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Bank of Japan

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

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Monthly Report of Recent Economic and Financial Developments¹

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Summary

Japan's economy has continued to recover moderately as a trend, although the subsequent decline in demand following the front-loaded increase prior to the consumption tax hike has been observed.

Overseas economies -- mainly advanced economies -- are recovering, albeit with a lackluster performance still seen in part. Exports have recently leveled off more or less. Business fixed investment has increased moderately as corporate profits have improved. Public investment has more or less leveled off at a high level. Private consumption and housing investment have remained resilient as a trend with improvement in the employment and income situation, although the subsequent decline in demand following the front-loaded increase has recently been observed. Industrial production has continued to increase moderately as a trend, while being affected by the subsequent decline in demand following the front-loaded increase.

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 continue leveling off more or less 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 are expected to remain resilient as a trend, supported mainly by improvement in the employment and income situation, while they will be affected by the subsequent

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on June 12 and 13, 2014.

decline in demand following the front-loaded increase. Under these circumstances, industrial production is expected to follow a moderate increasing trend.

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, excluding the direct effects of the consumption tax hike, domestic corporate goods prices are rising moderately relative to three months earlier, and the year-on-year rate of increase in consumer prices (all items less fresh food) is around 1¼ percent. Inflation expectations appear to be rising on the whole.

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

Financial conditions are accommodative.

The monetary base has increased significantly as asset purchases by the Bank of Japan have progressed, and the year-on-year rate of growth has been at around 45 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 amount outstanding of CP and corporate bonds has been more or less around the year-ago level. Firms have retained their recovered financial positions. Meanwhile, the year-on-year rate of growth in the money stock has been in the range of 3.0-3.5 percent.

The weighted average of the overnight call rate has been below the 0.1 percent level, and interest rates on term instruments have been more or less unchanged. Compared with last month, stock prices have risen. Meanwhile, the value of the yen against the U.S. dollar and long-term interest rates have remained at more or less the same levels as last month.

1. Economic Developments

Public investment has more or less leveled off at a high level. The amount of public construction completed—which reflects the progress of public works—grew at an accelerated pace toward the third quarter last year and continued to move upward in the fourth quarter, albeit at a subdued pace, mainly as a reflection of the effects of the emergency economic package, but it inched downward in the first quarter (Chart 5). The value of public works contracted—a measure that reflects public orders—rose again in the first quarter, after having declined toward the fourth quarter, and it continued to move upward in April relative to the first quarter, partly since the effects of the supplementary budget for fiscal 2013 have started to be observed.

Public investment is expected to continue leveling off more or less at a high level, mainly as the effects of the upward pressure from various economic measures to date continue to diminish while those of the supplementary budget for fiscal 2013 become evident.

Real exports have recently leveled off more or less (Charts 6[1] and 7). Real exports declined marginally in the first quarter, after rising in the fourth quarter last year on a quarter-on-quarter basis; exports in April marked only a small increase compared with the first quarter. The recent slow growth in exports is basically due to the sluggishness in emerging economies, including ASEAN economies that have strong economic ties with Japan's economy. In addition to this, the effects of the freezing weather in the United States as well as movements to prioritize domestic shipments in response to the front-loaded increase in demand are mainly considered to have still pushed exports temporary downward, although they seem to have recently started to wane. Looking at movements in exports by region (Chart 7[1]), exports to the United States increased only marginally in the first quarter on a quarter-on-quarter basis and in April compared with the first quarter. Exports to the United States seem to have trended upward, particularly in motor vehicles and their related goods, due to the moderate recovery in the U.S. economy and movements in foreign exchange rates. However, temporarily downward pressure such as the aforementioned effects of the freezing weather and prioritization of domestic shipments seem to have lingered, although it has started to wane. Exports to the EU seem to have continued to pick up as a trend, mainly in motor vehicles and their related goods, as well as capital goods

and parts, although they declined in April compared with the first quarter. Exports to China—which fell back both in the first quarter on a quarter-on-quarter basis and in April compared with the first quarter—seem to be picking up overall as a trend, with the fluctuations smoothed out, as improvements have been observed mainly in motor vehicles and their related goods and in some capital goods, including semiconductor products machinery. On the other hand, exports to NIEs have still continued to show mixed movements. Exports to ASEAN seem to have still continued to be somewhat sluggish as a trend, although they had increased in April compared with the first quarter from the decline registered so far. It remains difficult to judge whether exports to Others—which had increased in April compared with the first quarter, after being relatively weak since the middle of the last year—have improved as a trend. By goods (Chart 7[2]), exports of motor vehicles and their related goods fell toward the first quarter since they were affected by the aforementioned transitory downward factors, amid the ongoing sluggishness in demand of some emerging economies. They increased only slightly in April compared with the first quarter amid the persistence of such downward factors, although they have begun to wane. 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, albeit with fluctuations, 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 have been relatively weak as a trend, mainly in those to NIEs and ASEAN, although they have shown large fluctuations recently.

Real imports have continued to increase moderately as a trend against the backdrop of firm domestic demand, although they have recently declined due to the subsequent decline in demand following the front-loaded increase in line with the consumption tax hike (Charts 6[1] and 9). Real imports stepped up their growth in the first quarter: this is considered to be mainly attributable to the effects of the front-loaded increase in demand prior to the consumption tax hike and in line with the ending of support for software (operating system) amid firm domestic demand. In April, they declined significantly compared with the first quarter due to the

subsequent decline in demand following the front-loaded increase. Looking at movements in imports by goods (Chart 9[2]), those of raw materials marked a relatively high rise in the first quarter assisted partly by the front-loaded increase in demand prior to the rise in the environment tax rate in April; they fell back substantially in April compared with the first quarter. Looking at basic developments in other goods, imports of IT-related goods have generally been firm, since those of smartphones have tended to exert upward pressure; those of capital goods and parts have continued picking up as a trend, mainly as a reflection of the progress in inventory adjustments and of developments in business fixed investment at home. However, imports of both of these goods fell back substantially in April from the relatively high growth marked in the first quarter due to the front-loaded increase in demand mainly in line with the consumption tax hike.² Meanwhile, imports of intermediate goods (such as chemicals as well as iron and steel) have been picking up as a whole, in line with movements in domestic production; they grew at a faster pace in the first quarter than in the fourth quarter despite the restraints still in place caused by movements in foreign exchange rates and leveled off in April compared with the first quarter.

Net exports—in terms of the real trade balance—improved noticeably in April compared with the first quarter after deteriorating significantly toward that quarter, reflecting the aforementioned developments in exports and imports (Chart 6[1]). Looking at movements in the nominal current account balance on a quarterly basis (Chart 6[2] and [3]), as for the first quarter, the current account balance turned to a deficit because of a further increase in the volume of deficit of the nominal goods and services balance, due mainly to significant growth in imports, although the surplus of the primary income balance continued to be on par with the fourth quarter. On the other hand, as for April, the current account balance as a whole returned to a small surplus because the volume of deficit of the nominal goods and services balance decreased for the first time in four quarters, due mainly to the plunge in imports owing to the effects of the subsequent decline in demand following the front-loaded increase mainly in line with the consumption tax hike and because the surplus of the primary income balance expanded.

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

Regarding the environment surrounding exports, overseas economies—mainly advanced economies—are recovering, while a lackluster performance is still seen in part (Chart 8[2]). Looking at movements by major region, in the U.S. economy, the moderate recovery—which is centered on private demand—is becoming firm, aided in part by improvement in the employment situation as the effects of the freezing weather—which had been pushing the economy downward considerably until early spring—have dissipated. The European economy has been recovering moderately. 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 lose pace as a whole, although signs of improvement have started to be seen in some countries. As for the exchange rate, the yen has depreciated significantly against both the U.S. dollar and the euro compared to the period prior to 2012; 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 projected to gradually accelerate its pace of recovery, as improvement in the employment and income situation becomes notable, with downward pressure on the economy from the fiscal side expected to wane in light of forecasts that accommodative financial conditions will be maintained. On the other hand, the European economy is projected to continue a moderate recovery, although attention should still be paid to such issues as the outcome of its debt problem. As for the Chinese economy, it is expected to continue to be stable, with somewhat lower growth compared to a while ago, although problems such as an overhang in supply have persisted in the manufacturing sector—which has a large influence on Japan's economy. Growth in some emerging and commodity-exporting economies might lose pace for a protracted period, as these economies deal with issues, mainly in terms of current accounts and inflation rates, although signs of improvement have started to be seen in some countries. In relation to this, as for the IT-related sector, with demand for smartphones and other products on an uptrend, orders received and production of electronic parts and semiconductor products machinery for Japanese

firms appear to be picking up as a trend. As for future developments, it is considered that the pick-up will become more noticeable, due in part to shipments for new smartphone products. Attention, however, should be paid to the point that shipments for smartphone products tend to fluctuate significantly, depending on movements 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, although they are expected to be affected by 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 be on a moderate improving trend, albeit with fluctuations.

Business fixed investment has increased moderately as corporate profits have improved. According to the *Financial Statements Statistics of Corporations by Industry, Quarterly*, business fixed investment in nominal terms has continued to increase since the second quarter last year, and grew at a somewhat accelerated pace in the first quarter (Chart 10[1]).³ By industry and company size for the first quarter on a quarterly basis (Chart 11), business fixed investment for all firms regardless of industry and company size increased, and large manufacturing firms—which had continued to take a cautious investment stance so far—increased their fixed investment noticeably for the first time in eight quarters. The aggregate supply of capital goods—a coincident indicator of machinery investment—on a basis excluding transport equipment has continued to increase moderately as a trend, although in April it showed a subsequent decline following the substantial increase in the first quarter, after showing a continued increase for three quarters in a row since the third quarter last year (Chart 12[1]). As for leading indicators, machinery orders (private sector, excluding orders for ships and those from electric power companies)—a leading indicator of machinery investment—increased for three consecutive quarters from the second to the fourth quarter last year; they marked a relatively high growth in the first

³ As for business fixed investment in the first quarter, renewal demand for PCs in line with the ending of support for software and other factors seemed to have temporarily exerted upward pressure.

quarter, and remained flat at a high level in April (Chart 13[1]). By industry, both machinery orders of manufacturing and 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—have been more or less flat, albeit with fluctuations, after having risen in the second quarter last year, and have held steady, mainly those of nonmanufacturing (Chart 13[2]).

Regarding the environment surrounding business fixed investment, corporate profits have continued to improve. According to the *Financial Statements Statistics of Corporations by Industry, Quarterly* (Chart 10[2]), the ratio of current profits to sales for all industries recorded a historical high in the fourth quarter last year, and maintained about the same level in the first quarter. By industry and company size, the ratio of current profits for large manufacturing firms fell back partly since the rate of improvement until the fourth quarter last year was especially evident; for firms other than large manufacturing ones, the ratio of current profits has improved further, and has been more or less at its historical peak. 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.

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

Private consumption has remained resilient as a trend with improvement in the employment and income situation, although the subsequent decline in demand following the front-loaded increase in line with the consumption tax hike has recently been observed (Chart 14). Looking at consumption of goods—as seen through sales at retail stores in real terms (Chart 15[1])—it increased at a significantly accelerated pace in the first quarter due to the effects of the front-loaded increase in demand. On the other hand, consumption of goods in April fell back substantially compared with the first quarter due to the subsequent decline in demand following the front-loaded increase. Looking at consumption of durable goods (Chart 15[2]), the number of

new passenger-car registrations has fallen back markedly from the front-loaded increase in demand. Monthly movements show that it turned negative after reaching a peak in January, marked a substantial decline in April, and was almost flat in May. Sales of household electrical appliances in real terms have decreased significantly, because a considerable scale of a subsequent decline following the front-loaded increase in demand has taken place since April and a renewal demand for PCs in line with the ending of support for software has peaked out. According to anecdotes by firms and other information, however, the scale of the subsequent decline in demand following the increase in durable goods to date seems to have been basically within the scope that was previously projected. Sales at department stores increased markedly in March due to the front-loaded increase in demand; they fell back largely in April due to the previous month increase (Chart 16[1]). Sales at supermarkets decreased in April, after the effects of the front-loaded increase in demand were seen noticeably in daily necessities and food and beverages for March. On the other hand, sales at convenience stores showed relatively small fluctuations from March to April since the front-loaded increase in demand was seen only in some items; they have continued to trend moderately upward. In all of these sectors, many firms have voiced that the degree of the subsequent decline following the front-loaded increase in demand was generally within the scope previously projected, and a pick-up from May seems to be observed. Meanwhile, as for consumption of services (Chart 16[2]), outlays for travel and sales in the food service industry have remained steady as a whole; the effects of the front-loaded increase in demand followed by the subsequent decline seem to have been limited.

As for statistics on the demand side, consumption expenditure in the *Family Income and Expenditure Survey* (in real terms; two-or-more-person households) shows that the index on an "excluding housing, automobiles, money gifts and remittance" basis (Chart 15[1])—which is compiled so as to make it similar to items used for estimating GDP—was up significantly in the first quarter, due in part to the front-loaded increase in demand, but decreased significantly in April compared with the first quarter.⁴ The total expenditure in the *Survey of Household Economy* (in real terms; two-or-more-person households) registered high growth in the first quarter

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

with the front-loaded increase in demand having been observed, notably in durable goods, despite large monthly fluctuations, but it decreased significantly in April.

Looking at indicators related to consumer confidence, the consumer confidence index continued its weak development since October last year but improved somewhat as a whole in May (Chart 17).

Private consumption is expected to remain resilient as a trend, supported mainly by improvement in the employment and income situation, while it will be affected by the subsequent decline in demand following the front-loaded increase.

Housing investment has remained resilient as a trend with improvement in the employment and income situation, although the subsequent decline in demand following the front-loaded increase in line with the consumption tax hike has recently been observed. The number of housing starts—a leading indicator of housing investment—has been falling back since the first quarter due to the subsequent decline in demand following the front-loaded increase (Chart 18[1]).

Housing investment is expected to remain resilient as a trend, supported mainly by improvement in the employment and income situation and the accommodative financial conditions, while it will be affected by the subsequent decline in demand following the front-loaded increase.

Industrial production has continued to increase moderately as a trend, while it has been affected by the subsequent decline in demand following the front-loaded increase in line with the consumption tax hike (Chart 19). Industrial production had kept increasing moderately since the first quarter last year; as for the first quarter at the start of this year, it grew at a somewhat high pace, partly in response to the front-loaded increase in demand. On the other hand, it decreased noticeably in April compared with the first quarter due to the effects of the subsequent decline in demand following the front-loaded increase. By industry, production of transport equipment (such as passenger cars) decreased noticeably in April compared with the first quarter, after increasing toward the first quarter, as a reflection of the front-loaded increase and the subsequent decline in demand. Production of chemicals decreased in April

compared with the first quarter, after increasing in that quarter partly due to the front-loaded increase in demand for daily necessities. Production of other electrical machinery (electrical machinery; information and communication electronics equipment) also decreased in April compared with the first quarter due to the subsequent decline in demand following the front-loaded increase for white goods and a peak-out of renewal demand for electronic computers, in line with the ending of support for software. On the other hand, production of iron and steel as well as nonferrous metals has continued to be resilient as demand with ties to construction has been firm, though it has been affected by fluctuations in motor vehicle production. Production of general-purpose, production and business oriented machinery—which accelerated toward the first quarter and generally maintained a high level in April—has picked up noticeably as a reflection of developments in business fixed investment at home and abroad. Production of electronic parts and devices as a whole is expected to have turned upward as a trend, albeit with fluctuations, with parts for smartphone and tablet products produced in Asia having held steady as a trend. Furthermore, production of ceramics, stone and clay products has continued to be solid, albeit with fluctuations, as a reflection of firm demand with ties to construction.

Shipments grew at a noticeably accelerated pace in the first quarter and marked a subsequent decline in April (Chart 19[1]). By goods (Chart 20), shipments for nondurable consumer goods—which had been affected by the front-loaded increase in demand, mainly those for daily necessities—showed a large subsequent decline since the start of April. As for durable goods, the subsequent decline in demand following the front-loaded increase is expected to be not small, although the decline has not been apparent in developments in shipments so far. Shipments for construction goods and capital goods, on the other hand, have been firm on the whole, albeit with fluctuations.

Inventories seem to be bottoming out as a trend since the start of April, following a downward trend since around the end of last year, due in part to the effects of the front-loaded increase in demand, albeit with monthly fluctuations. (Chart 19[1]). With regard to recent movements in inventories, they declined in April compared with the previous month: this is largely affected by the fluctuations in

inventories of transport equipment—which increased significantly in March and then fell back from that increase in April. Excluding this development, inventories as a trend seem to be heading toward a bottoming out as a whole, as inventories of general-purpose, production and business oriented machinery as well as electronic parts and devices seem to have piled up, partly in anticipation of recovery in demand for the near future. 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 on average, despite large fluctuations seen recently due to the front-loaded increase in demand in line with the consumption tax hike and the subsequent decline; the shipment-inventory balance has improved markedly (Chart 21[2]). By goods, the shipment-inventory balance has basically been on an apparent improving trend for sectors of all categories.

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. Based on anecdotes by firms and on other information, as for the second quarter, industrial production as a whole is projected to fall back temporarily due to the subsequent decline from the previous quarter that registered somewhat high growth mainly in response to the front-loaded increase in demand prior to the consumption tax hike. By industry, due to the fall-back from the front-loaded increase in demand, production of transport equipment, chemicals, and iron and steel is projected to decline. Production of information and communication electronics equipment is expected to decline noticeably, mainly due to a peak-out in renewal demand, in line with the ending of support for software. On the other hand, production of general-purpose, production and business oriented machinery is projected to continue increasing, with the ongoing improvement of developments in business fixed investment at home and abroad. Production of electronic parts and devices is forecasted to continue a moderate increase, with the overhang in stocks of parts for smartphone products, including those for new products, scheduled for release later on. As for the third quarter, production as a whole is expected to stop declining and head toward a pick-up, despite large uncertainty. By industry, production of transport equipment is expected to almost stop declining as the effects of the subsequent decline in demand following the front-loaded increase weaken; that of chemicals is expected

to turn upward. Production of electronic parts and devices is expected to continue increasing with the aforementioned overhang in stocks of parts for new products becoming active. Meanwhile, production of general-purpose, production and business oriented machinery is expected to maintain its firmness on the back of improvement in business fixed investment at home and abroad.

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

As for supply and demand conditions in the labor market, the unemployment rate has been on a moderate improving trend on average; its readings in February to April—the most recent figure released—were 3.6 percent, continuing a low level on par with that in July 2007 which was the bottom prior to the Lehman shock (Chart 22). New job openings have continued to trend upward. The active job openings-to-applicants ratio has also kept improving steadily and recorded 1.08 in April—being on par with the level in July 2006 which was the peak prior to the Lehman shock. Non-scheduled hours worked accelerated their pace of growth in March, partly in response to the front-loaded increase in demand, and declined slightly in April. As a trend, however, it has generally been increasing moderately while nonmanufacturing has been resilient and manufacturing has tended to pick up noticeably.

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 24[1]). The year-on-year rate of increase in the number of regular employees in the *Monthly Labour Survey* has tended to expand mildly as a whole, since manufacturing has continued to decline at a reduced rate, while nonmanufacturing has kept growing at around 1.5 percent.

Total cash earnings per employee have bottomed out as a whole, albeit with fluctuations (Chart 24[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 23[1]). Taking a closer

look, as a reflection of movements in nonmanufacturing, both monthly cash earnings of full-time employees per employee and hourly cash earnings of part-time employees have started to accelerate their year-on-year rate of increases, albeit at a mild pace (Chart 23[2]). The year-on-year rate of change in scheduled cash earnings has still been slightly negative on the whole, with the uptrend in the ratio of part-time employees having exerted downward pressure (Chart 23[3]). Nevertheless, by type of workers, not only has scheduled cash earnings of part-time employees been positive recently, but those of full-time employees have turned upward marginally in April. 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, and special cash earnings have also recently marked high growth.

Employee income has started to accelerate its year-on-year rate of increase, albeit moderately, as a reflection of the aforementioned developments in employment and wages (Chart 24[3]).

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

2. Prices

International commodity prices have been more or less flat (Chart 26[1] and [3]). Prices of crude oil have continued to be essentially flat, albeit with fluctuations; they reflect developments in inventories of crude oil in the United States and the situation in Ukraine and Russia. Prices of nonferrous metals have been more or less level after being sluggish around spring, as uncertainty about emerging economies, including China, has been perceived. In contrast, prices of grains have been weakening somewhat again while anxiety over supply has recently been reduced, despite large fluctuations due to weather factors in the United States and other countries.

The three-month rate of change in import prices (on a yen basis) has recently been almost flat, as a reflection of movements in foreign exchange rates and international commodity prices (Chart 26[2]).

Domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter), on a basis excluding the direct effects of the consumption tax hike, are rising moderately relative to three months earlier (Chart 27[2]).⁵ Excluding the direct effects of the consumption tax hike, the three-month rate of change in domestic corporate goods prices had registered 0.0 percent in March and 0.1 percent in April, and then expanded the increase to 0.4 percent in May. Looking in detail at domestic corporate goods price movements in May relative to three months earlier, prices of "goods sensitive to exchange rates and overseas commodity prices" turned positive as a whole since petroleum products such as gasoline had risen, a partial reflection of the resilience in demand, with the effects of movements in foreign exchange rates—which had been posing downward pressure until the previous month—having dissipated. Prices of "electric power, gas & water" rose at an accelerated pace over the previous month, a reflection of the rise in surcharge rates under the Feed-in Tariff Scheme for Renewable Energy amid upward pressure brought about by past movements in foreign exchange rates through the fuel cost adjustment system and by price increases of some electric power companies.⁶ "Others" continued to show somewhat strong developments, mainly in food, due to a pass-on of past cost increases in the form of higher prices. On the other hand, prices of "iron & steel and construction goods" continued to decline marginally, as the effects of the decline in scrap & waste persisted in response to somewhat sluggish demand in Asia. Meanwhile, the rate of decline in prices of "Other materials" was about the same as April affected by reduced pharmaceutical prices.

The year-on-year rate of change in corporate services prices (excluding international transportation; year-on-year basis, same hereafter), on a basis excluding

⁵ 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.

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

the direct effects of the consumption tax hike, is in the range of 0.5-1.0 percent (Chart 28). Looking in detail at corporate services price movements, the year-on-year rate of change in prices related to "selling, general and administrative expenses" has bottomed out overall, since the rate of change in advertising services has turned positive, mainly as a reflection of the recovery in corporate profits, albeit with fluctuations, and since other items have seen ongoing price increases, while hotel services have been firm, although some items—such as data processing services—have still shown somewhat weak developments. The rate of change in prices related to "real estate," including office space rental, has begun to turn upward after bottoming out as a whole, albeit with fluctuations. The year-on-year rate of increase in prices related to "fixed investment" has continued to be high amid firm demand with ties to construction. The rate of increase in prices related to "domestic transportation" for April marked a significant growth due to the effects of the abolishment of a discount in some charges in the expressway toll system while overland flight transportation fare has continued its moderate increase, which reflects economic recovery; prices of "others" have also increased at a somewhat high rate as a whole, as plant engineering continued to post year-on-year increases, although compulsory motor vehicle insurance has reduced its pace of increase following the increase marked last year. The year-on-year rate of change in "IT-related" prices has begun to cease 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), on a basis excluding the direct effects of the consumption tax hike, is around 1¼ percent (Chart 29[1]).⁷ Consumer prices for April, on a basis excluding the direct effects of the consumption tax hike, recorded positive 1.5 percent—which had expanded somewhat from the rate of increase of positive 1.3 percent registered from December to March. Those on a basis that excludes food and energy have been at around 0.75 percent on a year-on-year basis since November. Regarded as a method for capturing trend changes, the

⁷ For details on the direct effects of the consumption tax hike (estimates), see BOX in the *Monthly Report of Recent Economic and Financial Developments*, March 2014.

year-on-year rate of change in the trimmed mean has continued to be on a moderate rising trend (Chart 30[2]).⁸

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 since the beginning of this year, mainly due to the rise in electricity prices through the fuel cost adjustment system. Prices for goods (excluding agricultural, aquatic & livestock products) lowered their overall growth rate slightly toward March after the peak in January while being affected by the movement of the subsequent decline following the previous increase at the same time last year in petroleum products, durable goods (TV sets and room air conditioners) and other goods (handbags <imported>). Nevertheless, in April, the growth rate expanded again since petroleum products showed strong developments and prices of food products and other items increased, including a pass-on of past cost increases in the form of higher prices. As for prices of general services, the pace of increase has tended to rise moderately as a whole since prices of other services have risen at an accelerated pace compared to a while ago, chiefly in package tours to overseas and hotel charges. In April, however, prices of general services as a whole marked a rate of increase that was about the same rate as that of March, since some prices of eating out showed weak developments and the rate of decline in rent—which was slightly reduced in March—returned to the level close to that in February again.

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

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

⁸ 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.

As for land prices, the urban land price index shows that in March last year prices of both commercial and residential land in the six large city areas had registered positive, albeit slightly, relative to six months ago, for the first time in five years since 2008; the rate of increase in land prices in September last year and March this year continued to expand, mainly for commercial land (Chart 32). Both commercial and residential land prices outside the six large city areas have continued to decline moderately, but the pace of decline has been slowing as a trend relative to six months ago.

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 45 percent (Chart 33).

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 35).

With regard to credit supply, firms have continued to see financial institutions' lending attitudes as being on an improving trend (Chart 34). 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 36). The amount outstanding of CP and corporate bonds has been more or less around the year-ago level (Chart 37).

Firms have retained their recovered financial positions (Chart 34). The number of corporate bankruptcies has remained at a low level (Chart 39).

Meanwhile, the year-on-year rate of growth in the money stock (M2) has been in the range of 3.0-3.5 percent. Its May reading was 3.3 percent on a year-on-year basis, following 3.5 percent in April (Chart 38).⁹

(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), the Euroyen interest rate (3-month), and interest rates on Euroyen futures have all been virtually level (Chart 40). In U.S. dollar funding, the LIBOR-OIS spread for the dollar has basically been flat (Chart 41).

Yields on 10-year government bonds (newly issued 10-year JGB) have been more or less flat; they are currently moving at around 0.6 percent (Chart 42).

Yield spreads between corporate bonds and government bonds have been narrowing very moderately (Chart 43).

Stock prices have increased, mainly in response to the rise in U.S. stock prices. The Nikkei 225 Stock Average is currently moving in the range of 14,500-15,000 yen (Chart 44).

In the foreign exchange market, the yen's exchange rate depreciated somewhat against the U.S. dollar, primarily in response to the uptick in U.S. interest rates, but has then bounced back slightly; the yen is currently moving in the range of 101-102 yen against the U.S. dollar. The yen's exchange rate against the euro has been more or less level; the yen is currently moving at around 138 yen against the euro (Chart 45).

⁹ On an M3 basis, which includes the Japan Post Bank, the year-on-year rate of growth has been at around 2.5 percent; its May reading was 2.6 percent, following 2.8 percent in April. The year-on-year rate of growth in broadly-defined liquidity (L) has recently been in the range of 2.5-3.0 percent; it increased by 2.7 percent in May, following an increase of 3.2 percent in April.

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Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2013/Q3	Q4	2014/Q1	2014/Feb.	Mar.	Apr.	May
Index of consumption expenditure level (two-or-more-person households)	-0.2	-0.1	4.3	-1.5	10.6	-12.1	n.a.
Sales at department stores	-1.0	1.0	9.4	1.2	22.1	p -28.6	n.a.
Sales at supermarkets	-0.0	0.1	3.2	3.6	12.8	p -16.8	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 284>	< 309>	< 333>	< 326>	< 315>	< 259>	< 266>
Sales of household electrical appliances (real, "Current Survey of Commerce")	-1.4	3.1	14.3	5.9	25.6	p -39.3	n.a.
Outlays for travel	-0.1	3.0	0.0	-0.8	5.4	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	< 100>	< 103>	< 94>	< 92>	< 89>	< 91>	<n.a.>
Machinery orders ⁴ (Private sector, exc. volatile orders)	4.8	1.9	4.2	-4.6	19.1	-9.1	n.a.
Manufacturing	8.1	2.0	3.9	-4.6	23.7	-9.4	n.a.
Nonmanufacturing ⁴ (exc. volatile orders)	-0.2	4.9	-1.0	-5.1	8.5	0.9	n.a.
Construction starts (private, nondwelling use)	-0.5	1.1	-2.5	-3.9	-0.3	-1.4	n.a.
Mining & manufacturing	7.3	4.4	-3.6	-10.2	-2.6	-15.3	n.a.
Nonmanufacturing ⁵	-1.0	0.0	-2.2	-2.7	-1.4	2.9	n.a.
Value of public works contracted	-0.7	-3.6	6.6	-10.1	3.0	4.5	n.a.
Real exports	-0.1	1.5	-1.0	4.3	-3.3	1.3	n.a.
Real imports	2.4	1.6	4.5	-4.9	8.3	-9.9	n.a.
Industrial production	1.8	1.8	2.9	-2.3	0.7	p -2.5	n.a.
Shipments	1.2	2.6	4.6	-1.0	-0.2	p -5.0	n.a.
Inventories	-0.1	-1.9	0.2	-0.9	1.4	p -0.5	n.a.
Inventory ratio <s.a., CY 2010 = 100>	< 108.2>	< 104.1>	< 105.4>	< 103.2>	< 105.4>	<p 103.5>	<n.a.>
Real GDP	0.3	0.1	1.6	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.5	0.3	1.6	-1.1	1.5	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2013/Q3	Q4	2014/Q1	2014/Feb.	Mar.	Apr.	May
Active job openings-to-applicants ratio <s.a., times>	< 0.95>	< 1.01>	< 1.05>	< 1.05>	< 1.07>	< 1.08>	<n.a.>
Unemployment rate <s.a., %>	< 4.0>	< 3.9>	< 3.6>	< 3.6>	< 3.6>	< 3.6>	<n.a.>
Non-scheduled hours worked ⁶	4.0	6.0	7.1	5.8	8.4	p 6.4	n.a.
Number of employees	0.9	1.2	0.8	0.5	1.0	0.3	n.a.
Number of regular employees ⁶	0.9	1.1	1.2	1.2	1.2	p 1.3	n.a.
Nominal wages per person ⁶	-0.4	0.4	0.1	-0.1	0.7	p 0.9	n.a.
Domestic corporate goods price index <excluding consumption tax, y/y % chg.>	2.2	2.5	1.9	1.8	1.7	4.2	p 4.4
<excluding consumption tax, q/q % chg., 3-month rate of change> ⁷	< 0.6>	< 0.4>	< 0.2>	< 0.3>	< 0.0>	< 1.5>	<p 1.6>
Consumer price index ⁸ <consumption tax adjusted, y/y % chg.>	0.7	1.1	1.3	1.3	1.3	3.2	n.a.
Corporate services price index ⁹ <excluding consumption tax, y/y % chg.>	-0.1	0.3	0.5	0.5	0.6	p 3.5	n.a.
Money stock (M2) <average outstanding, y/y % chg.>	3.8	4.2	4.0	4.0	3.6	3.5	p 3.3
Number of corporate bankruptcies <cases per month>	<888>	<857>	<820>	<782>	<814>	<914>	<834>

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

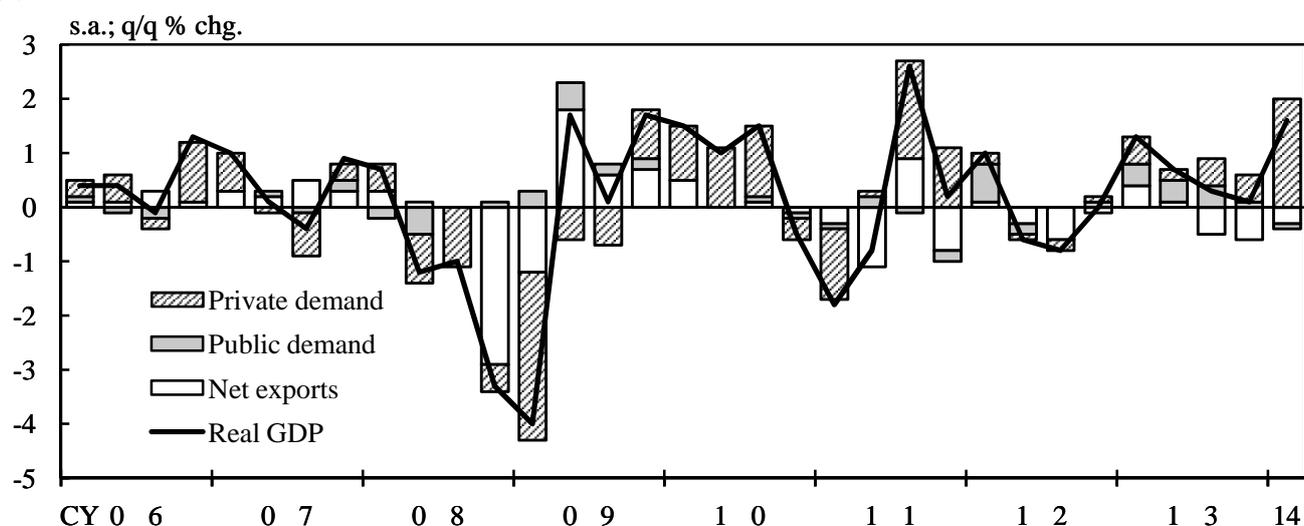
All figures in Chart 2 except figures in angle brackets are year-on-year changes. For details on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes of respective charts.

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



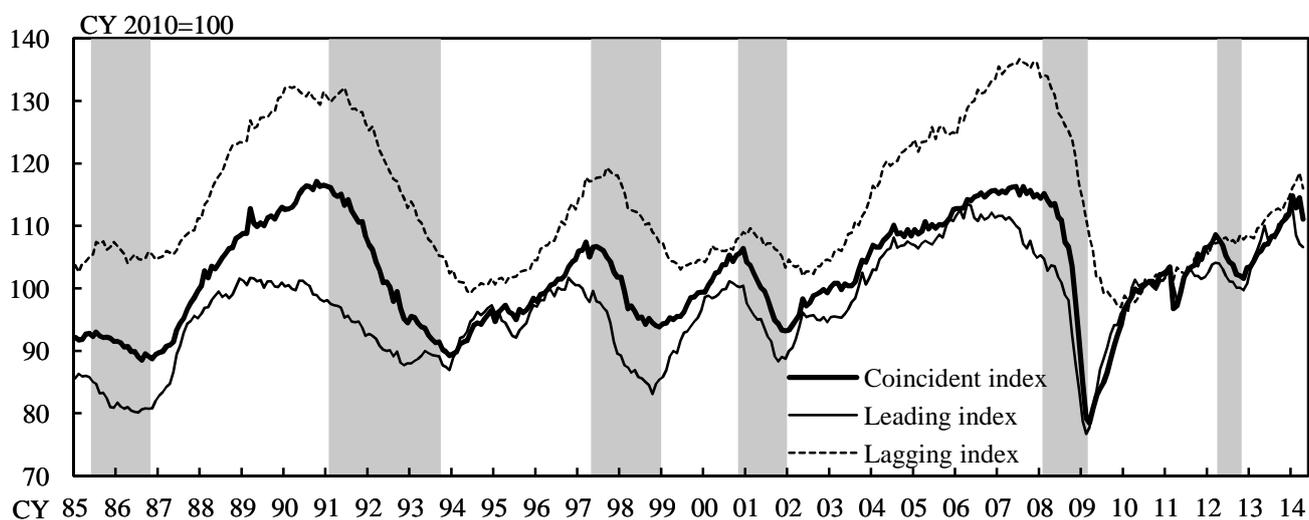
(2) Components

s.a.; q/q % chg.

	2013				2014
	Q1	Q2	Q3	Q4	Q1
Real GDP	1.3	0.7	0.3	0.1	1.6
[Annual rate]	[5.3]	[2.9]	[1.3]	[0.3]	[6.7]
Domestic demand	0.9	0.6	0.8	0.6	1.9
Private demand	0.5	0.2	0.5	0.5	2.0
Private consumption	0.6	0.4	0.1	0.2	1.4
Non-Resi. investment	-0.3	0.1	0.1	0.2	1.1
Residential investment	0.1	0.0	0.1	0.1	0.1
Private inventory	0.1	-0.4	0.1	-0.1	-0.5
Public demand	0.4	0.4	0.4	0.1	-0.1
Public investment	0.2	0.3	0.3	0.1	-0.1
Net exports of goods and services	0.4	0.1	-0.5	-0.6	-0.3
Exports	0.6	0.4	-0.1	0.1	1.0
Imports	-0.2	-0.3	-0.4	-0.6	-1.2
Nominal GDP	0.9	0.6	0.2	0.2	1.4

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

(3) Indexes of Business Conditions (Composite Indexes)

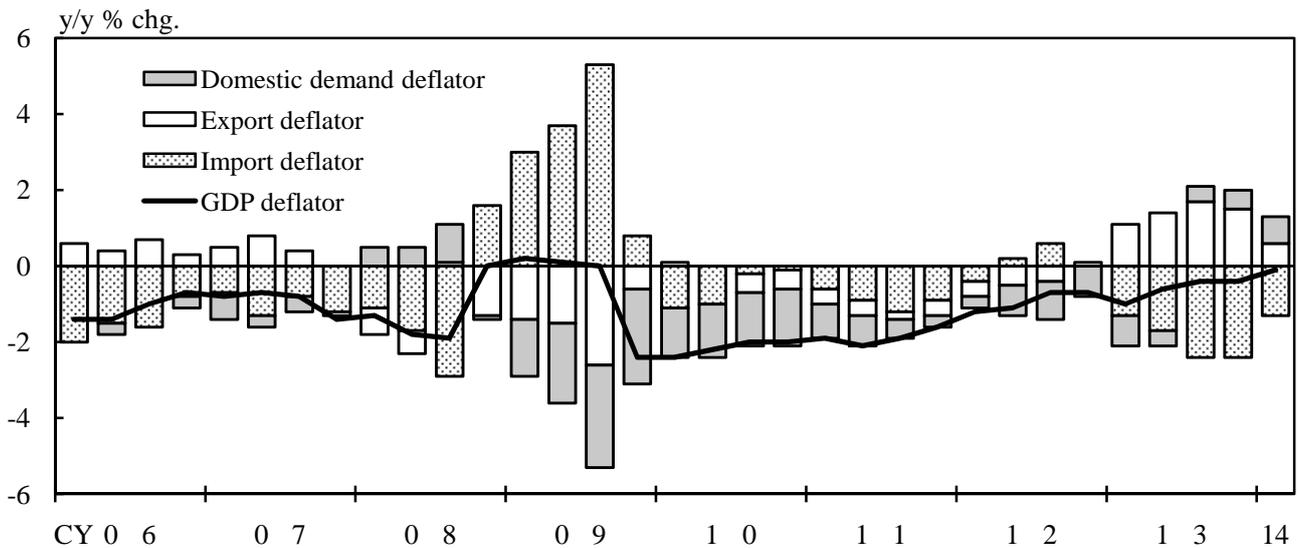


Note: Shaded areas indicate recession periods.

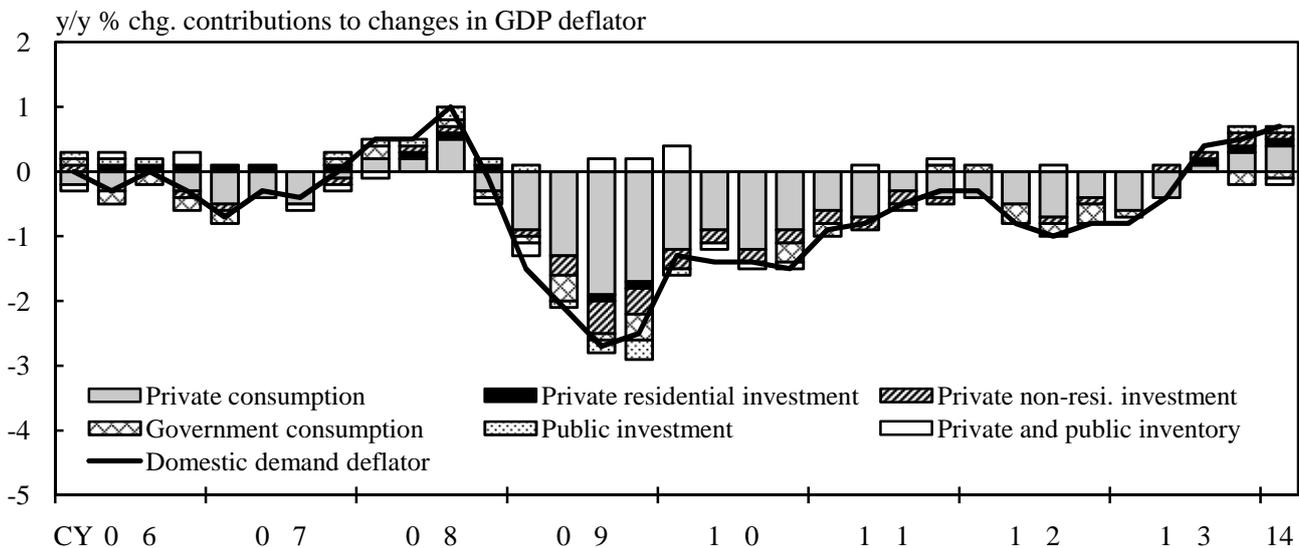
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

GDP Deflator and Income Formation

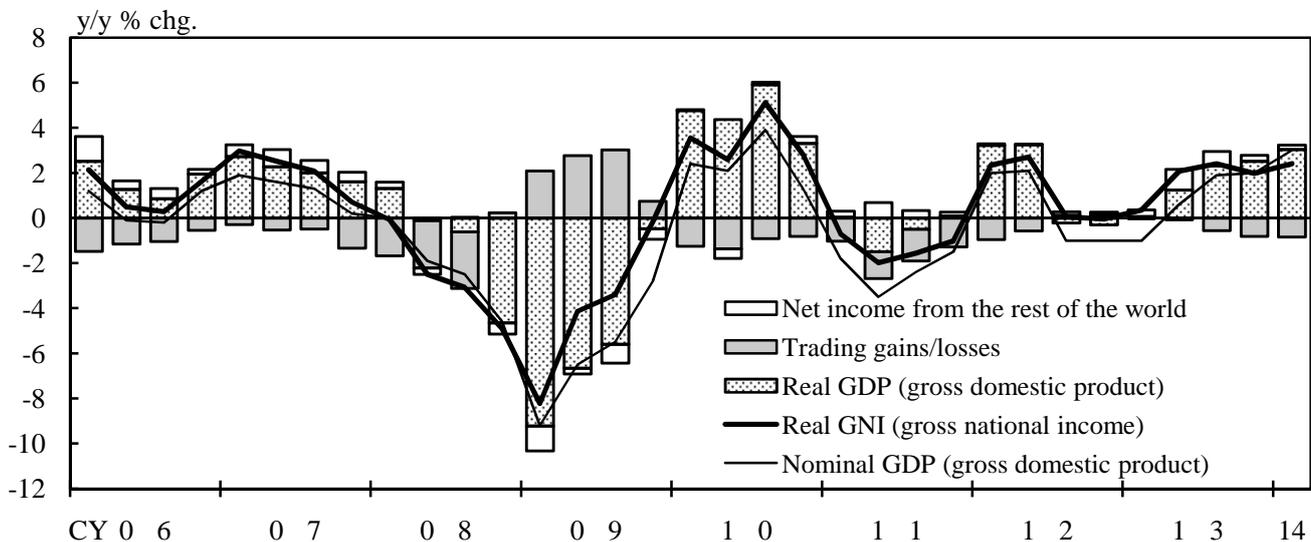
(1) GDP Deflator



(2) Domestic Demand Deflator



(3) Aggregate Income Formation



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

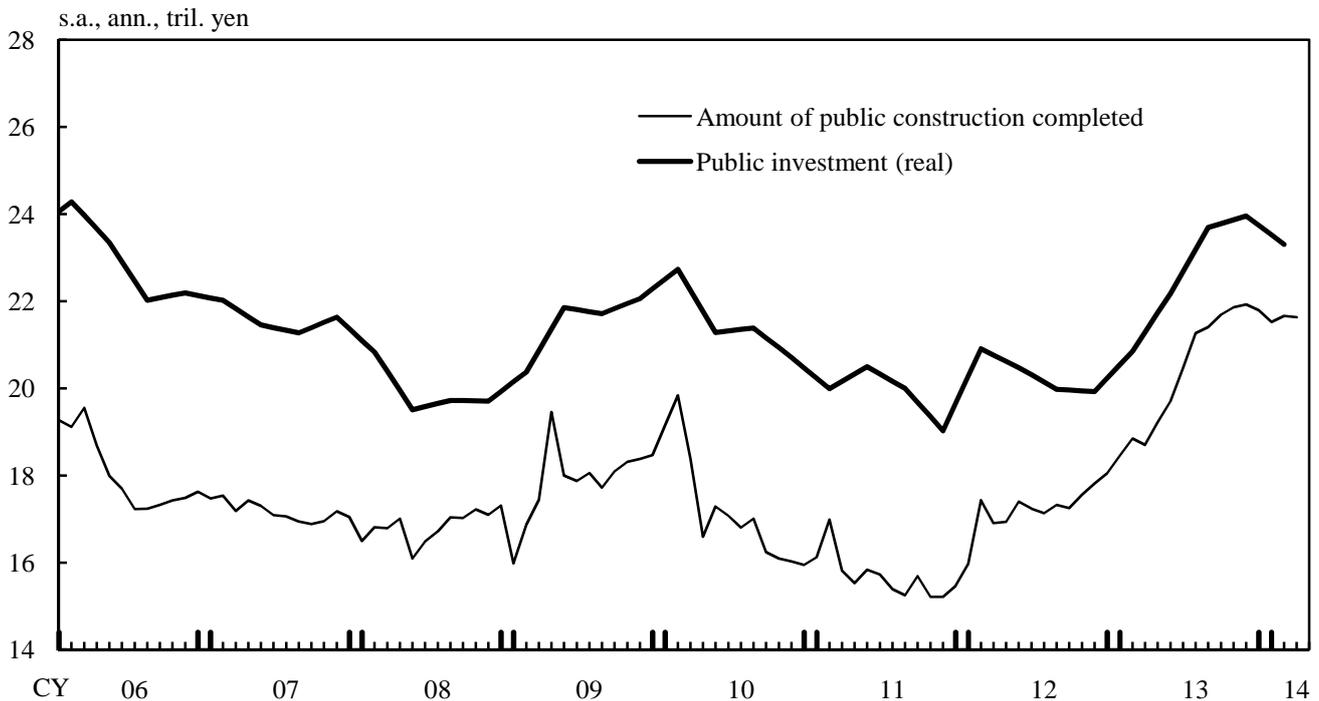
2. Real GNI = real GDP + trading gains/losses + net income from the rest of the world

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

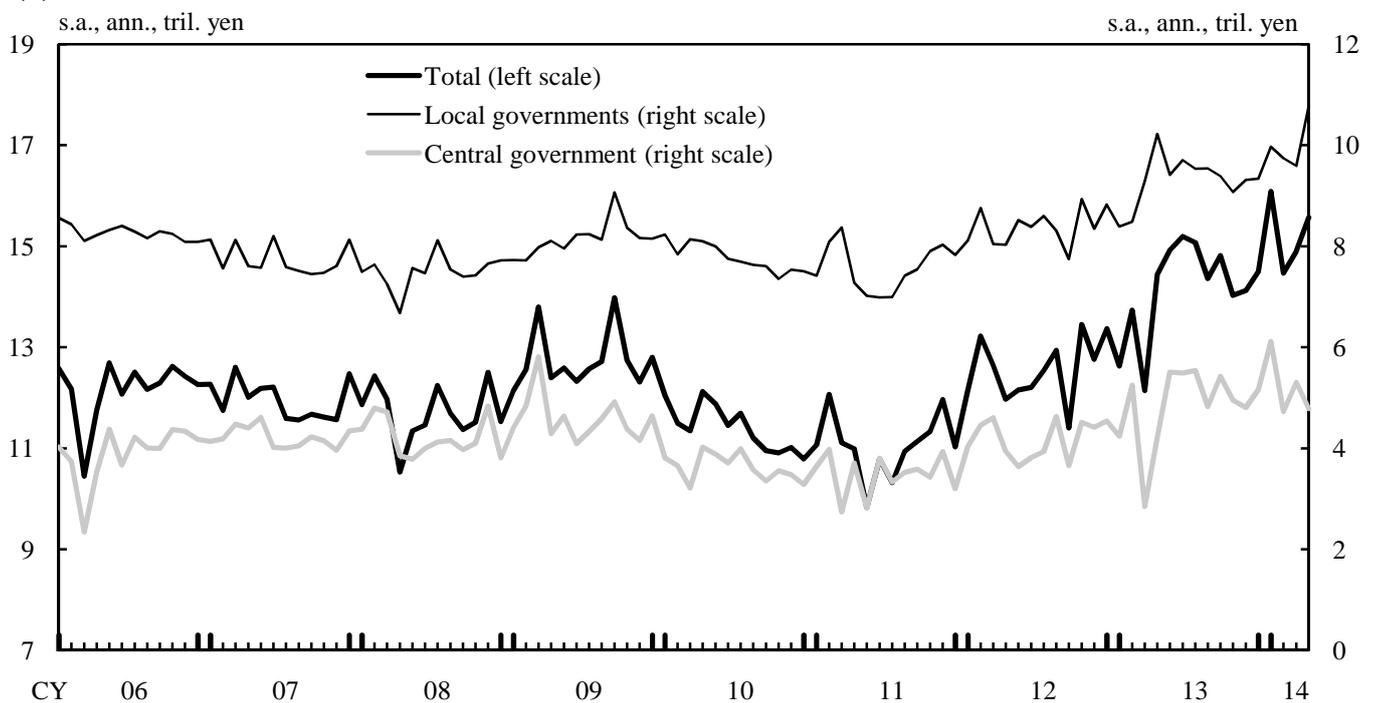
Source: Cabinet Office, "National Accounts."

Public Investment

(1) Amount of Public Construction Completed and Public Investment



(2) Value of Public Works Contracted



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

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

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

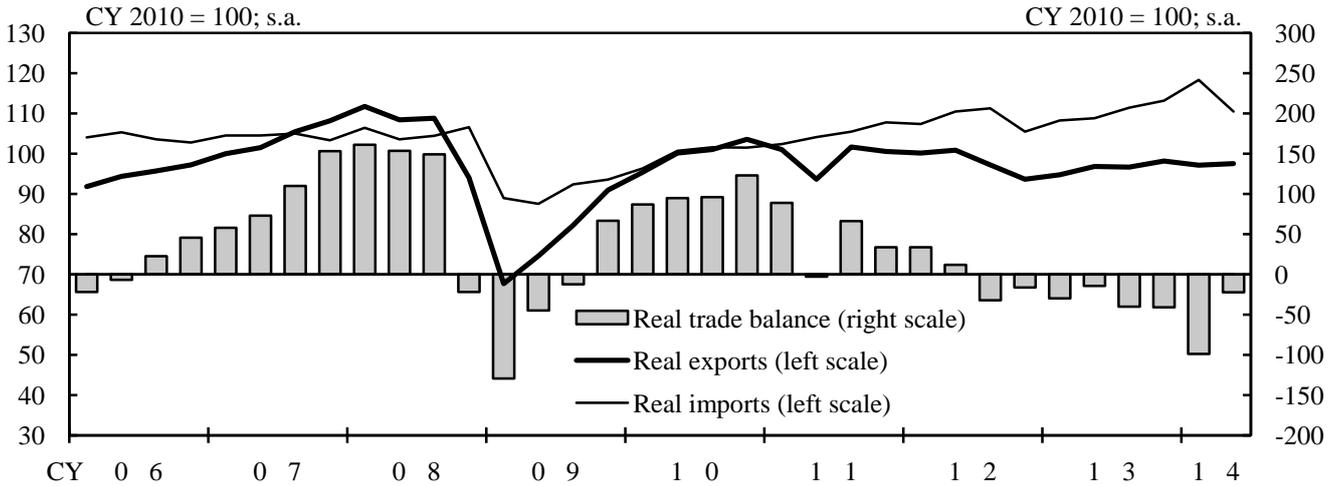
Sources: Cabinet Office, "National Accounts";

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

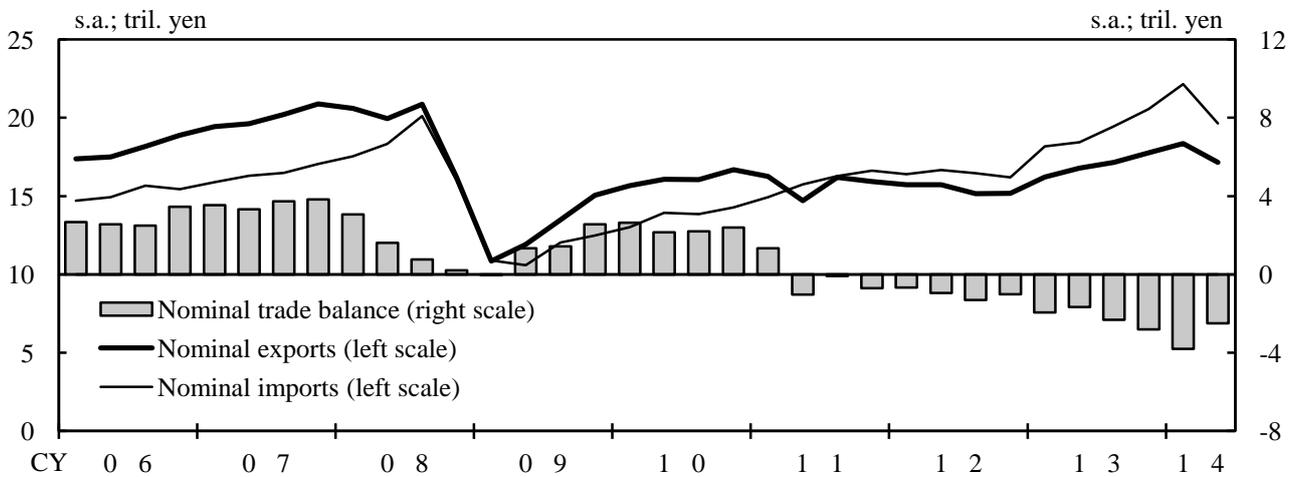
Ministry of Land, Infrastructure, Transport and Tourism, "Integrated Statistics on Construction Works."

External Balance ¹

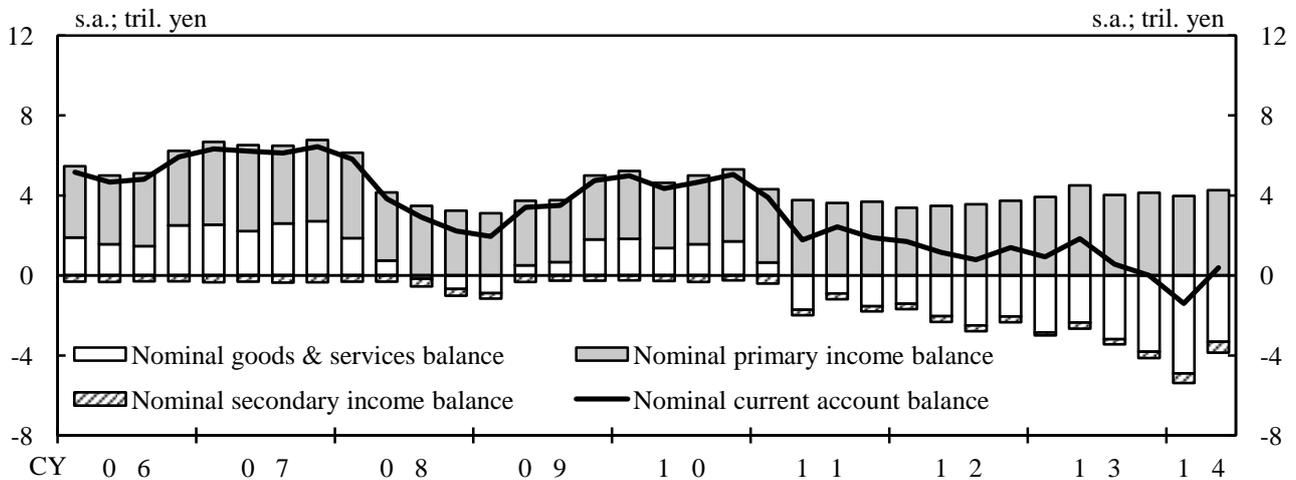
(1) Real Exports, Real Imports, and Real Trade Balance ²



(2) Nominal Exports, Nominal Imports, and Nominal Trade Balance ³



(3) Nominal Current Account Balance and Nominal Goods & Services Balance ³



Notes: 1. Seasonally adjusted by X-12-ARIMA. 2014/Q2 figures are April figures converted into quarterly amount.
 2. Real exports/imports are the value of exports and imports in the "Trade Statistics" deflated by the "Export and Import Price Index." "Real trade balance" is defined as real exports minus real imports.
 3. Figures are based on the "Balance of Payments."

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

Real Exports ¹

(1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2012	2013	2013 Q2	Q3	Q4	2014 Q1	Q2	2014 Feb.	Mar.	Apr.
United States	<18.5>	13.0	2.7	4.7	-0.8	-0.4	0.9	0.2	-3.9	0.7	1.0
EU	<10.0>	-13.0	-3.7	0.7	6.3	2.2	0.6	-1.9	-1.4	-0.3	-1.2
East Asia	<50.9>	-2.6	-3.0	2.8	-1.3	2.5	-1.5	-1.2	7.9	-5.1	-0.2
China	<18.1>	-8.1	-1.7	5.8	2.4	5.7	-3.9	-1.2	10.7	-8.8	1.7
NIEs	<21.9>	-4.7	-1.0	2.7	-2.8	1.1	1.0	-2.4	9.7	-4.6	-2.3
Korea	<7.9>	-3.5	0.4	0.3	-0.3	-3.1	0.4	-6.7	7.8	-6.4	-4.8
Taiwan	<5.8>	-6.0	-1.5	-1.6	-5.1	4.8	0.5	0.6	3.4	-2.6	1.3
Hong Kong	<5.2>	-0.7	-1.4	7.1	-1.0	-2.3	2.2	4.1	19.4	-2.5	0.0
Singapore	<2.9>	-11.6	-2.8	9.4	-9.3	10.6	4.0	-5.8	12.8	-8.9	-3.7
ASEAN4 ³	<10.9>	12.5	-8.5	-1.6	-4.5	-0.0	-2.1	1.4	-0.7	1.1	0.9
Thailand	<5.0>	19.3	-9.3	-0.7	-7.0	-4.2	-1.9	0.4	-1.5	0.2	0.7
Others	<20.6>	1.7	-5.0	0.1	-0.8	-2.0	0.2	4.1	4.3	-2.5	4.4
Real exports		-1.0	-1.9	2.1	-0.1	1.5	-1.0	0.4	4.3	-3.3	1.3

(2) Breakdown by Goods

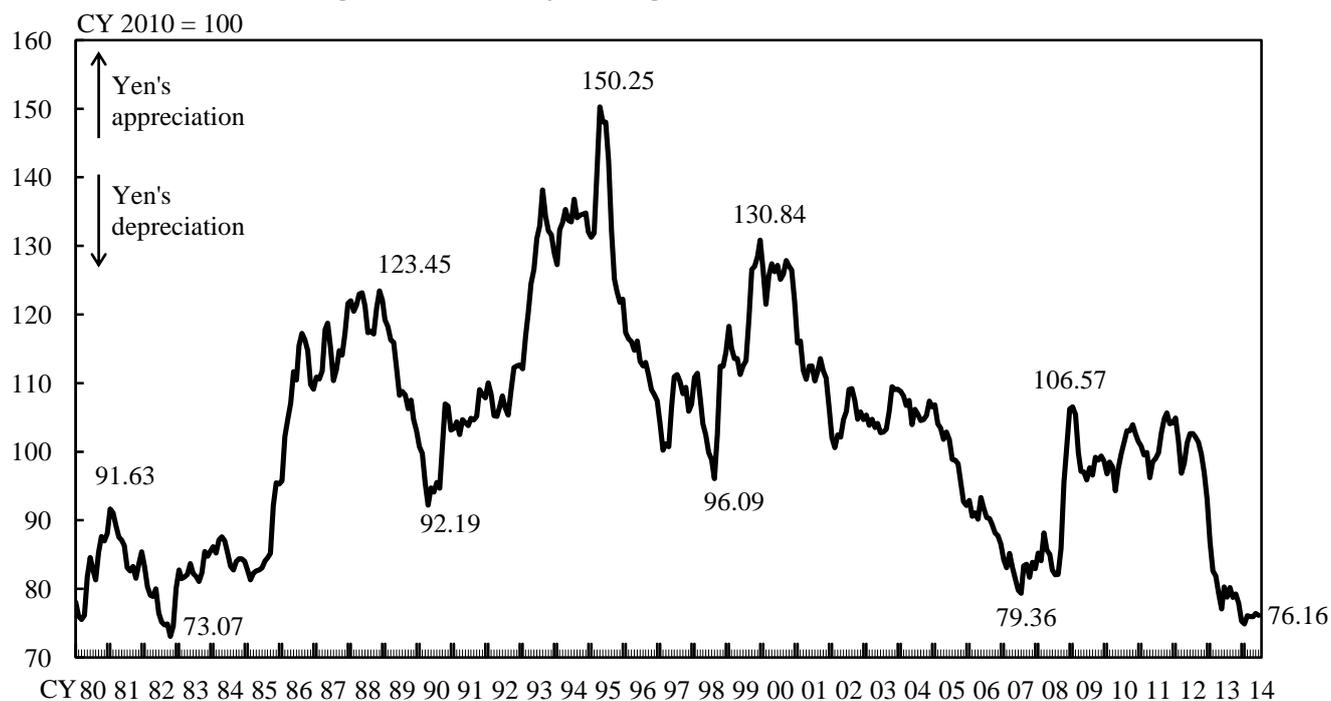
		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2012	2013	2013 Q2	Q3	Q4	2014 Q1	Q2	2014 Feb.	Mar.	Apr.
Intermediate goods	<21.1>	-0.7	1.2	1.7	-0.1	-0.1	1.1	-2.2	2.6	-3.0	-1.0
Motor vehicles and their related goods	<23.9>	7.7	-1.4	4.6	2.4	-0.2	-4.6	0.5	1.0	-0.3	0.3
IT-related goods ⁴	<10.6>	3.6	-7.5	-0.2	0.2	1.9	-0.6	0.4	5.7	-4.9	1.9
Capital goods and parts ⁵	<27.5>	-4.0	-5.8	0.1	1.6	2.3	-1.8	0.4	8.4	-4.6	0.9
Real exports		-1.0	-1.9	2.1	-0.1	1.5	-1.0	0.4	4.3	-3.3	1.3

- Notes: 1. Seasonally adjusted by X-12-ARIMA. 2014/Q2 figures are April figures converted into quarterly amount.
2. Shares of each region and goods in 2013 are shown in angle brackets.
3. Data of four members: Thailand, Indonesia, Malaysia, and Philippines.
4. IT-related goods are composed of computers and units, telecommunication machinery, ICs, visual apparatus, audio apparatus, and medical and optical instruments.
5. Excludes IT-related goods, power generating machinery, and parts of motor vehicles.

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

Real Effective Exchange Rate and Overseas Economies

(1) Real Effective Exchange Rate (Monthly Average)



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

2. Figures for May and June (up to June 11) 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

	CY2011	2012	2013	s.a., ann., q/q % chg.			
				2013 Q2	Q3	Q4	2014 Q1
United States ¹	1.8	2.8	1.9	2.5	4.1	2.6	-1.0
European Union ²	1.6	-0.4	0.1	1.6	1.2	1.6	1.2
Germany ¹	3.3	0.7	0.4	2.9	1.3	1.5	3.3
France ¹	2.1	0.4	0.4	2.4	-0.2	0.7	0.1
United Kingdom ¹	1.1	0.3	1.7	3.1	3.4	2.7	3.3
East Asia ³	5.9	4.9	4.9	5.3	5.7	5.5	2.7
China ¹	9.3	7.7	7.7	7.4	9.5	7.0	5.7
NIEs ^{1,3}	4.4	1.9	2.9	4.4	2.4	5.1	2.4
ASEAN4 ^{1,3,4}	3.0	6.3	4.4	3.6	5.9	3.9	-1.7
Main economies ³	4.5	3.7	3.6	4.2	4.8	4.4	1.6

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 ¹

(1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2012	2013	2013 Q2	Q3	Q4	2014 Q1	Q2	2014 Feb.	Mar.	Apr.
United States	<8.4>	3.8	-2.1	3.0	3.8	-0.2	5.8	-10.0	-3.1	-2.8	-7.3
EU	<9.4>	4.0	0.8	-0.7	4.8	-0.2	5.6	-4.4	4.2	0.4	-6.0
East Asia	<40.8>	3.9	2.5	-0.6	3.1	3.1	5.3	-5.9	-5.5	7.0	-8.3
China	<21.7>	5.0	5.4	0.1	4.2	3.0	5.7	-6.7	-9.4	11.3	-10.1
NIEs	<8.2>	5.0	-0.4	-4.6	6.2	0.9	5.7	-3.8	-4.8	5.5	-5.6
Korea	<4.3>	4.3	-4.8	-6.5	5.0	1.3	2.1	-7.5	-1.6	0.5	-7.4
Taiwan	<2.8>	7.2	8.0	4.8	3.5	-0.1	8.4	-2.5	-7.1	7.4	-4.6
Hong Kong	<0.2>	-2.5	9.2	-7.6	9.2	1.9	0.6	3.9	-14.1	37.7	-10.9
Singapore	<0.9>	3.0	-7.0	-13.0	12.6	0.4	13.9	-0.6	-14.0	12.1	-3.0
ASEAN4 ³	<10.8>	0.5	-1.2	1.0	-2.0	5.4	3.9	-5.6	3.7	-1.1	-6.0
Thailand	<2.6>	-0.9	1.6	1.1	-0.8	3.3	7.2	-3.7	1.1	-1.5	-3.1
Others	<41.4>	4.7	0.2	1.5	0.4	-0.6	4.6	-7.4	-2.1	12.0	-13.4
Real imports		4.2	0.9	0.5	2.4	1.6	4.5	-6.6	-4.9	8.3	-9.9

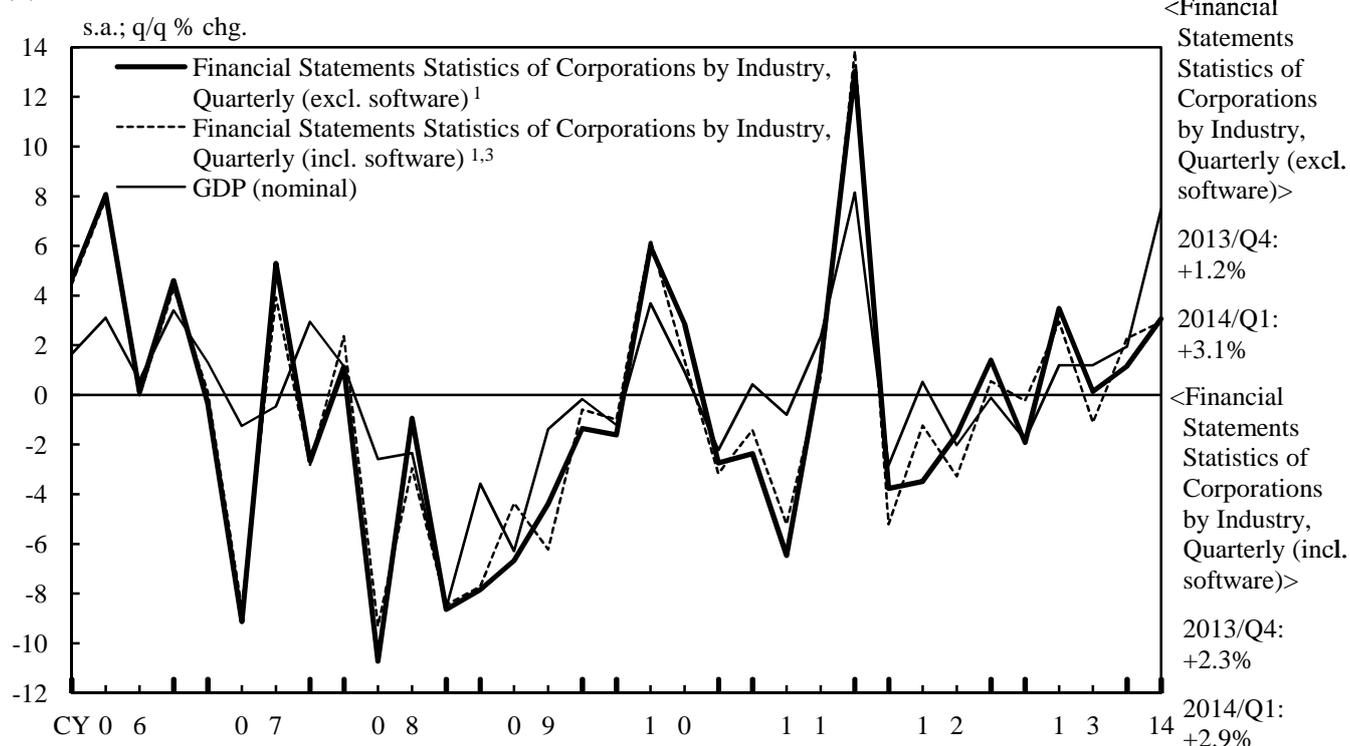
(2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2012	2013	2013 Q2	Q3	Q4	2014 Q1	Q2	2014 Feb.	Mar.	Apr.
Raw materials ⁴	<40.4>	4.5	-2.0	-0.7	0.2	-0.7	5.0	-8.8	-1.0	10.4	-14.3
Intermediate goods	<12.9>	-2.7	-2.7	-1.3	2.8	0.8	5.6	-0.4	-2.3	8.1	-4.6
Foodstuffs	<8.0>	-0.7	-3.2	-5.0	3.3	0.7	-1.2	-5.3	-8.1	3.1	-4.5
Consumer goods ⁵	<7.9>	4.5	4.1	3.4	2.4	1.1	2.2	-9.6	-2.0	-1.4	-8.2
IT-related goods ⁶	<12.6>	9.0	12.9	3.0	4.8	4.7	6.8	-7.2	-4.1	8.8	-10.9
Capital goods and parts ⁷	<11.4>	10.4	4.7	4.3	5.3	2.6	7.2	-8.1	-5.2	3.2	-8.3
Excluding aircraft	<10.5>	7.0	5.3	4.3	4.8	2.7	8.5	-8.4	-4.2	4.1	-9.5
Real imports		4.2	0.9	0.5	2.4	1.6	4.5	-6.6	-4.9	8.3	-9.9

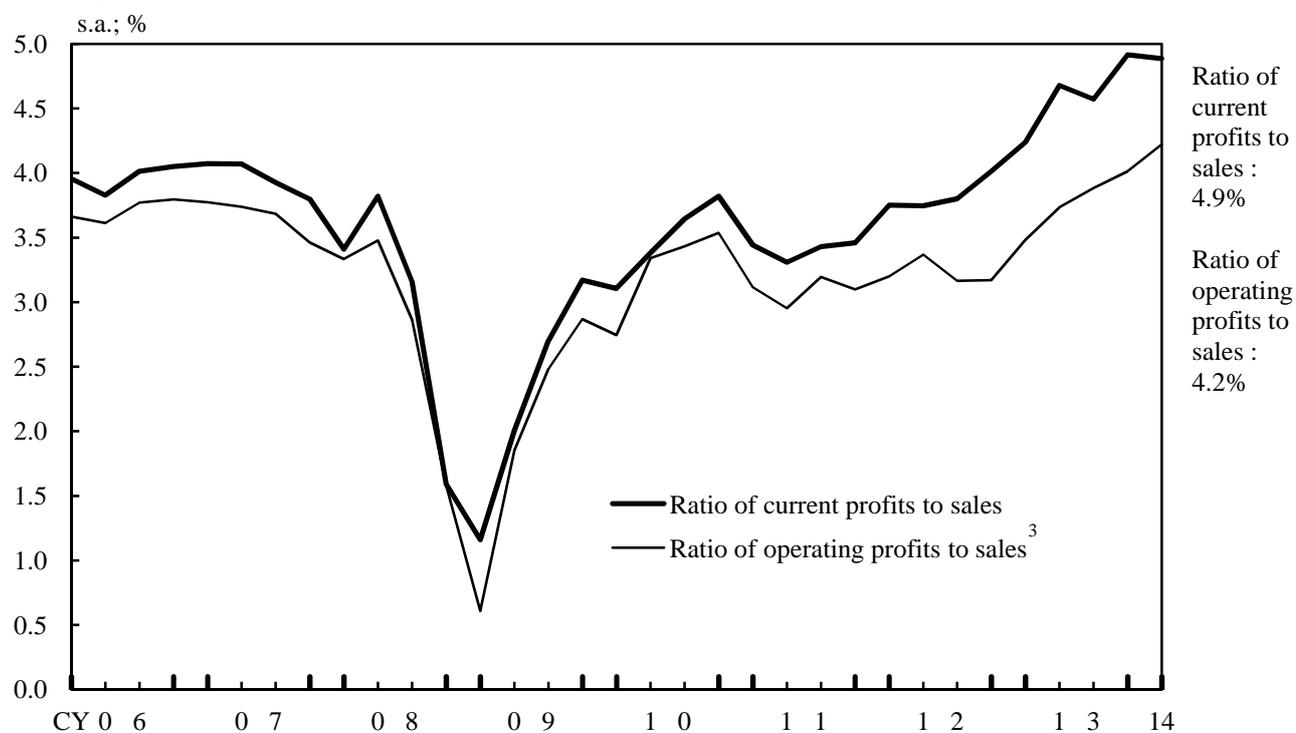
- Notes: 1. Seasonally adjusted by X-12-ARIMA. 2014/Q2 figures are April figures converted into quarterly amount.
2. Shares of each region and goods in 2013 are shown in angle brackets.
3. Data of four members: Thailand, Indonesia, Malaysia, and Philippines.
4. Raw materials are mainly composed of woods, ores, and mineral fuels.
5. Excludes foodstuffs.
6. IT-related goods are composed of computers and units, parts of computers, telecommunication machinery, ICs, audio and visual apparatus, and medical and optical instruments.
7. Excludes IT-related goods.

Business Fixed Investment and Corporate Profits

(1) Business Fixed Investment



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



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

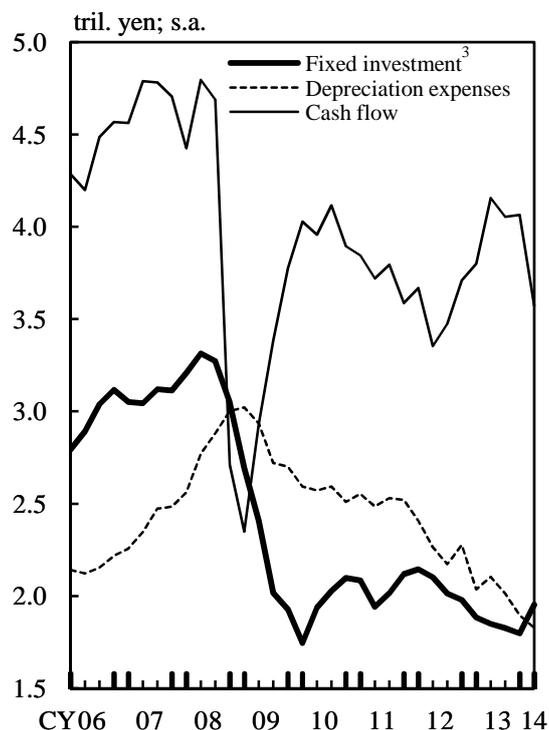
2. Based on the "Financial Statements Statistics of Corporations by Industry, Quarterly."

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

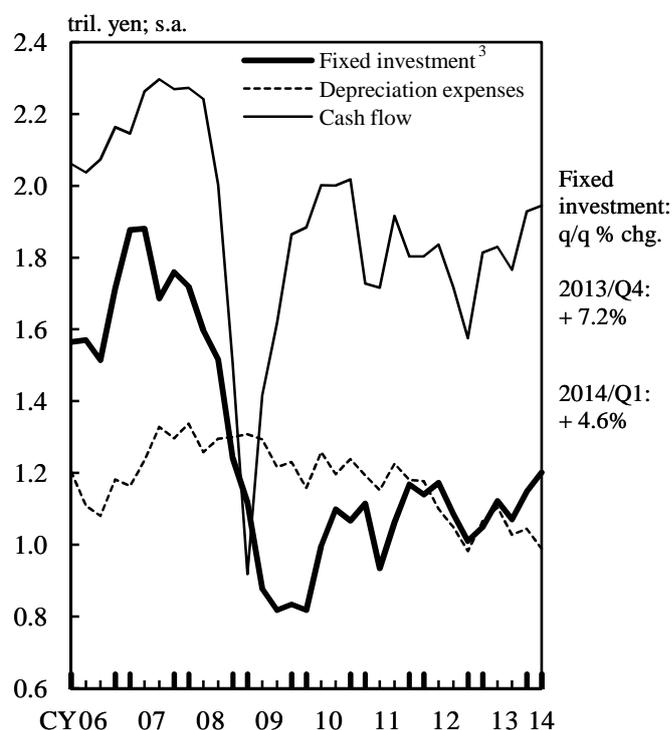
Sources: Cabinet Office, "National Accounts"; Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

Business Fixed Investment by Industry and Size

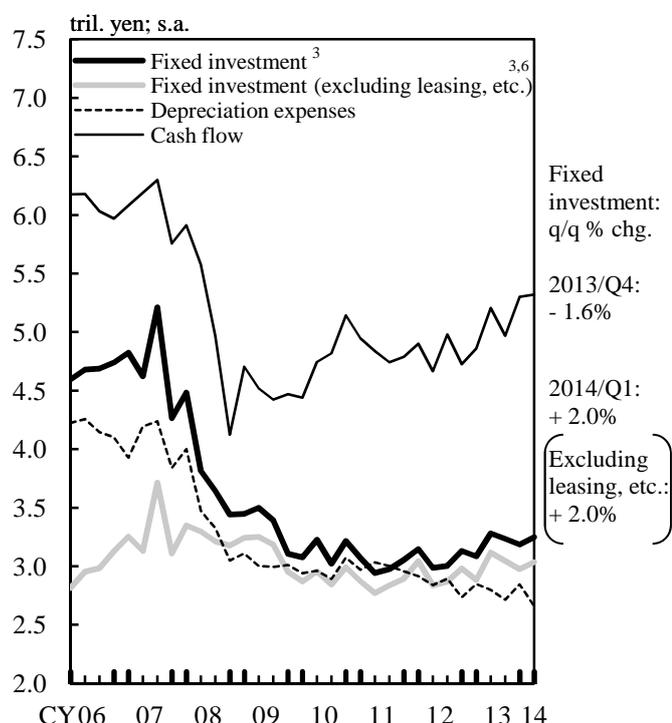
(1) Large Manufacturing Firms



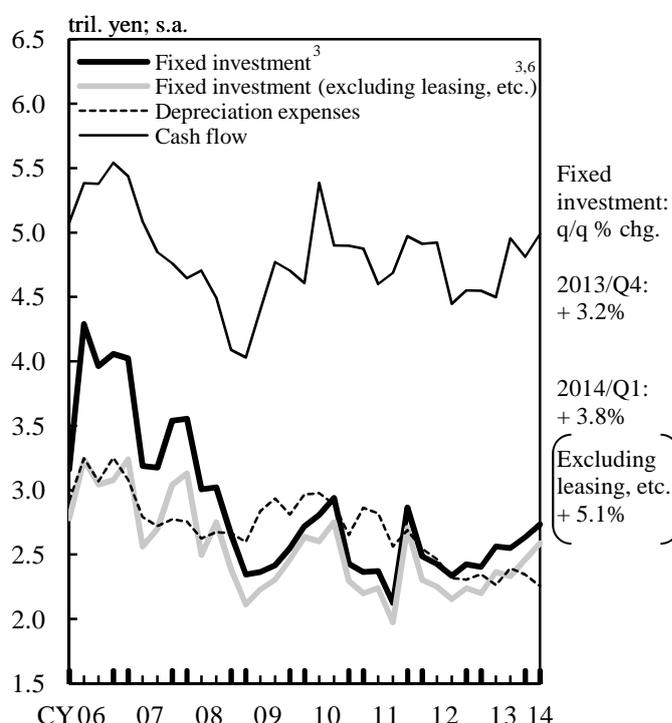
(2) Medium-Sized and Small Manufacturing Firms



(3) Large Nonmanufacturing Firms



(4) Medium-Sized and Small Nonmanufacturing Firms

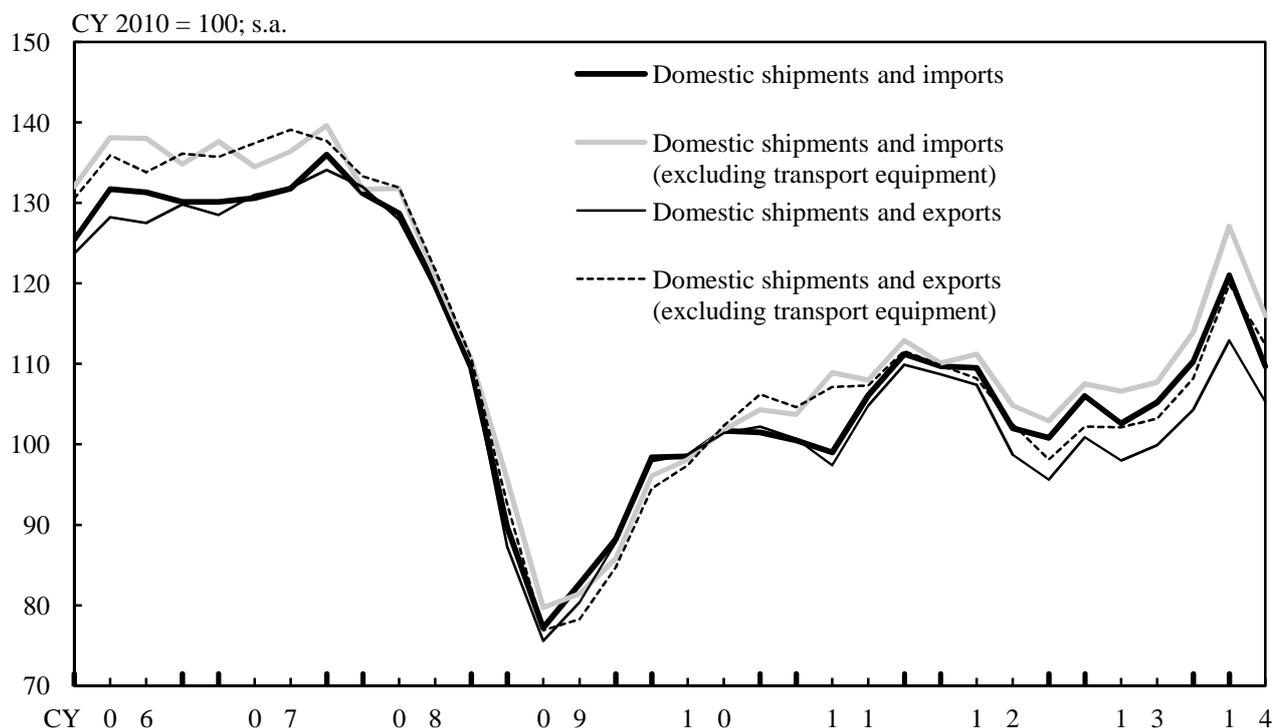


- Notes: 1. "Large firms" refers to firms with capital stock of 1 billion yen or more, and "medium-sized and small firms" refers to firms with capital stock of 10 million or more but less than 1 billion yen.
 2. Cash flow = current profits / 2 + depreciation expenses.
 3. Excluding software investment.
 4. Seasonally adjusted by X-12-ARIMA.
 5. Excluding "Finance and Insurance."
 6. Excluding "Goods rental and Leasing."

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

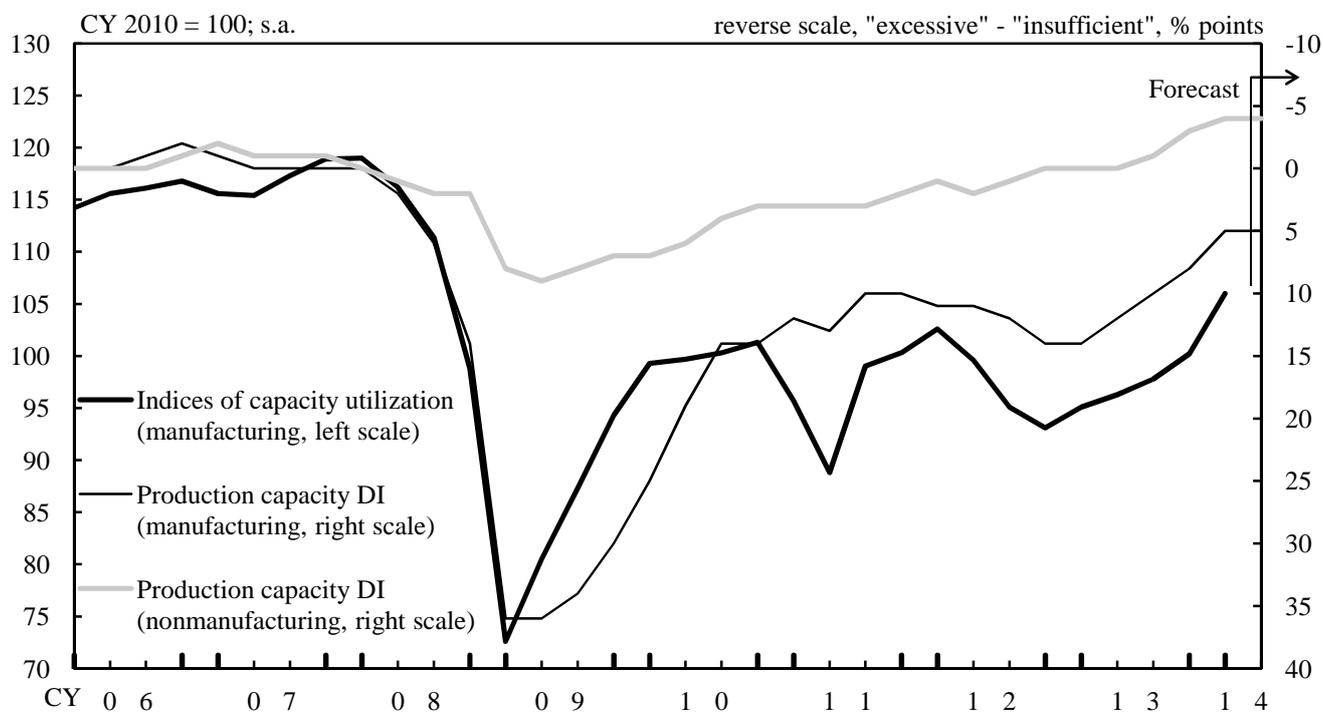
Coincident Indicators of Business Fixed Investment

(1) Aggregate Supply and Shipments of Capital Goods



Note: Figures for 2014/Q2 are those of April.

(2) Indices of Capacity Utilization and Production Capacity DI

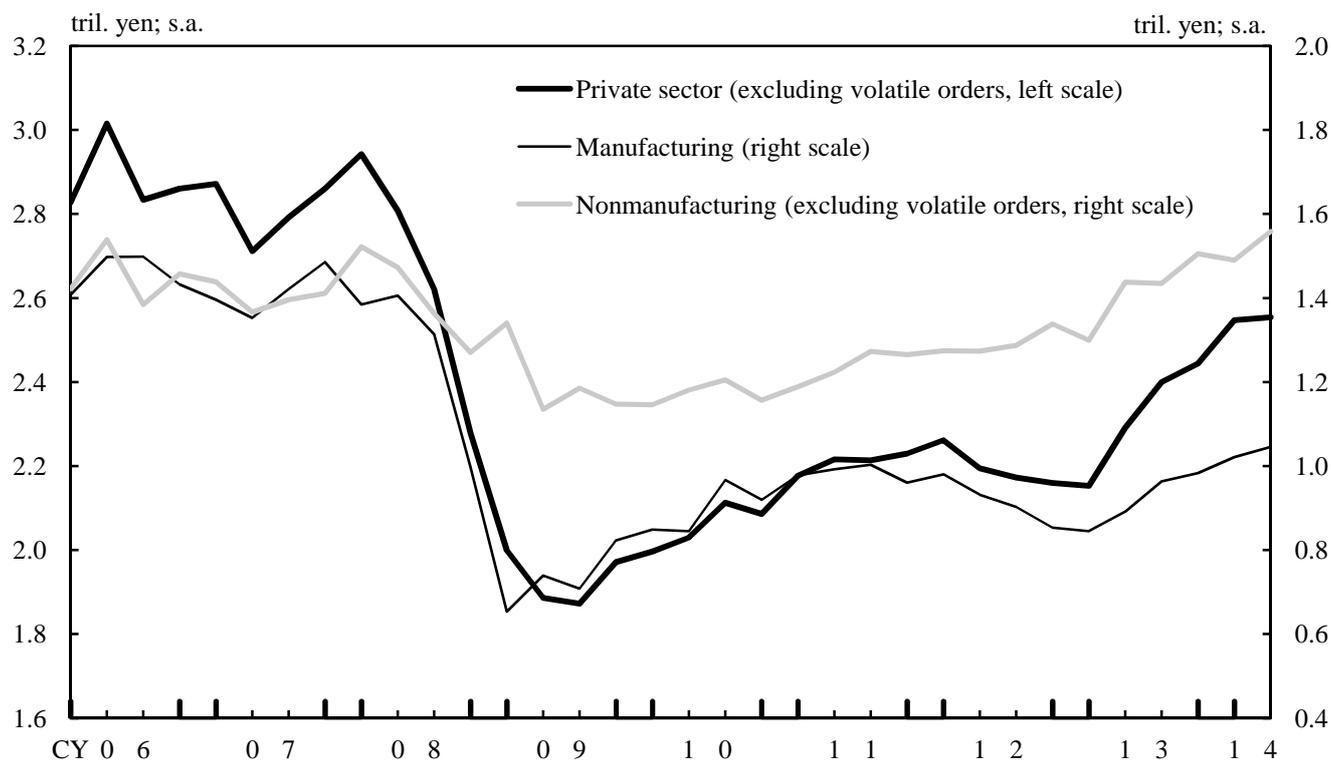


Note: Production capacity DIs are those of all enterprises.

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

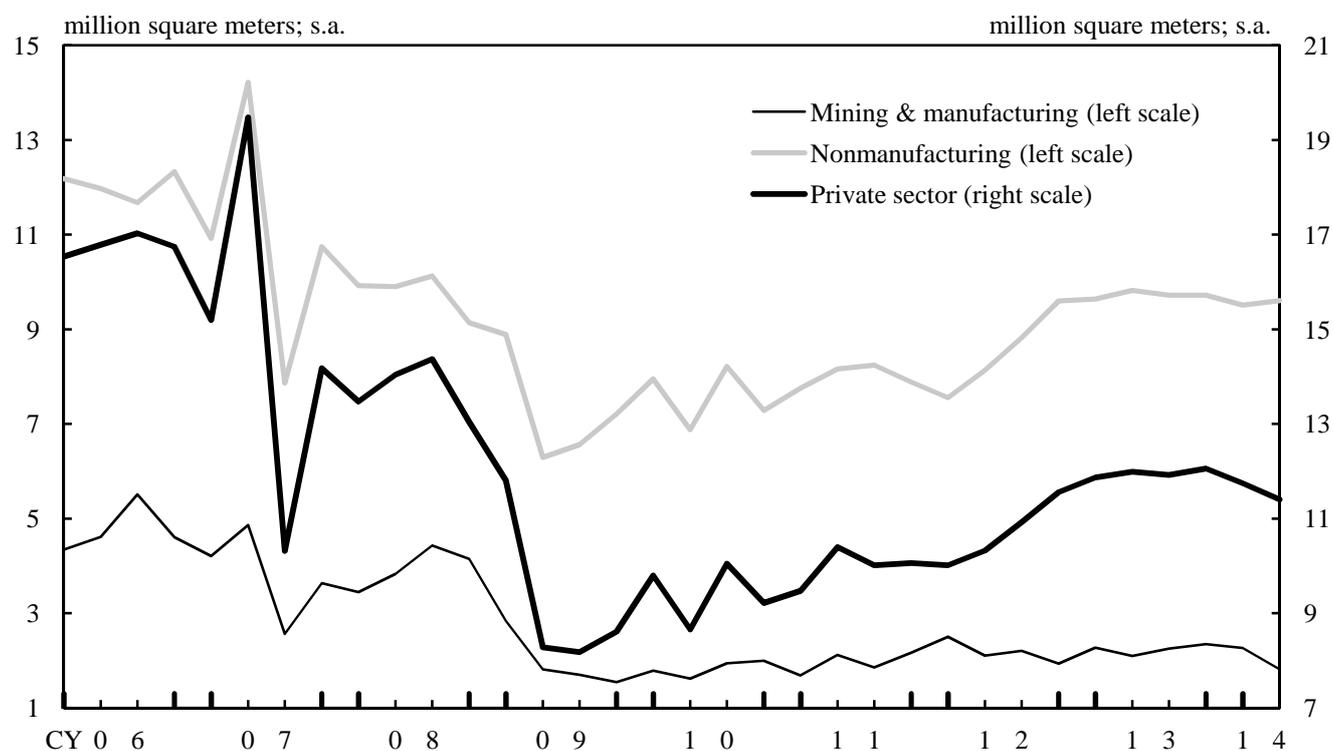
Leading Indicators of Business Fixed Investment

(1) Machinery Orders



Notes: 1. Volatile orders: Orders for ships and those from electric power companies.
 2. Figures for 2014/Q2 are those of April in quarterly amount.

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

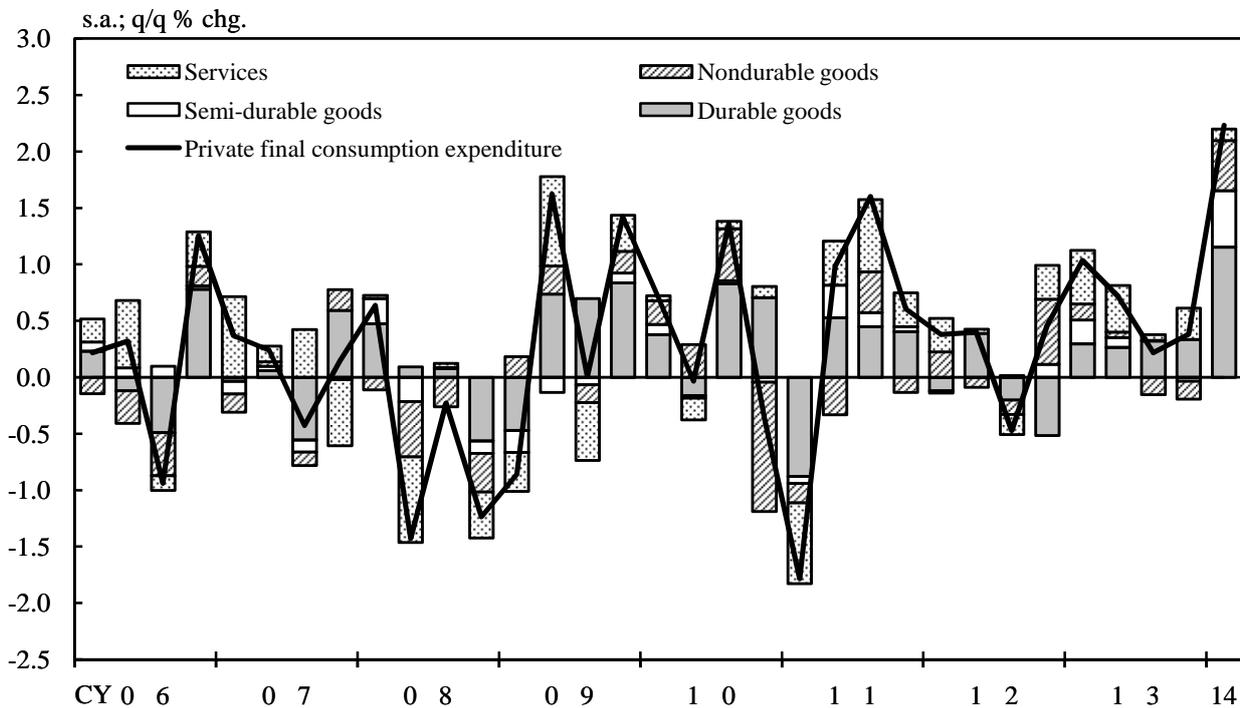


Notes: 1. Seasonally adjusted by X-12-ARIMA.
 2. Figures for 2014/Q2 are those of April in quarterly amount.

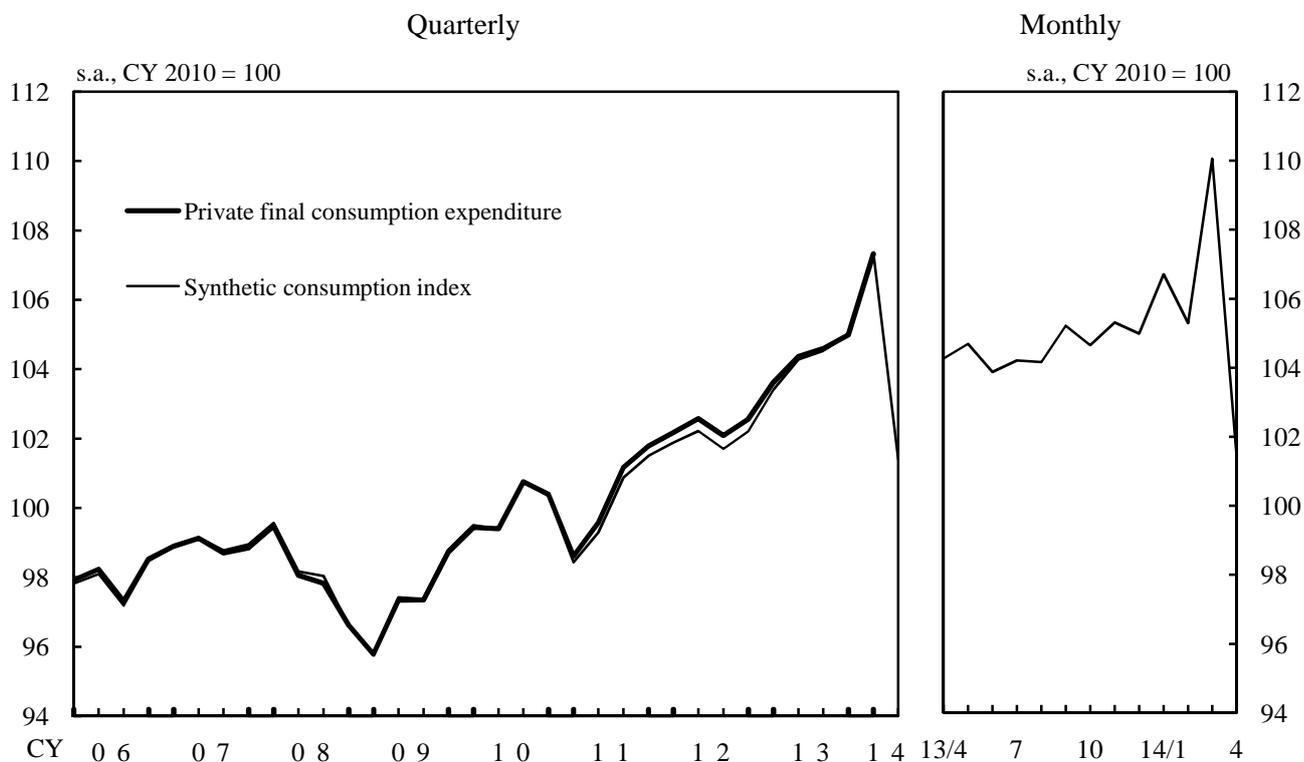
Sources: Cabinet Office, "Orders Received for Machinery";
 Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts."

Indicators of Private Consumption (1)

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



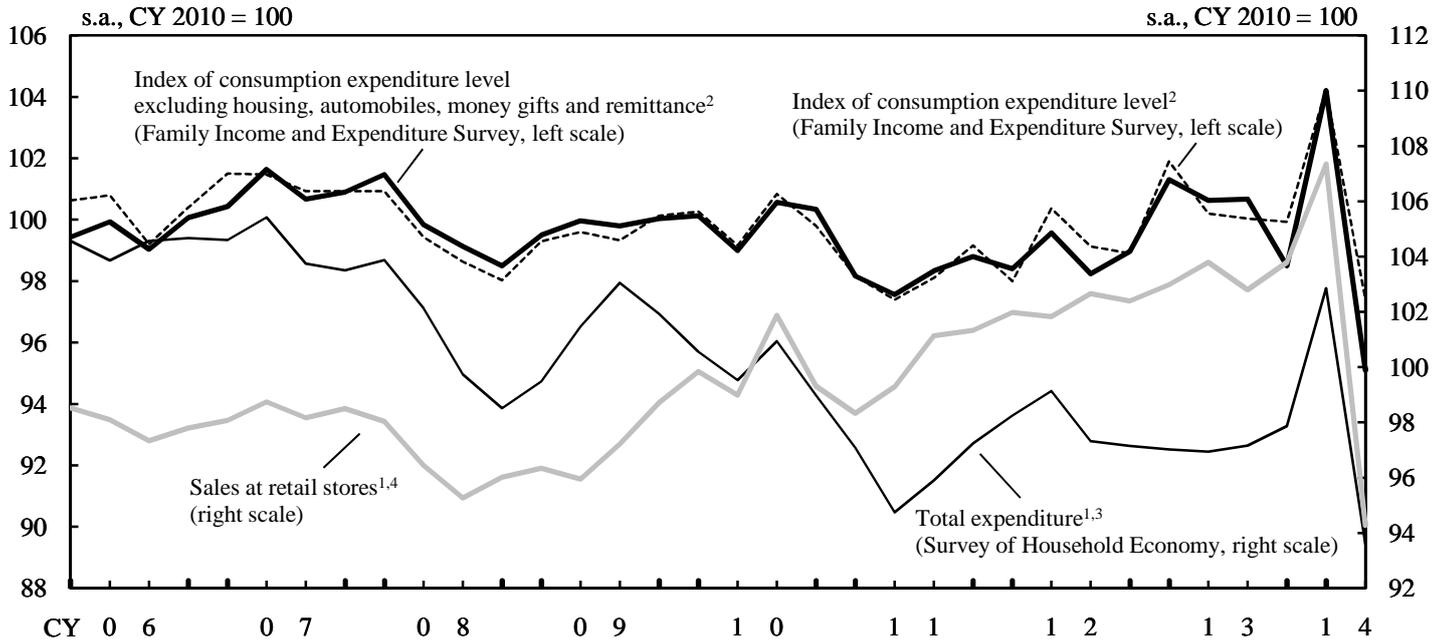
(2) Private Final Consumption Expenditure and Synthetic Consumption Index (Real)



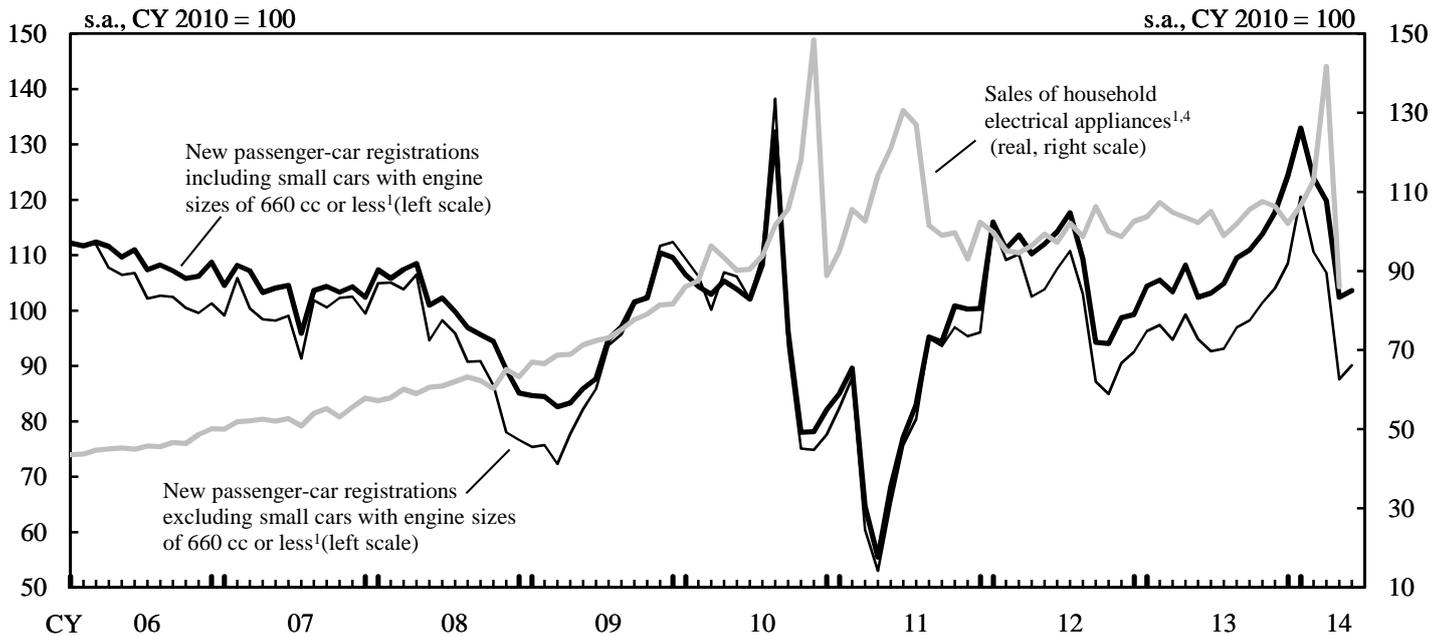
Note: The figure of the synthetic consumption index for 2014/Q2 is that of April in quarterly amount.

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

Indicators of Private Consumption (2)

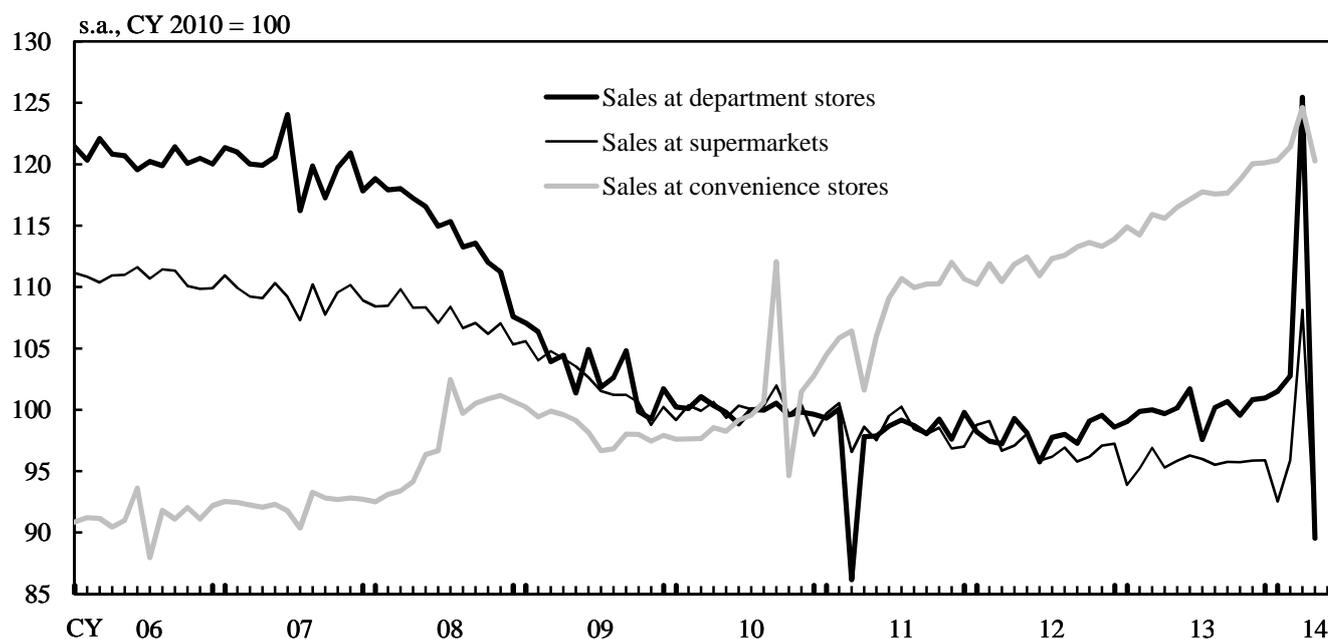
(1) Household Spending (Real)⁵

(2) Sales of Durable Goods

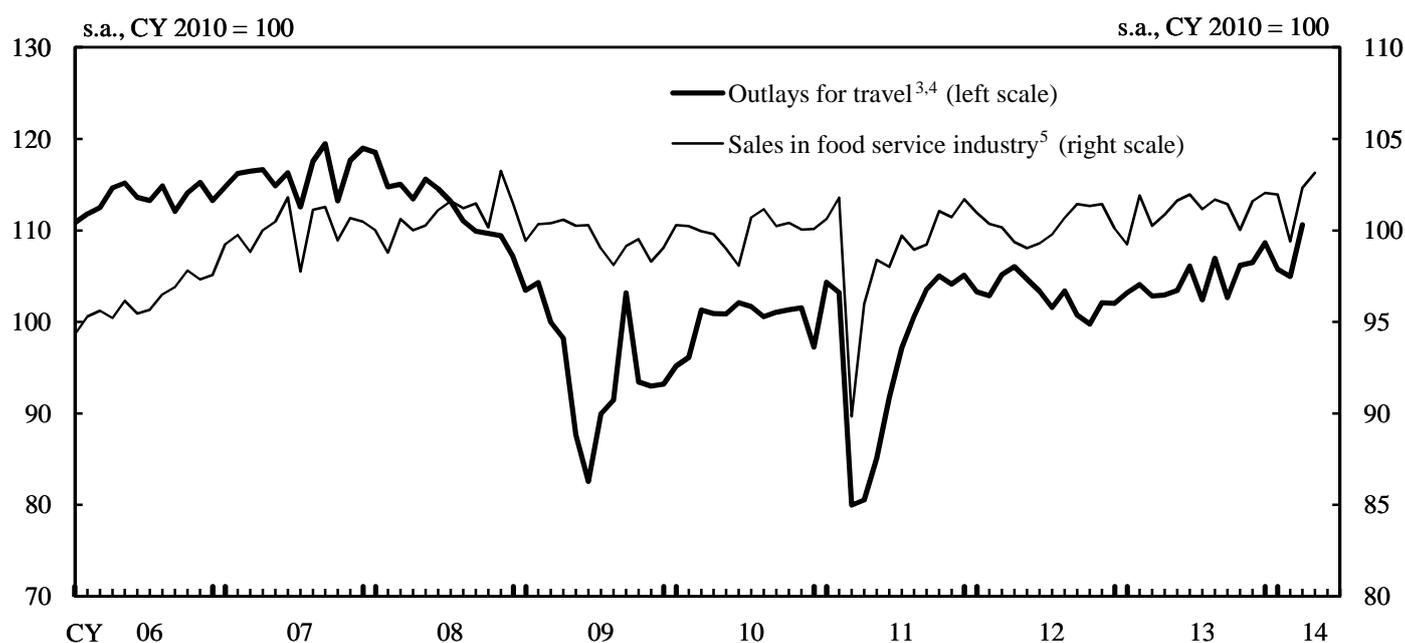


- Notes: 1. Total expenditure, sales at retail stores, sales of household electrical appliances and new passenger-car registrations are seasonally adjusted by X-12-ARIMA.
2. "Index of consumption expenditure level" is based on two-or-more-person households, and is adjusted using the distribution of household by number of household members and age group of household head.
3. "Total expenditure" is based on two-or-more-person households, and is deflated by the "consumer price index (CPI)" excluding imputed rent.
4. "Sales at retail stores" is deflated by the CPI for goods (excluding electricity, gas & water charges).
"Sales of household electrical appliances" is calculated as follows: indices of retail sales of machinery and equipment in the "Current Survey of Commerce" are deflated by the geometric means of the corresponding CPI.
5. Figures for 2014/Q2 are those of April in quarterly amount.

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

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

(2) Consumption of Services (Nominal)



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

2. Adjusted to exclude the effects of the increase in the number of stores (except for convenience stores).

3. Excluding those by foreign travelers.

4. There are discontinuities in the underlying data as of April 2007 and April 2010 due to changes in the sample. Data from April 2007 and onward are calculated using the year-on-year rates of change.

5. "Sales in food service industry" is calculated using the year-on-year rates of change of every month released by the Japan Food Service Association based on the amount of monthly sales in 1993 released by the Food Service Industry Survey & Research Center.

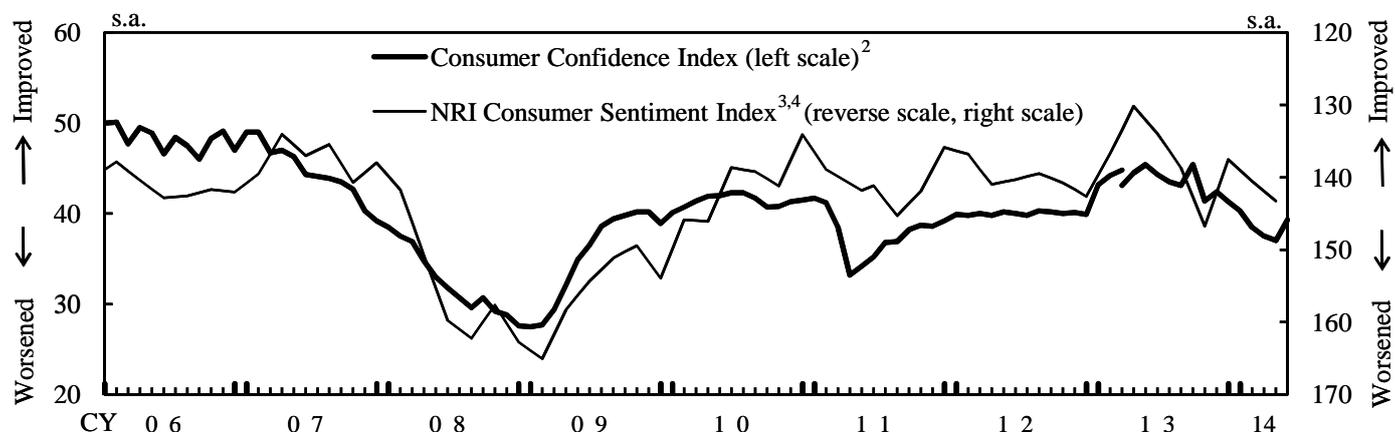
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce";

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

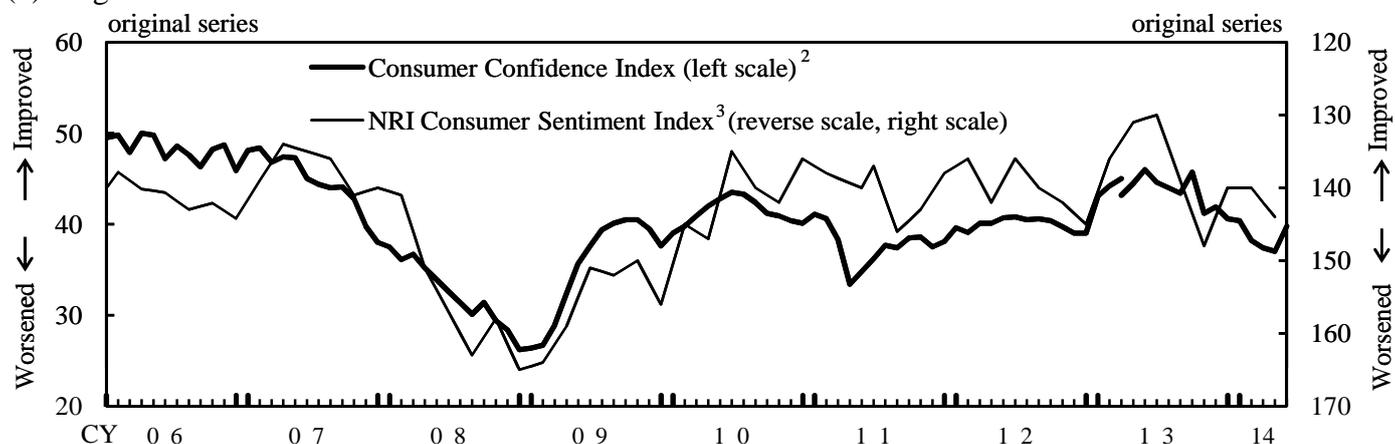
Food Service Industry Survey & Research Center, "*Getsuji Uriage Doukou Chousa* (Monthly survey of food service sales)"; Japan Food Service Association, "*Gaishoku Sangyou Shijou Doukou Chousa* (Research on the food service industry)."

Consumer Confidence¹

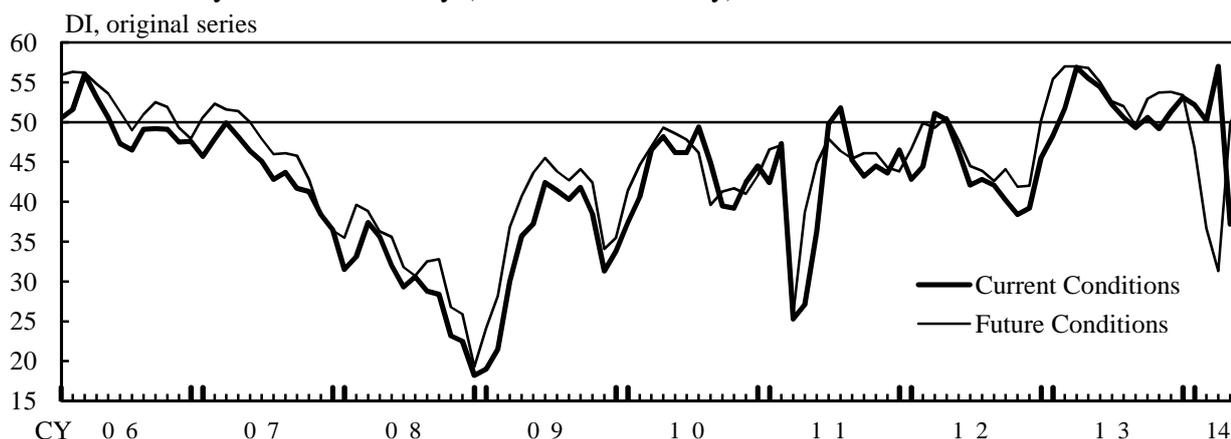
(1) Seasonally Adjusted Series



(2) Original Series



Reference: Economy Watchers Survey (Household Activity)

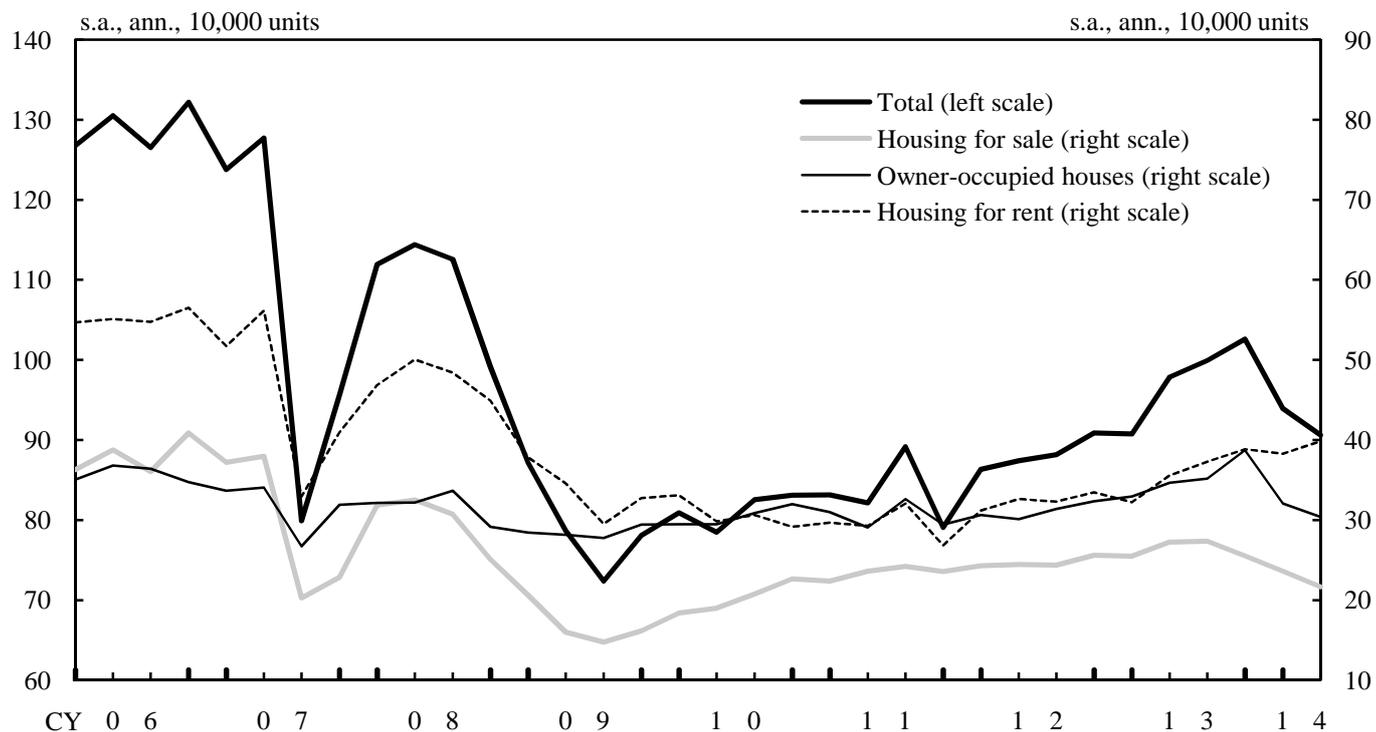


- Notes: 1. The Consumer Confidence Index (covering about 5,700 samples on a nationwide basis from April 2013 onward) and NRI Consumer Sentiment Index (1,200 samples on a nationwide basis) are based on surveys on consumer confidence.
2. In April 2013, the Cabinet Office changed the method for conducting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

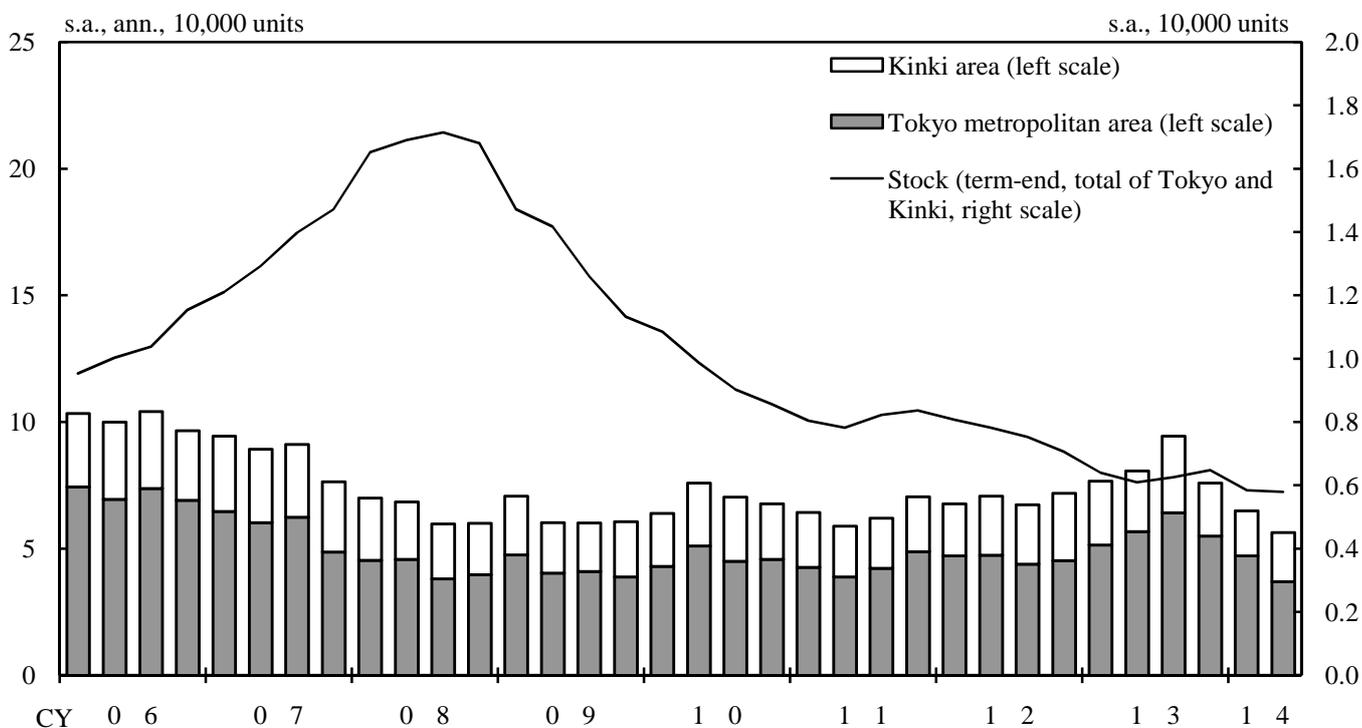
Indicators of Housing Investment

(1) Housing Starts



Note: Figures for 2014/Q2 are those of April.

(2) Sales of Apartments

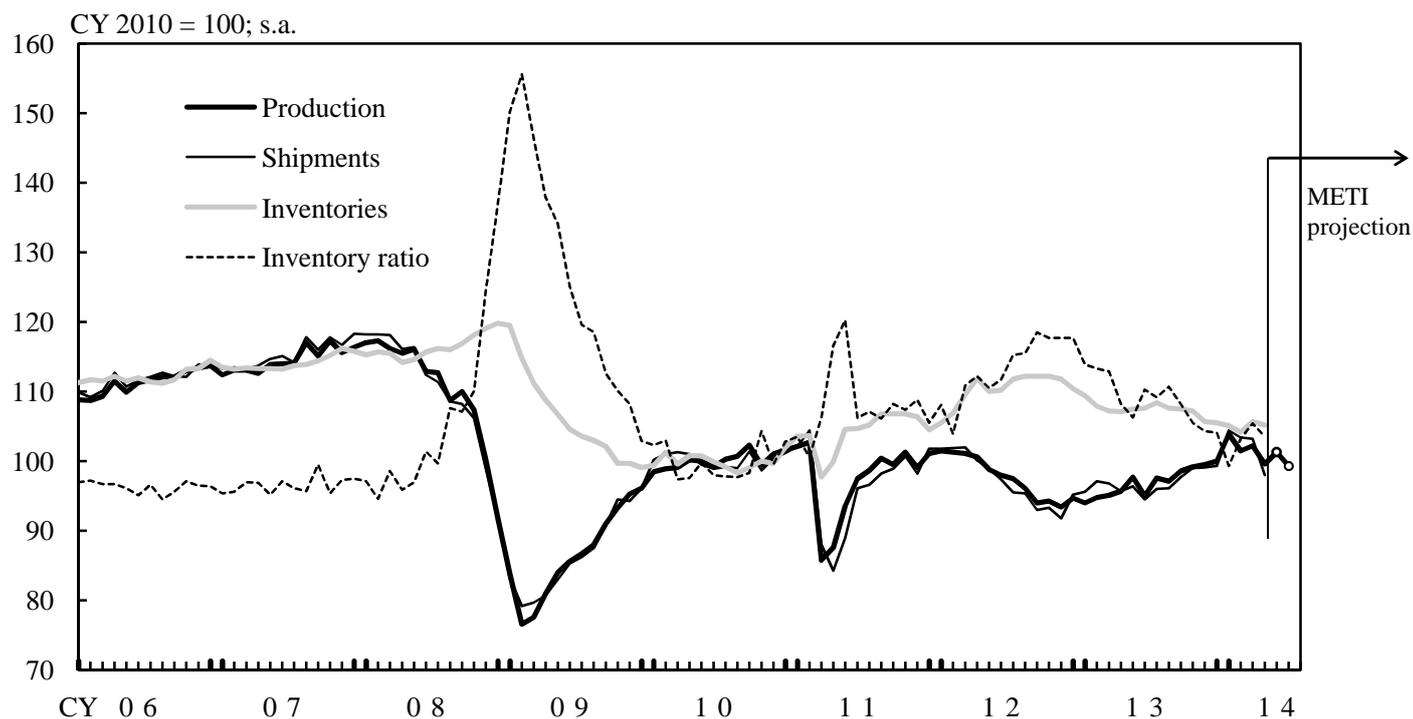


Notes: 1. Seasonally adjusted by X-12-ARIMA.
 2. Figures for 2014/Q2 are those of April.

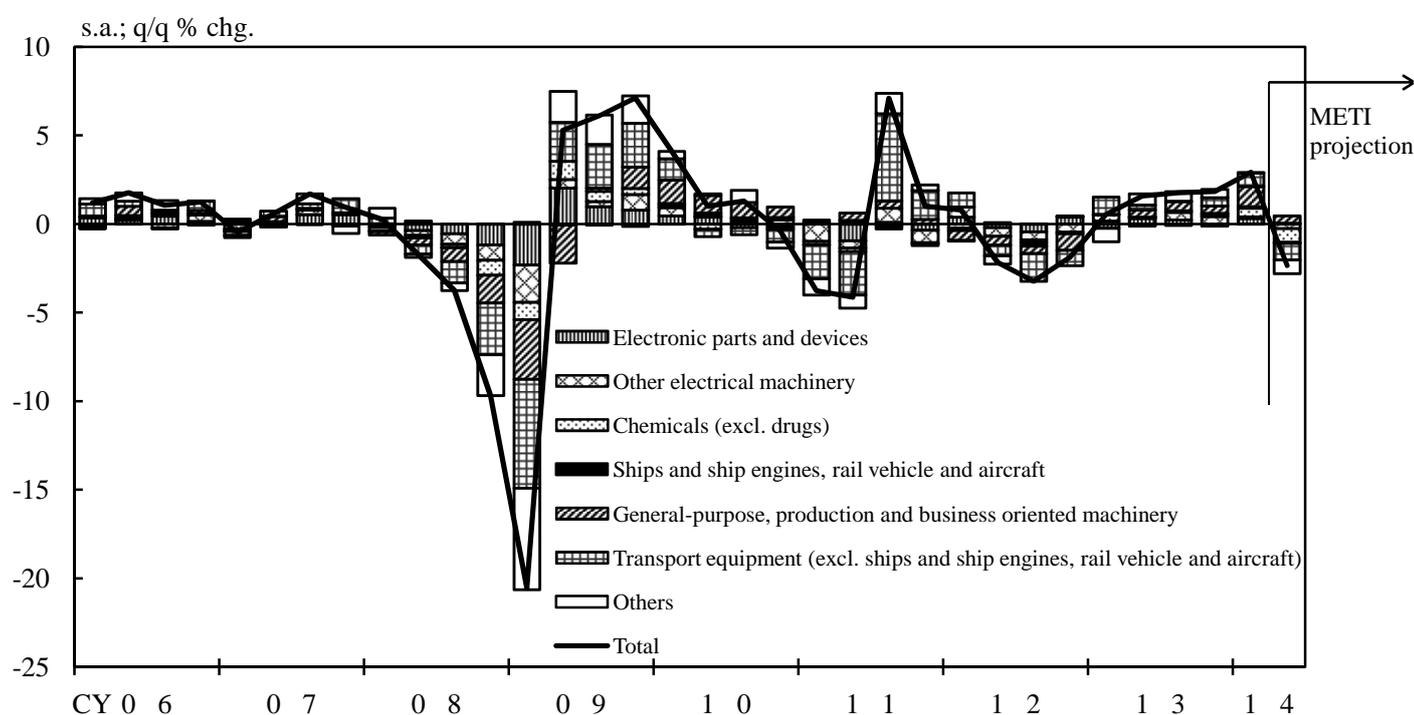
Sources: Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts," etc.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industry^{1,2,3}



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.

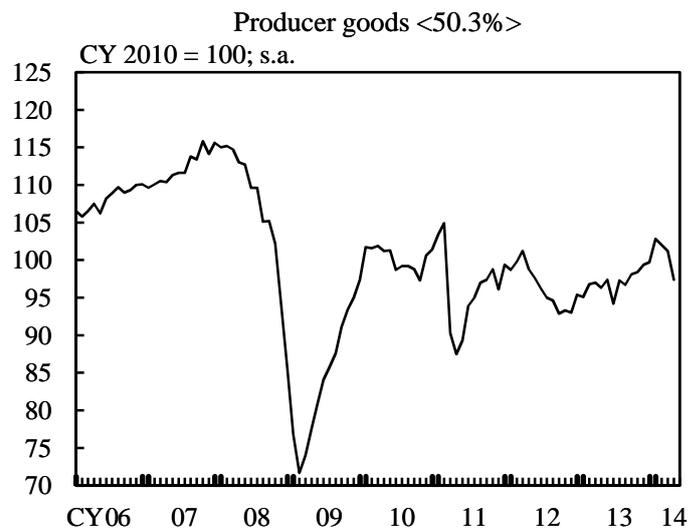
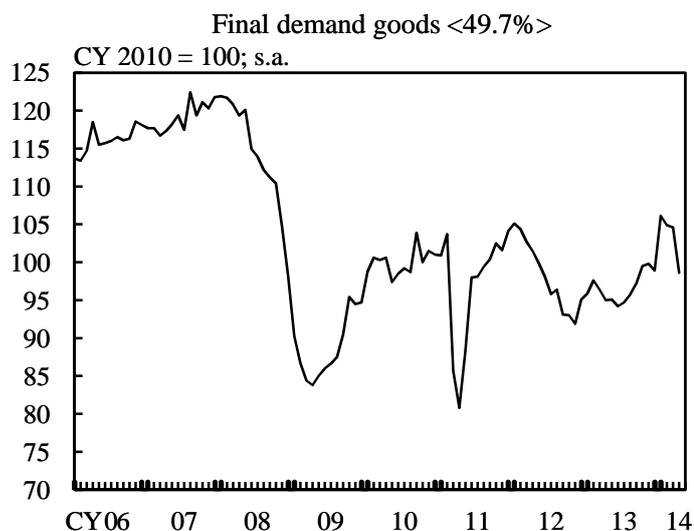
Figures for "general-purpose, production and business oriented machinery" up to 2008/Q1 are those for "general machinery."

3. 2014/Q2 figures are based on the actual production levels in April, and the METI projection of May and June.

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

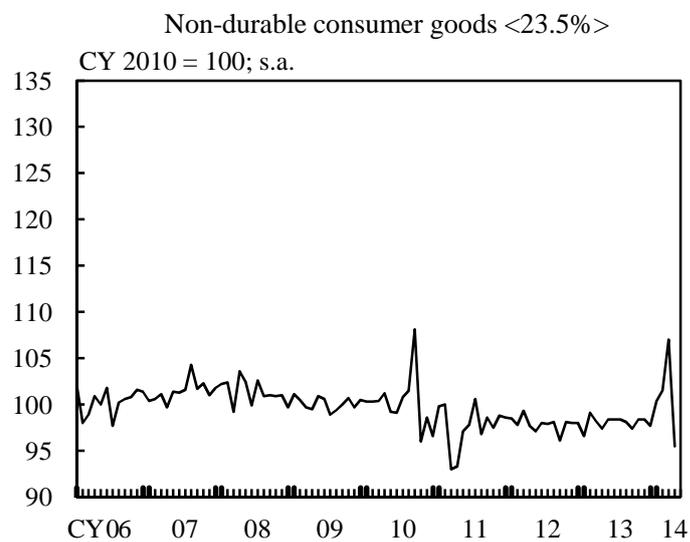
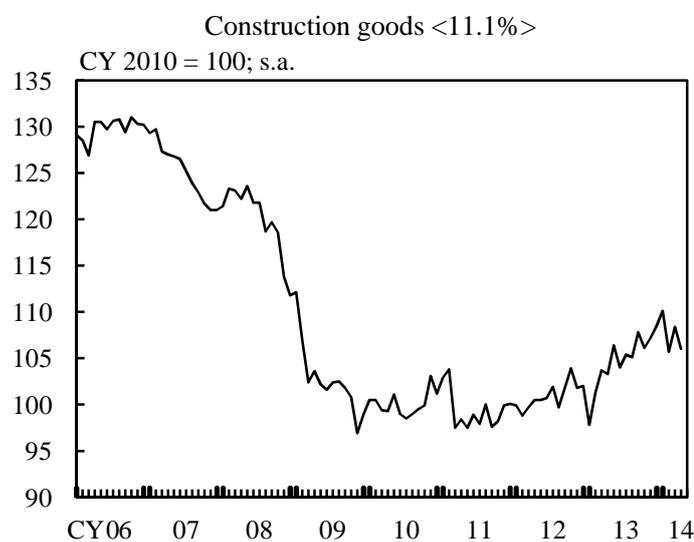
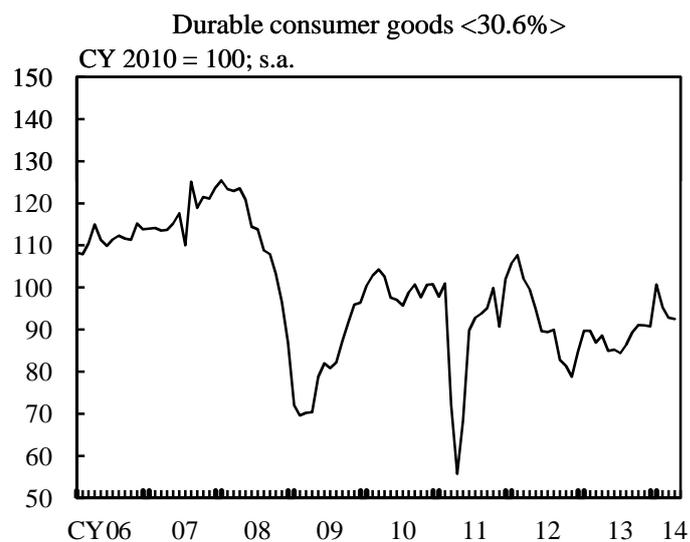
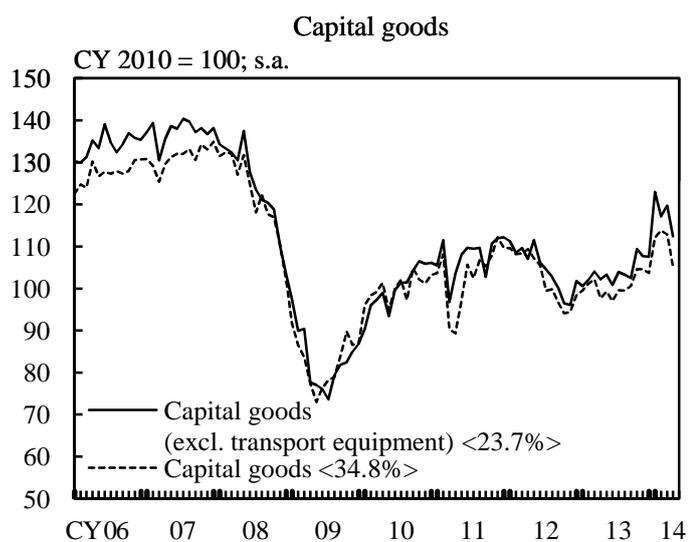
Shipments by Type of Goods

(1) Final Demand Goods and Producer Goods



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

(2) Breakdown of Final Demand Goods

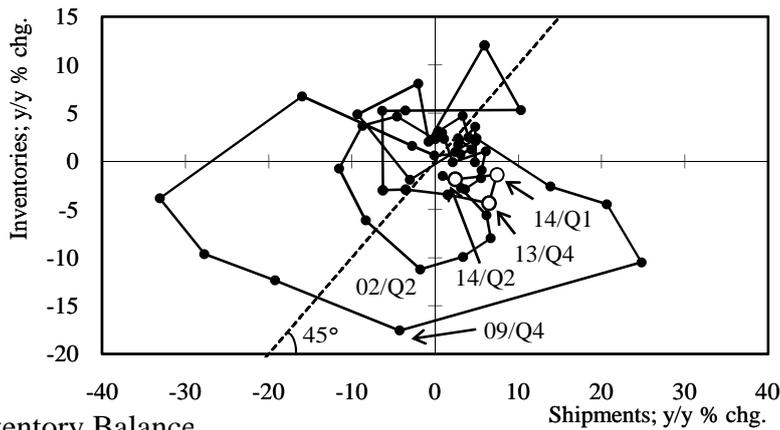


Note: Figures in angle brackets show the shares among shipments of final demand goods.

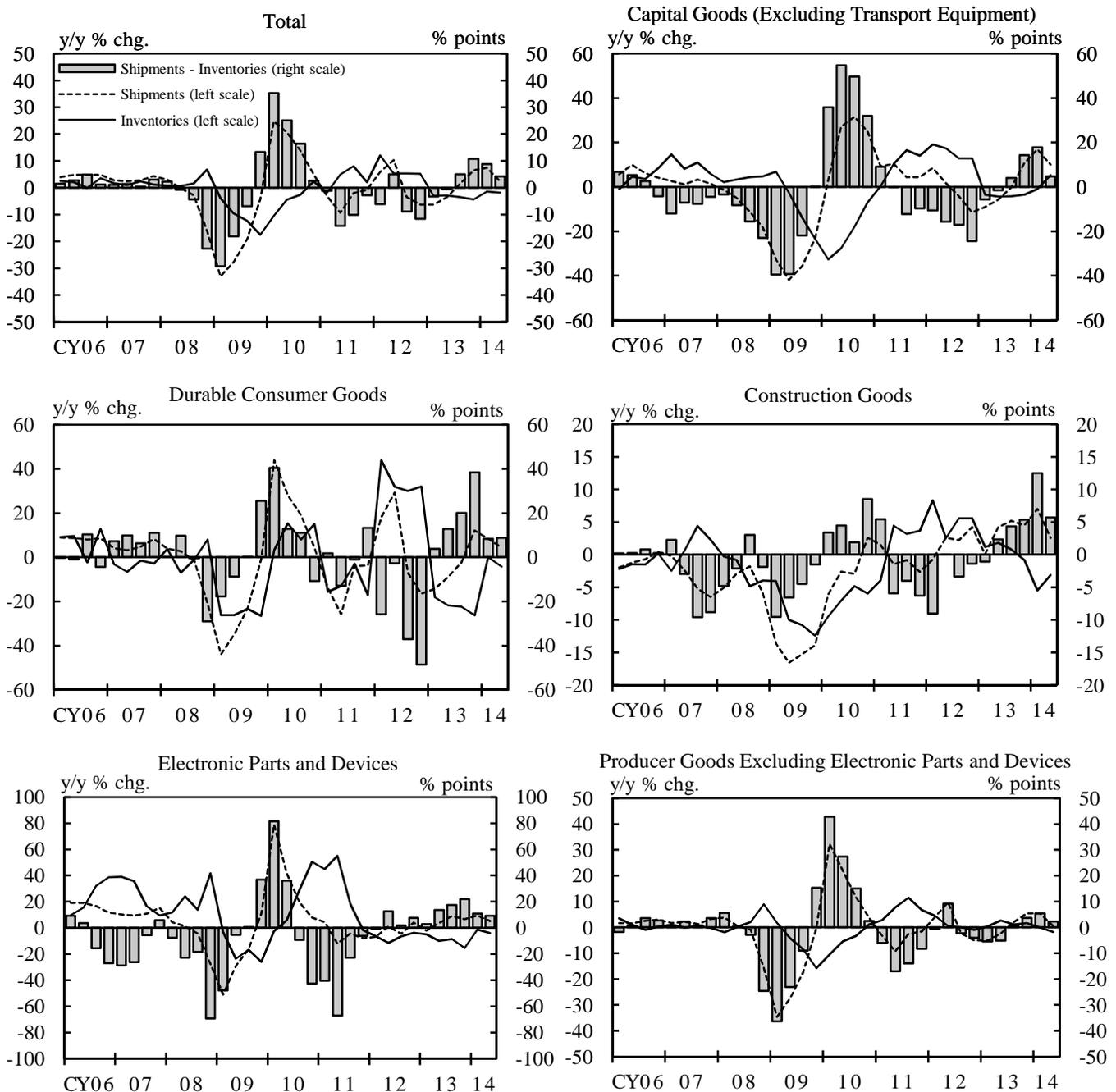
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Inventory Cycle

(1) Inventory Cycle (Total)



(2) Shipment-Inventory Balance

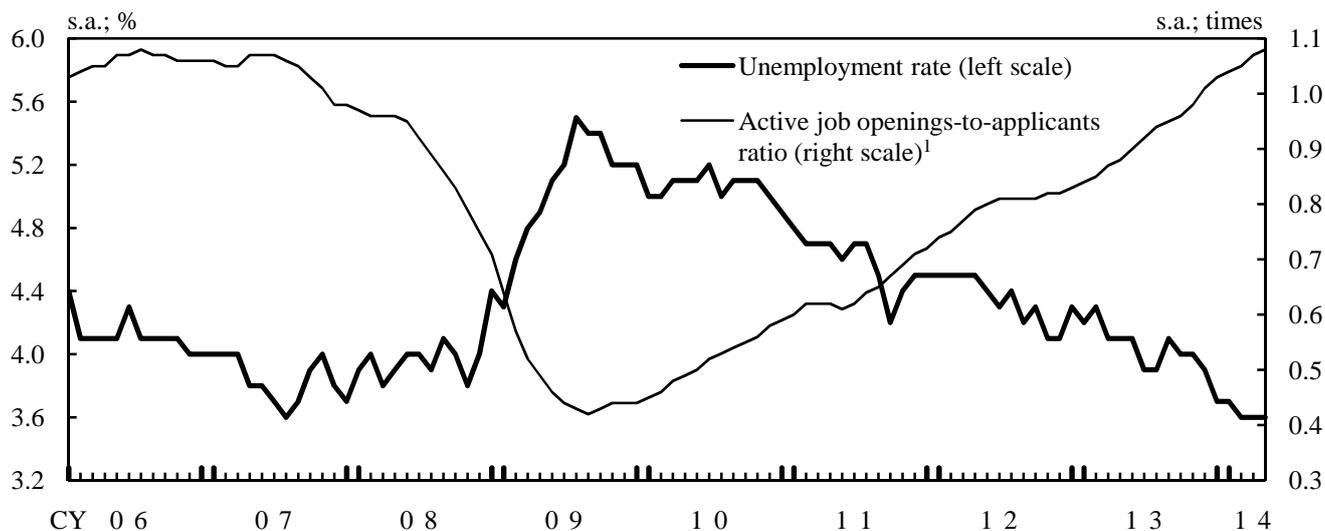


Note: Figures for 2014/Q2 are those of April.

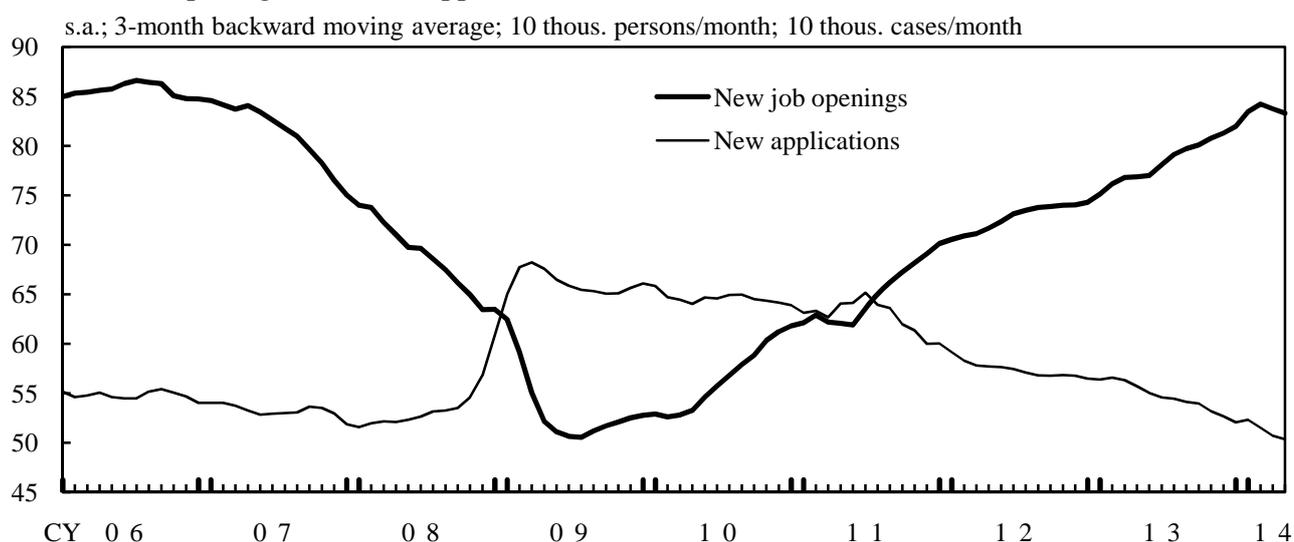
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Labor Market

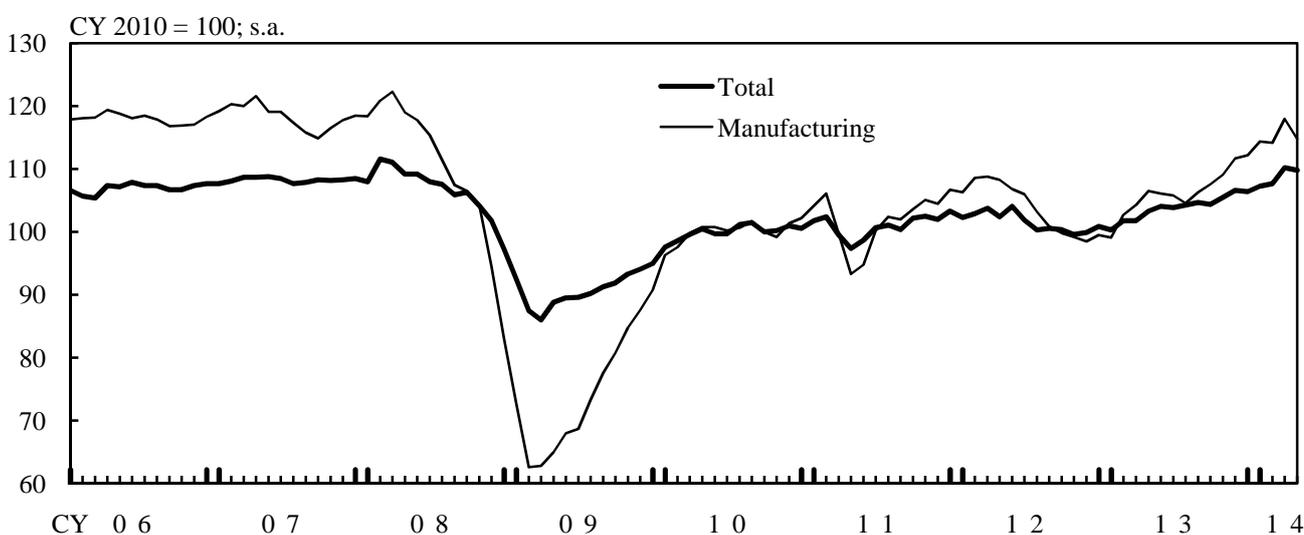
(1) Unemployment Rate and Active Job Openings-to-Applicants Ratio



(2) New Job Openings and New Applications¹



(3) Non-Scheduled Hours Worked²

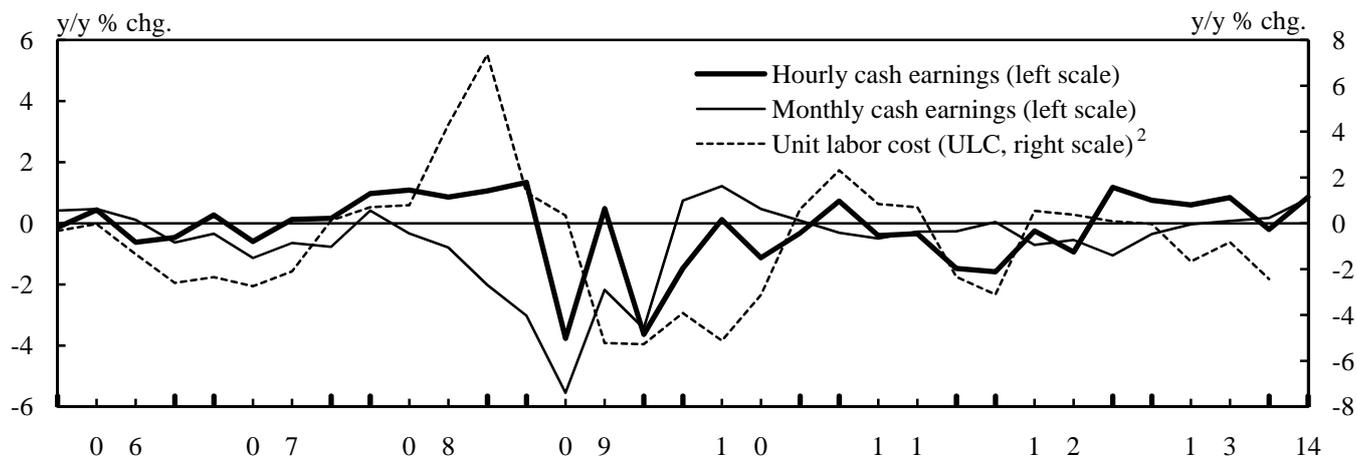
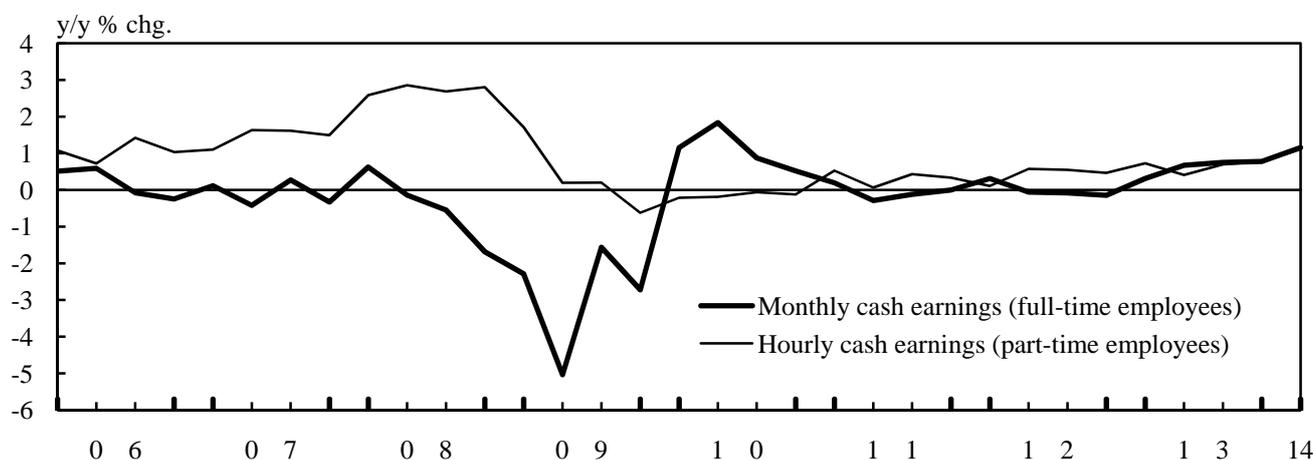
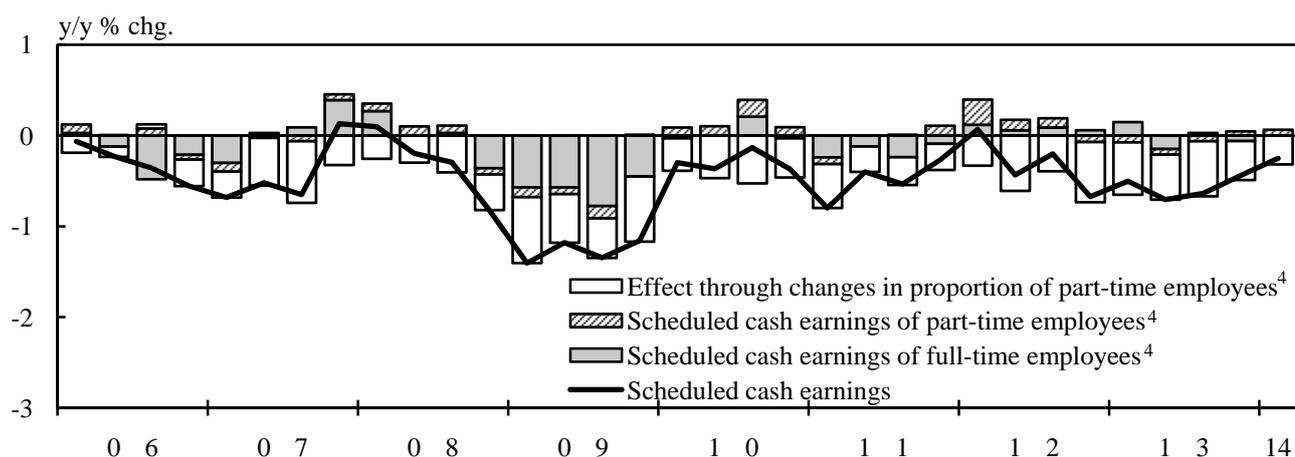


Notes: 1. Excluding new school graduates and including part-timers.

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

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

Wages

(1) Total^{1,3}(2) Cash Earnings by Type of Worker^{1,3}(3) Breakdown of Scheduled Cash Earnings^{1,3}

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

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

3. Figures for 2014/Q1 are March-April averages (except ULC).

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

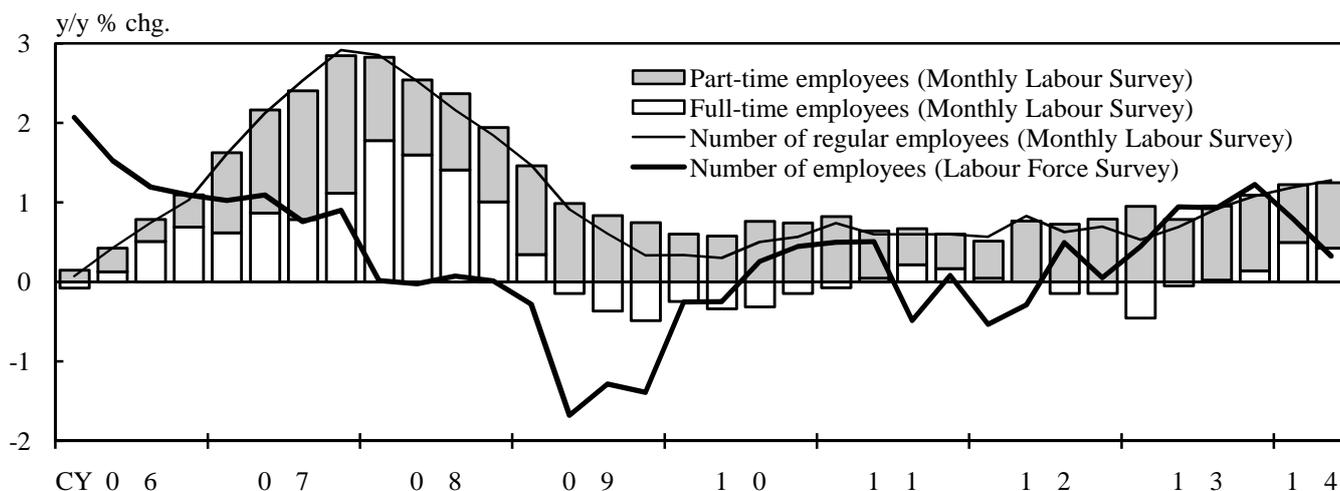
ULC : Q1 = April-June, Q2 = July-September, Q3 = October-December, Q4 = January-March.

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

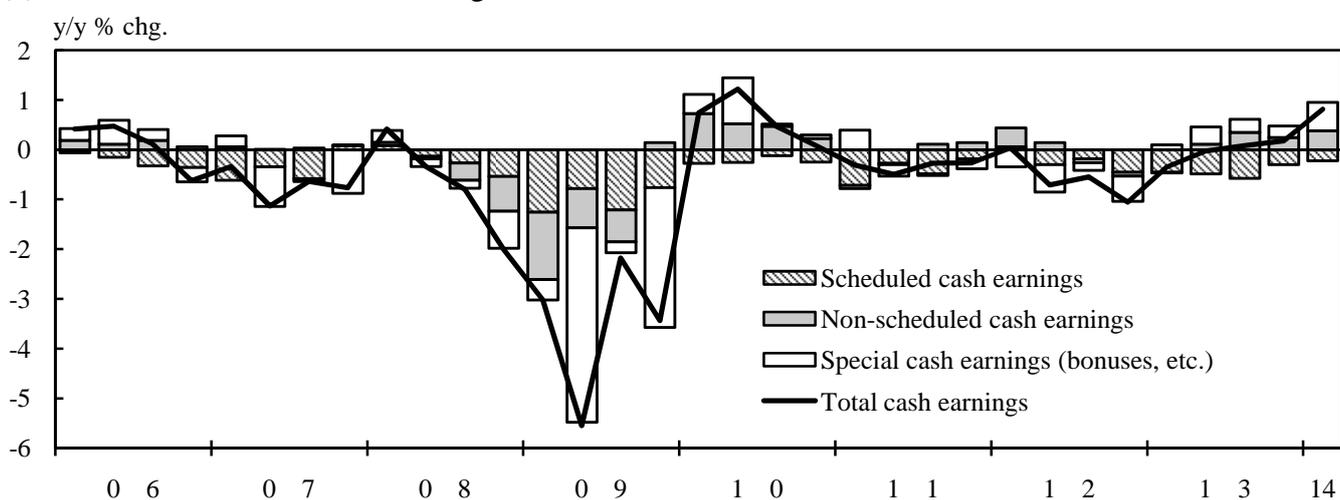
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey"; Cabinet Office, "National Accounts."

Employee Income

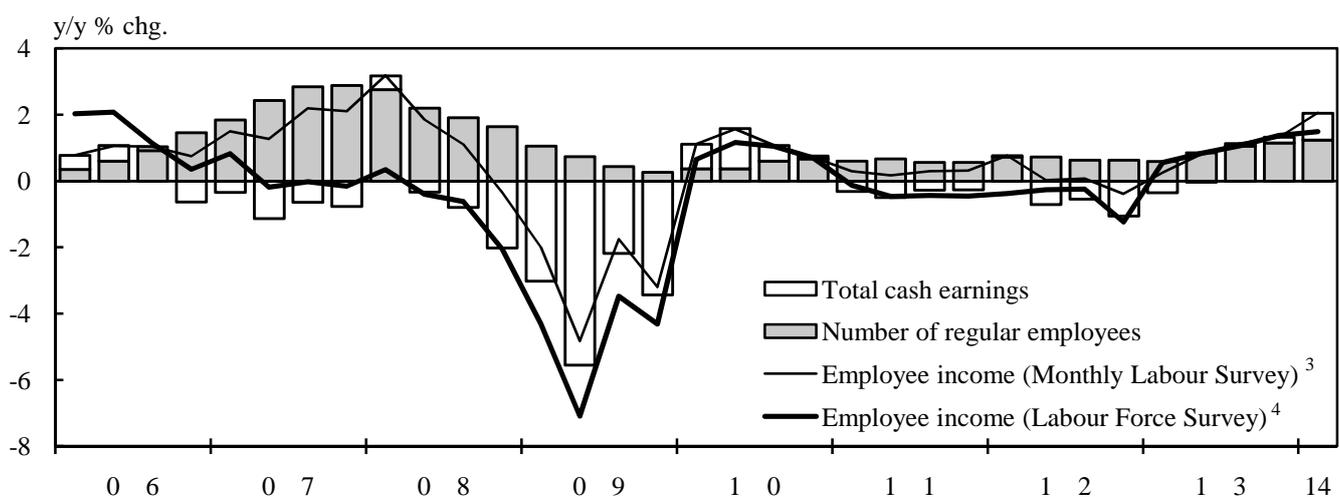
(1) Number of Employees^{1,5}



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



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



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

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

Figures for 2014/Q1 are March-April averages.

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

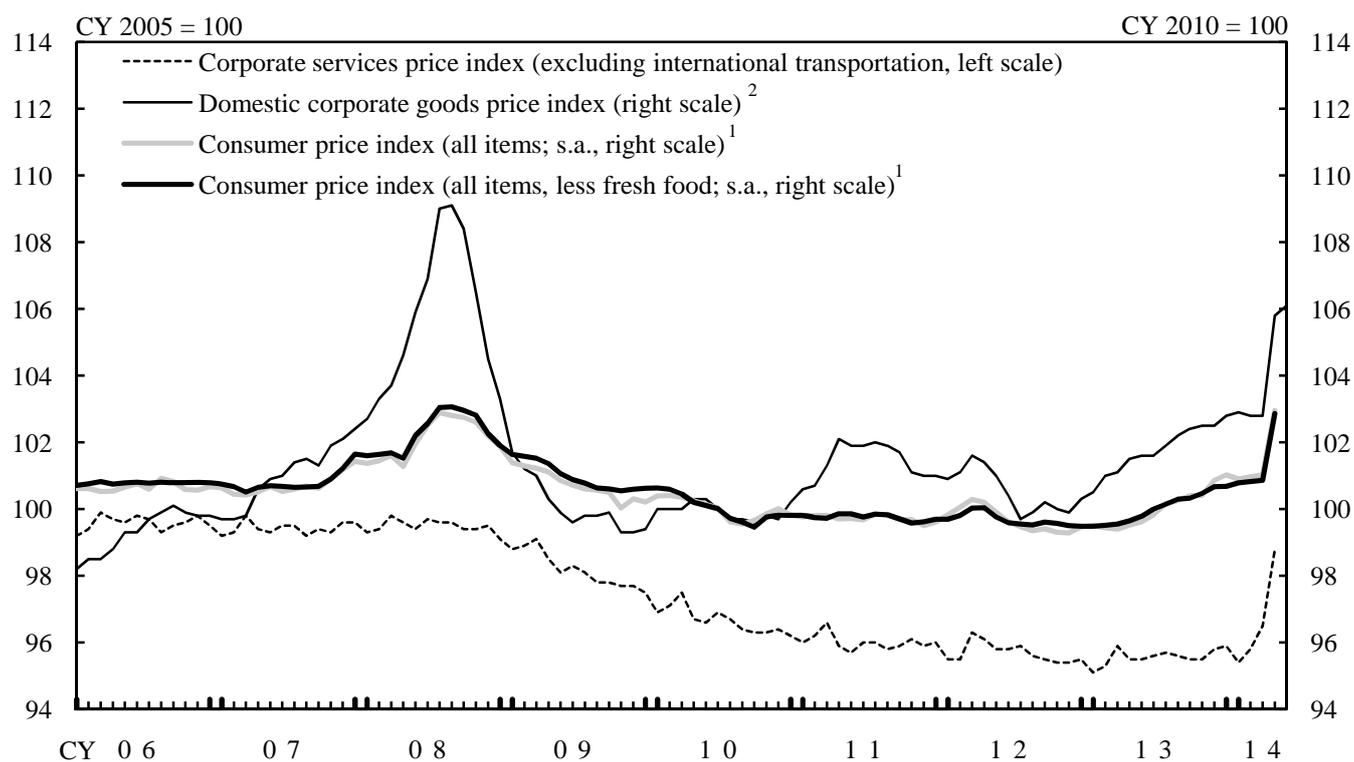
4. Calculated as the "number of employees" (Labour Force Survey) times "total cash earnings" (Monthly Labour Survey).

5. Figures for 2014/Q2 are those of April.

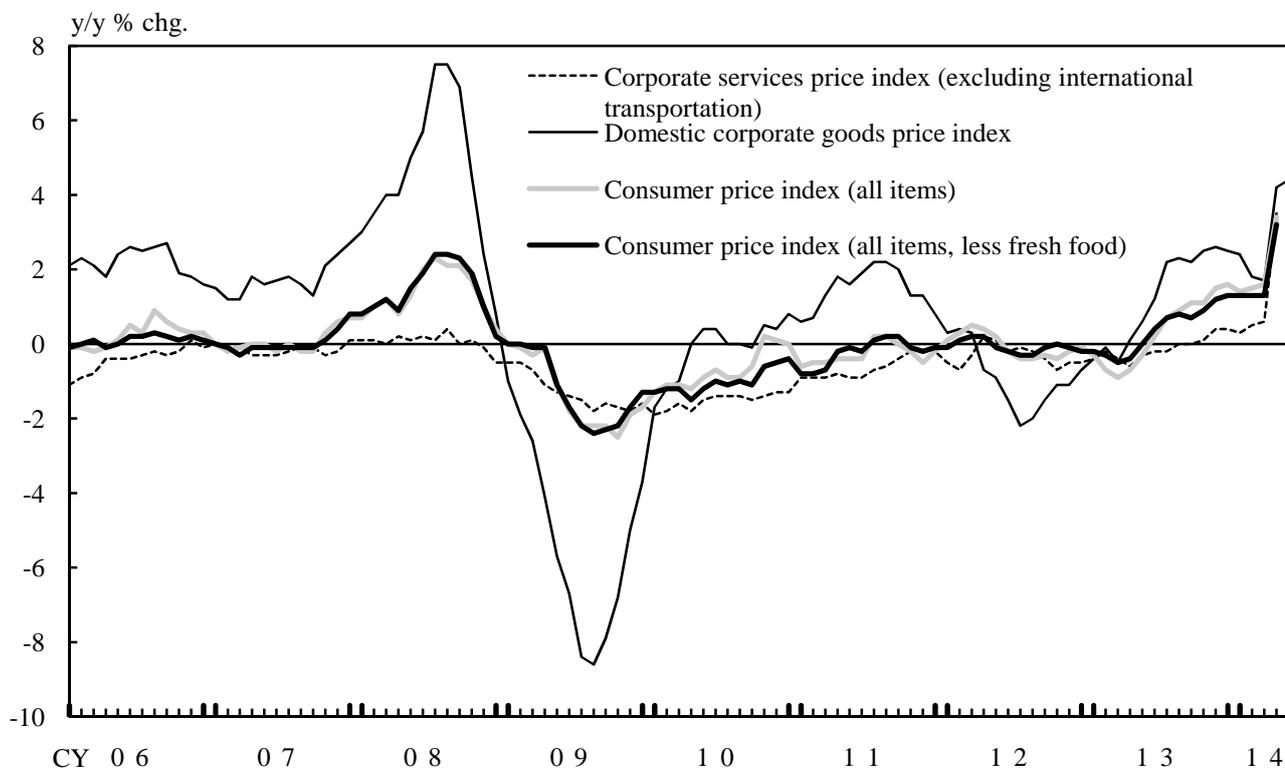
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
Ministry of Internal Affairs and Communications, "Labour Force Survey."

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.

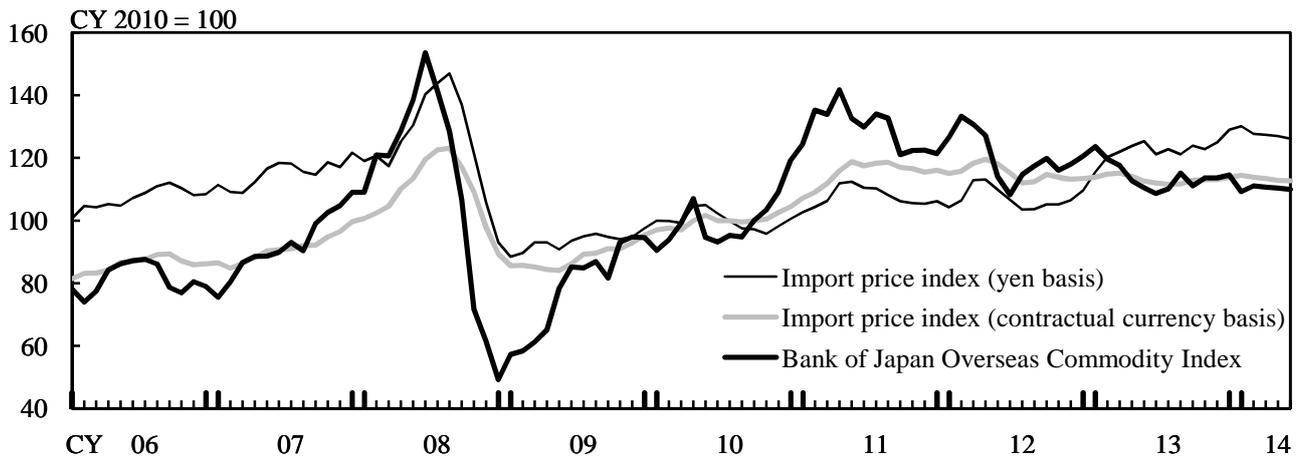
4. Figures of "Corporate Goods Price Index" up to 2009 are based on the linked index.

5. Figures include the consumption tax.

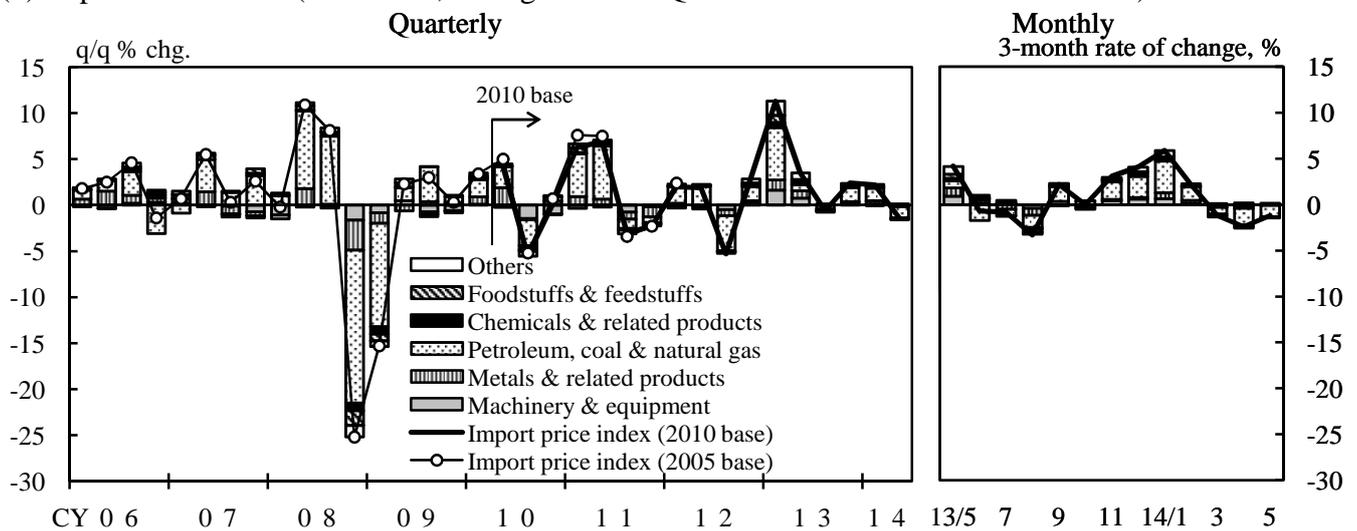
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index."

Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index

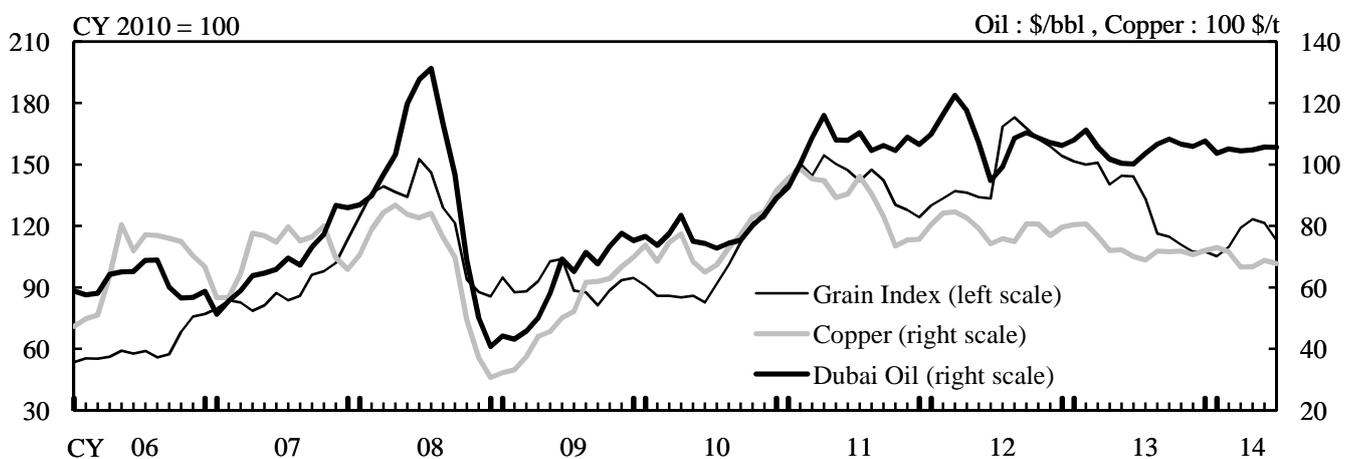


(2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



Notes: 1. Machinery & equipment: general purpose, production & business oriented machinery, electric & electronic products, and transportation equipment.
 2. Figures for 2014/Q2 are April-May averages.

(3) International Commodity Prices

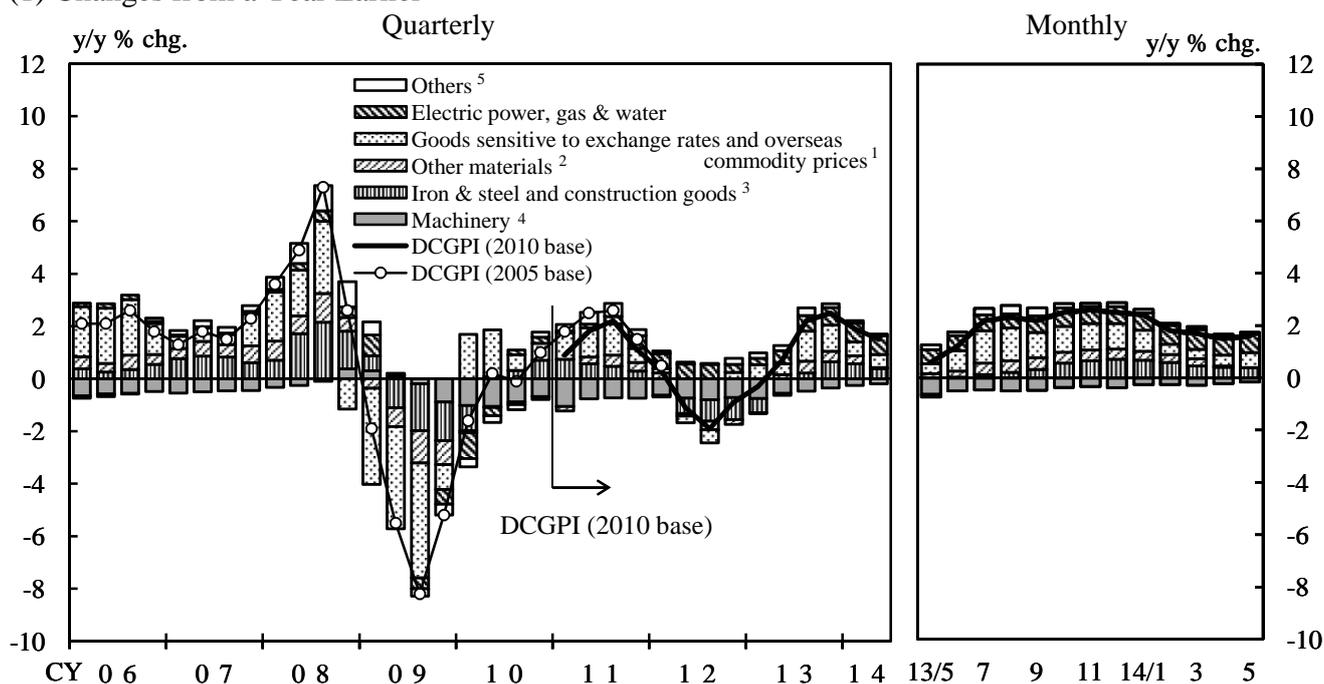
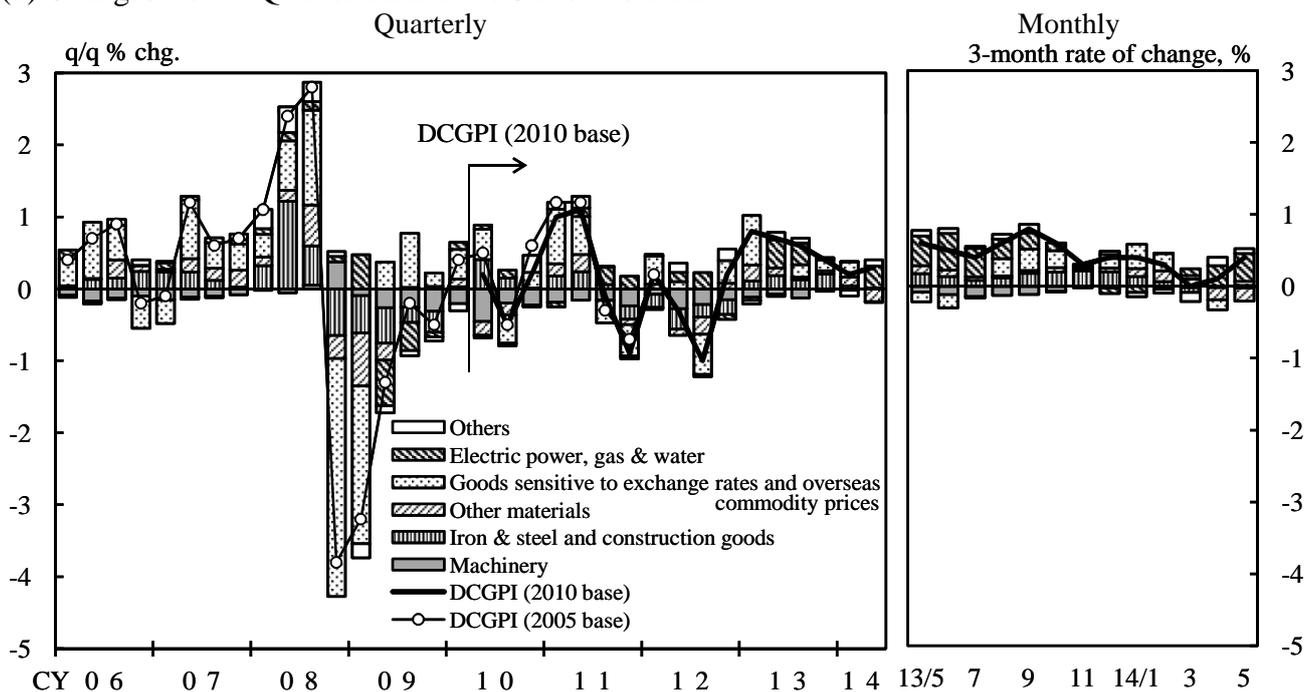


Notes: 1. The "grain index" is the weighted average of prices of three selected items (wheat, soybeans, and corn) in overseas commodity markets. The weights are based on the value of imports in the "Trade Statistics."
 2. Monthly averages. Figures for June 2014 are averages up to June 12.

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

Domestic Corporate Goods Price Index

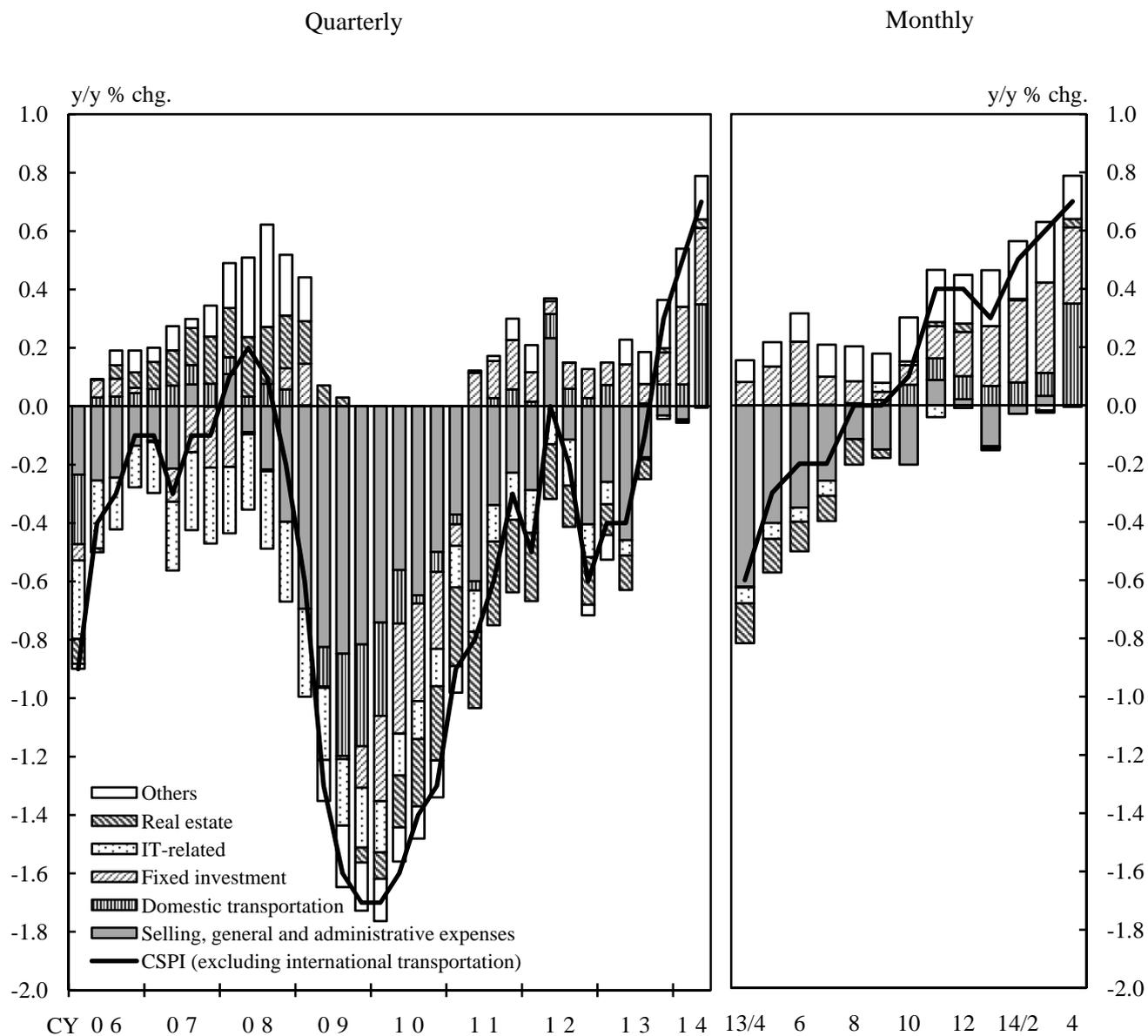
(1) Changes from a Year Earlier

(2) Changes from a Quarter Earlier and 3 Months Earlier⁶

- Notes: 1. Goods sensitive to exchange rates and overseas commodity prices: petroleum & coal products and nonferrous metals.
 2. Other materials: chemicals & related products, plastic products, textile products, and pulp, paper & related products.
 3. Iron & steel and construction goods: iron & steel, metal products, ceramic, stone & clay products, lumber & wood products, and scrap & waste.
 4. Machinery: general purpose machinery, production machinery, business oriented machinery, electronic components & devices, electrical machinery & equipment, information & communications equipment, and transportation equipment.
 5. Others: food, beverages, tobacco & feedstuffs, other manufacturing industry products, agriculture, forestry & fishery products, and minerals.
 6. Adjusted to exclude a hike in electric power charges during the summer season from July to September. This adjustment makes the "Domestic Corporate Goods Price Index" fall by about 0.2%.
 7. Figures from April 2014 onward are adjusted to exclude the direct effects of the consumption tax hike, using indices excluding the consumption tax.
 8. Figures for 2014/Q2 are April-May averages.

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

Corporate Services Price Index

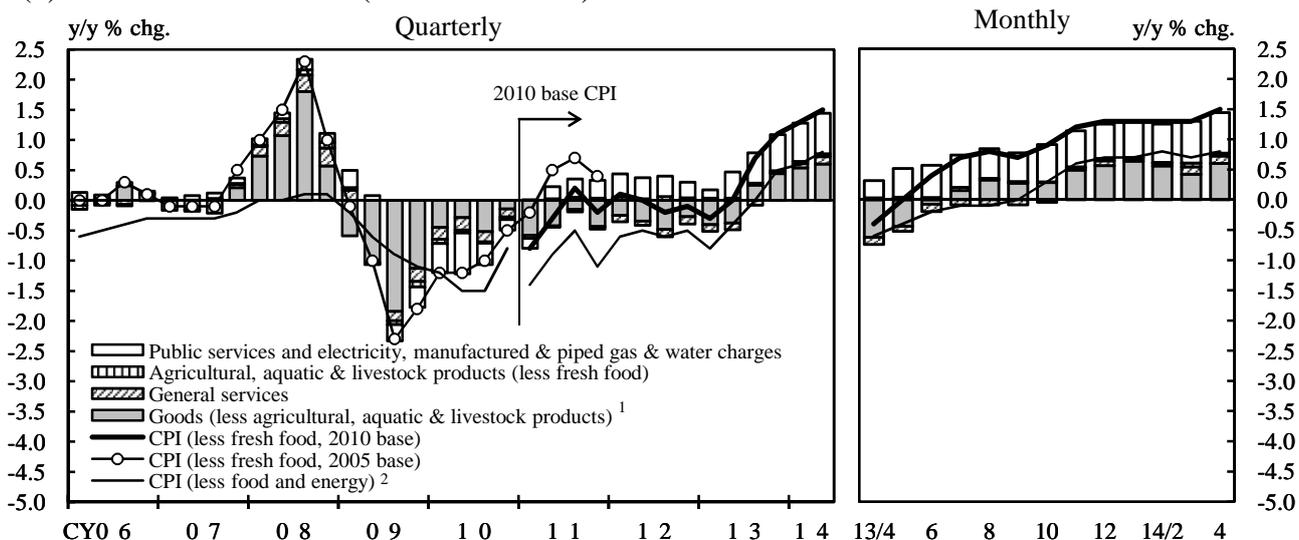


- Notes: 1. Selling, general and administrative expenses: information and communications (excluding newspapers and publishing), advertising services, other services (excluding plant engineering, and civil engineering and architectural services).
2. Domestic transportation: transportation (excluding international 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 from April 2014 onward are adjusted to exclude the direct effects of the consumption tax hike, using indices excluding the consumption tax.
8. Figures for 2014/Q2 are those of April.

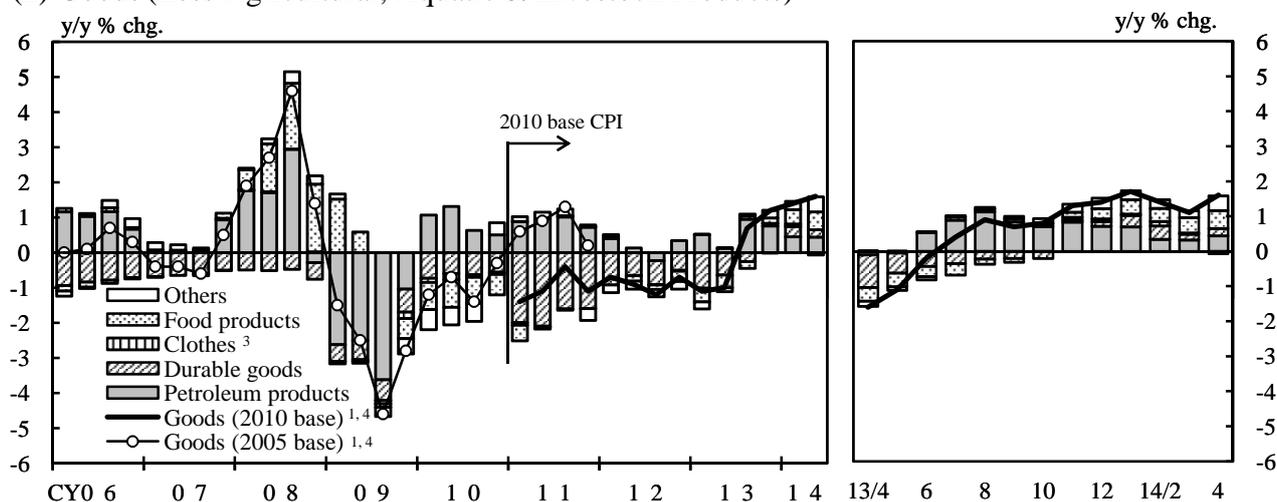
Source: Bank of Japan, "Corporate Services Price Index."

Consumer Price Index (Less Fresh Food)

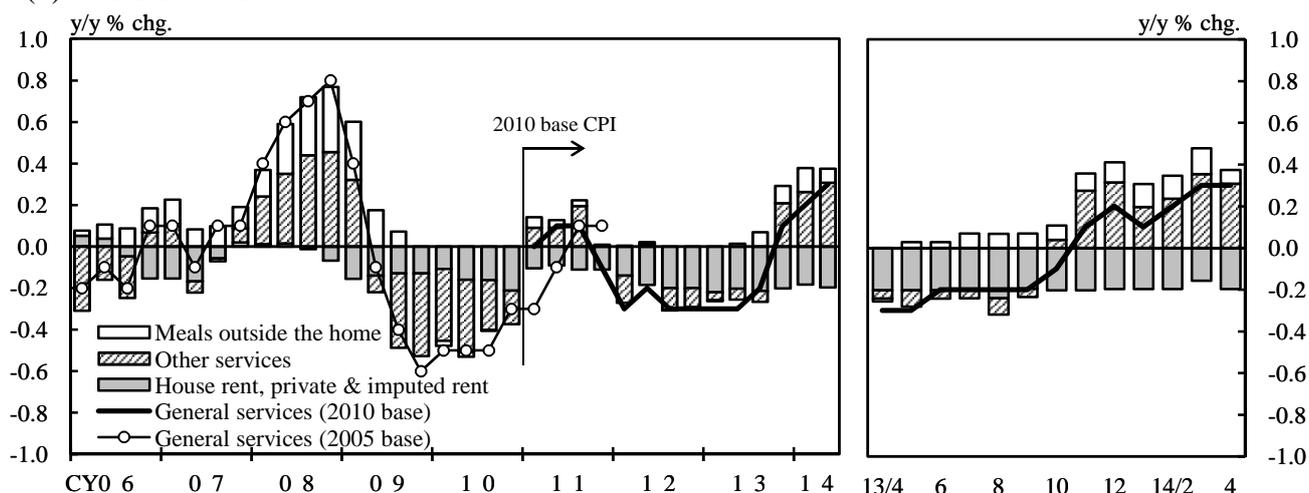
(1) Consumer Price Index (Less Fresh Food)



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



(3) General Services

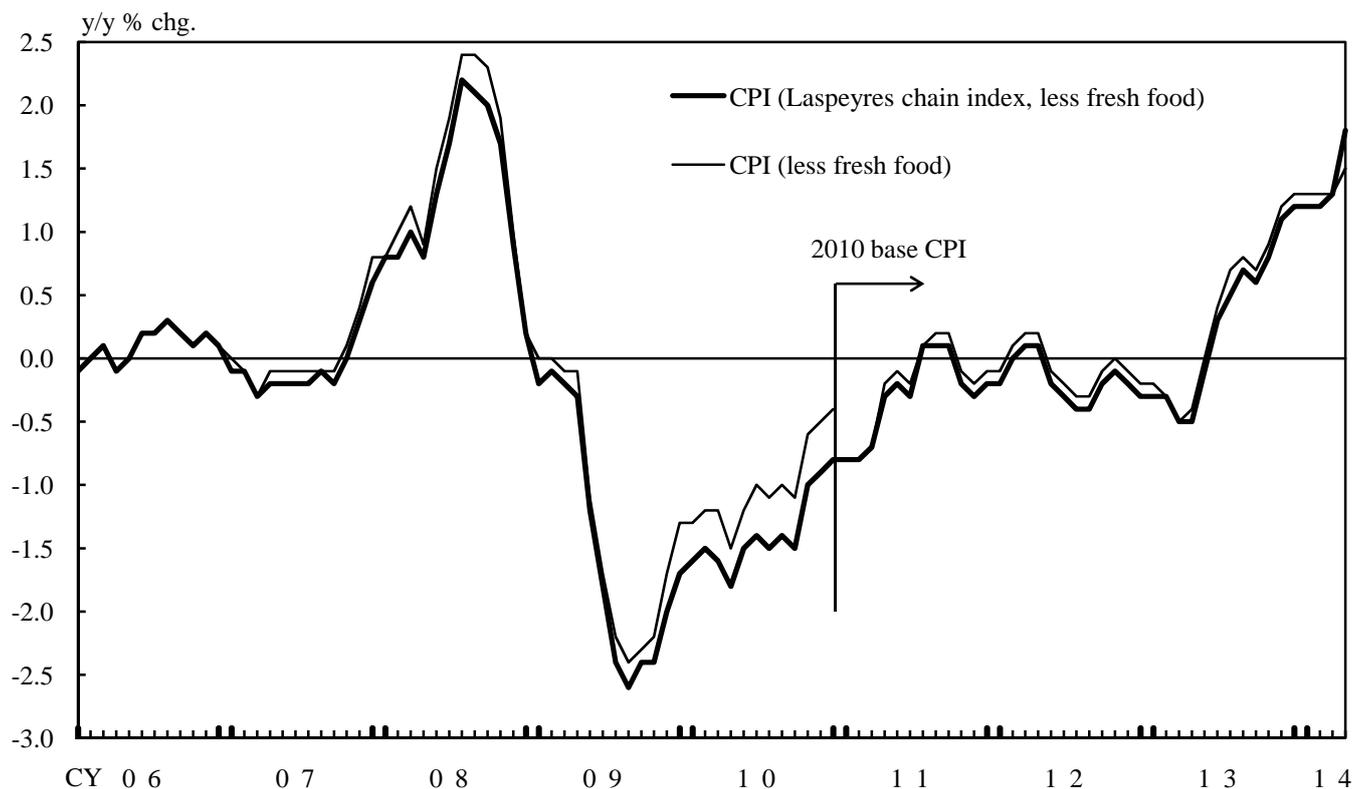


- Notes: 1. The items are basically the same as those defined by the Ministry of Internal Affairs and Communications. However, electricity, manufactured & piped gas & water charges are excluded from goods.
 2. Alcoholic beverages are excluded from food. Energy: electricity, gas manufactured & piped, Liquefied propane, kerosene, and gasoline.
 3. Including shirts, sweaters & underwear.
 4. Less agricultural, aquatic & livestock products.
 5. The year-on-year rates of change other than those of the CPI (less fresh food), CPI (less food and energy), and General services are calculated using published indices.
 6. Figures from April 2014 onward are estimated to adjust the direct effects of the consumption tax hike. Figures for 2014/Q2 are those of April.

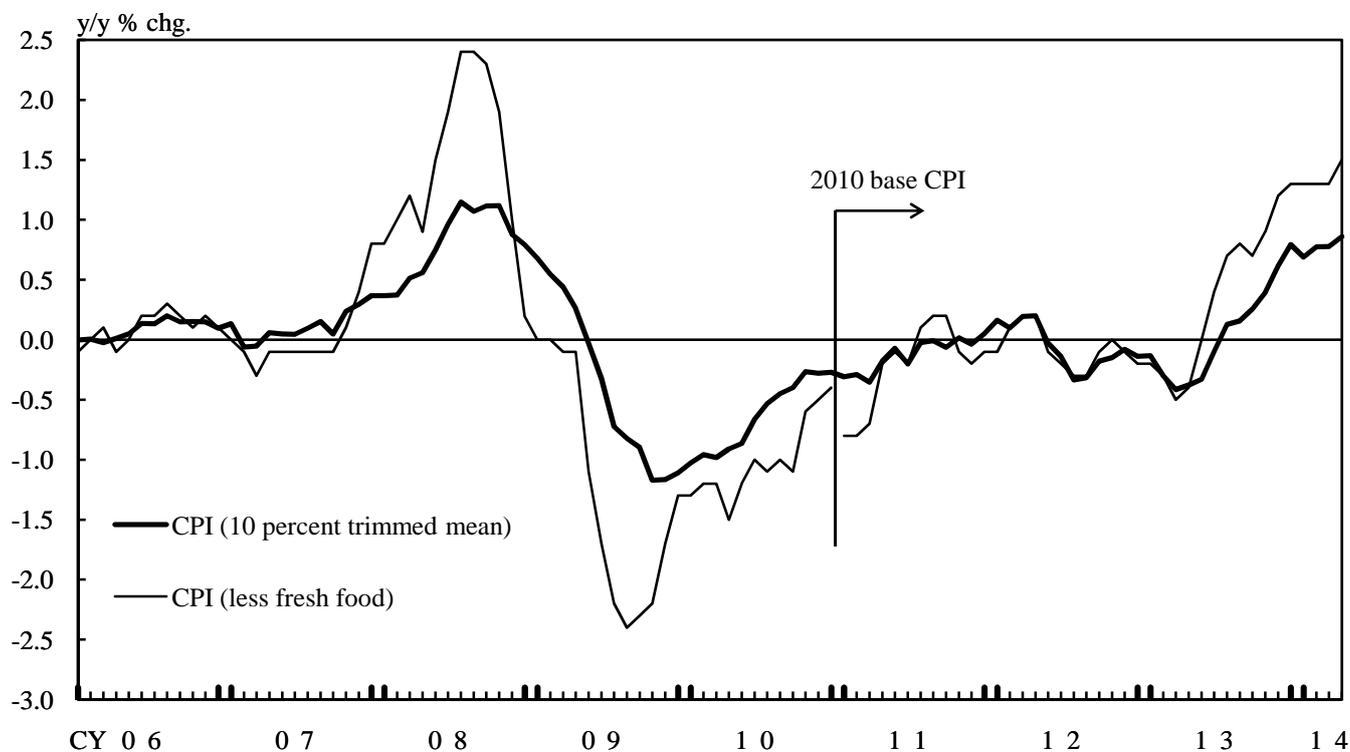
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

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.

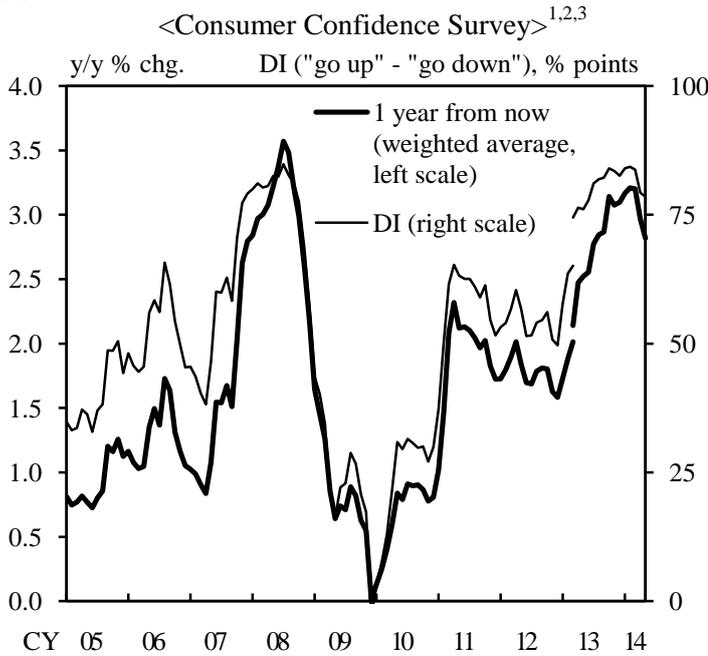
2. Figures for the Laspeyres chain index for 2006 are the year-on-year rates for the fixed-base method. The year-on-year figures for the Laspeyres chain index up to 2010 are on the 2005 base, and those from 2011 onward are on the 2010 base.

3. Figures from April 2014 onward are estimated to adjust the direct effects of the consumption tax hike.

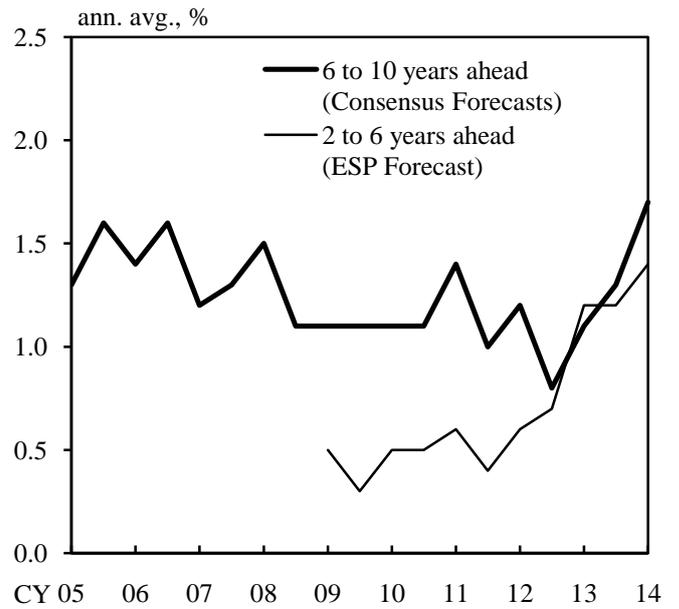
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Inflation Expectations

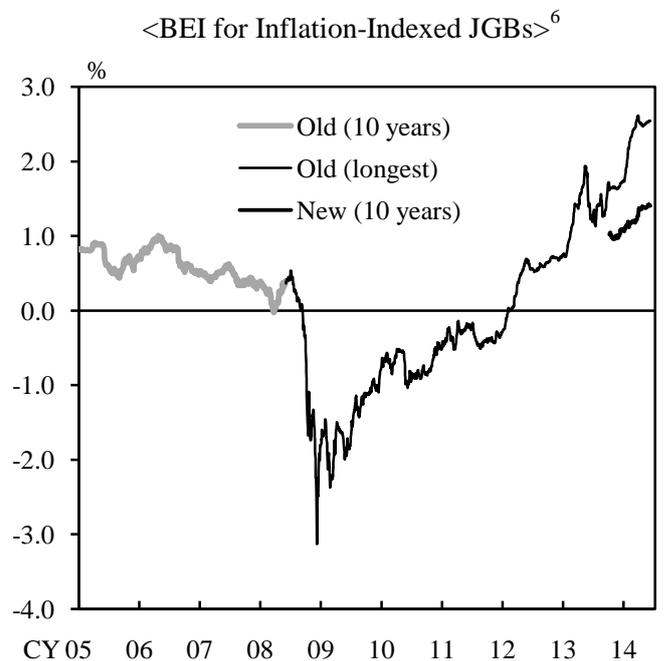
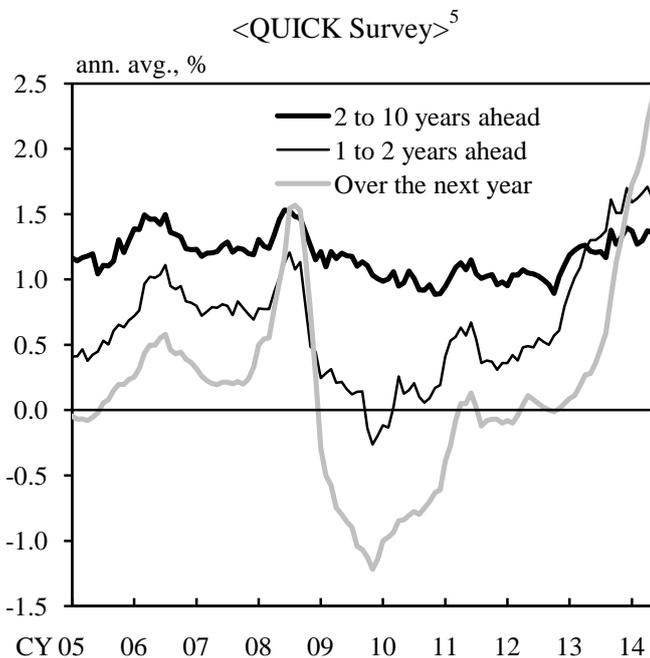
(1) Households



(2) Economists⁴



(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.

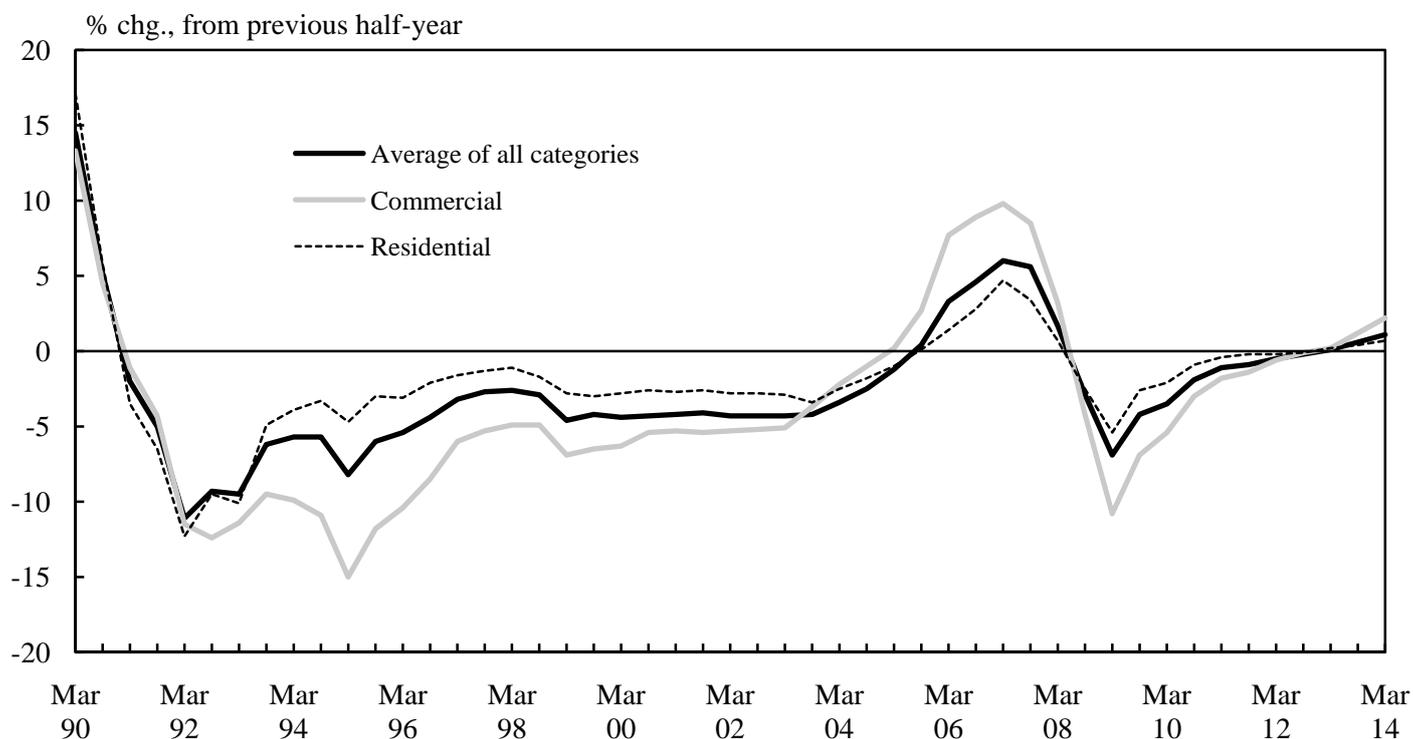
5. From the September 2013 survey, the QUICK Monthly Market Survey (Bonds) has asked respondents to include the effects of the consumption tax hikes.

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 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.

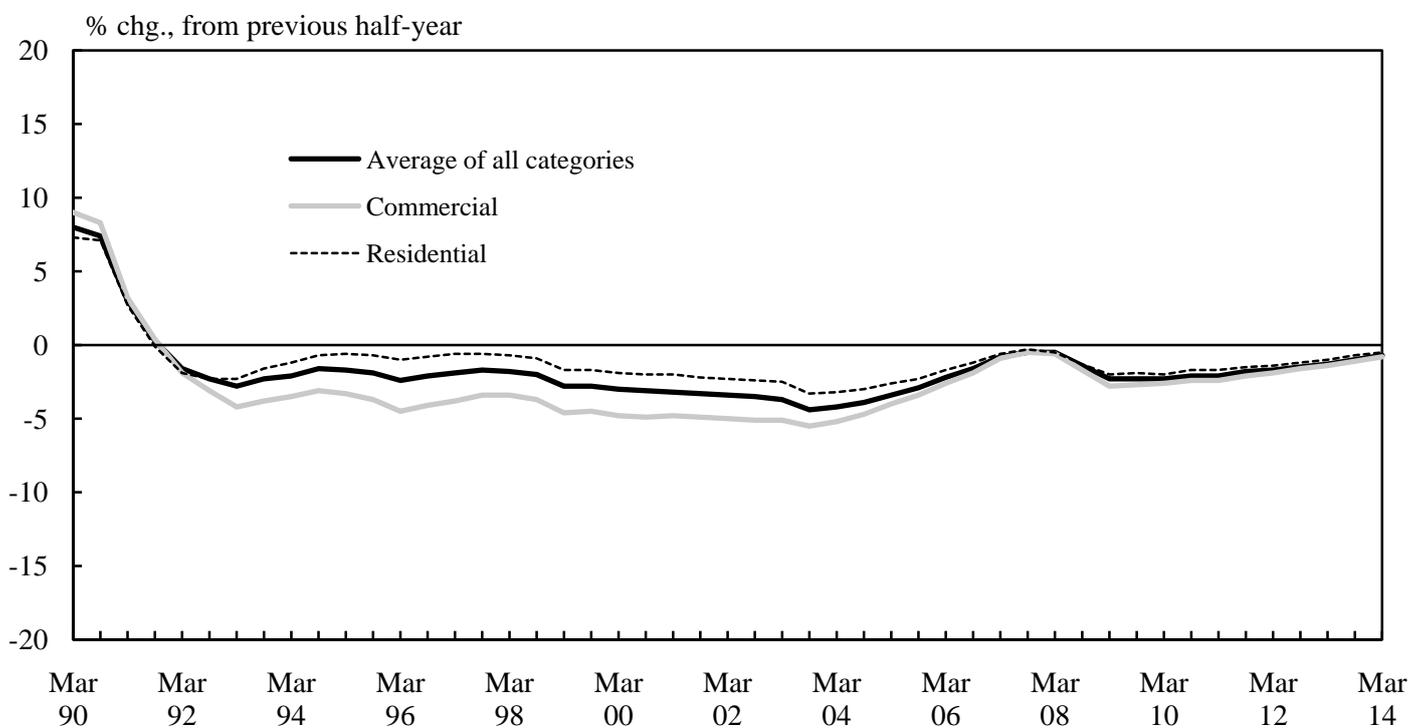
Sources: Cabinet Office, "Consumer Confidence Survey"; Consensus Economics Inc., "Consensus Forecasts"; JCER, "ESP Forecast"; QUICK, "QUICK Monthly Market Survey (Bonds)"; Bloomberg.

Urban Land Price Index

(1) Six Large City Areas



(2) Excluding Six Large City Areas

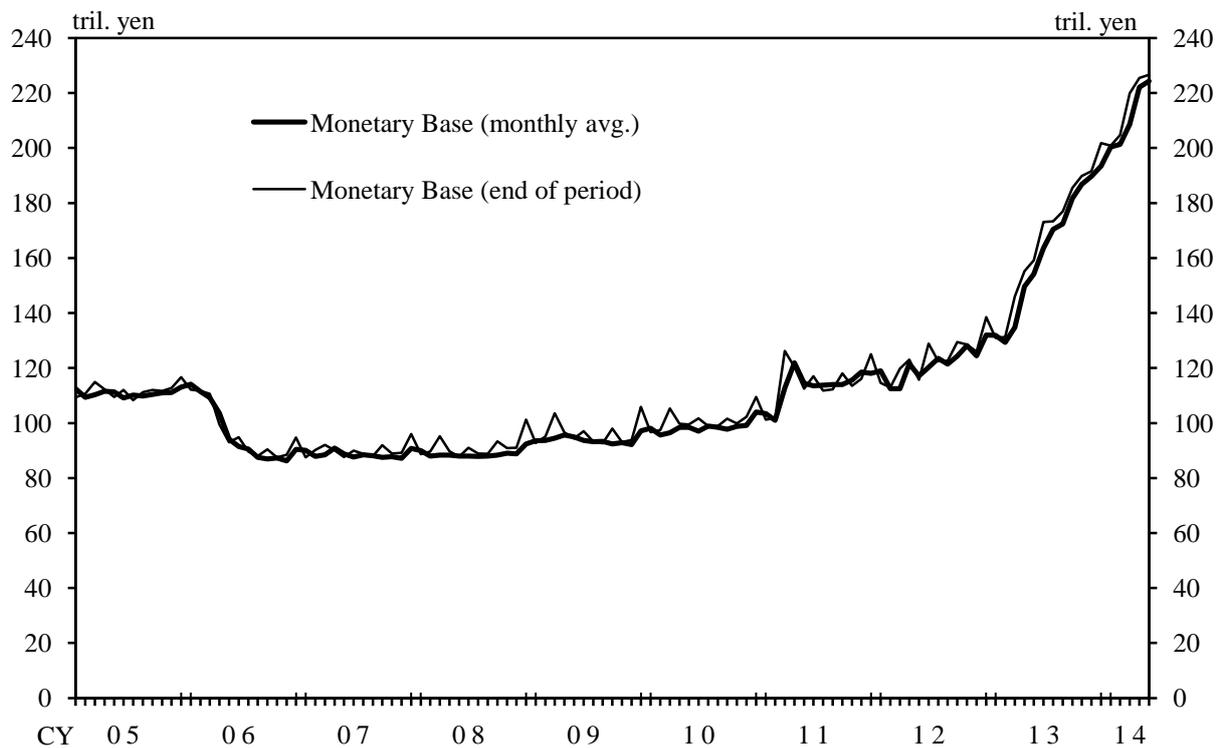


Notes: 1. The Urban Land Price Index is based on surveys conducted at the end of March and September each year.
 2. Six Large City Areas are Tokyo Metropolitan wards, Yokohama, Nagoya, Kyoto, Osaka, and Kobe.

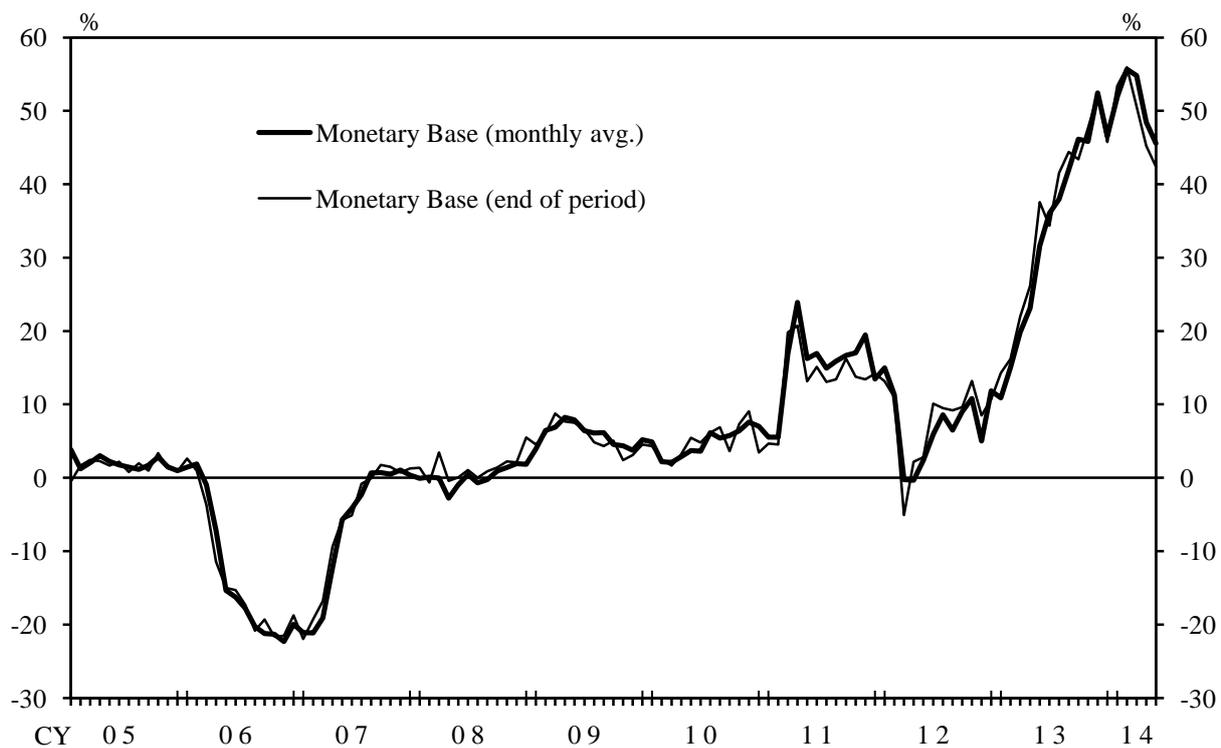
Source: Japan Real Estate Institute, "Urban Land Price Index."

Monetary Base

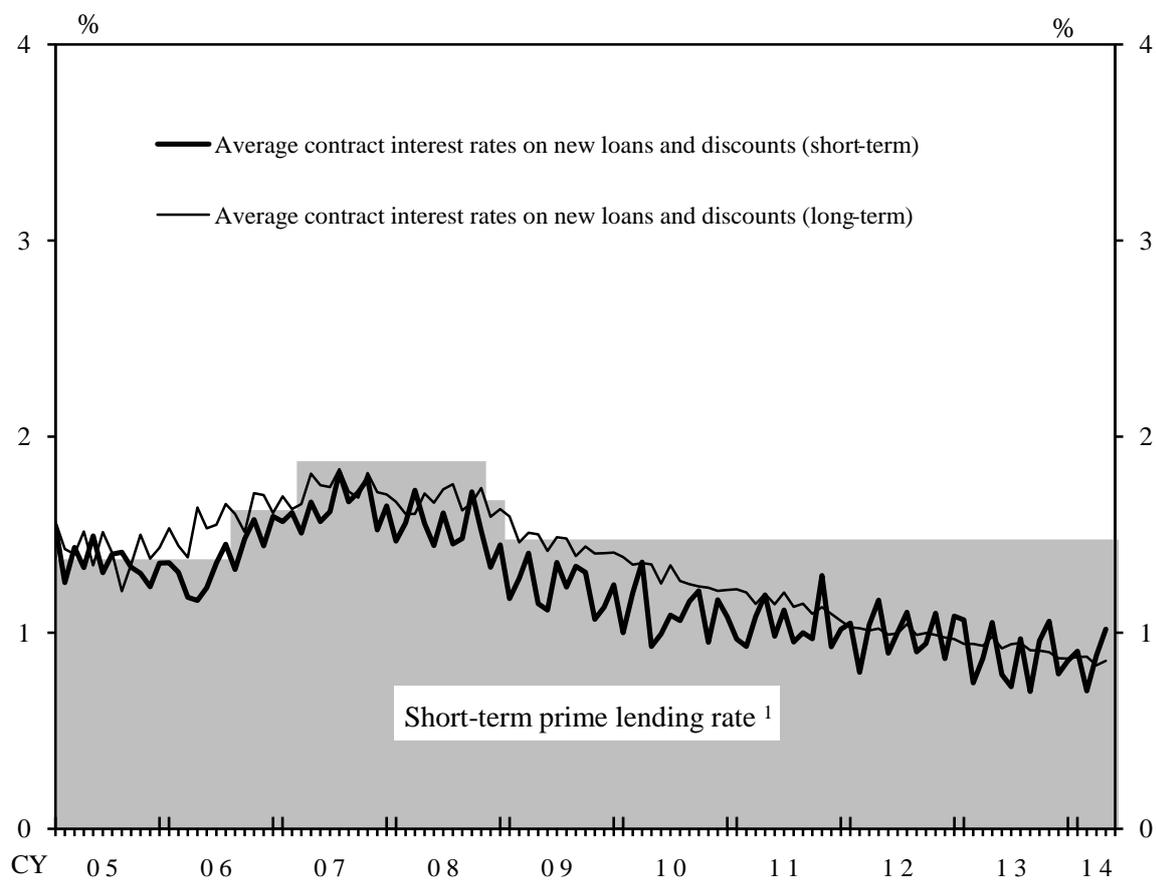
(1) Level



(2) Changes from a Year Earlier



Lending Rates

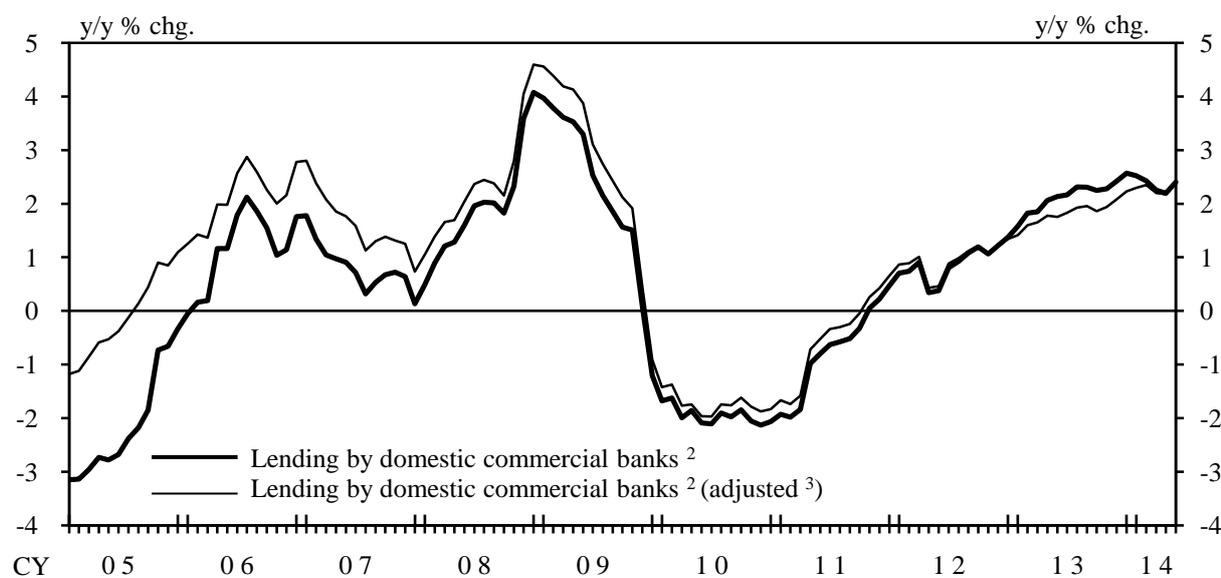


Note: 1. Data are at end of period.

Source: Bank of Japan.

Lending by Financial Institutions

(1) Lending by Domestic Commercial Banks¹



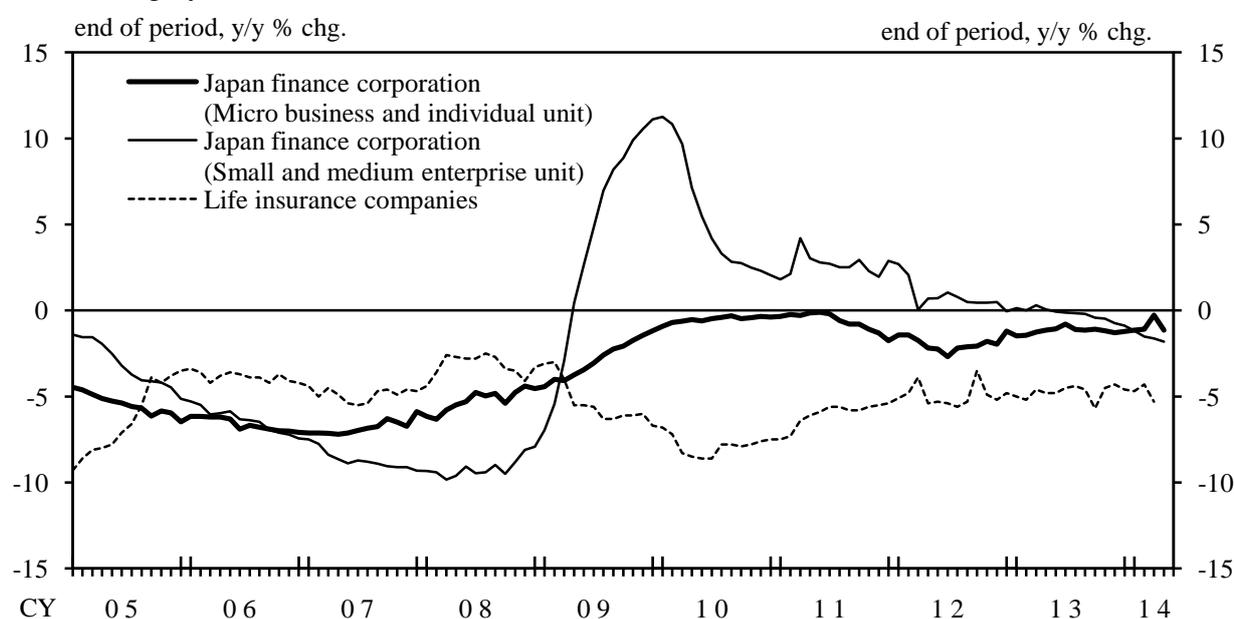
Notes: 1. Percent changes in average amounts outstanding from a year earlier.

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

3. Adjusted to exclude

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

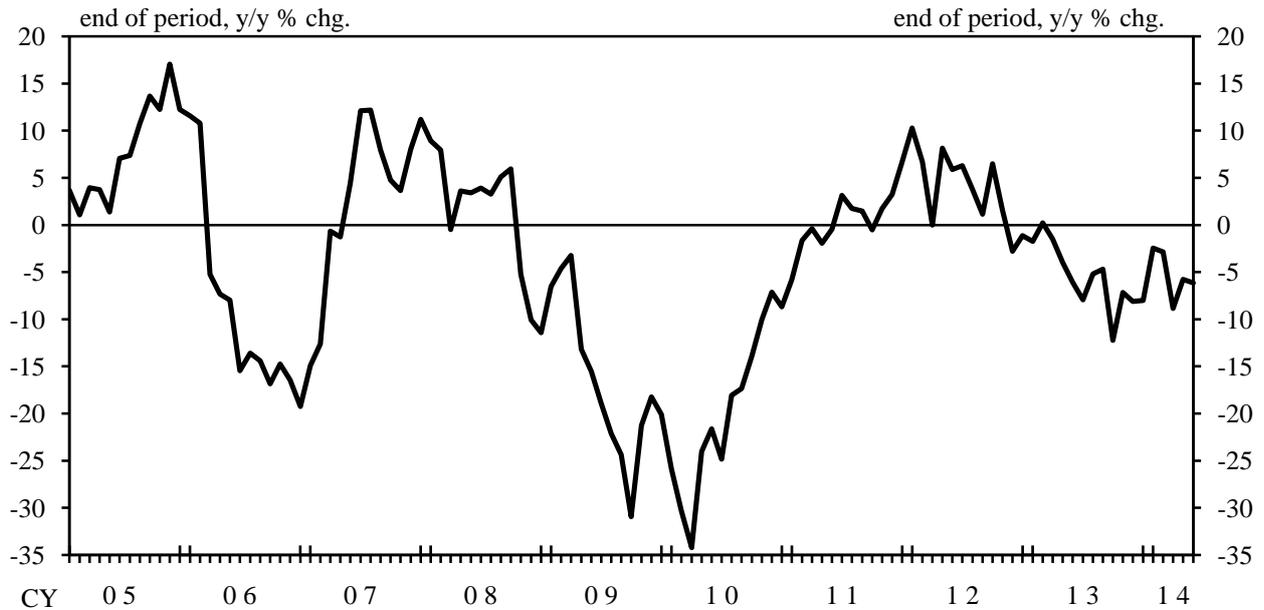
(2) Lending by Other Financial Institutions



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

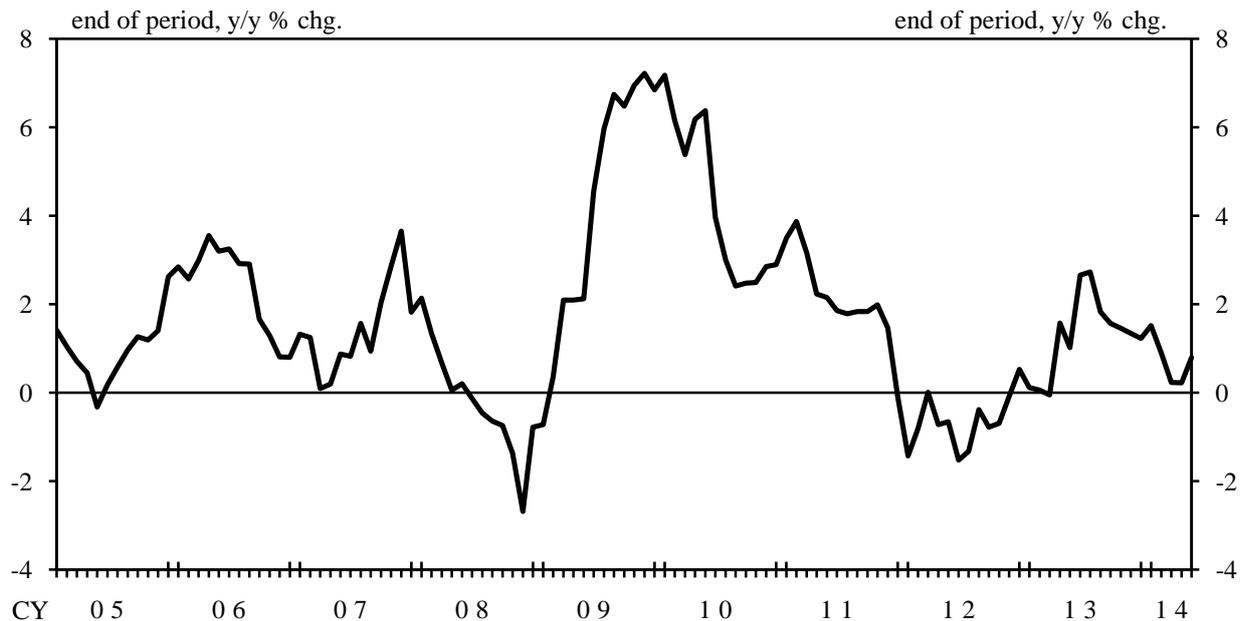
 Private-Sector Fund-Raising in the Capital Markets

(1) Amount Outstanding of Commercial Paper



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

(2) Amount Outstanding of Corporate Bonds



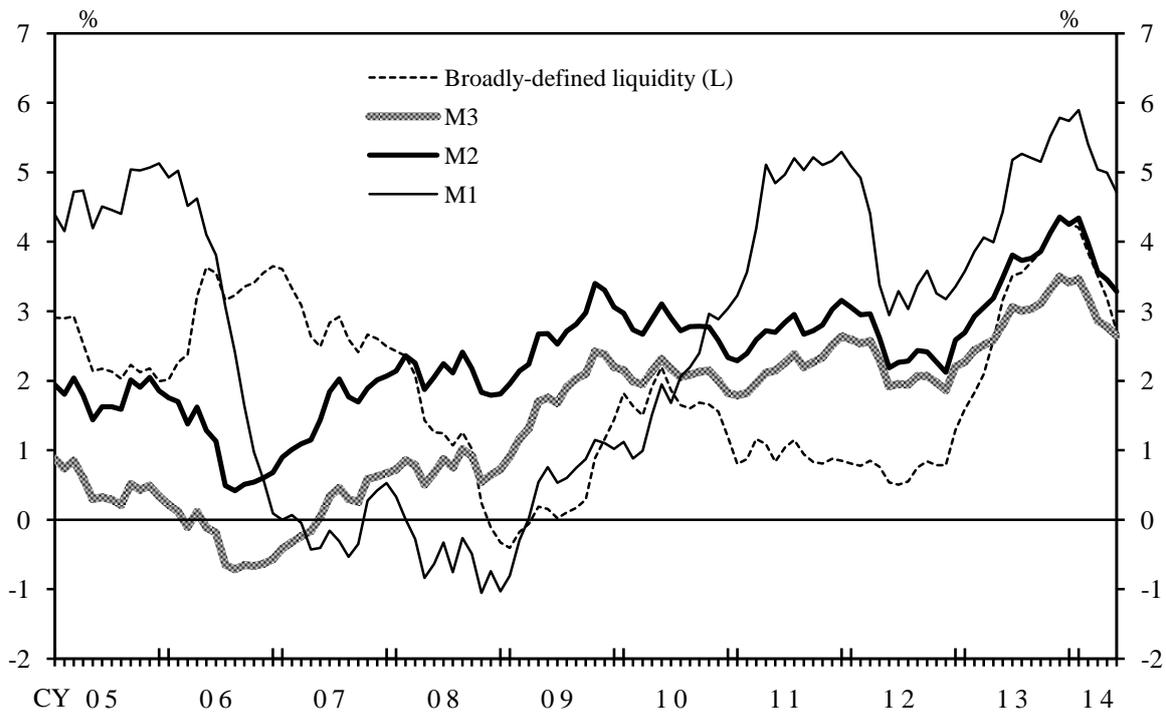
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

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

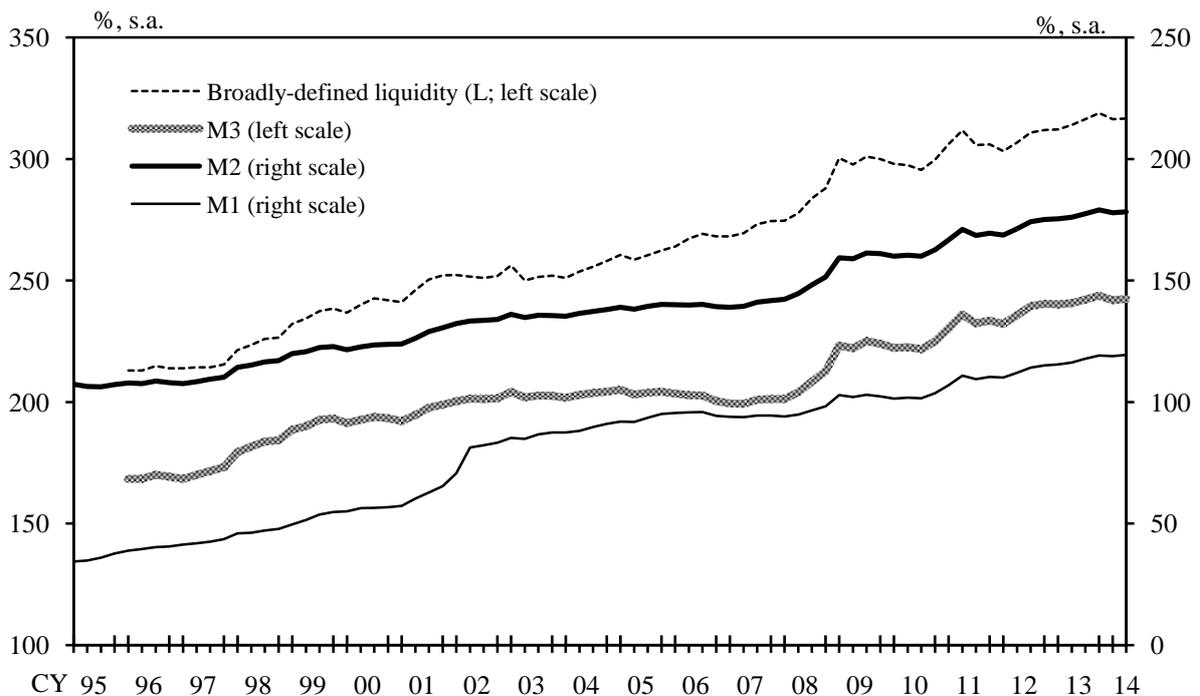
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category";
 Bank of Japan, "Principal Figures of Financial Institutions";
 Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts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

Money Stock

(1) Changes from a Year Earlier



(2) Ratio of Money Stock to Nominal GDP

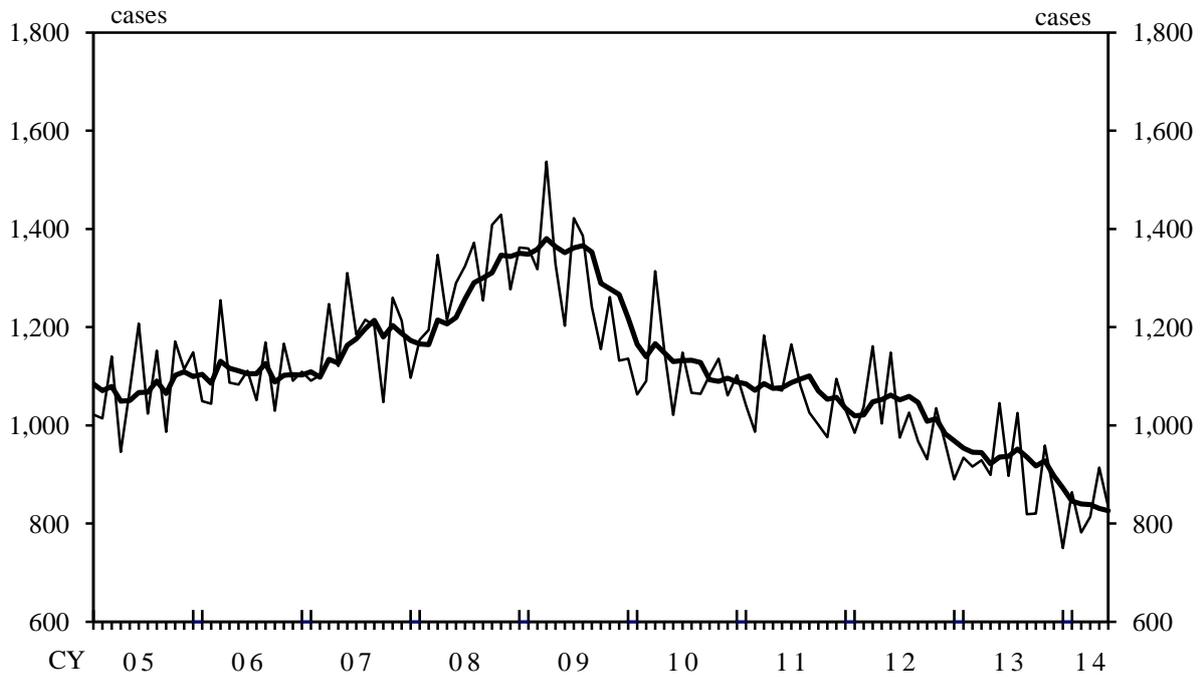


- Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.
 2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.
 3. The figures up to March 2003 are based on the former series.
 4. Figures for money stock in 2014/Q2 are those of Apr.-May averages, and nominal GDP in 2014/Q2 is assumed to be unchanged from the previous quarter.

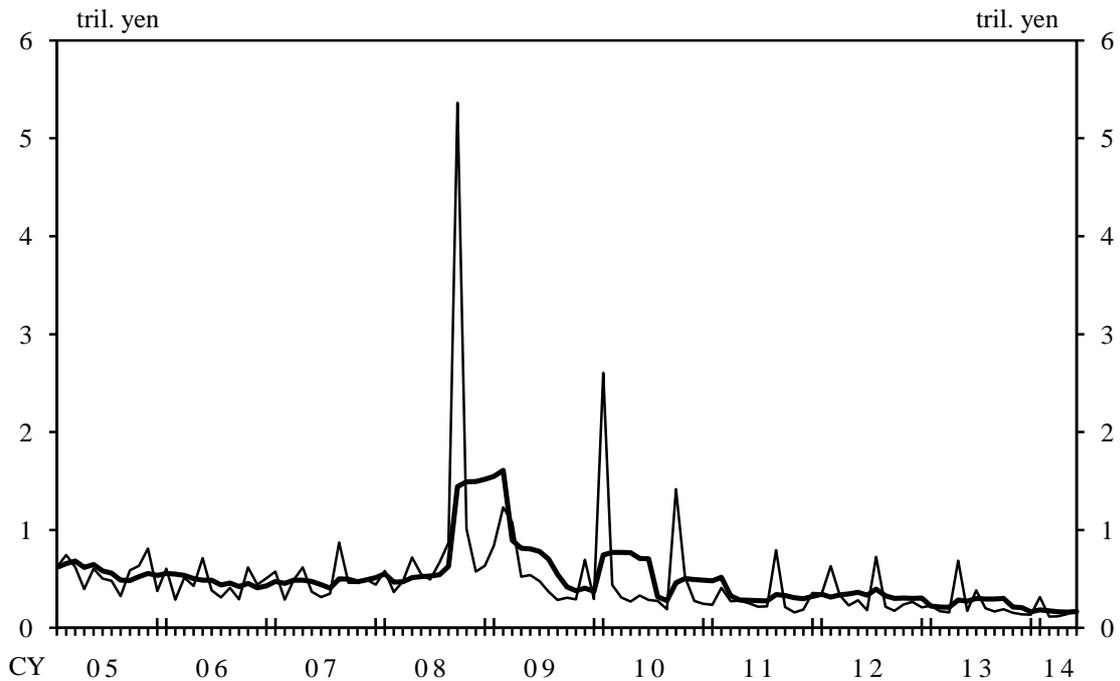
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities

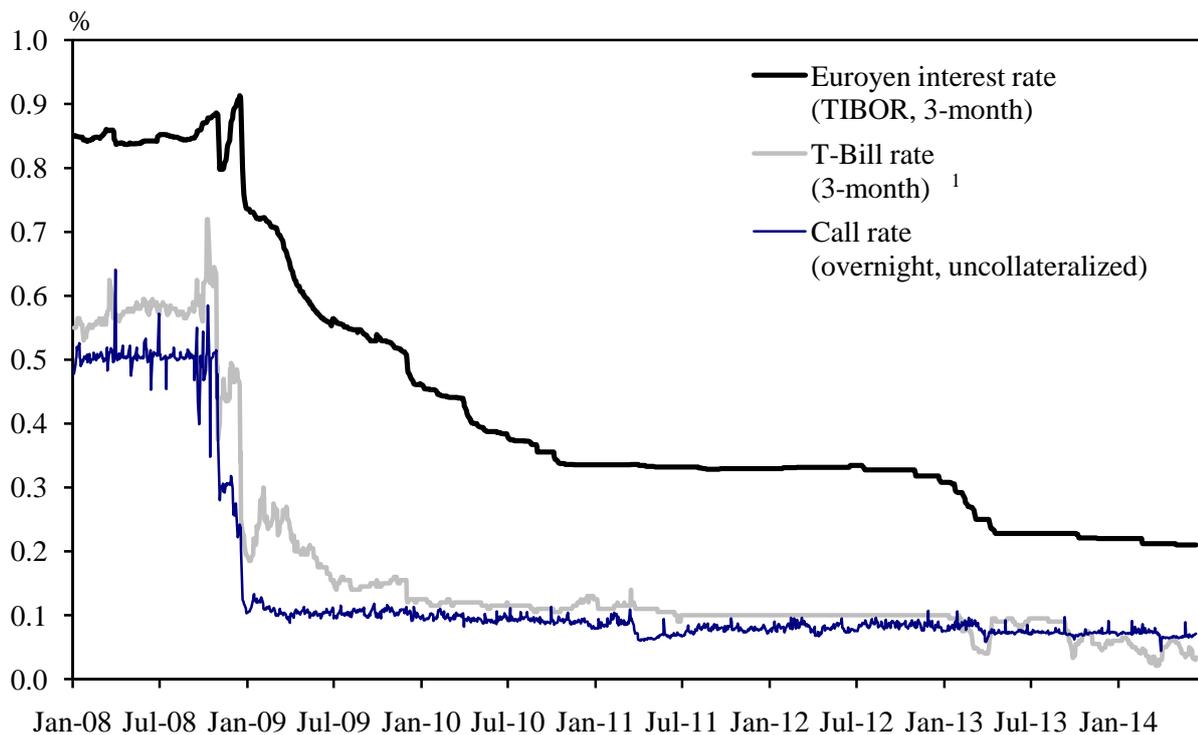


Note: Bold lines are the six-month moving average.

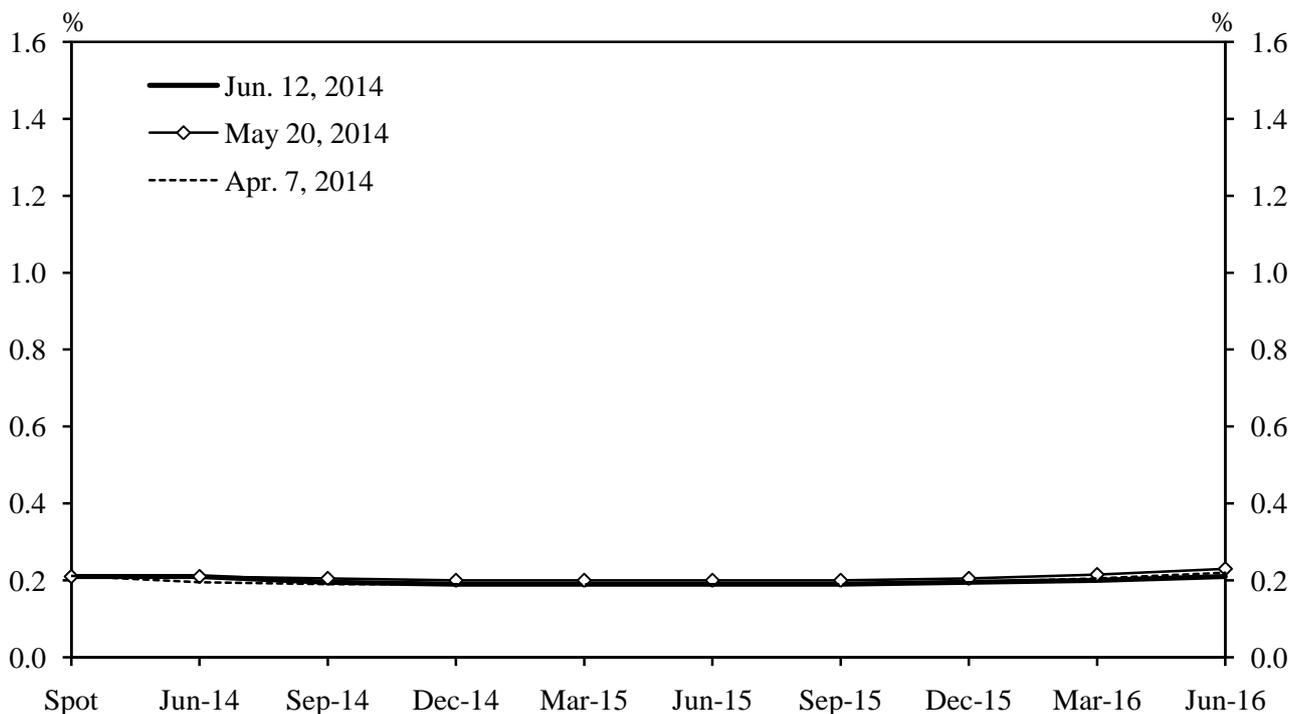
Source: Tokyo Shoko Research Ltd., "Tosan Geppo (Monthly review of corporate bankruptcies)."

Short-Term Interest Rates

(1) Short-Term Interest Rates



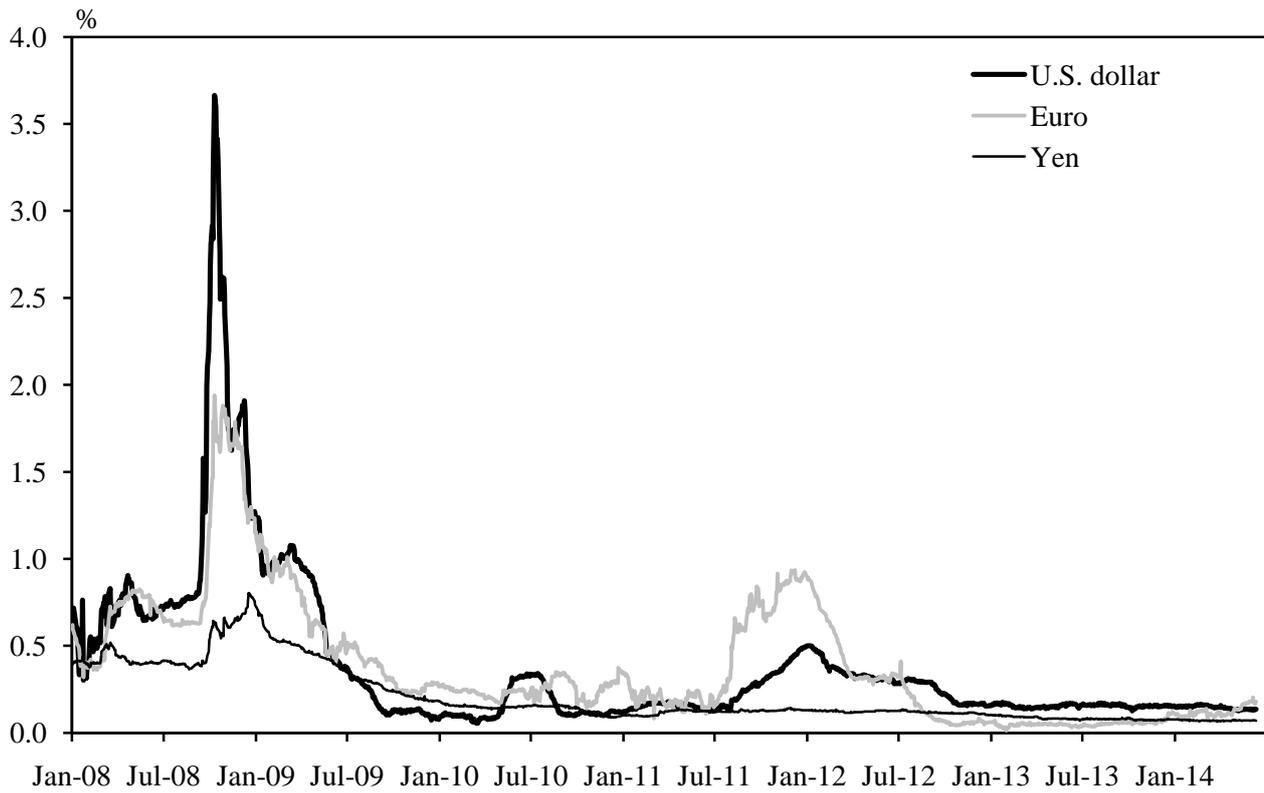
(2) Euroyen Interest Rate Futures (3-Month)



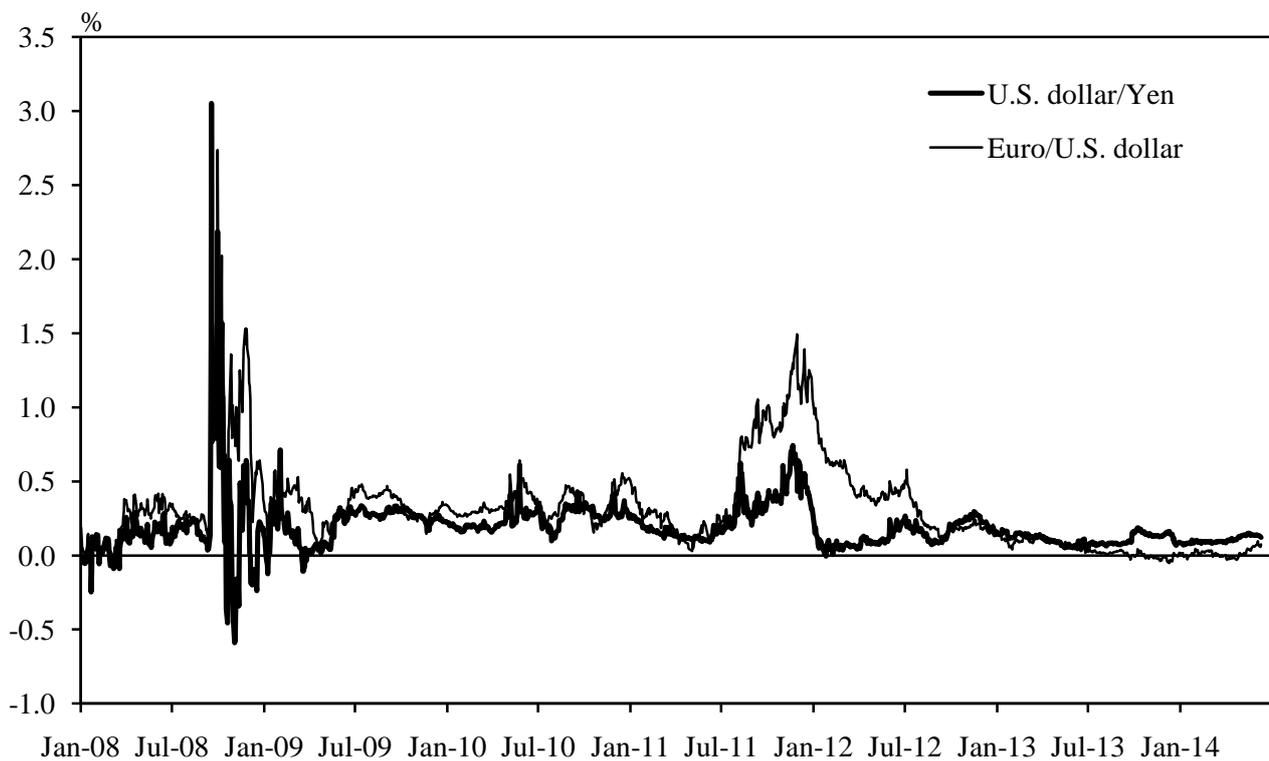
Note: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.
 Sources: Japanese Bankers Association; Bloomberg; Japan Bond Trading Co., Ltd.;
 Tokyo Financial Exchange; Bank of Japan.

Global Money Markets

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



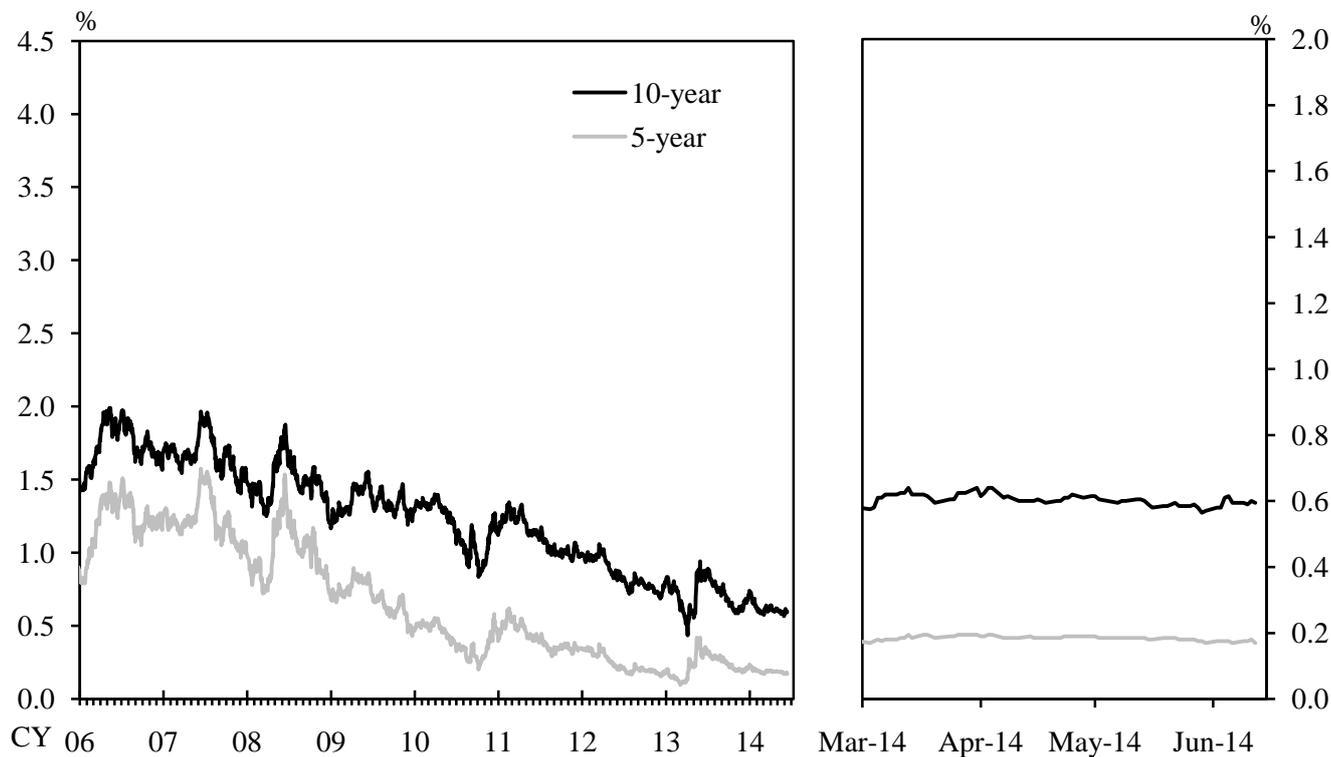
(2) FX swap implied dollar rate - LIBOR spreads (3-Month)



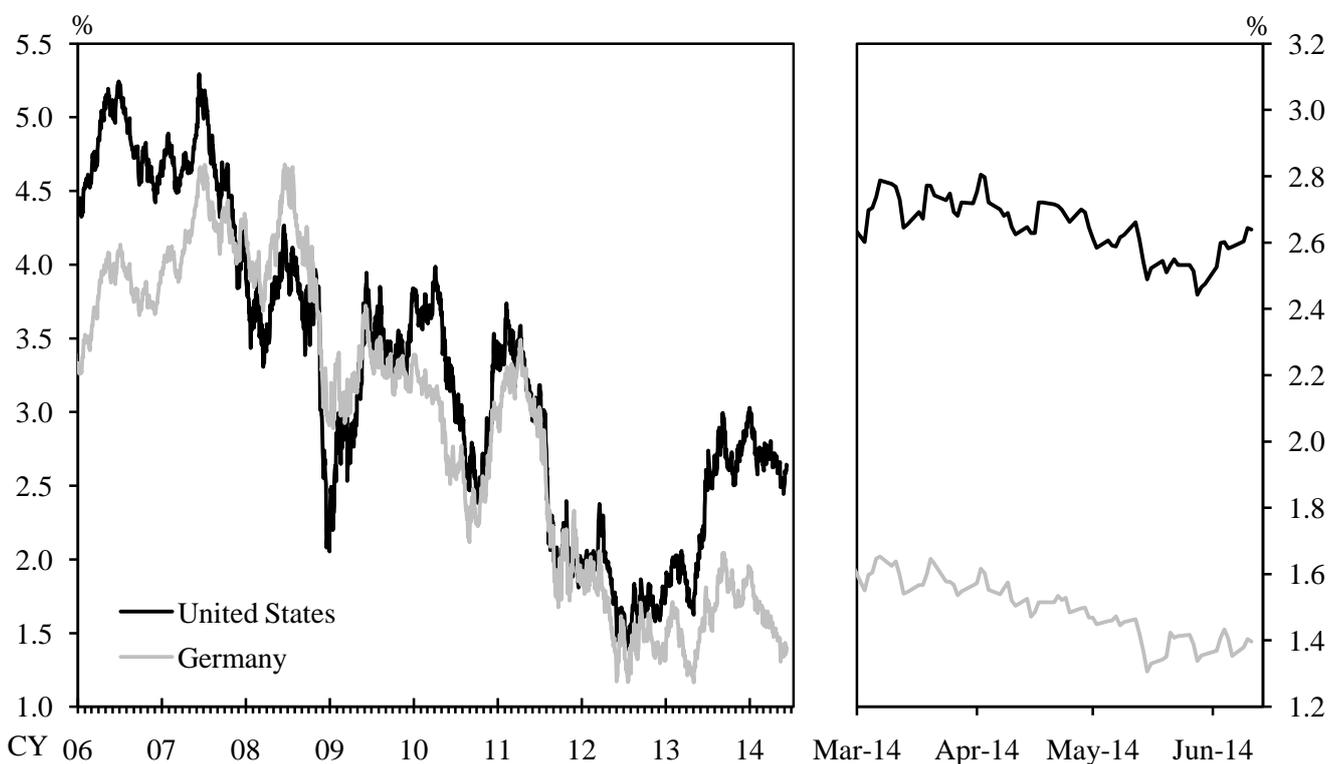
Source: Bloomberg.

Long-Term Interest Rates

(1) Japanese Government Bond Yields¹



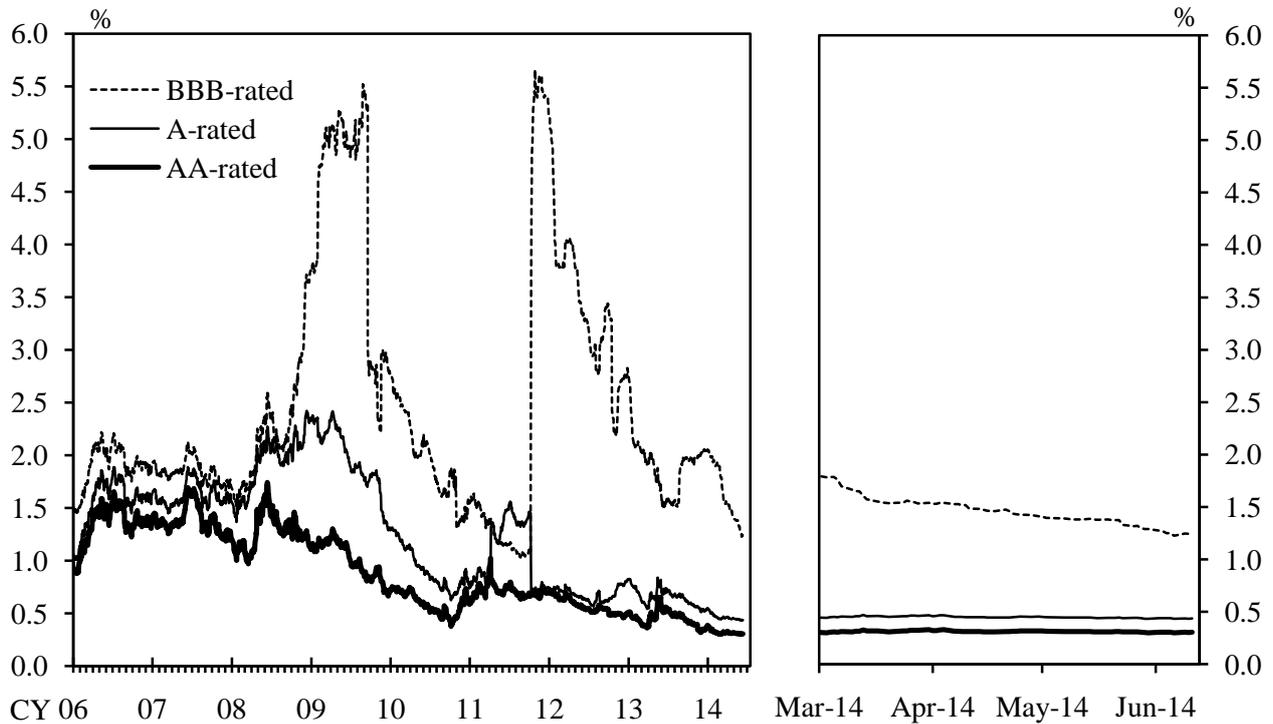
(2) Overseas Government Bond Yields (10-Year)



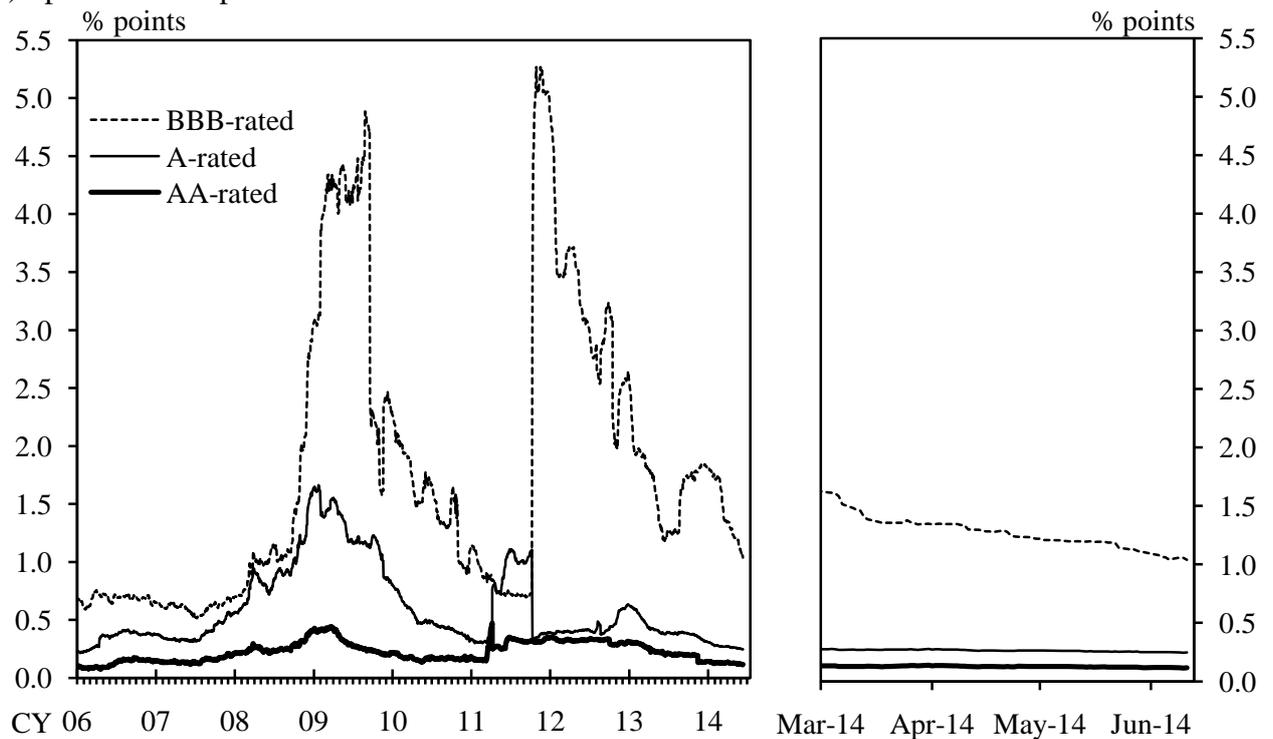
Note: 1. Yields on newly issued bonds.
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

Yields of Corporate Bonds

(1) Corporate Bond Yields^{1,2}



(2) Spreads of Corporate Bond Yields over Government Bond Yields^{1,2}



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

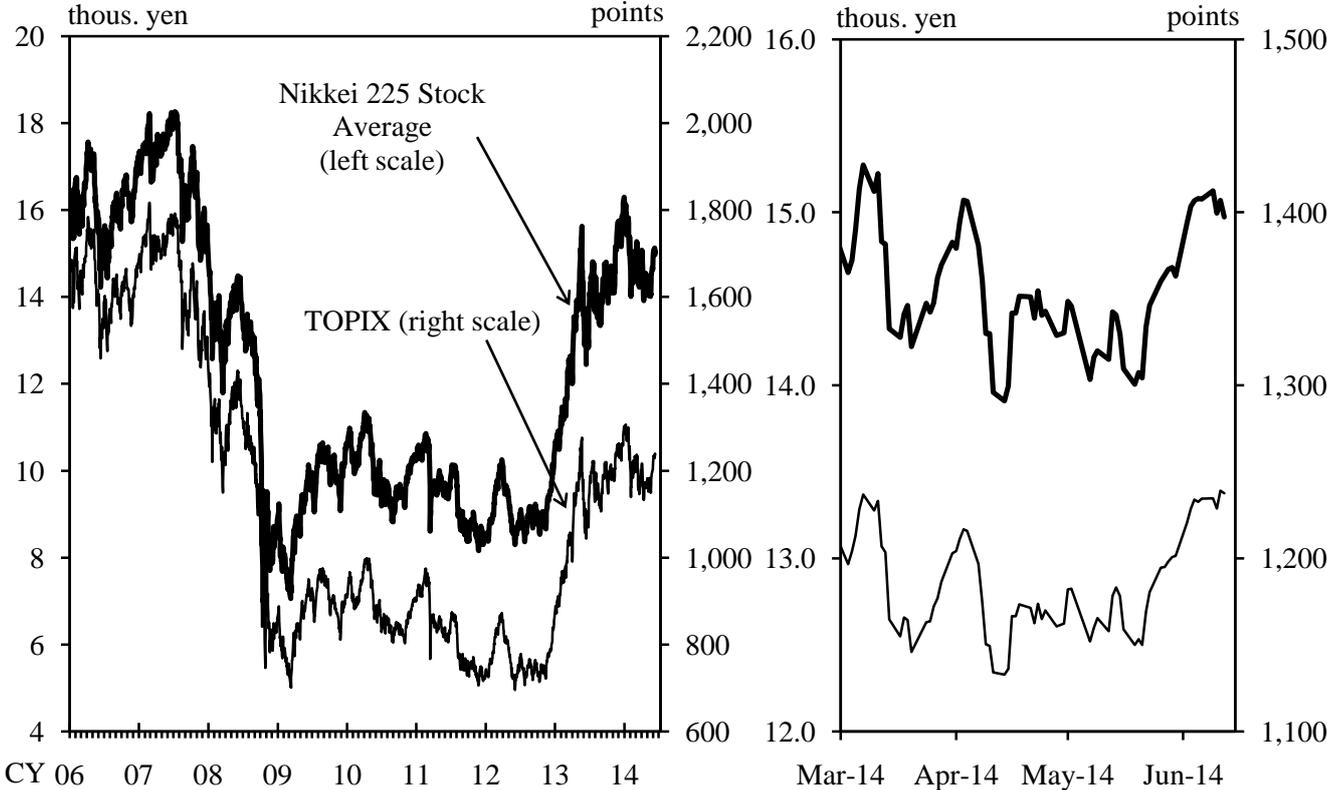
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.

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

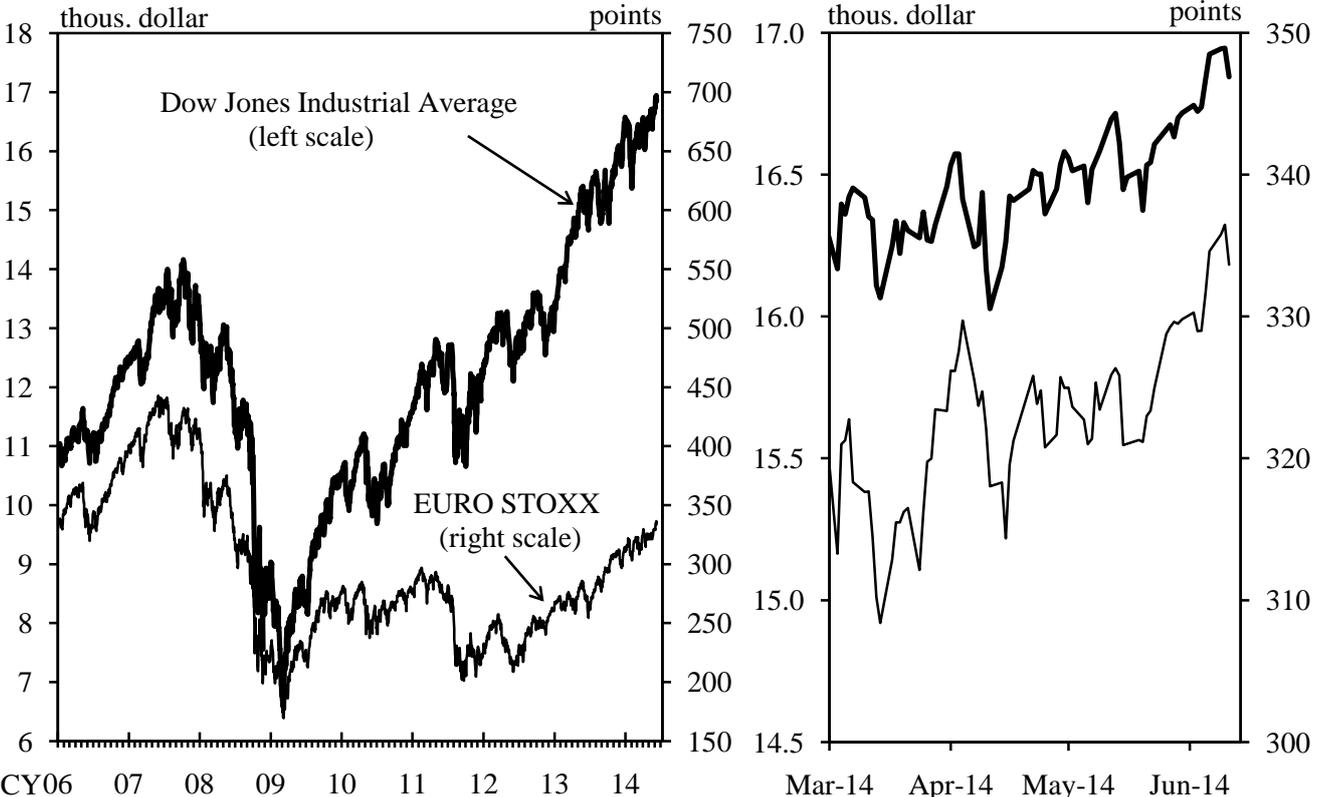
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Japanese Stock Prices



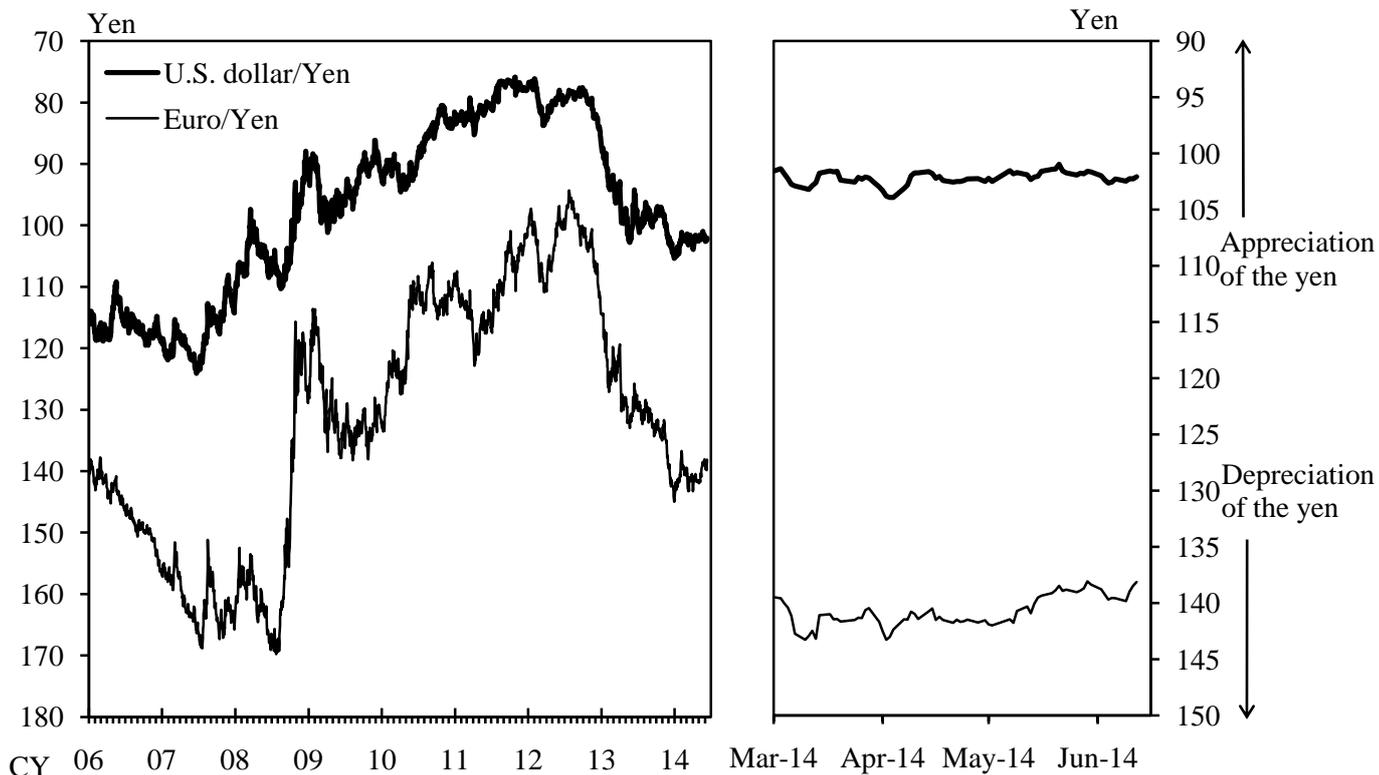
(2) Overseas Stock Prices



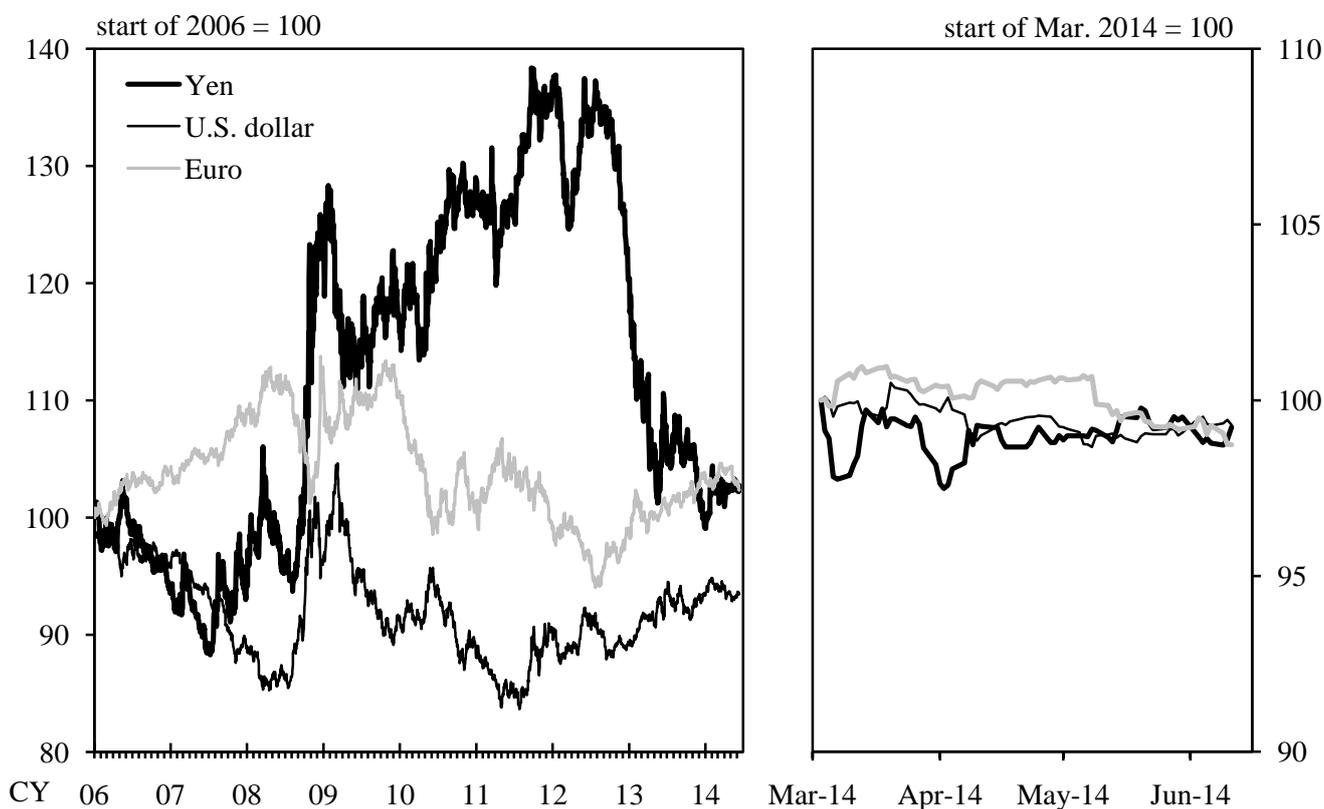
Sources: The Nihon Keizai Shimbun ; Tokyo Stock Exchange; Bloomberg.

Exchange Rates

(1) Bilateral Exchange Rates



(2) Nominal Effective Exchange Rates



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