

**(Box 1) Assessment of Current Export Conditions Based on Monitoring Indicators**

Japan's exports have shown some weakness recently, reflecting the slowdown in overseas economies. Also, in interviews conducted by the Bank's Head Office, branches, and local offices, an increasing number of firms have pointed out the impact of the slowdown in overseas economies on exports and production.<sup>37</sup>

In order to examine such changes in export conditions, the SCOPE (Surveillance Indices for Critical Overseas Perils to Exports) indicator to comprehensively monitor export conditions, introduced in the previous Outlook Report, was updated (Chart B1-1).<sup>38</sup> While three out of the 18 indicators had signaled a deterioration in export conditions as of December 2018, this number increased to six as of March 2019: the new export orders index of the Global Manufacturing PMI; the OECD Business Confidence Index; world vehicle sales; the new export orders index of the Nikkei Japan Manufacturing PMI; Machinery Orders (from overseas) for electronic and communication equipment; and Output of Metal Shaping Machinery in China (Chart B1-2).

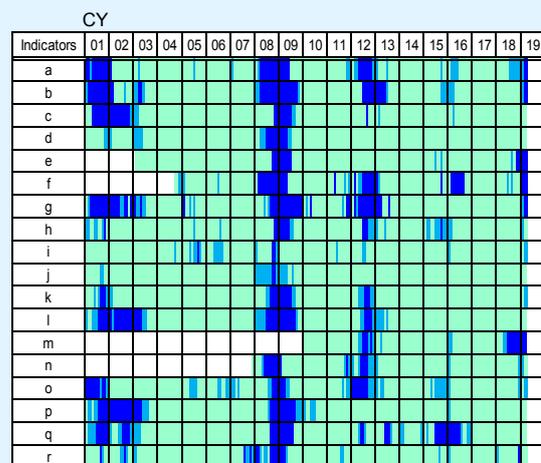
The number of indicators that recently have been emitting signals is smaller than in the past periods when exports decreased substantially, indicated as periods (1) to (4) in Chart B1-3; nevertheless, the number is higher than in 2015-2016, when

**Chart B1-1: Monitoring Indicators**

Indicators		
World		
Corporate	a	Global Manufacturing PMI: New export orders index
	b	OECD Business Confidence Index
	c	WSTS World Semiconductor Shipments
Household	d	OECD Consumer Confidence Index
	e	World vehicle sales
Japan		
Corporate	f	Nikkei Japan Manufacturing PMI: New export orders index
	g	Machinery Orders (from overseas): Electronic and communication equipment
U.S.		
Corporate	h	ISM Manufacturing Index: New export orders index
	i	Philadelphia Fed Manufacturing Business Outlook Survey: Future shipments
Household	j	University of Michigan Surveys of Consumers: Current economic conditions
Euro Area		
Corporate	k	Business Climate Indicator: Industry, production expectations
	l	Business Climate Indicator: Services sector, demand expectations
Asia		
Corporate	m	Output of Metal Shaping Machinery in China
	n	China Manufacturing PMI
Overall	o	Taiwan National Development Council's Monitoring Indicators: Total score
Financial Markets	p	MSCI World Index
	q	MSCI Emerging Markets Index
	r	VIX Index

Note: The Global Manufacturing PMI is the "J.P. Morgan Global Manufacturing PMI."

**Chart B1-2: SCOPE**



Sources: Haver; Bloomberg; Cabinet Office; WSTS Inc.; IHS Markit (© and database right IHS Markit Ltd 2019. All rights reserved.)

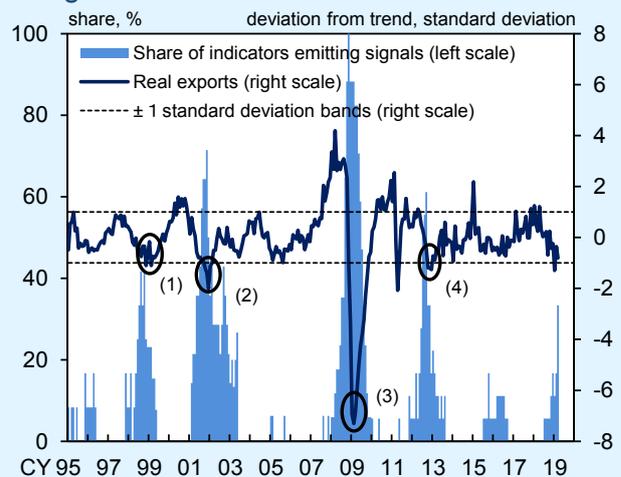
Notes: 1. This chart visualizes the possibility of a significant decrease in real exports by depicting indicator values relative to their respective threshold values. Based on staff calculations.  
 2. Shaded areas in the chart represent the following for an indicator relative to the threshold set for the indicator: (1) areas shaded in dark blue indicate that the indicator is above the threshold value; (2) areas in light blue indicate that the indicator lies between the threshold value and half of the threshold value; (3) areas in green indicate that the indicator lies below half of the threshold value; and (4) areas in white indicate that no data are available.

<sup>37</sup> Some of these interviews of firms are summarized in the April 2019 *Regional Economic Report*.

<sup>38</sup> For details of the SCOPE indicator, see Box 1 in the January 2019 Outlook Report.

emerging economies including China decelerated, and this shows that the current deterioration in export conditions is more widespread than during that period (Chart B1-3). However, the breakdown of the SCOPE indicator in Chart B1-2 shows that, unlike during the past periods of a significant decrease in exports in the wake of a slowdown in the global economy, the indicators mainly for the United States and financial markets have not emitted any signals. This suggests that the deterioration in export conditions in the current phase is limited to Asia and certain sectors such as manufacturing.

**Chart B1-3: Share of Indicators Emitting Signals**



Sources: Bank of Japan; Ministry of Finance.  
 Note: (1) to (4) indicate periods in which real exports deviated downward from their trend by more than one standard deviation for two months or more in a four-month period.

In the current phase, real exports dropped more than one standard deviation below their trend in January. However, they were within the one standard deviation band again in February and March, and have not remained below the band for a continued period of time, unlike during the periods (1) to (4).