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Bank of Japan

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

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Secretariat of the Policy Board, Bank of Japan
P.O. Box 30, Nihonbashi, Tokyo 103-8660, Japan

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Monthly Report of Recent Economic and Financial Developments¹

August 2014

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 -- have been recovering, albeit with a lackluster performance still seen in part. Exports have shown some weakness. Business fixed investment has increased moderately as corporate profits have improved. Public investment has more or less leveled off at a high level. With the employment and income situation improving steadily, private consumption and housing investment have remained resilient as a trend, and the effects of the decline in demand following the front-loaded increase have gradually begun to wane on the whole. Reflecting these developments in demand both at home and abroad, industrial production has continued to increase moderately as a trend, although it has recently shown some weakness.

With regard to the outlook, Japan's economy is expected to continue its moderate recovery trend, and the effects of the subsequent decline in demand following the front-loaded increase prior to the consumption tax hike are expected to wane gradually.

Exports are expected to head for a moderate increase 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. With the employment and income situation continuing to improve steadily, private consumption and housing investment are expected to remain resilient, and the effects of the decline in demand following the front-loaded increase are expected to wane further. Reflecting these developments

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on August 7 and 8, 2014.

in demand both at home and abroad, 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, producer 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, producer 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 in the range of 40-45 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 in the range of 2.0-2.5 percent. The year-on-year rate of change in the amount outstanding of CP and corporate bonds has been negative. Firms' financial positions have improved further. Meanwhile, the year-on-year rate of growth in the money stock has been at around 3 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 fallen. Meanwhile, the value of the yen against the U.S. dollar and long-term interest rates have remained at more or less the same levels as last month.

1. Economic Developments

Public investment has more or less leveled off at a high level. The amount of public construction completed—which reflects the progress of public works—declined in the first quarter, while the effects of the upward pressure from the past economic package diminished, after registering an increase on a quarter-on-quarter basis for eight consecutive quarters until the fourth quarter last year. It then rose slightly in April-May compared with the first quarter (Chart 5). The value of public works contracted—a measure that reflects public orders—rose again in the first quarter, after temporarily declining toward the fourth quarter last year. It continued to move upward in the second quarter, mainly due to the effects of the supplementary budget for fiscal 2013.

Public investment is expected to continue leveling off more or less at a high level, as the effects of the supplementary budget for fiscal 2013 become evident and as the initial budget for fiscal 2014 is implemented at an early stage.

Real exports have shown some weakness (Charts 6[1] and 7). Real exports continued to decline slightly in both the first and second quarters, after rising in the fourth quarter last year on a quarter-on-quarter basis. Looking at recent developments on a month-on-month basis, real exports increased in April, but declined in May and inched downward in June. One main reason why exports have continued to lose pace even after the start of this fiscal year is that emerging economies that have strong economic ties with Japan's economy, including some ASEAN economies, have been sluggish. In addition, a greater-than-expected slowdown in the U.S. economy in the first quarter, mainly due to the effects of the freezing weather, and continued movements mainly by Japanese automakers to expand their production base overseas through this year have been exerting downward pressure on exports with a time lag, while movements to prioritize domestic shipments due to the front-loaded increase in demand are likely to have almost subsided. Looking at movements in exports by region (Chart 7[1]), exports to the United States decreased somewhat in the second quarter on a quarter-on-quarter basis, after increasing slightly in the first quarter. Exports to the United States are expected to be on a moderate upward trend in general considering the moderate recovery in the U.S. economy and movements in foreign exchange rates. However, the

aforementioned factors such as the effects of the freezing weather and the expansion of production base overseas have been exerting downward pressure on exports, mainly those of motor vehicles and their related goods. Exports to the EU increased for four consecutive quarters and inched upward in the second quarter; they have kept trending moderately upward, mainly in motor vehicles and their related goods, as well as capital goods and parts. Exports to China—which registered a marginal decline in the second quarter following the quarter-on-quarter decline in the first quarter—seem to be picking up overall as a trend, with fluctuations smoothed out, as improvements have been observed mainly in IT-related goods and in some capital goods. On the other hand, exports to NIEs fell somewhat sharply in the second quarter, mainly in semiconductor products machinery, after increasing for two quarters in a row since the fourth quarter last year. Exports to ASEAN decreased for seven consecutive quarters and almost leveled off in the second quarter; they have continued to be somewhat sluggish. It remains difficult to judge whether exports to Others—which increased in the second quarter, after being relatively weak since the middle of 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 and stayed flat in the second quarter. Given that sales of automobiles in the United States have been at a high level for the first time since 2006, exports of motor vehicles and their related goods are considered to generally maintain a moderate increasing trend. However, it seems as though the aforementioned factors such as the effects of the sluggishness in some emerging economies as well as the freezing weather in the United States and the expansion of production base overseas have been exerting downward pressure on exports of these goods. Exports of capital goods and parts seem to be picking up, primarily reflecting developments in business fixed investment in the global economy, but they have recently shown somewhat sluggish movements, mainly due to a slump in exports of semiconductor products machinery bound for East Asia. In contrast, exports of IT-related goods (including visual and audio apparatus) have stopped declining and headed toward a pick-up, 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 China, NIEs, and ASEAN, although they have shown large fluctuations recently, notably in chemicals.

Real imports have continued to increase moderately as a trend against the backdrop of firm domestic demand, although they have recently declined due mainly 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 quarter-on-quarter 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 some software (operating system) amid firm domestic demand. In the second quarter, they declined significantly due to the subsequent decline in demand following the front-loaded increase. Imports, however, were up in June on a month-on-month basis; the effects of the subsequent decline seem to be coming to a halt. 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 the second quarter. Looking at basic developments in other goods, imports of IT-related goods have been firm, since those of smartphones have been exerting upward pressure; those of capital goods and parts have continued to pick up, 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 the second quarter 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, in line with movements in domestic production, while movements in foreign exchange rates have been restrained. However, they marked a subsequent decline in the second quarter following the first quarter's high growth.

Net exports—in terms of the real trade balance—improved noticeably in the second quarter on a quarter-on-quarter basis, after deteriorating significantly toward the first 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

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.

nominal goods and services balance, due mainly to the significant increase in imports that was mainly affected by the front-loaded increase in demand, although the surplus of the primary income balance continued to be on par with the fourth quarter. On the other hand, as for the second quarter, with the surplus of the primary income balance having stayed almost the same as the previous quarter, the current account balance as a whole returned to a 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.

Regarding the environment surrounding exports, overseas economies—mainly advanced economies—have been recovering, albeit with a lackluster performance still seen in part (Chart 8[2]). Looking at movements by major region, in the United States, 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, as the effects of small-scale economic measures have become evident. 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. 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. On the other hand, as for the Chinese economy, it is expected to continue to be stable, 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 economies apart from China 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 should be paid, however, to the point that shipments for smartphone products tend to fluctuate significantly, depending on movements in production and sales of new products. Meanwhile, the expansion of production base overseas, mainly in automobiles, is expected to keep weighing down on exports for the time being. As for the outlook, notwithstanding some uncertainty, the yen's depreciation since the end of 2012 is considered to ease the downward pressure on exports from a somewhat long-term perspective.

Taking the above into consideration, exports are expected to head for a moderate increase mainly against the background of the recovery in overseas economies. Imports are projected to continue trending moderately upward, mainly as a reflection of movements in domestic demand, and the effects of the subsequent decline in private consumption in response to prior increases are expected to wane gradually. 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. 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 the second quarter it showed a subsequent decline on a quarter-on-quarter basis 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 10[1]).³ 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 relatively high growth in the first quarter, and showed a relatively large subsequent decline in April-May compared with the first quarter (Chart 11[1]). By industry, both machinery orders of manufacturing and those of nonmanufacturing (excluding orders for ships and those from electric power companies) had so far continued to trend upward, but decreased noticeably in April-May compared with the first quarter. Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—have been more or less flat, albeit with fluctuations, after rising toward the second quarter last year (Chart 11[2]).⁴

Regarding the environment surrounding business fixed investment, corporate profits have continued to improve. Corporate profits are projected to continue an improving trend, albeit with fluctuations, supported by firm domestic demand and partly by exports heading for a moderate increase.

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 the employment and income situation improving steadily, and the effects of the decline in demand following the front-loaded increase have gradually begun to wane in components other than durable goods (Chart 12). Looking at consumption of goods—as seen through sales at retail stores in real terms (Chart 13[1])—it increased at a significantly accelerated pace in the first quarter due to the front-loaded increase in demand; it subsequently fell back substantially in the second quarter following the front-loaded

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

⁴ On the other hand, planned construction expenses have continued to be on an apparent increasing trend, mainly due to the rise in the unit cost of construction. This could be attributable to the increase in high-value added constructions, but could also be due to the effects of the rise in construction costs, mainly reflecting a shortage of labor.

increase. Looking at consumption of durable goods (Chart 13[2]), the number of new passenger-car registrations fell substantially through April due to the effects of the subsequent decline in demand following the front-loaded increase; it was almost flat for three consecutive months since May. Sales of household electrical appliances in real terms decreased significantly in the second quarter on a quarter-on-quarter basis, because of a considerable scale of a subsequent decline following the front-loaded increase in demand in line with the consumption tax hike and a subsequent decline following the renewal demand for PCs, in line with the ending of support for some software. Monthly developments show that although they marked an increase in both May and June, the extent of the pick-up has been limited compared with the degree of the decline in April. In this regard, as for durable consumer goods, since the scale of the front-loaded increase in demand was significant to begin with, the subsequent decline is considered to be large in scale and drag on. 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's increase, but have picked up since May, mainly in accessories and foodstuffs (Chart 14[1]). Sales at supermarkets decreased largely in April, after the effects of the front-loaded increase in demand were seen noticeably in March, but they have tended to pick up mildly since May, mainly in food and beverage. 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 show their moderate increasing trend since May. In all of these sectors, many firms have voiced that the effects of the subsequent decline have been waning gradually. However, due in part to the effects of the adverse weather, there have been reports that the pace of pick-up has recently slowed somewhat and furthermore, some firms have pointed to the fact that the pace of improvement varied according to item and region. Meanwhile, as for consumption of services (Chart 14[2]), outlays for travel and sales in the food service industry have remained steady as a whole with fluctuations smoothed out; 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, purchase of vehicles, money gifts and

remittance" basis (Chart 13[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 it fell back sharply in the second quarter.⁵ On a monthly basis, however, June saw a month-on-month increase. The total expenditure in the *Survey of Household Economy* (in real terms; two-or-more-person households) registered high growth in the first quarter with the front-loaded increase in demand having been observed, notably in durable goods, despite large monthly fluctuations, but it decreased significantly in the second quarter.

Looking at indicators related to consumer confidence, the consumer confidence index had continued its weak development since October last year, but improved for two consecutive months in May and June (Chart 15).

Private consumption is expected to remain resilient, with the employment and income situation continuing to improve steadily, and the effects of the decline in demand following the front-loaded increase are expected to wane further.

Housing investment has remained resilient as a trend, with the employment and income situation improving steadily, 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 since the first quarter due to the decline in demand following the front-loaded increase (Chart 16[1]).

With the employment and income situation continuing to improve steadily, housing investment is expected to remain resilient, also supported by the accommodative financial conditions, and the effects of the decline in demand following the front-loaded increase are expected to wane gradually.

Industrial production has continued to increase moderately as a trend, although it has recently shown some weakness, mainly as a reflection of the subsequent decline in demand following the front-loaded increase (Chart 17).

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

Industrial production had kept increasing moderately since the first quarter last year; as for the first quarter this year, it grew at a somewhat high pace, partly in response to the front-loaded increase in demand, and decreased noticeably in the second quarter on a quarter-on-quarter basis, due to the effects of the subsequent decline following the front-loaded increase. Looking at recent developments on a month-on-month basis, industrial production picked up somewhat in May after decreasing largely in April, but fell sharply again in June. By industry, production of transport equipment (such as passenger cars) decreased noticeably in the second 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 noticeably in the second quarter as well, in response to the increase in the first 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 considerably in the second quarter due to the subsequent decline in demand following the front-loaded increase for white goods and the subsequent decline following the renewal demand for electronic computers in line with the ending of support for some software. Production of general-purpose, production and business oriented machinery—which accelerated toward the first quarter—dipped temporarily in the second quarter, but it has stayed at a relatively high level in light of developments in business fixed investments at home and abroad. Production of electronic parts and devices as a whole is considered to be on an upward trend, albeit with fluctuations, with parts for smartphone and tablet products produced in Asia having held steady as a trend. Furthermore, production of nonferrous metals and of ceramics, stone and clay products has continued to be solid, albeit with fluctuations, as a reflection of firm demand with ties to construction. Meanwhile, production of iron and steel—which had continued to be resilient as demand with ties to construction had been firm—has recently shown somewhat sluggish movements, mainly as a reflection of production cutbacks in automobiles.

Shipments grew at a noticeably accelerated pace in the first quarter and marked a subsequent decline in the second quarter (Chart 17[1]). By goods (Chart 18), shipments for nondurable consumer goods—which had been affected by the front-loaded increase in demand, mainly those for daily necessities—fell back in the second quarter. As for durable consumer goods, they continued relatively high

growth in the fourth quarter last year and in the first quarter this year partly due to the front-loaded increase in demand; they decreased noticeably in the second quarter. Shipments for capital goods had continued a moderate increase since the third quarter last year and marked higher growth in the first quarter; they declined subsequently in the second quarter following the growth in the first quarter. Shipments for construction goods—which continued to be firm by the first quarter—have recently shown somewhat weak developments, primarily in housing-related goods.

Inventories—which had followed 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—have recently increased due to the effects of the subsequent response to the previous development (Chart 17[1]). Inventories of automobiles, in particular, seem to have been affected by the fact that the pick-up in demand was shifted somewhat backward. Apart from this, inventories of general-purpose, production and business oriented machinery as well as electronic parts and devices and other industries seem to be piling up as a trend, partly in anticipation of recovery in demand. As for the shipment-inventory balance (year-on-year rate of change in shipments less that in inventories), growth in inventories has been broadly balanced with that in shipments on the whole, although the improving trend has come to a standstill (Chart 19[2]). By goods, the shipment-inventory balance has deteriorated for durable consumer goods due to the effects of the subsequent decline following the front-loaded increase, while growth in inventories of other goods has been generally balanced with that in shipments.

Industrial production is expected to follow a moderate increasing trend, mainly as a reflection of developments in demand both at home and abroad, and the effects of the subsequent decline in demand following the front-loaded increase are expected to wane gradually. Based on anecdotes by firms and on other information, as for the third quarter, industrial production as a whole is projected to stop declining and head toward a pick-up. By industry, production of general-purpose, production and business oriented machinery is expected to keep trending upward on the back of continued improvement in business fixed investment both at home and abroad. Production of electronic parts and devices is expected to increase with the overhang in stocks of parts for smartphones, including those for new products scheduled to be

sold, becoming active. Production of chemicals is also projected to turn to an increase while the effects of the subsequent decline in demand following the front-loaded increase are expected to wane gradually. Meanwhile, as for transport equipment, production is projected to remain somewhat weak as the effects of the subsequent decline in demand following the front-loaded increase remain for production for home; production of information and communication electronics equipment is also expected to continue to see production cutbacks, mainly in PCs.

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

As for supply and demand conditions in the labor market, the unemployment rate has been on a moderate improving trend on average, while it moved slightly upward to 3.7 percent in June, after having declined to a level last recorded in December 1997 with a reading of 3.5 percent in May (Chart 20). New job openings have continued to trend upward, although they have recently been somewhat sluggish. The active job openings-to-applicants ratio has also kept improving steadily by posting an increase for the 19th straight month; it recorded 1.10 in June, a level on par with that in June 1992. Non-scheduled hours worked accelerated their pace of growth toward March, partly in response to the front-loaded increase in demand, but then fell back markedly in the second quarter, mainly in manufacturing. As a trend, however, they have been on a moderate uptrend.

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 22[1]). The year-on-year rate of increase in the number of regular employees in the *Monthly Labour Survey* has kept expanding moderately as a trend overall, since manufacturing has continued to decline at a reduced rate, while nonmanufacturing has gradually shown higher growth.

Total cash earnings per employee have picked up as a whole, albeit with fluctuations (Chart 22[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 and scheduled cash earnings have almost stopped declining (Chart 21[1]). Taking a closer look, both monthly cash earnings of full-time employees per employee and hourly cash earnings of part-time employees have accelerated their year-on-year rate of increases, albeit at a modest pace (Chart 21[2]). Scheduled cash earnings have generally bottomed out of late as the overall year-on-year rate of decline has been slowing steadily as a trend, while downward pressure from the increase in the ratio of part-time workers has diminished moderately (Chart 21[3]). By type of workers, the rate of increase in scheduled cash earnings of full-time employees has been positive since April, as the effects of the rise in base wages this spring have become gradually evident. The rate of increase in scheduled cash earnings of part-time employees has recently been positive as a whole, although an increase in employees with short hours worked has still been exerting downward pressure. The year-on-year rate of increase in non-scheduled cash earnings has still maintained a distinct positive, although the rate of increase diminished temporarily in the second quarter, as a reflection of movements in the number of hours worked. Meanwhile, special cash earnings in June (preliminary figures)—which comprise about 60 percent of summer bonuses—were up, albeit slightly, for the second year running by posting a year-on-year increase of 0.3 percent.

Employee income has accelerated moderately its year-on-year rate of increase, as a reflection of the aforementioned developments in employment and wages (Chart 22[3]).

As for the outlook, employee income is expected to continue increasing moderately, in line with the recovery in economic activity and business performance.

2. Prices

International commodity prices have been more or less flat as a whole (Chart 24[1] and [3]). Prices of crude oil have fallen back recently from the rise in view of geopolitical risks. Prices of nonferrous metals—which had been more or less level after being sluggish around spring, against the background of uncertainty about emerging economies—have recently firmed up slightly as a reflection of positive movements in the Chinese economy. In contrast, prices of grains have been

weakening again, a reflection of a reduction in anxiety over supply and an increase in stocks on a global basis.

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 24[2]).

Producer 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 25[2]).⁶ Excluding the direct effects of the consumption tax hike, the three-month rate of change in producer prices had registered 0.1 percent in April, expanded the rate of increase to 0.4 percent in May, and registered about the same rate of 0.5 percent in June. Looking in detail at producer price movements in June relative to three months earlier, the rate of increase in prices of "goods sensitive to exchange rates and overseas commodity prices" heightened slightly as a whole since petroleum products such as gasoline rose, a partial reflection of heightened crude oil prices and price rises for the purpose of improving profit. Prices of "iron & steel and construction goods" turned positive as a whole since scrap & waste marked a subsequent increase following the prior decline, while iron prices increased somewhat on the back of firm demand for construction. Prices of "others" showed somewhat strong developments, mainly in other manufacturing industry products, due to a pass-on of past cost increases in the form of higher prices. Meanwhile, prices of "other materials" continued to decline as the effects of reduced pharmaceutical prices lingered, and the rate of increase in prices of "electric power, gas & water" declined somewhat since upward pressure of the fuel and gas resource cost adjustment system reflecting past movements in foreign exchange rates has been diminishing.

The year-on-year rate of change in services producer prices (excluding international transportation; year-on-year basis, same hereafter), on a basis excluding the direct effects of the consumption tax hike, is in the range of 0.5-1.0 percent (Chart

⁶ Figures are adjusted to exclude large seasonal fluctuations in electric power charges to observe the underlying changes in producer prices. Industrial and commercial electric power charges are set relatively high during July-September, when electric power consumption increases substantially.

26). The year-on-year rate of increase, on a basis excluding the direct effects of the consumption tax hike, has been expanding since the start of the year, reaching 0.9 percent in May and in June which was the highest growth since March 1993. Looking in detail at services producer price movements, the year-on-year rate of change in prices related to "selling, general and administrative expenses" has recently been rising as a whole: while the year-on-year rate of change in prices of advertising services has followed a positive trend, albeit with fluctuations, mainly on the back of the recovery in corporate profits, hotel services have marked a relatively large increase, reflecting firm demand for business and sightseeing, and added to this, temporary employment agency services have also risen at a mild pace against the backdrop of increased job offers. The rate of increase in prices related to "fixed investment" has continued to be high, mainly in civil engineering and architectural services, amid firm demand with ties to construction. In a situation where the rate of increase in overland freight transportation fare has continued to mark a moderate increase—which reflects economic recovery—the rate of increase in prices related to "domestic transportation" has expanded since April because prices have also been affected by the abolishment of a discount in some charges in the expressway toll system. Prices of "others" have also marked somewhat high growth as a whole, as finance and insurance has continued to mark relatively high growth and the rate of increase in plant engineering has been expanding. Meanwhile, prices of "real estate services" have recently started to bottom out as the rate of decline has been narrowing moderately, albeit with fluctuations.

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 27[1]).⁷ Consumer prices for June, on a basis excluding the direct effects of the consumption tax hike, recorded positive 1.3 percent—which diminished slightly from the rate of increase of positive 1.4 percent registered in May. On the other hand, those on a basis that excludes food and energy expanded their rate of increase slightly on a year-on-year basis to positive 0.6 percent in June from positive 0.5 percent in May. Regarded as a method for

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.

capturing trend changes, the year-on-year rate of change in the trimmed mean has continued to be on a moderate rising trend (Chart 28[2]).⁸

Looking at recent year-on-year growth in consumer prices, prices for goods (excluding agricultural, aquatic & livestock products) have recently continued to show a relatively strong development as the rate of increase in June accelerated, albeit slightly, after the rate of increase expanded in April and remained at the same rate in May. Looking in detail, the rate of increase in prices of food products has been expanding steadily due to a continued pass-on of past cost increases in the form of higher prices, while private consumption has remained resilient. Since April, in addition to such upward pressure as a trend, the fact that prices of petroleum products have continued to show a stronger development even compared to movements in crude oil prices has contributed to raising the overall rate of change. Furthermore, June saw its rate of increase expand for durable goods (TV sets), due to the effects of price increases in line with the introduction of new products, and this in turn, pushed prices of overall goods upward. On the other hand, prices of general services had been on a moderate expanding trend, albeit with fluctuations, but the rate of increase has diminished since May and leveled off in June on a year-on-year basis. This is largely attributable to the following factors: (i) mobile telephone charges included in other services declined due to the effects of the introduction of new price plans and (ii) the subsequent decline following the increase in May 2013 in some prices of eating out has been observed since May. Meanwhile, the rate of decline in prices of rent—which accounts for a large share—has continued to be about the same extent as before even since April, when price revisions are often made, albeit with some fluctuations; this movement has exerted downward pressure on overall prices. Fees for public services—which had grown somewhat since the start of the year mainly due to the rise in electricity prices through the fuel cost adjustment system—have continued to diminish their rate of increase moderately since May in response to last year's increase including price rises by some electricity power companies in May 2013.

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.

With regard to the outlook, excluding the direct effects of the consumption tax hike, producer 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 29).

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 in the range of 40-45 percent (Chart 30).

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 32).

With regard to credit supply, firms have continued to see financial institutions' lending attitudes as being on an improving trend (Chart 31). 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 in the range of 2.0-2.5 percent, mainly in demand for working capital and funds related to mergers and acquisitions (Chart 33). The year-on-year rate of change in the amount outstanding of CP and corporate bonds has been negative (Chart 34).

Firms' financial positions have improved further (Chart 31). The number of corporate bankruptcies has remained at a low level (Chart 36).

Meanwhile, the year-on-year rate of growth in the money stock (M2) has been at around 3 percent. Its June reading was 3.0 percent on a year-on-year basis, following 3.3 percent in May (Chart 35).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 37). In U.S. dollar funding, the LIBOR-OIS spread for the dollar has basically been flat (Chart 38).

Yields on 10-year government bonds (newly issued 10-year JGB) have been more or less flat; they have recently been moving in the range of 0.50-0.55 percent (Chart 39).

Yield spreads between corporate bonds and government bonds have been narrowing very moderately (Chart 40).

Stock prices have decreased, mainly in response to the decline in U.S. and European stock prices. The Nikkei 225 Stock Average is recently moving in the range of 14,500-15,000 yen (Chart 41).

In the foreign exchange market, the yen's exchange rate has been more or less flat against the U.S. dollar; the yen is currently moving in the range of 101-102 yen against the U.S. dollar. Meanwhile, the yen's exchange rate against the euro has appreciated, primarily in response to weaker-than-projected European economic indicators and uncertainty about the situation in Ukraine; the yen is recently moving at around 136 yen against the euro (Chart 42).

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 June reading was 2.4 percent, following 2.6 percent in May. 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 2.8 percent in June, following an increase of 2.9 percent in May.

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Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2013/Q4	2014/Q1	Q2	2014/Apr.	May	Jun.	Jul.
Index of consumption expenditure level (two-or-more-person households)	-0.1	4.3	-8.5	-12.1	-5.7	5.3	n.a.
Sales at department stores	1.0	9.4	p -13.2	-28.5	8.2	p 2.6	n.a.
Sales at supermarkets	0.1	3.2	p -5.4	-16.8	5.4	p 0.9	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 309>	< 333>	< 264>	< 259>	< 266>	< 268>	< 277>
Sales of household electrical appliances (real, "Current Survey of Commerce")	3.1	14.3	p -25.4	-39.0	4.9	p 1.5	n.a.
Outlays for travel	2.1	0.6	n.a.	-7.9	7.6	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	< 103>	< 94>	< 89>	< 91>	< 87>	< 88>	<n.a.>
Machinery orders ⁴ (Private sector, exc. volatile orders)	1.9	4.2	n.a.	-9.1	-19.5	n.a.	n.a.
Manufacturing	2.0	3.9	n.a.	-9.4	-18.6	n.a.	n.a.
Nonmanufacturing ⁴ (exc. volatile orders)	4.9	-1.0	n.a.	0.9	-17.8	n.a.	n.a.
Construction starts (private, nondwelling use)	1.1	-2.5	-3.8	-1.4	-5.9	9.6	n.a.
Mining & manufacturing	4.4	-3.6	-8.6	-15.3	46.5	-34.7	n.a.
Nonmanufacturing ⁵	0.0	-2.2	-3.4	2.9	-17.0	25.1	n.a.
Value of public works contracted	-3.6	6.6	11.3	4.5	17.3	-8.3	n.a.
Real exports	1.5	-1.0	-1.1	1.4	-2.2	-0.5	n.a.
Real imports	1.6	4.5	-7.1	-9.8	-2.6	3.6	n.a.
Industrial production	1.8	2.9	p -3.7	-2.8	0.7	p -3.3	n.a.
Shipments	2.6	4.6	p -6.8	-5.0	-1.0	p -1.9	n.a.
Inventories	-1.9	0.2	p 4.5	-0.5	3.0	p 1.9	n.a.
Inventory ratio <s.a., CY 2010 = 100>	< 104.1>	< 105.4>	<p 111.6>	< 103.7>	< 107.8>	<p 111.6>	<n.a.>
Real GDP	0.1	1.6	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.3	1.6	n.a.	-4.6	0.6	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2013/Q4	2014/Q1	Q2	2014/Mar.	Apr.	May	Jun.
Active job openings-to-applicants ratio <s.a., times>	< 1.01>	< 1.05>	< 1.09>	< 1.07>	< 1.08>	< 1.09>	< 1.10>
Unemployment rate <s.a., %>	< 3.9>	< 3.6>	< 3.6>	< 3.6>	< 3.6>	< 3.5>	< 3.7>
Non-scheduled hours worked ⁶	6.0	7.1	p 4.8	8.4	6.4	4.9	p 2.9
Number of employees	1.2	0.8	0.6	1.0	0.3	0.7	0.8
Number of regular employees ⁶	1.1	1.2	p 1.4	1.2	1.4	1.4	p 1.5
Nominal wages per person ⁶	0.4	0.1	p 0.5	0.7	0.7	0.6	p 0.4
Producer price index <excluding consumption tax, y/y % chg.>	2.5	1.9	p 4.4	1.7	4.2	4.4	p 4.6
<excluding consumption tax, q/q % chg., 3-month rate of change> ⁷	< 0.4>	< 0.2>	<p 0.4>	< 0.0>	< 0.1>	< 0.4>	<p 0.5>
Consumer price index ⁸ <consumption tax adjusted, y/y % chg.>	1.1	1.3	3.3	1.3	3.2	3.4	3.3
			< 1.4>		< 1.5>	< 1.4>	< 1.3>
Services producer price index ⁹ <excluding consumption tax, y/y % chg.>	0.1	0.2	p 3.6	0.4	3.4	3.6	p 3.7
			<p 0.9>		< 0.7>	< 0.9>	<p 0.9>
Money stock (M2) <average outstanding, y/y % chg.>	4.2	4.0	p 3.2	3.6	3.5	3.3	p 3.0
Number of corporate bankruptcies <cases per month>	<857>	<820>	<871>	<814>	<914>	<834>	<865>

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

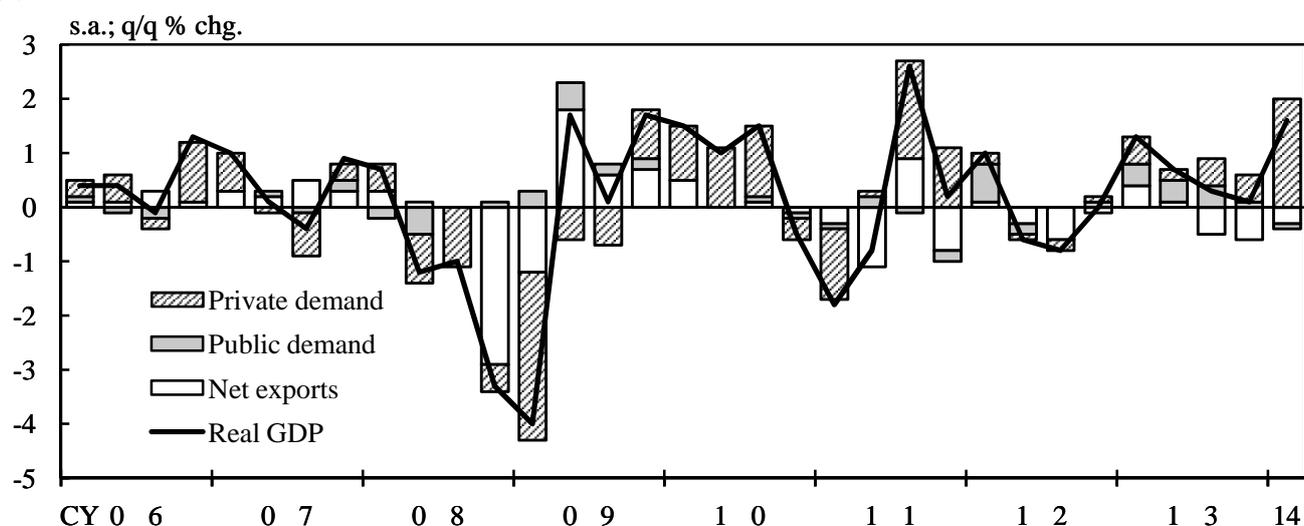
All figures in Chart 2 except figures in angle brackets are year-on-year changes. For details on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes of respective charts.

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," "Services Producer 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



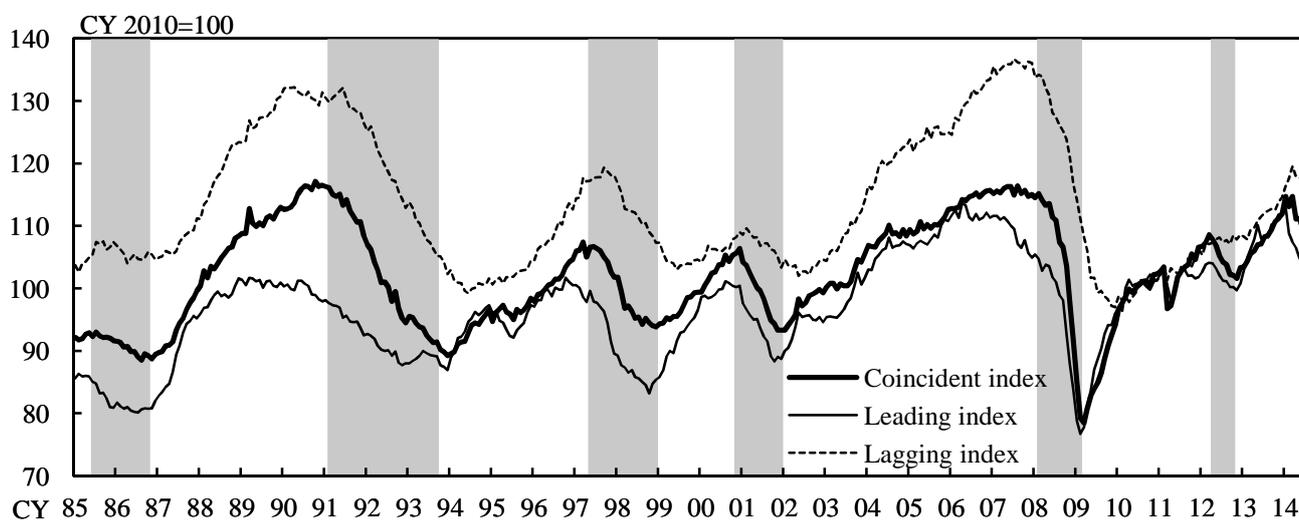
(2) Components

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)

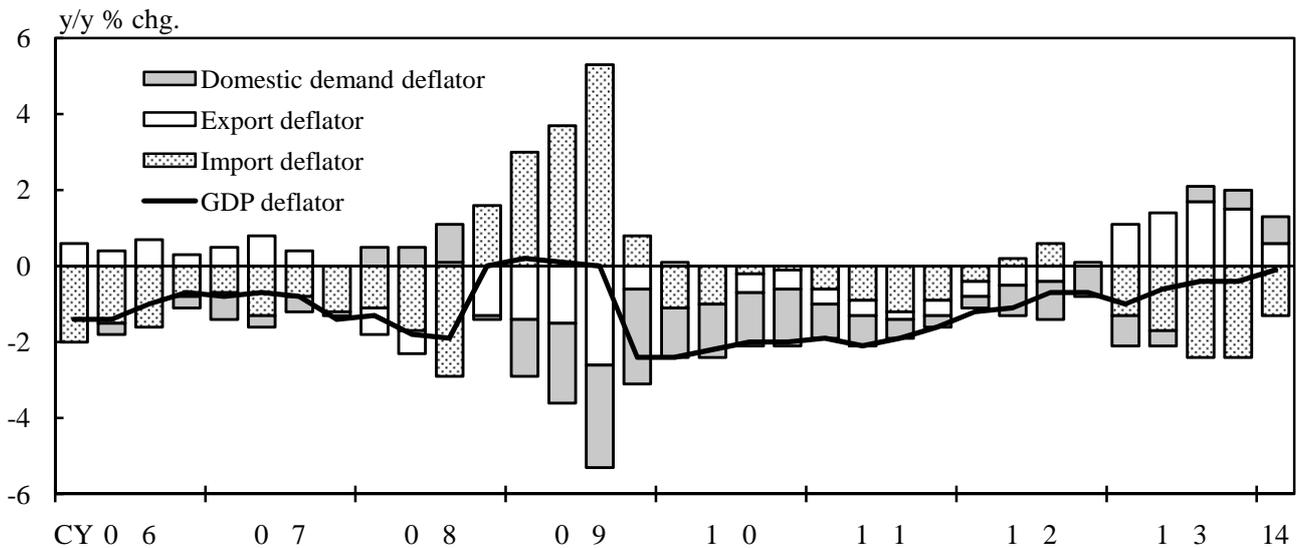


Note: Shaded areas indicate recession periods.

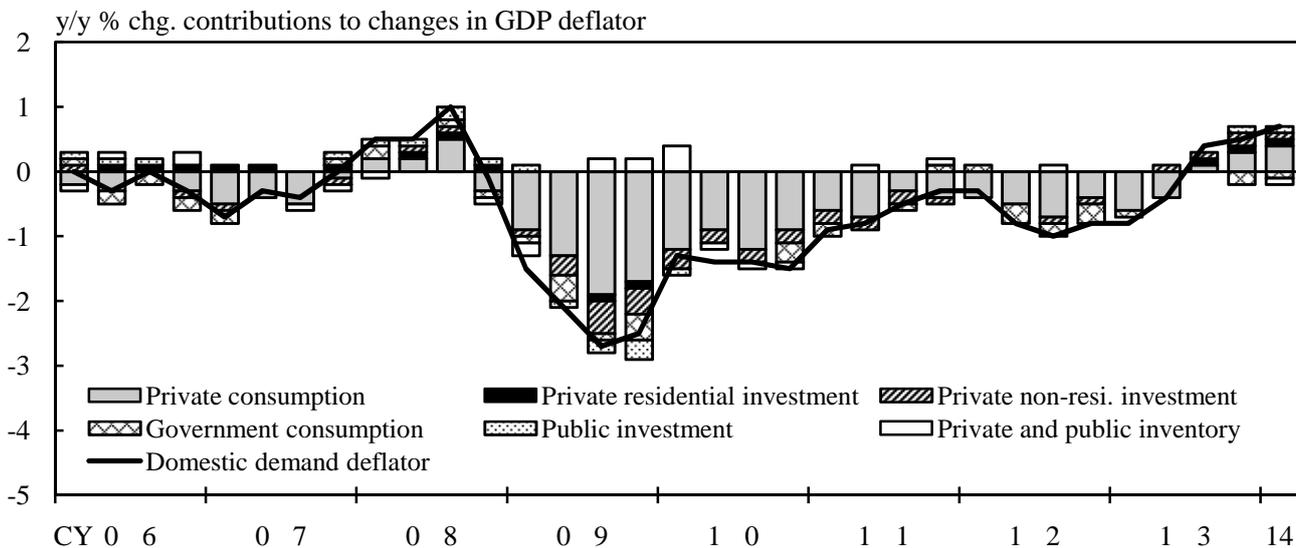
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

GDP Deflator and Income Formation

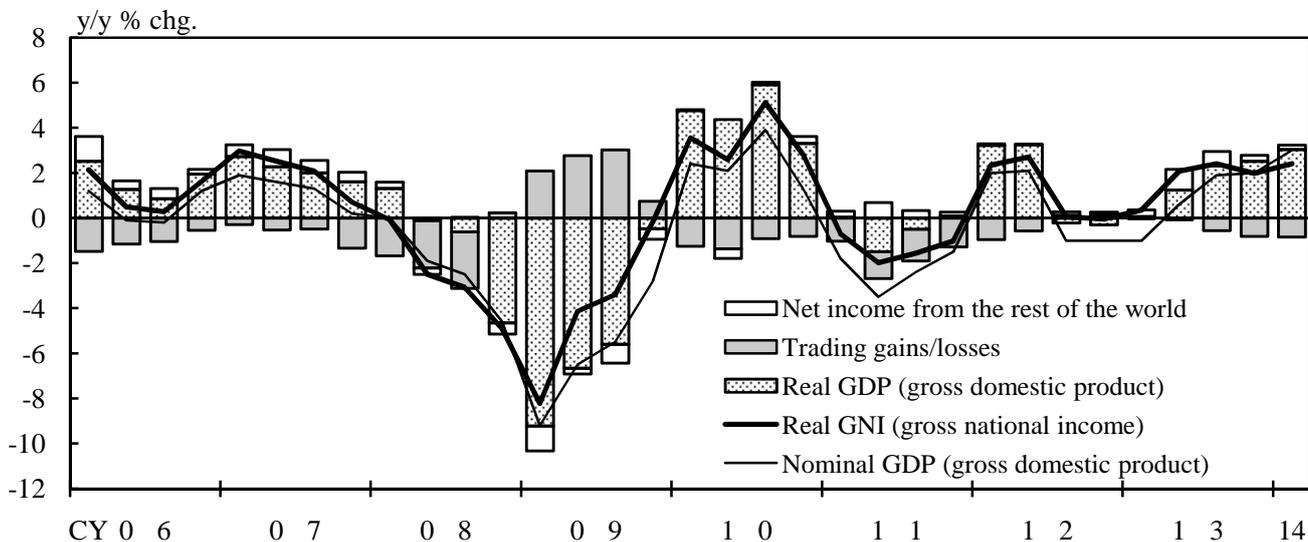
(1) GDP Deflator



(2) Domestic Demand Deflator



(3) Aggregate Income Formation



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

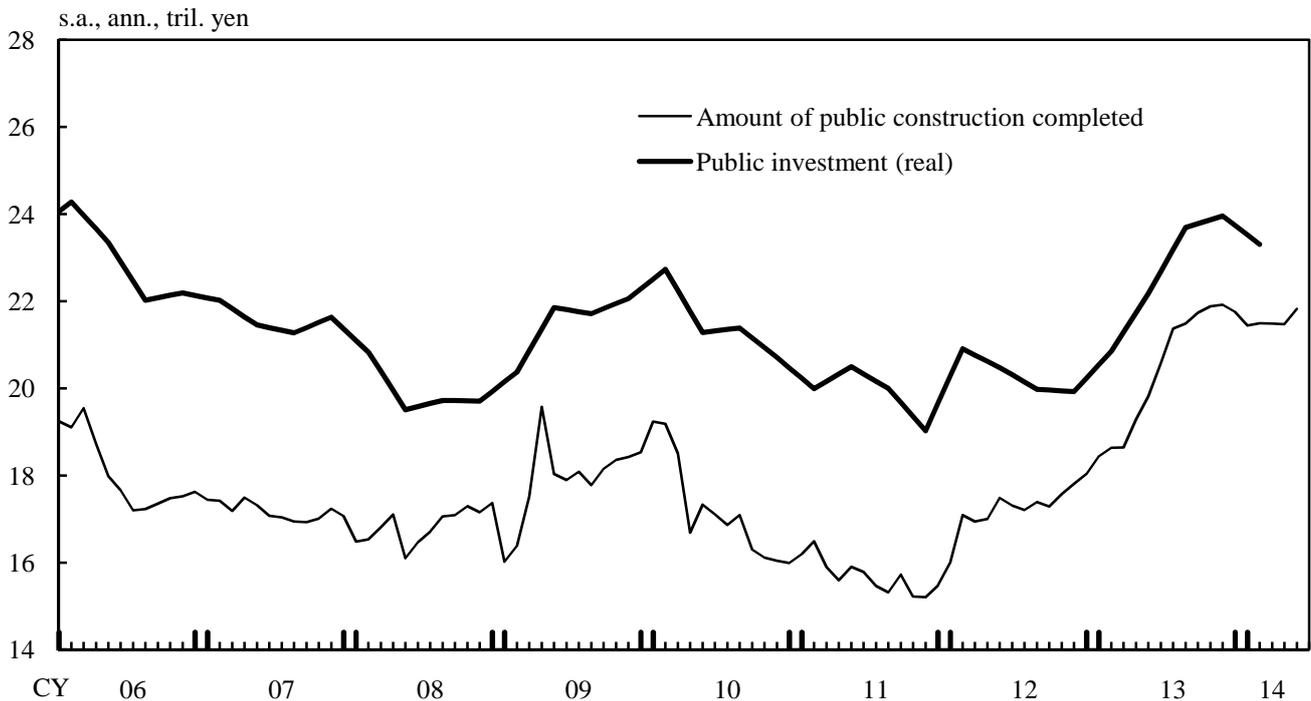
2. Real GNI = real GDP + trading gains/losses + net income from the rest of the world

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

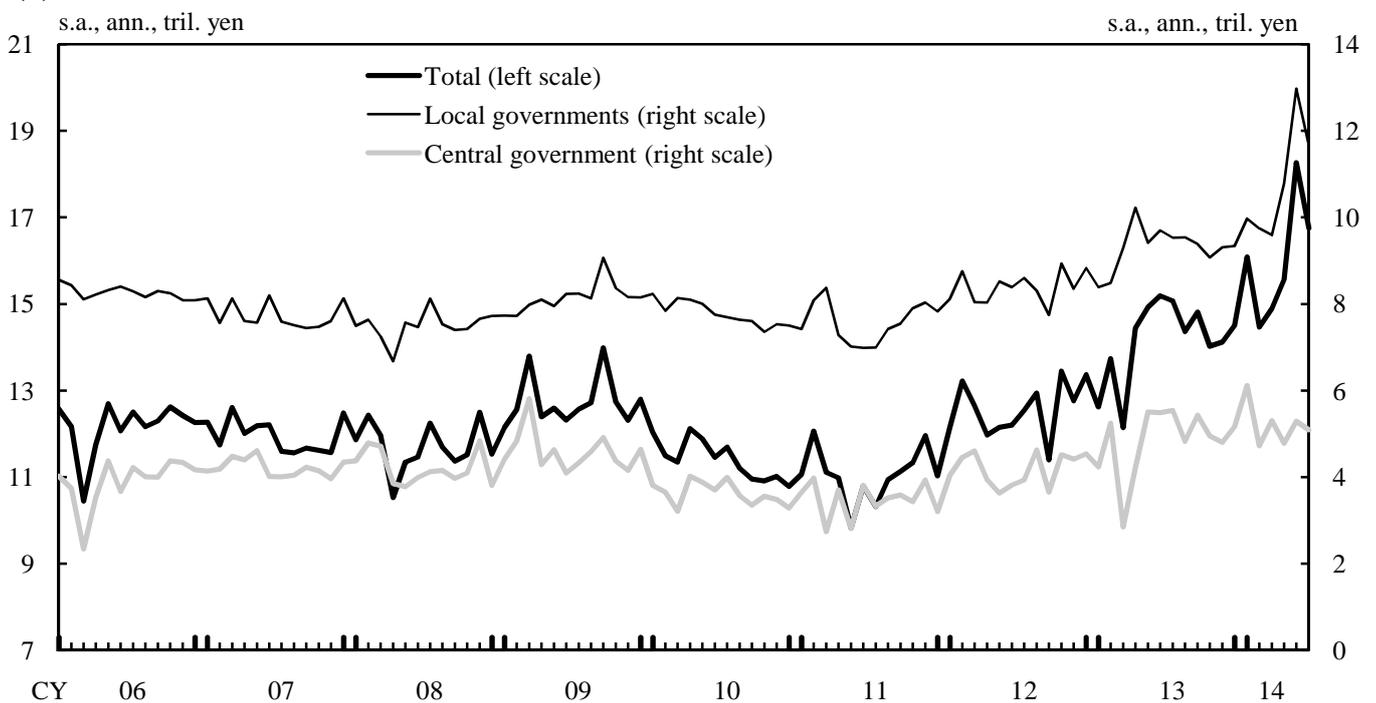
Source: Cabinet Office, "National Accounts."

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.

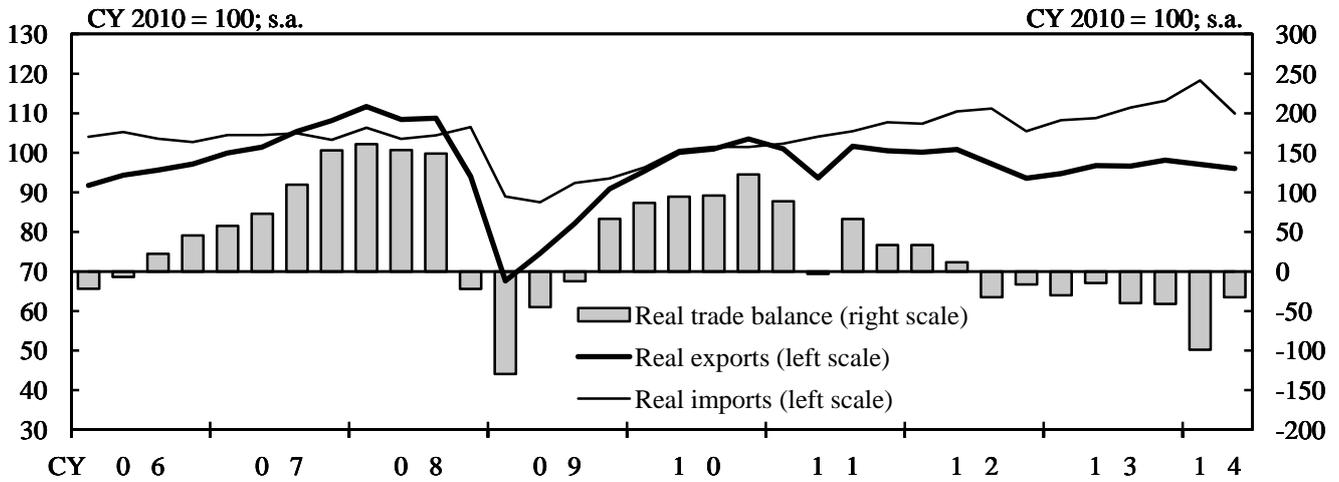
Sources: Cabinet Office, "National Accounts";

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

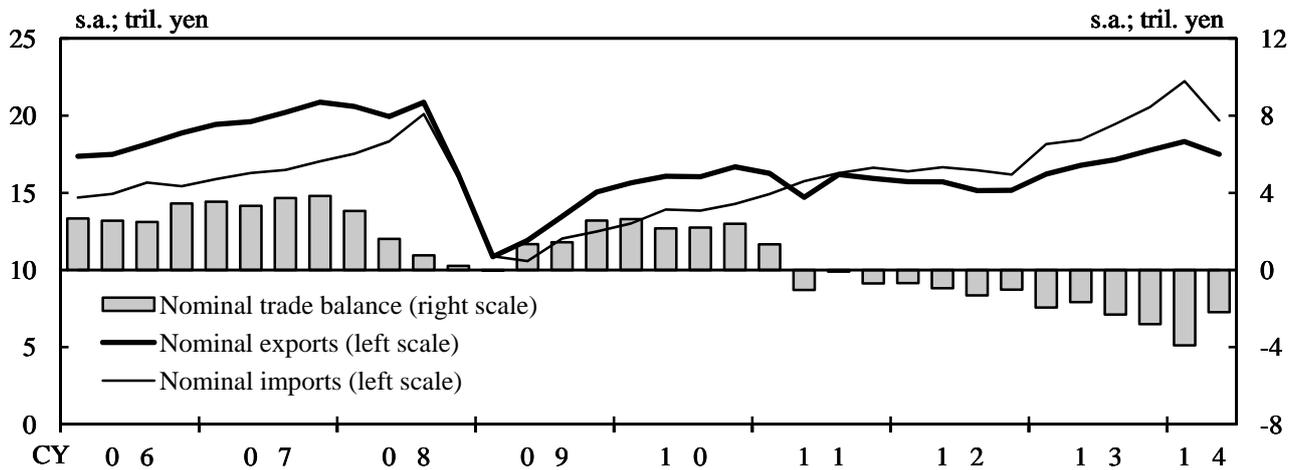
Ministry of Land, Infrastructure, Transport and Tourism, "Integrated Statistics on Construction Works."

External Balance ¹

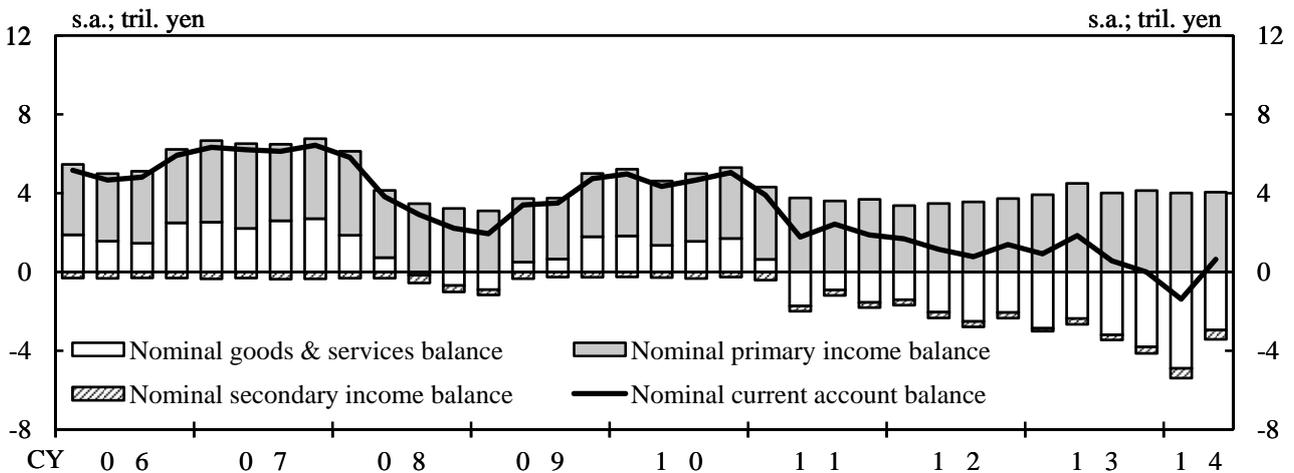
(1) Real Exports, Real Imports, and Real Trade Balance ²



(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.

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 Apr.	May	Jun.
United States	<18.5>	13.0	2.7	4.7	-0.8	-0.4	0.9	-2.1	1.2	-3.9	0.8
EU	<10.0>	-13.0	-3.7	0.7	6.3	2.2	0.6	0.5	-1.0	2.5	1.7
East Asia	<50.9>	-2.6	-3.0	2.8	-1.3	2.5	-1.5	-1.6	-0.2	-0.7	0.1
China	<18.1>	-8.1	-1.7	5.8	2.4	5.7	-3.9	-0.7	1.8	0.3	0.6
NIEs	<21.9>	-4.7	-1.0	2.7	-2.8	1.1	1.0	-3.1	-2.3	-0.6	-1.1
Korea	<7.9>	-3.5	0.4	0.3	-0.3	-3.1	0.4	-6.4	-4.7	0.5	-0.1
Taiwan	<5.8>	-6.0	-1.5	-1.6	-5.1	4.8	0.5	-0.7	1.3	-1.6	-0.9
Hong Kong	<5.2>	-0.7	-1.4	7.1	-1.0	-2.3	2.2	4.5	0.0	2.8	-4.1
Singapore	<2.9>	-11.6	-2.8	9.4	-9.3	10.6	4.0	-11.4	-3.7	-9.3	1.2
ASEAN4 ³	<10.9>	12.5	-8.5	-1.6	-4.5	-0.0	-2.1	0.3	1.0	-2.6	1.6
Thailand	<5.0>	19.3	-9.3	-0.7	-7.0	-4.2	-1.9	0.4	0.9	0.5	-1.5
Others	<20.6>	1.7	-5.0	0.1	-0.8	-2.0	0.2	1.8	4.4	-3.5	0.2
Real exports		-1.0	-1.9	2.1	-0.1	1.5	-1.0	-1.1	1.4	-2.2	-0.5

(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 Apr.	May	Jun.
Intermediate goods	<21.1>	-0.7	1.2	1.7	-0.1	-0.1	1.1	-1.9	-1.1	0.3	0.5
Motor vehicles and their related goods	<23.9>	7.7	-1.4	4.6	2.4	-0.2	-4.6	-0.0	0.4	-3.5	5.6
IT-related goods ⁴	<10.6>	3.6	-7.5	-0.2	0.2	1.9	-0.6	0.6	2.0	1.8	-2.9
Capital goods and parts ⁵	<27.5>	-4.0	-5.8	0.1	1.6	2.3	-1.8	-0.1	1.4	-0.6	-1.9
Real exports		-1.0	-1.9	2.1	-0.1	1.5	-1.0	-1.1	1.4	-2.2	-0.5

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

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

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

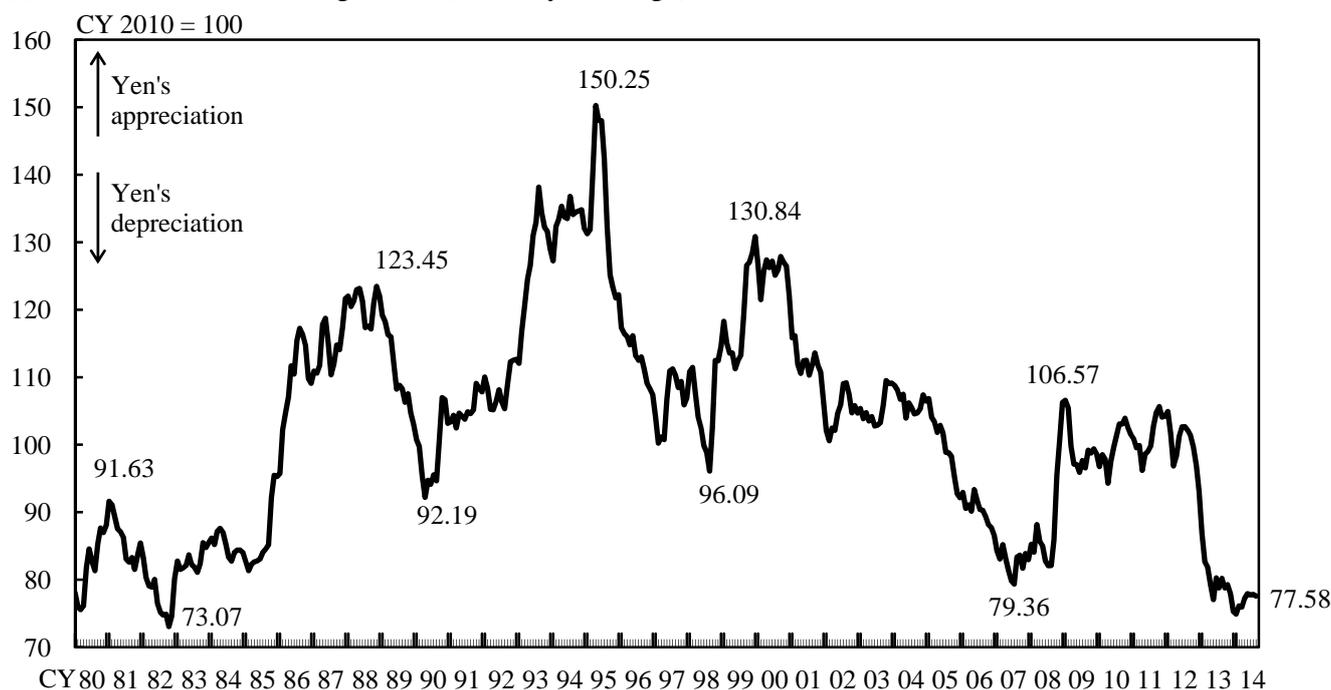
4. IT-related goods are composed of computers and units, telecommunication machinery, ICs, visual apparatus, audio apparatus, and medical and optical instruments.

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 July and August (up to August 6) 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	2013 Q3	2013 Q4	2014 Q1	2014 Q2
United States ¹	1.6	2.3	2.2	4.5	3.5	-2.1	4.0
European Union ²	1.6	-0.4	0.1	1.1	1.7	1.3	n.a.
Germany ¹	3.3	0.7	0.4	1.3	1.5	3.3	n.a.
France ¹	2.1	0.4	0.4	-0.2	0.7	0.2	n.a.
United Kingdom ¹	1.1	0.3	1.7	3.4	2.6	3.3	3.2
East Asia ³	5.9	4.9	4.9	5.7	5.5	2.8	n.a.
China ¹	9.3	7.7	7.7	9.5	7.0	6.1	8.2
NIEs ^{1,3}	4.4	1.9	2.9	2.4	5.1	2.3	n.a.
ASEAN4 ^{1,3,4}	3.0	6.3	4.4	5.9	3.9	-1.7	n.a.
Main economies ³	4.5	3.7	3.7	4.9	4.6	1.5	n.a.

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 Apr.	May	Jun.
United States	<8.4>	3.8	-2.1	3.0	3.8	-0.2	5.8	-7.2	-7.3	2.5	4.1
EU	<9.4>	4.0	0.8	-0.7	4.8	-0.2	5.6	-5.1	-5.9	-1.6	1.0
East Asia	<40.8>	3.9	2.5	-0.6	3.1	3.1	5.3	-8.9	-8.2	-5.1	0.1
China	<21.7>	5.0	5.4	0.1	4.2	3.0	5.7	-9.5	-9.9	-6.5	3.8
NIEs	<8.2>	5.0	-0.4	-4.6	6.2	0.9	5.7	-8.5	-5.6	-5.5	-3.9
Korea	<4.3>	4.3	-4.8	-6.5	5.0	1.3	2.1	-7.1	-7.4	3.1	-4.6
Taiwan	<2.8>	7.2	8.0	4.8	3.5	-0.1	8.4	-9.0	-4.6	-9.3	-1.7
Hong Kong	<0.2>	-2.5	9.2	-7.6	9.2	1.9	0.6	9.2	-10.9	8.9	-2.2
Singapore	<0.9>	3.0	-7.0	-13.0	12.6	0.4	13.9	-10.9	-2.8	-14.7	-2.2
ASEAN4 ³	<10.8>	0.5	-1.2	1.0	-2.0	5.4	3.9	-7.9	-6.0	-1.2	-5.0
Thailand	<2.6>	-0.9	1.6	1.1	-0.8	3.3	7.2	-8.6	-3.1	-7.2	-0.9
Others	<41.4>	4.7	0.2	1.5	0.4	-0.6	4.6	-6.1	-13.3	-2.5	9.3
Real imports		4.2	0.9	0.5	2.4	1.6	4.5	-7.1	-9.8	-2.6	3.6

(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 Apr.	May	Jun.
Raw materials ⁴	<40.4>	4.5	-2.0	-0.7	0.2	-0.7	5.0	-7.1	-14.2	-1.1	7.9
Intermediate goods	<12.9>	-2.7	-2.7	-1.3	2.8	0.8	5.6	-2.6	-4.5	-3.3	-0.3
Foodstuffs	<8.0>	-0.7	-3.2	-5.0	3.3	0.7	-1.2	-2.3	-4.7	3.8	2.5
Consumer goods ⁵	<7.9>	4.5	4.1	3.4	2.4	1.1	2.2	-8.8	-8.0	-0.5	3.2
IT-related goods ⁶	<12.6>	9.0	12.9	3.0	4.8	4.7	6.8	-13.0	-10.8	-10.7	2.3
Capital goods and parts ⁷	<11.4>	10.4	4.7	4.3	5.3	2.6	7.2	-8.5	-8.3	-0.7	-0.2
Excluding aircraft	<10.5>	7.0	5.3	4.3	4.8	2.7	8.5	-6.9	-9.5	0.6	3.7
Real imports		4.2	0.9	0.5	2.4	1.6	4.5	-7.1	-9.8	-2.6	3.6

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

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.

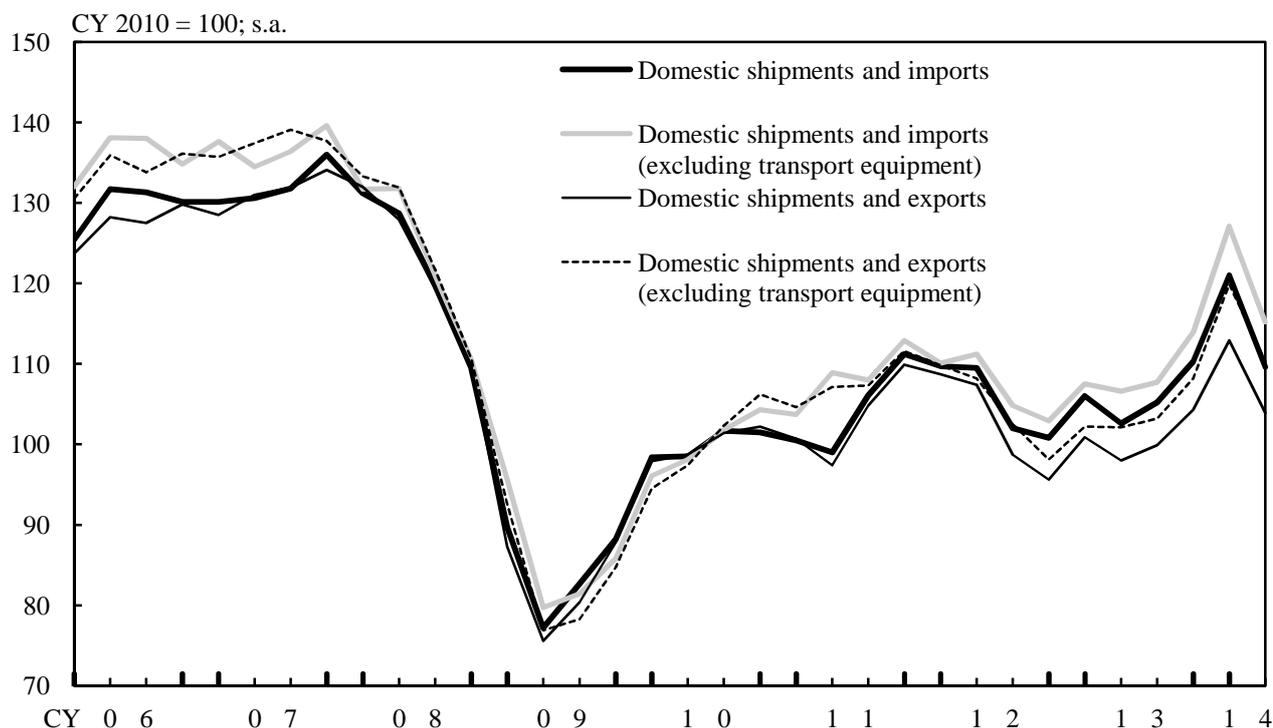
6. IT-related goods are composed of computers and units, parts of computers, telecommunication machinery, ICs, audio and visual apparatus, and medical and optical instruments.

7. Excludes IT-related goods.

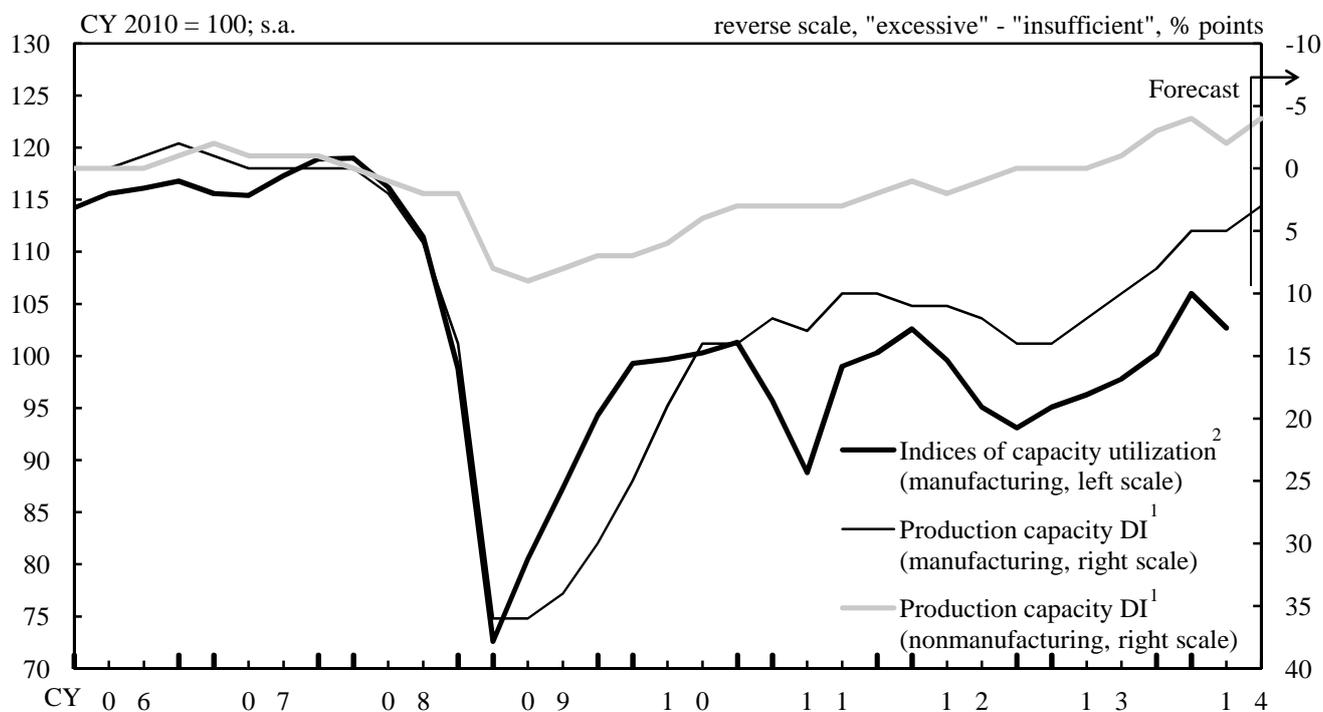
Sources: Ministry of Finance, "Trade Statistics"; Bank of Japan, "Corporate Goods Price Index."

Coincident Indicators of Business Fixed Investment

(1) Aggregate Supply and Shipments of Capital Goods



(2) Indices of Capacity Utilization and Production Capacity DI



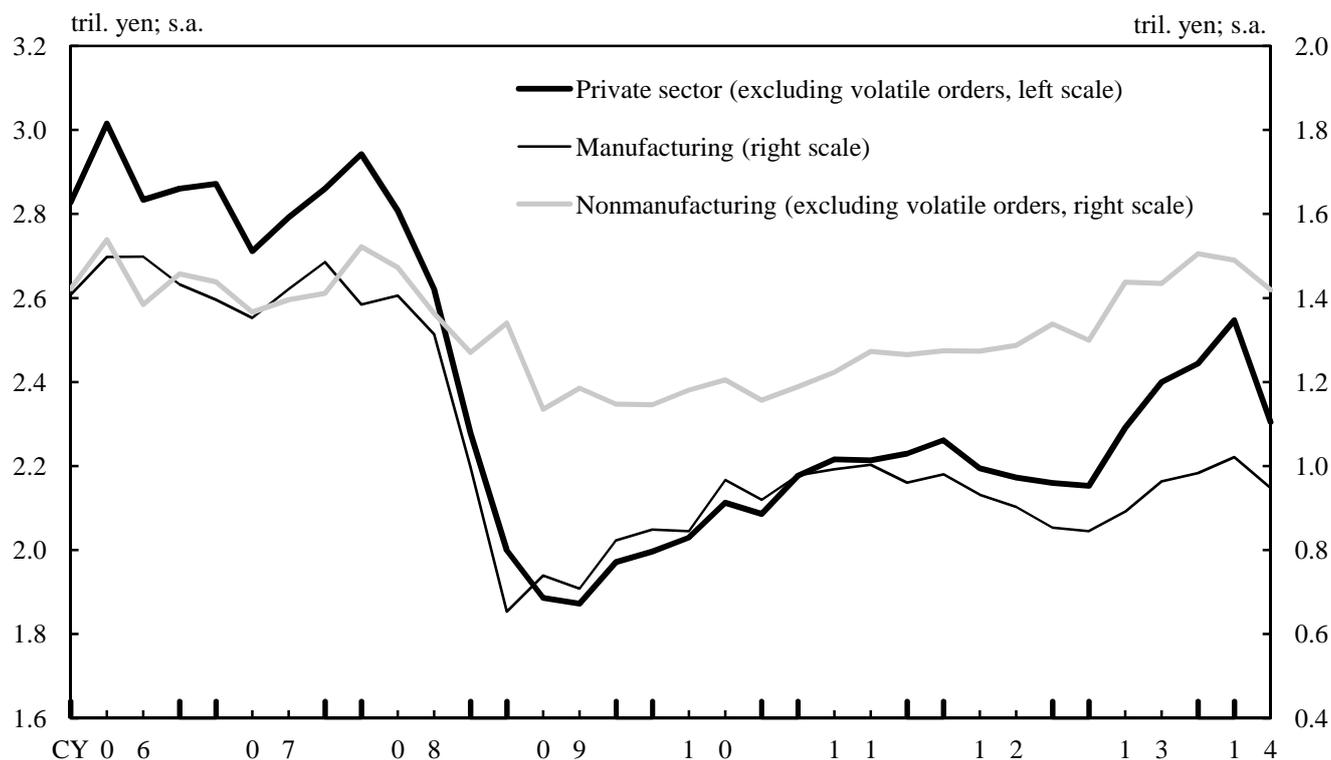
Notes: 1. Production capacity DIs are those of all enterprises.

2. The figure for 2014/Q2 is the average of April-May.

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."

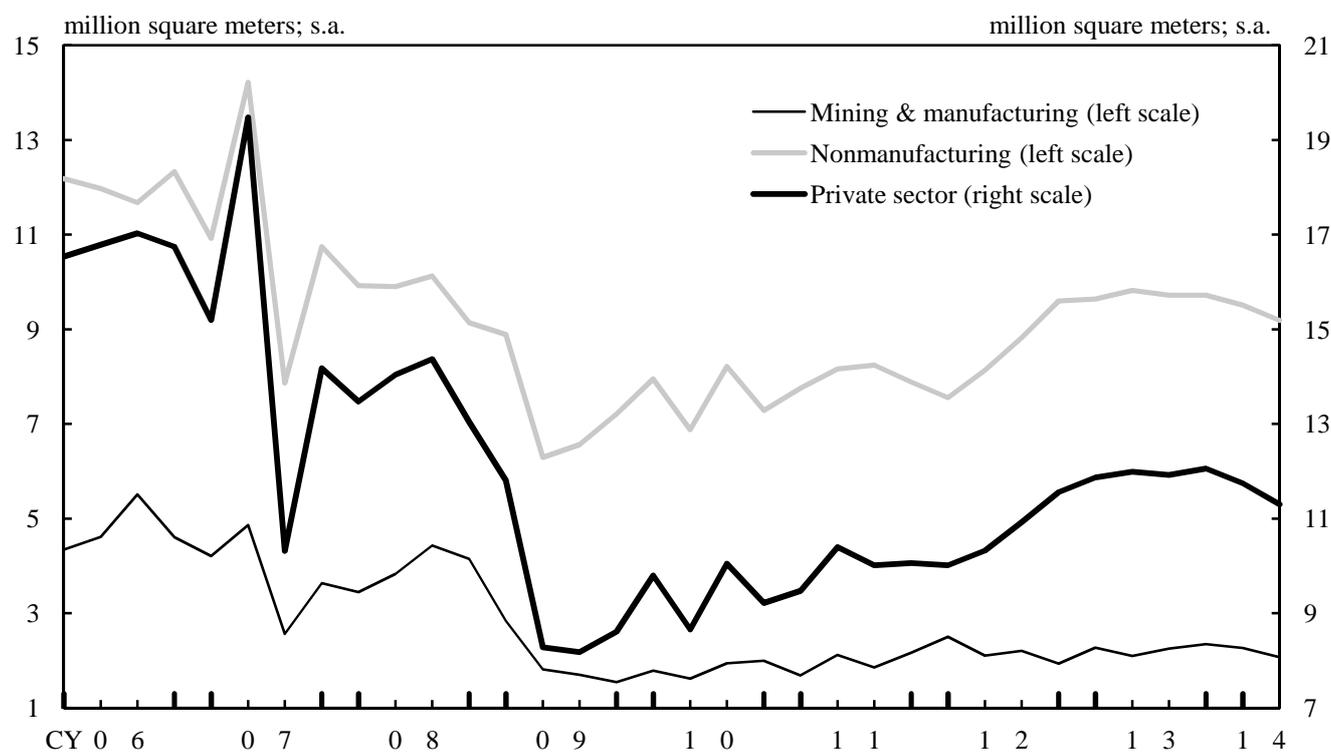
Leading Indicators of Business Fixed Investment

(1) Machinery Orders



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

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

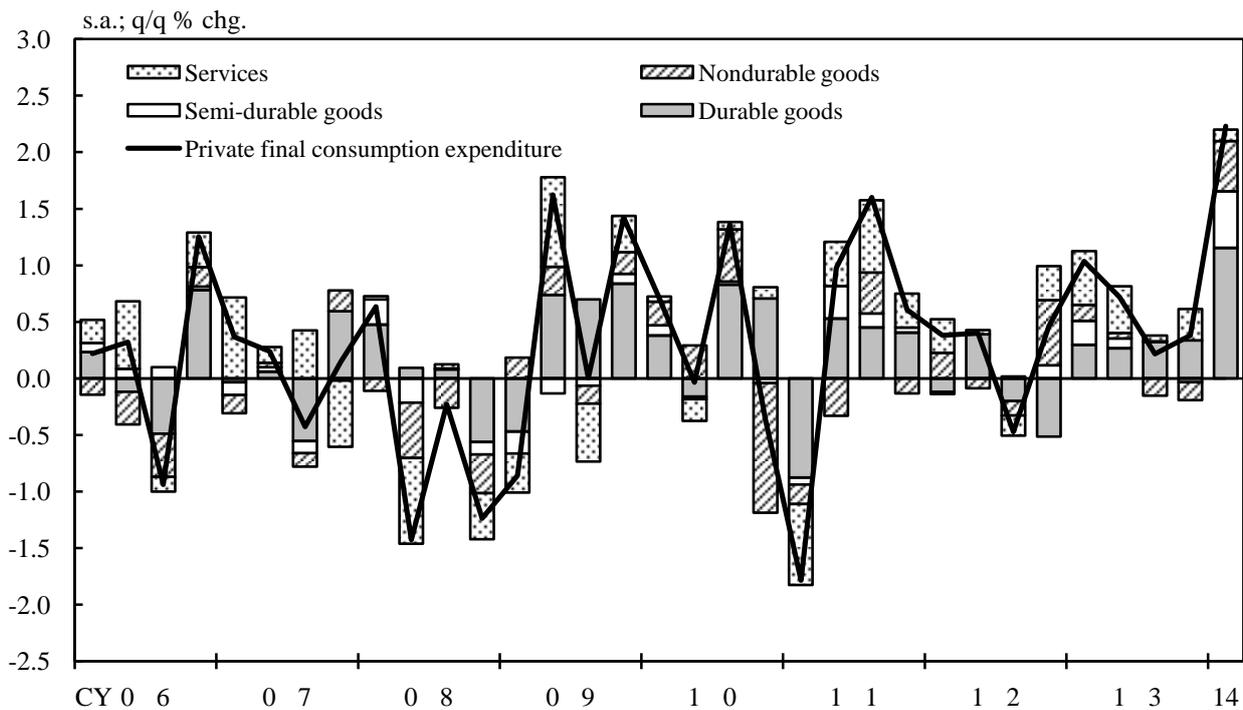


Note: Seasonally adjusted by X-12-ARIMA.

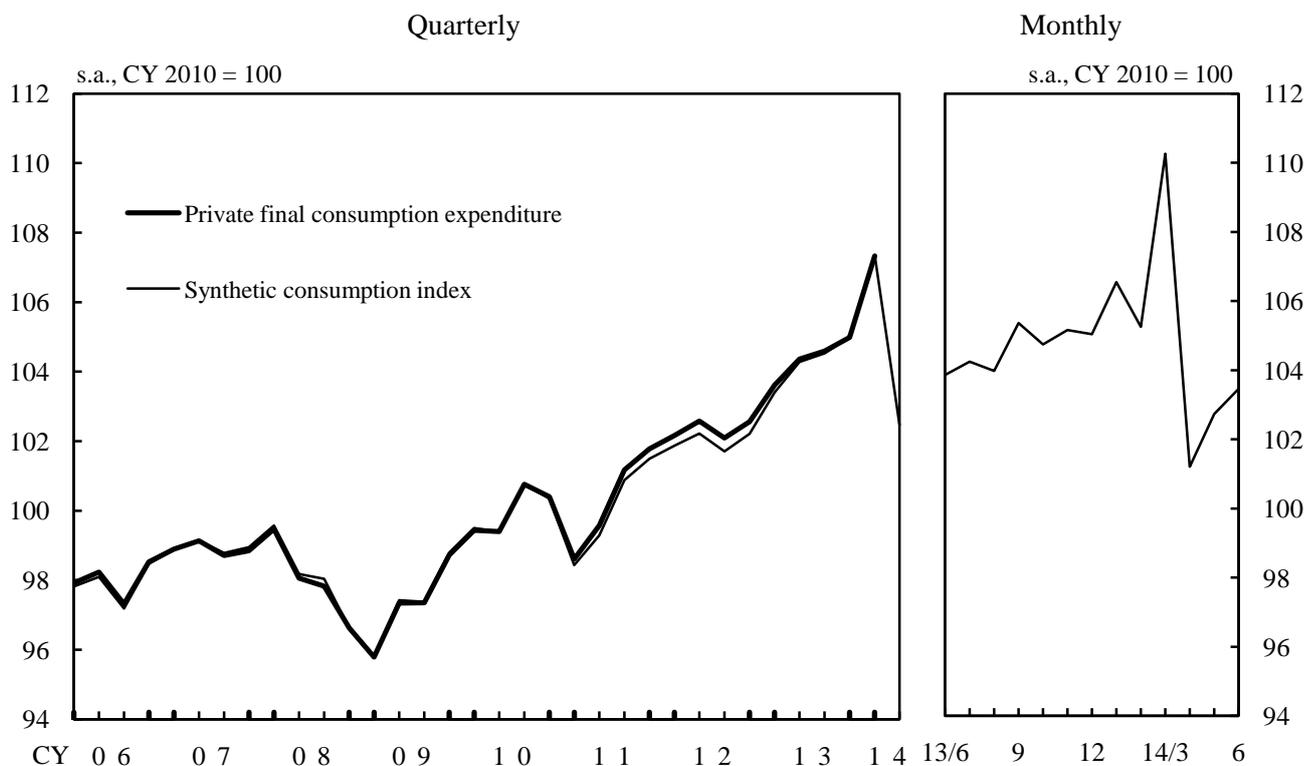
Sources: Cabinet Office, "Orders Received for Machinery";
 Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts."

Indicators of Private Consumption (1)

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



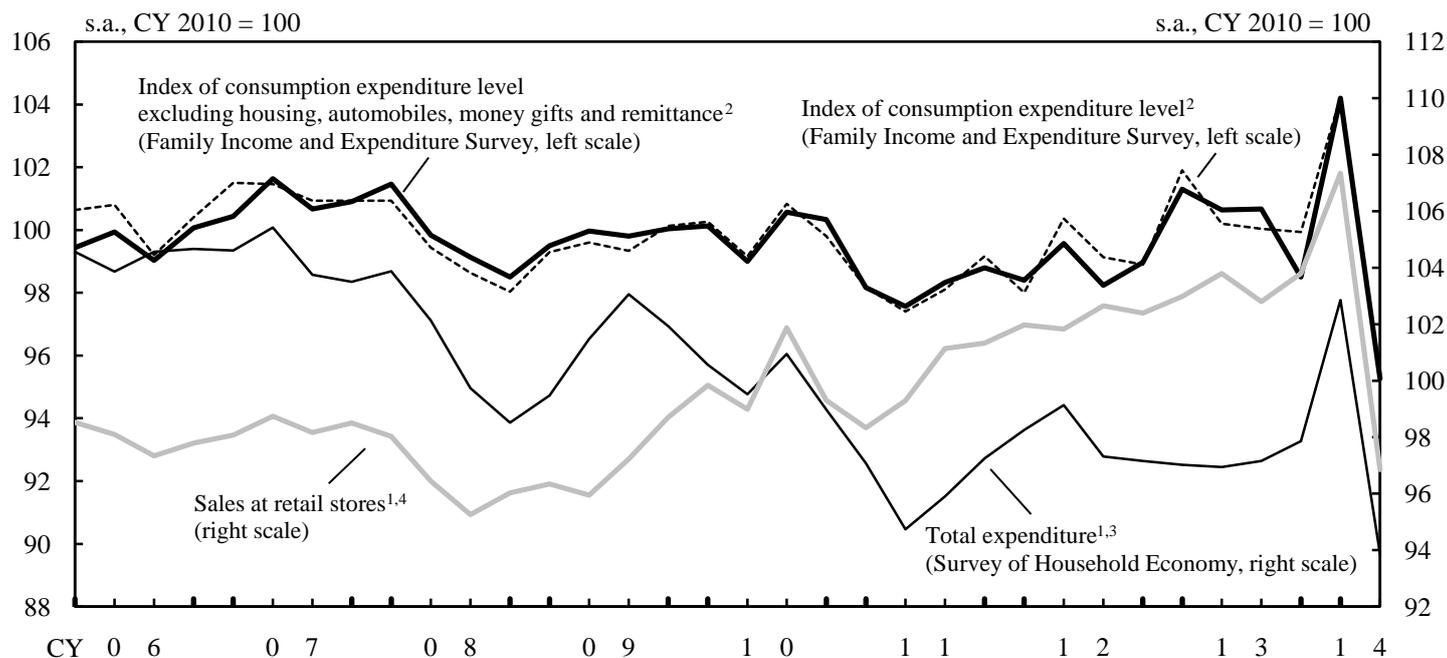
(2) Private Final Consumption Expenditure and Synthetic Consumption Index (Real)



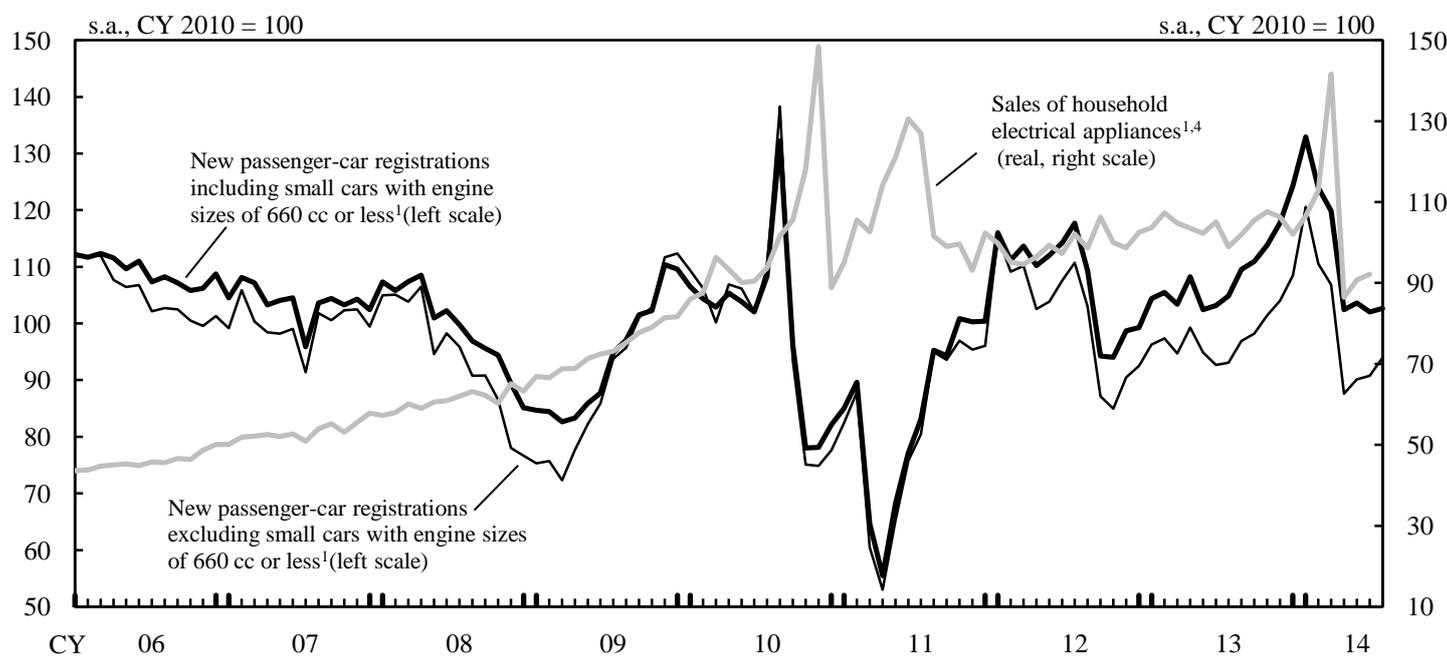
Source: Cabinet Office, "National Accounts," "Synthetic Consumption Index."

Indicators of Private Consumption (2)

(1) Household Spending (Real)



(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.

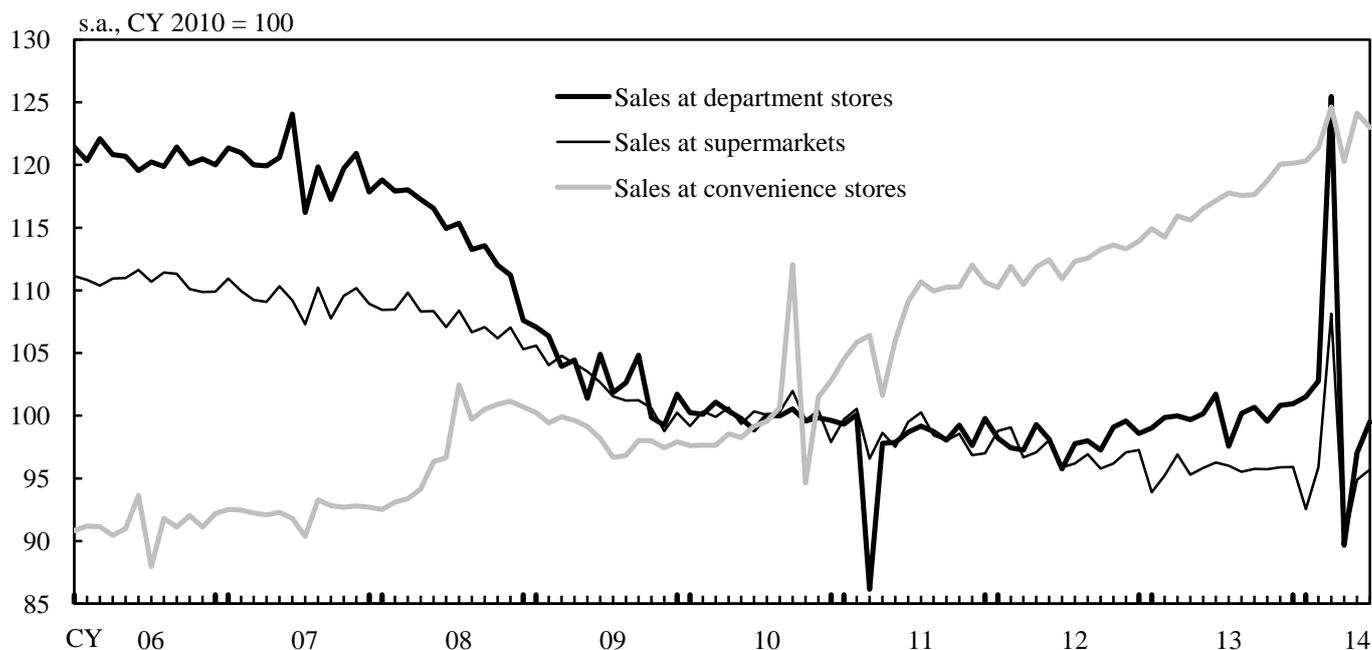
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index,"

"Monthly Report on the Family Income and Expenditure Survey," "Survey of Household Economy";

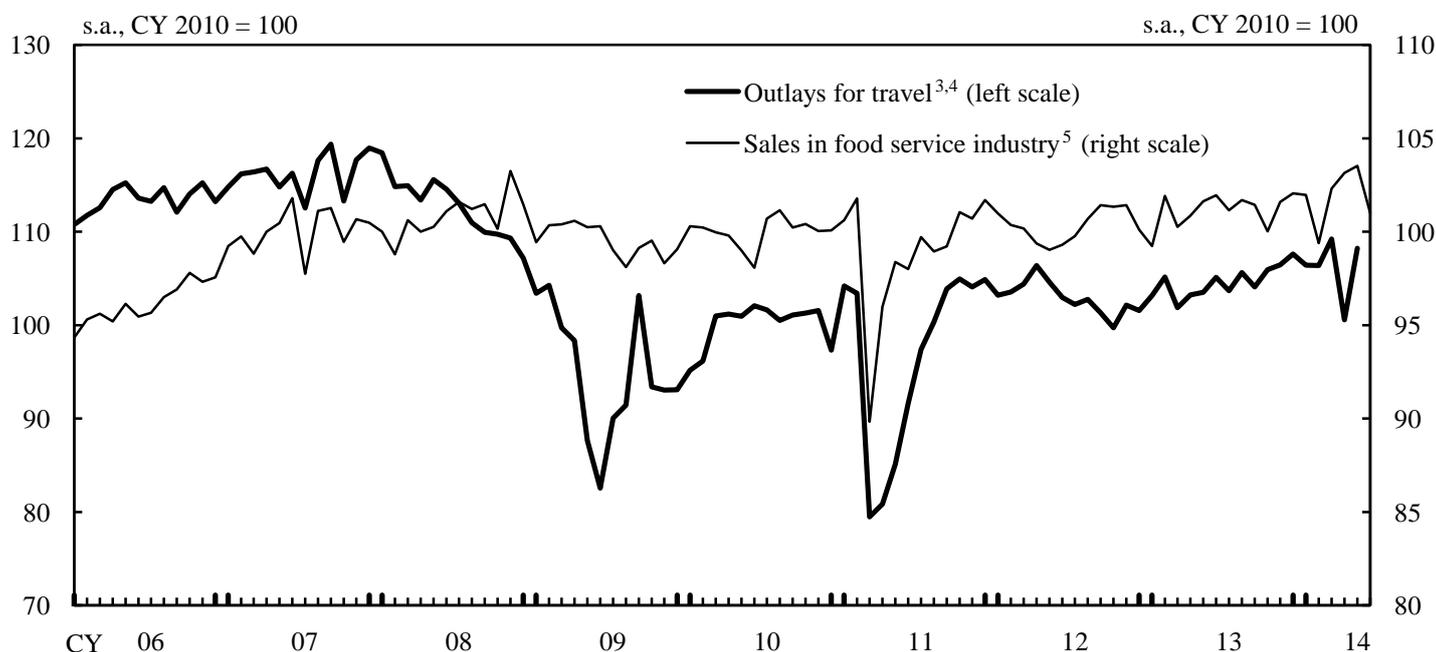
Ministry of Economy, Trade and Industry, "Current Survey of Commerce";

Japan Automobile Dealers Association, "Domestic Sales of Automobiles";

Japan Light Motor Vehicle and Motorcycle Association, "Sales of Light Motor 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, April 2010 and April 2014 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";

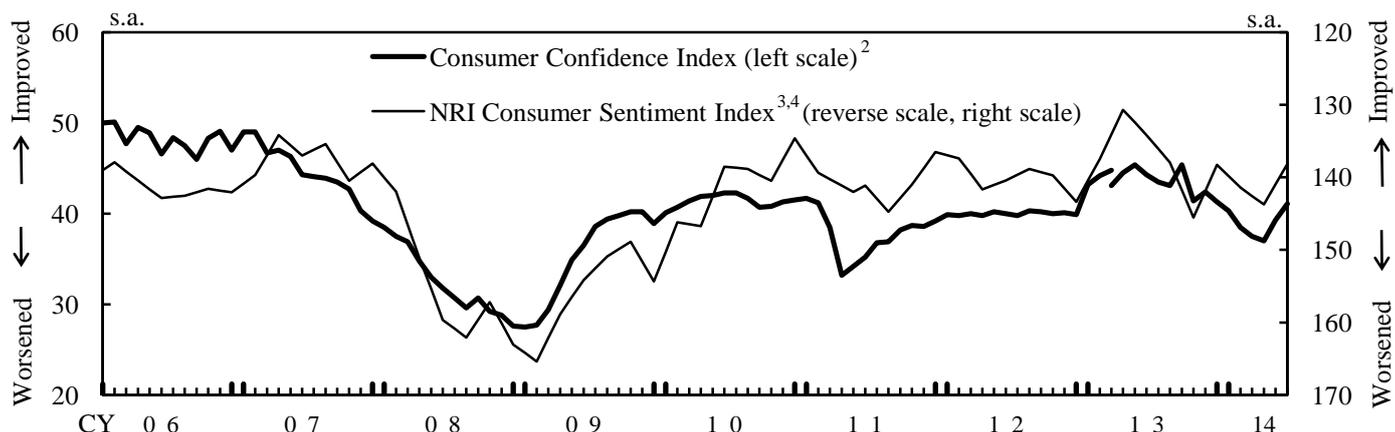
Japan Tourism Agency, "Major Travel Agents' Revenue";

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*

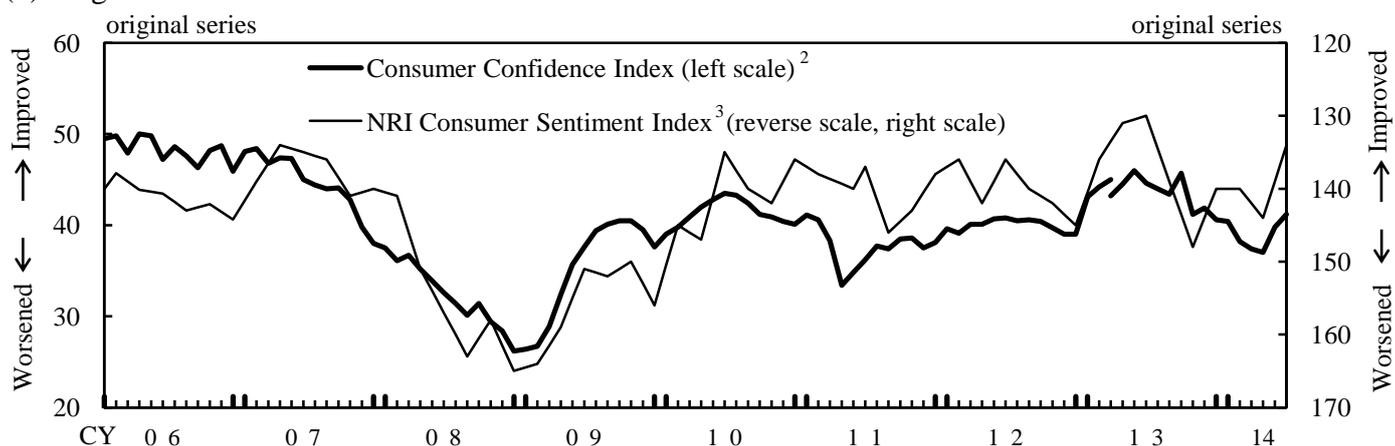
(Research on the food service industry)."

Consumer Confidence¹

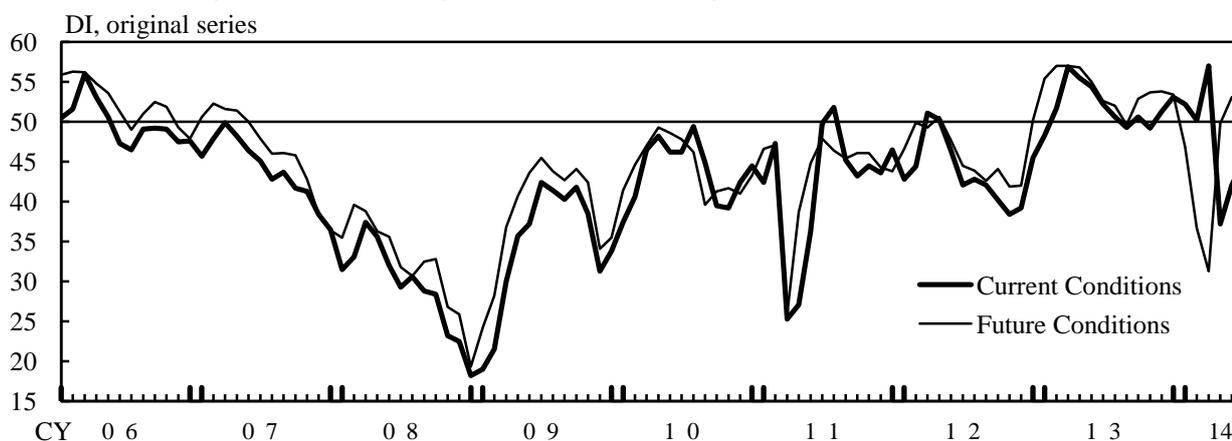
(1) Seasonally Adjusted Series



(2) Original Series



Reference: Economy Watchers Survey (Household Activity)

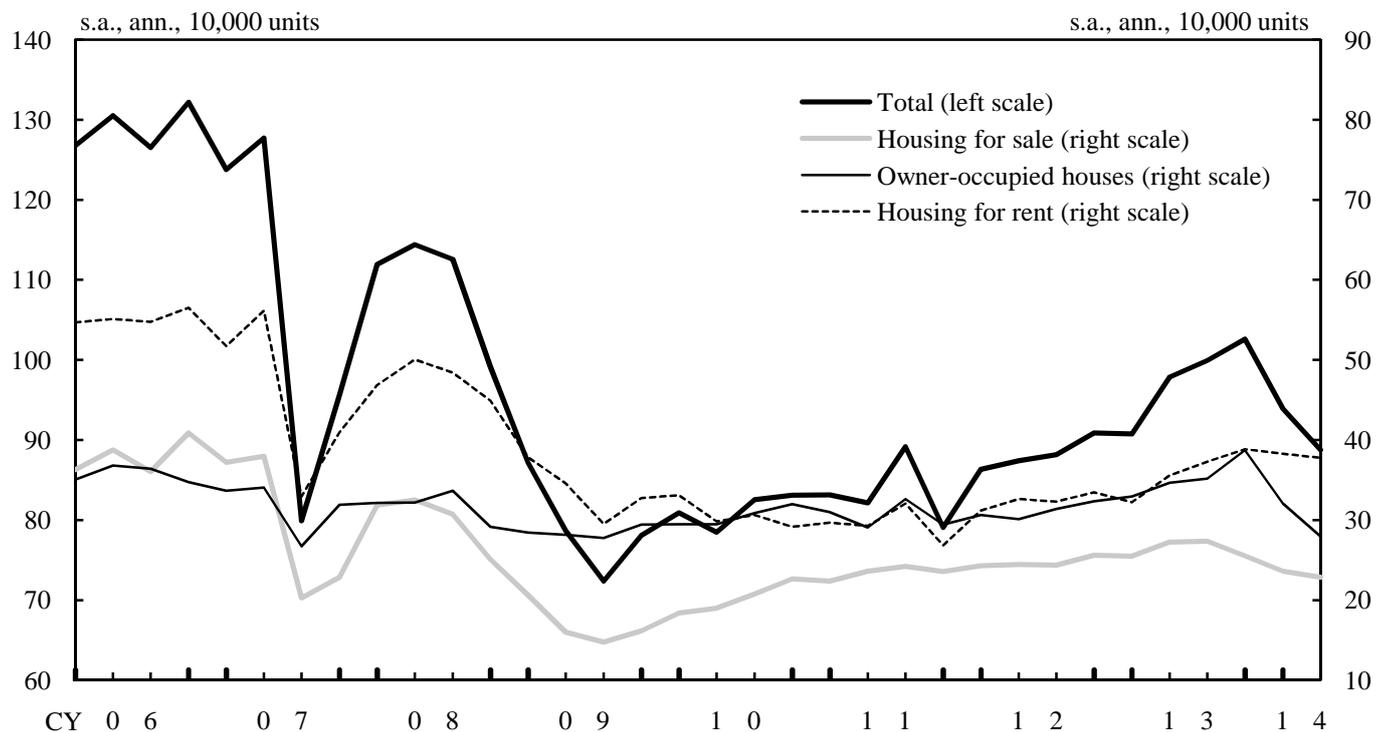


- Notes: 1. The Consumer Confidence Index (covering about 5,700 samples on a nationwide basis from April 2013 onward) and NRI Consumer Sentiment Index (1,200 samples on a nationwide basis) are based on surveys on consumer confidence.
- 2. In April 2013, the Cabinet Office changed the method for conducting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

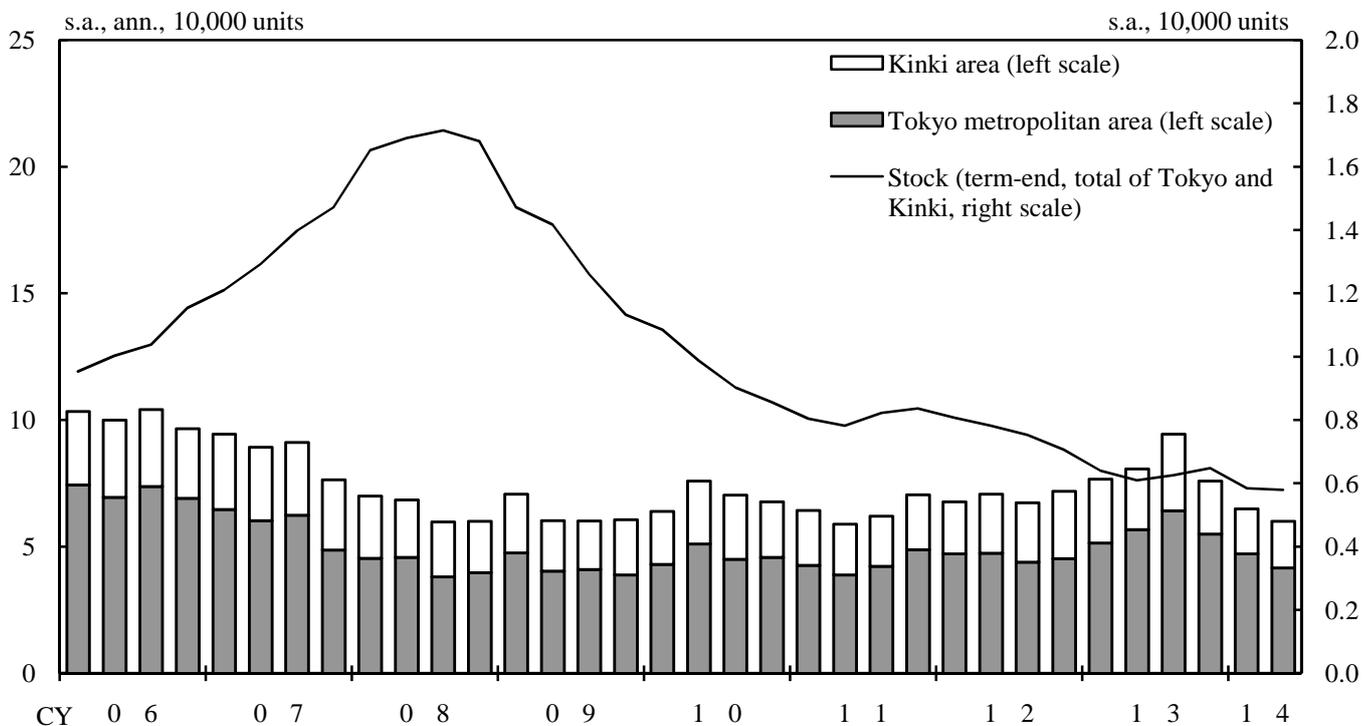
Sources: Cabinet Office, "Consumer Confidence Survey," "Economy Watchers Survey"; Nippon Research Institute (NRI), "Consumer Sentiment Survey."

Indicators of Housing Investment

(1) Housing Starts



(2) Sales of Apartments

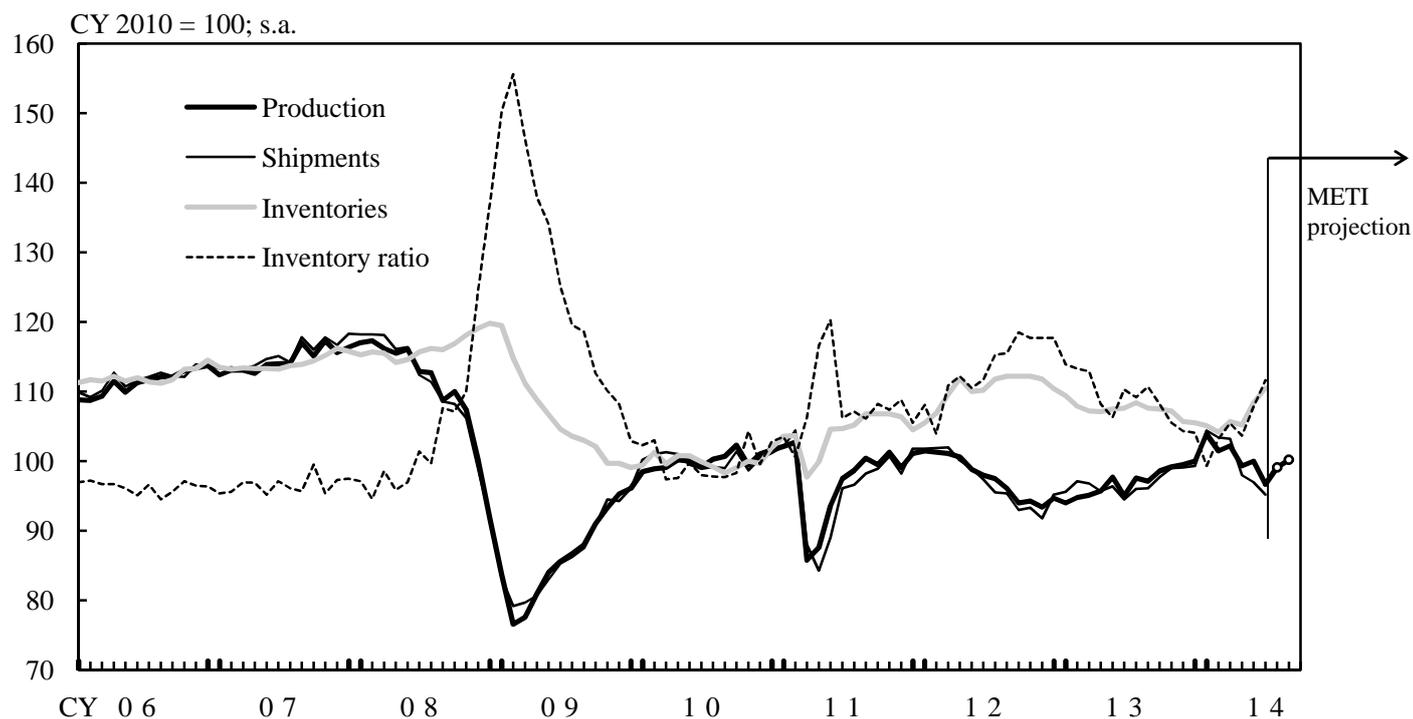


Note: Seasonally adjusted by X-12-ARIMA.

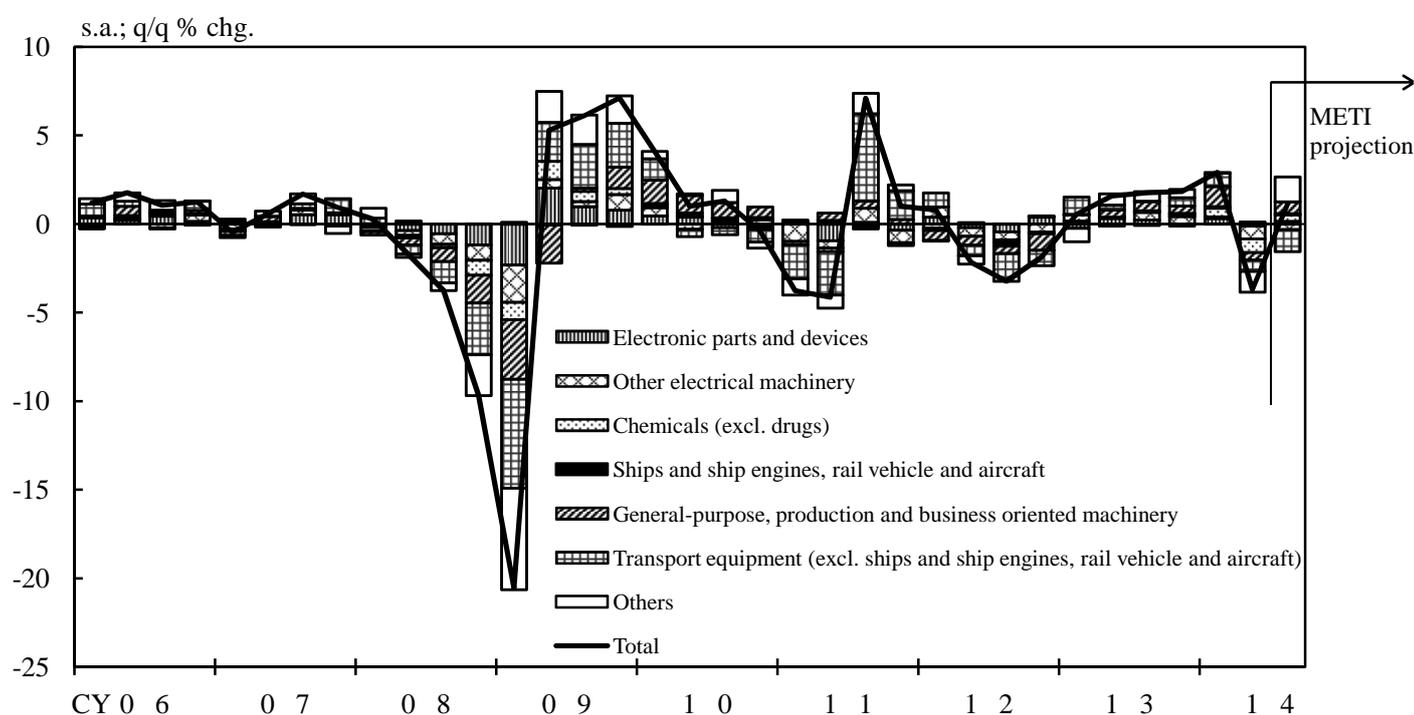
Sources: Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts," etc.

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."

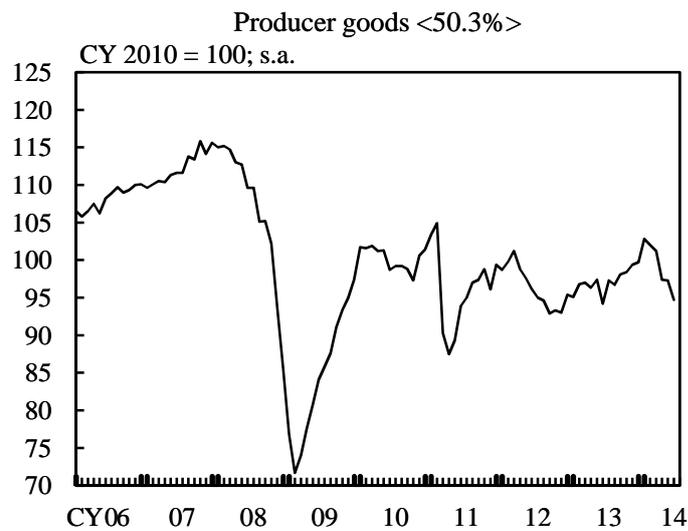
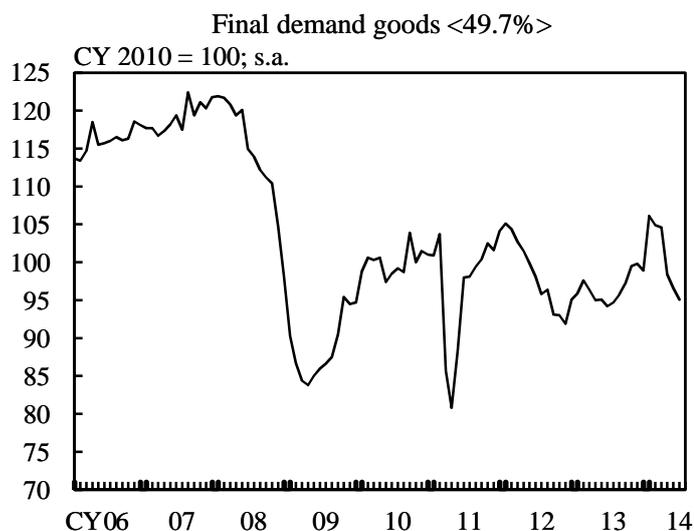
2. Figures up to 2008/Q1 are on the 2005 base.

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

3. 2014/Q3 figures are based on the assumption that the production levels in September are the same as those of August.

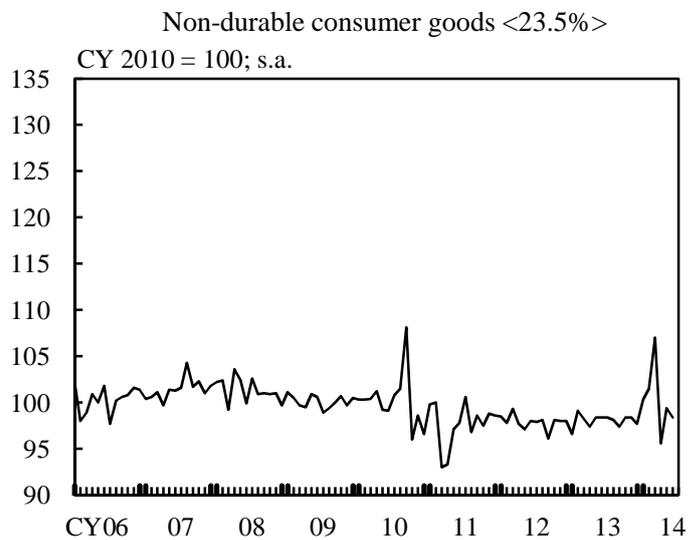
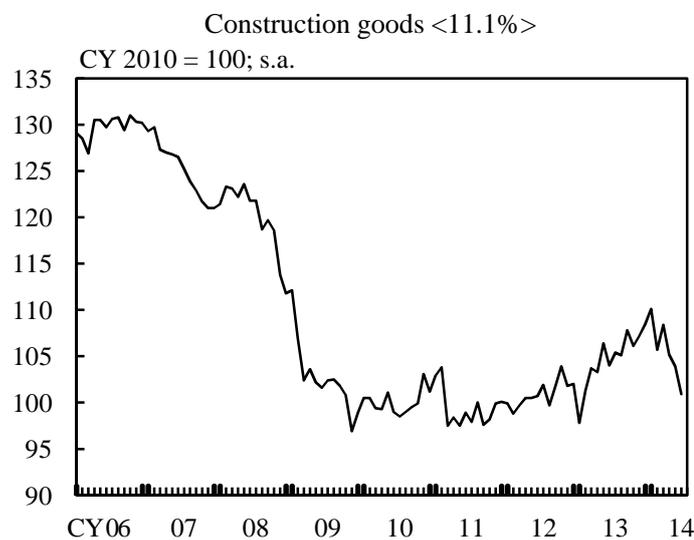
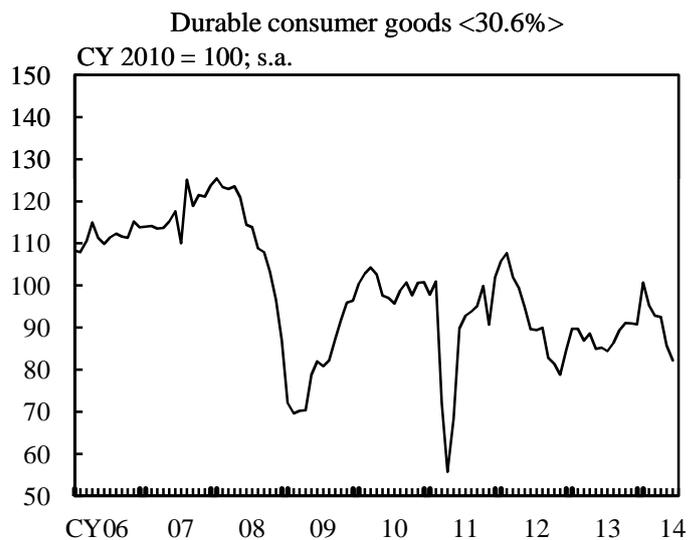
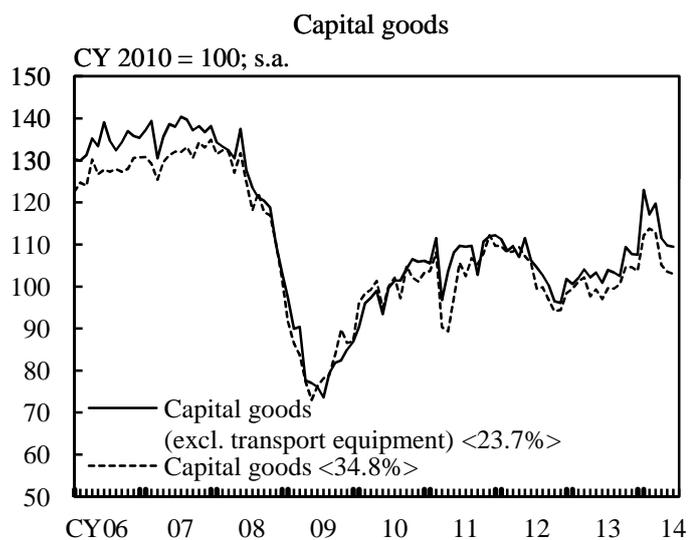
Shipments by Type of Goods

(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

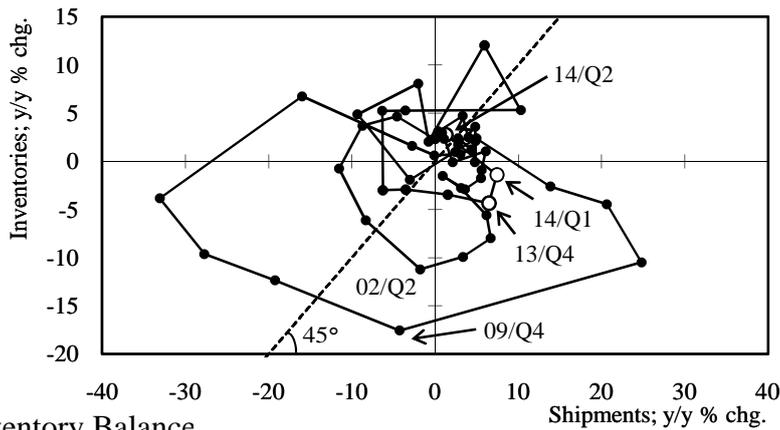


Note: Figures in angle brackets show the shares among shipments of final demand goods.

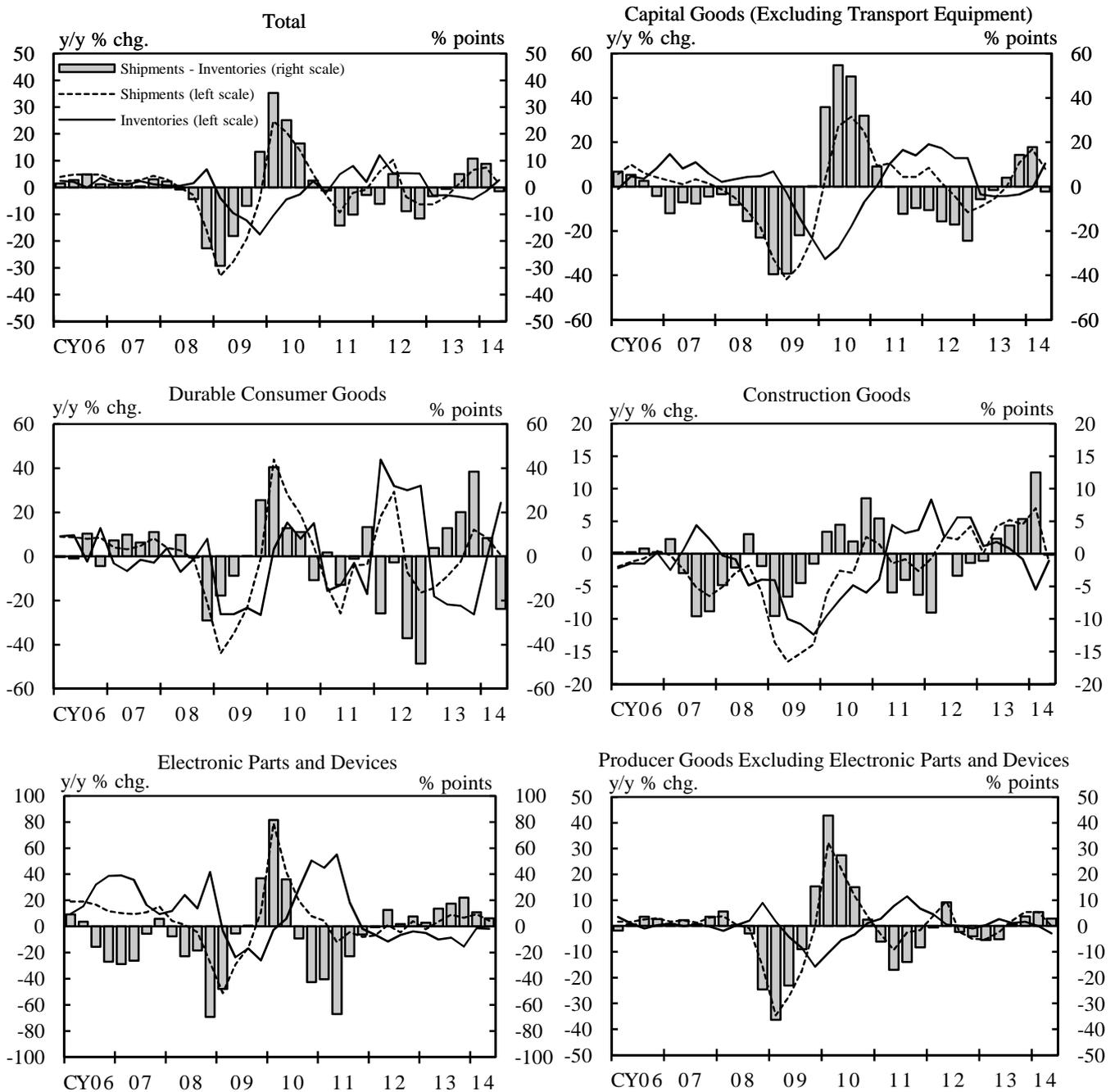
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Inventory Cycle

(1) Inventory Cycle (Total)



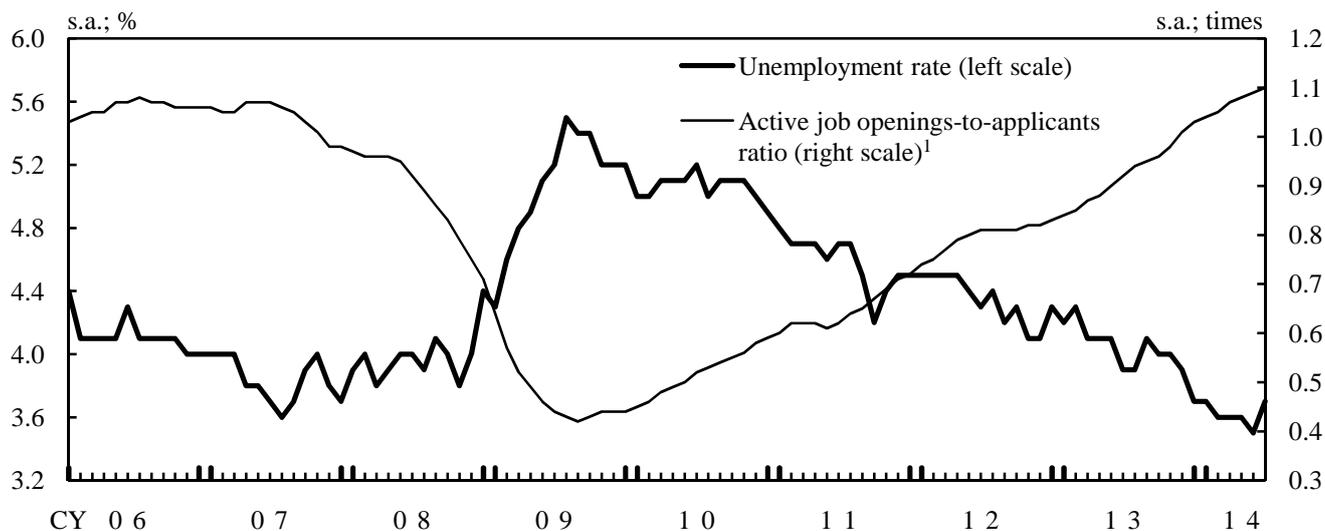
(2) Shipment-Inventory Balance



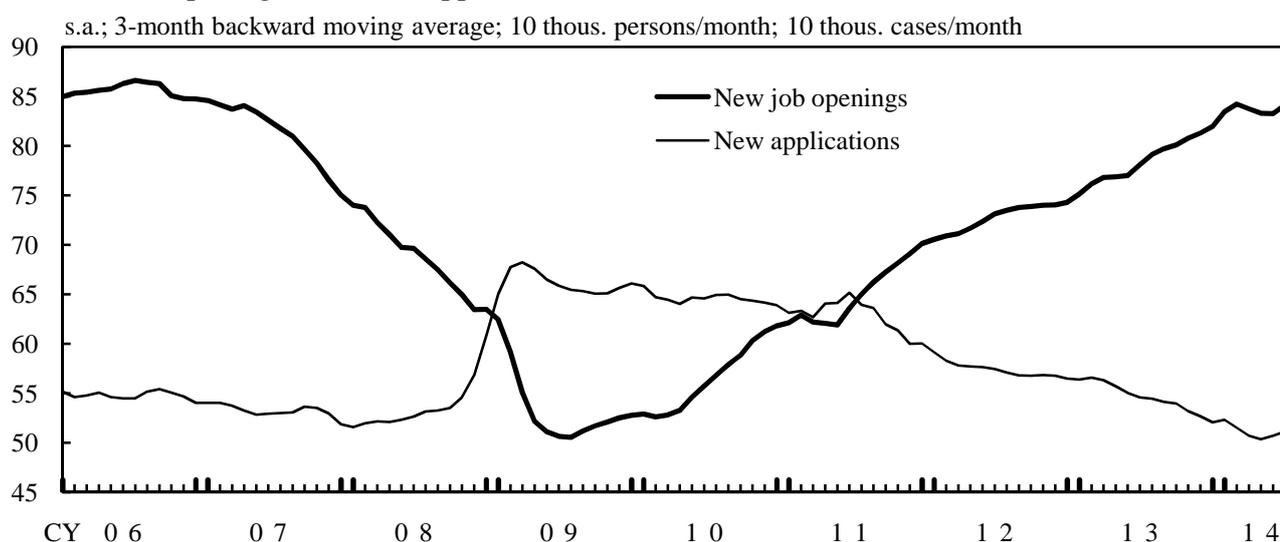
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Labor Market

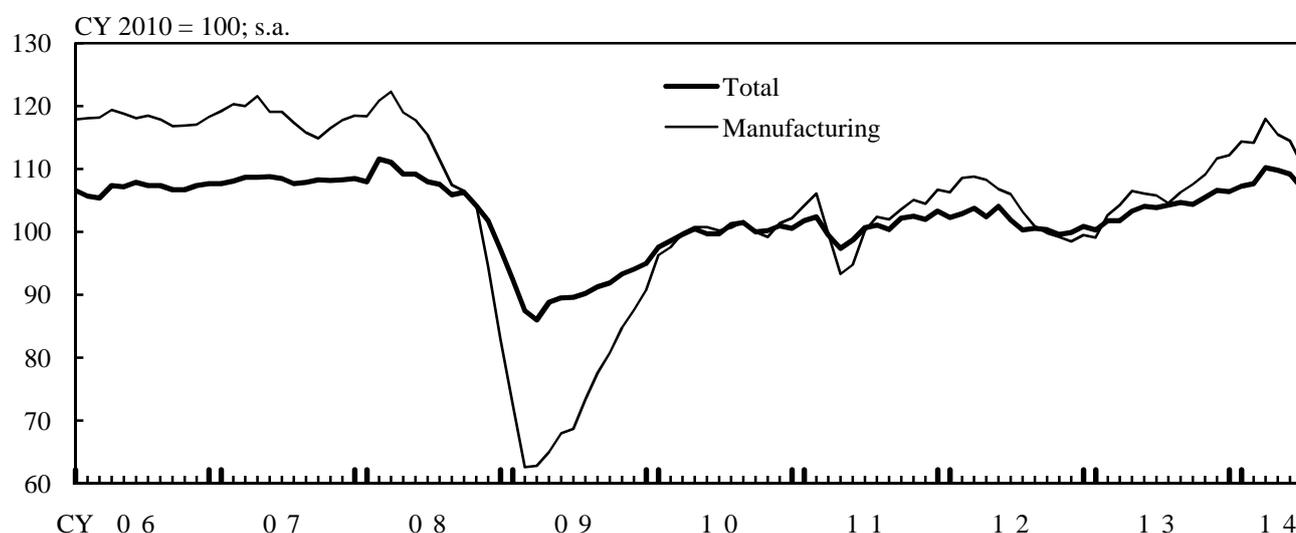
(1) Unemployment Rate and Active Job Openings-to-Applicants Ratio



(2) New Job Openings and New Applications¹



(3) Non-Scheduled Hours Worked²

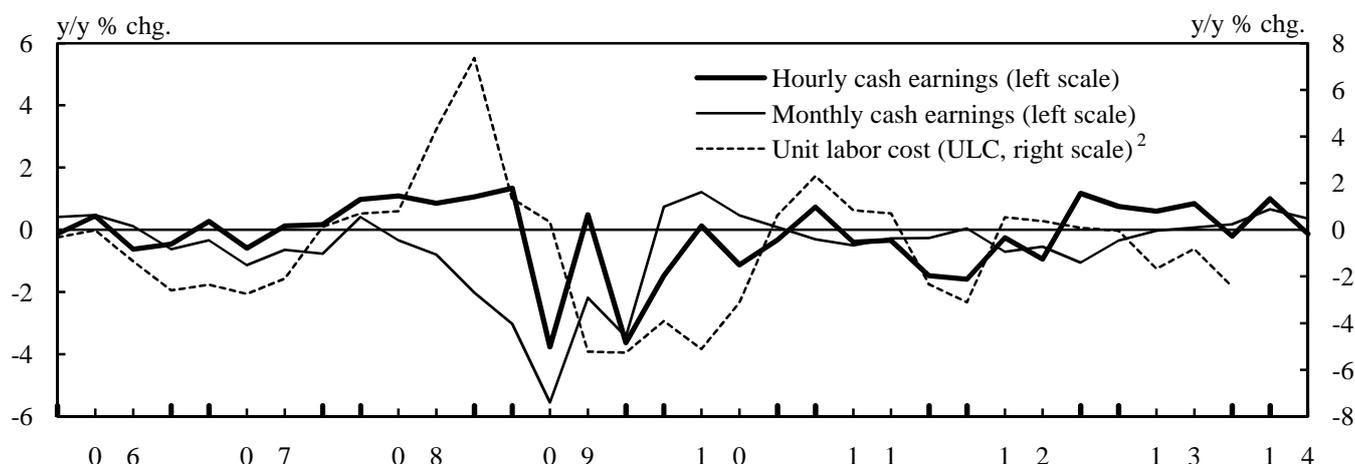
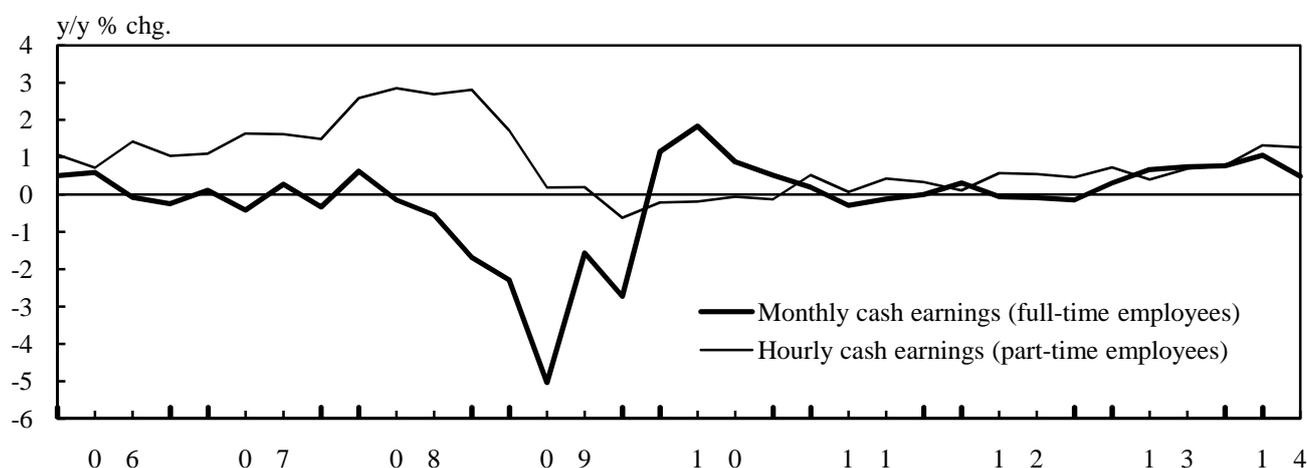
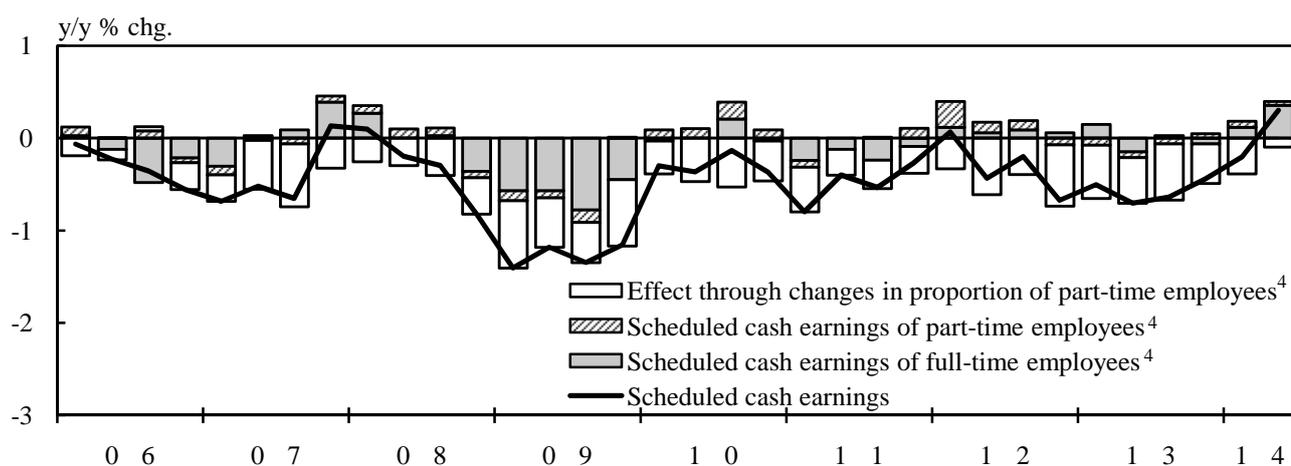


Notes: 1. Excluding new school graduates and including part-timers.

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/Q2 are those of June (except ULC).

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

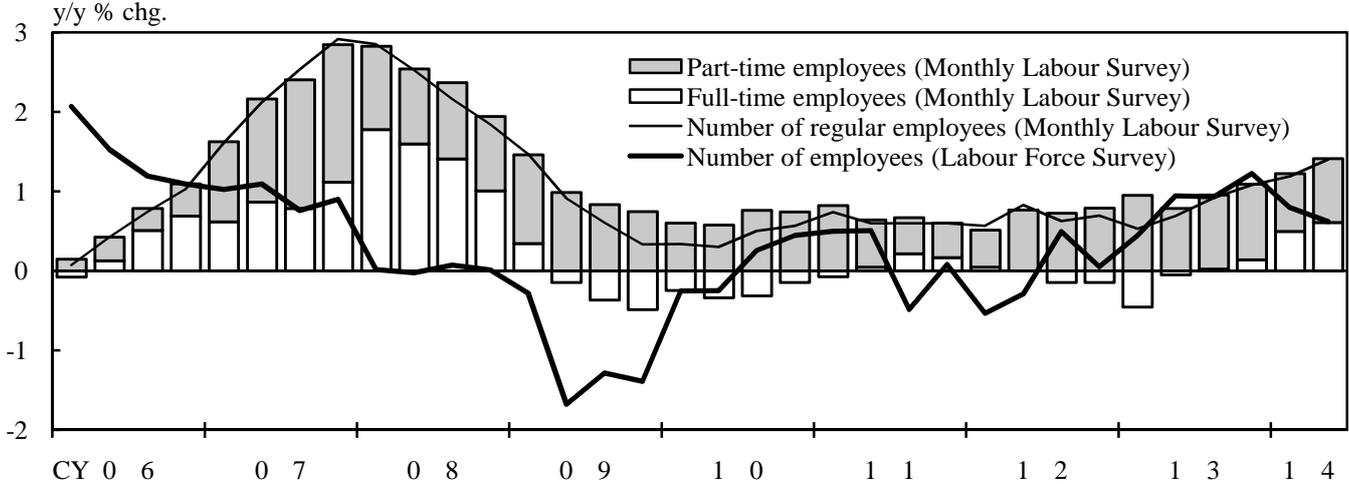
ULC : Q1 = April-June, Q2 = July-September, Q3 = October-December, Q4 = January-March.

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.

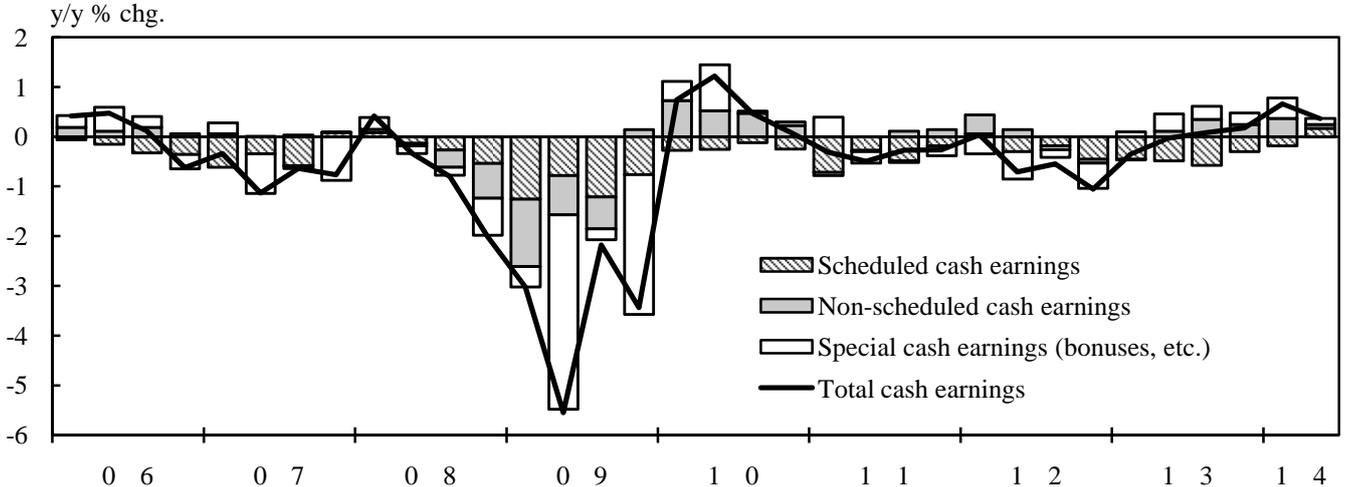
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey"; Cabinet Office, "National Accounts."

Employee Income

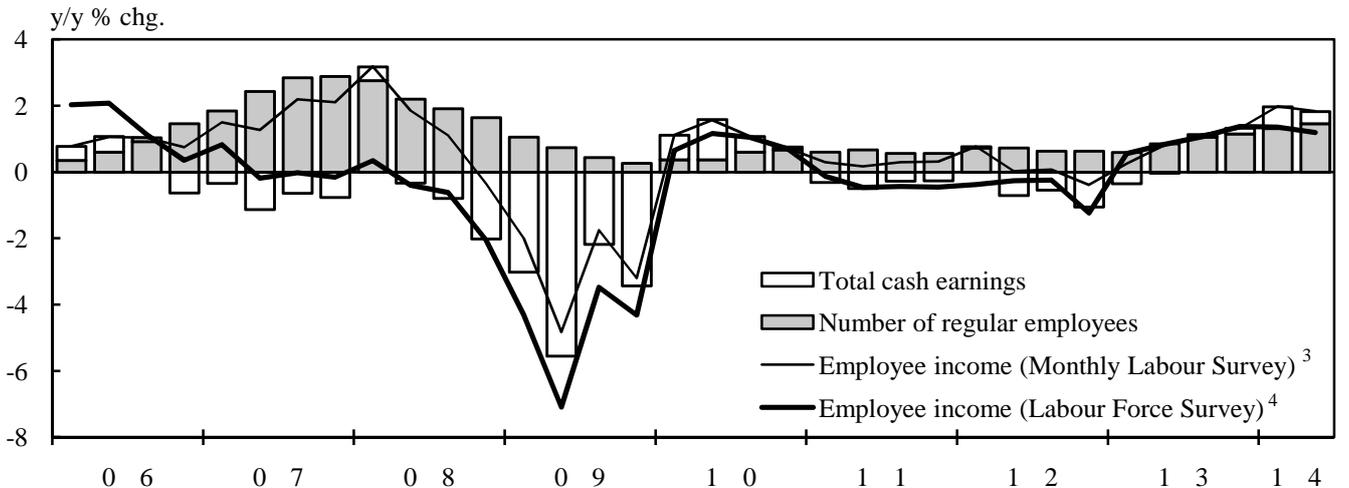
(1) Number of Employees¹



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



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

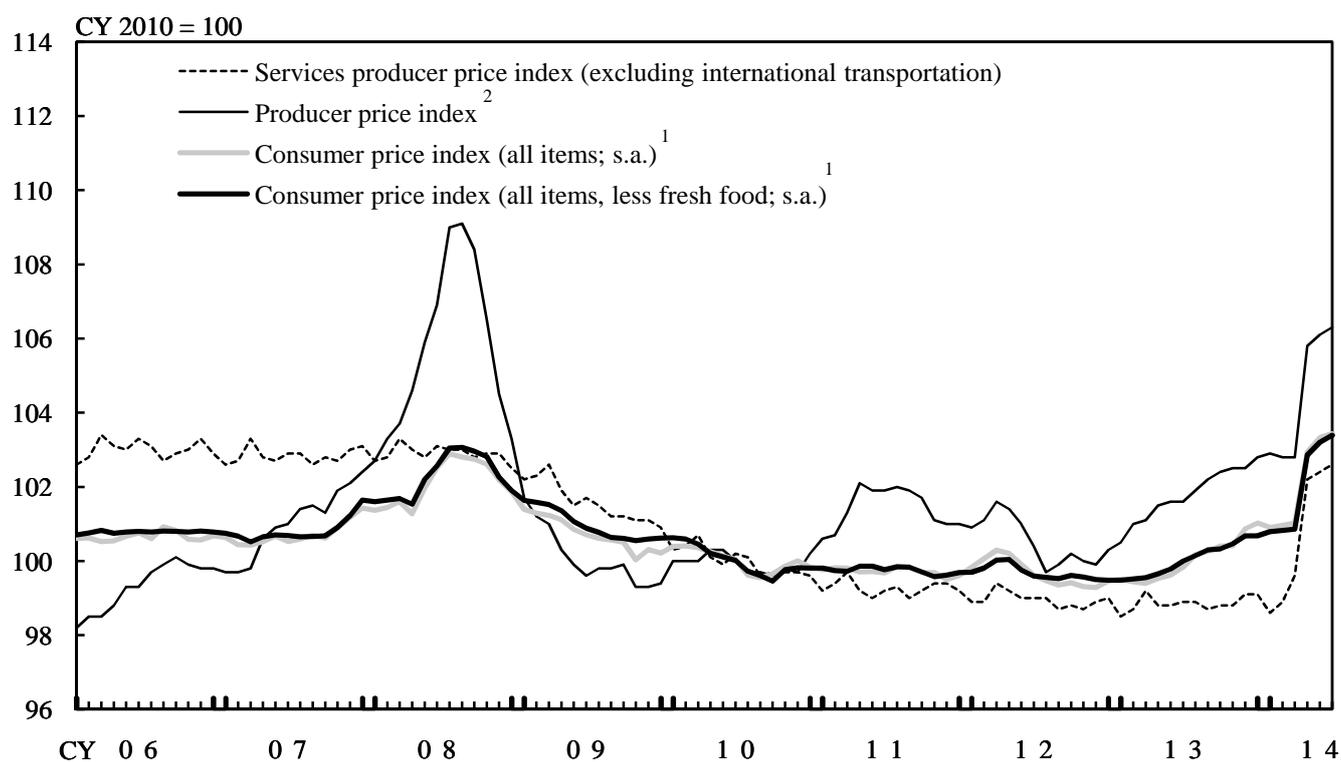


Notes: 1. Data for the "Monthly Labour Survey" are for establishments with at least five employees.
 2. Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.
 Figures for 2014/Q2 are those of June.
 3. Calculated as the "number of regular employees" (Monthly Labour Survey)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

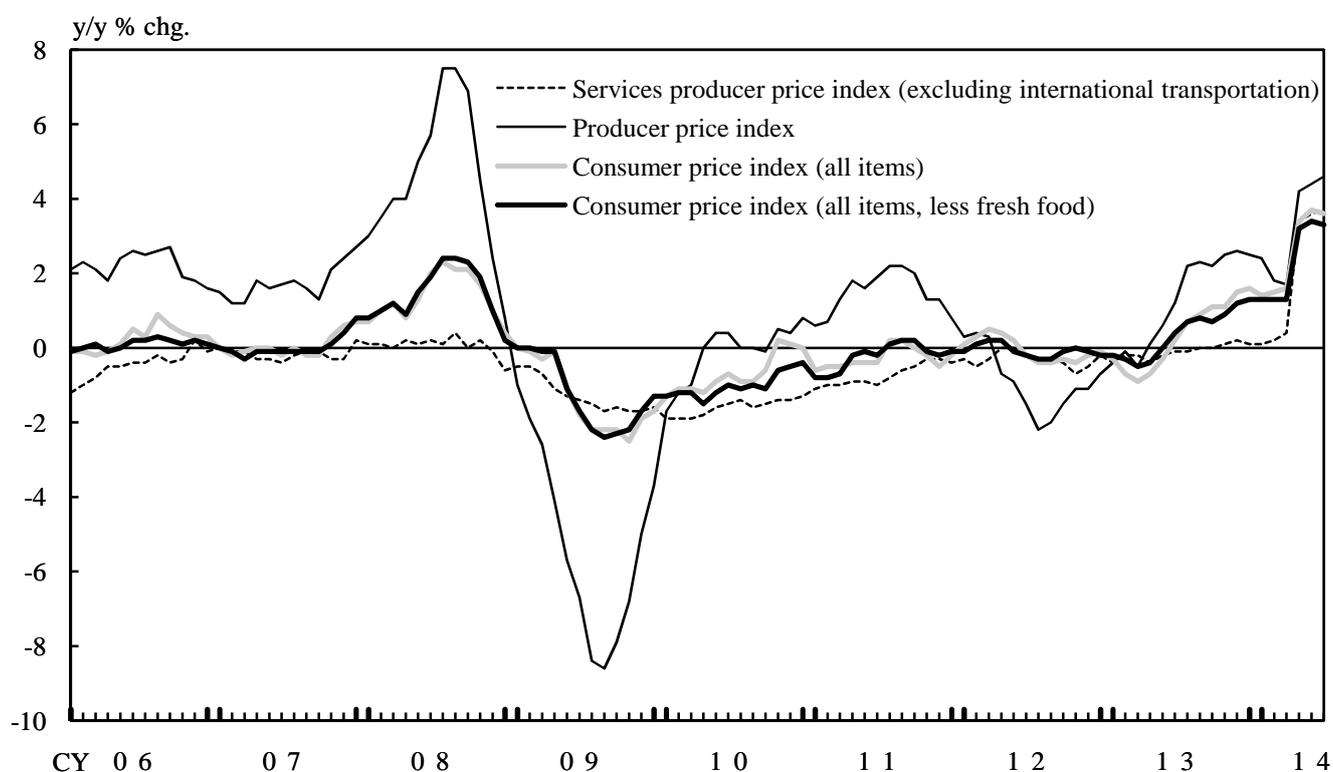
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
 Ministry of Internal Affairs and Communications, "Labour Force Survey."

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.

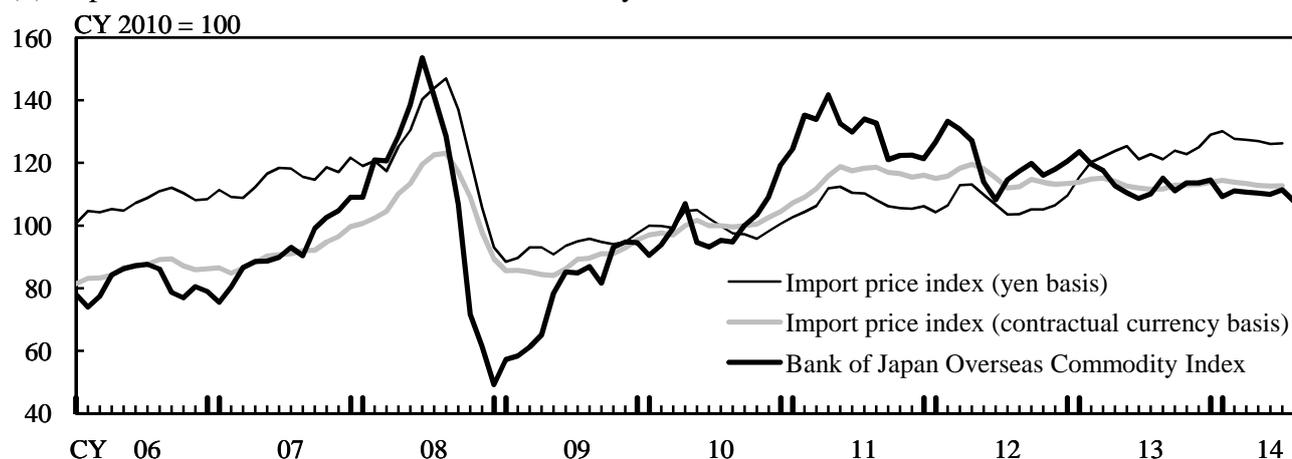
4. Figures of "Services Producer Price Index" and "Producer Price Index" up to 2009 are based on the linked indices.

5. Figures include the consumption tax.

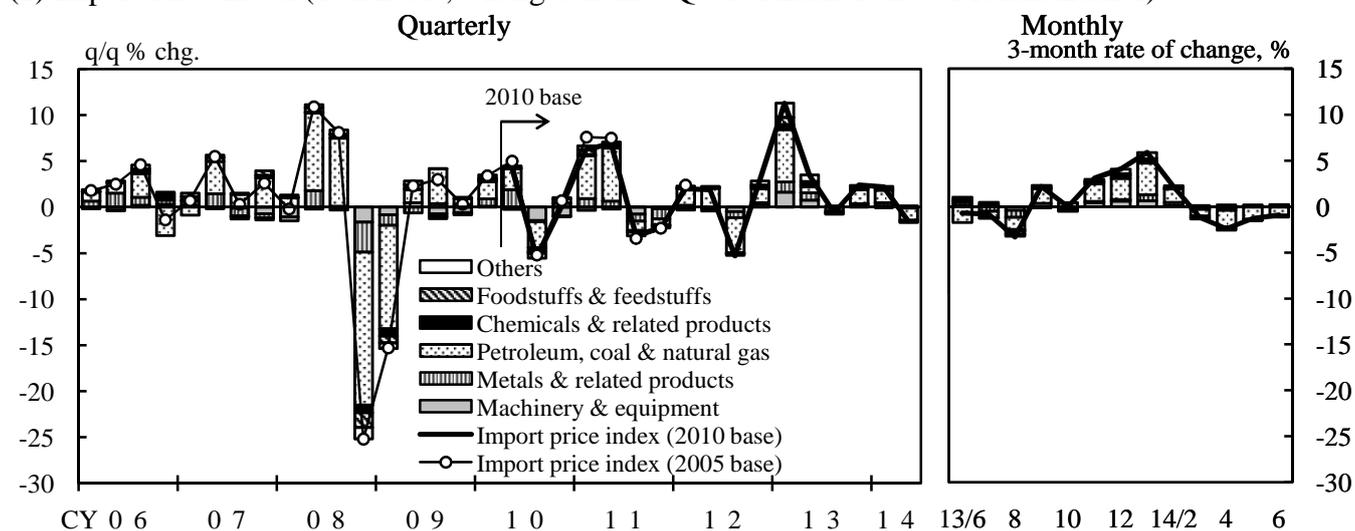
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Services Producer Price Index."

Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index

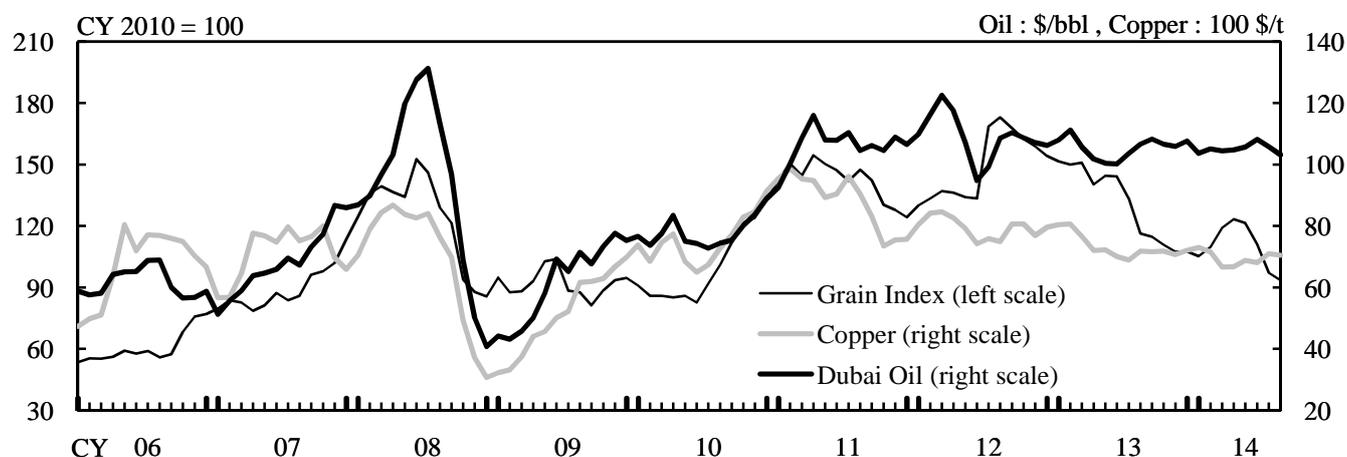


(2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



Note: Machinery & equipment: general purpose, production & business oriented machinery, electric & electronic products, and transportation equipment.

(3) International Commodity Prices

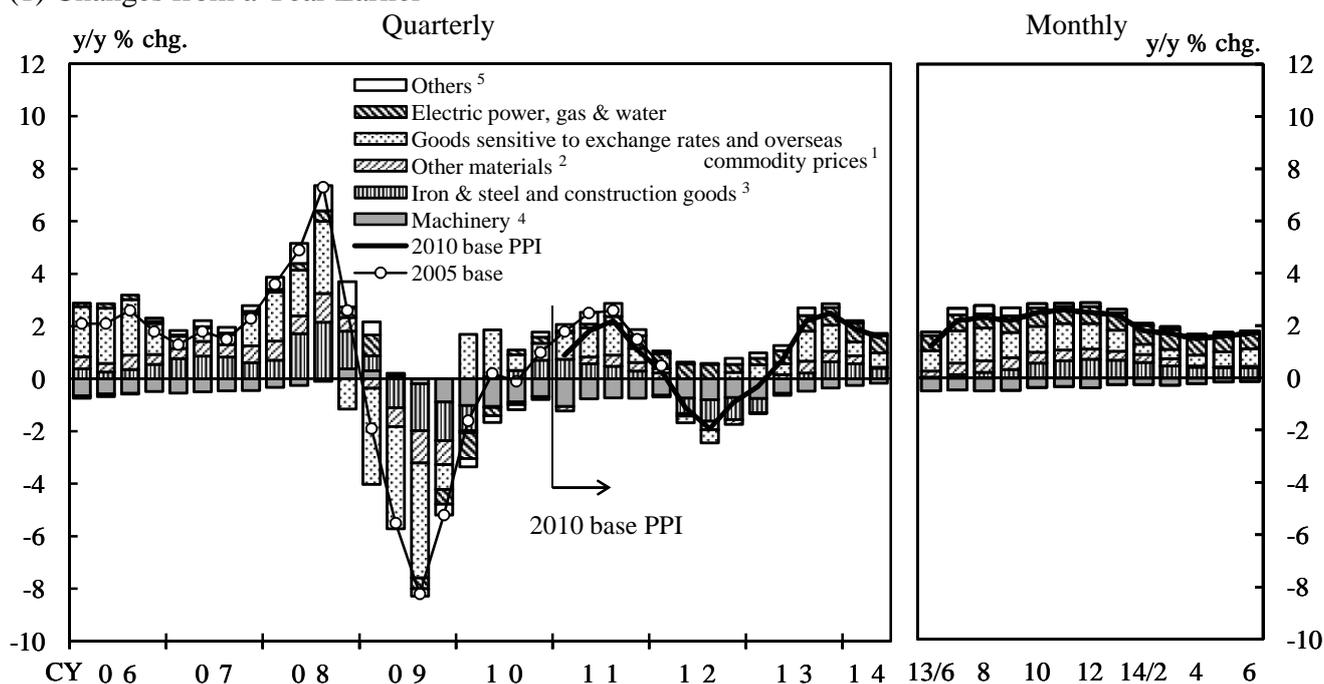


Notes: 1. The "grain index" is the weighted average of prices of three selected items (wheat, soybeans, and corn) in overseas commodity markets. The weights are based on the value of imports in the "Trade Statistics."
 2. Monthly averages. Figures for August 2014 are averages up to August 7.

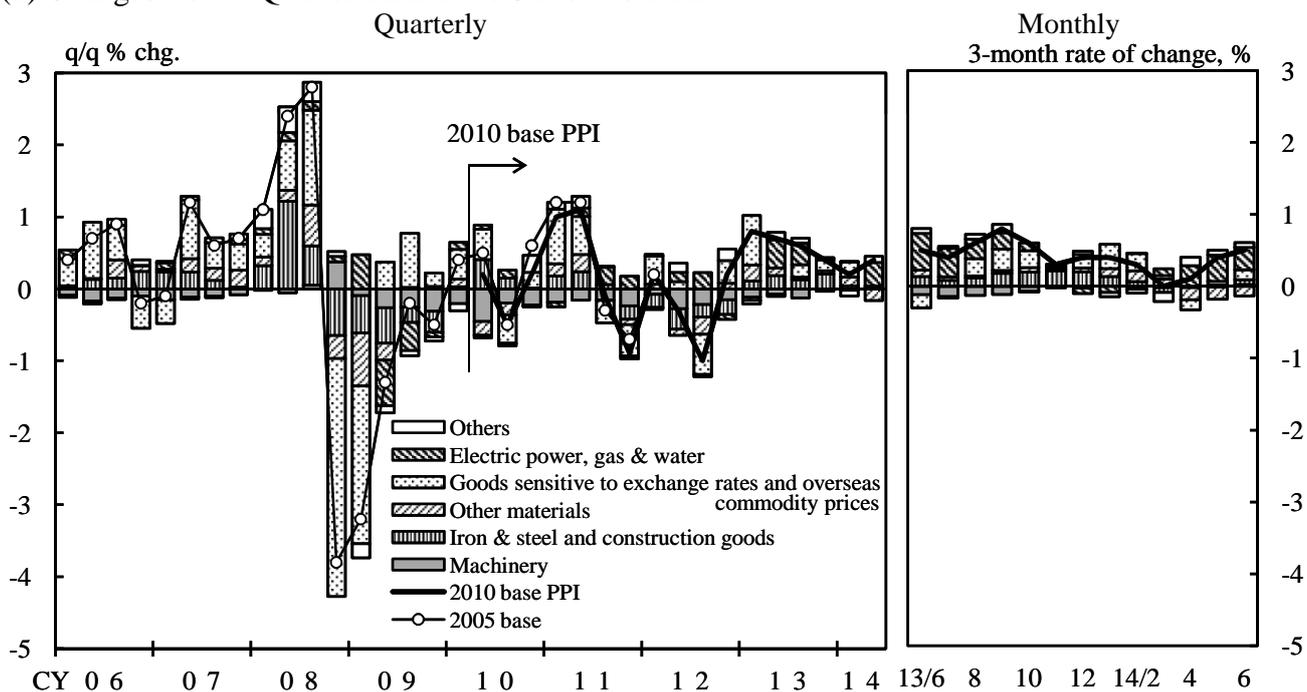
Sources: Bank of Japan, "Corporate Goods Price Index," "Bank of Japan Overseas Commodity Index," etc.

Producer Price Index

(1) Changes from a Year Earlier



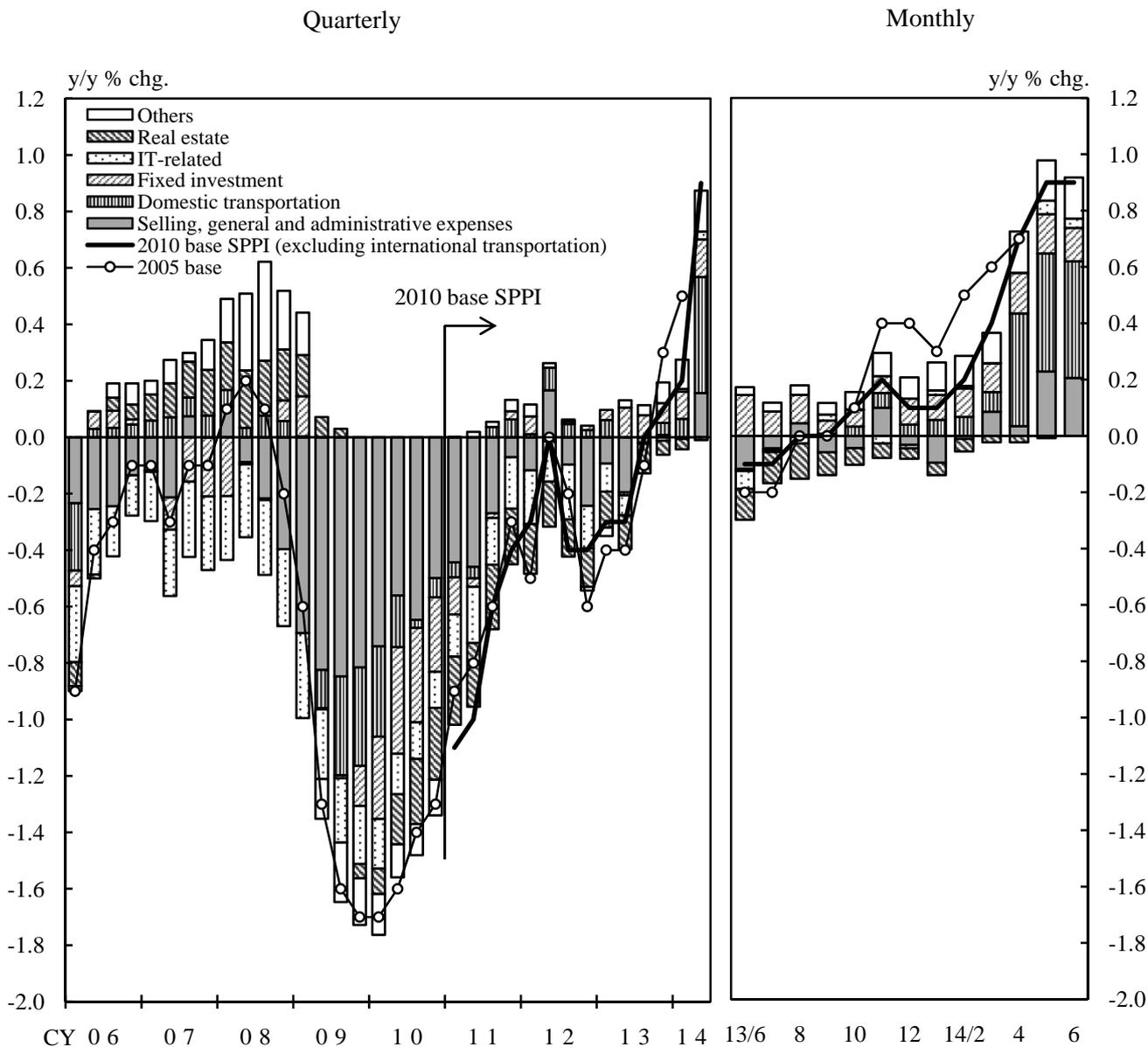
(2) Changes from a Quarter Earlier and 3 Months Earlier⁶



- 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 "Producer 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.

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

Services Producer Price Index

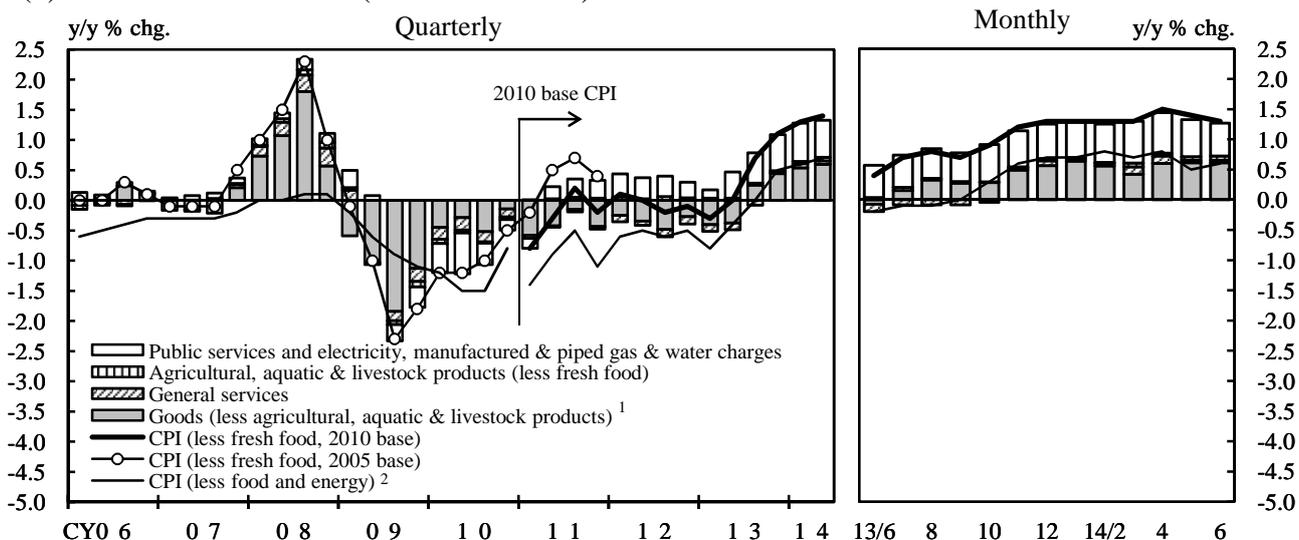


- Notes: 1. Selling, general and administrative expenses: information and communications (excluding newspapers and publishing), advertising services, other services (excluding plant engineering, and civil engineering and architectural services).
 2. Domestic transportation: transportation and postal services (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.

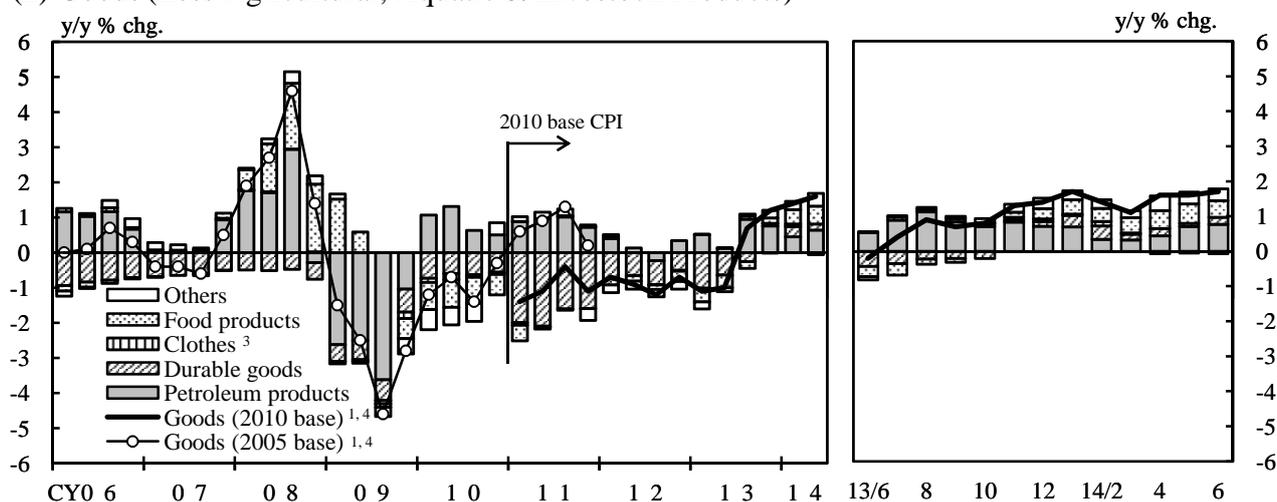
Source: Bank of Japan, "Services Producer Price Index."

Consumer Price Index (Less Fresh Food)

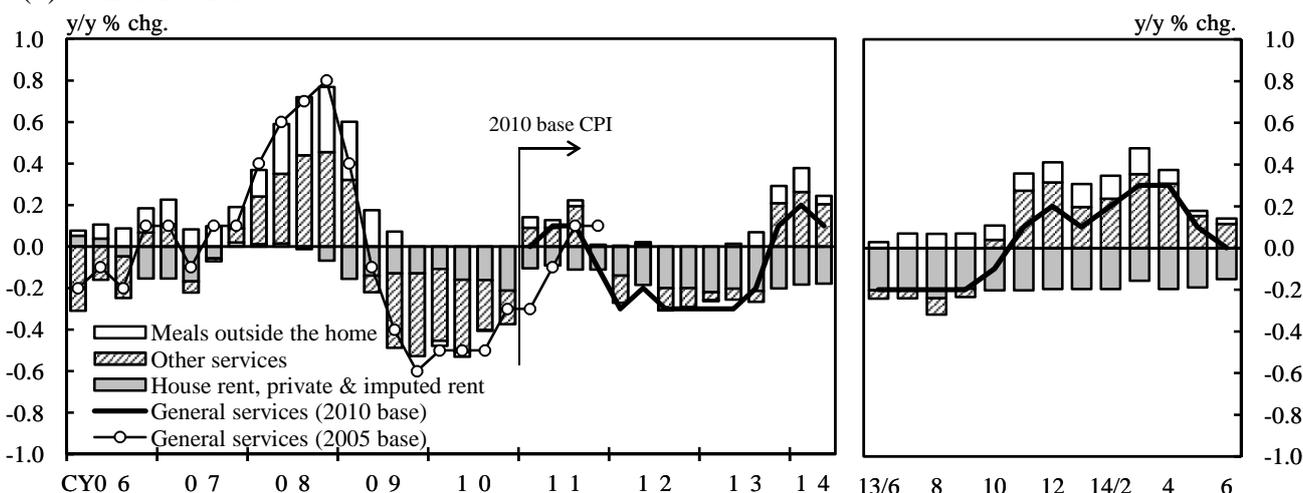
(1) Consumer Price Index (Less Fresh Food)



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



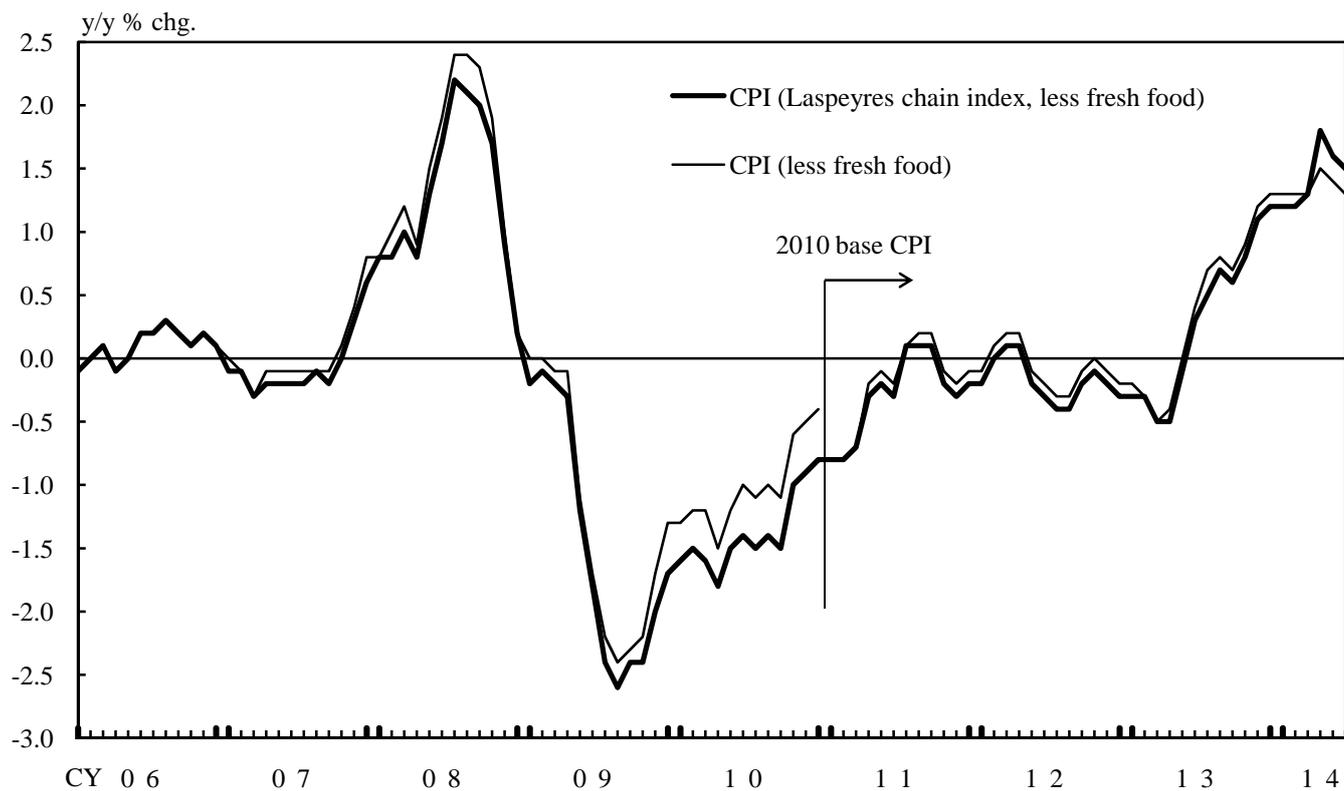
(3) General Services



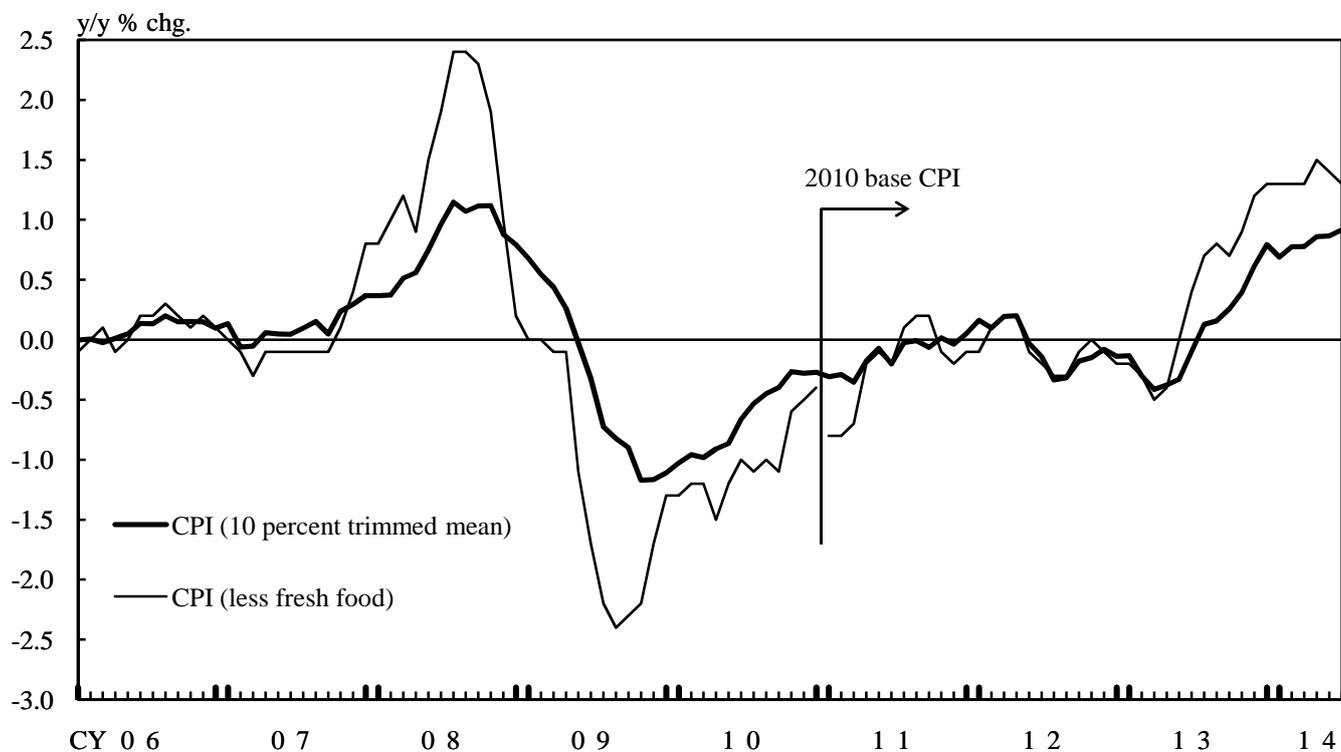
- Notes: 1. The items are basically the same as those defined by the Ministry of Internal Affairs and Communications. However, electricity, manufactured & piped gas & water charges are excluded from goods.
 2. Alcoholic beverages are excluded from food. Energy: electricity, gas manufactured & piped, 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.

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.

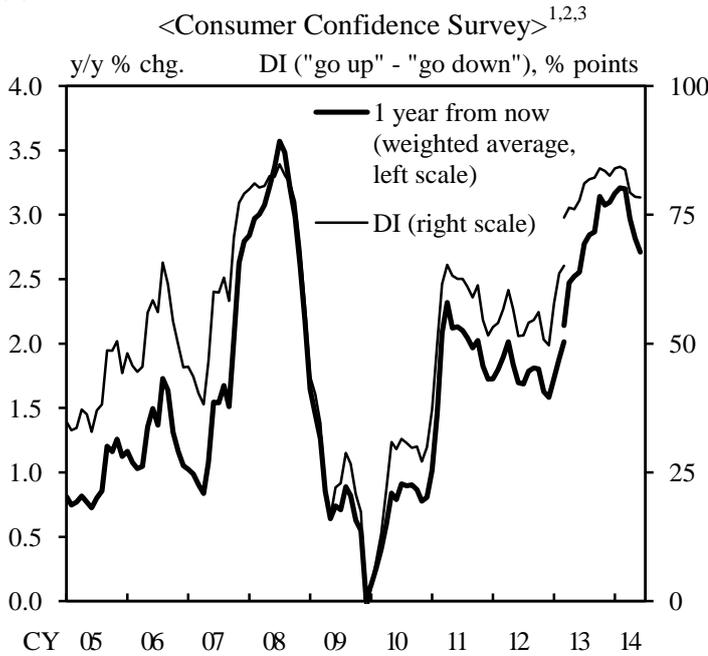
2. Figures for the Laspeyres chain index for 2006 are the year-on-year rates for the fixed-base method. The year-on-year figures for the Laspeyres chain index up to 2010 are on the 2005 base, and those from 2011 onward are on the 2010 base.

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

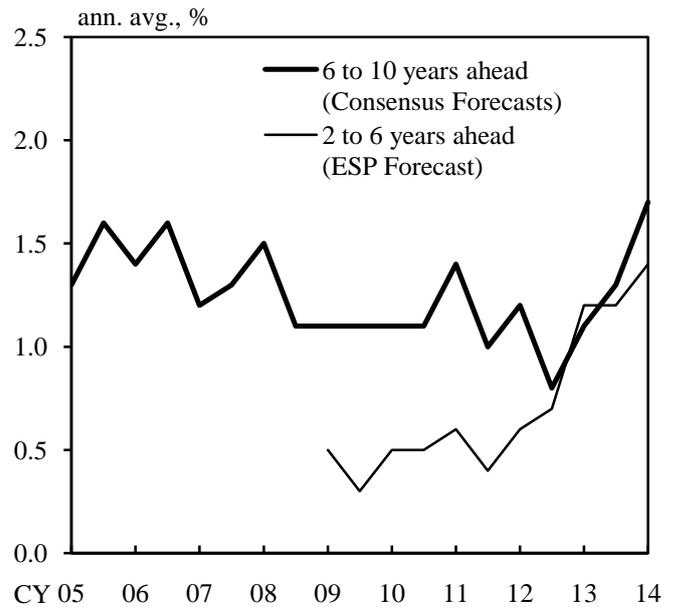
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Inflation Expectations

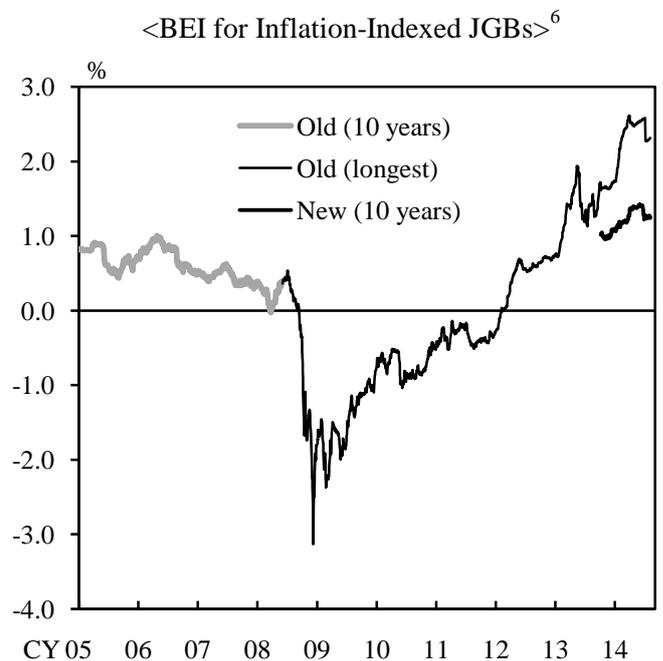
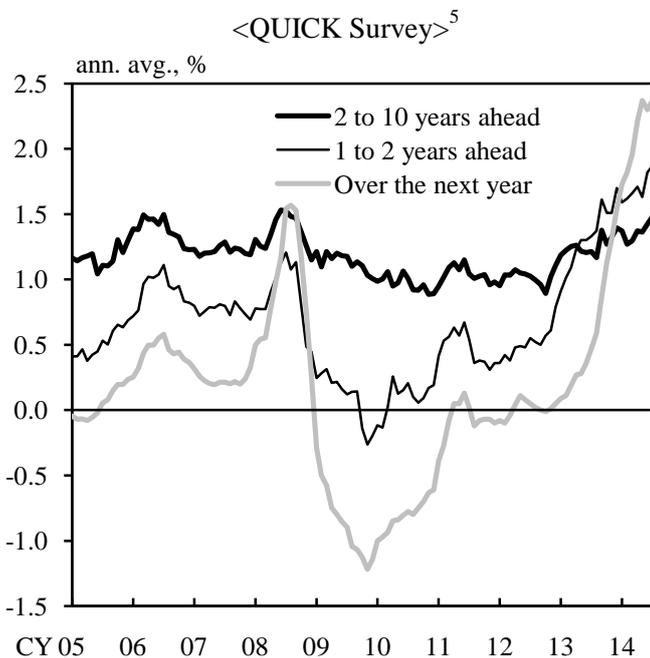
(1) Households



(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.

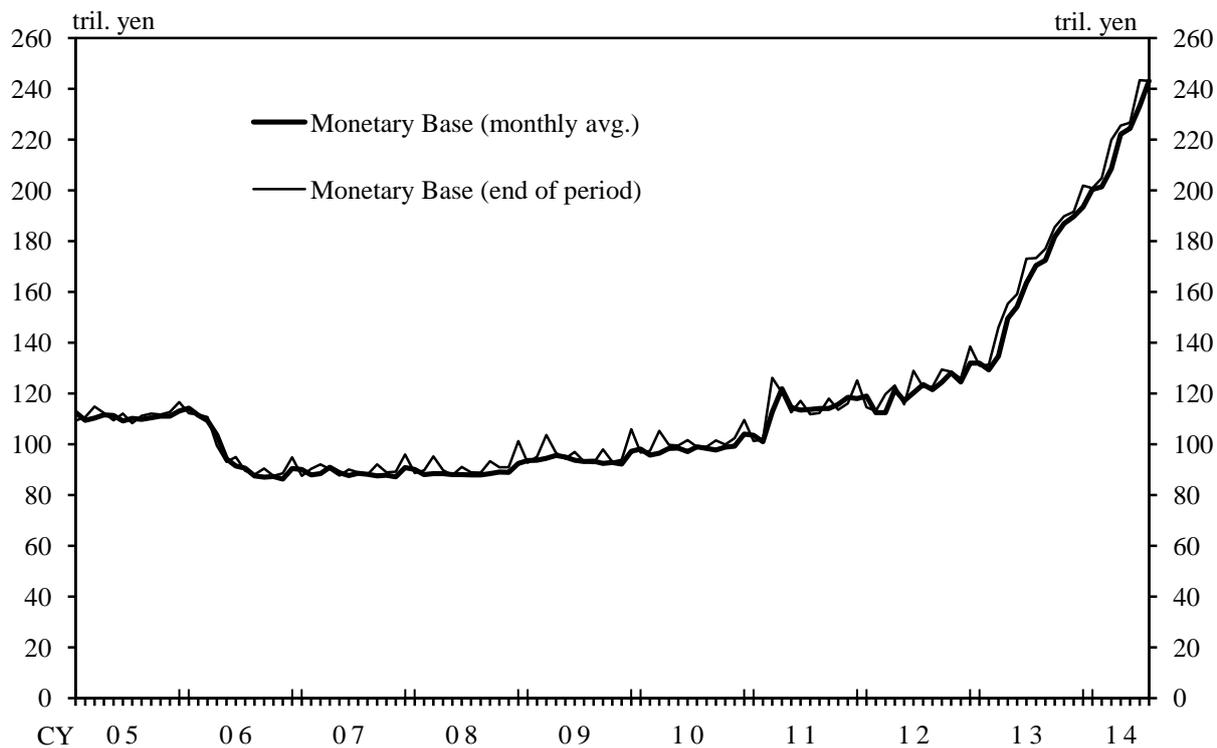
5. From the September 2013 survey, the QUICK Monthly Market Survey (Bonds) has asked respondents to include the effects of the consumption tax hikes.

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.

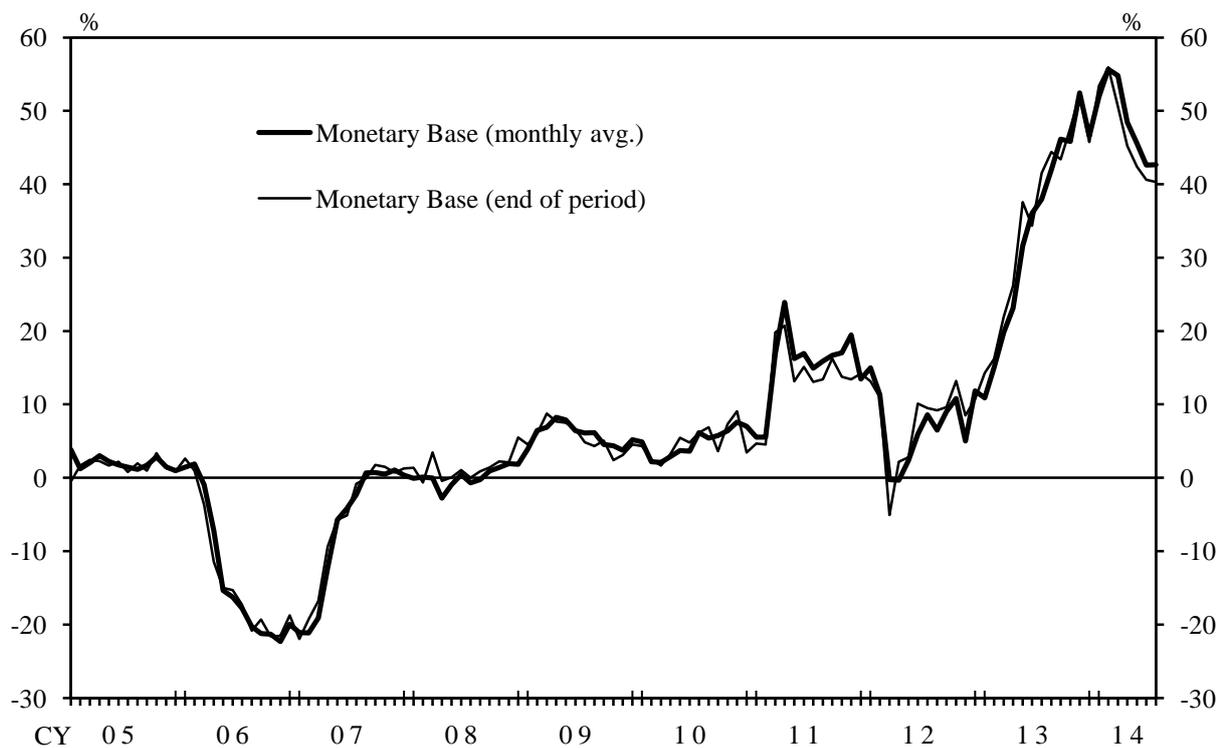
Sources: Cabinet Office, "Consumer Confidence Survey"; Consensus Economics Inc., "Consensus Forecasts"; JCER, "ESP Forecast"; QUICK, "QUICK Monthly Market Survey (Bonds)"; Bloomberg.

Monetary Base

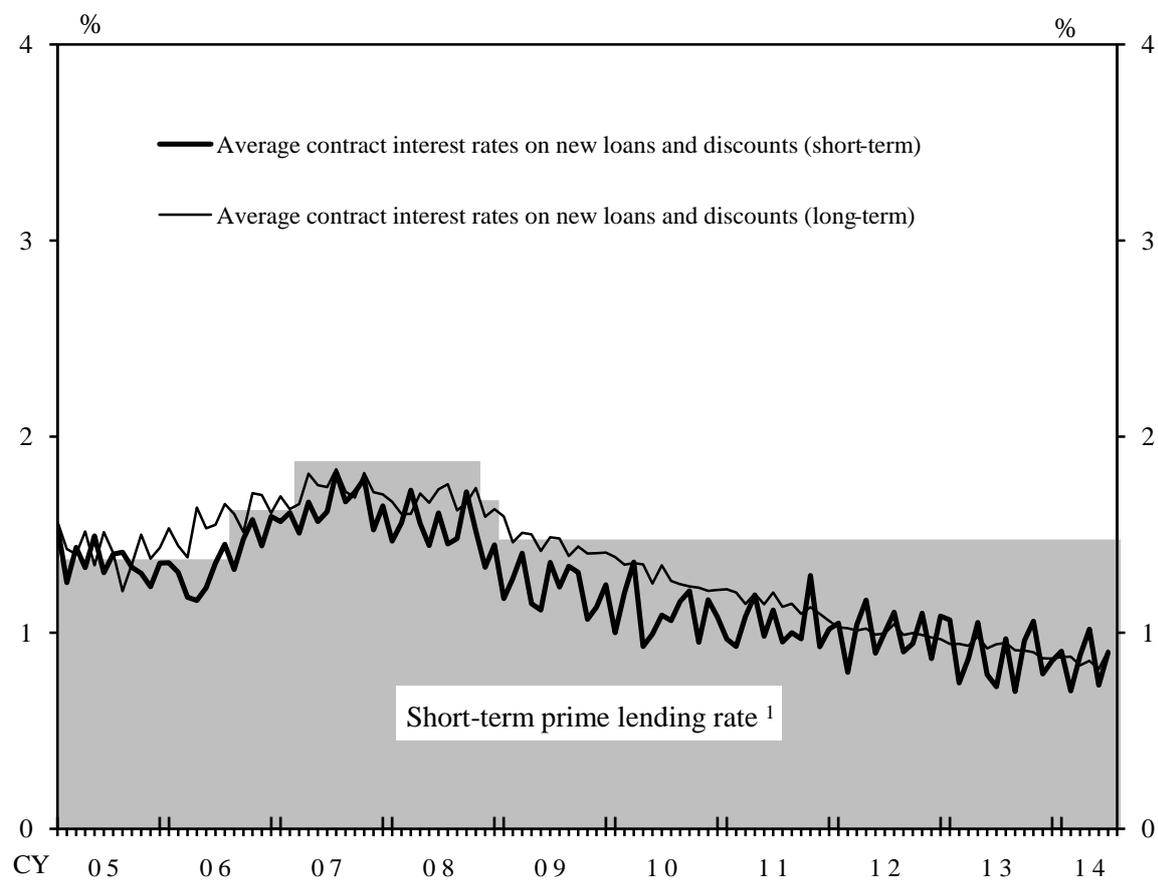
(1) Level



(2) Changes from a Year Earlier



Lending Rates

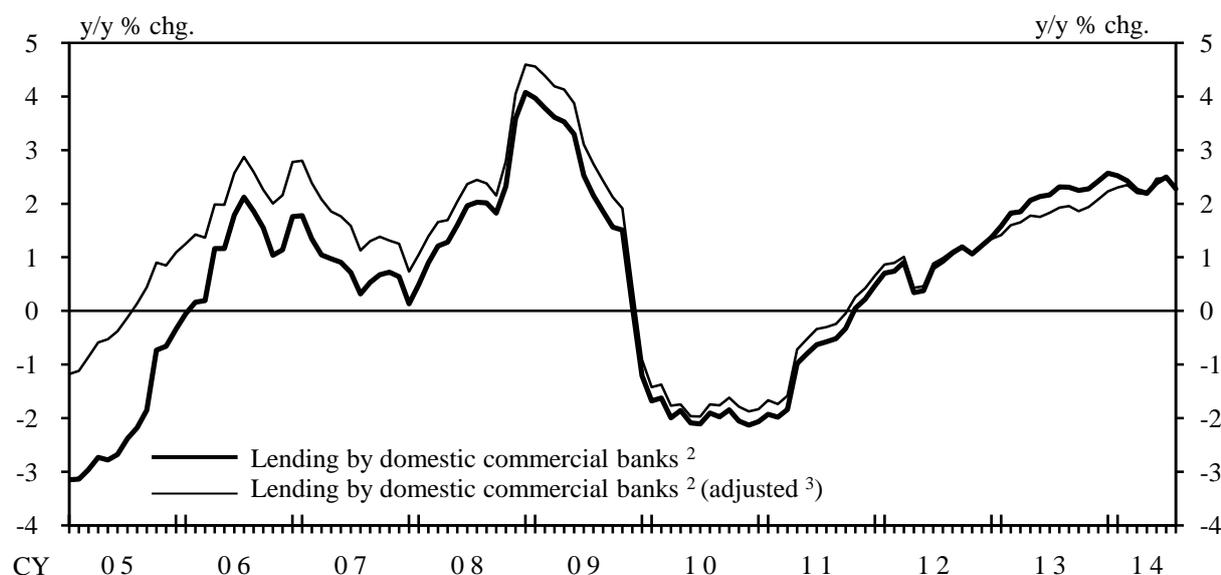


Note: 1. Data are at end of period.

Source: Bank of Japan.

Lending by Financial Institutions

(1) Lending by Domestic Commercial Banks¹



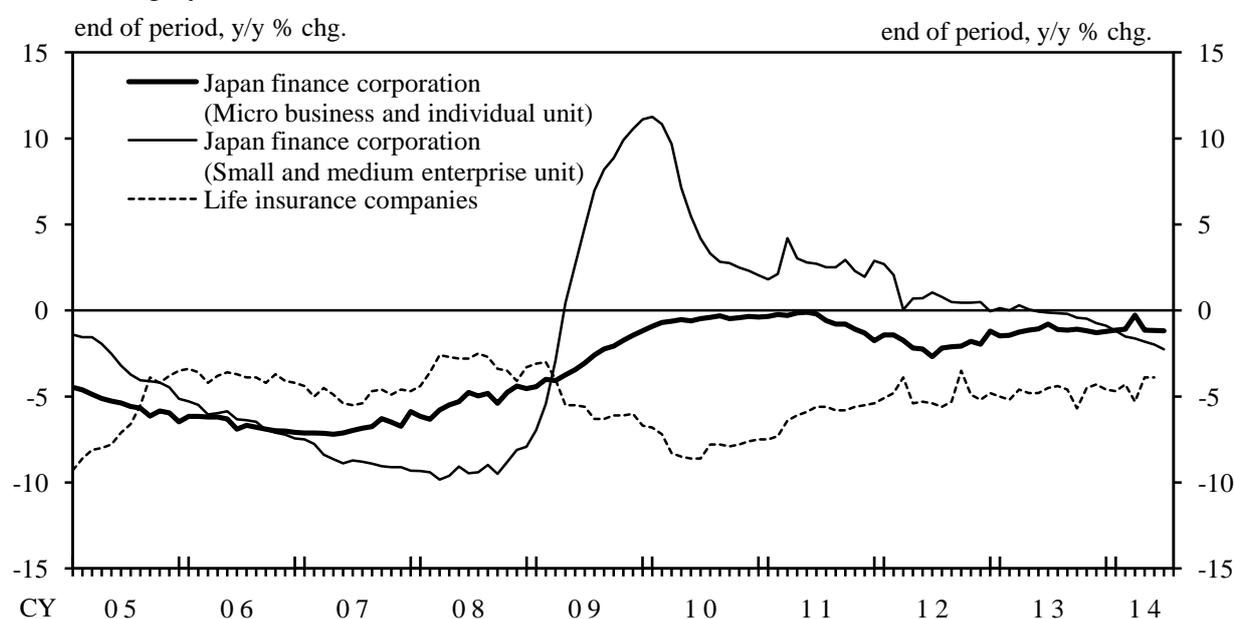
Notes: 1. Percent changes in average amounts outstanding from a year earlier.

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.

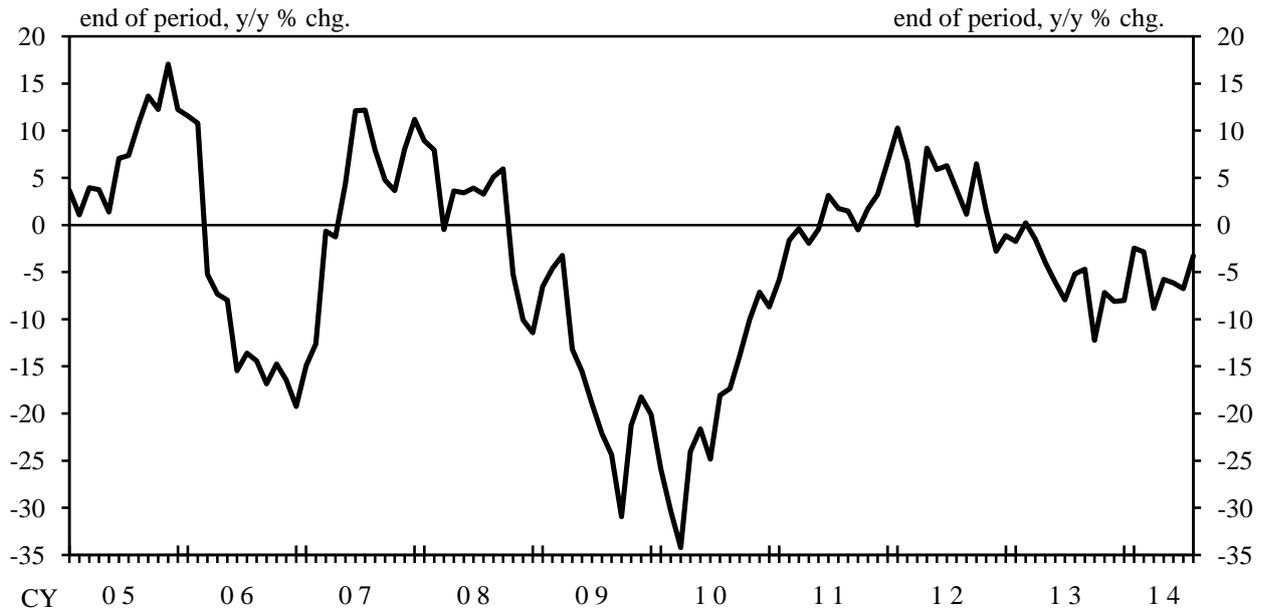
(2) Lending by Other Financial Institutions



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

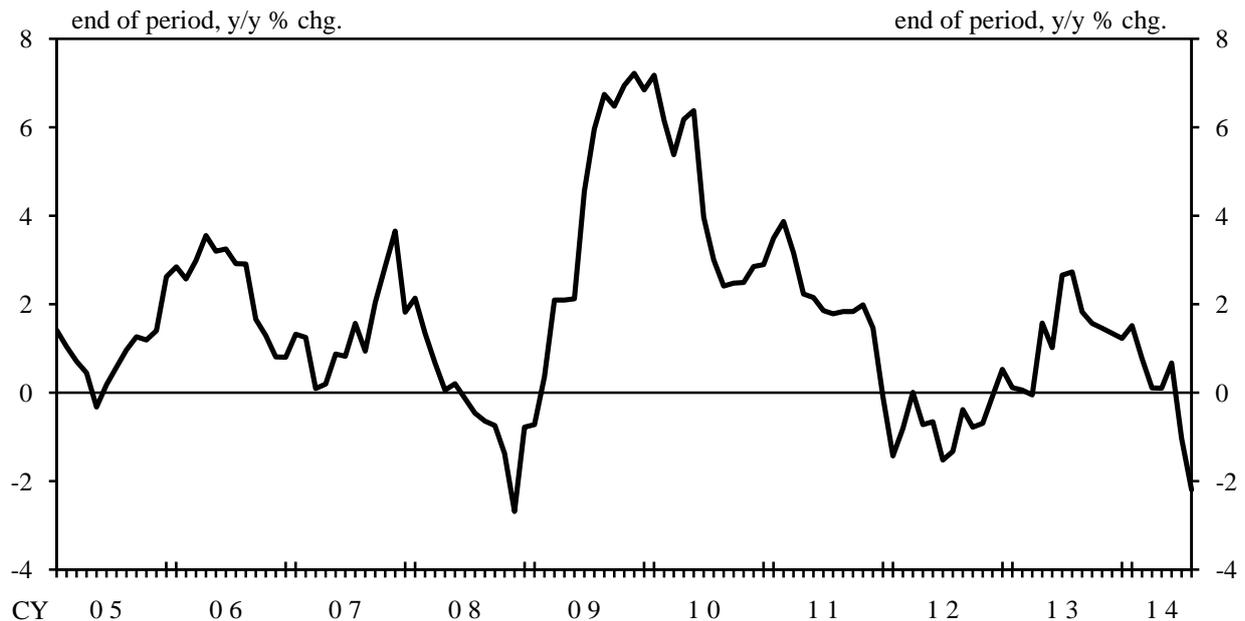
 Private-Sector Fund-Raising in the Capital Markets

(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



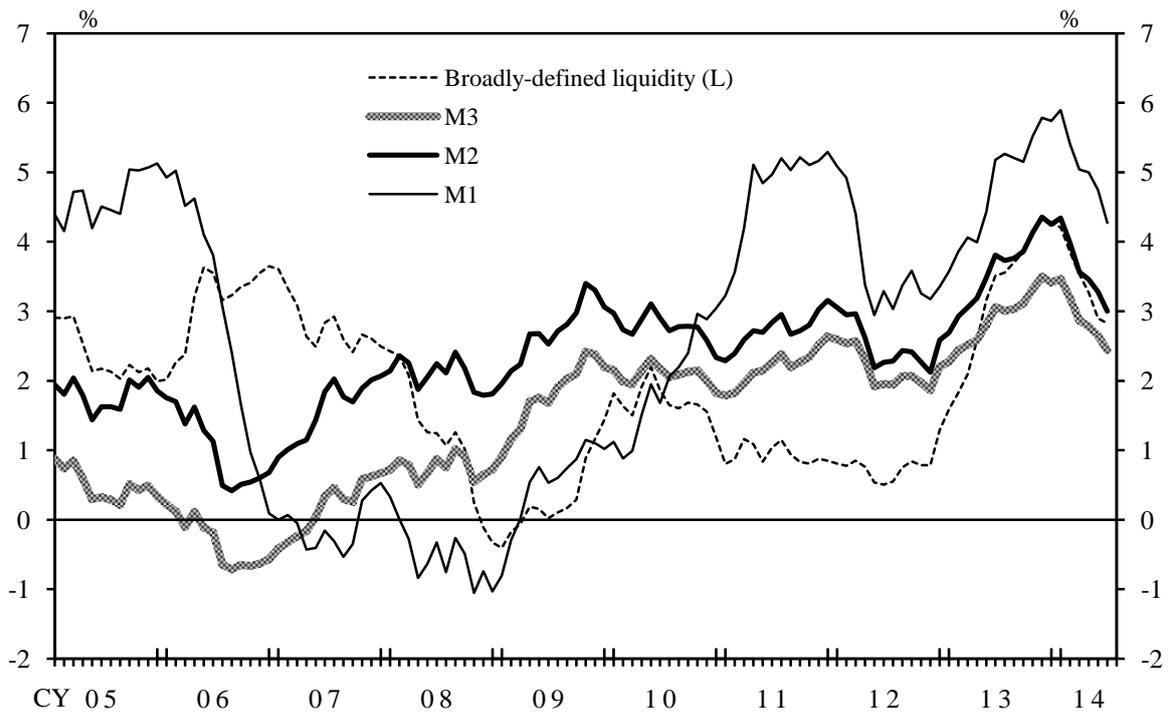
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

- (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.

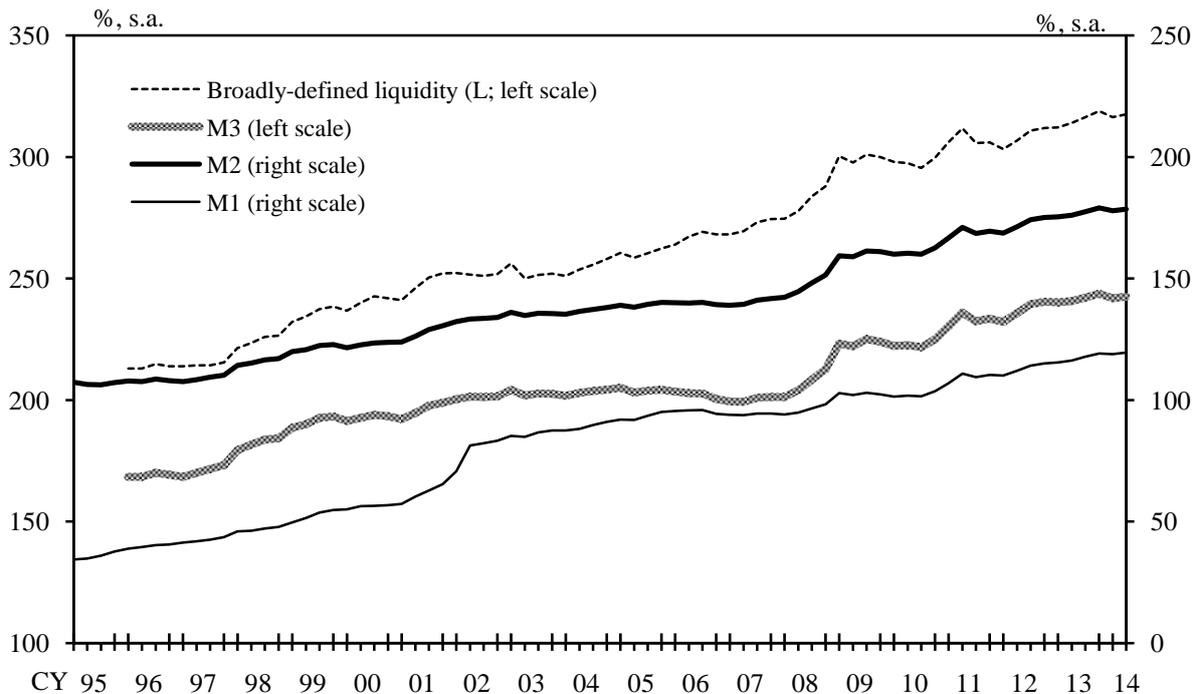
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category";
 Bank of Japan, "Principal Figures of Financial Institutions";
 Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts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

Money Stock

(1) Changes from a Year Earlier



(2) Ratio of Money Stock to Nominal GDP

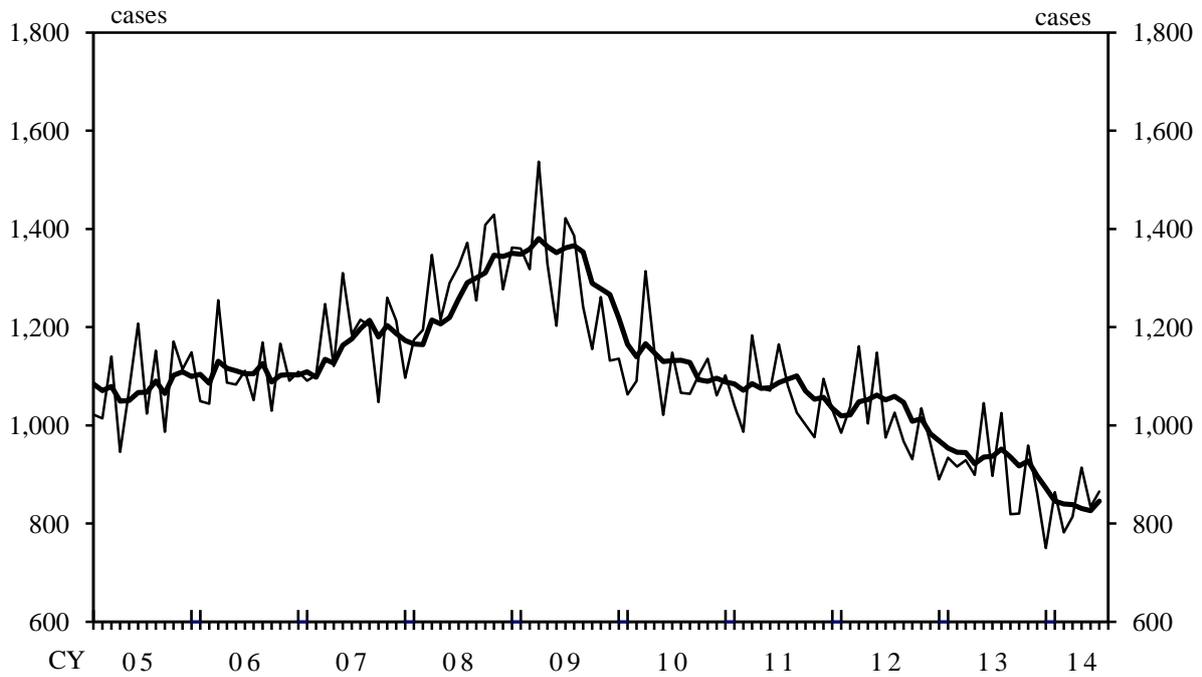


- Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.
- 2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.
- 3. The figures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

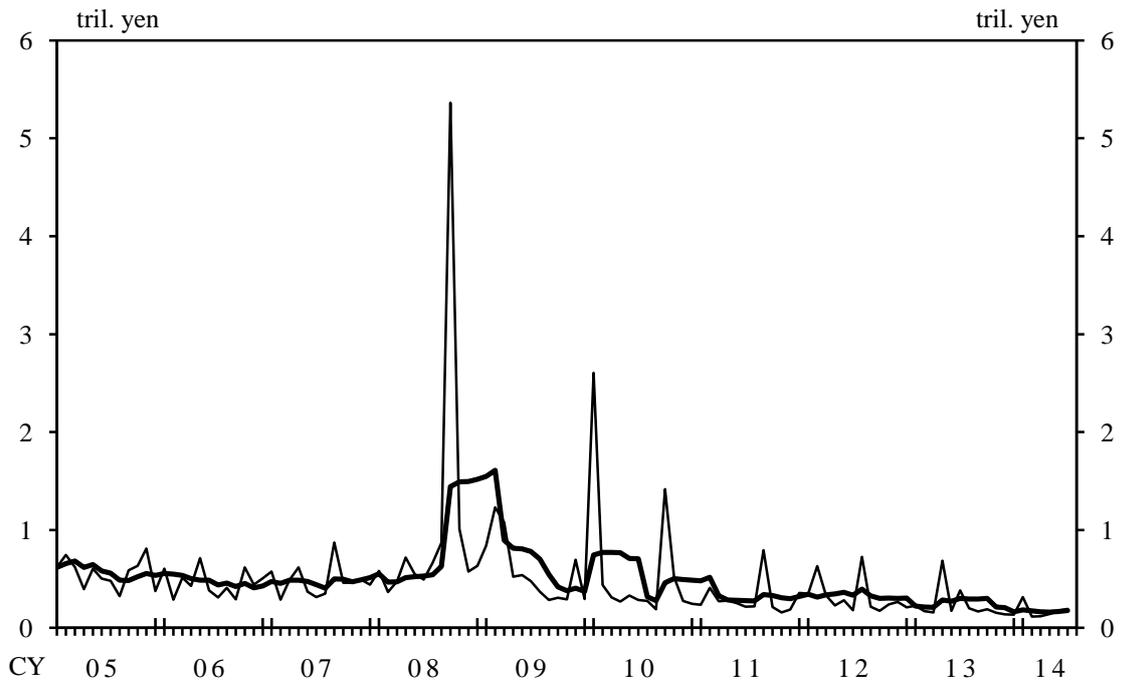
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities

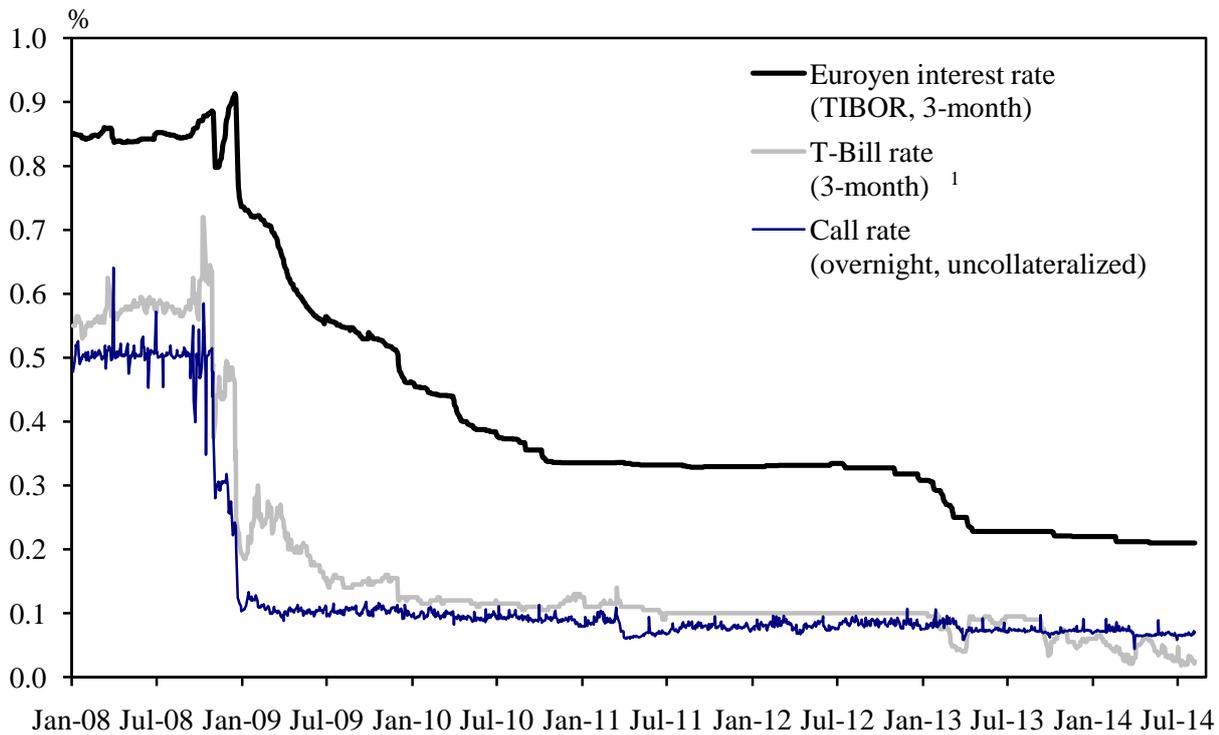


Note: Bold lines are the six-month moving average.

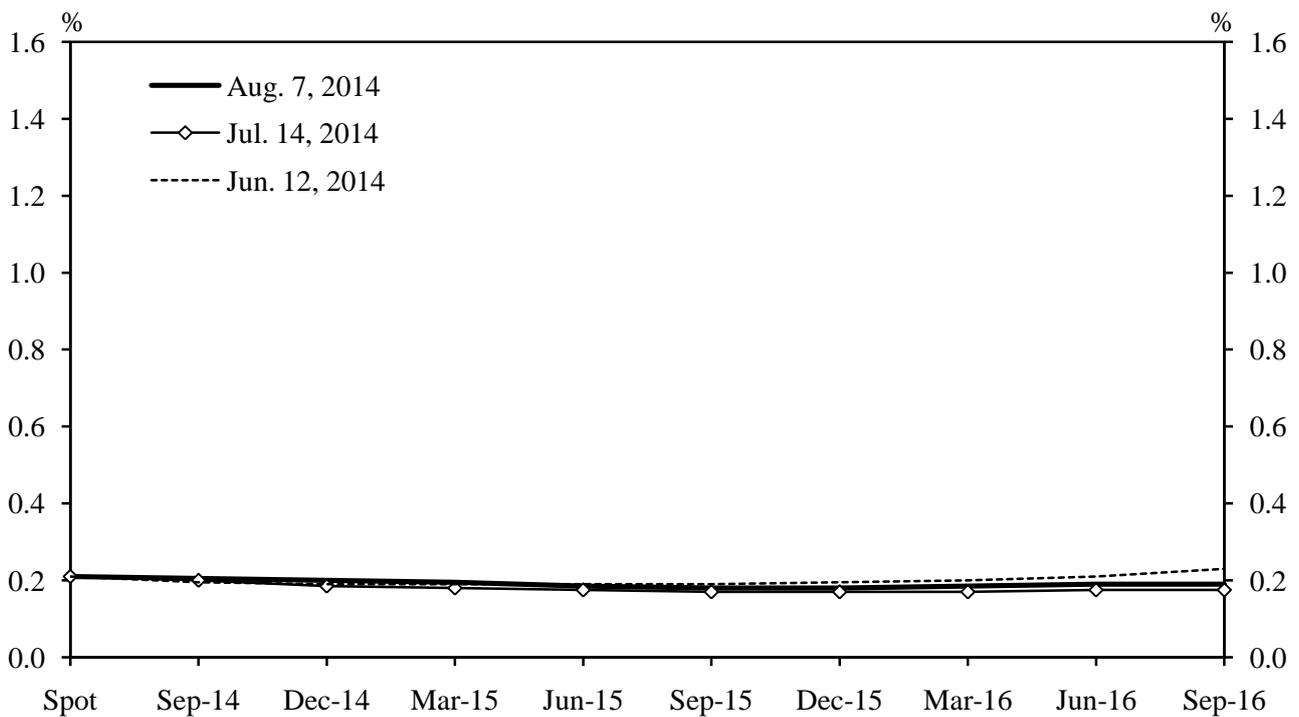
Source: Tokyo Shoko Research Ltd., "Tosan Geppo (Monthly review of corporate bankruptcies)."

Short-Term Interest Rates

(1) Short-Term Interest Rates



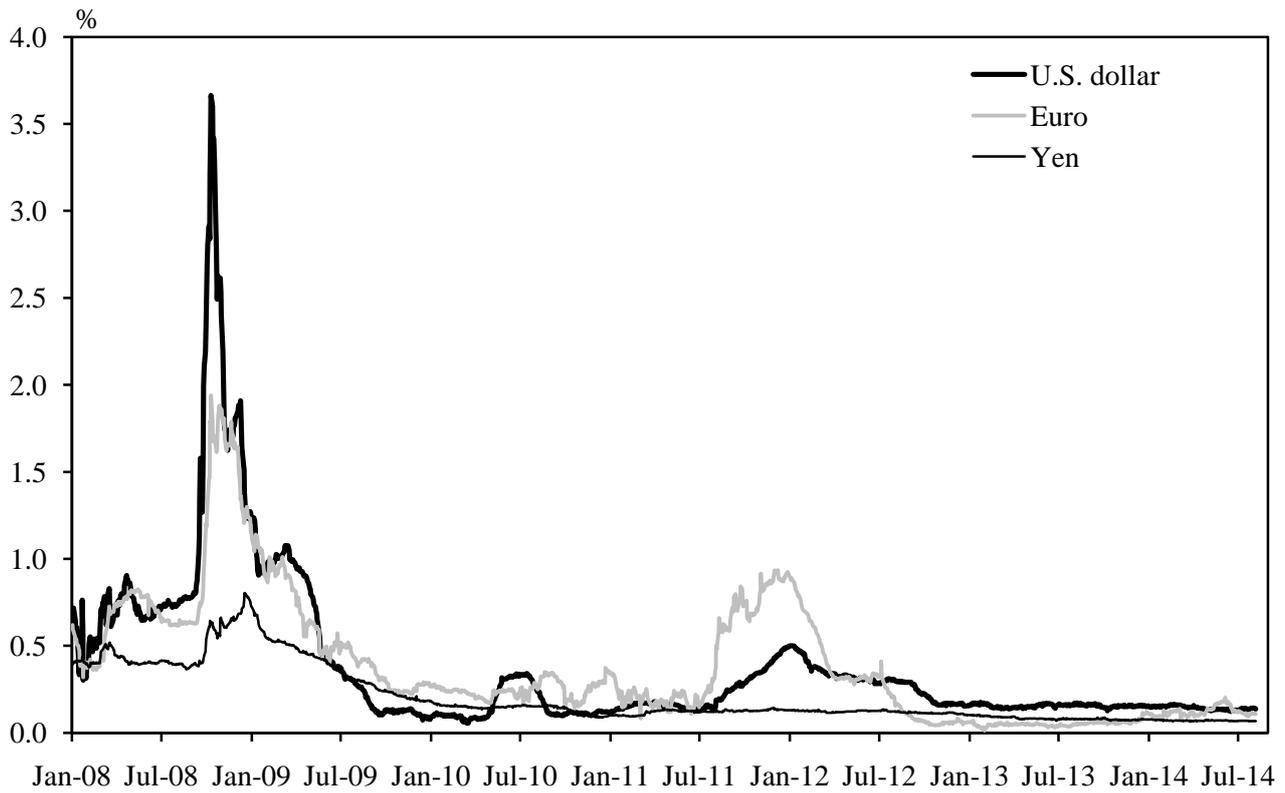
(2) Euroyen Interest Rate Futures (3-Month)



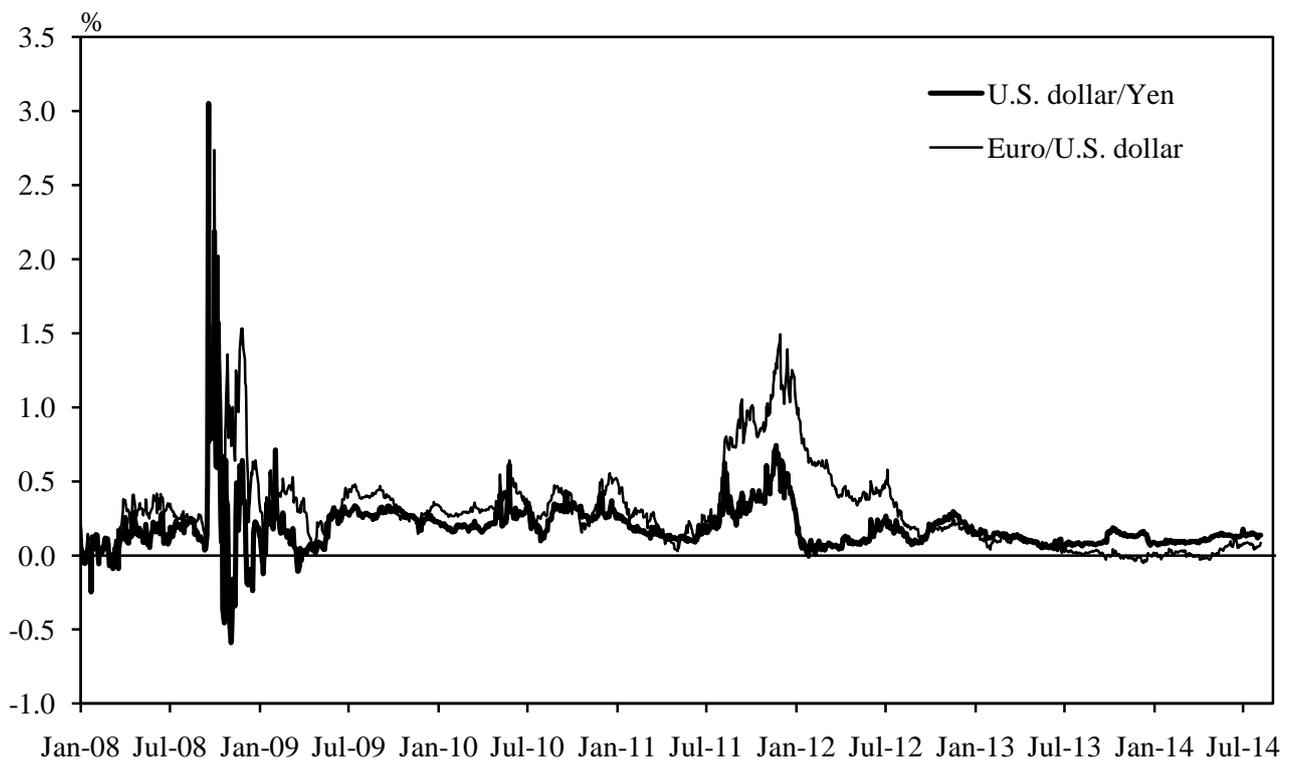
Note: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.
 Sources: Japanese Bankers Association; Bloomberg; Japan Bond Trading Co., Ltd.;
 Tokyo Financial Exchange; Bank of Japan.

Global Money Markets

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



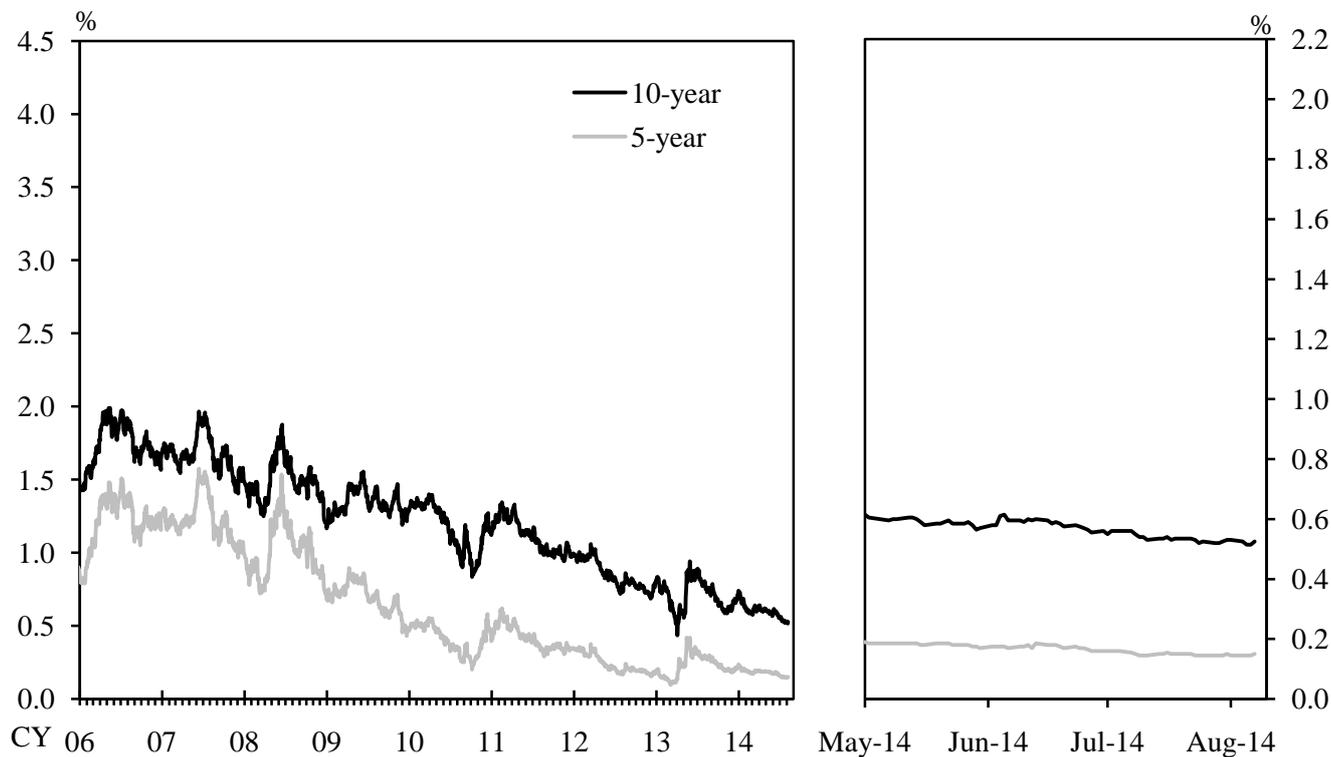
(2) FX swap implied dollar rate - LIBOR spreads (3-Month)



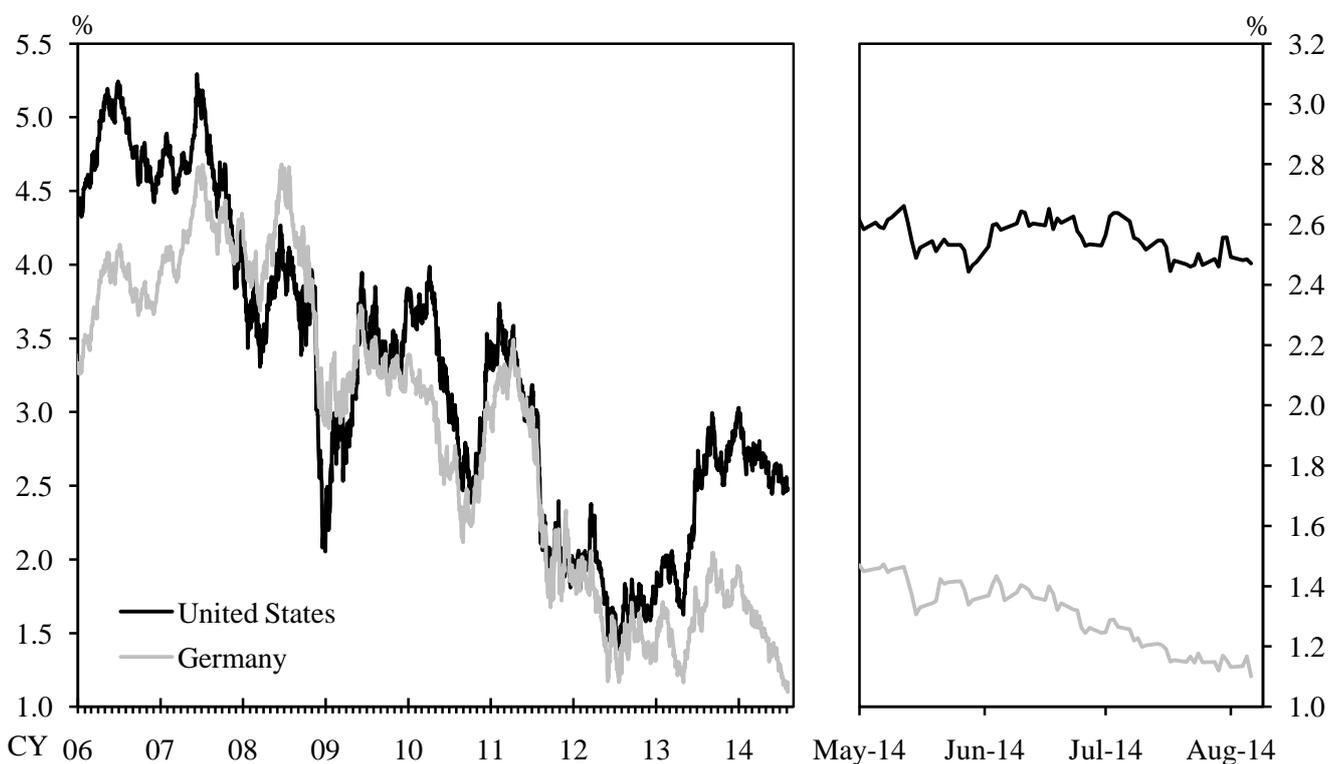
Source: Bloomberg.

Long-Term Interest Rates

(1) Japanese Government Bond Yields¹



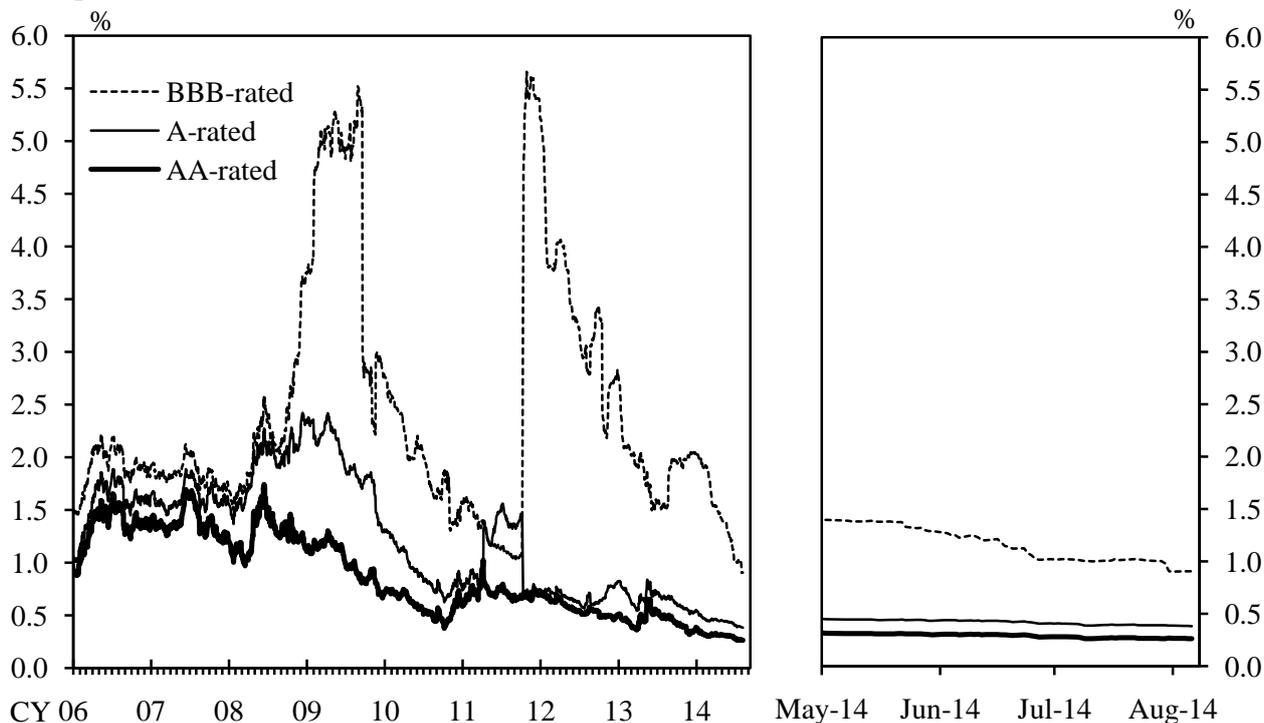
(2) Overseas Government Bond Yields (10-Year)



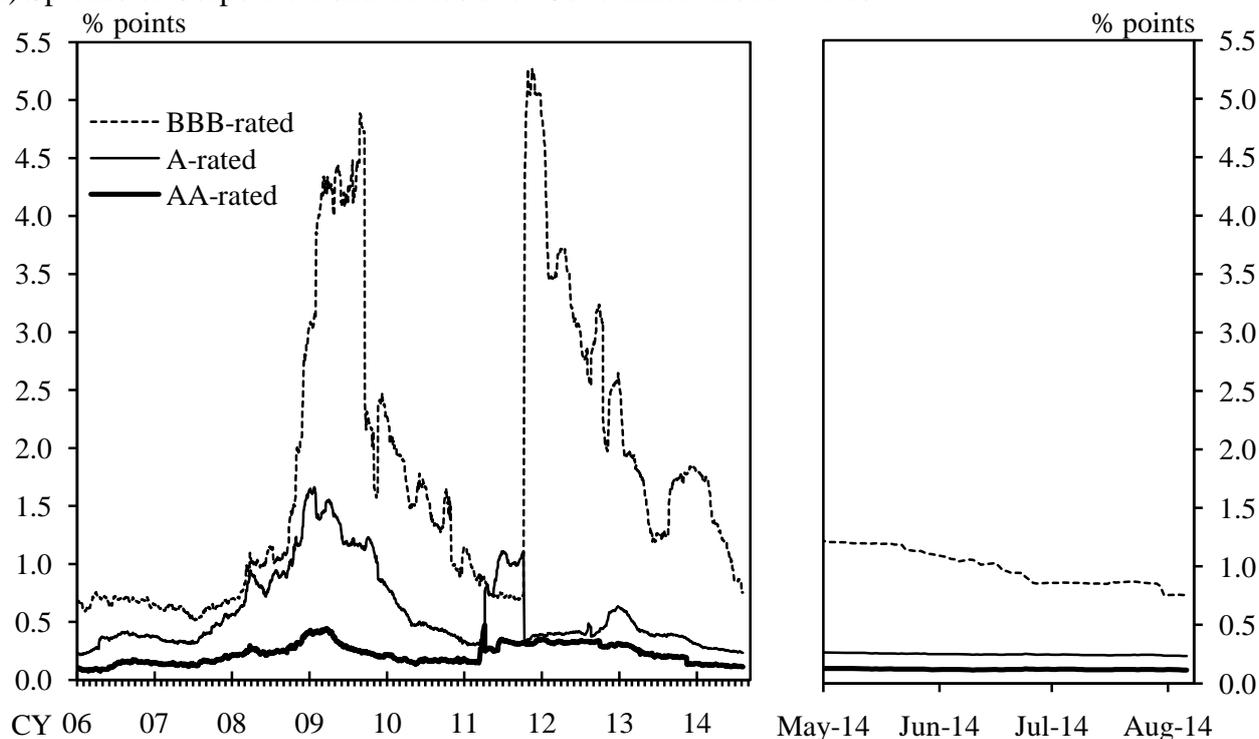
Note: 1. Yields on newly issued bonds.
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

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.

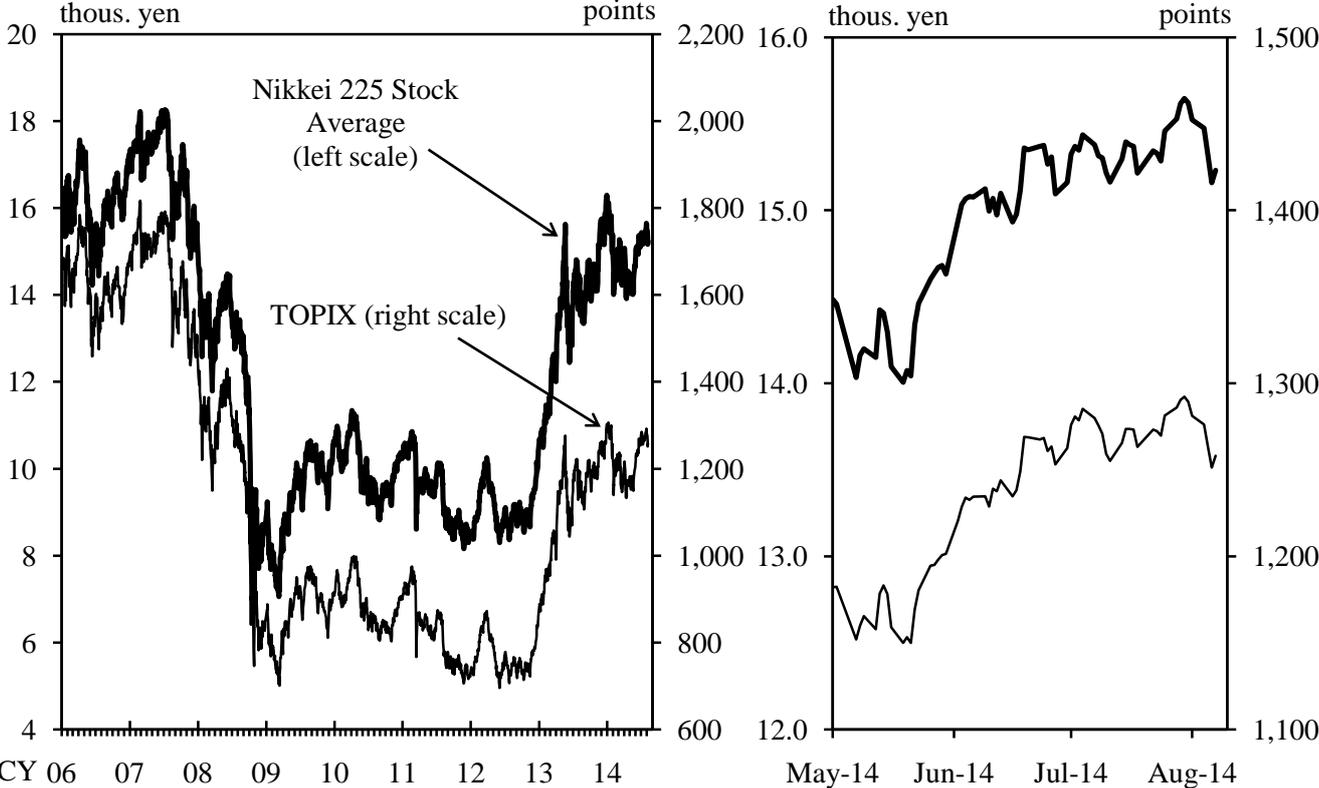
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.

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

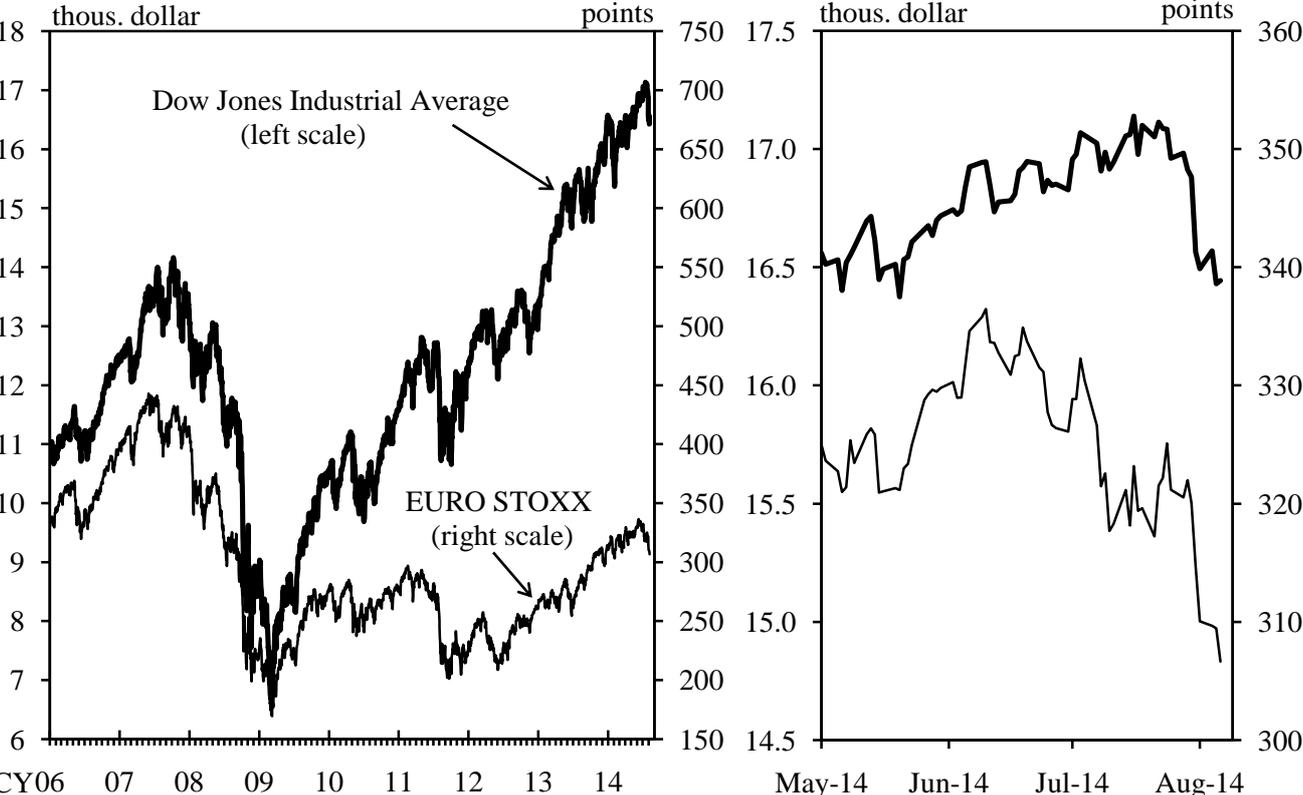
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Japanese Stock Prices



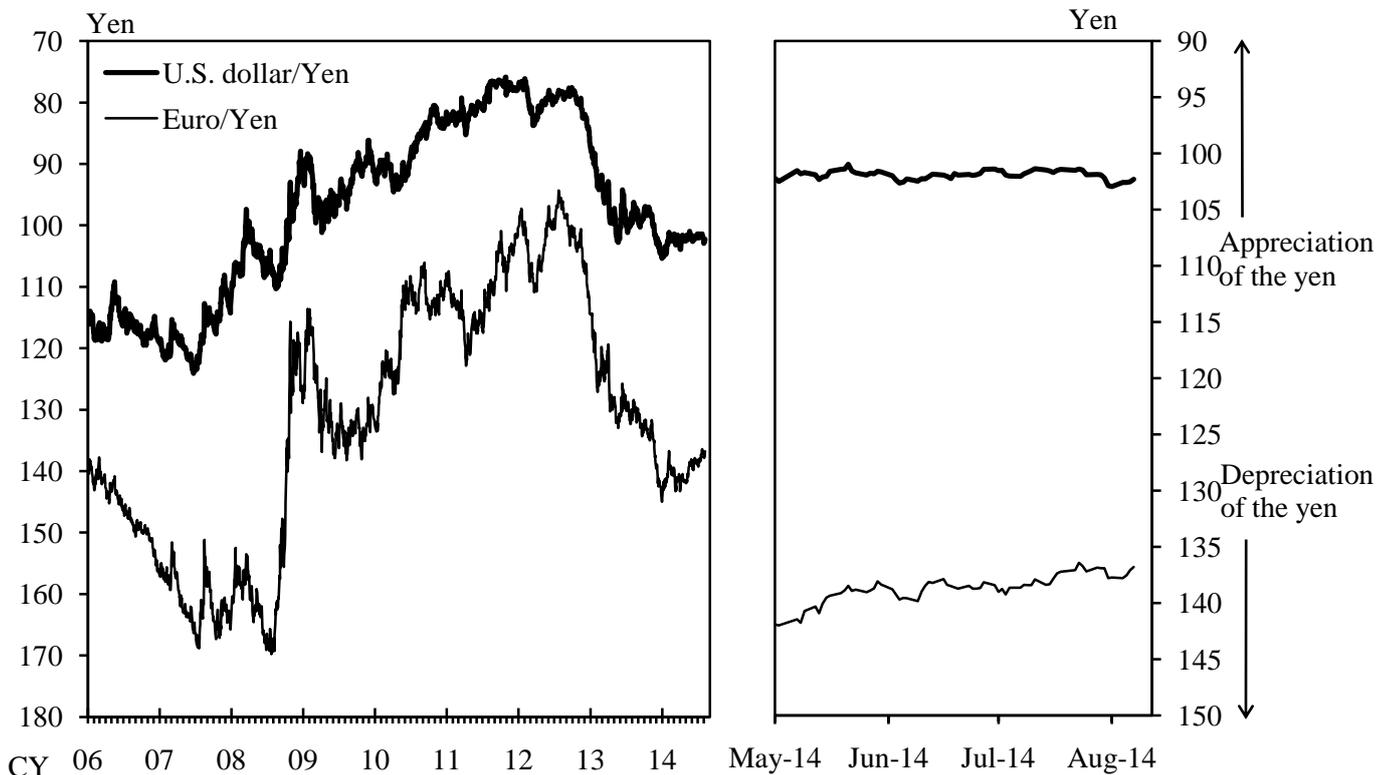
(2) Overseas Stock Prices



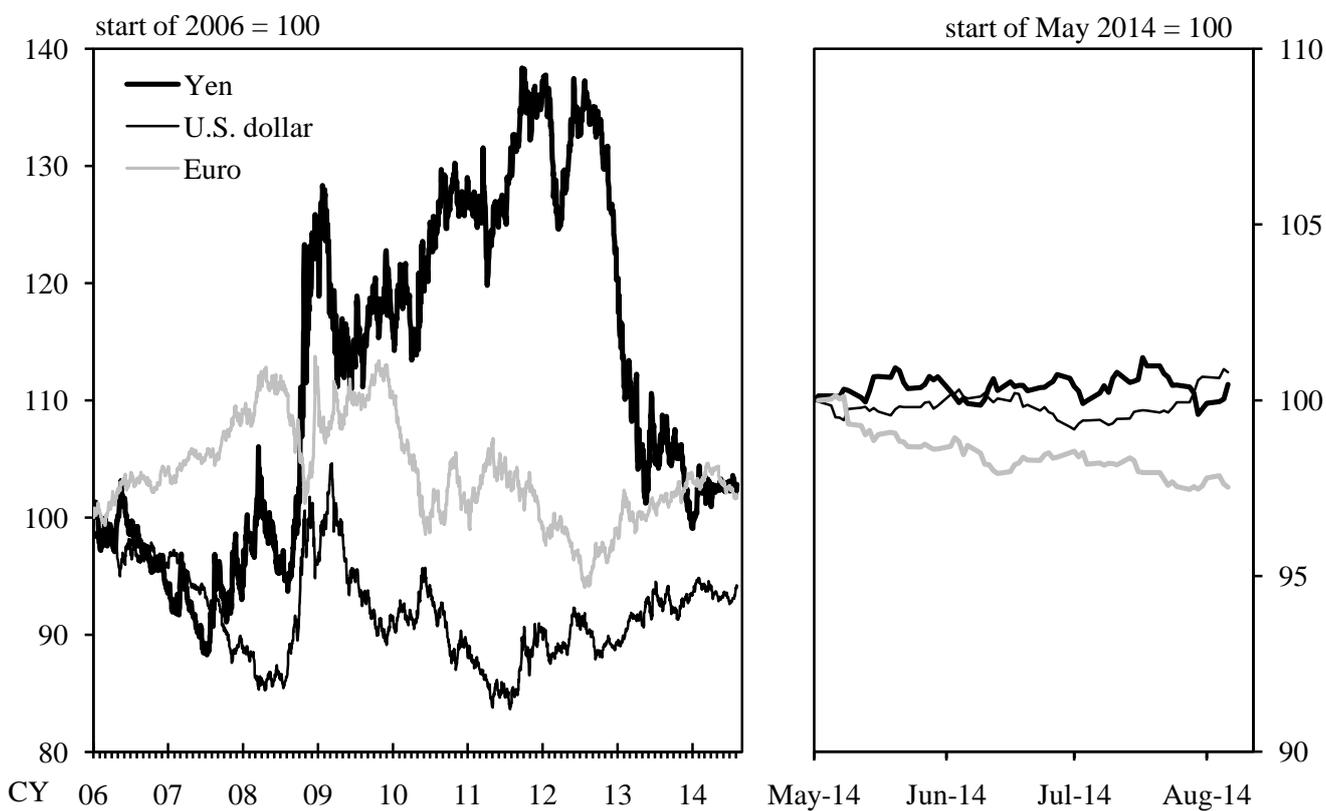
Sources: The *Nihon Keizai Shimbun* ; Tokyo Stock Exchange; Bloomberg.

Exchange Rates

(1) Bilateral Exchange Rates



(2) Nominal Effective Exchange Rates



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