

October 10, 2012
Bank of Japan

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

(English translation prepared by the Bank's staff based on the Japanese original
released on October 9, 2012)

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

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Monthly Report of Recent Economic and Financial Developments¹

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Summary

Japan's economic activity is leveling off more or less.

Exports and industrial production have been relatively weak as overseas economies have moved somewhat deeper into a deceleration phase. On the other hand, domestic demand has been resilient, mainly supported by reconstruction-related demand. Specifically, public investment has continued to increase, and housing investment has generally been picking up. Private consumption has been resilient with the employment situation on an improving trend. Business fixed investment has been on a moderate increasing trend as corporate profits have improved on the whole. As for business sentiment, firms have turned somewhat cautious mainly against the background of the deceleration in overseas economies.

With regard to the outlook, Japan's economy is expected to level off more or less for the time being, and thereafter, it will return to a moderate recovery path as domestic demand remains resilient and overseas economies gradually emerge from the deceleration phase.

Exports and industrial production are expected to remain relatively weak for the time being and increase moderately thereafter as overseas economies gradually emerge from the deceleration phase. As for domestic demand, public investment is expected to be on the rise and housing investment to continue to generally pick up, mainly supported by reconstruction-related demand. Business fixed investment is projected to continue a moderate increasing trend, albeit impacted for the time being by the deceleration in overseas economies, partly due to investment related to disaster prevention and energy, as corporate profits keep improving on the whole. Private consumption is expected to remain resilient as the employment situation continues its improving trend, although car sales are expected to fall back for the time being following the ending of subsidies for purchasing energy-efficient cars.

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on October 4 and 5, 2012.

Meanwhile, there remains a high degree of uncertainty about the global economy, and furthermore, attention should be paid to the effects of financial and foreign exchange market developments on economic activity and prices.

On the price front, the three-month rate of change in domestic corporate goods prices has been negative, mainly reflecting the earlier decline in 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 decline at a reduced pace 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 are accommodative.

The overnight call rate has remained at an extremely low level, and firms' funding costs have been hovering at low levels. With regard to credit supply, firms have continued to see financial institutions' lending attitudes as being on an improving trend. Issuing conditions for CP and corporate bonds have 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 somewhat. The year-on-year rate of change in the amount outstanding of CP has been positive. In contrast, that of corporate bonds, especially electric company bonds, has been negative. 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 within the range of 2-3 percent.

1. Economic Developments

Public investment has continued to increase, primarily in that related to reconstruction after the earthquake disaster. The amount of public construction completed—which reflects the progress of public works—continued to rise in July relative to the second quarter, after having increased for four straight quarters through the second quarter (Chart 5). The value of public works contracted—a measure that reflects public orders—kept increasing in July-August compared with the second quarter, after having risen for five consecutive quarters through the second quarter.

Public investment is expected to be on the rise.

Real exports have been relatively weak (Charts 6[1] and 7). Although real exports rose in the second quarter for the first time in three quarters on a quarter-on-quarter basis, they fell back sharply in July-August compared with the second quarter. Monthly figures show that they declined for four straight months through August, after having risen in April. Looking at exports in July-August relative to the second quarter by region (Chart 7[1]), those to the United States declined for the first time in five quarters as a whole, since exports of motor vehicles and their related goods turned downward, largely because the effects of upward pressure—assisted mainly by restocking—waned. Exports to both China and NIEs remained somewhat weak on average: despite a temporary rise in the second quarter—including that in intermediate goods—after having declined for two quarters in a row through the first quarter, they turned downward again in July-August. Exports to the EU have continued to decrease markedly since the fourth quarter last year. Meanwhile, exports to ASEAN fell back in July-August from the upsurge through the second quarter; those to Others also declined in July-August, reflecting fluctuations caused by ships as well as some weakness in motor vehicles and their related goods. By goods (Chart 7[2]), exports of IT-related goods have remained level, primarily because final demand had not shown clear signs of improvement, despite a temporary rise in the first quarter as a reflection of the progress in inventory adjustments on a global scale. Exports of motor vehicles and their related goods fell at an accelerated pace in July-August after having turned downward very marginally in the second quarter for the first time in four quarters, since motor vehicle parts exported to China and finished cars to Others weakened, as the restocking of these

goods in the United States ceased and those to the EU remained somewhat weak. Exports of capital goods and parts registered a sizeable decline in July-August, as a reflection of ships exported to Others and NIEs which fell back from the previous quarter. Exports of intermediate goods leveled off in July-August, despite growing at a somewhat accelerated pace in the second quarter, notably to East Asia, after having been somewhat weak through the first quarter primarily in those to China. Meanwhile, exports of consumer goods (digital cameras) were almost level in the second quarter, since the effects of upward pressure caused by the removal of supply constraints as a result of the flooding in Thailand had waned, but they moved upward in July-August, particularly to the EU and United States.

Real imports have trended upward, albeit with fluctuations (Charts 6[1] and 9). On a quarter-on-quarter basis, real imports have recently displayed fairly large fluctuations by registering a marginal decline in July-August relative to the second quarter, after having inched downward in the first quarter and then marking an increase in the second quarter since the start of this year; the uptrend, however, is expected to remain intact. Looking at movements in imports by goods (Chart 9[2]), those of raw materials fell in July-August compared with the second quarter, after having risen for four straight quarters through the second quarter, primarily in mineral fuels used for thermal power generation. Imports of IT-related goods trended upward, particularly in smartphones. Those of capital goods and parts have been on an increasing trend in light of developments in domestic business fixed investment, although they inched downward in July-August relative to the second quarter. Those of intermediate goods climbed in July-August compared with the second quarter, primarily in chemicals from Europe and the United States, after having been almost level in the second quarter on a quarter-on-quarter basis. In contrast, imports of foodstuffs and consumer goods were virtually flat, albeit with fluctuations.

Net exports—in terms of the real trade balance—declined as a reflection of the aforementioned developments in exports and imports (Chart 6[1]). The nominal current account surplus narrowed in July as a whole compared with the second quarter, since the nominal goods and services balance expanded its deficit, although the income balance surplus kept rising slightly (Chart 6[2] and [3]).

Regarding the environment surrounding exports, overseas economies have moved somewhat deeper into a deceleration phase (Chart 8[2]). Looking at movements by major region, the European economy has receded slowly, as the negative effects of the debt problem have spilled over from periphery countries to core countries, including their impact on both business and household sentiment. As for the Chinese economy, the deceleration is still noticeable, particularly in manufacturing, since exports to Europe (which comprise a large weight) have remained depressed and also since inventory adjustment pressures have intensified lately in a wide range of sectors, including raw materials and construction machinery. As a reflection of these movements, the NIEs have also recently shown somewhat weak movements, notably in the corporate sector. Meanwhile, the U.S. economy has been on a moderate recovery trend as a whole, with the housing market having shown signs of picking up, while the corporate sector has been relatively weak. As for the exchange rate, the real effective exchange rate shows that the yen has been running slightly below levels of the second half of last year, when the yen kept appreciating (Chart 8[1]).

Overseas economies are expected to continue decelerating for the time being and then gradually emerge from the deceleration phase. A high degree of uncertainty remains, however, about the global economy, including future developments in the European debt problem, and furthermore, attention should be paid to the effects of financial and foreign exchange market developments on economic activity and prices. Specifically, should the sluggishness in the European economy persist, it is likely to exert downward pressure on the Chinese and NIEs economies, since they have close trade relationships with Europe. As for the Chinese economy, the effects of economic stimulus measures are projected to surface gradually, but uncertainty surrounds these effects; because the supply of raw materials and other goods seems to have exceeded demand as a result of increased business fixed investment, the economic slowdown—along with the loose supply and demand conditions—may prevail in light of the ongoing sluggishness in exports to Europe. Meanwhile, as for the IT-related sector, in line with the introduction of new products of final demand goods, shipments of related parts by Japanese manufacturers are projected to underpin exports, although attention should be paid to the risk that

developments in final demand in the European and Chinese markets may lead to new inventory adjustment pressures.

Taking the above into consideration, exports are expected to remain relatively weak for the time being and increase moderately thereafter as overseas economies gradually emerge from the deceleration phase. A high degree of uncertainty about the timing of when overseas economies will head for recovery does remain, however. Imports are projected to continue rising at a moderate pace as a trend, assisted heavily by resilient domestic demand, although they will be affected by somewhat weak industrial production for the time being. As a reflection of these developments in exports and imports, net exports are projected to continue declining for the time being and then gradually resume their moderate uptrend.

Business fixed investment has been on a moderate increasing trend as corporate profits have improved on the whole. The aggregate supply of capital goods—a coincident indicator of machinery investment—posted a sizeable decline in July-August relative to the second quarter, partly since steel ships and trucks fell back, after having increased in the second quarter on a quarter-on-quarter basis (Chart 10[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—have increased at a reduced pace on average: they rose again in July compared with the second quarter, after having registered a sizeable decline in the second quarter (Chart 11[1]). By industry, manufacturing saw an increase in July relative to the second quarter, after having declined in the second quarter. Machinery orders of nonmanufacturing (excluding orders for ships and those from electric power companies) fell in July compared with the second quarter, after having been level in the second quarter. Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—continued to rise in July-August relative to the second quarter, assisted mainly by a number of large projects, following the increase for two consecutive quarters through the second quarter (Chart 11[2]). By industry, construction starts of mining and manufacturing were down for the second straight quarter, whereas those of nonmanufacturing were up supported by large projects of office buildings (with ties to real estate).

Regarding the environment surrounding business fixed investment, corporate profits have been improving on the whole, notably in domestic demand-oriented sectors, albeit impacted for the time being by the deceleration in overseas economies, especially in manufacturing. Business sentiment has turned somewhat cautious mainly against the background of the deceleration in overseas economies. The business conditions DI for all industries and enterprises in the September *Tankan* deteriorated, albeit marginally, for the first time in five quarters. By industry and company size (Chart 13), the DI for large manufacturing firms as a whole, which was in negative territory, expanded its rate of deterioration marginally: although the DI for industries such as lumber & wood products and ceramics, stone & clay improved mainly due to reconstruction-related demand, the DI for motor vehicles deteriorated significantly due in part to sluggish growth in domestic sales, while industries such as iron & steel, chemicals, and production machinery also saw their DIs worsen, mainly due to the slowdown in overseas economies, particularly in the restrained recovery in Chinese demand. IT-related demand was also lackluster on the whole, with the DIs for processed metals and production machinery having deteriorated. The DI for small manufacturing firms deteriorated, mainly in motor vehicles, like that of large firms. In contrast, the DI for large nonmanufacturing firms showed firmness by remaining unchanged from the June *Tankan*. In detail, construction and real estate saw an improvement aided by a favorable performance in the housing sector, including sales of condominiums; services for businesses, which was in positive territory, expanded their rate of improvement assisted by the elevated level of corporate activity. Industries related to private consumption showed somewhat subdued growth overall, with the deterioration in services for individuals and retailing, although restaurants & accommodations improved. The DI for small nonmanufacturing firms has generally been the same as that of large firms.

Corporate profits are projected to continue their moderate improvement on the whole, supported by resilient domestic demand. According to the business plans of firms in the September *Tankan*, current profits (all industries and enterprises) in fiscal 2012 are forecasted to turn upward by posting a year-on-year increase of 0.8 percent, after a decrease of 3.2 percent in fiscal 2011. In comparison to the June *Tankan*, however, the rate of increase for fiscal 2012 was revised markedly downward. By industry and company size (Chart 12), both large and small manufacturing firms are

forecasting an increase in their profits for fiscal 2012, but compared with the June *Tankan*, current profits were revised notably downward for both firms. As for nonmanufacturing, the rate of revision in current profits remained marginal relative to manufacturing, as a reflection of resilient domestic demand, although profits were revised downward from the June *Tankan* in both large and small firms.

Taking the above into consideration, business fixed investment is projected to continue a moderate increasing trend, albeit impacted for the time being by the deceleration in overseas economies, partly due to investment related to disaster prevention and energy, as corporate profits keep improving on the whole. Business fixed investment plans for all industries and enterprises (excluding software investment and including land purchasing expenses, year-on-year basis) in the September *Tankan* were revised upward for fiscal 2012 from the June *Tankan* to a year-on-year increase of 5.8 percent. By industry and company size (Chart 14), business plans, excluding those of small manufacturing firms, were set relatively higher than in usual years. In comparison to the June *Tankan*, business plans were revised upward, excluding plans of large manufacturing firms which were revised slightly downward. On a "software and fixed investment excluding land purchasing expenses" basis—a concept close to that of GDP—business fixed investment of all industries and enterprises for fiscal 2012 was set relatively higher than in usual years: it was revised upward to positive 7.2 percent on a year-on-year basis from the June *Tankan*.

Private consumption has been resilient with the employment situation on an improving trend (Chart 15). Consumption of goods—as seen through sales at retail stores in real terms (Chart 16[1])—rose again in July-August relative to the second quarter, despite having been almost level in the second quarter on a quarter-on-quarter basis, after having gained momentum in the first quarter. Looking at consumption of durable goods (Chart 16[2]), the number of new passenger-car registrations has recently retreated to a level prior to the reintroduction of subsidies for purchasing energy-efficient cars at the end of last year.² Sales of household electrical appliances in real terms have been more or less flat as a whole, albeit with fluctuations, since

² For business vehicles, applications for subsidies for purchasing energy-efficient cars closed on July 5. Applications for private vehicles were also closed as of those accepted on September 21.

sales of tablet devices and of white goods installed with energy-saving devices were firm, whereas those of televisions and PCs were sluggish. Sales at department stores and supermarkets picked up slightly in August on a month-on-month basis, notably in foodstuffs (beverages) and summer apparel, aided by temperature rises, despite being almost level in July, after having fallen in June, affected by the unseasonable weather and by the postponement of summer sales at some stores (Chart 17[1]). Meanwhile, sales at convenience stores have continued to trend moderately upward. As for consumption of services (Chart 17[2]), outlays for travel have trended upward, albeit with fluctuations. Sales in the food service industry have been solid as a trend, with sales—which had been declining toward the middle of the year—having shown a sizeable rebound in August.

As for statistics on the demand side, consumption expenditure in the *Family Income and Expenditure Survey* (in real terms; two-or-more-person households) shows that the index on an "excluding housing, automobiles, money gifts, and remittance" basis—which is compiled so as to make it similar to items used for estimating GDP—inched downward in July-August relative to the second quarter, after having advanced for four quarters in a row through the second quarter (Chart 16[1]).³ The total expenditure in the *Survey of Household Economy* (in real terms; two-or-more-person households) also fell in July compared with the second quarter, after having increased for four straight quarters through the second quarter.

Indicators related to consumer confidence have maintained their moderate improving trend as a whole, supported mainly by improvements in the employment situation (Chart 18).

Private consumption is expected to remain resilient as the employment situation continues its improving trend, although car sales are expected to fall back for the time being following the ending of subsidies for purchasing energy-efficient cars.

Housing investment has generally been picking up, supported in part by reconstruction of disaster-stricken homes. The number of housing starts—a leading

³ Items in the index are not completely limited to those used for estimating GDP. Education, for example, is not used for estimating GDP.

indicator of housing investment—has tended to pick up, albeit with some fluctuations: it was level in July-August relative to the second quarter, after having moved upward for two consecutive quarters through the second quarter following a temporary decline in the fourth quarter last year (Chart 19[1]).

Housing investment is expected to continue to generally pick up.⁴

Industrial production has been relatively weak (Chart 20). On a monthly basis, production declined in July and August for two months in a row in both the released-base index and the adjusted-base index,⁵ although it inched upward in June, after a sizeable decline in May that was affected partly by factors such as fewer operating days for factories than in typical years as a result of the long holiday. Even on a quarterly basis, production turned downward in the second quarter and continued to do so in July-August compared with the second quarter, after having increased in the first quarter. The production forecast index recently shows that a downtrend has become evident, with larger downward revisions in both the realization and amendment ratios.

Looking at production in July-August relative to the second quarter by industry, that of transport equipment (such as passenger cars) fell markedly, as production for the domestic market ceased to advance with the ending of subsidies for purchasing energy-efficient cars in prospect and as production of finished cars exported to Europe and that of motor vehicle parts to China came down. Production of electronic parts and devices has declined again since the second quarter amid a delay in the recovery of final demand at home and abroad, although it temporarily turned upward in the first quarter in light of the progress in inventory adjustments. Production of general machinery continued to decline, amid somewhat sluggish overseas demand, including those for semiconductor products machinery and

⁴ 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. Applications for the housing eco-points outside disaster-stricken areas have closed as of those received on July 4. Attention should be paid to the magnitude of its impact on future housing starts.

⁵ The adjusted-base index of industrial production is calculated by detecting large fluctuations after the Lehman shock as outliers (estimation by the Research and Statistics Department, Bank of Japan).

construction machinery. In contrast, production of ceramics, stone and clay products was relatively firm, due in part to reconstruction-related demand.

Shipments have been relatively weak (Chart 22[1]). Looking at the trend in shipments by goods (Chart 21), those of durable consumer goods—which had continued to pick up supported by the increase in motor vehicles—have recently been somewhat sluggish among those for exports, and those to the domestic market have also declined with the ending of subsidies for purchasing energy-efficient cars in prospect. On the other hand, shipments of non-durable consumer goods have continued to increase moderately. Shipments of capital goods—which had been on a mild uptrend—have recently been affected by fluctuations in those for ships and electricity and some weakness in goods such as semiconductor products machinery as well as engineering and construction machinery. Shipments of producer goods—which had continued to trend moderately upward, chiefly for motor vehicles (such as iron and steel as well as motor vehicle parts)—have been on a downtrend, mainly since growth in those for motor vehicles came to a halt and since the pick-up in electronic parts and devices lagged behind. Meanwhile, shipments of construction goods still remain more or less level as a whole, but goods such as photovoltaic modules have recently trended upward.

Inventories have piled up lately (Chart 22[1]). They increased again at the end of August compared with the end of June, although they were temporarily flat at the end of June relative to the end of March after having surged at the end of March compared with December-end. By industry, general machinery including engineering and construction machinery saw its inventories pile up, affected mainly by the downswing in demand for Asia. Inventories of electronic parts and devices came down as of August-end on a month-on-month basis, partly due to an increase in shipments for new products as well as to further production adjustments, although the level is still high relative to that of June-end. Those inventories rose in preparation for the release of new products, but inventories of most goods are considered to have accumulated as the pick-up in demand lagged behind, notably for exports. As for the shipment-inventory balance (year-on-year rate of change in shipments less that in

inventories), growth in inventories has been above that in shipments (Chart 22[3]).⁶ The shipment-inventory balance of electronic parts and devices and of other producer goods—which had been on an improving trend—has deteriorated lately since the pick-up in demand, mainly for exports, has lagged behind.⁷

Industrial production is expected to remain relatively weak for the time being, and increase moderately thereafter, in line with improvements in exports as overseas economies gradually emerge from the deceleration phase. Based on anecdotes by firms and other information, production is projected to decline in a wide range of industries for the third quarter: transport equipment will see its production decline, mainly as a reflection of relatively weak overseas demand and of the ending of the application of subsidies for energy-efficient cars; production of general machinery is also expected to move downward due to the restrained recovery in demand for those to China and a downswing in IT-related demand. For the fourth quarter, although there is still a high degree of uncertainty, it seems as though production as a whole will remain relatively weak, mainly since the pick-up in overseas economies has lagged behind, even though production increases are projected for some goods, including electronic parts and devices, in line with the introduction of new products in the IT-related sector.

The employment and income situation has generally been improving, although it remains severe.

As for supply and demand conditions in the labor market, the ratio of job offers to applicants has continued its improving trend (Chart 23). The

⁶ As of the second quarter, growth in shipments was above that in inventories, but this was because the year-on-year increase in shipments rebounded this year from the sharp decline in shipments in the second quarter last year due to the effects of the earthquake disaster.

⁷ Meanwhile, the inventory ratio has recently moved up sharply, albeit with fluctuations (Chart 22[1]). Not only was this caused by the aforementioned pile-up of inventories, in electronic parts and devices as well as general machinery, but also influenced by movements in goods such as producer goods to pile up inventories slightly more compared with shipments, as a reflection of past experiences of the great earthquake and the flooding in Thailand, which had a significant impact on their supply chains. In addition, items that are subject to the inventory ratio comprise about 70 percent of production, and the expansion of the make-to-order system has enabled items to reduce their inventories. Based on these factors, the overhang in inventories may not be so large in the manufacturing sector as a whole, unlike the level shown in the inventory ratio. In this regard, the DI of the inventory level of finished goods and merchandise of large manufacturing firms in the September *Tankan* remained unchanged from the June *Tankan*.

unemployment rate has been trending downward, albeit with monthly fluctuations. The employment conditions DI in the September *Tankan* for all industries and enterprises ceased to improve, with the DI having been flat for two consecutive quarters (Chart 24). Recently, the improving trend in new job offers seems to have stalled, with a sizeable decline in the number of new job offers in manufacturing, chiefly in transport equipment, in light of relatively weak industrial production. Non-scheduled hours worked—which had been on a mild uptrend, albeit with fluctuations—have recently peaked out, notably in manufacturing. Future developments in the labor market require close monitoring.

In terms of employment, the year-on-year rate of change in the number of employees in the *Labour Force Survey* has recently registered a slight positive, although attention should be given to monthly fluctuations (Chart 25[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 with the fluctuations smoothed out, and has been well below the pre-earthquake level.

The year-on-year rate of decline in total cash earnings per employee has tended to narrow, although the pace of decline has recently accelerated slightly (Chart 25[2]). Scheduled cash earnings have recently been moving in the vicinity of 0 percent on a year-on-year basis, albeit with fluctuations. Non-scheduled cash earnings have continued to register year-on-year increases, but the pace has recently slowed as the uptrend in non-scheduled hours worked peaked out. Meanwhile, special cash earnings (summer bonuses) posted a year-on-year decline, as a reflection of the lackluster business performance of fiscal 2011.

The year-on-year rate of change in employee income has been almost 0 percent with the fluctuations smoothed out, as a reflection of the aforementioned developments in employment and wages (Chart 25[3]).

Employee income is highly expected to be more or less flat for the time being, mainly since the drag from the lackluster business performance of fiscal 2011 is likely

to persist and since the recent weakness in exports and industrial production will weigh on non-scheduled cash earnings, even though an improvement in supply and demand conditions in the labor market will support income gradually.

2. Prices

International commodity prices as a whole have picked up from a while ago (Chart 27[1] and [3]). Crude oil prices—which had been increasing partly due to mounting tensions regarding the situation in the Middle East—have recently ceased to rise. Prices of nonferrous metals have been virtually level, after having risen toward mid-September. Meanwhile, prices of grains have remained high, due to anxiety over supply as a result of the unseasonable weather, including that in the United States.

The three-month rate of change in import prices (on a yen basis) has declined at a somewhat modest pace, reflecting movements in international commodity prices (Chart 27[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) has been negative, mainly reflecting the earlier decline in international commodity prices (Chart 28[2]).⁸ In August, the three-month rate of change declined for three months in a row since June, but the pace of decline somewhat slowed. Looking in detail at domestic corporate goods price movements in August, prices of "goods sensitive to exchange rates and overseas commodity prices" and "other materials" continued to fall—albeit at a somewhat moderate pace—mainly as a reflection of the earlier decline in international commodity prices. Prices of "iron & steel and construction goods" have also been on the decline, due partly to the effects of the loose supply and demand balance in the Asian market. Prices of "machinery" continued to decline mildly. Meanwhile, prices of "electric power, gas & water" rose at an accelerated

⁸ 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.

pace, affected by the implementation of the Feed-in Tariff Scheme for Renewable Energy.

The year-on-year rate of change in corporate services prices (excluding international transportation; year-on-year basis, same hereafter) has recently been around 0 percent (Chart 29). As for developments on a year-on-year basis, they stood at negative 0.2 percent in August, following a decline of 0.1 percent in June and marking 0.0 percent in July. Looking in detail at corporate services price movements in August, prices of advertising services—in the category of "selling, general and administrative expenses"—registered a steeper year-on-year decline, mainly since advertisement placements by car manufacturers came to a halt. On the other hand, prices of hotels continued to increase on a year-on-year basis, assisted by the recovery in the number of foreign visitors to Japan and by firm demand for both domestic business and leisure travel. Prices related to "domestic transportation" and "fixed investment" have been increasing marginally. Prices related to "real estate" have continued their year-on-year decline, but the pace has tended to slow, albeit moderately. Meanwhile, "IT-related" prices have continued to decrease on a year-on-year basis, due to price declines in leasing and rentals of equipment.

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 30[1]). In August, consumer prices stood at negative 0.3 percent, which was on par with that in July. Looking at developments on a basis that excludes food and energy, prices in August posted negative 0.5 percent, narrowing the rate of decline by 0.1 percent from July. Regarded as a method for capturing trend changes, the year-on-year rate of change in the trimmed mean has been slightly negative recently, but from a somewhat long-term perspective, it has been on a moderate improving trend (Chart 31[2]).⁹ The year-on-year rate of change in the Laspeyres chain index has moved up in tandem with that in the 2010-base index (Chart 31[1]).¹⁰

⁹ 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.

¹⁰ 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

Looking in detail at consumer price movements in August, prices for goods (excluding agricultural, aquatic and livestock products) fell at an accelerated pace overall, albeit slightly, from July. Although prices of other goods declined at a somewhat reduced pace compared with the previous month, the following factors were attributable to the decline: (i) the decline in prices of petroleum products was the same as that of last month, due to the effects of the earlier decline in crude oil prices, (ii) prices of clothes—which had registered an increase last month assisted partly by the postponement in summer sales at some stores—turned downward again, and (iii) prices of food products somewhat accelerated their pace of decline. Prices of general services as a whole declined at a somewhat slower pace from the previous month since hotel charges saw an upsurge assisted partly by calendar factors, whereas package tours to overseas declined at an accelerated pace as the earlier decline in crude oil prices was passed on to fuel surcharges with a time lag. Meanwhile, fees for public services somewhat accelerated their pace of increase on the whole from the previous month, since (i) electricity increased at a somewhat faster pace from the effects of the implementation of the Feed-in Tariff Scheme for Renewable Energy and (ii) airplane fares turned upward on a year-on-year basis. Compared with the start of this year, however, prices of electricity and gas (manufactured & piped) have reduced their pace of increase, due to the effects of the earlier decline in crude oil prices.

With regard to domestic supply and demand conditions in the September *Tankan* (Chart 32), the net "excess supply" of the domestic supply and demand conditions DI for products and services expanded, albeit slightly, for both large manufacturing and nonmanufacturing firms. Small manufacturing firms somewhat expanded their net "excess supply," while small nonmanufacturing firms remained flat. The output prices DI was flat overall, with the net "fall" having narrowed for large manufacturing firms and small nonmanufacturing firms, while that of large nonmanufacturing firms and small manufacturing firms expanded, albeit slightly. Meanwhile, the weighted average of the production capacity DI and employment conditions DI remained unchanged in September from June, but the DI is expected to improve moderately.

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.

Domestic corporate goods prices are expected to decline at a reduced pace 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.

Looking at developments in land prices through the *Land Price Survey by Prefectural Governments* as of July (Chart 33), the national average has posted negative for 21 years in a row since 1992, but the rate of decline has narrowed from a year ago. By region, both commercial and residential land prices declined at a reduced pace on a year-on-year basis in the three large city areas and in other areas alike.

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 T-Bill rate (3-month). Interest rates on Euroyen futures have been virtually level (Chart 34). In U.S. dollar funding, the LIBOR-OIS spread for the dollar has narrowed somewhat (Chart 35).

Yields on 10-year government bonds (newly issued 10-year JGB) have moved marginally downward in line with the decline in U.S. long-term interest rates. They are currently moving in the range of 0.75-0.80 percent (Chart 36).

Yield spreads between corporate bonds and government bonds have generally been more or less flat (Chart 37).

Stock prices have inched down, due in part to concern over the slowdown in the Chinese economy, and to sluggish European and U.S. stock prices as uncertainty

regarding the situation in Europe has become noticeable again. The Nikkei 225 Stock Average is currently moving in the range of 8,500-9,000 yen (Chart 38).

In the foreign exchange market, the yen's exchange rate has generally been moving around the range of 78-79 yen against the U.S. dollar, albeit with fluctuations (Chart 39).

(2) Corporate Finance and Monetary Aggregates

Firms' funding costs have been hovering at low levels, against the background that the overnight call rate has remained at an extremely low level. Issuance rates on CP and those on corporate bonds, meanwhile, have been at low levels. The average contracted interest rates on new loans and discounts have also been low (Chart 41).

With regard to credit supply, firms have continued to see financial institutions' lending attitudes as being on an improving trend (Chart 40). Issuing conditions for CP and corporate bonds have 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 somewhat (Chart 42). The year-on-year rate of change in the amount outstanding of CP has been positive. In contrast, that of corporate bonds, especially electric company bonds, has been negative (Chart 43).

In these circumstances, firms have retained their recovered financial positions on the whole (Chart 40). The number of corporate bankruptcies has been at a low level (Chart 45).

Meanwhile, the year-on-year rate of change in the money stock (M2) has been positive within the range of 2-3 percent. Its August reading was 2.4 percent on a year-on-year basis, following 2.2 percent in July (Chart 44).¹¹

¹¹ On an M3 basis, which includes the Japan Post Bank, the year-on-year rate of change has been positive at around 2 percent; its August reading was 2.1 percent, following 1.9 percent in July. The year-on-year rate of change in broadly-defined liquidity (L) has been positive within the range of 0.0-0.5 percent; it increased by 0.3 percent in August, following a decrease of 0.0 percent in July.

Charts

Chart 1	Main Economic Indicators (1)	Chart 26	Prices
Chart 2	Main Economic Indicators (2)	Chart 27	Import Prices and International Commodity Prices
Chart 3	Real GDP and Indexes of Business Conditions	Chart 28	Domestic Corporate Goods Price Index
Chart 4	GDP Deflator and Income Formation	Chart 29	Corporate Services Price Index
Chart 5	Public Investment	Chart 30	Consumer Price Index (Less Fresh Food)
Chart 6	External Balance	Chart 31	Trend Changes in Consumer Prices
Chart 7	Real Exports	Chart 32	Domestic Supply and Demand Conditions
Chart 8	Real Effective Exchange Rate and Overseas Economies	Chart 33	Land Prices
Chart 9	Real Imports	Chart 34	Short-Term Interest Rates
Chart 10	Coincident Indicators of Business Fixed Investment	Chart 35	Global Money Markets
Chart 11	Leading Indicators of Business Fixed Investment	Chart 36	Long-Term Interest Rates
Chart 12	Current Profits	Chart 37	Yields of Corporate Bonds
Chart 13	Business Conditions	Chart 38	Stock Prices
Chart 14	Business Fixed Investment Plans as Surveyed	Chart 39	Exchange Rates
Chart 15	Indicators of Private Consumption (1)	Chart 40	Corporate Finance-Related Indicators
Chart 16	Indicators of Private Consumption (2)	Chart 41	Lending Rates
Chart 17	Indicators of Private Consumption (3)	Chart 42	Lending by Financial Institutions
Chart 18	Consumer Confidence	Chart 43	Private-Sector Fund-Raising in the Capital Markets
Chart 19	Indicators of Housing Investment	Chart 44	Money Stock
Chart 20	Production	Chart 45	Corporate Bankruptcies
Chart 21	Shipments by Type of Goods		
Chart 22	Shipments and Inventories		
Chart 23	Labor Market		
Chart 24	Employment Conditions		
Chart 25	Employee Income		

Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2012/Q1	Q2	Q3	2012/Jun.	Jul.	Aug.	Sep.
Index of consumption expenditure level (two-or-more-person households)	-0.3	2.3	n.a.	-3.0	0.9	-0.2	n.a.
Sales at department stores	-0.9	1.0	n.a.	-2.9	-0.1	p 1.6	n.a.
Sales at supermarkets	0.5	-1.6	n.a.	-3.5	0.5	p 1.1	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 349>	< 316>	< 285>	< 327>	< 325>	< 284>	< 245>
Sales of household electrical appliances (real, "Current Survey of Commerce")	0.9	-5.8	n.a.	-4.2	6.1	p -5.3	n.a.
Outlays for travel	0.4	3.2	n.a.	-2.3	-3.2	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	< 86>	< 88>	<n.a.>	< 84>	< 87>	< 89>	<n.a.>
Machinery orders ⁴ (Private sector, exc. volatile orders)	0.9	-4.1	n.a.	5.6	4.6	n.a.	n.a.
Manufacturing	0.1	-5.8	n.a.	-2.9	12.0	n.a.	n.a.
Nonmanufacturing ⁴ (exc. volatile orders)	0.5	0.0	n.a.	2.6	-2.1	n.a.	n.a.
Construction starts (private, nondwelling use)	1.9	0.3	n.a.	-9.1	-3.5	15.3	n.a.
Mining & manufacturing	24.9	-20.4	n.a.	4.1	-12.5	17.6	n.a.
Nonmanufacturing ⁵	-3.1	4.7	n.a.	-9.3	-1.0	11.7	n.a.
Value of public works contracted	3.5	9.2	n.a.	-2.4	3.8	-1.5	n.a.
Real exports	-0.1	4.1	n.a.	-0.8	-3.0	-0.6	n.a.
Real imports	-0.4	3.3	n.a.	-2.9	2.4	-3.9	n.a.
Industrial production	1.3	-2.0	n.a.	0.4	-1.0	p -1.3	n.a.
Shipments	0.8	-0.2	n.a.	-0.9	-3.1	p 0.4	n.a.
Inventories	5.9	0.0	n.a.	-1.2	2.9	p -1.6	n.a.
Inventory ratio <s.a., CY 2005 = 100>	< 115.3>	< 123.6>	<n.a.>	< 123.6>	< 128.2>	<p 124.5>	<n.a.>
Real GDP	1.3	0.2	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	-0.1	-0.1	n.a.	0.3	-0.6	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2011/Q4	2012/Q1	Q2	2012/May	Jun.	Jul.	Aug.
Ratio of job offers to applicants <s.a., times>	< 0.69>	< 0.75>	< 0.81>	< 0.81>	< 0.82>	< 0.83>	< 0.83>
Unemployment rate <s.a., %>	< 4.5>	< 4.6>	< 4.4>	< 4.4>	< 4.3>	< 4.3>	< 4.2>
Overtime working hours ⁶	2.0	1.8	4.0	5.6	1.2	-0.8	p -0.9
Number of employees	0.1	-0.5	-0.3	-0.7	0.1	0.6	0.8
Number of regular employees ⁶	0.6	0.6	0.9	0.9	0.9	0.6	p 0.7
Nominal wages per person ⁶	-0.1	0.0	-0.5	-1.1	-0.4	-1.6	p 0.2
Domestic corporate goods price index <q/q % chg., 3-month rate of change> ⁷	1.1 <-0.9>	0.3 < 0.2>	-0.9 <-0.1>	-0.7 < 0.1>	-1.4 <-1.1>	-2.2 <-1.9>	p -1.8 <p -1.2>
Consumer price index ⁸	-0.2	0.1	0.0	-0.1	-0.2	-0.3	-0.3
Corporate services price index ⁹	-0.3	-0.6	0.1	0.2	-0.1	0.0	p -0.2
Money stock (M2) <average outstanding, y/y % chg.>	3.0	3.0	2.3	2.2	2.2	2.2	p 2.4
Number of corporate bankruptcies <cases per month>	<1,034>	<1,061>	<1,042>	<1,148>	<975>	<1,026>	<967>

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

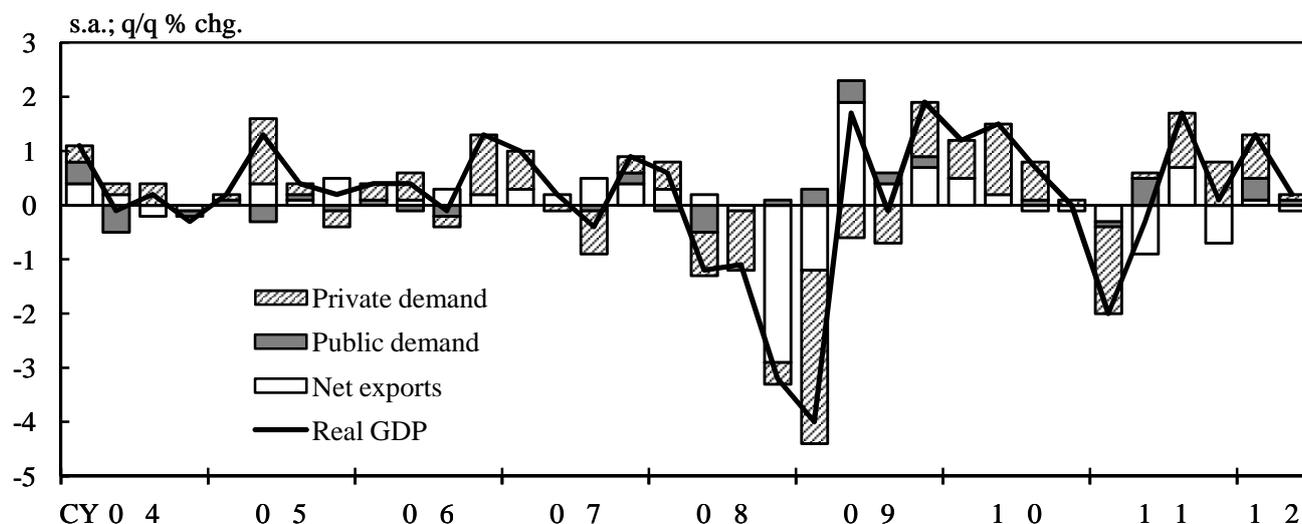
All figures in Chart 2 except figures in angle brackets are year-on-year changes. For details on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes of respective charts.

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. Data for establishments with at least five regular employees.
7. Adjusted to exclude a hike in electric power charges during the summer season.
8. All items, less fresh food.
9. 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



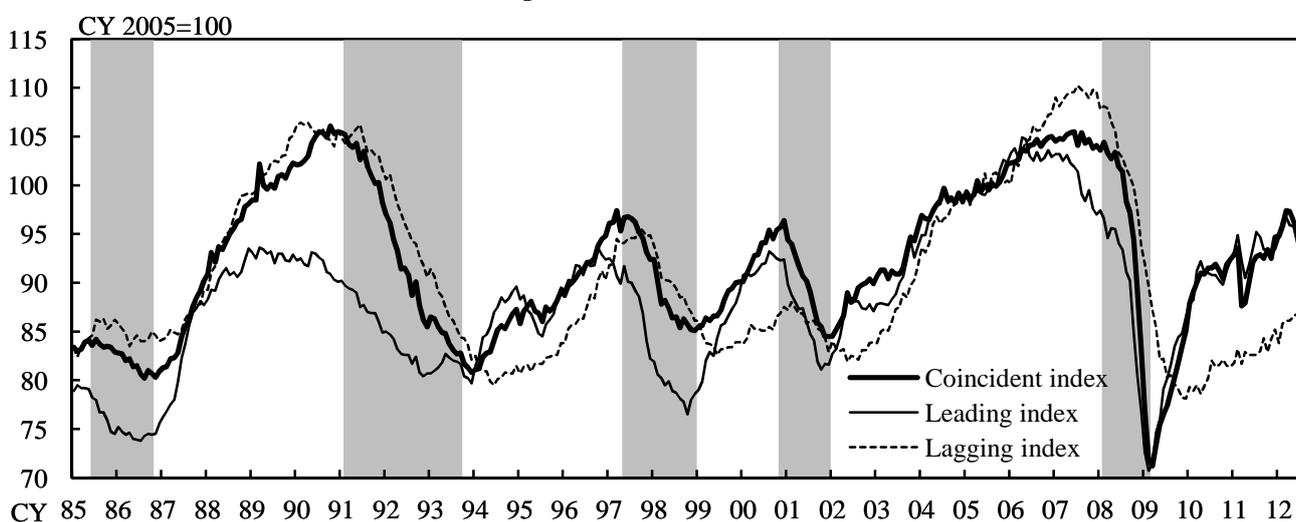
(2) Components

s.a.; q/q % chg.

	2011			2012	
	Q2	Q3	Q4	Q1	Q2
Real GDP	-0.3	1.7	0.1	1.3	0.2
[Annual rate]	[-1.3]	[6.9]	[0.3]	[5.3]	[0.7]
Domestic demand	0.6	1.0	0.8	1.2	0.2
Private demand	0.1	1.0	0.8	0.8	0.1
Private consumption	0.3	0.7	0.4	0.7	0.1
Non-Resi. investment	-0.1	0.0	0.7	-0.2	0.2
Residential investment	-0.1	0.1	0.0	-0.0	0.0
Private inventory	0.0	0.2	-0.4	0.3	-0.2
Public demand	0.5	0.0	0.0	0.4	0.1
Public investment	0.3	-0.1	-0.0	0.2	0.1
Net exports of goods and services	-0.9	0.7	-0.7	0.1	-0.1
Exports	-0.9	1.2	-0.6	0.5	0.2
Imports	-0.0	-0.5	-0.1	-0.4	-0.3
Nominal GDP	-1.3	1.6	-0.3	1.3	-0.3

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

(3) Indexes of Business Conditions (Composite Indexes)

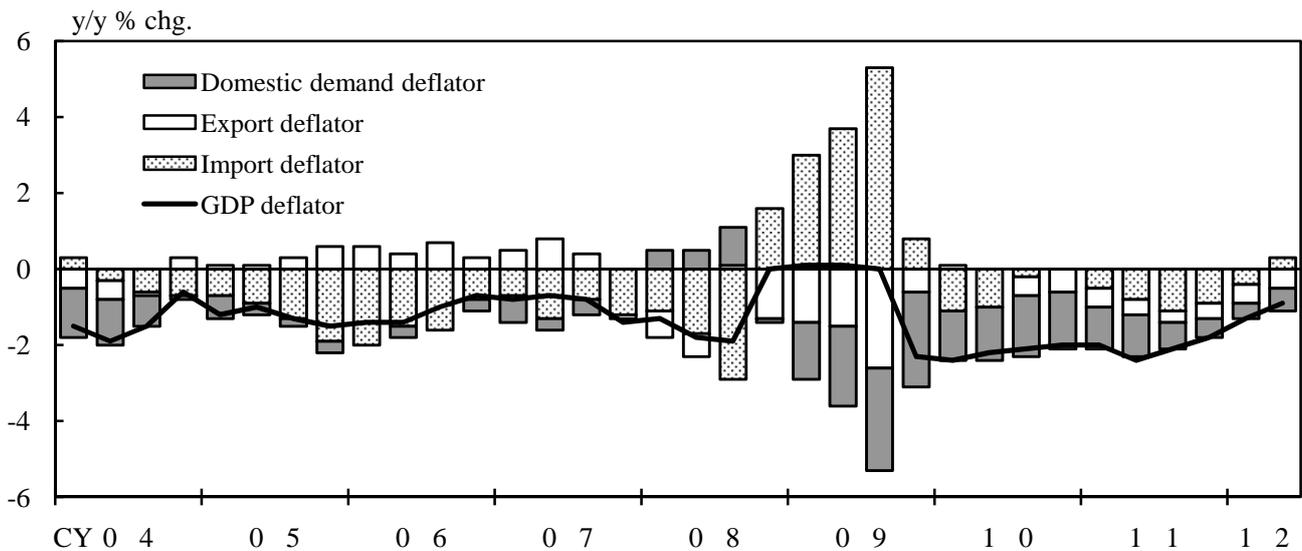


Note: Shaded areas indicate recession periods.

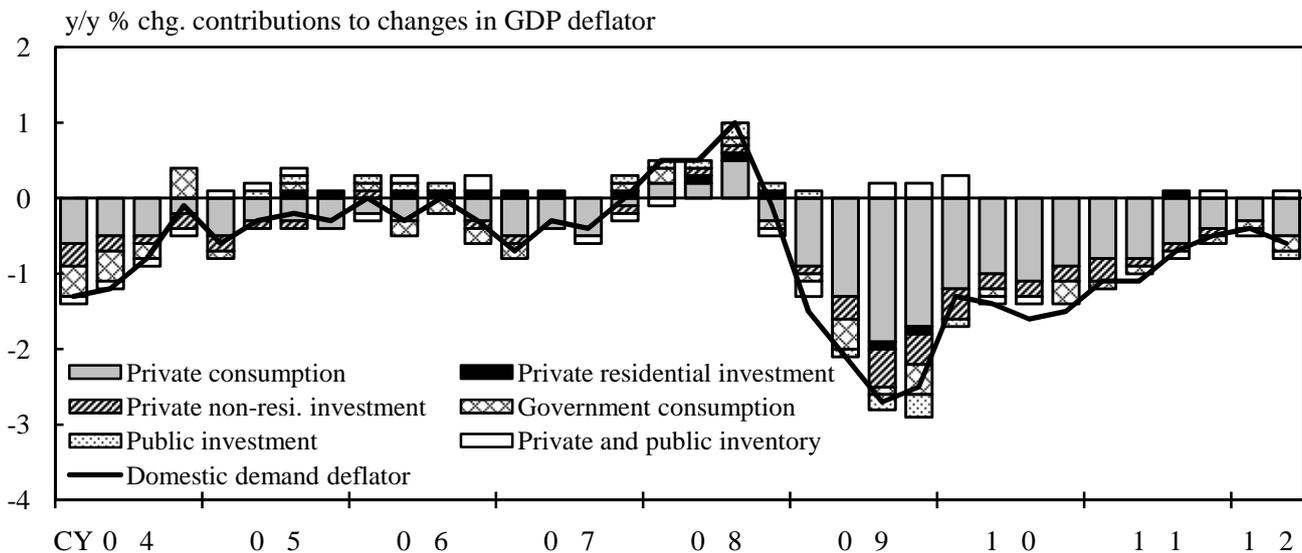
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

GDP Deflator and Income Formation

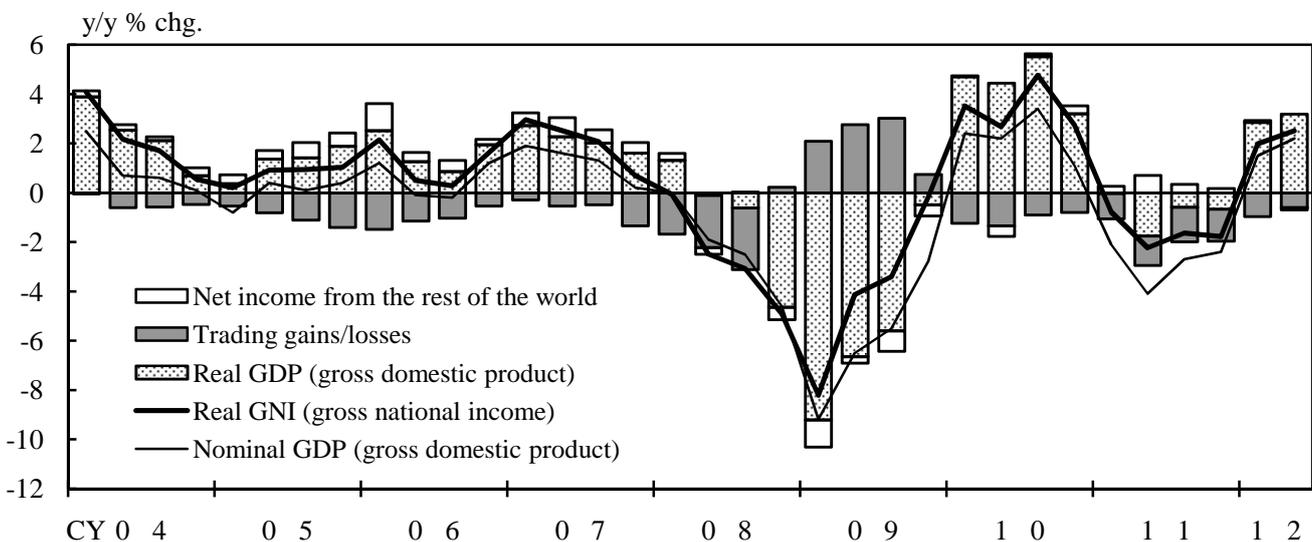
(1) GDP Deflator



(2) Domestic Demand Deflator



(3) Aggregate Income Formation



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

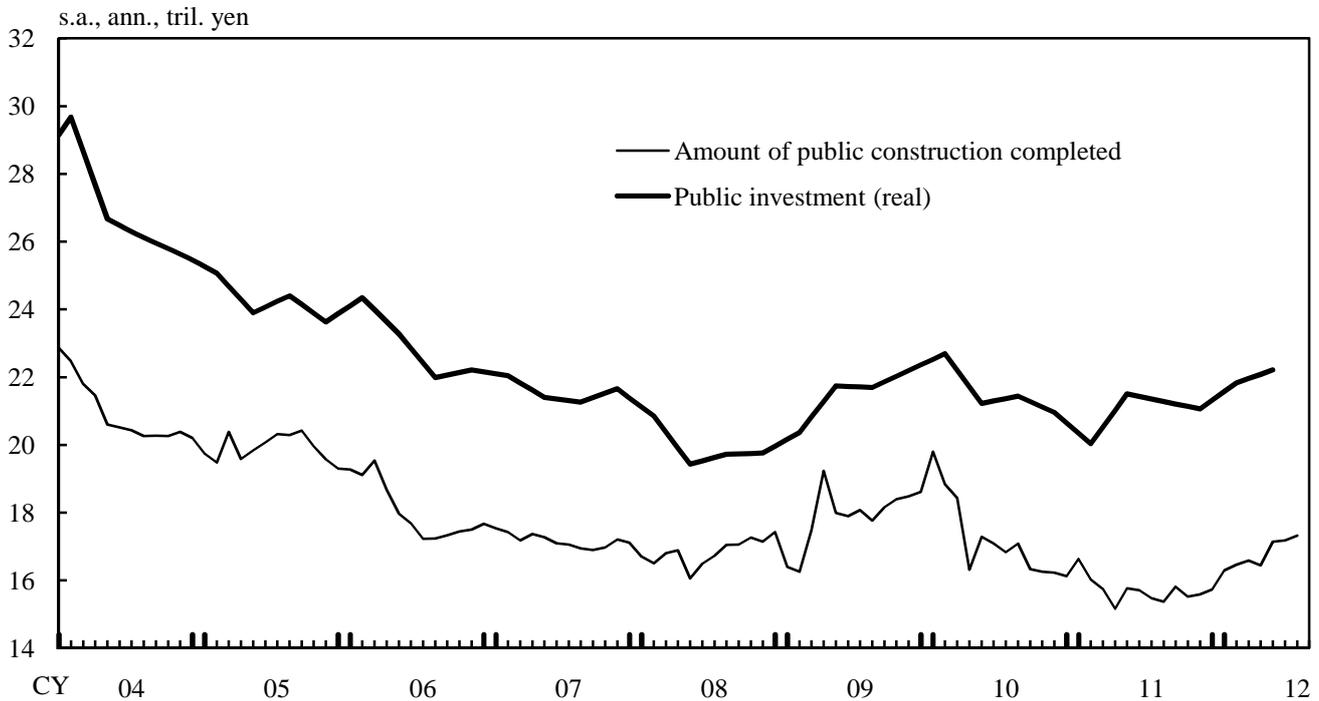
2. Real GNI = real GDP + trading gains/losses + net income from the rest of the world

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

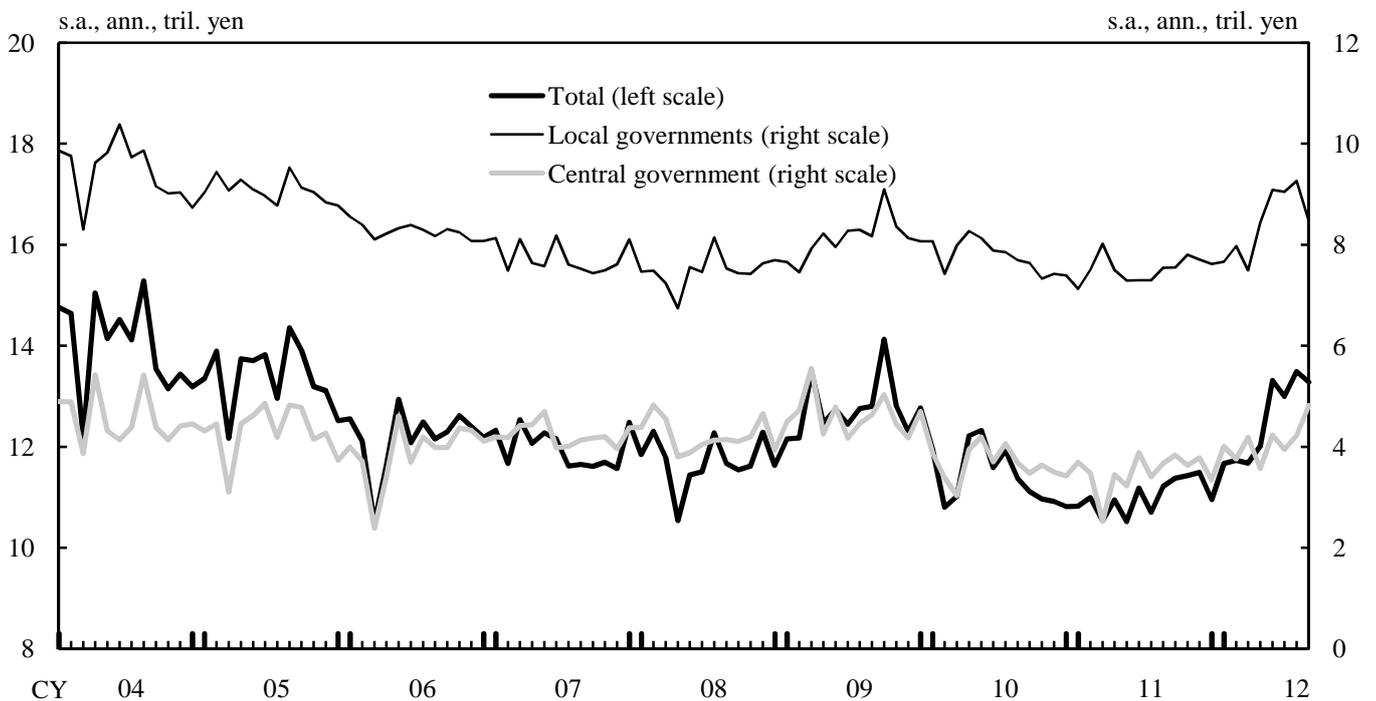
Source: Cabinet Office, "National Accounts."

Public Investment

(1) Amount of Public Construction Completed and Public Investment



(2) Value of Public Works Contracted



Notes: 1. Quarterly figures of public investment are plotted at the middle month of each quarter.

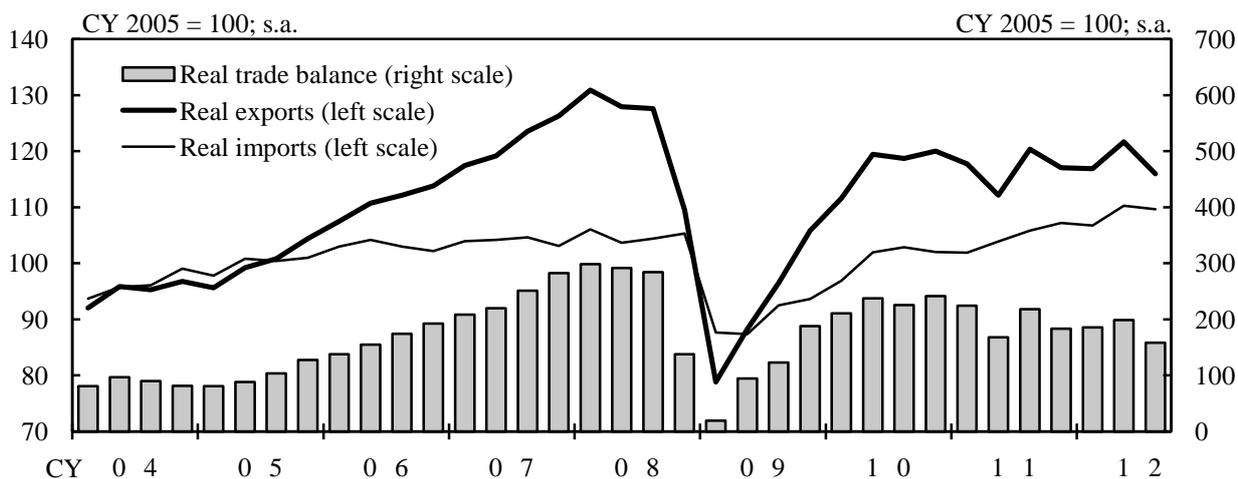
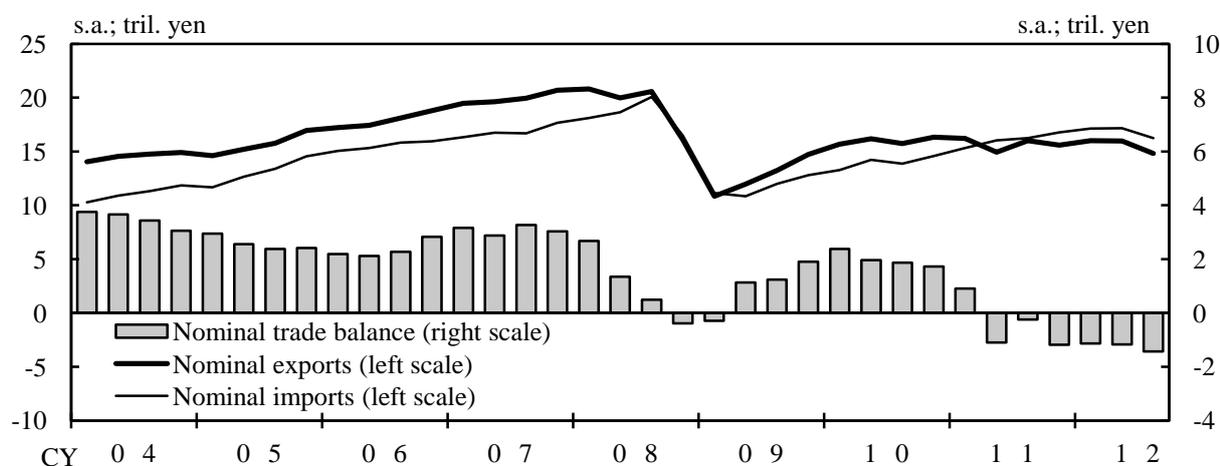
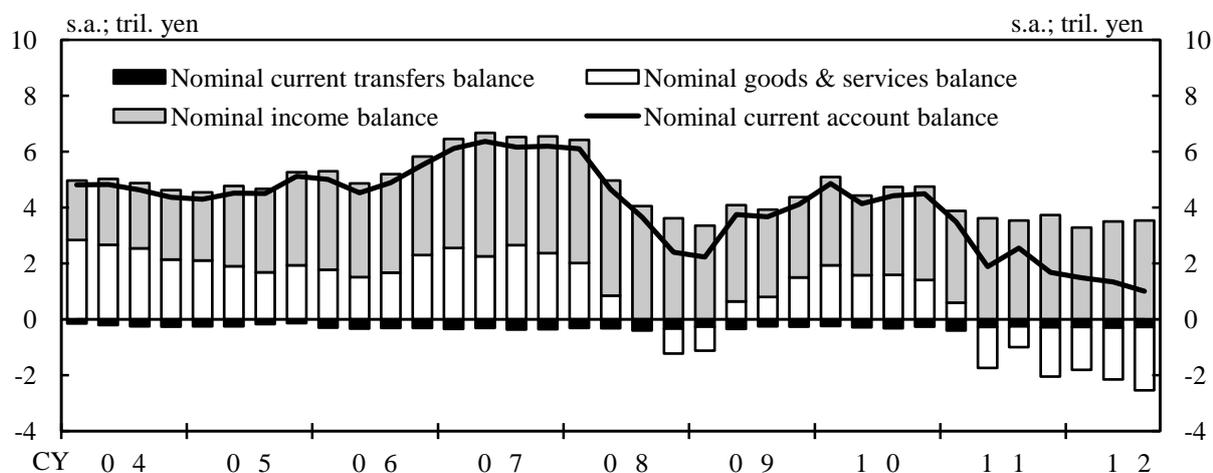
2. The amount of public construction completed is based on the general tables in the "Integrated Statistics on Construction Works."

3. Figures of the value of public works contracted and the amount of public construction completed are seasonally adjusted by X-12-ARIMA. As figures of the amount of public construction completed are seasonally adjusted on a monthly basis, the data are retroactively revised every month.

Sources: Cabinet Office, "National Accounts";

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

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

External Balance¹(1) Real Exports, Real Imports, and Real Trade Balance²(2) Nominal Exports, Nominal Imports, and Nominal Trade Balance³(3) Nominal Current Account Balance and Nominal Goods & Services Balance³

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

2. Real exports/imports are the value of exports and imports in the "Trade Statistics" deflated by the "Export and Import Price Index." From May 2012 and onward, deflators are calculated by extending the 2005 base deflators using monthly changes of the 2010 base price indices. All the deflators regarding real exports/imports are similarly calculated in the following charts. "Real trade balance" is defined as real exports minus real imports. 2012/Q3 figures are July-August averages converted into quarterly amount.

3. Figures are based on the "Balance of Payments." 2012/Q3 figures are July figures converted into quarterly amount.

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

Real Exports ¹

(1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2010	2011	2011 Q3	2012 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Jun.	2012 Jul.	2012 Aug.
United States	<15.3>	24.7	-0.3	19.8	4.9	2.5	4.8	-2.9	-2.6	-2.2	3.7
EU	<11.6>	17.4	2.9	9.8	-8.3	-4.0	-2.3	-6.7	-10.9	4.6	-5.5
East Asia	<52.8>	31.8	-1.2	4.8	-4.5	0.9	2.5	-2.9	2.9	-3.4	-1.9
China	<19.7>	31.3	1.9	7.5	-4.8	-1.9	1.8	-1.9	4.0	-3.7	-1.1
NIEs	<22.8>	28.0	-4.6	0.7	-4.1	-1.5	2.2	-2.7	3.4	-3.1	-2.2
Korea	<8.0>	23.6	-3.0	-4.1	-0.8	0.3	-2.3	-0.6	-3.1	5.6	-6.3
Taiwan	<6.2>	36.8	-9.3	-3.4	-3.6	-4.9	5.9	0.8	4.9	-3.8	1.3
Hong Kong	<5.2>	29.2	-4.0	7.7	-4.3	2.0	-1.3	-0.9	6.7	-6.0	6.1
Singapore	<3.3>	20.2	0.3	10.0	-13.2	-3.1	10.7	-12.3	8.3	-13.2	-10.7
ASEAN4 ³	<10.4>	42.7	0.8	9.4	-4.9	11.4	4.3	-5.0	0.3	-3.6	-2.8
Thailand	<4.6>	46.1	1.3	8.9	-20.8	27.1	10.3	-4.4	0.4	-2.1	-4.8
Others	<20.3>	29.2	1.6	13.7	-0.5	3.2	0.3	-7.1	-0.5	-7.7	2.2
Real exports		27.5	-0.5	7.3	-2.8	-0.1	4.1	-4.7	-0.8	-3.0	-0.6

(2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2010	2011	2011 Q3	2012 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Jun.	2012 Jul.	2012 Aug.
Intermediate goods	<20.9>	18.3	-4.6	-2.1	-1.4	-2.9	6.5	-0.2	-1.0	0.1	-1.5
Motor vehicles and their related goods	<20.6>	41.8	-3.8	44.5	4.1	0.3	-0.7	-6.6	-10.5	1.9	-3.1
Consumer goods ⁴	<3.2>	13.7	-2.9	23.7	-20.2	28.6	-0.7	7.5	18.3	-2.0	1.0
IT-related goods ⁵	<10.0>	27.6	0.9	4.9	-3.5	1.6	-0.2	-0.2	4.5	-0.8	-0.8
Capital goods and parts ⁶	<30.3>	36.3	5.0	-0.1	-2.6	1.0	2.9	-4.6	5.7	-7.1	2.5
Real exports		27.5	-0.5	7.3	-2.8	-0.1	4.1	-4.7	-0.8	-3.0	-0.6

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2012/Q3 figures are July-August averages 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.

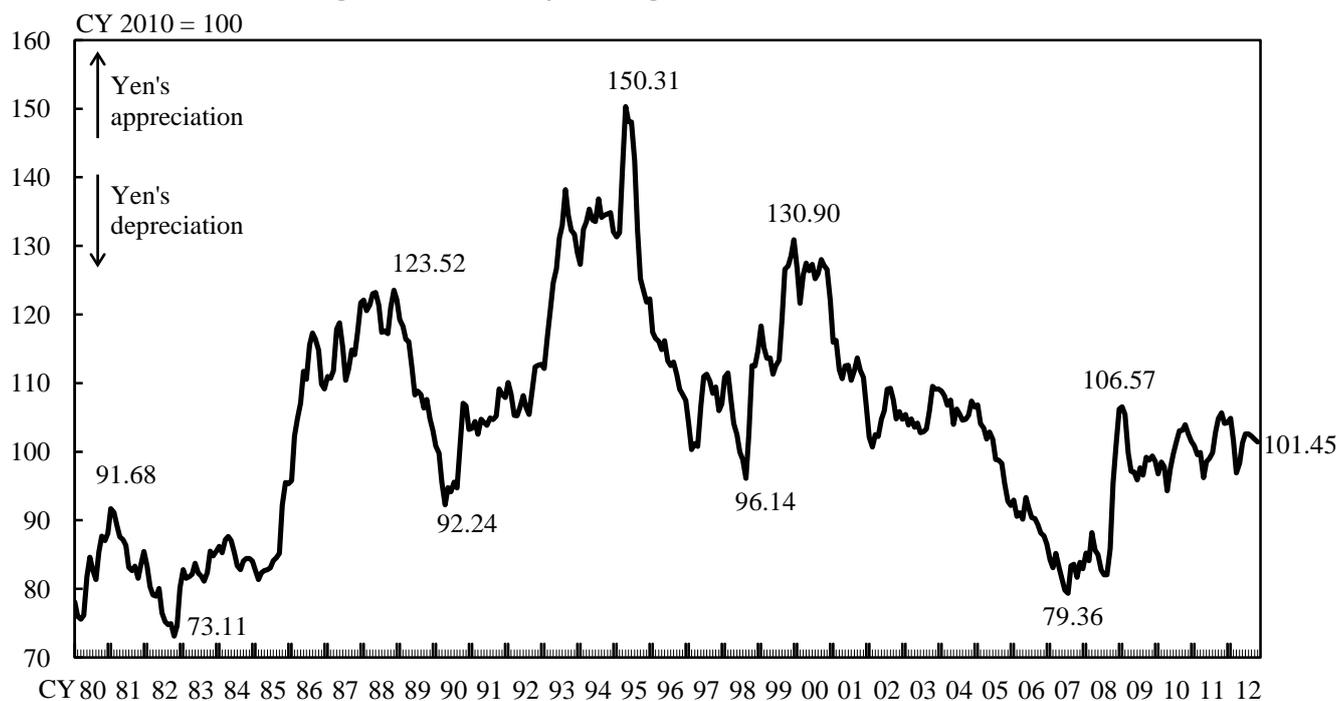
5. IT-related goods are composed of computers and units, telecommunication machinery, ICs, and medical and optical instruments.

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

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 (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 September and October (up to October 3) 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 Q3	Q4	2012 Q1	Q2
United States ¹	-3.1	2.4	1.8	1.3	4.1	2.0	1.3
European Union ²	-4.3	2.1	1.5	0.8	-1.3	-0.1	-0.6
Germany ¹	-5.1	4.2	3.0	1.5	-0.6	2.0	1.1
France ¹	-3.1	1.6	1.7	1.0	0.1	0.1	-0.1
United Kingdom ¹	-4.0	1.8	0.9	2.1	-1.4	-1.2	-1.5
East Asia ³	2.6	9.2	5.8	5.1	0.6	9.1	4.9
China ¹	9.2	10.4	9.3	9.5	7.8	6.6	7.4
NIEs ^{1,3}	-1.1	8.9	4.2	1.4	-0.3	3.5	1.2
ASEAN4 ^{1,3,4}	-0.3	7.3	3.0	5.3	-11.1	26.3	8.5
Main economies ³	0.1	6.7	4.4	3.8	1.0	6.4	3.4

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 ¹

(1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2010	2011	2011 Q3	2012 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Jun.	2012 Jul.	2012 Aug.
United States	<8.7>	8.2	-1.0	-1.0	2.9	1.6	0.3	1.8	-6.7	8.6	-1.3
EU	<9.4>	6.4	7.9	0.7	0.6	-1.3	0.4	6.3	-1.0	8.4	-4.2
East Asia	<41.5>	22.0	9.1	2.5	1.5	-1.8	2.4	-1.4	-1.1	0.4	-4.7
China	<21.5>	23.9	12.2	4.3	2.6	-3.5	3.2	-3.2	-2.7	0.7	-5.4
NIEs	<8.6>	21.6	5.9	-0.7	2.8	-0.3	0.9	3.3	4.4	2.6	-5.4
Korea	<4.7>	20.9	19.9	-2.5	3.8	1.6	-4.5	4.8	15.3	1.0	-9.3
Taiwan	<2.7>	21.2	-5.6	-0.1	4.1	-3.4	7.7	2.0	-3.4	1.8	-2.2
Hong Kong	<0.2>	32.8	-5.4	5.8	-0.1	23.3	-16.7	-6.0	-2.4	-7.2	9.8
Singapore	<1.0>	22.9	-2.8	-0.5	2.6	-2.1	4.6	-1.8	-8.1	11.1	-5.8
ASEAN4 ³	<11.5>	18.2	4.8	1.0	-2.3	1.1	1.6	-1.3	-1.7	-2.3	-2.2
Thailand	<2.9>	25.7	4.0	0.7	-14.9	4.7	10.1	-2.1	0.5	0.1	-10.0
Others	<40.4>	6.8	-0.3	1.8	1.2	0.8	5.3	-3.6	-2.7	-0.8	-2.1
Real imports		12.0	3.7	1.9	1.3	-0.4	3.3	-0.6	-2.9	2.4	-3.9

(2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2010	2011	2011 Q3	2012 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Jun.	2012 Jul.	2012 Aug.
Raw materials ⁴	<39.8>	5.5	-0.2	3.5	0.6	2.6	3.2	-4.3	-2.1	-2.9	-1.9
Intermediate goods	<15.0>	18.5	8.7	-2.1	0.7	-6.9	0.7	4.9	-1.1	7.4	-2.5
Foodstuffs	<8.6>	2.2	1.6	-2.0	0.6	0.8	-3.7	0.9	-3.5	4.1	-0.8
Consumer goods ⁵	<8.1>	22.7	6.1	1.8	-3.3	-0.1	2.5	-3.5	-2.1	-1.7	-5.6
IT-related goods ⁶	<9.8>	26.7	8.1	2.5	5.5	0.1	1.0	1.6	-3.1	8.8	-7.3
Capital goods and parts ⁷	<10.4>	19.0	9.5	4.6	2.5	1.5	4.5	-1.6	-8.2	6.0	-6.5
Excluding aircraft	<10.0>	21.8	10.6	4.5	1.0	-1.1	4.6	-0.1	-4.5	5.1	-6.2
Real imports		12.0	3.7	1.9	1.3	-0.4	3.3	-0.6	-2.9	2.4	-3.9

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2012/Q3 figures are July-August averages 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.

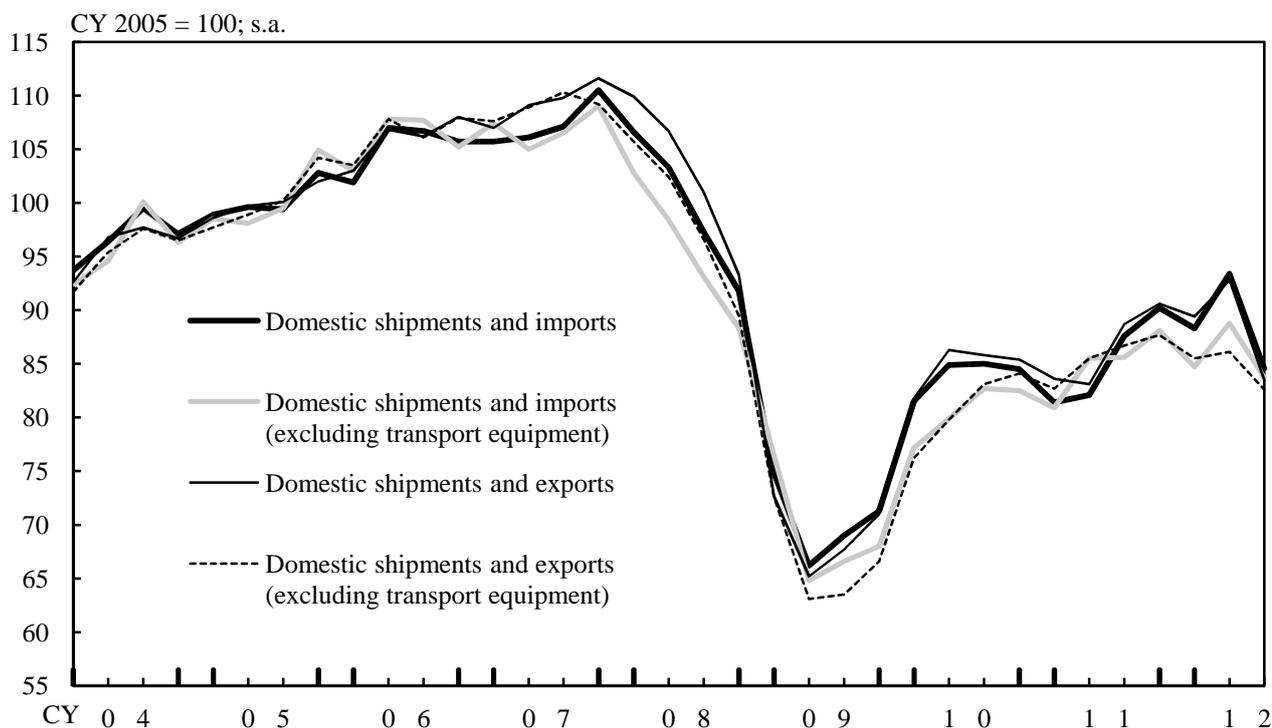
5. Excludes foodstuffs.

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.

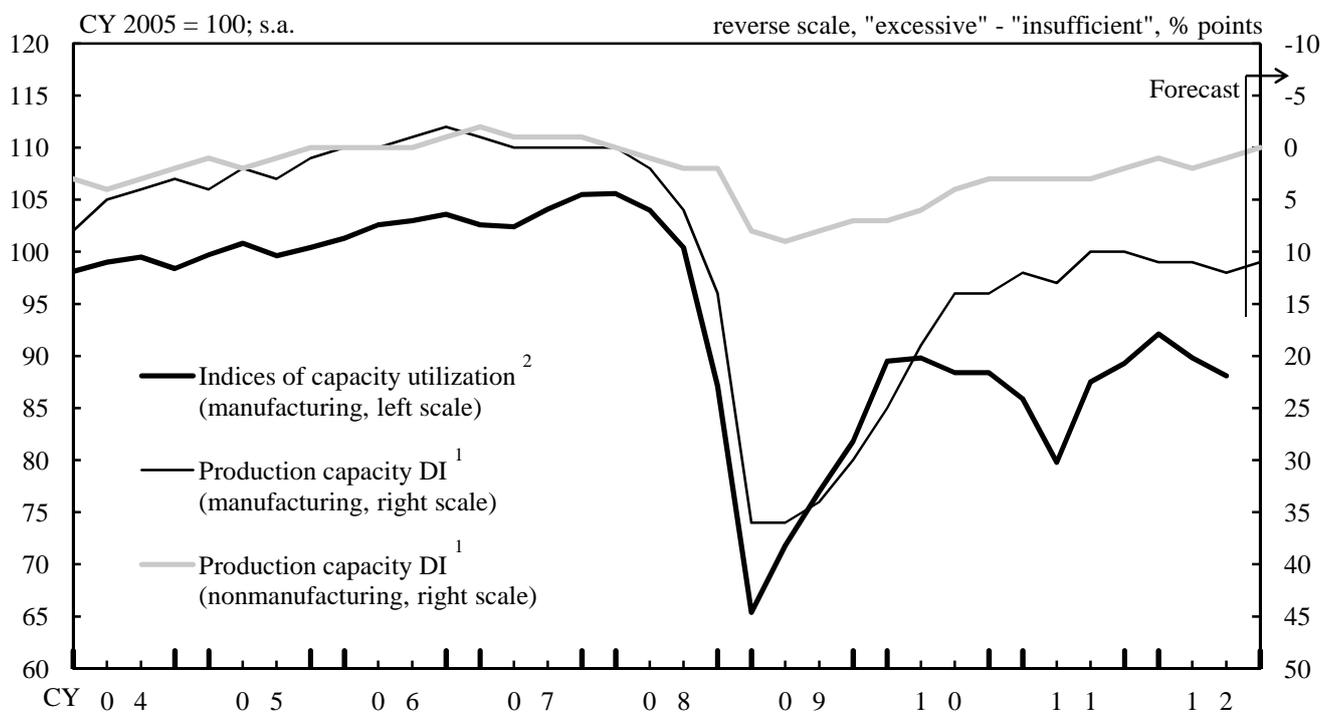
Coincident Indicators of Business Fixed Investment

(1) Aggregate Supply and Shipments of Capital Goods



Note: Figures for 2012/Q3 are July-August averages.

(2) Indices of Capacity Utilization and Production Capacity DI



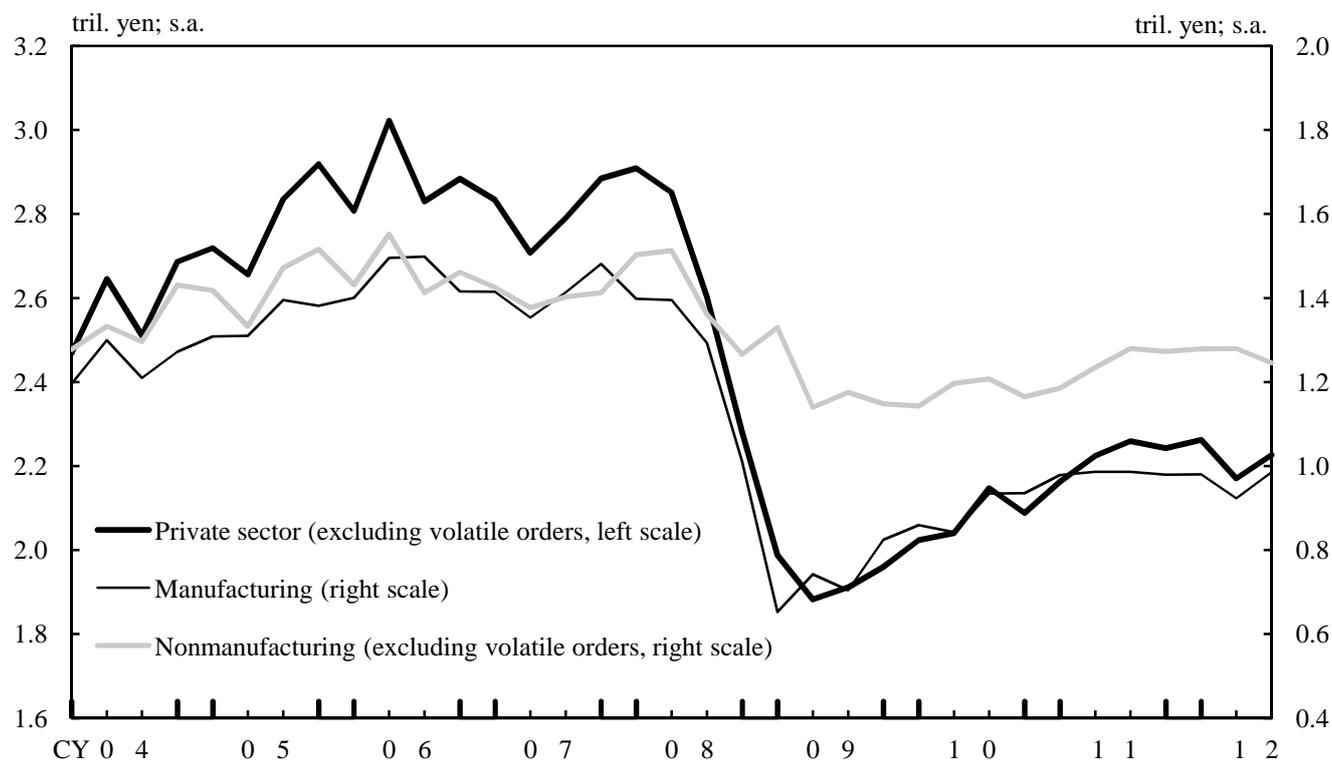
Notes: 1. Production capacity DIs are those of all enterprises.

2. The figure for 2012/Q3 is that of July.

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."

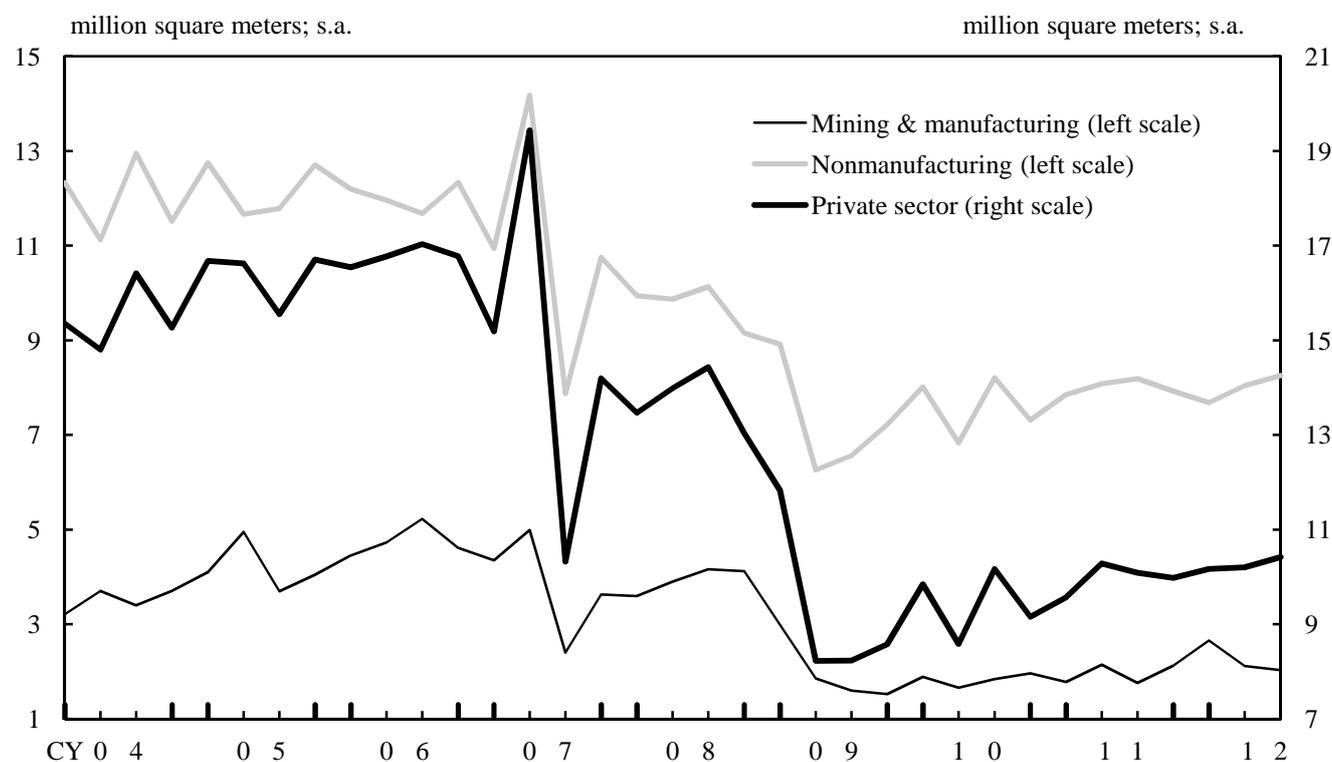
Leading Indicators of Business Fixed Investment

(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/Q3 are those of July in quarterly amount.

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

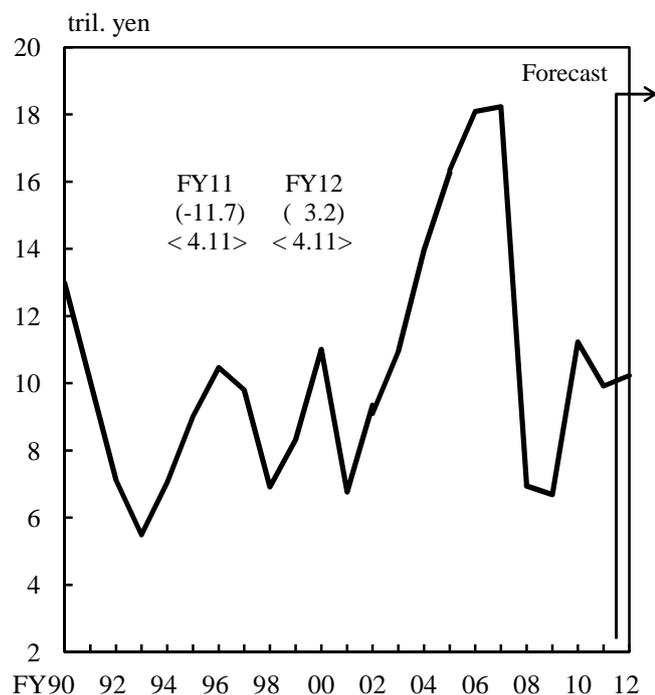


- Notes: 1. Seasonally adjusted by X-12-ARIMA.
 2. Figures for 2012/Q3 are July-August averages in quarterly amount.

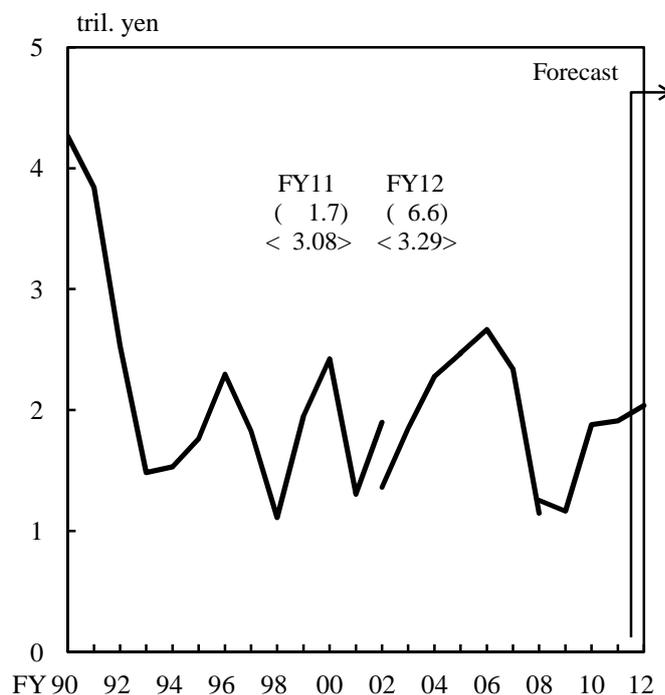
Sources: Cabinet Office, "Orders Received for Machinery";
 Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts."

Current Profits

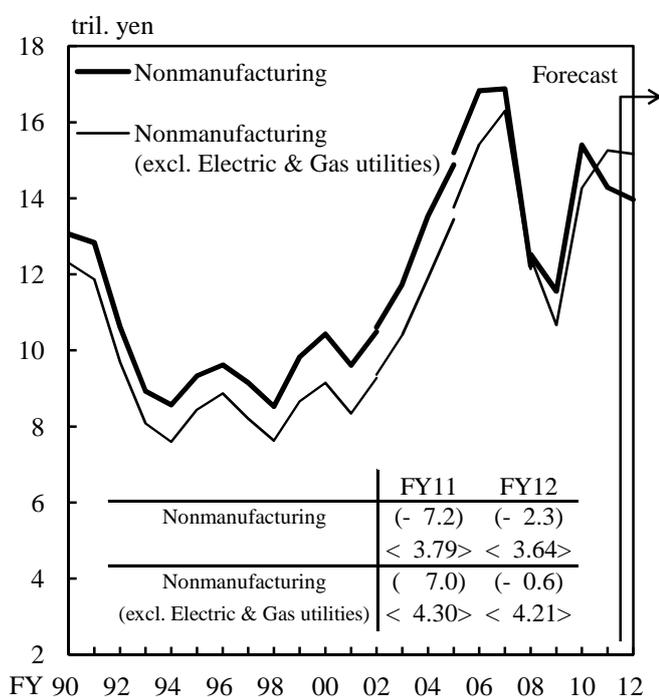
(1) Large Manufacturing Enterprises



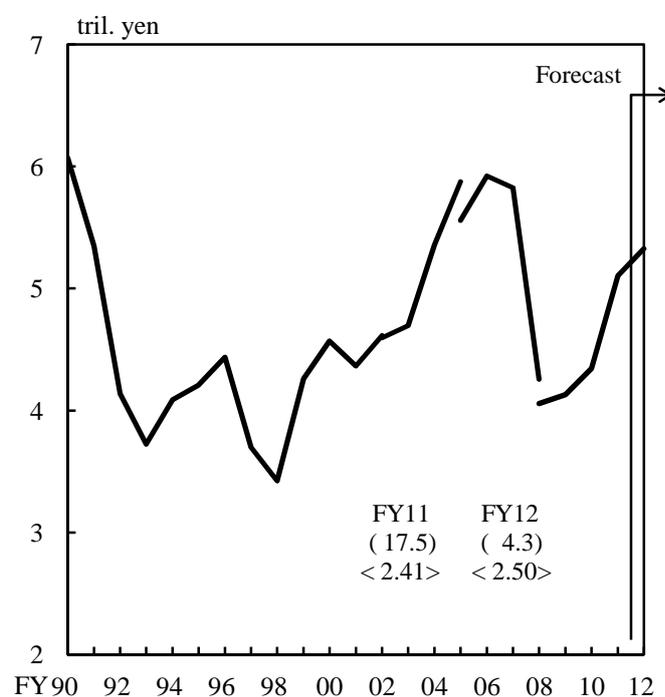
(2) Small Manufacturing Enterprises



(3) Large Nonmanufacturing Enterprises



(4) Small Nonmanufacturing Enterprises



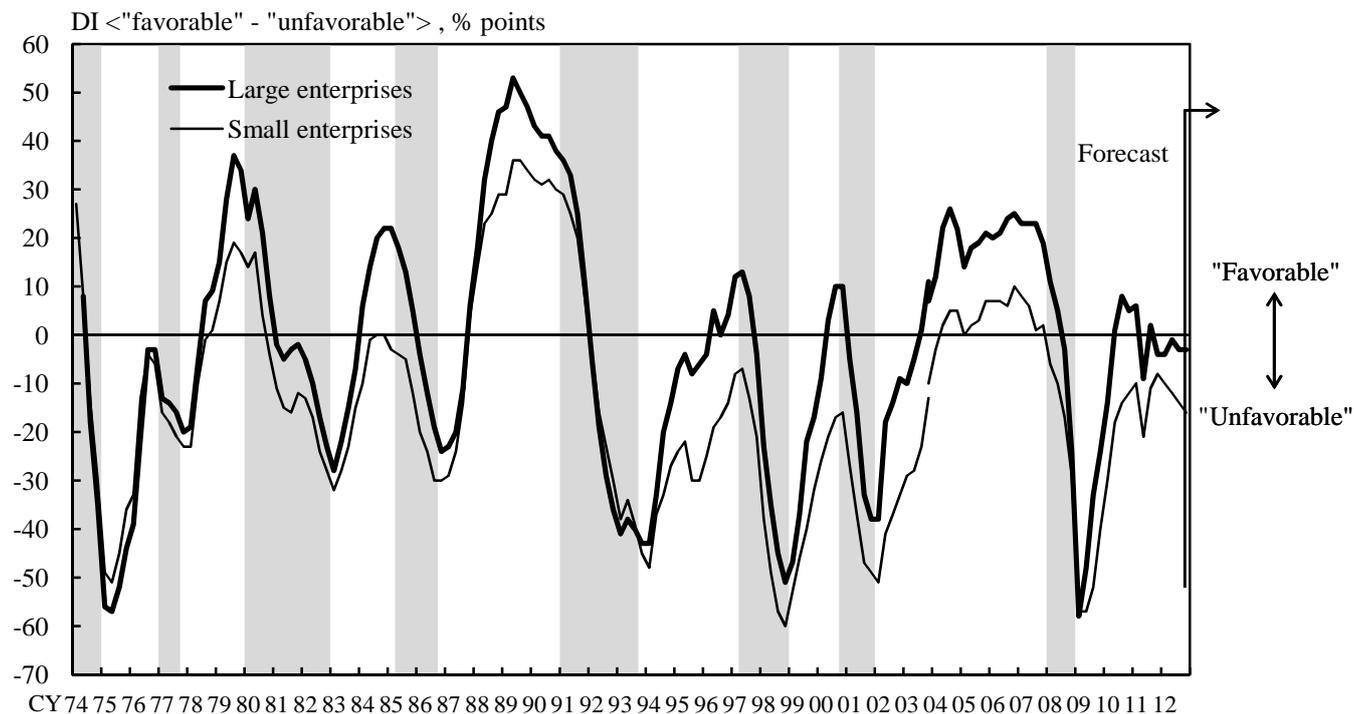
Notes: 1. (): Current profits (y/y % chg.); < >: Ratio of current profit to sales (%).

2. In the March 2004 survey, the "Tankan" underwent major revisions, including the addition of new sample enterprises to the survey. In the March 2007 and March 2010 surveys, regular revisions were made to the sample enterprises. The data show some discontinuities coincided with these timings.

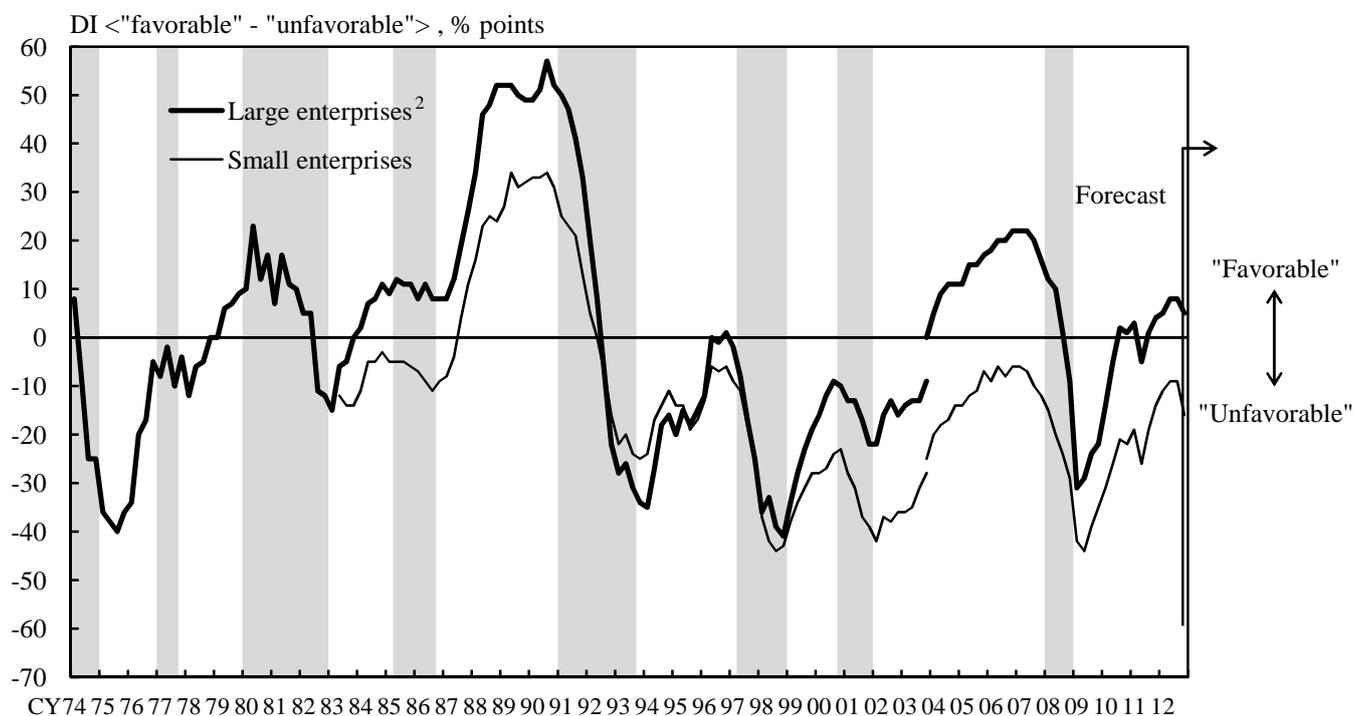
Source: Bank of Japan, "Tankan", Short-term Economic Survey of Enterprises in Japan."

Business Conditions

(1) Manufacturing



(2) Nonmanufacturing



Notes: 1. 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.

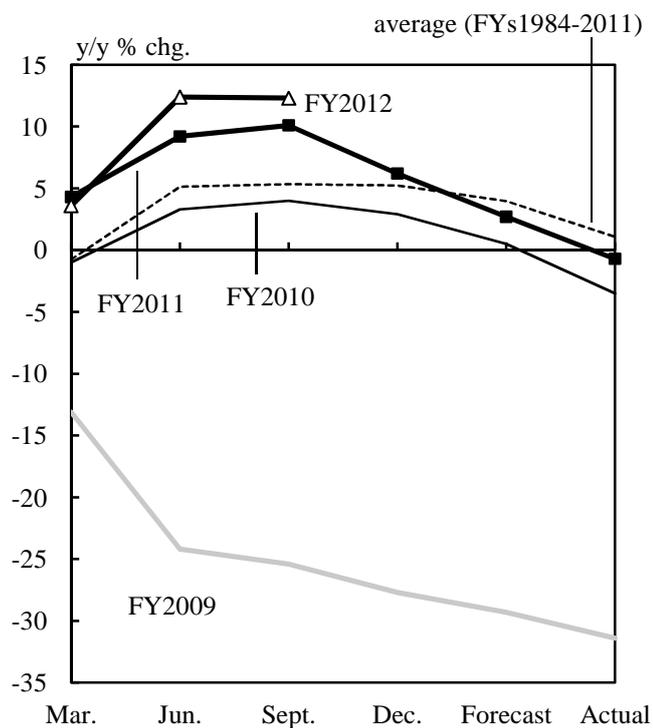
2. Data prior to February 1983 are those of principal enterprises.

3. Shaded areas indicate recession periods.

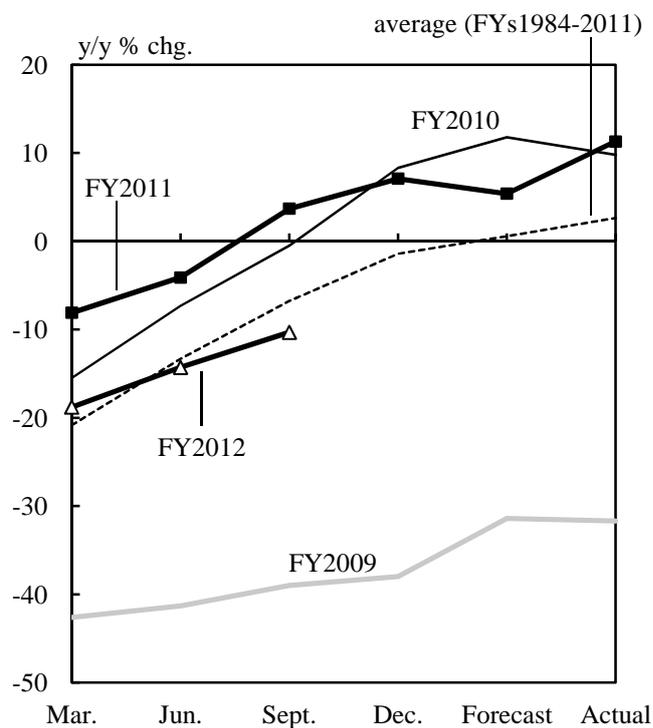
Source: Bank of Japan, "Tankan", Short-term Economic Survey of Enterprises in Japan."

Business Fixed Investment Plans as Surveyed

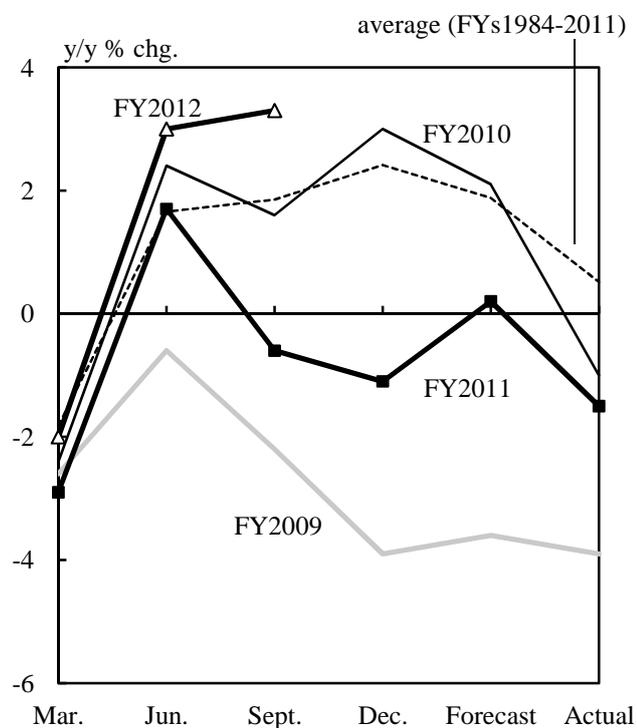
(1) Large Manufacturing Enterprises



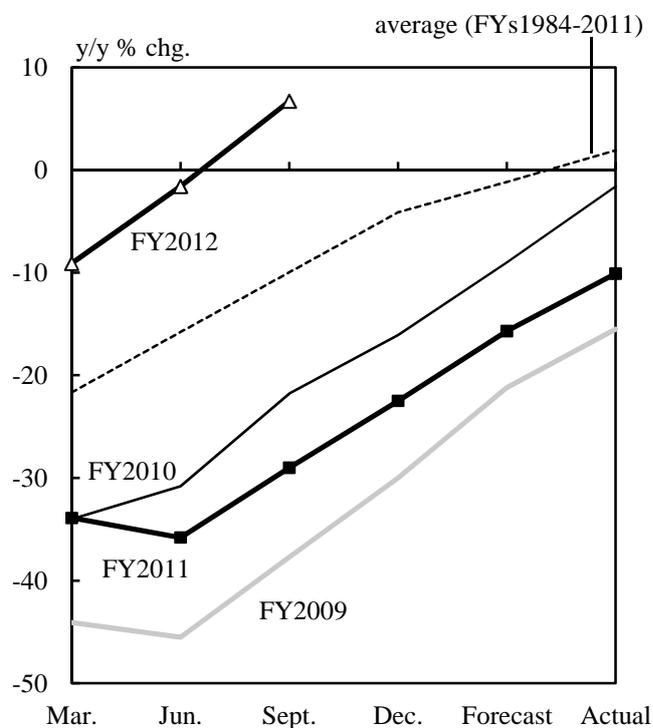
(2) Small Manufacturing Enterprises



(3) Large Nonmanufacturing Enterprises



(4) Small Nonmanufacturing Enterprises



Notes: 1. Includes land purchasing expenses and excludes software investment.

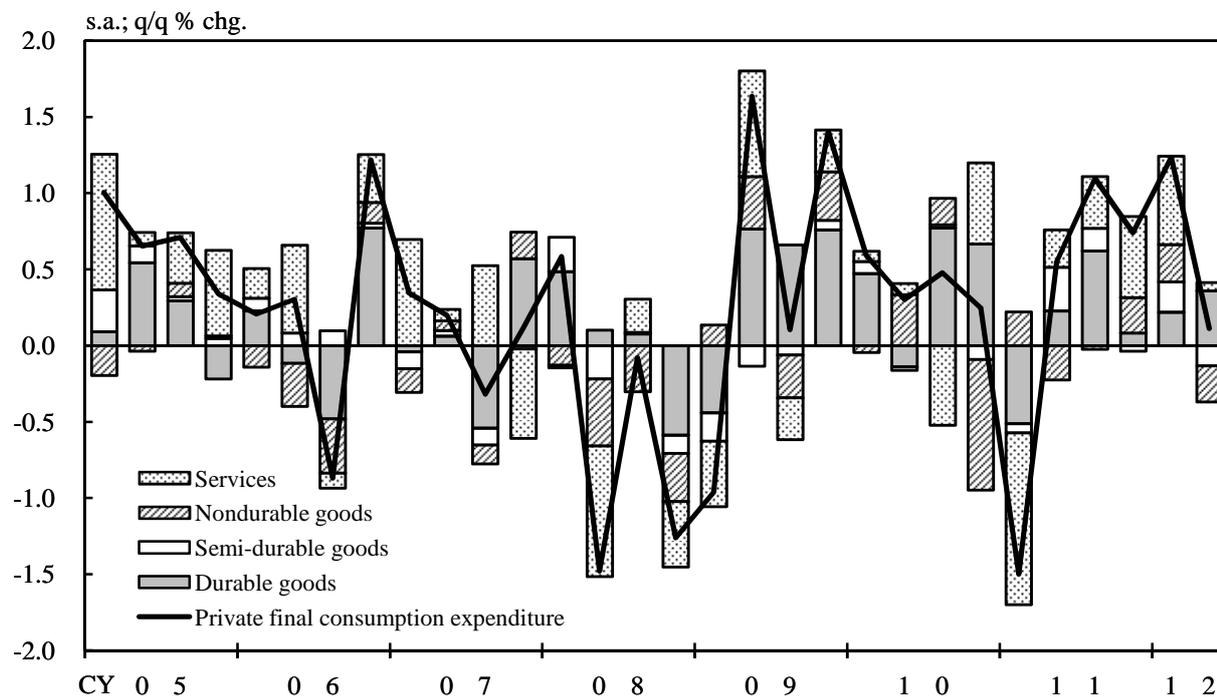
2. Sample enterprises were revised in the March 2010 survey. Therefore, as for FY 2009, figures up to the December survey are based on the previous data sets, and the figures of "forecast" and "actual result" are based on the new basis.

3. Since the introduction of the new accounting standard for lease transactions beginning April 1, 2008, figures up to FY2008 are based on the previous standard and figures from FY2009 onward are based on the new standard. Past averages (FYs 1984-2011) are calculated using these figures.

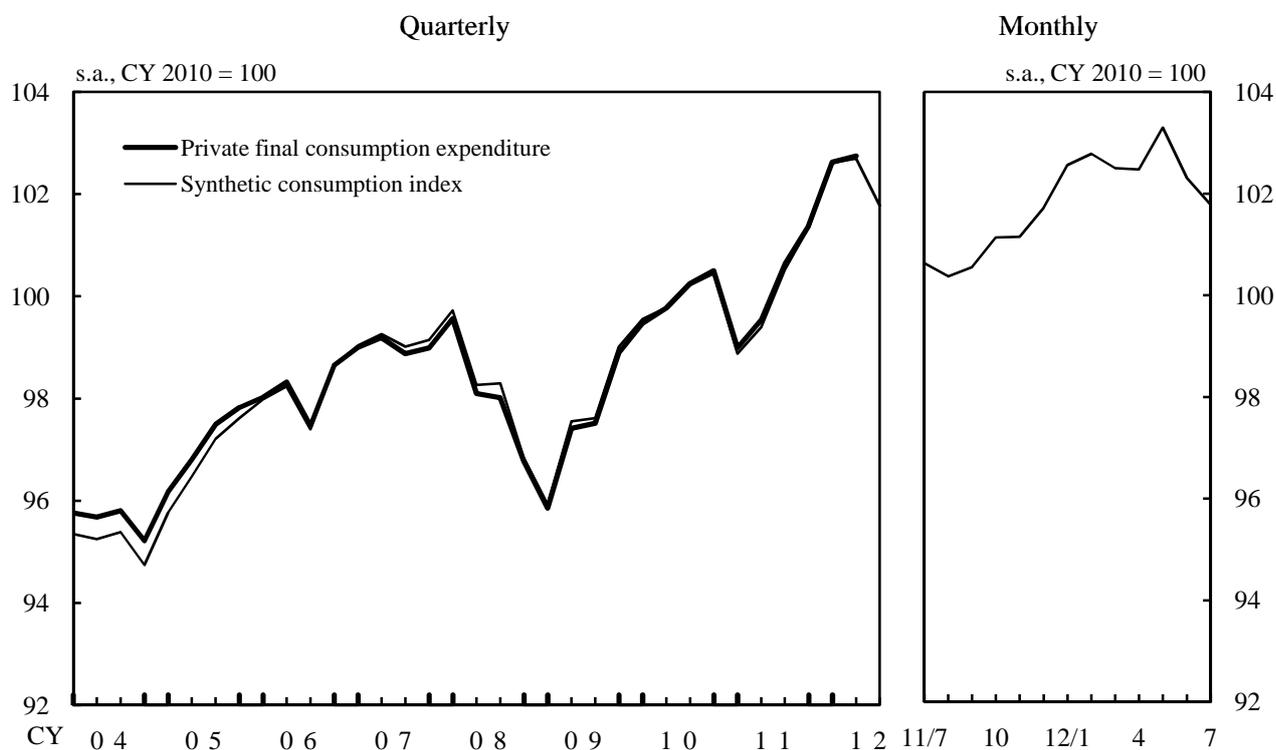
Source: Bank of Japan, "Tankan", Short-term Economic Survey of Enterprises in Japan."

Indicators of Private Consumption (1)

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



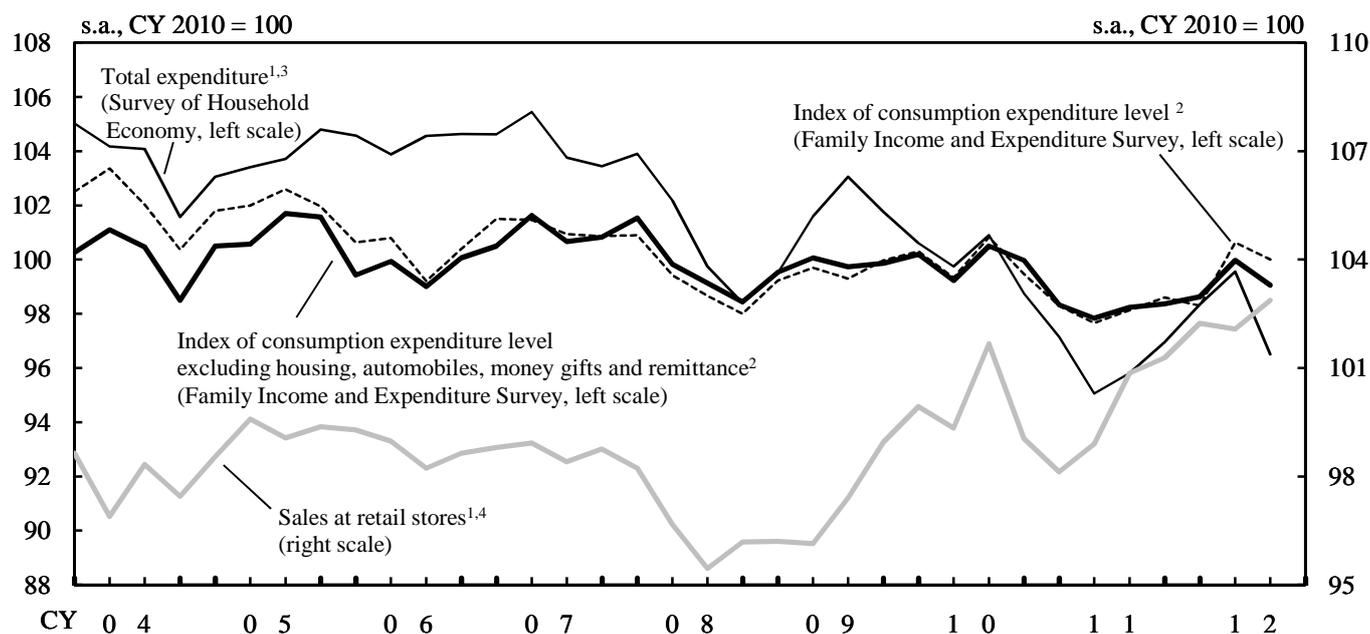
(2) Private Final Consumption Expenditure and Synthetic Consumption Index (Real)



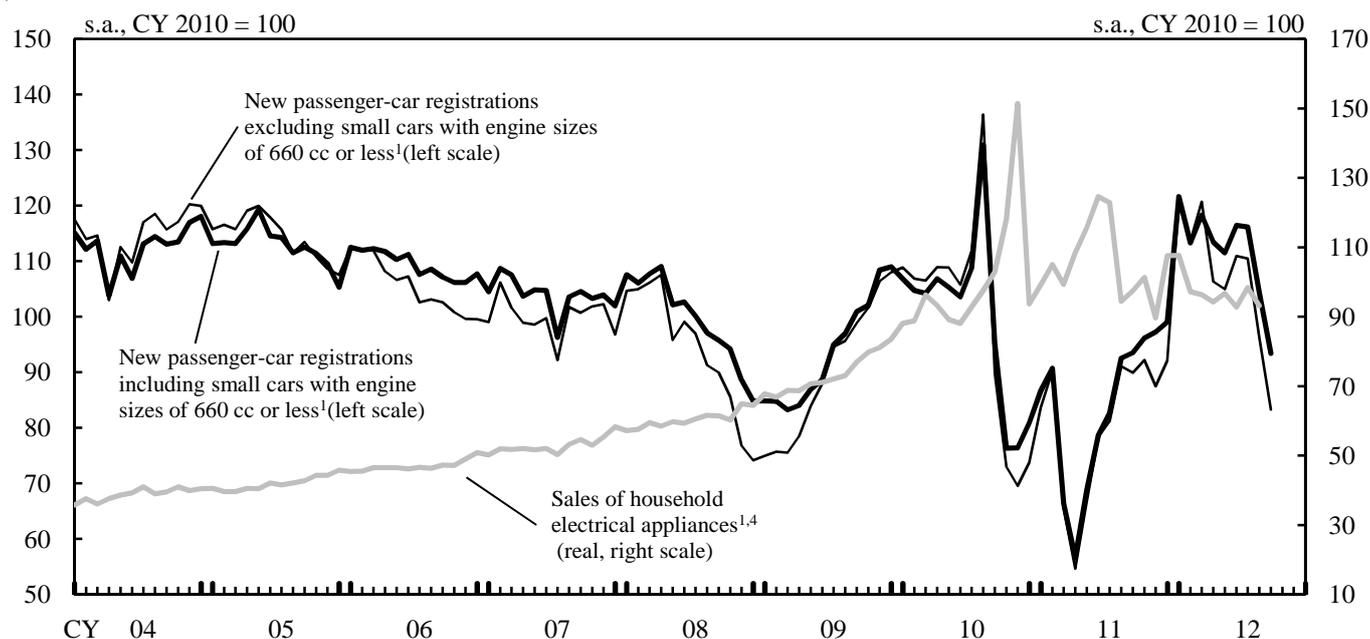
Note: The figure of the synthetic consumption index for 2012/Q3 is that of July in quarterly amount.

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

Indicators of Private Consumption (2)

(1) Household Spending (Real)⁵

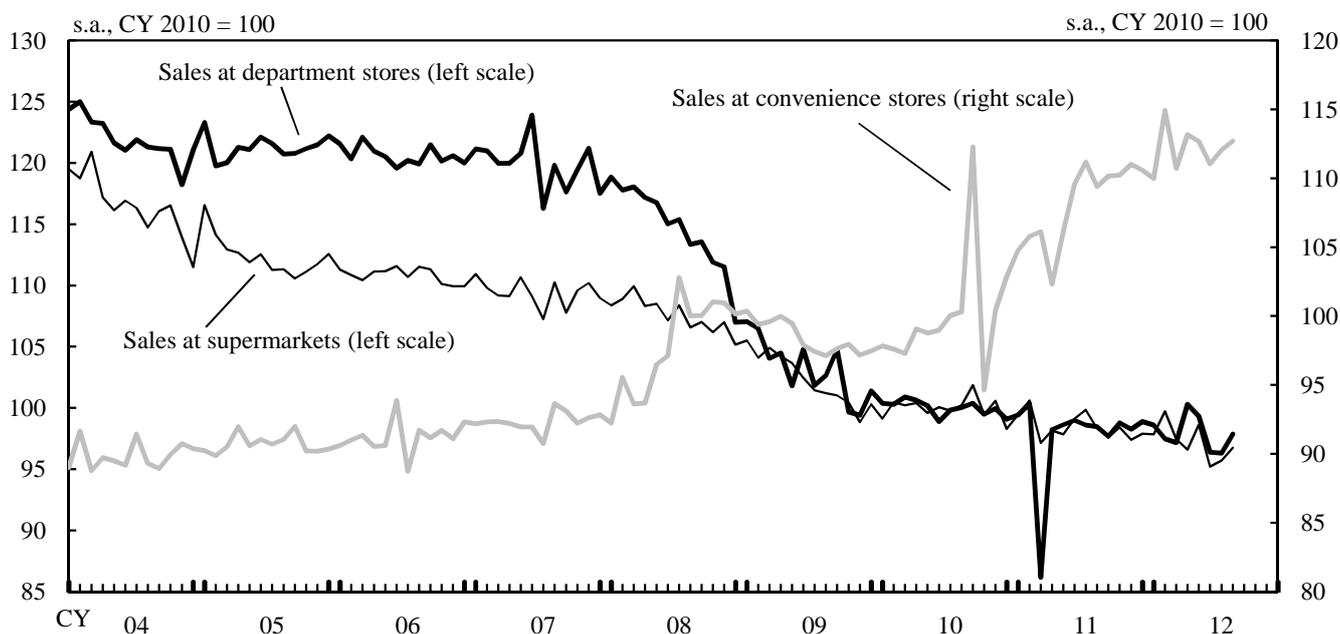
(2) Sales of Durable Goods



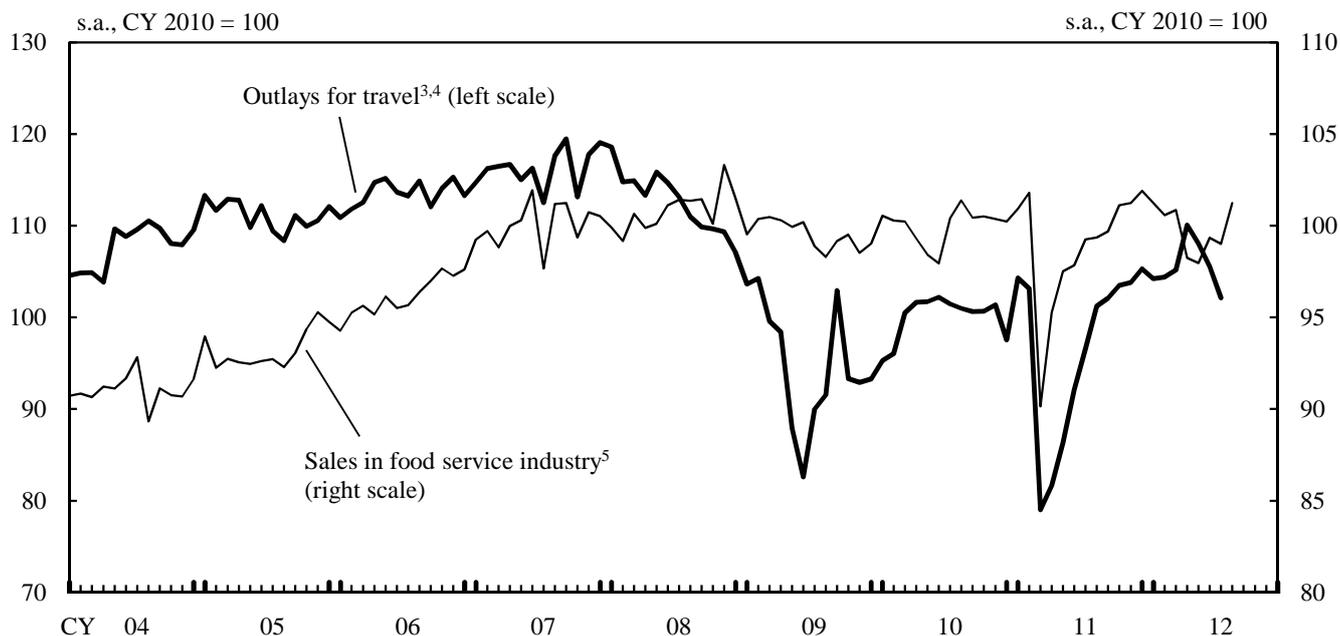
- Notes: 1. Total expenditure, sales at retail stores, sales of household electrical appliances and new passenger-car registrations are seasonally adjusted by X-12-ARIMA.
2. "Index of consumption expenditure level" is based on two-or-more-person households, and is adjusted using the distribution of household 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 CPI.
5. The Figure of Total expenditure for 2012/Q3 is that of July; Figures of Index of Consumption Expenditure Level and Sales at retail stores for 2012/Q3 are those of July-August averages in terms of 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 for 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";

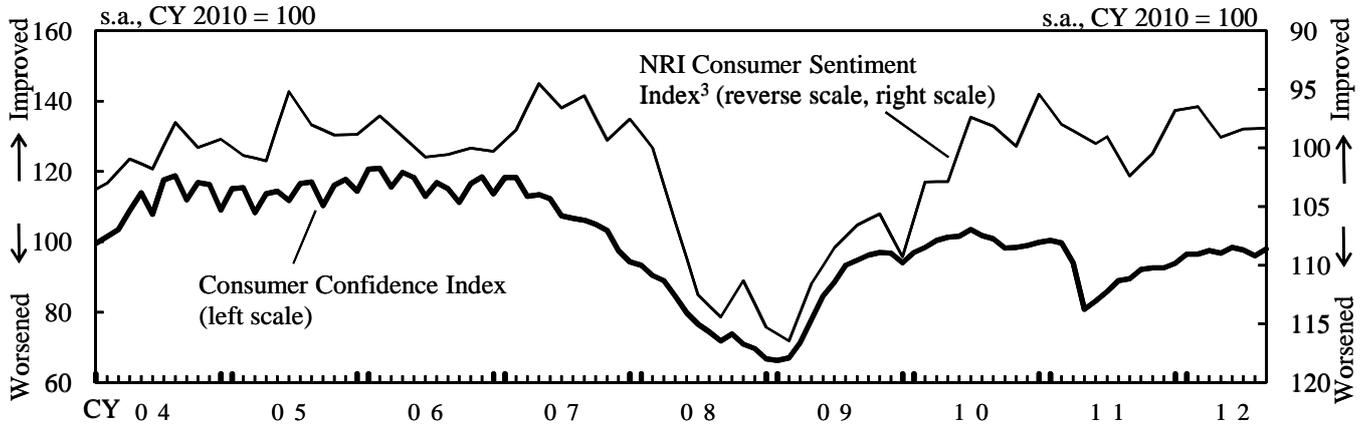
Japan Tourism Agency, "Major Travel Agents' Revenue";

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

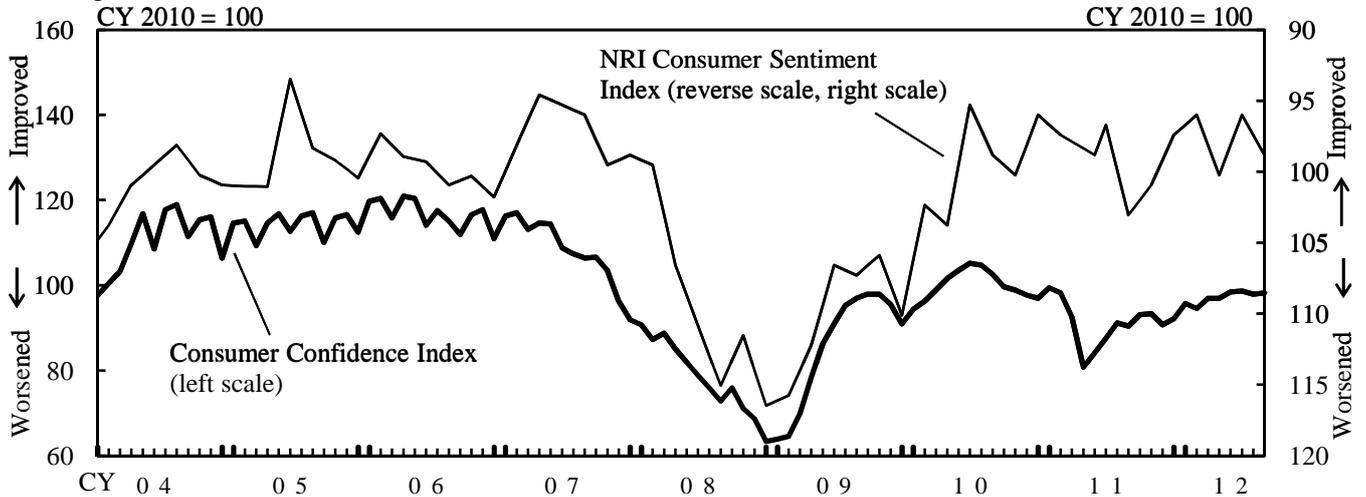
(Research on the food service industry)."

Consumer Confidence^{1,2}

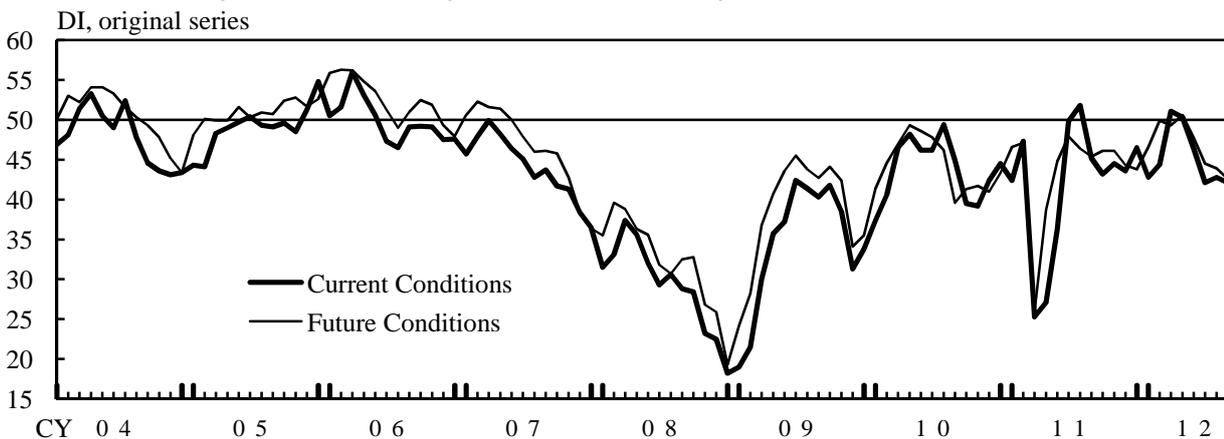
(1) Seasonally Adjusted Series



(2) Original Series



Reference: Economy Watchers Survey (Household Activity)

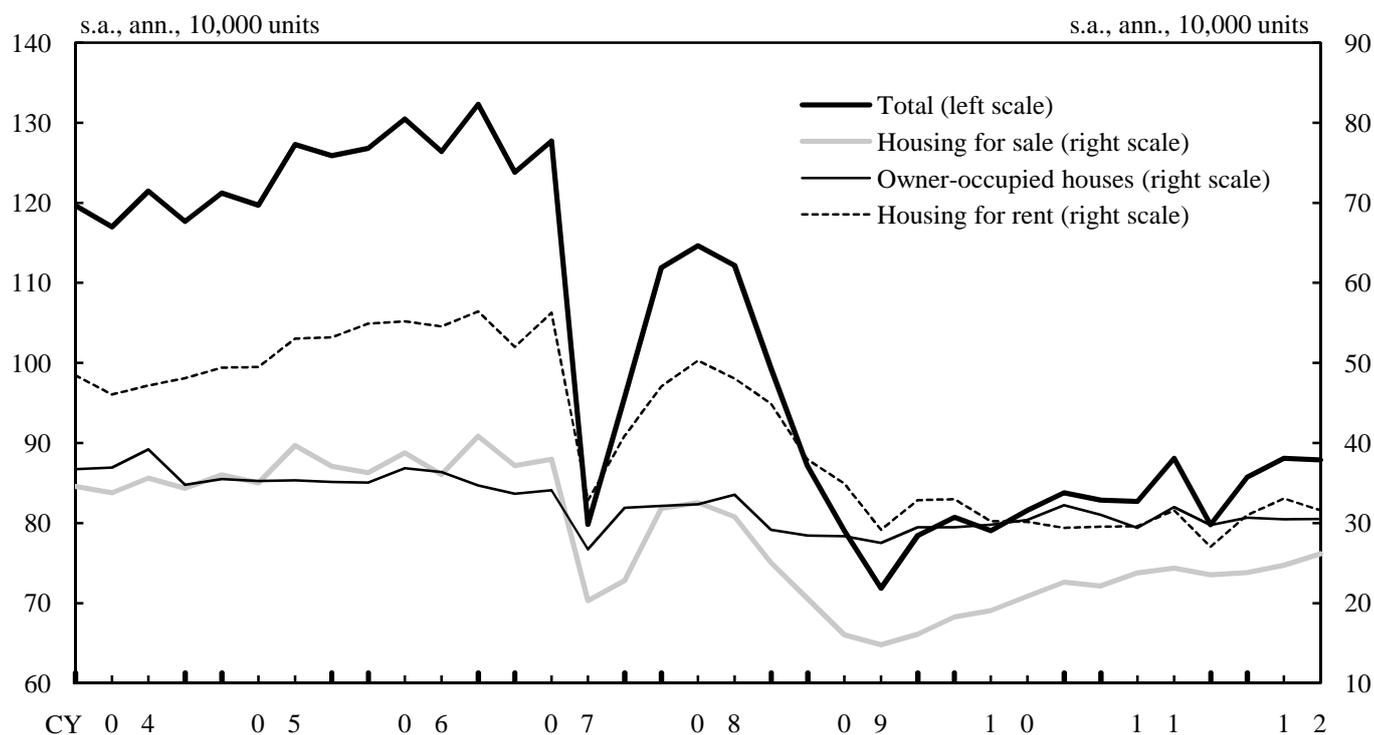


- Notes: 1. The Consumer Confidence Index (covering about 4,700 samples on a nationwide basis) and NRI Consumer Sentiment Index (1,200 samples on a nationwide basis) are based on surveys on consumer confidence.
 2. Figures are plotted for each surveyed month and the data for the intervening months are linearly interpolated.
 3. Figures are seasonally adjusted by X-12-ARIMA.

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

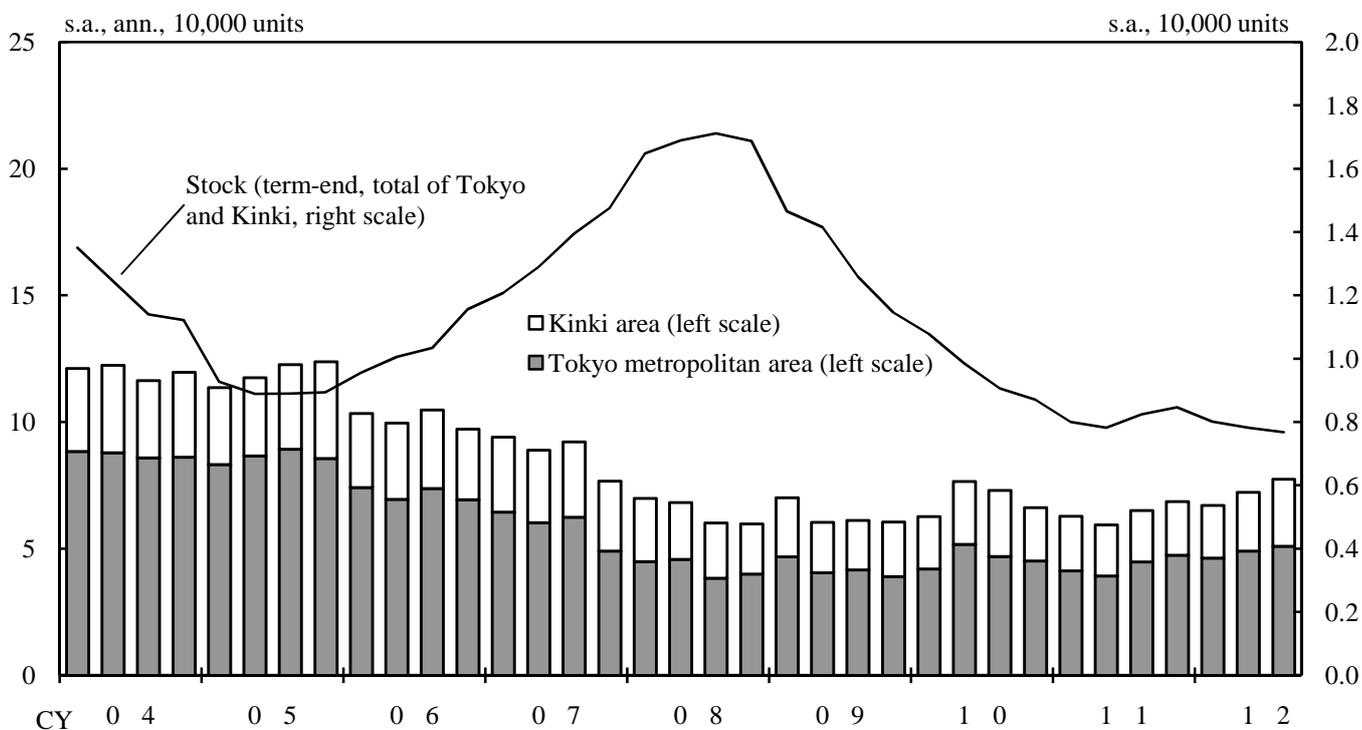
Indicators of Housing Investment

(1) Housing Starts



Note: Figures for 2012/Q3 are July-August averages.

(2) Sales of Apartments



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

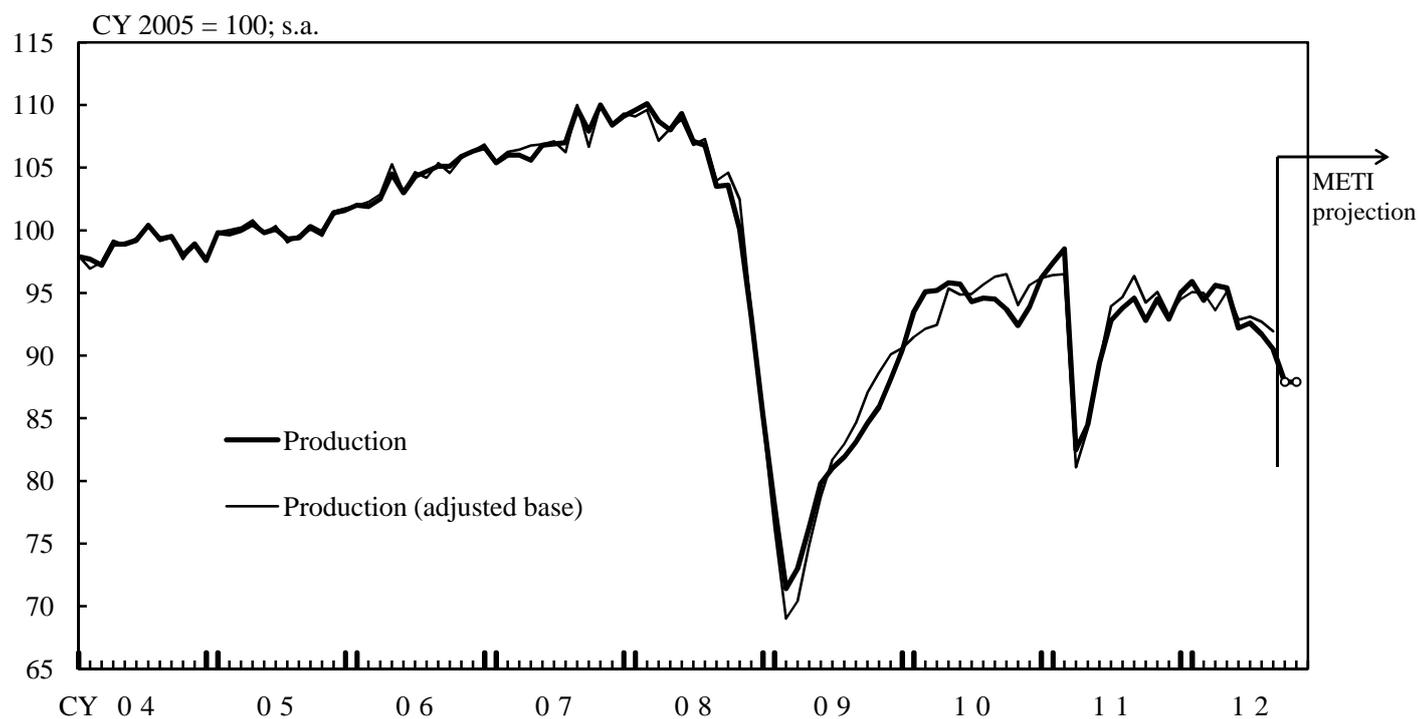
2. The figure of total apartment sales for 2012/Q3 is the July-August average.

The term-end stock for 2012/Q3 is that of August.

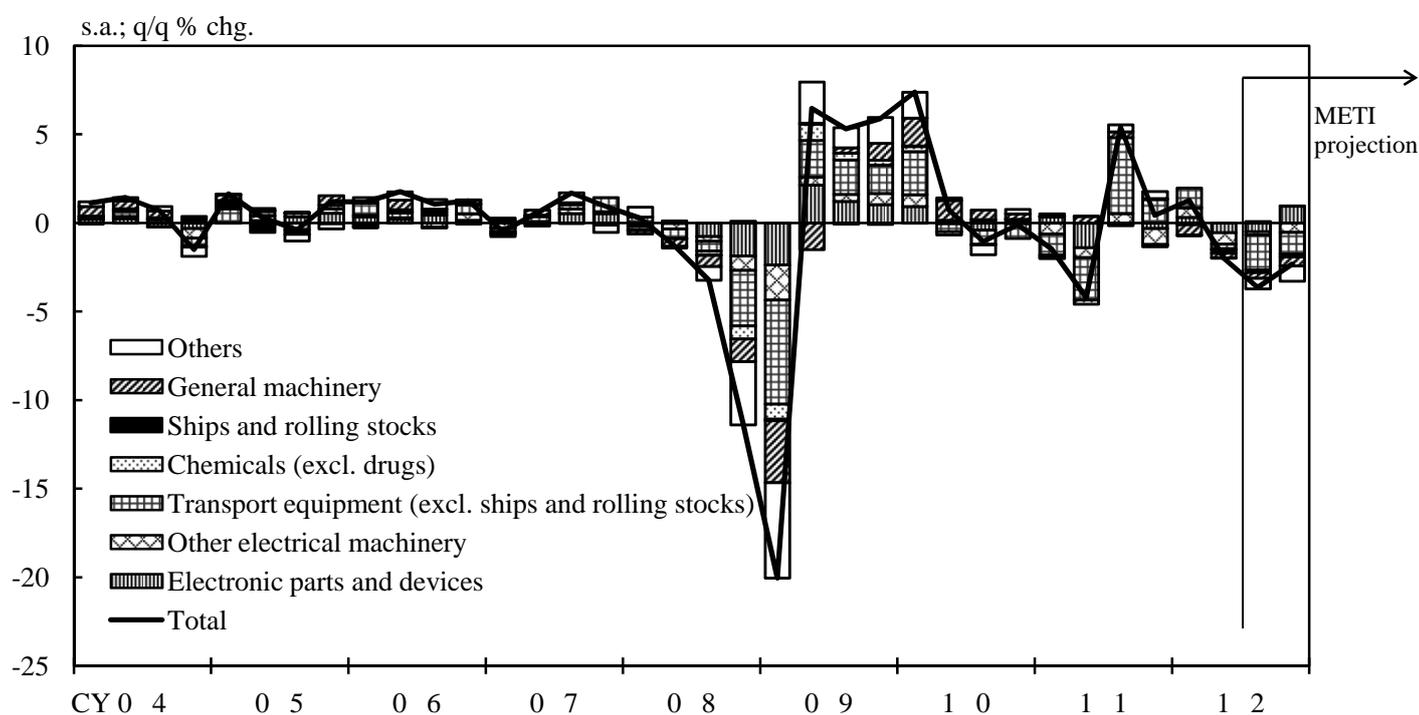
Sources: Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts," etc.

Production

(1) Production



(2) Production by Industry

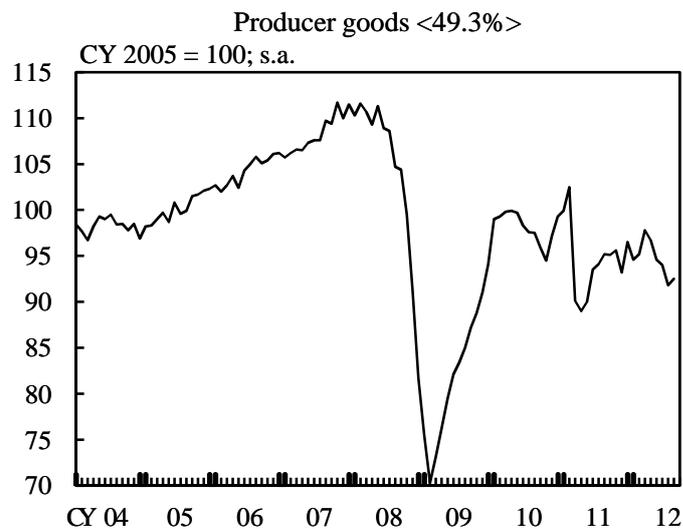
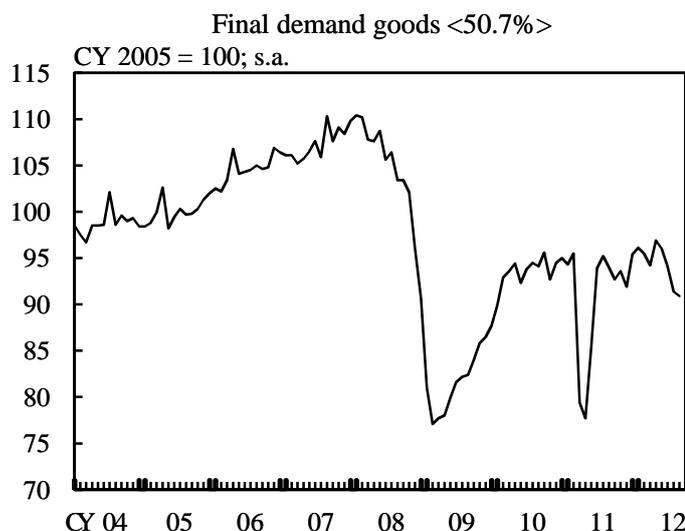


- Notes: 1. Industrial production (adjusted base) is calculated by detecting large fluctuations after the Lehman shock as outliers (estimation by the Research and Statistics Department, Bank of Japan).
2. "Other electrical machinery" is the weighted sum of "electrical machinery" and "information and communication electronics equipment."
3. 2012/Q3 figures are based on the actual production levels in July and August, and the METI projection of September. 2012/Q4 figures are based on the assumption that the production levels in November and December are the same as those of October.

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

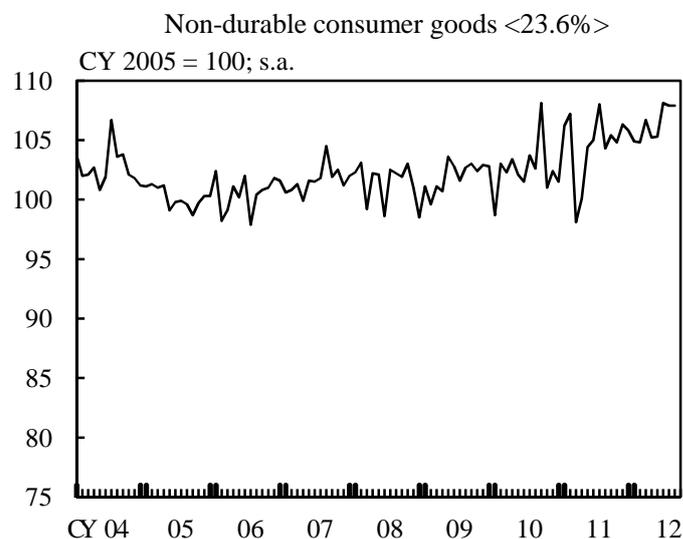
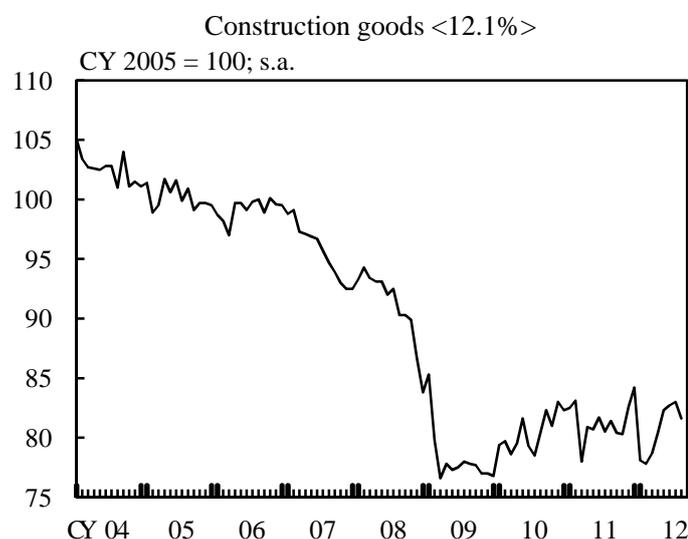
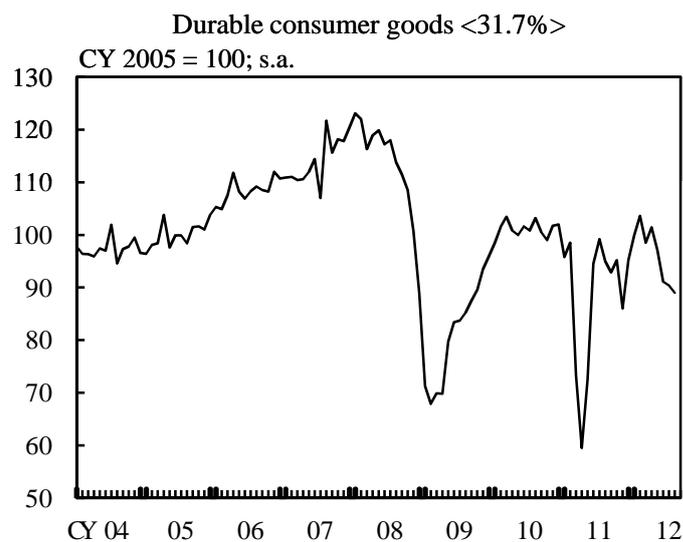
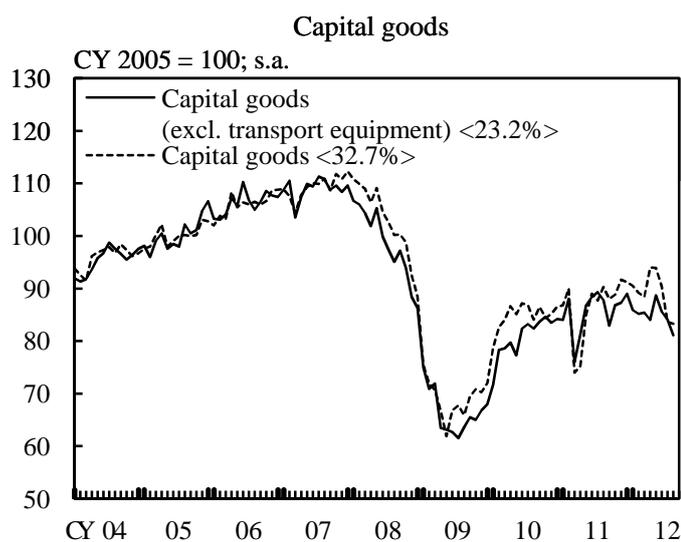
Shipments by Type of Goods

(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

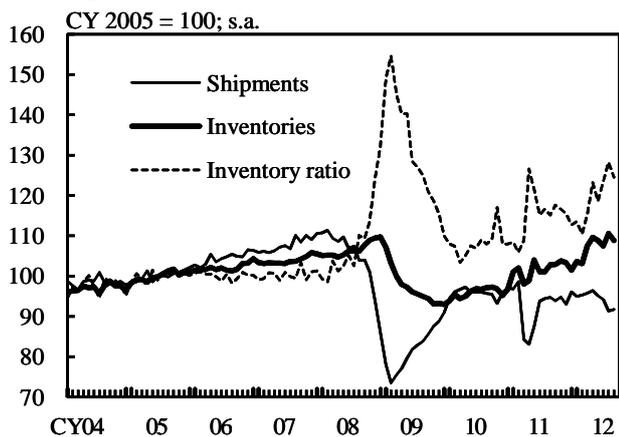


Note: Figures in angle brackets show the shares among shipments of final demand goods.

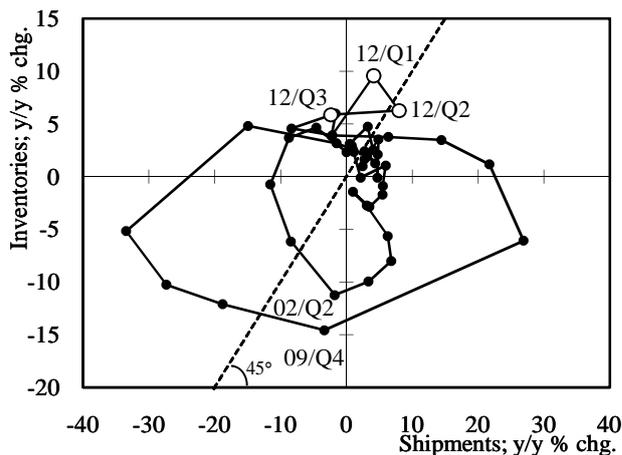
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Shipments and Inventories

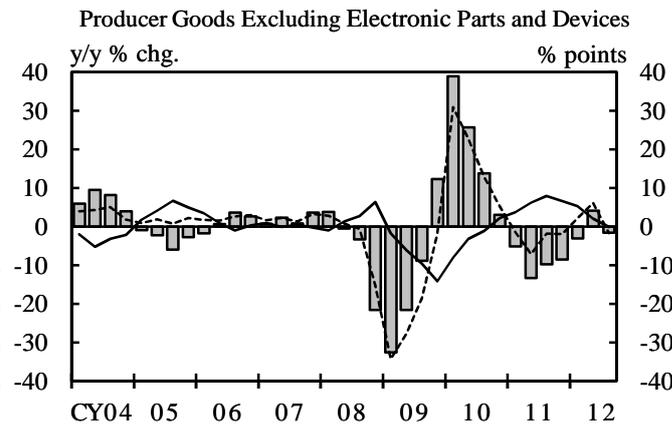
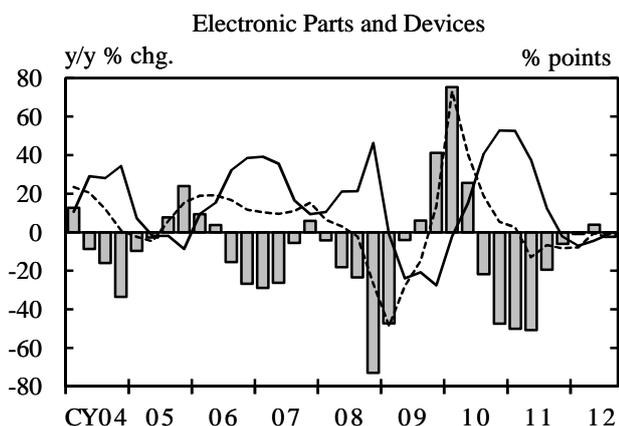
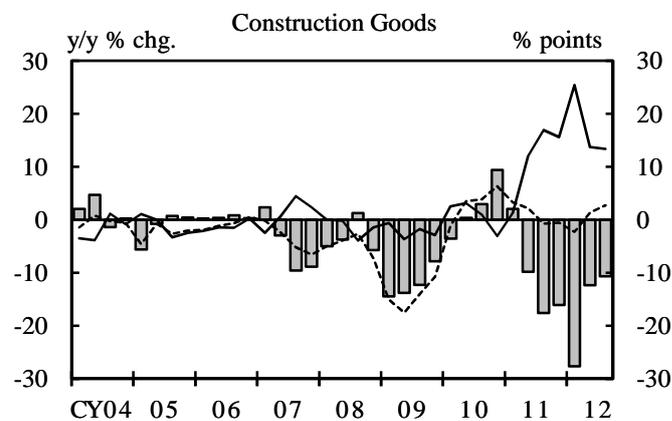
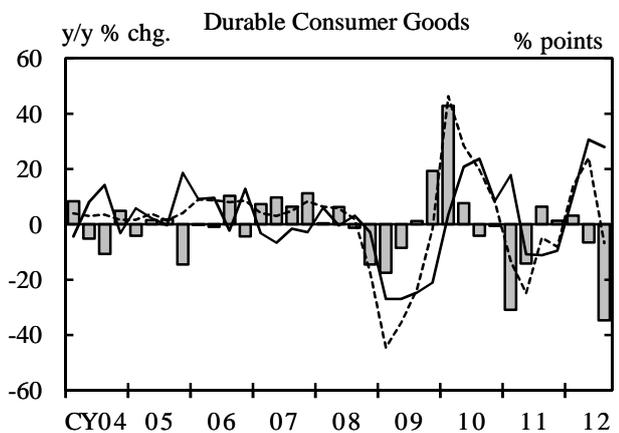
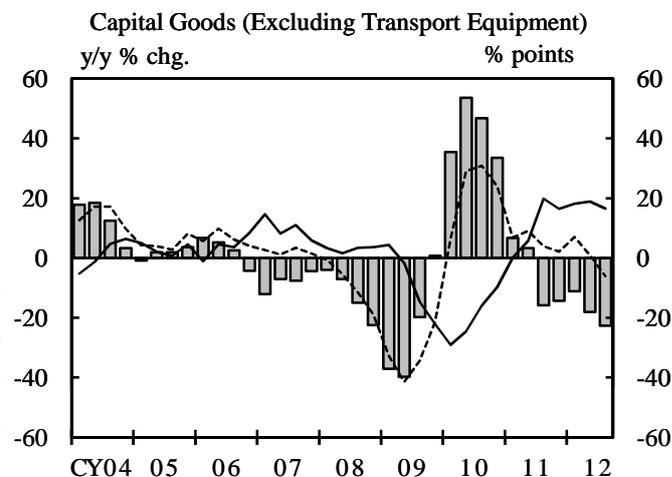
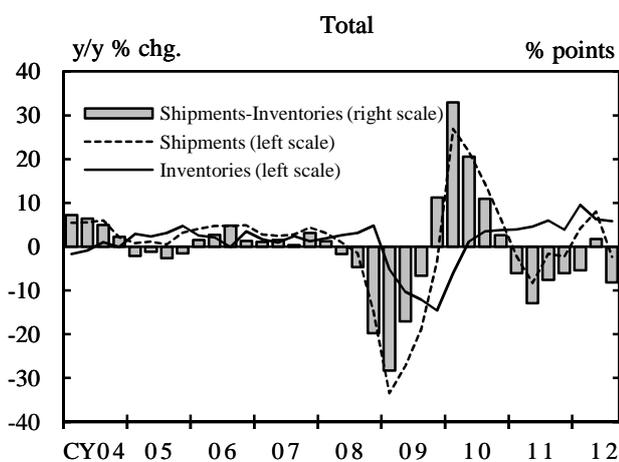
(1) Shipments and Inventories (Total)



(2) Inventory Cycle (Total)



(3) Shipment-Inventory Balance



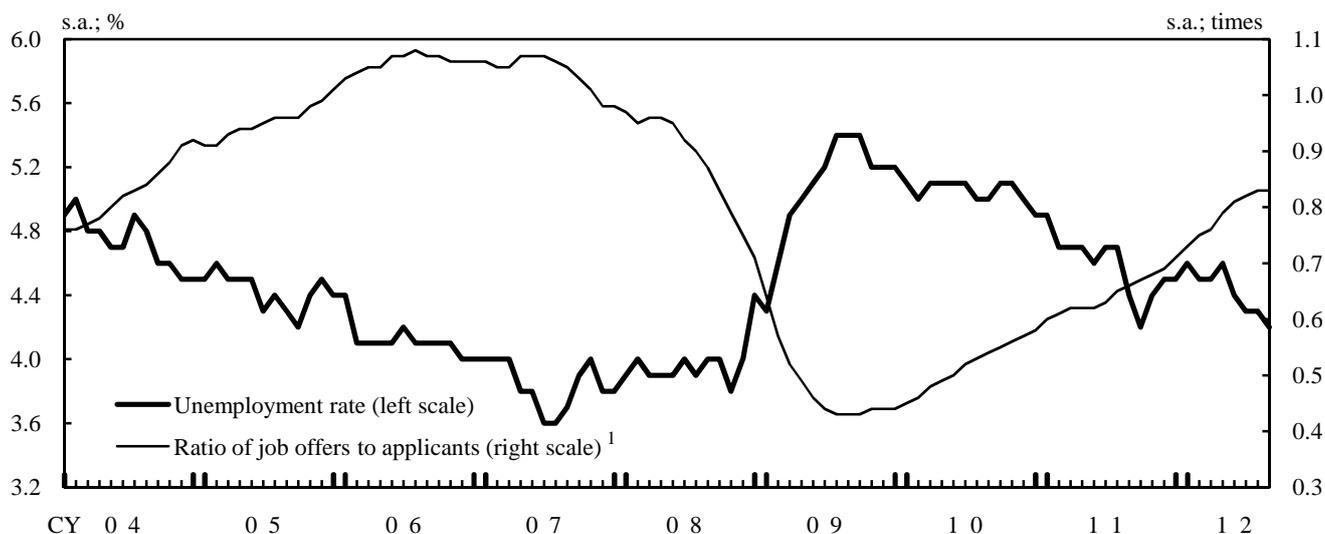
Note: Figures of shipments for 2012/Q3 are July-August averages.

Inventories for 2012/Q3 are those of August.

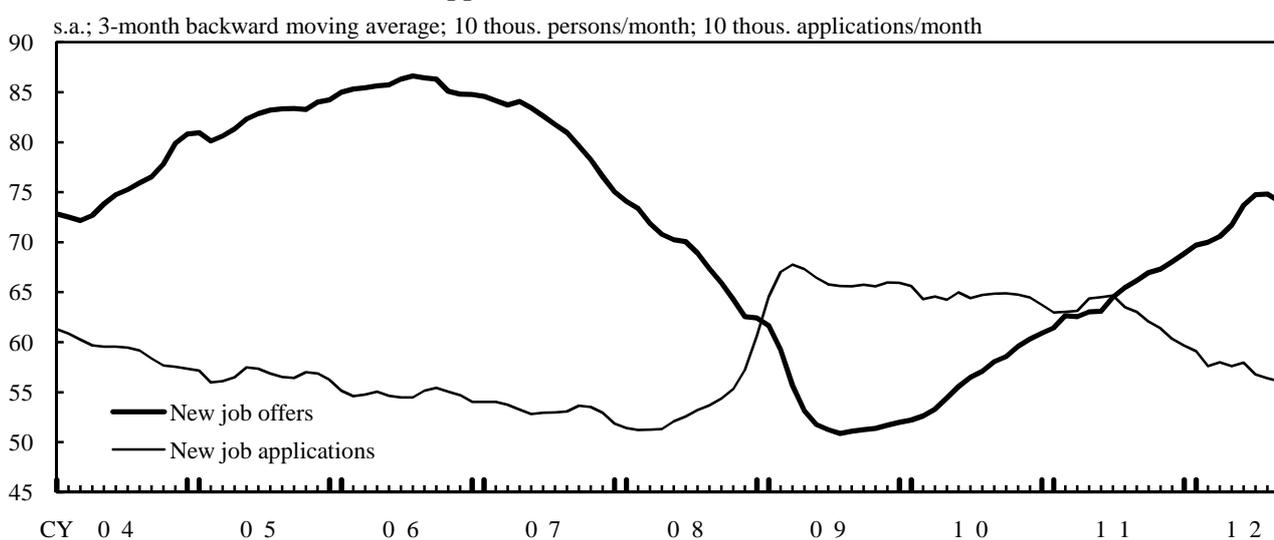
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Labor Market

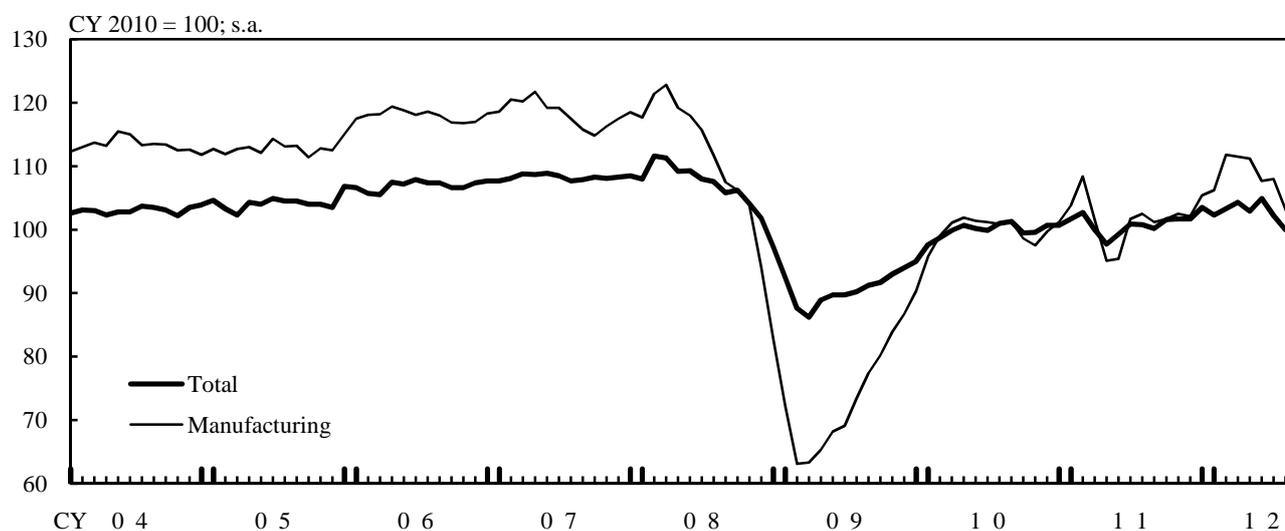
(1) Unemployment Rate and Ratio of Job Offers to Applicants



(2) New Job Offers and New Job Applicants¹



(3) Non-Scheduled Hours Worked²



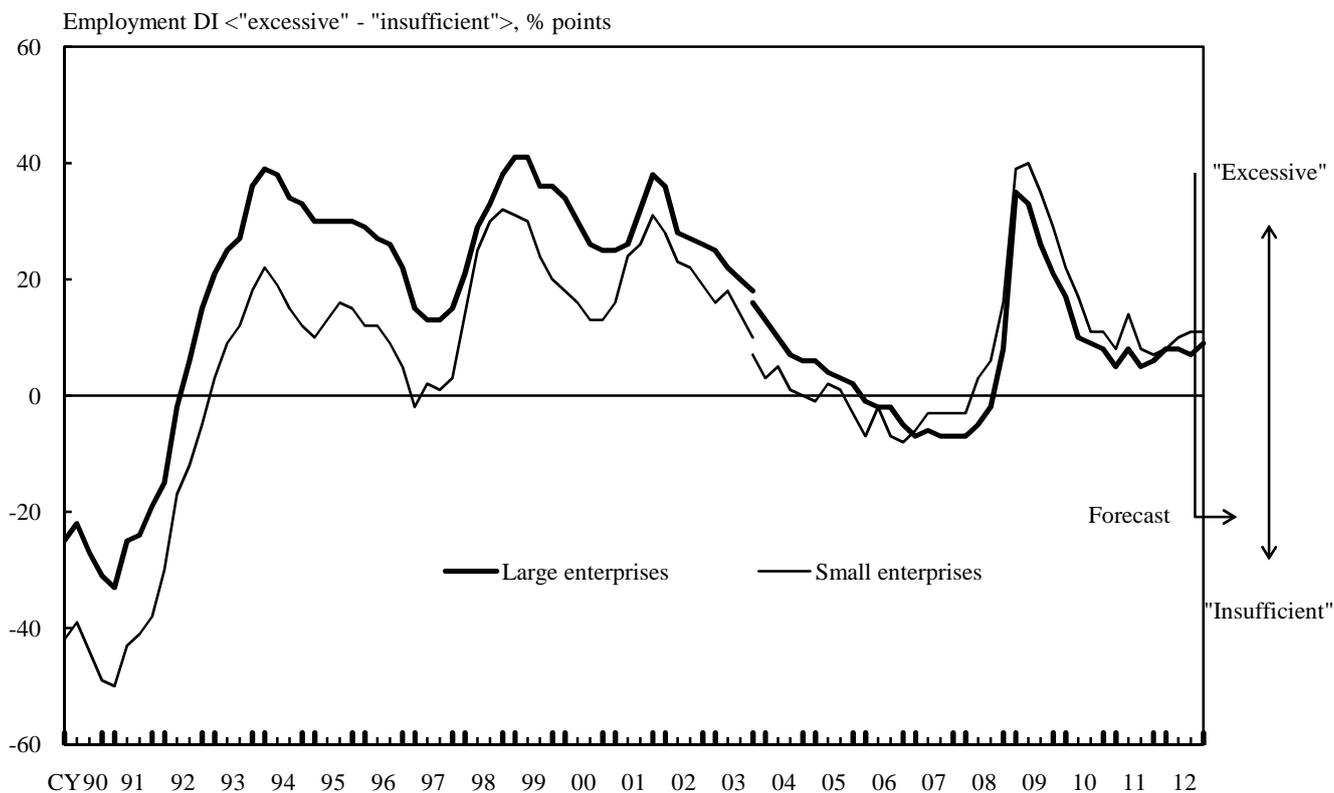
Notes: 1. Figures do not include jobs offered to new graduates, but include those offered to part-time workers.

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

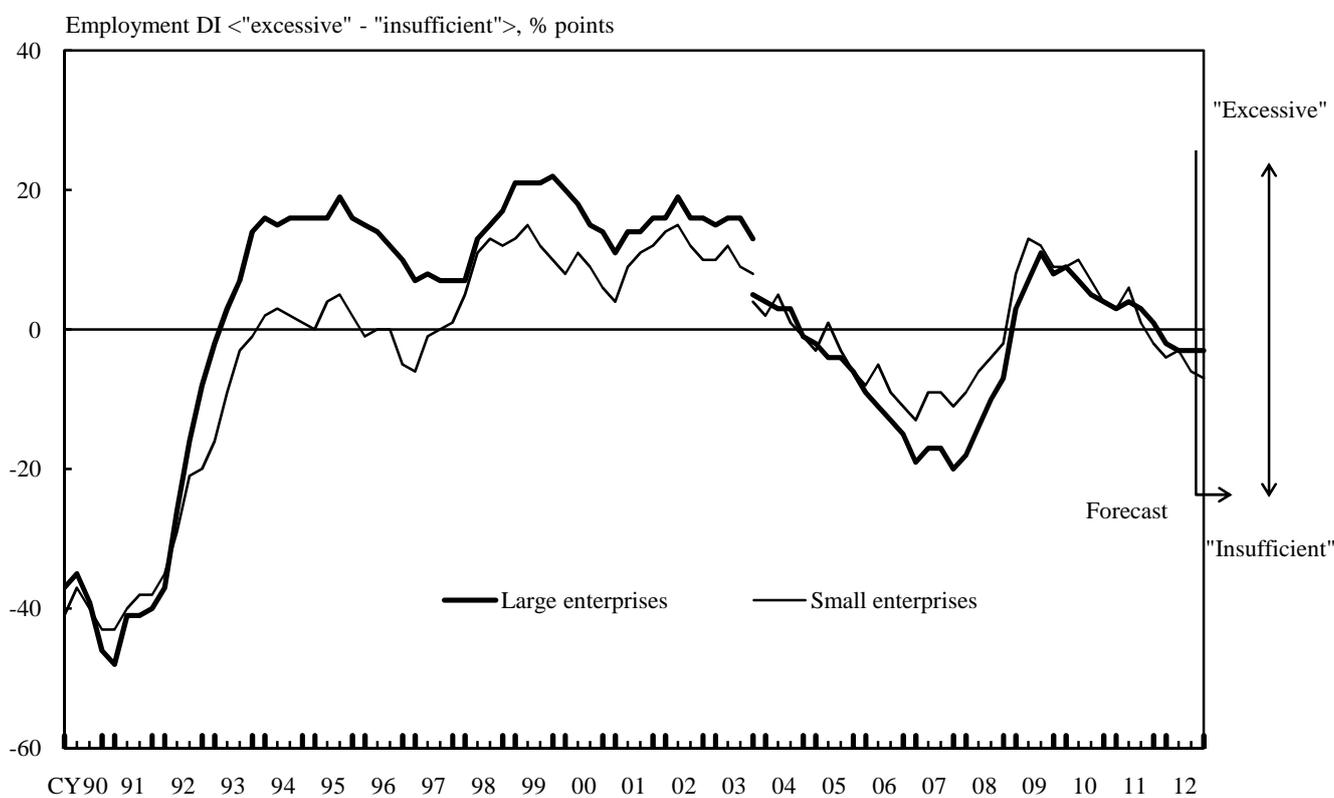
Sources: Ministry of Internal Affairs and Communications, "Labour Force Survey";
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey."

Employment Conditions

(1) Manufacturing



(2) Nonmanufacturing

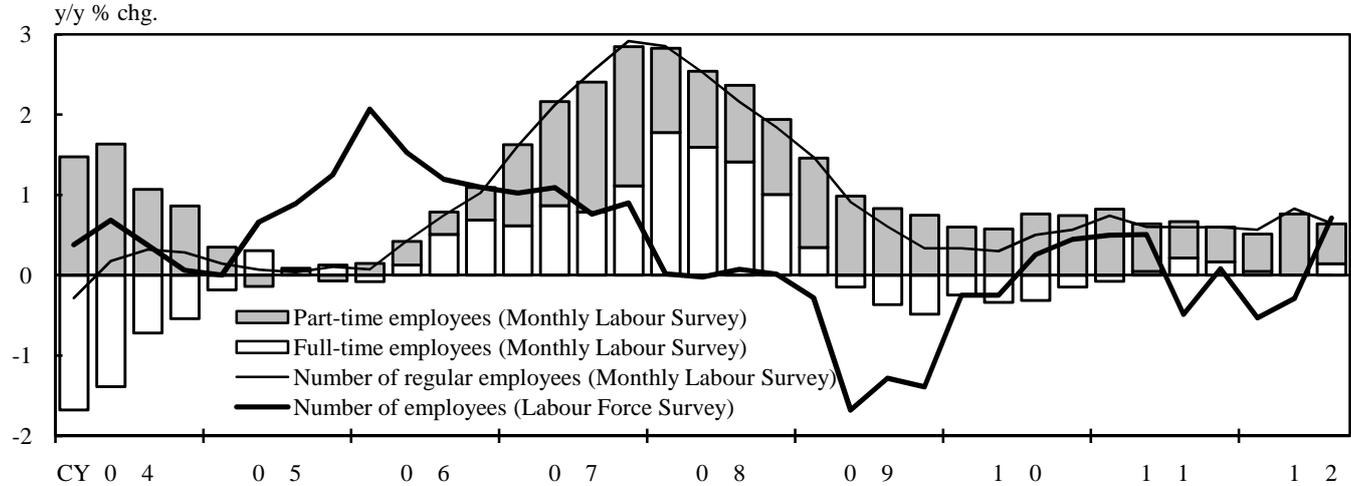


Note: The "Tankan" has been revised from the March 2004 survey. Figures up to the December 2003 survey are based on the previous data sets. Figures from the December 2003 survey are on the new basis.

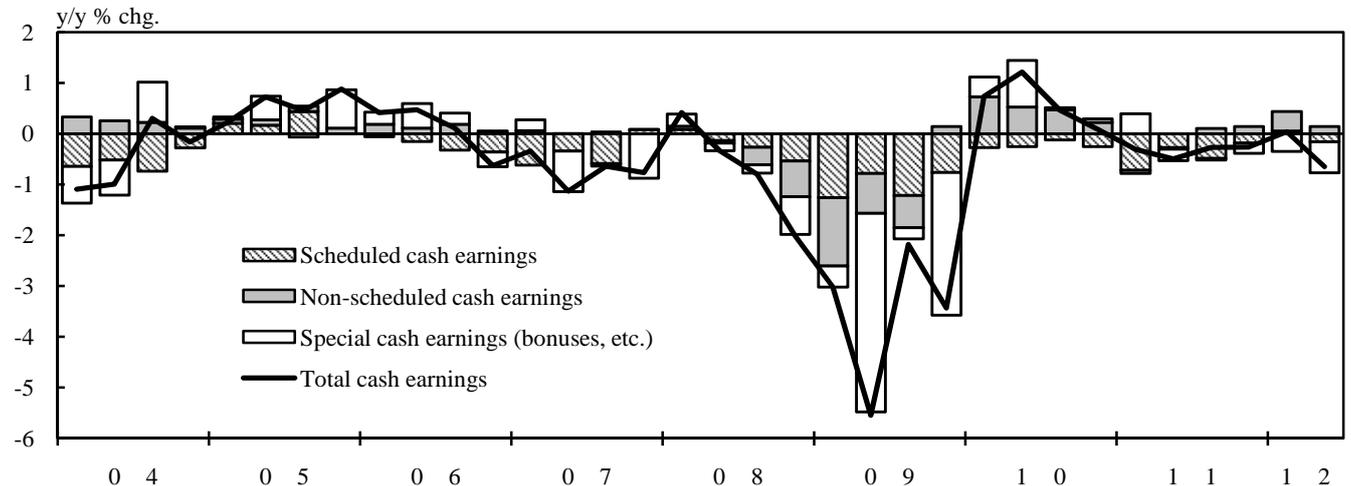
Source: Bank of Japan, "Tankan", Short-term Economic Survey of Enterprises in Japan."

Employee Income

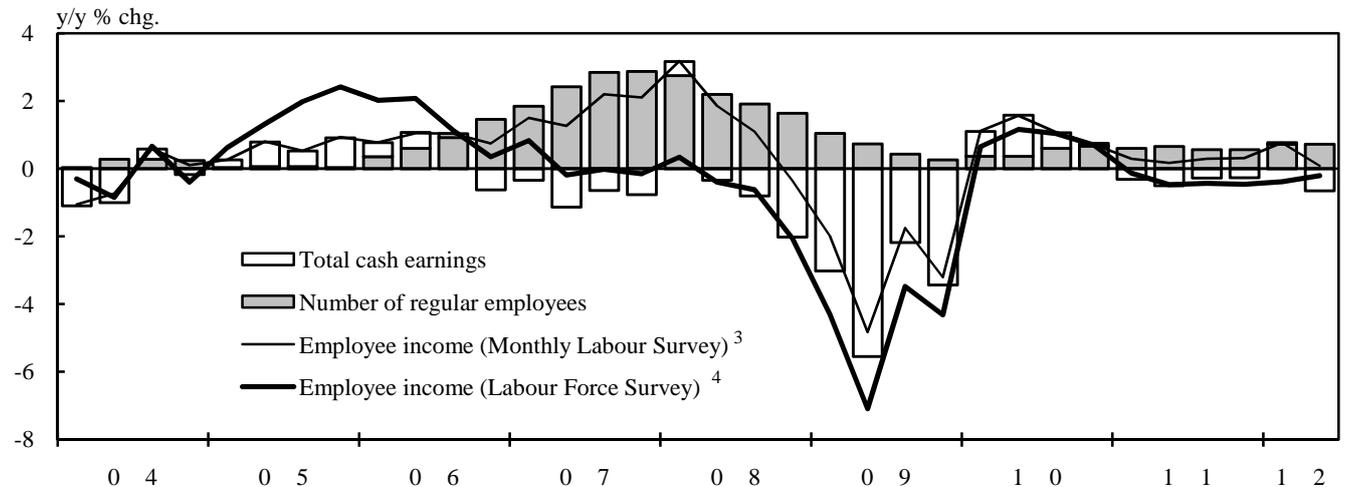
(1) Number of Employees^{1,5}



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



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

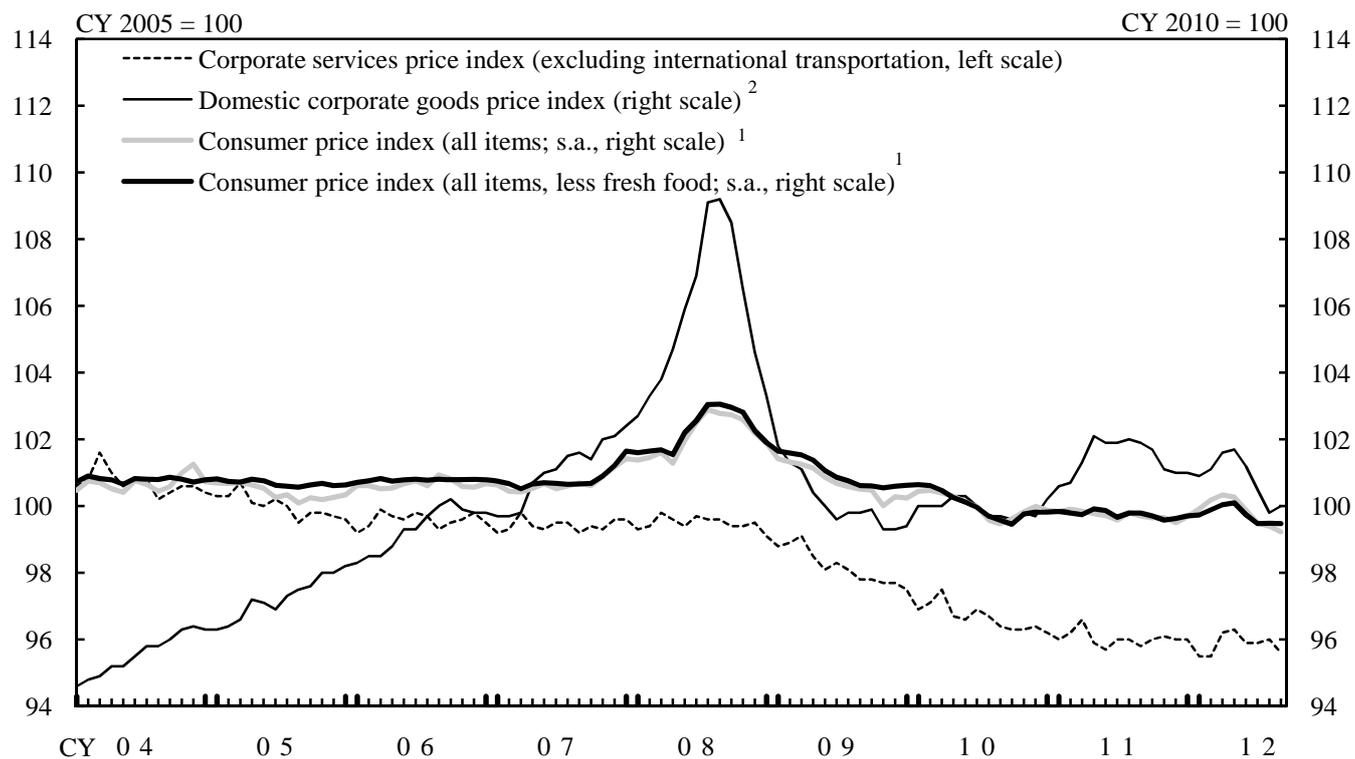


Notes: 1. Data of the "Monthly Labour Survey" are for establishments with at least five employees.
 2. Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.
 3. Calculated as the "number of regular employees" (Monthly Labour Survey) times "total cash earnings" (Monthly Labour Survey).
 4. Calculated as the "number of employees" (Labour Force Survey) times "total cash earnings" (Monthly Labour Survey).
 5. Figures for 2012/Q3 are July-August averages.

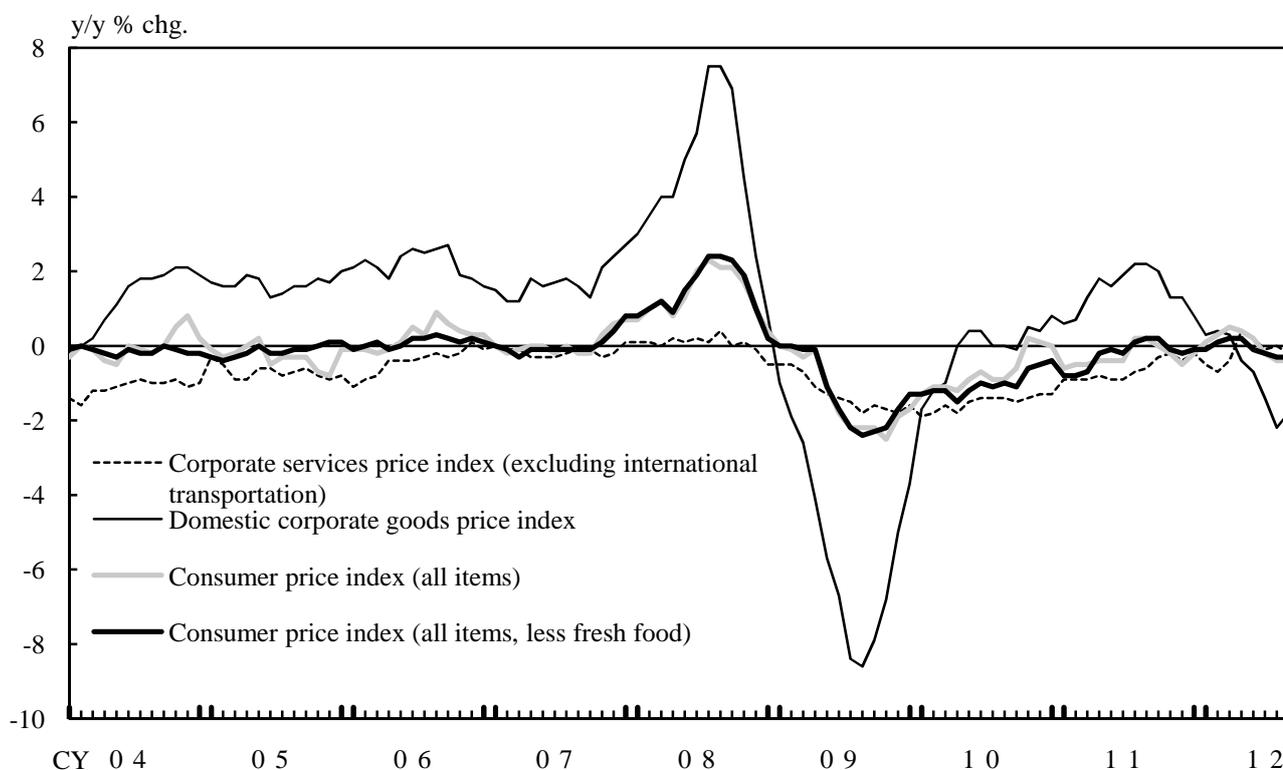
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
 Ministry of Internal Affairs and Communications, "Labour Force Survey."

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.

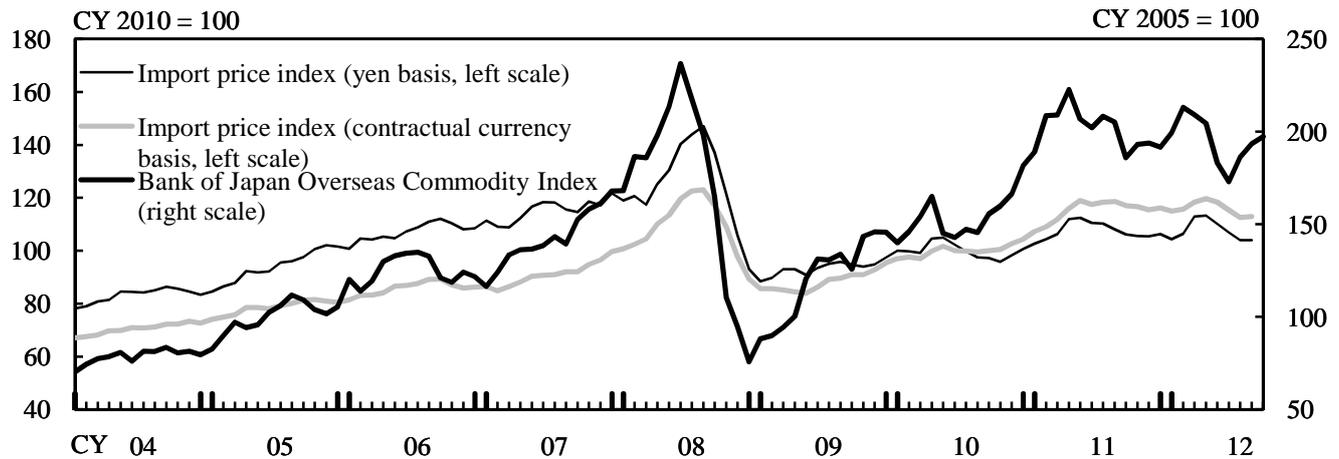
3. The levels of "Consumer Price Index" up to 2009 are based on the linked indices.

4. Figures of "Corporate Services Price Index" up to 2004 and "Corporate Goods Price Index" up to 2009 are based on the linked indices.

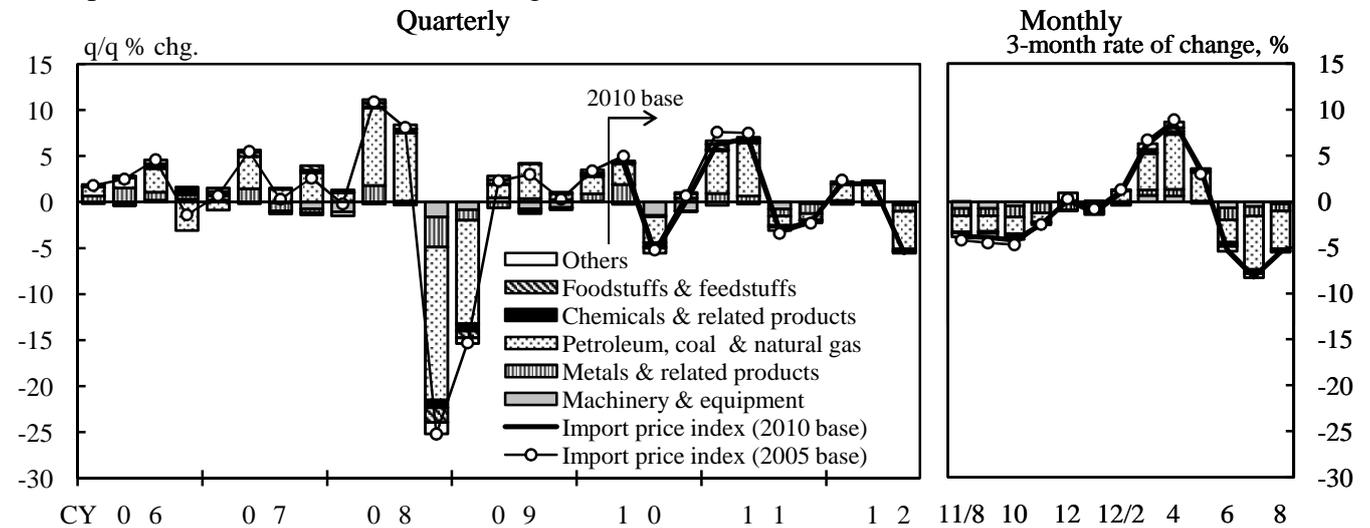
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index."

Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index

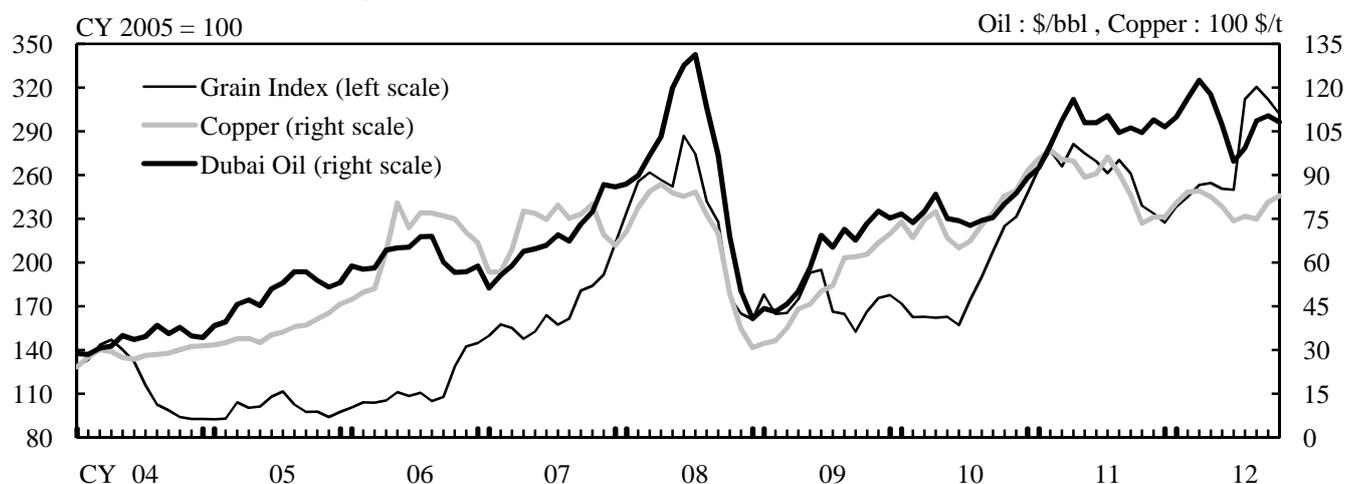


(2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



Notes: 1. Machinery & equipment: general purpose, production & business oriented machinery, electric & electronic products, and transportation equipment.
 2. Figures for 2012/Q3 are July-August averages.

(3) International Commodity Prices

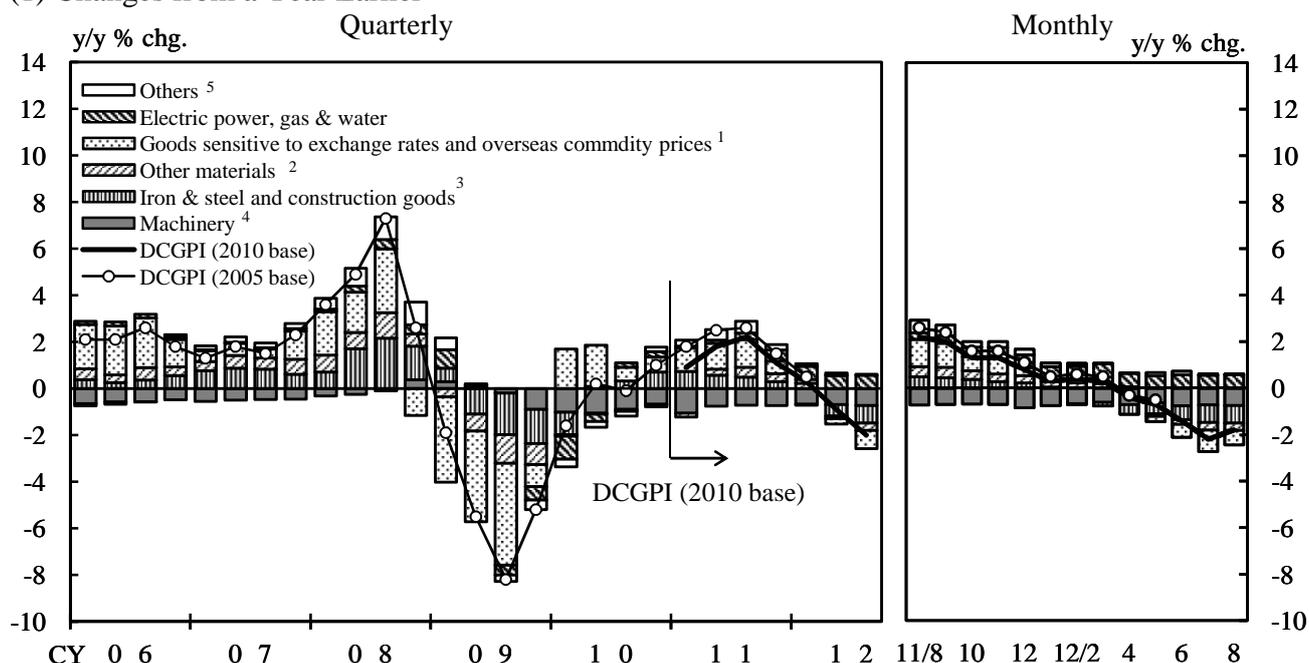
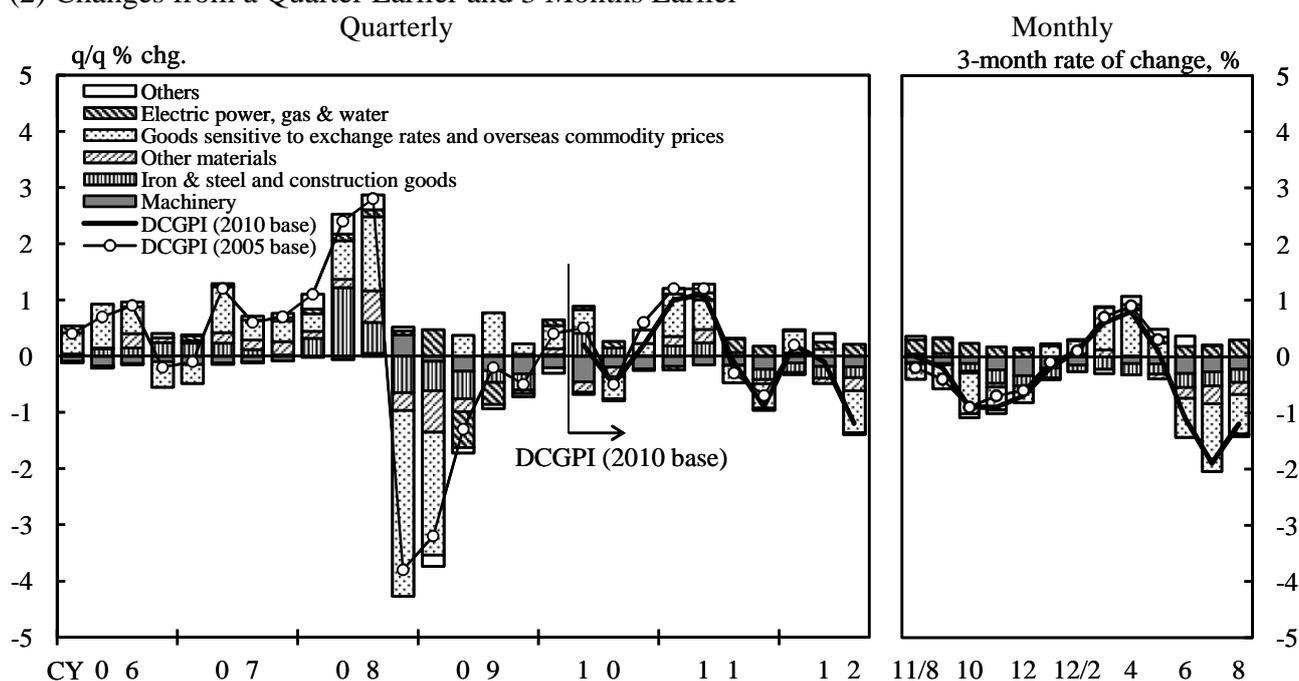


Notes: 1. The "grain index" is the weighted average of prices of three selected items (wheat, soybeans, and corn) in overseas commodity markets. The weights are based on the value of imports in the "Trade Statistics."
 2. Monthly averages. Figures for October 2012 are averages up to October 4.

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

Domestic Corporate Goods Price Index

(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, ceramic, stone & clay products, lumber & wood products, and scrap & waste.

4. Machinery: general purpose machinery, production machinery, business oriented machinery, electronic components & devices, electrical machinery & equipment, information & communications equipment, and transportation equipment.

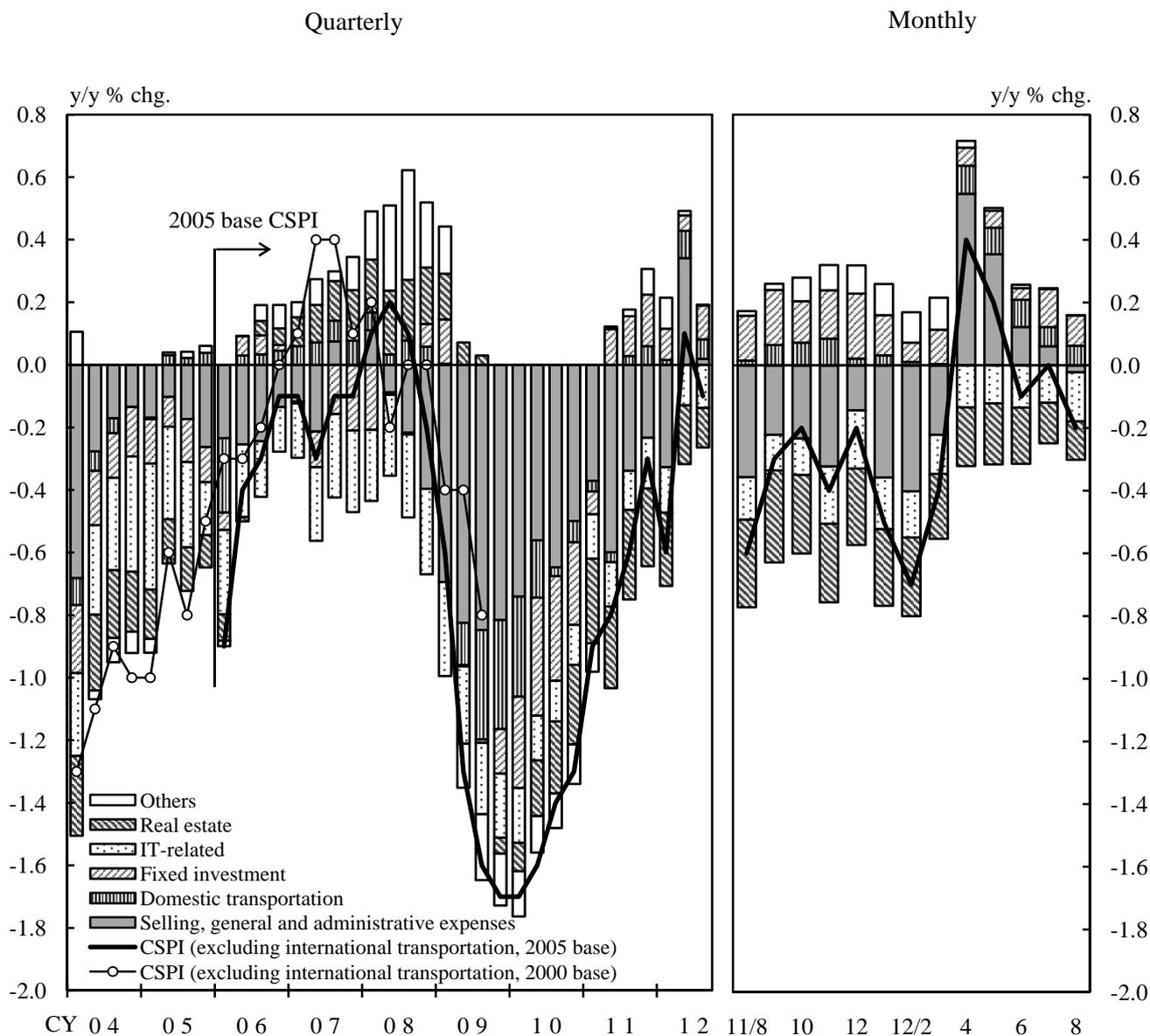
5. Others: food, beverages, tobacco & feedstuffs, other manufacturing industry products, agriculture, forestry & fishery products, and minerals.

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/Q3 are July-August averages.

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

Corporate Services Price Index

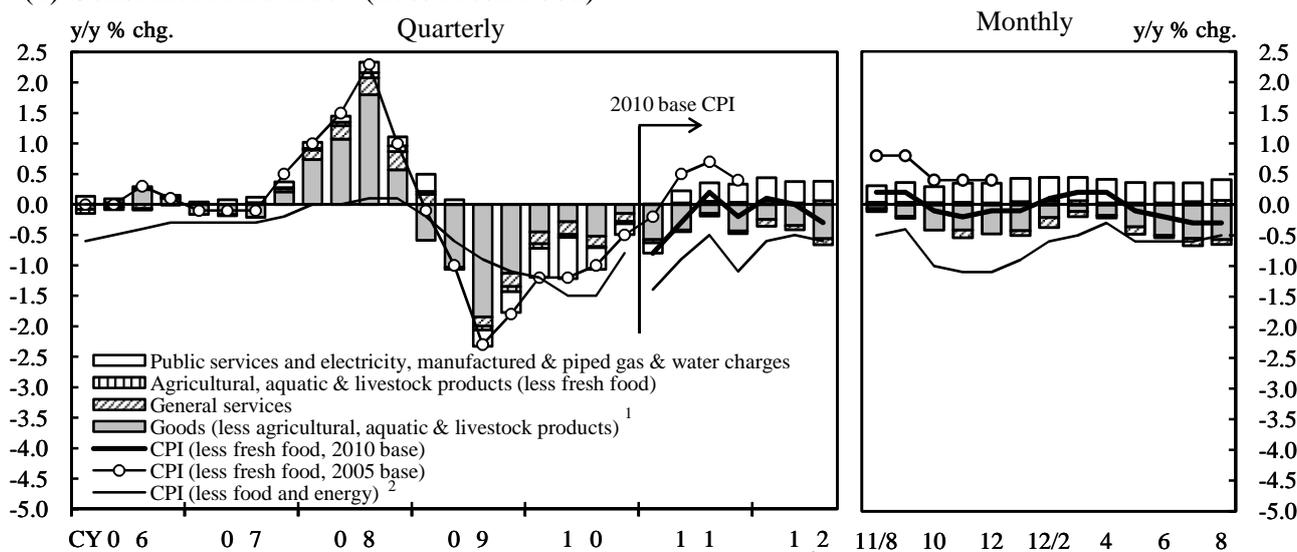


- Notes: 1. Selling, general and administrative expenses: information and communications (excluding newspapers and publishing), advertising services, other services (excluding plant engineering, and civil engineering and architectural services).
 2. Domestic transportation: transportation (excluding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

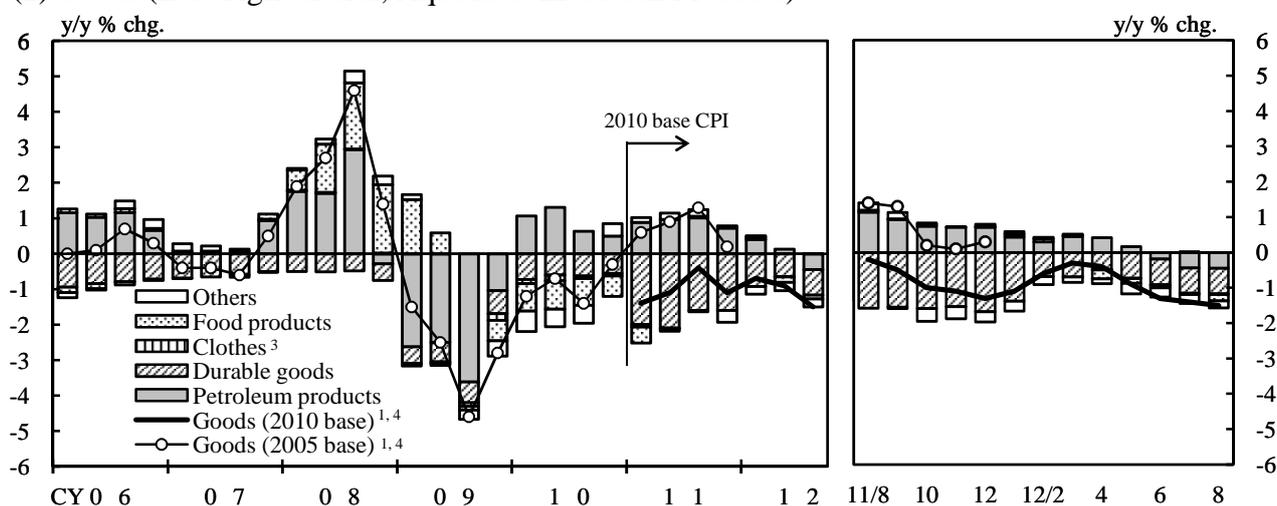
Source: Bank of Japan, "Corporate Services Price Index."

Consumer Price Index (Less Fresh Food)

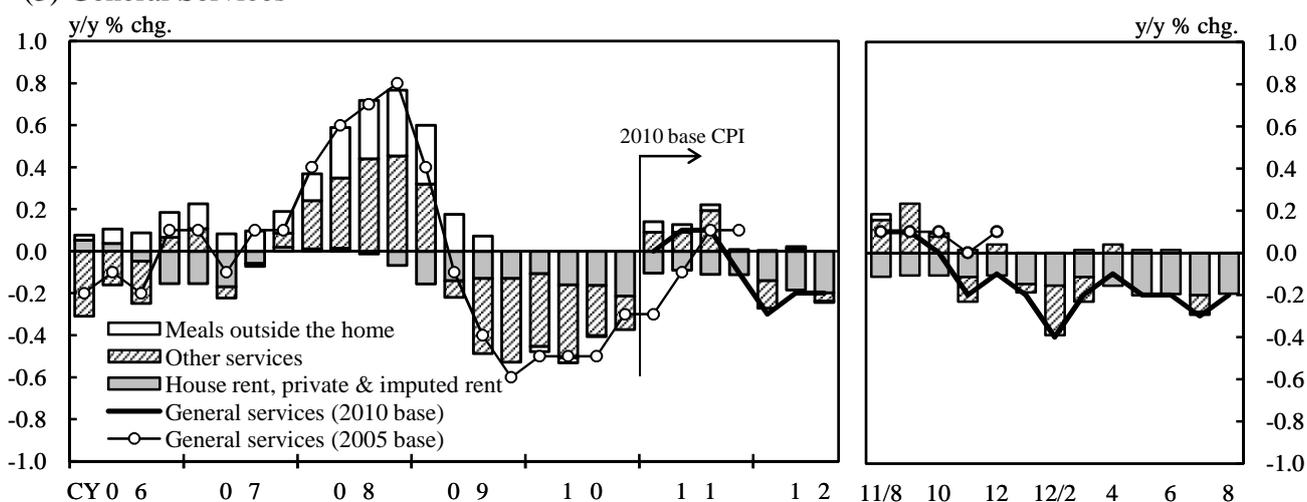
(1) Consumer Price Index (Less Fresh Food)



(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.

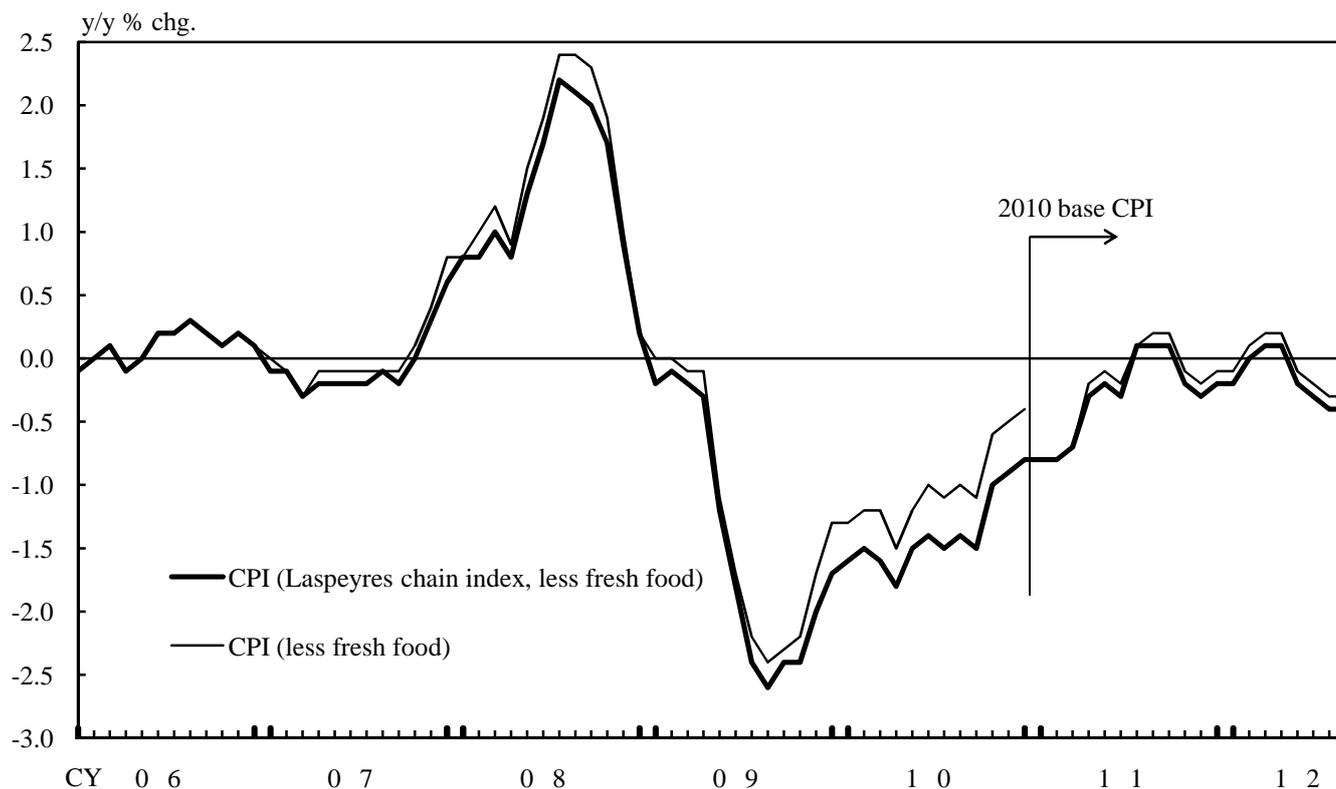
5. The year-on-year rates of change other than those of the CPI (less fresh food), CPI (less food and energy), and General services are calculated using published indices.

6. Figures for 2012/Q3 are July-August averages.

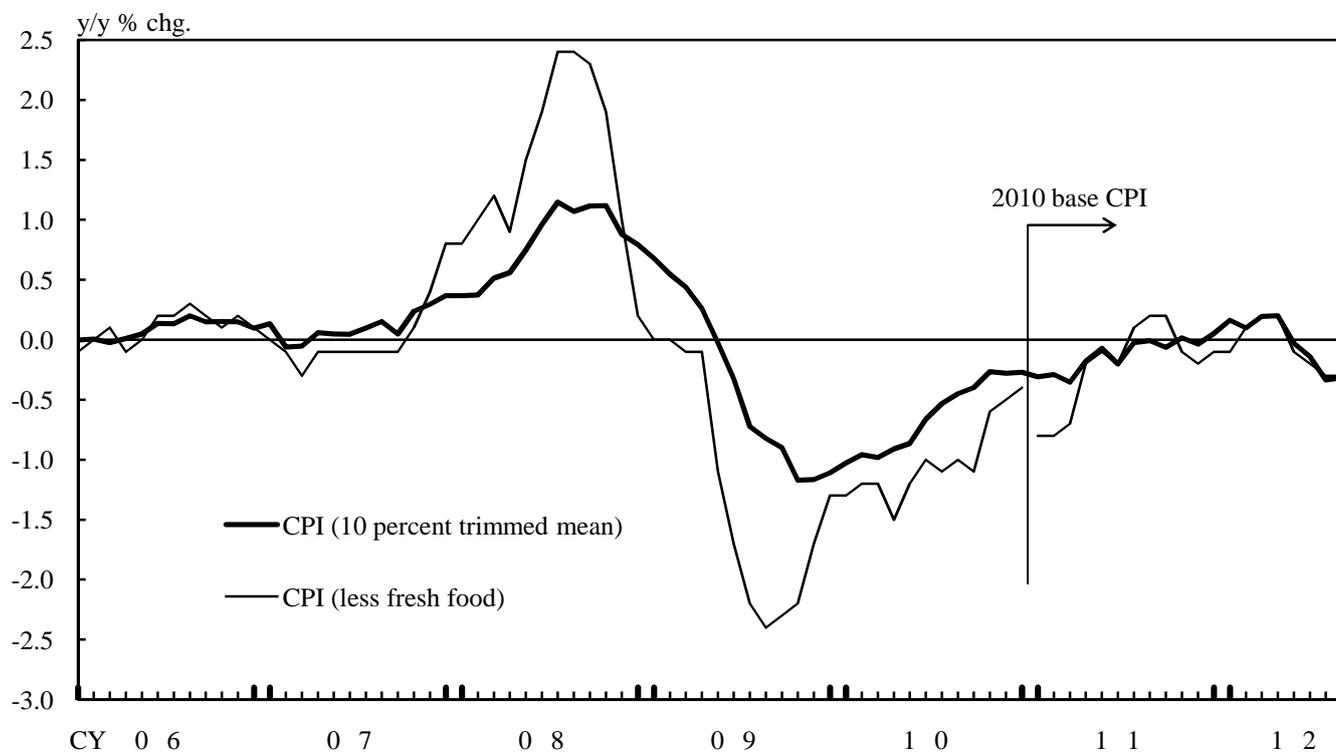
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Trend Changes in Consumer Prices

(1) Laspeyres Chain Index



(2) Trimmed Mean



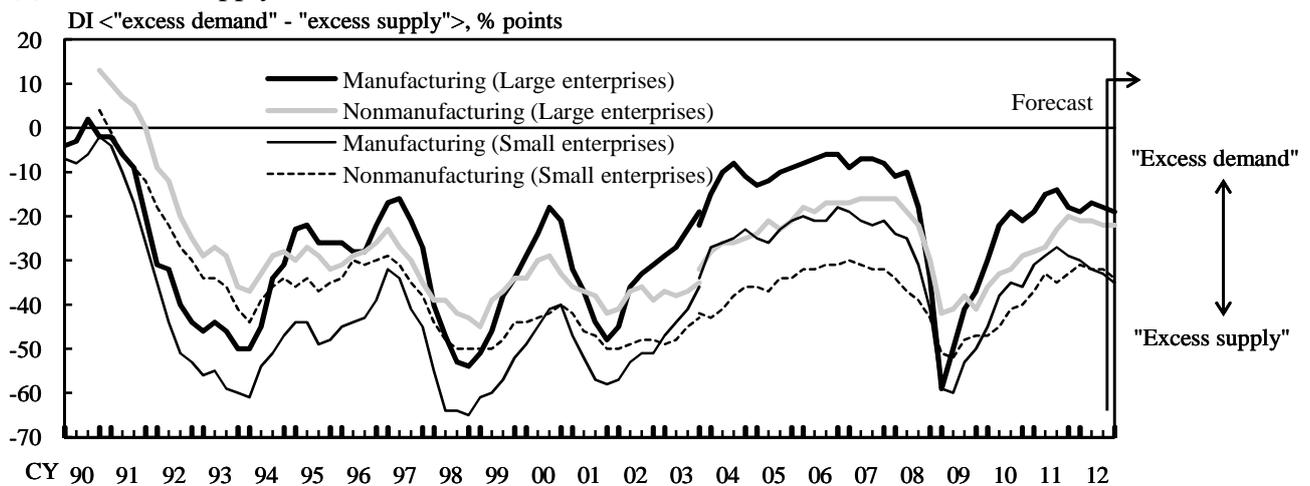
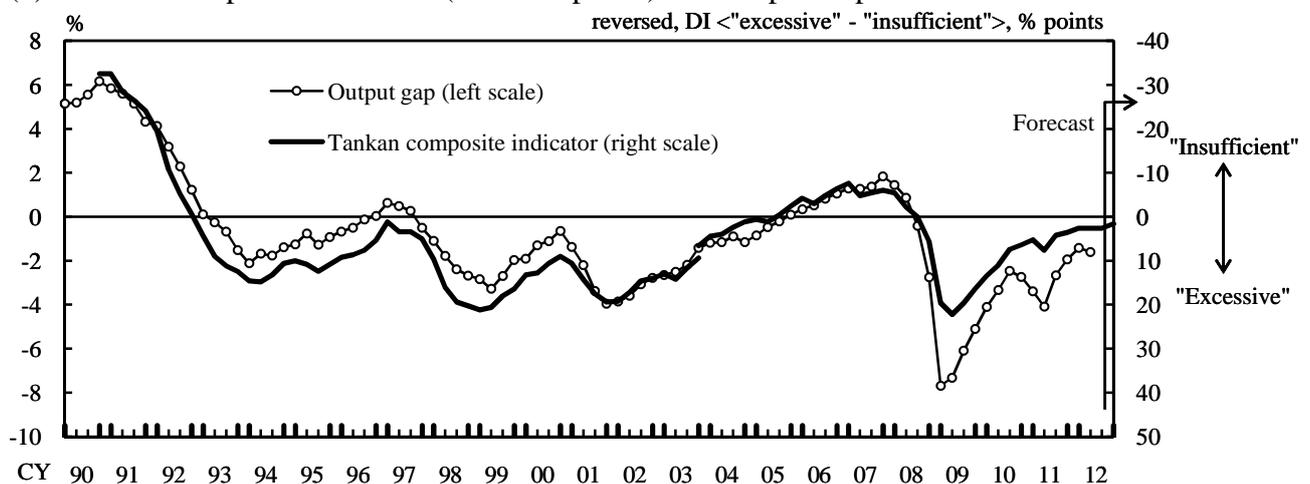
Notes:1. Figures for the 10 percent trimmed mean are weighted averages of items; these items are obtained by rearranging year-on-year rates of price change in ascending order and then excluding items in both the upper and lower 10 percent tails by weight.

2. Figures for the Laspeyres chain index for 2006 are the year-on-year rates for the fixed-base method. The year-on-year figures for the Laspeyres chain index up to 2010 are on the 2005 base, and those from 2011 onward are on the 2010 base.

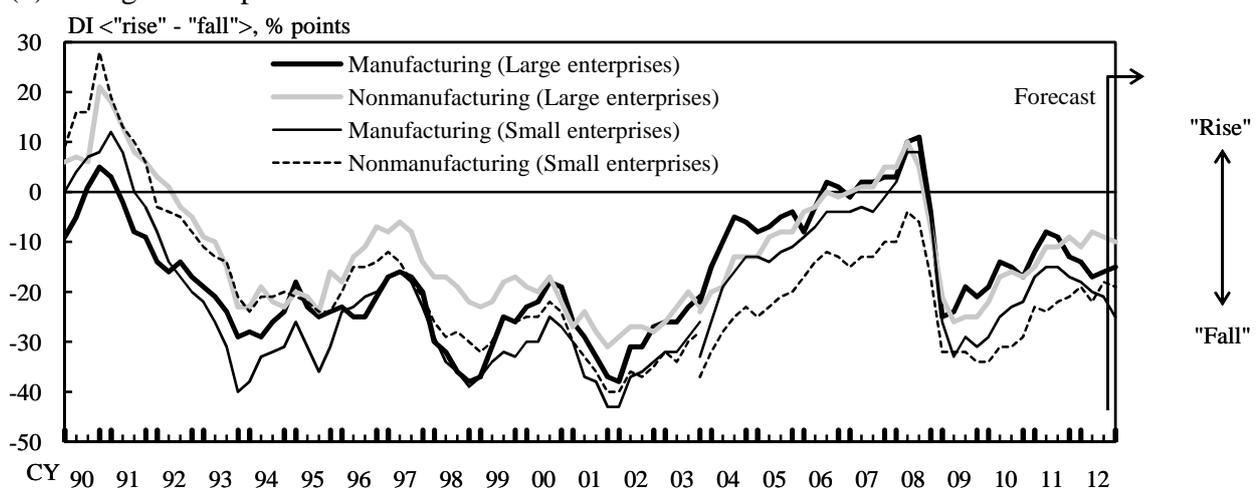
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Domestic Supply and Demand Conditions¹

(1) Domestic Supply and Demand Conditions for Products and Services

(2) *Tankan* Composite Indicator² (All Enterprises) and Output Gap³

(3) Change in Output Prices



Notes: 1. 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.

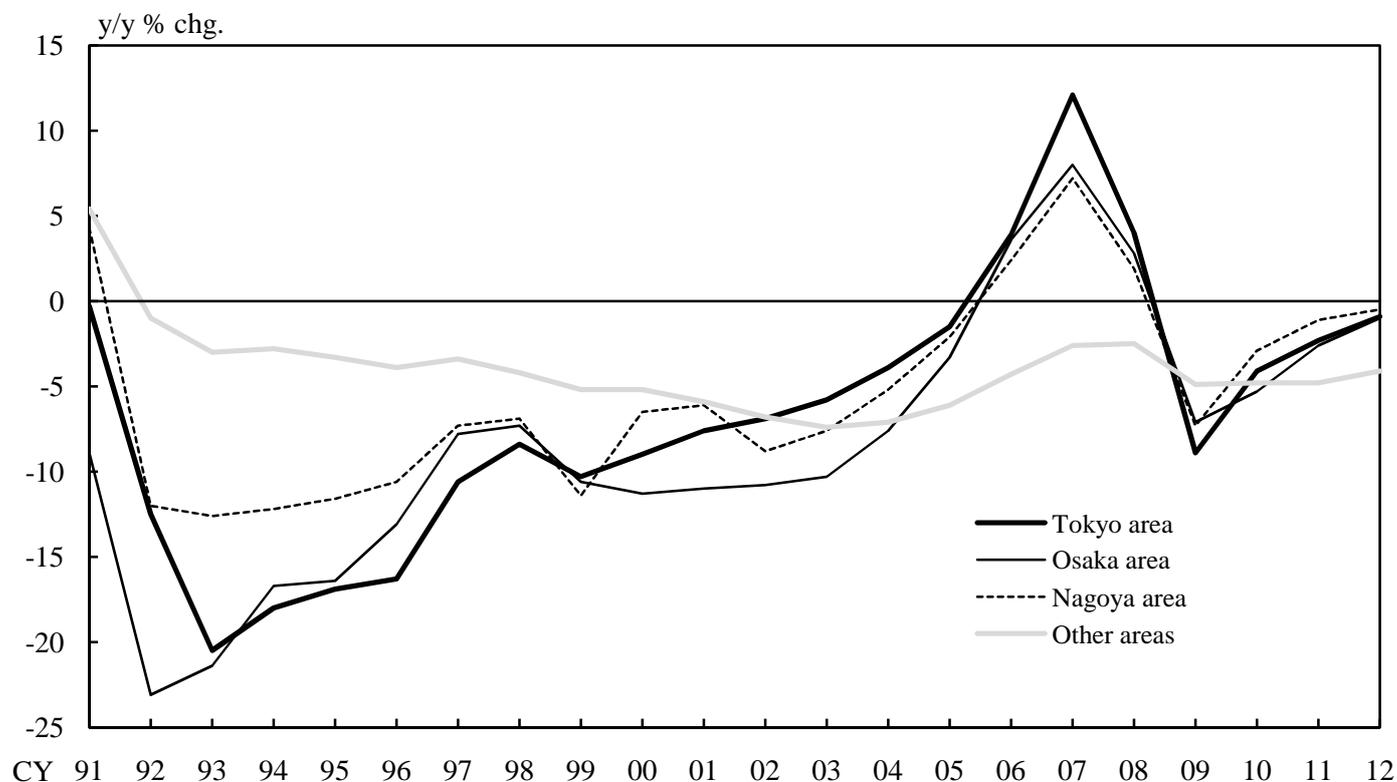
2. Figures are weighted averages of the production capacity DI and employment conditions DI. The FY 1990-2010 averages of capital and labor shares in the "National Accounts" are used as the weight.

3. The output gap is estimated by the Research and Statistics Department, Bank of Japan. Since the estimation of the output gap includes various errors, considerable latitude should be allowed for this estimation.

Sources: Cabinet Office, "National Accounts";
Bank of Japan, "*Tankan*, Short-Term Economic Survey of Enterprises in Japan," etc.

Land Prices

(1) Commercial Land



(2) Residential Land

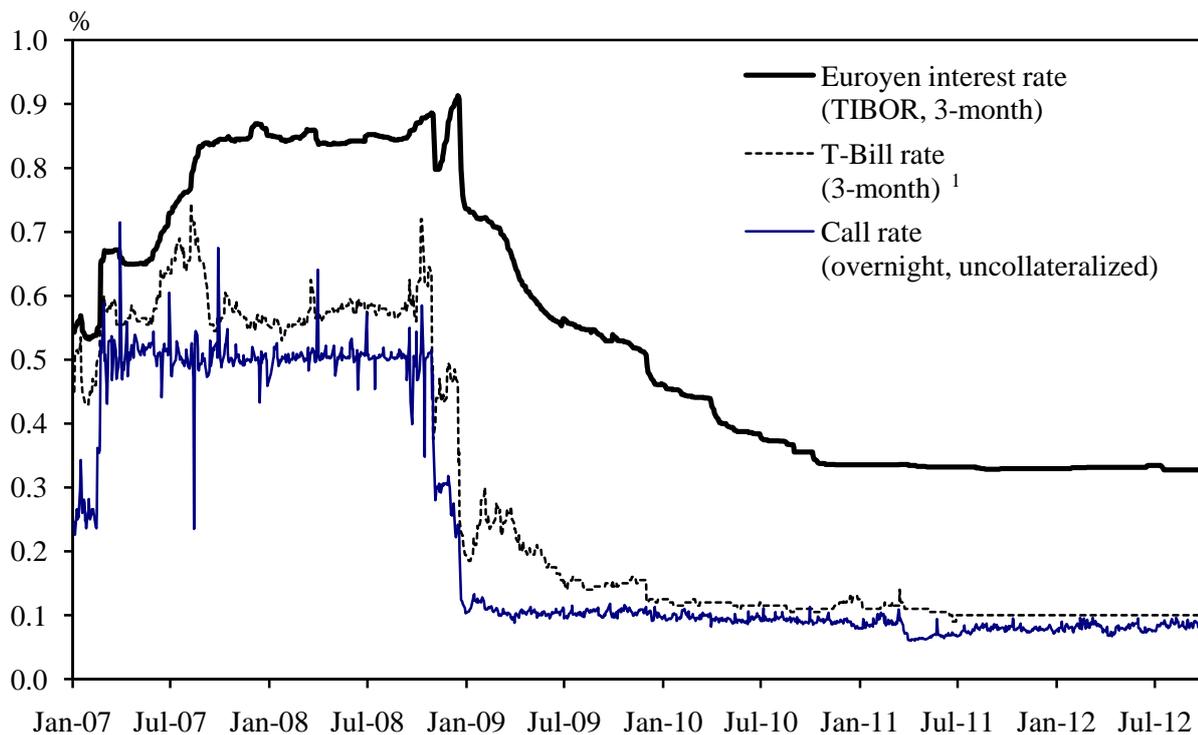


Note: "Land Price Survey by Prefectural Governments" shows land prices as of July 1.

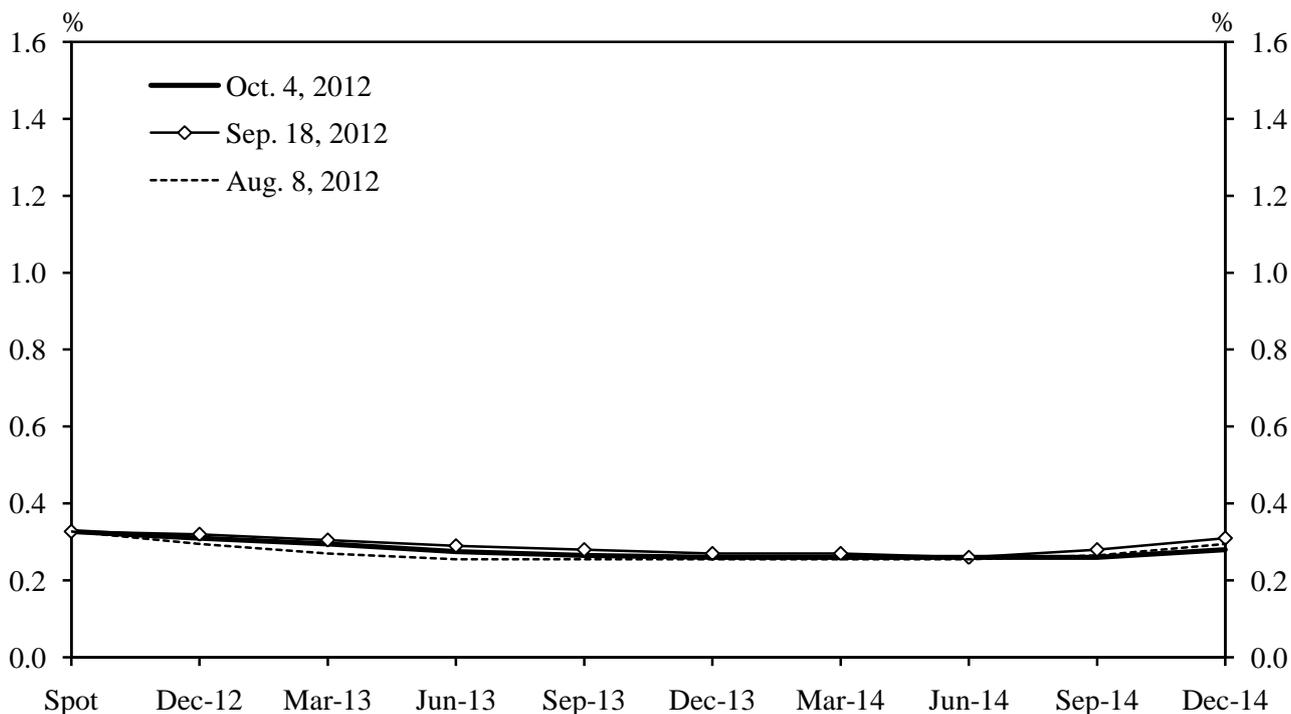
Source: Ministry of Land, Infrastructure, Transport and Tourism, "Land Price Survey by Prefectural Governments."

Short-Term Interest Rates

(1) Short-Term Interest Rates



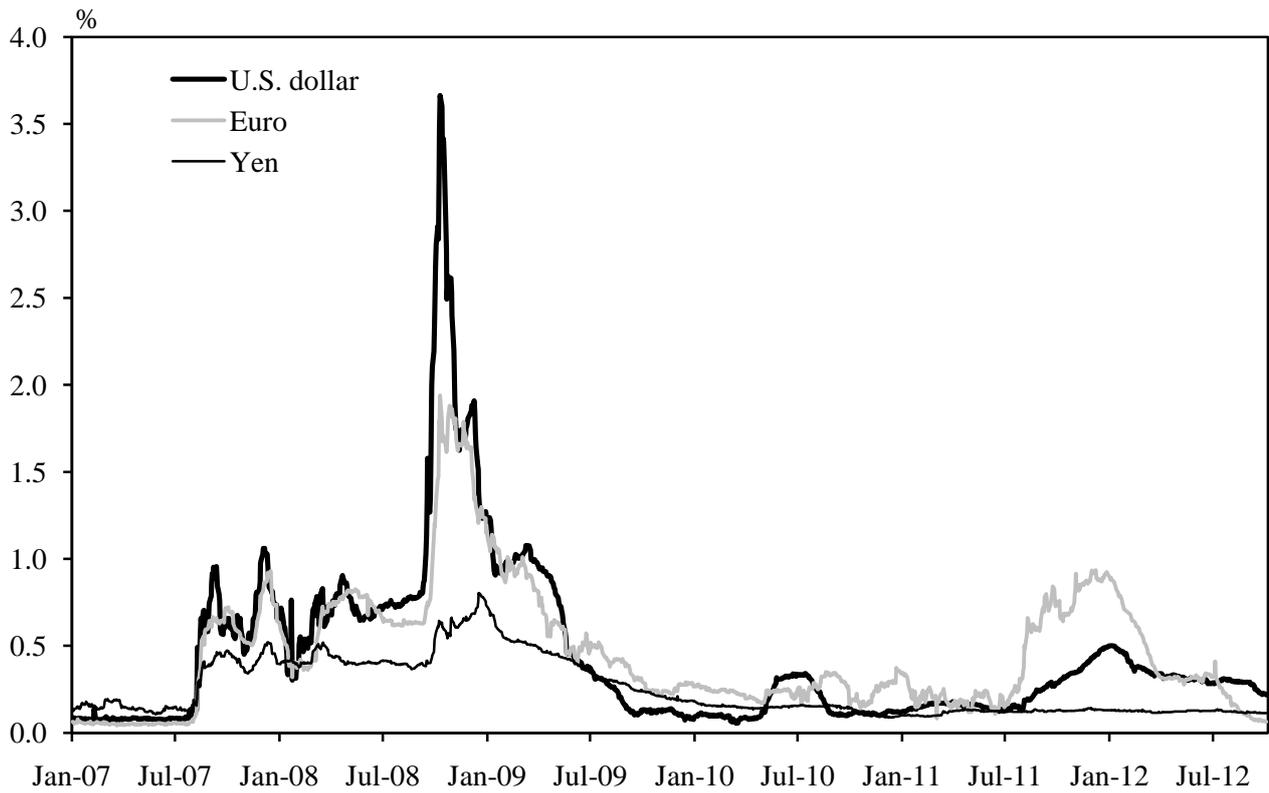
(2) Euroyen Interest Rate Futures (3-Month)



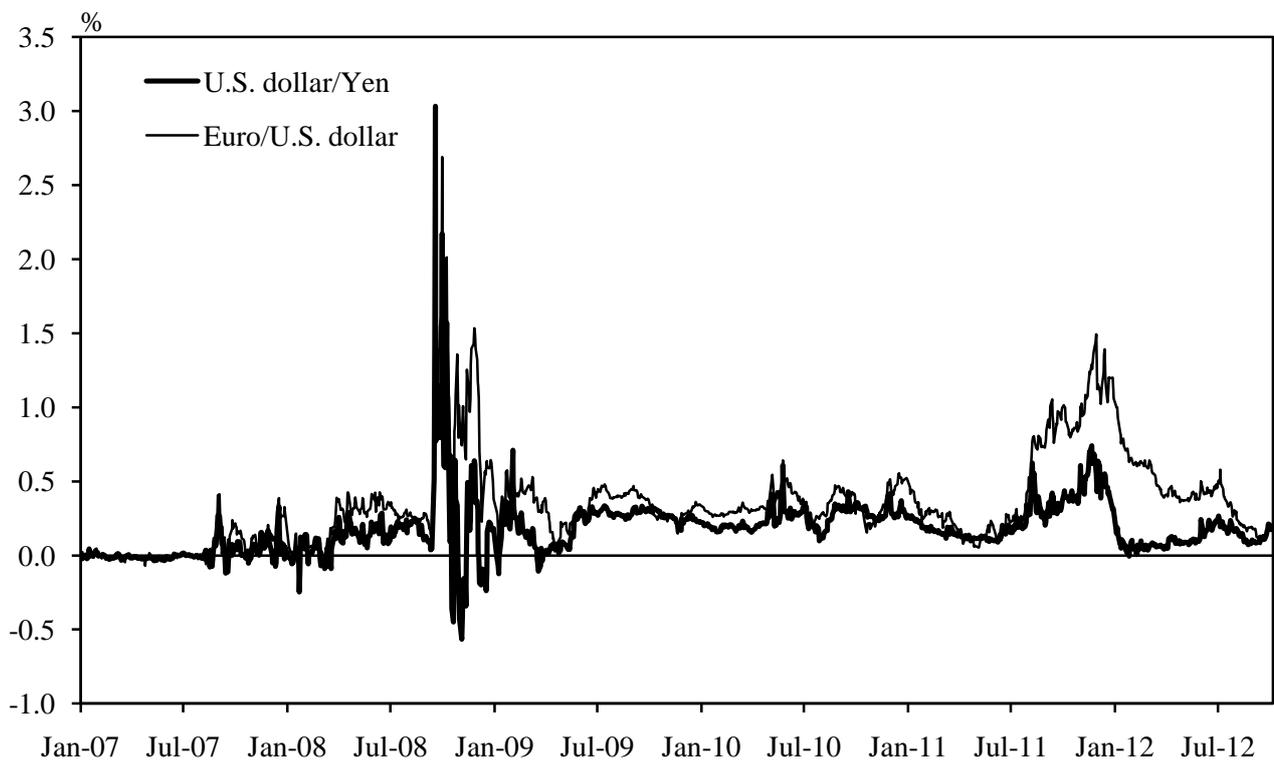
Note: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.
 Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.;
 Tokyo Financial Exchange; Bank of Japan.

Global Money Markets

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



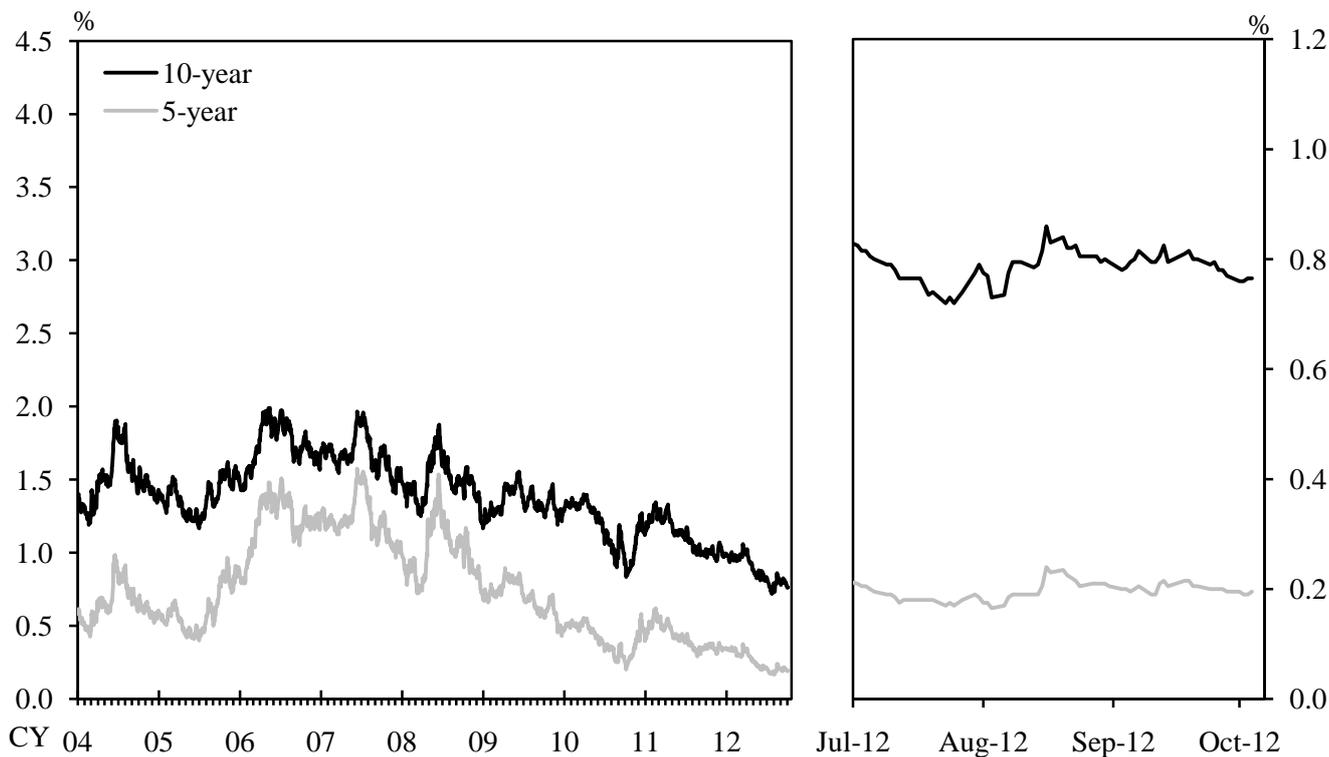
(2) FX swap implied dollar rate - LIBOR spreads (3-Month)



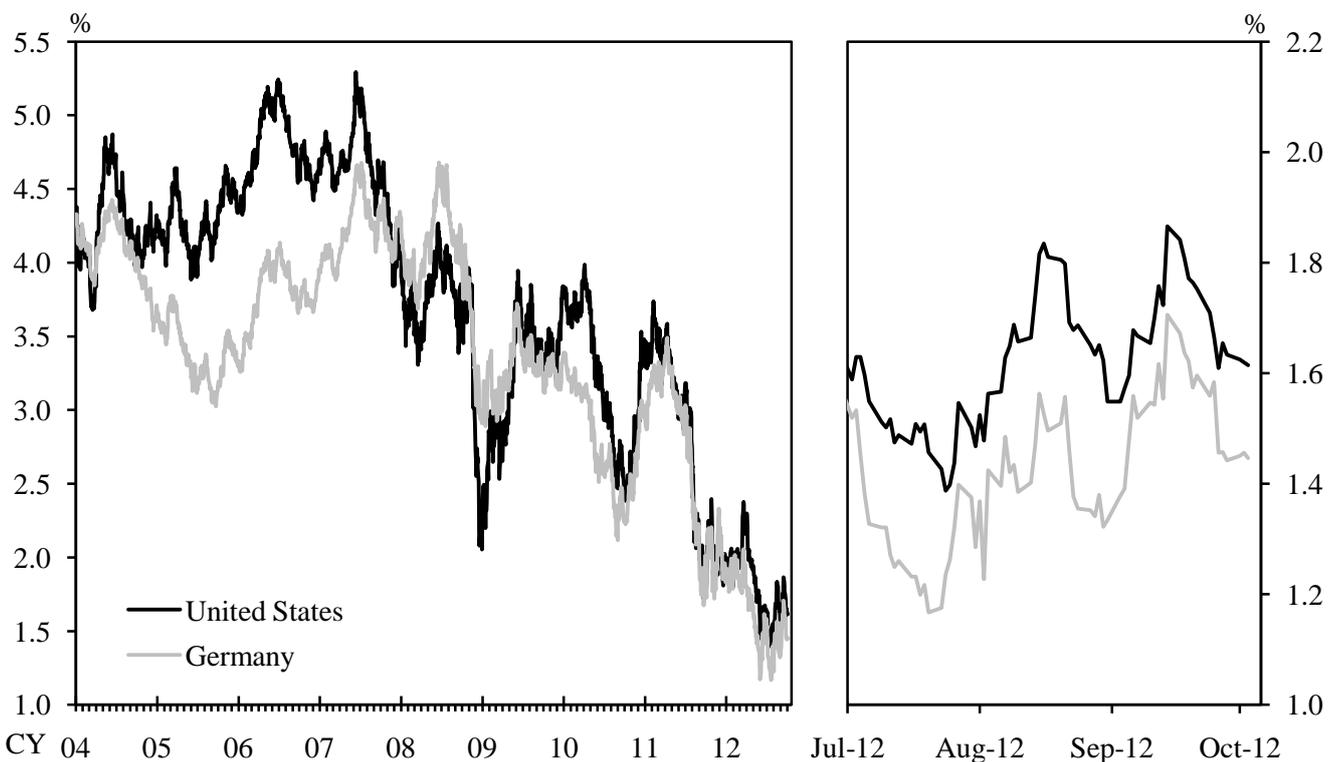
Source: Bloomberg.

Long-Term Interest Rates

(1) Japanese Government Bond Yields¹



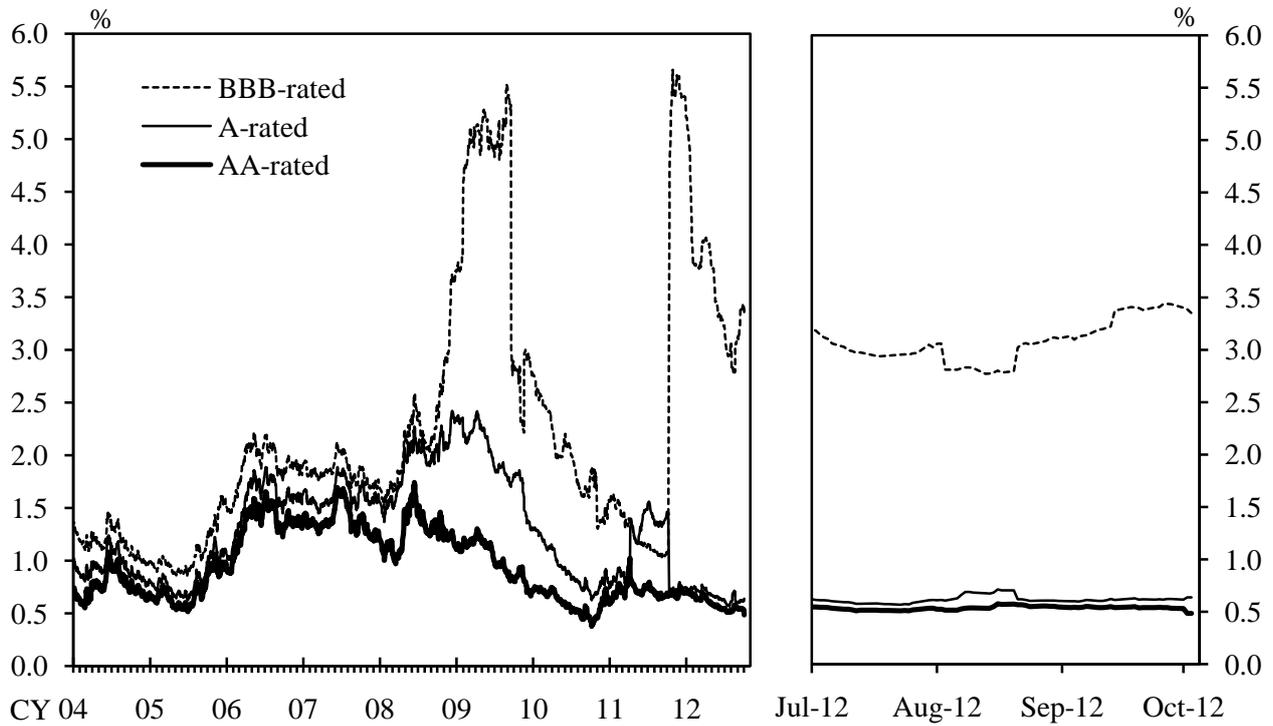
(2) Overseas Government Bond Yields (10-Year)



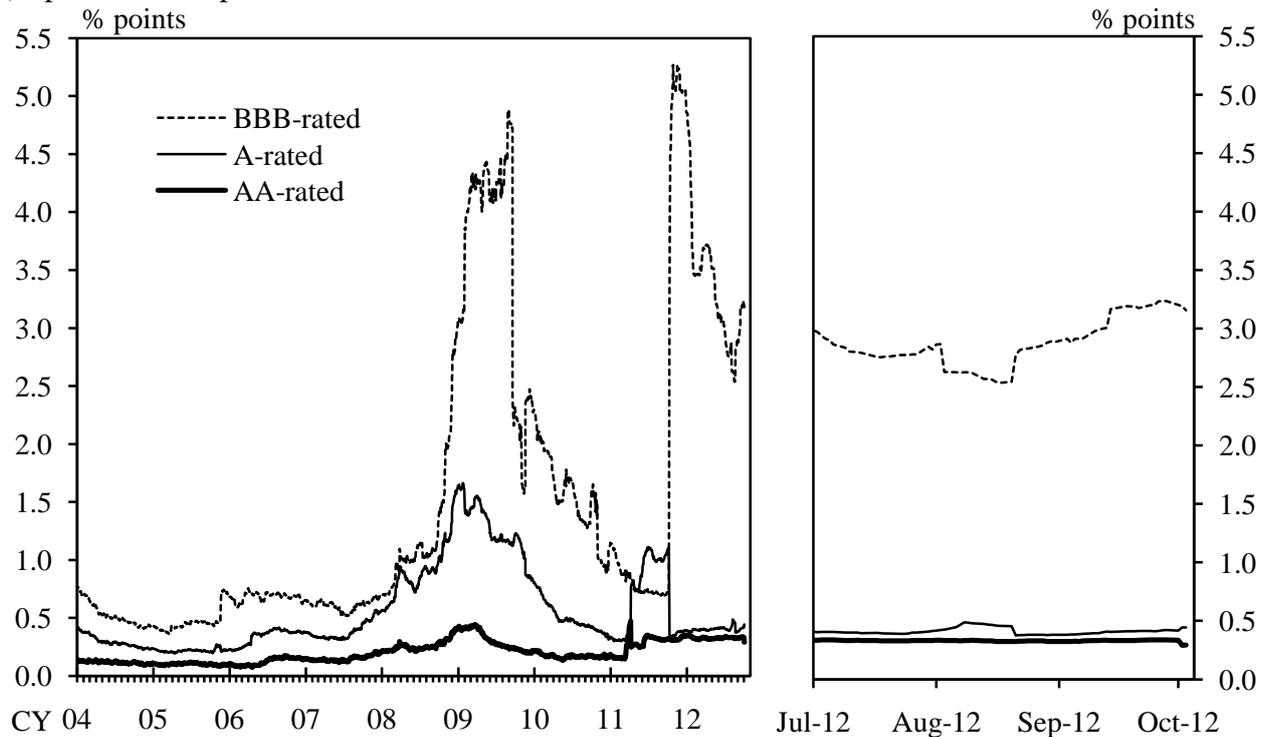
Note: 1. Yields on newly issued bonds.
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

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.

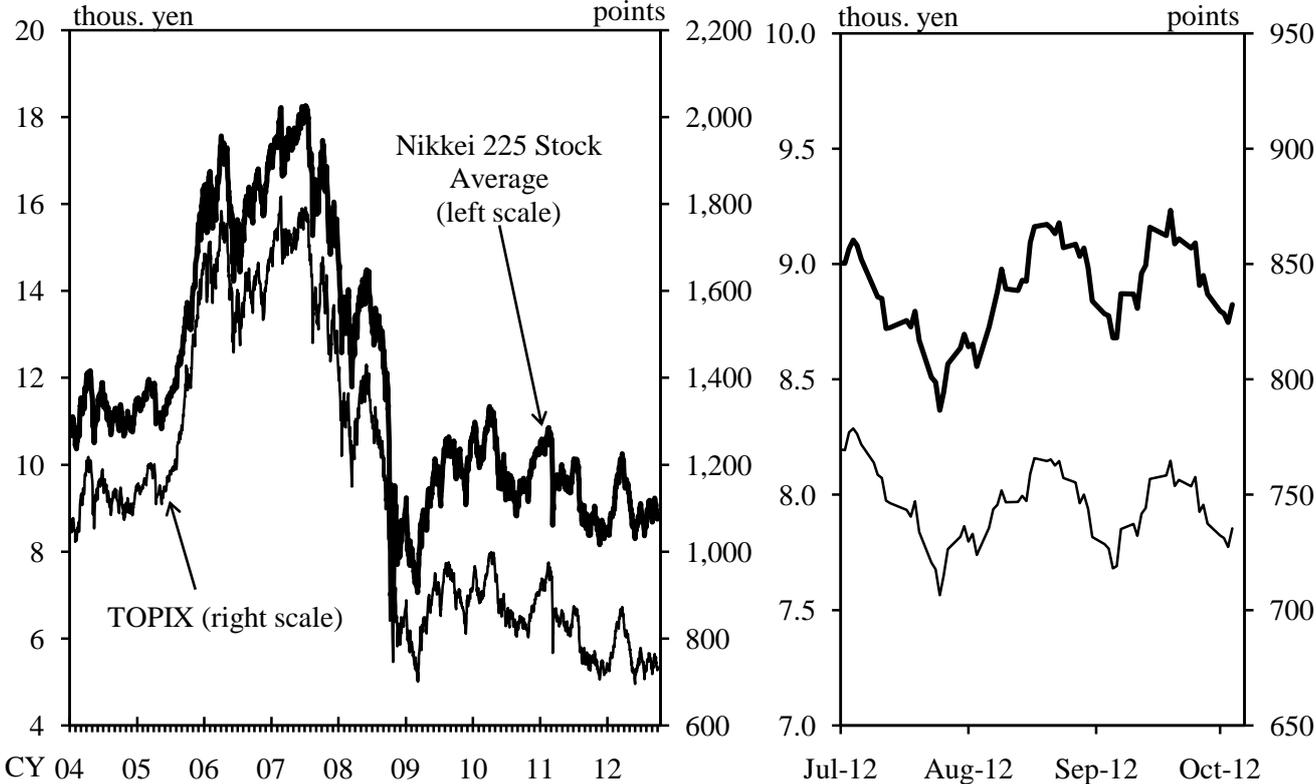
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.

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

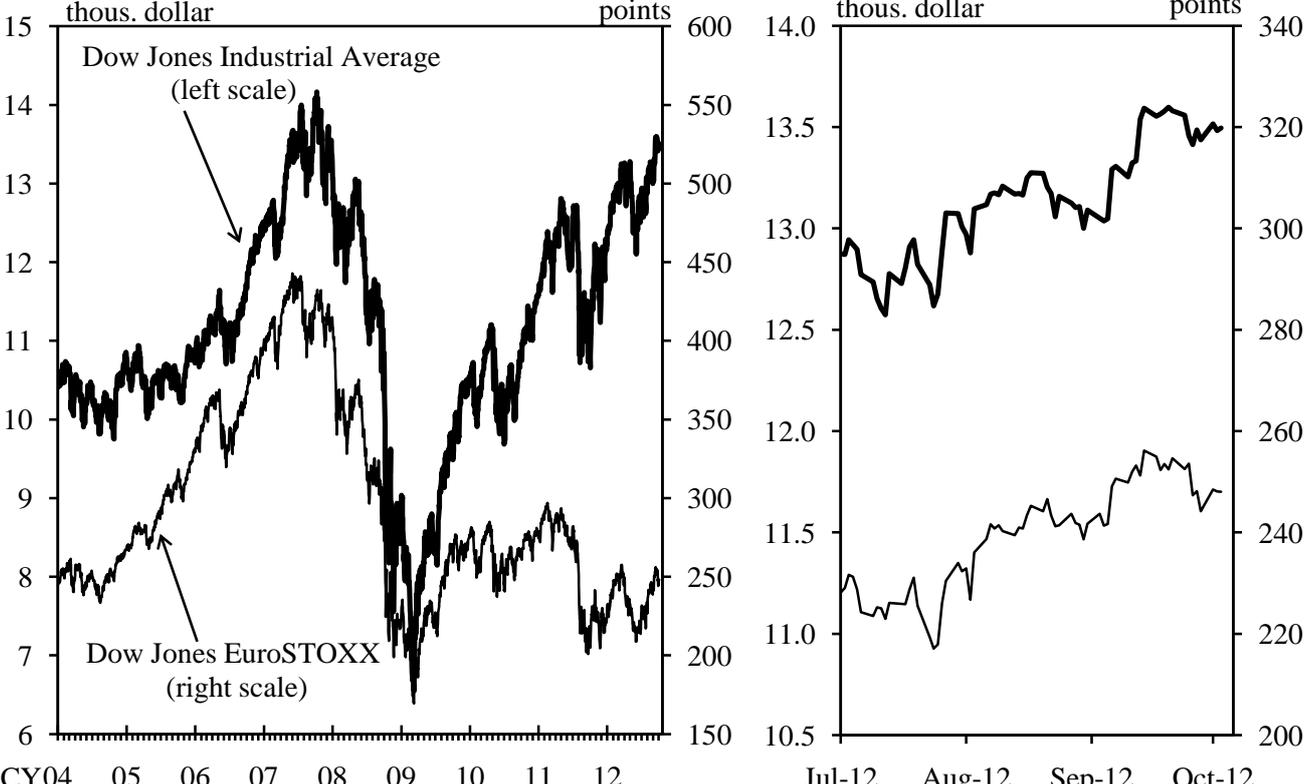
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Japanese Stock Prices



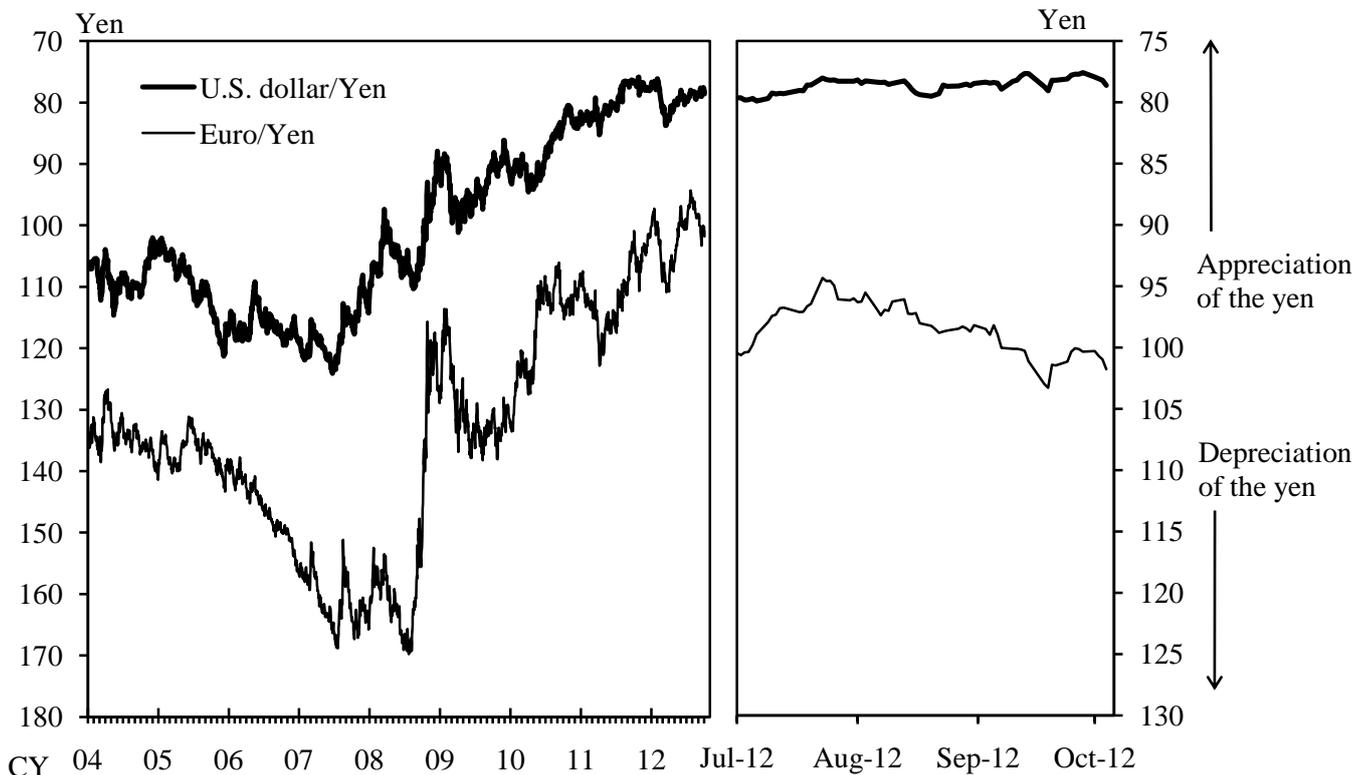
(2) Overseas Stock Prices



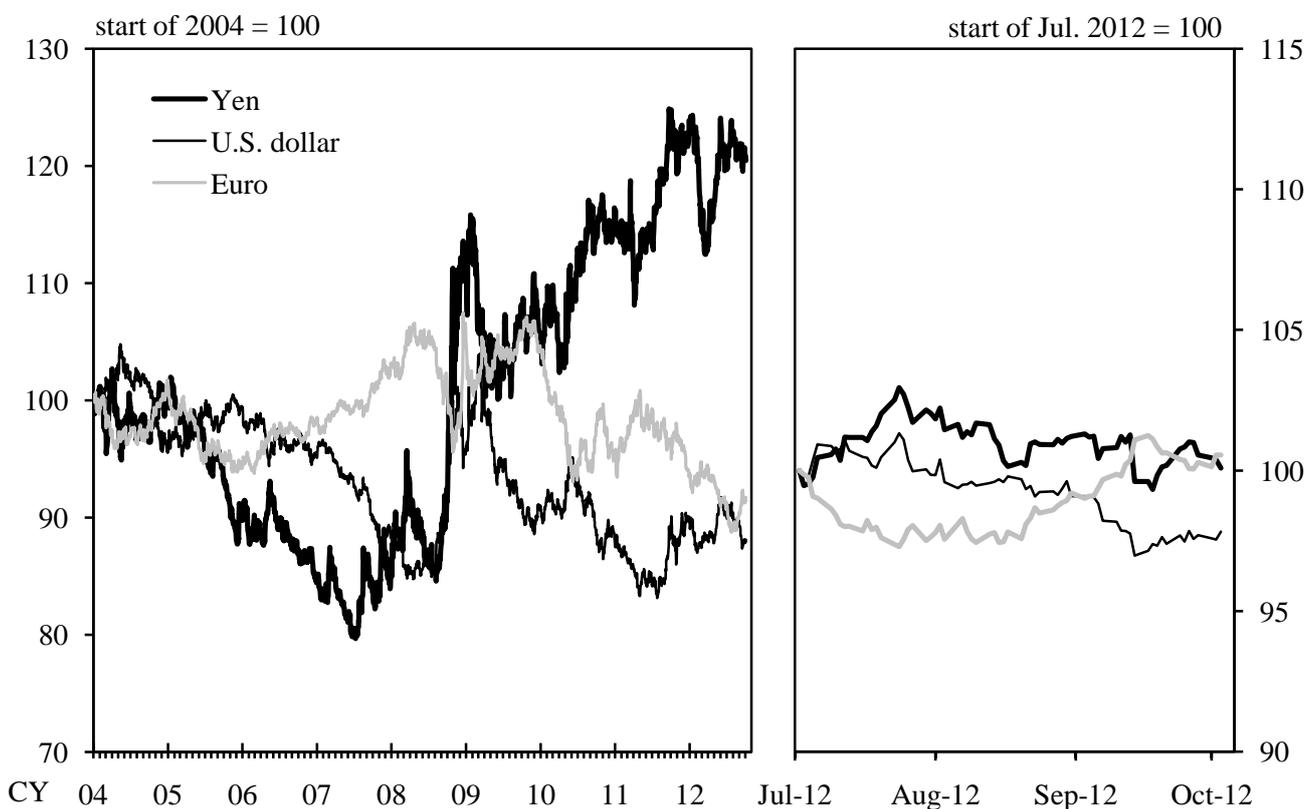
Sources: The *Nihon Keizai Shimbun* ; Tokyo Stock Exchange; Bloomberg.

Exchange Rates

(1) Bilateral Exchange Rates



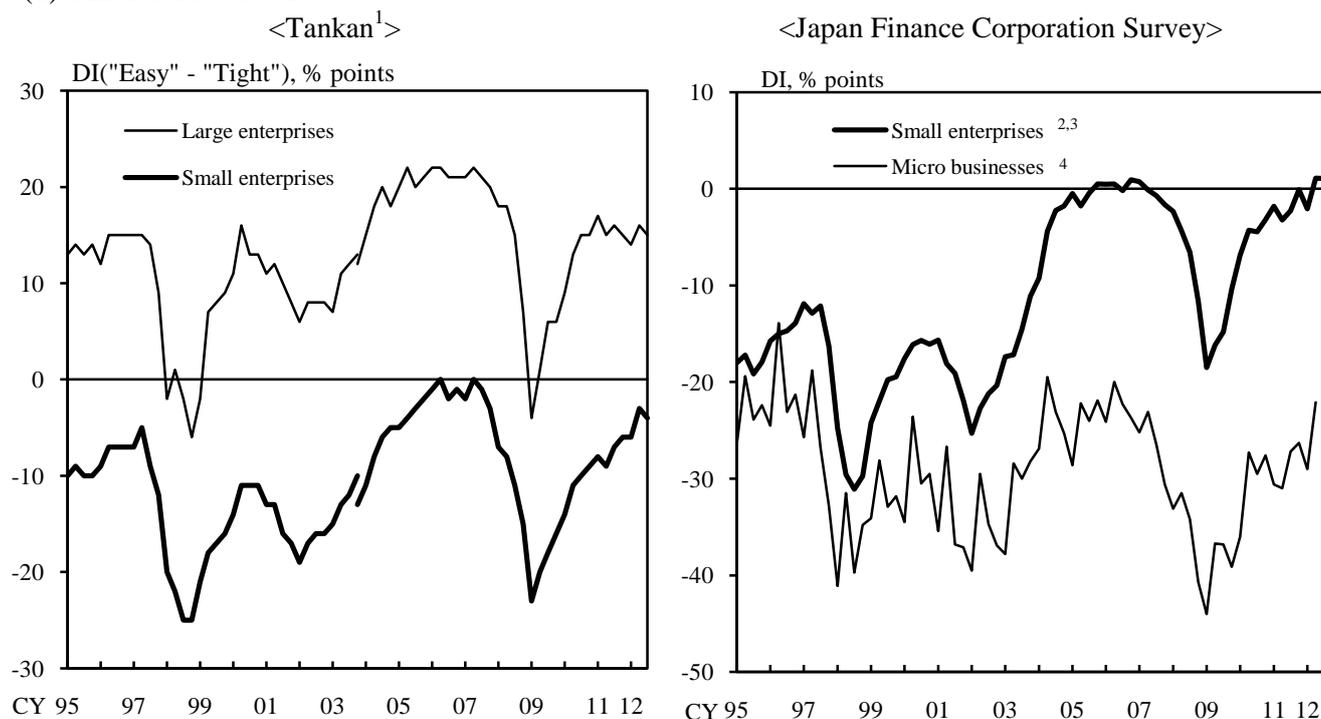
(2) Nominal Effective Exchange Rates



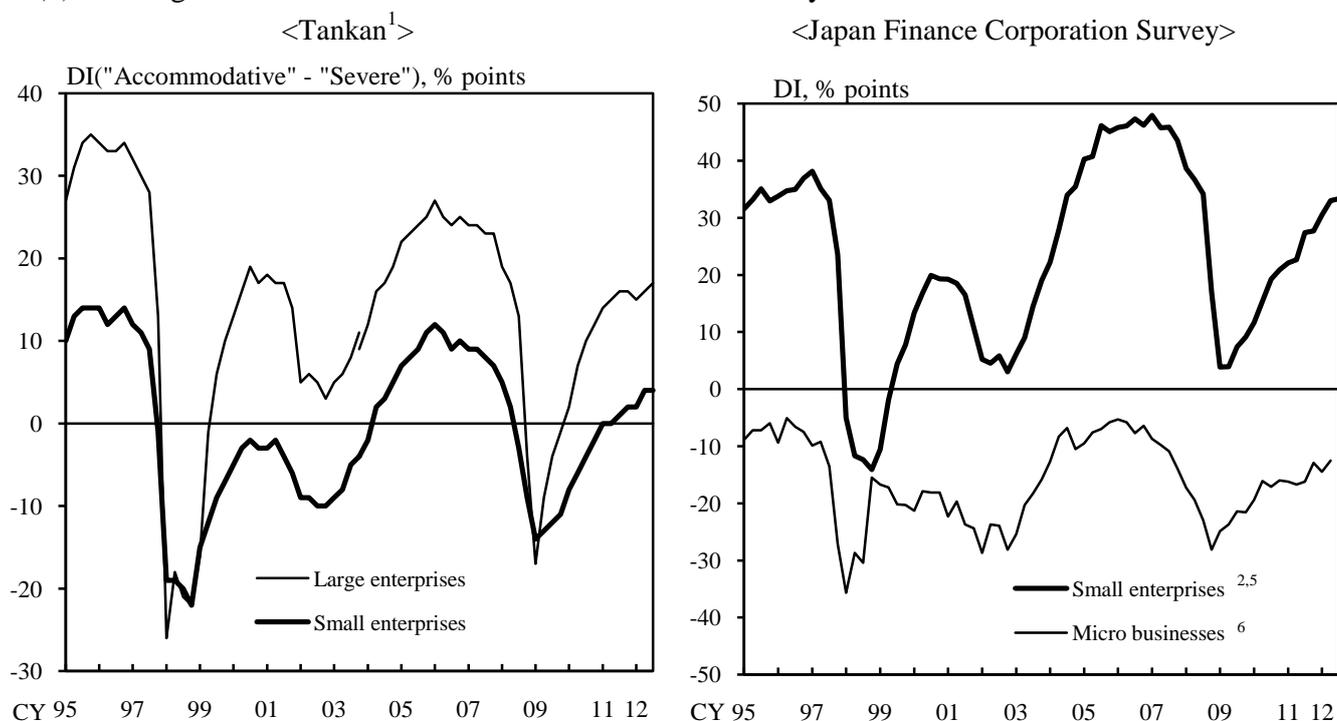
Sources: Bank of Japan; European Central Bank; Bloomberg.

Corporate Finance-Related Indicators

(1) Financial Position



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



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."

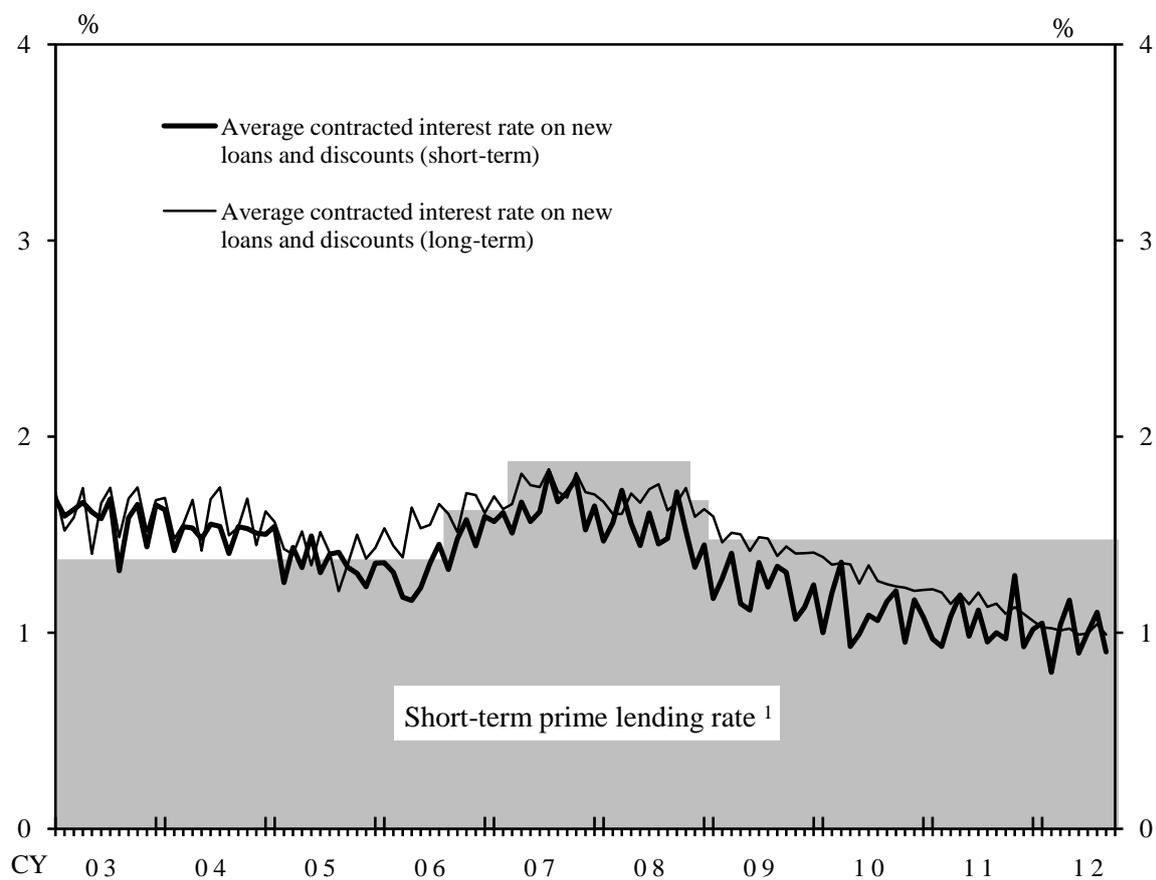
4. DI of "Easier" - "Tighter."

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

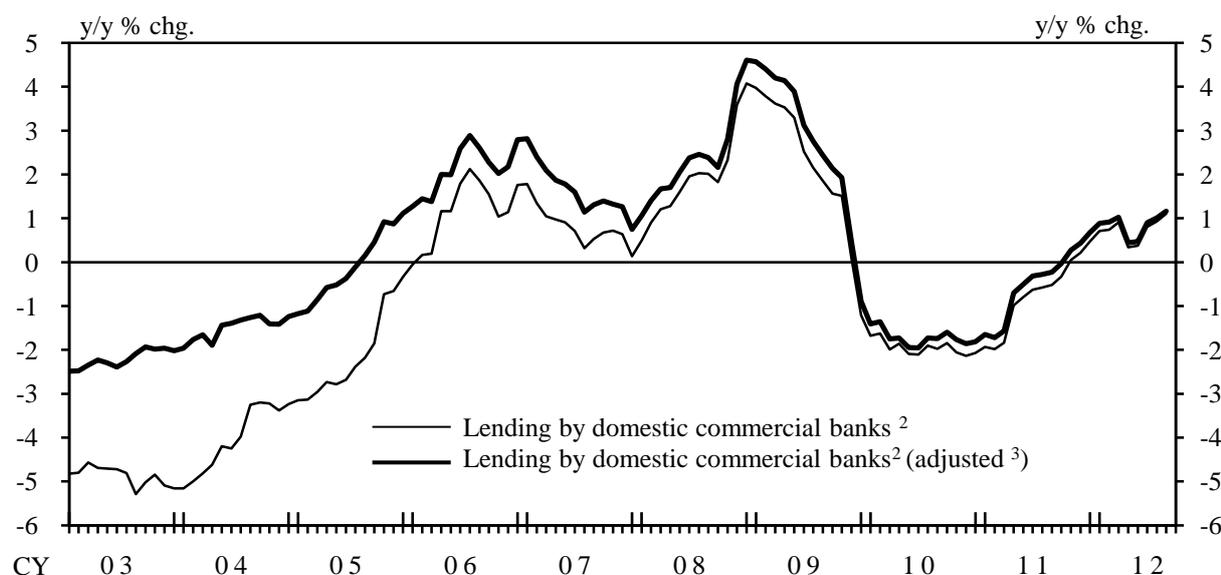


Note: 1. Data are at end of period.

Source: Bank of Japan.

Lending by Financial Institutions

(1) Lending by Domestic Commercial Banks¹



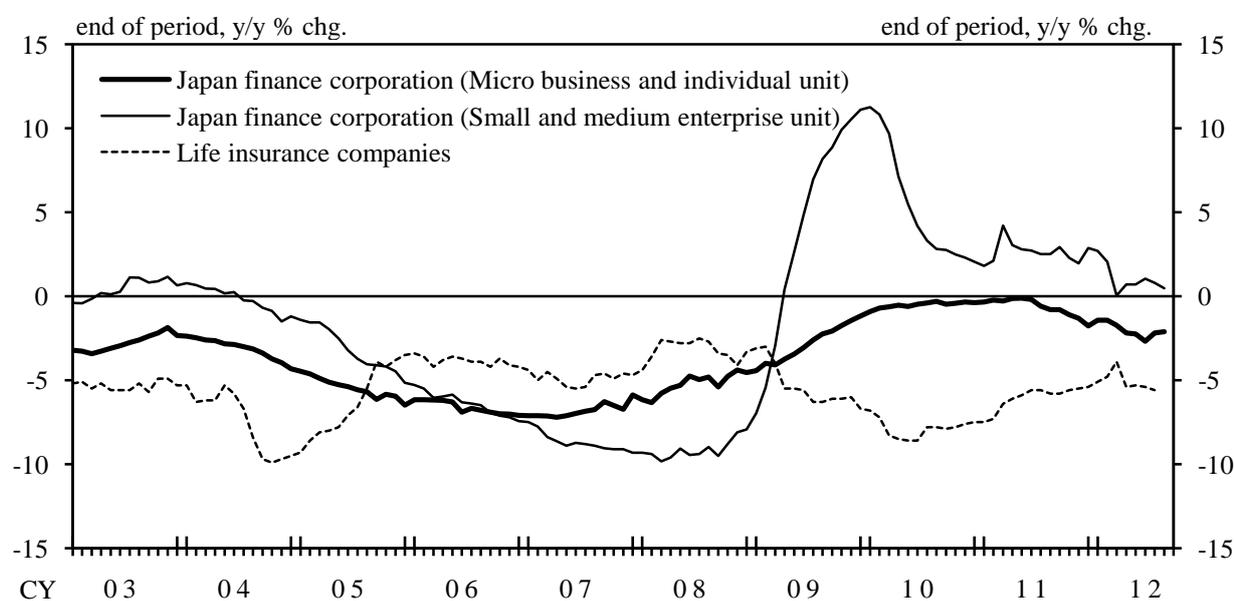
Notes: 1. Percent changes in average amounts outstanding from a year earlier.

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.

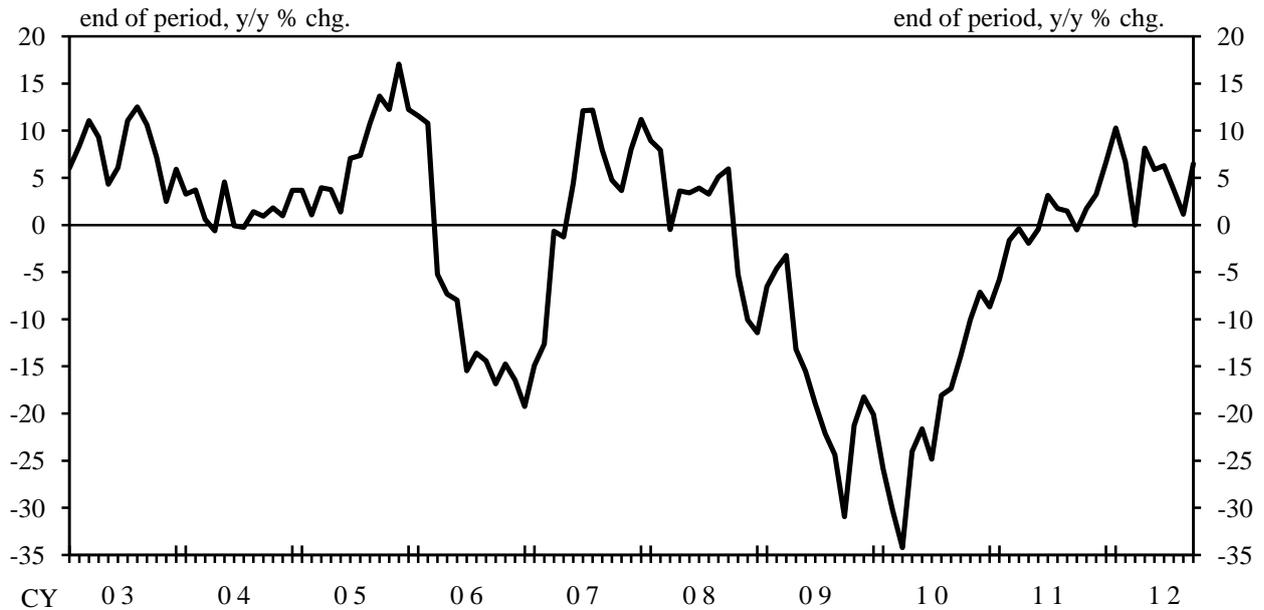
(2) Lending by Other Financial Institutions



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

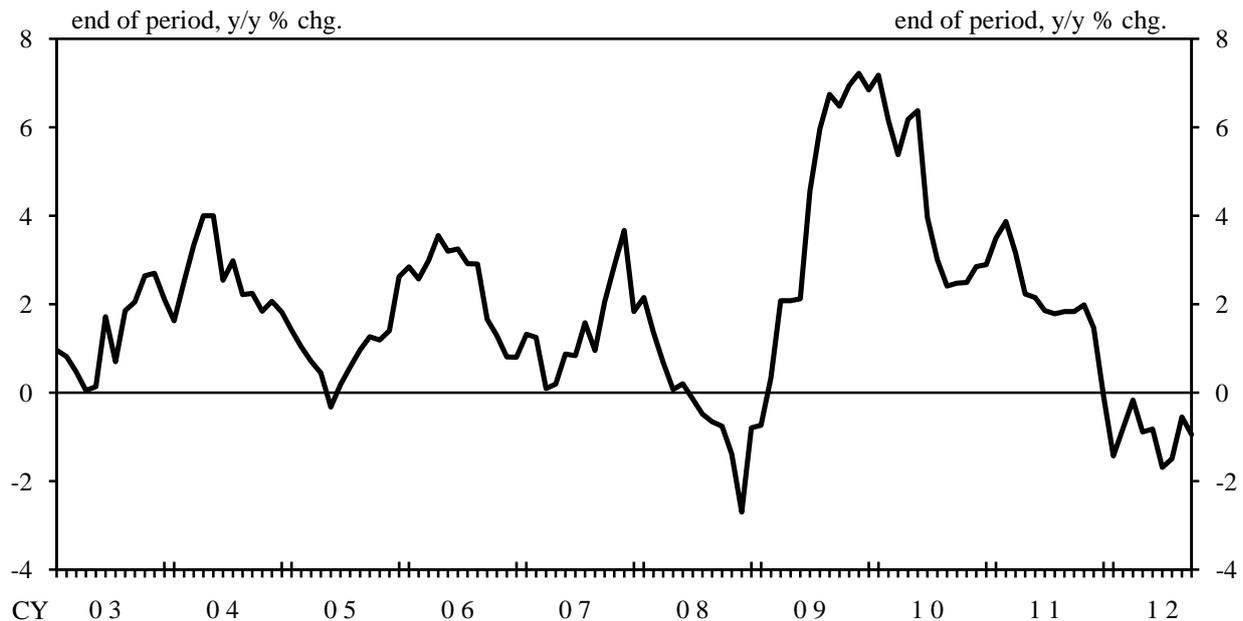
 Private-Sector Fund-Raising in the Capital Markets

(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



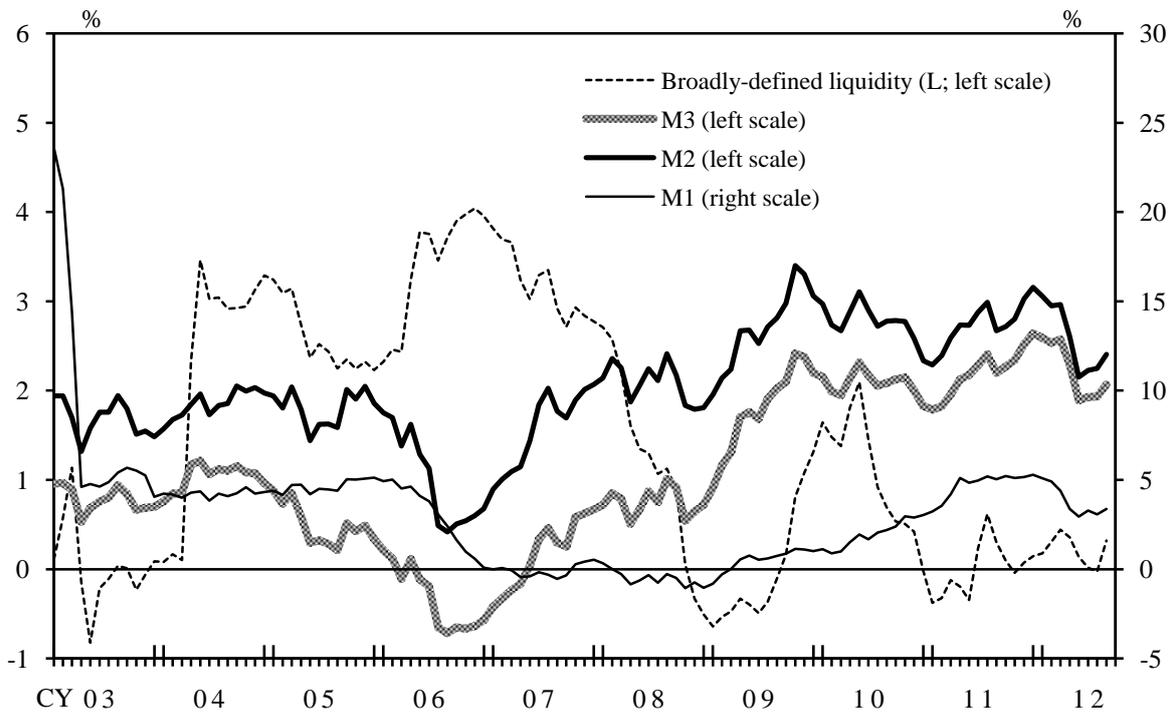
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

- (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.

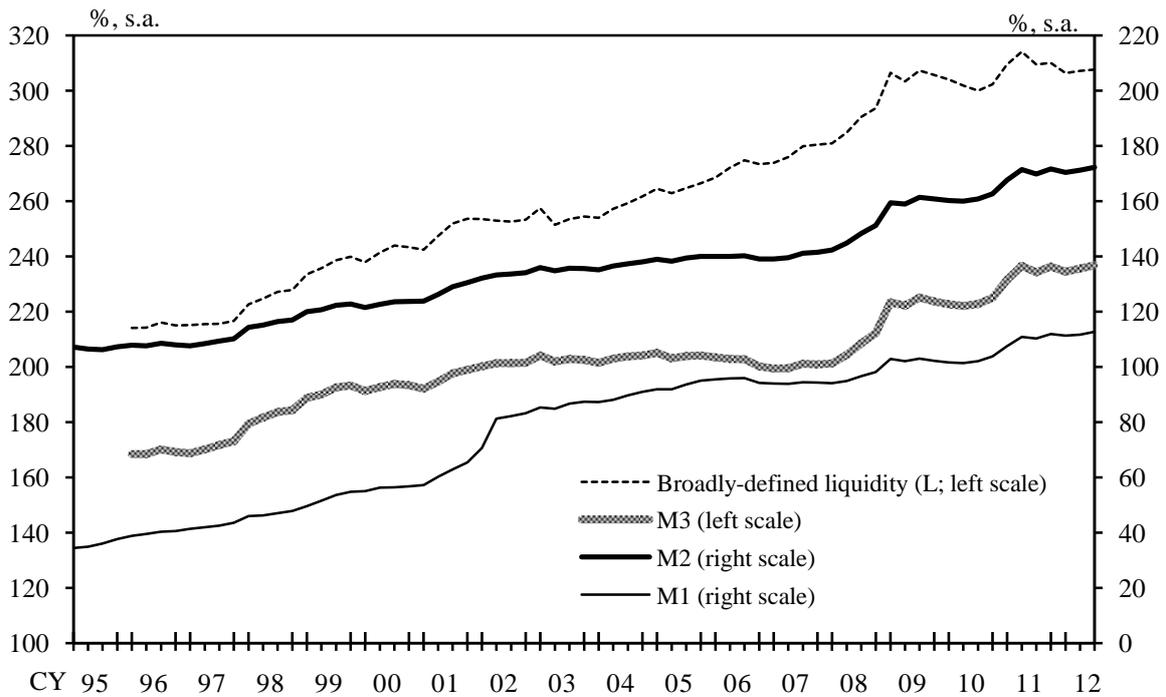
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category";
 Bank of Japan, "Principal Figures of Financial Institutions";
 Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts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

Money Stock

(1) Changes from a Year Earlier



(2) Ratio of Money Stock to Nominal GDP

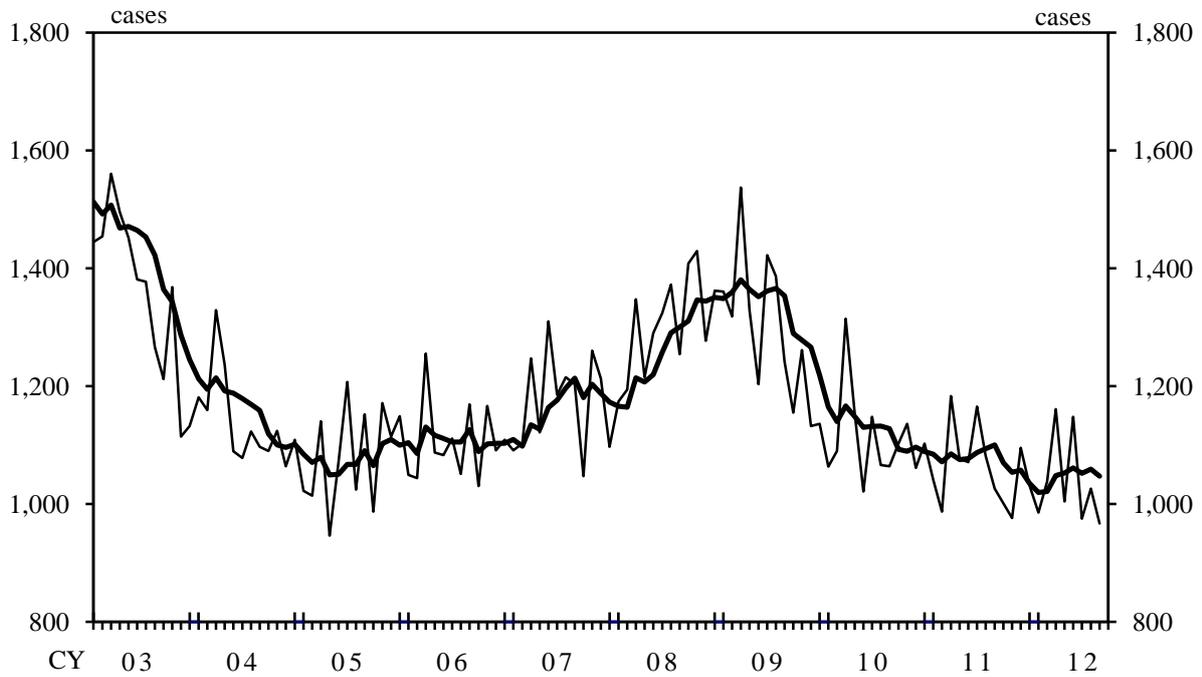


- Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.
- 2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.
- 3. The figures 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. Figures for money stock in 2012/Q3 are those of Jul.-Aug. averages, and nominal GDP in 2012/Q3 is assumed to be unchanged from the previous quarter.

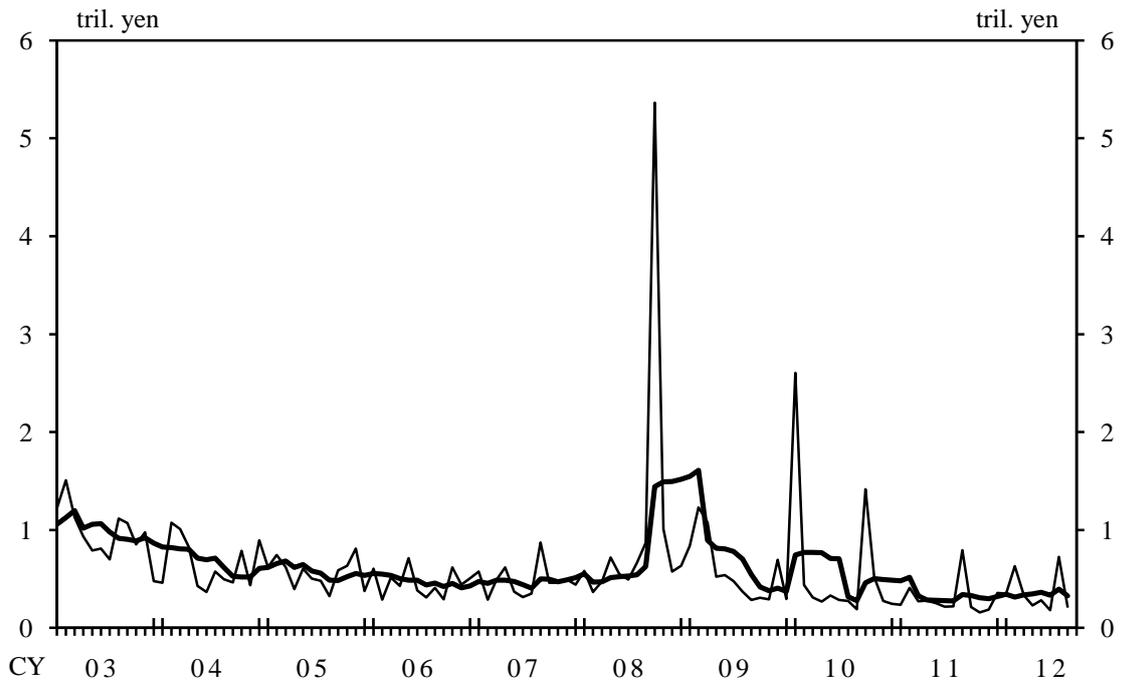
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

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)."