June 23, 2015
Bank of Japan

Monthly Report of
Recent Economic and Financial Developments
June 2015

(English translation prepared by the Bank's staff based on the Japanese original released on June 22, 2015)

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Summary

Japan's economy has continued to recover moderately.

Overseas economies -- mainly advanced economies -- have been recovering, albeit with a lackluster performance still seen in part. In this situation, exports have been picking up. Business fixed investment has been on a moderate increasing trend as corporate profits have improved. Against the background of steady improvement in the employment and income situation, private consumption has been resilient and housing investment has started to pick up. Meanwhile, public investment has entered a moderate declining trend, although it remains at a high level. Reflecting these developments in demand both at home and abroad, industrial production has been picking up.

With regard to the outlook, Japan's economy is expected to continue recovering moderately.

Exports are expected to increase moderately, albeit with some fluctuations, mainly against the background of the recovery in overseas economies. As for domestic demand, public investment is expected to continue its moderate declining trend, albeit maintaining a somewhat high level. Business fixed investment is projected to continue a moderate increasing trend as corporate profits follow their improving trend. Private consumption is expected to remain resilient with the employment and income situation continuing to improve steadily. Housing investment is projected to pick up. Reflecting these developments in demand both at home and abroad, industrial production is expected to increase moderately, albeit with some fluctuations.

Meanwhile, risks to the outlook include developments in the emerging and commodity-exporting economies, the prospects regarding the debt problem and the

[1] This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on June 18 and 19, 2015.

momentum of economic activity and prices in Europe, 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, reflecting movements in international commodity prices, and the year-on-year rate of increase in consumer prices (all items less fresh food) is about 0 percent. Inflation expectations appear to be rising on the whole from a somewhat longer-term perspective.

With regard to the outlook, producer prices are expected to continue rising moderately for the time being, reflecting movements in international commodity prices, and the year-on-year rate of increase in consumer prices is likely to be about 0 percent for the time being, due to the effects of the decline in energy prices.

Financial conditions are accommodative.

The monetary base has increased significantly as asset purchases by the Bank of Japan have progressed, and the year-on-year rate of growth has been at around 35 percent.

Firms' funding costs have been hovering at low levels. With regard to credit supply, firms have continued to see financial institutions' lending attitudes as being on an improving trend. Issuing conditions for CP and corporate bonds have continued to be favorable. Firms' credit demand has been increasing moderately, mainly for working capital and funds related to mergers and acquisitions. Against this backdrop, the year-on-year rate of increase in the amount outstanding of bank lending has been at around 2.5 percent. The year-on-year rate of change in the amount outstanding of CP and corporate bonds has been negative. Firms' financial positions have been favorable. Meanwhile, the year-on-year rate of growth in the money stock has been at around 4 percent.

The weighted average of the overnight call rate has been below the 0.1 percent level, and interest rates on term instruments have been more or less unchanged. Compared with last month, the value of the yen against the U.S. dollar has fallen.

Meanwhile, long-term interest rates and stock prices have remained at more or less the same levels as last month.

1. Economic Developments

Public investment has entered a moderate declining trend, although it remains at a high level. The amount of public construction completed—which reflects the progress of public works—was roughly flat in the fourth quarter last year on a quarter-on-quarter basis, and fell slightly in the first quarter, followed by an increase in April relative to the first quarter (Chart 5). The value of public works contracted—a measure that reflects public orders—declined for three quarters in a row from the third quarter, followed by a somewhat sharp increase in April-May relative to the first quarter.[2]

Public investment is expected to continue its moderate declining trend, albeit maintaining a somewhat high level.[3]

Real exports have been picking up (Charts 6[1] and 7). They increased for three quarters in a row since the third quarter last year and fell in April-May compared with the first quarter. Exports are basically considered to continue picking up, supported in part by the effects of movements in foreign exchange rates. Recent movements, however, show that the slowdown in overseas economies during the first quarter seems to have gradually weighed down on exports bound for Asia and other regions with some time lag. Looking at movements in exports by region (Chart 7[1]), exports to the United States decreased in April-May relative to the first quarter, after exhibiting solid growth for three consecutive quarters since the third quarter last year. Recent movements show that growth in exports to the United States has paused as a whole due to the decline in capital goods and parts, as a reflection of developments in energy-related investment in the United States, and also possibly in part by fluctuations of motor vehicles and their related goods. Exports to the EU turned upward in the first quarter, after declining in the fourth quarter, but they moved down again in April-May compared with the first quarter, affected in part by

[2] The increase in the value of public works contracted in April-May seems to be attributable to a temporary factor: among public works for which orders had already been received by construction firms, time prepayments for projects with construction periods extending over a couple of fiscal years were concentrated.

[3] Public construction, included in the "Emergency Economic Measures" based on the supplementary budget for fiscal 2014, is expected to underpin public investment in the future to a certain degree.

fluctuations of vessels. Exports to China—which kept increasing moderately in the third and fourth quarters, mainly in IT-related goods—have shown relatively weak movements, mainly in motor vehicles and their related goods and in capital goods and parts, since the turn of the year with the fluctuations smoothed out, as a reflection of the slowdown in the Chinese economy. Exports to NIEs—which had been picking up since last fall, mainly in IT-related goods and in capital goods and parts—went down in April-May relative to the first quarter; those to ASEAN dropped sharply in April-May compared with the first quarter, after increasing for two quarters in a row in the fourth and first quarters. Exports to these regions are considered to have been possibly affected by the economic slowdown mainly in China. Meanwhile, exports to Others—which had continued to trend moderately upward since the second quarter last year, supported in part by movements in foreign exchange rates—have recently shown somewhat weak movements in some goods such as capital goods and parts. By goods (Chart 7[2]), exports of motor vehicles and their related goods have continued to be more or less flat on average since the second half of last year, although the effects of short-term fluctuations have recently been in place. Exports of IT-related goods increased for five quarters in a row through the fourth quarter, mainly in parts for smartphone products, supported partly by movements in foreign exchange rates, but they have recently shown a temporary decrease. Exports of capital goods and parts—which had trended moderately upward against the backdrop of the recovery in business fixed investment in the United States and of the firmness in global IT-related demand—have recently shown somewhat sluggish movements, mainly in construction machinery associated with natural resources. Exports of intermediate goods, including chemicals as well as iron and steel products, have been on a moderate uptrend since last fall, supported in part by movements in foreign exchange rates, but they have recently shown somewhat weak movements.

Real imports have continued their moderate increasing trend mainly as a reflection of movements in domestic demand (Charts 6[1] and 9). Real imports fell in April-May compared with the first quarter, after increasing for three consecutive quarters since the third quarter last year. Looking at movements in imports by goods (Chart 9[2]), those of consumer goods have continued to pick up as a trend since the third quarter, but they declined somewhat sharply in April-May relative to the first quarter, notably in textile products. Imports of IT-related goods—which surged in the fourth quarter, partly due to the increase in imports of new smartphone products—have fallen back since the first quarter. Imports of capital goods and parts have continued to pick up as a trend, albeit with some fluctuations, mainly as a reflection of developments in business fixed investment at home. Imports of intermediate goods have trended upward since the turn of the year, as a reflection of the pick-up in production activity at home. Meanwhile, exports of raw materials have stayed more or less flat since the second half of last year, with the fluctuations smoothed out.

Net exports—in terms of the real trade balance—have continued an improving trend, after bottoming in the first quarter last year (Chart 6[1]). Looking at movements in the nominal current account balance on a quarterly basis (Chart 6[2] and [3]), the surplus of the current account balance has continued its clear expanding trend since the fourth quarter of last year onward, due to (i) the ongoing surplus in primary income balance, (ii) the improvement in travel balance, and (iii) the improvement in trade balance as a result of the pick-up in exports and the decline in crude oil prices.

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, the U.S. economy has continued to recover, assisted by household spending, although transitory factors such as the freezing weather have exerted downward pressure on the economy and adjustments have been seen in the industrial production sector, mainly on the back of the decline in crude oil prices and the appreciation of the U.S. dollar. The European economy has been on a moderate recovery trend. The Chinese economy has maintained its stable growth as a trend; however, its growth rate has been lowered slightly, with downward pressure from an overhang in supply in the manufacturing sector and from adjustments in the real estate market. Emerging economies apart from China and the commodity-exporting economies have continued to lose pace as a whole. As for the exchange rate, the yen has depreciated mainly against the U.S. dollar; in terms of the real effective exchange rate, the yen has depreciated to the level last recorded in 1973, below that of around 2007 (Chart 8[1]).

Overseas economies, mainly advanced economies, are expected to continue recovering moderately. The aforementioned movements in foreign exchange rates are also projected to continue underpinning exports, including those of services such as travel. By major region, the U.S. economy is expected to continue its recovery centered on the household sector. The European economy is projected to continue its moderate recovery trend, but attention should continue to be paid to such issues as the outcome of its debt problem, including the developments in Greece, and the effects of the slowdown in the Russian economy. The Chinese economy is likely to remain stable on the whole, as the authorities are expected to take account of both the promotion of structural adjustments and the support of economic activity. The growth rate, however, is projected to continue trending moderately downward. Growth in emerging economies apart from China and the commodity-exporting economies might lose pace for a protracted period, mainly due to the weakness in commodity prices and to the effects of geopolitical risks, although the recovery in advanced economies is basically expected to exert positive effects gradually.

Taking the above into consideration, exports are expected to increase moderately, albeit with some fluctuations, mainly against the background of the recovery in overseas economies. Imports are projected to continue their moderate increasing trend, largely as a reflection of movements in domestic demand, although movements in foreign exchange rates are expected to exert downward pressure on imports. Considering these developments in exports and imports, net exports are projected to be on a moderate improving trend, albeit with some fluctuations.

<u>Business fixed investment</u> has been on a moderate increasing trend as corporate profits have improved. According to the *Financial Statements Statistics of Corporations by Industry, Quarterly*, business fixed investment in nominal terms registered a quarter-on-quarter increase for three consecutive quarters since the third quarter last year, and grew at a higher rate in the first quarter (Chart 10[1]). By industry and company size (Chart 11), business fixed investment of both manufacturing and nonmanufacturing has recently trended noticeably upward for medium-sized and small firms. The aggregate supply of capital goods—a coincident indicator of machinery investment—on a basis excluding transport equipment has been trending moderately upward, albeit with fluctuations (Chart 12[1]). As for

leading indicators, machinery orders (private sector, excluding orders for ships and those from electric power companies)—a leading indicator of machinery investment—have increased at a moderate pace, notably in manufacturing; they went up in April as well relative to the first quarter, after increasing for three consecutive quarters since the third quarter last year (Chart 13[1]). Machinery orders of nonmanufacturing—which had continued to be relatively weak since last spring—have trended moderately upward again since the first quarter, mainly in transport and postal activities and in finance and insurance. Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—had shown some weakness since the start of last year, mainly in nonmanufacturing, but they have been more or less flat since the end of last year with the fluctuations smoothed out (Chart 13[2]).

Regarding the environment surrounding business fixed investment, corporate profits have continued to improve. According to the *Financial Statements Statistics of Corporations by Industry, Quarterly* (Chart 10[2]), the ratio of current profits to sales maintained a historical high level in the first quarter for all industries and company sizes, although it went down somewhat from the previous quarter which had posted a record-high level. By industry and company size, the ratio of current profits for large manufacturing firms decreased from the previous quarter which recorded a historical high level, mainly due to a decline in dividends received from overseas subsidiaries in response to a sharp increase in the previous quarter; the ratio, however, maintained a high level, assisted partly by movements in foreign exchange rates. The ratio for medium-sized and small manufacturing firms has been on a moderate improving trend, albeit with fluctuations. As for nonmanufacturing, the improvement in the ratio of current profits to sales for large as well as medium-sized and small firms had paused temporarily after the consumption tax hike, but it has recently resumed improving as a trend supported in part by the decline in crude oil prices. As for the outlook, corporate profits are expected to continue an improving trend, supported by the increase in domestic and foreign demand as well as by the decline in crude oil prices and movements in foreign exchange rates.

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

Private consumption has been resilient against the background of steady improvement in the employment and income situation (Chart 14). Looking at consumption of goods—as seen through sales at retail stores in real terms (Chart 15[1])—it dropped in the first quarter, mainly as a reflection of movements in automobiles, after increasing for two quarters in a row since the third quarter last year as the effects of the subsequent decline in demand following the front-loaded increase dissipated. It also fell slightly in April compared with the first quarter, affected partly by irregular weather. Meanwhile, looking at consumption of durable consumer goods (Chart 15[2]), the number of new passenger-car registrations has marked a somewhat large decline since the first quarter, after increasing for two straight quarters in the third and fourth quarters last year, reflecting movements in small cars.[4] On a basis excluding small cars, it dropped sharply in the second quarter last year and remained more or less flat since then, but it moved somewhat upward in April-May, mainly in passenger cars with engine sizes ranging from 660cc to 2000cc, assisted partly by the introduction of new models. Sales of household electrical appliances in real terms have trended moderately upward since the third quarter last year, supported by increased sales of smartphone products and those to foreign visitors to Japan. Sales at department stores continued to increase in April relative to the first quarter, after registering quarter-on-quarter increases for three consecutive quarters since the third quarter last year (Chart 16[1]). In addition to the pick-up in demand following the subsequent decline and the wealth effects as a result of the rise in stock prices, improvement in consumer sentiment and furthermore, increased sales to foreign visitors to Japan have also contributed to the firmness in department store sales. Sales at supermarkets—which turned upward in the first quarter on a quarter-on-quarter basis for the first time in two quarters, supported by the improvement in consumer confidence and a success in sales promotions by

[4] Sales of small cars with engine sizes of 660cc or less registered somewhat high growth until the fourth quarter, mainly due to aggressive sales promotions by the automobile industry, but they have fallen back sharply since the turn of the year in response to prior increases. The upsurge in demand followed by the subsequent decline as a result of the tax hike on small cars in April also seem to have caused large fluctuations in sales of small cars during this period.

supermarkets to some extent—fell slightly in April compared with the first quarter, mainly due to a pause in sales promotions and the effects of irregular weather. Sales at convenience stores have continued to show their moderate increasing trend. Meanwhile, as for consumption of services (Chart 16[2]), outlays for travel have been steady on the whole, aided by the firmness in domestic travel, despite the slump in overseas travel that has been affected mainly by movements in foreign exchange rates. Sales in the food service industry have remained steady as a trend, disregarding the effects of issues related to contamination of some food items and other factors.

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 15[1])—which is compiled so as to make it similar to items used for estimating GDP—had tended to pick up moderately since the third quarter last year, but it fell back in April relative to the first quarter partly in response to the previous increase. The total expenditure in the *Survey of Household Economy* (in real terms; two-or-more-person households)—which had continued to be more or less flat since the summer last year, after decreasing significantly in the second quarter in response to the front-loaded increase in demand, notably in durable consumer goods—has continued to decline sharply since the first quarter, possibly due to fluctuations caused by the sampling factor.

Looking at indicators related to consumer confidence, the consumer confidence index has continued to improve since December last year, and the level has been surpassing that of around last summer (Chart 17).

Private consumption is expected to remain resilient with the employment and income situation continuing to improve steadily.

<u>Housing investment</u> has started to pick up. The number of housing starts—a leading indicator of housing investment—continued to fall back since the first quarter last year due to the decline in demand following the front-loaded increase, mainly in owner-occupied houses, but it has picked up from the start of the year onward, after staying more or less flat since the middle of last year (Chart 18[1]).

Housing investment is projected to pick up with the employment and income situation continuing to improve steadily, also supported by accommodative financial conditions.

Industrial production has been picking up, as a reflection of the moderate increase in demand both at home and abroad (Chart 19). Industrial production dropped in April compared with the first quarter, after increasing for two consecutive quarters in the fourth quarter last year and in the first quarter. Firms' production activity has continued to pick up against the backdrop of moderate increases in demand both at home and abroad, but it is considered that the momentum has recently slowed to some extent temporarily, mainly due to inventory adjustments of small cars as well as to the effects of the slowdown in overseas economies during the first quarter. Looking at quarterly movements by industry, production of transport equipment was more or less flat in April relative to the first quarter due in part to an increase in production associated with aircrafts, despite downward pressure from inventory adjustments of small cars, after it rose markedly in the first quarter on the back of the subsequent decline in demand following the front-loaded increase having come to a halt and increased shipments to North America. Production of iron and steel has recently shown somewhat sluggish movements against the background of the spillover of the production cutbacks in small cars and the deterioration of supply and demand conditions in Asia. Production of general-purpose, production and business oriented machinery has continued its moderate increasing trend, albeit with fluctuations, in light of developments in business fixed investment at home and abroad, but the effects of the slowdown in overseas economies have also recently been manifested in semiconductor products machinery and other items. Production of electronic parts and devices has continued to show a solid increase, primarily in parts for smartphone products produced in Asia, supported by movements in foreign exchange rates. Meanwhile, production of chemicals has continued to increase moderately since the summer last year, as a reflection of movements in domestic demand.

Shipments declined in April relative to the first quarter, after increasing for two quarters in a row in the fourth quarter last year and in the first quarter (Chart 19[1]). By goods, shipments of producer goods (mainly electronic parts and devices) and capital goods have trended moderately upward, albeit with fluctuations, affected mainly by overseas demand. The pick-up in shipments of consumer goods has recently paused, mainly as a result of the decline in shipments of small cars. Meanwhile, shipments of construction goods have been more or less flat, with the fluctuations smoothed out, affected by two opposing factors: the pick-up in housing investment and the decline in public investment.

Inventories have stayed at a somewhat high level (Chart 19[1]). Recent movements show that the level itself increased slightly as of the end of April compared with the end of March, after registering a quarter-on-quarter rise for five quarters in a row through the end of March, but at a reduced pace; the inventory ratio, however, shows that they have peaked due to the pick-up in shipments. By goods, inventories of capital goods have recently increased noticeably, mainly in engineering and construction machinery. In contrast, inventories of consumer goods have been on a moderate downtrend as a whole, although those of small cars and other goods have remained high; inventories of construction goods have also trended downward. Meanwhile, inventories of production goods have been more or less flat. As for the shipment-inventory balance (year-on-year rate of change in shipments less that in inventories), growth in inventories has marginally outpaced that in shipments (Chart 20[2]).[5] By goods, growth in inventories of capital goods, durable consumer goods, and construction goods has outpaced that in shipments, whereas growth in inventories of non-durable consumer goods has been below that in shipments. Meanwhile, growth in inventories of producer goods has been generally balanced with that in shipments.

Reflecting these developments in demand both at home and abroad, industrial production is expected to increase moderately, albeit with some fluctuations. Based on anecdotes by firms and on other information, industrial production in the second quarter is forecasted to show a tentative decline, partly in response to the increase for two quarters in a row. By industry, transport equipment is likely to cut its production, mainly in small cars, as a reflection of recent developments in domestic

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[5] As for the shipment-inventory balance, growth in shipments on a year-on-year basis tends to be somewhat low and that in inventories to be somewhat high in the second half of fiscal 2014, due to the front-loaded increase in demand prior to the consumption tax hike in the second half of fiscal 2013.

sales. Production of iron and steel is also expected to decline, against the background of the spillover of the production cutbacks in transport equipment and the deterioration of supply and demand conditions in Asia. Production of general-purpose, production and business oriented machinery is expected to keep moving moderately upward overall, although the pace of increase is likely to decelerate from the previous quarter partly due to the effects of the slowdown in overseas economies. Electronic parts and devices is expected to maintain a relatively high production level, notably for smartphones. As for the third quarter, it seems that production is likely to resume its moderate increase despite large uncertainty. By industry, production of transport equipment is expected to stop declining since inventory adjustments, including those of small cars, are likely to be almost completed; inventory adjustment pressures are also expected to wane for iron and steel. Production of general-purpose, production and business oriented machinery is expected to keep moving moderately upward as a reflection of developments in business fixed investment at home and abroad. Meanwhile, it seems that growth in production of electronic parts and devices is likely to come to a pause.

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 fell to 3.3 percent in April, a level last seen in April 1997; it has been on a moderate improving trend (Chart 21). The improvement in new job openings had come to a pause as a reflection of economic activity during the first half of fiscal 2014, but the openings have trended upward since the fourth quarter, albeit with fluctuations. Amid these developments, the ratio of new job openings has recently shown large monthly fluctuations, but it has been on a clear uptrend on average; it recorded 1.77 in April, a level almost on par with that in February 1992. As for the active job openings-to-applicants ratio, the pace of improvement turned tentatively sluggish up until early fall last year, but the improving trend has recently become evident again; it recorded 1.17 in April, a high level on par with that in March 1992. Non-scheduled hours worked have been on an increasing trend as a reflection of the pick-up in production activity in manufacturing, but in terms of all industries, they have been more or less flat.

In terms of employment, the year-on-year rate of increase in the number of employees in the *Labour Force Survey* has been moving in the range of 0.5 percent to around 1.0 percent, with the fluctuations smoothed out (Chart 23[1]). The number of regular employees in the *Monthly Labour Survey* has continued to register somewhat high growth at about 2 percent.

Total cash earnings per employee have risen moderately, albeit with fluctuations (Chart 23[2]).[6] Hourly cash earnings of overall employees have also been on a moderate improving trend as a whole (Chart 22[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 rates of increase at a moderate pace, albeit with fluctuations (Chart 22[2]). Scheduled cash earnings on a year-on-year basis have turned slightly positive as a whole since the rate of increase in scheduled cash earnings of full-time employees has accelerated at a moderate pace, mainly due to the effects of the rise in base wages since last spring, with the effects of downward pressure on earnings stemming from the increase in the ratio of part-time workers tending to wane moderately (Chart 22[3]). The year-on-year rate of change of non-scheduled cash earnings has recently been more or less flat, albeit with fluctuations, as a reflection of movements in the number of hours worked. Meanwhile, special cash earnings registered somewhat high growth in April, assisted in part by increased movements to raise various temporary payments in response to firms' good business performance.

Employee income has risen moderately, as a reflection of the aforementioned developments in employment and wages (Chart 23[3]).

[6] In the *Monthly Labour Survey*, samples for establishments with 30 or more employees—subject to replacement every few years—were replaced from the January 2015 final report. Replacements are carried out in terms of wages and hours worked by revising the current gap between the old and new survey results retroactively to the time of the previous replacement. As a result, the year-on-year growth of total cash earnings from February 2012 onward was revised downward by about 0.3 percentage points on average.

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—which had stayed more or less flat, after continuing to fall significantly from the summer last year through the start of this year—have turned slightly upward since this spring (Chart 25[1] and [3]). Prices of crude oil—which had fluctuated since the start of the year, after declining sharply on the back of the slack in supply and demand conditions worldwide—have bounced back up from spring onward, mainly on the back of the decline in the number of oil drilling rigs and the reduced pace of increase in inventories of crude oil in the United States, as well as from geopolitical risks in the Middle East. Prices of nonferrous metals—which had shown some modest rebounds, mainly in copper, due to the effects of additional monetary easing in China—have recently been somewhat weak again affected partly by the appreciation of the U.S. dollar, with subdued growth in emerging economies, including China, tending to weigh down on these prices. Prices of grains had been rising toward the year-end, but they have recently been weakening slightly, due in part to a good harvest forecast in the United States.

Import prices (on a yen basis) have stopped declining relative to three months earlier, as a reflection of movements in international commodity prices and foreign exchange rates (Chart 25[2]).

Producer prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter) are rising moderately relative to three months earlier, reflecting movements in international commodity prices (Chart 26[2]).[7] The three-month rate of change in producer prices stood at 0.7 percent in May, posting an increase for the second straight month. Looking in detail at producer price movements, prices of "goods sensitive to exchange rates and overseas commodity

[7] 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.

prices" had continued to fall as a reflection of movements in crude oil prices, but they turned slightly upward in April and rose at an accelerated pace in May, mainly in petroleum products (including gasoline and kerosene). Prices of "other materials"—which had continued to decline, chiefly in chemicals & related products—have almost bottomed out recently. Prices of "iron & steel and construction goods"—which had continued to decline since fall last year—have recently reduced their pace of decline, assisted in part by price increases in metal products (steelworks) and scrap & waste (iron & steel scrap). Prices of "others" have been positive, due mainly to the increase in food prices (such as yogurt) on the back of a pass-through of costs. Meanwhile, prices of "machinery" have continued to be more or less flat, but they have recently firmed slightly upward, mainly as a result of the price rise in production machinery (plasticworking machinery).

The year-on-year rate of increase in <u>services producer prices</u> (excluding international transportation; year-on-year basis, same hereafter), on a basis excluding the direct effects of the consumption tax hike, has been moving around 0.5 percent (Chart 27). Looking in detail at recent services producer price movements, prices related to "selling, general and administrative expenses" increased markedly in April overall since advertising services rose again partly in response to the previous year's movement, with (i) temporary employment agency services continuing to expand on the back of tightening supply and demand conditions in the labor market and (ii) hotel services rising further due to the firmness in demand from sightseeing. Prices related to "fixed investment" have maintained somewhat high growth as a whole, since civil engineering and architectural services has continued to expand its rate of increase, although the rate of increase in leasing and rental has tended to narrow. Prices of "domestic transportation" reduced their pace of increase in April as a whole, since (i) the rate of decline in coastal and inland water freight transportation expanded and (ii) warehousing and other transportation services turned negative mainly since the effects of the abolishment of a discount in some charges in the expressway toll system in April last year wore off, even though overland freight transportation grew at an accelerated pace. Prices of "others" have also reduced their pace of growth as a whole, since the pace of increase slowed in finance and insurance (financial services, etc.), although it accelerated in domestic air passenger transportation. Meanwhile, prices of "real estate services," including office space rental, have continued to be more or less flat, 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 about 0 percent (Chart 28[1]).[8] Consumer prices for April, on a basis excluding the direct effects of the consumption tax hike, narrowed their rate of growth slightly from March to 0.0 percent on a less fresh food basis and 0.2 percent on a basis excluding food and energy. Regarded as a method for capturing trend changes, the year-on-year rate of increase in the trimmed mean had been on a diminishing trend after the peak in June last year, but it has stood at 0.5 percent since January for four months in a row (Chart 29[2]).[9]

Looking at recent year-on-year growth in consumer prices, prices for goods (excluding agricultural, aquatic & livestock products) have continued to reduce their rate of increase since the summer last year and have posted negative since January; the rate of decline, however, narrowed, albeit slightly, in March and April. Looking in detail, the rate of increase in prices of food products—which had been on a moderate diminishing trend after having peaked in July last year—expanded again in April in the face of the pick-up in private consumption, since prices were raised for a broad range of items (such as fresh milk, yogurt, and frozen food) on the back of past cost increases in the form of higher prices as a result of movements in foreign exchange rates. Prices of durable goods—which had continued to show somewhat weak movements, with lingering effects of movements in private consumption after the consumption tax hike—have also tended to narrow their rate of decline after

[8] As for the direct effects of the consumption tax hike on the year-on-year rate of change in the CPI, an estimate—based on the assumption that the tax hike in April 2014 is basically passed on in full to all current taxable items—shows that the rates of change are pushed up by about 2.0 percentage points for all items less fresh food and by about 1.7 percentage points for those excluding food and energy. Although these effects will wear off from this April onward, upward pressure on the year-on-year rates of change is thought to have remained for April due to transitional measures in the previous year, resulting in an increase of about 0.3 percentage points on a less fresh food basis and about 0.2 percentage points on a basis excluding food and energy. For details, see the BOX in the *Monthly Report of Recent Economic and Financial Developments*, March 2014.

[9] 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.

bottoming in February, mainly in response to price increases in air conditioners and cellular phones. On the other hand, prices of petroleum products have continued to decline at an accelerated pace since November last year, albeit with some fluctuations, as a reflection of movements in crude oil prices. Prices of other goods have also narrowed their rate of increase as a whole since the effects of the previous year's price increase dropped for some items in culture & recreation in April, although movements of price increases were observed for some items related to daily necessities. Meanwhile, prices of clothes have continued to increase slightly, albeit with some fluctuations. Prices of general services have more or less leveled off since June last year on a year-on-year basis. Looking in detail, prices of meals outside the home expanded their rate of increase markedly in April, since the effects of some price declines in the previous year wore off and also since movements of price increases were observed in a wide range of items (doughnuts, fried chicken, etc.) on the back of elevated materials prices and wage increases. In contrast, prices of package tours to overseas and of hotel charges registered a somewhat sizeable decline in April due in part to calendar factors, and this worked to offset the aforementioned upward pressure. Moreover, the introduction of new price plans for mobile telephone charges since June last year has still exerted downward pressure on a year-on-year basis. Meanwhile, the year-on-year rate of decline in prices of rent—which accounts for a large share of general services—has tended to narrow, albeit very moderately, from a somewhat longer-term perspective. As for fees for public services, the year-on-year rate of increase narrowed markedly in April mainly since (i) the rates of increase in electricity and gas prices narrowed as a result of the Fuel Cost Adjustment System, (ii) nursery school fees declined due to institutional changes, and (iii) the effects of the abolishment of a discount in some charges in the expressway toll system in April last year wore off.

With regard to the outlook, producer prices are expected to continue rising moderately for the time being, reflecting movements in international commodity prices, and the year-on-year rate of increase in consumer prices is likely to be about 0 percent for the time being, due to the effects of the decline in energy prices.

Meanwhile, <u>inflation expectations</u> appear to be rising on the whole from a somewhat longer-term perspective (Chart 30).

As for land prices, the urban land price index shows that in the six large city areas, prices of commercial and residential land have stayed positive at about 2 percent and around 0.5 percent respectively, relative to six months ago (Chart 31). Outside the six large city areas, the rates of decline in commercial and residential land prices have tended to narrow moderately.

3. Financial Developments

(1) Corporate Finance and Monetary Aggregates

The monetary base (average amounts outstanding) has increased significantly as asset purchases by the Bank of Japan have progressed, and the year-on-year rate of growth has been at around 35 percent (Chart 32).

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

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

Firms' financial positions have been favorable (Chart 33). The number of corporate bankruptcies has remained at a low level (Chart 38).

Meanwhile, the year-on-year rate of growth in the money stock (M2) has been at around 4 percent. Its May reading was 4.0 percent on a year-on-year basis, following 3.6 percent in April (Chart 37).[10]

(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 39). In U.S. dollar funding, the LIBOR-OIS spread for the dollar has basically been flat (Chart 40).

Yields on 10-year government bonds (newly issued 10-year JGB) increased mainly as a reflection of the rise in overseas long-term interest rates, but have since decreased to the almost same level as that of the previous month; they are recently moving in the range of 0.40-0.45 percent (Chart 41).

Yield spreads between corporate bonds and government bonds have been more or less flat at low levels (Chart 42).

Stock prices rose consistently due mainly to the depreciation of the yen against the U.S. dollar, but have since decreased to the almost same level as that of the previous month, in response to the decline in overseas stock prices. The Nikkei 225 Stock Average is recently moving in the range of 20,000 -20,500 yen (Chart 43).

In the foreign exchange market, the yen's exchange rate has depreciated against the U.S. dollar in response to speculations about U.S. monetary policies; the yen is currently moving at around 123 yen against the U.S. dollar. The yen's exchange rate against the euro has depreciated, primarily in response to the rise in European long-term interest rates; the yen is recently moving in the range of 139-140 yen against the euro (Chart 44).

[10] On an M3 basis, which includes the Japan Post Bank, the year-on-year rate of growth has been in the range of 3.0-3.5 percent; its May reading was 3.3 percent, following 3.0 percent in April. The year-on-year rate of growth in broadly-defined liquidity (L) has recently been in the range of 4.0-4.5 percent; it increased by 4.3 percent in May, following an increase of 4.0 percent in April.

Charts

Chart 1

Main Economic Indicators (1)

s.a., q/q (m/m) % chg.[1]

	2014/Q3	Q4	2015/Q1	2015/Feb.	Mar.	Apr.	May
Index of consumption expenditure level (two-or-more-person households)	0.3	1.3	0.5	0.2	2.3	-2.5	n.a.
Sales at department stores	5.3	1.3	2.1	3.8	-1.5	0.3	n.a.
Sales at supermarkets	2.3	-0.3	0.6	1.1	1.7	-2.1	n.a.
New passenger-car registrations[3] <s.a., ann. 10,000 units>	< 271>	< 271>	< 268>	< 268>	< 273>	< 270>	< 284>
Sales of household electrical appliances (real, "Current Survey of Commerce")	4.2	5.0	3.6	3.9	1.3	-3.9	n.a.
Outlays for travel	1.9	-0.2	0.1	-0.9	-1.6	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	< 87>	< 87>	< 90>	< 90>	< 92>	< 91>	<n.a.>
Machinery orders[4] (Private sector, exc. volatile orders)	3.8	0.7	6.3	-1.4	2.9	3.8	n.a.
Manufacturing	10.7	2.4	2.3	-0.6	0.3	10.5	n.a.
Nonmanufacturing[4] (exc. volatile orders)	-3.4	-1.1	8.5	-5.0	4.7	-0.6	n.a.
Construction starts (private, nondwelling use)	-2.9	4.4	-4.4	19.5	-28.7	33.2	n.a.
Mining & manufacturing	4.7	3.8	4.8	18.4	-13.6	8.0	n.a.
Nonmanufacturing[5]	-3.1	4.6	-6.8	19.4	-32.9	41.2	n.a.
Value of public works contracted	-10.8	-2.4	-1.2	0.7	-8.1	24.2	-7.0
Real exports	1.8	3.8	1.0	-6.4	0.2	1.6	p -5.0
Real imports	0.7	1.1	0.8	3.7	-10.1	6.1	p -3.4
Industrial production	-1.4	0.8	1.5	-3.1	-0.8	1.2	n.a.
Shipments	-0.5	0.9	1.7	-4.4	-0.6	0.6	n.a.
Inventories	1.1	0.9	1.0	1.1	0.4	0.4	n.a.
Inventory ratio <s.a., CY 2010 = 100>	< 111.5>	< 112.7>	< 114.4>	< 113.4>	< 114.4>	< 113.2>	<n.a.>
Real GDP	-0.5	0.3	1.0	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.4	1.0	0.3	0.2	-1.3	n.a.	n.a.

Chart 2

Main Economic Indicators (2)

y/y % chg.[1]

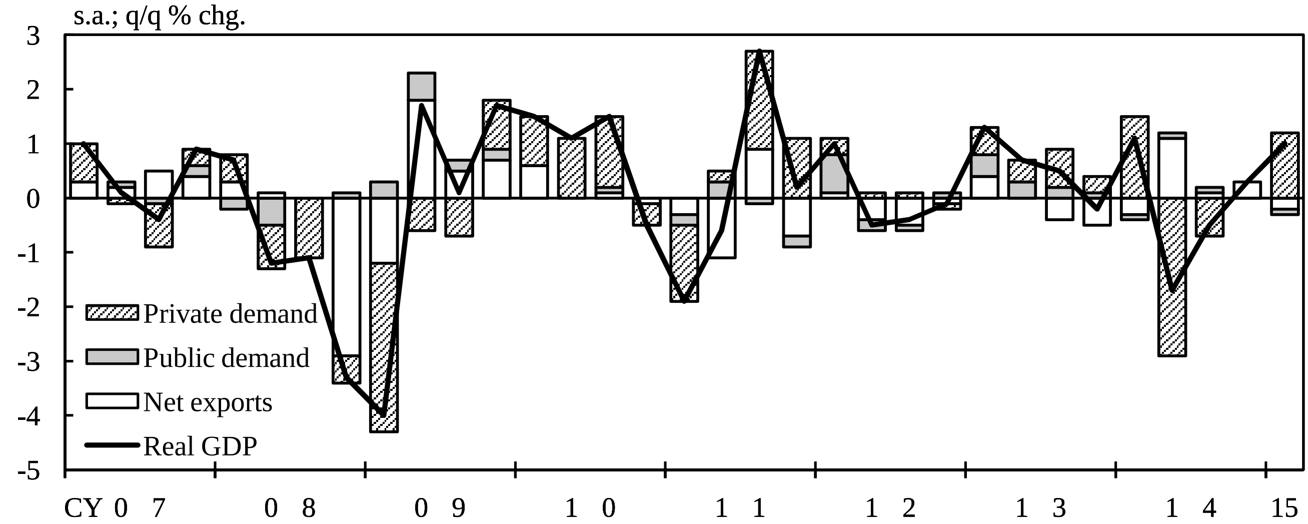
	2014/Q3	Q4	2015/Q1	2015/Feb.	Mar.	Apr.	May
Active job openings-to-applicants ratio <s.a., times>	< 1.10>	< 1.12>	< 1.15>	< 1.15>	< 1.15>	< 1.17>	<n.a.>
Unemployment rate <s.a., %>	< 3.6>	< 3.5>	< 3.5>	< 3.5>	< 3.4>	< 3.3>	<n.a.>
Non-scheduled hours worked[6]	2.6	0.9	-0.6	-0.7	-2.4	-2.4	n.a.
Number of employees	0.9	0.7	0.9	0.9	0.7	0.5	n.a.
Number of regular employees[6]	1.7	1.6	2.0	2.1	1.9	2.0	n.a.
Nominal wages per person[6]	1.1	0.4	0.2	0.1	0.0	0.7	n.a.
Producer price index	4.0	2.4	0.4	0.4	0.7	-2.1	p -2.1
<excluding consumption tax, y/y % chg.>	< 1.1>	<-0.4>	<-2.4>	<-2.4>	<-2.1>	<-2.2>	<p -2.0>
<excluding consumption tax, q/q % chg., 3-month rate of change>[7]	< 0.2>	<-1.1>	<-1.8>	<-2.0>	<-1.2>	< 0.3>	<p 0.7>
Consumer price index[8]	3.2	2.7	2.1	2.0	2.2	0.3	n.a.
<consumption tax adjusted, y/y % chg.>	< 1.2>	< 0.7>	< 0.1>	< 0.0>	< 0.2>	< 0.0>	<n.a.>
Services producer price index[9]	3.5	3.5	3.2	3.2	3.1	p 0.7	n.a.
<excluding consumption tax, y/y % chg.>	< 0.8>	< 0.8>	< 0.5>	< 0.5>	< 0.4>	<p 0.6>	<n.a.>
Money stock (M2) <average outstanding, y/y % chg.>	3.0	3.5	3.5	3.5	3.6	3.6	p 4.0
Number of corporate bankruptcies <cases per month>	<812>	<741>	<757>	<692>	<859>	<748>	<724>

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



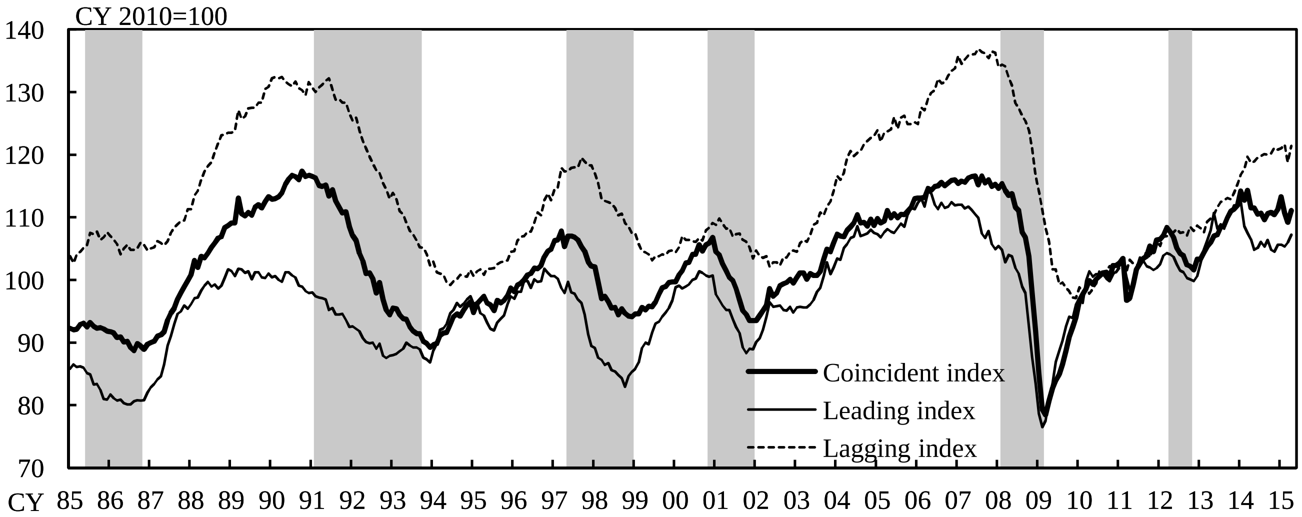
(2) Components

s.a.; q/q % chg.

	2014				2015
	Q1	Q2	Q3	Q4	Q1
Real GDP	1.1	-1.7	-0.5	0.3	1.0
[Annual rate]	[4.4]	[-6.8]	[-2.0]	[1.2]	[3.9]
Domestic demand	1.4	-2.8	-0.5	0.0	1.1
Private demand	1.5	-2.9	-0.7	0.0	1.2
Private consumption	1.3	-3.2	0.2	0.2	0.2
Non-Resi. investment	0.7	-0.7	0.0	0.0	0.4
Residential investment	0.1	-0.4	-0.2	-0.0	0.0
Private inventory	-0.6	1.3	-0.7	-0.2	0.6
Public demand	-0.1	0.1	0.1	0.0	-0.1
Public investment	-0.0	0.0	0.1	0.0	-0.1
Net exports of goods and services	-0.3	1.1	0.1	0.3	-0.2
Exports	1.0	-0.0	0.3	0.6	0.4
Imports	-1.3	1.1	-0.2	-0.3	-0.6
Nominal GDP	1.3	0.1	-0.7	0.8	2.3

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

(3) Indexes of Business Conditions (Composite Indexes)

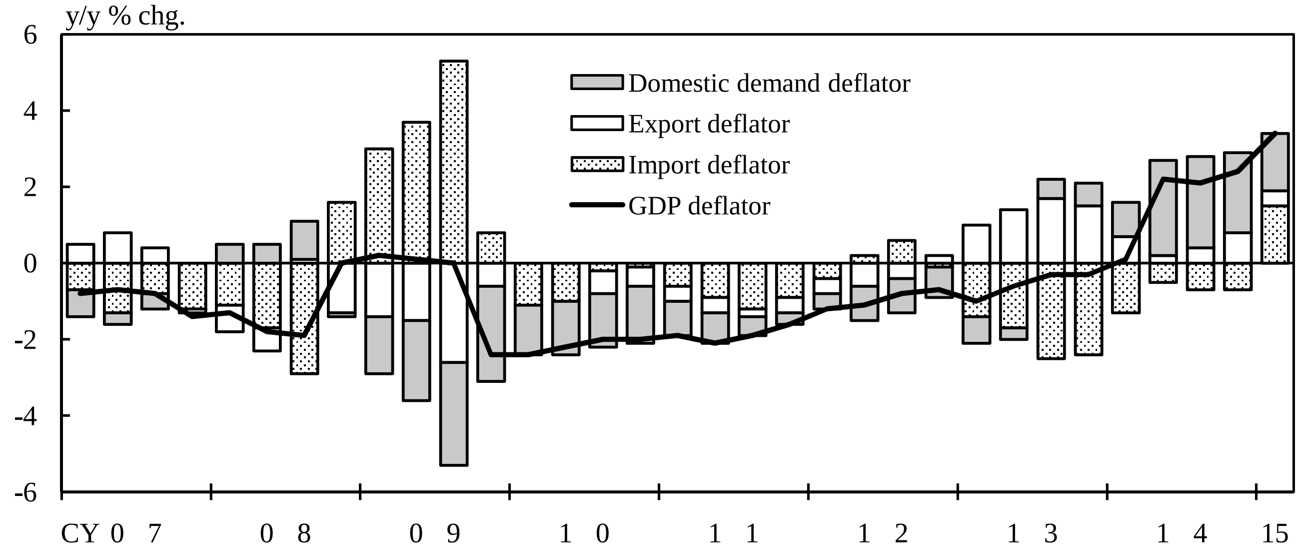


Note: Shaded areas indicate recession periods.

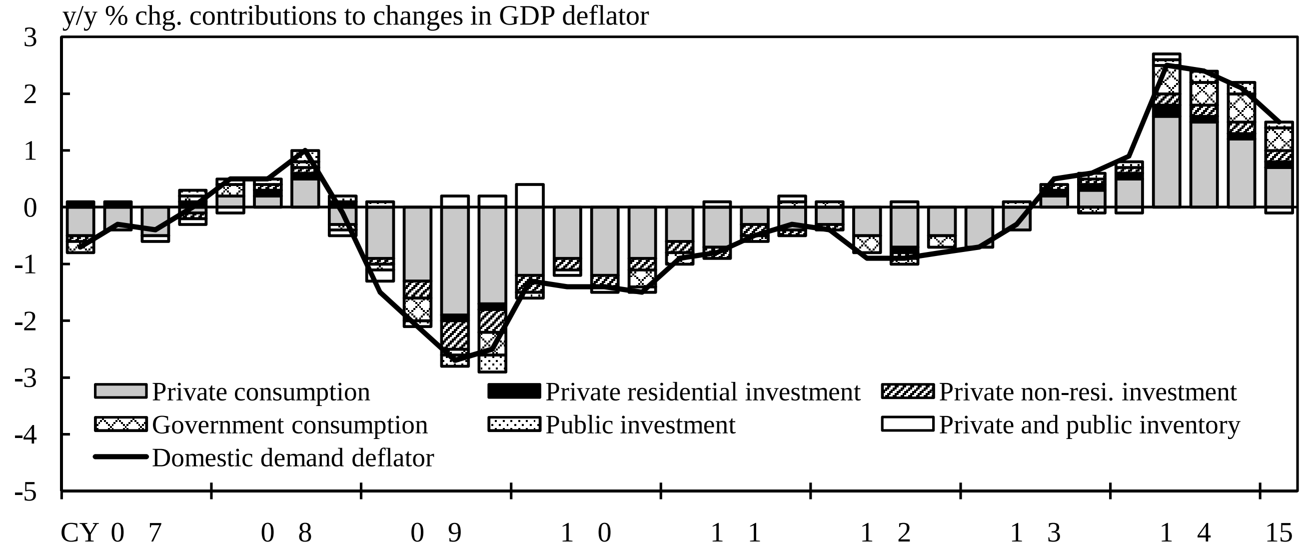
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

GDP Deflator and Income Formation

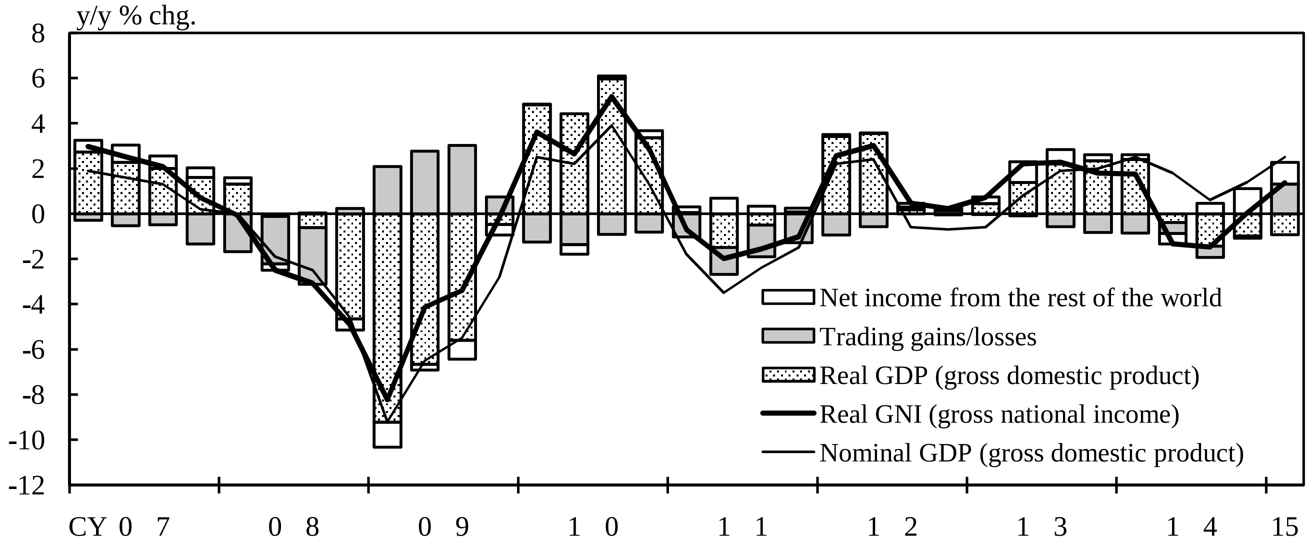
(1) GDP Deflator



(2) Domestic Demand Deflator



(3) Aggregate Income Formation

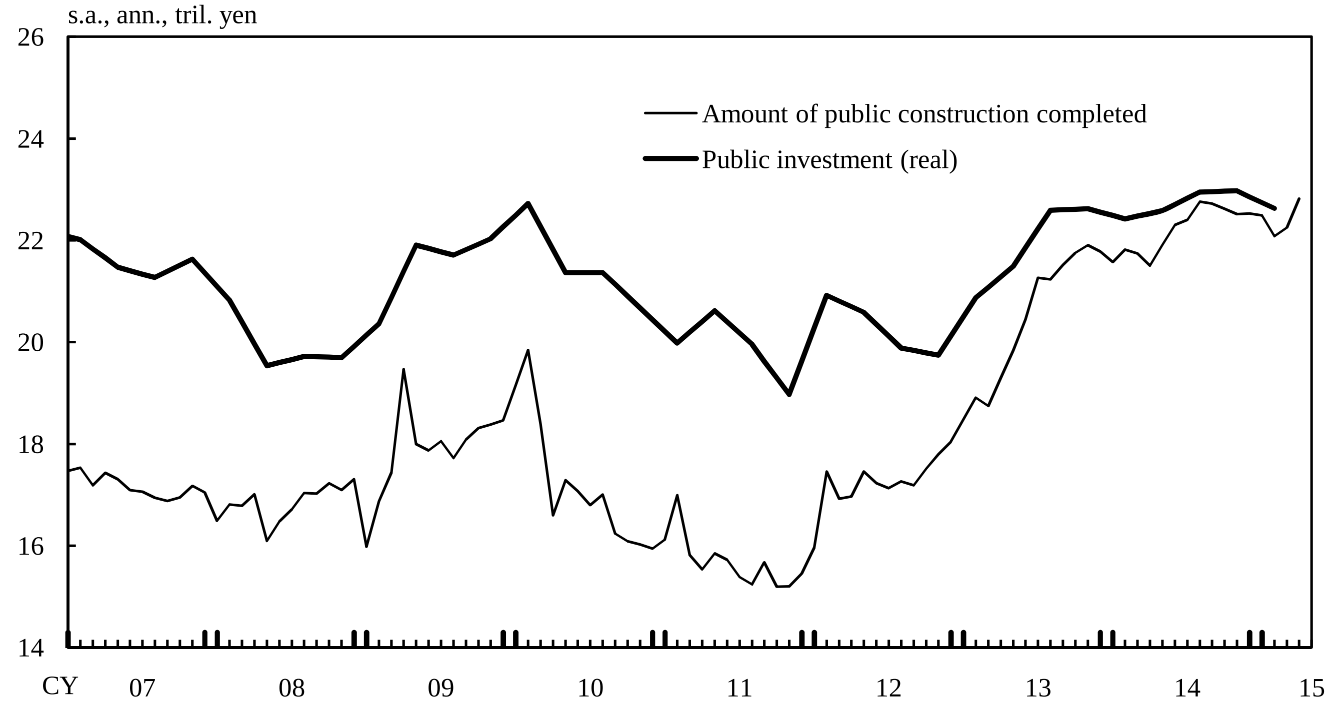


Notes: 1. Figures of components indicate contributions to changes in real GNI.
2. Real GNI = real GDP + trading gains/losses + net income from the rest of the world
Trading gains/losses = nominal net exports / weighted average of export and import deflators - real net exports

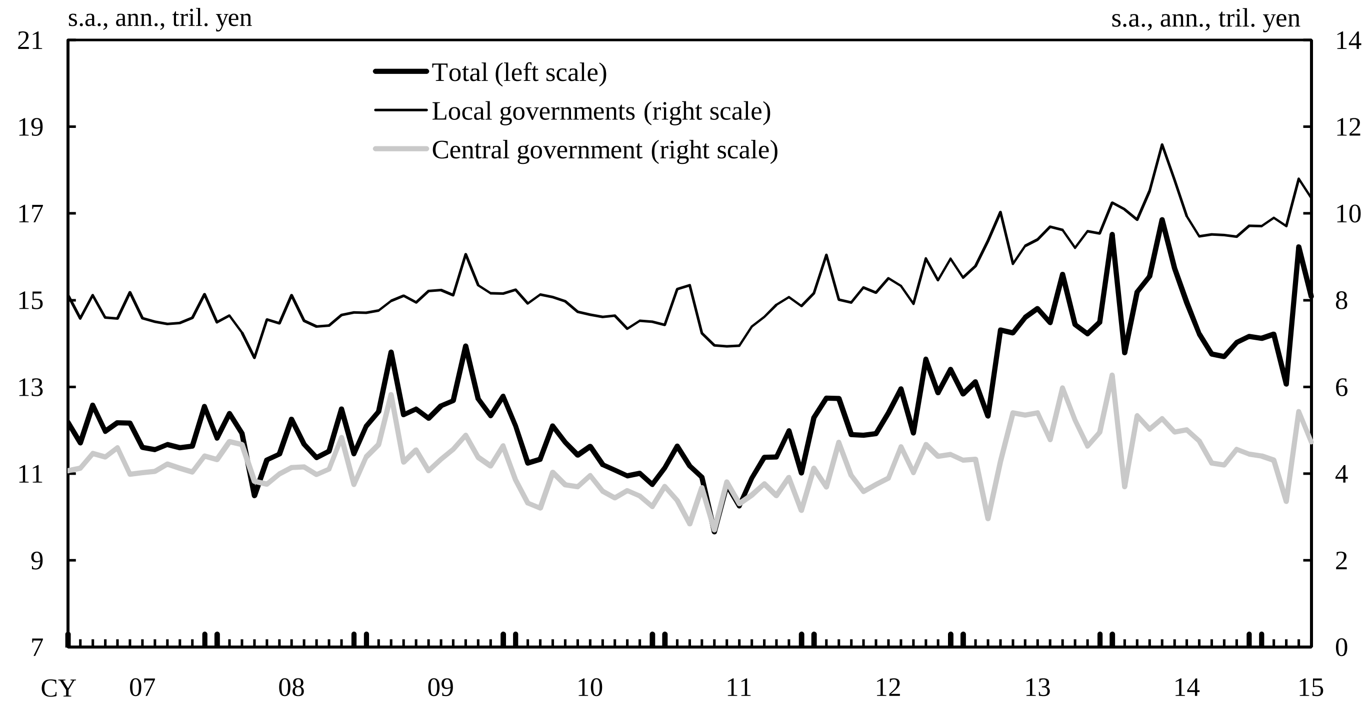
Source: Cabinet Office, "National Accounts."

Public Investment

(1) Amount of Public Construction Completed and Public Investment



(2) Value of Public Works Contracted

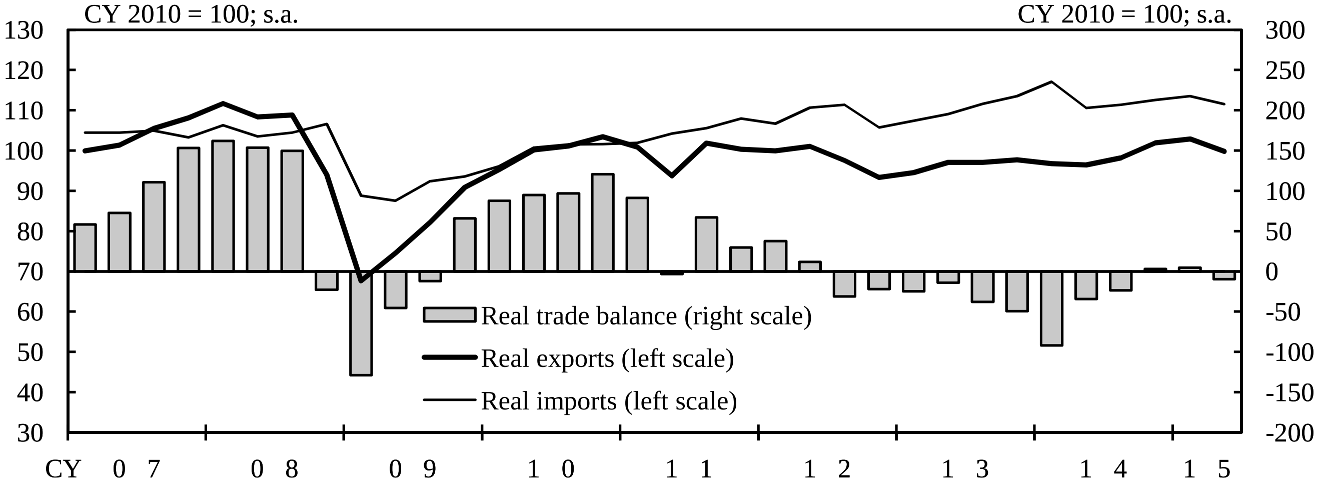


Notes: 1. Quarterly figures of public investment are plotted at the middle month of each quarter.
2. The amount of public construction completed is based on the general tables in the "Integrated Statistics on Construction Works."
3. Figures of the value of public works contracted and the amount of public construction completed are seasonally adjusted by X-12-ARIMA. As figures of the amount of public construction completed are seasonally adjusted on a monthly basis, the data are retroactively revised every month.

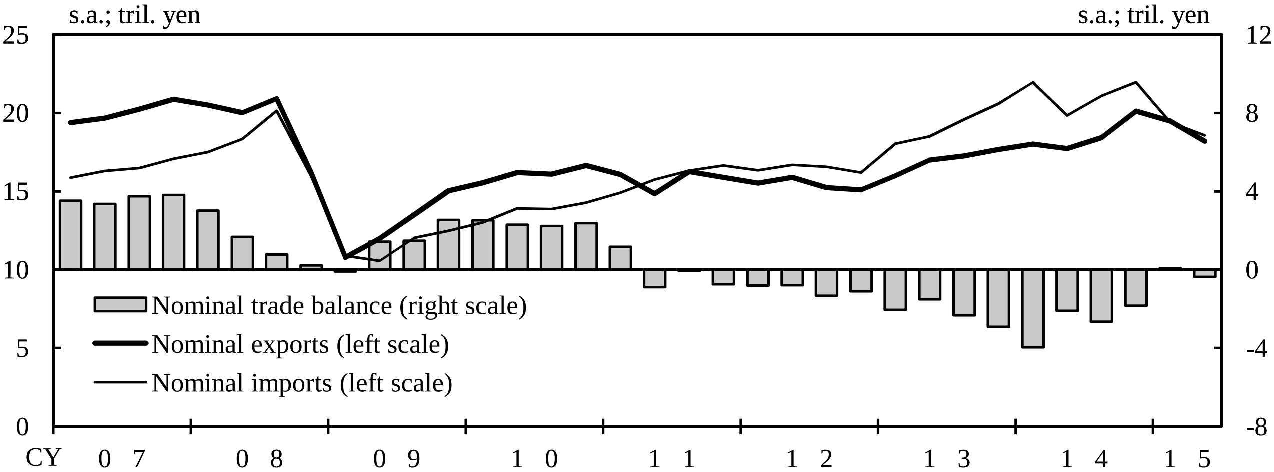
Sources: Cabinet Office, "National Accounts";
East Japan Construction Surety etc., "Public Works Prepayment Surety Statistics";
Ministry of Land, Infrastructure, Transport and Tourism, "Integrated Statistics on Construction Works."

External Balance[1]

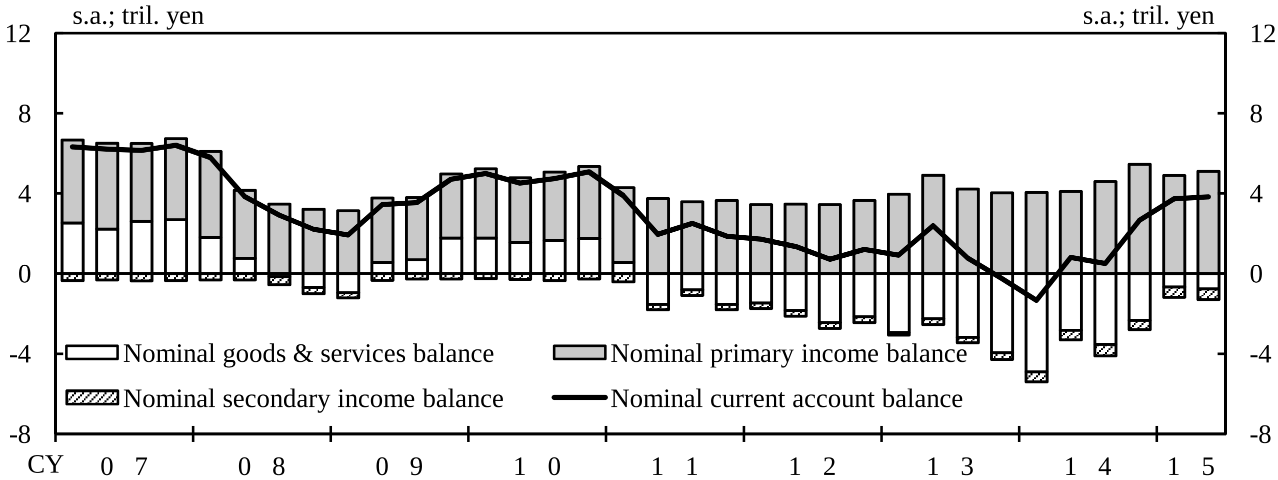
(1) Real Exports, Real Imports, and Real Trade Balance[2]



(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. 2015/Q2 figures are April-May averages converted into quarterly amount.
3. Figures are based on the "Balance of Payments." 2015/Q2 figures are April figures converted into quarterly amount.

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

Chart 7

Real Exports [1]

(1) Breakdown by Region

y/y % chg. s.a.; q/q % chg. s.a.; m/m % chg.

		CY		2014			2015		2015		
		2013	2014	Q2	Q3	Q4	Q1	Q2	Mar.	Apr.	May
United States	<18.7>	2.8	1.9	-1.3	1.0	6.9	5.7	-2.9	5.3	0.3	-10.1
EU	<10.4>	-3.6	5.2	1.0	0.0	-1.5	2.9	-4.7	4.5	-7.0	2.1
East Asia	<50.3>	-3.0	1.1	-0.5	1.5	3.1	0.7	-3.7	0.9	-0.3	0.1
China	<18.3>	-1.7	3.5	0.1	0.5	1.5	-2.2	0.2	12.4	0.5	-0.2
NIEs	<21.8>	-1.0	2.1	-1.5	3.1	5.4	1.1	-3.7	-4.6	2.9	-0.2
Korea	<7.5>	0.4	-3.9	-4.6	2.9	5.1	-1.2	-4.5	-4.0	2.8	-5.5
Taiwan	<5.8>	-1.5	1.7	-0.2	1.3	1.7	2.9	-2.1	4.7	-4.3	7.1
Hong Kong	<5.5>	-1.4	8.7	5.7	3.9	4.3	2.9	-4.2	-11.7	8.7	3.4
Singapore	<3.0>	-2.8	6.5	-8.9	7.3	12.7	4.1	-7.0	-7.6	6.4	-10.1
ASEAN4 [3]	<10.2>	-8.5	-4.7	0.4	-0.2	1.1	5.2	-10.4	-4.7	-8.5	1.1
Thailand	<4.5>	-9.3	-7.7	0.5	1.6	0.8	5.7	-11.5	-7.1	-8.8	2.9
Others	<20.7>	-5.0	1.2	2.0	2.2	1.7	-1.0	-1.6	-2.2	7.8	-13.0
Real exports		-1.9	1.7	-0.3	1.8	3.8	1.0	-3.0	0.2	1.6	-5.0

(2) Breakdown by Goods

y/y % chg. s.a.; q/q % chg. s.a.; m/m % chg.

		CY		2014			2015		2015		
		2013	2014	Q2	Q3	Q4	Q1	Q2	Mar.	Apr.	May
Intermediate goods	<20.9>	1.2	0.1	-1.4	-0.5	2.3	1.2	-3.0	1.4	0.3	-3.7
Motor vehicles and their related goods	<23.6>	-1.4	-1.4	0.2	2.5	-1.0	-1.2	-3.4	2.1	0.6	-8.2
IT-related goods [4]	<10.6>	-7.5	3.6	1.2	1.6	3.3	-0.4	-3.9	-3.3	-0.4	1.0
Capital goods and parts [5]	<27.8>	-5.8	3.2	0.8	2.4	3.8	-1.8	-4.1	2.9	-2.3	-1.1
Real exports		-1.9	1.7	-0.3	1.8	3.8	1.0	-3.0	0.2	1.6	-5.0

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2015/Q2 figures are April-May averages converted into quarterly amount.
2. Shares of each region and goods in 2014 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. The figure for June (up to June 17) 2015 has been calculated using the monthly average of the BOJ's nominal effective exchange rate (the Yen Index).

(2) Real GDP Growth Rates of Overseas Economies

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

	CY2012	2013	2014	2014 Q2	Q3	Q4	2015 Q1
United States[1]	2.3	2.2	2.4	4.6	5.0	2.2	-0.7
European Union[2]	-0.5	0.1	1.3	1.0	1.3	1.8	1.8
Germany[1]	0.4	0.1	1.6	-0.3	0.3	2.8	1.1
France[1]	0.2	0.7	0.2	-0.3	0.8	0.1	2.2
United Kingdom[1]	0.7	1.7	2.8	3.4	2.5	2.5	1.2
East Asia[3]	5.1	4.9	4.7	4.4	5.6	4.3	3.5
China[1]	7.7	7.7	7.4	8.2	7.8	6.1	5.3
NIEs[1,3]	2.3	3.0	3.2	1.4	4.5	1.8	2.7
ASEAN4[1,3,4]	6.6	4.3	3.4	4.0	4.2	6.1	2.2
Main economies[3]	3.8	3.7	3.8	4.0	4.9	3.5	2.3

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-12-ARIMA.

Real Imports [1]

(1) Breakdown by Region

y/y % chg. | s.a.; q/q % chg. | s.a.; m/m % chg.

		CY 2013	CY 2014	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Mar.	2015 Apr.	2015 May
United States	<8.8>	-2.1	5.5	-6.8	5.5	-0.7	3.2	3.4	13.8	-2.0	-5.8
EU	<9.5>	0.8	2.6	-4.8	-1.8	-0.7	-1.9	3.2	-5.2	7.2	-1.2
East Asia	<41.3>	2.5	2.8	-6.5	-0.4	3.4	1.0	-5.2	-24.2	9.9	-0.2
China	<22.3>	5.4	4.0	-6.5	-0.1	3.6	-1.9	-5.9	-38.7	19.5	5.6
NIEs	<8.3>	-0.4	1.5	-6.6	1.5	-1.6	3.4	1.3	-8.9	9.6	-5.6
Korea	<4.1>	-4.8	-3.0	-6.1	-2.4	-0.5	0.3	7.3	-6.4	10.5	3.4
Taiwan	<3.0>	8.0	5.2	-6.5	3.0	-0.6	5.3	-4.1	-17.4	12.5	-11.0
Hong Kong	<0.2>	9.2	5.9	0.9	3.4	-1.3	14.2	-4.6	28.3	-9.0	-24.1
Singapore	<1.0>	-7.0	8.5	-8.8	0.9	-0.3	11.4	-7.3	-3.6	-1.1	-7.6
ASEAN4 [3]	<10.7>	-1.2	1.2	-6.5	-2.7	7.2	6.0	-8.8	3.3	-5.8	-7.5
Thailand	<2.7>	1.5	2.7	-6.5	-0.5	2.0	6.2	-5.6	-3.8	-2.4	1.1
Others	<40.4>	0.2	0.1	-5.2	1.4	-1.9	3.6	-1.8	-4.6	5.4	-6.4
Real imports		0.9	2.1	-5.6	0.7	1.1	0.8	-1.7	-10.1	6.1	-3.4

(2) Breakdown by Goods

y/y % chg. | s.a.; q/q % chg. | s.a.; m/m % chg.

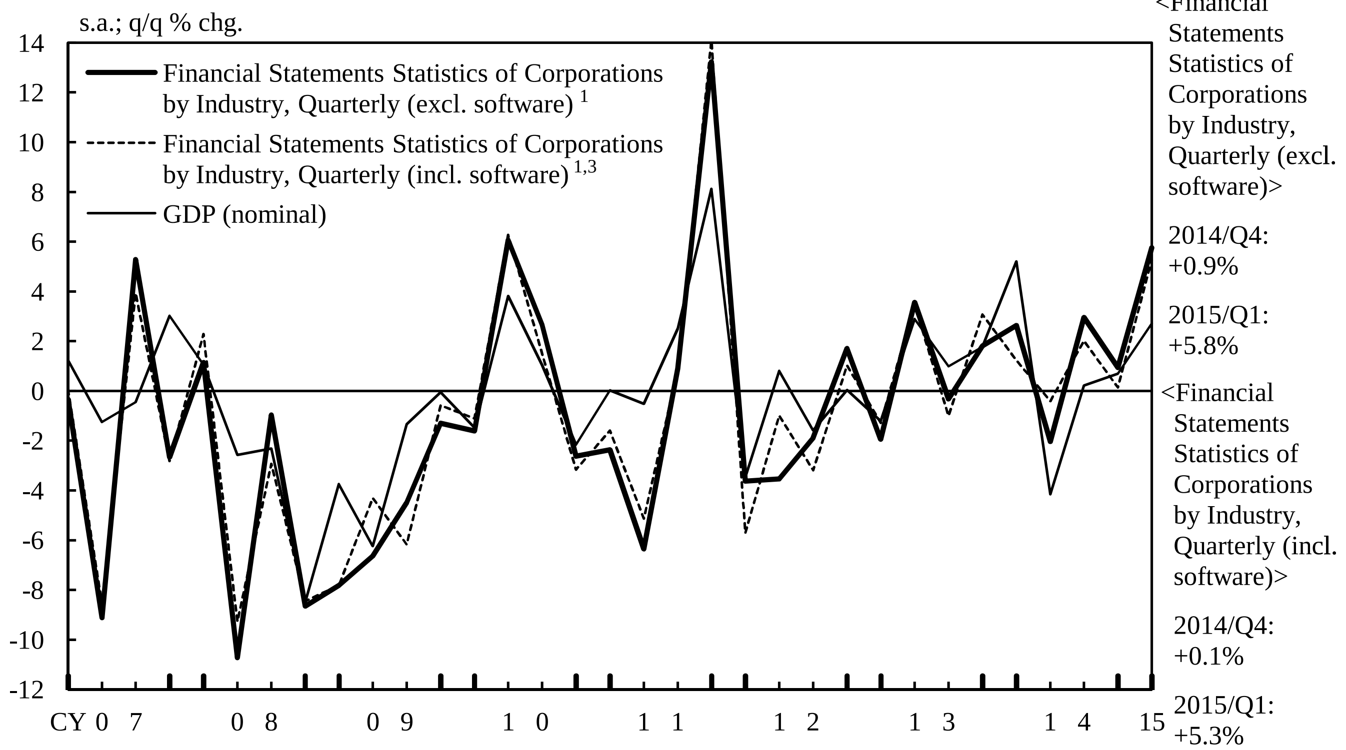
		CY 2013	CY 2014	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Mar.	2015 Apr.	2015 May
Raw materials [4]	<38.7>	-2.1	-1.1	-6.2	1.2	-1.5	4.8	-3.5	-1.8	1.9	-5.3
Intermediate goods	<13.3>	-2.7	4.2	-2.2	-0.7	0.0	3.9	0.2	-8.7	7.6	-6.3
Foodstuffs	<7.8>	-3.3	-1.6	-1.1	2.4	-2.7	0.2	4.2	-5.4	10.9	-5.9
Consumer goods [5]	<7.7>	4.1	-0.3	-7.5	1.8	1.5	2.4	-7.9	-36.5	15.3	2.7
IT-related goods [6]	<13.0>	12.8	5.9	-11.3	0.5	10.1	-8.3	-3.9	-11.1	4.5	-3.2
Capital goods and parts [7]	<12.3>	4.7	8.2	-6.3	2.5	0.9	1.6	-2.2	-15.6	9.8	-2.9
Excluding aircraft	<11.5>	5.3	9.0	-5.5	1.0	0.4	3.1	-3.2	-17.8	9.6	-2.6
Real imports		0.9	2.1	-5.6	0.7	1.1	0.8	-1.7	-10.1	6.1	-3.4

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2015/Q2 figures are April-May averages converted into quarterly amount.
2. Shares of each region and goods in 2014 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.

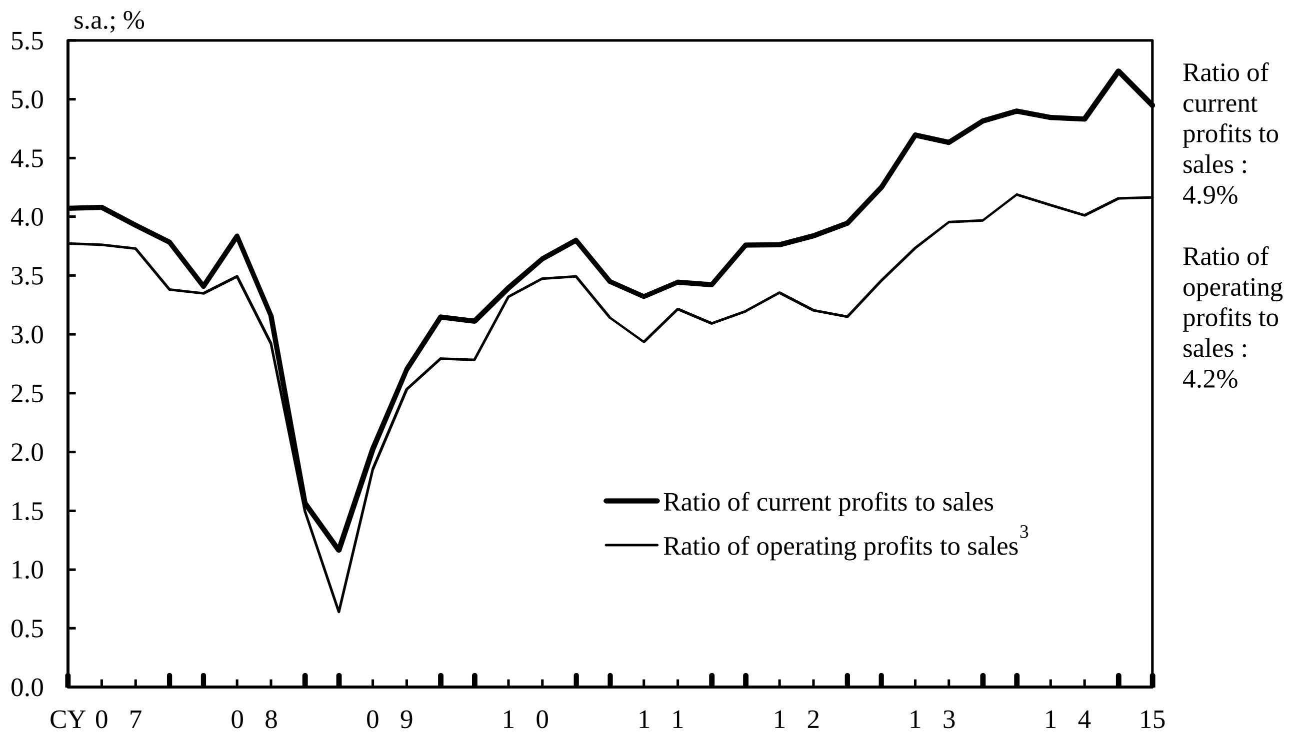
Sources: Ministry of Finance, "Trade Statistics"; Bank of Japan, "Corporate Goods Price Index."

Business Fixed Investment and Corporate Profits

(1) Business Fixed Investment



(2) Corporate Profits (Ratio of Profits to Sales) [1,2]

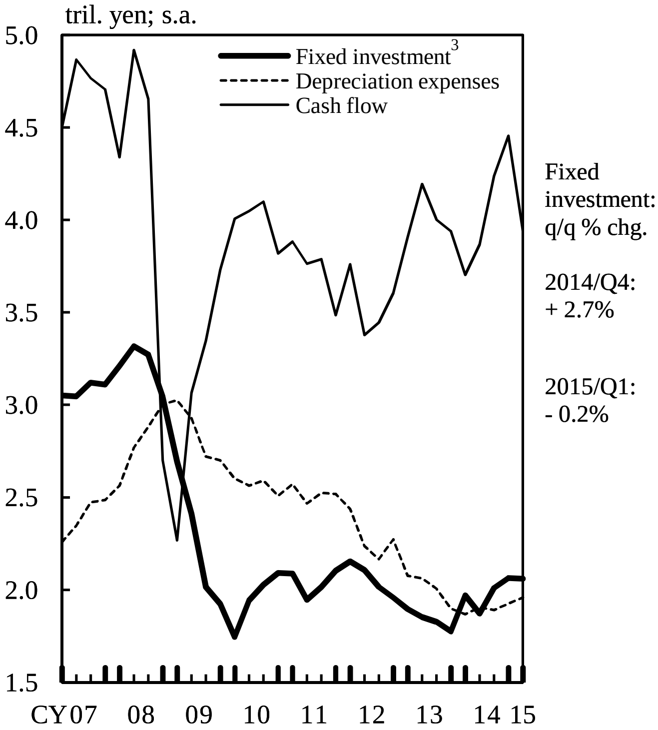


Notes: 1. All enterprises excluding "Finance and Insurance."
2. Based on the "Financial Statements Statistics of Corporations by Industry, Quarterly."
3. Figures are seasonally adjusted by X-12-ARIMA.

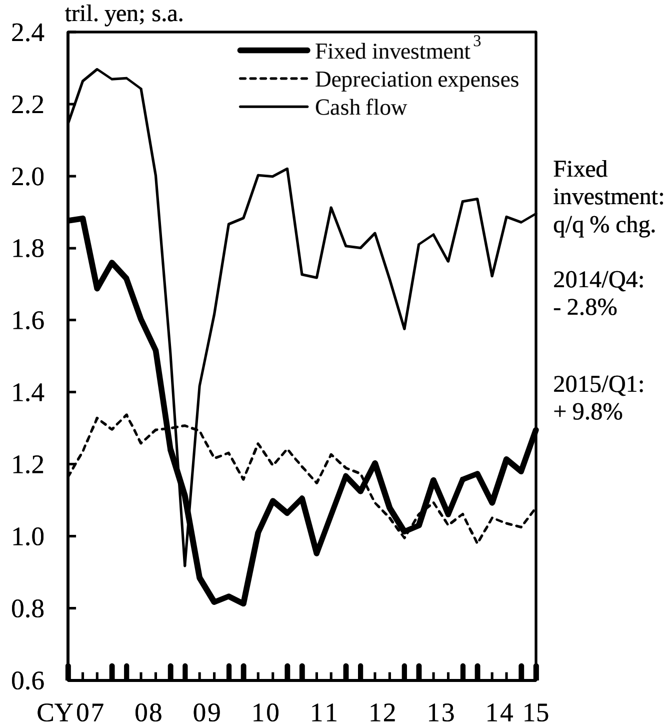
Sources: Cabinet Office, "National Accounts"; Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

Business Fixed Investment by Industry and Size

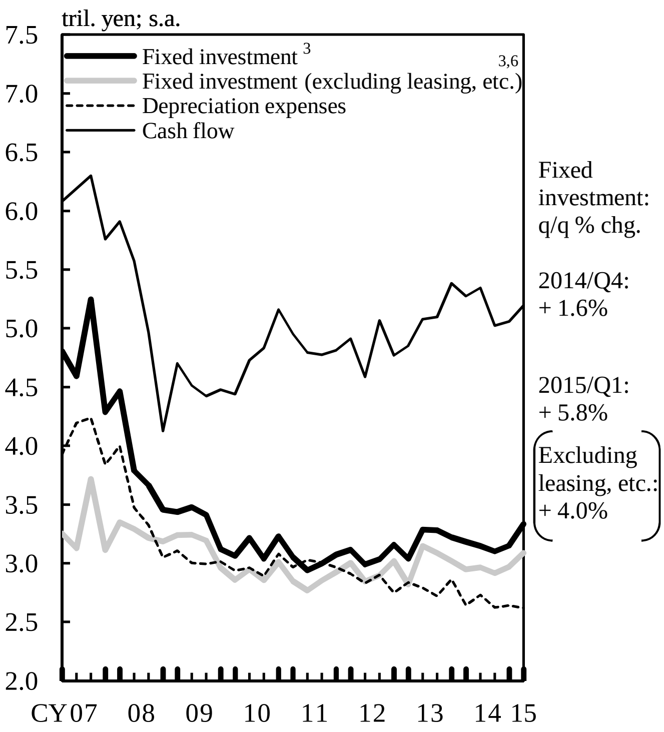
(1) Large Manufacturing Firms



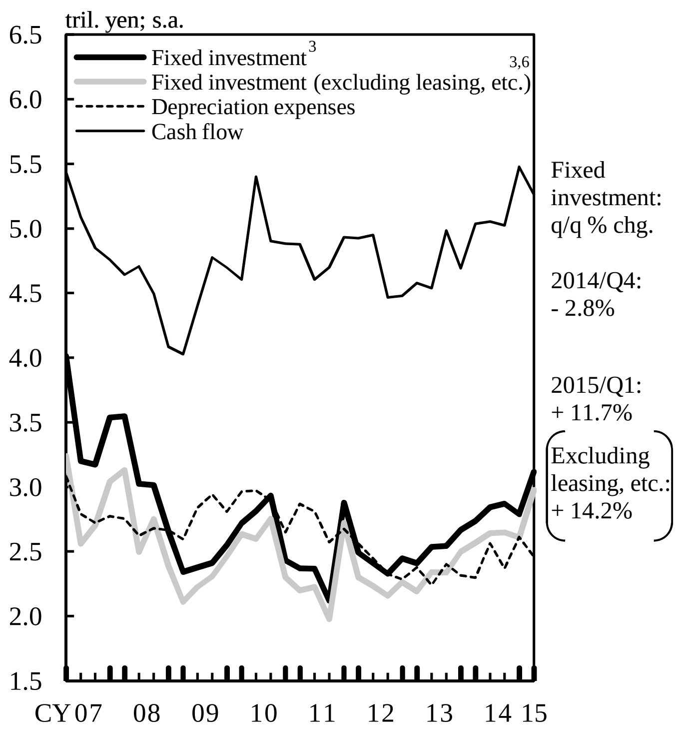
(2) Medium-Sized and Small Manufacturing Firms



(3) Large Nonmanufacturing Firms



(4) Medium-Sized and Small Nonmanufacturing Firms

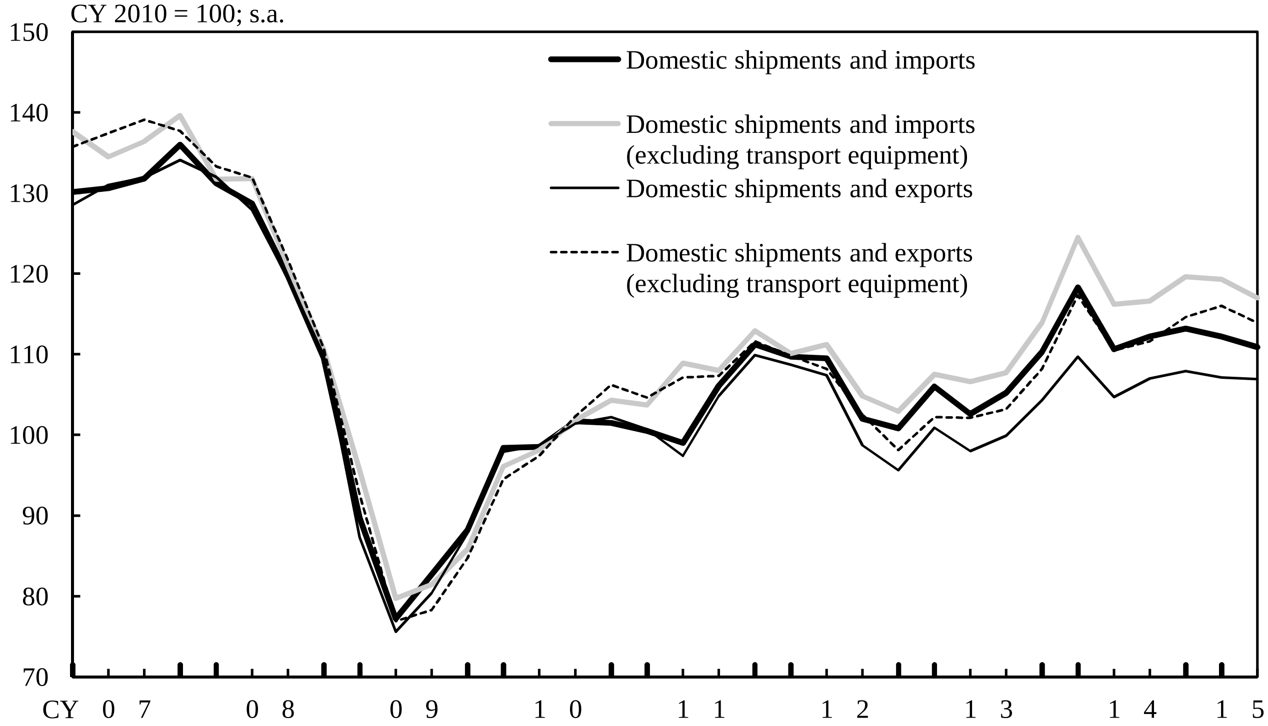


Notes: 1. "Large firms" refers to firms with capital stock of 1 billion yen or more, and "medium-sized and small firms" refers to firms with capital stock of 10 million or more but less than 1 billion yen.
2. Cash flow = current profits / 2 + depreciation expenses.
3. Excluding software investment.
4.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

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

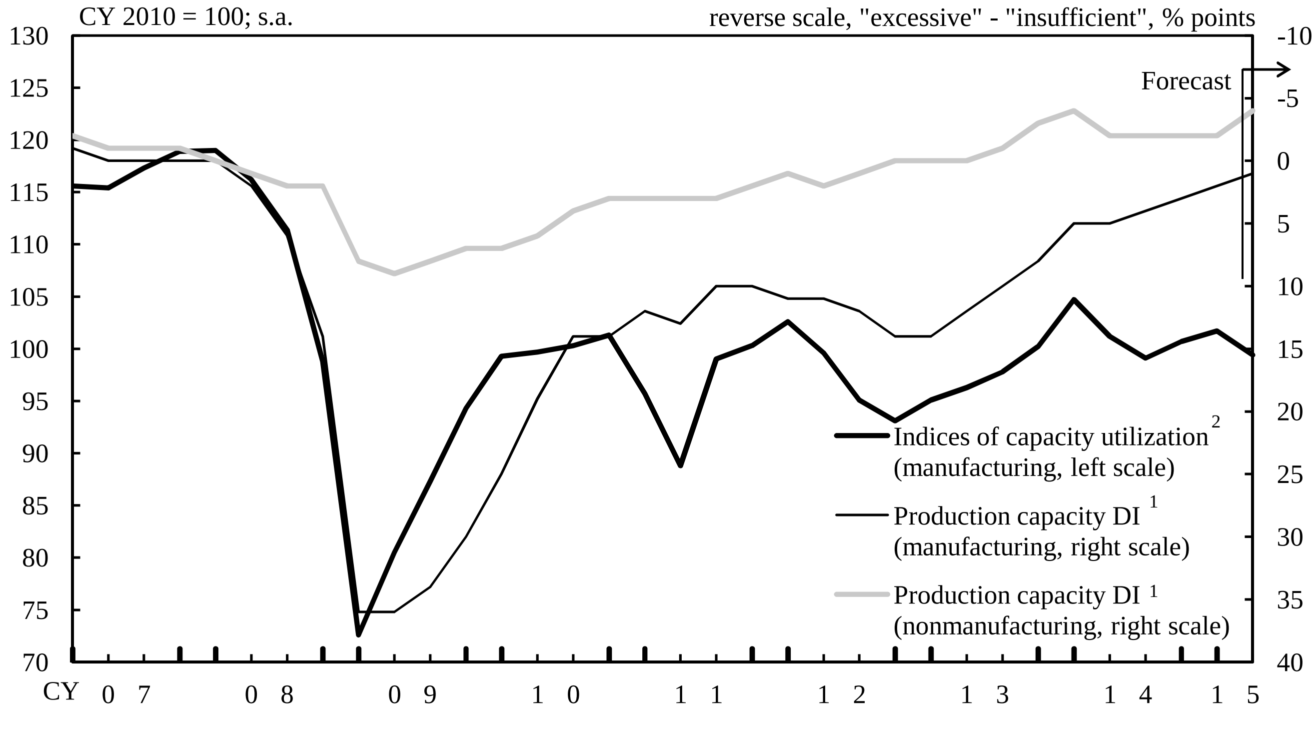
Coincident Indicators of Business Fixed Investment

(1) Aggregate Supply and Shipments of Capital Goods



Note: Figures for 2015/Q2 are those of April.

(2) Indices of Capacity Utilization and Production Capacity DI

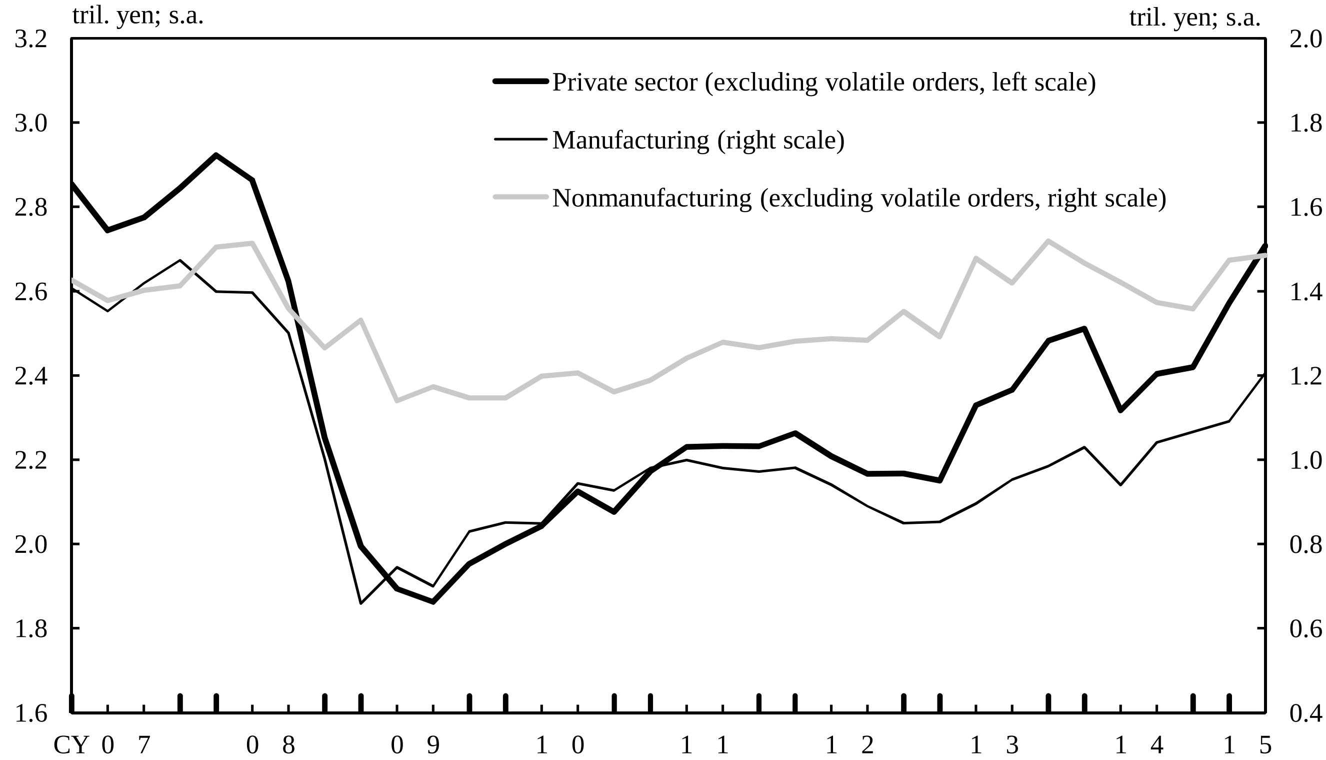


Notes: 1. Production capacity DIs are those of all enterprises.
2. The figure for 2015/Q2 is that of April.

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."

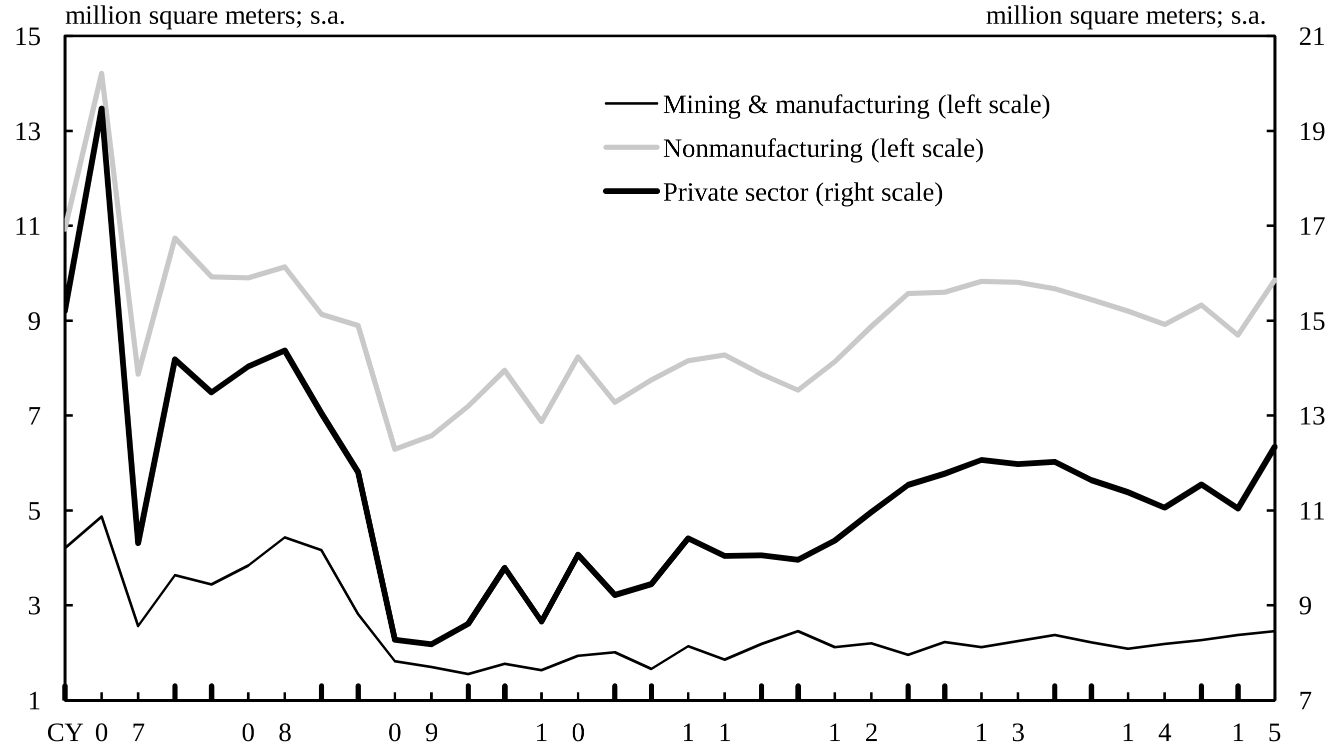
Leading Indicators of Business Fixed Investment

(1) Machinery Orders



Notes: 1. Volatile orders: orders for ships and orders from electric power companies.
2. Figures for 2015/Q2 are those of April in the quarterly amount.

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

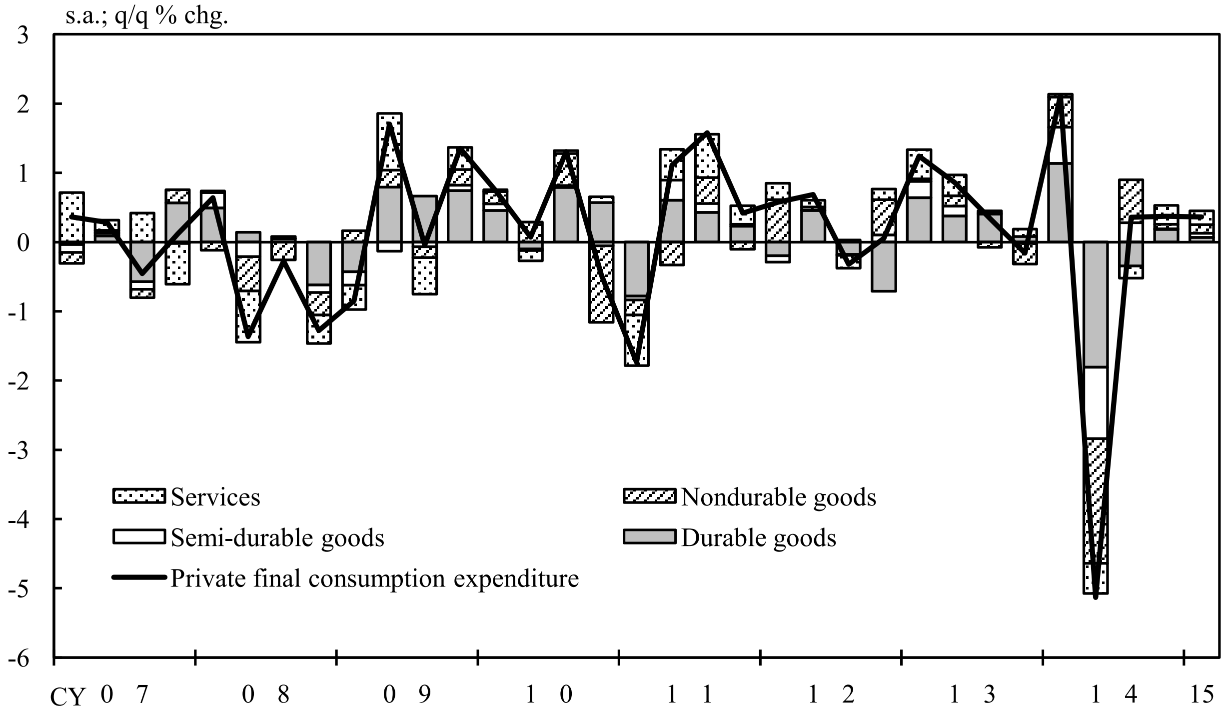


Notes: 1. Seasonally adjusted by X-12-ARIMA.
2. Figures for 2015/Q2 are those of April in the quarterly amount.

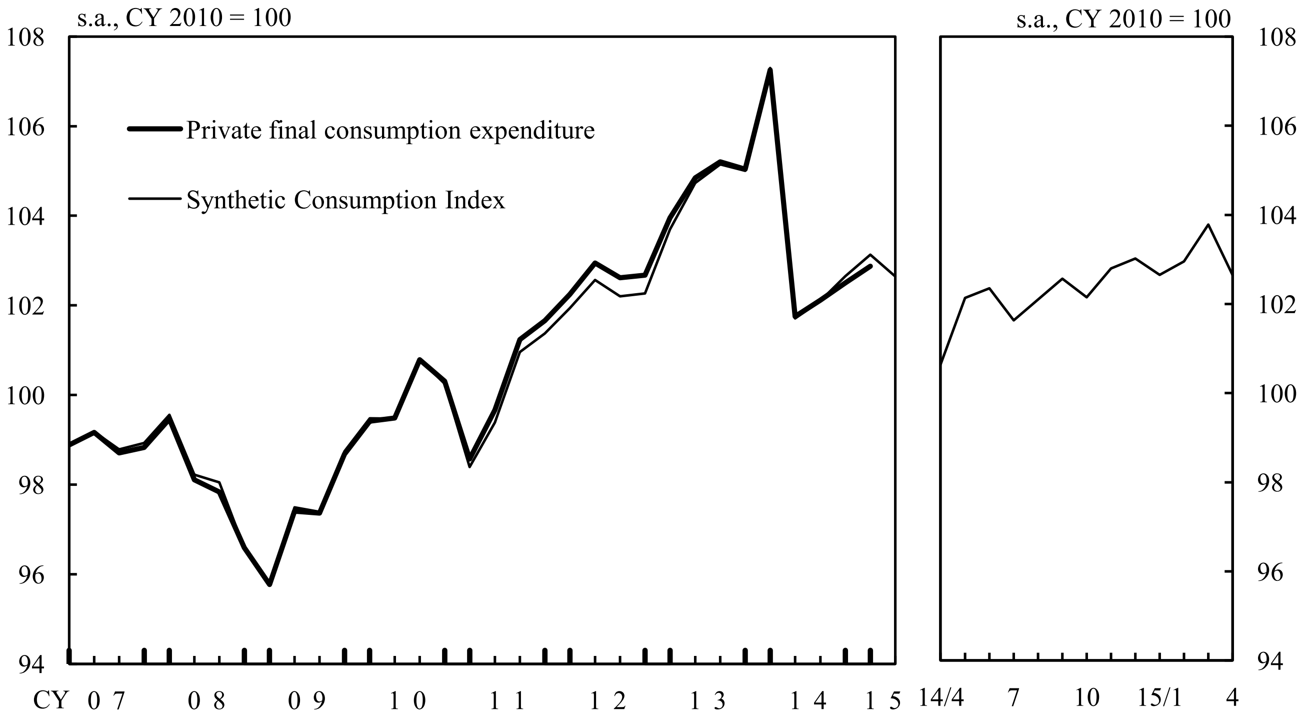
Sources: Cabinet Office, "Orders Received for Machinery";
Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts."

Indicators of Private Consumption (1)

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



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

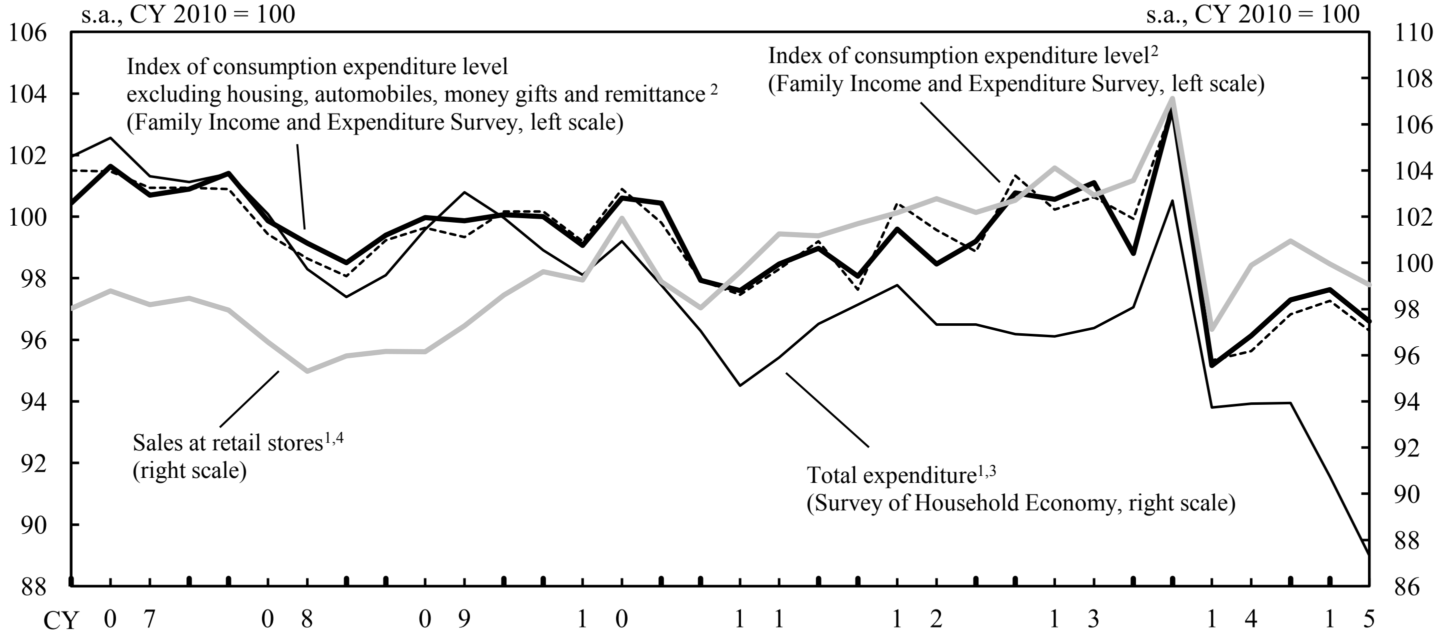


Note: The figure for 2015/Q2 is that of April in quarterly amount.

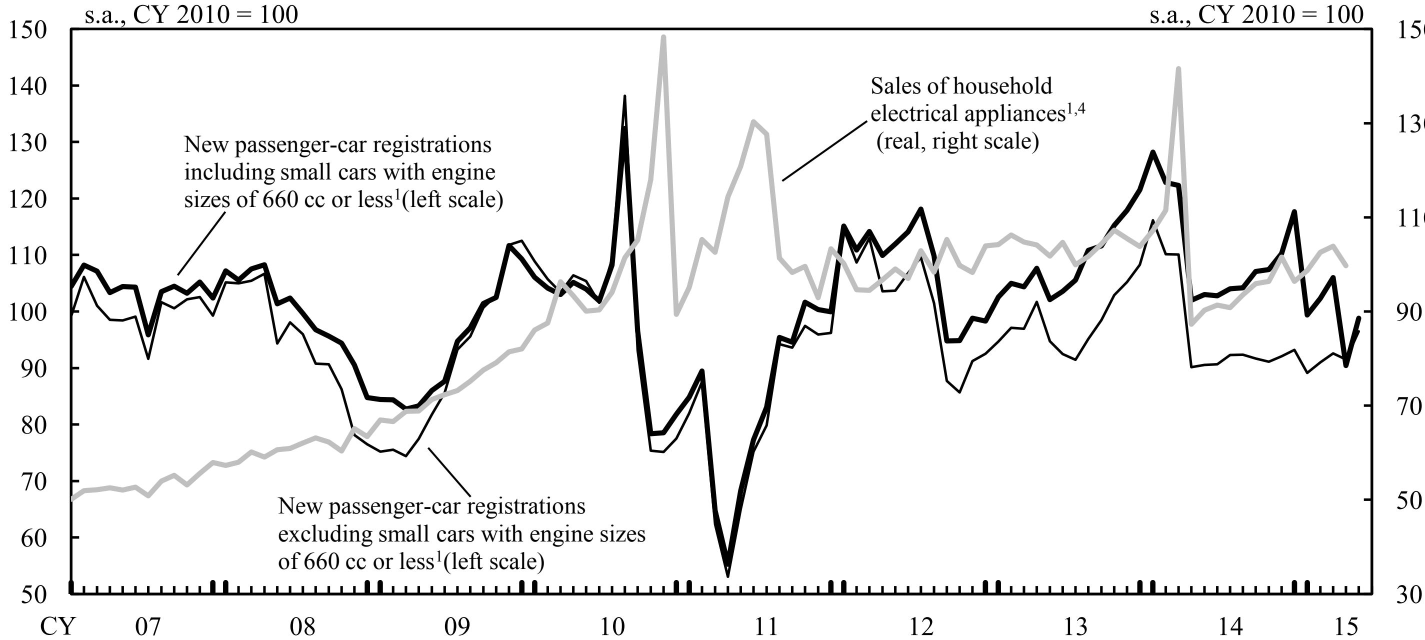
Source: Cabinet Office, "National Accounts," "Synthetic Consumption Index."

Indicators of Private Consumption (2)

(1) Household Spending (Real)[5]



(2) Sales of Durable Goods

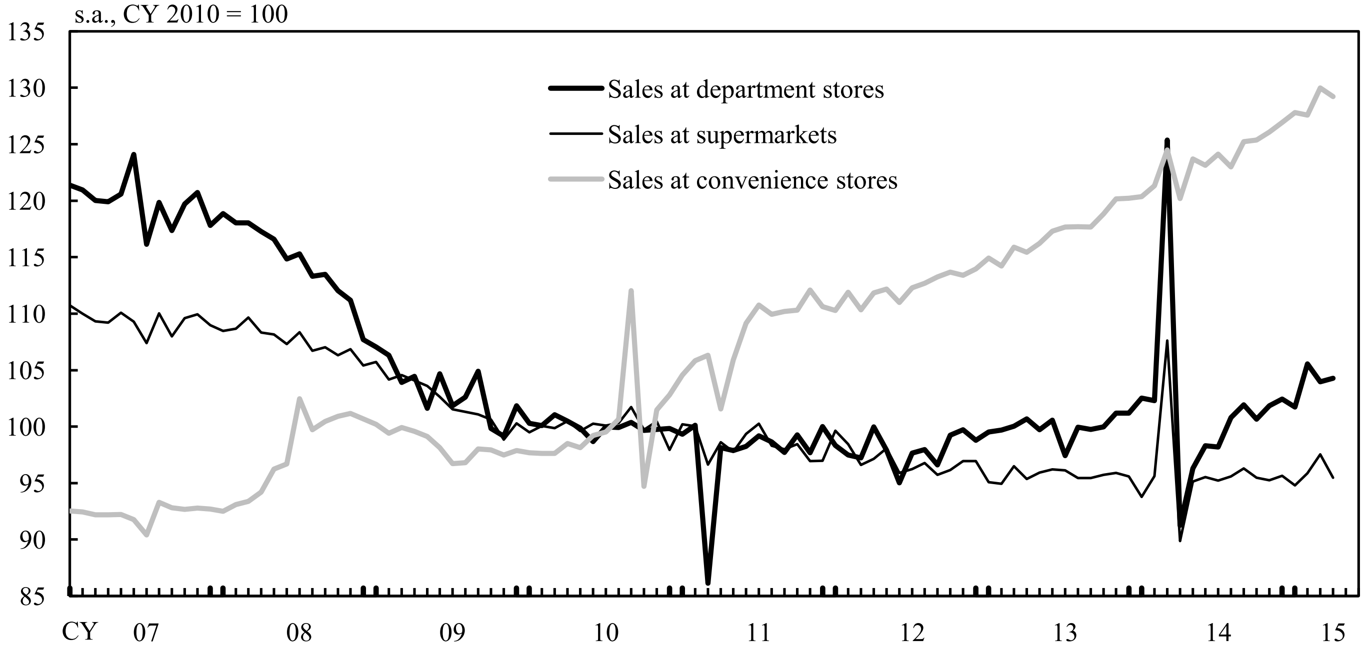


Notes: 1. Figures for total expenditure, sales at retail stores, sales of household electrical appliances, and new passenger-car registrations are seasonally adjusted by X-12-ARIMA.
2. Figures for index of consumption expenditure level are based on two-or-more-person households, and are adjusted using the distribution of household by number of household members and age group of household head.
3. Figures for total expenditure are based on two-or-more-person households, and are deflated by the "Consumer Price Index (CPI)" excluding imputed rent.
4. Figures for sales at retail stores are deflated by the CPI for goods (excluding electricity, gas & water charges). Figures for sales of household electrical appliances are calculated as follows: indices of retail sales of machinery and equipment in the "Current Survey of Commerce" are deflated by the geometric means of the corresponding CPI.
5. Figures for 2015/Q2 are those of April in quarterly amount.

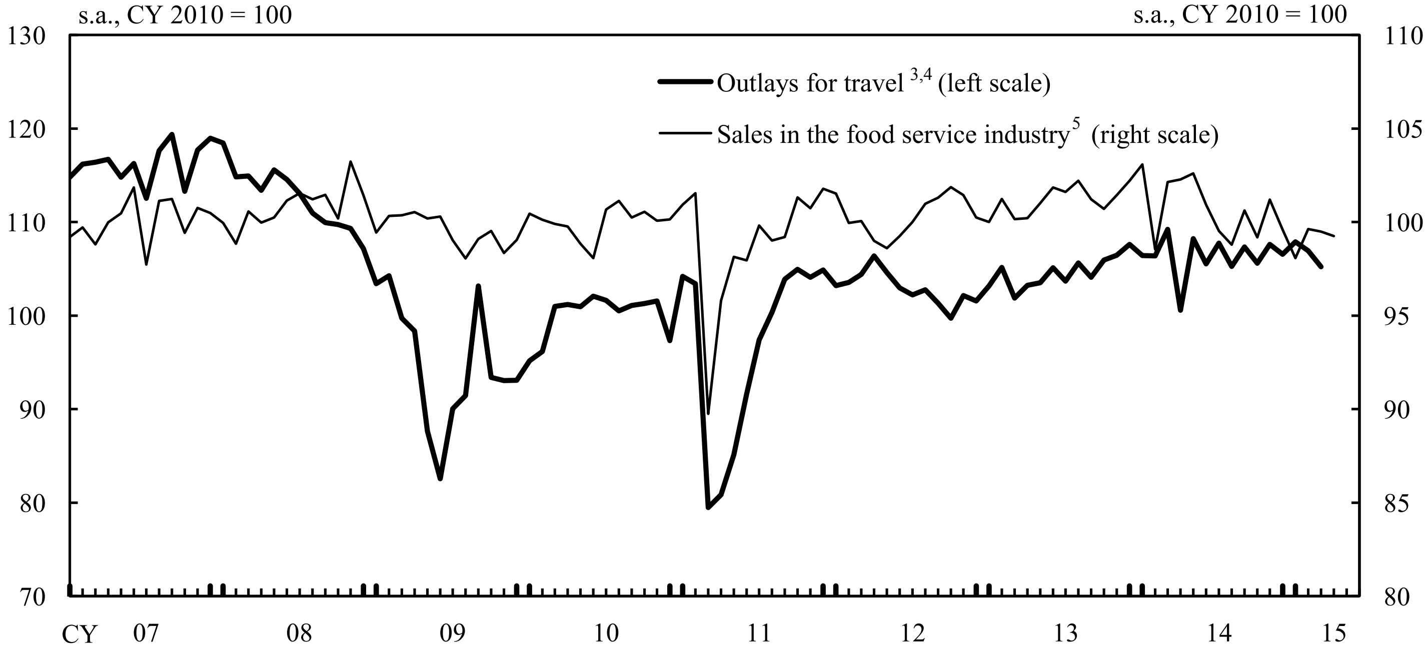
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index," "Monthly Report on the Family Income and Expenditure Survey," "Survey of Household Economy"; Ministry of Economy, Trade and Industry, "Current Survey of Commerce"; Japan Automobile Dealers Association, "Domestic Sales of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

Indicators of Private Consumption[1] (3)

(1) Sales at Retail Stores (Nominal)[2]



(2) Consumption of Services (Nominal)

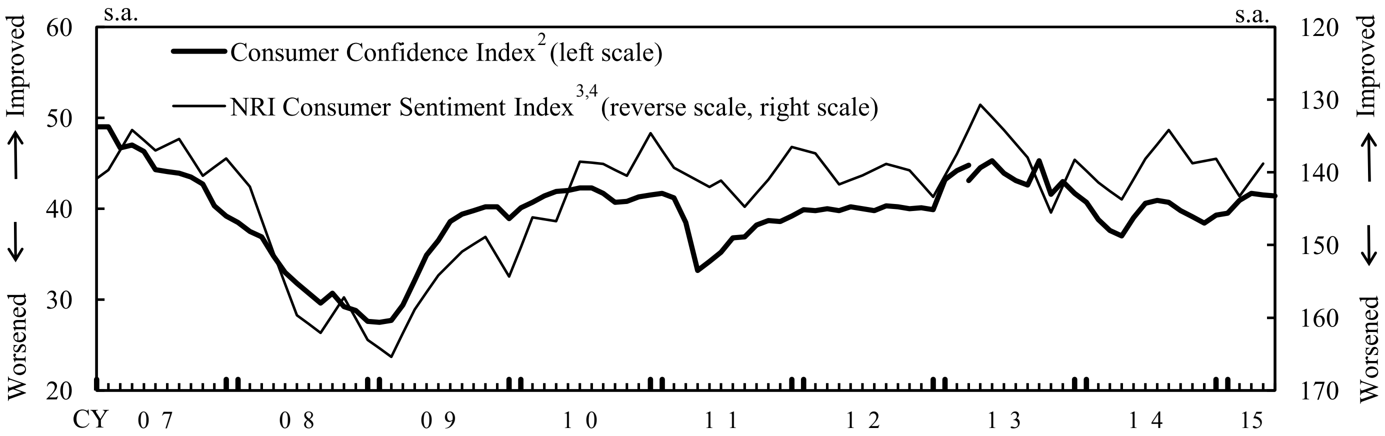


Notes: 1. Seasonally adjusted by X-12-ARIMA.
2. Adjusted to exclude the effects of the increase in the number of stores (except for convenience stores).
3. Excluding those by foreign travelers.
4. There are discontinuities in the underlying data as of April 2007, April 2010, and April 2014 due to changes in the sample. Data from April 2007 and onward are calculated using the year-on-year rates of change.
5. Figures for sales in the food service industry are 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.

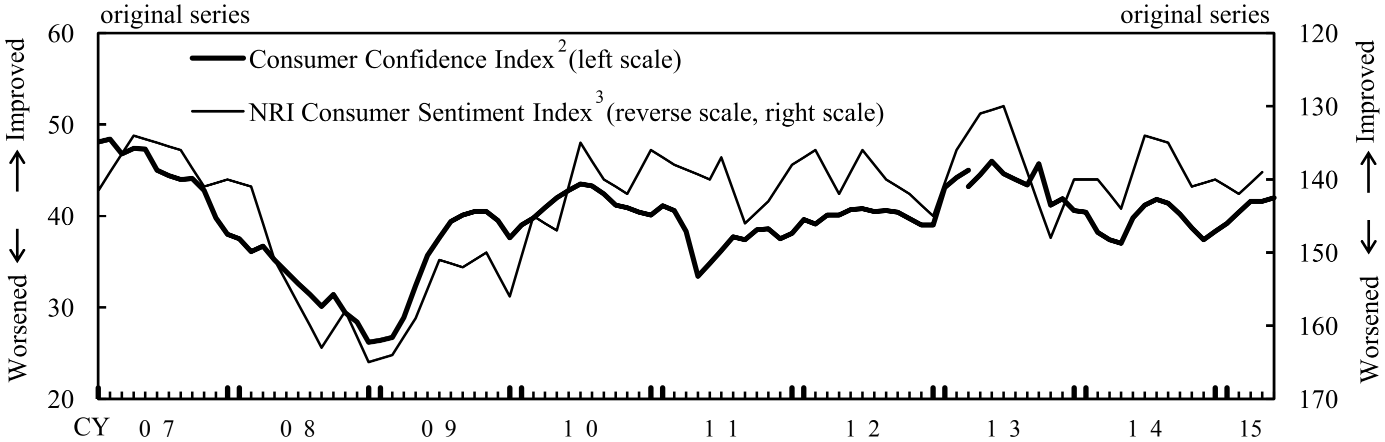
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce";
Japan Tourism Agency, "Major Travel Agents' Revenue";
Food Service Industry Survey & Research Center, "*Getsuji Uriage Doukou Chousa* (Monthly survey on food service sales)"; Japan Food Service Association, "*Gaishoku Sangyou Shijou Doukou Chousa* (Research on the food service industry)."

Consumer Confidence[1]

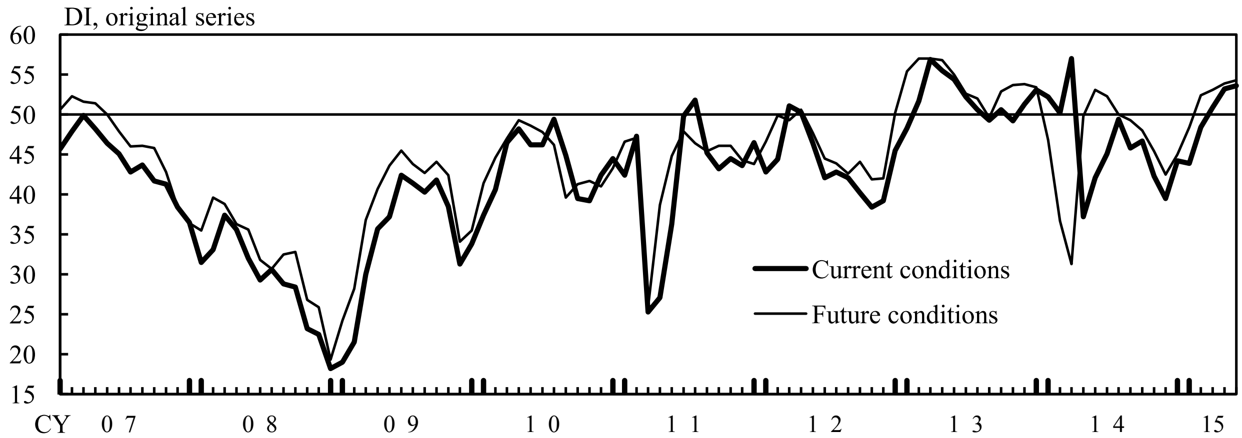
(1) Seasonally Adjusted Series



(2) Original Series



Reference: Economy Watchers Survey (Household Activity)

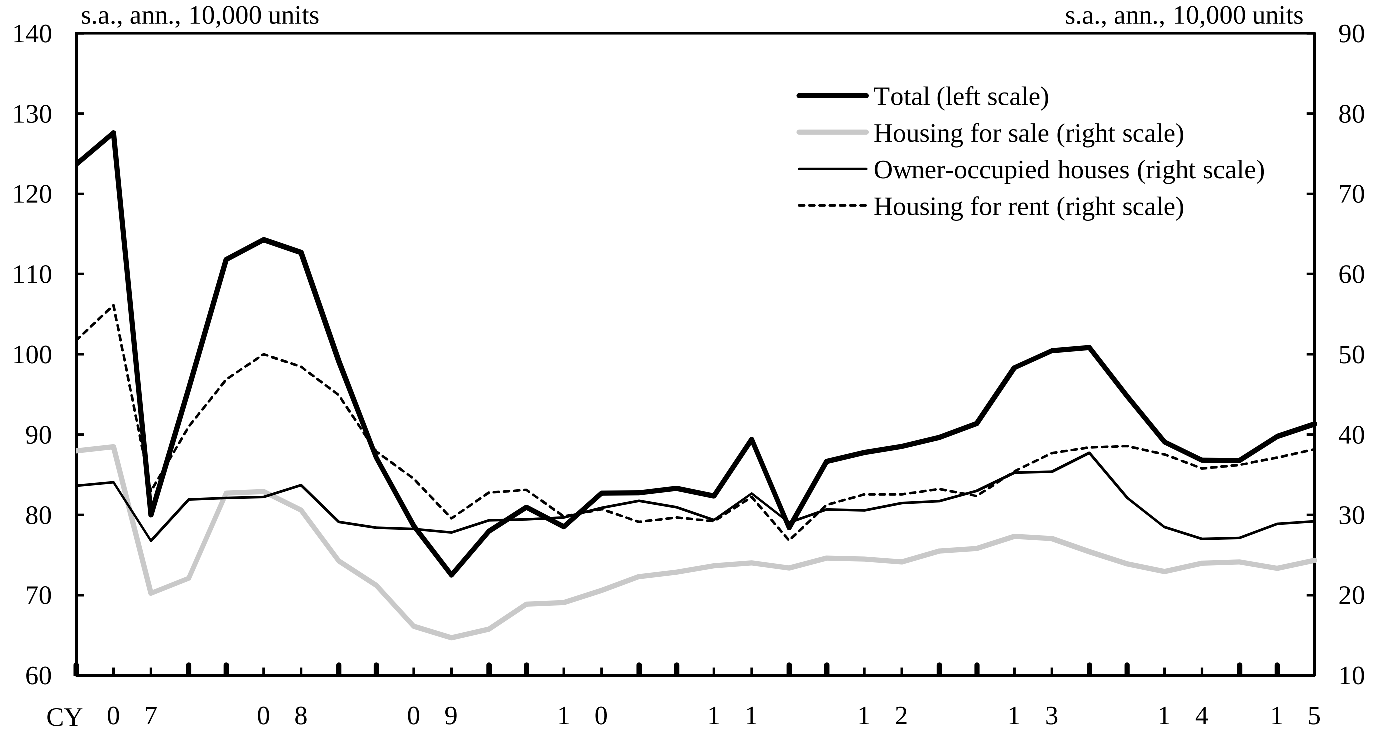


Notes: 1. The Consumer Confidence Index (covering about 5,700 samples on a nationwide basis from April 2013 onward) and NRI Consumer Sentiment Index (1,200 samples on a nationwide basis) are based on surveys on consumer confidence.
2. In April 2013, the Cabinet Office changed the method for conducting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

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

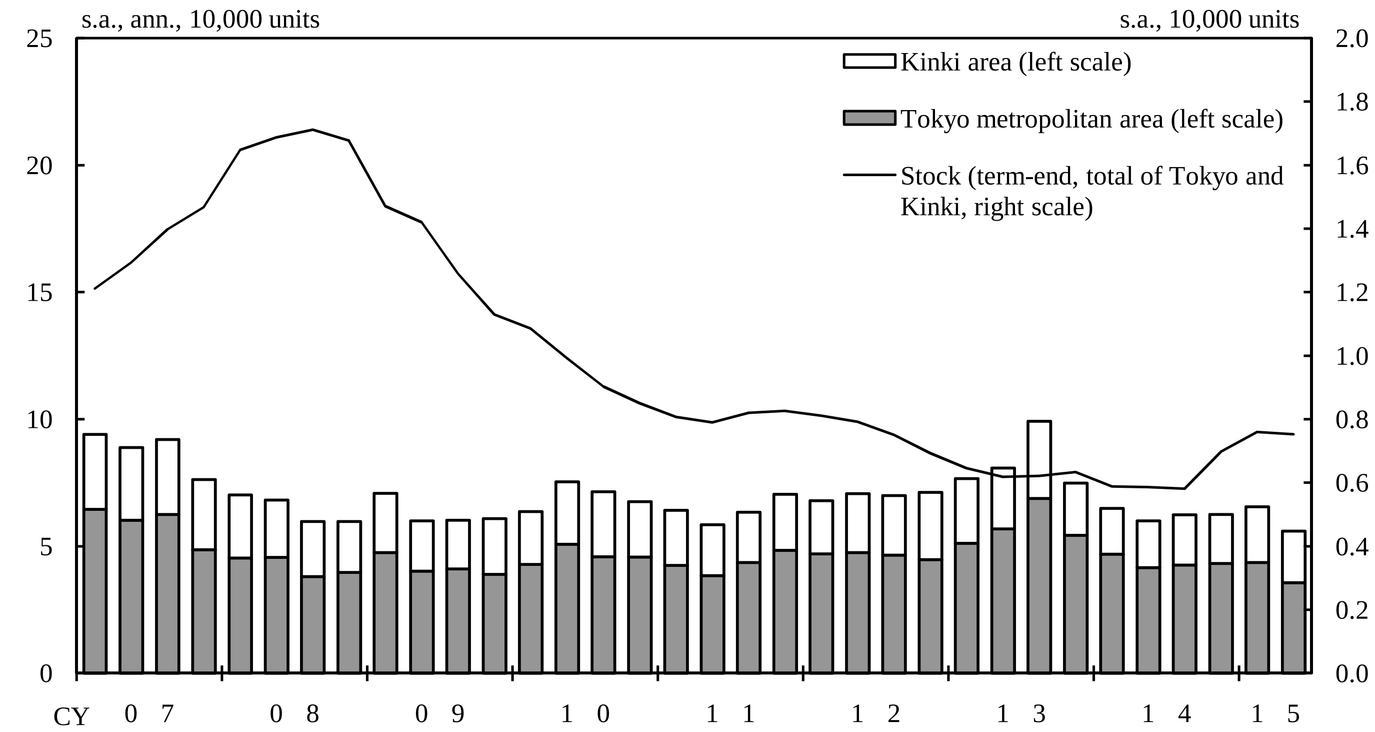
Indicators of Housing Investment

(1) Housing Starts



Note: Figures for 2015/Q2 are those of April.

(2) Sales of Apartments

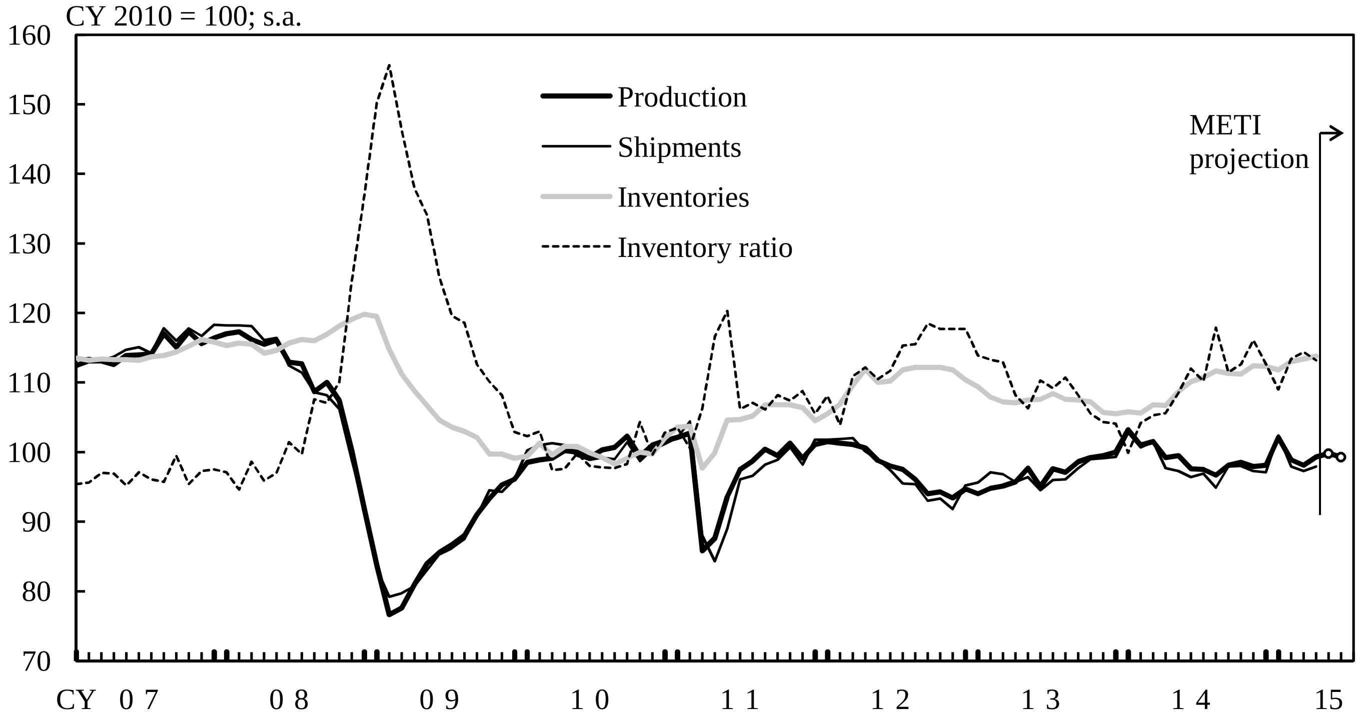


Notes: 1. Seasonally adjusted by X-12-ARIMA.
2. The figure of total apartment sales for 2015/Q2 is the April-May average.
The term-end stock for 2015/Q2 is that of May.

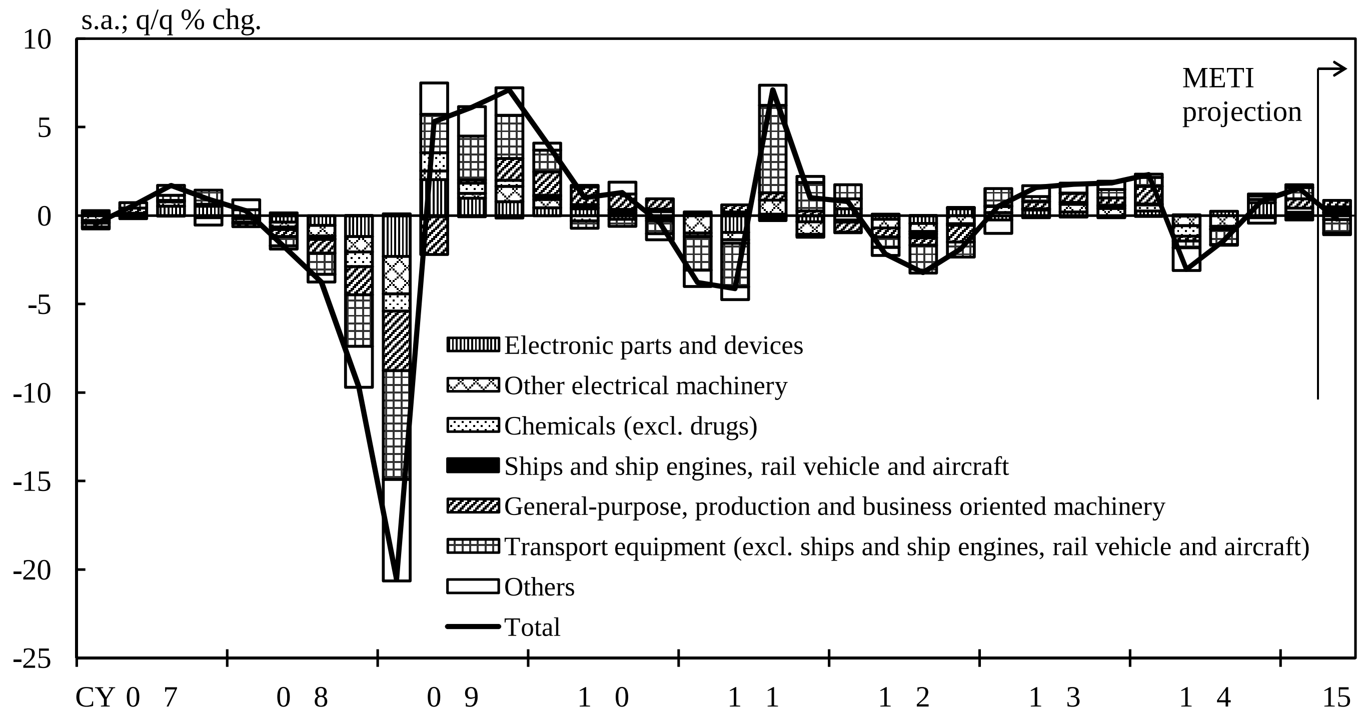
Sources: Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts," etc.

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."

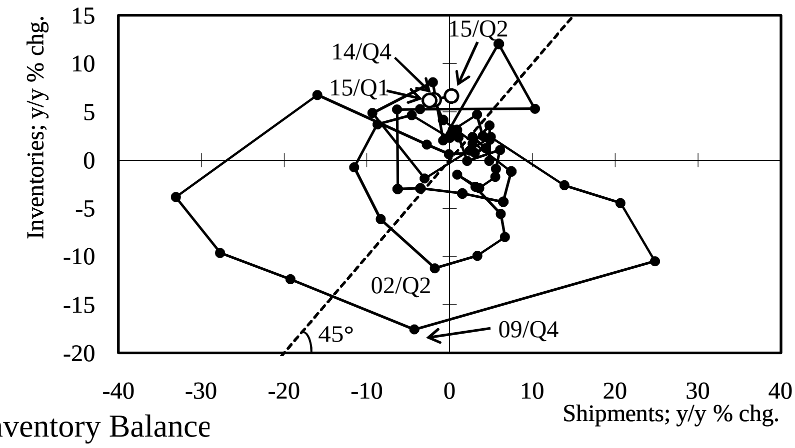
2. Figures up to 2008/Q1 are on the 2005 base.
Figures for "general-purpose, production and business oriented machinery" up to 2008/Q1 are those for "general machinery."

3. 2015/Q2 figures are based on the actual production levels in April, and the METI projection of May and June.

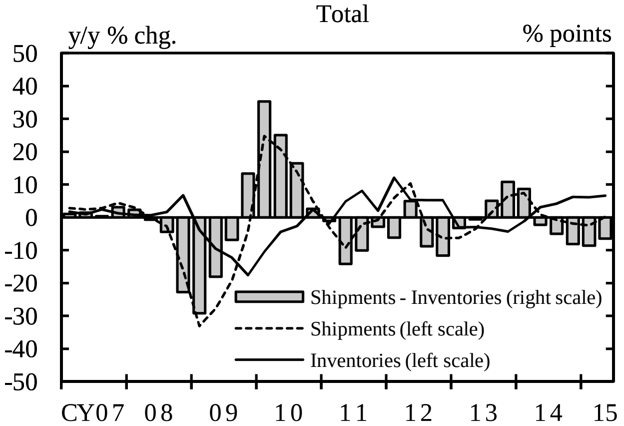
Source: Ministry of Economy, Trade and Industry (METI), "Indices of Industrial Production."

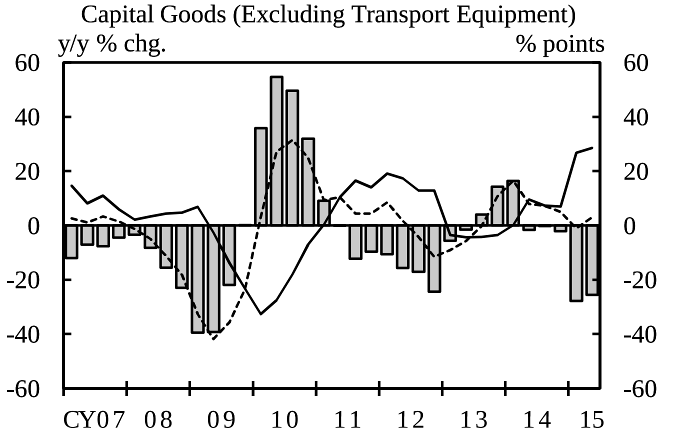
Inventory Cycle

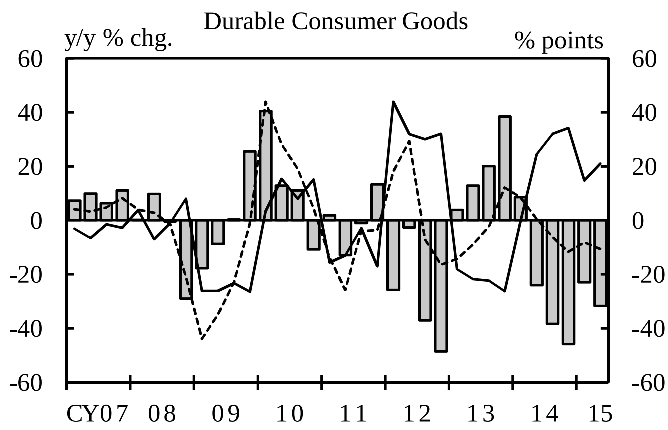
(1) Inventory Cycle (Total)

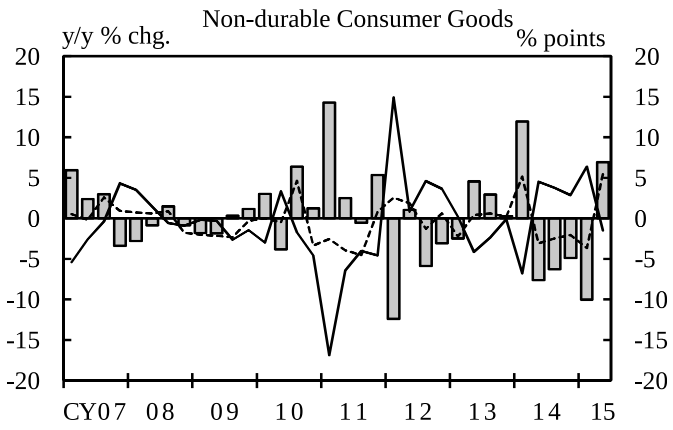


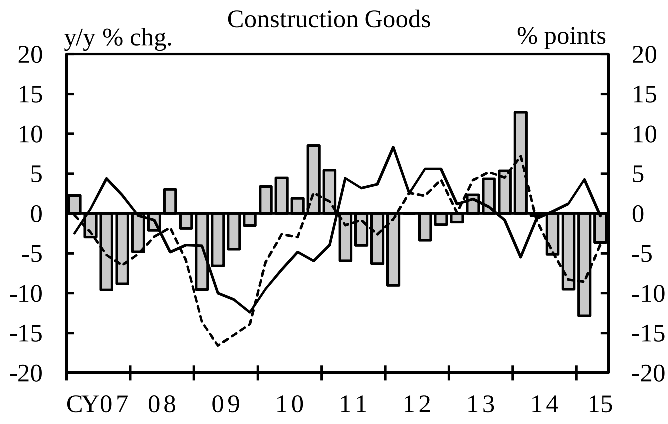
(2) Shipment-Inventory Balance

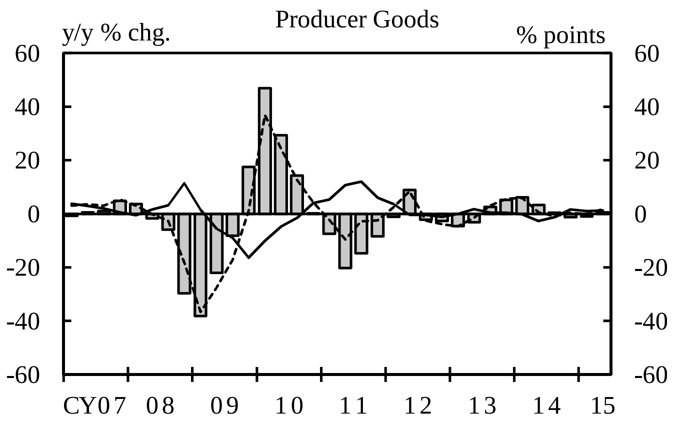










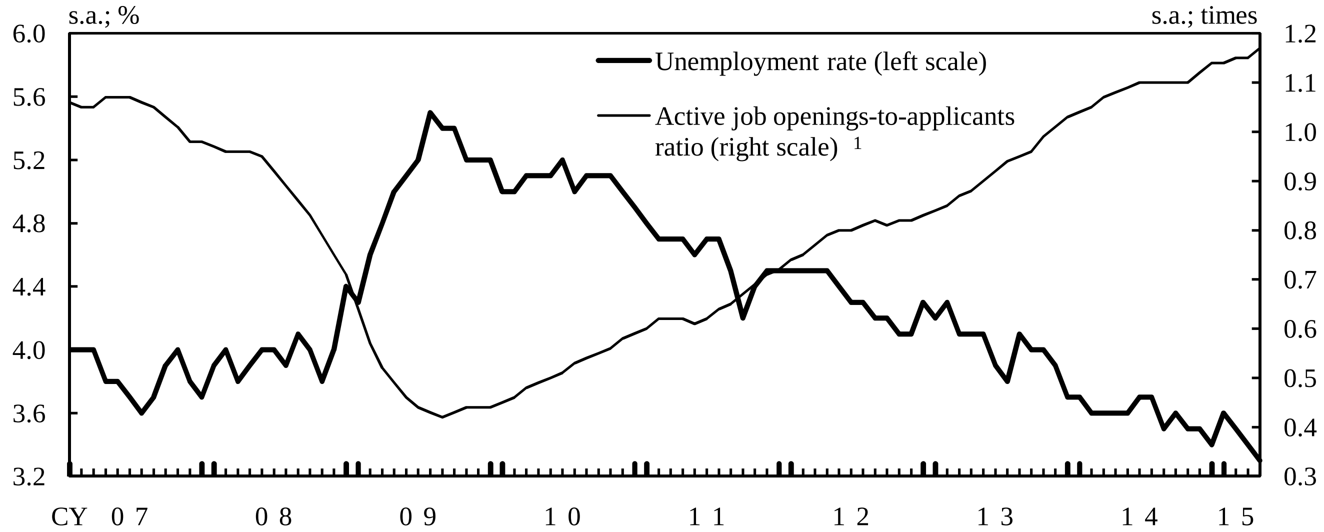


Note: Figures for 2015/Q2 are those of April.

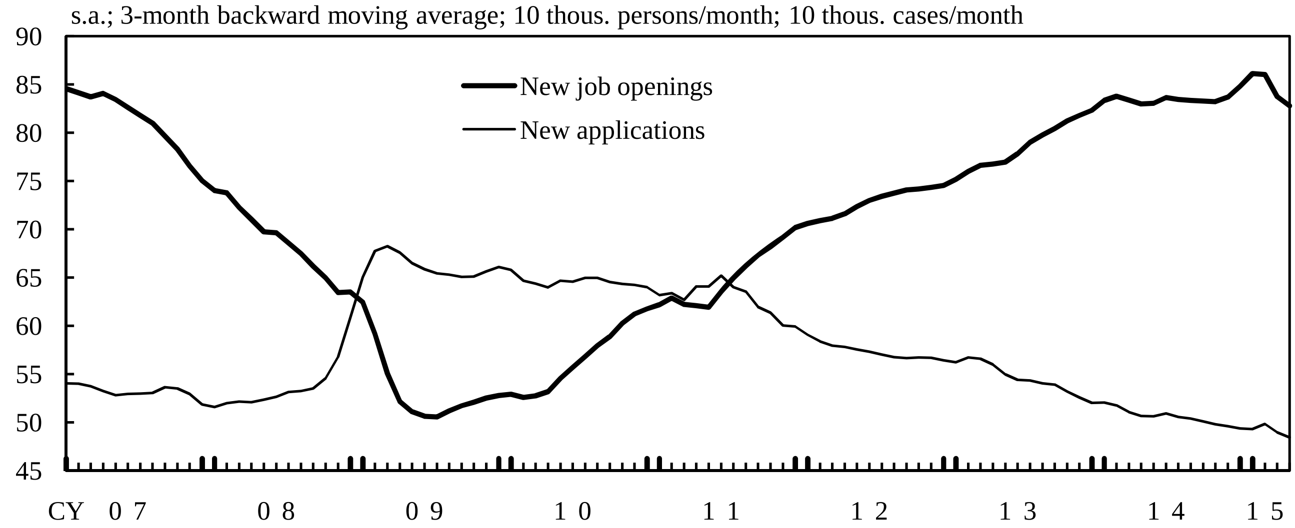
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Labor Market

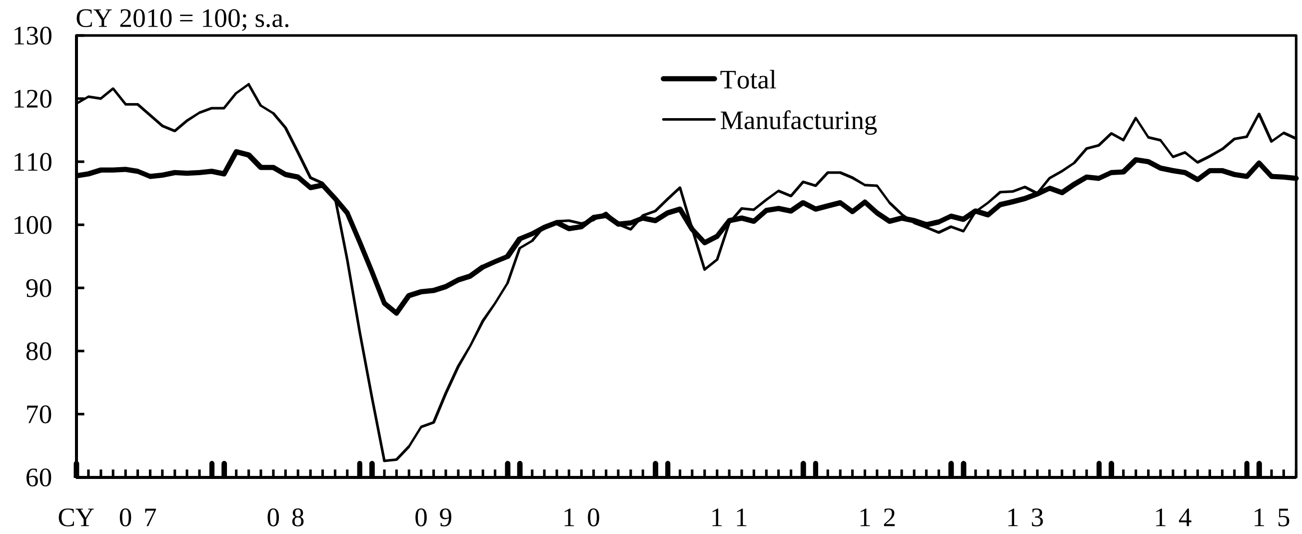
(1) Unemployment Rate and Active Job Openings-to-Applicants Ratio



(2) New Job Openings and New Applications[1]



(3) Non-Scheduled Hours Worked[2]

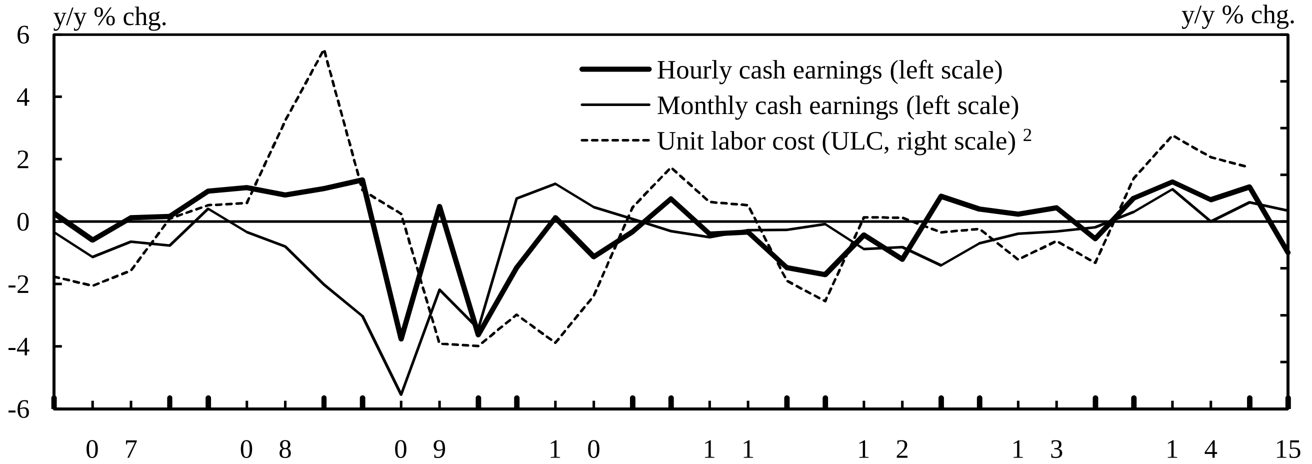


Notes: 1. Excluding new school graduates and including part-timers.
2. Data are for establishments with at least five employees.

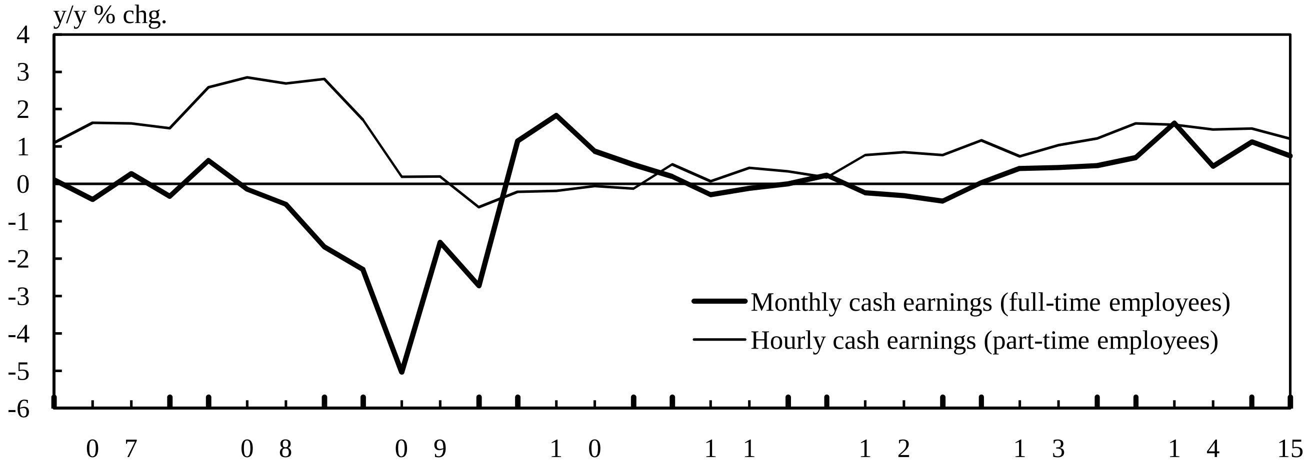
Sources: Ministry of Internal Affairs and Communications, "Labour Force Survey"; Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey."

Wages

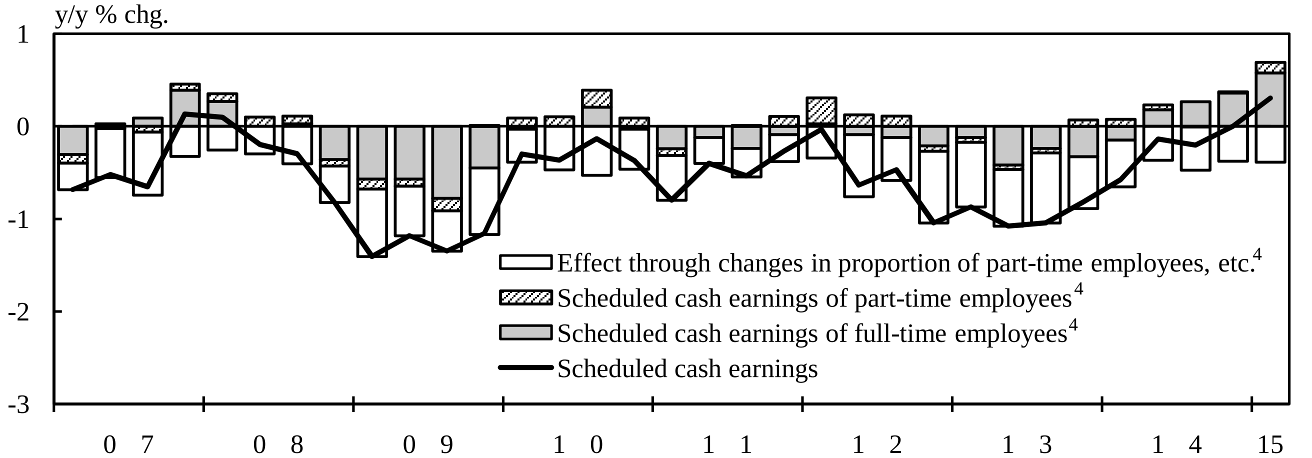
(1) Total[1,3]



(2) Cash Earnings by Type of Worker[1,3]



(3) Breakdown of Scheduled Cash Earnings[1,3]

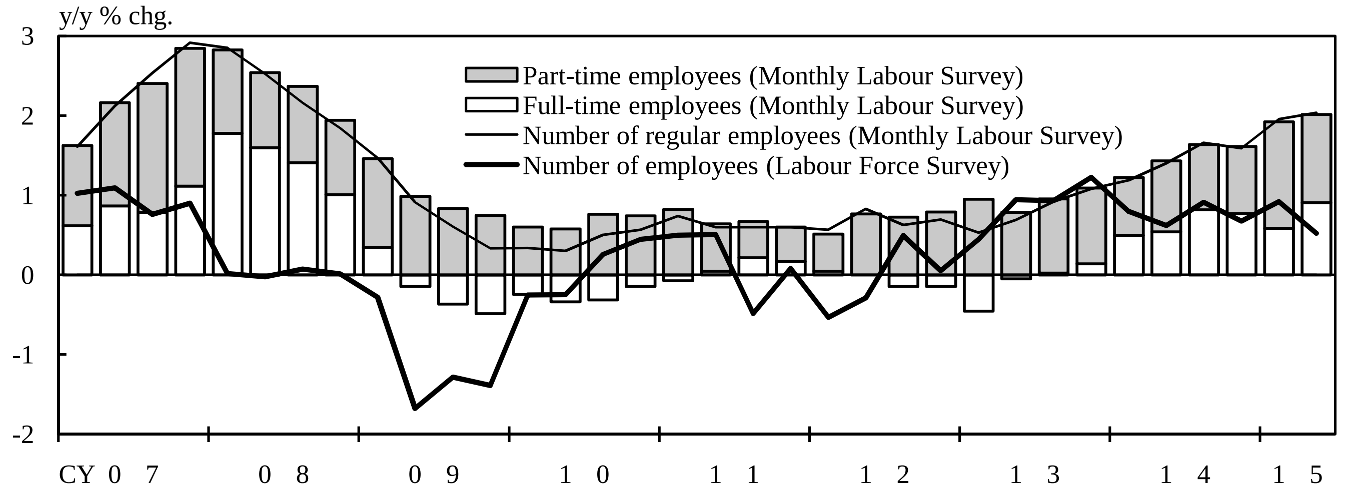


Notes: 1. Data for the "Monthly Labour Survey" are for establishments with at least five employees.
2. ULC = nominal compensation of employees (SNA) / real GDP
3. Figures for 2015/Q1 are March-April averages (except ULC).
Except ULC : Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.
ULC : Q1 = April-June, Q2 = July-September, Q3 = October-December, Q4 = January-March.
4. Contributions from scheduled cash earnings of full-time employees and those of part-time employees are calculated as: "scheduled cash earnings of each type of employee (y/y chg.)" times "proportion of the corresponding type's scheduled cash earnings to the previous year's total." Contributions from the effect through changes in proportion of part-time employees, etc. are the residuals.

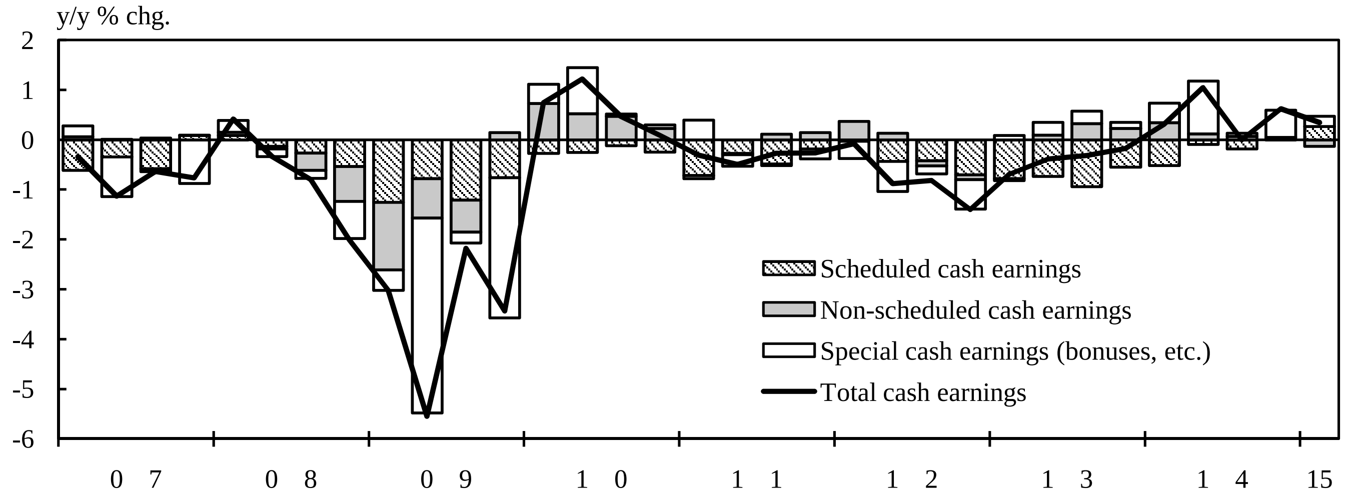
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey"; Cabinet Office, "National Accounts."

Employee Income

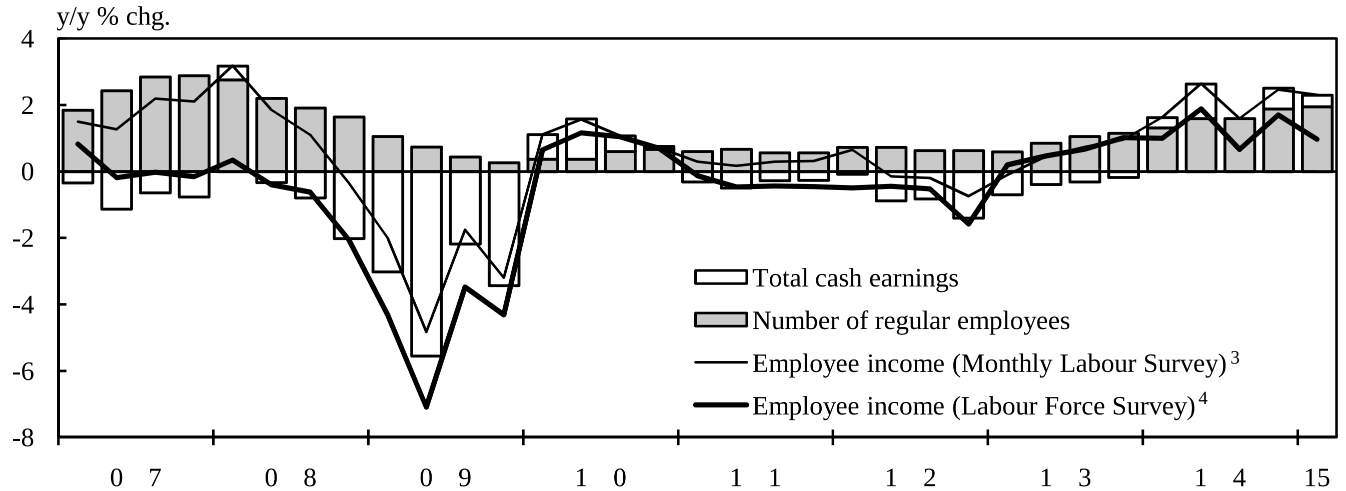
(1) Number of Employees[1,5]



(2) Breakdown of Total Cash Earnings[1,2]



(3) Breakdown of Employee Income[1,2]

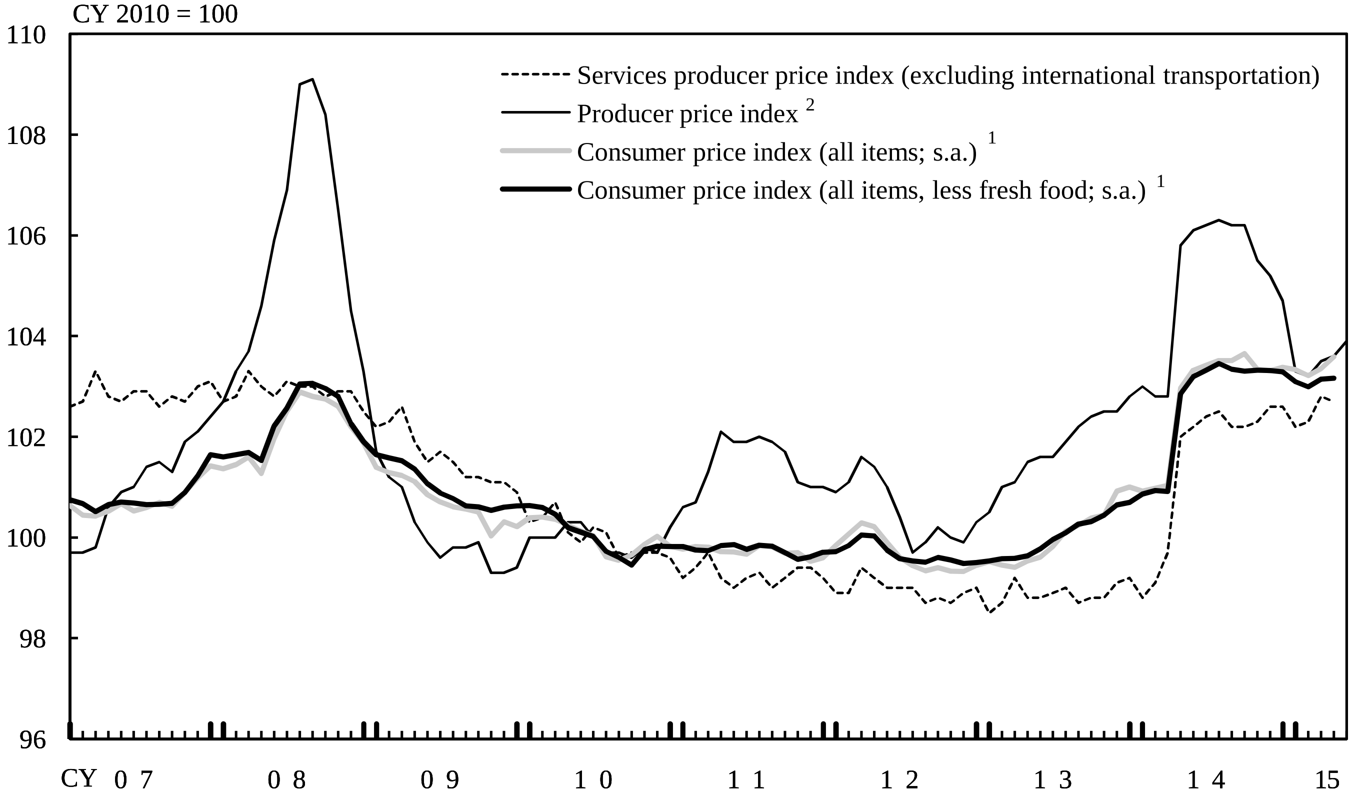


Notes: 1. Data for the "Monthly Labour Survey" are for establishments with at least five employees.
2. Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February. Figures for 2015/Q1 are March-April averages.
3. Calculated as the "number of regular employees" (Monthly Labour Survey) times "total cash earnings" (Monthly Labour Survey).
4. Calculated as the "number of employees" (Labour Force Survey) times "total cash earnings" (Monthly Labour Survey).
5. Figures for 2015/Q2 are those of April.

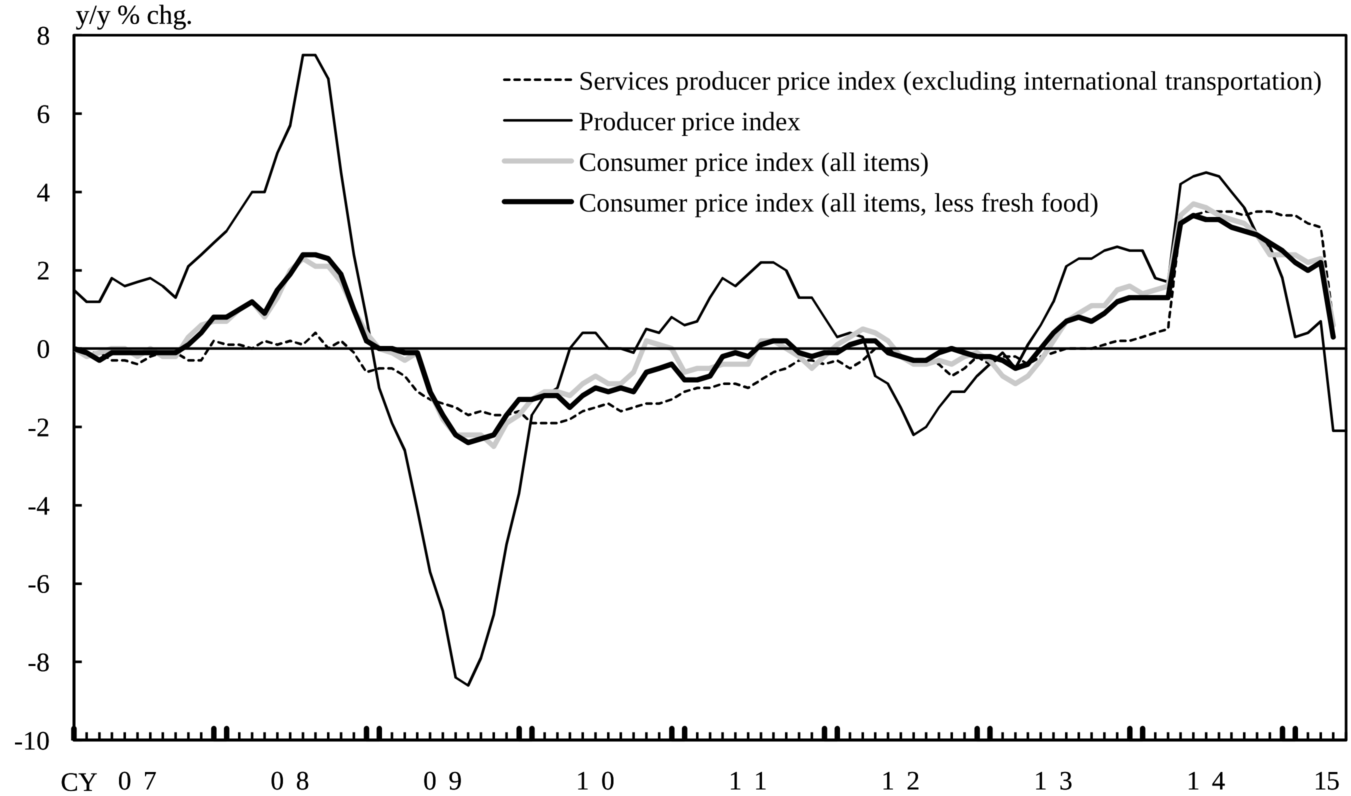
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey"; Ministry of Internal Affairs and Communications, "Labour Force Survey."

Prices

(1) Level



(2) Changes from a Year Earlier

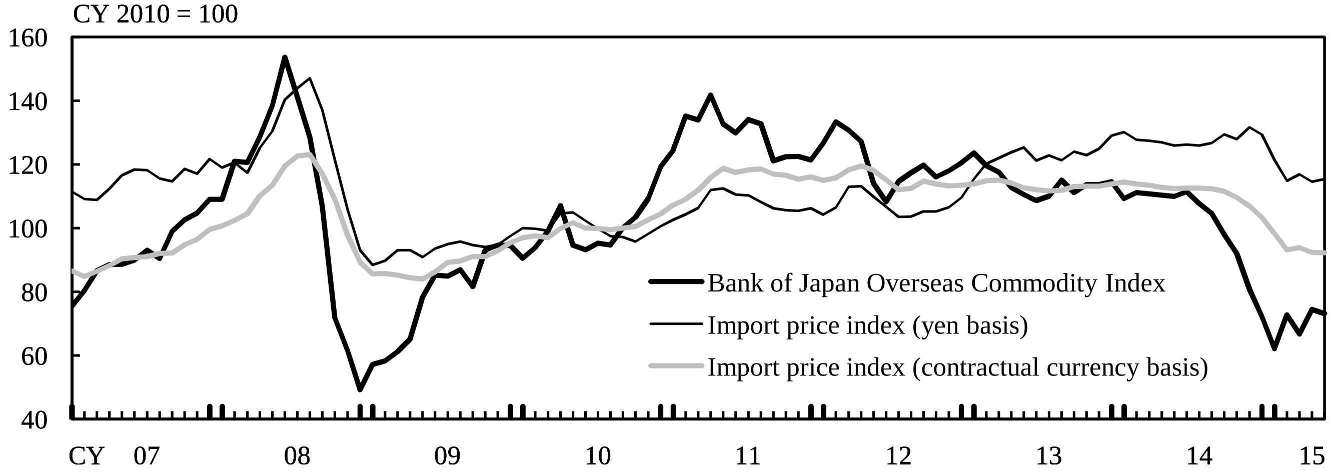


Notes: 1. Seasonally adjusted by X-12-ARIMA.
2. Adjusted to exclude a hike in electric power charges during the summer season from July to September.
3. The levels of "Consumer Price Index" up to 2009 are based on the linked indices.
4. Figures of "Services Producer Price Index" and "Producer Price Index" up to 2009 are based on the linked indices.
5. Figures include the consumption tax.

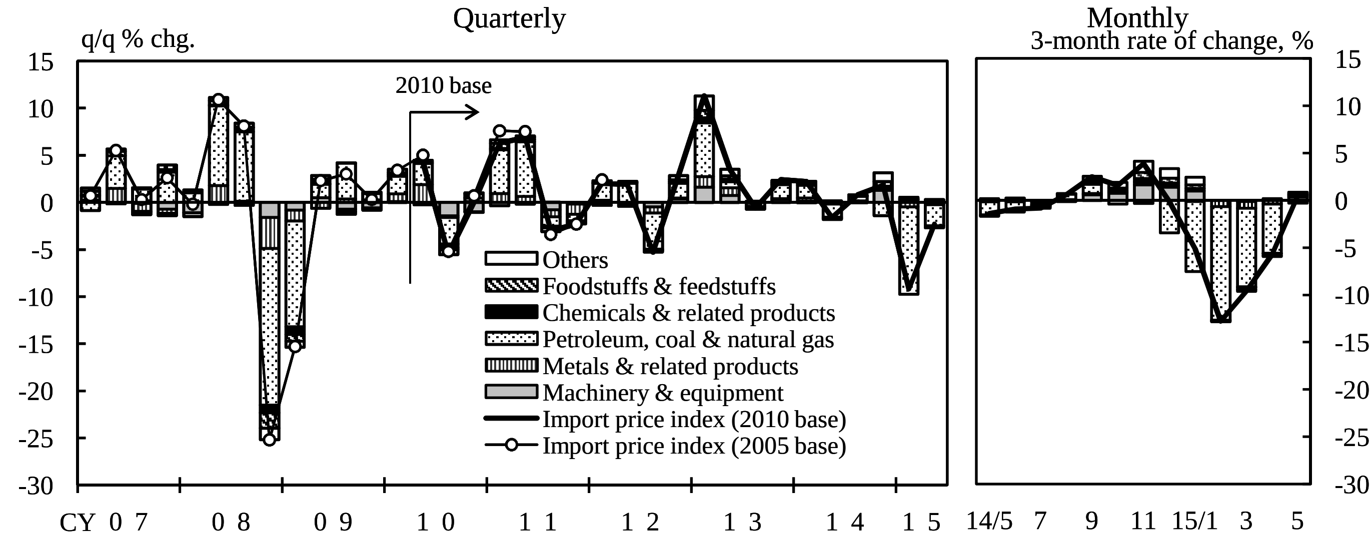
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Services Producer Price Index."

Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index

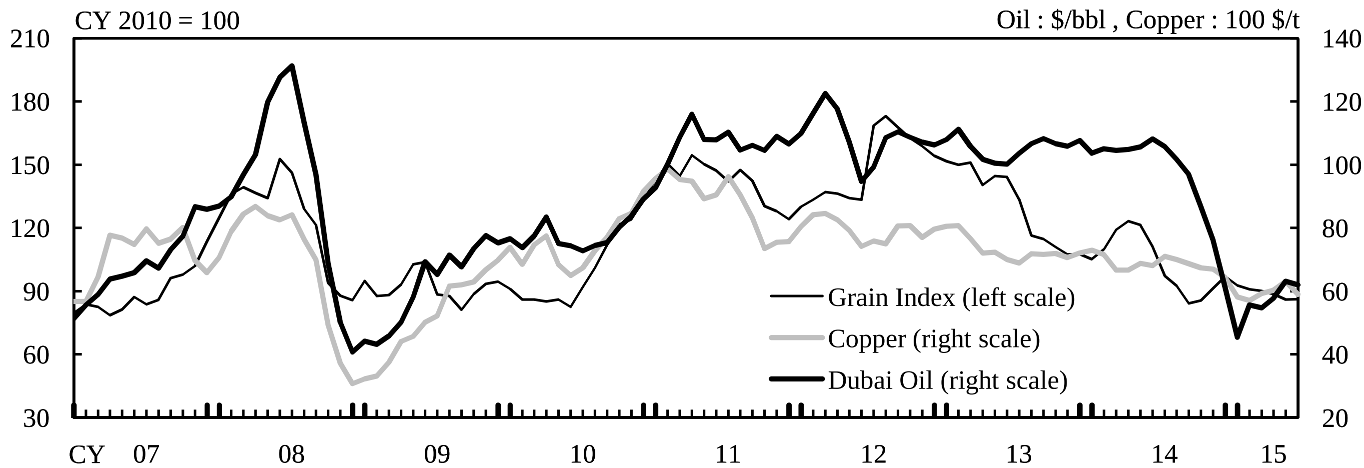


(2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



Notes: 1. Machinery & equipment: general purpose, production & business oriented machinery, electric & electronic products, and transportation equipment.
2. Figures for 2015/Q2 are April-May averages.

(3) International Commodity Prices

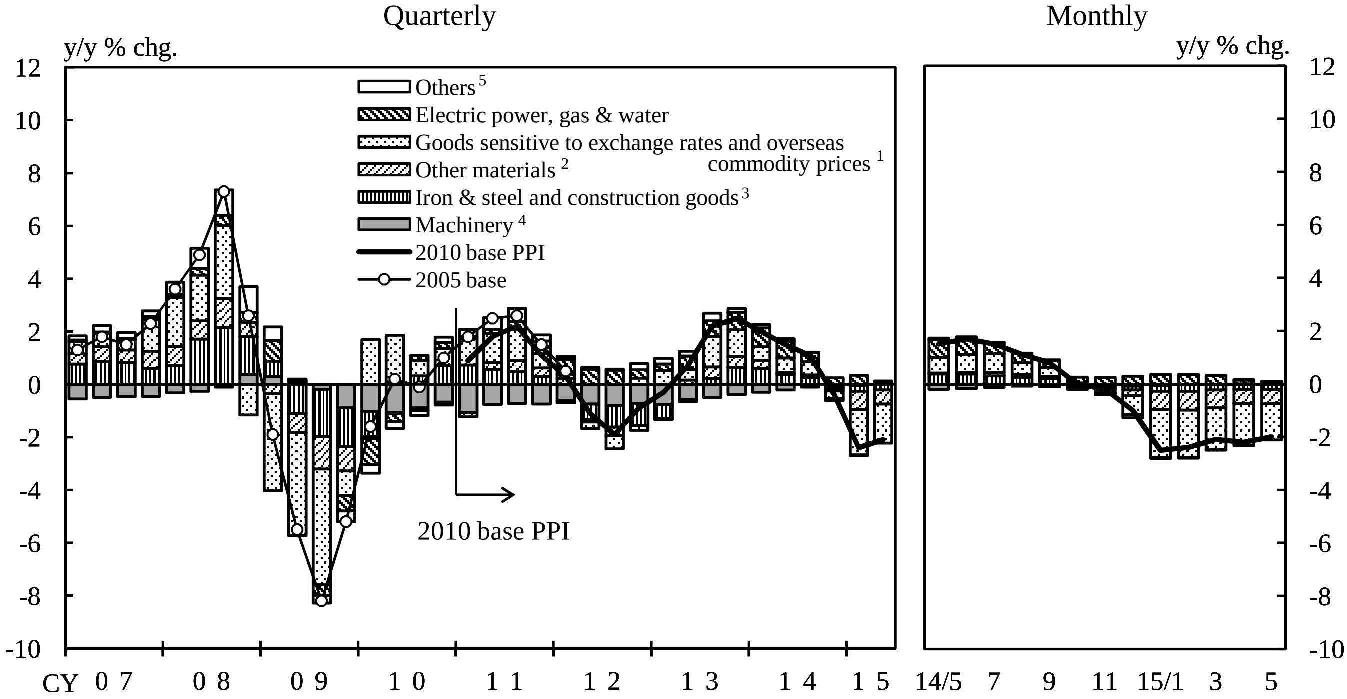


Notes: 1. The "grain index" is the weighted average of prices of three selected items (wheat, soybeans, and corn) in overseas commodity markets. The weights are based on the value of imports in the "Trade Statistics."
2. Monthly averages. Figures for June 2015 are averages up to June 18.

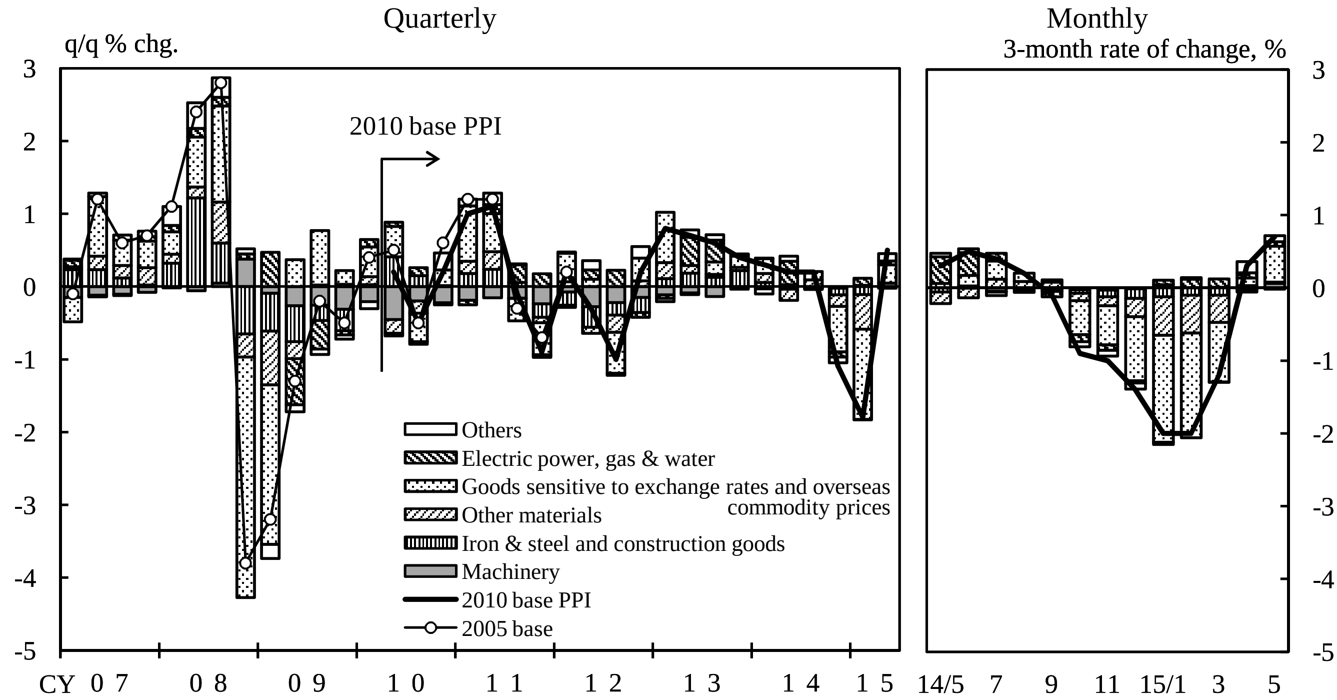
Sources: Bank of Japan, "Corporate Goods Price Index," "Bank of Japan Overseas Commodity Index," etc.

Producer Price Index

(1) Changes from a Year Earlier



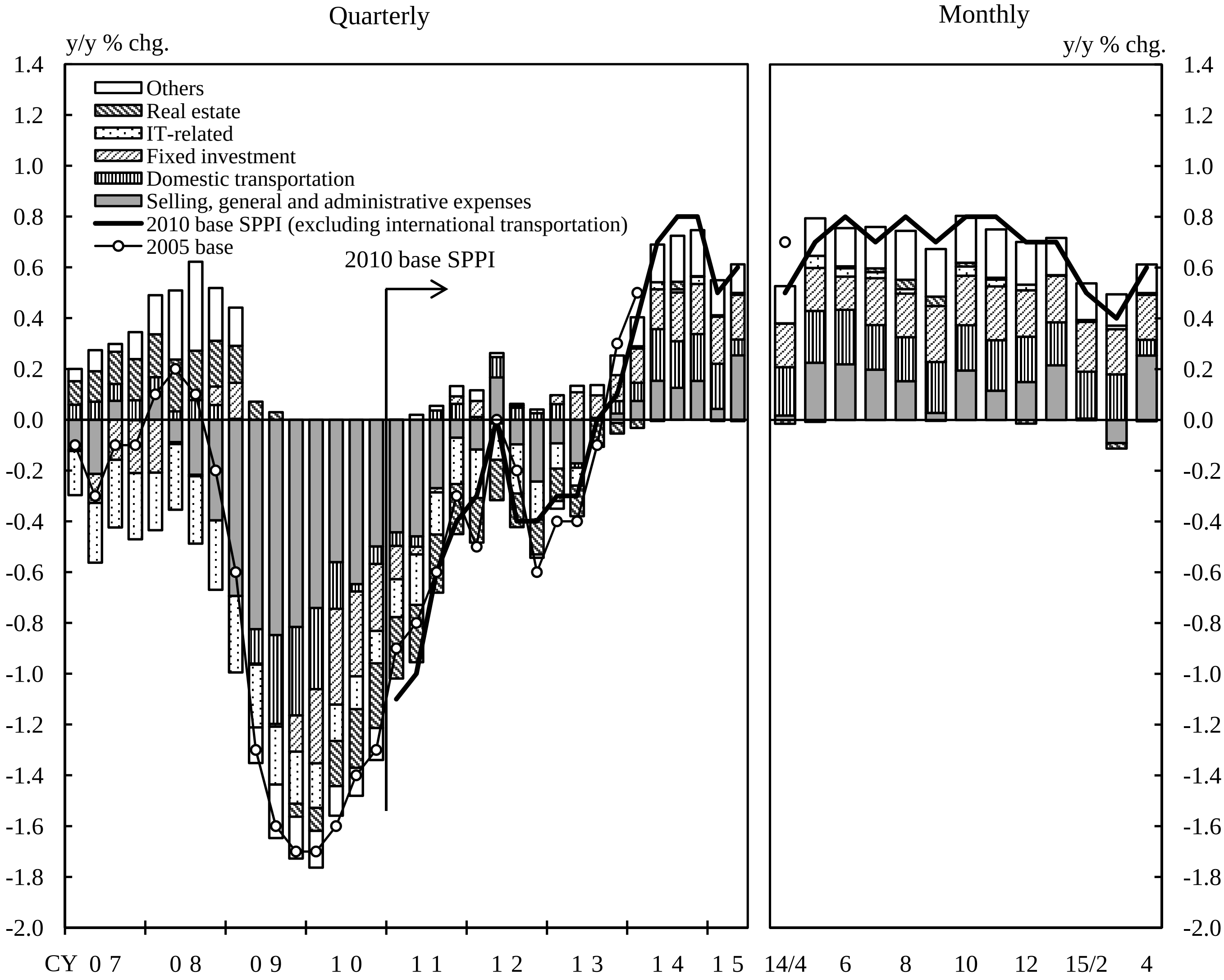
(2) Changes from a Quarter Earlier and 3 Months Earlier [6]



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.
8. Figures for 2015/Q2 are April-May averages.

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

Services Producer Price Index

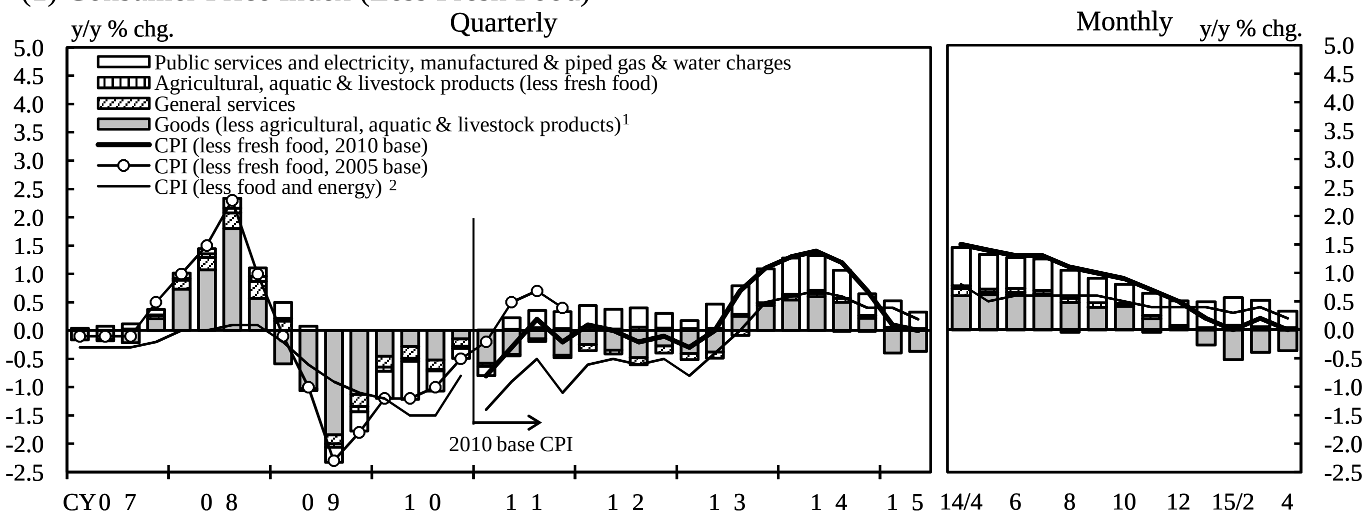


Notes: 1. Selling, general and administrative expenses: information and communications (excluding newspapers and publishing), advertising services, other services (excluding plant engineering, and civil engineering and architectural services).
2. Domestic transportation: transportation and postal services (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.
8. Figures for 2015/Q2 are those of April.

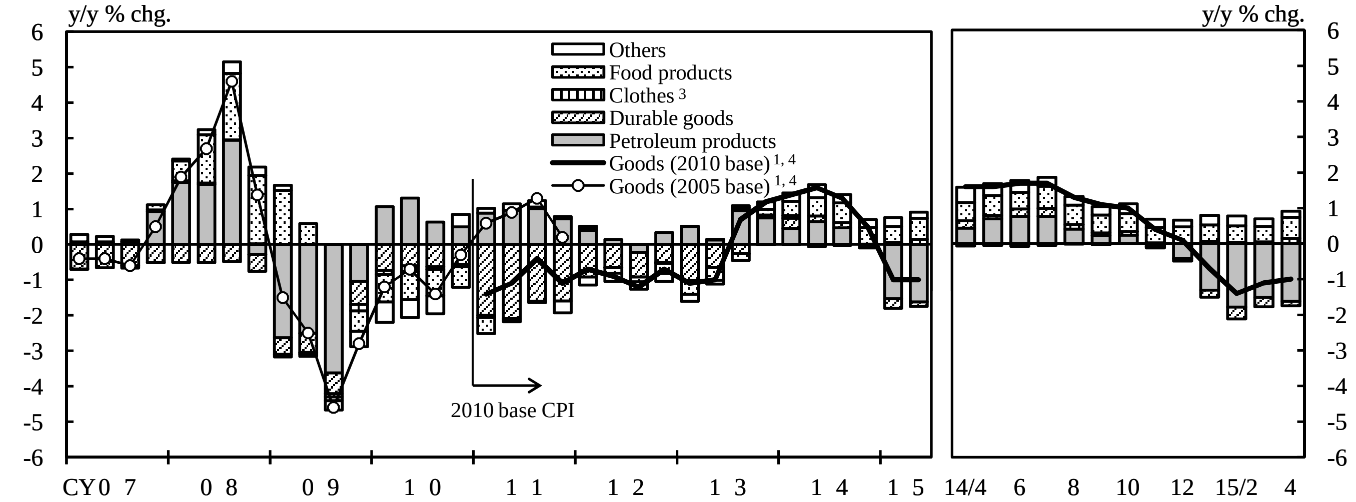
Source: Bank of Japan, "Services Producer Price Index."

Consumer Price Index (Less Fresh Food)

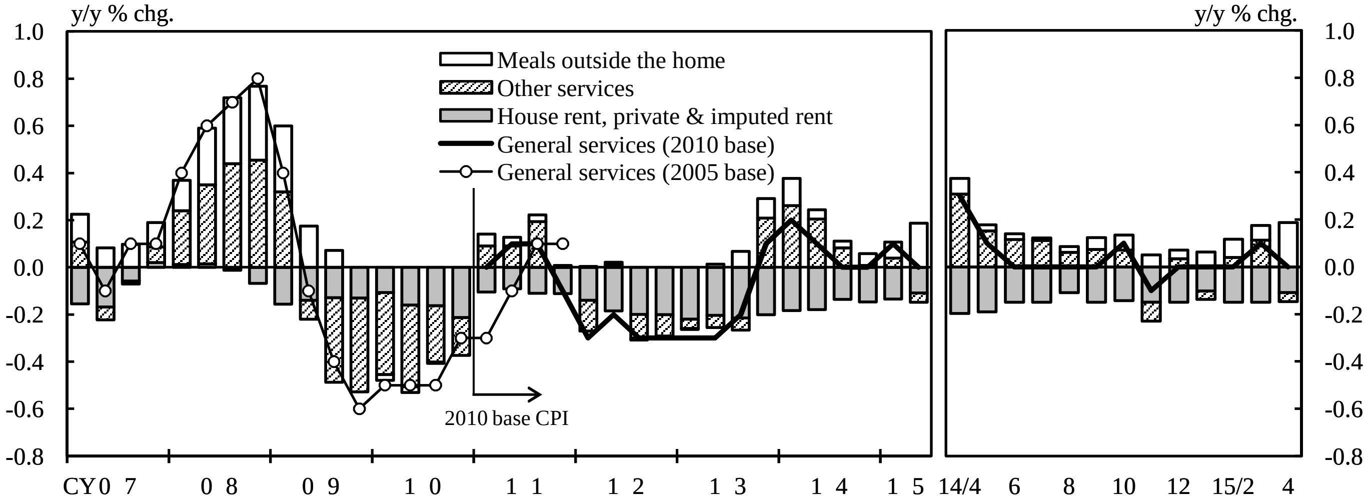
(1) Consumer Price Index (Less Fresh Food)



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



(3) General Services

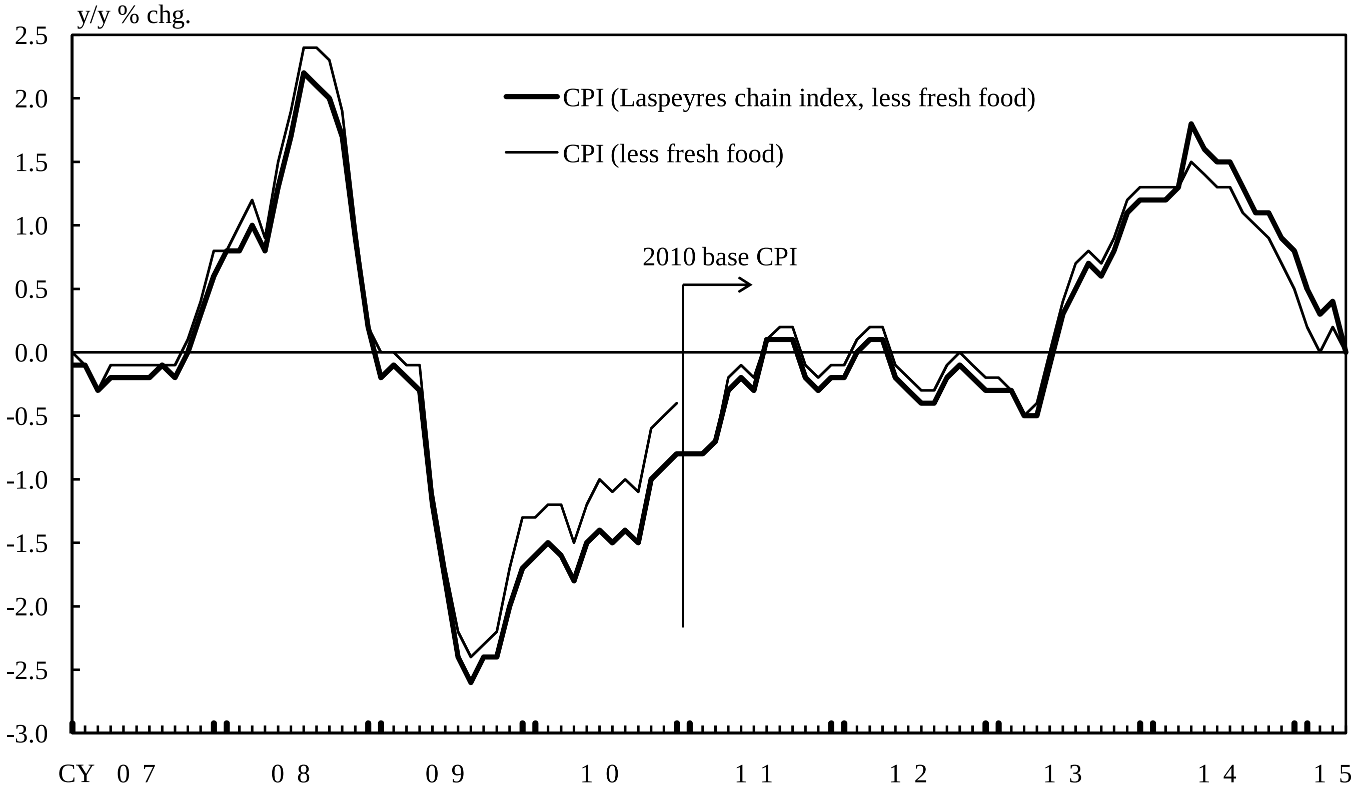


Notes: 1. The items are basically the same as those defined by the Ministry of Internal Affairs and Communications. However, electricity, manufactured & piped gas & water charges are excluded from goods.
2. Alcoholic beverages are excluded from food. Energy: electricity, gas manufactured & piped, liquefied 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 adjusting the direct effects of the consumption tax hike. Figures for 2015/Q2 are those of April.

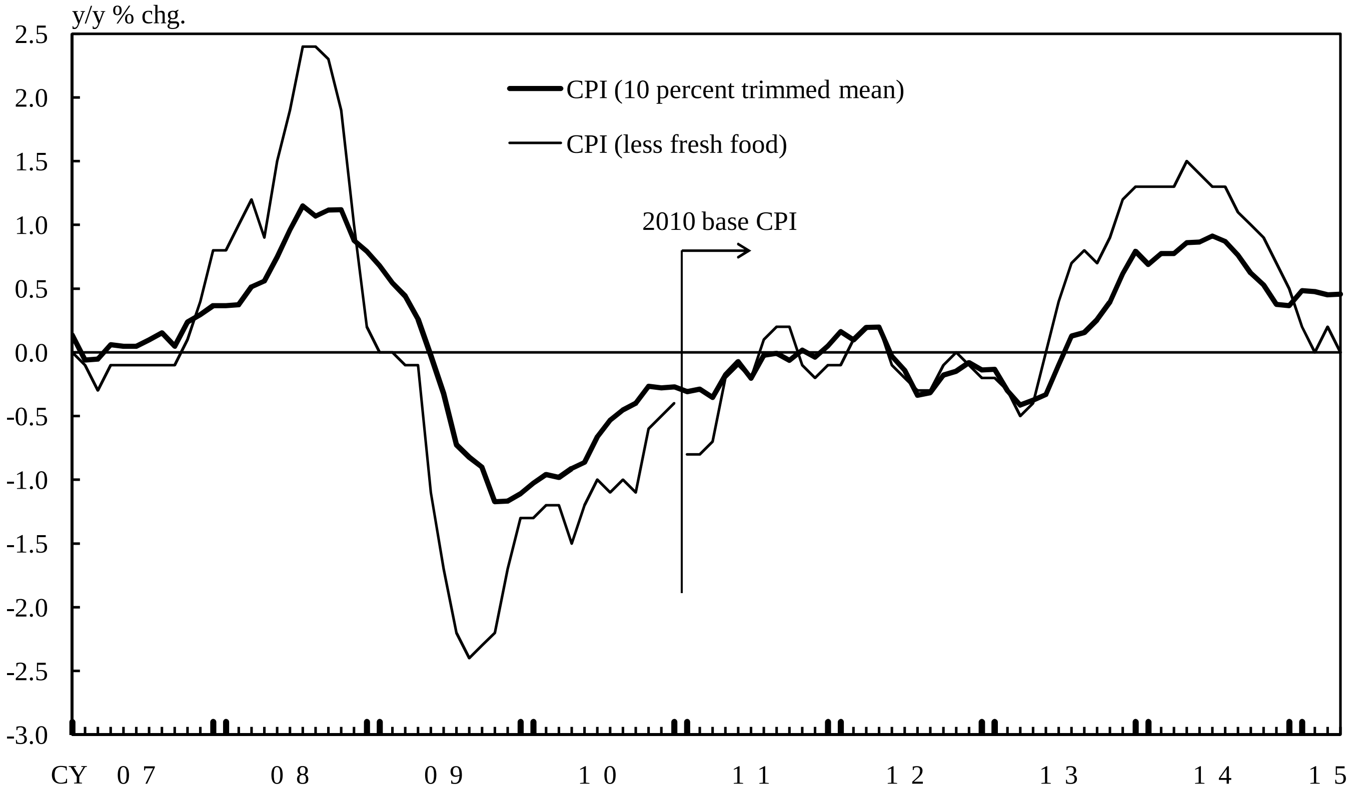
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Trend Changes in Consumer Prices

(1) Laspeyres Chain Index



(2) Trimmed Mean



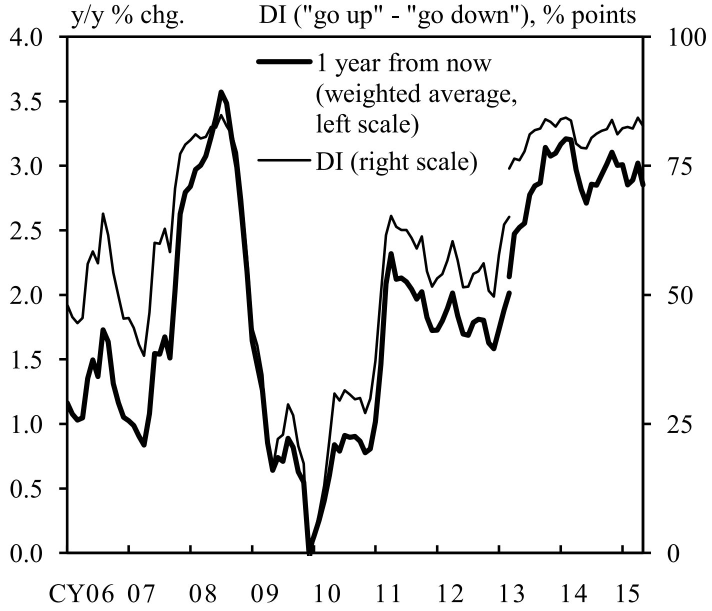
Notes: 1. Figures for the 10 percent trimmed mean are the weighted averages of the year-on-year price changes in individual items making up the CPI. Items are arranged in ascending order of their year-on-year rate of price change and those falling into the upper and lower 10 percent tails by weight are trimmed.
2. 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 adjusting the direct effects of the consumption tax hike.

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

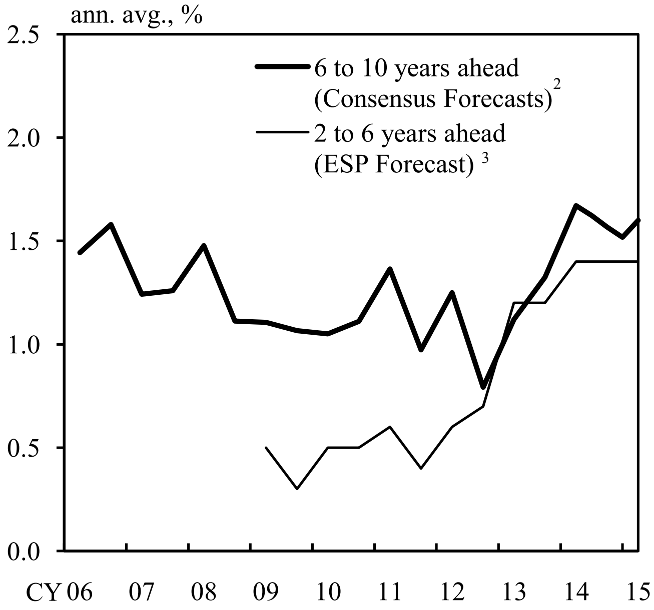
Inflation Expectations

(1) Households

<Consumer Confidence Survey>[1]

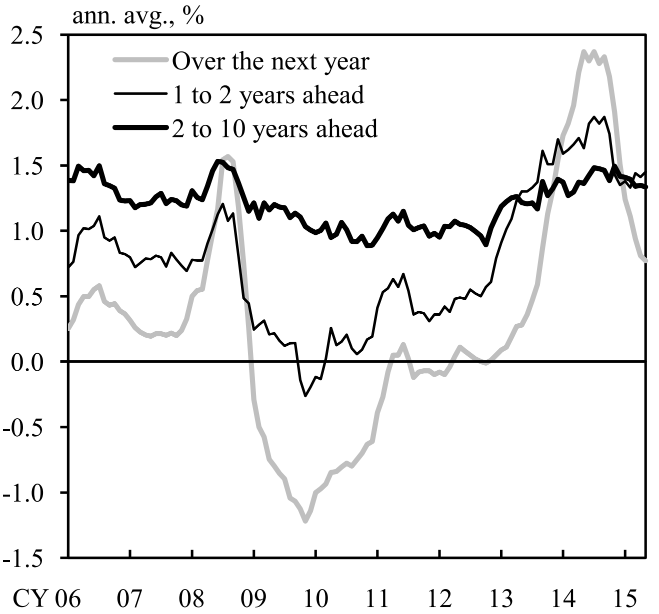


(2) Economists

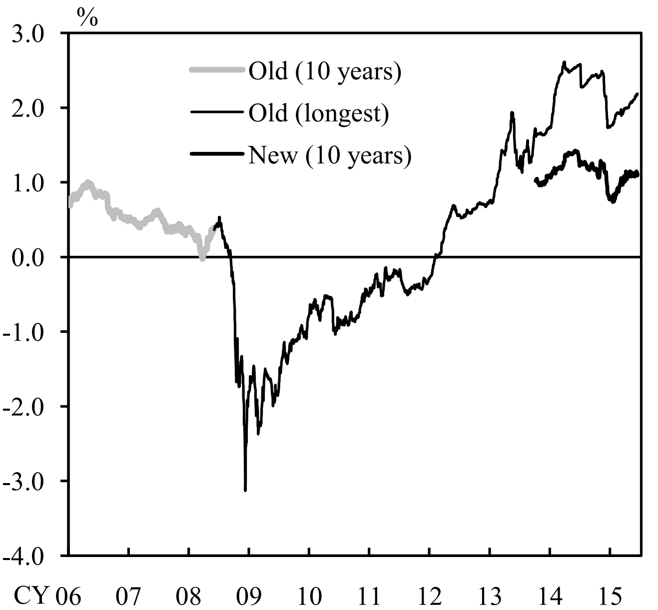


(3) Market Participants

<QUICK Survey>[4]



<BEI for Inflation-Indexed JGBs>[5]



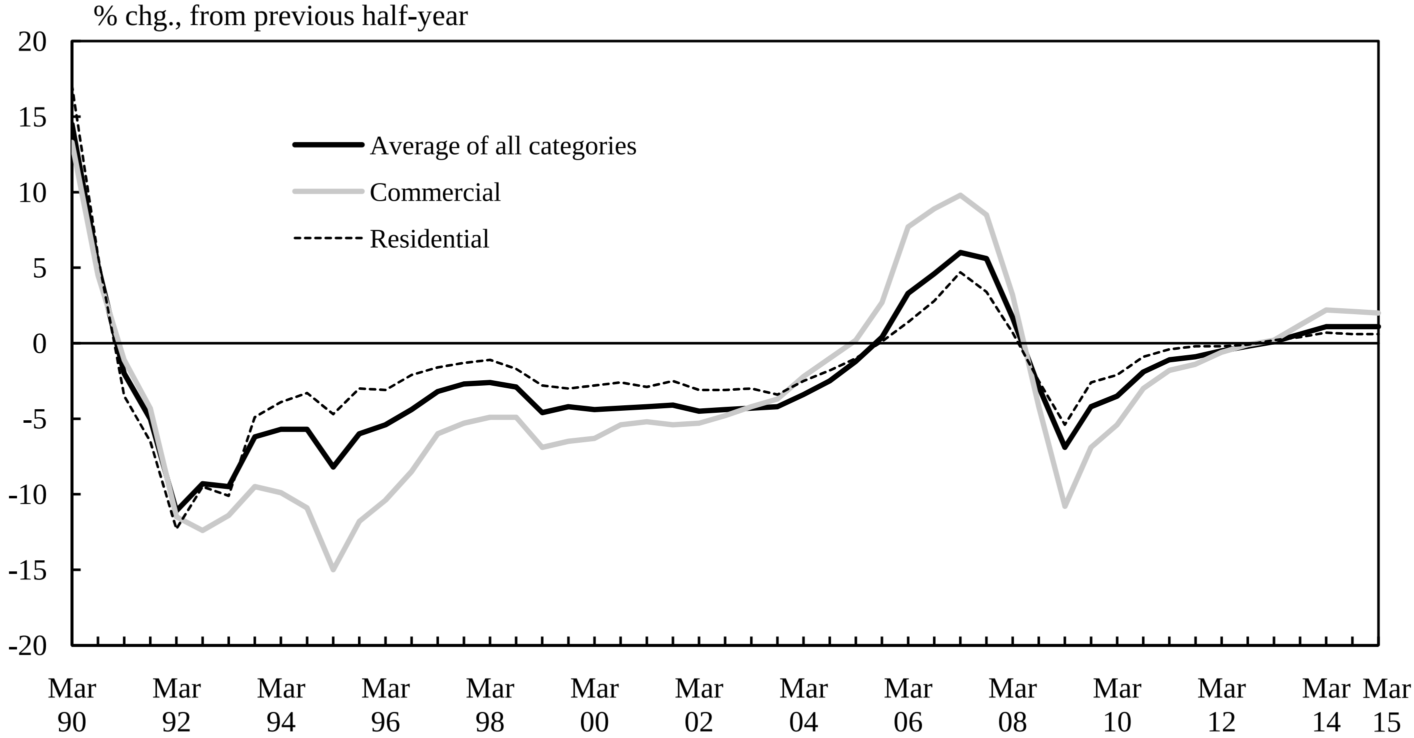
Notes: 1. The Consumer Confidence Survey asks households to provide their price expectations one year from now. Figures are for all households. The weighted average is calculated based on the following assumption: survey responses chosen by households as their expected inflation rates -- "-5% or below," "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. There is discontinuity between figures up to March 2013 and those thereafter due to the change in the survey method in April 2013.

2. Figures are forecasts made every January, April, July, and October. Those up through April 2014 are forecasts made every April and October.
3. Figures are forecasts made every June and December. The effects of the consumption tax hikes are excluded.
4. From the September 2013 survey, the QUICK Monthly Market Survey (Bonds) has asked respondents to include the effects of the consumption tax hikes.
5. 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 inflation-indexed JGBs, which matures in June 2018.

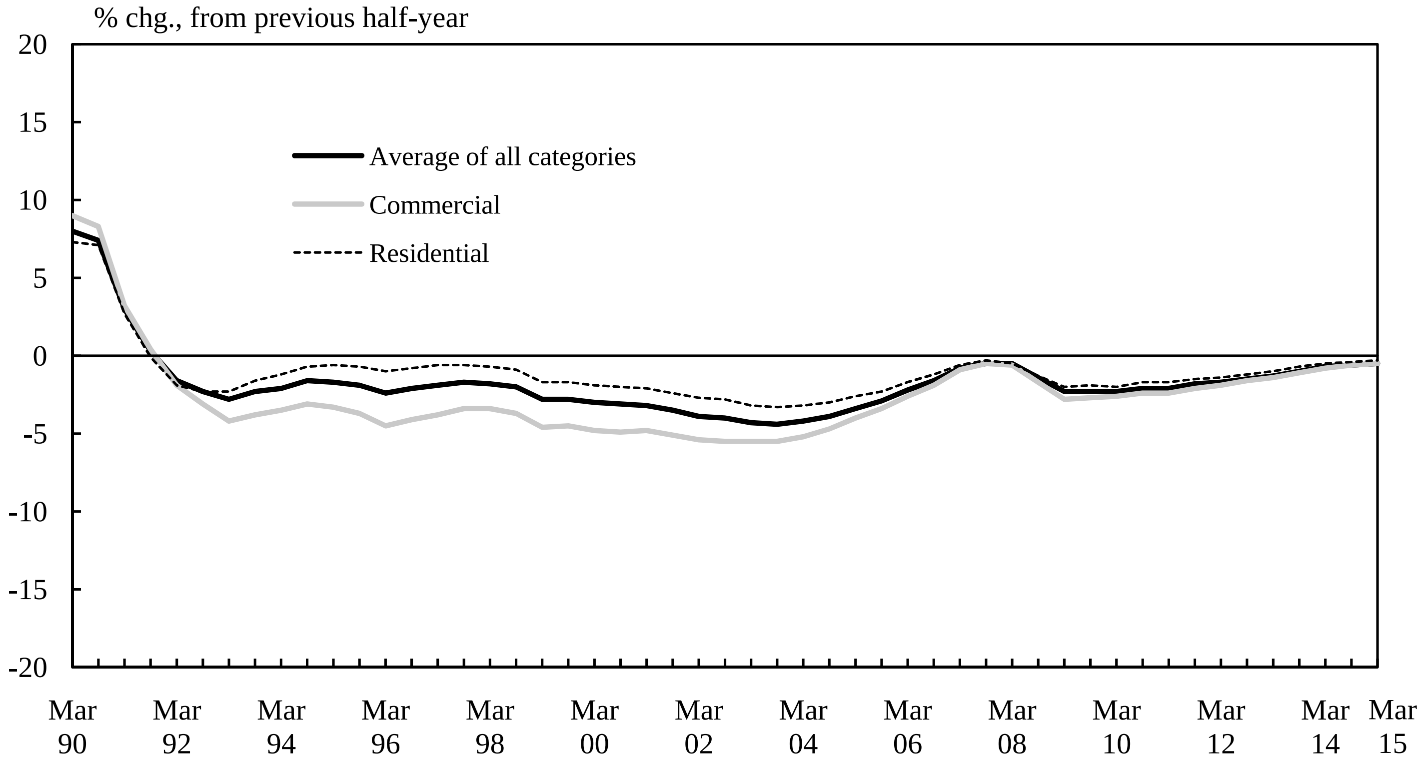
Sources: Cabinet Office, "Consumer Confidence Survey"; Consensus Economics Inc., "Consensus Forecasts"; JCER, "ESP Forecast"; QUICK, "QUICK Monthly Market Survey (Bonds)"; Bloomberg.

Urban Land Price Index

(1) Six Large City Areas



(2) Excluding Six Large City Areas

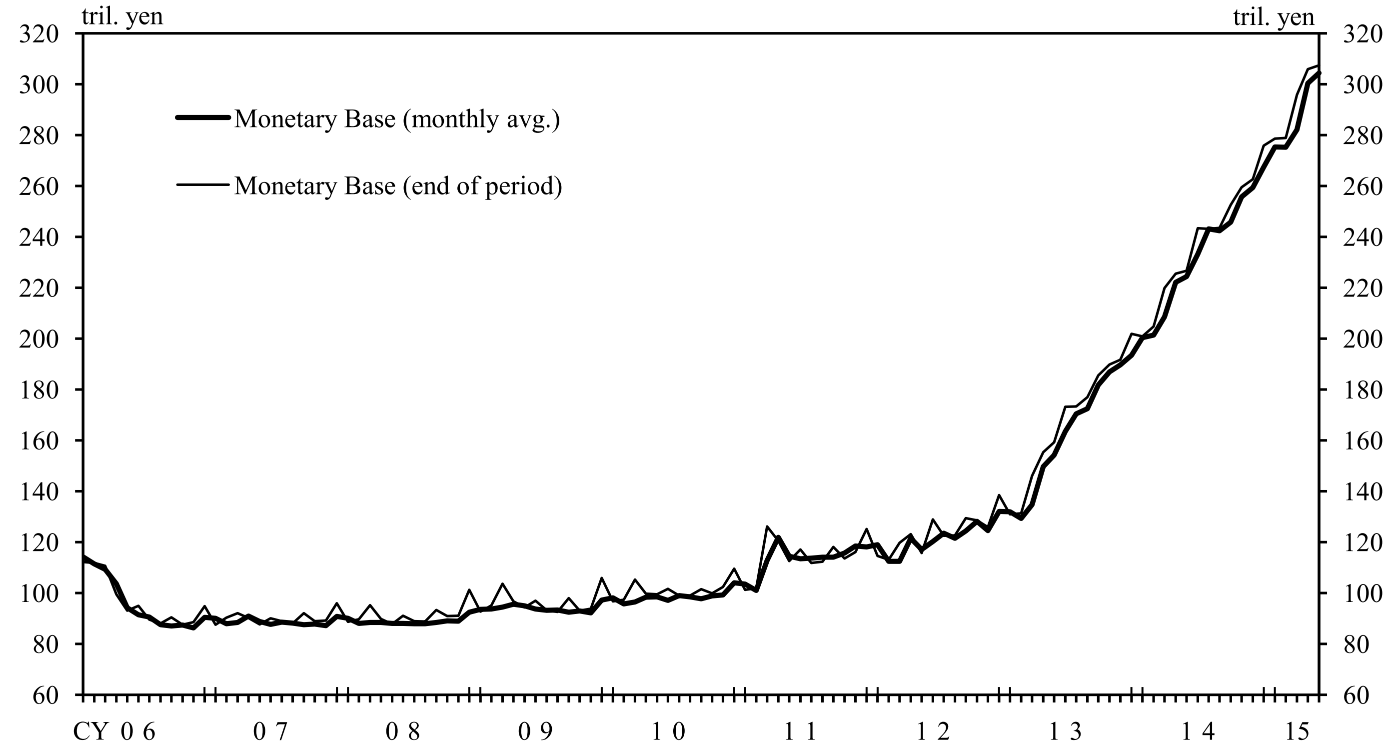


Notes: 1. The Urban Land Price Index is based on surveys conducted at the end of March and September each year.
2. Six Large City Areas are Tokyo Metropolitan wards, Yokohama, Nagoya, Kyoto, Osaka, and Kobe.

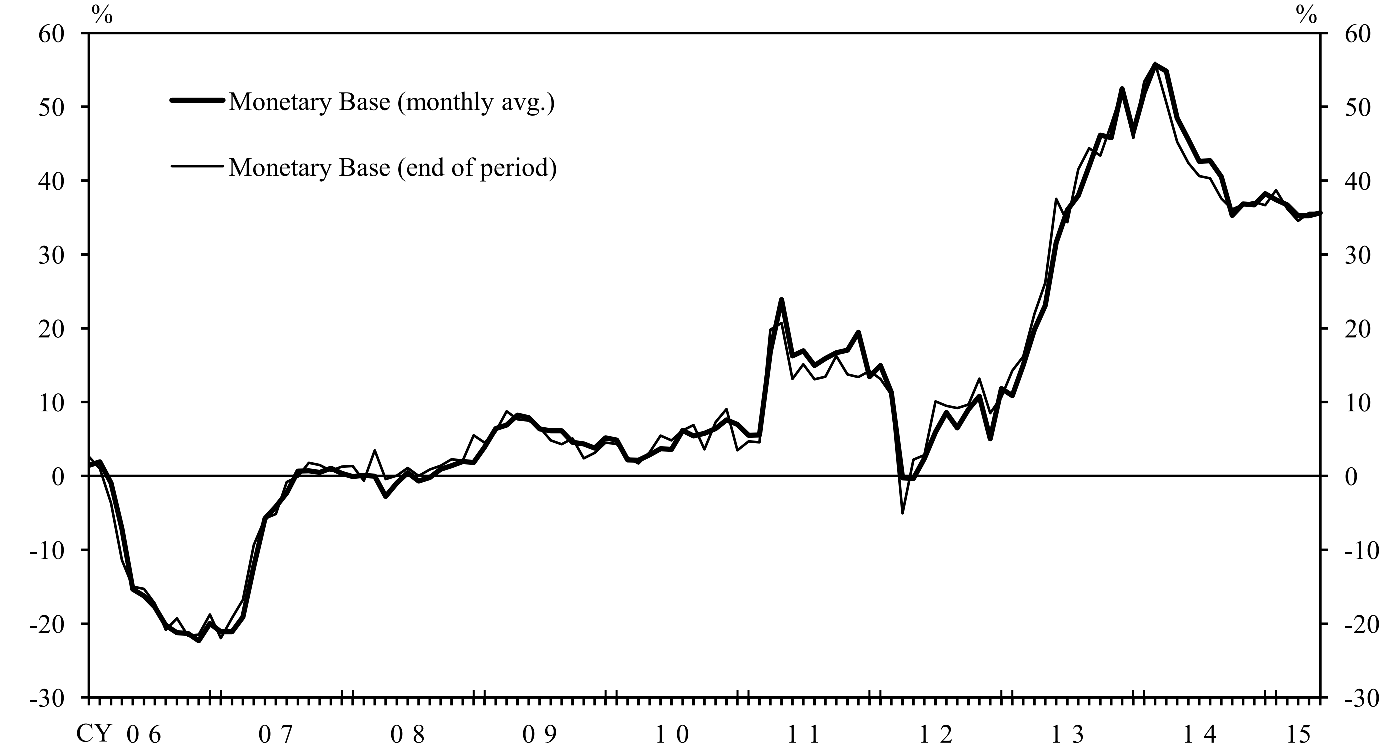
Source: Japan Real Estate Institute, "Urban Land Price Index."

Monetary Base

(1) Level



(2) Changes from a Year Earlier

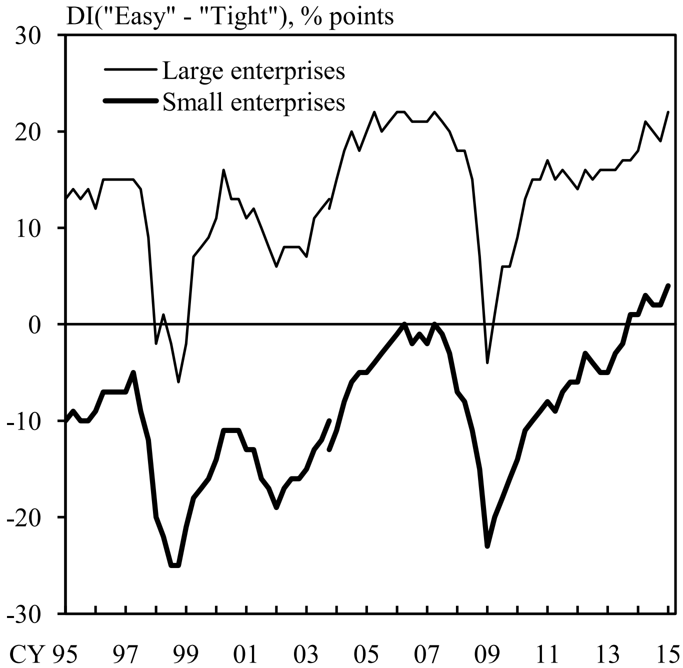


Source: Bank of Japan.

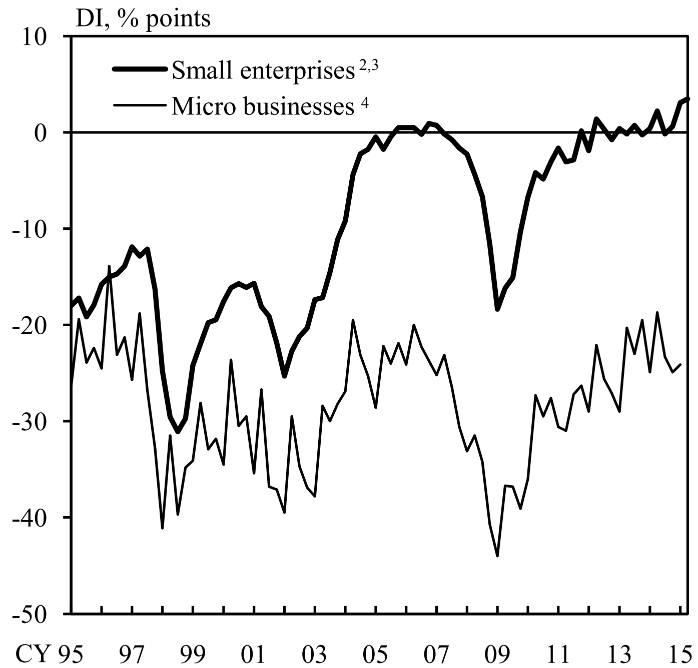
Corporate Finance-Related Indicators

(1) Financial Position

<Tankan[1]>

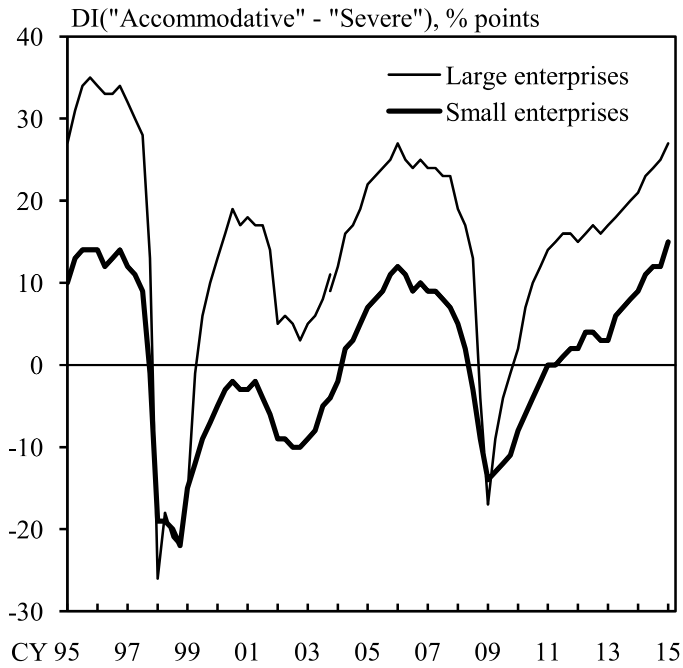


<Japan Finance Corporation Survey>

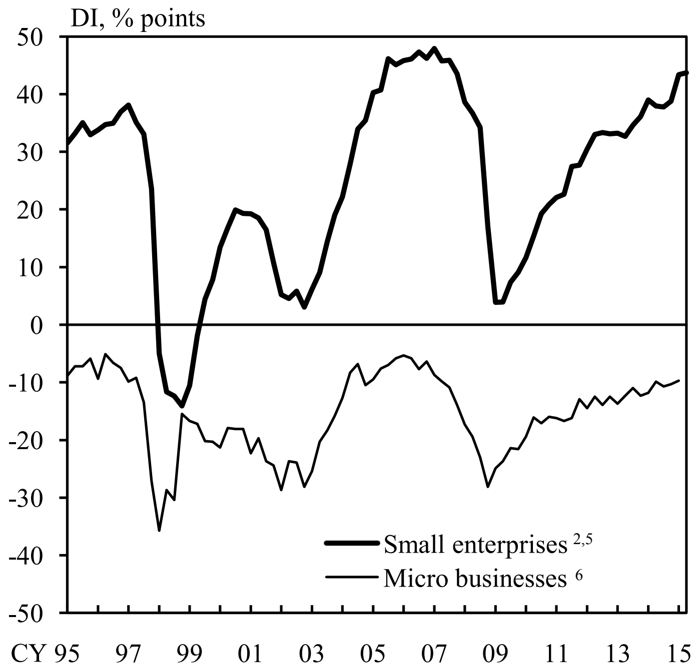


(2) Lending Attitude of Financial Institutions as Perceived by Firms

<Tankan[1]>



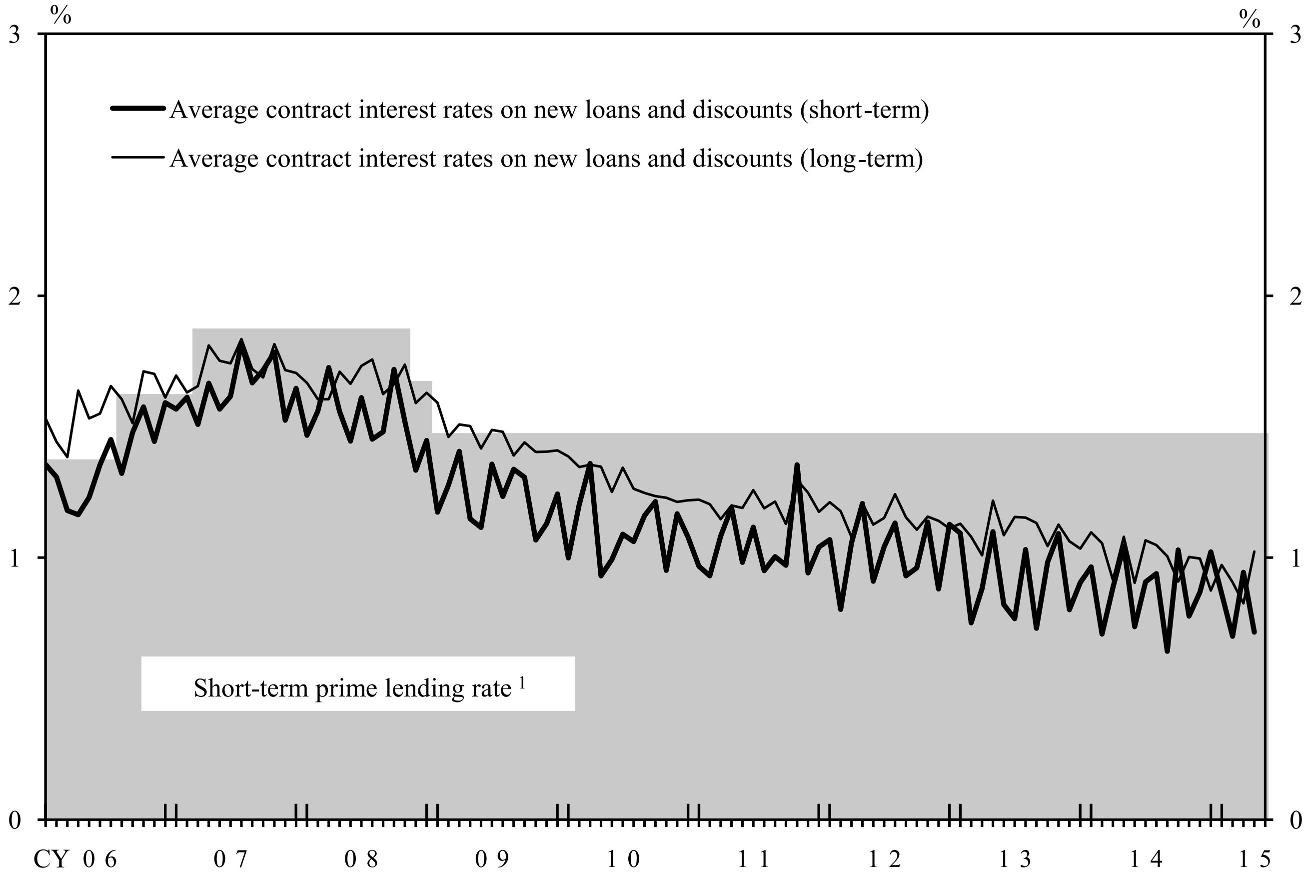
<Japan Finance Corporation Survey>



Notes: 1. Data of the "Tankan" are based on all industries. The "Tankan" has been revised from the March 2004 survey. Figures up to the December 2003 survey are based on the previous data sets. Figures from the December 2003 survey are on the new basis.
2. Figures are quarterly averages of monthly data. Figures for 2015/Q2 are those of April-May averages.
3. DI of "Easy" - "Tight."
4. DI of "Easier" - "Tighter."
5. DI of "Accommodative" - "Severe."
6. DI of "More accommodative" - "More severe."

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

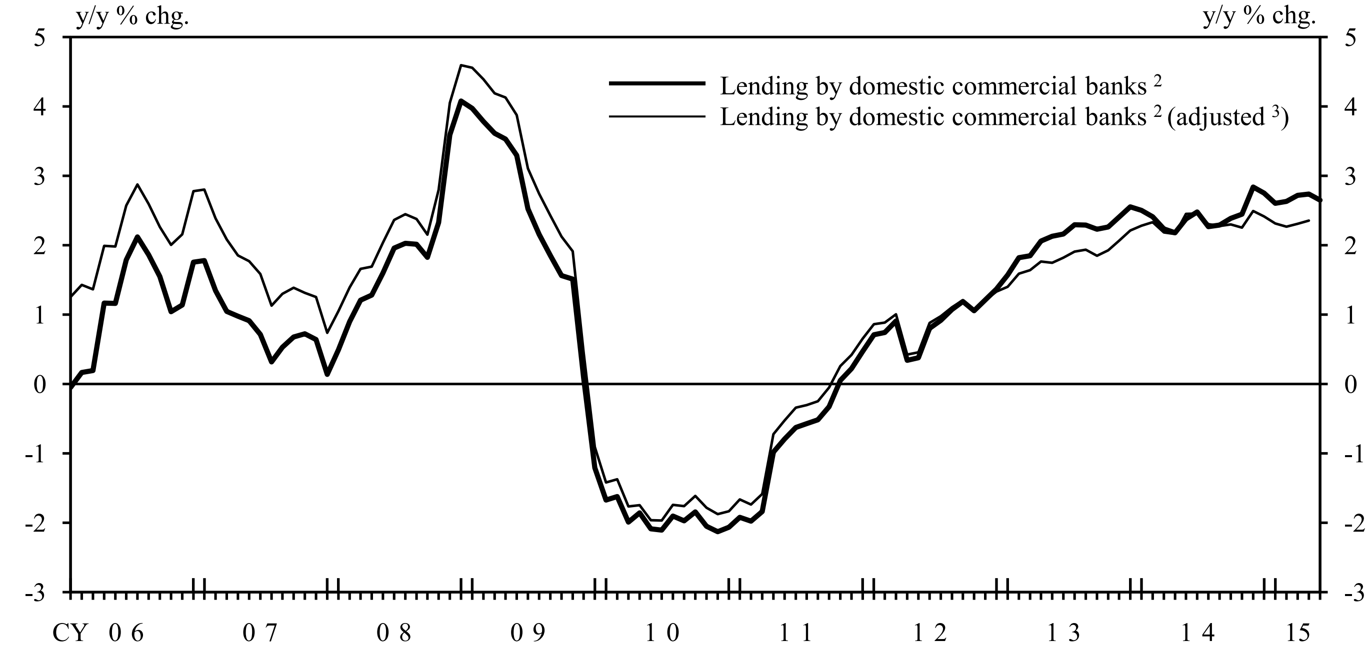
Lending Rates



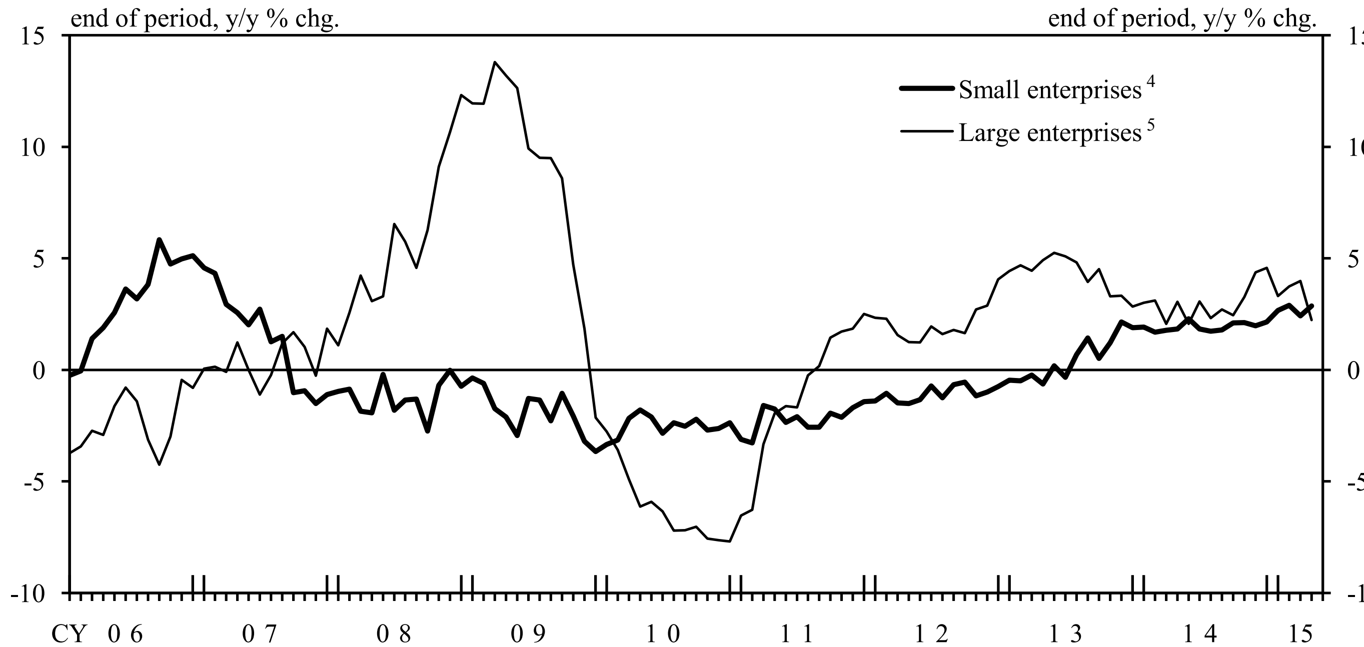
Note: 1. Data are at end of period.
Source: Bank of Japan.

Lending by Financial Institutions

(1) Lending by Domestic Commercial Banks[1]



(2) Lending by Domestically Licensed Banks (by Firm Size)



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.

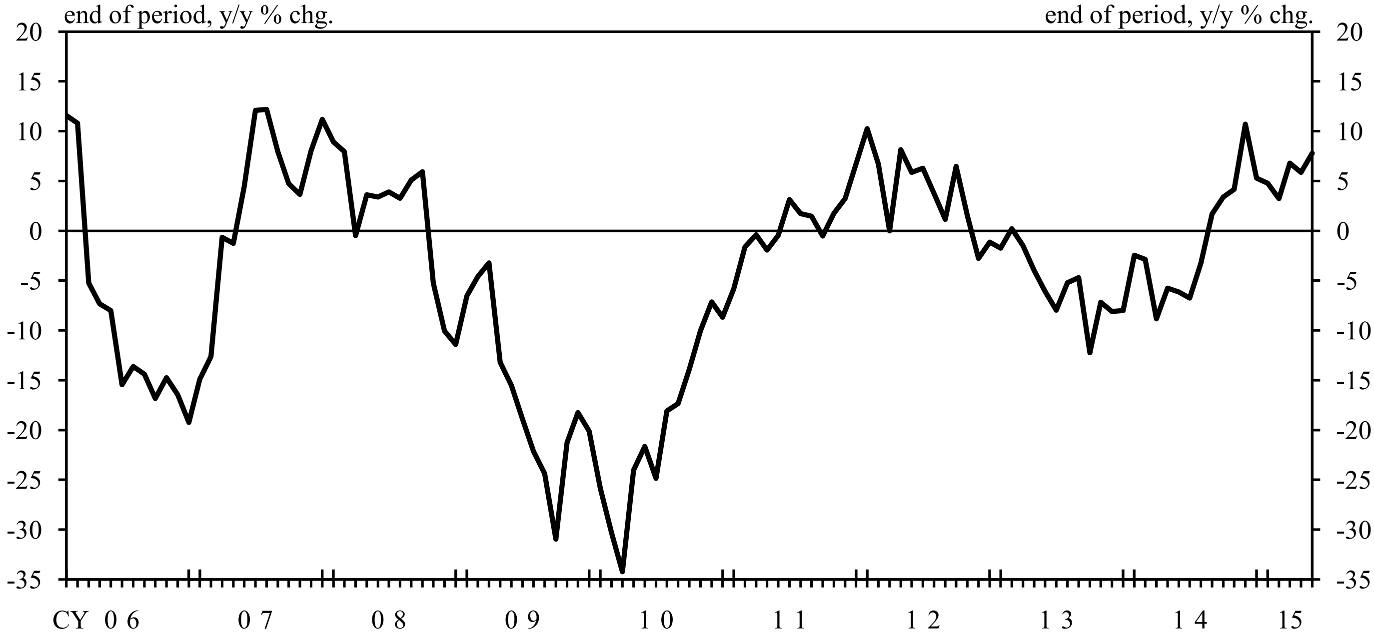
4. Small enterprises are those capitalized at 300 million yen or less or with regular employees of 300 persons or less ("wholesale trade" capitalized at 100 million yen or less or with regular employees of 100 persons or less, "retail trade" and "eating and drinking services" capitalized at 50 million yen or less or with regular employees of 50 persons or less, and "goods rental and leasing," etc. capitalized at 50 million yen or less or with regular employees of 100 persons or less).

5. Other than small enterprises.

Source: Bank of Japan.

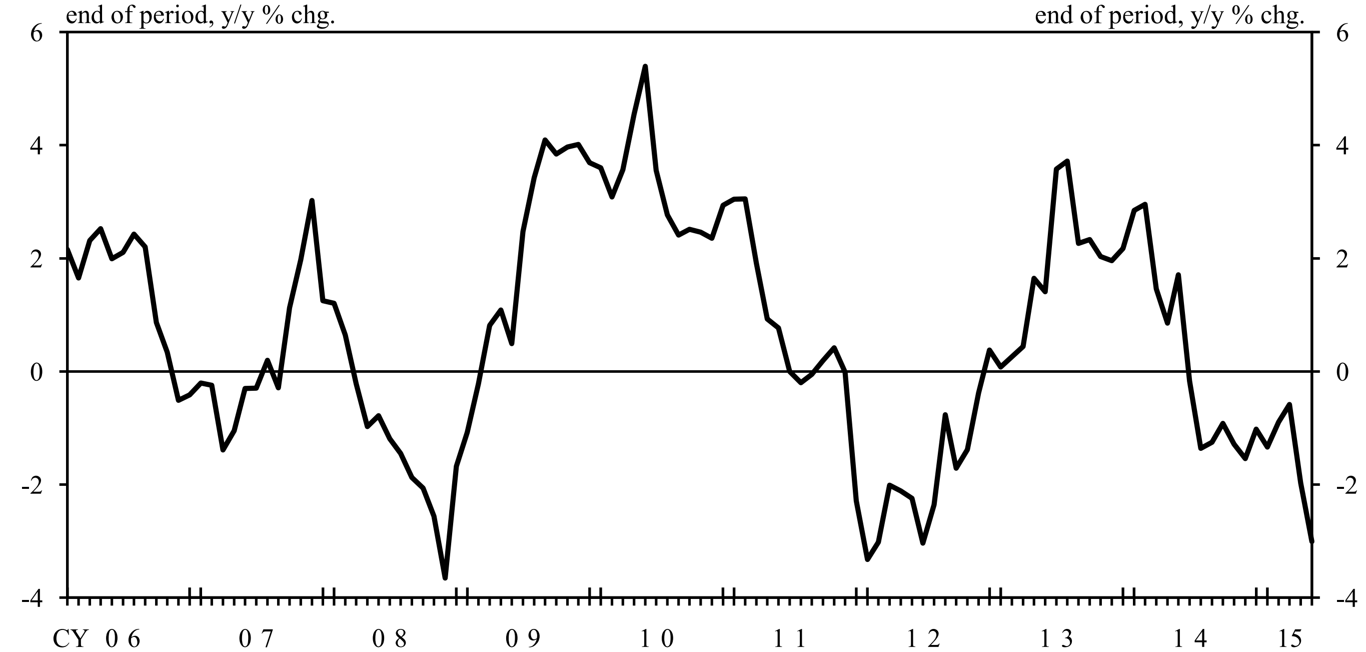
Private-Sector Fund-Raising in the Capital Markets

(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.

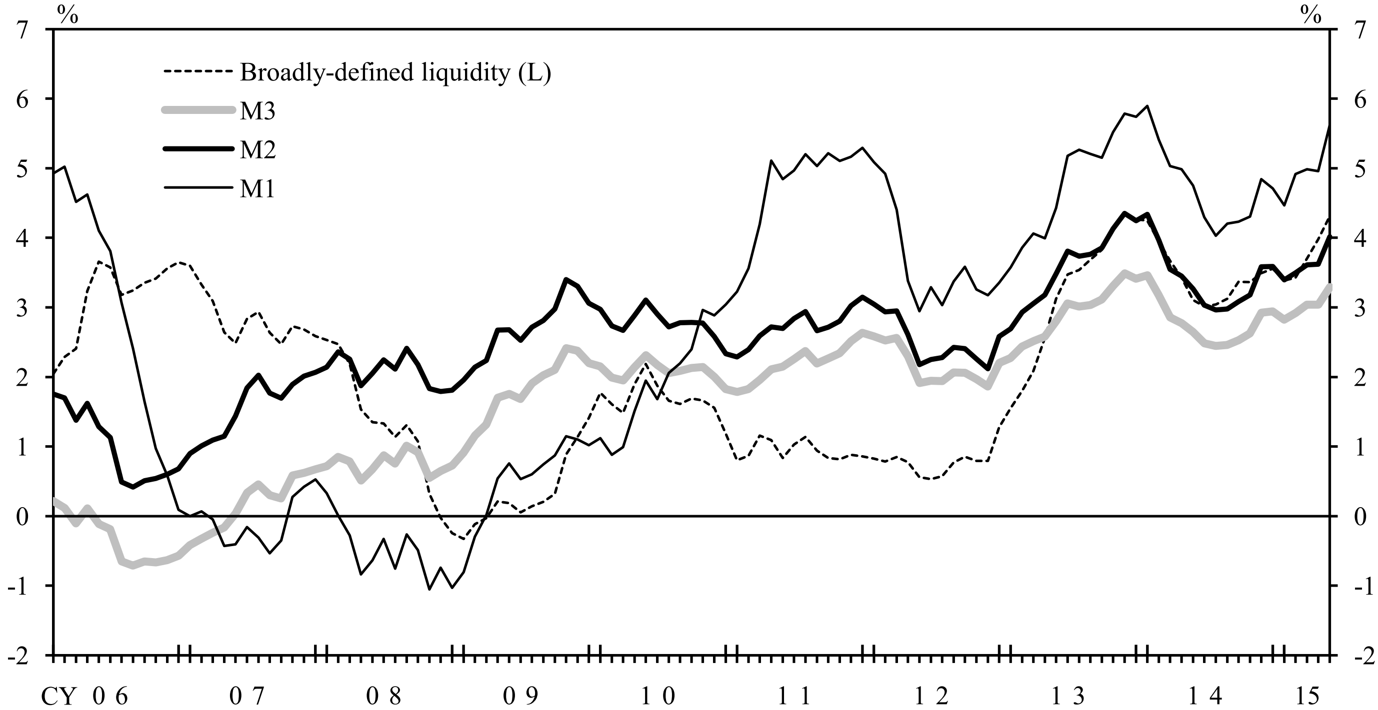
(2) Bonds issued by banks and insurance companies are excluded.

(3) Domestic bonds are those registered at the book-entry transfer system. The series is spliced at April 2008 with the one published by the Japan Securities Dealers Association.

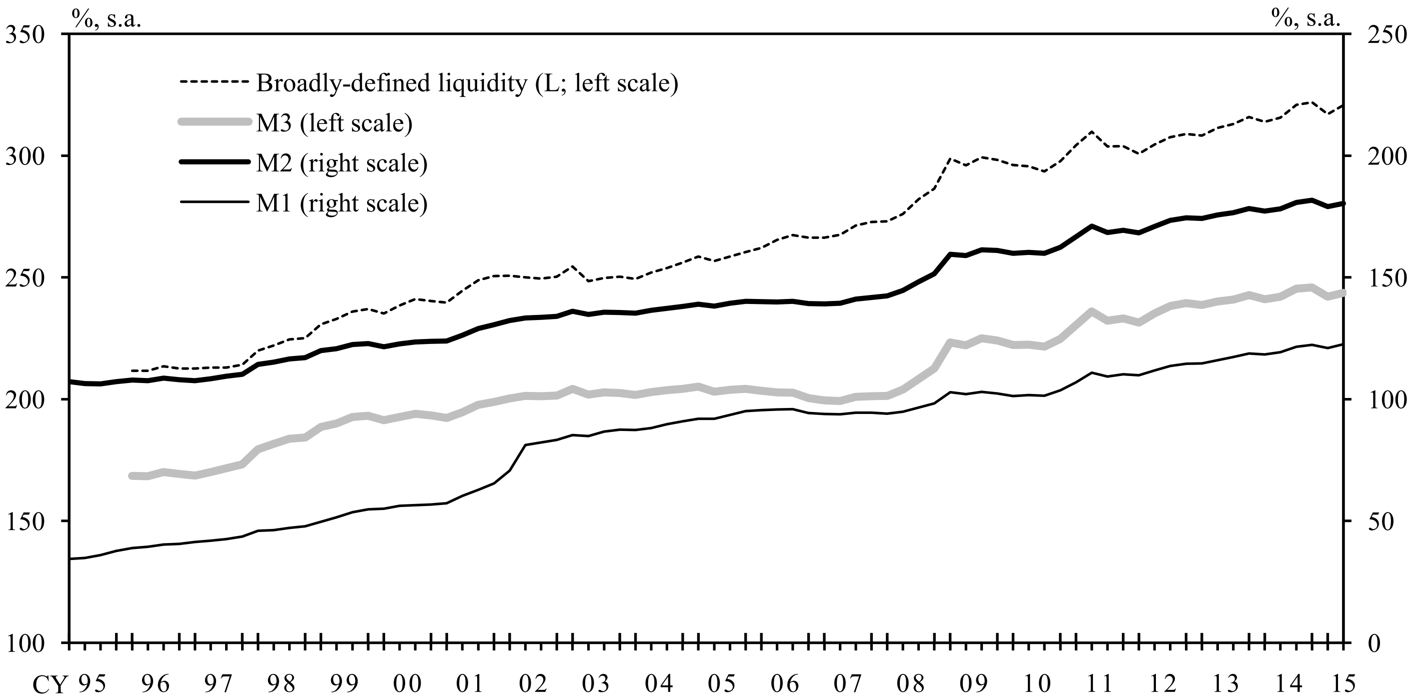
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category";
Bank of Japan, "Principal Figures of Financial Institutions";
Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts of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

Money Stock

(1) Changes from a Year Earlier



(2) Ratio of Money Stock to Nominal GDP



Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.

2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.

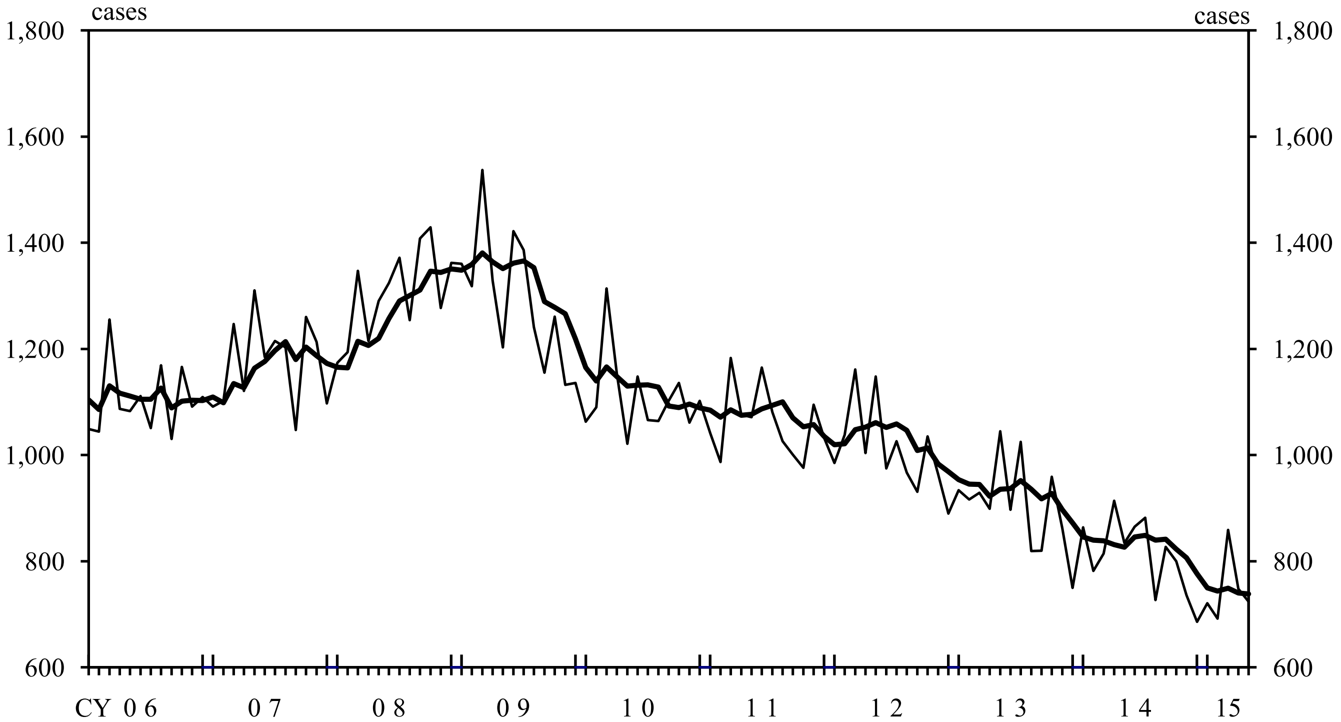
3. The figures up to March 2003 are based on the former series.

4. Figures for money stock in 2015/Q2 are those of Apr.-May averages, and nominal GDP in 2015/Q2 is assumed to be unchanged from the previous quarter.

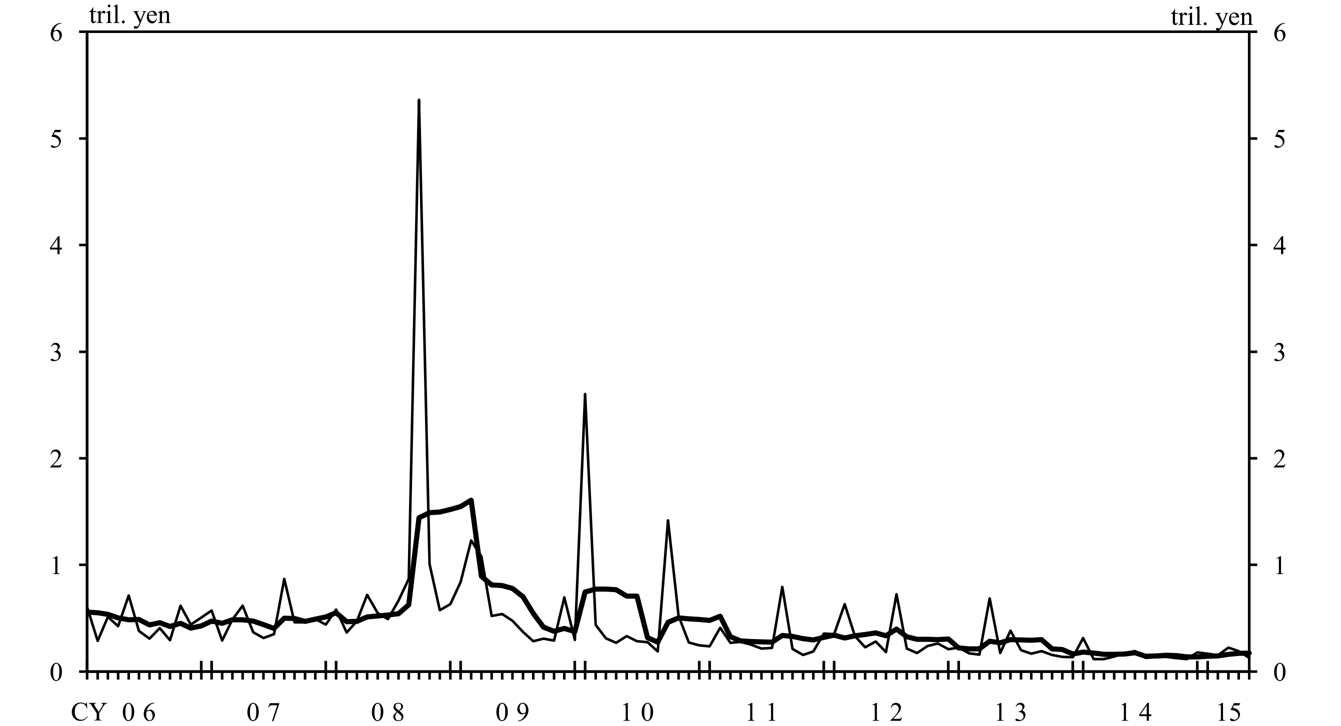
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



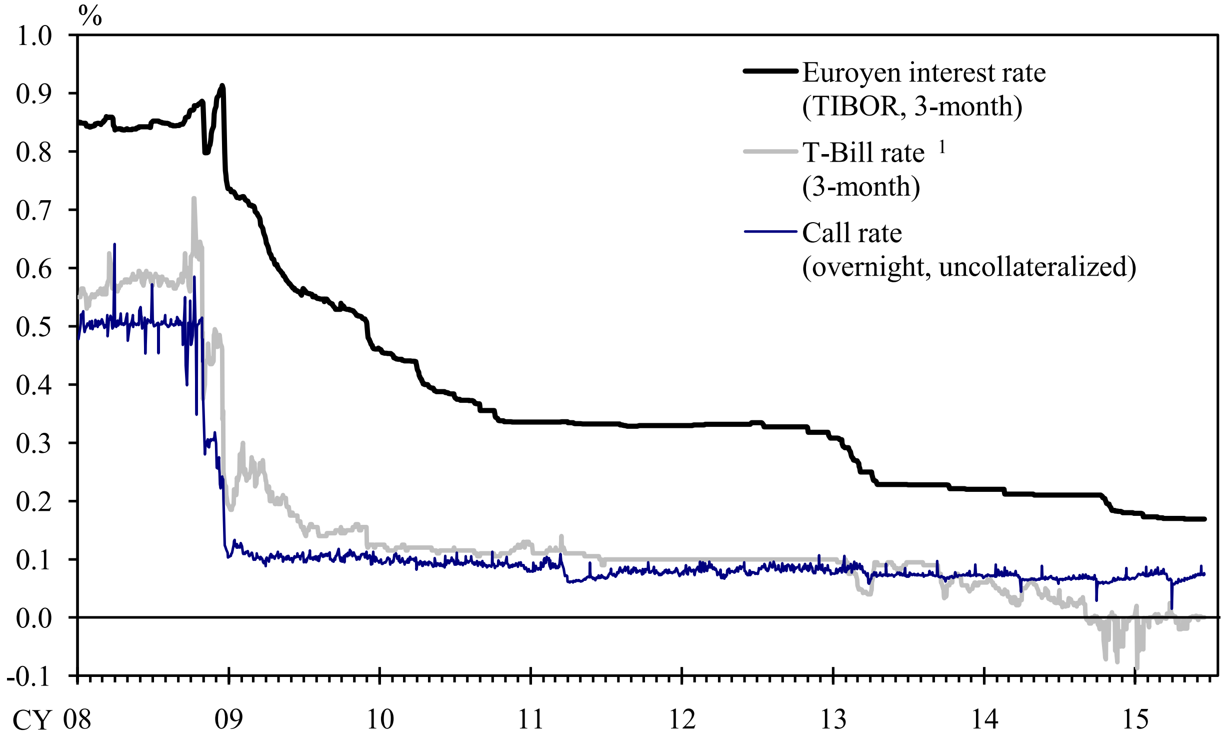
(2) Amount of Liabilities



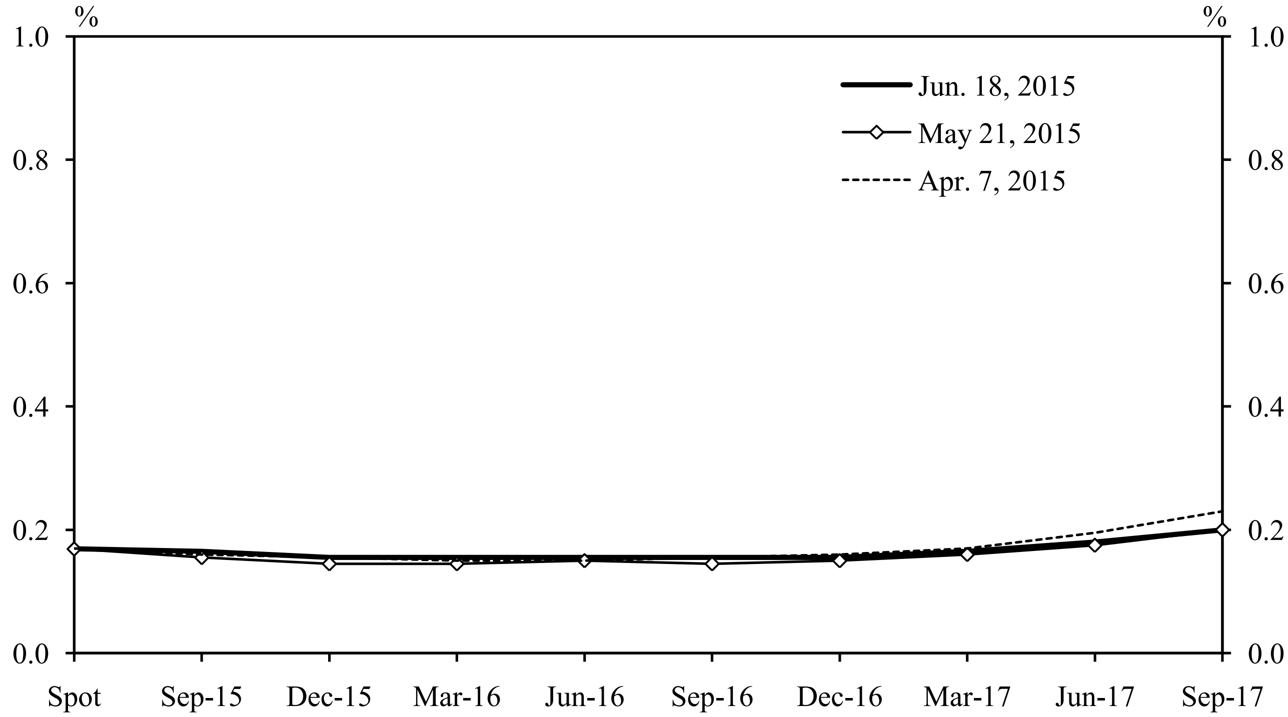
Note: Bold lines are the six-month moving average.
Source: Tokyo Shoko Research Ltd., "*Tosan Geppo* (Monthly review of corporate bankruptcies)."

Short-Term Interest Rates

(1) Short-Term Interest Rates



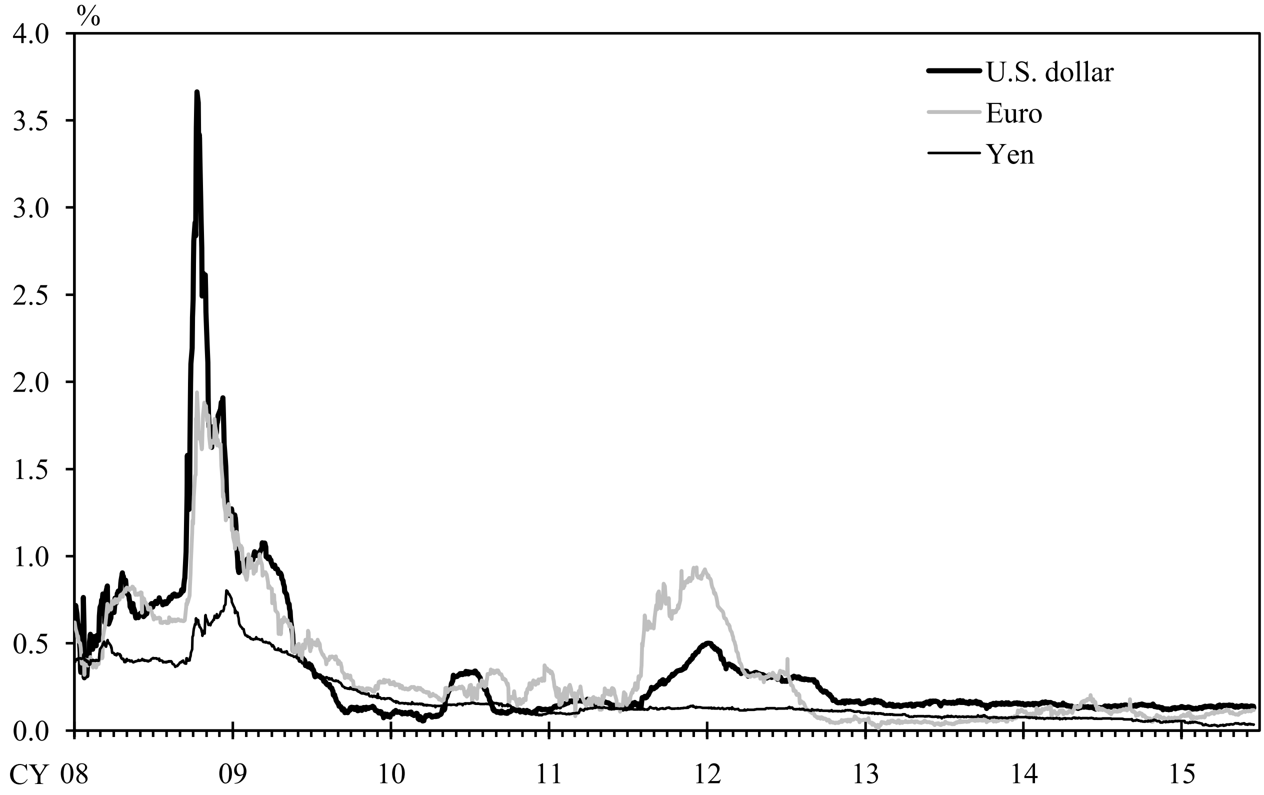
(2) Euroyen Interest Rate Futures (3-Month)



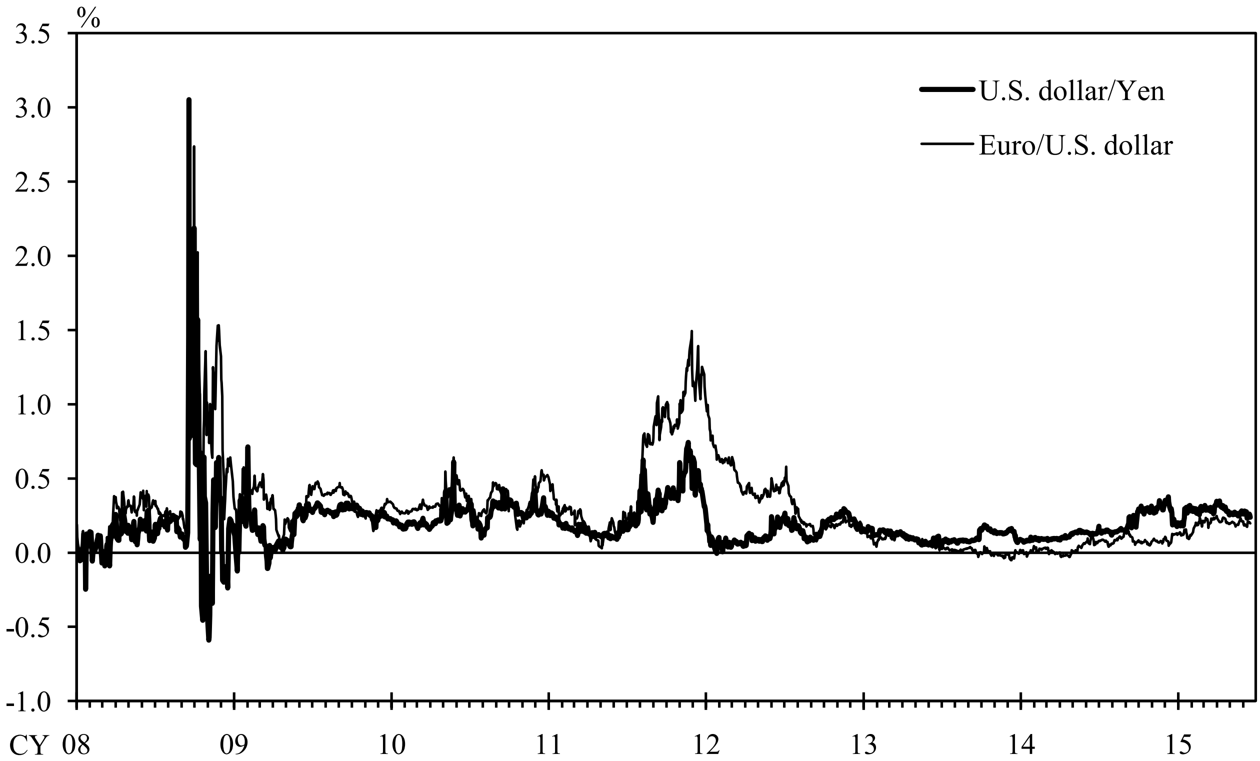
Note: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.
Sources: Japanese Bankers Association; JBA TIBOR Administration; Japan Bond Trading Co., Ltd.; Tokyo Financial Exchange; Bank of Japan.

Global Money Markets

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



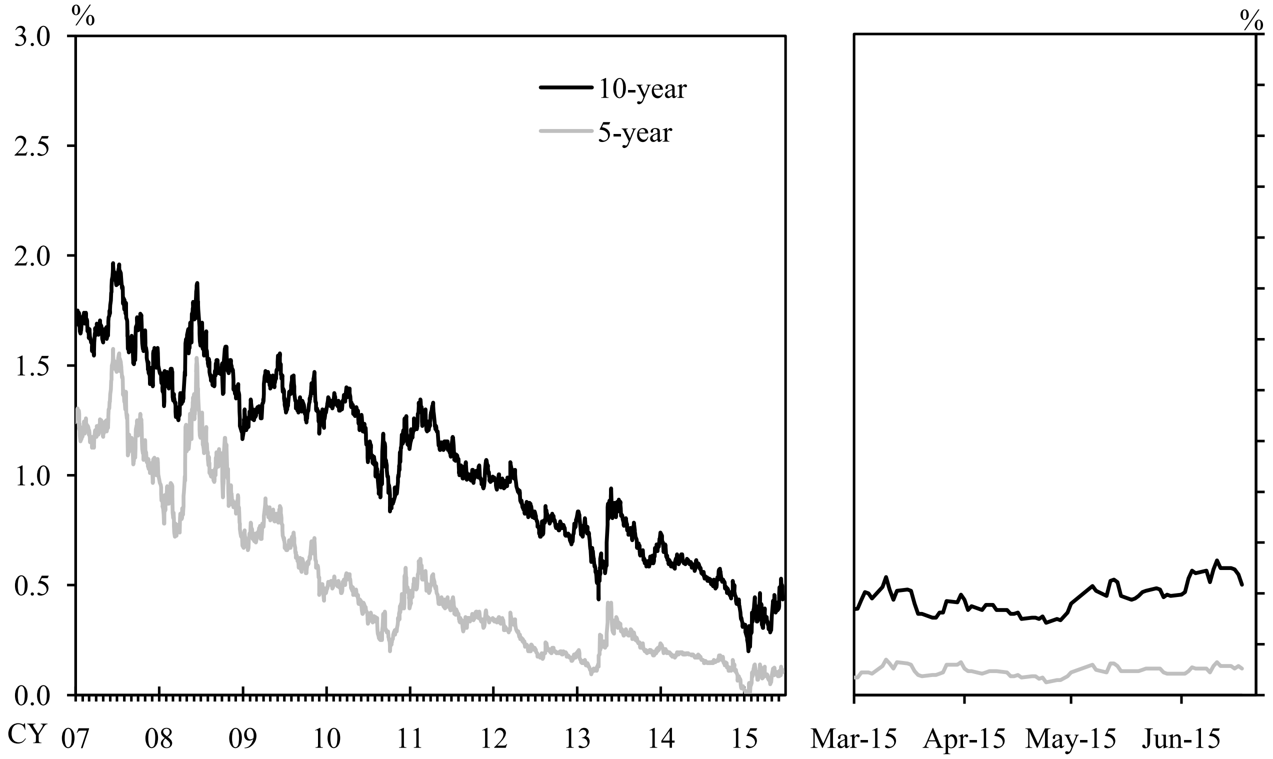
(2) FX swap implied dollar rate - LIBOR spreads (3-Month)



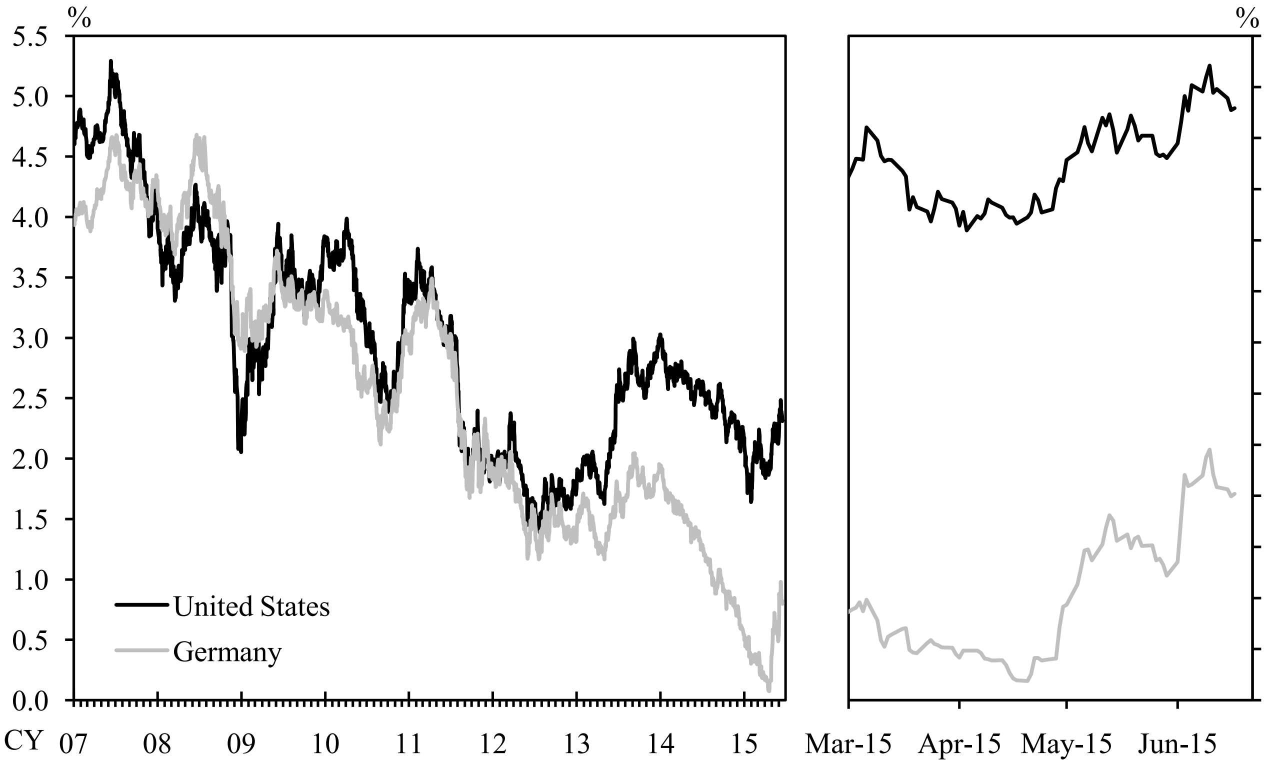
Source: Bloomberg.

Long-Term Interest Rates

(1) Japanese Government Bond Yields[1]



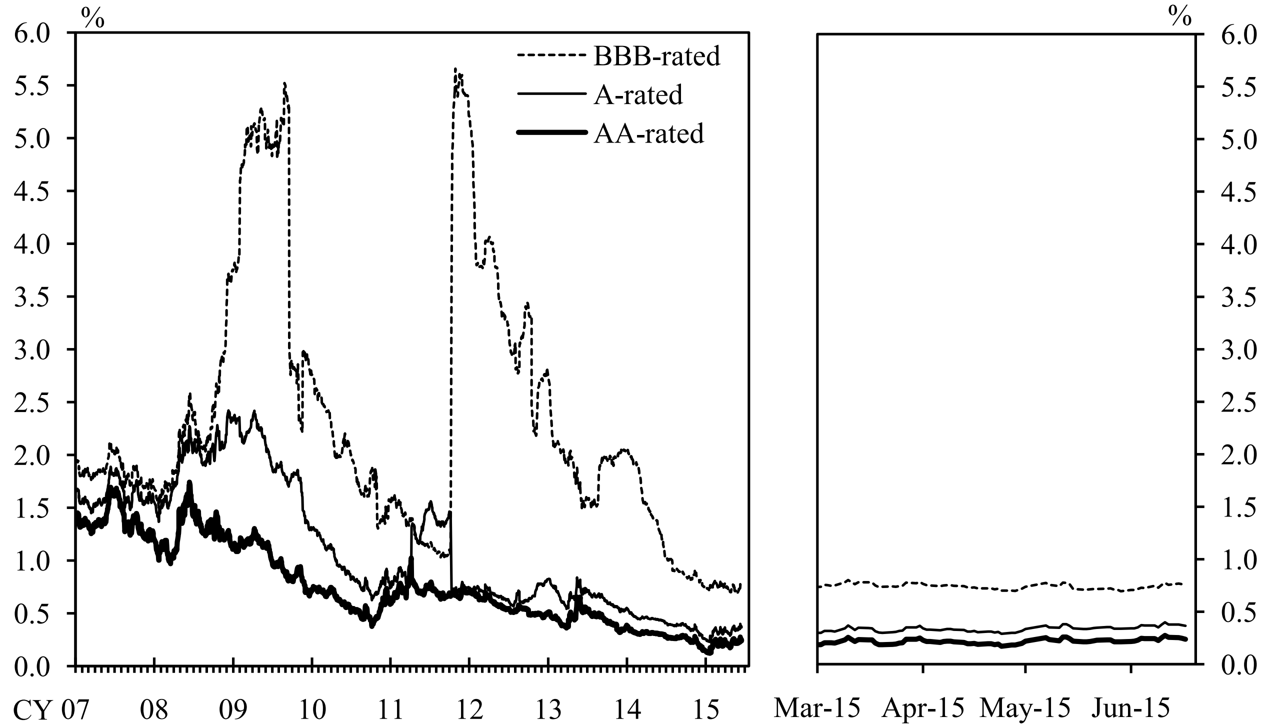
(2) Overseas Government Bond Yields (10-Year)



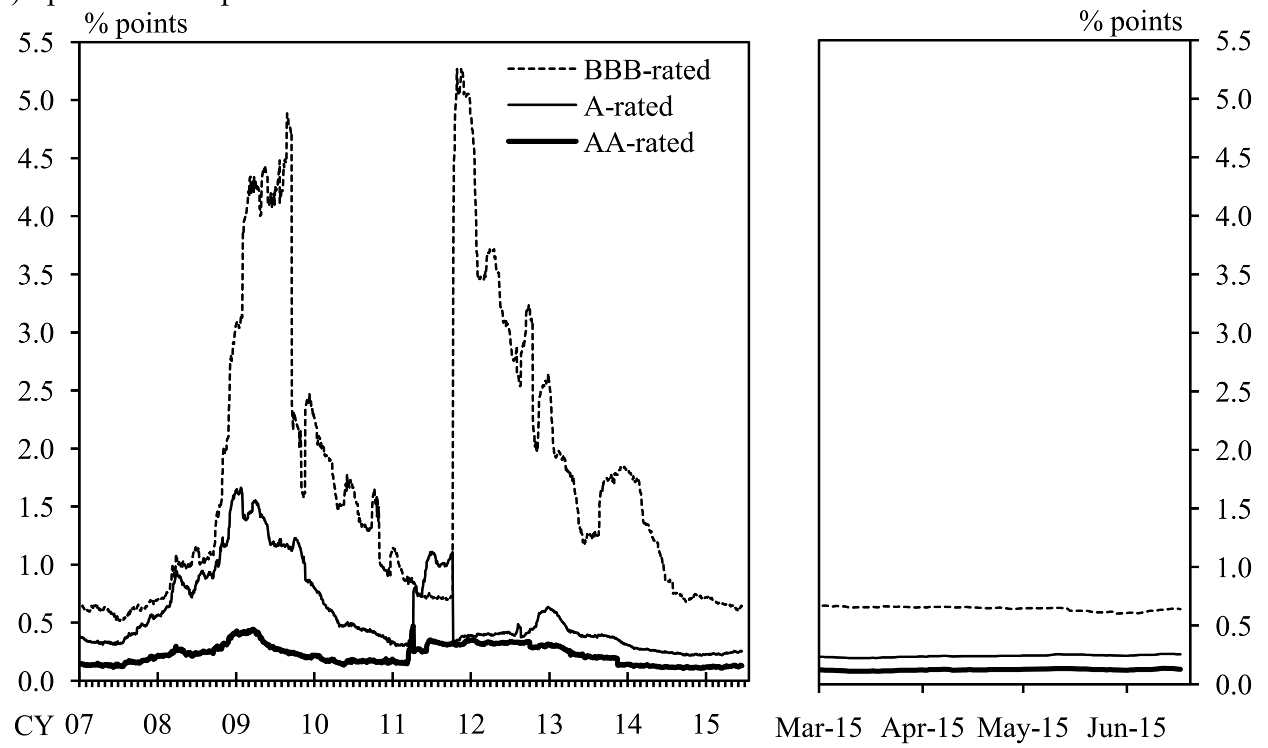
Note: 1. Yields on newly issued bonds.
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

Yields of Corporate Bonds

(1) Corporate Bond Yields[1,2]



(2) Spreads of Corporate Bond Yields over Government Bond Yields[1,2]

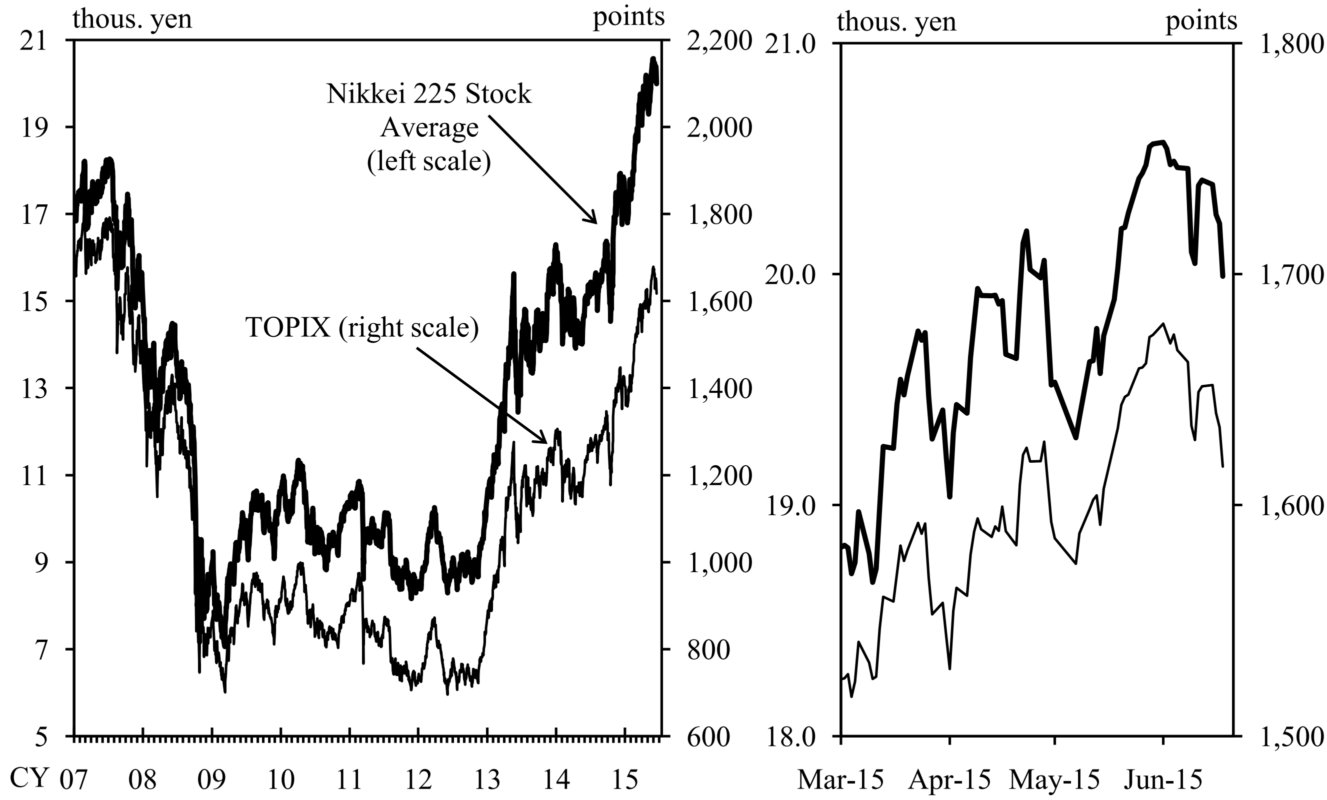


Notes: 1. Yields on bonds with 5-year maturity.
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.
2. The indicated ratings are of Rating and Investment Information, Inc.

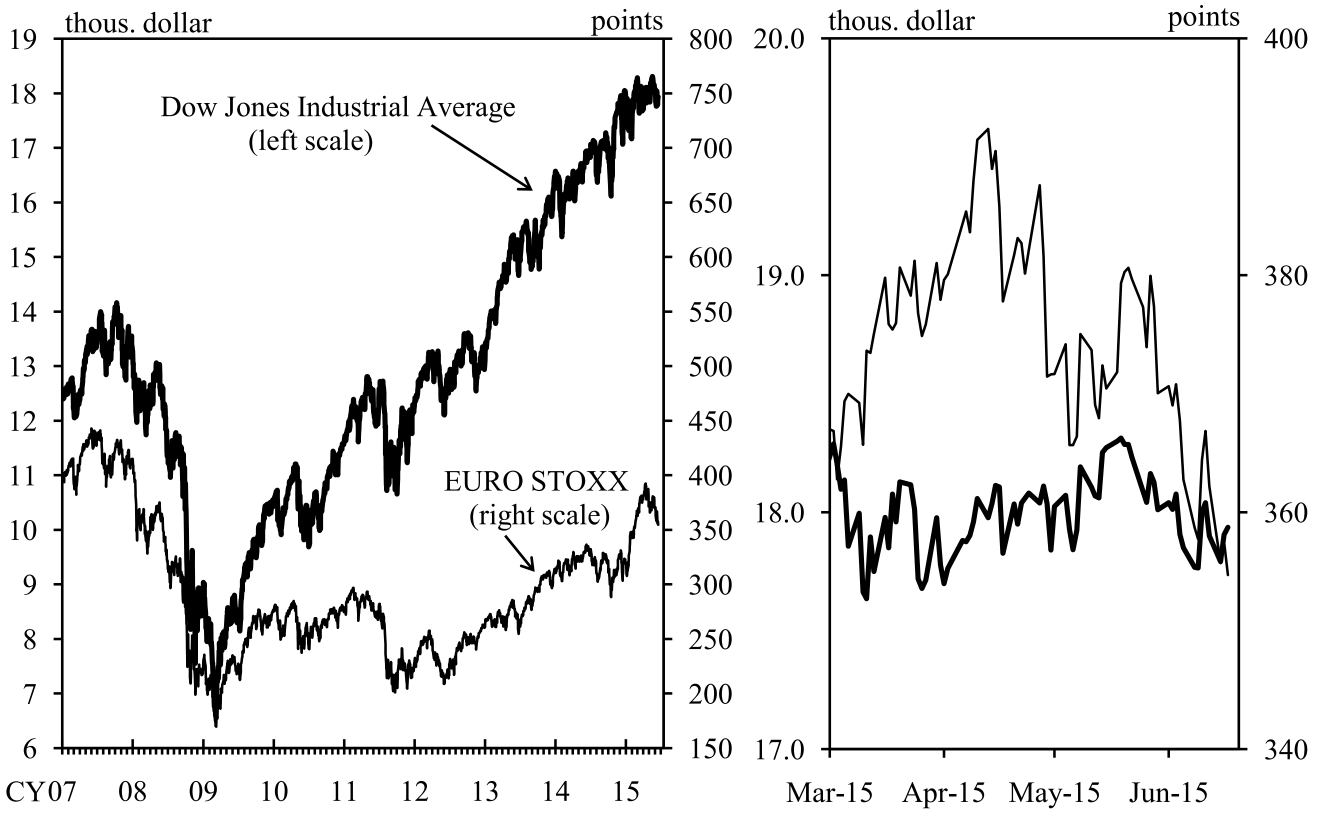
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Japanese Stock Prices



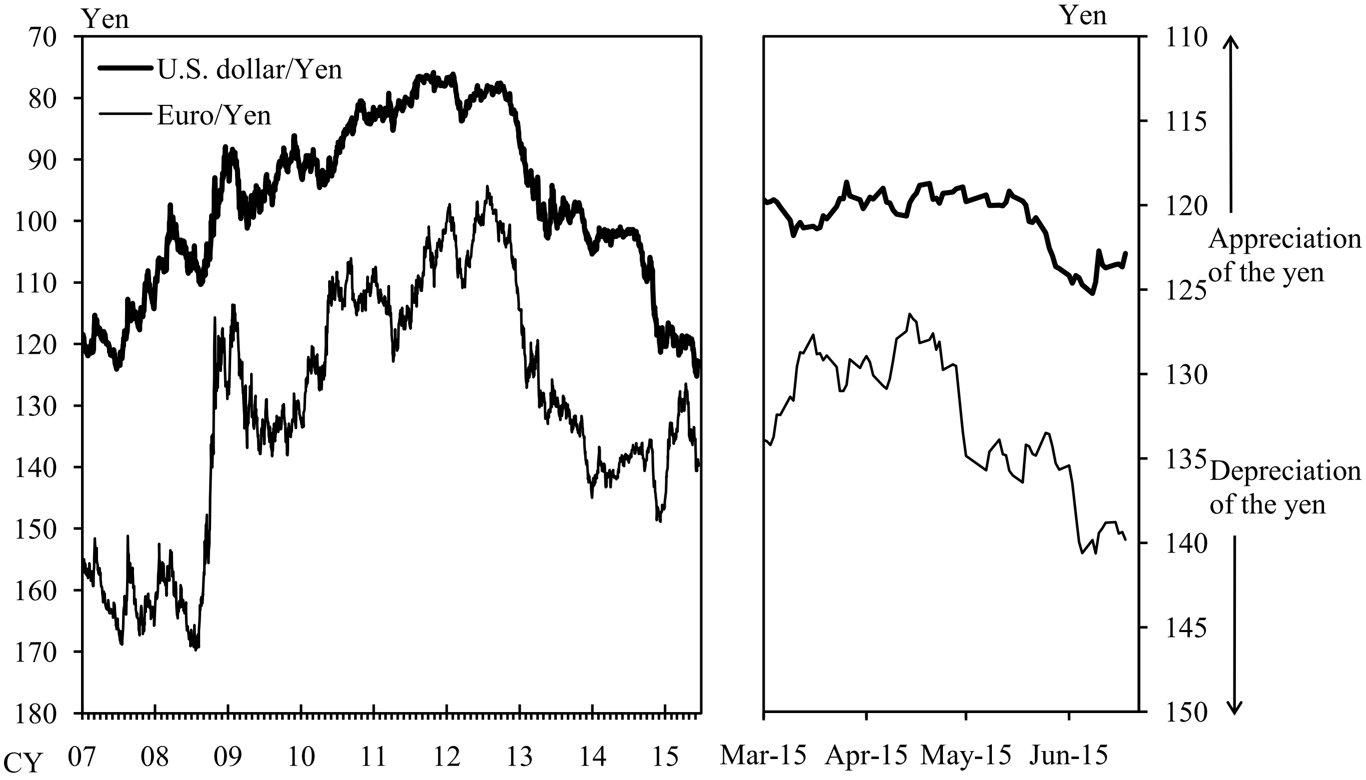
(2) Overseas Stock Prices



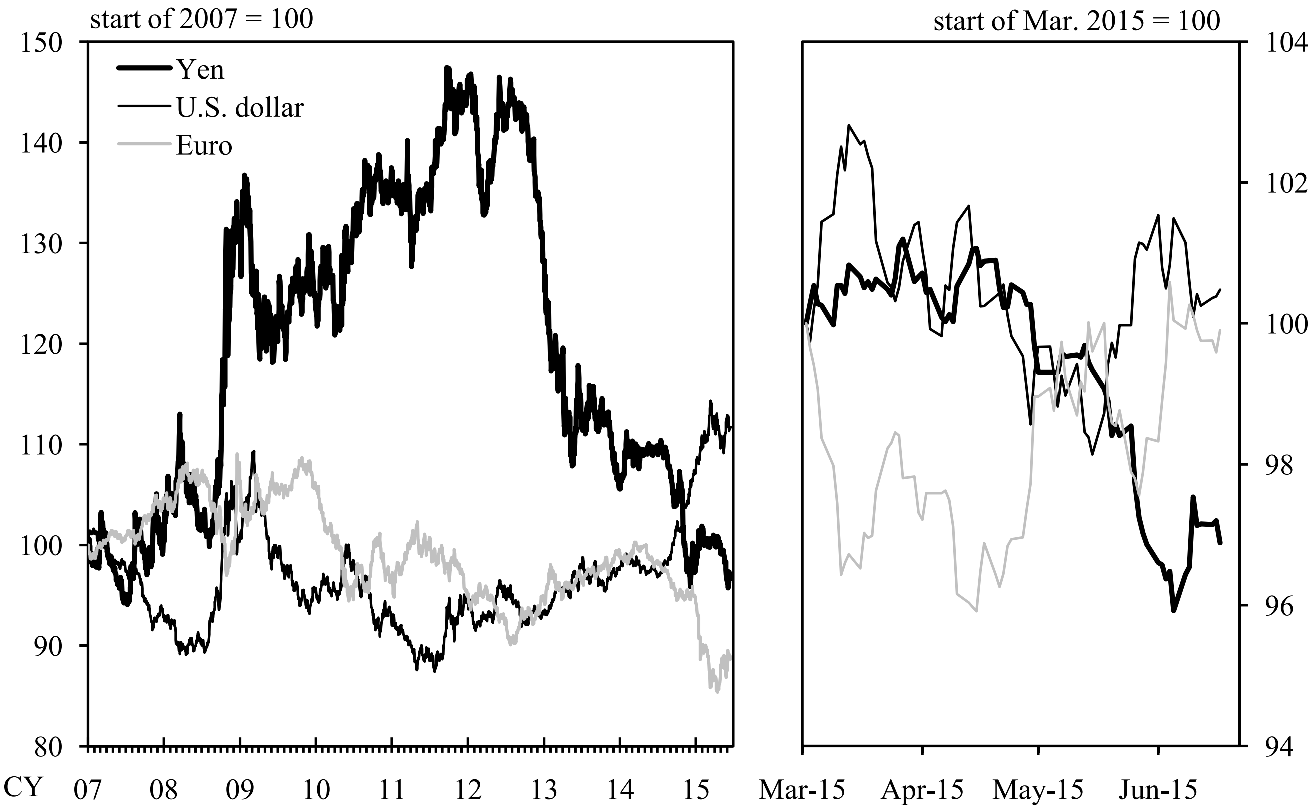
Sources: The *Nihon Keizai Shimbun* ; Tokyo Stock Exchange; Bloomberg.

Exchange Rates

(1) Bilateral Exchange Rates



(2) Nominal Effective Exchange Rates



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