereas the number of customers declined due to the snow (Chart 16[1]). Sales at convenience stores have remained firm. As for consumption of services (Chart 16[2]), sales in the food service industry and outlays for travel have trended moderately upward, 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—fell in January relative to the fourth quarter, after having registered quarter-on-quarter increases for

two consecutive quarters in the third and fourth quarters (Chart 15[1]).<sup>4</sup> The total expenditure in the *Survey of Household Economy* (in real terms; two-or-more-person households) recorded quarter-on-quarter increases for two straight quarters in the third and fourth quarters and continued to rise in January compared with the fourth quarter.

Indicators related to consumer confidence have remained firm (Chart 17).

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—has tended to pick up, albeit with fluctuations; it moved slightly upward, to 820,000 units (in seasonally adjusted annualized terms) in January relative to the fourth quarter (Chart 18[1]).

Housing investment is expected to increase gradually, mainly due to the reconstruction of disaster-stricken homes.<sup>5</sup>

Industrial production has remained more or less flat, mainly due to the effects of the slowdown in overseas economies and the yen's appreciation (Chart 19). Production has remained more or less flat on average, although its level declined through November and then picked up slightly. Production, however, has begun to show signs of a possible pick-up in the coming period, as the production forecast index continued to increase toward March. Looking at production in January relative to the fourth quarter by industry, that of transport equipment (such as passenger cars) saw an increase, mainly since (i) supply constraints caused by the flooding in Thailand eased, (ii) subsidies for purchasing energy efficient cars were reintroduced, and (iii) popular models of new cars were released to the market. In response to this increase, production of iron and steel also rose. Production of

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

<sup>5</sup> 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.

information and communication electronics equipment (such as digital cameras) moved up, mainly since supply constraints in parts—which were caused by the flooding in Thailand—eased. On the other hand, production of electronic parts and devices remained sluggish with the effects of inventory adjustments still in place: it rebounded from the slump in the fourth quarter but fell again in January relative to December.

Shipments in January rose compared with those in the fourth quarter, although they decreased slightly relative to those in December, which saw a sharp increase. Looking at the trend in shipments by goods (Chart 20), those of durable consumer goods (motor vehicles and digital cameras) have tended to pick up, partly since the effects of the flooding in Thailand eased. Shipments of producer goods and capital goods were more or less level; those of construction goods have recently shown signs of picking up, except some items (photovoltaic modules) which fluctuate sharply.

Inventories have been on a downtrend, albeit with fluctuations. They declined in the fourth quarter and then moved up in January, mainly due to inventories of motor vehicles waiting to be shipped overseas. Looking in detail at inventories in January, electrical machinery (photovoltaic modules)—whose shipments were somewhat weak—saw a sizeable increase in their inventories. Inventories of transport equipment (motor vehicles) rose due to those waiting to be shipped overseas, but they are expected to move down to normal levels in February. Restocking of inventories has been observed in information and communication electronics equipment (such as digital cameras), after their inventories had declined sharply due to the effects of the flooding in Thailand. The shipment-inventory balance has been improving gradually overall of late, chiefly in electronic parts and devices, even though growth in inventories has continued to outpace that in shipments (Chart 21).

Production is expected to increase moderately, as domestic demand stays firm and as the pace of recovery in overseas economies picks up gradually. According to anecdotes by firms and other information, production in the first quarter is projected to increase on a quarter-on-quarter basis, assisted partly by an upswing in production, mainly in transport equipment, associated with the ease of supply constraints caused

by the flooding in Thailand, although the effects of the slowdown in overseas economies remain in some industries. As for the second quarter, production is expected to continue its uptrend, mainly since transport equipment will maintain its high level and also since the effects of the increase in reconstruction-related demand as well as of the progress in inventory adjustments of IT-related goods will surface.

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 22). The unemployment rate has been trending downward, albeit with monthly fluctuations. Overtime hours worked (non-scheduled hours worked) have tended to recover moderately.

In terms of employment, the year-on-year rate of change in the number of employees in the *Labour Force Survey* has been moving around 0 percent, despite large monthly fluctuations (Chart 23[1]). The number of regular employees in the *Monthly Labour Survey* has been increasing on a year-on-year basis. 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 has been trending downward, albeit with fluctuations.<sup>6</sup>

The year-on-year rate of change in nominal wages per employee (total cash earnings) has declined at a reduced pace; it has recently been around 0 percent (Chart 23[2]). Both regular and overtime payments (scheduled and non-scheduled cash earnings) have been on an improving trend, albeit with fluctuations. Winter bonuses

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<sup>6</sup> 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 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.

(special cash earnings during the November-January period) were roughly on par with the level from a year ago.<sup>7</sup>

The year-on-year rate of change in 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 23[3]).

Employee income is highly expected to be more or less flat, mainly since the lackluster business performance of this fiscal year will weigh on income with a time lag for the time being, although improvement in the labor market will support income gradually.

## **2. Prices**

International commodity prices have slightly firmed up lately (Chart 25[1] and [3]). Prices of crude oil have recently risen somewhat, partly due to increased geopolitical risks surrounding the situation in Iran amid decreasing uncertainty regarding the global economy. Prices of grains have rebounded somewhat, mainly as a reflection of unseasonable weather conditions in South America; those of nonferrous metals have picked up, mainly due to improvements in U.S. and Chinese economic indicators.

The three-month rate of change in import prices (on a yen basis) has turned marginally upward, as a reflection of movements in international commodity prices (Chart 25[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)<sup>8</sup> has

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<sup>7</sup> Winter bonuses correspond to the November-January aggregates of special cash earnings in the *Monthly Labour Survey*. The actual figures for fiscal 2011 show that winter bonuses comprise about 5 percent of special cash earnings made in November, 91 percent in December, and 4 percent in January.

<sup>8</sup> Figures are adjusted to exclude large seasonal fluctuations in electric power charges to observe the underlying changes in domestic corporate goods prices. Industrial and commercial electric

been more or less flat (Chart 26[2]). In February, the three-month rate of change posted a marginal increase. Looking in detail at domestic corporate goods price movements in February, prices of "goods sensitive to exchange rates and overseas commodity prices" continued to increase, and at the same time, prices of "other materials" turned to an increase and those of "machinery" and "iron & steel and construction goods" reduced their pace of decline.

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; it has been around 0 percent lately (Chart 27). Corporate services prices recovered to 0 percent in December and then declined somewhat in January by 0.3 percent. Looking in detail at corporate services price movements in January, prices of selling, general and administrative expenses have accelerated their pace of decline, mainly since advertising placements fell back. 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 28[1]). Consumer prices in January recorded negative 0.1 percent on a year-on-year basis, which was the same as in December. Looking at developments on a basis that excludes food and energy, prices increased by 0.2 percentage points from December, to negative 0.9 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 tended to narrow mildly; the trimmed mean index rose somewhat in January on a year-on-year basis (Chart 29).<sup>9</sup>

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power charges are set relatively high during July-September, when electric power consumption increases substantially.

<sup>9</sup> 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.

Looking in detail at consumer price movements in January, prices for goods (excluding agricultural, aquatic and livestock products) fell at a reduced pace overall, since prices of durable goods (room air conditioners) declined at a reduced pace and those of clothes rose at an accelerated pace, even though the pace of increase in prices of petroleum products (such as gasoline) slowed. Prices of general services somewhat accelerated their pace of decline 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 overall, since prices of automotive insurance premium (option) as well as those of both electricity and gas, manufactured & piped accelerated their pace of increase.

Domestic corporate goods prices are expected to move slightly upward for the time being, mainly 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 reflect expectations about future policy interest rates. Interest rates on Euroyen futures have been virtually level (Chart 30). In U.S. dollar funding, the LIBOR-OIS spread for the dollar has tended to narrow as tensions in the U.S. dollar short-term funding markets have eased (Chart 31).

Yields on 10-year government bonds (newly issued 10-year JGB) have been more or less flat. They have recently been moving in the range of 0.95-1.0 percent (Chart 32).

Yield spreads between corporate bonds and government bonds have generally been more or less flat (Chart 33).

Stock prices have risen sharply in response to the yen's depreciation. The Nikkei 225 Stock Average has risen to around 10,000 yen (Chart 34).

In the foreign exchange market, the yen has depreciated against the U.S. dollar, since the following factors are regarded as reasons to sell the yen: the recent deterioration in Japan's trade balance, the policy change decided at the Bank of Japan Monetary Policy Meeting on February 14, and the wider interest rate differential between Japan and the United States as a reflection of the improvement in U.S. economic indicators. The yen has recently been moving in the range of 82-83 yen (Chart 35).

## **(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 37).

With regard to credit supply, firms have continued to see financial institutions' lending attitudes as being on an improving trend (Chart 36). 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 increase in the amount outstanding of bank lending has risen, mainly in demand for working capital and funds related to mergers and acquisitions (Chart 38). The year-on-year rate of change in the amount outstanding of CP has been positive, while that of corporate bonds has recently been slightly negative partly because some issuers have shifted to the CP market (Chart 39).

In these circumstances, firms have retained their recovered financial positions on the whole (Chart 36). The number of corporate bankruptcies has been at a low level (Chart 41).

Meanwhile, the year-on-year rate of change in the money stock (M2) has been positive at around 3 percent. Its February reading was 2.9 percent on a year-on-year basis, following 3.1 percent in January (Chart 40).<sup>10</sup>

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<sup>10</sup> On an M3 basis, which includes the Japan Post Bank, the year-on-year rate of change has been positive at around 2.5 percent; its February reading was 2.5 percent, following 2.6 percent in January. The year-on-year rate of change in broadly-defined liquidity (L) has been in the positive range of 0.0-0.5 percent; it increased by 0.3 percent in February, following an increase of 0.3 percent in January.

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## Main Economic Indicators (1)

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

	2011/Q2	Q3	Q4	2011/Nov.	Dec.	2012/Jan.	Feb.
Index of consumption expenditure level (two-or-more-person households)	-0.6	0.4	0.5	-1.8	1.2	-1.2	n.a.
Sales at department stores	2.9	-0.9	1.1	-1.6	2.0	p -0.4	n.a.
Sales at supermarkets	-0.8	0.5	-0.5	-1.7	1.3	p 0.2	n.a.
New passenger-car registrations <sup>3</sup> <s.a., ann. 10,000 units>	< 196>	< 257>	< 267>	< 258>	< 271>	< 356>	< 335>
Sales of household electrical appliances (real, "Current Survey of Commerce")	23.4	-6.5	-14.1	-12.3	16.4	p -0.9	n.a.
Outlays for travel	-10.0	18.6	4.8	-0.7	4.3	-4.6	n.a.
Housing starts <s.a., ann. 10,000 units>	< 83>	< 88>	< 80>	< 82>	< 78>	< 82>	<n.a.>
Machinery orders <sup>4</sup> (Private sector, exc. volatile orders)	2.5	1.5	-2.6	14.8	-7.1	3.4	n.a.
Manufacturing	-0.2	2.5	-2.8	4.7	-7.1	-1.8	n.a.
Nonmanufacturing <sup>4</sup> (exc. volatile orders)	5.0	5.0	-2.3	6.2	-6.0	2.3	n.a.
Construction starts (private, nondwelling use)	7.3	-3.3	-0.9	-2.0	5.8	13.1	n.a.
Mining & manufacturing	24.5	-21.7	22.0	5.2	-22.6	70.5	n.a.
Nonmanufacturing <sup>5</sup>	1.5	0.9	-3.0	-4.7	15.9	0.3	n.a.
Value of public works contracted	-3.7	1.6	3.6	0.6	-8.0	11.5	n.a.
Real exports	-5.7	8.7	-3.9	-2.7	1.1	0.2	n.a.
Real imports	2.1	2.5	1.3	-1.8	-2.8	6.2	n.a.
Industrial production	-4.0	4.3	-0.4	-2.7	3.8	p 2.0	n.a.
Shipments	-5.9	6.6	-0.6	-1.6	4.6	p -0.7	n.a.
Inventories	3.2	1.9	-2.6	-0.6	-2.9	p 3.1	n.a.
Inventory ratio <s.a., CY 2005 = 100>	< 111.9>	< 119.2>	< 111.9>	< 116.2>	< 111.9>	<p 113.2>	<n.a.>
Real GDP	-0.3	1.7	-0.2	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	-0.4	2.0	0.0	-1.0	1.3	n.a.	n.a.

## Main Economic Indicators (2)

	y/y % chg. <sup>1</sup>						
	2011/Q2	Q3	Q4	2011/Nov.	Dec.	2012/Jan.	Feb.
Ratio of job offers to applicants <s.a., times>	< 0.62>	< 0.66>	< 0.69>	< 0.69>	< 0.71>	< 0.73>	<n.a.>
Unemployment rate <sup>6</sup> <s.a., %>	< 4.6>	< 4.4>	< 4.5>	< 4.5>	< 4.5>	< 4.6>	<n.a.>
Overtime working hours <sup>7</sup>	-2.0	-0.6	0.9	0.0	1.8	p 1.0	n.a.
Number of employees <sup>6</sup>	0.8	-0.4	0.1	0.4	0.2	-0.5	n.a.
Number of regular employees <sup>7</sup>	0.7	0.7	0.6	0.7	0.6	p 0.5	n.a.
Nominal wages per person <sup>7</sup>	-0.4	-0.3	0.0	-0.2	0.1	p 0.0	n.a.
Domestic corporate goods price index <q/q % chg., 3-month rate of change> <sup>8</sup>	2.5 < 1.2>	2.6 <-0.3>	1.5 <-0.7>	1.6 <-0.7>	1.2 <-0.5>	0.5 <-0.1>	p 0.6 <p 0.1>
Consumer price index <sup>9</sup>	-0.3	0.2	-0.2	-0.2	-0.1	-0.1	n.a.
Corporate services price index <sup>10</sup>	-0.6	-0.4	-0.1	-0.2	0.0	p -0.3	n.a.
Money stock (M2) <average outstanding, y/y % chg.>	2.8	2.8	3.0	3.0	3.2	3.1	p 2.9
Number of corporate bankruptcies <cases per month>	<1,104>	<1,036>	<1,034>	<1,095>	<1,032>	<985>	<1,038>

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

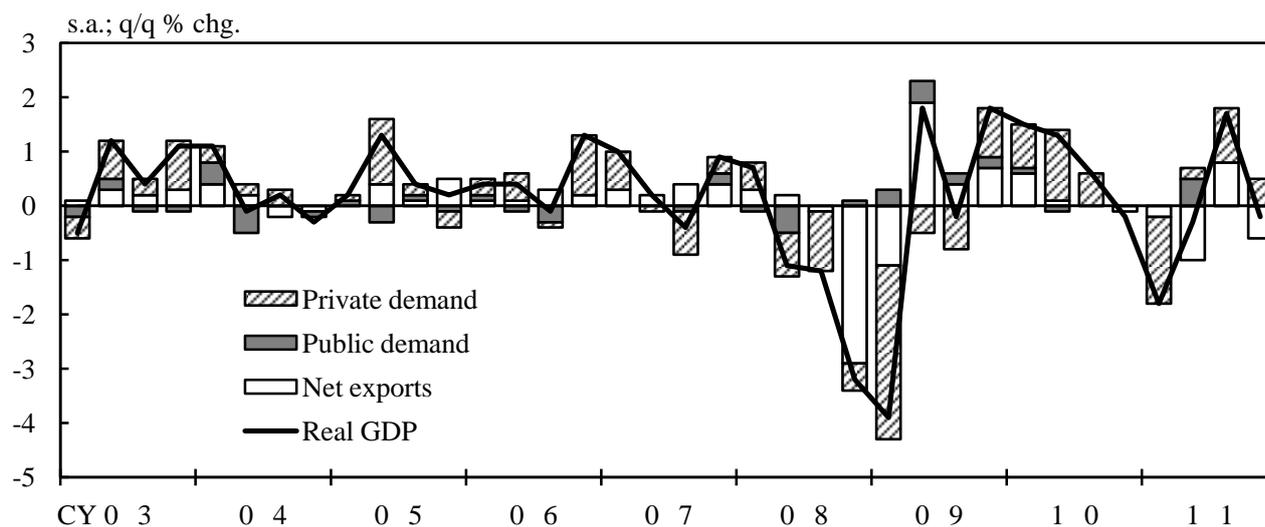
All figures in Chart 2 except figures in angle brackets are year-on-year changes. For details on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes of respective charts.

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



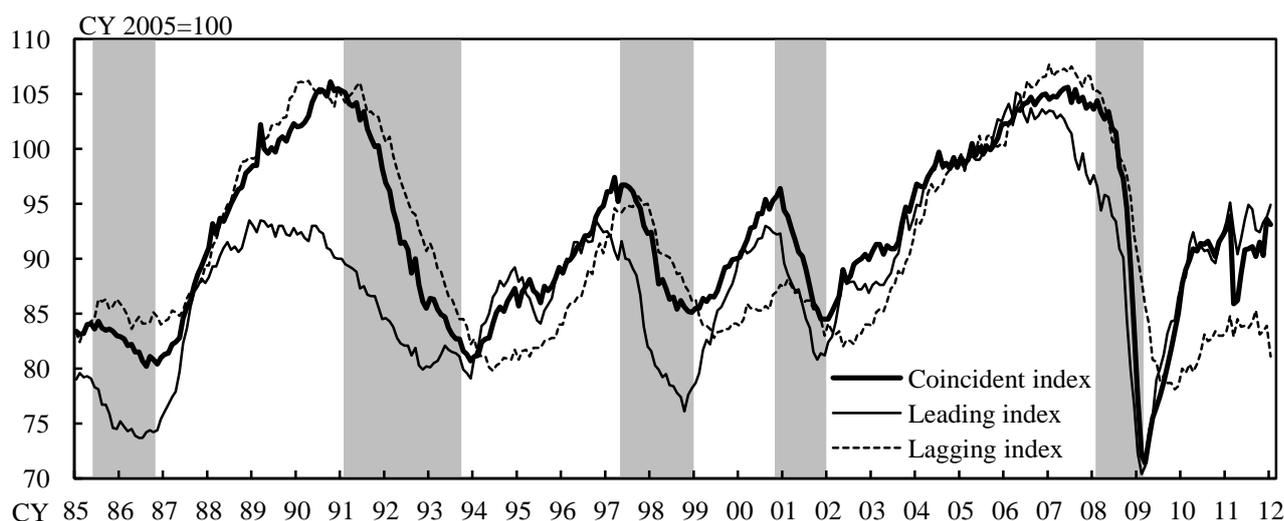
## (2) Components

s.a.; q/q % chg.

	2010	2011			
	Q4	Q1	Q2	Q3	Q4
Real GDP	-0.2	-1.8	-0.3	1.7	-0.2
[Annual rate]	[-0.6]	[-6.9]	[-1.2]	[7.1]	[-0.7]
Domestic demand	-0.1	-1.6	0.7	1.0	0.5
Private demand	-0.0	-1.6	0.2	1.0	0.5
Private consumption	0.1	-0.7	0.2	0.6	0.2
Non-Resi. investment	-0.2	-0.1	-0.0	0.0	0.6
Residential investment	0.1	0.0	-0.1	0.1	-0.0
Private inventory	0.1	-0.9	0.1	0.2	-0.3
Public demand	-0.0	-0.0	0.5	-0.0	-0.0
Public investment	-0.1	-0.1	0.3	-0.1	-0.1
Net exports of goods and services	-0.1	-0.2	-1.0	0.8	-0.6
Exports	-0.0	-0.0	-1.0	1.3	-0.5
Imports	-0.0	-0.1	-0.0	-0.5	-0.2
Nominal GDP	-0.7	-2.1	-1.2	1.4	-0.5

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

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

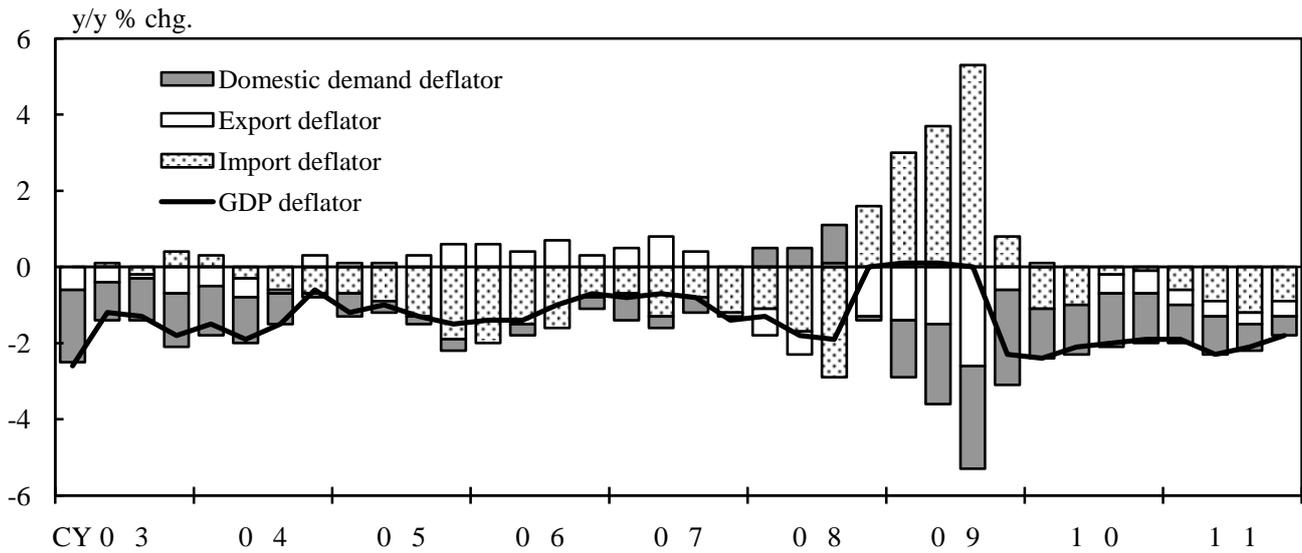


Note: Shaded areas indicate recession periods.

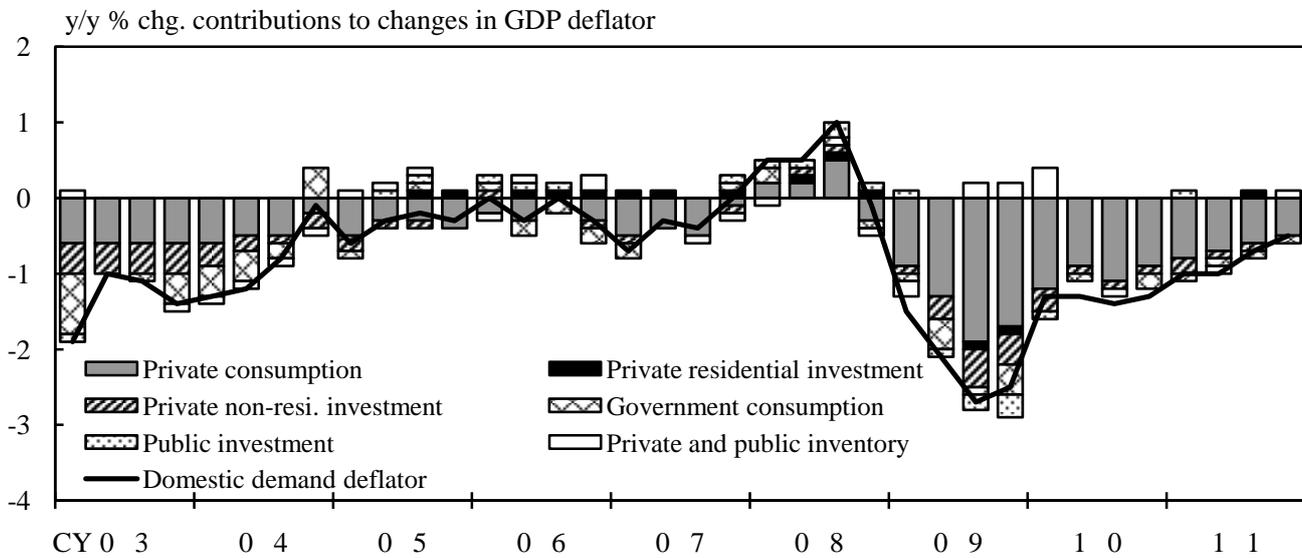
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

GDP Deflator and Income Formation

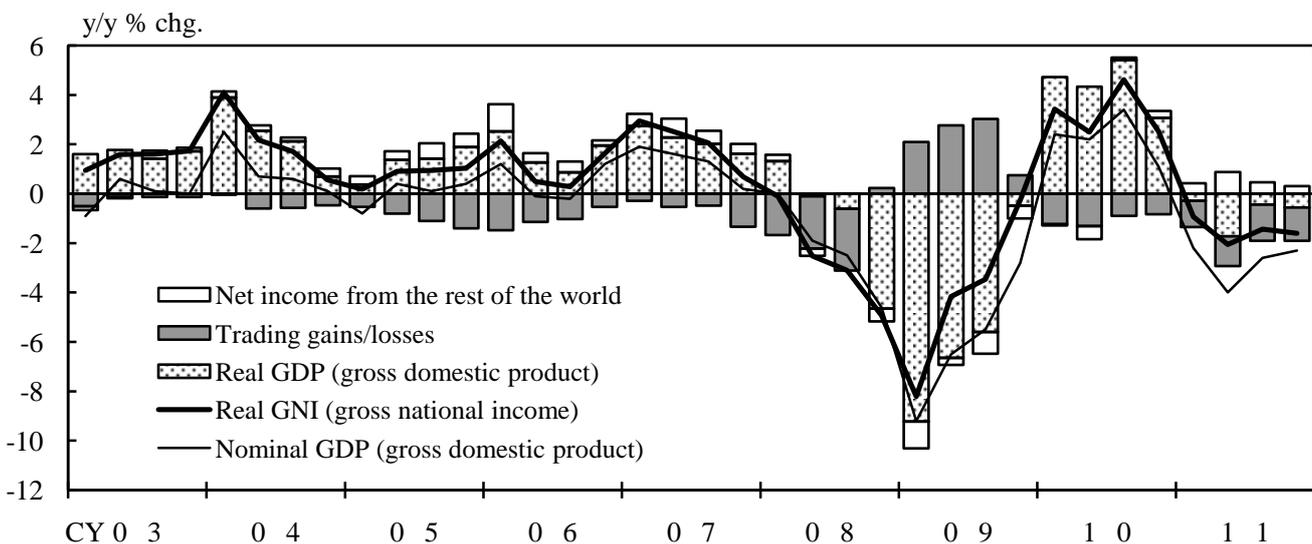
(1) GDP Deflator



(2) Domestic Demand Deflator



(3) Aggregate Income Formation



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

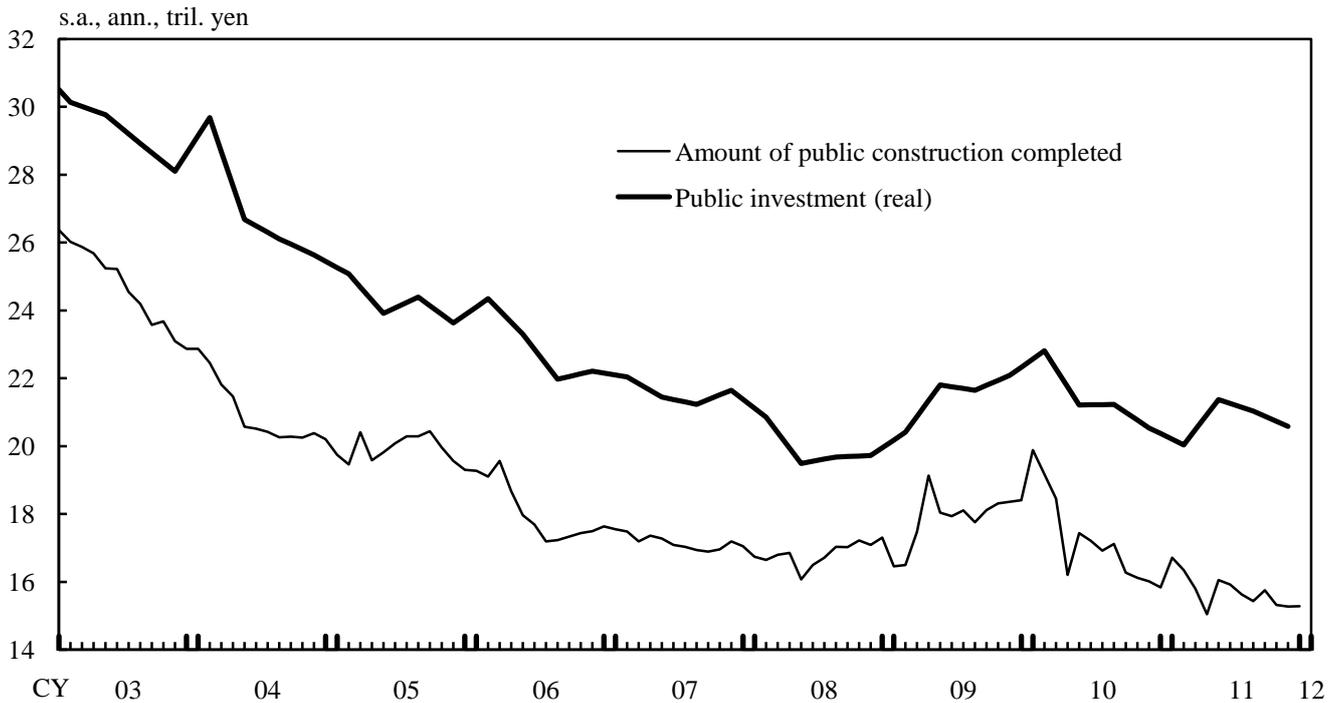
2. Real GNI = real GDP + trading gains/losses + net income from the rest of the world

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

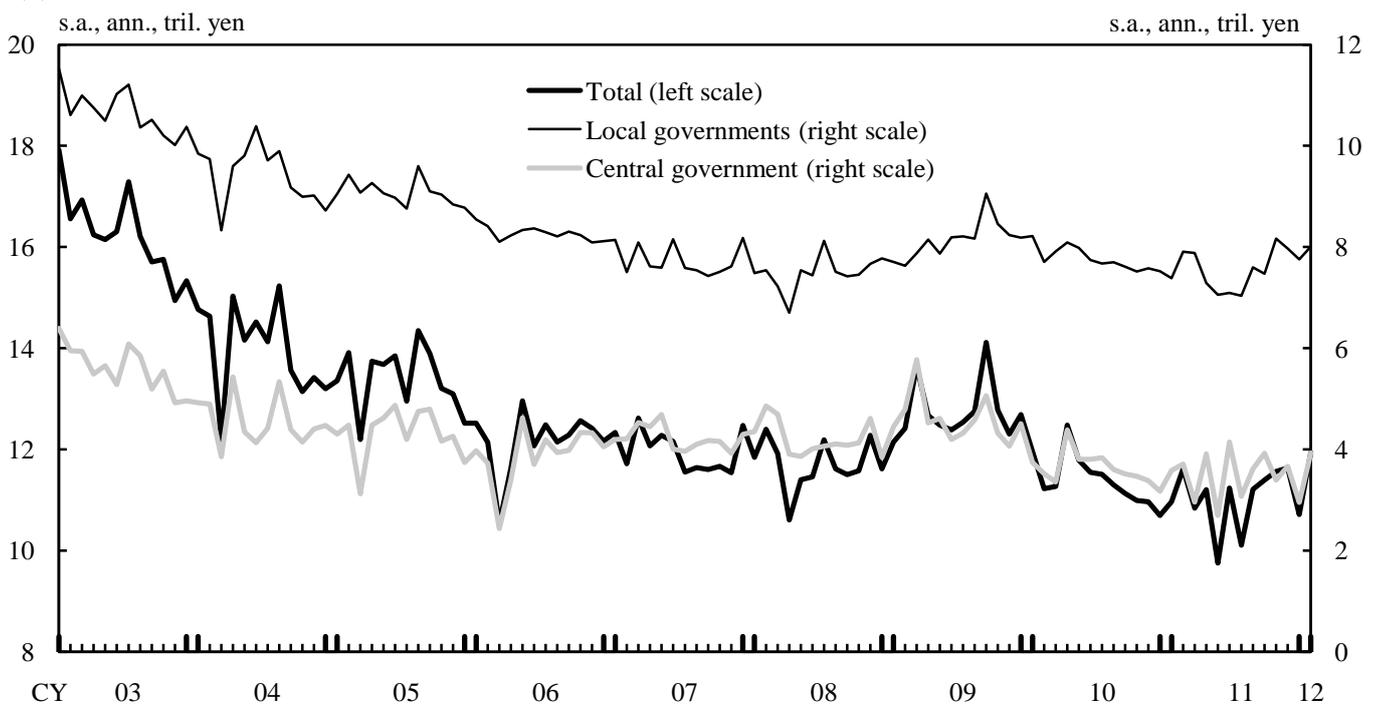
Source: Cabinet Office, "National Accounts."

## 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.

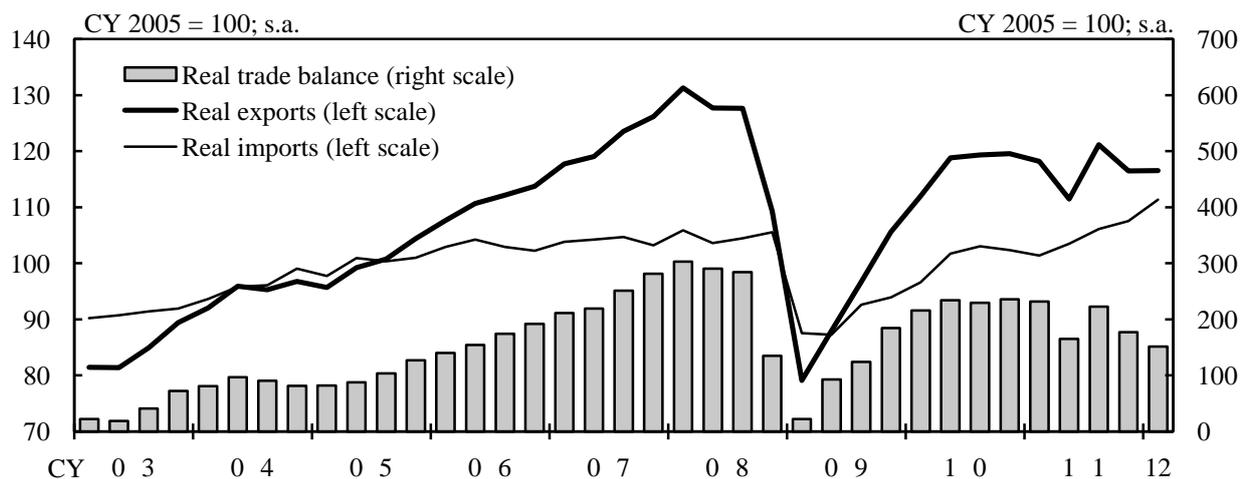
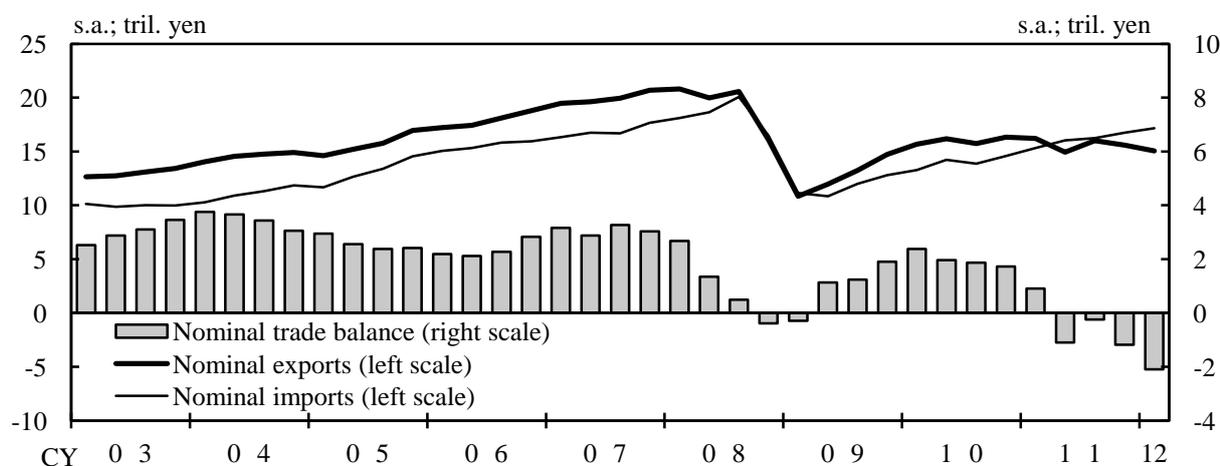
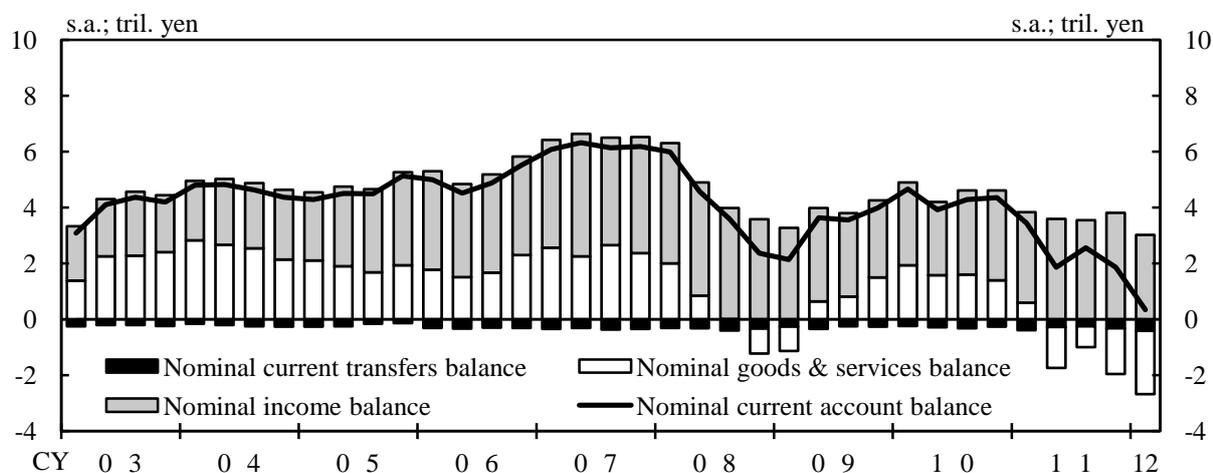
2. The amount of public construction completed is based on the general tables in the "Integrated Statistics on Construction Works."

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<sup>1</sup>(1) Real Exports, Real Imports, and Real Trade Balance<sup>2</sup>(2) Nominal Exports, Nominal Imports, and Nominal Trade Balance<sup>3</sup>(3) Nominal Current Account Balance and Nominal Goods & Services Balance<sup>3</sup>

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2012/Q1 figures are January figures converted into quarterly amount.

2. Real exports/imports are the value of exports and imports in the "Trade Statistics" deflated by the "Export and Import Price Index," indexed with the base year of 2005. "Real trade balance" is defined as real exports minus real imports, indexed with the base year of 2005.

3. Figures are based on the "Balance of Payments."

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

Real Exports <sup>1</sup>

## (1) Breakdown by Region

	y/y % chg.	y/y % chg.				s.a.; q/q % chg.				s.a.; m/m % chg.		
		CY 2010	2011	2011		2012				2011		2012
				Q1	Q2	Q3	Q4	Q1	Nov.	Dec.	Jan.	
United States	<15.3>	24.7	-0.3	-6.5	-10.2	20.7	3.2	2.3	0.8	7.9	-3.0	
EU	<11.6>	17.4	2.9	-3.0	-2.6	12.5	-10.5	2.7	-0.5	-10.2	10.6	
East Asia	<52.8>	31.8	-1.2	-1.2	-6.0	5.7	-5.4	0.1	-4.5	2.0	0.3	
China	<19.7>	31.3	1.8	0.5	-11.0	9.2	-5.1	-5.1	-2.9	-0.3	-4.0	
NIEs	<22.8>	28.0	-4.6	-2.4	-2.6	1.1	-5.0	-0.9	-4.3	3.2	-1.5	
Korea	<8.0>	23.6	-3.0	1.0	1.6	-5.4	-0.7	6.7	-2.9	4.4	4.7	
Taiwan	<6.2>	36.8	-9.4	-2.4	-6.7	-2.4	-3.8	-7.7	-6.5	1.1	-6.3	
Hong Kong	<5.2>	29.2	-4.1	-4.0	-6.7	9.3	-5.6	2.4	-3.9	0.1	3.6	
Singapore	<3.3>	20.2	0.3	-6.6	0.2	14.0	-15.6	-5.1	11.2	-0.6	-7.9	
ASEAN4 <sup>3</sup>	<10.4>	42.7	0.7	-1.8	-3.4	9.8	-7.0	12.3	-8.3	3.8	12.8	
Thailand	<4.6>	46.1	1.3	1.4	-1.7	8.7	-22.2	21.8	-22.6	11.6	23.9	
Others	<20.3>	29.2	1.6	0.1	-4.2	14.1	-2.5	3.0	-2.1	-0.4	4.0	
Real exports		27.5	-0.5	-1.1	-5.7	8.7	-3.9	0.0	-2.7	1.1	0.2	

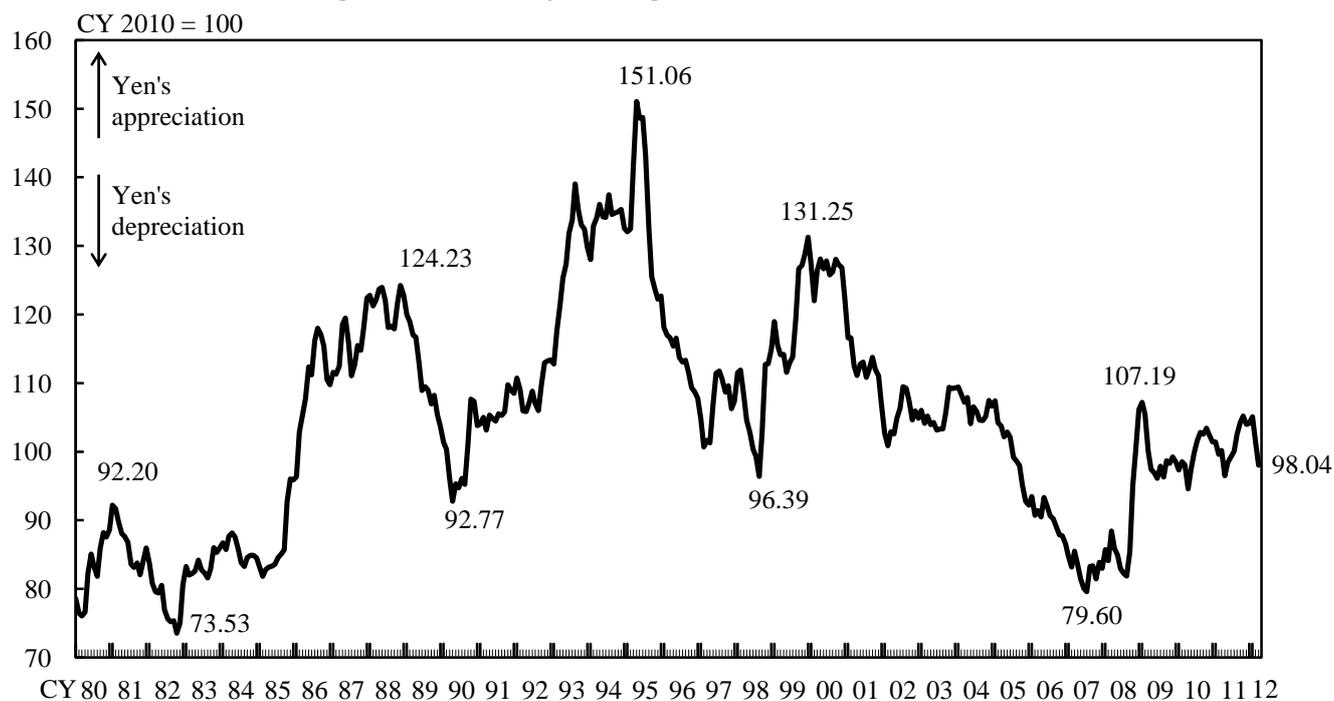
## (2) Breakdown by Goods

	y/y % chg.	y/y % chg.				s.a.; q/q % chg.				s.a.; m/m % chg.		
		CY 2010	2011	2011		2012				2011		2012
				Q1	Q2	Q3	Q4	Q1	Nov.	Dec.	Jan.	
Intermediate goods	<20.9>	18.3	-4.6	-0.9	-4.4	-2.2	-1.2	-2.8	-7.4	1.5	-1.2	
Motor vehicles and their related goods	<20.6>	41.8	-3.8	-8.7	-22.8	47.4	1.3	-0.7	-6.6	1.8	0.4	
Consumer goods <sup>4</sup>	<3.2>	13.7	-2.9	-1.4	-9.4	24.4	-23.3	28.2	-26.2	21.8	25.4	
IT-related goods <sup>5</sup>	<10.0>	27.6	0.8	0.6	-2.5	6.0	-5.0	0.6	-2.4	4.2	-1.4	
Capital goods and parts <sup>6</sup>	<30.3>	36.3	5.0	1.4	1.5	-0.5	-3.1	3.4	4.0	-0.3	2.2	
Real exports		27.5	-0.5	-1.1	-5.7	8.7	-3.9	0.0	-2.7	1.1	0.2	

- Notes: 1. Seasonally adjusted by X-12-ARIMA. 2012/Q1 figures are January figures converted into quarterly amount.  
2. Shares of each region and goods in 2011 are shown in angle brackets.  
3. Data of four members: Thailand, Malaysia, Indonesia, and Philippines.  
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 (Monthly Average)



Notes: 1. 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. Figures for February and March (up to March 9) 2012 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

s.a., ann., q/q % chg.

	CY2009	2010	2011	2011 Q1	Q2	Q3	Q4
United States <sup>1</sup>	-3.5	3.0	1.7	0.4	1.3	1.8	3.0
European Union <sup>2</sup>	-4.3	2.0	1.5	2.8	0.8	1.0	-1.0
Germany <sup>1</sup>	-5.1	3.7	3.0	5.5	1.1	2.3	-0.7
France <sup>1</sup>	-2.6	1.4	1.7	3.8	-0.3	1.3	0.9
United Kingdom <sup>1</sup>	-4.4	2.1	0.8	1.3	0.1	2.2	-0.8
East Asia <sup>3</sup>	2.5	9.2	5.8	9.0	4.0	4.9	0.7
China <sup>1</sup>	9.2	10.4	9.2	8.7	9.5	9.5	8.2
NIEs <sup>1,3</sup>	-1.1	8.9	4.2	10.3	0.6	1.5	0.3
ASEAN4 <sup>1,3,4</sup>	-0.4	7.3	3.0	6.7	1.2	4.0	-12.4
Main economies <sup>3</sup>	-0.0	6.8	4.4	6.5	3.0	3.7	0.9

Notes: 1. Figures for each country are based on those released by the government or central bank. Quarterly figures for China are annualized based on quarter-on-quarter changes released by the National Bureau of Statistics of China.

2. Figures are based on those released by the European Commission.

3. Figures are averages of members' real GDP growth rates, weighted by the value of exports from Japan to each country or region.

The members are described below.

Main economies: United States, European Union, and East Asia

East Asia: China, NIEs, and ASEAN4

NIEs: Korea, Taiwan, Hong Kong, and Singapore

ASEAN4: Thailand, Malaysia, Indonesia, and Philippines

4. To calculate the quarterly figures, real GDP growth rates of some member countries are seasonally adjusted by the Bank of Japan using X-11.

Real Imports <sup>1</sup>

## (1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.				s.a.; m/m % chg.			
		CY 2010	2011	2011 Q1	Q2	Q3	Q4	2012 Q1	2011 Nov.	2012 Dec.	2012 Jan.
United States	<8.7>	8.2	-1.2	-5.6	6.0	-1.8	3.0	7.5	1.0	-4.5	10.6
EU	<9.4>	6.4	7.5	0.8	8.2	0.6	1.4	-2.6	4.1	-11.2	4.1
East Asia	<41.5>	22.0	9.1	1.5	1.1	3.2	1.8	0.0	-4.1	1.6	0.4
China	<21.5>	23.9	12.2	0.9	1.6	5.3	3.1	-1.2	-2.3	-0.0	-0.4
NIEs	<8.6>	21.6	6.0	3.5	1.0	-0.8	3.9	-0.7	-5.3	5.3	-2.3
Korea	<4.7>	20.9	19.9	6.7	6.8	-2.9	3.5	2.7	-7.1	7.8	0.2
Taiwan	<2.7>	21.2	-5.5	-1.2	-5.2	0.8	6.1	-4.9	-5.6	5.7	-6.6
Hong Kong	<0.2>	32.8	-5.5	16.6	-16.1	4.2	-3.9	53.0	61.8	-28.5	66.4
Singapore	<1.0>	22.9	-2.8	-2.1	5.1	-1.1	3.0	-7.3	-4.8	-1.2	-5.0
ASEAN4 <sup>3</sup>	<11.5>	18.2	4.7	1.3	0.1	1.6	-3.0	4.1	-7.6	2.5	5.2
Thailand	<2.9>	25.7	3.9	2.6	2.7	2.1	-16.8	4.3	-12.8	-4.9	13.3
Others	<40.4>	6.8	-0.3	-1.6	-0.1	2.8	1.2	4.8	-2.6	-0.4	6.0
Real imports		12.0	3.6	-0.9	2.1	2.5	1.3	3.6	-1.8	-2.8	6.2

## (2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.				s.a.; m/m % chg.			
		CY 2010	2011	2011 Q1	Q2	Q3	Q4	2012 Q1	2011 Nov.	2012 Dec.	2012 Jan.
Raw materials <sup>4</sup>	<39.8>	5.5	-0.2	-1.3	-1.2	4.8	0.3	5.0	-2.7	0.2	5.8
Intermediate goods	<15.0>	18.5	8.5	2.3	9.6	-2.6	0.1	-4.3	-0.3	-6.4	0.2
Foodstuffs	<8.6>	2.2	1.5	1.1	6.9	-3.4	6.4	5.9	4.9	-4.6	7.6
Consumer goods <sup>5</sup>	<8.1>	22.7	6.1	-0.7	-3.8	2.3	-2.7	3.6	-5.3	-0.1	5.6
IT-related goods <sup>6</sup>	<9.8>	26.7	8.0	0.1	-1.4	2.7	6.8	-2.9	-5.4	-0.2	-0.9
Capital goods and parts <sup>7</sup>	<10.4>	19.0	9.4	-0.9	2.1	5.8	2.7	6.1	0.7	-4.6	9.3
Excluding aircraft	<10.0>	21.8	10.5	0.4	3.8	5.6	0.3	0.7	-5.6	0.1	2.7
Real imports		12.0	3.6	-0.9	2.1	2.5	1.3	3.6	-1.8	-2.8	6.2

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2012/Q1 figures are January figures converted into quarterly amount.

2. Shares of each region and goods in 2011 are shown in angle brackets.

3. Data of four members: Thailand, Malaysia, Indonesia, and Philippines.

4. Raw materials are mainly composed of woods, ores, and mineral fuels.

5. Excludes foodstuffs.

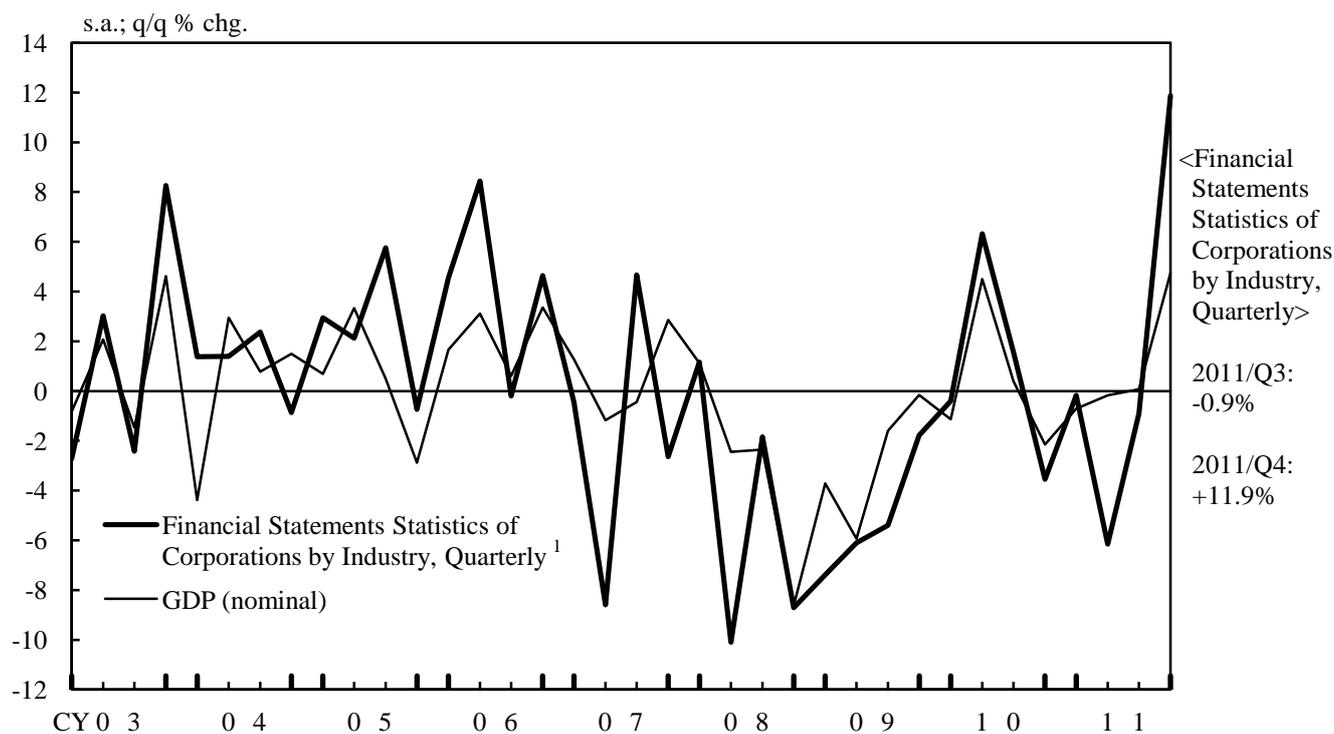
6. IT-related goods are composed of computers and units, parts of computers, telecommunication machinery, ICs, and medical and optical instruments.

7. Excludes IT-related goods.

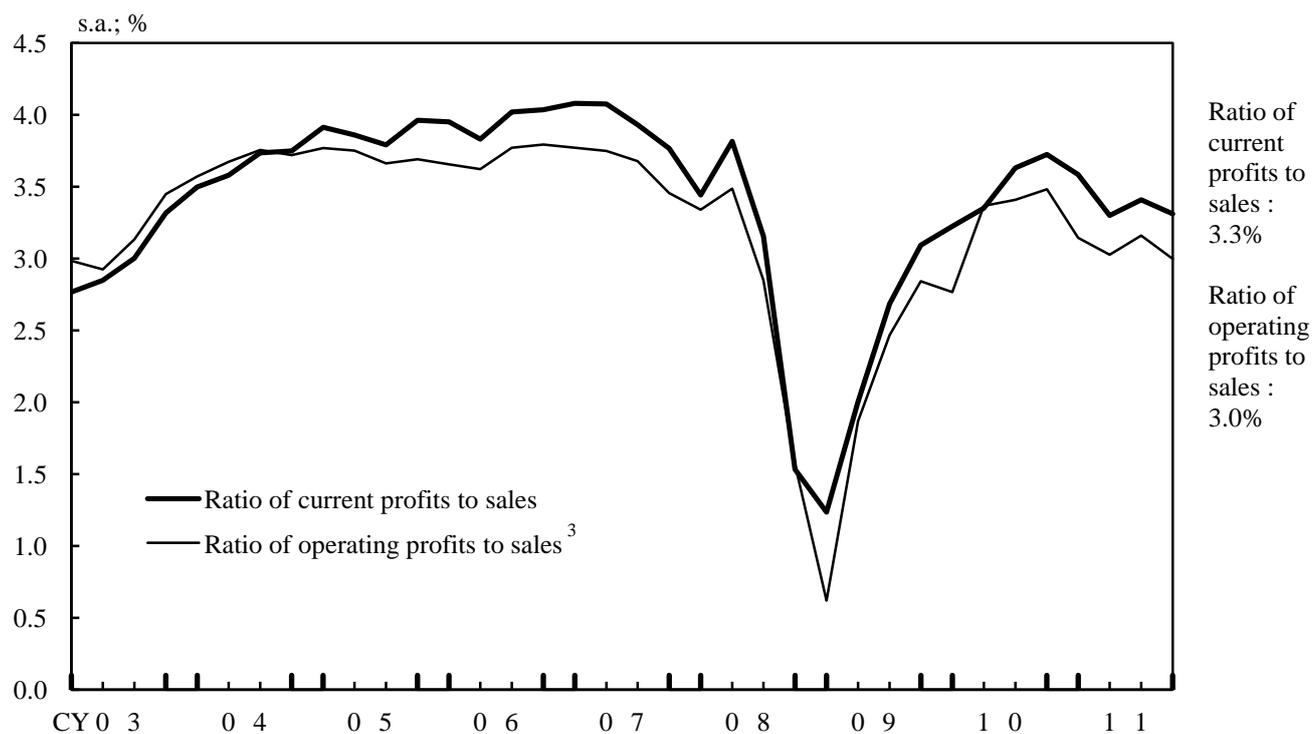
Sources: Ministry of Finance, "Trade Statistics"; Bank of Japan, "Corporate Goods Price Index."

Business Fixed Investment and Corporate Profits

(1) Business Fixed Investment



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



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

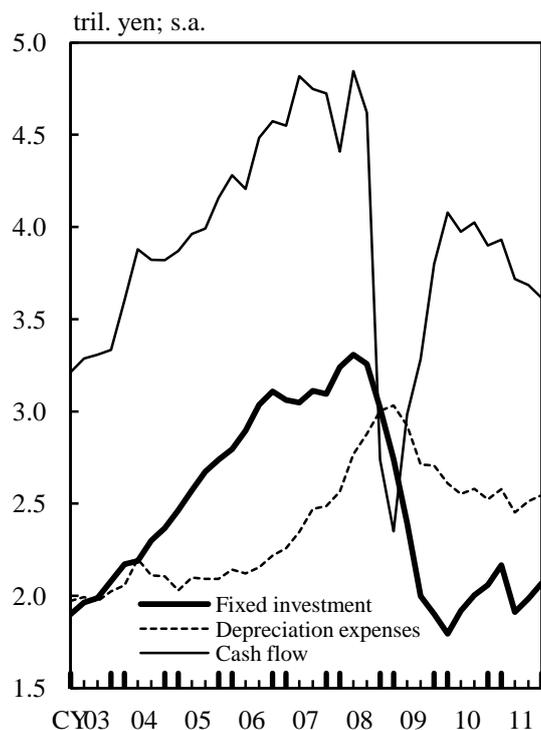
2. Based on the "Financial Statements Statistics of Corporations by Industry, Quarterly."

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

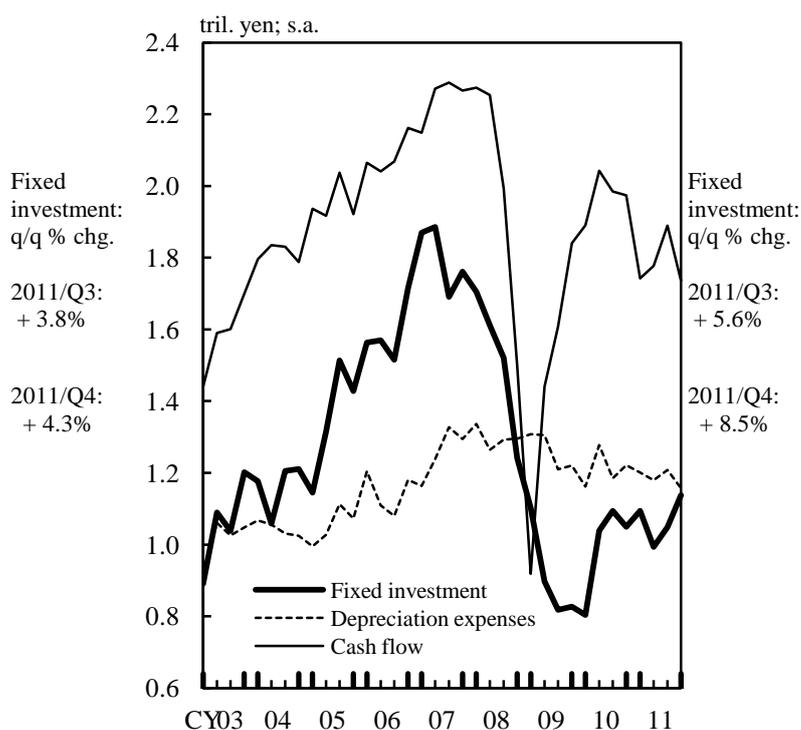
Sources: Cabinet Office, "National Accounts"; Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

Business Fixed Investment by Industry and Size

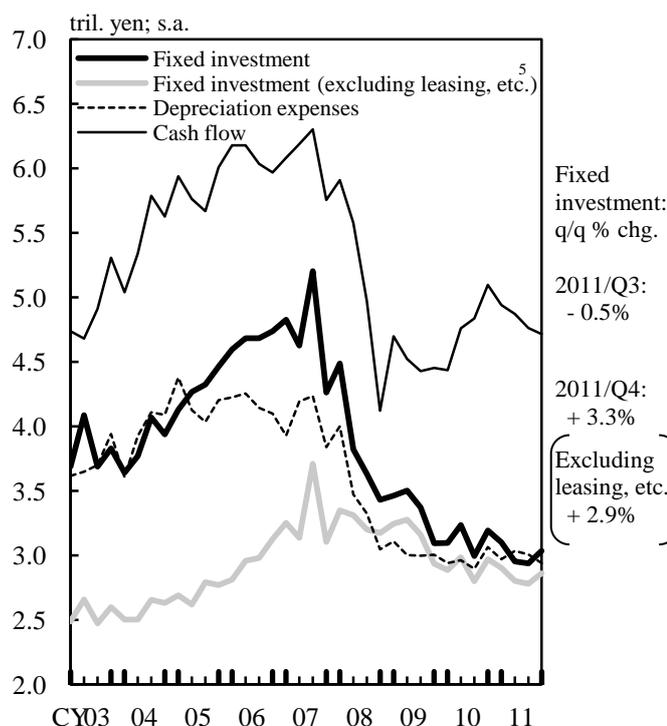
(1) Large Manufacturing Firms



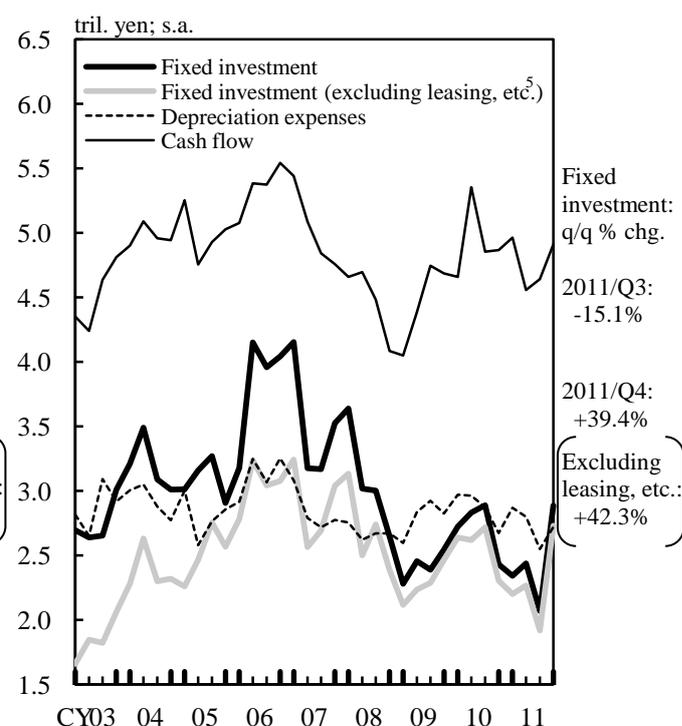
(2) Medium-Sized and Small Manufacturing Firms



(3) Large Nonmanufacturing Firms



(4) Medium-Sized and Small Nonmanufacturing Firms

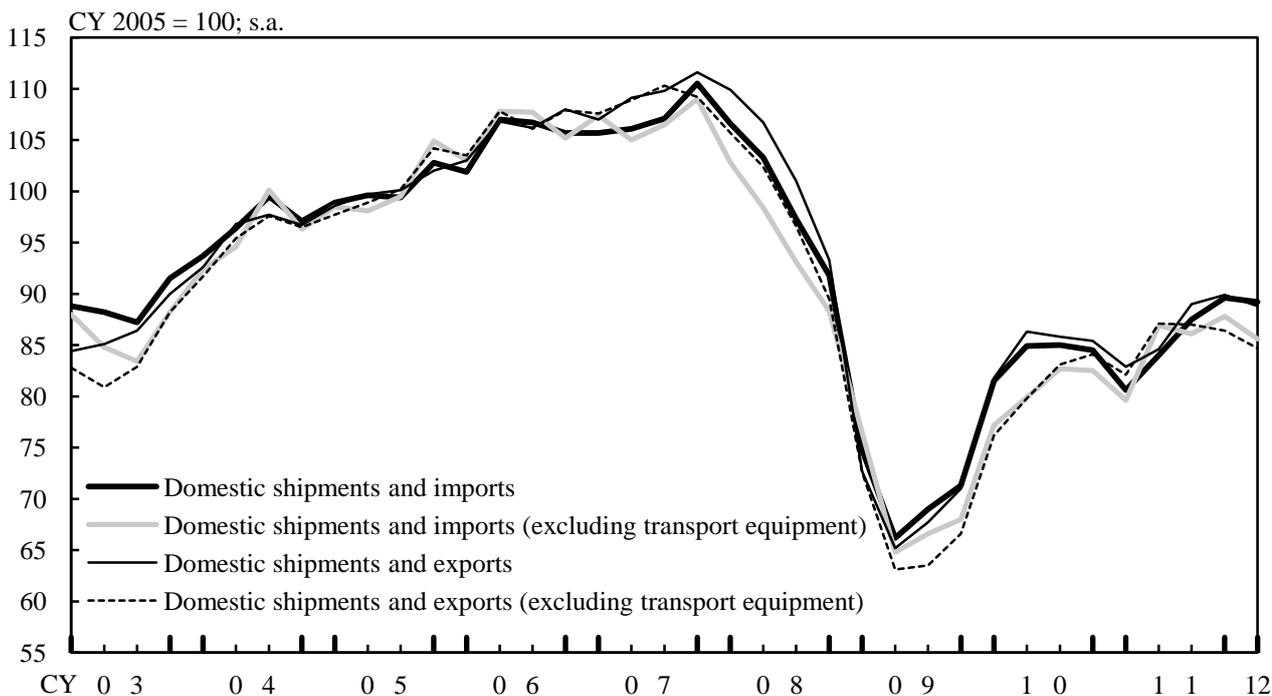


- Notes: 1. "Large firms" refers to firms with capital stock of 1 billion yen or more, and "medium-sized and small firms" refers to firms with capital stock of 10 million or more but less than 1 billion yen.  
 2. Cash flow = current profits / 2 + depreciation expenses.  
 3. Seasonally adjusted by X-12-ARIMA.  
 4. Excluding "Finance and Insurance."  
 5. Up to 2004/Q1, excluding "Business Services." From 2004/Q2, excluding "Goods rental and Leasing."

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

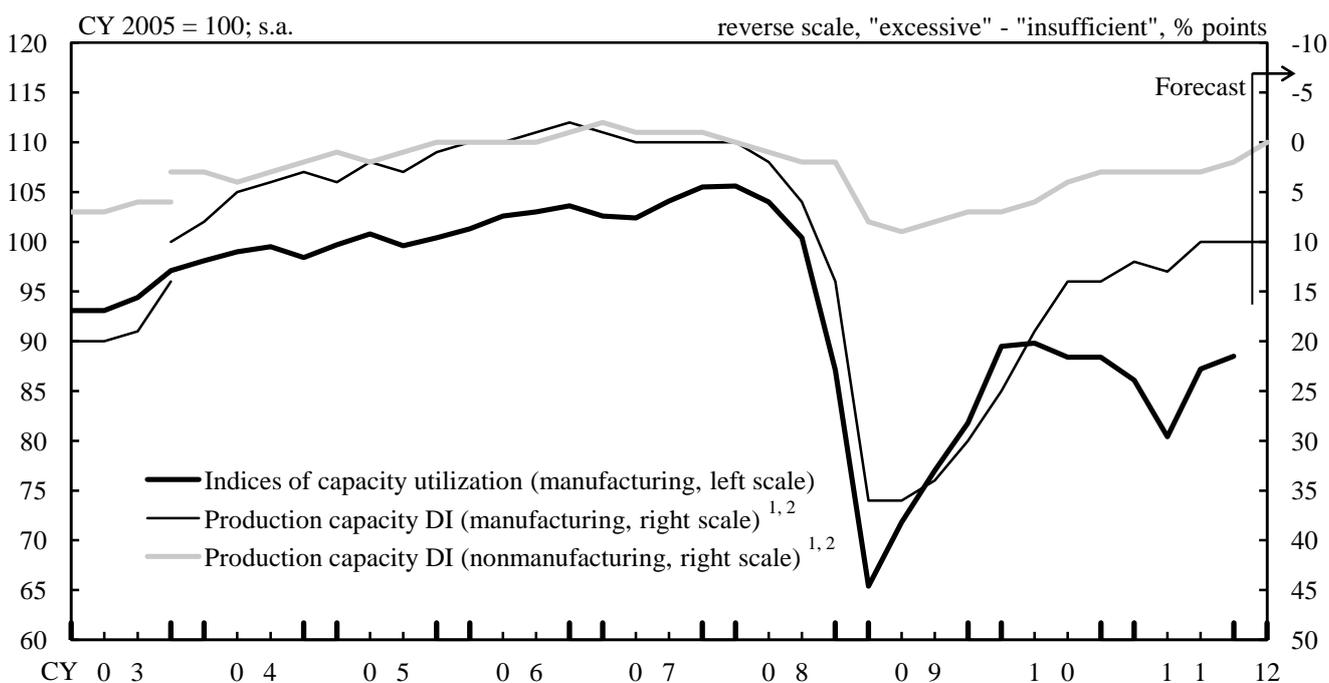
## Coincident Indicators of Business Fixed Investment

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



Note: Figures for 2012/Q1 are those of January.

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



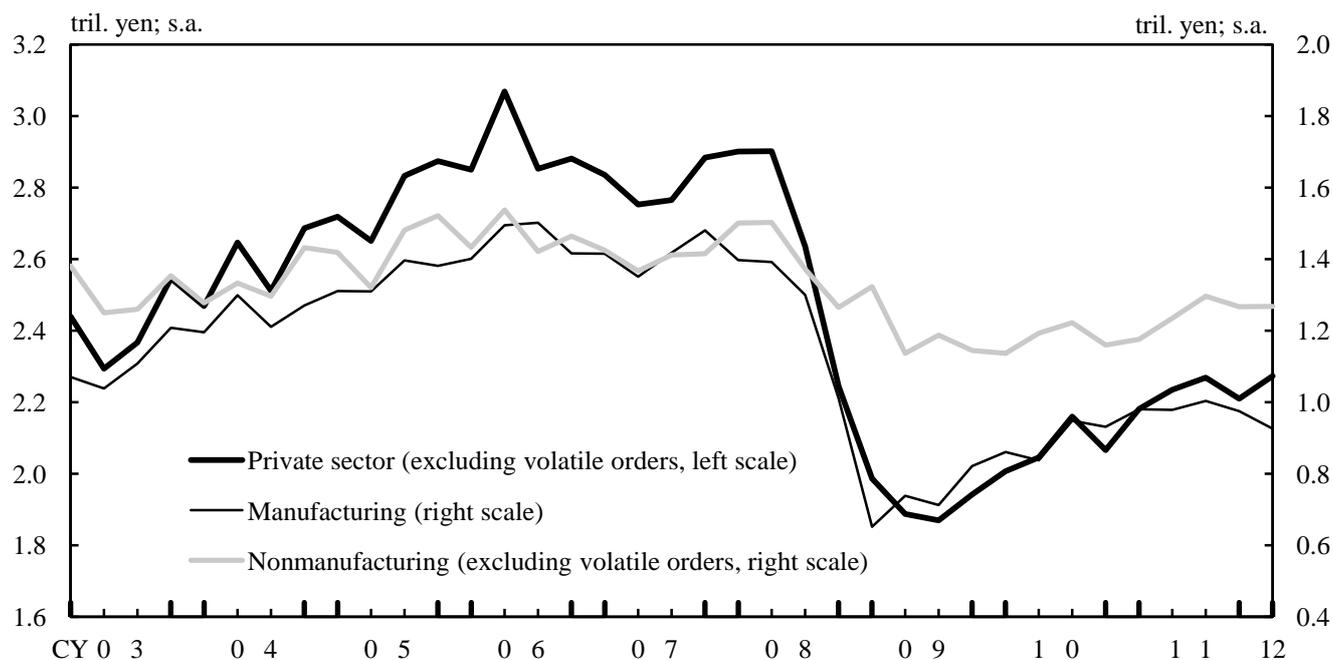
Notes: 1. Production capacity DIs are those of all enterprises.

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."

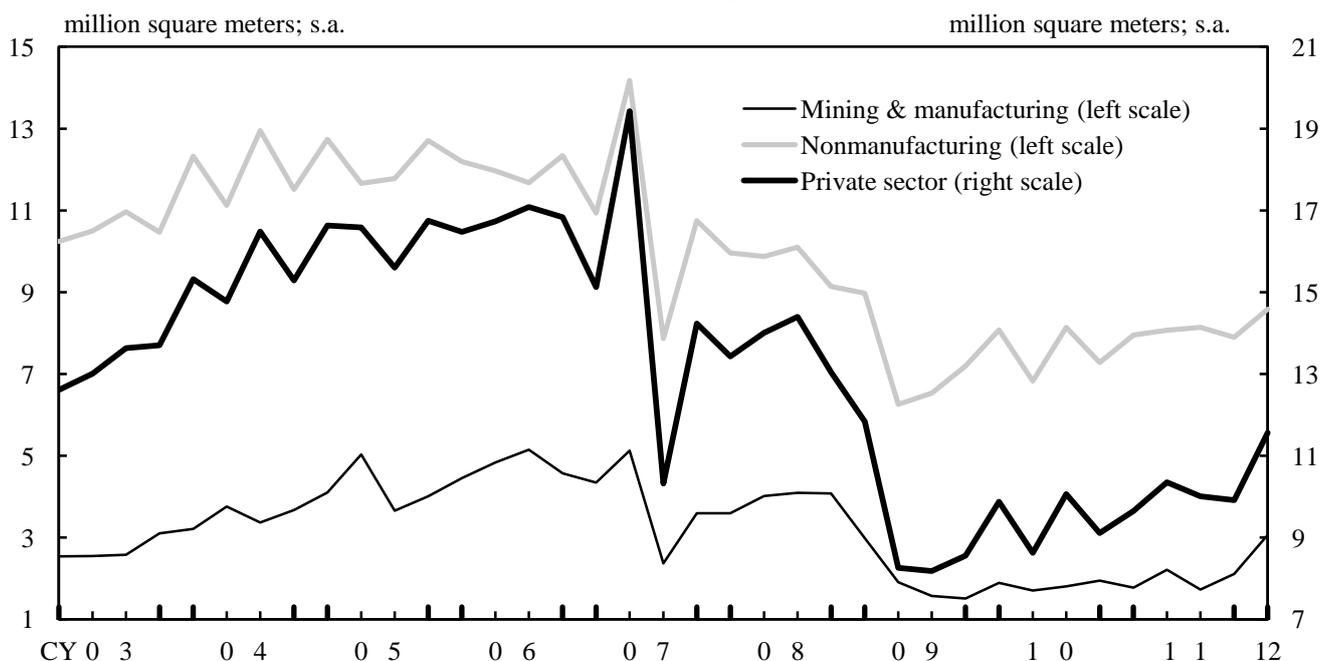
## Leading Indicators of Business Fixed Investment

### (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.  
 3. Figures for 2012/Q1 are those of January in quarterly amount.

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

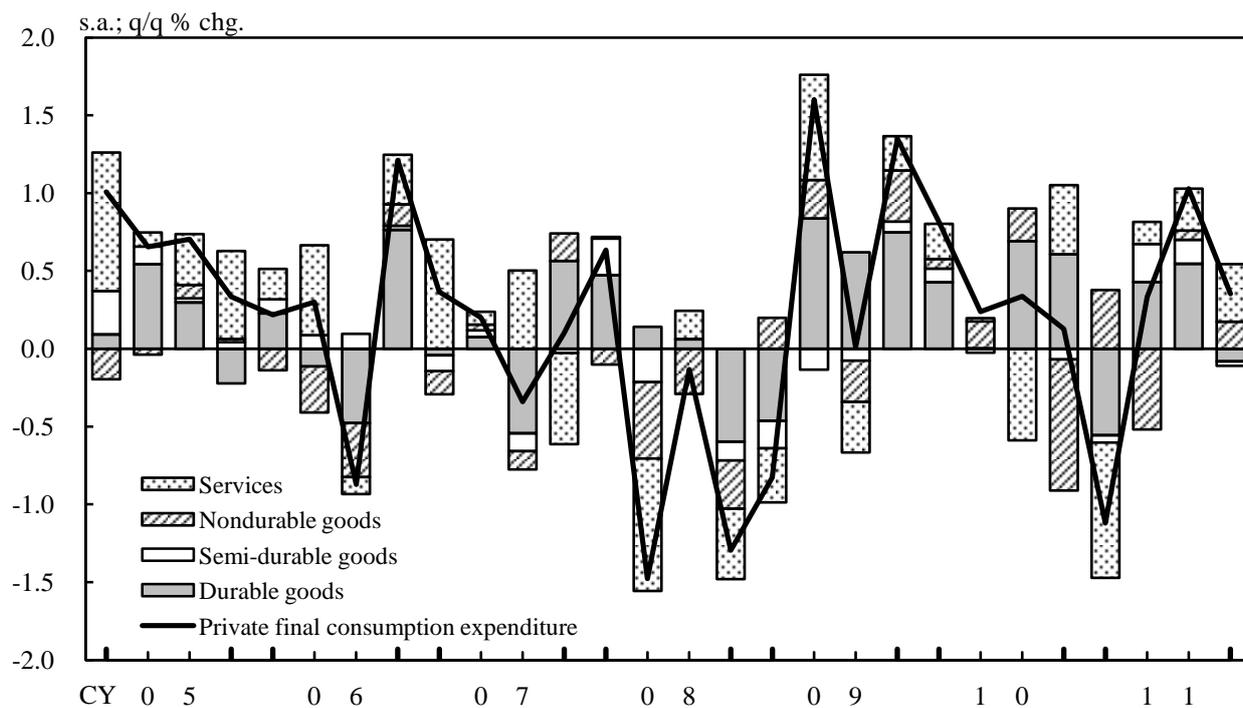


- Notes: 1. Seasonally adjusted by X-12-ARIMA.  
 2. Following the revision of the "Standard Industrial Classification for Japan" in March 2002, the industry classification for "newspaper publishing and publishing business" was changed from "mining and manufacturing" to "nonmanufacturing." This new classification applies to data from FY 2003 onward. Accordingly, the data up to FY 2002 were adjusted by using a link coefficient.  
 3. Figures for 2012/Q1 are those of January in quarterly amount.

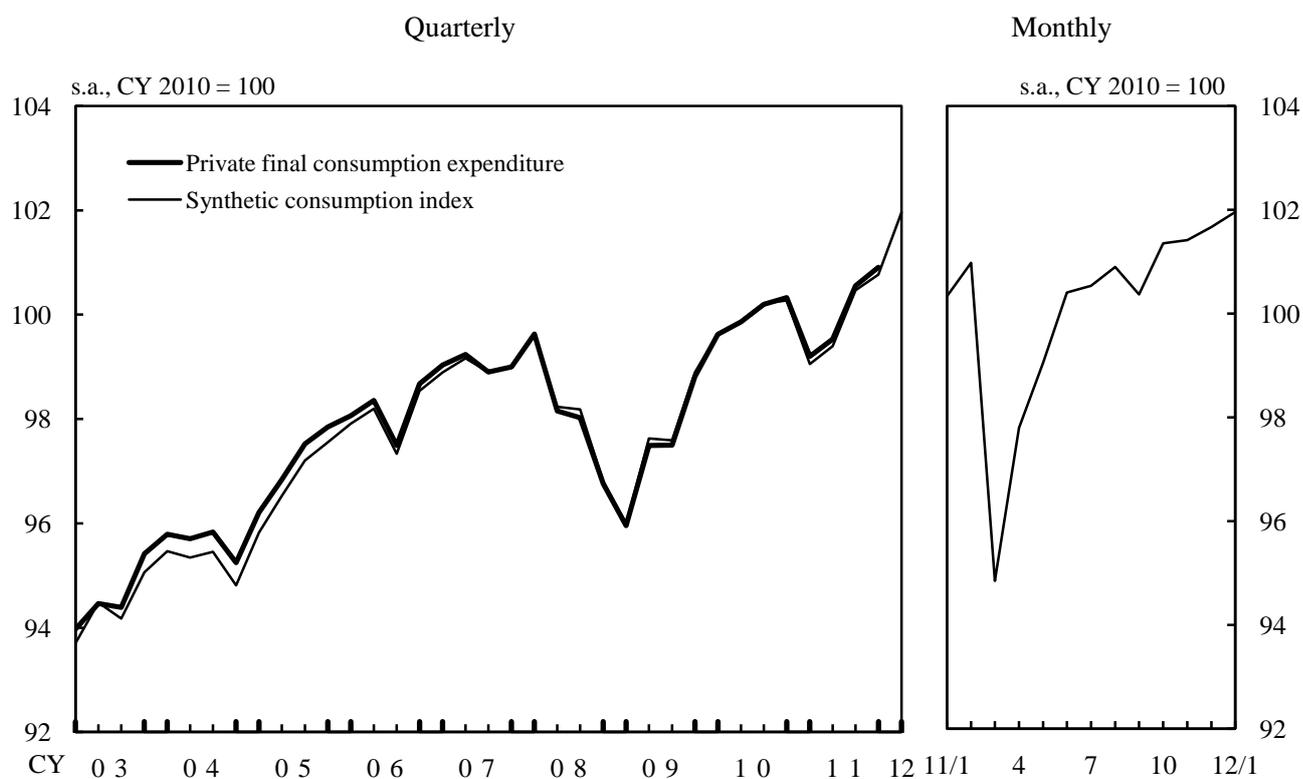
Sources: Cabinet Office, "Orders Received for Machinery";  
 Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts."

Indicators of Private Consumption (1)

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



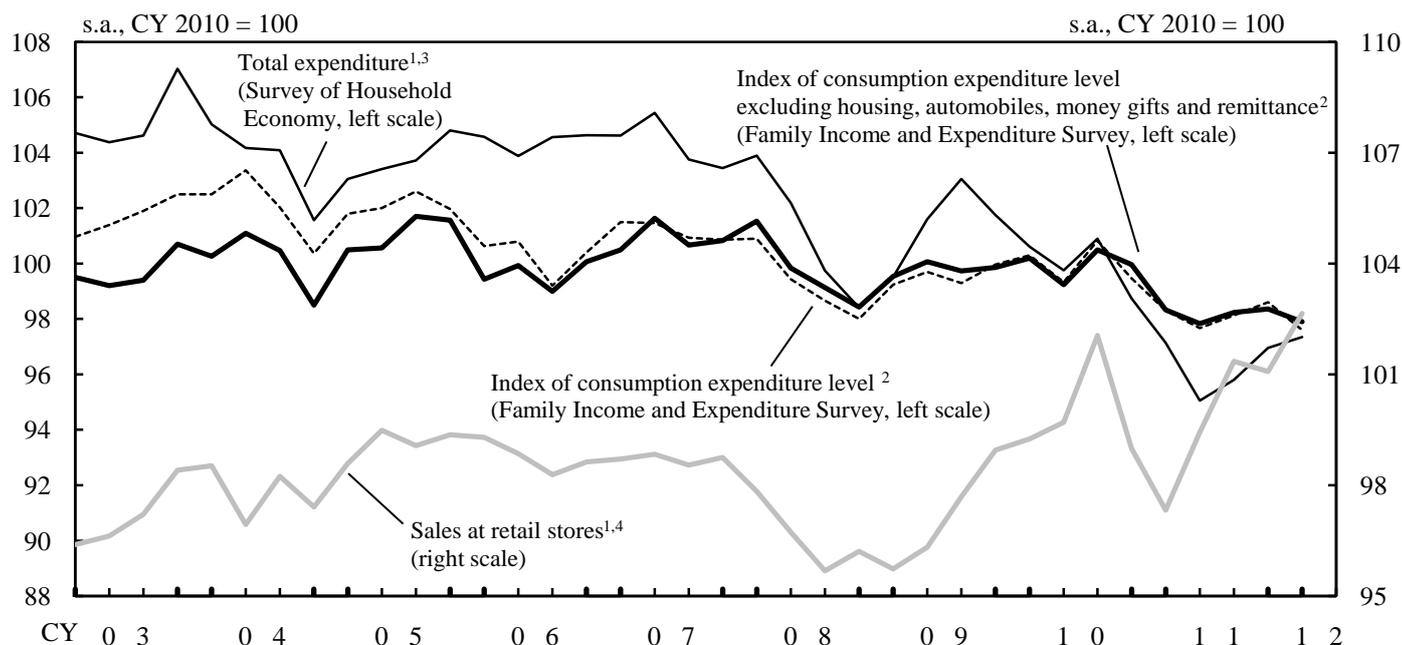
(2) Private Final Consumption Expenditure and Synthetic Consumption Index (Real)



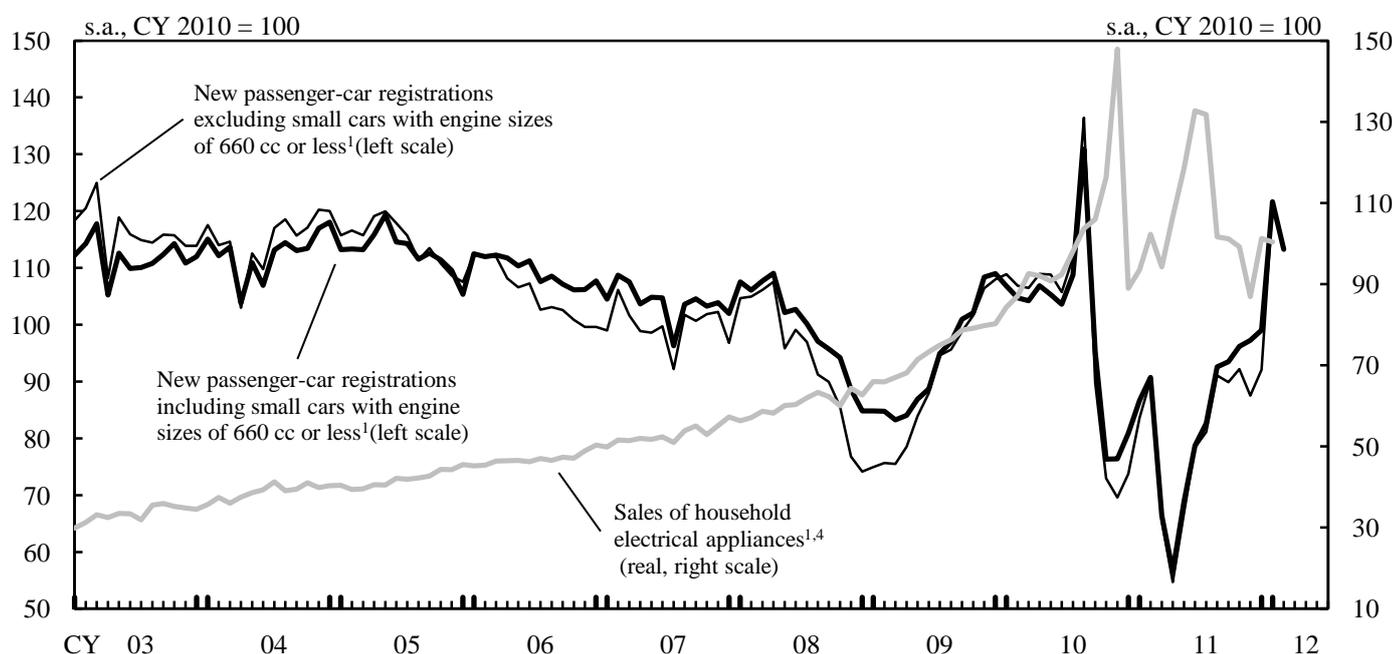
Note: The figure of the synthetic consumption index for 2012/Q1 is that of January in quarterly amount.

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

## Indicators of Private Consumption (2)

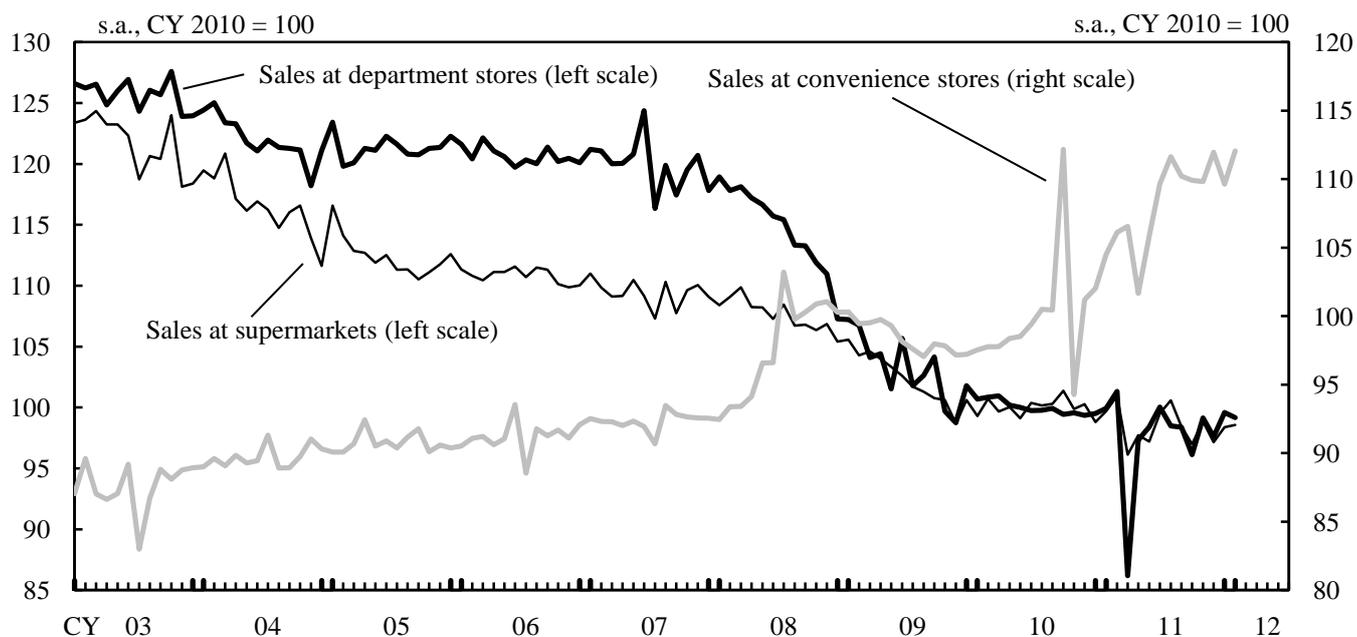
(1) Household Spending (Real)<sup>5</sup>

## (2) Sales of Durable Goods

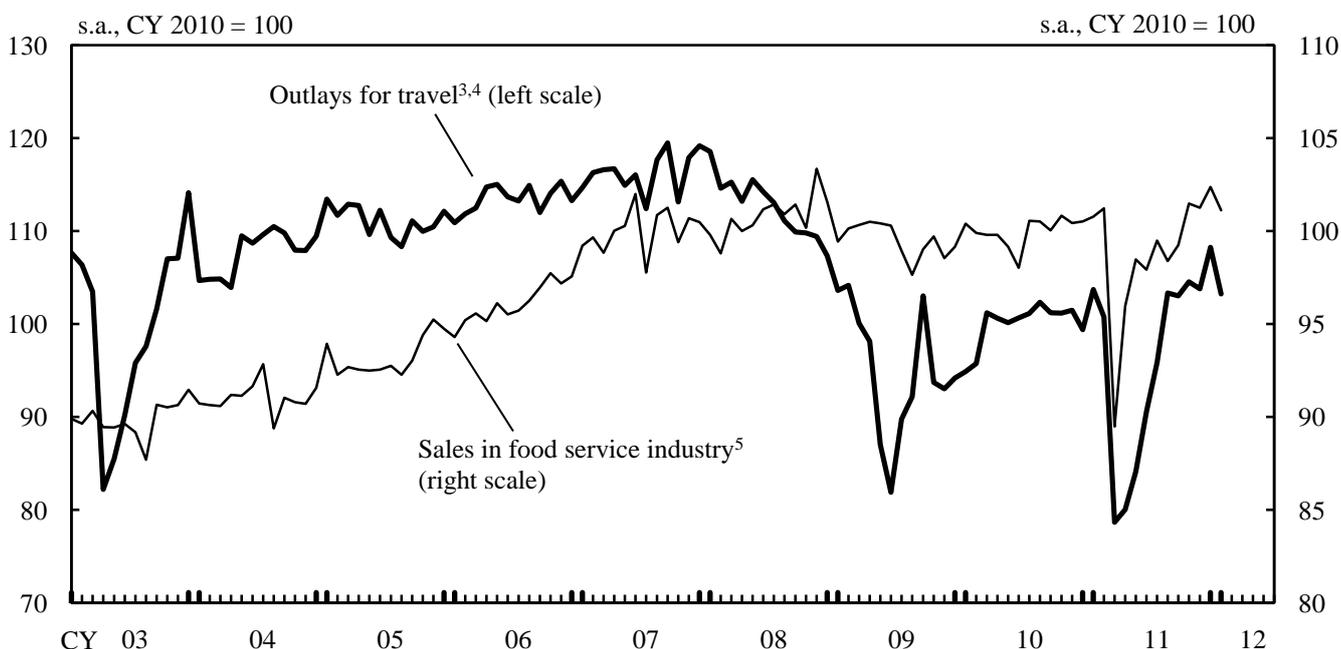


- Notes: 1. Total expenditure, sales at retail stores, sales of household electrical appliances and new passenger-car registrations are seasonally adjusted by X-12-ARIMA.
2. "Index of consumption expenditure level" is based on two-or-more-person households, and is adjusted using the distribution of household by number of household members and age group of household head.
3. "Total expenditure" is based on two-or-more-person households, and is deflated by the "consumer price index (CPI)" excluding imputed rent.
4. "Sales at retail stores" is deflated by the CPI for goods (excluding electricity, gas & water charges).  
"Sales of household electrical appliances" is calculated as follows: indices of retail sales, of machinery and equipment in the "Current Survey of Commerce" are deflated by the geometric means of the corresponding the CPI.
5. Figures for 2012/Q1 are those of January in quarterly amount.

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

Indicators of Private Consumption<sup>1</sup> (3)(1) Sales at Retail Stores (Nominal)<sup>2</sup>

## (2) Consumption of Services (Nominal)



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

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

3. Excluding those by foreign travelers.

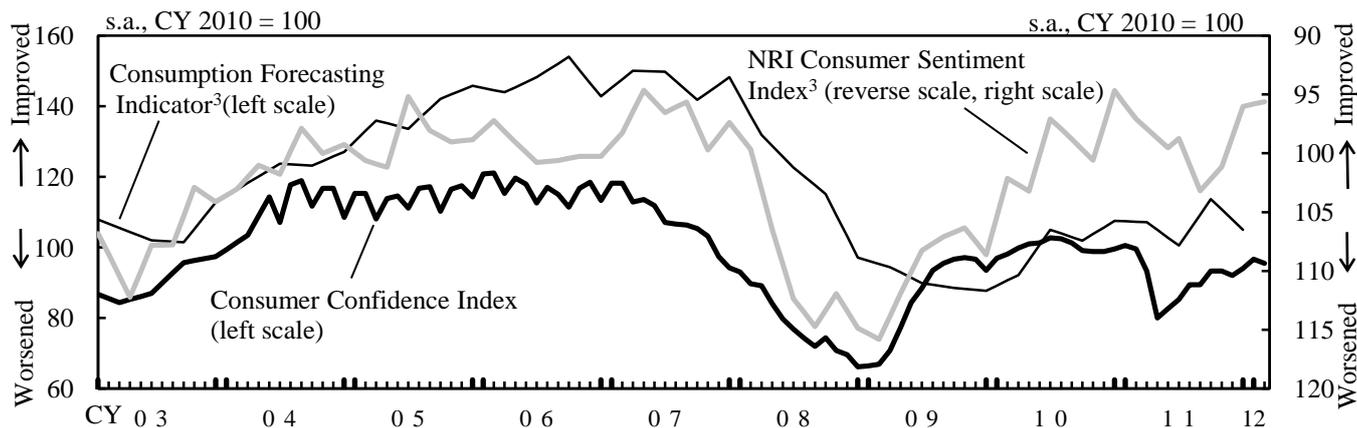
4. There are discontinuities in the underlying data as of April 2007 and April 2010 due to changes in the sample. Data from April 2007 and onward are calculated using the year-on-year rates of change.

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

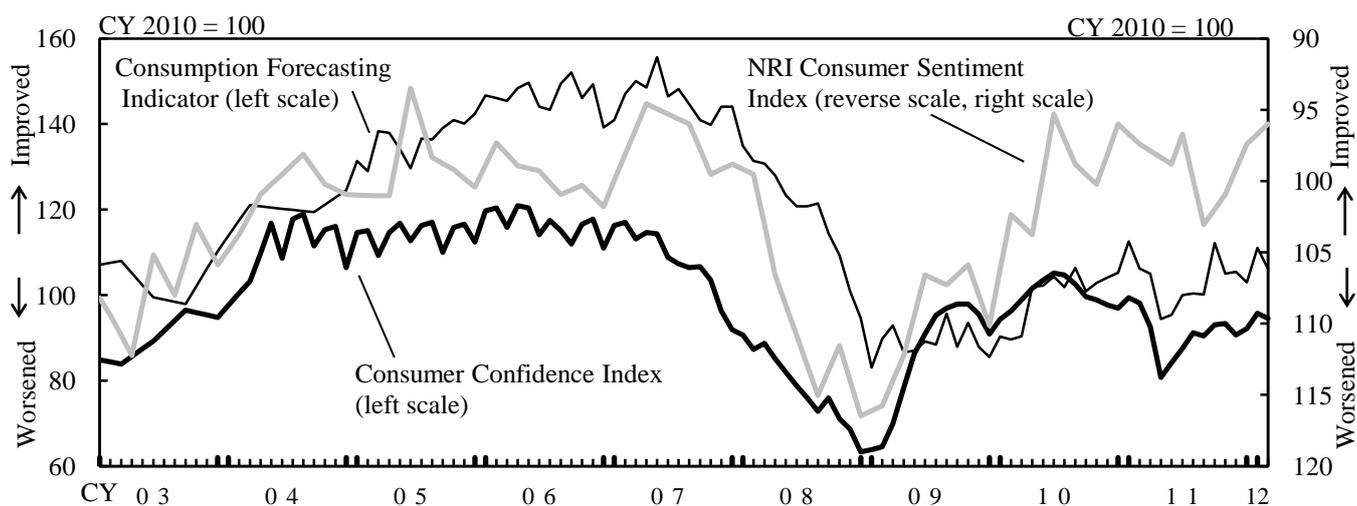
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce"; Japan Tourism Agency, "Major Travel Agents' Revenue"; Food Service Industry Survey & Research Center, "Getsuji Uriage Doukou Chousa (Monthly survey of food service sales)"; Japan Food Service Association, "Gaishoku Sangyou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

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

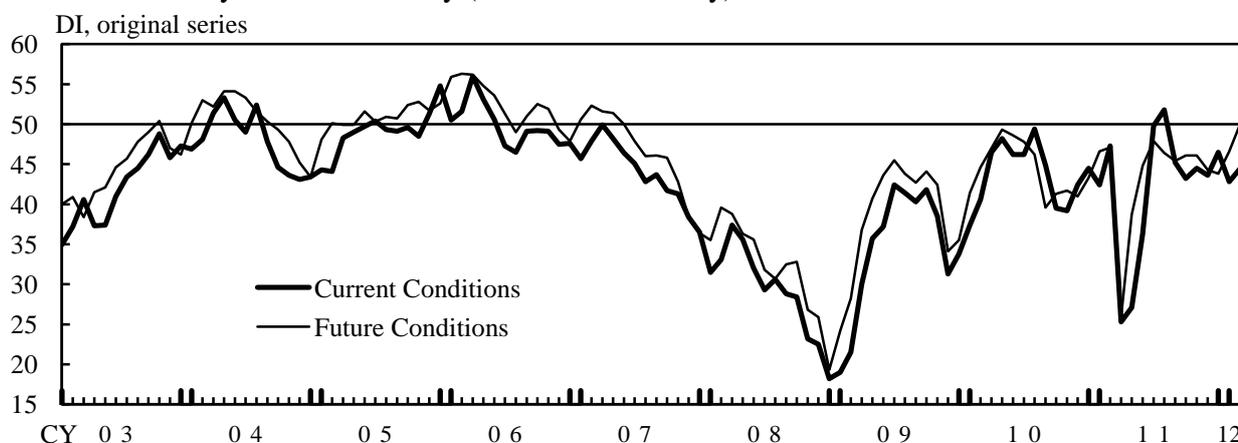
## (1) Seasonally Adjusted Series



## (2) Original Series



## Reference: Economy Watchers Survey (Household Activity)



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

2. Figures are plotted for each surveyed month and the data for the intervening months are linearly interpolated.

3. Figures are seasonally adjusted by X-12-ARIMA. The "Consumption Forecasting Indicator" is seasonally adjusted using quarterly figures since the survey was quarterly until 2004.

Sources: Cabinet Office, "Consumer Confidence Survey," "Economy Watchers Survey";

Nikkei inc., "Consumption Forecasting Indicator"; Nippon Research Institute (NRI), "Consumer Sentiment Survey."

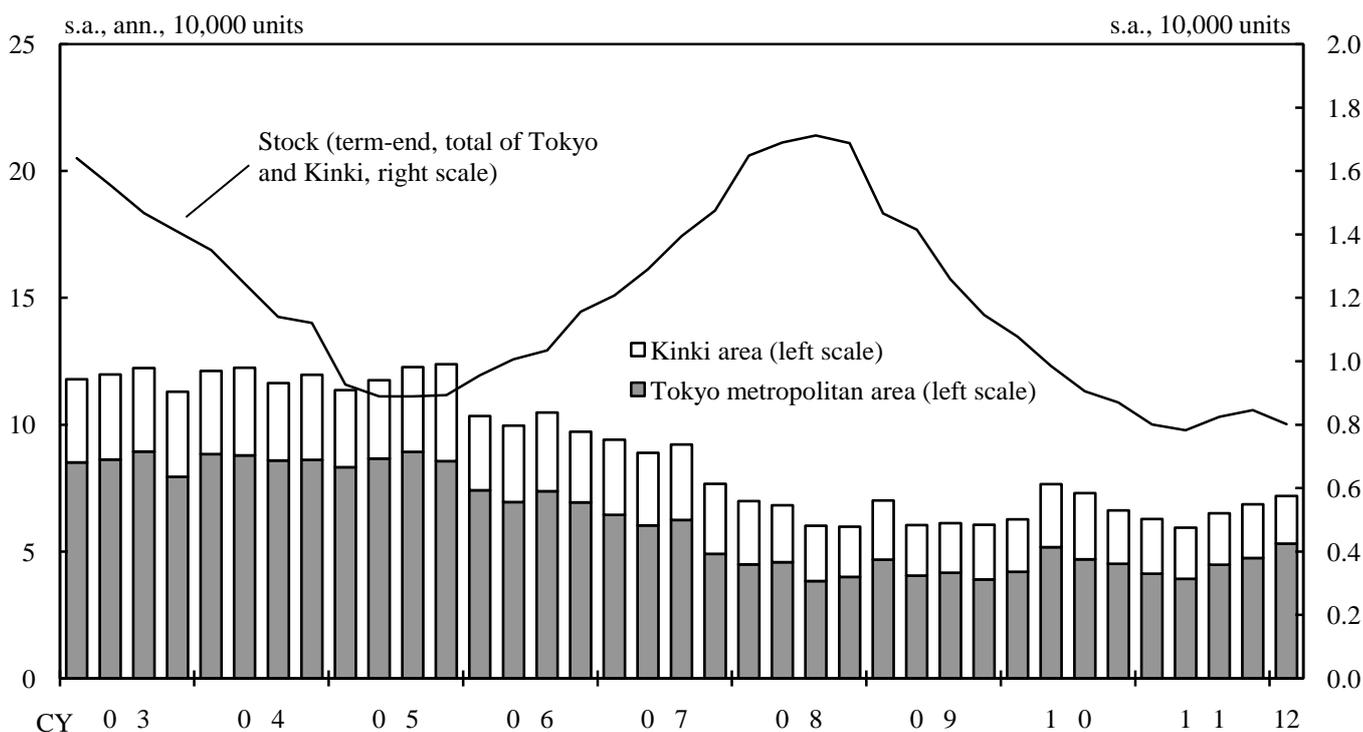
## Indicators of Housing Investment

### (1) Housing Starts



Note: Figures for 2012/Q1 are those of January.

### (2) Sales of Apartments

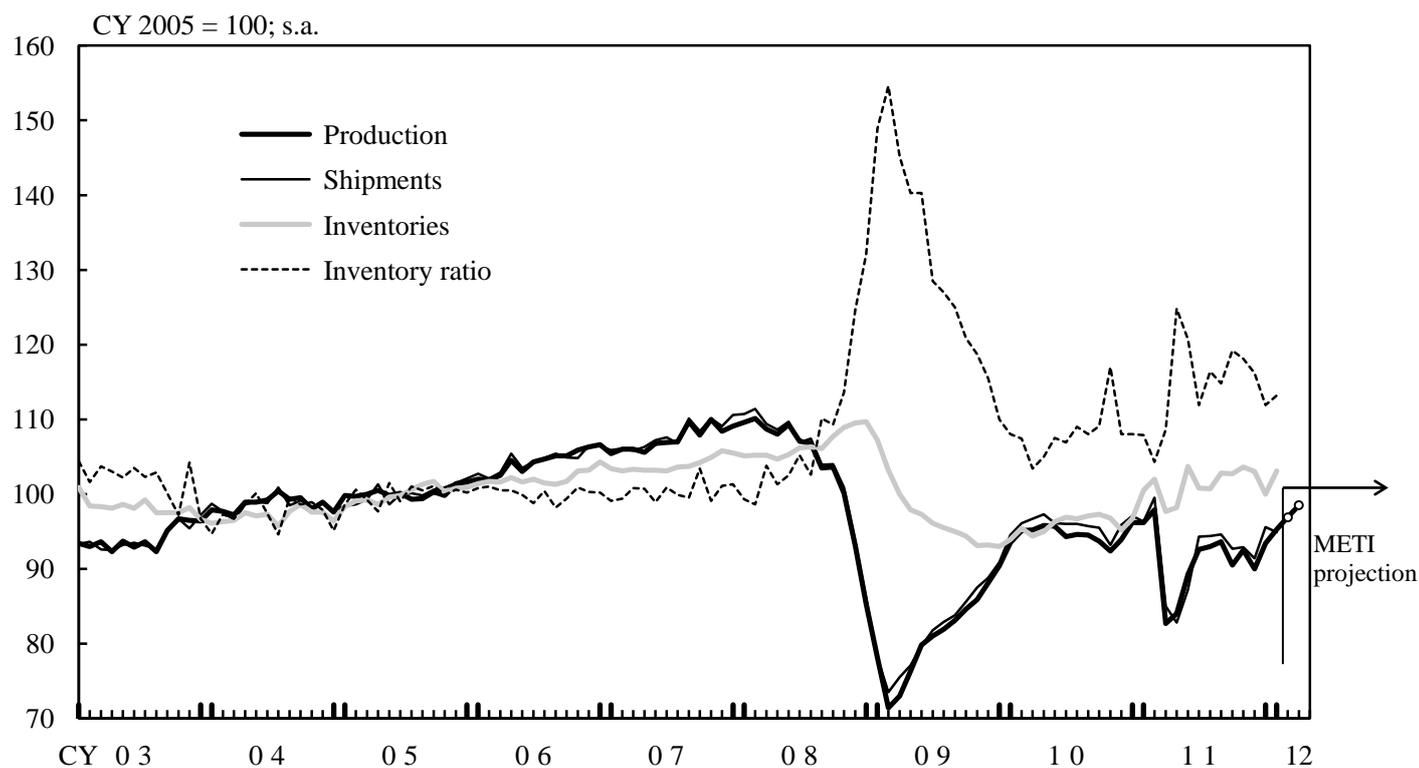


Notes: 1. Seasonally adjusted by X-12-ARIMA.  
2. Figures for 2012/Q1 are those of January.

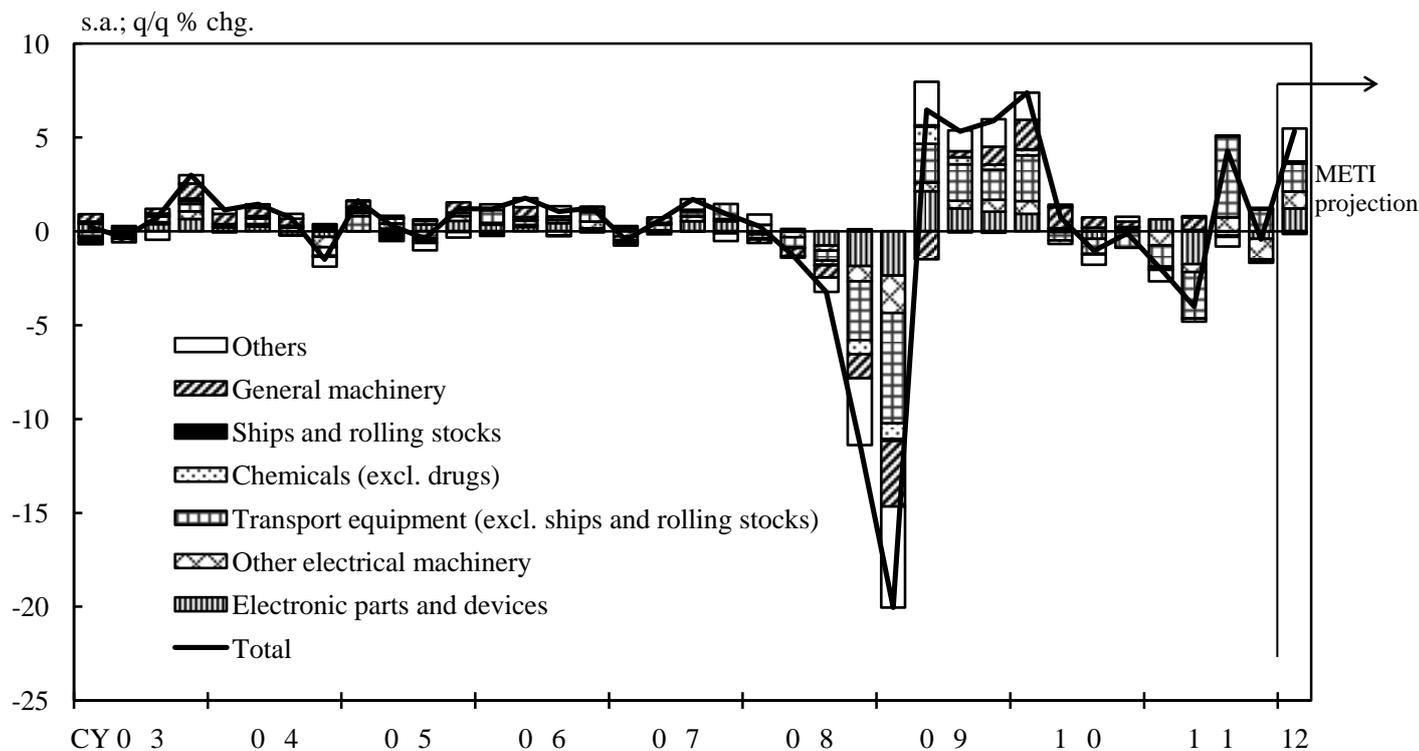
Sources: Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts," etc.

## Production, Shipments, and Inventories

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



### (2) Production by Industry

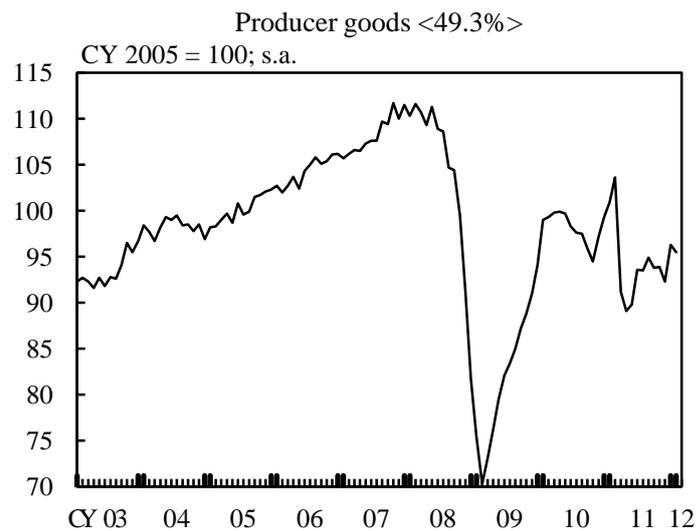
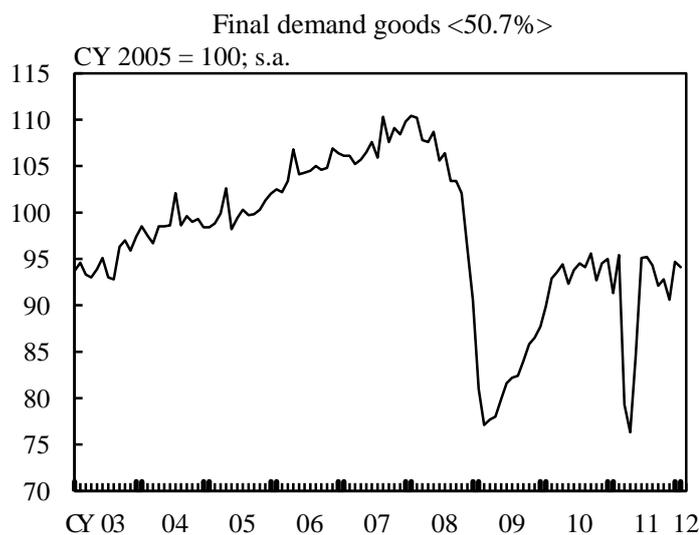


- Notes: 1. "Other electrical machinery" is the weighted sum of "electrical machinery" and "information and communication electronics equipment."  
 2. 2003/Q1 figures are on the 2000 base.  
 3. 2012/Q1 figures are based on the actual production levels in January, and the METI projection of February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

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

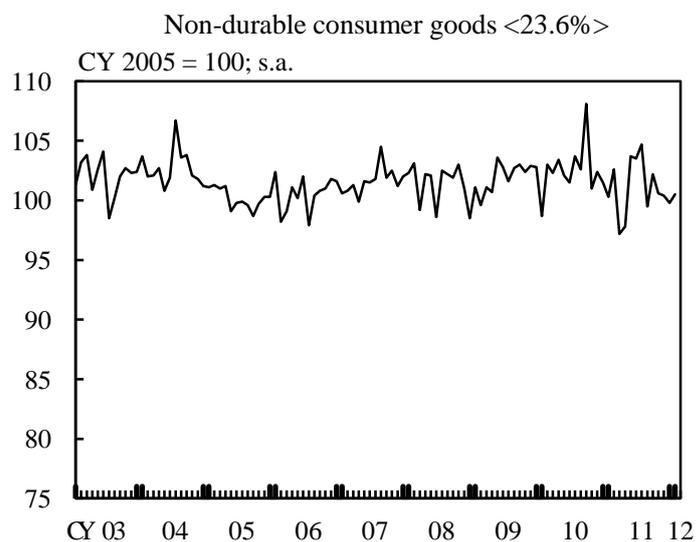
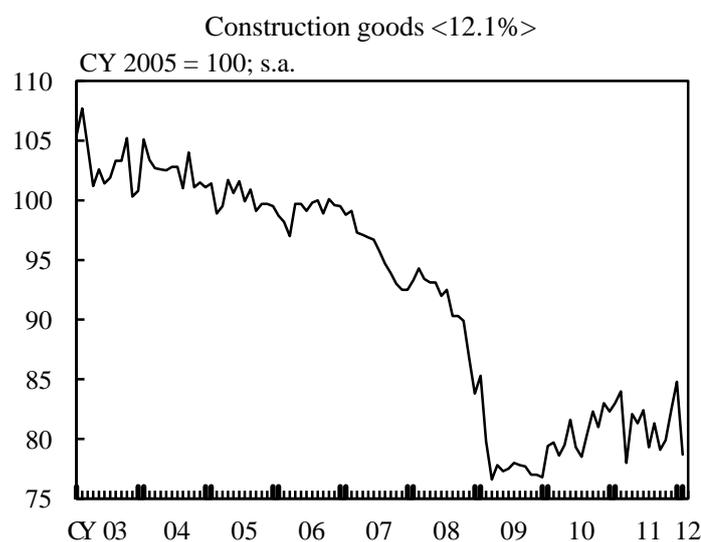
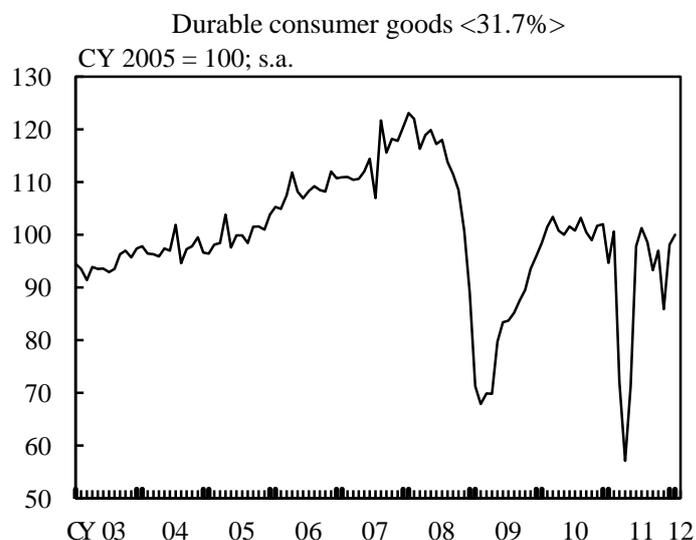
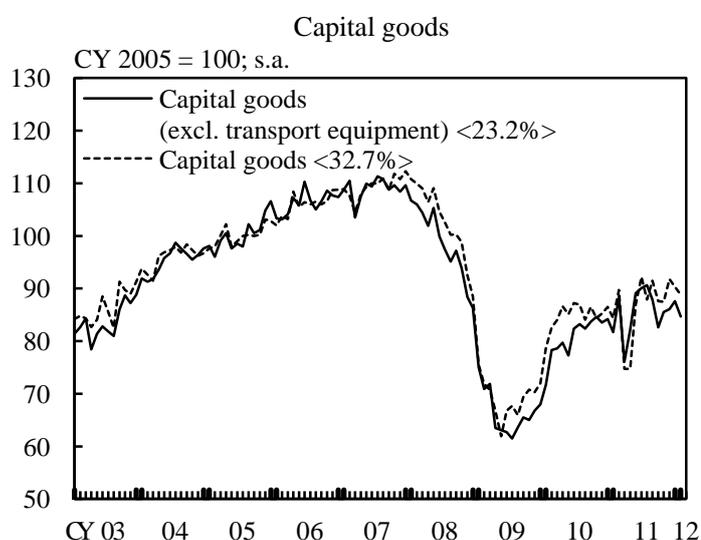
## Shipments by Type of Goods

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



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

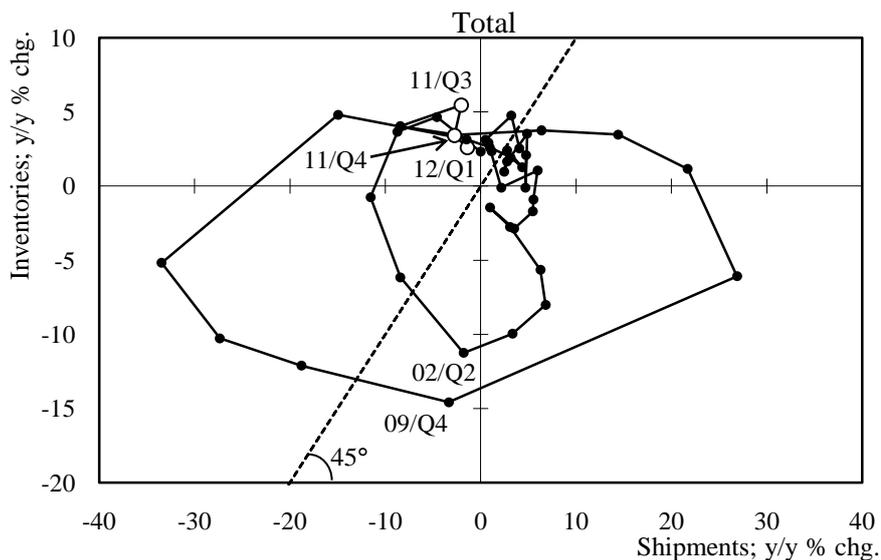
### (2) Breakdown of Final Demand Goods



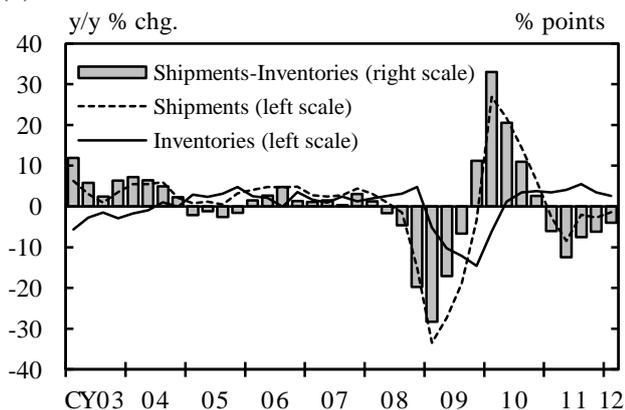
Note: Figures in angle brackets show the shares among shipments of final demand goods.

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

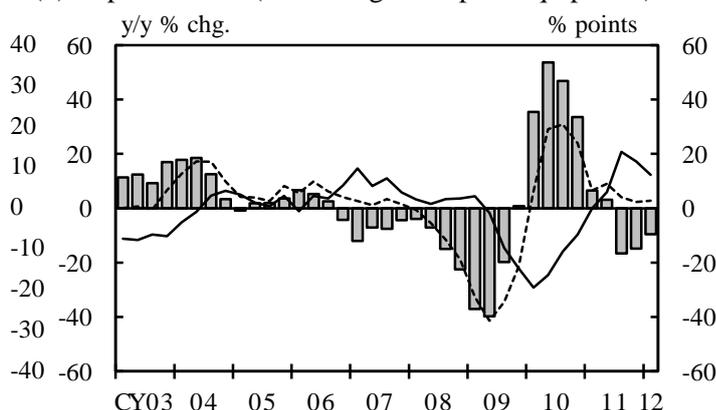
# Inventory Cycle



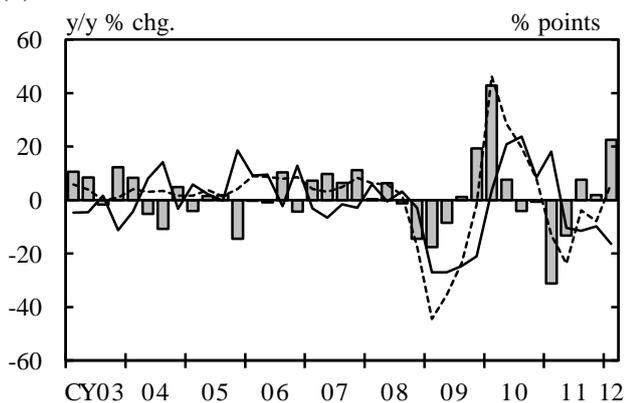
(1) Total



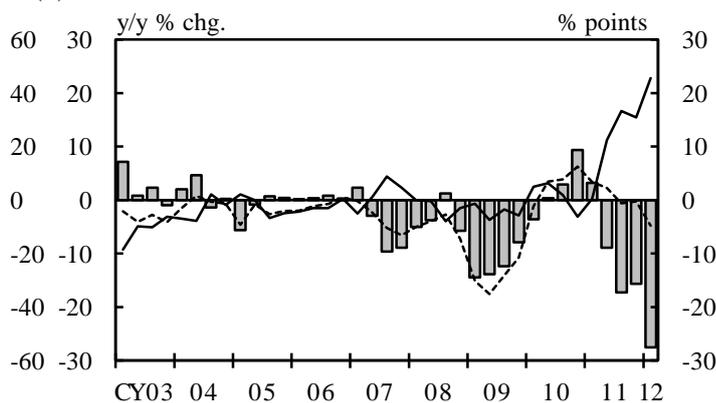
(2) Capital Goods (Excluding Transport Equipment)



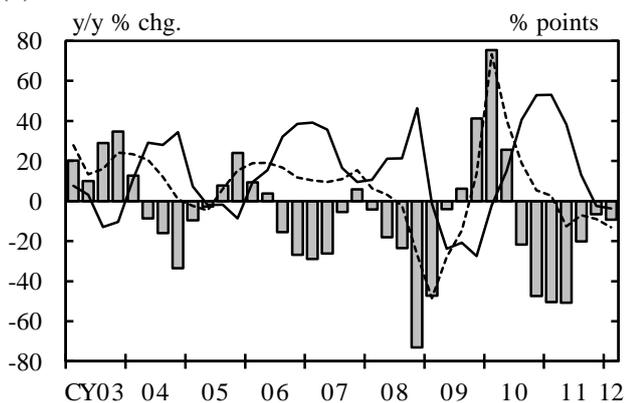
(3) Durable Consumer Goods



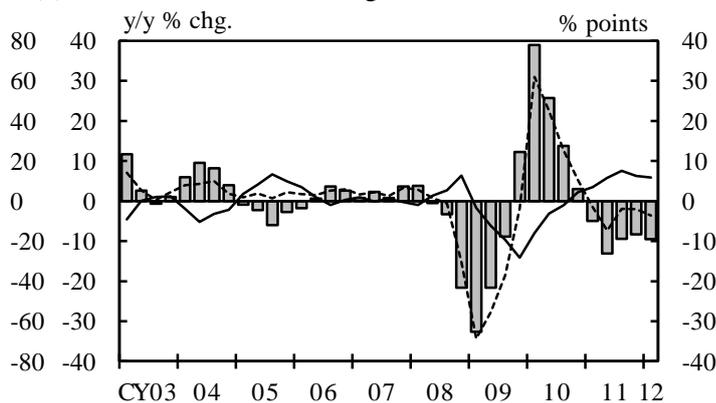
(4) Construction Goods



(5) Electronic Parts and Devices



(6) Producer Goods Excluding Electronic Parts and Devices

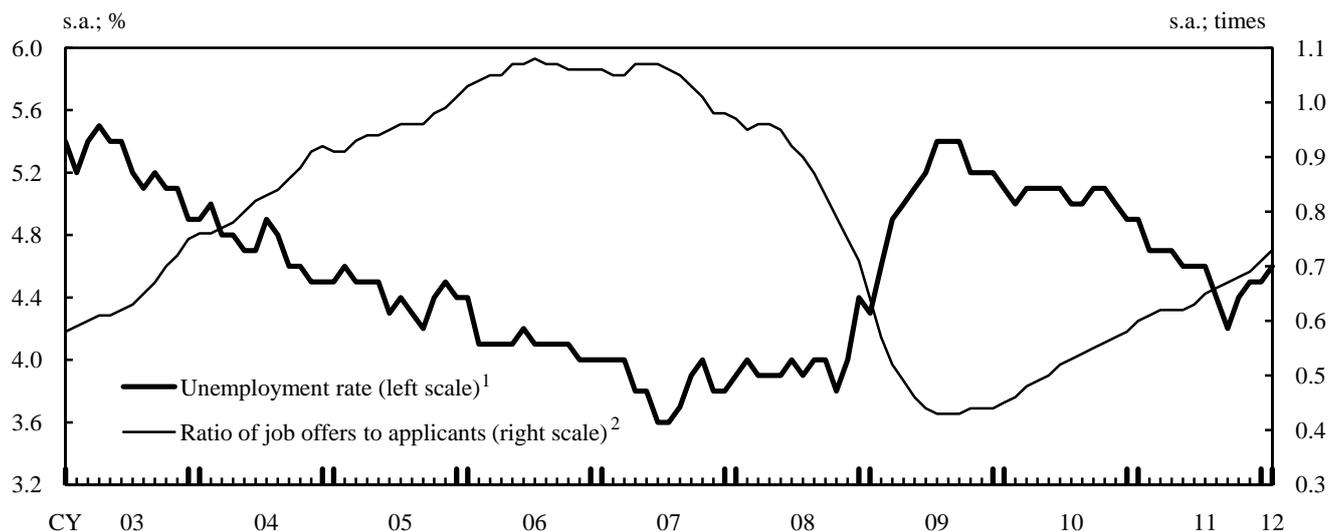
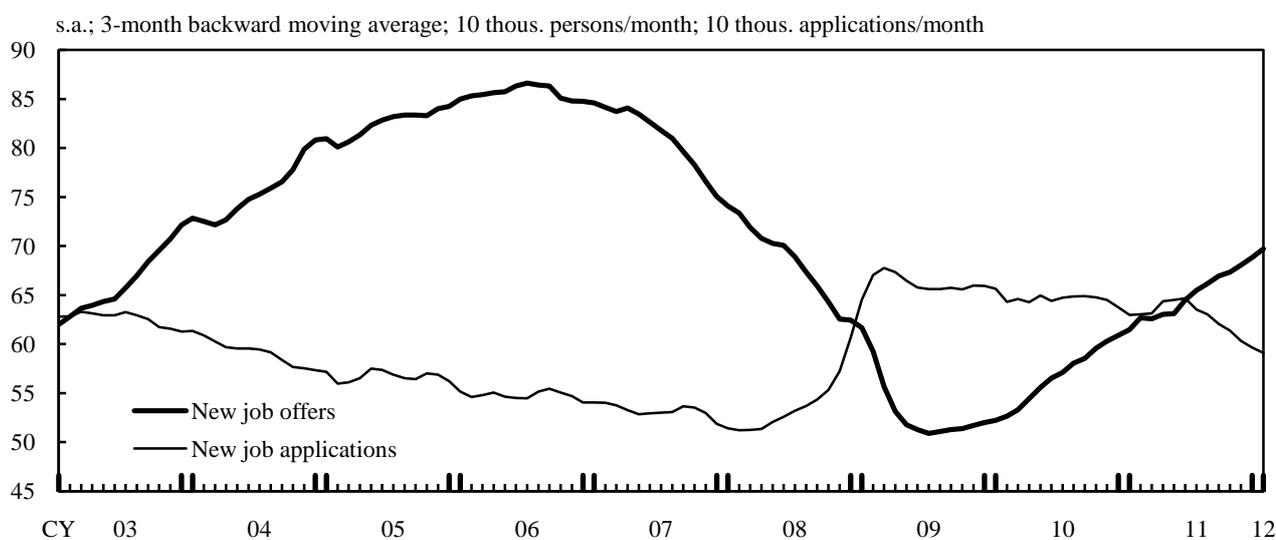
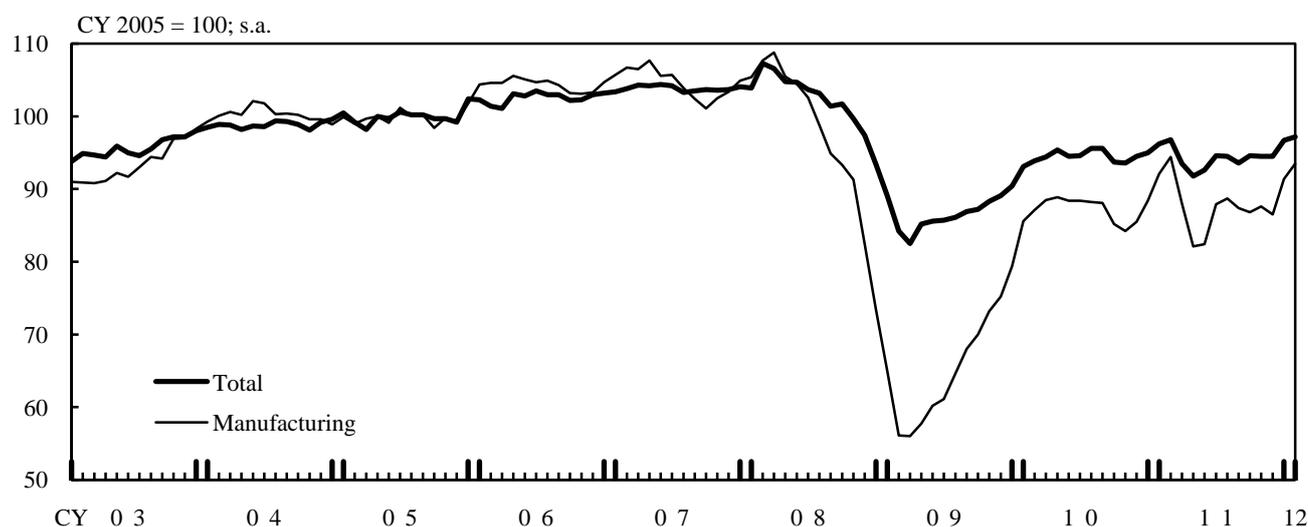


Note: Figures for 2012/Q1 are those of January.

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

## Labor Market

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

(2) New Job Offers and New Job Applicants<sup>2</sup>(3) Non-Scheduled Hours Worked<sup>3</sup>

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.

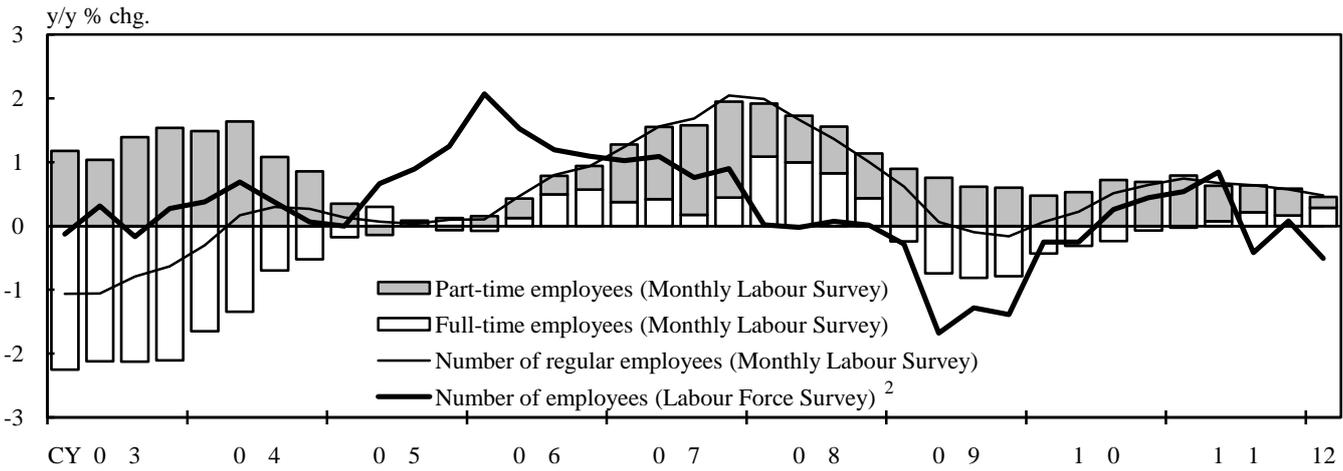
3. Data are for establishments with at least five employees.

Sources: Ministry of Internal Affairs and Communications, "Labour Force Survey";

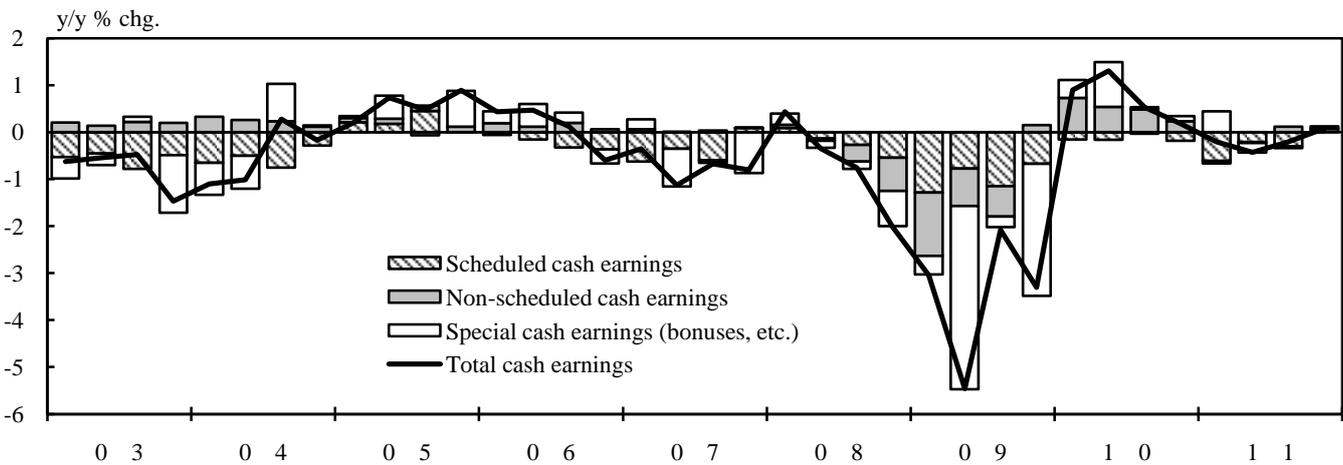
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey."

Employee Income

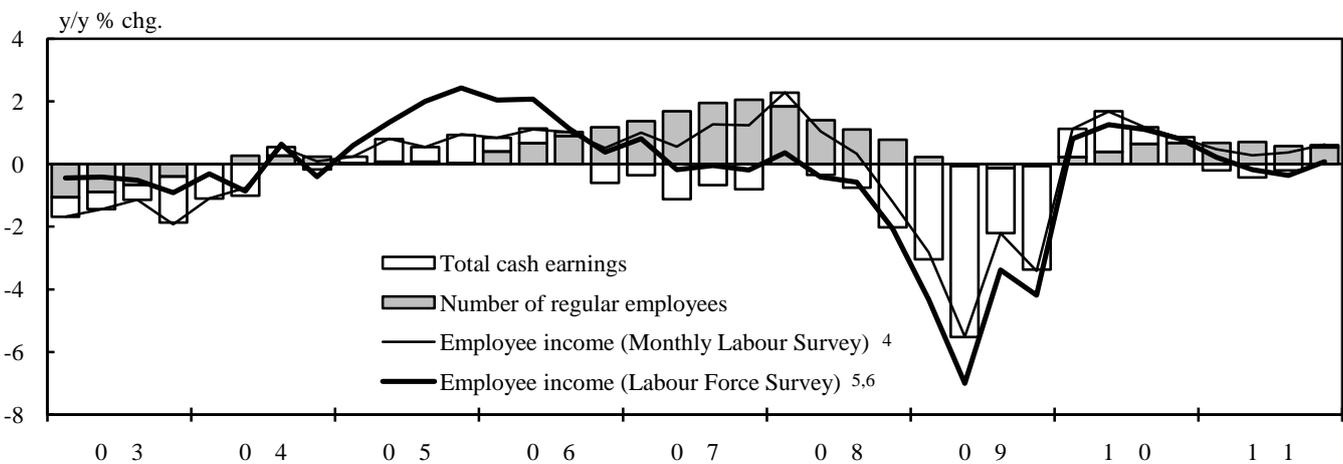
(1) Number of Employees<sup>1,7</sup>



(2) Breakdown of Total Cash Earnings<sup>1,3</sup>



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

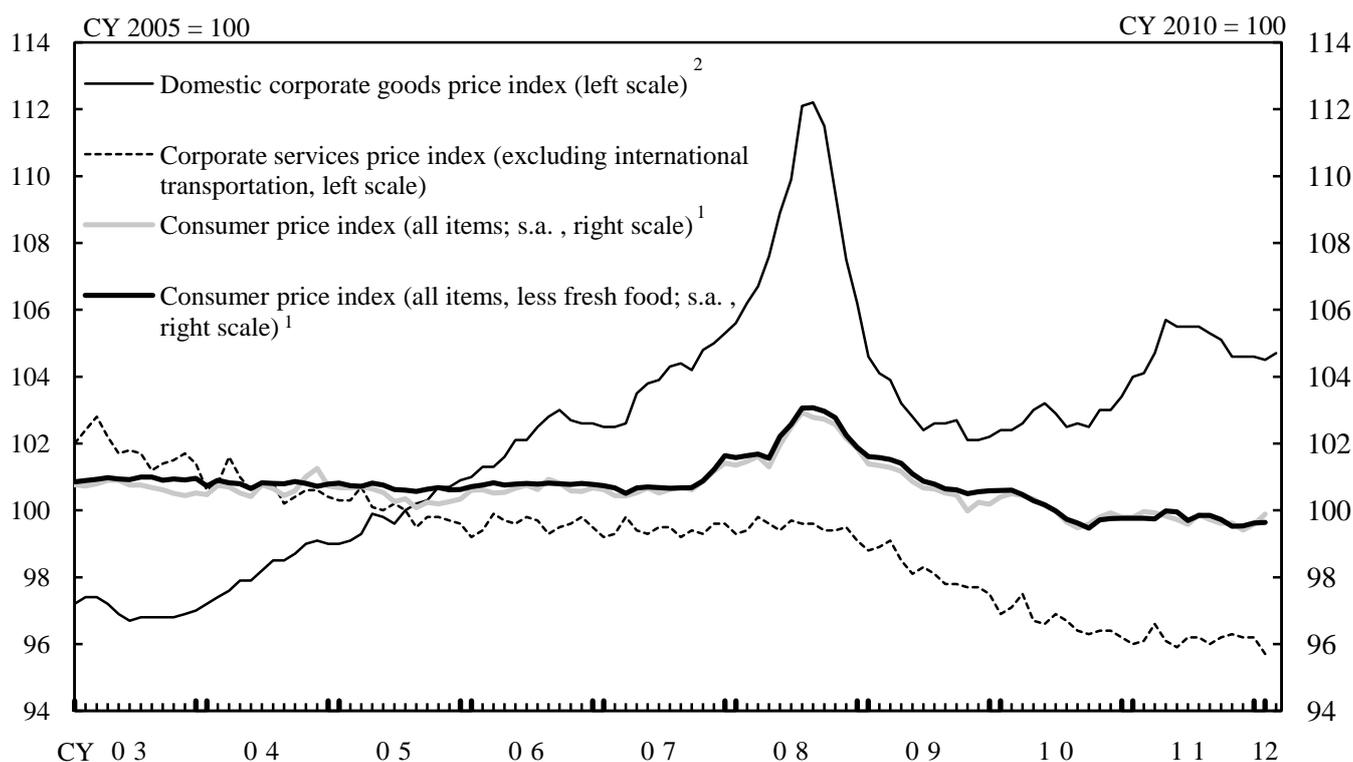


Notes: 1. Data of the "Monthly Labour Survey" are for establishments with at least five employees.  
 2. Figures from 2011/Q1 to 2011/Q3 are based on data which exclude Iwate, Miyagi, and Fukushima Prefectures.  
 3. Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.  
 Figures for 2011/Q4 are December 2011 - January 2012 averages.  
 4. Calculated as the "number of regular employees" (Monthly Labour Survey) times "total cash earnings" (Monthly Labour Survey).  
 5. Calculated as the "number of employees" (Labour Force Survey) times "total cash earnings" (Monthly Labour Survey).  
 6. The "number of employees" (Labour Force Survey) used for calculating figures from 2011/Q1 to 2011/Q2 excludes Iwate, Miyagi, and Fukushima Prefectures.  
 7. Figures for 2012/Q1 are those of January.

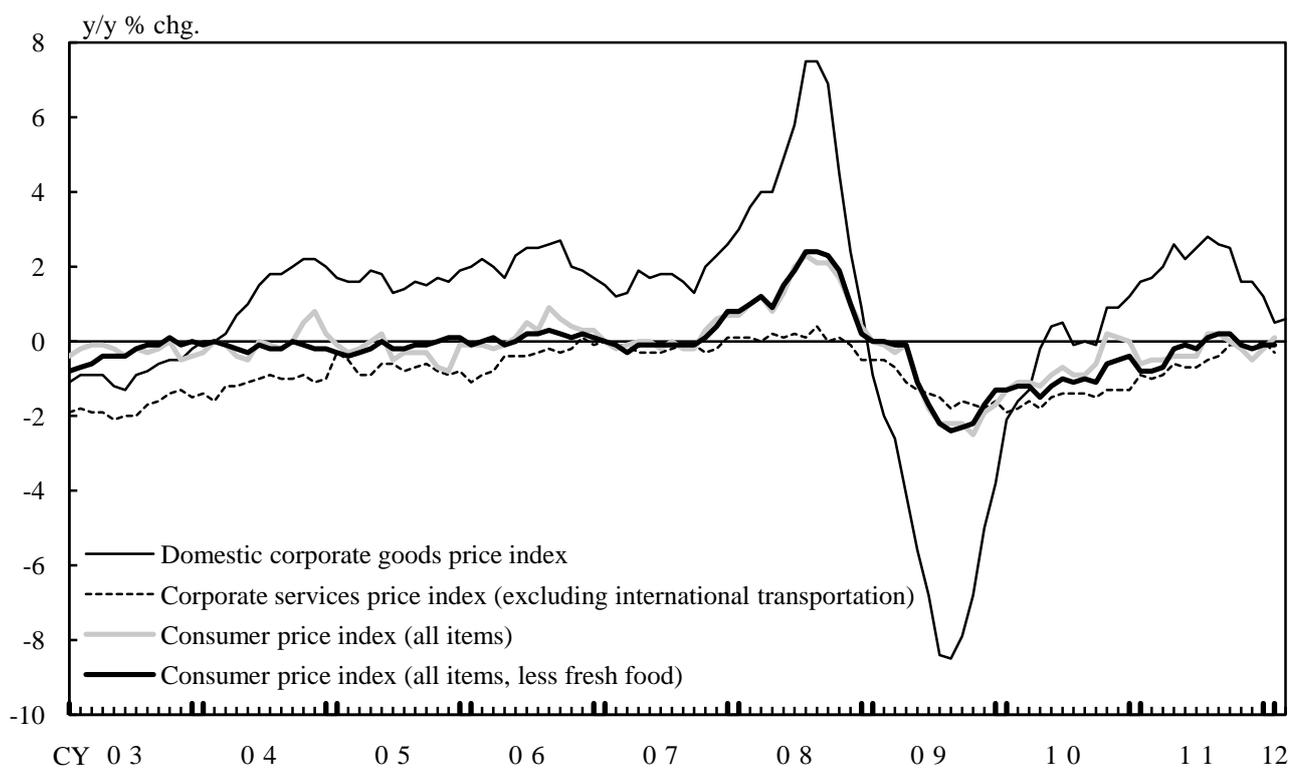
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";  
 Ministry of Internal Affairs and Communications, "Labour Force Survey ."

## 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.

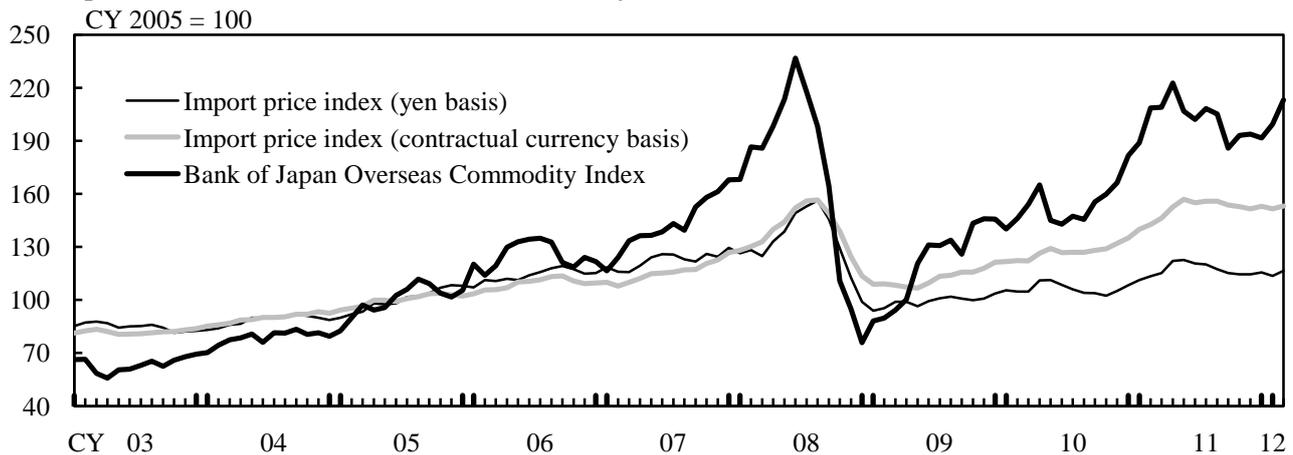
3. The levels of "Consumer Price Index" up to 2009 are based on the linked indices.

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

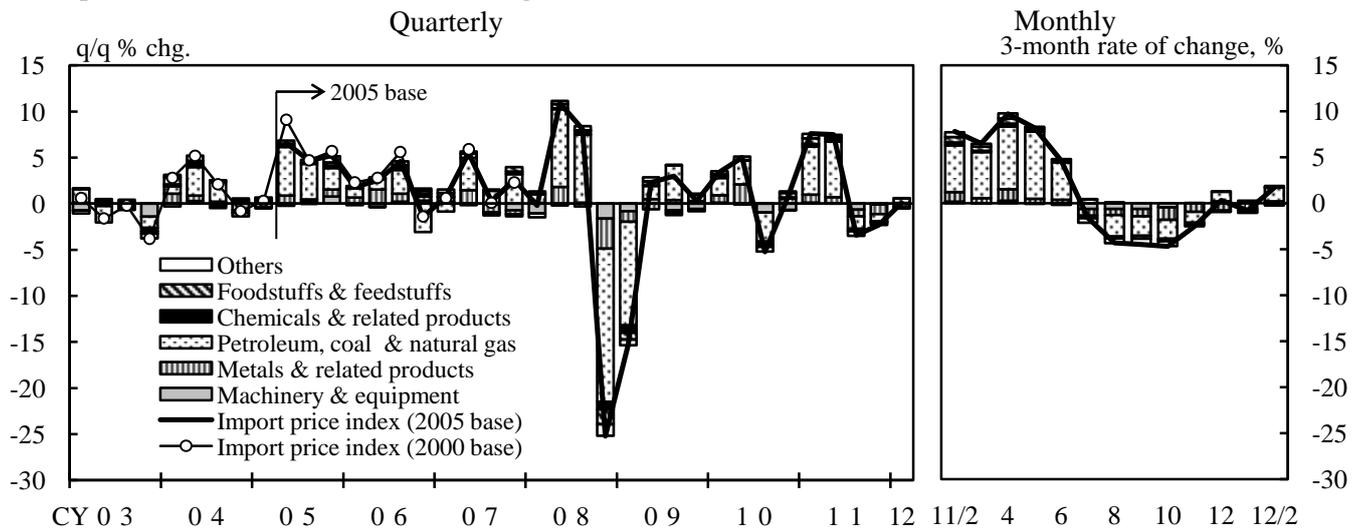
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index."

Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



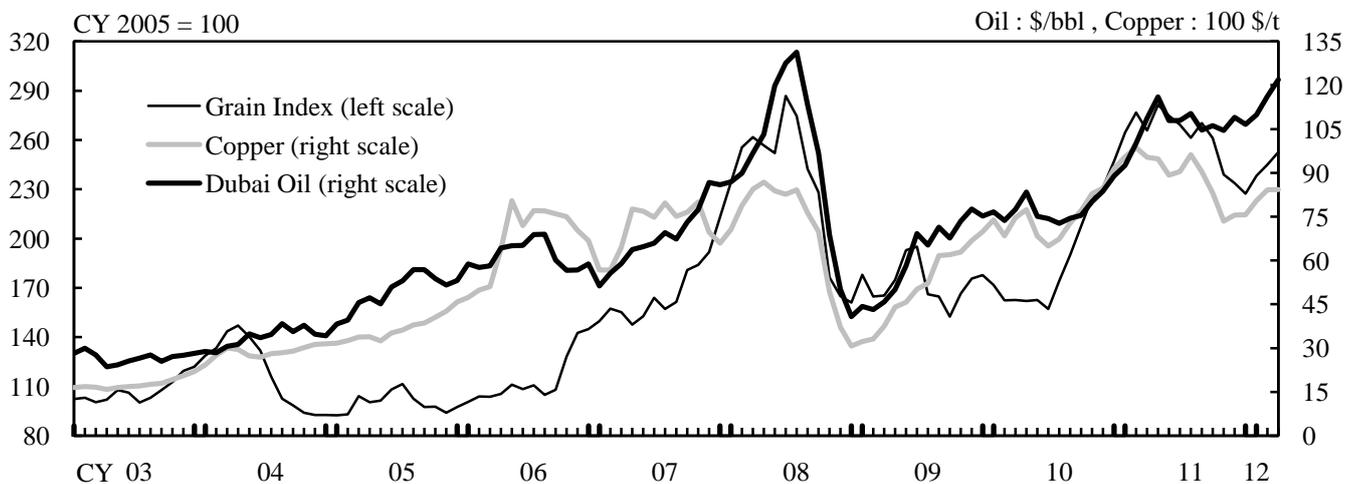
(2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



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

2. Figures for 2012/Q1 are January-February averages. Figures for 2007/Q4 on the 2000 base are those of October.

(3) International Commodity Prices



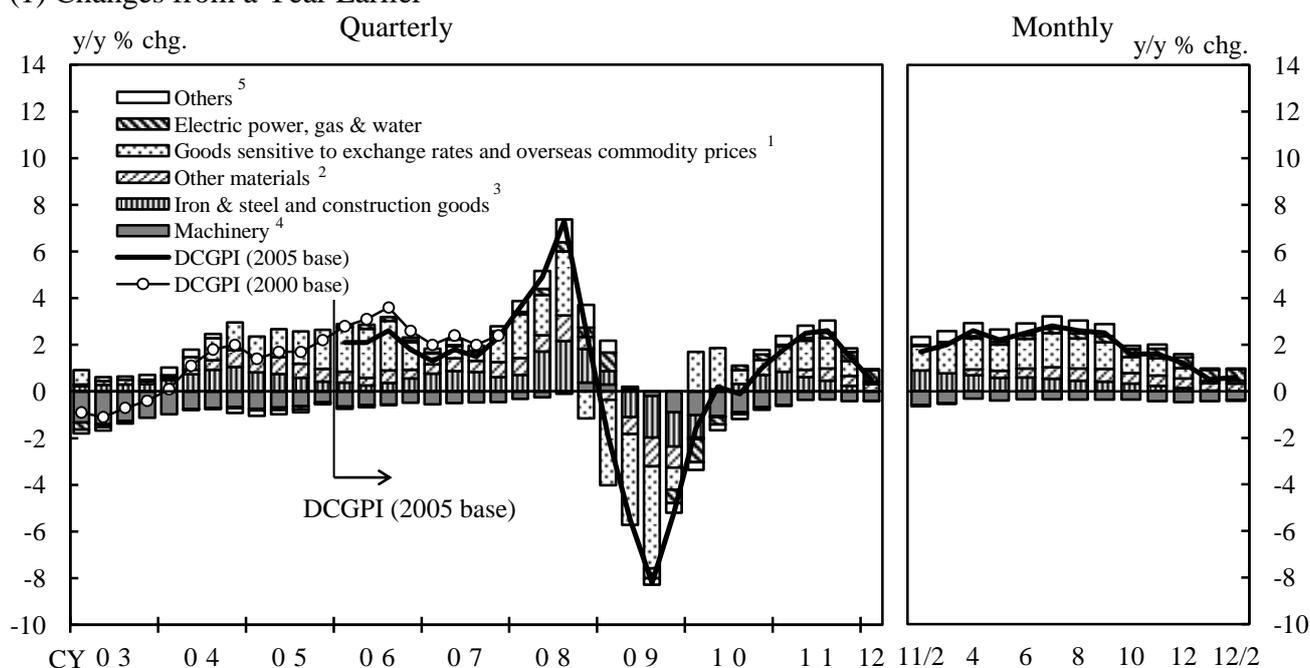
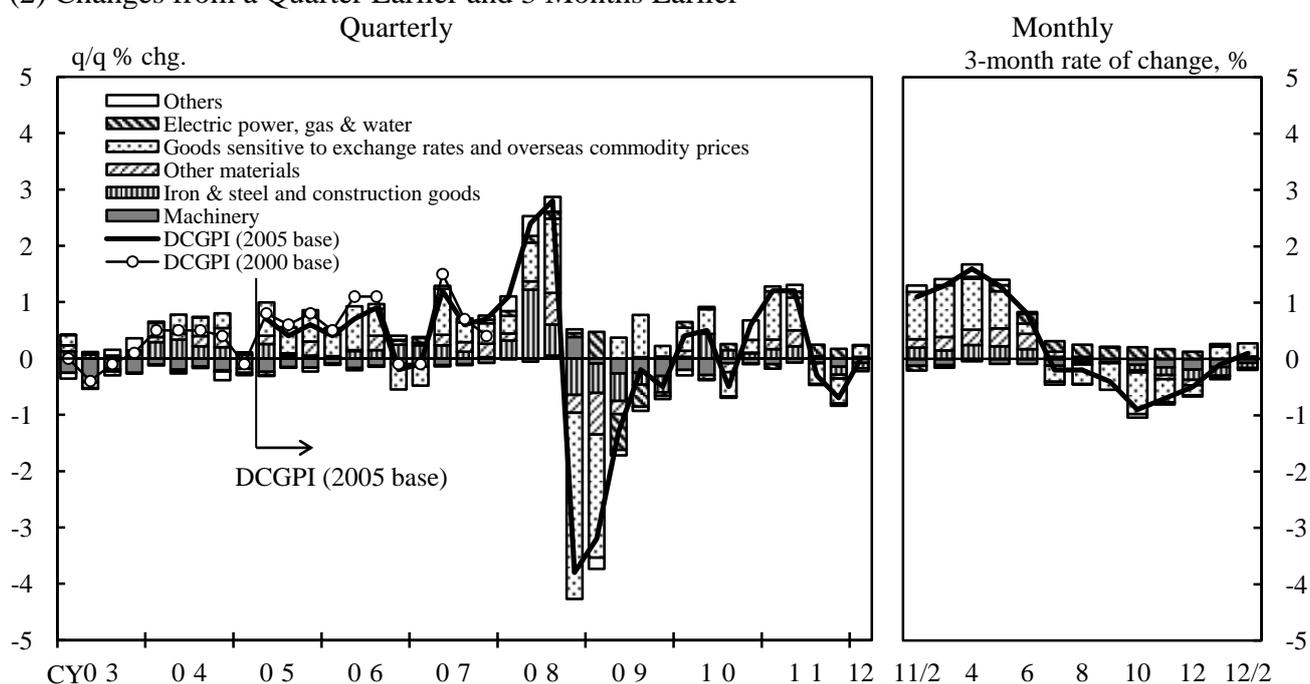
Notes: 1. The "grain index" is the weighted average of prices of three selected items (wheat, soybeans, and corn) in overseas commodity markets. The weights are based on the value of imports in the "Trade Statistics."

2. Monthly averages. Figures for March 2012 are averages up to March 12.

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

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

## (1) Changes from a Year Earlier

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

Notes: 1. Goods sensitive to exchange rates and overseas commodity prices: petroleum & coal products and nonferrous metals.

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

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

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

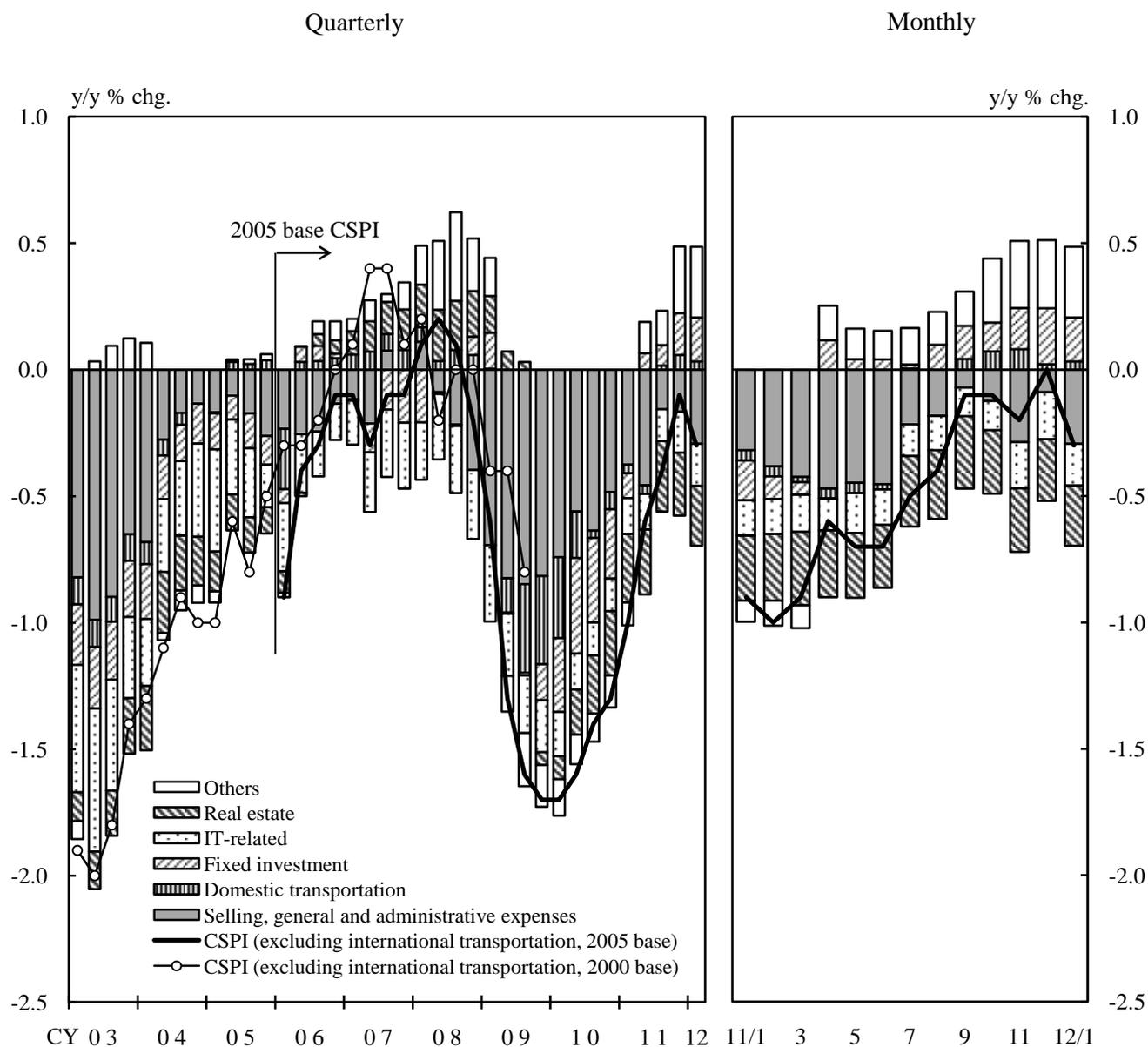
5. Others: processed foodstuffs, other manufacturing industry products, agriculture, forestry & fishery products, and minerals.

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

7. Figures for 2012/Q1 are January-February averages. Figures for 2007/Q4 on the 2000 base are those of October.

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

Corporate Services Price Index

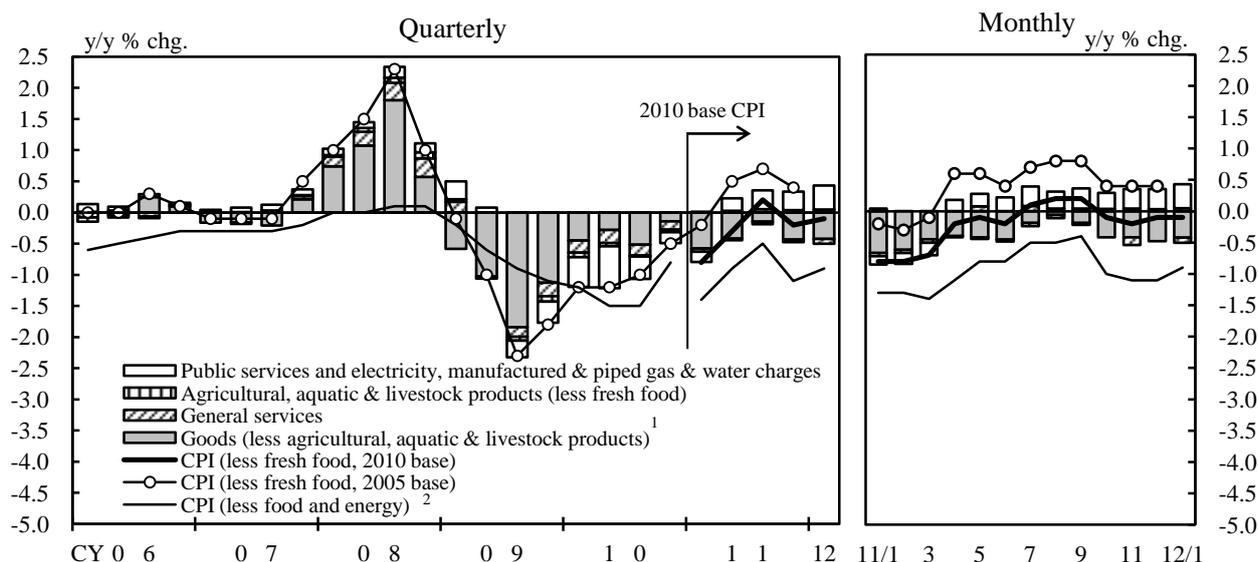


- Notes: 1. Selling, general and administrative expenses: information and communications (excluding newspapers and publishing), advertising services, other services (excluding plant engineering, and civil engineering and architectural services).  
 2. Domestic transportation: transportation (excluding international transportation, railroad passenger transportation, road passenger transportation, water passenger transportation, and domestic air passenger transportation).  
 3. Fixed investment: leasing and rental (excluding leasing of computer and related equipment and computer rental), and civil engineering and architectural services.  
 4. IT-related: leasing of computer and related equipment, and computer rental.  
 5. Real estate: real estate services.  
 6. Others: finance and insurance, railroad passenger transportation, road passenger transportation, water passenger transportation, domestic air passenger transportation, newspapers and publishing, and plant engineering.  
 7. Figures for 2012/Q1 are those of January. Figures for 2009/Q3 on the 2000 base are July-August averages.

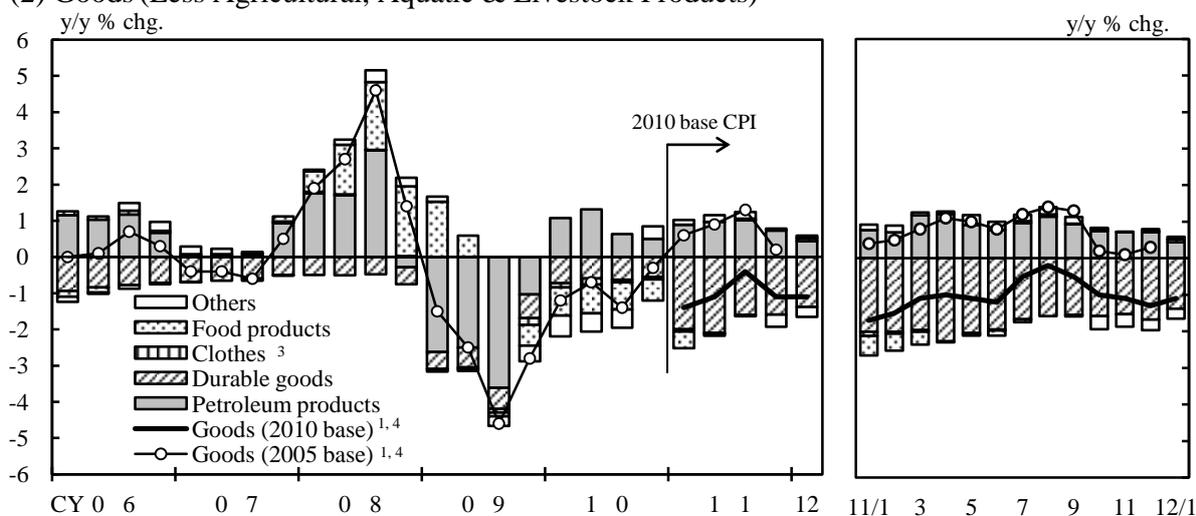
Source: Bank of Japan, "Corporate Services Price Index."

Consumer Price Index (Less Fresh Food)

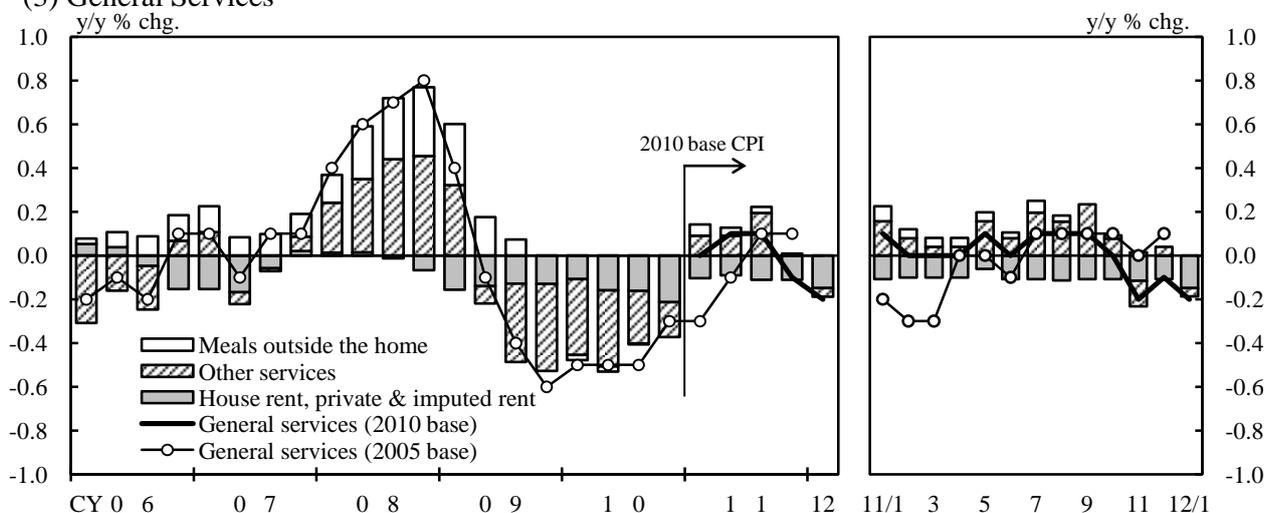
(1) Consumer Price Index (Less Fresh Food)



(2) Goods (Less Agricultural, Aquatic & Livestock Products)<sup>1</sup>



(3) General Services



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

However, electricity, 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.

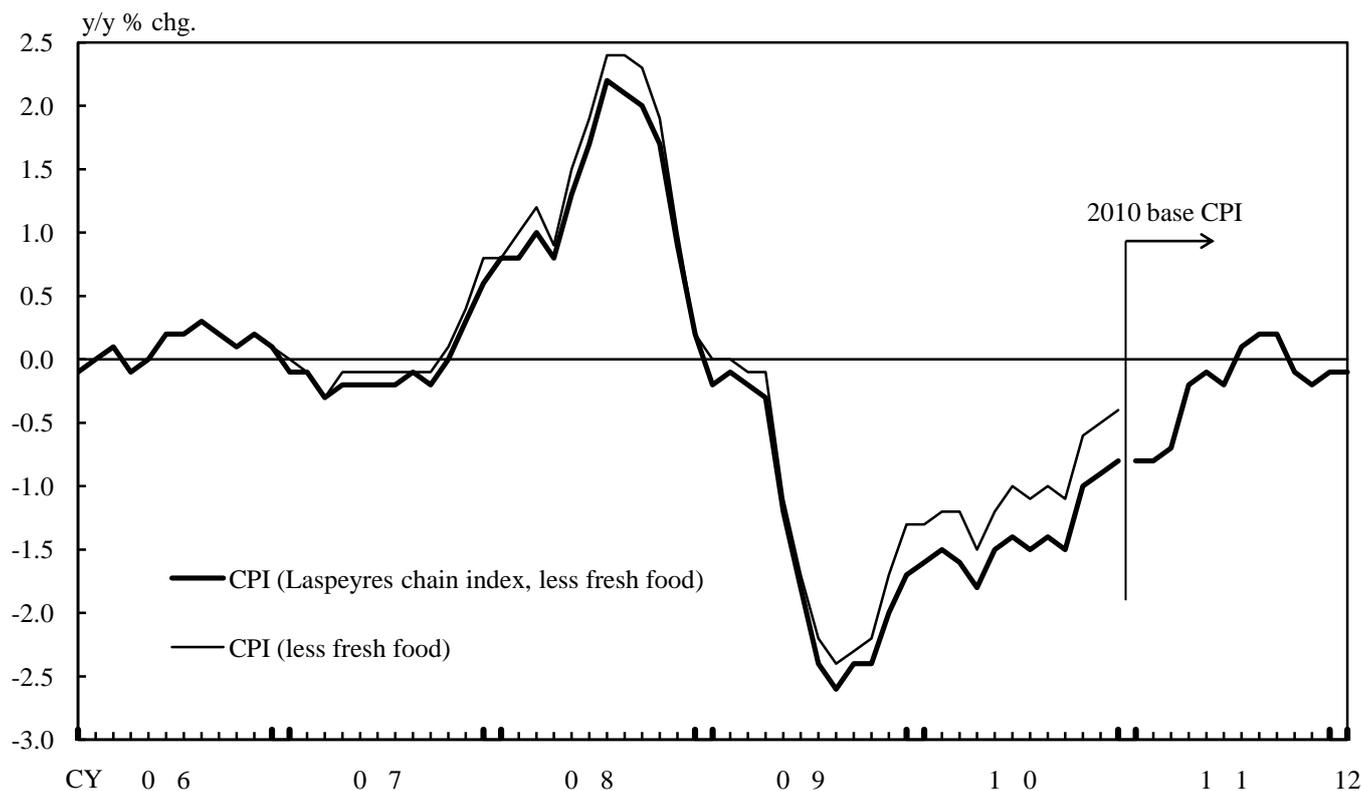
5. The year-on-year rates of change other than those of the CPI (less fresh food), CPI (less food and energy), and General services are calculated using published indices.

6. Figures for 2012/Q1 are those of January.

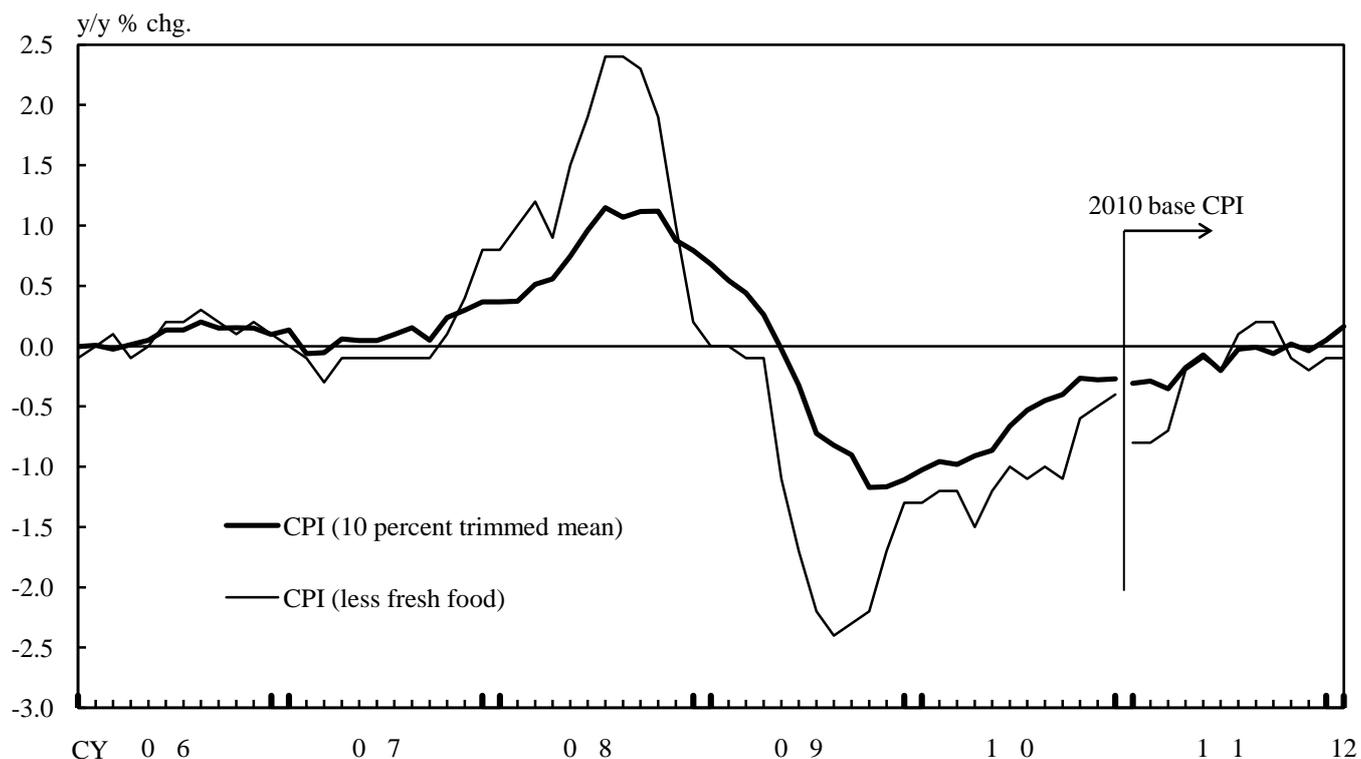
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

## Trend Changes in Consumer Prices

## (1) Laspeyres Chain Index



## (2) Trimmed Mean



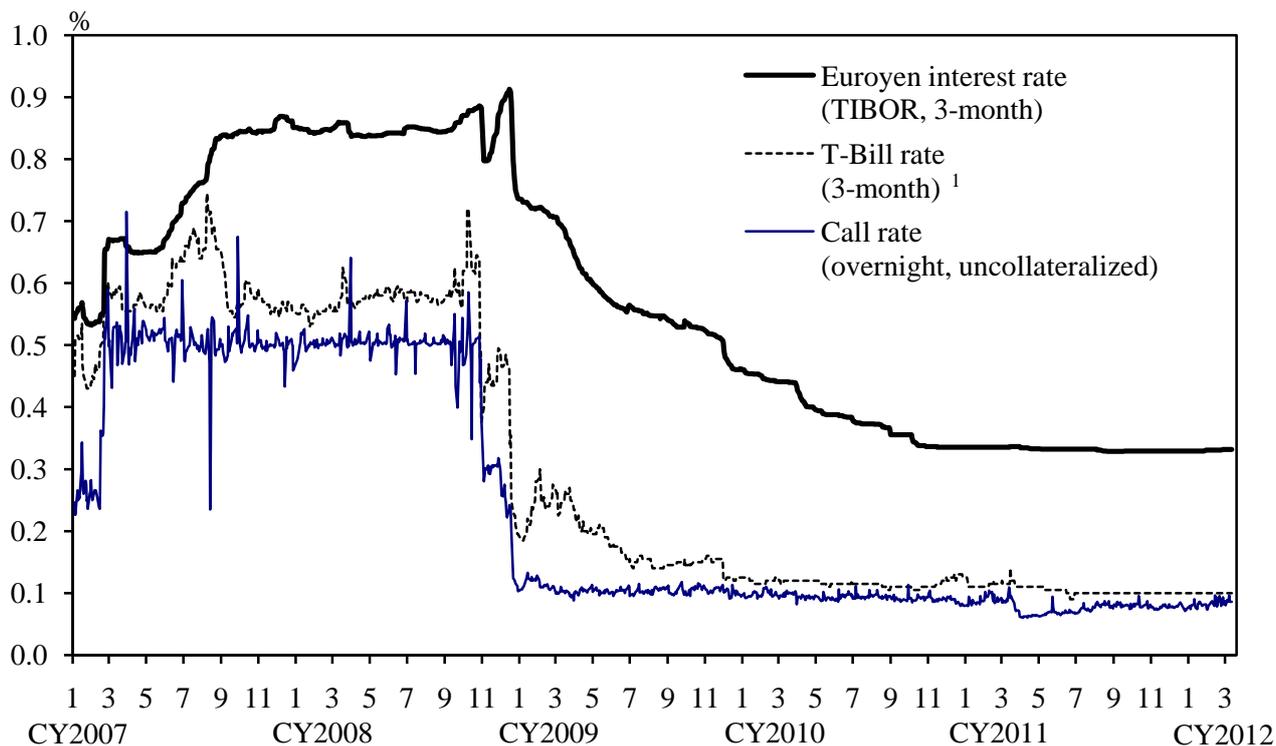
Notes:1. Figures for the 10 percent trimmed mean are weighted averages of items; these items are obtained by rearranging year-on-year rates of price change in ascending order and then excluding items in both the upper and lower 10 percent tails by weight.

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

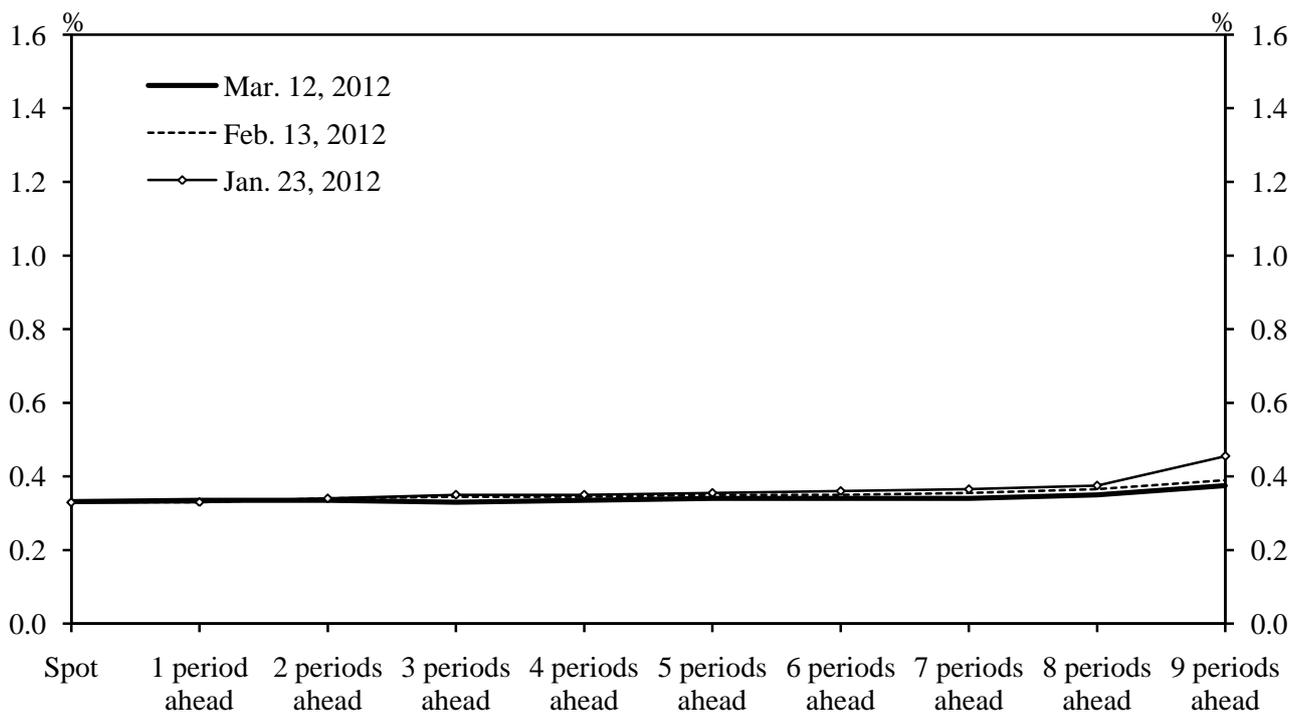
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Short-Term Interest Rates

(1) Short-Term Interest Rates



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



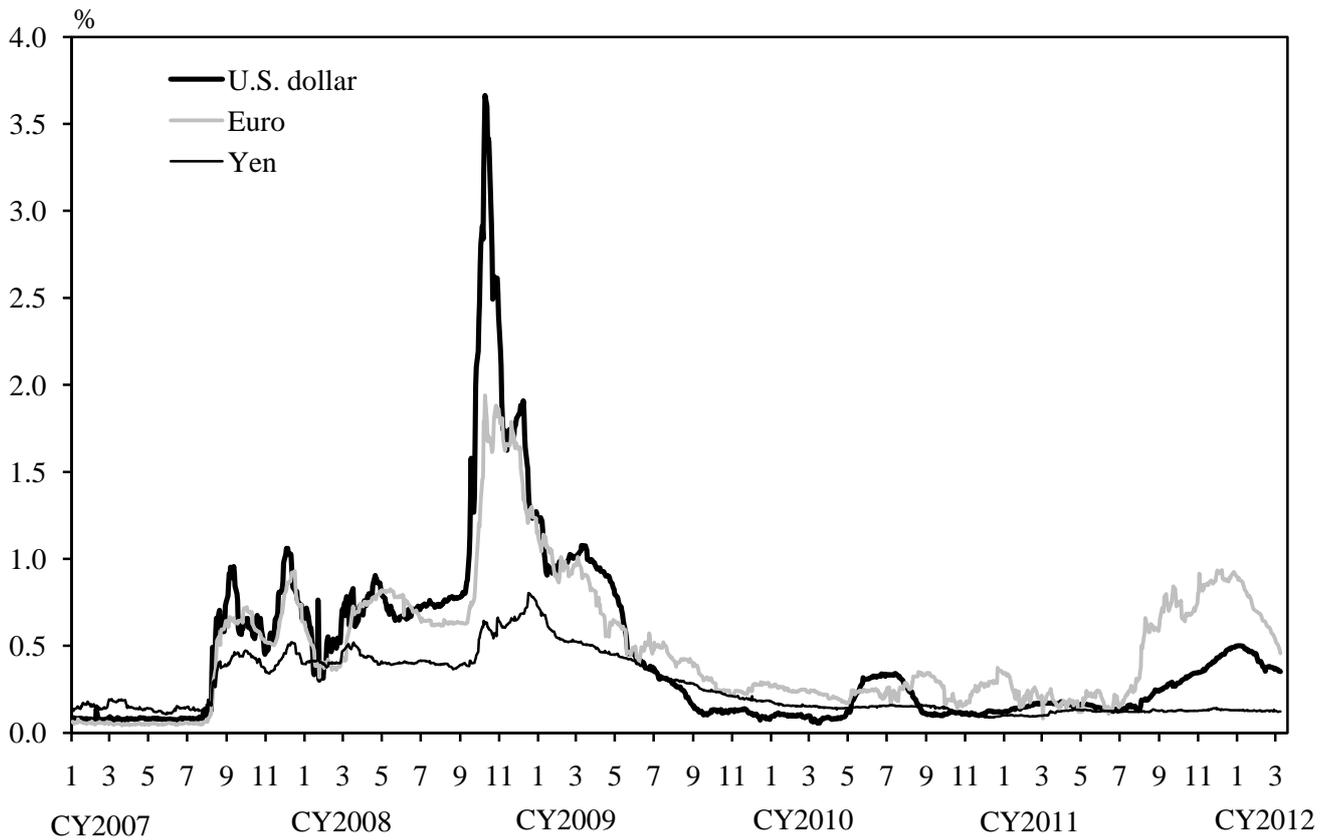
Notes: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.

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

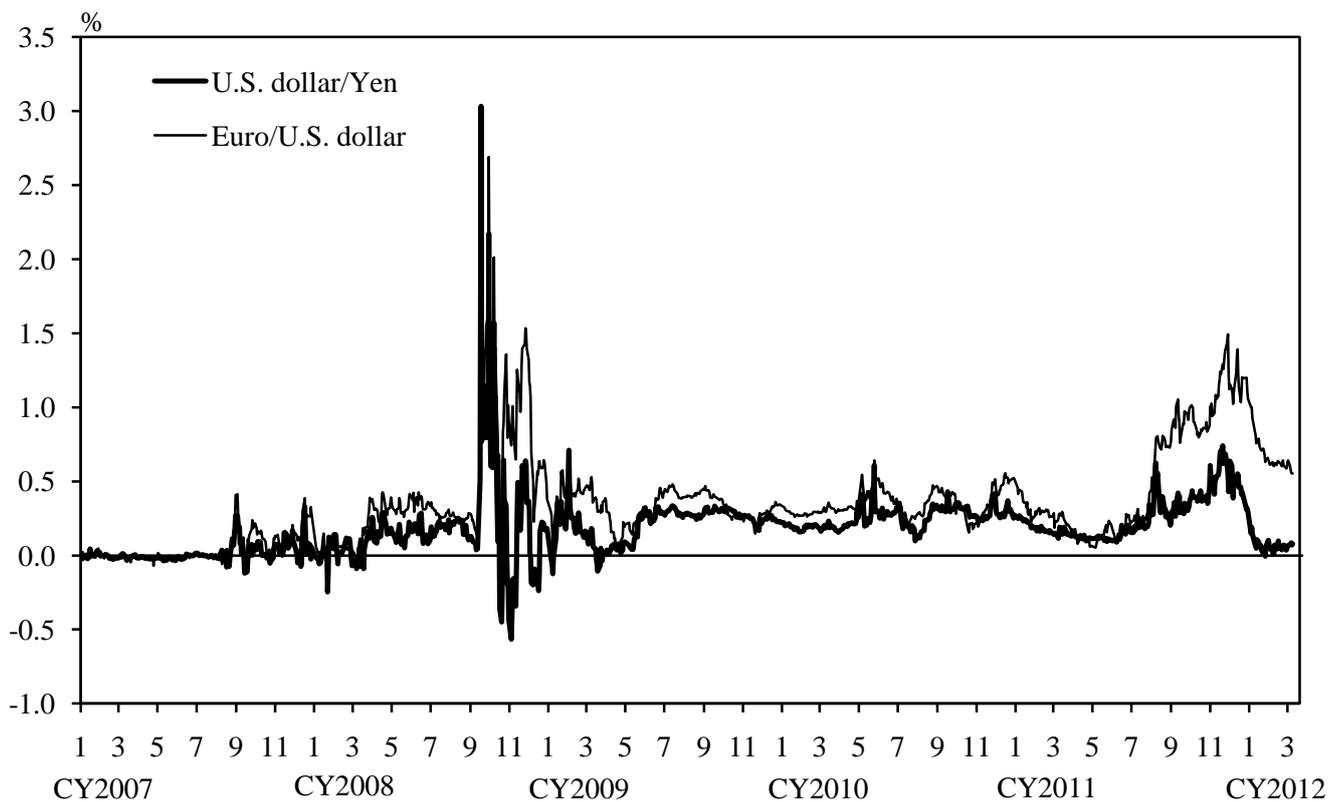
Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.; Tokyo Financial Exchange; Bank of Japan.

Global Money Markets

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



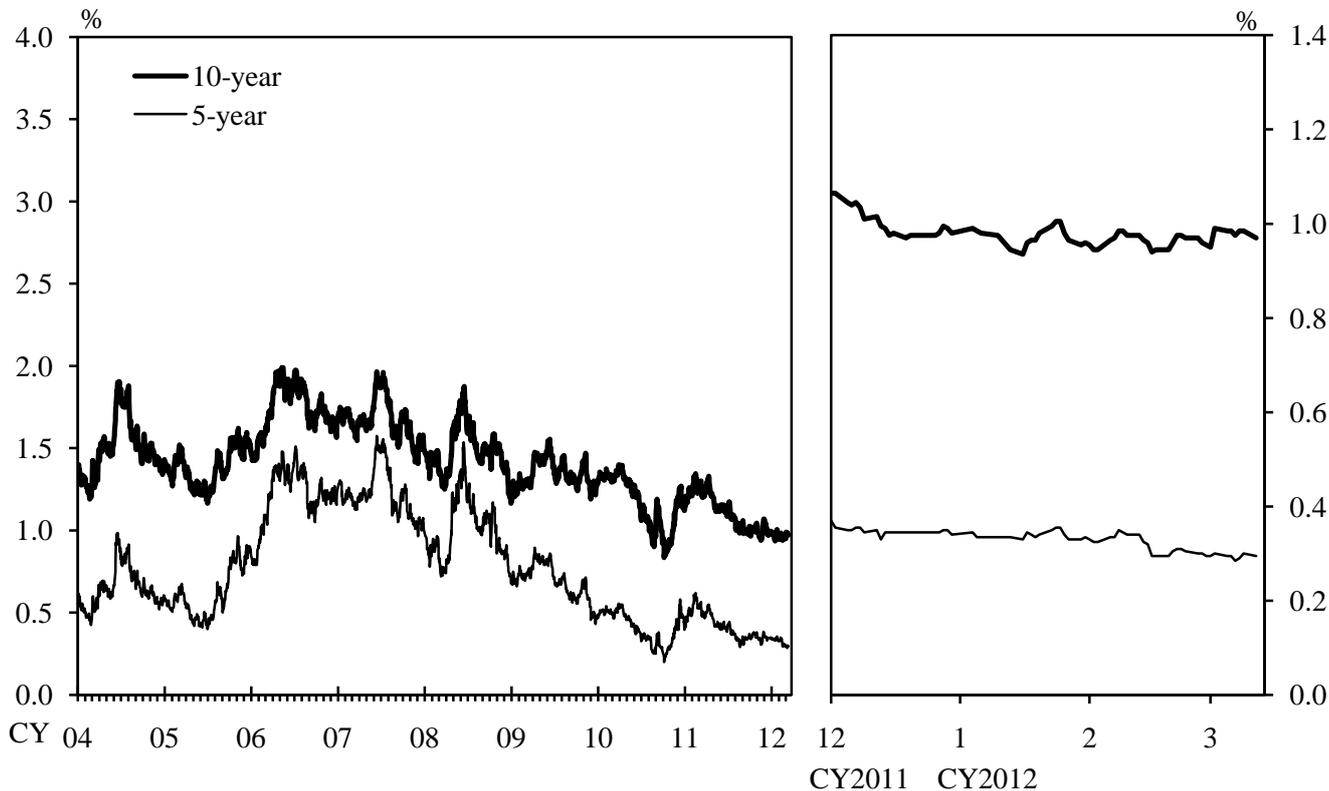
(2) FX swap implied dollar rate - LIBOR spreads (3-Month)



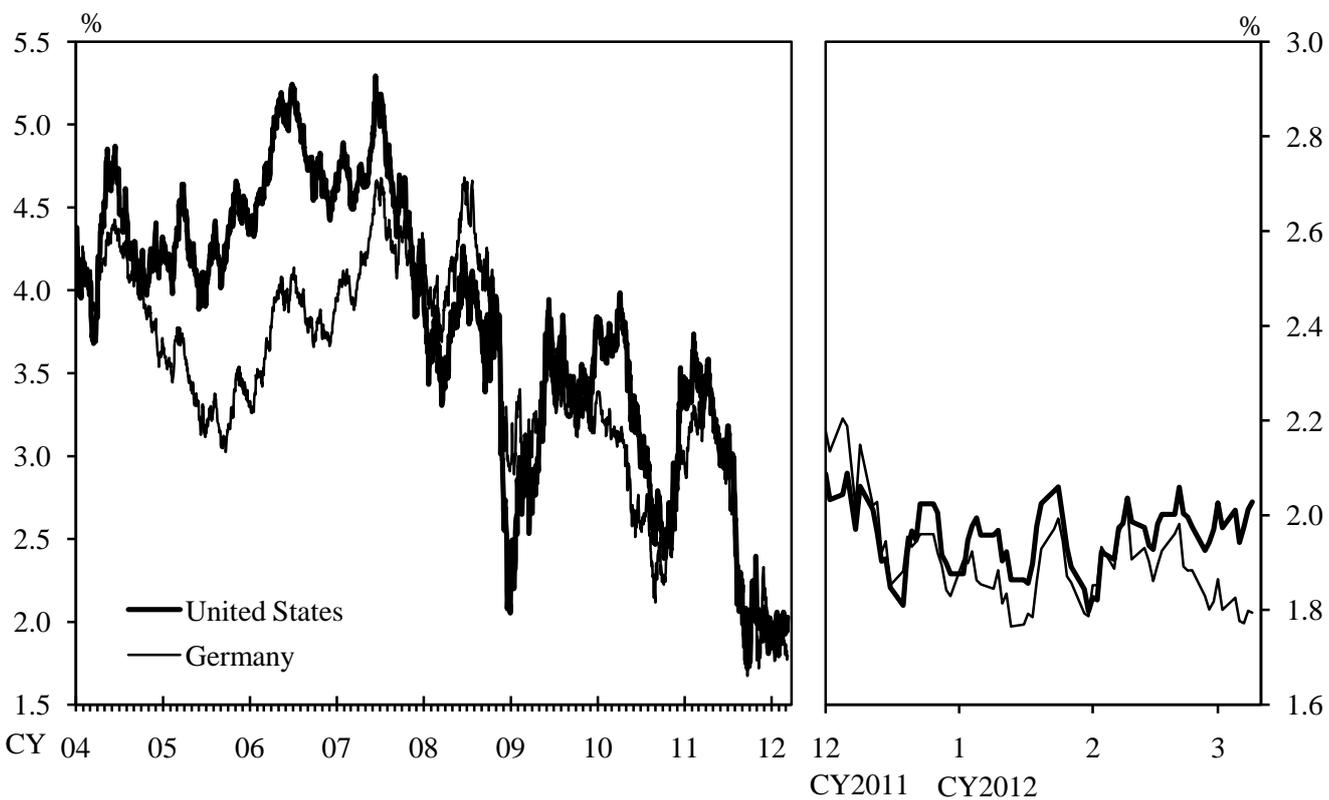
Source: Bloomberg.

Long-Term Interest Rates

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



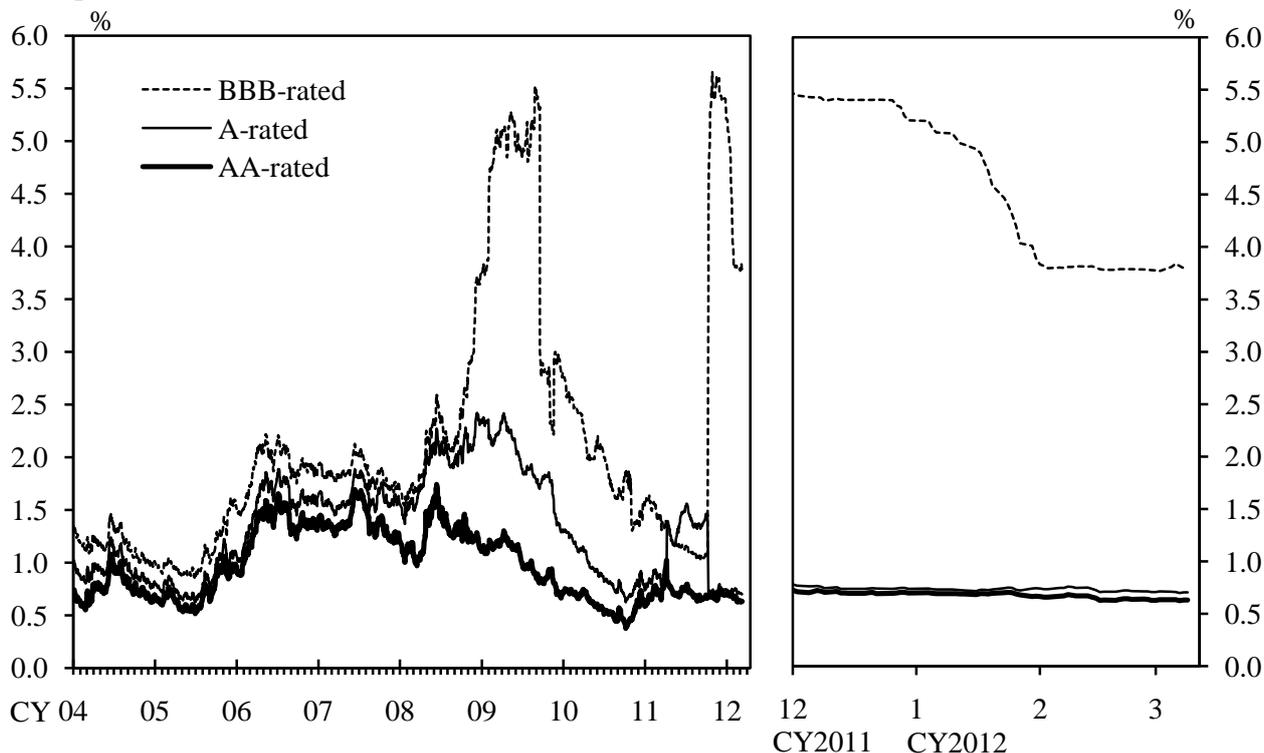
(2) Overseas Government Bond Yields (10-Year)



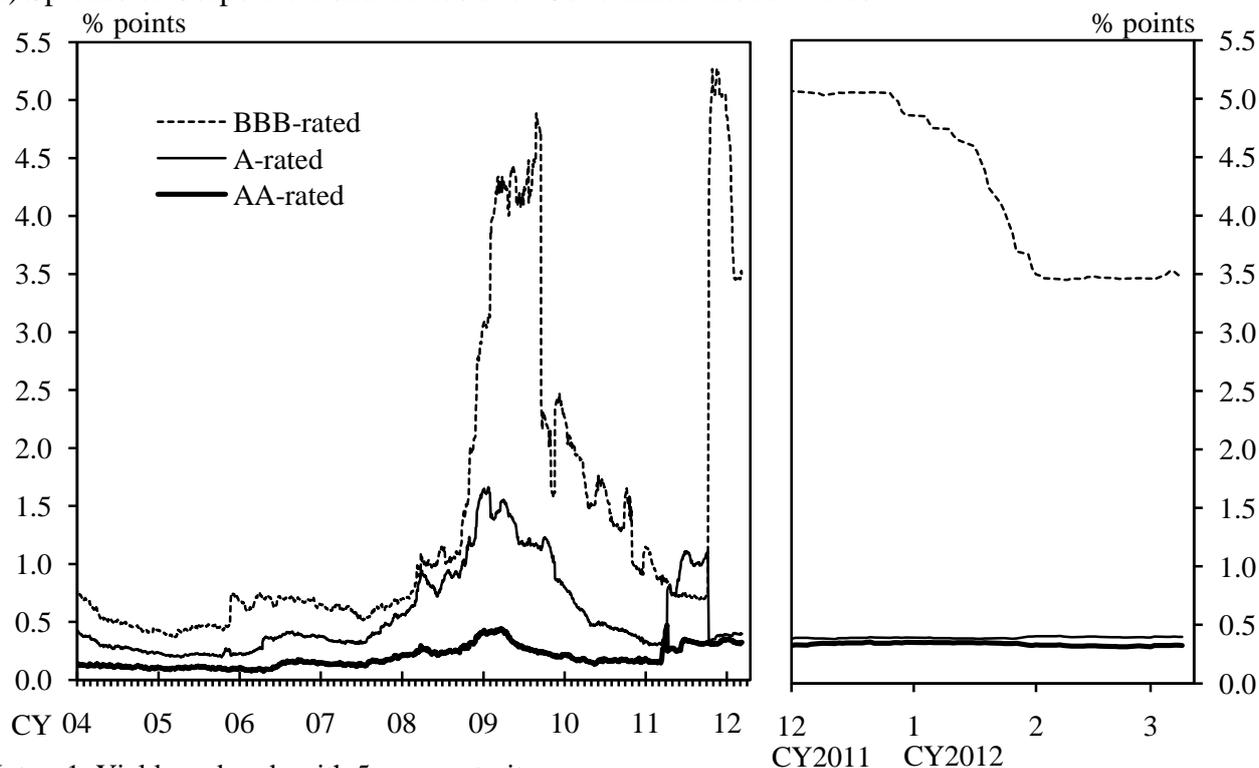
Note: 1. Yields on newly issued bonds.  
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

Yields of Corporate Bonds

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



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



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

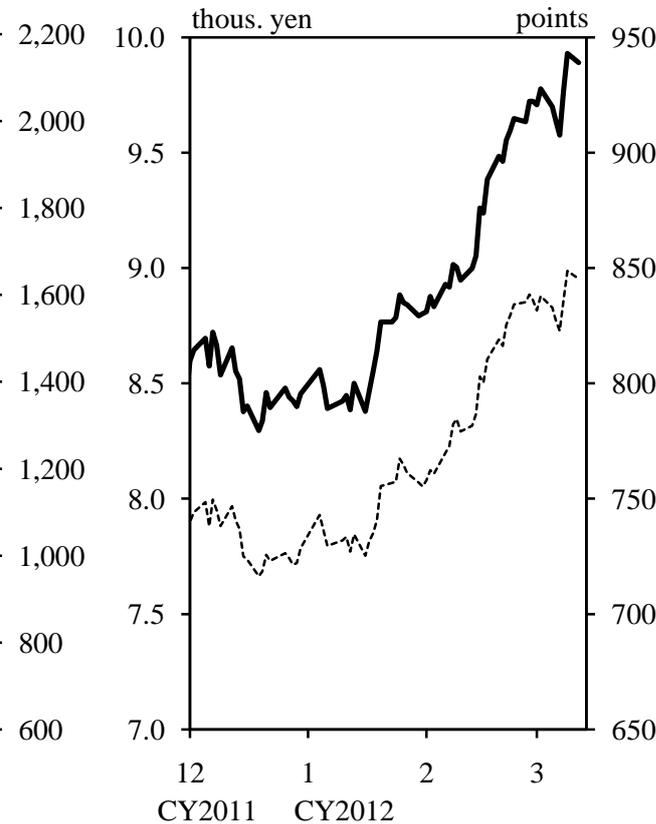
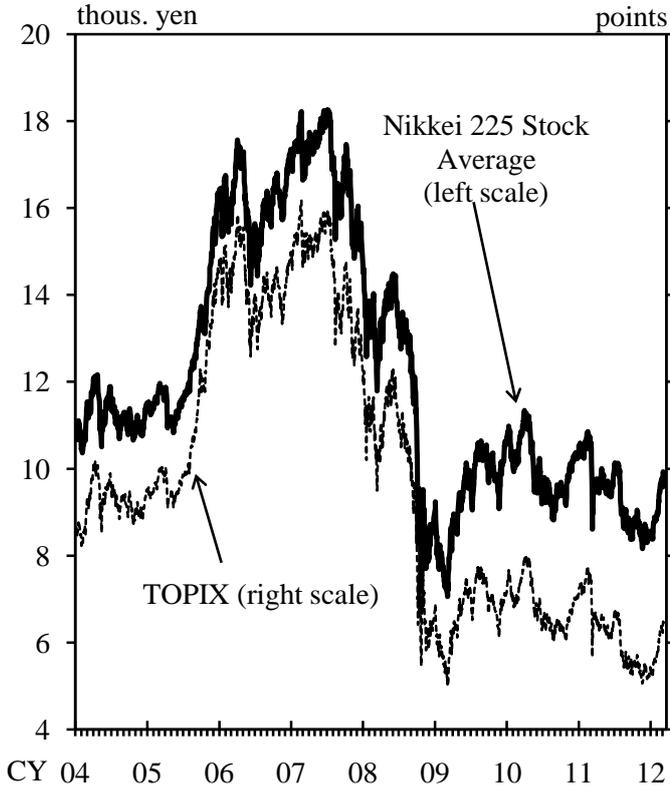
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.

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

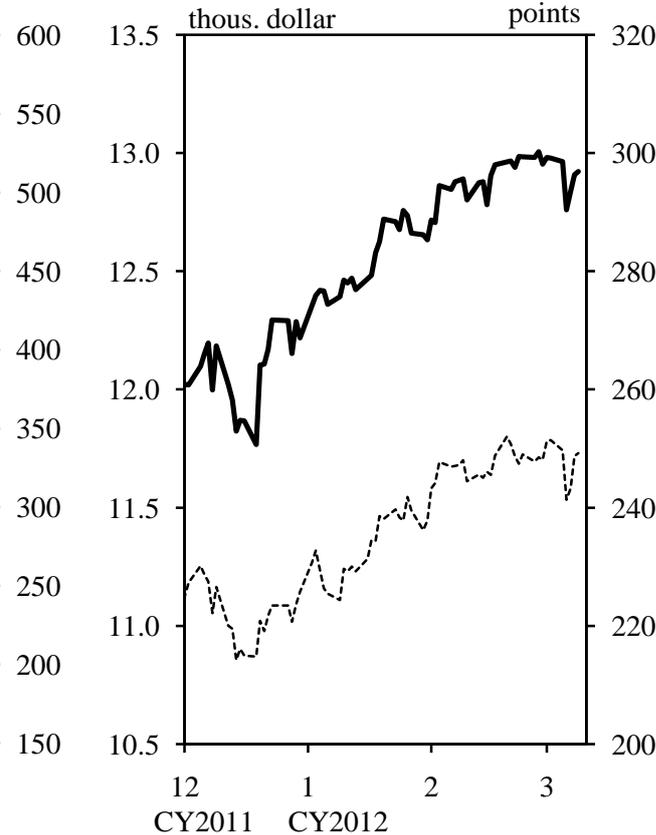
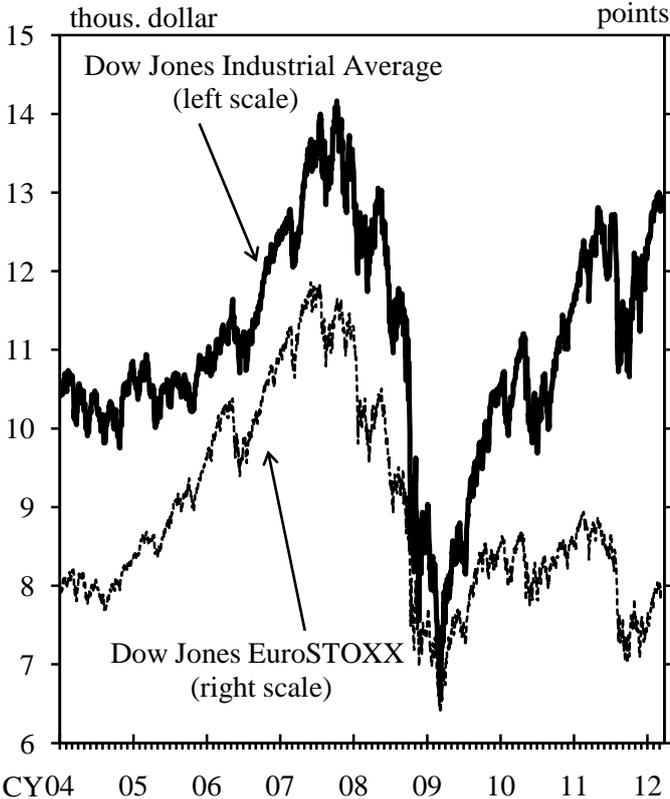
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Japanese Stock Prices



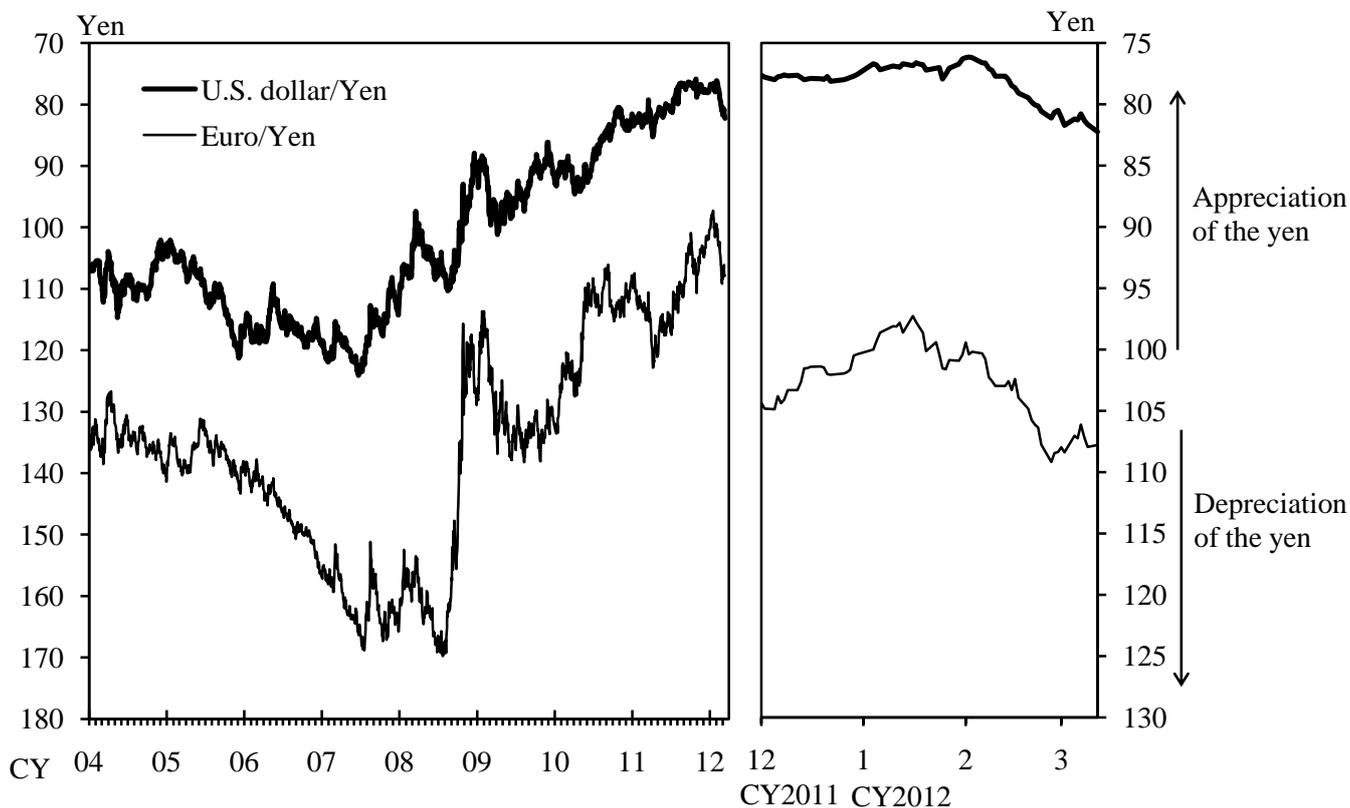
(2) Overseas Stock Prices



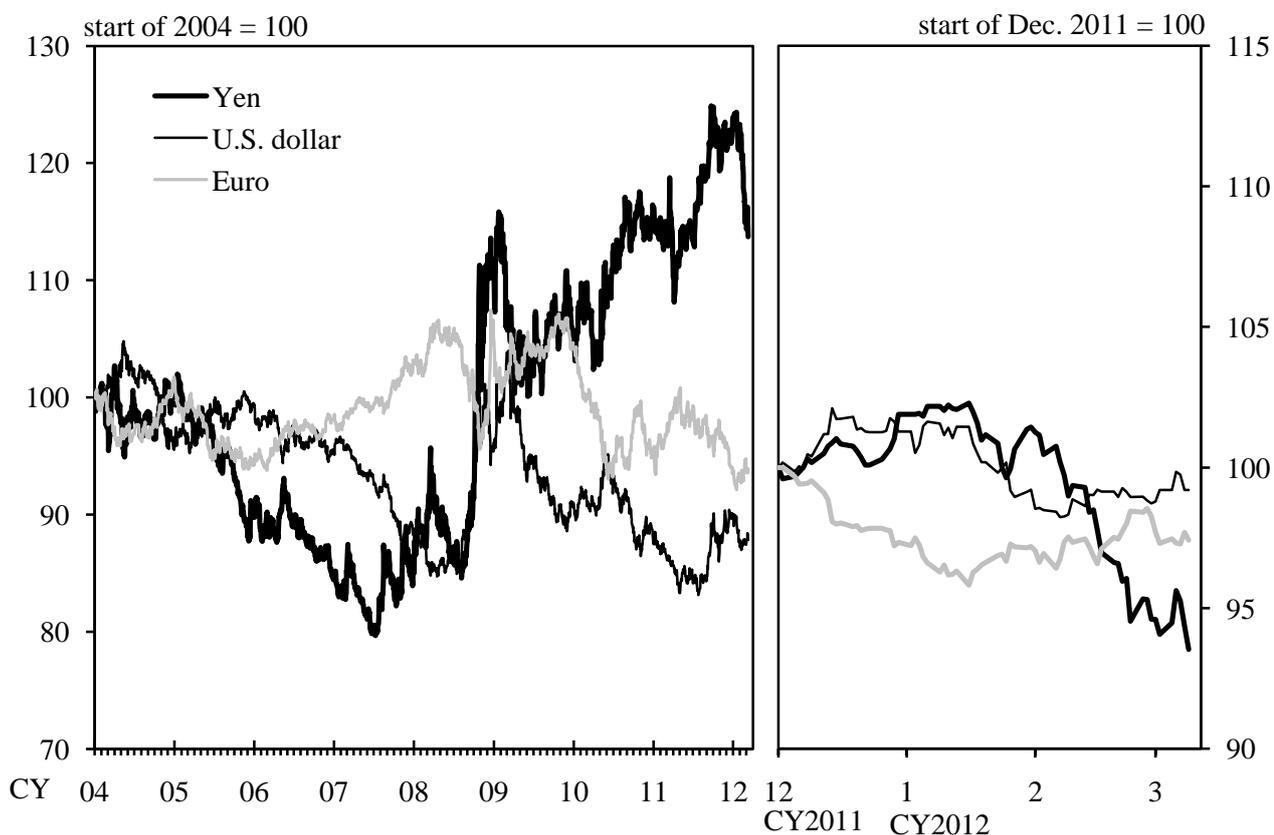
Sources: The *Nihon Keizai Shimbun* ; Tokyo Stock Exchange; Bloomberg.

Exchange Rates

(1) Bilateral Exchange Rates



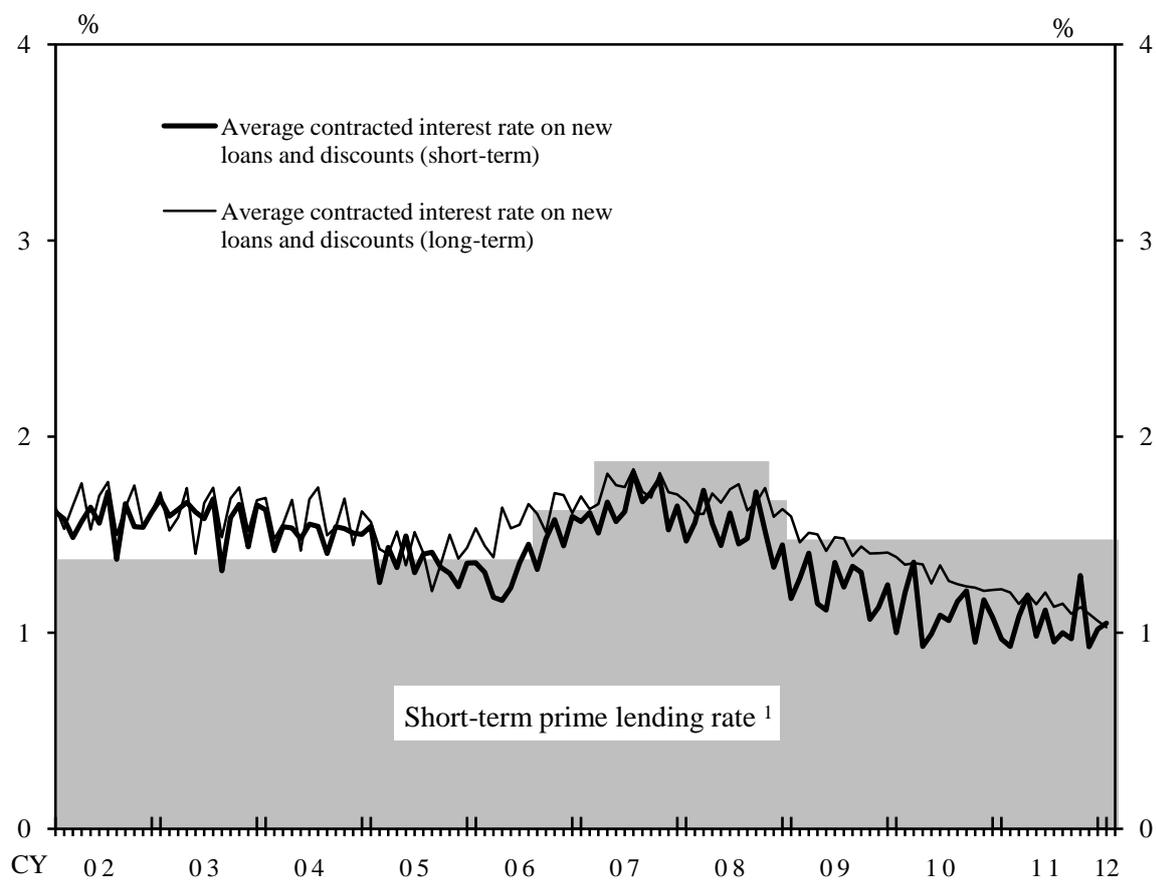
(2) Nominal Effective Exchange Rates



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



## Lending Rates

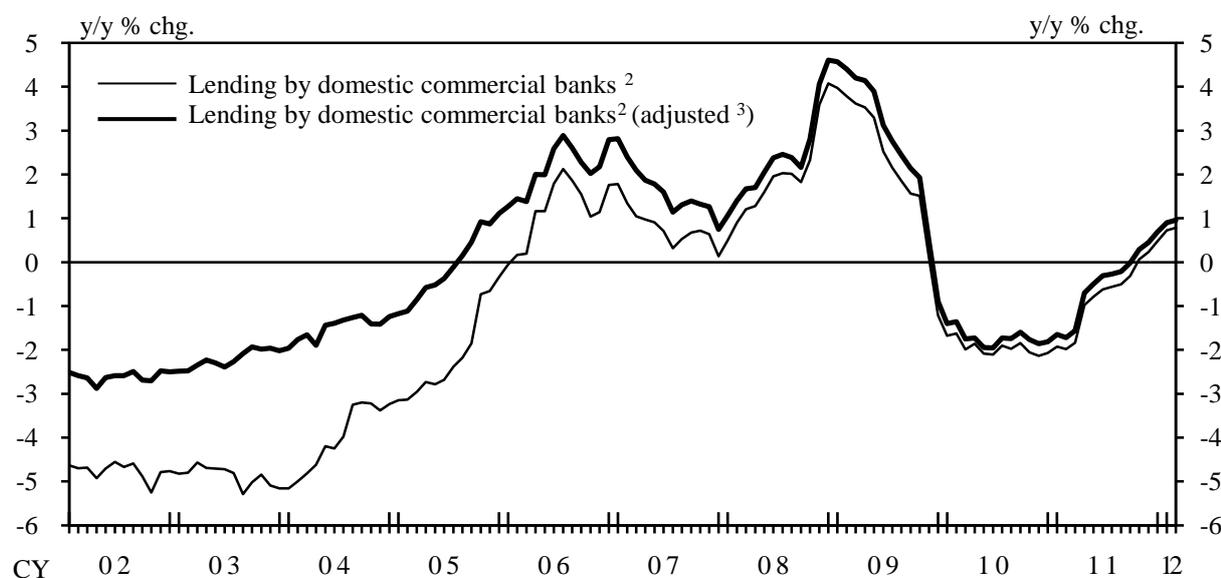


Note: 1. Data are at end of period.

Source: Bank of Japan.

## Lending by Financial Institutions

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



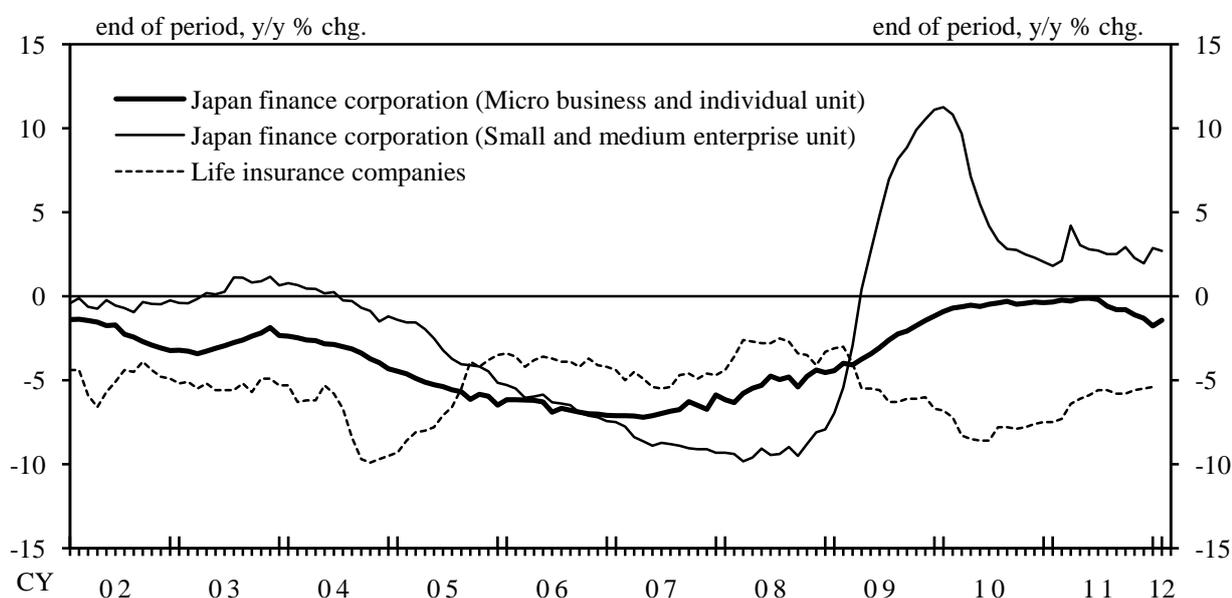
Notes: 1. Percent changes in average amounts outstanding from a year earlier.

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

3. Adjusted to exclude

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

### (2) Lending by Other Financial Institutions



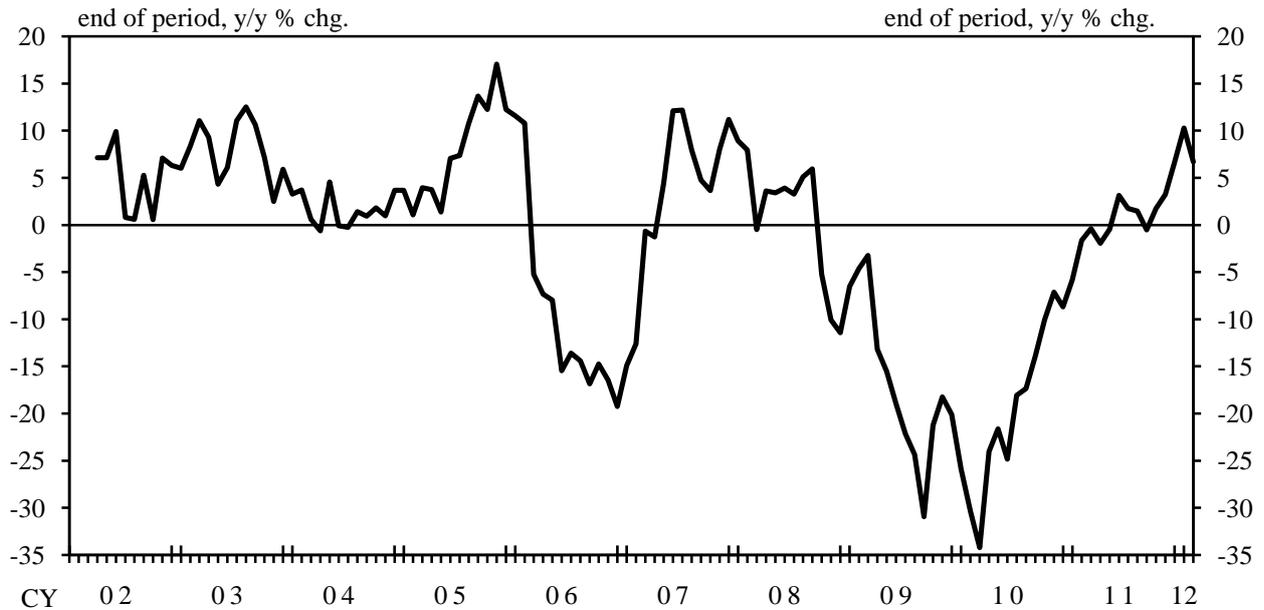
Note: The figures of the Japan Finance Corporation (Small and Medium Enterprise Unit) exclude the amounts outstanding of lending to the Credit Guarantee Corporations.

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 Private-Sector Fund-Raising in the Capital Markets
 

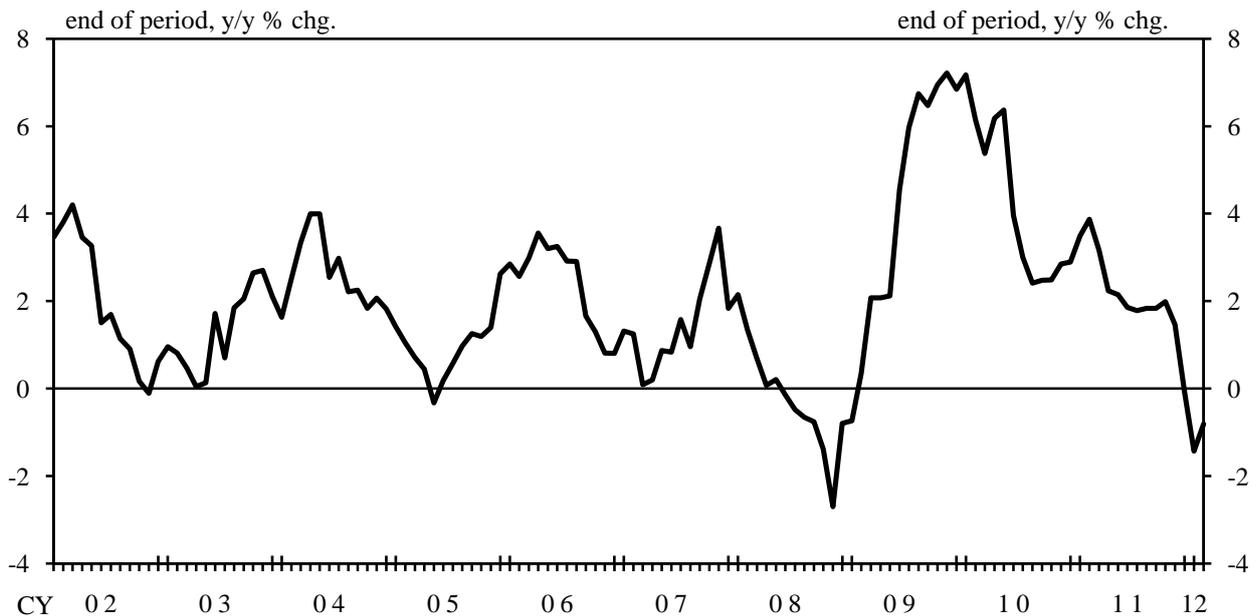
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## (1) Amount Outstanding of Commercial Paper



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

## (2) Amount Outstanding of Corporate Bonds



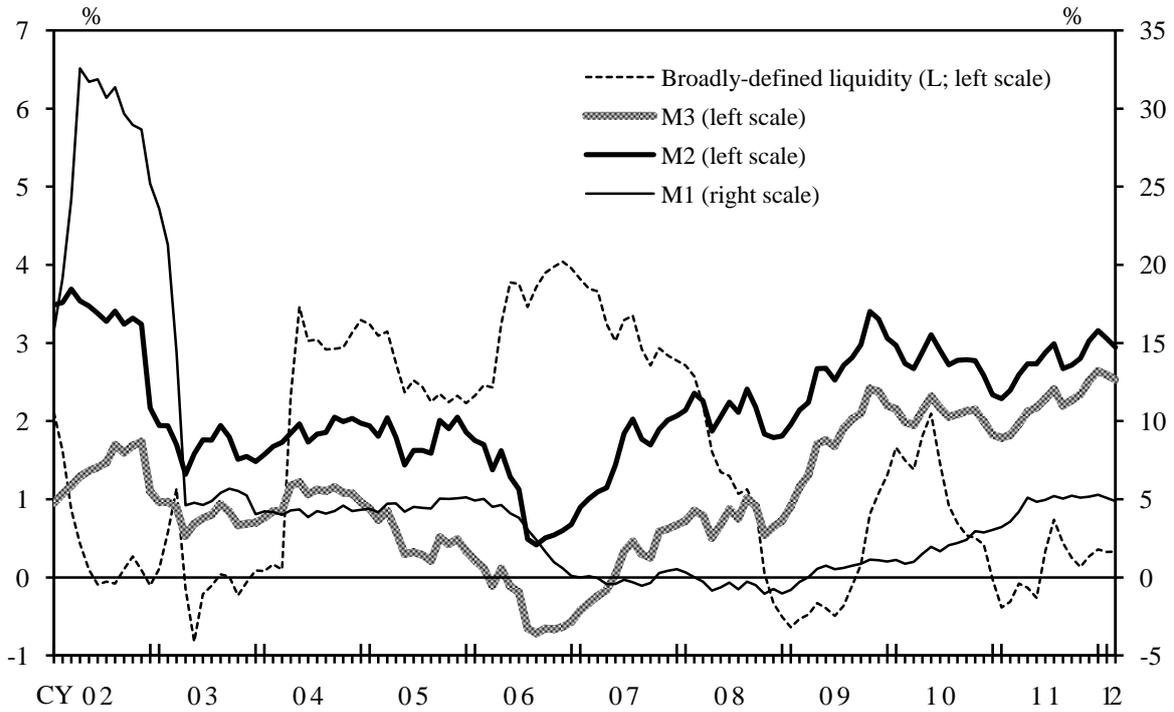
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

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

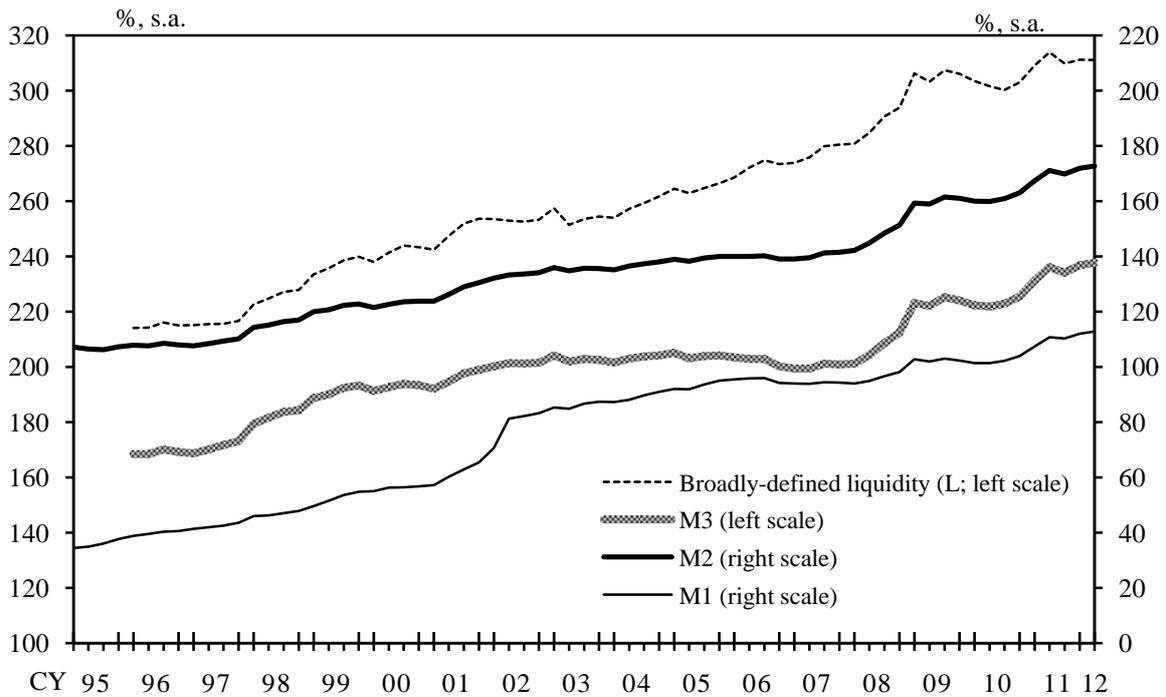
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category";  
 Bank of Japan, "Principal Figures of Financial Institutions";  
 Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts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

Money Stock

(1) Changes from a Year Earlier



(2) Ratio of Money Stock to Nominal GDP

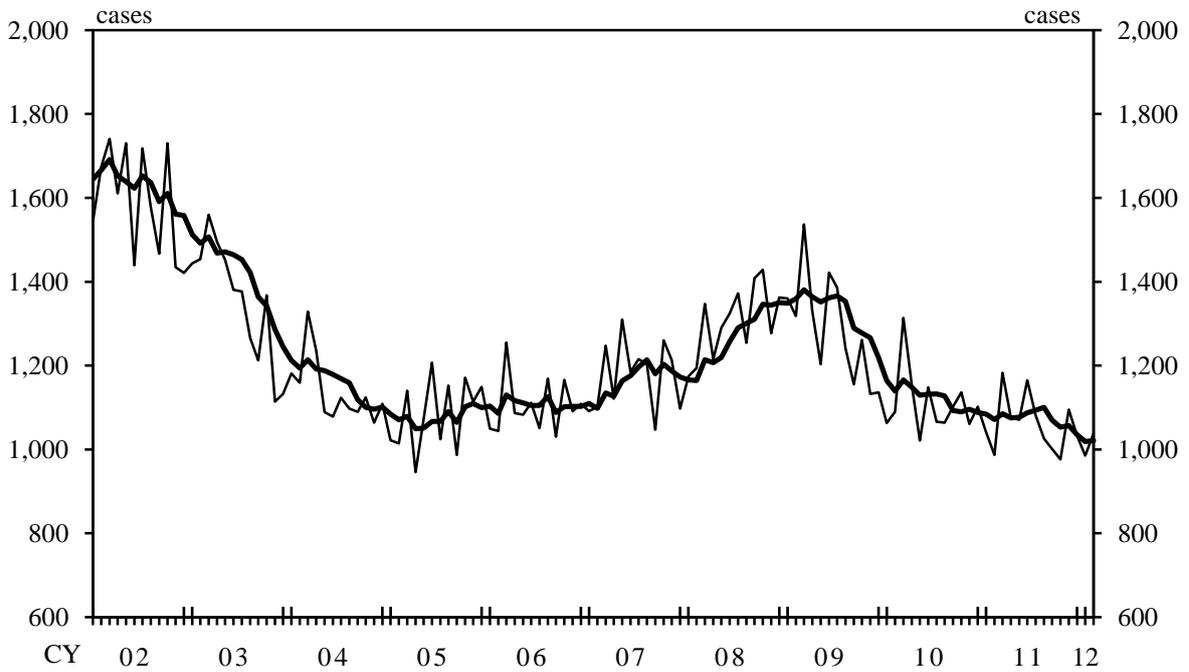


- Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.
- 2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.
- 3. The figures up to March 2004 in the upper panel and those up to March 2003 in the lower panel are based on the former series.
- 4. Figures for money stock in 2012/Q1 are those of Jan.-Feb. averages, and nominal GDP in 2012/Q1 is assumed to be unchanged from the previous quarter.

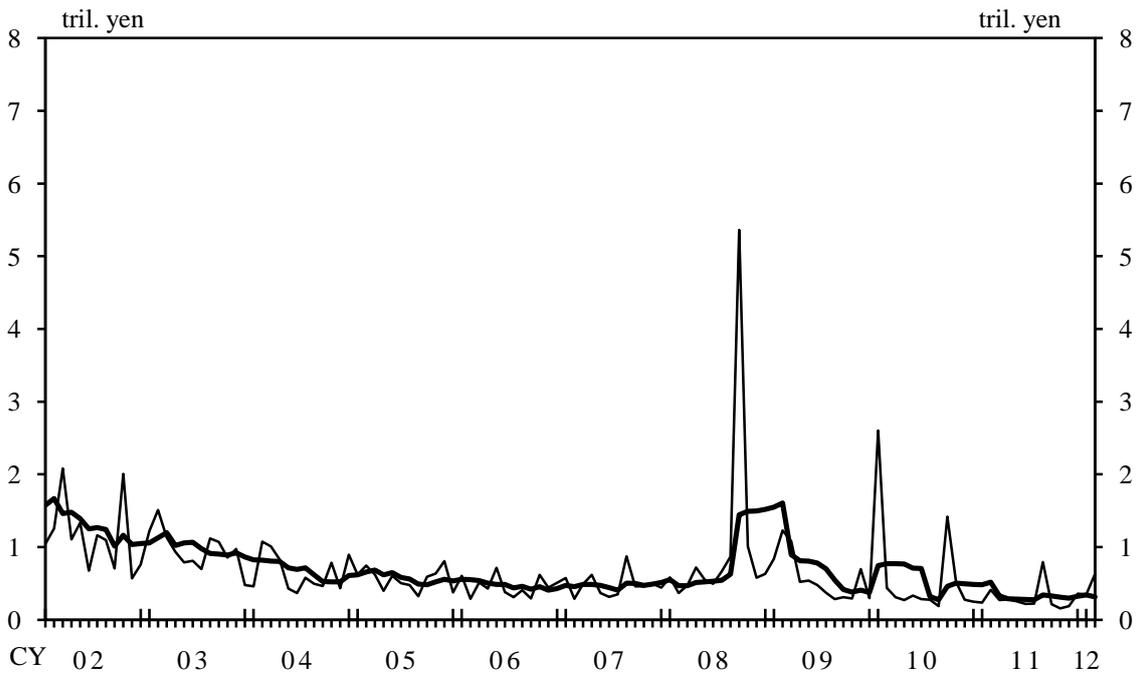
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

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)."