

April 10, 2014  
Bank of Japan

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

(English translation prepared by the Bank's staff based on the Japanese original  
released on April 9, 2014)

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

April 2014

## Summary

Japan's economy has continued to recover moderately as a trend, albeit with some fluctuations due to the consumption tax hike.

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. Private consumption and housing investment have remained resilient as a trend with improvement in the employment and income situation, albeit with some fluctuations due to the consumption tax hike. Reflecting these developments in demand both at home and abroad, industrial production has been on a moderate increasing trend. Business sentiment has continued to improve, although some cautiousness about the outlook has been observed.

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 subsequent decline in demand following the front-loaded increase prior to 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 become more or less flat at a high level. Business fixed investment is projected to follow a moderate increasing trend as corporate profits continue their improving trend. Private consumption and housing investment, with some temporary decreases caused by the subsequent decline in demand following the front-loaded increase, 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 April 7 and 8, 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 be more or less flat 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 negative. 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 risen slightly. Compared with last

month, stock prices have fallen. 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—has continued to move upward, albeit with monthly fluctuations, after having grown at an accelerated pace toward the third quarter last year, as upward pressure mainly from the emergency economic package has become evident (Chart 5). The value of public works contracted—a measure that reflects public orders—rose in January-February relative to the fourth quarter, when it exhibited a somewhat sizeable decline.

Public investment is expected to become more or less flat at a high level, as the diminishing effects of the upward pressure from various economic measures to date will be more or less offset by the effects of the supplementary budget for fiscal 2013.

Real exports have recently leveled off more or less (Charts 6[1] and 7). Real exports remained more or less flat 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. Developments of real exports since the start of this year show that they were down in January partly because exports to East Asia have been affected by the Lunar New Year holidays (in China and other countries) but rebounded in February. Real exports have been more or less flat lately as they registered a slight negative in January-February on average compared with the fourth quarter, albeit with large monthly fluctuations. In addition to the ongoing sluggishness in countries that have close economic ties with Japan, such as ASEAN countries, the effects of the freezing weather in the United States as well as domestic supply constraints in which exports were squeezed slightly in response to the front-loaded increase in demand prior to the consumption tax hike are considered to have pushed exports temporarily downward. Looking at movements in exports by region (Chart 7[1]), exports to the United States dropped marginally in both the third and fourth quarters last year following the upsurge in the second quarter; they remained almost flat in January-February compared with the fourth quarter. Exports to the United States, with the moderate recovery in the U.S. economy becoming widespread, seem to have trended upward, particularly in motor vehicles and their related goods, assisted partly by movements in foreign exchange rates. However, the following factors are likely to have weighed

down on exports temporarily since around the end of last year: the decline in U.S. automobile sales due to the freezing weather and supply constraints by some manufacturers due to increased domestic sales mainly against the backdrop of the front-loaded increase in demand. Exports to the EU have continued to pick up as a whole; they have kept increasing since the third quarter last year, 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 as a whole seem to be picking up as a trend, with the fluctuations smoothed out, as improvements have been observed mainly in motor vehicles and their related goods in the face of improved sales in China and in some capital goods, including semiconductor products machinery. 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 transitory factors such as the effects of the freezing weather in the United States and supply constraints driven by the upsurge in domestic sales have exerted downward pressure, amid the ongoing sluggishness in demand of some emerging economies. Nevertheless, exports of these goods 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 seem to be picking up, primarily in those of semiconductor products machinery bound for East Asia. Exports of IT-related goods (including visual and audio apparatus) have stopped declining as a trend, mainly due to movements in parts for smartphone products. Meanwhile, exports of intermediate goods—which have been relatively weak mainly in those to NIEs and ASEAN—have recently inched upward, primarily in chemicals.

Real imports have continued to increase moderately as a trend against the backdrop of firm domestic demand, despite the effects of some fluctuations in private consumption caused by the consumption tax hike (Charts 6[1] and 9). Real imports turned upward in the third quarter last year on a quarter-on-quarter basis, after having stayed almost flat in the second quarter due in part to movements in foreign exchange

rates. Recent developments show that imports continued to grow in the fourth quarter on a quarter-on-quarter basis and in January-February relative to the fourth quarter: this is considered to be attributable to the effects of the front-loaded increase in demand prior to the consumption tax hike and to the ending of support in early April for software (operating system) amid firm domestic demand. Looking at movements in imports by goods (Chart 9[2]), those of raw materials inched upward in January-February compared with the fourth quarter, 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-February on average exhibited high growth for both of these goods, and this seems 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 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 zero 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. Movements in January-February relative to the fourth quarter show that 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

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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.

mainly to significant growth in imports, although the surplus of the primary income balance continued to be on par with the fourth quarter.

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, mainly in private demand, although the effects of the freezing weather seem to have remained in some areas. The pick-up in the European economy has become evident. The Chinese economy has continued to be stable, with somewhat lower growth compared to a while ago. Some emerging economies apart from China and commodity-exporting economies have continued to show somewhat sluggish movements, especially in such regions as ASEAN countries, which have close economic ties with Japan. 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 on the economy 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 recover moderately, 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 continued to show 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.<sup>3</sup> In relation to this, as

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<sup>3</sup> The March *Tankan* also shows that the improving trend of the overseas supply and demand conditions for products DI of large manufacturing firms has recently come to a pause.

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. 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.

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, mainly as a reflection of movements in domestic demand, despite some decreases primarily due to the effects of the decline in private consumption in response to prior increases. 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. 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-February relative to the fourth quarter (Chart 10[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 on a quarter-on-quarter basis for the first time in five quarters; they were up in January as well relative to the fourth quarter (Chart 11[1]). By industry, machinery orders of manufacturing have continued to pick up; those of nonmanufacturing (excluding orders for ships and those from electric power companies) have trended upward. 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 been on a mild uptrend, as they increased in both the fourth quarter on a quarter-on-quarter basis and January-February compared with the fourth quarter (Chart 11[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. Meanwhile, the production capacity DI in the March *Tankan* has ceased to exist in "excessive" territory as a whole, as manufacturing narrowed its net "excessive" and nonmanufacturing expanded its net "insufficient" (Chart 10[2]). Firms project in their forecasts that the overall DI will move into "insufficient" territory to a marginal degree.

Regarding the environment surrounding business fixed investment, corporate profits have continued to improve. Business sentiment has continued to improve. On the other hand, some cautiousness about the outlook has been observed. The business conditions DI for all industries and enterprises in the March *Tankan* improved for the fifth straight term; the net "favorable" surpassed the peaks of the previous economic expansion (December 2006 and March 2007) and was on par with the level of November 1991. By industry and size (Chart 13), the DIs for all firms regardless of industry and size was in "favorable" territory, with the net "favorable" also having expanded from the previous survey. On the other hand, forecasts show that all firms regardless of industry and size are projecting their DIs to deteriorate, mainly in view of the subsequent decline in demand following the front-loaded increase.<sup>4</sup> Nevertheless, forecasts indicate that the DI for all industries and sizes will remain in "favorable" territory to a marginal degree. Looking in detail, large manufacturing firms saw a marginal improvement from the December *Tankan* (a level last recorded in December 2007). By industry, the front-loaded increase in demand prior to the consumption tax hike exerted upward pressure on motor vehicles and this, in turn, had spillover effects on iron & steel and other related industries. The degree of improvement was somewhat significant for production machinery as a reflection of the pick-up in business fixed investment at home and abroad. Small manufacturing firms generally showed movements similar to that of large manufacturing firms; the overall DI was in "favorable" territory for the second consecutive term. Nonmanufacturing also continued to improve in large and small firms alike, with both

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<sup>4</sup> The business conditions DI of late is already at a high level; under these circumstances, the *Tankan* survey entails a general tendency in which firms' views regarding the outlook are apt to become cautious and this seems to have played some part in the deterioration in their forecasts.

of their DIs having marked a level last observed in November 1991. The DIs improved in a wide array of industries, assisted partly by the front-loaded increase in demand.

Corporate profits are projected to continue an improving trend, albeit with fluctuations, supported by firm domestic demand as well as by the moderate rise in exports and movements in foreign exchange rates. According to the business plans of firms in the March *Tankan*, current profits (all industries and enterprises) in fiscal 2013 were revised upward from the December *Tankan* to a year-on-year increase of 20.9 percent. By industry and size (Chart 12), plans of large manufacturing firms, large nonmanufacturing firms, and small nonmanufacturing firms were all revised upward from the December *Tankan*. Plans of small manufacturing firms also maintained solid profit increases, which were on par with the December *Tankan*. Meanwhile, current profit plans for fiscal 2014 show that a marginal decline in profits is projected at this stage relative to the previous fiscal year, after a substantial profit increase in fiscal 2013.

Taking the above into consideration, business fixed investment is projected to follow a moderate increasing trend as corporate profits continue their improving trend. Business fixed investment plans for all industries and enterprises (excluding software investment and including land purchasing expenses) in the March *Tankan* were revised slightly upward from the December *Tankan* for fiscal 2013 with a year-on-year increase of 5.2 percent. By industry and size (Chart 14), business plans of manufacturing remained solid on the whole, as those of small firms were revised slightly upward to positive 13.3 percent on a year-on-year basis, while large firms revised their plans downward from the December *Tankan* to positive 2.1 percent, basically in line with past revisions. Business plans of nonmanufacturing held steady with readings of positive 4.8 percent on year-on-year basis for large firms and positive 14.2 percent for small firms. Those of small firms in particular were revised considerably upward in the March *Tankan* as well following the December *Tankan*, against the backdrop of firm domestic demand. As for fiscal 2014, plans of both large manufacturing and nonmanufacturing firms were somewhat strong compared with movements of past averages as a March *Tankan*. Plans of small firms were relatively strong for manufacturing, whereas they were relatively weak for

nonmanufacturing. However, taking into account that business fixed investment plans for fiscal 2013 are projected to post significant growth following that of fiscal 2012, they are expected to basically hold steady. On a "software and fixed investment excluding land purchasing expenses" basis—a concept close to that of GDP—business fixed investment plans of all industries and enterprises for fiscal 2013 are projected to grow further to positive 5.2 percent on a year-on-year basis from positive 4.7 percent in fiscal 2012. Plans for fiscal 2014 show a year-on-year decline of 0.7 percent at this stage, although these plans are somewhat strong compared to past averages.

Private consumption has remained resilient as a trend with improvement in the employment and income situation, albeit with some fluctuations due to the consumption tax hike (Chart 15). Consumption of goods—as seen through sales at retail stores in real terms (Chart 16[1])—continued to increase in both the fourth quarter last year on a quarter-on-quarter basis and January-February relative to the fourth quarter, after having declined in the third quarter. Looking at consumption of durable goods (Chart 16[2]), the number of new passenger-car registrations and sales of household electrical appliances in real terms, supported by improvement in the employment and income situation, have been relatively strong, due mainly to the effects of the front-loaded increase in demand. Sales at department stores moved upward in January-February compared with the fourth quarter last year, after having risen marginally in the fourth quarter on a quarter-on-quarter basis (Chart 17[1]). Together with 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, department store sales were up, notably in high-end goods, due partly to the front-loaded increase in demand prior to the consumption tax hike. On the other hand, sales at supermarkets have tended to bottom out, albeit with fluctuations, although they have shown some sluggishness compared to other sectors. Meanwhile, sales at convenience stores have continued to trend moderately upward. As for consumption of services (Chart 17[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 16[1])—which is compiled so as to make it similar to items used for estimating GDP—was up in January-February relative to the fourth quarter last year, due in part to the front-loaded increase in demand, after having registered a sizeable decline in the fourth quarter on a quarter-on-quarter basis.<sup>5</sup> The total expenditure in the *Survey of Household Economy* (in real terms; two-or-more-person households) 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-February 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 18).

Private consumption, with some temporary decreases caused by the subsequent decline in demand following the front-loaded increase, is expected to remain resilient as a trend, supported mainly by improvement in the employment and income situation.

Housing investment has remained resilient as a trend with improvement in the employment and income situation, albeit with some fluctuations due to the consumption tax hike. The number of housing starts—a leading indicator of housing investment—fell back in January-February to a level around the first half of last year, 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 953,000 units in January-February; Chart 19[1]).

Housing investment, with some temporary decreases caused by the subsequent decline in demand following the front-loaded increase, is expected to remain resilient

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

as a trend, supported mainly by improvement in the employment and income situation and the accommodative financial conditions.

Industrial production has been on a moderate increasing trend, albeit with some fluctuations due to the consumption tax hike (Chart 20). Industrial production, on a quarterly basis, has kept increasing, after having turned marginally upward in the first quarter last year. Production has shown large monthly fluctuations since the beginning of this year, as it declined in February affected in part by heavy snow, after having increased significantly in January; production in January-February grew at a somewhat high 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-February compared with the fourth quarter, despite the effects of heavy snow in February. These movements were supported by somewhat strong domestic sales due in part to the effects of the front-loaded increase in demand as well as those of the introduction of new models. 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. Production of other electrical machinery (electrical machinery; information and communication electronics equipment) has increased across a wide range of items, including white goods and some capital goods such as electronic computers. Production of ceramics, stone and clay products has been solid, albeit with fluctuations, as a reflection of firm demand with ties to construction. Production of electronic parts and devices seems to have turned gradually upward as a whole, since the effects of shipments of some smartphone products released last fall that had come to a halt have begun to wane, with parts for smartphone and tablet products produced in Asia having held steady as a trend.

Shipments increased at an accelerated pace on average in January-February, although the effects of heavy snow were observed in some goods (Chart 20[1]).

Looking at the trend in shipments by goods (Chart 21), producer goods have been on a mild uptrend, amid firm shipments bound for motor vehicles (such as motor vehicle parts, iron and steel, and chemicals). Shipments of construction goods have kept trending moderately upward, albeit with large fluctuations, 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, albeit with fluctuations. Meanwhile, shipments of non-durable consumer goods were up in January-February as a whole, chiefly in goods (toiletries such as cosmetics and shampoo) which seem to be susceptible to the front-loaded increase in demand, after having continued to be more or less flat.

Inventories have declined again, after having ceased to decline temporarily toward early fall last year (Chart 20[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. Inventories then declined at the end of December relative to the end of September and also at the end of February compared with the end of December, affected partly by the front-loaded increase in demand. By industry, inventories of transport equipment have continued to trend moderately downward, after having declined somewhat significantly at the end of last year; inventories of iron and steel and of ceramics, stone and clay products as well as pulp, paper and paper products have kept declining, amid a pick-up in shipments. Inventories of general-purpose, production and business oriented machinery seem to have started to level off, with the fluctuations smoothed out, partly in anticipation of recovery in demand for the outlook, but they have recently declined in response to the increase in shipments. Meanwhile, inventories of electronic parts and devices have piled up a bit, partly in anticipation of recovery in demand for the outlook. 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 markedly (Chart 22[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, while it will be affected by the subsequent decline in demand following the front-loaded increase prior to the consumption tax hike. Based on anecdotes by firms and other information, in the first quarter, electronic parts and devices seemed to have remained 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 seemed to have continued to increase their production as domestic and overseas demand continues to recover moderately. The effects of the consumption tax hike seemed to have exerted upward pressure on production, not only in transport equipment, electrical machinery, and information and communication electronics equipment, but also in chemicals and foods, as the front-loaded increase in demand prior to the consumption tax hike has gathered momentum. As a result, industrial production in the first quarter as a whole seemed to have exhibited somewhat high growth. As for the second quarter, 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 reading in February was 3.6 percent, improving to a level on par with that in July 2007 which was the bottom prior to the Lehman shock (Chart 23). New job openings have trended upward. The active job openings-to-applicants ratio has also continued its moderate improving trend; it kept improving steadily to 1.05 in February, after having stood at 1.01 in November last year, recovering to the 1.00-2.00 level for the first time since October

2007. Non-scheduled hours worked have tended to pick up noticeably in manufacturing, while nonmanufacturing has been resilient. Meanwhile, the employment conditions DI in the March *Tankan* for all industries and enterprises continued to expand its net "insufficient employment" markedly, posting a level which was the same as the March 2007 peak at the time of the previous economic expansion, since nonmanufacturing saw its net "insufficient employment" expand further and manufacturing moved into "insufficient employment" territory (Chart 24). As for the outlook toward June, the overall employment conditions DI is projected to continue marking net "insufficient employment" noticeably, despite the annual trend in which firms usually feel that employment has become less insufficient affected by the hiring of new graduates.

In terms of employment, the year-on-year rate of increase in the number of employees in the *Labour Force Survey* has been at around 1 percent on average, despite large monthly fluctuations (Chart 26[1]). The year-on-year rate of increase in the number of regular employees in the *Monthly Labour Survey* has expanded as a whole compared to a while ago, since manufacturing has tended to decline at a reduced rate, while nonmanufacturing has kept growing at around 1.5 percent.

Total cash earnings per employee have generally bottomed out as a whole, albeit with fluctuations (Chart 26[2]). Hourly cash earnings of overall employees have improved moderately as a whole, albeit with fluctuations, as non-scheduled cash earnings and special cash earnings have increased (Chart 25[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 25[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 25[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.

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 26[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 28[1] and [3]). Prices of crude oil—which had moved temporarily upward since the beginning of March, due to heightened uncertainty about the situation over Ukraine—have recently fallen back slightly. Prices of nonferrous metals have also been sluggish as uncertainty about emerging economies including China has been perceived. In contrast, prices of grains—which had moved upward in response to the situation over Ukraine—have ceased to increase lately.

The three-month rate of increase in import prices (on a yen basis)—which rose temporarily at an accelerated pace—has recently slowed again, as a reflection of movements in foreign exchange rates (Chart 28[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 29[2]).<sup>6</sup> Prices have kept rising moderately relative to three months earlier; they stood at positive 0.5 percent in January and positive 0.3 percent in February, after having registered positive 0.4 percent in December last year. Looking in detail at domestic corporate goods price movements in February, prices of "goods sensitive to exchange rates and overseas commodity

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<sup>6</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.

prices" have continued to increase, as a reflection of movements in foreign exchange rates and those of "Other materials" have somewhat accelerated their pace of increase, chiefly in chemicals & related products. Prices of "electric power, gas & water" fell at a reduced pace compared to the previous month, as downward pressure—brought on through the fuel cost adjustment system mainly due to movements in foreign exchange rates since the end of last year—eased slightly.<sup>7</sup> On the other hand, prices of "iron & steel and construction goods" continued to be 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, with demand related to construction and motor vehicles having remained firm; overall, however, the rate of increase narrowed, in response to the decline in scrap & waste in light of somewhat sluggish demand in Asia.

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 30). 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 0.3 percent in the fourth quarter, positive 0.3 percent in January, and positive 0.5 percent in February), after having bottomed out last summer followed by an upturn in October with 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 generally bottomed out overall, since advertising services have begun to register a positive, 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 begun to register positive as a whole, albeit with fluctuations, as office space rental has tended to bottom out. Prices related to "fixed investment" have expanded their year-on-year rate of increase amid firm demand with ties to construction; prices of "others" have increased at a somewhat significant rate, buoyed by the effects of the rise in finance and insurance as a result of increased property and casualty insurance services, as plant engineering

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<sup>7</sup> Under the fuel cost adjustment system, electricity prices reflect fuel costs of three to five months earlier.

continued to post year-on-year increases. The year-on-year rate of change in "IT-related" prices has ceased to decline, albeit with fluctuations, 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 31[1]). On a year-on-year basis, consumer prices—which had been 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 expanded their rate of increase to positive 0.9 percent in October (a reading of positive 1.3 percent for the December-February period was the highest level since positive 1.9 percent in October 2008). Those on a basis that excludes food and energy—which turned upward on a year-on-year basis to positive 0.3 percent in October—have accelerated their rate of increase very mildly since November at around 0.75 percent (February recorded positive 0.8 percent, which was on par with positive 0.8 percent in April 1998). 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 32[2]).<sup>8</sup> The year-on-year rate of change in the Laspeyres chain index has moved in tandem with that in the 2010-base index (Chart 32[1]).<sup>9</sup>

Looking at recent year-on-year movements in consumer prices, fees for public services—which 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—have risen at a somewhat accelerated pace, as movements in foreign exchange rates since the end of last year have placed upward pressure on electricity prices through the fuel cost adjustment system. Prices for goods (excluding agricultural, aquatic & livestock products) have lowered their overall

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

<sup>9</sup> The Laspeyres chain index is compiled as follows: (i) aggregates are produced after updating the weights of items of the base year and resetting the index level of individual items to 100 every year; then (ii) multiplying the previous year's chain index by the aggregated year-on-year figures obtained from the above calculation. Disregarding such factors as adopting and terminating items and revising model formulae, it is virtually equivalent to compiling an index in which the base year is updated every year.

growth rate slightly over the course of January through February; this is because the positive contribution from petroleum products has weakened compared to a while ago, mainly in response to the previous year's movement. Nevertheless, prices for goods other than petroleum products show that 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, against the backdrop of firm private consumption; food products and other goods have stayed clearly positive and durable goods have recently accelerated their pace of increase. 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 domestic supply and demand conditions in the March *Tankan* (Chart 33), the net "excess supply" of the domestic supply and demand conditions DI for products and services continued to narrow for both manufacturing and nonmanufacturing, regardless of size. The output prices DI improved overall from the December *Tankan*, notably in nonmanufacturing. Among nonmanufacturing, the net "rise" expanded for large firms; small firms narrowed their net "fall" markedly by surpassing the June 2008 peak at the time of the previous economic expansion and they are projecting the DI to move into the "rise" territory for the first time since November 1991. Meanwhile, the weighted average of the production capacity DI and employment conditions DI expanded its net "insufficient" to a level more or less close to the March 2007 peak at the time of the previous economic expansion.

With regard to the outlook, excluding the direct effects of the consumption tax hike, domestic corporate goods prices are expected to be more or less flat 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.

Meanwhile, inflation expectations appear to be rising on the whole (Chart 34).

As for land prices, the *Land Market Value Publication* as of January shows that both commercial and residential land prices improved for the fourth year running (Chart 35). Specifically, the year-on-year rates of change in the three metropolitan areas (Tokyo, Osaka, and Nagoya areas) turned positive for all regions with regard to the average of all land prices.

### **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 36).

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 38).

With regard to credit supply, firms have continued to see financial institutions' lending attitudes as being on an improving trend (Chart 37). 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 39). The year-on-year rate of change in the amount outstanding of CP and corporate bonds has been negative (Chart 40).

Firms have retained their recovered financial positions (Chart 37). The number of corporate bankruptcies has remained at a low level (Chart 42).

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 41).<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 rising somewhat. The Euroyen interest rate (3-month) and interest rates on Euroyen futures have been virtually level (Chart 43). In U.S. dollar funding, the LIBOR-OIS spread for the dollar has basically been flat (Chart 44).

Yields on 10-year government bonds (newly issued 10-year JGB) dipped marginally in the face of a decline in Japanese stock prices, but have since almost recovered the previous level; they are currently moving in the range of 0.60-0.65 percent (Chart 45).

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 46).

Stock prices moved downward, mainly in view of uncertainty about the situation in Ukraine, but have since fluctuated mainly in light of U.S. stock prices. The Nikkei 225 Stock Average is currently moving in the range of 14,500-15,000 yen (Chart 47).

In the foreign exchange market, the yen appreciated against the U.S. dollar, mainly reflecting uncertainty about the situation in Ukraine, but then depreciated against the U.S. dollar due primarily to speculation about U.S. monetary policies; the yen is currently moving at around 103 yen against the U.S. dollar. The yen's

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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.

exchange rate has appreciated against the euro, mainly due to speculation about monetary policies in the euro area; the yen is currently moving in the range of 141-142 yen against the euro (Chart 48).

## Charts

Chart 1	Main Economic Indicators (1)	Chart 27	Prices
Chart 2	Main Economic Indicators (2)	Chart 28	Import Prices and International Commodity Prices
Chart 3	Real GDP and Indexes of Business Conditions	Chart 29	Domestic Corporate Goods Price Index
Chart 4	GDP Deflator and Income Formation	Chart 30	Corporate Services Price Index
Chart 5	Public Investment	Chart 31	Consumer Price Index (Less Fresh Food)
Chart 6	External Balance	Chart 32	Trend Changes in Consumer Prices
Chart 7	Real Exports	Chart 33	Domestic Supply and Demand Conditions
Chart 8	Real Effective Exchange Rate and Overseas Economies	Chart 34	Inflation Expectations
Chart 9	Real Imports	Chart 35	Land Prices
Chart 10	Coincident Indicators of Business Fixed Investment	Chart 36	Monetary Base
Chart 11	Leading Indicators of Business Fixed Investment	Chart 37	Corporate Finance-Related Indicators
Chart 12	Current Profits	Chart 38	Lending Rates
Chart 13	Business Conditions	Chart 39	Lending by Financial Institutions
Chart 14	Business Fixed Investment Plans as Surveyed	Chart 40	Private-Sector Fund-Raising in the Capital Markets
Chart 15	Indicators of Private Consumption (1)	Chart 41	Money Stock
Chart 16	Indicators of Private Consumption (2)	Chart 42	Corporate Bankruptcies
Chart 17	Indicators of Private Consumption (3)	Chart 43	Short-Term Interest Rates
Chart 18	Consumer Confidence	Chart 44	Global Money Markets
Chart 19	Indicators of Housing Investment	Chart 45	Long-Term Interest Rates
Chart 20	Production, Shipments, and Inventories	Chart 46	Yields of Corporate Bonds
Chart 21	Shipments by Type of Goods	Chart 47	Stock Prices
Chart 22	Inventory Cycle	Chart 48	Exchange Rates
Chart 23	Labor Market		
Chart 24	Employment Conditions		
Chart 25	Wages		
Chart 26	Employee Income		

## Main Economic Indicators (1)

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

	2013/Q3	Q4	2014/Q1	2013/Dec.	2014/Jan.	Feb.	Mar.
Index of consumption expenditure level (two-or-more-person households)	-0.2	-0.1	n.a.	0.5	1.7	-1.5	n.a.
Sales at department stores	-1.0	1.0	n.a.	0.1	0.5	p 1.2	n.a.
Sales at supermarkets	-0.0	0.1	n.a.	0.0	-3.5	p 3.5	n.a.
New passenger-car registrations <sup>3</sup> <s.a., ann. 10,000 units>	< 284>	< 309>	< 333>	< 320>	< 356>	< 326>	< 315>
Sales of household electrical appliances (real, "Current Survey of Commerce")	-1.4	3.1	n.a.	-4.0	4.4	p 6.0	n.a.
Outlays for travel	-0.1	3.0	n.a.	2.0	-2.7	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	< 100>	< 103>	<n.a.>	< 105>	< 99>	< 92>	<n.a.>
Machinery orders <sup>4</sup> (Private sector, exc. volatile orders)	4.3	1.5	n.a.	-15.7	13.4	n.a.	n.a.
Manufacturing	9.8	0.6	n.a.	-17.3	13.4	n.a.	n.a.
Nonmanufacturing <sup>4</sup> (exc. volatile orders)	-4.1	7.5	n.a.	-17.2	12.1	n.a.	n.a.
Construction starts (private, nondwelling use)	-0.5	2.9	n.a.	0.1	5.0	-7.4	n.a.
Mining & manufacturing	8.9	3.1	n.a.	48.5	-14.3	-14.7	n.a.
Nonmanufacturing <sup>5</sup>	-1.3	0.6	n.a.	-9.8	11.6	-5.1	n.a.
Value of public works contracted	-3.0	-12.4	n.a.	3.9	17.8	-19.9	n.a.
Real exports	0.3	1.1	n.a.	-0.5	-2.3	3.6	n.a.
Real imports	2.3	1.6	n.a.	-0.5	5.1	-4.8	n.a.
Industrial production	1.7	1.8	n.a.	0.9	3.8	p -2.3	n.a.
Shipments	0.6	3.5	n.a.	0.8	5.1	p -1.0	n.a.
Inventories	1.2	-2.5	n.a.	-0.5	-0.9	p -0.8	n.a.
Inventory ratio <s.a., CY 2010 = 100>	< 110.1>	< 104.6>	<n.a.>	< 104.6>	< 98.9>	<p 100.6>	<n.a.>
Real GDP	0.2	0.2	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.6	0.2	n.a.	-0.3	1.0	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>	< 1.05>
Unemployment rate <s.a., %>	< 4.0>	< 4.0>	< 3.9>	< 3.9>	< 3.7>	< 3.7>	< 3.6>
Non-scheduled hours worked <sup>6</sup>	1.0	4.0	6.0	6.7	5.6	7.0	p 4.9
Number of employees	0.9	0.9	1.2	1.1	1.7	0.8	0.5
Number of regular employees <sup>6</sup>	0.7	0.9	1.1	1.2	1.1	1.2	p 1.1
Nominal wages per person <sup>6</sup>	0.3	-0.4	0.4	0.6	0.5	-0.2	p 0.0
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>	2.5 < 0.5>	p 1.8 <p 0.3>
Consumer price index <sup>8</sup>	0.0	0.7	1.1	1.2	1.3	1.3	1.3
Corporate services price index <sup>9</sup>	-0.4	-0.1	0.3	0.4	0.4	0.3	p 0.5
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.

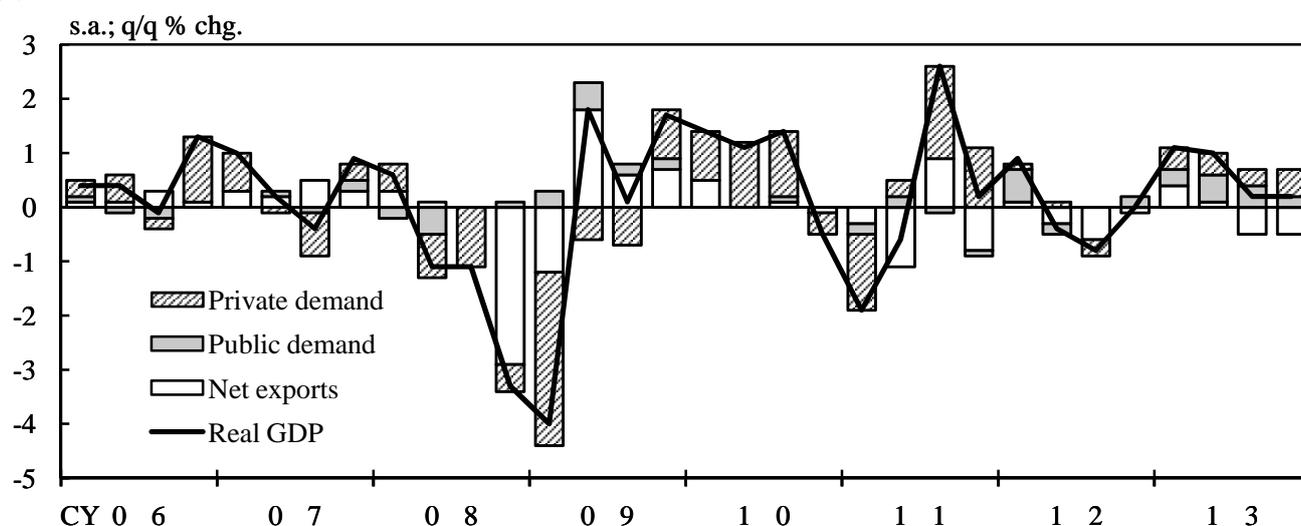
All figures in Chart 2 except figures in angle brackets are year-on-year changes. For details on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes of respective charts.

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

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

## Real GDP and Indexes of Business Conditions

## (1) Real GDP



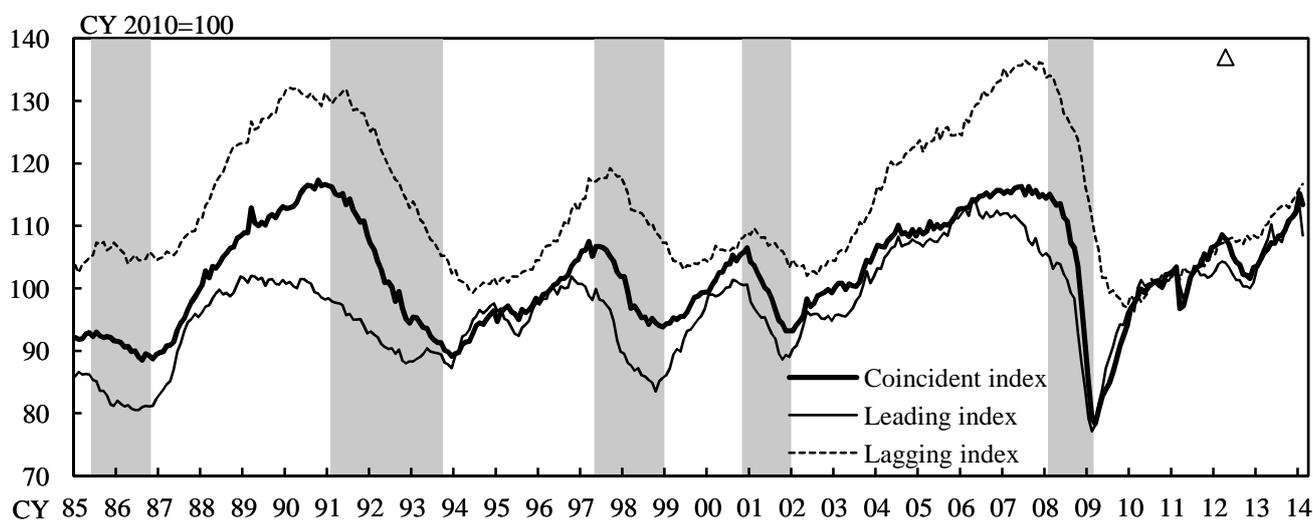
## (2) Components

s.a.; q/q % chg.

	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)

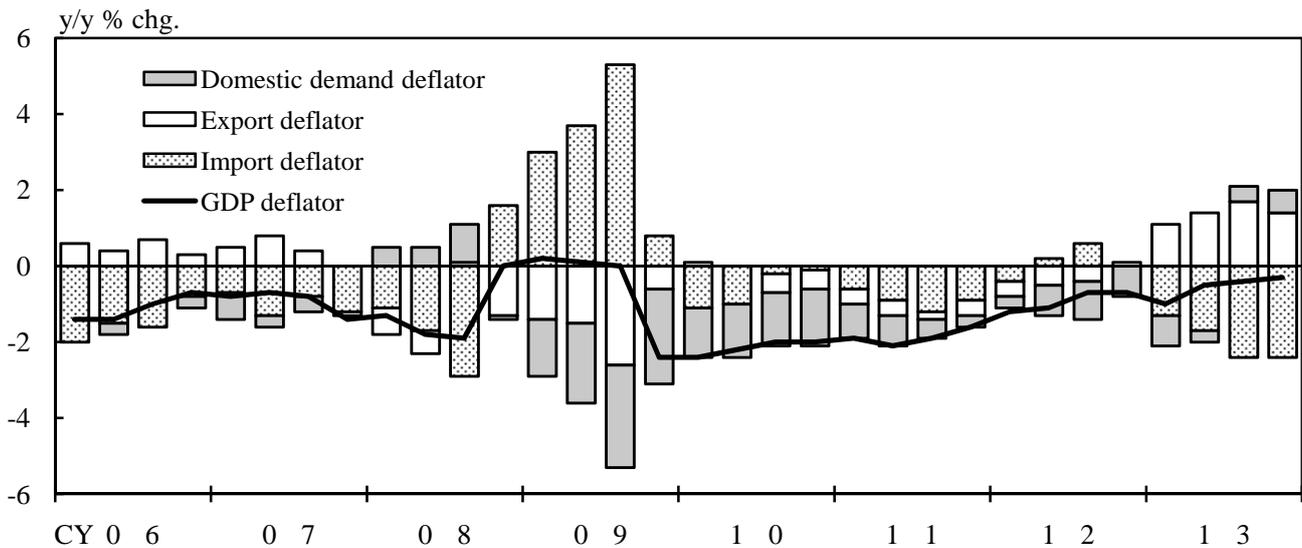


Note: Shaded areas indicate recession periods. Triangle shows the latest peak.

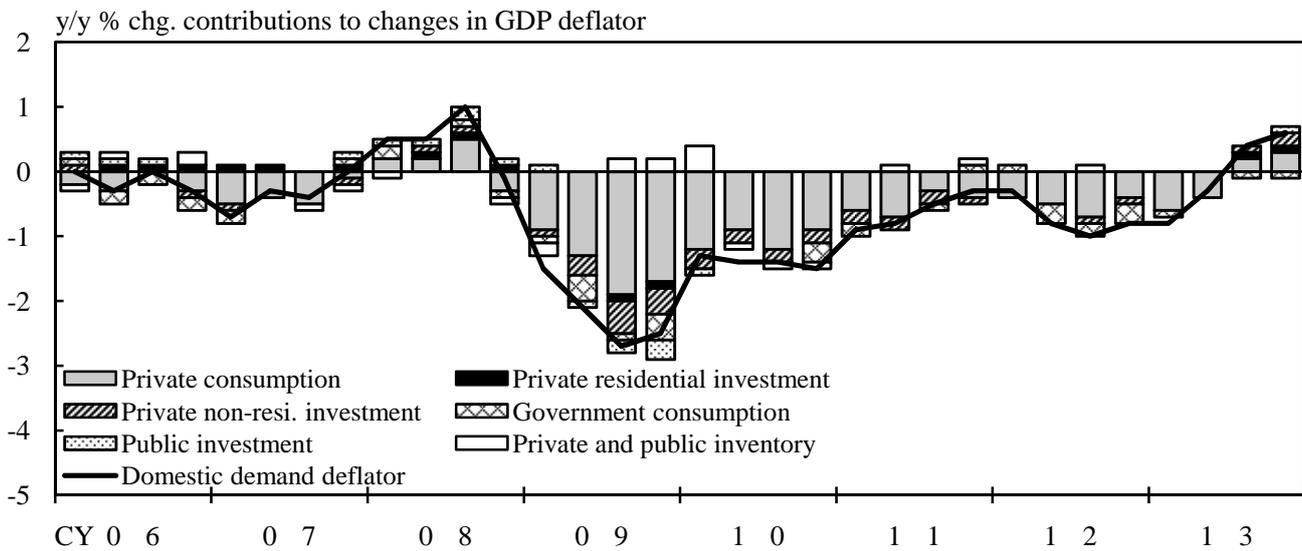
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

GDP Deflator and Income Formation

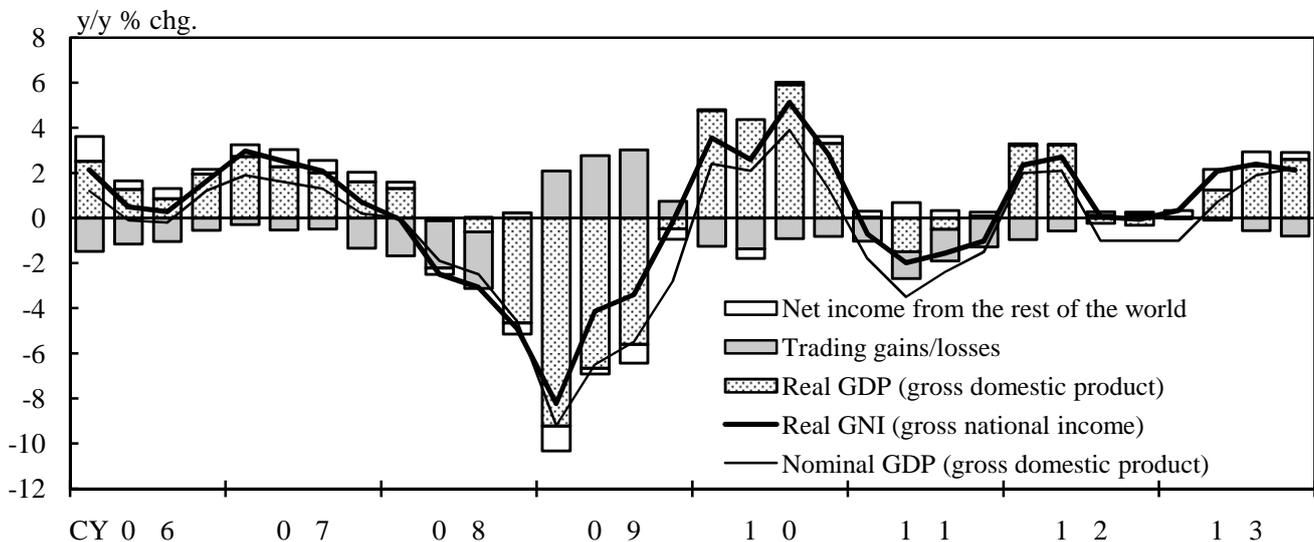
(1) GDP Deflator



(2) Domestic Demand Deflator



(3) Aggregate Income Formation



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

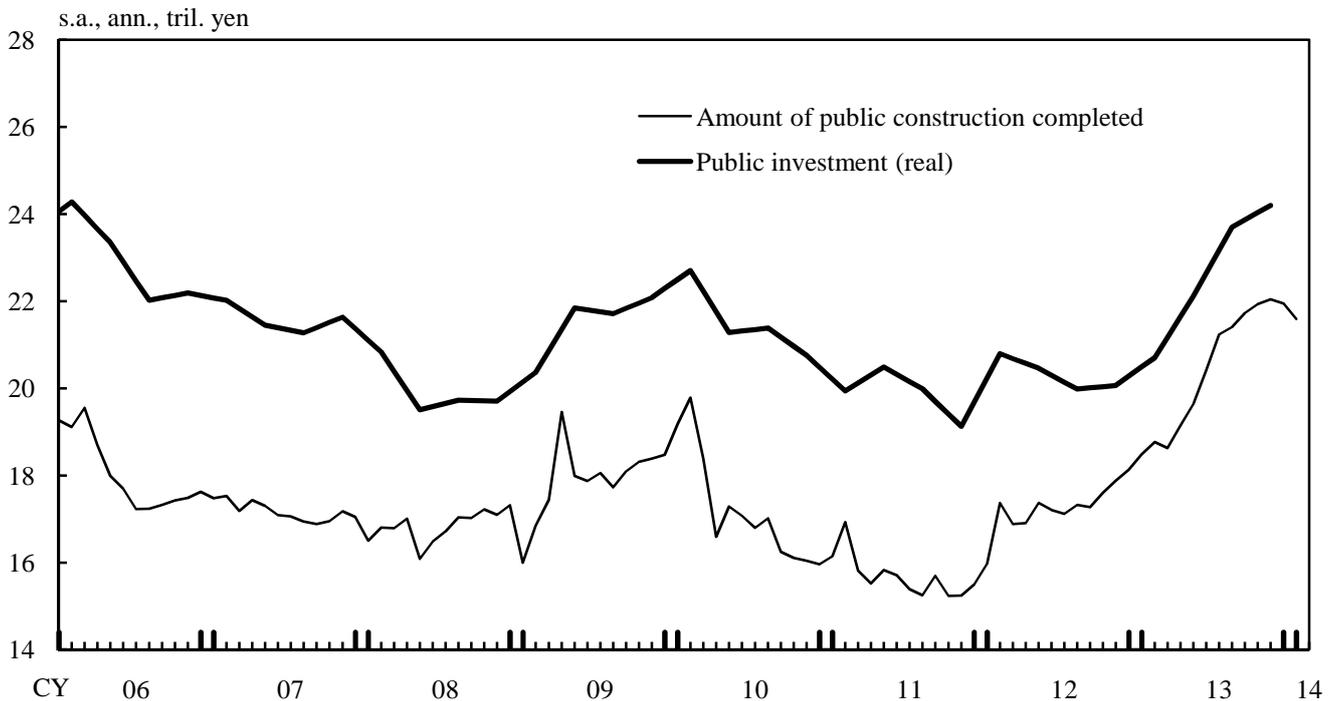
2. Real GNI = real GDP + trading gains/losses + net income from the rest of the world

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

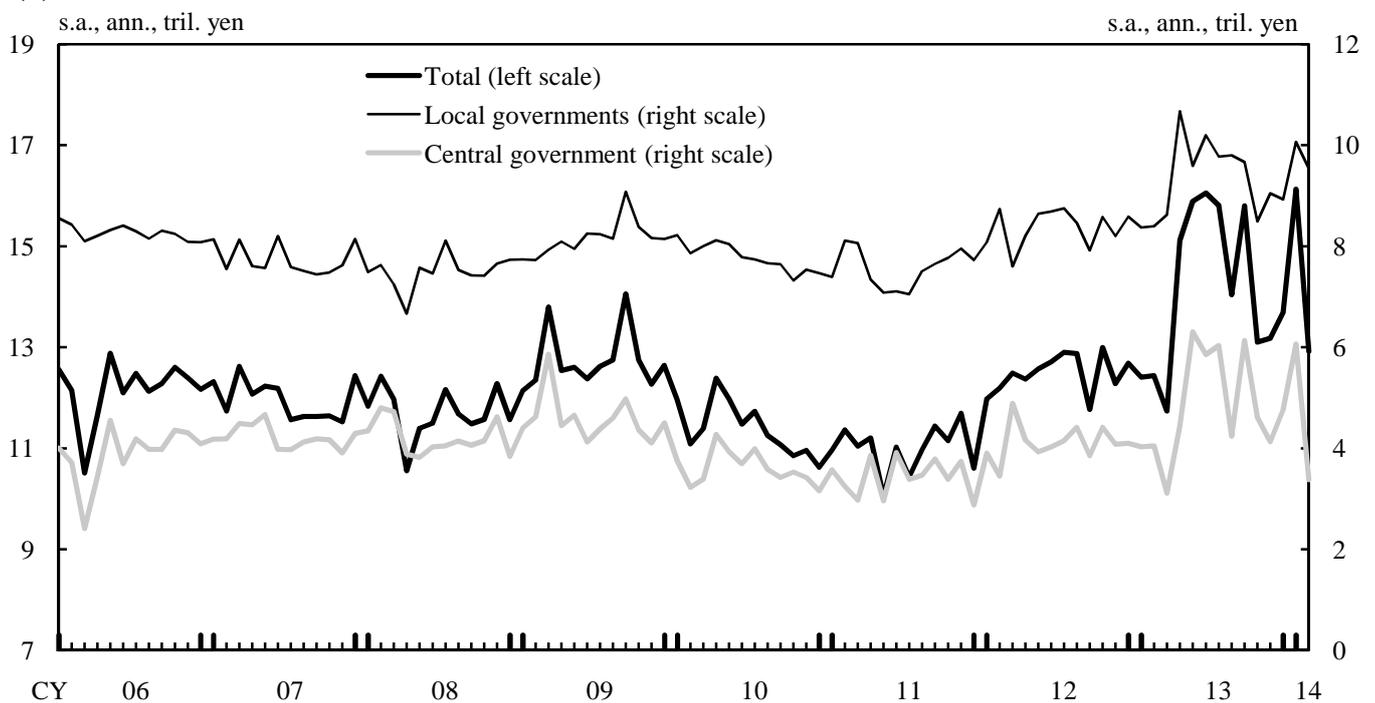
Source: Cabinet Office, "National Accounts."

## 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.

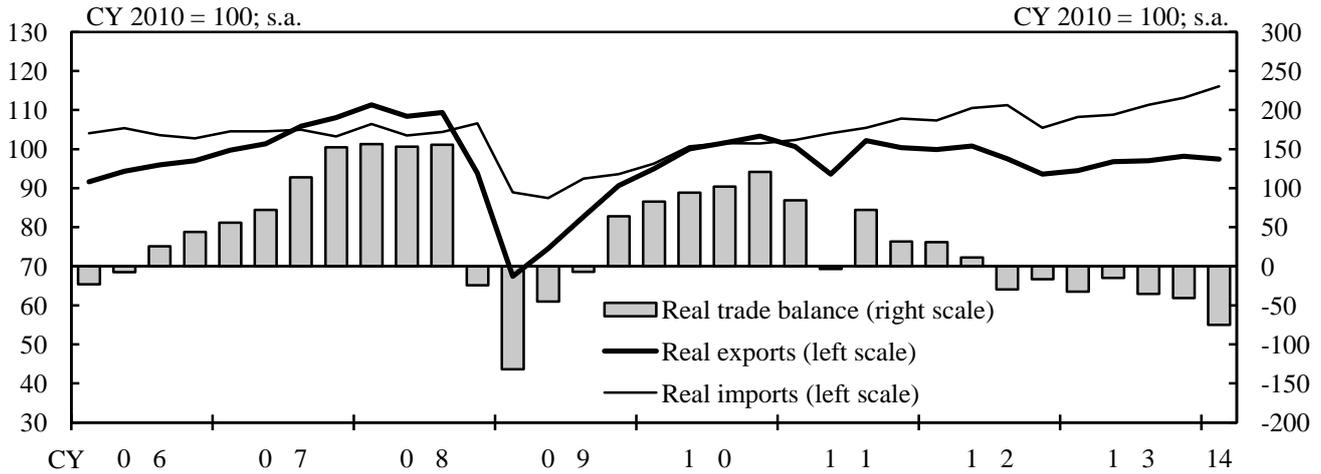
Sources: Cabinet Office, "National Accounts";

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

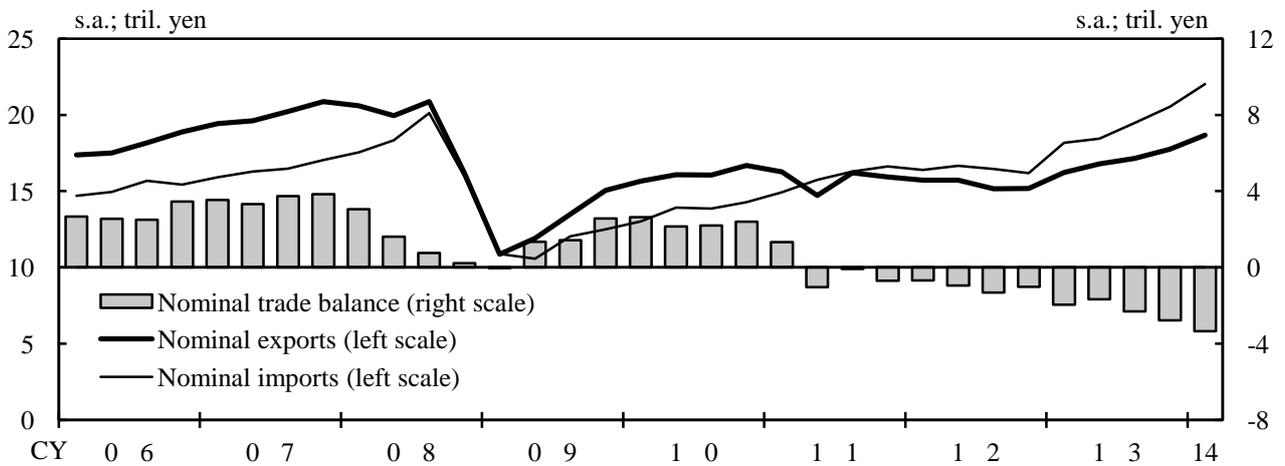
Ministry of Land, Infrastructure, Transport and Tourism, "Integrated Statistics on Construction Works."

External Balance <sup>1</sup>

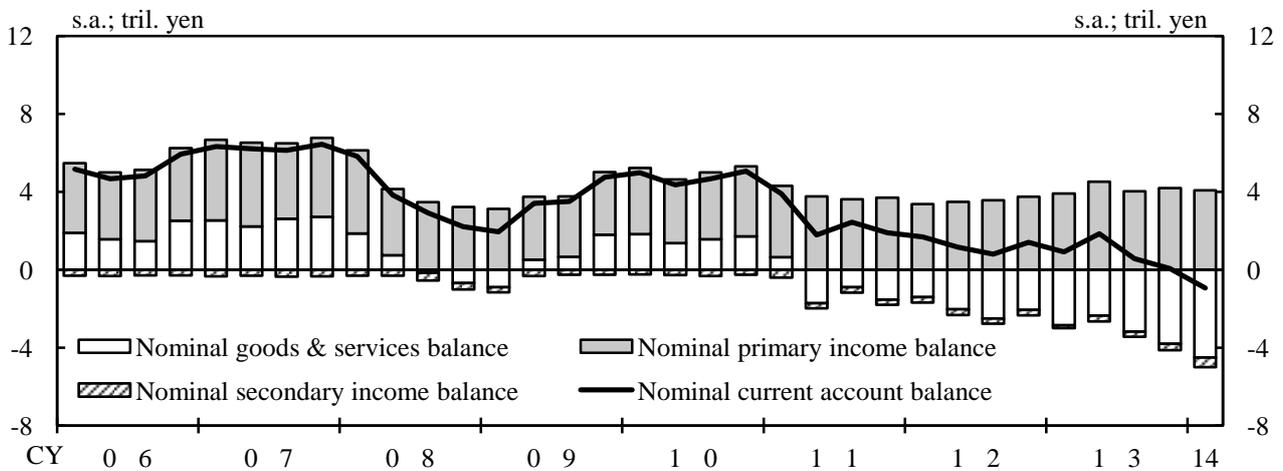
(1) Real Exports, Real Imports, and Real Trade Balance <sup>2</sup>



(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-February averages 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. The seasonally adjusted figures have been retroactively revised due to the regular annual revision of the previous year's data in the "Trade Statistics." Figures by region or goods, however, have not been revised this time. This also applies to Charts 7 and 9.

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

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

Real Exports <sup>1</sup>

## (1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.				s.a.; m/m % chg.			
		CY 2012	2013	2013		2014		2013	2014		
				Q1	Q2	Q3	Q4	Q1	Dec.	Jan.	Feb.
United States	<18.5>	13.0	2.8	2.2	7.5	-1.4	-1.4	-0.2	-2.4	3.9	-3.7
EU	<10.0>	-13.0	-3.6	-0.4	0.4	7.9	1.2	1.0	9.2	-0.6	-5.0
East Asia	<50.9>	-2.6	-2.9	-1.1	3.8	-2.1	2.8	-2.2	-1.4	-6.6	8.2
China	<18.1>	-8.1	-1.6	-0.7	7.0	2.2	5.8	-4.3	0.6	-11.8	10.7
NIEs	<21.9>	-4.7	-0.9	-0.3	4.2	-4.1	1.0	0.4	-3.7	-3.2	10.3
Korea	<7.9>	-3.5	0.5	1.0	2.0	-0.4	-4.3	0.2	0.2	-2.7	8.9
Taiwan	<5.8>	-6.0	-1.5	2.4	-1.2	-6.8	6.2	1.0	1.4	-3.8	2.4
Hong Kong	<5.2>	-0.7	-1.3	-5.0	9.8	-0.6	-4.0	-1.2	-6.8	-8.0	19.7
Singapore	<2.9>	-11.6	-2.7	0.5	13.8	-14.4	15.3	1.2	-20.2	10.4	5.6
ASEAN4 <sup>3</sup>	<10.9>	12.5	-8.5	-3.1	-1.6	-4.9	1.0	-3.6	-0.5	-3.7	-0.3
Thailand	<5.0>	19.3	-9.2	-5.9	0.7	-7.7	-4.5	-2.2	-1.9	-0.9	-3.0
Others	<20.6>	1.7	-4.9	3.6	1.0	-1.8	-3.0	1.0	-3.0	2.3	4.5
Real exports		-1.0	-1.8	1.0	2.4	0.3	1.1	-0.8	-0.5	-2.3	3.6

## (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	Dec.	Jan.	Feb.
Intermediate goods	<21.1>	-0.7	1.2	1.8	1.8	-0.1	-0.7	2.0	0.6	-0.7	2.6
Motor vehicles and their related goods	<23.9>	7.7	-1.4	0.6	6.0	3.1	-0.0	-6.8	-4.0	-4.4	1.7
IT-related goods <sup>4</sup>	<10.6>	3.6	-7.2	-6.4	0.8	0.2	2.9	-3.0	5.4	-8.9	5.5
Capital goods and parts <sup>5</sup>	<27.5>	-4.0	-5.8	1.2	0.3	1.0	2.0	-1.5	1.8	-7.0	8.7
Real exports		-1.0	-1.8	1.0	2.4	0.3	1.1	-0.8	-0.5	-2.3	3.6

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2014/Q1 figures are January-February averages 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.

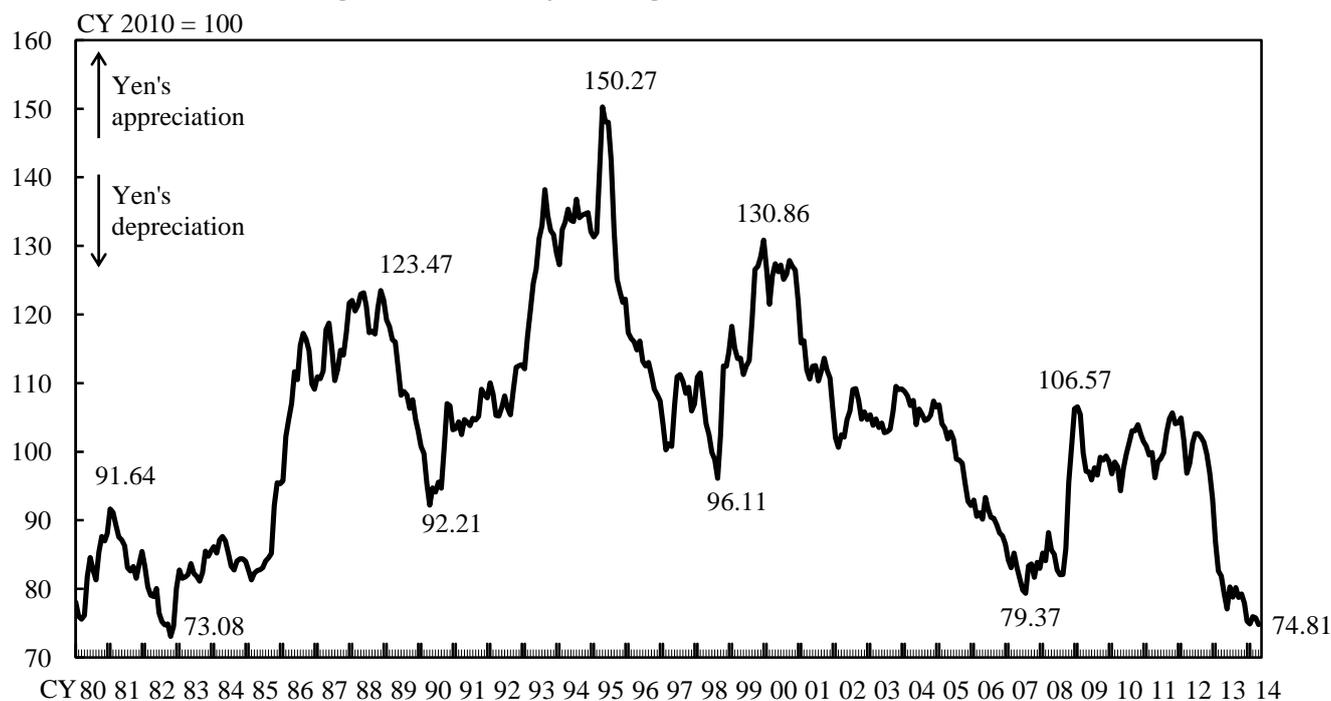
4. IT-related goods are composed of computers and units, telecommunication machinery, ICs, visual apparatus, audio apparatus, and medical and optical instruments.

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 March and April (up to April 4) 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	2.6
European Union <sup>2</sup>	1.6	-0.4	0.1	-0.2	1.6	1.2	1.6
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	0.0	2.3	-0.2	1.2
United Kingdom <sup>1</sup>	1.1	0.3	1.7	1.4	3.1	3.4	2.7
East Asia <sup>3</sup>	5.9	4.9	4.9	2.2	5.7	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	1.8	2.9	0.9	5.2	2.3	5.1
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	1.6	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		2014		2013	2014		
				Q1	Q2	Q3	Q4	Q1	Dec.	Jan.	Feb.
United States	<8.4>	3.8	-2.1	-0.1	2.5	4.4	-0.9	9.4	-17.5	21.9	-5.1
EU	<9.4>	4.0	0.8	-1.7	-0.7	5.3	-0.7	4.6	9.2	-4.5	7.6
East Asia	<40.8>	3.9	2.6	3.1	-2.0	3.6	3.4	4.9	-1.1	8.4	-7.0
China	<21.7>	5.1	5.4	3.9	-1.8	5.2	3.4	5.2	0.1	9.7	-11.4
NIEs	<8.2>	5.0	-0.4	1.2	-5.9	7.1	1.1	5.2	-0.5	11.7	-8.2
Korea	<4.3>	4.3	-4.8	2.8	-10.0	6.8	2.1	3.5	-2.0	8.6	-4.7
Taiwan	<2.8>	7.2	8.1	-1.0	5.0	4.5	-0.7	6.7	-5.3	16.2	-9.2
Hong Kong	<0.2>	-2.5	9.3	8.3	-10.2	12.1	20.9	-20.0	35.9	-24.8	-30.3
Singapore	<0.9>	3.0	-7.0	-0.8	-16.3	14.8	0.9	14.9	6.4	26.3	-18.6
ASEAN4 <sup>3</sup>	<10.8>	0.5	-1.1	2.8	0.9	-2.9	5.7	4.0	-4.5	2.3	5.4
Thailand	<2.6>	-0.9	1.5	3.6	0.9	-2.4	3.3	9.9	-1.0	10.1	1.4
Others	<41.5>	4.7	0.4	7.7	1.0	0.1	-0.8	1.6	1.8	1.7	-2.6
Real imports		4.2	0.9	2.6	0.5	2.3	1.6	2.6	-0.5	5.1	-4.8

## (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	Dec.	Jan.	Feb.
Raw materials <sup>4</sup>	<40.4>	4.5	-1.8	9.8	-1.6	-0.3	-0.6	2.5	-2.0	3.5	-1.0
Intermediate goods	<12.9>	-2.7	-2.8	-1.5	-2.6	3.7	0.9	3.7	6.4	1.9	-2.8
Foodstuffs	<8.0>	-0.7	-3.5	3.3	-6.0	4.7	-1.7	1.6	4.5	3.1	-7.8
Consumer goods <sup>5</sup>	<7.8>	4.5	4.1	2.0	3.0	2.7	0.4	4.6	2.4	5.0	-2.4
IT-related goods <sup>6</sup>	<12.6>	9.0	12.9	3.6	1.1	4.9	5.4	7.0	-5.3	14.2	-8.4
Capital goods and parts <sup>7</sup>	<11.4>	10.4	4.7	0.7	4.5	5.8	2.5	7.3	-5.5	12.4	-8.8
Excluding aircraft	<10.5>	7.0	5.3	-0.1	4.7	5.0	2.1	8.3	2.8	8.4	-5.7
Real imports		4.2	0.9	2.6	0.5	2.3	1.6	2.6	-0.5	5.1	-4.8

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2014/Q1 figures are January-February averages 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.

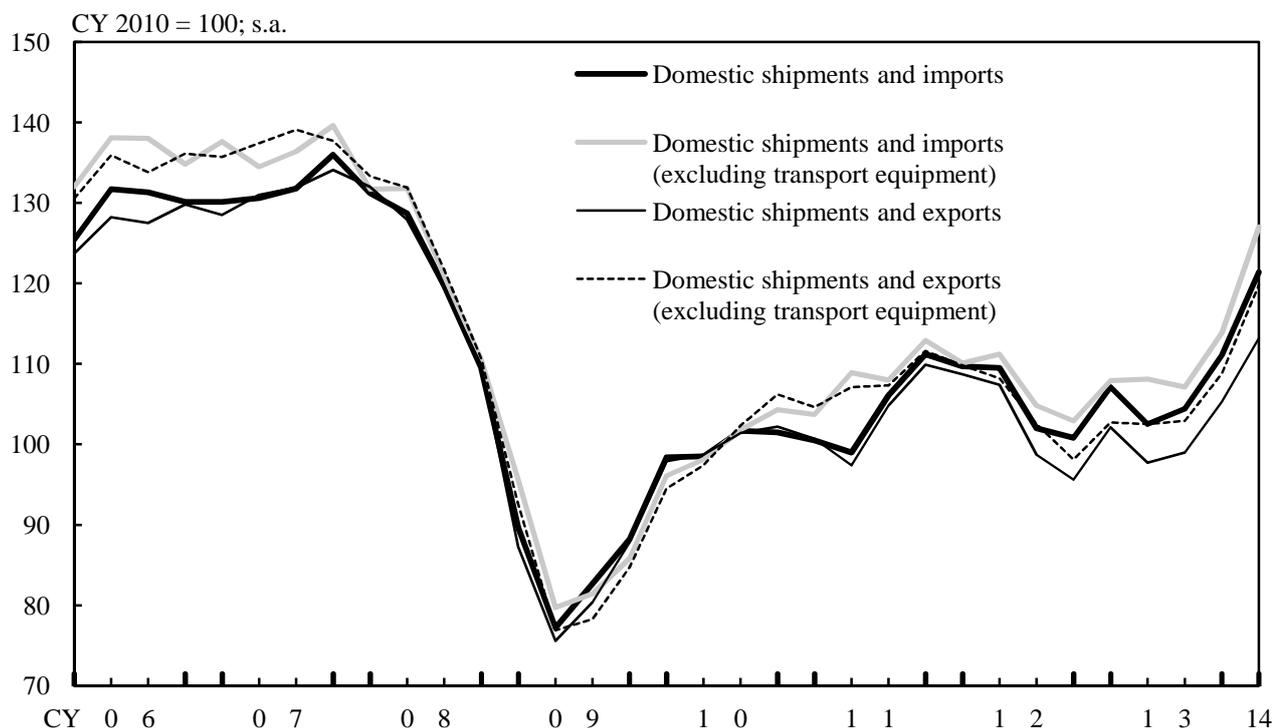
5. Excludes foodstuffs.

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.

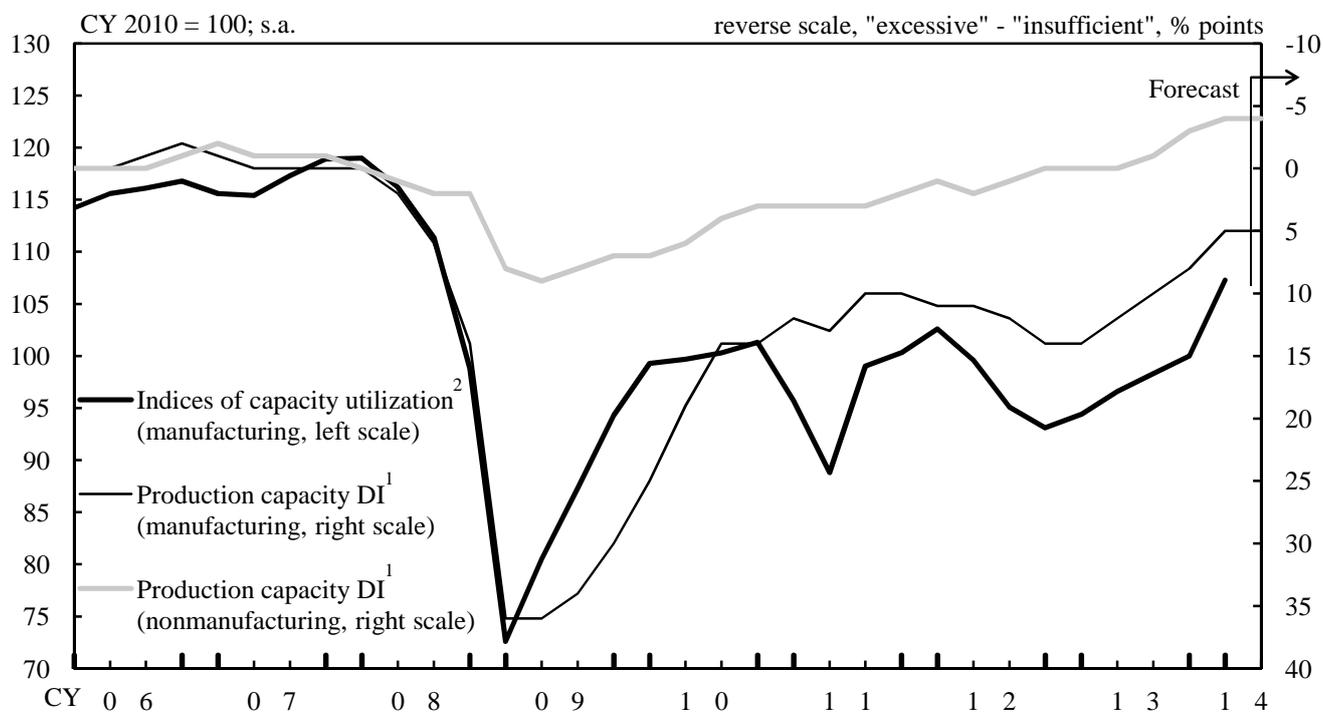
## Coincident Indicators of Business Fixed Investment

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



Note: Figures for 2014/Q1 are January-February averages.

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



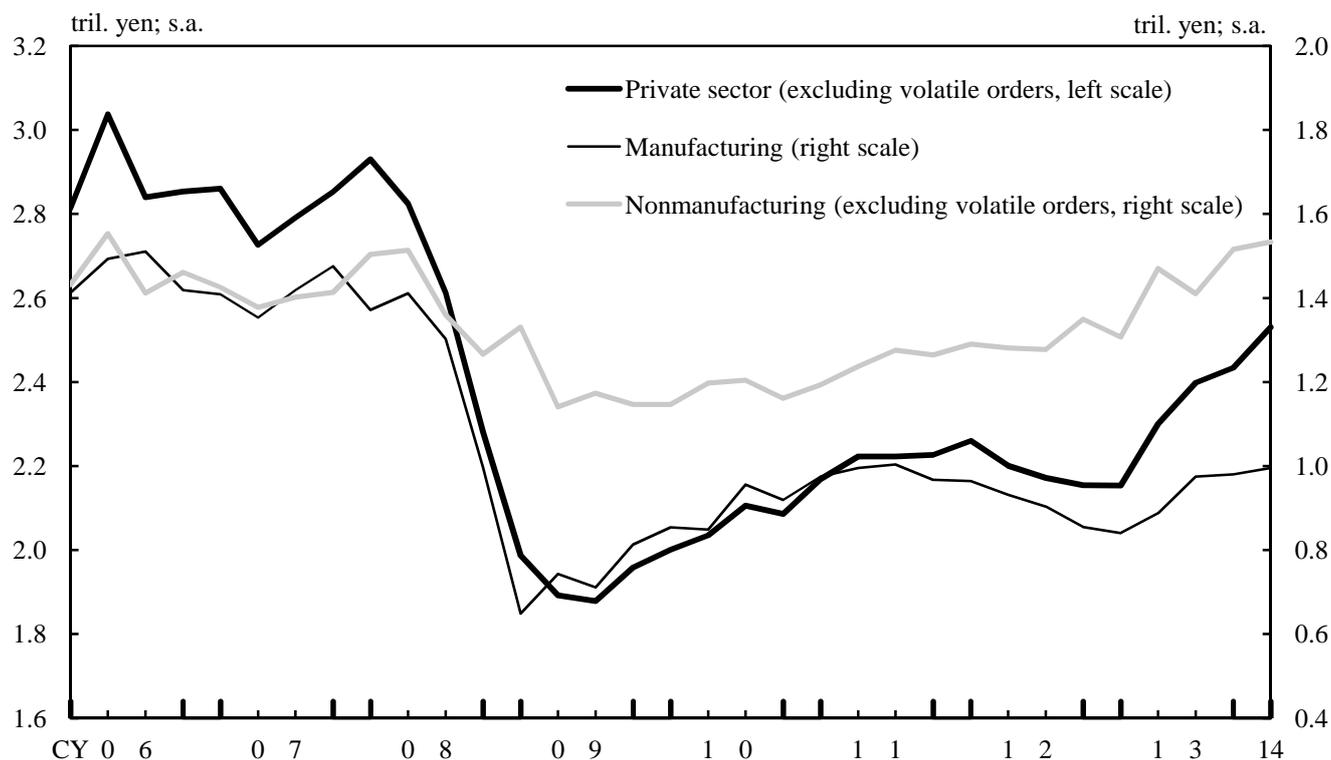
Notes: 1. Production capacity DIs are those of all enterprises.

2. The figure for 2014/Q1 is that of January.

Sources: Ministry of Economy, Trade and Industry, "Indices of Industrial Production," "Indices of Industrial Domestic Shipments and Imports";  
Bank of Japan, "Tankan, Short-term Economic Survey of Enterprises in Japan."

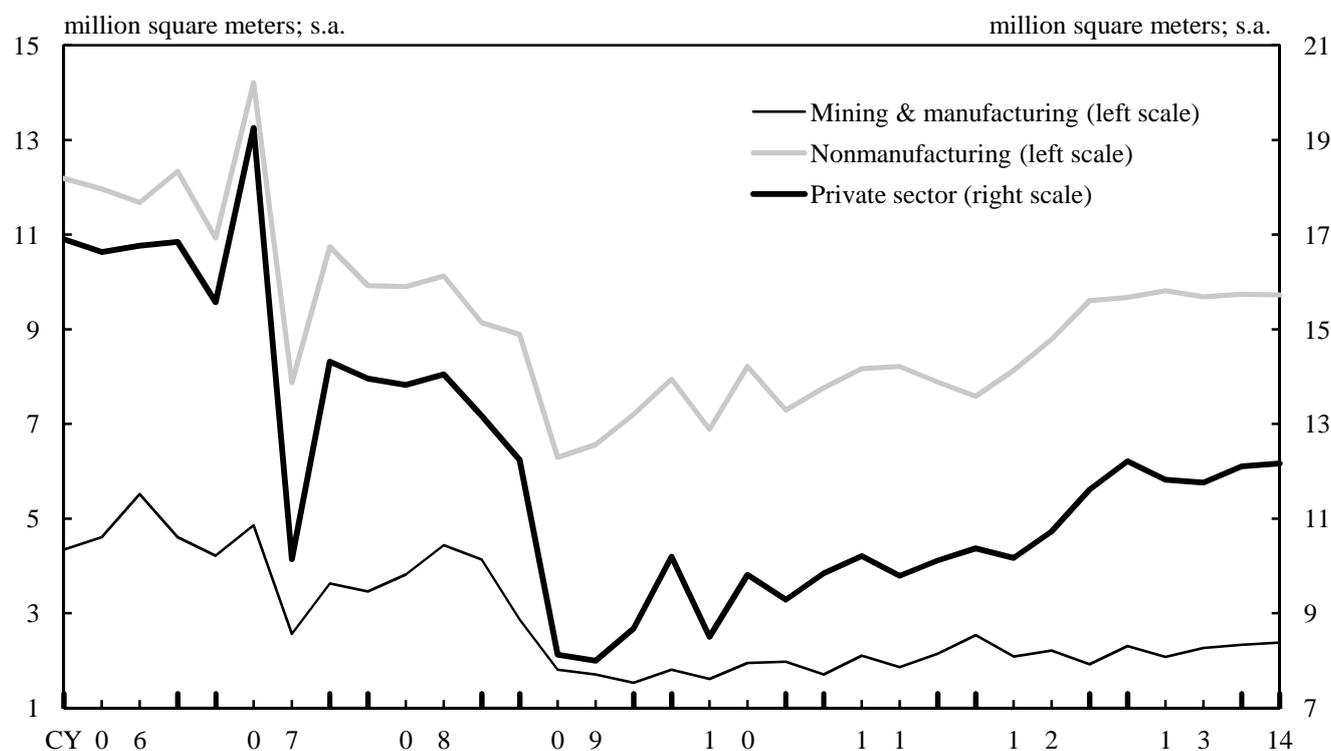
Leading Indicators of Business Fixed Investment

(1) Machinery Orders



Notes: 1. Volatile orders: Orders for ships and those from electric power companies.  
 2. Figures for 2014/Q1 are those of January in quarterly amount.

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

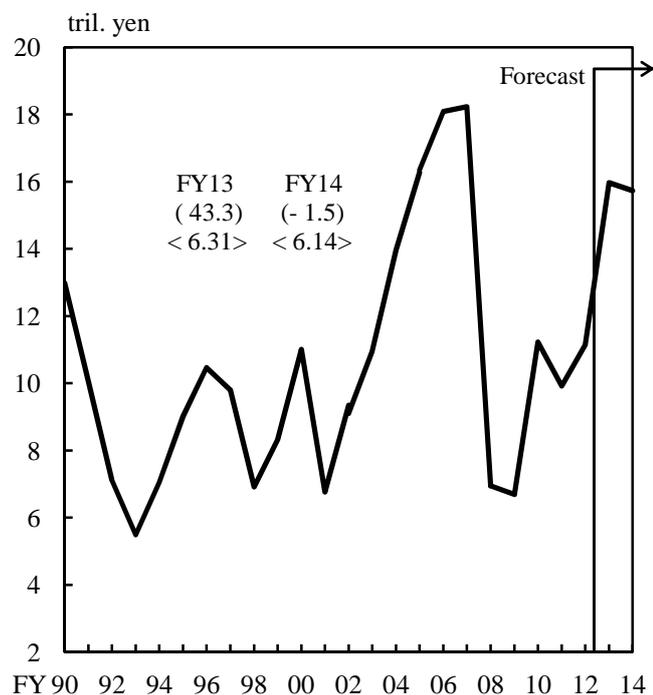


Notes: 1. Seasonally adjusted by X-12-ARIMA.  
 2. Figures for 2014/Q1 are January-February averages in quarterly amount.

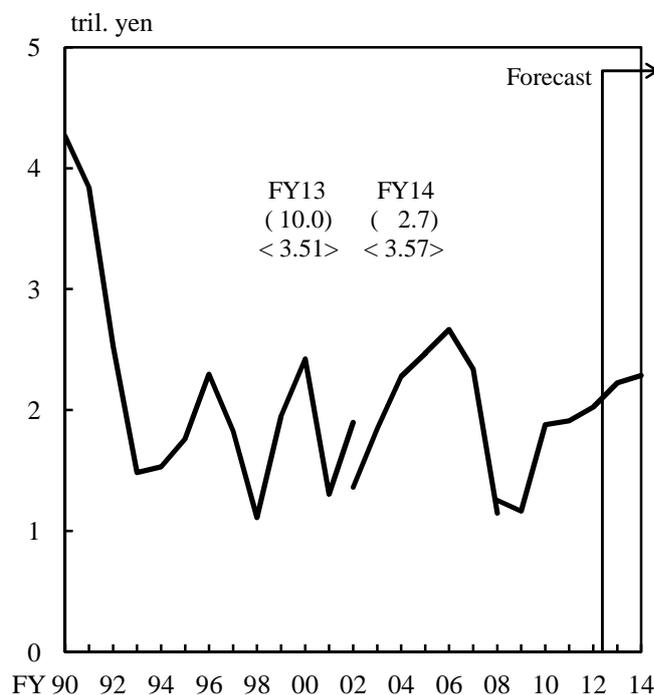
Sources: Cabinet Office, "Orders Received for Machinery";  
 Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts."

## Current Profits

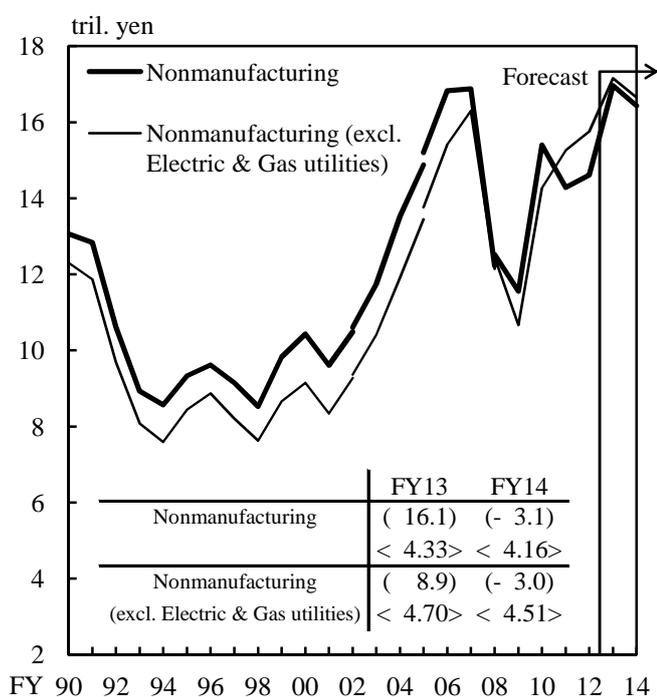
(1) Large Manufacturing Enterprises



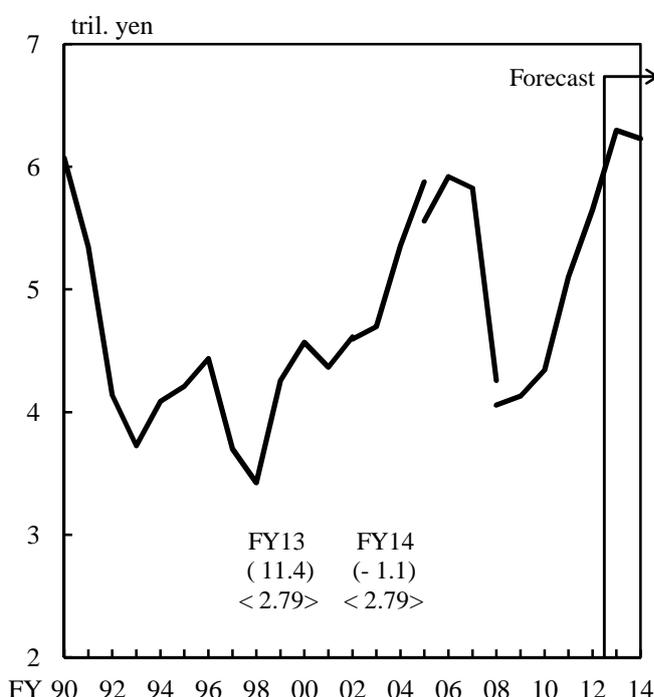
(2) Small Manufacturing Enterprises



(3) Large Nonmanufacturing Enterprises



(4) Small Nonmanufacturing Enterprises



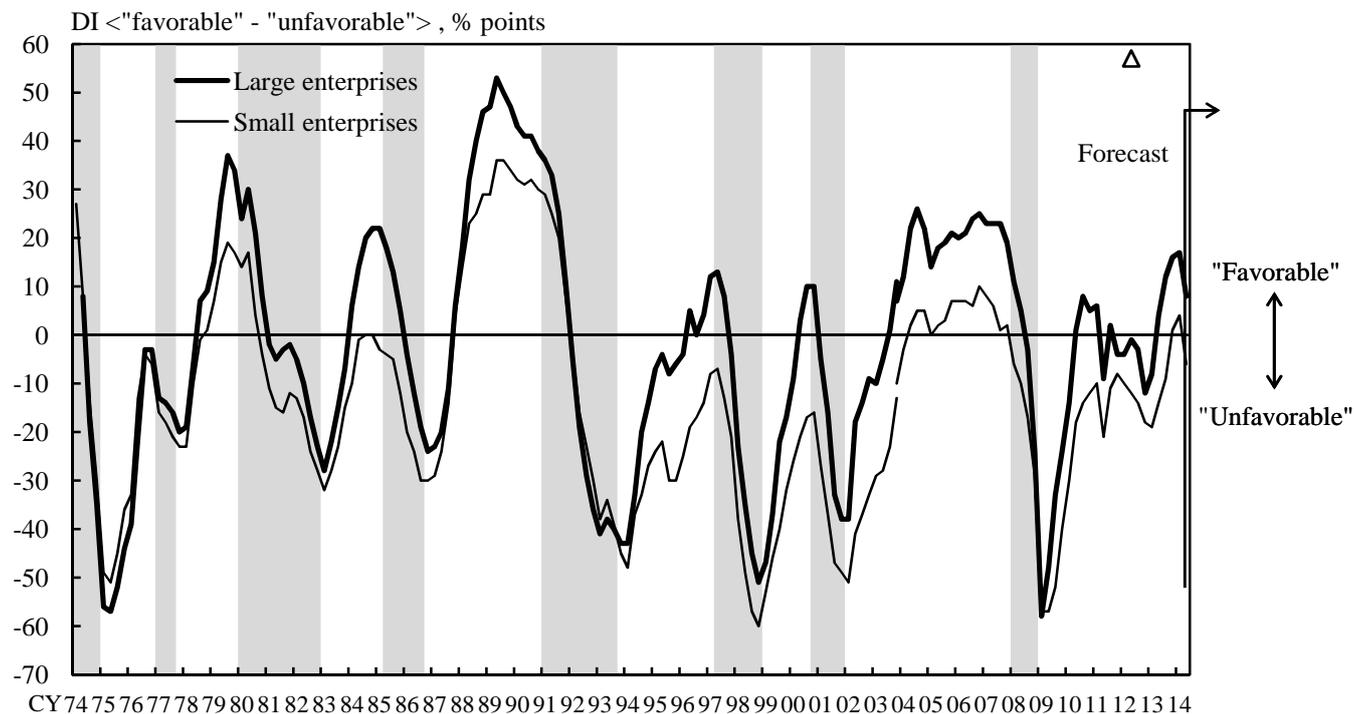
Notes: 1. ( ): Current profits (y/y % chg.); < >: Ratio of current profit to sales (%).

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

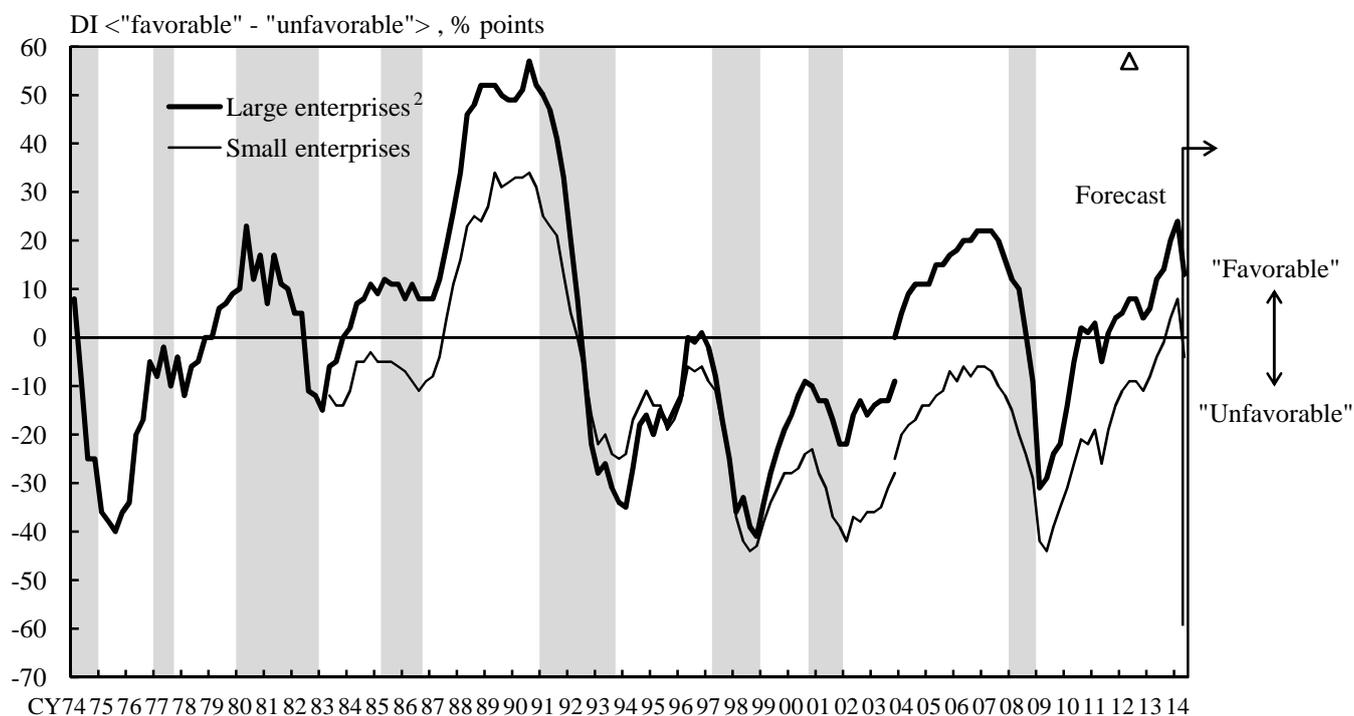
Source: Bank of Japan, "Tankan, Short-term Economic Survey of Enterprises in Japan."

## Business Conditions

## (1) Manufacturing



## (2) Nonmanufacturing



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

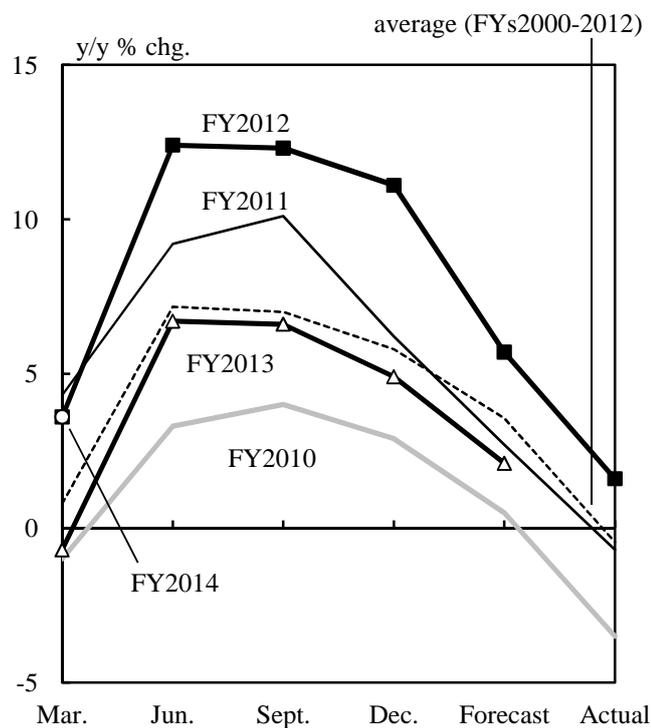
2. Data prior to February 1983 are those of principal enterprises.

3. Shaded areas indicate recession periods. Triangles show the latest peaks.

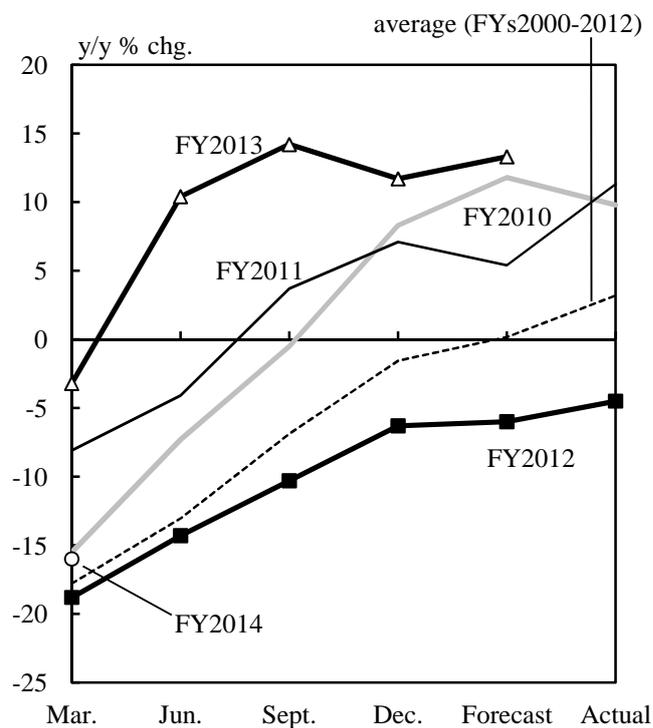
Source: Bank of Japan, "Tankan", Short-term Economic Survey of Enterprises in Japan."

## Business Fixed Investment Plans as Surveyed

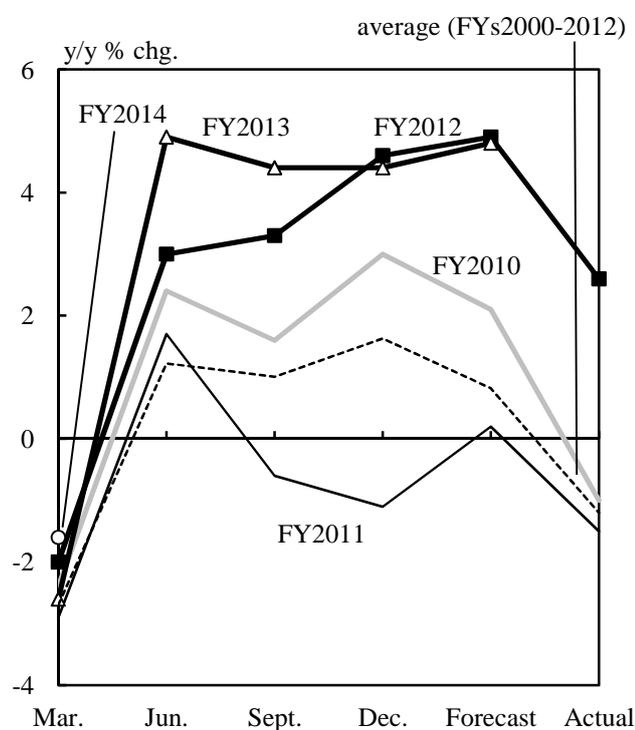
(1) Large Manufacturing Enterprises



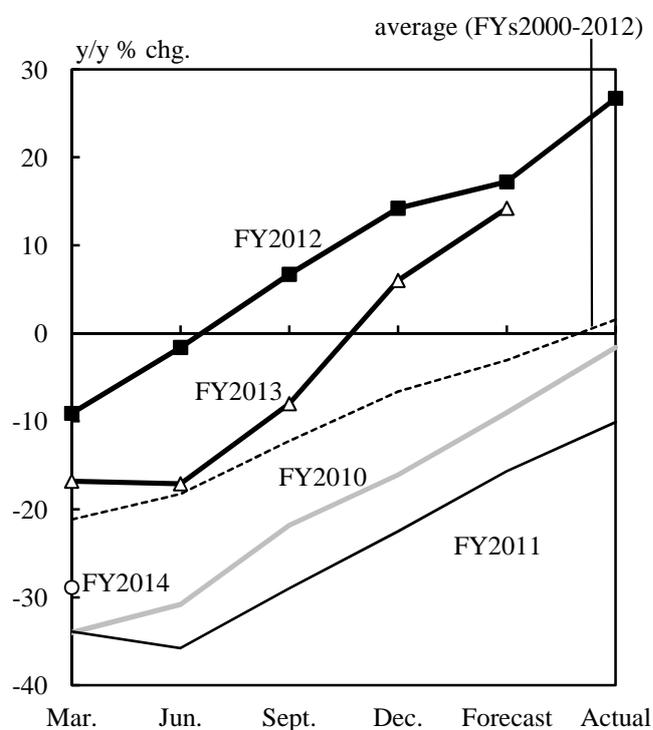
(2) Small Manufacturing Enterprises



(3) Large Nonmanufacturing Enterprises



(4) Small Nonmanufacturing Enterprises

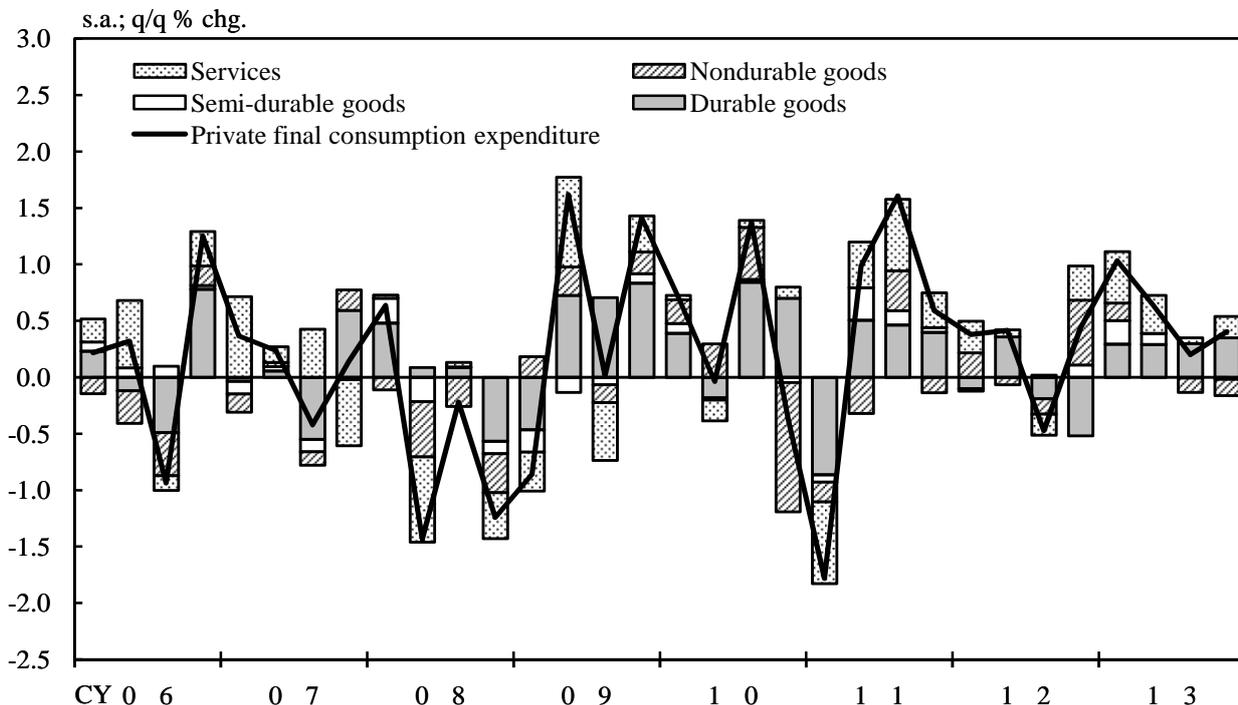


Notes: 1. Includes land purchasing expenses and excludes software investment.

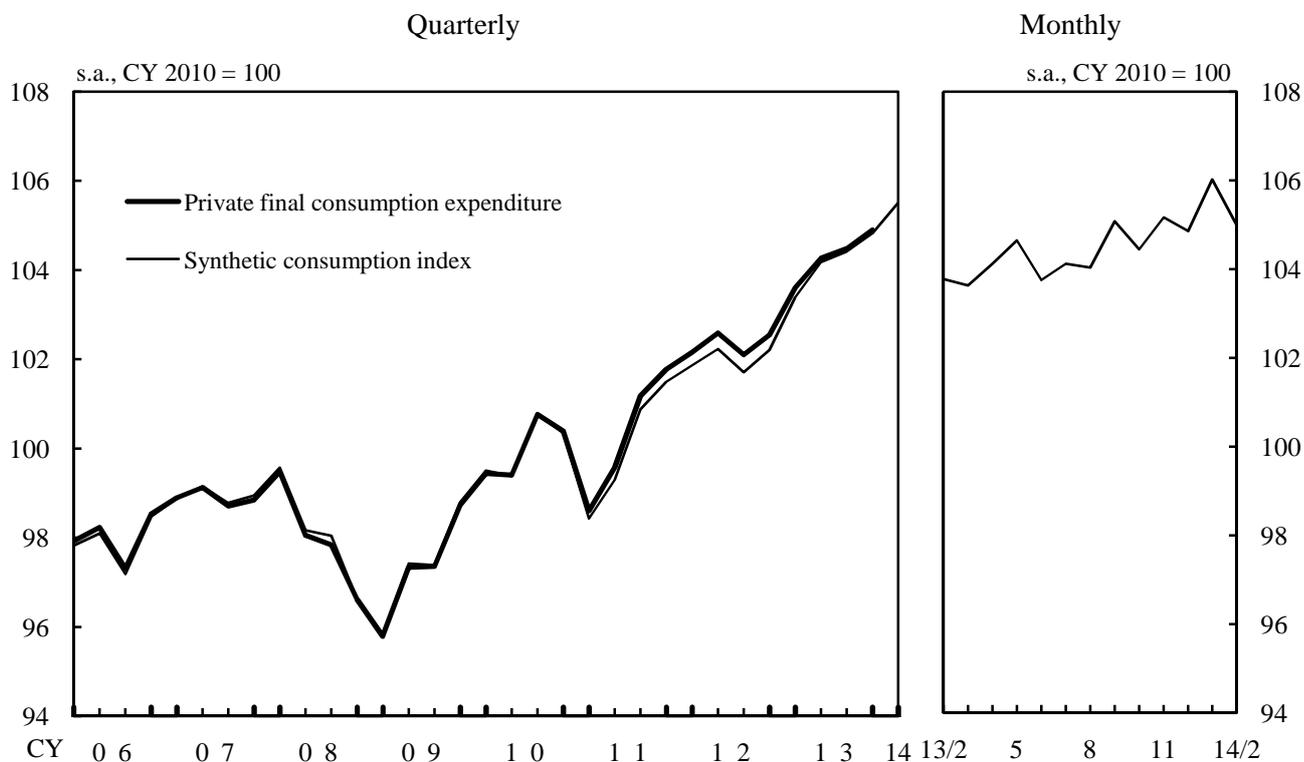
2. Since the introduction of the new accounting standard for lease transactions beginning April 1, 2008, figures up to FY2008 are based on the previous standard and figures from FY2009 onward are based on the new standard. Past averages (FYs 2000-2012) are calculated using these figures.

Indicators of Private Consumption (1)

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



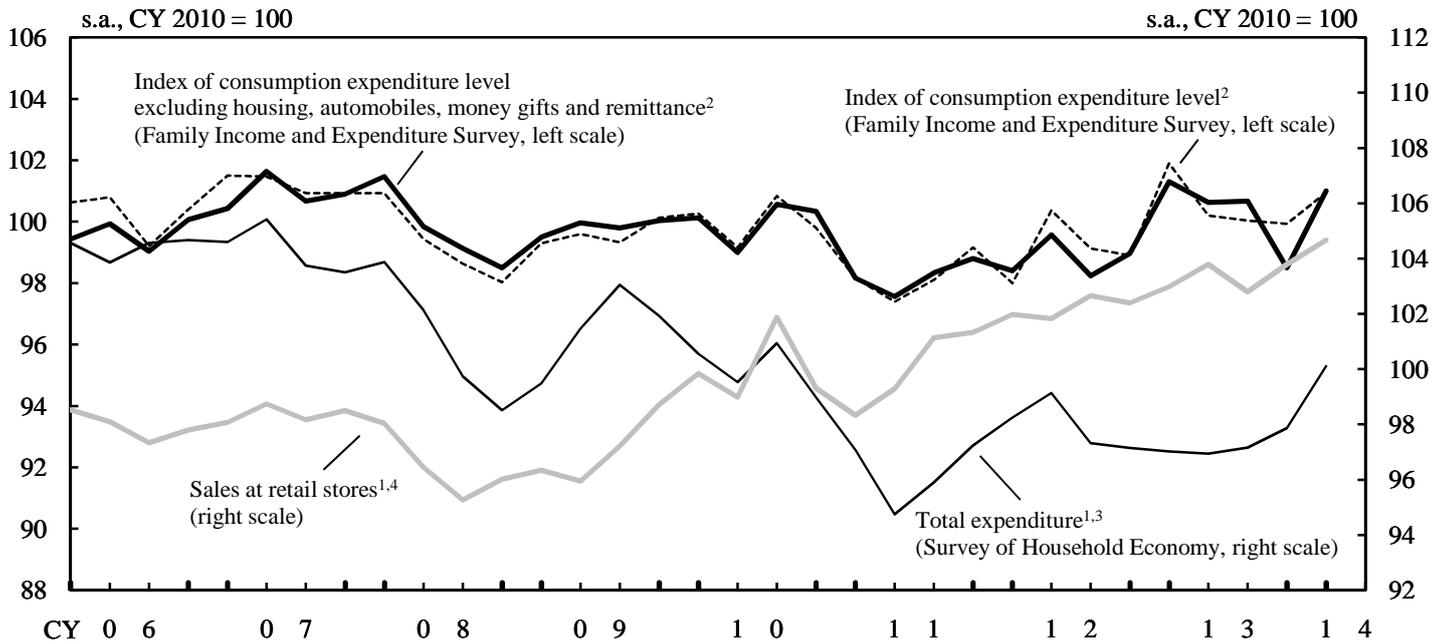
(2) Private Final Consumption Expenditure and Synthetic Consumption Index (Real)



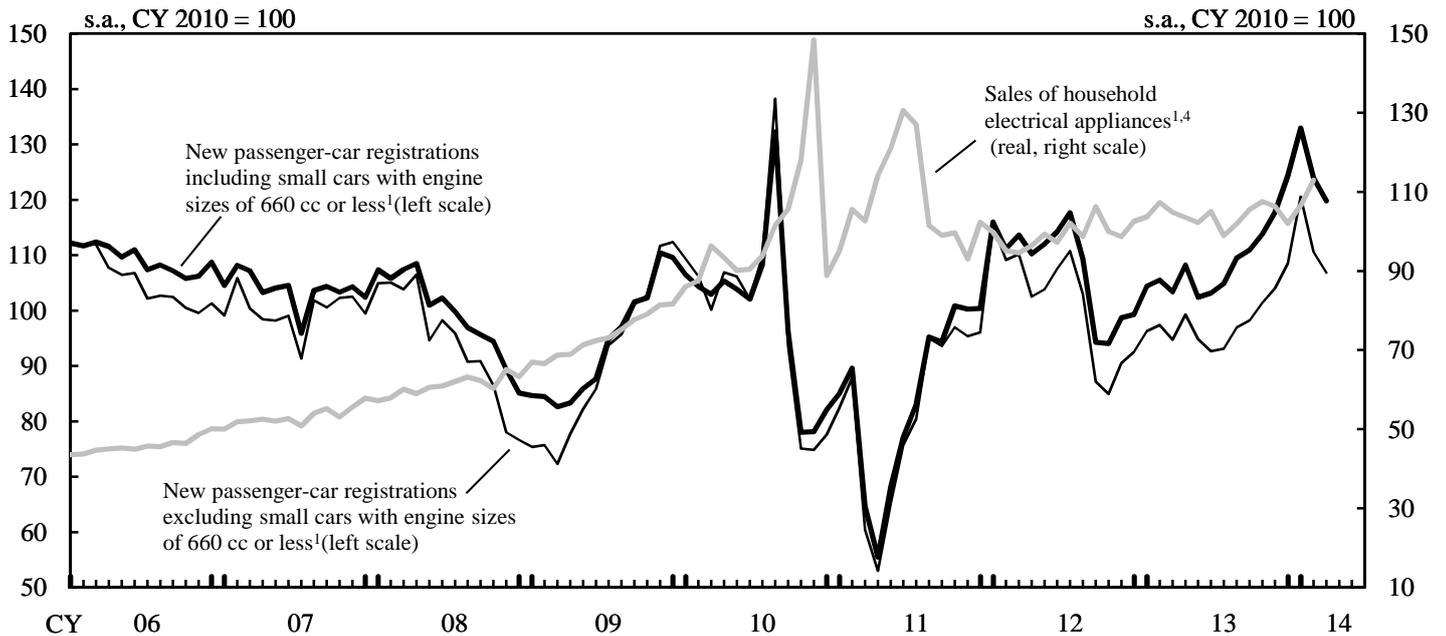
Note: The figure of the synthetic consumption index for 2014/Q1 is the average of January-February in quarterly amount.

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

## Indicators of Private Consumption (2)

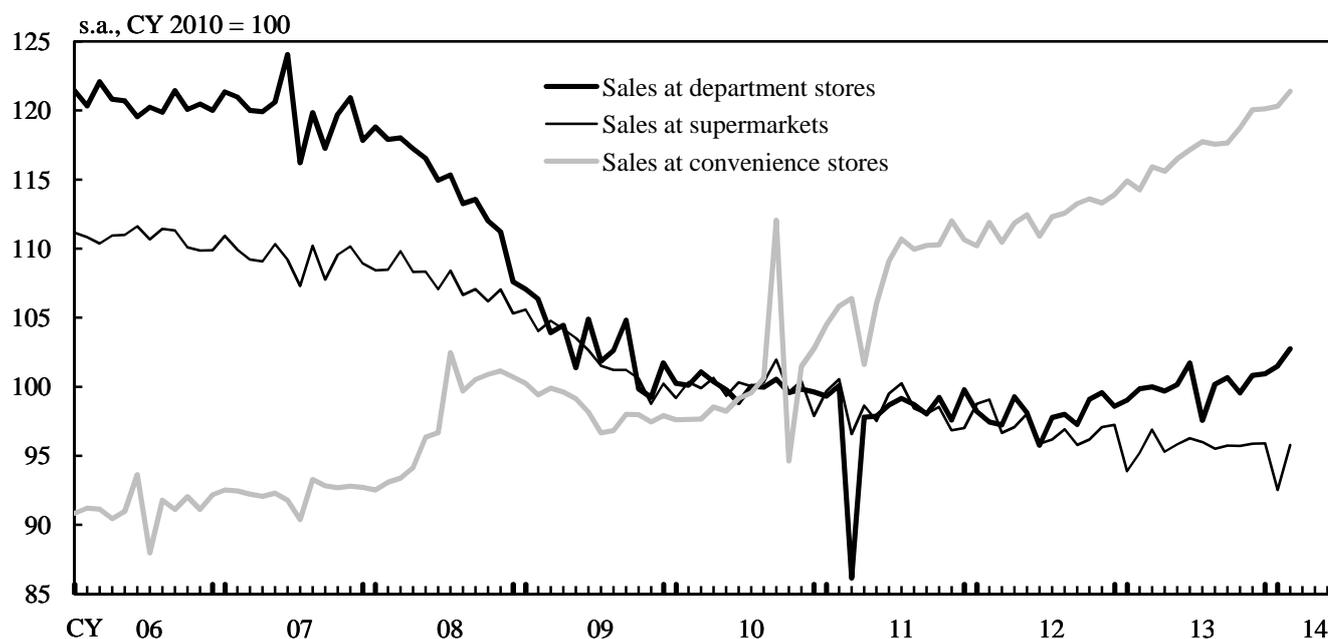
(1) Household Spending (Real)<sup>5</sup>

## (2) Sales of Durable Goods

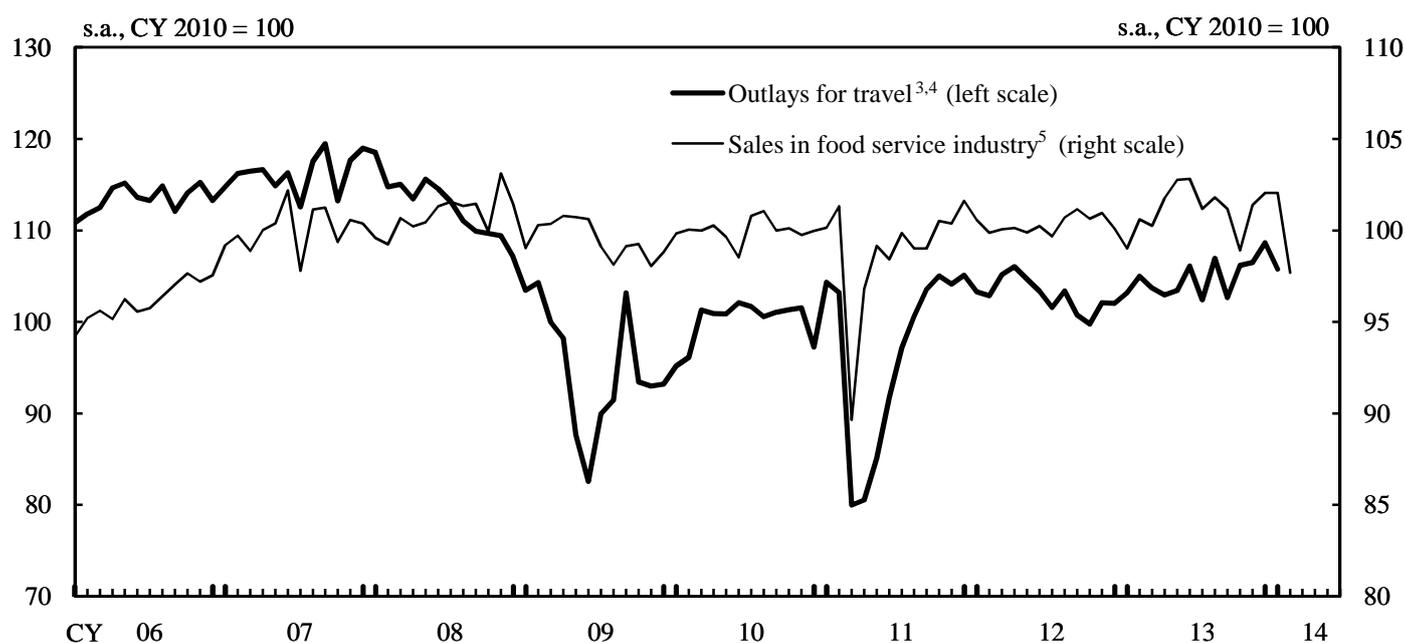


- Notes: 1. Total expenditure, sales at retail stores, sales of household electrical appliances and new passenger-car registrations are seasonally adjusted by X-12-ARIMA.
2. "Index of consumption expenditure level" is based on two-or-more-person households, and is adjusted using the distribution of household 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-February averages 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.

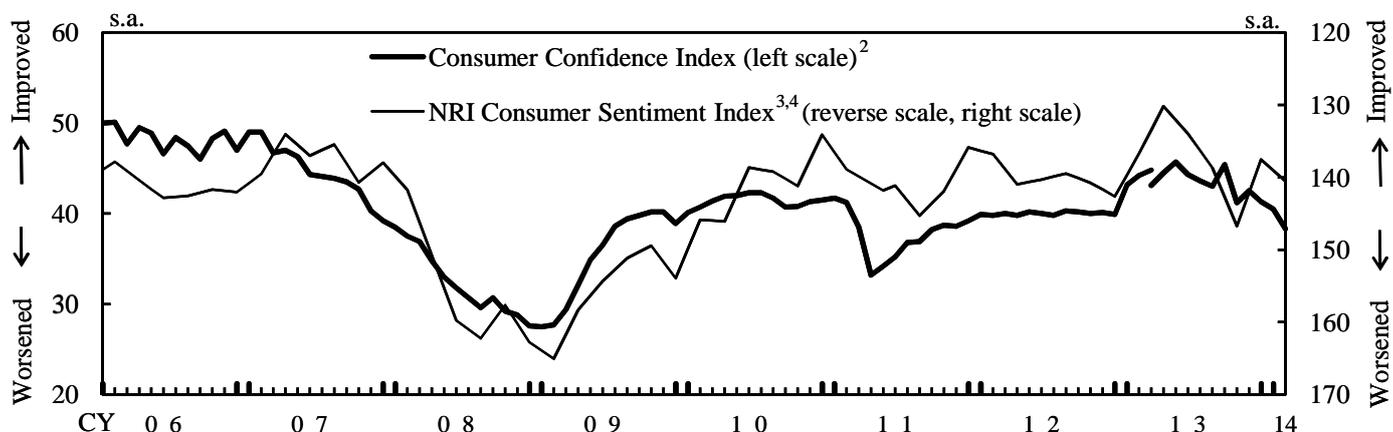
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce";

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

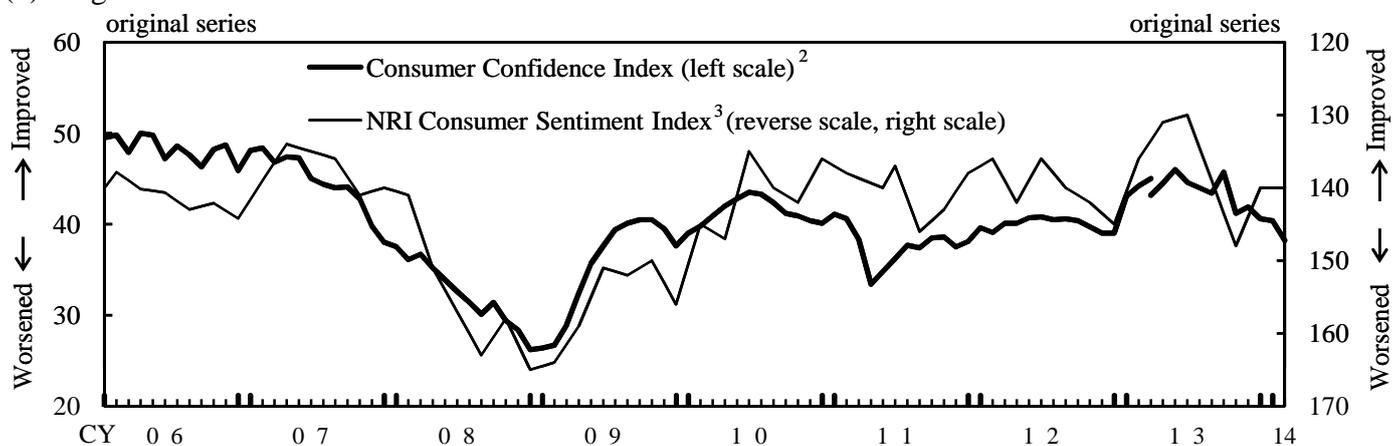
Food Service Industry Survey & Research Center, "*Getsuji Uriage Doukou Chousa* (Monthly survey of food service sales)"; Japan Food Service Association, "*Gaishoku Sangyou Shijou Doukou Chousa* (Research on the food service industry)."

# Consumer Confidence<sup>1</sup>

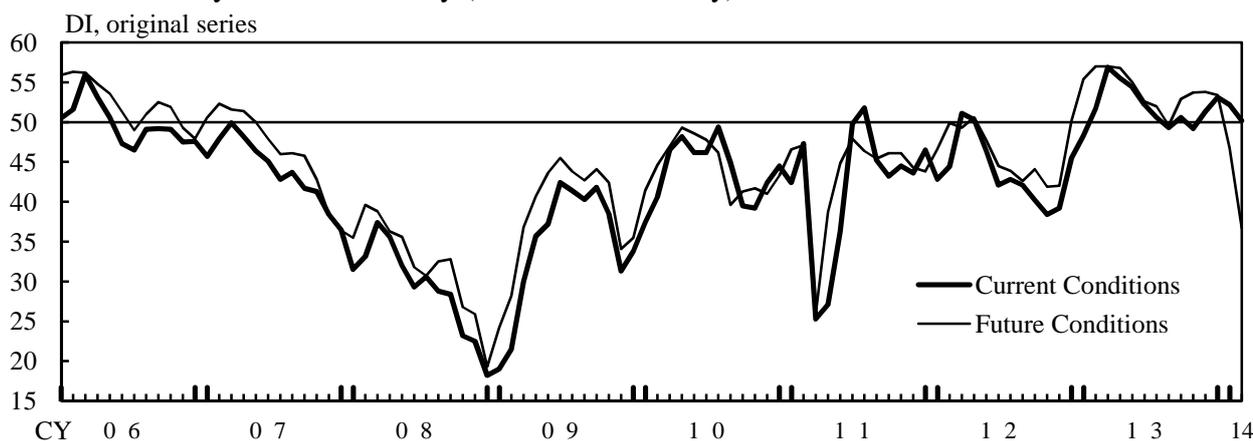
## (1) Seasonally Adjusted Series



## (2) Original Series



## Reference: Economy Watchers Survey (Household Activity)

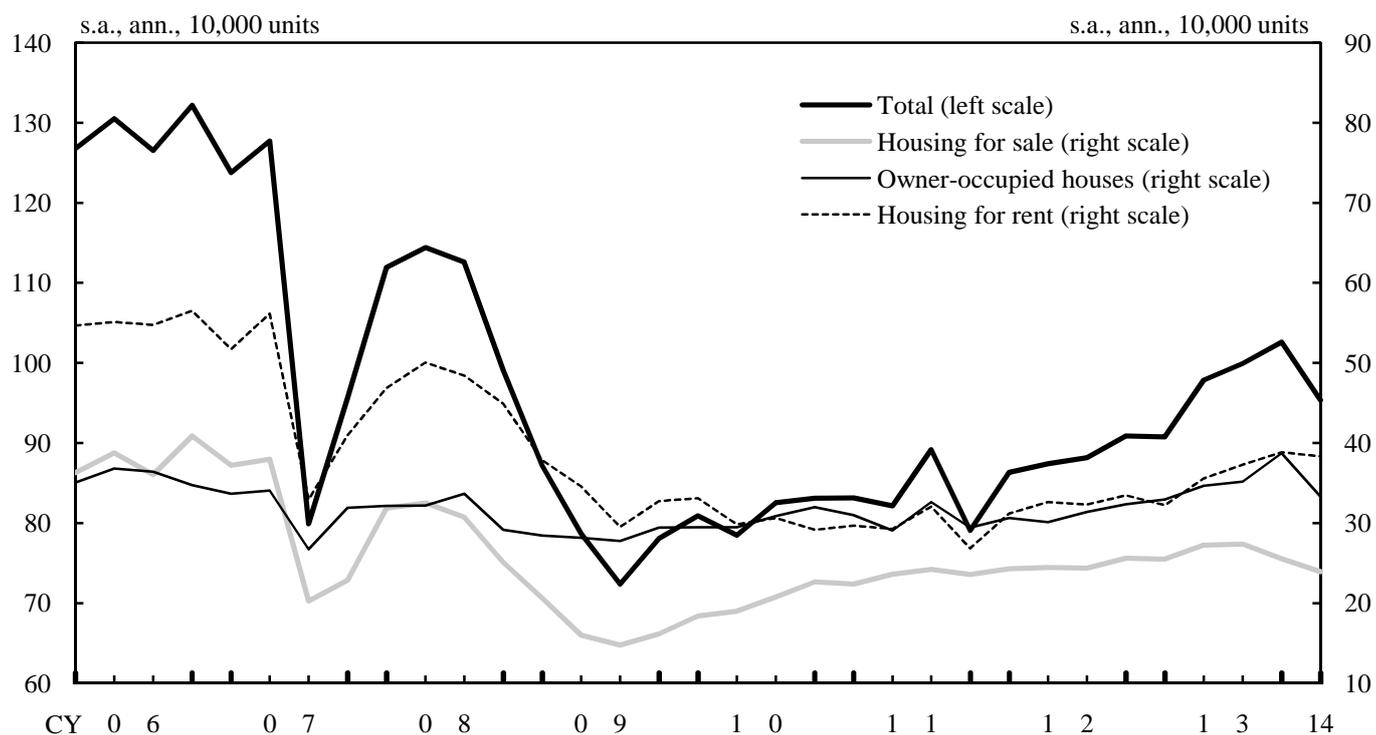


- Notes: 1. The Consumer Confidence Index (covering about 5,700 samples on a nationwide basis from April 2013 onward) and NRI Consumer Sentiment Index (1,200 samples on a nationwide basis) are based on surveys on consumer confidence.
2. In April 2013, the Cabinet Office changed the method for conducting 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."

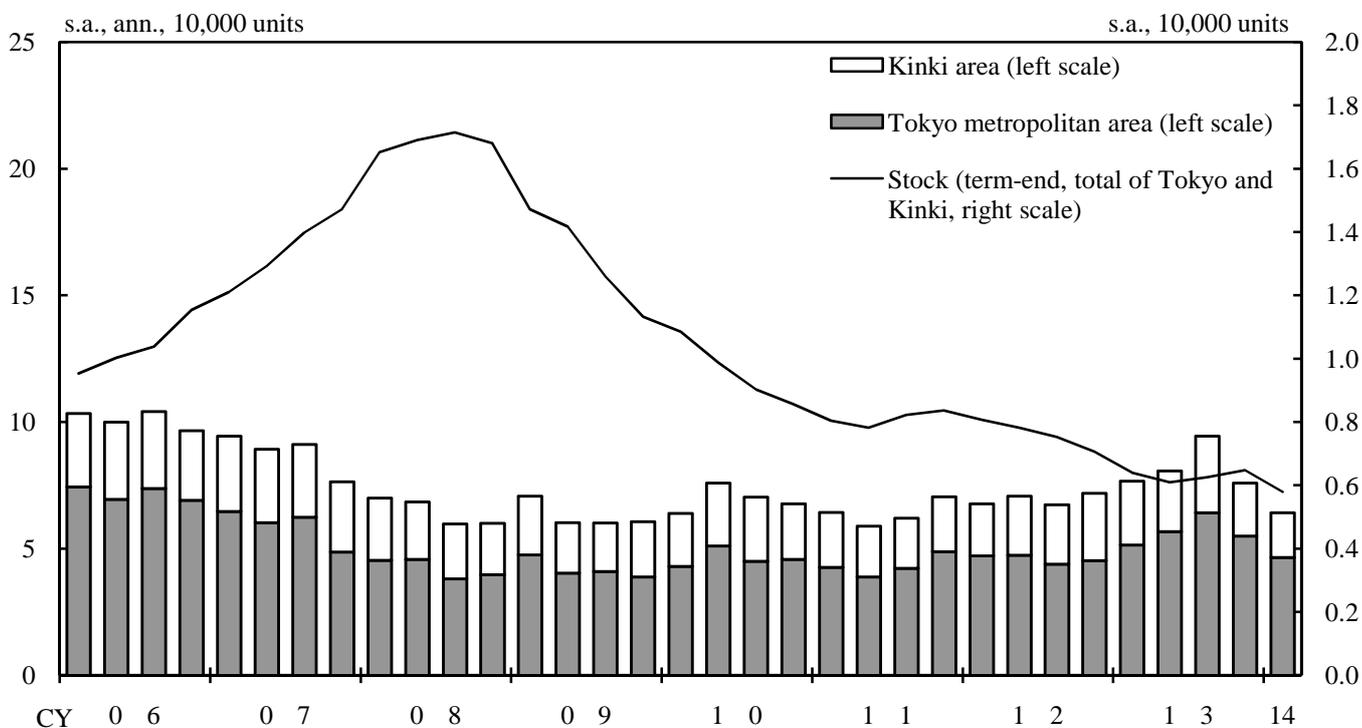
## Indicators of Housing Investment

### (1) Housing Starts



Note: Figures for 2014/Q1 are January-February averages.

### (2) Sales of Apartments



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

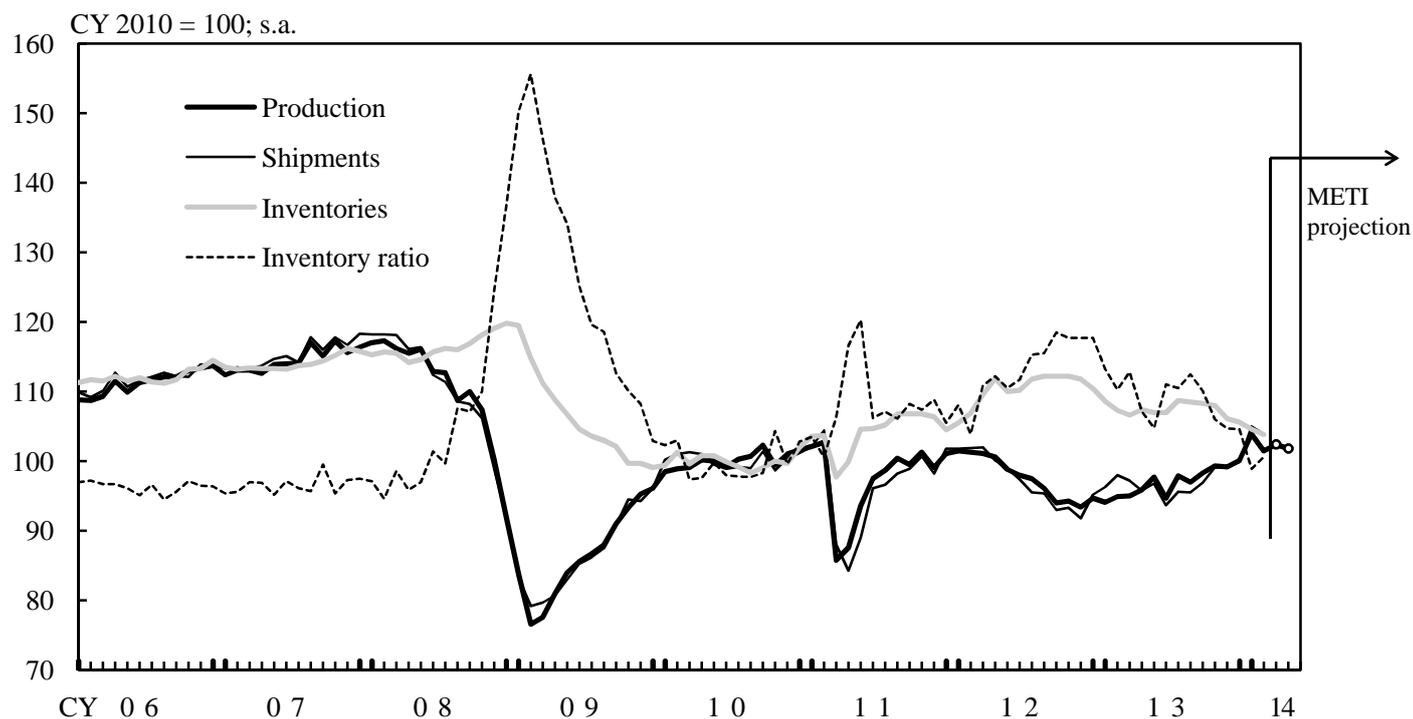
2. The figure of total apartment sales for 2014/Q1 is the January-February average.

The term-end stock for 2014/Q1 is that of February.

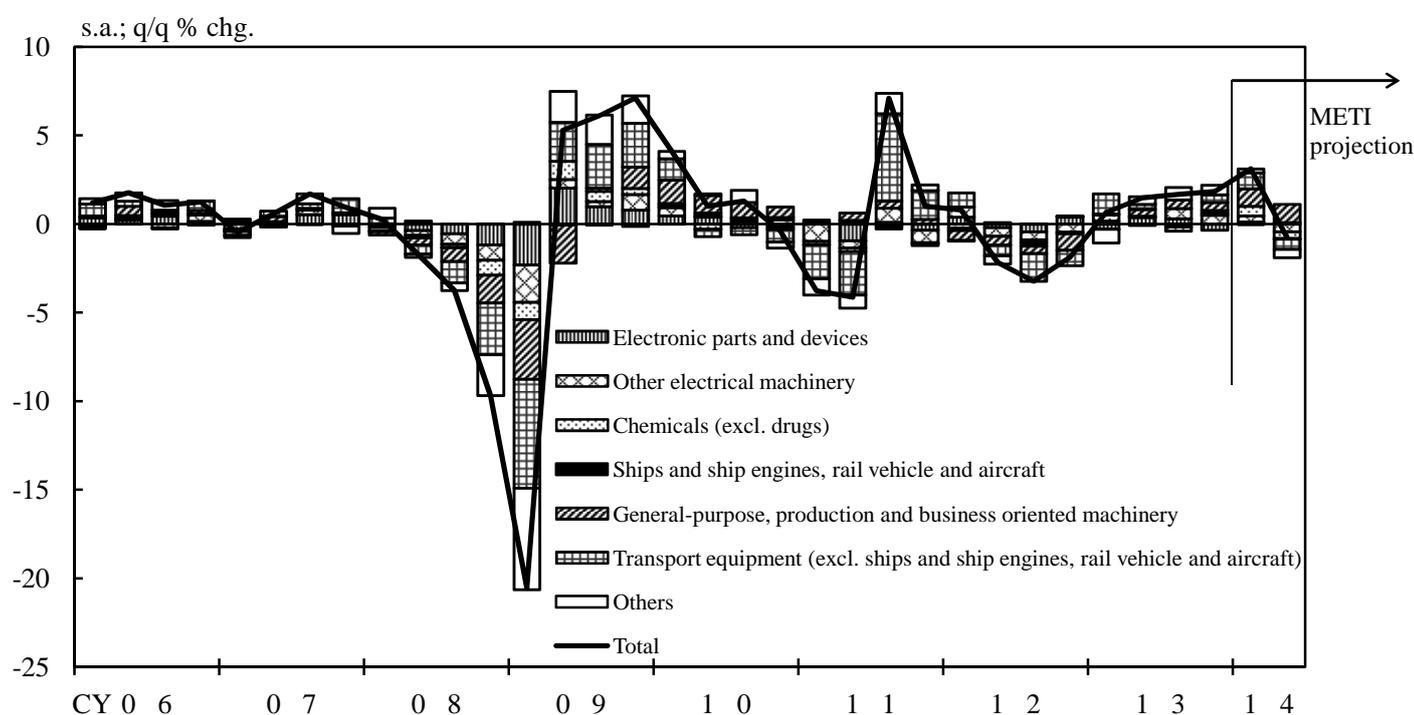
Sources: Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts," etc.

## 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.

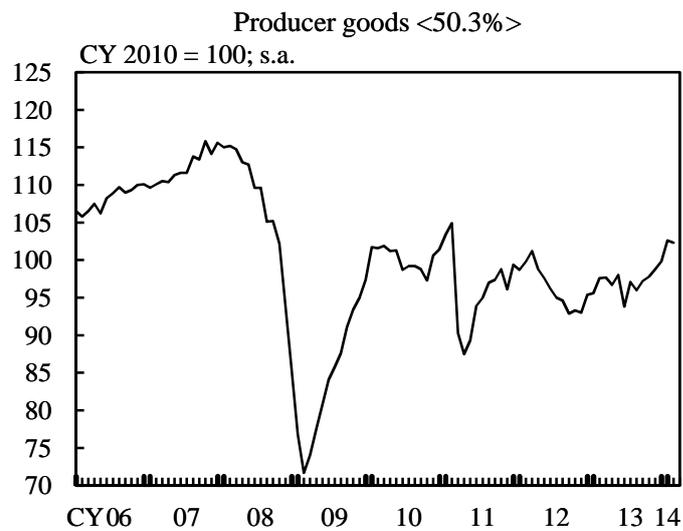
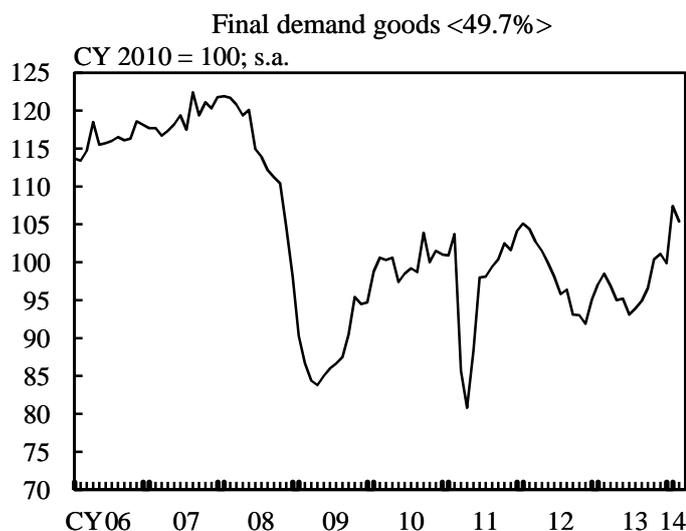
Figures for "general-purpose, production and business oriented machinery" up to 2008/Q1 are those for "general machinery."

3. 2014/Q1 figures are based on the actual production levels in January and February, and the METI projection of March. 2014/Q2 figures are based on the assumption that the production levels in May and June are the same as those of April.

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

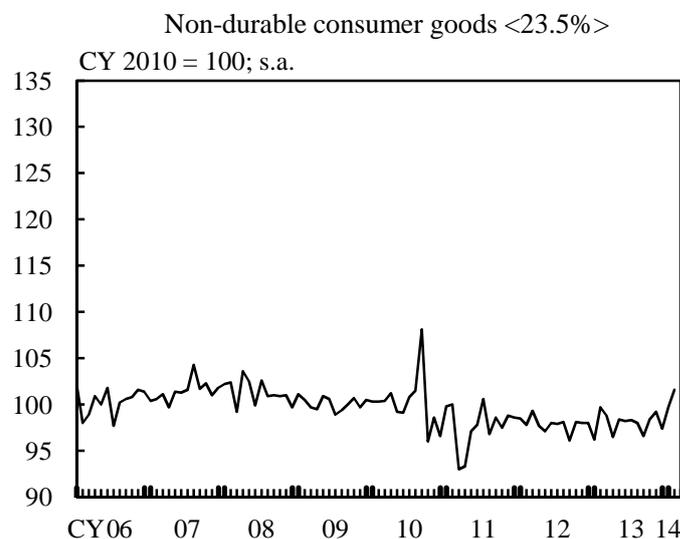
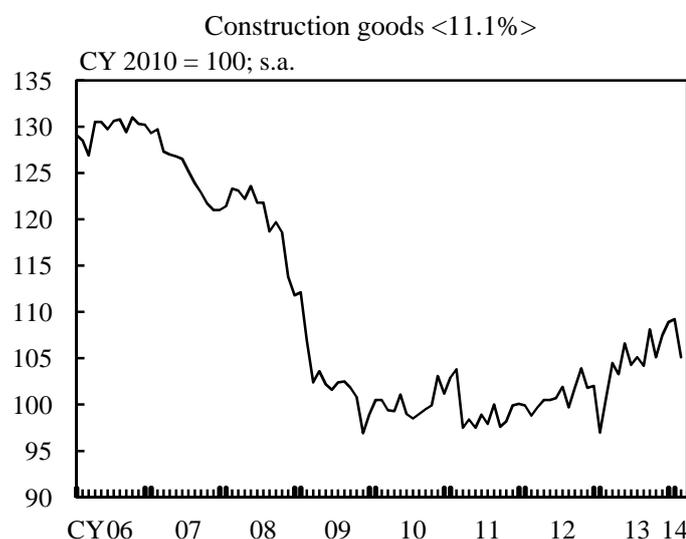
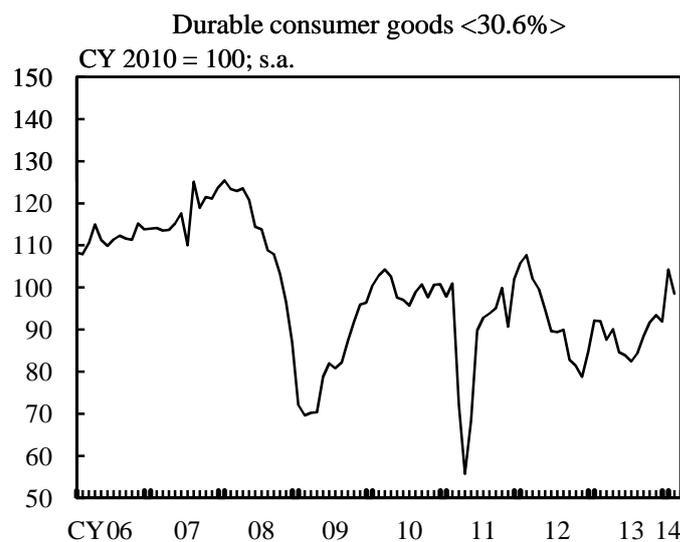
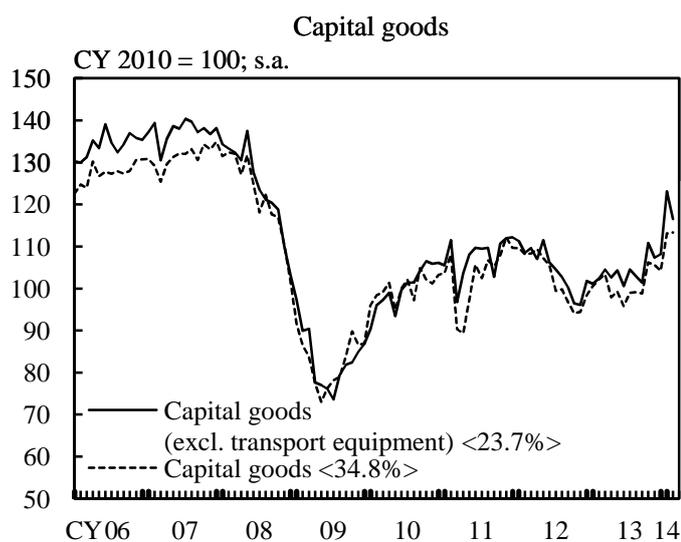
## Shipments by Type of Goods

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



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

### (2) Breakdown of Final Demand Goods

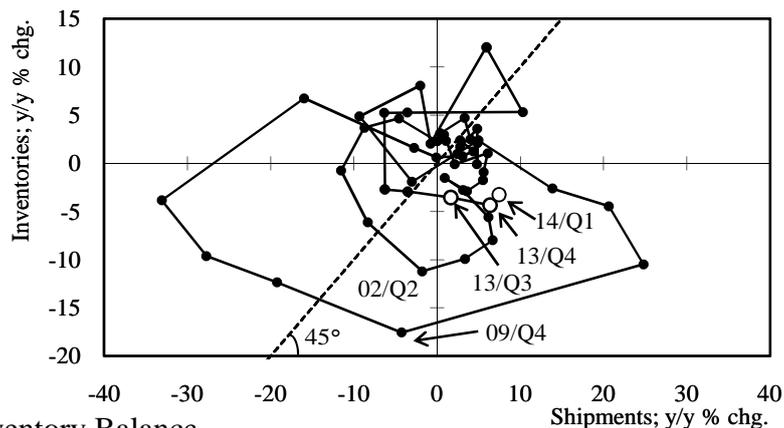


Note: Figures in angle brackets show the shares among shipments of final demand goods.

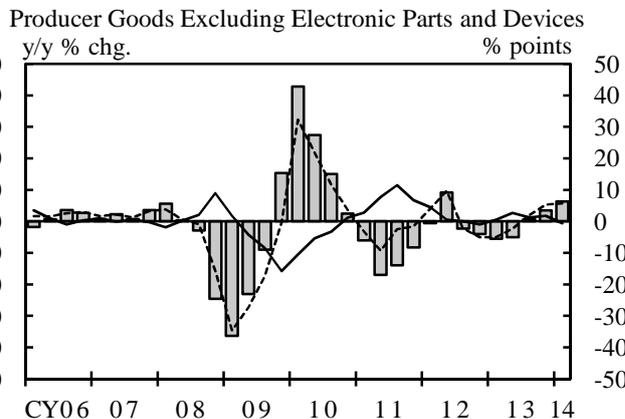
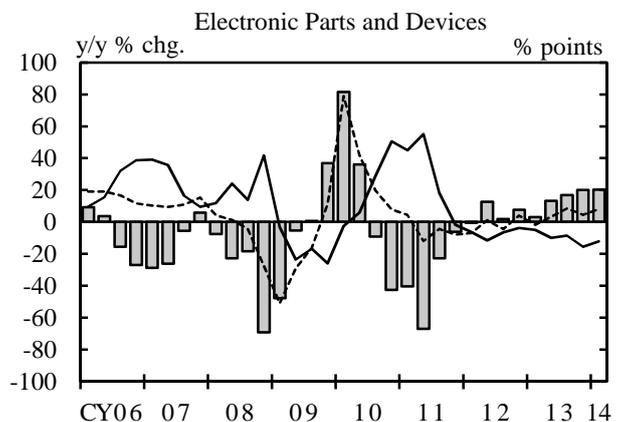
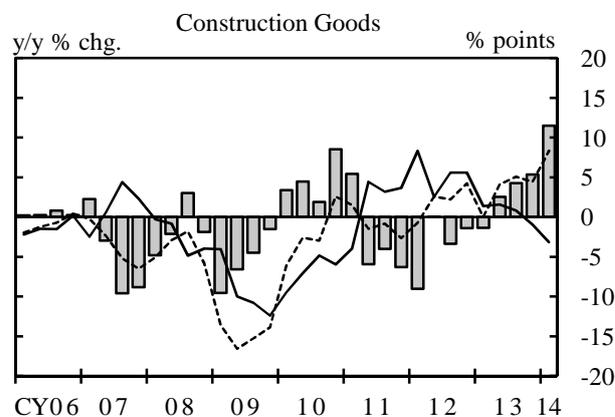
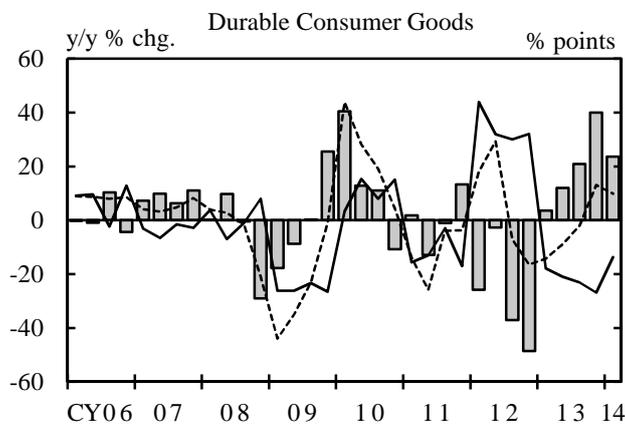
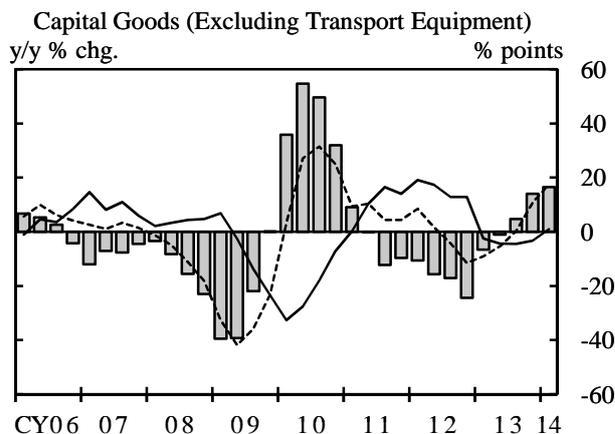
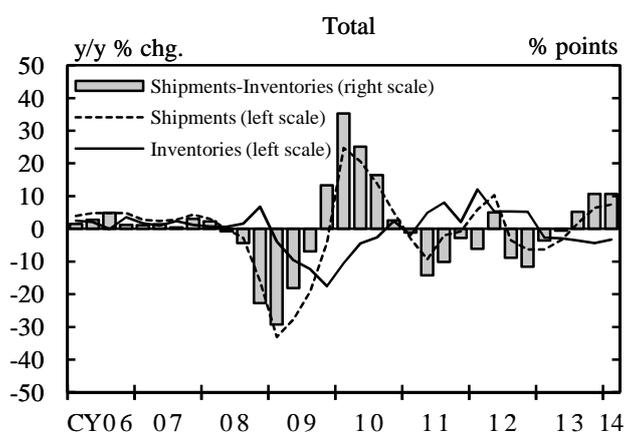
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

# Inventory Cycle

## (1) Inventory Cycle (Total)



## (2) Shipment-Inventory Balance



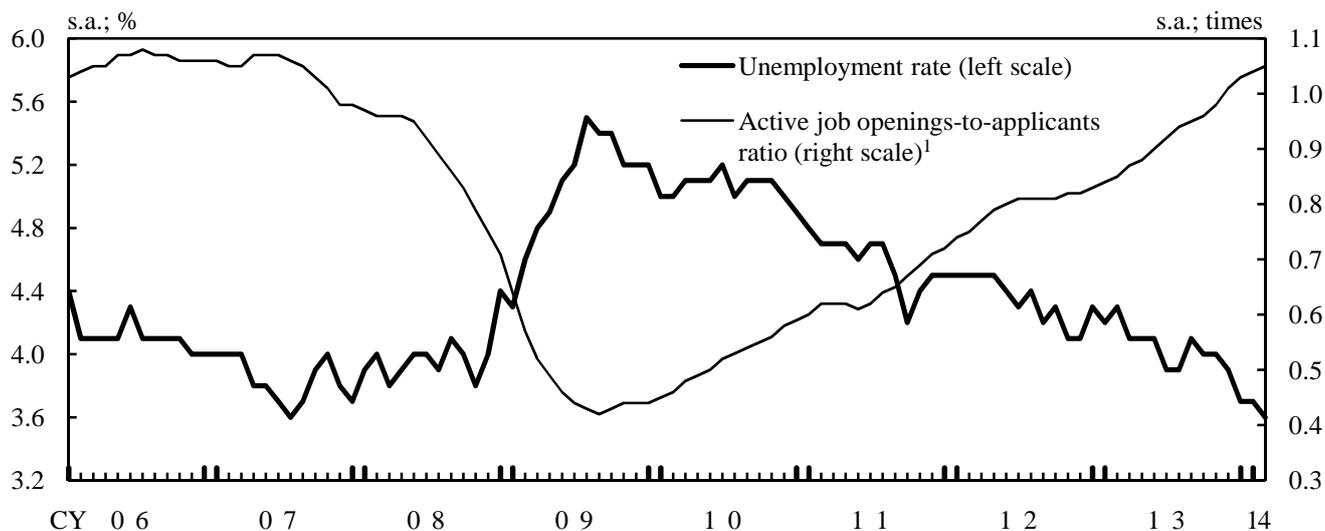
Note: Figures of shipments for 2014/Q1 are January-February averages.

Inventories for 2014/Q1 are those of February.

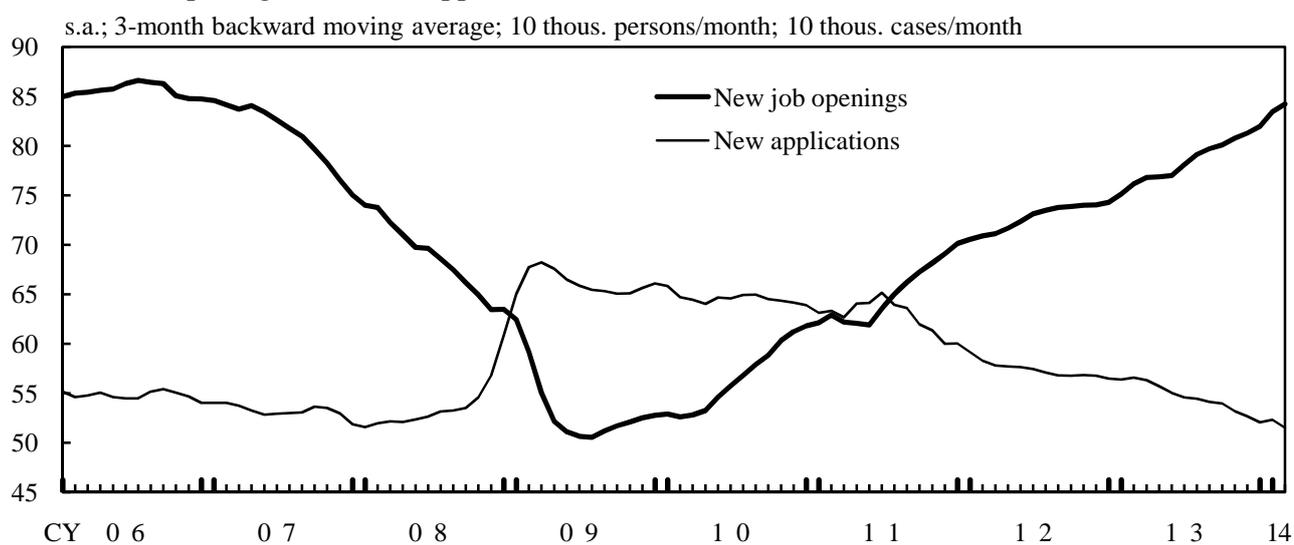
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Labor Market

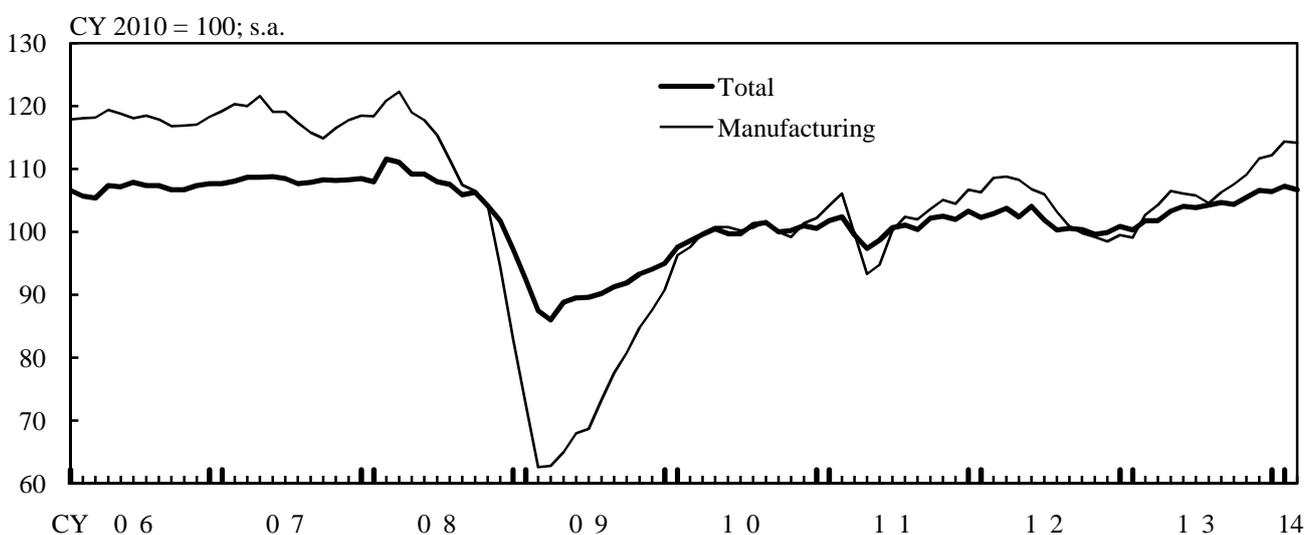
(1) Unemployment Rate and Active Job Openings-to-Applicants Ratio



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



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



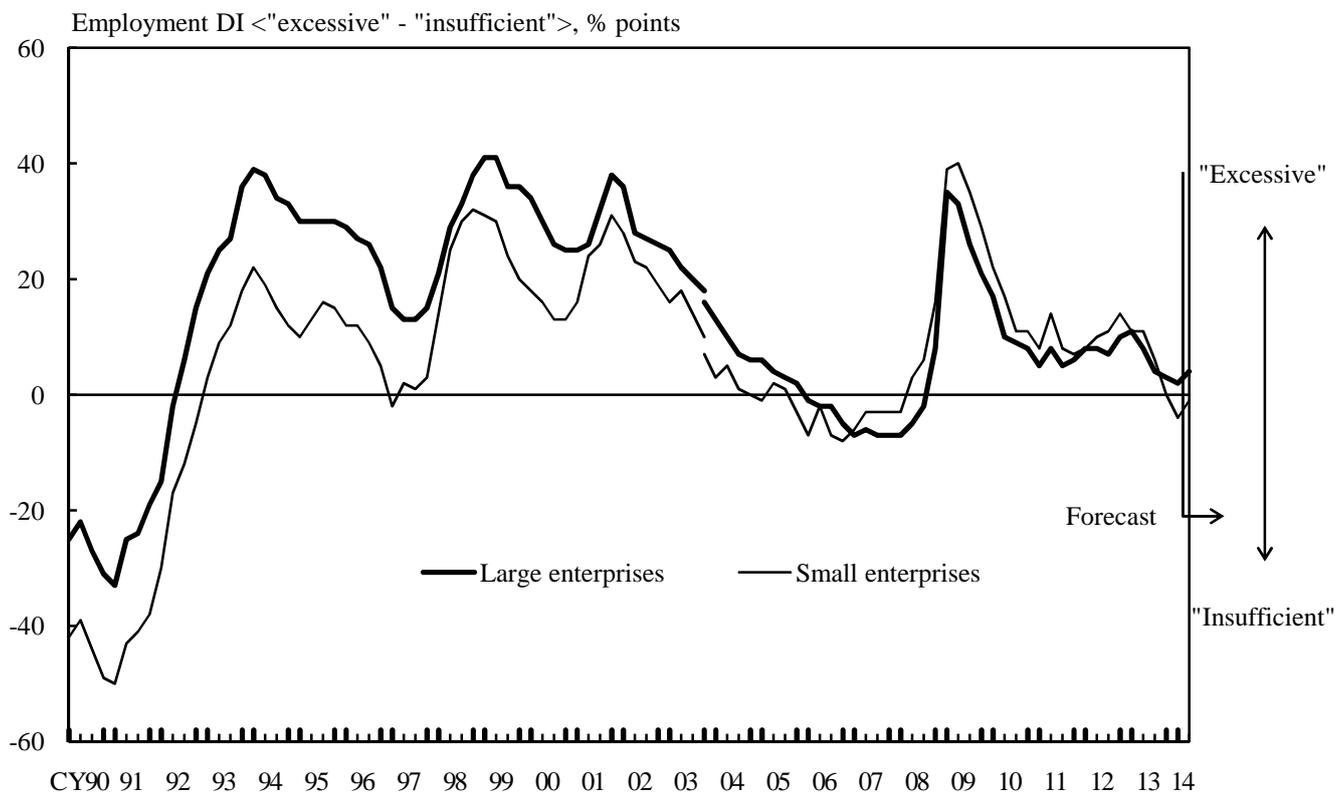
Notes: 1. Excluding new school graduates and including part-timers.

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

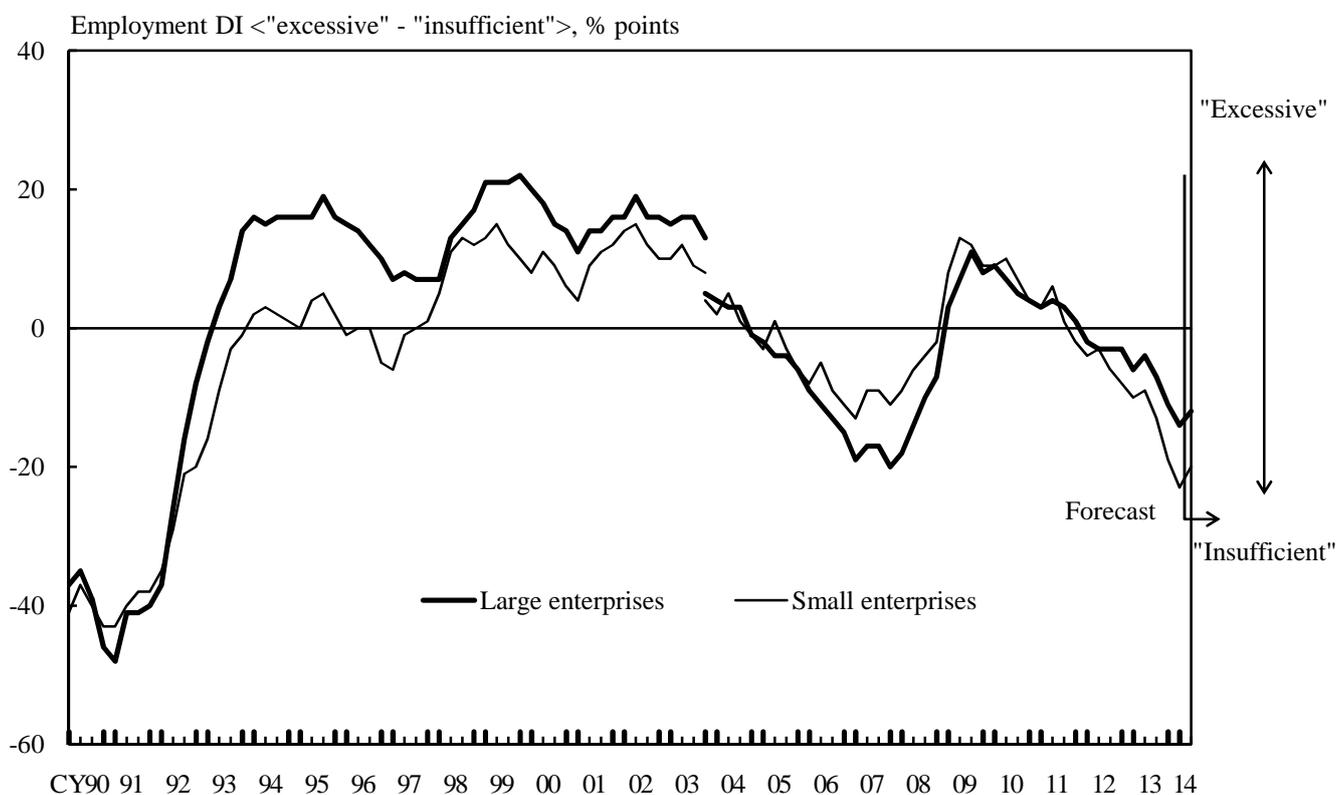
Sources: Ministry of Internal Affairs and Communications, "Labour Force Survey";  
 Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey."

Employment Conditions

(1) Manufacturing



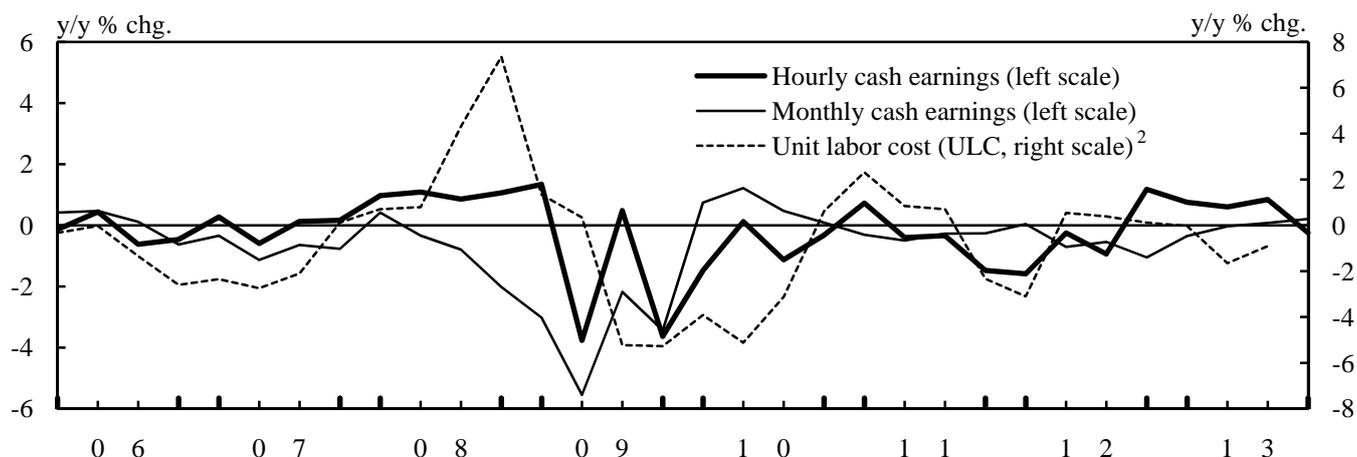
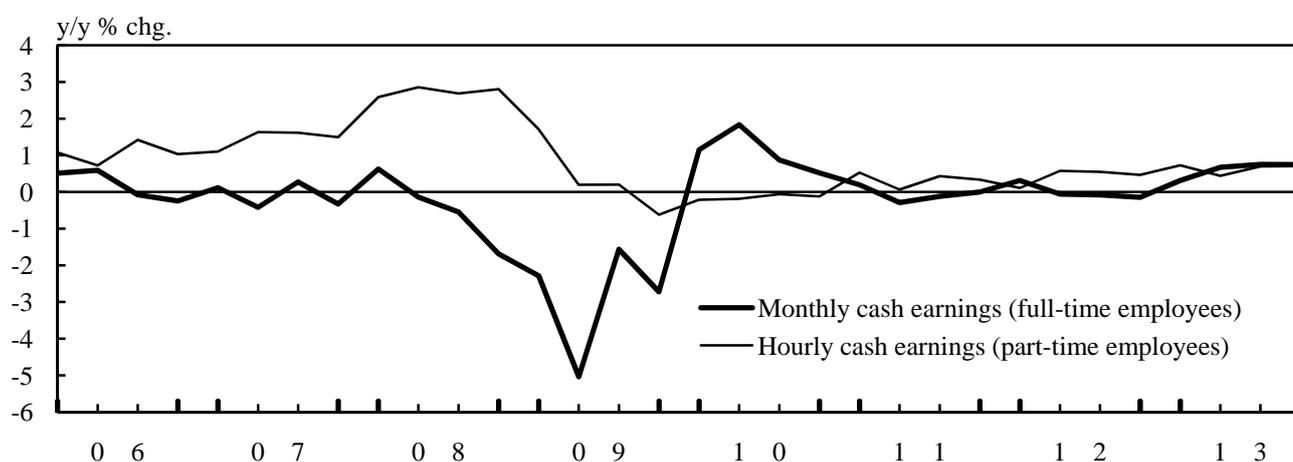
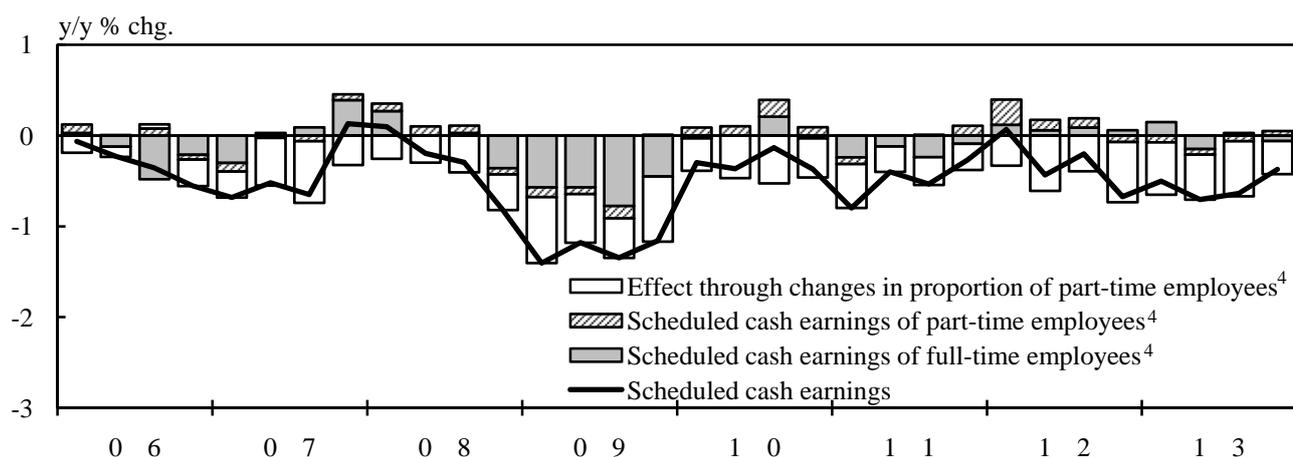
(2) Nonmanufacturing



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

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

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

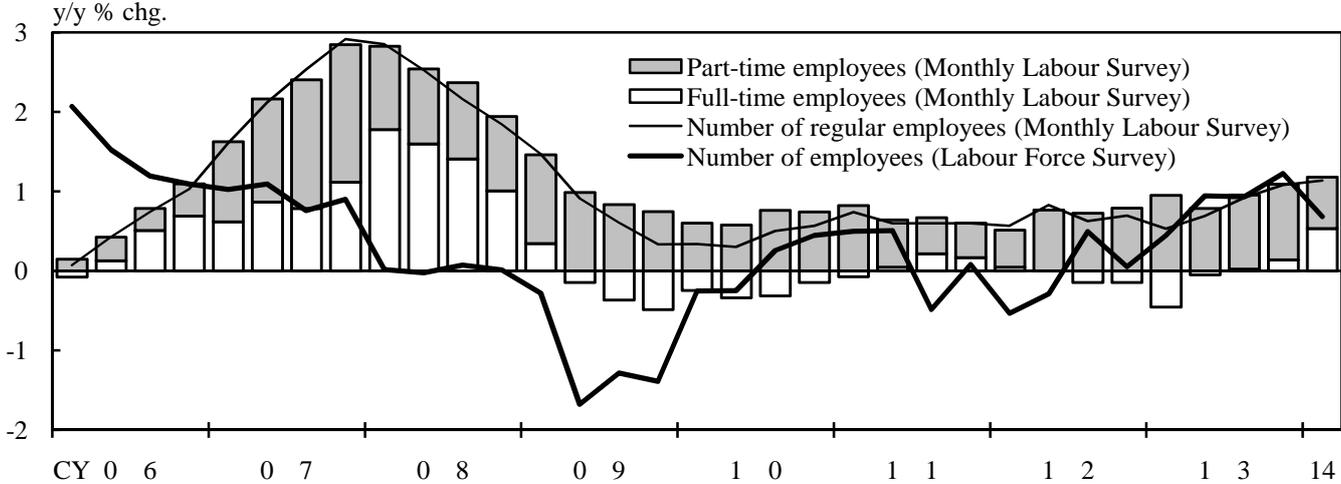
ULC : Q1 = April-June, Q2 = July-September, Q3 = October-December, Q4 = January-March.

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.

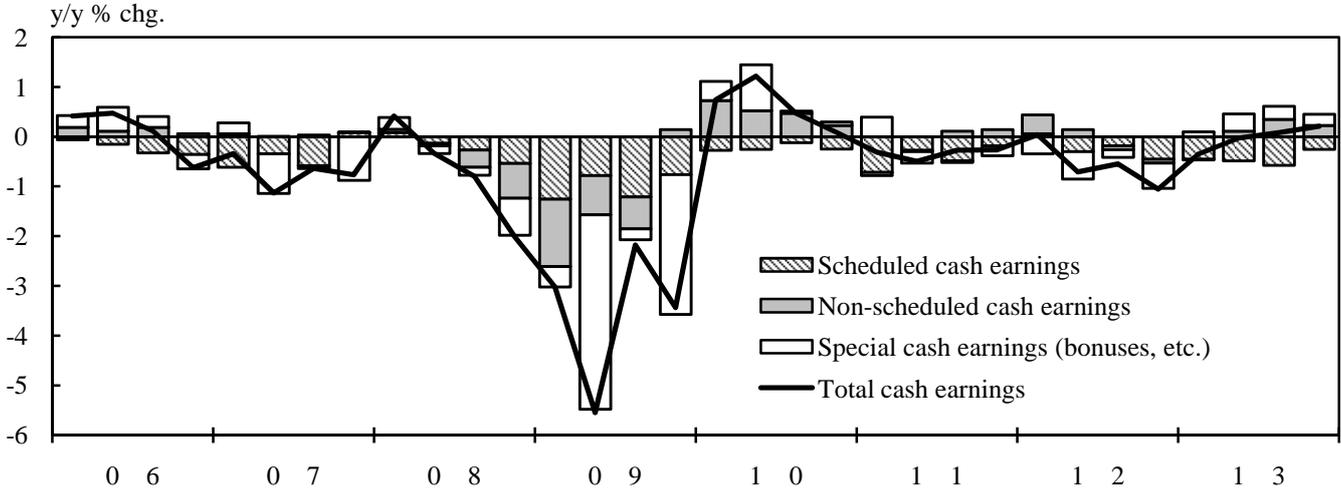
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey"; Cabinet Office, "National Accounts."

Employee Income

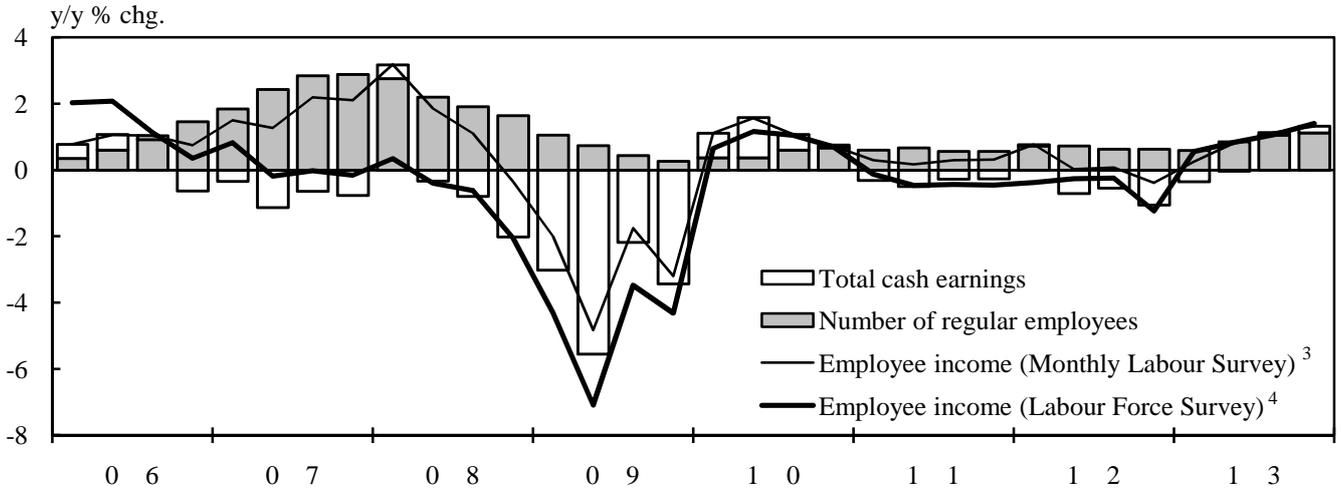
(1) Number of Employees<sup>1,5</sup>



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



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

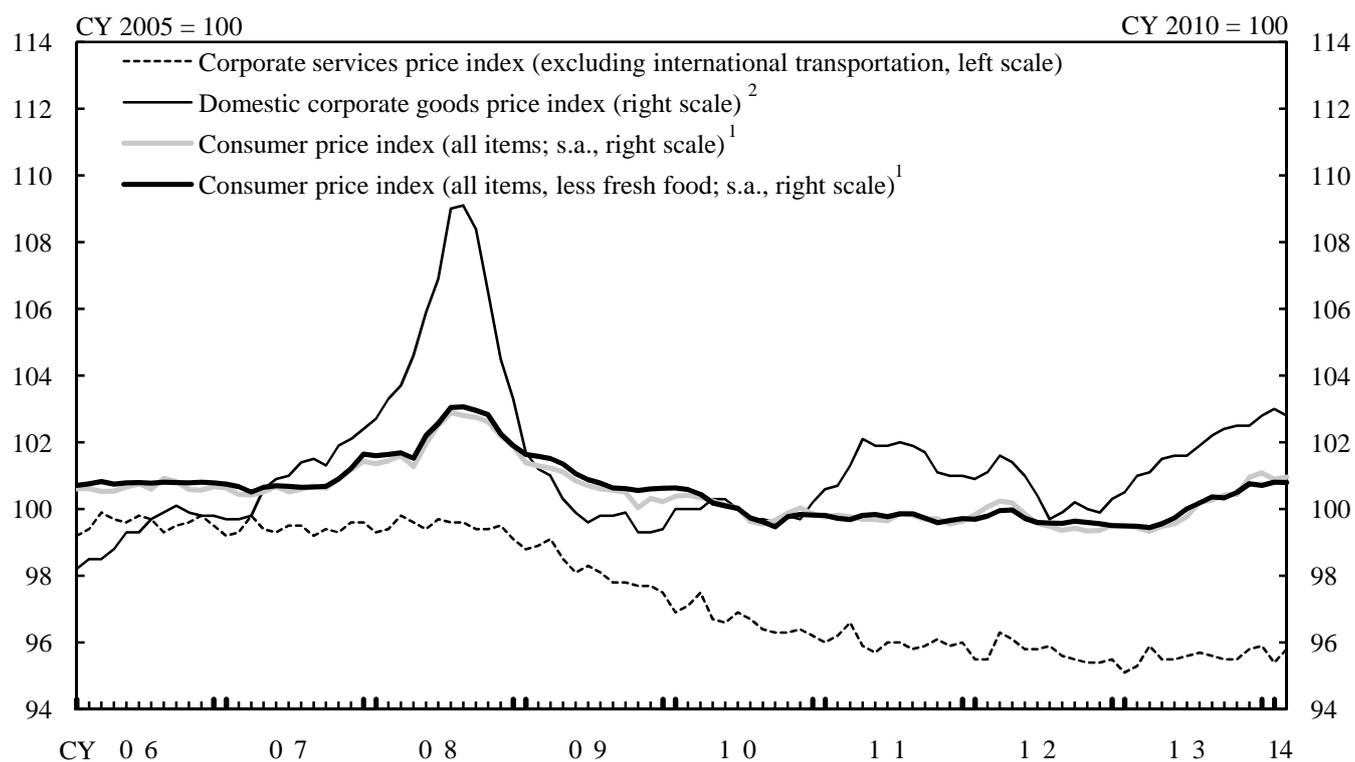


Notes: 1. Data for the "Monthly Labour Survey" are for establishments with at least five employees.  
 2. Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.  
 3. Calculated as the "number of regular employees" (Monthly Labour Survey) times "total cash earnings" (Monthly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

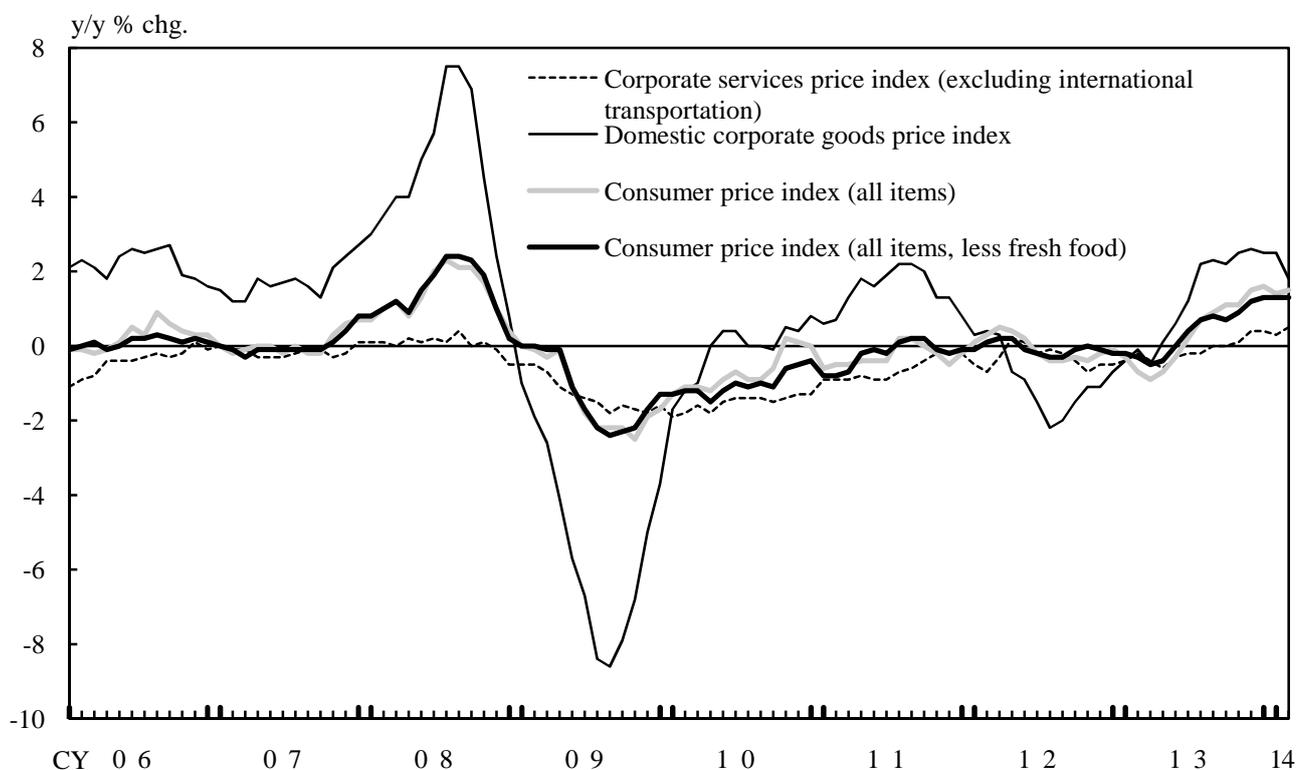
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";  
 Ministry of Internal Affairs and Communications, "Labour Force Survey."

## Prices

## (1) Level



## (2) Changes from a Year Earlier



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

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

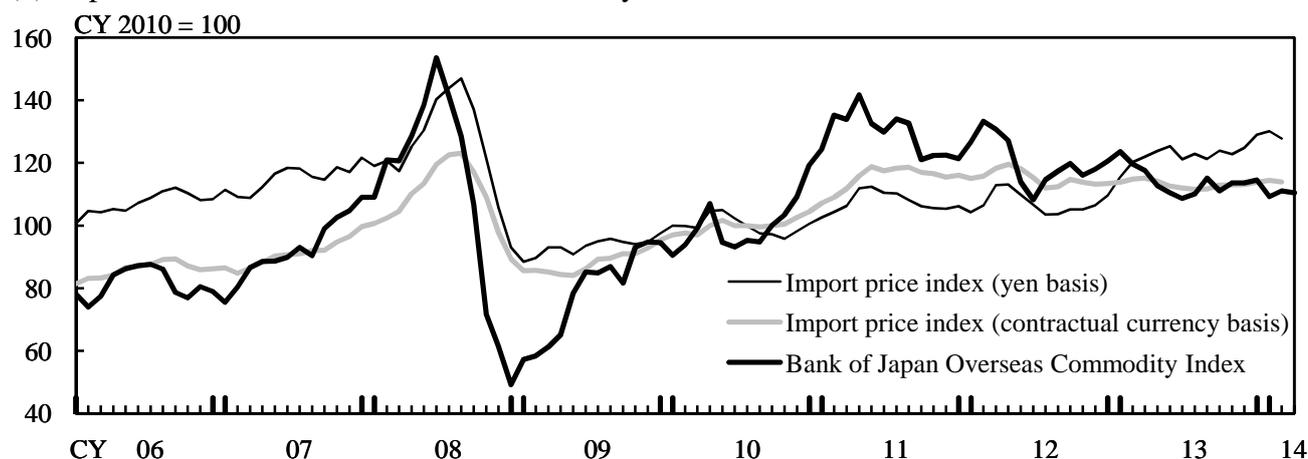
3. The levels of "Consumer Price Index" up to 2009 are based on the linked indices.

4. Figures of "Corporate Goods Price Index" up to 2009 are based on the linked index.

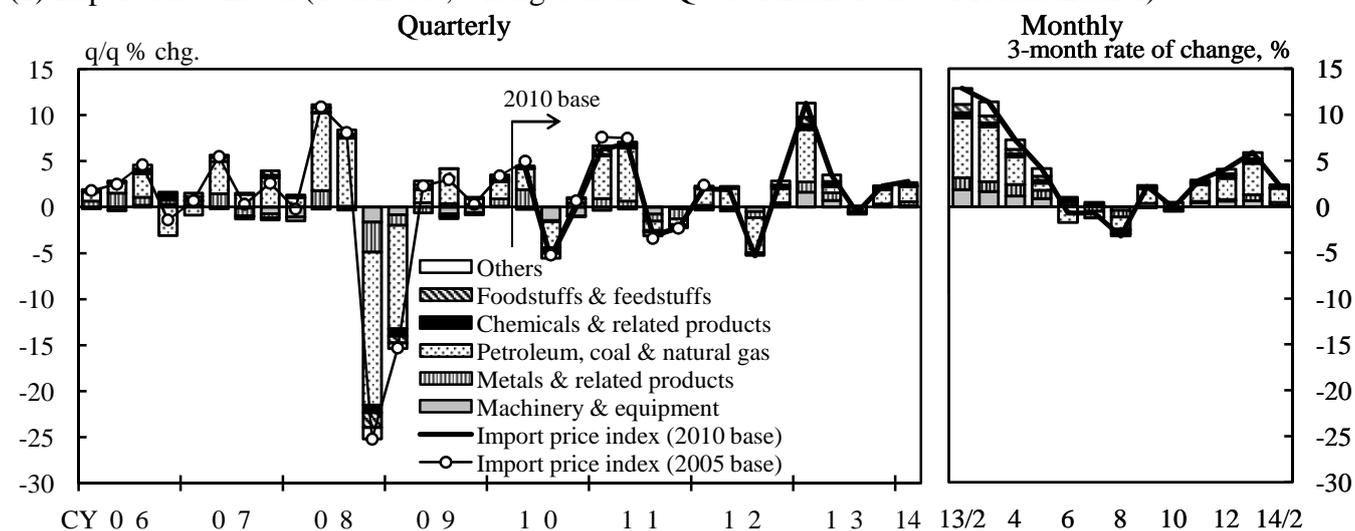
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index."

Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index

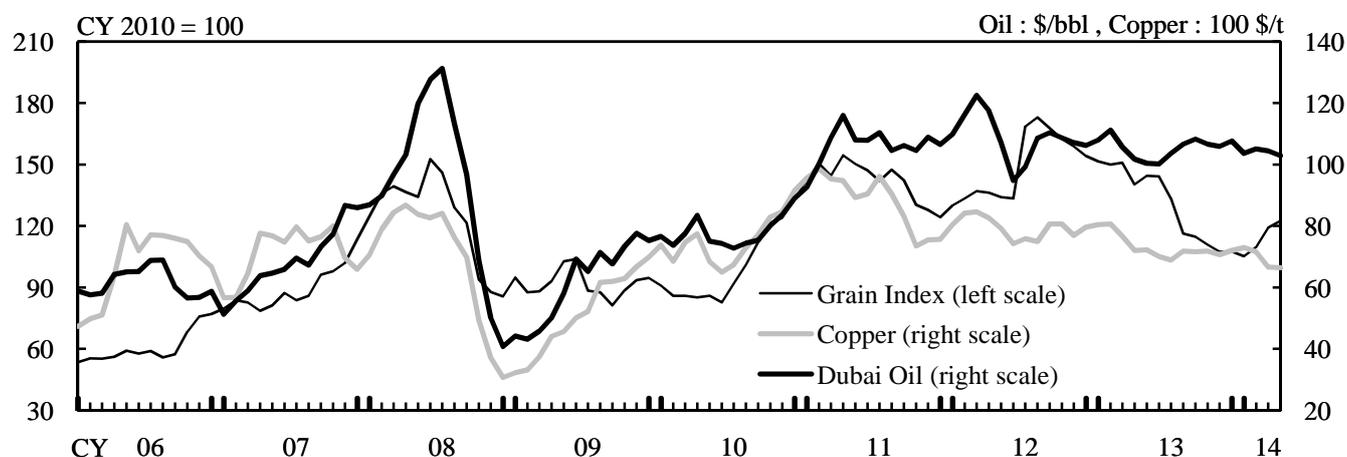


(2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



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

(3) International Commodity Prices

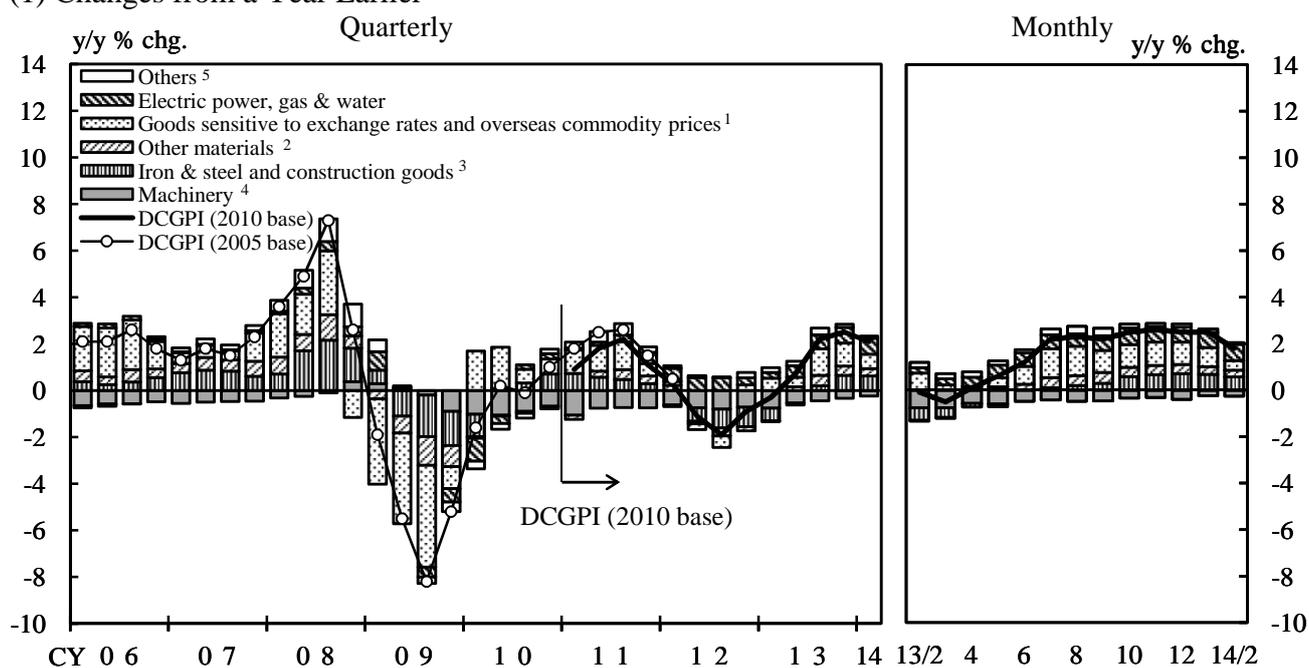
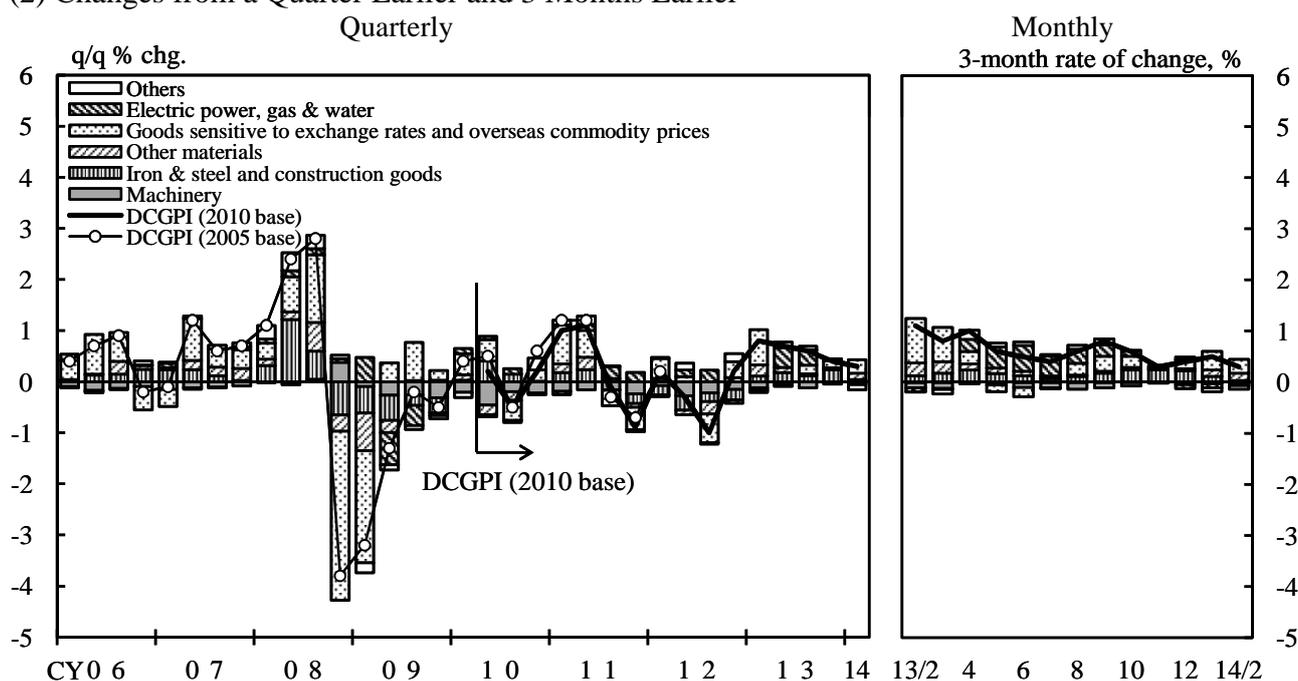


Notes: 1. The "grain index" is the weighted average of prices of three selected items (wheat, soybeans, and corn) in overseas commodity markets. The weights are based on the value of imports in the "Trade Statistics."  
 2. Monthly averages. Figures for April 2014 are averages up to April 7.

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.

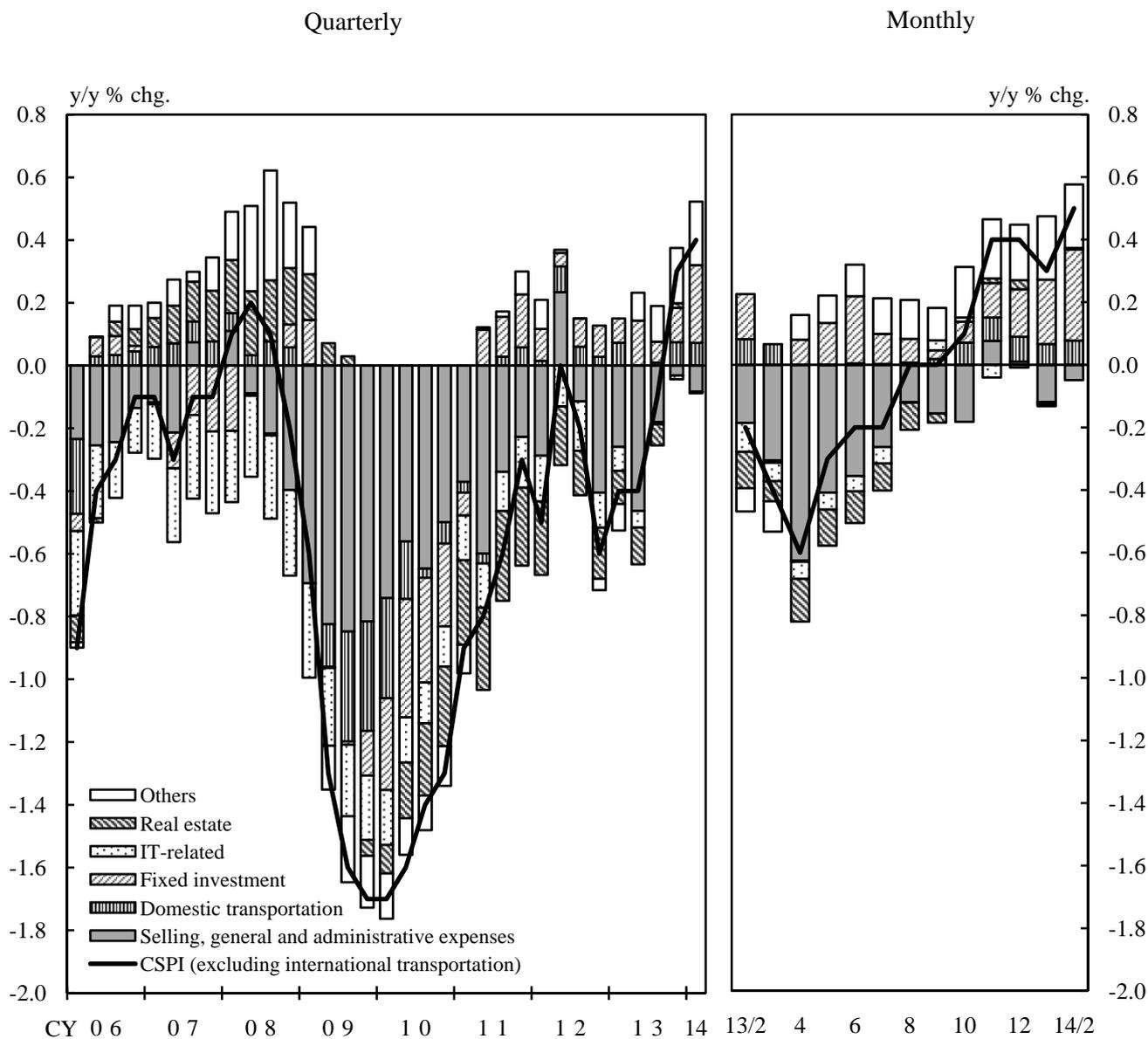
5. Others: food, beverages, tobacco & feedstuffs, other manufacturing industry products, agriculture, forestry & fishery products, and minerals.

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 January-February averages.

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

Corporate Services Price Index

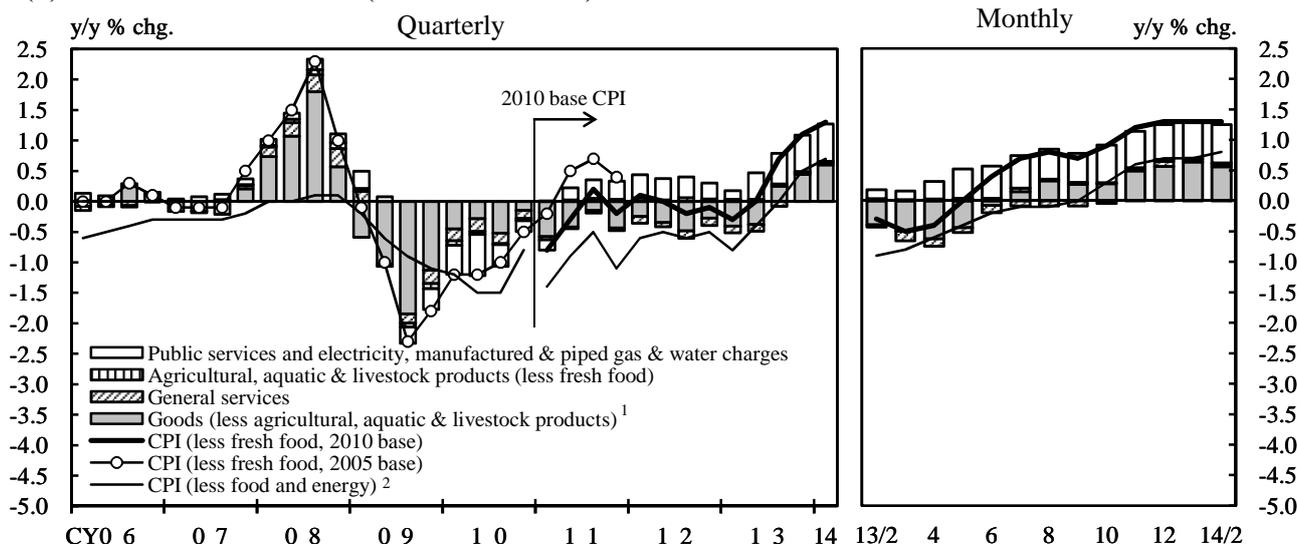


- Notes: 1. Selling, general and administrative expenses: information and communications (excluding newspapers and publishing), advertising services, other services (excluding plant engineering, and civil engineering and architectural services).  
 2. Domestic transportation: transportation (excluding international transportation, railroad passenger transportation, road passenger transportation, water passenger transportation, and domestic air passenger transportation).  
 3. Fixed investment: leasing and rental (excluding leasing of computer and related equipment and computer rental), and civil engineering and architectural services.  
 4. IT-related: leasing of computer and related equipment, and computer rental.  
 5. Real estate: real estate services.  
 6. Others: finance and insurance, railroad passenger transportation, road passenger transportation, water passenger transportation, domestic air passenger transportation, newspapers and publishing, and plant engineering.  
 7. Figures for 2014/Q1 are January-February averages.

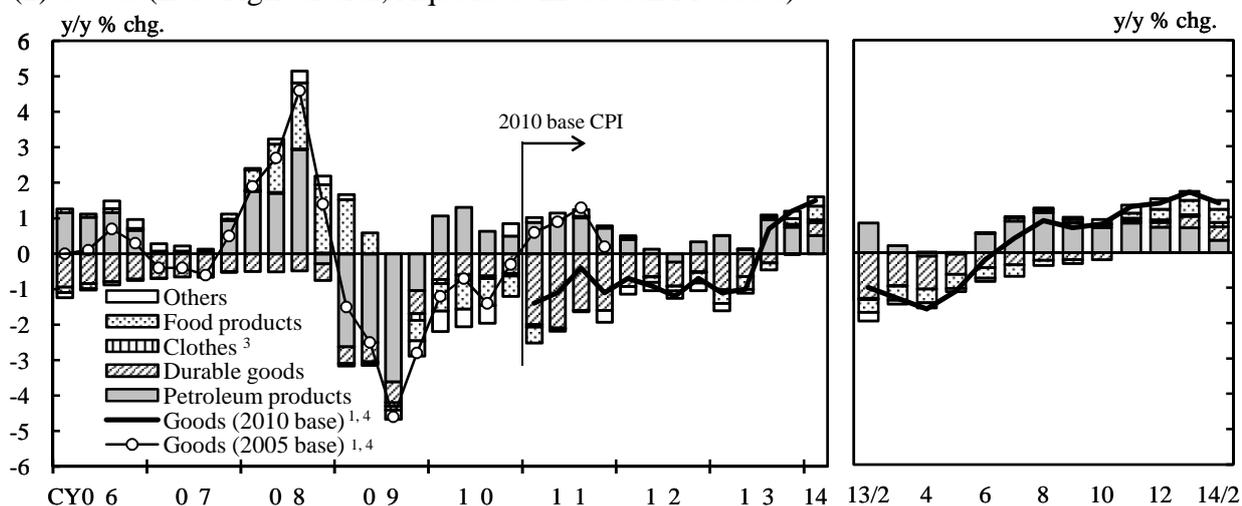
Source: Bank of Japan, "Corporate Services Price Index."

Consumer Price Index (Less Fresh Food)

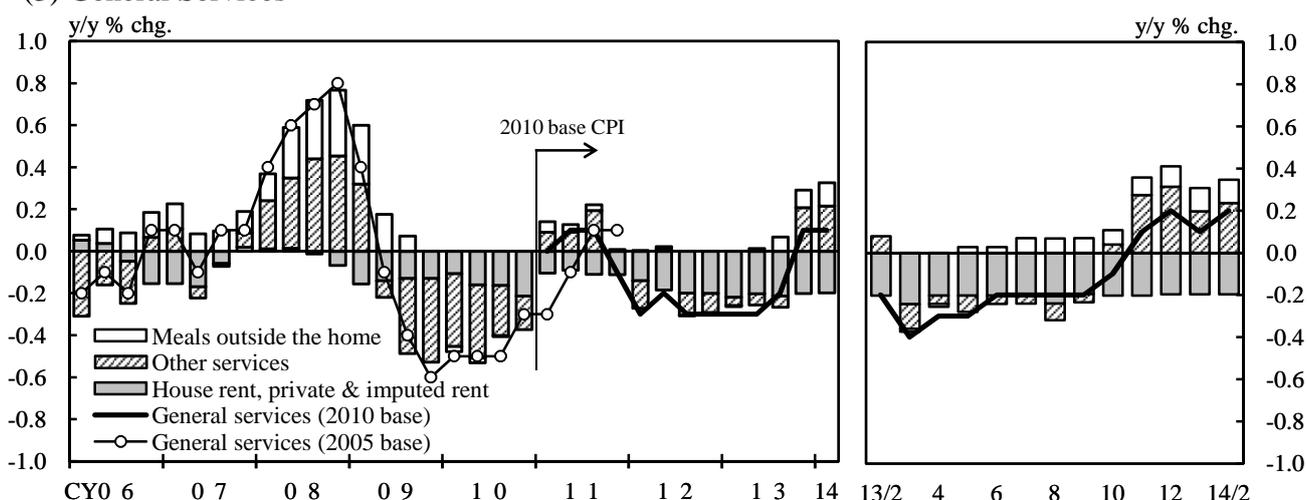
(1) Consumer Price Index (Less Fresh Food)



(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.

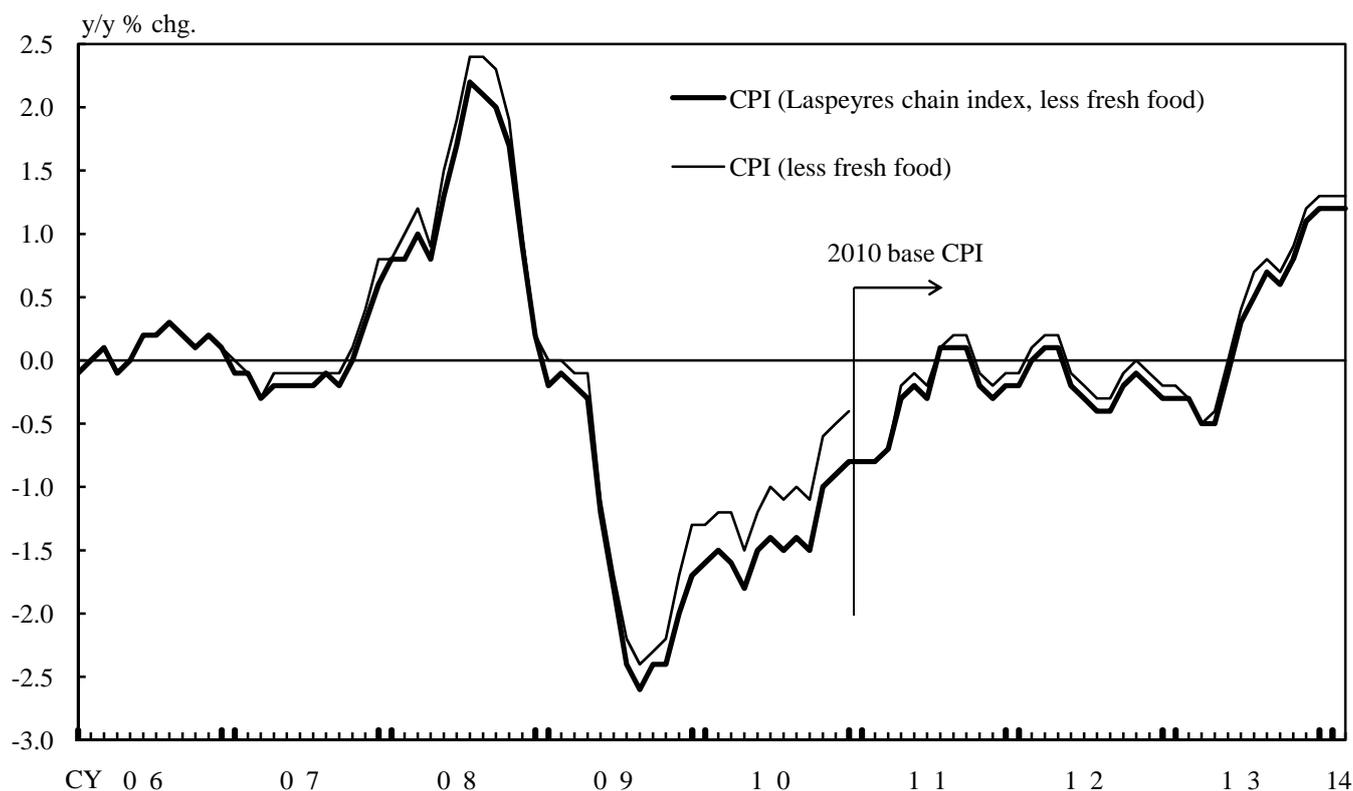
5. The year-on-year rates of change other than those of the CPI (less fresh food), CPI (less food and energy), and General services are calculated using published indices.

6. Figures for 2014/Q1 are January-February averages.

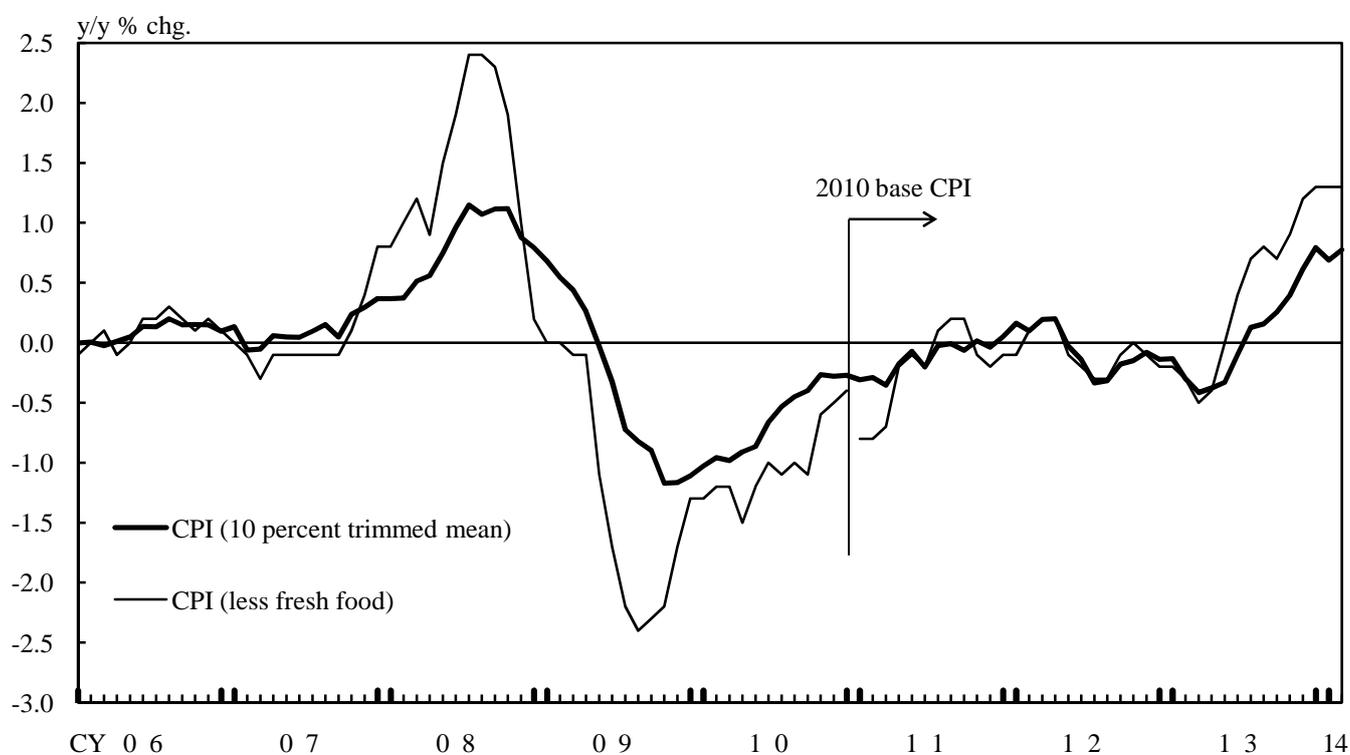
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

## Trend Changes in Consumer Prices

## (1) Laspeyres Chain Index



## (2) Trimmed Mean



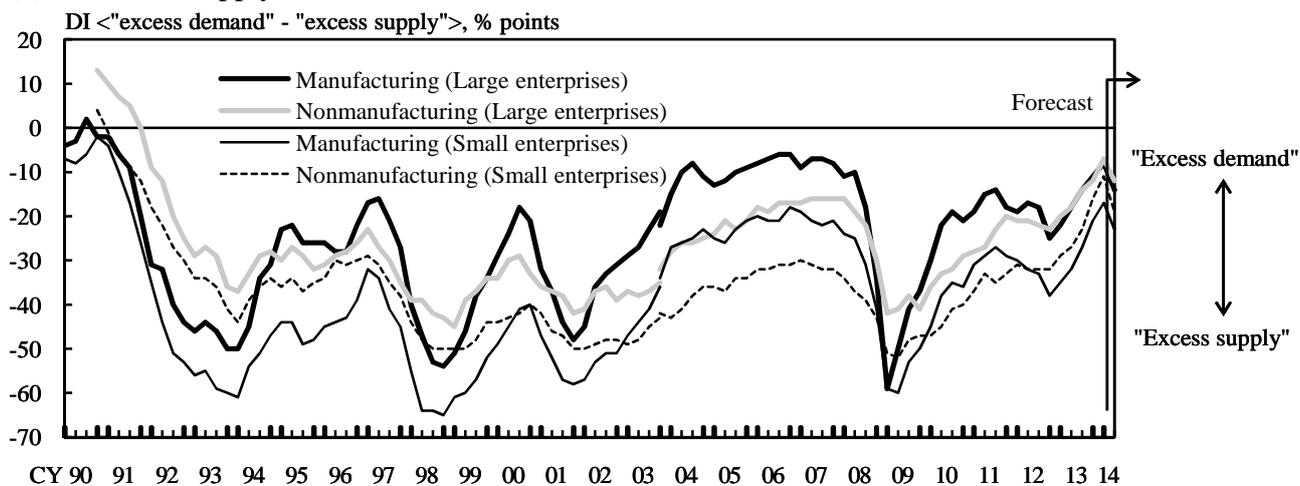
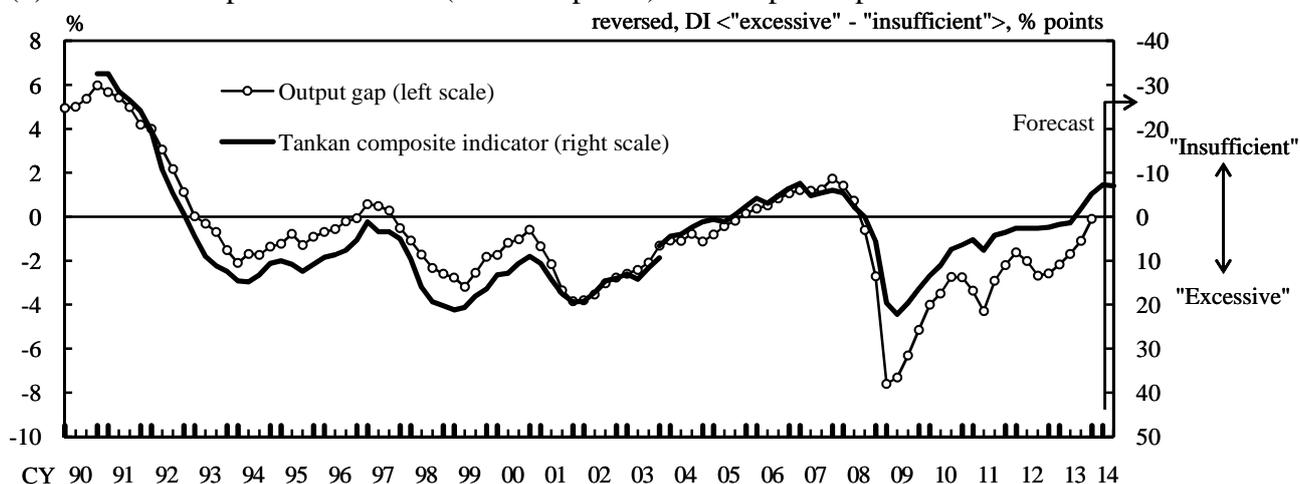
Notes:1. Figures for the 10 percent trimmed mean are weighted averages of items; these items are obtained by rearranging year-on-year rates of price change in ascending order and then excluding items in both the upper and lower 10 percent tails by weight.

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

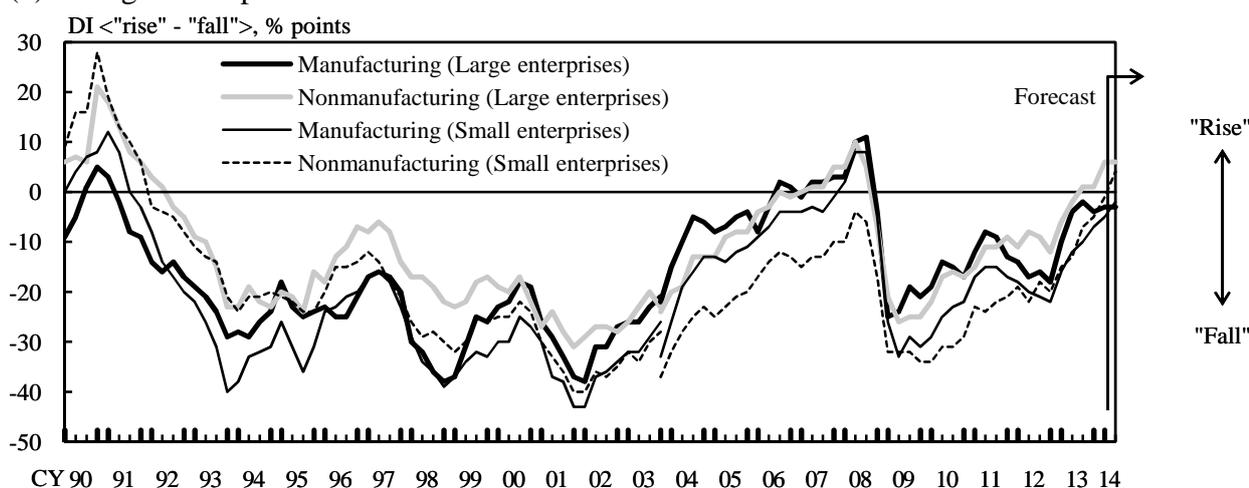
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

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

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

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

## (3) Change in Output Prices

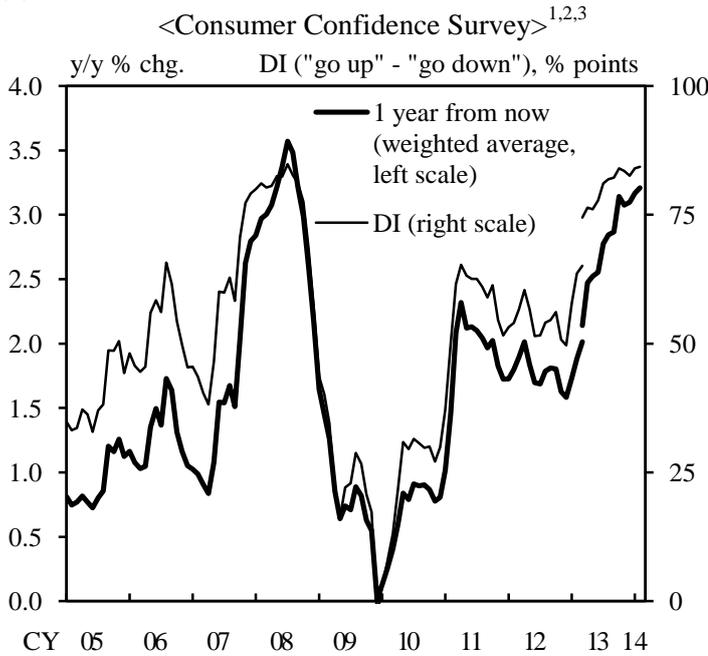


- Notes: 1. The "Tankan" has been revised from the March 2004 Survey. Figures up to the December 2003 Survey are based on the previous data sets. Figures from the December 2003 Survey are on the new basis.
2. Figures are weighted averages of the production capacity DI and employment conditions DI. The FY 1990-2012 averages of capital and labor shares in the "National Accounts" are used as the weight.
3. The output gap is estimated by the Research and Statistics Department, Bank of Japan. Since the estimation of the output gap includes various errors, considerable latitude should be allowed for this estimation.

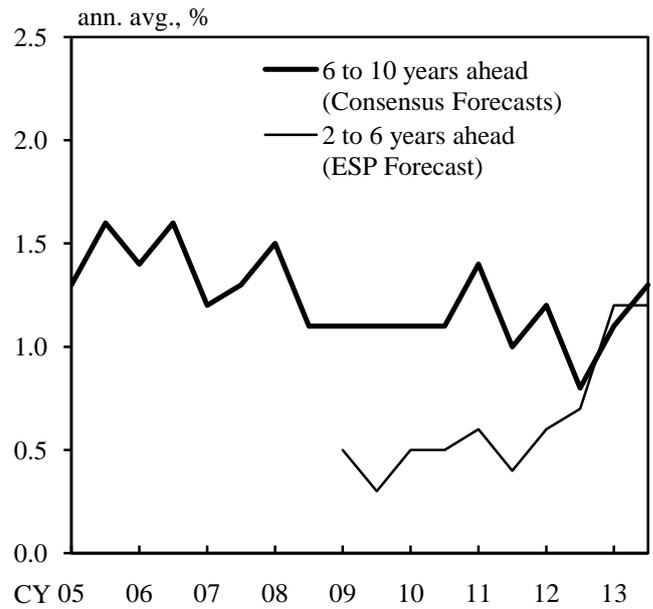
Sources: Cabinet Office, "National Accounts";  
Bank of Japan, "*Tankan*, Short-Term Economic Survey of Enterprises in Japan," etc.

Inflation Expectations

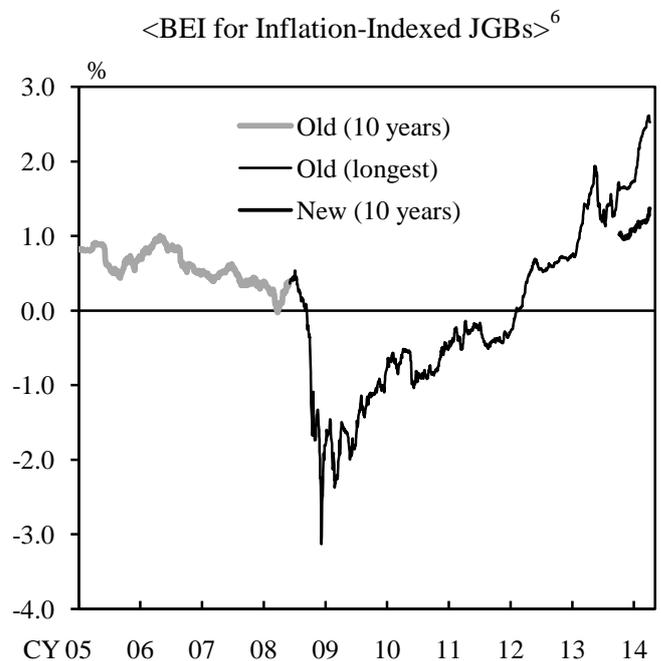
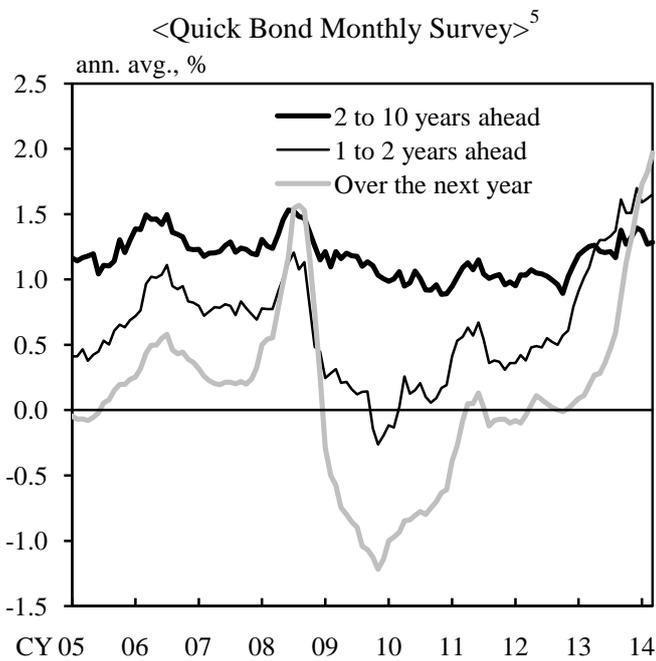
(1) Households



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



(3) Market Participants

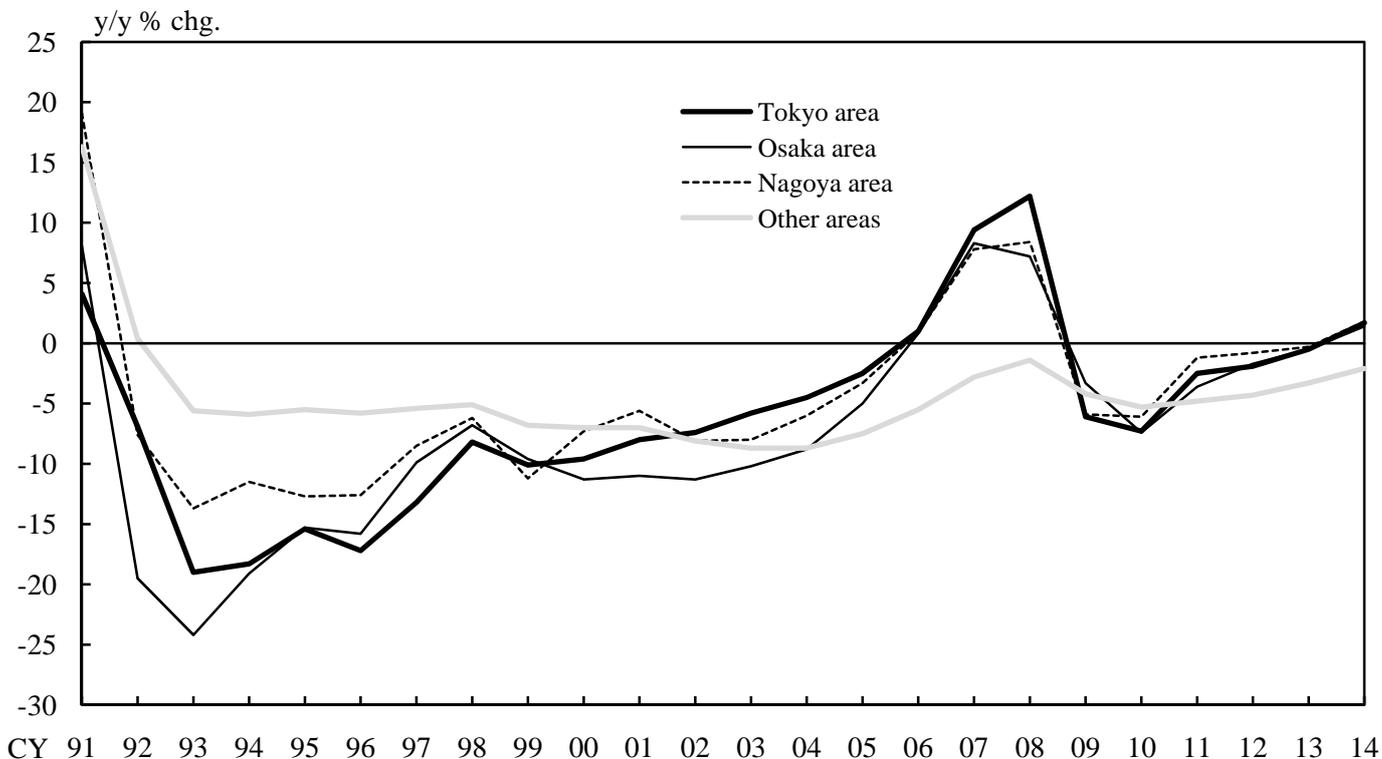


- Notes: 1. Figures are for all households.  
 2. The Consumer Confidence Survey asks households to provide their price expectations one year from now. The weighted average is calculated based on the following assumption: survey responses chosen by households as their expected inflation rates -- "-5% 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 consumption tax hikes.  
 5. From the September 2013 survey, the Quick Bond Monthly Survey has asked respondents to include the effects of the 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 "old (longest)" are calculated using yield data for issue No. 16 of the inflation-indexed JGBs, which matures in June 2018.

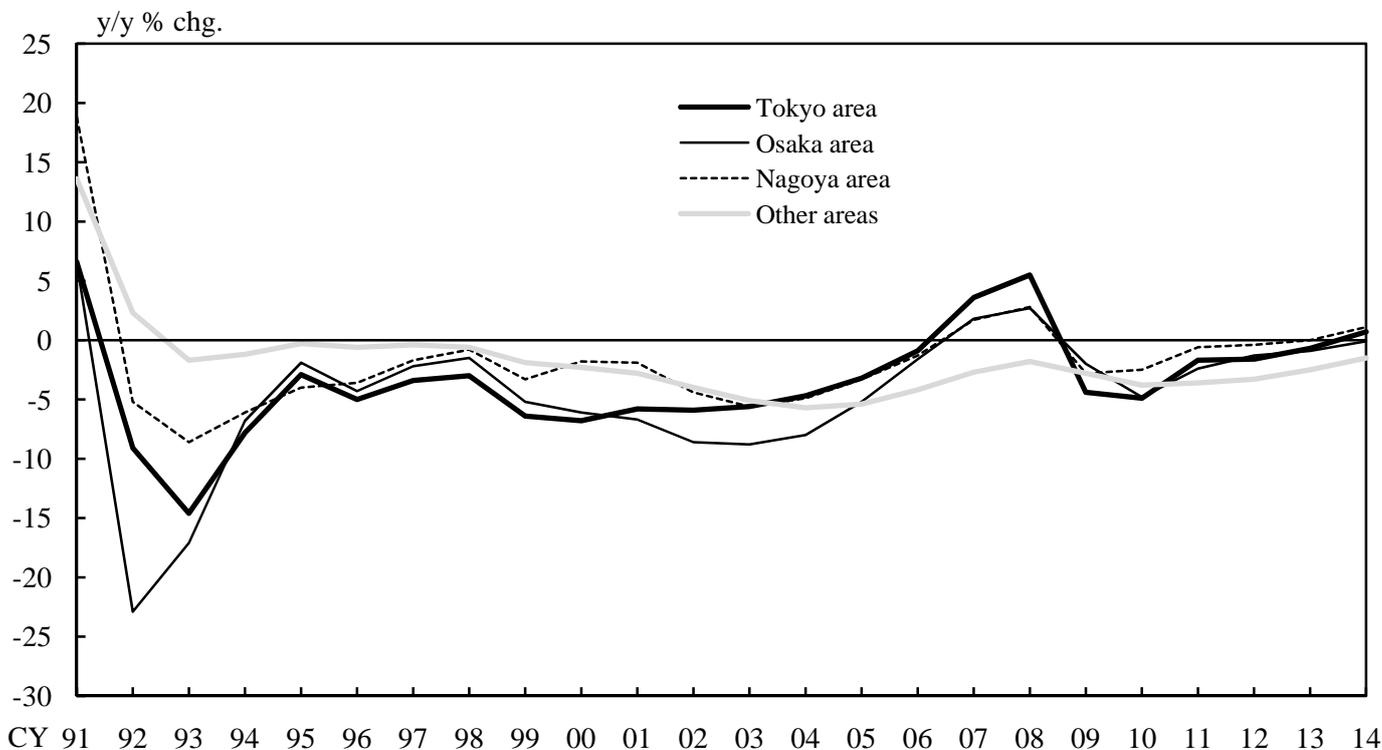
Sources: Cabinet Office, "Consumer Confidence Survey"; Consensus Economics Inc., "Consensus Forecasts"; JCER, "ESP Forecast"; QUICK, "Quick Bond Monthly Survey"; Bloomberg.

Land Prices

(1) Commercial Land



(2) Residential Land

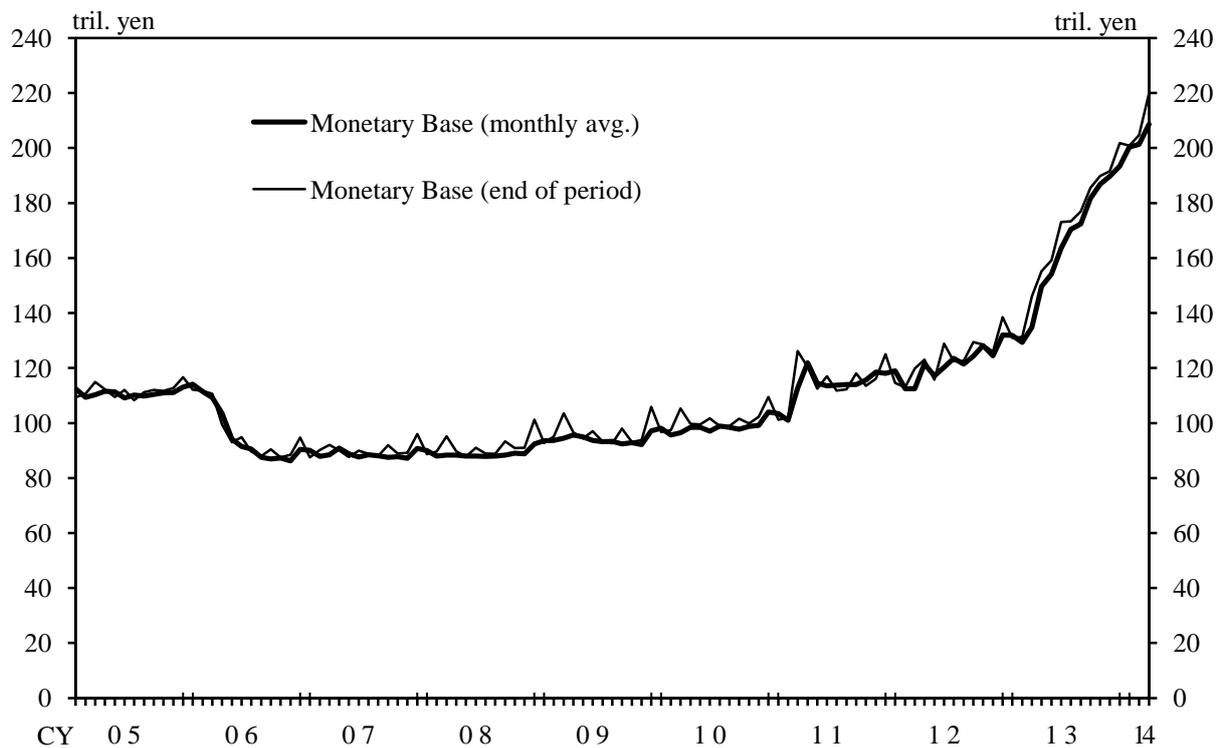


Note: "Land Market Value Publication" surveyed by the Ministry of Land, Infrastructure, Transport and Tourism, shows land prices as of January 1.

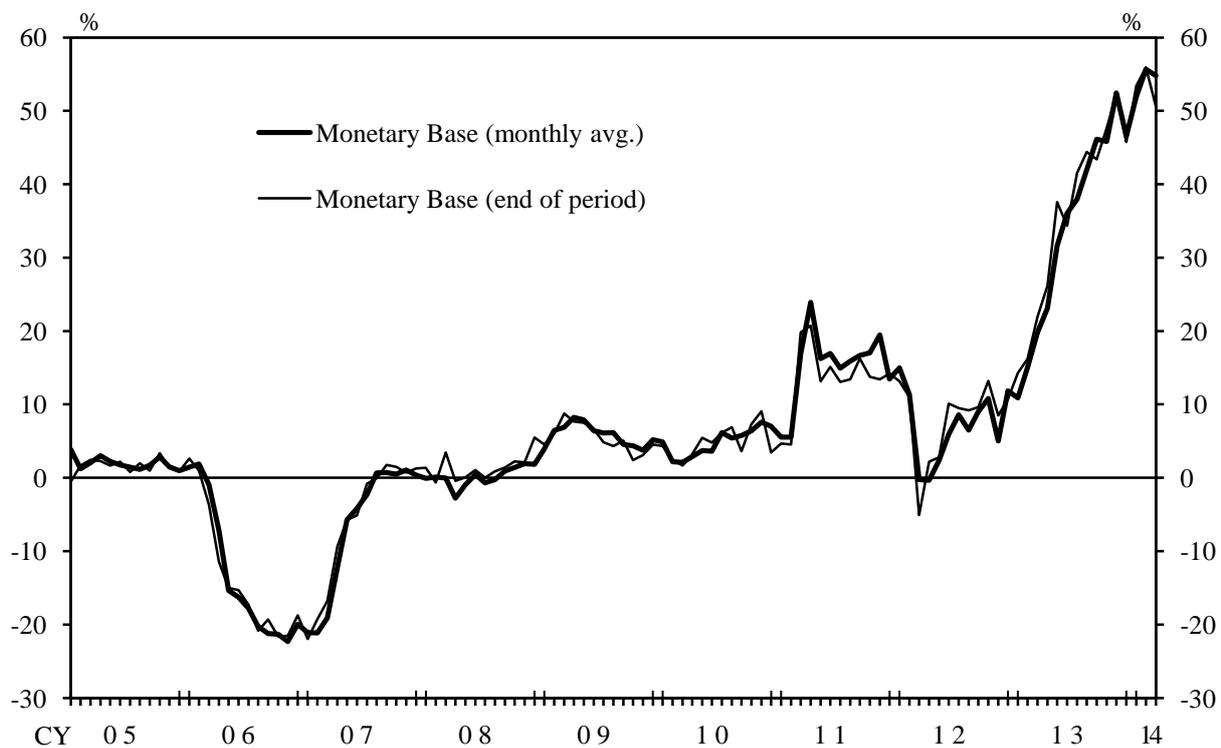
Source: Ministry of Land, Infrastructure, Transport and Tourism, "Land Market Value Publication."

Monetary Base

(1) Level

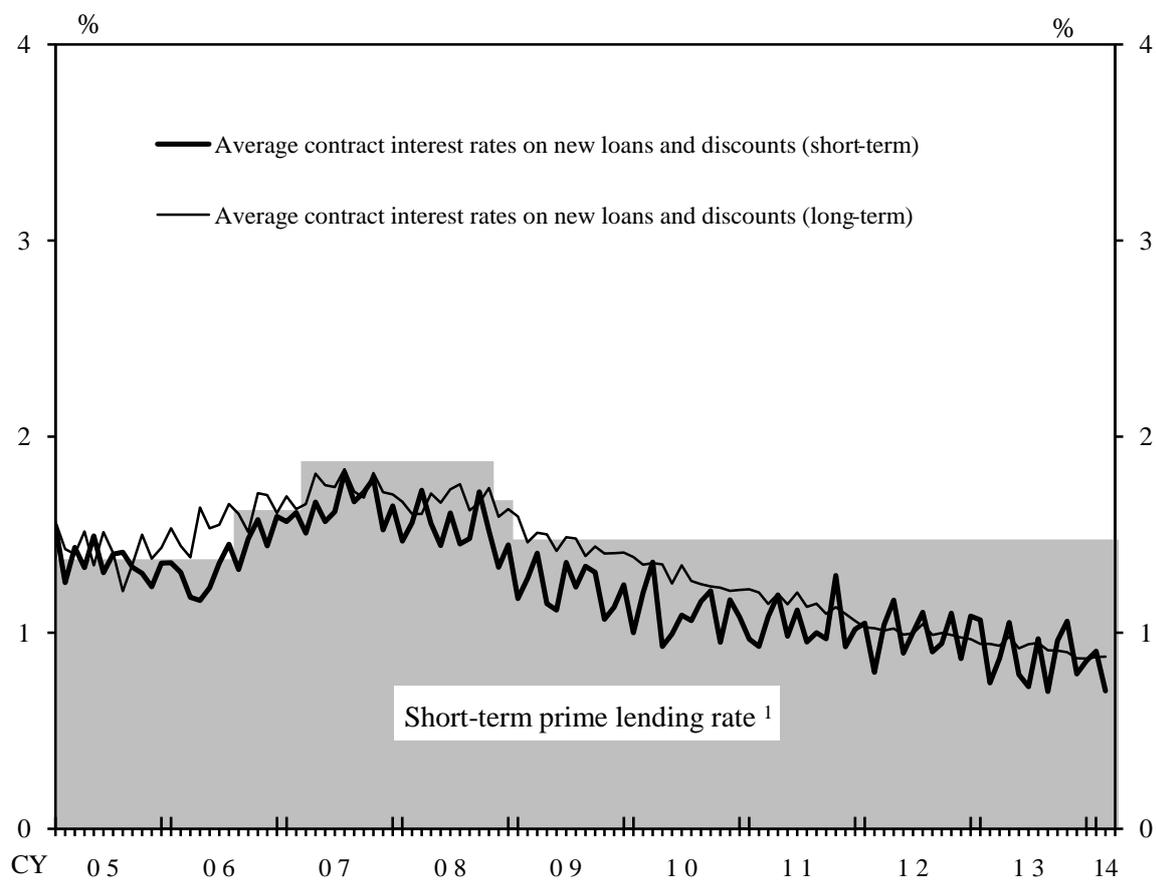


(2) Changes from a Year Earlier





## Lending Rates

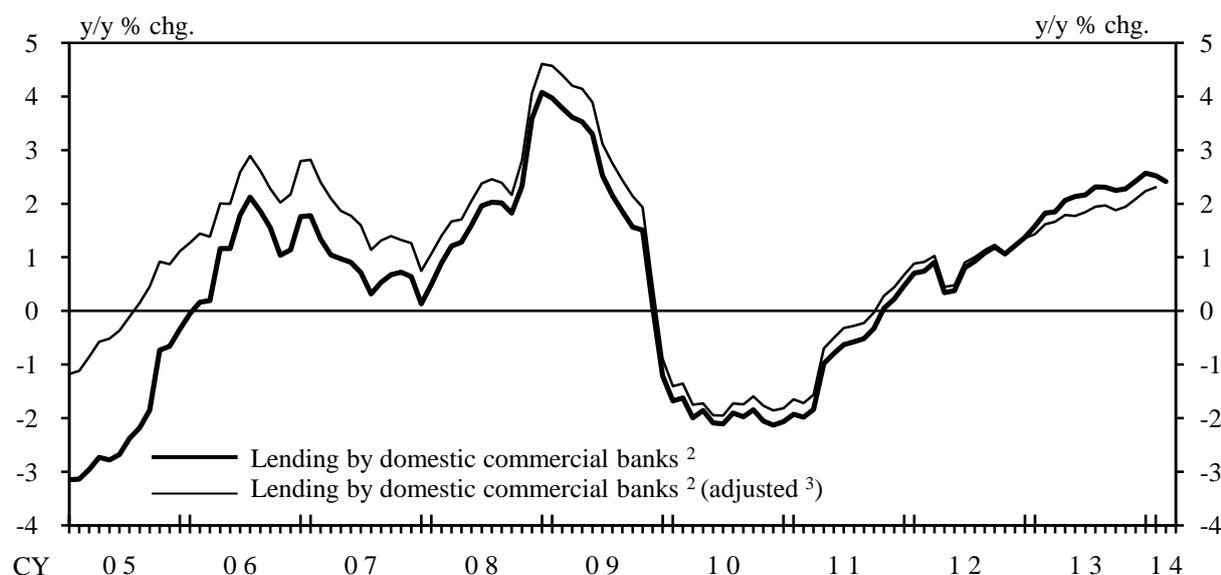


Note: 1. Data are at end of period.

Source: Bank of Japan.

## Lending by Financial Institutions

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



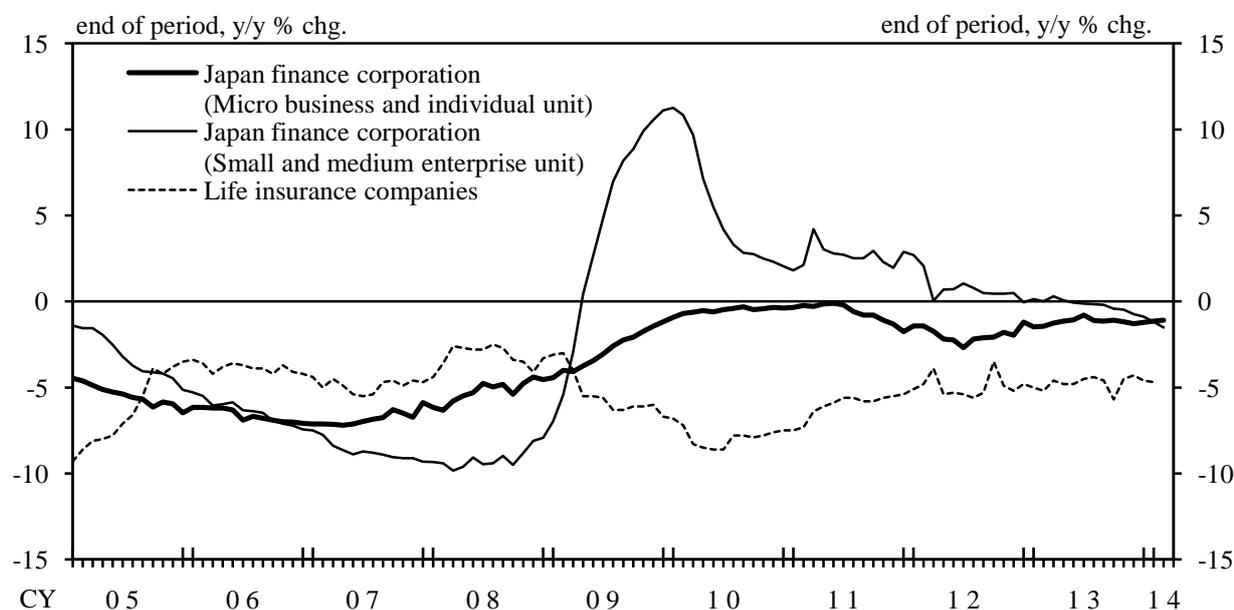
Notes: 1. Percent changes in average amounts outstanding from a year earlier.

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



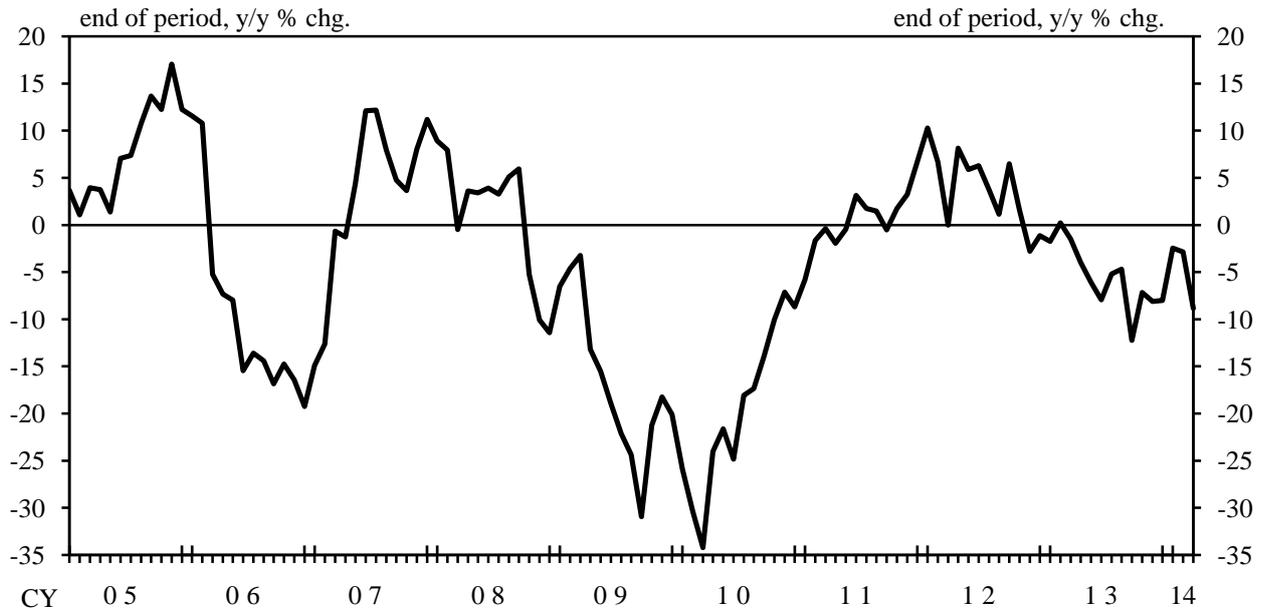
Note: The figures of the Japan Finance Corporation (Small and Medium Enterprise Unit) exclude the amounts outstanding of lending to the Credit Guarantee Corporations.

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 Private-Sector Fund-Raising in the Capital Markets
 

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## (1) Amount Outstanding of Commercial Paper



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

## (2) Amount Outstanding of Corporate Bonds



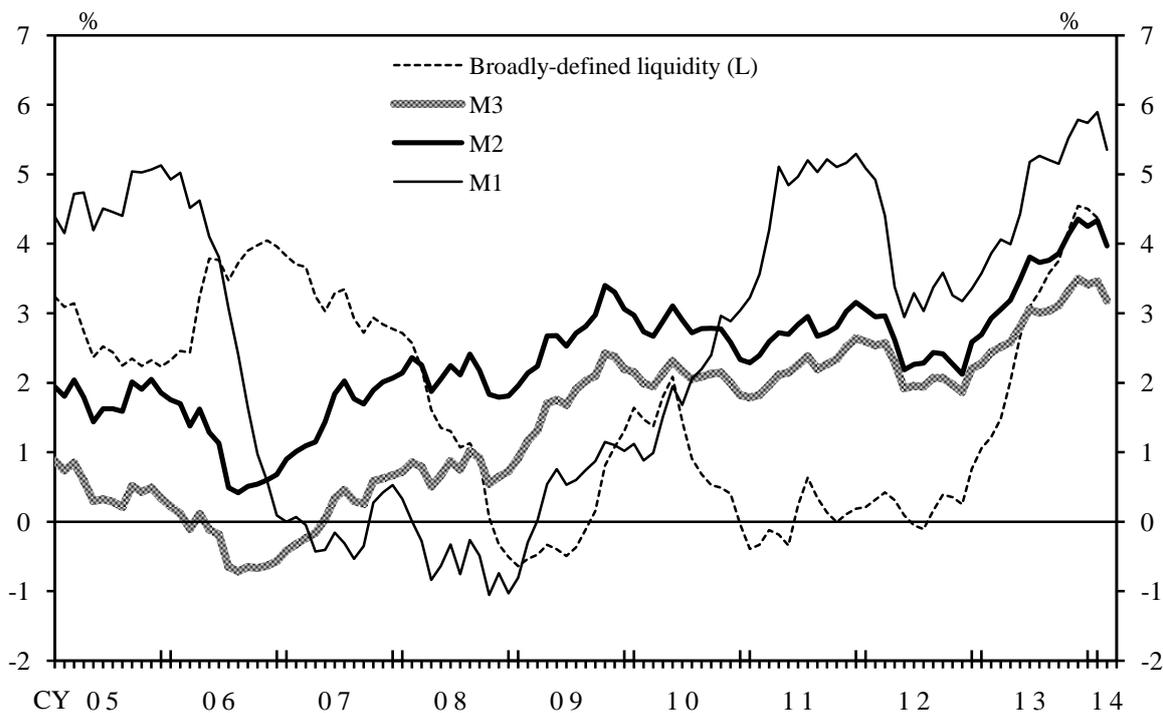
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

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

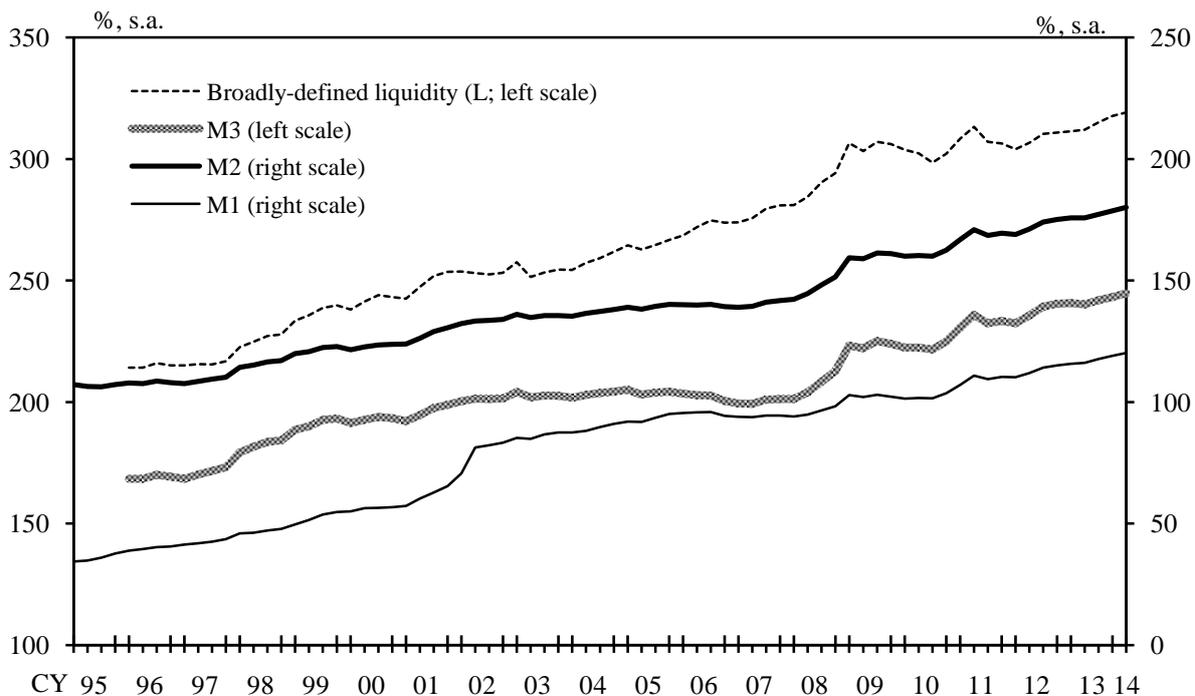
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category";  
 Bank of Japan, "Principal Figures of Financial Institutions";  
 Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts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

Money Stock

(1) Changes from a Year Earlier



(2) Ratio of Money Stock to Nominal GDP

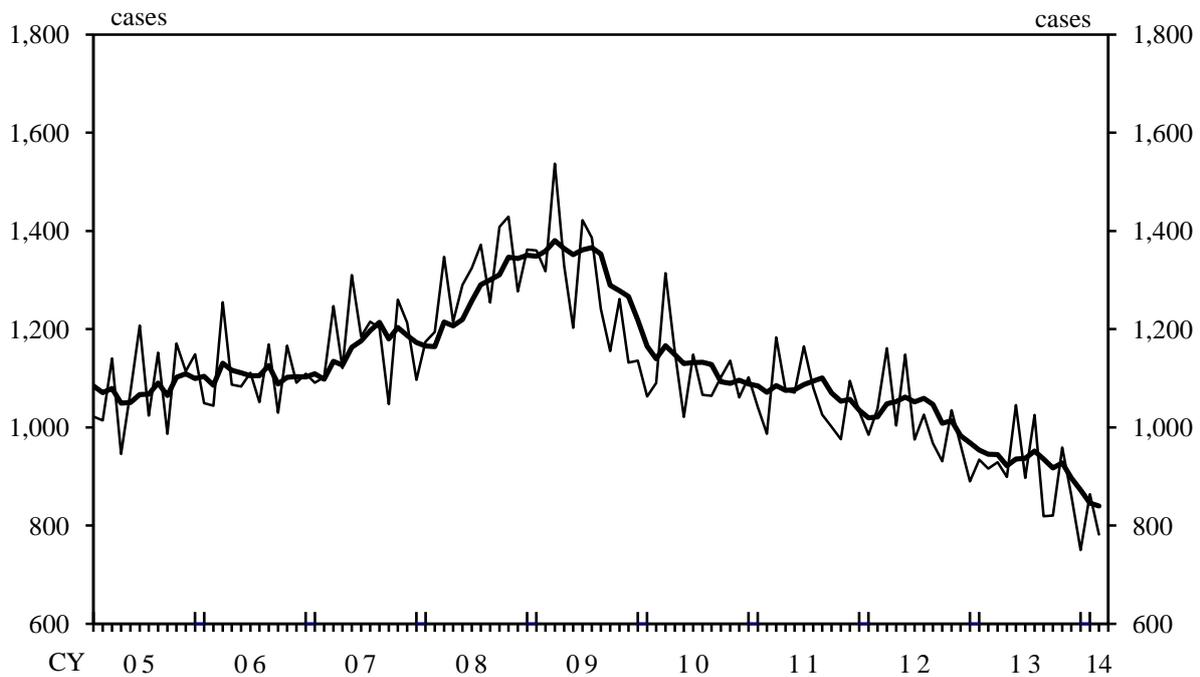


- Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.
- 2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.
- 3. The figures up to March 2003 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.

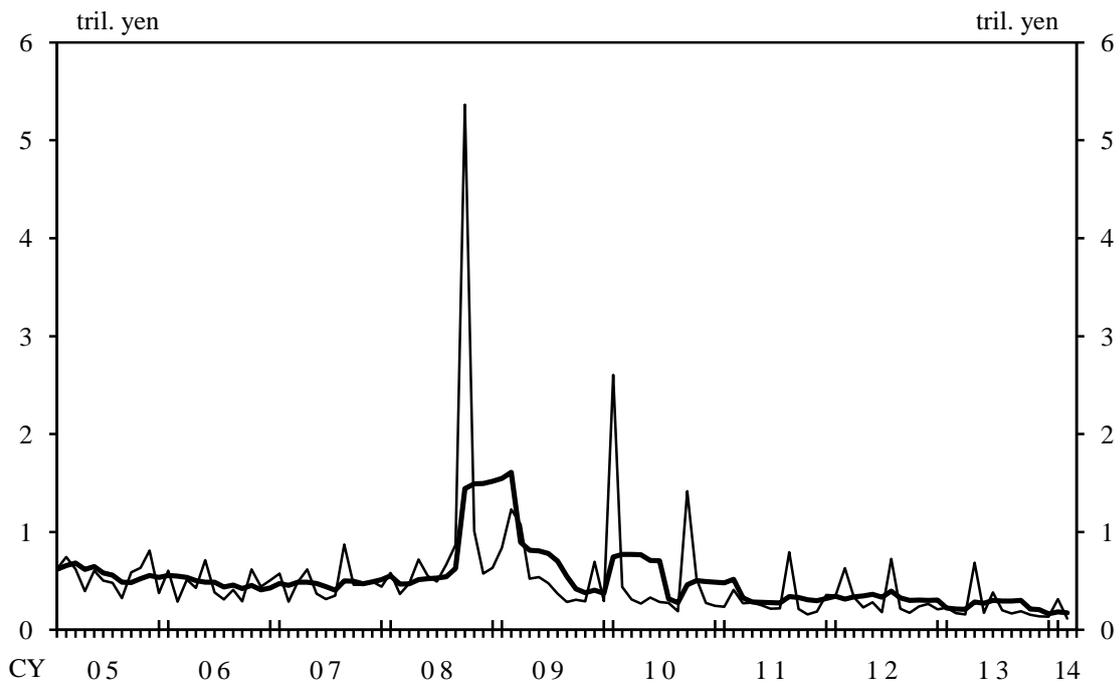
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities

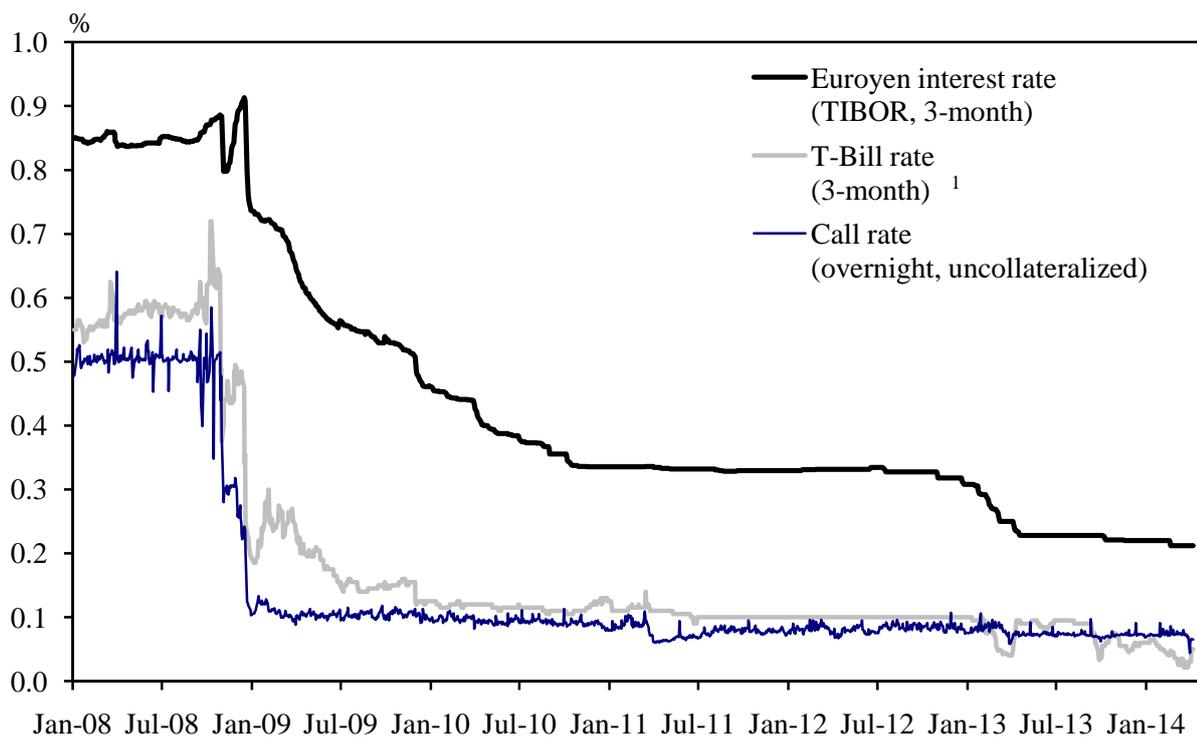


Note: Bold lines are the six-month moving average.

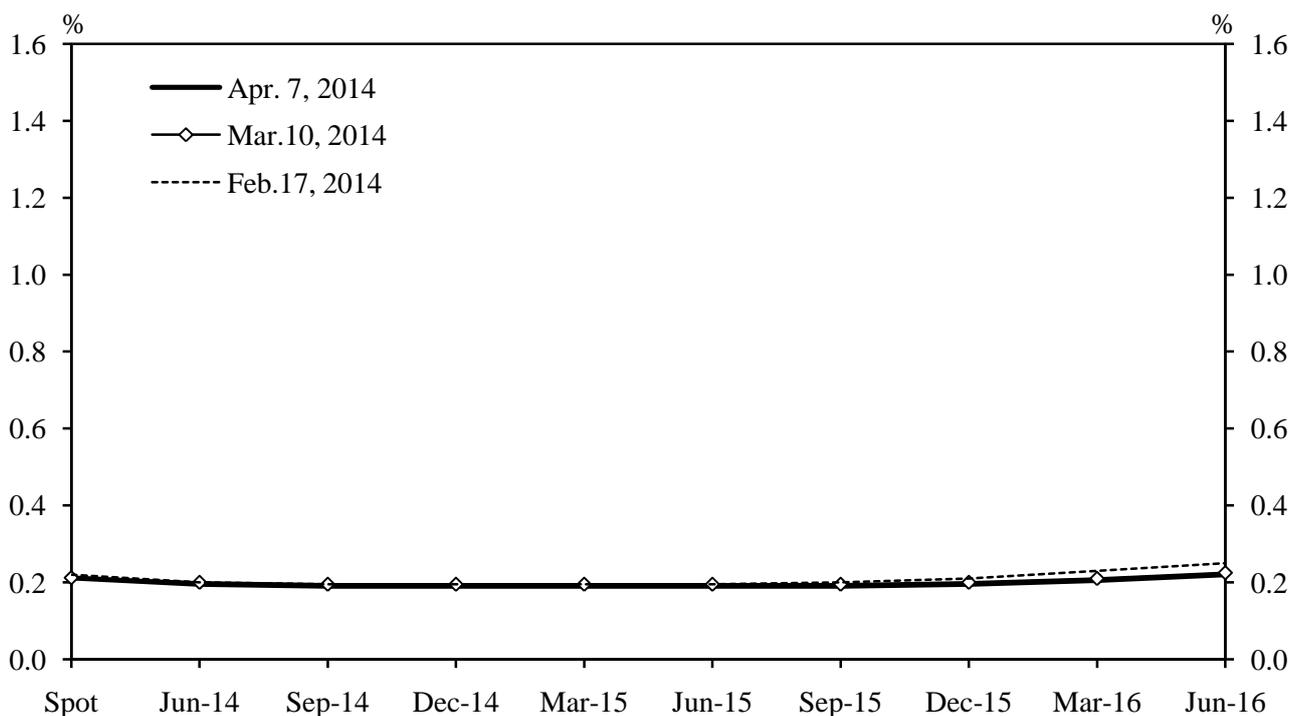
Source: Tokyo Shoko Research Ltd., "Tosan Geppo (Monthly review of corporate bankruptcies)."

Short-Term Interest Rates

(1) Short-Term Interest Rates



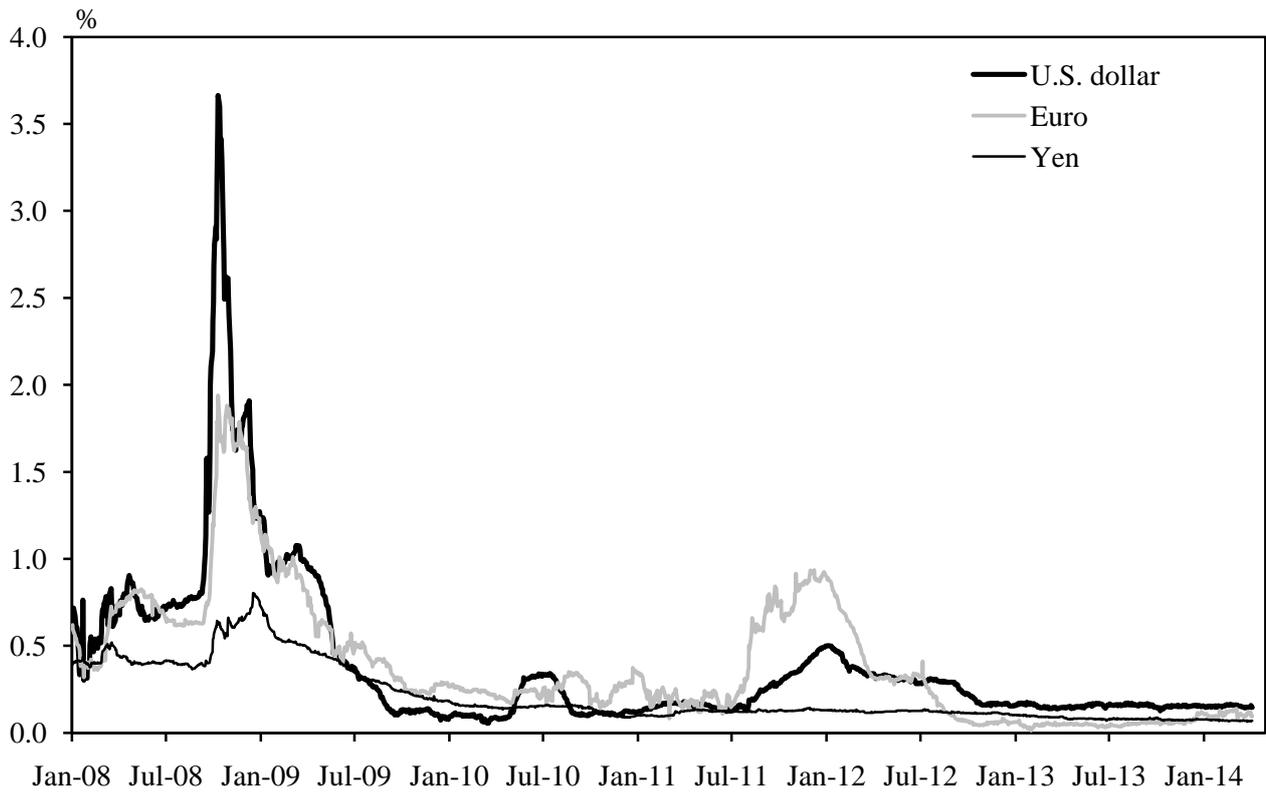
(2) Euroyen Interest Rate Futures (3-Month)



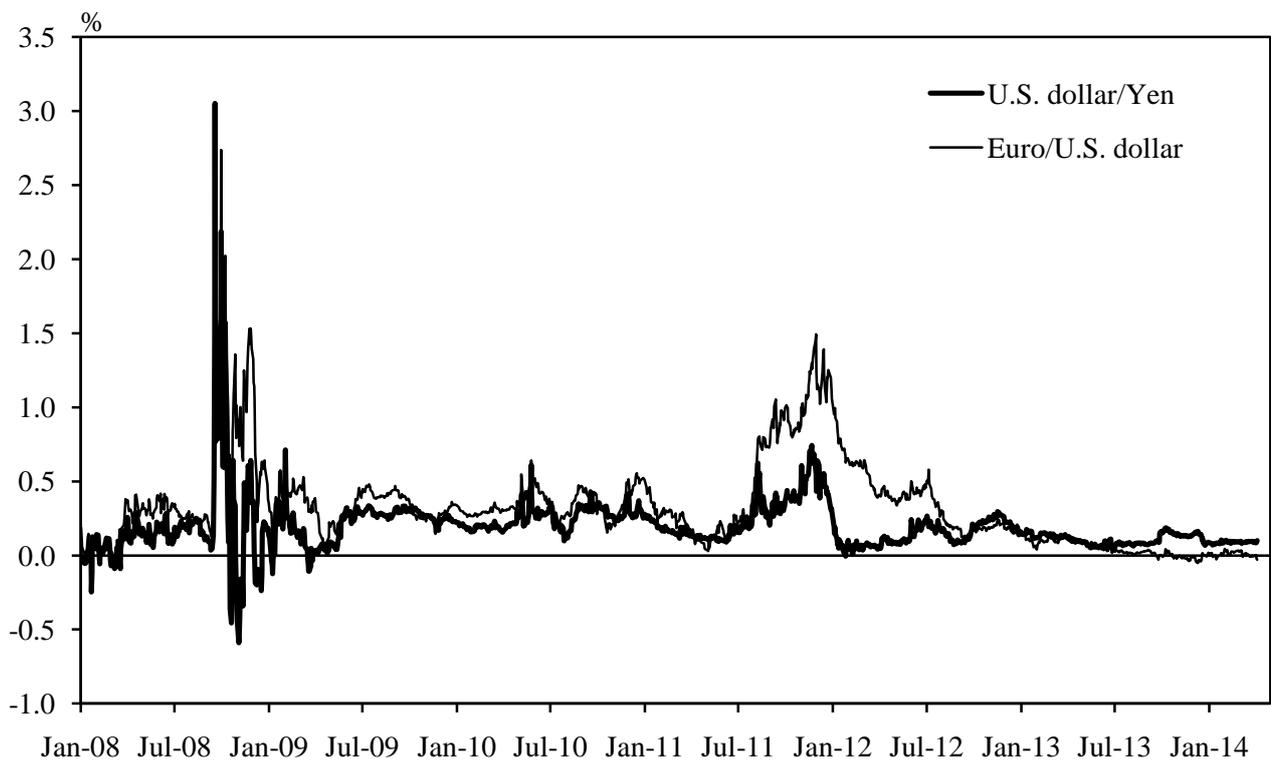
Note: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.  
 Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.;  
 Tokyo Financial Exchange; Bank of Japan.

Global Money Markets

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



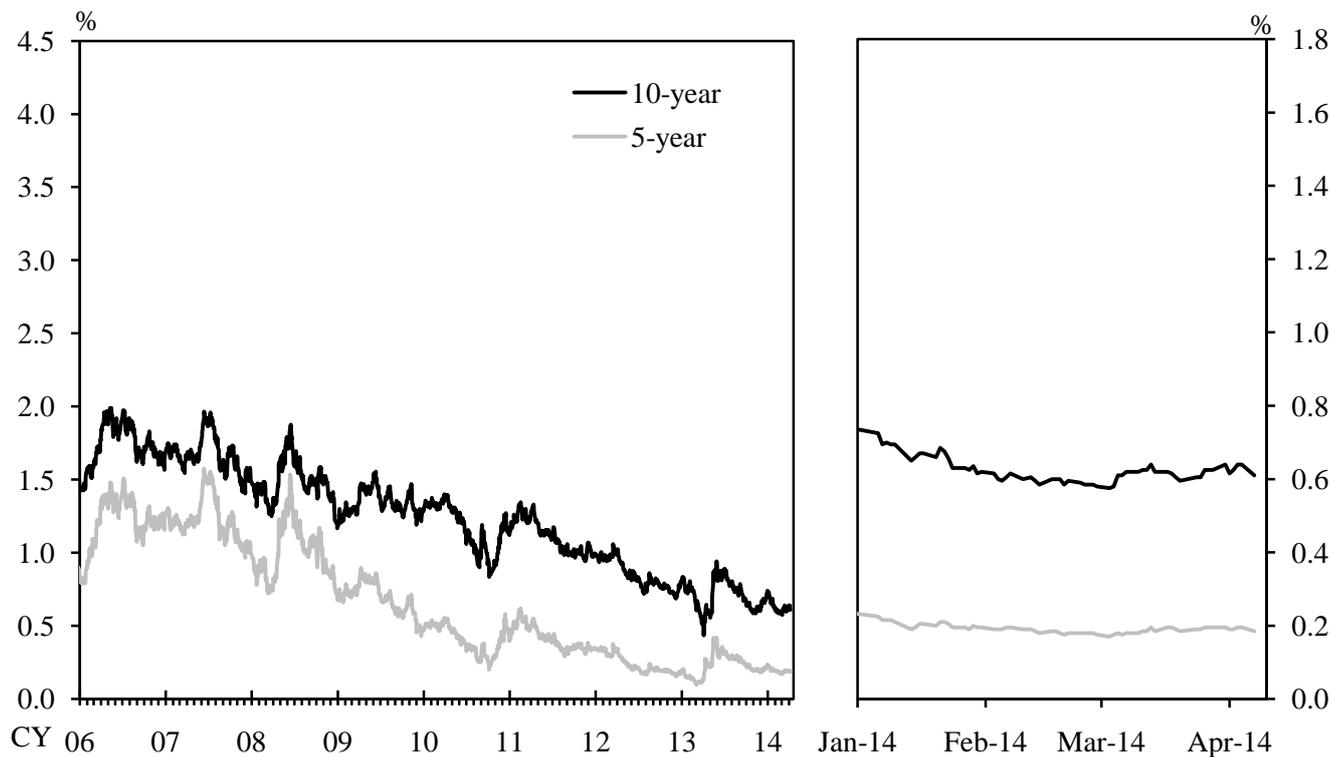
(2) FX swap implied dollar rate - LIBOR spreads (3-Month)



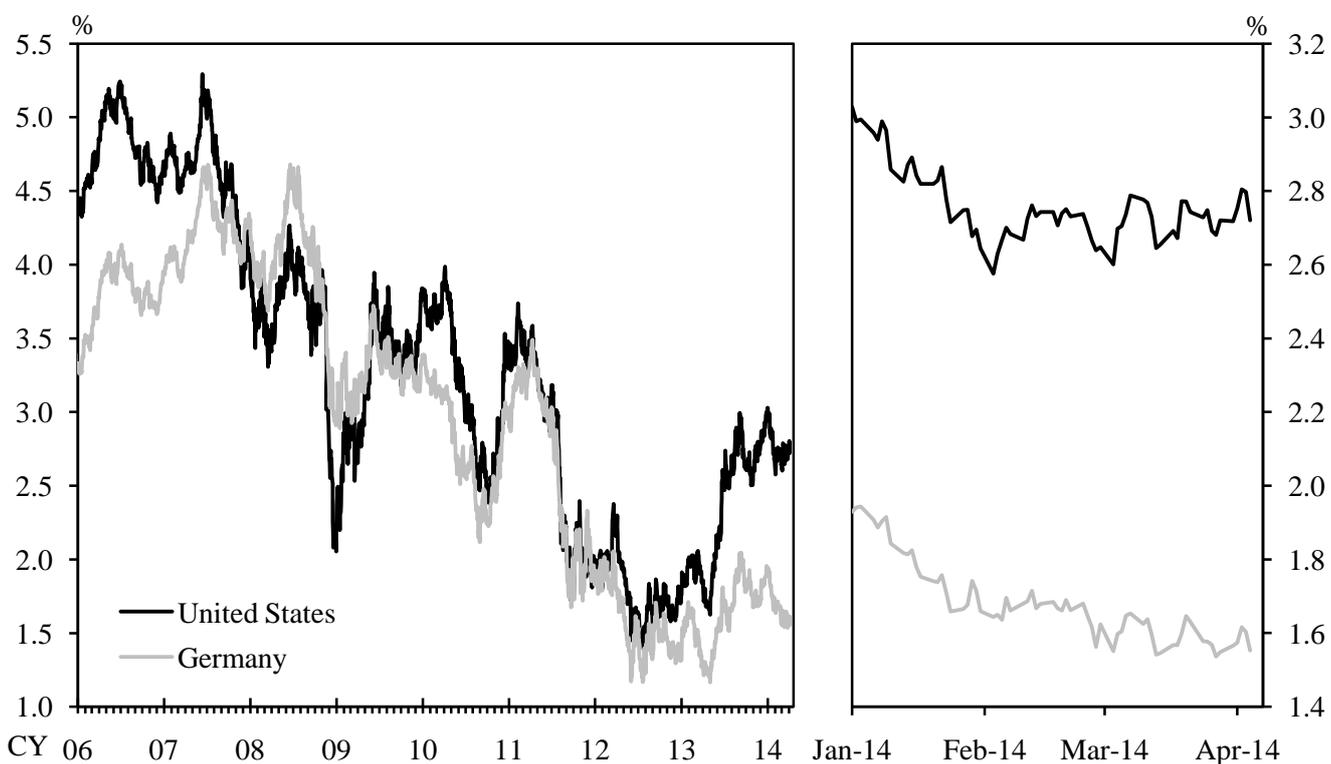
Source: Bloomberg.

Long-Term Interest Rates

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



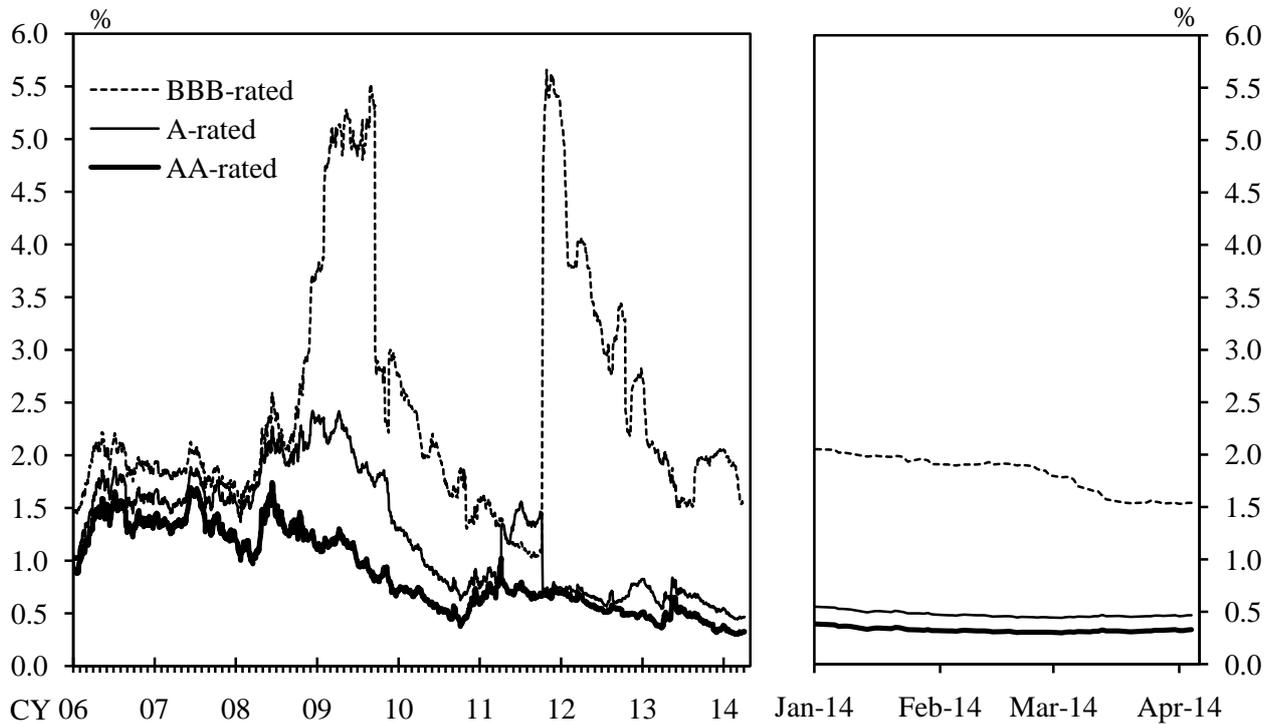
(2) Overseas Government Bond Yields (10-Year)



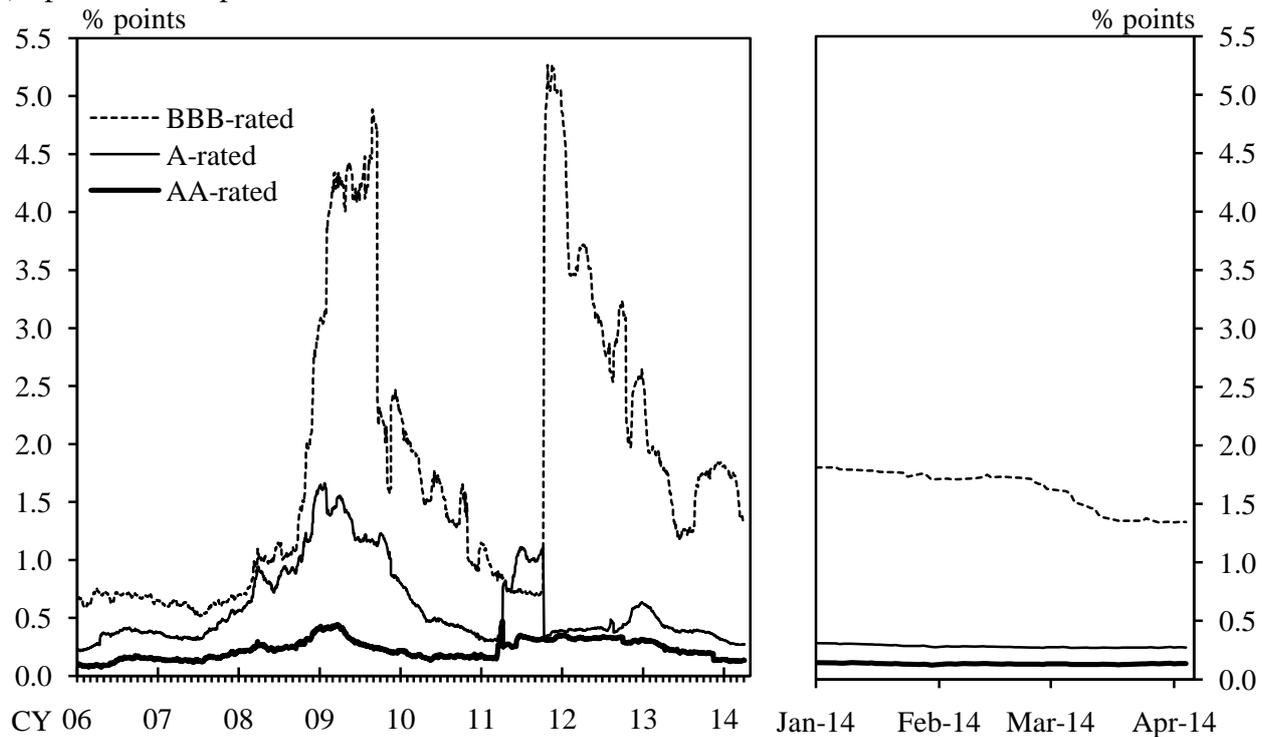
Note: 1. Yields on newly issued bonds.  
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

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.

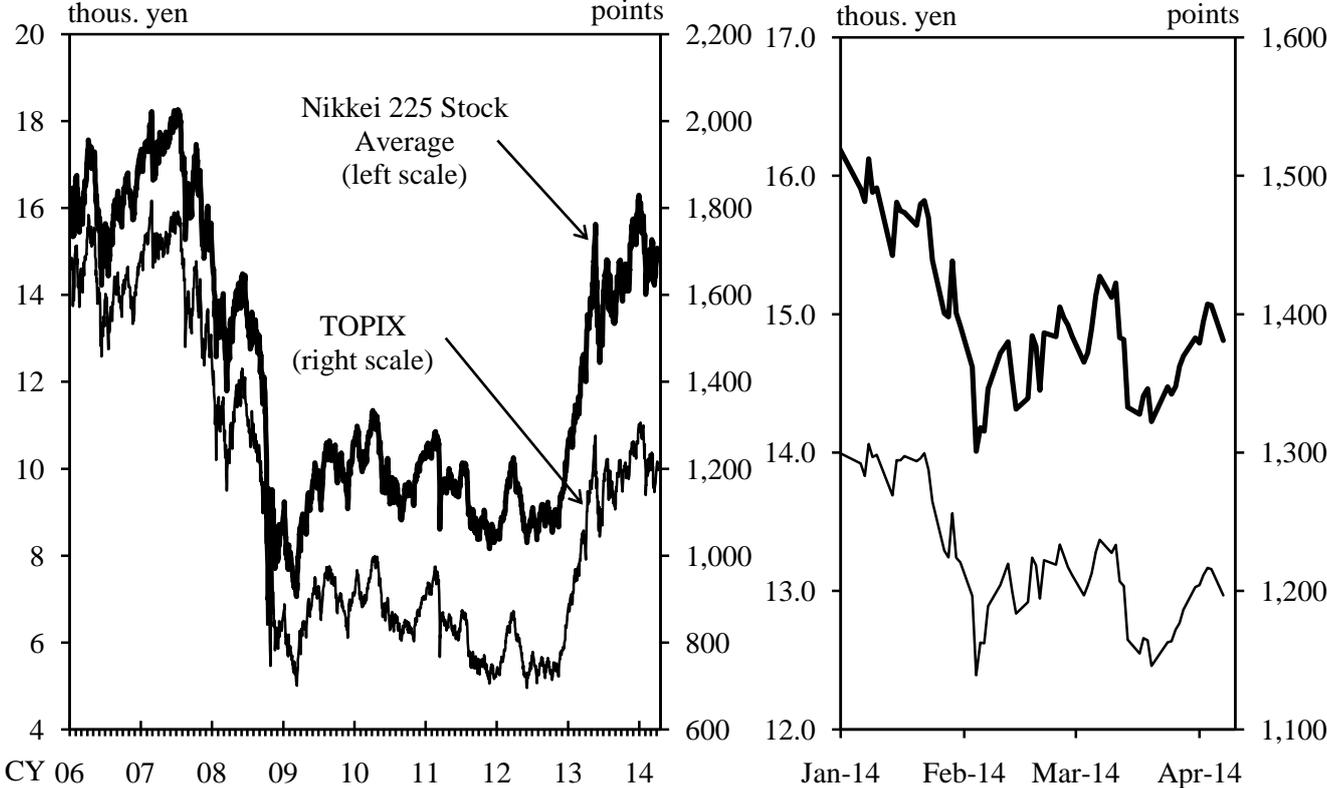
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.

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

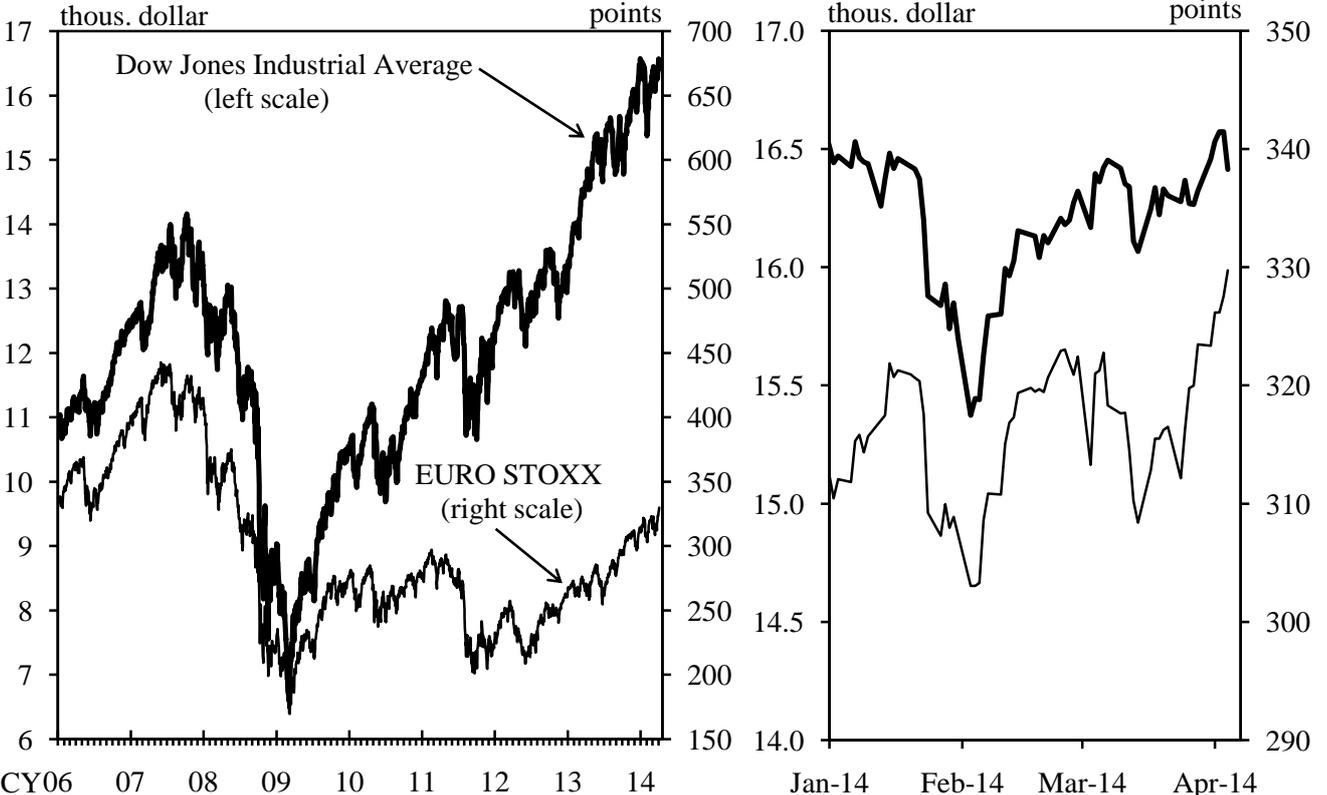
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Japanese Stock Prices



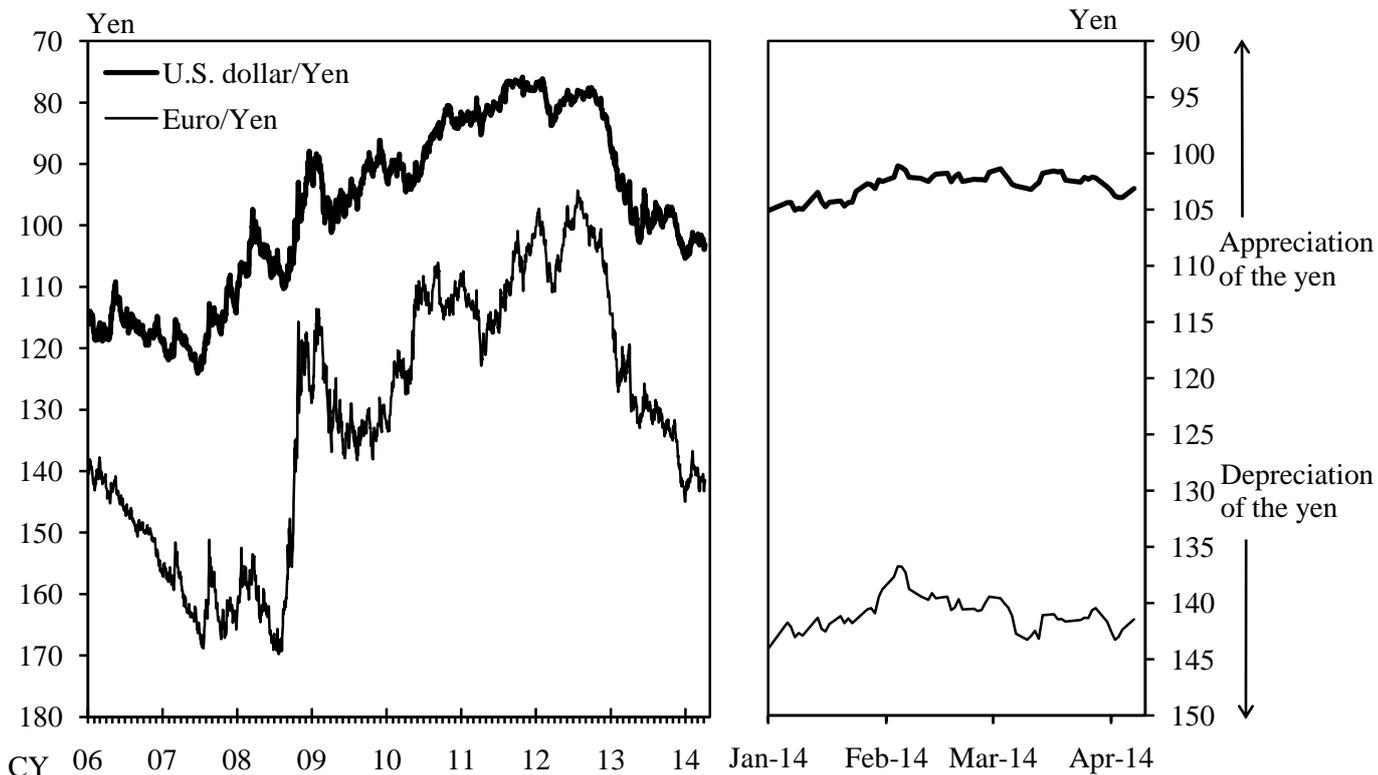
(2) Overseas Stock Prices



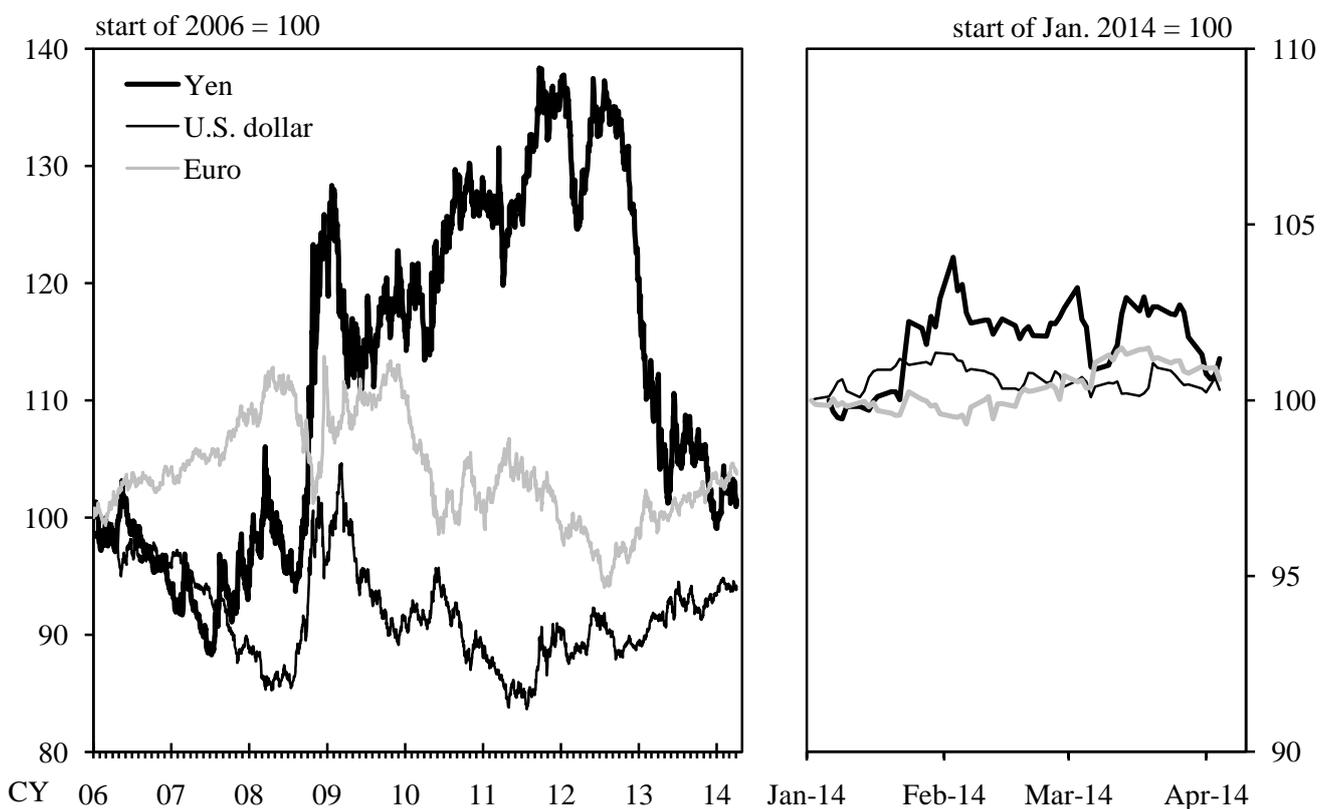
Sources: The Nihon Keizai Shimbun ; Tokyo Stock Exchange; Bloomberg.

Exchange Rates

(1) Bilateral Exchange Rates



(2) Nominal Effective Exchange Rates



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