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Bank of Japan

**Monthly Report of  
Recent Economic and Financial Developments  
March 2014**

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released on March 12, 2014)

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

March 2014

## Summary

Japan's economy has continued to recover moderately, and a front-loaded increase in demand prior to the consumption tax hike has recently been observed.

Overseas economies -- mainly advanced economies -- are starting to recover, although a lackluster performance is still seen in part. Exports have recently leveled off more or less. The pick-up in business fixed investment has become increasingly evident as corporate profits have improved. Public investment has continued to increase. With improvement in the employment and income situation, housing investment has continued to increase and private consumption has remained resilient; in these segments of the economy, the front-loaded increase in demand prior to the consumption tax hike has also been observed. Reflecting these developments in demand both at home and abroad, industrial production has been increasing at a somewhat accelerated pace.

With regard to the outlook, Japan's economy is expected to continue a moderate recovery as a trend, while it will be affected by the front-loaded increase and subsequent decline in demand prior to and after the consumption tax hike.

Exports are expected to increase moderately mainly against the background of the recovery in overseas economies. As for domestic demand, public investment is expected to trend upward for the time being and then become more or less flat at a high level. Business fixed investment is projected to follow a moderate increasing trend as corporate profits continue to improve. Private consumption and housing investment, albeit with some fluctuations, are expected to remain resilient as a trend, supported mainly by improvement in the employment and income situation. Under these circumstances, industrial production is expected to follow a moderate increasing trend.

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<sup>1</sup> This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on March 10 and 11, 2014.

Meanwhile, risks to the outlook include developments in the emerging and commodity-exporting economies, the prospects for the European debt problem, and the pace of recovery in the U.S. economy.

On the price front, domestic corporate goods prices are rising moderately relative to three months earlier, mainly against the backdrop of movements in international commodity prices and foreign exchange rates. The year-on-year rate of increase in consumer prices (all items less fresh food) is around 1¼ percent. Inflation expectations appear to be rising on the whole.

With regard to the outlook, excluding the direct effects of the consumption tax hike, domestic corporate goods prices are expected to continue rising moderately for the time being, and the year-on-year rate of increase in consumer prices is likely to be around 1¼ percent for some time.

Financial conditions are accommodative.

The monetary base has increased significantly as asset purchases by the Bank of Japan have progressed, and the year-on-year rate of growth has been at around 55 percent.

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 continued to be favorable. Firms' credit demand has been increasing moderately, 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 been at around 2.5 percent. The year-on-year rate of change in the amount outstanding of CP and corporate bonds has been positive. Firms have retained their recovered financial positions. Meanwhile, the year-on-year rate of growth in the money stock has been at around 4 percent.

The weighted average of the overnight call rate has been below the 0.1 percent level, and interest rates on term instruments have declined slightly. Compared with

last month, stock prices have risen. Meanwhile, the value of the yen against the U.S. dollar and long-term interest rates have remained at more or less the same levels as last month.

## 1. Economic Developments

Public investment has continued to increase. The amount of public construction completed—which reflects the progress of public works—continued to move upward in the fourth quarter last year, albeit at a somewhat subdued pace, after having registered quarter-on-quarter increases for seven quarters in a row until the third quarter (Chart 5). The value of public works contracted—a measure that reflects public orders—had continued to decline in both the third and fourth quarters, following the upsurge in the second quarter, but it rose again in January compared with the fourth quarter.

Public investment is expected to trend upward for the time being and then become more or less flat at a high level.

Real exports have recently leveled off more or less (Charts 6[1] and 7). Real exports fell in the third quarter last year, after having grown at an accelerated rate in the second quarter, but they rose again in the fourth quarter. They were then down somewhat significantly in January relative to the fourth quarter. Exports in January, however, may have fluctuated in response to the Lunar New Year holidays (in China and other countries), in light of the plunge in exports to East Asia including China. In addition, supply constraints—driven mainly by the front-loaded increase in demand prior to the consumption tax hike—may have dampened exports of some goods. Looking at movements in exports by region (Chart 7[1]), exports to the United States dropped marginally in both the third and fourth quarters following the upsurge in the second quarter, but they rose again, albeit marginally, in January compared with the fourth quarter. Although exports to the United States have recently been affected by temporary movements such as the decline in U.S. automobile sales due to the freezing weather, with the moderate recovery in the U.S. economy becoming widespread, exports have trended upward, particularly in motor vehicles and their related goods, assisted partly by movements in foreign exchange rates. Exports to the EU have been picking up as a whole; they have kept increasing since the third quarter, mainly in motor vehicles and their related goods, as well as capital goods and parts, after having bottomed toward the second quarter. Exports to China have picked up overall, as improvements continued to be observed in some capital goods, including semiconductor products machinery, and as motor vehicles and their related goods

have been recovering moderately against the backdrop of improved sales in China. Lately, exports to China in January declined markedly relative to the fourth quarter, but this may be affected by the aforementioned Lunar New Year holidays. On the other hand, exports to NIEs have shown mixed movements. Exports to ASEAN have continued to be somewhat sluggish on average, albeit with fluctuations. Meanwhile, exports to Others—which had been moving moderately upward during the first half of last year, supported by the effects of movements in foreign exchange rates—have been relatively weak since the middle of last year. By goods (Chart 7[2]), exports of motor vehicles and their related goods have declined on the whole since recent transitory factors such as the effects of the freezing weather in the United States, the Lunar New Year holidays including China, and furthermore, supply constraints driven by the upsurge in domestic sales have exerted downward pressure, amid the ongoing sluggishness in demand of some emerging economies. Nevertheless, they are considered to be trending upward, primarily due to the moderate recovery in the U.S. economy and to the effects of movements in foreign exchange rates. Exports of capital goods and parts have plunged recently as well; as a trend, however, they have picked up mildly, primarily in those of semiconductor products machinery bound for East Asia. Exports of IT-related goods (including visual and audio apparatus) have also plummeted lately; as a trend, however, they have stopped declining, mainly due to movements in parts for smartphone products. Meanwhile, exports of intermediate goods have been relatively weak, chiefly in those to NIEs and ASEAN, possibly due in part to the effects of supply constraints driven by the increase in domestic demand.

Real imports have continued to increase moderately against the backdrop of firm domestic demand, and the effects of the front-loaded increase in demand prior to the consumption tax hike have recently been observed (Charts 6[1] and 9). Real imports kept moving upward in both the third and fourth quarters last year on a quarter-on-quarter basis, after having stayed flat in the second quarter due in part to movements in foreign exchange rates. Imports in January grew significantly relative to the fourth quarter: this may have been affected by the front-loaded increase in demand prior to the consumption tax hike and to the ending of support for software (operating system) scheduled this coming spring. Looking at movements in imports by goods (Chart 9[2]), those of raw materials have become more or less flat on

average, although the underlying trend is difficult to read with the large fluctuations. Imports of IT-related goods have risen markedly, since imports of smartphones have tended to exert upward pressure and also since the effects of the front-loaded increase in demand prior to the ending of support for software have given additional impetus. Imports of consumer goods have been on an increasing trend, mainly in motor vehicles; those of capital goods and parts have picked up, mainly as a reflection of the progress in inventory adjustments and of developments in business fixed investment at home. Imports in January exhibited high growth for both of these goods and this is regarded to be partly due to the effects of the front-loaded increase in demand prior to the consumption tax hike.<sup>2</sup> Meanwhile, imports of intermediate goods (such as chemicals as well as iron and steel) have started to pick up as a whole in line with movements in domestic production, despite the restraints still in place caused by movements in foreign exchange rates.

Net exports—in terms of the real trade balance—have recently deteriorated, reflecting the aforementioned developments in exports and imports (Chart 6[1]). Looking at movements in the nominal current account surplus on a quarterly basis (Chart 6[2] and [3]), in the fourth quarter last year, the amount of current account surplus narrowed to around 0 percent since the nominal goods and services balance increased its volume of deficit from the previous term, as growth in imports outpaced that in exports, although the surplus of the primary income balance remained unchanged from the previous term.<sup>3</sup> Movements in January show that, despite being a single month's movement, the current account balance turned to a deficit because of a further increase in the volume of deficit of the nominal goods and services balance, due mainly to significant growth in imports, although the surplus of the primary income balance continued to be on par with the fourth quarter.

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<sup>2</sup> Some consumer goods, such as white goods, are included in capital goods and parts as well since it is difficult to categorize them separately.

<sup>3</sup> Effective from the January 2014 data released on March 10, the "Balance of Payments" has been revised in accordance with the sixth edition of the "Balance of Payments and International Investment Position Manual" published by the IMF. In line with this, "Primary income balance" and "Secondary income balance" have been renamed from "Income balance" and "Current transfers balance," respectively. Although figures were retroactively revised from the January 1996 data, the underlying trends in the current account balance, goods and services balance, and primary income balance have remained virtually unchanged.

Regarding the environment surrounding exports, overseas economies—mainly advanced economies—are starting to recover, although a lackluster performance is still seen in part (Chart 8[2]). Looking at movements by major region, the U.S. economy has been on a moderate recovery that has gradually become widespread, despite bits and pieces of somewhat weak indicators observed due to the freezing weather. The European economy has been picking up. The Chinese economy has continued to be stable, with somewhat lower growth compared to a while ago. Meanwhile, some emerging economies apart from China and commodity-exporting economies have kept showing somewhat sluggish movements. As for the exchange rate, the yen has depreciated against both the U.S. dollar and euro, albeit with fluctuations; in terms of the real effective exchange rate, the yen has depreciated slightly below the level around 2007 (Chart 8[1]).

Overseas economies, mainly advanced economies, are expected to recover moderately. The aforementioned movements in foreign exchange rates are also projected to continue exerting upward pressure on exports. By major region, the U.S. economy is expected to continue a moderate recovery, partly because downward pressure from the fiscal side is expected to continue to wane in light of forecasts that accommodative financial conditions will be maintained. On the other hand, the European economy is projected to continue picking up, but attention should still be paid to such issues as the outcome of its debt problem. As for the Chinese economy, in the manufacturing sector—which has a large influence on Japan’s economy—the problem of an overhang in the supply of raw materials and other goods has persisted. Growth in some emerging and commodity-exporting economies—which have shown relatively slack movements—is expected to lose pace for the time being, as these economies deal with structural issues, mainly in terms of fiscal balance and current accounts, although the improvement in advanced economies is projected to gradually seep through. In relation to this, as for the IT-related sector, with demand for parts for smartphone products on an uptrend, renewal demand for PCs has emerged in the corporate sector, triggered by the ending of support for software scheduled this coming spring. In this situation, orders received and production of electronic parts and semiconductor products machinery for Japanese firms appear to be picking up as a trend. Future developments, however, continue to require close monitoring, mainly since shipments for smartphones may fluctuate, depending on developments in

production and sales of new products. Meanwhile, the impact of the bilateral relationship between Japan and China on Japan's economy has continued to become less visible, mainly with the moderate recovery of exports to China in motor vehicles and their related goods. However, attention should be paid to whether these movements will continue, since lingering severity still partly exists.

Taking the above into consideration, exports are expected to increase moderately mainly against the background of the recovery in overseas economies. Imports are projected to increase moderately as a trend, amid firm domestic demand, while it will be affected by fluctuations mainly in private consumption as a result of the consumption tax hike. As a reflection of these developments in exports and imports, net exports are projected to improve moderately as a trend, albeit with fluctuations.

The pick-up in business fixed investment has become increasingly evident as corporate profits have improved. According to the *Financial Statements Statistics of Corporations by Industry, Quarterly*, business fixed investment in nominal terms fell marginally in the third and fourth quarters last year on a quarter-on-quarter basis, after having risen noticeably in the second quarter (Chart 10[1]). However, business fixed investment on a basis including software—where firms have recently stepped up their investment—showed firmer movements as it turned upward in the fourth quarter. By industry and company size on a basis excluding software, investment by large manufacturing firms was down for the seventh straight quarter since the second quarter of 2012 (Chart 11). Investment by medium-sized and small manufacturing firms dropped temporarily in the third quarter last year, after having increased in the second quarter, but bounced back up again in the fourth quarter. On the other hand, investment by large nonmanufacturing firms fell back in part for both the third and fourth quarters from the sizeable increase in the second quarter. Investment by medium-sized and small nonmanufacturing firms fell temporarily in the third quarter, after having risen in the second quarter, but rebounded in the fourth quarter. The aggregate supply of capital goods—a coincident indicator of machinery investment—on a basis excluding transport equipment was more or less flat in the second and third quarters last year, but it rose noticeably in the fourth quarter and exhibited high growth in January relative to the fourth quarter (Chart 12[1]). The

pick-up in overall aggregate supply of capital goods, including transport equipment, has become increasingly evident, albeit with monthly fluctuations. As for leading indicators, machinery orders (private sector, excluding orders for ships and those from electric power companies)—a leading indicator of machinery investment—continued to increase in both the third and fourth quarters last year, albeit with monthly fluctuations, after having turned upward in the second quarter for the first time in five quarters (Chart 13[1]). By industry, machinery orders of manufacturing have picked up. Those of nonmanufacturing (excluding orders for ships and those from electric power companies) have trended upward with the fluctuations smoothed out. Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—remained more or less flat, after having risen markedly toward the first quarter last year, but they have kept trending upward at a modest pace, as they rose in both the fourth quarter and January compared with the fourth quarter (Chart 13[2]). By industry, construction starts of mining and manufacturing have been more or less flat, while those of nonmanufacturing have continued to trend moderately upward, albeit with fluctuations.

Regarding the environment surrounding business fixed investment, corporate profits have continued to improve. According to the *Financial Statements Statistics of Corporations by Industry, Quarterly*, the ratio of current profits to sales recorded a historical high in the fourth quarter last year for all industries (Chart 10[2]). By industry and company size, the ratio of current profits have continued an improving trend regardless of industries and company sizes; the rate of improvement in the fourth quarter was especially evident for manufacturing firms. Corporate profits are projected to keep improving, supported by firm domestic demand as well as by the moderate rise in exports and movements in foreign exchange rates.

Taking the above into consideration, business fixed investment is projected to follow a moderate increasing trend as corporate profits continue to improve.

Private consumption has remained resilient, with improvement in the employment and income situation, and the front-loaded increase in demand prior to the consumption tax hike has been observed (Chart 14). Consumption of goods—as seen through sales at retail stores in real terms (Chart 15[1])—continued to increase in

both the fourth quarter last year on a quarter-on-quarter basis and January relative to the fourth quarter, after having declined in the third quarter. Looking at consumption of durable goods (Chart 15[2]), the number of new passenger-car registrations—which had been more or less level during the first half of last year—has turned upward since around last summer, supported by the effects of the introduction of new models; it has moved further upward in the past few months, albeit with some fluctuations. Sales of household electrical appliances in real terms have been steady as a whole, albeit with fluctuations, aided by sales of smartphones, tablet devices, and white goods installed with energy-saving devices. The front-loaded increase in demand prior to the consumption tax hike is likely to have added a certain impetus to these movements in durable consumer goods. Sales at department stores rose marginally again in the fourth quarter last year on a quarter-on-quarter basis, after having posted negative in the third quarter for the first time in four quarters with the subsequent plunge in July sales in place following the front-loading of summer sales (Chart 16[1]). Their sales continued to climb in January compared with the fourth quarter, due to favorable start-of-the-year sales and winter clearance sales at the start of the year aided mainly by the effects of increased winter bonus payments. On the other hand, sales at supermarkets—which had stopped declining since the second quarter last year—have fallen somewhat substantially in January of late. Meanwhile, sales at convenience stores have continued to trend moderately upward. As for consumption of services (Chart 16[2]), outlays for travel and sales in the food service industry have held 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 (Chart 15[1])—which is compiled so as to make it similar to items used for estimating GDP—continued to be somewhat sluggish from the second quarter through the fourth quarter last year, after having advanced significantly in the first quarter, mainly due to strong automobiles and services (culture & recreation); it was up significantly in January relative to the fourth quarter.<sup>4</sup> The total expenditure in the *Survey of Household Economy* (in real terms; two-or-more-person households)

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

inched upward in the fourth quarter last year, after having remained more or less flat until the third quarter; it registered somewhat high growth in January compared with the fourth quarter.

Indicators related to consumer confidence—which had continued an improving trend, albeit with fluctuations, after having risen at a rapid pace since the start of last year—have been relatively weak since October (Chart 17).

Private consumption is expected to remain resilient as a trend, supported mainly by improvement in the employment and income situation, albeit with some fluctuations caused by the effects of the front-loaded increase and subsequent decline in demand prior to and after the consumption tax hike.

Housing investment has continued to increase, and the effects of the front-loaded increase in demand prior to the consumption tax hike have become clearly visible. The number of housing starts—a leading indicator of housing investment—maintained a relatively high level in January alone, despite having fallen back slightly from the fourth quarter, after having increased its level to around the annualized 1 million unit level in the third quarter last year and then having inched further upward in the fourth quarter (on a seasonally adjusted, annual basis, it recorded approximately 978,000 units in the second quarter, approximately 999,000 units in the third quarter, approximately 1.026 million units in the fourth quarter, and approximately 987,000 units in January; Chart 18[1]).

Housing investment is expected to remain resilient as a trend, albeit with some fluctuations caused by the consumption tax hike.

Industrial production has been increasing at a somewhat accelerated pace, due in part to the effects of the front-loaded increase in demand prior to the consumption tax hike (Chart 19). Industrial production, on a quarterly basis, has kept increasing since the second quarter last year, after having turned marginally upward in the first quarter. Production in January this year increased at a somewhat accelerated pace relative to the fourth quarter, partly in response to the front-loaded increase in demand prior to the consumption tax hike. By industry, production of transport equipment

(such as passenger cars)—which had inched downward temporarily in the third quarter last year—increased again in the fourth quarter and grew at an accelerated pace in January compared with the fourth quarter. Production has shown considerably strong movements of late, mainly due to somewhat strong domestic sales supported in part by the effects of the introduction of new models as well as those of the front-loaded increase in demand prior to the consumption tax hike. Production of iron and steel and of chemicals has also held steady, against the backdrop of the increase in domestic production of motor vehicles and firm demand with ties to construction. Production of general-purpose, production and business oriented machinery has picked up noticeably as a reflection of developments in business fixed investment at home and abroad, and it has recently gathered momentum. Production of other electrical machinery (electrical machinery; information and communication electronics equipment) has continued to increase across a wide range of items, including white goods and some capital goods such as electronic computers. Production such as of ceramics, stone and clay products and of fabricated metals has been solid, albeit with fluctuations, as a reflection of firm demand with ties to construction. Meanwhile, production of electronic parts and devices has recently remained more or less flat, after having fallen back in the fourth quarter, since shipments for new smartphone products came to a halt, although parts for smartphone and tablet products produced in Asia have held steady as a trend.

Shipments have also recently increased at an accelerated pace (Chart 19[1]). Looking at the trend in shipments by goods (Chart 20), producer goods have been on a mild uptrend, chiefly in shipments for motor vehicles (such as motor vehicle parts, iron and steel, and chemicals). Shipments of construction goods have kept trending moderately upward in response to movements in public and housing investments. The pick-up in shipments of capital goods has become evident. Growth in shipments of durable consumer goods has accelerated, notably in motor vehicles. Meanwhile, shipments of non-durable consumer goods have continued to be more or less flat as a whole.

Inventories have declined again, after having ceased to decline temporarily toward early fall last year (Chart 19[1]). Inventories—which posted marginal increases at the end of June last year relative to the end of March and at the end of

September compared with the end of June—bottomed out, as production and shipments enter a recovery phase. Nevertheless, inventories declined at the end of December relative to the end of September and also at the end of January compared with the end of December, as the front-loaded increase in demand prior to the consumption tax hike has recently been observed. By industry, inventories of iron and steel and of chemicals as well as ceramics, stone and clay products have declined, amid a pick-up in shipments. Inventories of transport equipment have remained at a considerably lower level compared to a while ago, after having declined somewhat significantly at the end of last year. Meanwhile, inventories of general-purpose, production and business oriented machinery—which had continued to trend downward after having been at relatively high levels a while ago—have leveled off lately. Inventories of electronic parts and devices have been more or less flat. As for the shipment-inventory balance (year-on-year rate of change in shipments less that in inventories), growth in shipments has clearly outpaced that in inventories; the shipment-inventory balance has improved further of late (Chart 21[2]). By goods, the shipment-inventory balance has improved noticeably for all goods, regardless of classification.

Industrial production is expected to follow a moderate increasing trend, mainly as a reflection of developments in demand at home and abroad, albeit with some fluctuations caused by the effects of the consumption tax hike. Based on anecdotes by firms and other information, in the first quarter, electronic parts and devices are projected to remain relatively weak, with shipments for new products having come to a halt. A wide range of industries, however, including transport equipment, general-purpose, production and business oriented machinery, electrical machinery, and information and communication electronics equipment are projected to continue to increase their production as domestic and overseas demand continues to recover moderately. The effects of the consumption tax hike are expected to exert upward pressure on production, not only in transport equipment, electrical machinery, and information and communication electronics equipment, but also in chemicals and foods, with the front-loaded increase in demand prior to the consumption tax hike projected to gather momentum. As a result, industrial production in the first quarter as a whole is projected to exhibit somewhat high growth. As for the second quarter, notwithstanding great uncertainty, while production of a few industries including

general-purpose, production and business oriented machinery is projected to increase amid the ongoing recovery trend in domestic and overseas demand, production in the aforementioned wide range of industries is projected to turn downward due to the subsequent decline in demand following the front-loaded increase. Therefore, it is considered that industrial production in the second quarter will fall back as a whole.

As for the employment and income situation, supply and demand conditions in the labor market have continued to improve steadily, and employee income has picked up moderately.

As for supply and demand conditions in the labor market, the unemployment rate has been on a moderate improving trend on average; its readings in December last year and in January this year were 3.7 percent, marking a low last observed in December 2007 (Chart 22). New job openings have trended upward. The active job openings-to-applicants ratio has also continued its moderate improving trend; it kept improving to 1.03 in December last year and to 1.04 in January, after having stood at 1.01 in November, recovering to the 1.00-2.00 level for the first time since October 2007. Non-scheduled hours worked have picked up markedly in manufacturing, while nonmanufacturing has been resilient.

In terms of employment, the year-on-year rate of increase in the number of employees in the *Labour Force Survey* has expanded on average, despite large monthly fluctuations, mainly as a reflection of movements in nonmanufacturing (Chart 24[1]). The year-on-year rate of increase in the number of regular employees in the *Monthly Labour Survey* has expanded mildly as a whole, since manufacturing has declined at a somewhat reduced rate, while nonmanufacturing has risen at a moderately accelerated pace.

Total cash earnings per employee have generally bottomed out as a whole, albeit with fluctuations (Chart 24[2]). Hourly cash earnings of overall employees have turned to improve moderately as a whole, albeit with fluctuations, as non-scheduled cash earnings and special cash earnings have increased (Chart 23[1]). Taking a closer look, as a reflection of movements in nonmanufacturing, monthly cash earnings of full-time employees per employee have increased marginally, and

hourly cash earnings of part-time employees have continued their year-on-year increases, albeit at a very mild pace (Chart 23[2]). The year-on-year rate of change in scheduled cash earnings, however, has still been slightly negative on average, with the uptrend in the ratio of part-time employees having exerted downward pressure and due in part to the effects of the reduced number of hours worked of part-time employees (Chart 23[3]). On the other hand, the year-on-year rate of increase in non-scheduled cash earnings has registered a distinct positive, as a reflection of movements in the number of hours worked. Meanwhile, winter bonuses (special cash earnings in November-January; preliminary figures) stood at positive 1.1 percent on a year-on-year basis and continued to increase markedly following that of summer bonuses (a year-on-year increase of 1.3 percent for the June-August period).

Employee income has picked up moderately, as it has recently continued to register year-on-year increases, as a reflection of the aforementioned developments in employment and wages (Chart 24[3]).

As for the outlook regarding employee income, a pick-up is expected to become more evident in line with the recovery in economic activity and business performance.

## **2. Prices**

International commodity prices have been more or less flat (Chart 26[1] and [3]). Prices of crude oil—which had lowered their levels slightly, mainly since anxiety over supply against the backdrop of the situation in the Middle East was reduced to some degree at the end of last year—have inched upward since the beginning of March, due to heightened uncertainty about the situation over Ukraine. Prices of grains have increased since the beginning of March in response to the situation over Ukraine, after having bottomed out due to the freezing weather in the United States, following the decline mainly due to a bountiful harvest forecast on a global basis. Prices of nonferrous metals have recently been somewhat sluggish as uncertainty about emerging economies has been perceived, after having stayed generally flat.

The three-month rate of change in import prices (on a yen basis) inched upward again toward the start of this year, as a reflection of movements in foreign exchange rates, after having been more or less flat since the middle of last year (Chart 26[2]).

Domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter) are rising moderately relative to three months earlier, mainly against the backdrop of movements in international commodity prices and foreign exchange rates (Chart 27[2]).<sup>5</sup> Prices have kept rising moderately relative to three months earlier; they stood at positive 0.4 percent in January, after having registered positive 0.3 percent in November last year and positive 0.4 percent in December. Looking in detail at domestic corporate goods price movements in January, prices of "goods sensitive to exchange rates and overseas commodity prices" continued to increase at a somewhat accelerated pace, as a reflection of movements in foreign exchange rates. Prices of "iron & steel and construction goods" continued to move marginally upward and those of "Other materials" remained relatively strong. These movements in prices associated with materials were affected by increases in costs of raw materials imports and in prices of import-competing products, as a reflection of movements in foreign exchange rates, as demand related to construction and motor vehicles remains firm. In contrast, prices of "electric power, gas & water" continued to fall, following the previous month, as downward pressure was brought on by previous movements in international commodity prices and in foreign exchange rates through the fuel cost adjustment system.<sup>6</sup>

The year-on-year rate of change in corporate services prices (excluding international transportation; year-on-year basis, same hereafter) has been at around 0.5 percent (Chart 28). As for developments on a year-on-year basis, the pace of increase has accelerated and is recently moving at around 0.5 percent (positive 0.4 percent in the fourth quarter and positive 0.5 percent in January), after having turned

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<sup>5</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.

<sup>6</sup> Under the fuel cost adjustment system, electricity prices reflect fuel costs of three to five months earlier.

upward in August last year, a year-on-year positive last recorded in May 2012. Looking in detail at recent corporate services price movements, the year-on-year rate of change in prices related to "selling, general and administrative expenses" has faced downward pressure lately from the fluctuations in information services; as a trend, however, it has become slightly positive overall since advertising services have moved upward, primarily in response to the recovery in firms' attitudes toward advertisement placements and also since price increases have continued to take place in other items, mainly as a reflection of the recovery in corporate profits, while hotel services have been firm. The rate of change in prices related to "real estate" has posted a slight positive as a whole, as office space rental has tended to bottom out. Prices related to "fixed investment" have continued to register a year-on-year positive amid firm demand with ties to construction; prices of "others" have marked their rate of increase somewhat significantly, buoyed by the effects of the rise in finance and insurance as a result of increased property and casualty insurance services, as plant engineering continues to mark a year-on-year positive. Meanwhile, the year-on-year rate of change in "IT-related" prices has remained negative, albeit marginally, reflecting movements of prices for leasing.

The year-on-year rate of increase in consumer prices (all items less fresh food; year-on-year basis, same hereafter) is around 1¼ percent (Chart 29[1]). On a year-on-year basis, consumer prices—which had moved in the range of positive 0.7-0.8 percent in the third quarter last year—have been around 1¼ percent since November, after having expanding their rate of increase to positive 0.9 percent in October (positive 1.2 percent in November, positive 1.3 percent in December, and positive 1.3 percent in January, the highest level since positive 1.9 percent in October 2008). Those on a basis that excludes food and energy have continued an improving trend, after having turned upward on a year-on-year basis to positive 0.3 percent in October; they have recently been moving around 0.75 percent with readings of positive 0.6 percent in November and positive 0.7 percent in both December and January. Regarded as a method for capturing trend changes, the year-on-year rate of change in the trimmed mean has continued to be on a rising trend, albeit mildly (Chart

30[2]).<sup>7</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 30[1]).<sup>8</sup>

Looking at recent year-on-year movements in consumer prices, fees for public services have continued to grow at generally the same rate, after having increased at an accelerated pace in October last year due mainly to increased charges for accident insurance. Prices for goods (excluding agricultural, aquatic & livestock products) have accelerated their pace of increase gradually. Taking a closer look at goods prices, although the positive contribution from petroleum products has weakened slightly compared to a while ago mainly in response to the previous year's movement, other goods (such as handbags [imported]) have posted a clear positive and food products and durable goods have accelerated their pace of increase, as movements to pass on cost increases in the form of higher prices have continued to be observed in a wide range of items, primarily as a reflection of movements in foreign exchange rates. Meanwhile, prices of general services have registered a slight positive as a whole, since prices of eating out have expanded their rate of increase mildly, and also since prices of other services have risen at an accelerated pace, albeit with fluctuations, chiefly in package tours to overseas and hotel charges, although prices of rent—which comprise a large weight—have continued to be somewhat sluggish.

With regard to the outlook, excluding the direct effects of the consumption tax hike, domestic corporate goods prices are expected to continue rising moderately for the time being, and the year-on-year rate of increase in consumer prices is likely to be around 1¼ percent for some time.<sup>9</sup>

Meanwhile, inflation expectations appear to be rising on the whole (Chart 31).

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<sup>7</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>8</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.

<sup>9</sup> See BOX for the direct effects of the consumption tax hike on price indices.

### **3. Financial Developments**

#### **(1) Corporate Finance and Monetary Aggregates**

The monetary base (average amounts outstanding) has increased significantly as asset purchases by the Bank of Japan have progressed, and the year-on-year rate of growth has been at around 55 percent (Chart 32).

Firms' funding costs have been hovering at low levels. Issuance rates on CP and those on corporate bonds have been at low levels. The average contract interest rates on new loans and discounts have also been low (Chart 34).

With regard to credit supply, firms have continued to see financial institutions' lending attitudes as being on an improving trend (Chart 33). Issuing conditions for CP and corporate bonds have continued to be favorable. 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 been at around 2.5 percent, mainly in demand for working capital and funds related to mergers and acquisitions (Chart 35). The year-on-year rate of change in the amount outstanding of CP and corporate bonds has been positive (Chart 36).

Firms have retained their recovered financial positions (Chart 33). The number of corporate bankruptcies has remained at a low level (Chart 38).

Meanwhile, the year-on-year rate of growth in the money stock (M2) has been at around 4 percent. Its February reading was 4.0 percent on a year-on-year basis, following 4.3 percent in January (Chart 37).<sup>10</sup>

#### **(2) Financial Markets**

In Japan's money markets, interest rates have been stable at low levels, including those for longer term rates. 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 declining slightly. The Euroyen interest rate

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<sup>10</sup> On an M3 basis, which includes the Japan Post Bank, the year-on-year rate of growth has been at around 3 percent; its February reading was 3.2 percent, following 3.5 percent in January. The year-on-year rate of growth in broadly-defined liquidity (L) has recently been at around 4 percent; it increased by 4.0 percent in February, following an increase of 4.4 percent in January.

(3-month) has fallen very marginally. Interest rates on Euroyen futures have been virtually level (Chart 39). In U.S. dollar funding, the LIBOR-OIS spread for the dollar has basically been flat (Chart 40).

Yields on 10-year government bonds (newly issued 10-year JGB) have virtually been flat, partly since U.S. long-term interest rates have been more or less level; they are currently moving in the range of 0.60-0.65 percent (Chart 41).

Yield spreads between corporate bonds and government bonds have been narrowing very moderately on the whole, despite a widening in some corporate bond spreads (Chart 42).

Stock prices temporarily moved upward, but have since fluctuated mainly in line with the situation in Ukraine. The Nikkei 225 Stock Average is currently moving in the range of 15,000-15,500 yen (Chart 43).

In the foreign exchange market, the yen appreciated slightly against the U.S. dollar reflecting uncertainty about the situation in Ukraine, but has since depreciated against the U.S. dollar partly due to stronger-than-projected U.S. employment statistics; the yen is currently moving in the range of 103-104 yen against the U.S. dollar. The yen's exchange rate has depreciated against the euro, mainly due to expectations for an improvement in the European economy; the yen is currently moving in the range of 143-144 yen against the euro (Chart 44).

### **Box: The Direct Effects of the Consumption Tax Hike on Price Indices**

The Bank of Japan will examine the trend of price developments from April 2014 onward on a basis excluding the direct effects of the consumption tax hike. Therefore, from the April data, price movements with the effects of the consumption tax hike adjusted are scheduled to be indicated in the *Monthly Report of Recent Economic and Financial Developments* and in other material. Specifically, as for the *Domestic Corporate Goods Price Index* and the *Corporate Services Price Index*, their reference indices—which have been released on a basis excluding the consumption tax—will be used. As for the *Consumer Price Index* (CPI), the direct effects of the tax hike are computed and then these effects are subtracted from the released year-on-year rate of change.

A calculation shows that the year-on-year rate of change in the CPI (all items less fresh food) will be pushed up by about 2.0 percentage points by mechanical computation on the assumption that the tax hike in April (up to 8 percent from the current 5 percent) will be fully passed on to all current taxable items (BOX Chart [1]). The effect is smaller than the 3-percent hike of the tax rate because the weights of items that are not affected directly by the tax hike—primarily general services and fees for public services, including rent, school fees, and medical treatment—comprise up to nearly 30 percent of all items (BOX Chart [2]).

Due to institutional and other factors, however, there are items that require some time for the effects of the consumption tax hike to be actually reflected to the CPI. It is indicated that,<sup>11</sup> as for selected items including electricity and gas (the weights of these items comprise about 10 percent of all items less fresh food), which are subject to transitional measures in such cases as when charges for March are included in the fee calculation under the Consumption Tax Act, the same measures will also be reflected in the CPI (BOX Chart [3]). In April, right after the rate of consumption tax is changed, it is considered appropriate to adjust this treatment in the calculation;<sup>12</sup> a calculation shows that the impact on the

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<sup>11</sup> For details, see "Q&A about the Consumer Price Index ("Consumer Tax" section)" on the Statistics Bureau website (Ministry of Internal Affairs and Communications; updated on February 28, 2014).

<sup>12</sup> In the adjustment, the Q&A of the Ministry of Internal Affairs and Communications in the aforementioned footnote is referred; for water charges, sewerage charges and charges for treatment of human waste in addition to electricity, gas (manufactured and piped), liquefied propane, telephone charges, it is assumed that the tax rate of 5 percent is applied. Furthermore, as for mobile telephone charges, which are also subject to transitional measures except for some

year-on-year rate of change in the all items (less fresh food) index will be 0.3 percentage points smaller than the above calculated 2.0 percentage points obtained on the assumption that the effects are fully passed on, thereby pushing the rate up by about 1.7 percentage points with the change in the consumption tax rate (BOX Chart [1]).<sup>13</sup>

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communications businesses as mentioned in the above Q&A, calculations are made on the assumption that the prior tax rate of 5 percent is applied to half of overall charges in April (while the new tax rate of 8 percent is applied to the other half). Aside from this, the index for airplane fares is also subject to transitional measures in the process of composition but the adjustment is excluded here since details are unclear.

<sup>13</sup> As a reflection of the differences in the weights of the composite items, calculations show that the year-on-year rate of increase in the Ku-area of Tokyo will be pushed up by about 1.9 percentage points when the effects are fully passed on, while it will be pushed up by about 1.7 percentage points in April (BOX Chart [1]).

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## Main Economic Indicators (1)

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

	2013/Q2	Q3	Q4	2013/Nov.	Dec.	2014/Jan.	Feb.
Index of consumption expenditure level (two-or-more-person households)	-1.7	-0.2	-0.1	-0.8	0.5	1.7	n.a.
Sales at department stores	1.1	-2.2	0.8	2.8	-0.4	p 1.0	n.a.
Sales at supermarkets	0.3	0.2	0.5	0.3	0.6	p -4.9	n.a.
New passenger-car registrations <sup>3</sup> <s.a., ann. 10,000 units>	< 282>	< 284>	< 309>	< 307>	< 320>	< 356>	< 326>
Sales of household electrical appliances (real, "Current Survey of Commerce")	-2.7	-2.5	4.4	-1.6	-6.4	p 6.9	n.a.
Outlays for travel	-0.1	-0.1	3.0	0.3	2.0	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	< 98>	< 100>	< 103>	< 104>	< 105>	< 99>	<n.a.>
Machinery orders <sup>4</sup> (Private sector, exc. volatile orders)	6.8	4.3	1.5	9.3	-15.7	n.a.	n.a.
Manufacturing	5.6	9.8	0.6	6.0	-17.3	n.a.	n.a.
Nonmanufacturing <sup>4</sup> (exc. volatile orders)	12.5	-4.1	7.5	8.1	-17.2	n.a.	n.a.
Construction starts (private, nondwelling use)	-3.2	-0.5	2.9	-2.1	0.1	5.0	n.a.
Mining & manufacturing	-9.9	8.9	3.1	1.9	48.5	-14.3	n.a.
Nonmanufacturing <sup>5</sup>	1.5	-1.3	0.6	-4.3	-9.8	11.6	n.a.
Value of public works contracted	28.6	-3.0	-12.4	0.6	3.9	17.8	n.a.
Real exports	3.5	-1.1	1.1	0.0	-0.8	-2.3	n.a.
Real imports	-0.0	2.6	1.5	1.3	-1.2	6.6	n.a.
Industrial production	1.5	1.7	1.8	-0.1	0.9	p 4.0	n.a.
Shipments	-1.9	0.6	3.5	0.0	0.8	p 5.1	n.a.
Inventories	0.4	1.2	-2.5	-1.8	-0.5	p -0.9	n.a.
Inventory ratio <s.a., CY 2010 = 100>	< 111.0>	< 110.1>	< 104.6>	< 104.7>	< 104.6>	<p 98.7>	<n.a.>
Real GDP	1.0	0.2	0.2	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	1.0	0.6	0.2	0.4	-0.1	n.a.	n.a.

## Main Economic Indicators (2)

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

	2013/Q2	Q3	Q4	2013/Nov.	Dec.	2014/Jan.	Feb.
Active job openings-to-applicants ratio <s.a., times>	< 0.90>	< 0.95>	< 1.01>	< 1.01>	< 1.03>	< 1.04>	<n.a.>
Unemployment rate <s.a., %>	< 4.0>	< 4.0>	< 3.9>	< 3.9>	< 3.7>	< 3.7>	<n.a.>
Non-scheduled hours worked <sup>6</sup>	1.0	4.0	6.0	6.7	5.6	p 7.0	n.a.
Number of employees	0.9	0.9	1.2	1.1	1.7	0.8	n.a.
Number of regular employees <sup>6</sup>	0.7	0.9	1.1	1.2	1.1	p 1.3	n.a.
Nominal wages per person <sup>6</sup>	0.3	-0.4	0.4	0.6	0.5	p -0.2	n.a.
Domestic corporate goods price index <q/q % chg., 3-month rate of change> <sup>7</sup>	0.7 < 0.7>	2.2 < 0.6>	2.5 < 0.4>	2.6 < 0.3>	2.5 < 0.4>	p 2.4 <p 0.4>	n.a. <n.a.>
Consumer price index <sup>8</sup>	0.0	0.7	1.1	1.2	1.3	1.3	n.a.
Corporate services price index <sup>9</sup>	-0.2	0.0	0.4	0.6	0.4	p 0.5	n.a.
Money stock (M2) <average outstanding, y/y % chg.>	3.5	3.8	4.2	4.4	4.3	4.3	p 4.0
Number of corporate bankruptcies <cases per month>	<947>	<888>	<857>	<862>	<750>	<864>	<782>

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

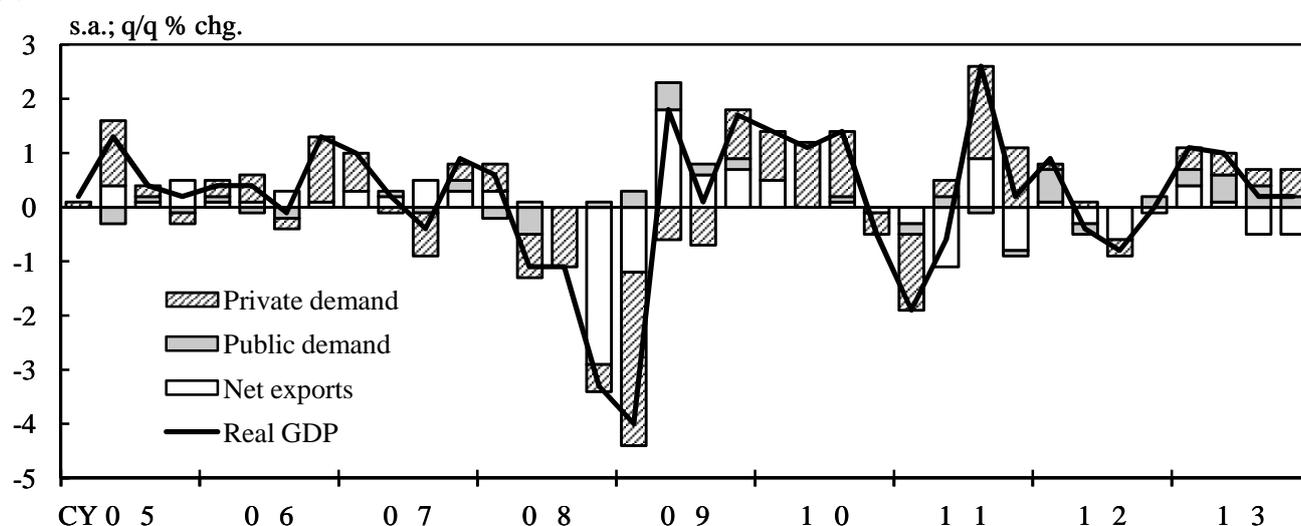
All figures in Chart 2 except figures in angle brackets are year-on-year changes. For details on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes of respective charts.

- Figures with "p" indicate preliminary data.
- Excludes small cars with engine sizes of 660 cc or less.
- Volatile orders: Orders for ships and those from electric power companies.
- Nonmanufacturing is mainly composed of commerce, services, agriculture & fisheries, and public utilities industries.
- Data for establishments with at least five regular employees.
- Adjusted to exclude a hike in electric power charges during the summer season.
- All items, less fresh food.
- Excludes international transportation.

Sources: Ministry of Internal Affairs and Communications, "Labour Force Survey,"  
 "Monthly Report on the Family Income and Expenditure Survey," "Consumer Price Index";  
 Ministry of Economy, Trade and Industry, "Current Survey of Commerce," "Indices of Industrial Production,"  
 "Indices of All Industry Activity";  
 Japan Automobile Dealers Association, "Domestic Sales of Automobiles";  
 Japan Tourism Agency, "Major Travel Agents' Revenue";  
 Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts";  
 Ministry of Finance, "Trade Statistics";  
 Cabinet Office, "Orders Received for Machinery," "National Accounts";  
 East Japan Construction Surety etc., "Public Works Prepayment Surety Statistics";  
 Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey";  
 Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index," "Money Stock";  
 Tokyo Shoko Research Ltd., "Tosan Geppo (Monthly review of corporate bankruptcies)."

## Real GDP and Indexes of Business Conditions

## (1) Real GDP



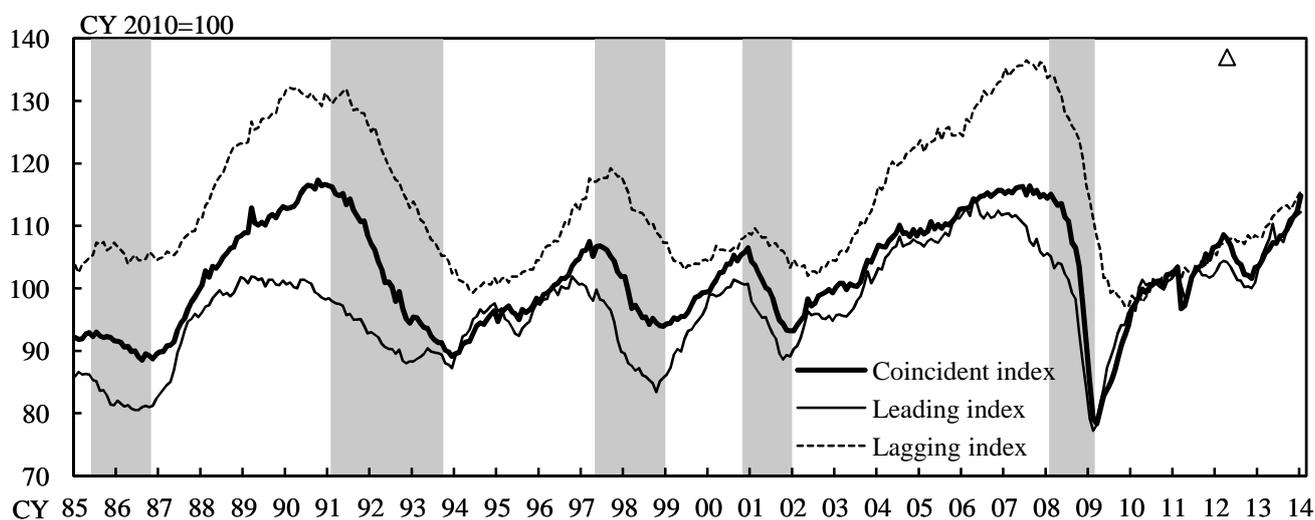
## (2) Components

s.a.; q/q % chg.

	2012	2013			
	Q4	Q1	Q2	Q3	Q4
Real GDP	0.0	1.1	1.0	0.2	0.2
[Annual rate]	[0.1]	[4.5]	[4.1]	[0.9]	[0.7]
Domestic demand	0.2	0.7	0.9	0.7	0.7
Private demand	0.0	0.4	0.4	0.3	0.5
Private consumption	0.3	0.6	0.4	0.1	0.2
Non-Resi. investment	-0.1	-0.1	0.1	0.0	0.1
Residential investment	0.1	0.1	0.0	0.1	0.1
Private inventory	-0.2	-0.1	-0.2	0.1	0.0
Public demand	0.2	0.3	0.5	0.4	0.2
Public investment	0.0	0.1	0.3	0.3	0.1
Net exports of goods and services	-0.1	0.4	0.1	-0.5	-0.5
Exports	-0.4	0.6	0.4	-0.1	0.1
Imports	0.3	-0.2	-0.3	-0.4	-0.6
Nominal GDP	0.1	0.7	1.0	0.1	0.3

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

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

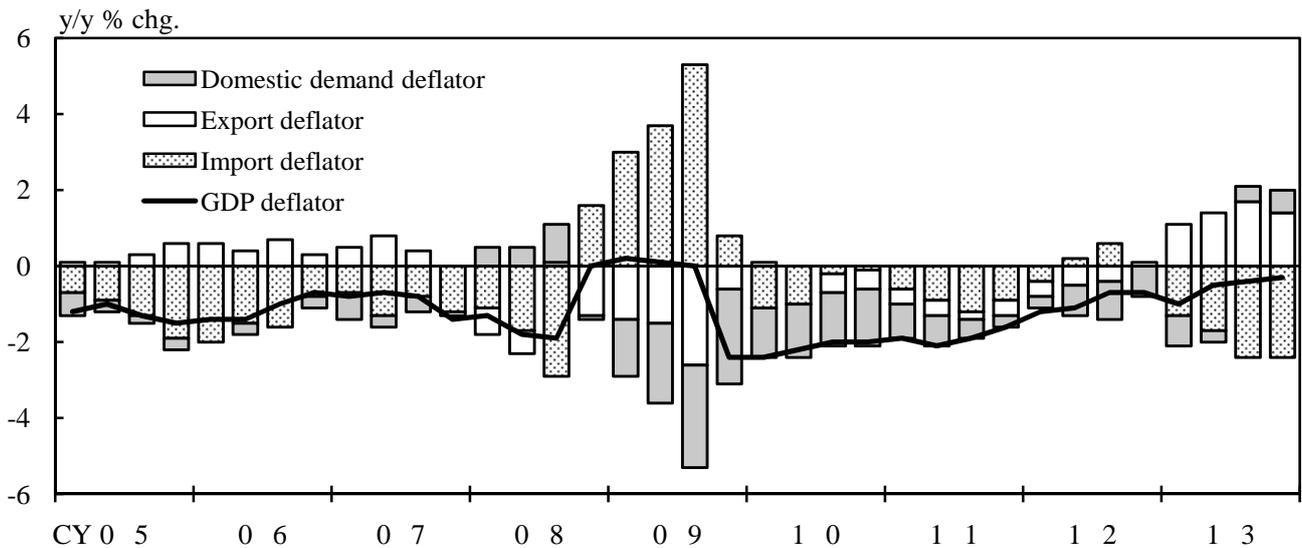


Note: Shaded areas indicate recession periods. Triangle shows the latest peak.

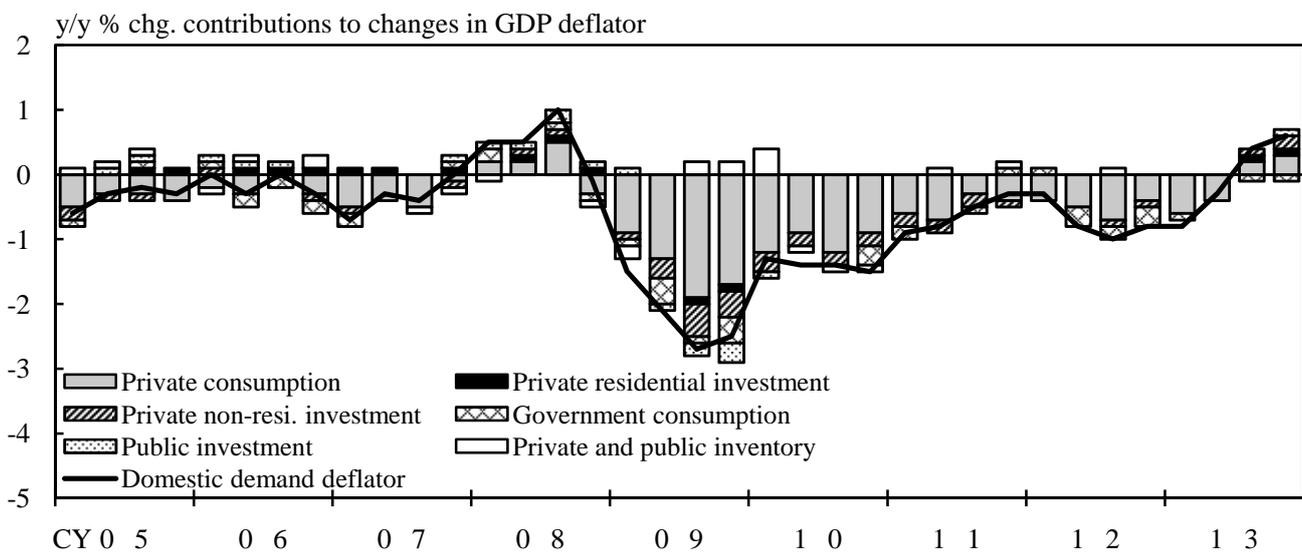
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

GDP Deflator and Income Formation

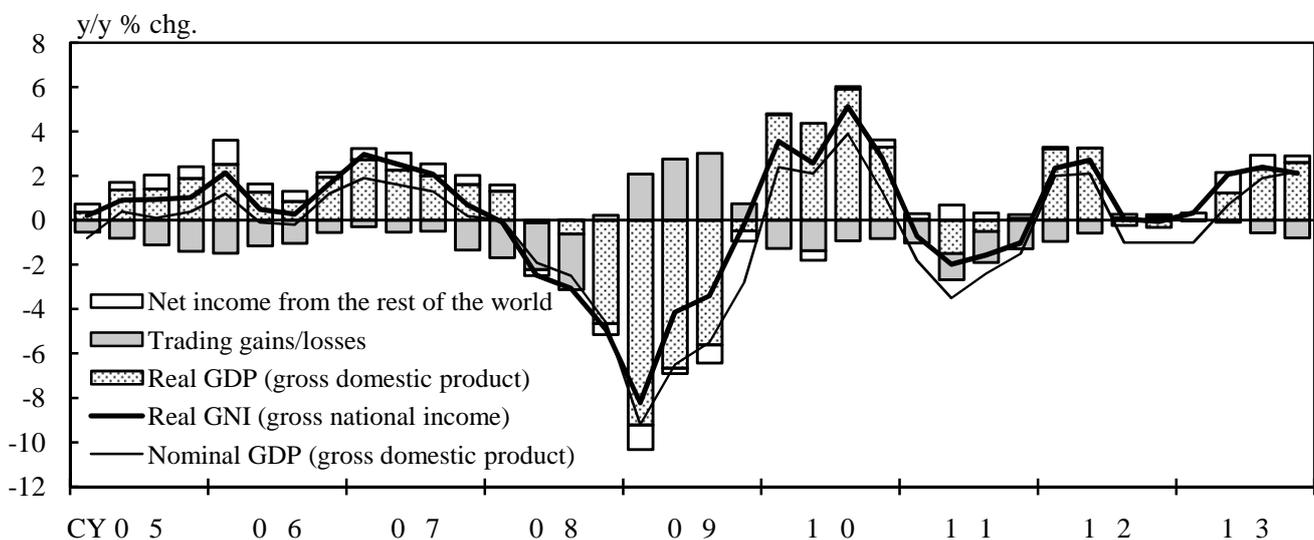
(1) GDP Deflator



(2) Domestic Demand Deflator



(3) Aggregate Income Formation



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

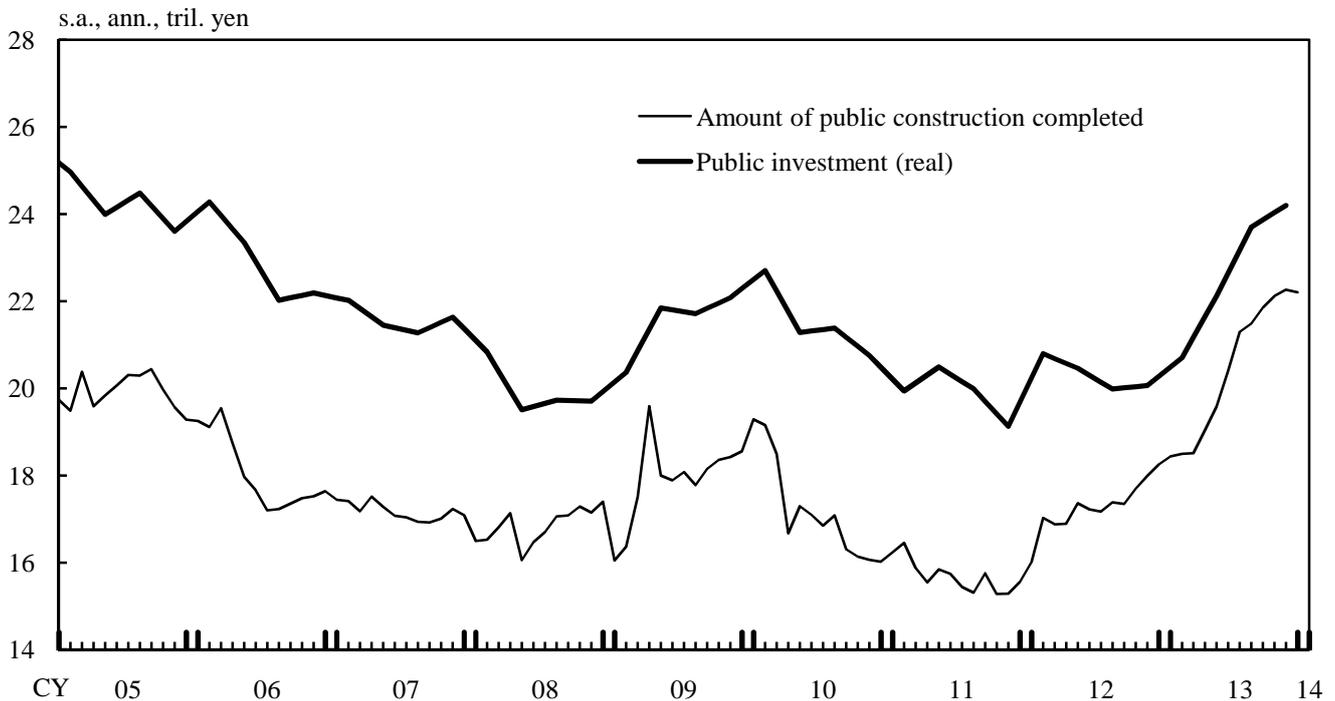
2. Real GNI = real GDP + trading gains/losses + net income from the rest of the world

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

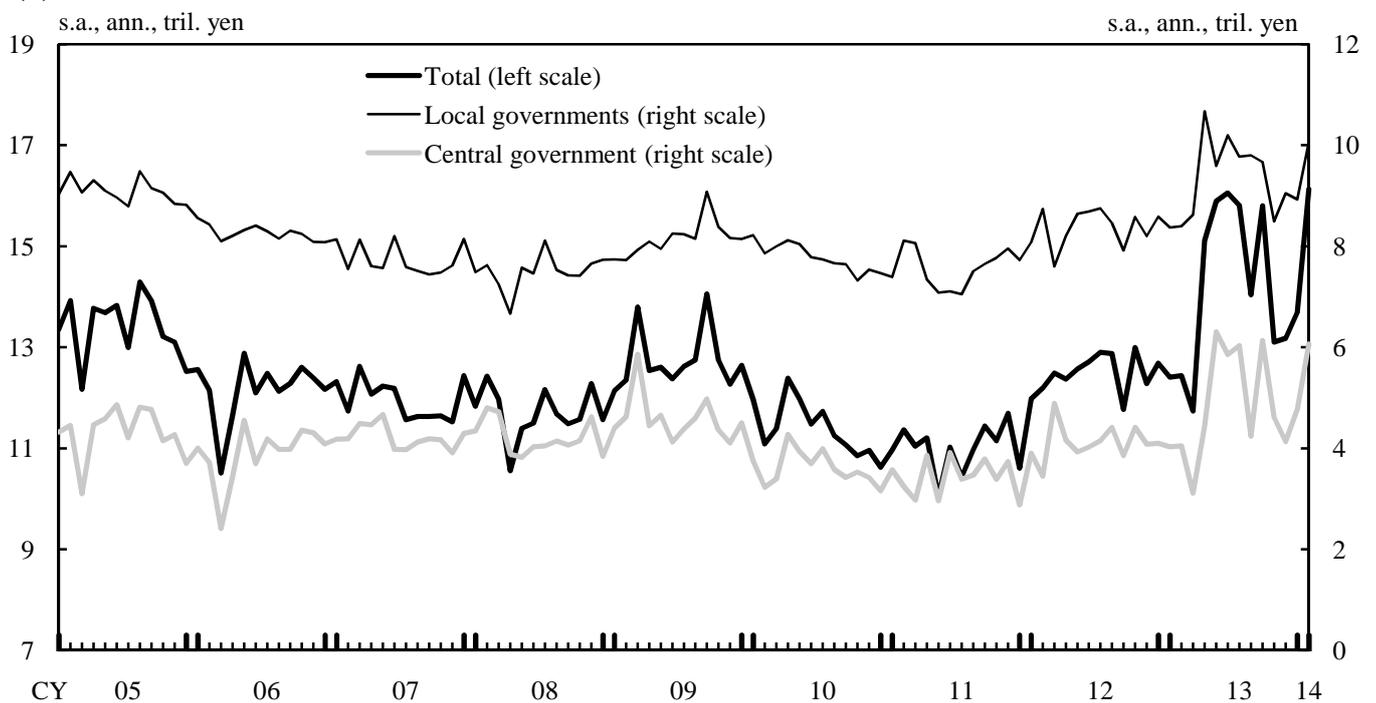
Source: Cabinet Office, "National Accounts."

## 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.

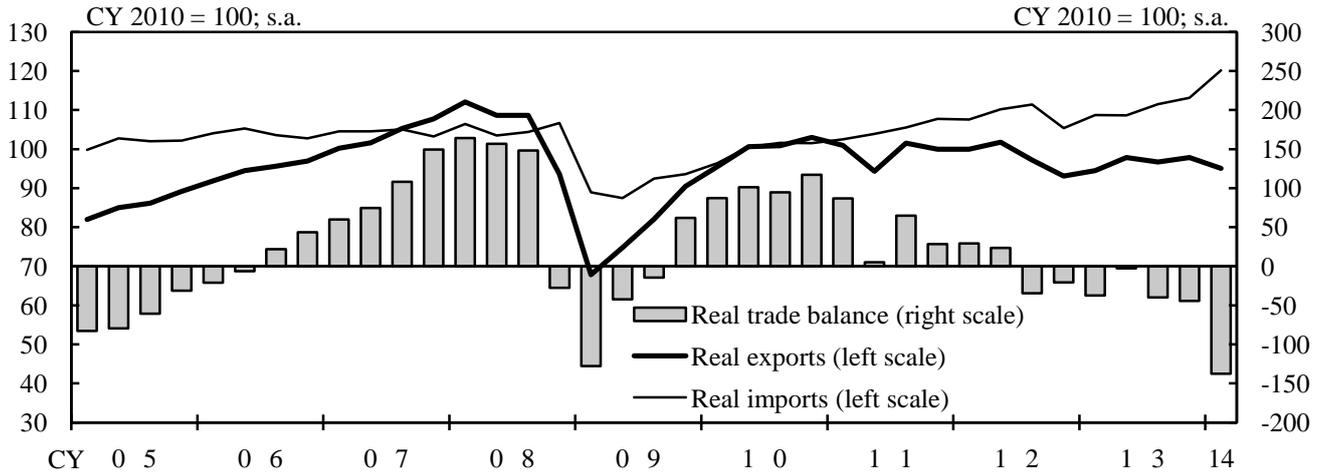
Sources: Cabinet Office, "National Accounts";

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

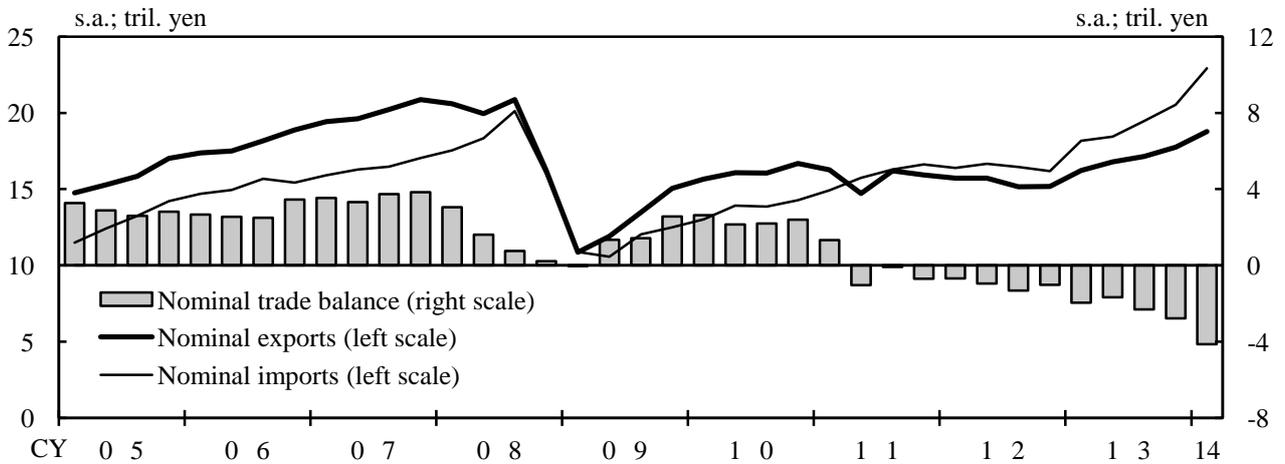
Ministry of Land, Infrastructure, Transport and Tourism, "Integrated Statistics on Construction Works."

External Balance <sup>1</sup>

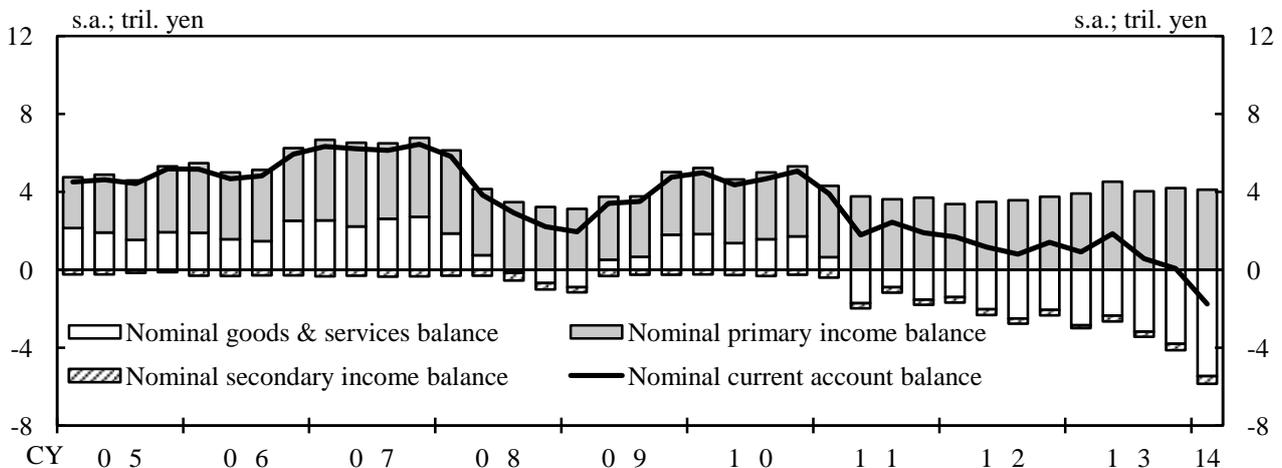
(1) Real Exports, Real Imports, and Real Trade Balance <sup>2</sup>



(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. 2014/Q1 figures are January figures converted into quarterly amount.  
 2. Real exports/imports are the value of exports and imports in the "Trade Statistics" deflated by the "Export and Import Price Index." "Real trade balance" is defined as real exports minus real imports.  
 3. Figures are based on the "Balance of Payments." The "Balance of Payments" has been revised in accordance with the sixth edition of the "Balance of Payments and International Investment Position Manual" published by the IMF. "Primary income balance" and "Secondary income balance" are renamed from "Income balance" and "Current transfers balance," respectively.  
 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 2012	2013	2013		2014		2013		2014	
				Q1	Q2	Q3	Q4	Q1	Nov.	Dec.	Jan.
United States	<18.5>	13.0	2.8	2.2	7.5	-1.4	-1.4	1.8	-1.7	-2.5	4.1
EU	<10.0>	-13.0	-3.6	-0.4	0.4	7.9	1.2	3.7	-4.9	9.2	-0.4
East Asia	<50.9>	-2.6	-2.9	-1.1	3.8	-2.1	2.8	-6.0	4.8	-1.5	-6.5
China	<18.1>	-8.1	-1.6	-0.7	7.0	2.2	5.8	-9.1	8.3	0.5	-11.7
NIEs	<21.9>	-4.7	-0.9	-0.3	4.2	-4.1	1.0	-4.6	3.2	-3.7	-3.1
Korea	<7.9>	-3.5	0.5	1.0	2.0	-0.4	-4.3	-4.1	-4.5	0.2	-2.7
Taiwan	<5.8>	-6.0	-1.5	2.4	-1.2	-6.8	6.2	-0.2	8.9	1.3	-3.8
Hong Kong	<5.2>	-0.7	-1.3	-5.0	9.8	-0.6	-4.0	-10.1	7.7	-6.8	-8.0
Singapore	<2.9>	-11.6	-2.7	0.5	13.8	-14.4	15.3	-1.5	12.8	-20.2	10.4
ASEAN4 <sup>3</sup>	<10.9>	12.5	-8.5	-3.1	-1.6	-4.9	1.0	-3.3	1.9	-0.5	-3.6
Thailand	<5.0>	19.3	-9.2	-5.9	0.7	-7.7	-4.6	-0.5	4.7	-1.9	-0.7
Others	<20.6>	1.7	-5.0	3.6	1.0	-1.8	-3.0	-1.1	-4.1	-3.1	2.4
Real exports		-1.0	-1.8	1.5	3.5	-1.1	1.1	-2.8	0.0	-0.8	-2.3

## (2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.				s.a.; m/m % chg.			
		CY 2012	2013	2013		2014		2013		2014	
				Q1	Q2	Q3	Q4	Q1	Nov.	Dec.	Jan.
Intermediate goods	<21.1>	-0.7	1.2	1.8	1.8	-0.1	-0.7	0.5	2.8	0.6	-0.8
Motor vehicles and their related goods	<23.9>	7.7	-1.4	0.6	6.0	3.1	-0.0	-7.4	-2.0	-4.0	-4.1
IT-related goods <sup>4</sup>	<10.6>	3.6	-7.2	-6.4	0.8	0.2	2.9	-5.6	0.0	5.4	-8.8
Capital goods and parts <sup>5</sup>	<27.5>	-4.0	-5.8	1.2	0.3	1.0	1.9	-5.4	0.8	1.7	-6.7
Real exports		-1.0	-1.8	1.5	3.5	-1.1	1.1	-2.8	0.0	-0.8	-2.3

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2014/Q1 figures are January figures converted into quarterly amount.

2. Shares of each region and goods in 2013 are shown in angle brackets.

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

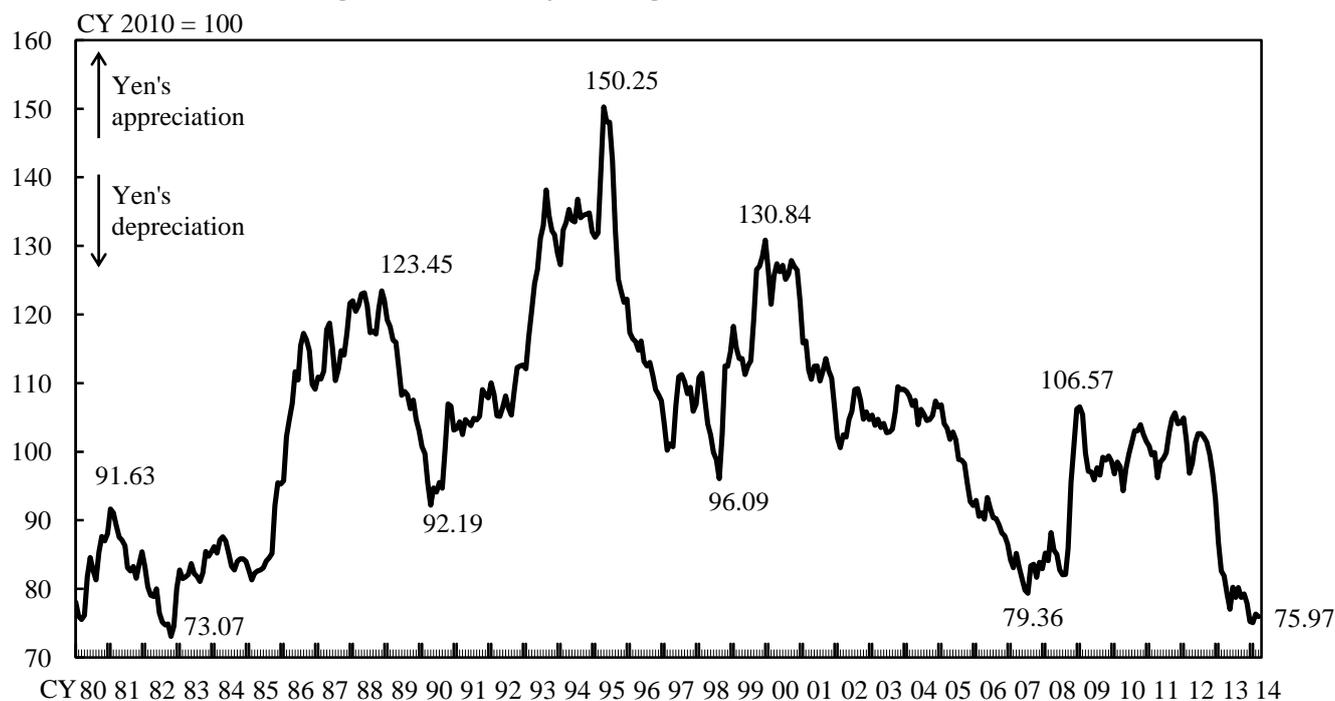
4. IT-related goods are composed of computers and units, telecommunication machinery, ICs, visual apparatus, audio apparatus, and medical and optical instruments.

5. 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 February and March (up to March 7) 2014 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.

	CY2011	2012	2013	2013 Q1	Q2	Q3	Q4
United States <sup>1</sup>	1.8	2.8	1.9	1.1	2.5	4.1	2.4
European Union <sup>2</sup>	1.7	-0.4	0.1	-0.2	1.6	1.2	1.7
Germany <sup>1</sup>	3.3	0.7	0.4	0.0	2.9	1.3	1.5
France <sup>1</sup>	2.0	0.0	0.3	-0.2	2.3	-0.2	1.2
United Kingdom <sup>1</sup>	1.1	0.3	1.8	1.6	3.0	3.4	2.9
East Asia <sup>3</sup>	5.9	4.9	4.9	2.3	5.8	5.5	5.9
China <sup>1</sup>	9.3	7.7	7.7	6.1	7.4	9.1	7.4
NIEs <sup>1,3</sup>	4.4	1.7	2.8	1.3	5.3	2.3	5.2
ASEAN4 <sup>1,3,4</sup>	3.0	6.3	4.4	-1.6	4.1	5.8	4.9
Main economies <sup>3</sup>	4.5	3.7	3.6	1.7	4.5	4.6	4.6

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 a member country 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 2012	2013	2013 Q1	Q2	Q3	Q4	2014 Q1	2013 Nov.	Dec.	2014 Jan.
United States	<8.4>	3.8	-2.1	-0.1	2.5	4.4	-0.7	11.8	16.0	-17.5	21.5
EU	<9.4>	4.0	0.8	-1.7	-0.7	5.3	-0.6	0.5	-1.2	9.2	-4.7
East Asia	<40.8>	3.9	2.6	3.1	-2.0	3.6	3.8	8.6	3.4	-1.1	8.2
China	<21.7>	5.1	5.4	3.9	-1.8	5.2	3.6	11.3	5.0	0.1	9.5
NIEs	<8.2>	5.0	-0.2	1.2	-5.9	7.1	1.8	9.6	-4.3	-0.6	11.7
Korea	<4.3>	4.3	-4.7	2.8	-10.0	6.8	2.5	6.1	-3.2	-2.0	8.7
Taiwan	<2.8>	7.2	8.5	-1.0	5.0	4.5	0.6	11.8	-0.4	-5.4	16.2
Hong Kong	<0.2>	-2.5	9.3	8.3	-10.2	12.1	21.0	-5.7	12.3	35.9	-24.8
Singapore	<0.9>	3.0	-6.8	-0.8	-16.3	14.8	1.5	26.2	-10.7	6.4	25.8
ASEAN4 <sup>3</sup>	<10.8>	0.5	-1.0	2.8	0.9	-2.9	5.9	1.2	6.6	-4.5	2.2
Thailand	<2.6>	-0.9	1.6	3.6	0.9	-2.4	3.5	8.8	-0.7	-1.0	9.8
Others	<41.5>	4.7	0.4	7.7	1.0	0.1	-0.7	2.9	-0.1	1.8	1.7
Real imports		4.2	1.0	3.2	-0.0	2.6	1.5	6.2	1.3	-1.2	6.6

## (2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.				s.a.; m/m % chg.			
		CY 2012	2013	2013 Q1	Q2	Q3	Q4	2014 Q1	2013 Nov.	Dec.	2014 Jan.
Raw materials <sup>4</sup>	<40.4>	4.5	-1.8	9.8	-1.6	-0.3	-0.6	3.1	2.6	-2.0	3.6
Intermediate goods	<12.9>	-2.7	-2.8	-1.5	-2.6	3.7	0.9	5.2	-2.5	6.4	1.8
Foodstuffs	<8.0>	-0.7	-3.5	3.3	-6.0	4.7	-1.7	5.5	-1.1	4.5	2.9
Consumer goods <sup>5</sup>	<7.8>	4.5	4.1	2.0	3.0	2.7	0.4	5.7	-2.2	2.4	4.8
IT-related goods <sup>6</sup>	<12.6>	9.0	13.1	3.6	1.1	4.9	6.1	11.1	4.6	-5.3	13.5
Capital goods and parts <sup>7</sup>	<11.4>	10.4	4.8	0.7	4.5	5.8	3.0	12.0	11.9	-5.5	12.1
Excluding aircraft	<10.5>	7.0	5.4	-0.1	4.7	5.0	2.6	11.2	3.0	2.8	8.2
Real imports		4.2	1.0	3.2	-0.0	2.6	1.5	6.2	1.3	-1.2	6.6

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2014/Q1 figures are January figures converted into quarterly amount.

2. Shares of each region and goods in 2013 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.

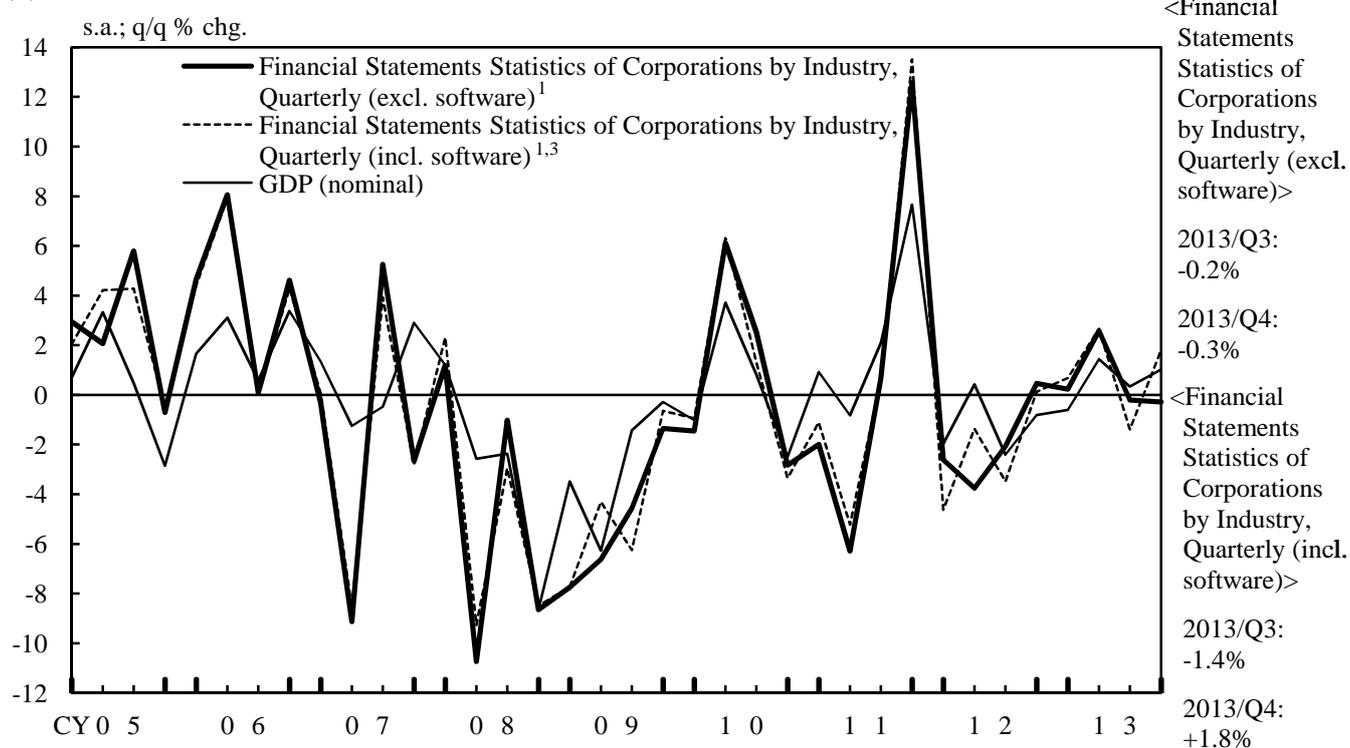
5. Excludes foodstuffs.

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

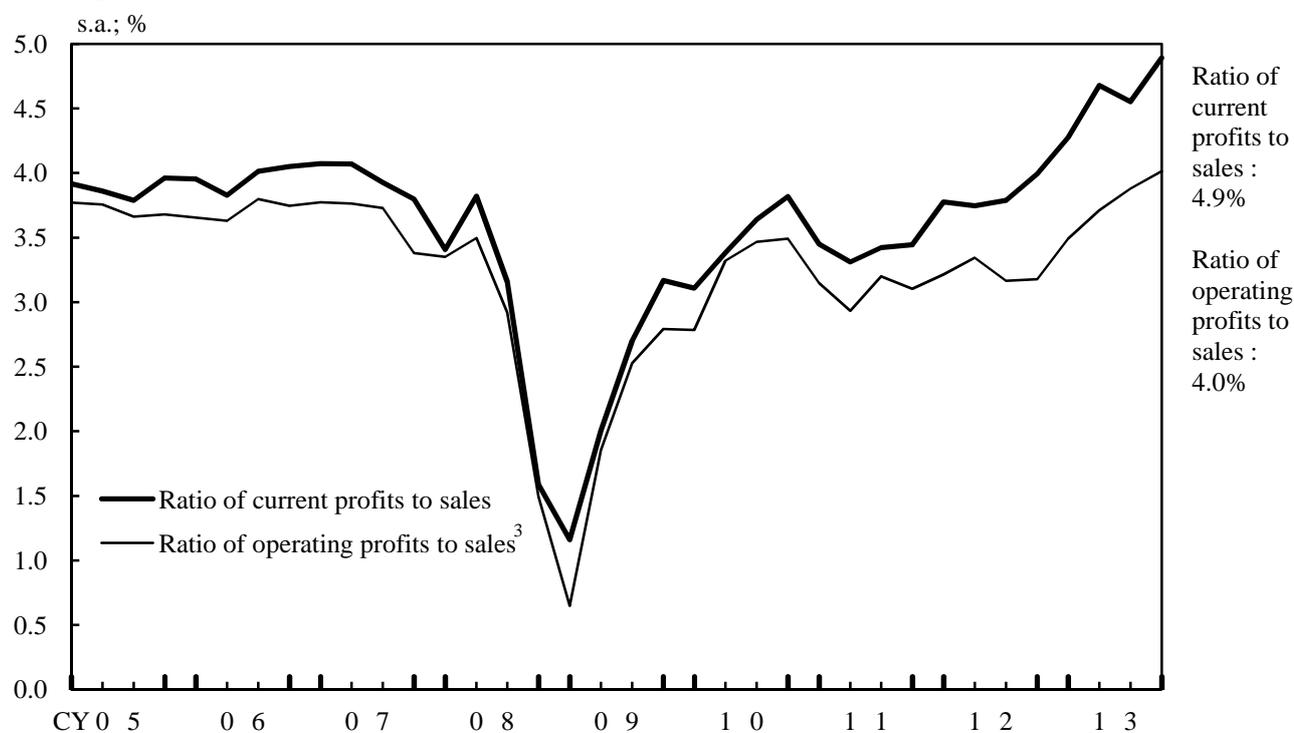
7. Excludes IT-related goods.

Business Fixed Investment and Corporate Profits

(1) Business Fixed Investment



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



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

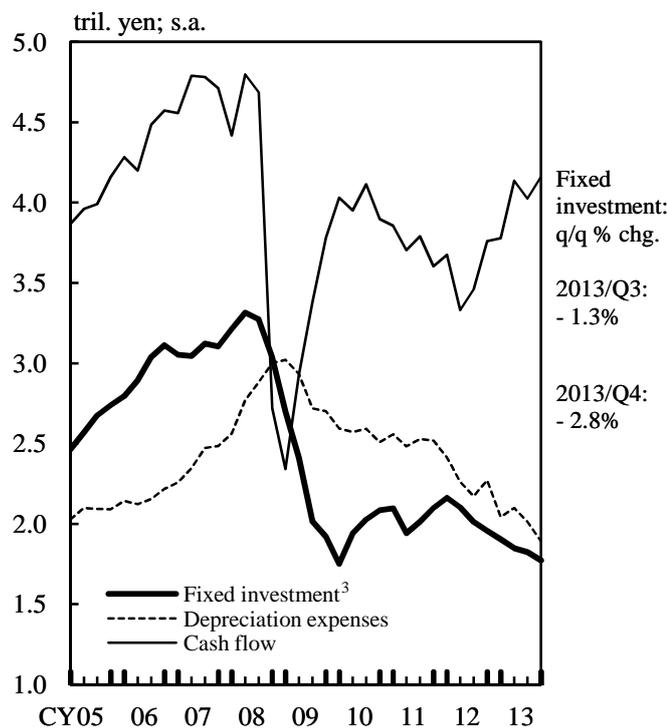
2. Based on the "Financial Statements Statistics of Corporations by Industry, Quarterly."

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

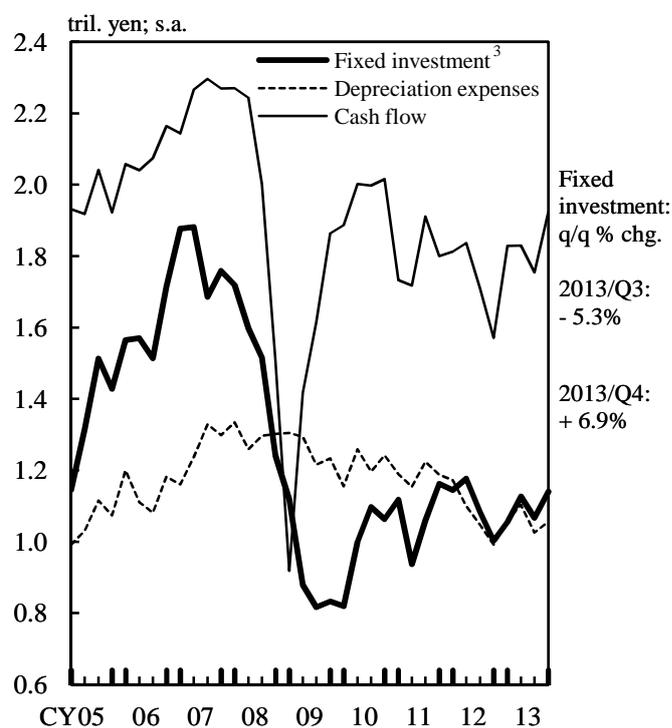
Sources: Cabinet Office, "National Accounts"; Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

## Business Fixed Investment by Industry and Size

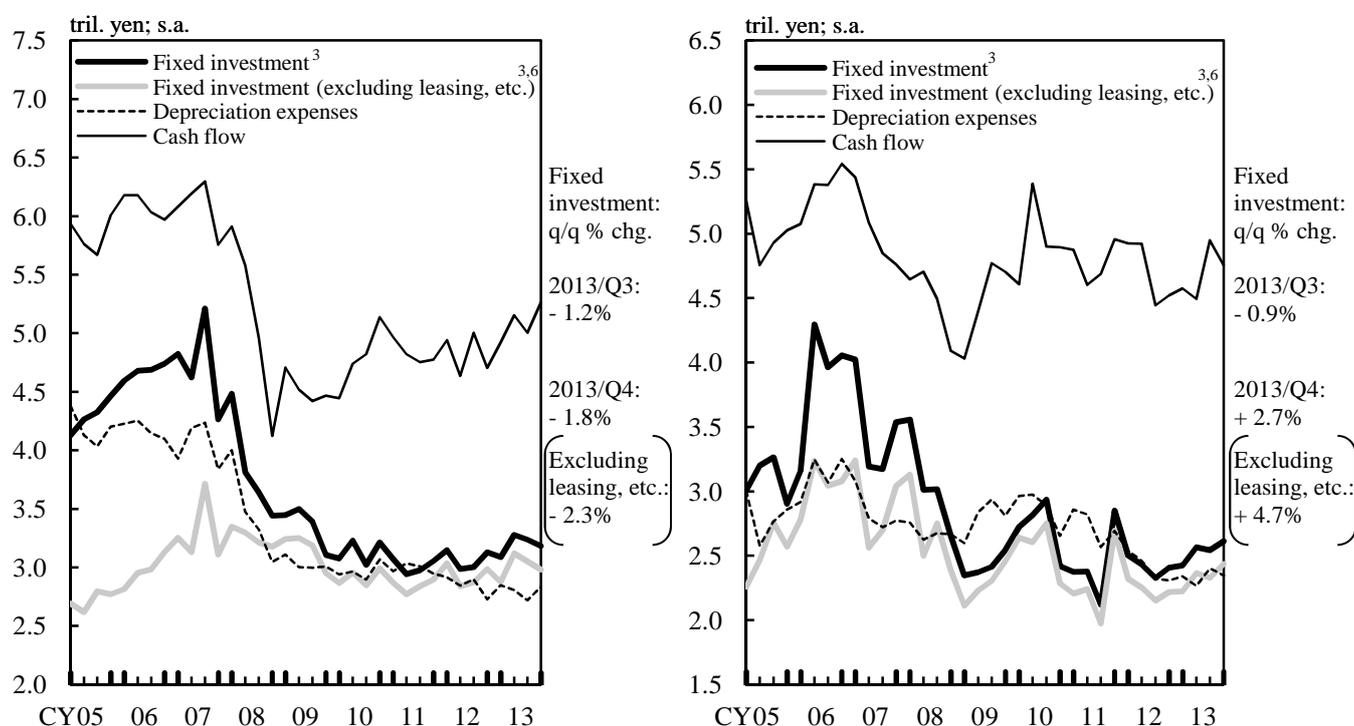
(1) Large Manufacturing Firms



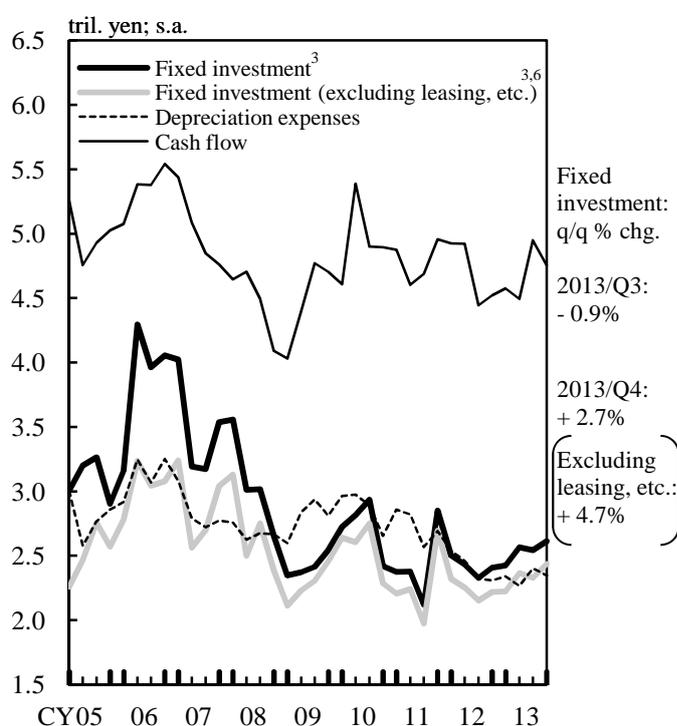
(2) Medium-Sized and Small Manufacturing Firms



(3) Large Nonmanufacturing Firms



(4) Medium-Sized and Small Nonmanufacturing Firms



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

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

3. Excluding software investment.

4. Seasonally adjusted by X-12-ARIMA.

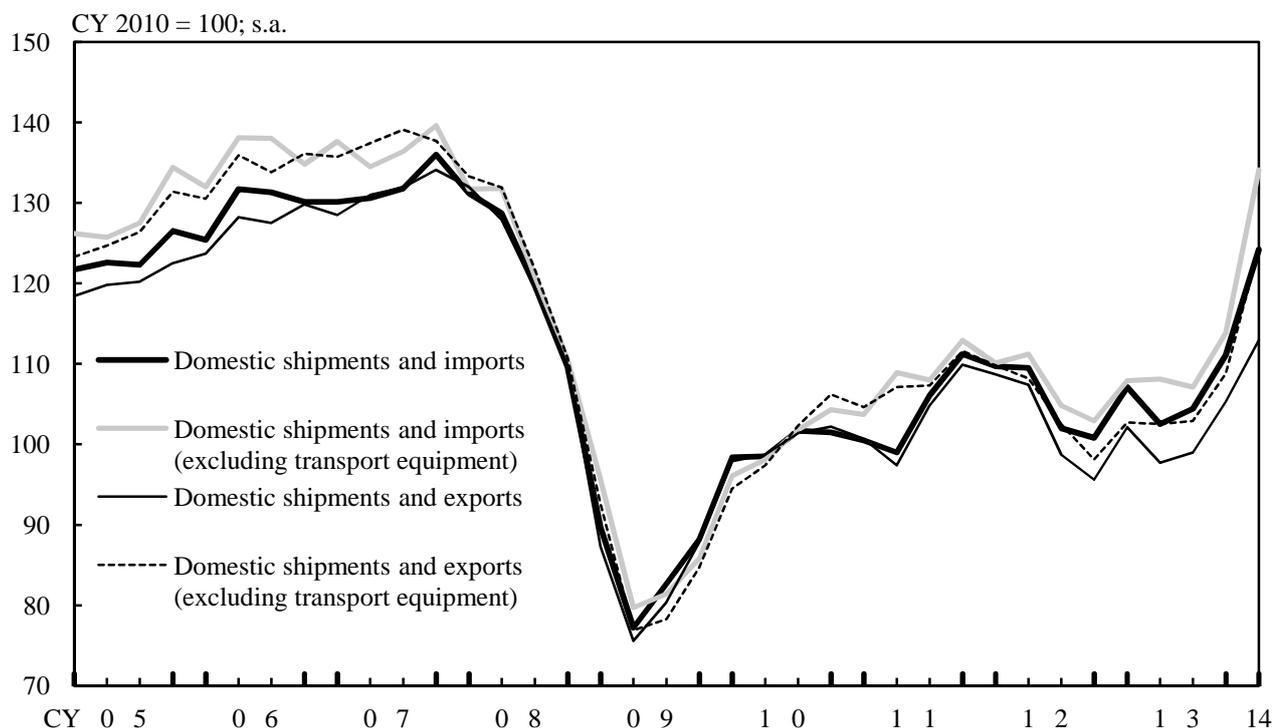
5. Excluding "Finance and Insurance."

6. Excluding "Goods rental and Leasing."

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

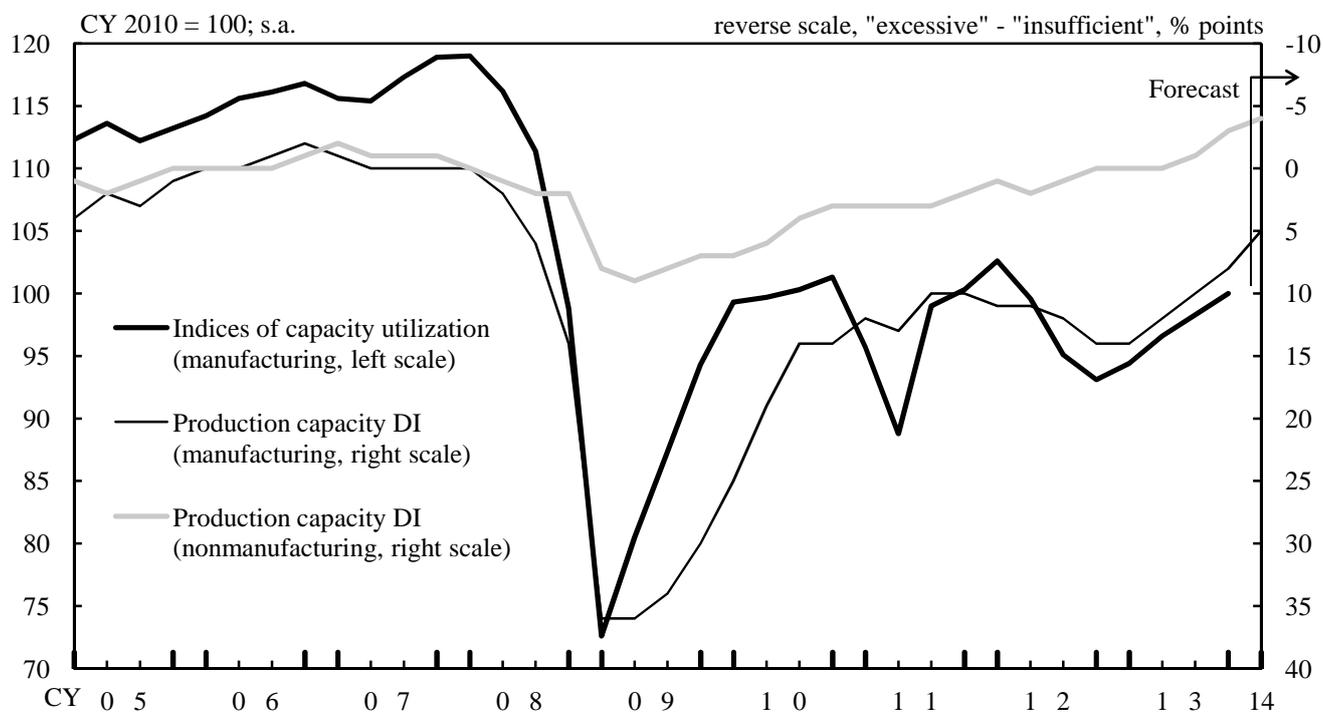
## Coincident Indicators of Business Fixed Investment

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



Note: Figures for 2014/Q1 are those of January.

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

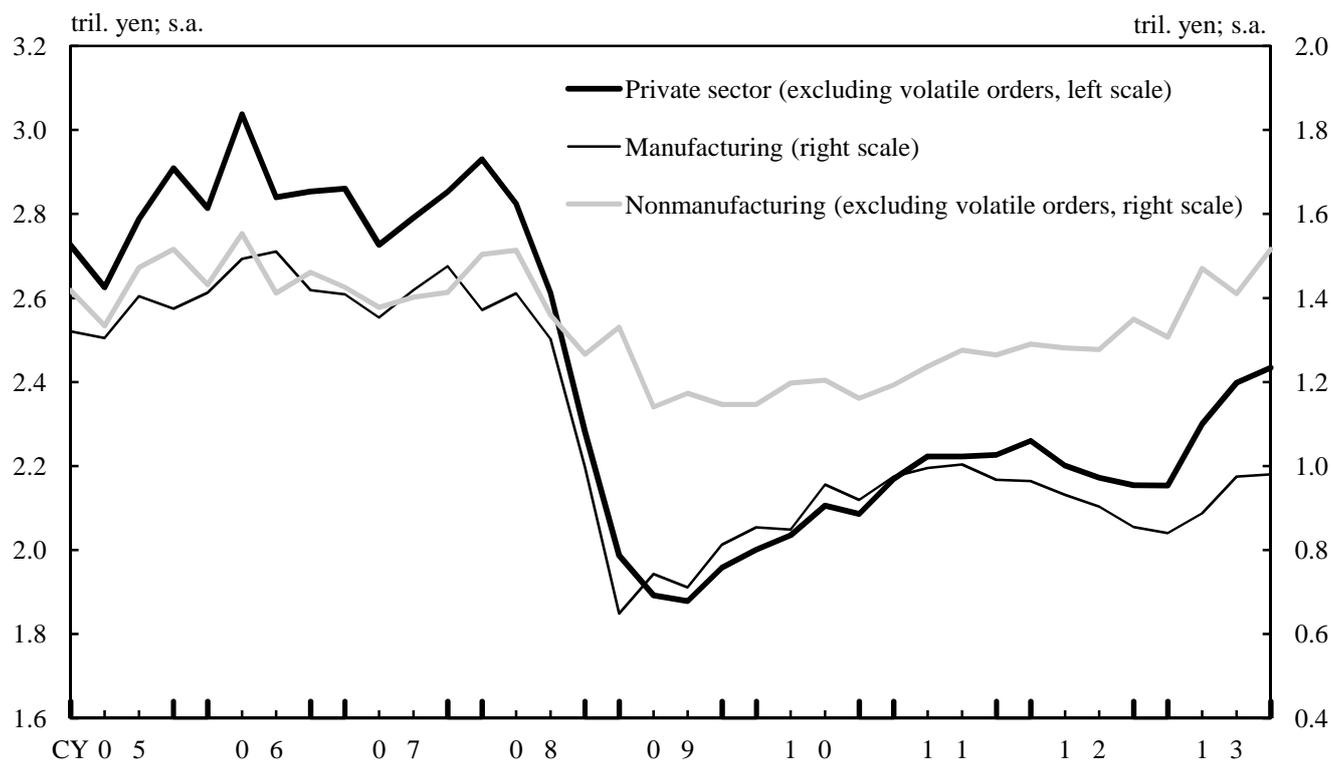


Note: Production capacity DIs are those of all enterprises.

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."

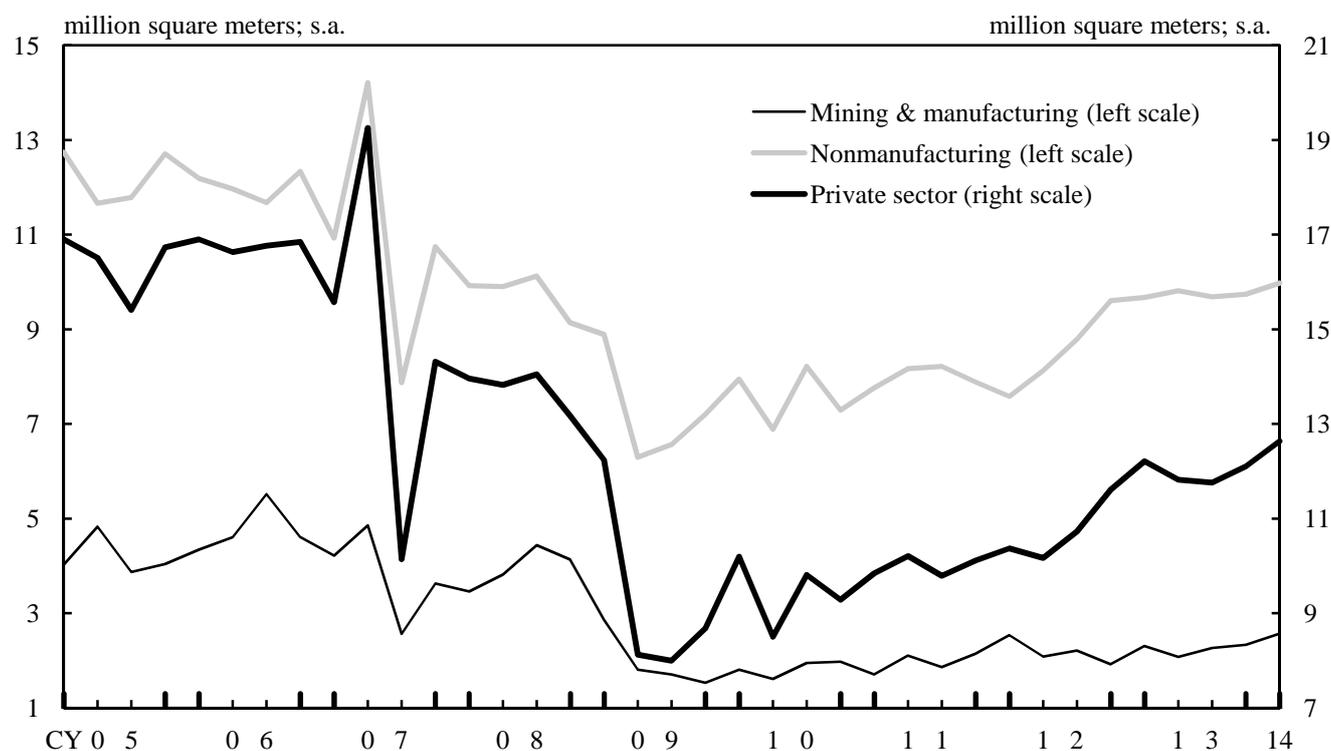
Leading Indicators of Business Fixed Investment

(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.

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

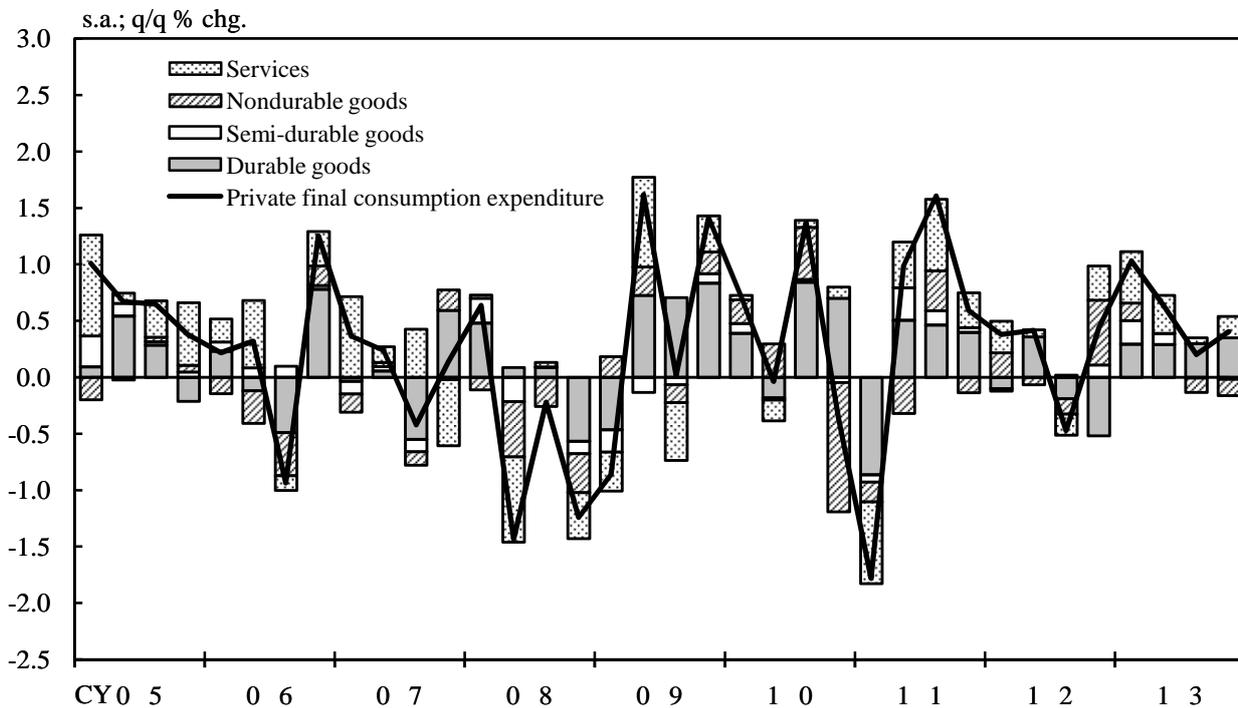


Notes: 1. Seasonally adjusted by X-12-ARIMA.  
 2. Figures for 2014/Q1 are those of January in quarterly amount.

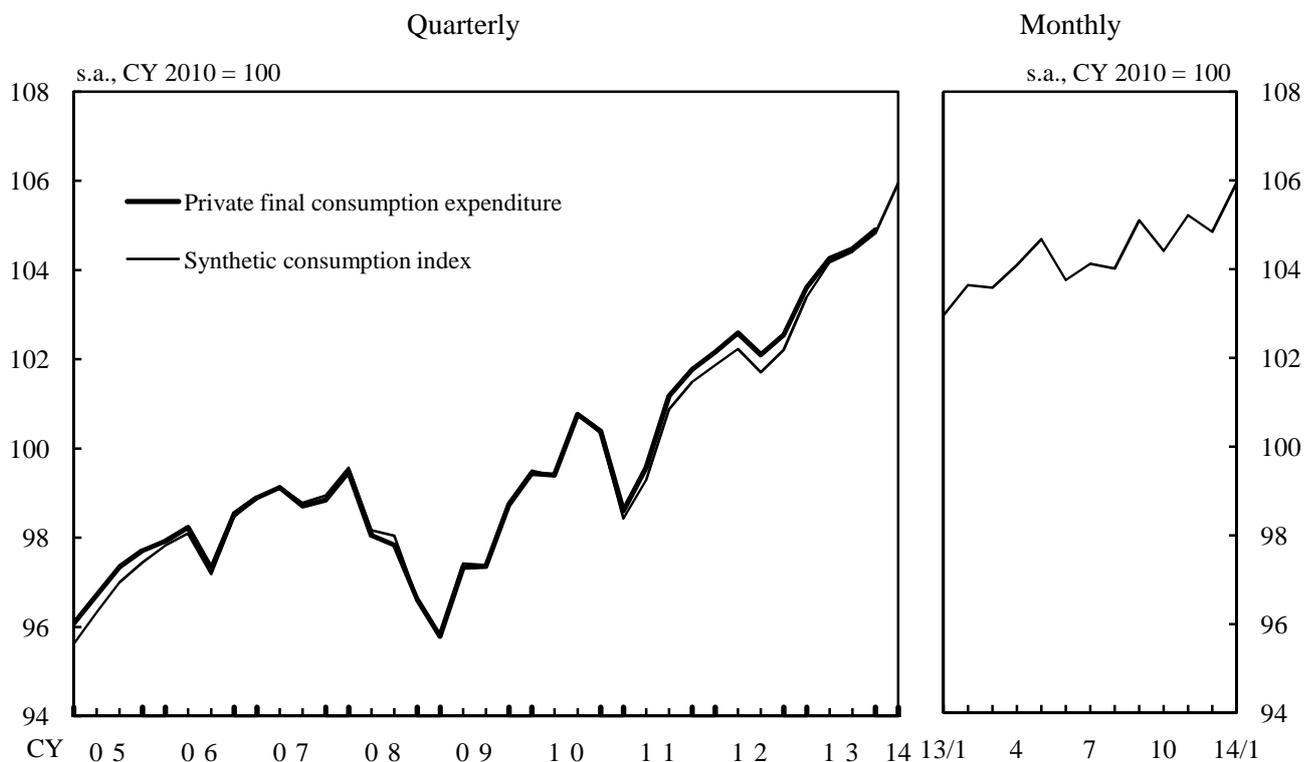
Sources: Cabinet Office, "Orders Received for Machinery";  
 Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts."

Indicators of Private Consumption (1)

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



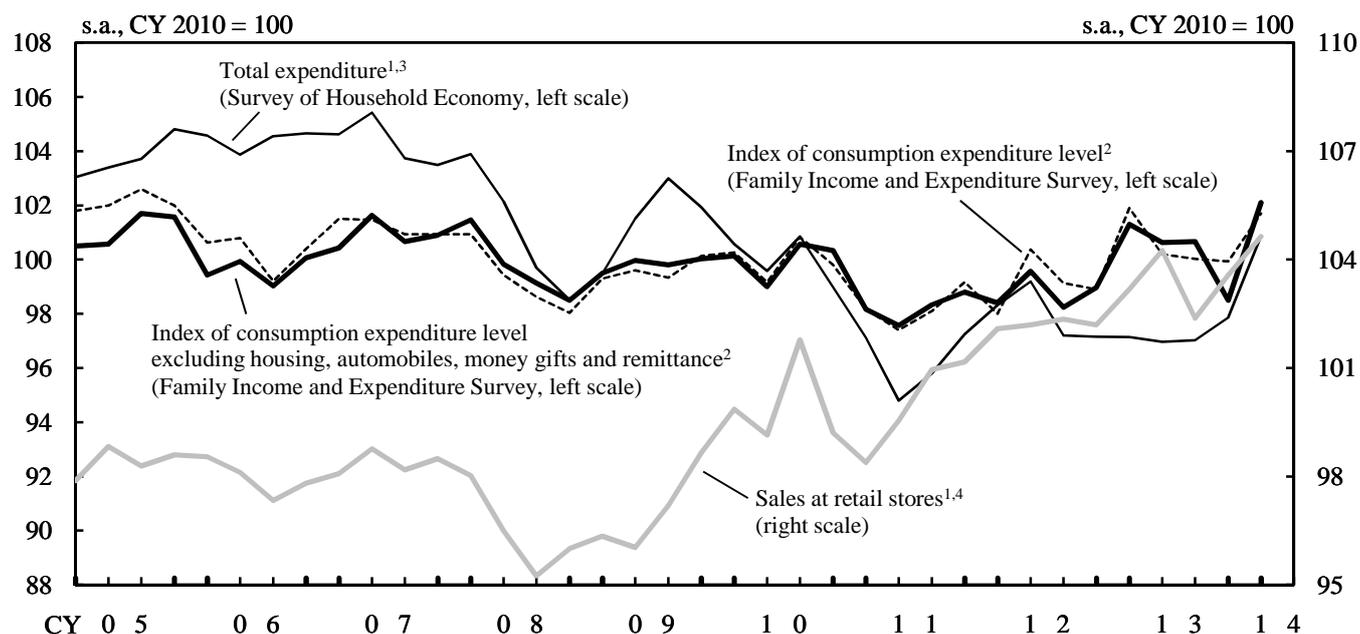
(2) Private Final Consumption Expenditure and Synthetic Consumption Index (Real)



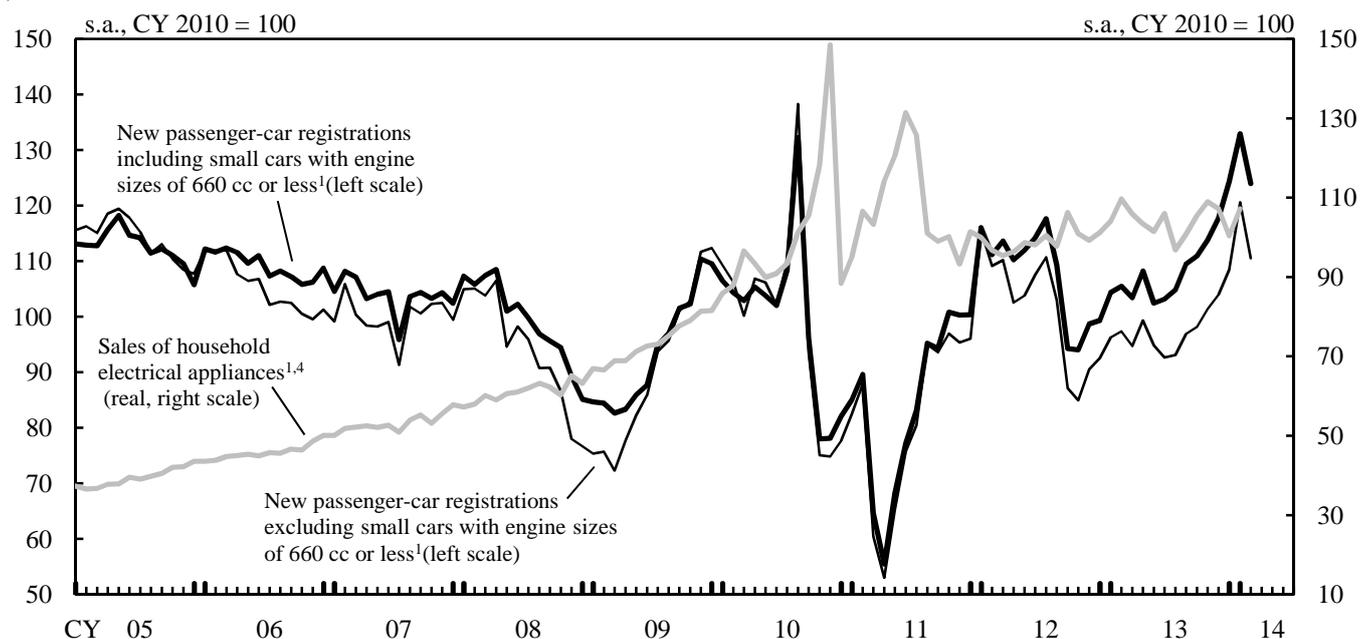
Note: The figure of the synthetic consumption index for 2014/Q1 is that of January in quarterly amount.

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

## Indicators of Private Consumption (2)

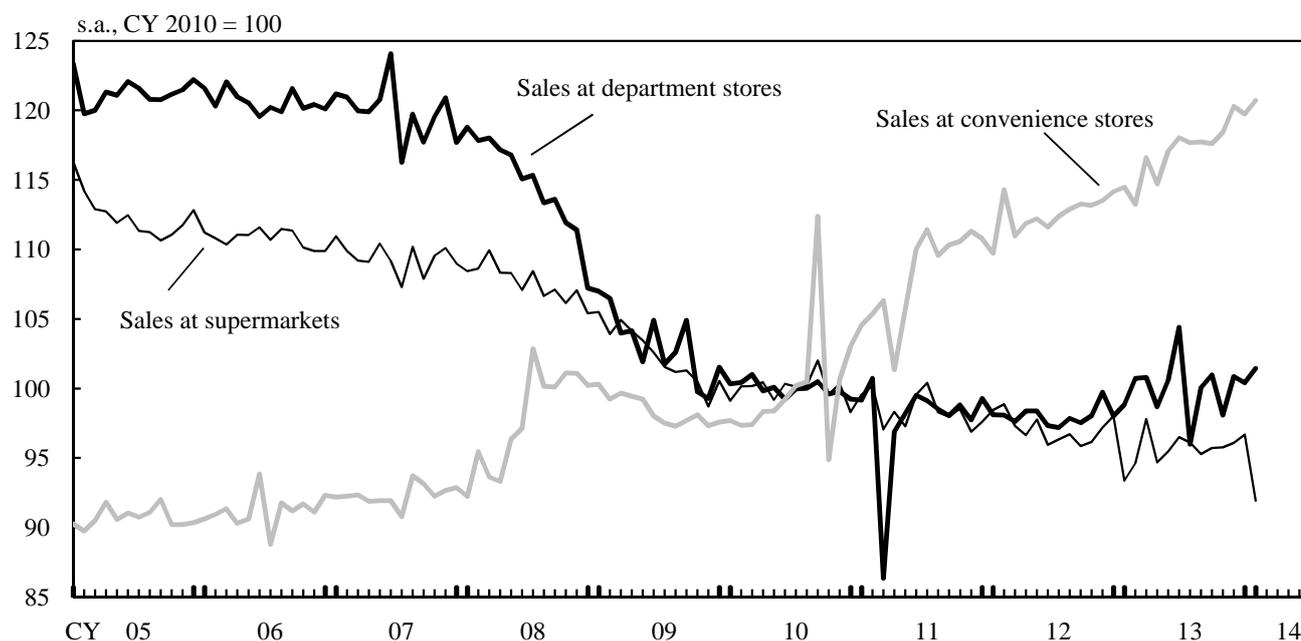
(1) Household Spending (Real)<sup>5</sup>

## (2) Sales of Durable Goods

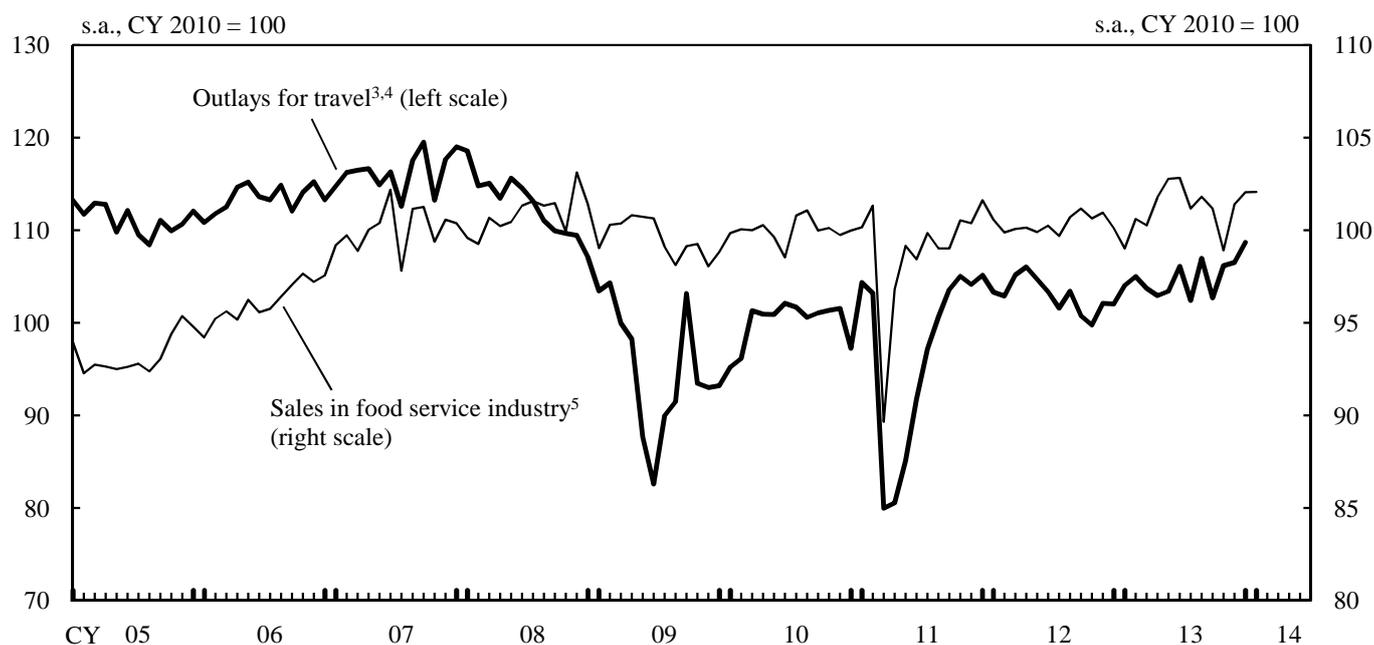


- Notes: 1. Total expenditure, sales at retail stores, sales of household electrical appliances and new passenger-car registrations are seasonally adjusted by X-12-ARIMA.
2. "Index of consumption expenditure level" is based on two-or-more-person households, and is adjusted using the distribution of household 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. Figures for 2014/Q1 are those of January in quarterly amount.

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

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

## (2) Consumption of Services (Nominal)



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

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

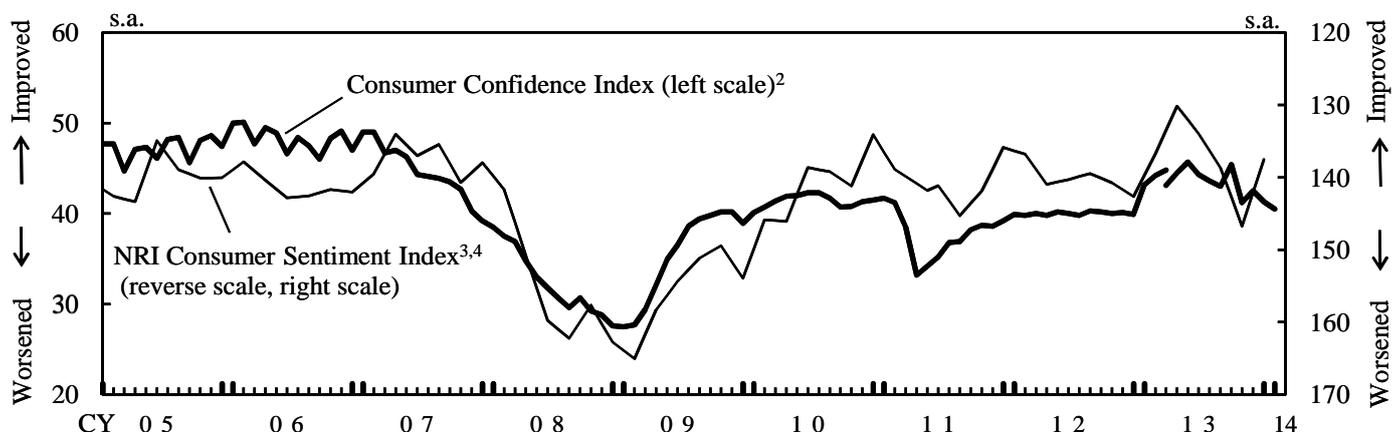
Japan Tourism Agency, "Major Travel Agents' Revenue";

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

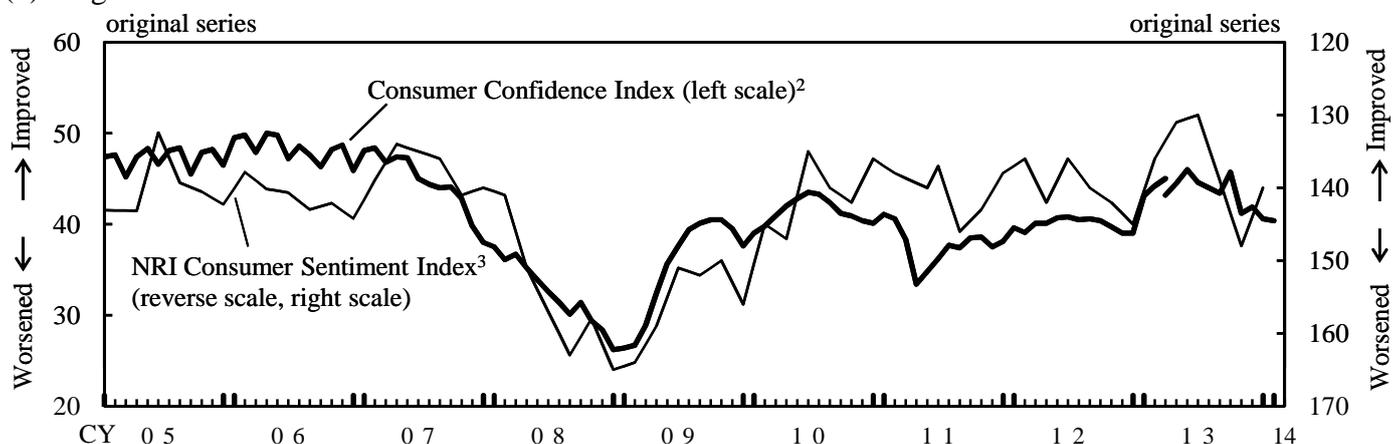
(Research on the food service industry)."

# Consumer Confidence<sup>1</sup>

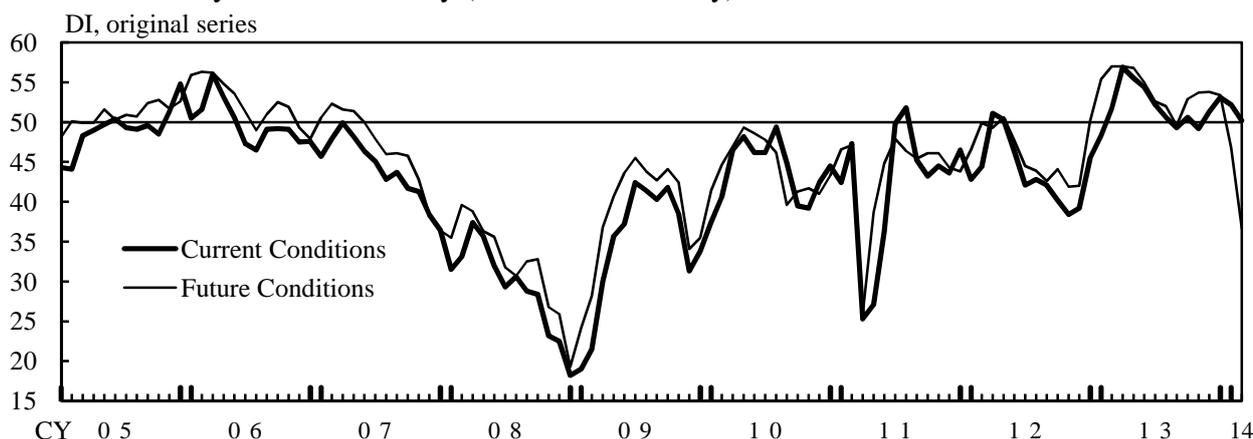
## (1) Seasonally Adjusted Series



## (2) Original Series



## Reference: Economy Watchers Survey (Household Activity)



- Notes: 1. The Consumer Confidence Index (covering about 5,700 samples on a nationwide basis from April 2013 onward) and NRI Consumer Sentiment Index (1,200 samples on a nationwide basis) are based on surveys on consumer confidence.
2. In April 2013, the Cabinet Office changed the method for conducting the Consumer Confidence Survey to a postal method, along with some other changes. For this reason, there is a discontinuity between data up to March 2013, which were obtained from the survey on a visit-and-leave method, and those thereafter. The figure for March 2013 on a postal-method basis is obtained from an examination survey.
3. Figures are plotted for each surveyed month and the data for the intervening months are linearly interpolated.
4. Figures are seasonally adjusted by X-12-ARIMA.

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

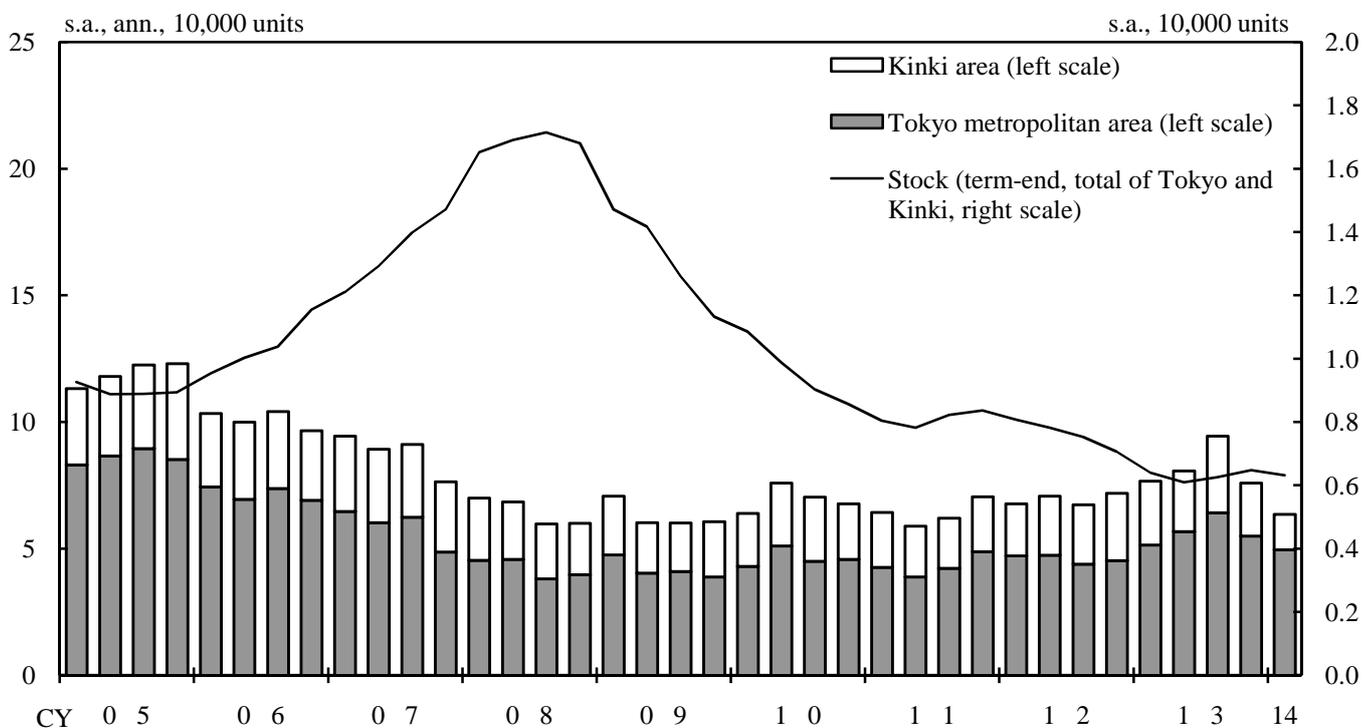
## Indicators of Housing Investment

### (1) Housing Starts



Note: Figures for 2014/Q1 are those of January.

### (2) Sales of Apartments

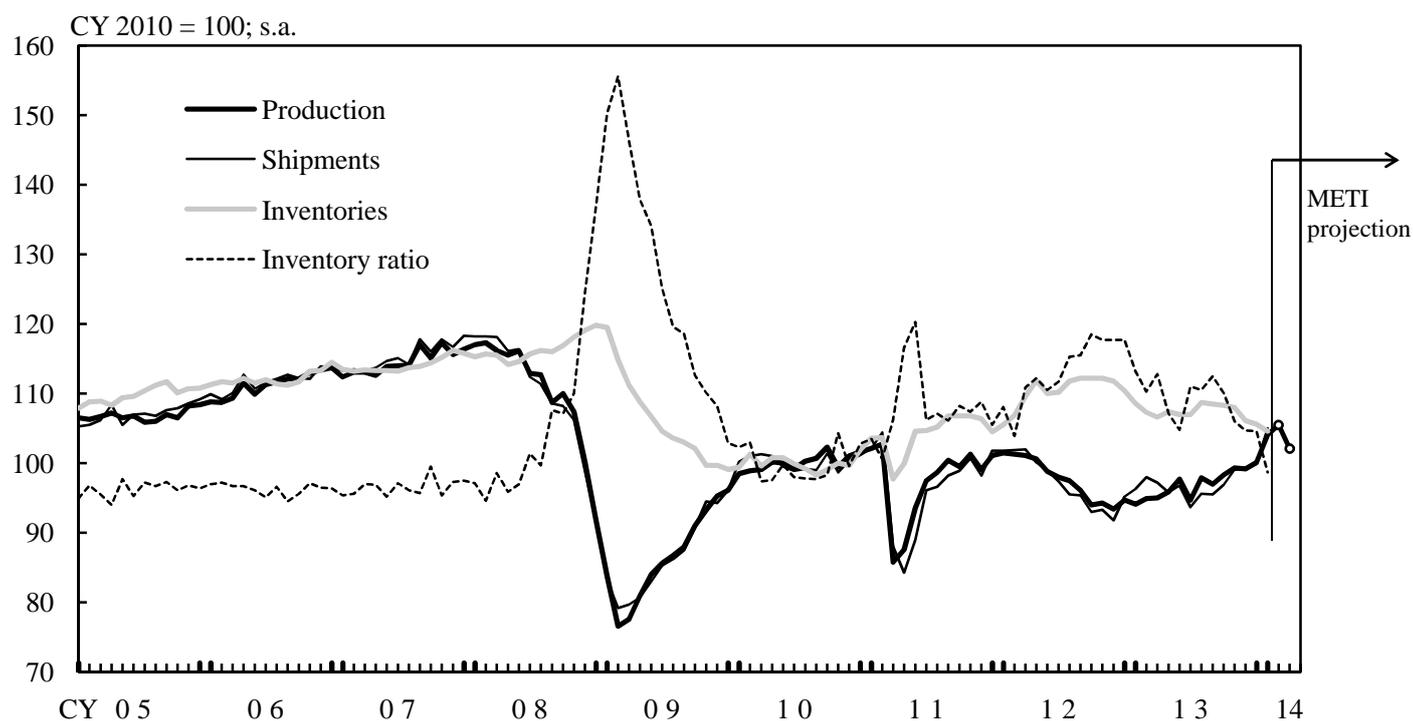


Notes: 1. Seasonally adjusted by X-12-ARIMA.  
 2. Figures for 2014/Q1 are those of January.

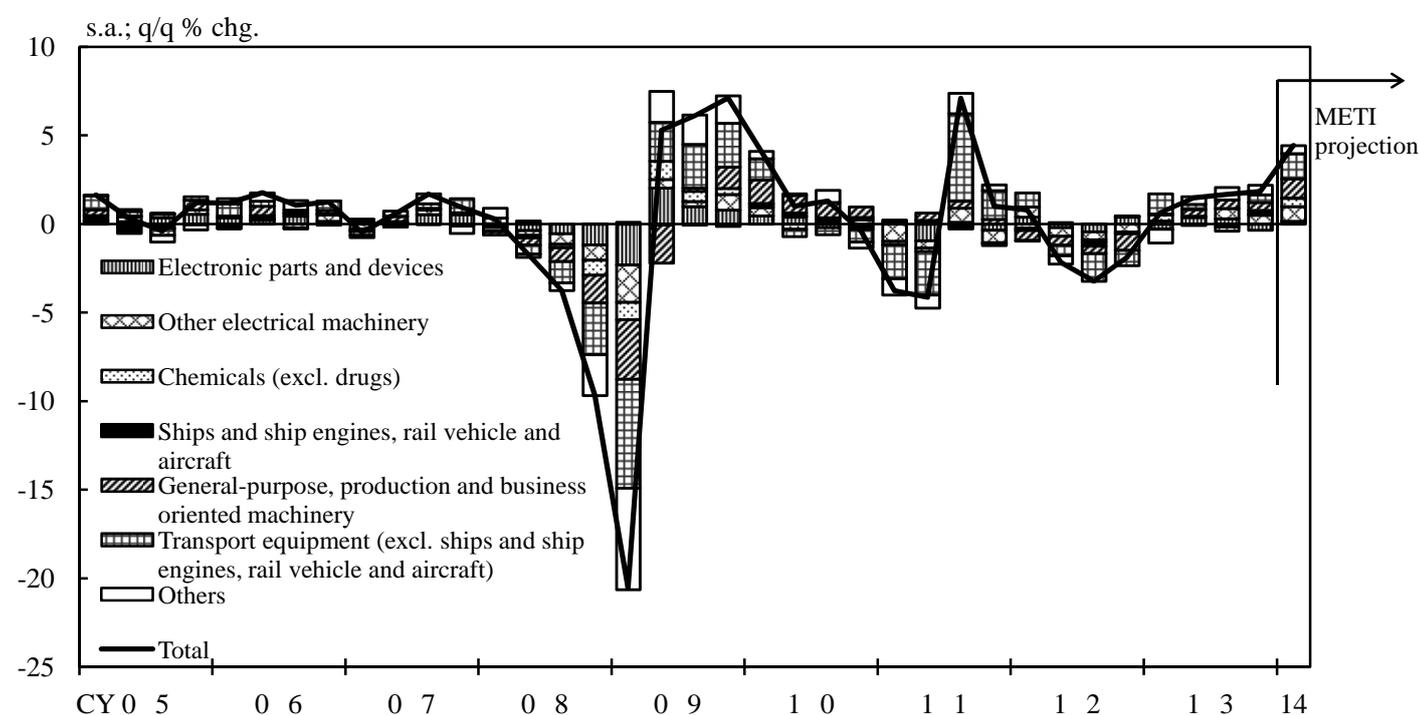
Sources: Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts," etc.

## Production, Shipments, and Inventories

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



### (2) Production by Industry<sup>1,2,3</sup>

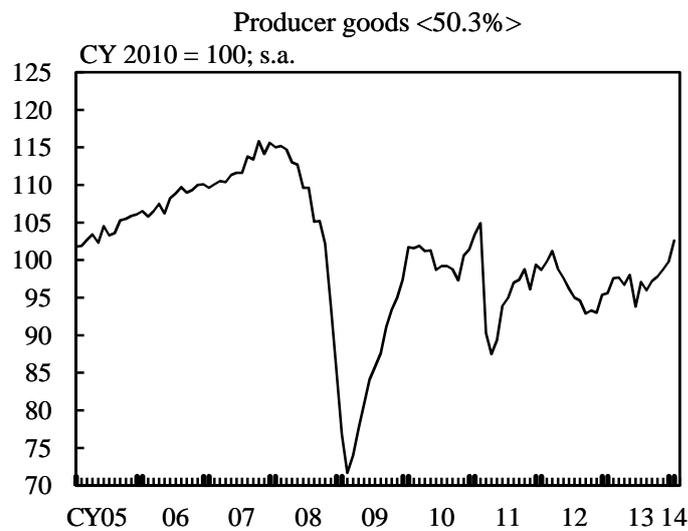
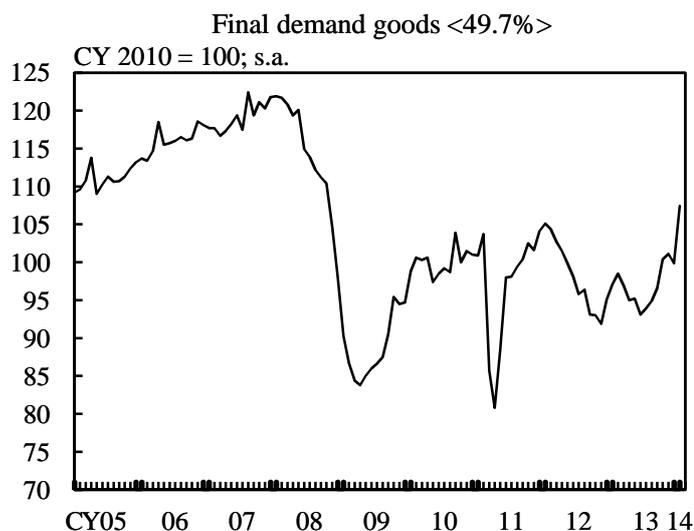


- Notes: 1. "Other electrical machinery" is the weighted sum of "electrical machinery" and "information and communication electronics equipment."  
 2. Figures up to 2008/Q1 are on the 2005 base.  
 Figures for "general-purpose, production and business oriented machinery" up to 2008/Q1 are those for "general machinery."  
 3. 2014/Q1 figures are based on the actual production levels in January, and the METI projection of February and March.

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

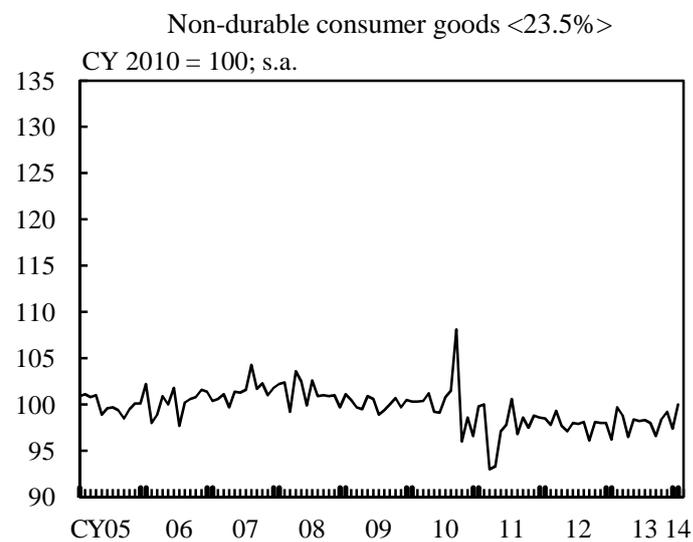
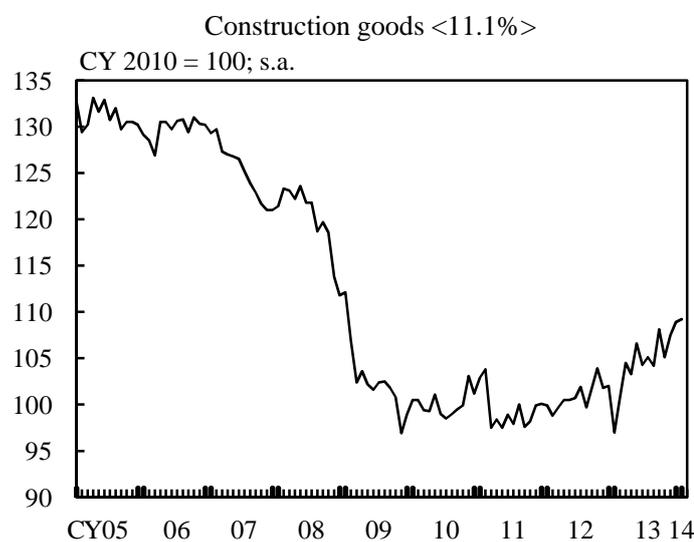
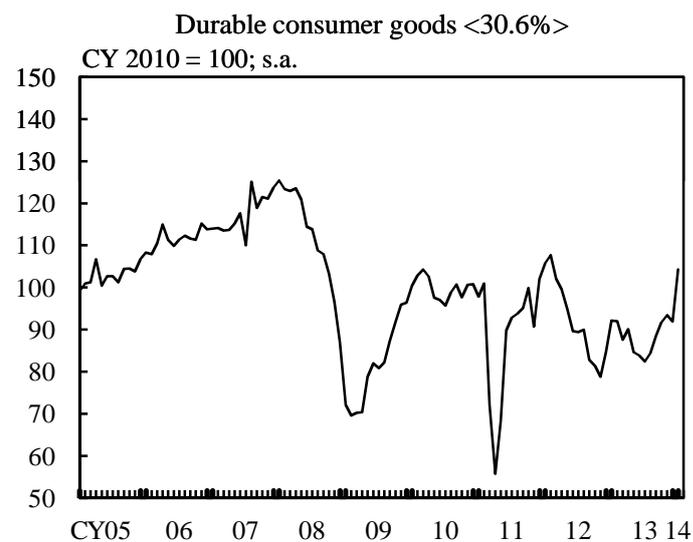
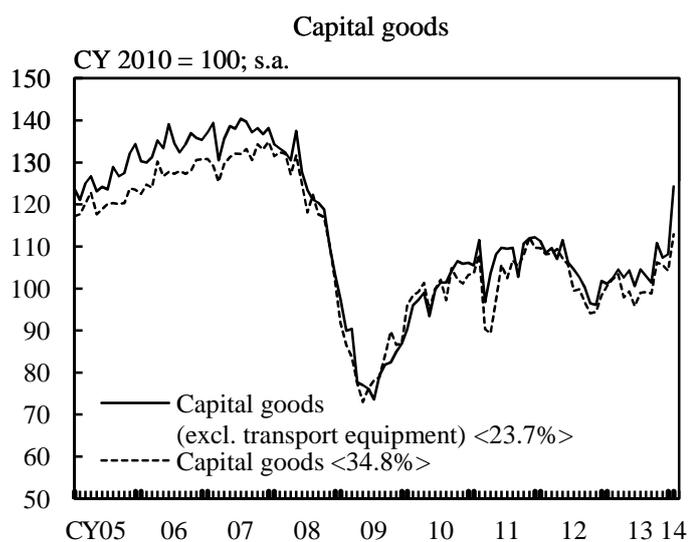
## Shipments by Type of Goods

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



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

### (2) Breakdown of Final Demand Goods

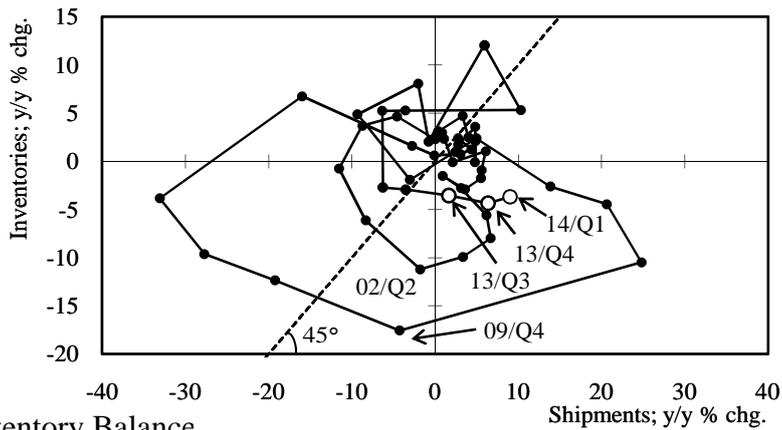


Note: Figures in angle brackets show the shares among shipments of final demand goods.

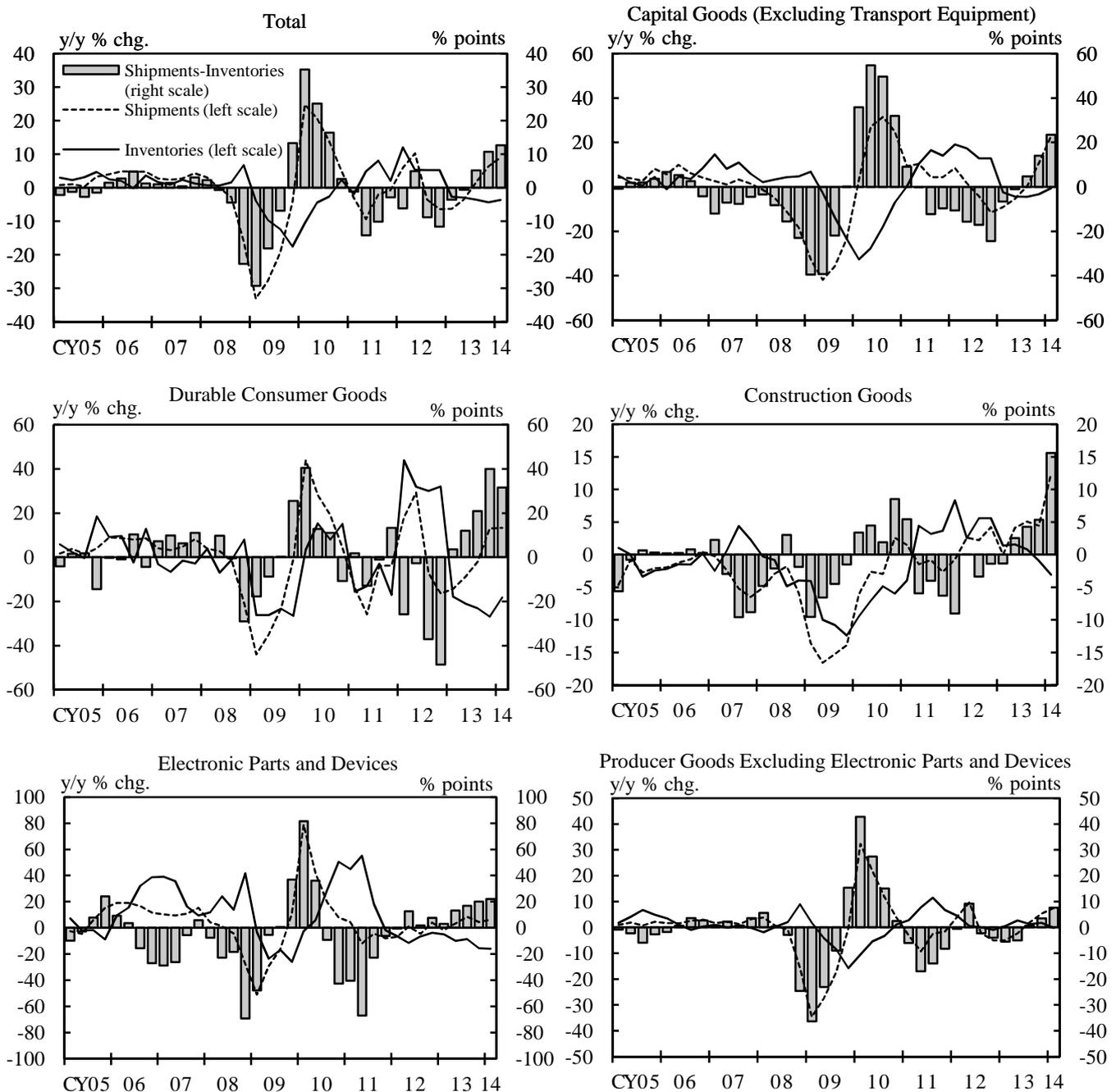
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Inventory Cycle

(1) Inventory Cycle (Total)



(2) Shipment-Inventory Balance

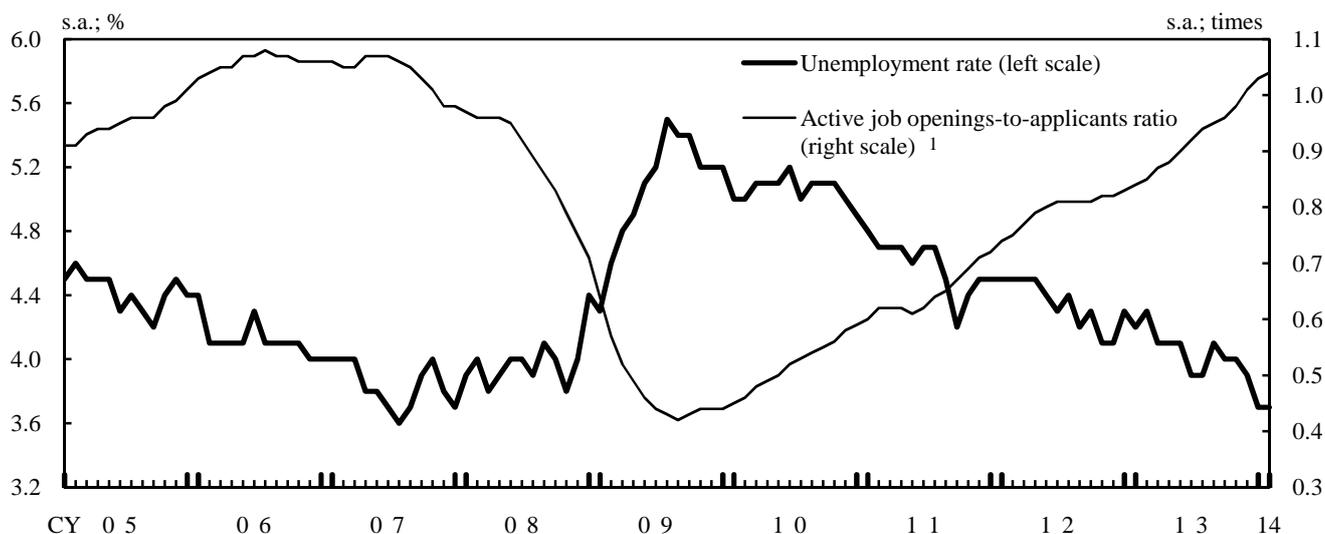


Note: Figures for 2014/Q1 are those of January.

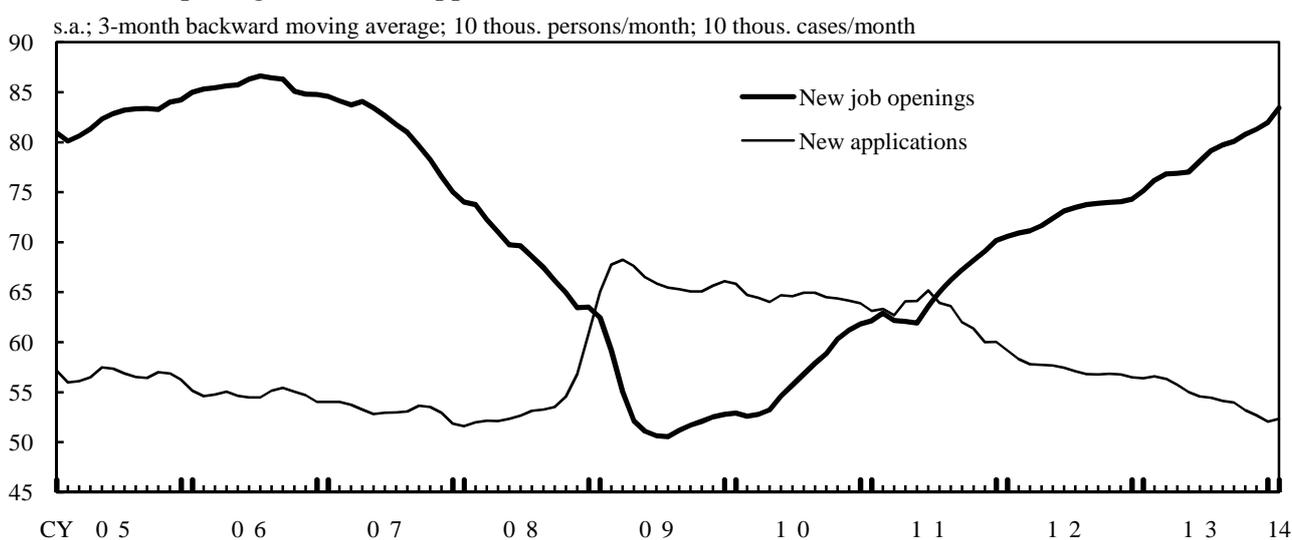
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Labor Market

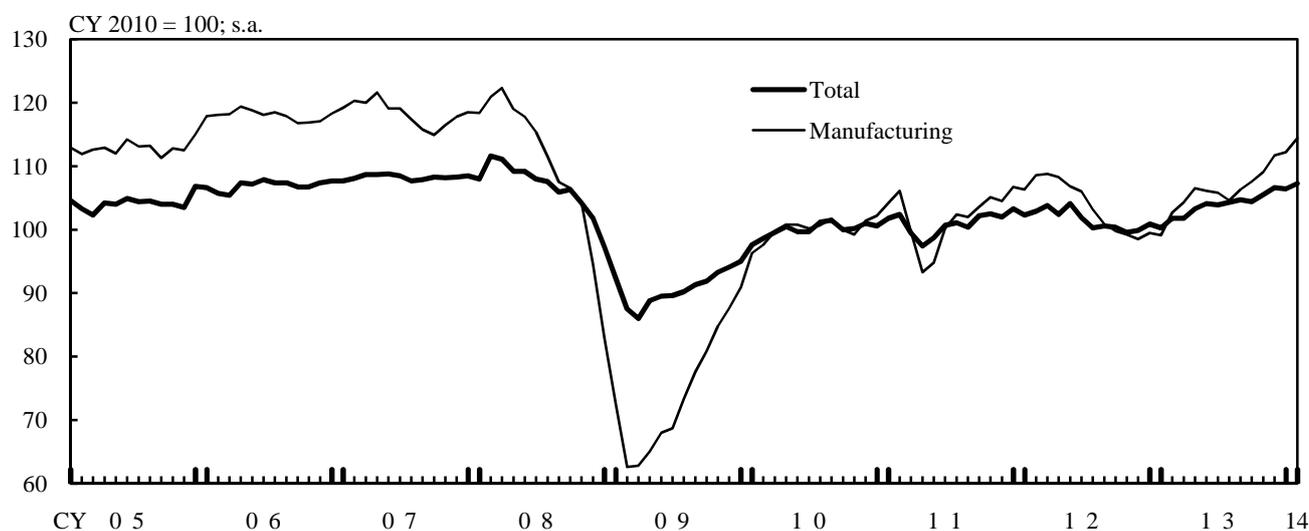
(1) Unemployment Rate and Active Job Openings-to-Applicants Ratio



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



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

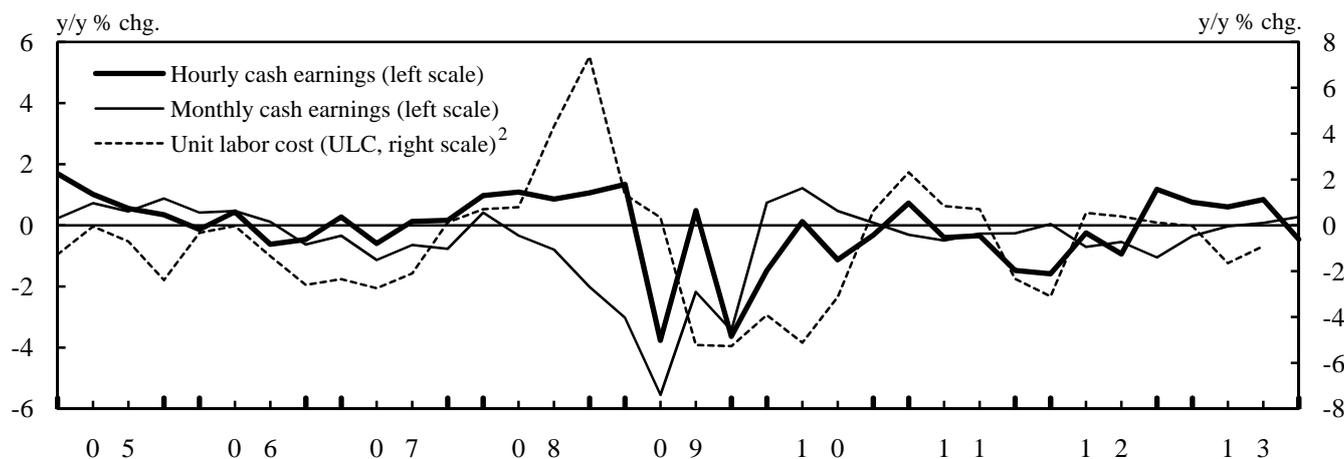
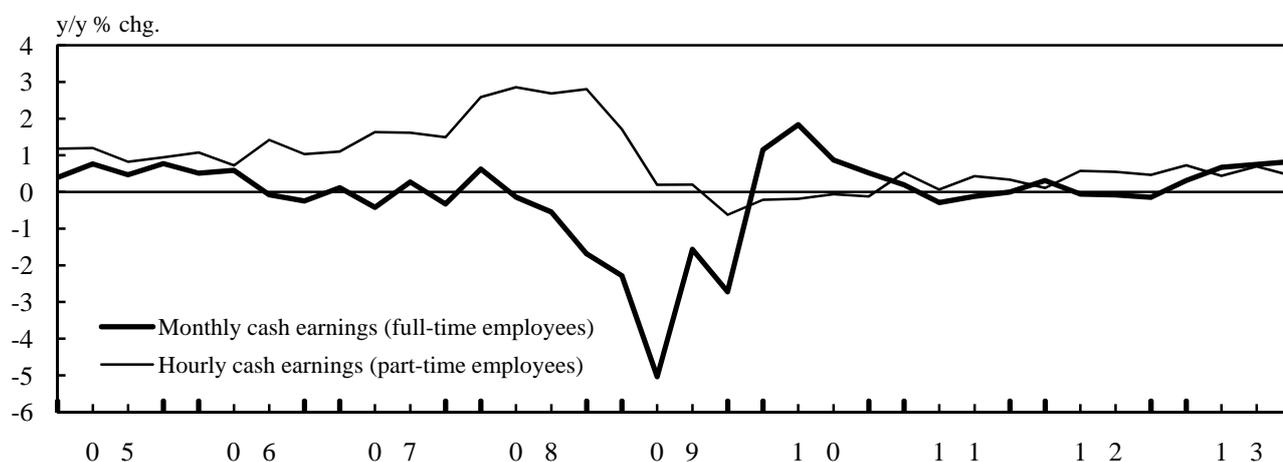
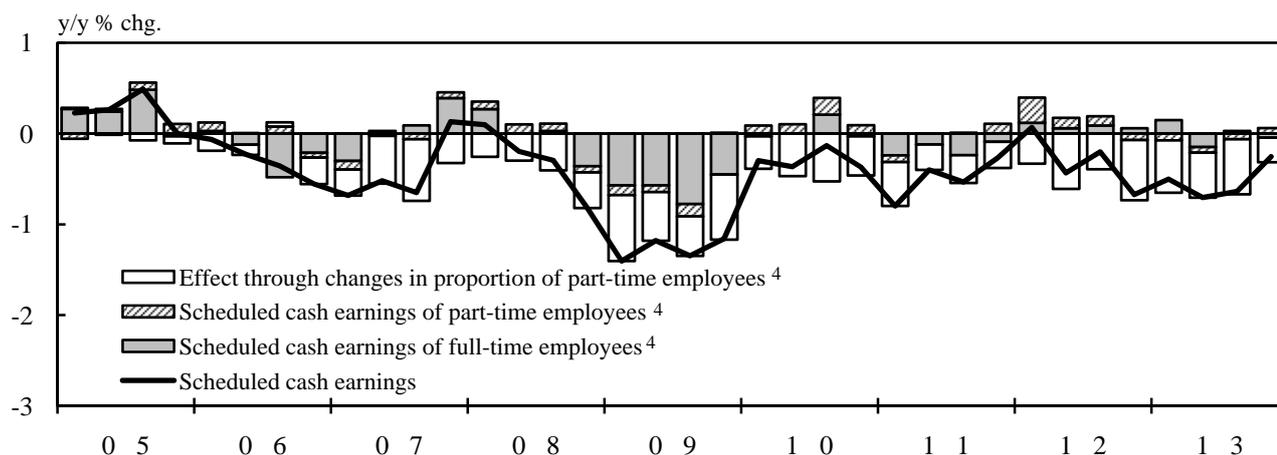


Notes: 1. Excluding new school graduates and including part-timers.

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."

## Wages

(1) Total<sup>1,3</sup>(2) Cash Earnings by Type of Worker<sup>1,3</sup>(3) Breakdown of Scheduled Cash Earnings<sup>1,3</sup>

Notes: 1. Data for the "Monthly Labour Survey" are for establishments with at least five employees.

2. ULC = nominal compensation of employees (SNA) / real GDP

3. Figures for 2013/Q4 are December 2013 - January 2014 averages (except ULC).

Except ULC : Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.

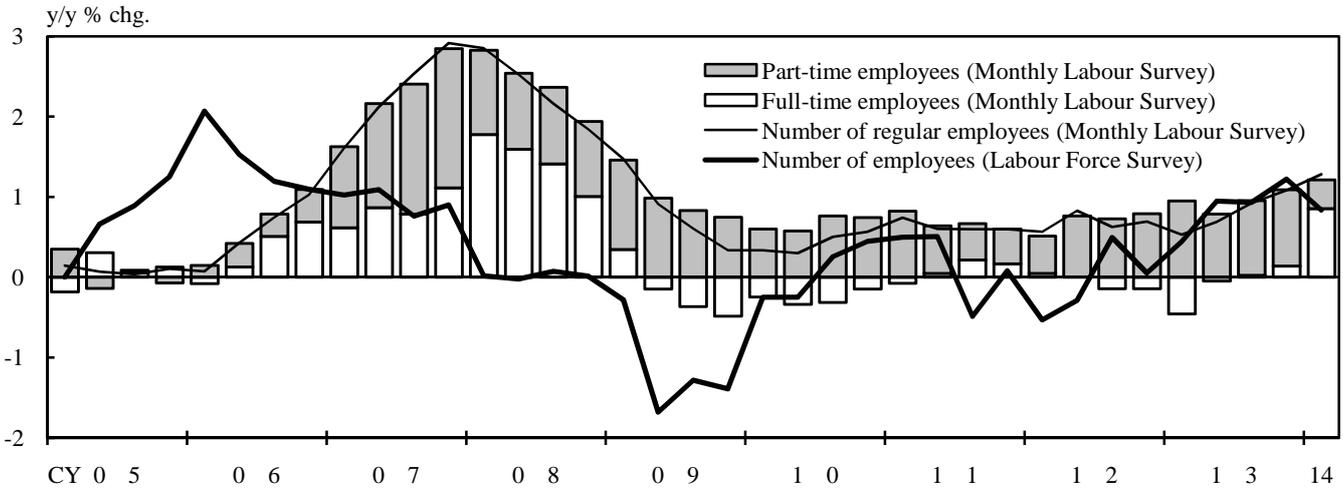
ULC : Q1 = April-June, Q2 = July-September, Q3 = October-December, Q4 = January-March.

4. Contributions from scheduled cash earnings of full-time employees and those of part-time employees are calculated as: "scheduled cash earnings of each type of employee (y/y chg.)" times "proportion of the corresponding type's scheduled cash earnings to the previous year's total." Contributions from the effect through changes in proportion of part-time employees are the residuals.

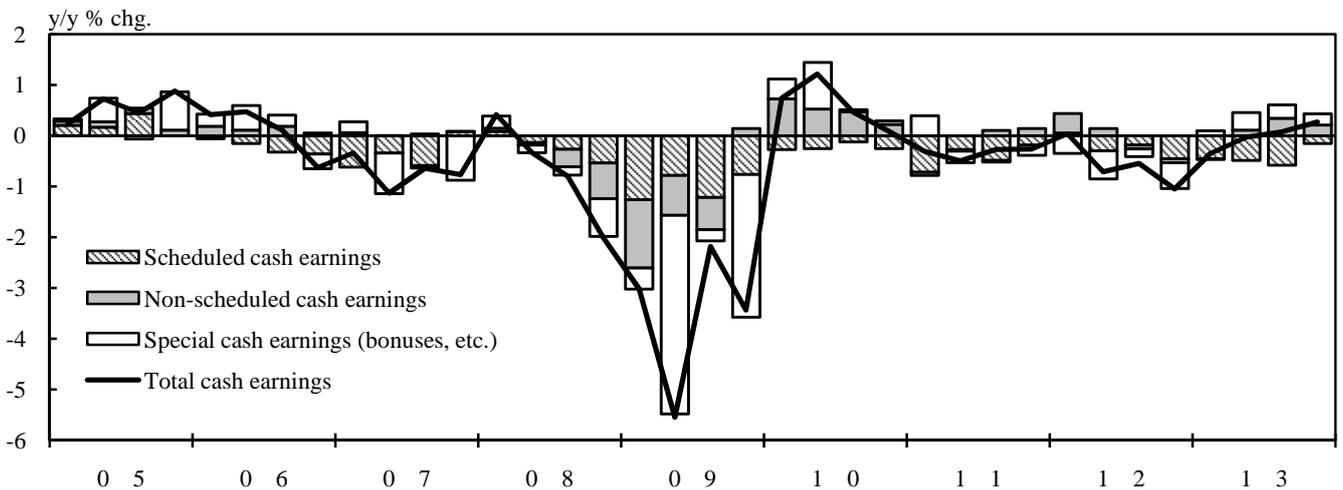
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey"; Cabinet Office, "National Accounts."

Employee Income

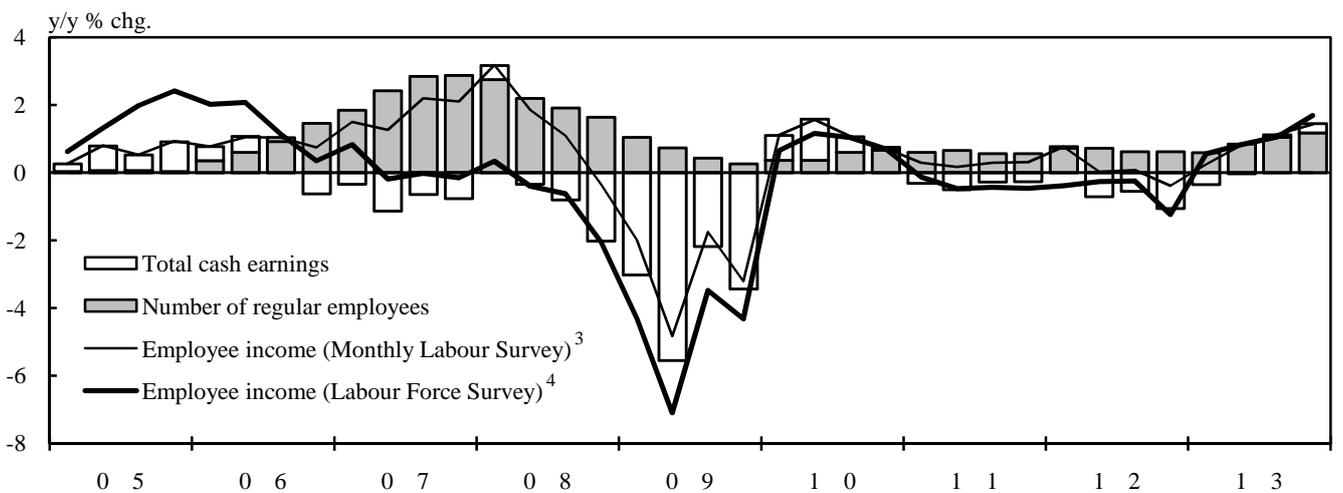
(1) Number of Employees<sup>1,5</sup>



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



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

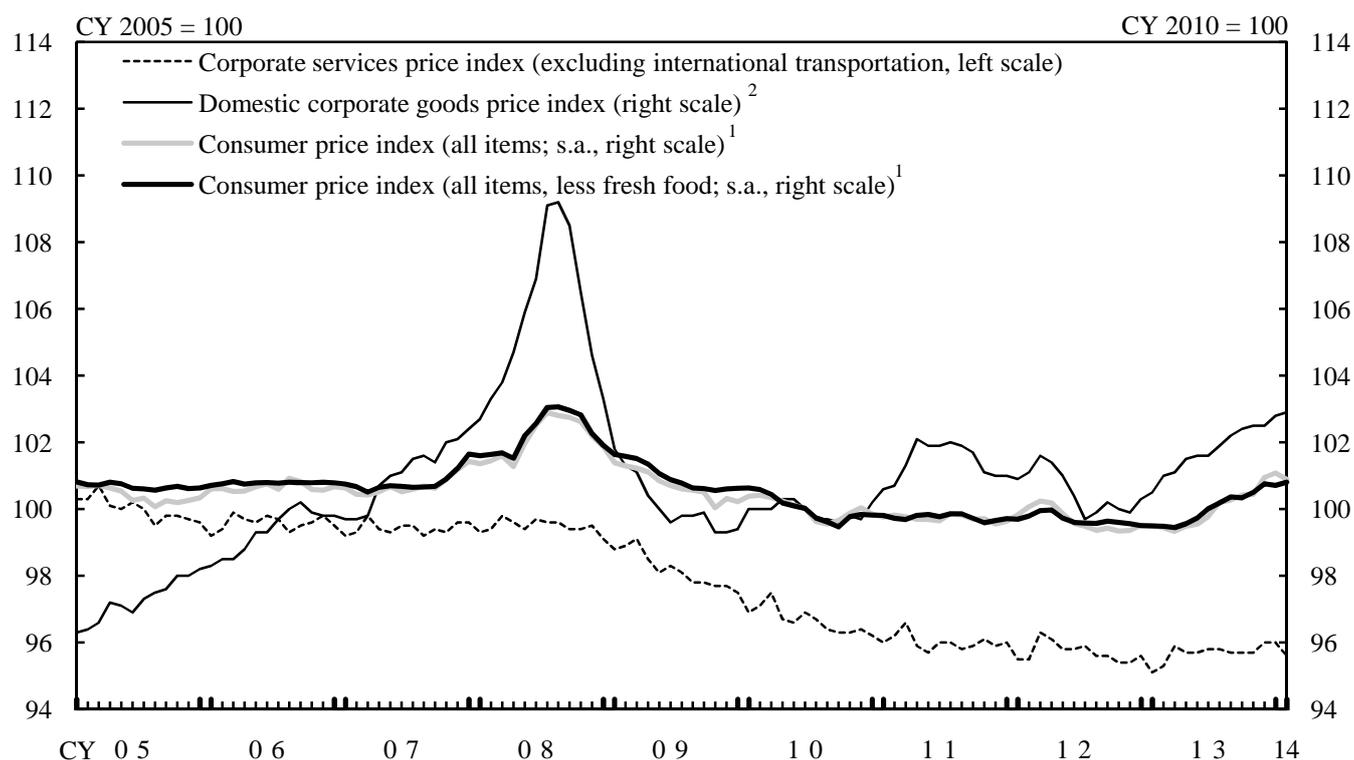


Notes: 1. Data for the "Monthly Labour Survey" are for establishments with at least five employees.  
 2. Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.  
 Figures for 2013/Q4 are December 2013 - January 2014 averages.  
 3. Calculated as the "number of regular employees" (Monthly Labour Survey) times "total cash earnings" (Monthly Labour Survey).  
 4. Calculated as the "number of employees" (Labour Force Survey) times "total cash earnings" (Monthly Labour Survey).  
 5. Figures for 2014/Q1 are those of January.

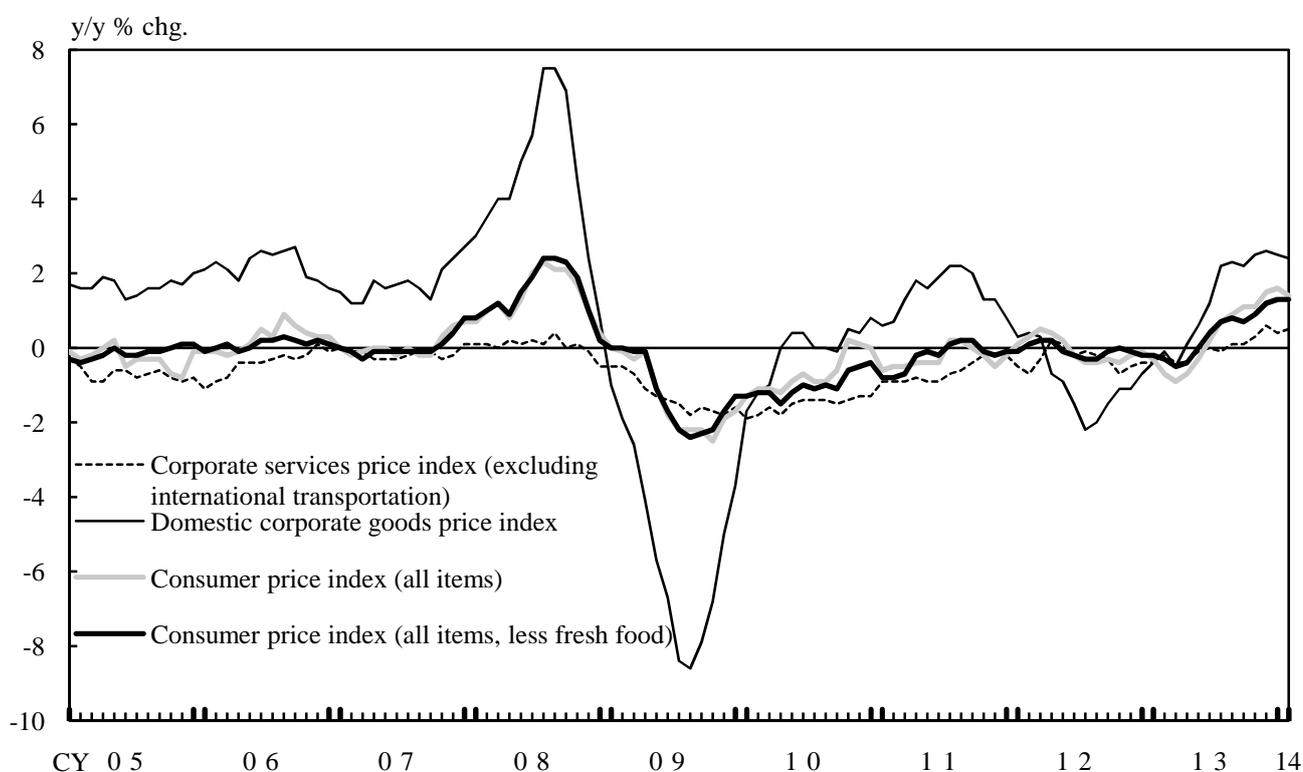
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";  
 Ministry of Internal Affairs and Communications, "Labour Force Survey."

## Prices

## (1) Level



## (2) Changes from a Year Earlier



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

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

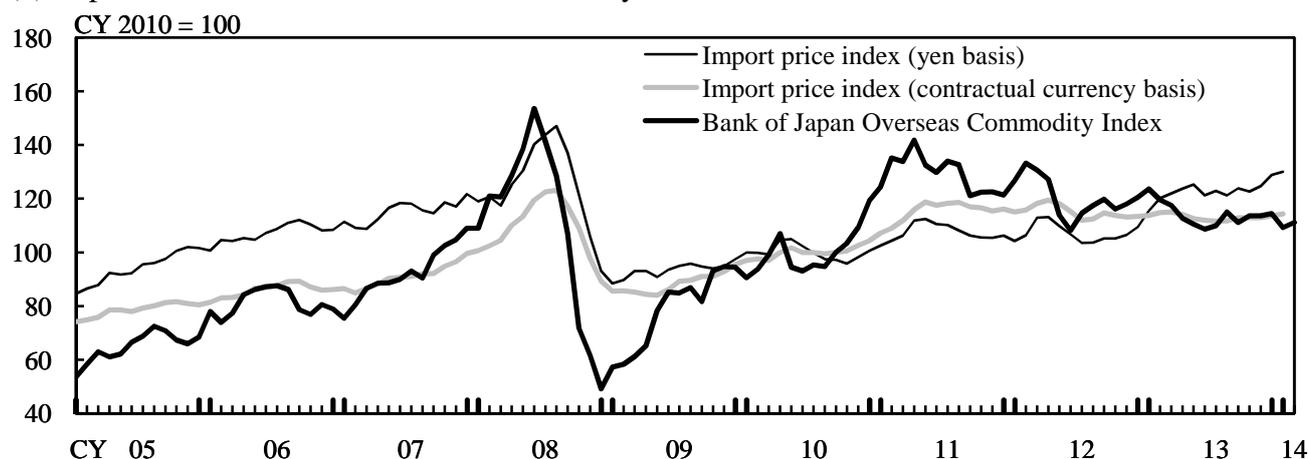
3. The levels of "Consumer Price Index" up to 2009 are based on the linked indices.

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

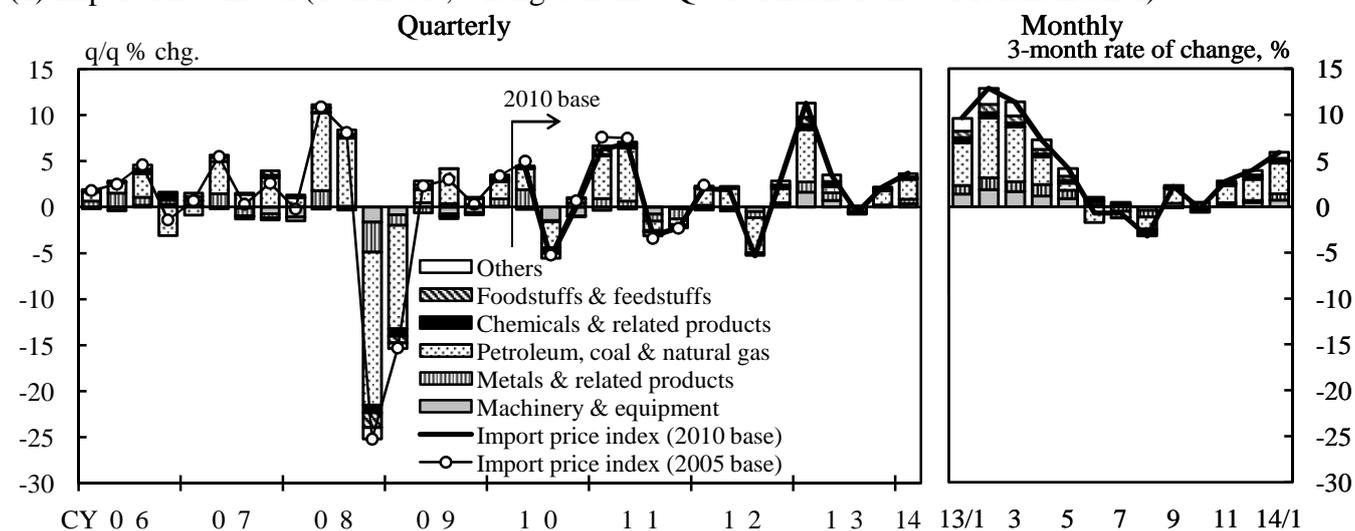
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index."

## Import Prices and International Commodity Prices

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

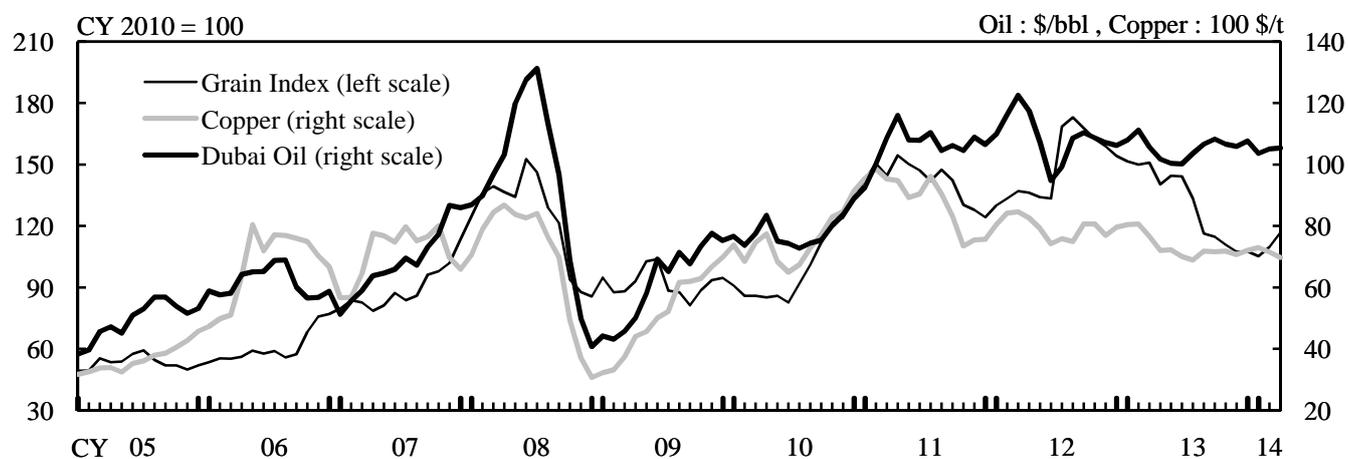


### (2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



- Notes: 1. Machinery & equipment: general purpose, production & business oriented machinery, electric & electronic products, and transportation equipment.  
2. Figures for 2014/Q1 are those of January.

### (3) International Commodity Prices

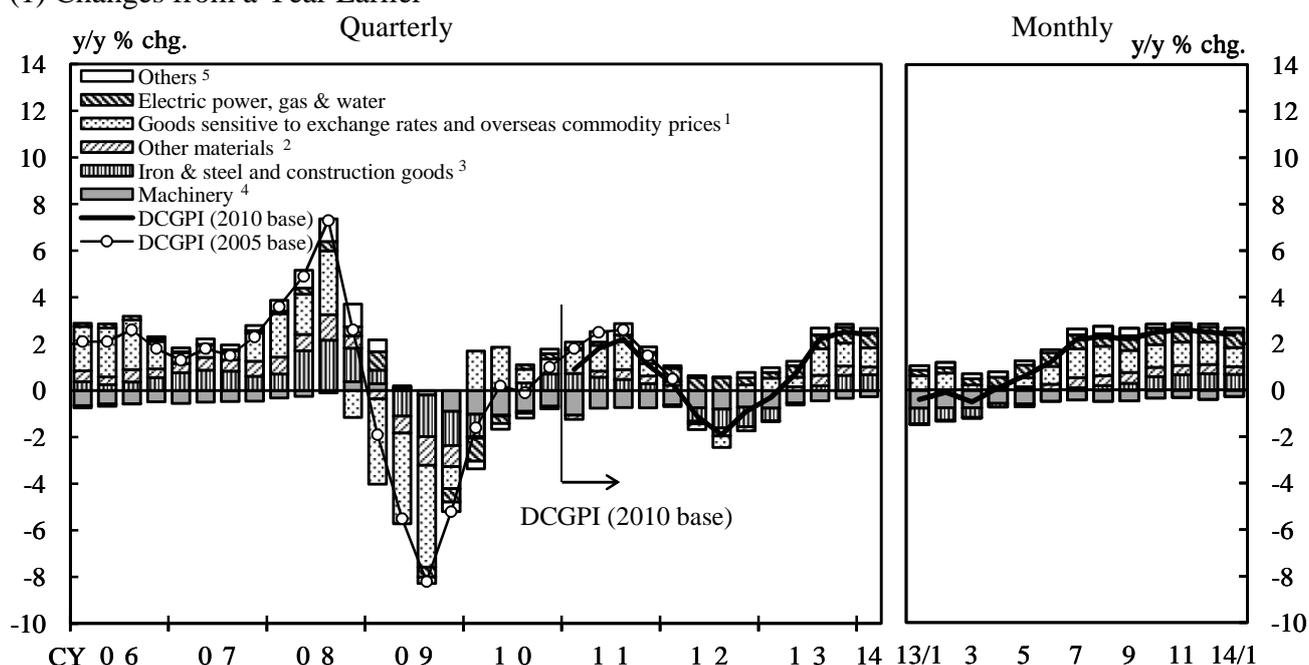
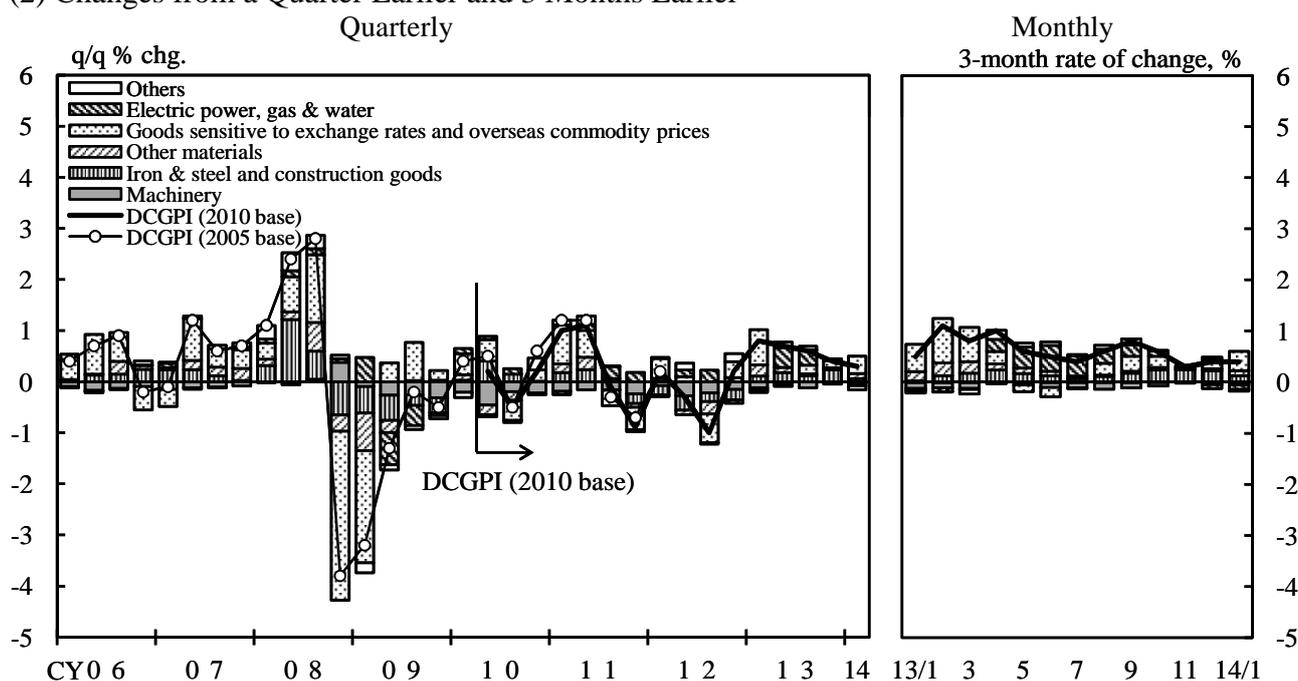


- Notes: 1. The "grain index" is the weighted average of prices of three selected items (wheat, soybeans, and corn) in overseas commodity markets. The weights are based on the value of imports in the "Trade Statistics."  
2. Monthly averages. Figures for March 2014 are averages up to March 10.

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.

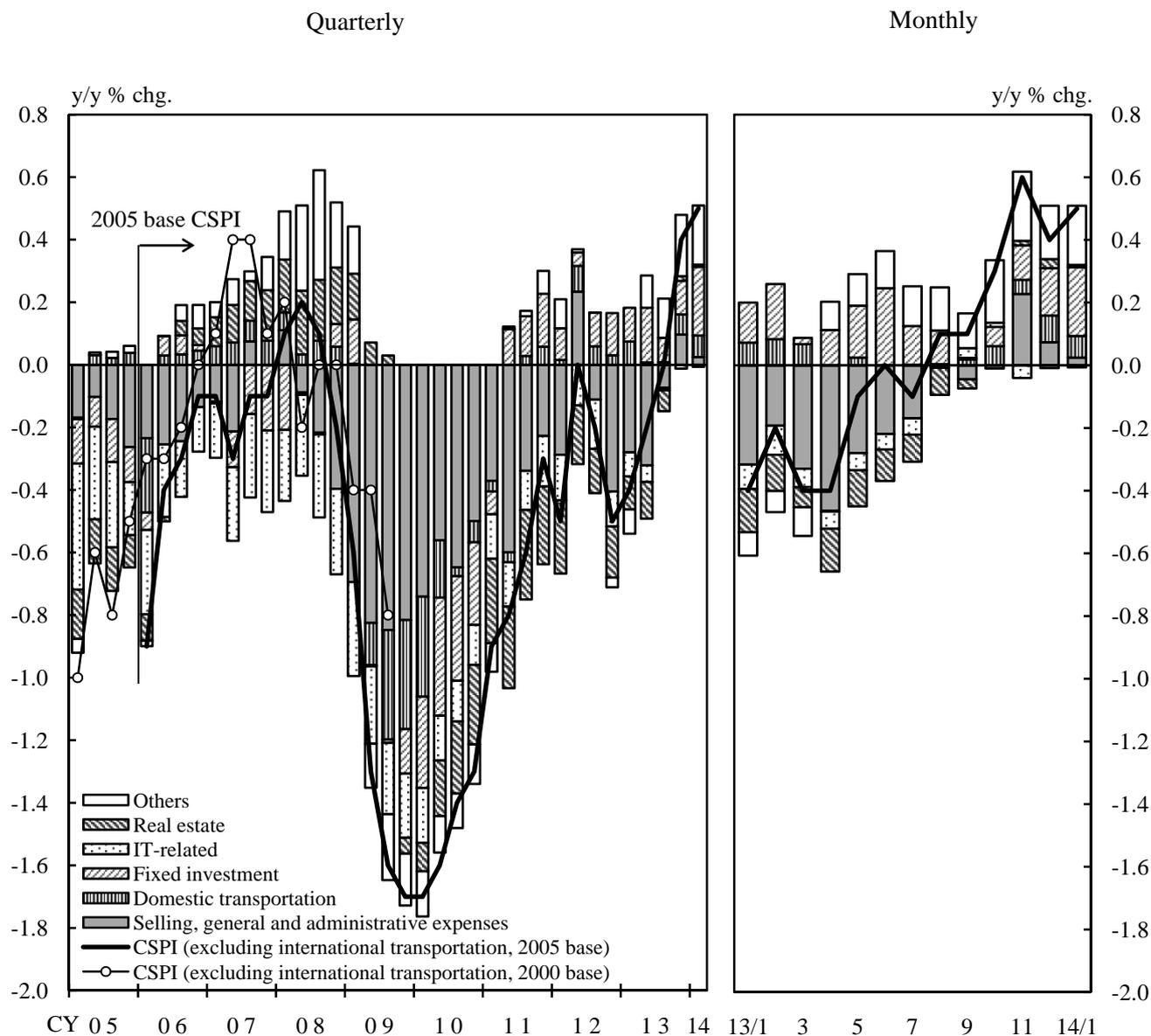
5. Others: food, beverages, tobacco & feedstuffs, other manufacturing industry products, agriculture, forestry & fishery products, and minerals.

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 2014/Q1 are those of January.

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

Corporate Services Price Index

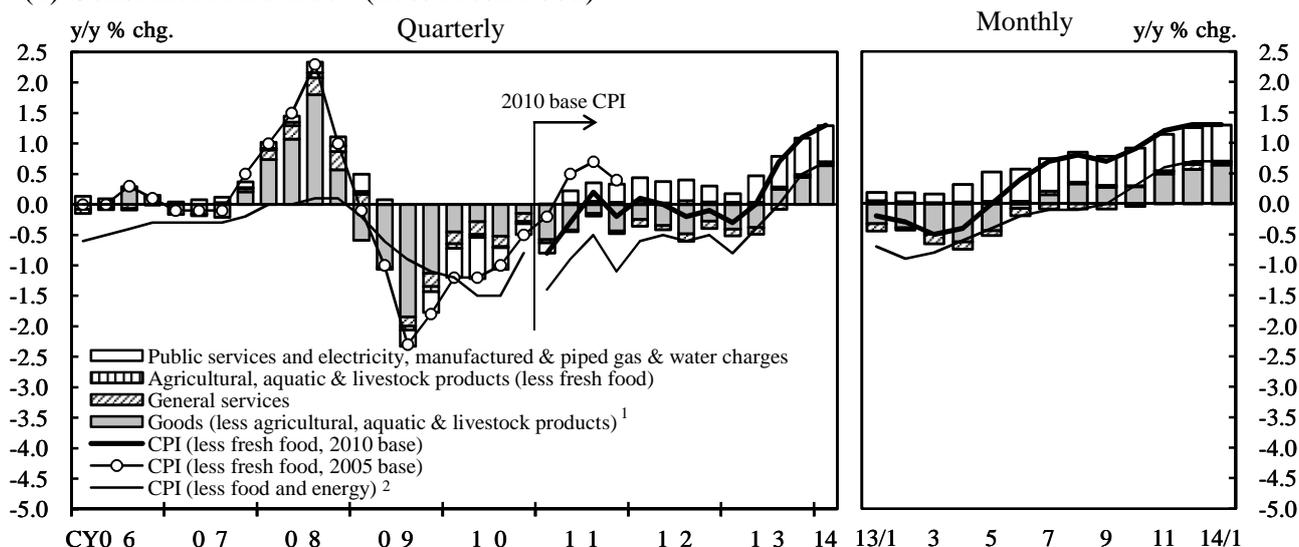


- Notes: 1. Selling, general and administrative expenses: information and communications (excluding newspapers and publishing), advertising services, other services (excluding plant engineering, and civil engineering and architectural services).  
 2. Domestic transportation: transportation (excluding 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 2014/Q1 are those of January. Figures for 2009/Q3 on the 2000 base are July-August averages.

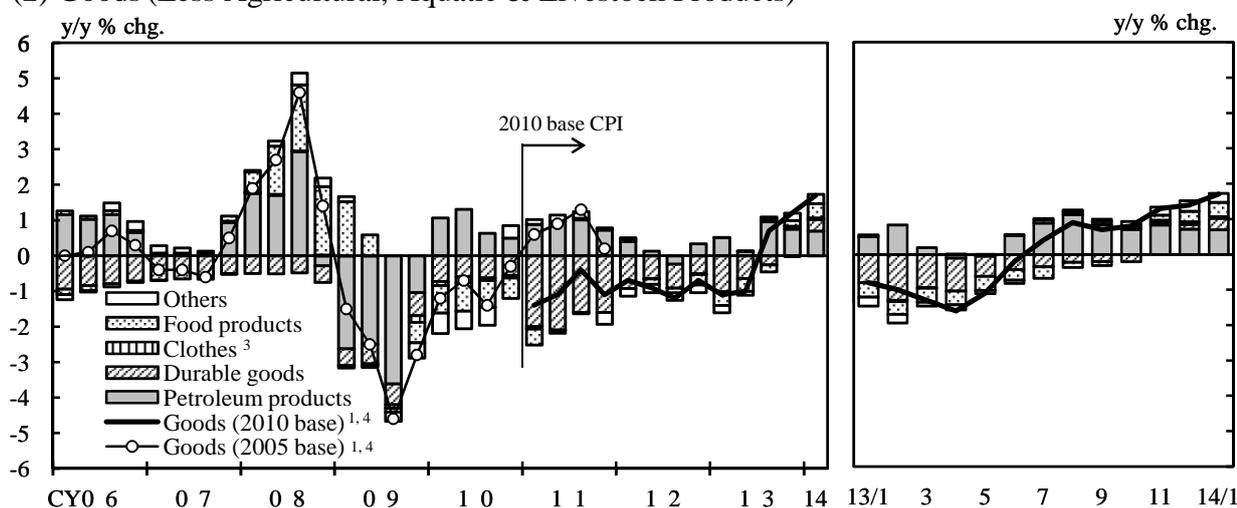
Source: Bank of Japan, "Corporate Services Price Index."

Consumer Price Index (Less Fresh Food)

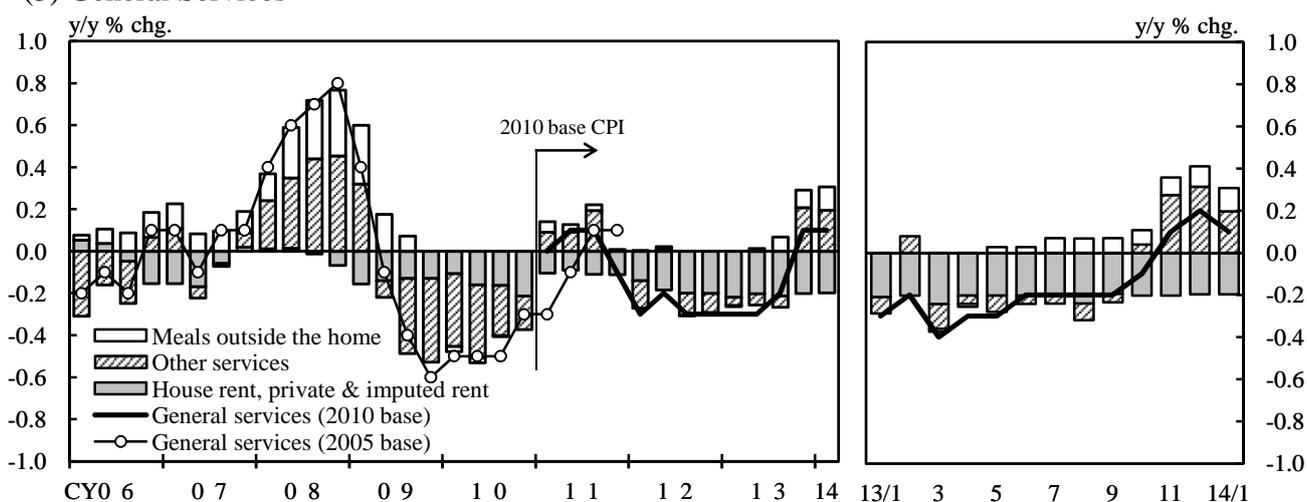
(1) Consumer Price Index (Less Fresh Food)



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



(3) General Services



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

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

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

3. Including shirts, sweaters & underwear.

4. Less agricultural, aquatic & livestock products.

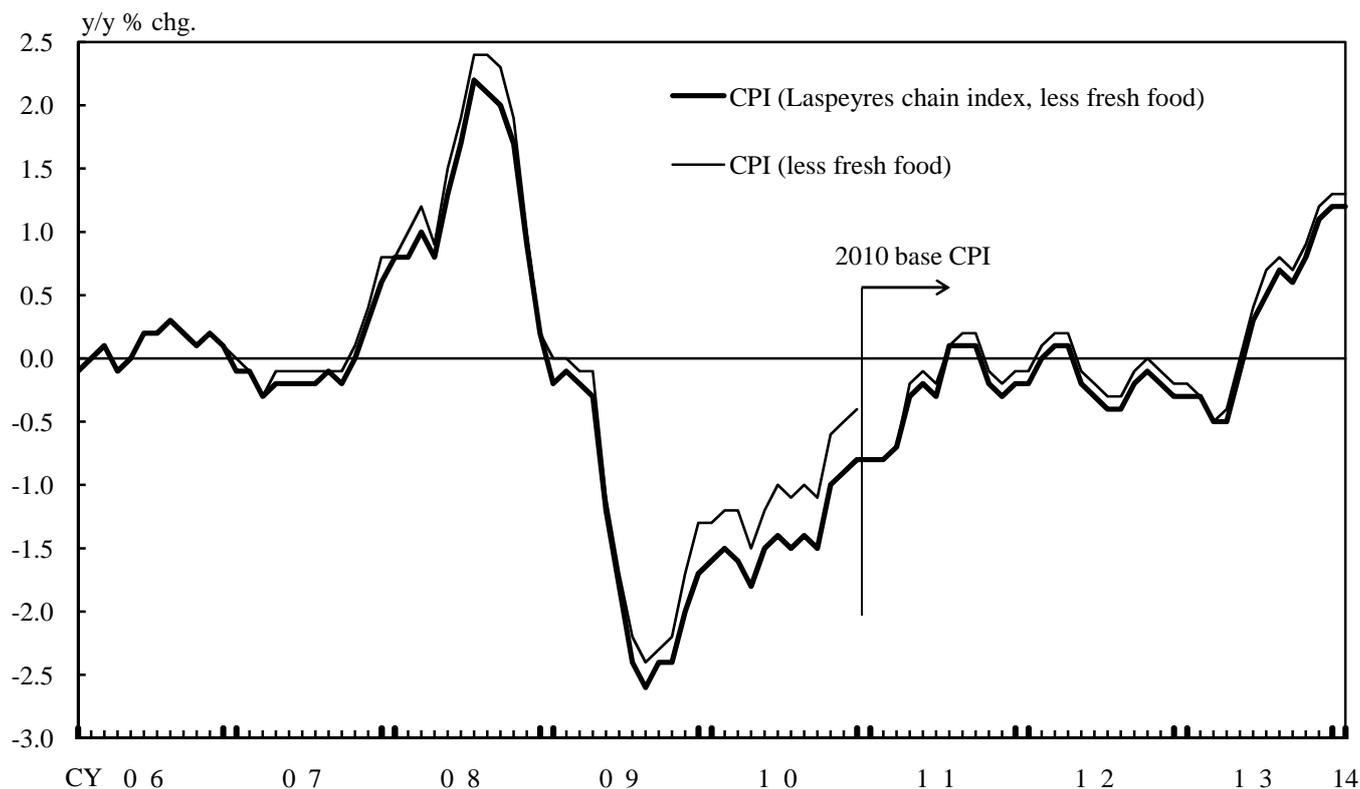
5. The year-on-year rates of change other than those of the CPI (less fresh food), CPI (less food and energy), and General services are calculated using published indices.

6. Figures for 2014/Q1 are those of January.

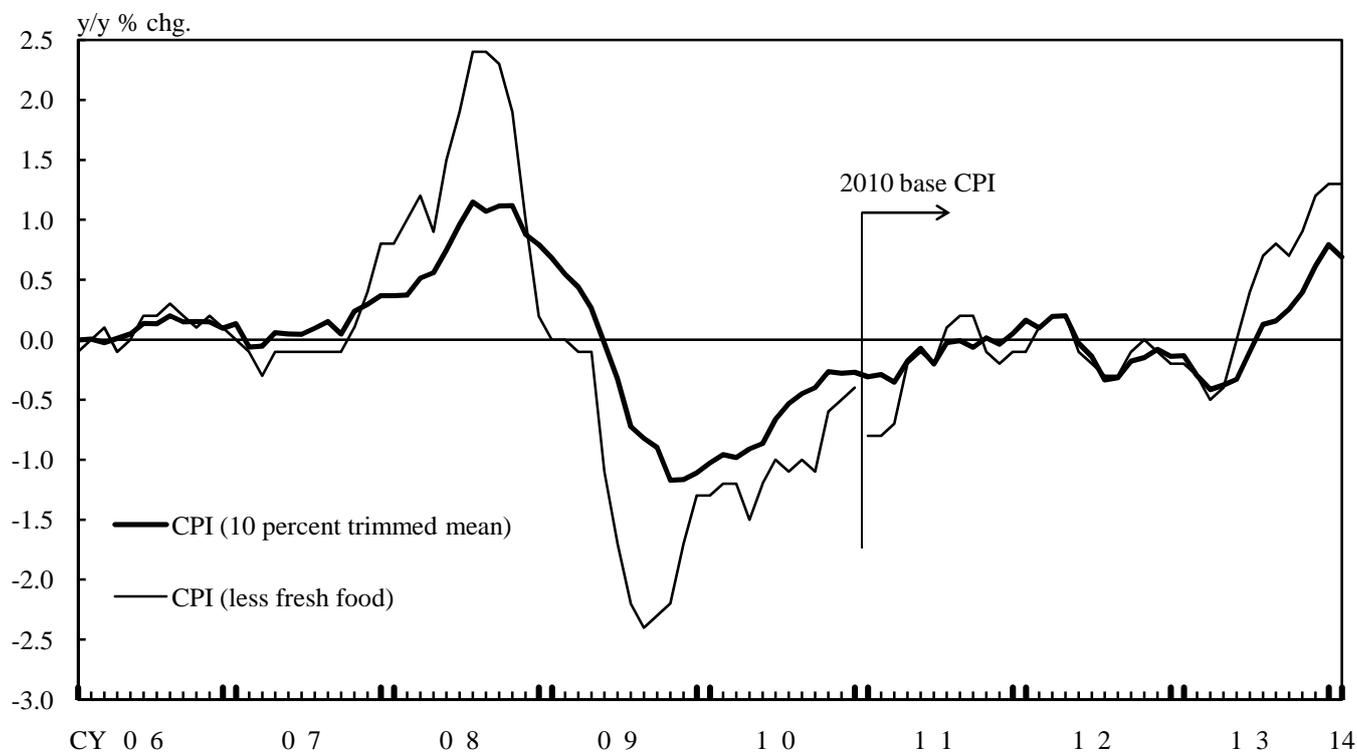
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

## Trend Changes in Consumer Prices

## (1) Laspeyres Chain Index



## (2) Trimmed Mean



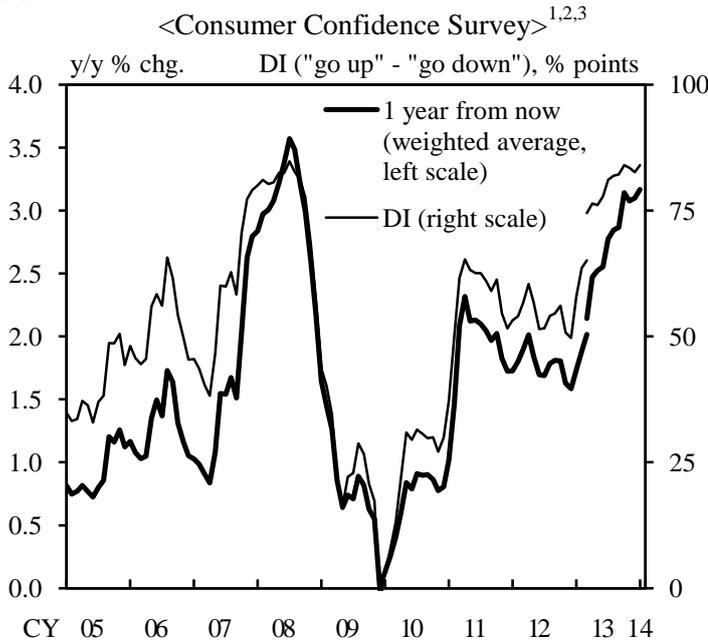
Notes: 1. Figures for the 10 percent trimmed mean are weighted averages of items; these items are obtained by rearranging year-on-year rates of price change in ascending order and then excluding items in both the upper and lower 10 percent tails by weight.

2. Figures 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.

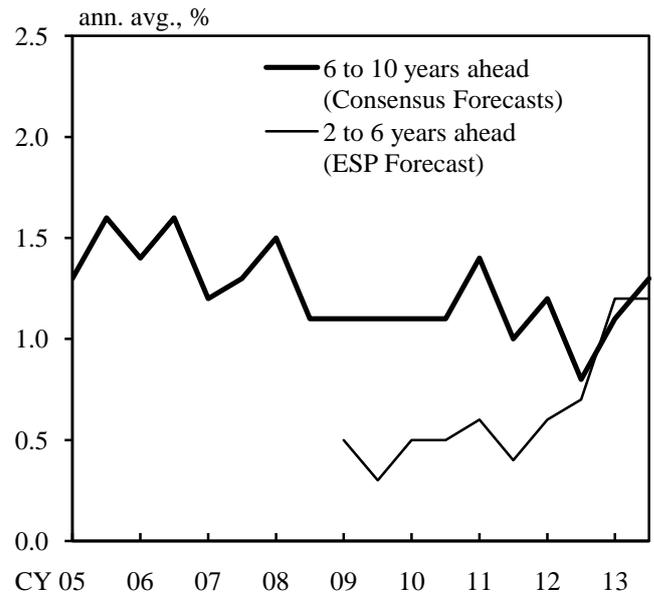
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Inflation Expectations

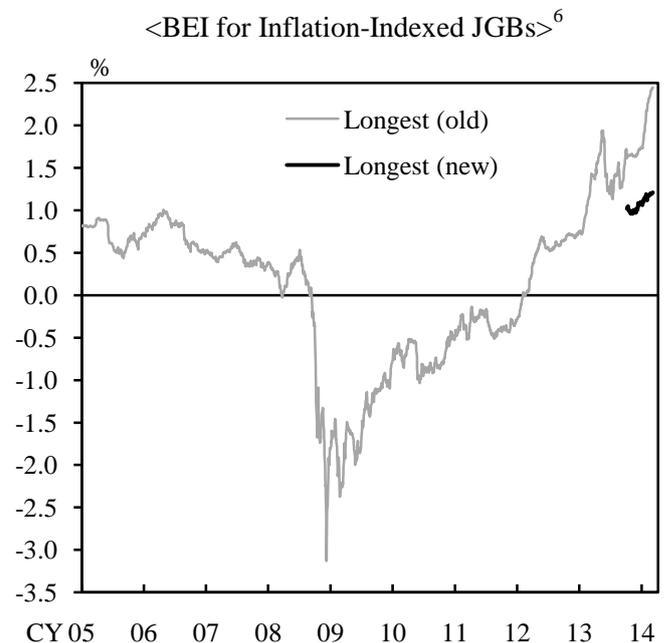
(1) Households



(2) Economists<sup>4</sup>



(3) Market Participants



Notes: 1. Figures are for all households.

2. The Consumer Confidence Survey asks households to provide their price expectations one year from now. The weighted average is calculated based on the following assumption: survey responses chosen by households as their expected inflation rates -- "-5% or below," "from -5% to -2%," "from -2% to 0%," "from 0% to +2%," "from +2% to +5%," and "+5% or above" -- indicate inflation rates of -5%, -3.5%, -1%, +1%, +3.5%, and +5%, respectively.

3. There is discontinuity between figures up to March 2013 and those thereafter due to the change in the survey method in April 2013. Figures for March 2013 via the new survey method are reference values obtained from the examination survey.

4. Figures for the ESP Forecast exclude the effects of the scheduled consumption tax hikes.

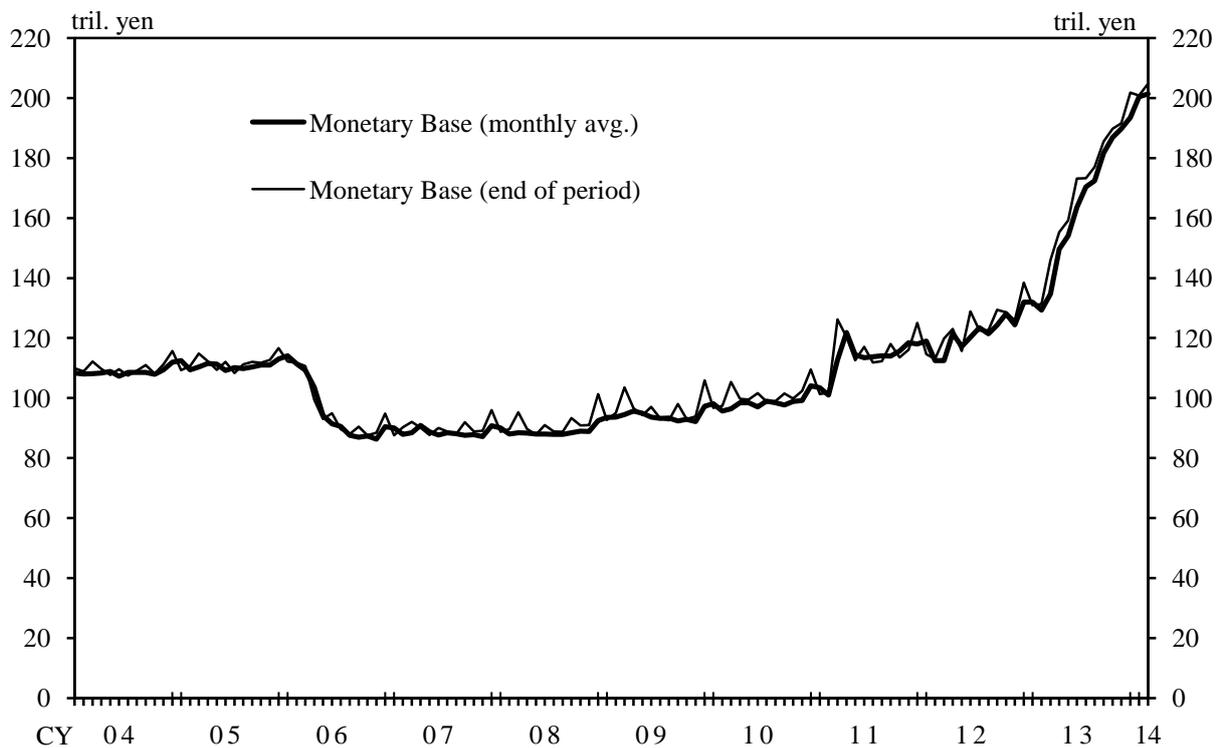
5. From the September 2013 survey, the Quick Bond Monthly Survey has asked respondents to include the effects of the scheduled consumption tax hikes.

6. Yield spreads between fixed-rate coupon-bearing JGBs and inflation-indexed JGBs. Inflation-indexed JGBs issued since October 2013 are designated as "new," while the rest of them are designated as "old." Figures for "longest" are calculated using yield data for the inflation-indexed JGBs that have the longest maturity at each period, which currently correspond to those maturing in June 2018 for "old" and September 2023 for "new."

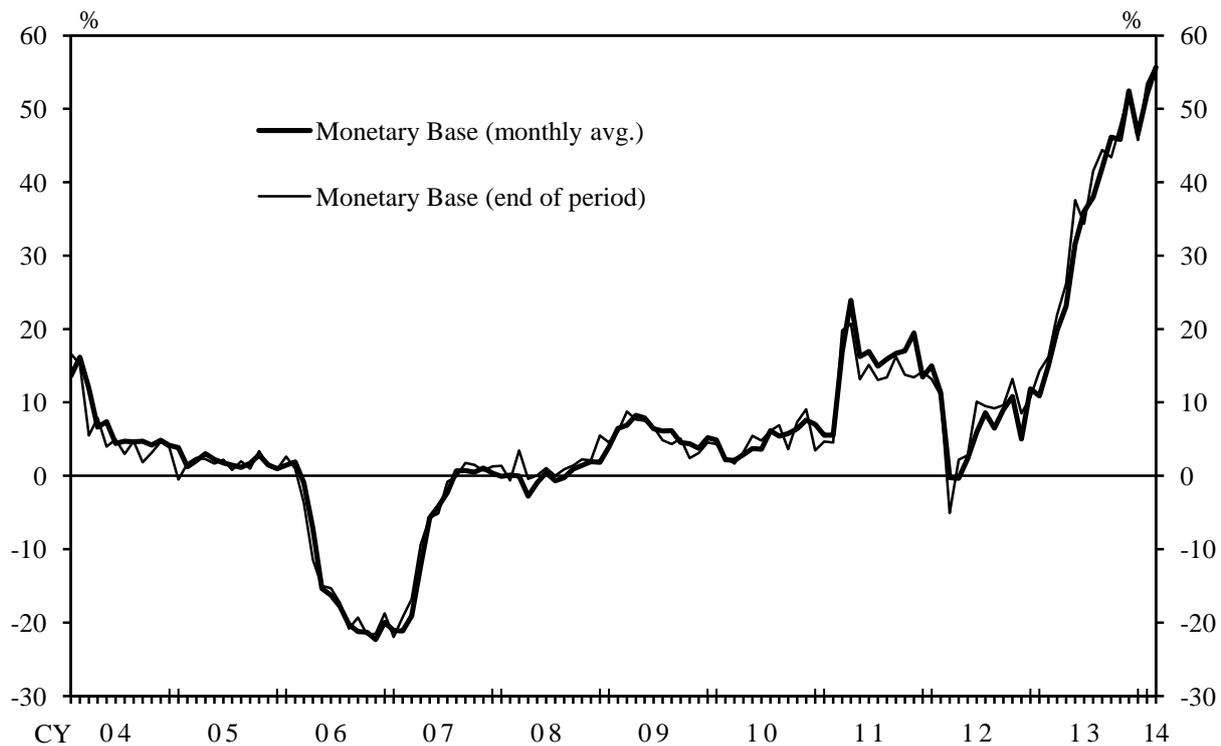
Sources: Cabinet Office, "Consumer Confidence Survey"; Consensus Economics Inc., "Consensus Forecasts"; JCER, "ESP Forecast"; QUICK, "Quick Bond Monthly Survey"; Bloomberg.

Monetary Base

(1) Level



(2) Changes from a Year Earlier

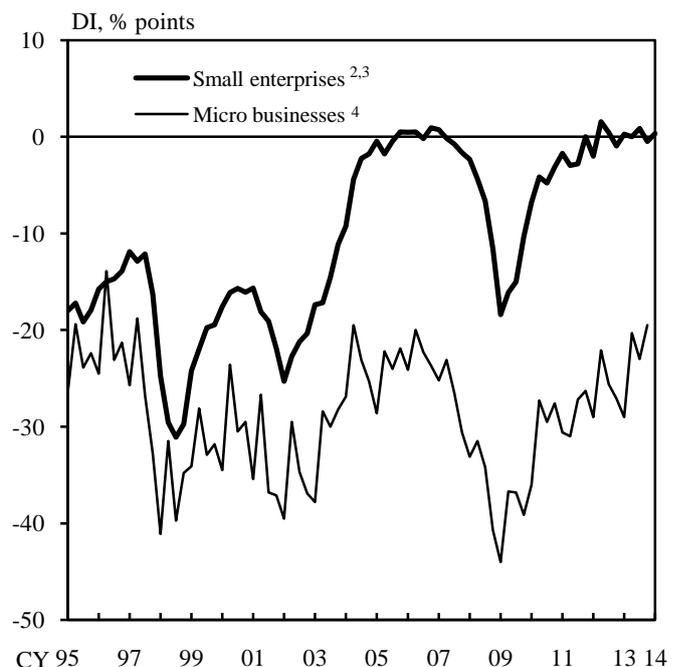
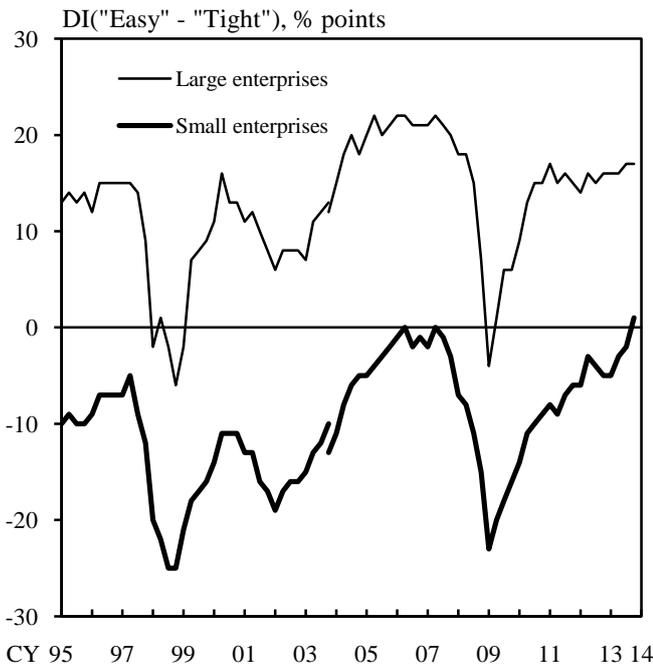


Corporate Finance-Related Indicators

(1) Financial Position

<Tankan<sup>1</sup>>

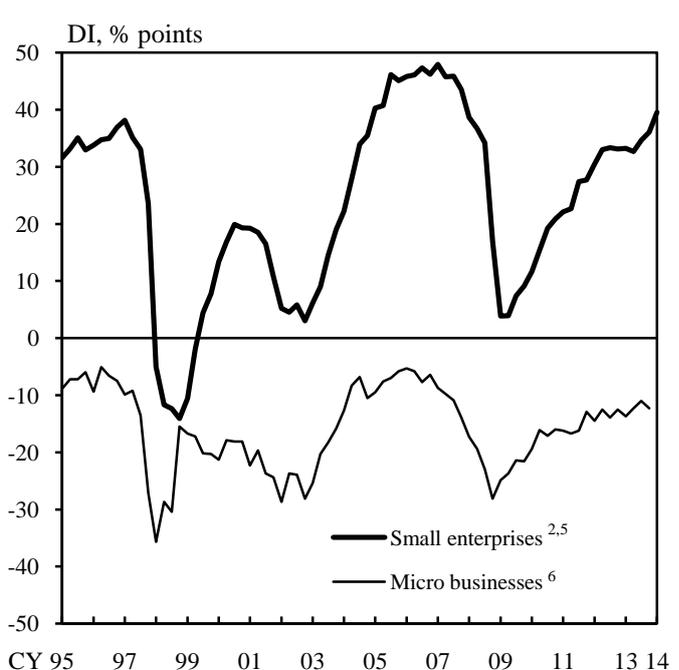
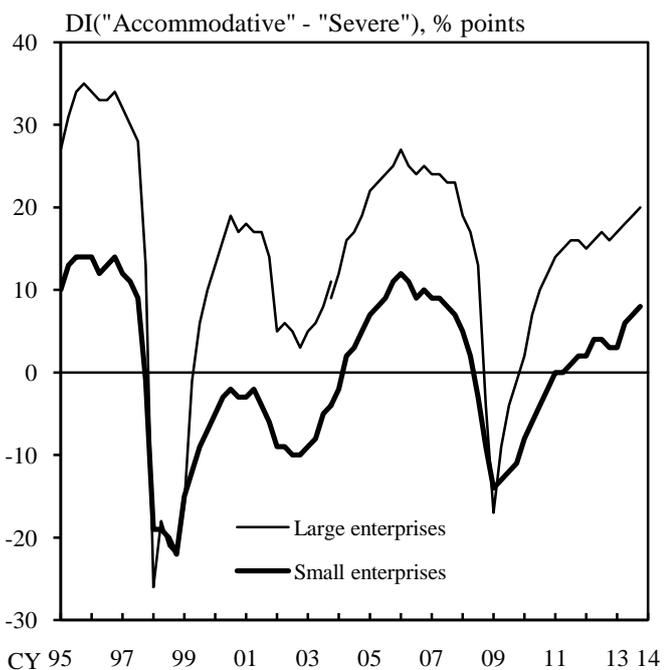
<Japan Finance Corporation Survey>



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

<Tankan<sup>1</sup>>

<Japan Finance Corporation Survey>



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

2. Figures are quarterly averages of monthly data. Figures for 2014/Q1 are those of Jan.-Feb. averages.

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

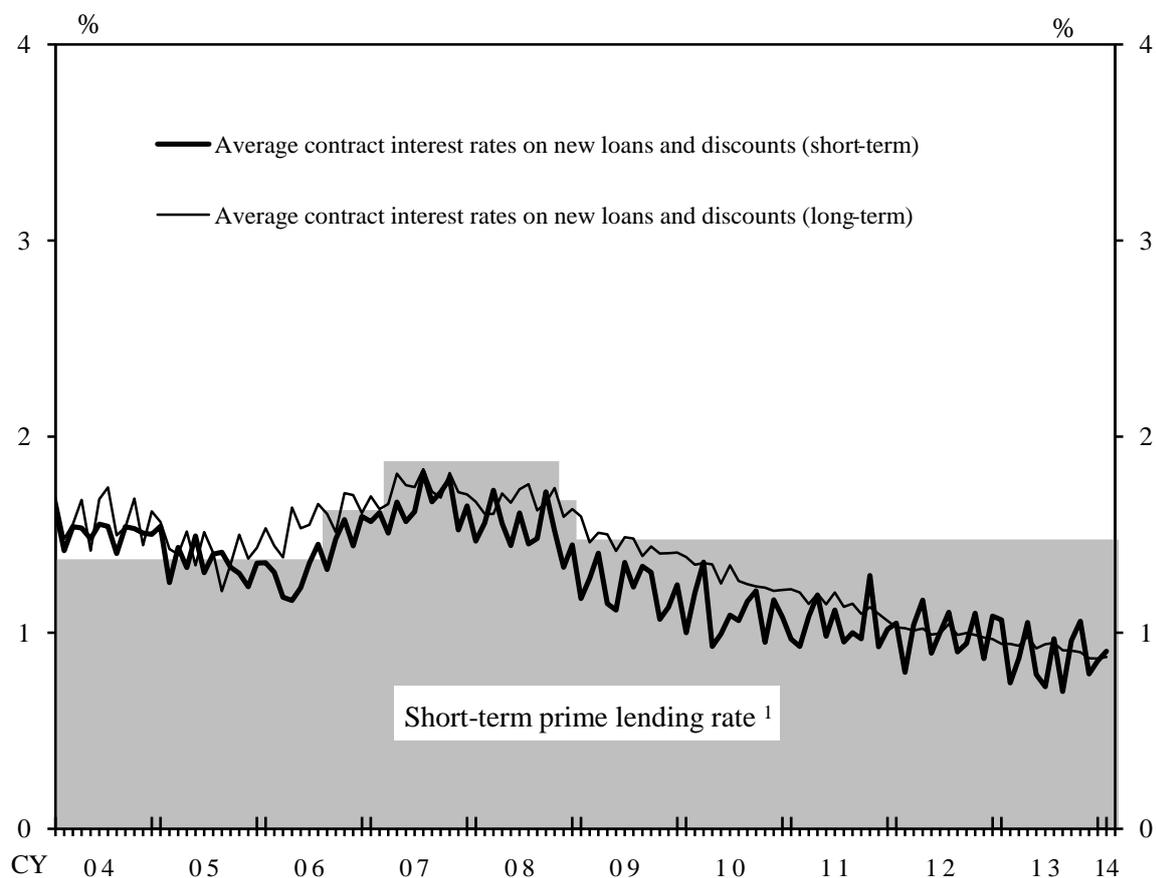
4. DI of "Easier" - "Tighter."

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

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

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

Lending Rates

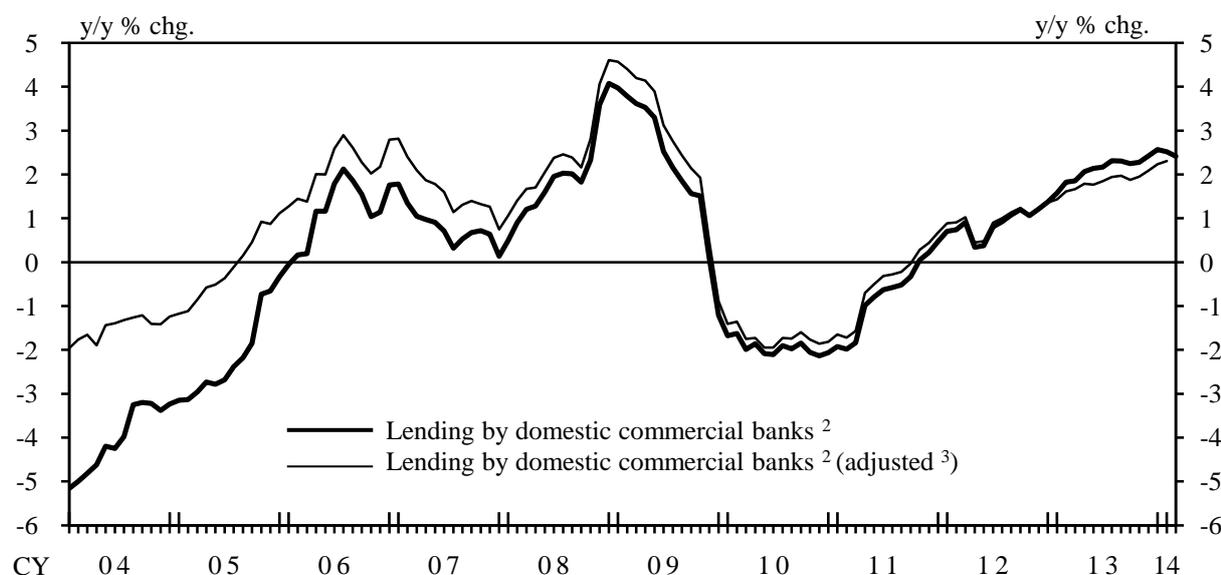


Note: 1. Data are at end of period.

Source: Bank of Japan.

## Lending by Financial Institutions

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



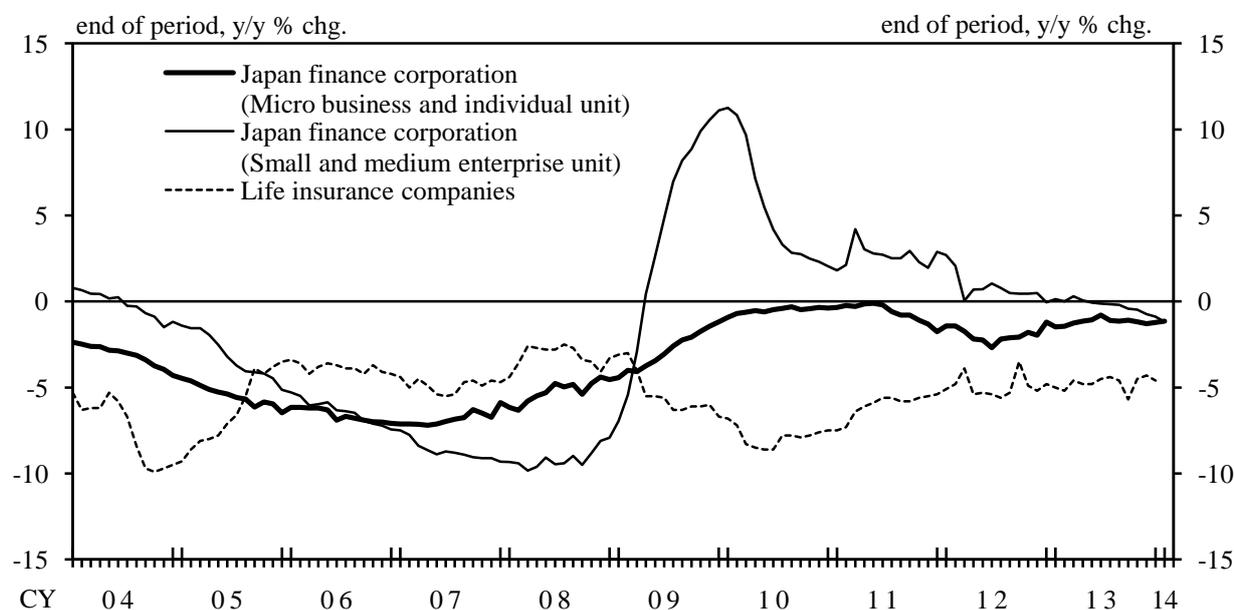
Notes: 1. Percent changes in average amounts outstanding from a year earlier.

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

3. Adjusted to exclude

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

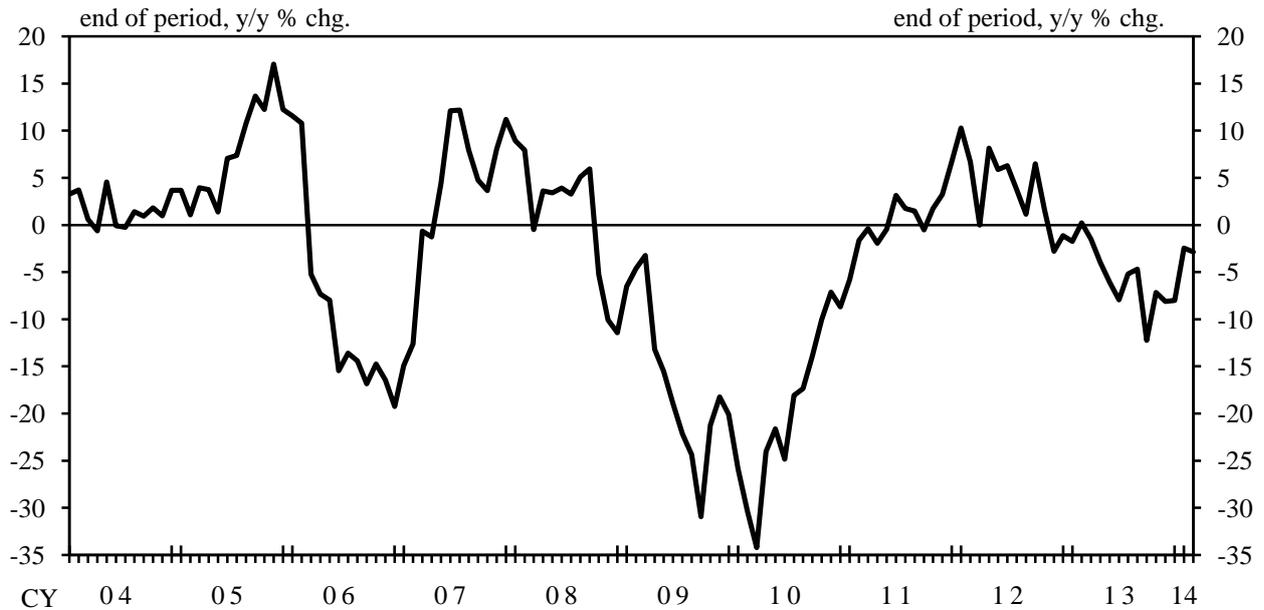
### (2) Lending by Other Financial Institutions



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

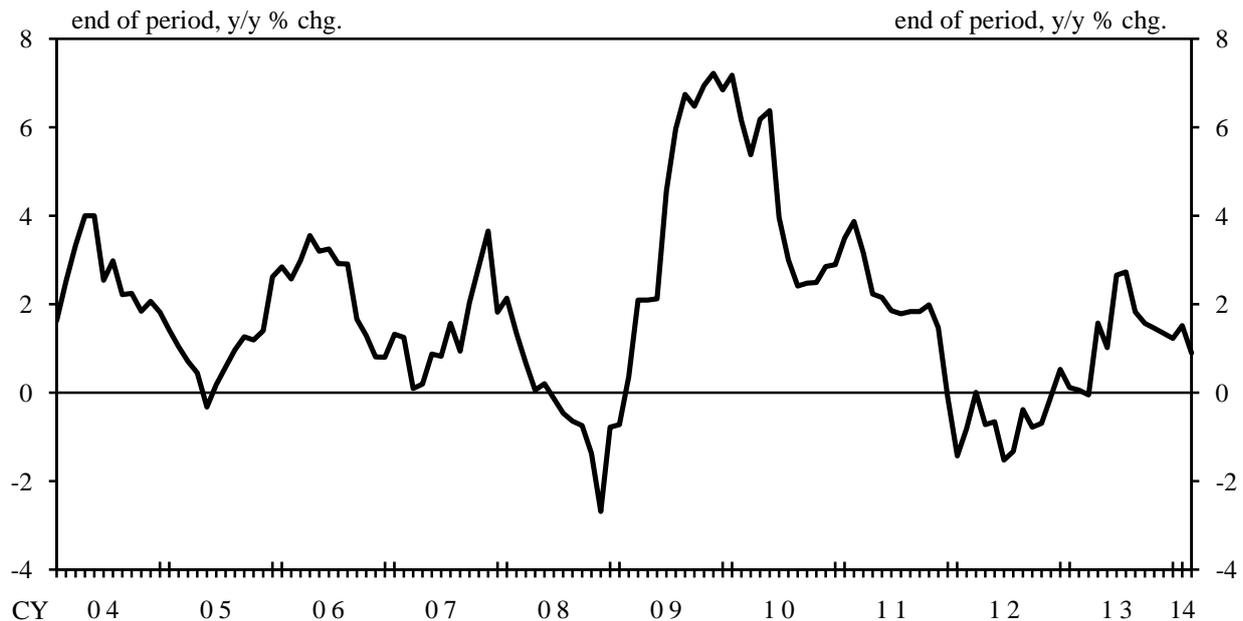
## Private-Sector Fund-Raising in the Capital Markets

### (1) Amount Outstanding of Commercial Paper



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

### (2) Amount Outstanding of Corporate Bonds



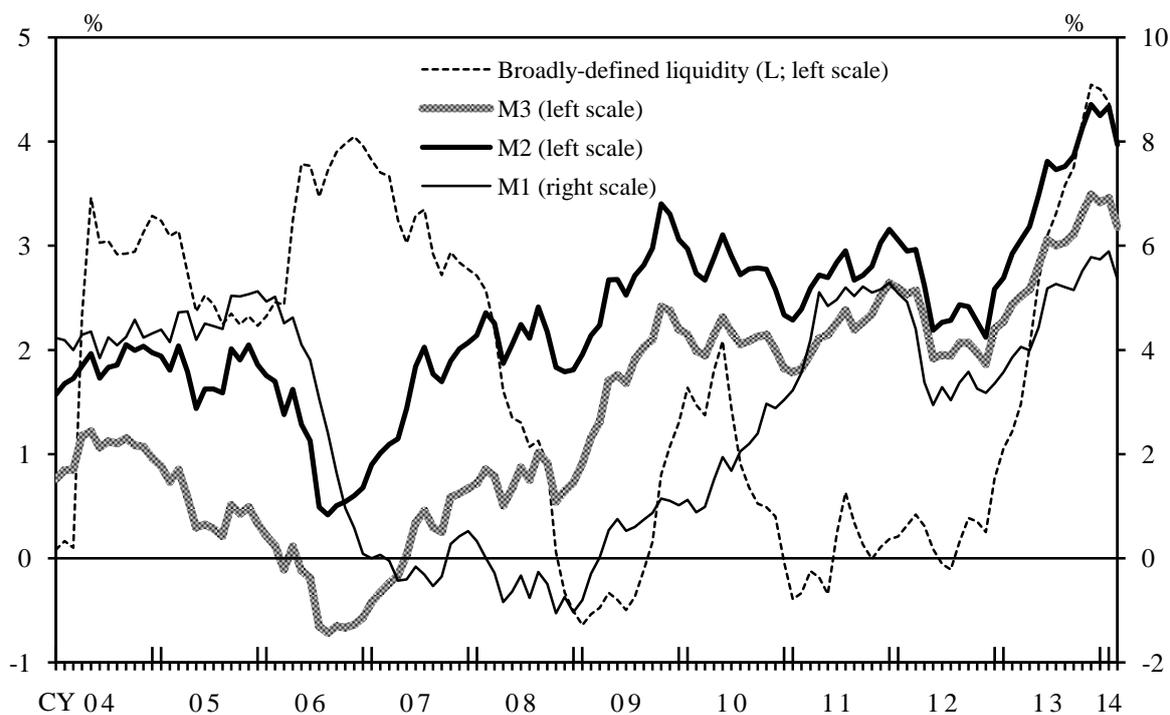
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

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

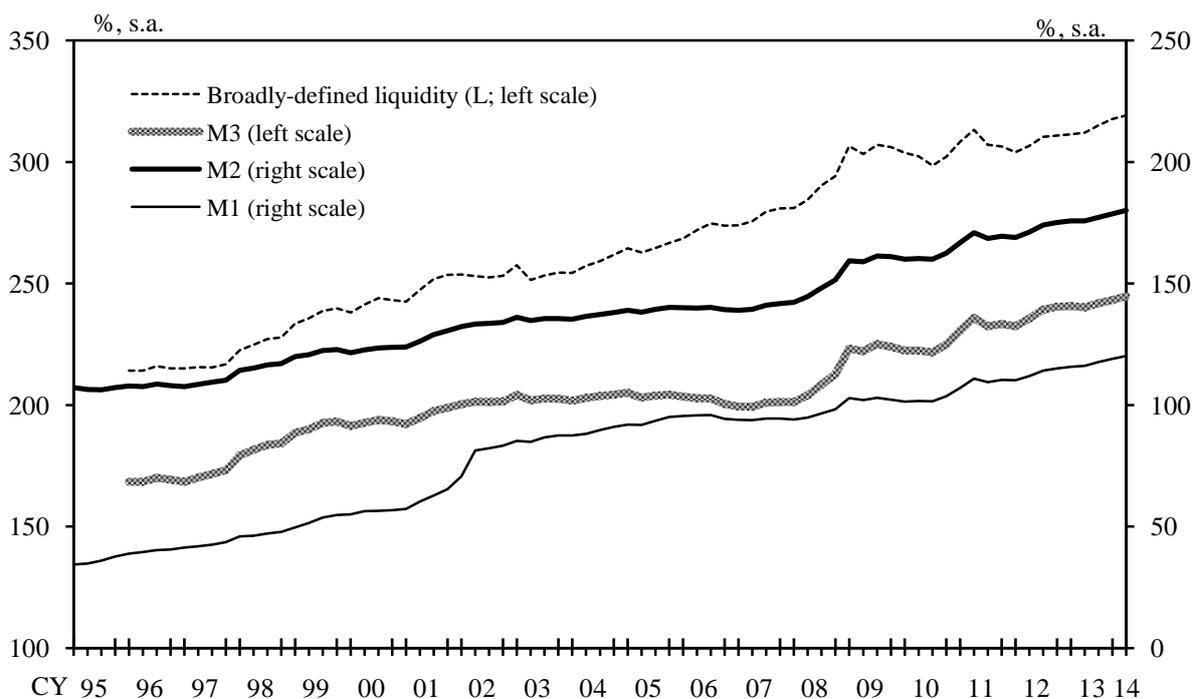
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category";  
 Bank of Japan, "Principal Figures of Financial Institutions";  
 Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts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

## Money Stock

## (1) Changes from a Year Earlier



## (2) Ratio of Money Stock to Nominal GDP

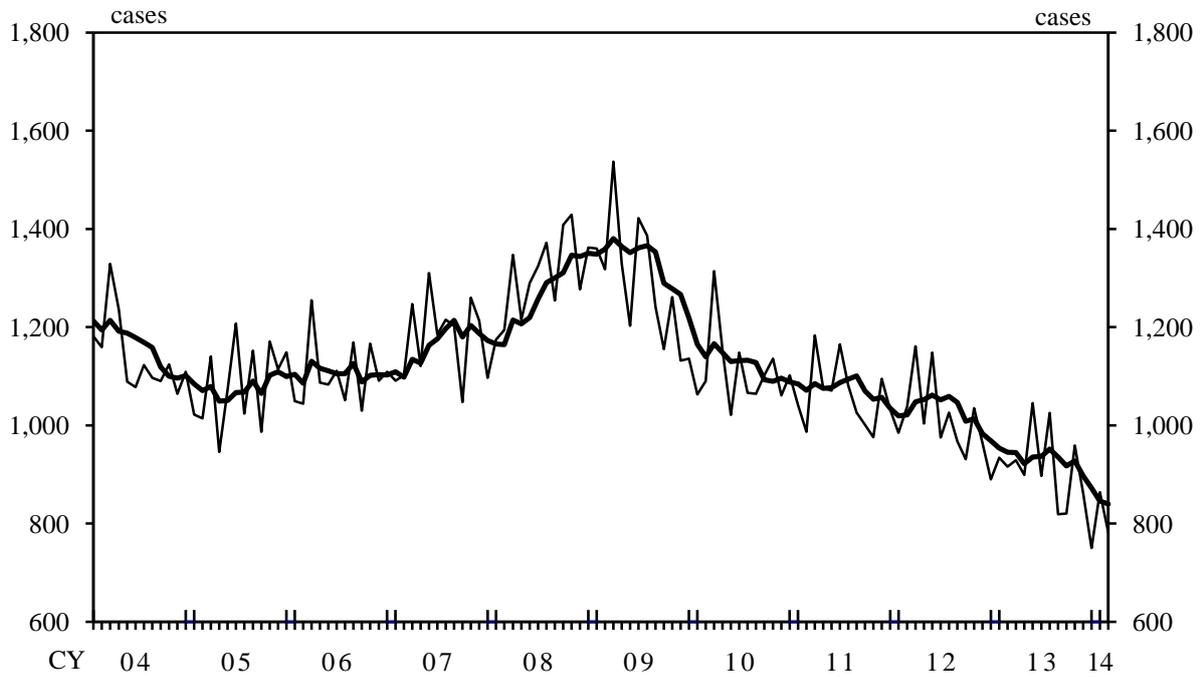


- Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.  
 2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.  
 3. The figures up to March 2004 in the upper panel and those up to March 2003 in the lower panel are based on the former series.  
 4. Figures for money stock in 2014/Q1 are those of Jan.-Feb. averages, and nominal GDP in 2014/Q1 is assumed to be unchanged from the previous quarter.

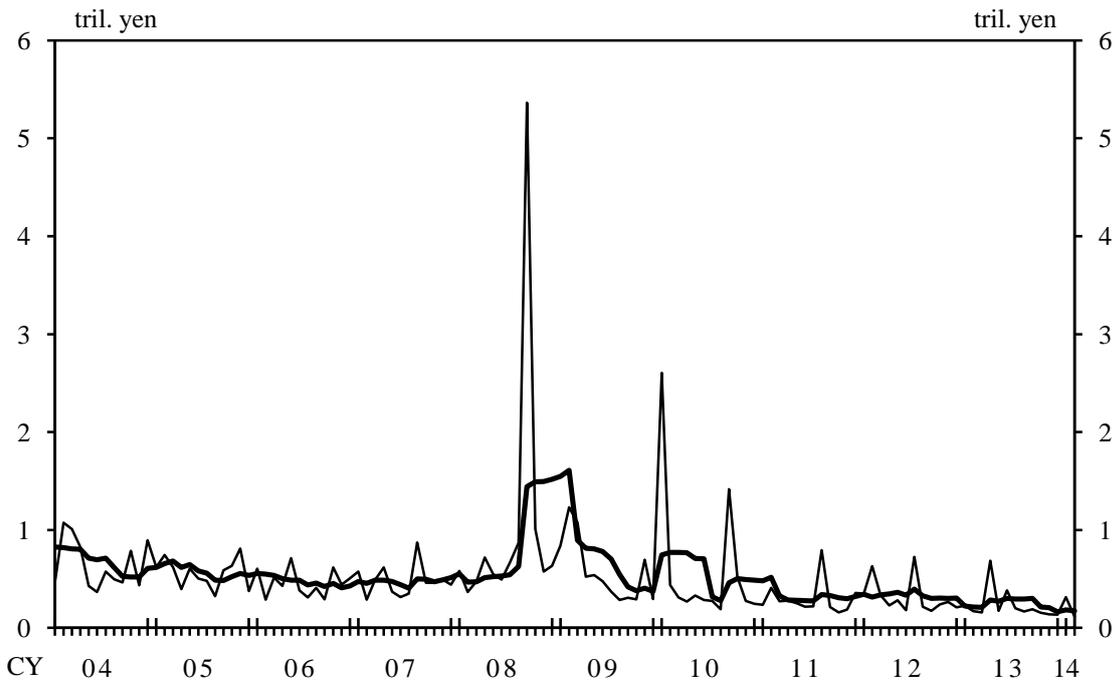
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities

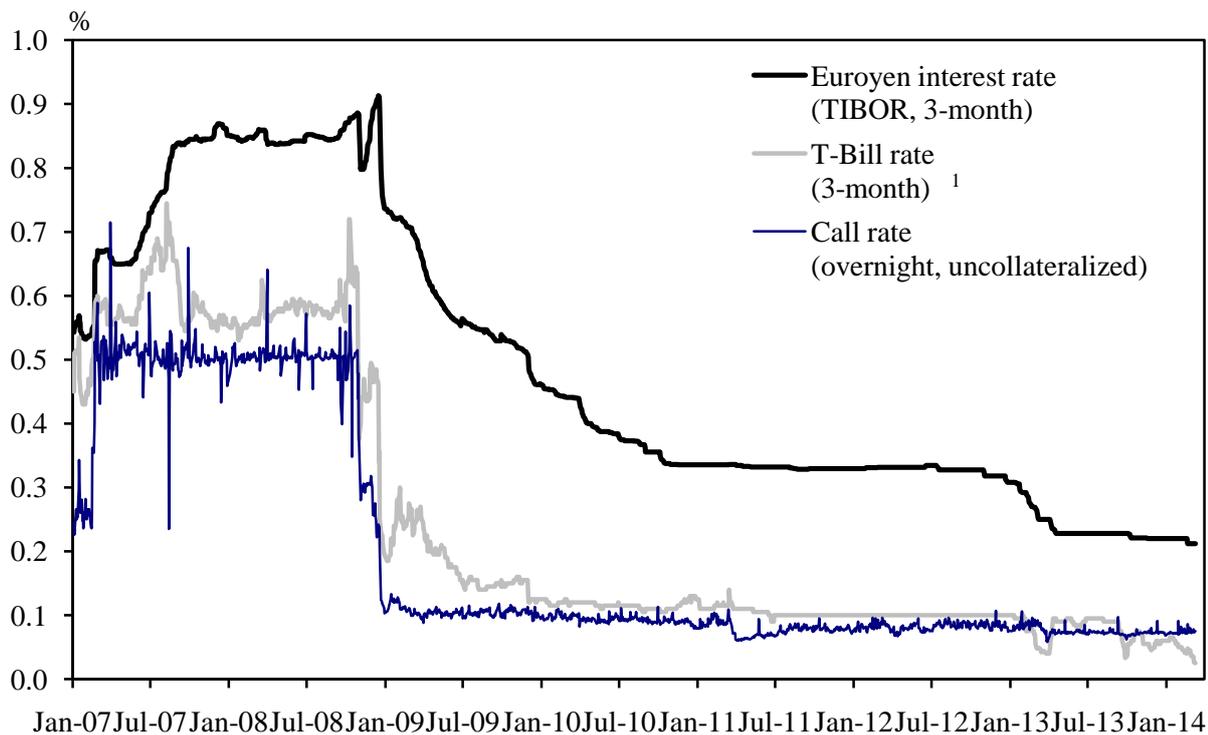


Note: Bold lines are the six-month moving average.

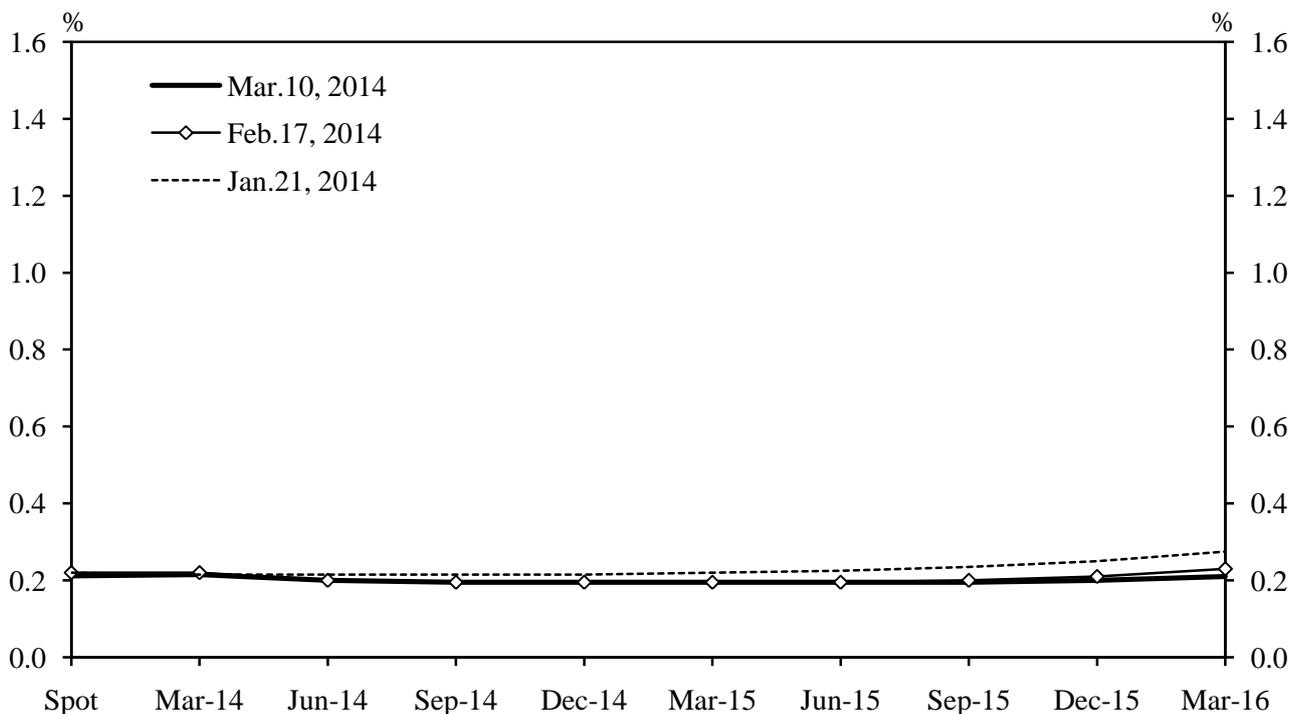
Source: Tokyo Shoko Research Ltd., "Tosan Geppo (Monthly review of corporate bankruptcies)."

Short-Term Interest Rates

(1) Short-Term Interest Rates



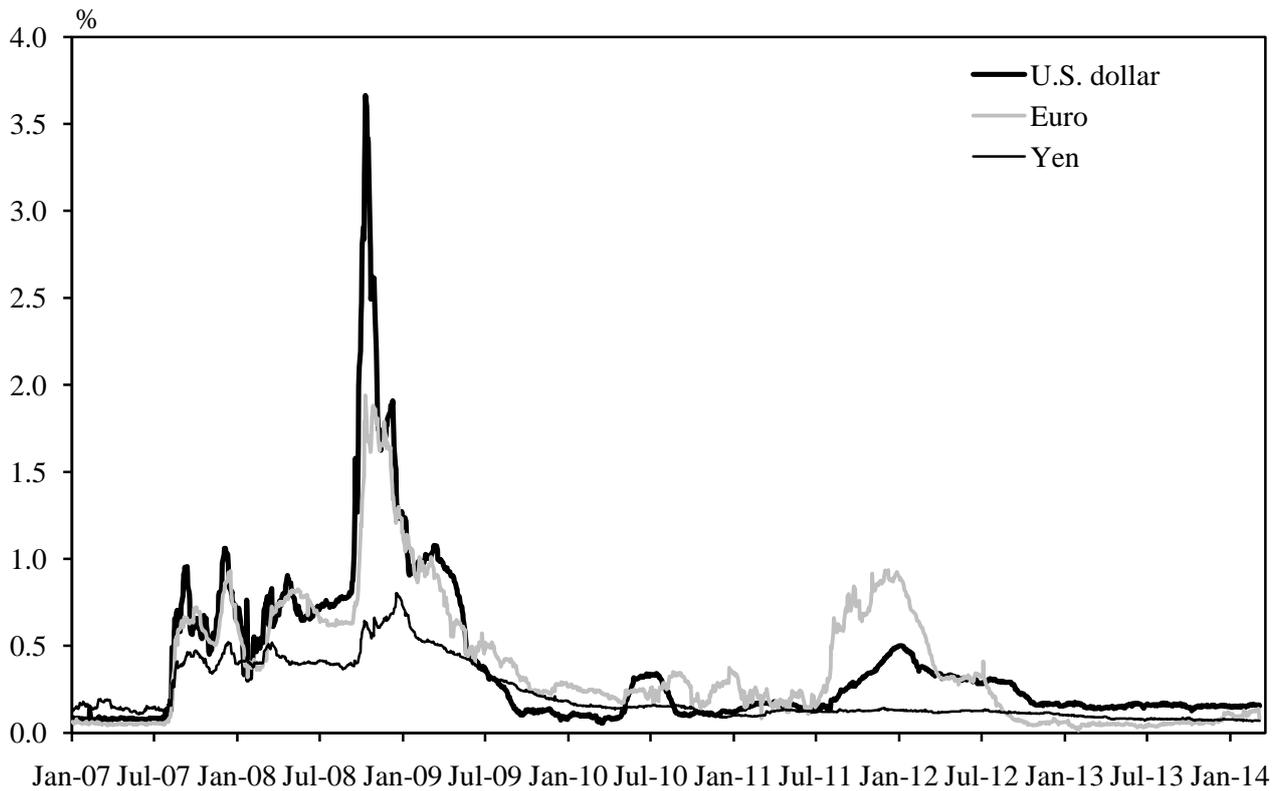
(2) Euroyen Interest Rate Futures (3-Month)



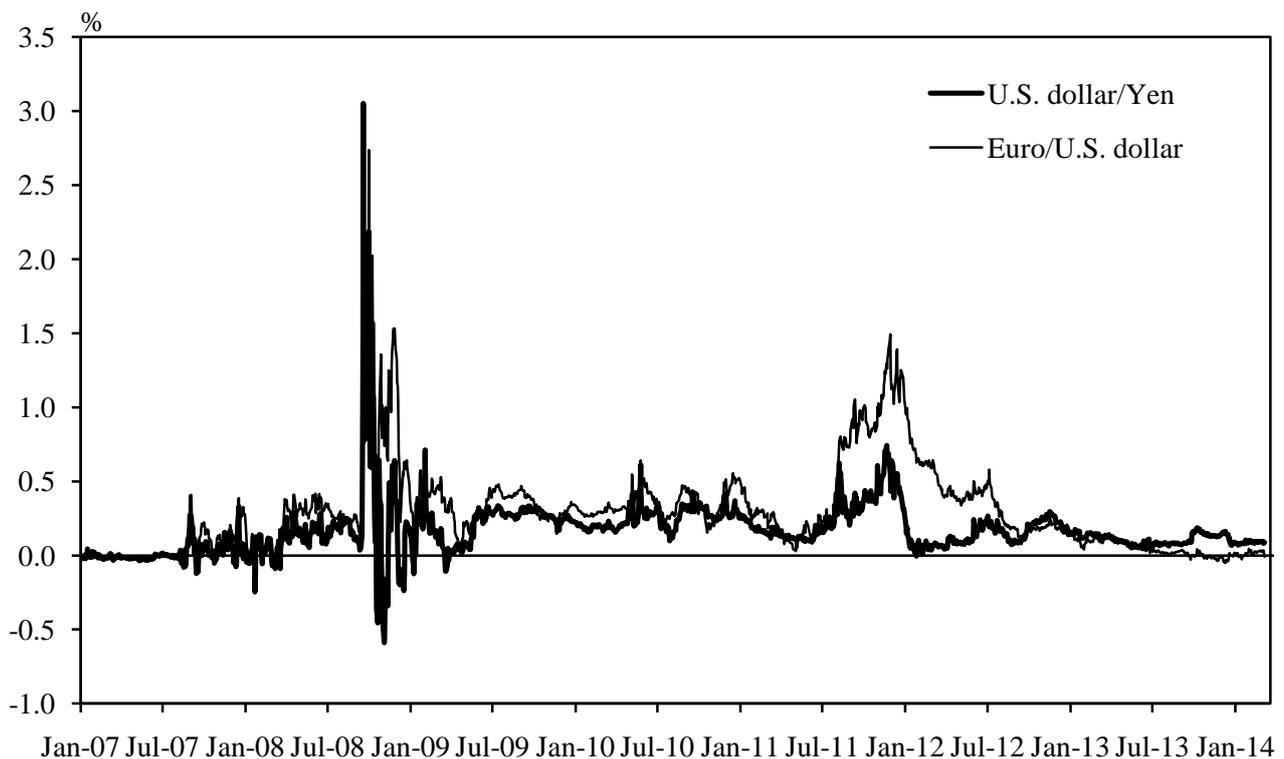
Note: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.  
 Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.;  
 Tokyo Financial Exchange; Bank of Japan.

Global Money Markets

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



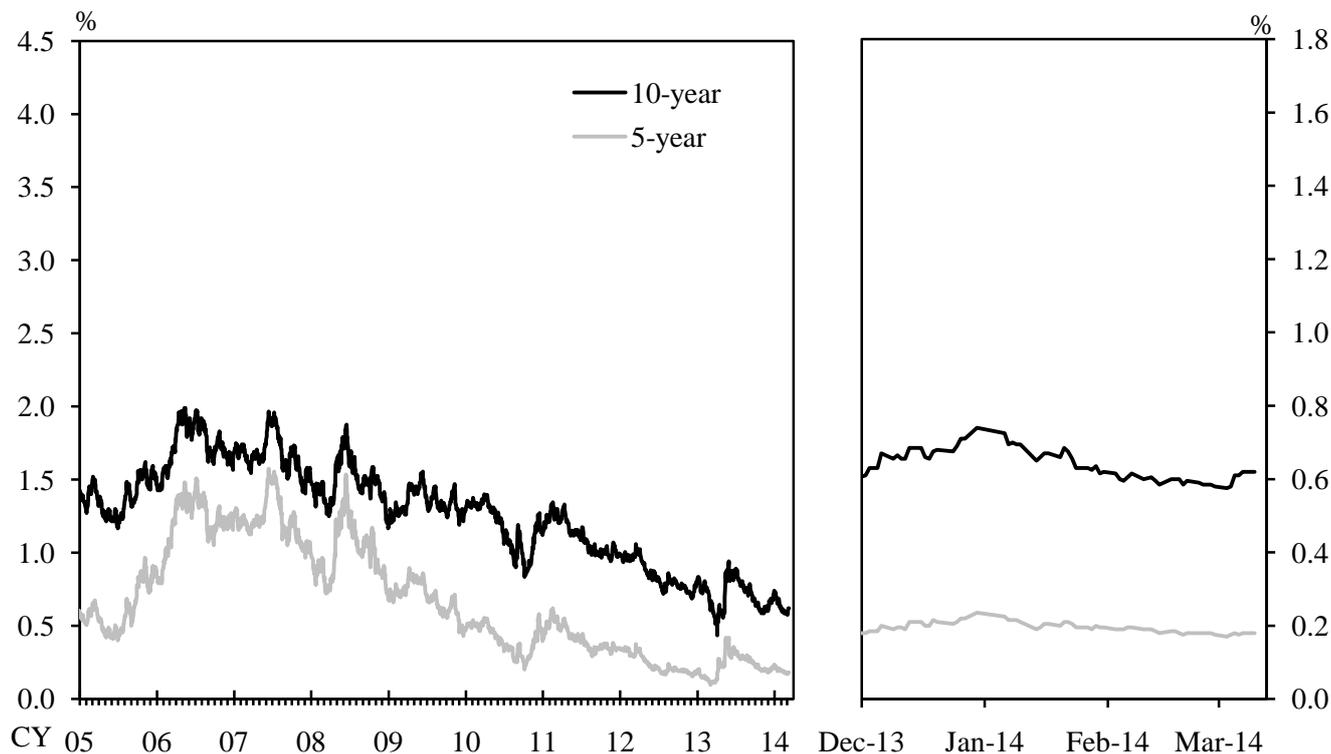
(2) FX swap implied dollar rate - LIBOR spreads (3-Month)



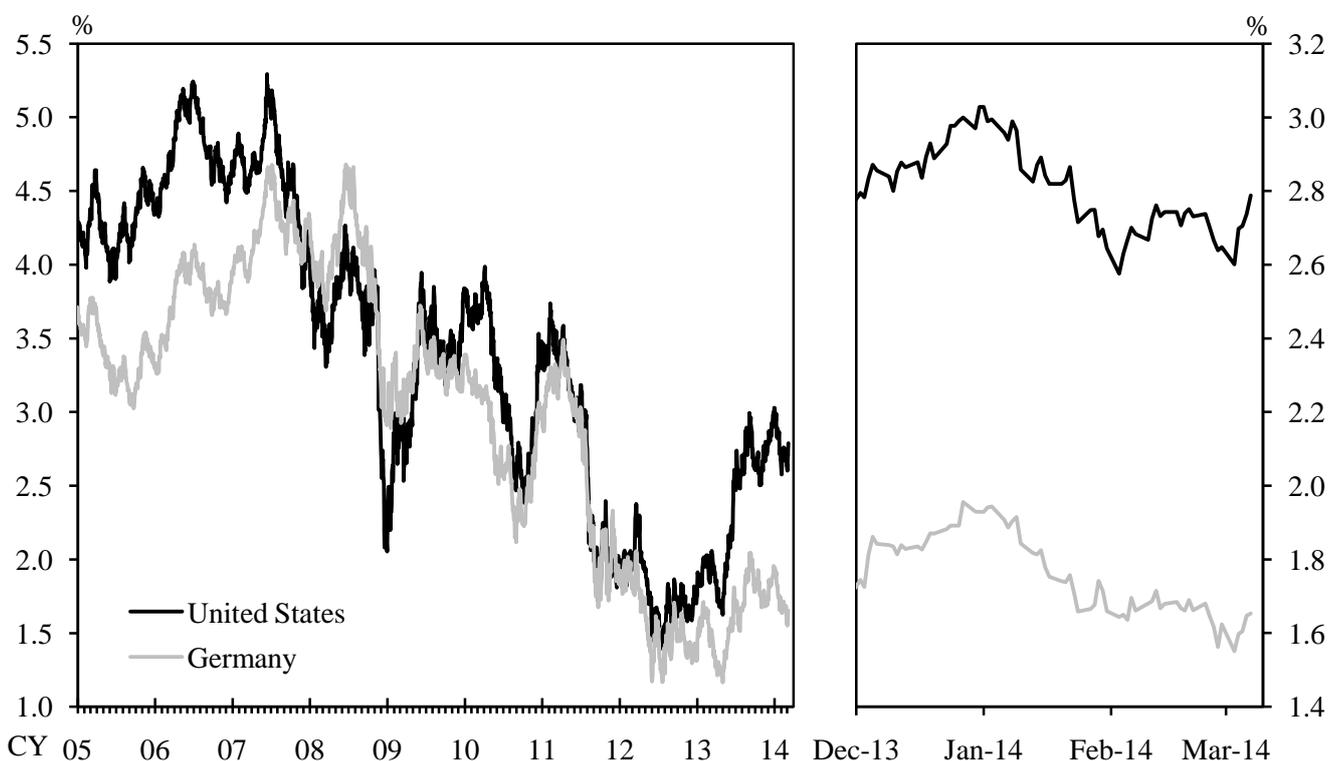
Source: Bloomberg.

Long-Term Interest Rates

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



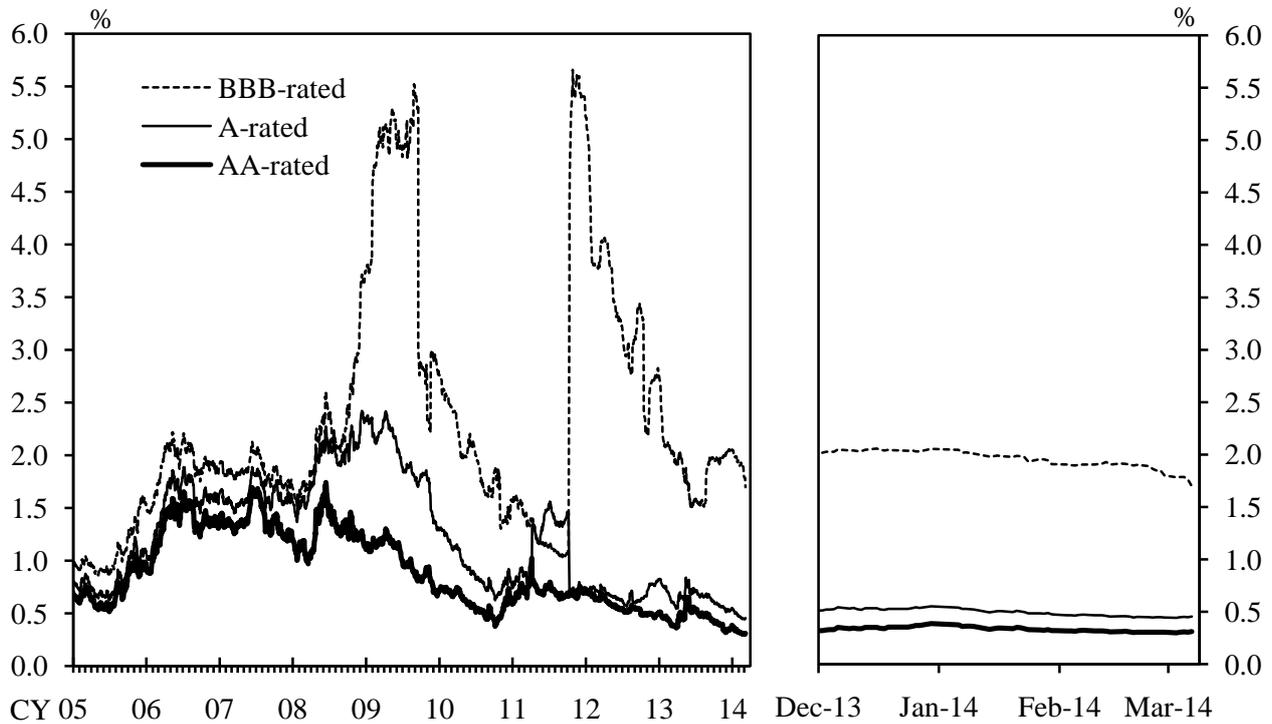
(2) Overseas Government Bond Yields (10-Year)



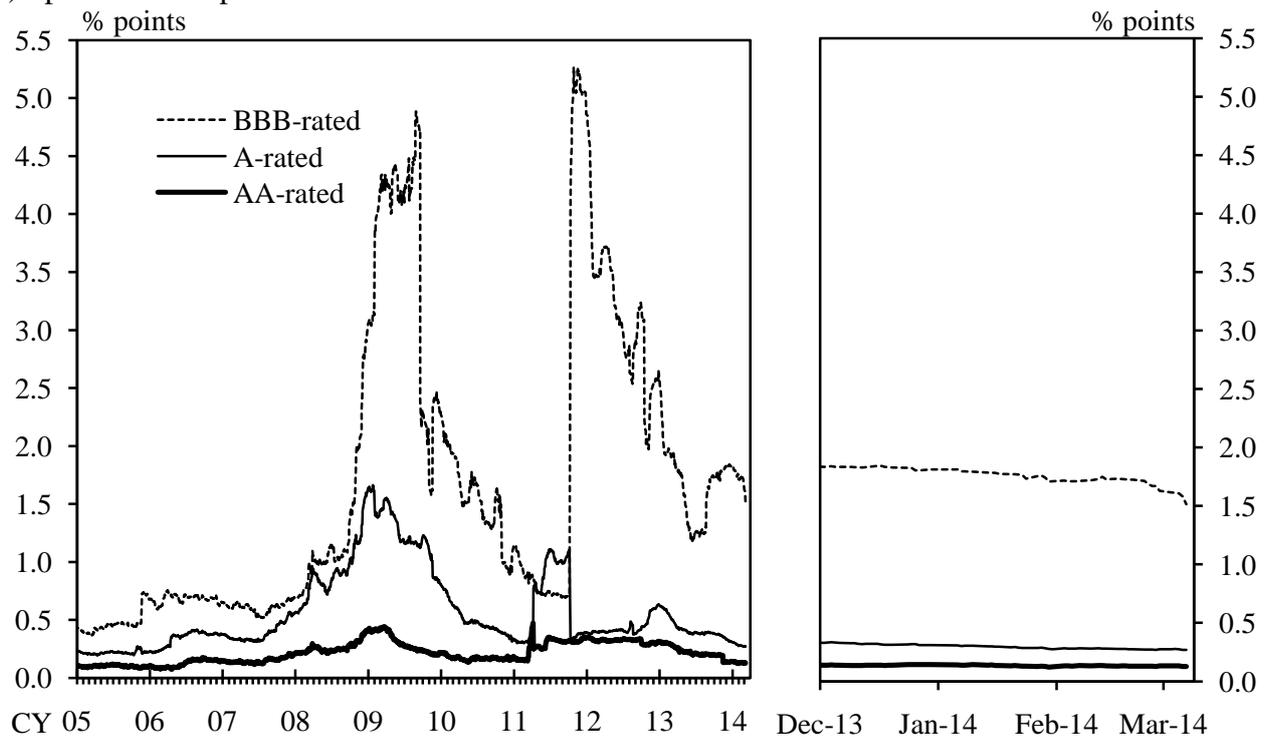
Note: 1. Yields on newly issued bonds.  
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

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.

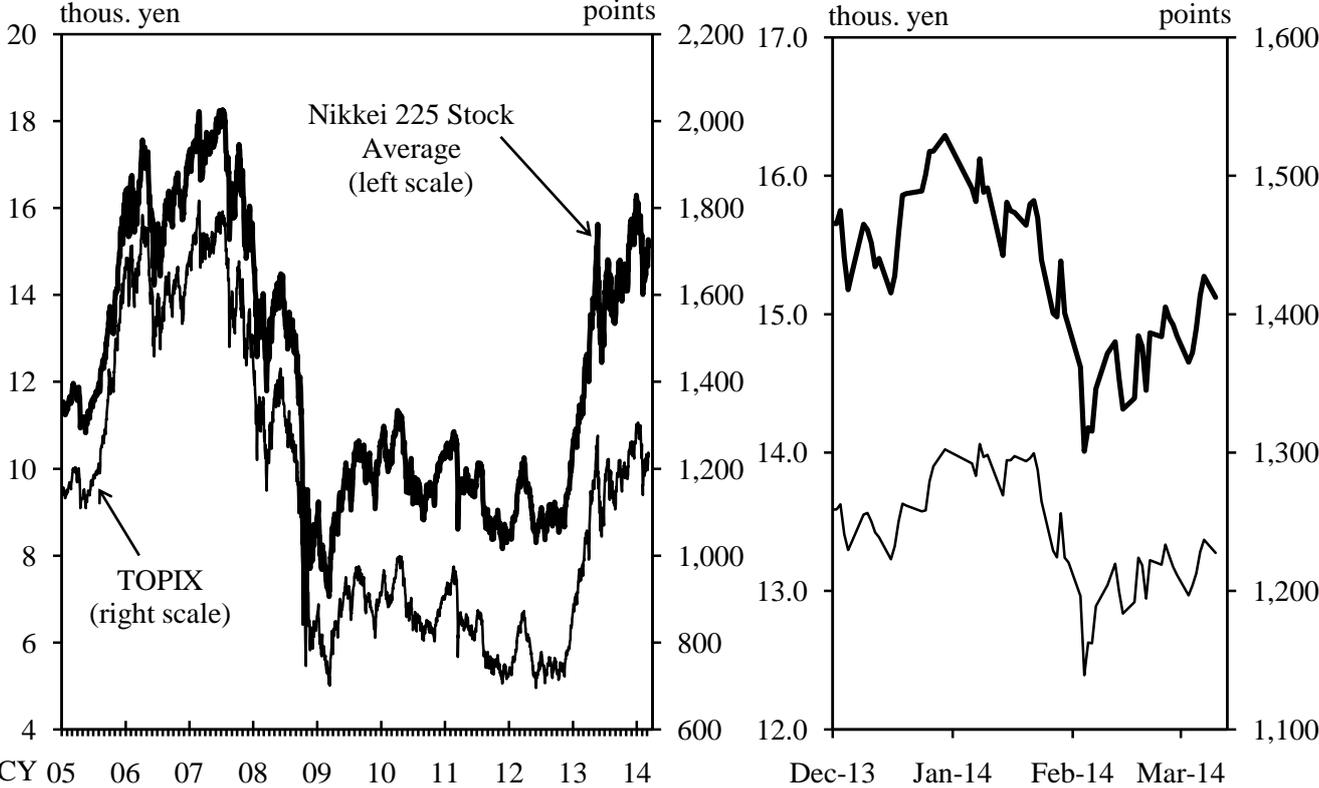
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.

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

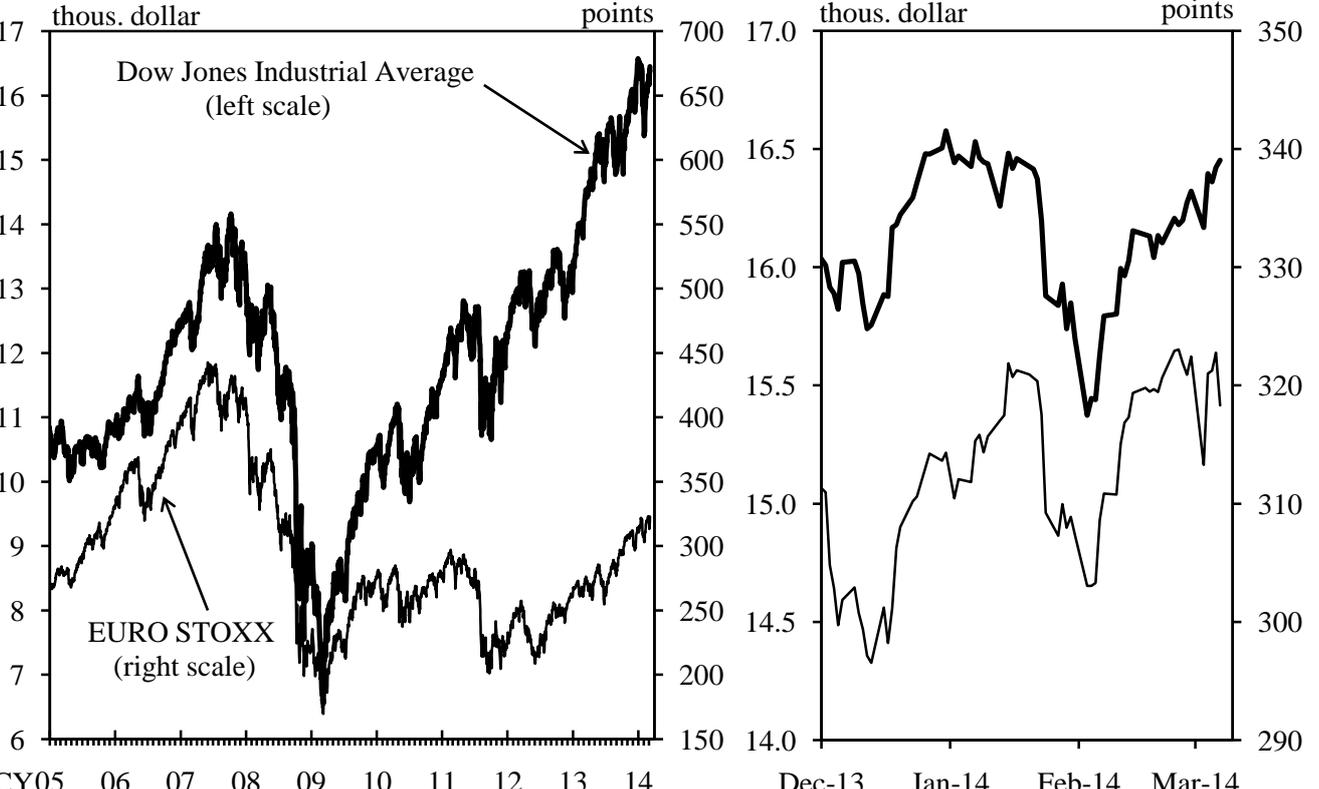
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Japanese Stock Prices



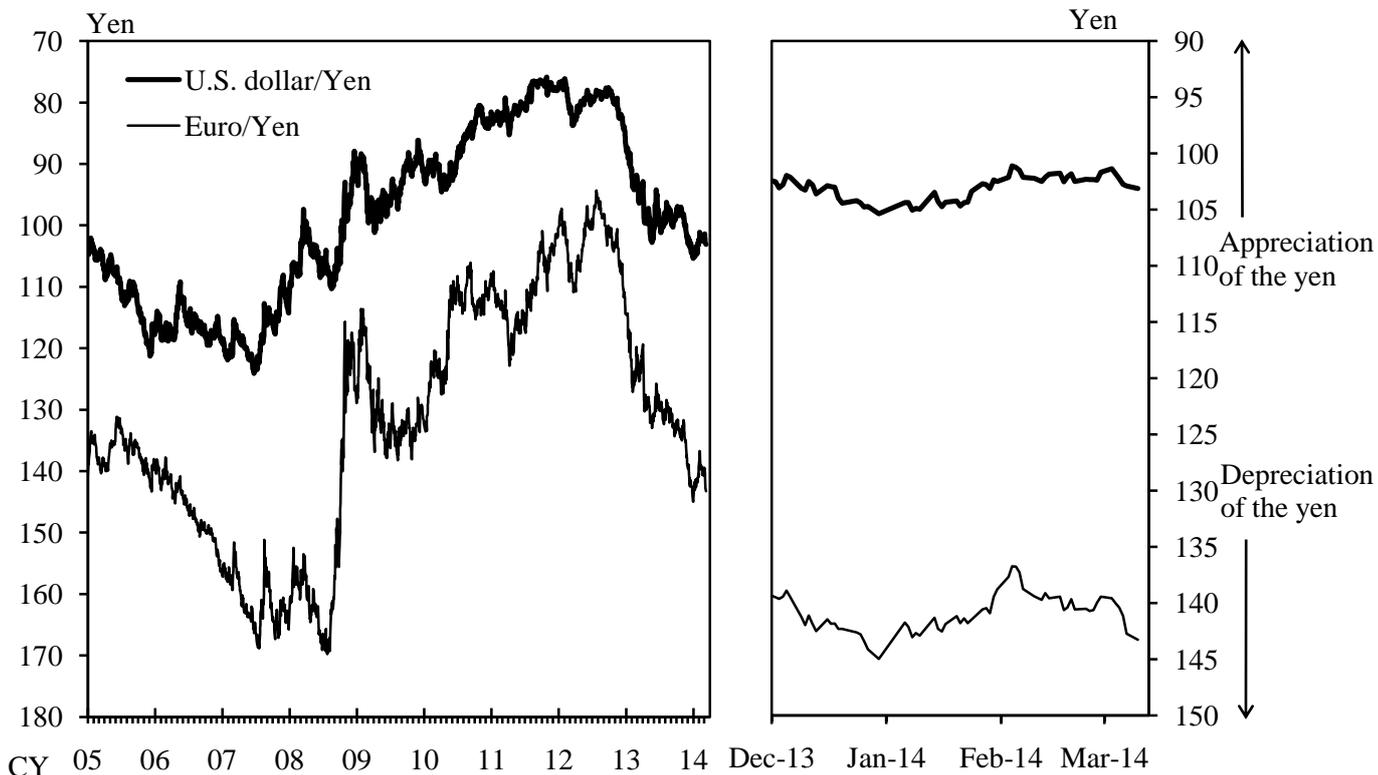
(2) Overseas Stock Prices



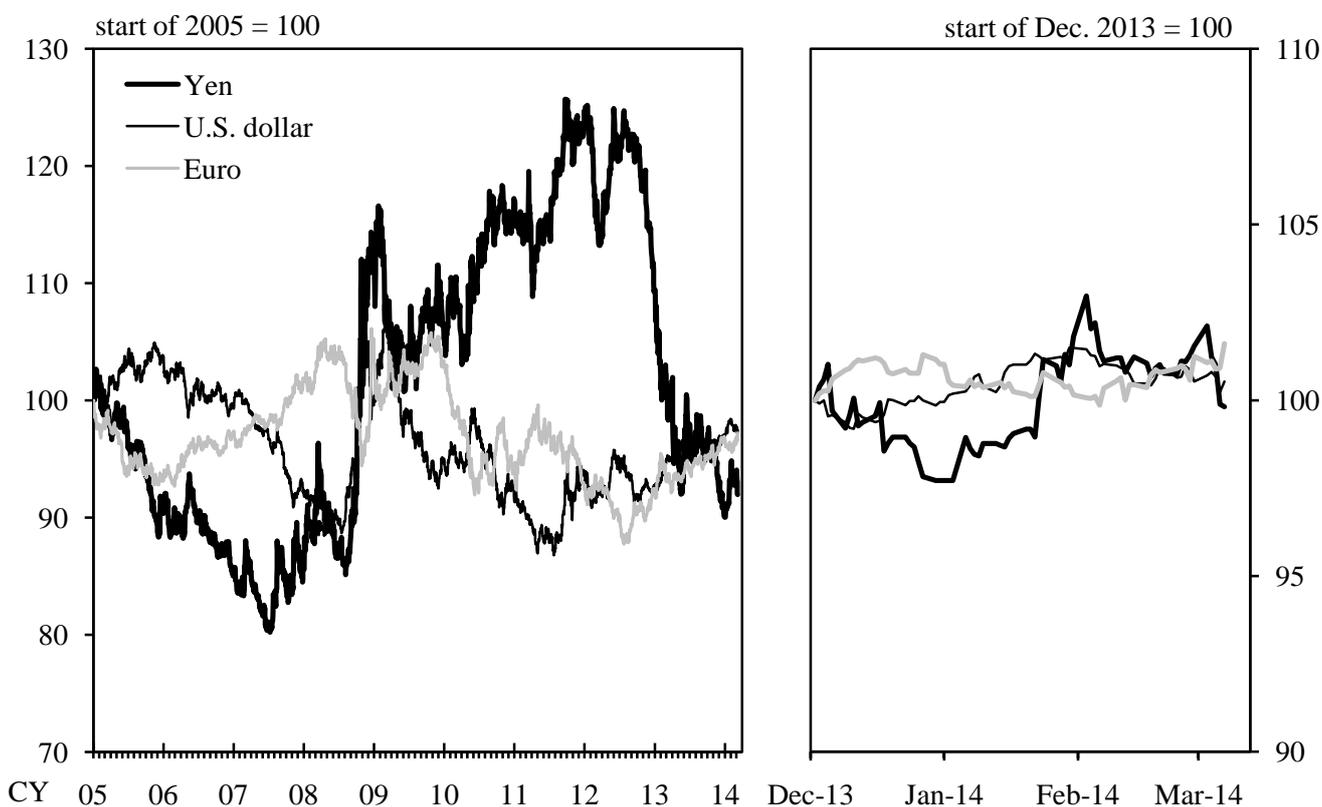
Sources: The Nihon Keizai Shimbun ; Tokyo Stock Exchange; Bloomberg.

Exchange Rates

(1) Bilateral Exchange Rates



(2) Nominal Effective Exchange Rates



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

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**Effects of the Consumption Tax Hike (5%→8%) on Consumer Price Index**


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**(1) Effects of the Consumption Tax Hike (5%→8%) on the Year-on-Year Rate of Increase in CPI (% points)**

	Japan		Ku-area of Tokyo	
	Assuming that the tax hike is fully passed on	Reflecting transitional measures (April)	Assuming that the tax hike is fully passed on	Reflecting transitional measures (April)
All items	2.1	1.9	1.9	1.7
All items (less fresh food)	2.0	1.7	1.9	1.7
All items (less food and energy)	1.7	1.5	1.5	1.4

**(2) Items not Expected to be Affected Directly by the Consumption Tax Hike**

Classification in Charts	Items <sup>1</sup>	Weight per 10,000 (all items, less fresh food)	
		Japan	Ku-area of Tokyo
Goods <sup>2</sup>	School textbooks	4	4
General services	House rent (private), imputed rent, package tours to overseas, school & kindergarten fees (private), PTA membership fees, delivery fees in national & public hospital	2,174	2,860
Fees for public services	House rent (public), medical treatment, nursing care, school & kindergarten fees (public), insurance premiums, charges (registered stamps, permanent registration, passport, driving license)	733	576
Total		2,911	3,440

Notes: 1. In addition to non-taxable transactions specified in the Consumption Tax Act (House rent, Educational services, etc.), Package tours to overseas (Since a large portion of services subject to price survey are not domestic transactions) and PTA membership fees (Not considered as compensation) are considered not to be affected directly by the hike.  
2. Less agricultural, aquatic & livestock products.

**(3) Main Items Subject to Transitional Measures and Others**

	Weight per 10,000 (all items, less fresh food)	
	Japan	Ku-area of Tokyo
Electricity	330	274
Gas, manufactured & piped	100	168
Liquefied propane	84	5
Water charges	104	84
Sewerage charges	64	72
Charges for treatment of human waste	4	0
Telephone charges	97	75
Mobile telephone charges	224	184
Total listed above	1,007	862

Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; National Tax Agency, etc.