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Bank of Japan

**Monthly Report of
Recent Economic and Financial Developments**
June 2010

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Monthly Report of Recent Economic and Financial Developments¹

June 2010

Summary

Japan's economy shows further signs of a moderate recovery, induced by improvement in overseas economic conditions.

Exports and production have been increasing. In these circumstances, business fixed investment is showing signs of picking up. The employment and income situation has remained severe, but the degree of severity has eased somewhat. Private consumption, notably durable goods consumption, is picking up partly due to policy measures. Housing investment has leveled out. Meanwhile, public investment is declining.

Japan's economy is likely to recover at a moderate pace.

The uptrend in exports and production is expected to continue, reflecting continued improvement in overseas economic conditions, although the pace of increase is likely to moderate gradually. Domestic private demand is expected to continue improving, but the pace of improvement is likely to remain moderate for the time being amid the strong sense among firms of excessive capital stock and employment. Meanwhile, the decline in public investment is likely to continue.

On the price front, the three-month rate of change in domestic corporate goods prices is rising moderately, reflecting the earlier increase in commodity prices, in spite of the persistent slack in supply and demand conditions for products. Consumer prices (excluding fresh food) are declining on a year-on-year basis due to the substantial slack in the economy as a whole, but the slowing trend in the pace of decline has continued.

Domestic corporate goods prices are likely to continue to be on a moderate uptrend for the time being. The year-on-year pace of decline in consumer prices is

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on June 14 and 15, 2010.

expected to slow as a trend as the aggregate supply and demand balance improves gradually.

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

Financial conditions, with some lingering severity, have continued to show signs of easing.

The overnight call rate has remained at an extremely low level, and the declining trend in firms' funding costs has continued. With economic activity and corporate profits at current levels, the stimulative effects from low interest rates are still partly constrained, but the degree of constraint has decreased mainly due to the improvement in 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 as a whole. 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, bank lending has declined on a year-on-year basis, partly due to its high growth a year ago. The amount outstanding of corporate bonds has exceeded the previous year's level, while that of CP has declined. In these circumstances, although many small firms still see their financial positions as weak, on the whole the financial positions of firms, including small ones, have continued to show signs of easing. Meanwhile, the year-on-year rate of change in the money stock has been at around 3 percent.

1. Economic Developments

Public investment is declining. Monthly indicators (Chart 5) show that the value of public works contracted—a measure that reflects public orders—decreased significantly for two quarters in a row, but bounced back in April compared with the first quarter. The amount of public construction completed—which reflects the progress of public works—rose sharply in the first quarter on a quarter-on-quarter basis. This increase, however, is largely attributable to changes in the statistical method: the coefficient for the progress in public works during the winter season was set relatively high from last winter.

The decline in public investment is likely to continue.

Real exports have been increasing due to the improvement in overseas economic conditions (Charts 6[1] and 7). Exports registered high growth of 8.9 percent in April compared with the first quarter, after increasing for four straight quarters. Monthly developments show that exports have increased for 14 consecutive months.

By destination (Chart 7[1]), exports to emerging economies have been on a firm uptrend: exports to East Asia have been increasing since the second quarter of 2009; and those to "other regions" have continued to rise since the third quarter of 2009. On the other hand, exports to the United States and the EU decreased in the first quarter, but rebounded in April compared with the first quarter, partly due to the inventory buildup of motor vehicles and their related goods in those regions.

By goods (Chart 7[2]), exports of IT-related goods and of capital goods and parts, mainly toward East Asia, have been increasing. Exports of motor vehicles and their related goods have been on the rise, partly due to the inventory buildup in the United States and the EU. Exports of intermediate goods and consumer goods—which were more or less flat in the first quarter—increased in April relative to the first quarter.

Real imports have been on a moderate uptrend amid continued increases in production and durable goods consumption (Charts 6[1] and 9). Imports rose in

April compared with the first quarter, after having increased for four quarters in a row.

By goods (Chart 9[2]), imports of IT-related goods (such as PCs), capital goods and parts (excluding aircrafts), and consumer goods (such as flat panel TVs) have been increasing. Those of raw materials (such as crude oil) and foodstuffs have been on an increasing trend lately. Meanwhile, imports of intermediate goods, which had been on an uptrend, dropped marginally in April compared with the first quarter.

Net exports—in terms of the real trade balance—have been increasing, reflecting the aforementioned developments in exports and imports (Chart 6[2]). As for the nominal balance on goods and services, the surplus has been expanding mildly, albeit with fluctuations.

The uptrend in exports is expected to continue, reflecting continued improvement in overseas economic conditions, although the pace of increase is likely to moderate gradually. The growth rate of overseas economies, which has been expanding at a considerably fast pace—mainly attributable to emerging countries—is expected to slow down to a more sustainable pace, since the effects of production increases—reflected by the restoration of inventories—and those from policy measures are likely to diminish (Chart 8[2]). In terms of the real effective exchange rate of the yen, the yen's rise has been limited despite the depreciating euro, since the euro only accounts for slightly more than 10 percent of the total weight (Chart 8[1]).

Imports are expected to continue increasing gradually, thanks to the recovery trend of the domestic economy.

Business fixed investment is showing signs of picking up. According to the *Financial Statements Statistics of Corporations by Industry, Quarterly*, business fixed investment in nominal terms fell back again in the first quarter, after having been virtually flat in the fourth quarter on a quarter-on-quarter basis (Chart 10[1]). By industry and company size (Chart 11), the manufacturing industry has shown somewhat weak movements again for both large firms and medium-sized and small

firms. In the nonmanufacturing industry, investment by large firms has continued to fall, whereas that by medium-sized and small firms has been increasing after having dropped sharply. Both the aggregate supply of capital goods and shipments of capital goods (both including and excluding transport equipment)—coincident indicators of machinery investment—have continued to increase since the third quarter of 2009 (Chart 12[1]).² As for leading indicators, machinery orders (private demand, excluding orders for ships and those from electric power companies)—a leading indicator of machinery investment—have been increasing since the fourth quarter of 2009 and continued to do so in April compared with the first quarter (Chart 13[1]).³ Looking at April relative to the first quarter by industry, in manufacturing, machinery orders dropped mainly in response to the firm increases of two straight quarters. Orders have been trending upward, mainly in electrical machinery and general machinery, amid the ongoing rise in exports. On the other hand, in nonmanufacturing, machinery orders have turned upward, after having decreased for two quarters in a row. Meanwhile, figures, excluding cell phones, show a more pronounced uptrend in machinery orders.⁴ Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—dropped in April relative to the first quarter, partly in response to the increase in the first quarter aided mainly by an upsurge in the number of large-scale redevelopment projects (Chart 13[2]).

Regarding the environment surrounding business fixed investment, corporate profits have been improving, mainly in response to firms' cost cutting and production increases. According to the *Financial Statements Statistics of Corporations by Industry, Quarterly* (Chart 10[2]), the seasonally adjusted ratio of current profits to sales in the first quarter recorded the highest level since the second quarter of 2008.

² Shipments of capital goods and the aggregate supply of capital goods in the first quarter and April—as also observed in industrial production mentioned later—are likely to show figures stronger than their actual state, influenced by a distortion in seasonal adjustments.

³ The total value of machinery orders of external and domestic demand leveled off in April relative to the first quarter, after having surged for three consecutive quarters; it marked a quarter-on-quarter increase of 9.0 and 8.0 percent in the third and fourth quarters of 2009 respectively, 9.0 percent in the first quarter of 2010, and 0.6 percent in April compared with the first quarter.

⁴ From April, data for "private demand (excluding orders for ships, those from electric power companies, and those for cell phones)" are released officially as reference figures.

By industry and company size, in the manufacturing industry, the ratio of current profits to sales has continued to improve, assisted by firms' production increases and cost cutting; it has recently picked up to levels close to those just prior to the collapse of Lehman Brothers for both large firms and medium-sized and small firms.⁵ However, the level of sales itself has decreased and the level of profits has recovered only to around 80 percent of its peak. In contrast, in the nonmanufacturing industry, the ratio has picked up for both large firms and medium-sized and small firms from the plunge at the end of 2008, but it has recently been seesawing.

Although signs of a pick-up are expected to gradually become evident, with the recovery in corporate profits, the improvement in business fixed investment is likely to remain moderate for the time being amid the strong sense of excessive capital stock among firms.⁶

Private consumption, notably durable goods consumption, is picking up partly due to policy measures. Consumption of goods—as seen through sales at retail stores (in real terms)—increased in April, albeit marginally, compared with the first quarter after having risen for five consecutive quarters (Chart 14[1]). As for durable consumer goods, sales of household electrical appliances (in real terms) decreased in April, despite only marginally, for the first time in five months in response to a rush of demand prior to tighter application of the eco-point system (Chart 14[2]).⁷ The number of new passenger-car registrations has been more or less flat, after recovering rapidly toward December propelled mainly by tax cuts and subsidies.⁸ On the other

⁵ The seasonally adjusted figures in the first quarter—as also observed in industrial production mentioned later—are likely to show figures stronger than their actual state, influenced by a distortion in seasonal adjustments.

⁶ According to the business fixed investment survey for fiscal 2010 (1,472 firms excluding financial firms; as of April-end) by the Nihon Keizai Shimbun, Inc., business fixed investment of all industries (initial plan) increased for the first time in three years (the projection for fiscal 2009 stood at -23.7 percent—the initial plan was -15.9 percent—whereas the initial plan for fiscal 2010 is +11.0 percent).

⁷ The expiry date of the eco-point system for household electrical appliances was extended to the end of 2010 (the original expiry date was the end of March 2010). From April, energy efficiency requirements have become tighter for flat panel televisions, thus the number of eligible types of flat panel televisions has decreased.

⁸ The expiry date of subsidies for energy efficient cars was extended to the end of September 2010 (the original expiry date was the end of March 2010).

hand, sales at department stores, supermarkets, and convenience stores have more or less started to level out, albeit with fluctuations caused by weather factors (Chart 15[1]). As for services consumption (Chart 15[2]), outlays for travel have recently moved upward. Sales in the food service industry have remained more or less unchanged.

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—dropped in April relative to the first quarter after having increased for three consecutive quarters (Chart 14[1]).⁹ Meanwhile, the total expenditure in the *Survey of Household Economy* (in real terms)—which had been recovering steadily until the third quarter of 2009—decreased in the fourth and first quarters, and continued to do so in April compared with the first quarter.

On a GDP basis, real private consumption increased for four quarters in a row, notably in durable goods (Charts 3[2] and 16).

Meanwhile, indicators related to consumer sentiment have followed a recovery trend, despite an interruption to the improvement at the end of 2009 (Chart 17).

Private consumption is likely to pick up only moderately for the time being, since the employment and income situation remains severe, despite the underpinning effect of policy measures.

Housing investment has leveled out. The number of housing starts (Chart 18[1]; annualized)—a leading indicator of housing investment—fell in April compared with the first quarter, after having increased for two straight quarters, which mainly reflected the progress in inventory and price adjustments.

⁹ Items in the index are not completely limited to those used for estimating GDP. Education, for example, is not used for estimating GDP.

Housing investment is expected to gradually head for a recovery, considering the number of housing starts. However, housing investment is likely to require more time to show clearer evidence of improvement, mainly because the employment and income situation is expected to remain severe.

Industrial production has been increasing. Production increased by 1.3 percent in April on a monthly basis. On a quarterly basis, production has been increasing from the second quarter of 2009 and registered a high 7.0 percent growth in the first quarter; the pace of increase in April compared with the first quarter slowed markedly with an increase of 1.8 percent (Chart 19). It should be noted, however, that this decrease in the growth rate was partly influenced by a distortion in seasonal adjustments.¹⁰ In fact, the pace of increase in production seems to have been decelerating gradually from the middle of 2009, rather than having slowed suddenly of late.

Shipments have somewhat decelerated by recording an increase of 2.7 percent in April relative to the first quarter as well, after having continued high growth for four quarters in a row. By goods (Chart 20), shipments of durable consumer goods and producer goods—which had been recovering significantly—have recently leveled off. Improvement in shipments of capital goods is gradually becoming evident. Shipments of construction goods have remained sluggish in general, and those of non-durable consumer goods have remained more or less unchanged, albeit with fluctuations.

The decline in inventories has leveled out. Looking at the shipment-inventory balance by goods (Chart 21), growth in shipments of goods other than construction goods has significantly outpaced that in inventories. As for construction goods, inventory adjustment pressures have remained, but they have moderated considerably.

¹⁰ As a result of the revision on seasonal adjustments—which was conducted at the time of the annual revision on April 15—a part of the significant drop in production in the first quarter of 2009 was systematically recognized as a seasonal movement. Once the seasonal adjustment method recognizes that production in the first quarter is seasonally weak, it will push future seasonally adjusted figures for the first quarter—in this case the seasonally adjusted figures for the first quarter of 2010—upward.

The uptrend in production is expected to continue, as it is for exports, although the pace of increase is expected to moderate gradually. According to anecdotes by firms and other information, production, in fact, is expected to continue increasing firmly toward the third quarter, despite at a more moderate pace.¹¹

The employment and income situation has remained severe, but the degree of severity has eased somewhat.

In the labor market, the ratio of job offers to applicants in April deteriorated slightly from the previous month, but it has continued to recover moderately as a trend after hitting bottom in August 2009 (Chart 22[1]). The unemployment rate in April stood at 5.1 percent, rising slightly for two months in a row; on average, however, it has been on a gradual downtrend after having peaked in July 2009.

In terms of employment (Chart 23[1]), the pace of decline in the number of employees in the *Labour Force Survey* has lately moderated considerably on a year-on-year basis, although the number of employees has continued to decline.¹² The number of regular employees in the *Monthly Labour Survey* has continued to be around zero percent on a year-on-year basis. The ratio of part-time employees has been on a moderate rising trend (Chart 23[2]). Meanwhile, overtime hours worked have been recovering (Chart 23[3]).

Nominal wages per employee had been declining significantly, but they have been above the previous year's level for the second month running (Chart 24[1]). In detail, overtime payments and special payments have recently shown a year-on-year increase, partly due to the large drop a year ago. The pace of decline in regular payments has been moderating, assisted mainly by the pick-up in the hours worked.

¹¹ The aforementioned distortion in seasonal adjustments, however, is expected to exert downward pressure on the growth rates for the second and third quarters. As a result, the released statistical figures are likely to show a considerably mild pace of increase toward the third quarter.

¹² With regard to the Employment Adjustment Subsidy, figures collected from reports on business suspension plans show that the number of applicants for the Subsidy has been decreasing moderately as a trend, notably in large firms, although it remains at a high level. The number of applicants was 2.53 million at its peak in April 2009, while it was 1.49 million this past April.

Employee income—which had been decreasing on a year-on-year basis—was level in the first quarter; it registered a year-on-year increase in April as a reflection of the aforementioned developments in employment and wages (Chart 24[3]).

The increase in employee income is likely to lack vigor for the time being, mainly due to the persistent sense among firms of excessive employment, although the decline is expected to come to a gradual and clear halt.¹³

2. Prices

The three-month rate of change in import prices (on a yen basis) has increased as a reflection of the earlier increase in international commodity prices (Chart 26). International commodity prices have been more or less flat. Domestic commodity prices have also been virtually level.

The three-month rate of change in domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter)¹⁴ is rising moderately, reflecting the earlier increase in international commodity prices, in spite of the persistent slack in supply and demand conditions for products (Chart 27). In May, the three-month rate of change in domestic corporate goods prices increased for the fifth consecutive month (0.8 percent). In detail, the three-month rates of change in prices of "goods sensitive to exchange rates and overseas commodity prices" and of "iron and steel, and construction related goods" have risen at a faster pace, and the rates in those of "electric power, gas, and water" have also continued to increase. On the other hand, the three month rate of change in prices of "raw materials (other goods)" has fallen for the second straight month, mainly in prices of

¹³ Surveys on summer bonuses for 2010 covering large firms conducted by The Institute of Labor Administration (results as of April 20, 142 firms), the Nihon Keizai Shimbun, Inc. (results as of April 20, 201 firms), and the Japan Business Federation (results as of May 19, 68 firms) all showed marginal increases; they marked a year-on-year rate of increase of 2.4 percent, 2.78 percent, and 1.51 percent, respectively.

¹⁴ 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.

chemicals and related products. Meanwhile, the three-month rate of decline in prices of "machinery" has continued to be marginal.

The year-on-year rate of change in corporate services prices (excluding international transportation) has continued to be negative, a reflection mainly of cost cutting among firms, but the rate of decline has stopped expanding (Chart 28). In April, corporate services prices (excluding international transportation) dropped for the 18th straight month; the pace of decline accelerated, albeit marginally, for the first time in three months.¹⁵ The fluctuation in prices of leasing and rental, however, also seems to have contributed to this decline. Added to this, prices of real estate dropped at a faster pace and those of other services turned downward, partly due to the revision of prices around the turn of the new fiscal year. On the other hand, the pace of decline in prices of transportation (excluding international transportation) and information services has moderated since firms have shown signs of a slight ease in their stance on cost cutting. The pace of decrease in prices of advertising services has also continued to moderate.

Consumer prices (excluding fresh food; year-on-year basis, same hereafter) are declining due to the substantial slack in the economy as a whole, but the slowing trend in the pace of decline has continued (Charts 29 and 30). In April, consumer prices dropped further by 0.3 percentage point from March, registering a decrease of 1.5 percent on a year-on-year basis, affected mainly by subsidies for high school tuition.¹⁶ Looking at developments on a basis that excludes food and energy, consumer prices in April declined further by 0.5 percentage point from March, decreasing at a year-on-year rate of 1.6 percent. However, excluding high school fees, the rate of decline in consumer prices—excluding fresh food—narrowed by 0.2 percentage point from March to a decrease of 1.0 percent, while that excluding food

¹⁵ The category "All items including international transportation" declined for the 19th consecutive month on a year-on-year basis.

¹⁶ In terms of high school fees, households with public high school students are exempt from paying the annual tuition fee of about 120,000 yen, while those with private high school students will receive subsidies equivalent to the annual tuition fee of public high schools. According to the Ministry of Internal Affairs and Communications, the subsidy for high school fees contributed to consumer prices (excluding fresh food) in April by -0.54 percent point on a year-on-year basis. In detail, public high school fees contributed by -0.41 percent point and private high school fees by -0.13 percent point.

and energy diminished by 0.4 percentage point from March to a decrease of 0.8 percent. As for prices of goods in detail, although the pace of decrease in prices of clothes has accelerated, prices of petroleum products have risen at a faster pace, and the pace of decline in prices of durable consumer goods, agricultural and aquatic products, and others has moderated. The pace of decline in prices of general services—with private high school fees excluded—has been moderating, notably in prices of package tours to overseas. The faster pace of decline in public utility charges—with public high school fees excluded—has come to a halt. Meanwhile, the year-on-year rate of decline in the trimmed mean index—which systematically discards a certain percentage of the highest and lowest marks of the price fluctuation distribution by item (the index which eliminates large relative price fluctuations)—has been narrowing mildly.

Domestic corporate goods prices are likely to continue to be on a moderate uptrend for the time being. The year-on-year pace of decline in consumer prices is expected to slow as a trend as the aggregate supply and demand balance improves gradually.

3. Financial Developments

(1) Financial Markets

In Japan's money markets, interest rates—including those for somewhat longer terms—have been stable at low levels, amid the Bank of Japan's provision of ample funds. Meanwhile, the volume of transactions in some markets has remained low. The overnight call rate (uncollateralized) has been at around 0.1 percent. Regarding interest rates on term instruments, the T-Bill rate (3-month) has been in the range of 0.10-0.15 percent. The Euroyen interest rate (3-month) has remained high relative to the OIS rates—the OIS rates mainly reflect expectations about future policy interest rates. Interest rates on Euroyen futures have suggested that term funding rates are expected to decline moderately for the time being (Chart 31). In U.S. dollar funding, the LIBOR-OIS spread for the dollar has risen somewhat, as market participants have continued to be cautious about taking counterparty risks in transactions (Chart 32).

Yields on 10-year government bonds (newly issued 10-year JGB) have declined slightly; they have recently been in the range of 1.20-1.25 percent (Chart 33).

Yield spreads between corporate bonds and government bonds have continued to be stable for those with high credit ratings, due to firm demand among investors. Spreads on those with low credit ratings, especially in some industries, have widened somewhat, reflecting wait-and-see stances on investment among investors (Chart 34).

Stock prices have shown somewhat large fluctuations in response to the nervous developments in U.S. and European stock prices and in the exchange rates of some currencies. The Nikkei 225 Stock Average has recently been in the range of 9,500-10,000 yen (Chart 35).

In the foreign exchange market, the yen has tended to appreciate against the euro, amid concern over sovereign risks in Europe; it has recently been traded in the range of 111-112 yen. Meanwhile, the yen's exchange rate against the U.S. dollar has been more or less unchanged; it has recently been in the range of 91-92 yen (Chart 36).

(2) Corporate Finance and Monetary Aggregates

The declining trend in firms' funding costs has continued, against the background that the overnight call rate has remained at an extremely low level. Meanwhile, issuance rates on CP have remained more or less unchanged at low levels, and those on corporate bonds have also remained more or less unchanged. The average contracted interest rates on new loans and discounts have been on a declining trend, albeit with some fluctuations (Chart 38).

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 37). Issuing conditions for CP and corporate bonds have remained favorable as a whole. In these circumstances, funding of the private sector has declined on a year-on-year basis, mainly due to the decline in firms' need to fund working capital and fixed investment. Bank lending has declined on a year-on-year basis, partly due to its high growth a year ago (Chart 39). 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 (Chart 40).

In these circumstances, although many small firms still see their financial positions as weak, on the whole the financial positions of firms, including small ones, have continued to show signs of easing (Chart 37). The number of corporate bankruptcies has continued to decrease; it was down by 15.1 percent in May compared to the previous year's level (Chart 42).

Meanwhile, the year-on-year growth rate of the money stock (M2) has recently been at around 3 percent. Its May reading was 3.1 percent on a year-on-year basis, following 2.9 percent in April (Chart 41).¹⁷

¹⁷ On an M3 basis, which includes the Japan Post Bank, the year-on-year growth rate has recently been in the range of 2.0-2.5 percent; its May reading was 2.3 percent, following 2.2 percent in April. The year-on-year growth rate of broadly-defined liquidity (L) has recently been at around 2 percent; it increased by 2.0 percent in May, following an increase of 1.6 percent in April.

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Chart 1

Main Economic Indicators (1)

	s.a., q/q (m/m) % chg. ¹						
	2009/Q3	Q4	2010/Q1	2010/Feb.	Mar.	Apr.	May
Index of consumption expenditure level (two-or-more-person households)	0.6	0.6	0.3	-2.3	5.8	-6.1	n.a.
Sales at department stores	-1.4	-2.1	1.2	0.5	0.8	-1.7	n.a.
Sales at supermarkets	-1.7	-1.4	-0.3	2.8	-1.5	0.4	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 283>	< 316>	< 314>	< 314>	< 305>	< 321>	< 325>
Sales of household electrical appliances (real, Current Survey of Commerce)	7.7	4.6	14.1	2.0	7.3	-1.2	n.a.
Outlays for travel	7.7	-4.5	9.7	2.5	4.3	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	< 72>	< 79>	< 84>	< 79>	< 85>	< 79>	<n.a.>
Machinery orders (from private sector ⁴)	-0.7	1.1	2.9	-3.8	5.4	4.0	n.a.
Manufacturing	-6.6	16.8	14.2	3.7	2.7	-5.5	n.a.
Nonmanufacturing ⁴	4.5	-7.9	-3.7	-3.3	11.1	5.3	n.a.
Construction Starts (private, nondwelling use)	0.3	3.6	24.6	5.1	18.3	-31.2	n.a.
Mining & manufacturing	-16.3	-3.0	24.0	17.3	-10.7	-12.4	n.a.
Nonmanufacturing ⁵	5.3	9.0	18.9	0.8	27.0	-32.2	n.a.
Value of public works contracted	3.1	-4.9	-6.5	-2.2	-4.8	15.1	n.a.
Real exports	9.5	7.6	5.2	1.1	2.8	6.5	n.a.
Real imports	6.7	1.1	2.5	1.8	-3.9	3.6	n.a.
Industrial production	5.3	5.9	7.0	-0.6	1.2	1.3	n.a.
Shipments	5.8	5.9	7.2	-0.2	2.0	1.4	n.a.
Inventories	-1.8	-1.5	1.1	1.6	-1.6	0.6	n.a.
Inventory Ratio <s.a., CY 2005 = 100>	< 120.9>	< 110.0>	< 102.3>	< 108.3>	< 102.3>	< 103.5>	<n.a.>
Real GDP	0.1	1.1	1.2	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	1.1	0.1	1.3	-2.3	-0.8	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2009/Q3	Q4	2010/Q1	2010/Feb.	Mar.	Apr.	May
Ratio of job offers to applicants <s.a., times>	< 0.43>	< 0.43>	< 0.47>	< 0.47>	< 0.49>	< 0.48>	<n.a.>
Unemployment rate <s.a., %>	< 5.4>	< 5.2>	< 4.9>	< 4.9>	< 5.0>	< 5.1>	<n.a.>
Overtime working hours ⁶	-14.9	-7.7	10.0	11.4	14.5	p 10.8	n.a.
Number of employees	-1.3	-1.4	-0.3	-0.5	0.3	-0.2	n.a.
Number of regular employees ⁶	-0.1	-0.2	0.1	0.2	0.2	p 0.1	n.a.
Nominal wages per person ⁶	-3.6	-4.1	0.0	-0.7	1.0	p 1.5	n.a.
Domestic corporate goods price index <q/q % chg., 3-month rate of change> ⁷	-8.2 <-0.2>	-5.2 <-0.5>	-1.7 < 0.3>	-1.6 < 0.3>	-1.3 < 0.4>	-0.1 < 0.8>	p 0.4 <p 0.8>
Consumer price index ⁸	-2.3	-1.8	-1.2	-1.2	-1.2	-1.5	n.a.
Corporate services price index ⁹	-1.5	-1.6	-1.6	-1.7	-1.4	p -1.5	n.a.
Money Stock (M2) <average outstanding, y/y % chg.>	2.8	3.3	2.8	2.7	2.7	2.9	p 3.1
Number of corporate bankruptcies <cases per month>	<1,261>	<1,176>	<1,156>	<1,090>	<1,314>	<1,154>	<1,021>

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.

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";

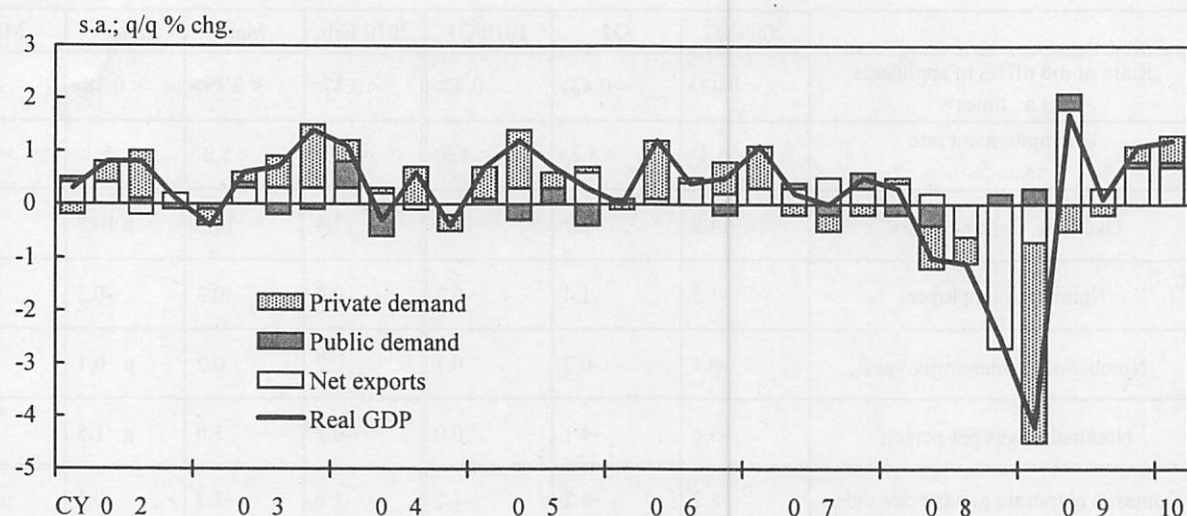
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey";

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



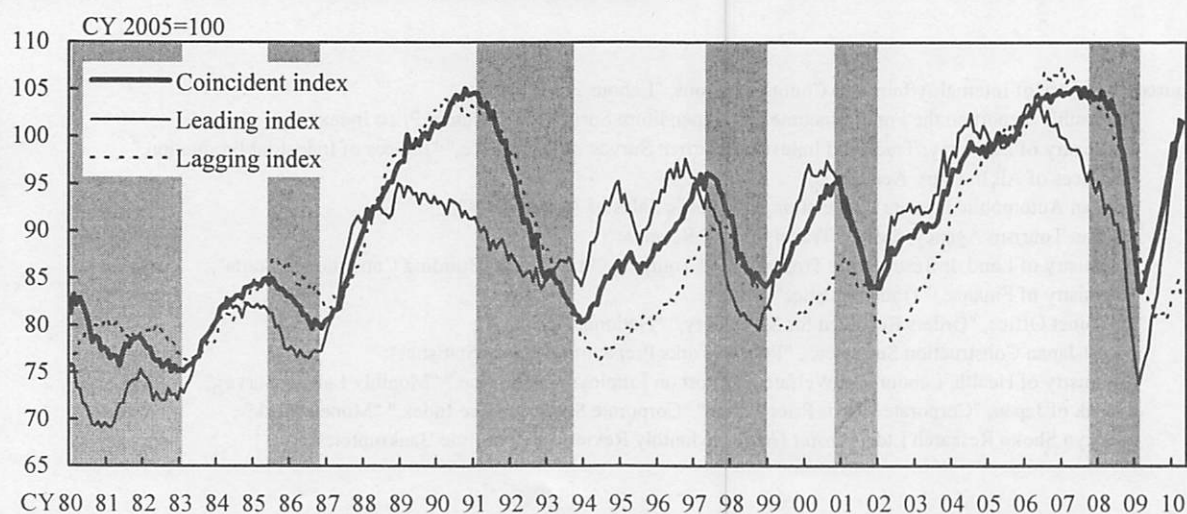
(2) Components

s.a.; q/q % chg.

	2009				2010
	Q1	Q2	Q3	Q4	Q1
Real GDP	-4.2	1.7	0.1	1.1	1.2
Domestic demand	-3.5	-0.1	-0.2	0.4	0.6
Private demand	-3.8	-0.5	-0.2	0.3	0.5
Private consumption	-0.7	0.6	0.4	0.4	0.3
Non-Resi. investment	-1.5	-0.5	-0.3	0.2	0.1
Residential investment	-0.2	-0.3	-0.2	-0.1	0.0
Private inventory	-1.3	-0.2	-0.1	-0.2	0.1
Public demand	0.3	0.3	-0.0	0.1	0.1
Public investment	0.1	0.3	-0.0	-0.0	-0.0
Net exports of goods and services	-0.7	1.8	0.3	0.7	0.7
Exports	-3.9	1.3	1.2	0.9	0.9
Imports	3.2	0.5	-0.8	-0.2	-0.3
Nominal GDP	-4.4	0.2	-0.3	0.3	1.3

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

(3) Indexes of Business Conditions (Composite Indexes)

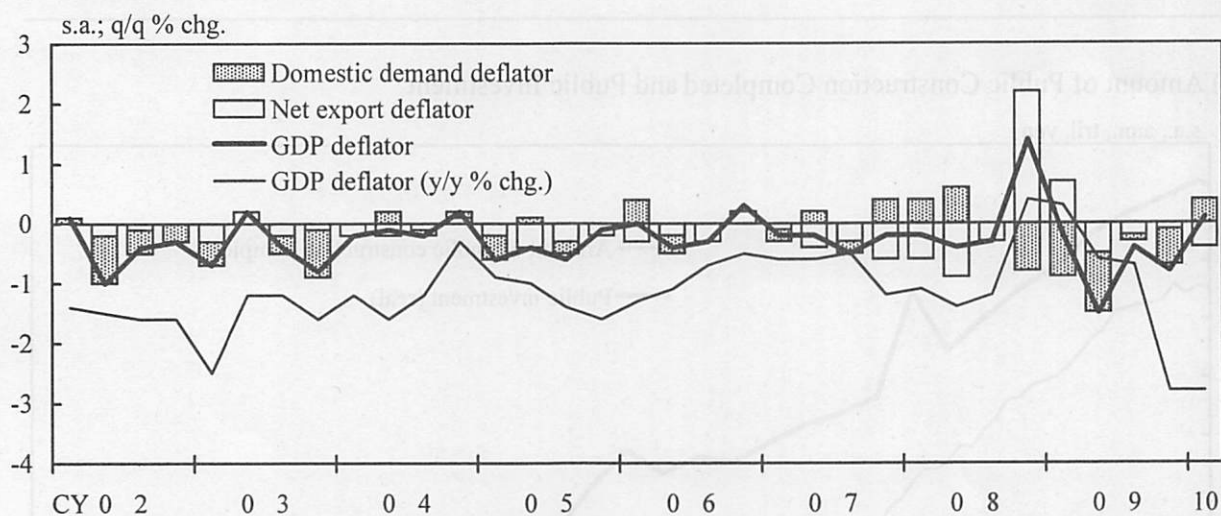


Note: Shaded areas indicate recession periods.

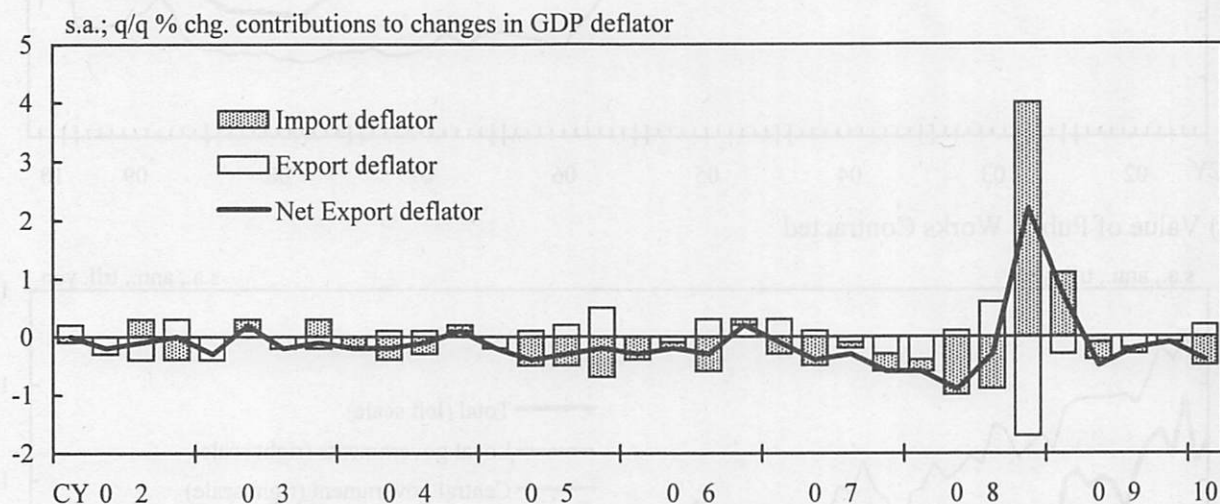
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

GDP Deflator and Income Formation

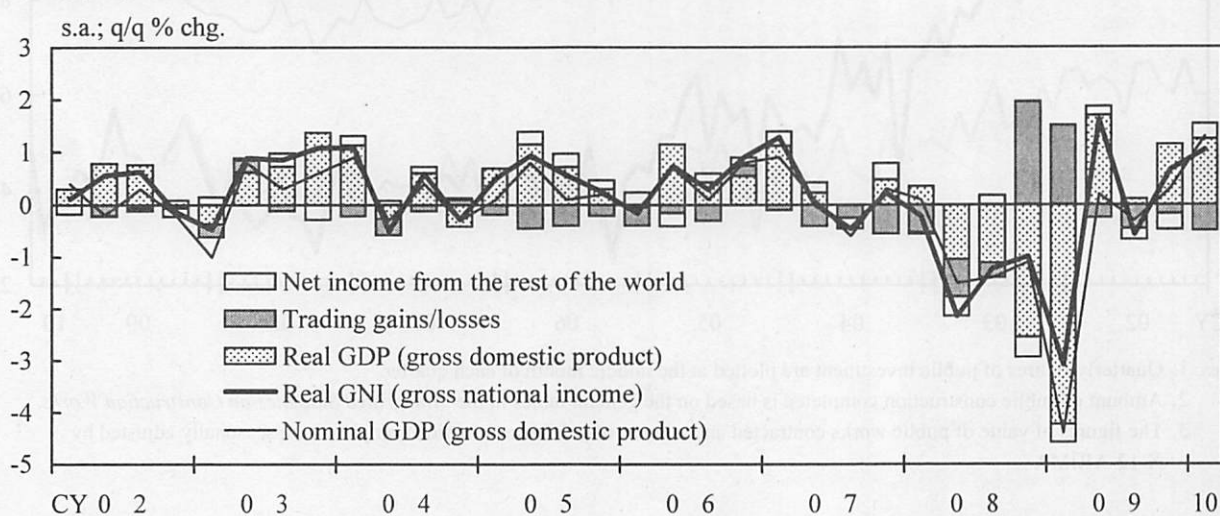
(1) GDP Deflator



(2) Net Export Deflator



(3) Aggregate Income Formation



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

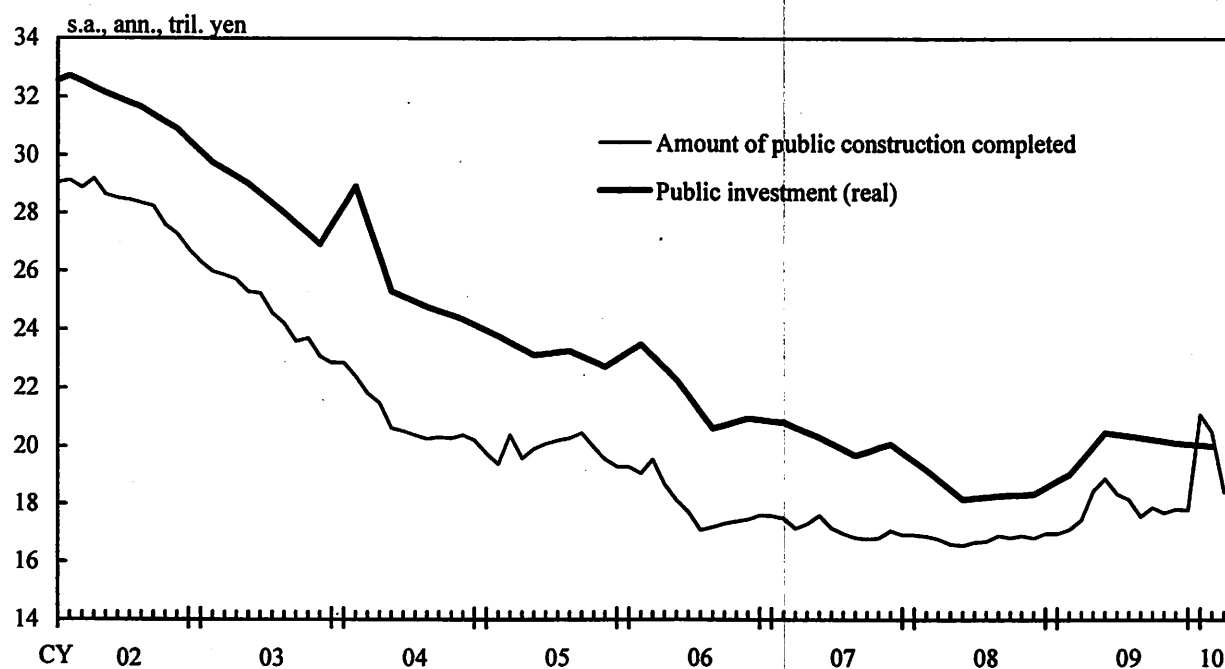
2. Real GNI = real GDP + trading gains/losses + net income from the rest of the world

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

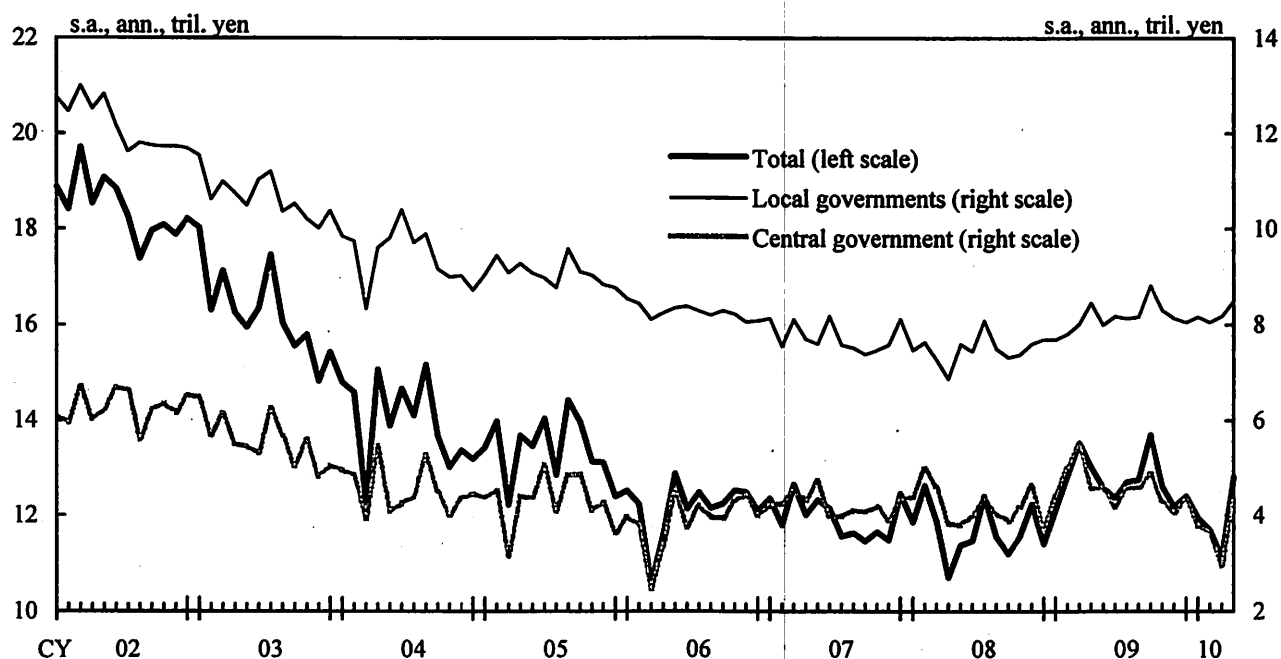
Source: Cabinet Office, "National Accounts."

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. 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.

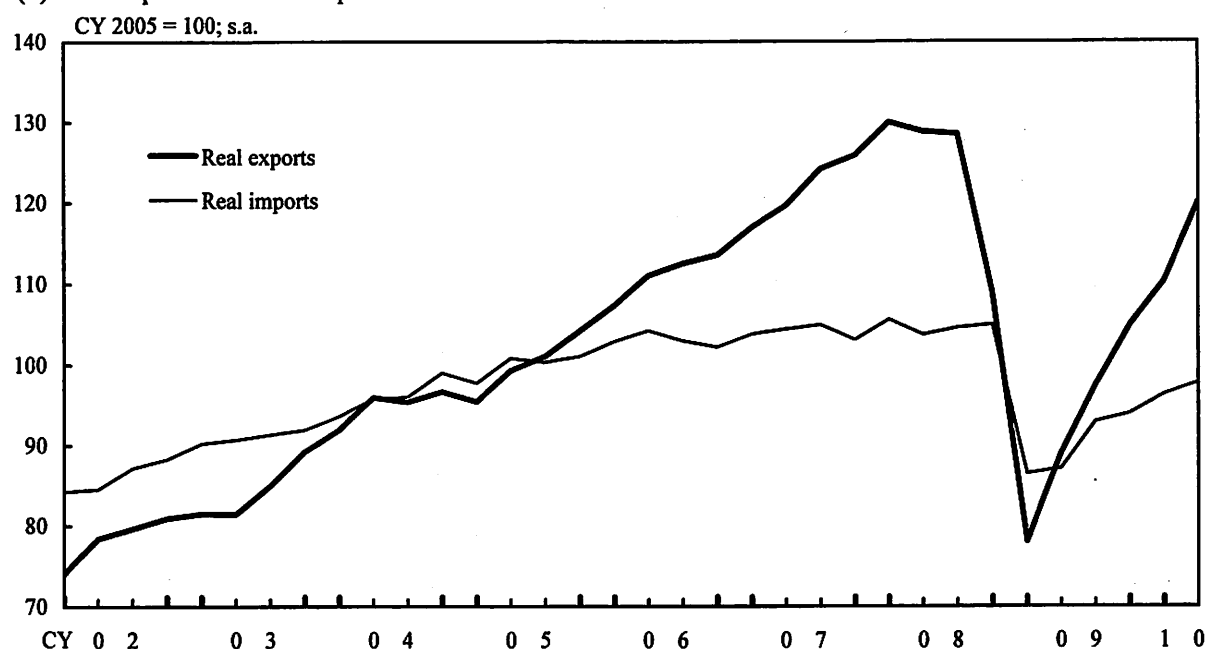
Sources: Cabinet Office, "National Accounts";

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

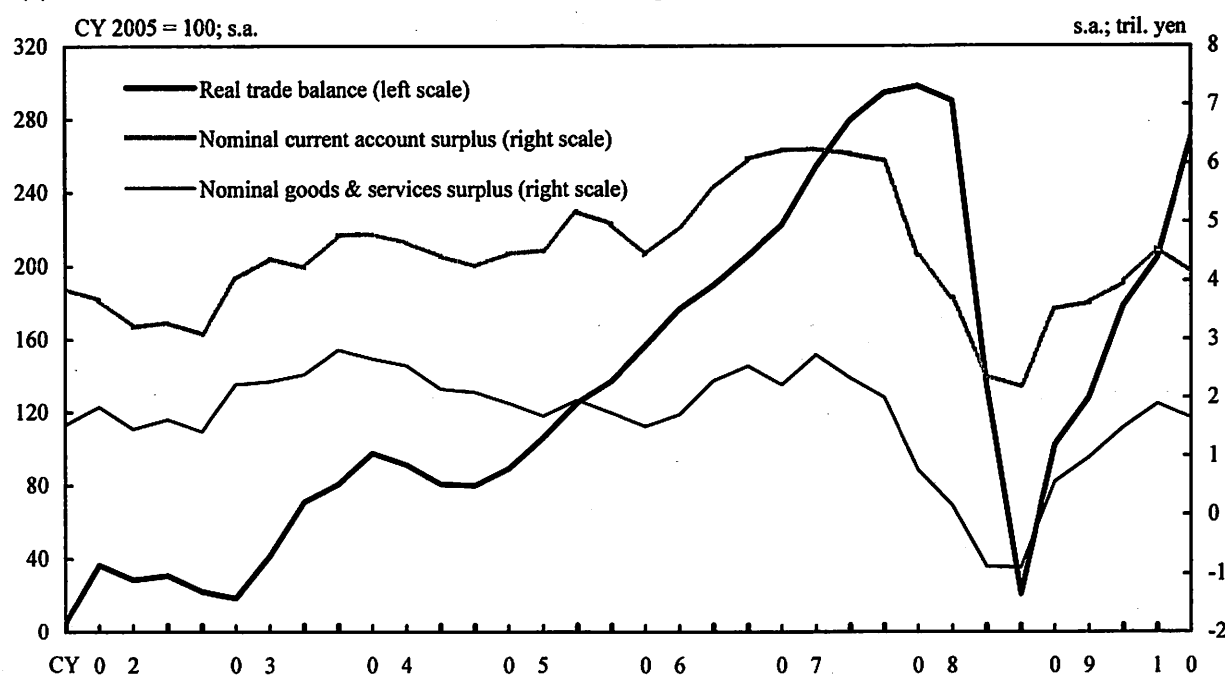
Ministry of Land, Infrastructure, Transport and Tourism, "Integrated Statistics on Construction Works."

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.

3. 2010/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.		2009			s.a.; q/q % chg.		s.a.; m/m % chg.		
		CY 2008	2009	Q2	Q3	Q4	2010 Q1	Q2	2010 Feb.	Mar.	Apr.
United States	<16.1>	-8.8	-32.6	15.0	11.2	7.1	-1.1	10.1	6.2	-2.8	10.1
EU	<12.5>	-0.1	-34.6	7.7	4.8	9.6	-4.0	6.2	-2.8	1.2	6.3
East Asia	<51.4>	3.4	-15.8	20.6	13.2	7.8	7.9	4.4	-4.0	3.1	3.7
China	<18.9>	6.7	-10.2	22.0	10.3	6.4	9.1	6.2	-9.7	4.4	6.8
NIEs	<23.5>	-0.0	-18.0	21.6	12.5	6.7	6.9	3.8	-0.2	2.5	2.1
Korea	<8.1>	-0.3	-16.0	15.2	11.2	5.0	5.9	2.1	5.9	-1.5	1.2
Taiwan	<6.3>	-4.3	-17.7	25.9	13.3	11.8	9.7	3.4	-0.1	-2.8	5.4
Hong Kong	<5.5>	-2.4	-18.8	26.6	9.6	8.0	4.9	7.9	-10.2	13.7	2.9
Singapore	<3.6>	13.3	-21.6	18.5	22.2	-4.7	13.3	-4.7	-4.9	4.6	-5.9
ASEAN ⁴	<9.1>	6.4	-20.5	14.8	21.8	13.7	8.1	2.4	-1.4	2.1	1.5
Thailand	<3.8>	5.0	-20.9	16.3	27.8	16.0	4.9	5.0	-2.0	-2.0	7.2
Others	<20.0>	16.1	-32.1	-2.4	9.3	11.3	11.3	6.6	-2.3	1.9	6.0
Real exports		1.8	-25.6	14.1	9.5	7.6	5.2	8.9	1.1	2.8	6.5

(2) Breakdown by Goods

		y/y % chg.		2009			s.a.; q/q % chg.		s.a.; m/m % chg.		
		CY 2008	2009	Q2	Q3	Q4	2010 Q1	Q2	2010 Feb.	Mar.	Apr.
Intermediate goods	<20.7>	0.4	-5.6	19.2	10.0	4.6	0.9	1.3	-2.6	-2.3	3.8
Motor vehicles and their related goods	<20.0>	3.2	-41.4	22.3	25.3	11.3	5.2	9.7	5.6	1.4	6.8
Consumer goods ⁴	<4.1>	3.5	-28.8	12.4	3.5	0.3	-0.5	5.1	-3.8	9.9	0.0
IT-related goods ⁵	<11.3>	0.8	-17.0	35.0	9.0	5.8	5.8	5.1	-3.9	5.6	2.7
Capital goods and parts ⁶	<27.9>	5.2	-28.1	3.5	7.7	9.9	8.7	12.9	3.7	5.9	7.5
Real exports		1.8	-25.6	14.1	9.5	7.6	5.2	8.9	1.1	2.8	6.5

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2010/Q2 figures are April figures converted into quarterly amount.

2. Shares of each region and goods in 2009 are shown in angle brackets.

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

4. Excludes motor vehicles.

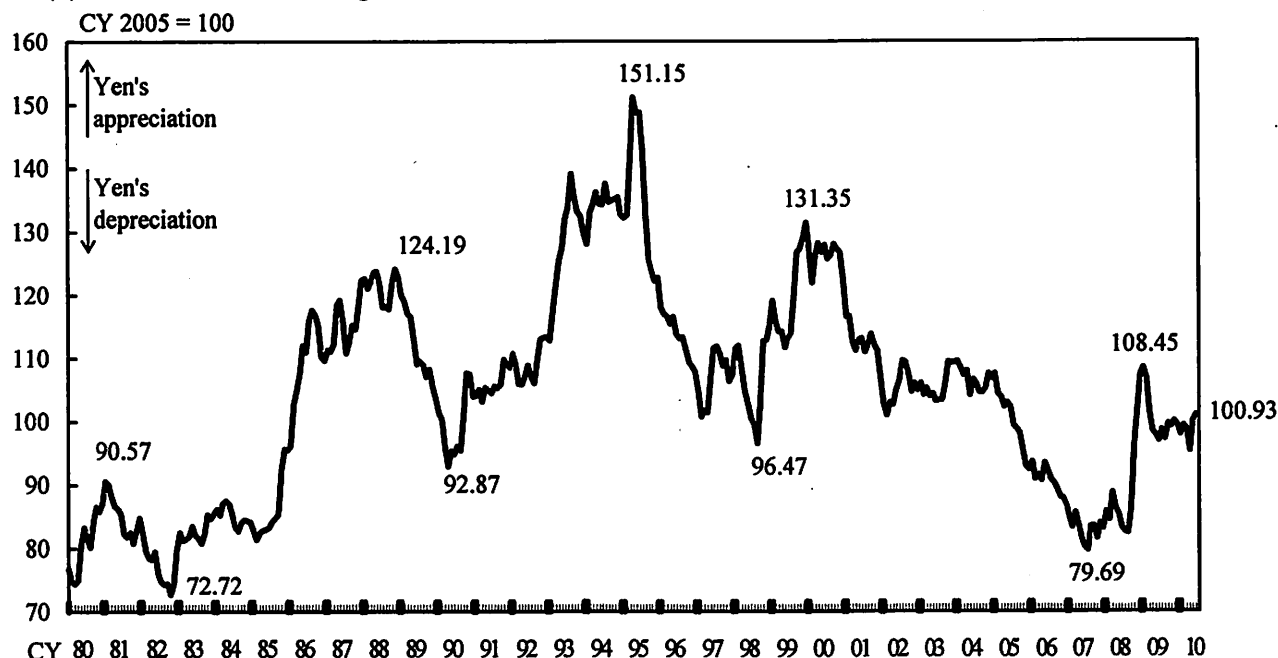
5. IT-related goods are composed of computers and units, telecommunication machinery, ICs, and medical and optical instruments.

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



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

2. Figures for May and June (up to June 11) 2010 have been calculated using the monthly average of the BOJ's Nominal effective exchange rate (the Yen Index).

(2) Real GDP Growth Rates in Overseas Economies

		CY2007	2008	2009	2009 Q2	Q3	Q4	2010 Q1	
United States ¹		2.1	0.4	-2.4	-0.7	2.2	5.6	3.0	
European Union ¹		2.9	0.7	-4.2	-0.9	1.2	0.8	1.0	
	Germany	2.5	1.3	-4.9	1.8	2.9	0.7	0.6	
	France	2.3	0.1	-2.5	0.9	1.0	2.2	0.5	
	United Kingdom	2.6	0.5	-4.9	-2.7	-1.1	1.8	1.2	
East Asia ²	China		14.2	9.6	8.7	7.9	9.1	10.7	11.9
	NIEs	Korea	5.1	2.3	0.2	-2.2	1.0	6.0	8.1
		Taiwan	6.0	0.7	-1.9	-6.9	-1.0	9.1	13.3
		Hong Kong	6.4	2.2	-2.8	-3.8	-2.4	2.5	8.2
		Singapore	8.5	1.8	-1.3	-1.7	1.8	3.8	15.5
	ASEAN ⁴	Thailand	4.9	2.5	-2.2	-4.9	-2.7	5.9	12.0
		Indonesia	6.3	6.0	4.5	4.1	4.2	5.4	5.7
		Malaysia	6.5	4.7	-1.7	-3.9	-1.2	4.4	10.1
		Philippines	7.1	3.7	1.1	1.2	0.2	2.1	7.3

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 ¹

(1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2008	2009	2009 Q2	Q3	Q4	2010 Q1	Q2	2010 Feb.	Mar.	Apr.
United States	<10.7>	-2.5	-18.7	-5.7	3.3	6.5	-0.2	1.0	-3.4	-2.0	3.6
EU	<10.7>	-3.0	-13.2	-1.7	4.8	1.6	-0.7	-4.5	-4.1	0.3	-3.3
East Asia	<41.9>	2.4	-13.1	3.4	8.4	3.1	4.2	3.2	3.5	-10.8	10.2
China	<22.2>	4.4	-11.1	3.2	8.8	3.9	3.1	2.6	7.4	-19.6	16.3
NIEs	<8.6>	-1.1	-15.9	9.8	8.6	2.2	7.1	0.8	3.0	-1.8	1.0
Korea	<4.0>	-5.3	-19.1	6.7	9.1	-0.5	4.0	2.2	10.3	-2.7	0.8
Taiwan	<3.3>	3.5	-12.4	13.7	9.3	5.6	6.4	1.4	-2.7	-0.7	2.9
Hong Kong	<0.2>	-1.7	-29.7	13.6	-10.8	-4.4	55.9	-38.3	-5.3	-29.2	-19.7
Singapore	<1.1>	1.5	-12.5	14.2	0.6	5.1	12.7	2.1	0.6	8.3	-3.3
ASEAN4 ³	<11.0>	1.4	-15.0	-1.2	7.3	2.2	4.3	6.6	-4.8	2.9	6.4
Thailand	<2.9>	2.4	-17.5	1.9	10.3	5.9	3.7	5.6	2.4	-0.9	5.5
Others	<36.7>	2.5	-14.1	-0.6	6.4	-1.0	2.4	2.5	1.0	-1.6	3.3
Real imports		0.5	-14.1	0.7	6.7	1.1	2.5	1.5	1.8	-3.9	3.6

(2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2008	2009	2009 Q2	Q3	Q4	2010 Q1	Q2	2010 Feb.	Mar.	Apr.
Raw materials ⁴	<34.2>	1.6	-15.1	-2.3	8.2	-3.1	2.9	2.8	-1.0	0.2	3.0
Intermediate goods	<14.2>	1.7	-15.3	-4.6	11.2	2.7	5.9	-0.8	0.8	1.0	-1.7
Foodstuffs	<9.7>	-3.6	1.0	-4.0	-0.0	-4.7	3.1	3.8	6.0	-6.0	6.1
Consumer goods ⁵	<8.9>	-2.4	-10.3	4.6	8.9	6.1	1.1	2.8	11.3	-25.0	21.0
IT-related goods ⁶	<11.0>	4.3	-12.4	10.9	5.1	4.6	6.2	5.2	-3.5	-3.3	8.9
Capital goods and parts ⁷	<11.8>	2.9	-23.8	-3.6	6.0	11.3	-0.4	2.5	1.5	-5.2	5.7
Excluding aircraft	<11.0>	3.7	-24.4	0.2	5.7	6.9	4.8	2.5	2.9	-3.9	4.2
Real imports		0.5	-14.1	0.7	6.7	1.1	2.5	1.5	1.8	-3.9	3.6

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2010/Q2 figures are April figures converted into quarterly amount.

2. Shares of each region and goods in 2009 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.

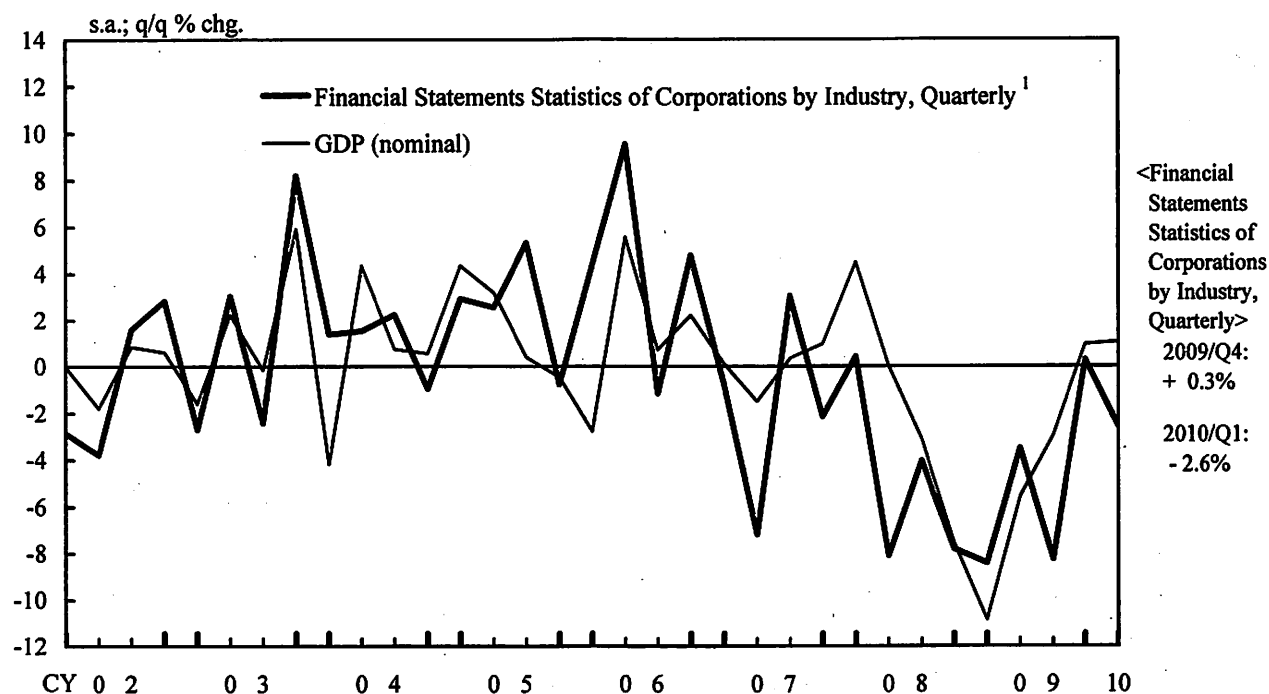
6. IT-related goods are composed of computers and units, parts of computer, telecommunication machinery, ICs, and medical and optical instruments.

7. Excludes IT-related goods.

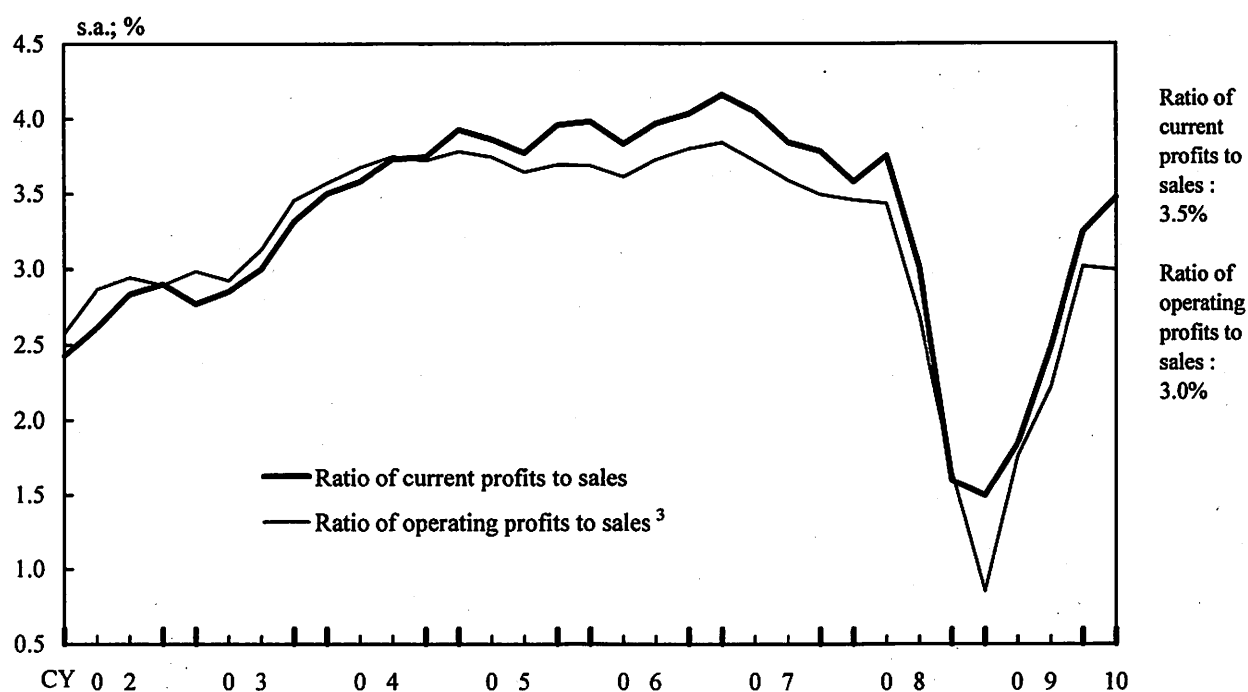
Sources: Ministry of Finance, "Trade Statistics"; Bank of Japan, "Corporate Goods Price Index."

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.

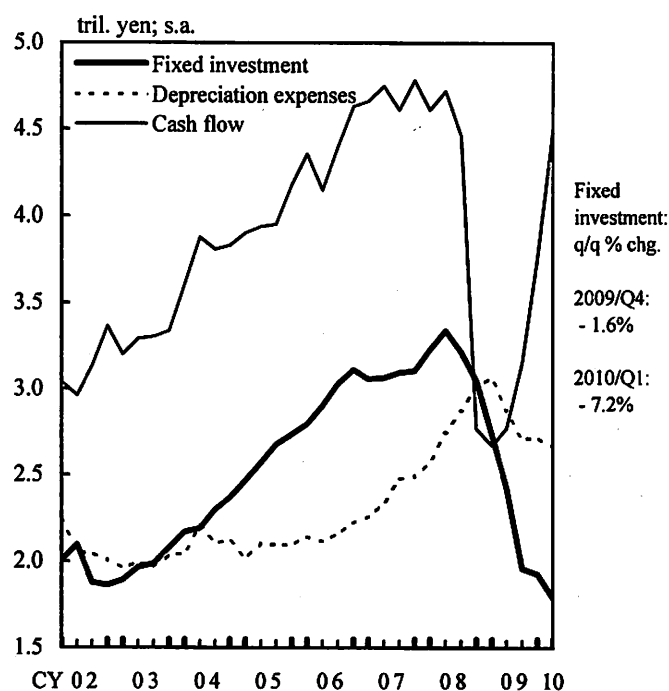
2. Based on the "Financial Statements Statistics of Corporations by Industry, Quarterly."

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

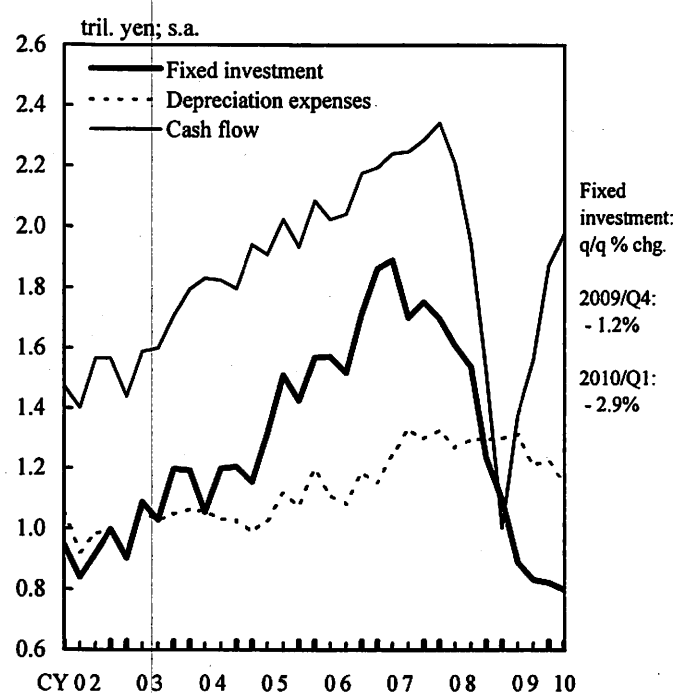
Sources: Cabinet Office, "National Accounts"; Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

Business Fixed Investment by Industry and Size

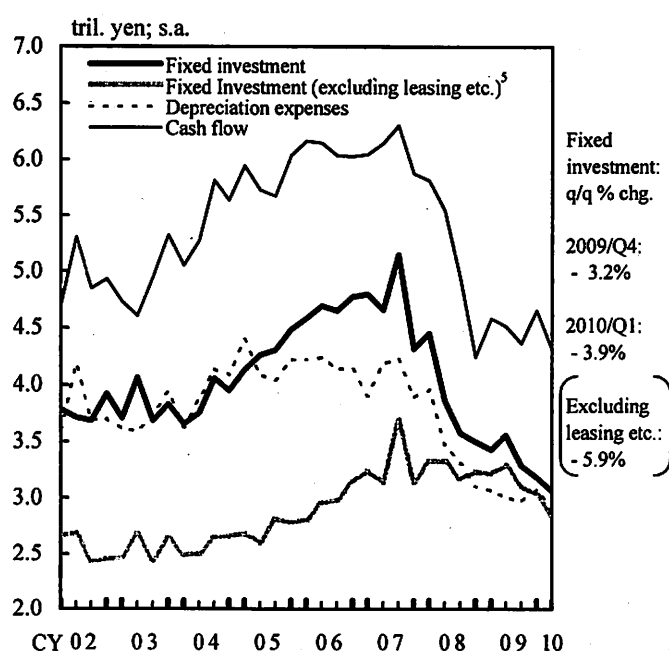
(1) Large Manufacturing Firms



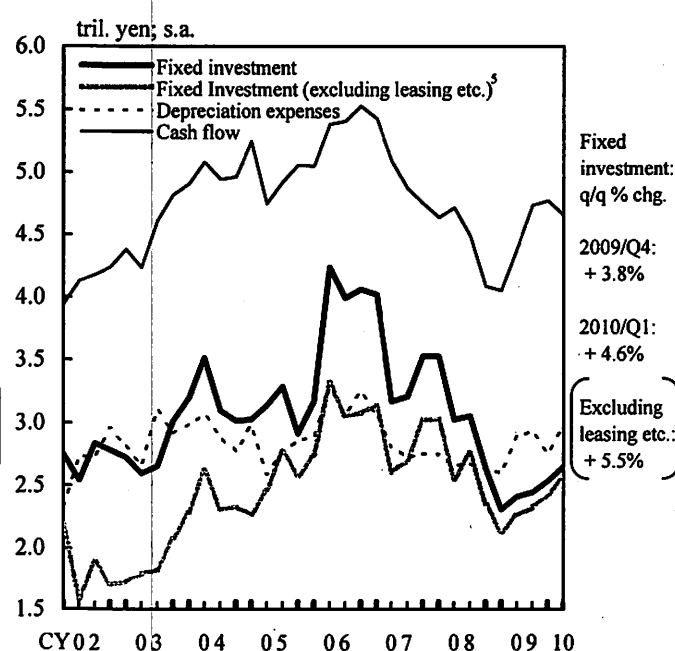
(2) Medium-Sized and Small Manufacturing Firms



(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. Seasonally adjusted by X-11.

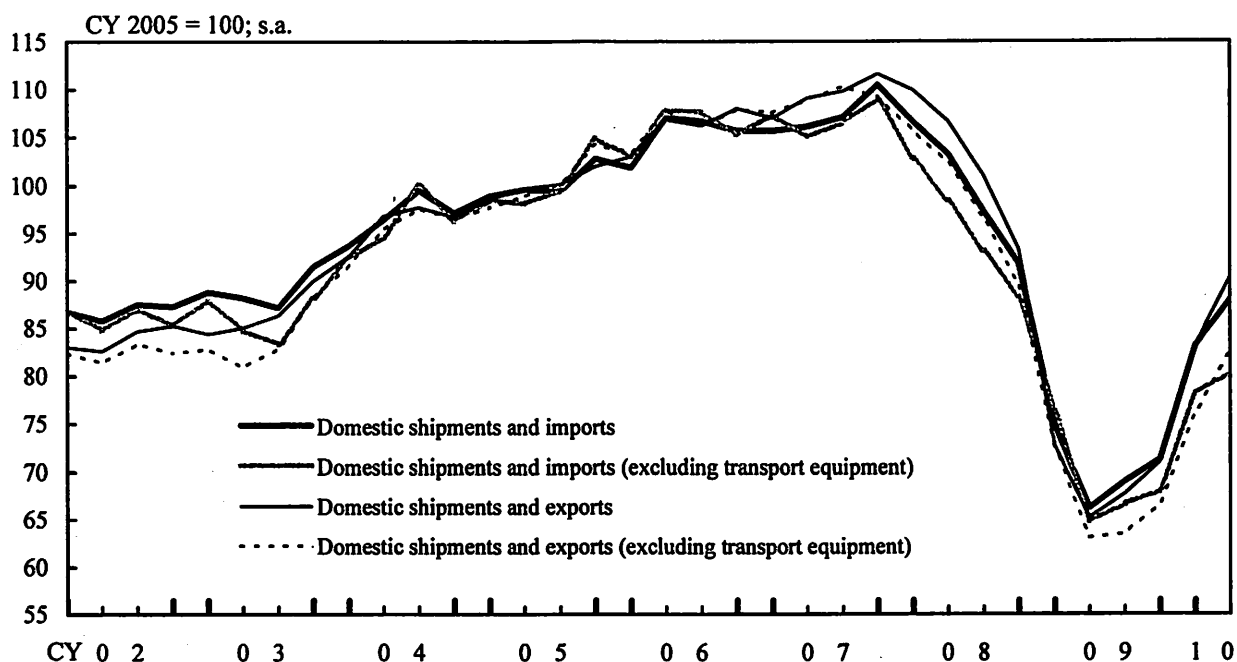
4. Excluding Finance and Insurance.

5. Up to 2004/Q1, excluding business services. From 2004/Q2, excluding goods rental and leasing.

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

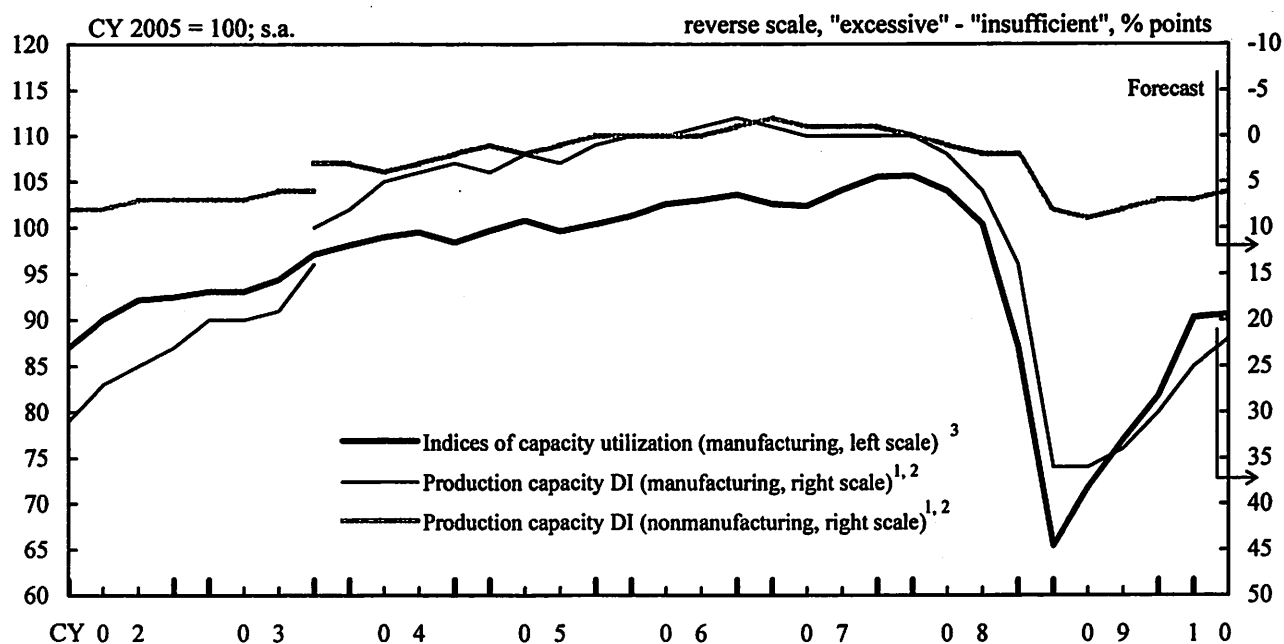
Coincident Indicators for Business Fixed Investment

(1) Aggregate Supply and Shipments of Capital Goods



Note: Figures for 2010/Q2 are those of April.

(2) Indices of Capacity Utilization and Production Capacity DI



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

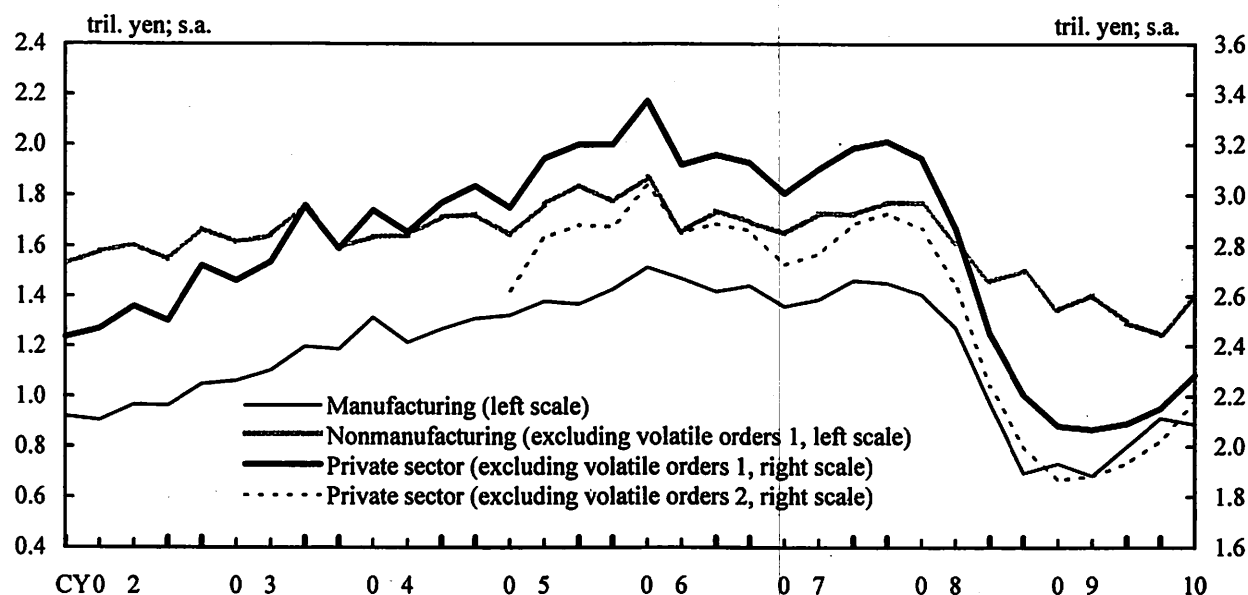
2. In the March 2004 survey, the *Tankan* underwent major revisions, including the addition of new sample enterprises to the survey. Figures up to the December 2003 survey are based on the previous data sets. Figures from the December 2003 survey are on a new basis.

3. The figure for 2010/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 for Business Fixed Investment

(1) Machinery Orders



Notes: 1. Volatile orders 1: Orders for ships and those from electric companies.

Volatile orders 2: Volatile orders 1 and orders for cellphones.

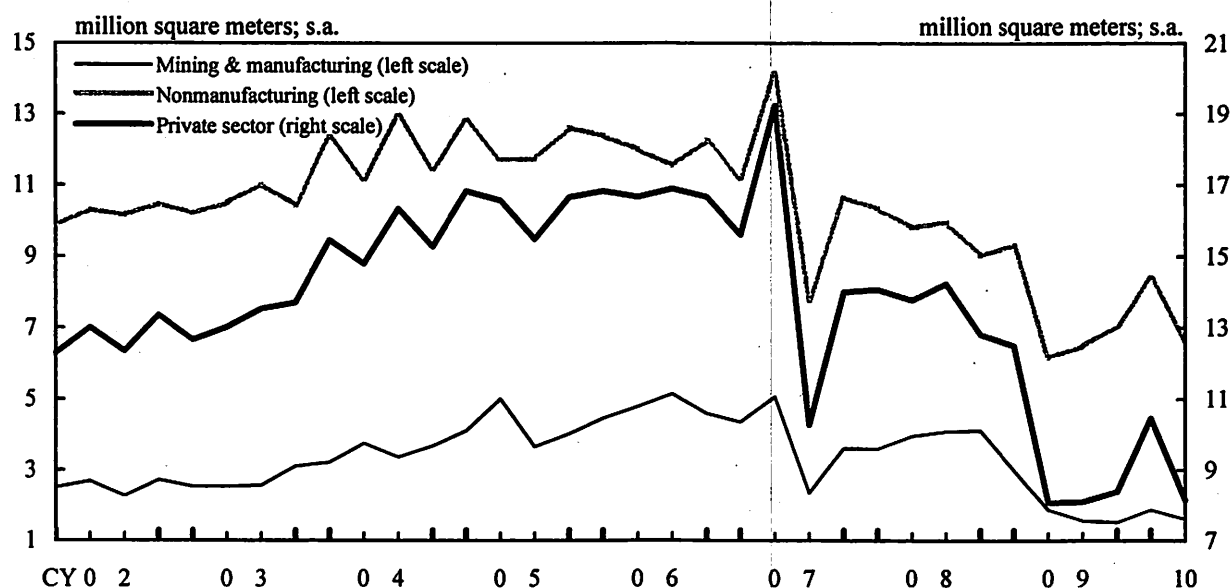
2. The quarter-to-quarter percent changes of machinery orders for 2010/Q2 were forecasted as follows:

Private sector (excluding volatile orders 1): +1.6%; Manufacturing: -16.0%;

Nonmanufacturing (excluding volatile orders 1): +14.4%.

3. Figures for 2010/Q2 are those of April in terms of quarterly amount.

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



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

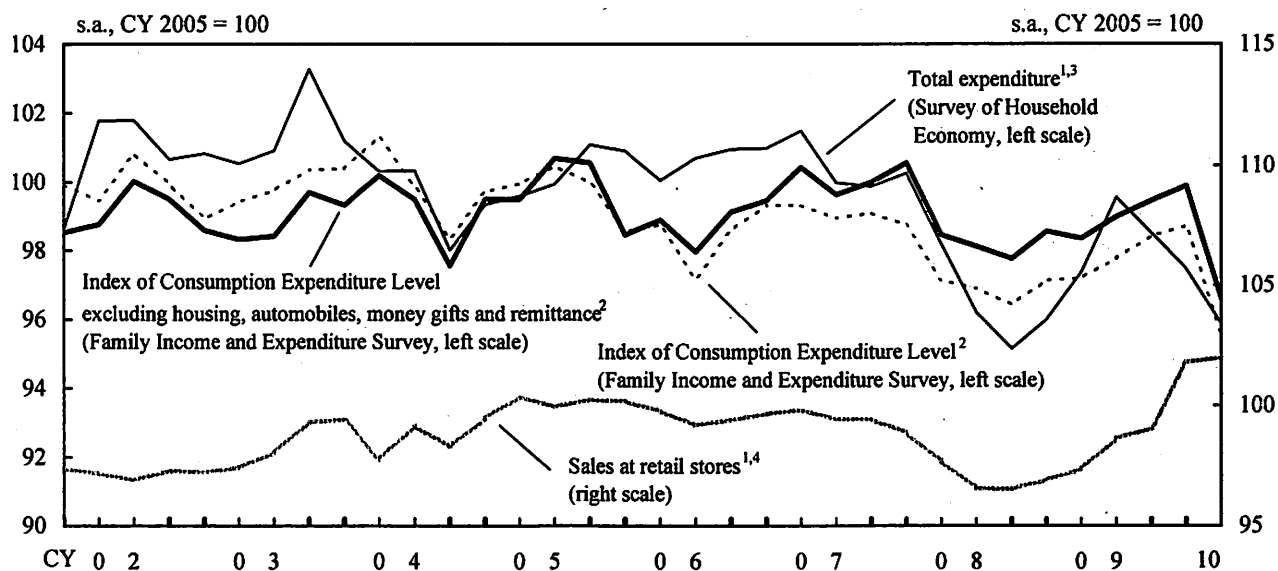
2. Because the Standard Industrial Classification for Japan was revised in March 2002, the industry classification for newspaper publishing and publishing business was changed from mining and manufacturing to nonmanufacturing. Accordingly, the data up to FY 2002 were adjusted by using a link coefficient.

3. Figures for 2010/Q2 are those of April in terms of quarterly amount.

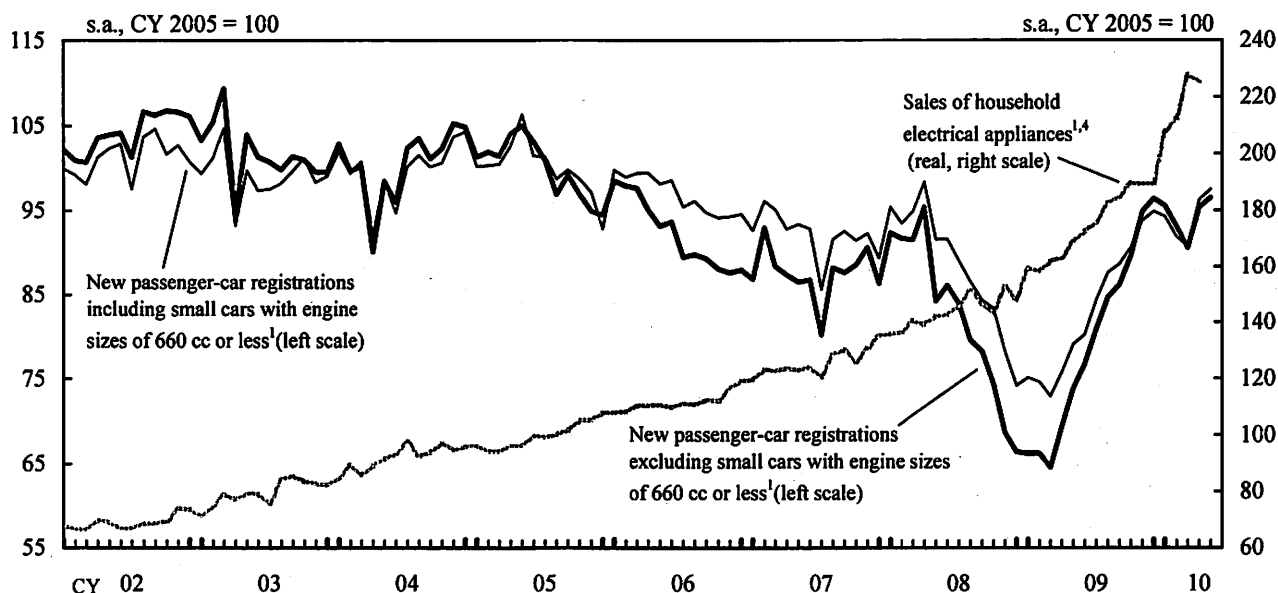
Sources: Cabinet Office, "Orders Received for Machinery";

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

Indicators for Private Consumption (1)

(1) Household Spending (Real)⁵

(2) Sales of Durable Goods



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

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

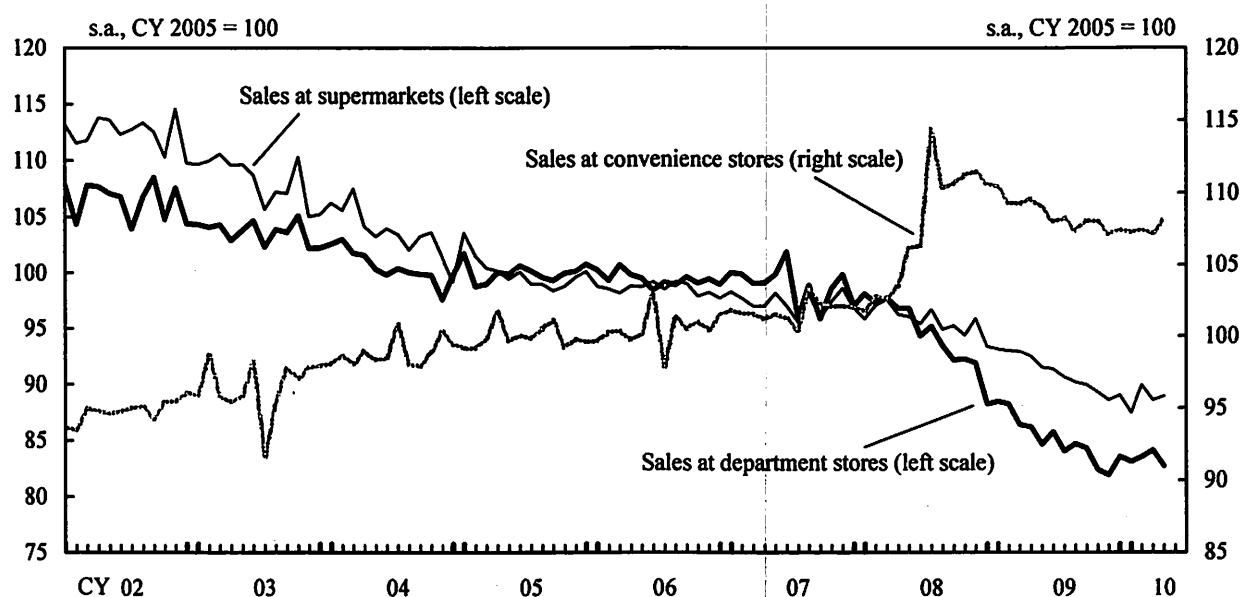
3. Total expenditure is based on two-or-more-person households, and is deflated by the consumer price index excluding imputed rent.

4. Sales at retail stores are deflated by the consumer price index for goods (excluding electricity, gas & water charges).

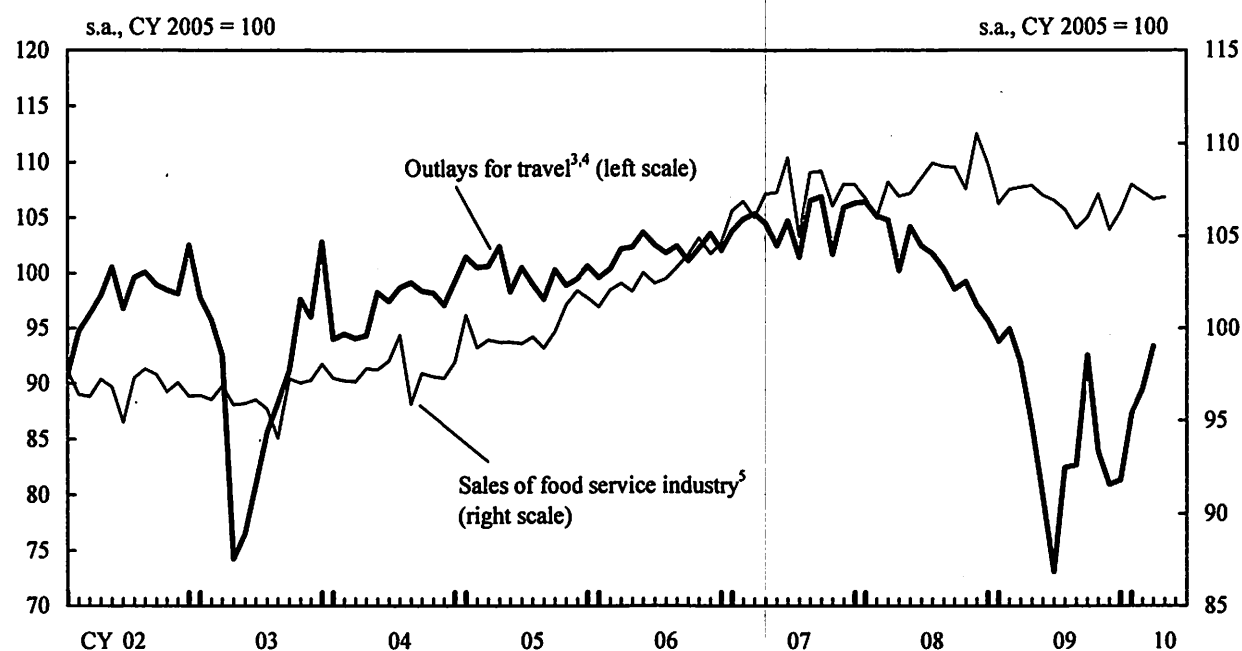
Sales of household electrical appliances are calculated as follows: indices of retail sales of machinery and equipment in the Current Survey of Commerce are deflated by the geometric means of the corresponding consumer price indexes (or by the corporate goods price index for PC printers before 2002).

5. Figures for 2010/Q2 are those of April in terms of 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"; 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 Consumption¹ (2)(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 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.

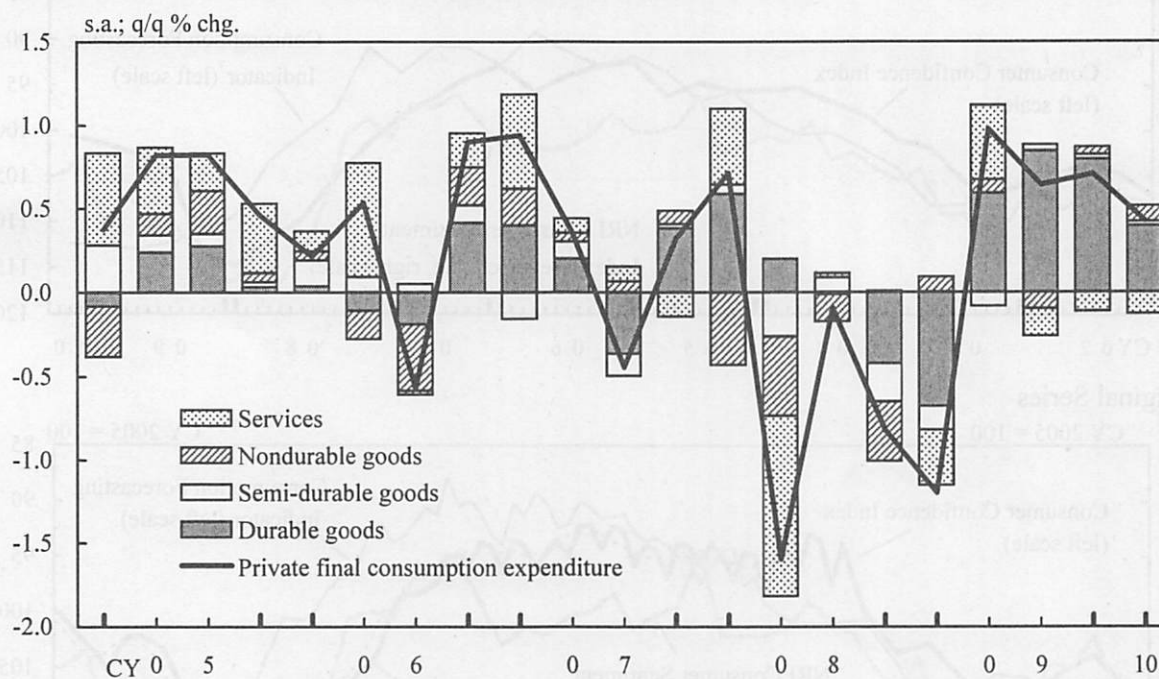
Data from April 2007 and onward are calculated using the year-on-year rate of changes on the new basis.

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.

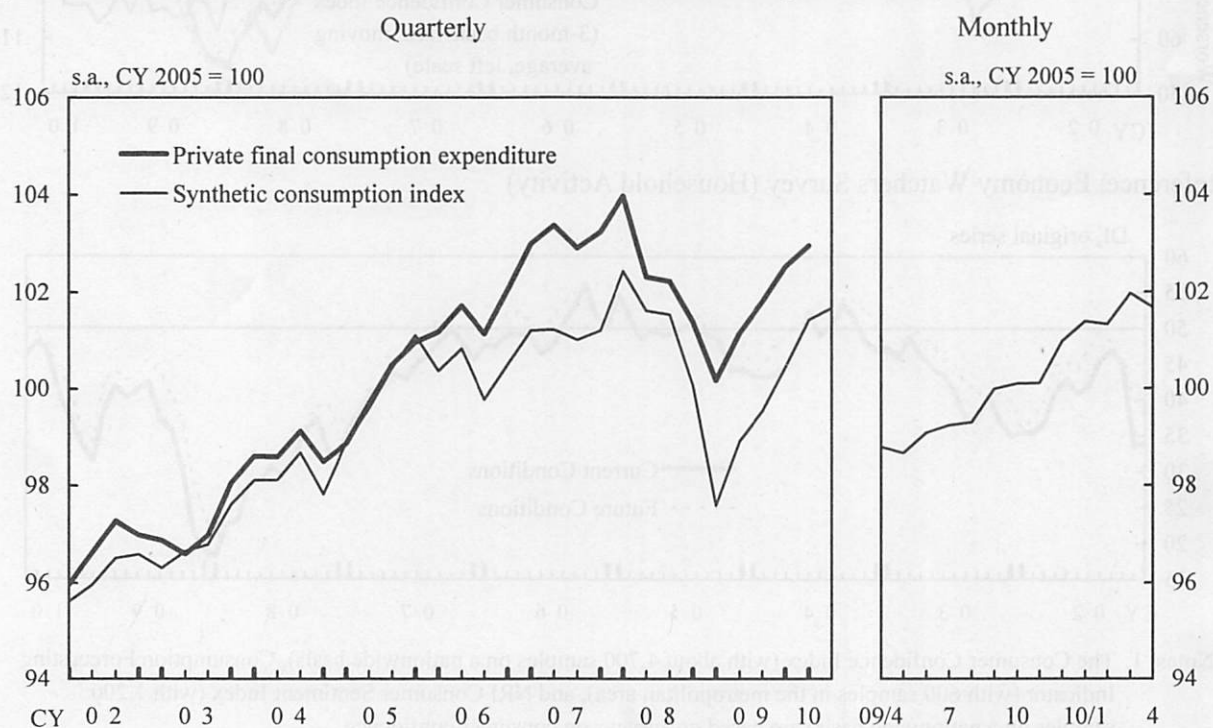
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce"; Japan Tourism Agency, "Major Travel Agents' Revenue"; Food Service Industry Survey & Research Center, "Getsuji Uriage Doukou Chousa (Monthly Survey of Food Service Sales)"; Japan Food Service Association, "Gaishoku Sangyou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

Indicators for Private Consumption (3)

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



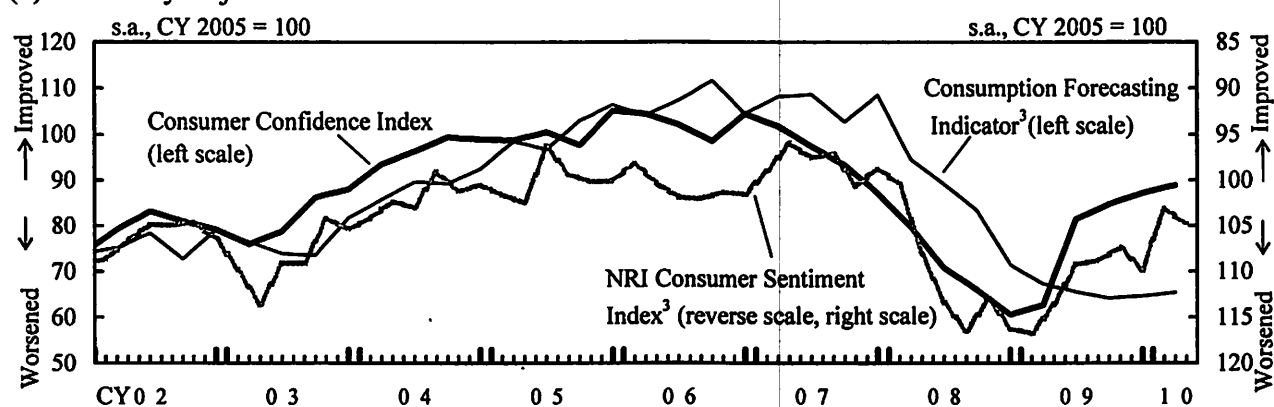
(2) Private Final Consumption Expenditure and Synthetic Consumption Index (Real)



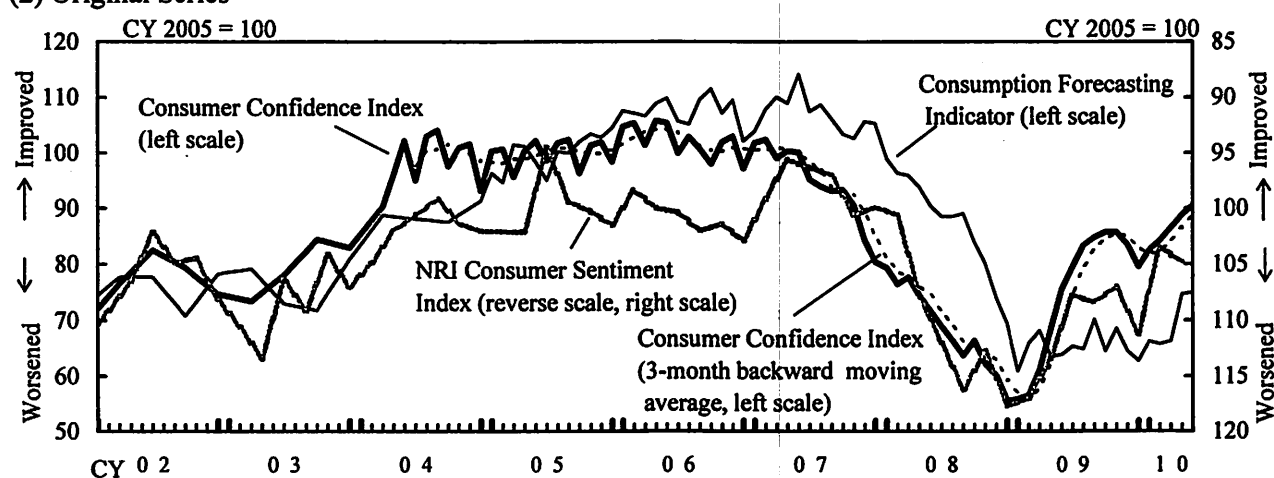
Note: The figure of synthetic consumption index for 2010/Q2 is that of April in terms of quarterly amount.
 Sources: Cabinet Office, "National Accounts," "Synthetic Consumption Index."

Consumer Confidence^{1,2}

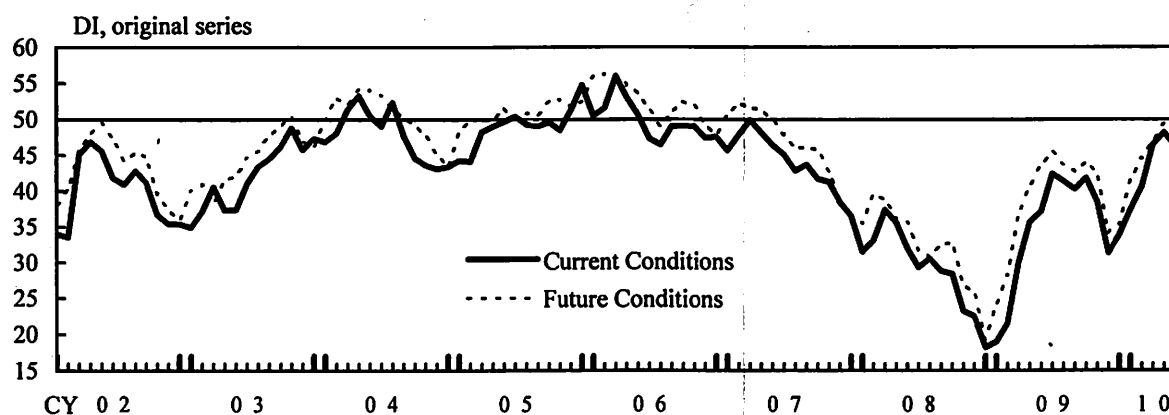
(1) Seasonally Adjusted Series



(2) Original Series



Reference: Economy Watchers Survey (Household Activity)

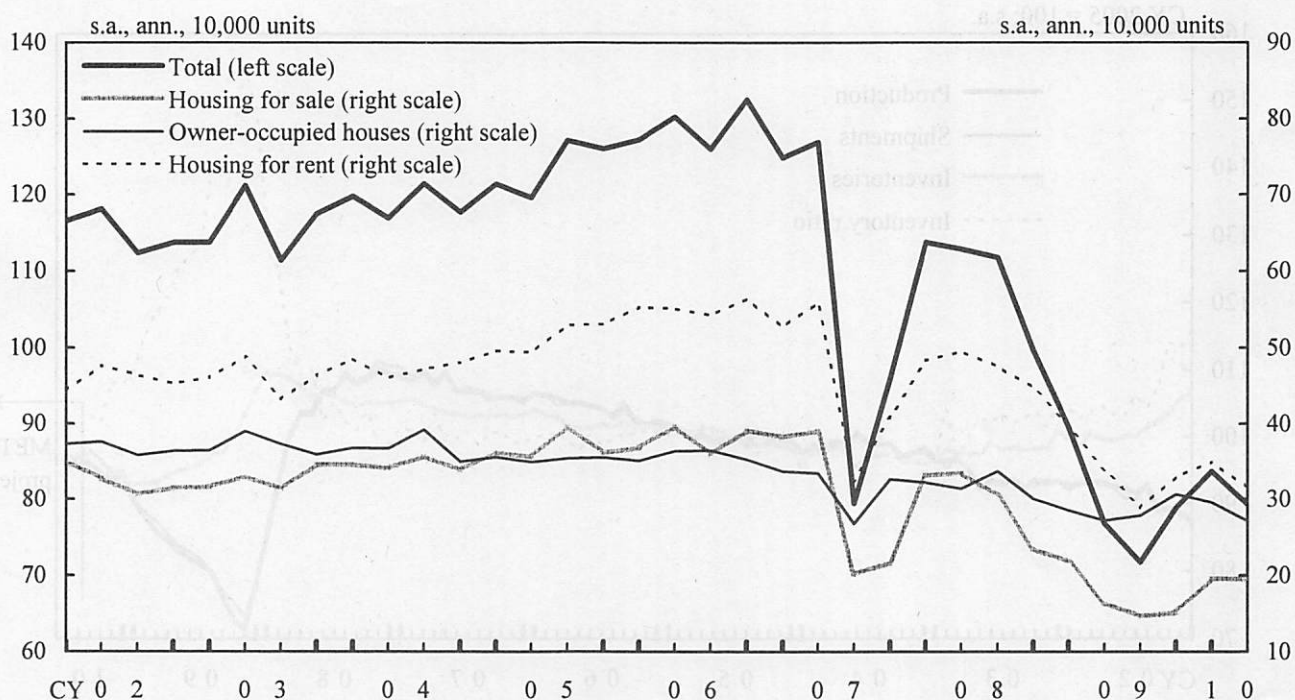


- Notes: 1. The Consumer Confidence Index (with about 4,700 samples on a nationwide basis), Consumption Forecasting Indicator (with 600 samples in the metropolitan area), and NRI Consumer Sentiment Index (with 1,200 samples on a nationwide basis) are based on surveys on consumer confidence.
2. Figures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

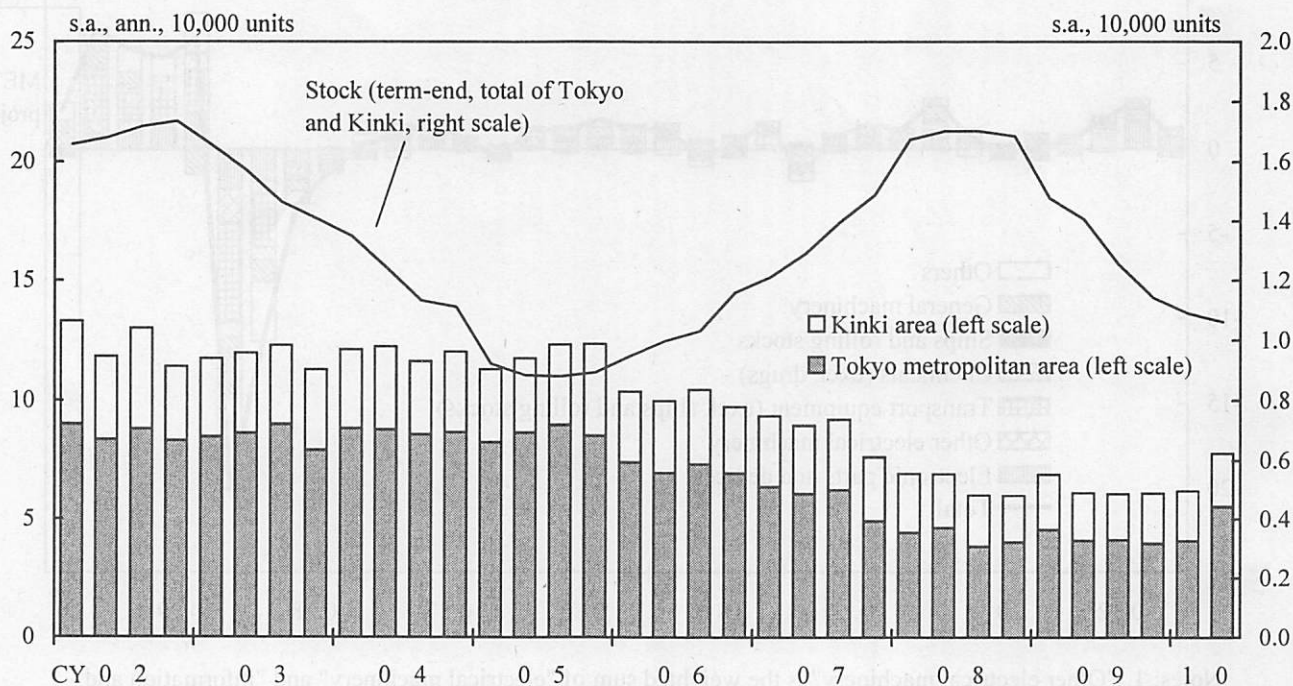
Sources: Cabinet Office, "Consumer Confidence Survey," "Economy Watchers Survey";
Nikkei inc., "Consumption Forecasting Indicator"; Nippon Research Institute (NRI), "Consumer Sentiment Survey."

Indicators for Housing Investment

(1) Housing Starts



(2) Sales of Apartments

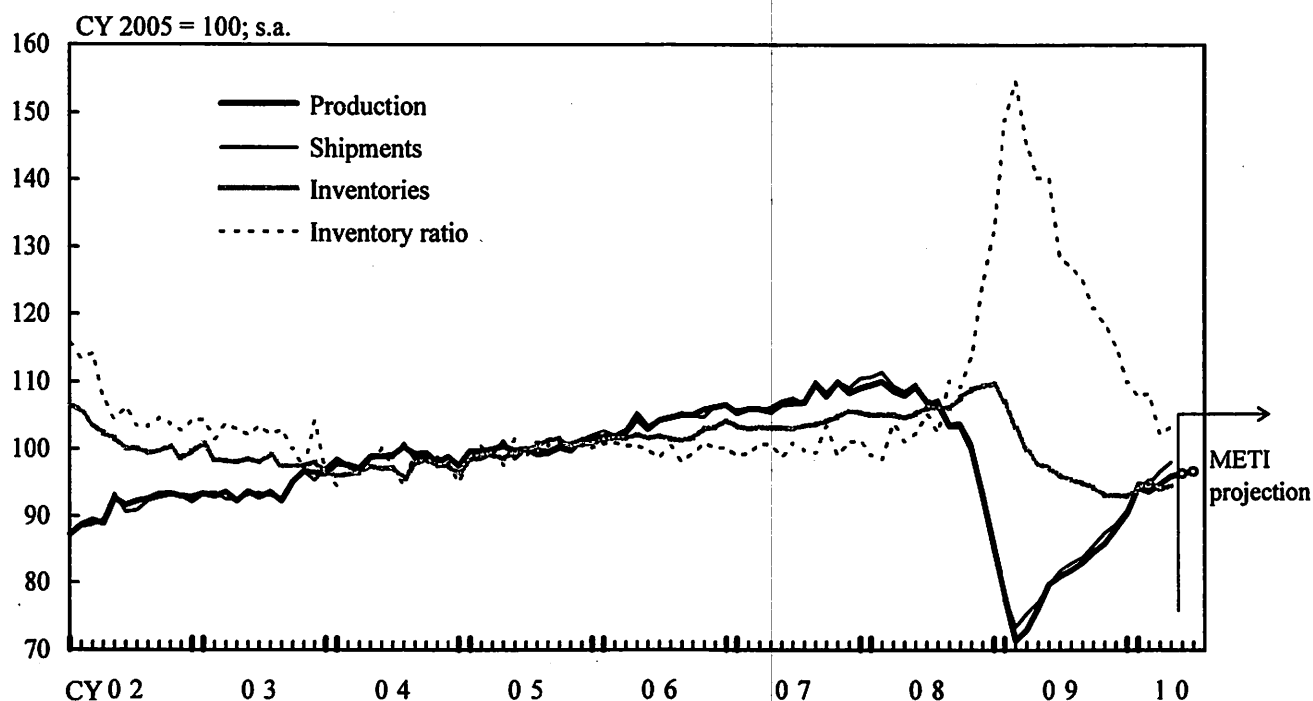


Notes: 1. Seasonally adjusted by X-12-ARIMA.
 2. Figures for 2010/Q2 are those of April.

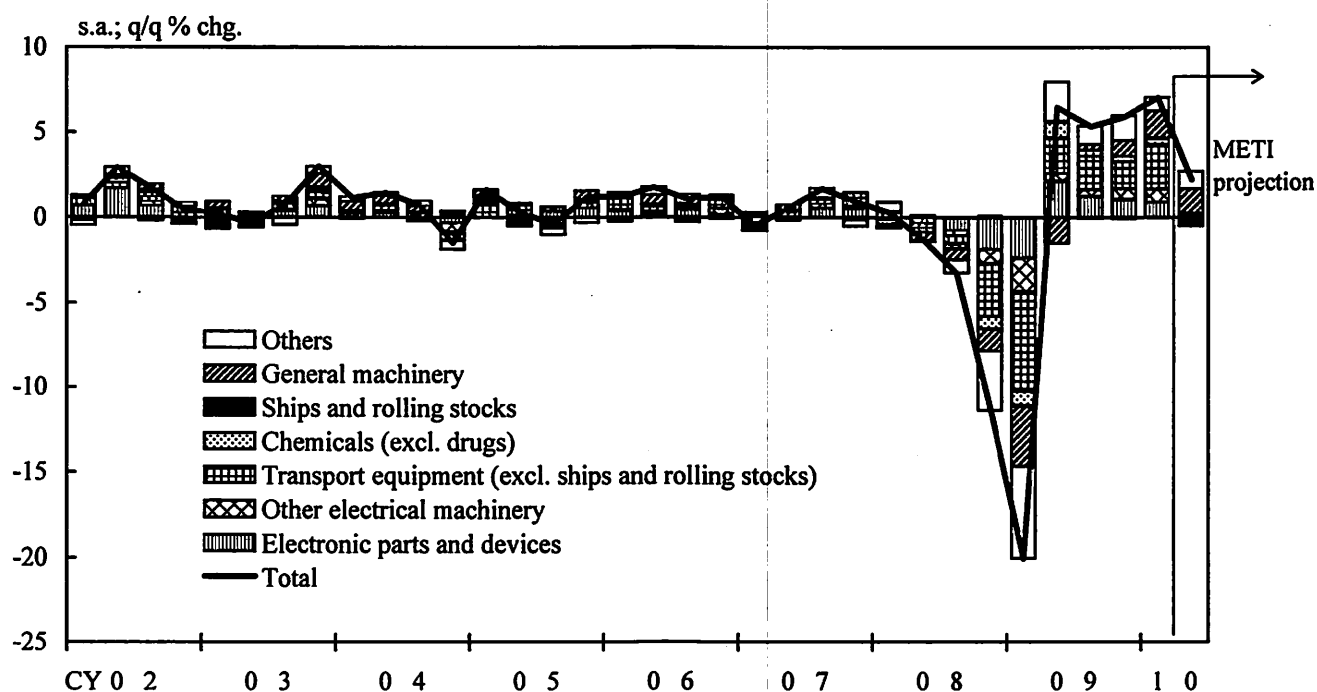
Source: Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts," etc.

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."

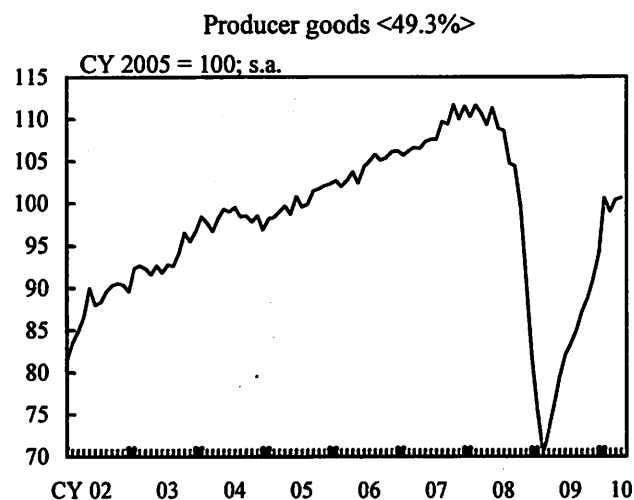
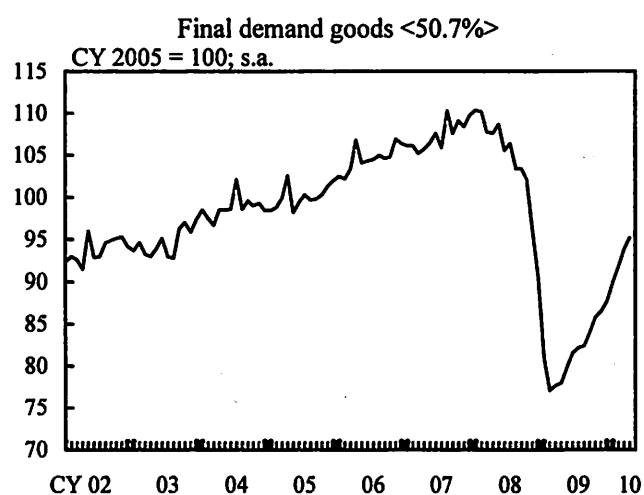
2. Figures up to 2003/Q1 are on the 2000 base.

3. 2010/Q2 figures are based on the actual production level in April, and the METI projection of May and June.

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

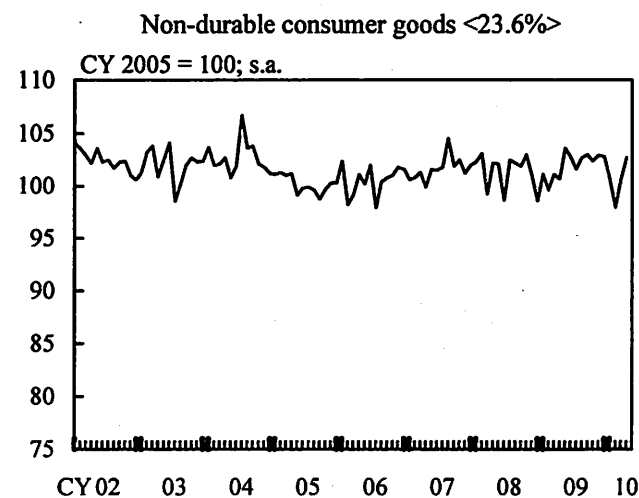
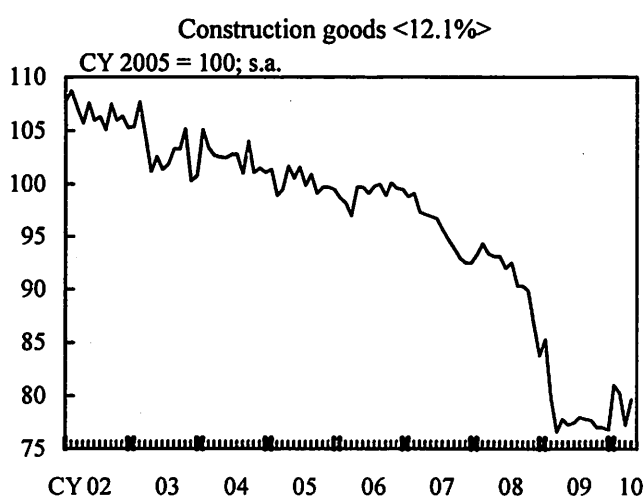
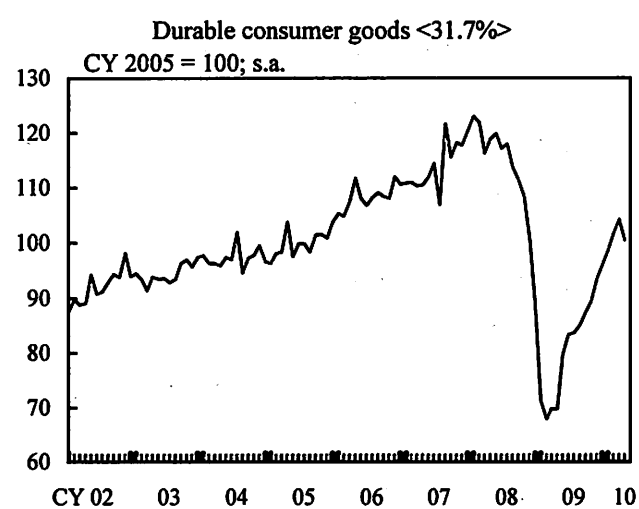
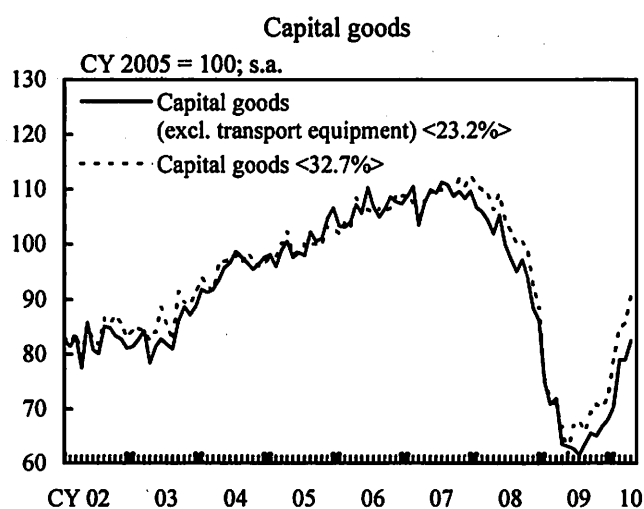
Shipments Breakdown by Type of Goods

(1) Final Demand Goods and Producer Goods



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

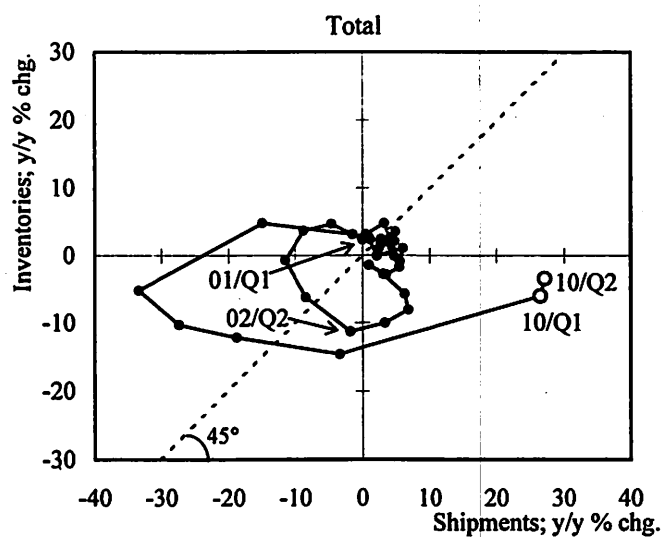
(2) Breakdown of Final Demand Goods



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

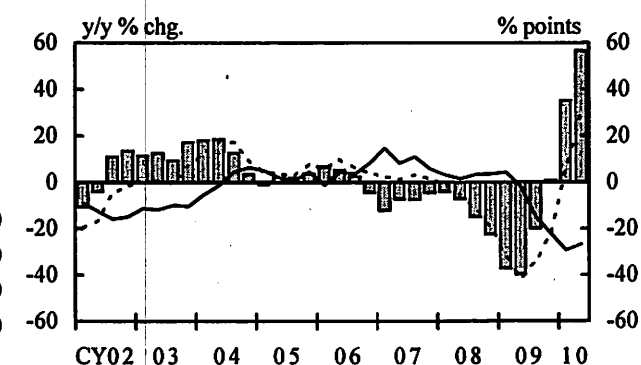
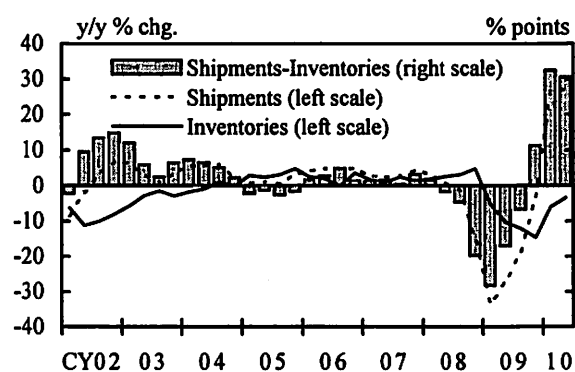
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Inventory Cycle



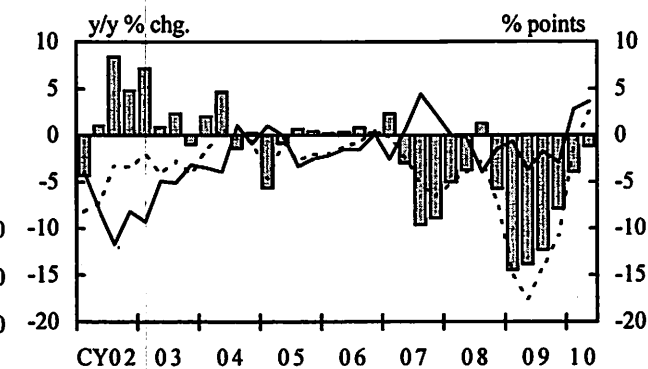
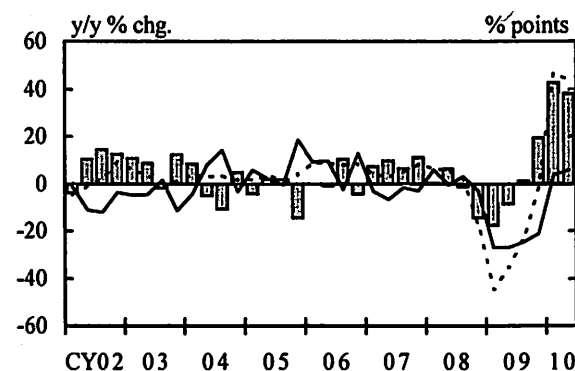
(1) Total

(2) Capital Goods (Excluding Transport Equipment)



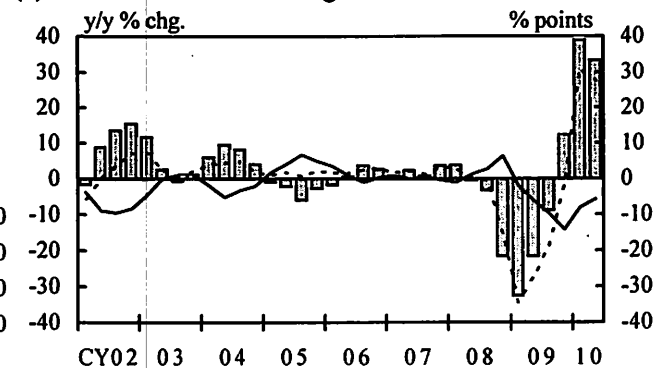
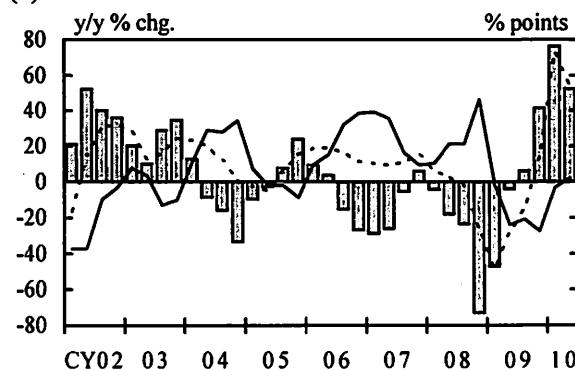
(3) Durable Consumer Goods

(4) Construction Goods



(5) Electronic Parts and Devices

(6) Producer Goods Excluding Electronic Parts and Devices

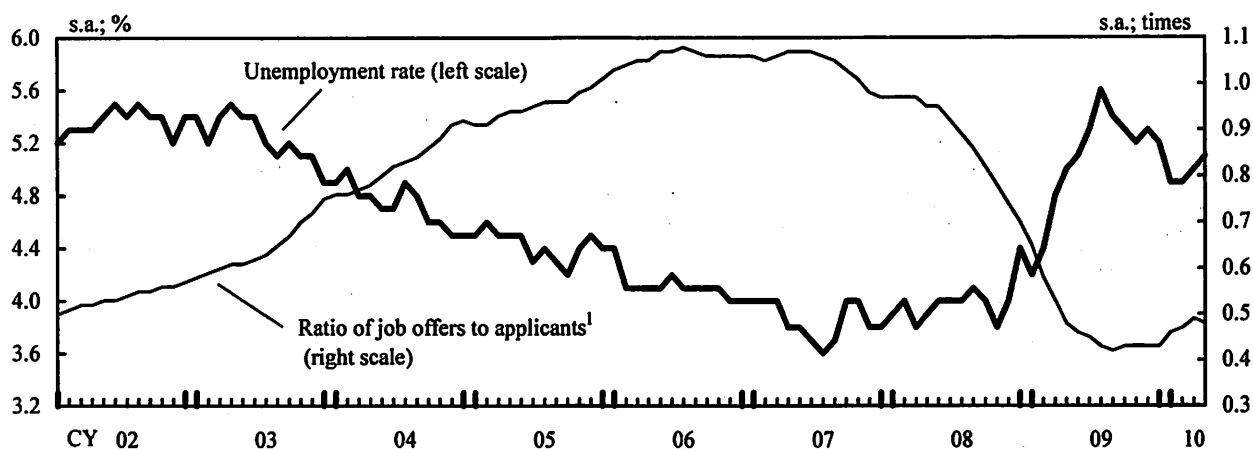
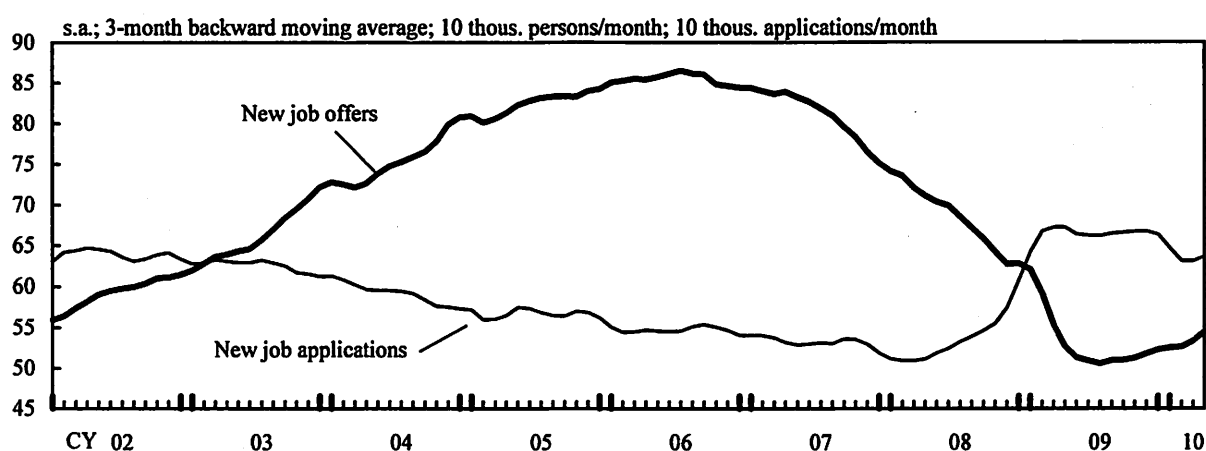
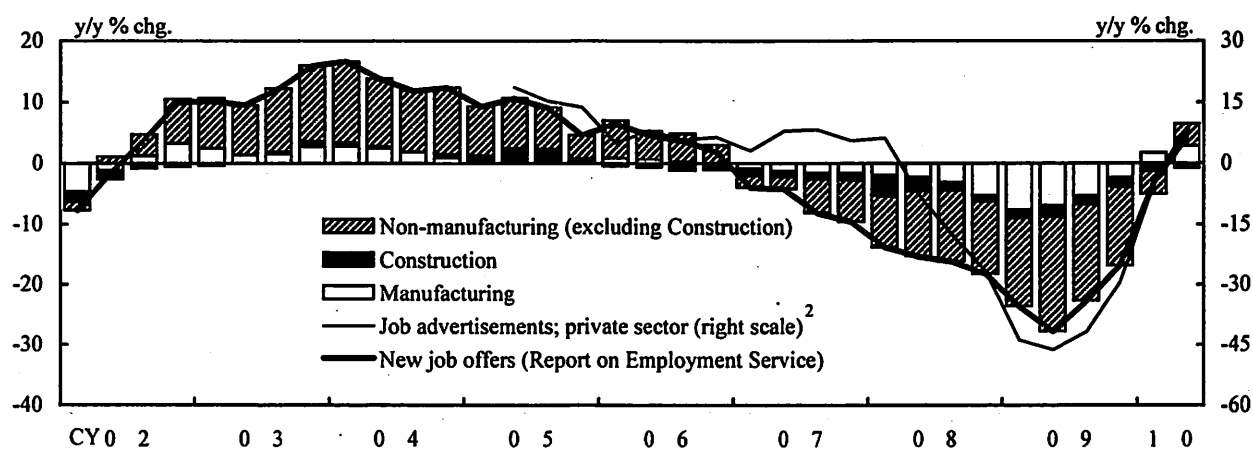


Note: Figures for 2010/Q2 are those of April.

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

Labor Market (1)

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

(2) New Job Offers and New Job Applicants¹(3) Breakdown of Job Offers¹

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

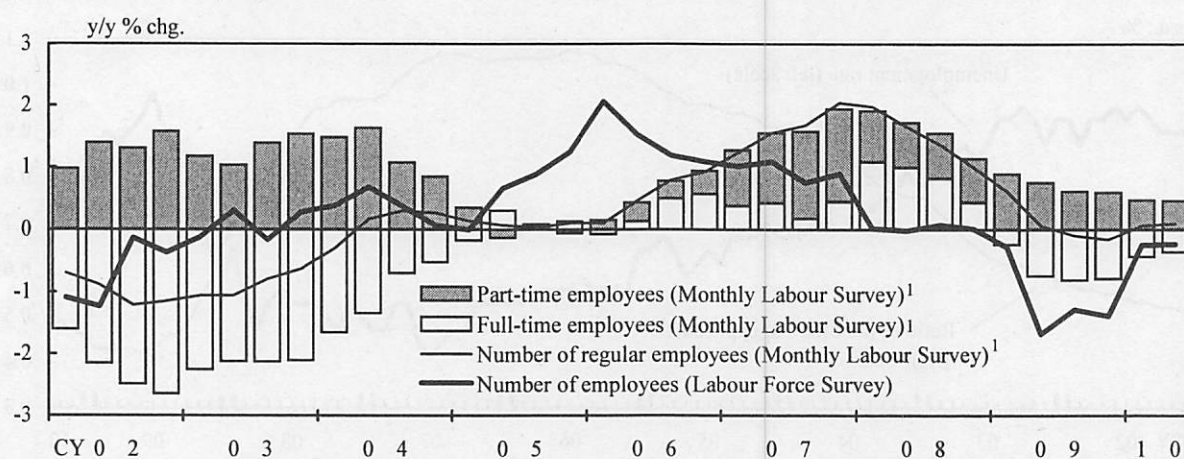
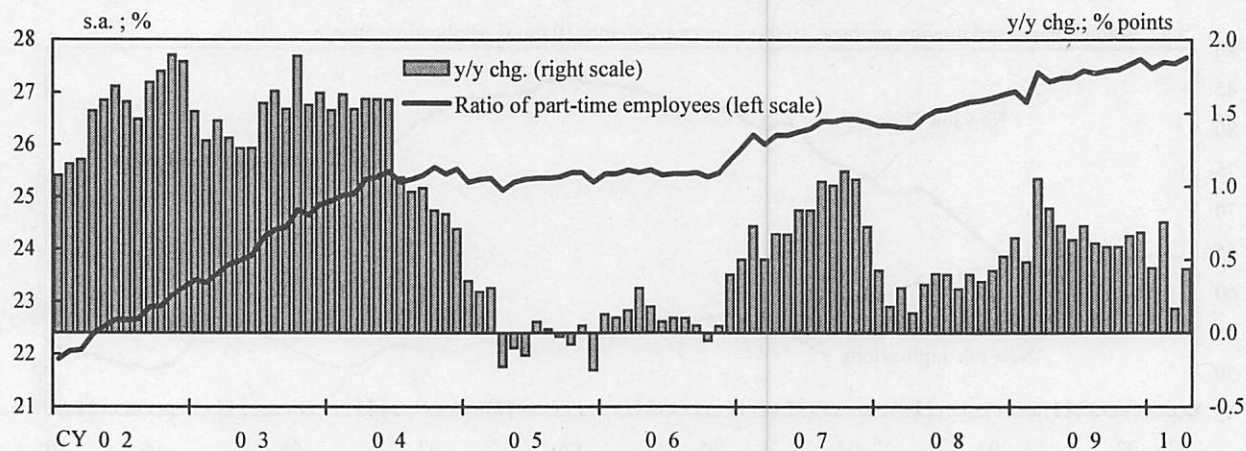
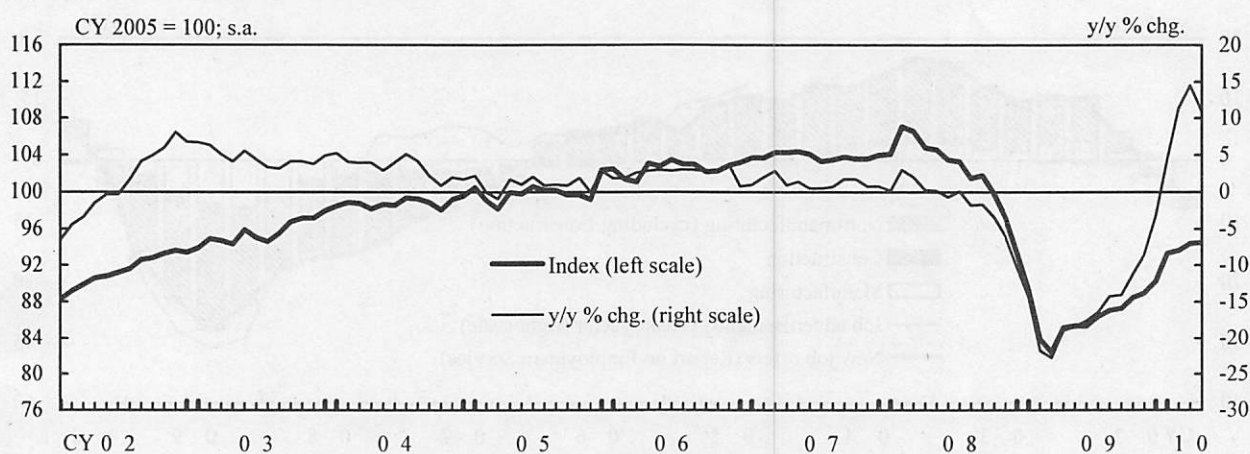
2. Figures are the sum of job advertisements listed in free/paid job information magazines, newspaper inserts and job information websites provided by member companies of the Association.

3. Figures for 2010/Q2 are those of April.

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 Keisaikensu (Survey of Job Advertisements)."

Labor Market (2)

(1) Number of Employees

(2) Ratio of Part-Time Employees^{1,2}(3) Non Scheduled Hours Worked¹

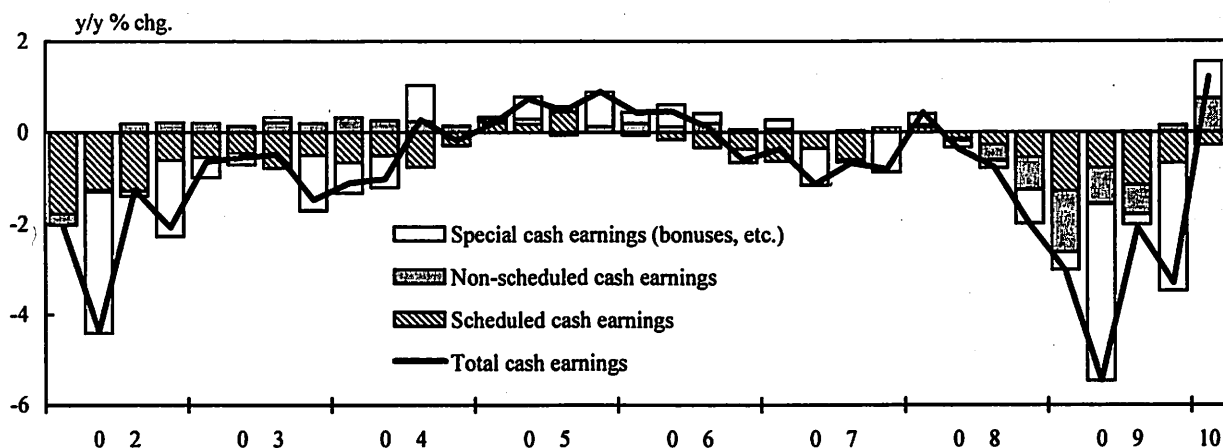
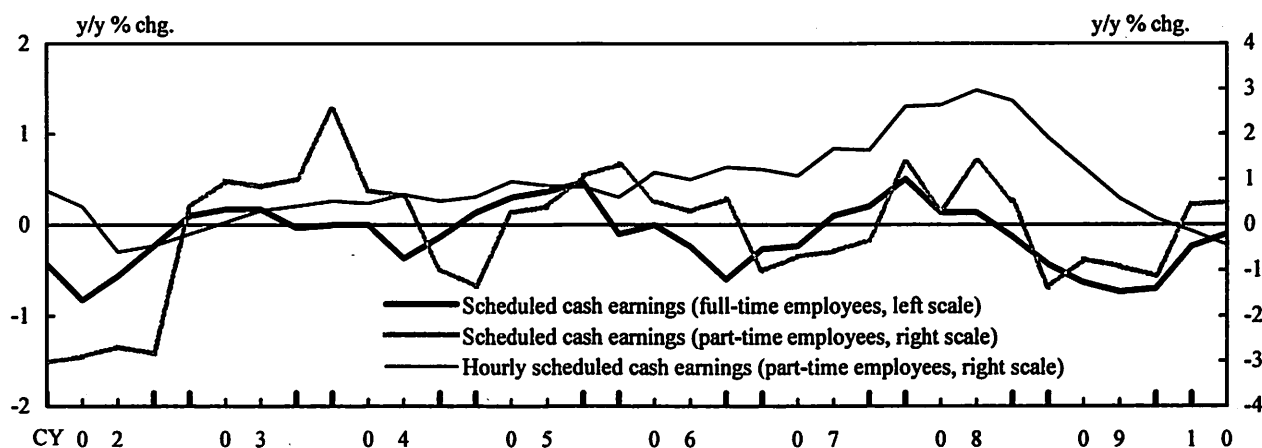
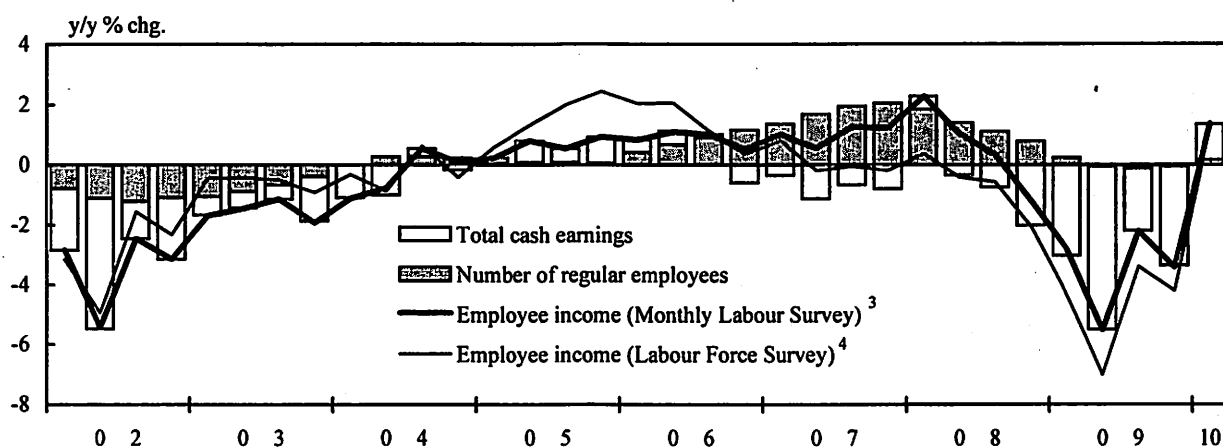
Notes: 1. Data are for establishments with at least five employees.

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.

3. Figures for 2010/Q2 are those of April.

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^{1,2}(2) Scheduled Cash Earnings^{1,5}(3) Breakdown of Employee Income^{1,2}

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

2. Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.
Figures for 2010/Q1 are those of March-April averages.

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

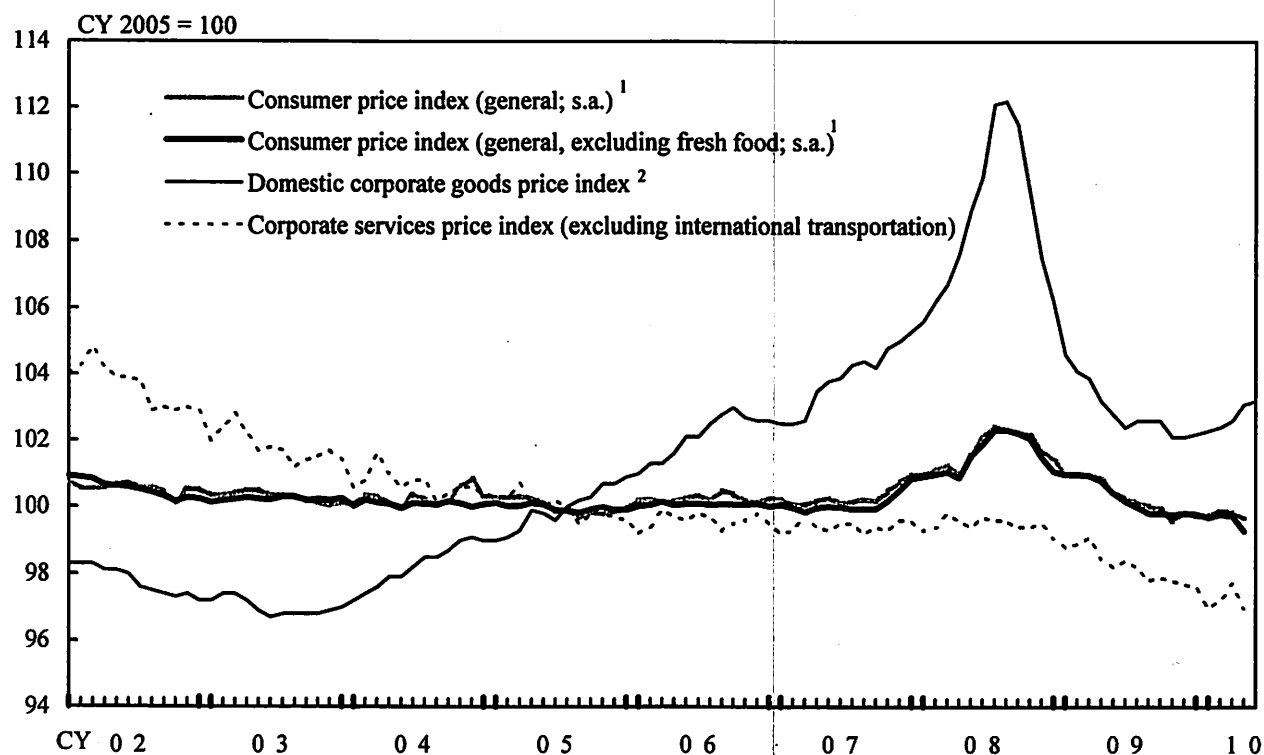
4. Calculated as the number of employees (Labour Force Survey) times total cash earnings (Monthly Labour Survey).

5. Figures for 2010/Q2 are those of April.

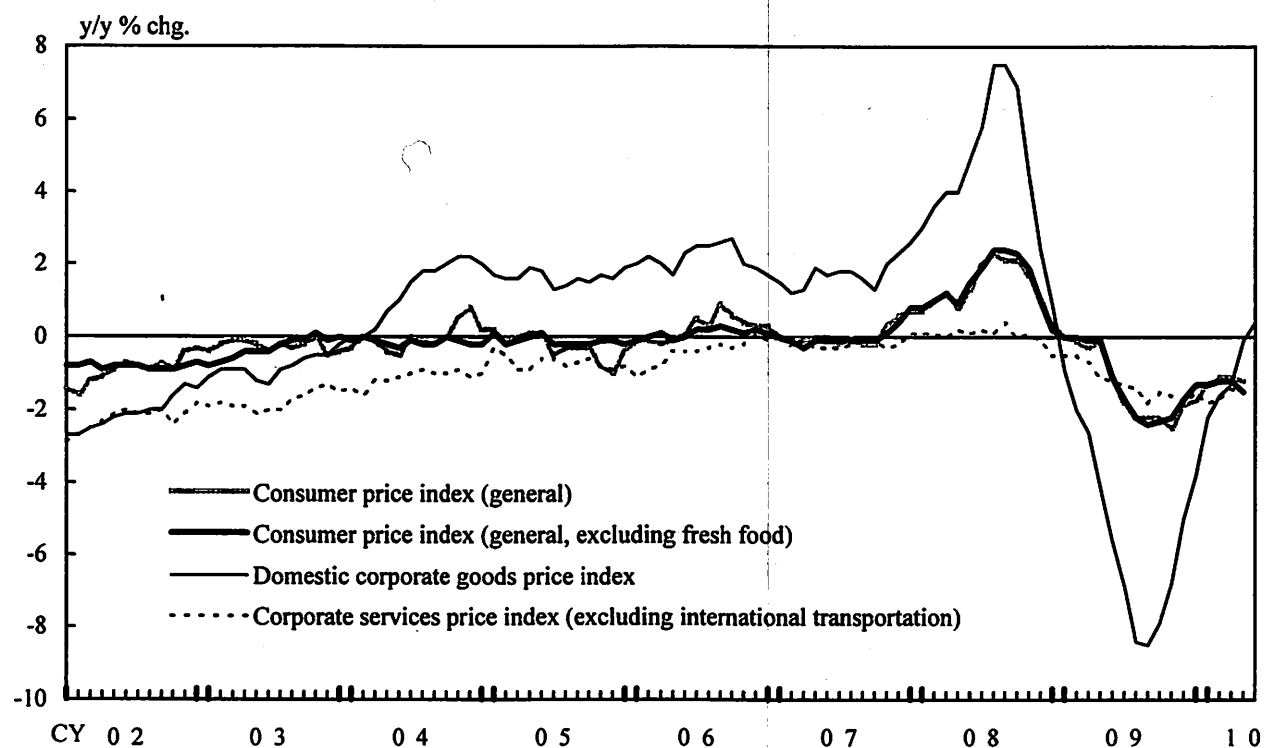
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
Ministry of Internal Affairs and Communications, "Labour Force Survey."

Prices

(1) Level



(2) Changes from a Year Earlier



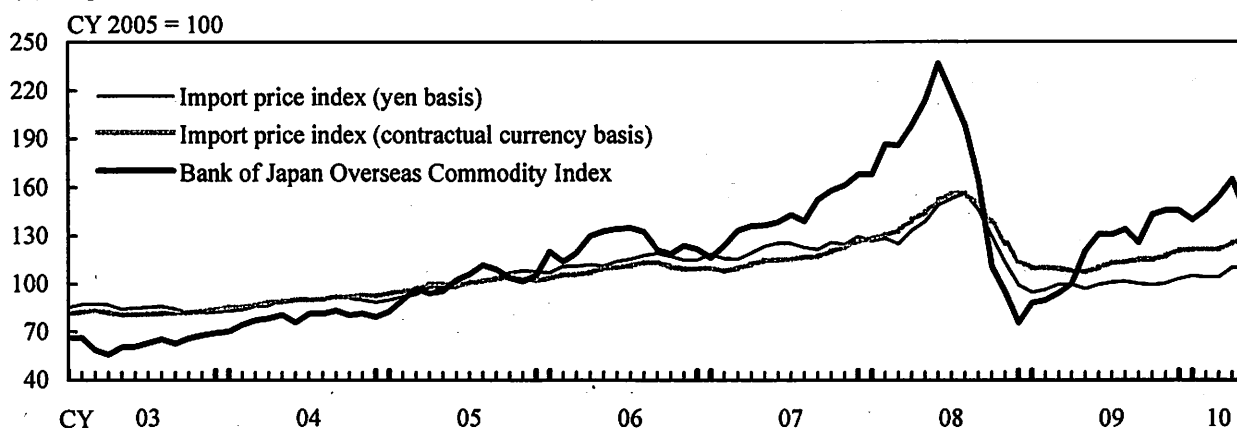
Notes: 1. Seasonally adjusted by X-12-ARIMA.

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

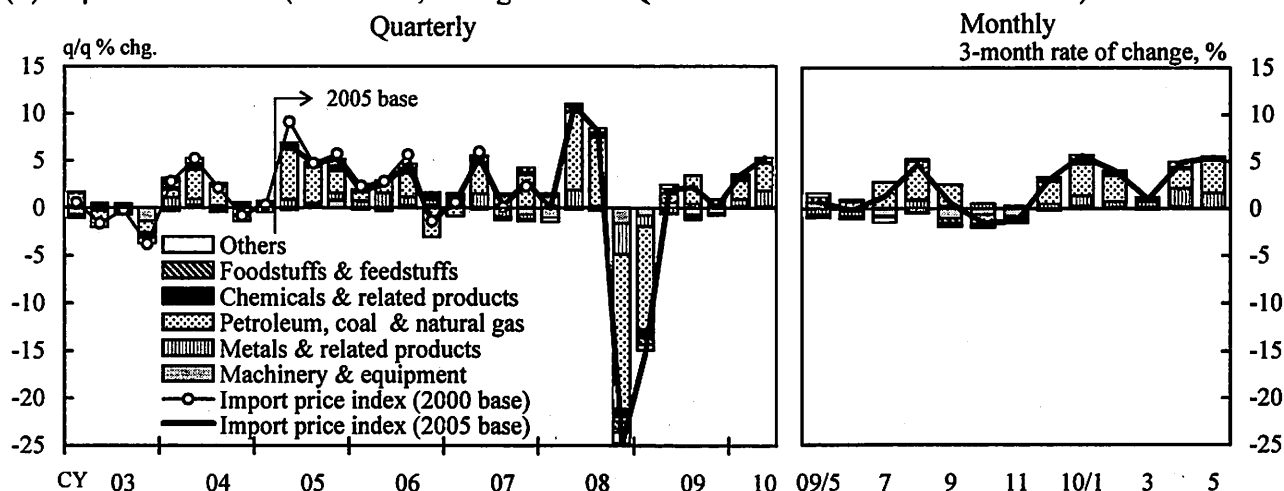
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index."

Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



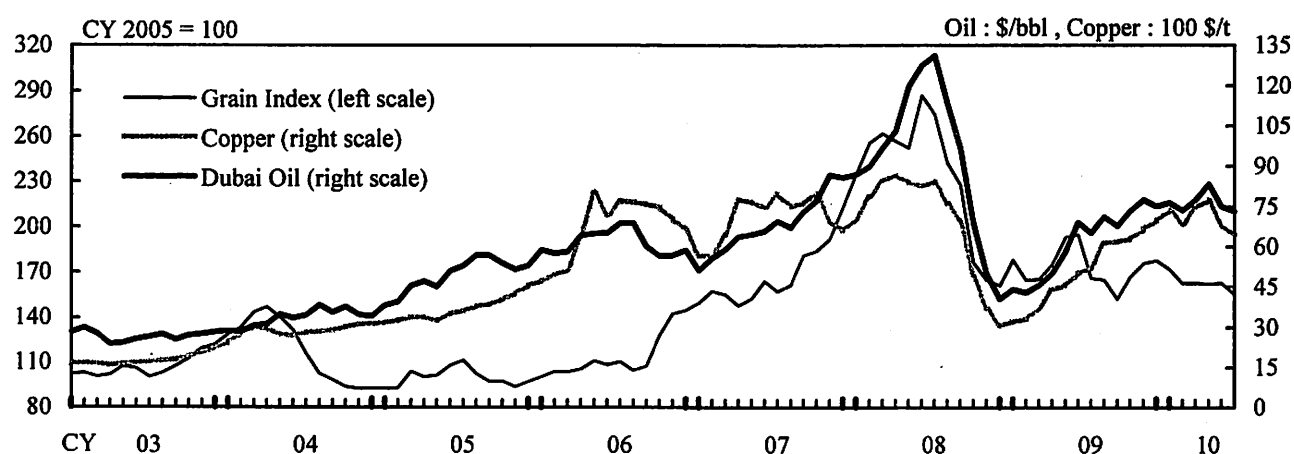
(2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



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

2. Figures for 2010/Q2 are April-May averages. 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 June 2010 are the averages up to June 14.

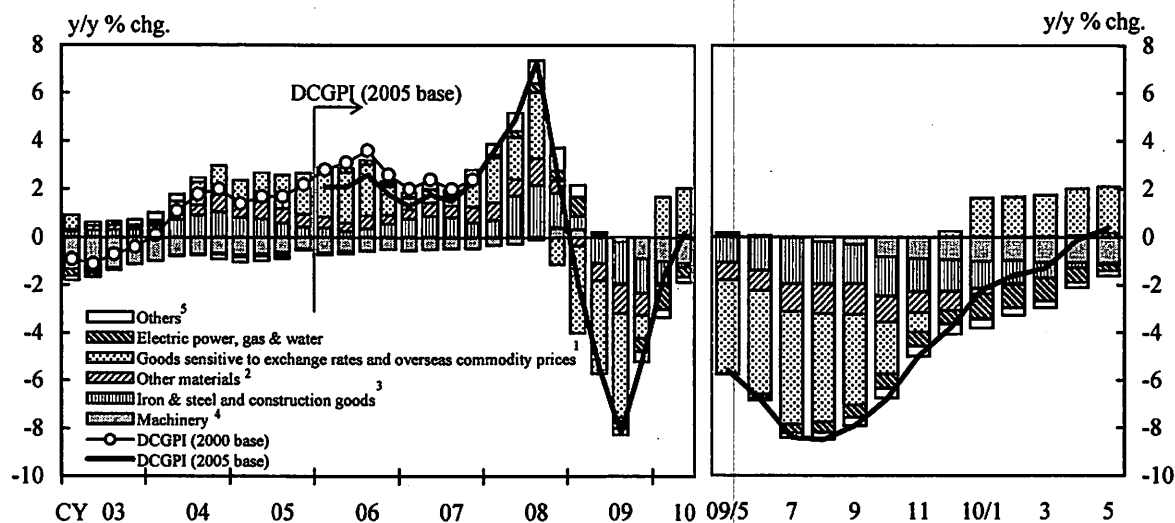
Sources: Bank of Japan, "Corporate Goods Price Index," "Bank of Japan Overseas Commodity Index," etc.

Domestic Corporate Goods Price Index⁷

(1) Changes from a Year Earlier

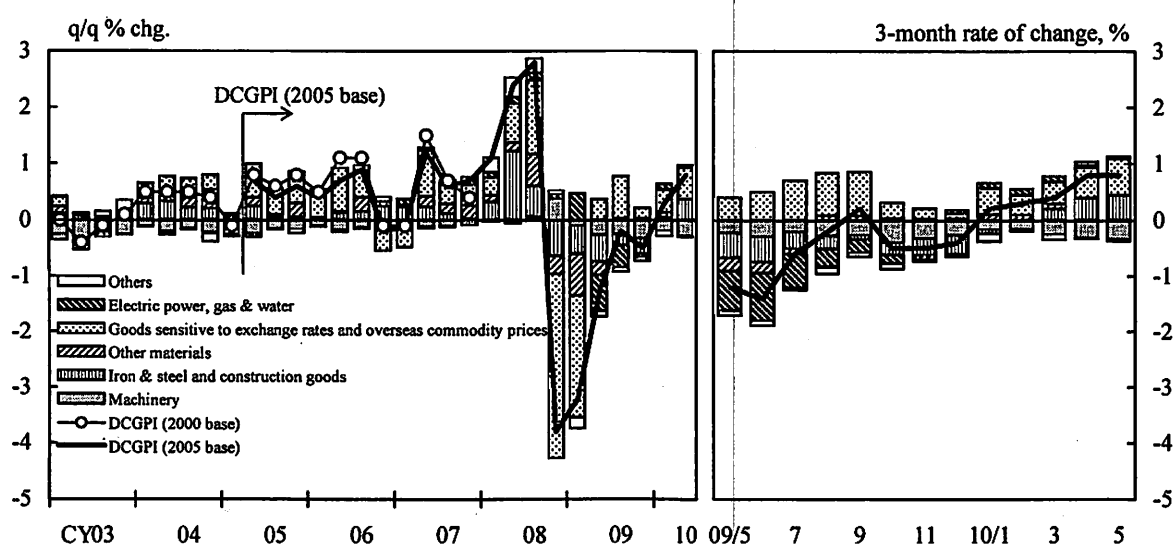
Quarterly

Monthly

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

Quarterly

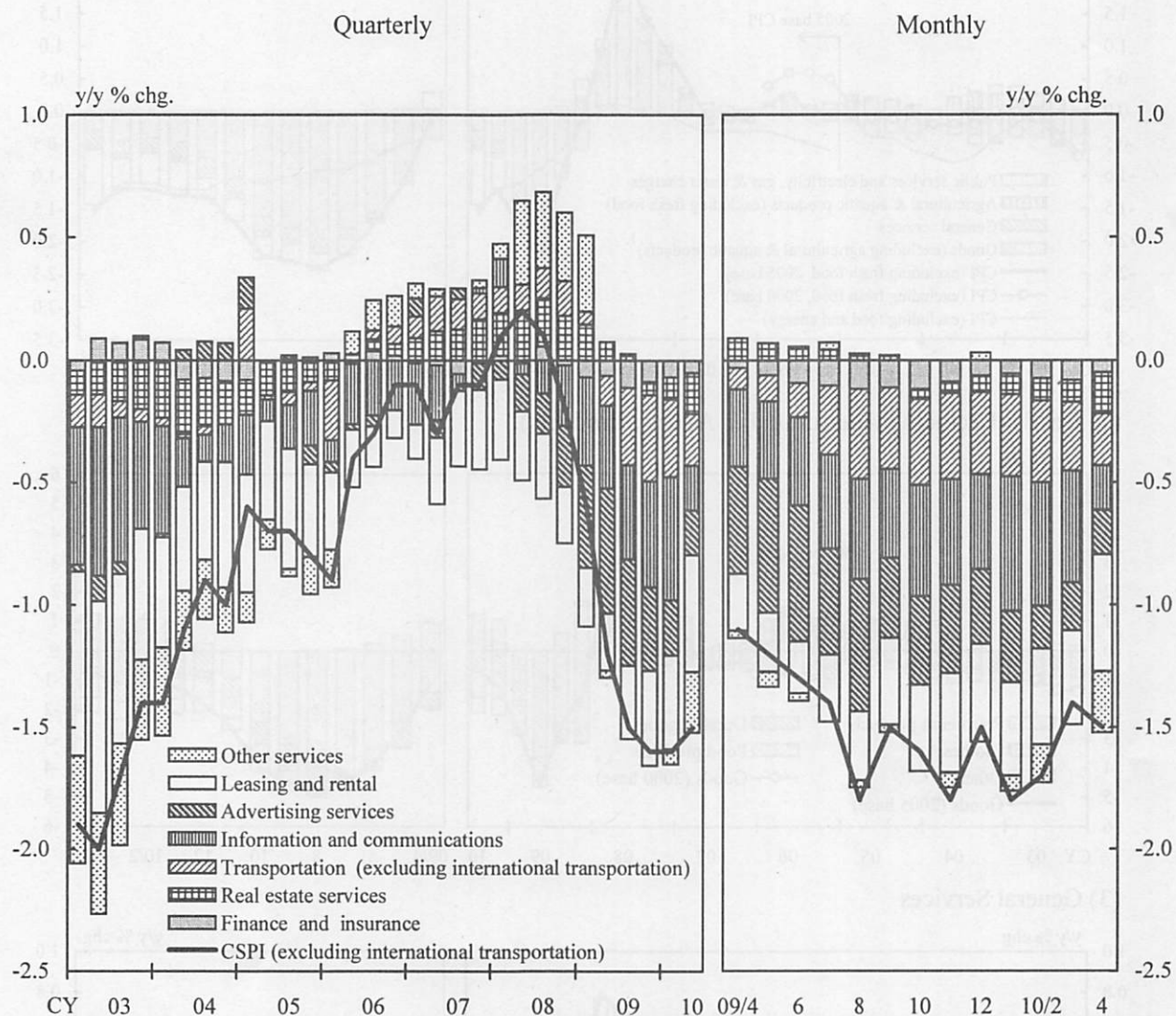
Monthly



- 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 2010/Q2 are April-May averages. Figures for 2007/Q4 on the 2000 base are those of October.

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

Corporate Services Price Index

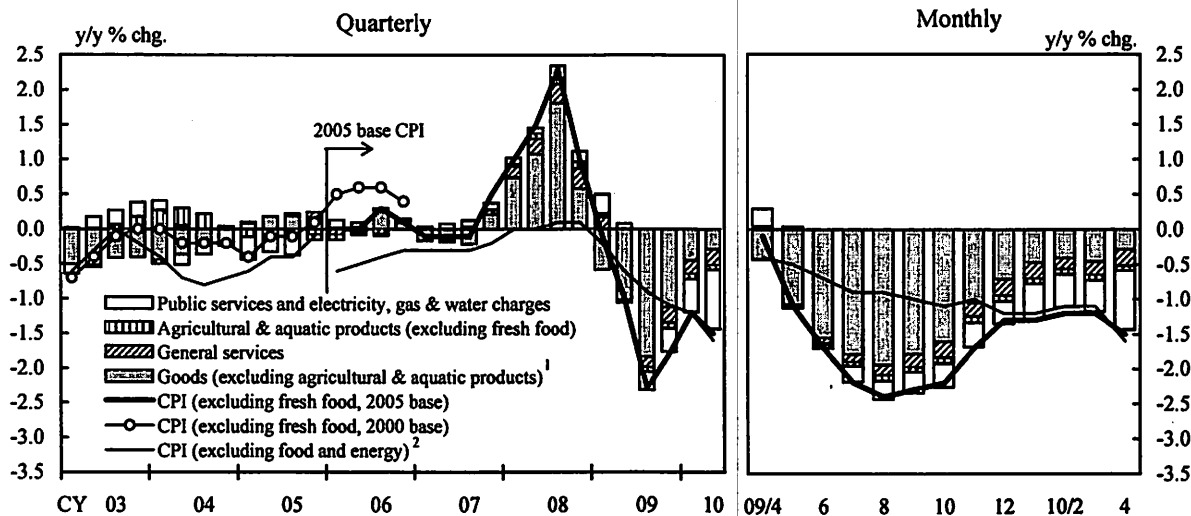
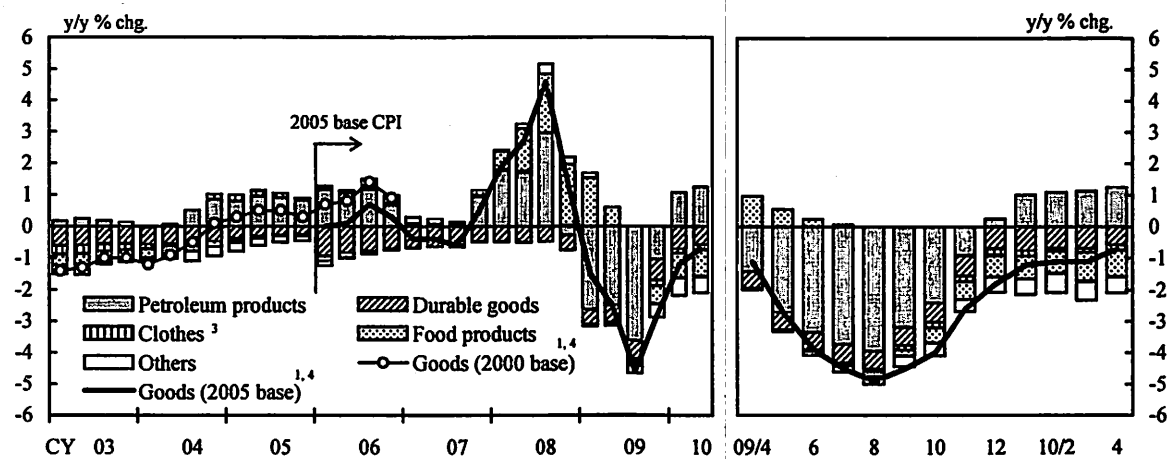


Note: Figures for 2010/Q2 are those of April.

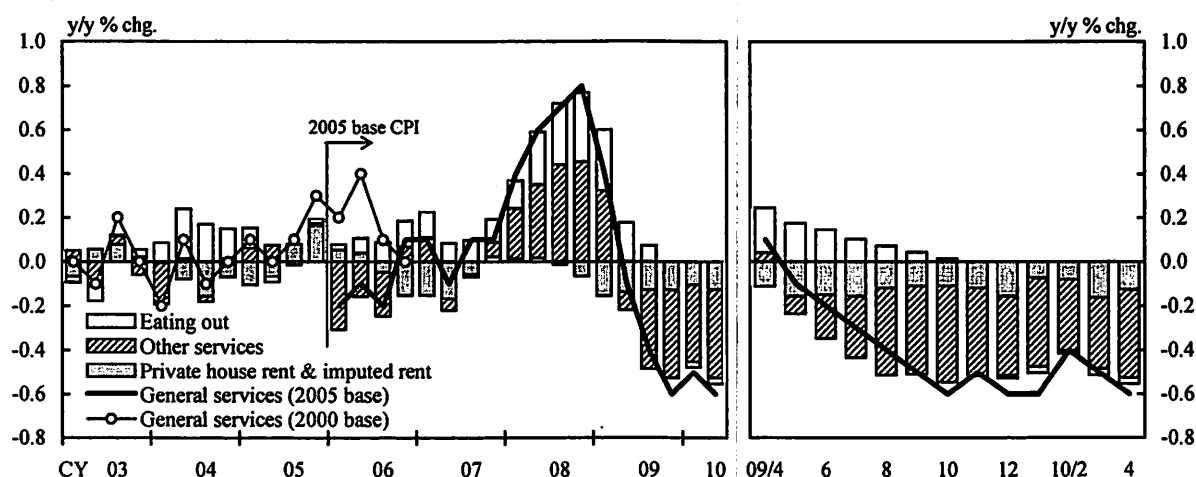
Source: Bank of Japan, "Corporate Services Price Index."

Consumer Price Index (Excluding Fresh Food)

(1) Consumer Price Index (Excluding Fresh Food)

(2) Goods (Excluding Agricultural & Aquatic Products)¹

(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.

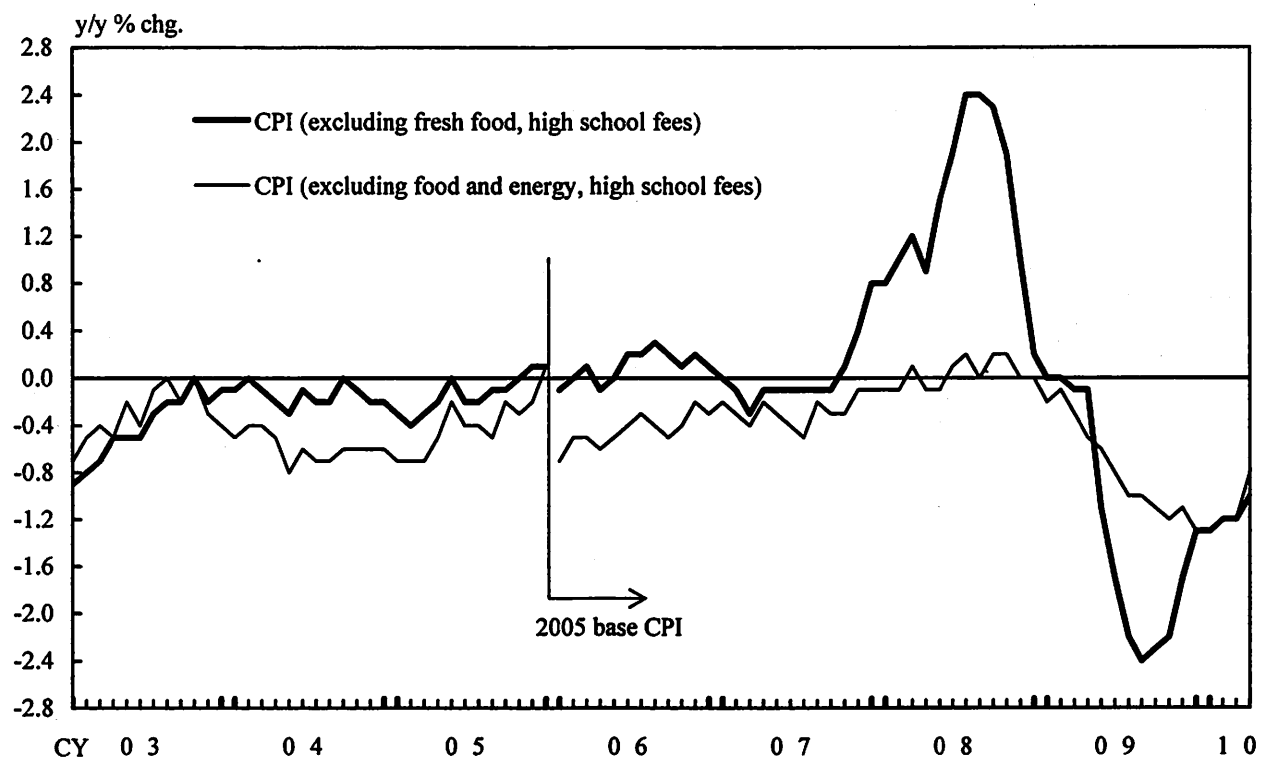
4. Excluding agricultural & aquatic products.

5. Figures for 2010/Q2 are those of April.

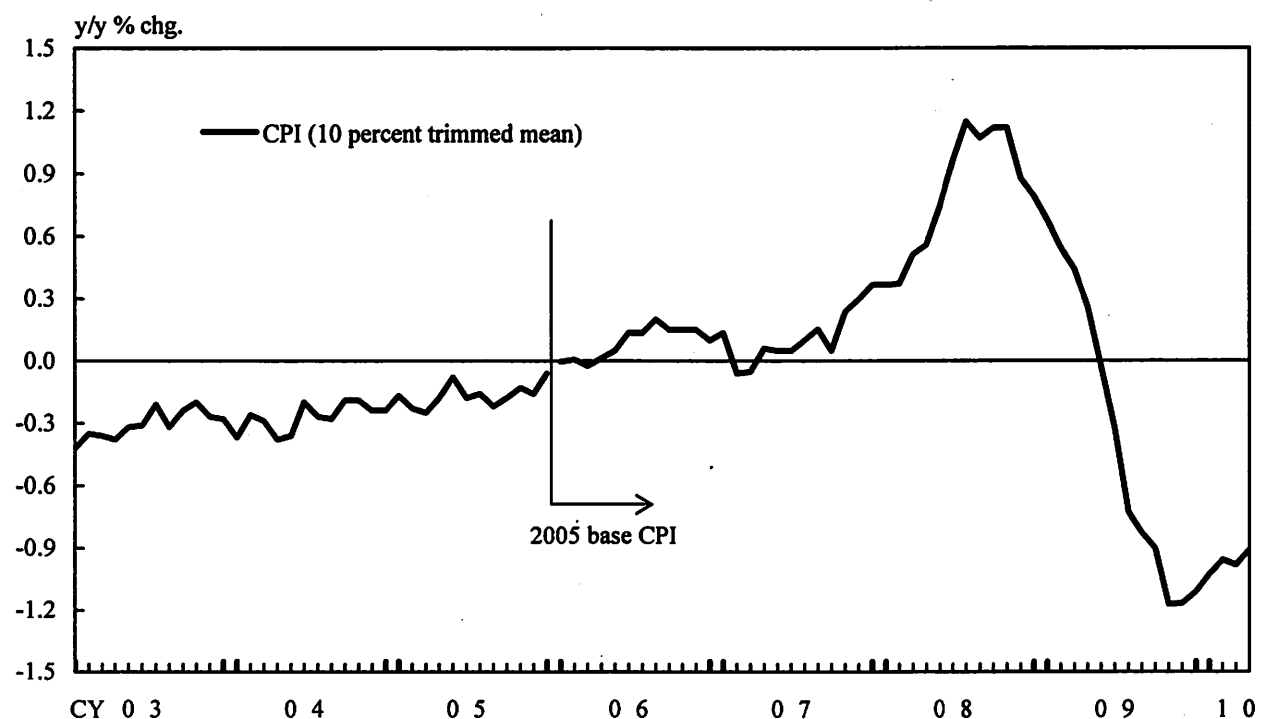
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Trend Changes in Consumer Prices

(1) CPI Excluding High School Fees



(2) Trimmed Mean

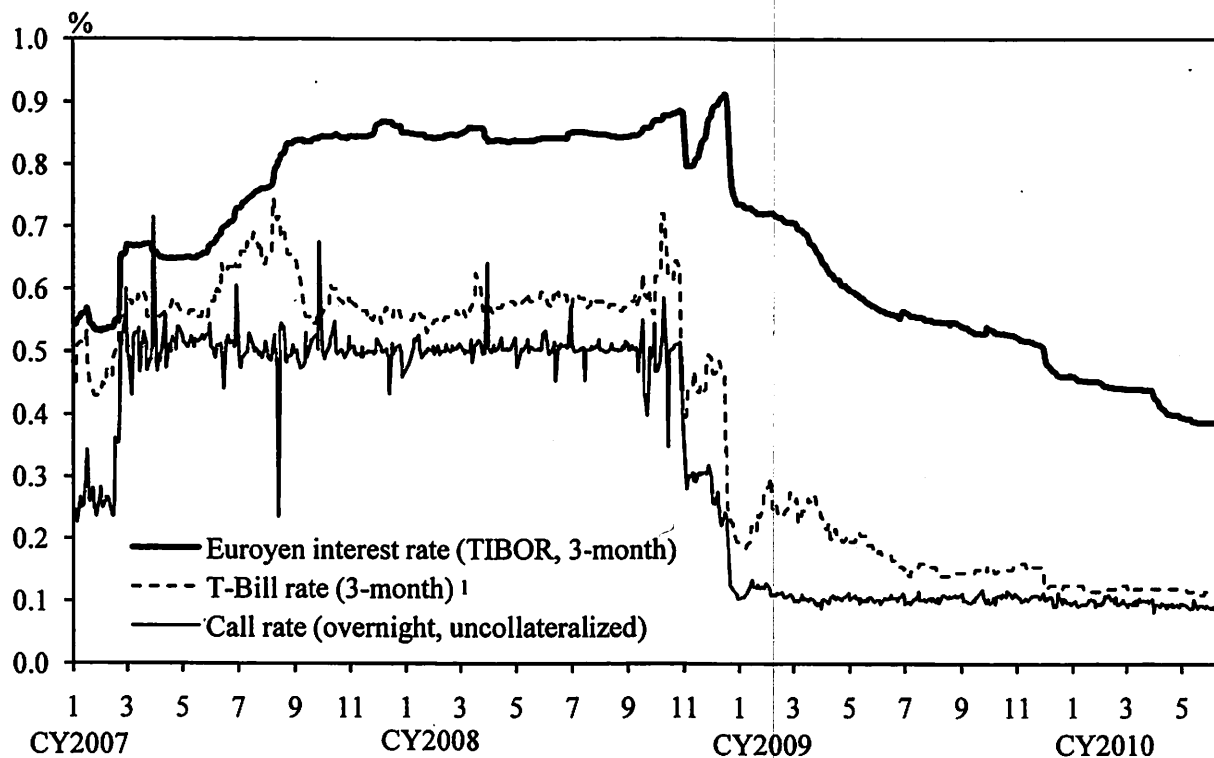
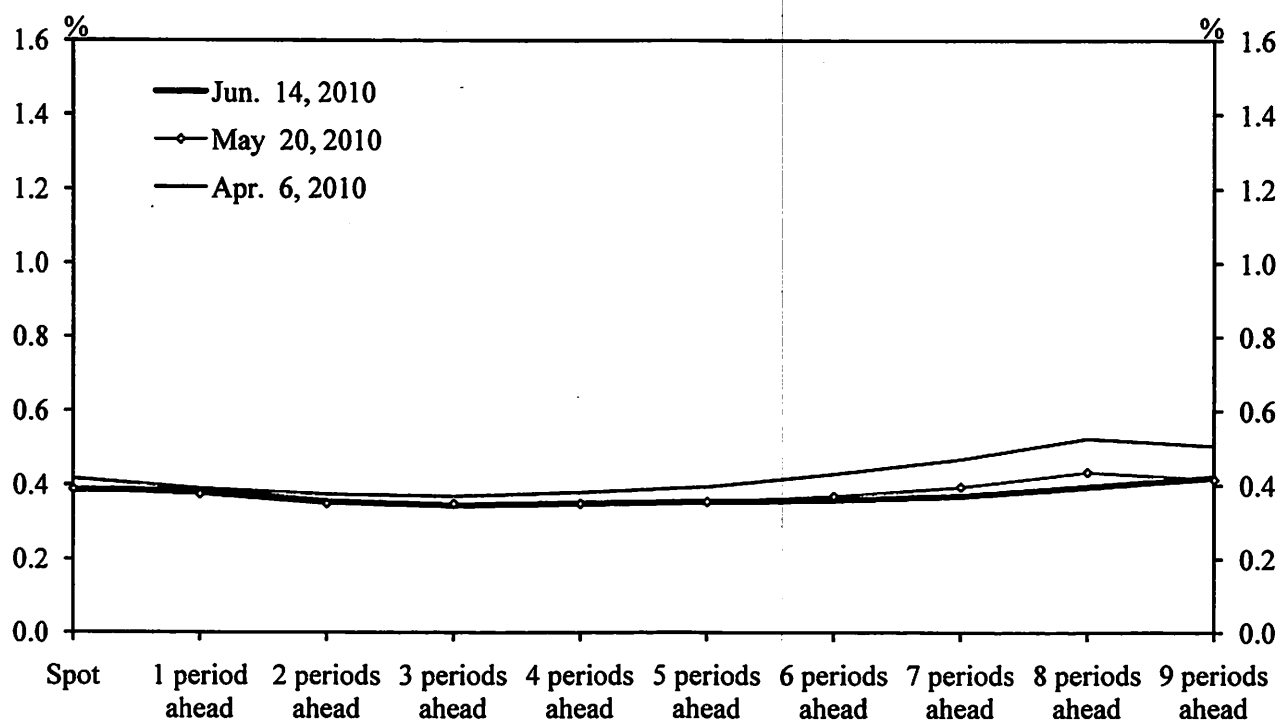


- Notes: 1. Alcoholic beverages are excluded from food. Energy: electricity, gas manufactured & piped, liquefied propane, kerosene, and gasoline.
2. High school fees: high school fees (public), high school fees (private).
3. Figures for the 10 percent trimmed mean are weighted averages of items after excluding (trimming) the 10 percent of items by weight with the highest and lowest year-on-year rates of price changes.

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

Short-Term Interest Rates

(1) Short-Term Interest Rates

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

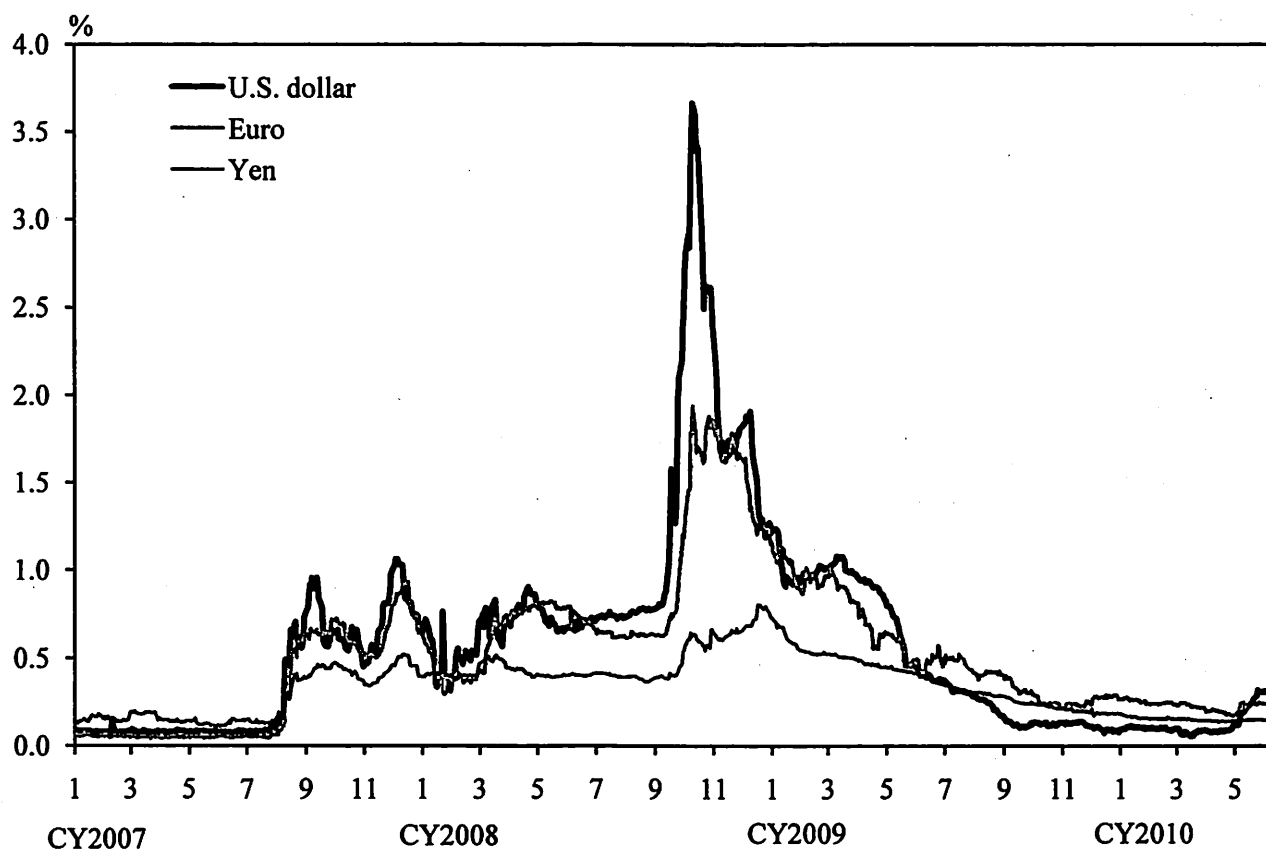
Notes: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.

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

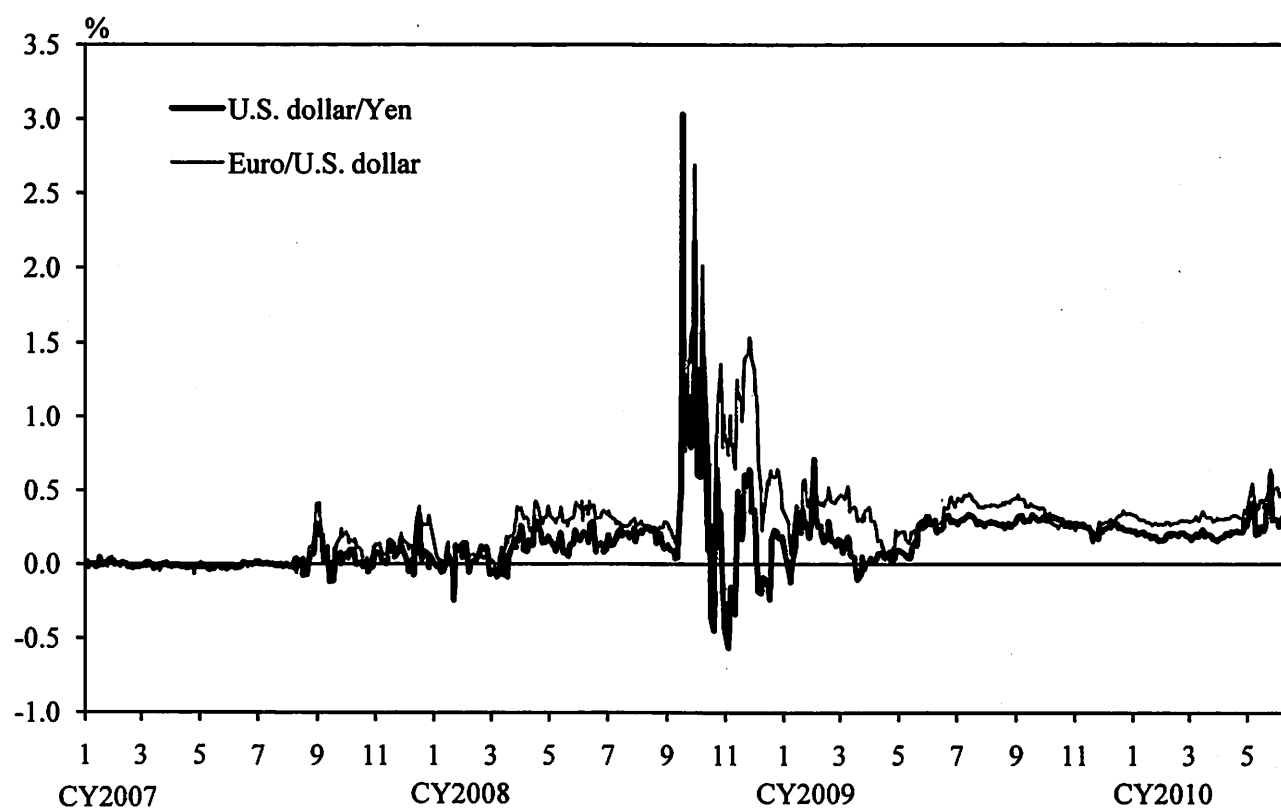
Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.; Tokyo Financial Exchange; Bank of Japan.

Global Money Markets

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



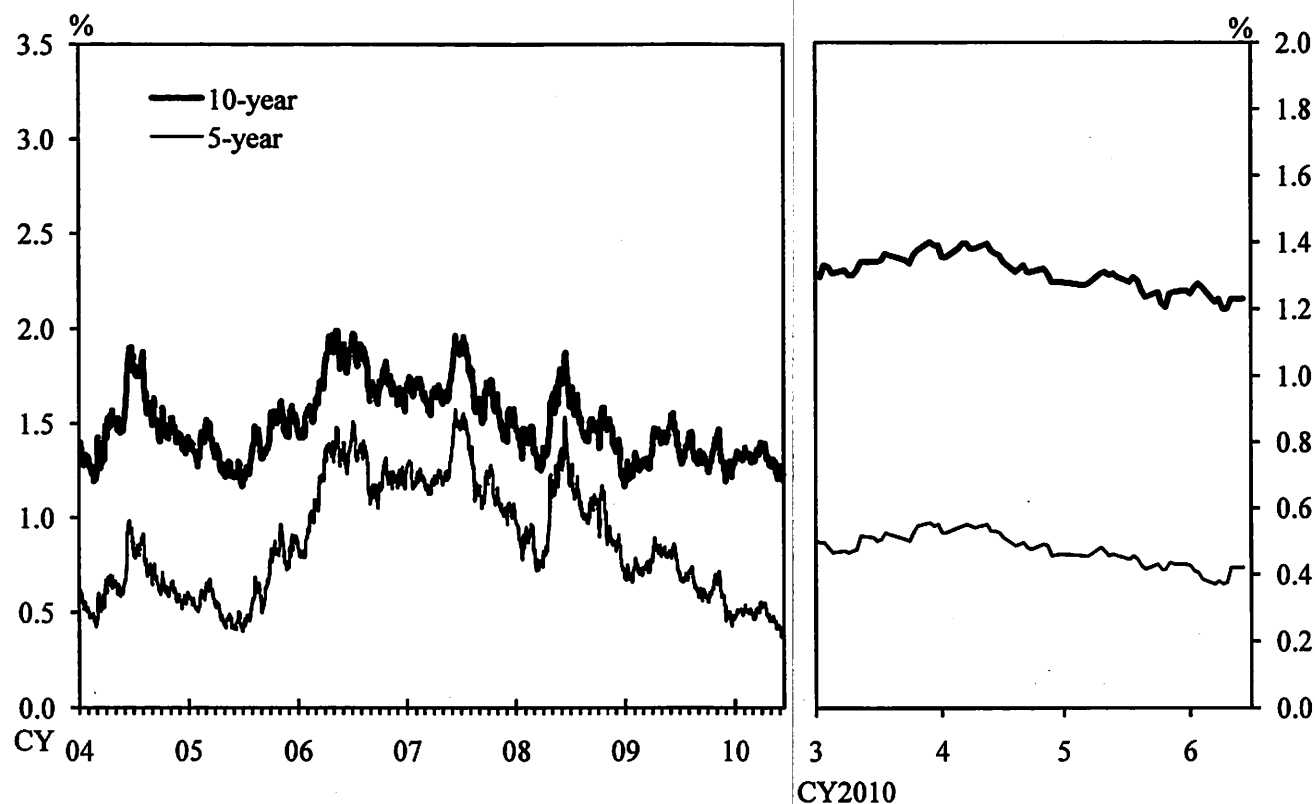
(2) FX swap implied dollar rate - LIBOR spreads (3-Month)



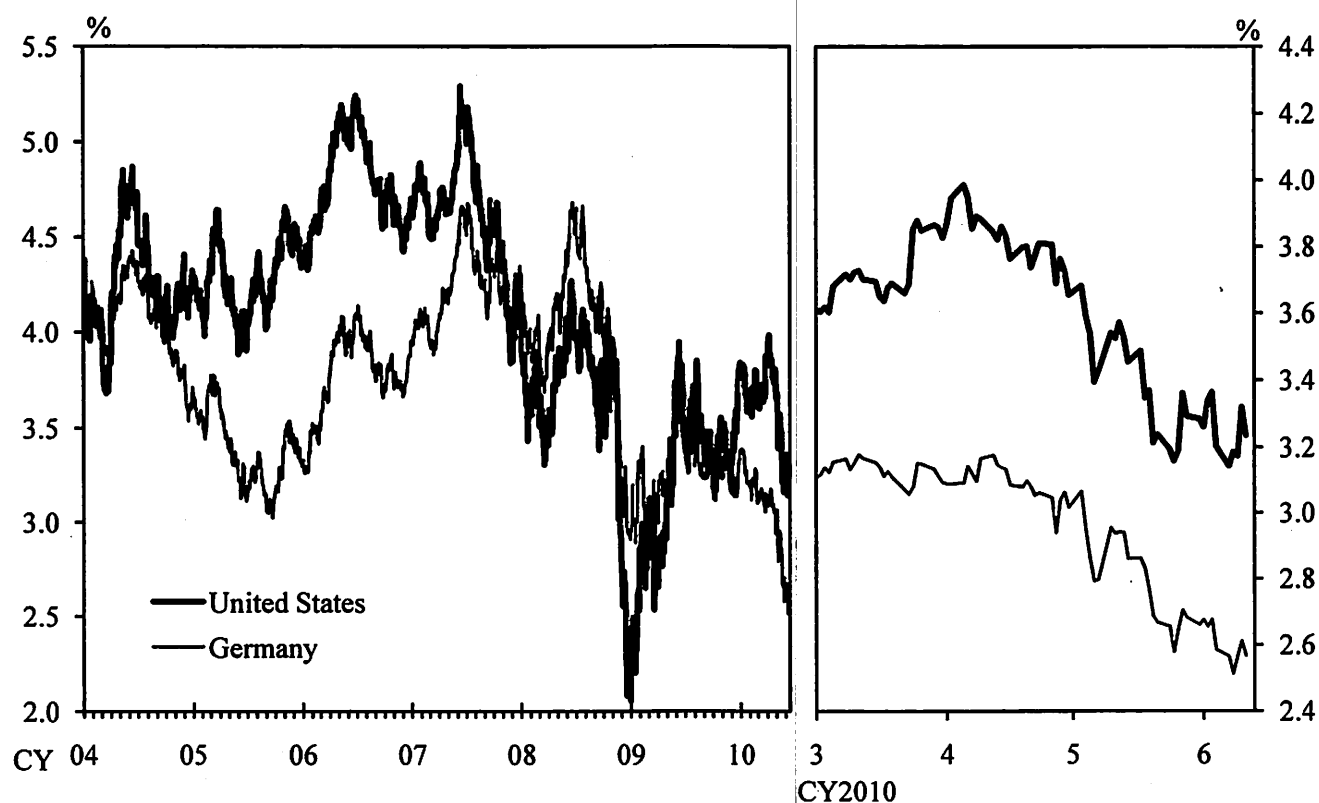
Source: Bloomberg.

Long-Term Interest Rates

(1) Japanese Government Bond Yields¹



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

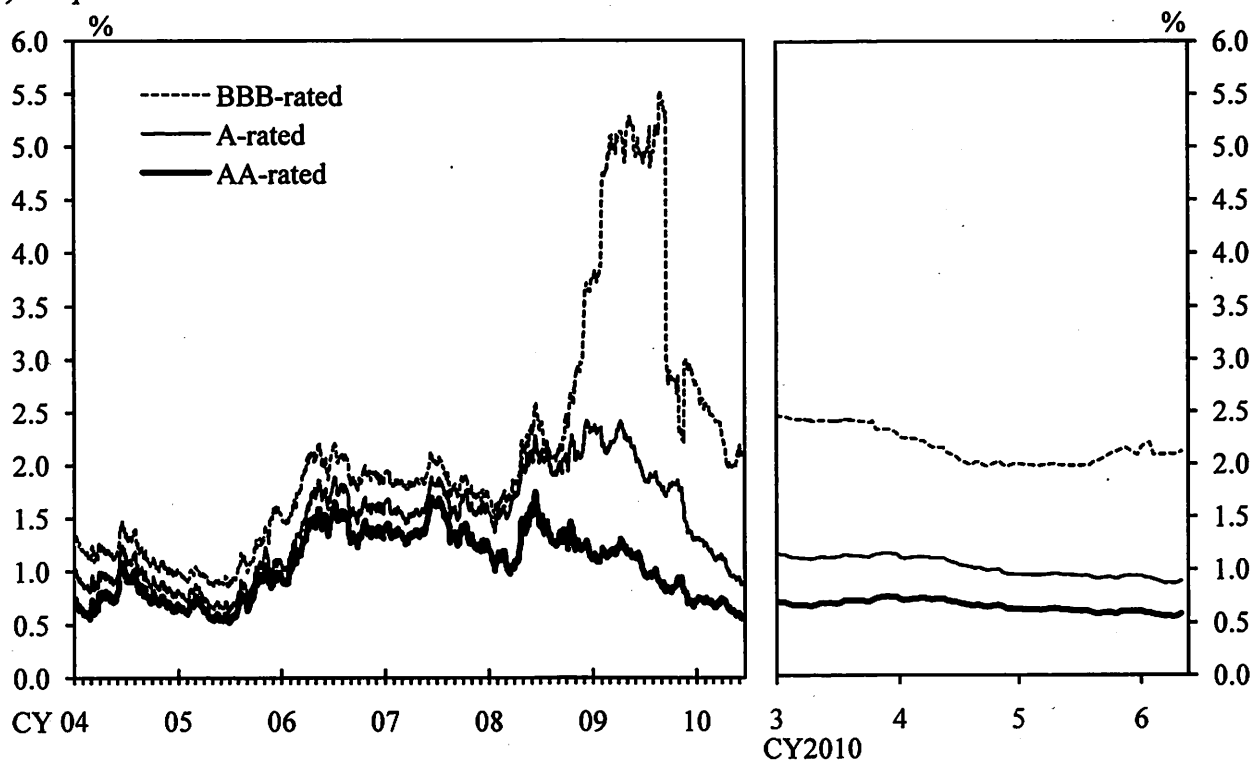


Note: 1. Yields on newly issued bonds.

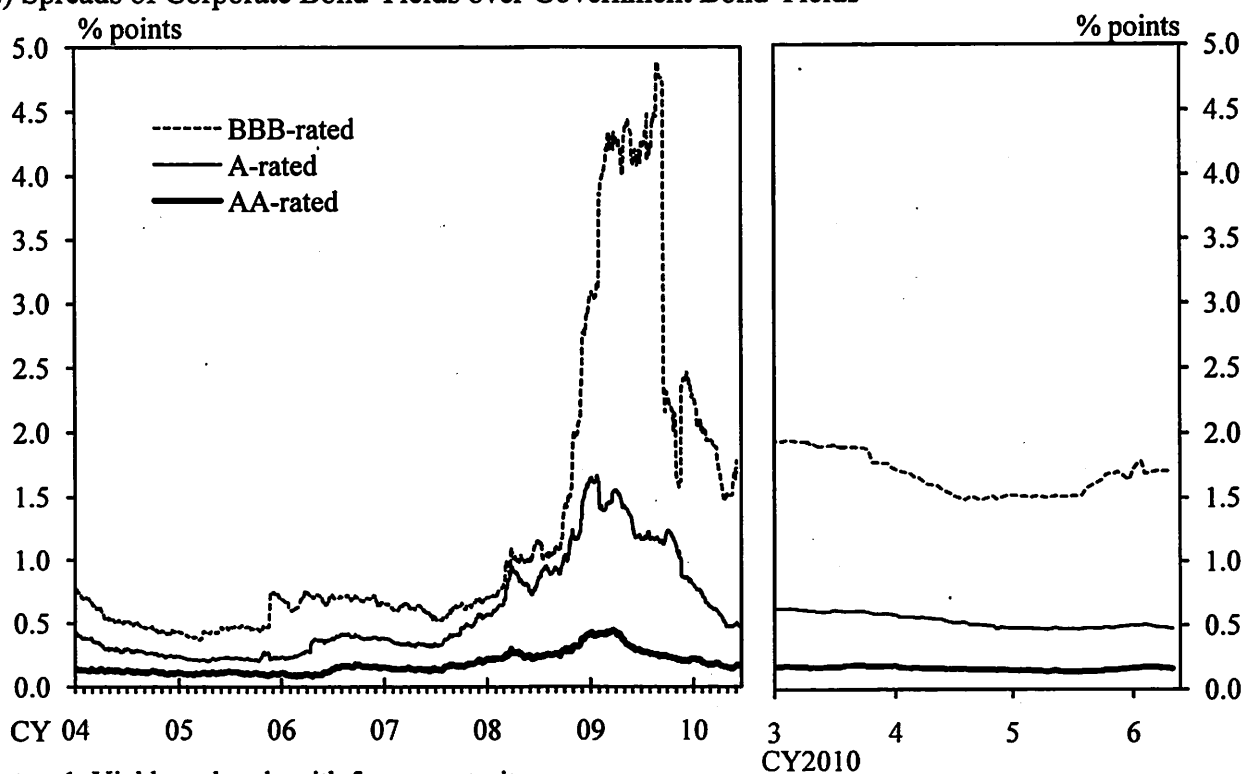
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

Yields of Corporate Bonds

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



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



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

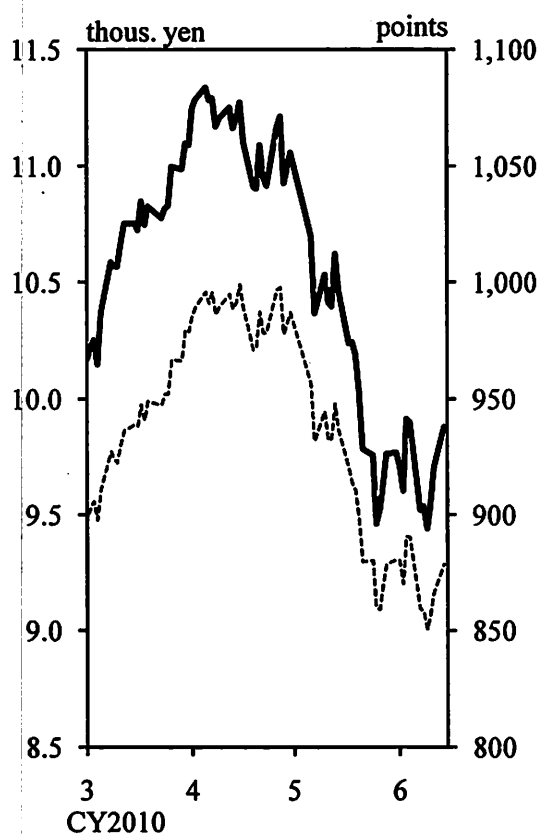
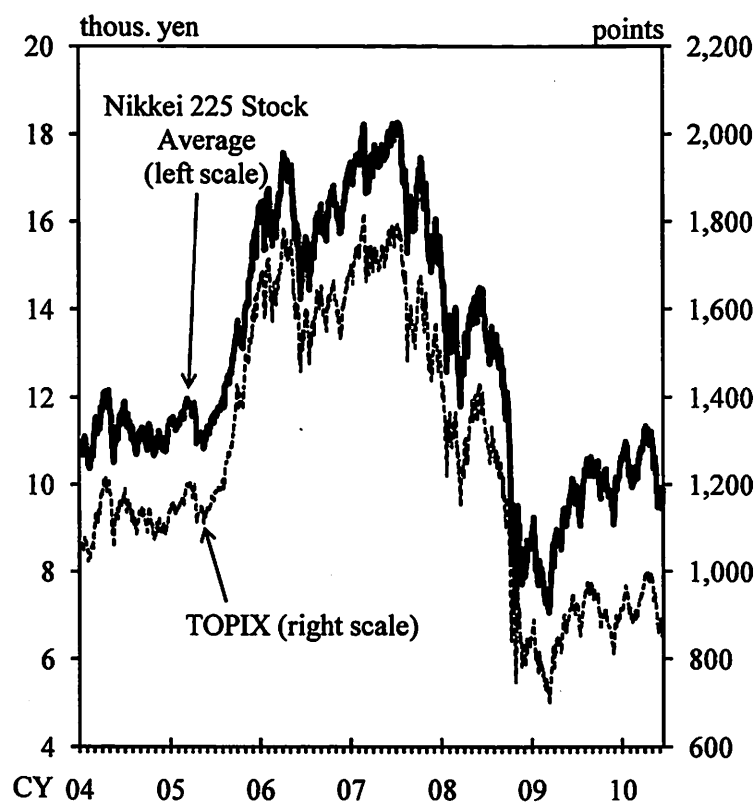
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.

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

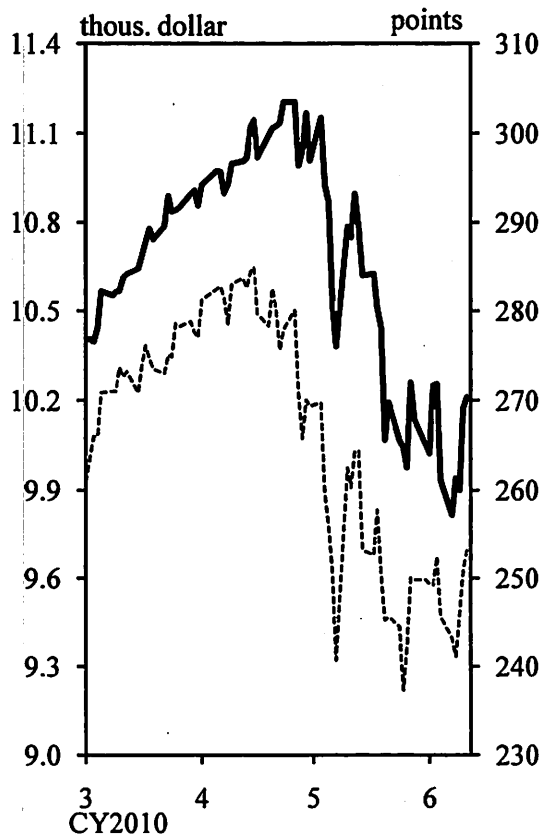
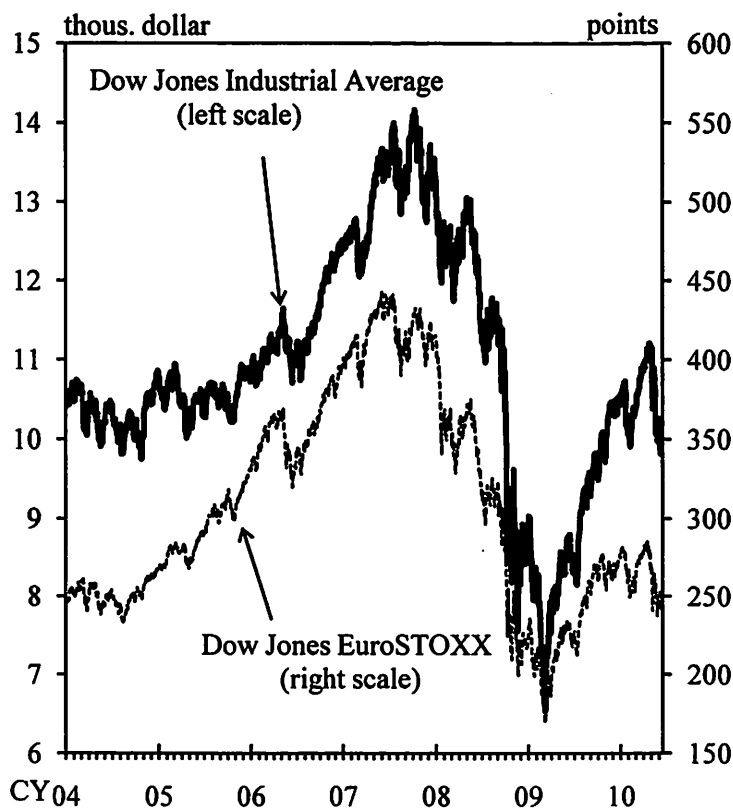
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Japanese Stock Prices



(2) Overseas Stock Prices

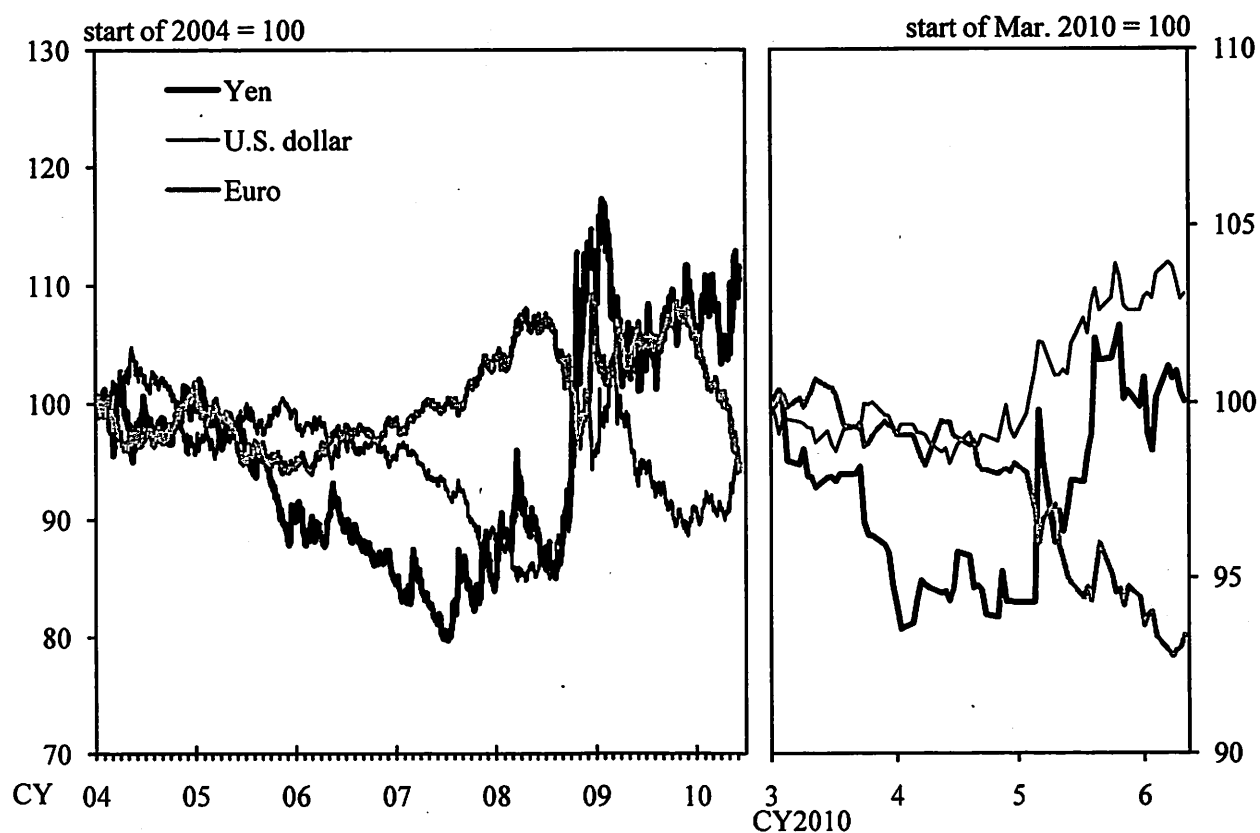


Exchange Rates

(1) Bilateral Exchange Rates



(2) Nominal Effective Exchange Rates



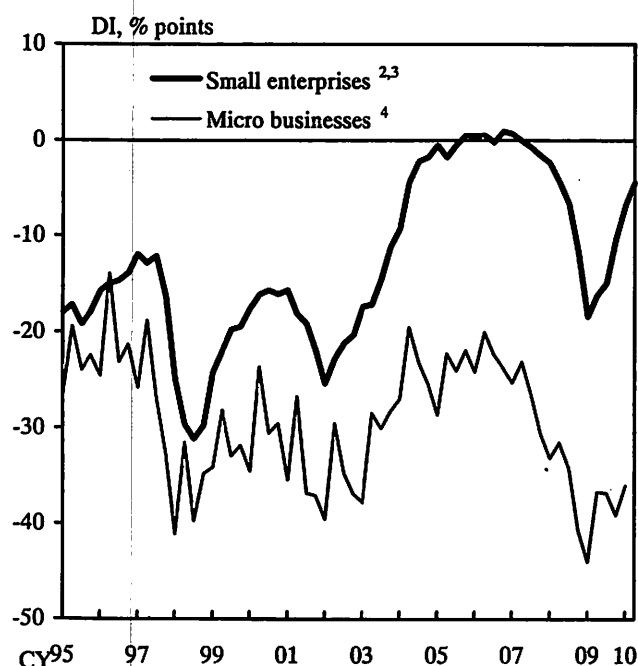
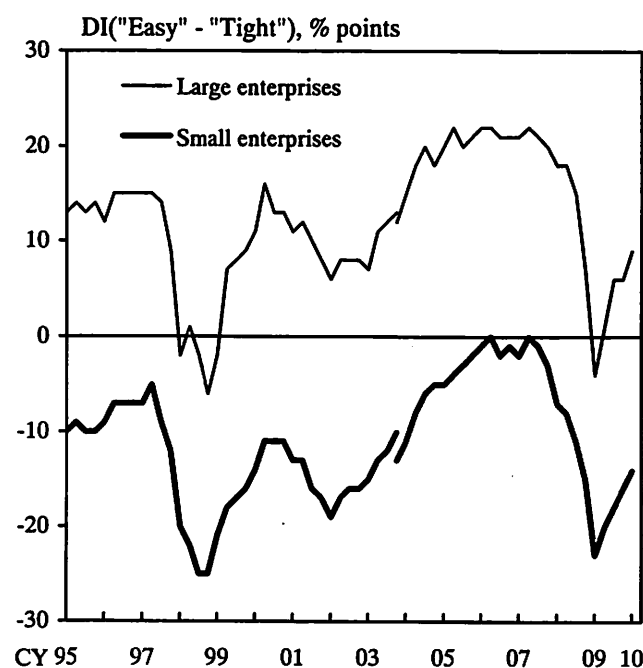
Sources: Bank of Japan; European Central Bank; Bloomberg.

Corporate Finance-Related Indicators

(1) Financial Position

<Tankan¹>

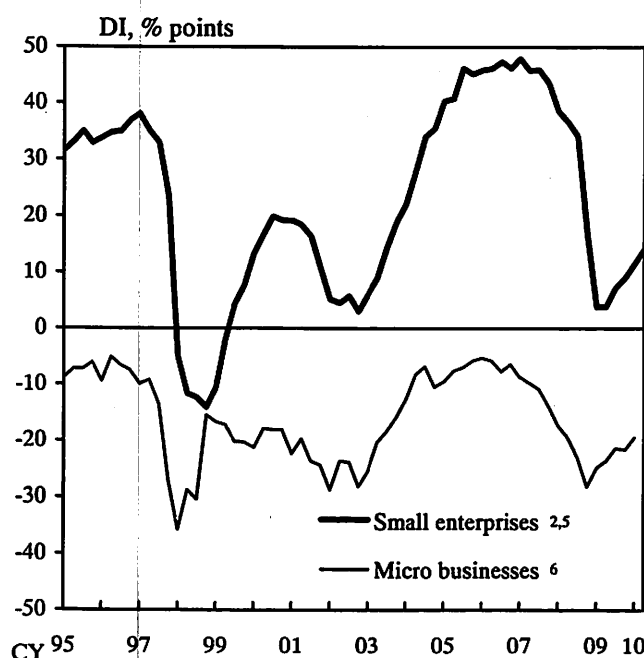
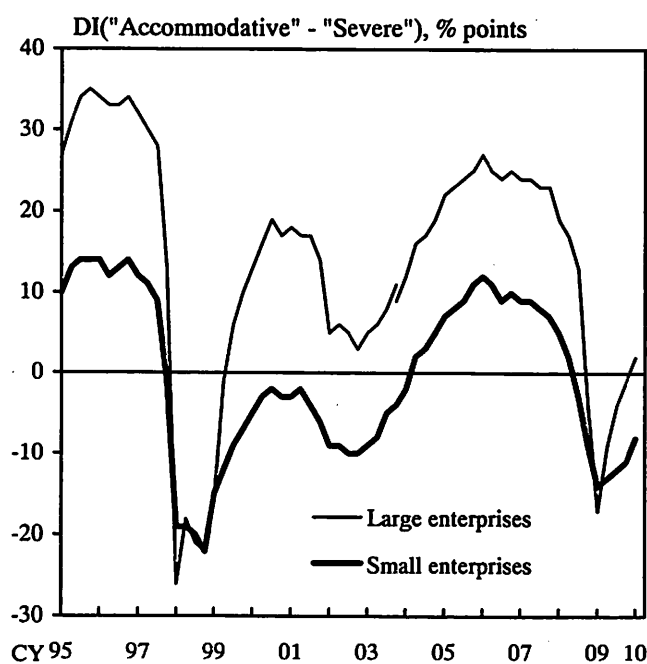
<Japan Finance Corporation Survey>



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

<Tankan¹>

<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 a new basis.

2. Figures are quarterly averages of monthly data. Figures for 2010/Q2 are those of Apr.-May averages.

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

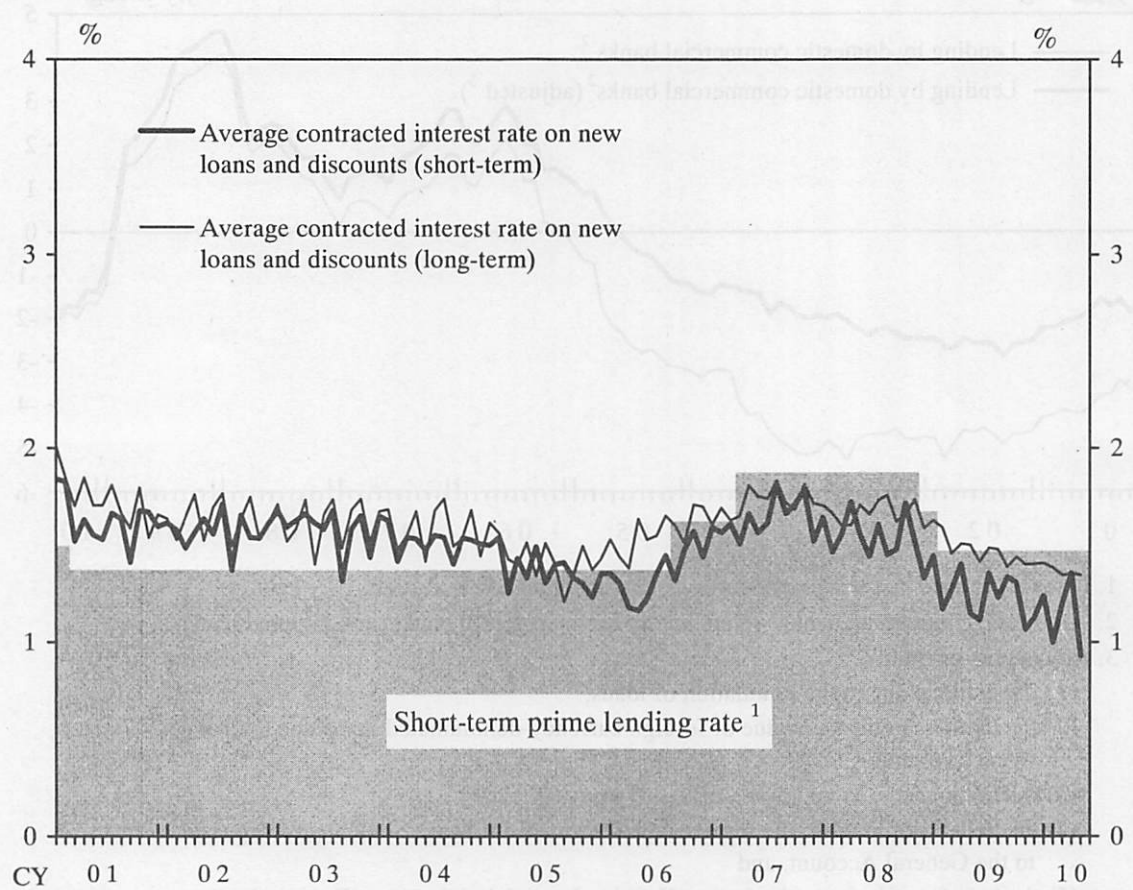
4. DI of "Easier" - "Tighter."

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

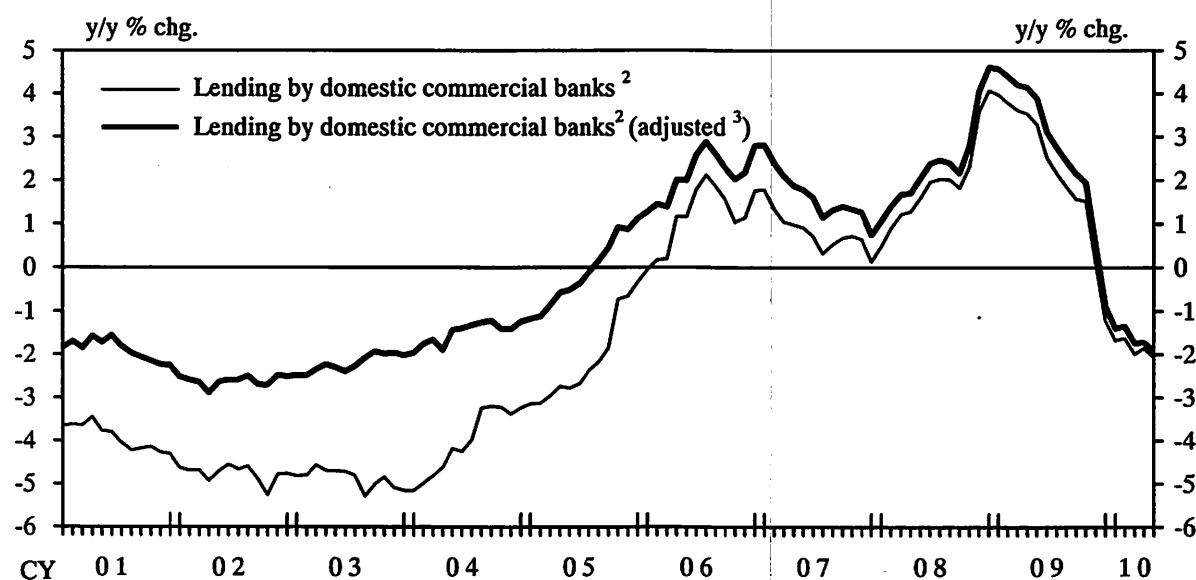


Note: 1. Data are at end of period.

Source: Bank of Japan.

Lending by Financial Institutions

(1) Lending by Domestic Commercial Banks¹



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,

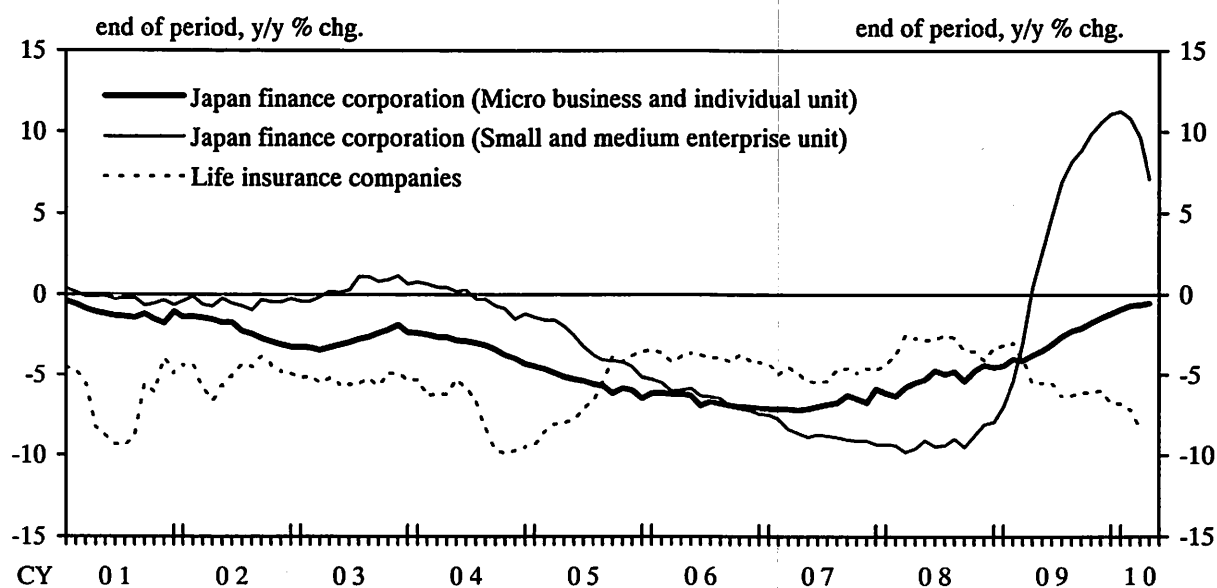
(2) fluctuations in the yen value of foreign currency-denominated loans due to changes in exchange rates,

(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

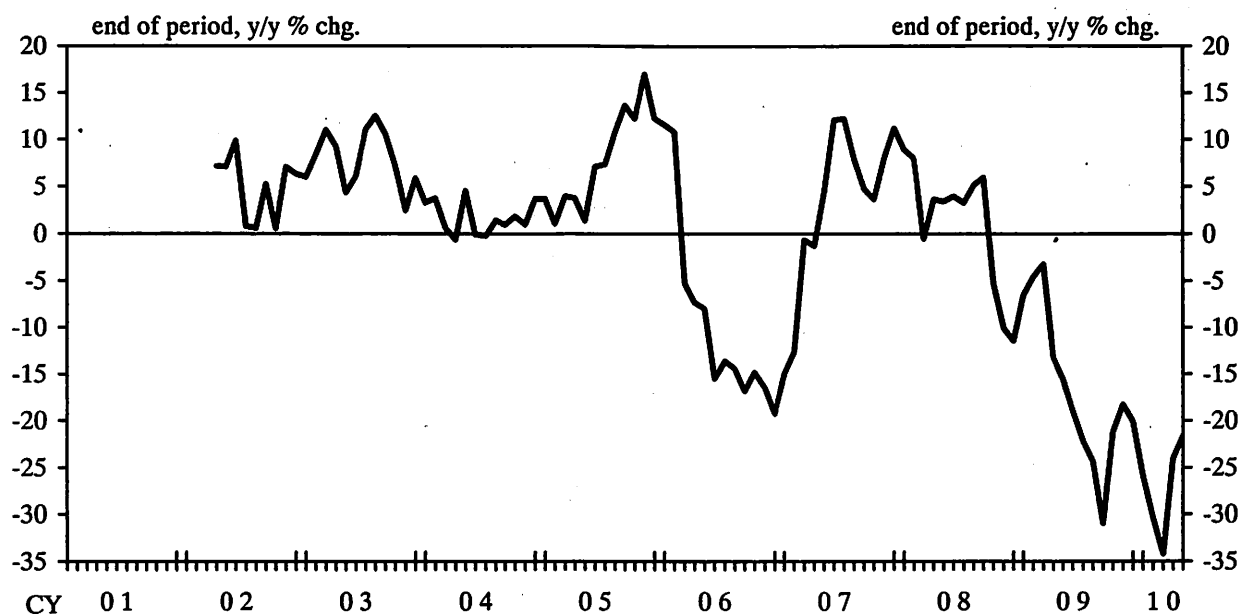


Note: The figures of the Japan Finance Corporation (Small and Medium Enterprise Unit) exclude the amounts outstanding of lending to the Credit Guarantee Corporations.

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

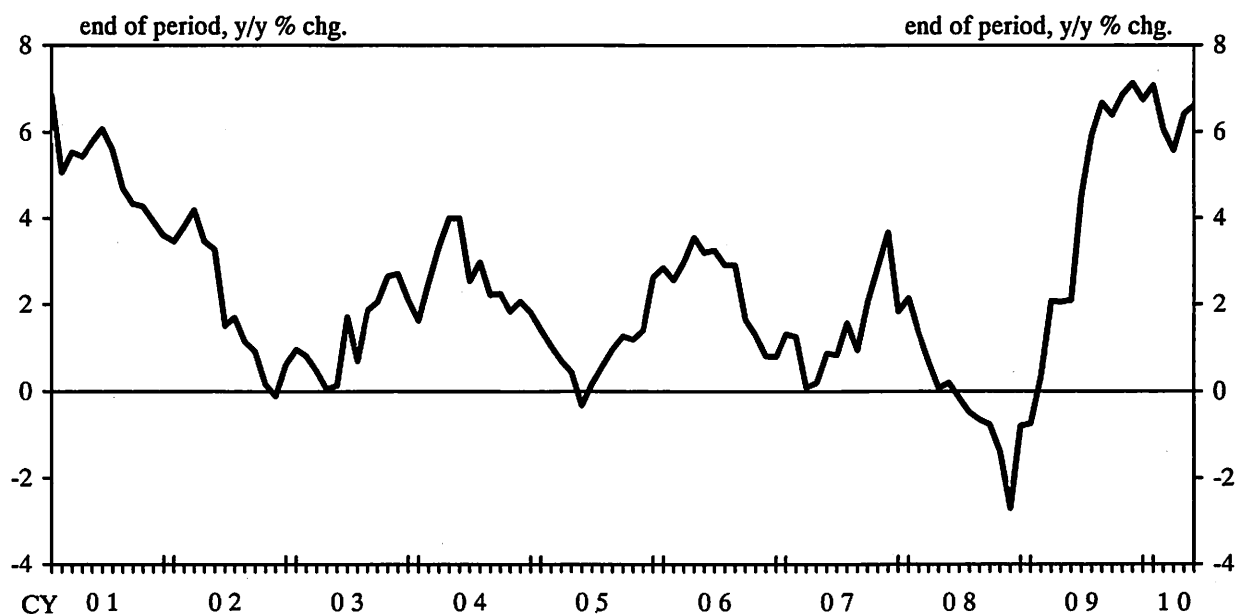
Private-Sector Fund-Raising in the Capital Markets

(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



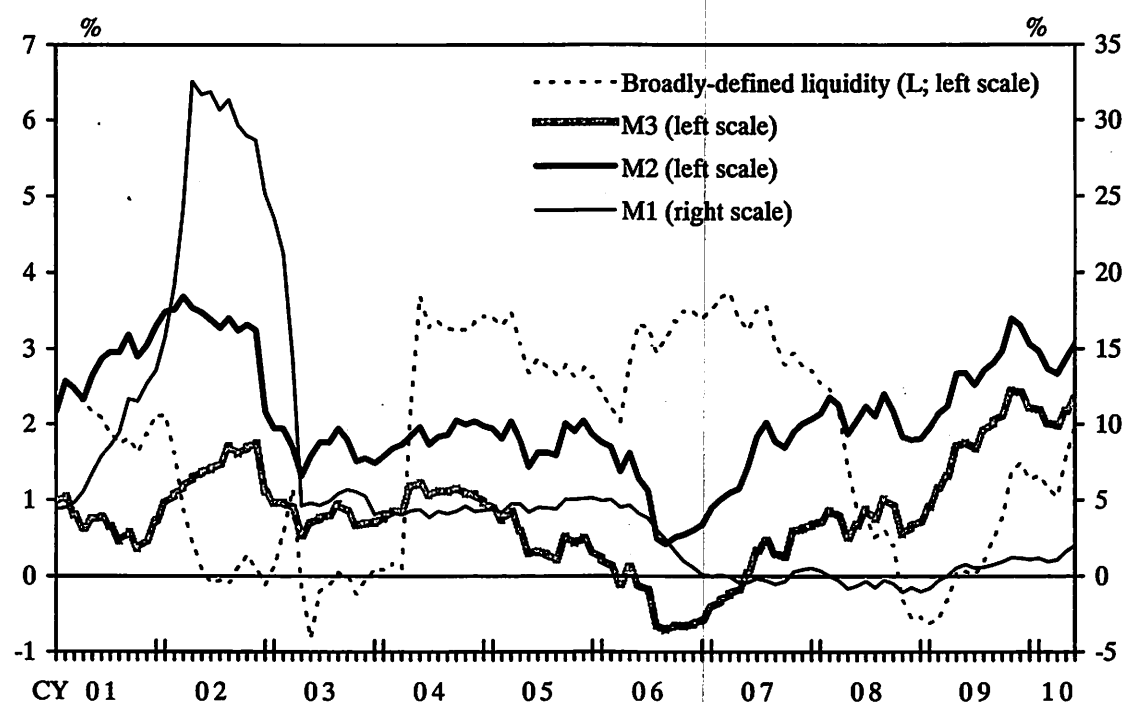
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

- (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.

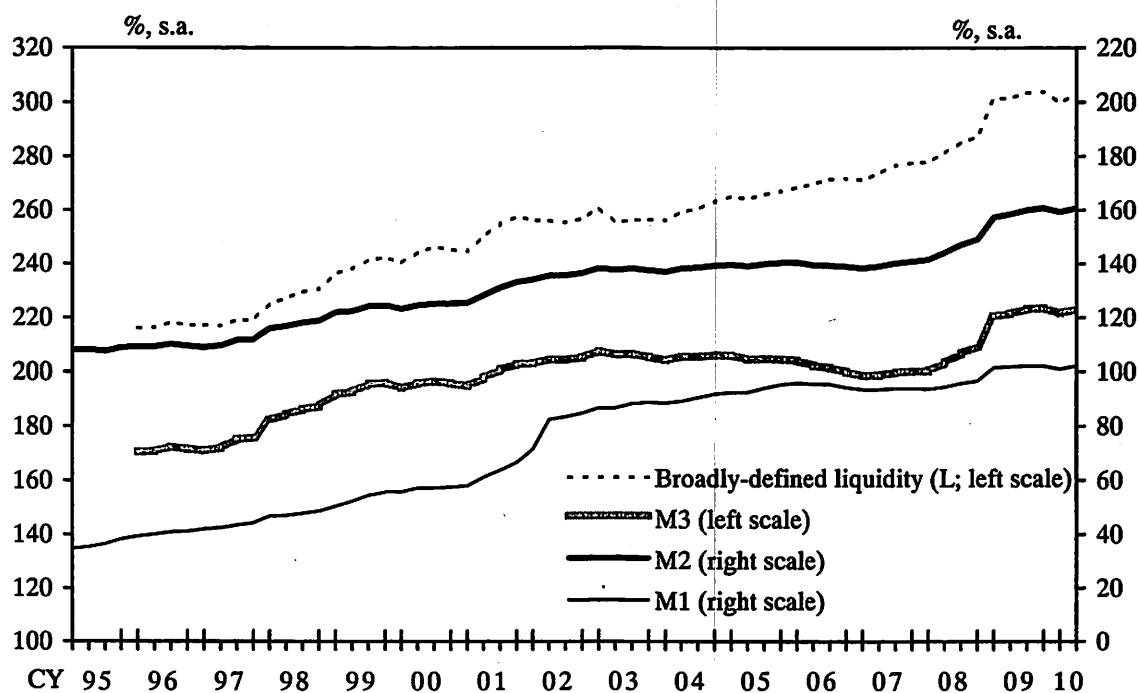
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category"; Bank of Japan, "Principal Figures of Financial Institutions"; Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts of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

Money Stock

(1) Changes from a Year Earlier



(2) Ratio of Money Stock to Nominal GDP

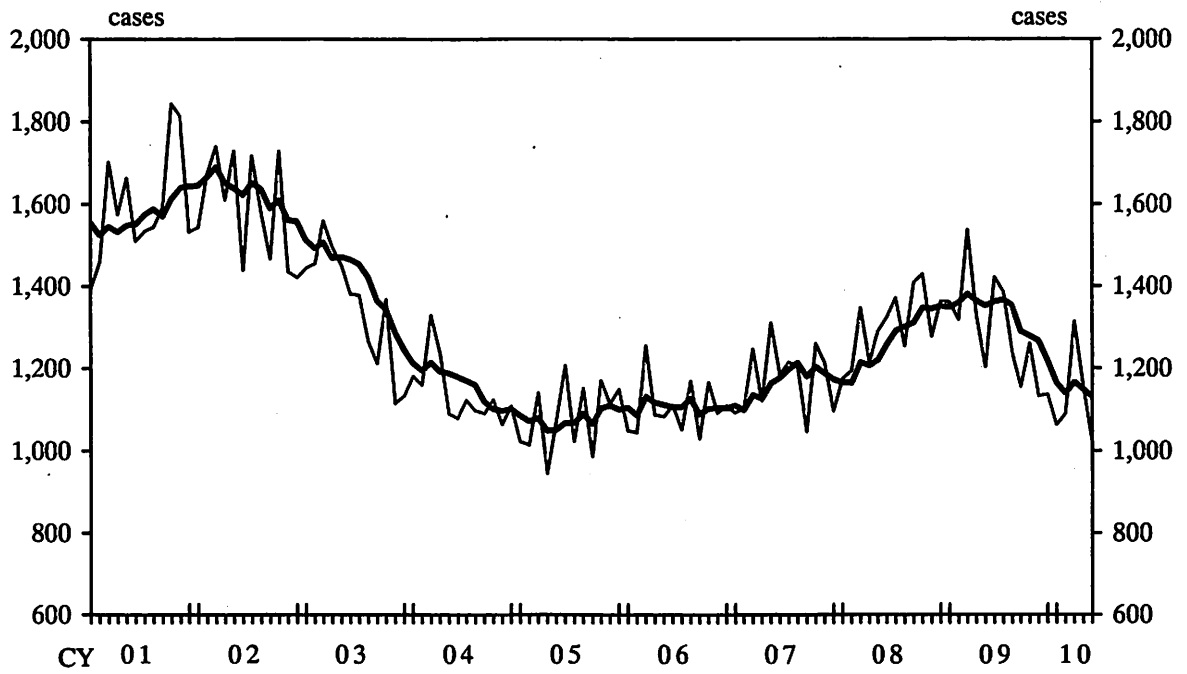


- Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.
 2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.
 3. The figures up to March 2004 in the upper panel and those up to March 2003 in the lower panel are based on the former series.
 4. Figures for money stock in 2010/Q2 are those of Apr.-May averages, and nominal GDP in 2010/Q2 is assumed to be unchanged from the previous quarter.

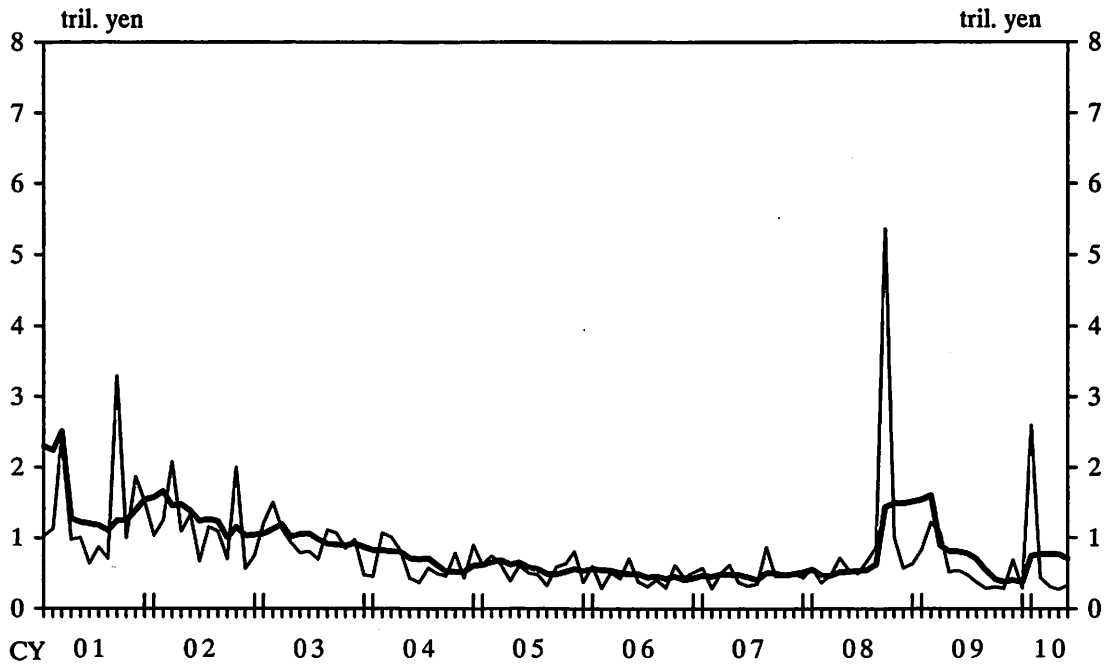
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

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)."