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Bank of Japan

**Monthly Report of  
Recent Economic and Financial Developments**  
November 2009

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

November 2009

### Summary

Japan's economy is picking up mainly due to various policy measures taken at home and abroad, although the momentum of self-sustaining recovery in domestic private demand remains weak.

Public investment has been increasing, albeit with some fluctuations, and exports and production have also been rising. The decline in business fixed investment, which mainly reflects weak corporate profits, has been coming to a halt. Private consumption, notably durable goods consumption, is picking up mainly due to policy measures, despite the continued severe employment and income situation. Meanwhile, housing investment has decreased.

Japan's economic conditions are likely to continue improving, although the pace of improvement is likely to remain moderate for the time being.

Exports and production are expected to continue increasing, mainly reflecting continued improvement in overseas economic conditions. Private consumption, notably durable goods consumption, is likely to continue to pick up for the time being mainly due to policy measures, despite the severe employment and income situation. However, business fixed investment is likely to remain more or less unchanged for the time being, with corporate profits remaining at a low level and the sense of excessive capital stock being strong. Meanwhile, public investment is likely to level off gradually.

On the price front, the three-month rate of change in domestic corporate goods prices has recently been slightly negative, mainly due to the slack in supply and demand conditions for products. The year-on-year rate of change in consumer prices (excluding fresh food) has declined, mainly due to the prices of petroleum products,

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<sup>1</sup> This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on November 19 and 20, 2009.



which are lower than their high levels a year ago, in addition to the substantial slack persisting in the economy as a whole.

Domestic corporate goods prices are likely to be soft for the time being due to the persistent slack in supply and demand conditions for products, although the rise in commodity prices is expected to exert an upward pressure. The year-on-year pace of decline in consumer prices is expected to moderate toward the year-end as the effects of the prices of petroleum products abate.

The weighted average of the overnight call rate has been at around 0.1 percent, and interest rates on term instruments have remained more or less unchanged. Meanwhile, compared with last month, stock prices have declined, while the yen's exchange rate against the U.S. dollar and long-term interest rates have remained at more or less the same levels.

The financial environment, with some lingering severity, has continued to show signs of improvement.

The overnight call rate has remained at an extremely low level, and firms' funding costs have remained more or less unchanged at low levels. However, the stimulative effects from low interest rates have been limited given the low level of economic activity and corporate profits. With regard to credit supply, although many firms still see financial institutions' lending attitudes as severe, firms as a whole regard the situation as improving. Issuing conditions for CP and corporate bonds have remained favorable, except for low-rated corporate bonds. As for credit demand, firms' need to fund working capital and fixed investment has declined, and some firms have reduced the on-hand liquidity that they had accumulated. Against this backdrop, the pace of increase in bank lending has slowed. The amount outstanding of corporate bonds has exceeded the previous year's level, while that of CP has declined. In these circumstances, although many firms, mainly small ones, still see their financial positions as weak, on the whole firms' financial positions have continued to improve. Meanwhile, the year-on-year rate of change in the money stock has been in the range of 3.0-3.5 percent.

## 1. Economic Developments

Public investment has been increasing, albeit with some fluctuations. Looking at monthly indicators (Chart 5), the amount of public construction completed—which reflects the progress of public works—marked a decrease in the third quarter, on a quarterly basis, in part due to a reaction to the past increase, after increasing in the first and second quarters. The value of public works contracted—a measure that reflects public orders—decreased marginally in October compared with the third quarter, after increasing for three consecutive quarters toward the third quarter. With consideration to developments in the value of public works contracted, it seems that recent public investment has increased, albeit with some fluctuations.

Public investment is likely to level off gradually, mainly due to the effects of the reduction of the first supplementary budget of fiscal 2009.

Real exports have been increasing due to the improvement in overseas economic conditions (Charts 6[1] and 7). Exports increased by double digits for two consecutive quarters on a quarterly basis: 12.2 percent in the second quarter and 11.1 percent in the third quarter. Looking at monthly developments, exports have increased for the six consecutive months since April.

By destination (Chart 7[1]), exports to the United States and East Asia increased substantially in the third quarter, on a quarterly basis, after turning to an increase in the second quarter. Those to "other regions" increased substantially in the third quarter, mainly in motor vehicles and their related goods, after they continued to decrease until the second quarter. In other areas, exports to the EU increased in the third quarter, after turning to an increase in the second quarter, but the pace of increase remained marginal. On a monthly basis, exports to East Asia increased for the eighth consecutive month.

By goods (Chart 7[2]), exports of all goods with the exception of capital goods and parts turned to an increase in the second quarter, on a quarterly basis. In the third quarter, exports of all goods—including capital goods and parts—increased. On a monthly basis, exports of intermediate goods increased for the seventh

consecutive month; those of motor vehicles and their related goods and capital goods and parts increased for the sixth consecutive month.

Real imports have turned to an increase, mainly due to the increase in production (Charts 6[1] and 9). The pace of decrease in imports moderated noticeably in the second quarter, and imports increased considerably in the third quarter, on a quarterly basis. Looking at monthly developments, imports have increased for the seven consecutive months since March.

Looking at imports in the third quarter compared with the second quarter by goods (Chart 9[2]), those of IT-related goods (such as PCs and cellular phones) and consumer goods (such as flat panel TVs) continued to increase; those of raw materials (such as crude oil) and intermediate goods (chemicals such as anti-influenza medicine also contributed) increased substantially. Imports of capital goods and parts and foodstuffs also turned to an increase.

Net exports—in terms of the real trade balance—rebounded largely in the second quarter, and continued to increase gradually in the third quarter (Chart 6[2]). The nominal balance on goods and services, after returning to a surplus in the second quarter, marked a surplus in the third quarter on par with that of the second quarter.

Exports are expected to continue increasing as economic conditions overseas continue to improve.

As for the environment surrounding exports, overseas economies have recovered gradually (Chart 8[2]). In the United States, the economy has picked up, mainly in response to the progress in inventory adjustments and to the effects of various policies, as financial conditions as a whole have been regaining their stability. In Europe, economies have started to pick up amid the pick up in exports and the marginal decrease in business fixed investment. In China, meanwhile, the economy has continued to grow at a fast pace, notably in domestic demand, due to the effects of fiscal policies. Economies in other East Asian countries have recovered. Overseas economies are expected to continue recovering gradually as fiscal and monetary policies continue to exert their positive effects. Significant uncertainty regarding

economic conditions overseas does, however, exist. Economic conditions might diverge downward, mainly in the United States and the EU, since adjustment for significant excesses seems to require a considerable amount of time. On the other hand, economic conditions might diverge upward, mainly in emerging countries. Meanwhile, in the foreign exchange market, in terms of the real effective exchange rate—which incorporates differentials in the inflation rates between home and abroad—the yen has recently remained more or less unchanged (Chart 8[1]).

Imports are expected to continue increasing gradually in response to the improvement in domestic economic conditions.

The decline in business fixed investment, which mainly reflects weak corporate profits, has been coming to a halt. The aggregate supply of capital goods and shipments of capital goods (both including and excluding transport equipment)—coincident indicators of machinery investment—had been decreasing rapidly after peaking at the end of 2007; they increased in the third quarter, however, for the first time in a while (Chart 10[1]). After dropping substantially, machinery orders (private demand, excluding orders of shipbuilding and orders from electric power companies)—a leading indicator of machinery investment—essentially stopped decreasing in the third quarter; it declined by 0.9 percent in that quarter (Chart 11[1]).<sup>2</sup> By industry, in manufacturing, machinery orders—after increasing in the second quarter compared with the first quarter, mainly due to the effects of large orders—decreased in the third quarter, partly as a reaction to the increase in the second quarter. On the other hand, in nonmanufacturing, machinery orders increased in the third quarter, after decreasing in the second quarter. According to the forecast survey on the fourth quarter, machinery orders are expected to turn to a marginal increase.<sup>3</sup> Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—remained more or less unchanged in the

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<sup>2</sup> The total value of machinery orders increased in the third quarter—by 10.4 percent compared with the previous quarter—due to the large increase in both external and public demands.

<sup>3</sup> According to the forecast on machinery orders in the fourth quarter (seasonally adjusted figures, quarter-on-quarter change), private demand (excluding orders of shipbuilding and orders from electric power companies) is expected to increase by 1.0 percent; manufacturing and nonmanufacturing are also expected to increase by 0.4 percent and 1.3 percent, respectively.

third quarter compared with the second quarter, after decreasing substantially in the second quarter (Chart 11[2]).

Looking at the environment surrounding business fixed investment, improvements have been seen in corporate profits, despite being at extremely low levels, partly due to the progress in cost cutting among firms in areas such as personnel expenses.

Although business fixed investment is expected to pick up gradually, it is likely to remain more or less unchanged for the time being, with corporate profits remaining at a low level and the sense of excessive capital stock being strong.

Private consumption, notably durable goods consumption, is picking up mainly due to policy measures, despite the continued severe employment and income situation (Charts 12 and 13). Sales at department stores have continued to show a decreasing trend, although the pace of decline has become soft recently. The decreasing trend has also continued in sales at supermarkets and convenience stores. As for durable consumer goods, sales of household electrical appliances (in real terms) have continued to increase substantially, especially in flat panel televisions, mainly due to the eco-point system.<sup>4</sup> The number of new passenger-car registrations had been dropping sharply until March, but has recovered rapidly since April, mainly due to the effects of tax cuts and subsidies.<sup>5</sup> Looking at registrations on a yearly basis, the rate of increase accelerated largely in October, by 19.0 percent, partly because registrations around this time a year ago were significantly lower. As for services consumption, outlays for travel have improved markedly due to the effects of

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<sup>4</sup> According to the eco-point system, when consumers purchase air conditioners, refrigerators, and televisions with an energy efficiency higher than a certain level, part of the original price is returned to them in the form of "eco-points." The system began on May 15, and ends at the end of March 2010.

<sup>5</sup> According to the fiscal 2009 tax reform, during fiscal 2009 to 2011 the automobile acquisition tax and automobile weight tax will be either exempted or reduced for eco-friendly cars. Usually, the automobile acquisition tax is imposed on the price of the car at the time of purchase, and the automobile weight tax is imposed at the time of purchase and automobile inspection, based on the weight of the car. However, from April, these taxes have been exempted for electric, fuel cell, and hybrid cars; normal gasoline cars are also subject to tax cut, but the amount of reduction depends on their level of energy efficiency. Also, as a measure to promote the purchasing of eco-friendly cars—a measure included in the "Countermeasures to Address the Economic Crisis"—subsidies are being granted to eco-friendly cars purchased since April 10. This measure will end with the registration of new passenger-cars in March 2010.



the temporary abatement of the new strain of influenza and to the effects of a string of consecutive holidays in September ("silver week"). Sales in the food service industry have recently decreased markedly, partly due to the decline in customer transaction.

The aggregate supply of consumer goods (Chart 14[1])—which comprehensively captures producers' supply of goods—increased markedly in the third quarter following the second quarter, as a reflection of developments in durable consumer goods (automobiles). Looking at statistics on the demand side, as for the index of consumption expenditure level (in real terms) in the *Family Income and Expenditure Survey*, the index on an "excluding housing, automobiles, money gifts, and remittance" basis—which is mostly limited to items used for estimating GDP—increased in the third quarter, after remaining essentially unchanged in the second quarter (Chart 12[1]).<sup>6</sup> The total expenditure in the *Survey of Household Economy* (in real terms) increased noticeably in the third quarter, following the second quarter, mainly due to the increase in durable consumer goods.

Meanwhile, although indicators related to consumer sentiment have been improving—mainly due to the decline in retail prices and to various demand-boosting policy measures—the pace of improvement has slowed recently (Chart 15).

Private consumption, notably durable goods consumption, is likely to continue to pick up for the time being mainly due to policy measures, despite the severe employment and income situation.

Housing investment has decreased. The number of housing starts (Chart 16[1])—a leading indicator of housing investment—marked an annual rate of 904,000 units in the first quarter, but then registered an annual rate of 762,000 units in the second quarter and 707,000 units in the third quarter. It has been decreasing significantly since last fall, as the employment and income situation has become increasingly severe and as the financial environment surrounding the real

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<sup>6</sup> Items in the index are not completely limited to those used for estimating GDP. Education, for example, is not used for estimating GDP.

estate-related sector has further deteriorated. On a monthly basis, however, the number of housing starts in September increased for the first time in six months.

Looking ahead, housing investment is expected to continue decreasing for the time being, considering the number of housing starts.

Industrial production has been increasing, a reflection of progress in inventory adjustments and policy effects both at home and abroad. On a monthly basis, production increased for the seventh consecutive month in September, marking a 2.1 percent rise. On a quarterly basis, after decreasing substantially in the first quarter, by 22.1 percent, production rebounded, marking an increase of 8.3 percent in the second quarter and 7.4 percent in the third quarter (Chart 17). The level of production in September, however, was still more than 20 percent lower compared with its latest peak (February 2008). Looking at production in the third quarter compared with the second quarter by industry, production increased in a wide range of industries, notably in transport equipment, electronic parts and devices, and iron and steel, mainly in response to the increase in exports and to the recovery in domestic automobile sales.

Shipments increased by 6.4 percent in the second quarter and by 8.4 percent in the third quarter, on a quarterly basis, after decreasing substantially by 21.0 percent in the first quarter. Looking at recent developments in shipments by goods (Chart 18), those of durable consumer goods and producer goods have been increasing noticeably, after dropping largely since last fall. Shipments of capital goods and construction goods have stopped decreasing. Those of non-durable consumer goods, meanwhile, have remained more or less unchanged.

The pace of decline in inventories has moderated. Looking at the shipment-inventory balance by goods (Chart 19), inventory adjustment pressures for electronic parts and devices and durable consumer goods have disappeared, partly because shipments have picked up. Inventories of capital goods (excluding transport equipment) and other producer goods (such as chemicals and iron and steel) have also improved gradually as a whole. On the other hand, inventory adjustment pressures have remained strong for construction goods, reflecting the drop in shipments.

As for the outlook, production is expected to continue increasing for the time being, mainly due to the increase in demand related to durable consumer goods both at home and abroad. According to anecdotes from firms, production in the fourth quarter is expected to continue increasing, although at a slightly slower pace.<sup>7</sup> There are, however, large uncertainties surrounding production in the first half of next year such as: the situation overseas, mainly in the outcome of Christmas sales in the United States and Europe; and domestic automobile sales, if subsidies are cut off at the end of this fiscal year as scheduled.

The employment and income situation has continued to remain severe with the high unemployment rate and the significant decrease in employee income.

In the labor market, the ratio of job offers to applicants in September rose for the first time in 28 months (since May 2007), marking 0.43 times (Chart 20[1]). The unemployment rate in September declined for the second straight month, registering 5.3 percent. The recent decline in the unemployment rate seems to have reflected the fast pace of increase in production, but attention should be paid to the possibility that the decline might be a temporary phenomenon with consideration to facts that the level of economic activity remains low and that the unemployment rate has a tendency to fluctuate largely.

In terms of employment (Chart 21[1]), the year-on-year rate of decline in the number of employees in the *Labour Force Survey* decelerated to -1.1 percent in September, mainly because the negative contribution of the manufacturing industry moderated.<sup>8</sup> As for the number of regular employees in the *Monthly Labour Survey*, the year-on-year rate of increase has recently continued to be around 0 percent, after decelerating rapidly. The ratio of part-time employees has been on a gradual rising

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<sup>7</sup> Looking at the production forecast index, production in October and November is expected to mark an increase of 3.1 percent and 1.9 percent, respectively, on a month-on-month basis. Production in the fourth quarter is expected to increase by 6.4 percent compared with the third quarter, when calculated under the assumption that the production level of December is the same as that of November.

<sup>8</sup> With regard to the Employment Adjustment Subsidy, figures collected from reports on business suspension plans show that in September, the number of applications for the subsidy decreased for the second consecutive month, although the level remained high (2.43 million employees in July, 2.11 million employees in August, and 1.99 million employees in September).



trend (Chart 21[2]). Meanwhile, overtime hours worked, after decreasing substantially, have begun to stop declining, especially in the manufacturing industry (Chart 21[3]).

Nominal wages per employee continued to decline significantly (Chart 22[1]). Looking at the recent trend of the details, special payments have decreased substantially, in response to the significant drop in corporate profits; regular and overtime payments have continued to drop in response to the decrease in the number of working hours especially in the manufacturing industry.<sup>9</sup>

Employee income has decreased substantially, reflecting the aforementioned developments in employment and wages (Chart 22[3]).

Looking ahead, employee income is likely to continue decreasing substantially for the time being, with consideration to lagged effects from developments in corporate profits and production.

## 2. Prices

The three-month rate of change in import prices (on a yen basis) has recently been slightly negative, mainly due to the effects of the appreciation of the yen (Chart 24). International commodity prices, on average, have been on a rising trend albeit with some fluctuations. Domestic commodity prices have recently remained essentially unchanged as the rise in international commodity prices and the appreciation of the yen have canceled each other out.

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<sup>9</sup> The ratio of the number of firms that paid summer bonuses decreased to 66.4 percent in 2009 from 70.2 percent in 2008. The amount of summer bonuses paid during June to August—calculated by only using figures of firms that paid summer bonuses—decreased by 9.7 percent compared with the previous year. According to the survey conducted on large firms, the amount of decline in winter bonuses, on a year-on-year basis, is expected to be on par with that of summer bonuses.

The three-month rate of change in domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter)<sup>10</sup> has recently been slightly negative, mainly due to the slack in supply and demand conditions for products (Chart 25). In detail, the pace of increase in prices of "goods sensitive to exchange rates and overseas commodity prices" has moderated, mainly in petroleum and coal products, as prices have continued to decline in many items. Looking at domestic demand products as a whole, including imports, prices of raw materials have turned to a decline in response to the slight decrease in prices of imported goods. Prices of intermediate goods have declined slightly as the pace of increase in prices of petroleum and coal products has moderated. Prices of final products, meanwhile, have remained more or less unchanged.

The year-on-year rate of change in corporate services prices (excluding international transportation) has continued to be negative, mainly reflecting cost cutting among firms (Chart 26).<sup>11</sup> In detail, prices of advertising services and leasing and rental have fallen largely below the previous year's level in response to cost cutting among firms; prices of items such as transportation (excluding international transportation) and information services have also fallen below the previous year's level, mainly due to weak demand.

The year-on-year rate of change in consumer prices (excluding fresh food, same hereafter) has declined, mainly due to the prices of petroleum products, which are lower than their high levels a year ago, in addition to the substantial slack persisting in the economy as a whole (Chart 27). The year-on-year rate of change in consumer prices moderated by 0.1 percent point in September compared with the previous month, marking a decline of 2.3 percent, after recording the largest-ever pace of decrease for four consecutive months. In detail, the pace of decline in prices of goods has moderated as a whole, as that in prices of petroleum products has turned to

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<sup>10</sup> The figures are adjusted to exclude large seasonal fluctuations in electric power charges to observe the underlying changes in domestic corporate goods prices. Industrial and commercial electric power charges are set relatively high during July-September, when electric power consumption increases substantially.

<sup>11</sup> "All items including international transportation" has continued to decrease significantly on a year-on-year basis, mainly in ocean freight transportation. Corporate services prices has been rebased to the year 2005 from the release of the September figures.

a moderate pace, although the pace of decline in prices in a wide range of items has accelerated. The year-on-year decline in prices of general services has accelerated, mainly reflecting the moderation in the pace of increase in prices of "eating out" and the acceleration in the pace of decline in prices of package tours to overseas and prices of services related to domestic duties. As for public utility charges—mainly electricity charges and city gas charges—the pace of decline has accelerated on a year-on-year basis, mainly due to the reduction in electricity charges and city gas charges. Looking at these developments on an excluding food and energy basis, the year-on-year decline in September accelerated by 0.1 percent point, marking a decline of -1.0 percent.

Domestic corporate goods prices are likely to be soft for the time being due to the persistent slack in supply and demand conditions for products, although the rise in commodity prices is expected to exert an upward pressure. The year-on-year pace of decline in consumer prices is expected to moderate toward the year-end as the effects of the prices of petroleum products abate.

Meanwhile, looking at developments in land prices through the *Urban Land Price Index* (Chart 28), the pace of decline in commercial and residential land prices in the six major cities has moderated compared to six months ago. As for commercial and residential land prices outside the six major cities, the rate of change was on par with that of six months ago.

### **3. Financial Developments**

#### **(1) Financial Markets**

In Japan's money markets, interest rates have remained stable at low levels, mainly against the backdrop of the Bank of Japan's ample provision of funds. Meanwhile, the volume of transactions in some markets has remained low. The overnight call rate (uncollateralized) has been at around 0.1 percent (Chart 29[1]). Regarding interest rates on term instruments, although the issuance of T-Bills has remained high, the T-Bill rate (3-month) has been stable in the range of 0.10-0.19 percent, partly because of steady demand among banks for investing their funds. The Euroyen interest rate (3-month) has declined gradually, but the rate has still



remained high relative to the OIS rates, which mainly reflect expectations about future policy interest rates (Chart 30[1]). Interest rates on Euroyen futures have suggested that term funding rates have been expected to remain more or less flat for the time being (Chart 29[2]). In U.S. dollar funding, the LIBOR-OIS spread for the dollar has been below the level for that of the Japanese yen (Chart 30).

Yields on 10-year government bonds (newly issued 10-year JGB), after increasing somewhat amid wait-and-see stances among investors, mainly due to concerns about possible increases in issuance of government bonds, have recently turned to a decline and have been at around 1.3 percent (Chart 31).

Yield spreads between corporate bonds and government bonds have been stable for those with high credit ratings due to steady demand among investors. Spreads on those with low credit ratings have narrowed gradually. Selective stances on investment in corporate bonds have been persistent among investors, however, as seen in the relatively high levels of yield spreads in some industries (Chart 32).

Stock prices have been somewhat weak as a whole, while they have shown some fluctuations reflecting the developments of stock prices in the United States and Europe and of exchange rates. The Nikkei 225 Stock Average has recently been at around 9,500 yen (Chart 33).

In the foreign exchange market, the yen has remained more or less unchanged against the U.S. dollar; it has recently been traded at around 89 yen to the U.S. dollar (Chart 34).

## **(2) Corporate Finance and Monetary Aggregates**

Funding costs have recently remained more or less unchanged at low levels, after decreasing markedly toward the middle of the year, against the background that the overnight call rate has remained at an extremely low level. Issuance rates on CP have continued to be on a declining trend—the average issuance rate on three-month CP with ratings of A-1 or higher was 0.21 percent in October, following 0.24 percent in September—while issuance rates on corporate bonds have remained essentially

unchanged. The average contracted interest rates on new loans and discounts have also recently been more or less unchanged (Chart 36).

With regard to credit supply, although many firms still see financial institutions' lending attitudes as severe, firms as a whole regard the situation as improving (Chart 35). Issuing conditions for CP and corporate bonds have remained favorable, except for low-rated corporate bonds. In these circumstances, the pace of increase in funding of the private sector has been slowing as a trend, mainly due to the decline in firms' need to fund working capital and fixed investment. The pace of increase in bank lending has slowed (Chart 37). The amount outstanding of CP issued has decreased, partly because of the decline in firms' need to fund working capital. On the other hand, the amount outstanding of corporate bonds issued has been above the previous year's level as a whole (Chart 38), although firms with low credit ratings and those in some industries have continued to face difficulties in issuing corporate bonds.

In these circumstances, although many firms, mainly small ones, still see their financial positions as weak, on the whole firms' financial positions have continued to improve (Chart 35). The number of corporate bankruptcies was down by 11.8 percent in October compared to the previous year's level (Chart 40).

Meanwhile, the year-on-year growth rate of the money stock (M2) has accelerated somewhat, and has recently been in the range of 3.0-3.5 percent. Its October reading was 3.3 percent on a year-on-year basis, following 3.0 percent in September (Chart 39).<sup>12</sup>

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<sup>12</sup> On an M3 basis, which includes the Japan Post Bank, the year-on-year growth rate has accelerated somewhat and has recently increased by about 2.5 percent; its October reading was 2.4 percent, following 2.1 percent in September. The year-on-year growth rate of broadly-defined liquidity has also accelerated and has recently risen by about 1.0 percent; it increased by 1.2 percent in October, following an increase of 0.6 percent in September.

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Chart 1

## Main Economic Indicators (1)

	s.a., q/q (m/m) % chg. <sup>1</sup>						
	2009/Q1	Q2	Q3	2009/Jul.	Aug.	Sep.	Oct.
Index of consumption expenditure level (two-or-more-person households)	1.0	-0.2	0.3	-1.4	2.0	-0.5	n.a.
Sales at department stores	-3.9	-2.3	-0.7	-4.5	3.0	0.0	n.a.
Sales at supermarkets	-1.3	-1.3	-1.9	-1.2	-0.4	0.1	n.a.
New passenger-car registrations <sup>3</sup> <s.a., ann. 10,000 units>	< 213>	< 241>	< 291>	< 280>	< 296>	< 298>	< 316>
Sales of household electrical appliances (real, Current Survey of Commerce)	7.1	4.8	9.1	2.5	4.3	1.4	n.a.
Outlays for travel	-5.0	-14.2	7.8	12.9	0.2	12.0	n.a.
Housing starts <s.a., ann. 10,000 units>	< 90>	< 76>	< 71>	< 75>	< 68>	< 70>	<n.a.>
Machinery orders (from private sector <sup>4</sup> )	-9.9	-4.9	-0.9	-9.3	0.5	10.5	n.a.
Manufacturing	-31.1	10.8	-8.7	-20.4	4.9	-0.1	n.a.
Nonmanufacturing <sup>4</sup>	4.9	-12.1	4.9	-2.8	-0.6	18.0	n.a.
Construction Starts (private, nondwelling use)	-1.1	-34.9	-1.1	1.0	-17.8	0.8	n.a.
Mining & manufacturing	-25.8	-41.0	-12.2	14.0	-46.2	12.1	n.a.
Nonmanufacturing <sup>5</sup>	7.5	-34.5	1.2	-2.5	-6.1	-3.7	n.a.
Value of public works contracted	3.7	5.4	3.6	2.0	4.6	9.9	-9.4
Real exports	-28.9	12.2	11.1	2.5	1.3	5.5	n.a.
Real imports	-17.9	-1.7	8.5	3.4	1.0	8.6	n.a.
Industrial production	-22.1	8.3	7.4	2.1	1.6	2.1	n.a.
Shipments	-21.0	6.4	8.4	2.4	0.6	4.2	n.a.
Inventories	-9.0	-4.5	-0.6	-0.3	0.1	-0.4	n.a.
Inventory Ratio <s.a., CY 2005 = 100>	< 150.1>	< 128.8>	< 116.9>	< 123.6>	< 123.0>	< 116.9>	<n.a.>
Real GDP	-3.2	0.7	1.2	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	-6.2	0.4	1.1	0.5	0.9	-0.6	n.a.

## Main Economic Indicators (2)

	y/y % chg. <sup>1</sup>						
	2009/Q1	Q2	Q3	2009/Jul.	Aug.	Sep.	Oct.
Ratio of job offers to applicants <s.a., times>	< 0.59>	< 0.45>	< 0.42>	< 0.42>	< 0.42>	< 0.43>	<n.a.>
Unemployment rate <s.a., %>	< 4.5>	< 5.2>	< 5.5>	< 5.7>	< 5.5>	< 5.3>	<n.a.>
Overtime working hours <sup>6</sup>	-19.7	-18.2	-14.9	-16.4	-14.2	-14.1	n.a.
Number of employees	-0.3	-1.7	-1.3	-1.4	-1.3	-1.1	n.a.
Number of regular employees <sup>6</sup>	0.6	0.1	-0.1	-0.1	-0.1	-0.1	n.a.
Nominal wages per person <sup>6</sup>	-3.0	-4.7	-3.6	-5.6	-2.7	-1.8	n.a.
Domestic corporate goods price index <q/q % chg., 3-month rate of change> <sup>7</sup>	-1.8 <-3.2>	-5.4 <-1.3>	-8.3 <-0.2>	-8.5 <-0.7>	-8.5 <-0.1>	-8.0 < 0.2>	p -6.7 <p -0.4>
Consumer price index <sup>8</sup>	-0.1	-1.0	-2.3	-2.2	-2.4	-2.3	n.a.
Corporate services price index <sup>9,10</sup>	-0.6	-0.9	p -1.3	-1.2	-1.4	p -1.3	n.a.
Money Stock (M2) <average outstanding, y/y % chg.>	2.1	2.6	2.8	2.7	2.8	3.0	p 3.3
Number of corporate bankruptcies <cases per month>	<1,405>	<1,318>	<1,261>	<1,386>	<1,241>	<1,155>	<1,261>

Notes: 1. All figures in Chart 1 except figures in angle brackets are quarter-on-quarter (month-on-month) changes of seasonal 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 the respective charts.

2. Figures with "p" indicate preliminary data.

3. Excludes small cars with engine sizes of 660 cc or less.

4. Excludes orders of shipbuilding and orders 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. Excludes fresh food.

9. Excludes international transportation.

10. Data have been revised to the 2005 base.

Sources: Ministry of Internal Affairs and Communications, "Labour Force Survey,"

"Monthly Report on the Family Income and Expenditure Survey," "Consumer Price Index";

Ministry of Economy, Trade and Industry, "Current Survey of Commerce," "Indices of Industrial Production,"

"Indices of All Industry Activity";

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

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

Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts";

Ministry of Finance, "Trade Statistics";

Cabinet Office, "Orders Received for Machinery," "National Accounts";

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

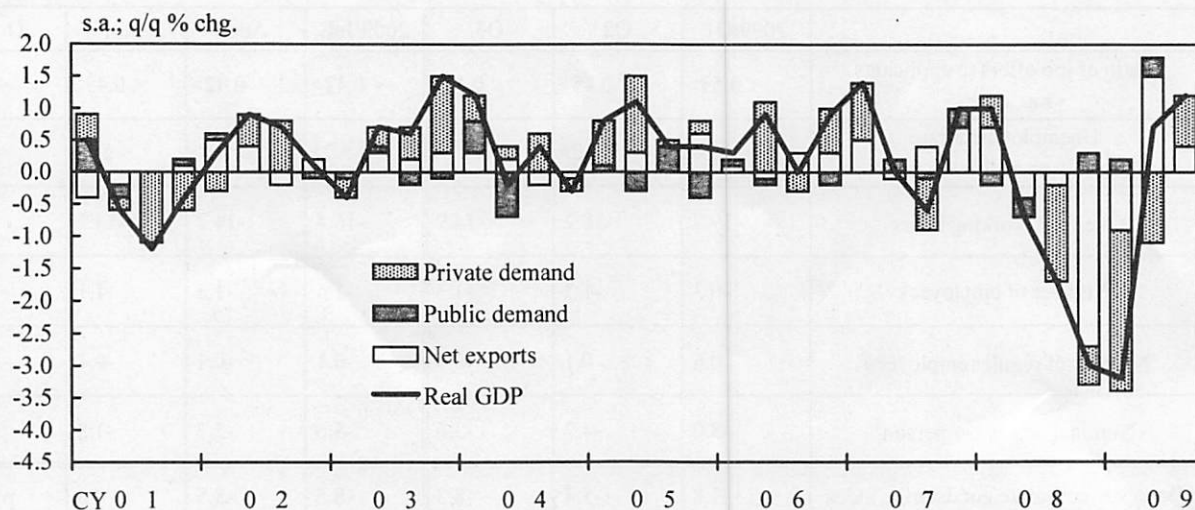
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey";

Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index," "Money Stock";

Tokyo Shoko Research Ltd., "Tosan Geppo (Monthly Review of Corporate Bankruptcies)."

## Real GDP and Indexes of Business Conditions

## (1) Real GDP



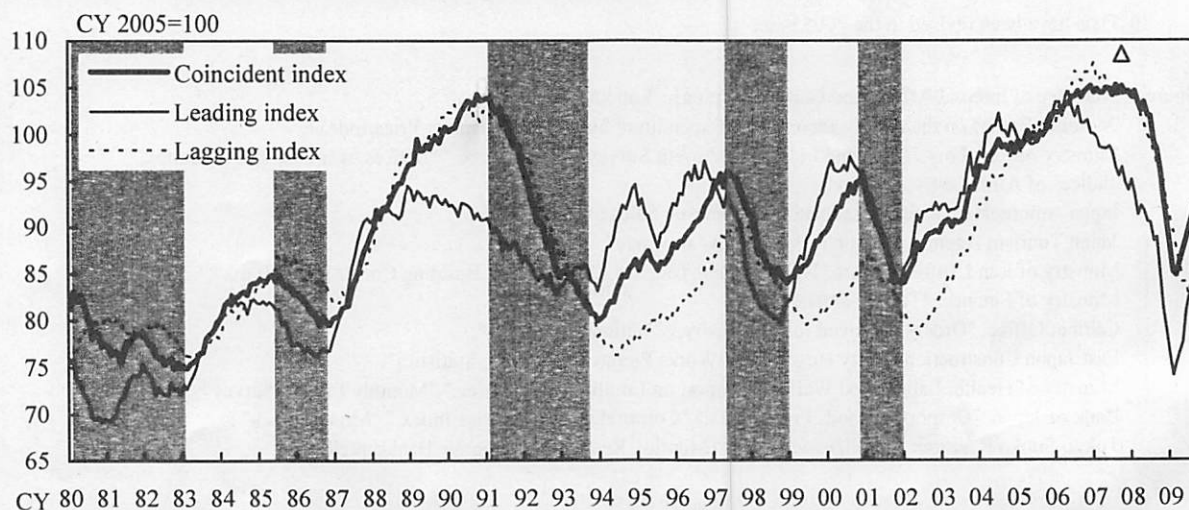
## (2) Components

s.a.; q/q % chg.

	2008		2009		
	Q3	Q4	Q1	Q2	Q3
Real GDP	-1.7	-3.0	-3.2	0.7	1.2
Domestic demand	-1.5	-0.3	-2.3	-0.8	0.8
Private demand	-1.5	-0.6	-2.5	-1.1	0.8
Private consumption	0.0	-0.4	-0.6	0.6	0.4
Non-Resi. investment	-0.9	-1.1	-1.2	-0.6	0.2
Residential investment	0.1	0.1	-0.2	-0.3	-0.2
Private inventory	-0.7	0.8	-0.4	-0.7	0.4
Public demand	0.0	0.3	0.2	0.3	0.0
Public investment	0.0	0.1	0.1	0.3	-0.1
Net exports of goods and services	-0.2	-2.7	-0.9	1.5	0.4
Exports	-0.3	-2.5	-3.4	0.8	0.9
Imports	0.2	-0.2	2.5	0.7	-0.5
Nominal GDP	-3.0	-0.8	-2.6	-0.4	-0.1

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

## (3) Indexes of Business Conditions (Composite Indexes)

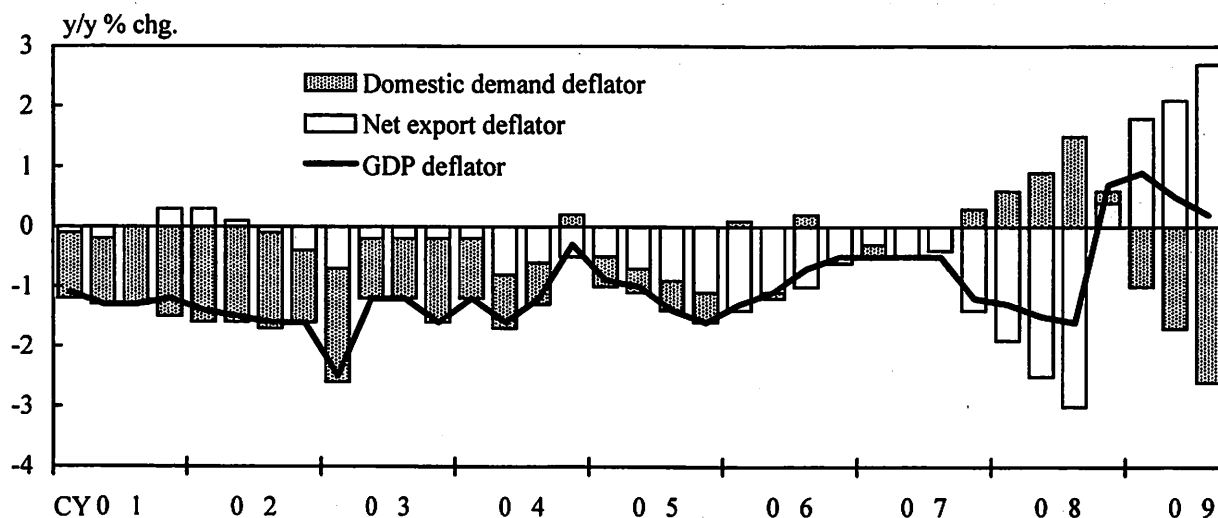


Note: Shaded areas indicate recession periods. Triangle shows the last peak.

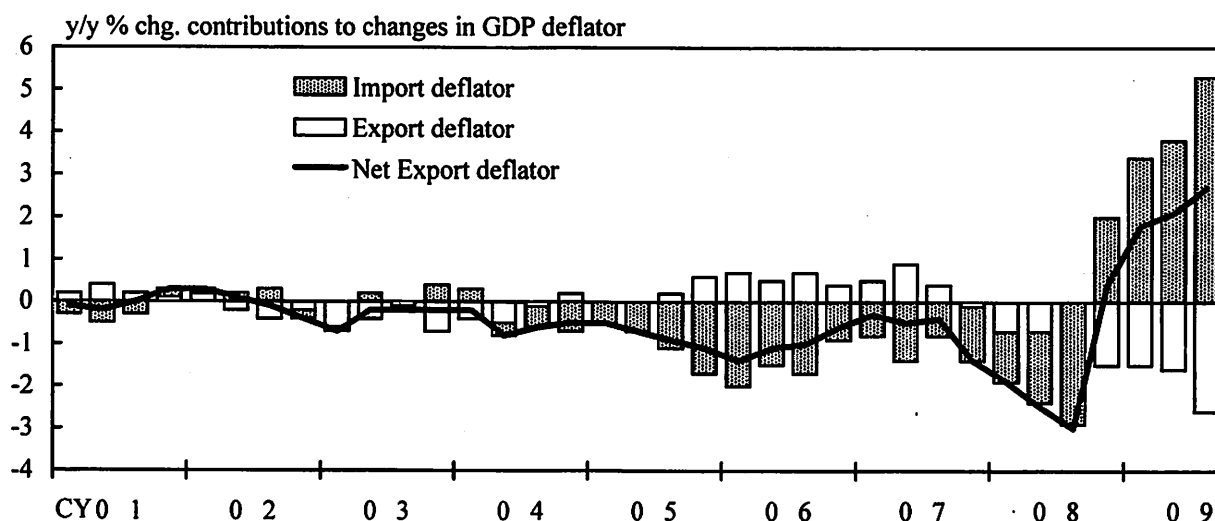
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

## GDP Deflator and Income Formation

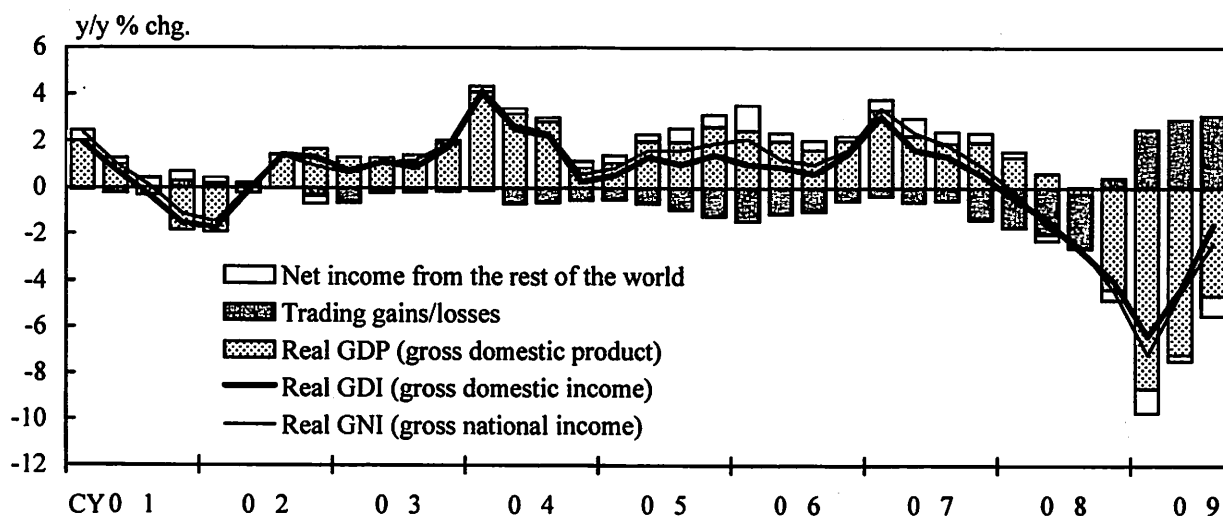
### (1) GDP Deflator



### (2) Net Export Deflator



### (3) Aggregate Income Formation



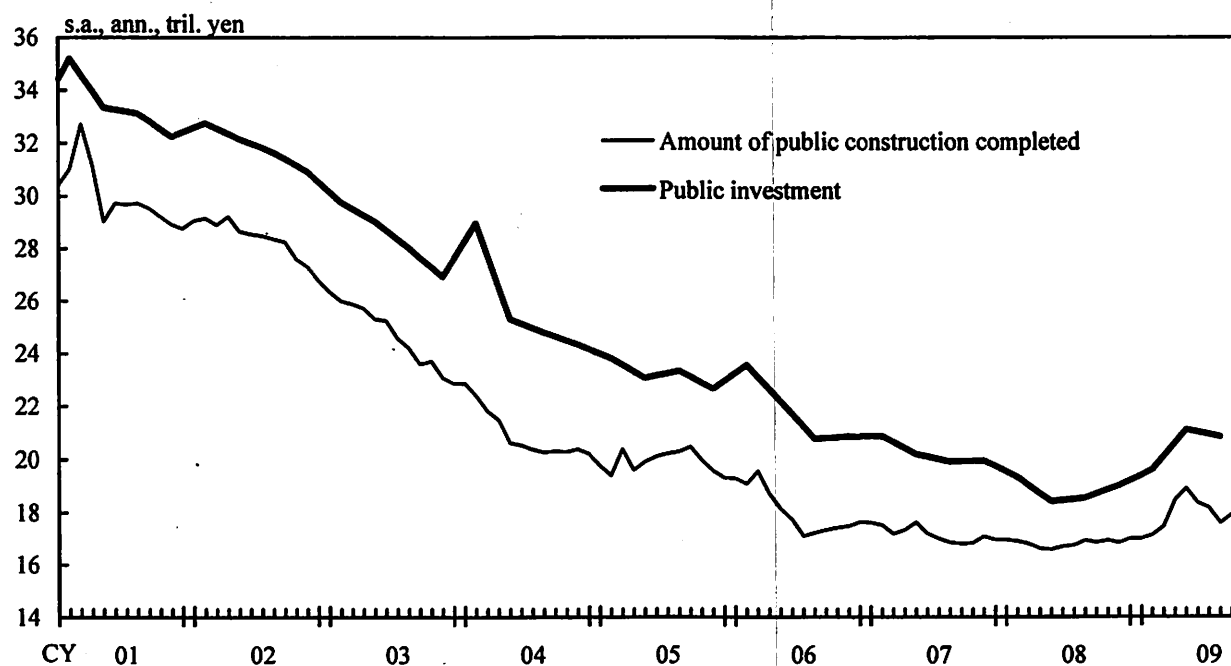
Note: Figures of components indicate contributions to changes in real GNI.

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

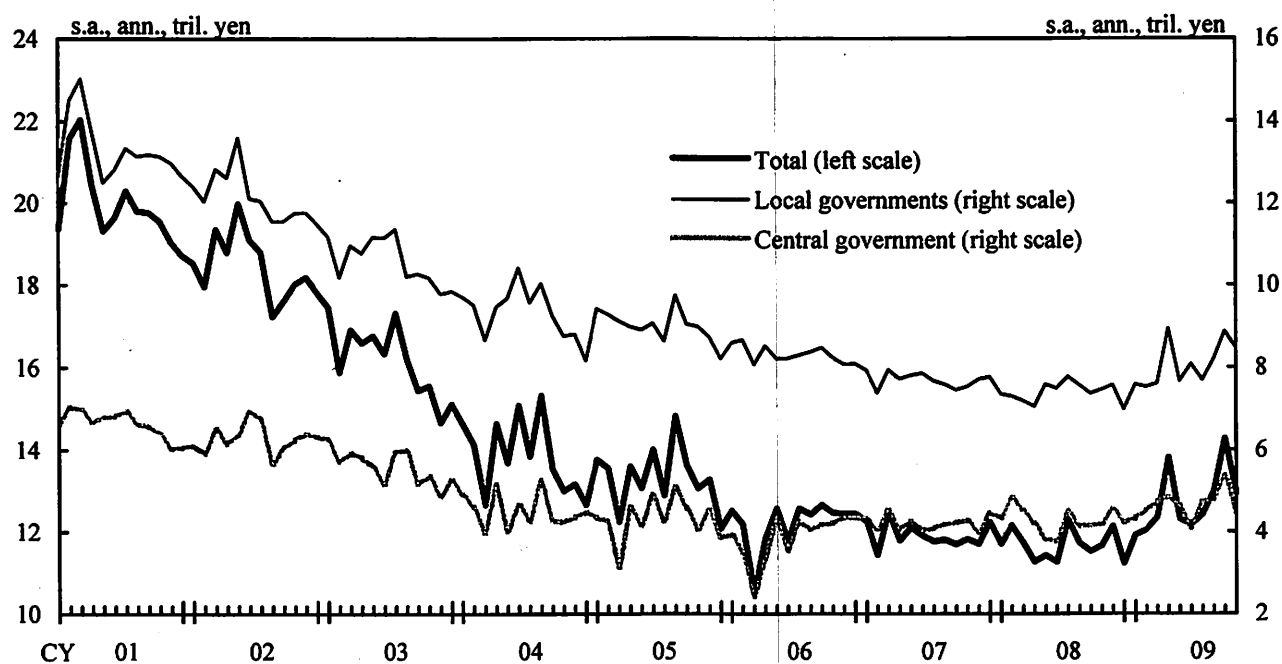
Source: Cabinet Office, "National Accounts."

## 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. Amount of public construction completed is based on the general tables in the "Integrated Statistics on Construction Works."

3. The figures of value of public works contracted and amount of public construction completed are seasonally adjusted by X-12-ARIMA.

Sources: Cabinet Office, "National Accounts";

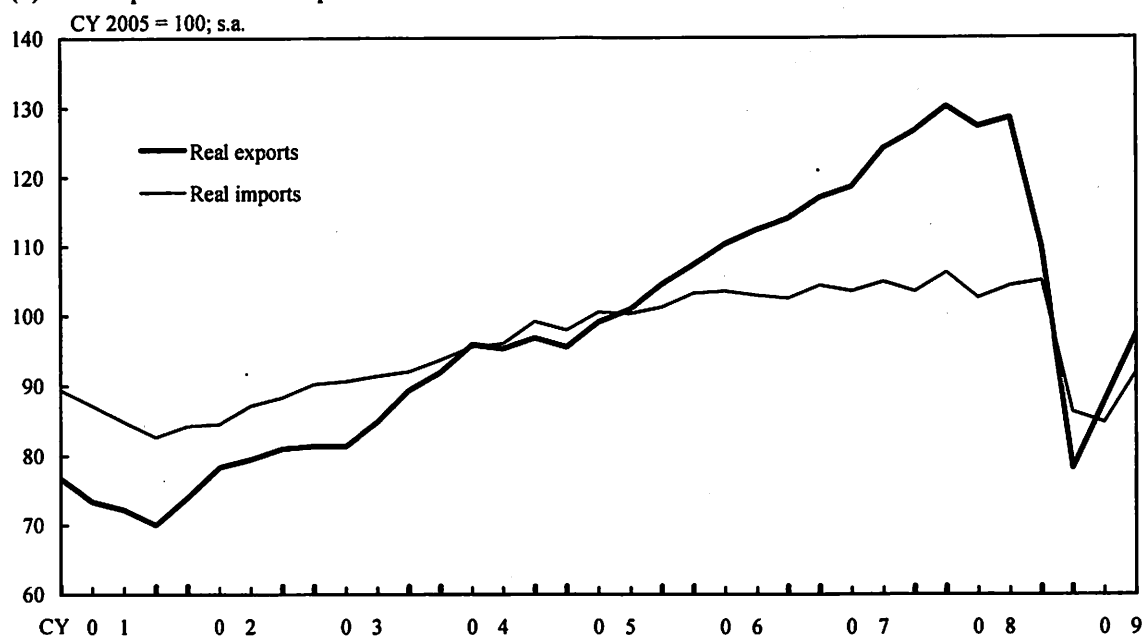
East Japan Construction Surety etc., "Public Works Prepayment Surety Statistics";

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

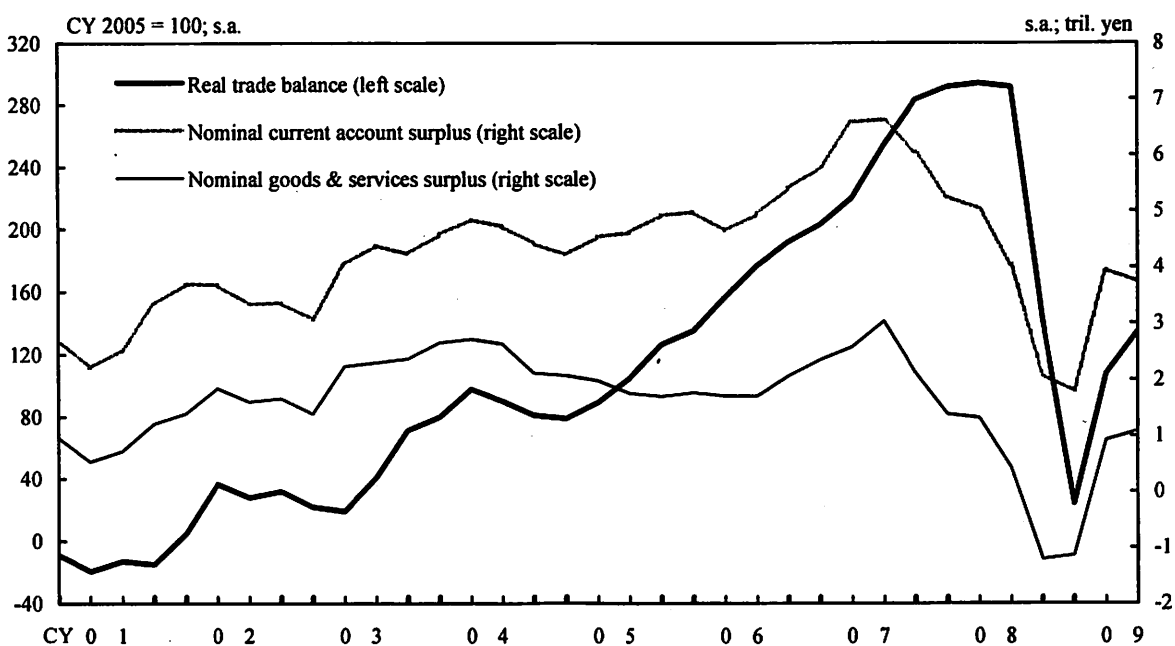


## External Balance

### (1) Real Exports and Real Imports



### (2) Real Trade Balance and Nominal Current Account Surplus



- Notes: 1. Real trade balance is defined as real exports minus real imports, indexed with base year of 2005. Real exports/imports are "The Value of Exports and Imports in Trade Statistics" deflated by the "Export and Import Price Index."  
 2. Figures are seasonally adjusted by X-12-ARIMA.

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

Real Exports <sup>1</sup>

## (1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2007	2008	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Jul.	2009 Aug.	2009 Sep.
United States	<17.5>	-1.2	-8.8	-4.9	-8.9	-35.7	11.7	10.2	-4.5	8.0	1.7
EU	<14.1>	13.0	-0.1	-2.9	-17.1	-27.0	4.7	1.2	-3.1	1.3	2.5
East Asia	<46.8>	9.9	3.4	-0.4	-15.5	-22.1	17.8	12.4	6.0	0.1	4.8
China	<16.0>	16.8	6.7	-1.3	-14.6	-17.1	19.3	8.9	4.3	-2.7	9.4
NIEs	<22.1>	5.2	-0.0	0.8	-18.3	-22.4	18.9	12.8	6.4	2.1	2.6
Korea	<7.6>	5.3	-0.3	2.2	-21.4	-13.4	12.4	10.2	1.5	6.1	1.9
Taiwan	<5.9>	0.0	-4.3	-2.5	-21.7	-19.7	21.6	12.0	4.7	2.5	3.6
ASEAN4 <sup>3</sup>	<8.8>	11.4	6.4	-1.5	-9.8	-30.7	12.0	19.5	8.5	0.5	1.1
Thailand	<3.8>	9.8	5.0	1.2	-6.4	-36.0	11.7	27.5	10.8	6.7	0.6
Others	<21.5>	20.4	16.1	1.9	-7.8	-30.7	-6.1	9.1	6.7	-7.0	8.0
Real exports		9.1	1.8	1.0	-14.5	-28.9	12.2	11.1	2.5	1.3	5.5

## (2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2007	2008	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Jul.	2009 Aug.	2009 Sep.
Intermediate goods	<18.9>	5.3	0.4	0.8	-7.8	-16.1	17.3	9.2	1.8	0.3	4.4
Motor vehicles and their related goods	<23.8>	13.2	3.2	-1.4	-14.5	-50.7	20.3	24.5	2.7	4.2	8.8
Consumer goods <sup>4</sup>	<4.1>	6.4	3.5	-4.4	-12.1	-26.9	8.7	0.9	8.3	-6.8	-5.3
IT-related goods <sup>5</sup>	<10.2>	12.2	0.8	-0.3	-20.6	-26.0	35.0	6.2	-2.4	1.8	2.4
Capital goods and parts <sup>6</sup>	<28.3>	8.0	5.2	-1.0	-9.8	-26.5	-0.9	7.3	5.0	1.5	2.0
Real exports		9.1	1.8	1.0	-14.5	-28.9	12.2	11.1	2.5	1.3	5.5

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

2. Shares of each region and goods in 2008 are shown in angle brackets.

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

4. Excludes motor vehicles.

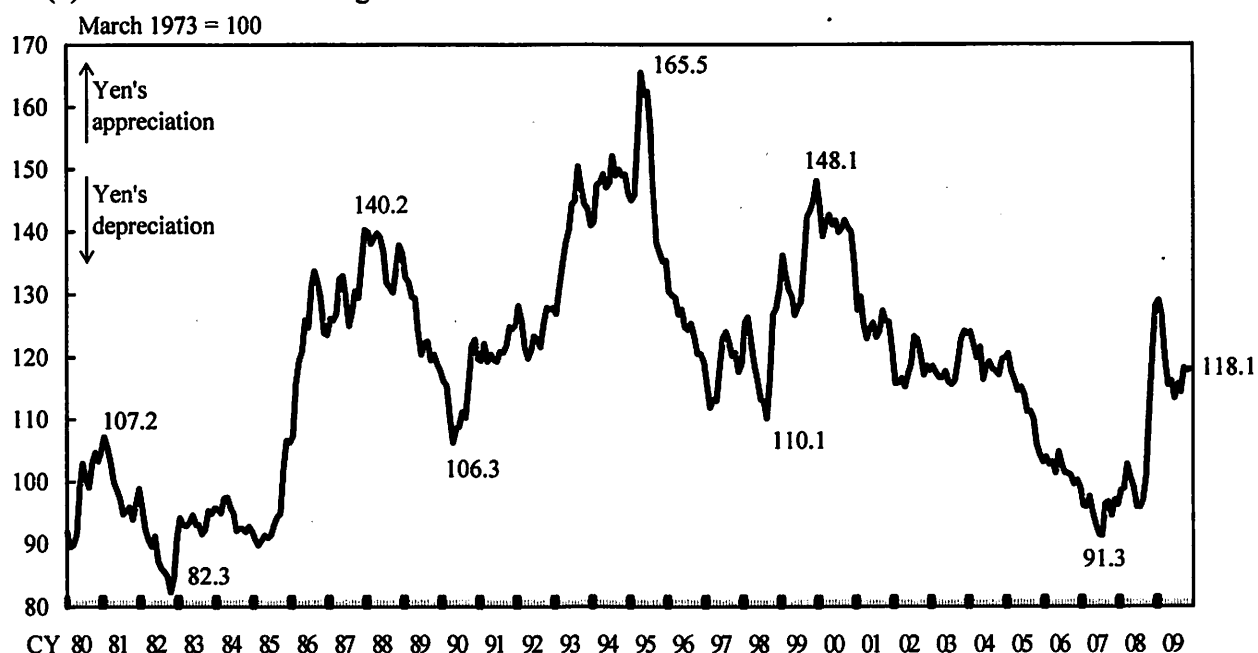
5. IT-related goods are composed of computers and units, telecommunication machinery, ICs, and medical and optical instruments.

6. 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



Note: Calculated by the Research and Statistics Department, Bank of Japan. Monthly average. Figure for November 2009 is the average up to November 19. Figures are the index of weighted average of the yen's real exchange rates versus 15 major currencies (30 countries) which are calculated from nominal exchange rates and price indexes of the respective countries.

## (2) Real GDP Growth Rates in Overseas Economies

			CY2006	2007	2008	2008 Q4	2009 Q1	Q2	Q3
United States <sup>1</sup>			2.7	2.1	0.4	-5.4	-6.4	-0.7	3.5
European Union <sup>1</sup>			3.2	2.9	0.8	-7.2	-9.4	-1.2	0.9
East Asia <sup>2</sup>	Germany		3.2	2.5	1.3	-9.4	-13.4	1.8	2.9
	France		2.4	2.3	0.3	-5.9	-5.5	1.1	1.1
	United Kingdom		2.9	2.6	0.6	-6.9	-9.6	-2.3	-1.6
	China		11.6	13.0	9.0	6.8	6.1	7.9	8.9
	NIEs	Korea	5.2	5.1	2.2	-3.4	-4.2	-2.2	0.6
		Taiwan	4.8	5.7	0.1	-8.6	-10.1	-7.5	n.a.
		Hong Kong	7.0	6.4	2.4	-2.6	-7.8	-3.6	-2.4
		Singapore	8.4	7.8	1.1	-4.2	-9.5	-3.3	0.6
	ASEAN4	Thailand	5.2	4.9	2.6	-4.2	-7.1	-4.9	n.a.
		Indonesia	5.5	6.3	6.1	5.2	4.4	4.0	4.2
		Malaysia	5.8	6.2	4.6	0.1	-6.2	-3.9	n.a.
		Philippines	5.3	7.1	3.8	2.9	0.6	1.5	n.a.

Notes: 1. Quarterly data of U.S. and EU are quarter-to-quarter percent changes at annual rates.

2. Quarterly data of East Asia are percent changes from a year earlier.

Chart 9

Real Imports <sup>1</sup>

## (1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2007	2008	2008 Q3	2009 Q4	2009 Q1	Q2	Q3	2009 Jul.	Aug.	Sep.
United States	<10.2>	-1.5	-2.5	1.1	-2.7	-14.4	-7.8	3.9	-3.9	1.9	9.4
EU	<9.2>	4.0	-3.0	-3.4	-2.3	-10.5	-2.7	5.0	-6.9	9.1	4.6
East Asia	<37.9>	3.1	2.3	1.1	-0.2	-17.6	0.7	7.8	2.5	1.9	5.0
China	<18.8>	5.7	4.4	3.2	-1.2	-15.0	-0.7	6.9	3.4	0.5	4.7
NIEs	<8.0>	-3.8	-1.1	-0.9	-6.3	-20.5	9.7	9.3	-2.2	5.2	8.7
Korea	<3.9>	-3.3	-5.3	-1.0	-6.5	-20.5	5.8	12.0	-0.2	7.9	5.0
Taiwan	<2.9>	-3.0	3.5	0.3	-6.4	-22.0	14.0	9.6	-2.8	2.3	13.2
ASEAN4 <sup>3</sup>	<11.1>	4.5	1.2	-1.5	7.5	-20.6	-3.3	8.5	4.7	2.1	2.4
Thailand	<2.7>	4.4	2.4	2.5	-1.9	-21.8	-0.3	10.6	5.4	4.9	4.0
Others	<42.7>	0.2	2.0	2.0	3.2	-18.8	-4.0	9.6	9.7	1.0	7.8
Real imports		0.7	0.3	1.7	0.7	-17.9	-1.7	8.5	3.4	1.0	8.6

## (2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2007	2008	2008 Q3	2009 Q4	2009 Q1	Q2	Q3	2009 Jul.	Aug.	Sep.
Raw materials <sup>4</sup>	<42.0>	0.7	1.0	1.9	4.4	-20.3	-5.4	12.5	11.0	2.5	7.6
Intermediate goods	<14.1>	2.0	1.7	0.9	4.3	-19.3	-7.9	13.0	3.4	7.8	2.8
Foodstuffs	<7.9>	-9.5	-3.7	2.0	11.2	-2.9	-5.0	0.5	1.0	-3.8	2.4
Consumer goods <sup>5</sup>	<6.9>	-0.1	-2.4	0.7	-2.5	-16.3	3.3	7.4	0.6	0.6	10.3
IT-related goods <sup>6</sup>	<9.5>	4.2	4.3	1.0	-7.9	-16.9	12.2	4.1	3.7	1.5	-1.2
Capital goods and parts <sup>7</sup>	<11.2>	8.5	2.9	0.6	-9.1	-18.7	-6.3	6.1	-6.3	-0.6	27.6
Excluding aircraft	<10.5>	7.9	3.7	-2.4	-4.4	-23.7	-1.3	5.6	-3.6	3.9	9.9
Real imports		0.7	0.3	1.7	0.7	-17.9	-1.7	8.5	3.4	1.0	8.6

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

2. Shares of each region and goods in 2008 are shown in angle brackets.

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

4. Raw materials are mainly composed of woods, ores and mineral fuel.

5. Excludes foodstuffs.

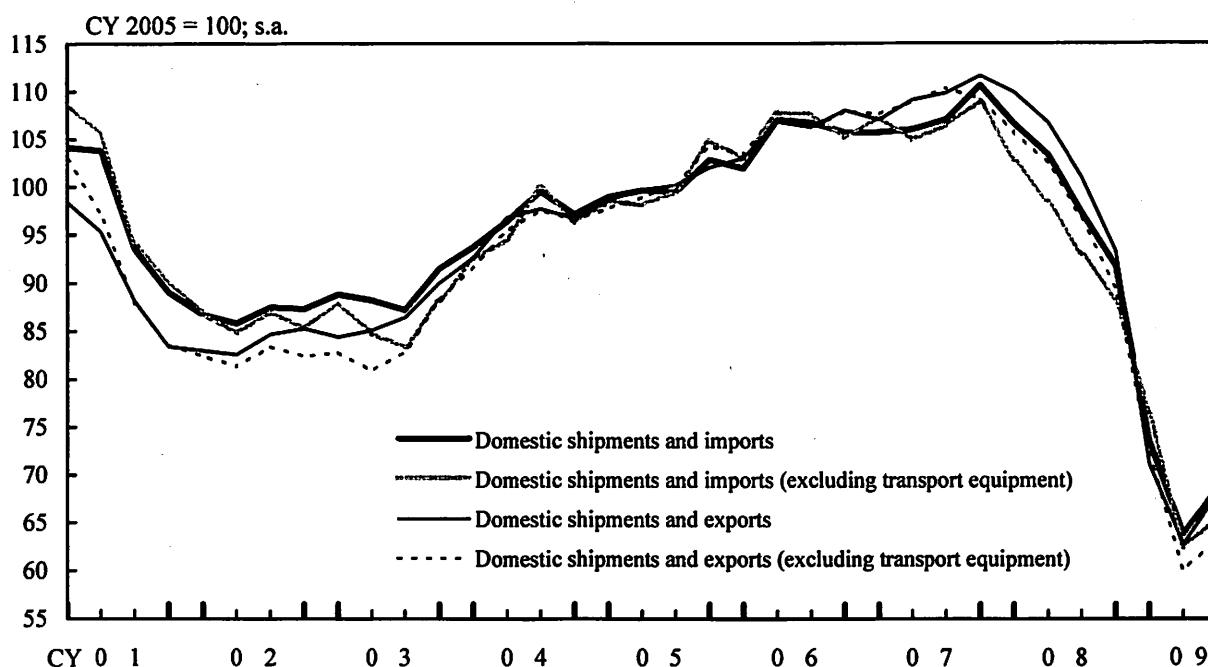
6. IT-related goods are composed of computers and units, parts of computer, telecommunication machinery, ICs, and medical and optical instruments.

7. Excludes IT-related goods.

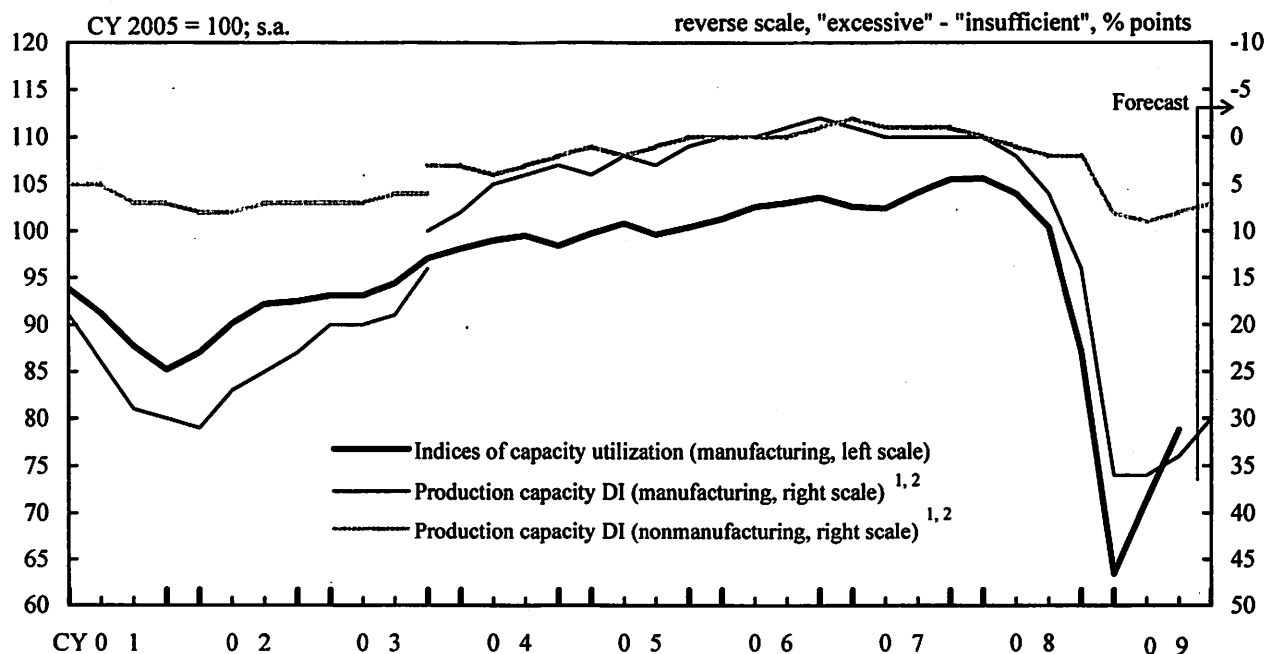
Sources: Ministry of Finance, "Trade Statistics"; Bank of Japan, "Corporate Goods Price Index."

## Coincident Indicators for Business Fixed Investment

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



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



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

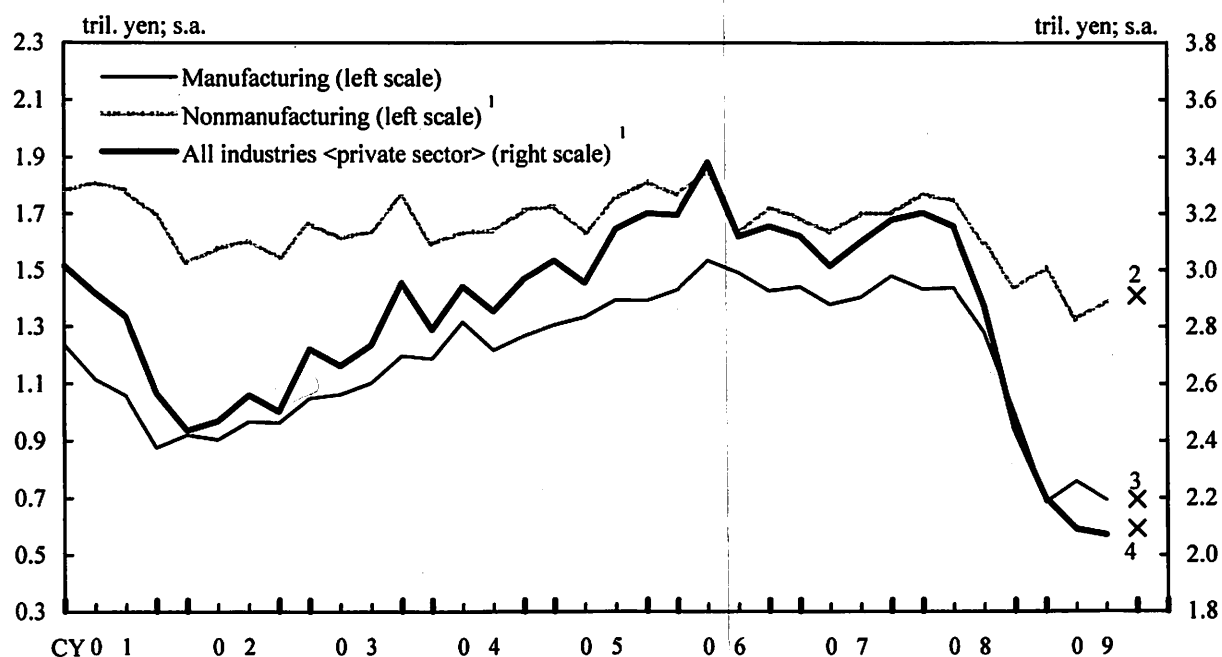
2. The *Tankan* has been revised from the March 2004 survey. Figures up to the December 2003 survey are based on the previous data sets. Figures from the December 2003 survey are on a new basis.

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 for Business Fixed Investment

## (1) Machinery Orders



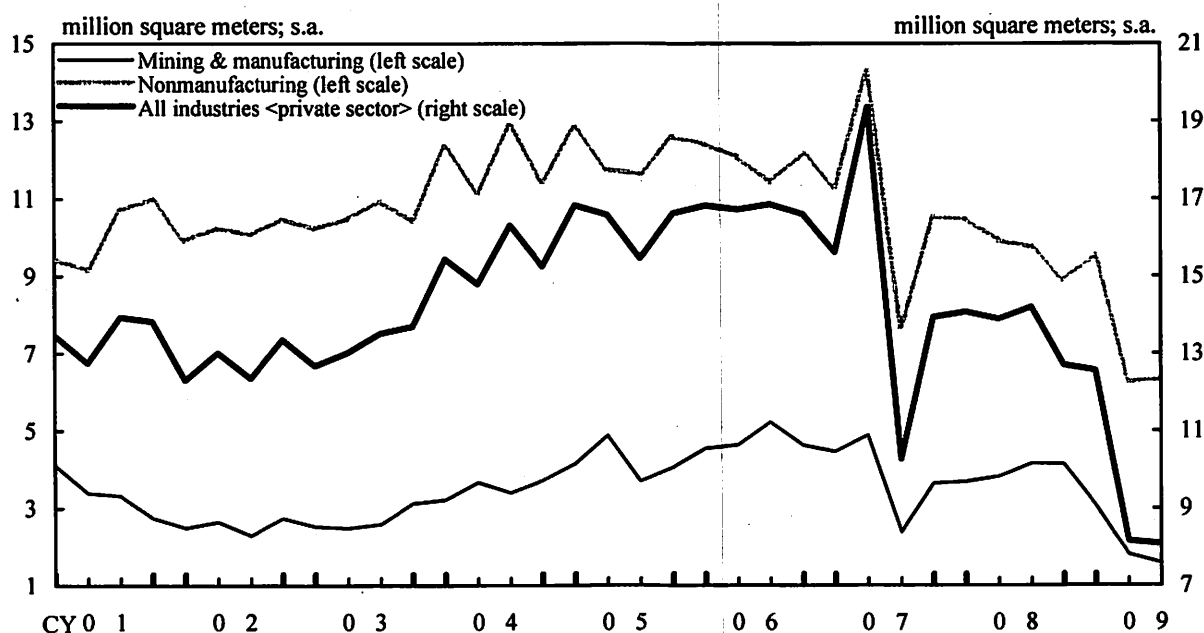
Notes: 1. Excludes orders of shipbuilding and orders from electric power companies.

2. Forecast of nonmanufacturing industries for 2009/Q4.

3. Forecast of manufacturing industries for 2009/Q4.

4. Forecast of all industries <private sector> for 2009/Q4.

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



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

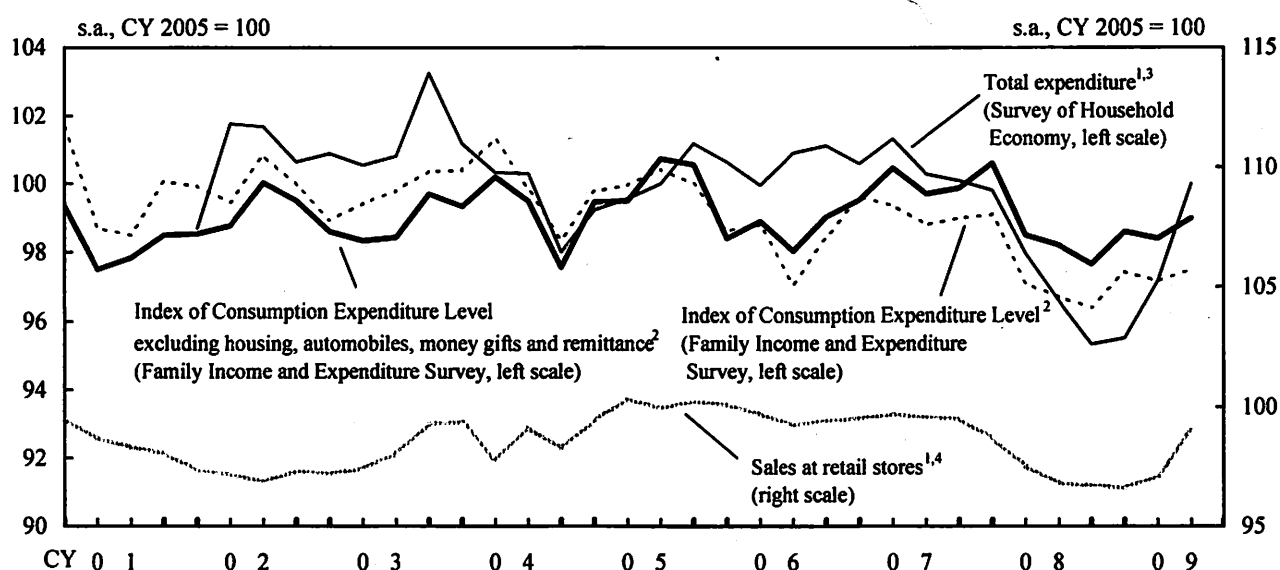
2. Because the Standard Industrial Classification for Japan was revised in March 2002, the industry classification for newspaper publishing and publishing business was changed from mining and manufacturing to nonmanufacturing. Accordingly, the data up to FY 2002 were adjusted by using a link coefficient.

Sources: Cabinet Office, "Orders Received for Machinery";

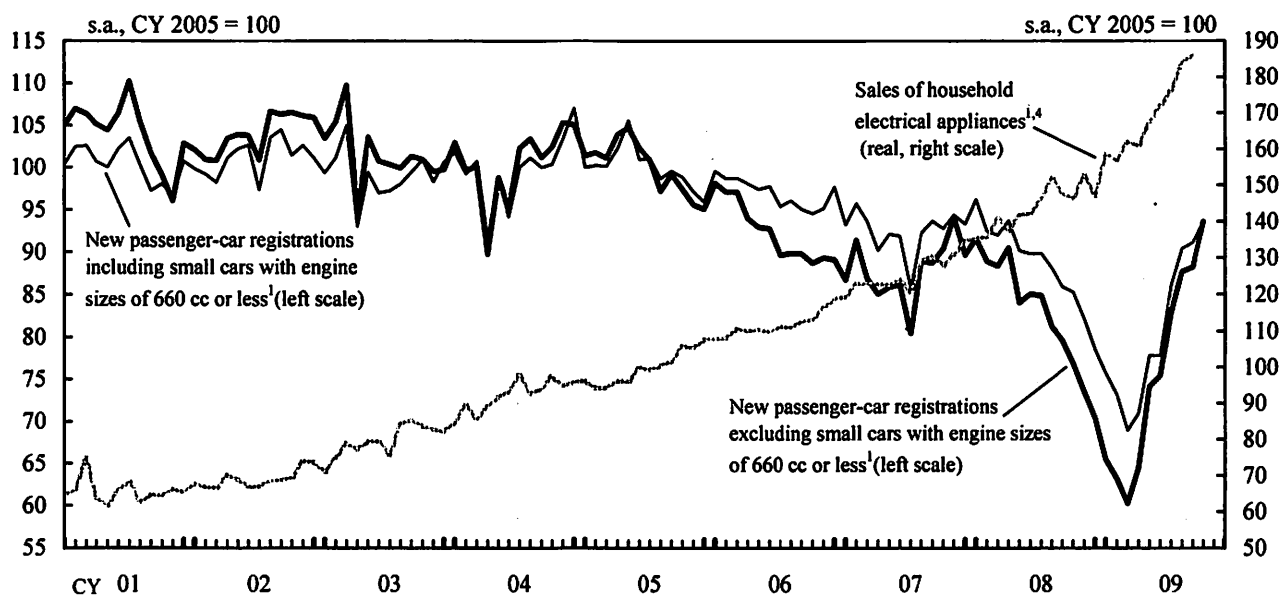
Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts."

## Indicators for Private Consumption (1)

## (1) Household Spending (Real)



## (2) Sales of Durable Goods



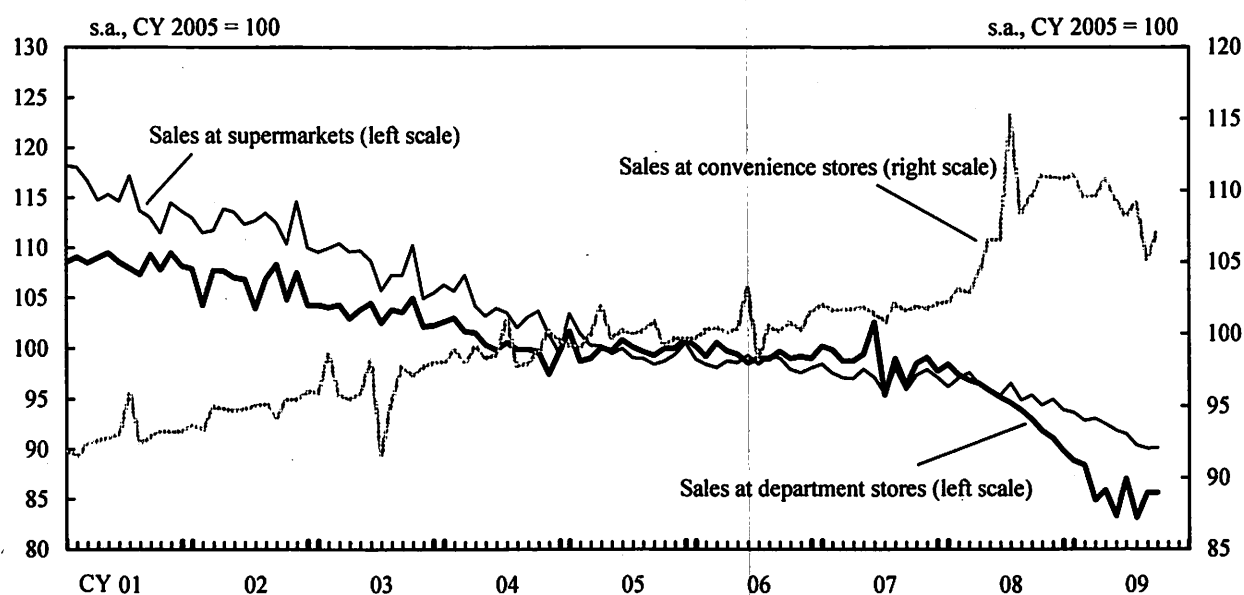
Notes: 1. Total expenditure, Sales at retail stores, Sales of household electrical appliances and New passenger-car registrations are seasonally adjusted by X-12-ARIMA.

2. Index of consumption expenditure level is based on two-or-more-person households, and is adjusted by the distribution of household by number of household members and age group of household head.

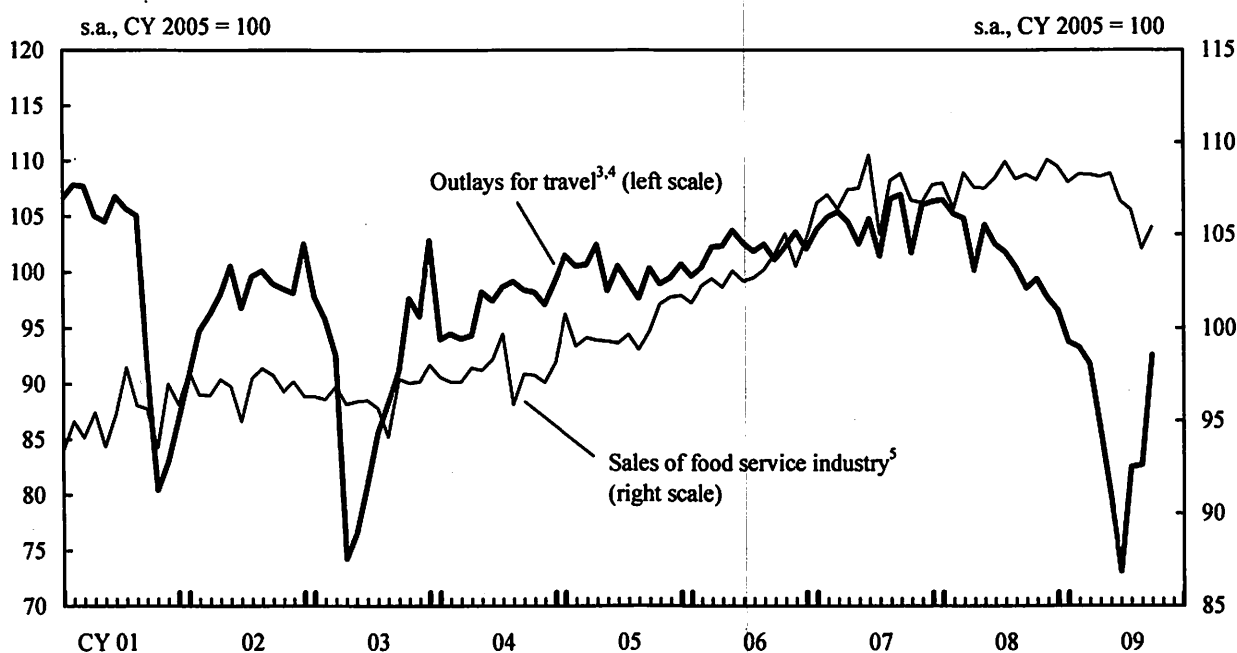
3. Total expenditure is based on two-or-more-person households, and is deflated by the consumer price index excluding imputed rent.

4. Sales at retail stores are deflated by the consumer price index for goods (excluding electricity, gas & water charges). 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 consumer price indexes (or by the corporate goods price index for PC printers before 2002).

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"; Bank of Japan, "Corporate Goods Price Index"; Japan Automobile Dealers Association, "Domestic Sales of Automobiles"; Japan Mini Vehicles Association, "Sales of Mini Vehicles."

Indicators for Private Consumption<sup>1</sup> (2)(1) Sales at Retail Stores (Nominal)<sup>2</sup>

## (2) Consumption of Services (Nominal)



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

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

3. Excluding those by foreign travelers.

4. There is a discontinuity in the underlying data as of April 2007 due to changes in the sample.

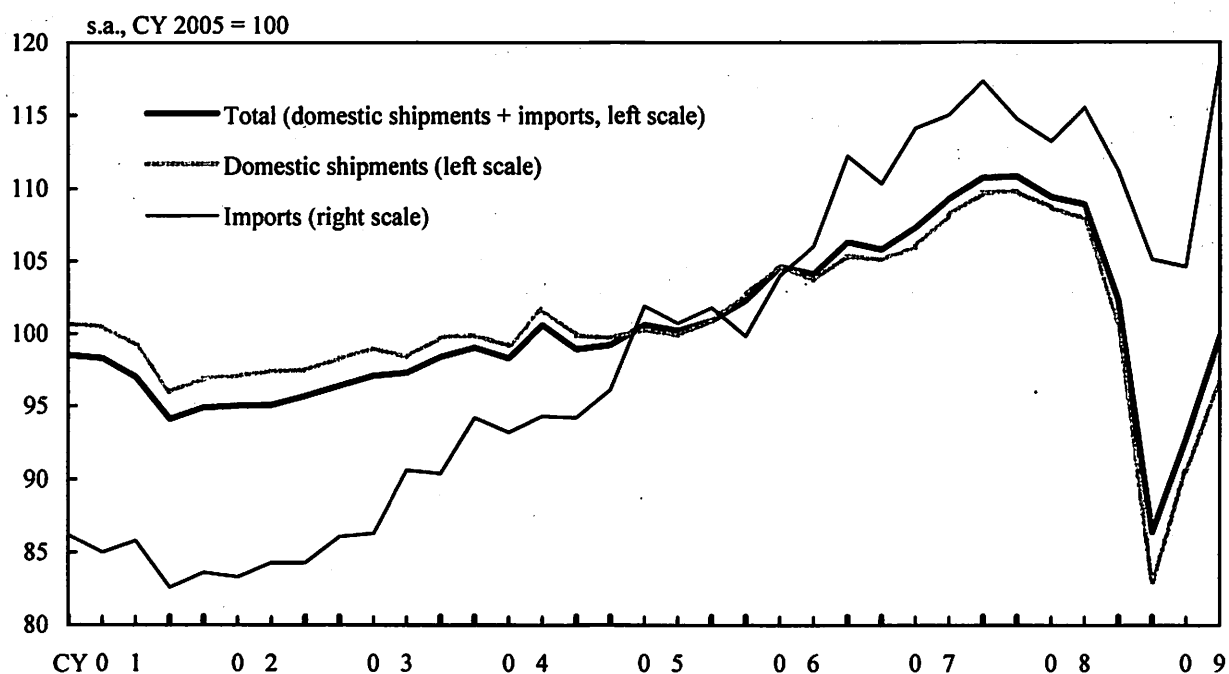
Data from April 2007 and onward are calculated using the year-on-year rate of changes on the new basis.

5. Sales of 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 monthly sales amounts in 1993 released by the Food Service Industry Survey & Research Center.

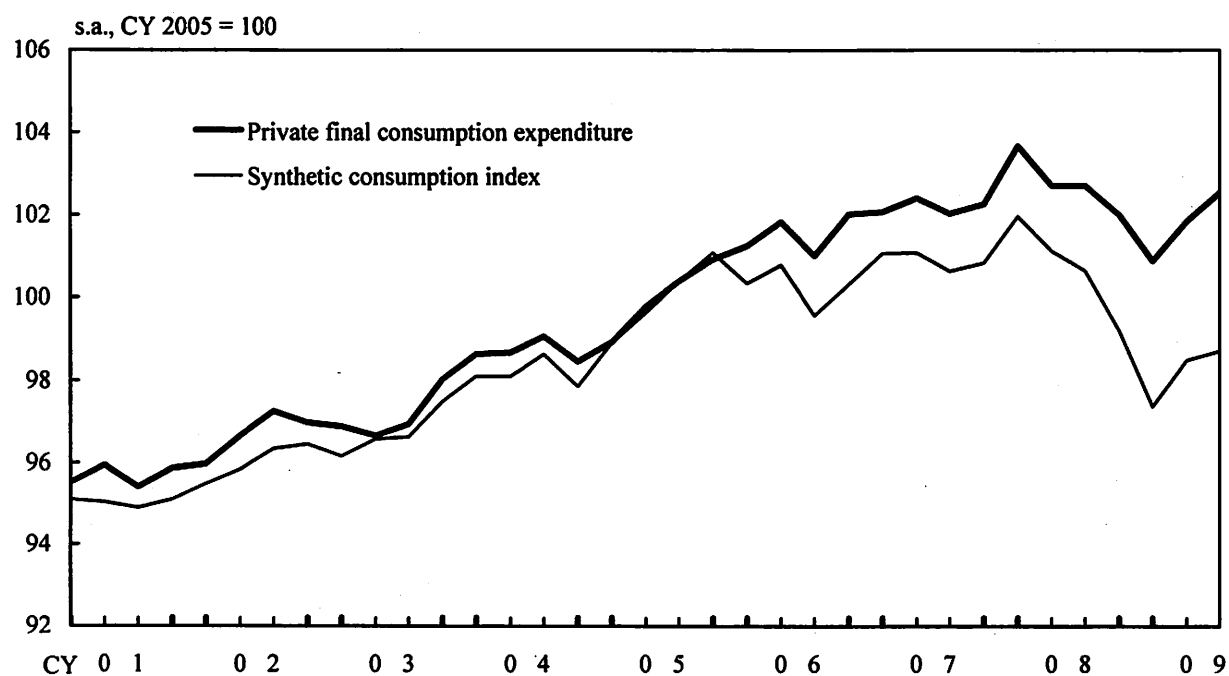
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce"; Japan Tourism Agency, "Major Travel Agents' Revenue"; Food Service Industry Survey & Research Center, "Getsuji Uriage Doukou Chousa (Monthly Survey of Food Service Sales)"; Japan Food Service Association, "Gaishoku Sangyou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

# Indicators for Private Consumption (3)

## (1) Aggregate Supply of Consumer Goods



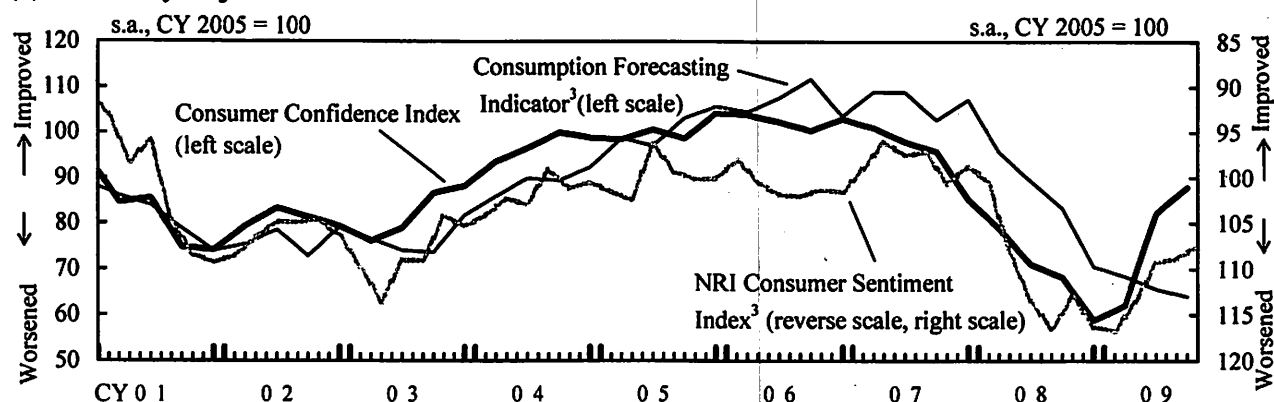
## (2) Private Final Consumption Expenditure and Synthetic Consumption Index (Real)



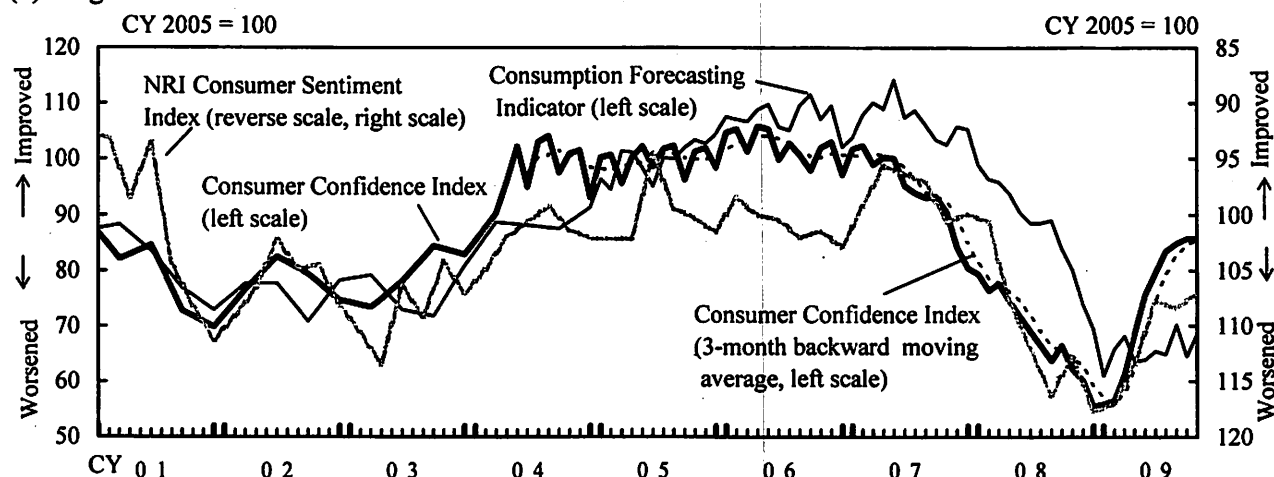
Sources: Ministry of Economy, Trade and Industry, "Indices of Industrial Domestic Shipments and Imports"; Cabinet Office, "National Accounts," "Synthetic Consumption Index."

Consumer Confidence<sup>1,2</sup>

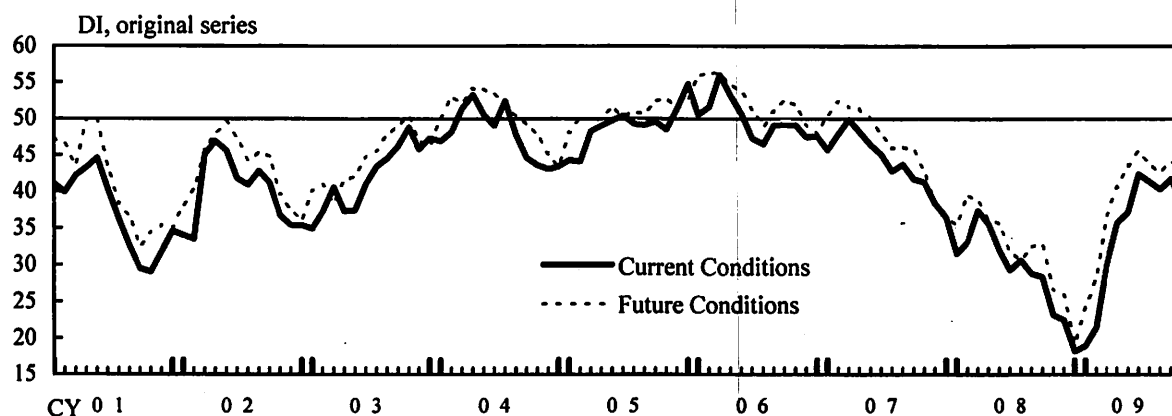
## (1) Seasonally Adjusted Series



## (2) Original Series



## Reference: Economy Watchers Survey (Household Activity)



Notes: 1. The Consumer Confidence Index (with about 4,700 samples on a nationwide basis), Consumption Forecasting Indicator (with 600 samples in the metropolitan area), and NRI Consumer Sentiment Index (with 1,200 samples on a nationwide basis) are based on surveys on consumer confidence.

2. Figures are plotted for each surveyed months and the data for intervening months are linearly interpolated.

3. Figures are seasonally adjusted by X-12-ARIMA. The Consumption Forecasting Indicator is seasonally adjusted using quarterly figures because the survey was quarterly until 2004.

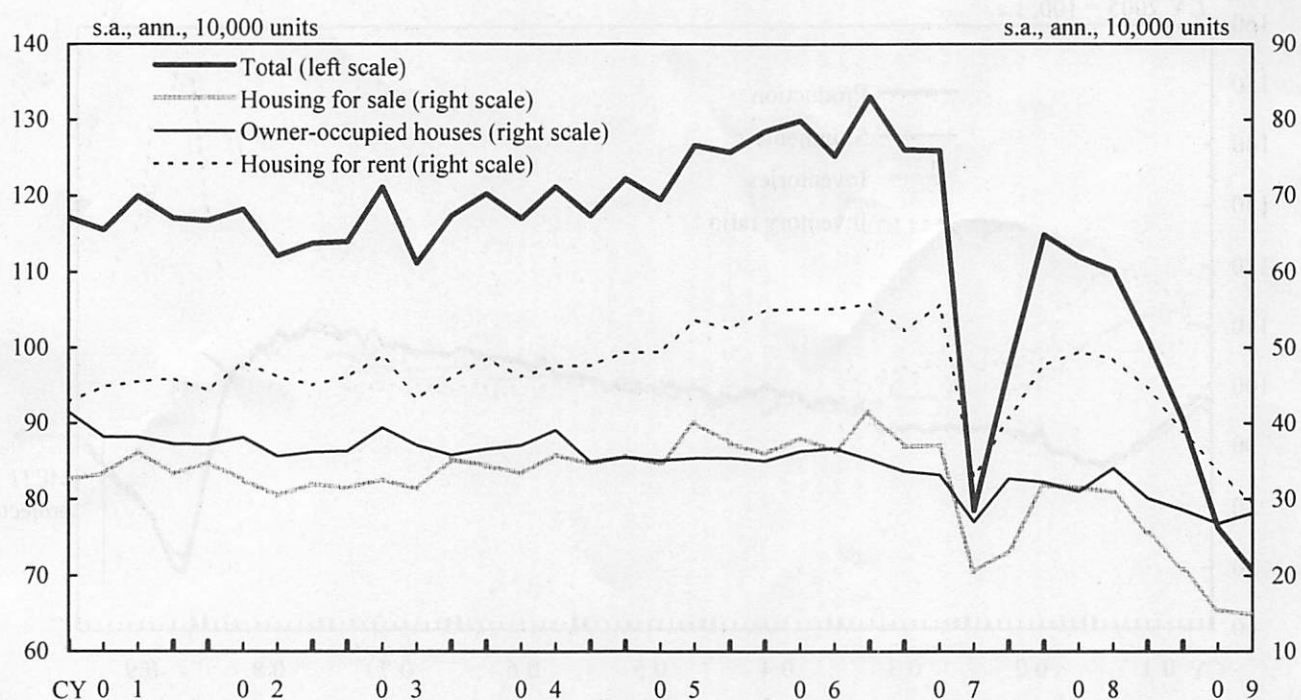
Sources: Cabinet Office, "Consumer Confidence Survey," "Economy Watchers Survey";

Nikkei inc., "Consumption Forecasting Indicator"; Nippon Research Institute (NRI), "Consumer Sentiment Survey."

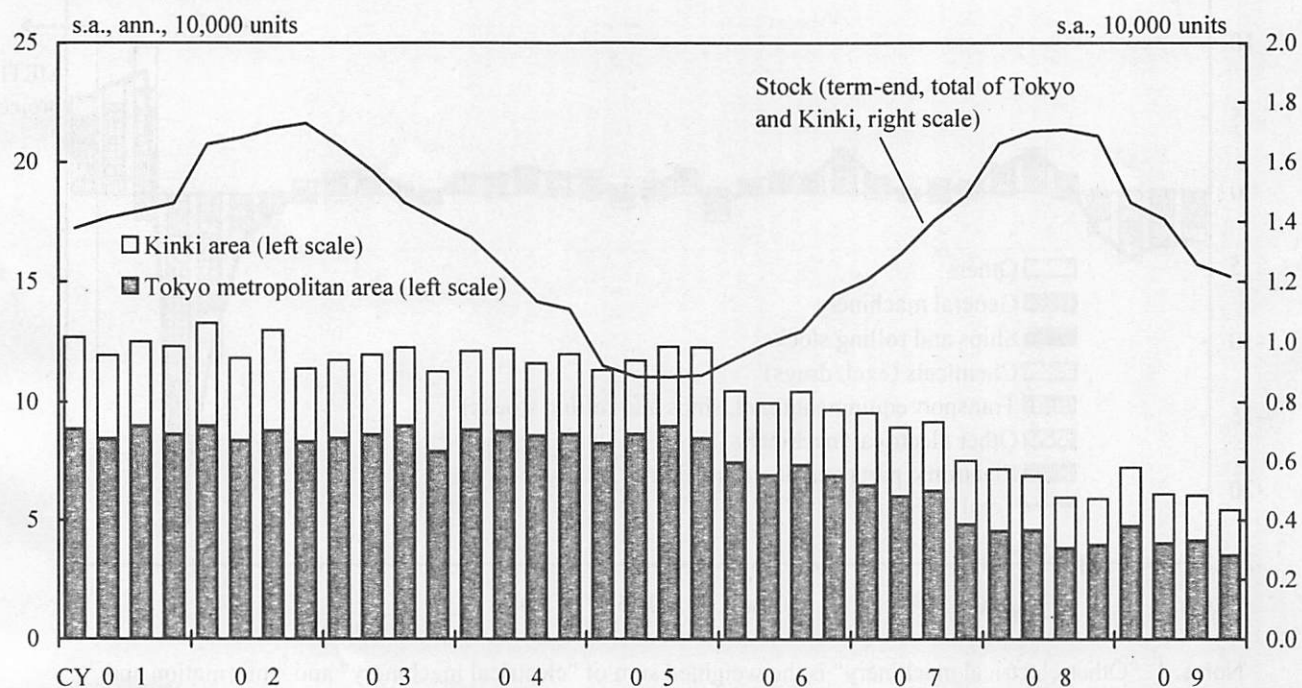


## Indicators for Housing Investment

## (1) Housing Starts



## (2) Sales of Apartments

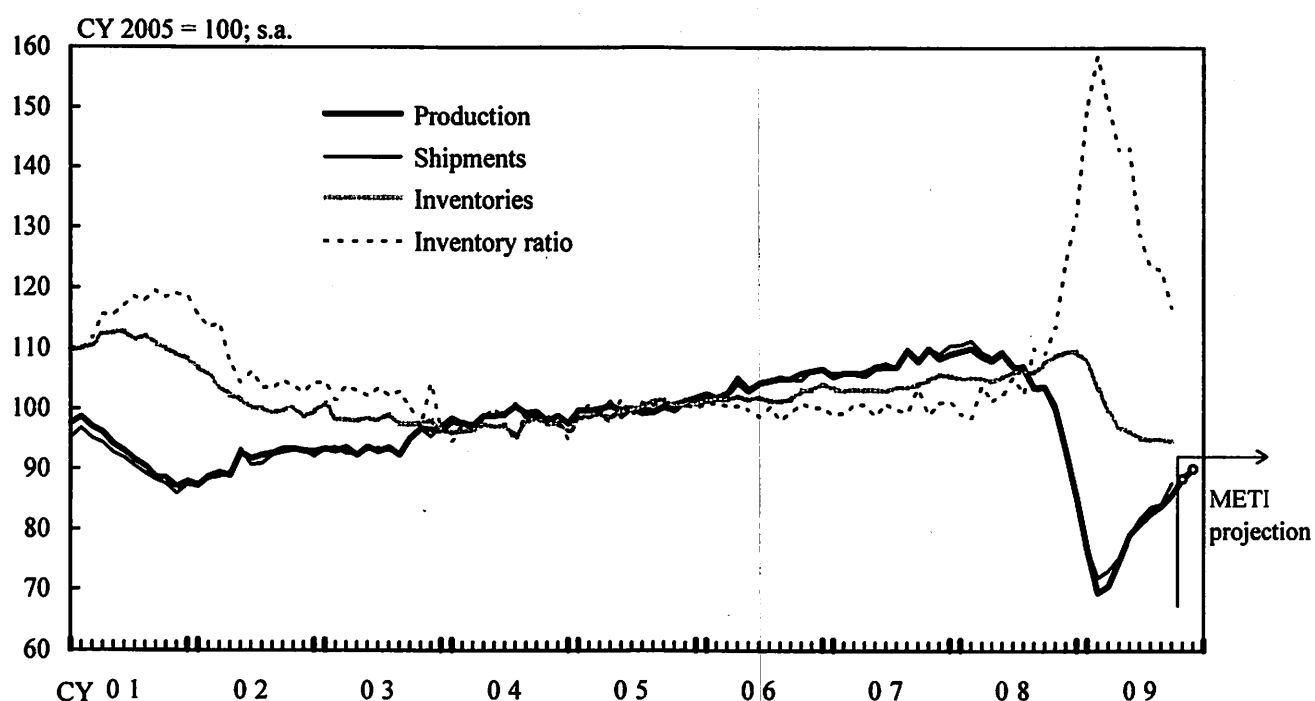


- Notes: 1. Seasonally adjusted by X-12-ARIMA.  
 2. Figures for 2009/Q4 are those of October.

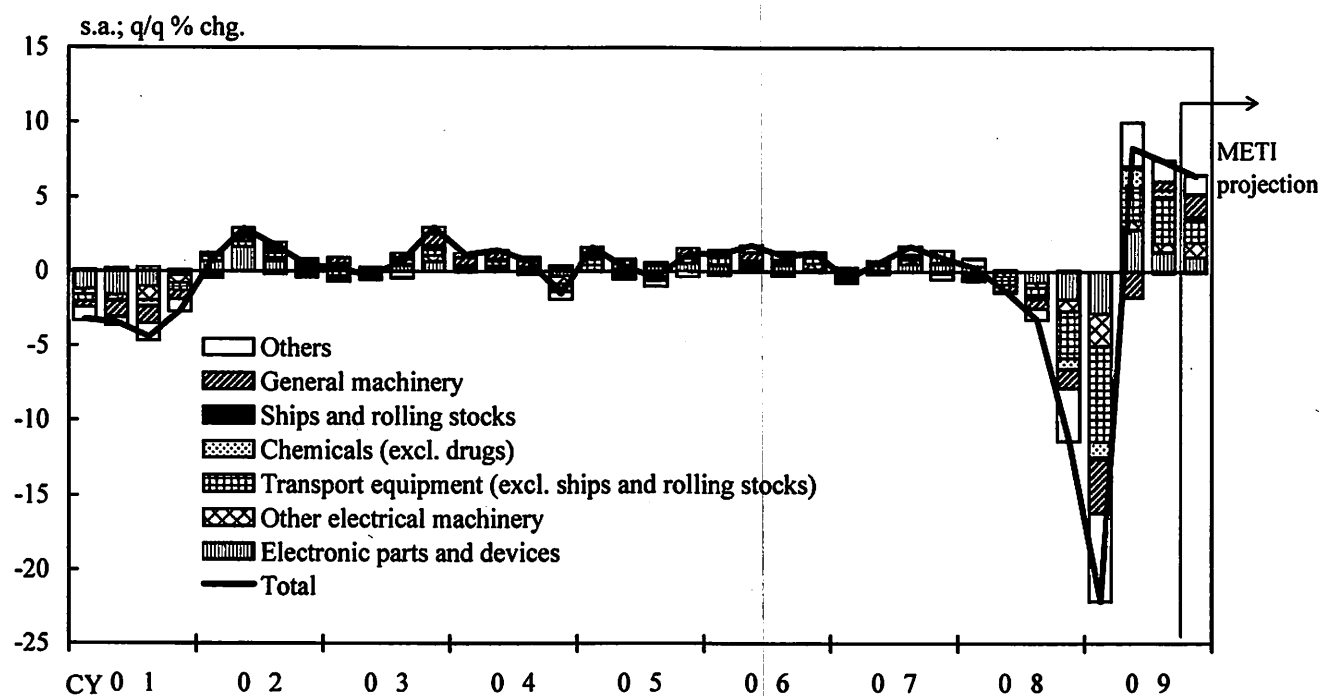
Source: Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts," etc.

# Production, Shipments and Inventories

## (1) Production, Shipments and Inventories



## (2) Production by Industry

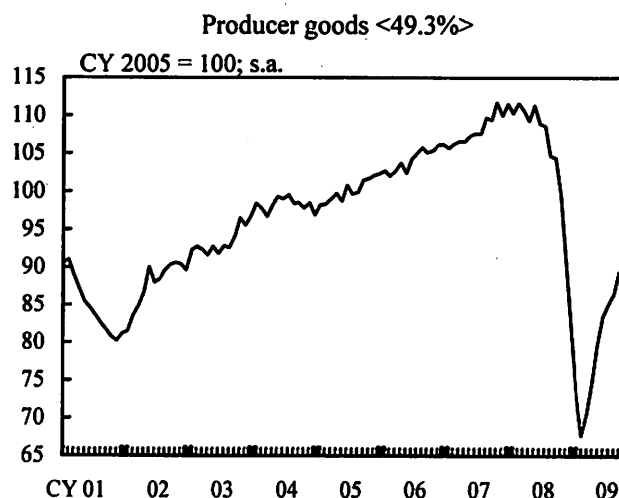
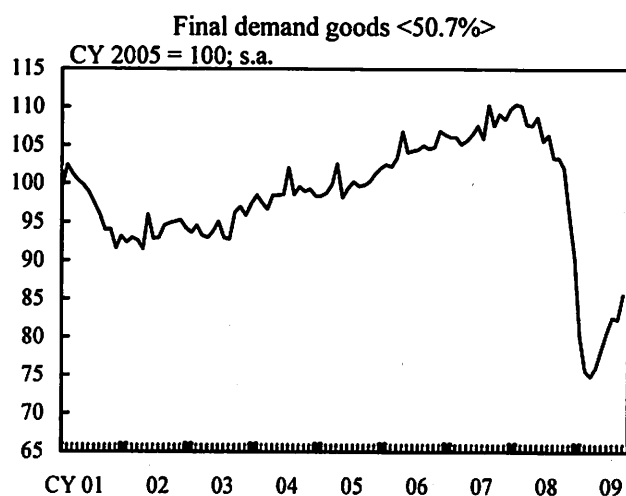


- Notes:
1. "Other electrical machinery" is the weighted sum of "electrical machinery" and "information and communication electronics equipment."
  2. Figures up to 2003/Q1 are on the 2000 base.
  3. 2009/Q4 figures are based on the assumption that each production level in December is the same as that of November.

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

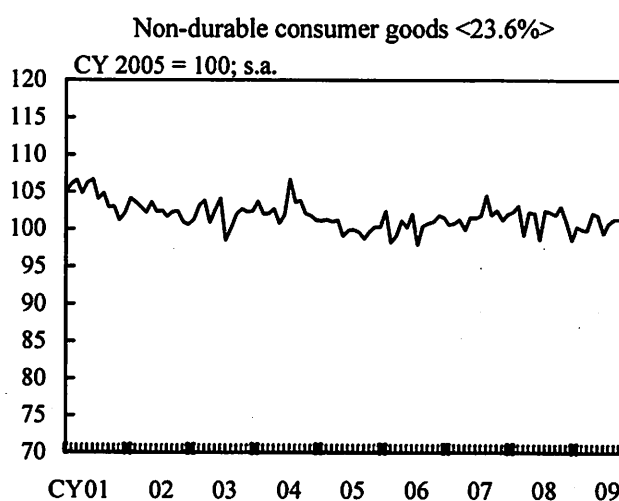
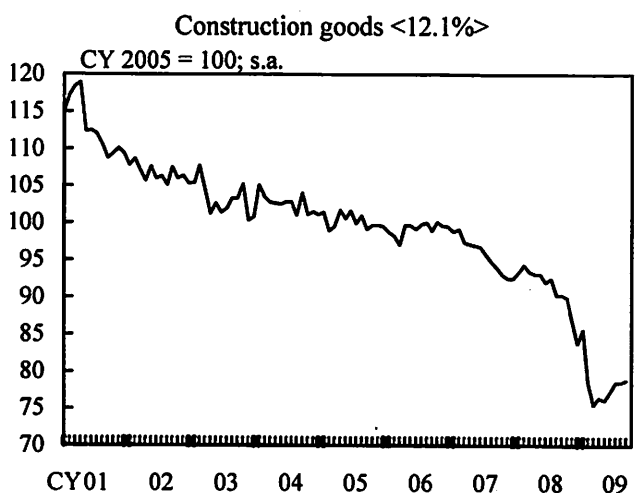
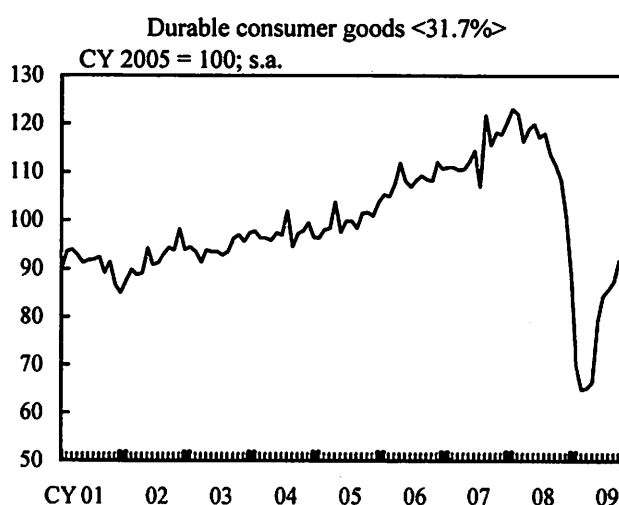
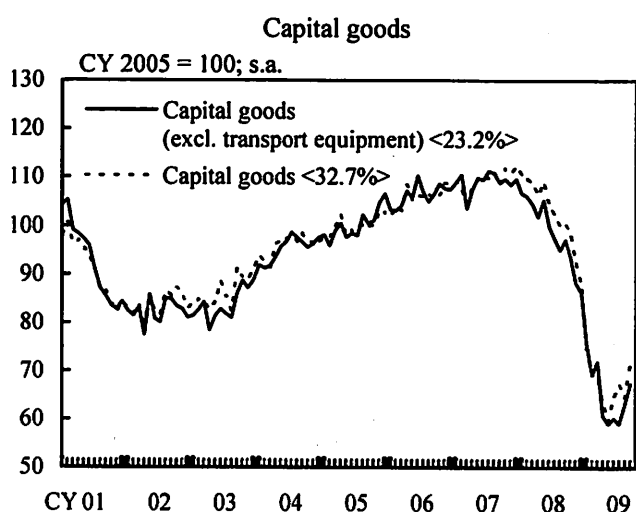
## Shipments Breakdown by Type of Goods

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



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

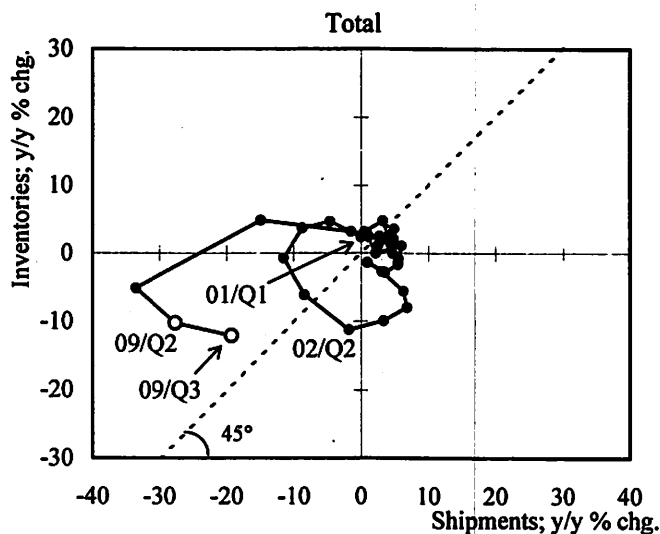
### (2) Breakdown of Final Demand Goods



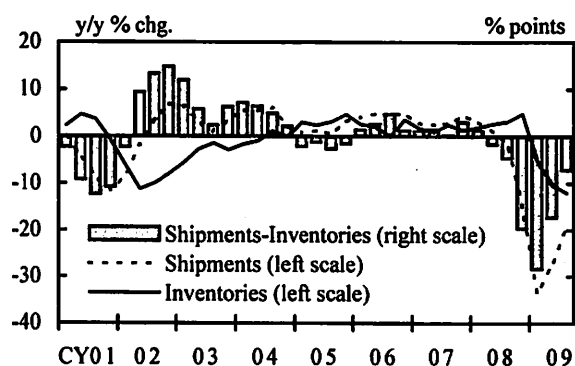
Note: Figures in angle brackets show the shares among shipments of final demand goods.

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

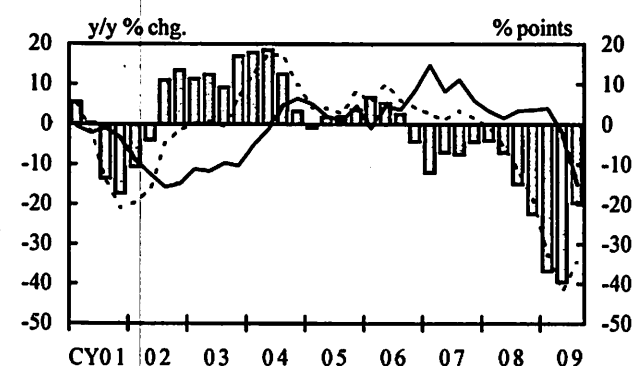
## Inventory Cycle



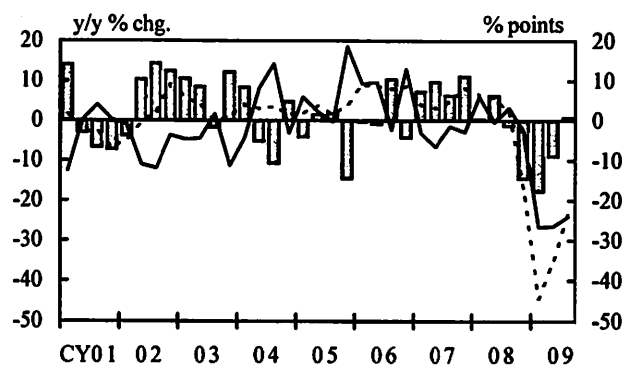
(1) Total



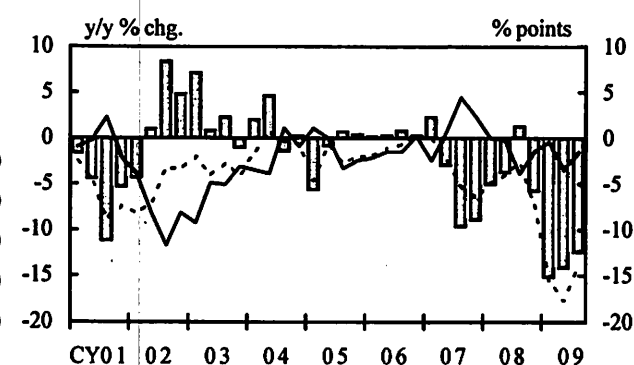
(2) Capital Goods (Excluding Transport Equipment)



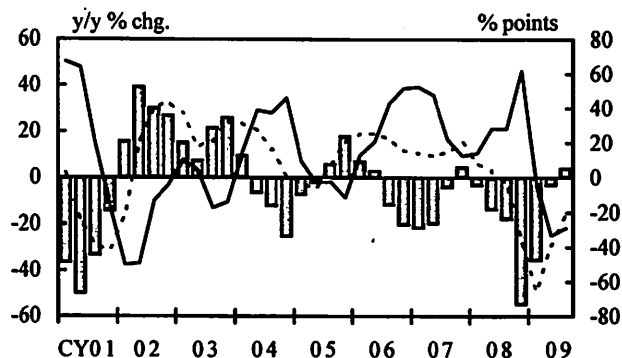
(3) Durable Consumer Goods



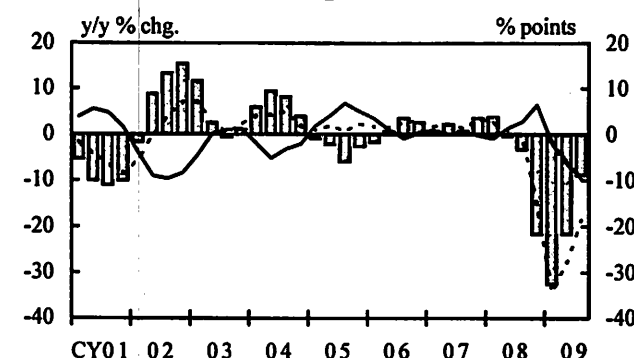
(4) Construction Goods



(5) Electronic Parts and Devices

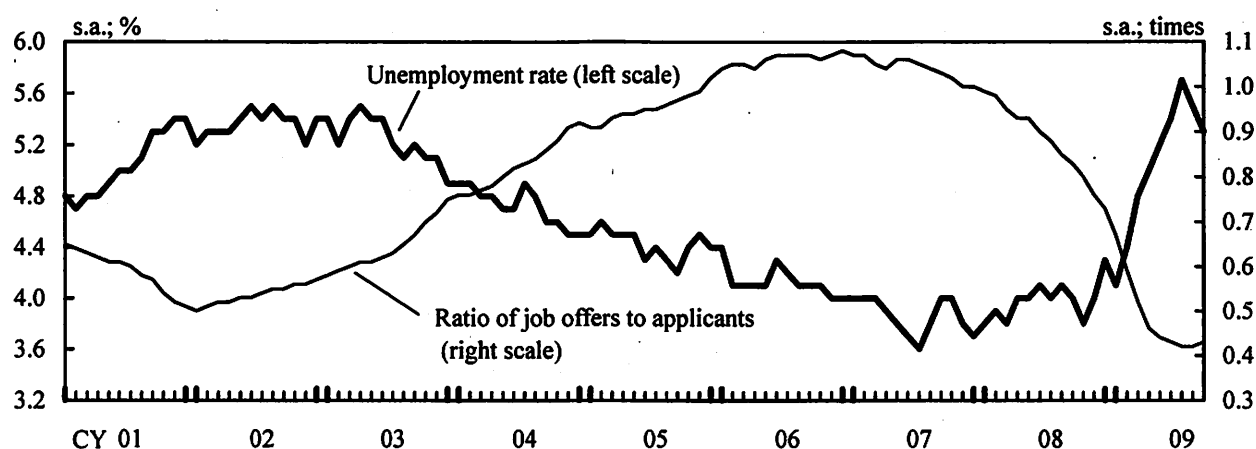
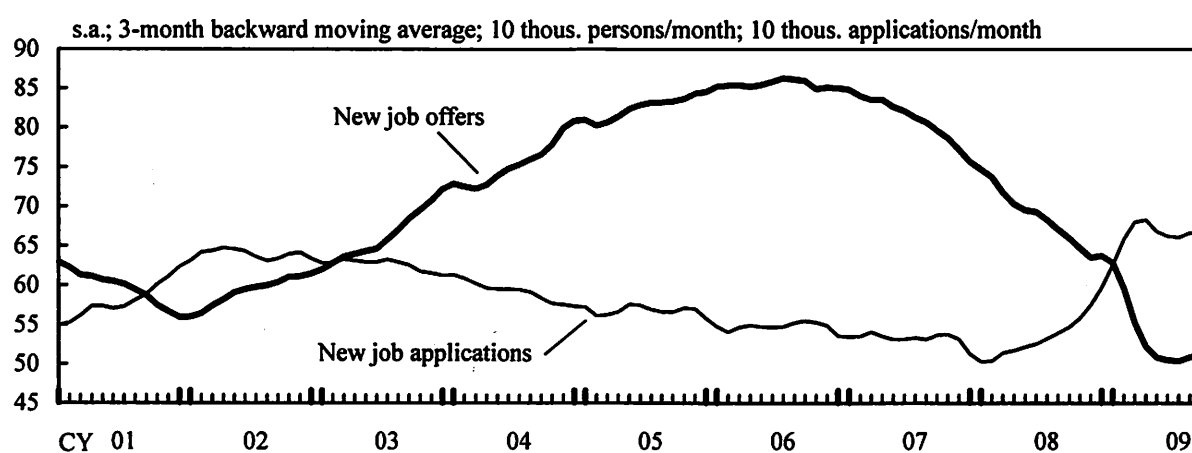
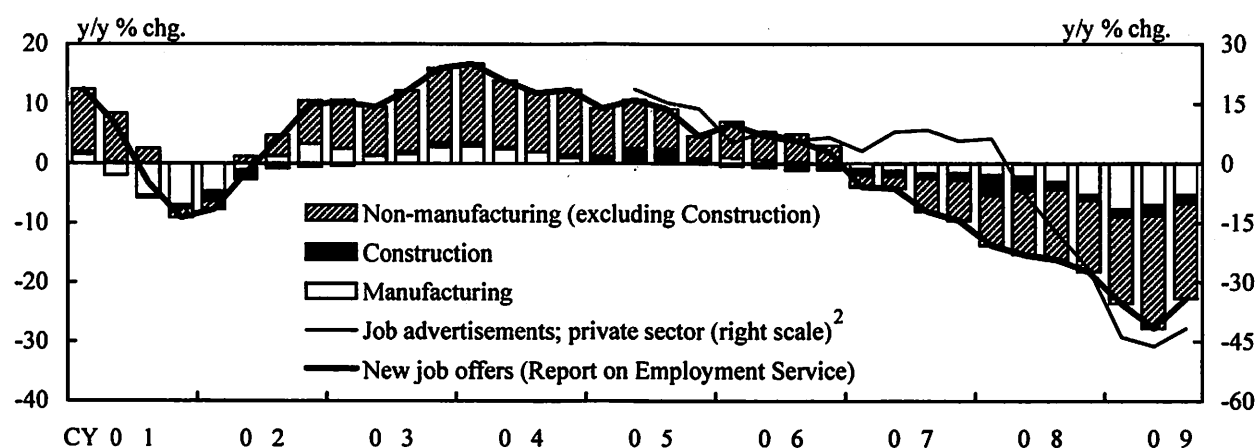


(6) Producer Goods Excluding Electronic Parts and Devices



## Labor Market (1)

## (1) Unemployment Rate and Ratio of Job Offers to Applicants

(2) New Job Offers and New Job Applicants<sup>1</sup>(3) Breakdown of Job Offers<sup>1</sup>

Notes: 1. Figures do not include jobs offered to new graduates, but include those offered to part-time workers.

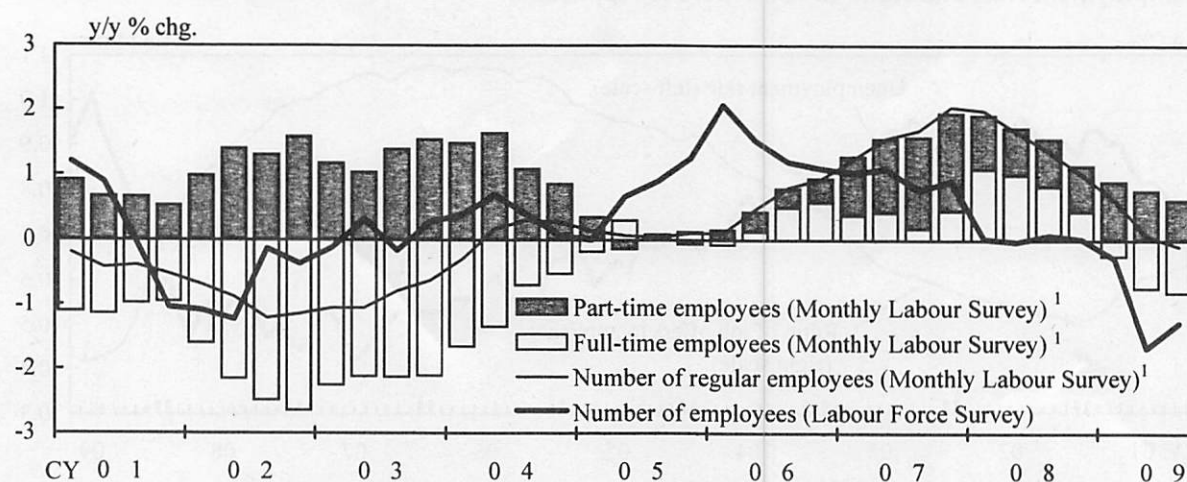
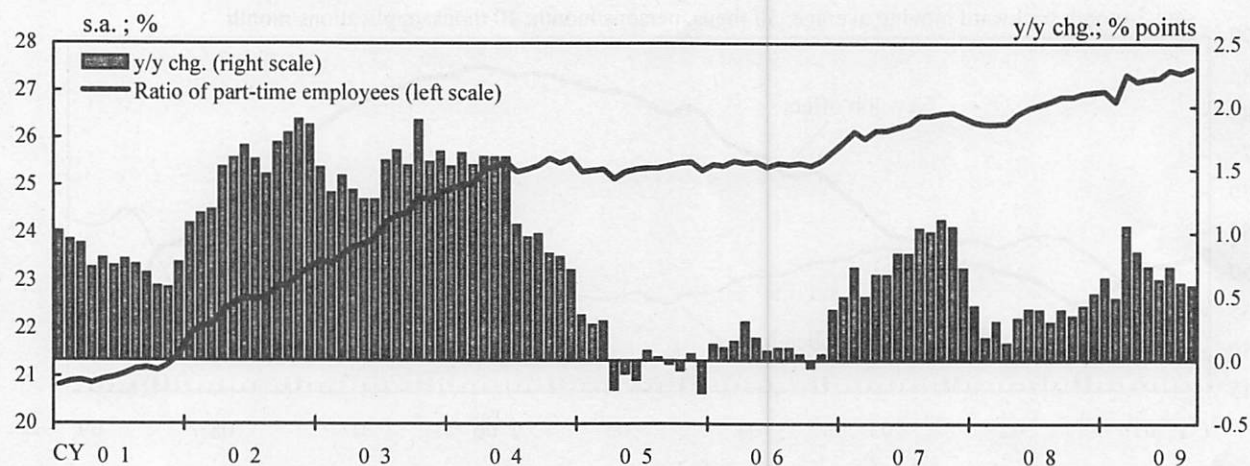
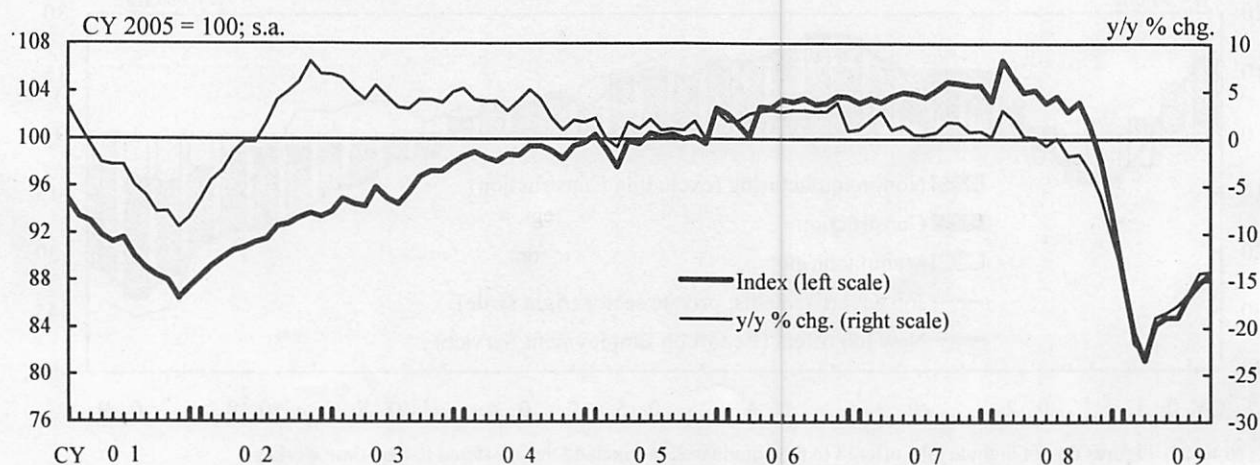
2. Figures are the sum of job advertisements listed in free/paid job information magazines, newspaper inserts and job information websites provided by member companies of the Association.

Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service";  
Ministry of Internal Affairs and Communications, "Labour Force Survey";  
Association of Job Information of Japan, "Kyujin Koukoku Keisaiikensu (Survey of Job Advertisements)."



## Labor Market (2)

## (1) Number of Employees

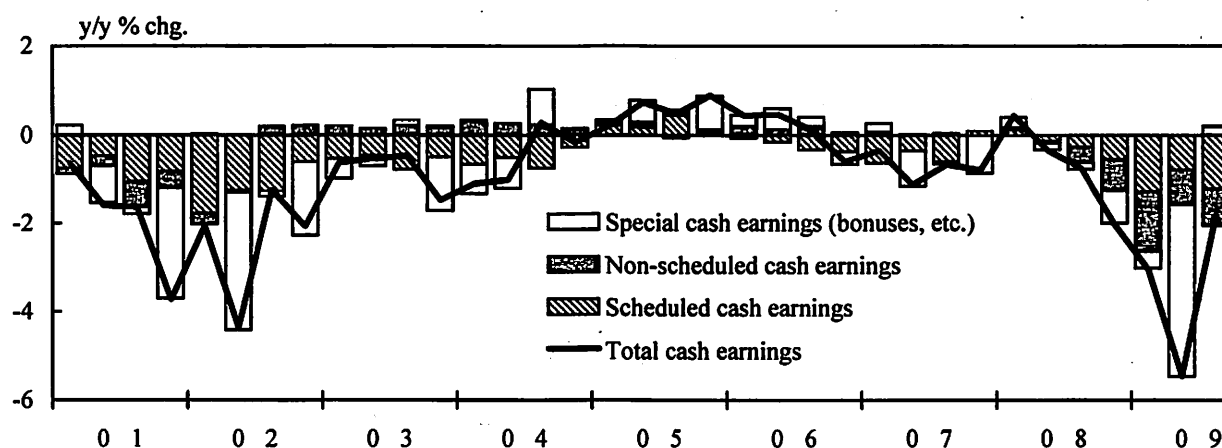
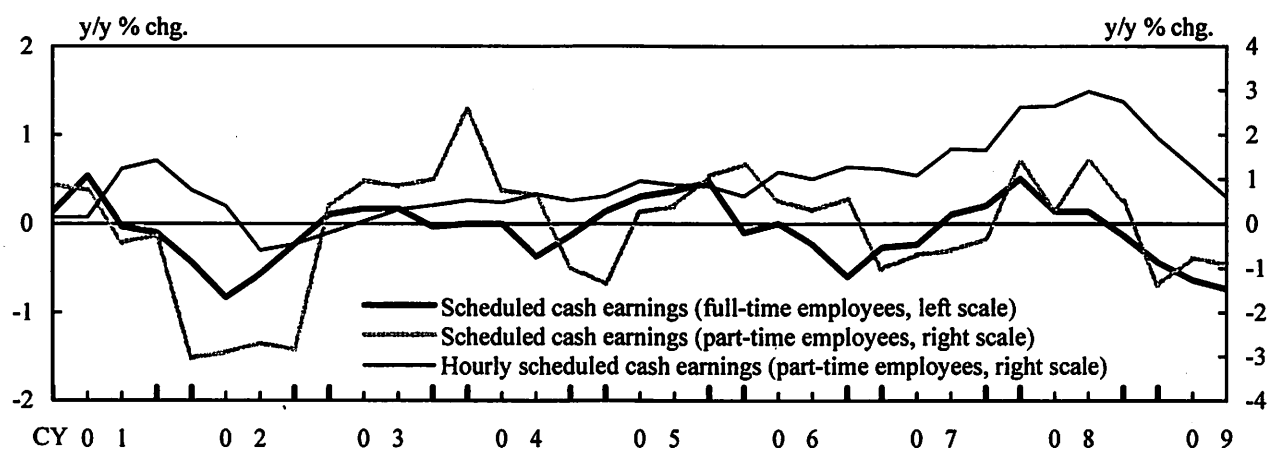
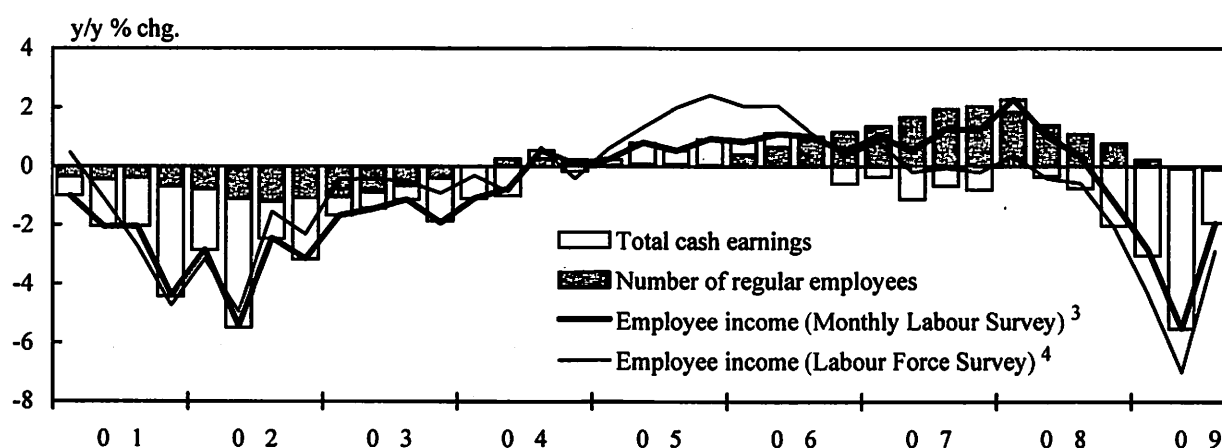
(2) Ratio of Part-Time Employees<sup>1,2</sup>(3) Non Scheduled Hours Worked<sup>1</sup>

Notes: 1. Data are for establishments with at least five employees.

2. The ratio of part-time employees is calculated as the number of part-time employees divided by the number of regular employees times 100.

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

## Employee Income

(1) Breakdown of Total Cash Earnings<sup>1,2,5</sup>(2) Scheduled Cash Earnings<sup>1</sup>(3) Breakdown of Employee Income<sup>1,2,5</sup>

Notes: 1. Data are for establishments with at least five employees.

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

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

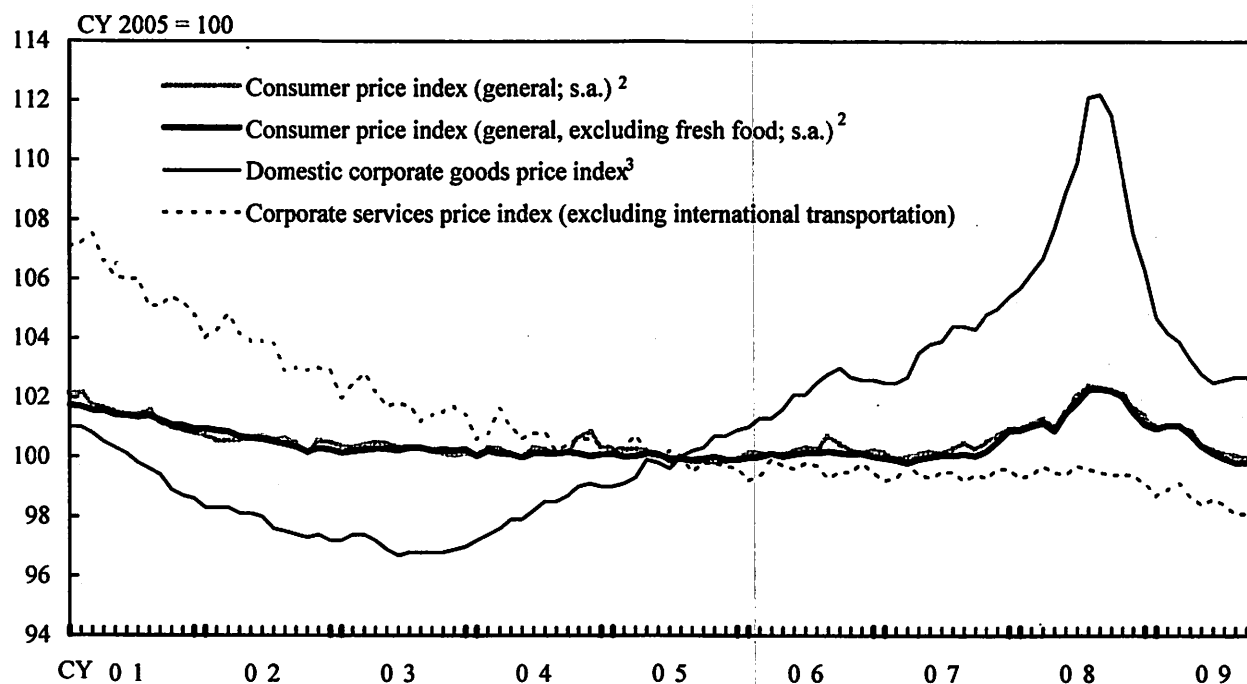
4. Calculated as the number of employees (Labour Force Survey) times total cash earnings (Monthly Labour Survey).

5. Figures for 2009/Q3 are those of September.

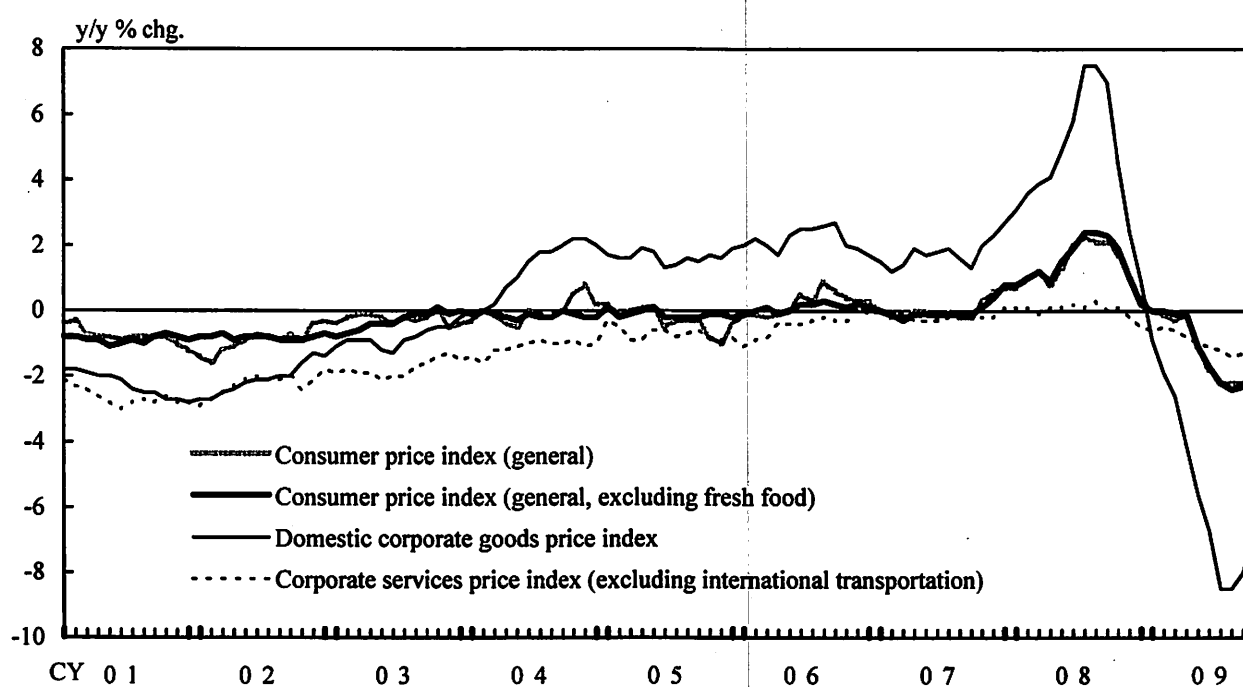
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";  
Ministry of Internal Affairs and Communications, "Labour Force Survey."

## Prices

## (1) Level



## (2) Changes from a Year Earlier



Notes: 1. The base year of CSPI has been switched from the 2000 base to the 2005 base.

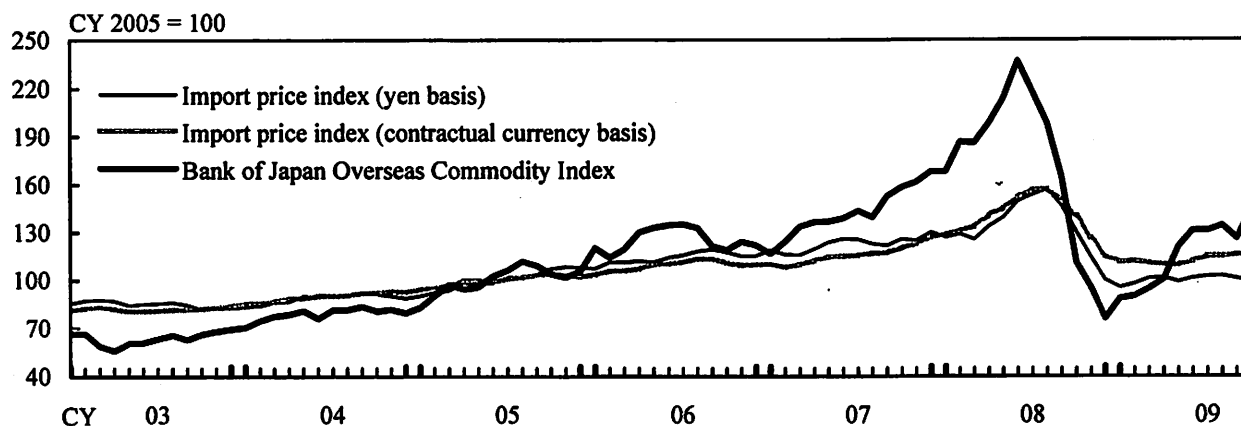
2. Seasonally adjusted by X-12-ARIMA.

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

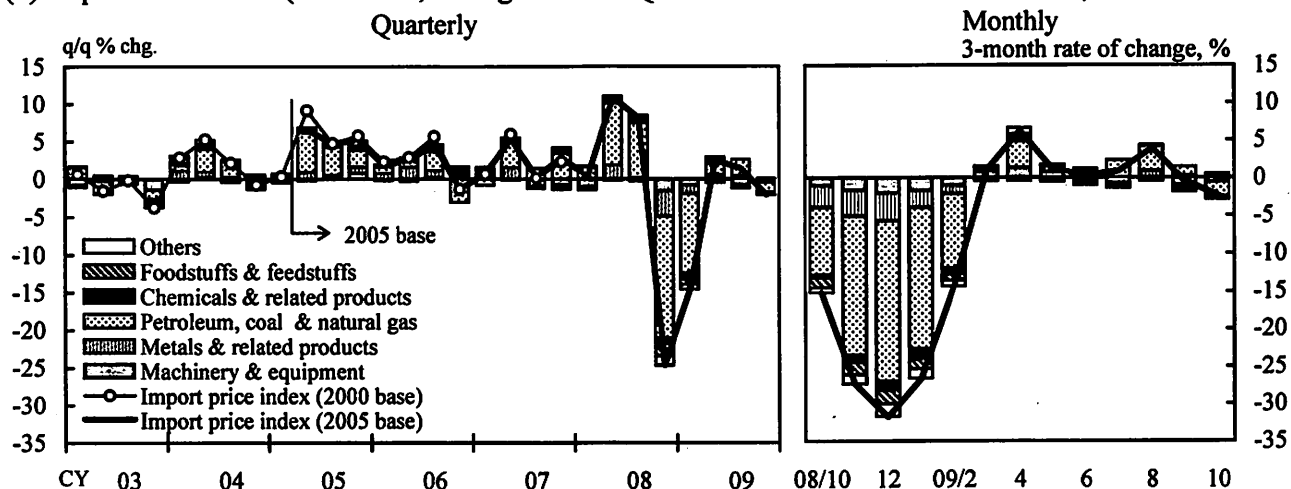
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index."

## Import Prices and International Commodity Prices

### (1) Import Price Index and Overseas Commodity Index



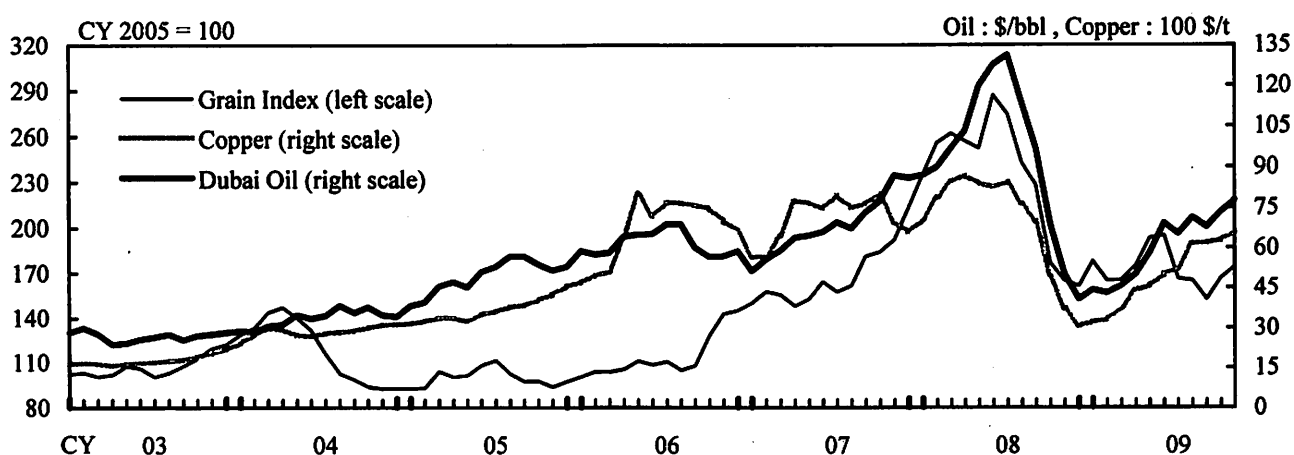
### (2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



Notes: 1. Machinery & equipment: general machinery, electric & electronic products, transportation equipment, precision instruments.

2. Figures for 2009/Q4 are those of October. Figures for 2007/Q4 on the 2000 base are those of October.

### (3) International Commodity Prices



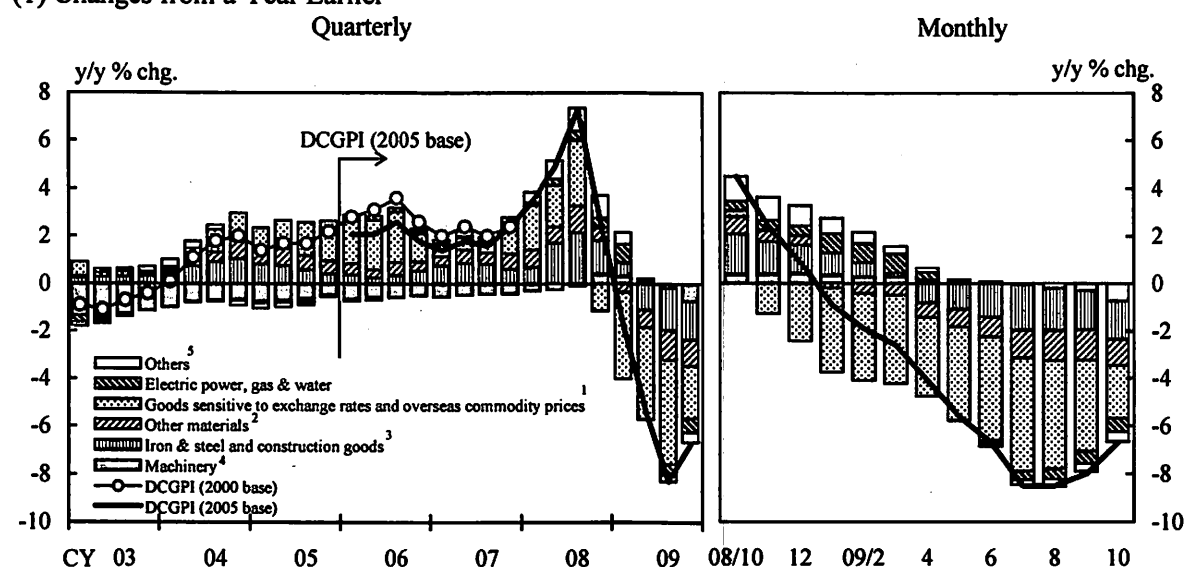
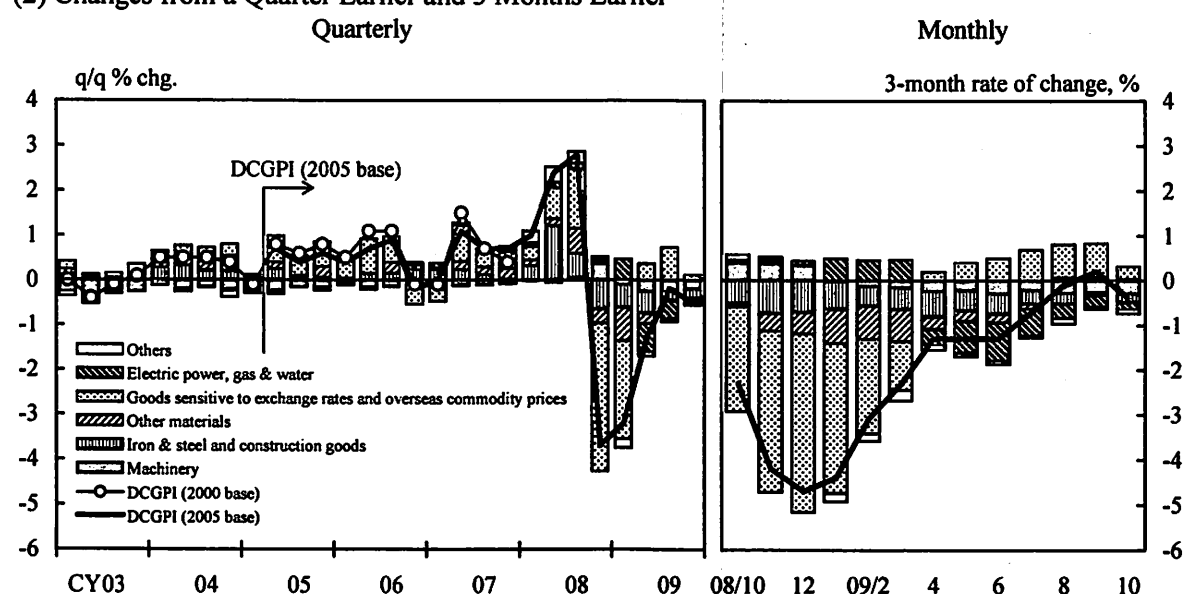
Notes: 1. The Grain Index is the weighted average of prices of three selected items (wheat, soybeans, corn) in overseas commodity markets. The weights are based on the Value of Imports in the Trade Statistics of Japan.

2. Monthly averages. Figures for November 2009 are the averages up to November 19.

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

Domestic Corporate Goods Price Index<sup>7</sup>

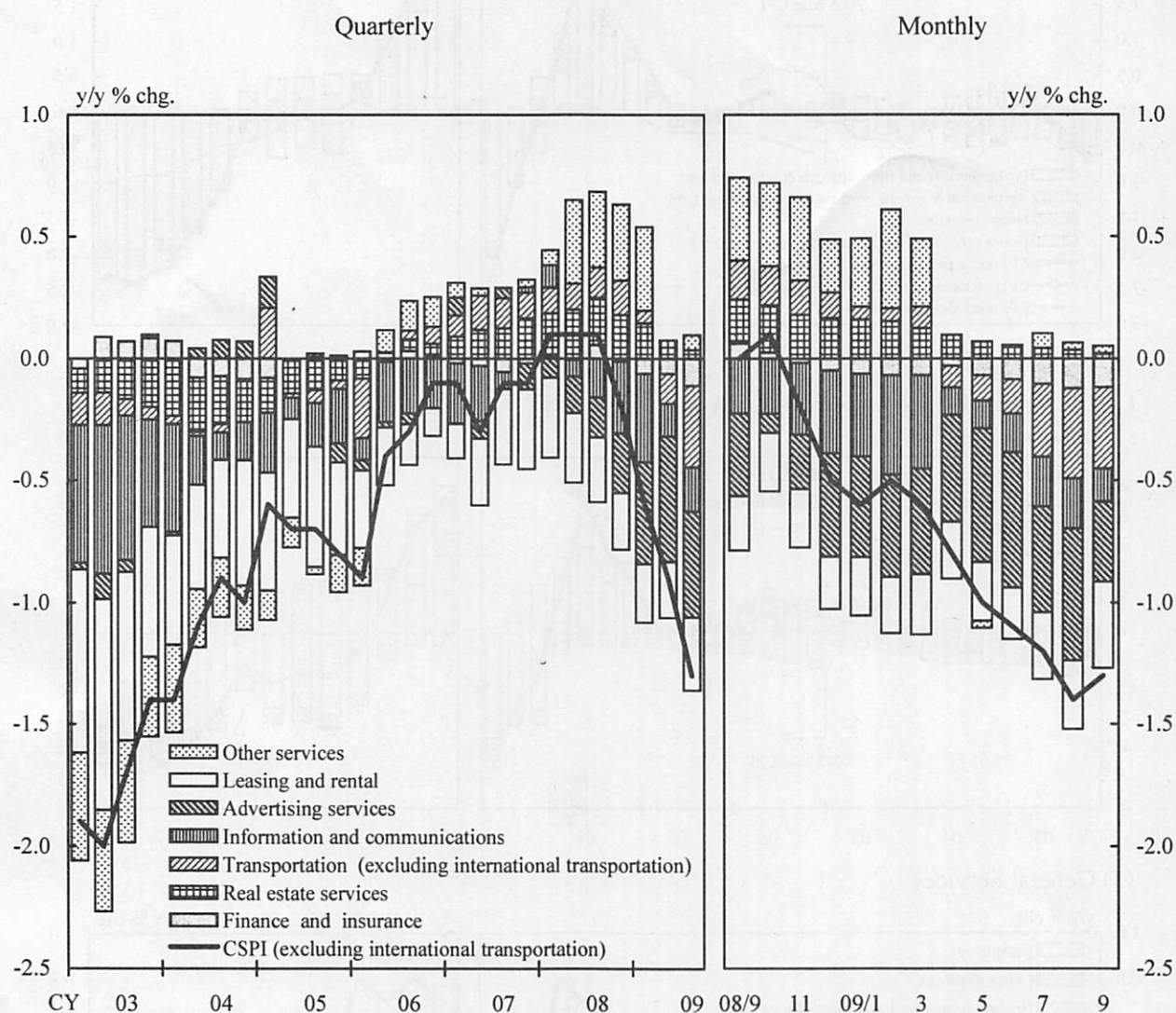
## (1) Changes from a Year Earlier

(2) Changes from a Quarter Earlier and 3 Months Earlier<sup>6</sup>

- Notes: 1. Goods sensitive to exchange rates and overseas commodity prices: petroleum & coal products, nonferrous metals.
2. Other materials: chemicals & related products, plastic products, textile products, pulp, paper & related products.
3. Iron & steel and construction goods: iron & steel, metal products, ceramics, stone & clay products, lumber & wood products, scrap & waste.
4. Machinery: electrical machinery & equipment, information & communications equipment, electronic components & devices, general machinery & equipment, transportation equipment, precision instruments.
5. Others: processed foodstuffs, other manufacturing industry products, agriculture, forestry & fishery products, minerals.
6. Adjusted to exclude a hike in electric power charges during the summer season from July to September. This effect makes the Domestic Corporate Goods Price Index rise by about 0.2%.
7. Figures for 2009/Q4 are those of October. Figures for 2007/Q4 on the 2000 base are those of October.

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

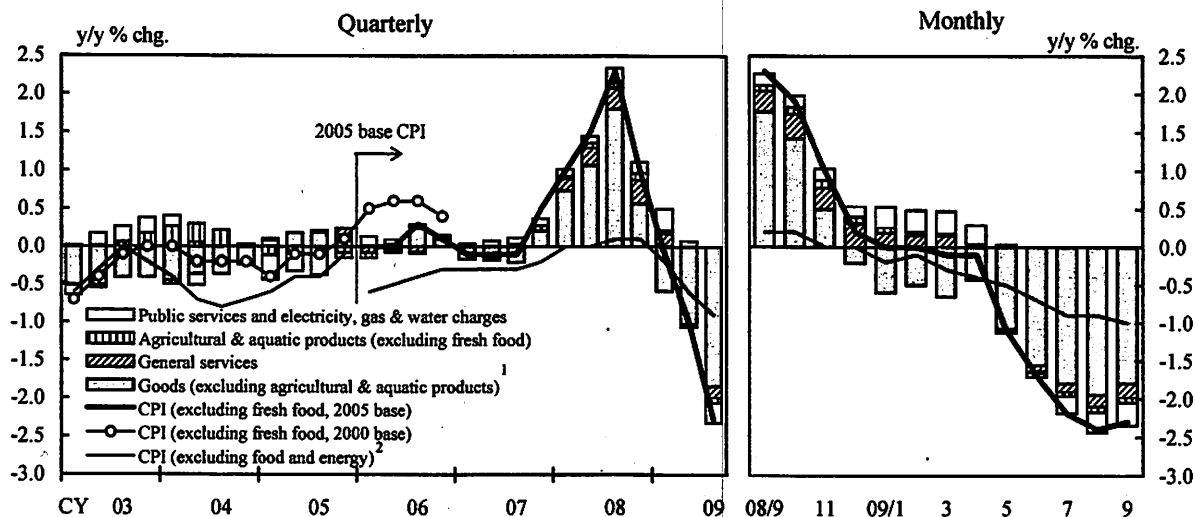
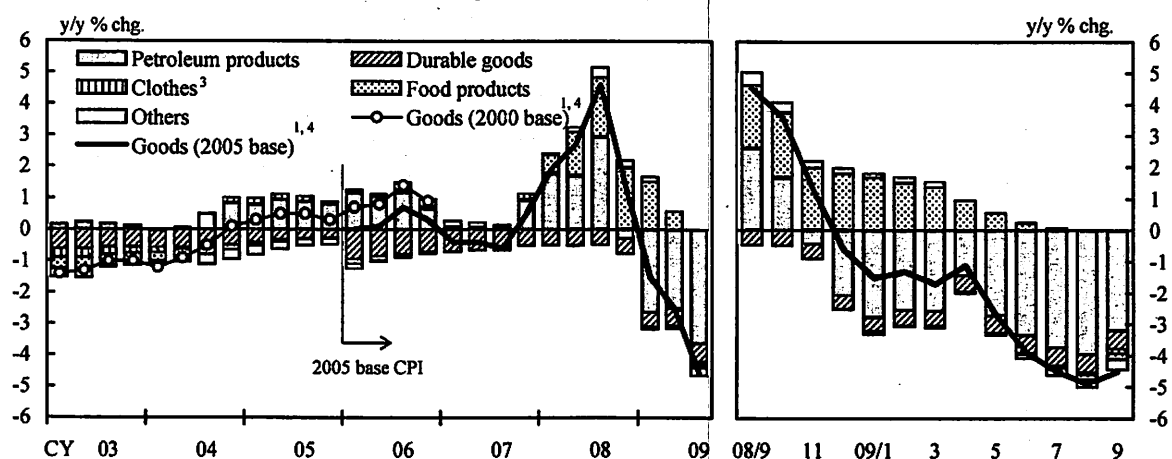
## Corporate Services Price Index



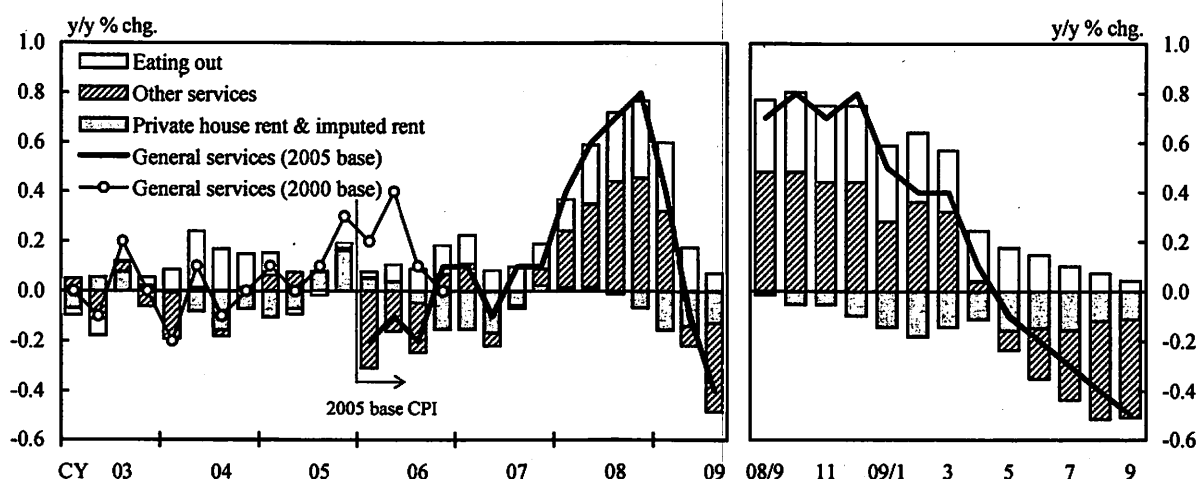
Source: Bank of Japan, "Corporate Services Price Index."

## Consumer Price Index (Excluding Fresh Food)

## (1) Consumer Price Index (Excluding Fresh Food)

(2) Goods (Excluding Agricultural & Aquatic Products)<sup>1</sup>

## (3) General Services



Notes: 1. The items are basically the same as the definition published by the Ministry of Internal Affairs and Communications.

However, electricity, gas & water charges are excluded from goods.

2. Alcoholic beverages are excluded from food. Energy: electricity, gas manufactured & piped, liquefied propane, kerosene, and gasoline.

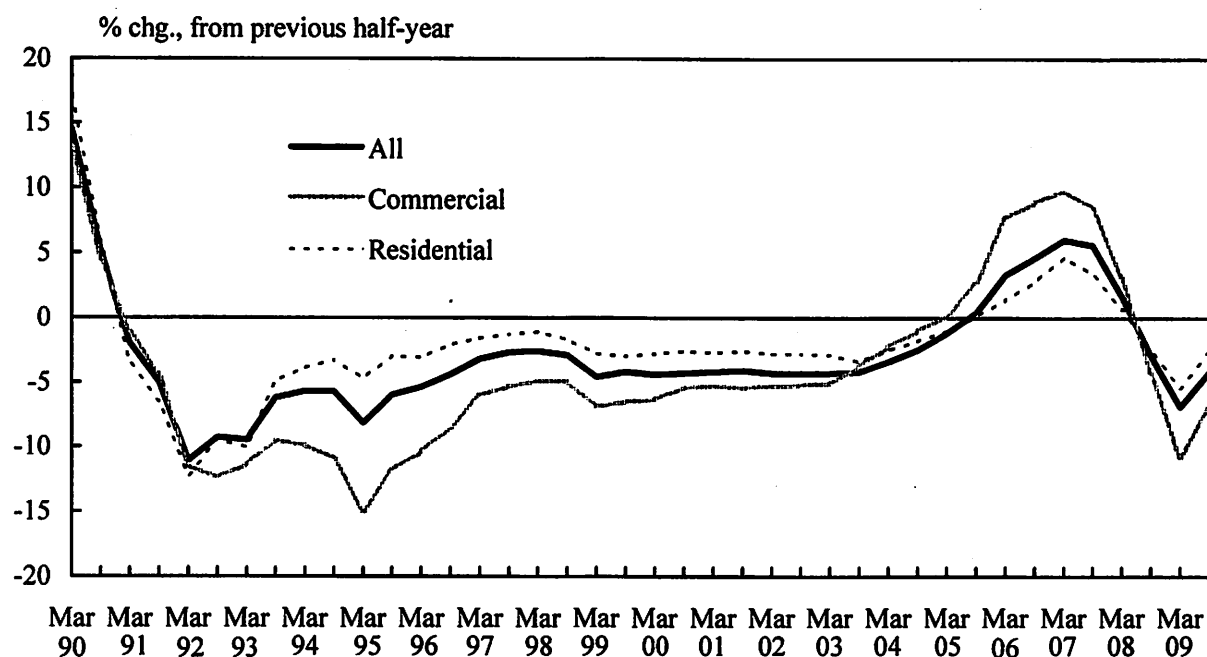
3. Including shirts, sweaters & underwear.

4. Excluding agricultural & aquatic products.

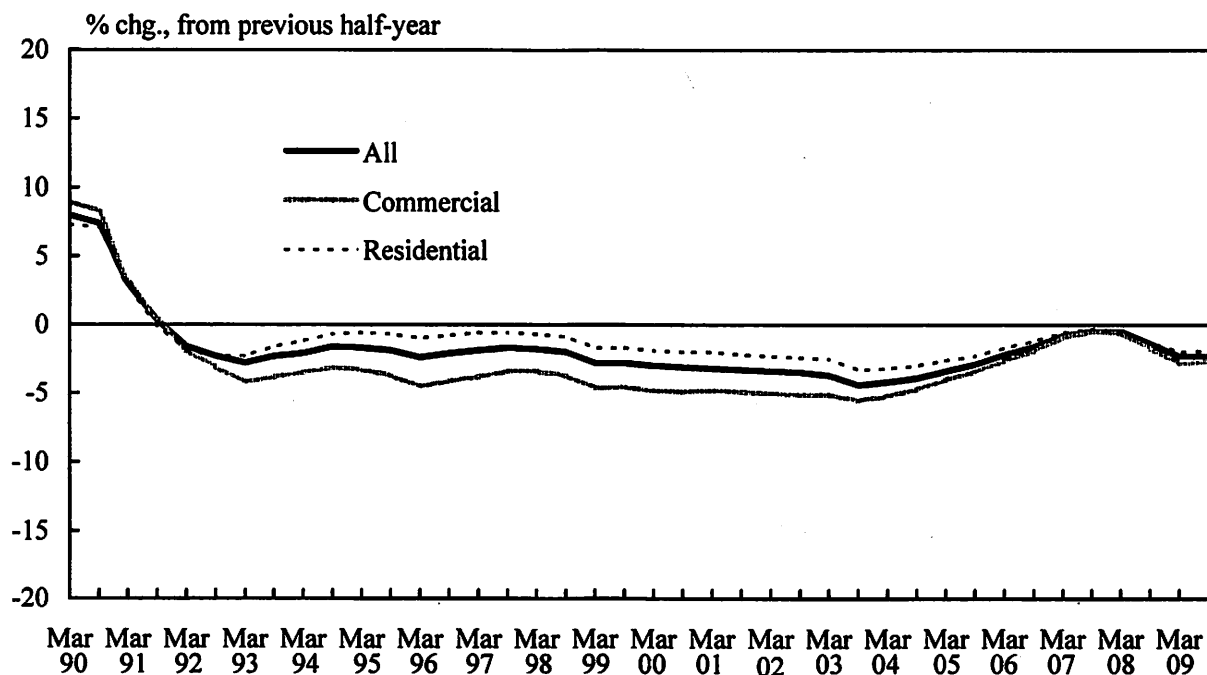
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

# 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.

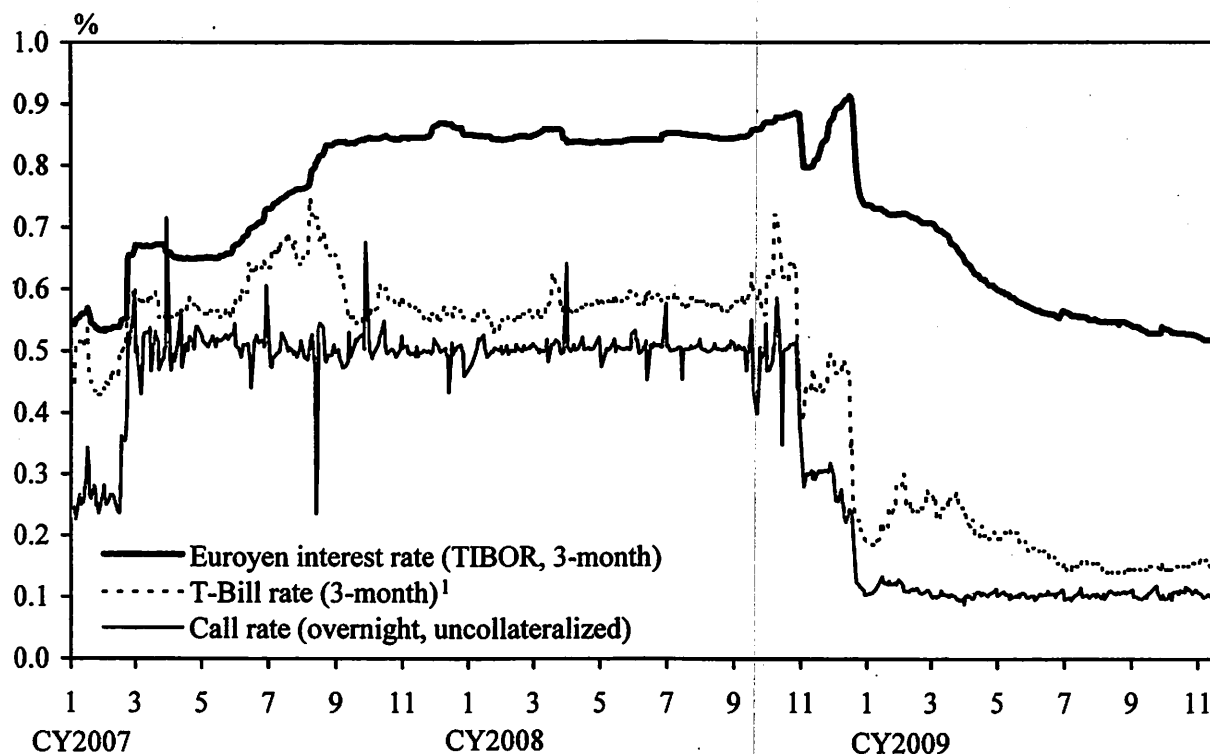
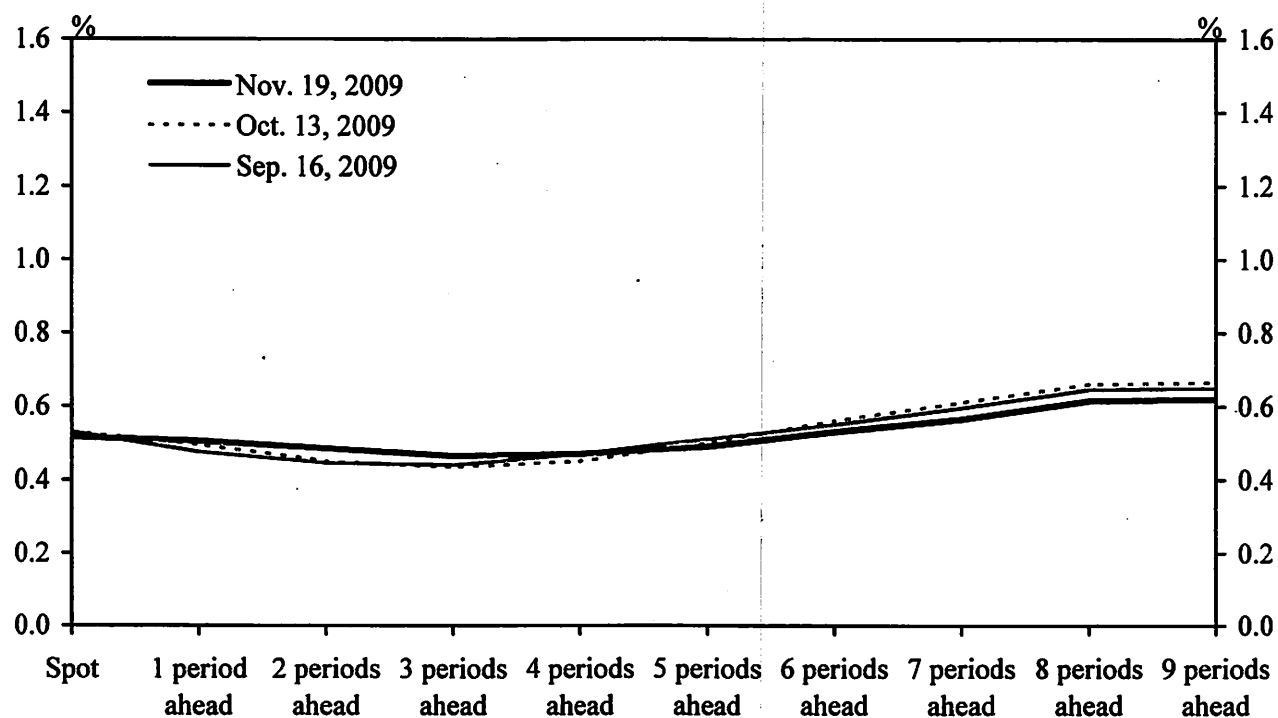
2. Six Large City Areas are Tokyo Metropolitan wards, Yokohama, Nagoya, Kyoto, Osaka, and Kobe.

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



## Short-Term Interest Rates

## (1) Short-Term Interest Rates

(2) Euroyen Interest Rate Futures (3-Month)<sup>2</sup>

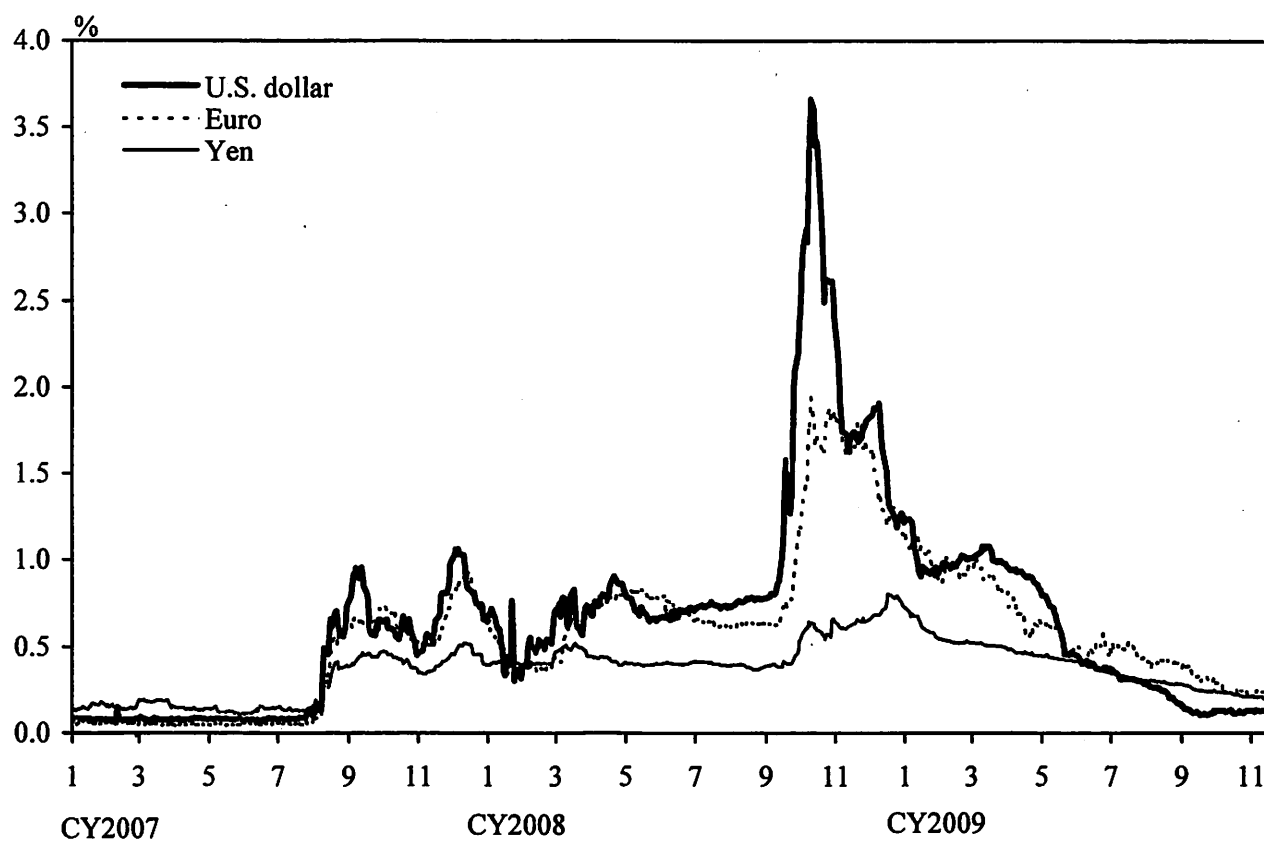
Notes: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.

2. Contract months in the figure (2) exclude "serial months," the months other than March, June, September and December.

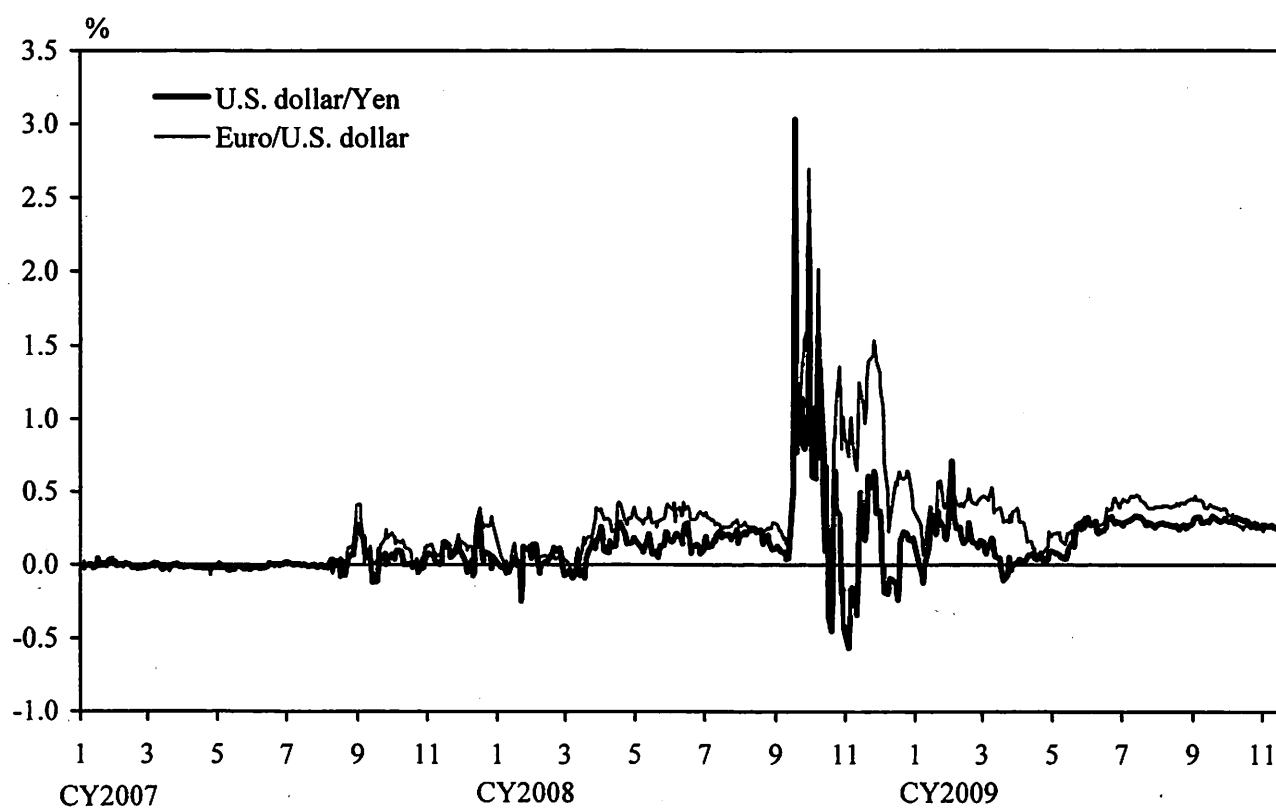
Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.; Tokyo Financial Exchange; Bank of Japan.

## Global Money Markets

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

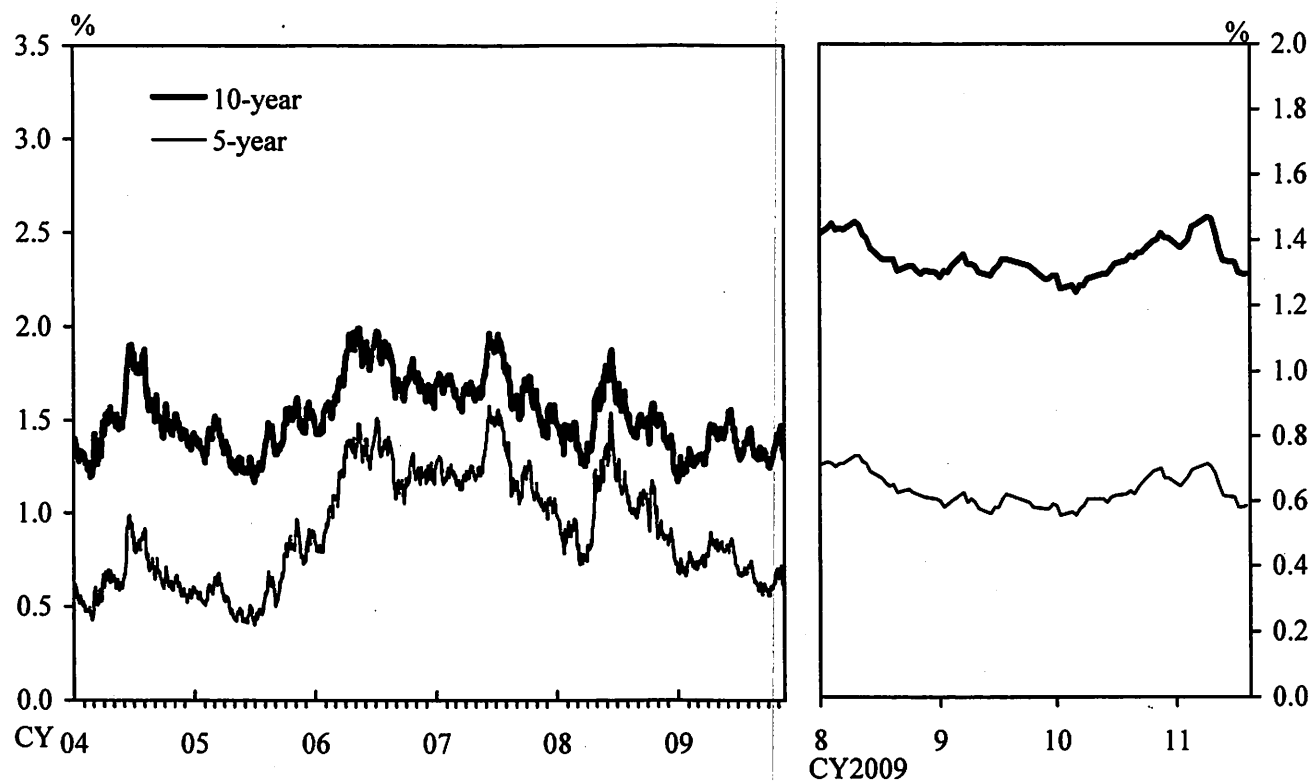


(2) FX swap implied dollar rate - LIBOR spreads (3-Month)



Source: Bloomberg.

## Long-Term Interest Rates

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

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

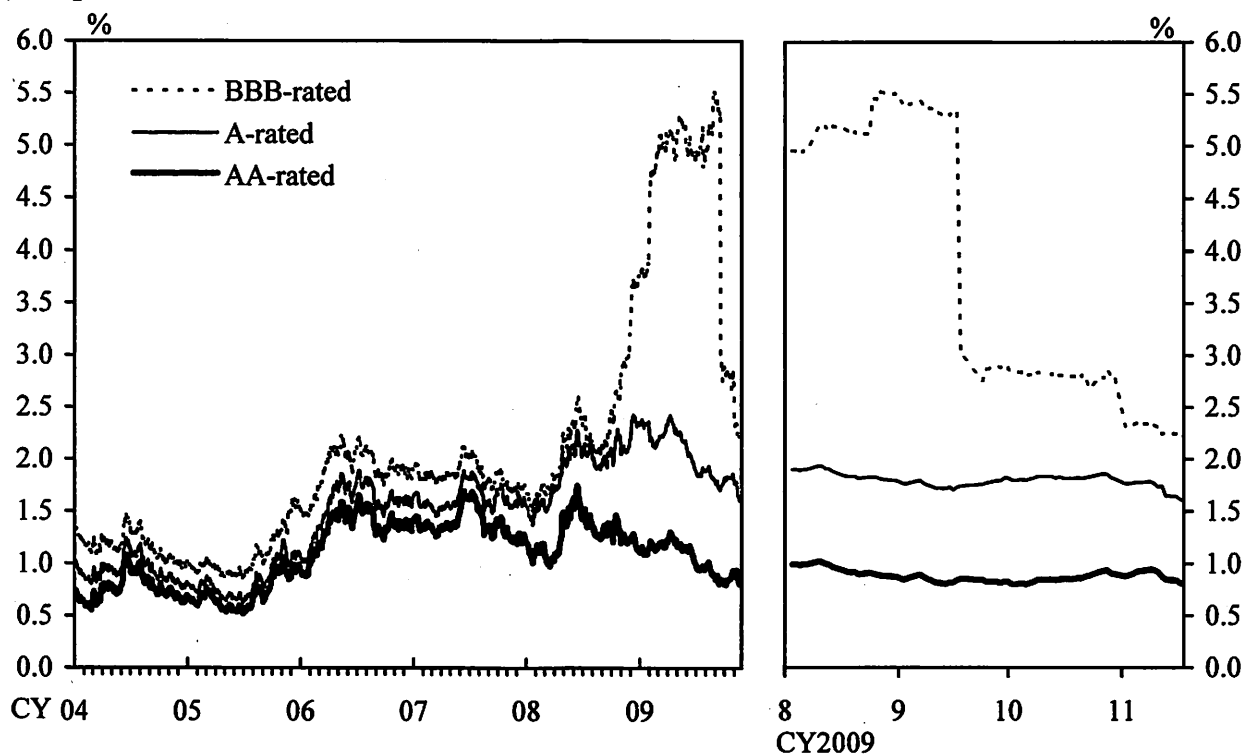


Note: 1. Yields on newly issued bonds.

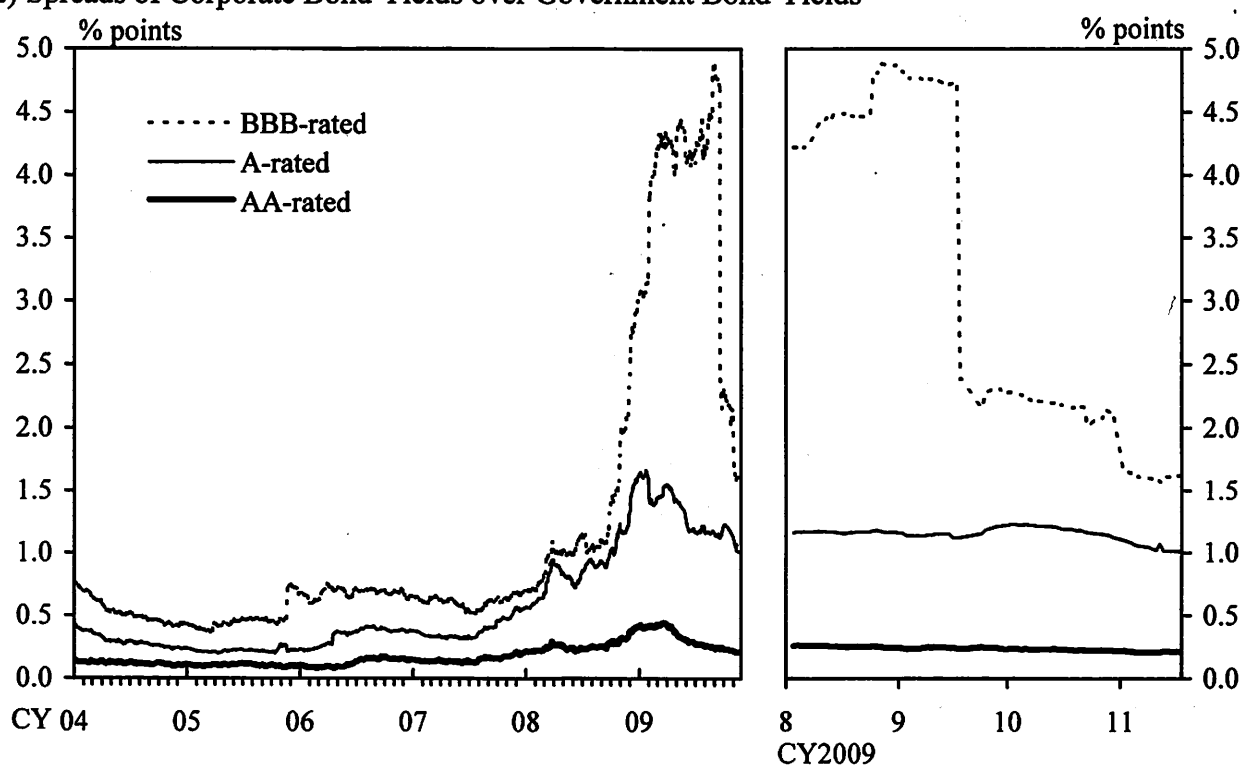
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

## Yields of Corporate Bonds

### (1) Corporate Bond Yields<sup>1,2</sup>



### (2) Spreads of Corporate Bond Yields over Government Bond Yields<sup>1,2</sup>



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

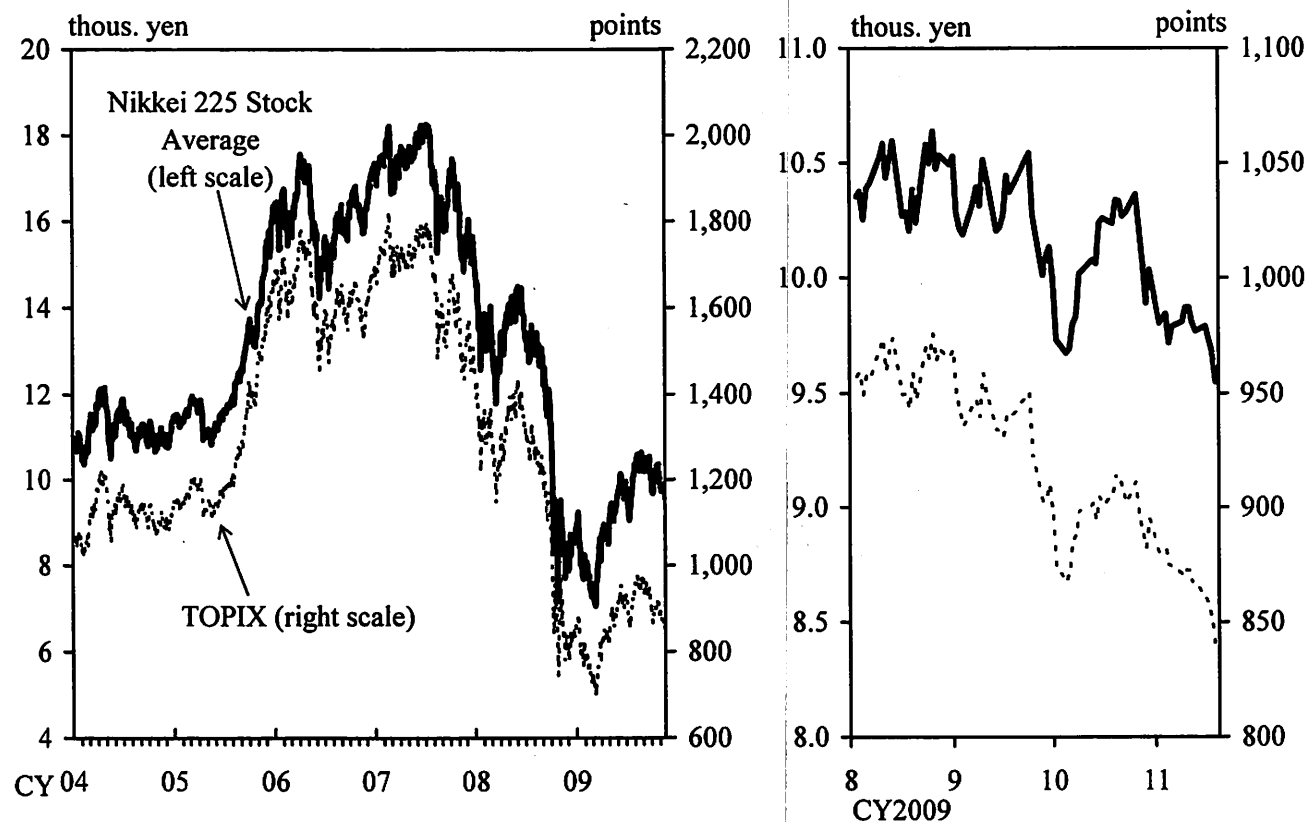
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.

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

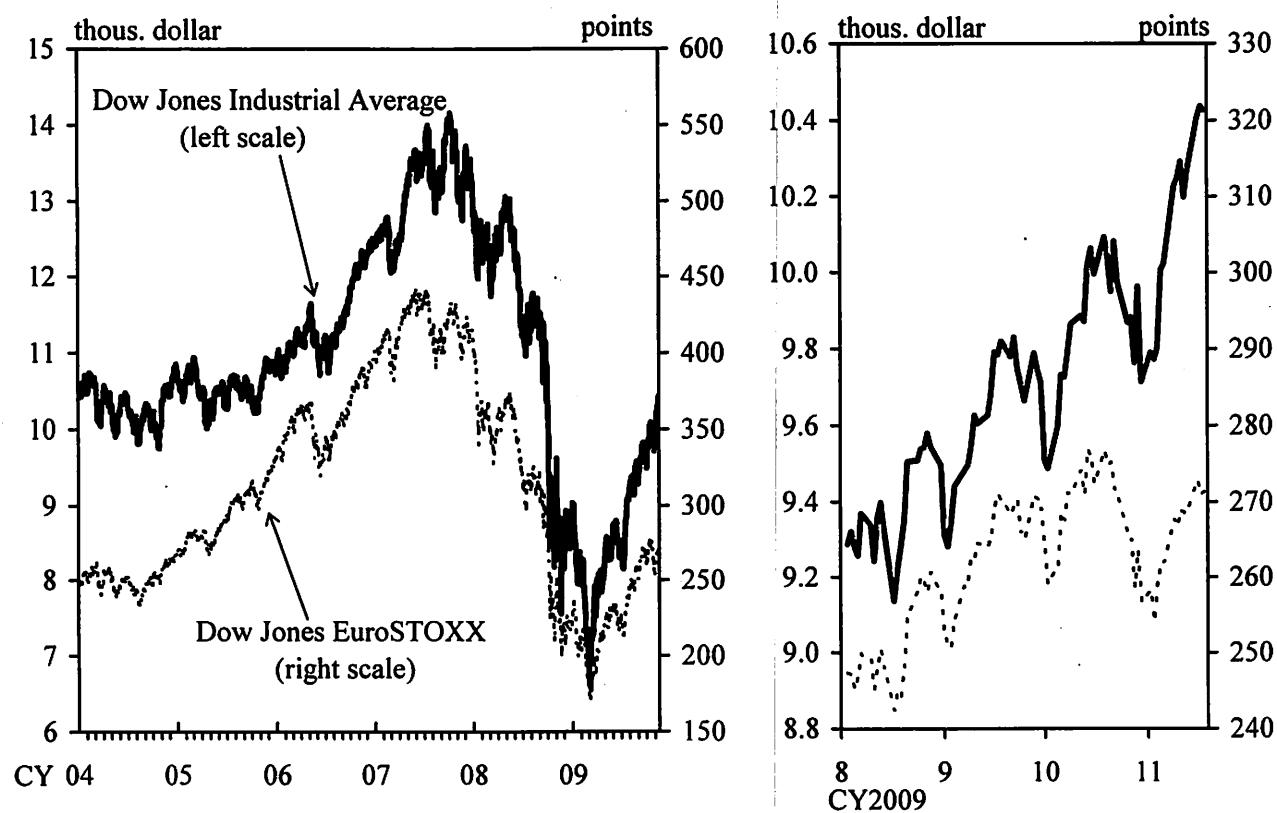
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

## Stock Prices

## (1) Japanese Stock Prices



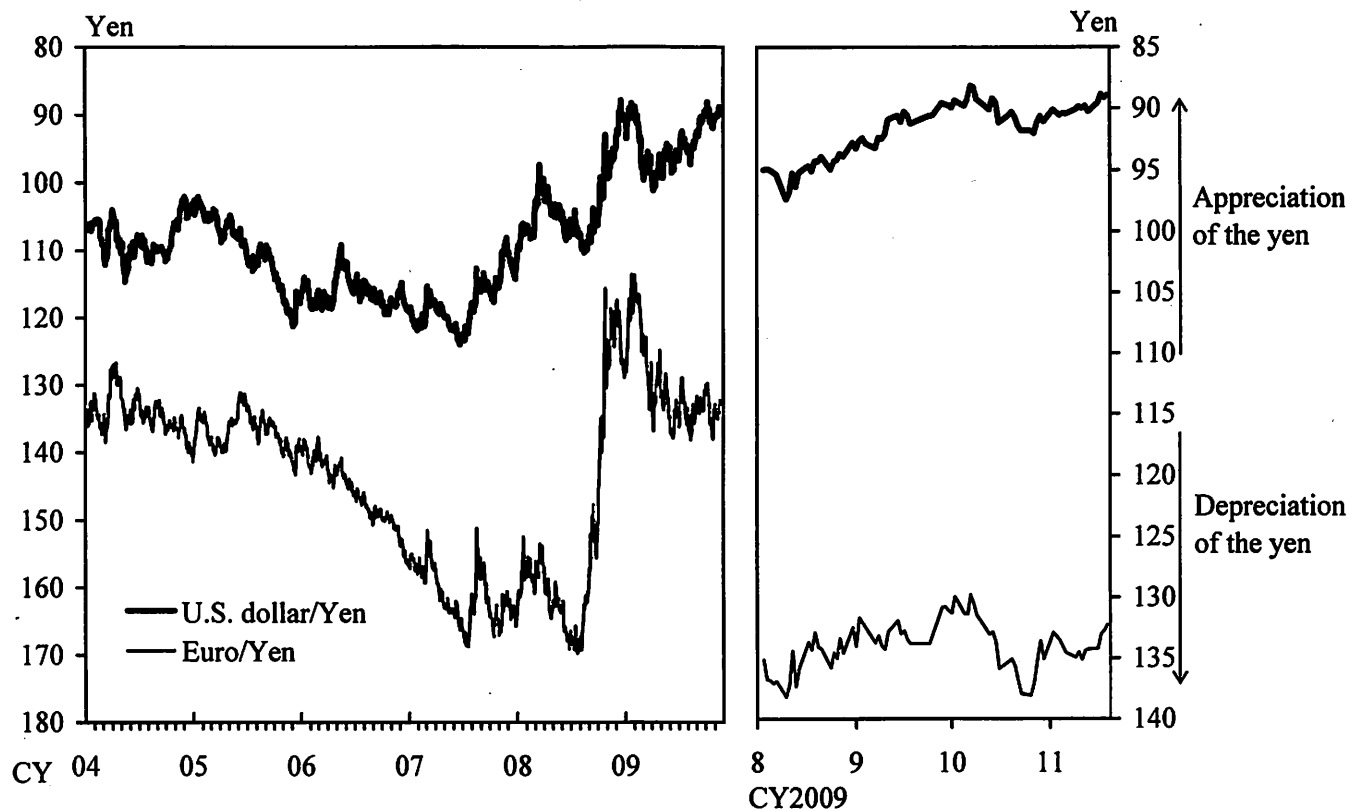
## (2) Overseas Stock Prices



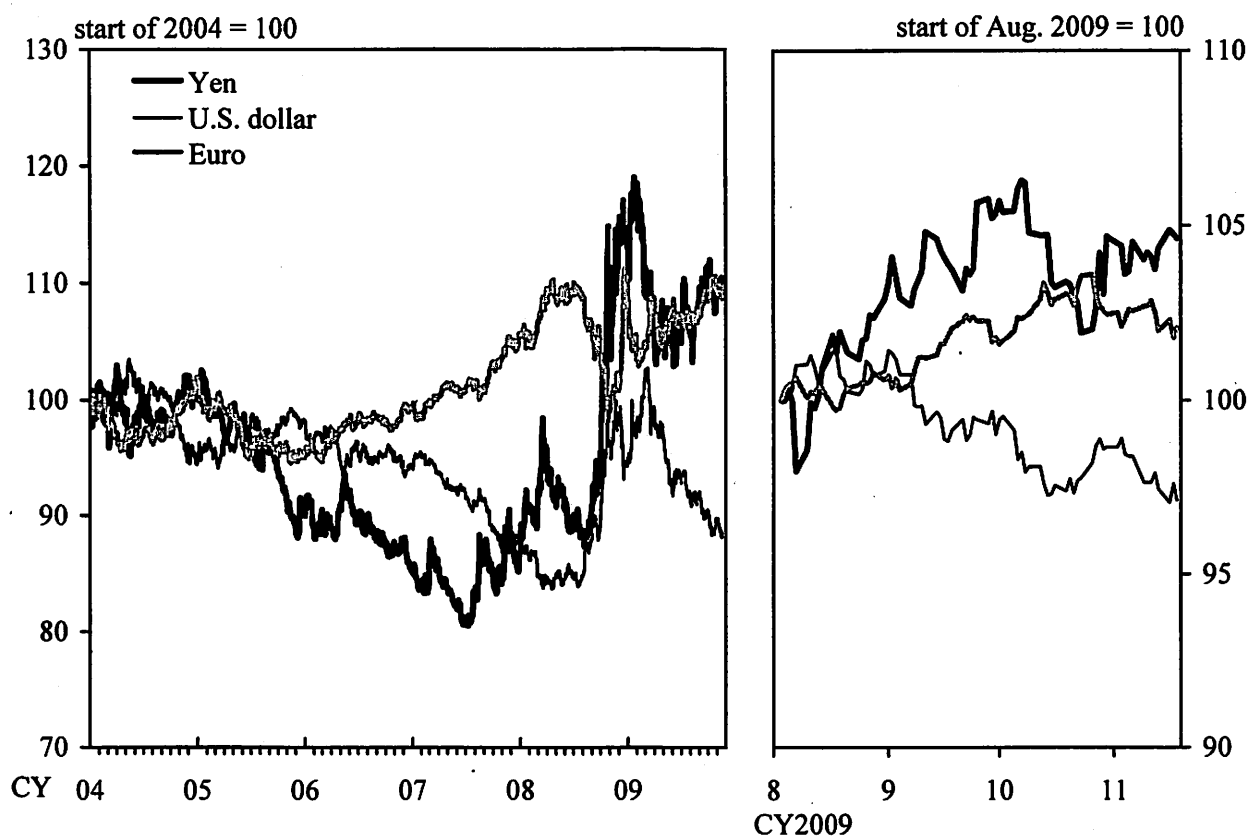
Sources: The *Nihon Keizai Shimbun*; Tokyo Stock Exchange; Bloomberg.

## Exchange Rates

## (1) Bilateral Exchange Rates



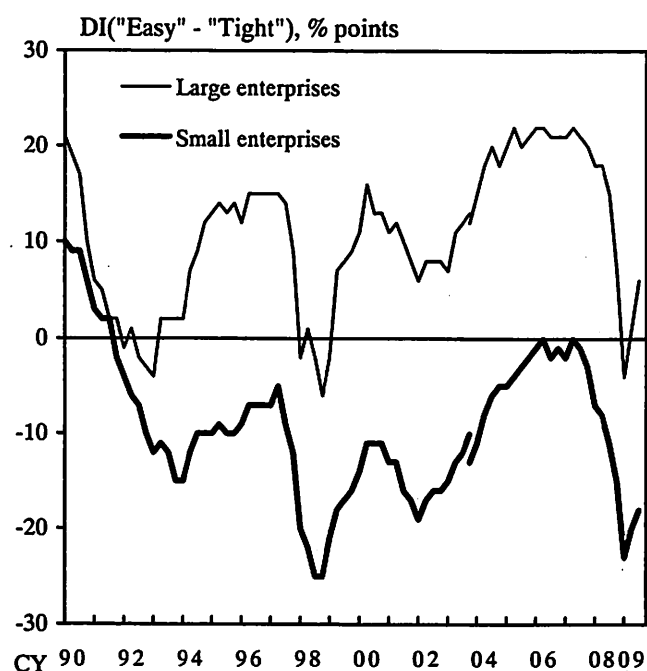
## (2) Nominal Effective Exchange Rates



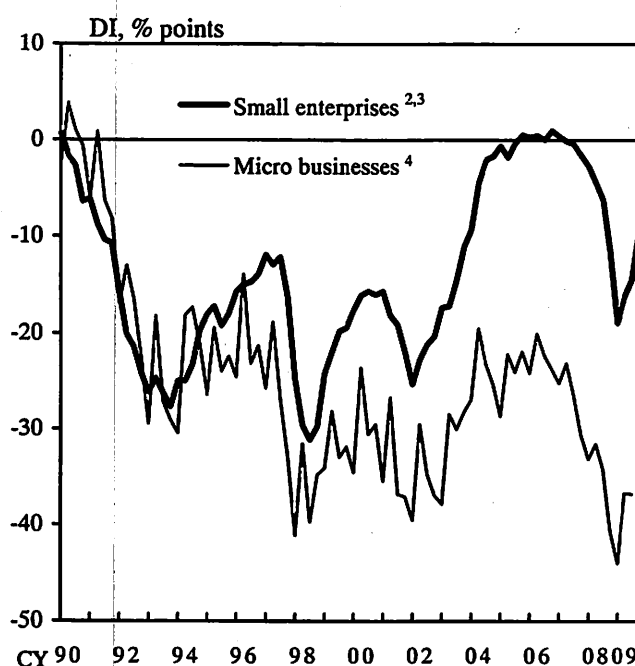
Sources: Bank of Japan; European Central Bank; Bloomberg.

## Corporate Finance-Related Indicators

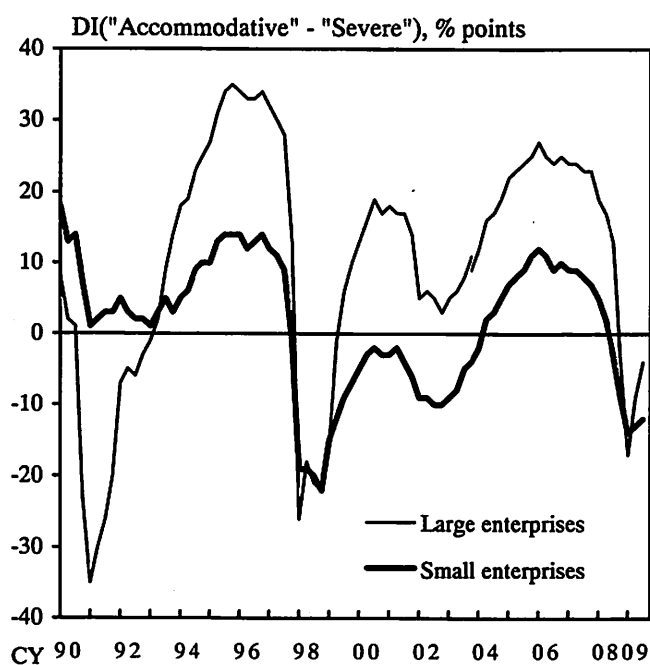
## (1) Financial Position

<Tankan<sup>1</sup>>

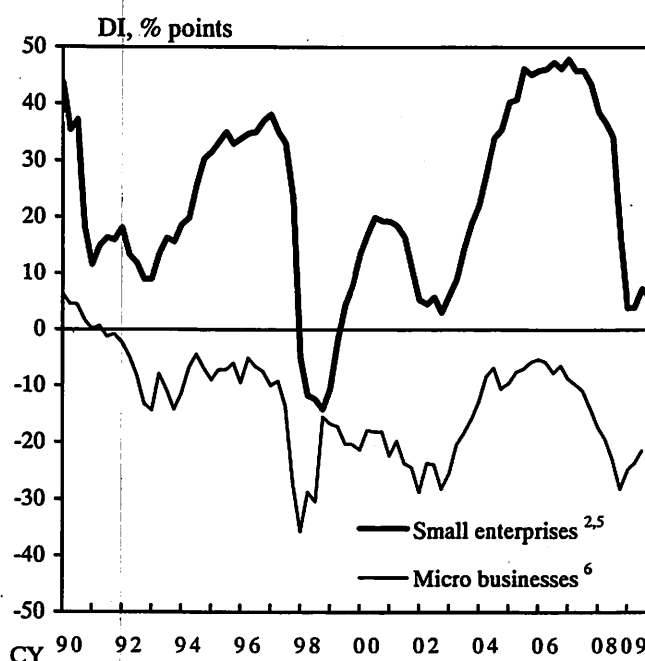
&lt;Japan Finance Corporation Survey&gt;



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

<Tankan<sup>1</sup>>

&lt;Japan Finance Corporation Survey&gt;



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 a new basis.

2. Figures are quarterly averages of monthly data. Figures for 2009/Q4 are those of October.

3. DI of "Easy" - "Tight."

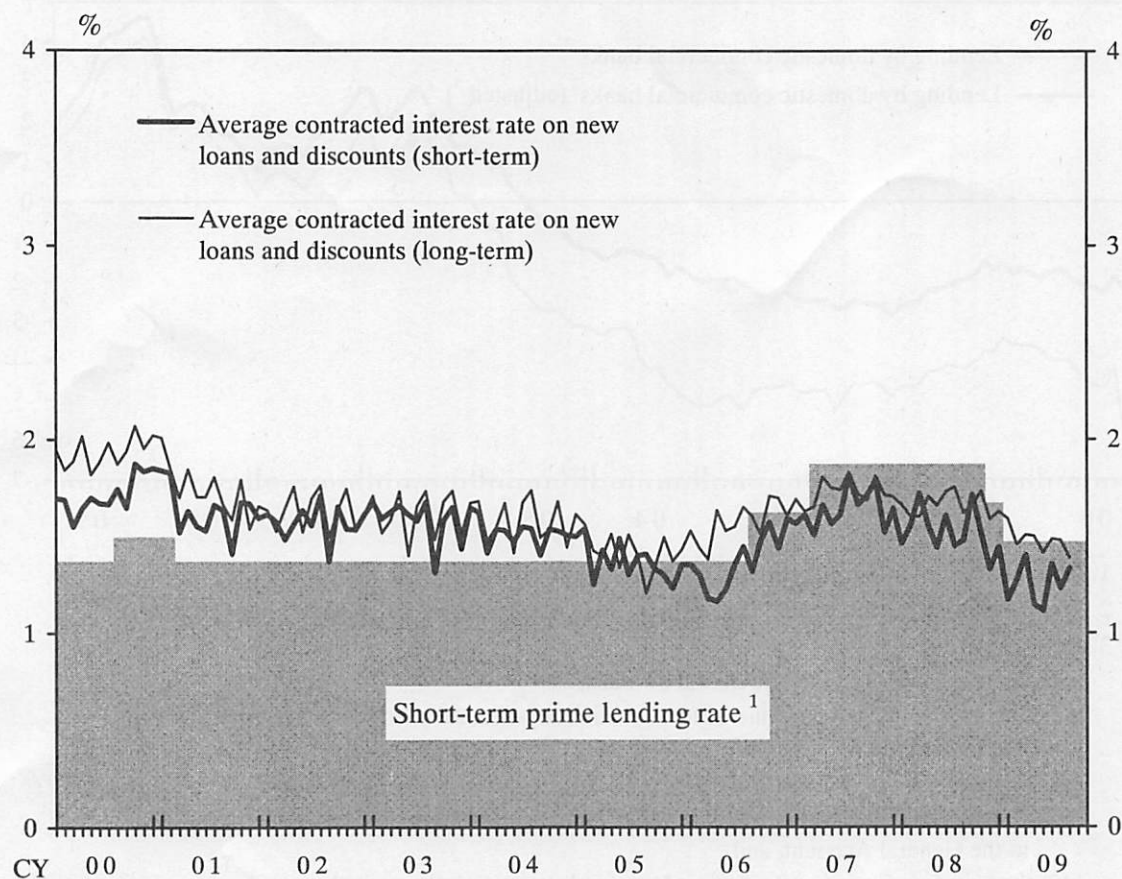
4. DI of "Easier" - "Tighter."

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



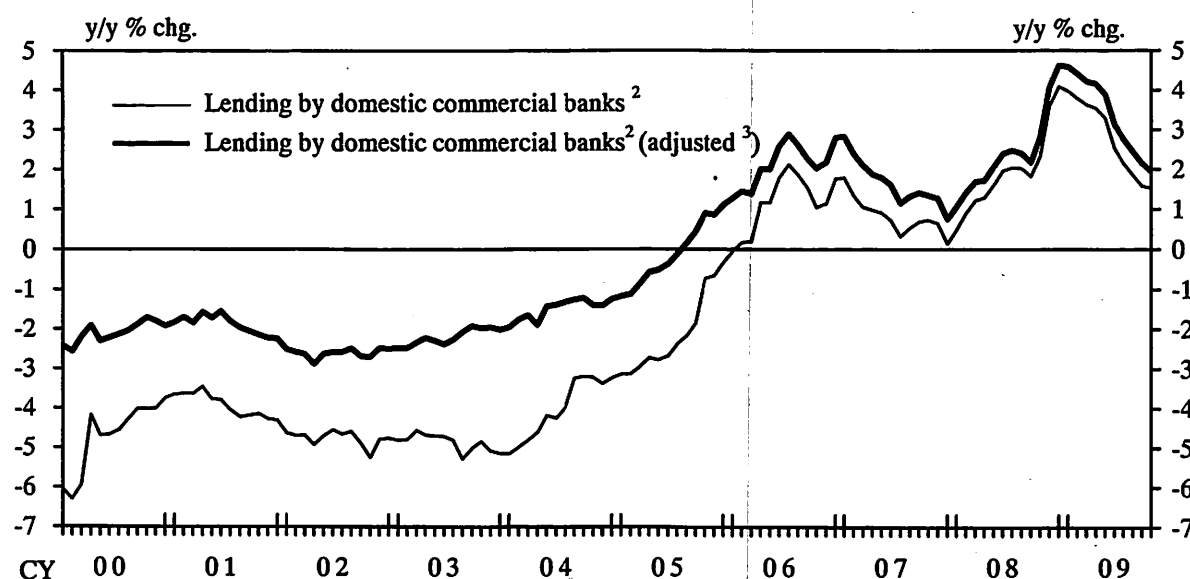
Note: 1. Data are at end of period.

Source: Bank of Japan.



## Lending by Financial Institutions

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



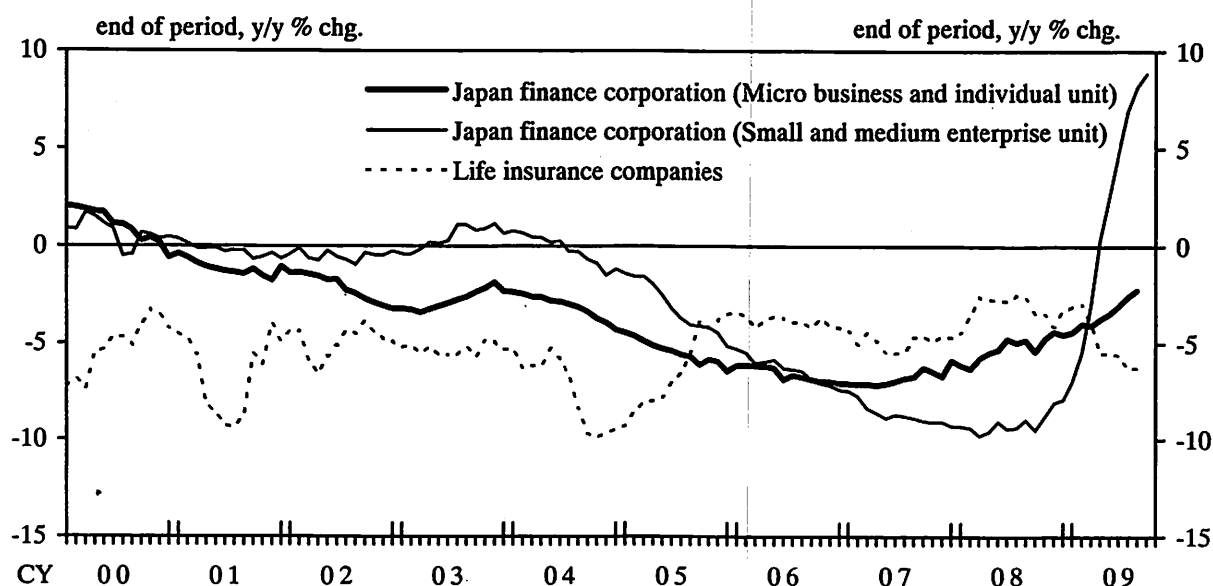
Notes: 1. Percent changes in average amounts outstanding from a year earlier.

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

3. Adjusted to exclude

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

### (2) Lending by Other Financial Institutions

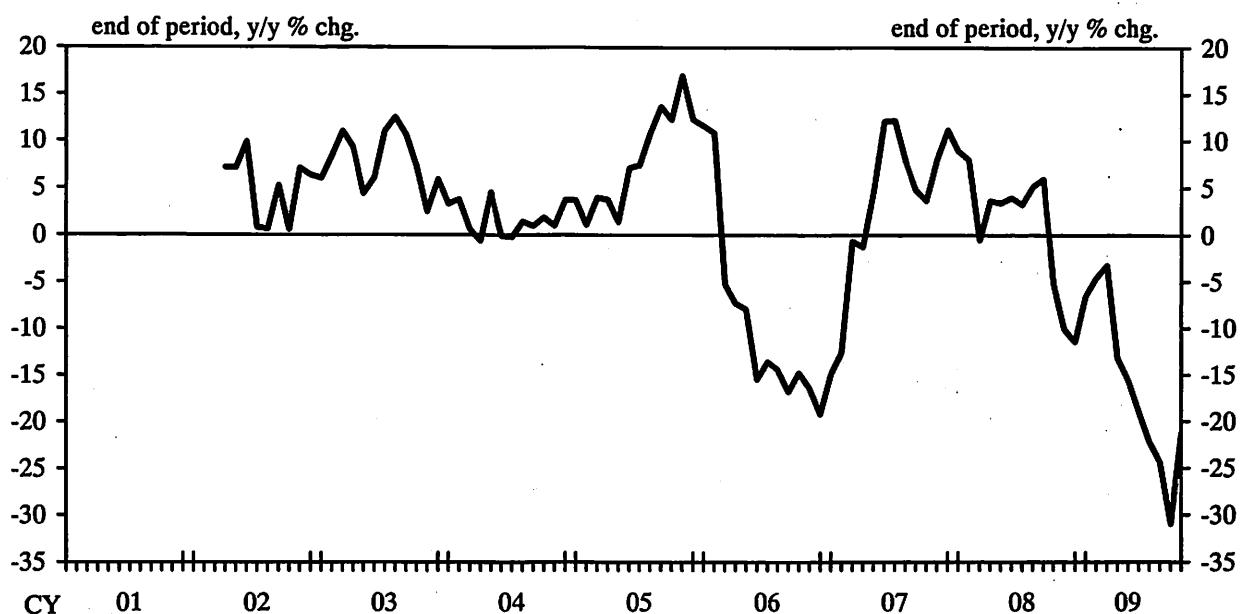


Note: The figures of the Japan Finance Corporation (Small and Medium Enterprise Unit) exclude the amounts outstanding of lending to the Credit Guarantee Corporations.

Sources: Bank of Japan; Japan Finance Corporation; The Life Insurance Association of Japan.

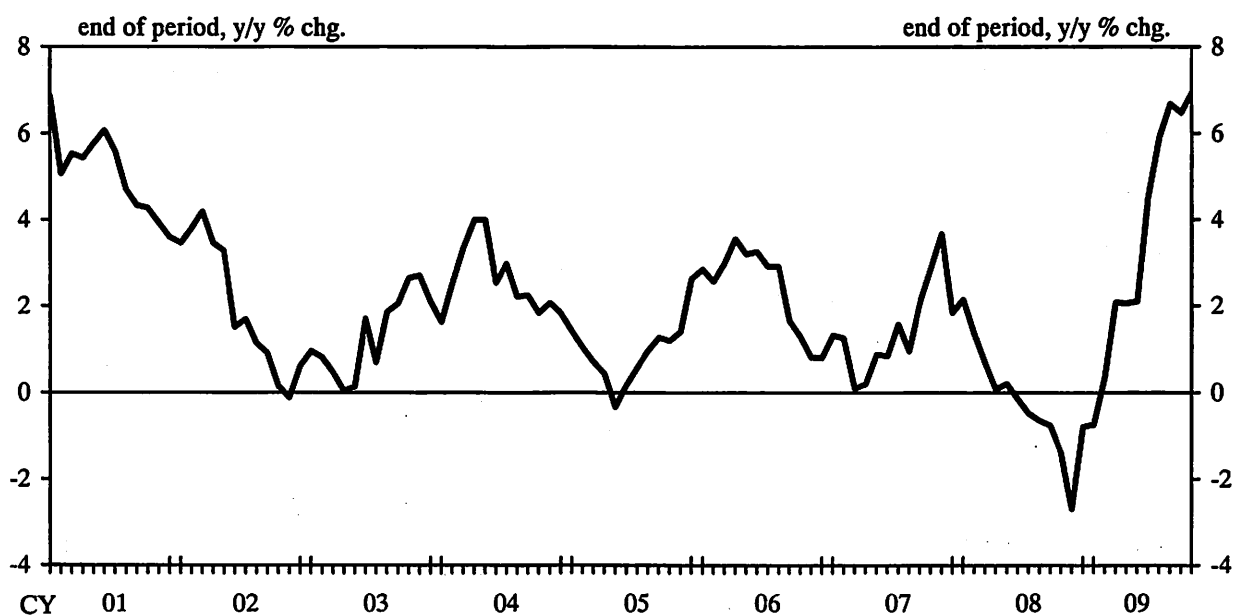
## Private-Sector Fund-Raising in the Capital Markets

### (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



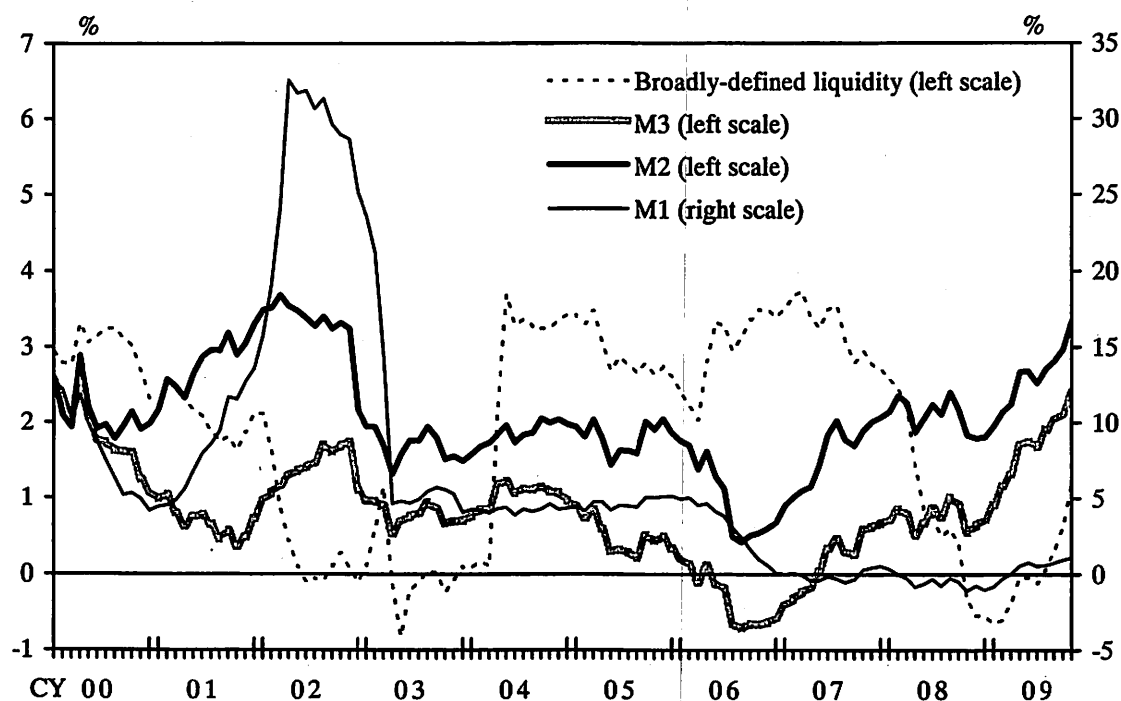
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

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

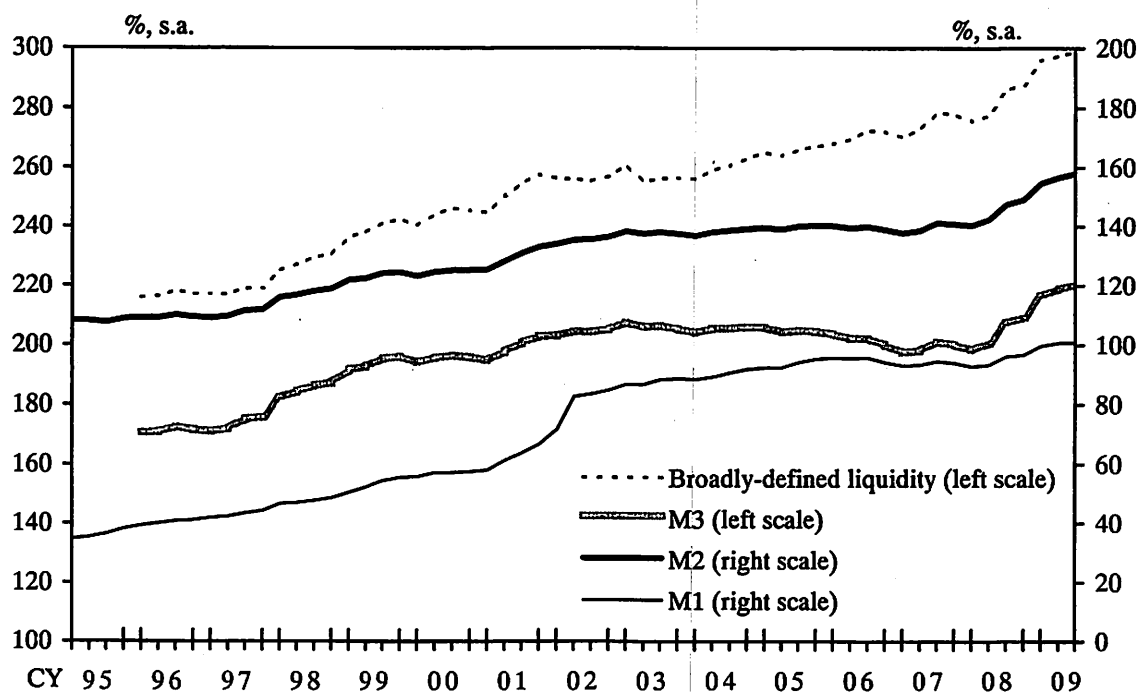
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category";  
 Bank of Japan, "Principal Figures of Financial Institutions";  
 Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts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

## Money Stock

## (1) Changes from a Year Earlier



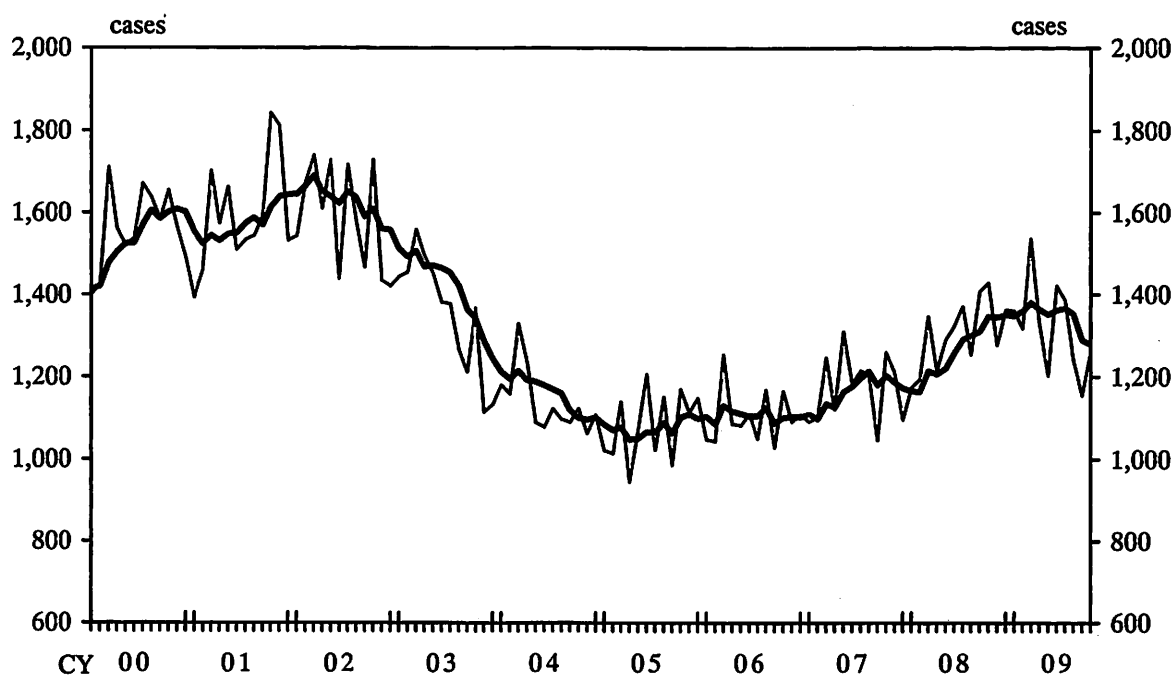
## (2) Ratio of Money Stock to Nominal GDP



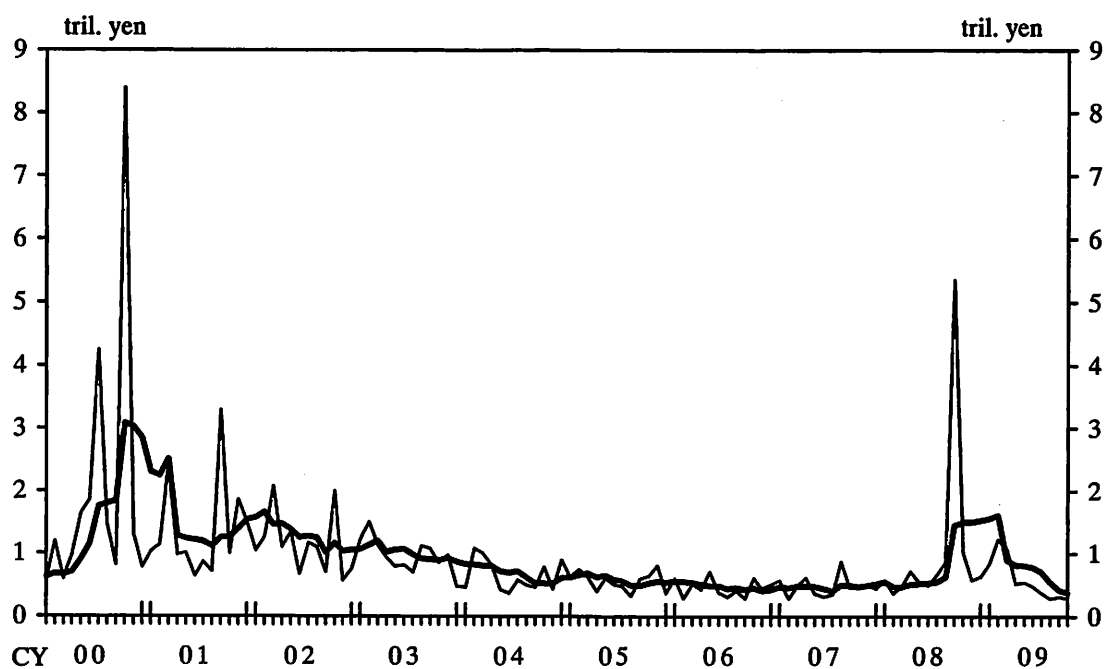
- Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.  
 2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.  
 3. The figures up to March 2004 in the upper panel and those up to March 2003 in the lower panel are based on the former series.

## 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)."