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Bank of Japan

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

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Summary

Japan's economy has added somewhat weak movement.

Exports and industrial production have decreased mainly due to the fact that overseas economies remain in a deceleration phase. As a result, business sentiment—particularly that in manufacturing—has become cautious. Business fixed investment has shown some weakness on the whole, although resilience has been observed in nonmanufacturing. Private consumption has remained resilient, despite lingering effects of the decline in car sales due to the ending of some measures to stimulate demand for automobiles. Meanwhile, public investment has continued to increase, and housing investment has generally been picking up.

With regard to the outlook, Japan's economy is expected to remain relatively weak for the time being, and thereafter, it will return to a moderate recovery path as domestic demand remains resilient on the whole and overseas economies gradually emerge from the deceleration phase.

Exports and industrial production are expected to decrease at a reduced pace for the time being and start picking up thereafter as overseas economies gradually emerge from the deceleration phase. As for domestic demand, public investment is expected to continue increasing for the time being, albeit at a slower pace, and housing investment to continue to generally pick up, mainly supported by reconstruction-related demand. Business fixed investment is projected to remain relatively weak for the time being, mainly in manufacturing, but to follow a moderate increasing trend thereafter, partly due to investment related to disaster prevention and energy. Private consumption is expected to remain resilient as a trend, with the effects of the decline in car sales likely to wane.

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on December 19 and 20, 2012.

Meanwhile, there remains a high degree of uncertainty about the global economy; 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 more or less flat. The year-on-year rate of change in consumer prices (all items less fresh food) is currently around 0 percent.

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

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. In the meantime, compared with last month, stock prices have risen, while the value of the yen against the U.S. dollar has fallen. Long-term interest rates have remained at more or less the same level as last month.

Financial conditions 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 change in the amount outstanding of bank lending has been positive. The year-on-year rate of decrease in the amount outstanding of corporate bonds has slowed. In contrast, the year-on-year rate of change in that of CP has turned 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 move up in October compared with the third quarter, after having risen markedly in the third quarter on quarter-on-quarter basis (Chart 5). The value of public works contracted—a measure that reflects public orders—was flat in the third quarter on a quarter-on-quarter basis, after having surged in the second quarter. It seems to have stopped increasing, having remained flat in October-November compared with the third quarter.

Public investment is expected to continue increasing for the time being, albeit at a slower pace.

Real exports have decreased (Charts 6[1] and 7). Real exports continued to decline in October-November relative to the third quarter, after having registered a large quarter-on-quarter decrease in the third quarter. On a monthly basis, they rose, albeit very marginally, in November for the first time in seven months. Looking at exports in October-November relative to the third quarter by region (Chart 7[1]), exports to the United States continued to decline as a whole, mainly since those of capital goods and parts recorded a decrease, although motor vehicles and their related goods resumed their increase, assisted by favorable sales in the United States, after having dipped in the third quarter largely because the effects of upward pressure—assisted mainly by restocking—waned. Exports to the EU continued to decrease markedly since the fourth quarter last year. Exports to East Asia were relatively weak; those to China in particular fell significantly, chiefly in motor vehicles and their related goods, as a reflection of the bilateral relationship between Japan and China. Meanwhile, exports to Others also continued to be relatively weak. By goods (Chart 7[2]), exports of IT-related goods increased, albeit marginally, notably in parts exported to East Asia for new products of smartphones. On the other hand, exports of motor vehicles and their related goods extended their decline for the third straight quarter on the whole, since those to China decreased sharply, although exports to the United States resumed their increase. Exports of capital goods and parts also continued to decline to a wide range of regions. Exports

of intermediate goods (chemicals; iron and steel products), mainly to East Asia, came down; those of consumer goods (digital cameras) also fell significantly, particularly to the EU and the United States.

Real imports have recently stopped trending upward (Charts 6[1] and 9). Real imports—which had trended upward through the third quarter, albeit with fluctuations—fell sharply in October-November relative to the third quarter. Looking at movements in imports by goods (Chart 9[2]), those of raw materials fell back sharply in October-November compared with the third quarter, mainly from the upsurge in September which was caused by a rush in demand prior to the introduction of the Carbon Tax. Imports of intermediate goods and those of capital goods and parts fell in October-November alike compared with the third quarter, against the backdrop of the decline in domestic industrial production as well as relatively weak business fixed investment particularly in manufacturing. Meanwhile, imports of IT-related goods continued to trend upward, chiefly in smartphones.

Net exports—in terms of the real trade balance—have decreased as a reflection of the aforementioned developments in exports and imports (Chart 6[1]). The nominal goods and services balance somewhat reduced its deficit in October relative to the third quarter, after having expanded through the third quarter (Chart 6[2] and [3]). Added to this, with the income balance surplus having continued to expand, the current account surplus expanded in October compared with the third quarter, after having reduced its surplus through the third quarter.

Regarding the environment surrounding exports, overseas economies have remained in 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. As for the Chinese economy, the deceleration has remained noticeable, since exports to Europe (which comprise a large weight) have remained depressed and also since inventory adjustment pressures have influenced a wide range of sectors, including raw materials and construction machinery. Recently, however, the effects of economic stimulus measures appear to have surfaced gradually, with increases in infrastructure investment; on top of this, some indicators reveal that manufacturing—which has long

been under adjustment—seems to be bottoming out. The pick-up in the NIEs and ASEAN economies has moderated, notably in the corporate sector, affected by the receding European economy and the slowdown in the Chinese economy. Meanwhile, the U.S. economy has been on a moderate recovery trend as a whole, with a mild increase in private consumption in the household sector as well as an ongoing pick-up in housing investment, while the corporate sector has been relatively weak. As for the exchange rate, the yen has recently depreciated against both the U.S. dollar and euro; similar movements were also observed in the real effective exchange rate (Chart 8[1]).

Overseas economies are expected to remain in a deceleration phase for the time being and then to gradually emerge from the deceleration phase and start a moderate recovery. A high degree of uncertainty does remain, however, such as about the timing of when overseas economies will head for recovery; attention should also be paid to financial and foreign exchange market developments.² As to the European debt problem, concern over the so-called tail risk of global financial market turmoil—due to anxiety about the financial system—causing a significant economic downturn has waned somewhat. With the ongoing sluggishness in the European economy, however, there is still a high risk that the global economy will decelerate for an extended period through channels of trade, financial markets, and worsening business sentiment. As for the Chinese economy, the loose supply and demand conditions may prevail mainly because the supply of raw materials and other goods seems to have exceeded demand as a result of increased business fixed investment, while it has started to show signs of emerging from its deceleration phase. In the U.S. economy, there is a high degree of uncertainty regarding the outlook for fiscal policies, although balance sheet adjustments by households have started to move gradually forward. In relation to this, as for the IT-related sector, in line with the introduction of new products of final demand goods as well as the progress in inventory adjustments, shipments of related parts by Japanese manufacturers have facilitated the increase in exports of IT-related goods. Final demand of this sector as

² The December *Tankan* showed that the overseas supply and demand conditions for products DI of large manufacturing firms deteriorated in December following that in September, with the "net excess supply" having expanded. The DI is projected to improve marginally for the outlook, but since this was also the case with the September *Tankan*, attention should be paid to the actual outcome of this projection.

a whole, however, has yet to show noticeable improvement, and thus future developments, including those in conventional products such as PCs, continue to require close monitoring. Meanwhile, in terms of the bilateral relationship between Japan and China, both automobile-related exports to China as well as the number of Chinese visitors to Japan declined sharply, and it is expected to undermine Japan's economy for the time being. Based on anecdotes from firms and other information, however, these factors seem to be easing gradually, although they still remain significant.

Taking the above into consideration, exports are expected to decrease at a reduced pace for the time being and start picking up thereafter as overseas economies gradually emerge from the deceleration phase. Imports are projected to show some weakness for the time being, affected partly by the decrease in industrial production. After that, they are projected to trend moderately upward along with the pick-up in industrial production, against the backdrop of resilient domestic demand on the whole. As a reflection of these developments in exports and imports, net exports are projected to be more or less flat for the time being and then gradually resume their moderate uptrend.

Business fixed investment has shown some weakness on the whole, although resilience has been observed in nonmanufacturing. According to the *Financial Statements Statistics of Corporations by Industry, Quarterly*, business fixed investment in nominal terms (Chart 10[1]) surged in the fourth quarter last year, notably in nonmanufacturing, but has turned downward since the first quarter on a quarter-on-quarter basis and continued to do so in the third quarter. By industry and company size (Chart 11), in manufacturing, since the third quarter last year, business fixed investment by large firms had risen for three consecutive quarters, but moved down for two quarters in a row; investment by medium-sized and small firms had increased for four quarters in a row, but declined in the third quarter. Business fixed investment by nonmanufacturing had registered a remarkable increase in the fourth quarter last year, but then fell for three quarters in a row. The aggregate supply of capital goods—a coincident indicator of machinery investment—continued to move downward in October relative to the third quarter following a sharp decline in the third quarter on a quarter-on-quarter basis, after having increased in the second

quarter (Chart 12[1]). As for leading indicators, machinery orders (private sector, excluding orders for ships and those from electric power companies)—a leading indicator of machinery investment—have continued to decline moderately since the second quarter (Chart 13[1]). By industry, machinery orders of manufacturing came down markedly in October compared with the third quarter, following the decline in the second and third quarters on a quarter-on-quarter basis. Meanwhile, those of nonmanufacturing (excluding orders for ships and those from electric power companies) registered a relatively large increase in October relative to the third quarter, after having been more or less level in the second and third quarters on a quarter-on-quarter basis. Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—fell back marginally in October compared with the third quarter, after having increased for three consecutive quarters through the third quarter (Chart 13[2]). By industry, construction starts of mining and manufacturing were almost flat in the third quarter, after having fallen back in the second quarter from the upsurge in the first quarter, but declined significantly in October relative to the third quarter. Those of nonmanufacturing kept rising in October compared with the third quarter, following the quarter-on-quarter increase in the second and third quarters.

Regarding the environment surrounding business fixed investment, corporate profits have continued to show firmness on the whole, notably in domestic demand-oriented sectors, although the deceleration in overseas economies has started to affect manufacturing lately. According to the *Financial Statements Statistics of Corporations by Industry, Quarterly* (Chart 10[2]), the ratio of current profit to sales was flat, at high levels, in the third quarter. By industry and company size, the ratio has been relatively weak for large manufacturing firms; that for medium-sized and small manufacturing firms has recently inched down, although it has been relatively steady. As for nonmanufacturing, the ratio for large firms—excluding production, transmission and distribution of electricity—improved further and recorded a historical high; that for medium-sized and small firms also maintained a high level, despite having fallen back slightly of late. Meanwhile, business sentiment—particularly that in manufacturing—has become cautious. The business conditions DI for all industries and enterprises in the December *Tankan*, which has been in negative territory, expanded its rate of deterioration for the second straight

term. By industry and company size (Chart 15), as for large manufacturing firms, the DI for motor vehicles turned negative against the background of the ending of subsidies for purchasing energy-efficient cars and of the bilateral relationship between Japan and China, and that for electrical machinery also continued to be weak, while that for processed metals improved, assisted by the rise in construction investment. Mainly as a reflection of anemic overseas demand, including that from China, industries related to business equipment machinery, such as production machinery as well as basic materials industries including pulp & paper, saw their DIs deteriorate. In terms of small manufacturing firms, although the DI for industries associated with construction investment such as lumber & wood products and ceramics, stone & clay improved, deterioration reached a broader array of industries, which is a picture similar to that of large firms. The DI for large nonmanufacturing firms has become slightly cautious as a whole: industries such as real estate saw an improvement, aided by developments in the housing market; on the other hand, industries including wholesaling and transport & postal activities faced a slight worsening due to the weakness in manufacturing, and those in services for individuals (travel services) and accommodations, eating & drinking services were also somewhat sluggish, affected in part by the bilateral relationship between Japan and China. The DI for small nonmanufacturing firms has also become slightly more cautious overall, with weakness encompassing more industries, including those with ties to private consumption such as retailing (car dealers), despite the improvement in construction and other industries. In light of resilient domestic demand on the whole, however, nonmanufacturing has held steady compared with manufacturing.

Corporate profits are projected to continue a mild improving trend on the whole, supported by resilient domestic demand, albeit impacted at times mainly by the deceleration in overseas economies. According to the business plans of firms in the December *Tankan*, current profits (all industries and enterprises) in fiscal 2012 posted a year-on-year decline of 1.1 percent, a downward revision from positive 0.8 percent in the September *Tankan*. By industry and company size (Chart 14), plans of large manufacturing firms were revised somewhat sharply downward in comparison to the September *Tankan*, forecasting a decrease in their profits on a year-on-year basis. Small manufacturing firms also revised their plans noticeably downward relative to the September *Tankan*, despite having projected profit increases

on a year-on-year basis. In contrast, plans of nonmanufacturing have been relatively steady compared with manufacturing. Plans of large nonmanufacturing firms were revised slightly upward with the year-on-year rate of decline having narrowed in comparison to the September *Tankan*. Small nonmanufacturing firms revised their plans marginally downward; they have maintained their plans for profit increases.

Taking the above into consideration, business fixed investment is projected to remain relatively weak for the time being, mainly in manufacturing, but to follow a moderate increasing trend thereafter, partly due to investment related to disaster prevention and energy. Business fixed investment plans (excluding software investment and including land purchasing expenses, year-on-year basis) for fiscal 2012 in the December *Tankan* were revised upward for large firms by 0.4 percentage points compared with the September *Tankan*, to a year-on-year increase of 6.8 percent (Chart 16). Even by industry, both manufacturing and nonmanufacturing increased their plans on a year-on-year basis. In comparison to the September *Tankan*, however, plans by manufacturing were revised downward, whereas those by nonmanufacturing were revised upward. Small firms revised their plans upward by 6.1 percentage points from the September *Tankan* to a year-on-year increase of 6.2 percent. By industry, nonmanufacturing, in particular, posted somewhat strong figures for both their year-on-year rate of change as well as revision rate. On a "software and fixed investment excluding land purchasing expenses" basis—a concept close to that of GDP—business fixed investment plans of all industries and enterprises for fiscal 2012 were revised upward in comparison to the September *Tankan*, to a relatively high 8.0 percent on year-on-year basis. Although firms are maintaining a relatively active stance at this current stage, some firms seem to have put off their business fixed investment affected by the decline in exports and business fixed investment of late; close attention should be paid to whether these plans will actually be achieved, primarily in manufacturing.

Private consumption has remained resilient, despite lingering effects of the decline in car sales due to the ending of some measures to stimulate demand for automobiles (Charts 17 and 18[2]). Consumption of goods—as seen through sales at retail stores in real terms (Chart 18[1])—fell in October relative to the third quarter, mainly due to the effects of the decline in car sales, despite having increased

marginally in the third quarter on a quarter-on-quarter basis, after having been almost level in the second quarter. Looking at consumption of durable goods (Chart 18[2]), the number of new passenger-car registrations rebounded slightly in November, after it fell back significantly in October by the effects of the decline in car sales following the ending of subsidies for purchasing energy-efficient cars. However, it remained at a low level on par with that before these subsidies were reintroduced at the end of last year and fell sharply in October-November compared with the third quarter. Sales of household electrical appliances in real terms have been more or less flat as a whole, albeit with fluctuations, since sales of smartphones, tablet devices, and white goods installed with energy-saving devices were firm, whereas those of televisions and PCs were sluggish. Sales at department stores and supermarkets showed mixed movements recently, affected by changes in temperatures (Chart 19[1]). On a month-on-month basis, sales inched downward in September, mainly due to sluggish sales of fall apparel as a reflection of the lingering heat, but they picked up slightly in October due to lower temperatures, notably in apparel. Meanwhile, sales at convenience stores have continued to trend moderately upward. As for consumption of services (Chart 19[2]), outlays for travel—which had continued to trend upward, albeit with fluctuations—have moved downward since early fall, chiefly in overseas travel. Sales in the food service industry—which had been declining toward the middle of the year—maintained relatively high growth in October, after having rebounded in August-September.

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—rose again in October compared with the third quarter, despite a decline in the third quarter, after having advanced for four quarters in a row through the second quarter (Chart 18[1]).³ Similarly, the total expenditure in the *Survey of Household Economy* (in real terms; two-or-more-person households) turned upward again in October relative to the third quarter, despite a decline in the third quarter, after having increased for four straight quarters through the second quarter.

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

Indicators related to consumer confidence—which had maintained their moderate improving trend—have recently peaked out (Chart 20).

Private consumption is expected to remain resilient as a trend, with the effects of the decline in car sales likely to wane.

Housing investment has generally been picking up, supported in part by reconstruction of disaster-stricken homes. The number of housing starts—a leading indicator of housing investment—has tended to pick up: it rose sharply in October relative to the third quarter, affected by a rush in demand prior to the expiration of some policy measures to enhance home purchasing,⁴ after having been almost level in the third quarter following an increase for two consecutive quarters through the second quarter (Chart 21[1]).

Housing investment is expected to continue to generally pick up.

Industrial production has decreased (Chart 22). On a monthly basis, production rose marginally in October, its first time in four months, but on a quarterly basis it continued to move down in October relative to the third quarter, after having declined for two quarters in a row since the second quarter, in both the released-base index and the adjusted-base index.⁵ By industry, that of transport equipment (such as passenger cars) was on the decline, as production for the domestic market decreased with the ending of subsidies for purchasing energy-efficient cars and also as exports to China were depressed as a reflection of the bilateral relationship between Japan and China. Production of general machinery continued to decline markedly, due to somewhat weak domestic demand including semiconductor products machinery, on top of the overall decline in overseas demand. In contrast, production of electronic parts and devices has jumped recently, mainly in preparation for new

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. As for the former, the eligible construction starting period for houses to receive eco-points ended on October 31, while applications for the latter have closed as of those received on October 31.

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).

products. Production of ceramics, stone and clay products held steady, due in part to reconstruction-related demand.

Shipments have been moving down (Chart 24[1]). Looking at the trend in shipments by goods (Chart 23), those of durable consumer goods have declined on the whole, with shipments of motor vehicles for exports being relatively weak as a reflection of the bilateral relationship between Japan and China as well as those to the domestic market being slack reflecting the ending of subsidies for purchasing energy-efficient cars. On the other hand, shipments of non-durable consumer goods have continued to increase moderately. Shipments of capital goods have recently declined significantly, as a result of depressed shipments of goods such as semiconductor products machinery as well as engineering and construction machinery. Shipments of producer goods have continued to trend moderately downward overall, since those for motor vehicles (such as iron and steel as well as motor vehicle parts) have declined and since the pick-up in shipments of electronic parts and devices has remained limited. Meanwhile, shipments of construction goods have advanced recently, primarily in photovoltaic modules.

Inventories have been at a relatively high level lately (Chart 24[1]). Inventories have been more or less flat on average, albeit with fluctuations, after having surged at the end of March compared with the end of December. By industry, general machinery including engineering and construction machinery has continued to see its inventories pile up, affected mainly by the downswing in demand from Asia. Inventories of electronic parts and devices have risen significantly, primarily for exports, mainly in preparation for new products, but unintended accumulation of some inventories has also been observed. As for the shipment-inventory balance (year-on-year rate of change in shipments less that in inventories), growth in inventories has been well above that in shipments (Chart 24[3]). By goods, as for producer goods, growth in inventories of electronic parts and devices has been almost aligned with that in shipments, but other producer goods—which had been on an improving trend—has continued to see its shipment-inventory balance somewhat deteriorate due to decreased demand, primarily from Asia. As for capital goods, the shipment-inventory balance has continued to deteriorate, mainly due to the downswing in demand, notably for exports. On the

other hand, the shipment-inventory balance of construction goods has improved recently, assisted by the increase in shipments.

Industrial production is expected to decrease at a reduced pace for the time being and start picking up thereafter, in line with improvements in exports as overseas economies gradually emerge from the deceleration phase. Based on anecdotes by firms and other information, regarding the fourth quarter, electronic parts and devices are projected to see production increases chiefly for new products, whereas transport equipment will face substantial production declines, mainly as a reflection of the ending of subsidies for purchasing energy-efficient cars as well as cutbacks in products bound for China; this movement is in turn expected to spill over to industries such as iron and steel as well as metal products. Production of general machinery is also projected to move downward in a wide range of items, due to the weakness in business fixed investment at home and abroad. As a result, production as a whole is projected to continue decreasing. For the first quarter, although there is still a high degree of uncertainty, it is expected that production of general machinery will continue decreasing, whereas production of electronic parts and devices will level off more or less supported by production for new products, and that of transport equipment will turn upward. It looks as though production will become more or less flat as a whole.

The employment and income situation has continued to be severe and the improvement in supply and demand conditions in the labor market has peaked out.

As for supply and demand conditions in the labor market, the unemployment rate has still trended downward, albeit with monthly fluctuations (Chart 25). On the other hand, job openings have declined marginally as a whole, with the number of new job openings in manufacturing, including transport equipment, registering a sizeable decline of late. In this situation, the active job openings-to-applicant ratio—which had continued its improving trend—fell, albeit marginally, for two straight months since September. Non-scheduled hours worked have decreased, notably in manufacturing. The employment conditions DI in the December *Tankan* was almost flat as a whole, since nonmanufacturing showed improvement while manufacturing displayed a slight deterioration (Chart 26).

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 27[1]). The number of regular employees in the *Monthly Labour Survey* has been increasing on a year-on-year basis; by industry, however, manufacturing has faced a somewhat accelerated pace of decline. 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 change in total cash earnings per employee has declined marginally, with the fluctuations smoothed out, mainly as a reflection of the decrease in the number of hours worked (Chart 27[2]). Looking in detail, non-scheduled cash earnings have turned negative on a year-on-year basis, affected by movements in nonscheduled hours worked. Scheduled cash earnings have recently been slightly negative, albeit with fluctuations, primarily due to the reduced number of hours worked by part-time employees.

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 27[3]).

Employee income is unlikely to improve for the time being, mainly since the drag from the lackluster business performance of fiscal 2011 is likely to persist and since the decrease in exports and industrial production will weigh on non-scheduled cash earnings. After that, however, the improvement in employee income is expected to become gradually evident as the pick-up in exports and industrial production becomes noticeable.

2. Prices

International commodity prices have recently been more or less level (Chart 29[1] and [3]). Crude oil prices were almost flat at a somewhat high level compared with the period leading up to the summer. Prices of nonferrous metals have inched

upward lately, as a reflection of expectations for a future recovery in the Chinese economy. 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 increased marginally, reflecting earlier movements in international commodity prices (Chart 29[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 more or less flat (Chart 30[2]).⁶ In November, the three-month rate of change was almost level; it was positive 0.1 percent, after having marked an increase of 0.3 percent in October for the first time since April this year. Looking in detail at domestic corporate goods price movements in November, as a reflection of international commodity prices having become more or less flat after a temporary pick up, prices of "goods sensitive to exchange rates and overseas commodity prices" diminished their rate of increase, notably in petroleum & coal products; those of "other materials" also reduced their pace of increase, mainly in chemicals & related products. Prices of "electric power, gas & water" turned negative from the effects of the decline in crude oil prices toward the middle of the year. Prices of "iron & steel and construction goods" have been on the decline, due mainly to the effects of the loose supply and demand balance in the Asian market.

The year-on-year rate of change in corporate services prices (excluding international transportation; year-on-year basis, same hereafter) has recently declined marginally (Chart 31). As for developments on a year-on-year basis, corporate services prices fell at a somewhat accelerated pace, having marked negative 0.6 percent in October, following a decline of 0.3 percent in September. Looking in detail at corporate services price movements in October, prices related to "selling, general and administrative expenses" fell at an accelerated pace as a whole, due

⁶ 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.

mainly to the faster pace of decline in advertising services, with firms taking a somewhat restrictive stance on advertisement placements. Prices related to "real estate" are considered to be reducing their year-on-year pace of decline as a trend, albeit moderately, but the rate of decline expanded in September and fell at a similar rate in October. Meanwhile, prices related to "fixed investment" have been increasing marginally, particularly in civil engineering and architectural services, whereas "IT-related" prices have continued to decrease, 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 32[1]). In October, consumer prices stood at 0 percent, narrowing the rate of decline by 0.1 percentage point from September. Looking at developments on a basis that excludes food and energy, prices in October posted negative 0.5 percent, also diminishing the rate of decline by 0.1 percentage point from September. 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 33[2]).⁷ 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 33[1]).⁸ Looking in detail at consumer price movements in October, in terms of prices for goods (excluding agricultural, aquatic and livestock products), prices of petroleum products rose at an accelerated pace as a reflection of the earlier pick-up in crude oil prices, and prices of durable goods diminished their rate of decline, aided by items such as TV sets and PC printers. Prices of general services showed a similar year-on-year rate of decline as that of the previous month. Fees for public services reduced their year-on-year pace of increase.

⁷ 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.

⁸ The Laspeyres chain index is compiled as follows: (i) aggregates are produced after updating the weights of items of the base year and resetting the index level of individual items to 100 every year; then (ii) multiplying the previous year's chain index by the aggregated year-on-year figures obtained from the above calculation. Disregarding such factors as adopting and terminating items and revising model formulae, it is virtually equivalent to compiling an index in which the base year is updated every year.

With regard to domestic supply and demand conditions in the December *Tankan* (Chart 34), the net "excess supply" of the domestic supply and demand conditions DI for products and services expanded markedly for manufacturing, whereas it was almost flat for nonmanufacturing, for both small and large firms. As for the output prices DI, the net "fall" expanded slightly. Meanwhile, the weighted average of the production capacity DI and employment conditions DI has remained more or less unchanged from the June *Tankan*.

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

Meanwhile, looking at developments in land prices through the *Urban Land Price Index* at the end of September (Chart 35), the rate of decline from six months earlier continued to narrow in all areas and categories.

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 fallen very marginally, primarily in those with distant contracts (Chart 36). In U.S. dollar funding, the LIBOR-OIS spread for the dollar has basically been more or less flat (Chart 37).

Yields on 10-year government bonds (newly issued 10-year JGB) temporarily dipped below the 0.7 percent level, due in part to active investment by some investors. However, they have currently risen to around 0.75 percent, as U.S. long-term interest rates have risen (Chart 38).

Yield spreads between corporate bonds and government bonds have generally been more or less flat (Chart 39).

Stock prices have risen due to firm Chinese economic indicators as well as the depreciation of the yen, in light of increases in U.S. and European stock prices assisted primarily by easing concerns over the situation in Europe. The Nikkei 225 Stock Average has currently risen above 10,000 yen (Chart 40).

In the foreign exchange market, the yen has depreciated against the U.S. dollar, partly because speculation about policies and Japan's trade deficit are regarded as reasons to sell the yen; it is currently moving in the range of 84-85 yen against the U.S. dollar (Chart 41). Meanwhile, the euro has appreciated against the yen due to easing concerns over the situation in Europe; the yen is currently moving in the range of 111-112 yen against the euro.

(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 43).

With regard to credit supply, firms have continued to see financial institutions' lending attitudes as being on an improving trend (Chart 42). 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 change in the amount outstanding of bank lending has been positive, mainly in demand for working capital and funds related to mergers and acquisitions (Chart 44). The year-on-year rate of decrease in the amount outstanding of corporate bonds has slowed. In contrast, the year-on-year rate of change in that of CP has turned negative (Chart 45).

In these circumstances, firms have retained their recovered financial positions on the whole (Chart 42). The number of corporate bankruptcies has remained at a low level (Chart 47).

Meanwhile, the year-on-year rate of change in the money stock (M2) has been positive within the range of 2-3 percent. Its November reading was 2.1 percent on a year-on-year basis, following 2.3 percent in October (Chart 46).⁹

⁹ 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 November reading was 1.9 percent, following 2.0 percent in October. The year-on-year rate of change in broadly-defined liquidity (L) has been positive at around 0.5 percent; it increased by 0.3 percent in November, following an increase of 0.5 percent in October.

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Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2012/Q1	Q2	Q3	2012/Aug.	Sep.	Oct.	Nov.
Index of consumption expenditure level (two-or-more-person households)	-0.3	2.3	-1.4	-0.2	-2.4	1.6	n.a.
Sales at department stores	-0.9	1.0	-1.7	1.6	-1.0	1.2	n.a.
Sales at supermarkets	0.5	-1.6	-0.8	1.1	-1.3	0.6	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 349>	< 316>	< 285>	< 284>	< 245>	< 232>	< 246>
Sales of household electrical appliances (real, "Current Survey of Commerce")	0.9	-5.8	4.1	-5.6	12.0	-1.9	n.a.
Outlays for travel	0.3	3.2	-4.5	4.1	-5.4	-1.1	n.a.
Housing starts <s.a., ann. 10,000 units>	< 86>	< 88>	< 87>	< 89>	< 87>	< 98>	<n.a.>
Machinery orders ⁴ (Private sector, exc. volatile orders)	0.9	-4.1	-1.1	-3.3	-4.3	2.6	n.a.
Manufacturing	0.1	-5.8	-3.2	-15.1	2.8	-3.6	n.a.
Nonmanufacturing ⁴ (exc. volatile orders)	0.5	0.0	0.1	3.6	1.3	2.8	n.a.
Construction starts (private, nondwelling use)	1.9	0.3	8.1	15.3	9.8	-11.0	n.a.
Mining & manufacturing	24.9	-20.4	0.1	17.6	4.1	-22.2	n.a.
Nonmanufacturing ⁵	-3.1	4.7	9.0	11.7	12.2	-4.5	n.a.
Value of public works contracted	3.5	9.2	-0.1	-1.5	-13.5	18.5	-12.6
Real exports	-0.1	4.1	-6.0	-0.7	-3.5	-2.9	p 0.3
Real imports	-0.4	3.3	0.8	-3.8	6.7	-9.7	p 2.3
Industrial production	1.3	-2.0	-4.2	-1.6	-4.1	1.6	n.a.
Shipments	0.8	-0.2	-5.4	0.2	-4.3	-0.1	n.a.
Inventories	5.9	0.0	0.3	-1.6	-0.9	-0.1	n.a.
Inventory ratio <s.a., CY 2005 = 100>	< 115.3>	< 123.6>	< 130.4>	< 125.2>	< 130.4>	< 127.6>	<n.a.>
Real GDP	1.4	-0.0	-0.9	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	-0.1	-0.1	-0.5	0.0	-0.4	0.2	n.a.

Main Economic Indicators (2)

y/y % chg.¹

	2012/Q1	Q2	Q3	2012/Aug.	Sep.	Oct.	Nov.
Active job openings-to-applicants ratio <s.a., times>	< 0.75>	< 0.81>	< 0.82>	< 0.83>	< 0.81>	< 0.80>	<n.a.>
Unemployment rate <s.a., %>	< 4.6>	< 4.4>	< 4.2>	< 4.2>	< 4.2>	< 4.2>	<n.a.>
Overtime working hours ⁶	1.8	4.0	-0.9	0.1	-2.0	-3.1	n.a.
Number of employees	-0.5	-0.3	0.5	0.8	0.1	0.6	n.a.
Number of regular employees ⁶	0.6	0.9	0.6	0.7	0.6	0.8	n.a.
Nominal wages per person ⁶	0.0	-0.5	-0.7	0.0	-0.5	-0.4	n.a.
Domestic corporate goods price index <q/q % chg., 3-month rate of change> ⁷	0.3 < 0.2>	-1.0 <-0.2>	-1.9 <-1.0>	-1.9 <-1.1>	-1.5 <-0.2>	-1.0 < 0.3>	p -0.9 <p 0.1>
Consumer price index ⁸	0.1	0.0	-0.2	-0.3	-0.1	0.0	n.a.
Corporate services price index ⁹	-0.6	0.1	-0.1	-0.2	-0.3	p -0.6	n.a.
Money stock (M2) <average outstanding, y/y % chg.>	3.0	2.4	2.4	2.4	2.4	2.3	p 2.1
Number of corporate bankruptcies <cases per month>	<1,061>	<1,042>	<975>	<967>	<931>	<1,035>	<964>

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

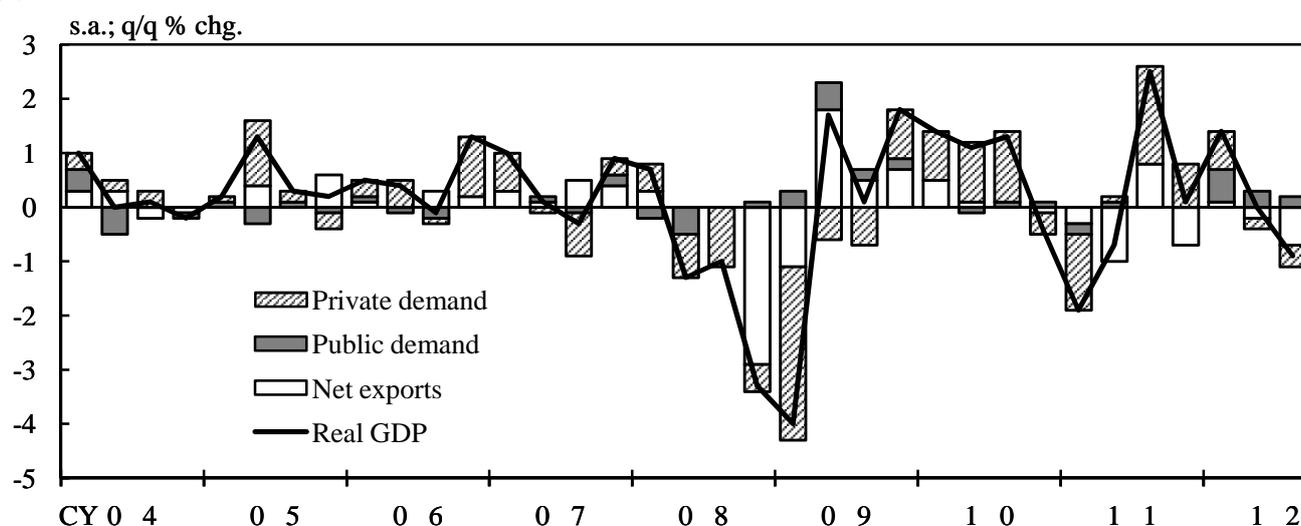
All figures in Chart 2 except figures in angle brackets are year-on-year changes. For details on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes of respective charts.

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



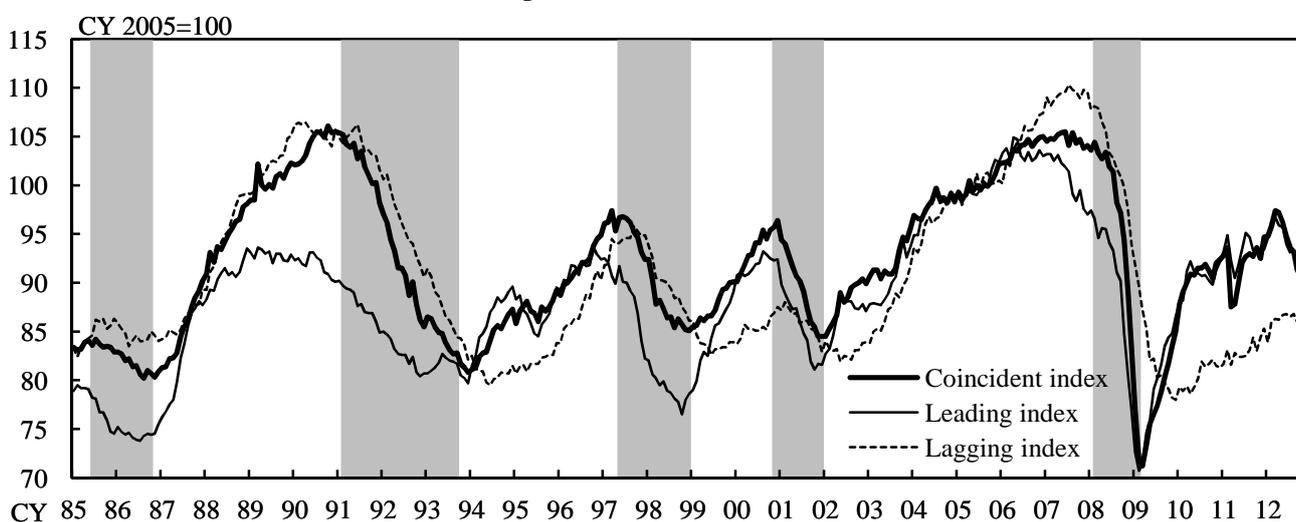
(2) Components

s.a.; q/q % chg.

	2011		2012		
	Q3	Q4	Q1	Q2	Q3
Real GDP	2.5	0.1	1.4	-0.0	-0.9
[Annual rate]	[10.4]	[0.3]	[5.7]	[-0.1]	[-3.5]
Domestic demand	1.7	0.8	1.3	0.1	-0.2
Private demand	1.8	0.8	0.7	-0.2	-0.4
Private consumption	0.8	0.3	0.7	0.0	-0.3
Non-Resi. investment	0.3	1.0	-0.3	0.0	-0.4
Residential investment	0.1	-0.0	-0.0	0.0	0.0
Private inventory	0.5	-0.5	0.3	-0.3	0.3
Public demand	-0.0	0.0	0.6	0.3	0.2
Public investment	-0.1	-0.1	0.3	0.2	0.1
Net exports of goods and services	0.8	-0.7	0.1	-0.2	-0.7
Exports	1.3	-0.6	0.5	0.1	-0.8
Imports	-0.5	-0.1	-0.4	-0.3	0.1
Nominal GDP	2.3	-0.3	1.5	-0.5	-0.9

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

(3) Indexes of Business Conditions (Composite Indexes)

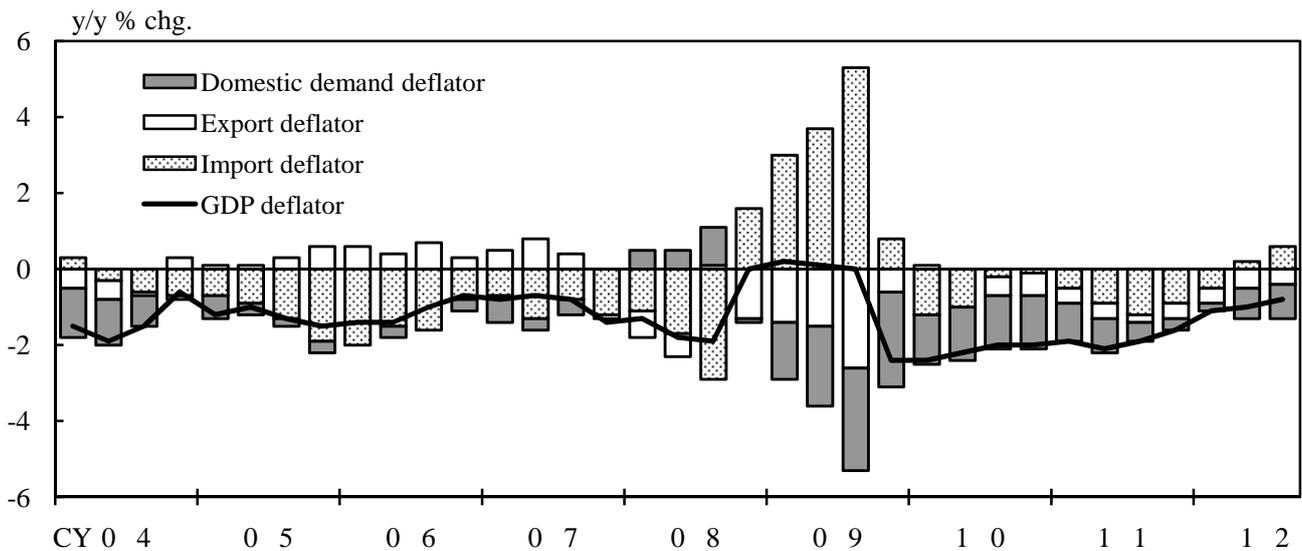


Note: Shaded areas indicate recession periods.

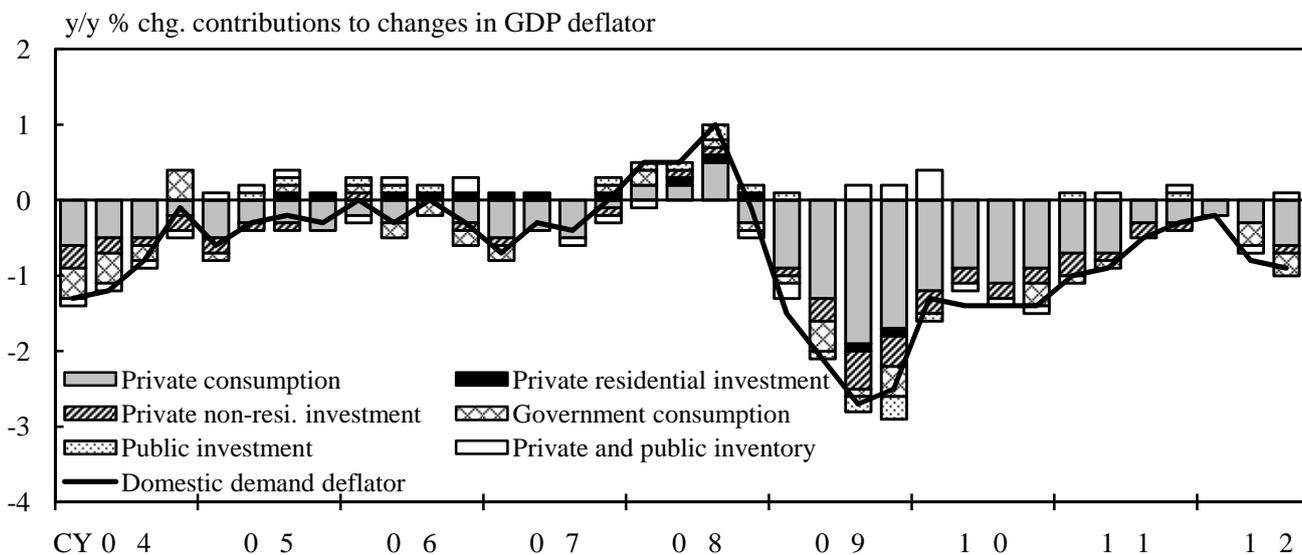
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

GDP Deflator and Income Formation

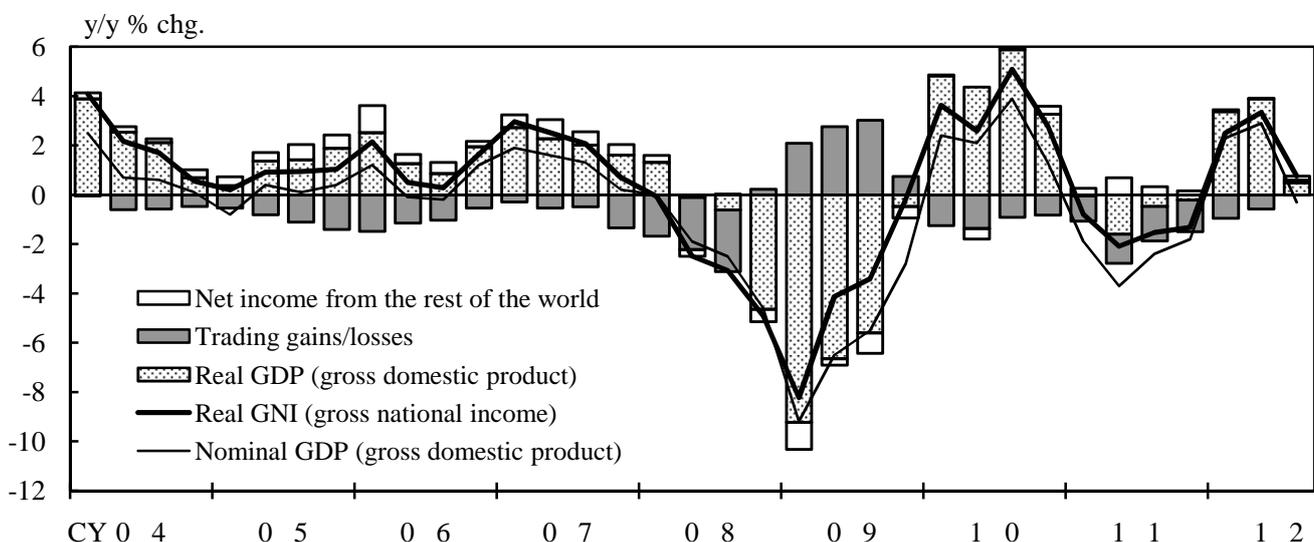
(1) GDP Deflator



(2) Domestic Demand Deflator



(3) Aggregate Income Formation



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

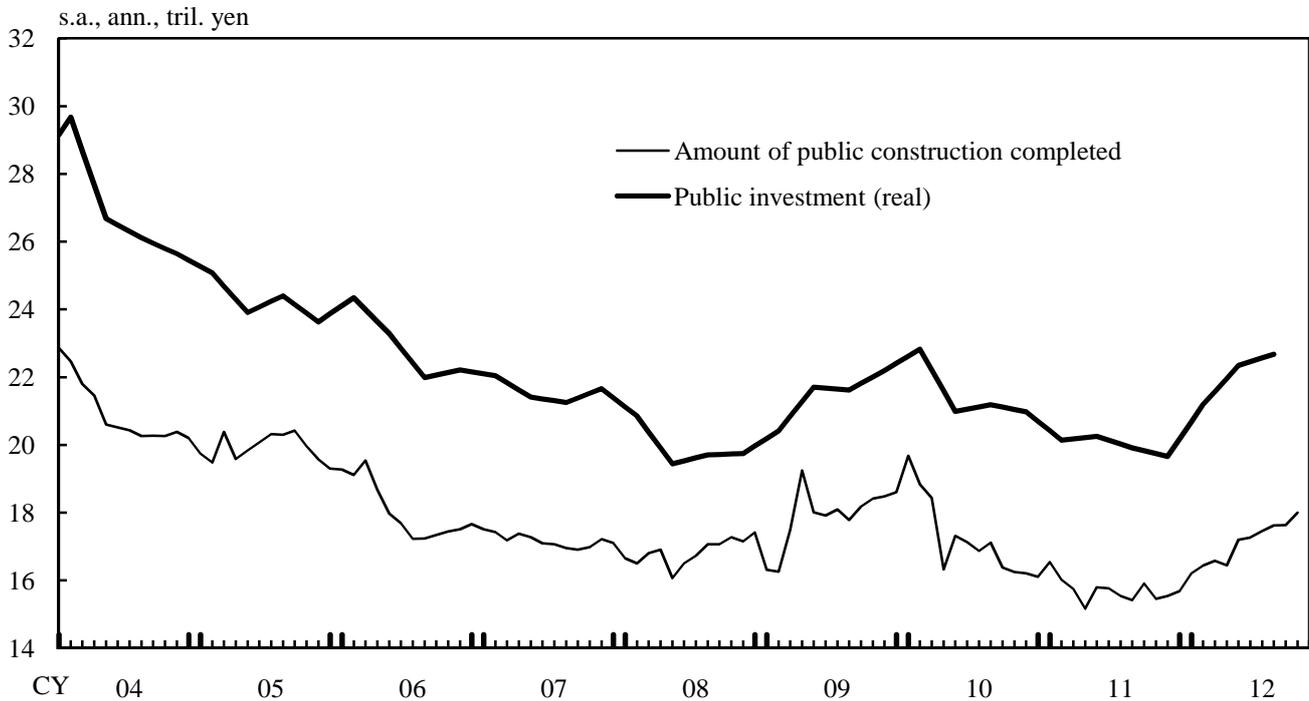
2. Real GNI = real GDP + trading gains/losses + net income from the rest of the world

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

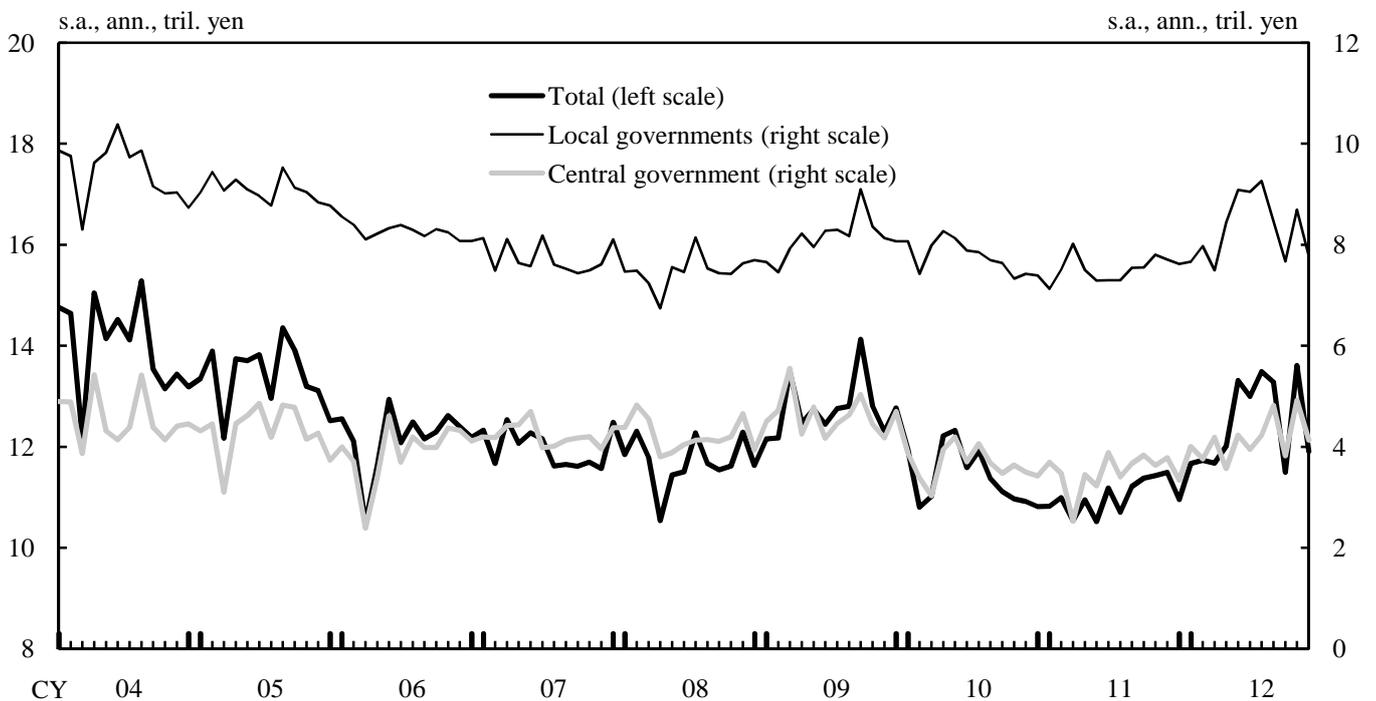
Source: Cabinet Office, "National Accounts."

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.

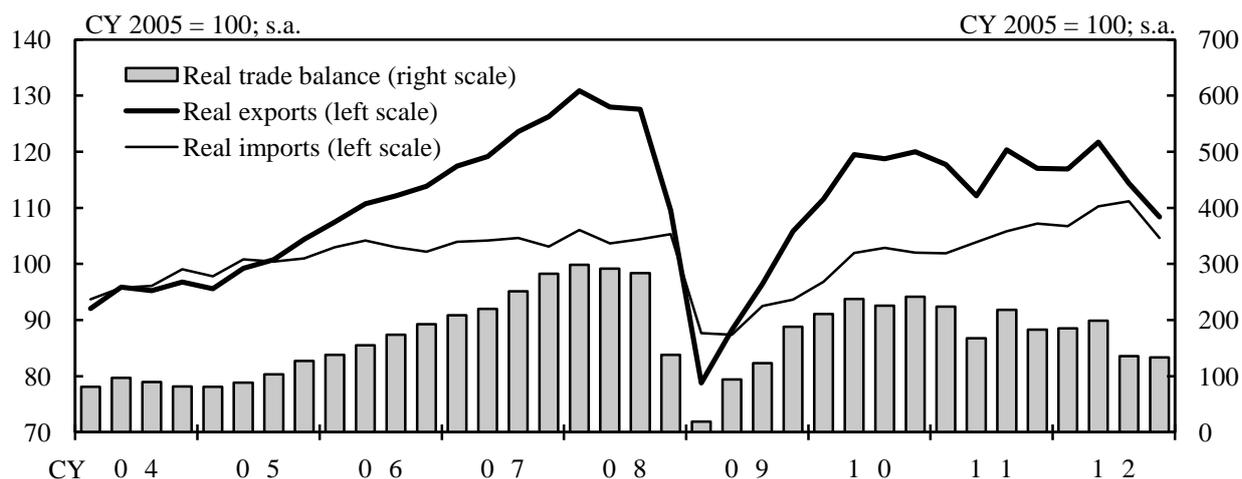
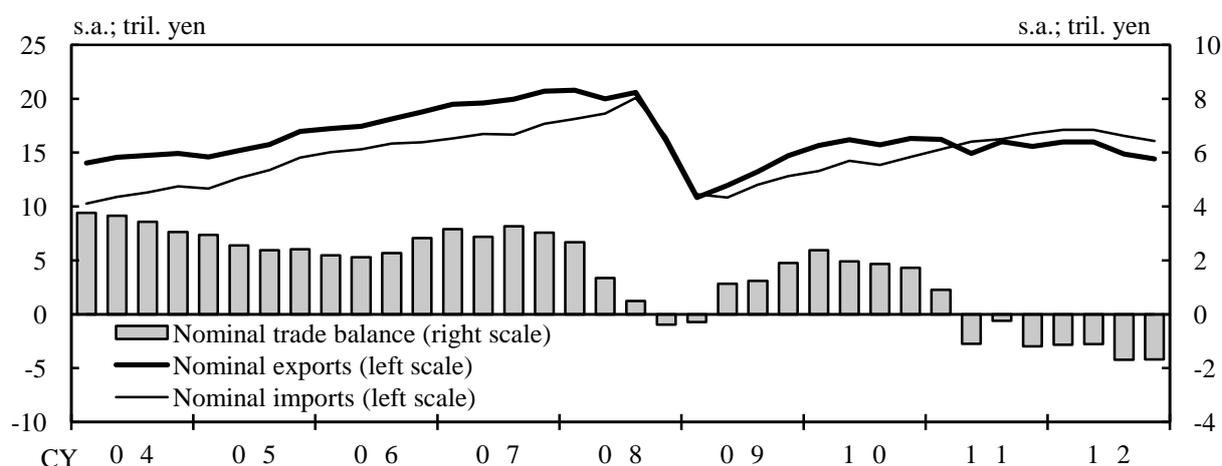
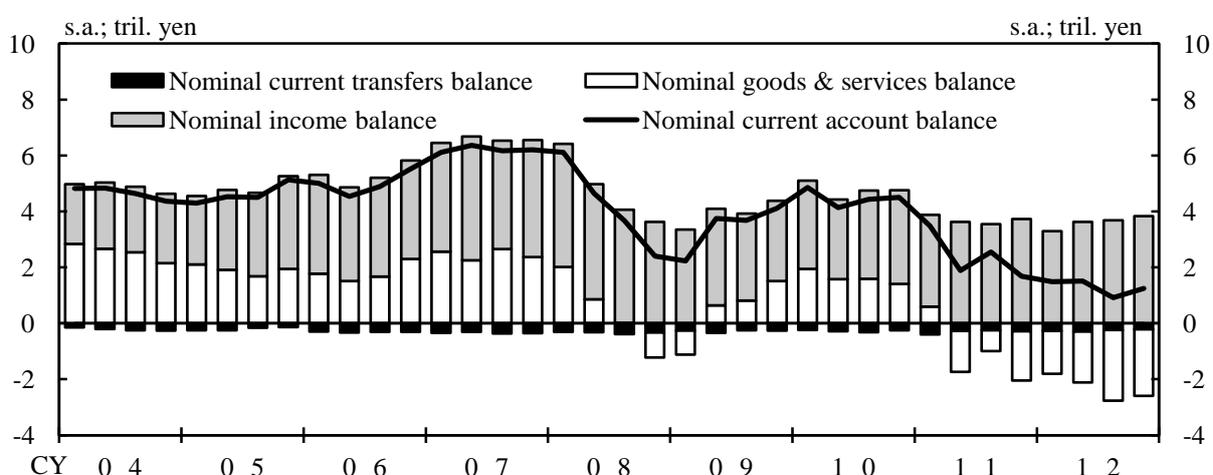
2. The amount of public construction completed is based on the general tables in the "Integrated Statistics on Construction Works."

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/Q4 figures are October-November averages converted into quarterly amount.

3. Figures are based on the "Balance of Payments." 2012/Q4 figures are October 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 Q4	2012 Q1	Q2	Q3	Q4	2012 Sep.	Oct.	Nov.
United States	<15.3>	24.7	-0.3	4.9	2.5	4.8	-4.7	-5.5	-7.3	-2.3	1.1
EU	<11.6>	17.4	2.9	-8.3	-4.0	-2.3	-6.0	-7.2	5.5	-8.5	-0.6
East Asia	<52.8>	31.8	-1.2	-4.5	0.9	2.5	-3.0	-4.2	1.1	-4.1	-0.4
China	<19.7>	31.3	1.9	-4.8	-1.9	1.8	-2.8	-9.6	-1.7	-7.1	-2.5
NIEs	<22.8>	28.0	-4.6	-4.1	-1.5	2.3	-2.6	-1.0	2.1	-2.0	0.7
Korea	<8.0>	23.6	-3.0	-0.8	0.3	-2.3	-0.1	-2.2	5.4	-2.8	-1.3
Taiwan	<6.2>	36.8	-9.3	-3.6	-4.9	5.9	1.1	-4.4	1.1	-4.1	-2.9
Hong Kong	<5.2>	29.2	-4.0	-4.3	2.0	-1.2	-0.3	2.6	-0.2	-2.6	7.0
Singapore	<3.3>	20.2	0.3	-13.2	-3.1	10.8	-15.3	-6.0	-4.3	1.0	-0.5
ASEAN4 ³	<10.4>	42.7	0.8	-4.9	11.4	4.2	-4.2	-1.0	4.2	-3.2	1.0
Thailand	<4.6>	46.1	1.3	-20.8	27.1	10.3	-2.2	1.7	9.5	-0.7	-4.0
Others	<20.3>	29.2	1.6	-0.5	3.2	0.3	-9.6	-4.6	-8.9	0.4	0.8
Real exports		27.5	-0.5	-2.8	-0.1	4.1	-6.0	-5.2	-3.5	-2.9	0.3

(2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2010	2011	2011 Q4	2012 Q1	Q2	Q3	Q4	2012 Sep.	Oct.	Nov.
Intermediate goods	<20.9>	18.3	-4.6	-1.4	-2.9	6.5	0.2	-6.2	1.6	-6.9	0.2
Motor vehicles and their related goods	<20.6>	41.8	-3.8	4.1	0.3	-0.7	-9.3	-5.6	-7.7	0.6	0.1
Consumer goods ⁴	<3.2>	13.7	-2.9	-20.2	28.6	-0.9	3.8	-21.1	-11.1	-11.0	-8.3
IT-related goods ⁵	<10.0>	27.6	0.9	-3.5	1.6	-0.3	-0.8	2.2	0.8	1.6	0.9
Capital goods and parts ⁶	<30.3>	36.3	5.0	-2.6	1.0	2.9	-6.6	-6.8	-7.3	-2.6	-0.4
Real exports		27.5	-0.5	-2.8	-0.1	4.1	-6.0	-5.2	-3.5	-2.9	0.3

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2012/Q4 figures are October-November 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.

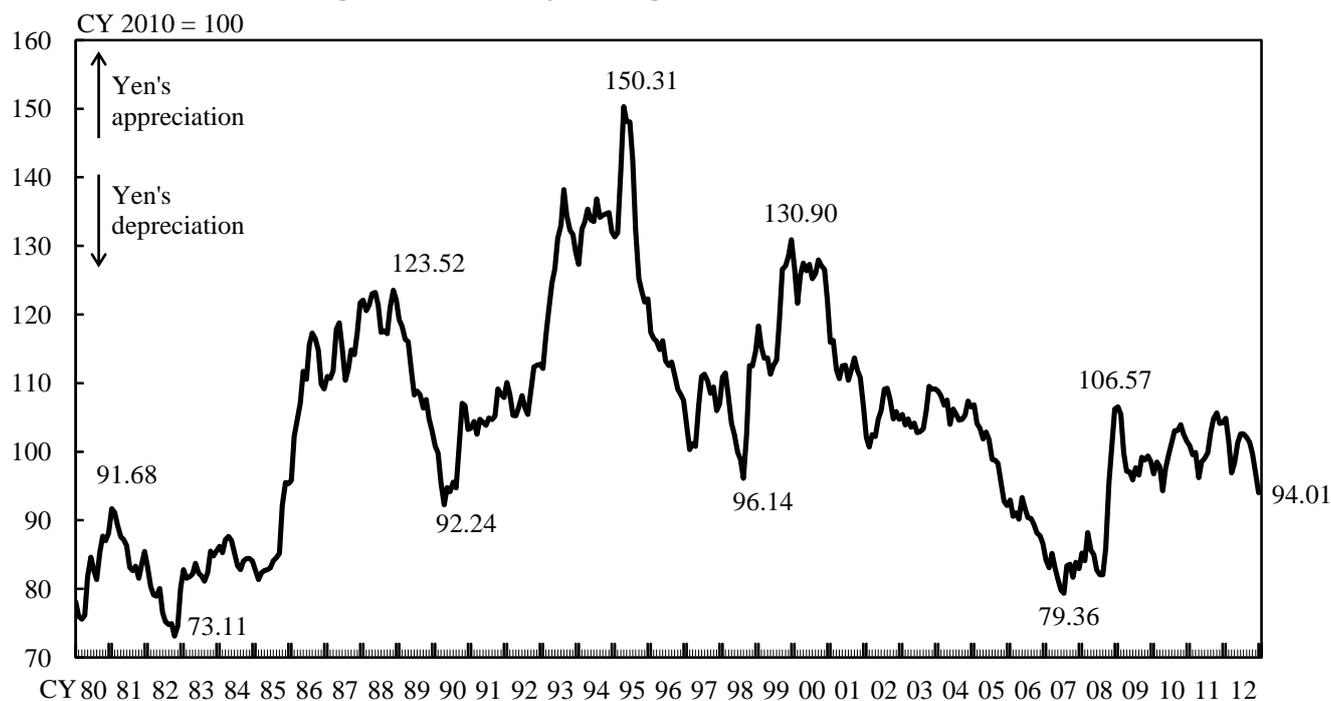
5. IT-related goods are composed of computers and units, telecommunication machinery, ICs, and medical and optical instruments.

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. The figure for December (up to December 18) 2012 has been calculated using the monthly average of the BOJ's nominal effective exchange rate (the Yen Index).

(2) Real GDP Growth Rates of Overseas Economies

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

	CY2009	2010	2011	2011 Q4	2012 Q1	Q2	Q3
United States ¹	-3.1	2.4	1.8	4.1	2.0	1.3	2.7
European Union ²	-4.3	2.1	1.5	-1.3	-0.2	-0.6	0.5
Germany ¹	-5.1	4.2	3.0	-0.6	2.0	1.1	0.9
France ¹	-3.1	1.6	1.7	0.1	-0.1	-0.2	0.9
United Kingdom ¹	-4.0	1.8	0.9	-1.4	-1.2	-1.5	3.9
East Asia ³	2.6	9.2	5.8	-0.2	9.7	4.8	4.7
China ¹	9.2	10.4	9.3	7.0	6.1	8.2	9.1
NIEs ^{1,3}	-1.1	8.9	4.2	-1.0	4.7	0.3	0.9
ASEAN4 ^{1,3,4}	-0.3	7.3	3.0	-11.8	27.3	8.4	4.5
Main economies ³	0.1	6.7	4.5	0.5	6.7	3.4	3.7

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 Q4	2012 Q1	Q2	Q3	Q4	2012 Sep.	Oct.	Nov.
United States	<8.7>	8.2	-1.0	2.9	1.6	0.3	1.8	-10.6	1.1	-10.5	-0.9
EU	<9.4>	6.4	7.9	0.6	-1.3	0.4	4.2	1.3	-3.3	1.4	7.4
East Asia	<41.5>	22.0	9.1	1.5	-1.8	2.4	-0.4	-1.8	6.5	-6.0	3.6
China	<21.5>	23.9	12.2	2.6	-3.5	3.3	-0.5	0.8	12.0	-7.0	5.1
NIEs	<8.6>	21.6	5.9	2.8	-0.3	0.9	1.7	-3.5	-0.1	-4.3	5.6
Korea	<4.7>	20.9	19.9	3.8	1.6	-4.6	2.9	-3.9	1.3	-2.7	2.6
Taiwan	<2.7>	21.2	-5.6	4.1	-3.4	7.7	1.3	-1.7	1.3	-1.9	0.0
Hong Kong	<0.2>	32.8	-5.4	-0.1	23.3	-16.7	-7.1	-19.8	-7.7	-4.6	-28.1
Singapore	<1.0>	22.9	-2.8	2.6	-2.1	4.6	-3.0	-3.9	0.7	-17.1	35.4
ASEAN4 ³	<11.5>	18.2	4.8	-2.3	1.1	1.6	-2.0	-6.9	-0.6	-4.9	-2.0
Thailand	<2.9>	25.7	4.0	-14.9	4.7	10.1	-3.2	-5.7	2.6	0.2	-8.4
Others	<40.4>	6.8	-0.3	1.2	0.8	5.2	0.4	-13.3	13.4	-21.4	4.4
Real imports		12.0	3.7	1.3	-0.4	3.3	0.8	-5.9	6.7	-9.7	2.3

(2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2010	2011	2011 Q4	2012 Q1	Q2	Q3	Q4	2012 Sep.	Oct.	Nov.
Raw materials ⁴	<39.8>	5.5	-0.2	0.6	2.6	3.2	0.3	-15.7	14.6	-25.5	8.0
Intermediate goods	<15.0>	18.5	8.7	0.7	-6.9	0.5	4.8	-5.2	2.6	-7.9	4.1
Foodstuffs	<8.6>	2.2	1.6	0.6	0.8	-3.7	1.2	-5.5	1.6	-4.1	-4.6
Consumer goods ⁵	<8.1>	22.7	6.1	-3.3	-0.1	2.5	-5.2	-6.9	-2.5	-2.4	-2.2
IT-related goods ⁶	<9.8>	26.7	8.1	5.5	0.1	1.1	3.1	6.9	10.1	-1.9	9.7
Capital goods and parts ⁷	<10.4>	19.0	9.5	2.5	1.5	4.5	-1.4	-5.5	4.6	-7.5	2.9
Excluding aircraft	<10.0>	21.8	10.6	1.0	-1.1	4.6	-1.0	-4.0	1.1	-3.2	1.3
Real imports		12.0	3.7	1.3	-0.4	3.3	0.8	-5.9	6.7	-9.7	2.3

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2012/Q4 figures are October-November 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.

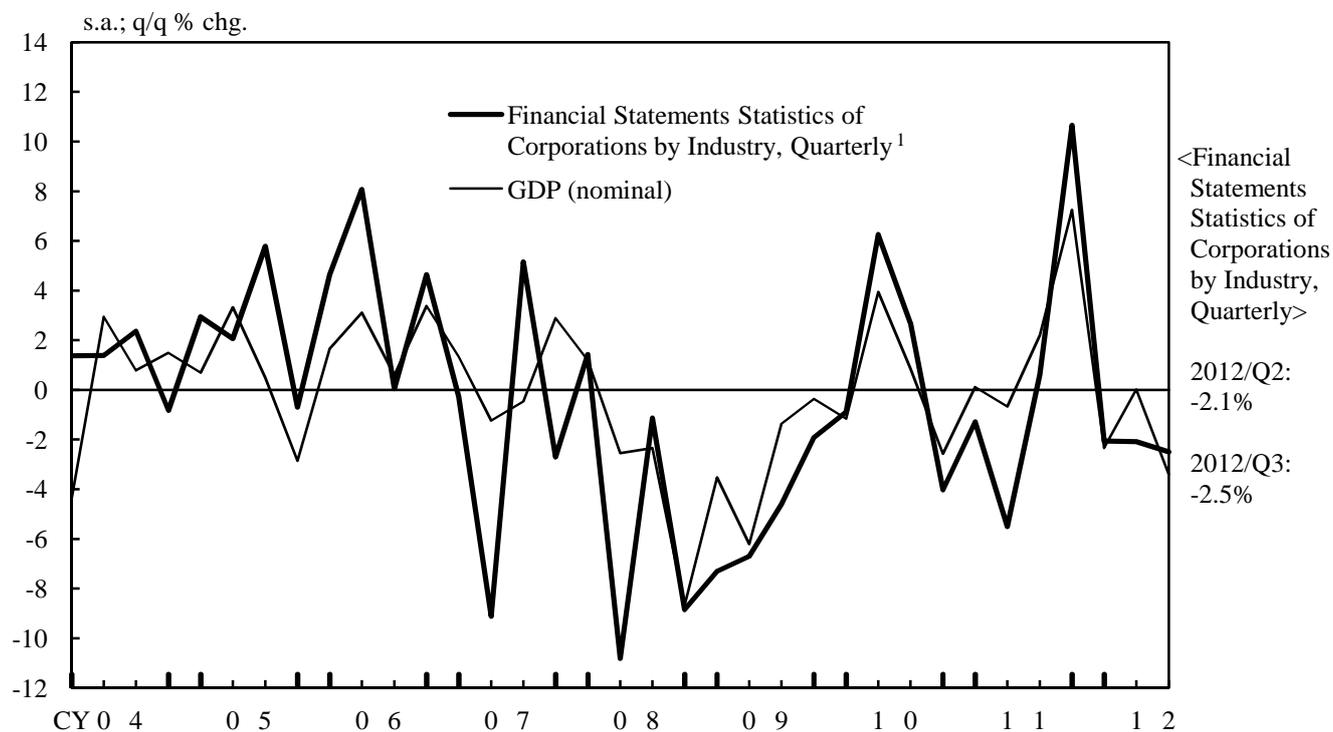
6. IT-related goods are composed of computers and units, parts of computers, telecommunication machinery, ICs, and medical and optical instruments.

7. Excludes IT-related goods.

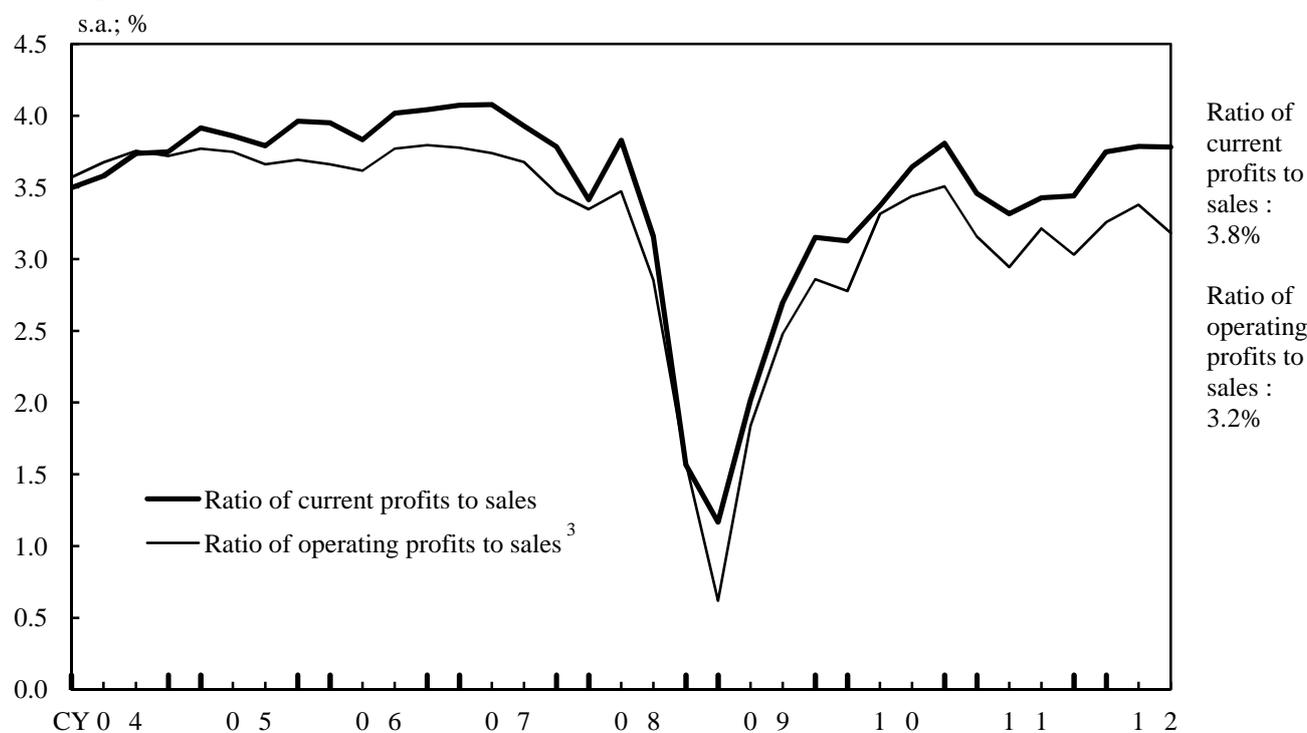
Sources: Ministry of Finance, "Trade Statistics"; Bank of Japan, "Corporate Goods Price Index."

Business Fixed Investment and Corporate Profits

(1) Business Fixed Investment



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



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

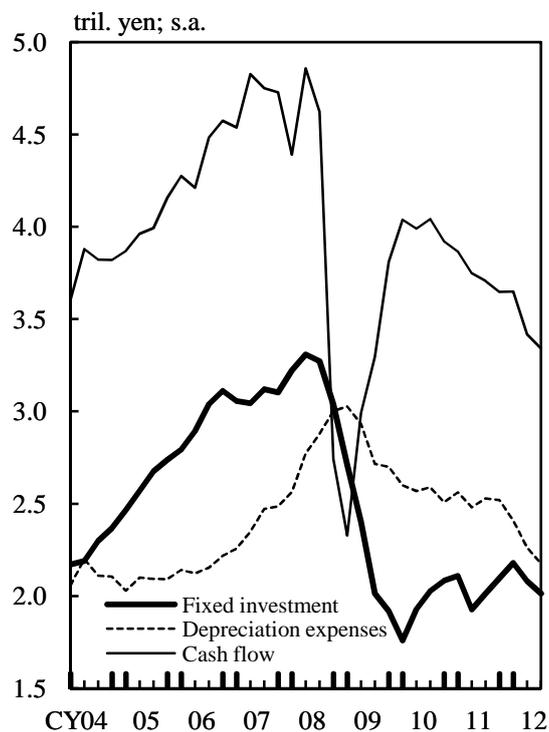
2. Based on the "Financial Statements Statistics of Corporations by Industry, Quarterly."

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

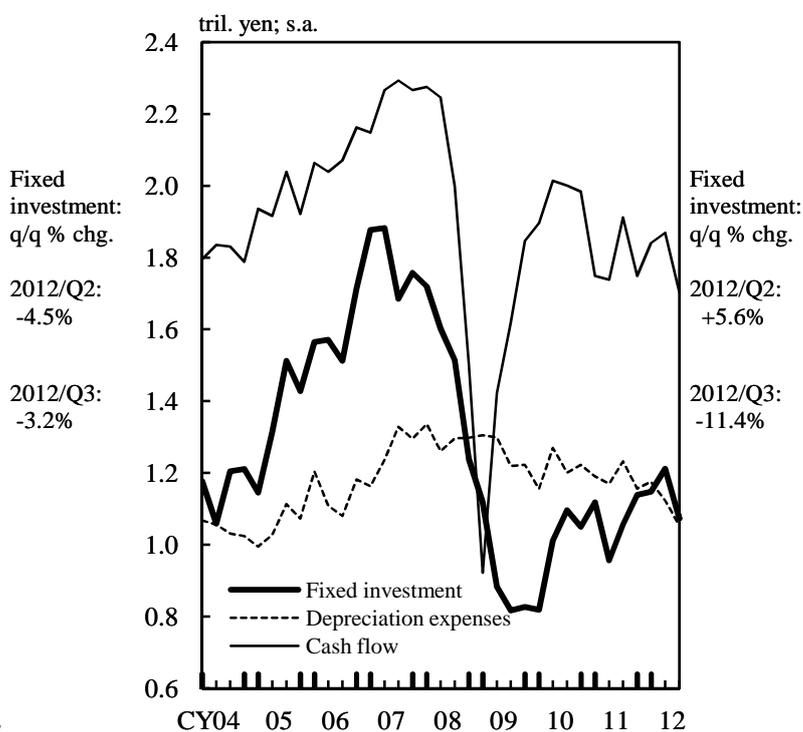
Sources: Cabinet Office, "National Accounts"; Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

Business Fixed Investment by Industry and Size

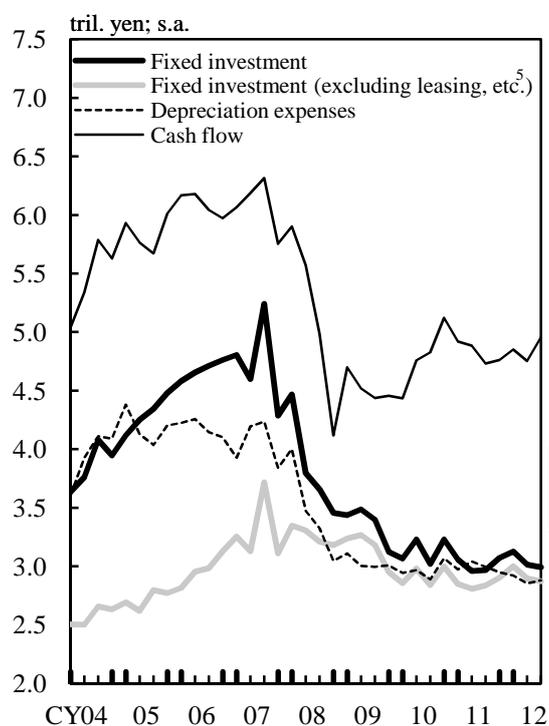
(1) Large Manufacturing Firms



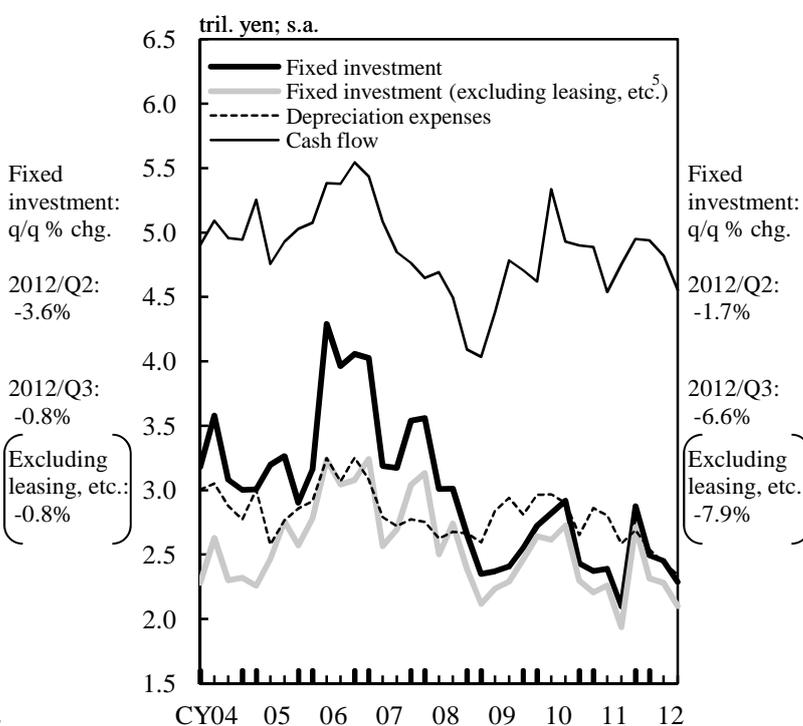
(2) Medium-Sized and Small Manufacturing Firms



(3) Large Nonmanufacturing Firms



(4) Medium-Sized and Small Nonmanufacturing Firms



Notes: 1. "Large firms" refers to firms with capital stock of 1 billion yen or more, and "medium-sized and small firms" refers to firms with capital stock of 10 million or more but less than 1 billion yen.

2. Cash flow = current profits / 2 + depreciation expenses.

3. Seasonally adjusted by X-12-ARIMA.

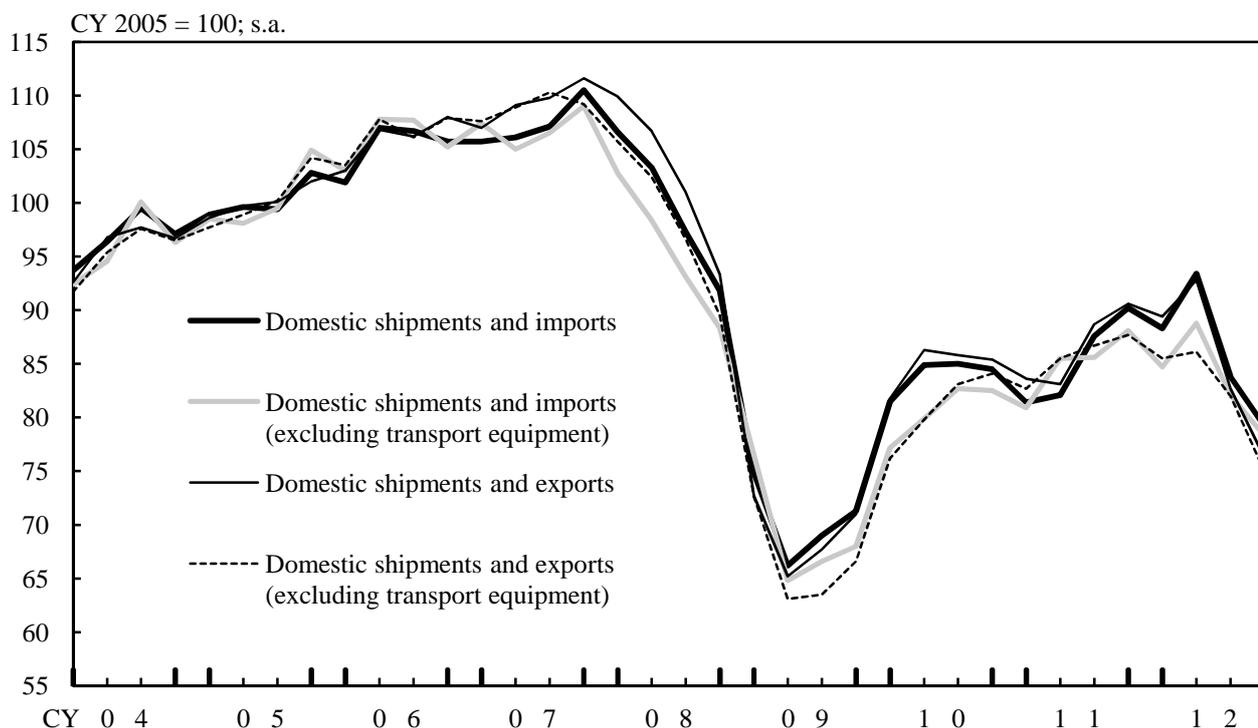
4. Excluding "Finance and Insurance."

5. Up to 2004/Q1, excluding "Business Services." From 2004/Q2, excluding "Goods rental and Leasing."

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

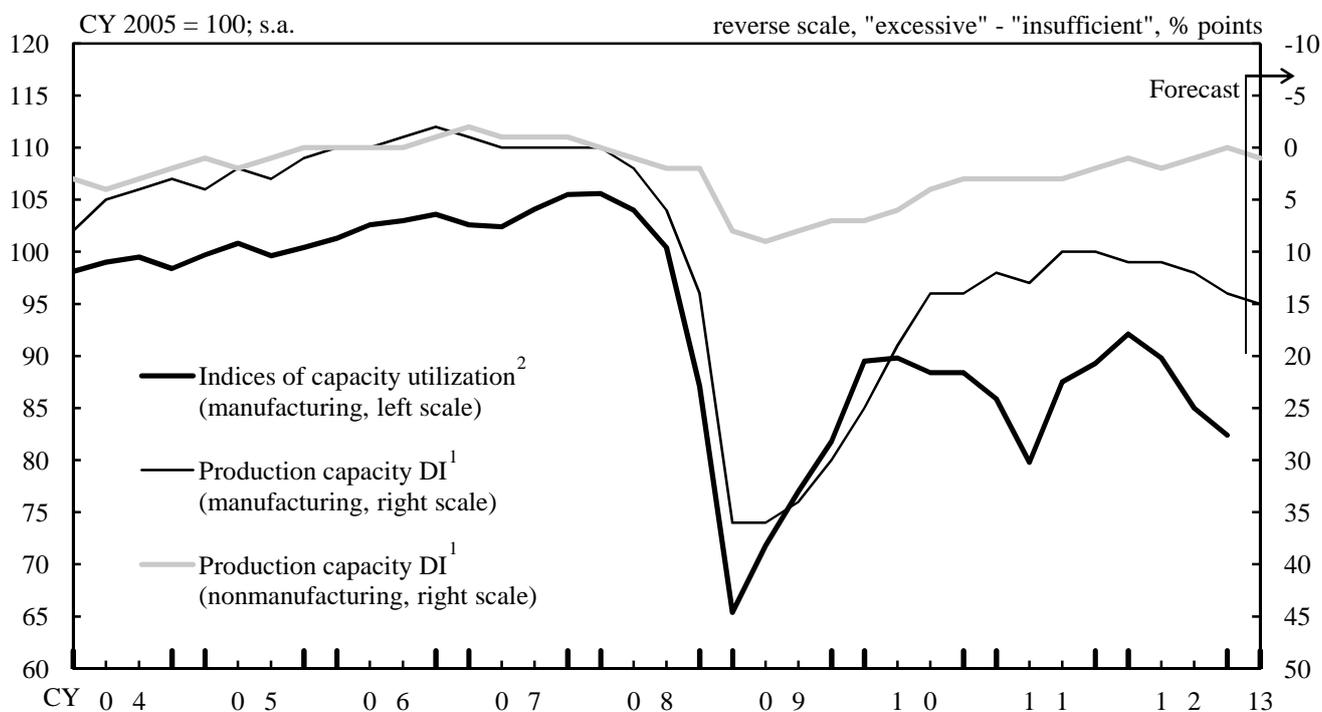
Coincident Indicators of Business Fixed Investment

(1) Aggregate Supply and Shipments of Capital Goods



Note: Figures for 2012/Q4 are those of October.

(2) Indices of Capacity Utilization and Production Capacity DI



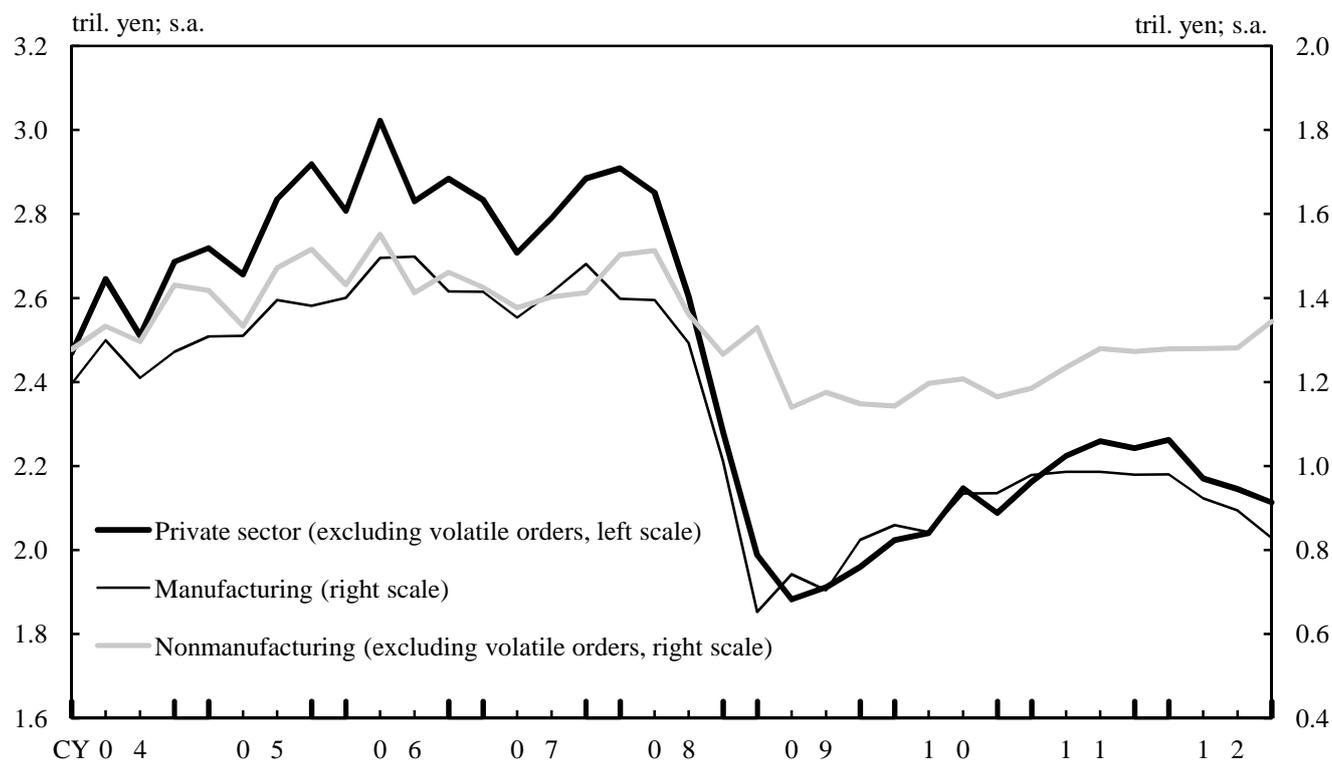
Notes: 1. Production capacity DIs are those of all enterprises.

2. The figure for 2012/Q4 is that of October.

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."

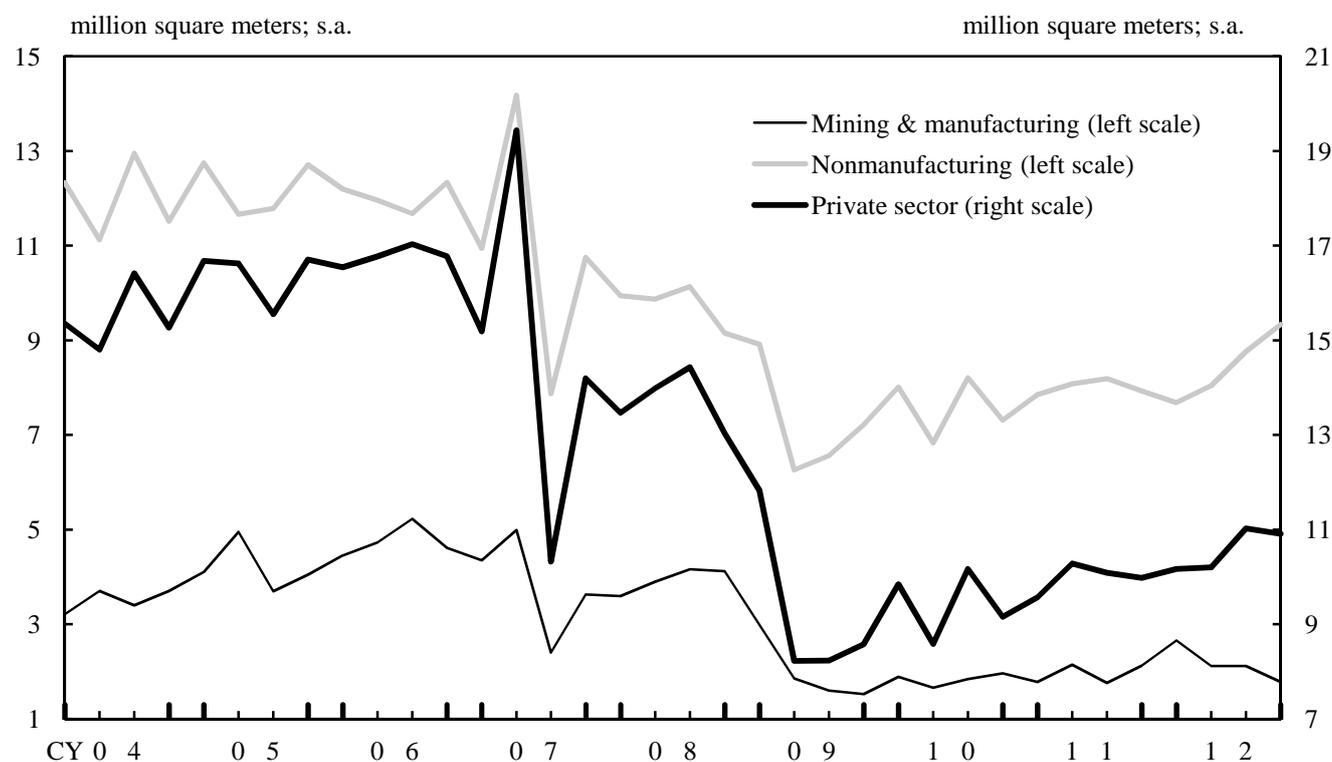
Leading Indicators of Business Fixed Investment

(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/Q4 are those of October in quarterly amount.

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

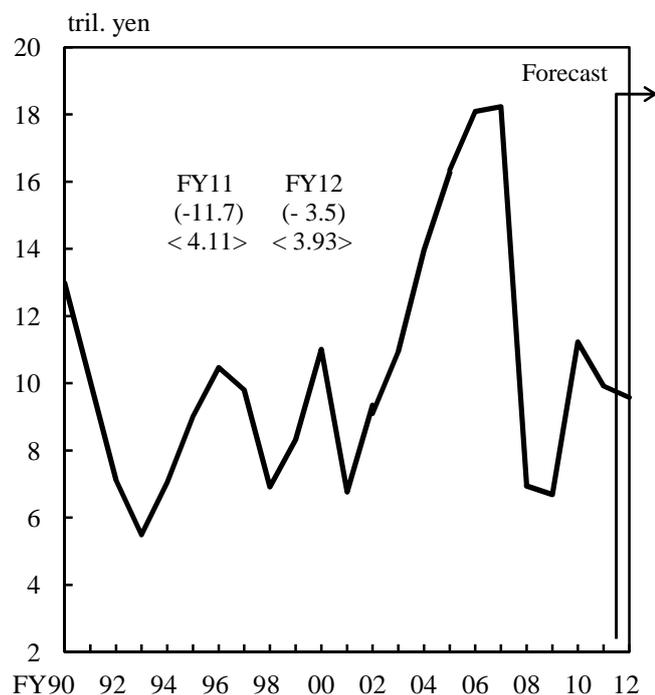


- Notes: 1. Seasonally adjusted by X-12-ARIMA.
 2. Figures for 2012/Q4 are those of October in quarterly amount.

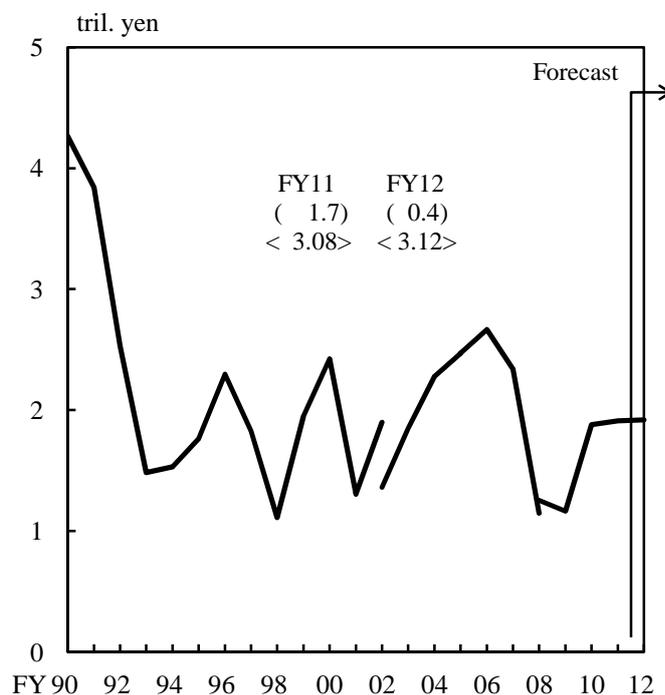
Sources: Cabinet Office, "Orders Received for Machinery";
 Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts."

Current Profits

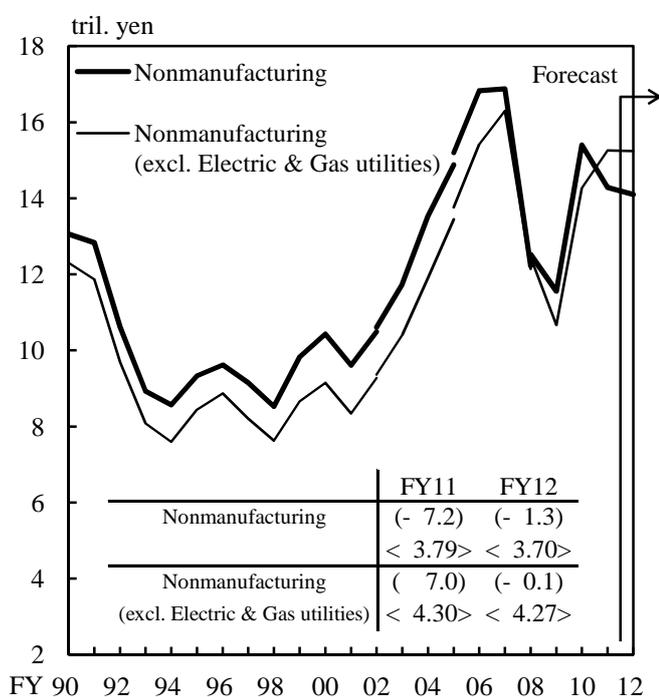
(1) Large Manufacturing Enterprises



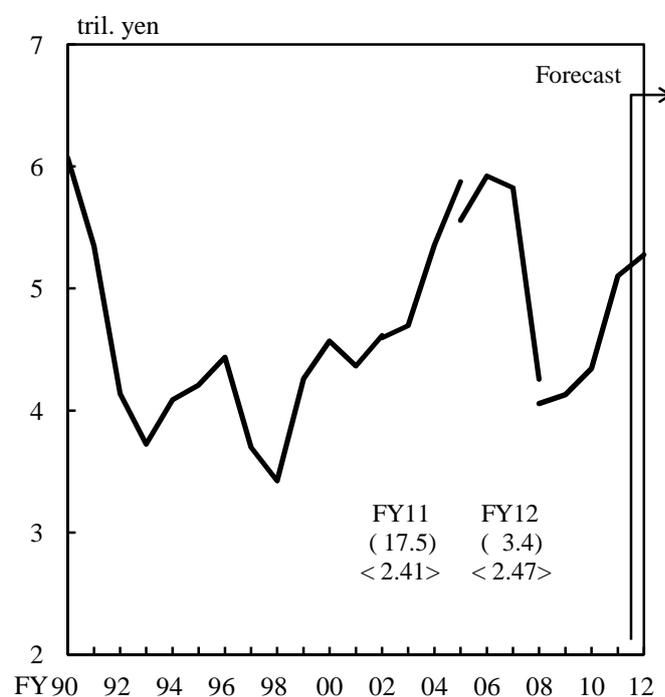
(2) Small Manufacturing Enterprises



(3) Large Nonmanufacturing Enterprises



(4) Small Nonmanufacturing Enterprises



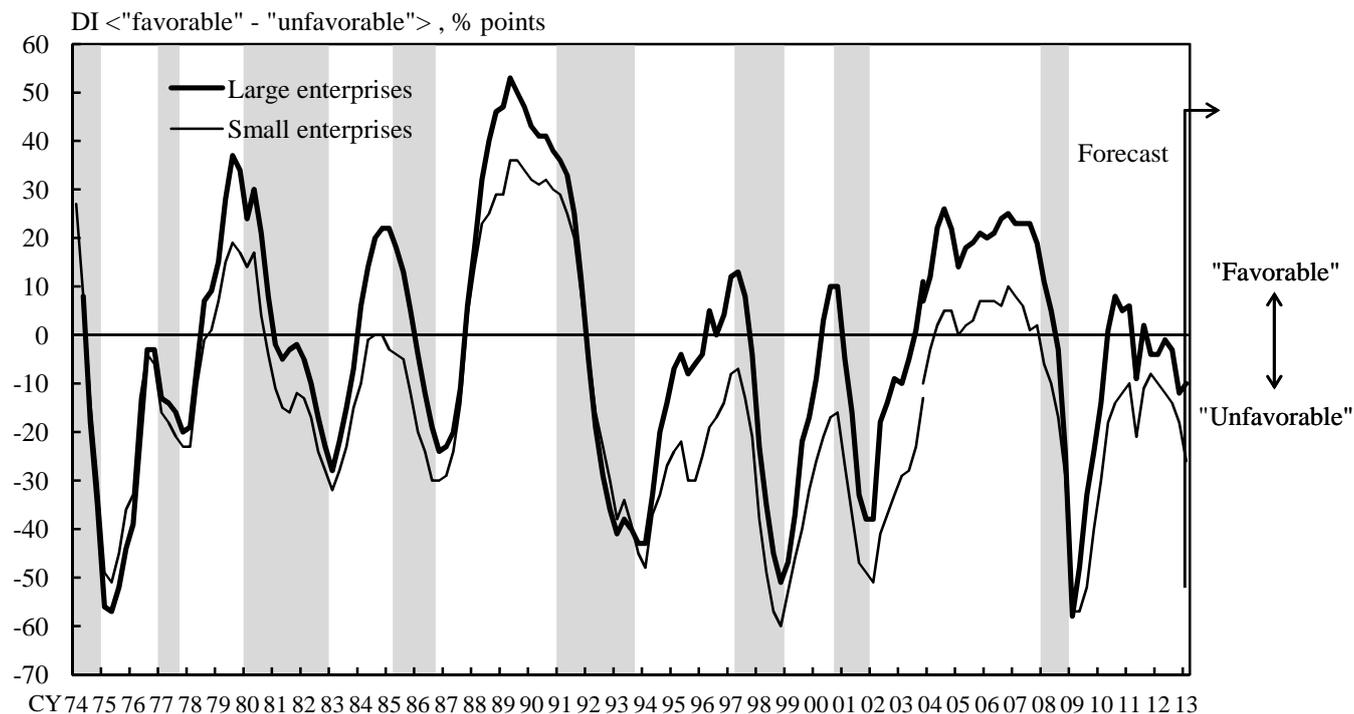
Notes: 1. (): Current profits (y/y % chg.); < >: Ratio of current profit to sales (%).

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.

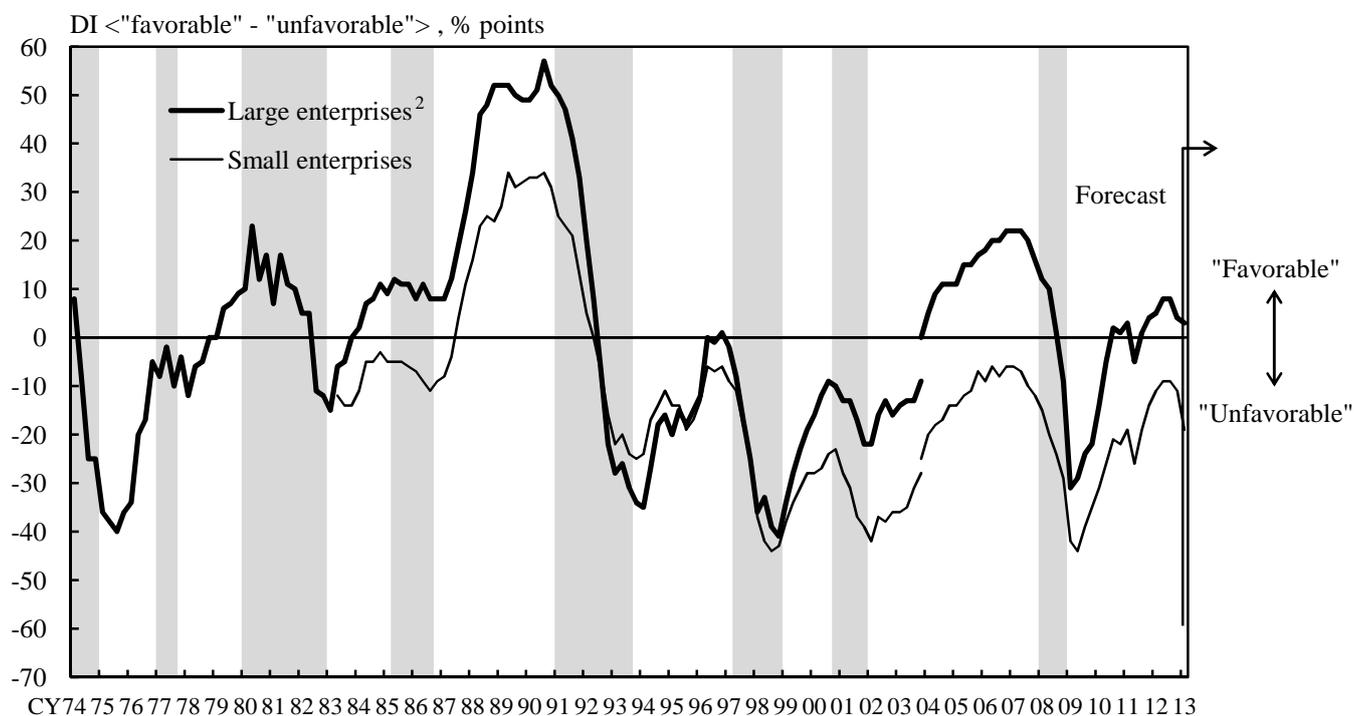
Source: Bank of Japan, "Tankan", Short-term Economic Survey of Enterprises in Japan."

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.

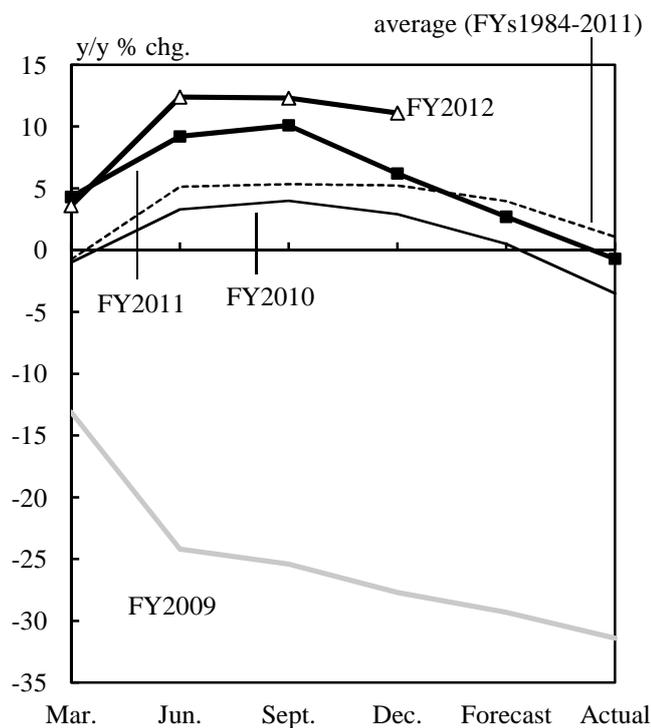
2. Data prior to February 1983 are those of principal enterprises.

3. Shaded areas indicate recession periods.

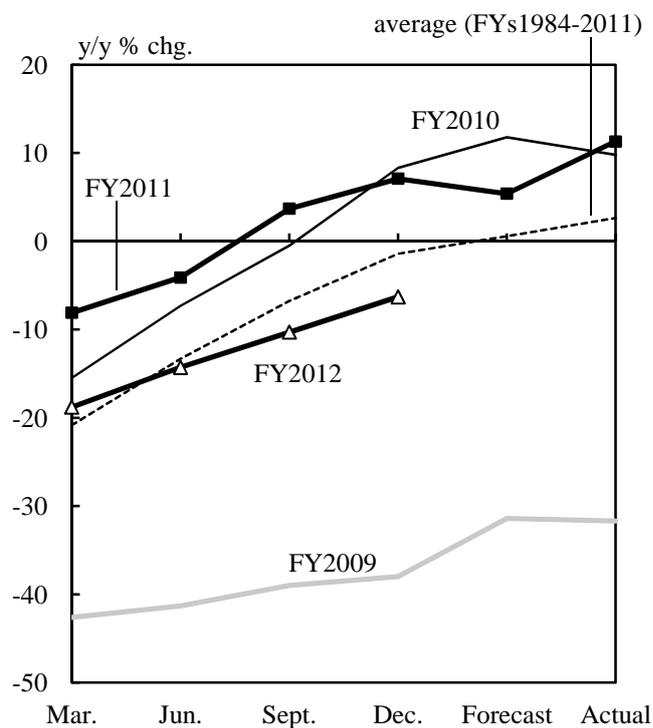
Source: Bank of Japan, "Tankan", Short-term Economic Survey of Enterprises in Japan."

Business Fixed Investment Plans as Surveyed

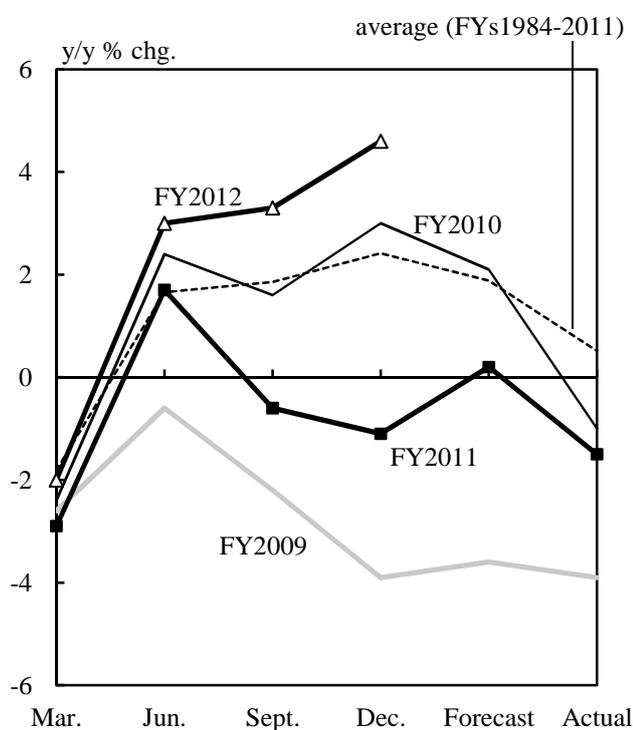
(1) Large Manufacturing Enterprises



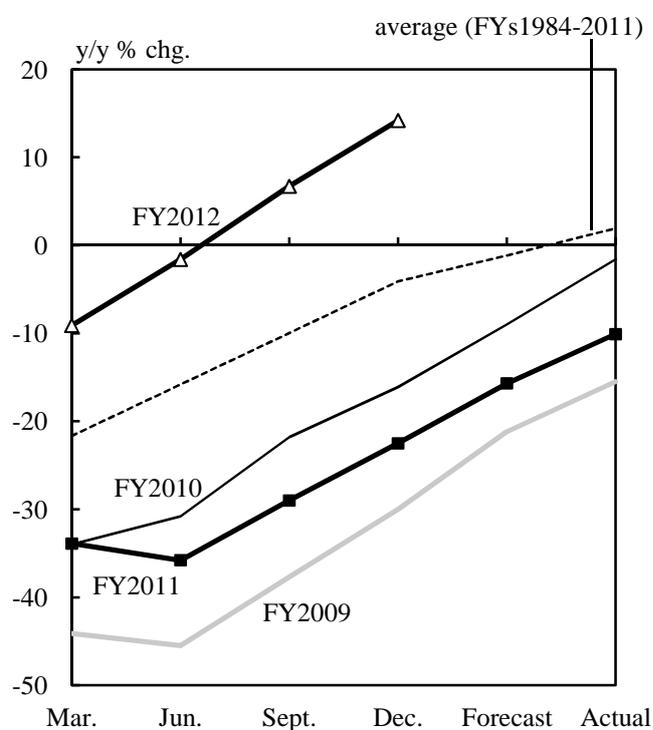
(2) Small Manufacturing Enterprises



(3) Large Nonmanufacturing Enterprises



(4) Small Nonmanufacturing Enterprises



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

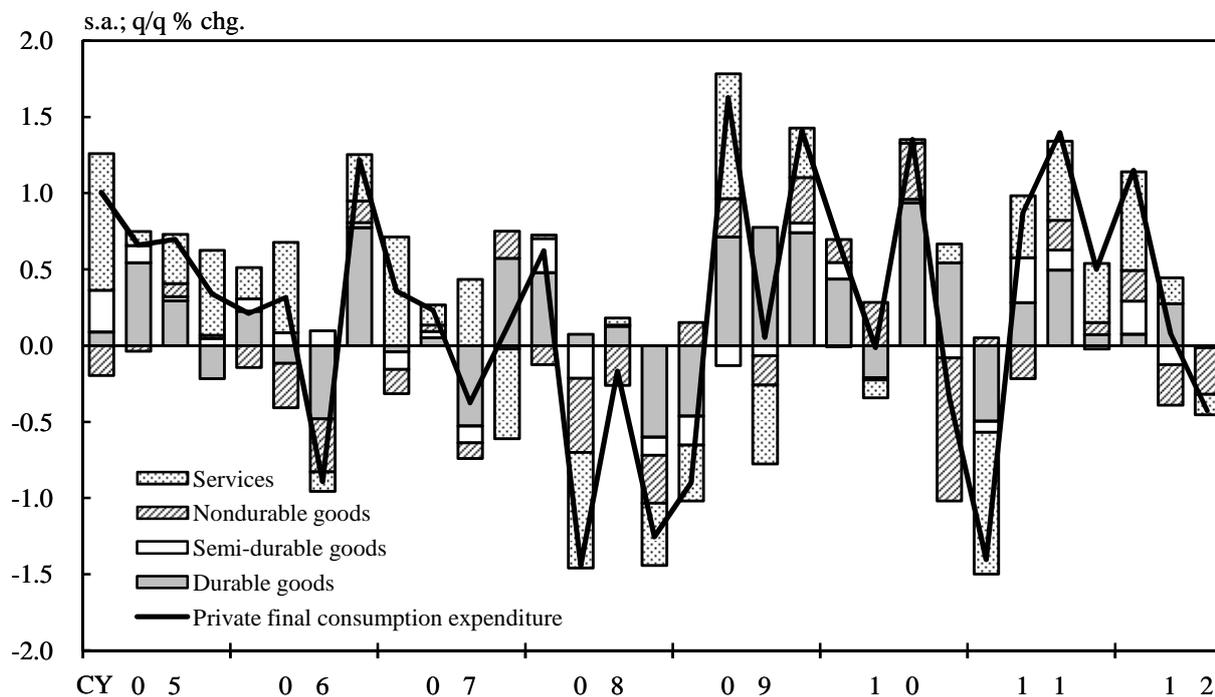
2. Sample enterprises were revised in the March 2010 survey. Therefore, as for FY 2009, figures up to the December survey are based on the previous data sets, and the figures of "forecast" and "actual result" are based on the new basis.

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.

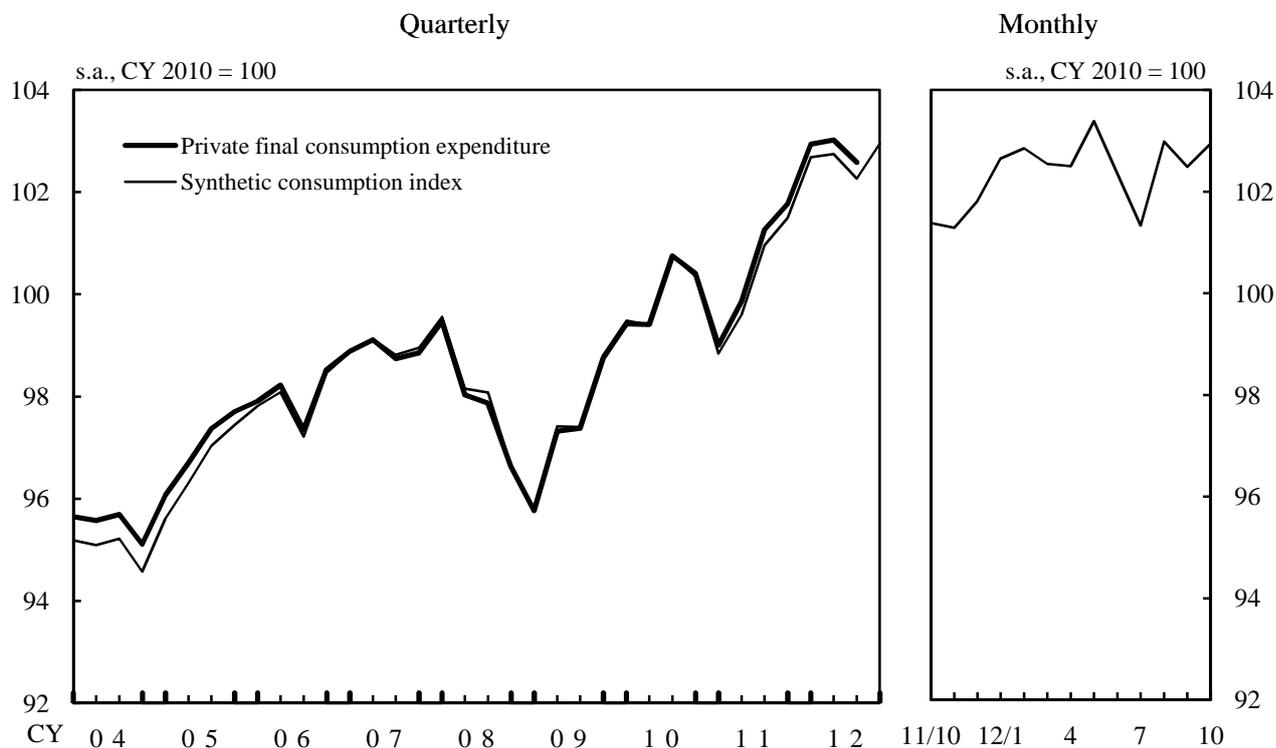
Source: Bank of Japan, "Tankan", Short-term Economic Survey of Enterprises in Japan."

Indicators of Private Consumption (1)

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



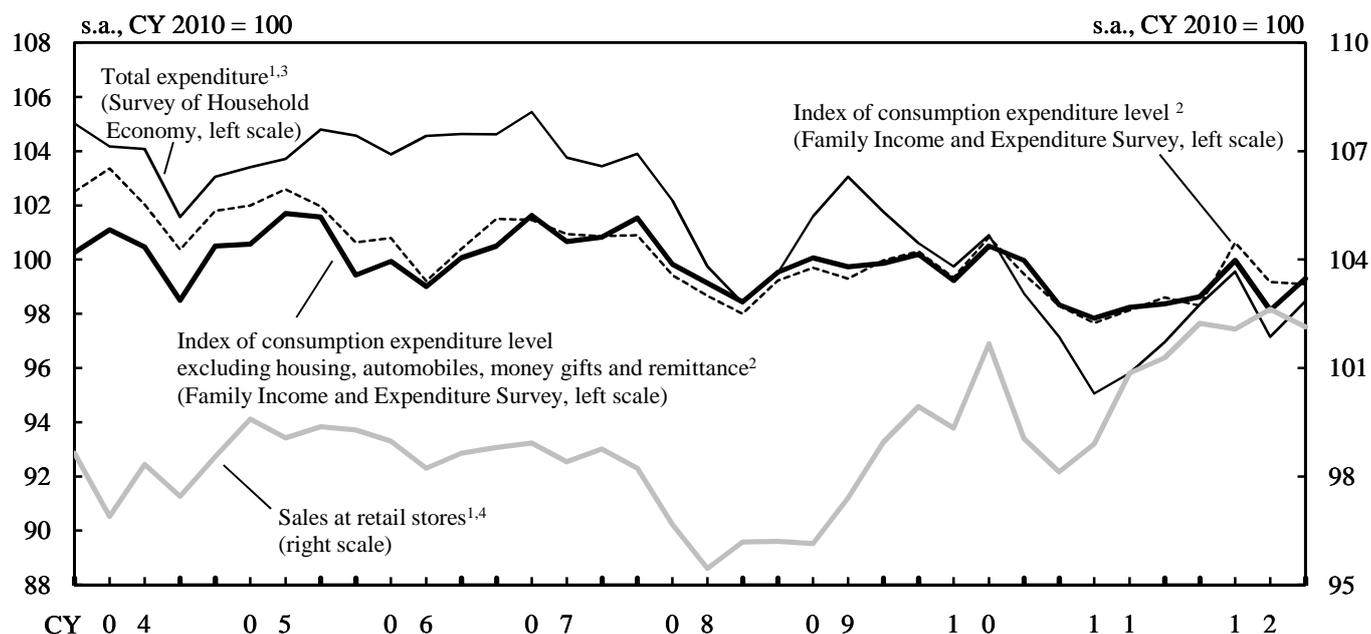
(2) Private Final Consumption Expenditure and Synthetic Consumption Index (Real)



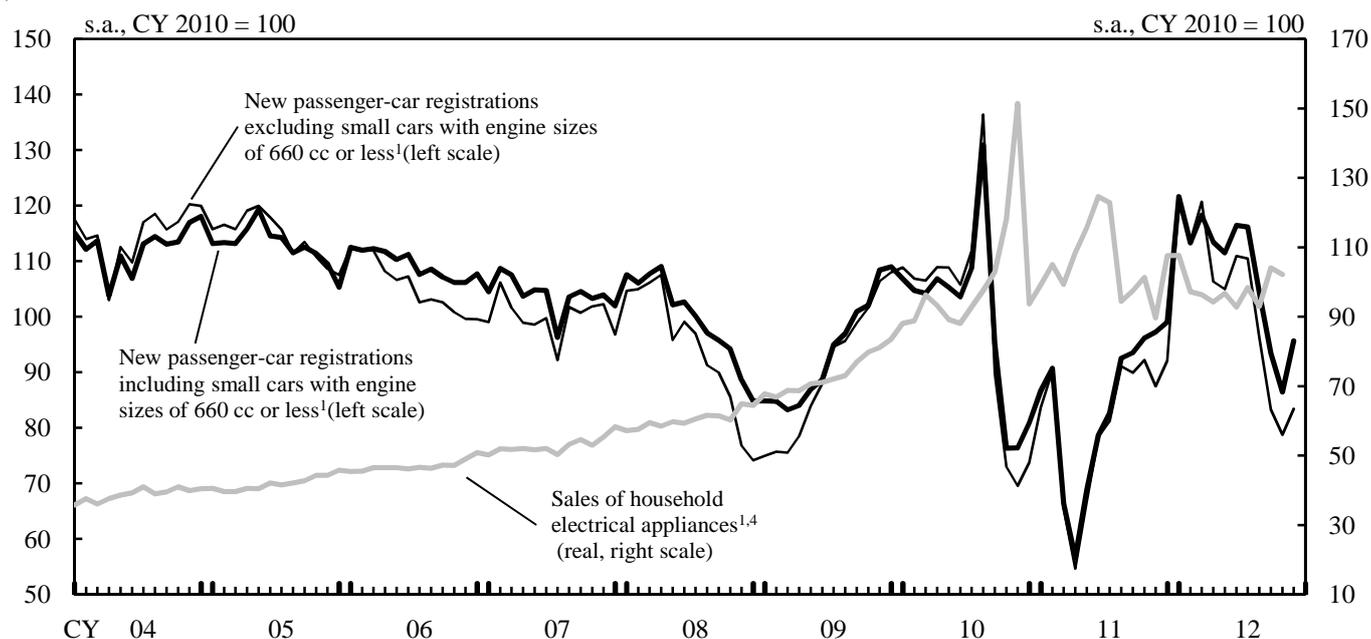
Note: The figure of the synthetic consumption index for 2012/Q4 is that of October in quarterly amount.

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

Indicators of Private Consumption (2)

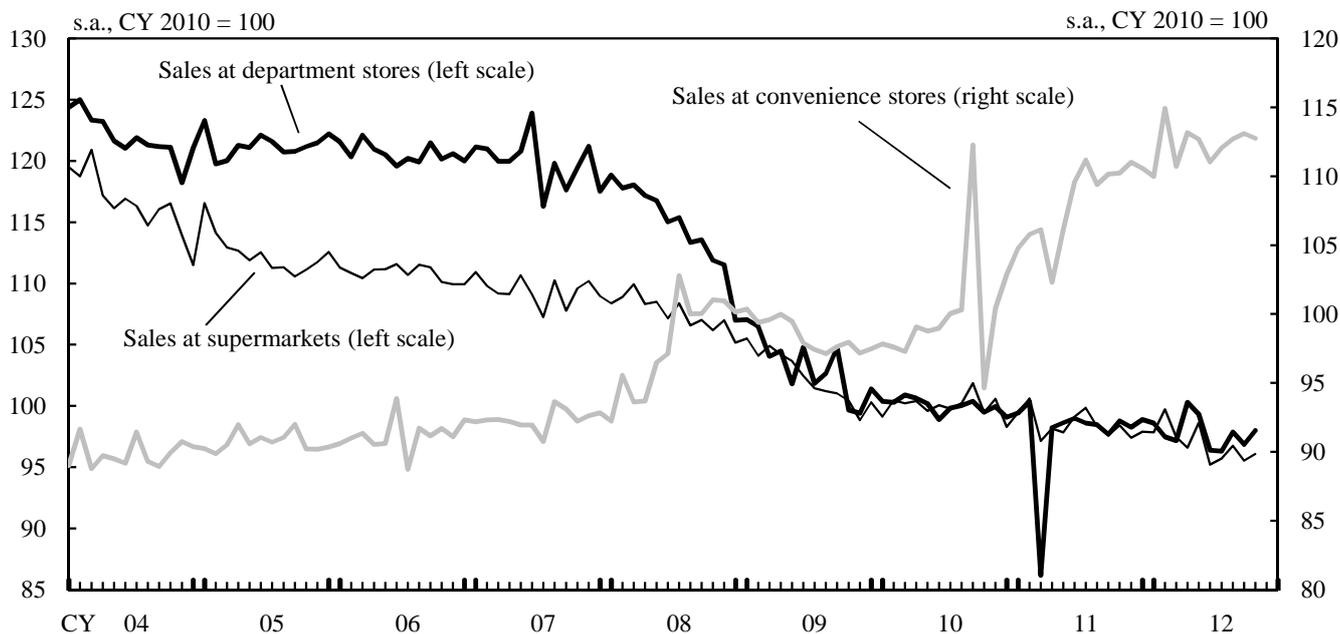
(1) Household Spending (Real)⁵

(2) Sales of Durable Goods

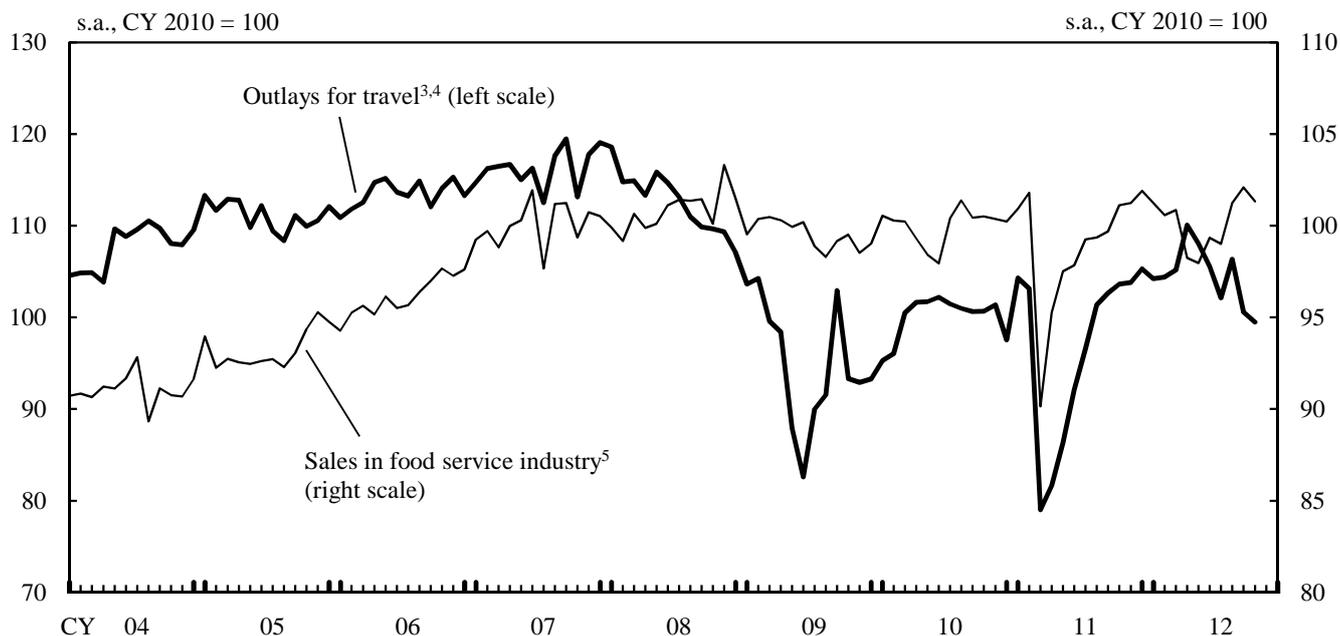


- Notes: 1. Total expenditure, sales at retail stores, sales of household electrical appliances and new passenger-car registrations are seasonally adjusted by X-12-ARIMA.
2. "Index of consumption expenditure level" is based on two-or-more-person households, and is adjusted using the distribution of household 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. Figures for 2012/Q4 are those of October in quarterly amount.

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

Indicators of Private Consumption¹ (3)(1) Sales at Retail Stores (Nominal)²

(2) Consumption of Services (Nominal)



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

2. Adjusted to exclude the effects of the increase in the number of stores (except 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";

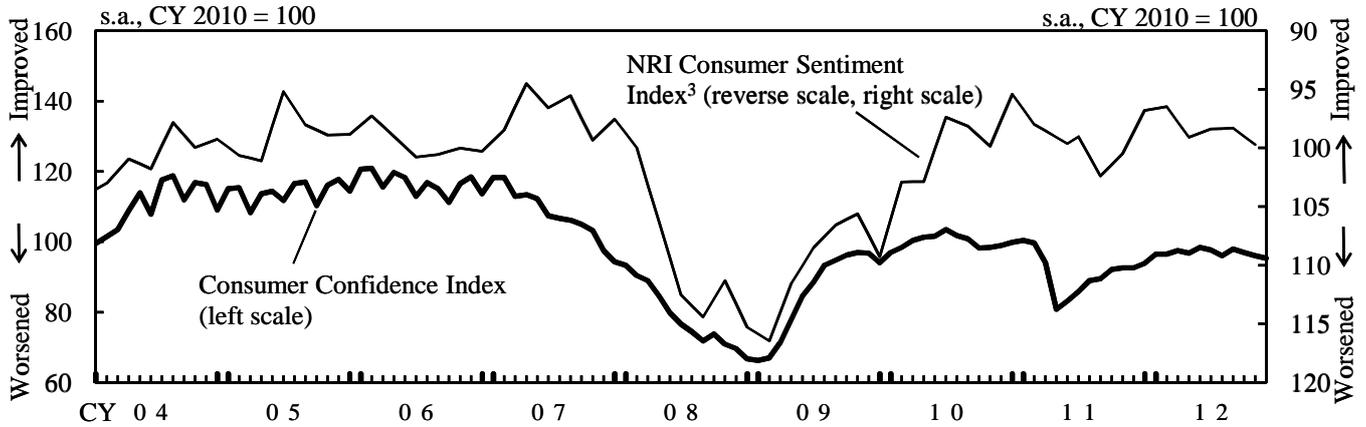
Japan Tourism Agency, "Major Travel Agents' Revenue";

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

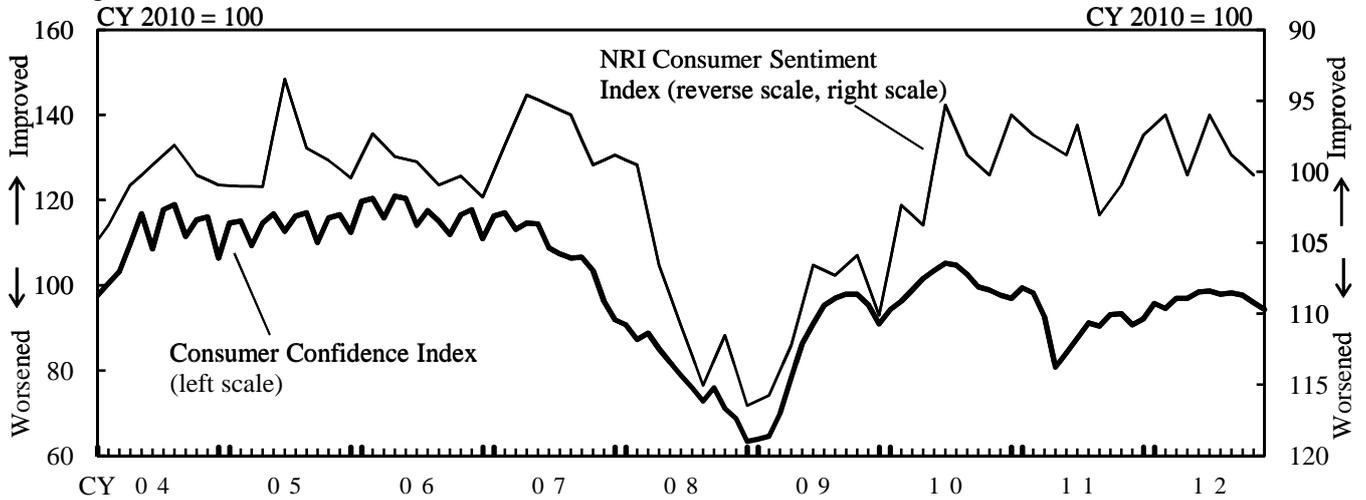
(Research on the food service industry)."

Consumer Confidence^{1,2}

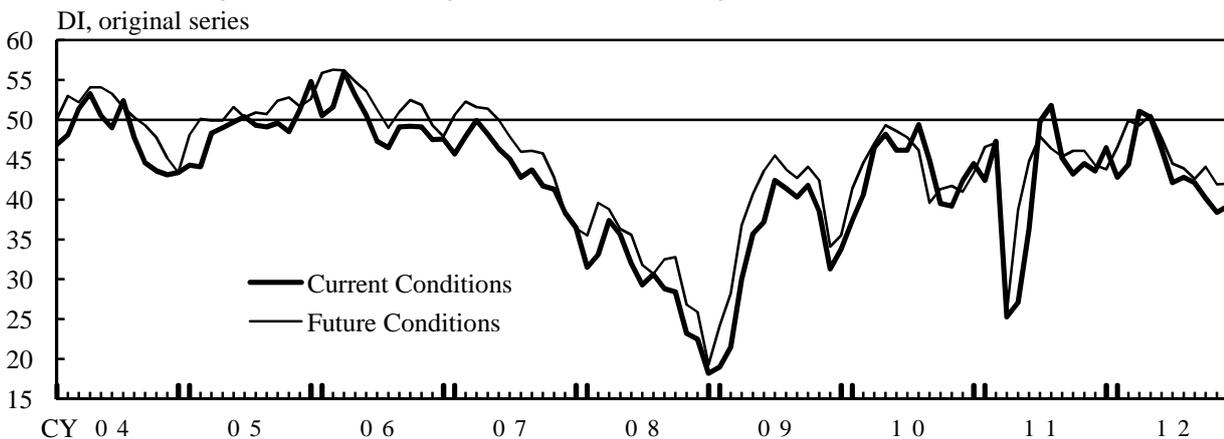
(1) Seasonally Adjusted Series



(2) Original Series



Reference: Economy Watchers Survey (Household Activity)

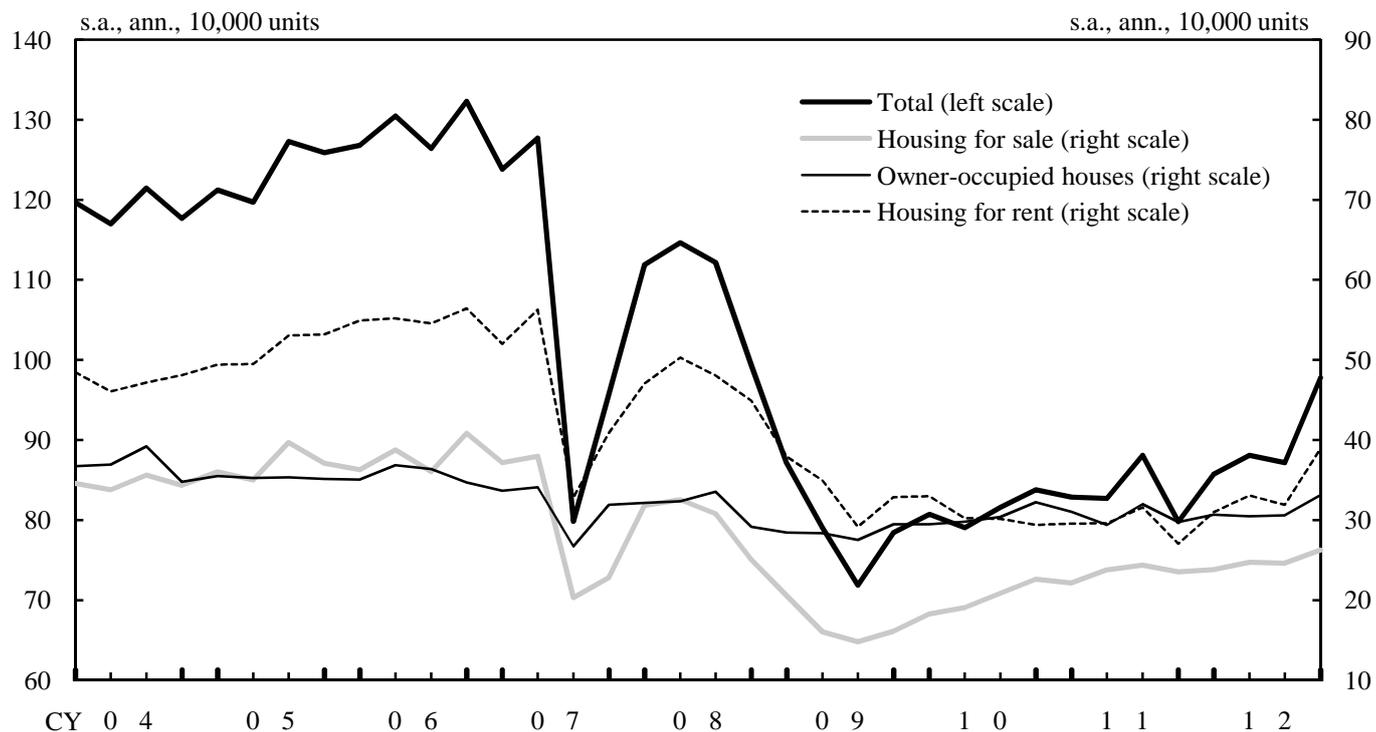


- Notes: 1. The Consumer Confidence Index (covering about 4,700 samples on a nationwide basis) and NRI Consumer Sentiment Index (1,200 samples on a nationwide basis) are based on surveys on consumer confidence.
 2. Figures are plotted for each surveyed month and the data for the intervening months are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

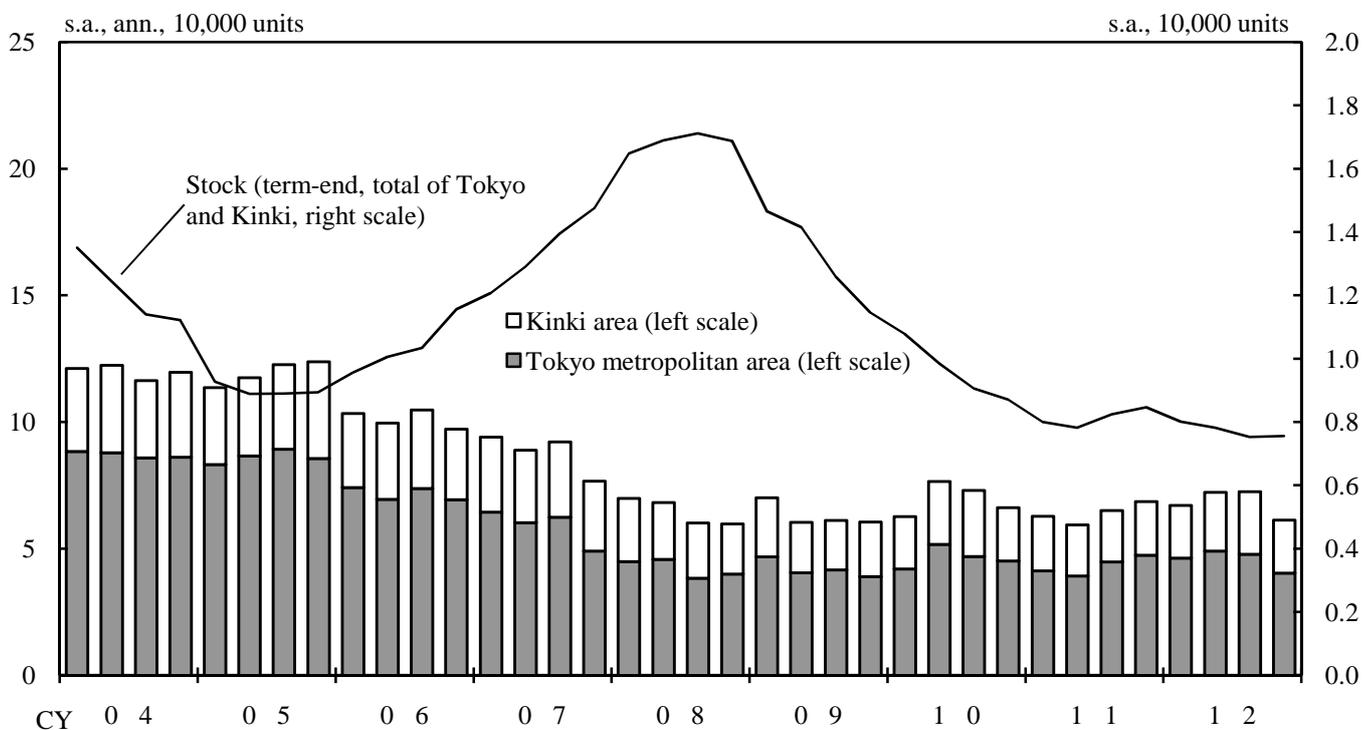
Indicators of Housing Investment

(1) Housing Starts



Note: Figures for 2012/Q4 are those of October.

(2) Sales of Apartments



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

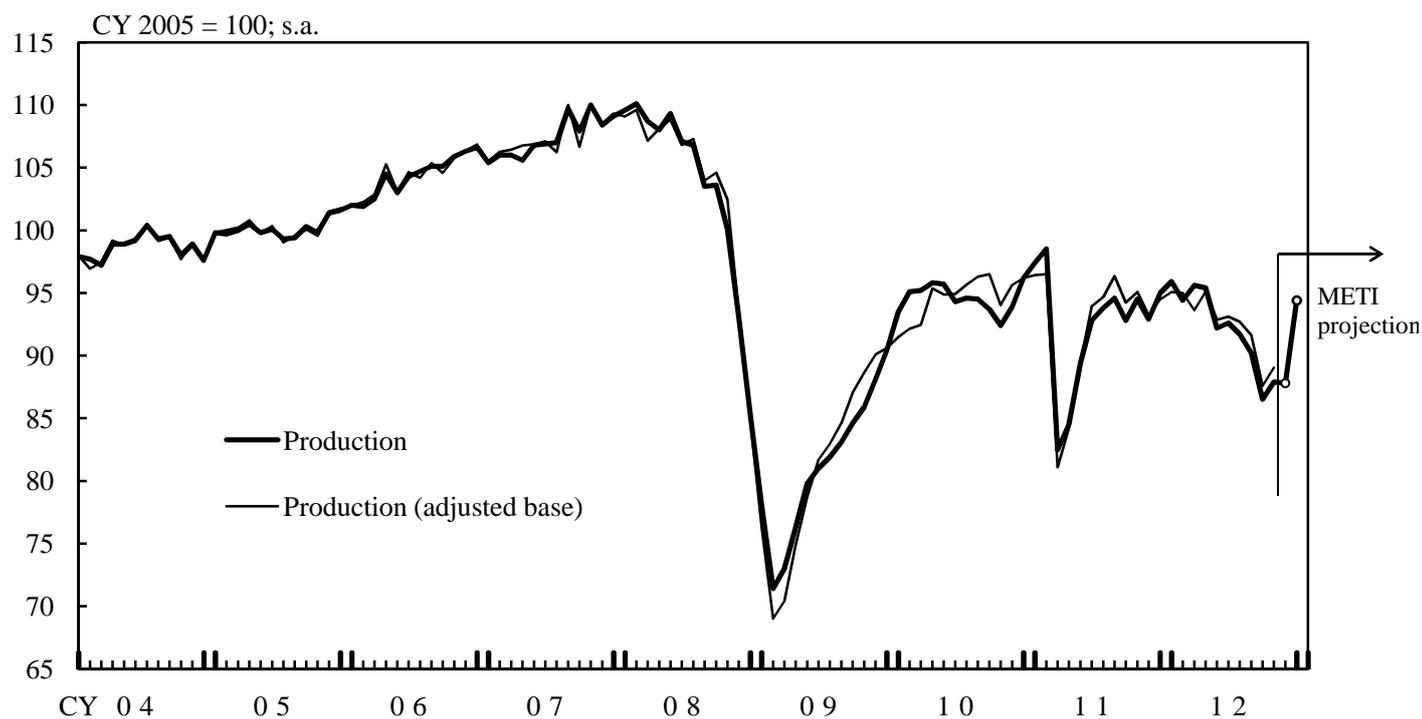
2. The figure of total apartment sales for 2012/Q4 is the October-November average.

The term-end stock for 2012/Q4 is that of November.

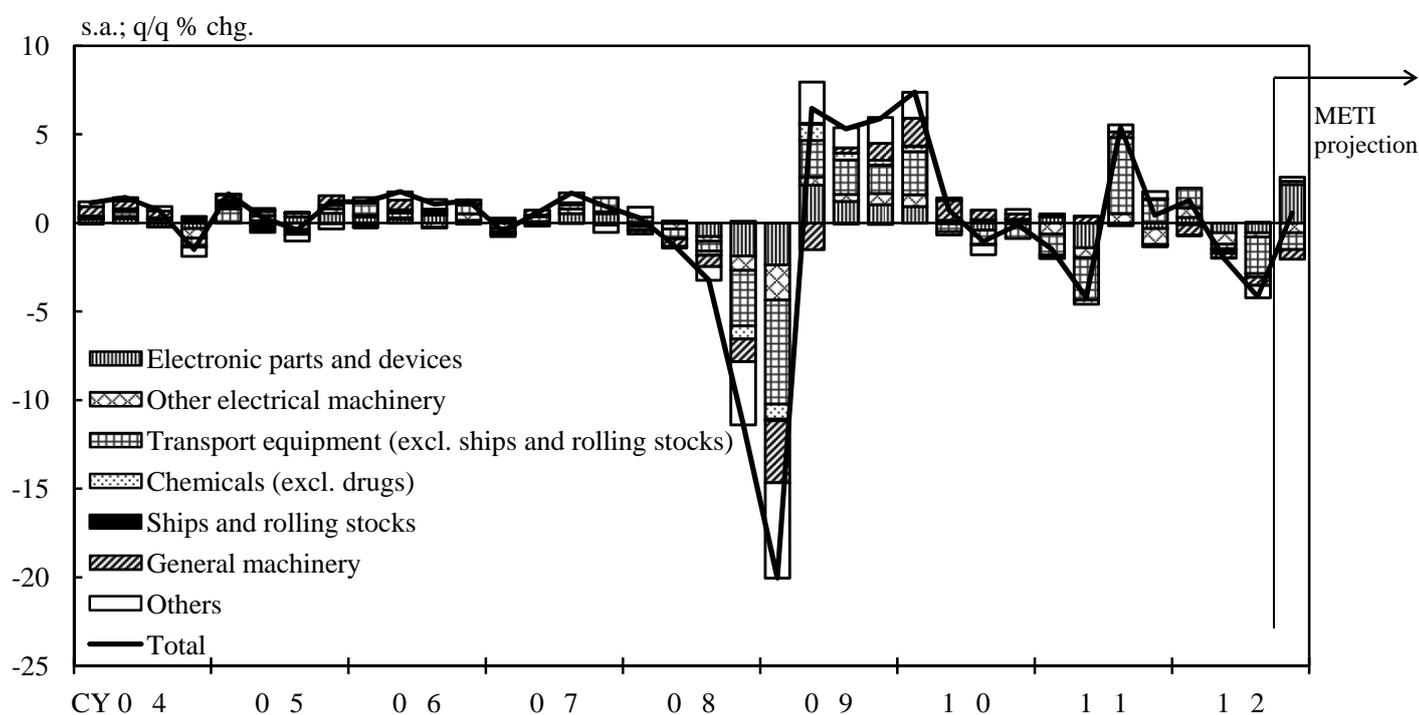
Sources: Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts," etc.

Production

(1) Production



(2) Production by Industry

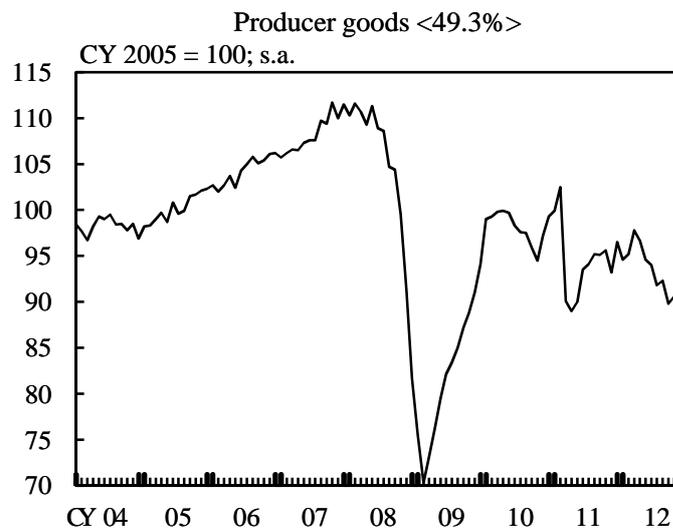
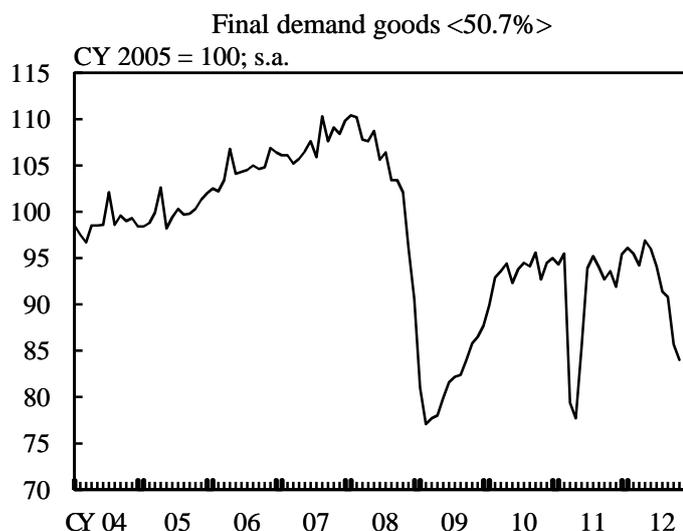


- Notes: 1. Industrial production (adjusted base) is calculated by detecting large fluctuations after the Lehman shock as outliers (estimation by the Research and Statistics Department, Bank of Japan).
2. "Other electrical machinery" is the weighted sum of "electrical machinery" and "information and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

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

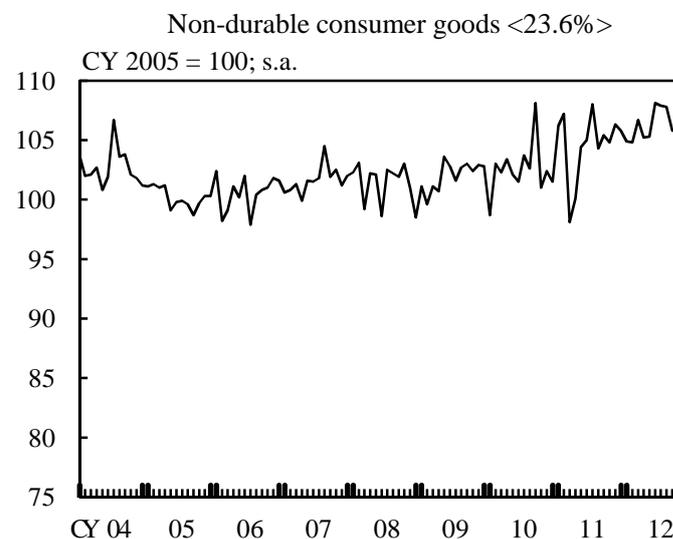
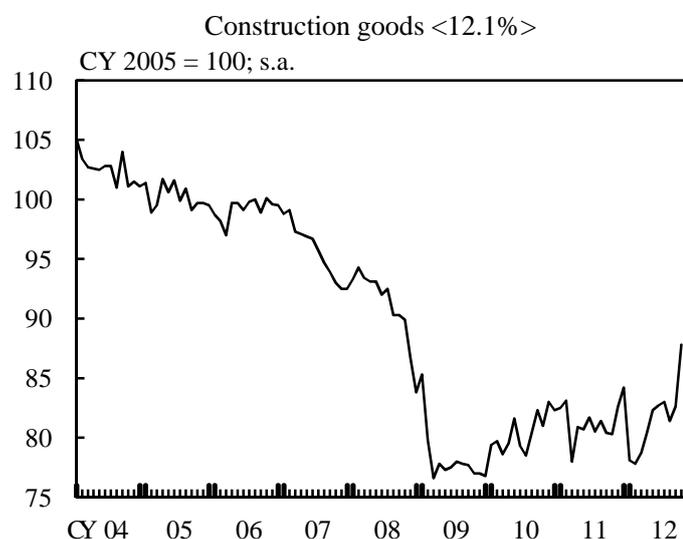
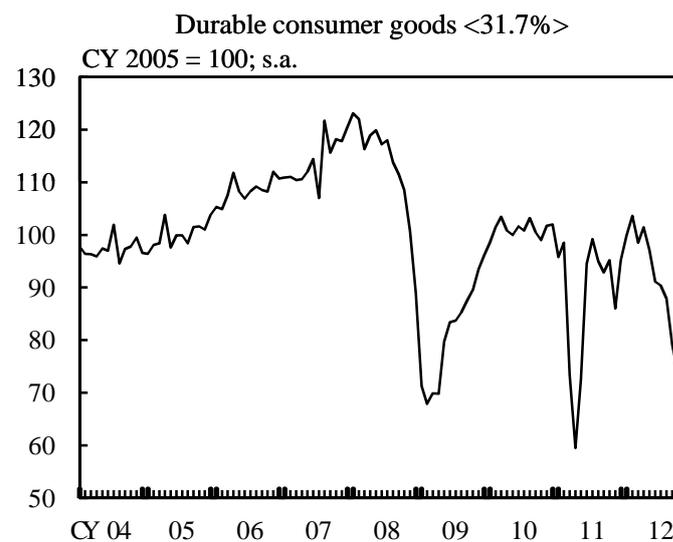
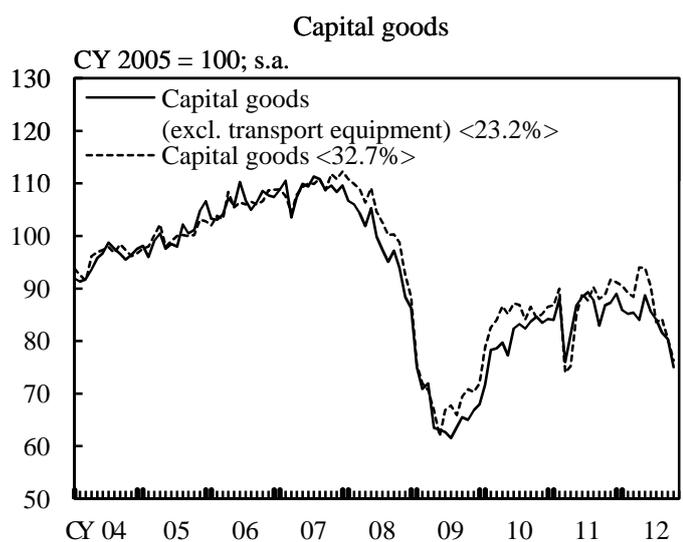
Shipments by Type of Goods

(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

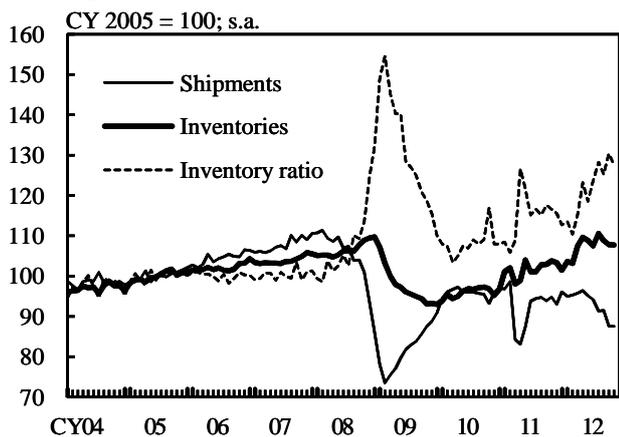


Note: Figures in angle brackets show the shares among shipments of final demand goods.

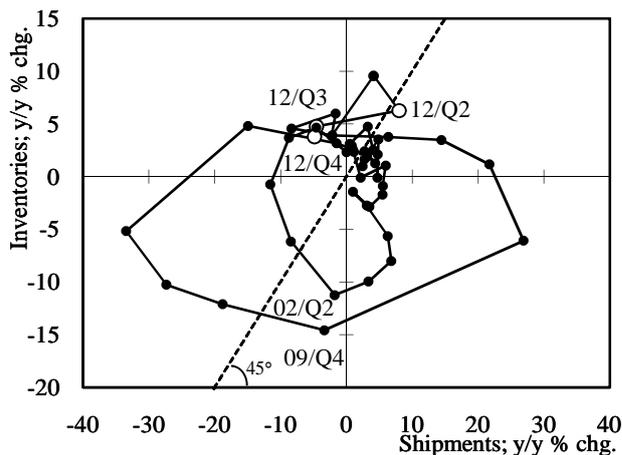
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Shipments and Inventories

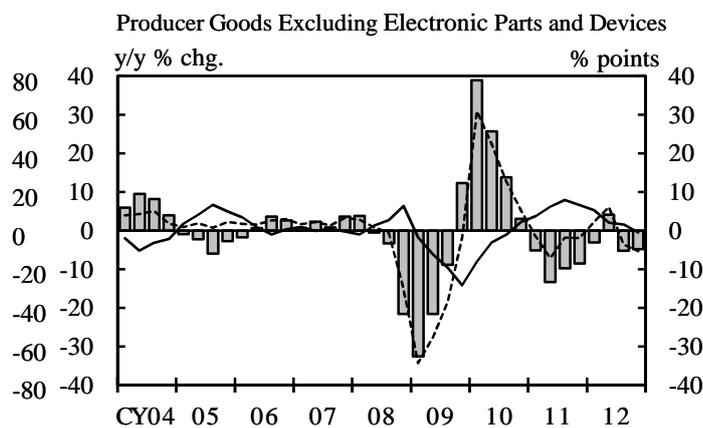
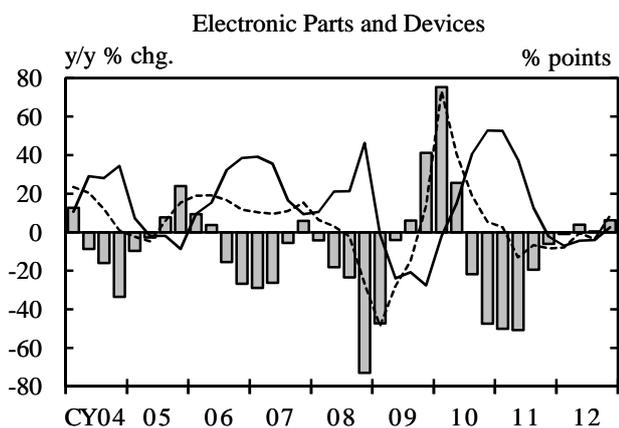
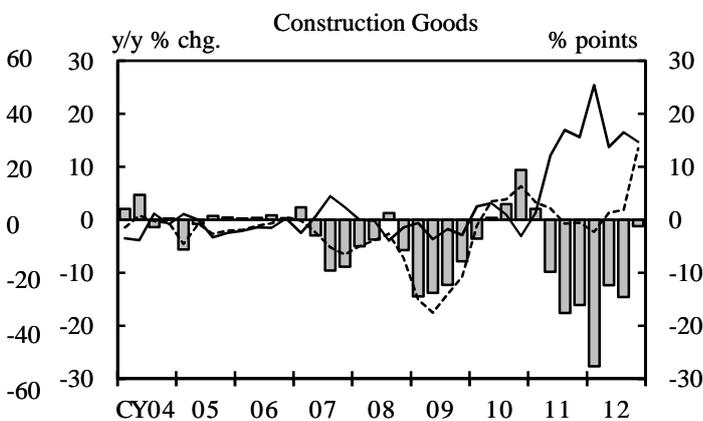
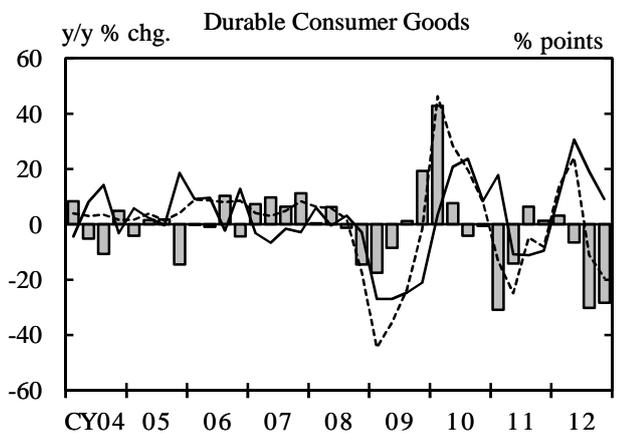
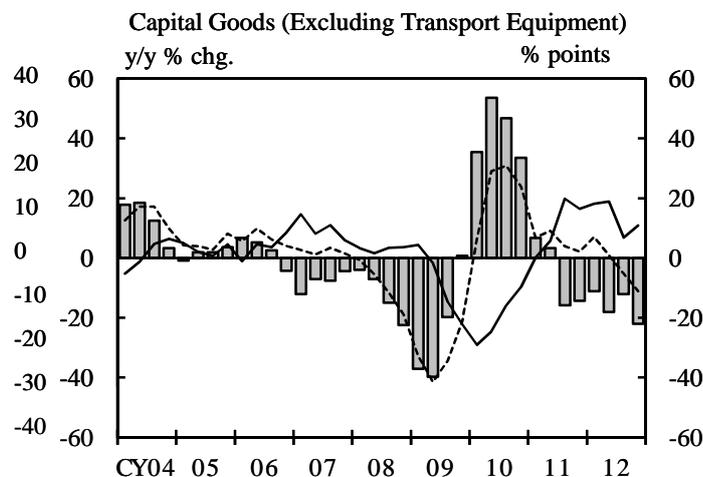
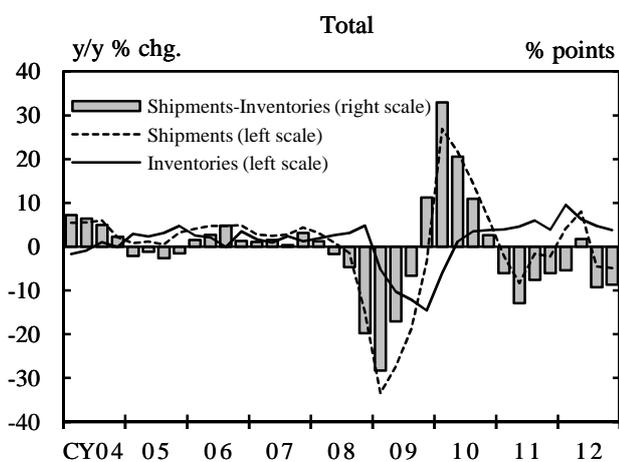
(1) Shipments and Inventories (Total)



(2) Inventory Cycle (Total)



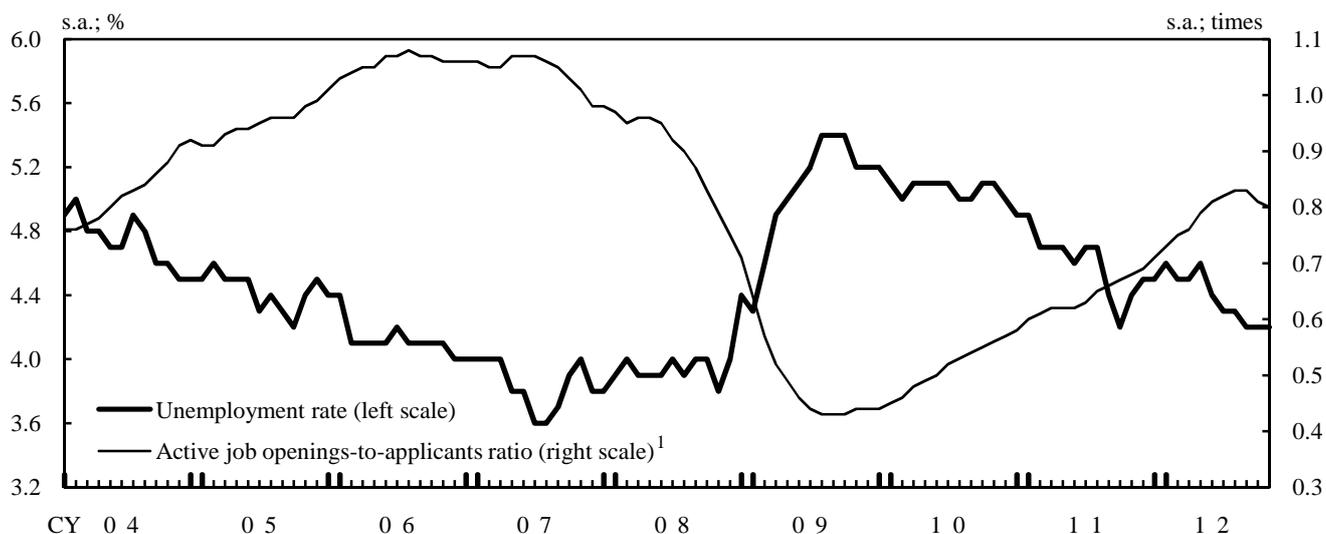
(3) Shipment-Inventory Balance



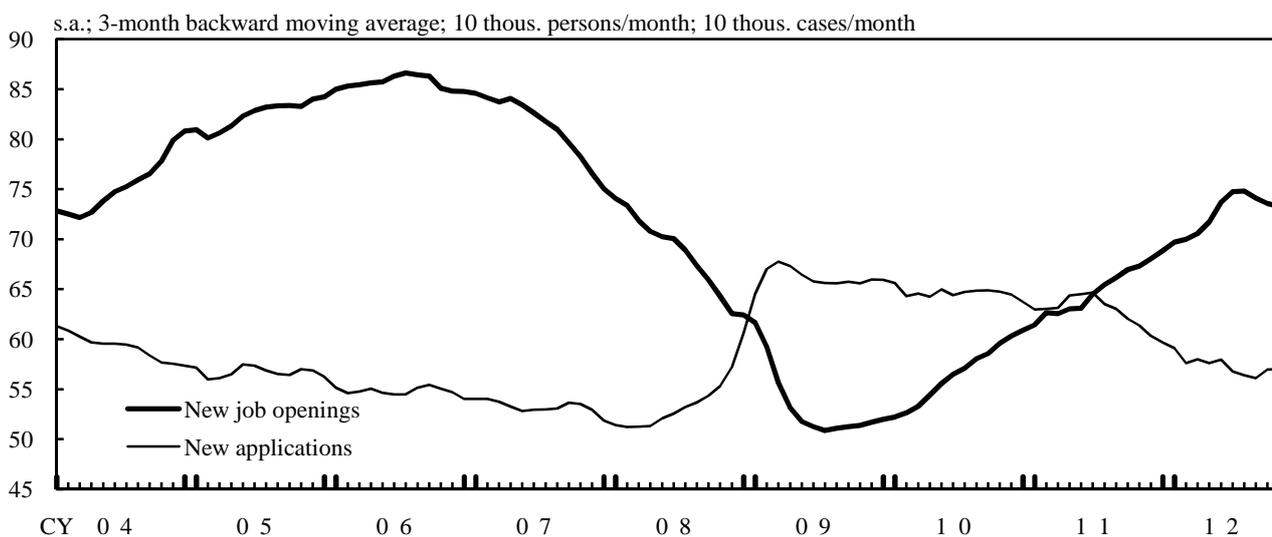
Note: Figures for 2012/Q4 are those of October.
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Labor Market

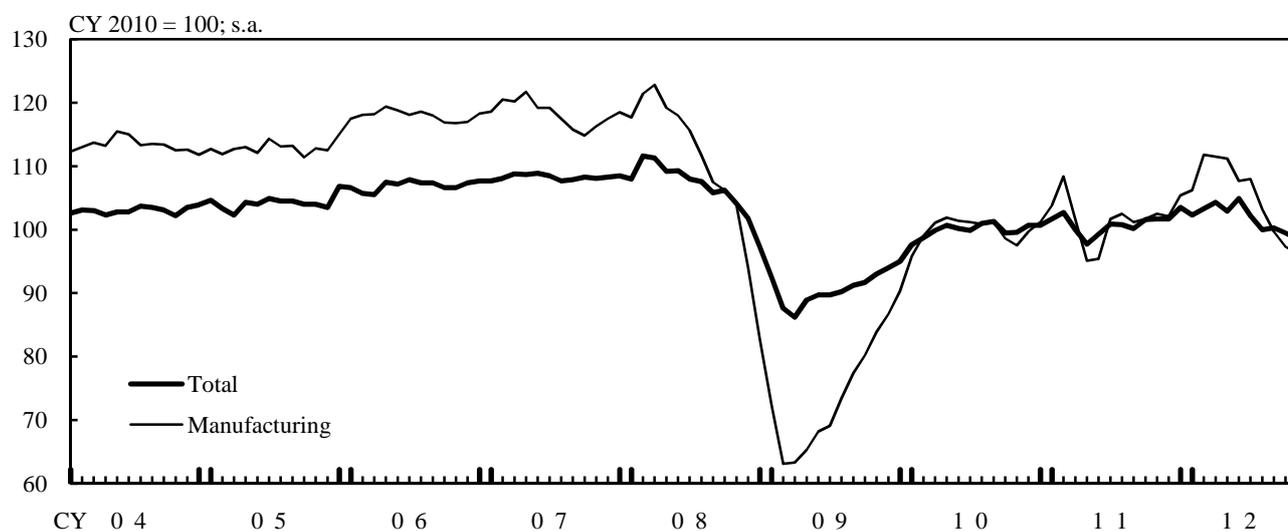
(1) Unemployment Rate and Active Job Openings-to-Applicants Ratio



(2) New Job Openings and New Applications¹



(3) Non-Scheduled Hours Worked²



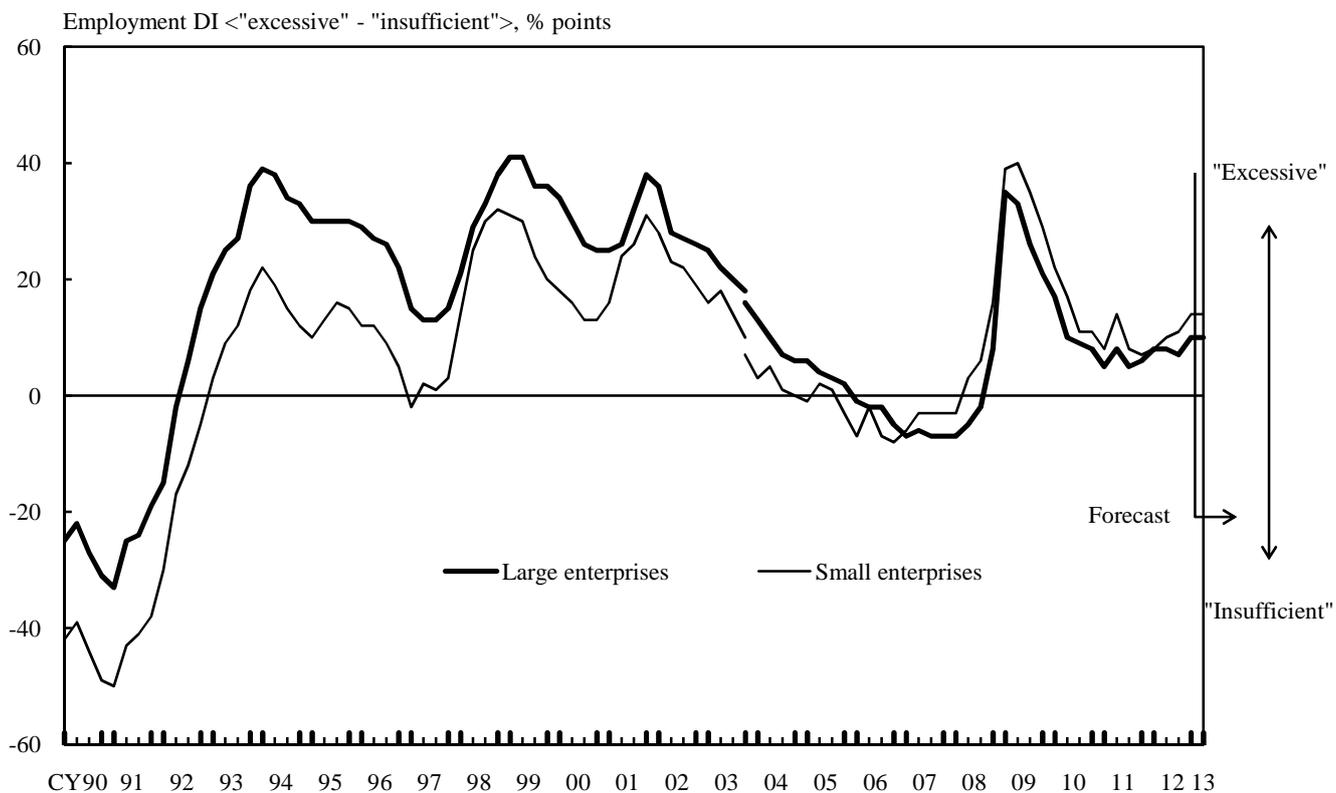
Notes: 1. Excluding new school graduates and including part-timers.

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

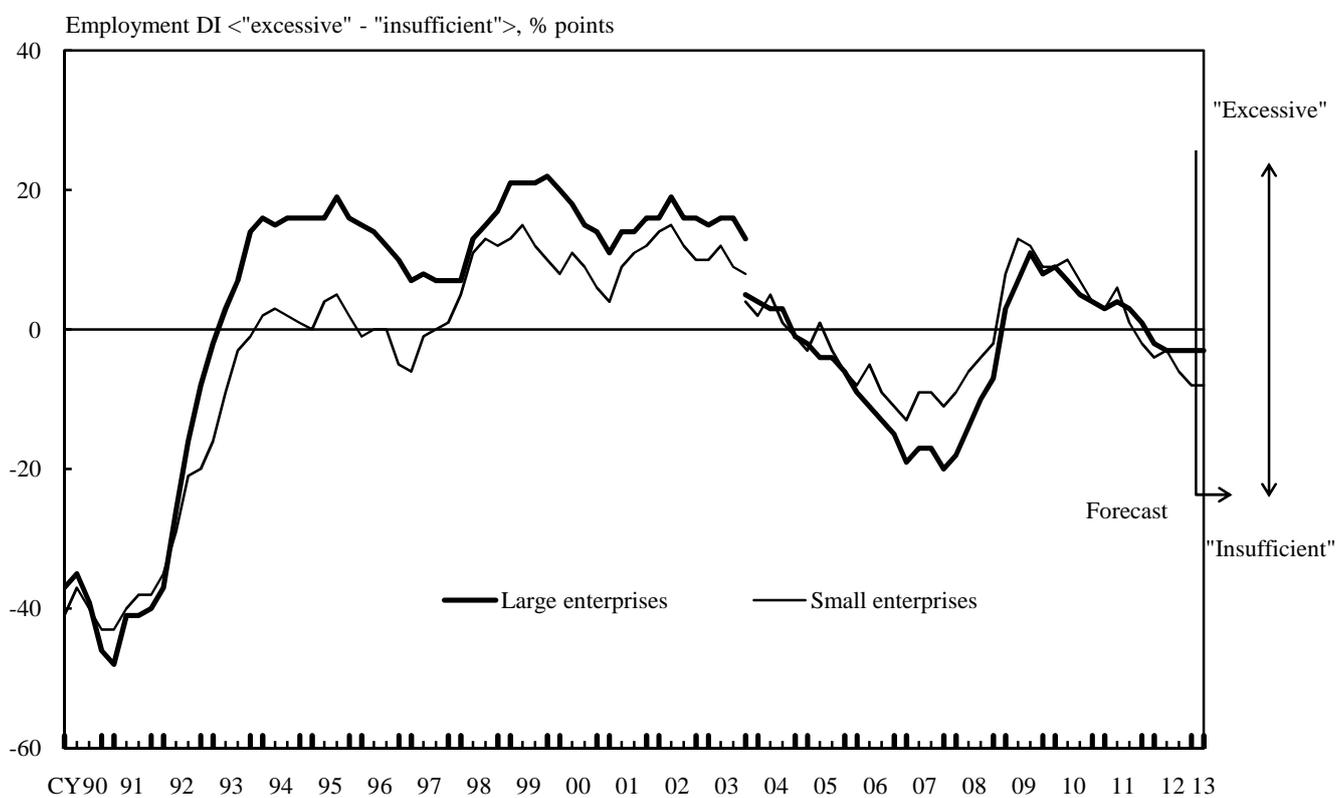
Sources: Ministry of Internal Affairs and Communications, "Labour Force Survey"; Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey."

Employment Conditions

(1) Manufacturing



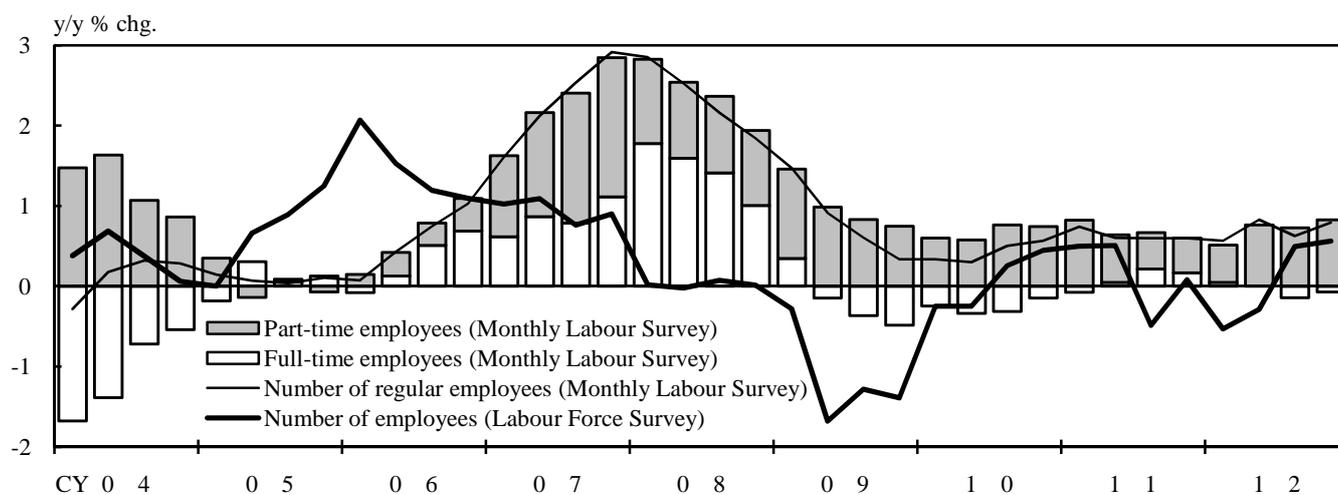
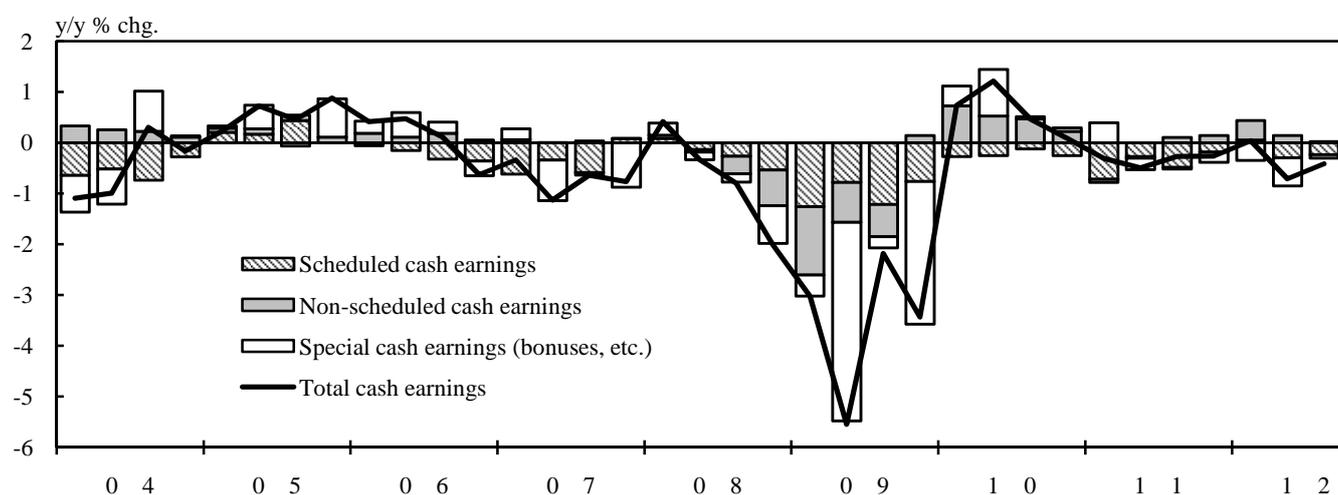
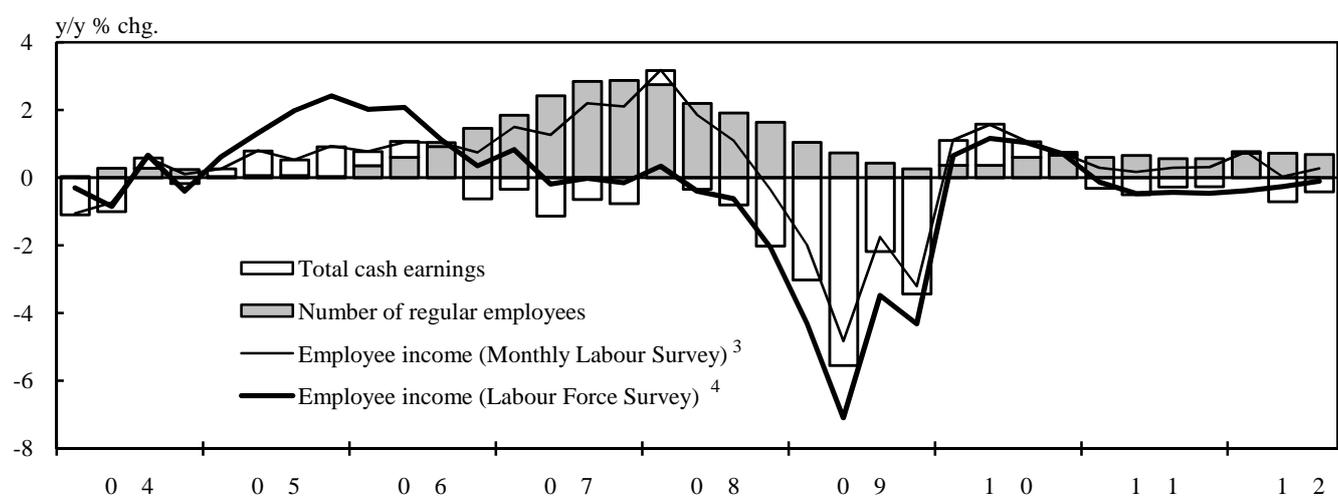
(2) Nonmanufacturing



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.

Figures for 2012/Q3 are September-October averages.

3. Calculated as the "number of regular employees" (Monthly Labour Survey) times "total cash earnings" (Monthly Labour Survey).

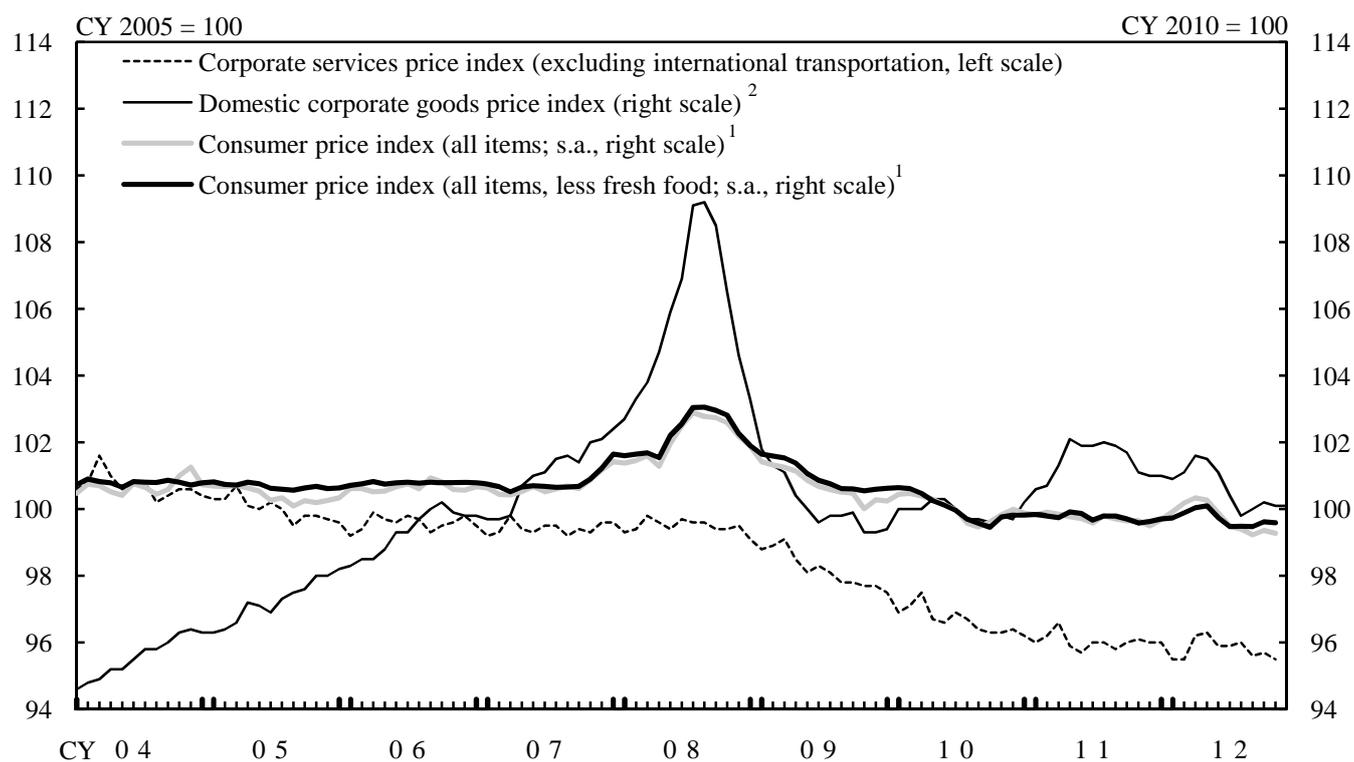
4. Calculated as the "number of employees" (Labour Force Survey) times "total cash earnings" (Monthly Labour Survey).

5. Figures for 2012/Q4 are those of October.

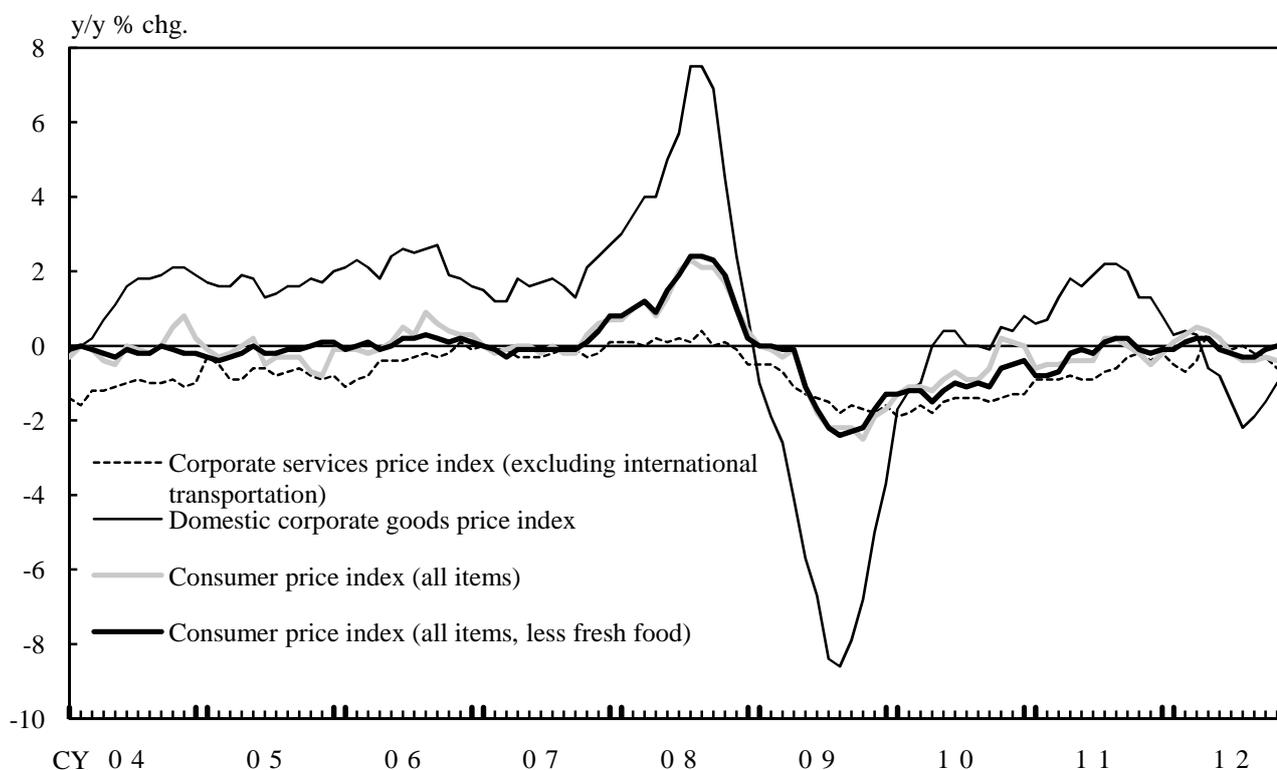
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
Ministry of Internal Affairs and Communications, "Labour Force Survey."

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.

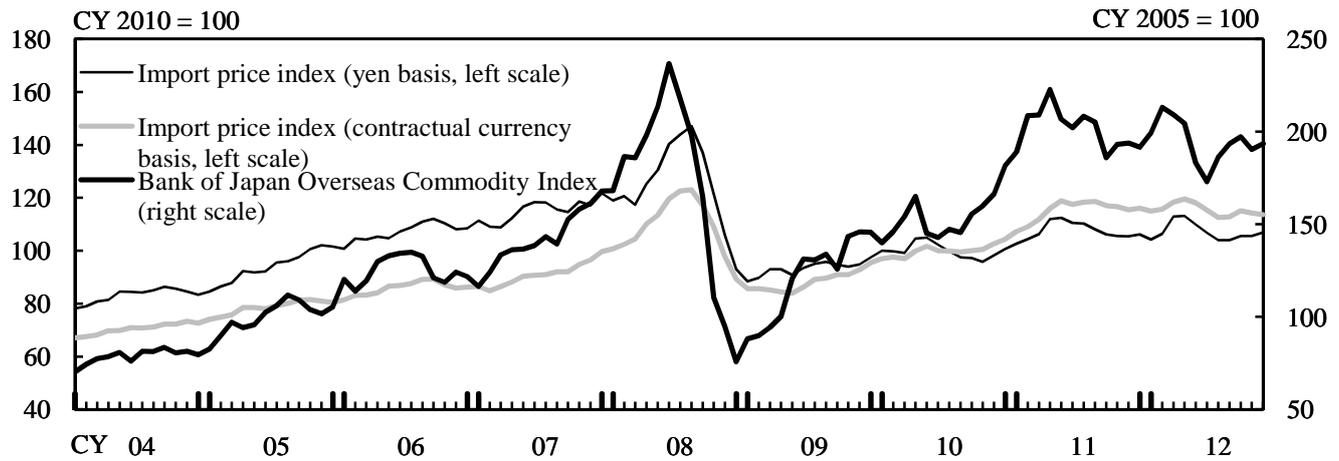
3. The levels of "Consumer Price Index" up to 2009 are based on the linked indices.

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

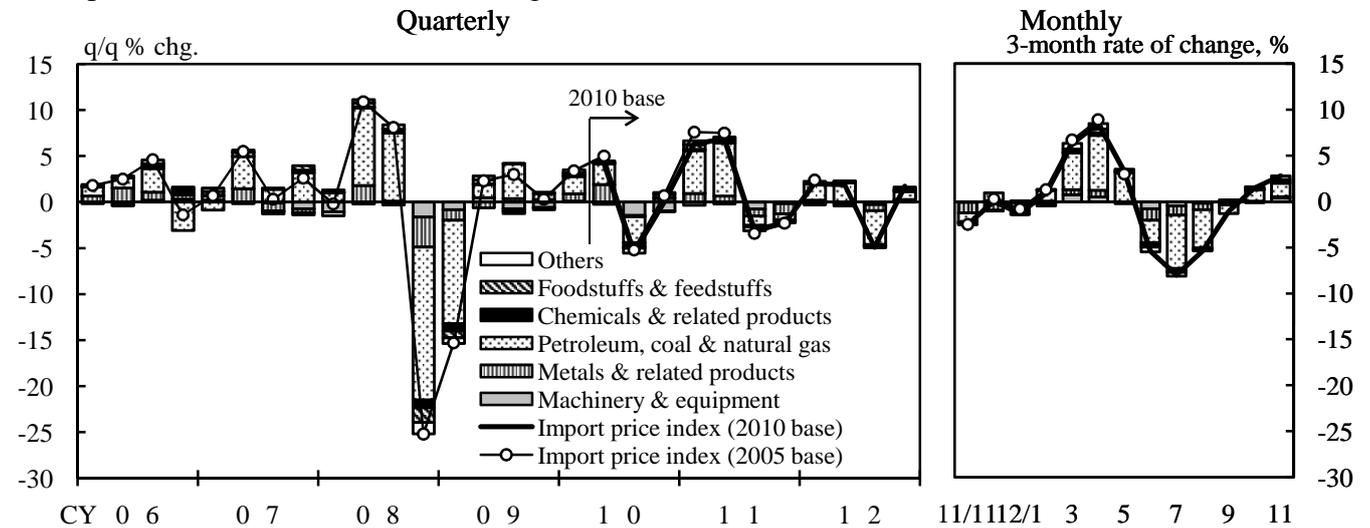
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index."

Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index

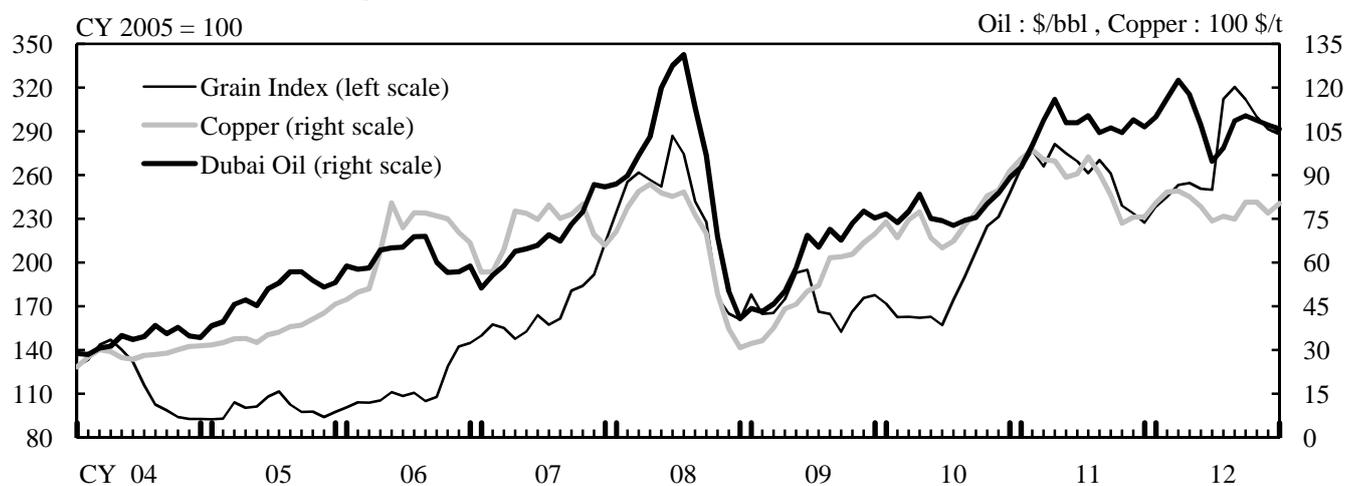


(2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



Notes: 1. Machinery & equipment: general purpose, production & business oriented machinery, electric & electronic products, and transportation equipment.
 2. Figures for 2012/Q4 are October-November averages.

(3) International Commodity Prices

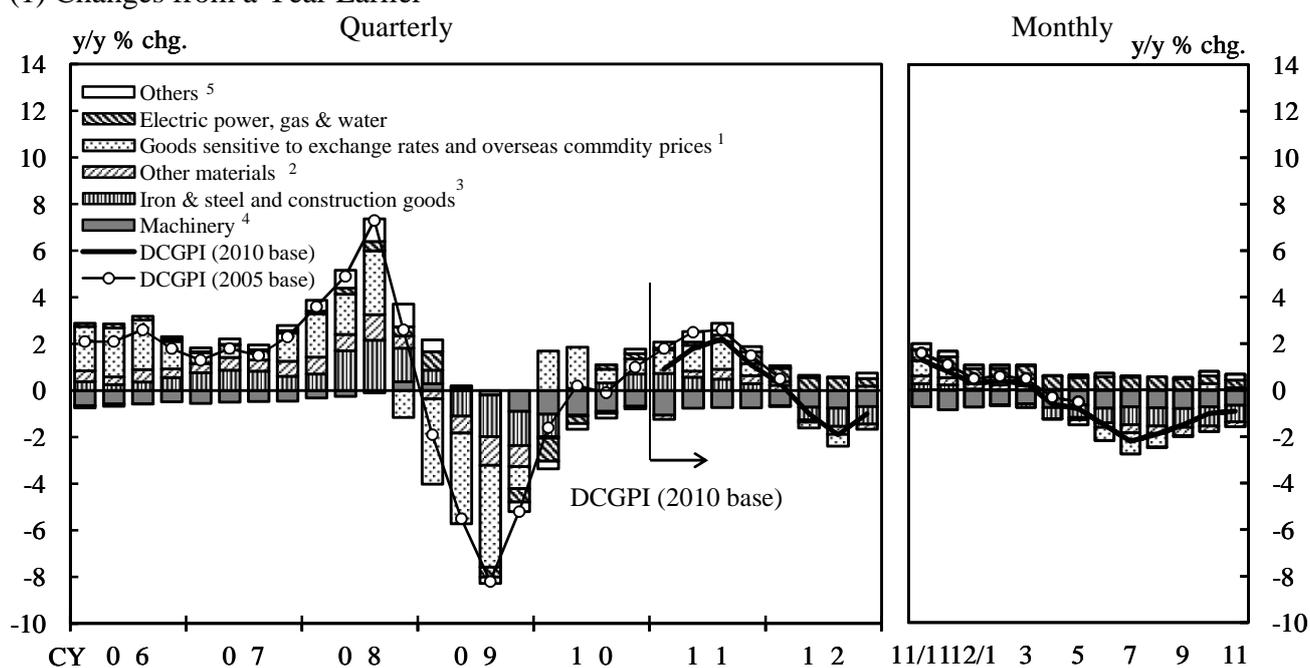
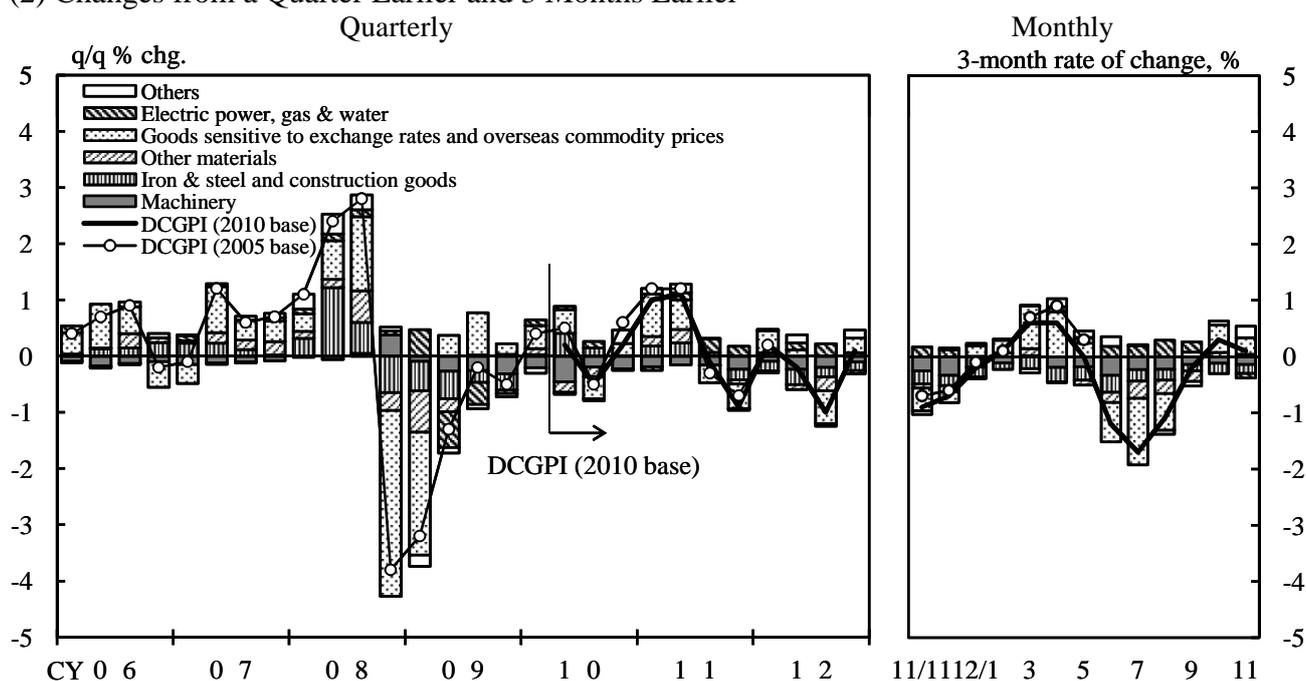


Notes: 1. The "grain index" is the weighted average of prices of three selected items (wheat, soybeans, and corn) in overseas commodity markets. The weights are based on the value of imports in the "Trade Statistics."
 2. Monthly averages. Figures for December 2012 are averages up to December 19.

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 Earlier ⁶

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.

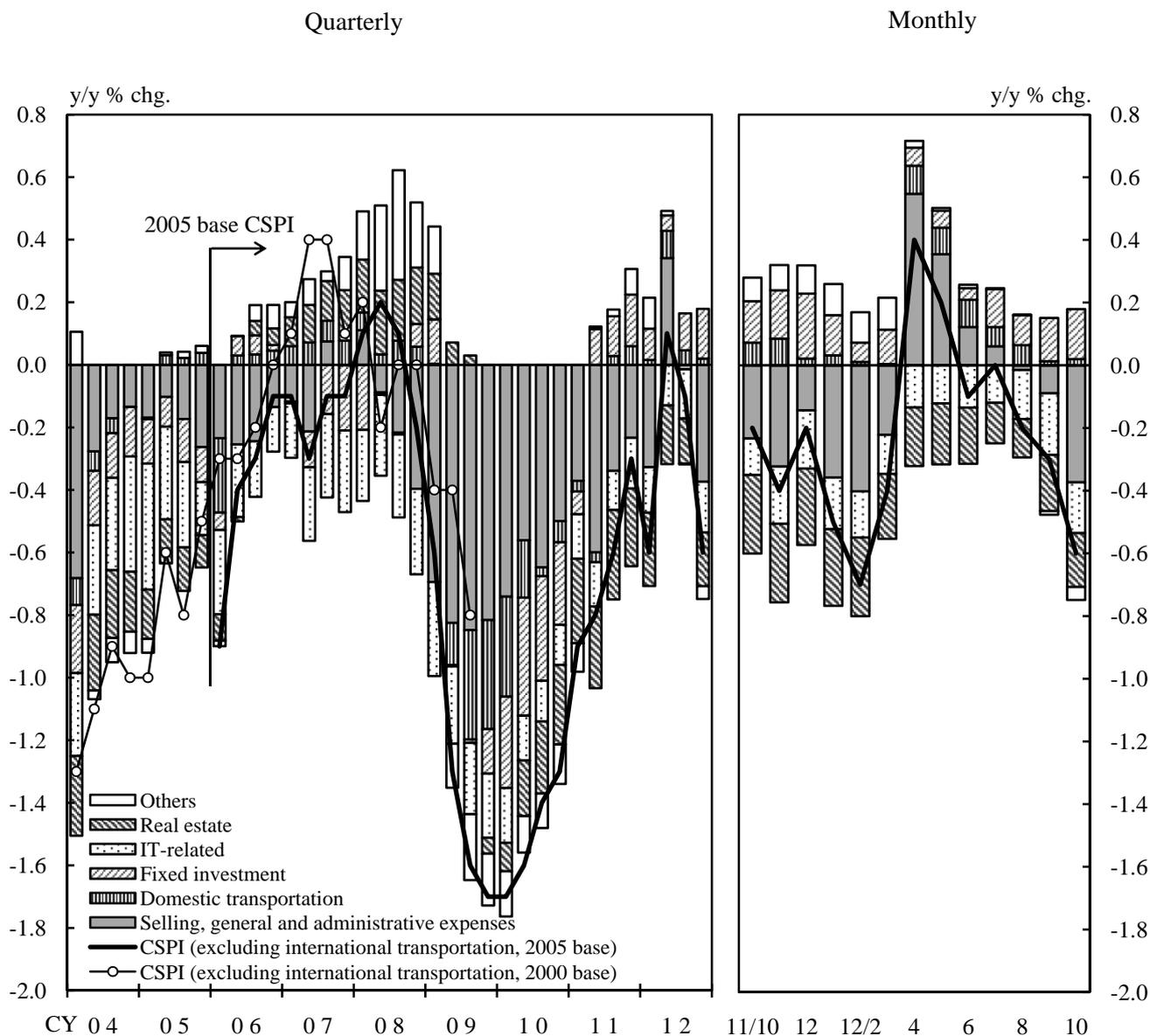
5. Others: food, beverages, tobacco & feedstuffs, other manufacturing industry products, agriculture, forestry & fishery products, and minerals.

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/Q4 are October-November averages.

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

Corporate Services Price Index

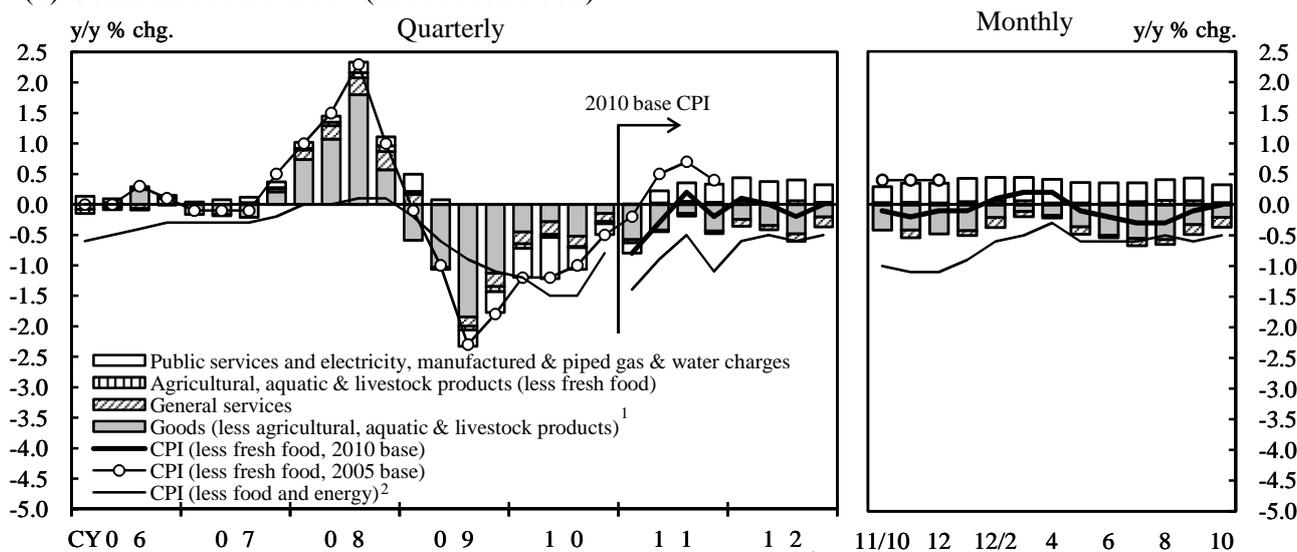


- Notes: 1. Selling, general and administrative expenses: information and communications (excluding newspapers and publishing), advertising services, other services (excluding plant engineering, and civil engineering and architectural services).
 2. Domestic transportation: transportation (excluding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

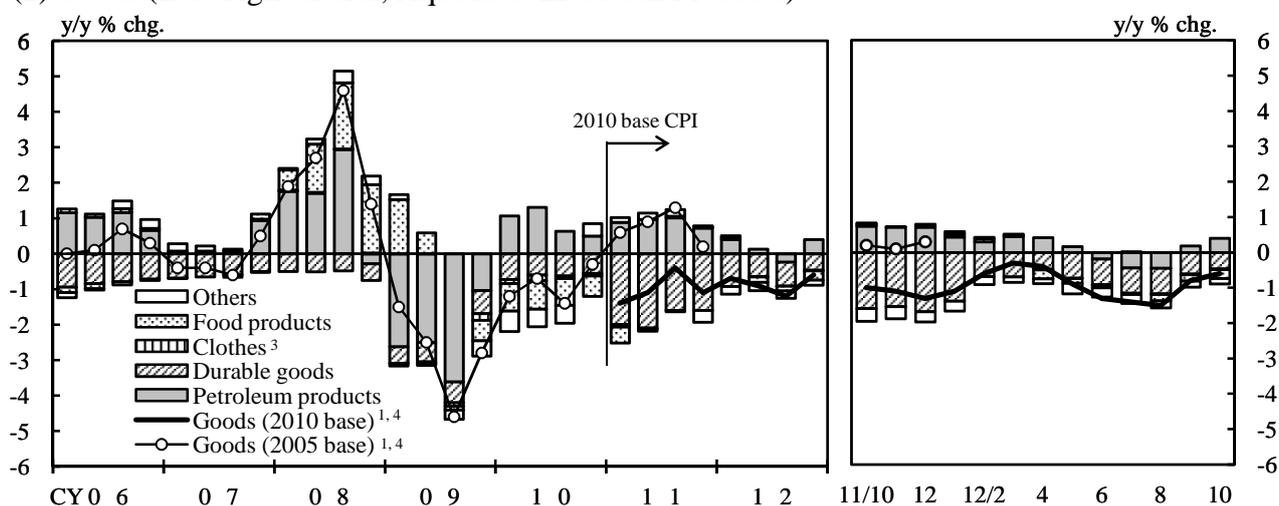
Source: Bank of Japan, "Corporate Services Price Index."

Consumer Price Index (Less Fresh Food)

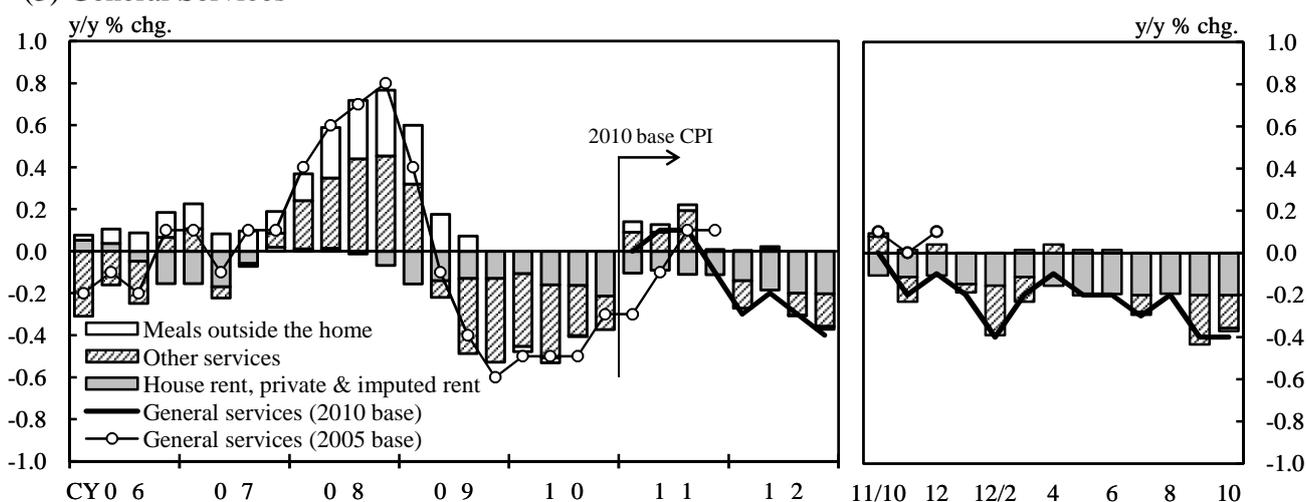
(1) Consumer Price Index (Less Fresh Food)



(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.

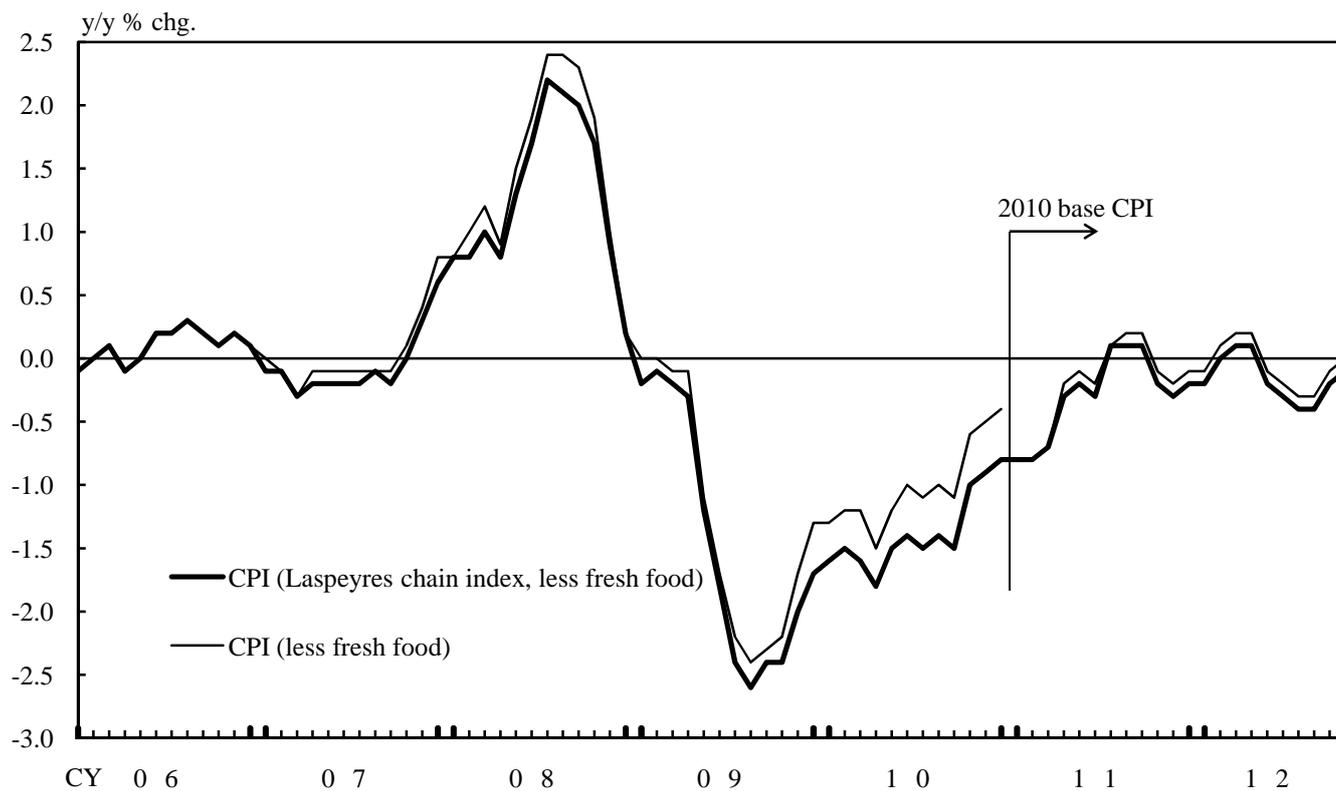
5. The year-on-year rates of change other than those of the CPI (less fresh food), CPI (less food and energy), and General services are calculated using published indices.

6. Figures for 2012/Q4 are those of October.

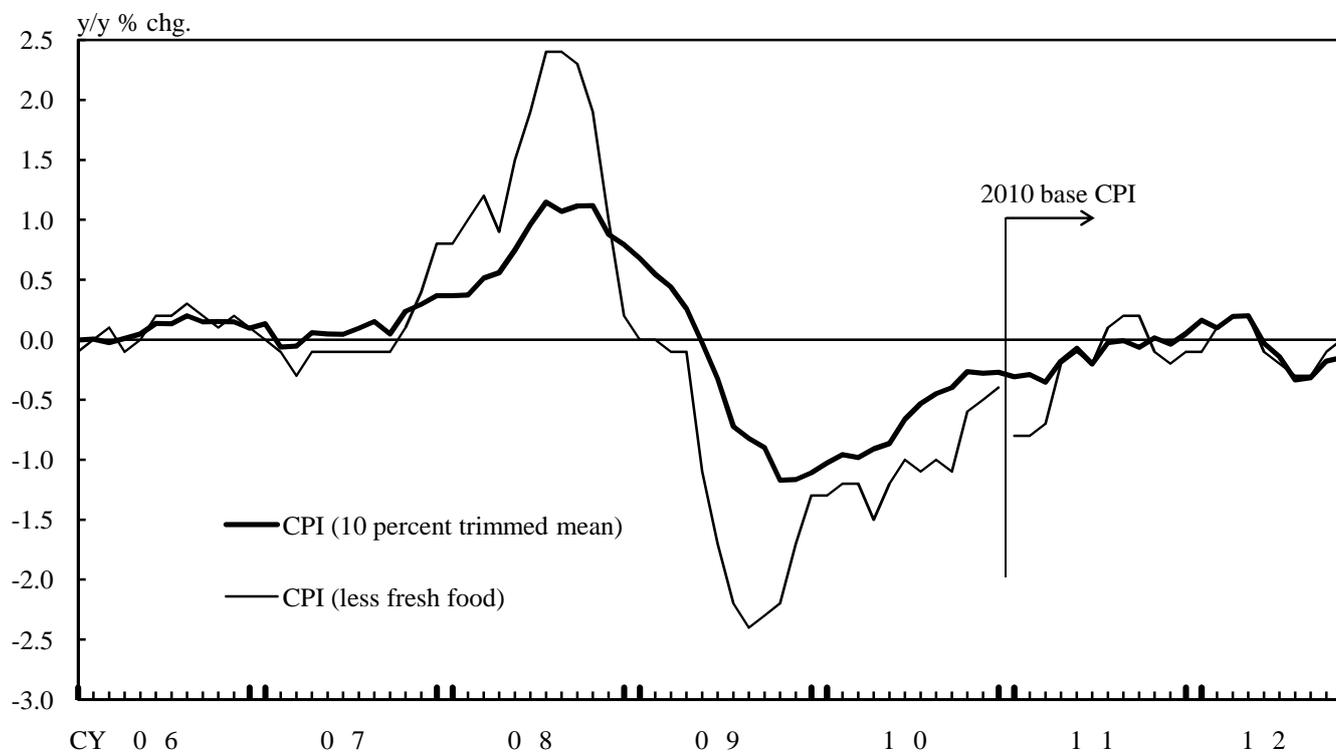
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Trend Changes in Consumer Prices

(1) Laspeyres Chain Index



(2) Trimmed Mean



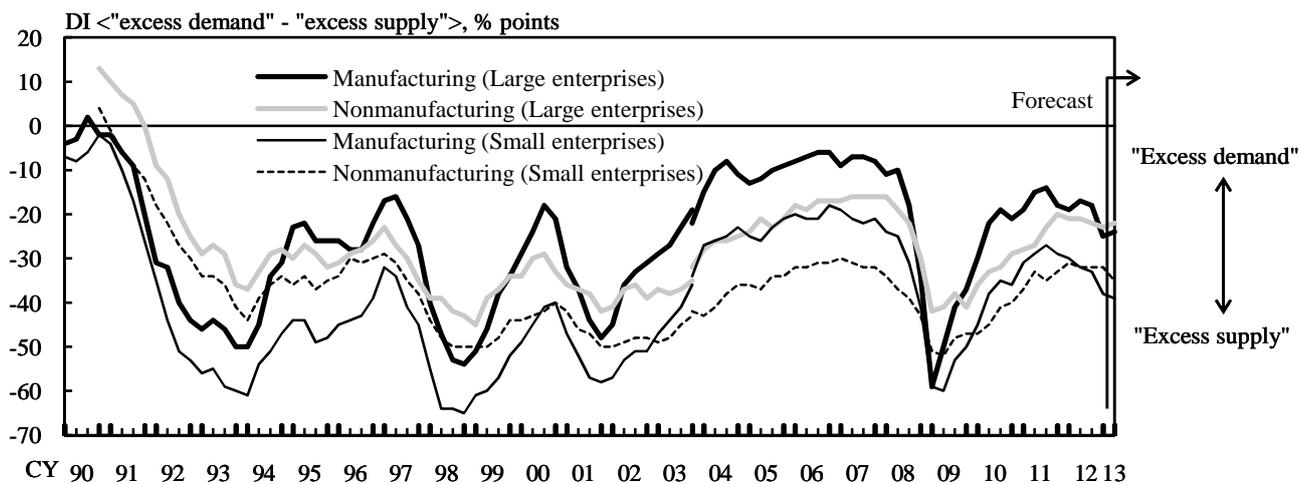
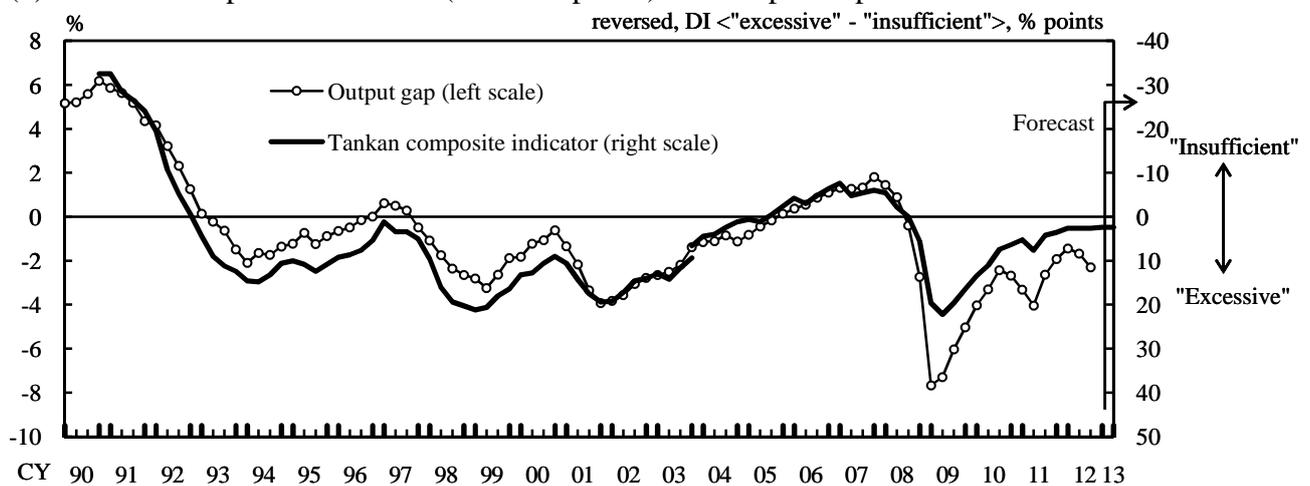
Notes: 1. Figures for the 10 percent trimmed mean are weighted averages of items; these items are obtained by rearranging year-on-year rates of price change in ascending order and then excluding items in both the upper and lower 10 percent tails by weight.

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.

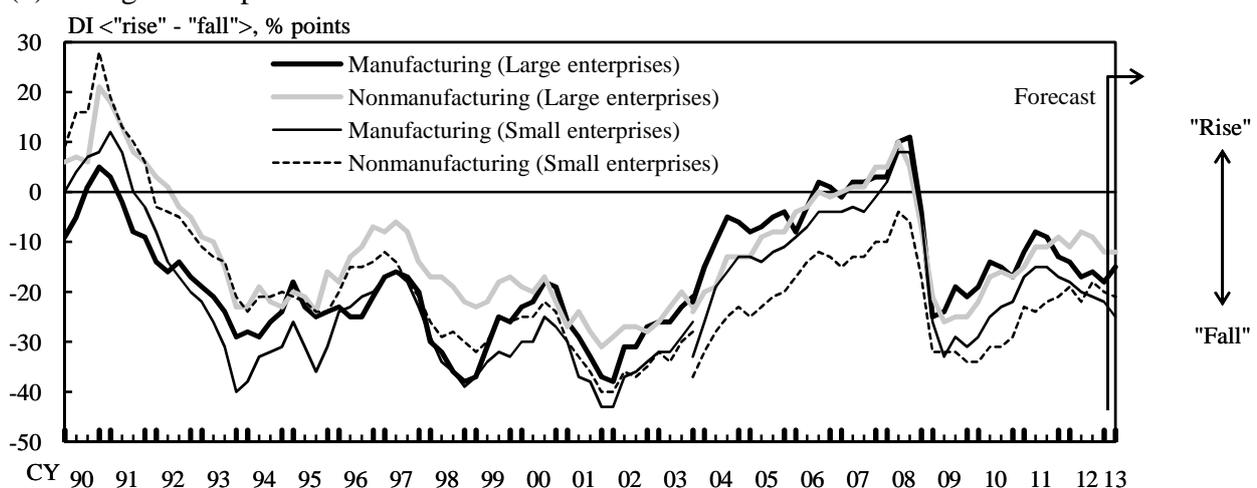
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

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.

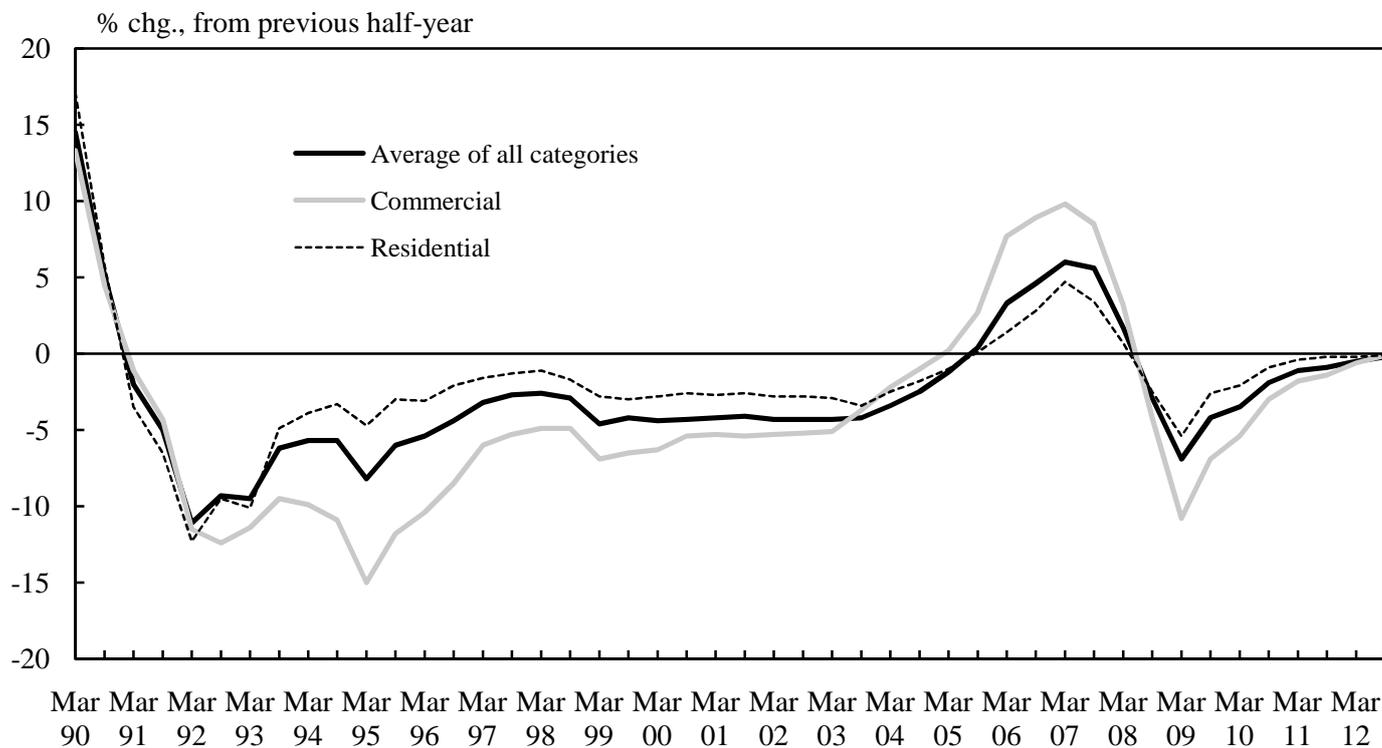
2. Figures are weighted averages of the production capacity DI and employment conditions DI. The FY 1990-2010 averages of capital and labor shares in the "National Accounts" are used as the weight.

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.

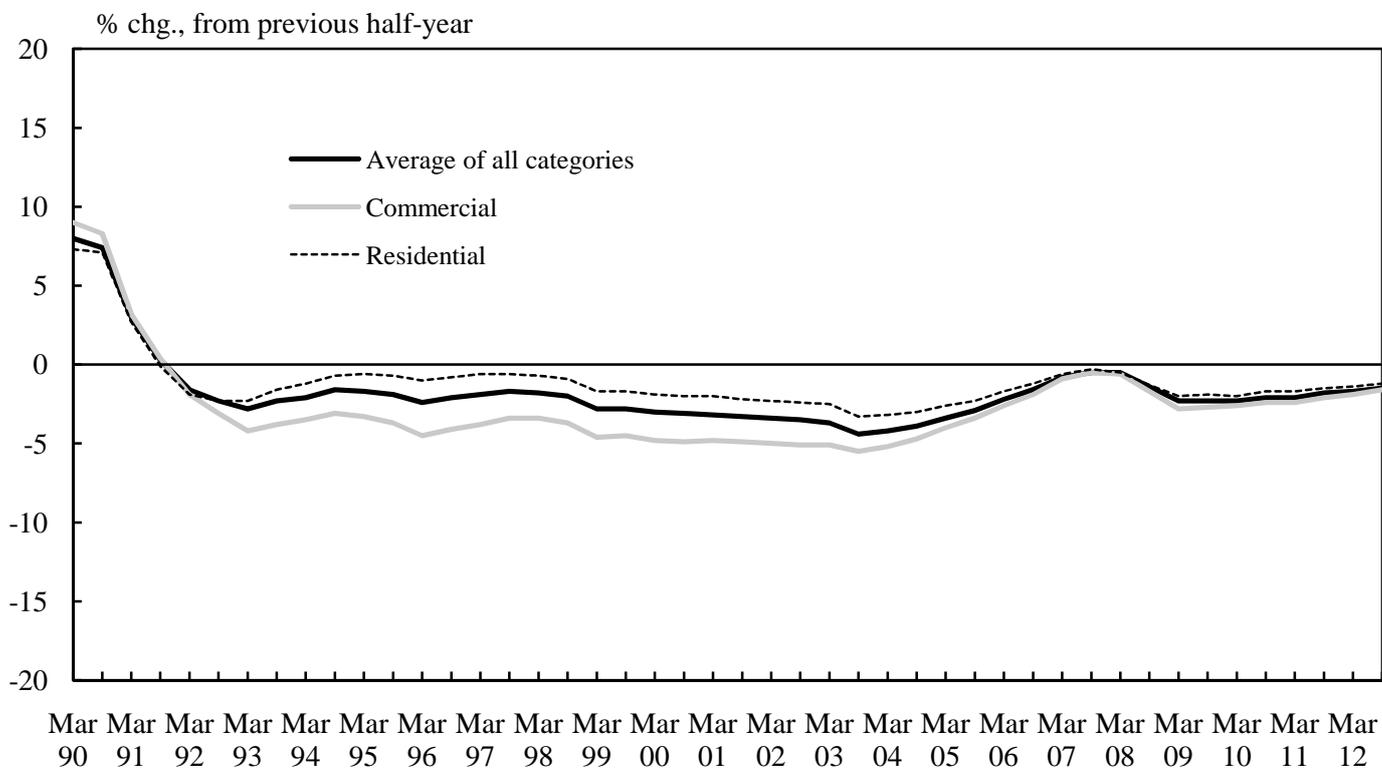
Sources: Cabinet Office, "National Accounts";
Bank of Japan, "*Tankan*, Short-Term Economic Survey of Enterprises in Japan," etc.

Urban Land Price Index

(1) Six Large City Areas



(2) Excluding Six Large City Areas

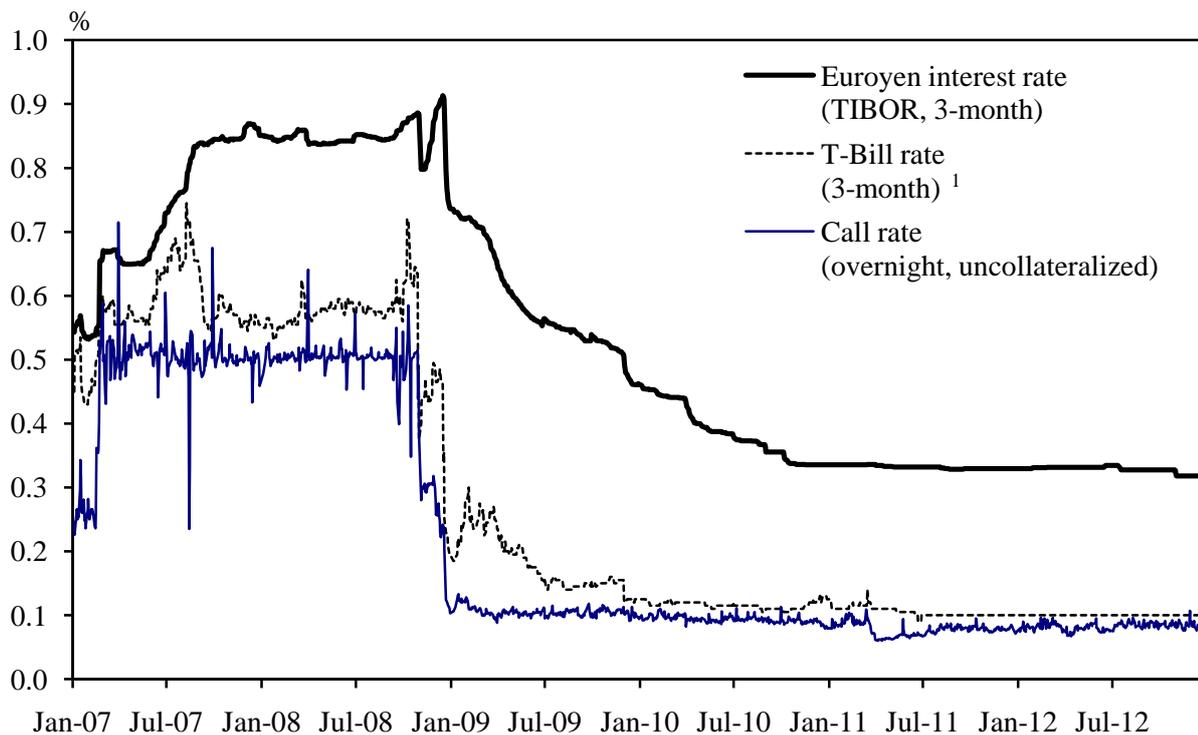


Notes: 1. The Urban Land Price Index is based on surveys conducted at the end of March and September each year.
 2. Six Large City Areas are Tokyo Metropolitan wards, Yokohama, Nagoya, Kyoto, Osaka, and Kobe.

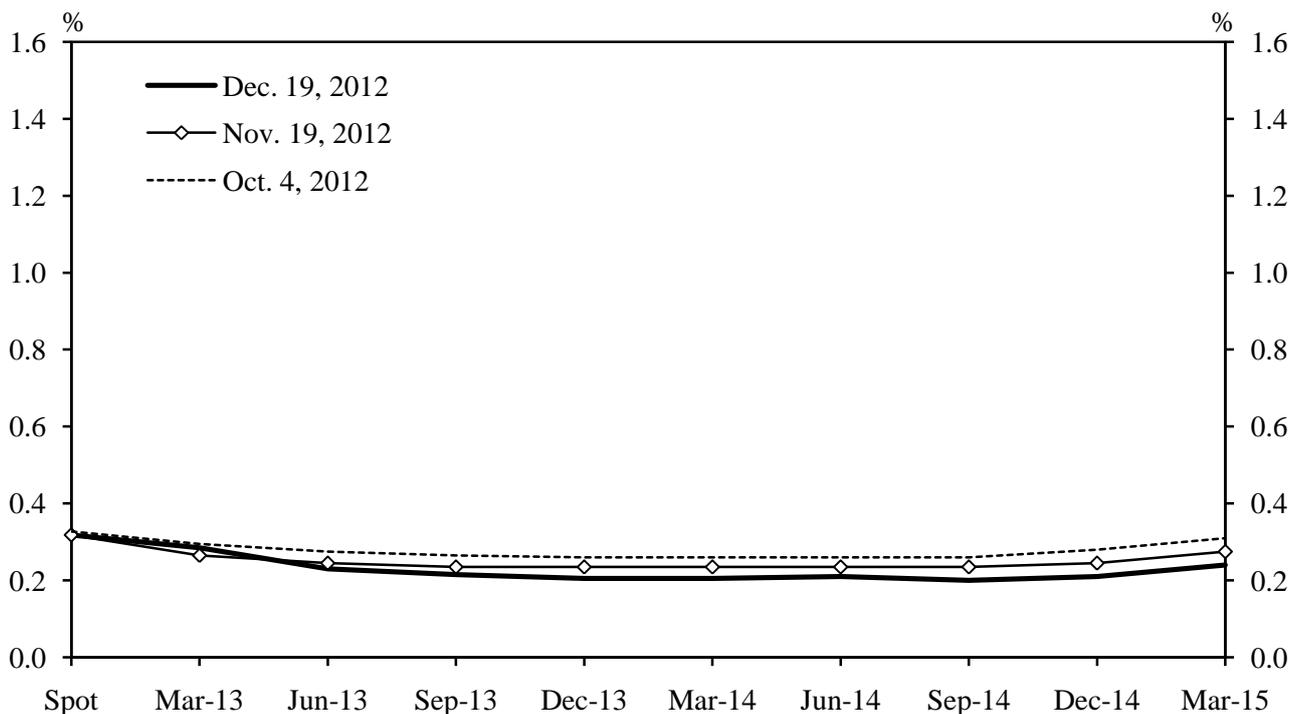
Source: Japan Real Estate Institute, "Urban Land Price Index."

Short-Term Interest Rates

(1) Short-Term Interest Rates



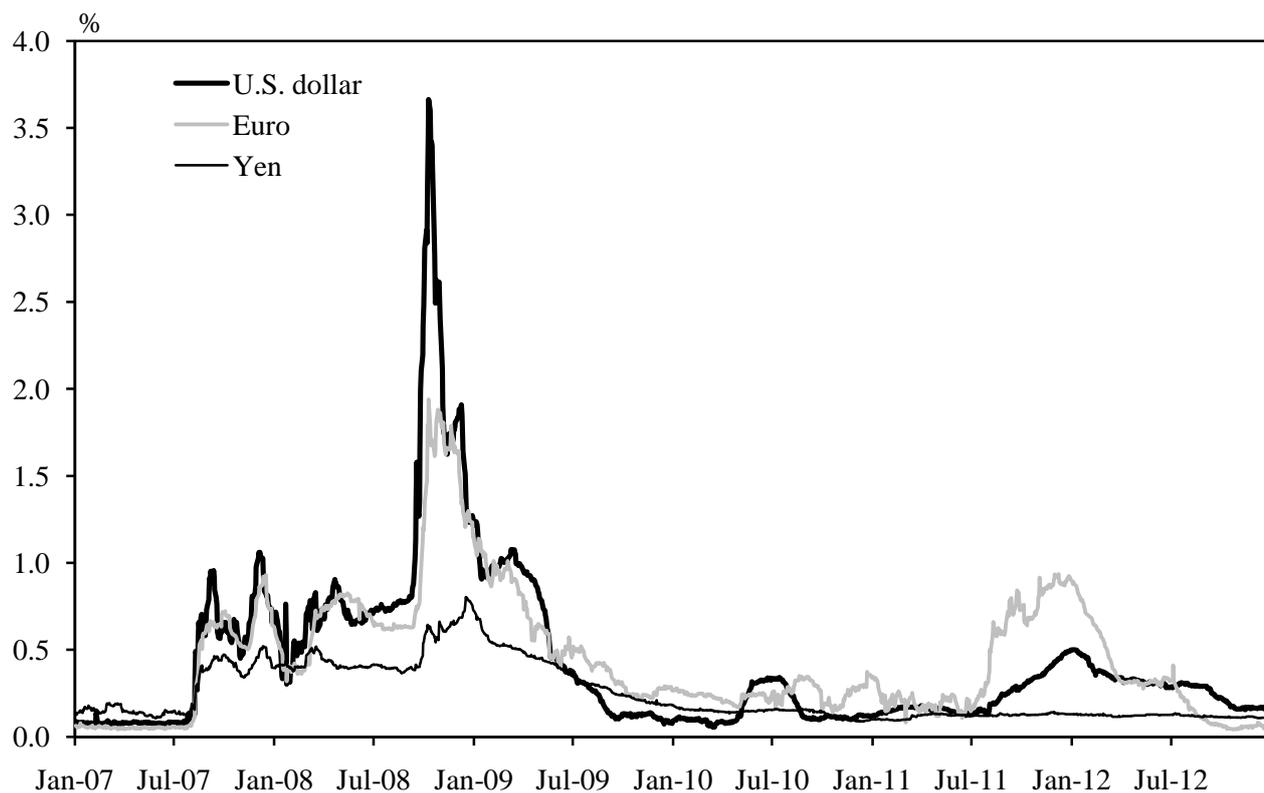
(2) Euroyen Interest Rate Futures (3-Month)



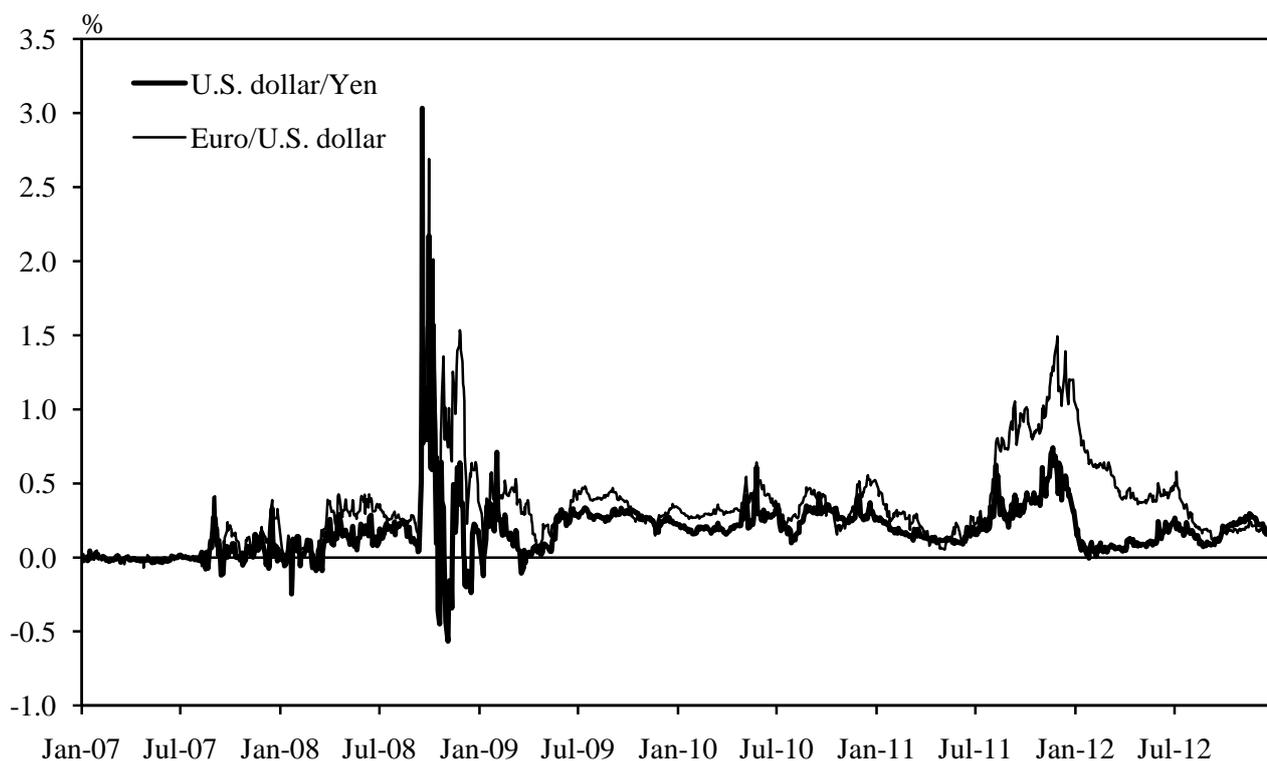
Note: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.
 Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.;
 Tokyo Financial Exchange; Bank of Japan.

Global Money Markets

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



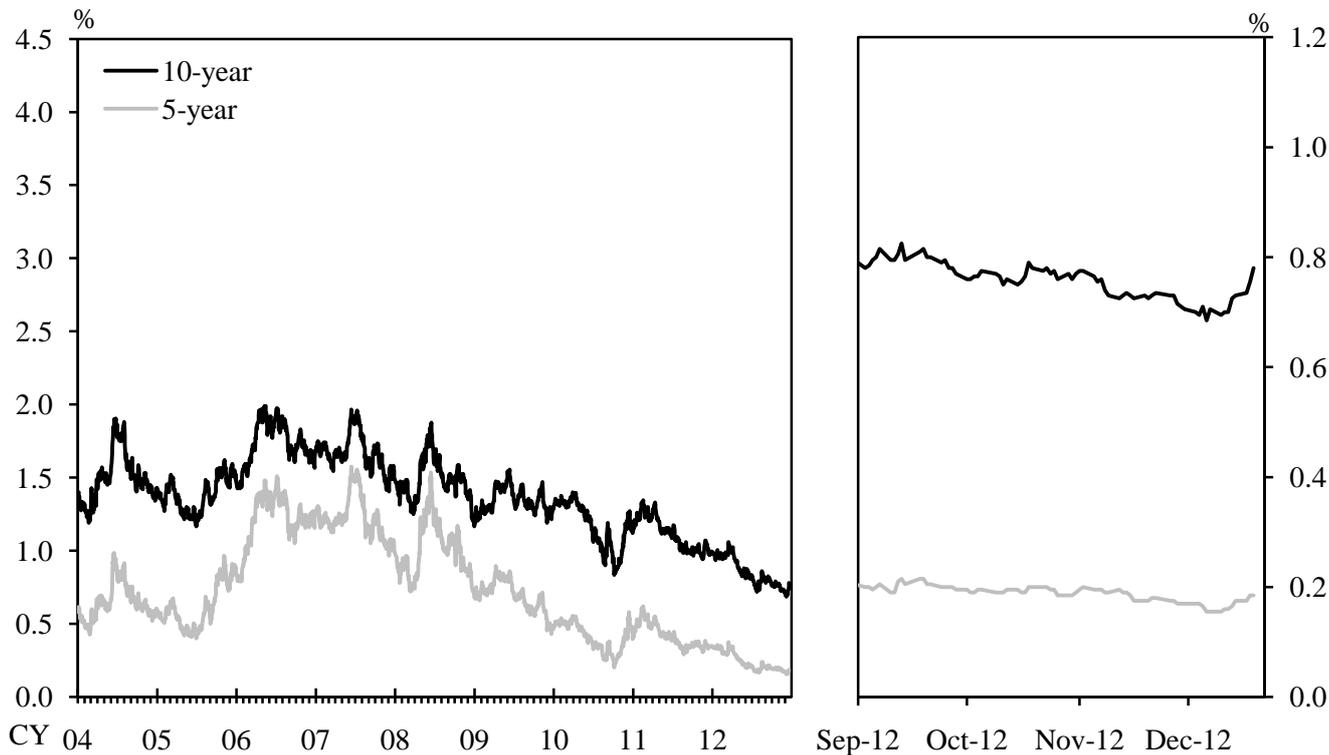
(2) FX swap implied dollar rate - LIBOR spreads (3-Month)



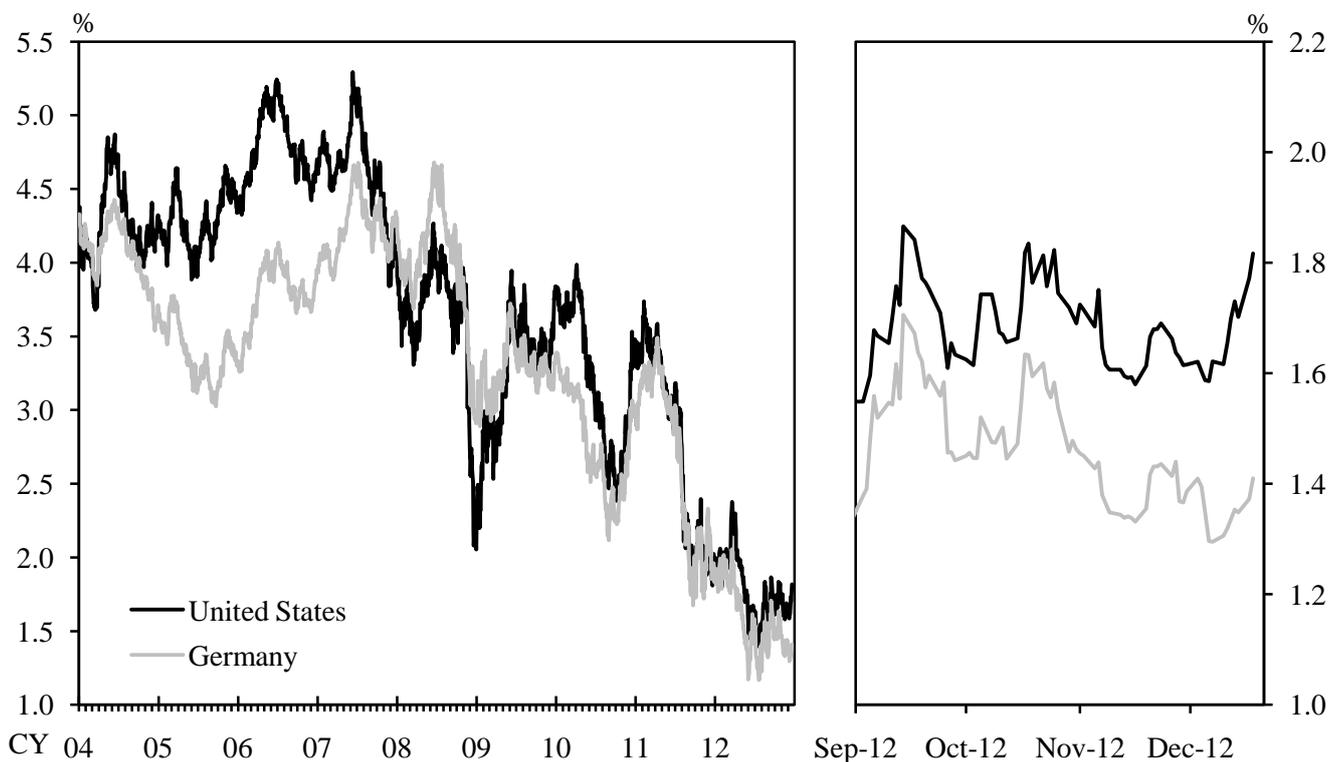
Source: Bloomberg.

Long-Term Interest Rates

(1) Japanese Government Bond Yields¹



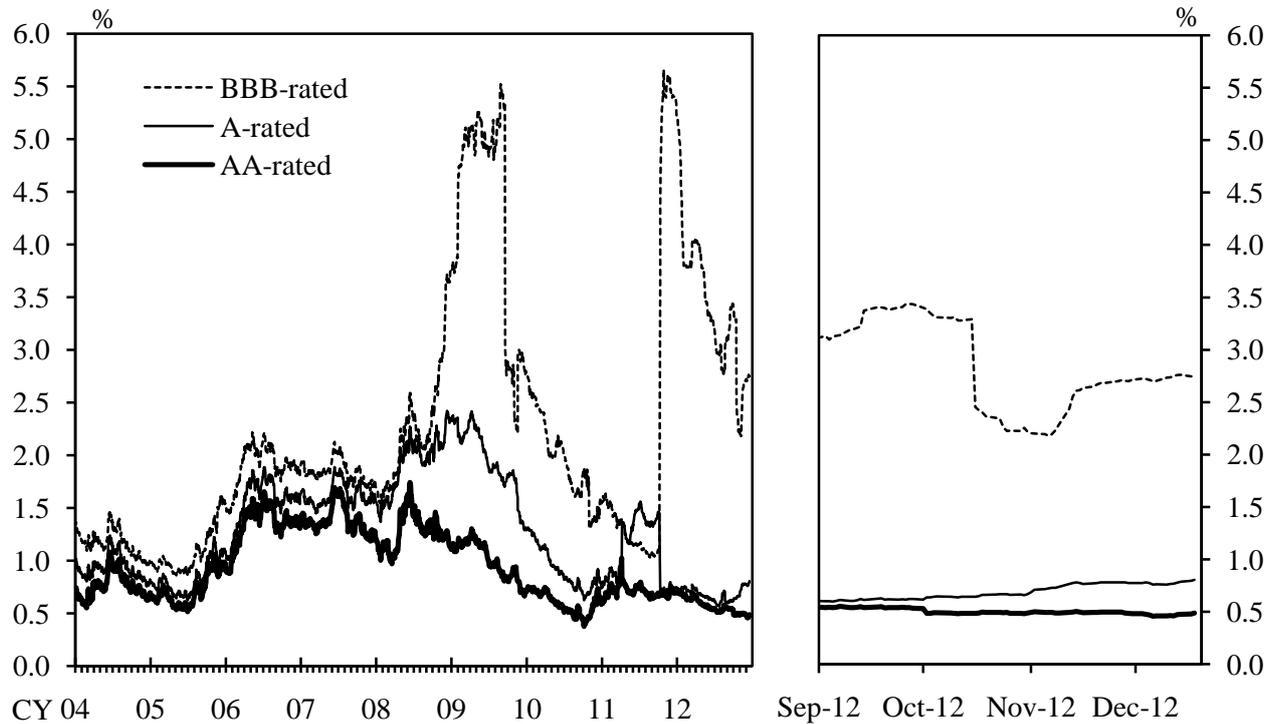
(2) Overseas Government Bond Yields (10-Year)



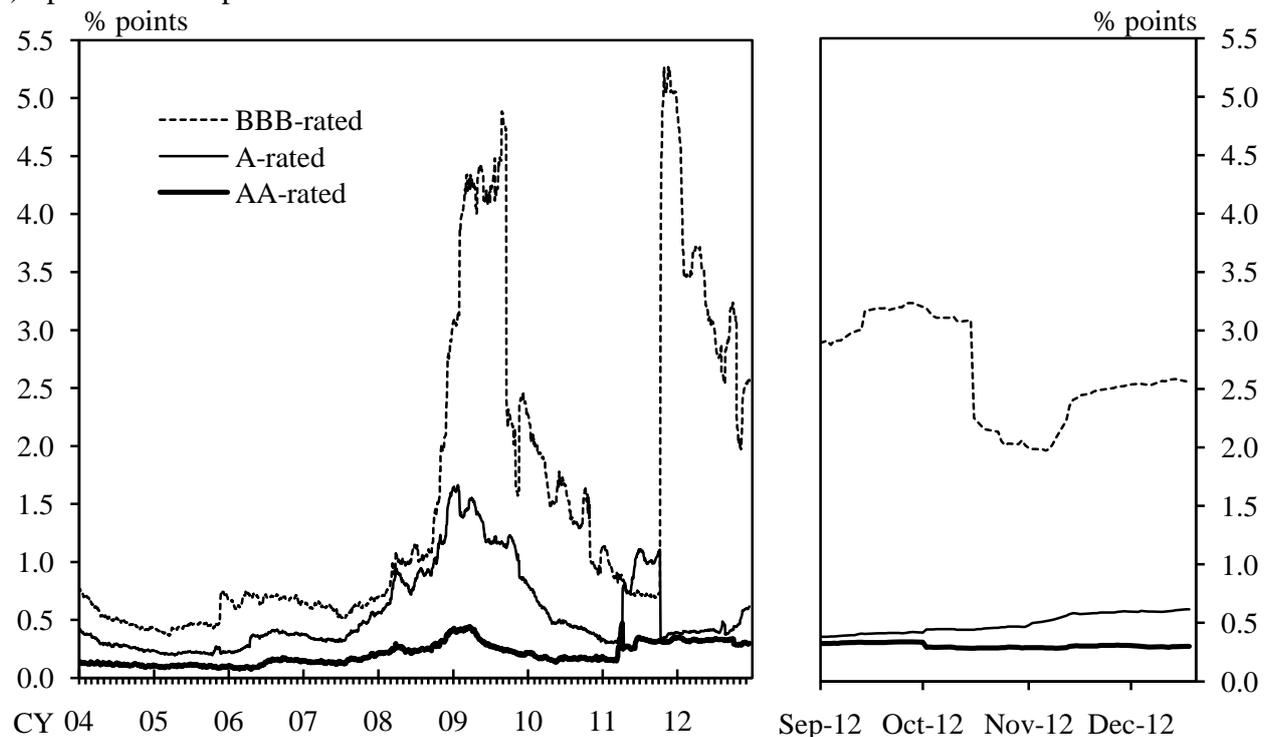
Note: 1. Yields on newly issued bonds.
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

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.

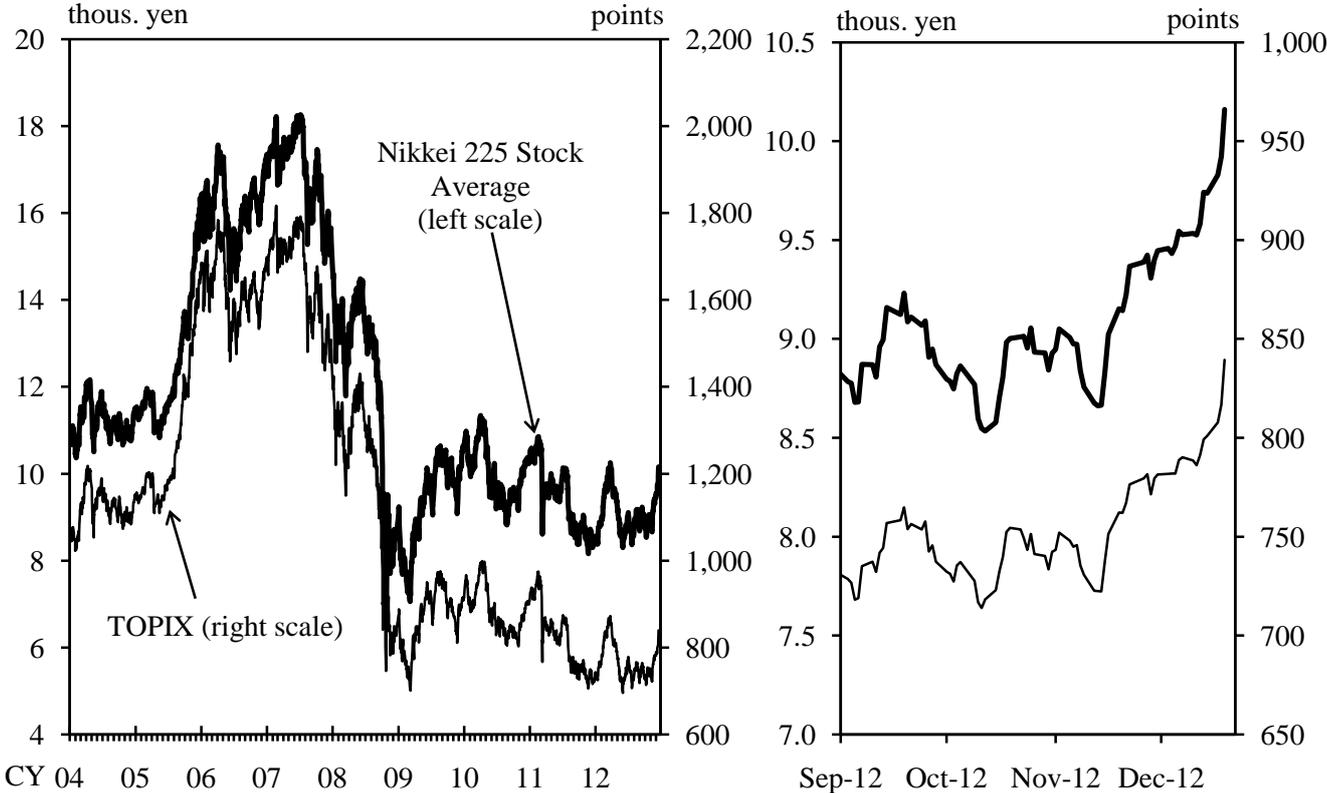
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.

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

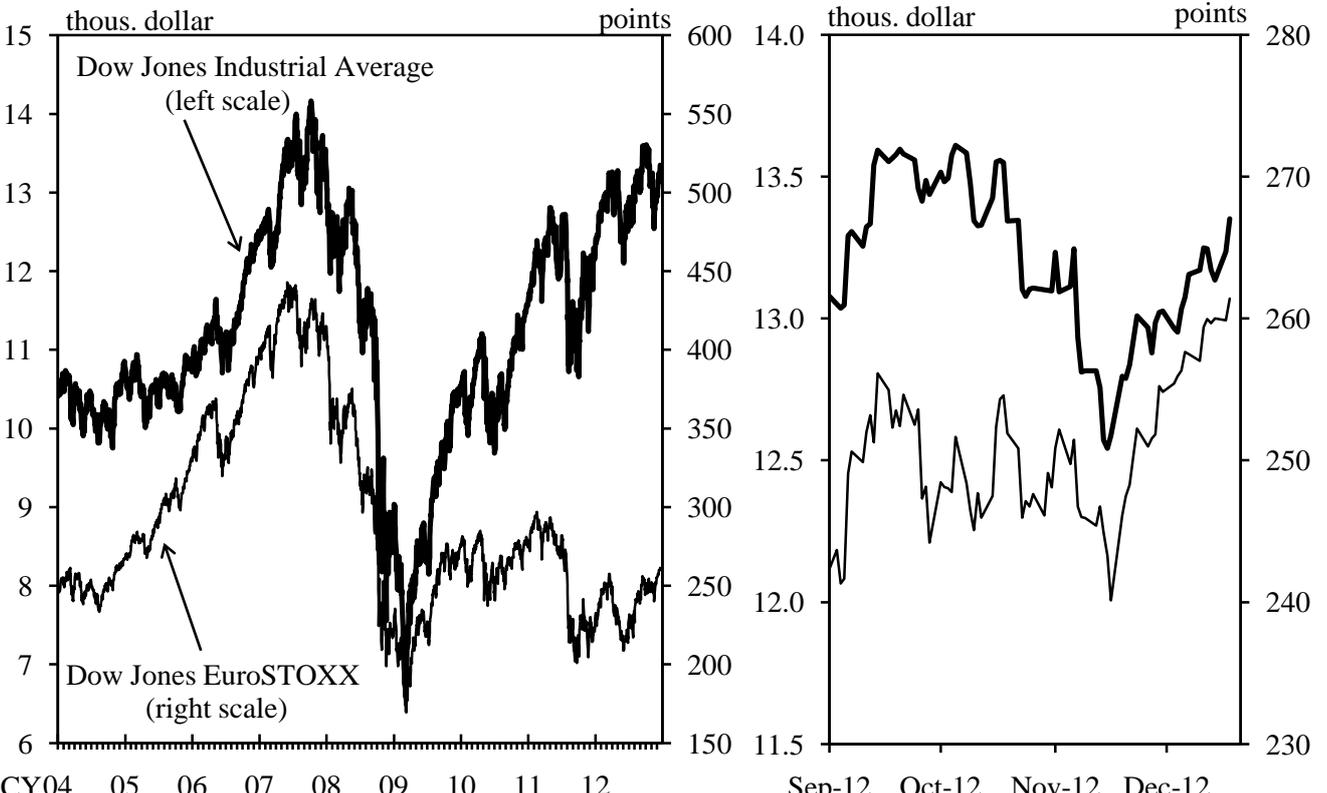
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Japanese Stock Prices



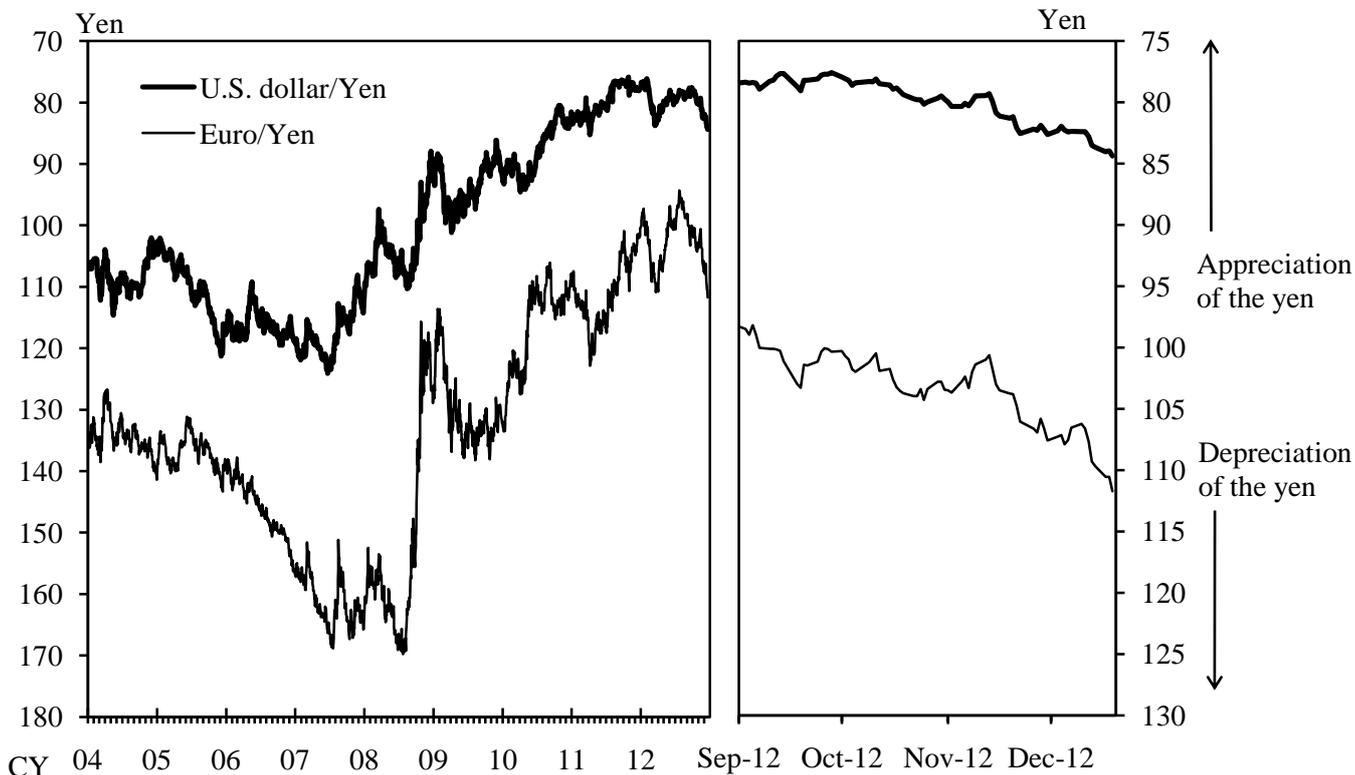
(2) Overseas Stock Prices



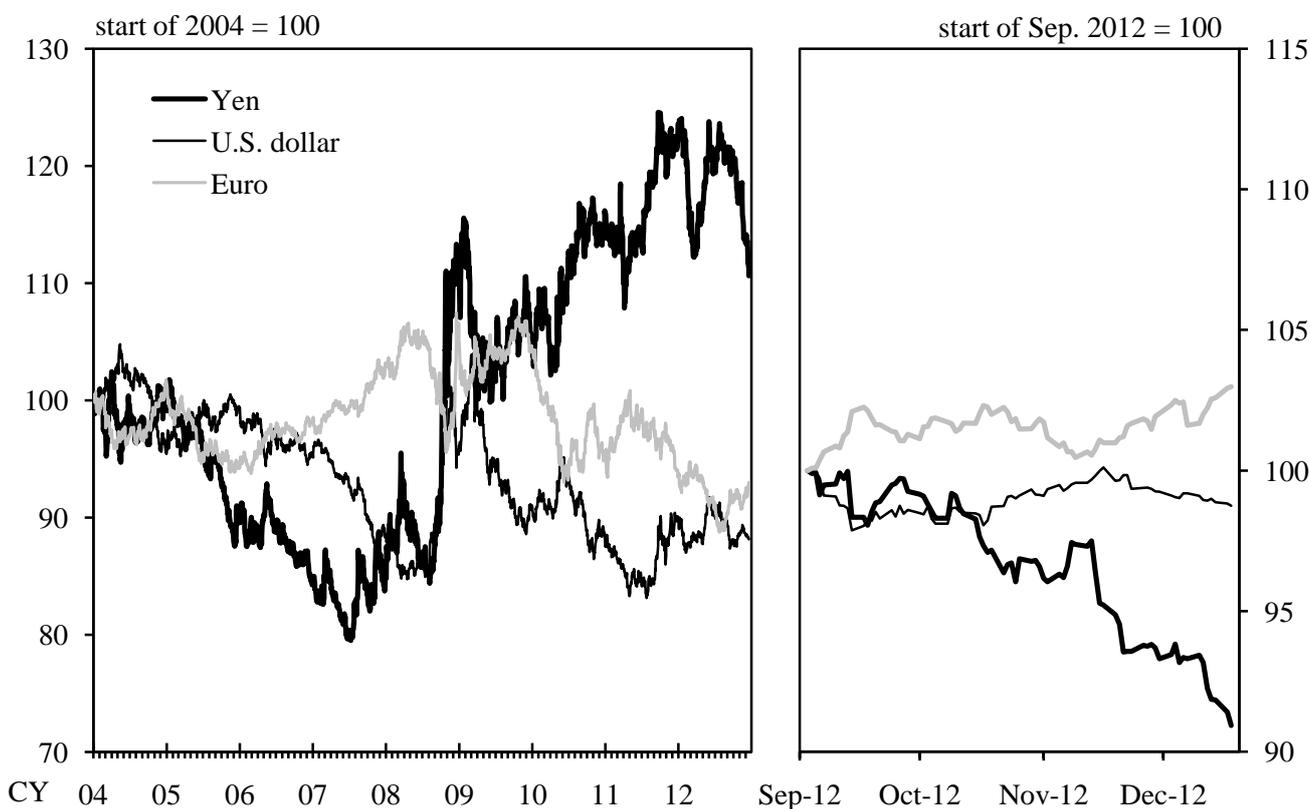
Sources: The *Nihon Keizai Shimbun* ; Tokyo Stock Exchange; Bloomberg.

Exchange Rates

(1) Bilateral Exchange Rates



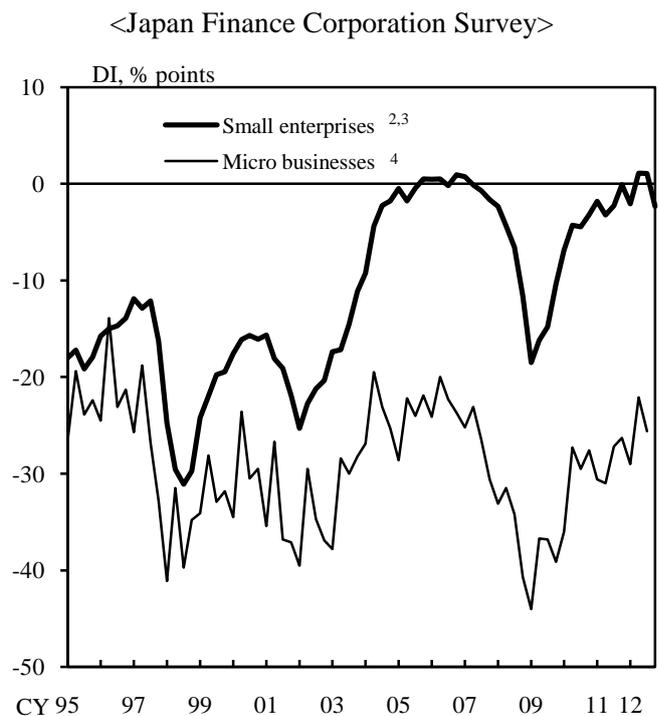
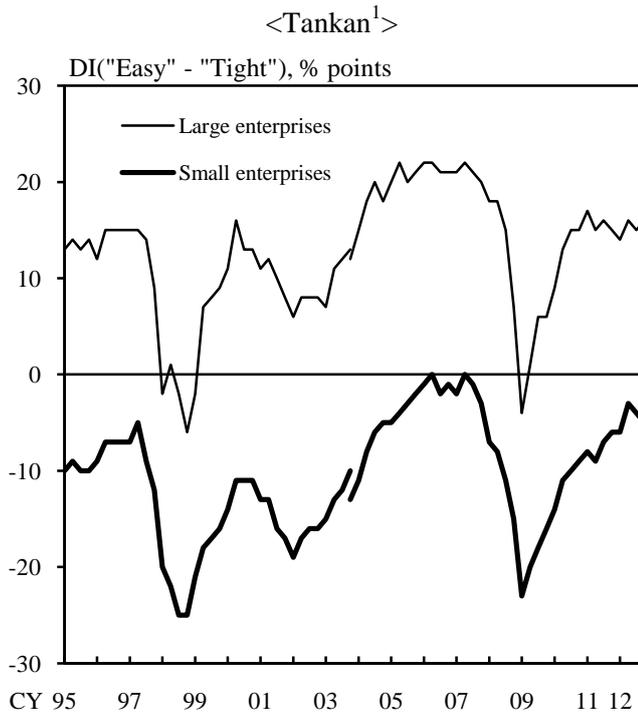
(2) Nominal Effective Exchange Rates



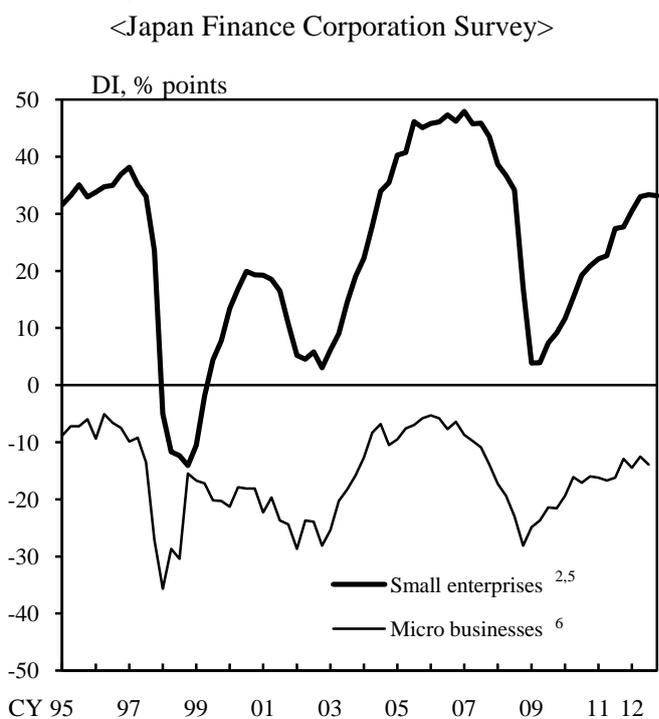
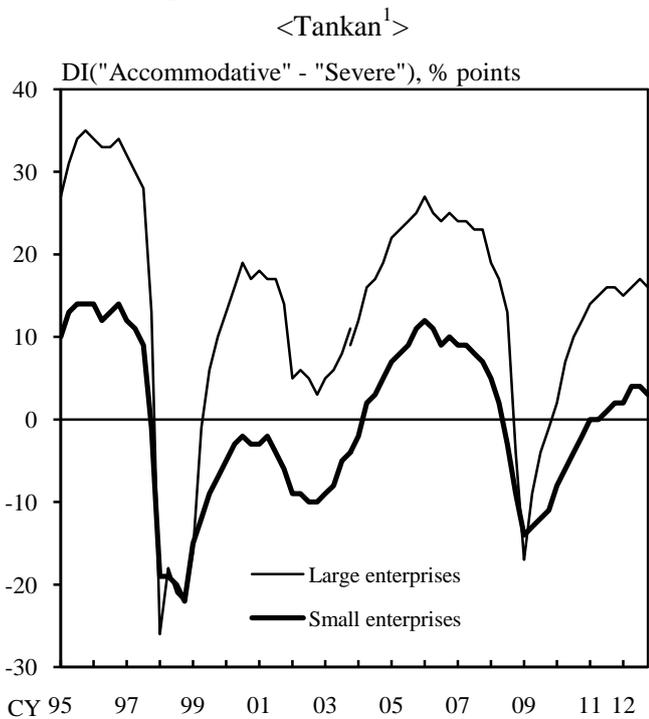
Sources: Bank of Japan; European Central Bank; Thomson Reuters Datastream.

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. Figures for 2012/Q4 are those of Oct.-Nov. averages.

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

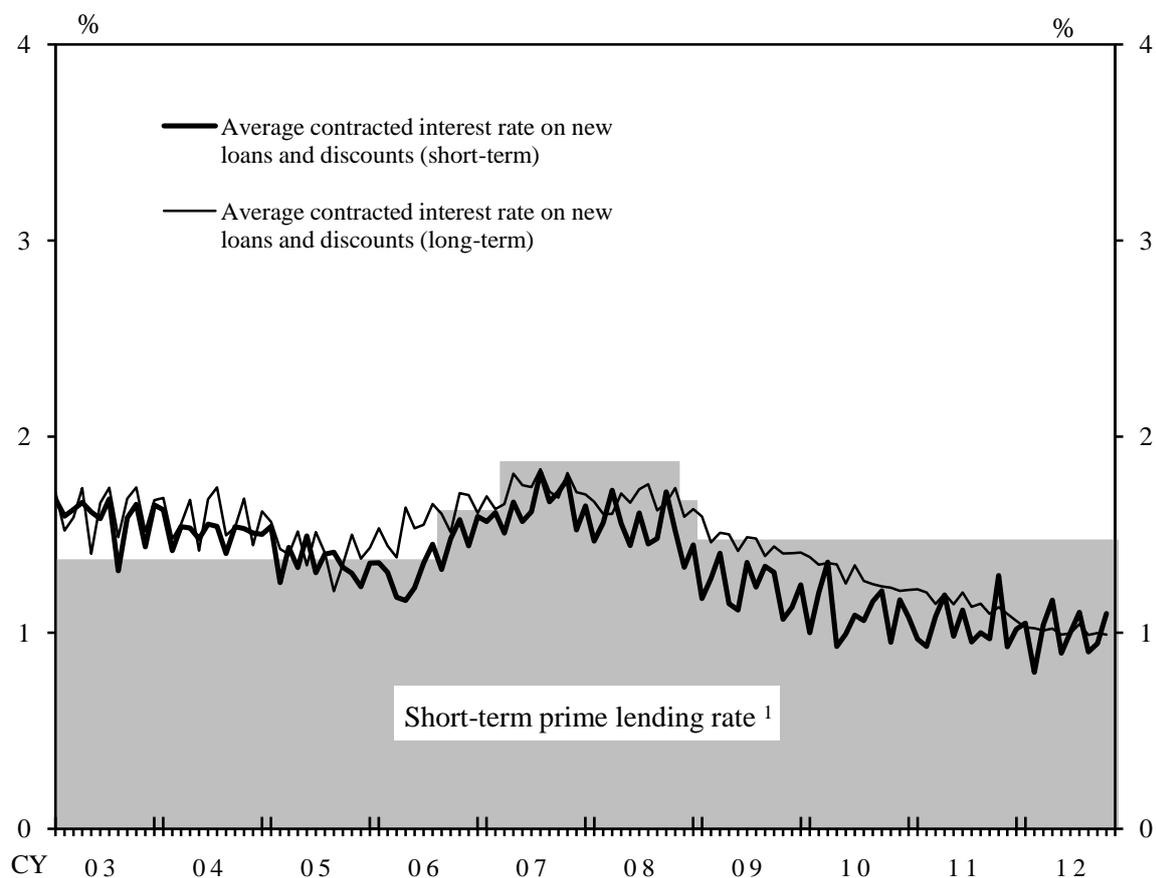
4. DI of "Easier" - "Tighter."

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

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

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

Lending Rates

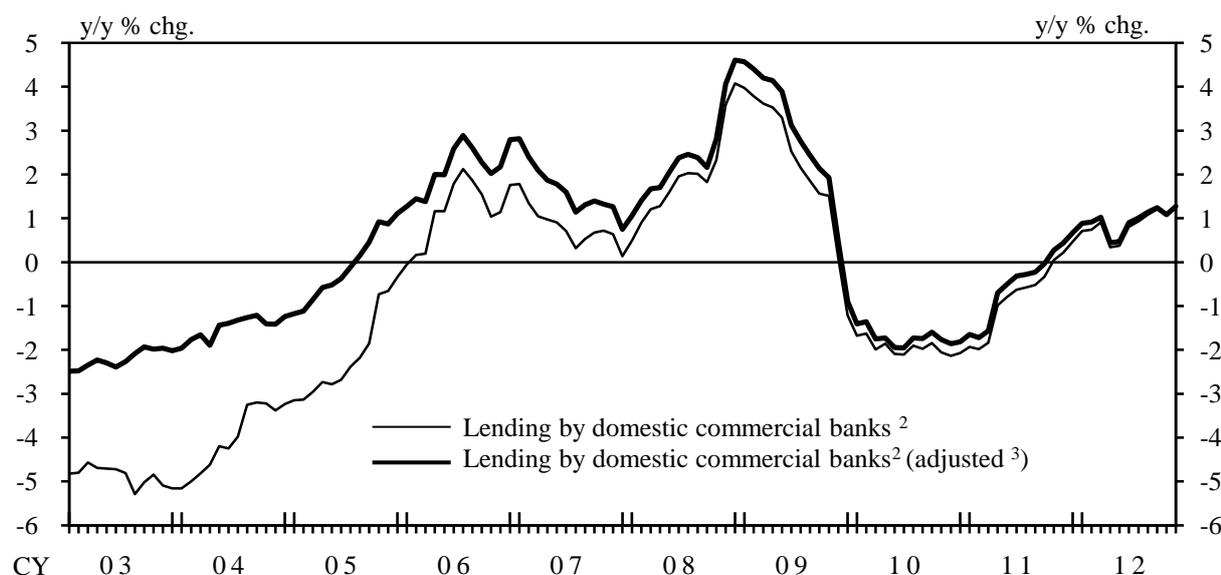


Note: 1. Data are at end of period.

Source: Bank of Japan.

Lending by Financial Institutions

(1) Lending by Domestic Commercial Banks¹



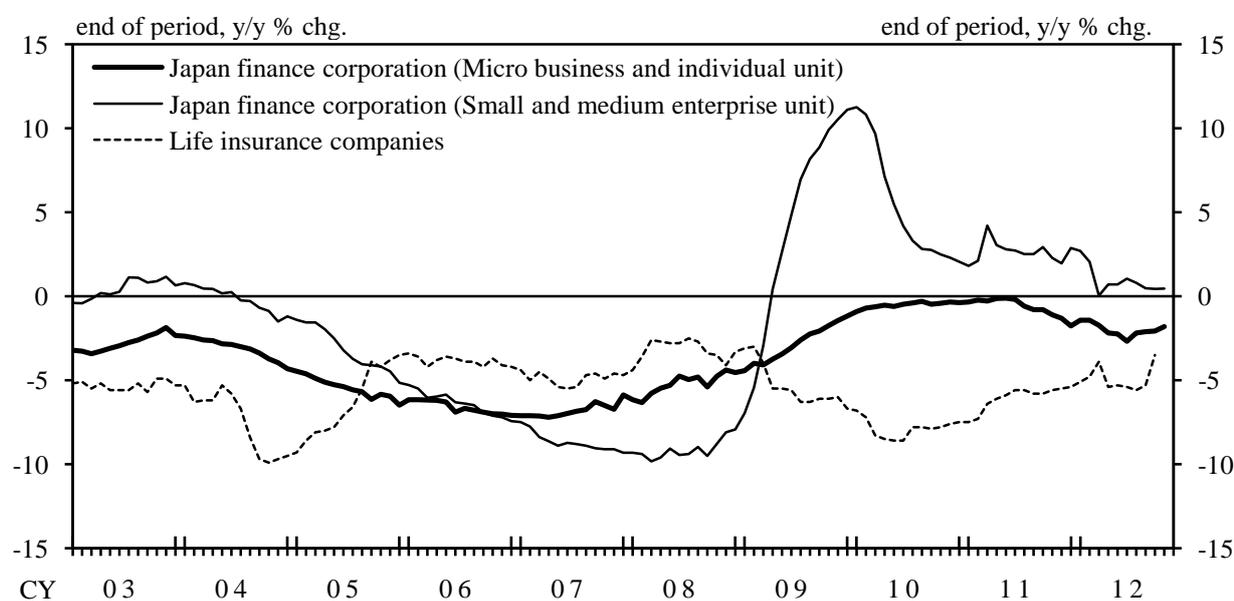
Notes: 1. Percent changes in average amounts outstanding from a year earlier.

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

3. Adjusted to exclude

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

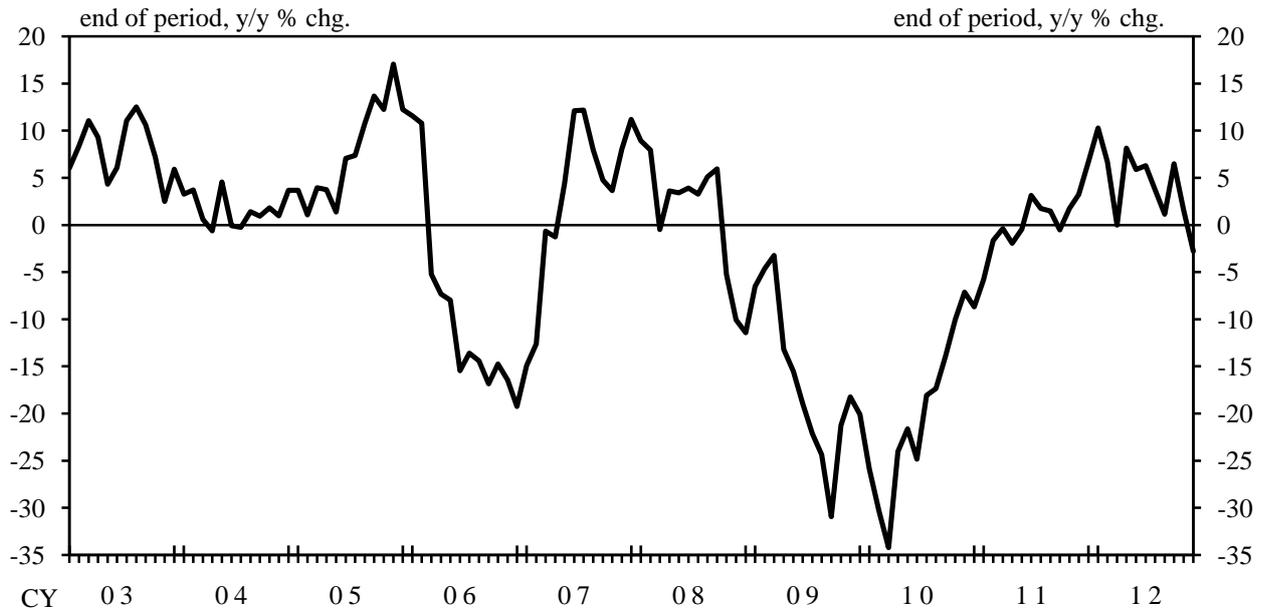
(2) Lending by Other Financial Institutions



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

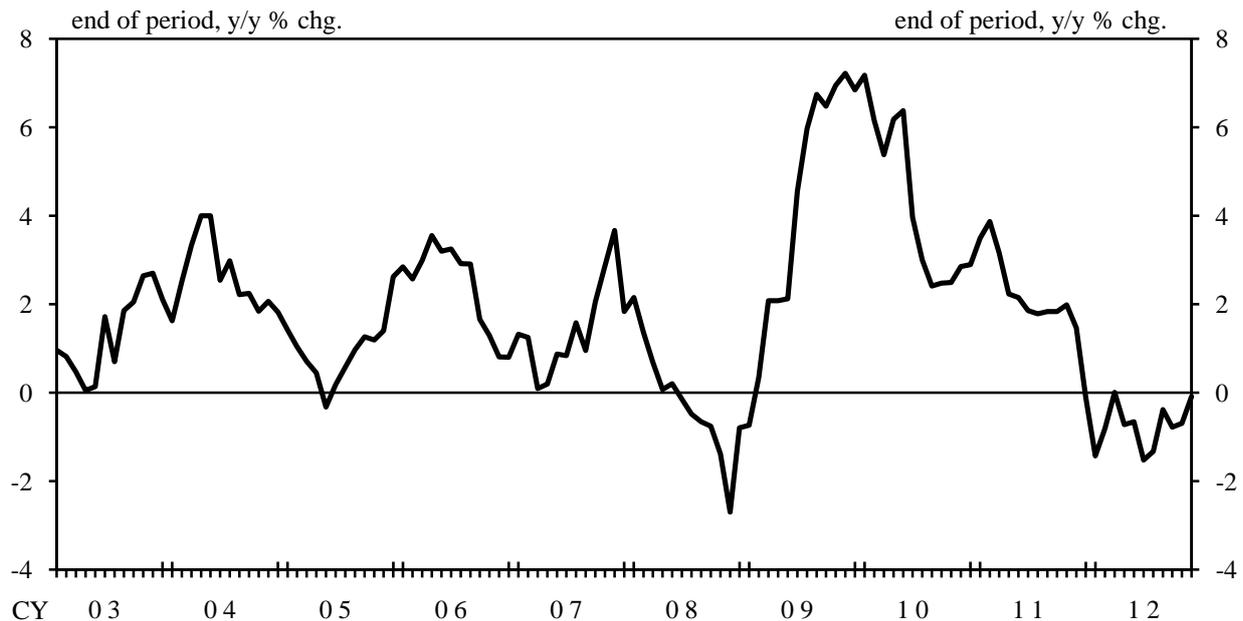
 Private-Sector Fund-Raising in the Capital Markets

(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



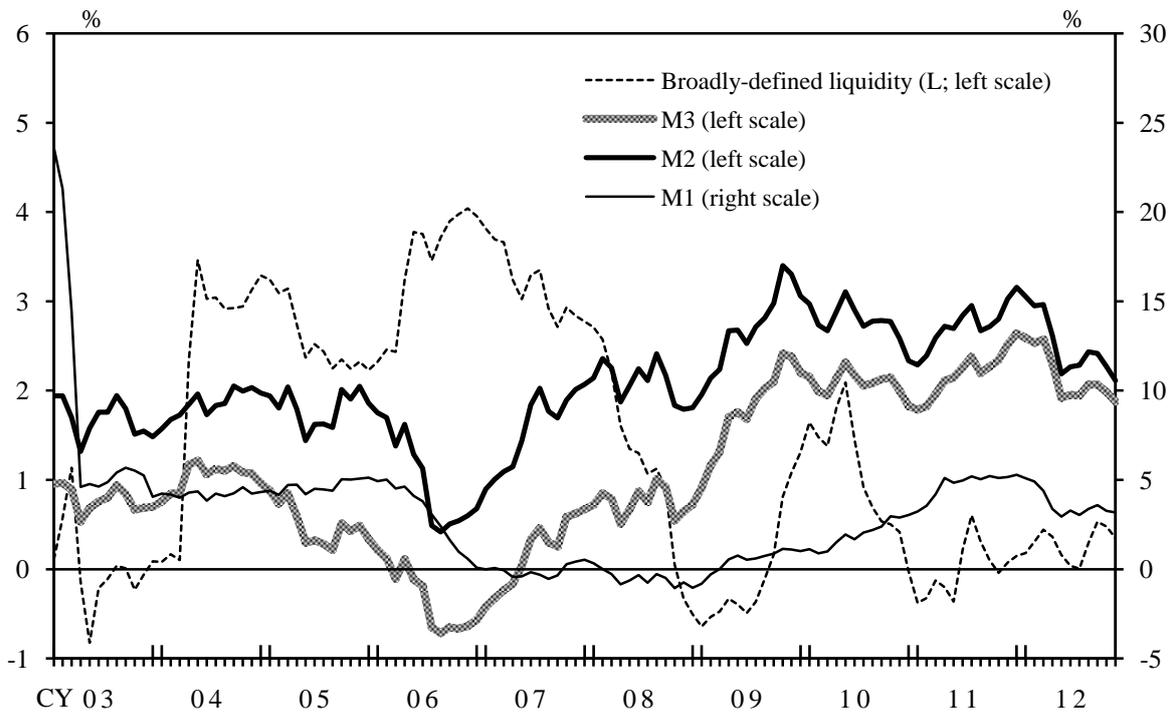
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

- (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.

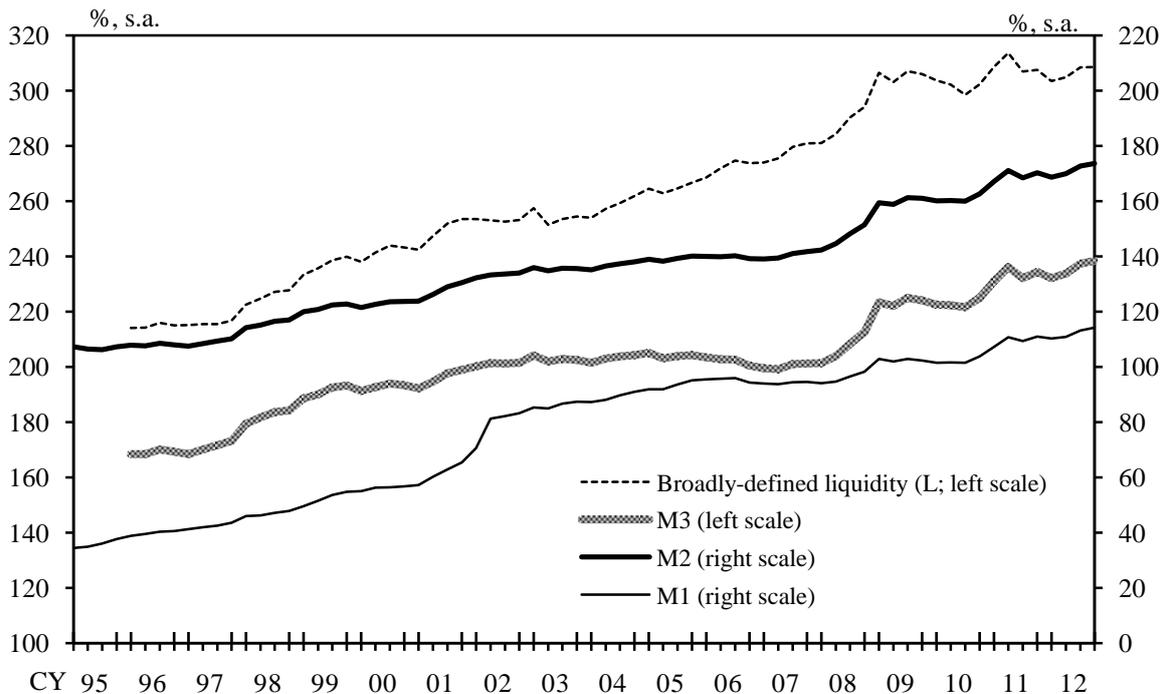
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category";
 Bank of Japan, "Principal Figures of Financial Institutions";
 Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts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

Money Stock

(1) Changes from a Year Earlier



(2) Ratio of Money Stock to Nominal GDP

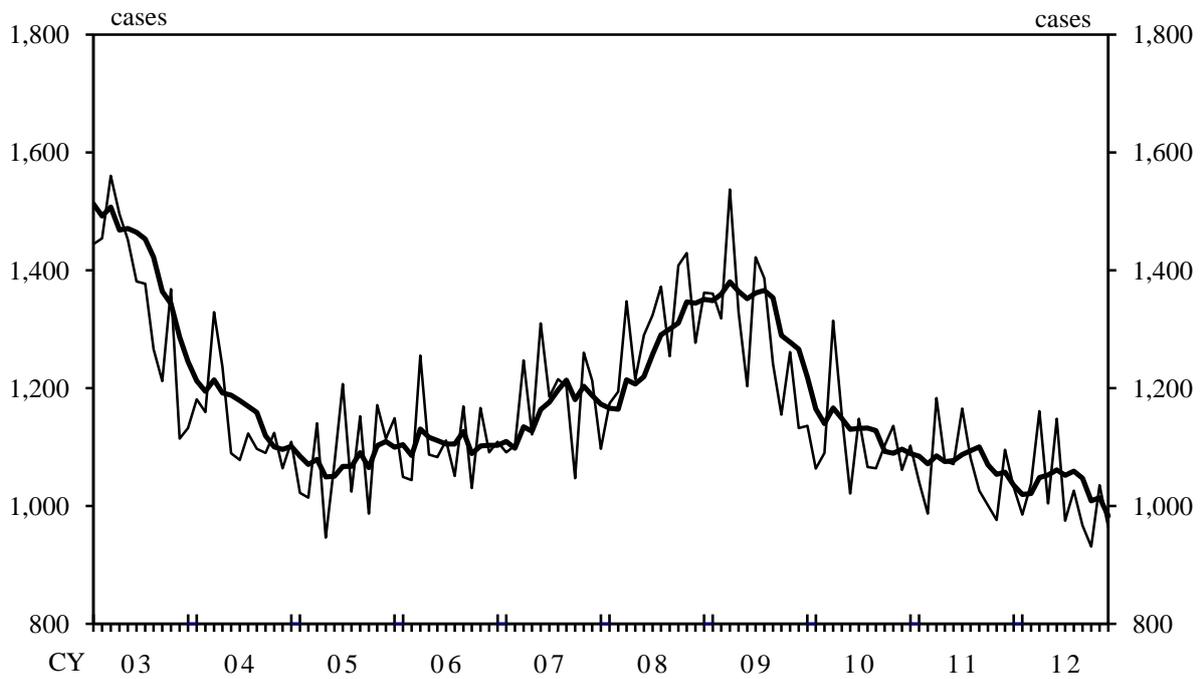


- Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.
- 2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.
- 3. The figures 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/Q4 are those of Oct.-Nov. averages, and nominal GDP in 2012/Q4 is assumed to be unchanged from the previous quarter.

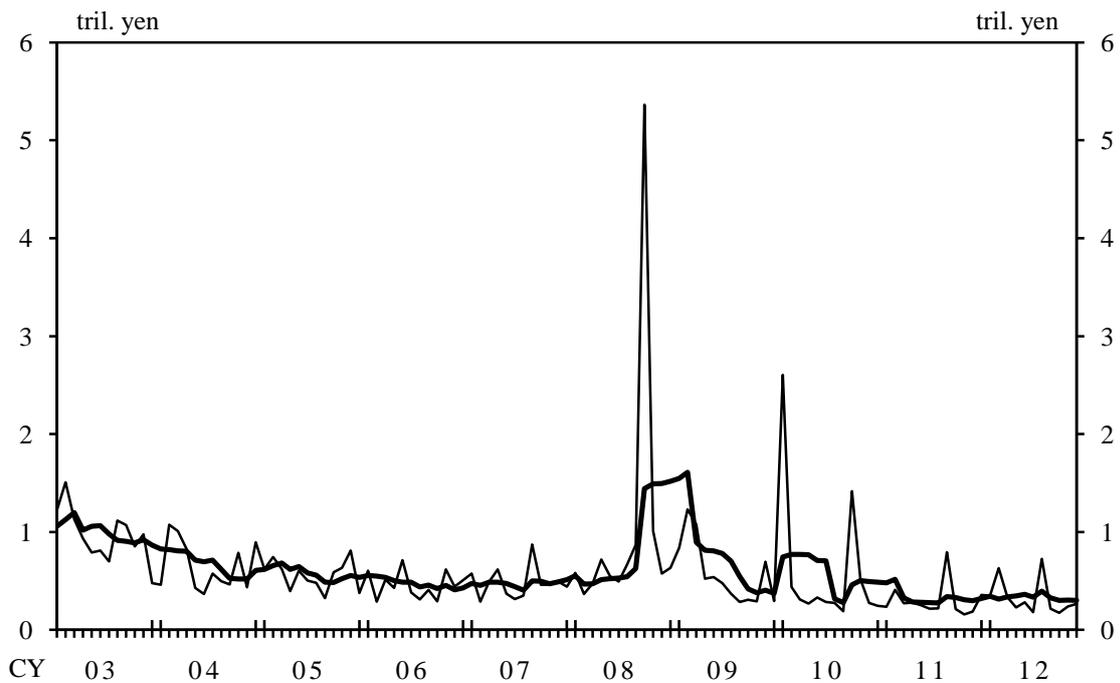
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities



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

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