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Bank of Japan

**Monthly Report of  
Recent Economic and Financial Developments  
April 2013**

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released on April 5, 2013)

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

April 2013

## Summary

Japan's economy has stopped weakening and has shown some signs of picking up.

Overseas economies have been moving out of the deceleration phase that had continued since last year and are gradually heading toward a pick-up. In this situation, exports have stopped decreasing. Business fixed investment has shown some weakness on the whole, although resilience has been observed in nonmanufacturing. In contrast, public investment has continued to increase, and housing investment has generally been picking up. Private consumption has been increasingly resilient, assisted by the improvement in consumer sentiment. Reflecting these developments in demand both at home and abroad, industrial production has stopped decreasing and has shown some signs of picking up. Business sentiment has shown signs of improvement again.

With regard to the outlook, Japan's economy is expected to return to a moderate recovery path, mainly against the background that domestic demand remains resilient partly due to the effects of various economic measures and that growth rates of overseas economies gradually pick up.

Exports are expected to pick up mainly against the background that growth rates of overseas economies gradually pick up. As for domestic demand, public investment is expected to continue trending upward supported by the effects of various economic measures, and housing investment to continue to generally pick up. Business fixed investment is projected to remain somewhat weak in some sectors for the time being, but to follow a moderate increasing trend thereafter, partly due to investment related to disaster prevention and energy. Resilience in private consumption is expected to increase gradually. Under these circumstances, industrial production is projected to pick up.

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<sup>1</sup> This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on April 3 and 4, 2013.

Meanwhile, there remains a high degree of uncertainty about the global economy.

On the price front, the three-month rate of change in domestic corporate goods prices is rising, reflecting movements in foreign exchange rates. The year-on-year rate of change in consumer prices (all items less fresh food) has been slightly negative, due to the reversal of the previous year's movements in durable consumer goods.

Domestic corporate goods prices are expected to continue rising for the meantime. For the time being, the year-on-year rate of change in consumer prices is expected to remain negative since the reversal of the previous year's movements is projected in durable consumer as well as energy-related goods, and thereafter, it is likely to be around 0 percent again.

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 long-term interest rates have declined. The value of the yen against the U.S. dollar has 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 increase in the amount outstanding of bank lending has risen somewhat. The amount outstanding of CP and corporate bonds has been more or less around the year-ago level. In these circumstances, firms have retained their recovered financial positions on the whole. Meanwhile, the

year-on-year rate of change in the money stock has been positive within the range of 2.5-3.0 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 January compared with the fourth quarter, after having risen for four quarters in a row until the fourth quarter (Chart 5). The value of public works contracted—a measure that reflects public orders—has continued to be more or less flat on average, albeit with large monthly fluctuations, after having surged in the second quarter last year.

Public investment is expected to continue trending upward supported by the effects of various economic measures.

Real exports have stopped decreasing (Charts 6[1] and 7). Real exports increased marginally in January-February relative to the fourth quarter, after having continued to decline in the fourth quarter on a quarter-on-quarter basis, following a large decrease in the third quarter. On a monthly basis, they fell back in February, after having risen in January aided partly by increased exports prior to the Lunar New Year holidays; nevertheless, they have continued to run slightly above the level at the end of last year. Looking at exports in January-February compared with the fourth quarter by region (Chart 7[1]), those to the United States appear to be resuming their moderate uptrend, albeit with monthly fluctuations, mainly due to steady automobile sales in the United States with the economy having firmed up. Exports to Others also turned upward, mainly due to the pick-up in motor vehicles and their related goods. On the other hand, exports to the EU seem to have continued to trend downward on average, despite having increased marginally in January-February, affected profoundly by fluctuations in ships. The underlying trend in exports to East Asia, including China, is difficult to read with exports rising sharply prior to the Lunar New Year holidays and then falling back later on,<sup>2</sup> but a noticeable pick-up has yet to be confirmed as a whole, due in part to somewhat weak IT-related exports (electronic parts such as semiconductors, etc.). By goods (Chart 7[2]), exports of motor vehicles and their related goods turned upward for the first time in four terms as

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<sup>2</sup> The Chinese Lunar New Year holidays fell in the February 9-15 period this year. The holidays were from January 22 through 28 last year.

a whole, since those to the United States and Others have recently held steady and also since those to China—which had dropped significantly—have tended to pick up. Exports of intermediate goods—which had been declining, mainly to East Asia—have been moving upward, chiefly in chemicals. Exports of capital goods and parts have recently been heading toward a bottom, after having plunged in the second half of last year, but since they have been affected heavily by fluctuations in ships, watchfulness is needed to see whether or not this movement is an underlying trend. Meanwhile, exports of consumer goods have continued to decline, notably in digital cameras. As for IT-related goods, exports have dropped sharply of late, due to the downshift in demand of parts for new smartphone products made in East Asia, as final demand in this sector has yet to show noticeable improvement.

Real imports have been heading toward an increase again (Charts 6[1] and 9). Real imports—which had fallen sharply in the fourth quarter last year on a quarter-on-quarter basis, after having trended upward through the third quarter, albeit with fluctuations—rose in January-February compared with the fourth quarter. Looking at movements in imports by goods (Chart 9[2]), those of raw materials temporarily fell back sharply in the fourth quarter on a quarter-on-quarter basis, mainly from the upsurge in September caused by a rush in demand prior to the introduction of the Carbon Tax, but they have recently bounced back up again. Imports of IT-related goods continued to move upward, albeit with monthly fluctuations, chiefly in smartphones. Meanwhile, although weakness in imports of intermediate goods and those of capital goods and parts has persisted, the downtrend appears to be coming to a halt, assisted mainly by the progress in inventory adjustments at home.

The pace of decline in net exports—in terms of the real trade balance—has become moderate as a reflection of the aforementioned developments in exports and imports (Chart 6[1]). The nominal current account surplus in January somewhat increased its level as a whole compared with the fourth quarter, since the nominal goods and services balance deficit somewhat decreased and also since the current transfers balance turned to a surplus due to a single month fluctuation, while the income surplus was flat (Chart 6[2] and [3]).

Regarding the environment surrounding exports, overseas economies have been moving out of the deceleration phase that had continued since last year and are gradually heading toward a pick-up (Chart 8[2]). Looking at movements by major region, the European economy has continued to recede slowly, amid its persistent debt problem. Meanwhile, the Chinese economy has seen an increase in infrastructure investment; added to this, exports have been heading toward a pick-up, and the manufacturing sector—which had long been under adjustment—has started to bottom out. Affected by these movements, the NIEs and ASEAN economies have also shown signs of bottoming out in their exports and production. Meanwhile, signs of an uptick in the U.S. economy are becoming widespread, moving on from the household sector—which had been leading the recovery to date—to the corporate sector, with business fixed investment having started to show signs of picking up as private consumption and housing investment remain steady. As for the exchange rate, the yen has depreciated from a while ago against both the U.S. dollar and euro; in terms of the real effective exchange rate, the yen has fallen to levels last observed around the summer of 2008 just before the Lehman shock (Chart 8[1]).

Growth rates of overseas economies are expected to gradually pick up.<sup>3</sup> The aforementioned movements in foreign exchange rates are also projected to have positive effects on future exports. However, a high degree of uncertainty remains about overseas economies. As for the European economy, heightened uncertainty over its debt problem remains and developments in international financial and capital markets continue to warrant careful monitoring. The sluggishness in the European economy still entails risks of hindering a pick-up in the global economy through channels of trade, foreign investment, and worsening business sentiment. As for the Chinese economy, the loose supply and demand conditions may also prevail mainly because the supply of raw materials and other goods seems to have exceeded demand as a result of increased business fixed investment. As for the U.S. economy, although signs of an uptick have become widespread extending even to the corporate sector in which weakness had continued to linger on, uncertainty regarding the

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<sup>3</sup> The overseas supply and demand conditions for products DI of large manufacturing firms in the *Tankan* improved, albeit marginally, in March after having deteriorated in December; the March forecast continued to display improvement. Annual projections for exports by large manufacturing firms continue to show an increase for fiscal 2013 on a year-on-year basis after posting a marginal increase in fiscal 2012.

outlook for fiscal policies remains. In relation to this, as for the IT-related sector, parts for new products of smartphones—which had pushed domestic production and exports of IT-related goods upward to a certain degree since early fall last year—have fallen back and this, in turn, has exerted restraints on exports and production. Final demand of this sector as a whole has yet to show noticeable improvement, and thus future developments in overall final demand, including developments in demand for conventional products such as PCs, continue to require close monitoring. Meanwhile, attention should continue to be paid to the bilateral relationship between Japan and China, although its impact on Japan's economy has become less visible, with the pick-up in automobile-related exports to China.

Taking the above into consideration, exports are expected to pick up mainly against the background that growth rates of overseas economies gradually pick up. Imports are projected to resume their moderate uptrend along with the pick-up in industrial production, against the backdrop of resilient domestic demand, even though developments in foreign exchange rates will bear down on some areas. As a reflection of these developments in exports and imports, net exports are projected to gradually resume their moderate uptrend.

Business fixed investment has shown some weakness on the whole, although resilience has been observed in nonmanufacturing. Meanwhile, in manufacturing, fixed investment has declined affected by the previous decrease in exports and industrial production. The aggregate supply of capital goods—a coincident indicator of machinery investment—bounced back in January-February compared with the fourth quarter, after having decreased in the fourth quarter on a quarter-on-quarter basis, following a sharp decline in the third quarter (Chart 10[1]). As for leading indicators, machinery orders (private sector, excluding orders for ships and those from electric power companies)—a leading indicator of machinery investment—have not bottomed out noticeably yet, as they fell sharply again in January relative to the fourth quarter, after having increased momentarily in the fourth quarter on a quarter-on-quarter basis (Chart 11[1]). By industry, machinery orders of manufacturing plunged in January compared with the fourth quarter, following a decline for three quarters in a row from the second quarter last year. Monthly figures also showed a significant decline in January, after having increased for two

consecutive months through December; this points to a situation in which the impact of the previous declines in exports and production still remains. In contrast, those of nonmanufacturing (excluding orders for ships and those from electric power companies) are considered to be steady on average, although they fell back in January compared with the fourth quarter from the increase in the fourth quarter on a quarter-on-quarter basis. Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—rose in January-February compared with the fourth quarter, after having continued to move upward for four consecutive quarters through the fourth quarter (Chart 11[2]). By industry, construction starts of mining and manufacturing—which had been somewhat weak, after having surged in the first quarter last year—climbed significantly in January-February relative to the fourth quarter. On the other hand, those of nonmanufacturing continued to be steady on average, although they were down marginally in January-February compared with the fourth quarter, after having exhibited somewhat high growth for three straight quarters until the fourth quarter. Meanwhile, the production capacity DI in the March *Tankan* was roughly flat for the present, but firms are projecting an improvement in their forecast (Chart 10[2]).

Regarding the environment surrounding business fixed investment, developments in corporate profits show that they have remained steady on the whole, notably in domestic demand-oriented sectors, although the deceleration in overseas economies has still continued to affect manufacturing. Business sentiment has shown signs of improvement again. The business conditions DI for all industries and enterprises in the March *Tankan*, which has been in negative territory, reduced its rate of deterioration for the first time in three terms. By industry and size (Chart 13), as for large manufacturing firms, the DI for industries related to motor vehicles improved remarkably, mainly as a reflection of steady developments in sales at home and abroad as well as a lesser impact from the bilateral relationship between Japan and China, and an improvement in export profitability as a result of the yen's depreciation; the DI for industries related to construction investment including lumber & wood products and ceramics, stone & clay also improved markedly, aided by the pick-up in housing investment and the increase in public investment. In contrast, the DI for iron & steel became cautious in response to cost increases triggered mainly by the yen's depreciation and that for industries with ties to business fixed investment

such as production machinery also became slightly cautious; the DI for electrical machinery, which has been in negative territory, continued to deteriorate at a sizeable rate. The DI for small manufacturing firms, which has been in negative territory, expanded its rate of deterioration, albeit slightly, for the fifth straight term, mainly in industries associated with basic materials as a reflection of cost increases. Looking at nonmanufacturing, the DI for large firms improved somewhat as a whole: transport & postal activities as well as electric & gas utilities became cautious in response to cost increases, whereas industries such as construction and real estate improved reflecting the increase in housing and public investment and retailing also showed improvement with private consumption increasing its resilience. The DI for small firms also moved almost in tandem with large firms as transport & postal activities deteriorated, while construction and retailing improved. Forecasts show that the DI is projected to improve fairly noticeably overall, chiefly in manufacturing.

Corporate profits are projected to continue a mild improving trend, supported by the pick-up in exports as well as movements in foreign exchange rates on top of resilient domestic demand. According to the business plans of firms in the March *Tankan*, current profits (for all industries and enterprises) on a fiscal year basis posted a marginal increase of 0.4 percent on a year-on-year basis, since plans of both manufacturing and nonmanufacturing firms were revised slightly upward from the December *Tankan* for fiscal 2012; a profit increase of 5.9 percent is projected to continue for fiscal 2013.<sup>4</sup> By industry and size (Chart 12), corporate profits of both small and large manufacturing firms are projected to turn significantly upward for fiscal 2013, after having declined marginally in fiscal 2012. On the other hand, as for nonmanufacturing, corporate profits of large firms are projected to increase for fiscal 2013, after having been level in fiscal 2012. Those of small firms are projected to increase for fiscal 2012 and 2013 alike.

Taking the above into consideration, business fixed investment is projected to remain somewhat weak in some sectors for the time being, but to follow a moderate

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<sup>4</sup> In the March *Tankan*, the average of predicted exchange rates by large manufacturing firms—on which their business plans are based—was stronger than recent market rates. In the future, should the average of predicted exchange rates be corrected so as to reflect the yen's depreciation, corporate profits are likely to face upward revisions, chiefly in large manufacturing firms.

increasing trend thereafter, partly due to investment related to disaster prevention and energy. Looking at business fixed investment plans (excluding software investment and including land purchasing expenses) in the March *Tankan* by industry and size (Chart 14), those of large manufacturing firms were revised considerably downward for fiscal 2012 from the December *Tankan* and the upward revision of small manufacturing firms was only marginal for a March survey; they recorded positive 5.7 percent and negative 6.0 percent respectively on a year-on-year basis. On the other hand, plans of large nonmanufacturing firms were revised marginally upward and small nonmanufacturing firms also saw an upward revision in their plans to somewhat high growths of 4.9 percent and 17.2 percent on a year-on-year basis respectively. As for fiscal 2013, the initial plans of large firms were almost aligned with those in past years, while those of small firms were set somewhat higher than usual, mainly in manufacturing. Based on "software and fixed investment excluding land purchasing expenses"—a concept close to that of GDP—business fixed investment plans of all industries and enterprises for fiscal 2012 were revised somewhat downward from the December *Tankan* to a year-on-year increase of 5.5 percent. Fiscal 2013 is projected to see a marginal decline of 0.7 percent; for an initial plan, this projection is about the same as that in past years.

Private consumption has been increasingly resilient, assisted by the improvement in consumer sentiment (Chart 15). Consumption of goods—as seen through sales at retail stores in real terms (Chart 16[1])—rose in January-February relative to the fourth quarter, after having been more or less level through the fourth quarter last year, albeit with some fluctuations. Looking at consumption of durable goods (Chart 16[2]), the number of new passenger-car registrations jumped in the first quarter on a quarter-on-quarter basis, aided partly by the introduction of new models, after having fallen significantly following the ending of subsidies for purchasing energy-efficient cars. 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 kept climbing in January-February assisted partly by increased sales of high-end products, after having risen in the fourth quarter—notably in winter apparel—affected by lower temperatures (Chart 17[1]). Sales at supermarkets bounced back slightly in February

from the decline in January which was partly affected by snowfalls in the Tokyo metropolitan areas, after having registered month-on-month increases for three months in a row since October. Meanwhile, sales at convenience stores have continued to trend moderately upward. As for consumption of services (Chart 17[2]), outlays for travel dipped in early fall, chiefly in overseas travel (bound for China and South Korea), but they have been picking up since November. Sales in the food service industry have been steady as a whole.

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—advanced significantly in January-February relative to the fourth quarter, after having been virtually flat in the fourth quarter last year, following a decline in the third quarter (Chart 16[1]).<sup>5</sup> The total expenditure in the *Survey of Household Economy* (in real terms; two-or-more-person households) inched down in January compared with the fourth quarter, after having been level in the fourth quarter, following a decline in the third quarter.

Indicators related to consumer confidence have recently improved markedly (Chart 18).

Resilience in private consumption is expected to increase gradually. For the meantime, however, the weakness in income may remain as a constraining factor.

Housing investment has generally been picking up. The number of housing starts—a leading indicator of housing investment—has tended to pick up on average, although it was more or less flat in January-February relative to the fourth quarter (Chart 19[1]).

Housing investment is expected to continue to generally pick up.

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<sup>5</sup> Items in the index are not completely limited to those used for estimating GDP. Education, for example, is not used for estimating GDP.

Industrial production has stopped decreasing and has shown some signs of picking up (Chart 20). Industrial production, on a quarterly basis, advanced in January-February compared with the fourth quarter in the released-base index, while it was almost level in the adjusted-base index, after having declined for three quarters in a row since the second quarter last year.<sup>6</sup> The production forecast index shows that production is projected to increase in both March and April; the shipment-inventory balance has improved gradually. Anecdotes by firms also point to signs of picking up in the period ahead, with many firms projecting an increase for the second quarter. Looking at production in January-February relative to the fourth quarter by industry, that of transport equipment (such as passenger cars) started to pick up as a whole: production picked up domestically, since the effects of the decline due to the ending of subsidies for purchasing energy-efficient cars have fallen off; added to this, as for exports, the slump in those to China—which had been affected by the bilateral relationship between Japan and China—has eased and those to the United States and Others have held steady. Production of iron and steel and of chemicals also moved upward aided by the effects of the pick-up in production of motor vehicles as well as the increase in exports in some sectors which was partly driven by recent developments in foreign exchange rates. As for general machinery, production remained somewhat weak overall as a reflection of developments in business fixed investment at home and abroad, even though it has finally begun to show signs of bottoming out. On the other hand, production of electronic parts and devices has recently fallen back due to the downshift in demand for new products, after having risen significantly mainly in preparation for those products in the fourth quarter.

Shipments have been picking up moderately (Chart 22[1]). Looking at the trend in shipments by goods (Chart 21), those of durable consumer goods have picked up, notably in motor vehicles. Shipments of non-durable consumer goods have continued to trend moderately upward; those of construction goods have also advanced lately, primarily in photovoltaic modules, despite large monthly fluctuations. Shipments of producer goods have been picking up mildly overall,

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<sup>6</sup> 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). Since industrial production fell sharply for about six months since fall 2008 as a result of the Lehman shock, quarterly changes of the released-base seasonally adjusted figures—which regard this fall as a seasonal factor—tend to be somewhat stronger in the fourth and first quarters than the adjusted-base seasonally adjusted figures, which treat this factor as an outlier.

since those for motor vehicles (such as motor vehicle parts, iron and steel, and chemicals) have headed for improvement and some of those related to materials have seen an increase in their exports affected by recent movements in foreign exchange rates, even though those of some electronic parts and devices have shown some sluggishness due to the downshift in demand for new products. Meanwhile, shipments of capital goods, reflecting movements in business fixed investment at home and abroad, have still remained somewhat weak, despite having shown signs of bottoming out.

Inventories have continued to move downward as a whole, although they are still at a relatively high level in some industries (Chart 22[1]). Inventories—which had reached a plateau following the upsurge toward last spring—have been on the decline since fall last year. By industry, those of transport equipment, iron and steel, and chemicals have been on a downtrend amid a pick-up in shipments. Inventories of general machinery—which had been at relatively high levels—have recently declined markedly. In contrast, inventories of electronic parts and devices have continued to be at somewhat high levels, affected by the downshift in demand for new products. As for the shipment-inventory balance (year-on-year rate of change in shipments less that in inventories), it has been heading toward a situation in which the growth in inventories and shipments are broadly balanced (Chart 22[3]). As for producer goods, growth in inventories of other producer goods (for motor vehicles) has been almost aligned with that in shipments. Looking at construction goods, the shipment-inventory balance has recently improved, assisted by the increase in shipments. As for capital goods, the shipment-inventory balance has remained deteriorated, but it recently seems to be heading toward improvement.

Industrial production is expected to pick up reflecting developments in demand at home and abroad, as overseas economies gradually exhibit higher growth rates. Based on anecdotes by firms and other information, regarding the first quarter, electronic parts and devices are expected to fall back from the substantial increase in the fourth quarter, chiefly for new products. In contrast, transport equipment is projected to turn upward, since the effects of the decline following the ending of subsidies for purchasing energy-efficient cars have fallen off and cutbacks in products bound for China will wane amid steady exports to the United States. As for iron and

steel as well as chemicals, it is expected that products for domestic motor vehicles will recover and those for exports will also increase as a reflection of recent movements in foreign exchange rates. Meanwhile, general machinery is projected to generally stop declining. As a result, industrial production as a whole is expected to become almost flat in the first quarter, after having declined toward the fourth quarter. Regarding the second quarter, although there is still a high level of uncertainty, it is projected that transport equipment will be more or less level and that iron and steel as well as chemicals will continue moving upward. Added to this, general machinery as well as electronic parts and devices are expected to turn upward, mainly as a reflection of a moderate recovery in overseas economies. It looks as though industrial production will pick up as a whole.

The employment and income situation has continued to be severe, but supply and demand conditions in the labor market seem to have started to head for improvement again.

As for supply and demand conditions in the labor market, the unemployment rate has trended downward from a somewhat long-term perspective, but it has been almost level since last summer, albeit with monthly fluctuations (Chart 23). New job openings—which had been sluggish as a whole amid somewhat weak movements in manufacturing as a reflection of movements in exports and industrial production—have recently moved upward again. In response to these movements, the active job openings-to-applicant ratio—which had ceased to improve since the middle of last year—has recently resumed its moderate improving trend. Non-scheduled hours worked has bottomed out lately, after having been on a moderate downtrend since around last summer as a reflection of developments in manufacturing, while nonmanufacturing has been resilient on the whole. Looking at the employment conditions DI in the March *Tankan* (Chart 24), manufacturing has been moving marginally within net "sufficient" employment, while nonmanufacturing has expanded its net "insufficient" employment. In sum, the DI moved into net "insufficient" territory as a whole for the first time since the September 2008 survey.

In terms of employment, the year-on-year rate of change in the number of employees in the *Labour Force Survey* has registered a slight positive on average,

despite extremely large monthly fluctuations (Chart 25[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 posted negative. 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 remained well below the pre-earthquake level.

The year-on-year rate of change in total cash earnings per employee has declined marginally as a trend, albeit with large monthly fluctuations (Chart 25[2]). Looking in detail, scheduled cash earnings have posted a slight negative, since the ratio of part-time employees has trended upward and also since the number of hours worked of part-time employees remained somewhat weak on a year-on-year basis. On the other hand, non-scheduled cash earnings have continued to register a year-on-year negative, in response to movements in the number of hours worked.

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

As for the outlook regarding employee income, the previous lackluster business performance will mainly act as a constraining factor for the time being, but after that, improvement is expected to become gradually evident as the pick-up in economic activity and business performance becomes noticeable.

## **2. Prices**

International commodity prices have been more or less flat on the whole, despite having shown somewhat sluggish movements lately (Chart 27[1] and [3]). Prices of crude oil and of nonferrous metals have recently fallen back slightly from the temporary uptick, mainly as a reflection of fluctuations in investors' perception of the pace of global economic recovery. On the other hand, prices of grains have continued to be more or less flat, after having lowered their levels as anxiety over supply due to the unseasonable weather was reduced.

The three-month rate of change in import prices (on a yen basis) has increased, reflecting movements in foreign exchange rates (Chart 27[2]).

The three-month rate of change in domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter) is rising, reflecting movements in foreign exchange rates (Chart 28[2]).<sup>7</sup> The three-month rate of change rose even further to positive 0.9 percent in February, after having increased its growth to 0.5 percent in January from an increase of 0.2 percent in December. Looking in detail at domestic corporate goods price movements in February, prices of "goods sensitive to exchange rates and overseas commodity prices" accelerated their rate of increase sharply and those of "other materials," including chemicals & related products, also climbed steeply. Prices of "iron & steel and construction goods"—which had continued to be somewhat sluggish—also turned marginally upward on the whole as a reflection of the rise in those of scrap & waste. Meanwhile, prices of "electric power, gas & water" remained negative from the lingering effects of the decline in crude oil prices toward the middle of last year.

The year-on-year rate of change in corporate services prices (excluding international transportation; year-on-year basis, same hereafter) has marked a slight negative (Chart 29). As for developments on a year-on-year basis, corporate services prices registered negative 0.2 percent in February, following a decline of 0.4 percent in December and January alike. Looking in detail at corporate services price movements in February, prices related to "selling, general and administrative expenses" reduced their year-on-year rate of decline as a whole, mainly since prices of advertising services turned positive for the month. Prices related to "real estate" also gently reduced their year-on-year pace of decline as a trend. Meanwhile, prices related to "fixed investment" continued to increase marginally, particularly in civil engineering and architectural services, whereas "IT-related" prices continued to decrease, due to price declines in leasing and rentals of equipment.

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<sup>7</sup> Figures are adjusted to exclude large seasonal fluctuations in electric power charges to observe the underlying changes in domestic corporate goods prices. Industrial and commercial electric power charges are set relatively high during July-September, when electric power consumption increases substantially.

The year-on-year rate of change in consumer prices (all items less fresh food; year-on-year basis, same hereafter) has been slightly negative, due to the reversal of the previous year's movements in durable consumer goods (Chart 30[1]). In February, consumer prices, in terms of all items less fresh food, expanded their rate of decline by 0.1 percentage point to negative 0.3 percent from a decline of 0.2 percent in January. Those on a basis that excludes food and energy accelerated their rate of decline by 0.2 percentage points from January by posting negative 0.9 percent. Regarded as a method for capturing trend changes, the year-on-year rate of change in the trimmed mean has continued to stop improving since the middle of last year, but from a somewhat long-term perspective, it has been on a moderate improving trend (Chart 31[2]).<sup>8</sup> The year-on-year rate of change in the Laspeyres chain index has moved in tandem with that in the 2010-base index (Chart 31[1]).<sup>9</sup>

Looking in detail at consumer price movements over the past few months, fees for public services have recently increased at a subdued pace due to the effects of the decline in crude oil prices toward the middle of last year, mainly as a reflection of fluctuations in prices of electricity and of gas (manufactured & piped). Prices of general services have also continued to decline marginally, mainly in rent. In addition, prices for goods have somewhat accelerated their pace of decline lately, since negative contributions from durable goods increased due to the reversal of the previous year's movements, while prices of food products have been relatively sluggish, even though prices of petroleum products have added positive impetus. Taking a closer look at price movements in February, prices of goods (excluding agricultural, aquatic and livestock products) expanded their rate of decline. This was because durable goods turned significantly downward as they fell back from the sharp increase, affected by changes in items of TV sets in the previous year, although prices of petroleum products rose at an accelerated pace as a reflection of movements in

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<sup>8</sup> The trimmed mean is obtained by systematically discarding a certain percentage of the highest and lowest marks of the price fluctuation distribution by item to eliminate large relative price fluctuations.

<sup>9</sup> 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.

foreign exchange rates and international commodity prices. Fees for public services registered a similar rate of increase to that of last month as a whole, since airplane fares declined at a reduced pace, even though prices of electricity kept reducing their rate of increase with the effects of the decline in crude oil prices toward the middle of last year still in place. The rate of decline in prices of general services narrowed, mainly since package tours to overseas turned positive, primarily due to calendar factors.

With regard to domestic supply and demand conditions in the March *Tankan* (Chart 32), the net "excess supply" of the domestic supply and demand conditions DI for products and services narrowed slightly for both small and large manufacturing and nonmanufacturing firms. In this situation, the output prices DI saw its net "fall" narrow markedly as a result of an increase in input prices. Meanwhile, the weighted average of the production capacity DI and employment conditions DI has improved slightly.

Domestic corporate goods prices are expected to continue rising for the meantime. For the time being, the year-on-year rate of change in consumer prices is expected to remain negative since the reversal of the previous year's movements is projected in durable consumer as well as energy-related goods, and thereafter, it is likely to be around 0 percent again.

As for land prices, the *Public Notice of Land Prices* as of January shows that both commercial and residential land prices reduced their year-on-year rates of decline for the third year running (Chart 33). Specifically, the year-on-year rates of decline in the three metropolitan areas (Tokyo, Osaka, and Nagoya areas) were considerably marginal.

### **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 more or less unchanged. The Euroyen interest rate (3-month) has been more or less flat. Interest rates on Euroyen futures have been virtually level (Chart 34). In U.S. dollar funding, the LIBOR-OIS spread for the dollar has basically been more or less flat (Chart 35).

Yields on 10-year government bonds (newly issued 10-year JGB) have moved downward, partly due to increased demand from investors caused by speculation about monetary policies; they are currently moving at around 0.55 percent (Chart 36).

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

Stock prices have risen, mainly due to anticipation of improvement in corporate profits supported by the previous yen's depreciation and to expectations for the government's growth strategy. The Nikkei 225 Stock Average is currently moving in the range of 12,000-12,500 yen (Chart 38).

In the foreign exchange market, the yen temporarily depreciated to the 96-97 yen level against the U.S. dollar, mainly in response to improvement in U.S. economic indicators, but then recovered due partly to heightened uncertainty about the situation in Europe; the yen is currently moving at around 93 yen against the U.S. dollar (Chart 39). Meanwhile, the euro has depreciated against the yen partly due to heightened uncertainty about the situation in Europe; the yen is currently moving in the range of 119-120 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 41).

With regard to credit supply, firms have continued to see financial institutions' lending attitudes as being on an improving trend (Chart 40). Issuing conditions for CP and corporate bonds have remained favorable on the whole. In these circumstances, as for funding of the private sector, the year-on-year rate of increase in the amount outstanding of bank lending has risen somewhat, mainly in demand for working capital and funds related to mergers and acquisitions (Chart 42). The amount outstanding of CP and corporate bonds has been more or less around the year-ago level (Chart 43).

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

Meanwhile, the year-on-year rate of change in the money stock (M2) has been positive within the range of 2.5-3.0 percent. Its February reading was 2.9 percent on a year-on-year basis, following 2.7 percent in January (Chart 44).<sup>10</sup>

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<sup>10</sup> On an M3 basis, which includes the Japan Post Bank, the year-on-year rate of change has been positive within the range of 2.0-2.5 percent; its February reading was 2.4 percent, following 2.3 percent in January. The year-on-year rate of change in broadly-defined liquidity (L) has recently been positive within the range of 1.0-1.5 percent; it increased by 1.3 percent in February, following an increase of 1.2 percent in January.

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## Main Economic Indicators (1)

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

	2012/Q3	Q4	2013/Q1	2012/Dec.	2013/Jan.	Feb.	Mar.
Index of consumption expenditure level (two-or-more-person households)	-1.4	-0.7	n.a.	0.4	1.9	3.0	n.a.
Sales at department stores	-0.5	1.1	n.a.	-1.7	0.8	p 1.9	n.a.
Sales at supermarkets	-0.5	0.8	n.a.	0.9	-4.7	p 1.2	n.a.
New passenger-car registrations <sup>3</sup> <s.a., ann. 10,000 units>	< 282>	< 263>	< 304>	< 276>	< 313>	< 313>	< 285>
Sales of household electrical appliances (real, "Current Survey of Commerce")	3.8	-1.0	n.a.	1.9	2.9	p 5.6	n.a.
Outlays for travel	-4.5	-0.0	n.a.	0.6	-1.7	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	< 88>	< 91>	<n.a.>	< 88>	< 86>	< 94>	<n.a.>
Machinery orders <sup>4</sup> (Private sector, exc. volatile orders)	-1.1	2.0	n.a.	2.8	-13.1	n.a.	n.a.
Manufacturing	-3.2	-3.9	n.a.	3.0	-13.2	n.a.	n.a.
Nonmanufacturing <sup>4</sup> (exc. volatile orders)	0.1	6.3	n.a.	-8.0	-6.3	n.a.	n.a.
Construction starts (private, nondwelling use)	8.1	4.2	n.a.	10.3	-11.7	16.8	n.a.
Mining & manufacturing	0.1	-10.0	n.a.	14.3	38.2	-18.5	n.a.
Nonmanufacturing <sup>5</sup>	9.0	10.3	n.a.	8.3	-20.2	30.8	n.a.
Value of public works contracted	-0.1	1.2	n.a.	11.1	-9.6	-0.1	n.a.
Real exports <sup>10</sup>	-4.7	-4.2	n.a.	-0.4	2.5	-2.3	n.a.
Real imports <sup>10</sup>	0.9	-5.5	n.a.	-0.2	1.6	1.4	n.a.
Industrial production	-4.2	-1.9	n.a.	2.4	0.3	p -0.1	n.a.
Shipments	-5.4	-2.1	n.a.	4.0	-0.3	p 0.8	n.a.
Inventories	0.3	-2.5	n.a.	-1.2	-0.4	p -2.0	n.a.
Inventory ratio <s.a., CY 2005 = 100>	< 130.4>	< 126.5>	<n.a.>	< 126.5>	< 122.5>	<p 121.3>	<n.a.>
Real GDP	-0.9	0.0	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	-0.5	0.2	n.a.	1.6	-1.4	n.a.	n.a.

## Main Economic Indicators (2)

y/y % chg.<sup>1</sup>

	2012/Q2	Q3	Q4	2012/Nov.	Dec.	2013/Jan.	Feb.
Active job openings-to-applicants ratio <s.a., times>	< 0.80>	< 0.81>	< 0.82>	< 0.82>	< 0.83>	< 0.85>	< 0.85>
Unemployment rate <s.a., %>	< 4.4>	< 4.3>	< 4.2>	< 4.2>	< 4.3>	< 4.2>	< 4.3>
Non-scheduled hours worked <sup>6</sup>	4.0	-0.9	-2.5	-2.2	-2.2	-1.9	p -2.0
Number of employees	-0.3	0.5	0.1	0.3	-0.7	0.2	0.5
Number of regular employees <sup>6</sup>	0.9	0.6	0.7	0.6	0.8	0.6	p 0.3
Nominal wages per person <sup>6</sup>	-0.5	-0.7	-1.1	-0.8	-1.7	0.1	p -0.7
Domestic corporate goods price index <q/q % chg., 3-month rate of change> <sup>7</sup>	-1.0 <-0.2>	-1.9 <-1.0>	-0.8 < 0.2>	-0.9 < 0.1>	-0.6 < 0.2>	-0.3 < 0.5>	p -0.1 <p 0.9>
Consumer price index <sup>8</sup>	0.0	-0.2	-0.1	-0.1	-0.2	-0.2	-0.3
Corporate services price index <sup>9</sup>	0.1	-0.2	-0.5	-0.4	-0.4	-0.4	p -0.2
Money stock (M2) <average outstanding, y/y % chg.>	2.4	2.4	2.3	2.1	2.6	2.7	p 2.9
Number of corporate bankruptcies <cases per month>	<1,042>	<975>	<963>	<964>	<890>	<934>	<916>

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

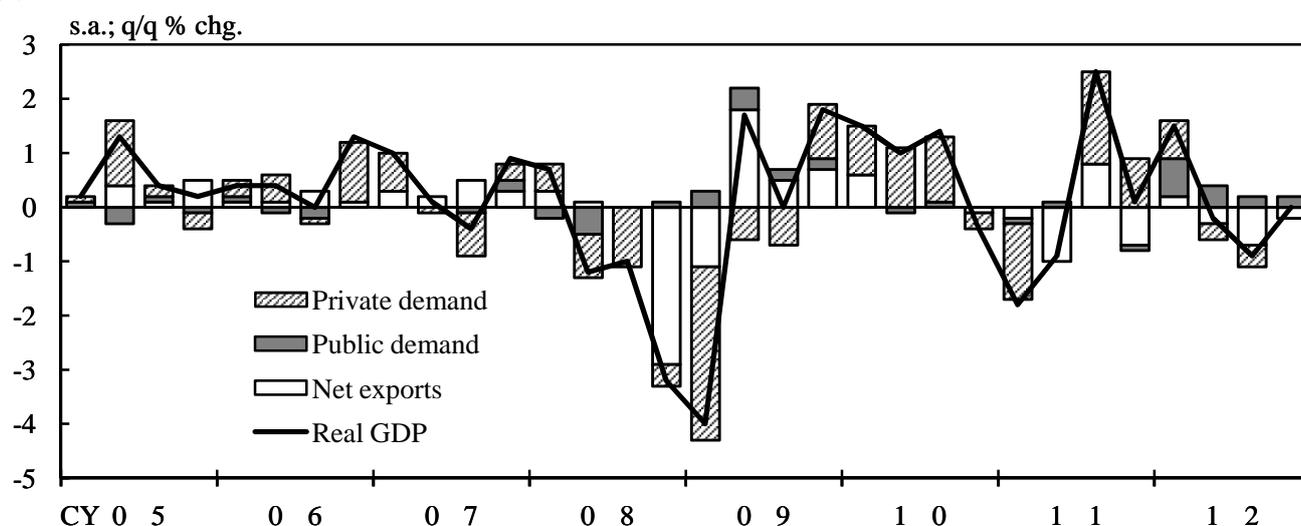
All figures in Chart 2 except figures in angle brackets are year-on-year changes. For details on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes of respective charts.

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.
10. Data have been revised to the 2010 base.

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



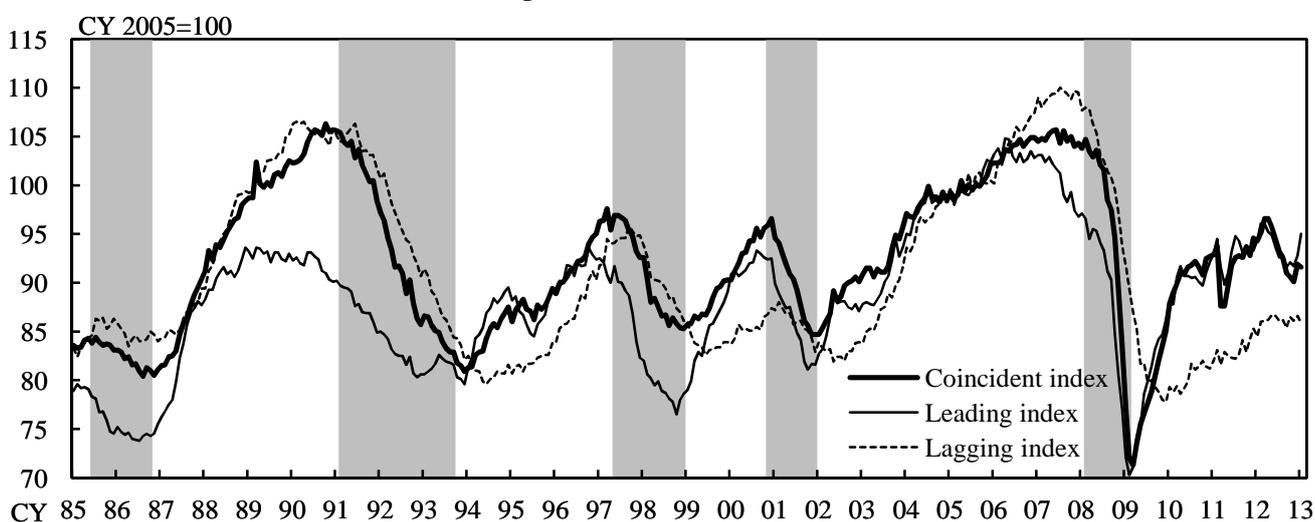
## (2) Components

s.a.; q/q % chg.

	2011	2012			
	Q4	Q1	Q2	Q3	Q4
Real GDP	0.1	1.5	-0.2	-0.9	0.0
[Annual rate]	[0.4]	[6.1]	[-0.9]	[-3.7]	[0.2]
Domestic demand	0.8	1.3	0.0	-0.2	0.2
Private demand	0.9	0.7	-0.3	-0.4	-0.0
Private consumption	0.3	0.7	-0.0	-0.3	0.3
Non-Resi. investment	1.0	-0.4	-0.0	-0.4	-0.2
Residential investment	-0.0	-0.0	0.1	0.0	0.1
Private inventory	-0.4	0.3	-0.4	0.2	-0.2
Public demand	-0.1	0.7	0.4	0.2	0.2
Public investment	-0.1	0.4	0.3	0.1	0.1
Net exports of goods and services	-0.7	0.2	-0.3	-0.7	-0.2
Exports	-0.5	0.5	0.0	-0.8	-0.5
Imports	-0.3	-0.3	-0.3	0.1	0.4
Nominal GDP	-0.1	1.4	-0.5	-1.0	-0.3

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

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

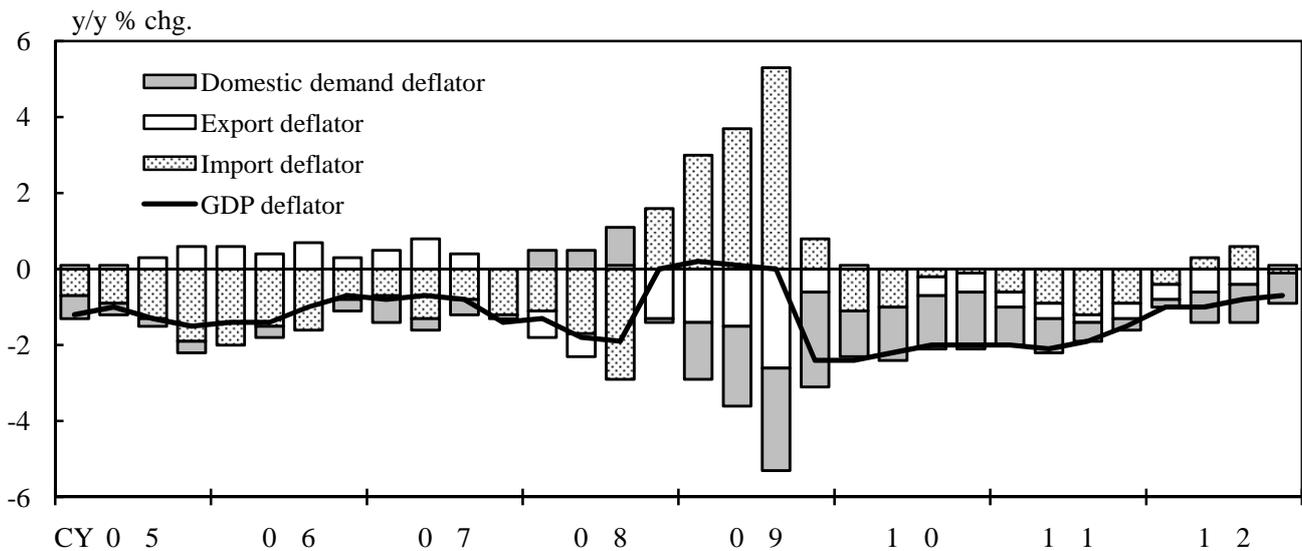


Note: Shaded areas indicate recession periods.

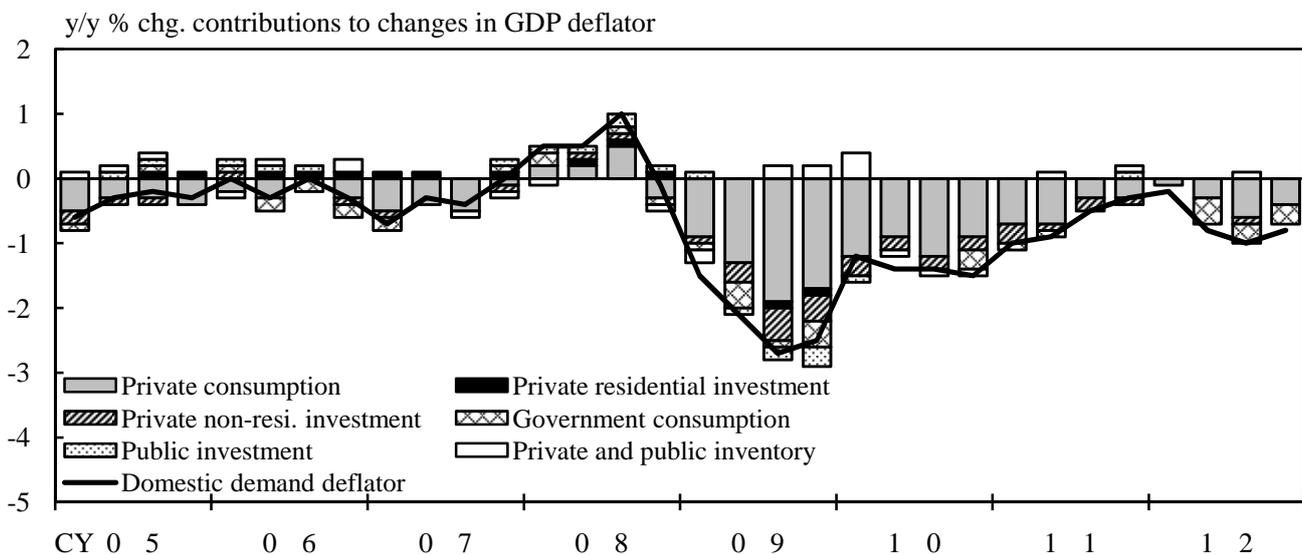
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

GDP Deflator and Income Formation

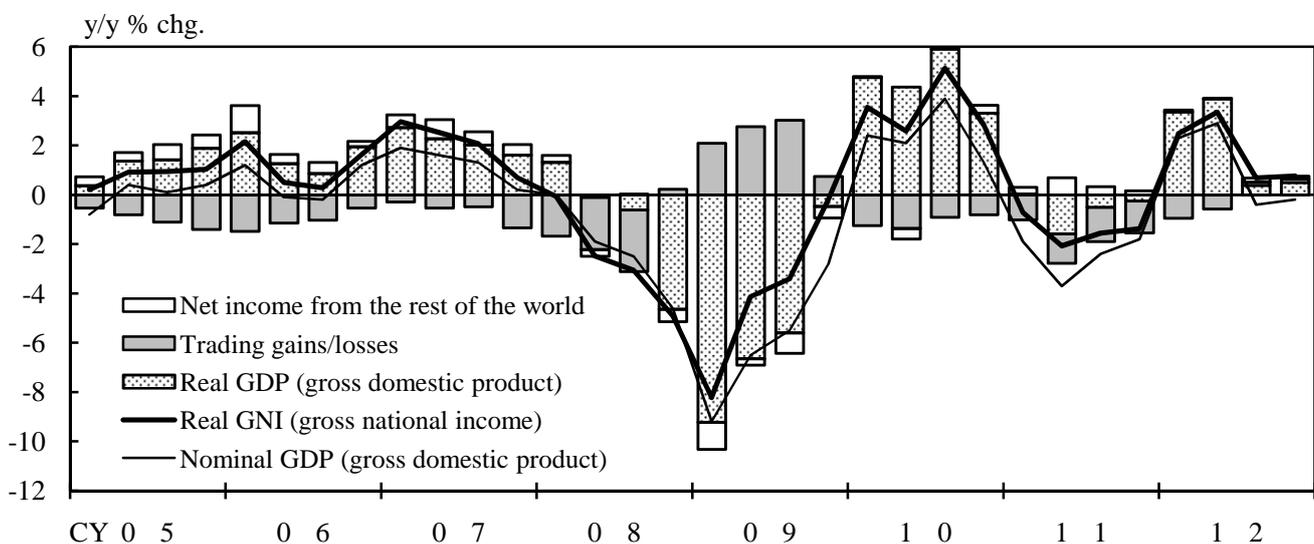
(1) GDP Deflator



(2) Domestic Demand Deflator



(3) Aggregate Income Formation



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

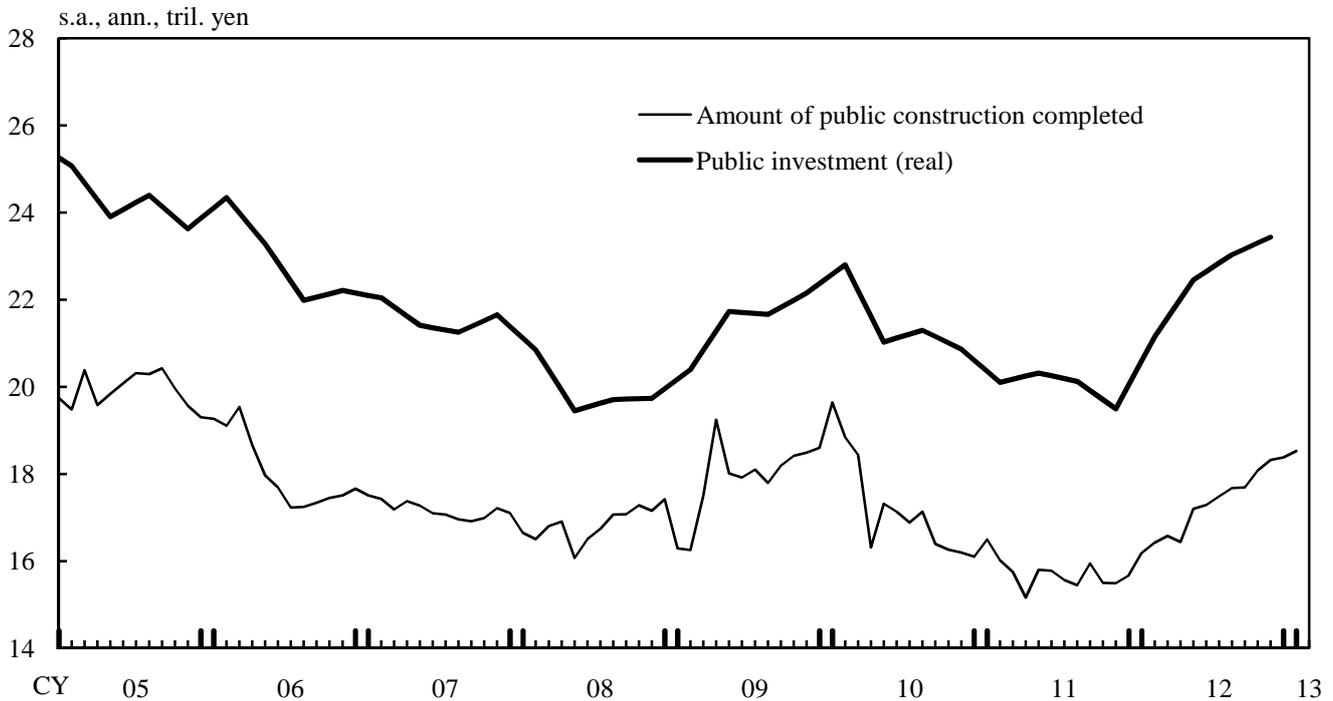
2. Real GNI = real GDP + trading gains/losses + net income from the rest of the world

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

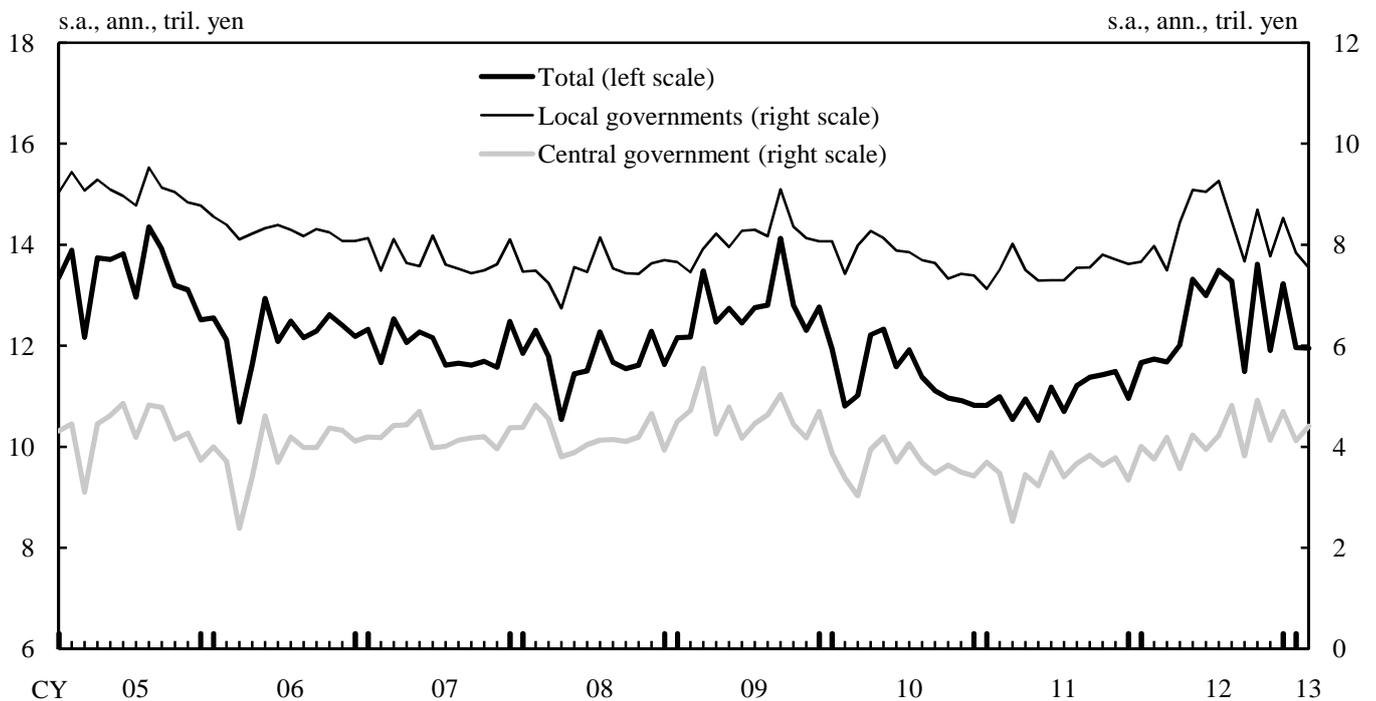
Source: Cabinet Office, "National Accounts."

## Public Investment

### (1) Amount of Public Construction Completed and Public Investment



### (2) Value of Public Works Contracted



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

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

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

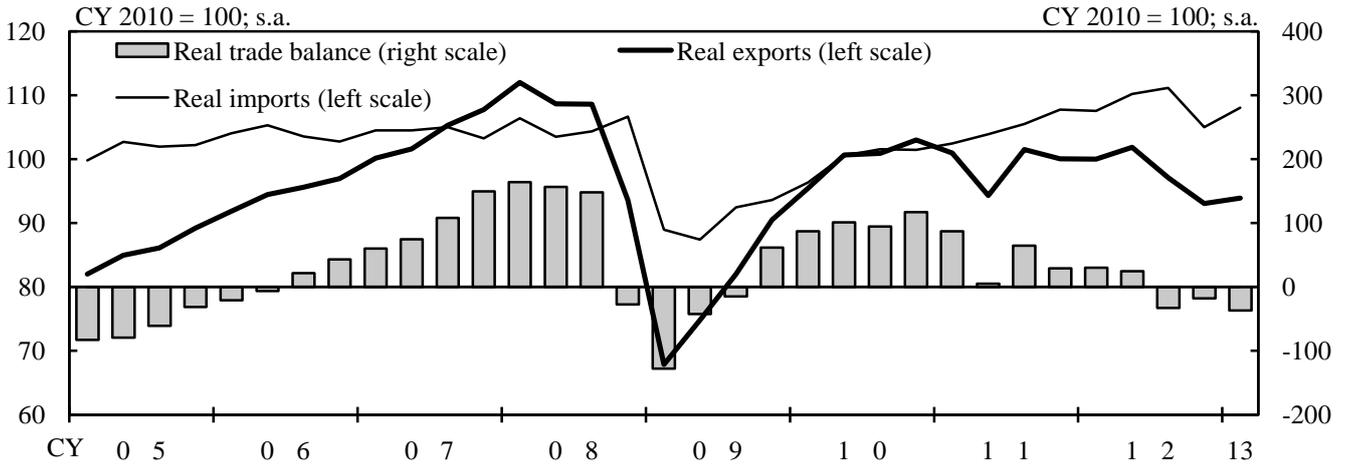
Sources: Cabinet Office, "National Accounts";

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

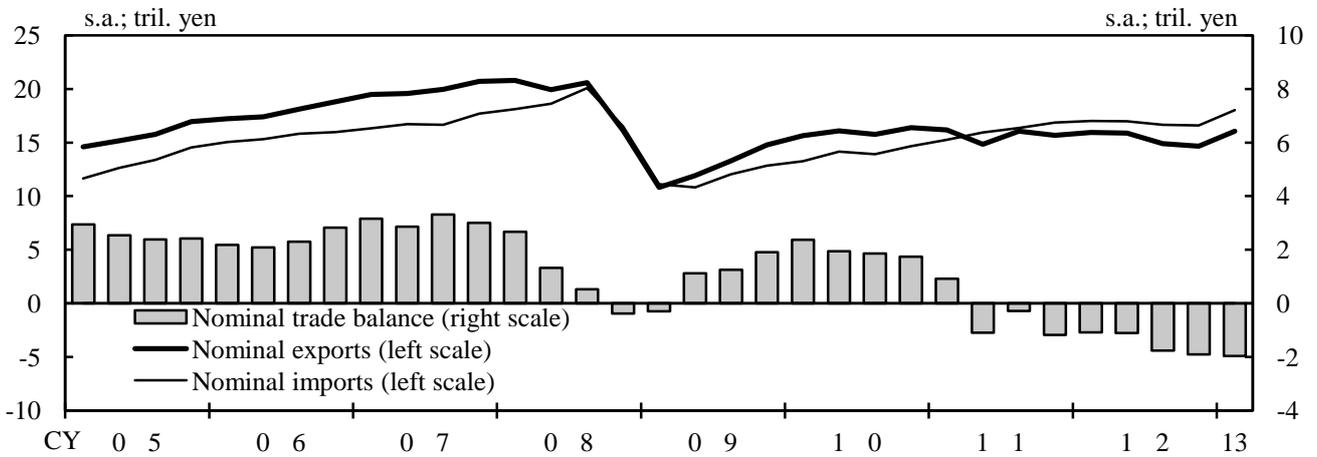
Ministry of Land, Infrastructure, Transport and Tourism, "Integrated Statistics on Construction Works."

External Balance <sup>1</sup>

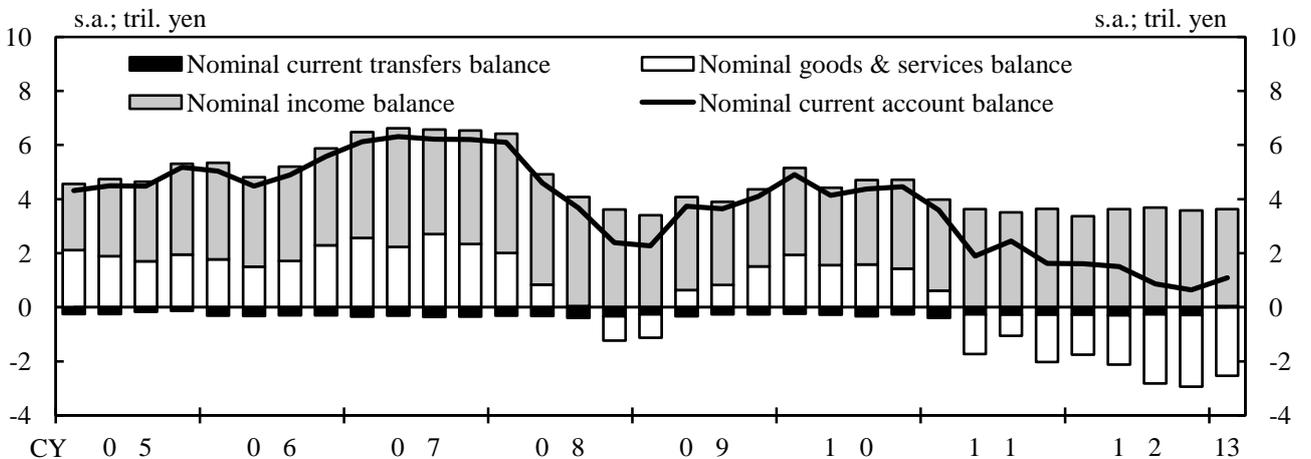
(1) Real Exports, Real Imports, and Real Trade Balance <sup>2</sup>



(2) Nominal Exports, Nominal Imports, and Nominal Trade Balance <sup>3</sup>



(3) Nominal Current Account Balance and Nominal Goods & Services Balance <sup>3</sup>



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

2. Real exports/imports are the value of exports and imports in the "Trade Statistics" deflated by the "Export and Import Price Index." "Real trade balance" is defined as real exports minus real imports. The seasonally adjusted figures have been retroactively revised due to (a) the regular annual revision of the previous year's data in the "Trade Statistics" and (b) the revision of the "Export and Import Price Index" following the base year change in the CGPI from the 2005 base to 2010 base. Figures by region or goods, however, have not been revised this time. This also applies to Charts 7 and 9. 2013/Q1 figures are January-February averages converted into quarterly amount.

3. Figures are based on the "Balance of Payments." 2013/Q1 figures are January 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 <sup>1</sup>

## (1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.				s.a.; m/m % chg.			
		CY 2011	2012	2012 Q1	Q2	Q3	2013 Q4	Q1	2012 Dec.	2013 Jan.	Feb.
United States	<17.5>	-0.3	12.3	2.5	4.8	-4.7	-3.9	1.6	4.8	-3.8	4.2
EU	<10.2>	2.9	-12.7	-4.0	-2.3	-6.0	-5.7	1.4	5.4	0.7	-5.0
East Asia	<51.3>	-1.2	-2.4	0.9	2.5	-3.0	-4.8	-2.8	-1.4	0.5	-4.4
China	<18.1>	1.9	-7.2	-1.9	1.8	-2.8	-11.0	-4.1	-3.1	2.6	-7.3
NIEs	<21.5>	-4.6	-4.5	-1.5	2.3	-2.6	-0.8	-1.3	0.5	1.1	-5.8
Korea	<7.7>	-3.0	-3.3	0.3	-2.3	-0.1	0.6	0.3	7.9	-3.4	-1.9
Taiwan	<5.8>	-9.3	-6.6	-4.9	5.9	1.1	-3.6	2.4	3.6	3.4	-4.8
Hong Kong	<5.1>	-4.0	-0.3	2.0	-1.2	-0.3	-0.1	-5.6	-14.8	9.0	-12.4
Singapore	<2.9>	0.3	-10.3	-3.1	10.8	-15.3	-4.8	2.8	-1.1	11.5	-15.7
ASEAN4 <sup>3</sup>	<11.7>	0.8	11.6	11.4	4.2	-4.2	-1.9	-3.7	-2.7	-3.8	3.3
Thailand	<5.5>	1.3	18.2	27.1	10.3	-2.2	0.7	-7.0	-3.3	-1.9	-4.0
Others	<21.0>	1.6	1.4	3.2	0.3	-9.6	-5.0	4.7	-1.3	5.1	0.4
Real exports		-0.8	-1.0	-0.1	1.9	-4.7	-4.2	0.9	-0.4	2.5	-2.3

## (2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.				s.a.; m/m % chg.			
		CY 2011	2012	2012 Q1	Q2	Q3	2013 Q4	Q1	2012 Dec.	2013 Jan.	Feb.
Intermediate goods	<20.4>	-4.6	-2.3	-2.9	6.5	0.2	-5.7	1.6	1.8	0.9	-1.1
Motor vehicles and their related goods	<23.0>	-3.8	6.8	0.3	-0.7	-9.3	-4.9	4.7	2.5	1.5	2.8
Consumer goods <sup>4</sup>	<3.3>	-2.9	12.3	28.6	-0.9	3.8	-22.4	-7.7	-0.7	-0.5	-7.8
IT-related goods <sup>5</sup>	<9.8>	0.9	0.6	1.6	-0.3	-0.8	1.0	-8.3	-3.6	-5.6	-1.4
Capital goods and parts <sup>6</sup>	<29.3>	5.0	-3.5	1.0	2.9	-6.6	-6.8	-0.1	0.4	1.0	-2.4
Real exports		-0.8	-1.0	-0.1	1.9	-4.7	-4.2	0.9	-0.4	2.5	-2.3

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2013/Q1 figures are January-February averages converted into quarterly amount.

2. Shares of each region and goods in 2012 are shown in angle brackets.

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

4. Excludes motor vehicles.

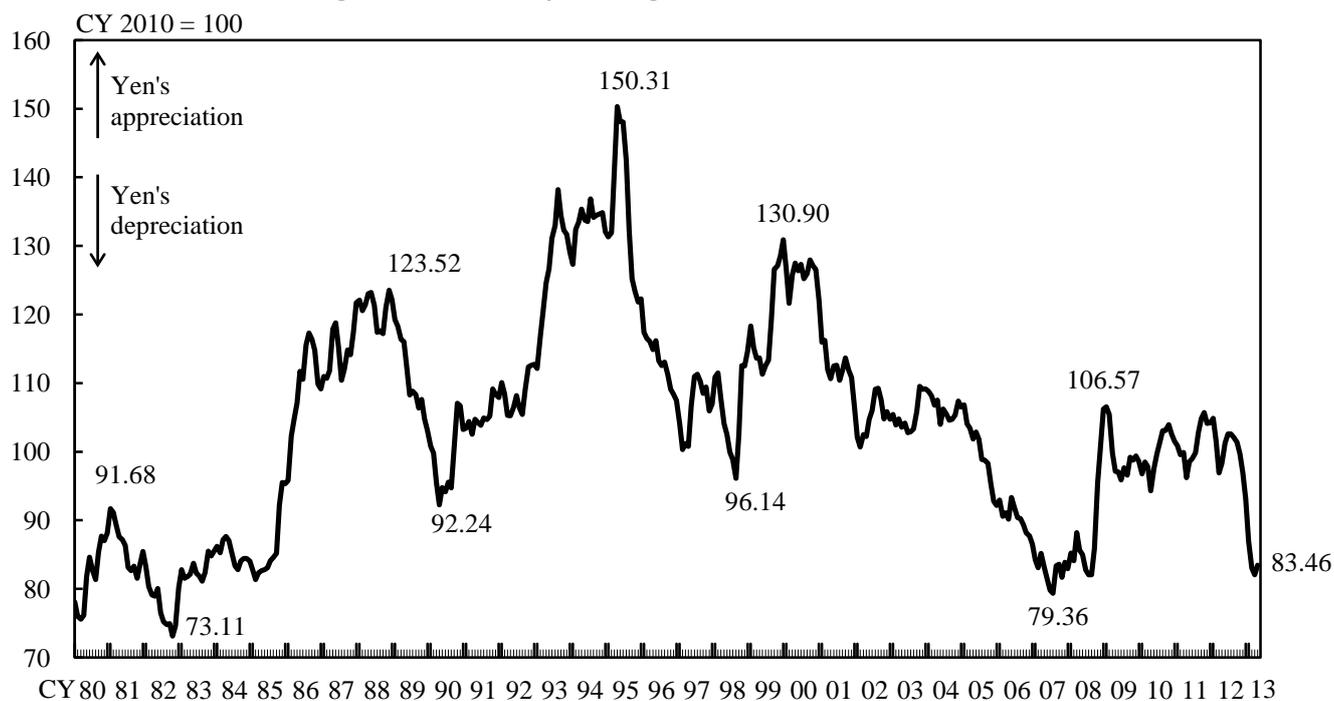
5. IT-related goods are composed of computers and units, telecommunication machinery, ICs, and medical and optical instruments.

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

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

## Real Effective Exchange Rate and Overseas Economies

## (1) Real Effective Exchange Rate (Monthly Average)



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

2. Figures for March and April (up to April 2) 2013 have been calculated using the monthly average of the BOJ's nominal effective exchange rate (the Yen Index).

## (2) Real GDP Growth Rates of Overseas Economies

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

	CY2010	2011	2012	2012 Q1	Q2	Q3	Q4
United States <sup>1</sup>	2.4	1.8	2.2	2.0	1.3	3.1	0.4
European Union <sup>2</sup>	2.1	1.5	-0.3	-0.2	-0.7	0.4	-1.9
Germany <sup>1</sup>	4.2	3.0	0.7	2.0	1.1	0.9	-2.3
France <sup>1</sup>	1.6	1.7	0.0	-0.2	-0.4	0.7	-1.2
United Kingdom <sup>1</sup>	1.8	1.0	0.3	-0.3	-1.5	3.8	-1.2
East Asia <sup>3</sup>	9.2	5.9	4.8	9.0	4.9	4.9	6.9
China <sup>1</sup>	10.4	9.3	7.8	6.1	8.2	8.7	8.2
NIEs <sup>1,3</sup>	8.9	4.3	1.6	4.0	0.3	1.2	4.0
ASEAN4 <sup>1,3,4</sup>	7.3	3.0	6.2	25.3	8.8	5.5	10.9
Main economies <sup>3</sup>	6.7	4.5	3.6	6.3	3.4	3.9	4.4

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

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

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

The members are described below.

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

East Asia: China, NIEs, and ASEAN4

NIEs: Korea, Taiwan, Hong Kong, and Singapore

ASEAN4: Thailand, Indonesia, Malaysia, and Philippines

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

Real Imports <sup>1</sup>

## (1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.				s.a.; m/m % chg.			
		CY 2011	2012	2012 Q1	Q2	Q3	Q4	2013 Q1	2012 Dec.	2013 Jan.	Feb.
United States	<8.6>	-1.0	3.4	1.6	0.3	1.8	-9.8	2.8	3.2	3.3	-4.5
EU	<9.4>	7.9	3.3	-1.3	0.4	4.2	-1.6	-3.1	-11.8	-0.5	7.3
East Asia	<40.8>	9.1	2.6	-1.8	2.4	-0.4	-1.5	1.4	-1.9	0.3	2.1
China	<21.3>	12.2	3.7	-3.5	3.3	-0.5	0.4	1.8	-4.9	2.0	2.7
NIEs	<8.5>	5.9	3.3	-0.3	0.9	1.7	-2.5	0.8	-0.5	1.9	-5.4
Korea	<4.6>	19.9	2.2	1.6	-4.6	3.0	-3.1	2.4	-2.7	5.8	-5.8
Taiwan	<2.7>	-5.6	5.9	-3.4	7.7	1.3	0.9	-2.0	3.8	-4.4	-1.4
Hong Kong	<0.2>	-5.4	-3.1	23.3	-16.7	-7.1	-1.8	5.3	99.6	-10.9	-26.9
Singapore	<1.0>	-2.8	1.1	-2.1	4.6	-3.0	-3.4	1.1	-4.0	1.0	-10.3
ASEAN4 <sup>3</sup>	<11.1>	4.8	-0.4	1.1	1.7	-1.9	-5.4	1.1	5.4	-5.4	7.7
Thailand	<2.7>	4.0	-1.5	4.7	10.1	-3.2	-4.1	1.0	-0.8	0.9	3.6
Others	<41.2>	-0.3	4.5	0.8	5.3	0.6	-10.9	6.6	6.4	-0.5	3.0
Real imports		4.8	4.0	-0.2	2.5	0.9	-5.5	2.9	-0.2	1.6	1.4

## (2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.				s.a.; m/m % chg.			
		CY 2011	2012	2012 Q1	Q2	Q3	Q4	2013 Q1	2012 Dec.	2013 Jan.	Feb.
Raw materials <sup>4</sup>	<40.8>	-0.2	4.5	2.6	3.2	0.6	-12.8	8.9	6.9	-1.1	5.7
Intermediate goods	<13.5>	8.7	-4.1	-6.9	0.5	4.8	-4.8	-1.5	-0.3	-4.0	3.4
Foodstuffs	<8.3>	1.6	-1.3	0.8	-3.7	1.2	-4.9	3.9	4.4	-0.6	6.6
Consumer goods <sup>5</sup>	<7.7>	6.1	-4.1	-0.1	2.5	-5.2	-5.6	4.4	3.7	0.1	4.8
IT-related goods <sup>6</sup>	<10.4>	8.1	9.5	0.1	1.1	3.1	4.5	3.6	-12.1	11.9	-4.5
Capital goods and parts <sup>7</sup>	<10.9>	9.5	8.6	1.5	4.5	-1.4	-5.0	2.1	-0.9	3.6	-3.9
Excluding aircraft	<10.1>	10.6	5.2	-1.1	4.6	-1.0	-3.4	0.1	0.1	-0.6	0.1
Real imports		4.8	4.0	-0.2	2.5	0.9	-5.5	2.9	-0.2	1.6	1.4

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2013/Q1 figures are January-February averages converted into quarterly amount.

2. Shares of each region and goods in 2012 are shown in angle brackets.

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

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

5. Excludes foodstuffs.

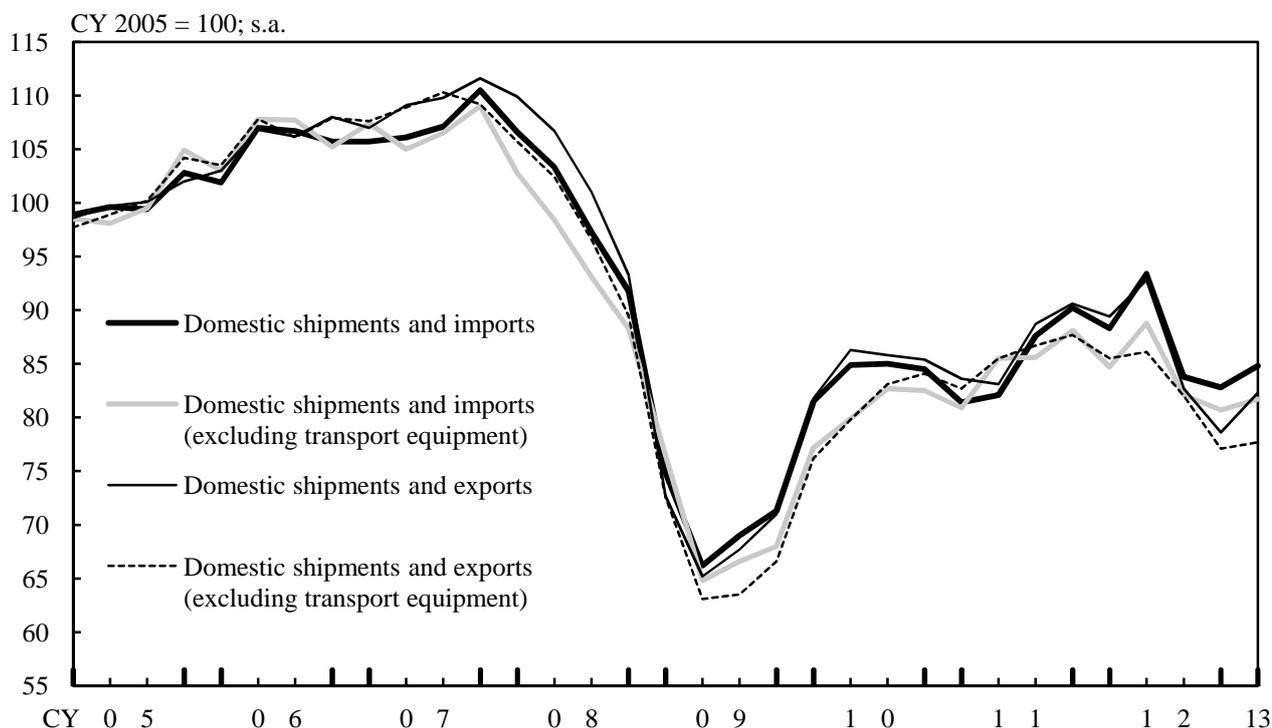
6. IT-related goods are composed of computers and units, parts of computers, telecommunication machinery, ICs, and medical and optical instruments.

7. Excludes IT-related goods.

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

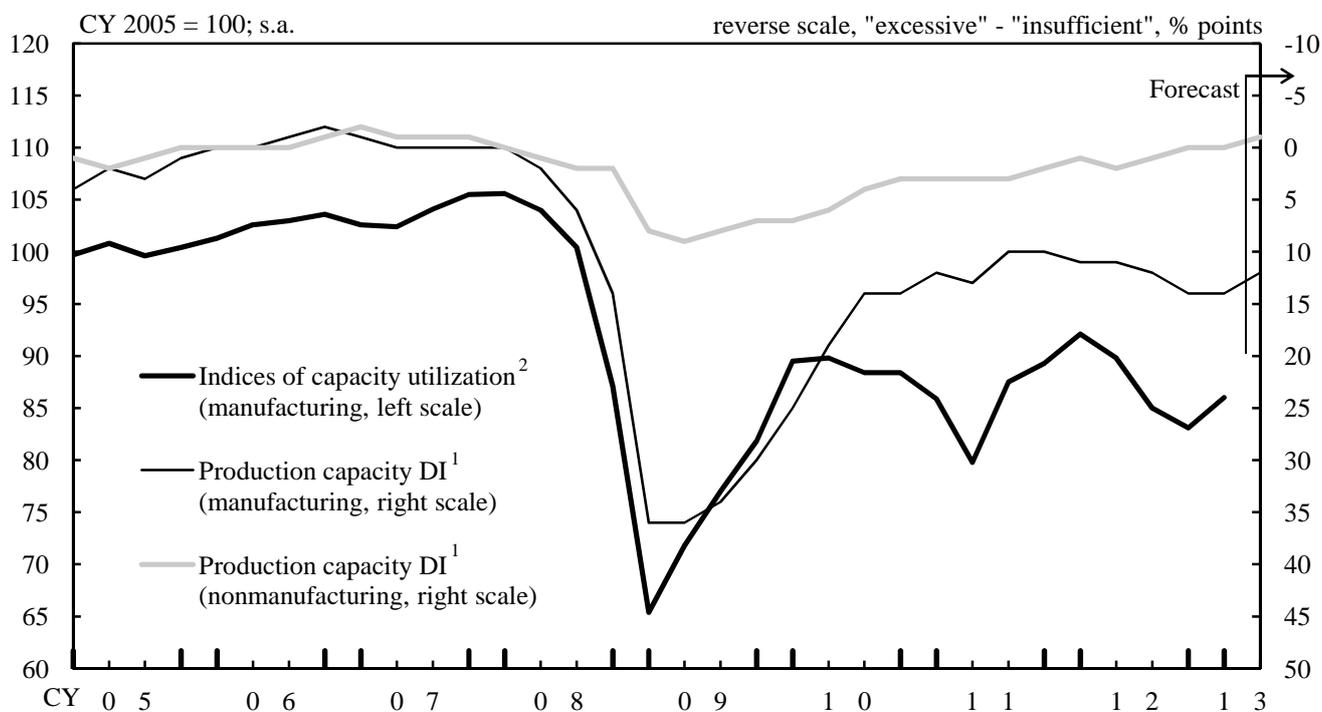
## Coincident Indicators of Business Fixed Investment

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



Note: Figures for 2013/Q1 are January-February averages.

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



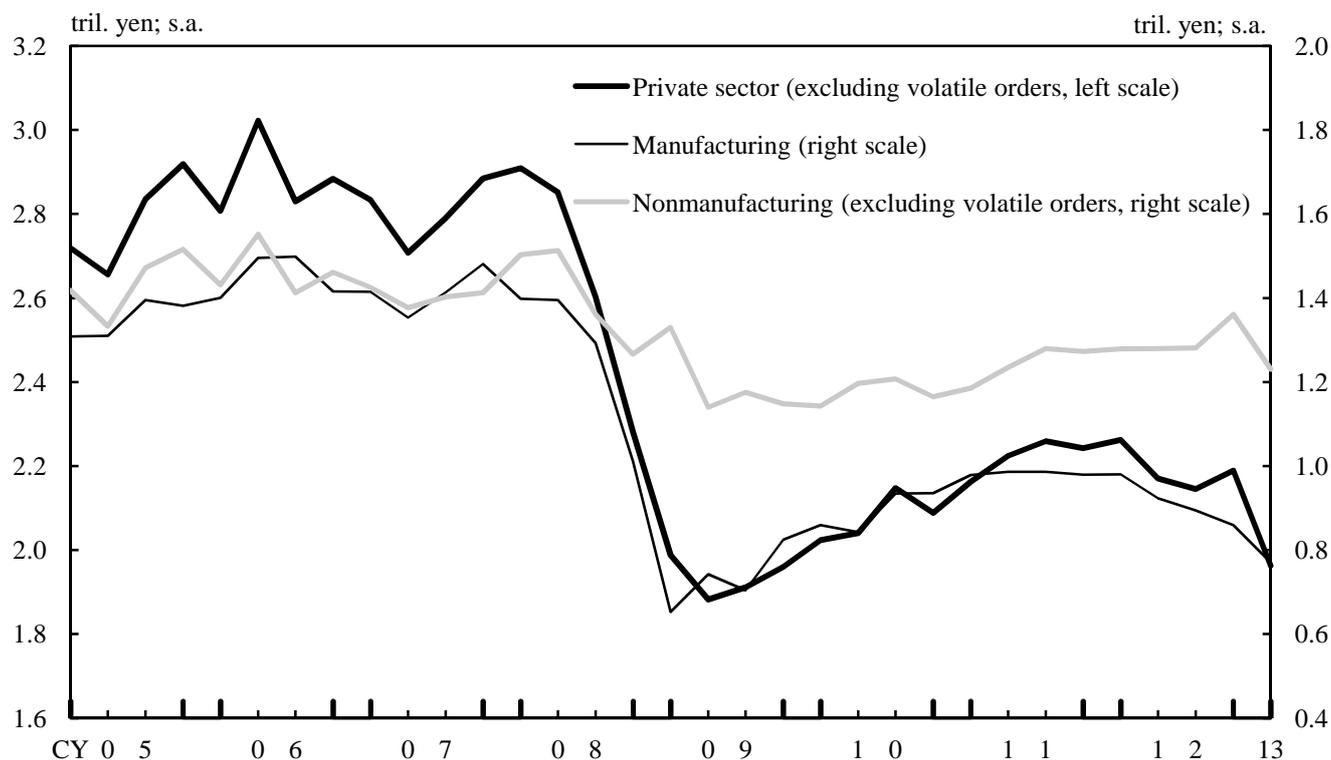
Notes: 1. Production capacity DIs are those of all enterprises.

2. The figure for 2013/Q1 is that of January.

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

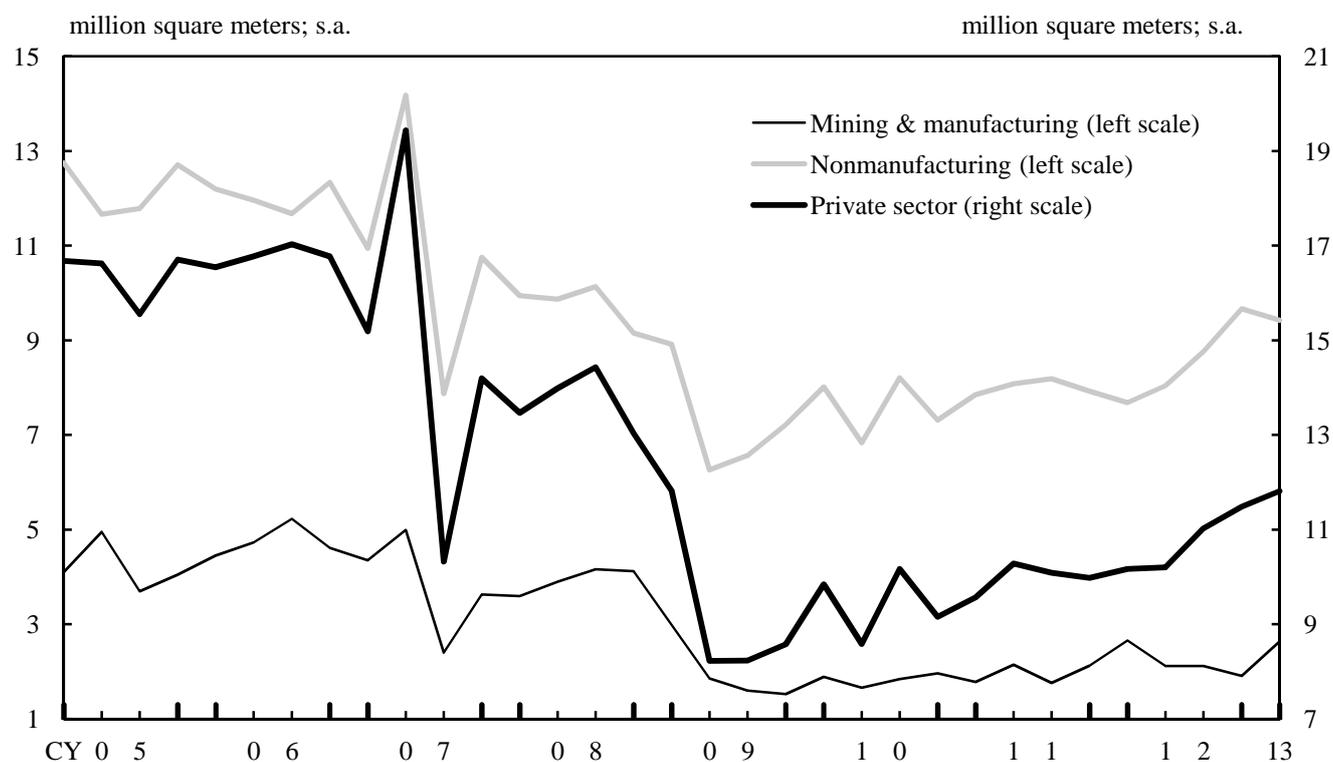


Notes: 1. Figures for 2005/Q1 are estimated by the Cabinet Office.

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

3. Figures for 2013/Q1 are those of January in quarterly amount.

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



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

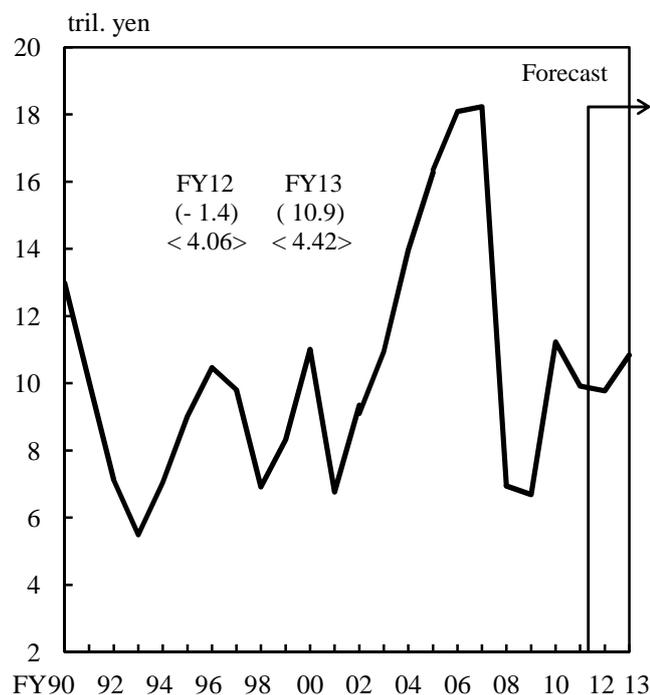
2. Figures for 2013/Q1 are January-February averages in quarterly amount.

Sources: Cabinet Office, "Orders Received for Machinery";

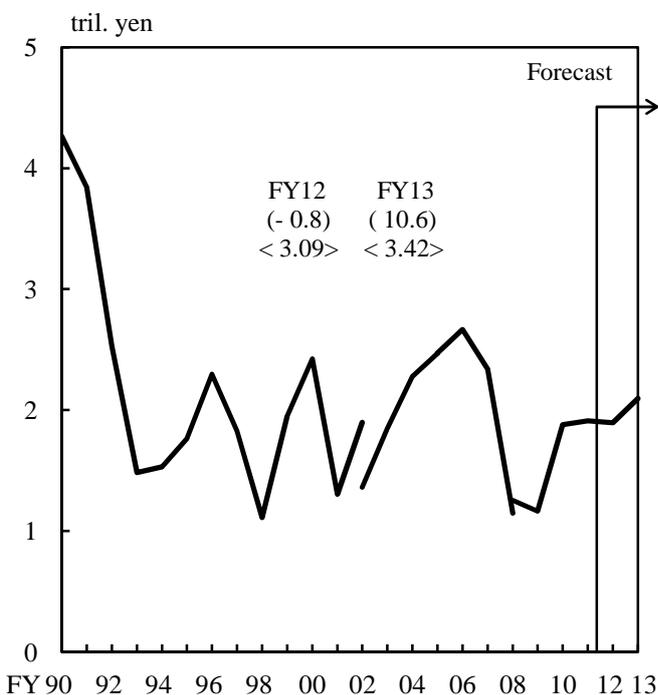
Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts."

## Current Profits

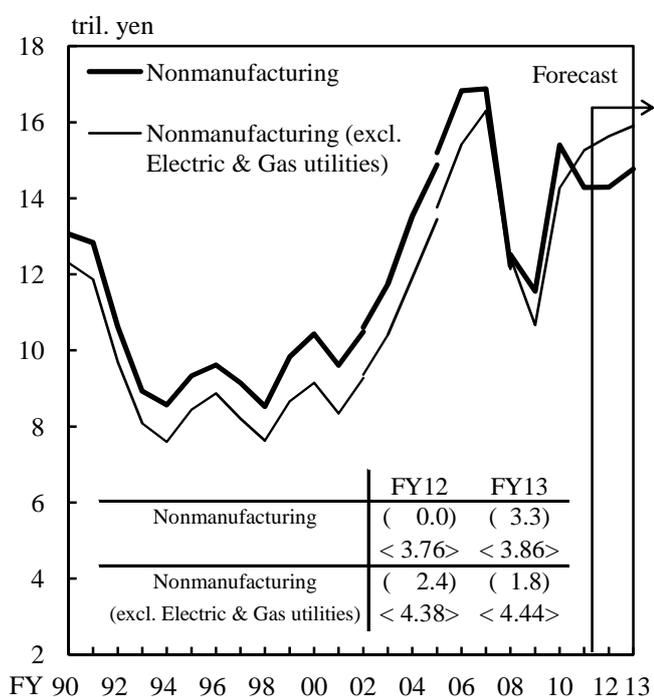
(1) Large Manufacturing Enterprises



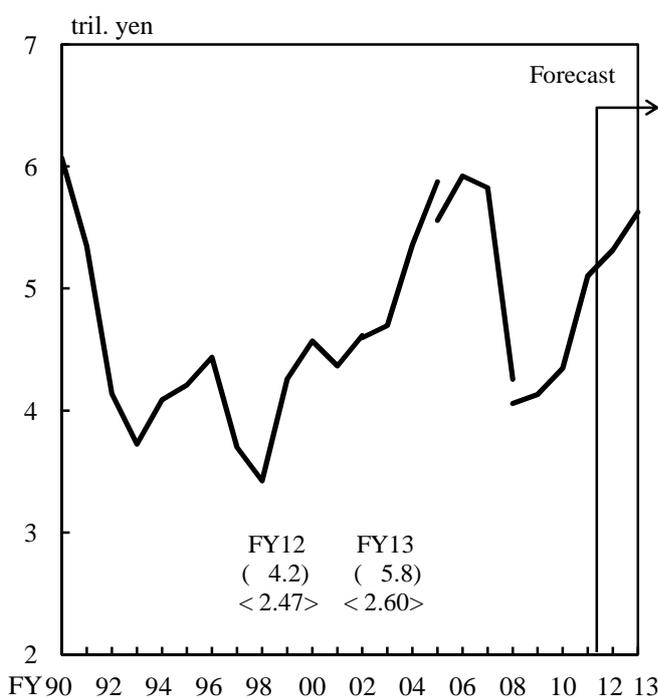
(2) Small Manufacturing Enterprises



(3) Large Nonmanufacturing Enterprises



(4) Small Nonmanufacturing Enterprises



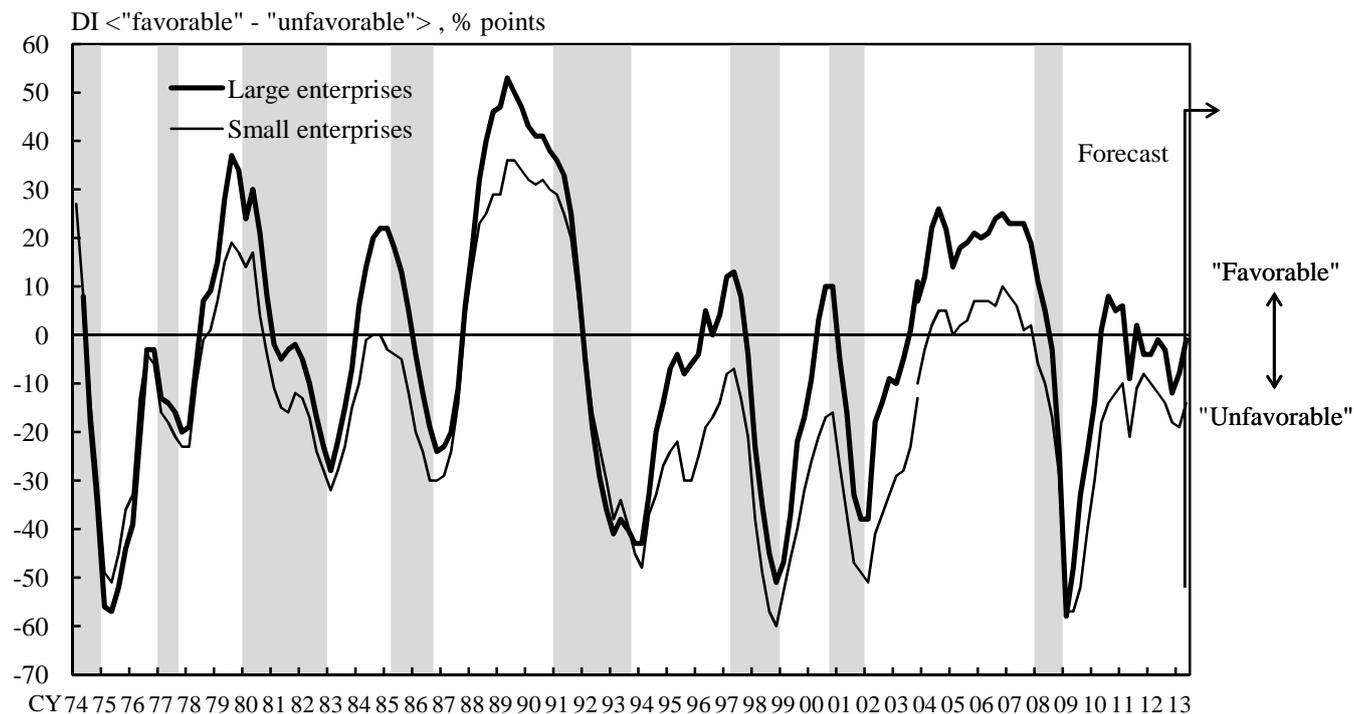
Notes: 1. ( ): Current profits (y/y % chg.); < >: Ratio of current profit to sales (%).

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

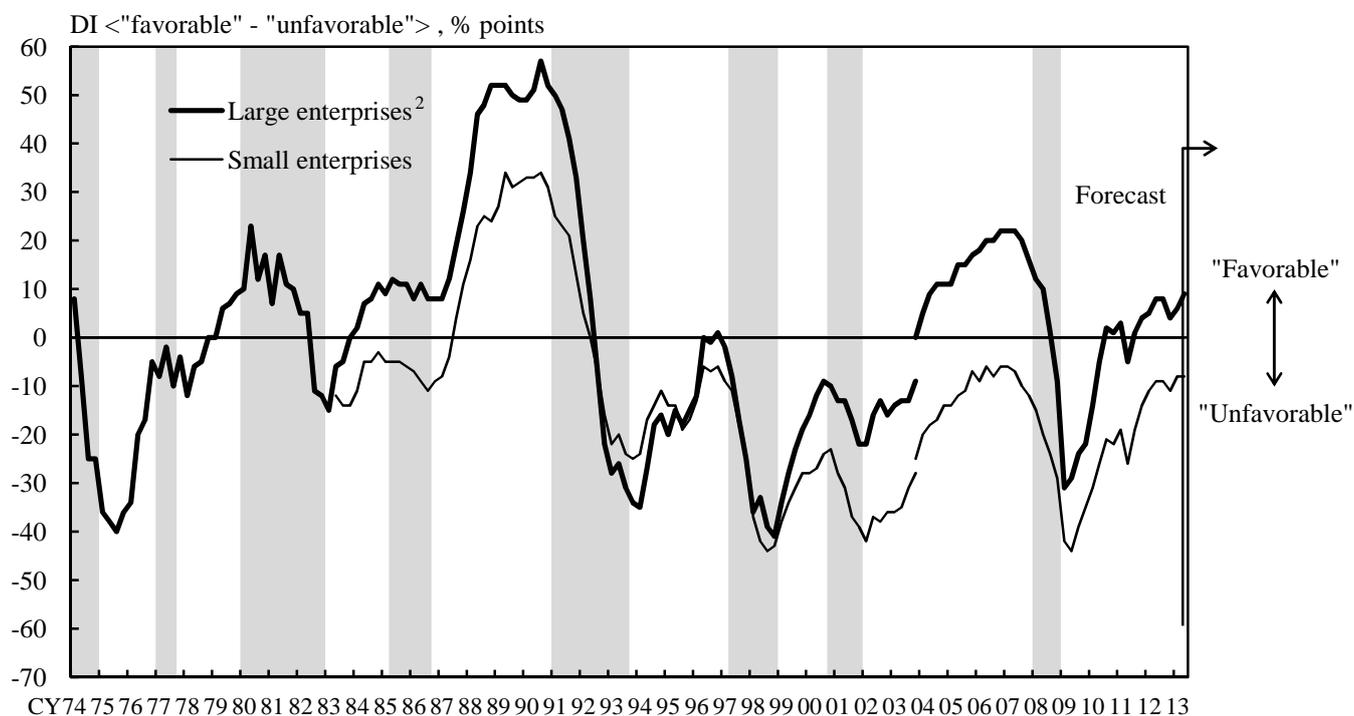
Source: Bank of Japan, "Tankan", Short-term Economic Survey of Enterprises in Japan."

## Business Conditions

## (1) Manufacturing



## (2) Nonmanufacturing



Notes: 1. The "Tankan" has been revised from the March 2004 survey. Figures up to the December 2003 survey are based on the previous data sets. Figures from the December 2003 survey are on a new basis.

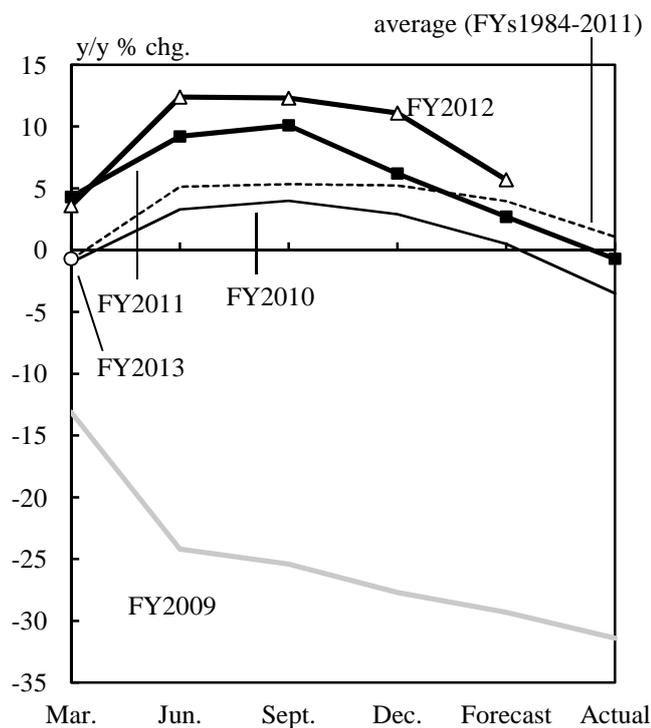
2. Data prior to February 1983 are those of principal enterprises.

3. Shaded areas indicate recession periods.

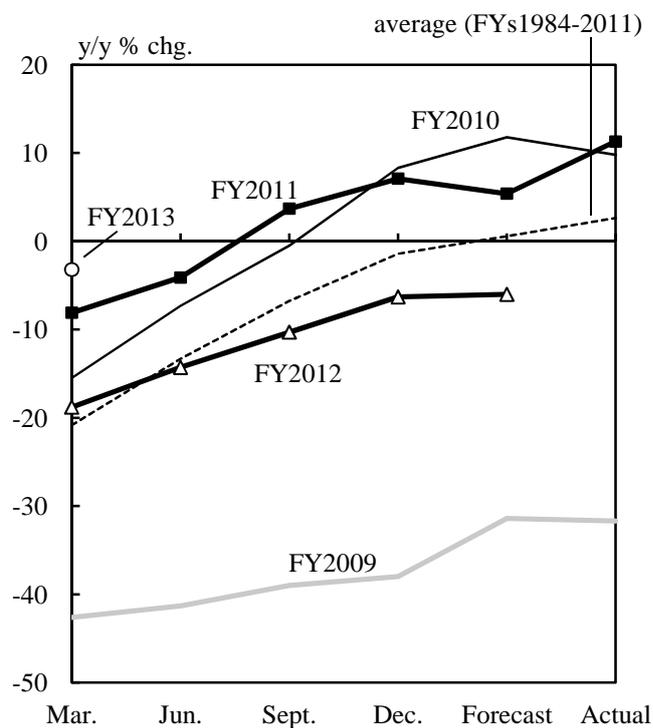
Source: Bank of Japan, "Tankan", Short-term Economic Survey of Enterprises in Japan."

## Business Fixed Investment Plans as Surveyed

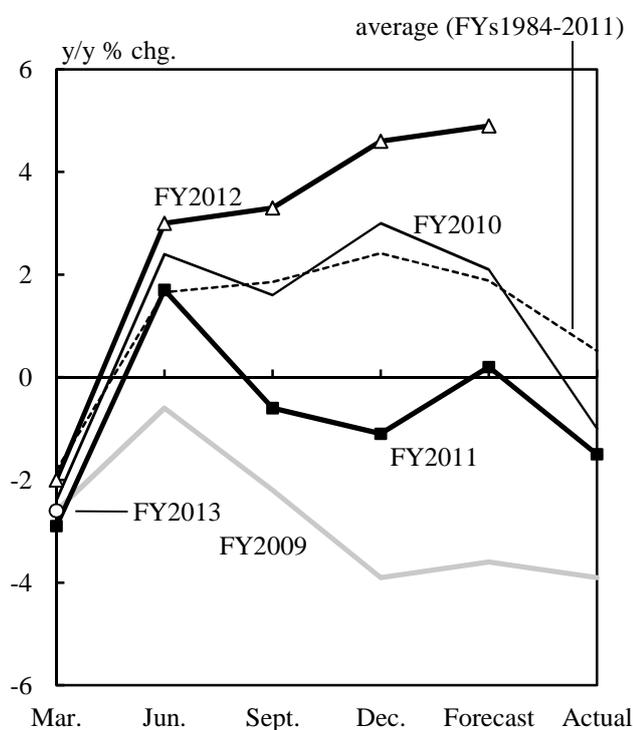
(1) Large Manufacturing Enterprises



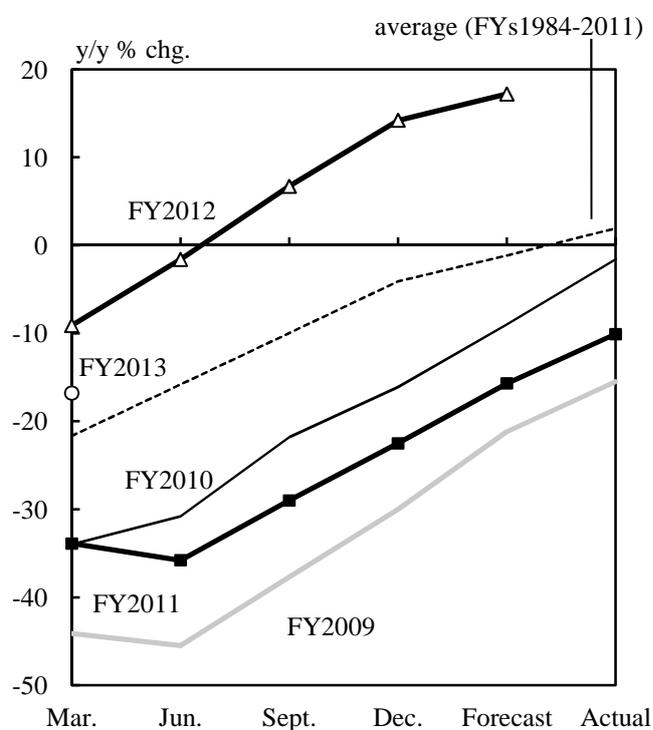
(2) Small Manufacturing Enterprises



(3) Large Nonmanufacturing Enterprises



(4) Small Nonmanufacturing Enterprises



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

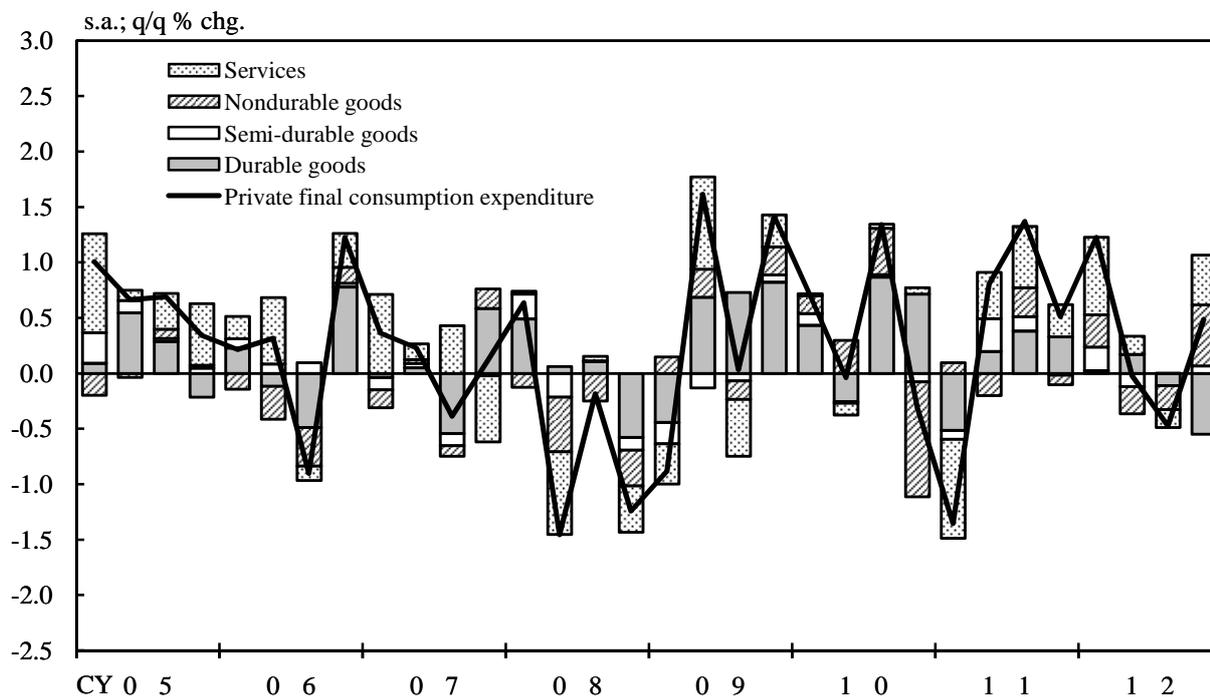
2. Sample enterprises were revised in the March 2010 survey. Therefore, as for FY 2009, figures up to the December survey are based on the previous data sets, and the figures of "forecast" and "actual result" are based on the new basis.

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

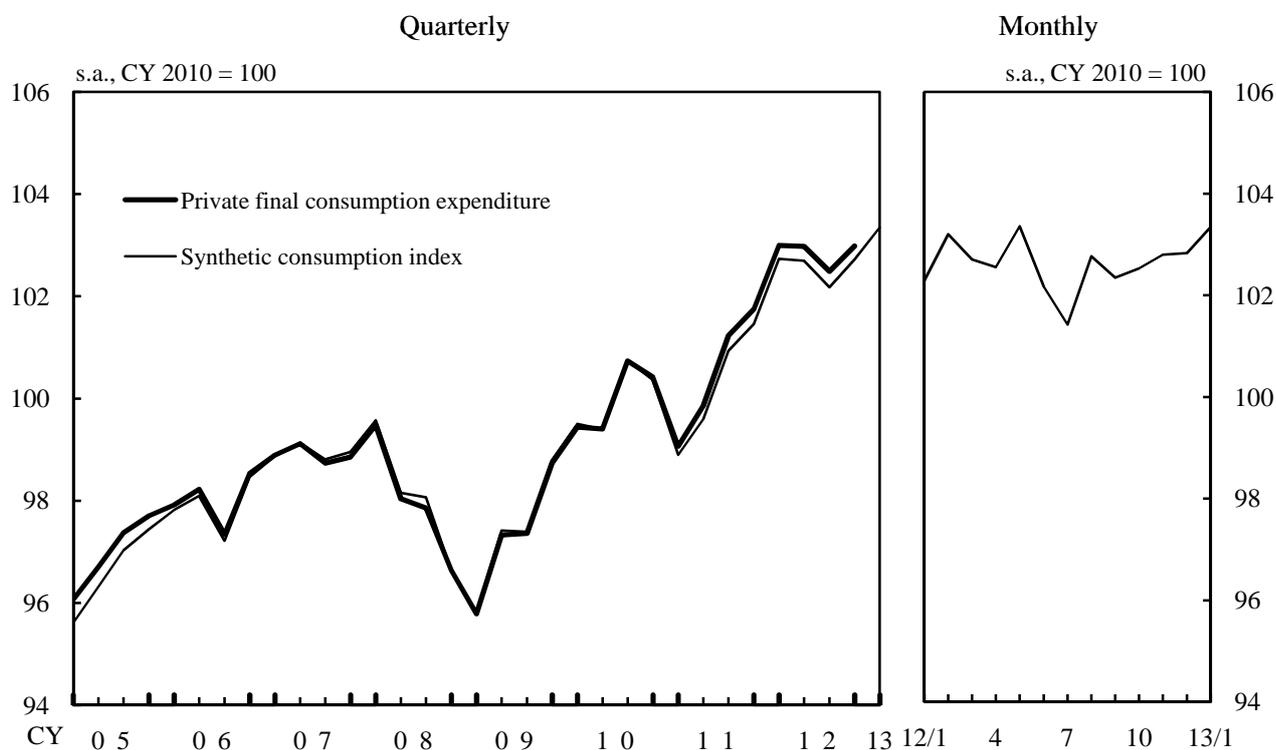
Source: Bank of Japan, "Tankan", Short-term Economic Survey of Enterprises in Japan."

Indicators of Private Consumption (1)

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



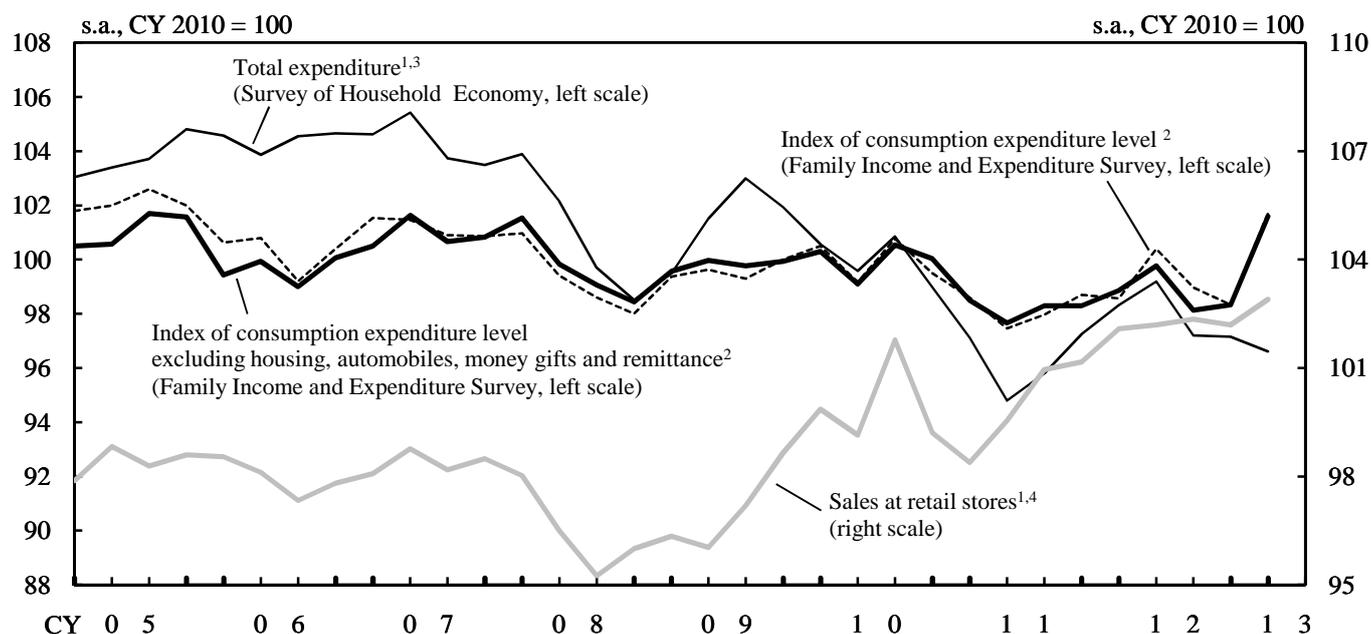
(2) Private Final Consumption Expenditure and Synthetic Consumption Index (Real)



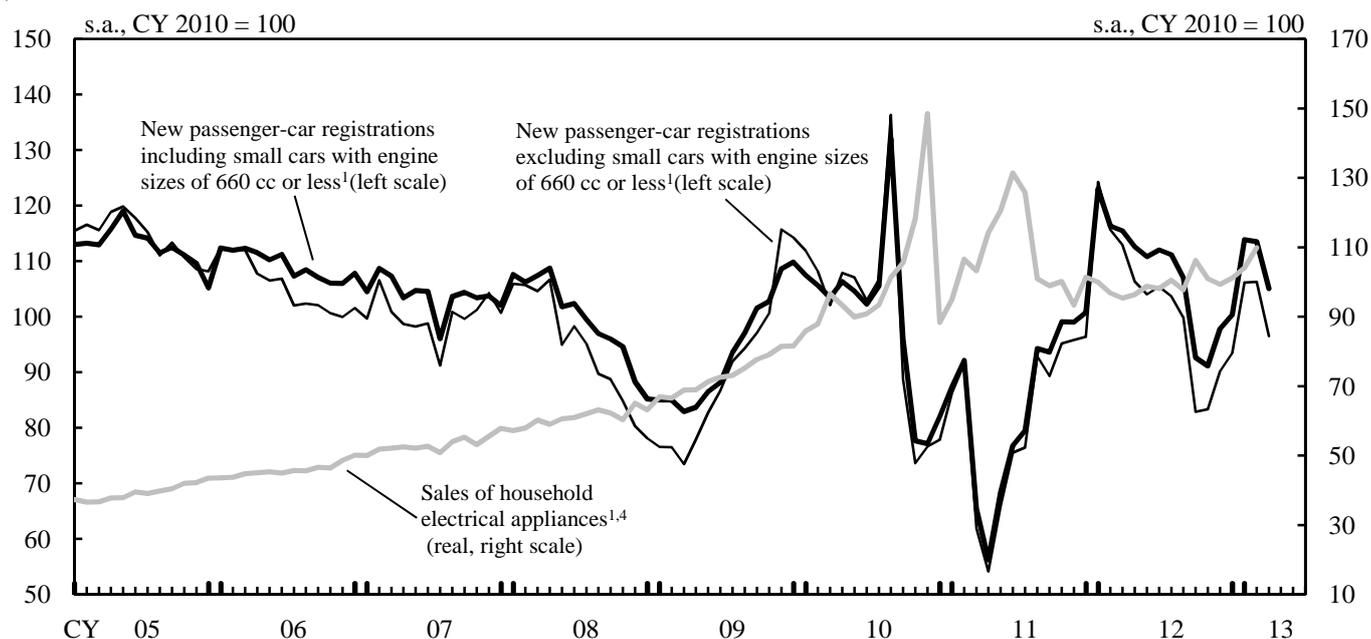
Note: The figure of the synthetic consumption index for 2013/Q1 is that of January in quarterly amount.

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

## Indicators of Private Consumption (2)

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

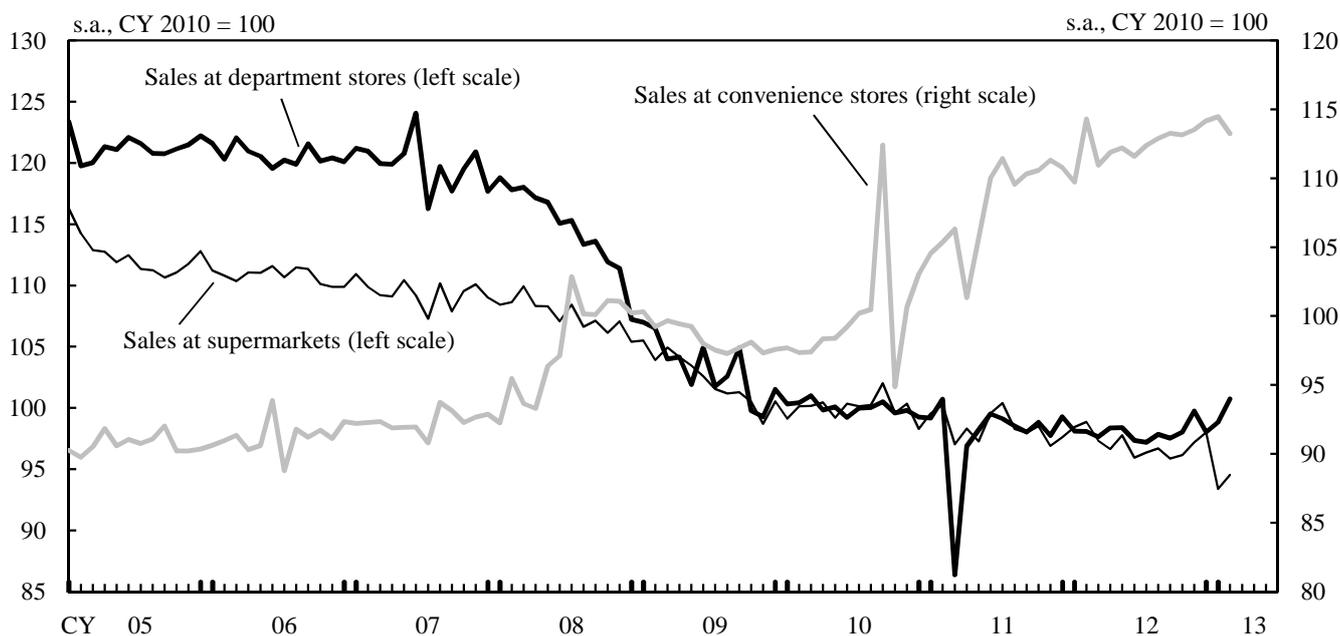
## (2) Sales of Durable Goods



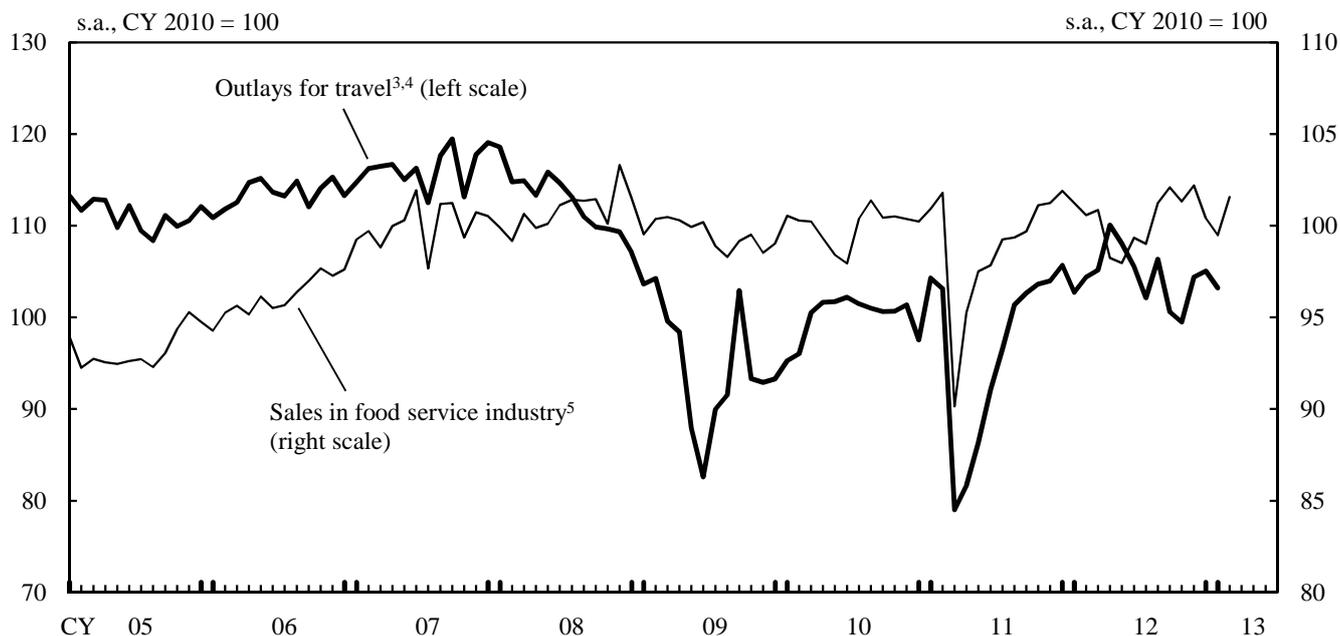
- Notes: 1. Total expenditure, sales at retail stores, sales of household electrical appliances and new passenger-car registrations are seasonally adjusted by X-12-ARIMA.
2. "Index of consumption expenditure level" is based on two-or-more-person households, and is adjusted using the distribution of household by number of household members and age group of household head.
3. "Total expenditure" is based on two-or-more-person households, and is deflated by the "consumer price index (CPI)" excluding imputed rent.
4. "Sales at retail stores" is deflated by the CPI for goods (excluding electricity, gas & water charges).  
"Sales of household electrical appliances" is calculated as follows: indices of retail sales of machinery and equipment in the "Current Survey of Commerce" are deflated by the geometric means of the corresponding CPI.
5. The Figure of Total expenditure for 2013/Q1 is that of January; Figures of Index of Consumption Expenditure Level and Sales at retail stores for 2013/Q1 are those of January-February averages in terms of quarterly amount.

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

"Monthly Report on the Family Income and Expenditure Survey," "Survey of Household Economy";  
Ministry of Economy, Trade and Industry, "Current Survey of Commerce";  
Japan Automobile Dealers Association, "Domestic Sales of Automobiles";  
Japan Mini Vehicles Association, "Sales of Mini Vehicles."

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

## (2) Consumption of Services (Nominal)



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

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

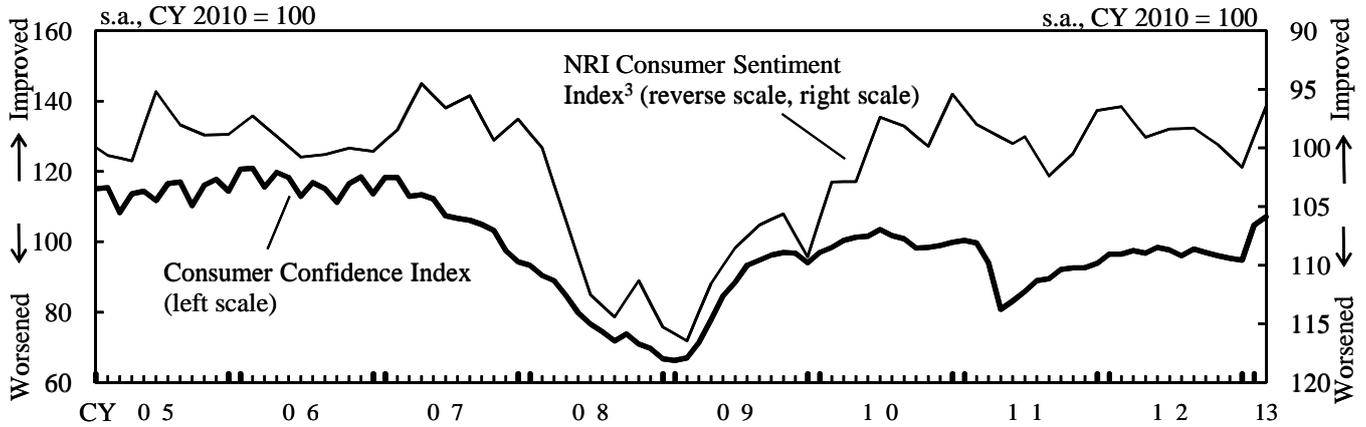
Japan Tourism Agency, "Major Travel Agents' Revenue";

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*

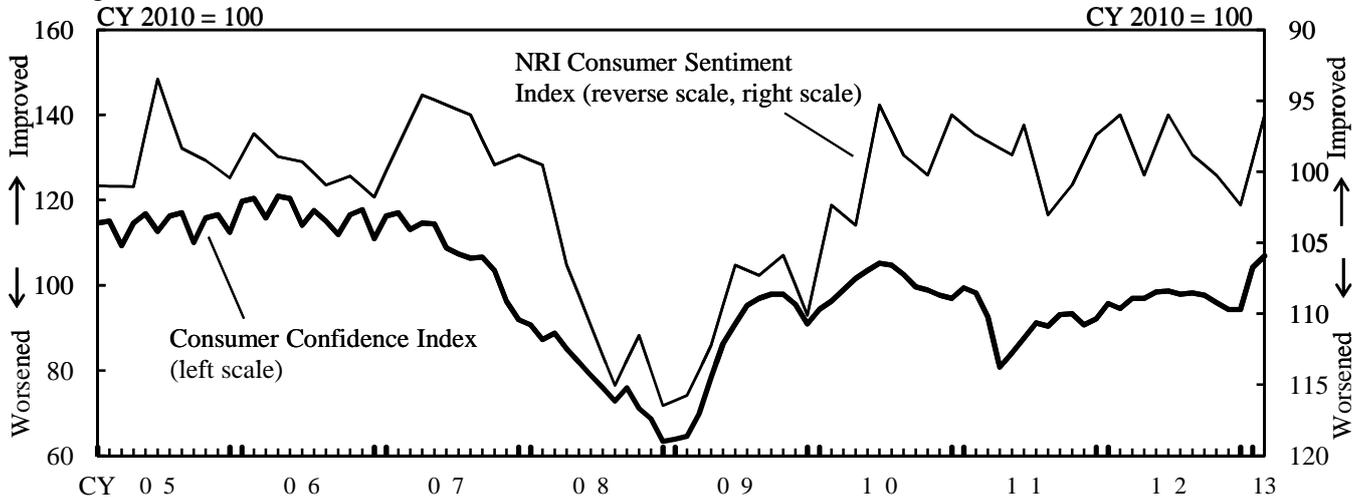
(Research on the food service industry)."

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

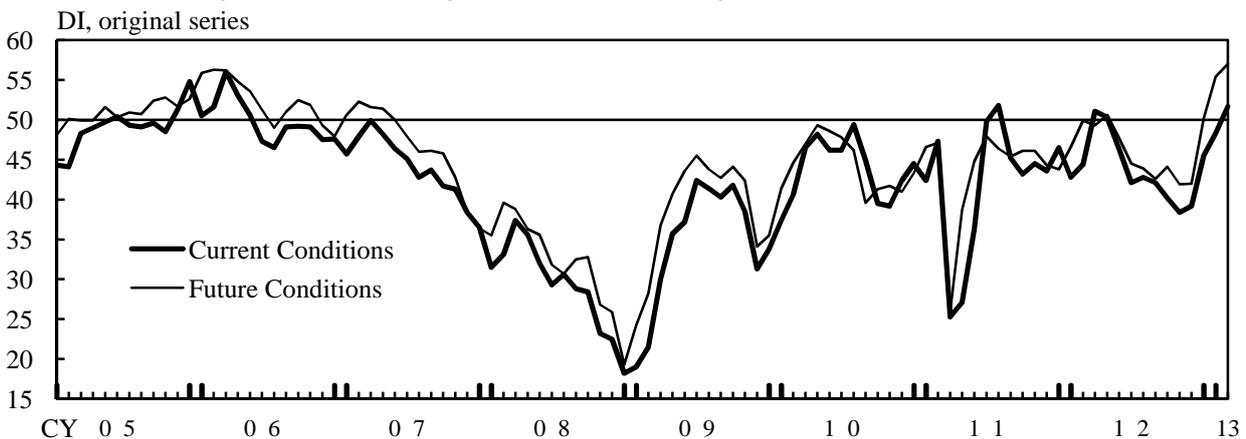
(1) Seasonally Adjusted Series



(2) Original Series



Reference: Economy Watchers Survey (Household Activity)

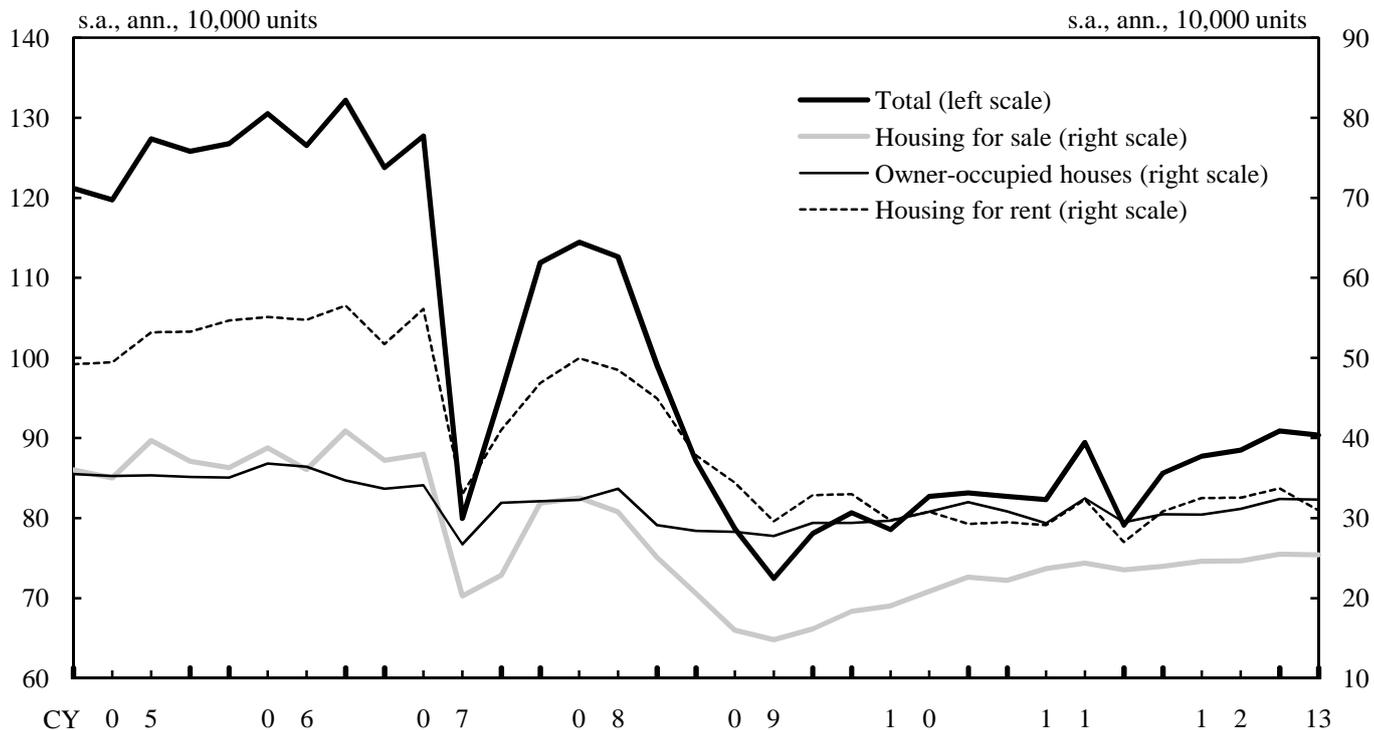


- Notes: 1. The Consumer Confidence Index (covering about 4,700 samples on a nationwide basis) and NRI Consumer Sentiment Index (1,200 samples on a nationwide basis) are based on surveys on consumer confidence.  
 2. Figures are plotted for each surveyed month and the data for the intervening months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

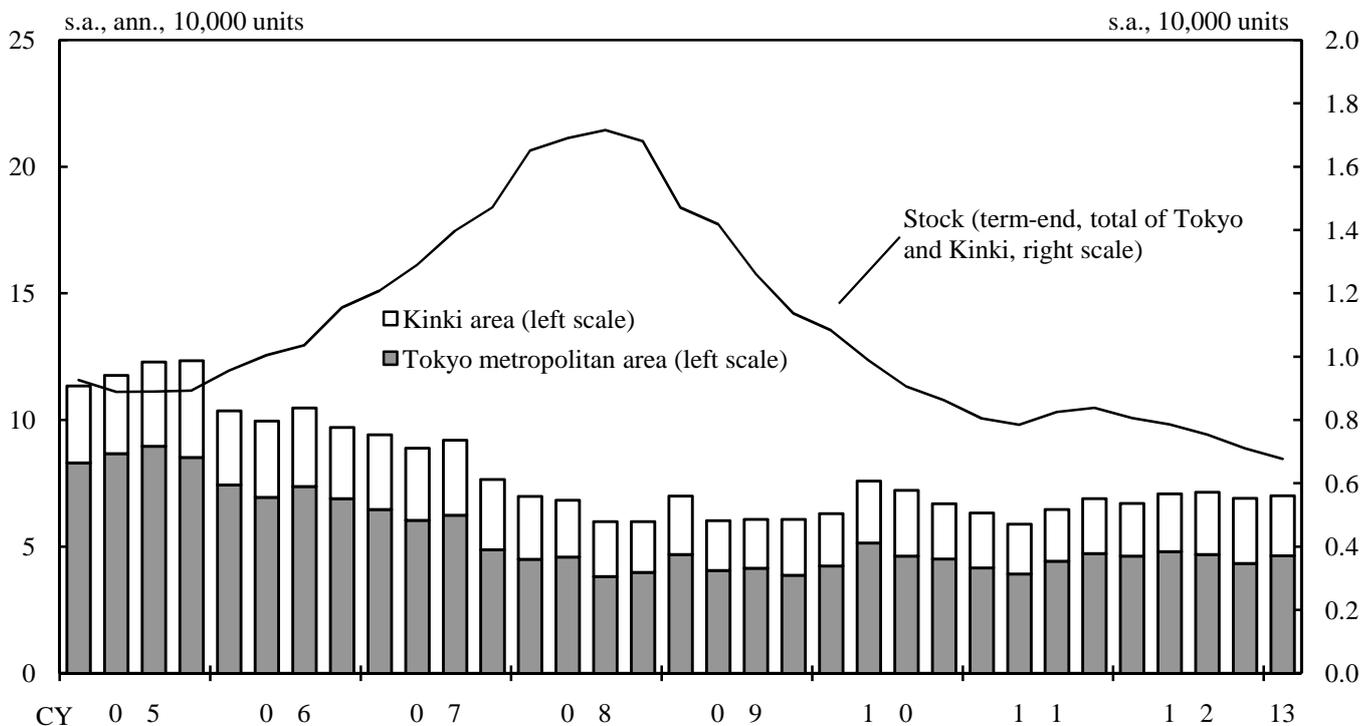
Indicators of Housing Investment

(1) Housing Starts



Note: Figures for 2013/Q1 are January-February averages.

(2) Sales of Apartments



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

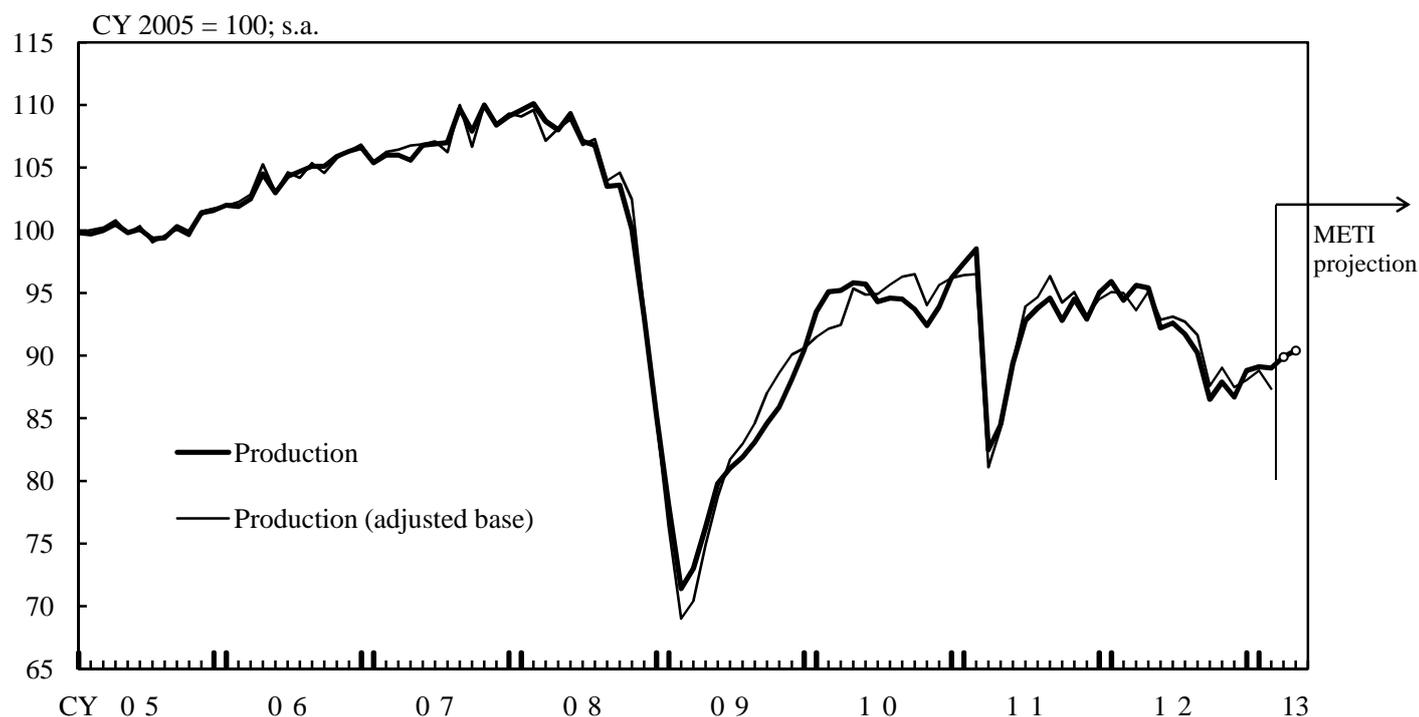
2. The figure of total apartment sales for 2013/Q1 is the January-February average.

The term-end stock for 2013/Q1 is that of February.

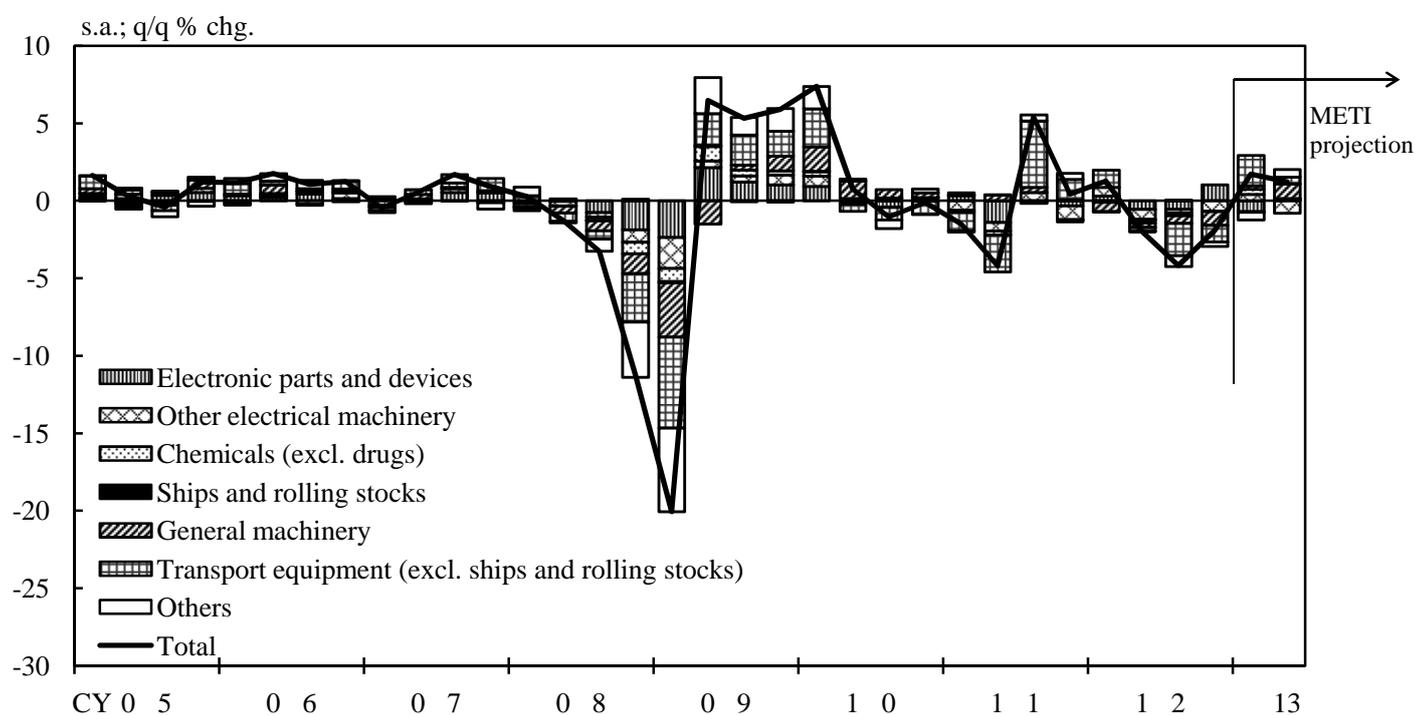
Sources: Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts," etc.

## 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).

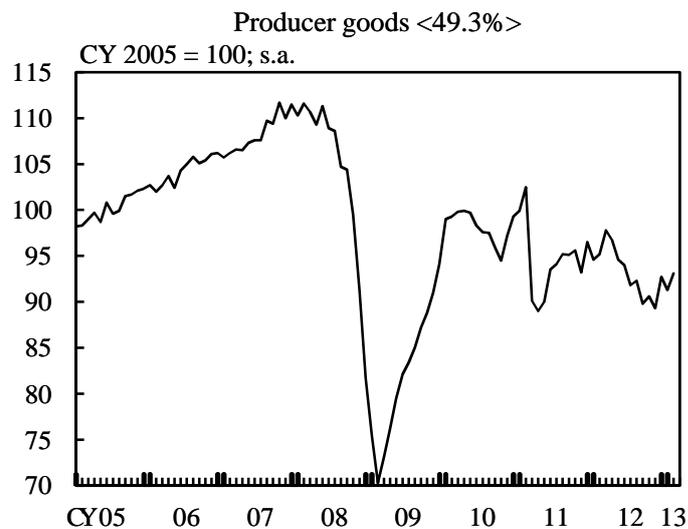
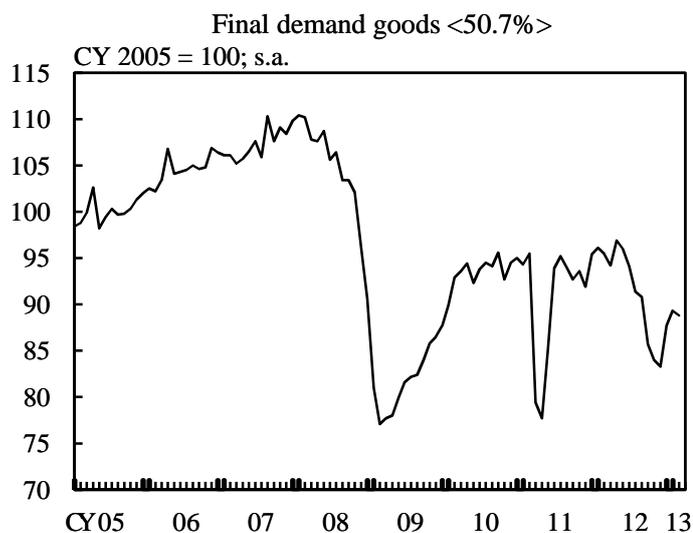
2. "Other electrical machinery" is the weighted sum of "electrical machinery" and "information and communication electronics equipment."

3. 2013/Q1 figures are based on the actual production levels in January and February, and the METI projection of March. 2013/Q2 figures are based on the assumption that the production levels in May and June are the same as those of April.

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

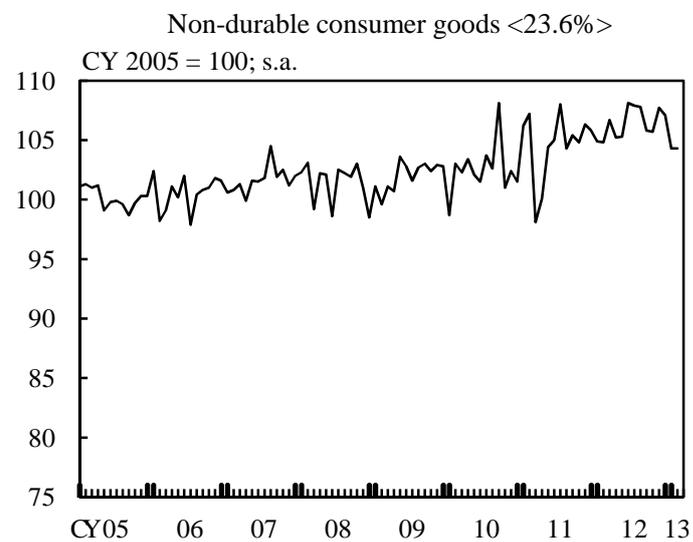
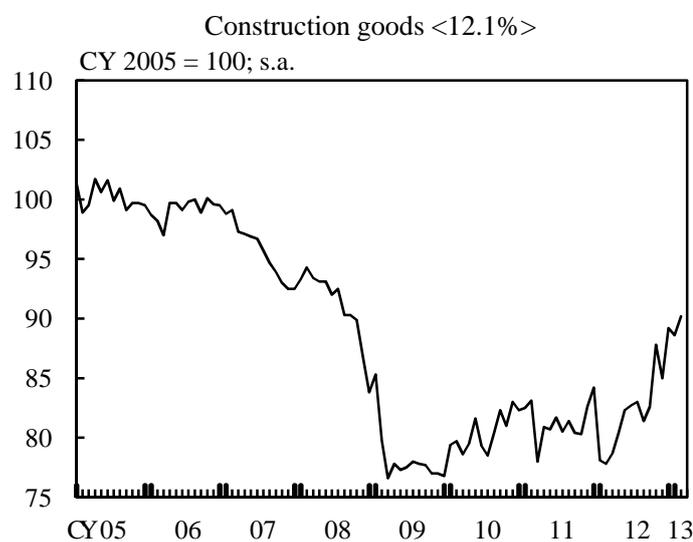
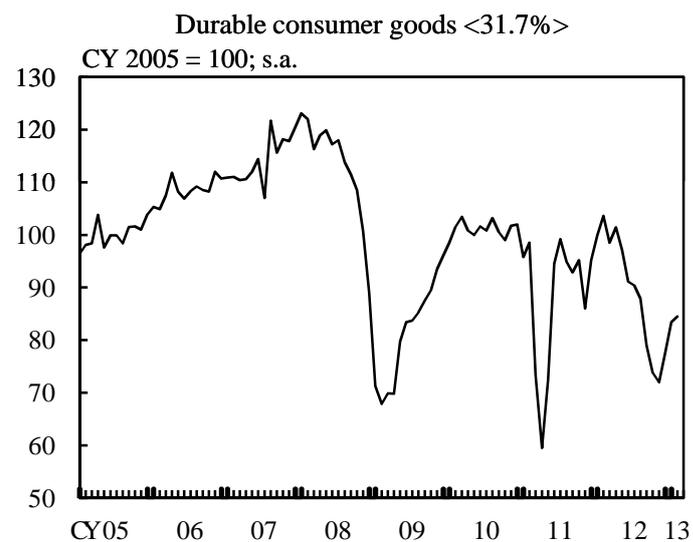
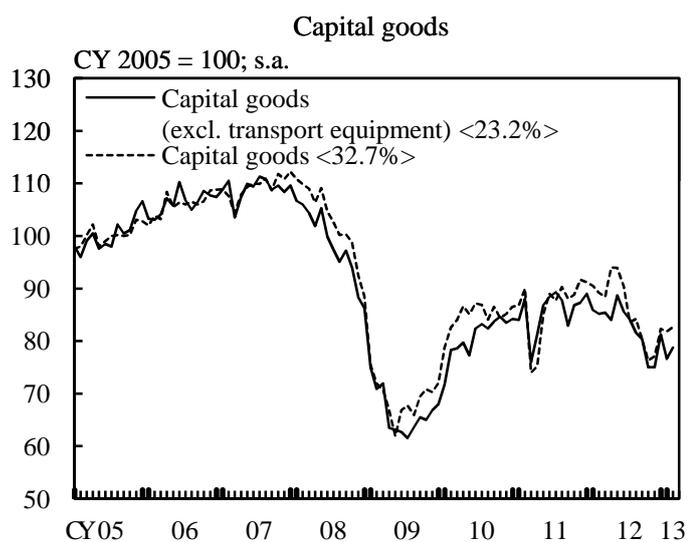
## Shipments by Type of Goods

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



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

### (2) Breakdown of Final Demand Goods

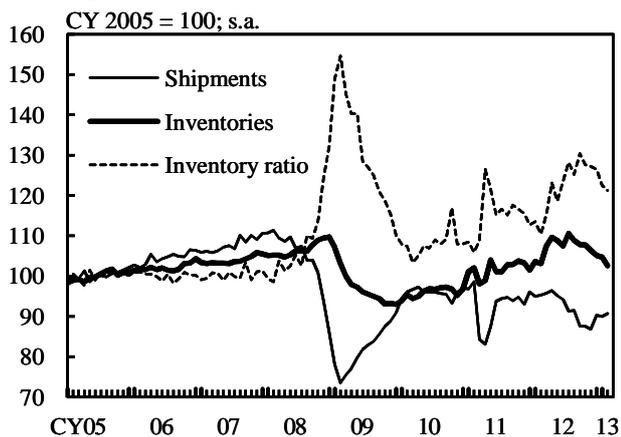


Note: Figures in angle brackets show the shares among shipments of final demand goods.

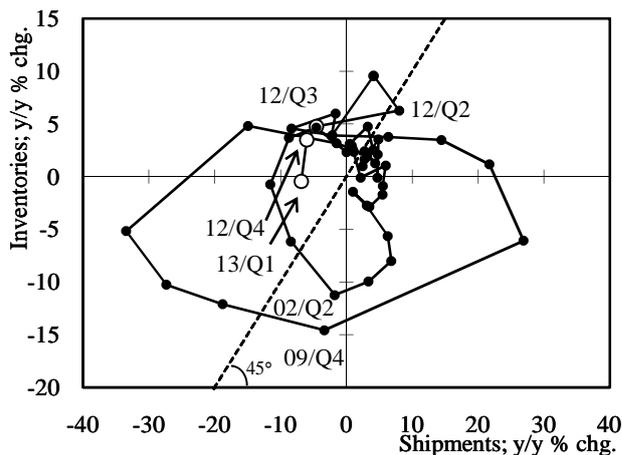
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

# Shipments and Inventories

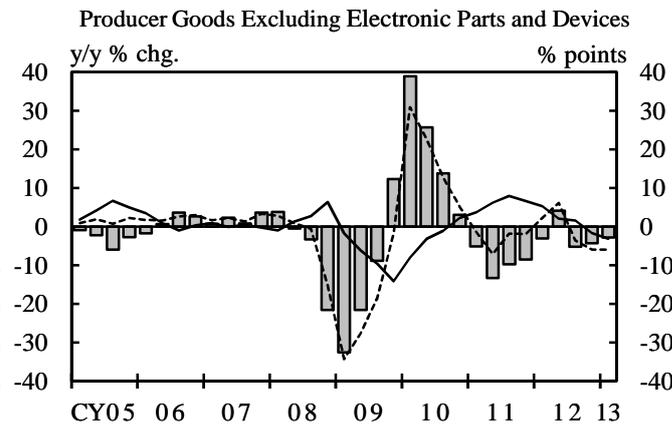
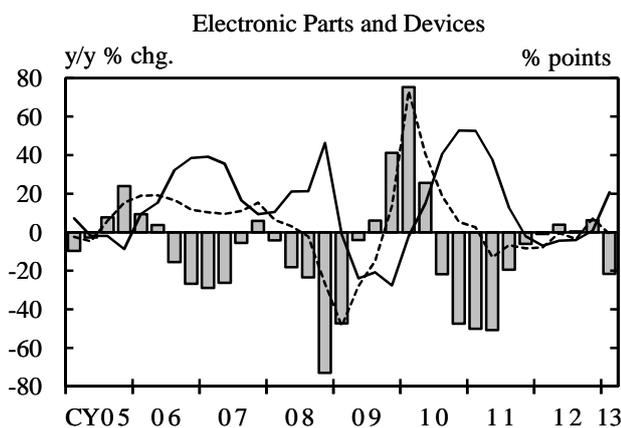
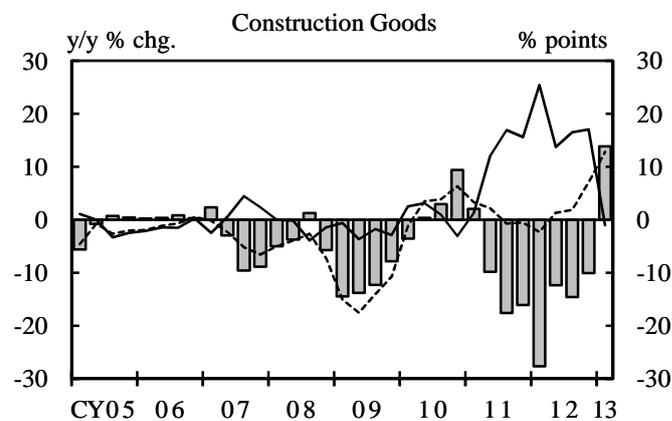
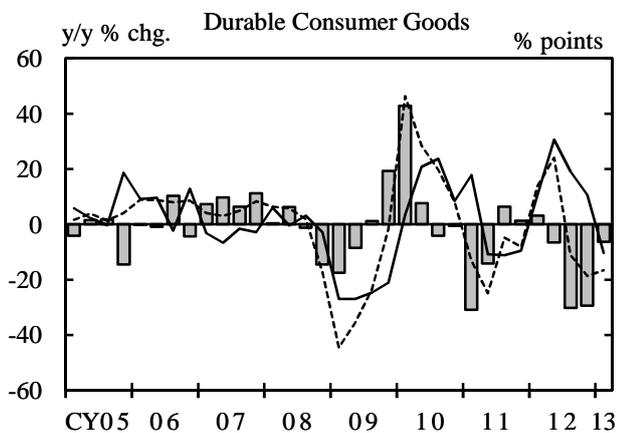
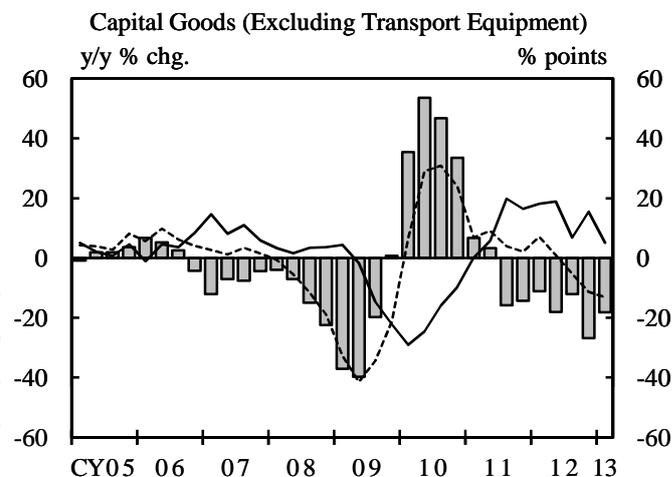
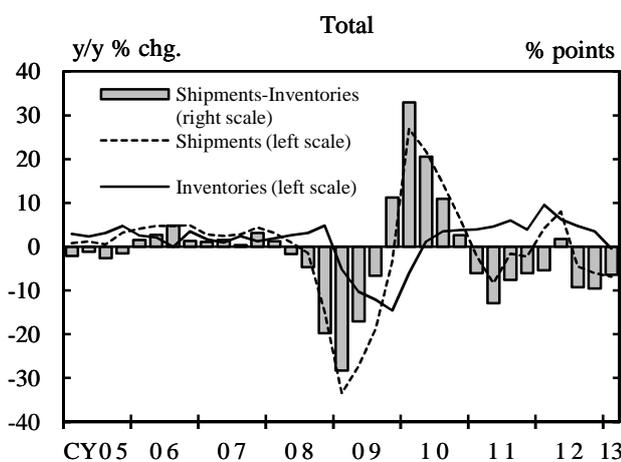
(1) Shipments and Inventories (Total)



(2) Inventory Cycle (Total)



(3) Shipment-Inventory Balance



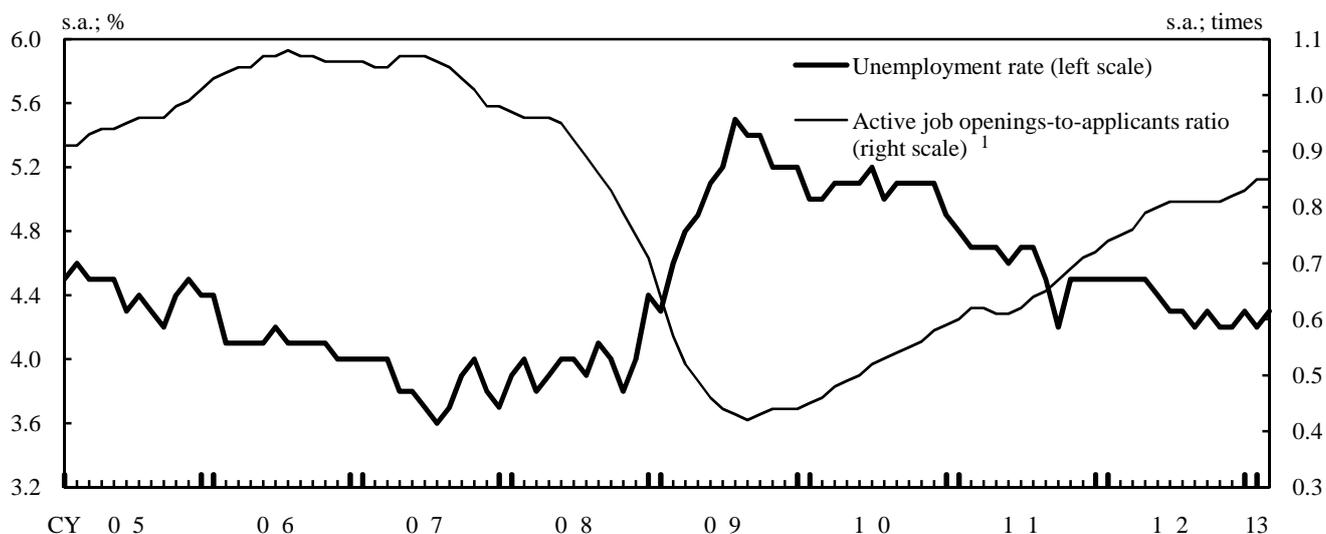
Note: Figures of shipments for 2013/Q1 are January-February averages.

Inventories for 2013/Q1 are those of February.

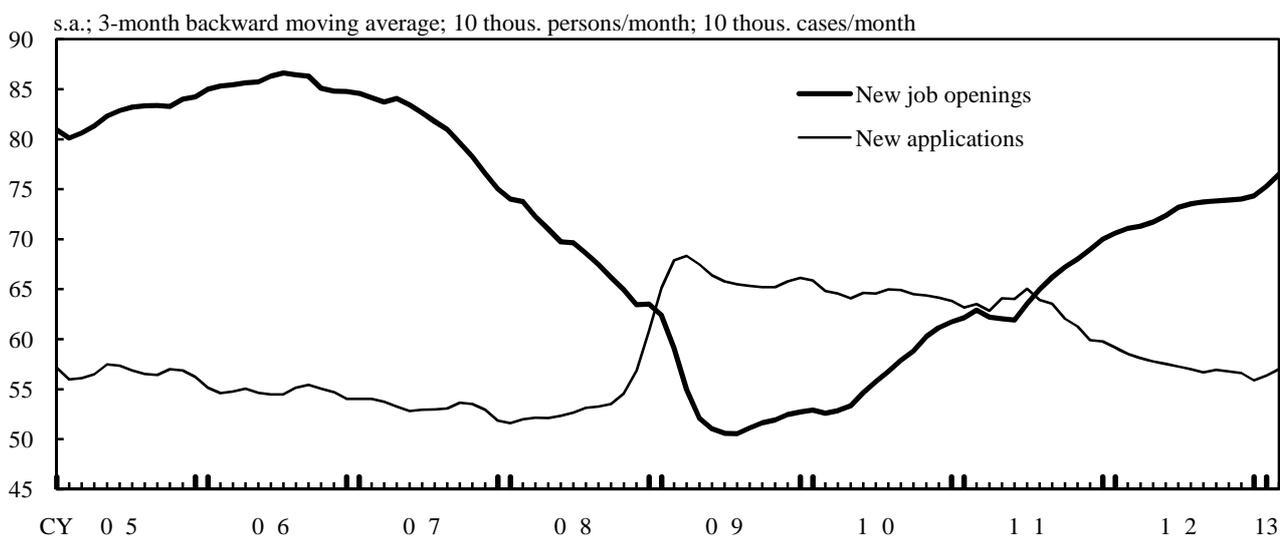
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Labor Market

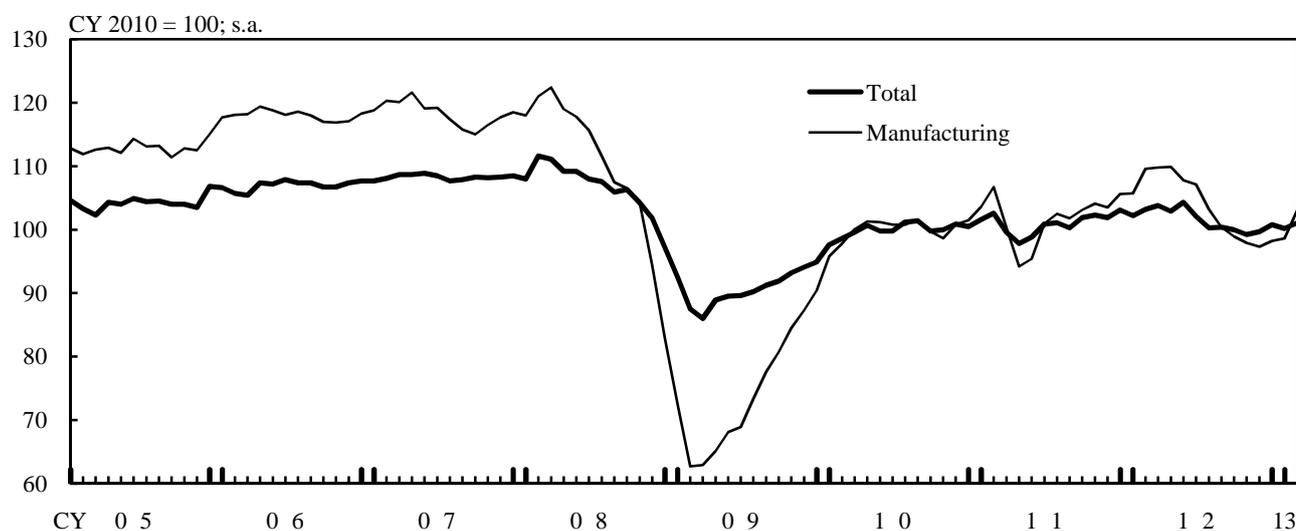
(1) Unemployment Rate and Active Job Openings-to-Applicants Ratio



(2) New Job Openings and New Applications<sup>1</sup>



(3) Non-Scheduled Hours Worked<sup>2</sup>



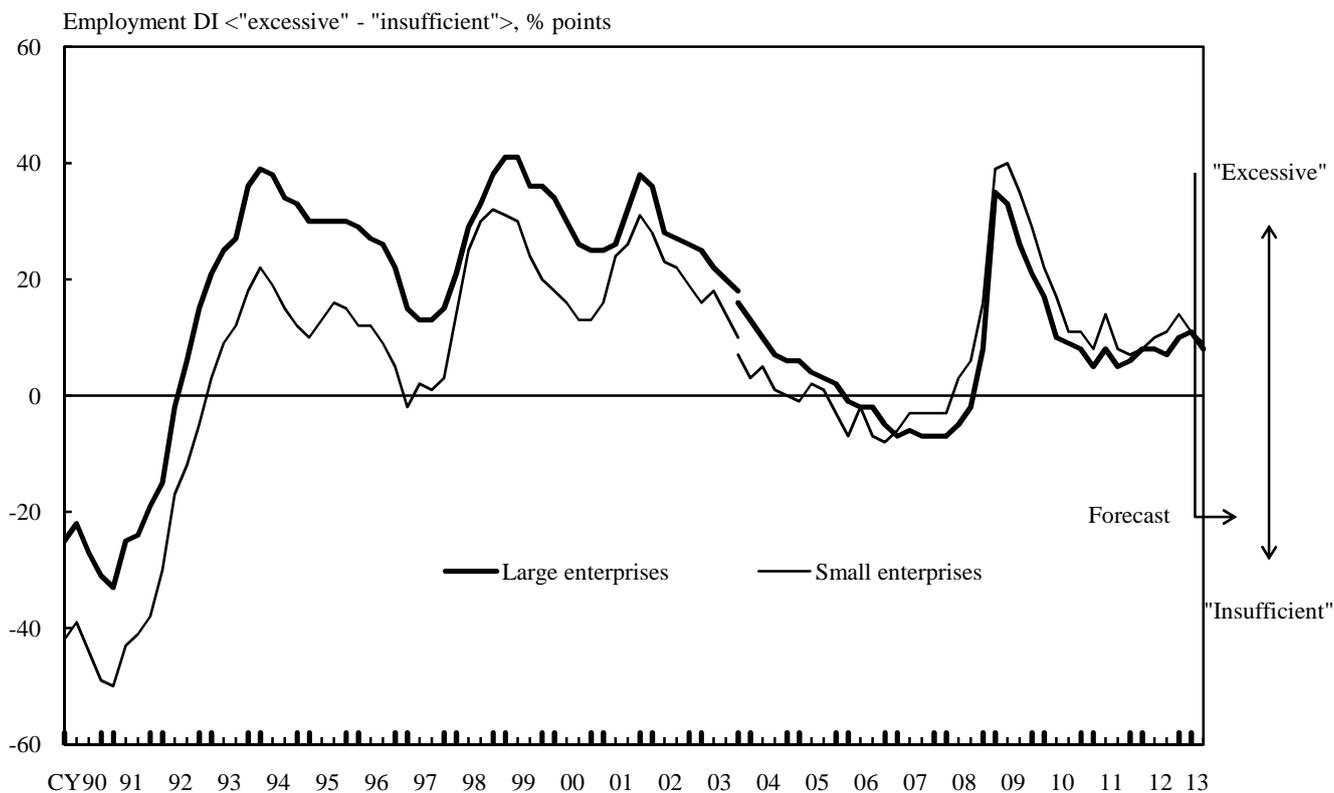
Notes: 1. Excluding new school graduates and including part-timers.

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

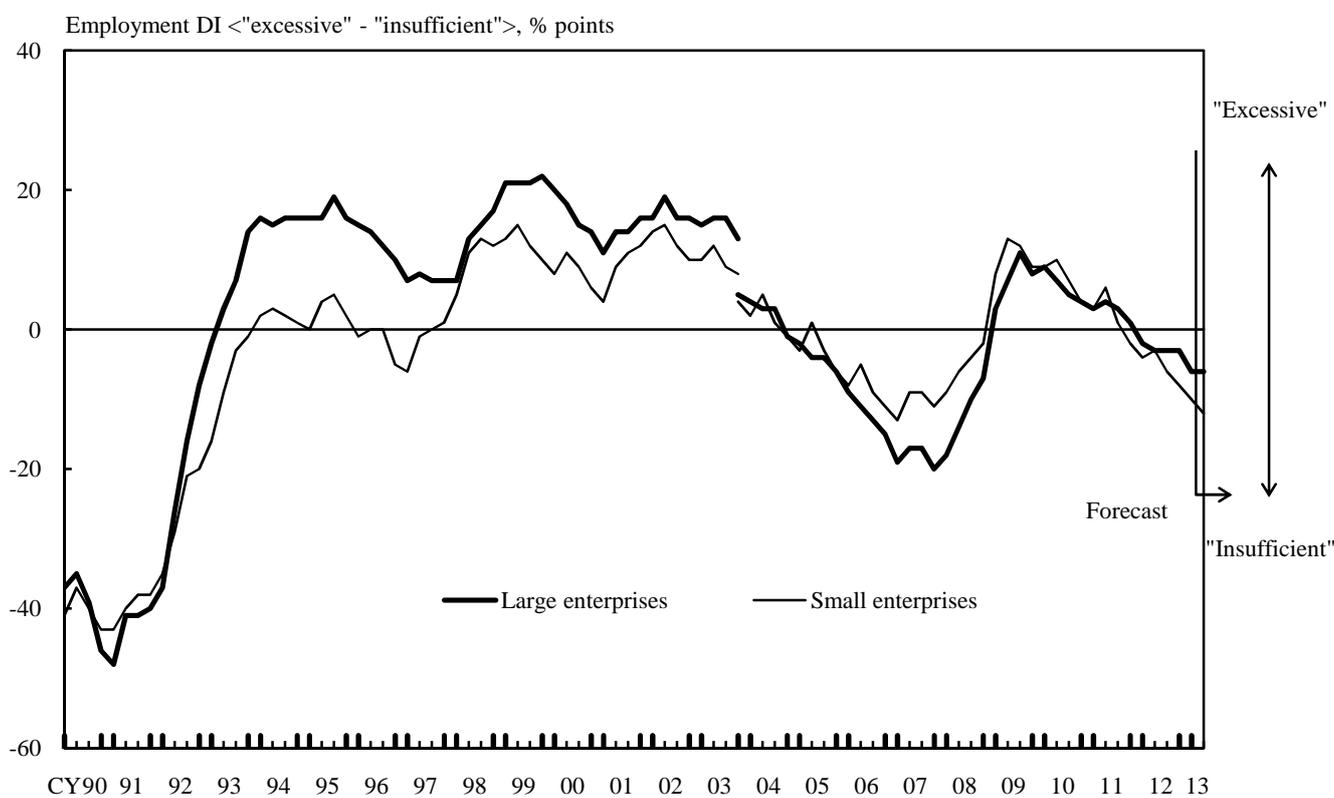
Sources: Ministry of Internal Affairs and Communications, "Labour Force Survey";  
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey."

Employment Conditions

(1) Manufacturing



(2) Nonmanufacturing

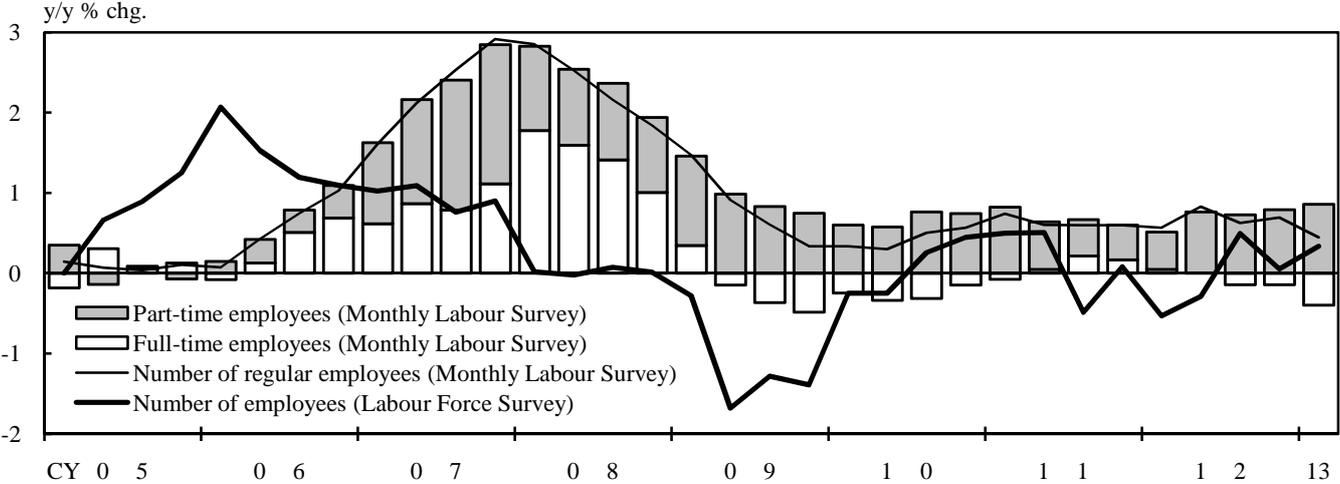


Note: The "Tankan" has been revised from the March 2004 survey. Figures up to the December 2003 survey are based on the previous data sets. Figures from the December 2003 survey are on the new basis.

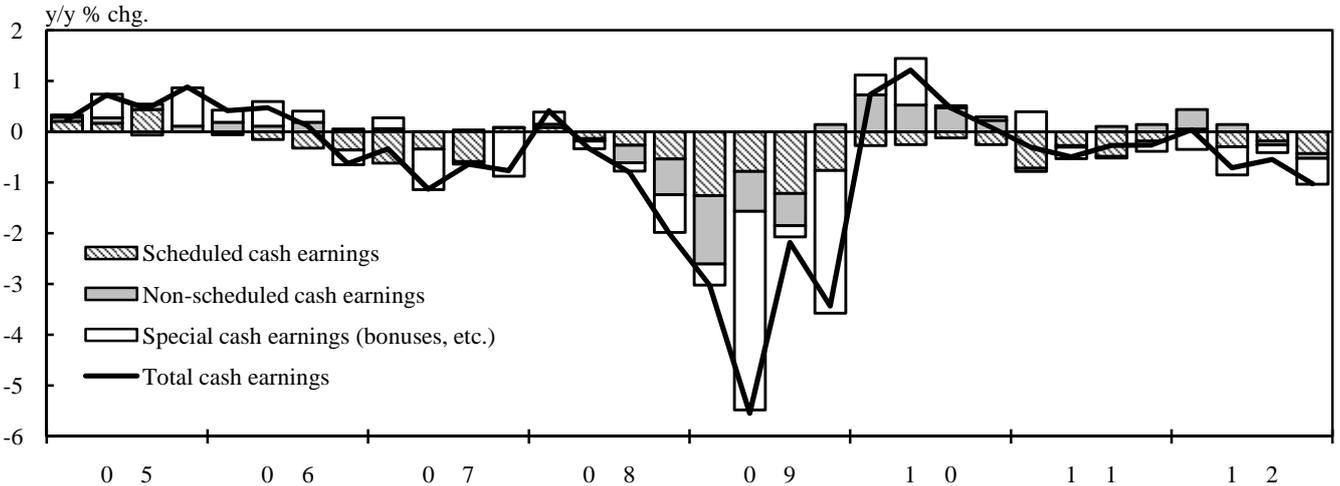
Source: Bank of Japan, "Tankan", Short-term Economic Survey of Enterprises in Japan."

Employee Income

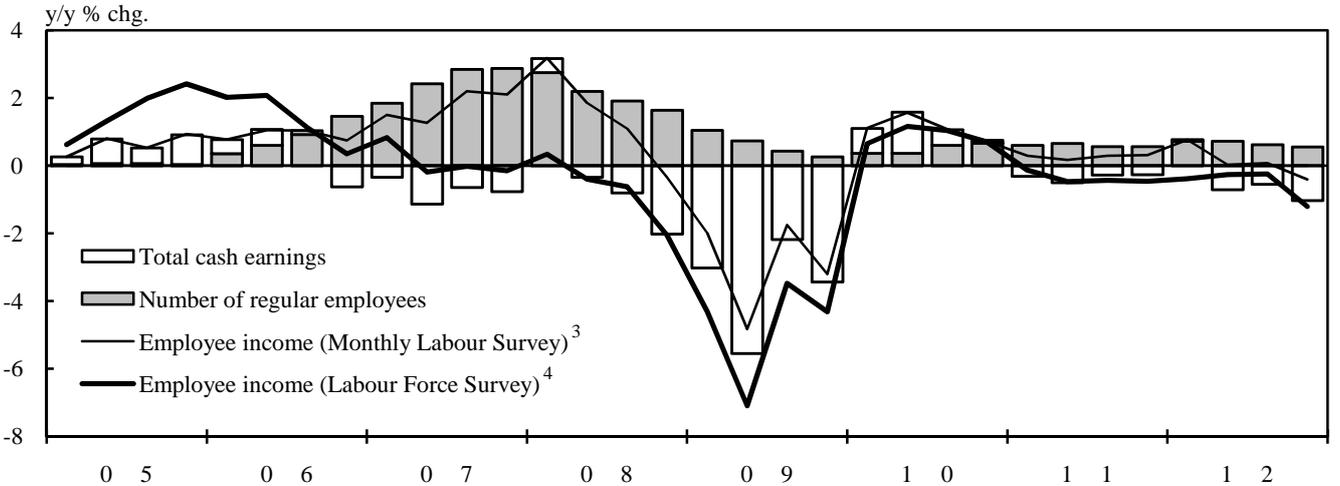
(1) Number of Employees<sup>1,5</sup>



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



(3) Breakdown of Employee Income<sup>1,2</sup>

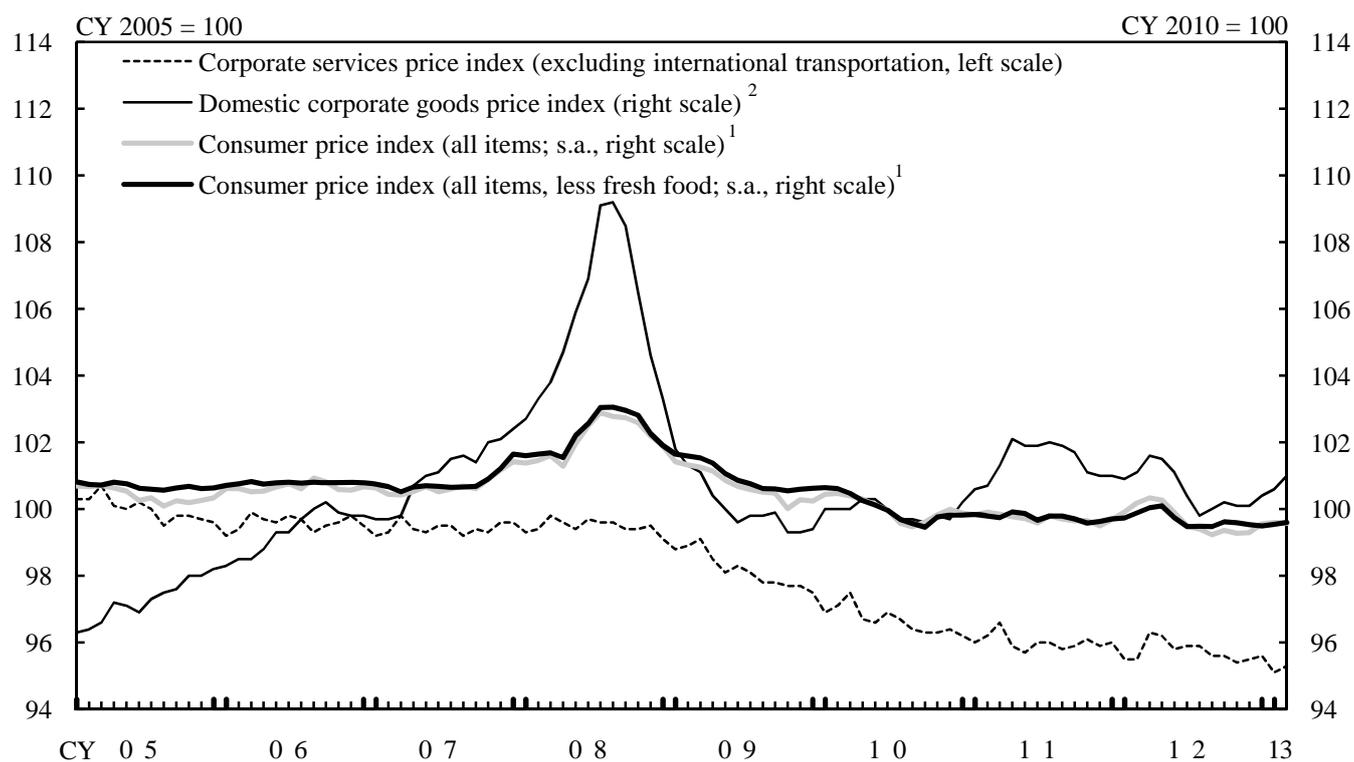


Notes: 1. Data of the "Monthly Labour Survey" are for establishments with at least five employees.  
 2. Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.  
 3. Calculated as the "number of regular employees" (Monthly Labour Survey) times "total cash earnings" (Monthly Labour Survey).  
 4. Calculated as the "number of employees" (Labour Force Survey) times "total cash earnings" (Monthly Labour Survey).  
 5. Figures for 2013/Q1 are January-February averages.

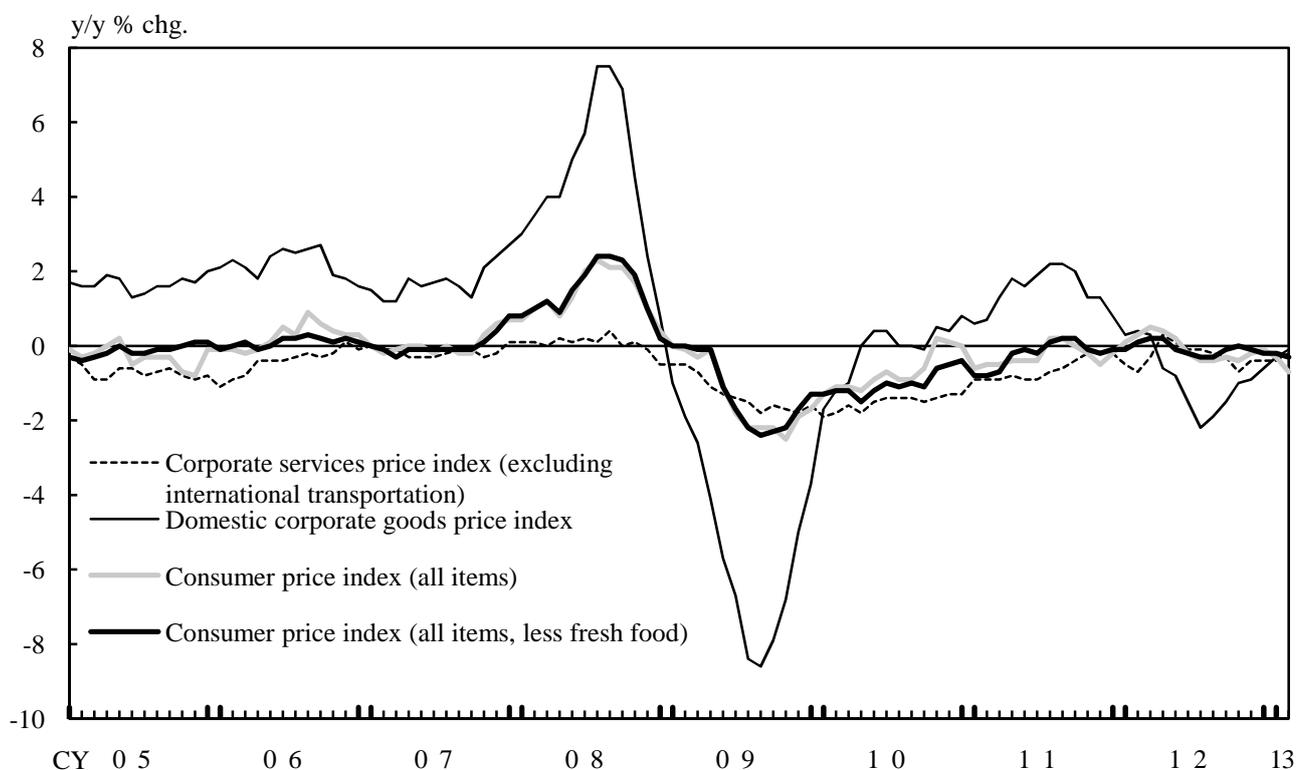
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";  
 Ministry of Internal Affairs and Communications, "Labour Force Survey."

## Prices

## (1) Level



## (2) Changes from a Year Earlier



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

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

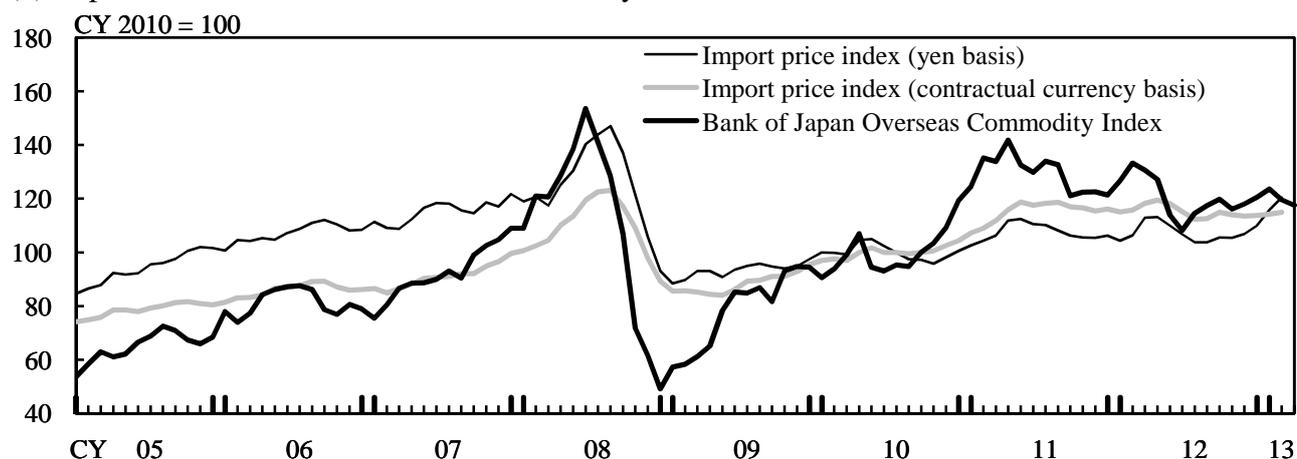
3. The levels of "Consumer Price Index" up to 2009 are based on the linked indices.

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

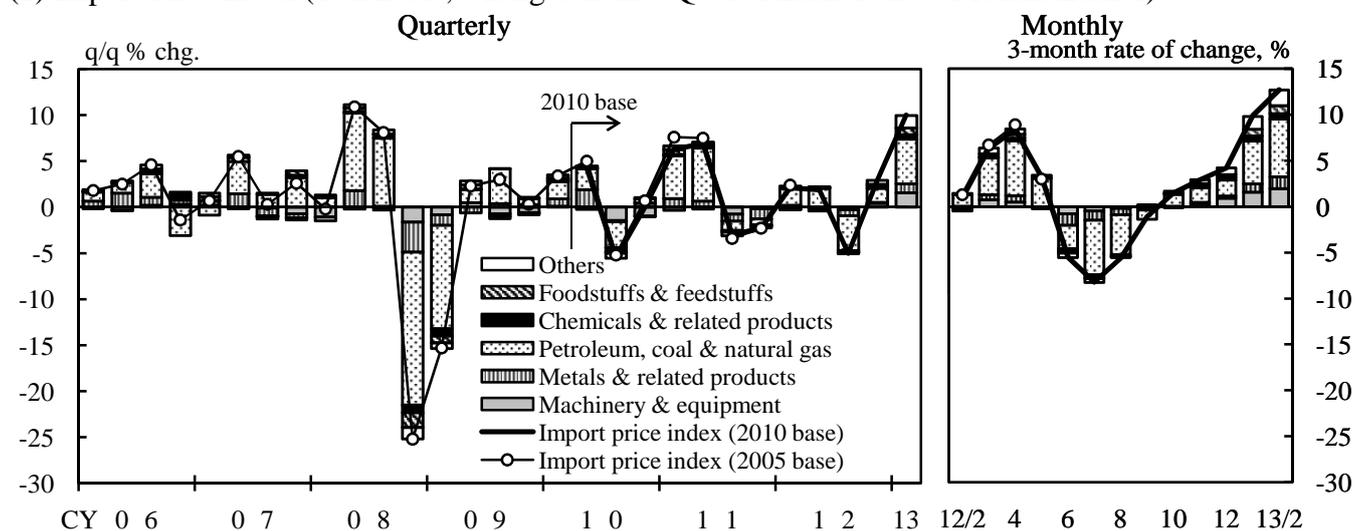
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index."

## Import Prices and International Commodity Prices

### (1) Import Price Index and Overseas Commodity Index

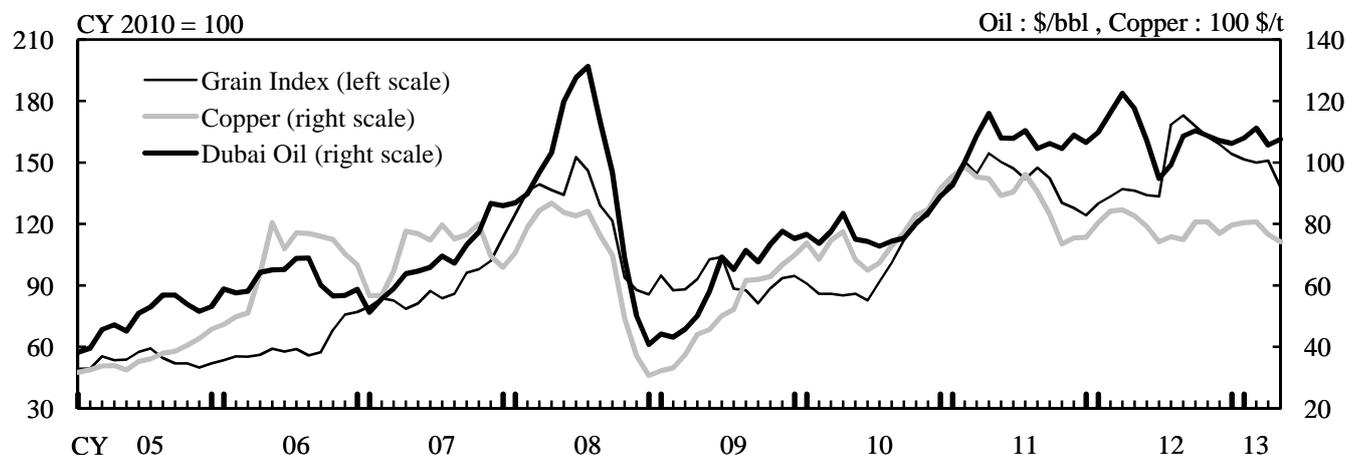


### (2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



Notes: 1. Machinery & equipment: general purpose, production & business oriented machinery, electric & electronic products, and transportation equipment.  
 2. Figures for 2013/Q1 are January-February averages.

### (3) International Commodity Prices

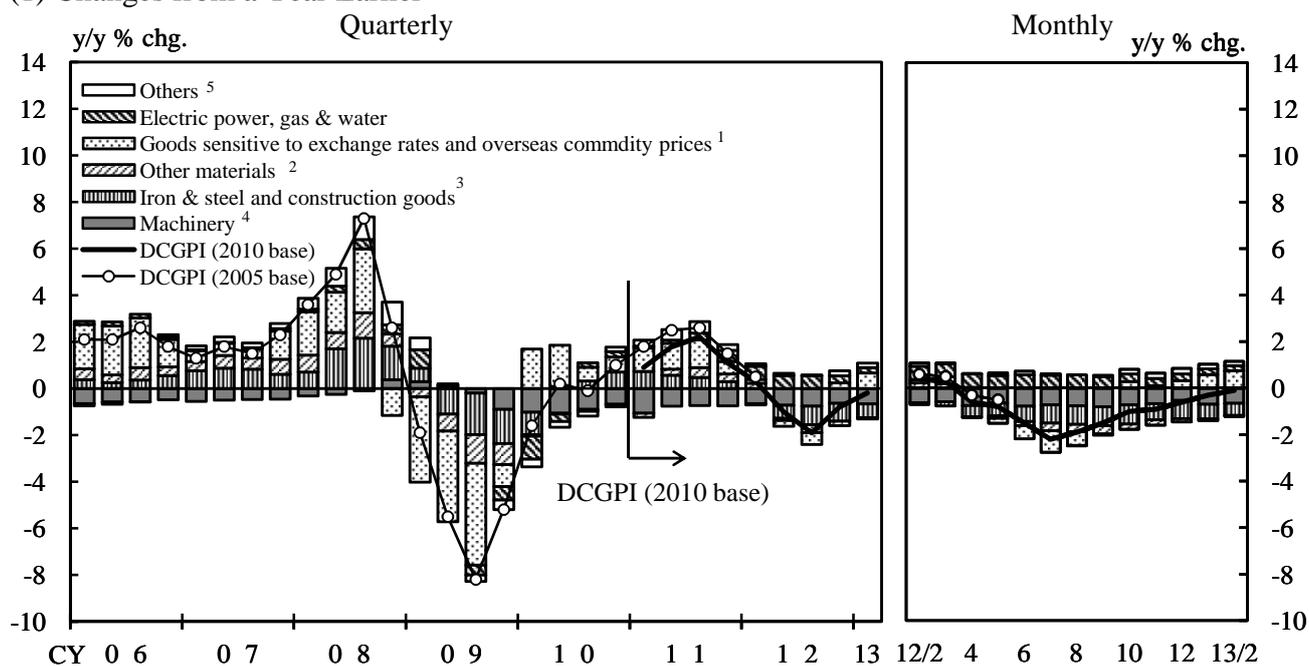
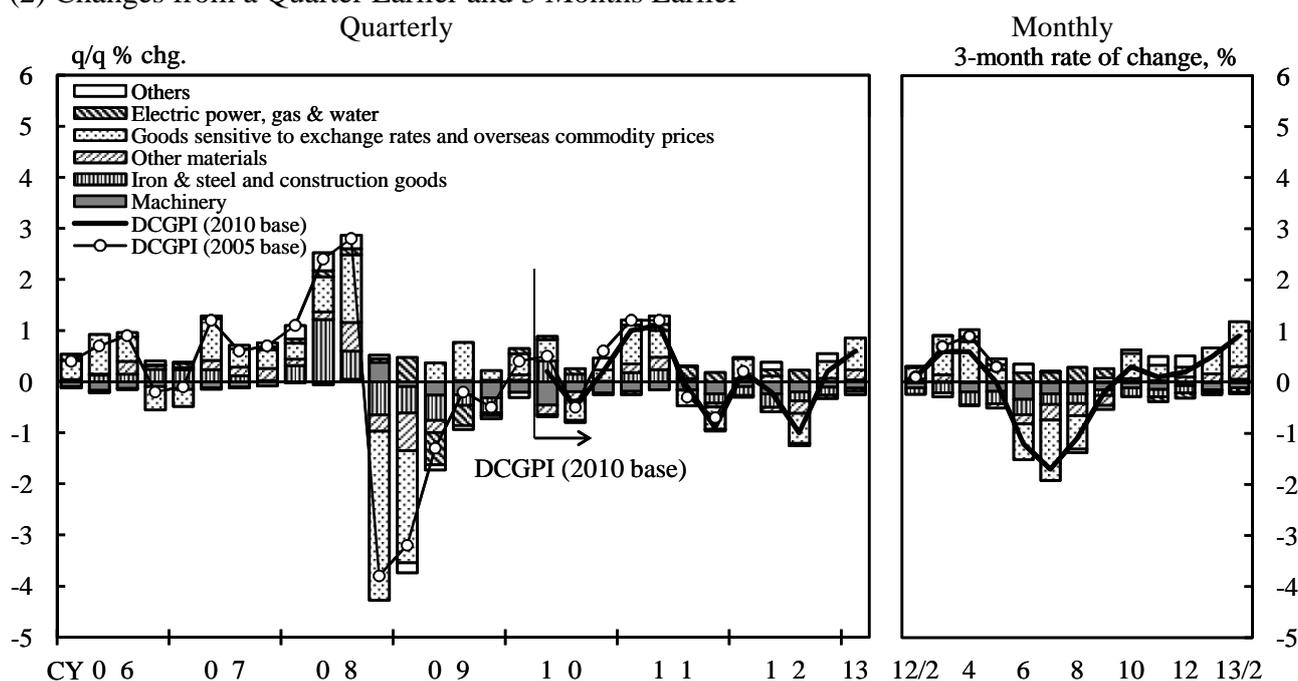


Notes: 1. The "grain index" is the weighted average of prices of three selected items (wheat, soybeans, and corn) in overseas commodity markets. The weights are based on the value of imports in the "Trade Statistics."  
 2. Monthly averages. Figures for April 2013 are averages up to April 3.

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<sup>6</sup>

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

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

3. Iron & steel and construction goods: iron & steel, metal products, 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.

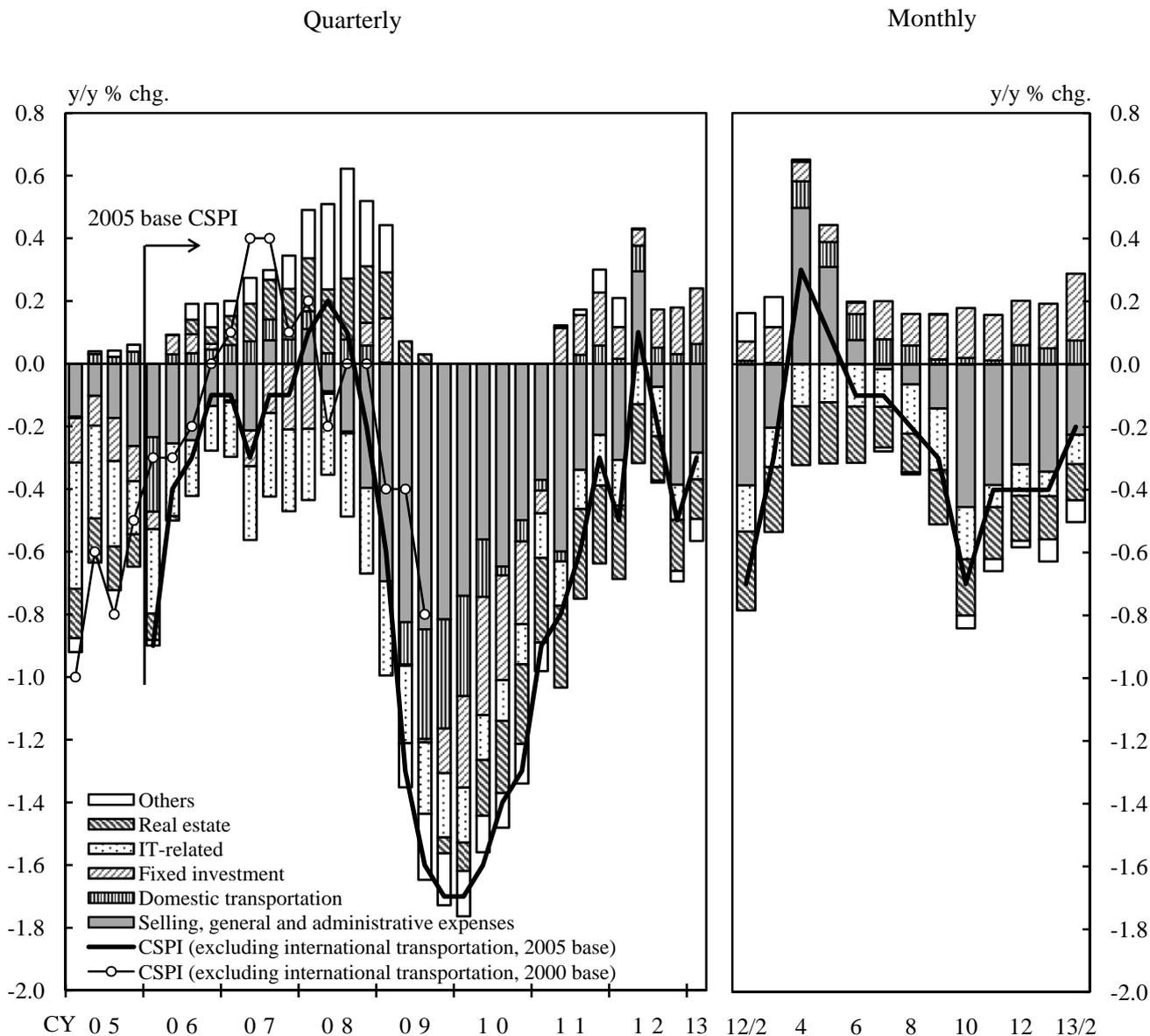
5. Others: food, beverages, tobacco & feedstuffs, other manufacturing industry products, agriculture, forestry & fishery products, and minerals.

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 2013/Q1 are January-February averages.

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

Corporate Services Price Index

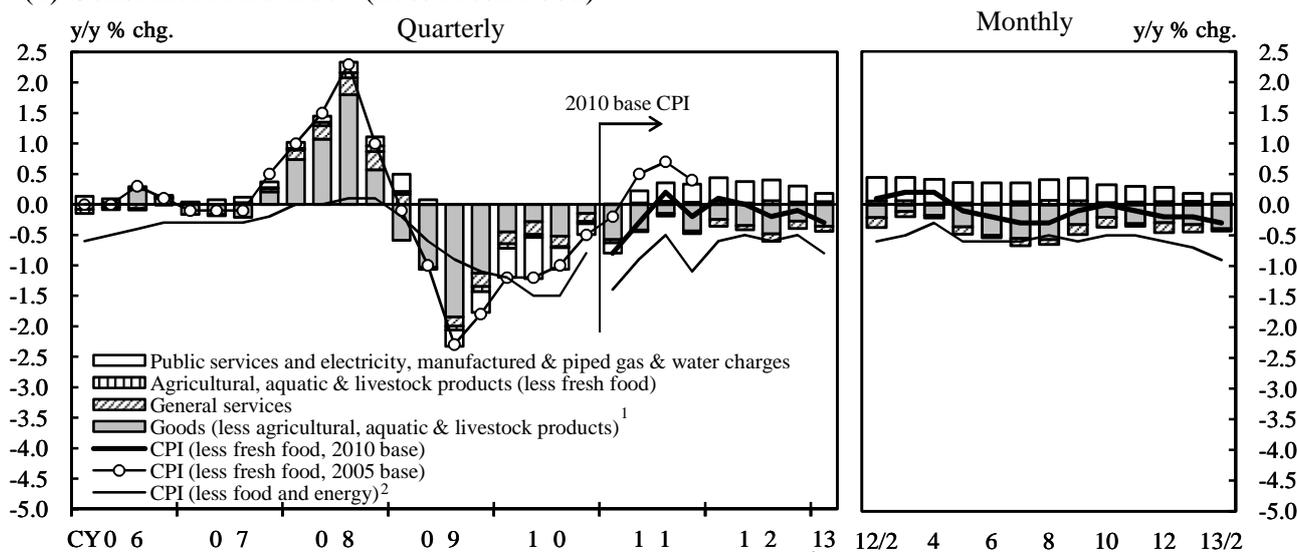


- Notes: 1. Selling, general and administrative expenses: information and communications (excluding newspapers and publishing), advertising services, other services (excluding plant engineering, and civil engineering and architectural services).  
 2. Domestic transportation: transportation (excluding 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 2013/Q1 are January-February averages. Figures for 2009/Q3 on the 2000 base are July-August averages.

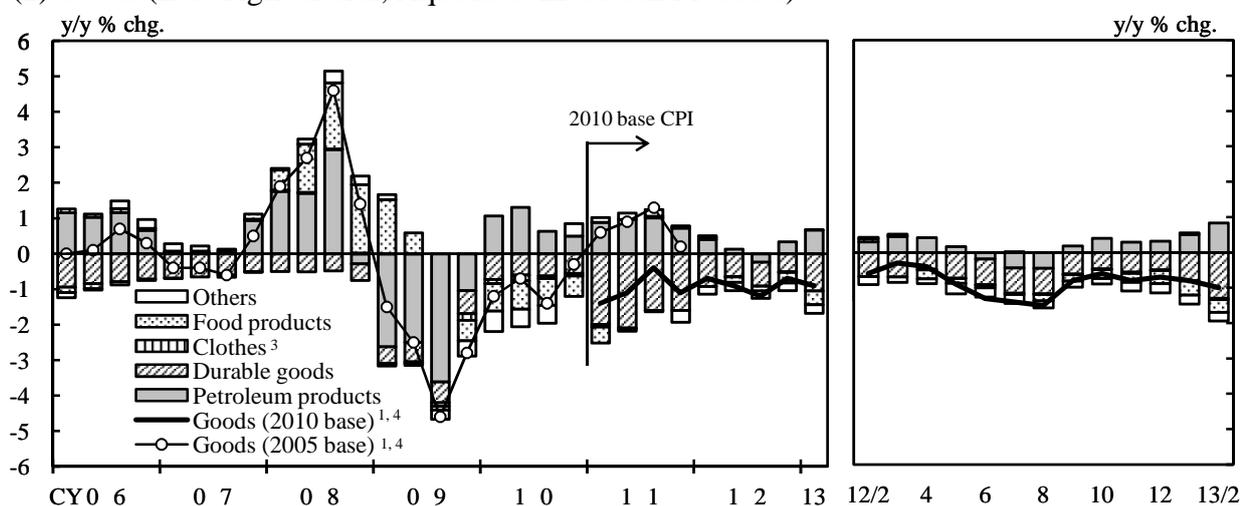
Source: Bank of Japan, "Corporate Services Price Index."

Consumer Price Index (Less Fresh Food)

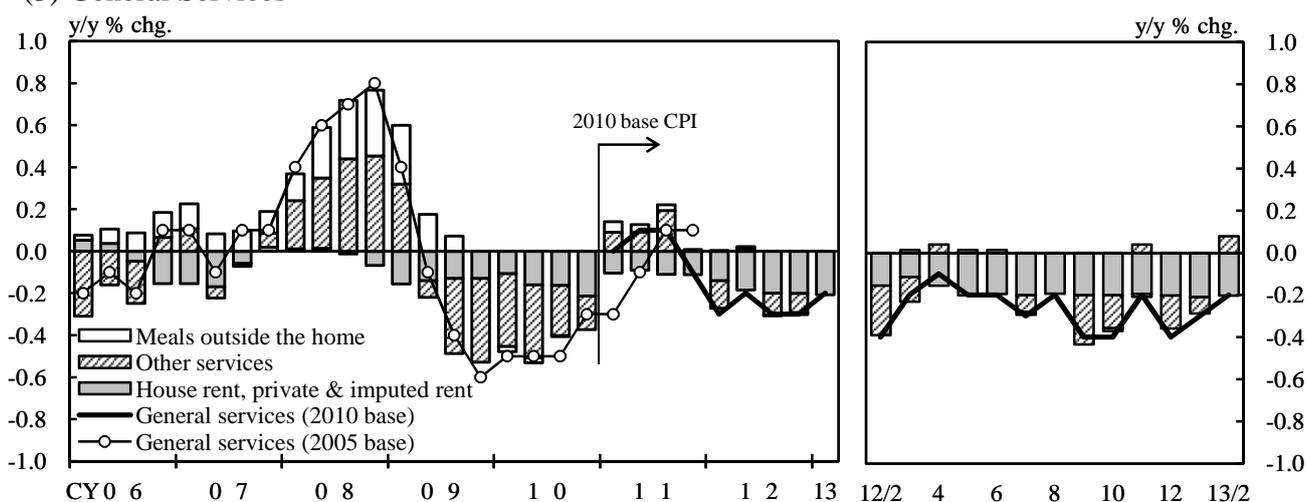
(1) Consumer Price Index (Less Fresh Food)



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



(3) General Services



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

However, electricity, manufactured & piped gas & water charges are excluded from goods.

2. Alcoholic beverages are excluded from food. Energy: electricity, gas manufactured & piped, Liquefied propane, kerosene, and gasoline.

3. Including shirts, sweaters & underwear.

4. Less agricultural, aquatic & livestock products.

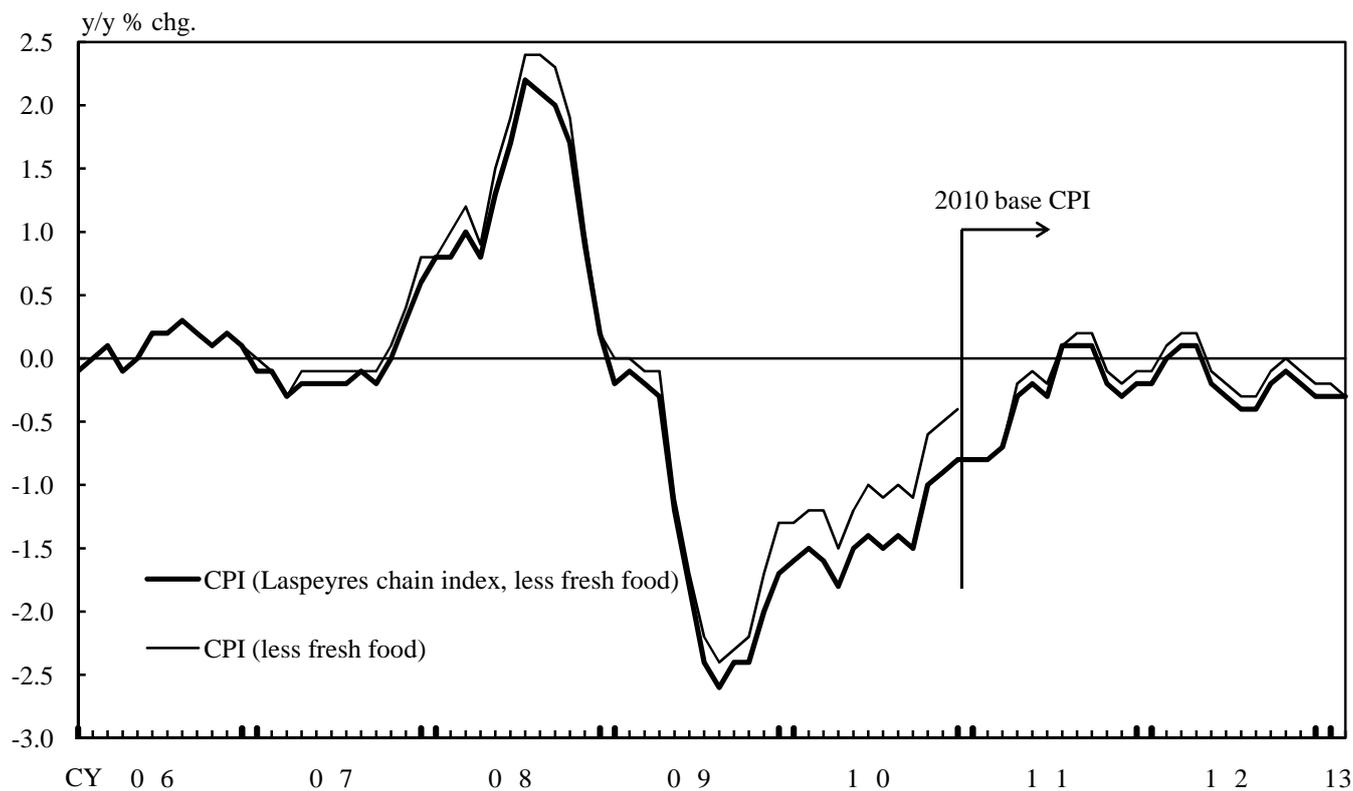
5. The year-on-year rates of change other than those of the CPI (less fresh food), CPI (less food and energy), and General services are calculated using published indices.

6. Figures for 2013/Q1 are January-February averages.

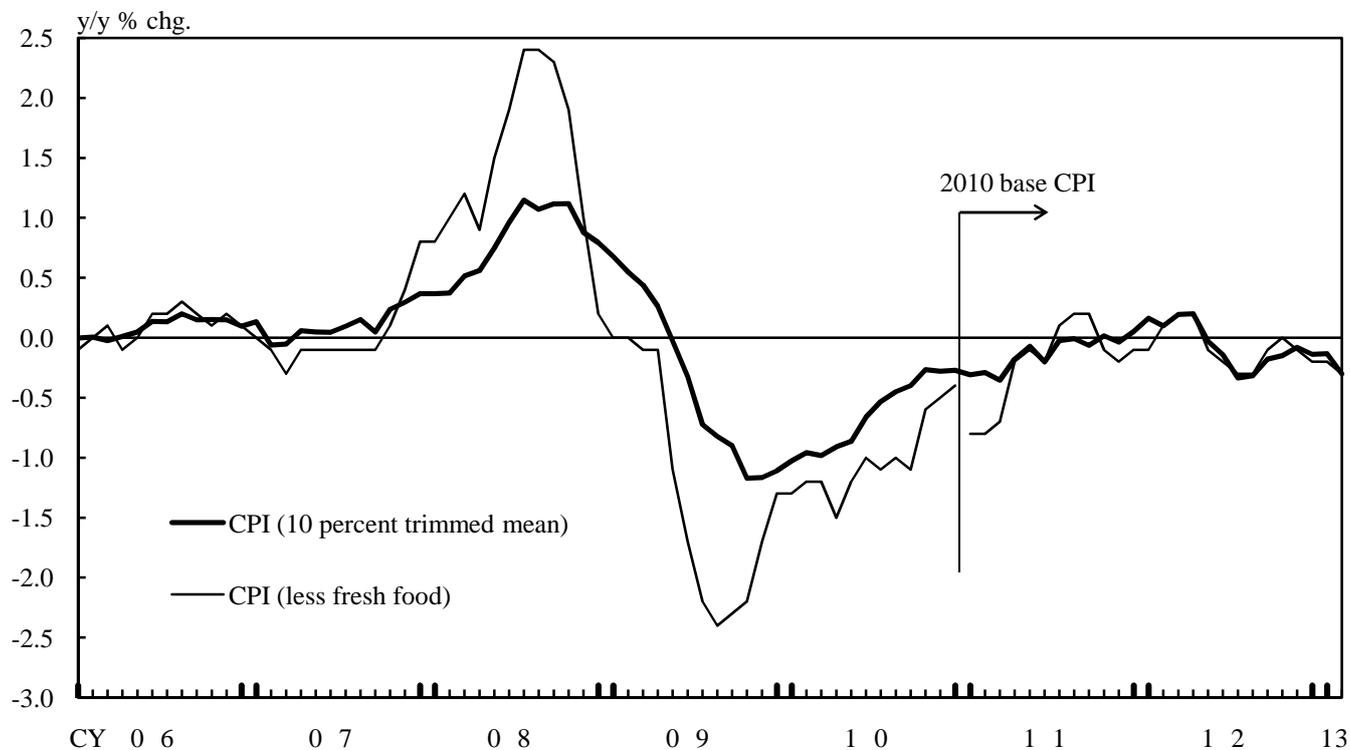
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

## Trend Changes in Consumer Prices

## (1) Laspeyres Chain Index



## (2) Trimmed Mean



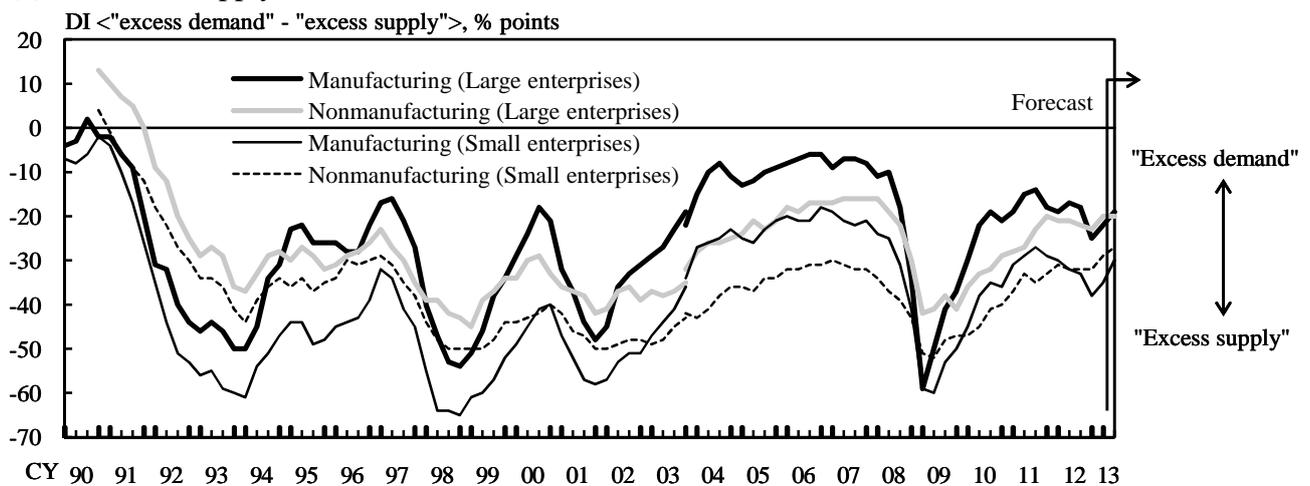
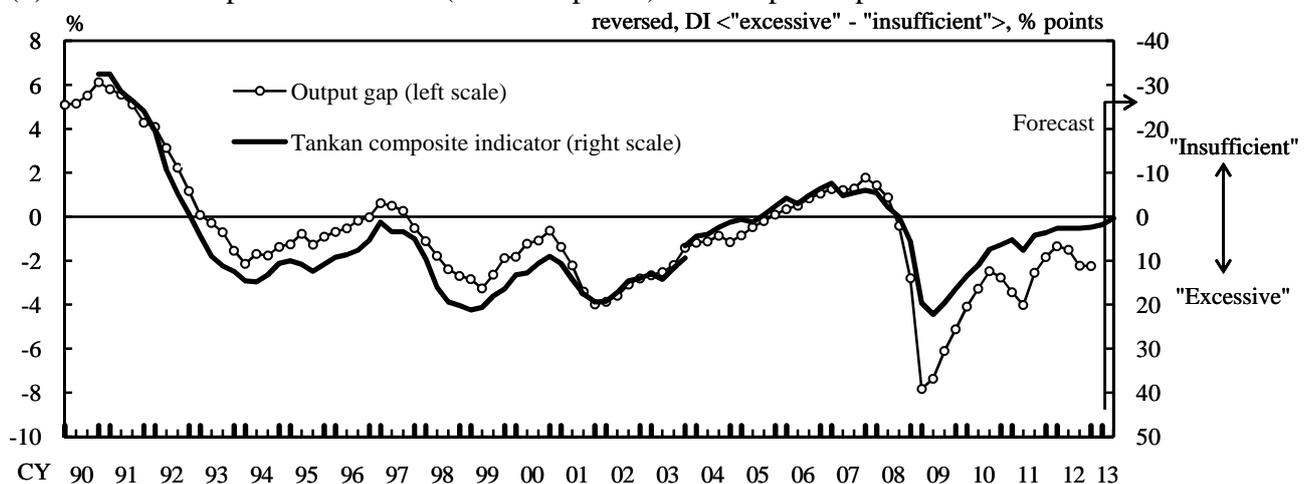
Notes: 1. Figures for the 10 percent trimmed mean are weighted averages of items; these items are obtained by rearranging year-on-year rates of price change in ascending order and then excluding items in both the upper and lower 10 percent tails by weight.

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

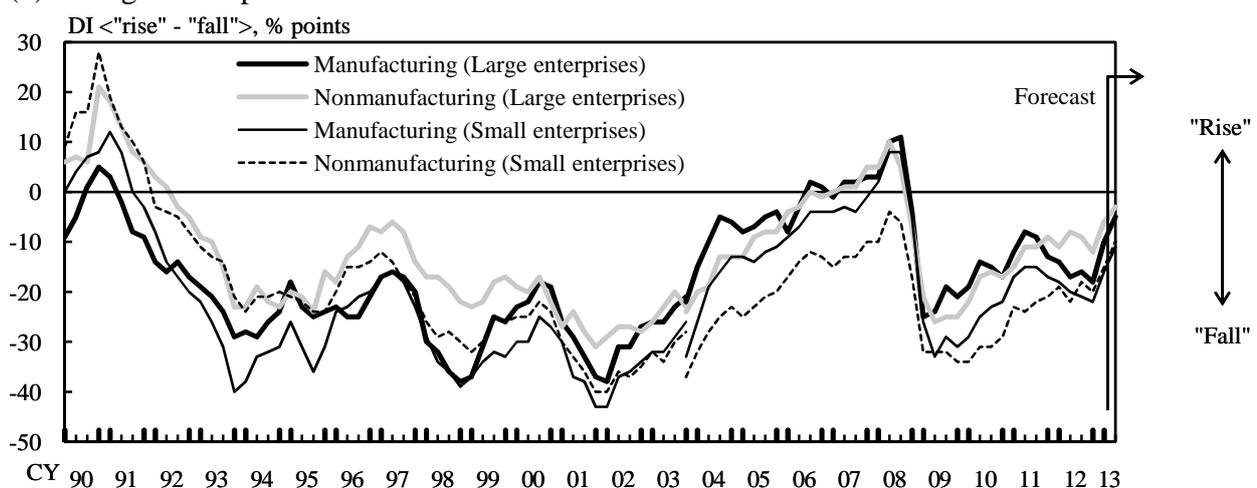
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Domestic Supply and Demand Conditions<sup>1</sup>

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

(2) *Tankan* Composite Indicator<sup>2</sup> (All Enterprises) and Output Gap<sup>3</sup>

## (3) Change in Output Prices

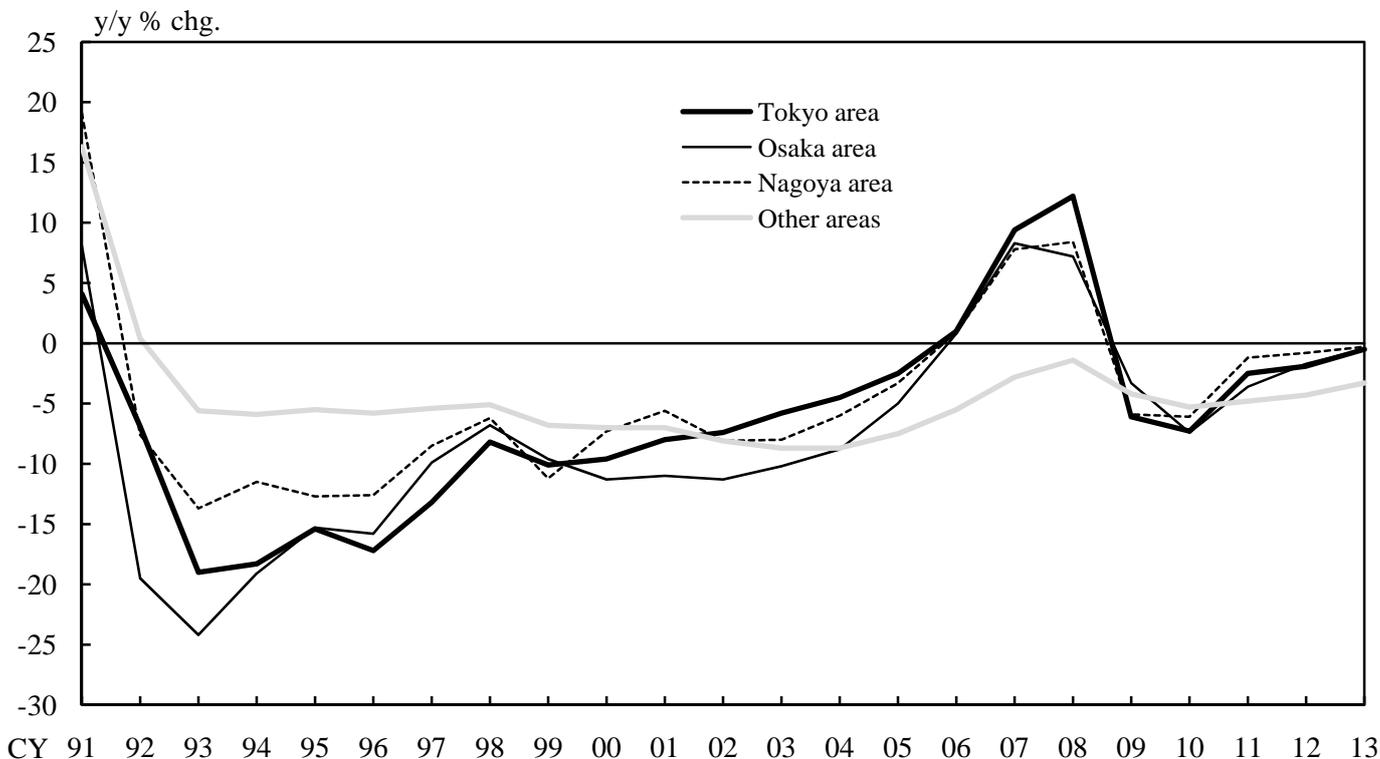


- Notes: 1. The "Tankan" has been revised from the March 2004 Survey. Figures up to the December 2003 Survey are based on the previous data sets. Figures from the December 2003 Survey are on a new basis.
2. Figures are weighted averages of the production capacity DI and employment conditions DI. The FY 1990-2011 averages of capital and labor shares in the "National Accounts" are used as the weight.
3. The output gap is estimated by the Research and Statistics Department, Bank of Japan. Since the estimation of the output gap includes various errors, considerable latitude should be allowed for this estimation.

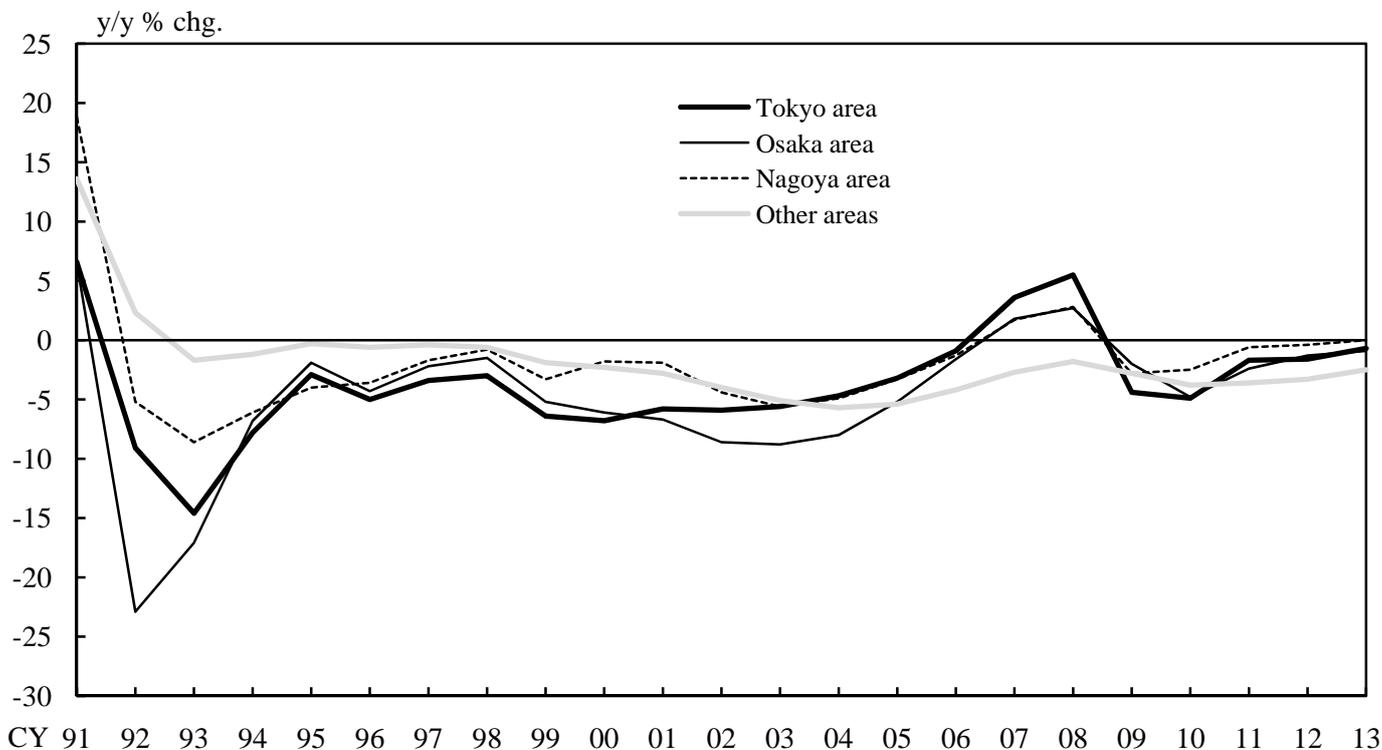
Sources: Cabinet Office, "National Accounts";  
Bank of Japan, "*Tankan*, Short-Term Economic Survey of Enterprises in Japan," etc.

Land Prices

(1) Commercial Land



(2) Residential Land

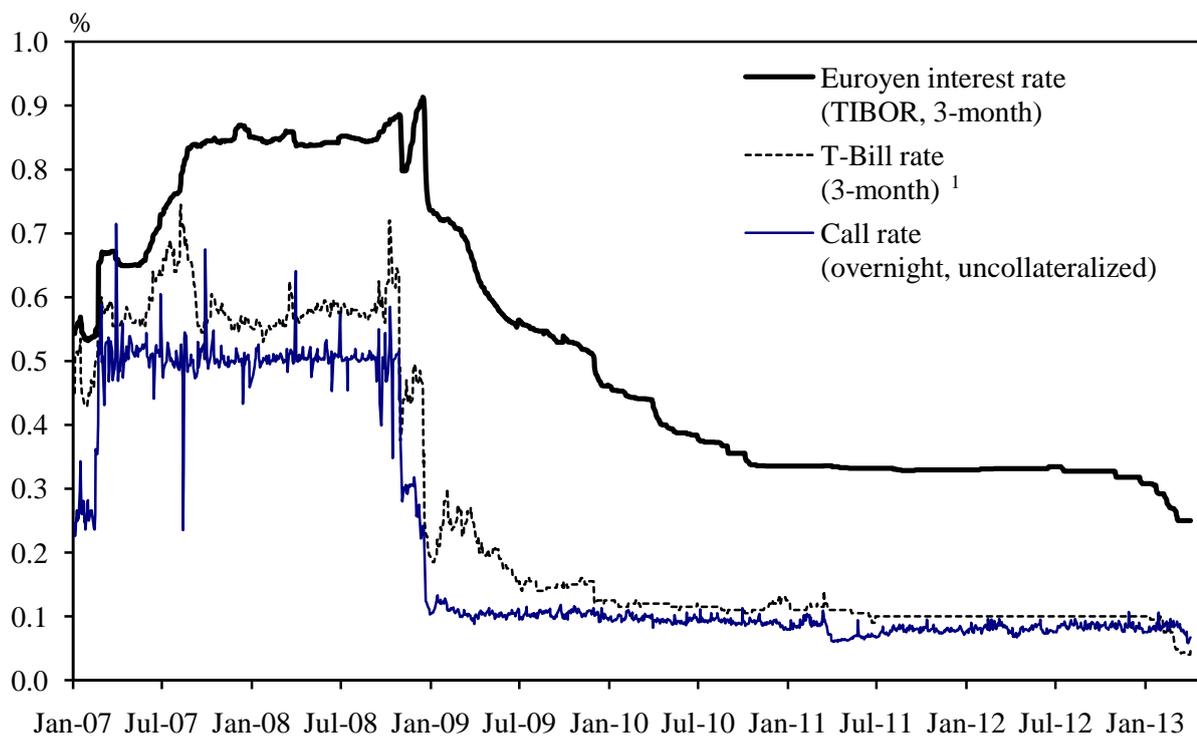


Note: "Public Notice of Land Prices" surveyed by the Ministry of Land, Infrastructure, Transport and Tourism, shows land prices as of January 1.

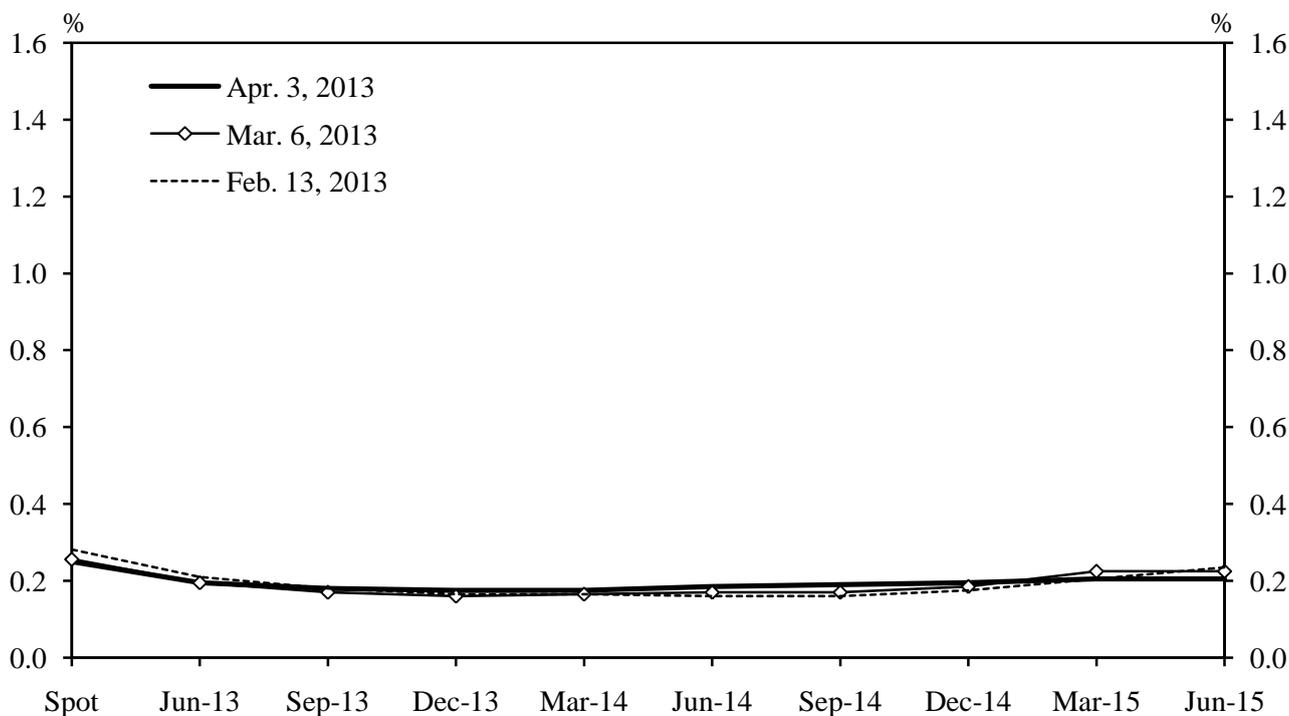
Source: Ministry of Land, Infrastructure, Transport and Tourism, "Public Notice of Land Prices."

Short-Term Interest Rates

(1) Short-Term Interest Rates



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



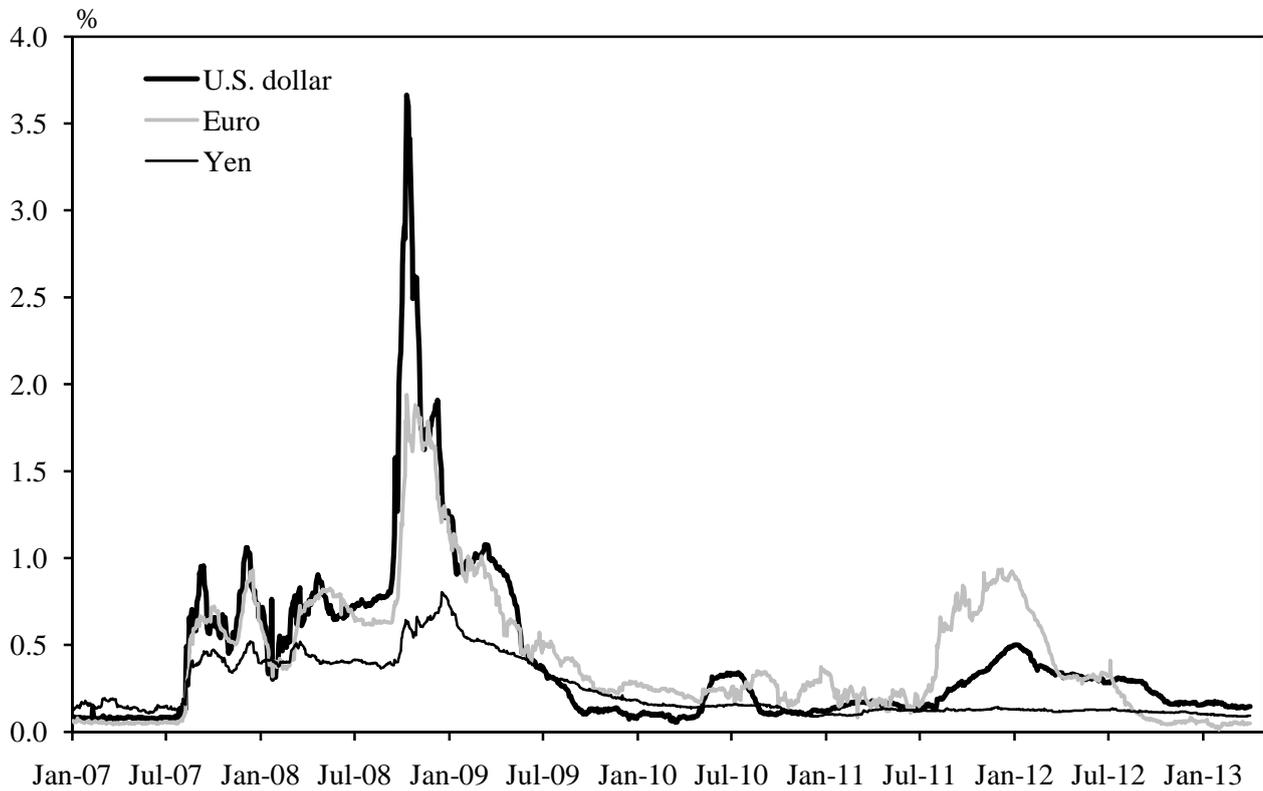
Note: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.

Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.;

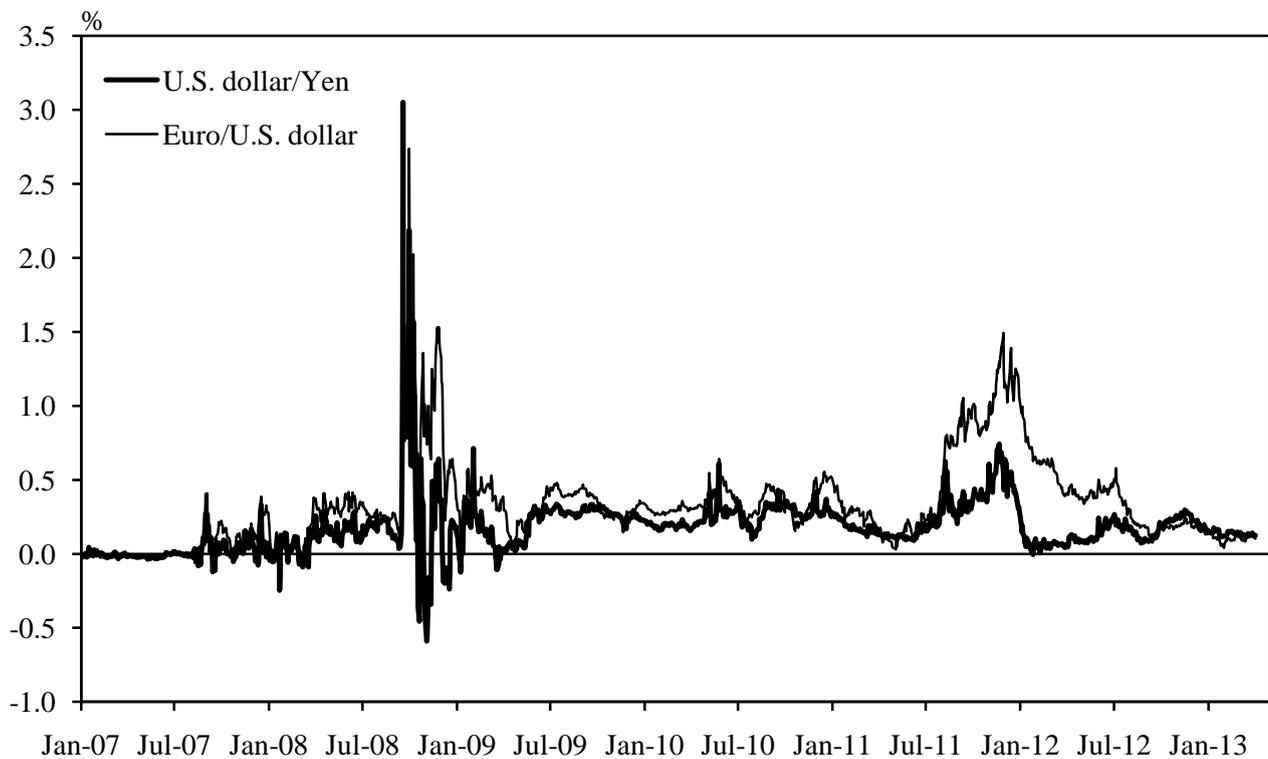
Tokyo Financial Exchange; Bank of Japan.

Global Money Markets

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



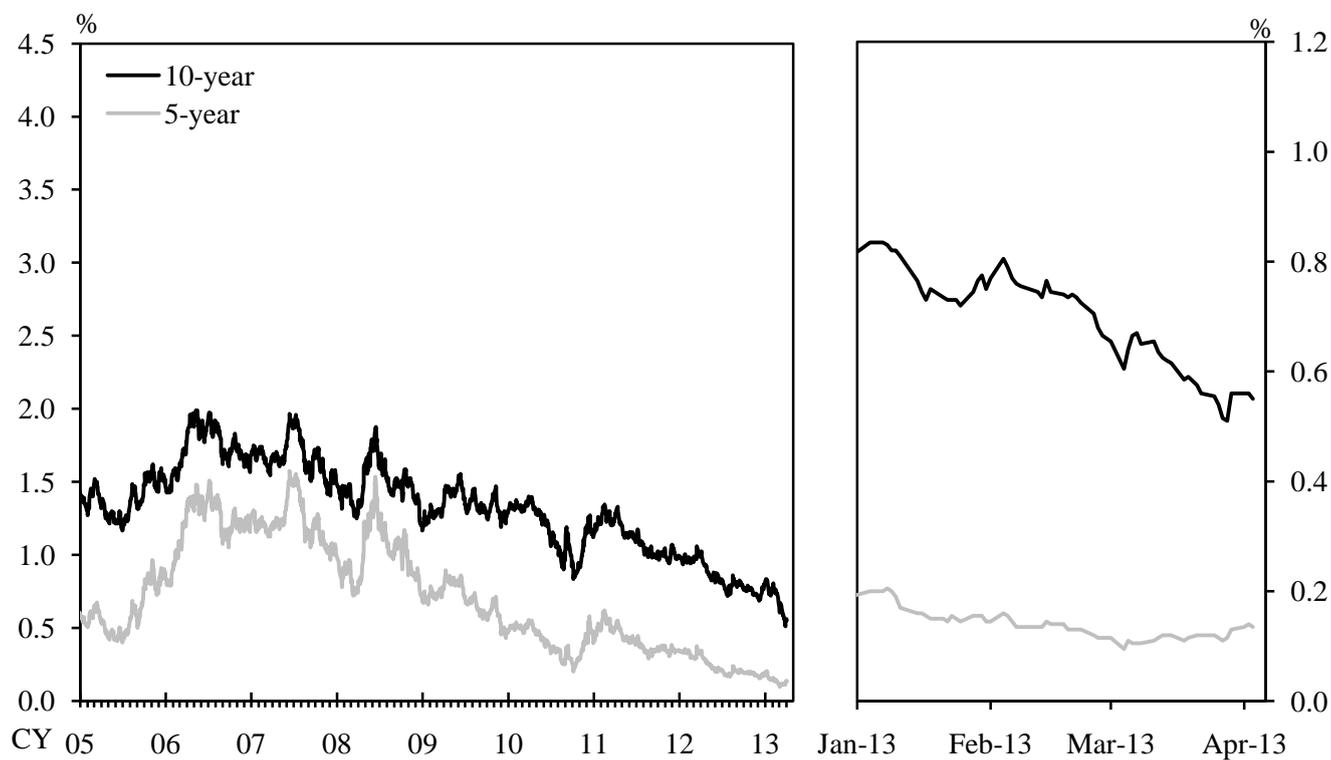
(2) FX swap implied dollar rate - LIBOR spreads (3-Month)



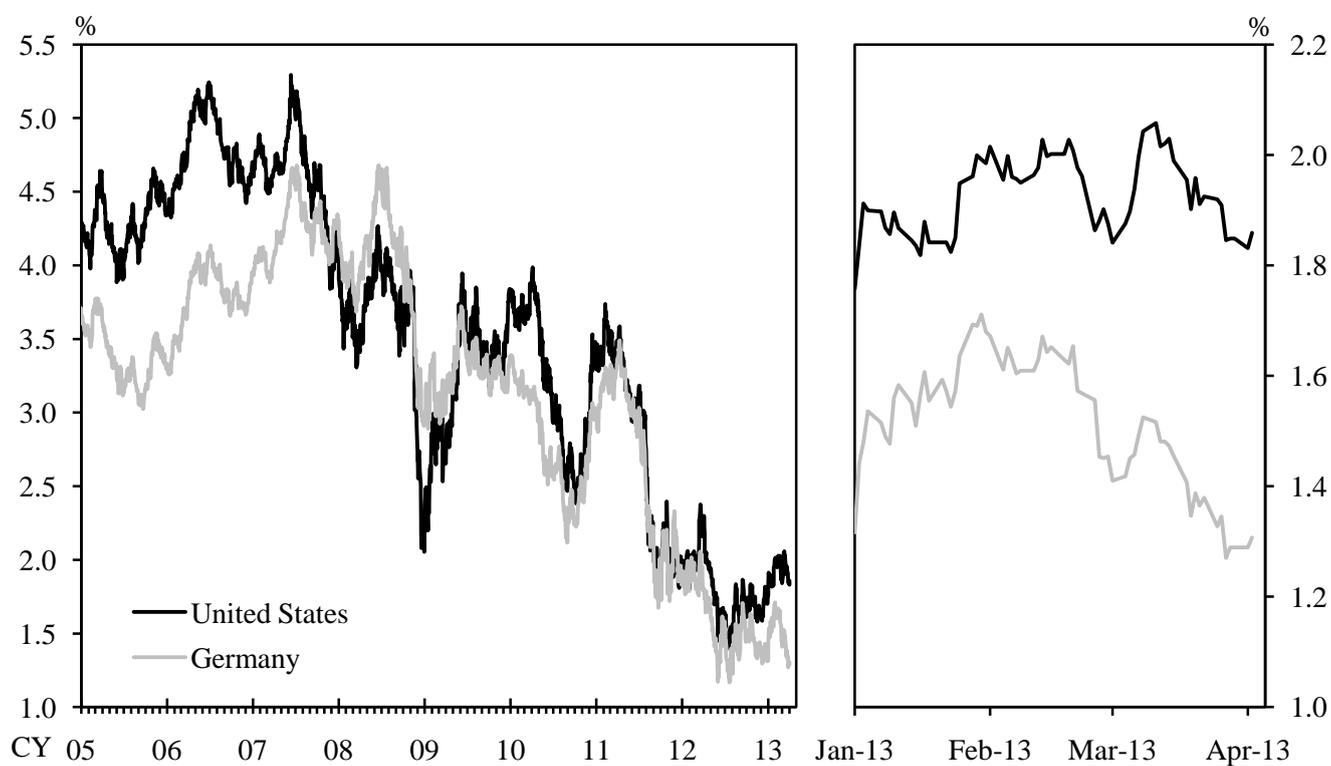
Source: Bloomberg.

Long-Term Interest Rates

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



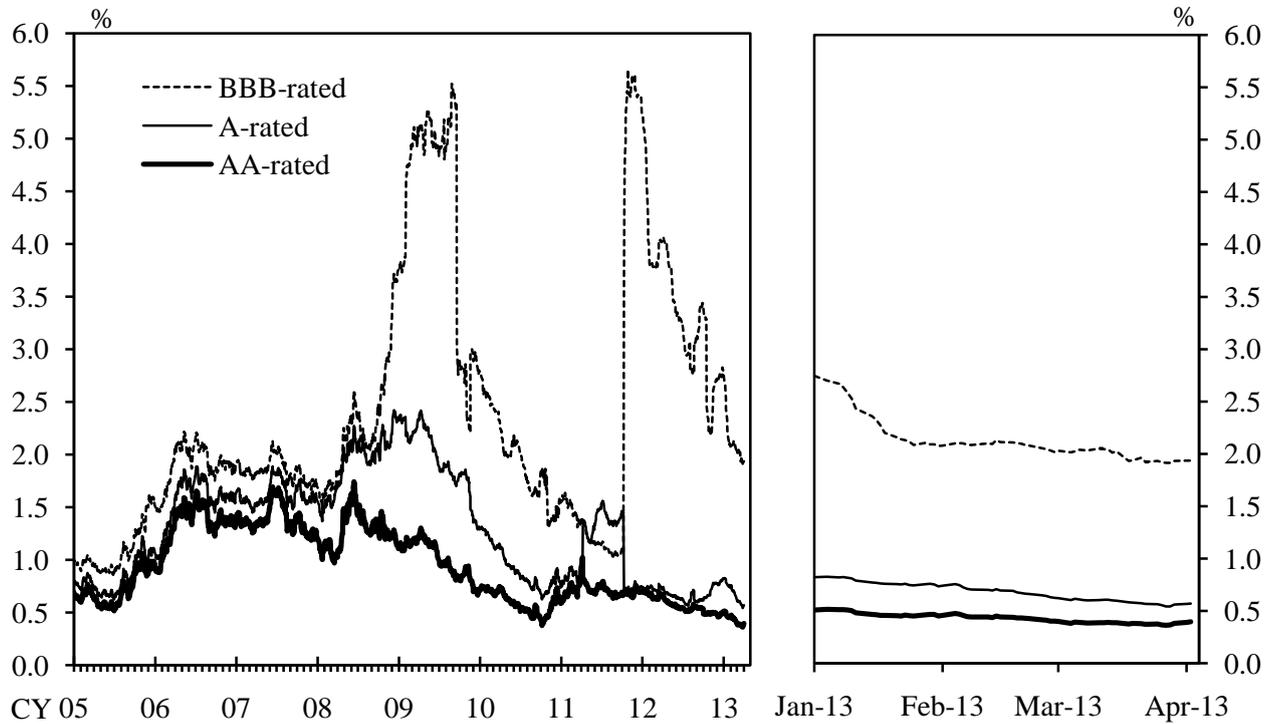
(2) Overseas Government Bond Yields (10-Year)



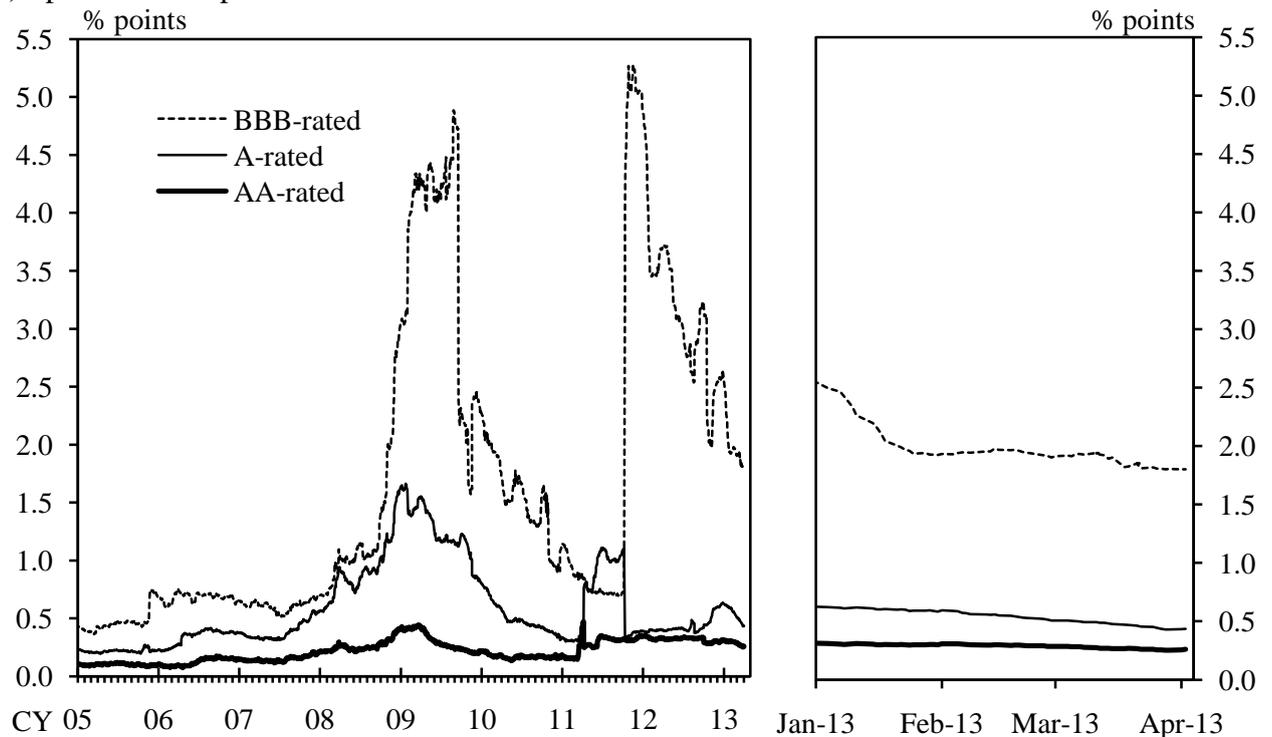
Note: 1. Yields on newly issued bonds.  
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

Yields of Corporate Bonds

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



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



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

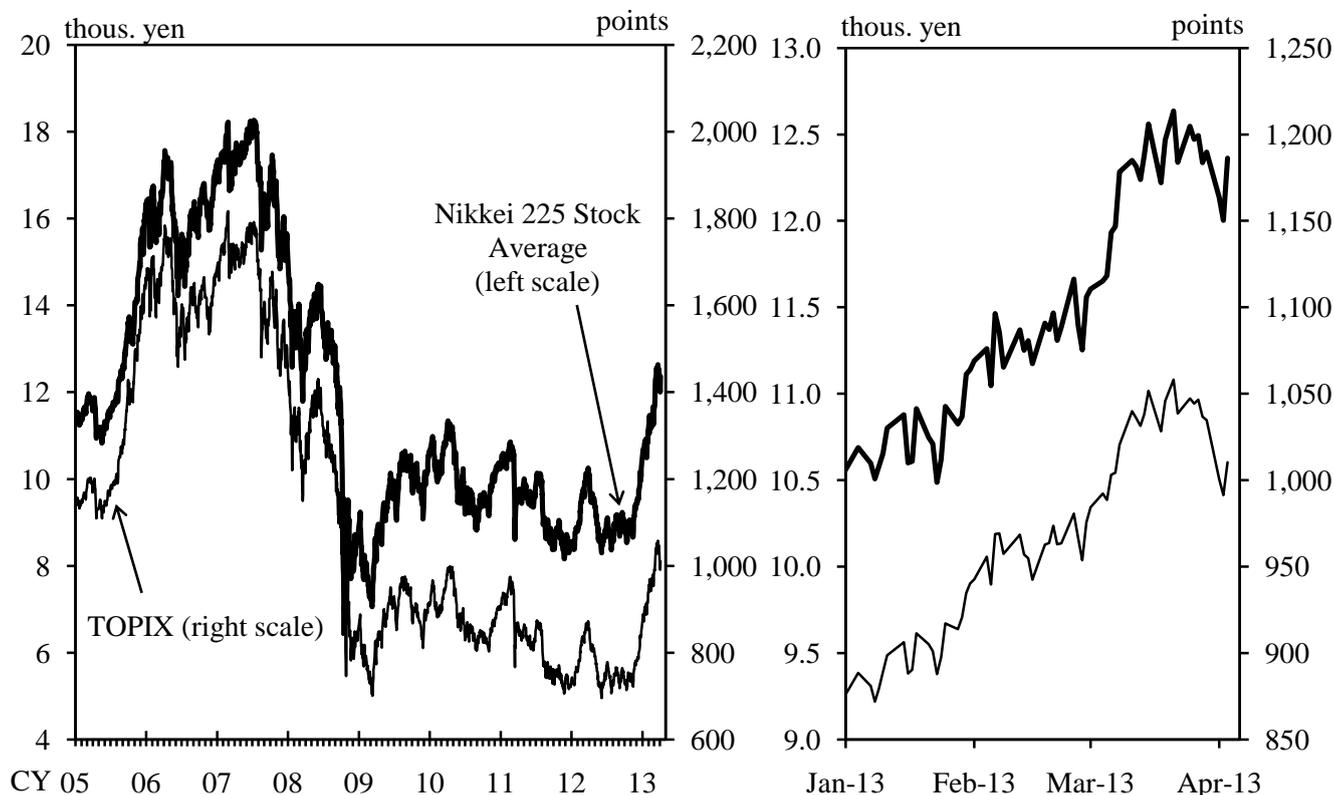
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.

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

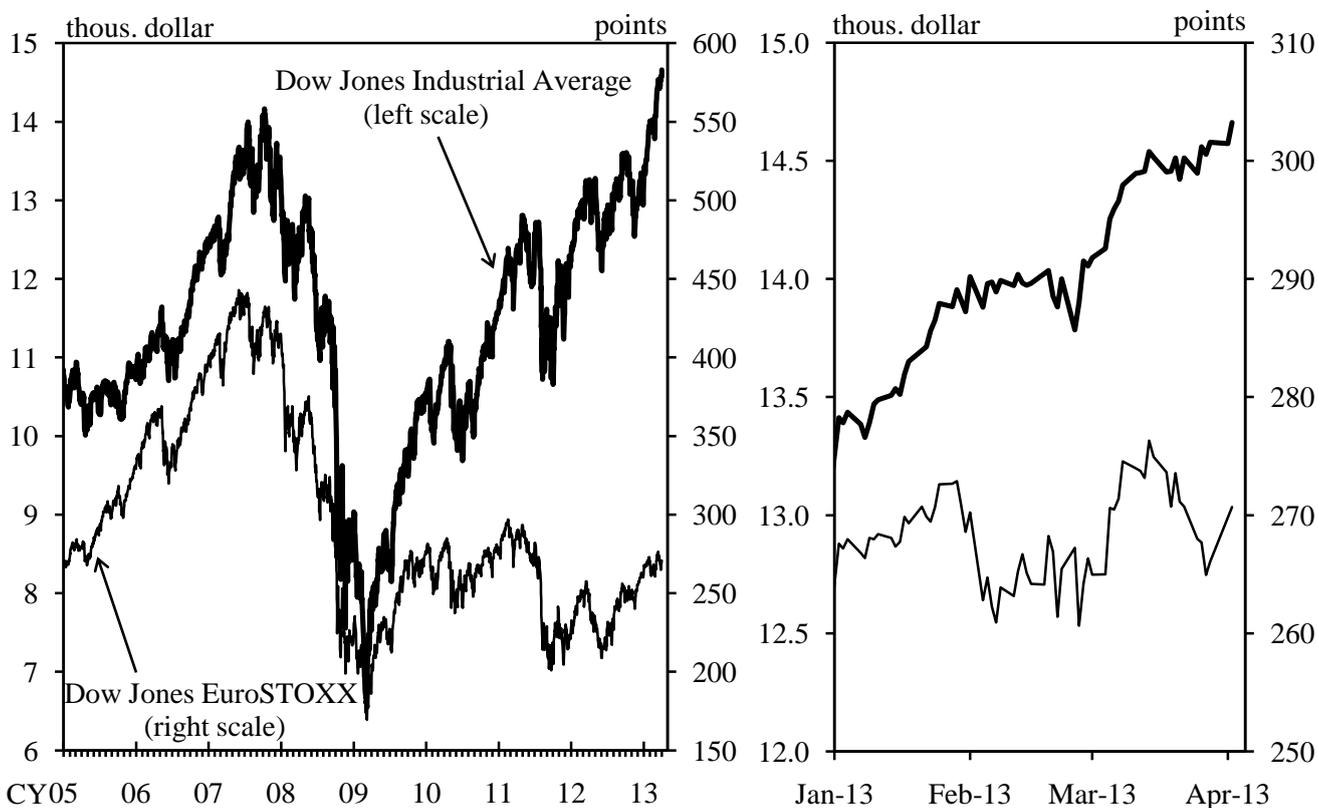
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Japanese Stock Prices

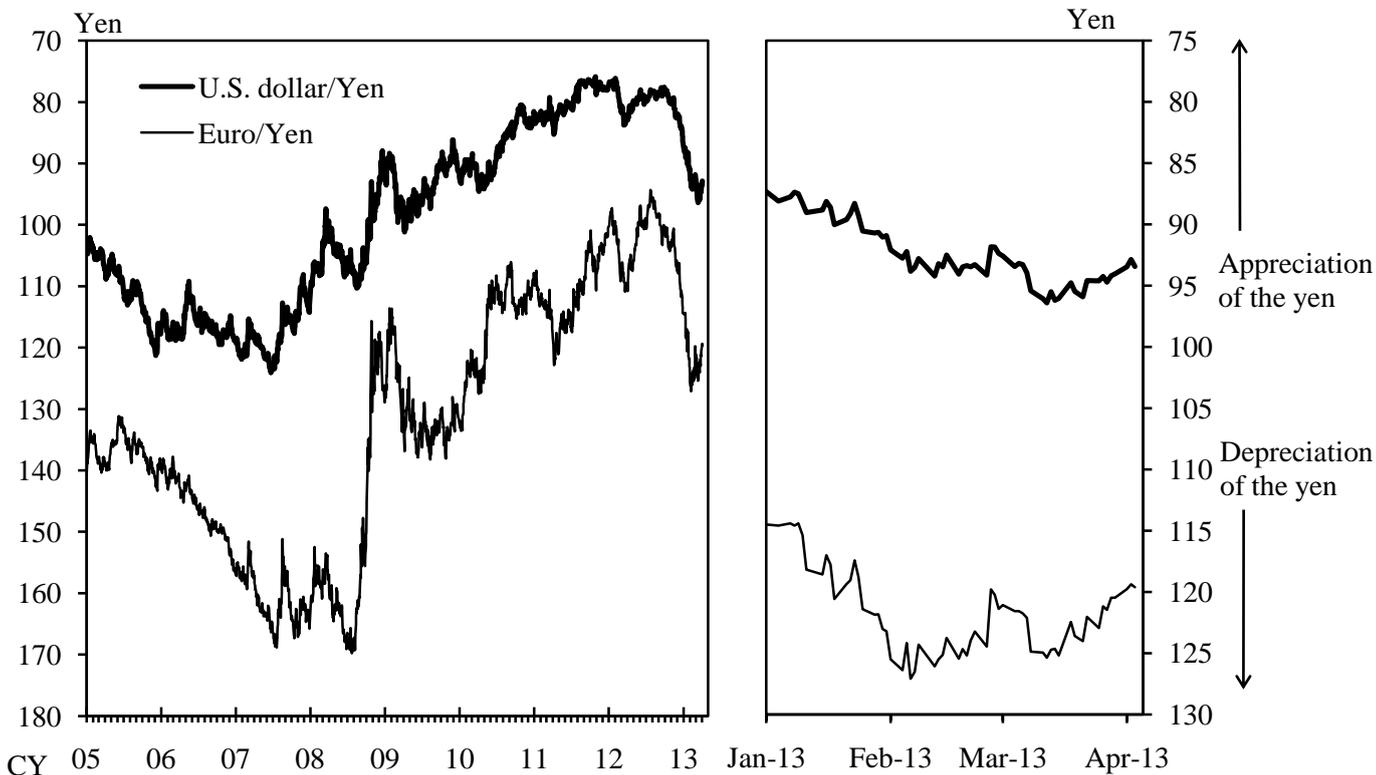


(2) Overseas Stock Prices

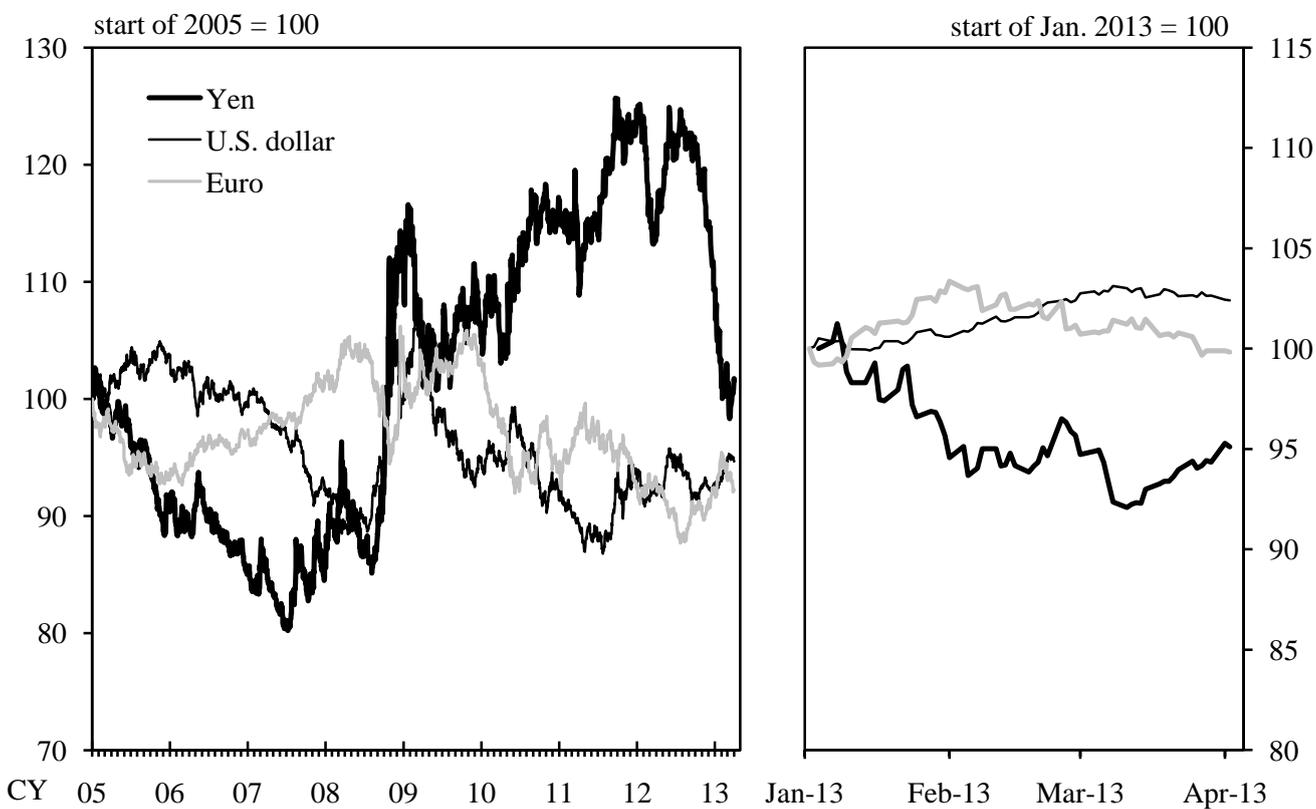


Exchange Rates

(1) Bilateral Exchange Rates



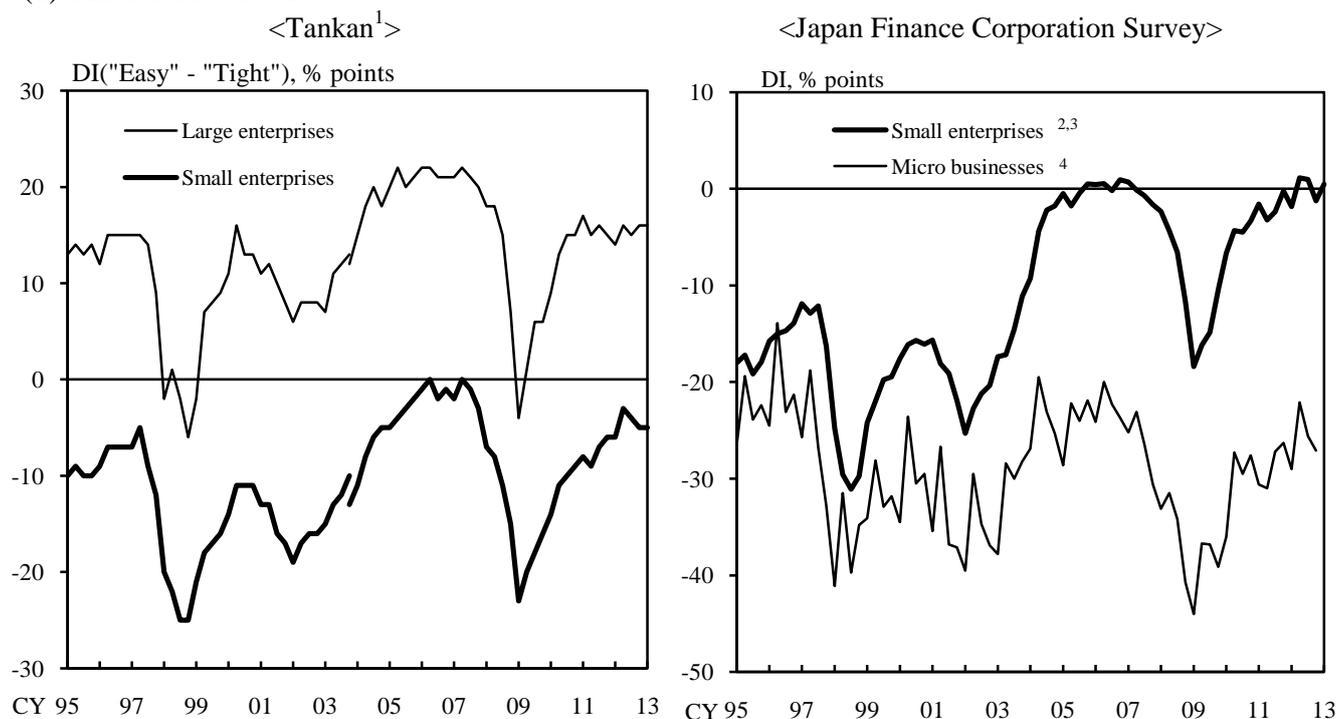
(2) Nominal Effective Exchange Rates



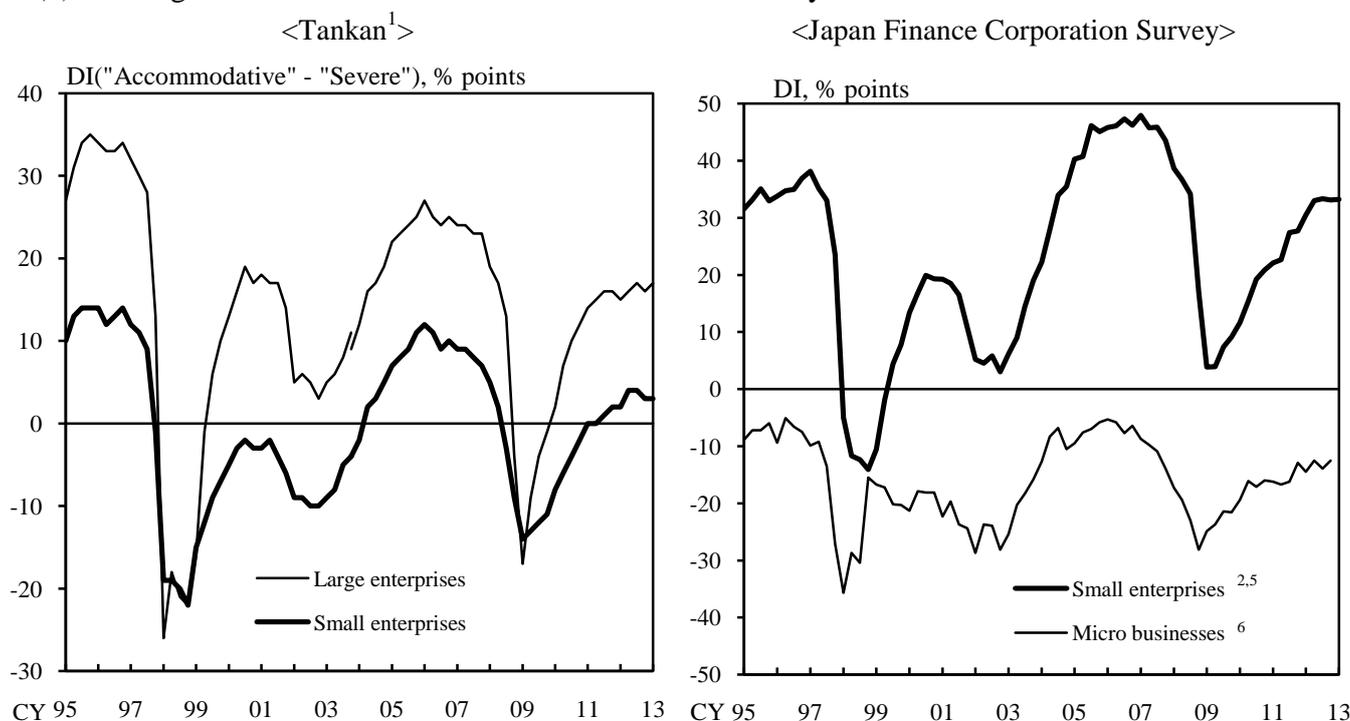
Sources: Bank of Japan; European Central Bank; Thomson Reuters Datastream.

## 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.

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

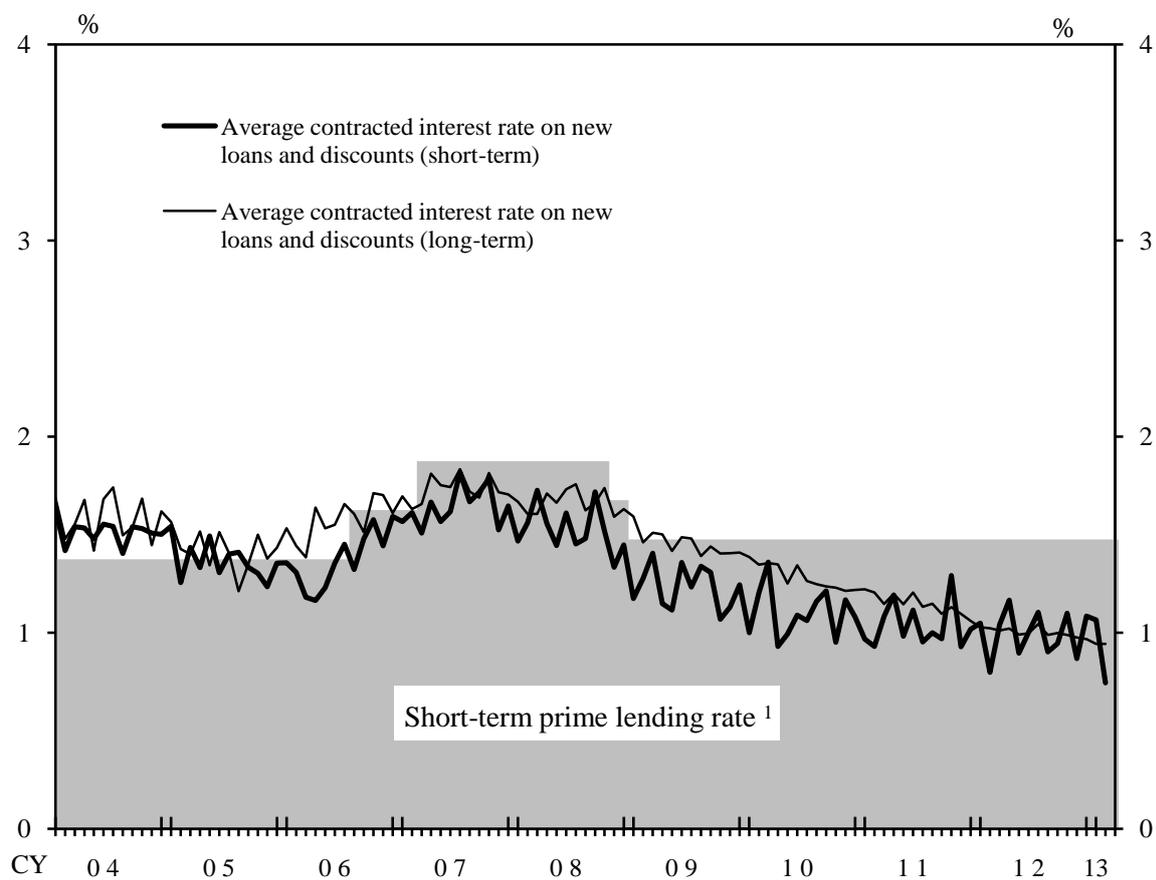
4. DI of "Easier" - "Tighter."

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

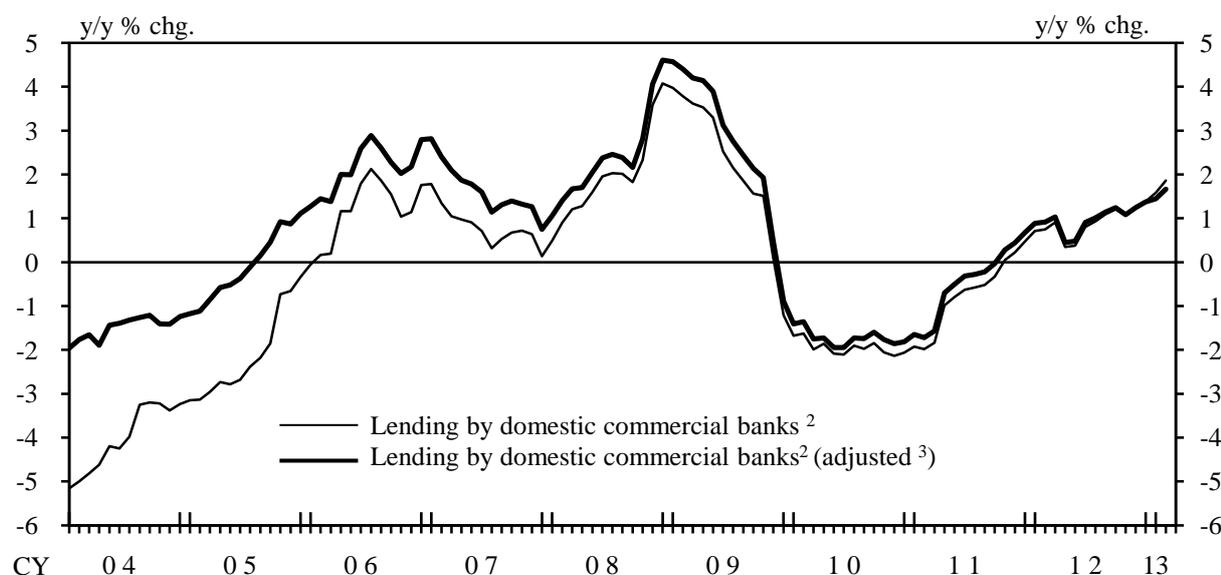


Note: 1. Data are at end of period.

Source: Bank of Japan.

## Lending by Financial Institutions

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



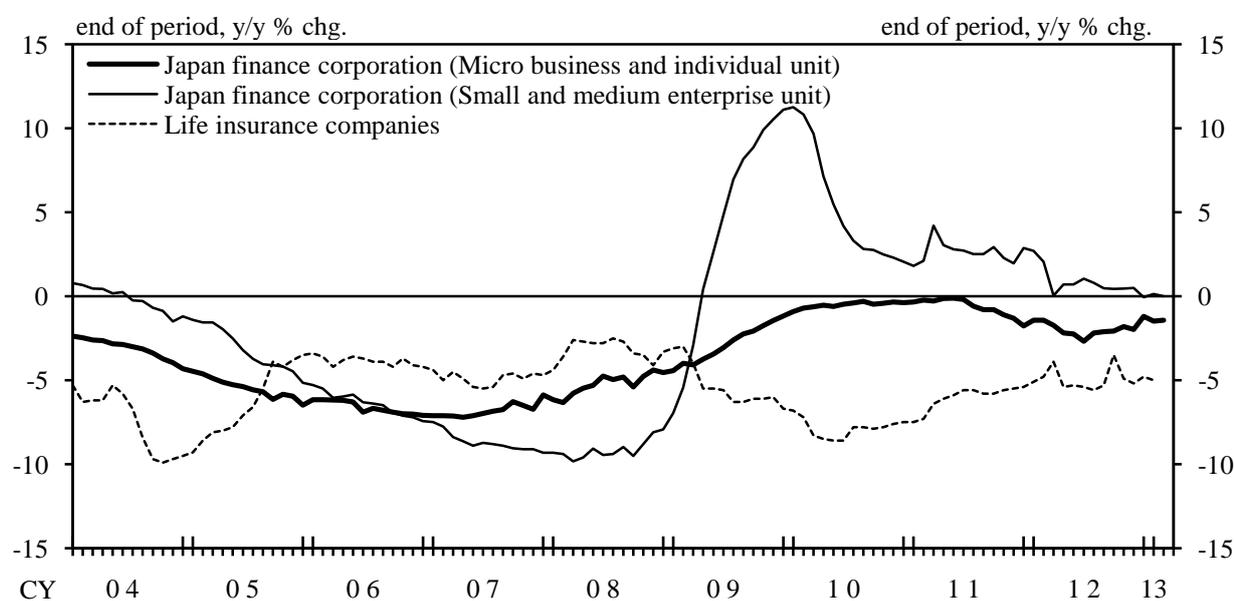
Notes: 1. Percent changes in average amounts outstanding from a year earlier.

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

3. Adjusted to exclude

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

### (2) Lending by Other Financial Institutions



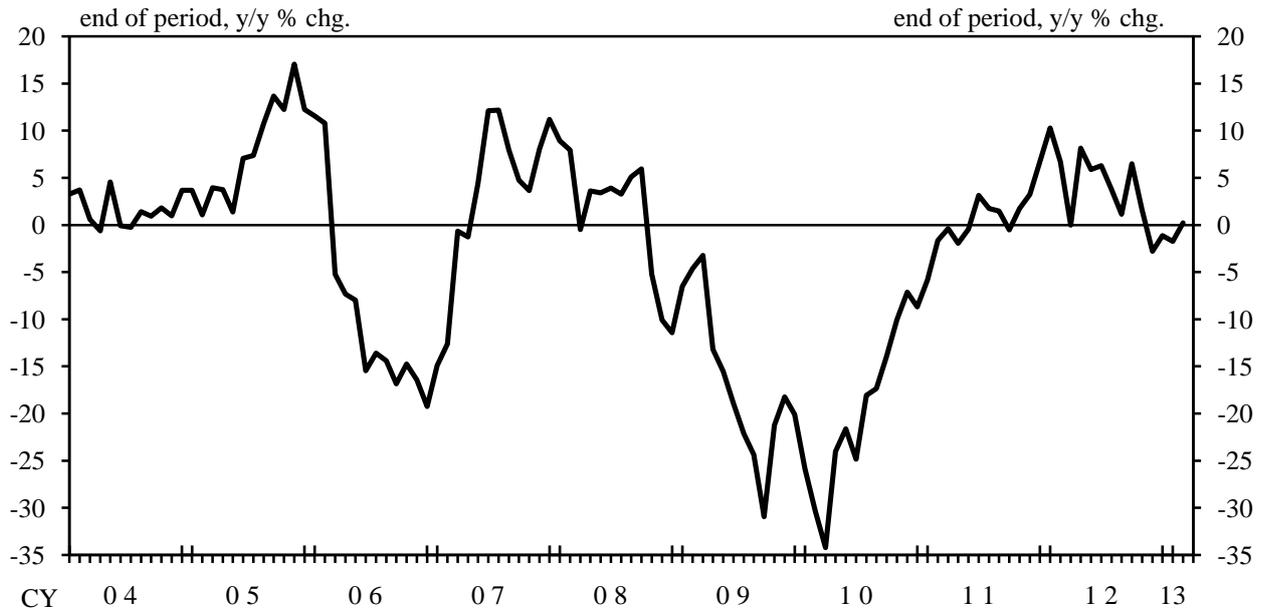
Note: The figures of the Japan Finance Corporation (Small and Medium Enterprise Unit) exclude the amounts outstanding of lending to the Credit Guarantee Corporations.

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 Private-Sector Fund-Raising in the Capital Markets
 

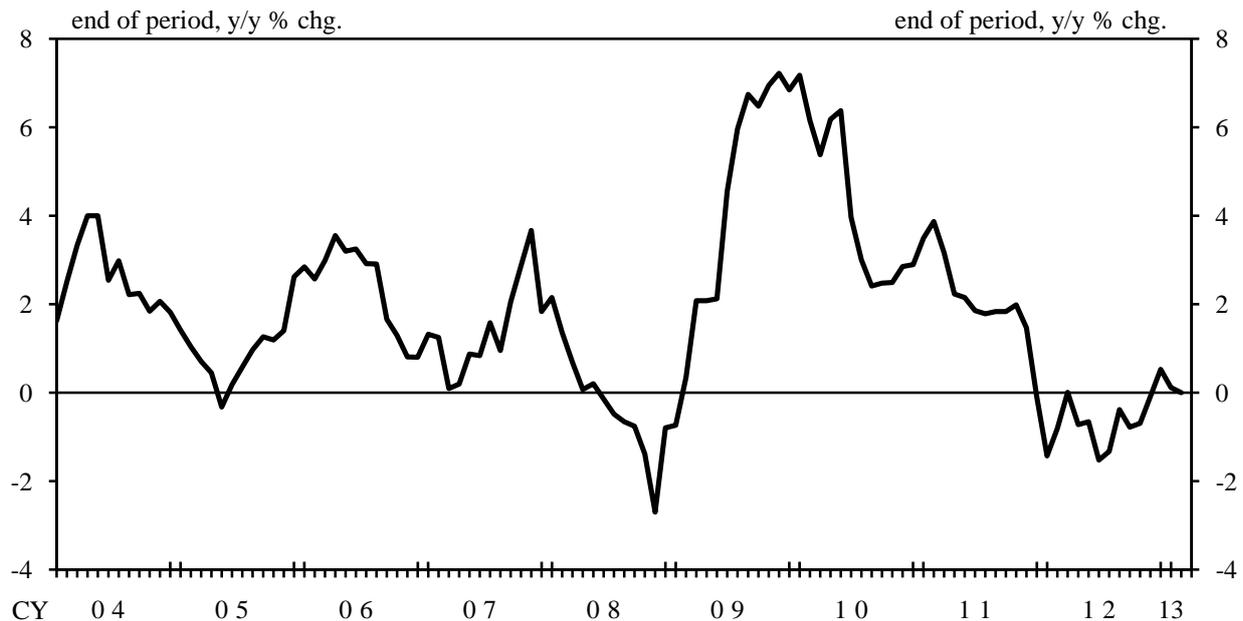
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## (1) Amount Outstanding of Commercial Paper



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

## (2) Amount Outstanding of Corporate Bonds



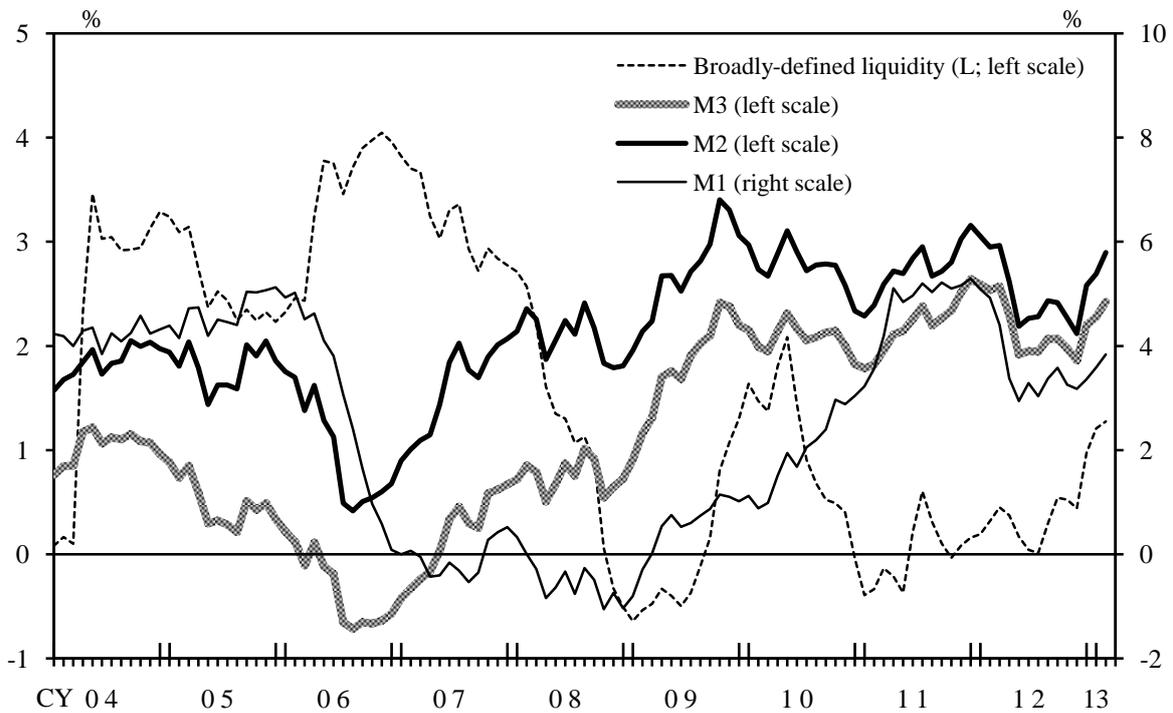
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

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

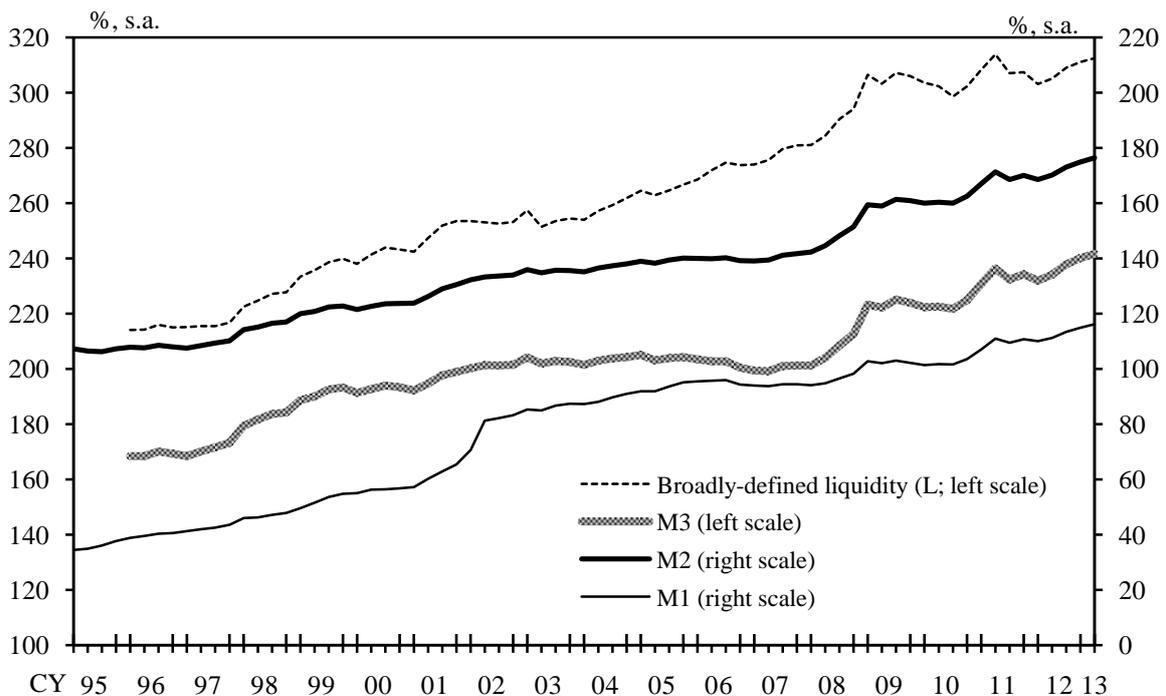
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category";  
 Bank of Japan, "Principal Figures of Financial Institutions";  
 Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts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

Money Stock

(1) Changes from a Year Earlier



(2) Ratio of Money Stock to Nominal GDP

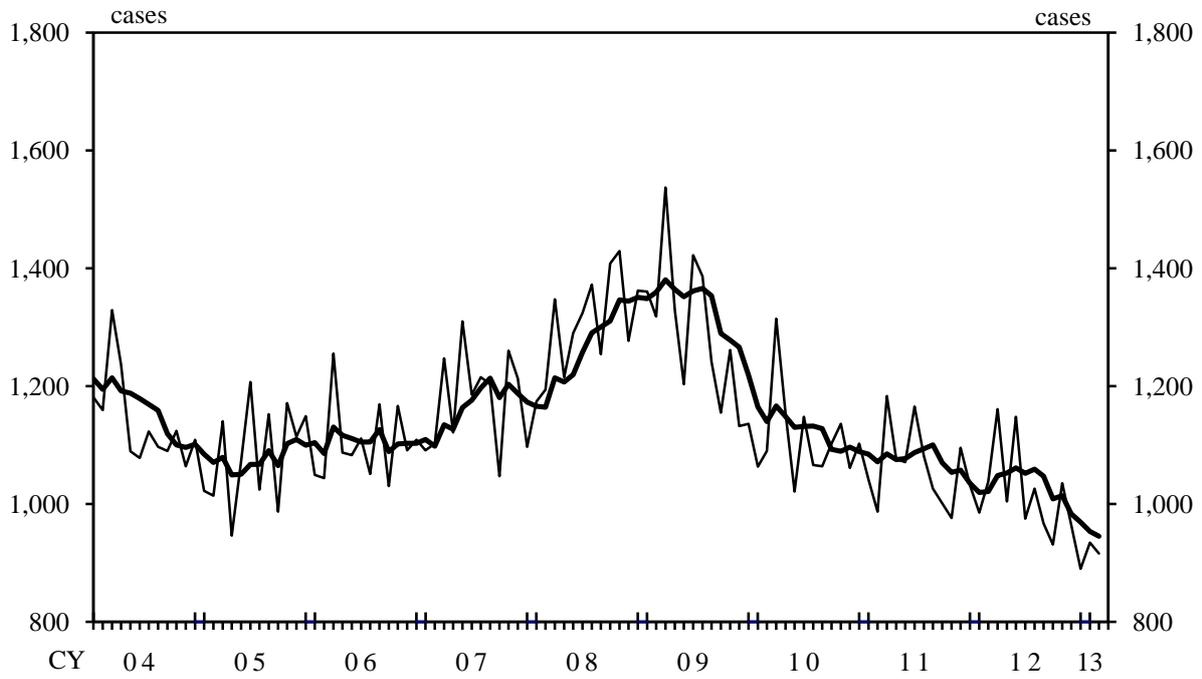


- Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.
- 2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.
- 3. The figures up to March 2004 in the upper panel and those up to March 2003 in the lower panel are based on the former series.
- 4. Figures for money stock in 2013/Q1 are those of Jan.-Feb. averages, and nominal GDP in 2013/Q1 is assumed to be unchanged from the previous quarter.

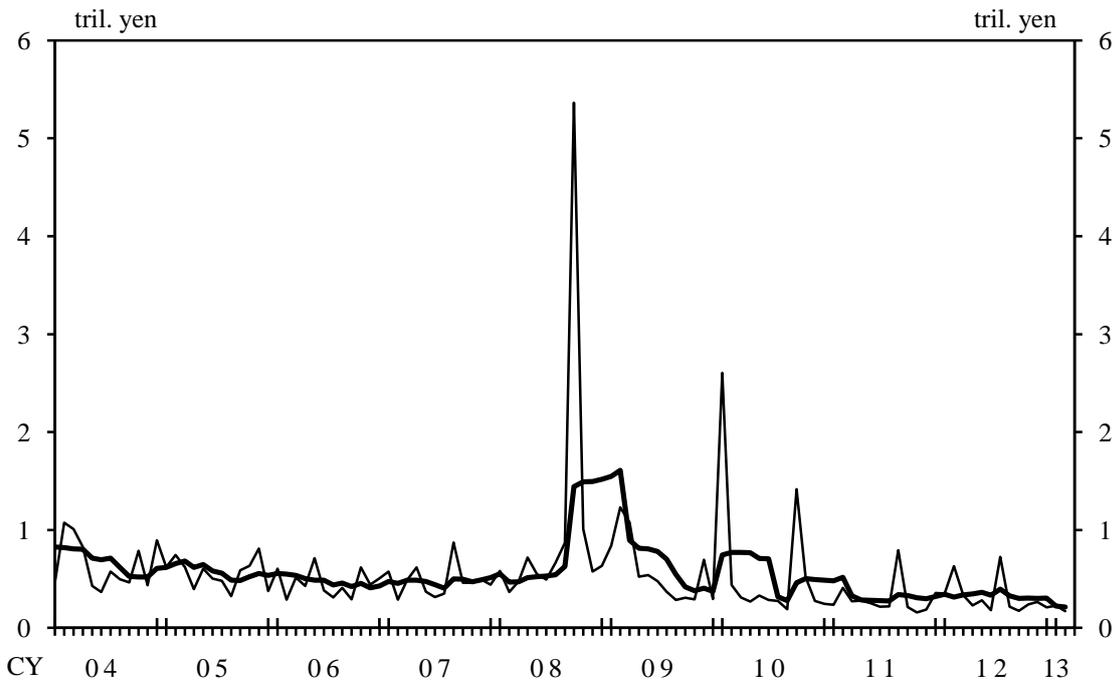
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities



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

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