

July 20, 2010
Bank of Japan

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

(English translation prepared by the Bank's staff based on the Japanese original
released on July 16, 2010)

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Monthly Report of Recent Economic and Financial Developments¹

July 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. Corporate profits and business sentiment have been improving, and 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. In these circumstances, private consumption has been generally picking up. 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 persistent sense among firms of excessive capital stock and employment as well as the waning effects of policy measures. Meanwhile, the decline in public investment is likely to continue.

On the price front, the three-month rate of increase in domestic corporate goods prices is slowing, mainly due to the decrease in commodity prices, amid 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.

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

Domestic corporate goods prices are expected to be somewhat weak for the time being, since the effects of the decrease in commodity prices are likely to continue. 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.

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. Compared with last month, the yen has appreciated against the U.S. dollar, while long-term interest rates have declined. Meanwhile, stock prices have remained at more or less the same level as last month.

Financial conditions 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. While the stimulative effects from low interest rates are still partly constrained in light of economic activity and prices, such effects are beginning to increase in light of corporate profits. With regard to credit supply, firms see financial institutions' lending attitudes 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. The amount outstanding of corporate bonds has exceeded the previous year's level, while that of CP has declined. In these circumstances, the financial positions of firms have continued to show signs of improvement as a whole. 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-May compared with the first quarter. The amount of public construction completed—which reflects the progress of public works—fell back sharply in April compared with the first quarter, after having risen significantly in the first quarter. These large fluctuations were largely attributable to changes in the statistical method: the coefficient for the progress in public works during the winter season was raised from the fiscal 2009 figures, and this has allowed figures for the first quarter to turn out to be relatively high.

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 9.4 percent in April-May compared with the first quarter, after increasing for four straight quarters. Monthly developments show that exports have increased for 15 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. Exports to China, however, decreased by 4.4 percent in May on a monthly basis, partly in response to the high growth in March and April. Exports to the United States and the EU decreased in the first quarter, but rebounded in April-May 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-May 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 further, by 5.1 percent, in April-May compared with the first quarter, after having increased for four quarters in a row.

Imports rose for all goods in April-May (Chart 9[2]). Among them, IT-related goods—which include new models of PCs—and consumer goods—which include flat panel TVs—have increased markedly.

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]). The real effective exchange rate of the yen has recently climbed somewhat (Chart 8[1]). In these circumstances, the pace of increase in exports is expected to slow in the third quarter.

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. The aggregate supply of capital goods (including and excluding transport equipment)—a coincident indicator of machinery investment—was more or less flat in April-May, after having surged in the first quarter (Chart 10[1]). As for leading indicators, machinery orders

(private demand, excluding orders for ships, those from electric power companies, and those for cell phones)—a leading indicator of machinery investment—have been increasing since the third quarter of 2009 and inched up in April-May compared with the first quarter (Chart 11[1]). By industry, in manufacturing, machinery orders dropped in April-May relative to the first quarter, mainly in response to the upsurge for two straight quarters. Orders have been trending upward amid the ongoing rise in exports. On the other hand, in nonmanufacturing (excluding orders for ships, those from electric power companies, and those for cell phones), machinery orders have turned upward, after having decreased for two quarters in a row. Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—dropped in April-May 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 11[2]).

Regarding the environment surrounding business fixed investment, corporate profits have been improving. According to business plans in the June *Tankan* (all industries and enterprises), current profits in fiscal 2010 were forecast to turn to an increase for the first time in four years, after having decreased in fiscal 2009. They were revised substantially upward for both fiscal 2009 and 2010 relative to the March *Tankan*.² Fiscal 2010 plans for manufacturing, in particular, projected a profit increase of more than 40 percent for both large and small firms (Chart 12). Under these circumstances, business sentiment among firms has been improving. The business conditions DI in the June *Tankan* showed improvement in all industries and enterprises for the fifth straight quarter. In detail (Chart 13), large manufacturing firms saw an upward shift in the DI to "favorable" for the first time in eight quarters since the June 2008 survey; both nonmanufacturing and small firms also continued to improve steadily.

² In the March *Tankan*, there is a high tendency to impute figures of the new fiscal year—imputation is a method in which figures are substituted by those of the previous fiscal year when reports cannot be obtained by firms in cases where they have yet to put together their plans etc. Therefore, it is likely that firms' business plans for fiscal 2010—at a time when the economy is in a recovering phase—turned out to be relatively lower than the actual condition at the time of the March *Tankan*.

Signs of a pick-up in business fixed investment are expected to gradually become evident, as the improvement in corporate profits continues. With the persistent sense among firms of excessive capital stock, however, the pace of improvement in business fixed investment is likely to remain moderate for the time being. According to business fixed investment plans (excluding software investment and including land purchasing expenses, year-on-year basis) in the June *Tankan* (Chart 14), those of large firms for fiscal 2010 are projected to increase by 4.4 percent, revised upward from the March survey. In detail, both manufacturing and nonmanufacturing are projecting an increase. Business fixed investment plans (same as above) of small firms were revised upward for fiscal 2010 relative to the March *Tankan*, despite projecting a sizeable decline of 15.5 percent. Plans of small firms, however, tend to start from considerably low levels before a new fiscal year, and are gradually revised upward as the year progresses. Based on average revising patterns seen at the time of past economic recoveries, plans of small firms are expected to turn out to be slightly above the previous fiscal year's level. Meanwhile, software investment is also projected to increase for fiscal 2010. On a "software and fixed investment excluding land purchasing expenses" basis—a concept close to that of GDP—business fixed investment of all industries and enterprises (including financial institutions, year-on-year basis) for fiscal 2010 is projected to increase by 4.2 percent.

Private consumption has been generally picking up (Chart 15). Consumption of goods—as seen through sales at retail stores (in real terms)—was more or less flat in April-May compared with the first quarter, partly in reaction to the high growth in the first quarter (Chart 16[1]). As for durable consumer goods, sales of household electrical appliances (in real terms) rose only marginally in April-May, in response to a rush of demand prior to tighter application of the eco-point system (Chart 16[2]).³ The number of new passenger-car registrations has been more or less flat since the start of 2010, after recovering rapidly toward the end of 2009 propelled mainly by tax cuts and subsidies.⁴ On the other hand, sales at department stores, supermarkets, and

³ 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.

⁴ 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).

convenience stores have more or less started to level out, albeit with fluctuations caused by weather factors (Chart 17[1]). As for services consumption (Chart 17[2]), outlays for travel have recently been on an improving trend. 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—decreased in April-May relative to the first quarter, after having increased for three consecutive quarters (Chart 16[1]).⁵ The total expenditure in the *Survey of Household Economy* (in real terms) has also decreased lately.

Meanwhile, indicators related to consumer sentiment have been on a recovery trend on the whole (Chart 18).

Private consumption is expected to continue picking up. The pace of improvement, however, is likely to remain moderate for the time being, since the effects of policy measures are expected to wane while the employment and income situation remains severe.

Housing investment has leveled out. The number of housing starts (Chart 19[1]; annualized)—a leading indicator of housing investment—decreased in April-May compared with the first quarter. Housing investment, however, has tended to pick up, which mainly reflected the progress in inventory and price adjustments.

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.

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

Industrial production has been increasing. Production rose by 0.1 percent in May 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-May compared with the first quarter slowed markedly by recording an increase of 1.9 percent (Chart 20). It should be noted, however, that this decrease in the growth rate was partly influenced by a distortion in seasonal adjustments.⁶ 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 partly due to a distortion in seasonal adjustments, by recording an increase of 1.9 percent in April-May relative to the first quarter, after having continued high growth for four quarters in a row. By goods (Chart 21), the increase in shipments of durable consumer goods, capital goods, and producer goods has recently come to a halt, after having recovered significantly. Shipments of construction goods have remained sluggish in general, but those of steel bridges and photovoltaic modules have risen lately. Shipments of non-durable consumer goods have remained more or less unchanged, albeit with fluctuations.

Inventories have increased at a moderate pace. Looking at the shipment-inventory balance by goods (Chart 22), growth in shipments of all goods has outpaced that in inventories.

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.⁷

⁶ 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.

⁷ 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.

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 rose for the first time in two months (Chart 23[1]). As a trend, it has continued to recover moderately after hitting bottom in August 2009. Looking at the employment conditions DI in the June *Tankan* (Chart 25), the net "excessive" employment has tended to narrow, mainly in manufacturing. On the other hand, the unemployment rate in May stood at 5.2 percent, increasing for the third straight month. It moved down to 4.9 percent in January-February 2010 after having climbed to a historical high of 5.6 percent in July 2009, but it has recently shown some deterioration again.

In terms of employment (Chart 24[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 trend downward.⁸ The number of regular employees in the *Monthly Labour Survey* has increased from the previous year's level, albeit marginally. The ratio of part-time employees has been on a moderate rising trend (Chart 24[2]). Meanwhile, overtime hours worked have been recovering, although the pace has somewhat slowed (Chart 24[3]).

Nominal wages per employee had been declining significantly, but they have recently leveled off (Chart 26[1]). In detail, overtime payments registered a year-on-year increase facilitated by the increase in overtime hours worked. The pace of decline in regular payments has been moderating considerably, assisted mainly by the pick-up in regular hours worked.

Employee income—which had been decreasing on a year-on-year basis—has marked a marginal year-on-year increase lately as a reflection of the aforementioned developments in employment and wages (Chart 26[3]).

⁸ 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 1.32 million this past May.

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.⁹

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 28). International commodity prices have been weakening slightly. Domestic commodity prices have also been weakening lately.

The three-month rate of increase in domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter)¹⁰ is slowing, mainly due to the decrease in international commodity prices, amid the persistent slack in supply and demand conditions for products (Chart 29). In June, the three-month rate of increase in domestic corporate goods prices slowed—with an increase of 0.3 percent—compared to May (a positive 0.9 percent) in light of movements in prices of "iron and steel, and construction related goods" and of "goods sensitive to exchange rates and overseas commodity prices." Meanwhile, the three month rate of change in prices of "raw materials (other goods)" has fallen for the third straight month, mainly in prices of chemicals and related products; and the three-month rate of decline in prices of "machinery" has continued to be marginal.

Corporate services prices (excluding international transportation) have been declining, a reflection mainly of cost cutting among firms, but the rate of decline has continued to moderate (Chart 30). In May, corporate services prices (excluding

⁹ 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 June 23, 129 firms) all showed marginal increases; they marked a year-on-year rate of increase of 2.4 percent, 2.78 percent, and 0.46 percent, respectively.

¹⁰ 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.

international transportation) fell for the 19th straight month.¹¹ The pace of decline, however, has been slowing since the start of this year. Looking at recent developments in detail, the pace of decline in prices related to selling, general and administrative expenses has slowed, since firms have shown signs of a slight ease in their stance on cost cutting. The rate of decrease in IT-related prices and prices related to domestic transportation has tended to slow modestly. On the other hand, prices related to real estate have dropped at a faster pace, affected by a slack in supply and demand conditions with a time lag. Meanwhile, prices of equipment investment—including those of leasing and rental—have continued to decline substantially, albeit with fluctuations.

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 31 and 32). In May, the rate of decrease in consumer prices narrowed by 0.3 percentage point from April, registering a decrease of 1.2 percent on a year-on-year basis. Looking at developments on a basis that excludes food and energy, consumer prices came down by 1.6 percent on a year-on-year basis, which was the same rate as that of April. Excluding high school fees,¹² the rate of decline in consumer prices—excluding fresh food—narrowed by 0.3 percentage point from April to a decrease of 0.7 percent on a year-on-year basis. The rate of decline—excluding food and energy—marked a decrease of 0.8 percent on a year-on-year basis, declining at the same pace as April. The rates of decline in both of these prices have tended to slow. Looking at recent movements in detail, in prices of goods, although the pace of decrease in prices of clothes has accelerated, prices of petroleum products have risen at a faster pace; the pace of decline in prices of durable consumer goods, agricultural and aquatic products, and others has moderated. As for prices of general services, the pace of decline—with private high school fees excluded—has been moderating, notably in prices of package tours to overseas. The pace of decline in public utility charges—with public high school fees

¹¹ The category "All items including international transportation" declined for the 20th consecutive month on a year-on-year basis, but the rate of decline has narrowed for three months in a row.

¹² 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.

excluded—has also been slowing. 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.

With regard to domestic supply and demand conditions in the June *Tankan* (Chart 33), the net "excess supply" of the supply and demand conditions DI for products and services continued to moderate in both manufacturing and nonmanufacturing. The net "fall" of the output prices DI moderated in both manufacturing and nonmanufacturing. Meanwhile, the weighted average of the production capacity DI and employment conditions DI continued to improve, and their net excessives have become smaller compared with the bottoms marked in past economic slowdowns.¹³

Domestic corporate goods prices are expected to be somewhat weak for the time being, since the effects of the decrease in commodity prices are likely to continue. 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

¹³ The discrepancy between the supply-demand gap—calculated by the Research and Statistics Department of the Bank of Japan—and the weighted average DI of the *Tankan* has widened since the end of 2008. As for the DI, it is likely that adjustment pressures of the economy as a whole are underrated because factors such as unemployment at organizations other than firms have not been taken into account. On the other hand, it is also likely that the recent pace of decrease in the supply-demand gap might be overrated, since calculation errors tend to be large, particularly at times when there are great changes to the economy.

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 34). In U.S. dollar funding, the LIBOR-OIS spread for the dollar has remained somewhat high, as market participants have continued to be cautious about taking counterparty risks in transactions (Chart 35).

Yields on 10-year government bonds (newly issued 10-year JGB) have declined, as long-term interest rates abroad have fallen, amid cautious views becoming widespread on the pace of U.S. economic recovery and on the future growth of the Chinese economy. They have recently been at around 1.1 percent (Chart 36).

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 have been more or less unchanged, with investors still showing wait-and-see stances on investment although having somewhat calmed down (Chart 37).

Stock prices have declined somewhat, reflecting weak developments in U.S. and European stock prices until the beginning of July and the appreciating trend of the yen. The Nikkei 225 Stock Average has recently been at around 9,500 yen (Chart 38).

In the foreign exchange market, the yen has appreciated to the U.S. dollar against the backdrop of a narrowing interest rate differential between the United States and Japan; it has recently been in the range of 88-89 yen (Chart 39).

(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 decreased. The average contracted interest rates

on new loans and discounts have been on a declining trend, albeit with some fluctuations (Chart 41).

With regard to credit supply, firms see financial institutions' lending attitudes as improving (Chart 40). 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 (Chart 42). 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 43).

In these circumstances, the financial positions of firms have continued to show signs of improvement as a whole (Chart 40). The number of corporate bankruptcies has continued to decrease; it was down by 19.3 percent in June compared to the previous year's level (Chart 45).

Meanwhile, the year-on-year growth rate of the money stock (M2) has recently been at around 3 percent. Its June reading was 2.9 percent on a year-on-year basis, following 3.1 percent in May (Chart 44).¹⁴

¹⁴ 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 June reading was 2.2 percent, following 2.3 percent in May. The year-on-year growth rate of broadly-defined liquidity (L) has recently been at around 1.5 percent; it increased by 1.6 percent in June, following an increase of 1.8 percent in May.

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Chart 1

Main Economic Indicators (1)

	s.a., q/q (m/m) % chg. ¹						
	2009/Q4	2010/Q1	Q2	2010/Mar.	Apr.	May	Jun.
Index of consumption expenditure level (two-or-more-person households)	0.6	0.3	n.a.	5.8	-6.1	1.0	n.a.
Sales at department stores	-2.1	1.2	n.a.	0.8	-1.7	0.9	n.a.
Sales at supermarkets	-1.4	-0.3	n.a.	-1.5	0.4	-1.3	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 316>	< 314>	< 320>	< 305>	< 321>	< 325>	< 312>
Sales of household electrical appliances (real, Current Survey of Commerce)	4.6	14.1	n.a.	7.3	-1.2	-3.9	n.a.
Outlays for travel	-2.9	4.3	n.a.	3.7	-1.4	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	< 79>	< 84>	<n.a.>	< 85>	< 79>	< 74>	<n.a.>
Machinery orders (from private sector) excluding volatile orders 1 ⁴	1.1	2.9	n.a.	5.4	4.0	-9.1	n.a.
excluding volatile orders 2 ⁴	2.6	4.8	n.a.	4.1	6.5	-13.3	n.a.
Construction Starts (private, nondwelling use)	3.6	24.6	n.a.	18.3	-31.2	3.3	n.a.
Mining & manufacturing	-3.0	24.0	n.a.	-10.7	-12.4	-24.3	n.a.
Nonmanufacturing ⁵	9.0	18.9	n.a.	27.0	-32.2	7.3	n.a.
Value of public works contracted	-4.9	-6.5	n.a.	-4.8	15.1	-5.7	n.a.
Real exports	7.6	5.2	n.a.	2.8	6.6	0.9	n.a.
Real imports	1.1	2.5	n.a.	-3.9	3.4	7.5	n.a.
Industrial production	5.9	7.0	n.a.	1.2	1.3	0.1	n.a.
Shipments	5.9	7.2	n.a.	2.0	1.4	-1.7	n.a.
Inventories	-1.5	1.1	n.a.	-1.6	0.6	2.0	n.a.
Inventory Ratio <s.a., CY 2005 = 100>	< 110.0>	< 102.3>	<n.a.>	< 102.3>	< 103.5>	< 108.5>	<n.a.>
Real GDP	1.1	1.2	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.1	1.4	n.a.	-0.7	1.8	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2009/Q4	2010/Q1	Q2	2010/Mar.	Apr.	May	Jun.
Ratio of job offers to applicants <s.a., times>	< 0.43>	< 0.47>	<n.a.>	< 0.49>	< 0.48>	< 0.50>	<n.a.>
Unemployment rate <s.a., %>	< 5.2>	< 4.9>	<n.a.>	< 5.0>	< 5.1>	< 5.2>	<n.a.>
Overtime working hours ⁶	-7.7	10.0	n.a.	14.5	11.9	p 10.4	n.a.
Number of employees	-1.4	-0.3	n.a.	0.3	-0.2	-0.4	n.a.
Number of regular employees ⁶	-0.2	0.1	n.a.	0.2	0.1	p 0.4	n.a.
Nominal wages per person ⁶	-4.1	0.0	n.a.	1.0	1.6	p -0.2	n.a.
Domestic corporate goods price index <q/q % chg., 3-month rate of change> ⁷	-5.2 <-0.5>	-1.7 < 0.3>	p 0.3 <p 0.7>	-1.3 < 0.4>	-0.1 < 0.8>	0.5 < 0.9>	p 0.5 <p 0.3>
Consumer price index ⁸	-1.8	-1.2	n.a.	-1.2	-1.5	-1.2	n.a.
Corporate services price index ⁹	-1.6	-1.6	n.a.	-1.4	-1.5	p -1.3	n.a.
Money Stock (M2) <average outstanding, y/y % chg.>	3.3	2.8	p 3.0	2.7	2.9	3.1	p 2.9
Number of corporate bankruptcies <cases per month>	<1,176>	<1,156>	<1,108>	<1,314>	<1,154>	<1,021>	<1,148>

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

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

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";

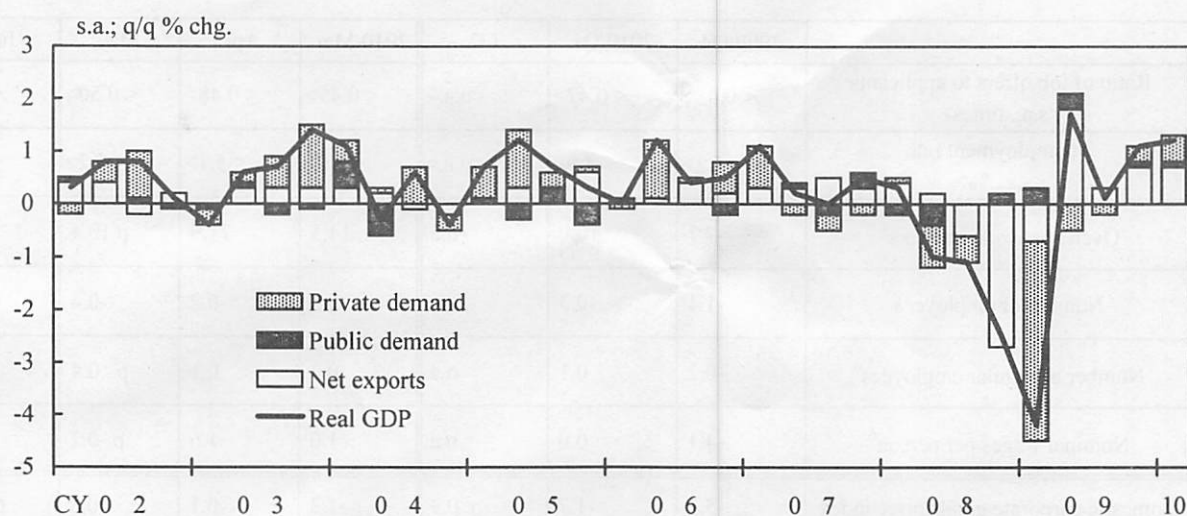
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey";

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



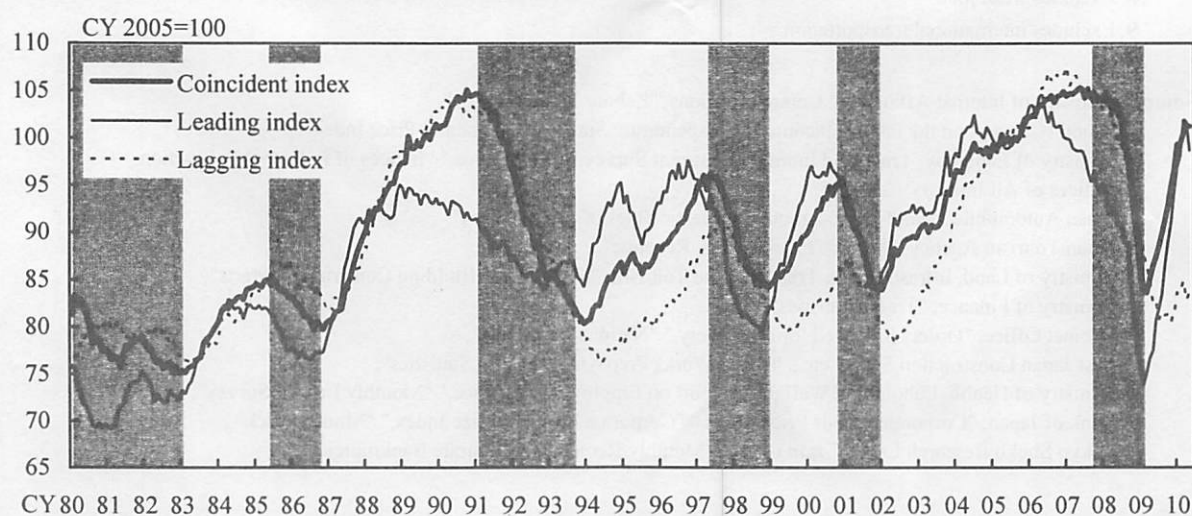
(2) Components

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)

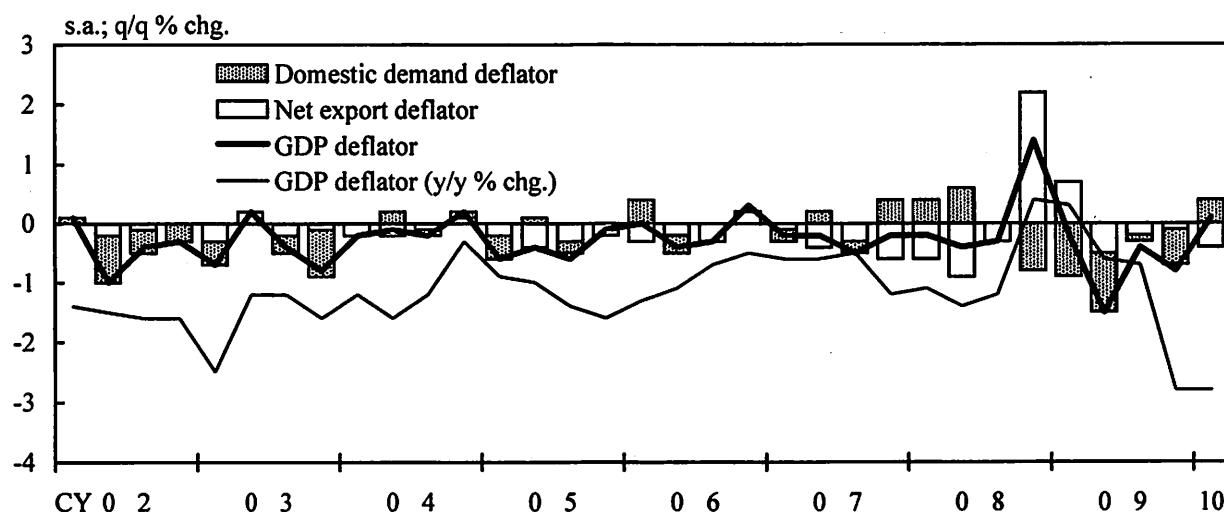


Note: Shaded areas indicate recession periods.

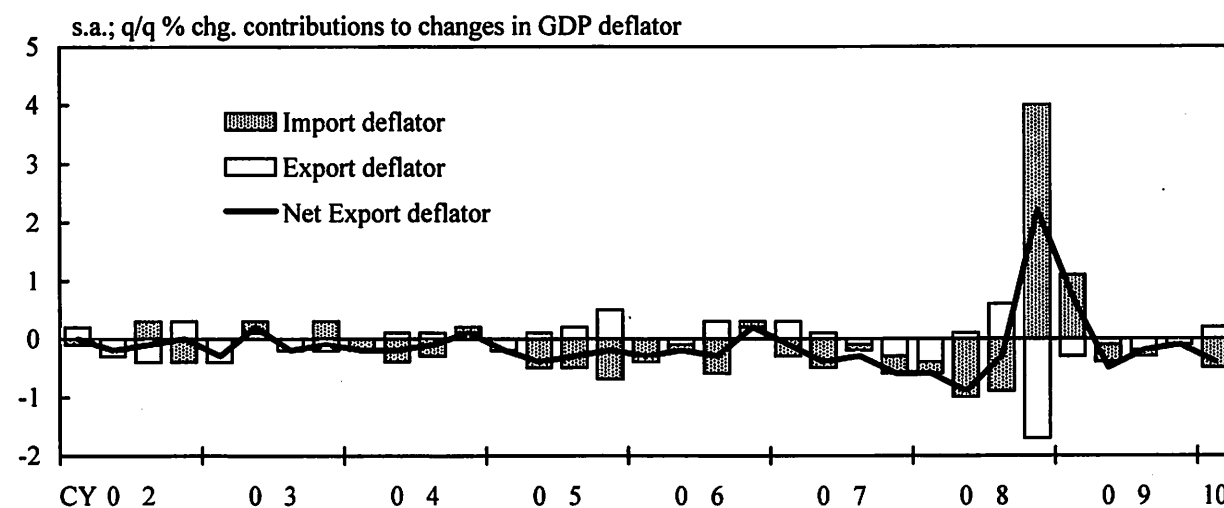
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

GDP Deflator and Income Formation

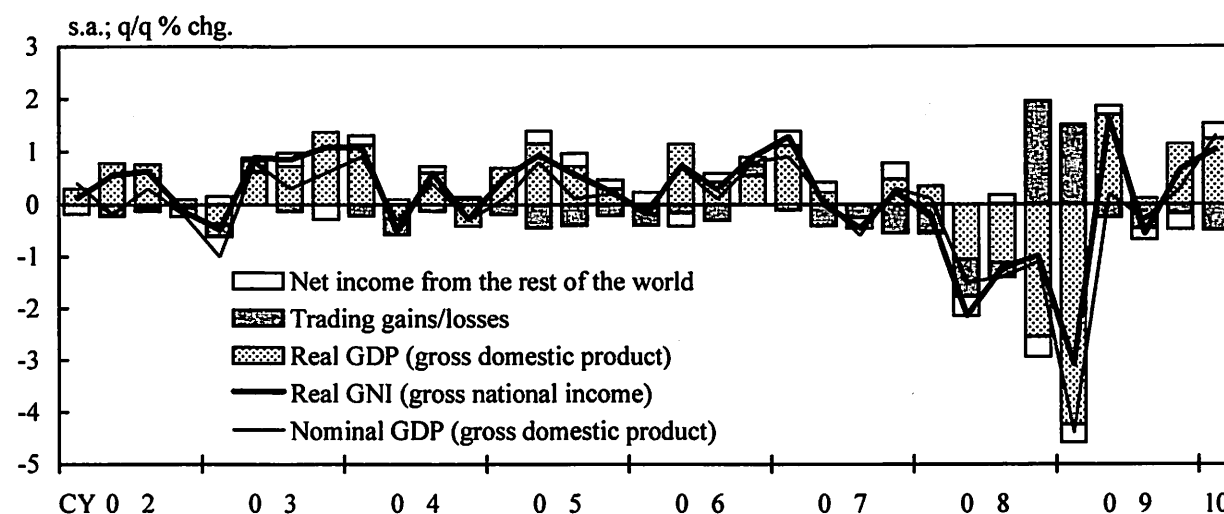
(1) GDP Deflator



(2) Net Export Deflator



(3) Aggregate Income Formation



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

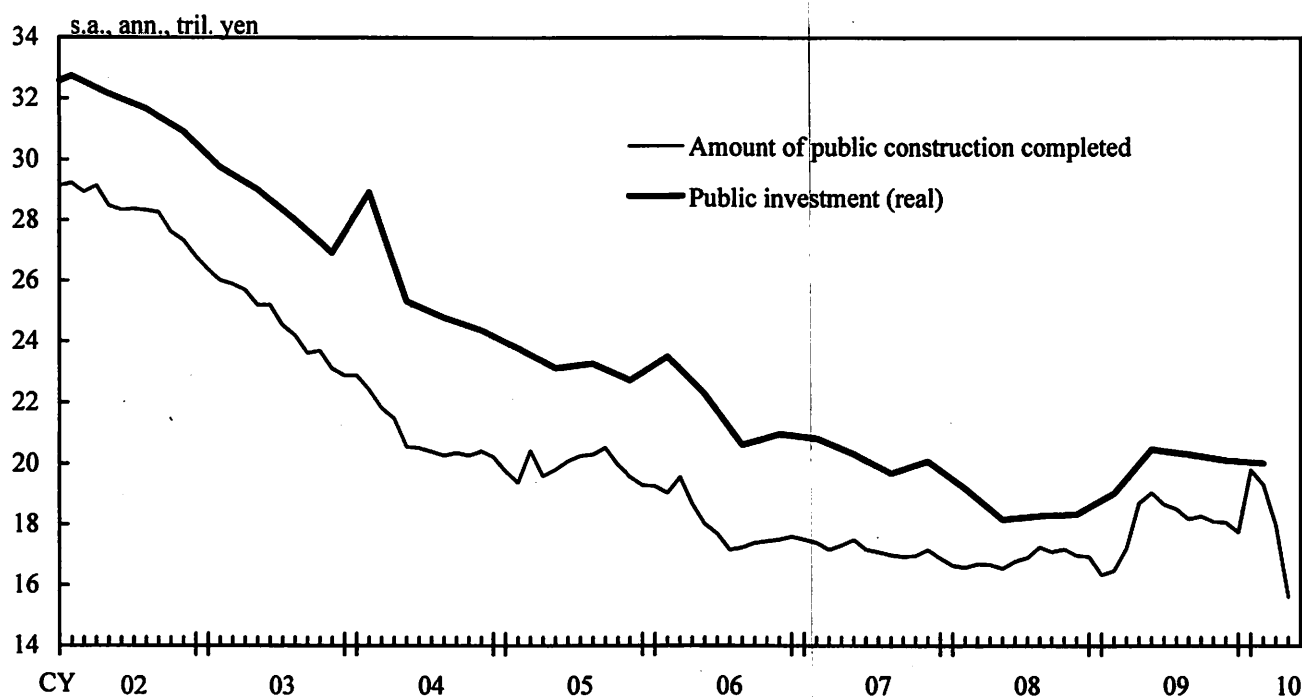
2. Real GNI = real GDP + trading gains/losses + net income from the rest of the world

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

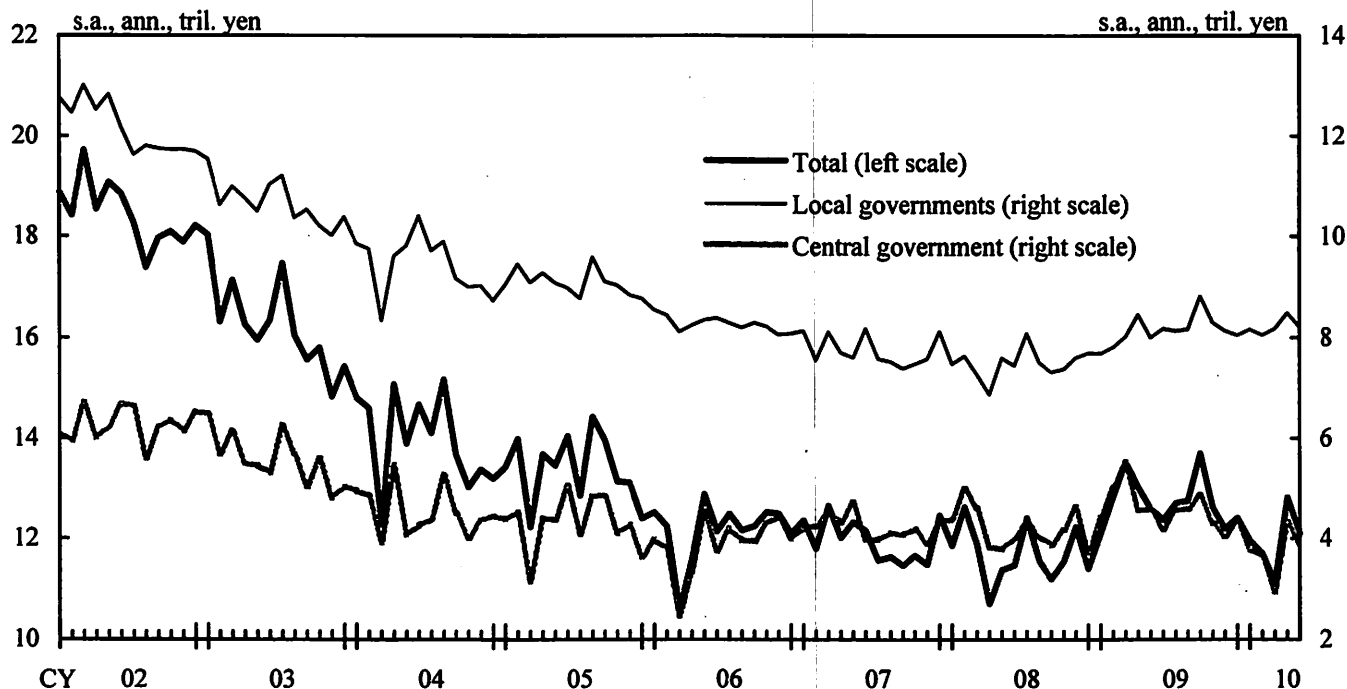
Source: Cabinet Office, "National Accounts."

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. As the figures of the amount of public construction completed are seasonally adjusted on a monthly basis, the data are retroactively revised every month.

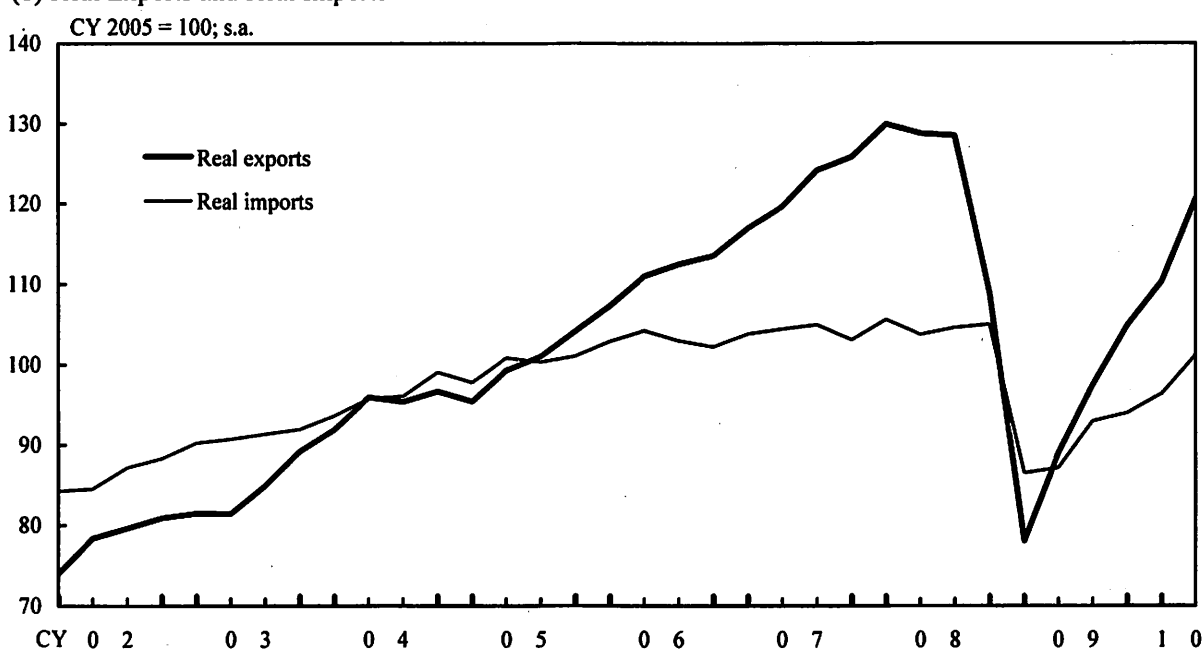
Sources: Cabinet Office, "National Accounts";

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

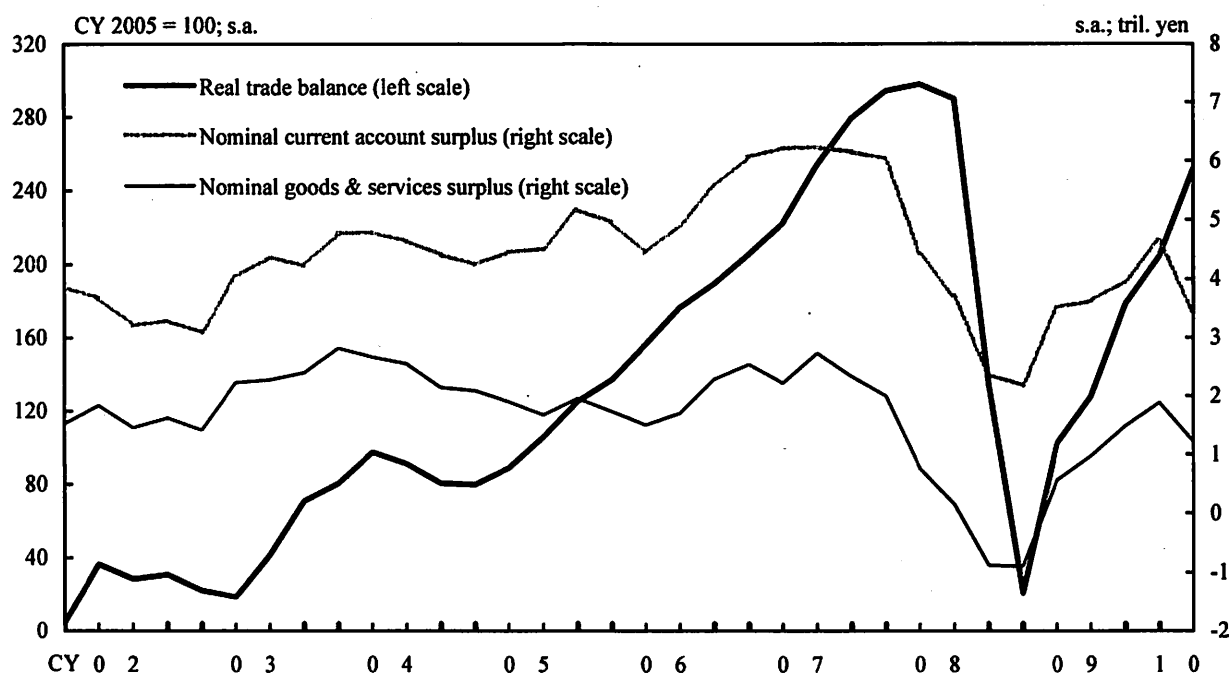
Ministry of Land, Infrastructure, Transport and Tourism, "Integrated Statistics on Construction Works."

External Balance

(1) 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-May averages converted into quarterly amount.

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

Chart 7

Real Exports ¹

(1) Breakdown by Region

		y/y % chg.					s.a.; q/q % chg.		s.a.; m/m % chg.		
		CY 2008	2009	2009 Q2	Q3	Q4	2010 Q1	Q2	2010 Mar.	Apr.	May
United States	<16.1>	-8.8	-32.6	15.0	11.2	7.1	-1.1	9.1	-2.8	10.0	-1.7
EU	<12.5>	-0.1	-34.6	7.7	4.8	9.6	-4.0	10.3	1.2	6.2	8.2
East Asia	<51.4>	3.4	-15.8	20.6	13.2	7.8	7.9	5.0	3.1	3.6	1.4
China	<18.9>	6.7	-10.2	22.0	10.3	6.4	9.1	3.7	4.4	6.7	-4.4
NIEs	<23.5>	-0.0	-18.0	21.6	12.5	6.7	6.9	4.7	2.5	2.0	2.0
Korea	<8.1>	-0.3	-16.0	15.2	11.2	5.0	5.9	4.0	-1.5	1.2	3.7
Taiwan	<6.3>	-4.3	-17.7	25.9	13.3	11.8	9.7	6.4	-2.8	5.3	6.0
Hong Kong	<5.5>	-2.4	-18.8	26.6	9.6	8.0	4.9	8.8	13.7	2.7	2.0
Singapore	<3.6>	13.3	-21.6	18.5	22.2	-4.7	13.3	-10.3	4.6	-6.1	-11.4
ASEAN ³	<9.1>	6.4	-20.5	14.8	21.8	13.7	8.1	8.2	2.1	1.4	11.6
Thailand	<3.8>	5.0	-20.9	16.3	27.8	16.0	4.9	8.9	-2.0	7.2	7.5
Others	<20.0>	16.1	-32.1	-2.4	9.3	11.3	11.3	7.8	1.9	6.0	2.4
Real exports		1.8	-25.6	14.1	9.5	7.6	5.2	9.4	2.8	6.6	0.9

(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 Mar.	Apr.	May
Intermediate goods	<20.7>	0.4	-5.6	19.2	10.0	4.6	0.9	4.9	-2.3	3.9	6.9
Motor vehicles and their related goods	<20.0>	3.2	-41.4	22.3	25.3	11.3	5.2	8.7	1.4	6.9	-2.0
Consumer goods ⁴	<4.1>	3.5	-28.8	12.4	3.5	0.3	-0.5	7.1	9.9	-0.1	4.1
IT-related goods ⁵	<11.3>	0.8	-17.0	35.0	9.0	5.8	5.8	6.3	5.6	2.2	3.2
Capital goods and parts ⁶	<27.9>	5.2	-28.1	3.5	7.7	9.9	8.7	14.8	5.9	7.4	3.4
Real exports		1.8	-25.6	14.1	9.5	7.6	5.2	9.4	2.8	6.6	0.9

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2010/Q2 figures are April-May averages 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.

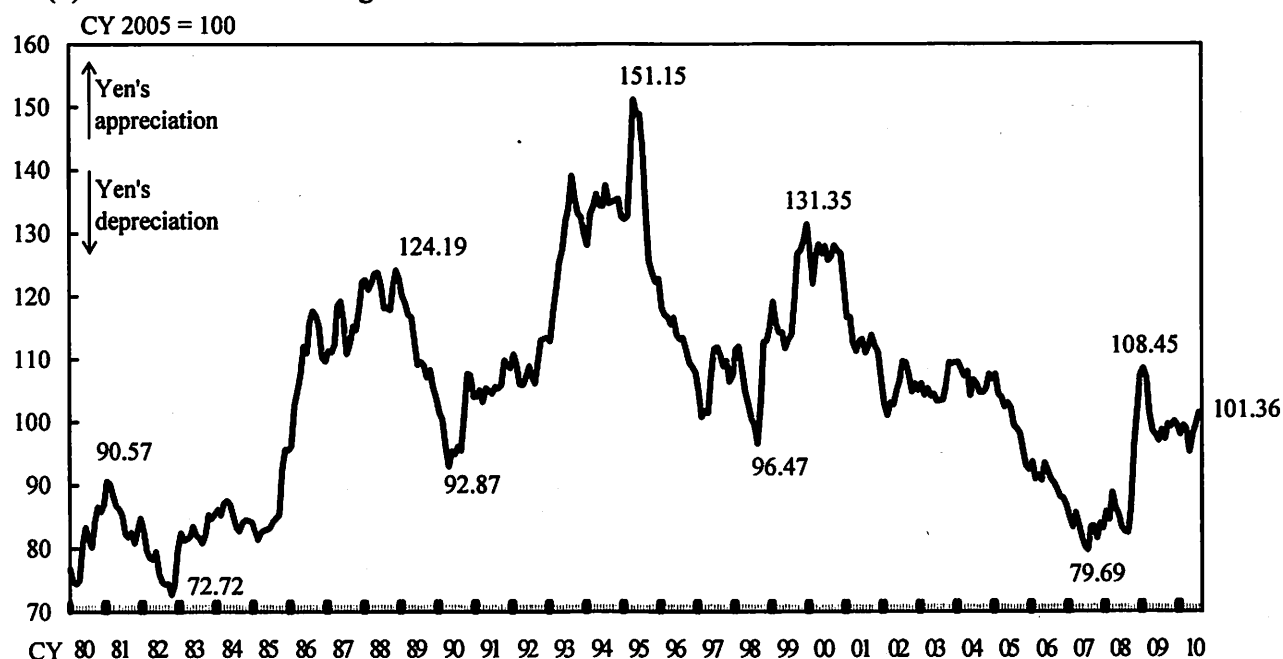
5. IT-related goods are composed of computers and units, telecommunication machinery, ICs, and medical and optical instruments.

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 June and July (up to July 13) 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 Q3	Q4	2010 Q1	Q2
United States ¹			2.1	0.4	-2.4	2.2	5.6	2.7	n.a.
European Union ¹			2.9	0.7	-4.2	1.1	0.8	1.0	n.a.
	Germany		2.5	1.3	-4.9	2.9	0.7	0.6	n.a.
	France		2.3	0.1	-2.5	1.1	2.3	0.5	n.a.
	United Kingdom		2.7	-0.1	-4.9	-1.0	1.7	1.3	n.a.
East Asia ²	China		14.2	9.6	9.1	9.1	10.7	11.9	n.a.
	NIEs	Korea	5.1	2.3	0.2	1.0	6.0	8.1	n.a.
		Taiwan	6.0	0.7	-1.9	-1.0	9.1	13.3	n.a.
		Hong Kong	6.4	2.2	-2.8	-2.4	2.5	8.2	n.a.
		Singapore	8.5	1.8	-1.3	1.8	3.8	16.9	19.3
	ASEAN4	Thailand	4.9	2.5	-2.2	-2.7	5.9	12.0	n.a.
		Indonesia	6.3	6.0	4.5	4.2	5.4	5.7	n.a.
		Malaysia	6.5	4.7	-1.7	-1.2	4.4	10.1	n.a.
		Philippines	7.1	3.7	1.1	0.2	2.1	7.3	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 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 Mar.	Apr.	May
United States	<10.7>	-2.5	-18.7	-5.7	3.3	6.5	-0.2	4.4	-2.0	3.6	6.6
EU	<10.7>	-3.0	-13.2	-1.7	4.8	1.6	-0.7	1.4	0.3	-3.3	12.5
East Asia	<41.9>	2.4	-13.1	3.4	8.4	3.1	4.2	8.9	-10.8	10.4	10.6
China	<22.2>	4.4	-11.1	3.2	8.8	3.9	3.1	10.2	-19.6	16.4	14.5
NIEs	<8.6>	-1.1	-15.9	9.8	8.6	2.2	7.1	6.0	-1.8	1.5	9.4
Korea	<4.0>	-5.3	-19.1	6.7	9.1	-0.5	4.0	8.3	-2.7	0.8	11.9
Taiwan	<3.3>	3.5	-12.4	13.7	9.3	5.6	6.4	5.5	-0.7	3.8	6.2
Hong Kong	<0.2>	-1.7	-29.7	13.6	-10.8	-4.4	55.9	-15.9	-29.2	-19.7	72.3
Singapore	<1.1>	1.5	-12.5	14.2	0.6	5.1	12.7	4.7	8.3	-3.0	4.5
ASEAN4 ³	<11.0>	1.4	-15.0	-1.2	7.3	2.2	4.3	8.7	2.9	6.6	3.5
Thailand	<2.9>	2.4	-17.5	1.9	10.3	5.9	3.7	7.8	-0.9	5.6	3.8
Others	<36.7>	2.5	-14.1	-0.6	6.4	-1.0	2.4	3.8	-1.6	3.0	3.2
Real imports		0.5	-14.1	0.7	6.7	1.1	2.5	5.1	-3.9	3.4	7.5

(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 Mar.	Apr.	May
Raw materials ⁴	<34.2>	1.6	-15.1	-2.3	8.2	-3.1	2.9	3.5	0.2	2.6	2.2
Intermediate goods	<14.2>	1.7	-15.3	-4.6	11.2	2.7	5.9	5.7	1.0	-1.6	12.8
Foodstuffs	<9.7>	-3.6	1.0	-4.0	-0.0	-4.7	3.1	6.9	-6.0	6.1	6.0
Consumer goods ⁵	<8.9>	-2.4	-10.3	4.6	8.9	6.1	1.1	9.2	-25.0	21.4	11.7
IT-related goods ⁶	<11.0>	4.3	-12.4	10.9	5.1	4.6	6.2	9.5	-3.3	8.9	8.1
Capital goods and parts ⁷	<11.8>	2.9	-23.8	-3.6	6.0	11.3	-0.4	4.6	-5.2	5.9	3.8
Excluding aircraft	<11.0>	3.7	-24.4	0.2	5.7	6.9	4.8	4.6	-3.9	4.4	3.8
Real imports		0.5	-14.1	0.7	6.7	1.1	2.5	5.1	-3.9	3.4	7.5

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2010/Q2 figures are April-May averages 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.

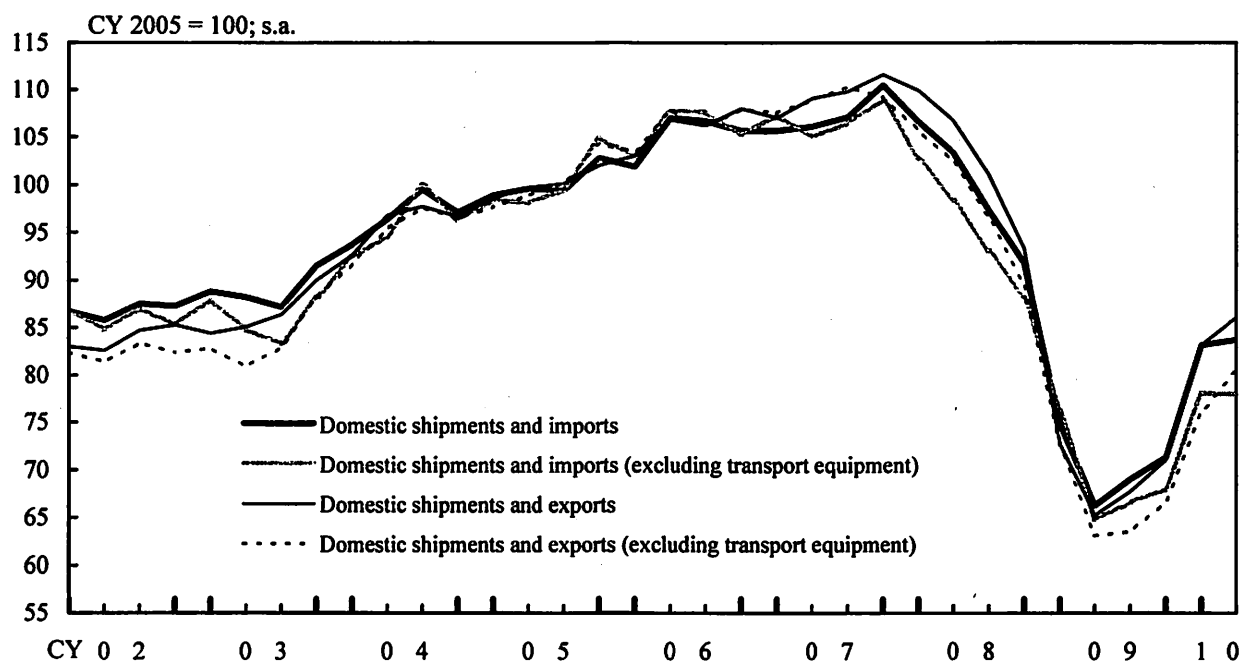
6. IT-related goods are composed of computers and units, parts of computer, telecommunication machinery, ICs, and medical and optical instruments.

7. Excludes IT-related goods.

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

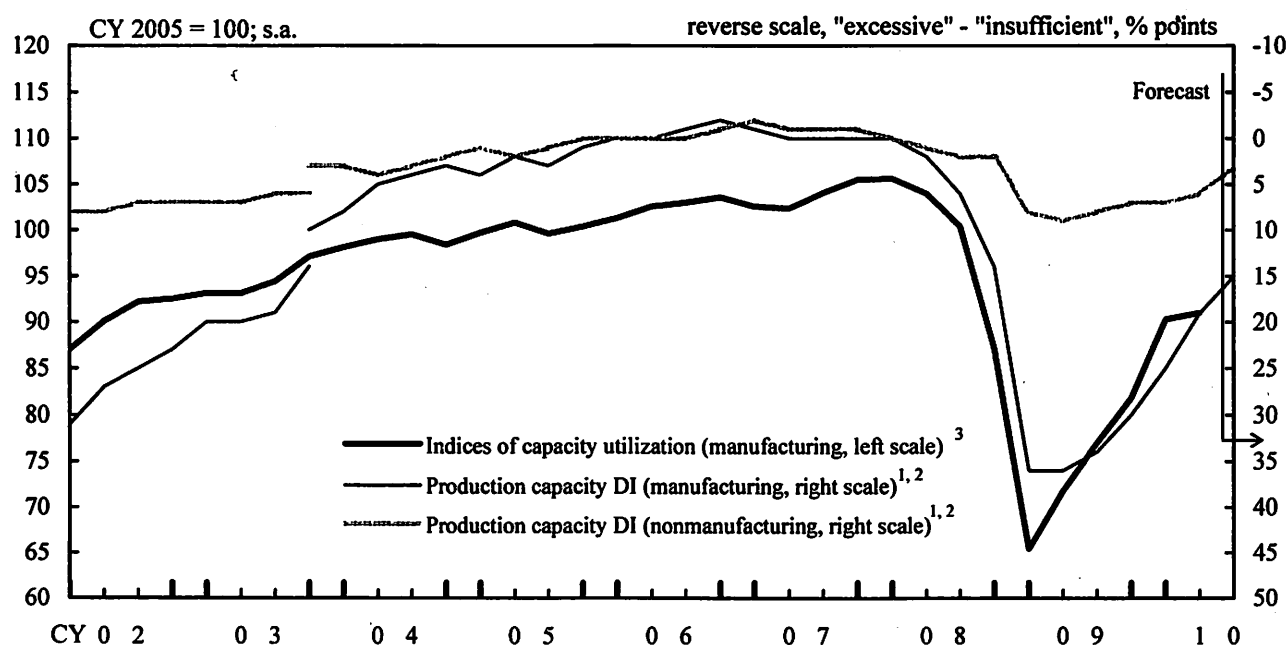
Coincident Indicators for Business Fixed Investment

(1) Aggregate Supply and Shipments of Capital Goods



Note: Figures for 2010/Q2 are April-May averages.

(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.

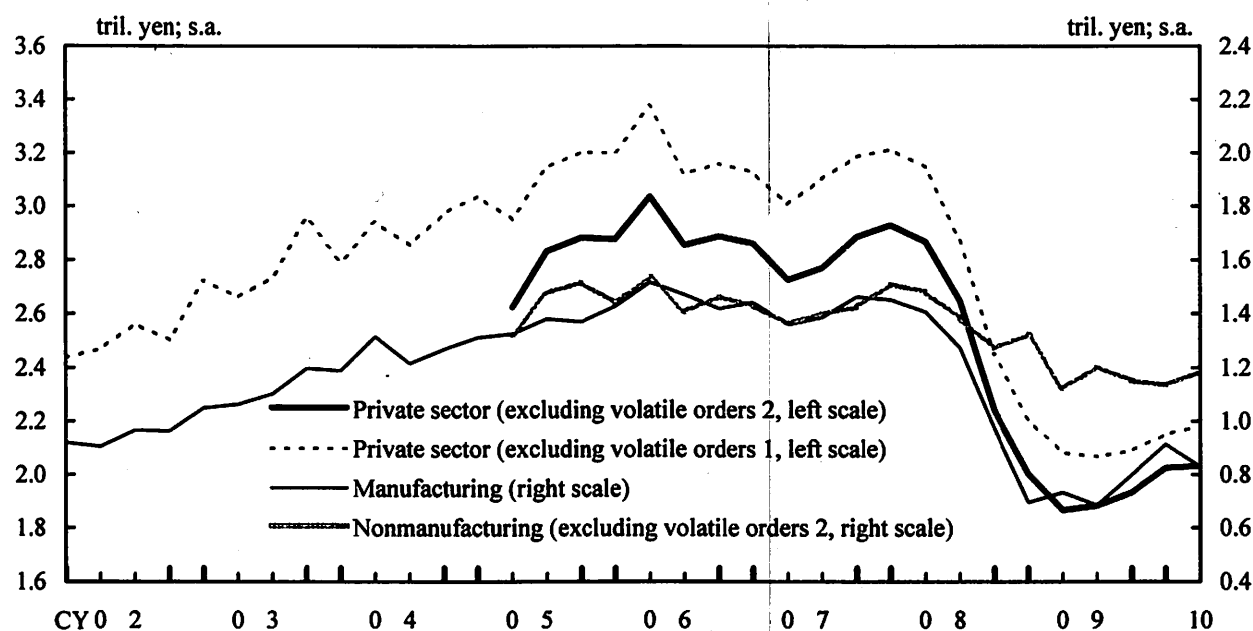
Figures from the December 2003 survey are on a new basis.

3. The figure for 2010/Q2 is April-May average.

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

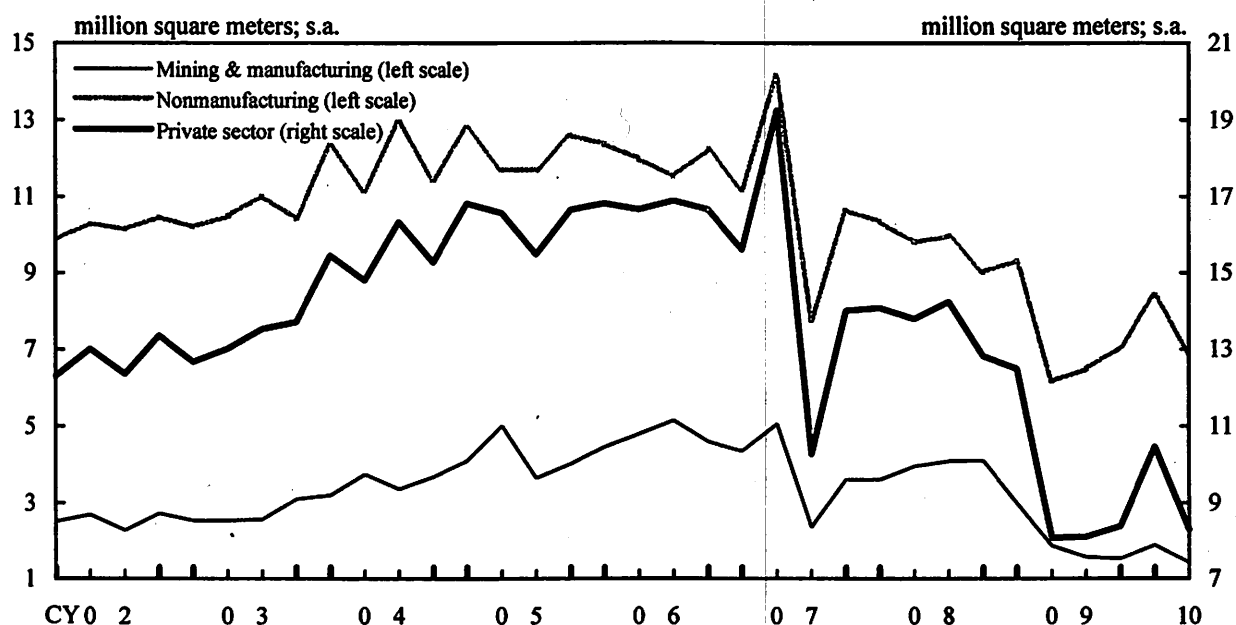


Notes: 1. Volatile orders 1: Orders for ships and those from electric power companies.

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

2. Figures for 2010/Q2 are those of April-May 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.

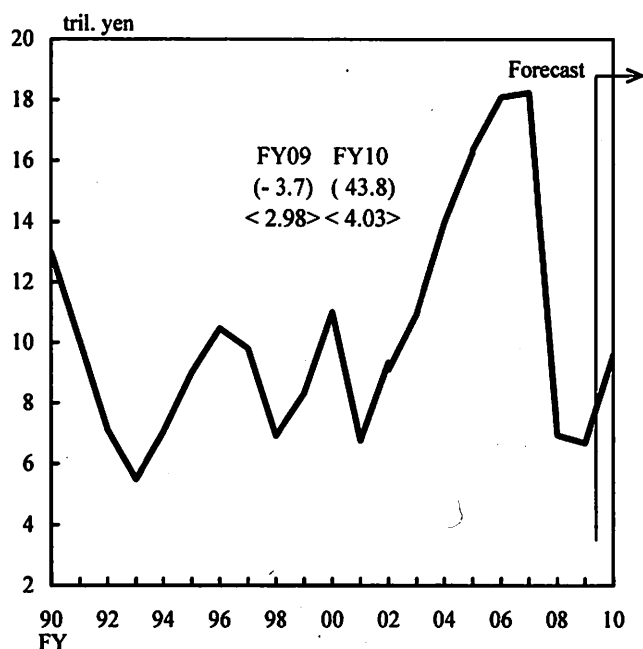
3. Figures for 2010/Q2 are those of April-May in terms of quarterly amount.

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

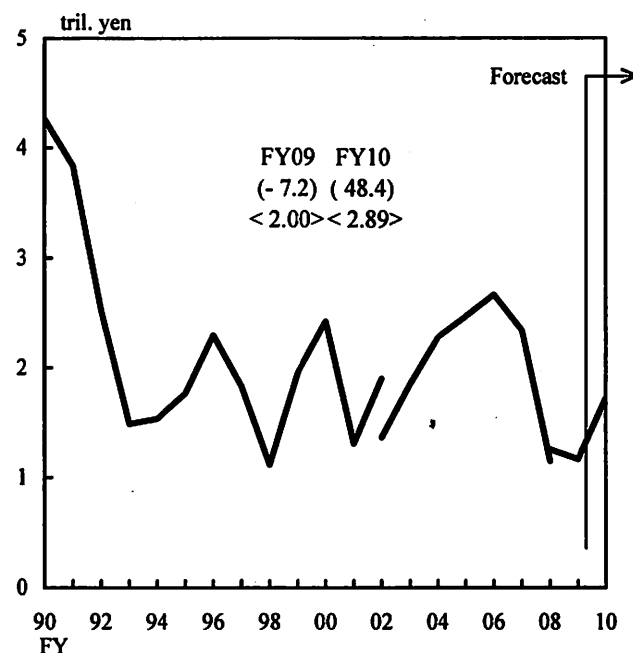
Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts."

Current Profits

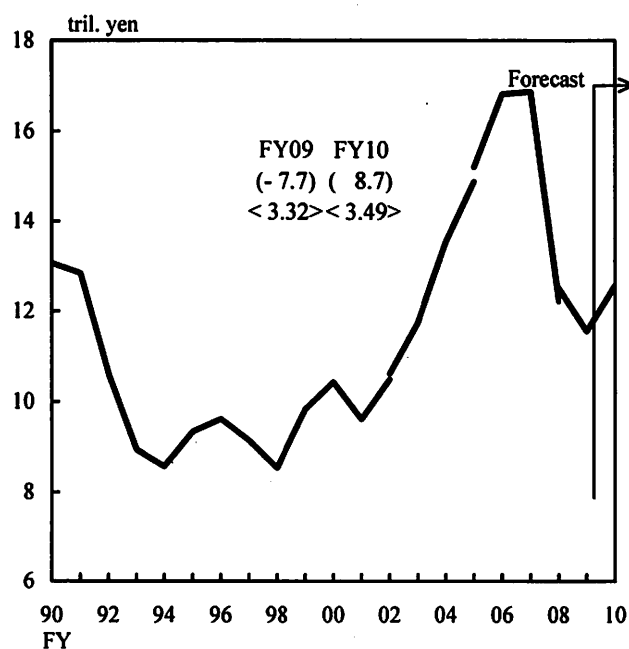
(1) Large Manufacturing Enterprises



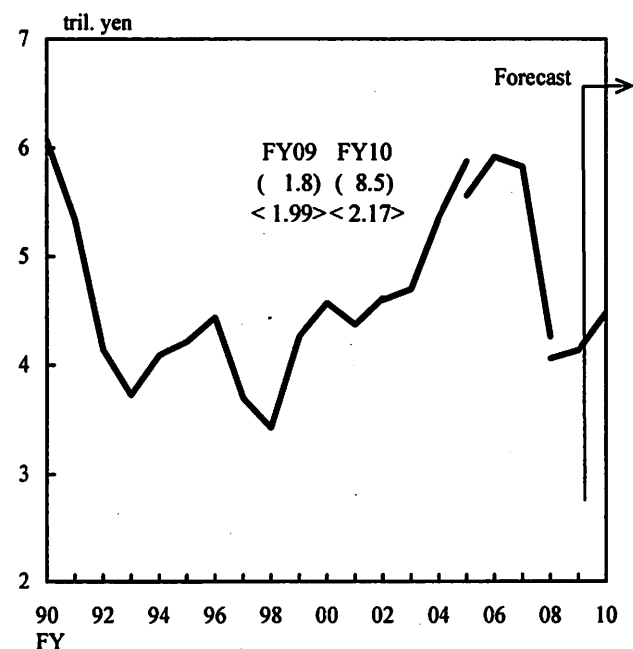
(2) Small Manufacturing Enterprises



(3) Large Nonmanufacturing Enterprises



(4) Small Nonmanufacturing Enterprises



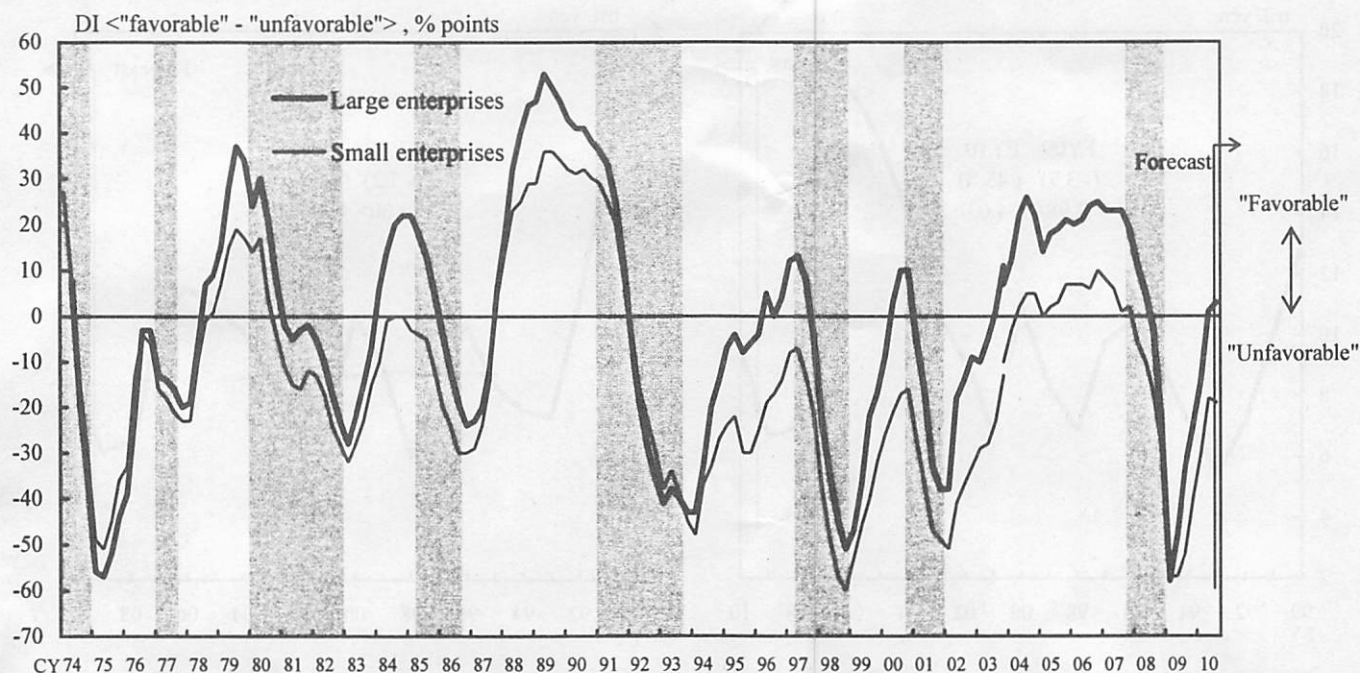
Notes: 1. () : Current profits (y/y % chg.), < > : Ratio of current profit to sales (%).

2. In the March 2004 survey, the *Tankan* underwent major revisions, including the addition of new sample enterprises to the survey. In the March 2007 survey and the March 2010 survey, regular revisions were made to the sample enterprises. The data show some discontinuities coincided with these timings.

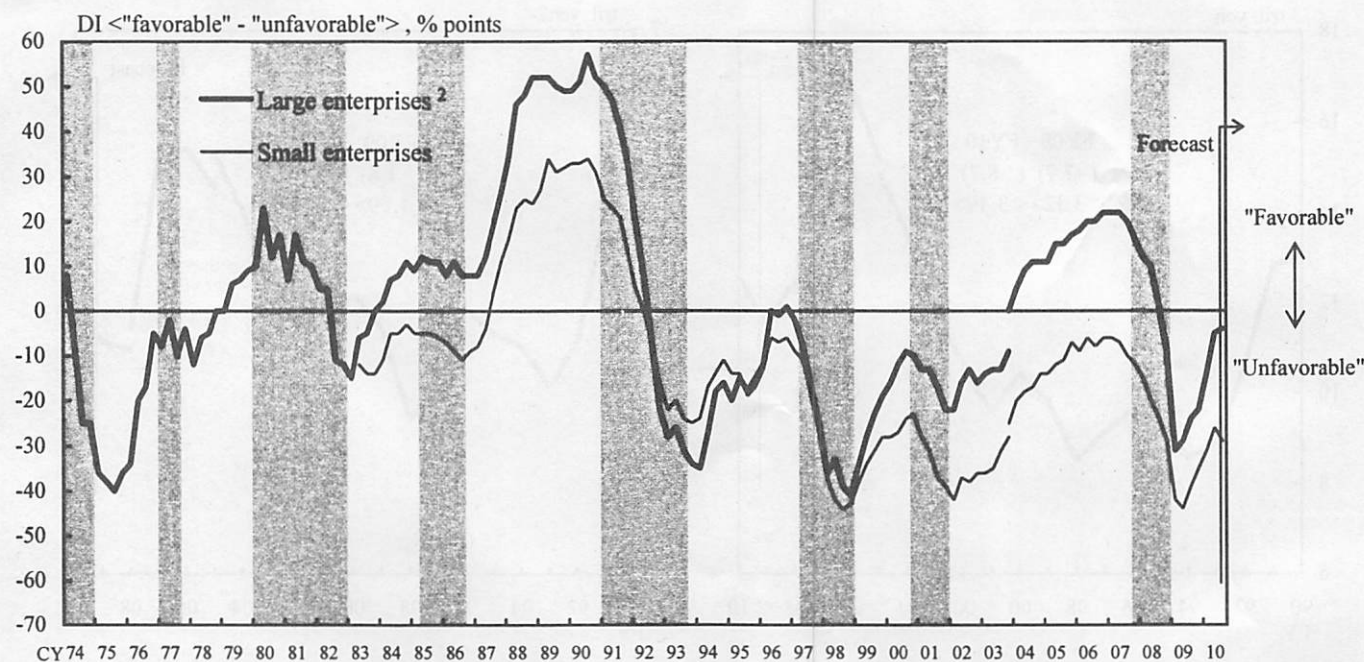
Source: Bank of Japan, "*Tankan*, Short-term Economic Survey of Enterprises in Japan."

Business Conditions

(1) Manufacturing



(2) Nonmanufacturing



Notes: 1. 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.

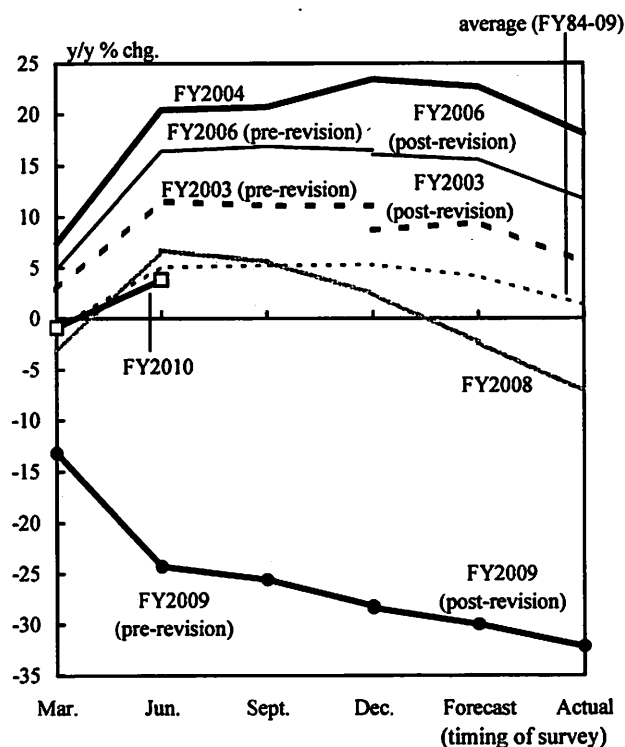
2. Data prior to Feb. 1983 are those of principal enterprises.

3. Shaded areas indicate recession periods.

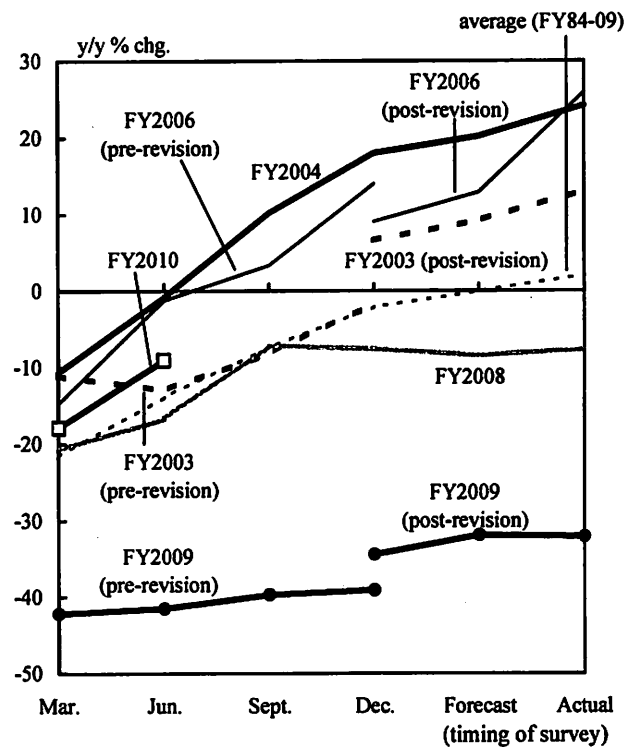
Source: Bank of Japan, "*Tankan*, Short-term Economic Survey of Enterprises in Japan."

Business Fixed Investment Plans as Surveyed

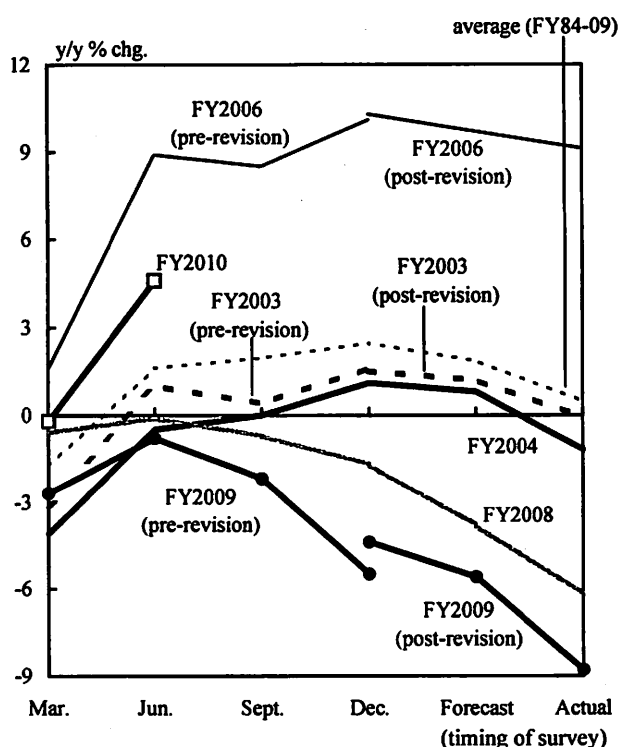
(1) Large Manufacturing Enterprises



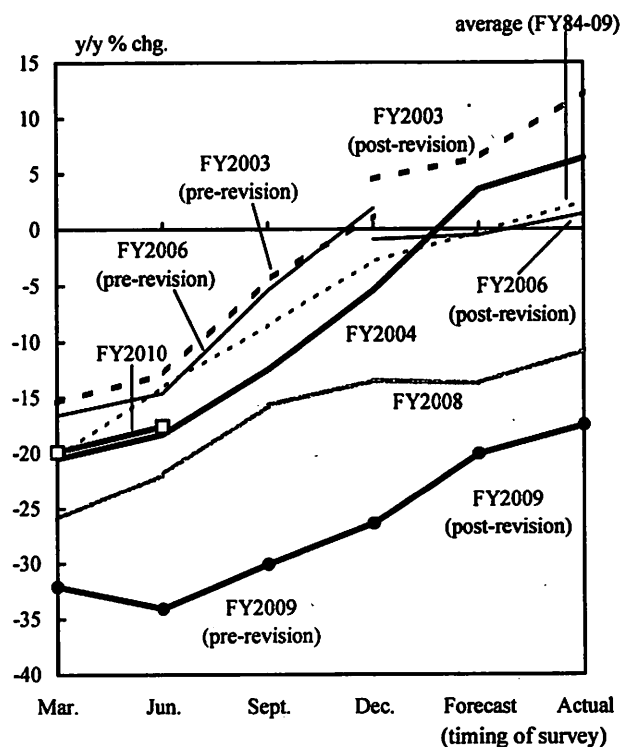
(2) Small Manufacturing Enterprises



(3) Large Nonmanufacturing Enterprises



(4) Small Nonmanufacturing Enterprises



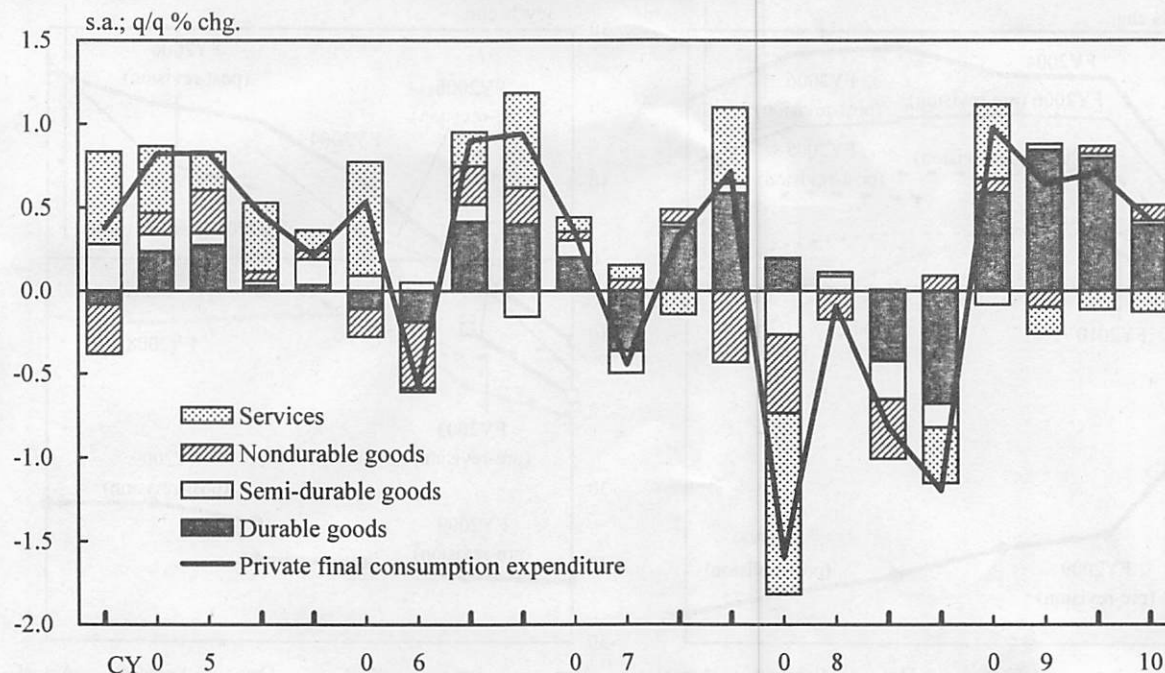
Notes: 1. Includes land purchasing expenses and excludes software investment.

2. In the March 2004 survey, the *Tankan* underwent major revisions, including the addition of new sample enterprises to the survey. In the March 2007 survey and the March 2010 survey, regular revisions were made to the sample enterprises. The data show some discontinuities coincided with these timings.

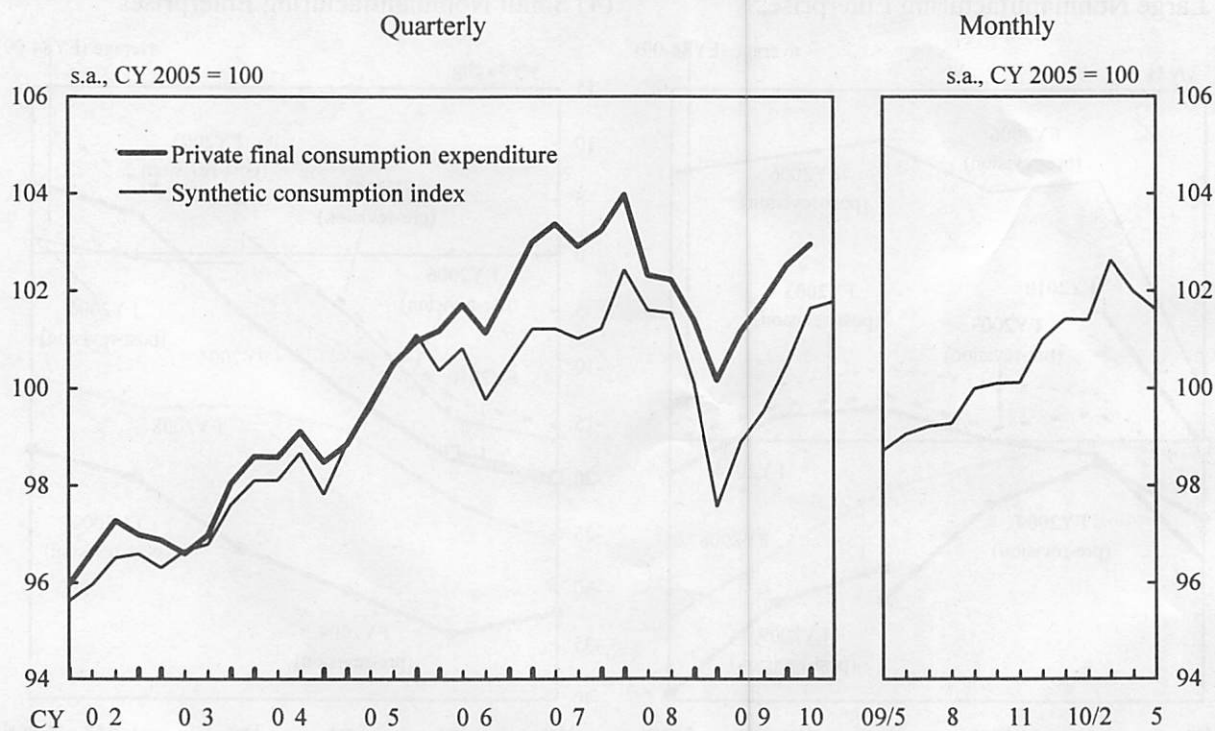
Source: Bank of Japan, "*Tankan*, Short-term Economic Survey of Enterprises in Japan."

Indicators for Private Consumption (1)

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



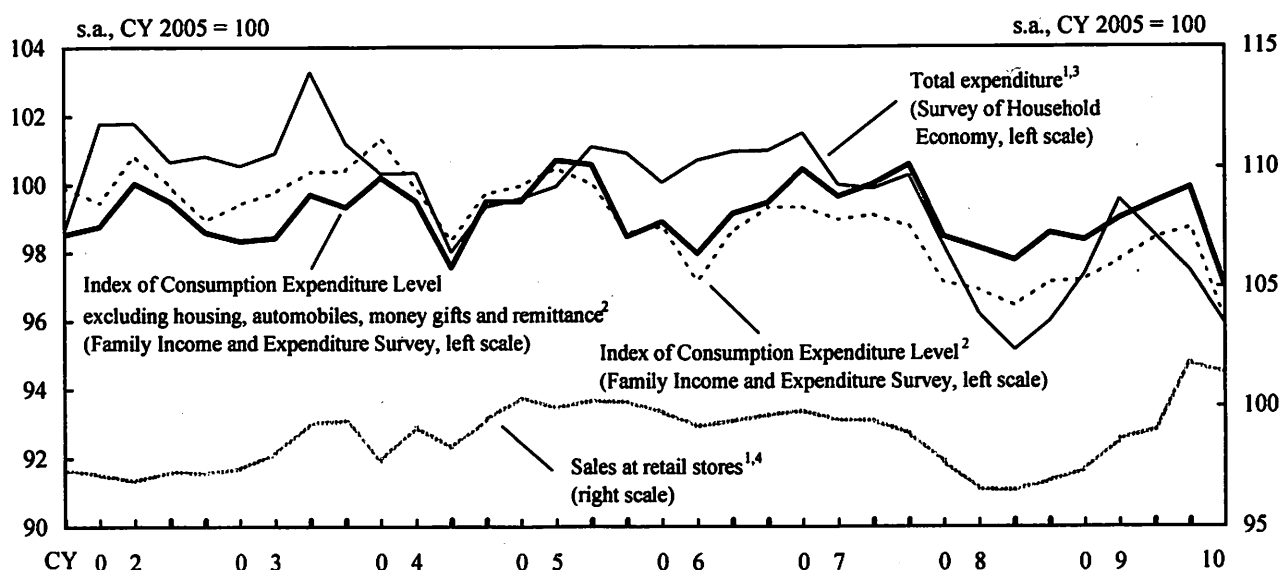
(2) Private Final Consumption Expenditure and Synthetic Consumption Index (Real)



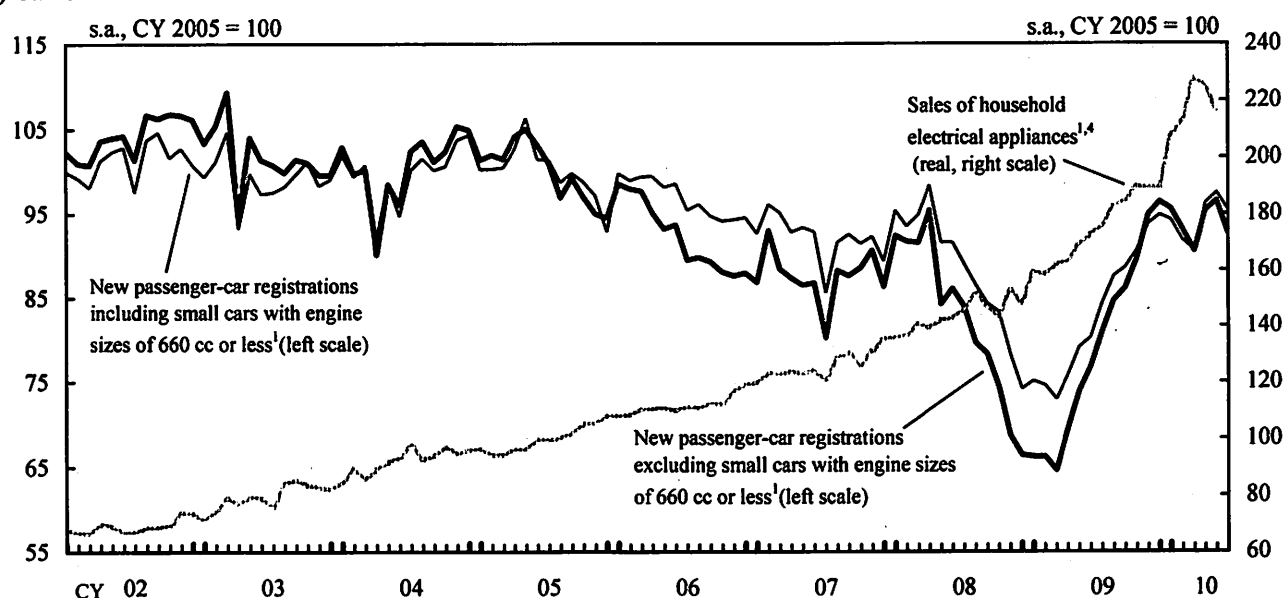
Note: The figure of synthetic consumption index for 2010/Q2 is that of April-May averages in terms of quarterly amount.

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

Indicators for Private Consumption (2)

(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.

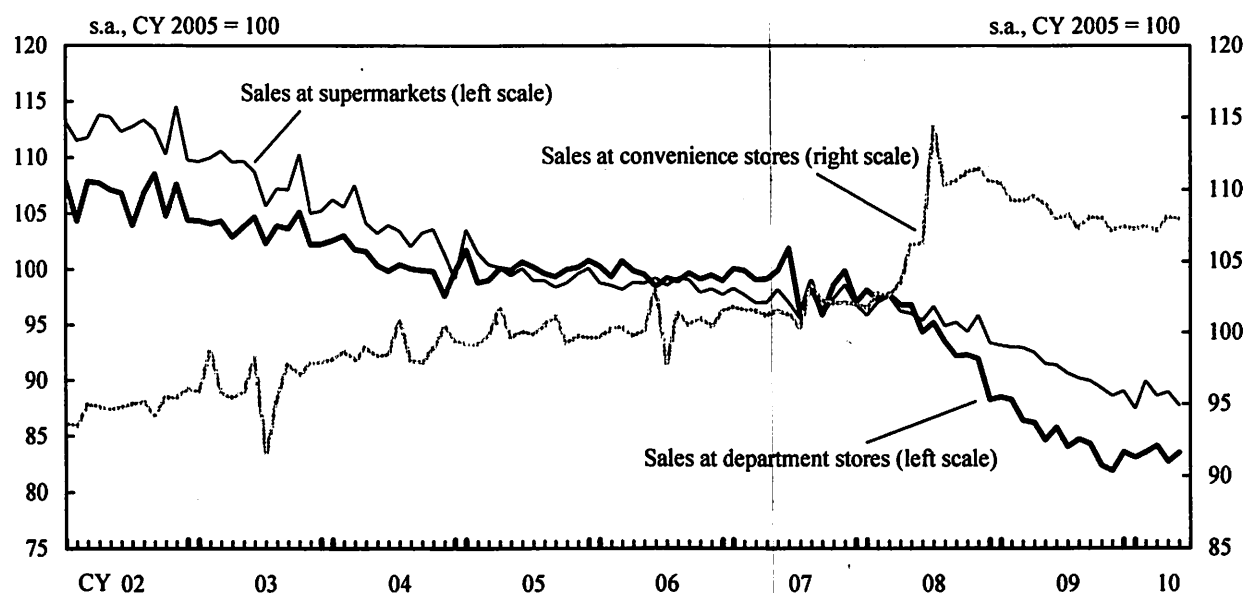
3. Total expenditure is based on two-or-more-person households, and is deflated by the consumer price index excluding imputed rent.

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

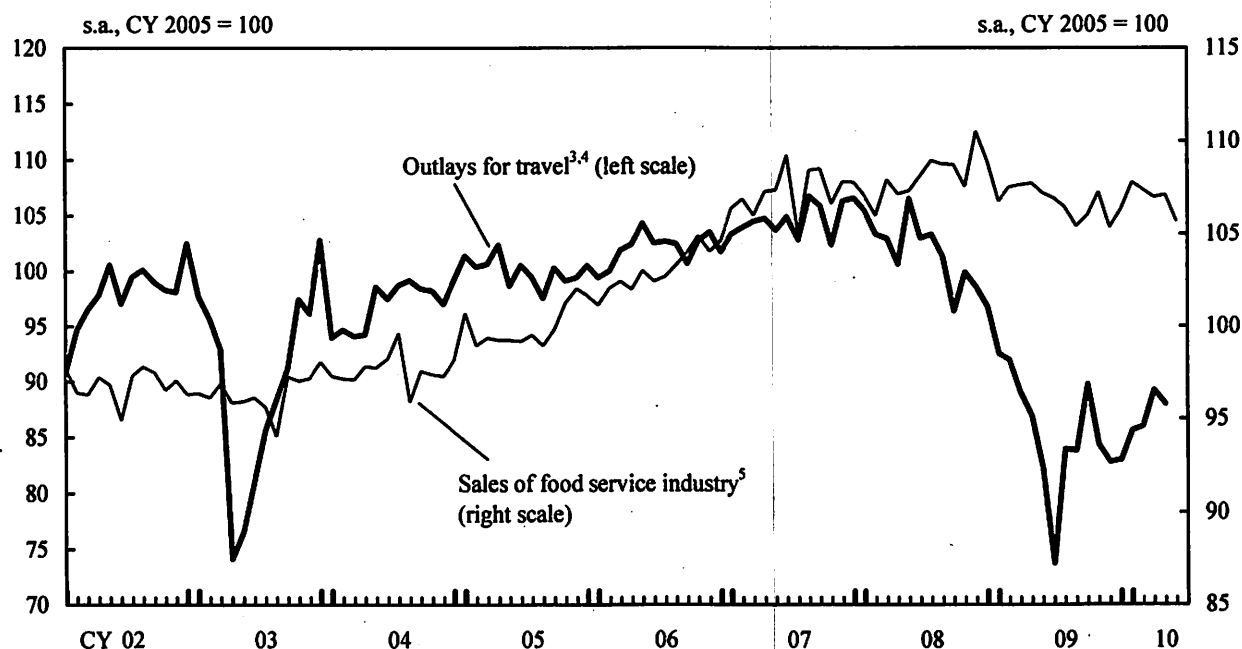
Sales of household electrical appliances are calculated as follows: indices of retail sales of machinery and equipment in the Current Survey of Commerce are deflated by the geometric means of the corresponding consumer price indexes (or by the corporate goods price index for PC printers before 2002).

5. Figures for 2010/Q2 are those of April-May averages 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 (3)(1) Sales at Retail Stores (Nominal)²

(2) Consumption of Services (Nominal)



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

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

3. Excluding those by foreign travelers.

4. There are discontinuities in the underlying data as of April 2007 and April 2010 due to changes in the sample. Data from April 2007 and onward are calculated using the year-on-year rate of changes.

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.

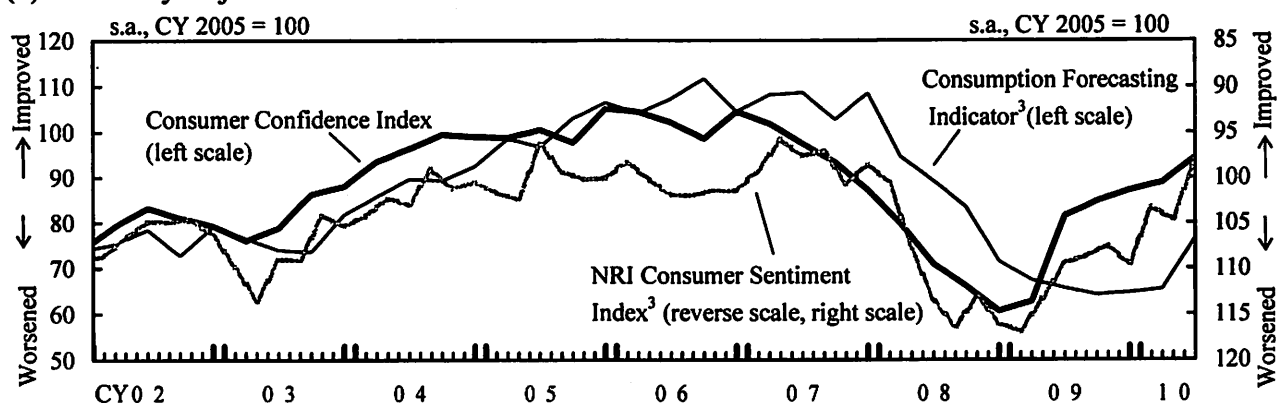
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce";

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

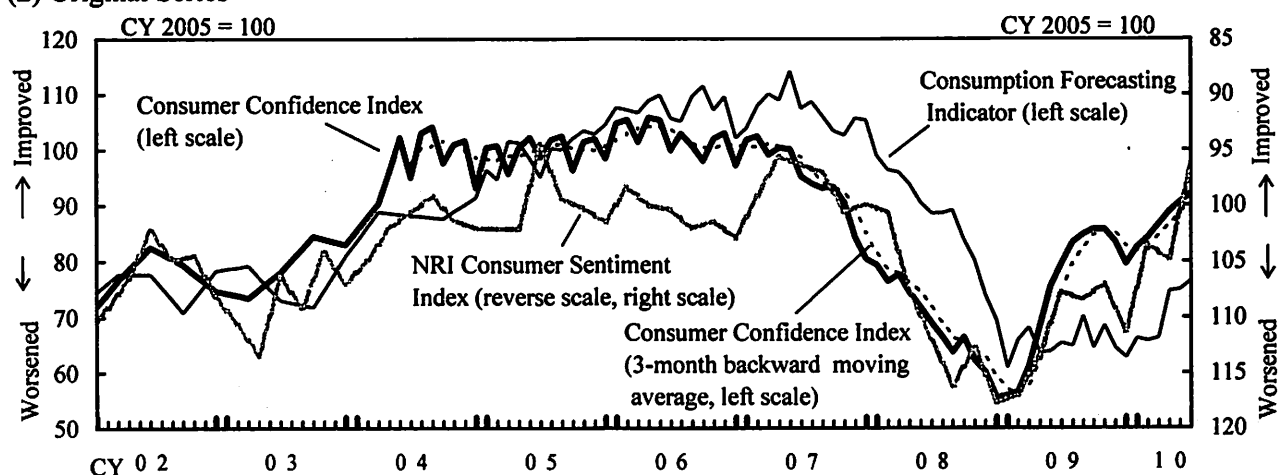
Food Service Industry Survey & Research Center, "Getsuji Uriage Doukou Chousa (Monthly Survey of Food Service Sales)"; Japan Food Service Association, "Gaishoku Sangyou Shijou Doukou Chousa (Research on the Food Service Industry)."

Consumer Confidence^{1,2}

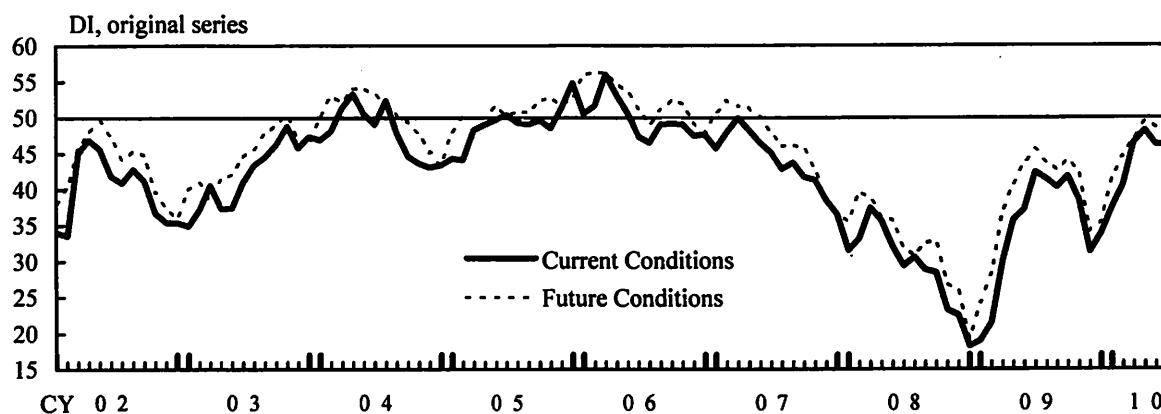
(1) Seasonally Adjusted Series



(2) Original Series



Reference: Economy Watchers Survey (Household Activity)

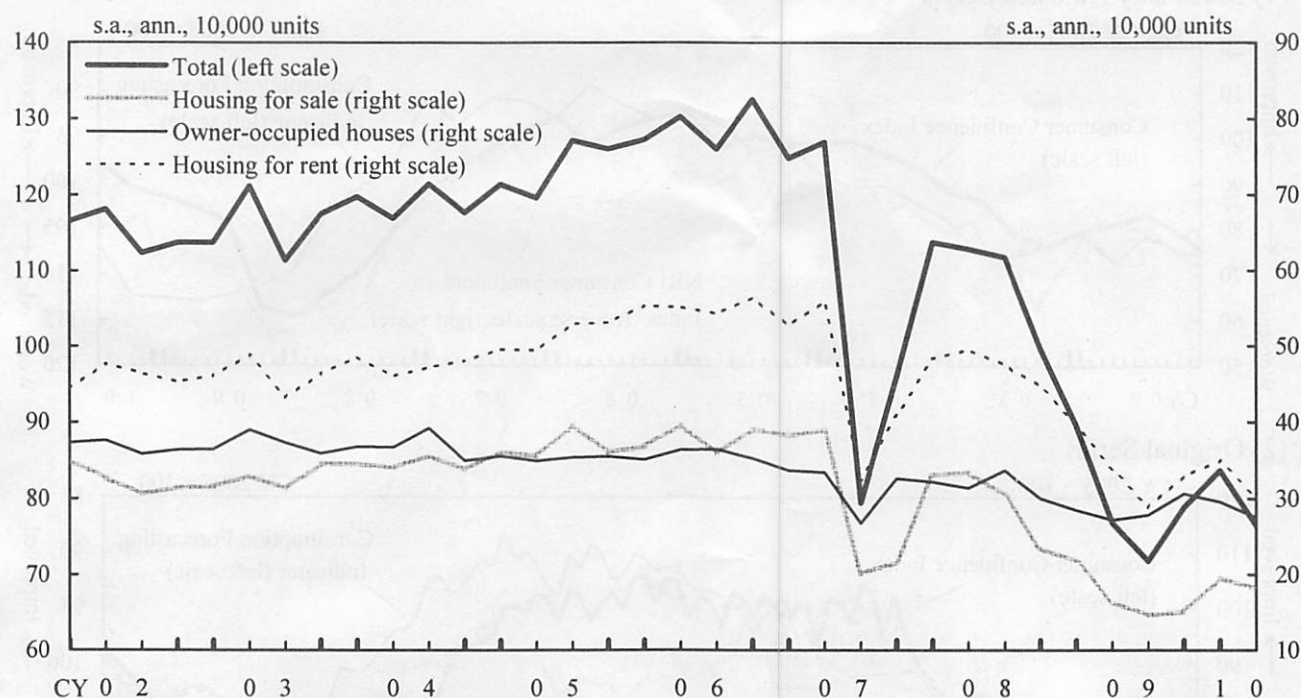


- Notes: 1. The Consumer Confidence Index (with about 4,700 samples on a nationwide basis), Consumption Forecasting Indicator (with 600 samples in the metropolitan area), and NRI Consumer Sentiment Index (with 1,200 samples on a nationwide basis) are based on surveys on consumer confidence.
2. Figures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

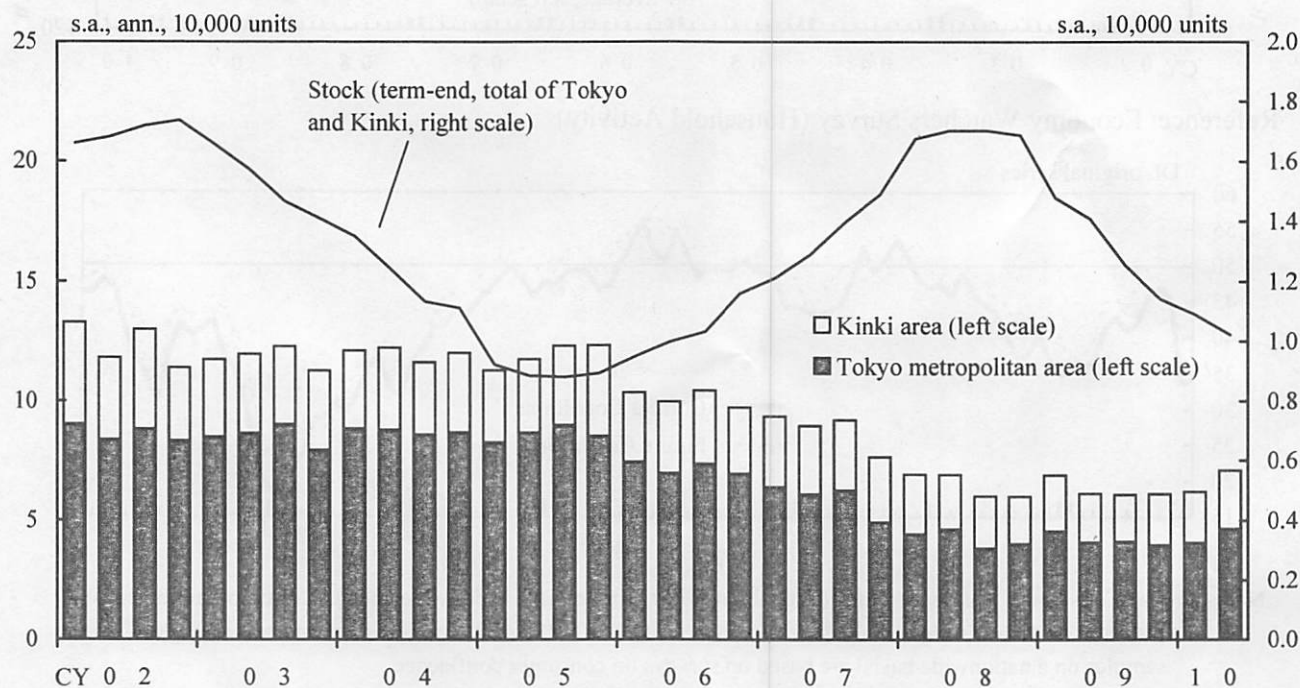
Indicators for Housing Investment

(1) Housing Starts



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

(2) Sales of Apartments



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

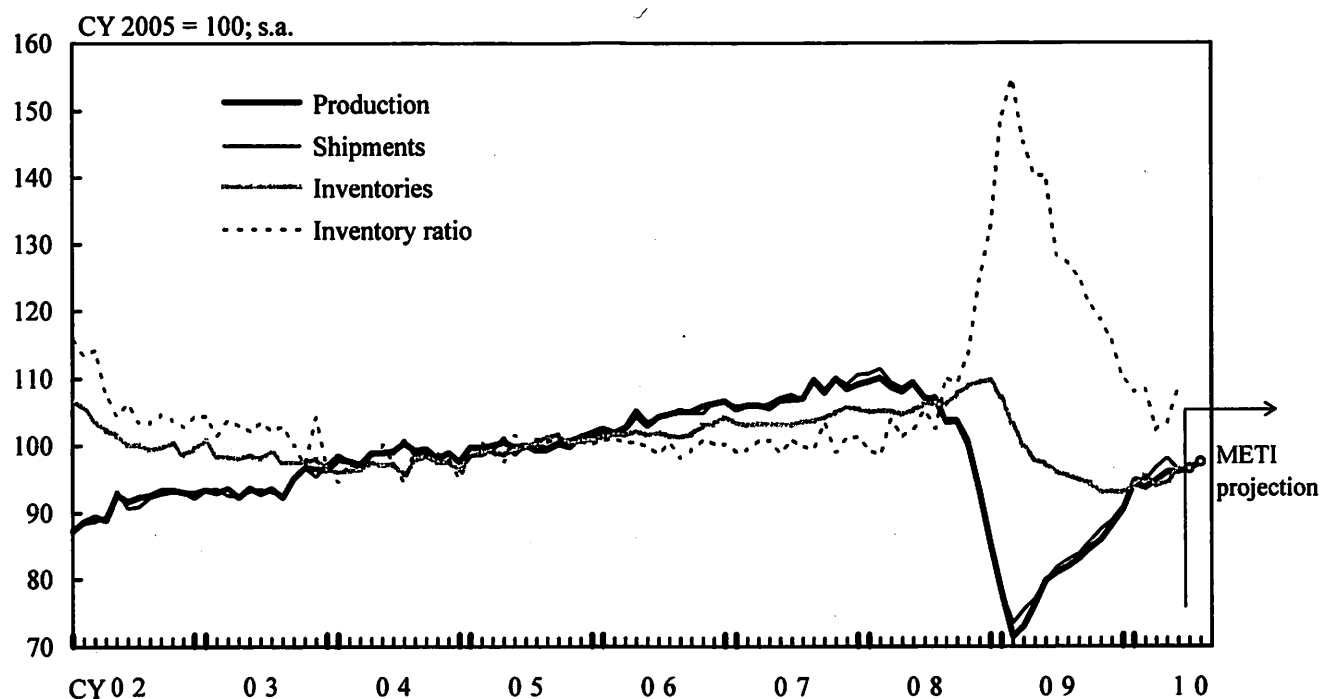
2. Figures of total apartments sales for 2010/Q2 are those of April-May averages.

Term-end stocks for 2010/Q2 are those of May.

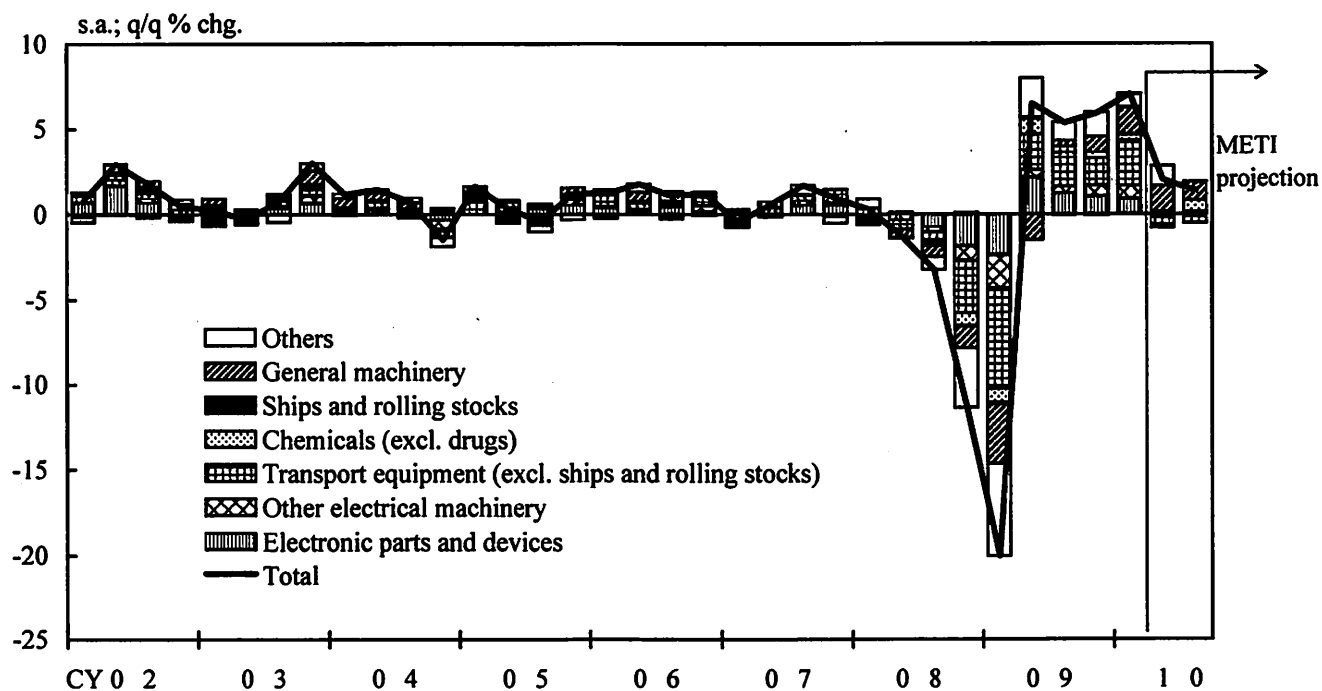
Source: Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts," etc.

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."

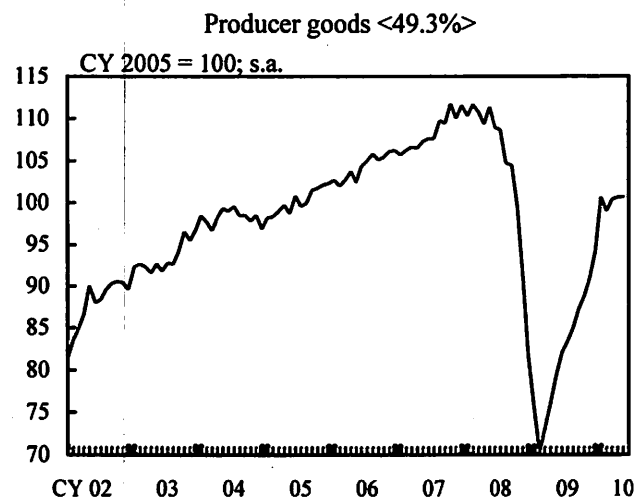
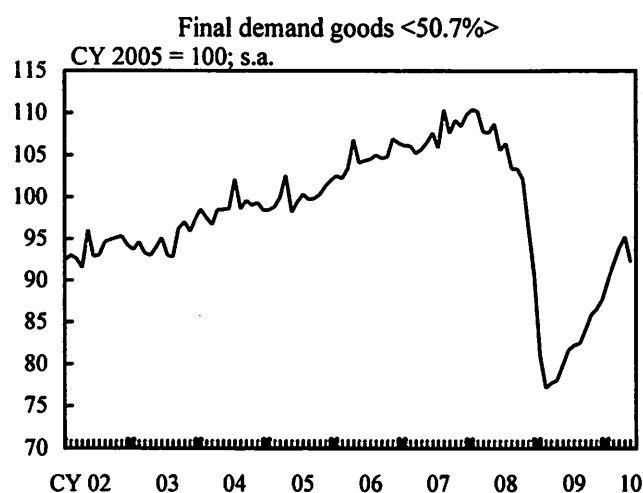
2. Figures up to 2003/Q1 are on the 2000 base.

3. 2010/Q2 figures are based on the actual production levels in April and May, and the METI projection of June. 2010/Q3 figures are based on the assumption that each production level in August and September is the same as that of July.

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

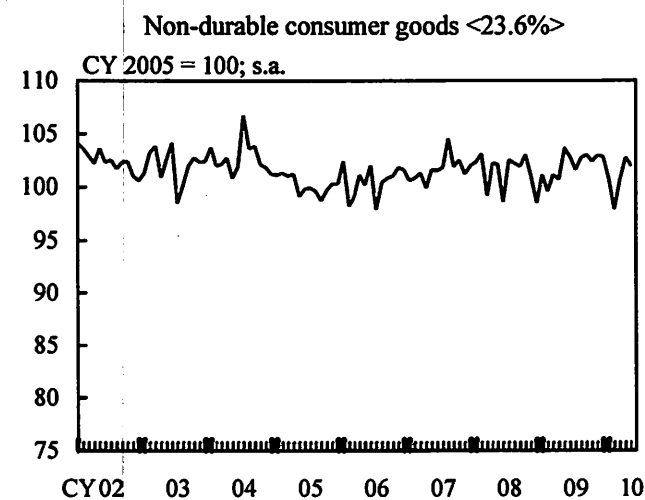
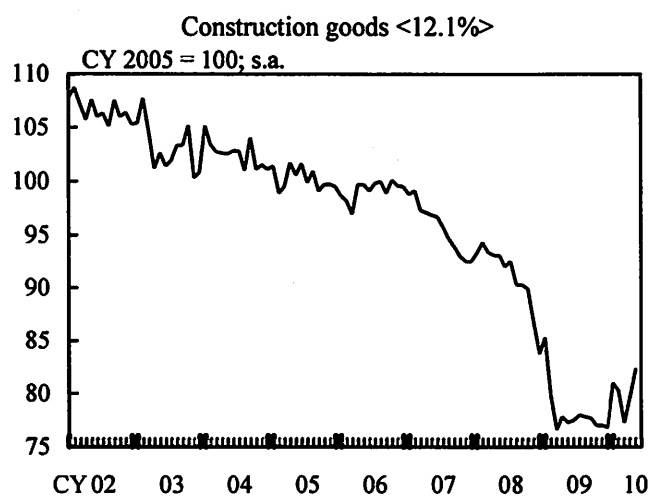
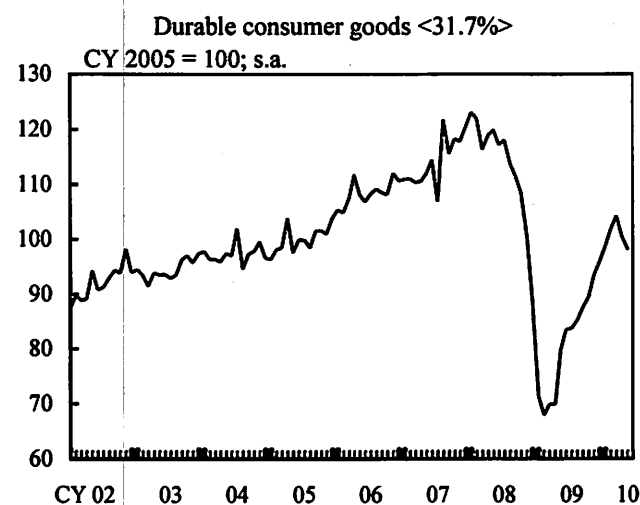
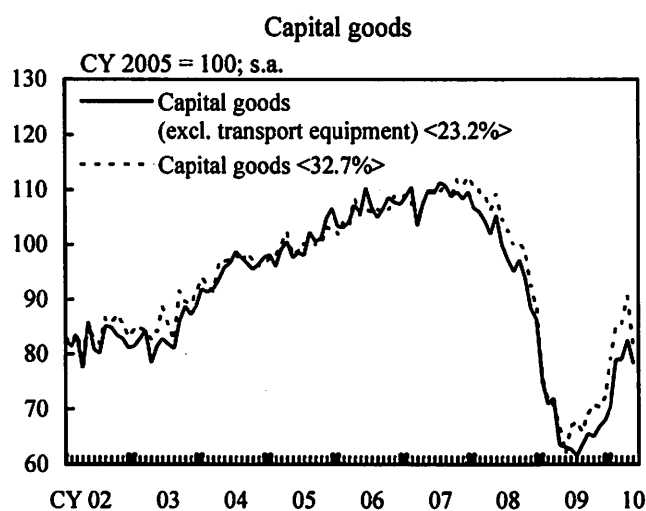
Shipments Breakdown by Type of Goods

(1) Final Demand Goods and Producer Goods



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

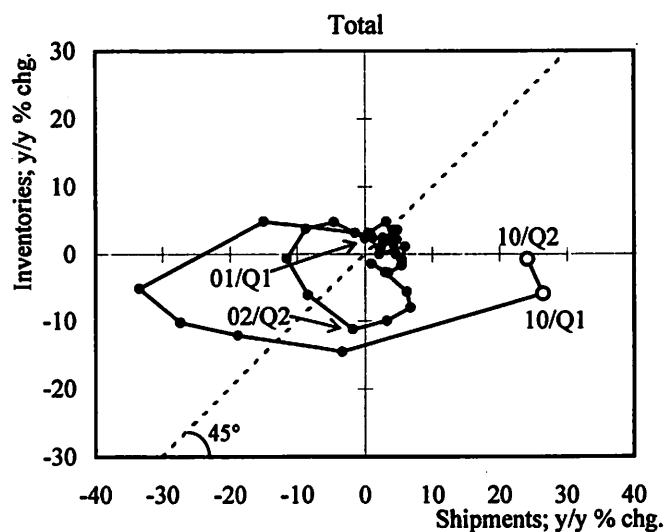
(2) Breakdown of Final Demand Goods



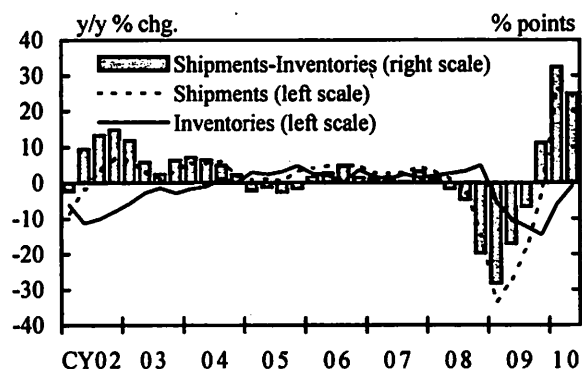
Note: Figures in angle brackets show the shares among shipments of final demand goods.

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

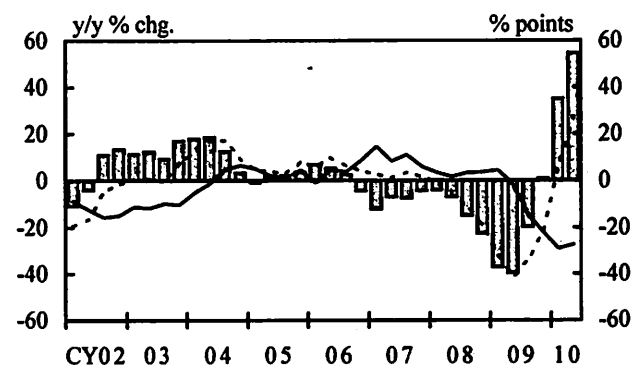
Inventory Cycle



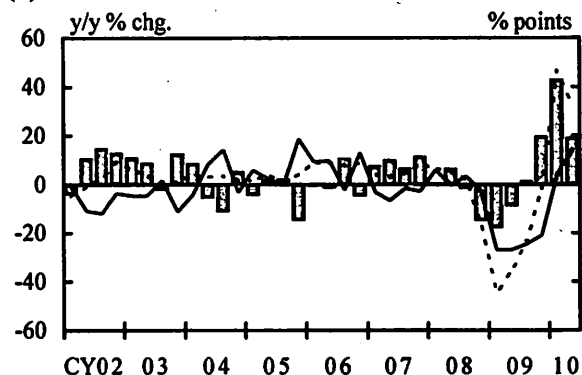
(1) Total



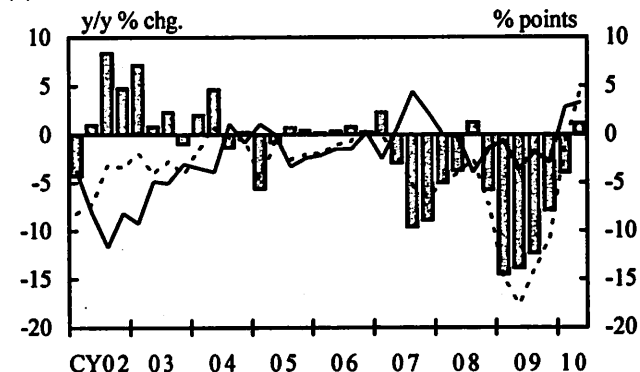
(2) Capital Goods (Excluding Transport Equipment)



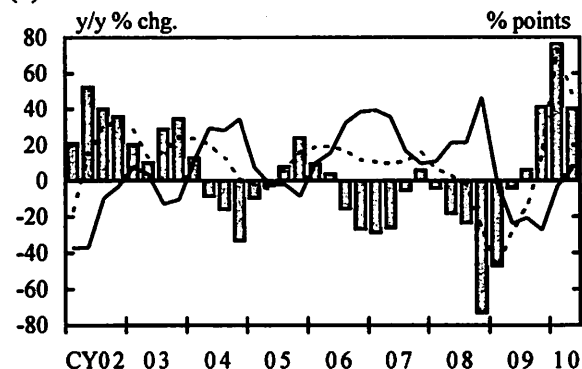
(3) Durable Consumer Goods



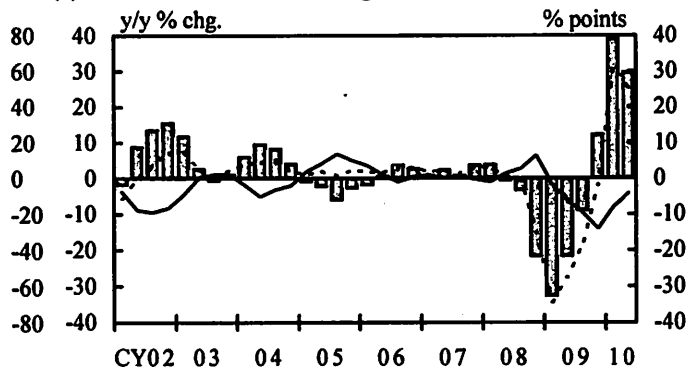
(4) Construction Goods



(5) Electronic Parts and Devices



(6) Producer Goods Excluding Electronic Parts and Devices



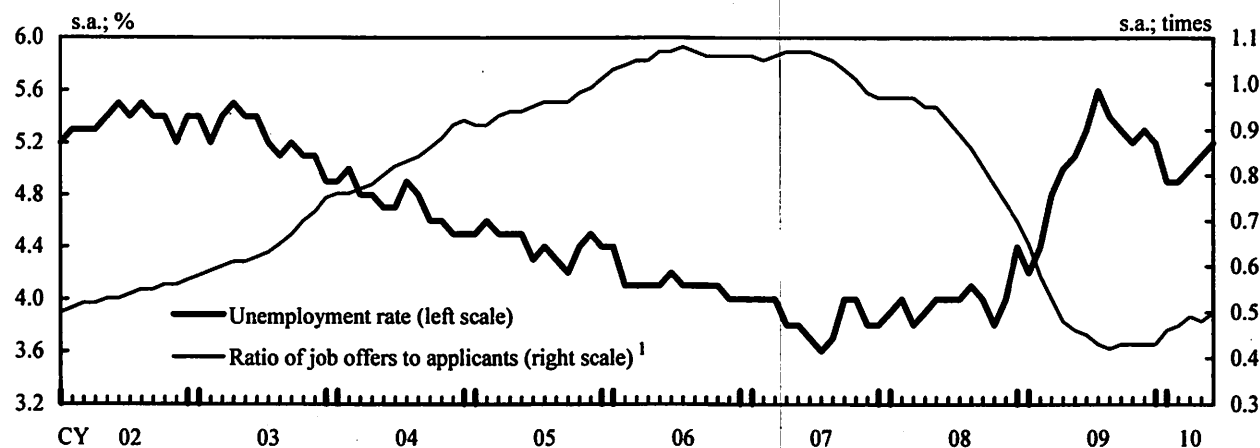
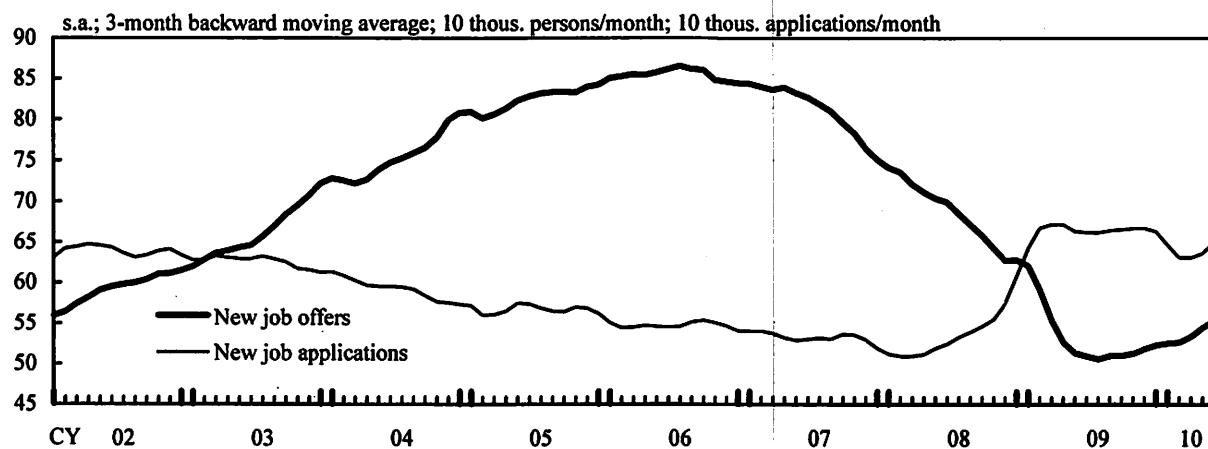
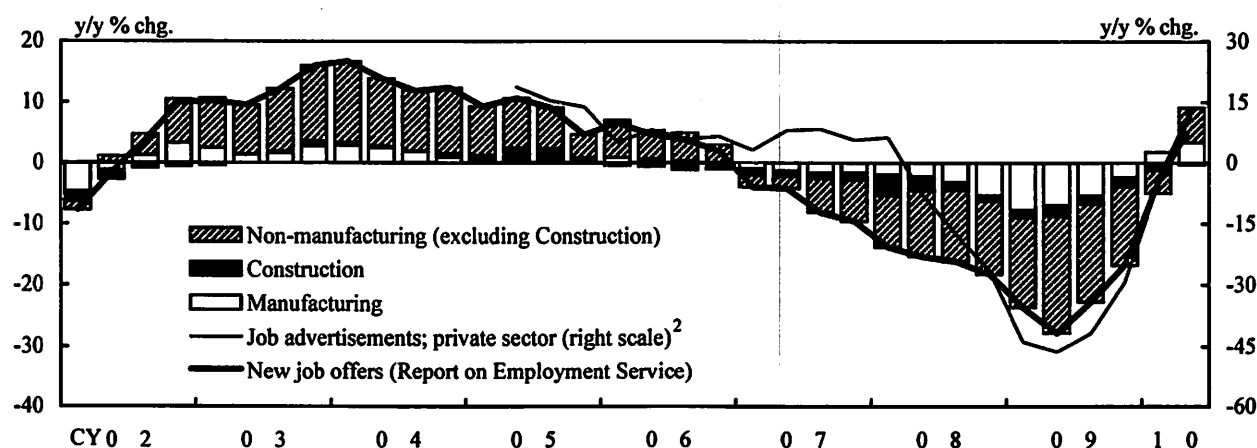
Note: Figures of Shipments for 2010/Q2 are those of April-May averages.

Inventories for 2010/Q2 are those of May.

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.

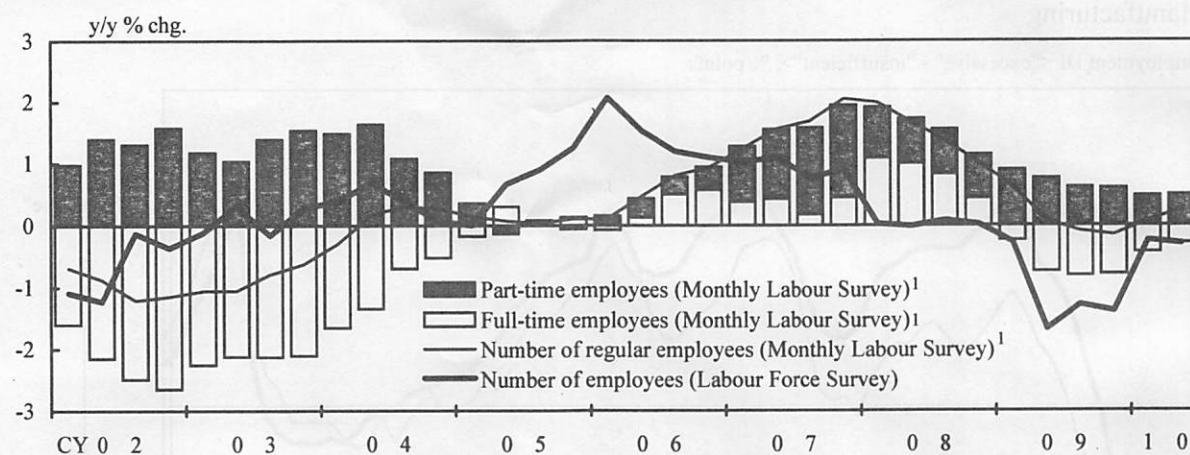
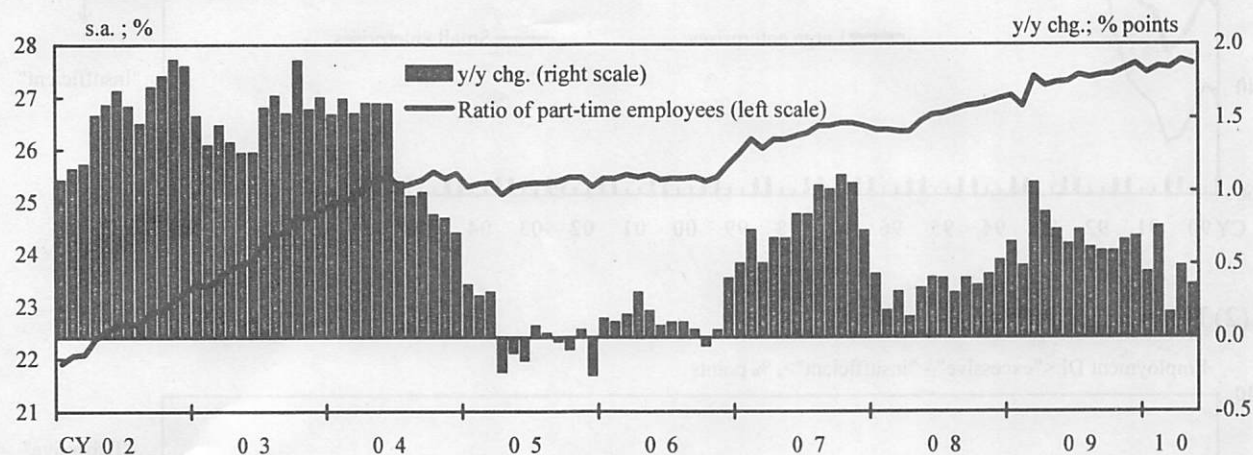
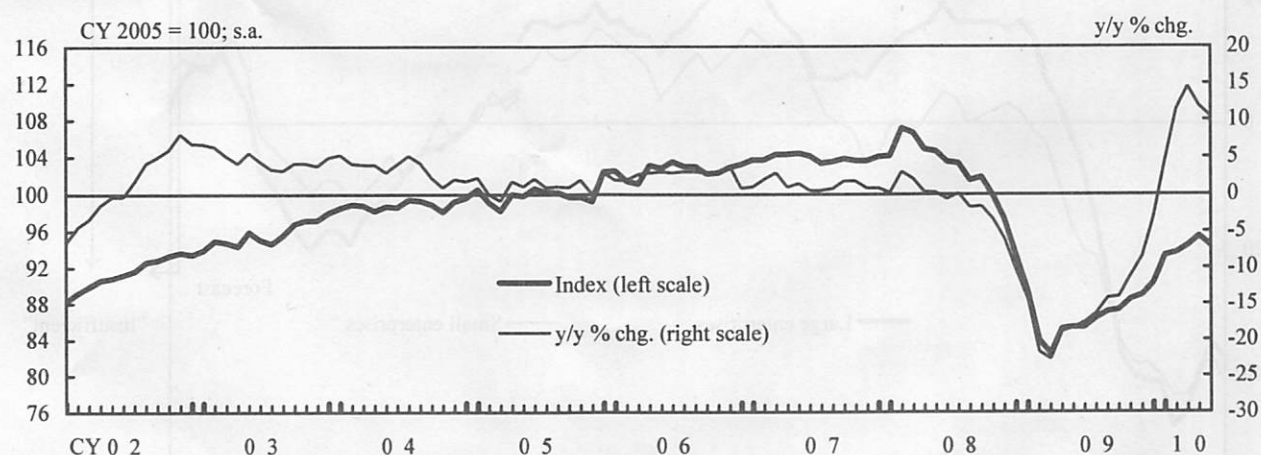
2. Figures are the sum of job advertisements listed in free/paid job information magazines, newspaper inserts and job information websites provided by member companies of the Association.

3. Figures for 2010/Q2 are those of April-May averages.

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 Keisaiensu (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.

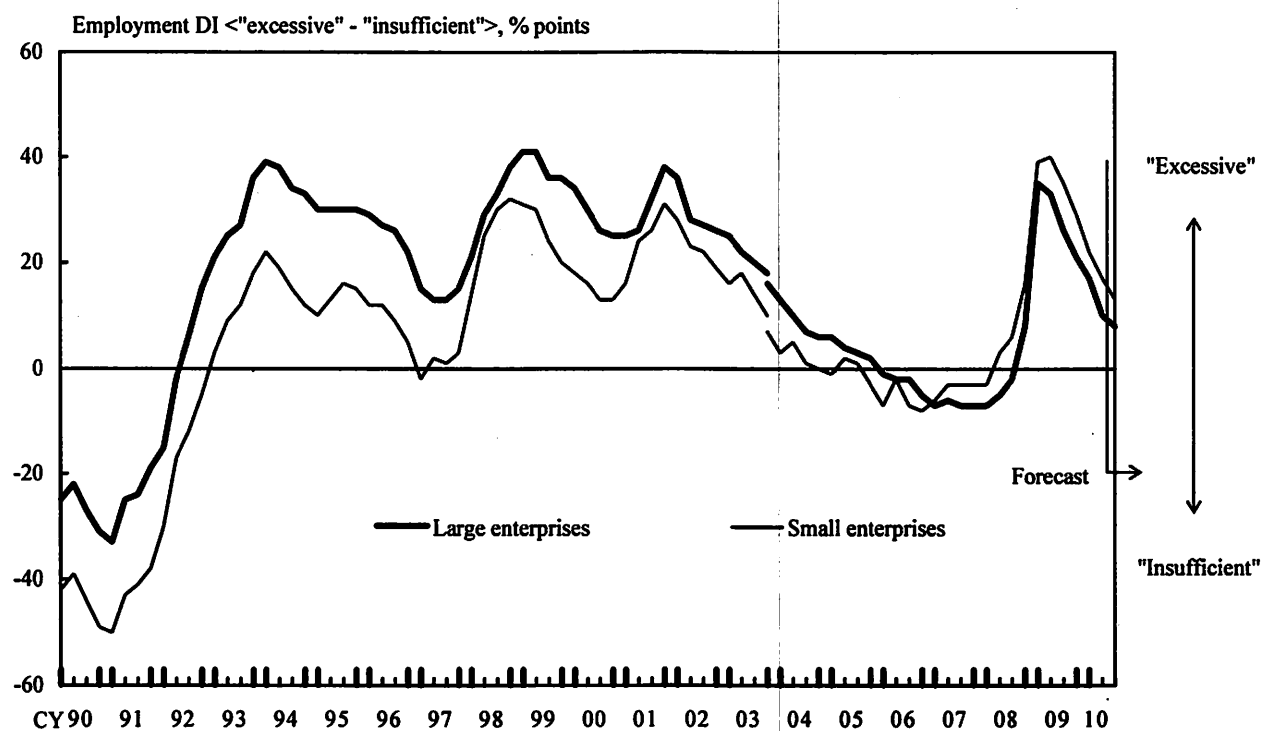
2. The ratio of part-time employees is calculated as the number of part-time employees divided by the number of regular employees times 100.

3. Figures for 2010/Q2 are those of April-May averages.

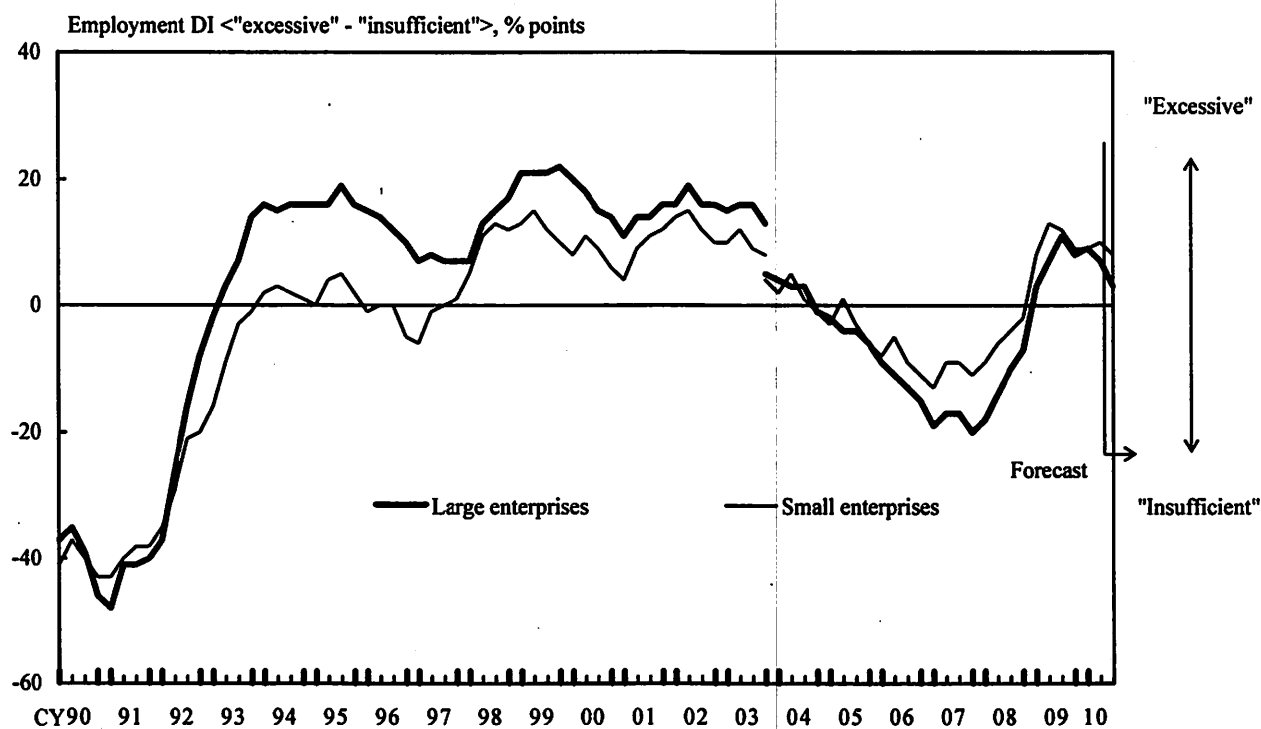
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
Ministry of Internal Affairs and Communications, "Labour Force Survey."

Employment Conditions

(1) Manufacturing



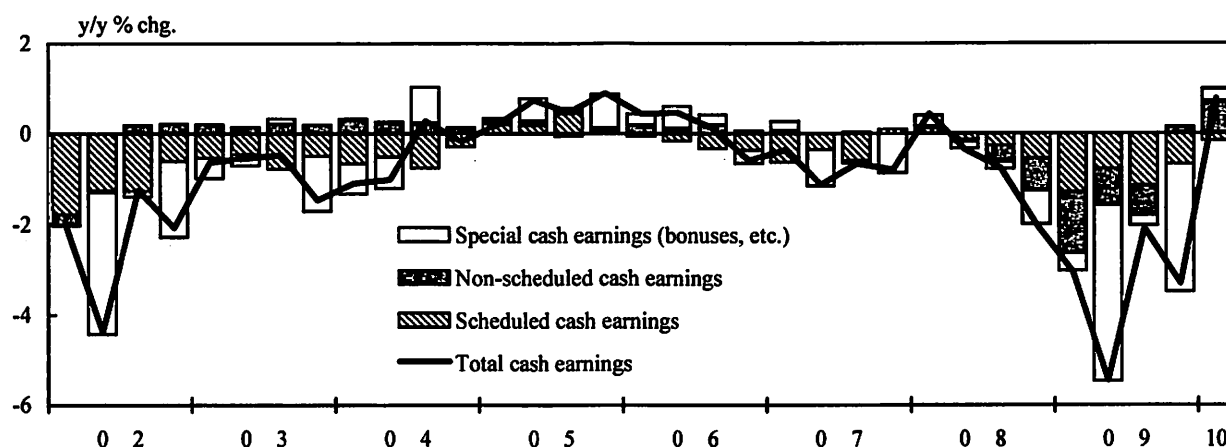
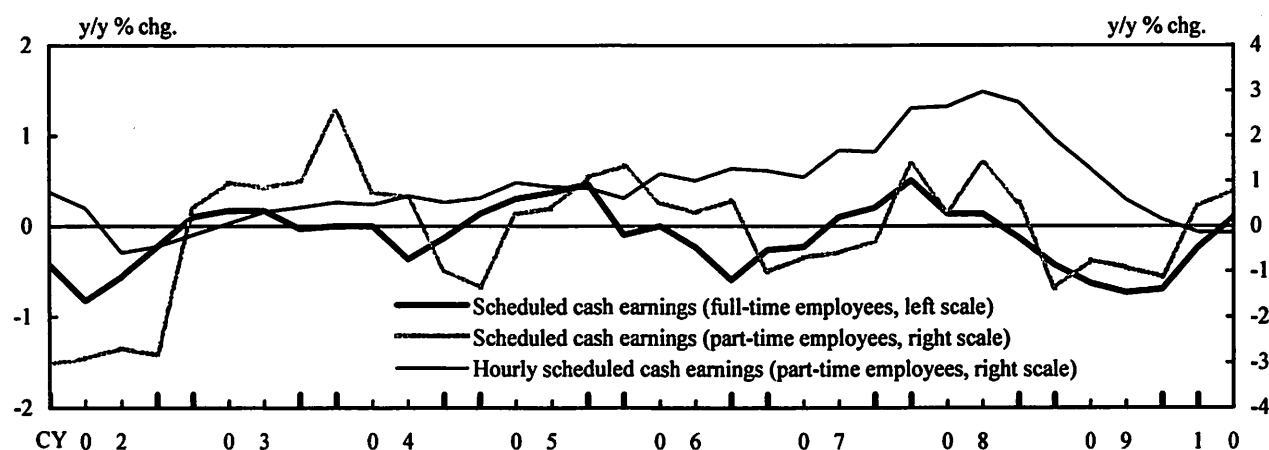
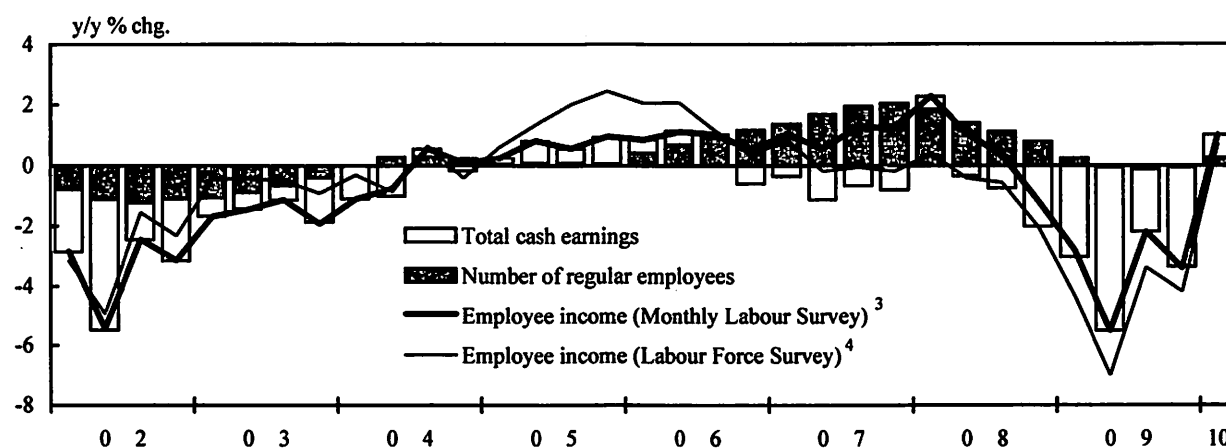
(2) Nonmanufacturing



Note: 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.

Source: Bank of Japan, "*Tankan*, Short-term Economic Survey of Enterprises in Japan."

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 Labour Survey 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).

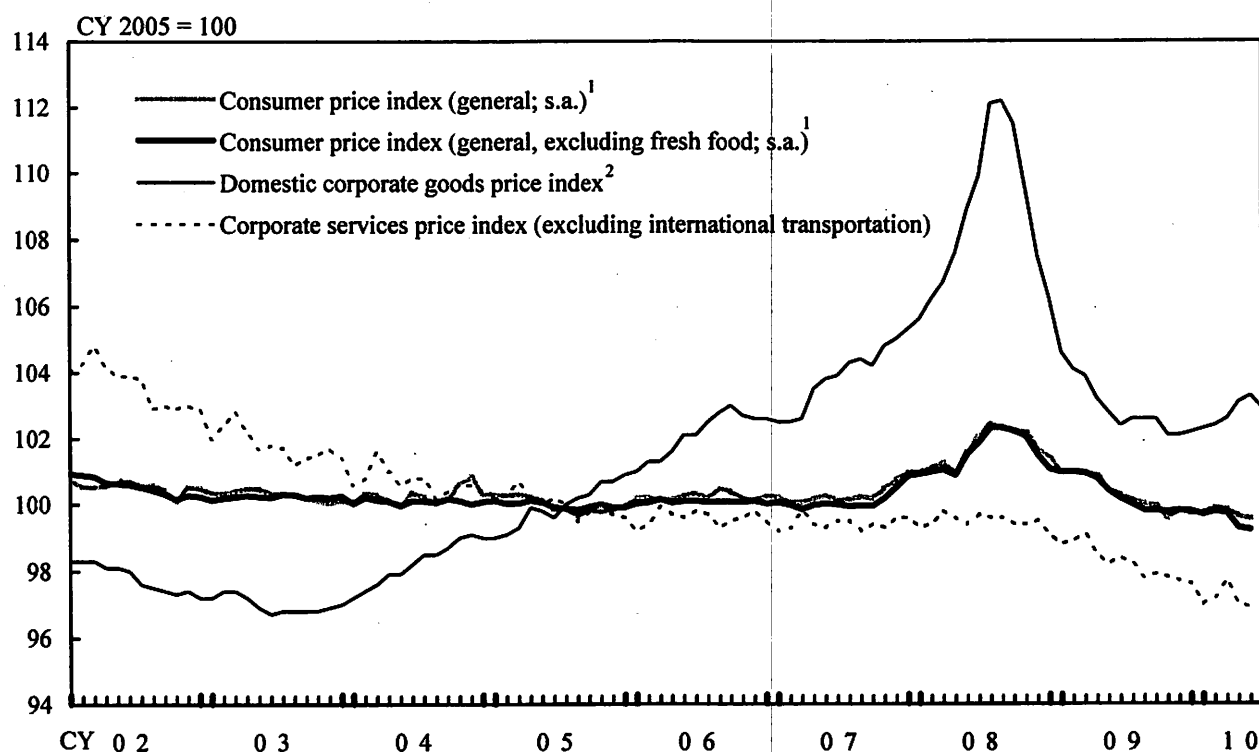
4. Calculated as the number of employees (Labour Force Survey) times total cash earnings (Monthly Labour Survey).

5. Figures for 2010/Q2 are those of April-May averages.

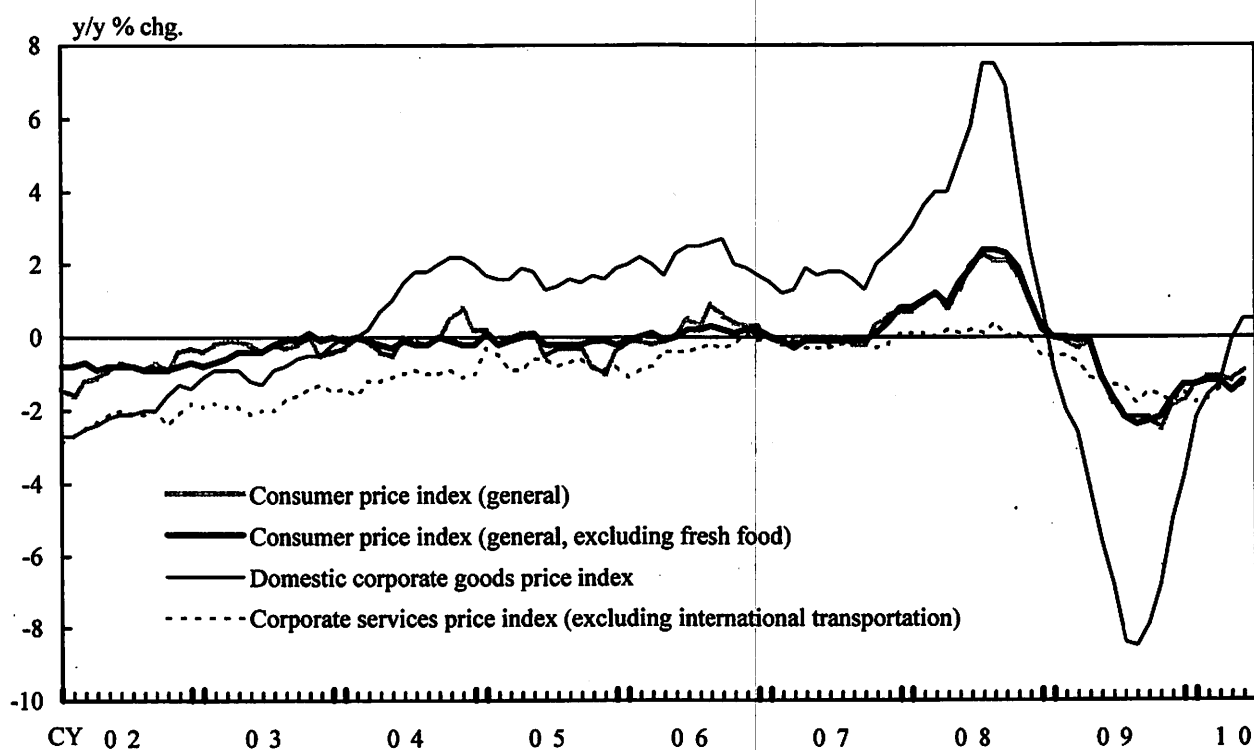
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
Ministry of Internal Affairs and Communications, "Labour Force Survey."

Prices

(1) Level



(2) Changes from a Year Earlier



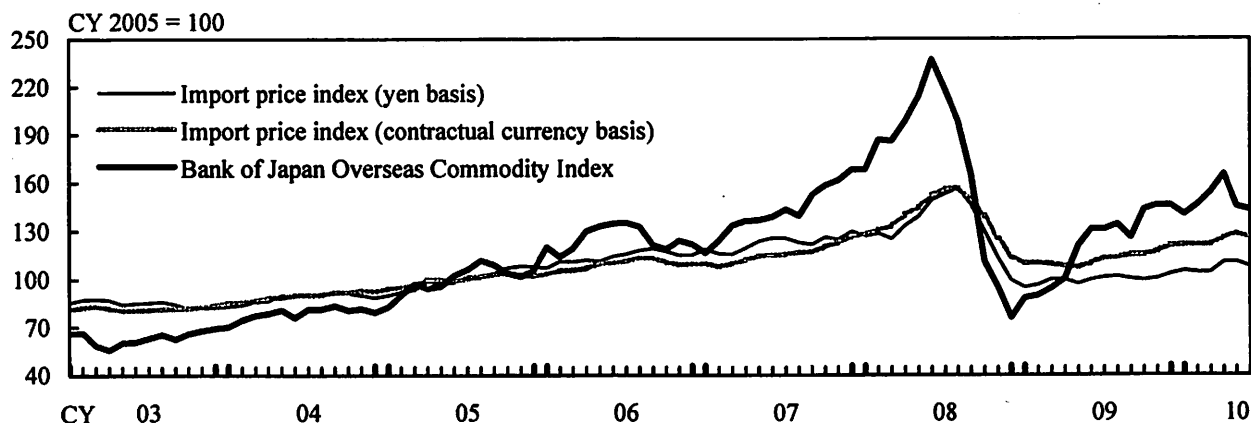
Notes: 1. Seasonally adjusted by X-12-ARIMA.

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

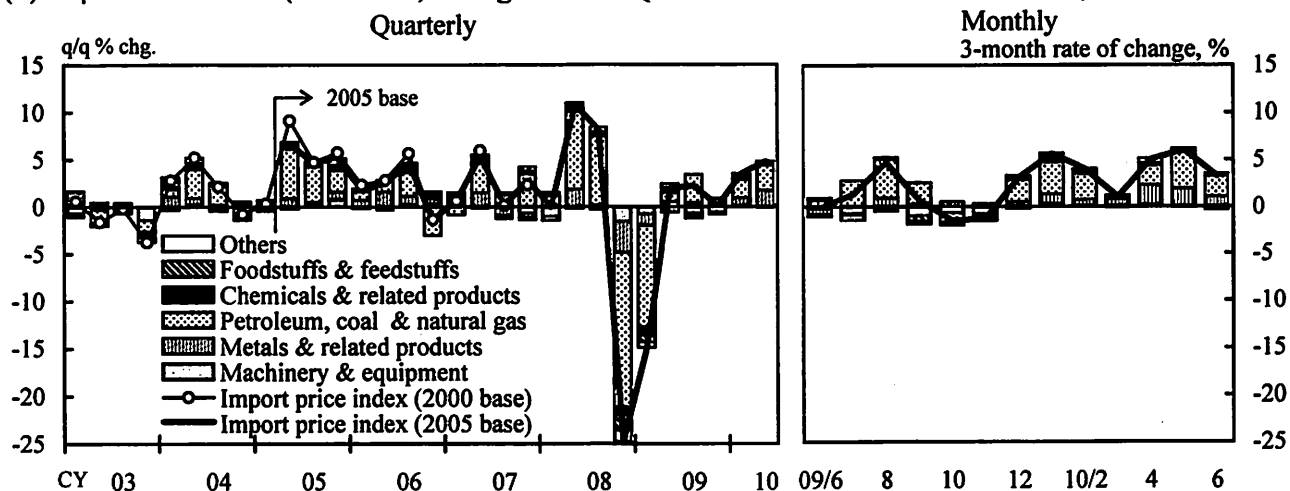
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index."

Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



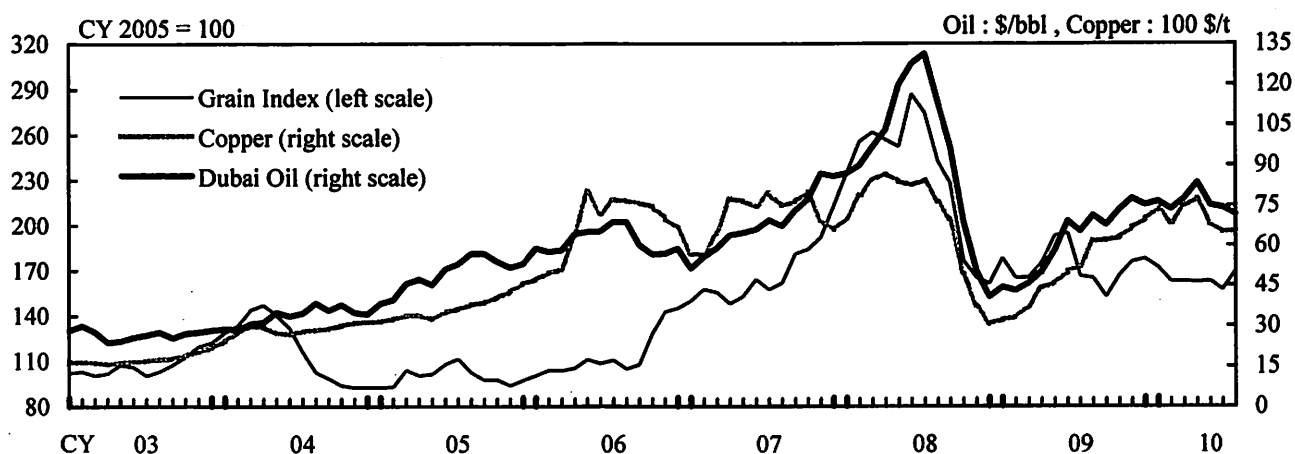
(2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



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

2. Figures for 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 July 2010 are the averages up to July 14.

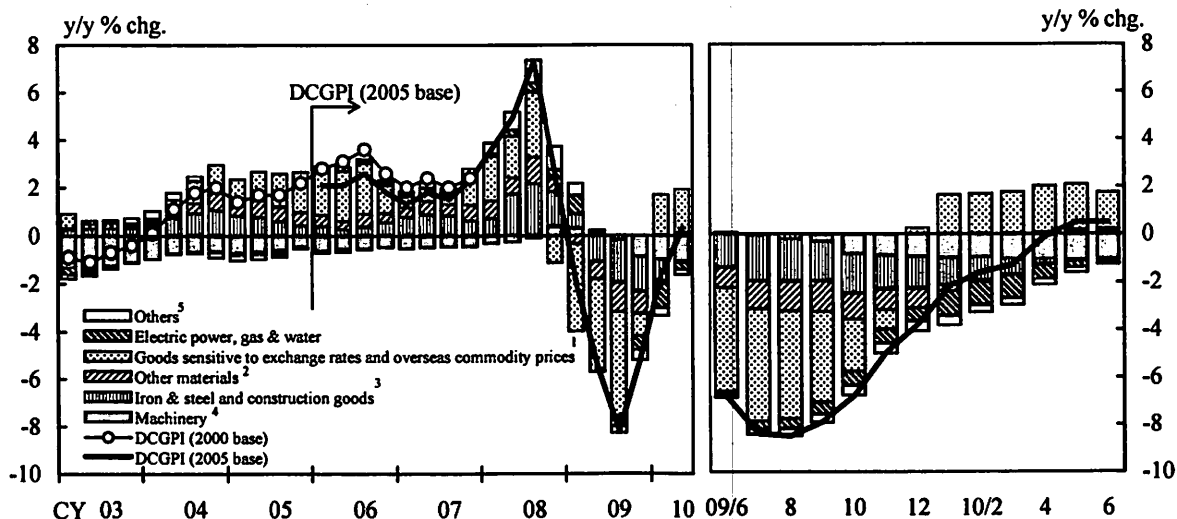
Sources: Bank of Japan, "Corporate Goods Price Index," "Bank of Japan Overseas Commodity Index," etc.

Domestic Corporate Goods Price Index⁷

(1) Changes from a Year Earlier

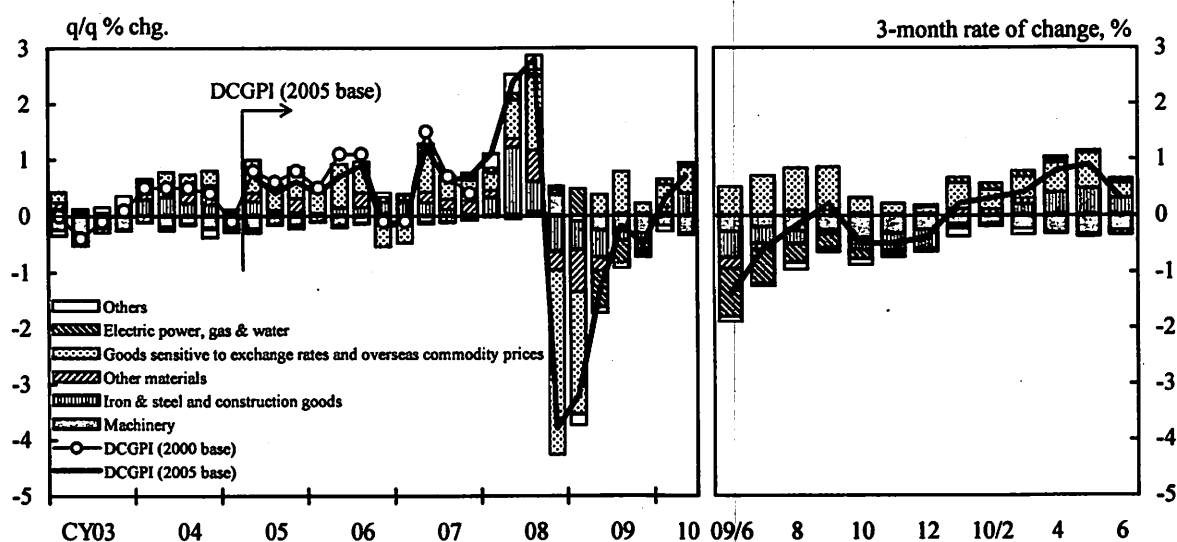
Quarterly

Monthly

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

Quarterly

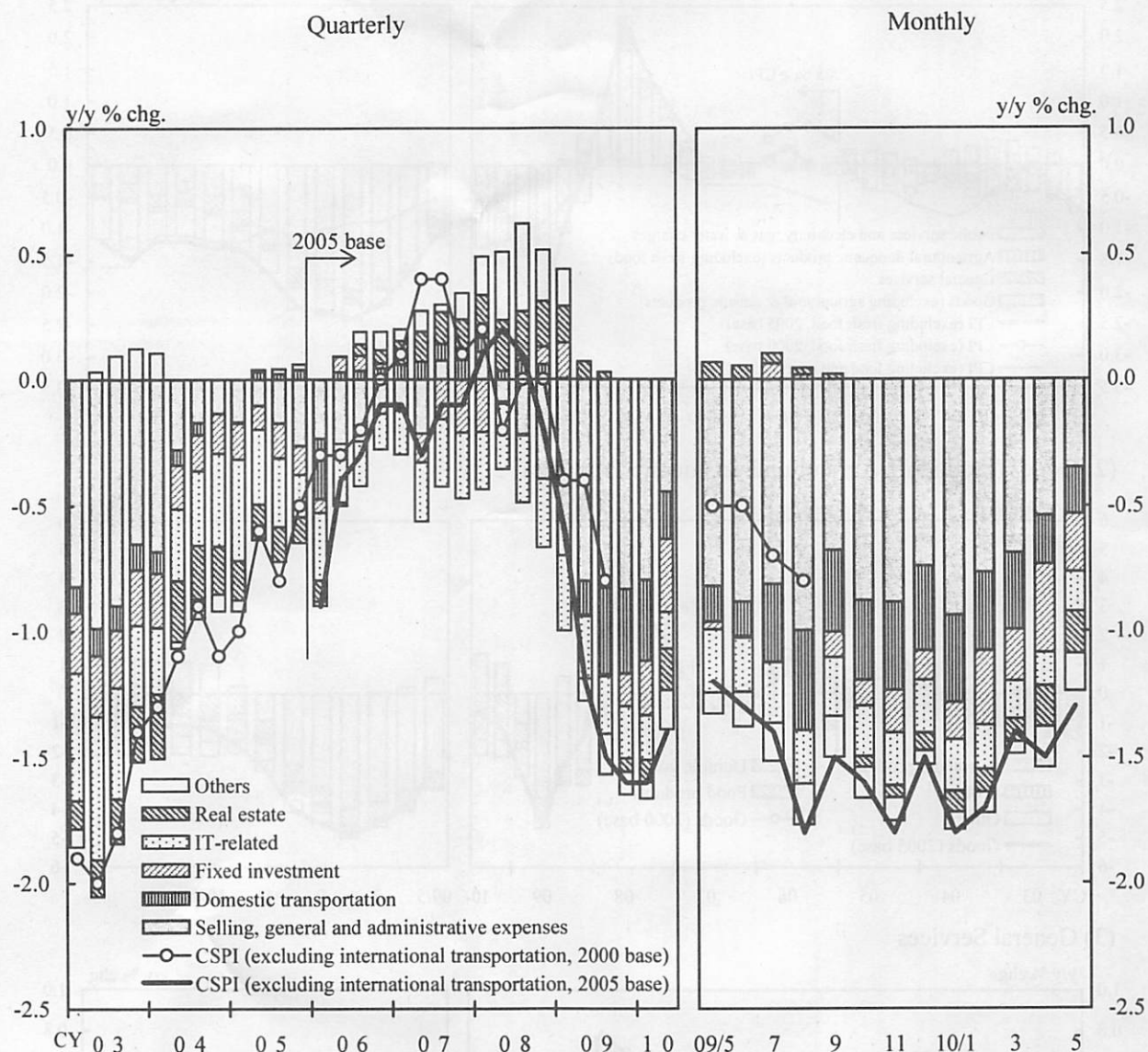
Monthly



- 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 2007/Q4 on the 2000 base are those of October.

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

Corporate Services Price Index

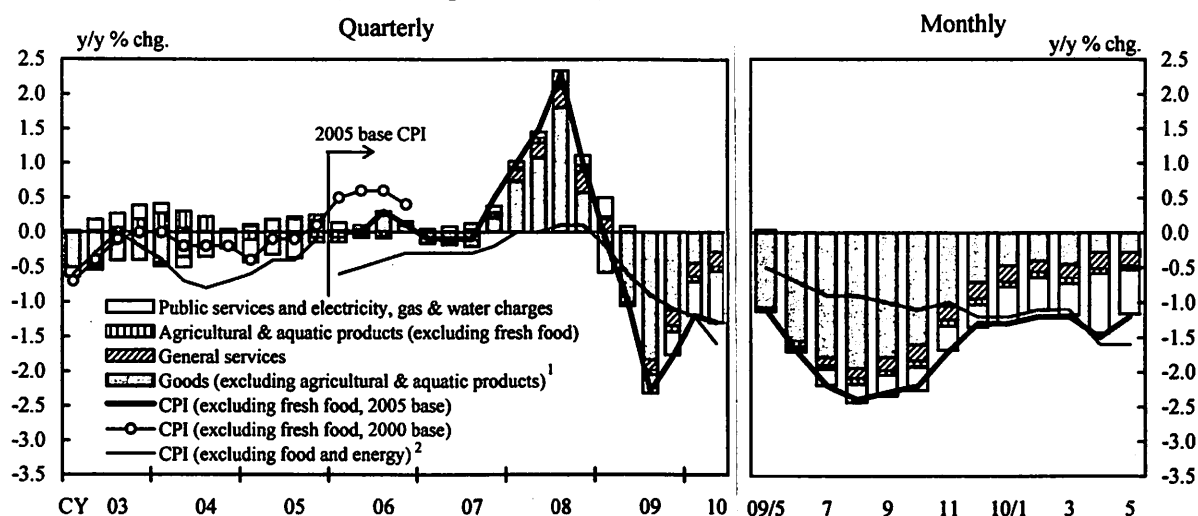
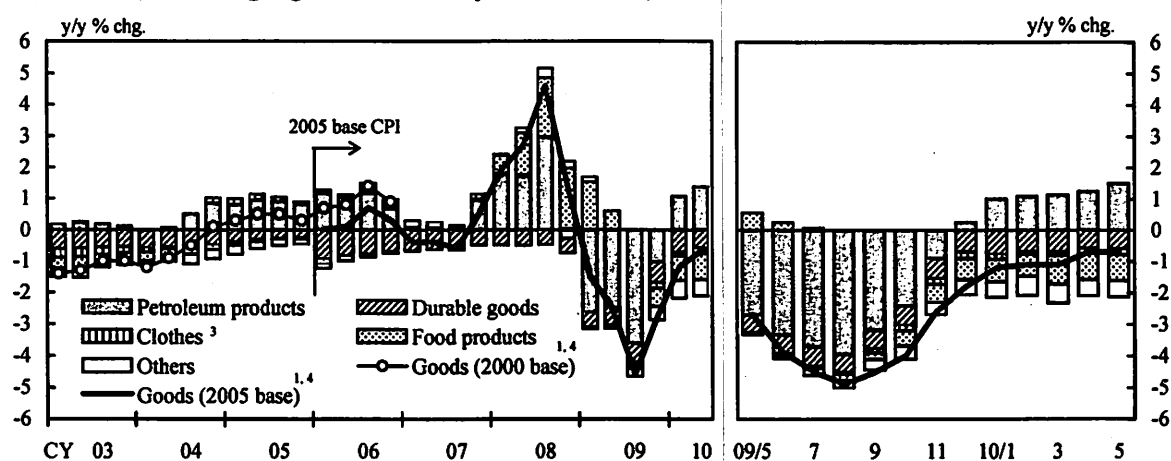


- Notes: 1. Selling, general and administrative expenses: information and communications (excluding newspapers and publishing), advertising services, other services (excluding plant engineering, civil engineering and architectural services).
 2. Domestic transportation: transportation (excluding international transportation, railroad passenger transportation, road passenger transportation, water passenger transportation, domestic air passenger transportation).
 3. Fixed investment: leasing and rental (excluding leasing of computer and related equipment, computer rental), civil engineering and architectural services.
 4. IT-related: leasing of computer related equipment, computer rental.
 5. Real estate: real estate services.
 6. Others: finance and insurance, railroad passenger transportation, road passenger transportation, water passenger transportation, domestic air passenger transportation, newspapers and publishing, plant engineering.
 7. Figures for 2010/Q2 are April-May averages. Figures for 2009/Q3 on the 2000 base are July-August averages.

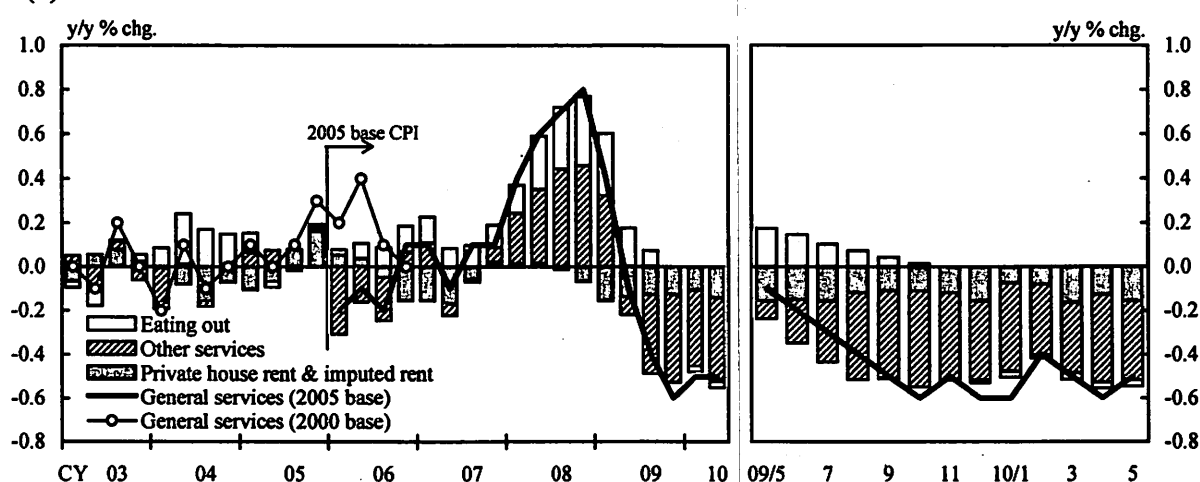
Source: Bank of Japan, "Corporate Services Price Index."

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.

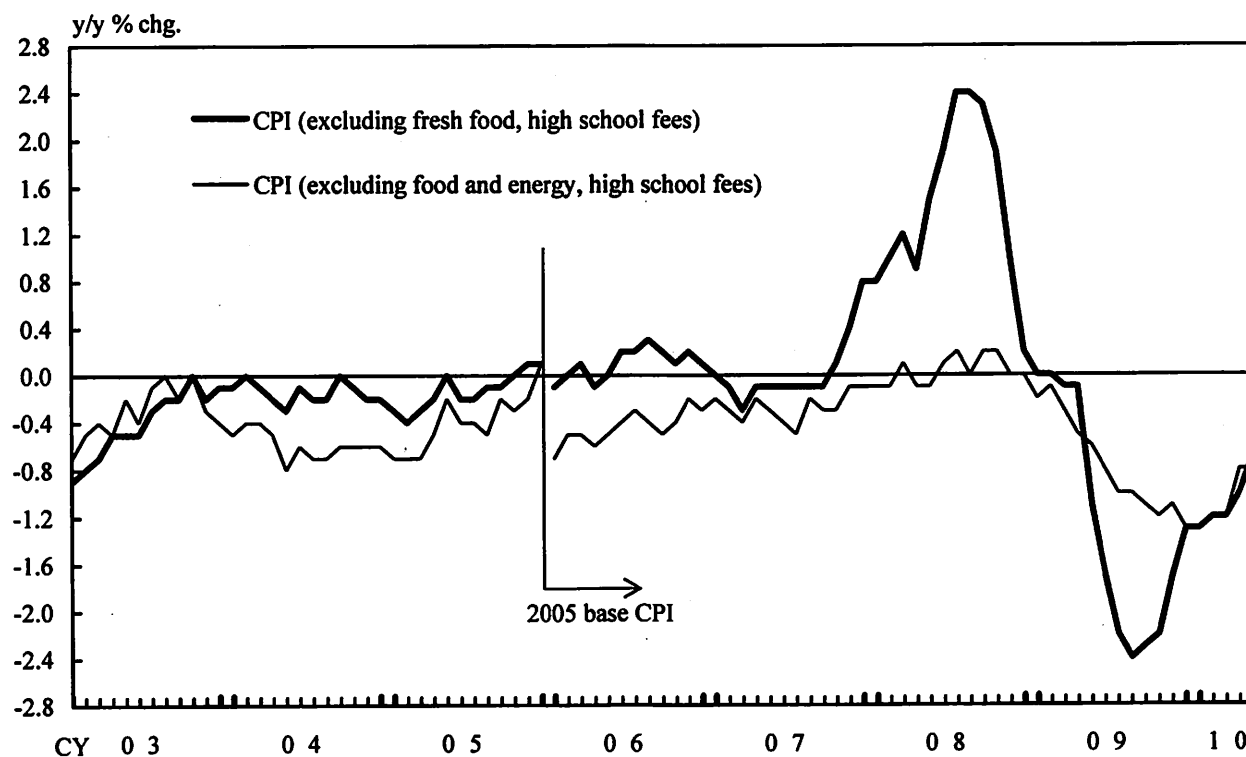
4. Excluding agricultural & aquatic products.

5. Figures for 2010/Q2 are April-May averages.

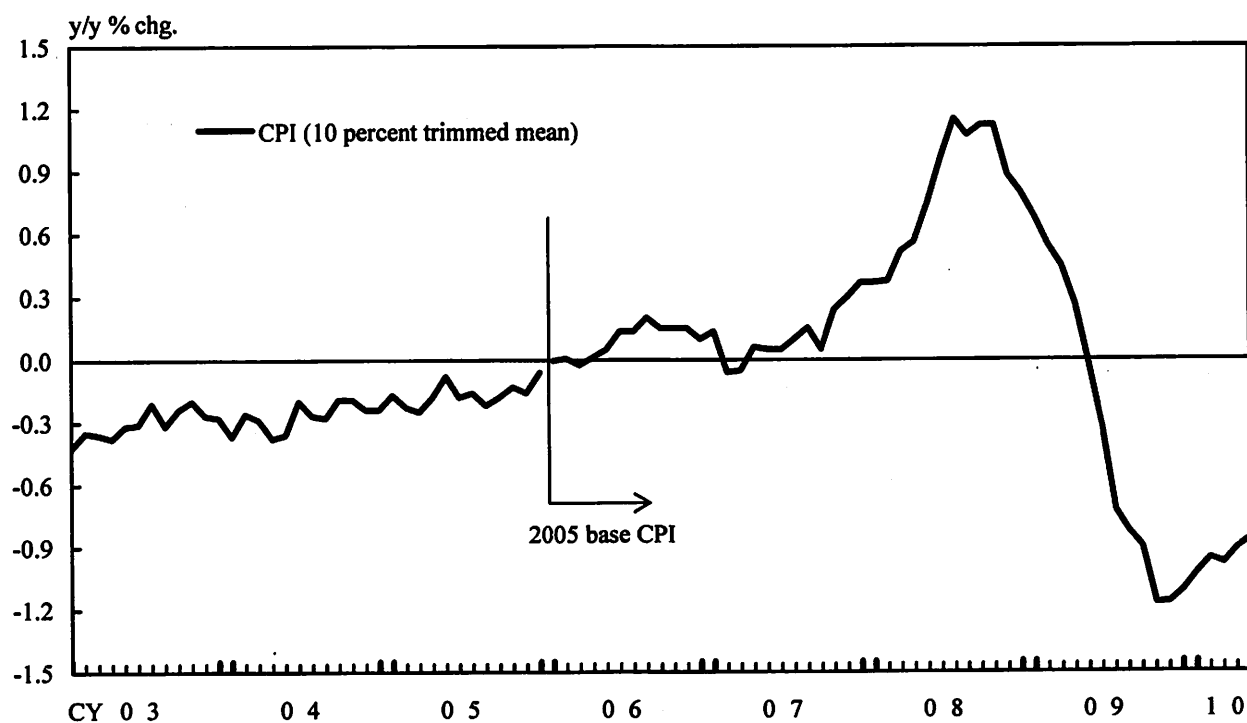
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

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.

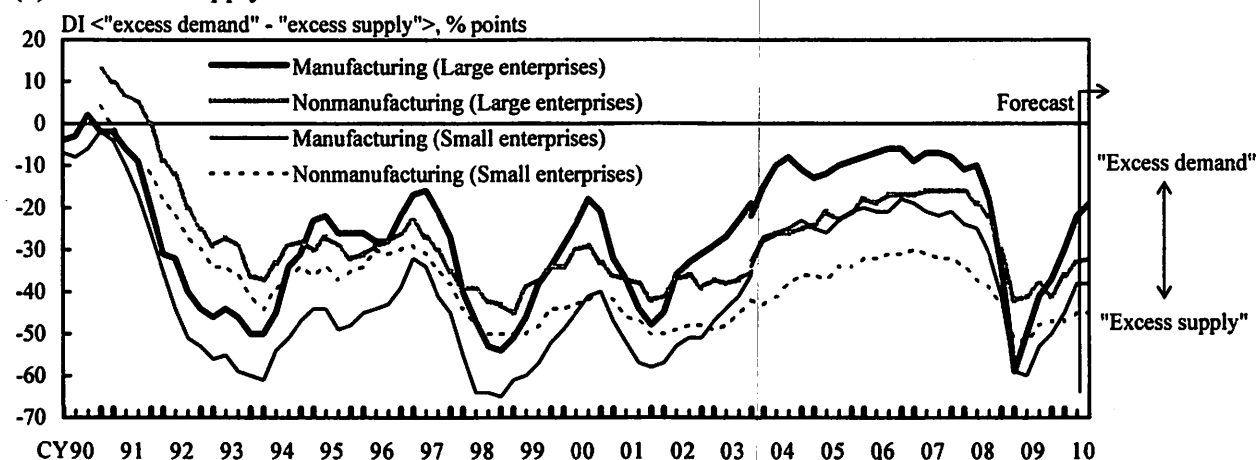
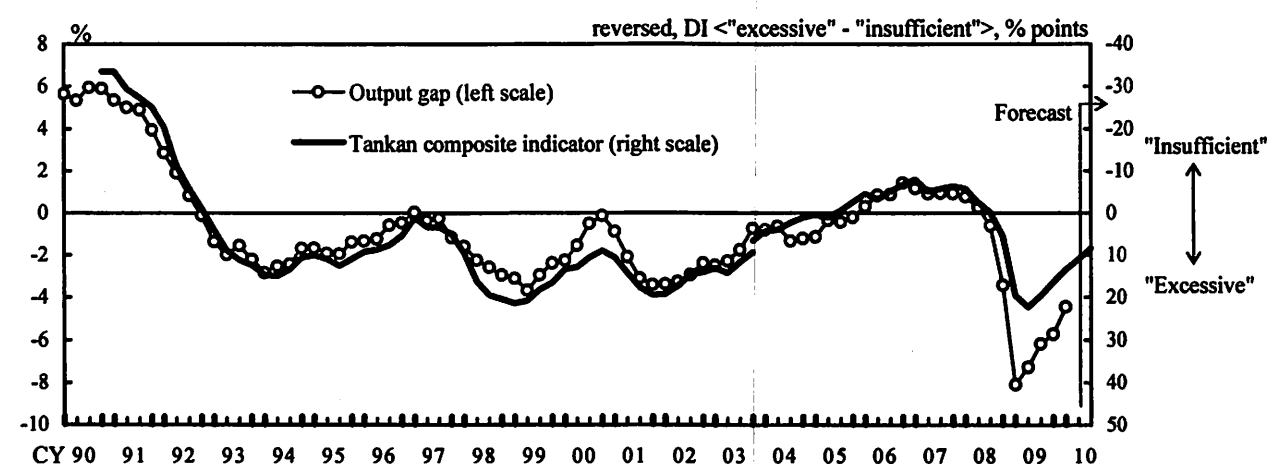
2. High school fees: high school fees (public), high school fees (private).

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.

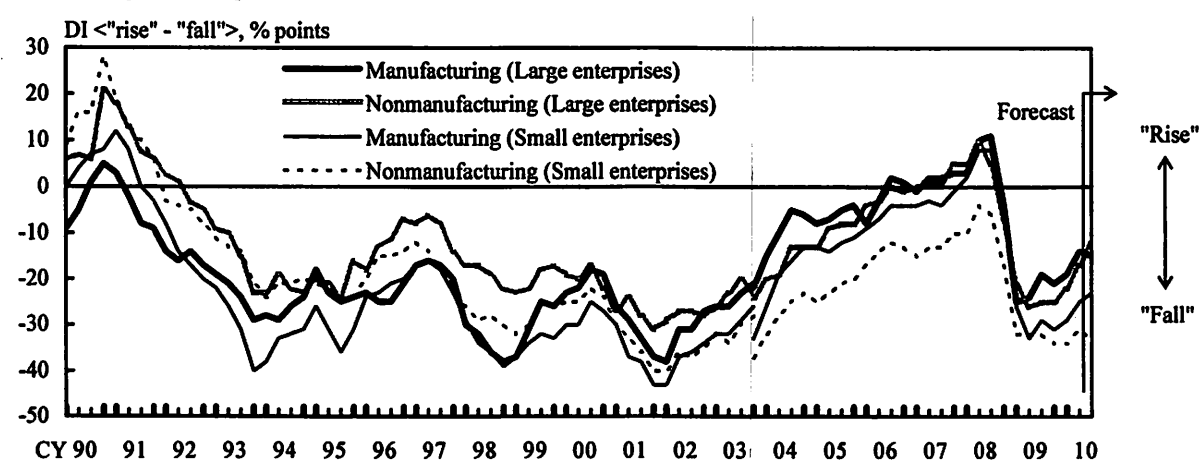
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Domestic Supply and Demand Conditions¹

(1) Domestic Supply and Demand Conditions for Products and Services

(2) *Tankan* Composite Indicator² (All Enterprises) and Output Gap³

(3) Change in Output Prices

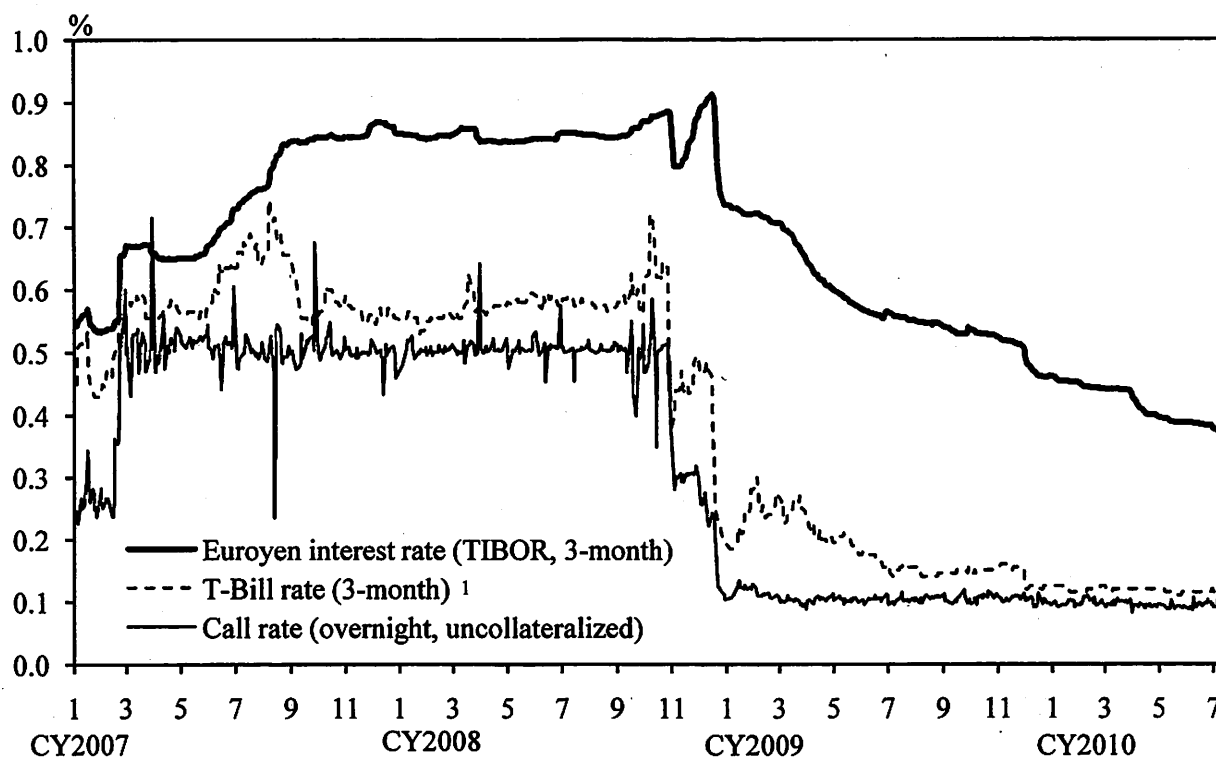


- Notes: 1. The *Tankan* has been revised from the March 2004 Survey. Figures up to the December 2003 Survey are based on the previous data sets. Figures from the December 2003 Survey are on a new basis.
2. Figures are weighted averages of Production Capacity DI and Employment DI which show excessiveness. The FY 1990-2008 averages of capital and labor shares in national accounts are used as the weight.
3. The output gap is estimated by the Research and Statistics Department, Bank of Japan. Since the estimation of the output gap includes various errors, considerable latitude should be allowed for this estimation.

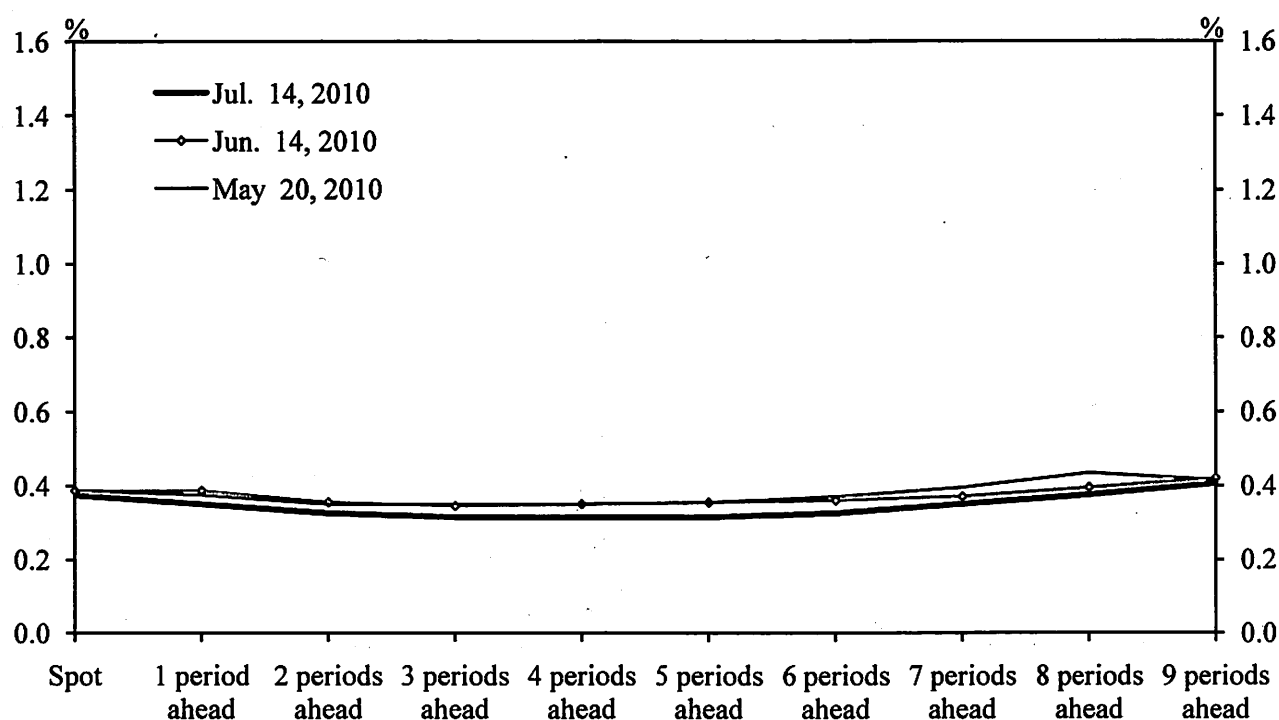
Sources: Cabinet Office, "National Accounts";
Bank of Japan, "*Tankan*, Short-Term Economic Survey of Enterprises in Japan," etc.

Short-Term Interest Rates

(1) Short-Term Interest Rates



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



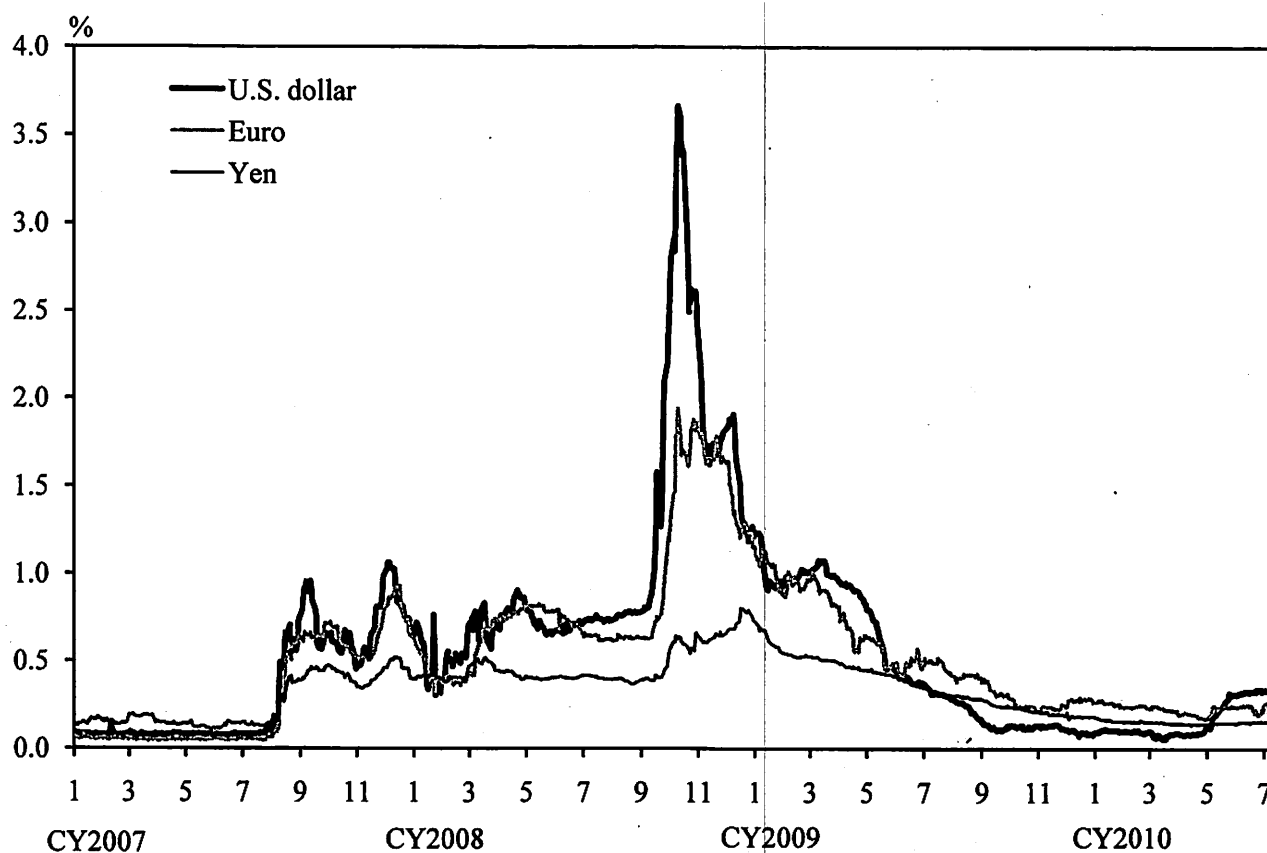
Notes: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.

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

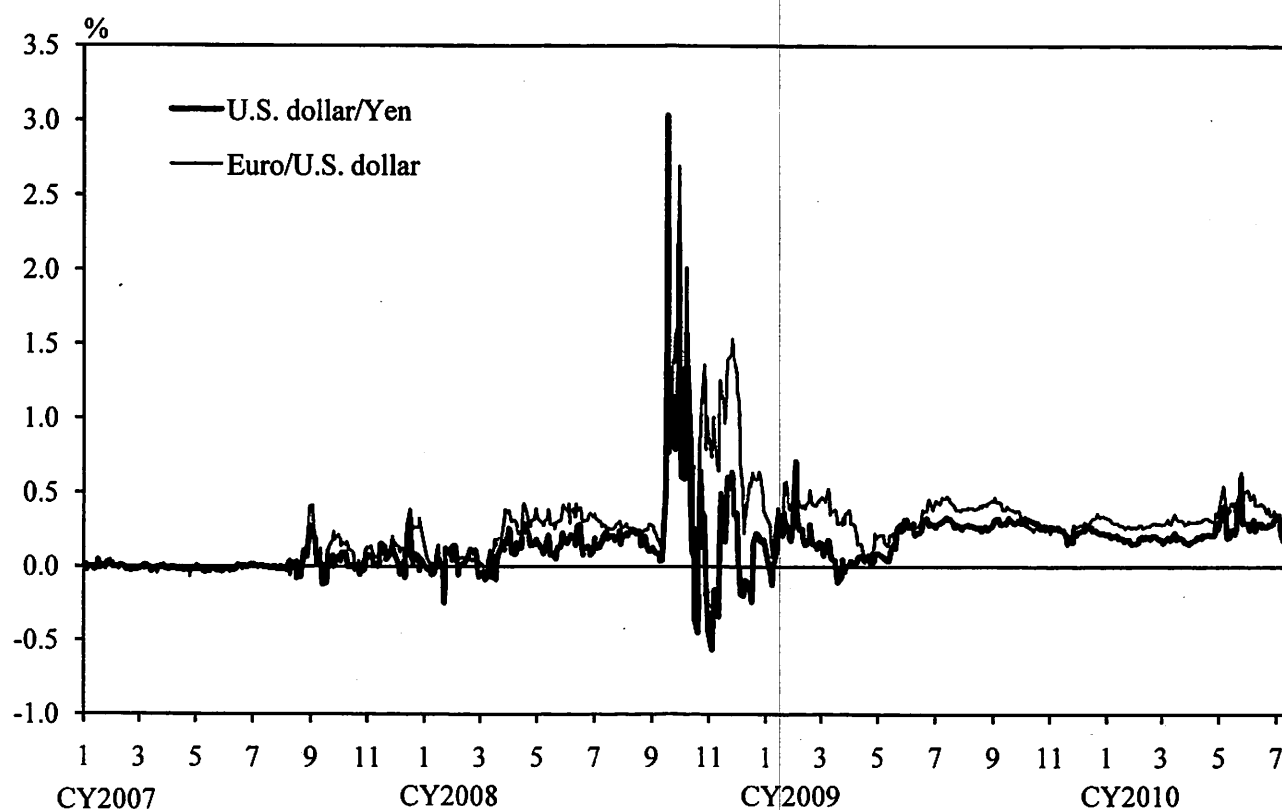
Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.; Tokyo Financial Exchange; Bank of Japan.

Global Money Markets

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



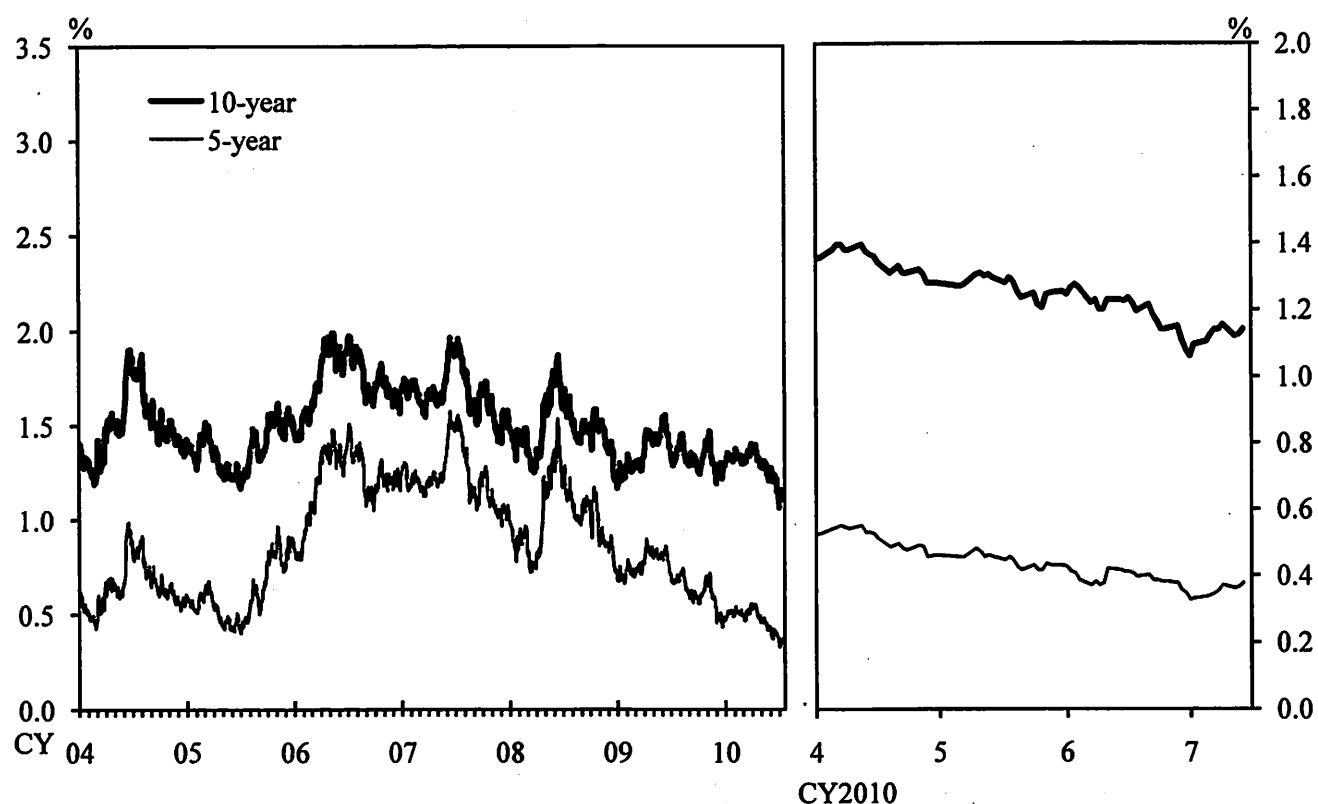
(2) FX swap implied dollar rate - LIBOR spreads (3-Month)



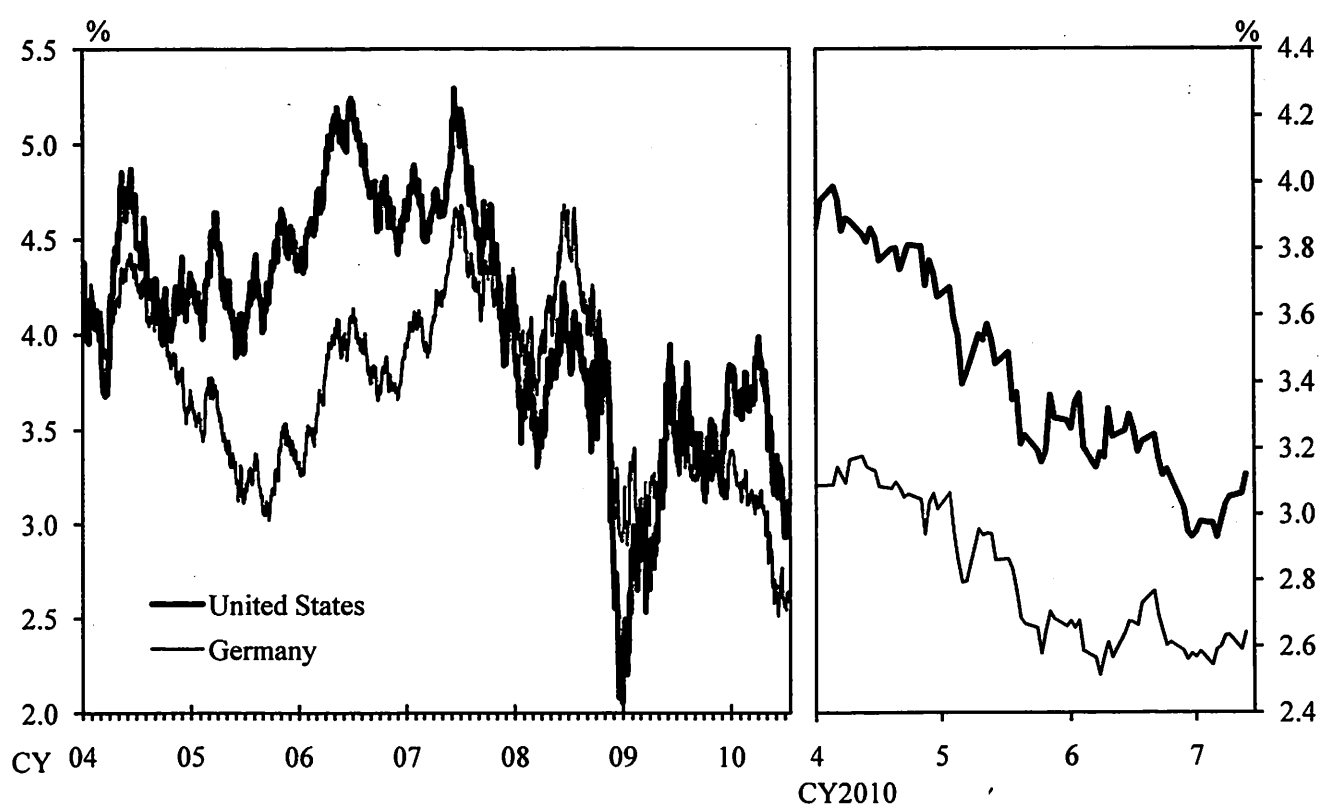
Source: Bloomberg.

Long-Term Interest Rates

(1) Japanese Government Bond Yields¹



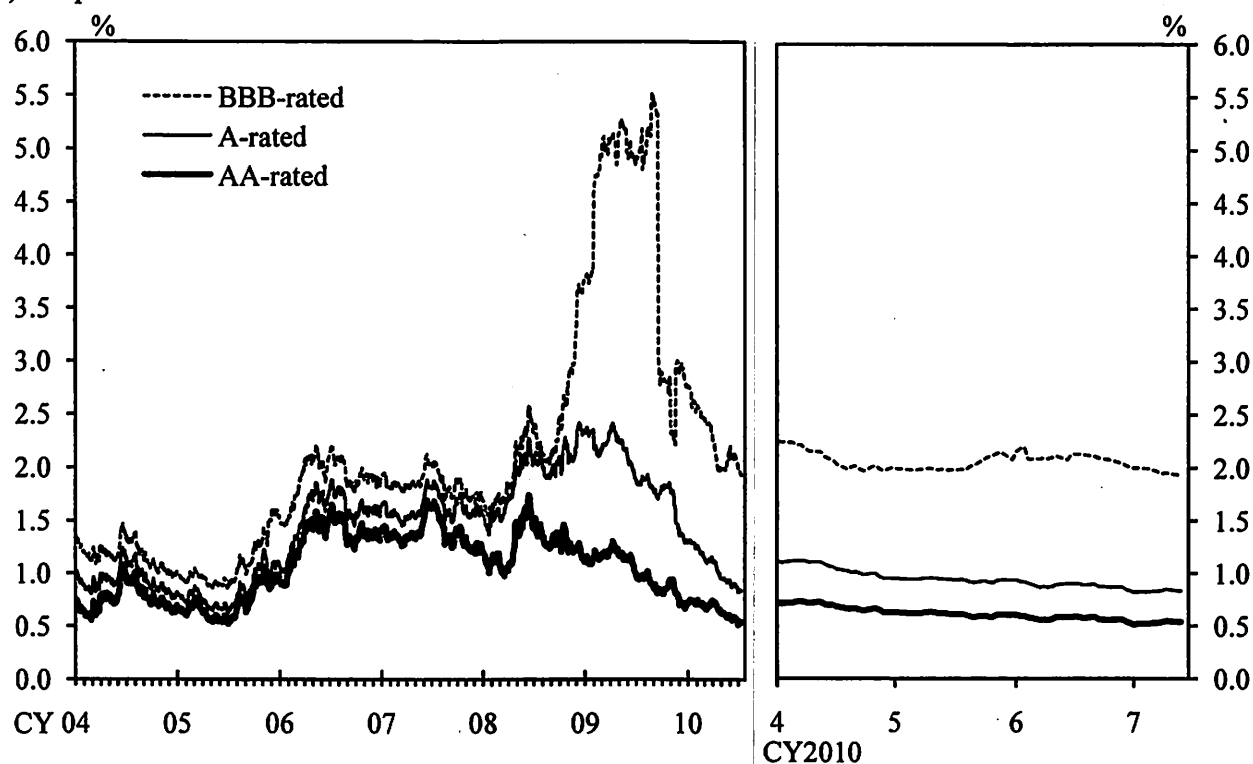
(2) Overseas Government Bond Yields (10-Year)



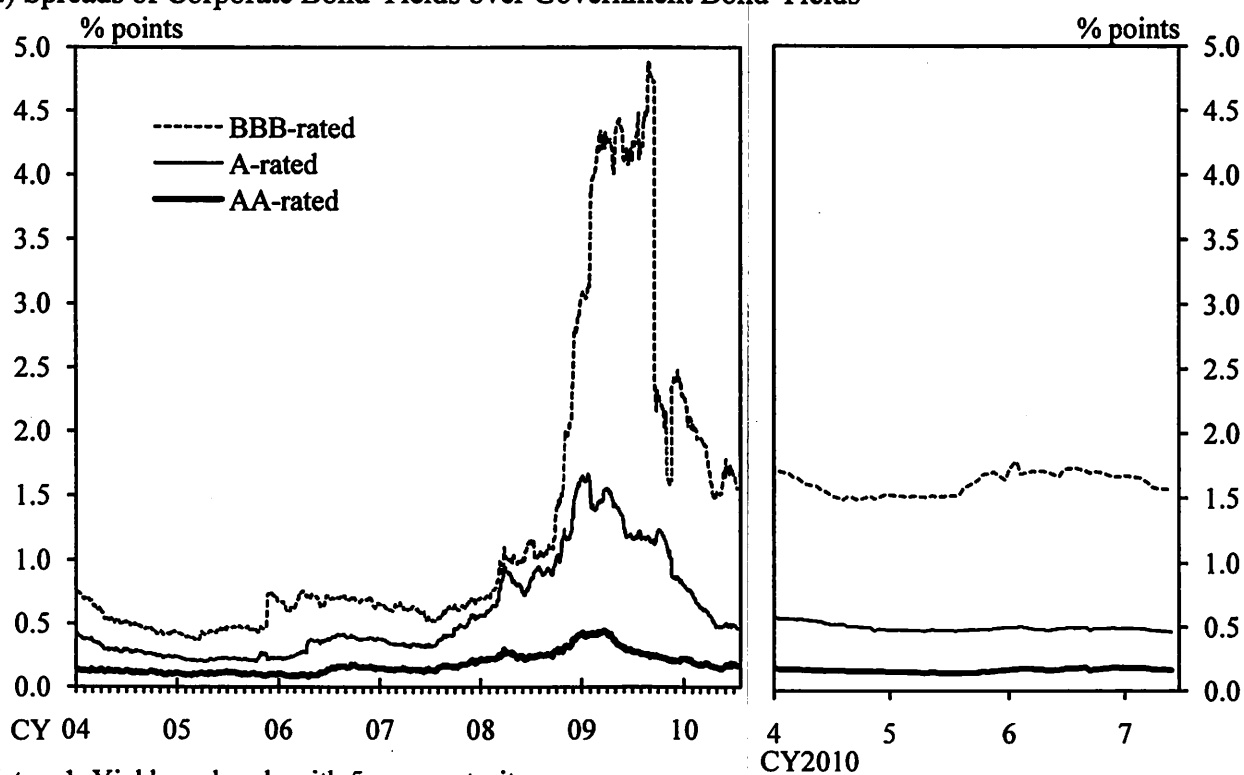
Note: 1. Yields on newly issued bonds.
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

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.

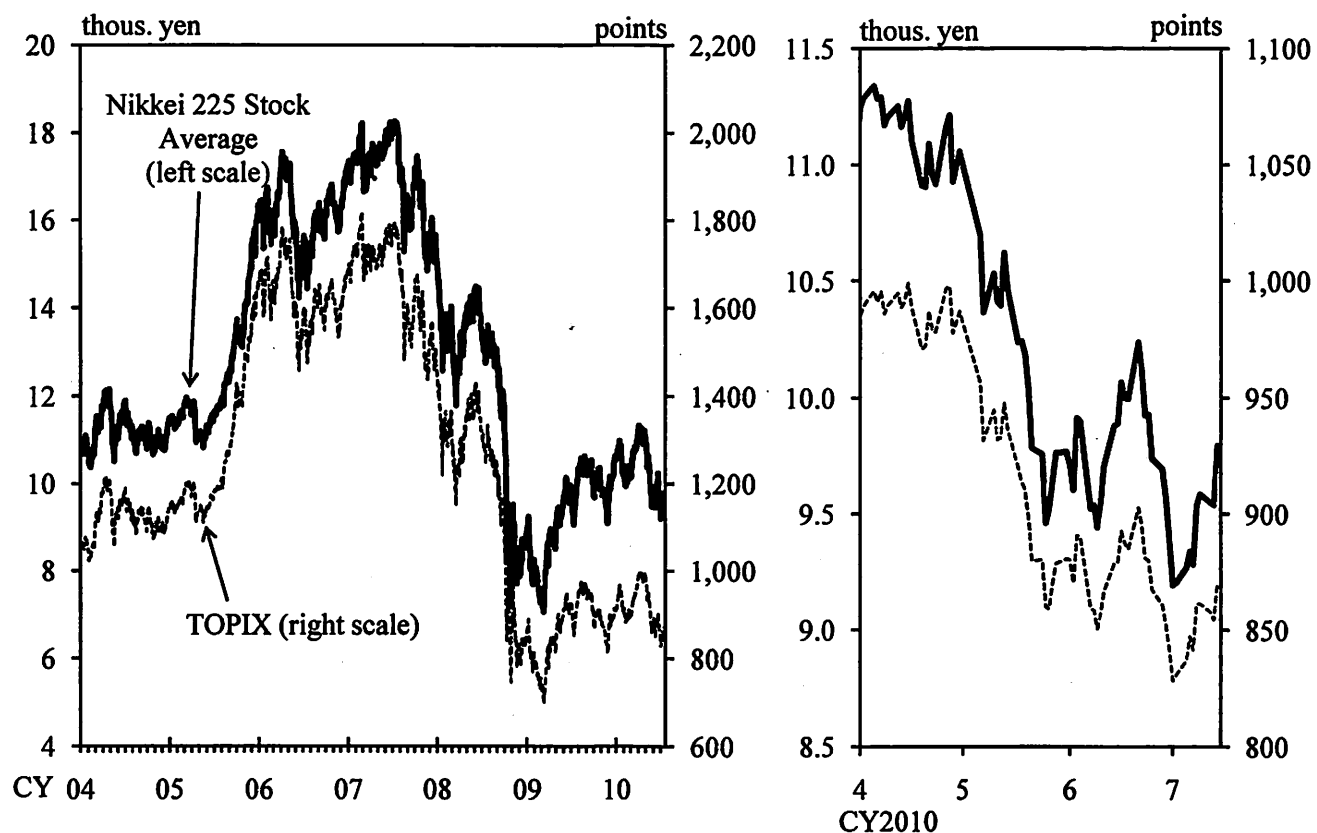
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.

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

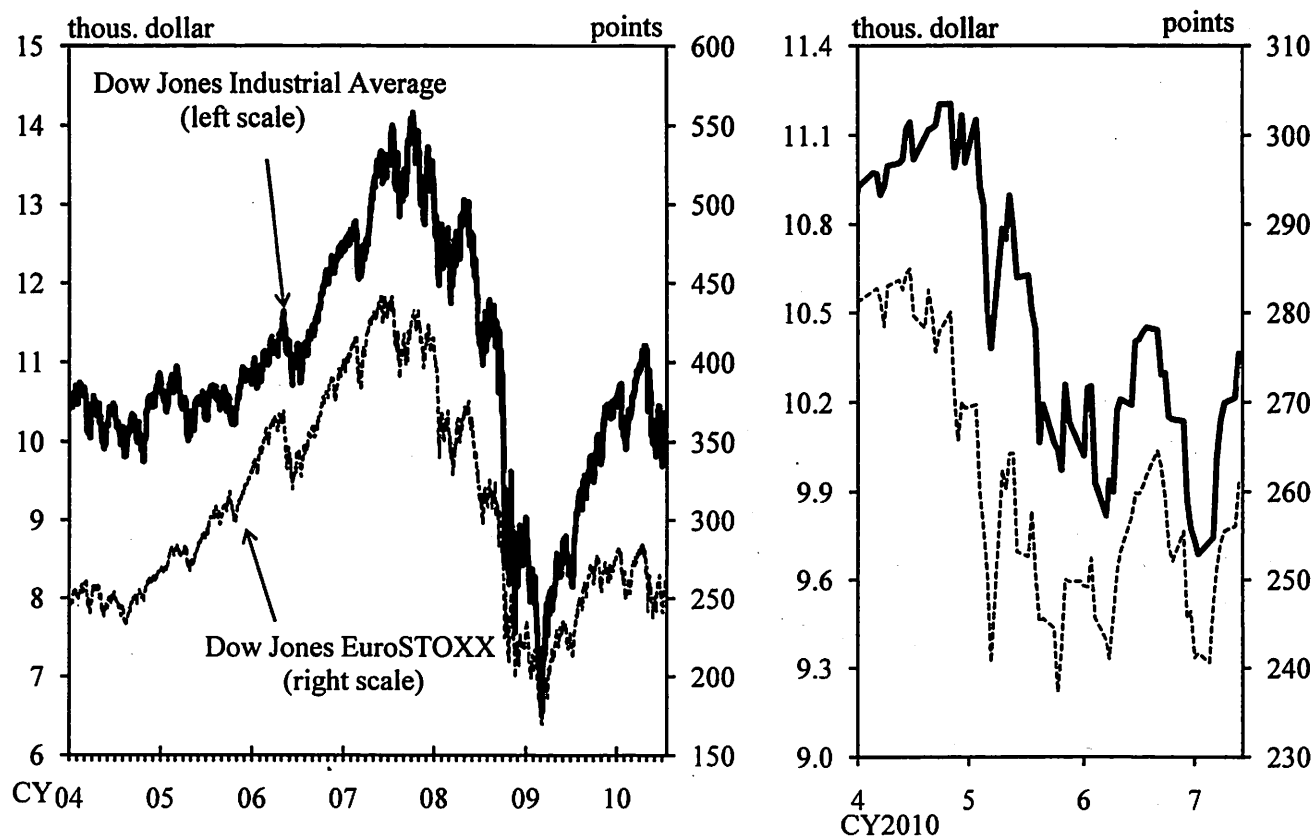
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Japanese Stock Prices



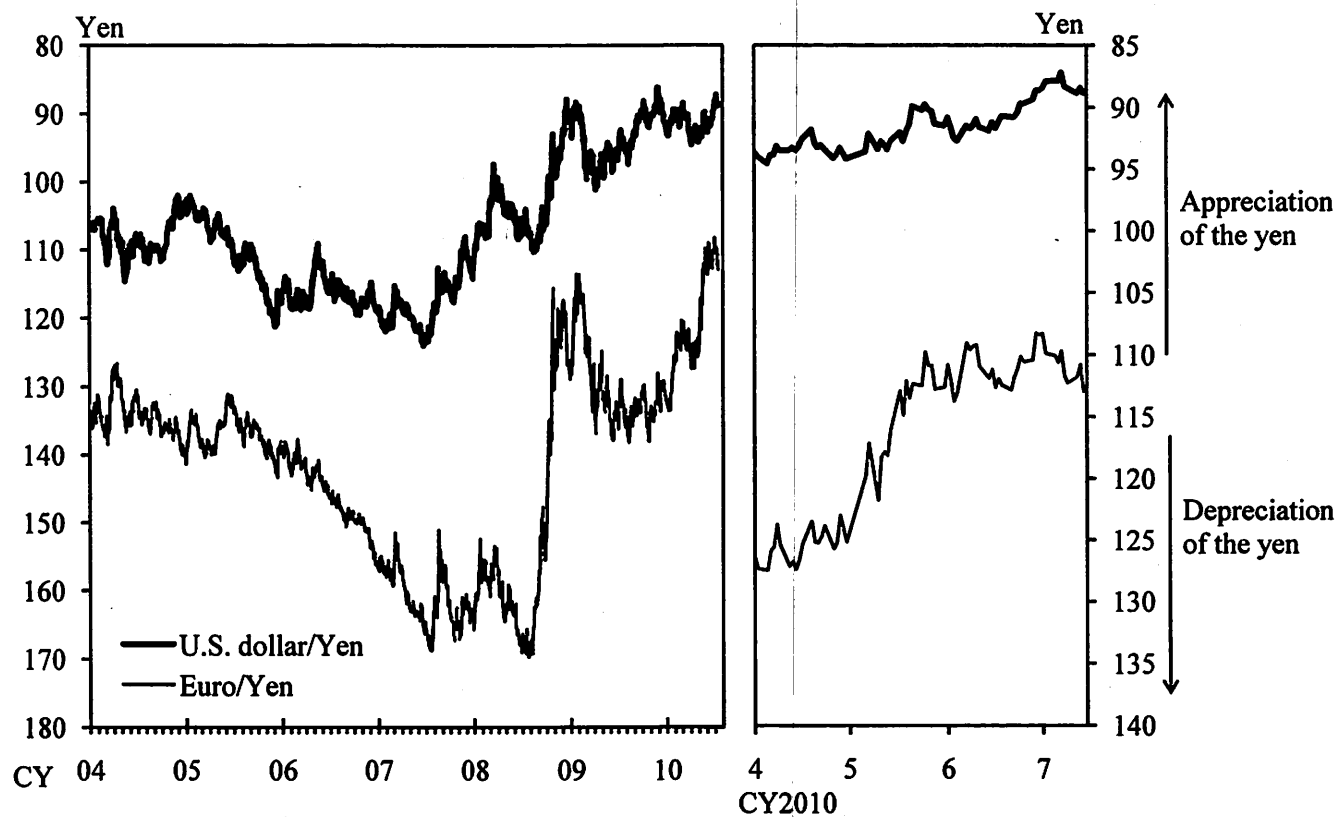
(2) Overseas Stock Prices



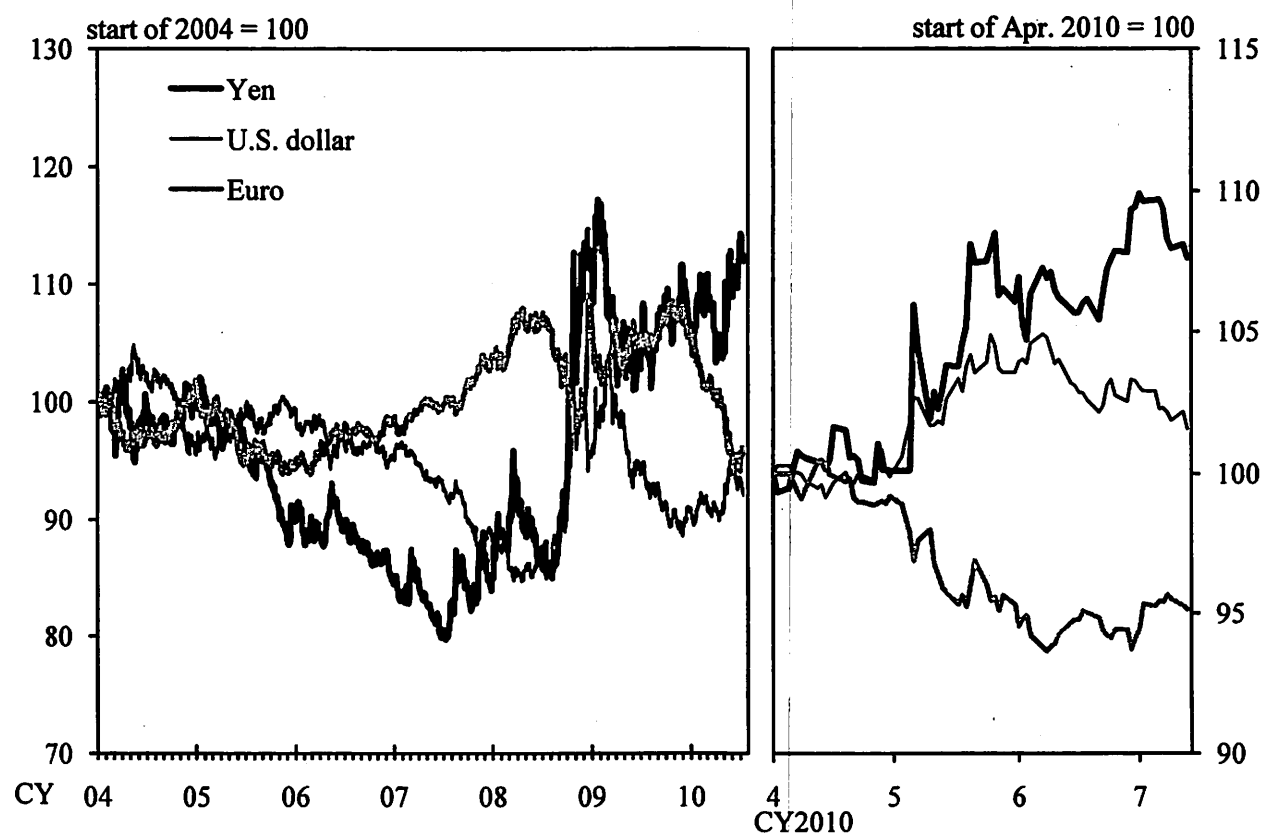
Sources: The *Nihon Keizai Shimbun* ; Tokyo Stock Exchange; Bloomberg.

Exchange Rates

(1) Bilateral Exchange Rates



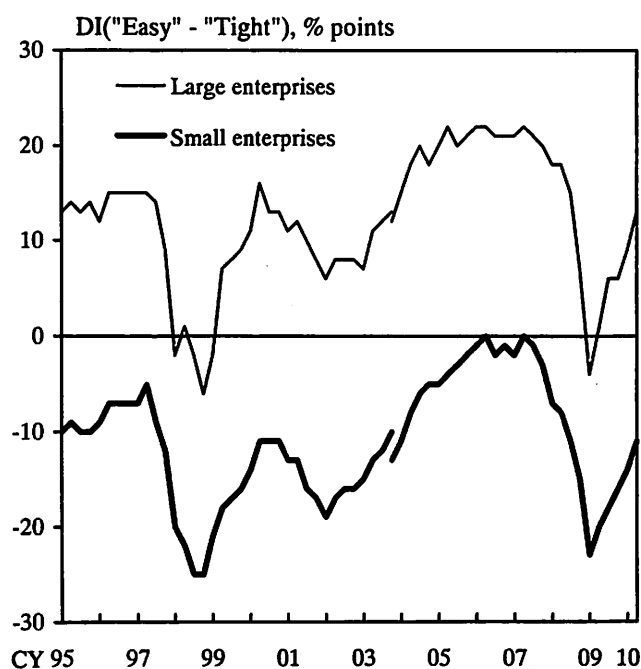
(2) Nominal Effective Exchange Rates



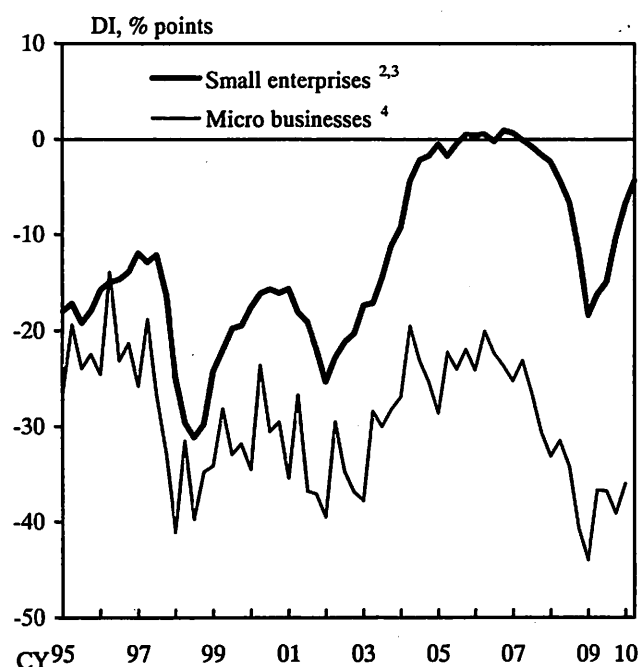
Sources: Bank of Japan; European Central Bank; Bloomberg.

Corporate Finance-Related Indicators

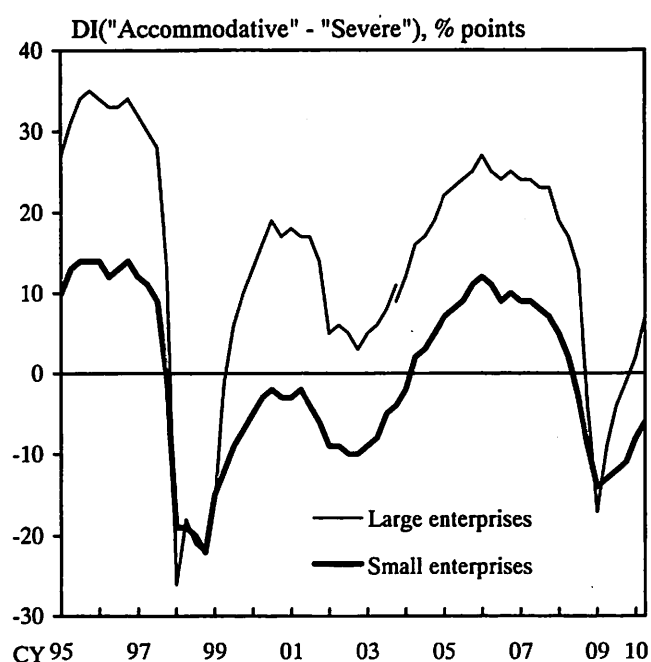
(1) Financial Position

<Tankan¹>

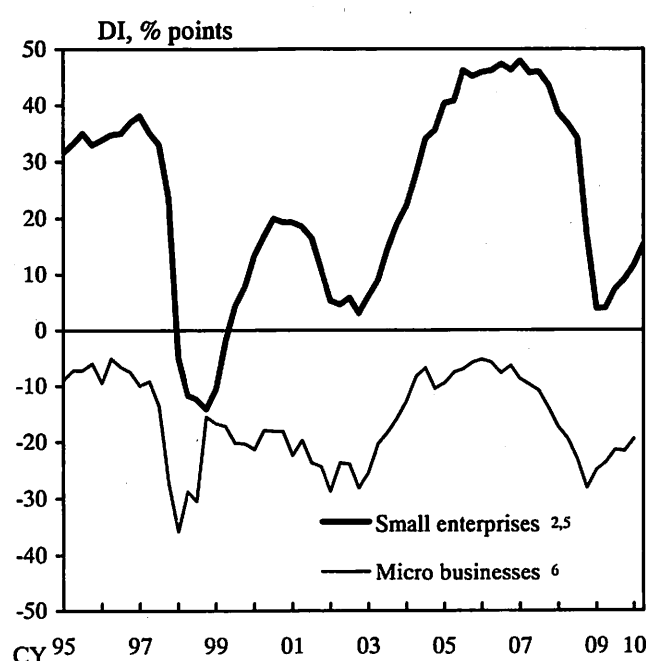
<Japan Finance Corporation Survey>



(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.

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

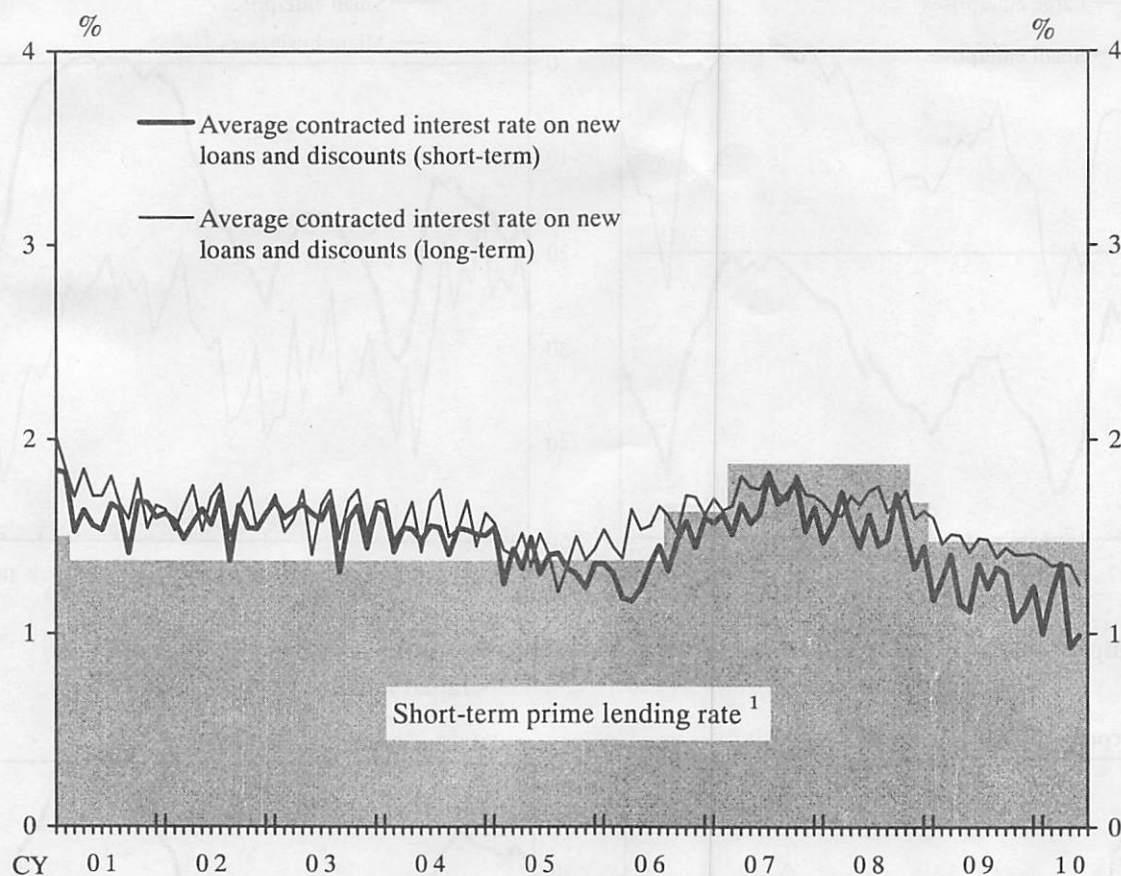
4. DI of "Easier" - "Tighter."

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

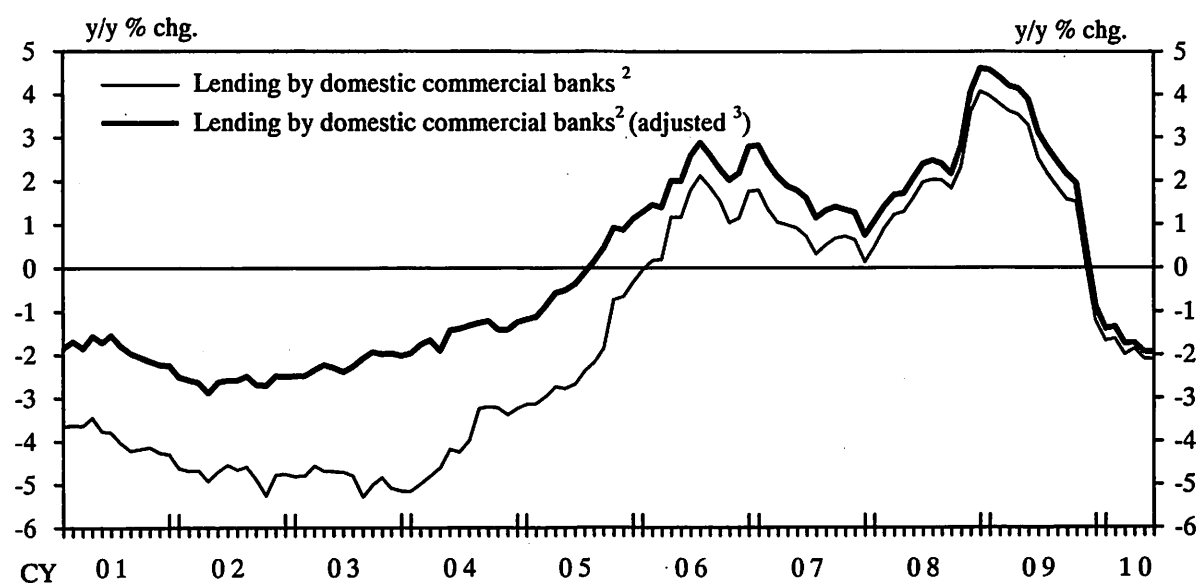


Note: 1. Data are at end of period.

Source: Bank of Japan.

Lending by Financial Institutions

(1) Lending by Domestic Commercial Banks¹



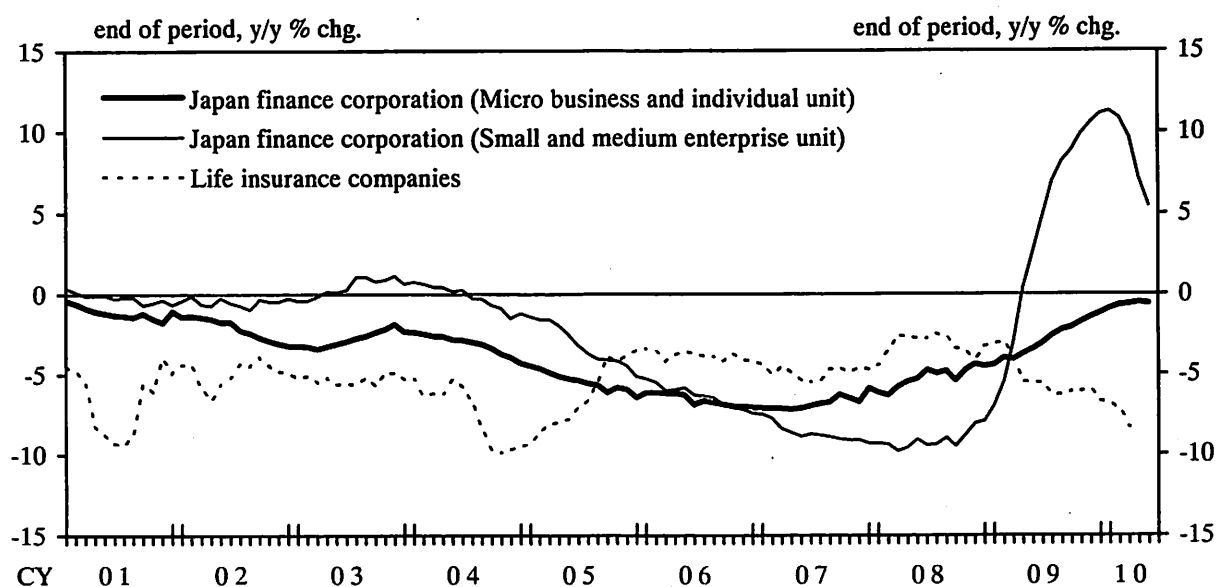
Notes: 1. Percent changes in average amounts outstanding from a year earlier.

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

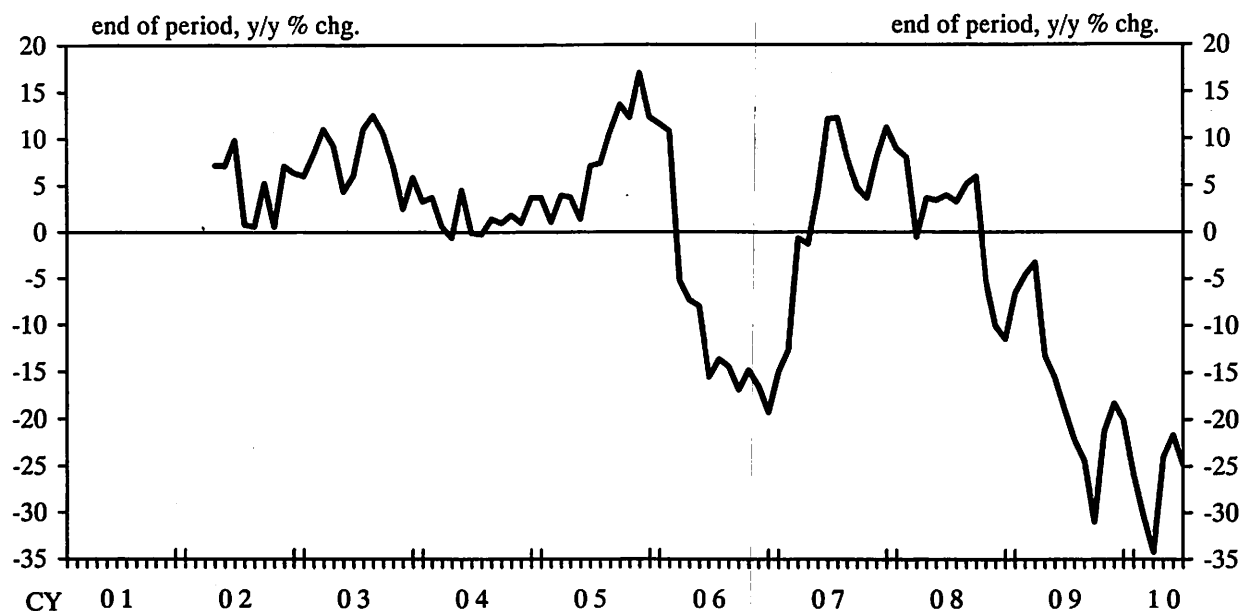


Note: The figures of the Japan Finance Corporation (Small and Medium Enterprise Unit) exclude the amounts outstanding of lending to the Credit Guarantee Corporations.

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

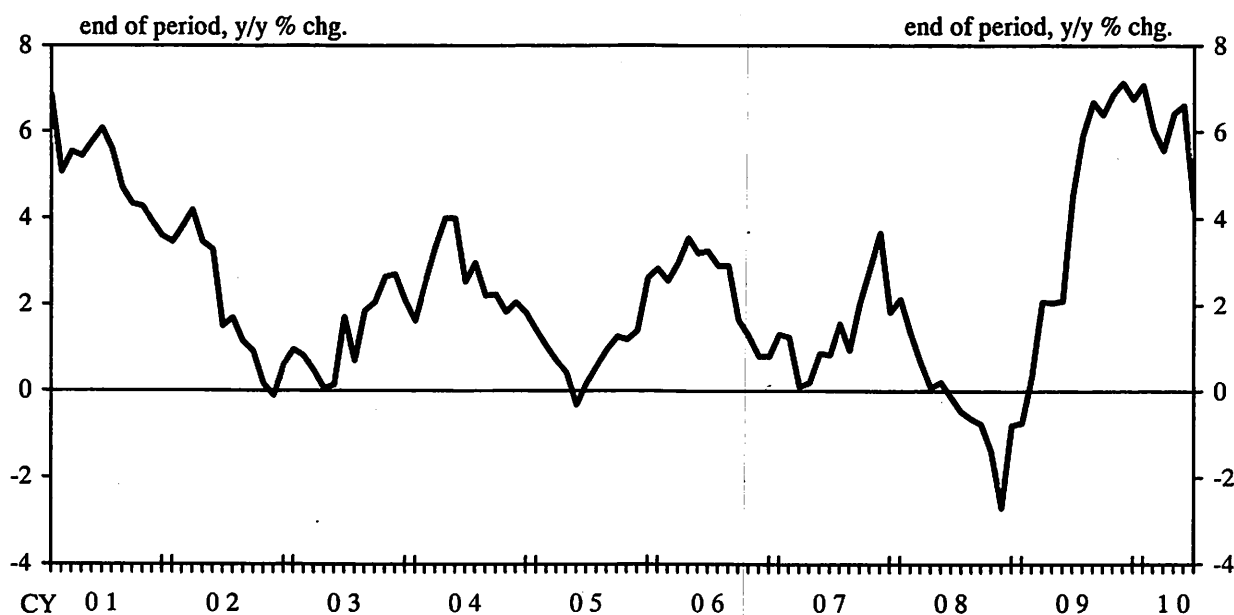
Private-Sector Fund-Raising in the Capital Markets

(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



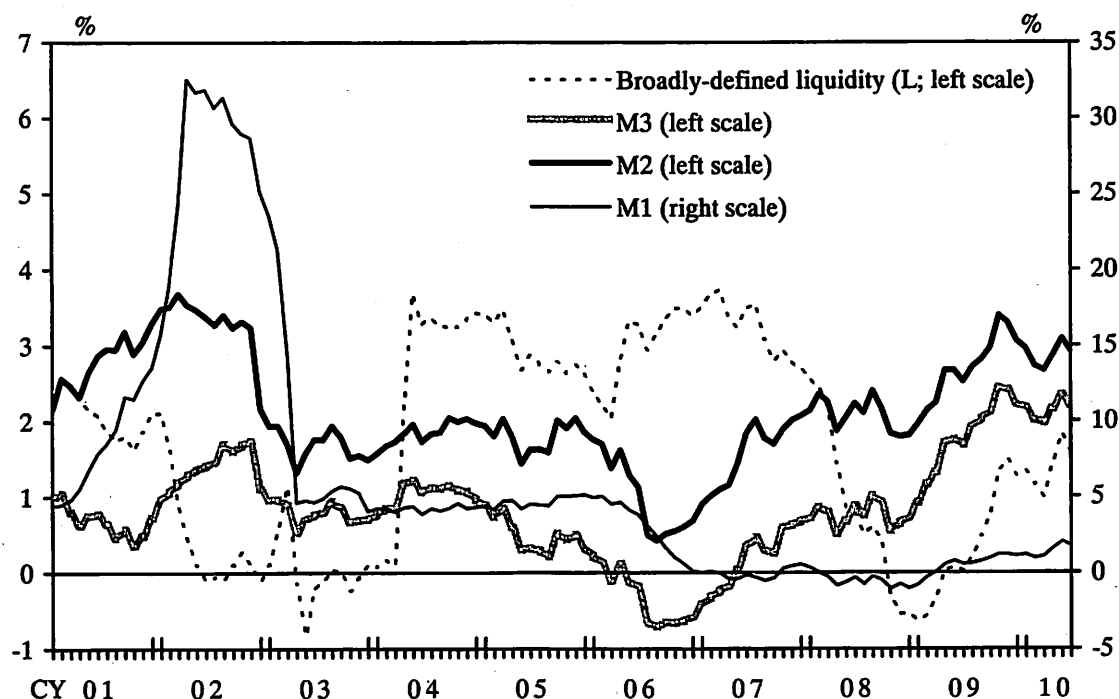
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

- (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.

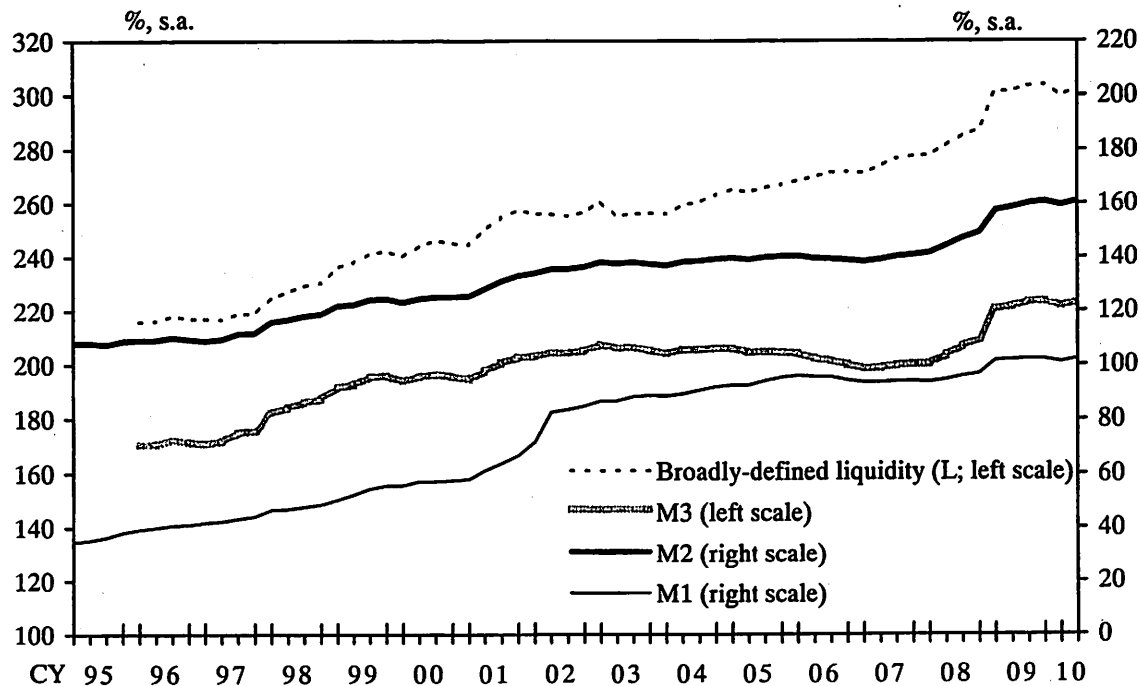
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category";
Bank of Japan, "Principal Figures of Financial Institutions";
Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts of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

Money Stock

(1) Changes from a Year Earlier



(2) Ratio of Money Stock to Nominal GDP

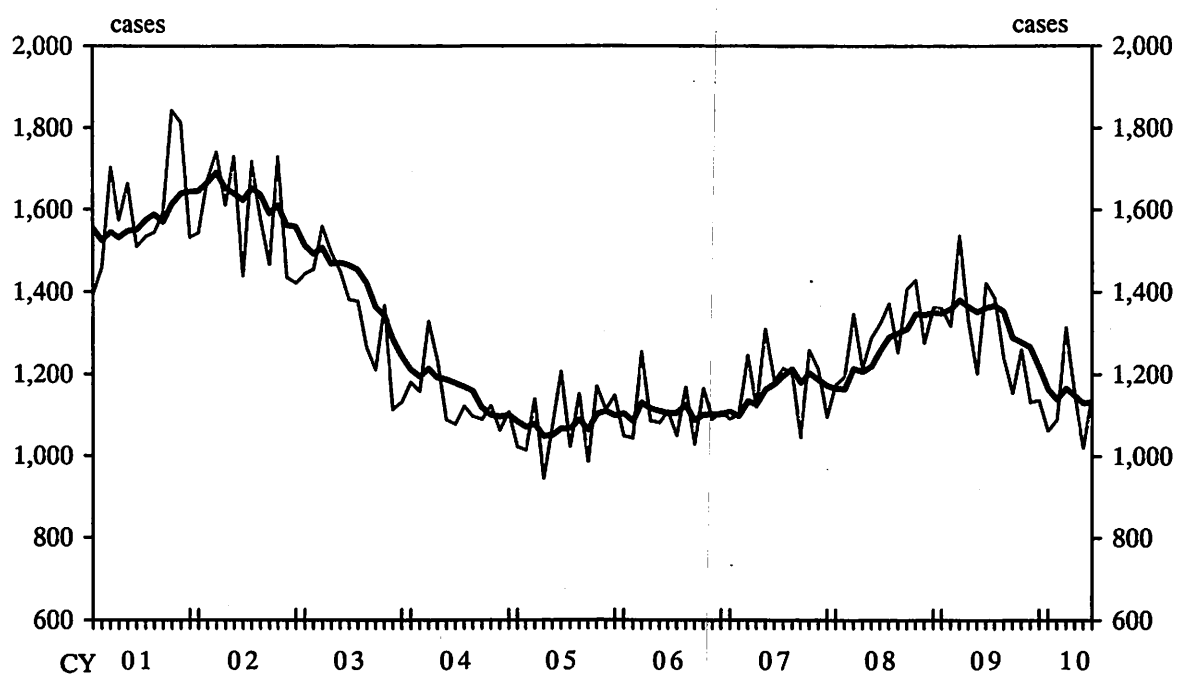


- Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.
 2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.
 3. The figures 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. The figure for nominal GDP in 2010/Q2 is assumed to be unchanged from the previous quarter.

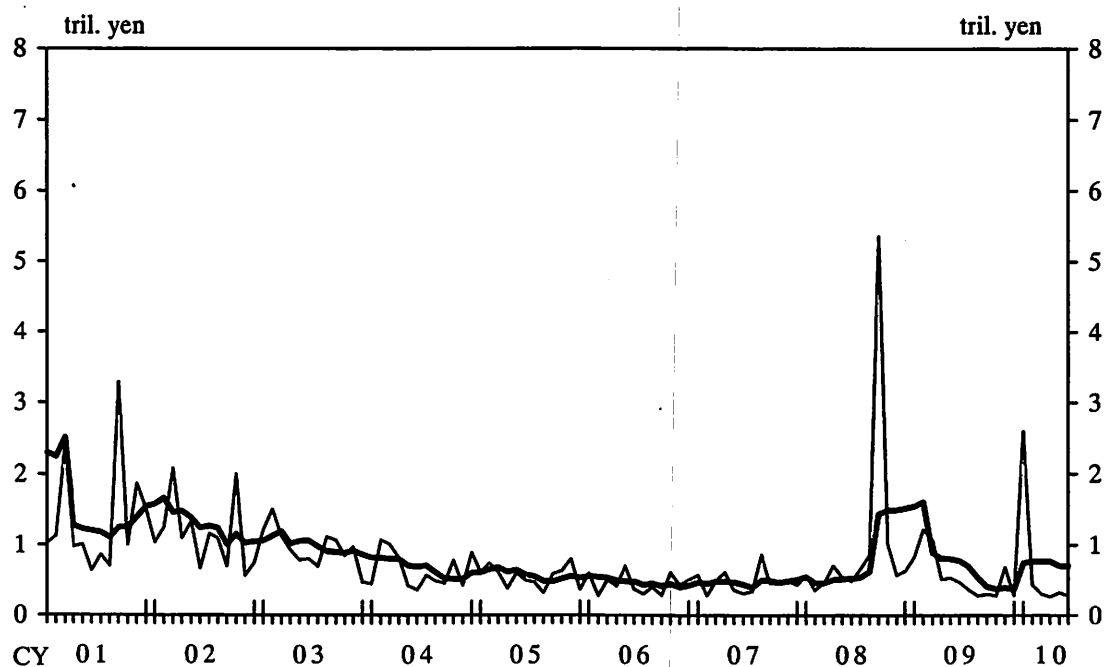
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

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)."

