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Bank of Japan

# **Monthly Report of Recent Economic and Financial Developments**

January 2011

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released on January 26, 2011)

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

**January 2011**

## **Summary**

Japan's economy still shows signs of a moderate recovery, but the recovery seems to be pausing.

Business fixed investment has started to pick up. The employment and income situation has remained severe, but the degree of severity has eased somewhat. As for private consumption, demand for some goods has suffered a reverse after the sharp increase seen previously. Housing investment is showing signs of picking up. On the other hand, exports have been somewhat weak and public investment is declining. With these developments in demand both at home and abroad, production has declined slightly.

Japan's economy is expected to gradually overcome the deceleration in the pace of improvement and return to a moderate recovery path.

Exports are expected to increase moderately again, reflecting the improvement in overseas economic conditions. Private consumption is expected to pick up again as the reverse following the sharp increase in demand becomes less pronounced. Meanwhile, signs of picking up in business fixed investment are expected to gradually become more evident as the improvement in corporate profits continues. However, with firms' persistent sense of excessive capital stock, the pace of improvement in business fixed investment is likely to remain moderate. In these circumstances, production is expected to resume a moderate increasing trend.

On the price front, the three-month rate of change in domestic corporate goods prices is rising moderately, mainly due to the increase in international commodity prices. 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.

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<sup>1</sup> This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on January 24 and 25, 2011.

Domestic corporate goods prices are expected to be on an uptrend for the time being, reflecting movements in international commodity prices. 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 slightly below the 0.1 percent level. Interest rates on term instruments have declined somewhat as a whole. Meanwhile, the value of the yen 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 have continued to ease further.

The overnight call rate has remained at an extremely low level, and the declining trend in firms' funding costs has continued. While stimulative effects from low interest rates are still partly constrained given current developments in economic activity and prices, such effects are beginning to strengthen in light of improved corporate profits. With regard to credit supply, firms have continued to see financial institutions' lending attitudes as improving. Issuing conditions for CP and corporate bonds have become more favorable as seen in an increased variety of corporate bond issuers. 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. On the other hand, the amount outstanding of corporate bonds has exceeded the previous year's level, and the pace of decline in the amount outstanding of CP has been on a decelerating trend. In these circumstances, the financial positions of firms have been improving as a whole. Meanwhile, the year-on-year rate of change in the money stock has been in the range of 2.0-2.5 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—has continued to be relatively weak; it also dropped in the fourth quarter on a quarter-on-quarter basis. The amount of public construction completed—which reflects the progress of public works—declined in October-November relative to the third quarter.

The decline in public investment is likely to continue.

Real exports have been somewhat weak (Charts 6[1] and 7). Exports—which had been growing at a fast pace until the second quarter—declined by 0.4 percent in the third quarter on a quarter-on-quarter basis, followed by a decrease of 3.6 percent in October-November compared with the third quarter.

Looking at exports in October-November relative to the third quarter by destination (Chart 7[1]), as for exports to East Asia, those to China continued to increase, mainly in capital goods and parts, whereas those to the NIEs and ASEAN economies edged down, notably in IT-related goods and in capital goods and parts. Exports to the United States were relatively weak, chiefly in motor vehicles and their related goods. As for exports to the EU, those of capital goods and parts grew at a reduced pace, but exports of motor vehicles and their related goods rose. Exports to "other regions" declined in a wide range of goods such as in motor vehicles and their related goods as well as in capital goods and parts; ships—which tend to fluctuate sharply—also declined.

By goods (Chart 7[2]), exports of IT-related goods have been declining modestly since the third quarter. Those of other goods also fell in October-November compared with the third quarter.

Real imports have been more or less flat (Charts 6[1] and 9). Imports increased by 1.2 percent in the third quarter on a quarter-on-quarter basis, but decreased by 0.5 percent in October-November relative to the third quarter, after having risen considerably in the second quarter.

Looking at imports in October-November compared with the third quarter by goods (Chart 9[2]), imports of foodstuffs plunged, mainly due to the drop in tobacco in response to the rush in demand. Reflecting production declines, imports of intermediate goods fell, and those of raw materials and of capital goods and parts (excluding aircrafts) were virtually flat. On the other hand, imports of consumer goods registered strong growth, assisted mainly by the rush in demand for flat panel televisions; those of IT-related goods were also steady, primarily in tablet devices and liquid crystal panels.

Net exports—in terms of the real trade balance—have recently been relatively weak as a reflection of the aforementioned developments in exports and imports (Chart 6[2]). The surplus of the nominal balance on goods and services has also shown some weakness lately.

Exports are expected to increase moderately again, reflecting the improvement in overseas economic conditions. Since the improvement in overseas economic conditions is expected to continue, notably in emerging economies, exports are expected to rise moderately again as the effects of inventory adjustments in IT-related goods and the yen's appreciation to date start to wane.

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

Business fixed investment has started to pick up. The aggregate supply of capital goods—a coincident indicator of machinery investment—dropped in October-November compared with the third quarter, mainly due to the decline in transport equipment, but, excluding transport equipment, it was basically flat (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—rose considerably in the third quarter on a quarter-on-quarter basis aided partly by large orders, but dropped in October-November relative to the third quarter, partly in response to this prior increase (Chart 11[1]). By industry, in manufacturing, machinery orders fell in October-November compared with the third quarter—which had experienced an

upsurge—on a quarter-on-quarter basis. In nonmanufacturing (excluding orders for ships, those from electric power companies, and those for cell phones), machinery orders increased in the third quarter on a quarter-on-quarter basis, but decreased in October-November relative to the third quarter. Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—rose significantly in the third quarter on a quarter-on-quarter basis, but dropped in October-November compared with the third quarter (Chart 11[2]). Looking at construction starts by industry in October-November relative to the third quarter, mining and manufacturing increased noticeably, influenced partly by large-scale projects. In contrast, nonmanufacturing saw a decrease in response to the rise in the third quarter supported by large-scale projects.

Regarding the environment surrounding business fixed investment, corporate profits have continued to grow, albeit at a slower pace.

Signs of picking up in business fixed investment are expected to gradually become more evident as the improvement in corporate profits continues. However, with firms' persistent sense of excessive capital stock, the pace of improvement in business fixed investment is likely to remain moderate (Chart 10[2]).

As for private consumption, demand for some goods has suffered a reverse after the sharp increase seen previously. Consumption of goods—as seen through sales at retail stores (in real terms)—dropped in October-November compared with the third quarter, led mainly by the decline in automobile sales, after having registered a quarter-on-quarter increase in the third quarter (Chart 13 [1]). As for durable consumer goods, the number of new passenger-car registrations—which had continued to fall back until November from the last-minute increase in demand prior to the expiration of subsidies for purchasing energy efficient cars—picked up slightly in December supported partly by the introduction of new models (Chart 13[2]). In contrast, sales of household electrical appliances (in real terms) jumped in October-November, notably in flat panel televisions, propelled by a rush in demand prior to revisions in the eco-point system.<sup>2</sup> Sales at convenience stores fell back

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<sup>2</sup> In the "Gist of Comprehensive Emergency Economic Measure in Response to the Yen's Appreciation and Deflation" and other measures, the following two revisions were made to the



sharply in October-November relative to the third quarter, mainly in response to a rush in demand prior to the rise in the tobacco tax (Chart 14[1]). On a monthly basis, however, sales turned upward in November with diminishing impetus from the drop in tobacco in response to the sharp increase. Sales at supermarkets dropped in October-November compared with the third quarter due to the waning effects of the extremely hot weather and in response to the rush in demand prior to the rise in the tobacco tax. On the other hand, sales at department stores climbed marginally in October-November compared with the third quarter, assisted mainly by steady sales of fall and winter apparel. As for developments in services consumption (Chart 14[2]), outlays for travel and sales in the food service industry have been more or less level.

Looking at statistics on the demand side, as for the index of consumption expenditure level (in real terms) in the *Family Income and Expenditure Survey*, the index on an "excluding housing, automobiles, money gifts, and remittance" basis—which is mostly limited to items used for estimating GDP—increased marginally in October-November compared with the third quarter, since automobiles, which show large fluctuations, were excluded, and household electrical appliances, exhibiting strong sales, were included (Chart 13[1]).<sup>3</sup> On the other hand, the total expenditure in the *Survey of Household Economy* (in real terms)—which includes automobiles—decreased in October-November relative to the third quarter.

Indicators related to consumer sentiment have recently improved slightly (Chart 15).

Private consumption is expected to pick up again as the reverse following the sharp increase in demand becomes less pronounced.

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eco-point system for household electrical appliances: (i) the number of eco-points granted will be reduced by about half for products purchased from December 1, 2010; and (ii) the number of eligible types of household electrical appliances will be limited and eco-points will be granted only on the basis that the old product is to be recycled for appliances purchased through the January-to-March period in 2011.

<sup>3</sup> 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 showing signs of picking up. The number of housing starts (Chart 16[1])—a leading indicator of housing investment—rose in the third quarter on a quarter-on-quarter basis and continued to do so in October-November compared with the third quarter. Housing investment has tended to pick up, notably in owner-occupied houses and housing for sale, mainly due to the progress in inventory and price adjustments and to government measures to support home purchases, amid declines in borrowing rates.

Housing investment is expected to pick up gradually, considering the number of housing starts. It is likely to require more time, however, to show clearer evidence of recovery, mainly because the improvement in the employment and income situation is expected to be limited for the time being.

Industrial production has declined slightly. On a quarterly basis (Chart 17), production dropped by 2.8 percent in October-November compared with the third quarter, following the quarter-on-quarter decline of 1.8 percent in the third quarter. Even after correcting the distortion in seasonal adjustments, production, in fact, moved down in October-November relative to the third quarter.<sup>4</sup> On a monthly basis, production registered an increase of 1.0 percent in November for the first time in six months, mainly due to the increase in production of motor vehicles and of electronic parts and devices.

Shipments declined at a faster pace in October-November compared with the third quarter by marking a decrease of 2.4 percent, after having declined by 1.2 percent in the third quarter on a quarter-on-quarter basis partly due to the distortion in seasonal adjustments. On a monthly basis, production turned upward in November for the first time in five months. By goods (Chart 18), shipments of producer goods rose in November, mainly in motor vehicle parts and in electronic parts and devices. Those of durable consumer goods also increased in November, assisted by the slower pace of decline in motor vehicles and the increase in flat panel televisions.

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<sup>4</sup> As a result of the revision on seasonal adjustments conducted in April 2010, it is likely that a part of the significant drop in production in the fourth quarter of 2008 and the first quarter of 2009 has been recognized as a seasonal movement. This seasonal adjustment method pushes future growth rates for the fourth and first quarters upward, whereas it exerts downward pressure on those for the second and third quarters.

Construction goods have risen moderately as a whole, mainly due to the increase in photovoltaic modules. Non-durable consumer goods have been sluggish, mainly since tobacco fell back from the sharp increase in demand. Capital goods (excluding transport equipment) have continued to trend gradually upward.

Inventories declined in November as a whole, mainly due to the sharp drop in inventories of flat panel televisions caused by the last-minute increase in demand. Looking at the shipment-inventory balance on a year-on-year basis (Chart 19), growth in both shipments and inventories was at around the same level as a whole. Electronic parts and devices, however, have been in an inventory adjustment phase with growth in inventories outpacing that in shipments.

Production is expected to resume a moderate increasing trend. According to anecdotes by firms and other information, production, in fact, seems to have dropped in the fourth quarter, primarily in transport equipment and its related industries as well as in electronic parts and devices, affected mainly by the expiration of subsidies for purchasing energy efficient cars and inventory adjustments in IT-related goods. On the other hand, production in the first quarter is actually projected to turn upward as the decline in transport equipment in response to the sharp increase in demand becomes less pronounced, and also as inventory adjustments in electronic parts and devices progress. This projection, however, continues to entail great uncertainty.

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 has tended to improve gradually by recording 0.57 times in November (Chart 20[1]). The unemployment rate, although still at a high level, has been more or less flat.

In terms of employment (Chart 21[1]), the year-on-year growth rate of the number of employees in the *Labour Force Survey* has recently risen marginally. The number of regular employees in the *Monthly Labour Survey* has increased from the previous year's level. With regard to the Employment Adjustment Subsidy, figures collected from reports on business suspension plans show that the number of

applicants for this subsidy has been decreasing moderately as a trend, although it remains at a high level.<sup>5</sup> Overtime hours worked, meanwhile, have continued to increase on a year-on-year basis, but the level has moved down lately, chiefly in manufacturing (Chart 21[3]).

Nominal wages per employee have inched up lately on a year-on-year basis (Chart 22[1]). In detail, regular payments have been at about 0 percent on a year-on-year basis. On the other hand, overtime payments have continued to register a year-on-year increase, facilitated by movements in overtime hours worked. Special payments have decreased marginally. Several surveys covering large firms show that the pace of increase in winter bonuses is expected to be on par with that in summer bonuses on a year-on-year basis.

Employee income has marked a marginal year-on-year increase lately as a reflection of the aforementioned developments in employment and wages (Chart 22[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 employee income is expected to be more or less flat.

## 2. Prices

International commodity prices have increased. The three-month rate of change in import prices (on a yen basis) has risen, as a reflection of movements in international commodity prices (Chart 24).

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<sup>5</sup> The Ministry of Health, Labour and Welfare has once again eased the conditions to receive the Employment Adjustment Subsidy—the original deadline was December 2010—to provide businesses facing a slow recovery in their production volumes due to the rapid appreciation of the yen the support to maintain their employment. Subsidies are also paid for one year only starting from December 2010 to firms, on the condition that they meet each of the following requirements: (i) a decline in the production volume caused by the yen's appreciation; (ii) a production volume decrease of 15 percent or more in the most recent three months compared with that marked during the same period three years ago; and (iii) a deficit in their current profits of the latest statement, etc.

The three-month rate of change in domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter)<sup>6</sup> is rising moderately, mainly due to the increase in international commodity prices (Chart 25). In detail, the three-month rate of change in prices of "goods sensitive to exchange rates and overseas commodity prices" has risen at a faster pace; it reflects the increase in international commodity prices. Prices of "others" have increased affected by the rise in the tobacco tax.<sup>7</sup>

Corporate services prices (excluding international transportation; year-on-year basis, same hereafter) have been declining, a reflection mainly of cost cutting among firms (Chart 26). The year-on-year pace of decline had tended to moderate until mid 2010, but have essentially leveled off since. Looking at recent developments in detail, prices related to selling, general and administrative expenses have declined at a slightly slower pace compared to a while ago, mainly in advertising services and hotels. On the other hand, as for prices related to fixed investment, civil engineering and architectural services have continued to register a somewhat sizeable decline due to sluggish demand. Prices related to real estate have dropped at a faster pace, affected by a slack in supply and demand conditions with a time lag.

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 27 and 28). In November, the rate of decline in consumer prices narrowed by 0.1 percentage point from October and registered a decrease of 0.5 percent (0.0 percent with high school fees excluded).<sup>8,9</sup>

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<sup>6</sup> Figures are adjusted to exclude large seasonal fluctuations in electric power charges to observe the underlying changes in domestic corporate goods prices. Industrial and commercial electric power charges are set relatively high during July-September, when electric power consumption increases substantially.

<sup>7</sup> The rise in the tobacco tax has pushed the three-month rate of change in domestic corporate goods prices upward by 0.4 percentage points.

<sup>8</sup> The rise in the tobacco tax and the increase in accident insurance premiums have pushed consumer prices (nationwide; excluding fresh food) upward since October by about 0.3 percentage points and 0.1 percentage point, respectively, on a year-on-year basis.

<sup>9</sup> 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 receive subsidies equivalent to the annual tuition fee of public high schools.

Looking at developments on a basis that excludes food and energy, the rate of decline in consumer prices accelerated by 0.1 percentage point from October to a decline of 0.9 percent (a decline of 0.1 percent with high school fees excluded). Regarded as a method for capturing trend changes, the year-on-year rate of decline in the trimmed mean—which systematically discards a certain percentage of the highest and lowest marks of the price fluctuation distribution by item (which eliminates large relative price fluctuations)—has been narrowing mildly.

Looking at recent movements in detail other than high school fees, cigarettes, and accident insurance premiums, as for goods, prices of agricultural and aquatic products (mainly rice) have declined at a slightly faster pace, whereas prices such as of food products, daily necessities, and clothes have tended to decline at a slower pace. As for general services, the rate of decline for house rent has been expanding somewhat, but other than that, the rates of decrease have tended to slow, notably in package tours to overseas. Although the pace of decline has been slowing such as in airplane fares, public utility charges have declined at a somewhat faster pace as a whole since the decline in crude oil prices to date has started to take effect on electricity with a time lag.

Domestic corporate goods prices are expected to be on an uptrend for the time being, reflecting movements in international commodity prices. 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**

Japan's money markets have been stable as a whole, against the background of the Bank of Japan's provision of ample funds. The overnight call rate (uncollateralized) has been slightly below the 0.1 percent level. Regarding interest rates on term instruments, the T-Bill rate (3-month) has decreased somewhat; it has recently been slightly above 0.1 percent. The Euroyen interest rate (3-month) has been more or less flat, at a somewhat high level relative to the OIS rates—the OIS rates mainly reflect expectations about future policy interest rates. The volume of

transactions in some markets has remained low. Interest rates on Euroyen futures have been more or less unchanged (Chart 29). In U.S. dollar funding, the LIBOR-OIS spread for the dollar has been at a low level (Chart 30).

Yields on 10-year government bonds (newly issued 10-year JGB) fell, as rises in U.S. interest rates came to a pause and transactions for position adjustments among investors abated, but the yields have increased thereafter; they have recently been in the range of 1.2-1.3 percent (Chart 31).

Yield spreads between corporate bonds and government bonds have been more or less flat as a trend, at a level which had declined in the previous month, mainly due to the Bank of Japan's asset purchase program as well as firm demand among investors (Chart 32).<sup>10</sup>

Stock prices have risen somewhat, against the backdrop of steady U.S. stock prices and continued purchases of Japanese stocks by foreign investors. The Nikkei 225 Stock Average has recently been at around 10,500 yen (Chart 33).

In the foreign exchange market, the yen, after appreciating against the U.S. dollar during the period around the turn of the year, has depreciated somewhat; it has recently been traded in the range of 82-83 yen (Chart 34).

## **(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. Issuance rates on CP and those on corporate bonds, meanwhile, have been at low levels. The average contracted interest rates on new loans and discounts have been on a declining trend, albeit with some fluctuations (Chart 36).

With regard to credit supply, firms have continued to see financial institutions' lending attitudes as improving (Chart 35). Issuing conditions for CP and corporate bonds have become more favorable as seen in an increased variety of corporate bond

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<sup>10</sup> The slight tightening in spreads of A-rated corporate bonds as well as the widening in spreads of BBB-rated corporate bonds were due to the fact that some bonds with large spreads were downgraded from A-rated to BBB-rated.

issuers. 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 37). On the other hand, the amount outstanding of corporate bonds issued has exceeded the previous year's level, and the pace of decline in the amount outstanding of CP issued has been on a decelerating trend (Chart 38).

In these circumstances, the financial positions of firms have been improving as a whole (Chart 35). The number of corporate bankruptcies has continued to decrease. It was down by 3.0 percent on a year-on-year basis in December, following a decline of 6.3 percent in November (Chart 40).

Meanwhile, the year-on-year growth rate of the money stock (M2) has recently been in the range of 2.0-2.5 percent. Its December reading was 2.3 percent on a year-on-year basis, following 2.6 percent in November (Chart 39).<sup>11</sup>

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<sup>11</sup> On an M3 basis, which includes the Japan Post Bank, the year-on-year growth rate has recently been in the range of 1.5-2.0 percent; its December reading was 1.8 percent, following 2.0 percent in November. The year-on-year growth rate of broadly-defined liquidity (L) has recently been at around 0 percent; it increased by 0.1 percent in December, following an increase of 0.2 percent in November.



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## Main Economic Indicators (1)

	s.a., q/q (m/m) % chg. <sup>1</sup>						
	2010/Q2	Q3	Q4	2010/Sep.	Oct.	Nov.	Dec.
Index of consumption expenditure level (two-or-more-person households)	-2.0	2.5	n.a.	-1.7	-0.9	1.4	n.a.
Sales at department stores	-1.5	-0.7	n.a.	-2.7	2.5	0.1	n.a.
Sales at supermarkets	0.1	1.2	n.a.	1.4	-2.3	1.6	n.a.
New passenger-car registrations <sup>3</sup> <s.a., ann. 10,000 units>	< 320>	< 334>	< 215>	< 265>	< 219>	< 207>	< 218>
Sales of household electrical appliances (real, "Current Survey of Commerce")	1.7	8.5	n.a.	-0.0	11.4	25.0	n.a.
Outlays for travel	3.1	-1.0	n.a.	-5.0	5.9	-0.0	n.a.
Housing starts <s.a., ann. 10,000 units>	< 76>	< 82>	<n.a.>	< 84>	< 81>	< 85>	<n.a.>
Machinery orders (from private sector) excluding volatile orders 1 <sup>4</sup>	0.3	9.6	n.a.	-10.3	-1.4	-3.0	n.a.
excluding volatile orders 2 <sup>4</sup>	-0.1	7.7	n.a.	-14.2	0.6	0.8	n.a.
Construction starts (private, nondwelling use)	-19.4	17.6	n.a.	23.1	-12.5	-5.5	n.a.
Mining & manufacturing	-11.2	7.7	n.a.	6.9	13.6	-8.0	n.a.
Nonmanufacturing <sup>5</sup>	-20.1	21.1	n.a.	21.3	-16.4	-6.8	n.a.
Value of public works contracted	5.2	-7.9	-5.5	-4.9	0.1	0.4	-5.2
Real exports	9.6	-0.4	n.a.	-0.2	-1.2	-1.7	n.a.
Real imports	6.3	1.2	n.a.	-0.3	-0.4	1.2	n.a.
Industrial production	1.5	-1.8	n.a.	-1.6	-2.0	1.0	n.a.
Shipments	1.6	-1.2	n.a.	-0.5	-3.0	2.6	n.a.
Inventories	3.4	0.4	n.a.	0.1	-1.0	-1.8	n.a.
Inventory ratio <s.a., CY 2005 = 100>	< 106.7>	< 108.8>	<n.a.>	< 108.8>	< 117.9>	< 108.1>	<n.a.>
Real GDP	0.7	1.1	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.8	0.7	n.a.	-0.8	-0.3	-0.1	n.a.

## Main Economic Indicators (2)

	y/y % chg. <sup>1</sup>						
	2010/Q2	Q3	Q4	2010/Sep.	Oct.	Nov.	Dec.
Ratio of job offers to applicants <s.a., times>	< 0.50>	< 0.54>	<n.a.>	< 0.55>	< 0.56>	< 0.57>	<n.a.>
Unemployment rate <s.a., %>	< 5.2>	< 5.1>	<n.a.>	< 5.0>	< 5.1>	< 5.1>	<n.a.>
Overtime working hours <sup>6</sup>	10.8	9.6	n.a.	7.6	6.2	6.1	n.a.
Number of employees	-0.3	0.3	n.a.	0.7	0.7	0.3	n.a.
Number of regular employees <sup>6</sup>	0.2	0.5	n.a.	0.6	0.7	0.7	n.a.
Nominal wages per person <sup>6</sup>	1.3	0.9	n.a.	0.9	0.5	0.2	n.a.
Domestic corporate goods price index <q/q % chg., 3-month rate of change> <sup>7</sup>	0.2 < 0.6>	-0.1 <-0.4>	p 1.0 <p 0.5>	-0.1 <-0.2>	0.8 < 0.3>	0.9 < 0.4>	p 1.2 <p 0.8>
Consumer price index <sup>8</sup>	-1.2	-1.0	n.a.	-1.1	-0.6	-0.5	n.a.
Corporate services price index <sup>9</sup>	-1.3	-1.1	n.a.	-1.2	-1.3	p -1.2	n.a.
Money stock (M2) <average outstanding, y/y % chg.>	3.0	2.8	p 2.6	2.8	2.8	2.6	p 2.3
Number of corporate bankruptcies <cases per month>	<1,108>	<1,077>	<1,100>	<1,102>	<1,136>	<1,061>	<1,102>

Notes: 1. All figures in Chart 1 except figures in angle brackets are quarter-on-quarter (month-on-month) changes of seasonally adjusted data.

All figures in Chart 2 except figures in angle brackets are year-on-year changes. For details on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes of respective charts.

2. Figures with "p" indicate preliminary data.

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

4. Volatile orders 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";

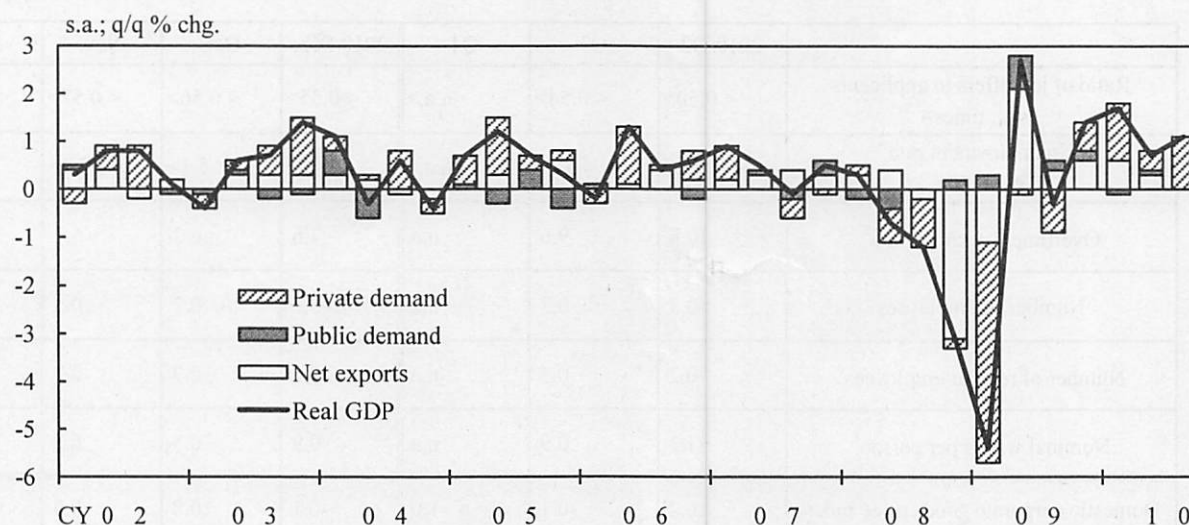
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey";

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



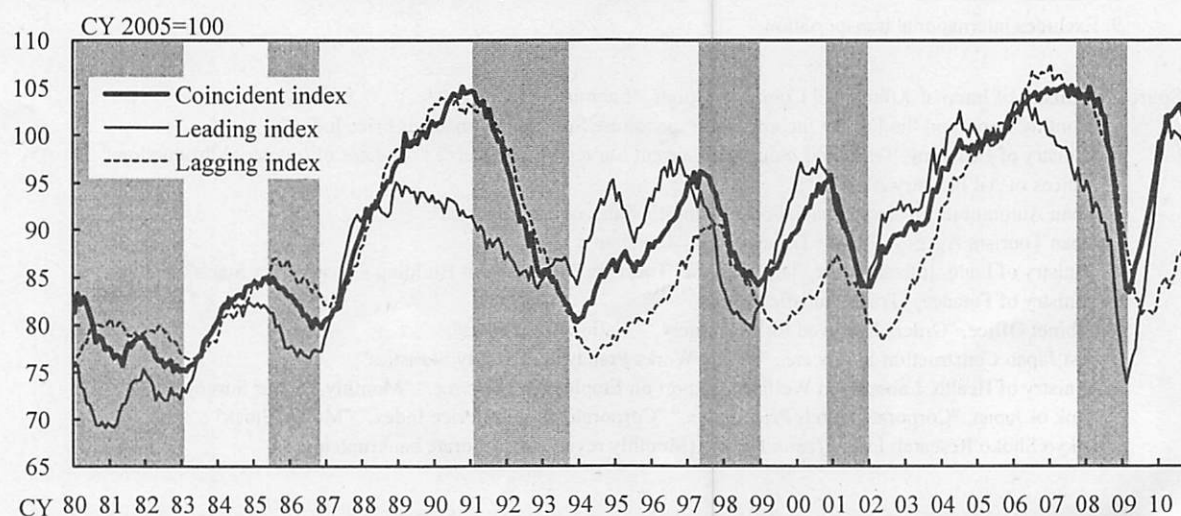
## (2) Components

s.a.; q/q % chg.

	2009		2010		
	Q3	Q4	Q1	Q2	Q3
Real GDP	-0.3	1.4	1.7	0.7	1.1
Domestic demand	-0.7	0.8	1.1	0.5	1.1
Private demand	-0.9	0.6	1.2	0.4	1.1
Private consumption	0.1	0.4	0.3	0.2	0.7
Non-Resi. investment	-0.3	0.2	0.1	0.4	0.2
Residential investment	-0.2	-0.1	0.0	-0.0	0.0
Private inventory	-0.5	0.1	0.6	-0.1	0.2
Public demand	0.2	0.2	-0.1	0.1	-0.0
Public investment	-0.0	0.0	-0.1	-0.1	-0.0
Net exports of goods and services	0.4	0.6	0.6	0.3	-0.0
Exports	1.3	0.7	1.0	0.8	0.4
Imports	-0.8	-0.1	-0.4	-0.5	-0.4
Nominal GDP	-0.7	0.4	1.7	-0.3	0.6

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

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

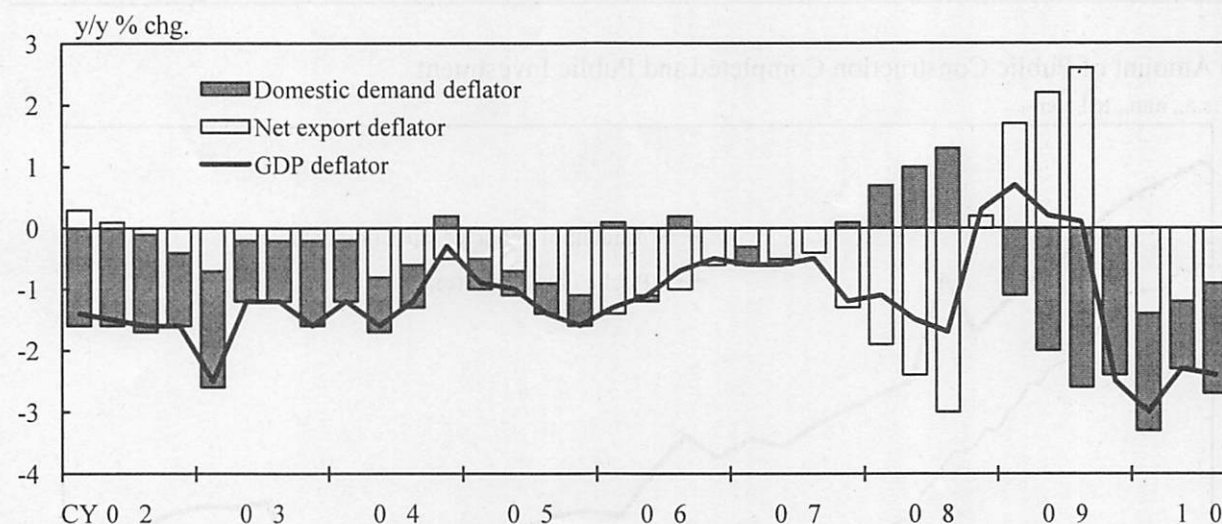


Note: Shaded areas indicate recession periods.

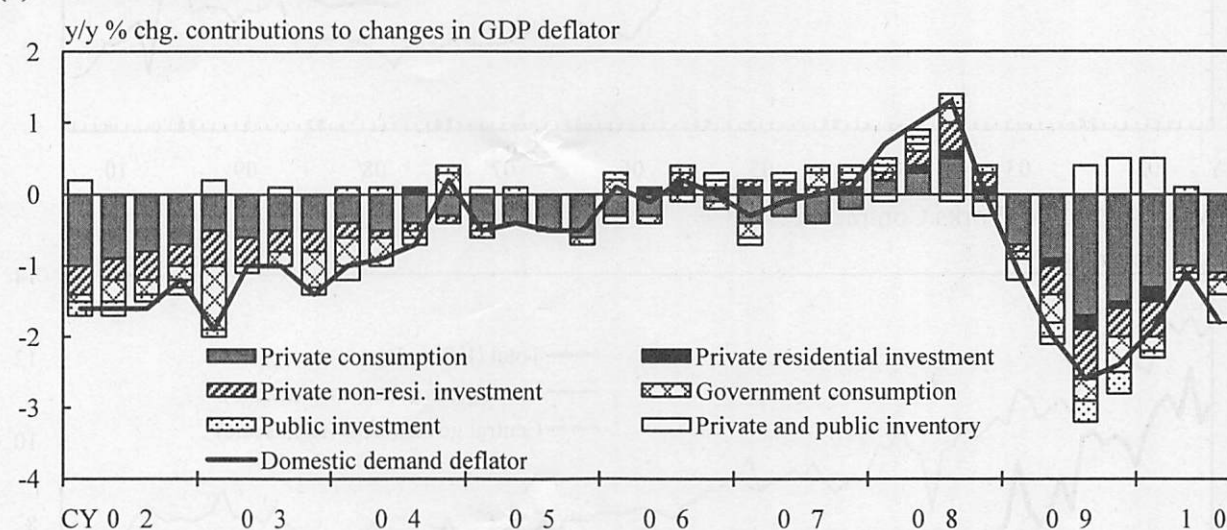
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

## GDP Deflator and Income Formation

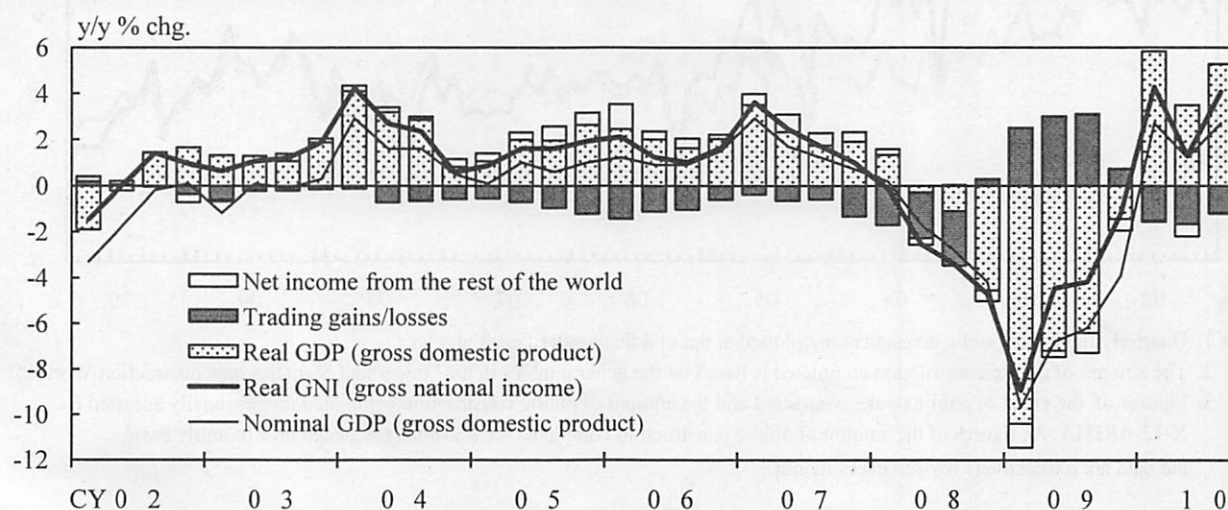
## (1) GDP Deflator



## (2) Domestic Demand Deflator



## (3) Aggregate Income Formation



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

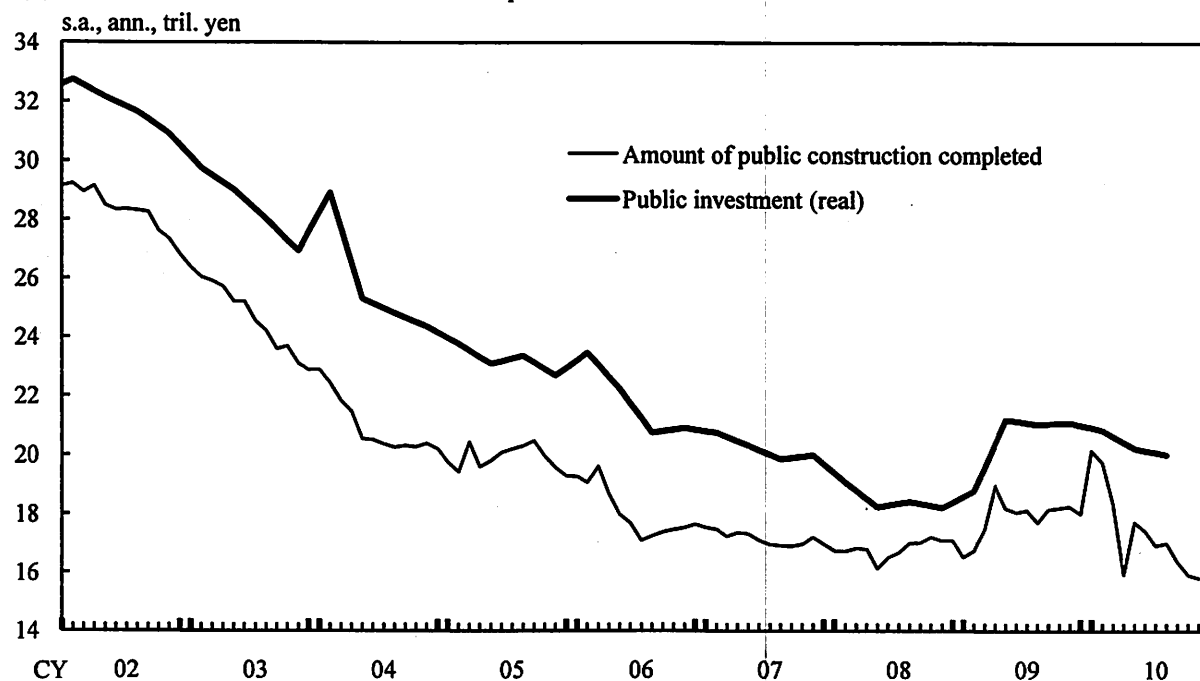
2. Real GNI = real GDP + trading gains/losses + net income from the rest of the world

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

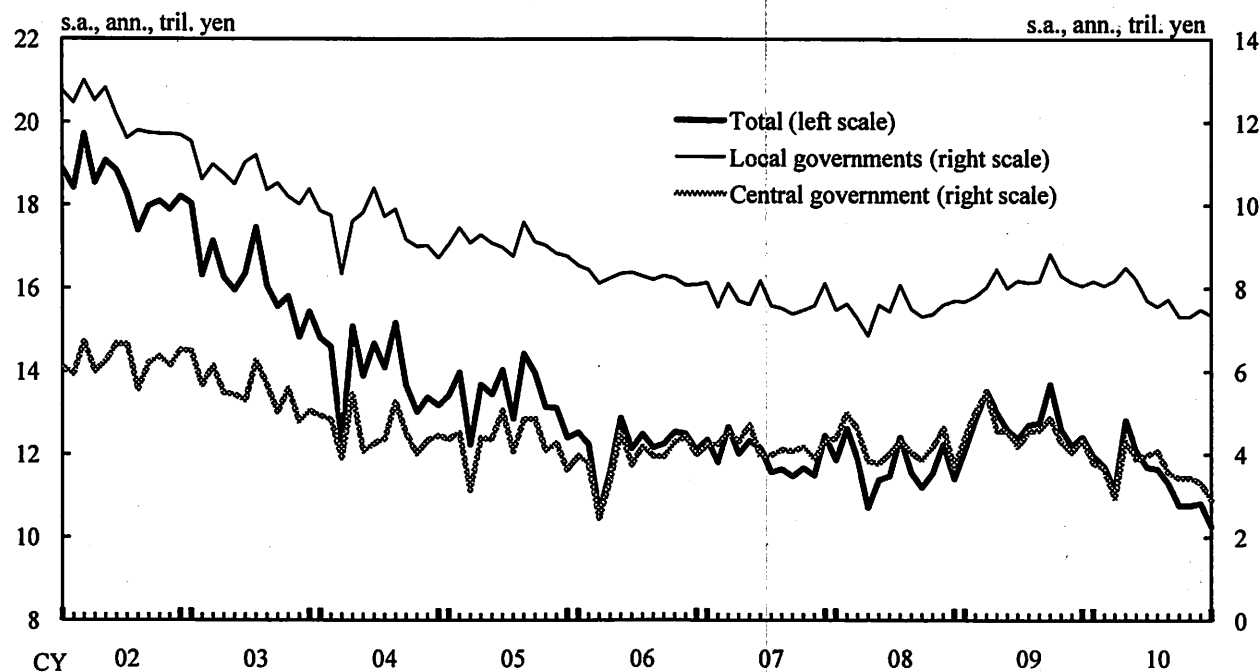
Source: Cabinet Office, "National Accounts."

## Public Investment

## (1) Amount of Public Construction Completed and Public Investment



## (2) Value of Public Works Contracted



Notes: 1. Quarterly figures of public investment are plotted at the middle month of each quarter.

2. The amount of public construction completed is based on the general tables in the "Integrated Statistics on Construction Works."

3. Figures of the value of public works contracted and the amount of public construction completed are seasonally adjusted by X-12-ARIMA. As figures of the amount of public construction completed are seasonally adjusted on a monthly basis, the data are retroactively revised every month.

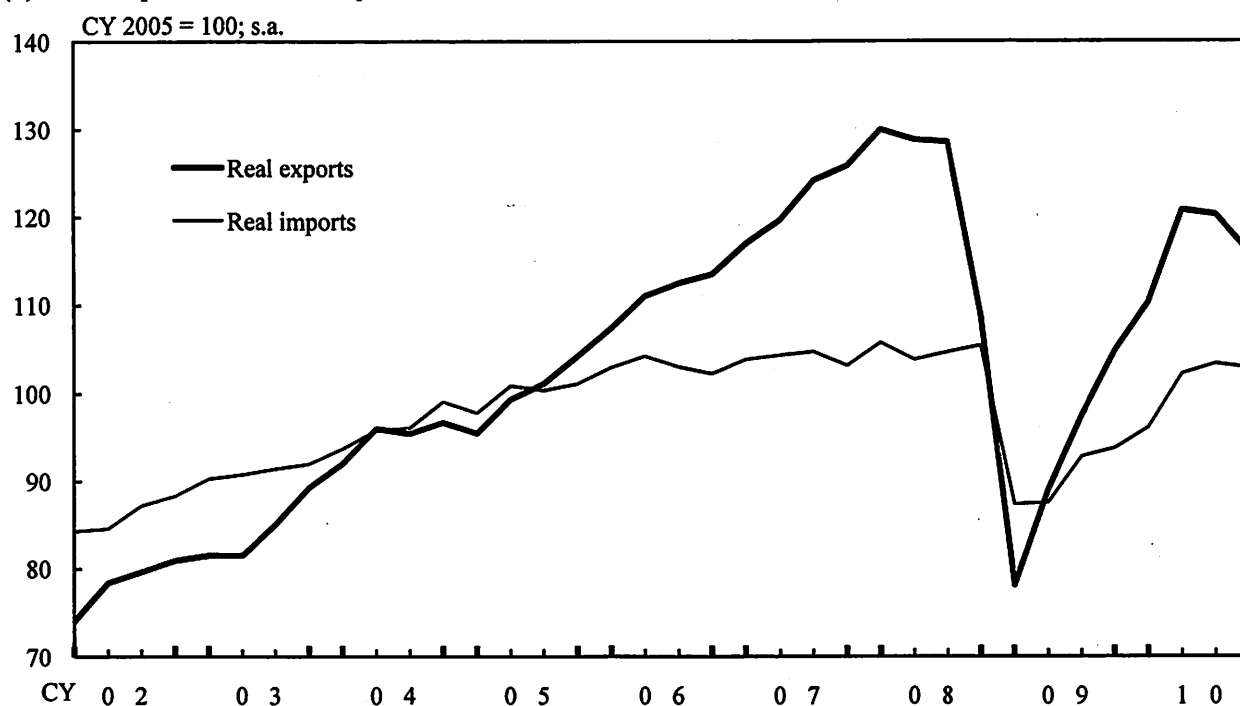
Sources: Cabinet Office, "National Accounts";

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

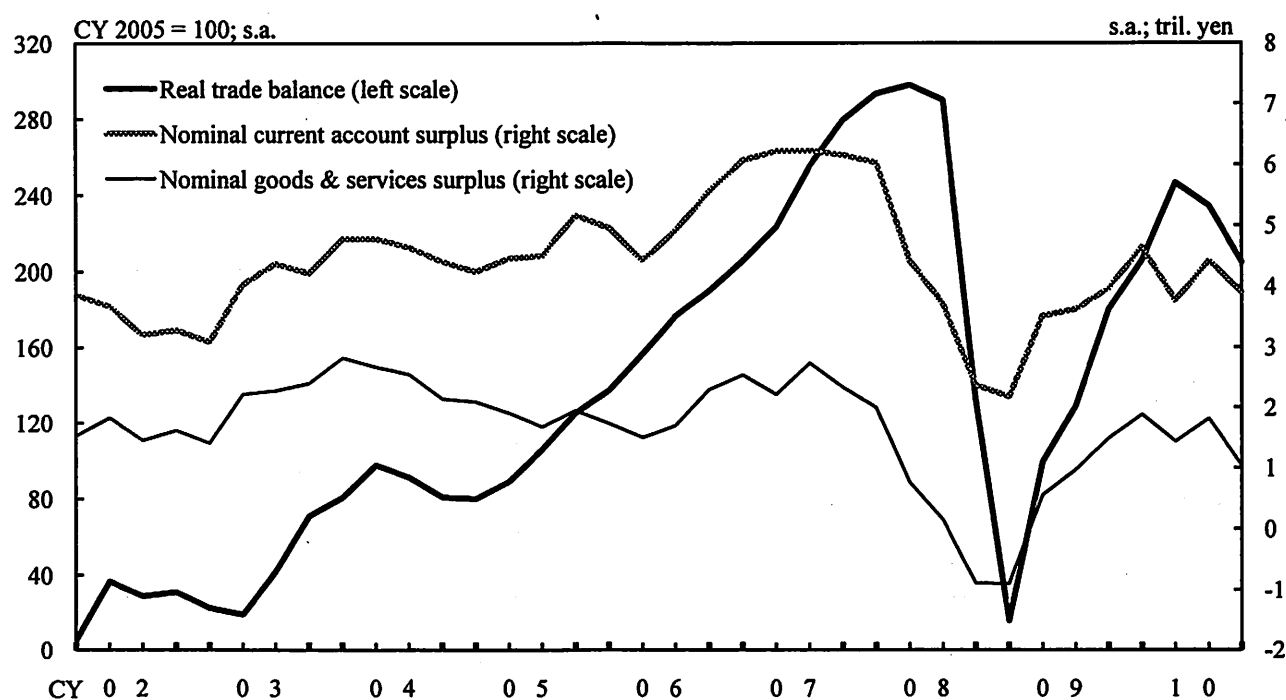
Ministry of Land, Infrastructure, Transport and Tourism, "Integrated Statistics on Construction Works."

## External Balance

### (1) 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 the base year of 2005.

Real exports/imports are the value of exports and imports in the "Trade Statistics" deflated by the "Export and Import Price Index."

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

3. 2010/Q4 figures are October-November 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."



Real Exports <sup>1</sup>

## (1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2008	2009	2009 Q4	2010 Q1	Q2	Q3	Q4	2010 Sep.	Oct.	Nov.
United States	<16.1>	-8.8	-32.6	7.1	-1.2	11.3	3.4	-3.6	1.5	-0.2	-2.4
EU	<12.5>	-0.1	-34.6	9.6	-4.0	8.5	4.2	1.1	-2.7	-3.0	8.5
East Asia	<51.4>	3.4	-15.8	7.8	7.9	5.0	0.8	-0.1	-2.4	3.4	-2.3
China	<18.9>	6.7	-10.2	6.4	9.1	2.5	2.7	4.4	-4.2	9.8	-3.4
NIEs	<23.5>	-0.0	-18.0	6.7	6.9	5.3	-0.6	-2.8	-2.8	-0.2	-0.6
Korea	<8.1>	-0.3	-16.0	5.0	5.9	5.8	1.6	-9.0	-7.5	-6.2	2.8
Taiwan	<6.3>	-4.3	-17.7	11.8	9.7	6.8	-0.8	-3.8	-9.5	3.7	-2.0
Hong Kong	<5.5>	-2.4	-18.8	8.0	4.9	10.0	-3.9	-3.0	6.5	2.3	-9.6
Singapore	<3.6>	13.3	-21.6	-4.7	13.3	-11.0	6.0	9.3	4.0	-4.5	17.3
ASEAN4 <sup>3</sup>	<9.1>	6.4	-20.5	13.7	8.1	9.0	0.6	-2.3	1.7	-0.3	-4.1
Thailand	<3.8>	5.0	-20.9	16.1	4.9	11.1	1.2	-1.4	-1.4	1.3	-1.3
Others	<20.0>	16.1	-32.1	11.3	11.1	9.1	-4.0	-5.8	8.7	-5.7	-3.7
Real exports		1.8	-25.6	7.6	5.2	9.6	-0.4	-3.6	-0.2	-1.2	-1.7

## (2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2008	2009	2009 Q4	2010 Q1	Q2	Q3	Q4	2010 Sep.	Oct.	Nov.
Intermediate goods	<20.7>	0.4	-5.6	4.6	0.9	5.4	1.3	-1.9	-3.5	1.0	0.4
Motor vehicles and their related goods	<20.0>	3.2	-41.4	11.3	4.9	10.7	0.5	-2.4	1.9	0.1	-3.9
Consumer goods <sup>4</sup>	<4.1>	3.5	-28.8	0.3	-0.5	9.2	1.0	-8.5	0.3	-5.9	-4.2
IT-related goods <sup>5</sup>	<11.3>	0.8	-17.0	5.7	5.9	7.2	-1.5	-2.6	-6.6	4.2	-3.7
Capital goods and parts <sup>6</sup>	<27.9>	5.2	-28.1	9.9	8.7	14.7	1.2	-4.9	4.4	-4.4	-1.4
Real exports		1.8	-25.6	7.6	5.2	9.6	-0.4	-3.6	-0.2	-1.2	-1.7

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2010/Q4 figures are October-November 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.

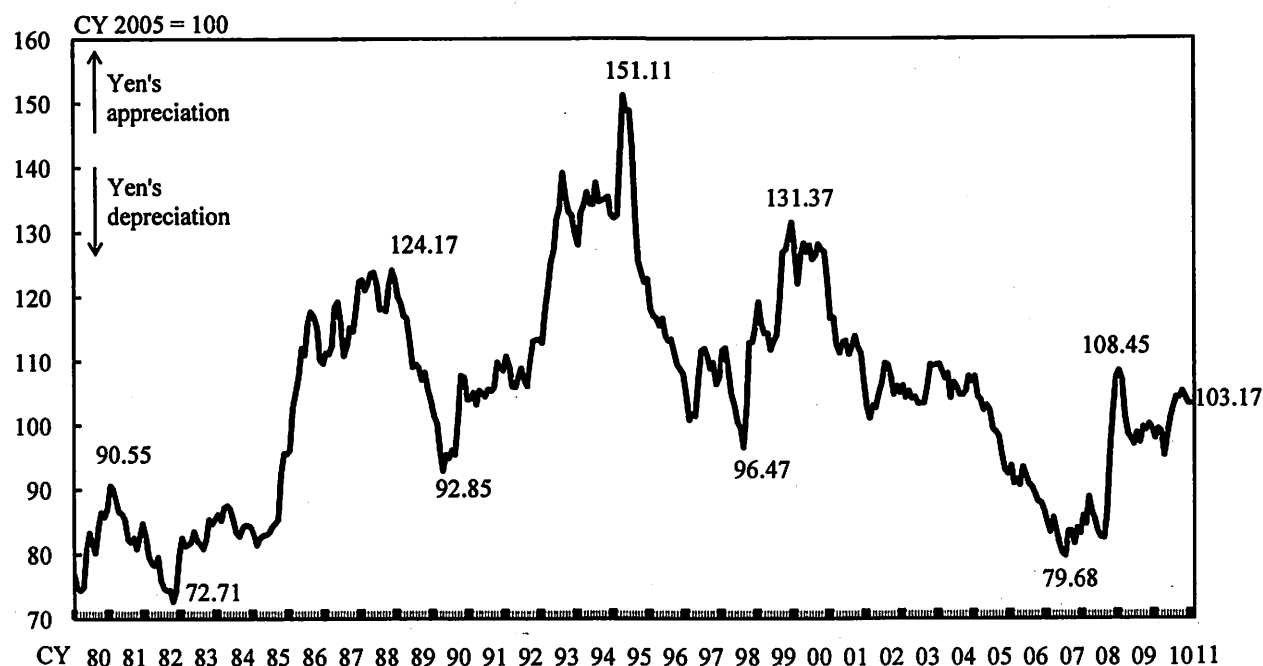
5. IT-related goods are composed of computers and units, telecommunication machinery, ICs, and medical and optical instruments.

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. The figure is based on the broad index of the BIS effective exchange rate and that prior to 1994 is calculated using the narrow index.

2. The figure for January (up to January 21) 2011 has been calculated using the monthly average of the BOJ's nominal effective exchange rate (the Yen Index).

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

		CY2008	2009	2010	2010 Q1	Q2	Q3	Q4	
United States <sup>1</sup>		0.0	-2.6	n.a.	3.7	1.7	2.6	n.a.	
European Union <sup>1</sup>		0.5	-4.2	n.a.	1.6	4.2	1.9	n.a.	
	Germany	1.0	-4.7	3.6	2.3	9.5	2.8	n.a.	
	France	0.1	-2.5	n.a.	0.8	2.4	1.2	n.a.	
	United Kingdom	-0.1	-4.9	n.a.	1.2	4.6	2.9	n.a.	
East Asia <sup>2</sup>	China		9.6	9.2	10.3	11.9	10.3	9.6	9.8
	NIEs	Korea	2.3	0.2	n.a.	8.1	7.2	4.4	n.a.
		Taiwan	0.7	-1.9	n.a.	13.6	12.9	9.8	n.a.
		Hong Kong	2.2	-2.8	n.a.	8.0	6.5	6.8	n.a.
		Singapore	1.8	-1.3	14.7	16.6	19.4	10.5	12.5
	ASEAN4	Thailand	2.5	-2.3	n.a.	12.0	9.2	6.7	n.a.
		Indonesia	6.0	4.5	n.a.	5.7	6.2	5.8	n.a.
		Malaysia	4.7	-1.7	n.a.	10.1	8.9	5.3	n.a.
		Philippines	3.7	1.1	n.a.	7.8	8.2	6.5	n.a.

Notes: 1. Quarterly data of the 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.

Real Imports <sup>1</sup>

## (1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2008	2009	2009 Q4	2010 Q1	Q2	Q3	Q4	2010 Sep.	Oct.	Nov.
United States	<10.7>	-2.5	-18.7	6.5	-0.4	4.5	0.7	-0.5	0.7	-5.4	12.5
EU	<10.7>	-3.0	-13.2	1.6	-0.8	4.1	4.6	-4.8	2.6	-2.7	-7.6
East Asia	<41.9>	2.5	-13.1	3.1	4.2	11.2	1.2	1.7	-0.3	1.0	2.3
China	<22.2>	4.4	-11.1	3.9	3.0	13.8	0.9	4.3	-1.8	3.6	3.7
NIEs	<8.6>	-1.0	-15.9	2.2	7.0	6.9	0.7	-2.3	-1.5	-1.2	0.4
Korea	<4.0>	-5.2	-19.0	-0.5	4.0	10.7	0.9	5.4	-4.2	8.8	1.5
Taiwan	<3.3>	3.5	-12.4	5.6	6.3	4.6	1.2	-7.0	-2.0	-5.5	-1.2
Hong Kong	<0.2>	-1.7	-29.7	-4.4	55.5	-7.4	-5.0	-2.1	7.8	-19.0	29.5
Singapore	<1.1>	1.6	-12.4	5.1	12.6	7.7	-3.8	-10.1	0.4	-10.0	-2.7
ASEAN4 <sup>3</sup>	<11.0>	1.7	-14.9	2.1	4.3	9.3	2.6	-0.8	4.4	-2.8	0.5
Thailand	<2.9>	2.4	-17.5	5.9	3.6	11.0	6.1	-5.4	-2.2	-6.7	6.0
Others	<36.7>	3.0	-13.9	-1.2	2.6	3.4	0.8	-0.4	-3.6	3.5	-1.3
Real imports		0.7	-14.0	1.0	2.5	6.3	1.2	-0.5	-0.3	-0.4	1.2

## (2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2008	2009	2009 Q4	2010 Q1	Q2	Q3	Q4	2010 Sep.	Oct.	Nov.
Raw materials <sup>4</sup>	<34.2>	2.4	-14.9	-3.4	3.2	3.1	1.0	-0.6	0.2	2.3	-3.4
Intermediate goods	<14.2>	1.7	-15.3	2.7	5.8	7.4	1.7	-4.7	1.2	-5.9	1.5
Foodstuffs	<9.7>	-3.6	1.0	-4.7	2.2	8.6	3.4	-14.1	-5.2	-13.4	3.7
Consumer goods <sup>5</sup>	<8.9>	-2.4	-10.3	6.1	1.0	11.3	-1.4	9.8	4.6	6.1	5.4
IT-related goods <sup>6</sup>	<11.0>	4.3	-12.4	4.6	6.2	10.0	1.7	3.2	4.0	2.2	-1.9
Capital goods and parts <sup>7</sup>	<11.8>	2.9	-23.8	11.3	-0.4	6.8	3.4	2.5	6.9	-5.2	10.3
Excluding aircraft	<11.0>	3.7	-24.4	6.9	4.9	6.7	3.3	0.8	0.8	-0.4	2.8
Real imports		0.7	-14.0	1.0	2.5	6.3	1.2	-0.5	-0.3	-0.4	1.2

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2010/Q4 figures are October-November 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 fuels.

5. Excludes foodstuffs.

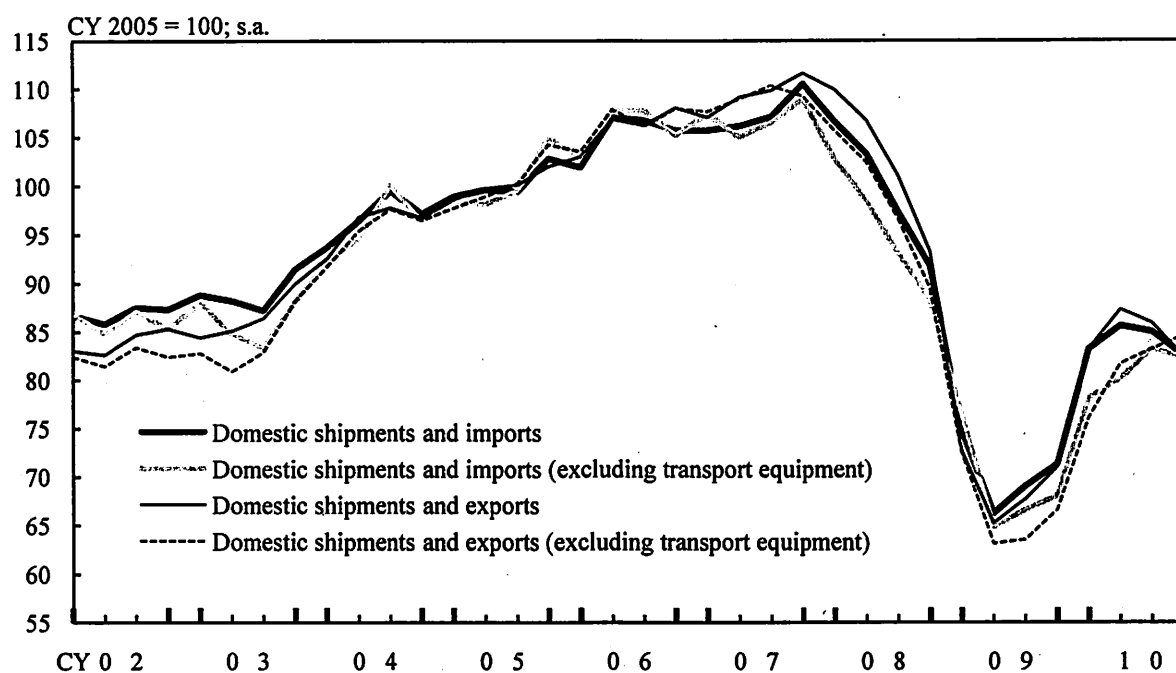
6. IT-related goods are composed of computers and units, parts of computers, telecommunication machinery, ICs, and medical and optical instruments.

7. Excludes IT-related goods.

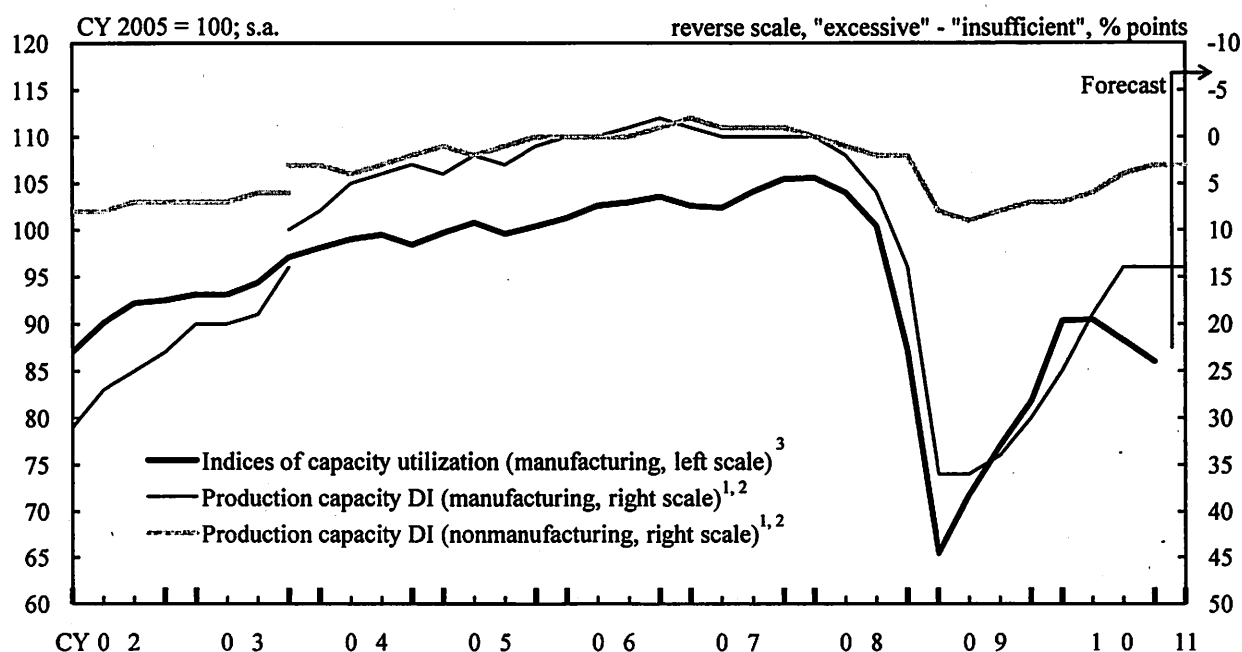
Sources: Ministry of Finance, "Trade Statistics"; Bank of Japan, "Corporate Goods Price Index."

## Coincident Indicators of Business Fixed Investment

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



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



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

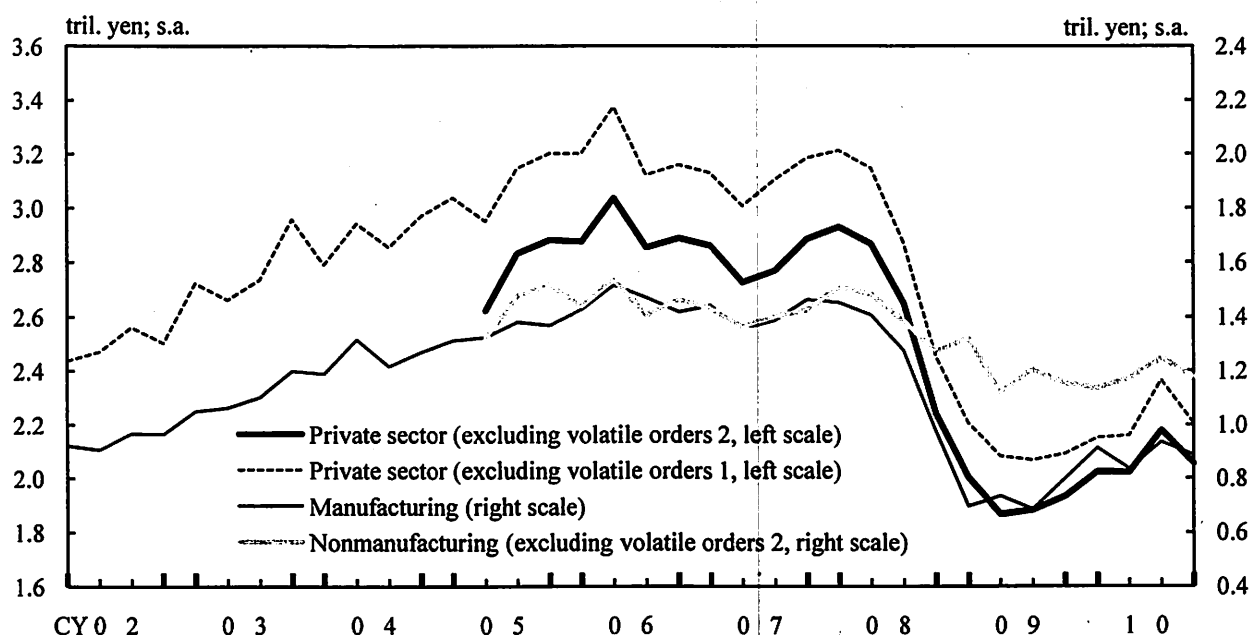
2. In the March 2004 survey, the "Tankan" underwent major revisions, including the addition of new sample enterprises to the survey. Figures up to the December 2003 survey are based on the previous data sets. Figures from the December 2003 survey are on the new basis.

3. The figure for 2010/Q4 is the average of October-November.

Sources: Ministry of Economy, Trade and Industry, "Indices of Industrial Production," "Indices of Industrial Domestic Shipments and Imports"; Bank of Japan, "Tankan, Short-term Economic Survey of Enterprises in Japan."

# Leading Indicators of Business Fixed Investment

## (1) Machinery Orders

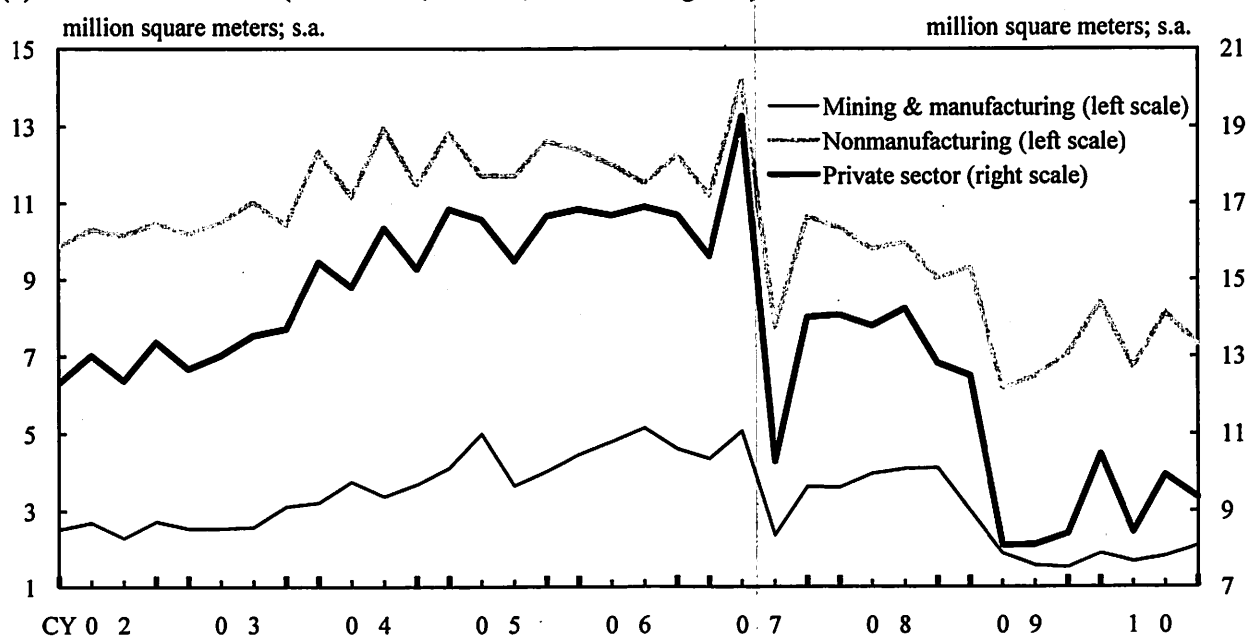


Notes: 1. Volatile orders 1: Orders for ships and those from electric power companies.

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

2. Figures for 2010/Q4 are those of October-November in quarterly amount.

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



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

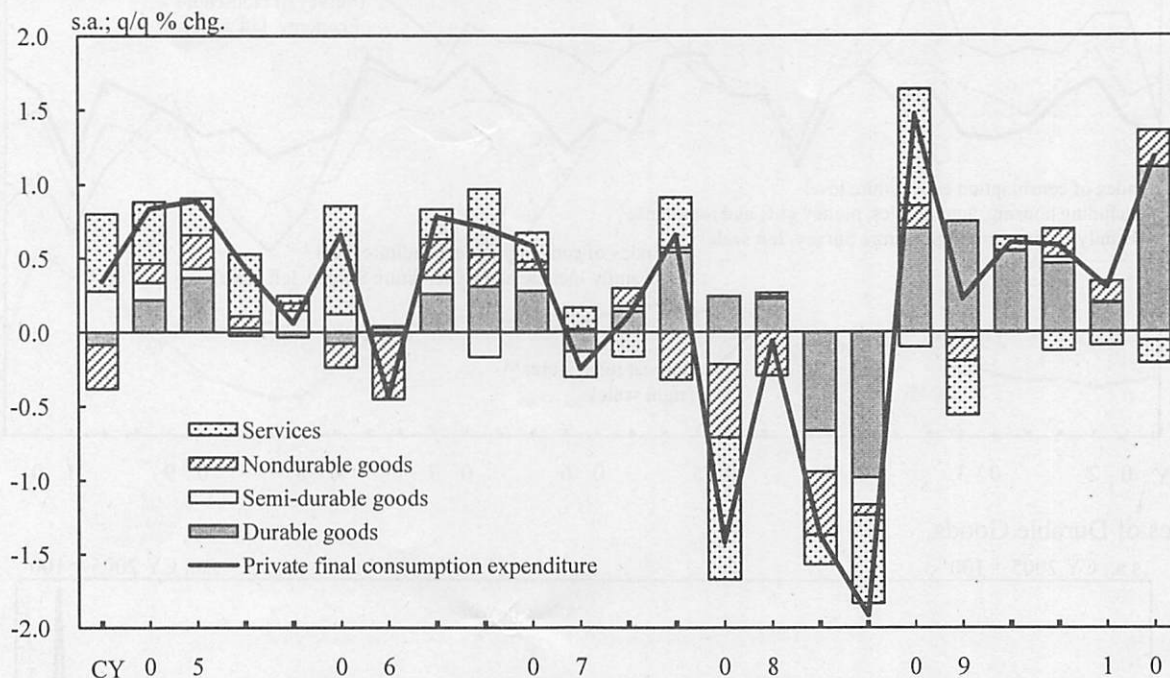
2. Following the revision of the "Standard Industrial Classification for Japan" in March 2002, the industry classification for "newspaper publishing and publishing business" was changed from "mining and manufacturing" to "nonmanufacturing." This new classification applies to data from FY 2003 onward. Accordingly, the data up to FY 2002 were adjusted by using a link coefficient.

3. Figures for 2010/Q4 are October-November averages in quarterly amount.

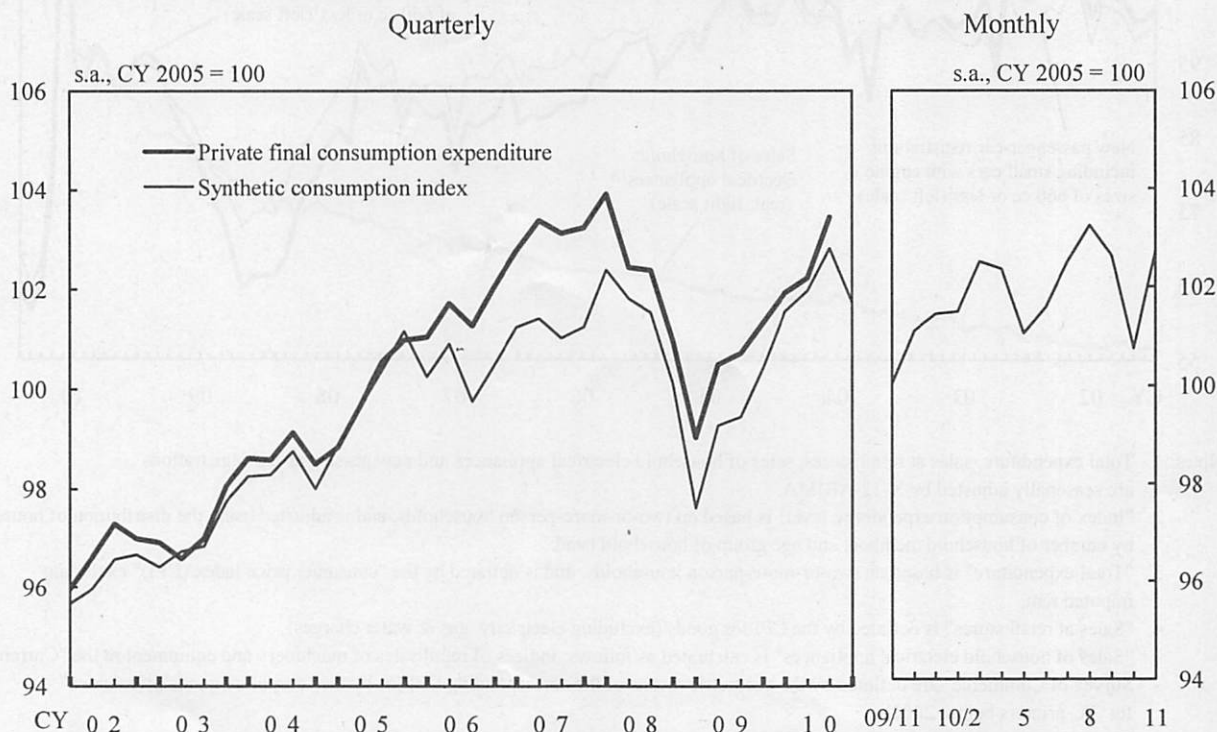
Sources: Cabinet Office, "Orders Received for Machinery";  
 Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts."

## Indicators of Private Consumption (1)

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



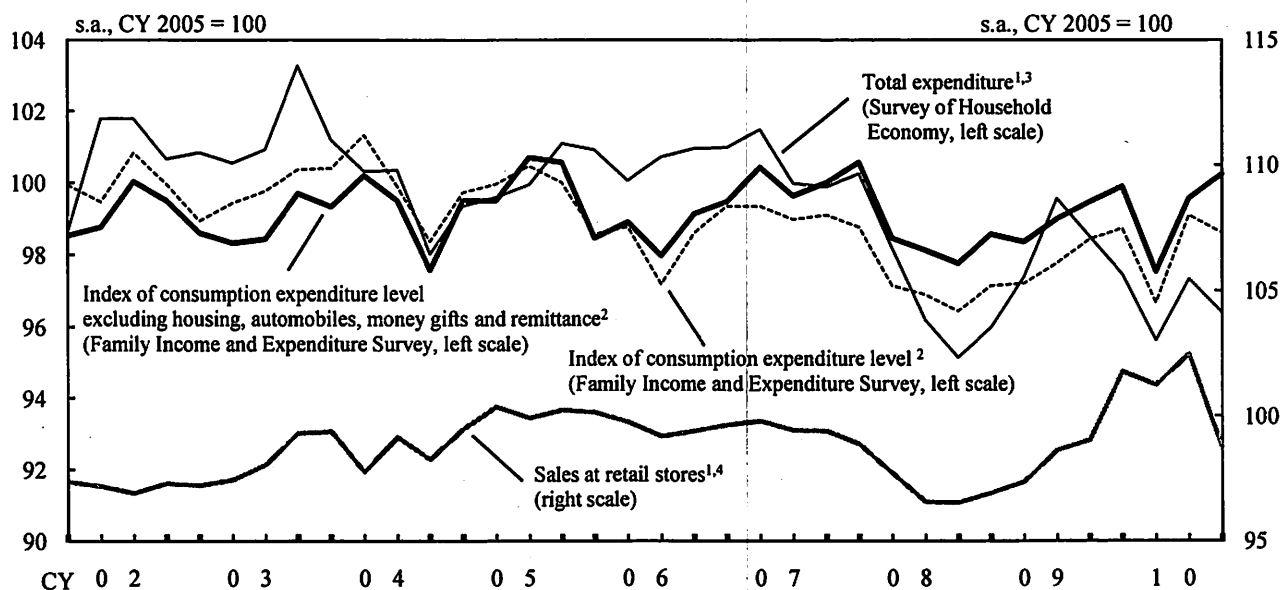
## (2) Private Final Consumption Expenditure and Synthetic Consumption Index (Real)



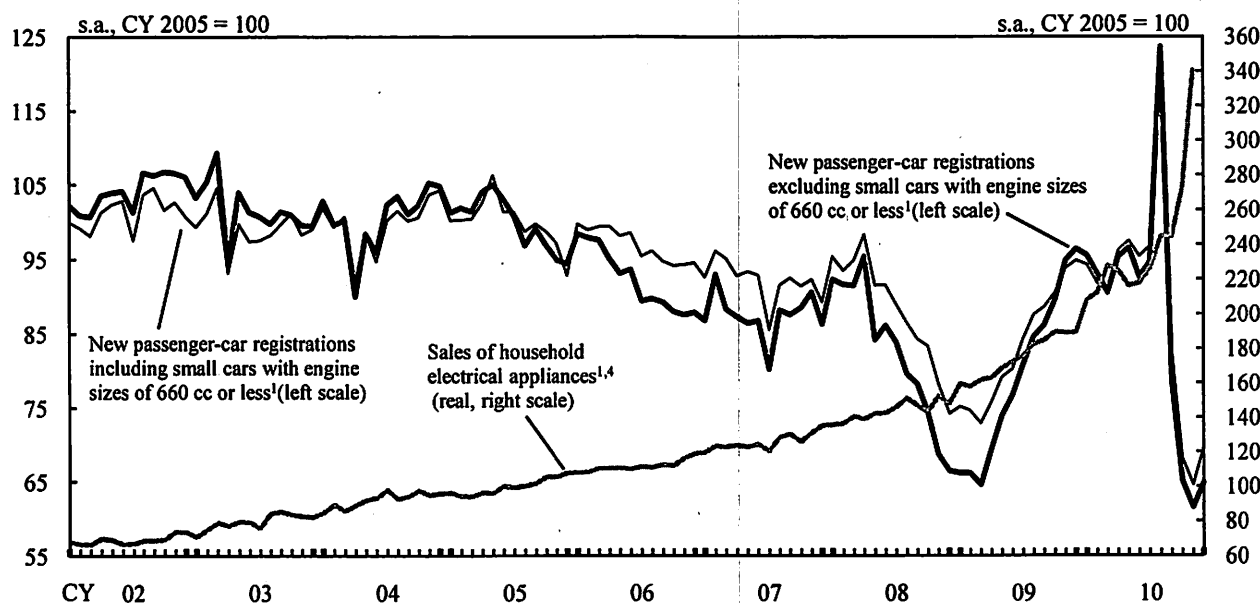
Note: The figure of the synthetic consumption index for 2010/Q4 is the average of October-November in quarterly amount.

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

## Indicators of Private Consumption (2)

(1) Household Spending (Real)<sup>5</sup>

## (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 using the distribution of household by number of household members and age group of household head.

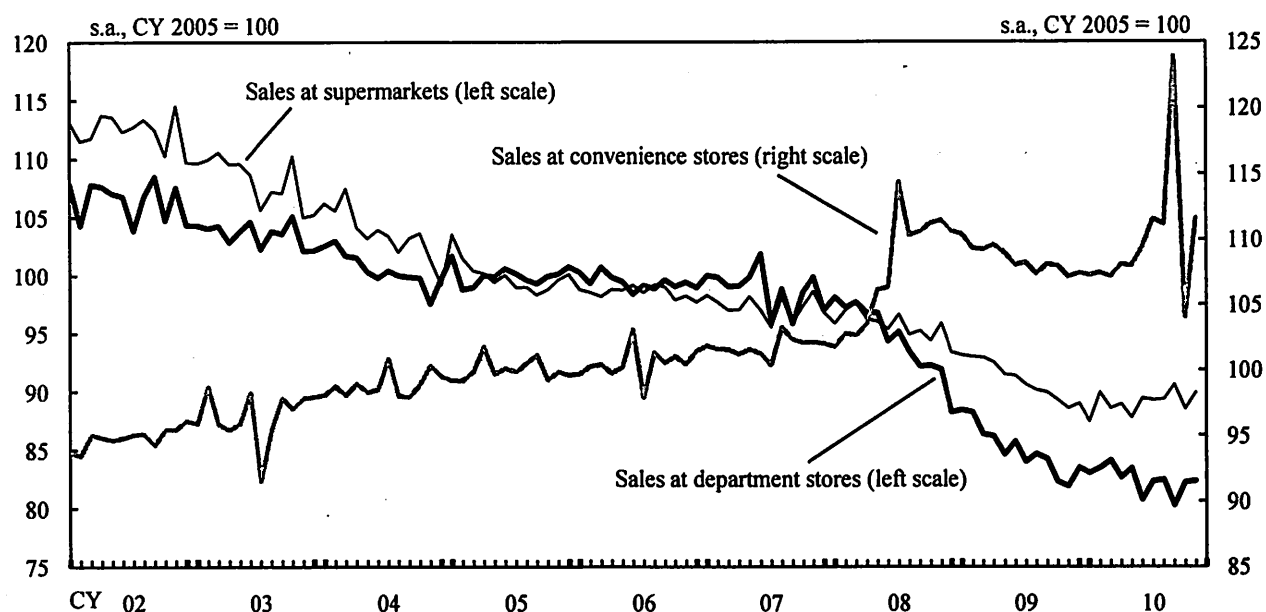
3. "Total expenditure" is based on two-or-more-person households, and is deflated by the "consumer price index (CPI)" excluding imputed rent.

4. "Sales at retail stores" is deflated by the CPI for goods (excluding electricity, gas & water charges).  
"Sales of household electrical appliances" is calculated as follows: indices of retail sales of machinery and equipment in the "Current Survey of Commerce" are deflated by the geometric means of the corresponding CPI (or by the "corporate goods price index" for PC printers before 2002).

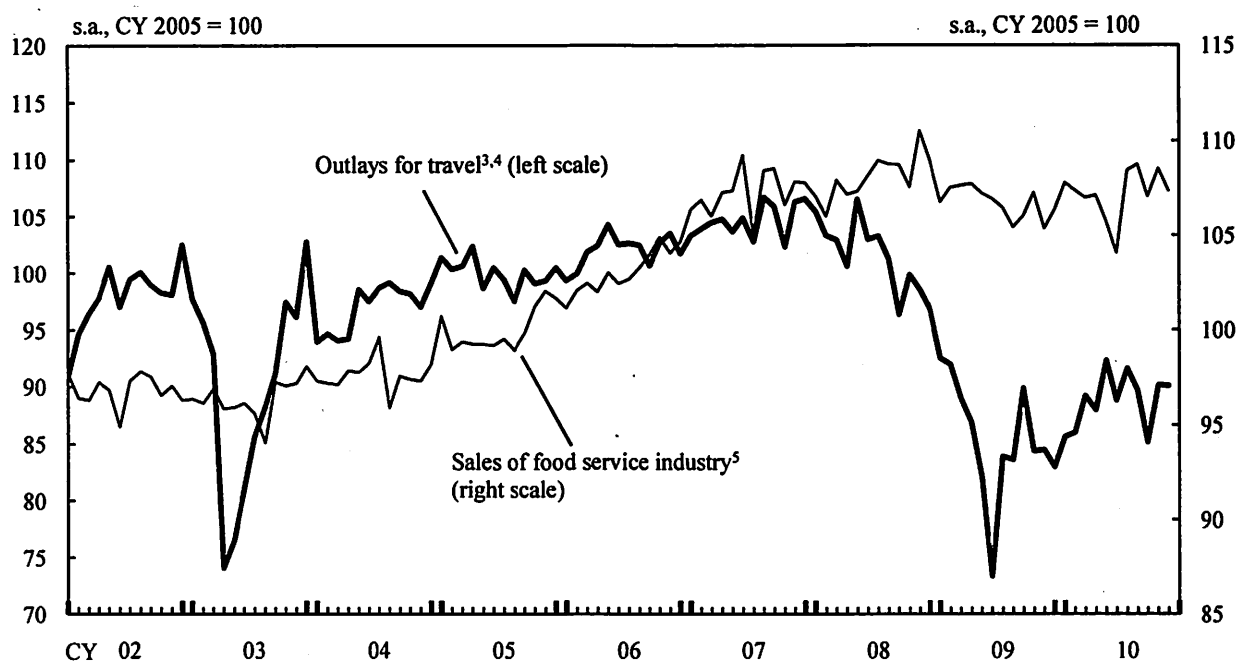
5. Figures for 2010/Q4 are October-November averages in quarterly amount.

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



Indicators of Private Consumption<sup>1</sup> (3)(1) Sales at Retail Stores (Nominal)<sup>2</sup>

## (2) Consumption of Services (Nominal)



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

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

3. Excluding those by foreign travelers.

4. There 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 rates of change.

5. "Sales of food service industry" is calculated using the year-on-year rates of change of every month released by the Japan Food Service Association based on the amount of monthly sales in 1993 released by the Food Service Industry Survey & Research Center.

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

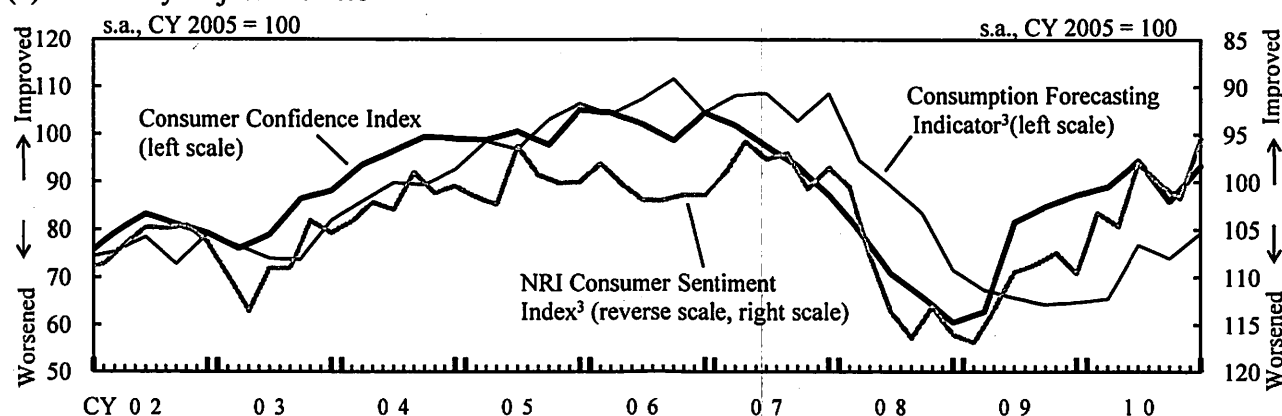
Japan Tourism Agency, "Major Travel Agents' Revenue";

Food Service Industry Survey & Research Center, "Getsuji Uriage Doukou Chousa (Monthly survey of food service sales)"; Japan Food Service Association, "Gaishoku Sangyou Shijou Doukou Chousa

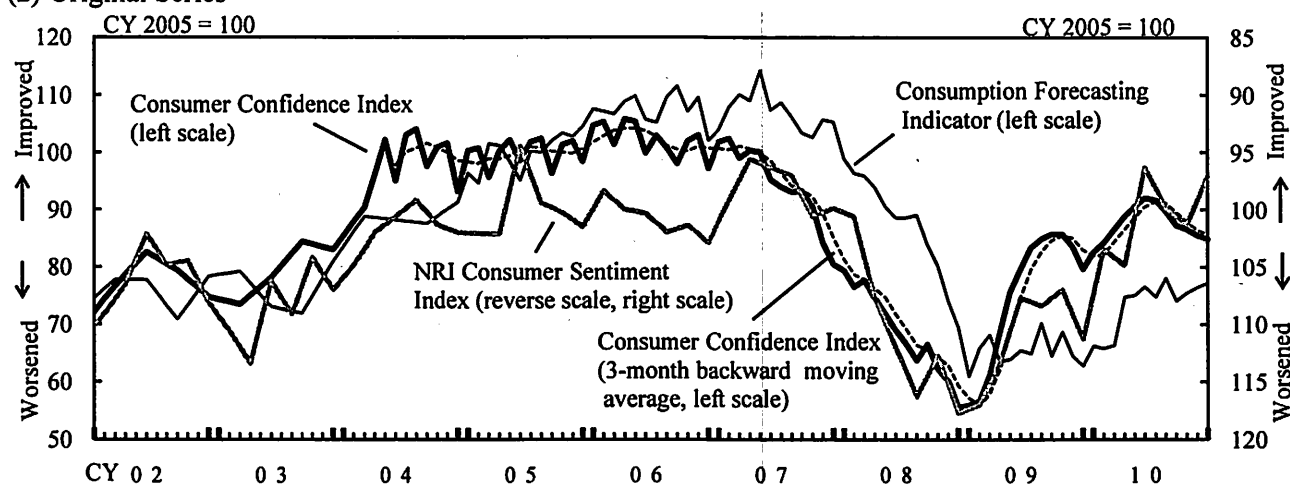
(Research on the food service industry)."

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

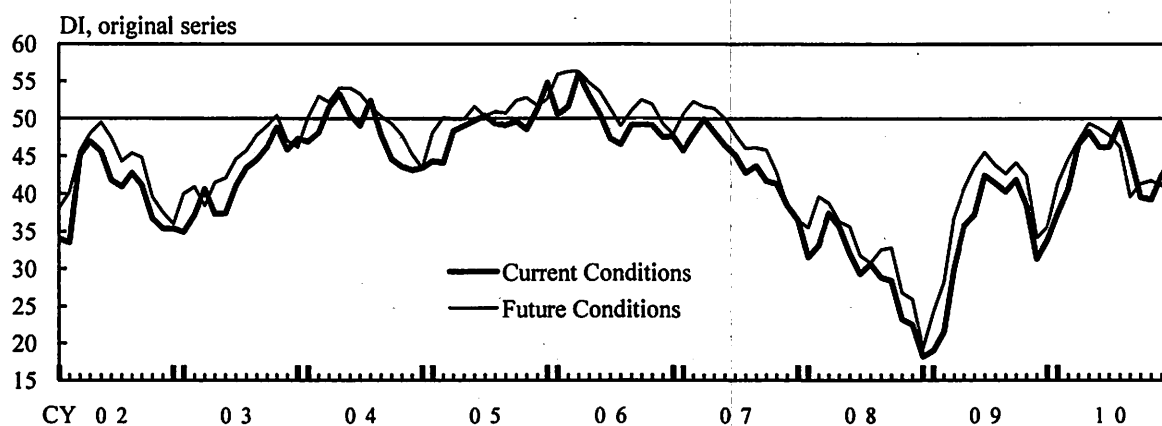
## (1) Seasonally Adjusted Series



## (2) Original Series



## Reference: Economy Watchers Survey (Household Activity)

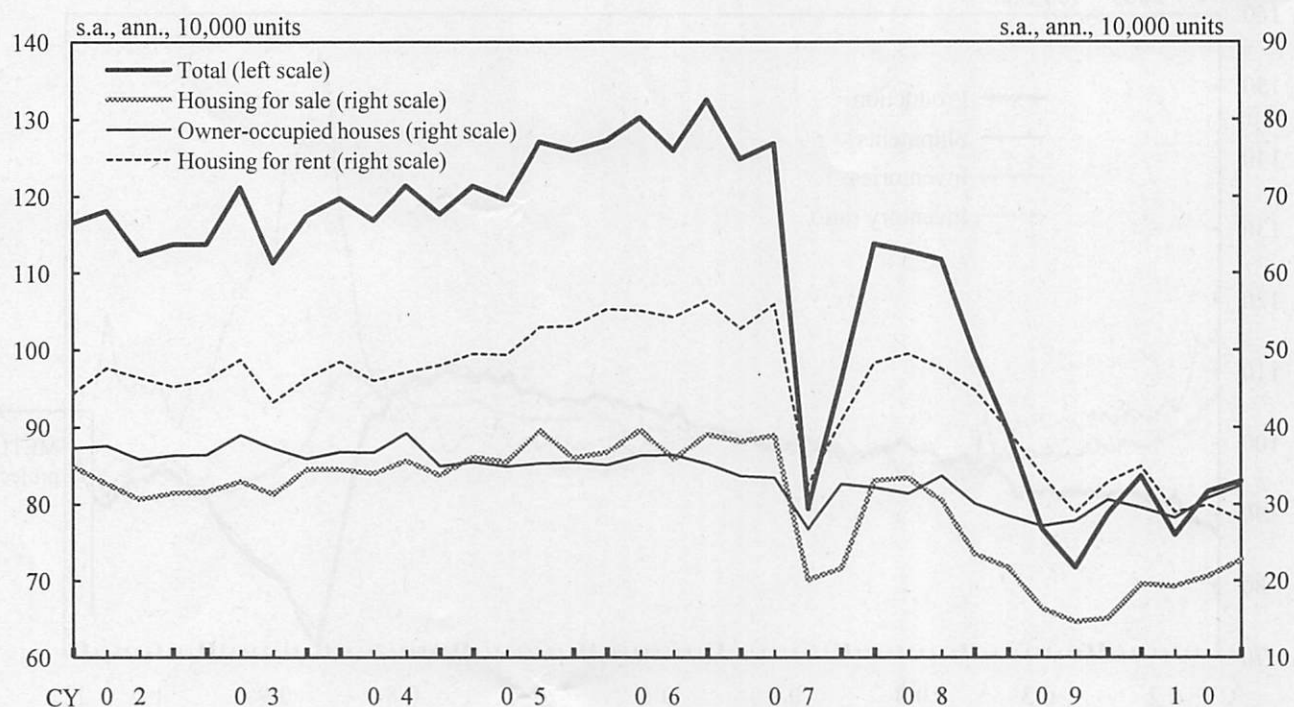


- Notes: 1. The Consumer Confidence Index (covering about 4,700 samples on a nationwide basis), Consumption Forecasting Indicator (600 samples in the metropolitan area), and NRI Consumer Sentiment Index (1,200 samples on a nationwide basis) are based on surveys on consumer confidence.
2. Figures are plotted for each surveyed month and the data for the intervening months are linearly interpolated.
3. Figures are seasonally adjusted by X-12-ARIMA. The "Consumption Forecasting Indicator" is seasonally adjusted using quarterly figures since the survey was quarterly until 2004.

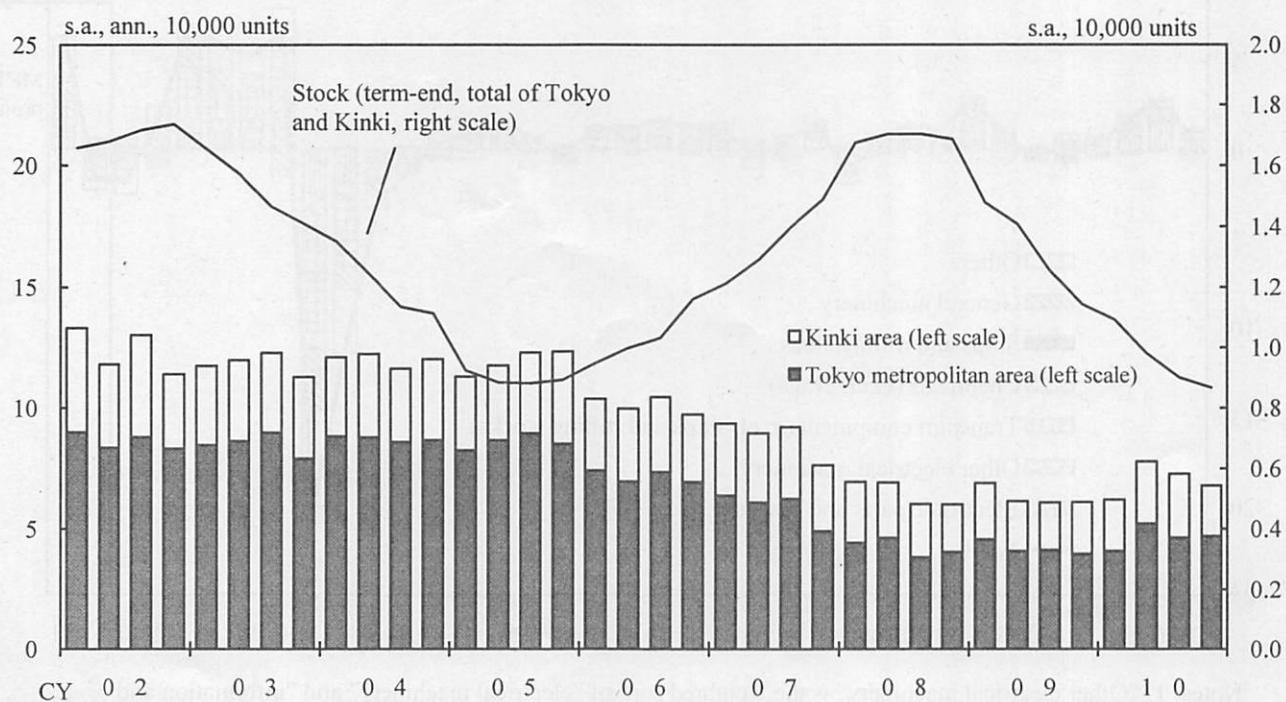
Sources: Cabinet Office, "Consumer Confidence Survey," "Economy Watchers Survey";  
Nikkei inc., "Consumption Forecasting Indicator"; Nippon Research Institute (NRI), "Consumer Sentiment Survey."

## Indicators of Housing Investment

## (1) Housing Starts



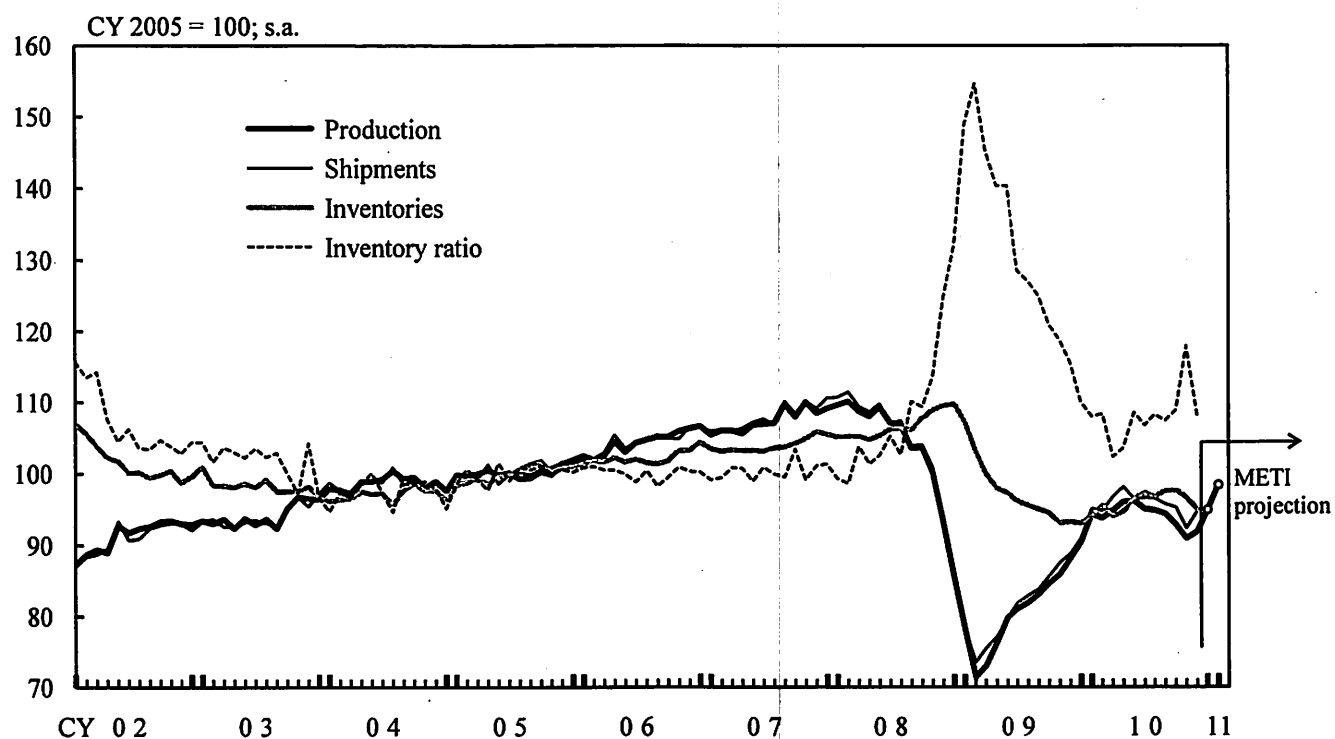
## (2) Sales of Apartments



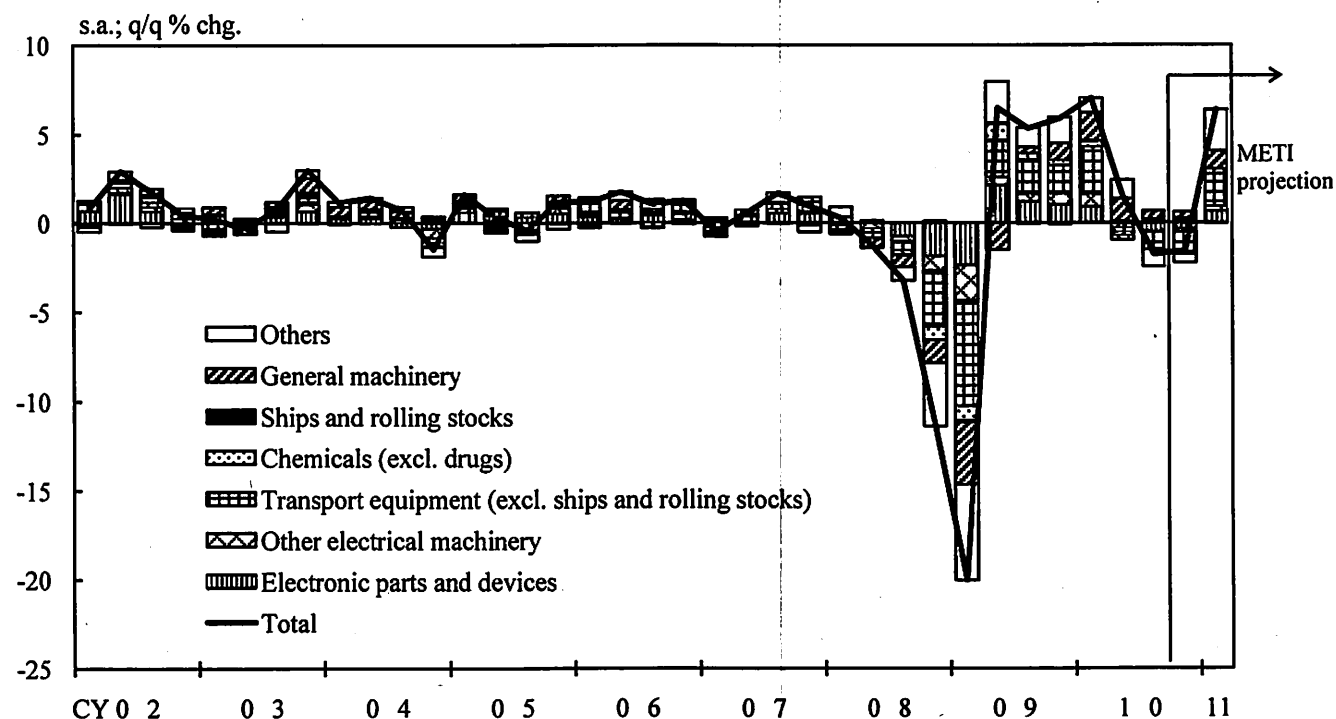
Sources: Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts," etc.

# Production, Shipments, and Inventories

## (1) Production, Shipments, and Inventories



## (2) Production by Industry



Notes: 1. "Other electrical machinery" is the weighted sum of "electrical machinery" and "information and communication electronics equipment."

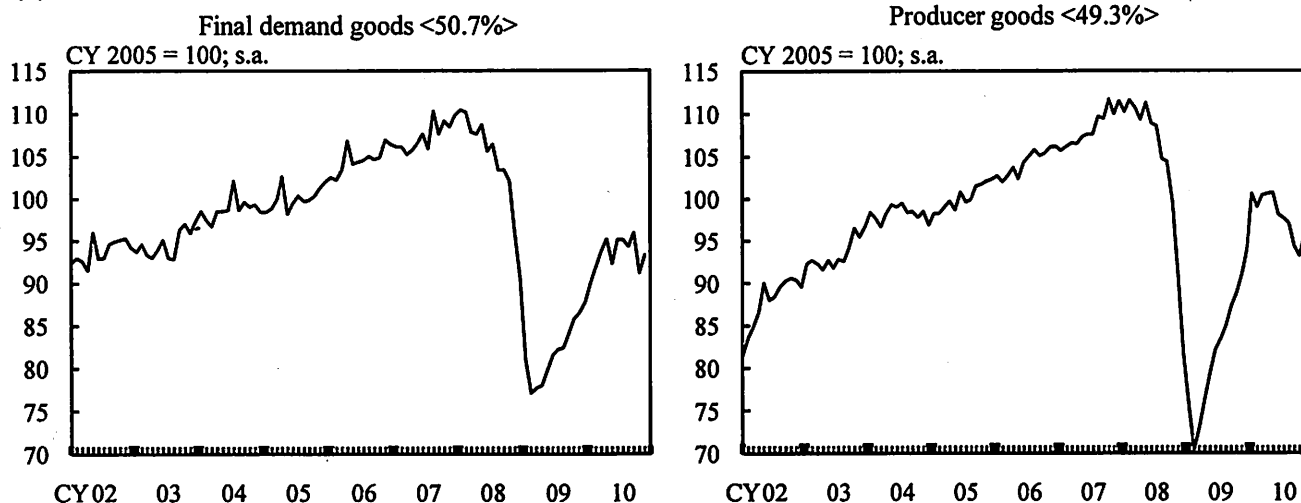
2. Figures up to 2003/Q1 are on the 2000 base.

3. 2010/Q4 figures are based on the actual production levels in October and November, and the METI projection of December. 2011/Q1 figures are based on the assumption that the production levels in February and March are the same as those of January.

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

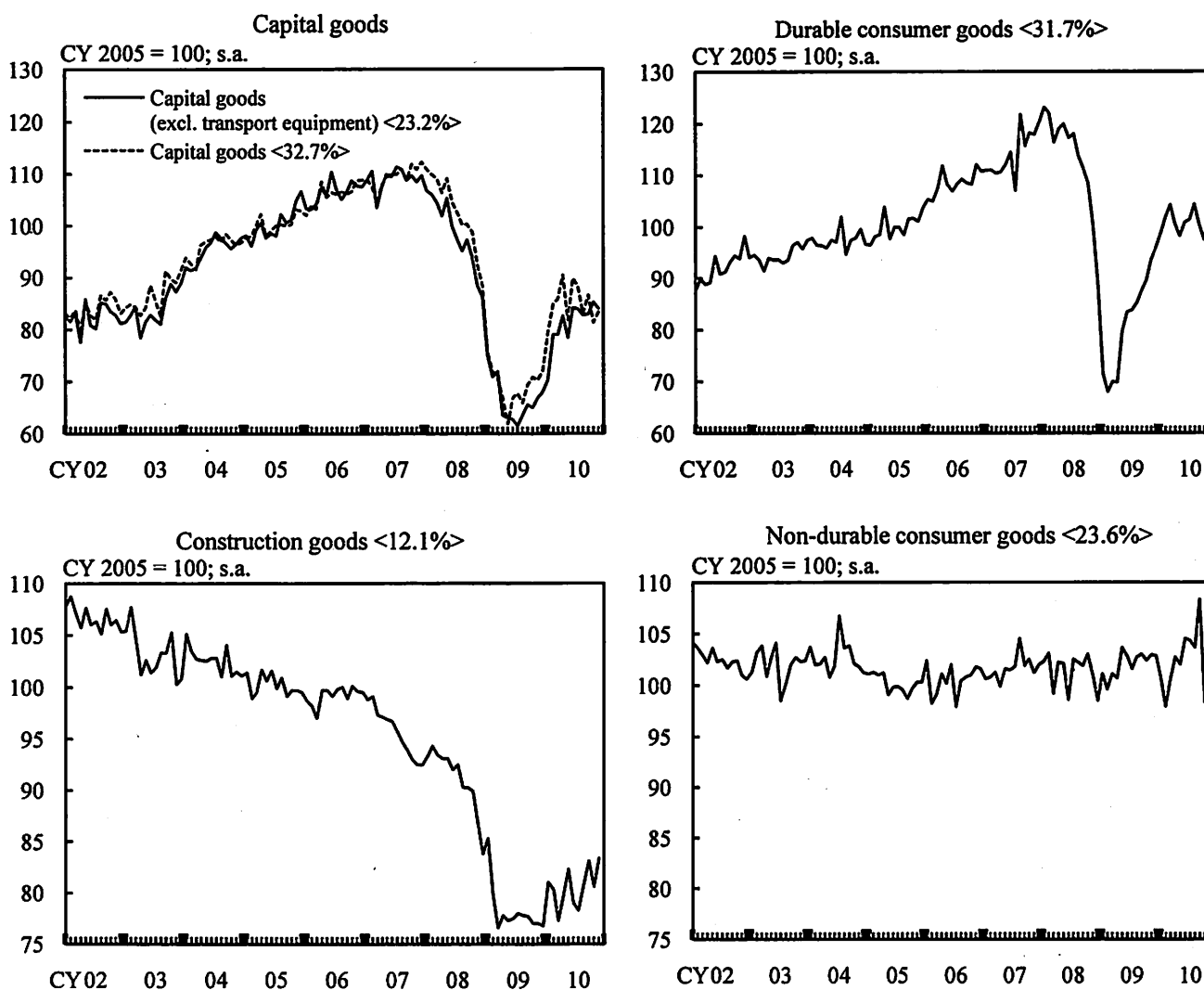
## Shipments by Type of Goods

## (1) Final Demand Goods and Producer Goods



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

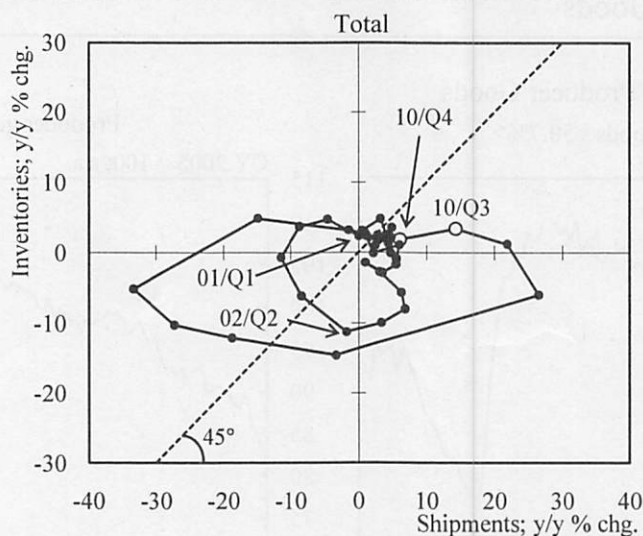
## (2) Breakdown of Final Demand Goods



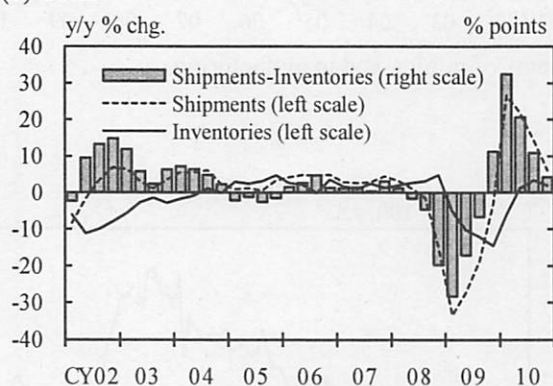
Note: Figures in angle brackets show the shares among shipments of final demand goods.

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

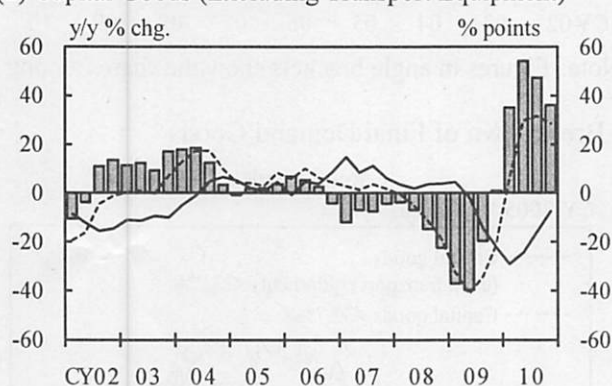
## Inventory Cycle



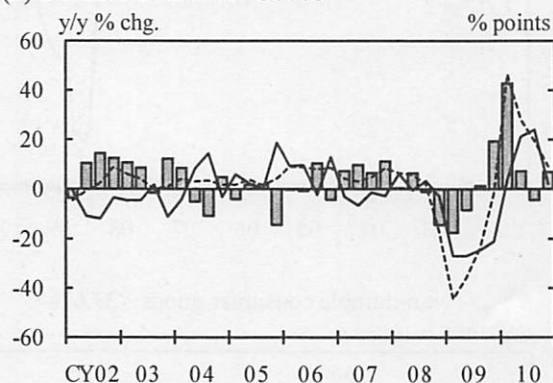
(1) Total



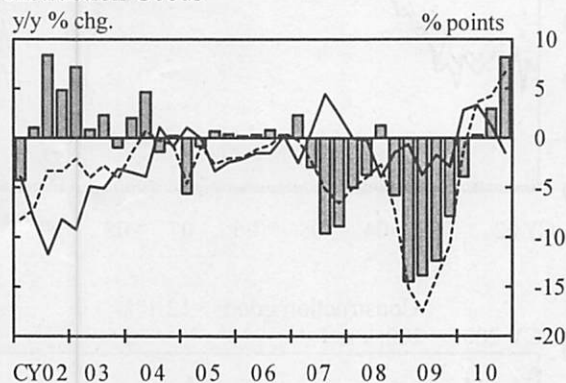
(2) Capital Goods (Excluding Transport Equipment)



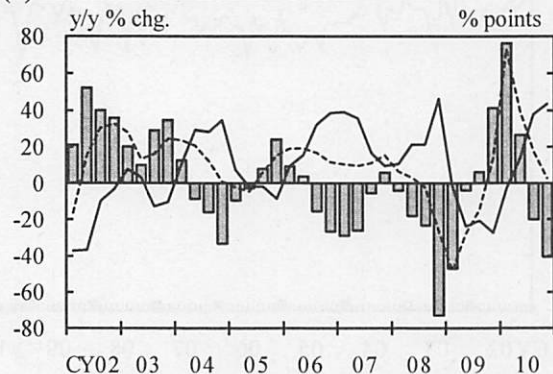
(3) Durable Consumer Goods



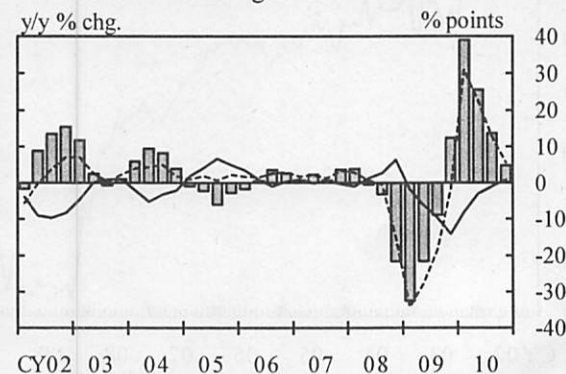
(4) Construction Goods



(5) Electronic Parts and Devices



(6) Producer Goods Excluding Electronic Parts and Devices



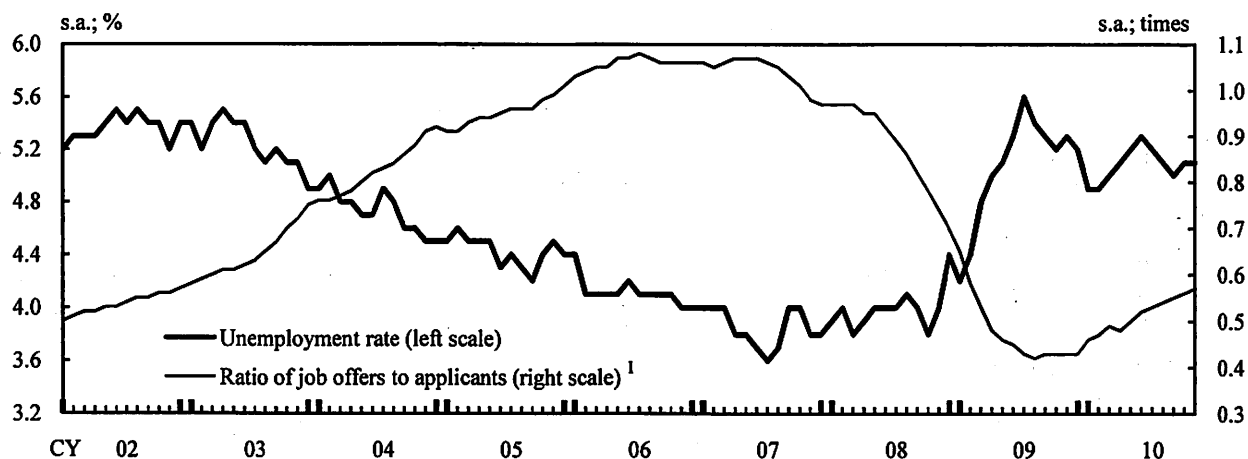
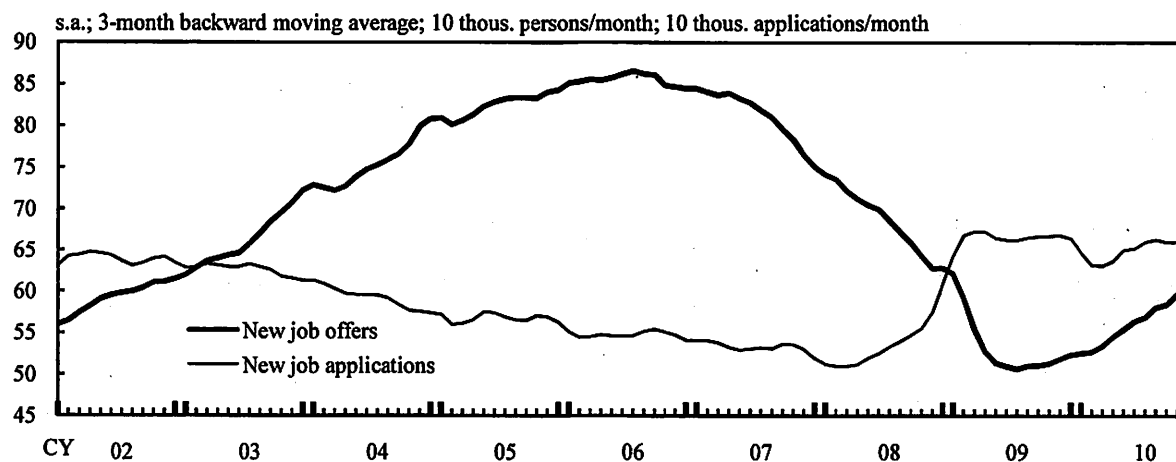
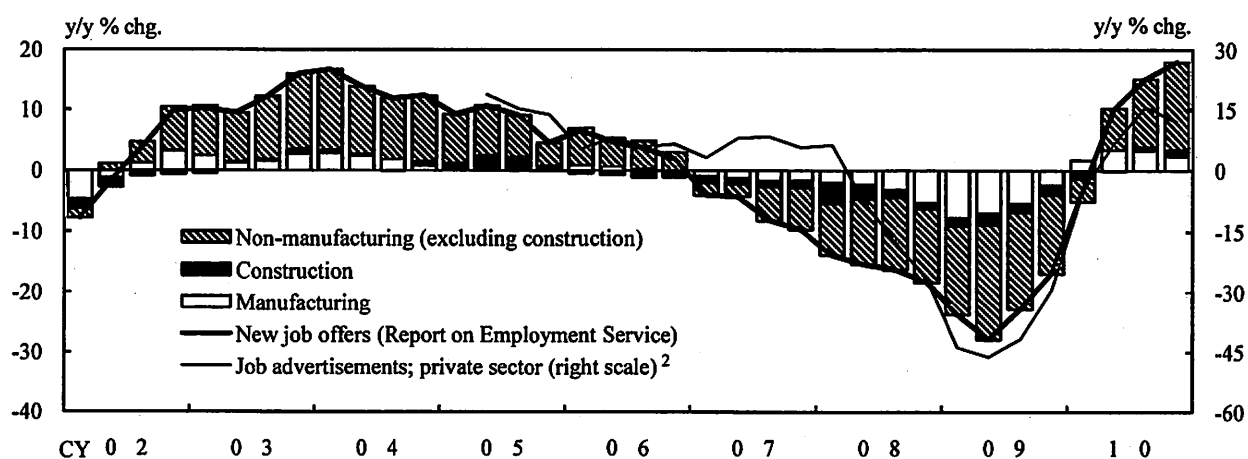
Note: Figures of shipments for 2010/Q4 are October-November averages.

Inventories for 2010/Q4 are those of November.

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 Applicants <sup>1</sup>(3) Breakdown of Job Offers <sup>1,3</sup>

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

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

3. Figures for 2010/Q4 are October-November averages.

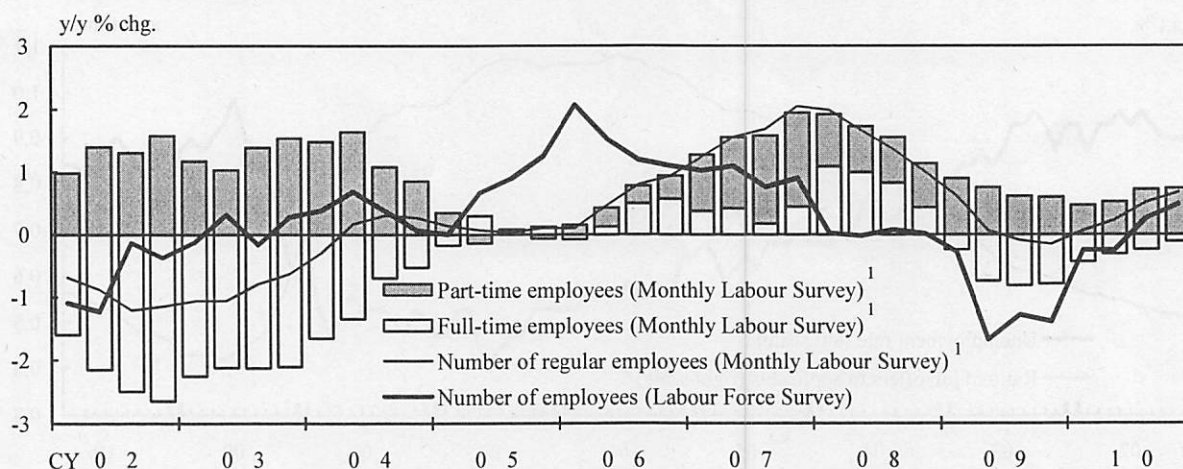
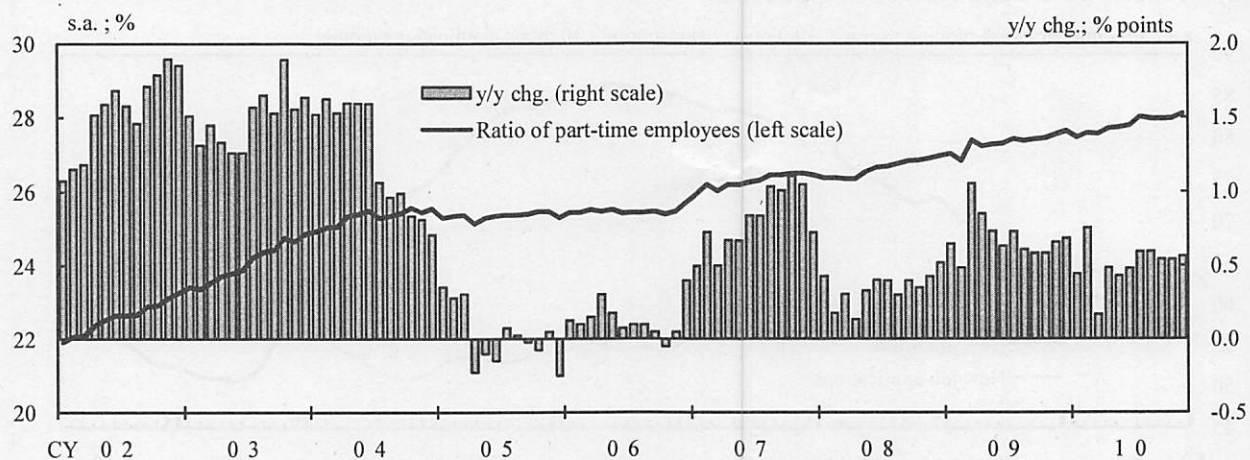
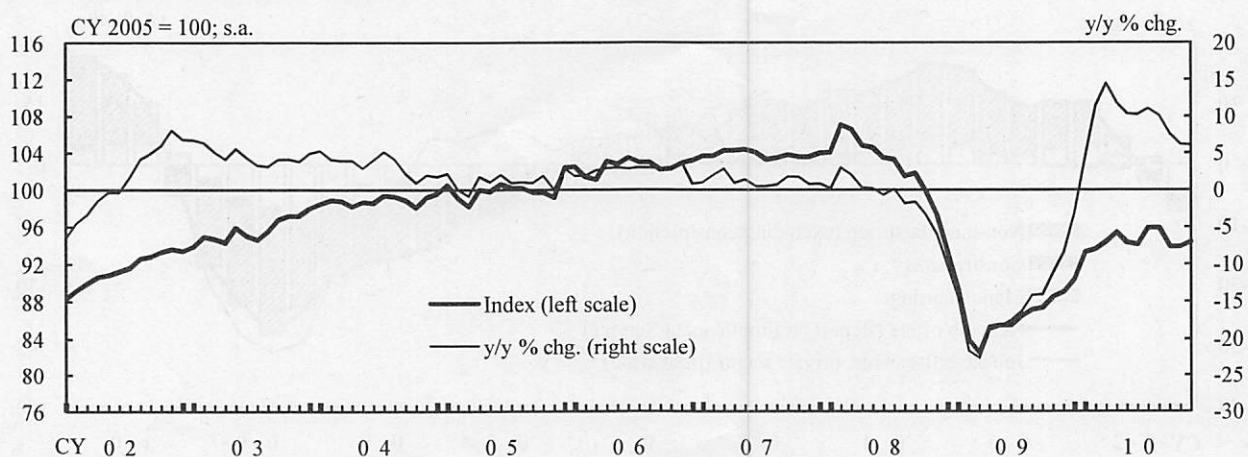
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service";

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

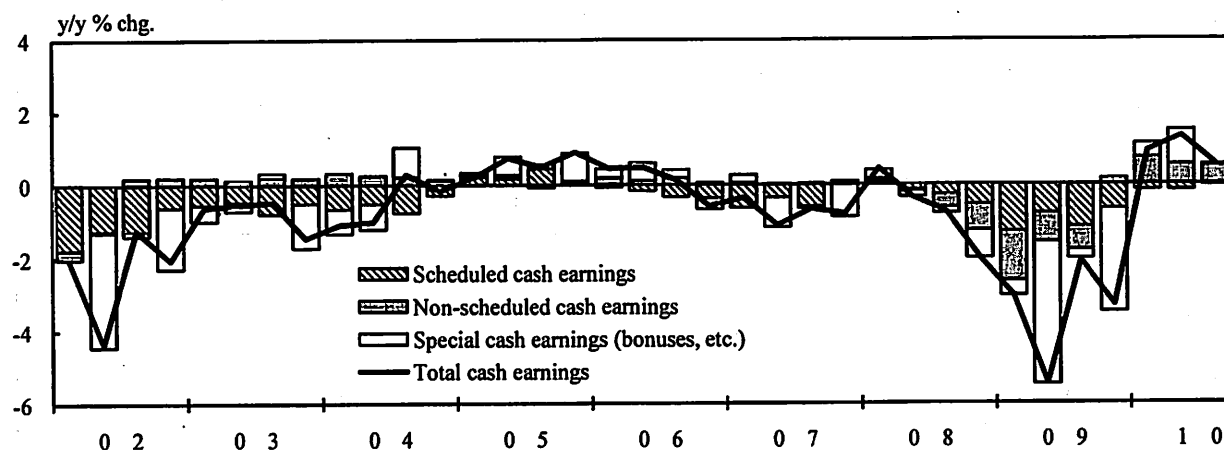
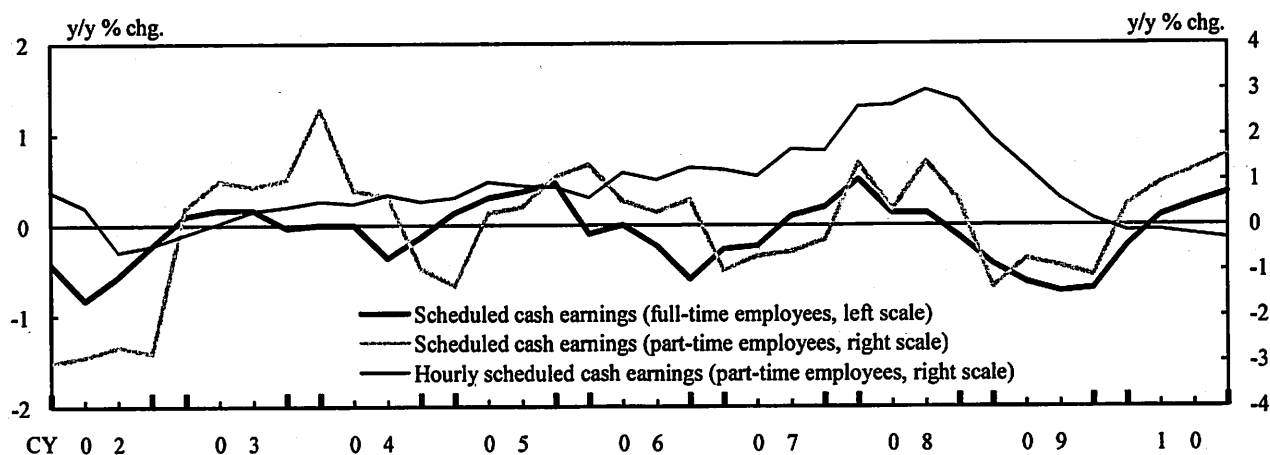
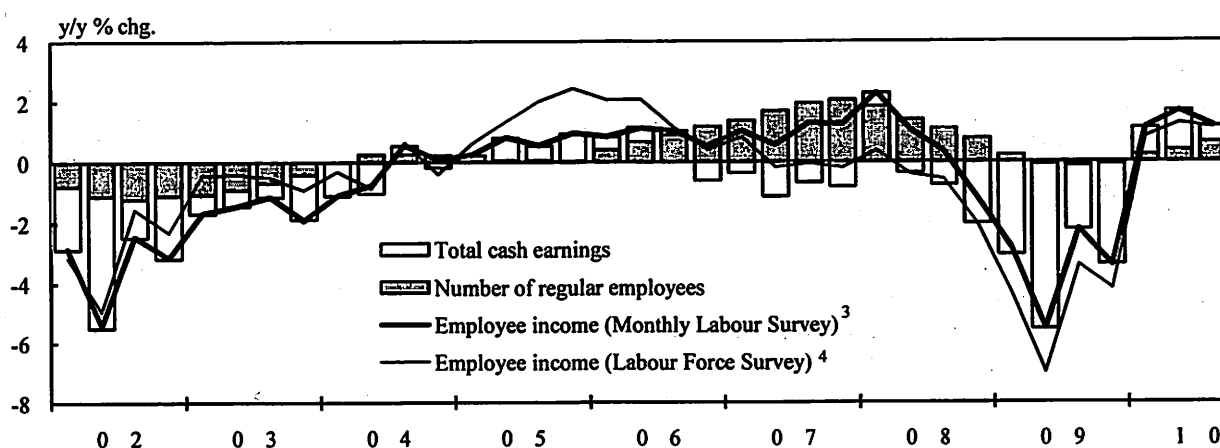
Notes: 1. Data are for establishments with at least five employees.

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

3. Figures for 2010/Q4 are October-November averages.

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

## Employee Income

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

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).

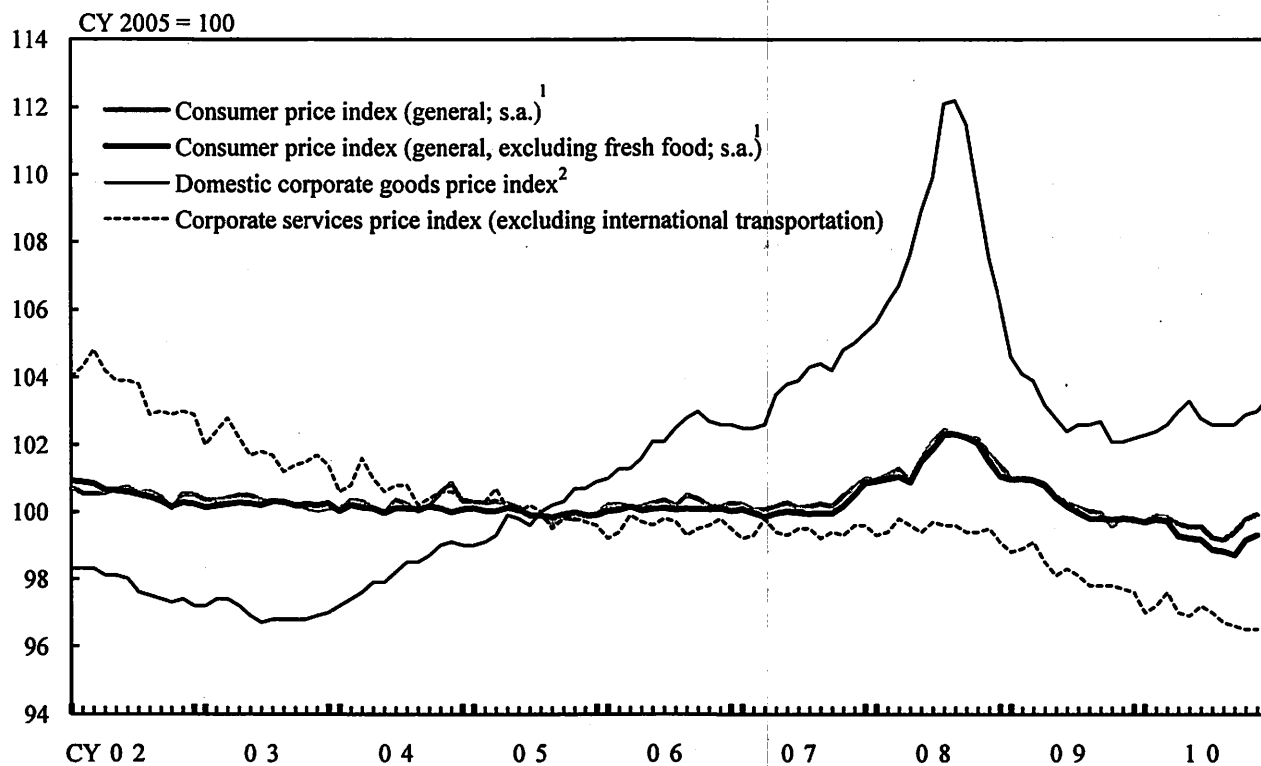
4. Calculated as the "number of employees" (Labour Force Survey) times "total cash earnings" (Monthly Labour Survey).

5. Figures for 2010/Q4 are October-November averages.

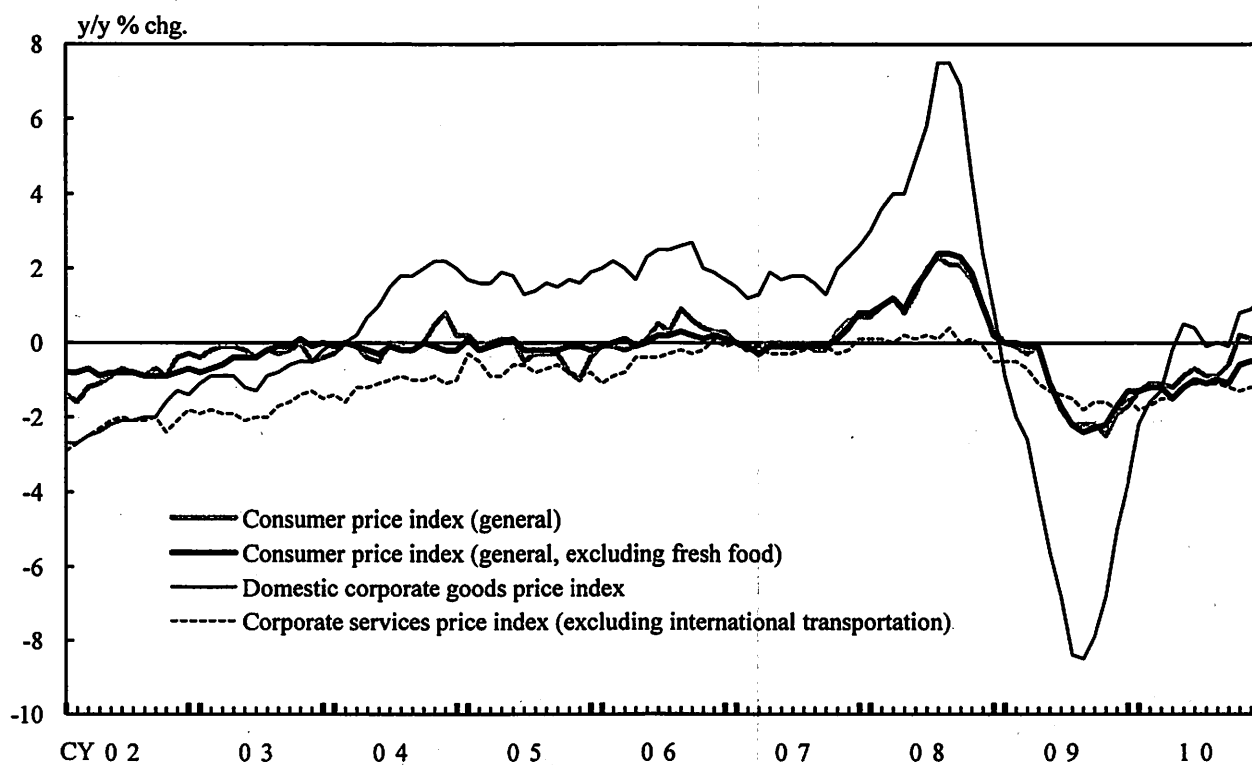
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";  
Ministry of Internal Affairs and Communications, "Labour Force Survey."

## Prices

## (1) Level



## (2) Changes from a Year Earlier



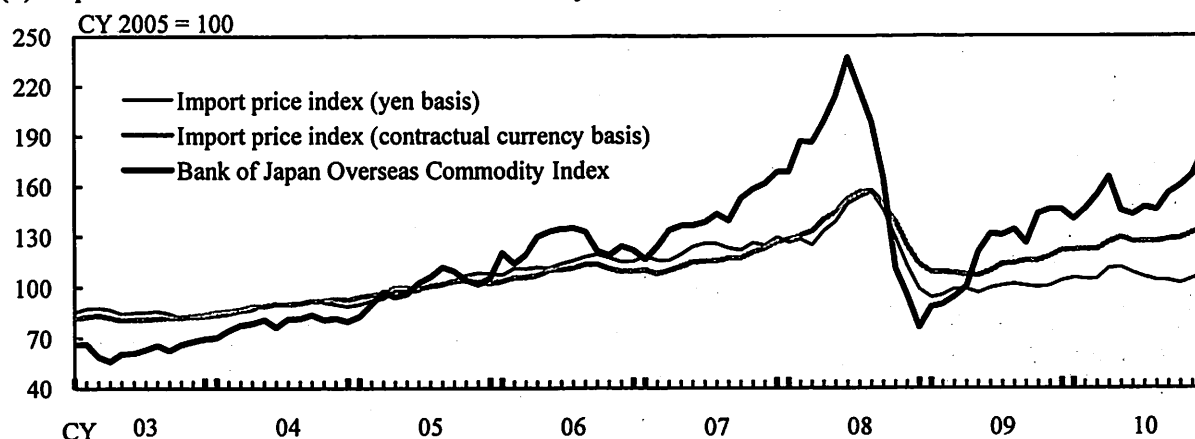
Notes: 1. Seasonally adjusted by X-12-ARIMA.

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

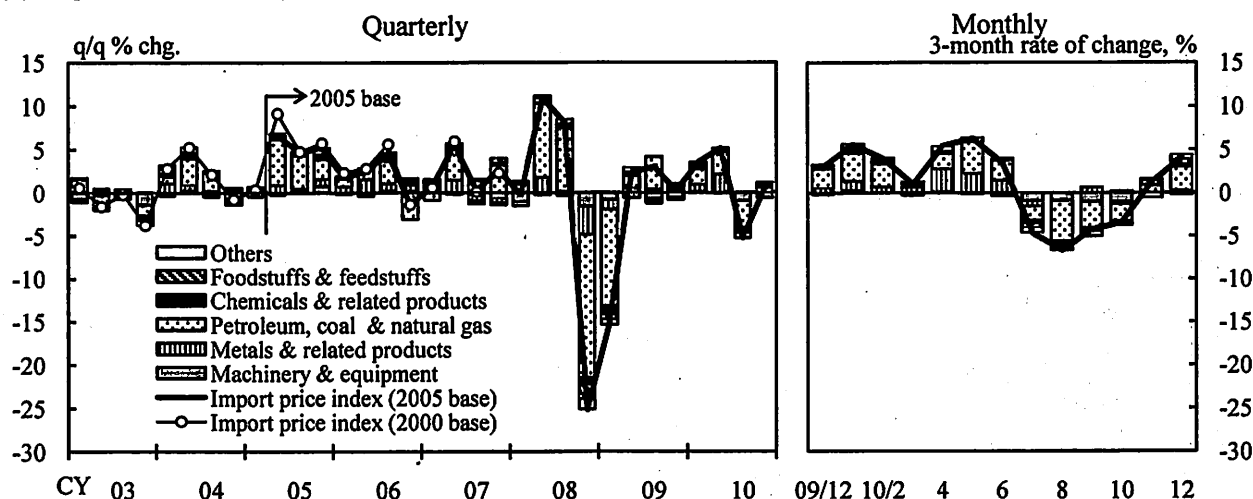
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index."

## Import Prices and International Commodity Prices

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



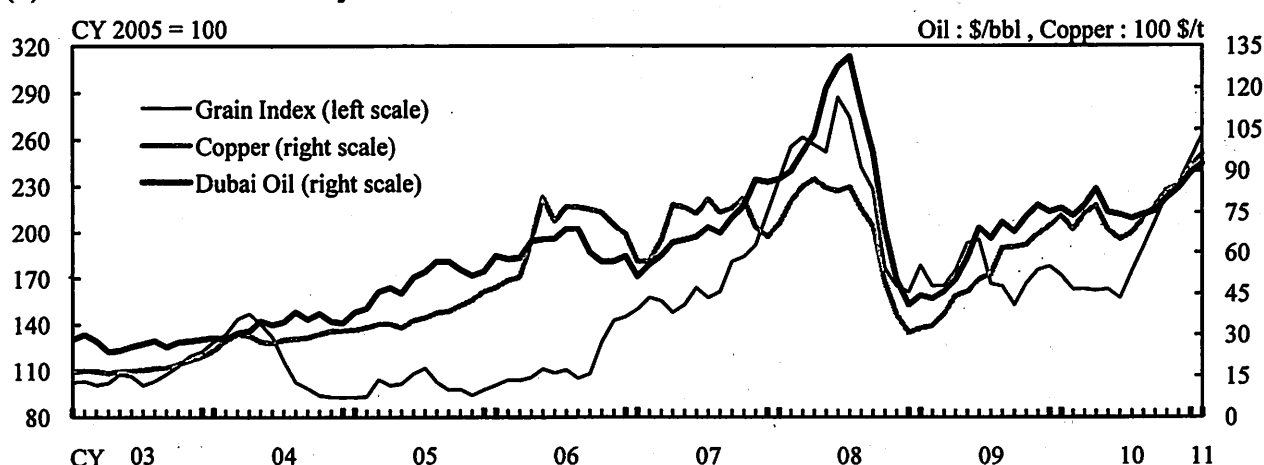
### (2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



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

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

### (3) International Commodity Prices



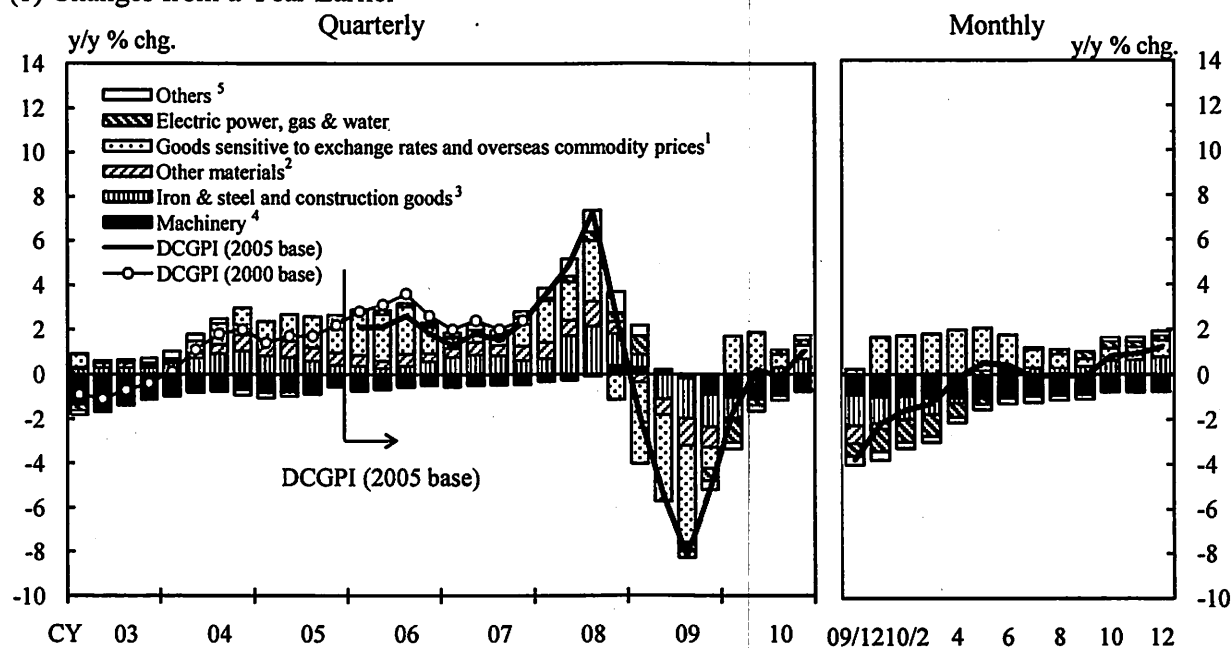
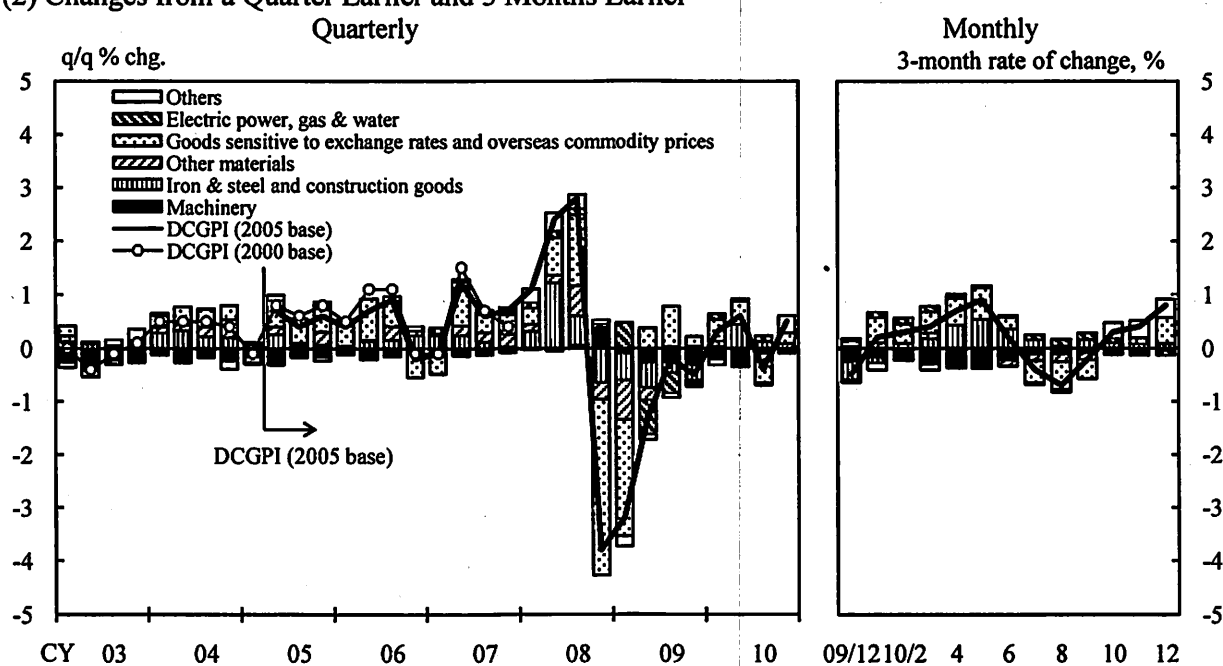
Notes: 1. The "grain index" is the weighted average of prices of three selected items (wheat, soybeans, and corn) in overseas commodity markets. The weights are based on the value of imports in the "Trade Statistics."

2. Monthly averages. Figures for January 2011 are averages up to January 24.

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

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

## (1) Changes from a Year Earlier

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

Notes: 1. Goods sensitive to exchange rates and overseas commodity prices: petroleum & coal products and nonferrous metals.

2. Other materials: chemicals & related products, plastic products, textile products, and pulp, paper & related products.

3. Iron & steel and construction goods: iron & steel, metal products, ceramics, stone & clay products, lumber & wood products, and scrap & waste.

4. Machinery: electrical machinery & equipment, information & communications equipment, electronic components & devices, general machinery & equipment, transportation equipment, and precision instruments.

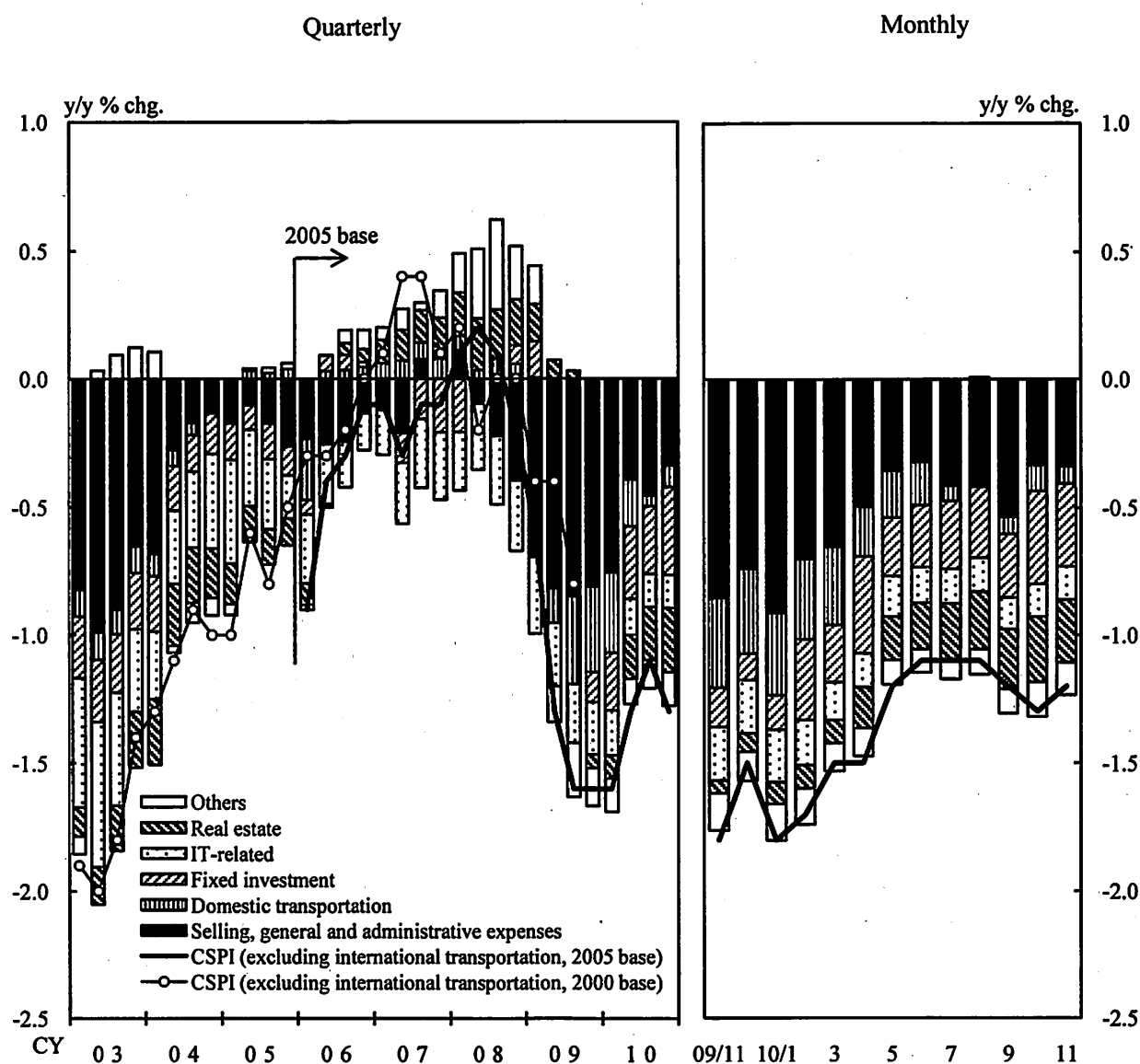
5. Others: processed foodstuffs, other manufacturing industry products, agriculture, forestry & fishery products, and minerals.

6. Adjusted to exclude a hike in electric power charges during the summer season from July to September. This adjustment makes the "Domestic Corporate Goods Price Index" fall 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

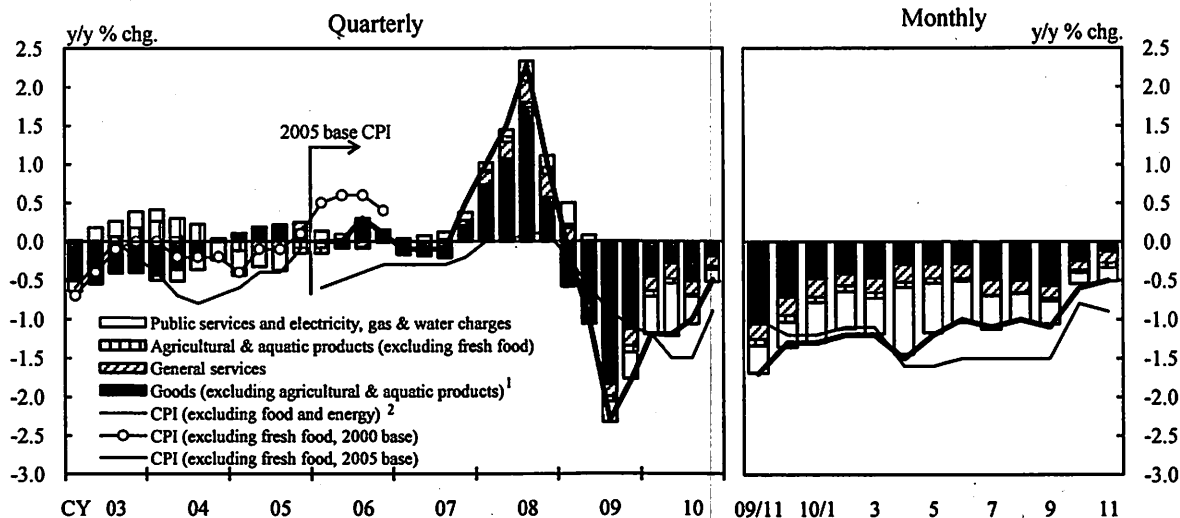
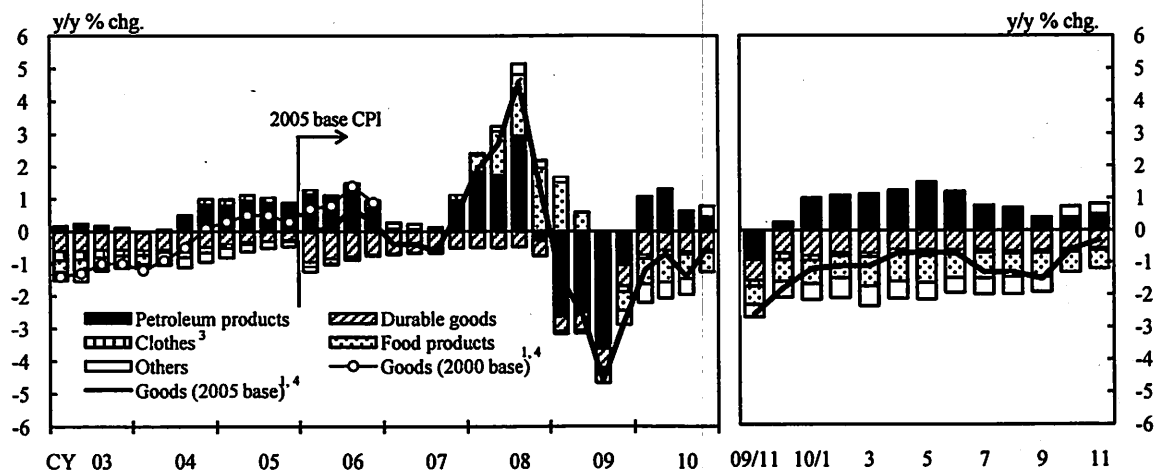


- Notes: 1. Selling, general and administrative expenses: information and communications (excluding newspapers and publishing), advertising services, other services (excluding plant engineering, and civil engineering and architectural services).  
 2. Domestic transportation: transportation (excluding international transportation, railroad passenger transportation, road passenger transportation, water passenger transportation, and domestic air passenger transportation).  
 3. Fixed investment: leasing and rental (excluding leasing of computer and related equipment and computer rental), and civil engineering and architectural services.  
 4. IT-related: leasing of computer and related equipment, and computer rental.  
 5. Real estate: real estate services.  
 6. Others: finance and insurance, railroad passenger transportation, road passenger transportation, water passenger transportation, domestic air passenger transportation, newspapers and publishing, and plant engineering.  
 7. Figures for 2010/Q4 are October-November averages. Figures for 2009/Q3 on the 2000 base are July-August averages.

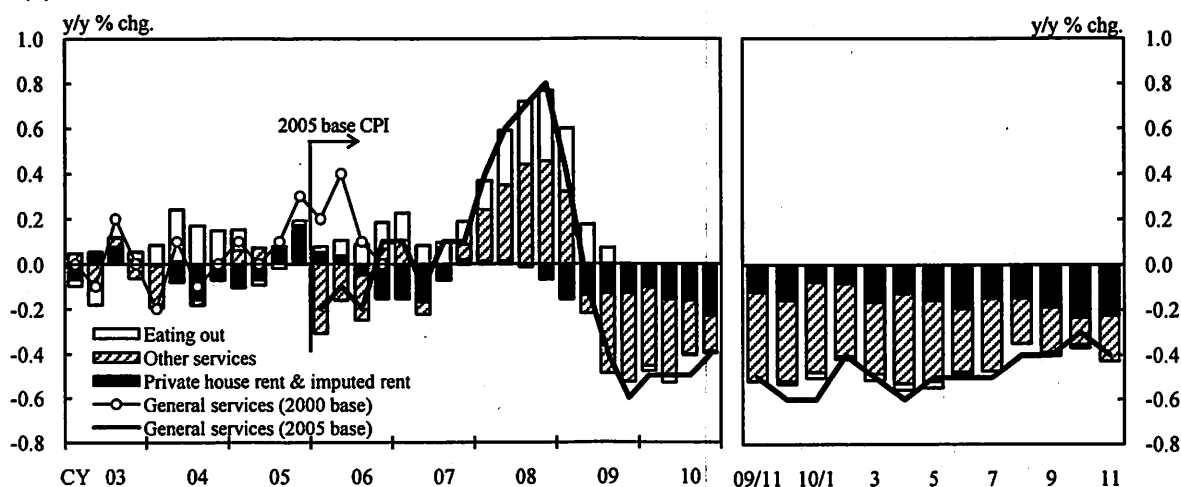
Source: Bank of Japan, "Corporate Services Price Index."

## Consumer Price Index (Excluding Fresh Food)

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

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

## (3) General Services



Notes: 1. The items are basically the same as those define 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.

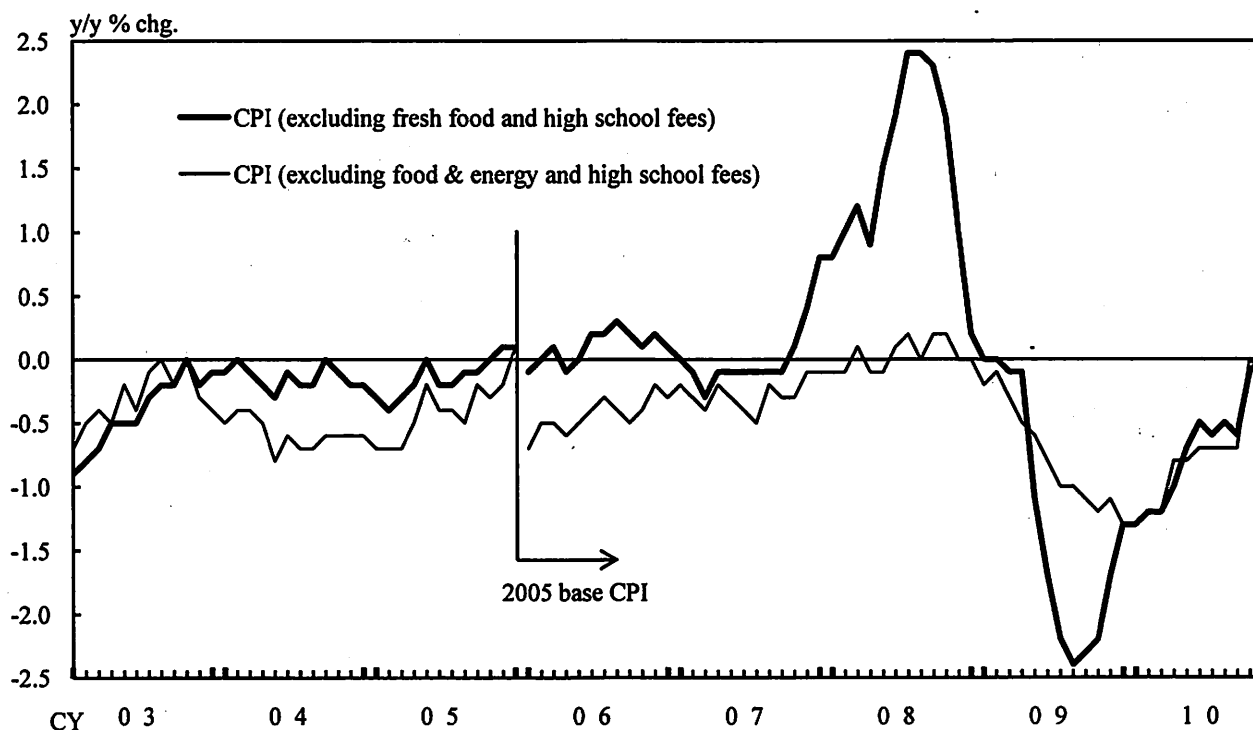
4. Excluding agricultural & aquatic products.

5. Figures for 2010/Q4 are October-November averages.

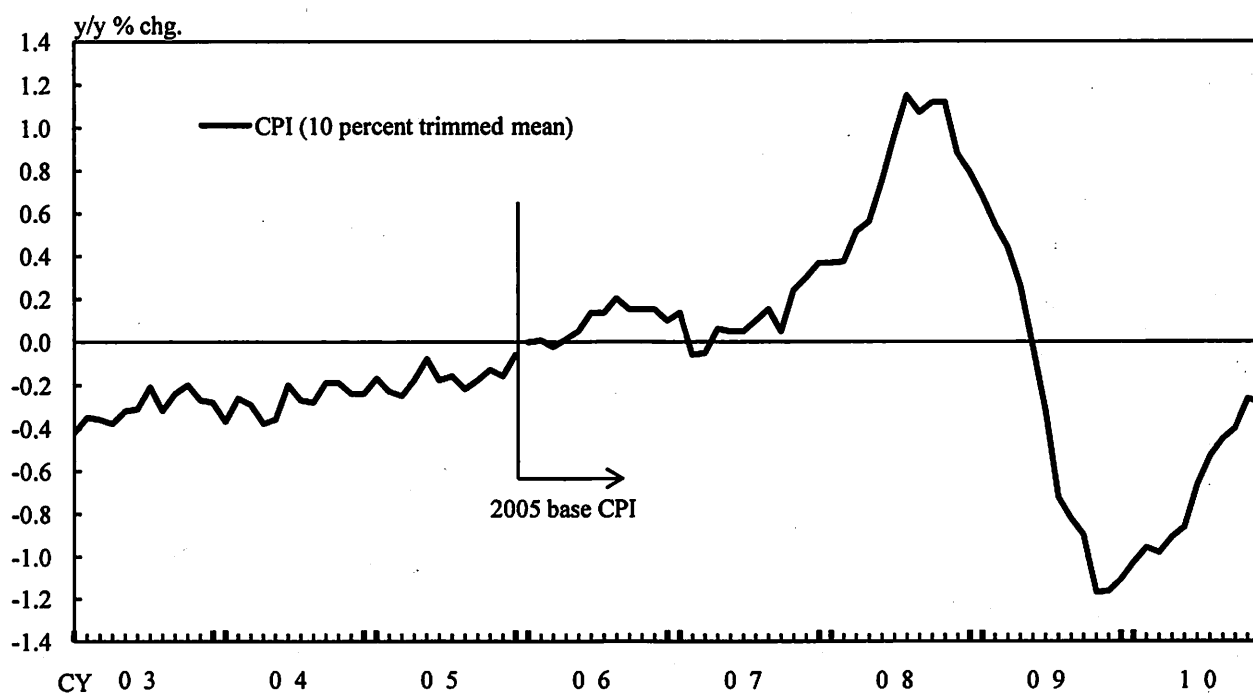
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

## 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) and high school fees (private).

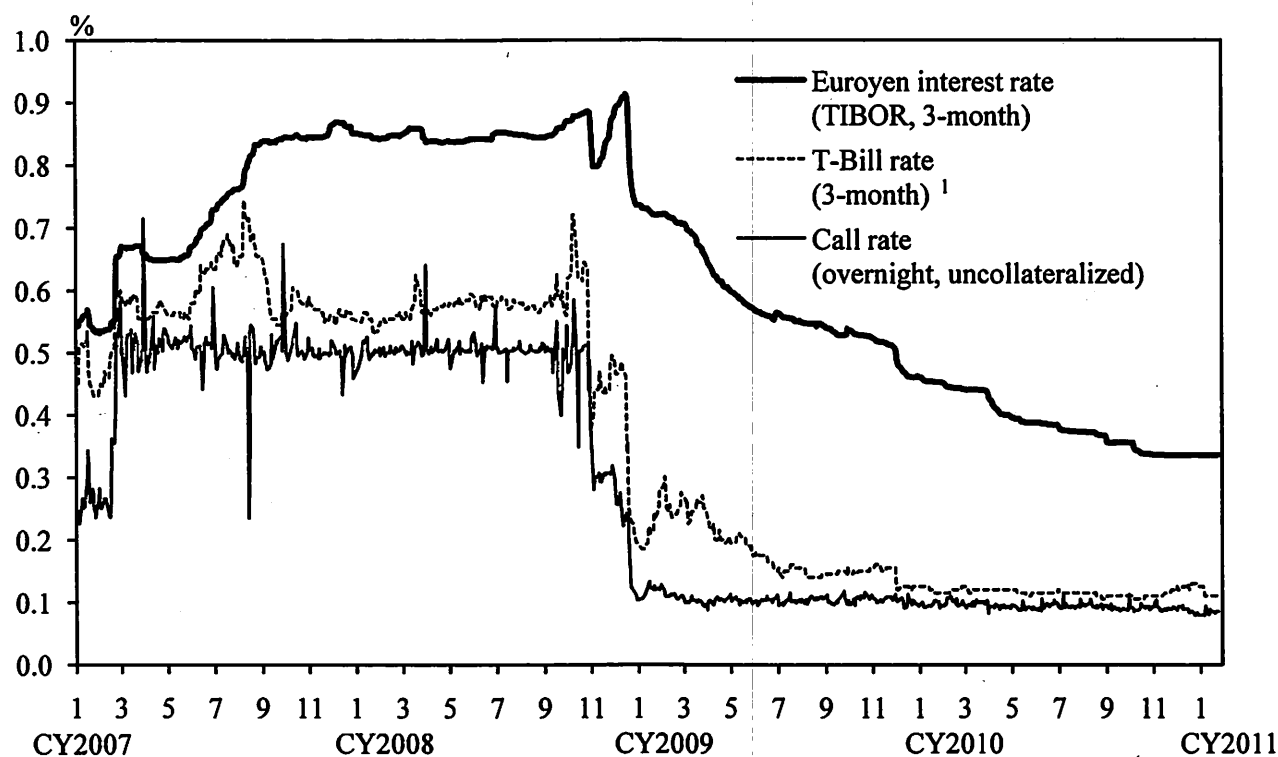
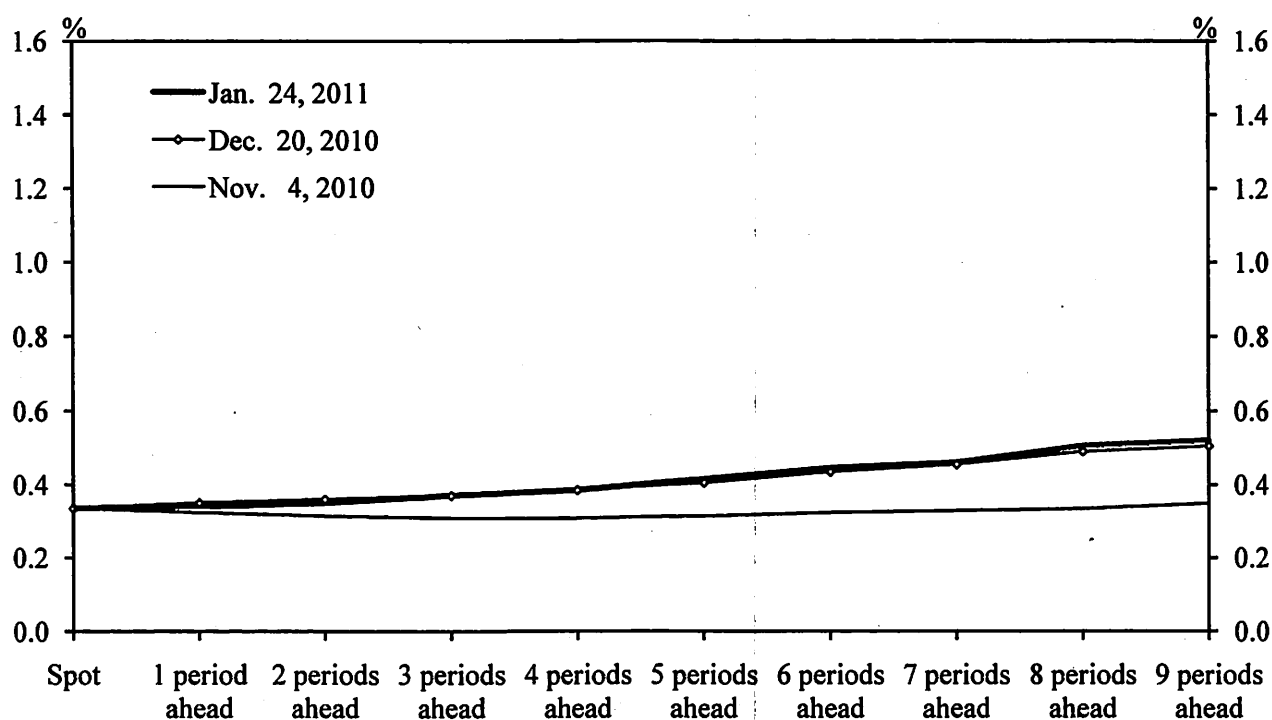
3. Figures for the 10 percent trimmed mean are weighted averages of items; these items are obtained by rearranging year-on-year rates of price change in ascending order and then excluding (trimming) items in both the upper and lower 10 percent tails by weight.

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)<sup>2</sup>

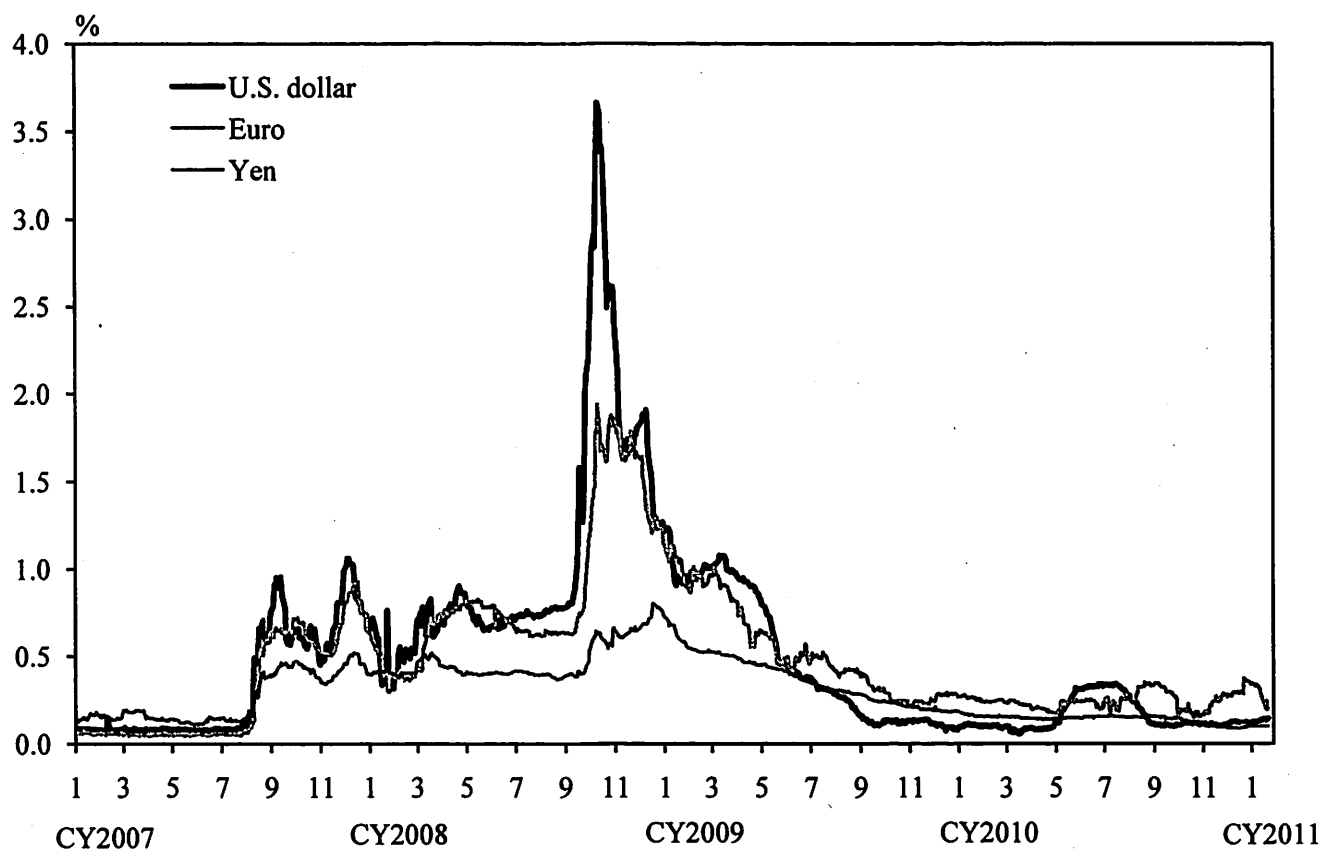
Notes: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.

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

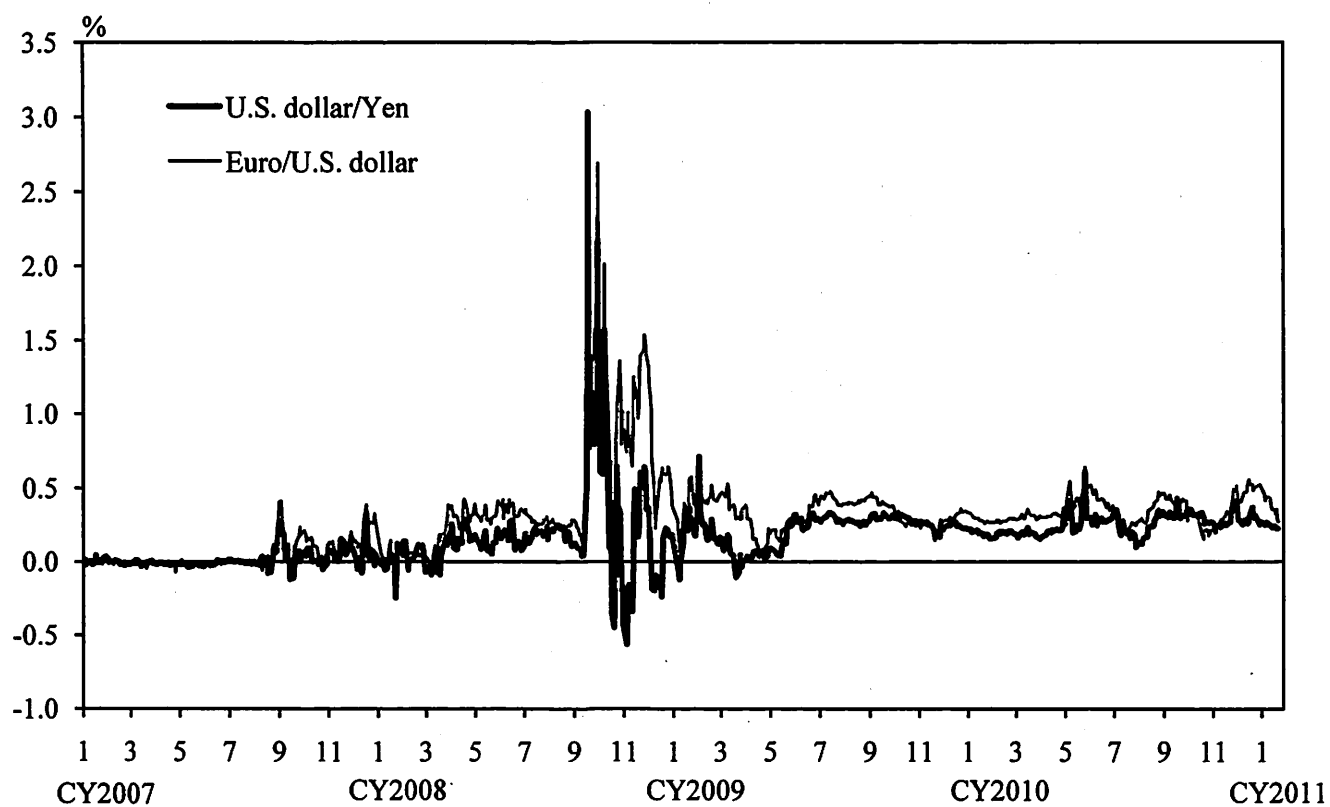
Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.; Tokyo Financial Exchange; Bank of Japan.

## Global Money Markets

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

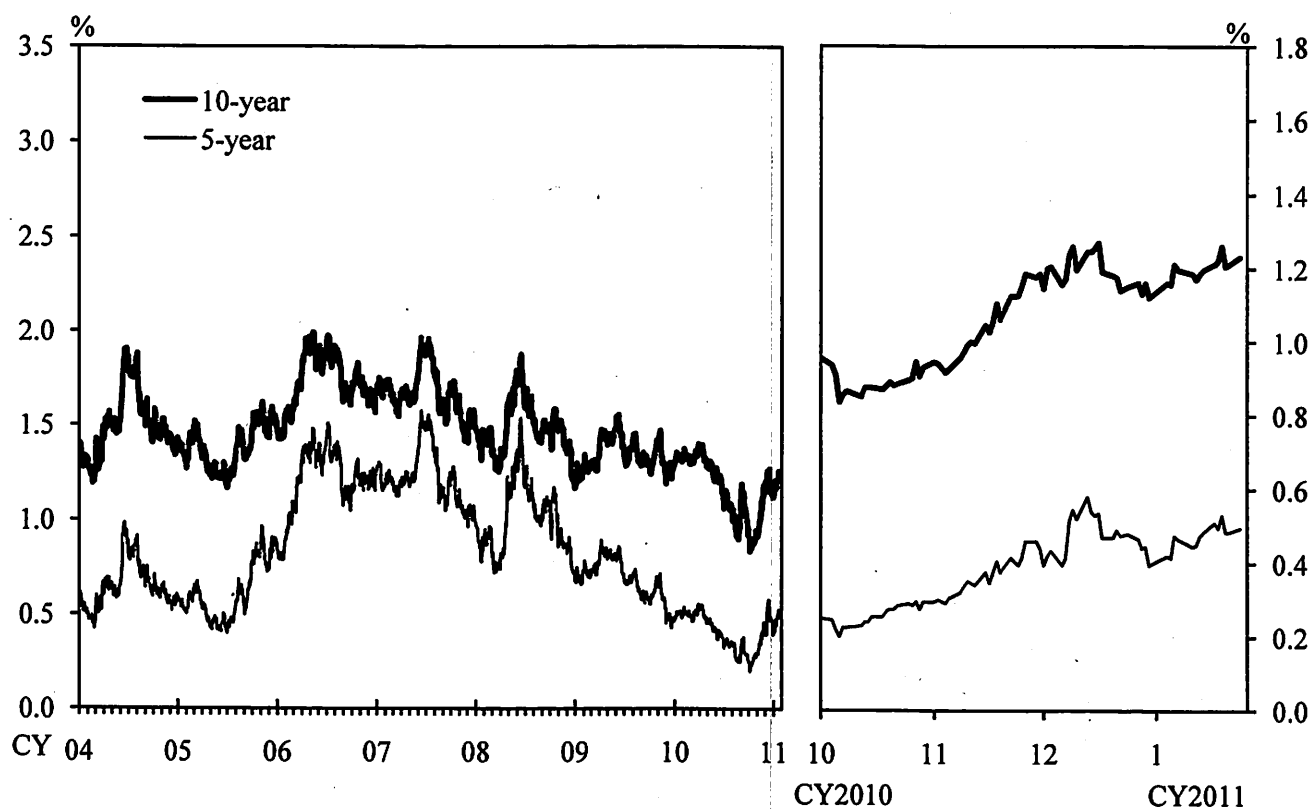


(2) FX swap implied dollar rate - LIBOR spreads (3-Month)

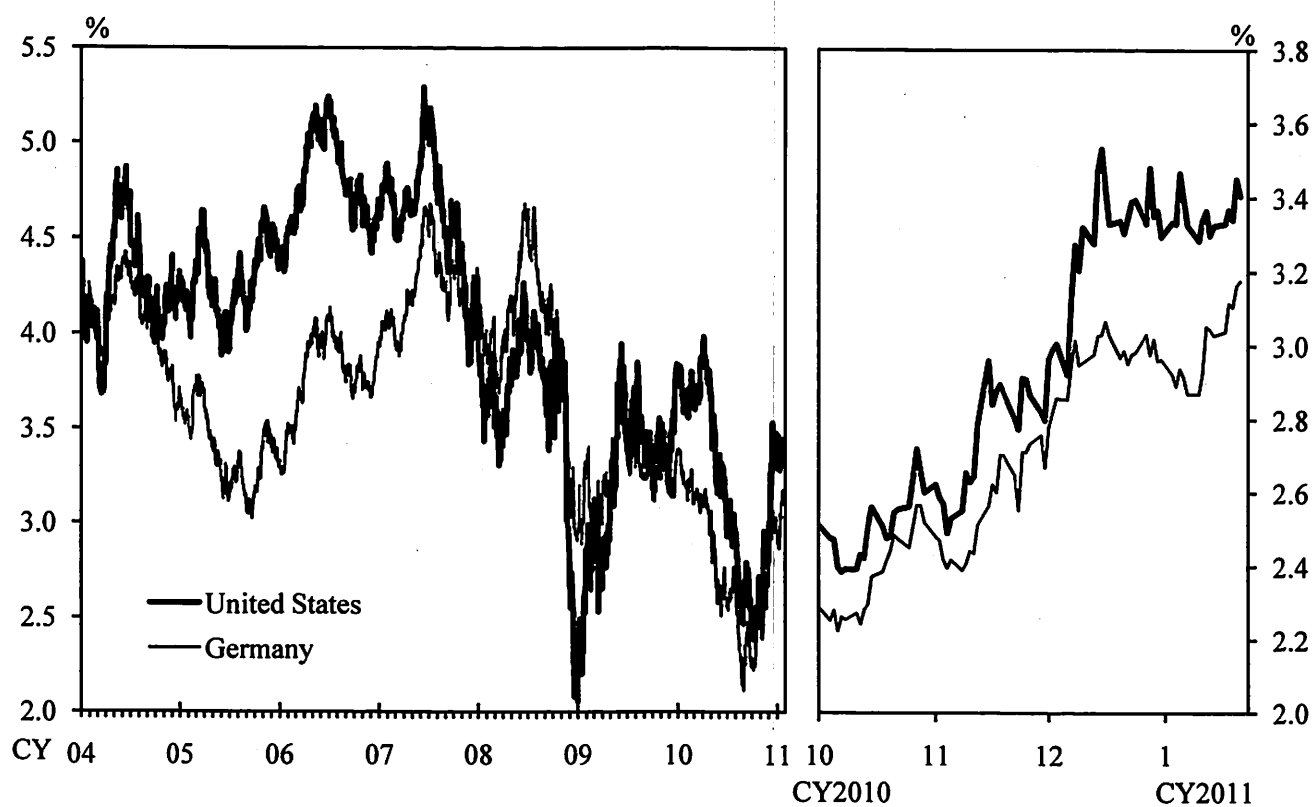


Source: Bloomberg.

## Long-Term Interest Rates

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

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

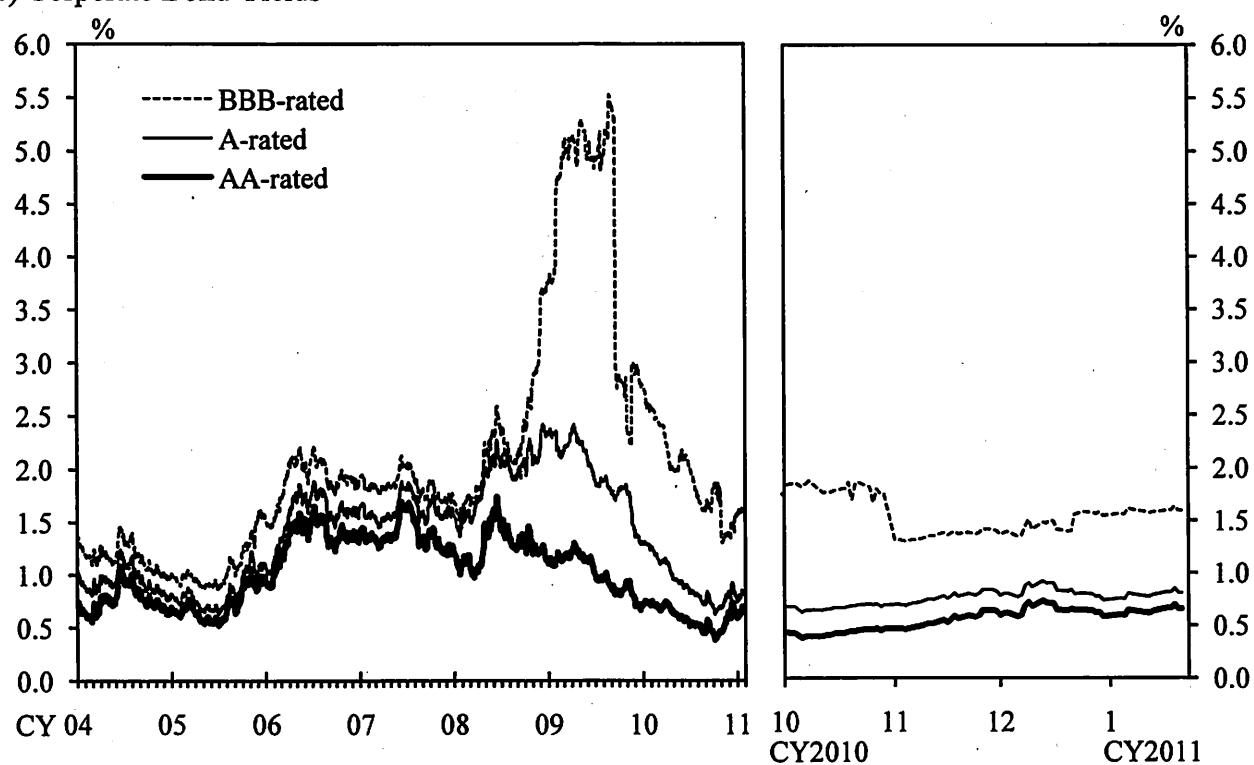


Note: 1. Yields on newly issued bonds.

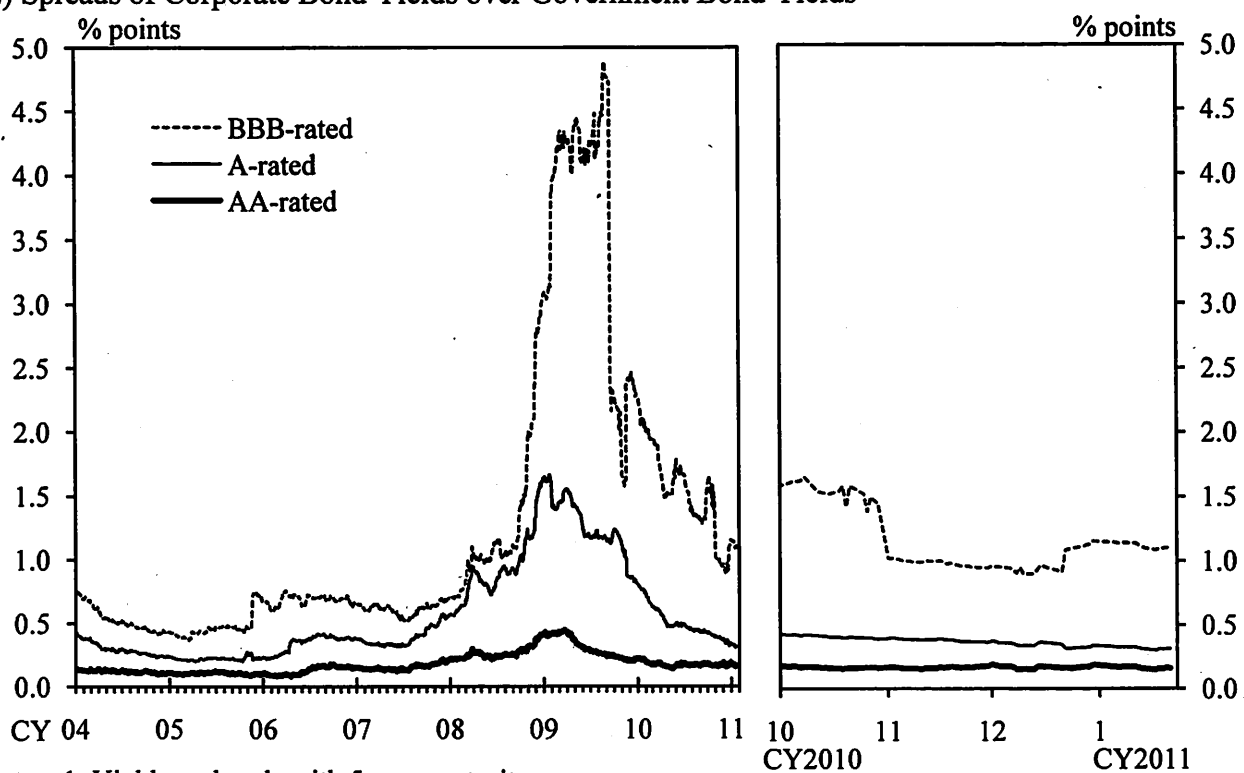
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

## Yields of Corporate Bonds

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



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



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

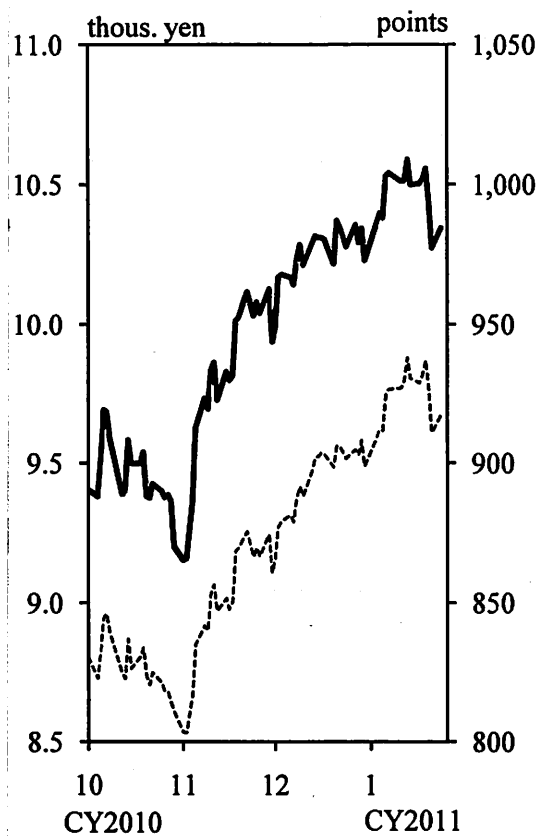
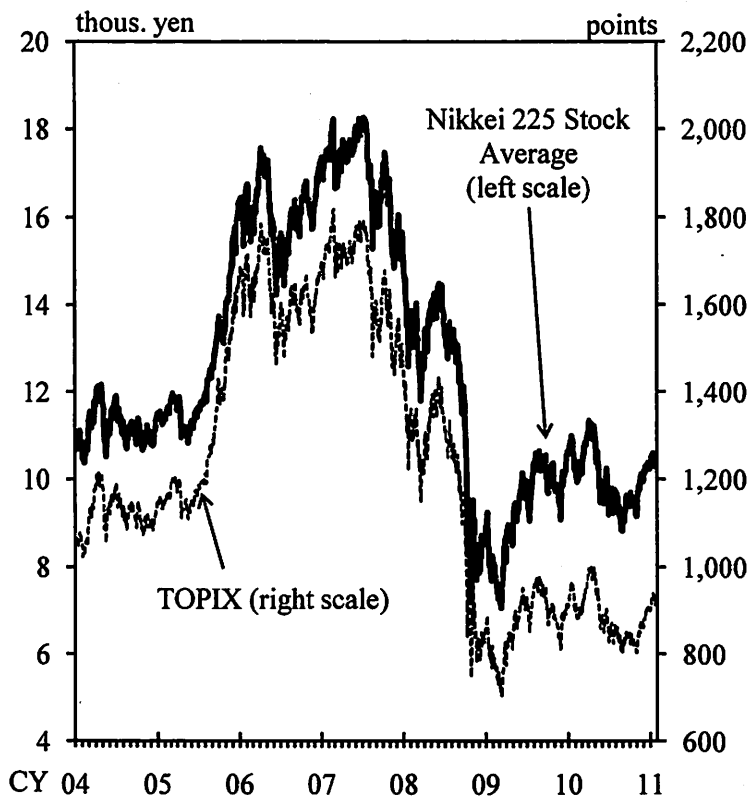
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.

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

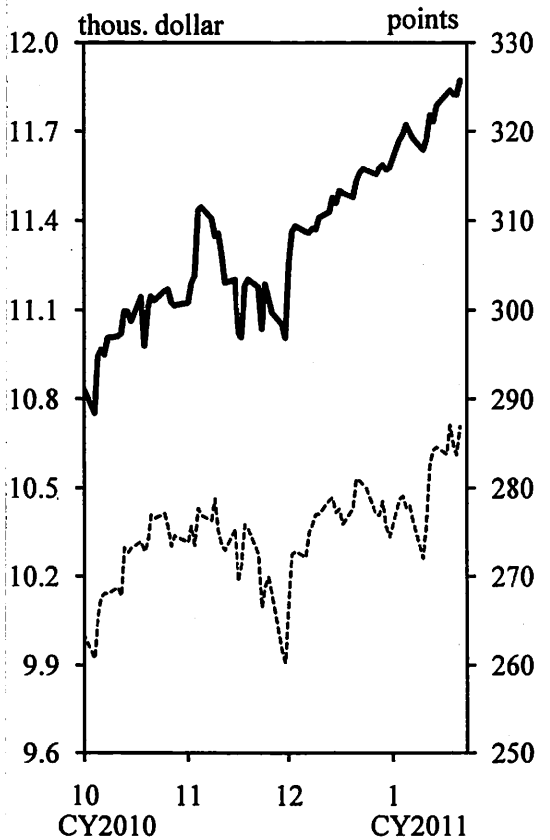
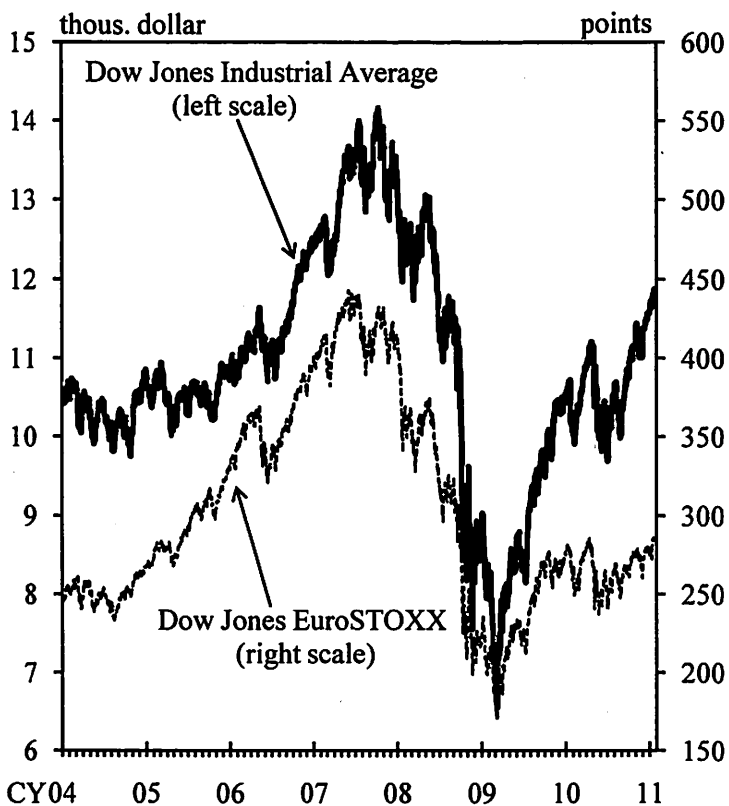
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

## Stock Prices

## (1) Japanese Stock Prices



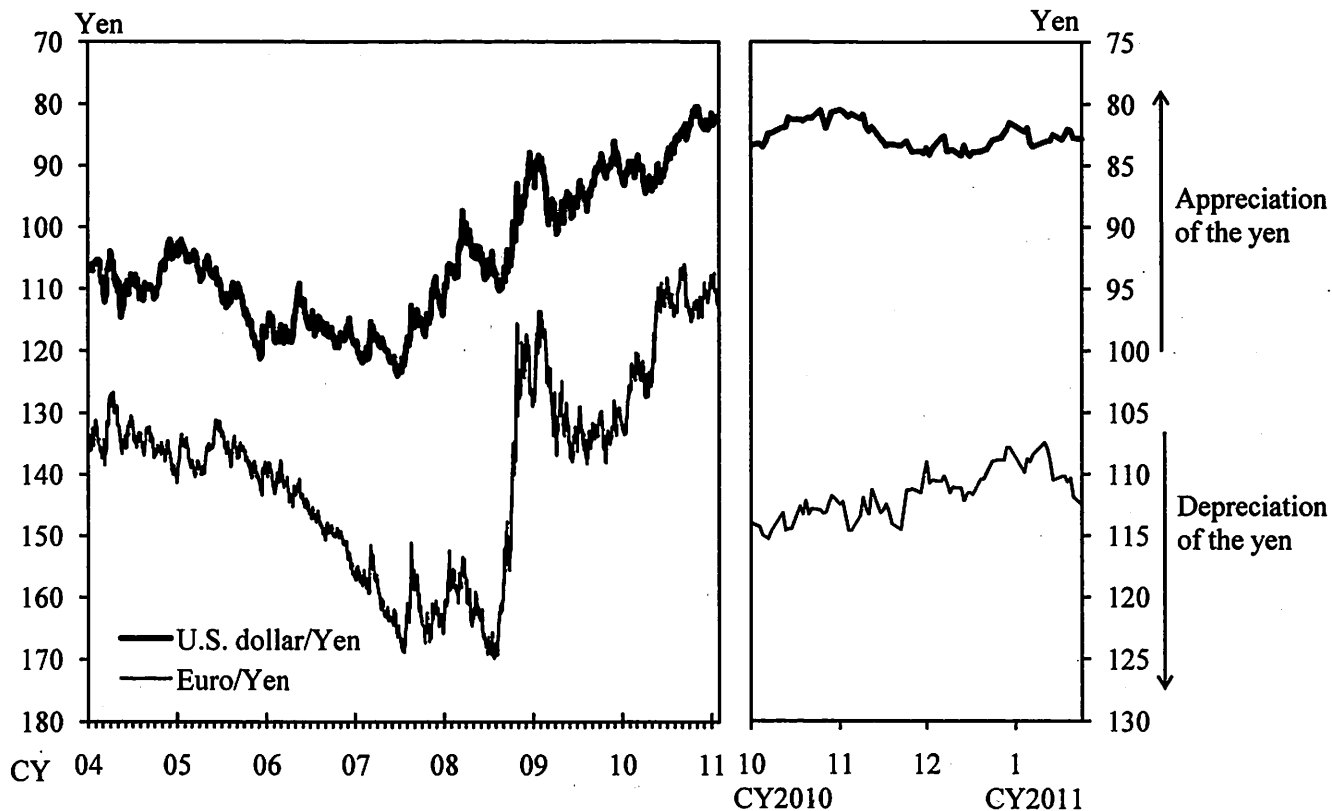
## (2) Overseas Stock Prices



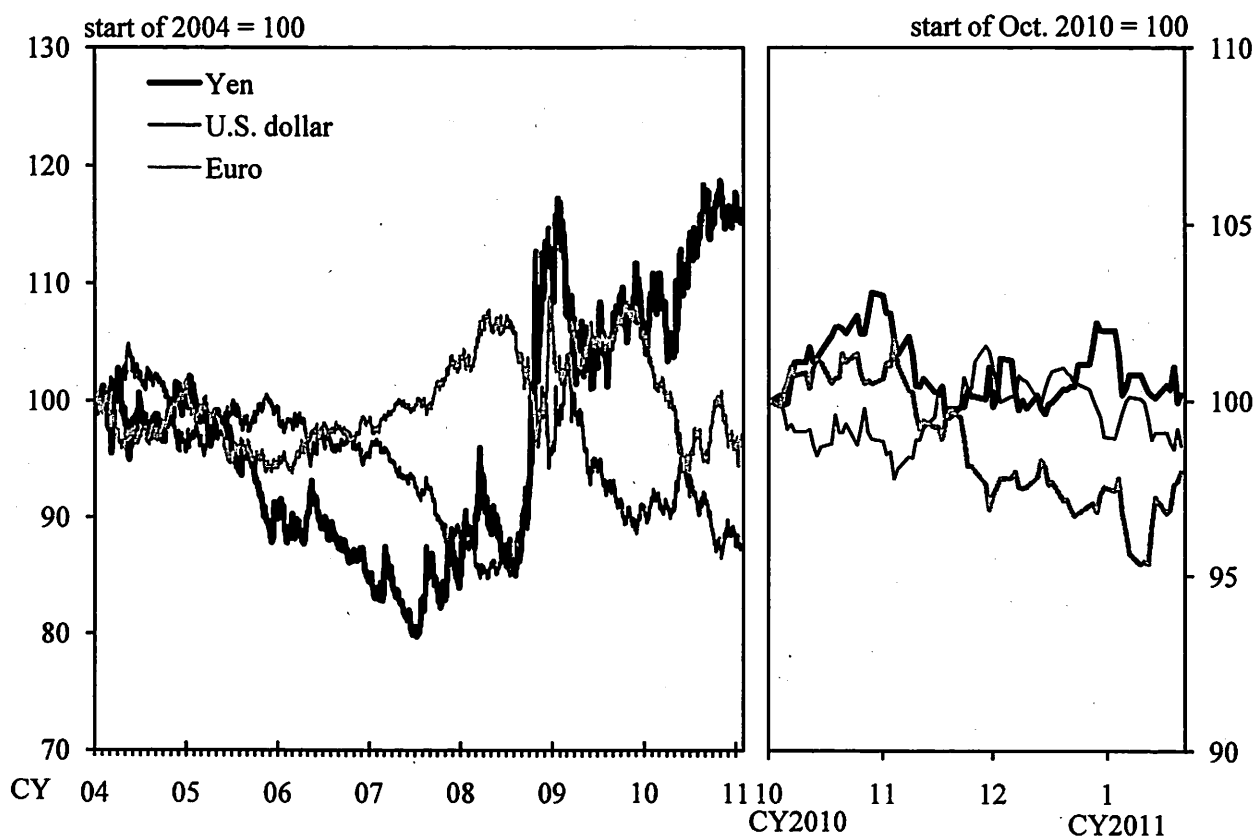
Sources: The *Nihon Keizai Shimbun*; Tokyo Stock Exchange; Bloomberg.

## Exchange Rates

## (1) Bilateral Exchange Rates



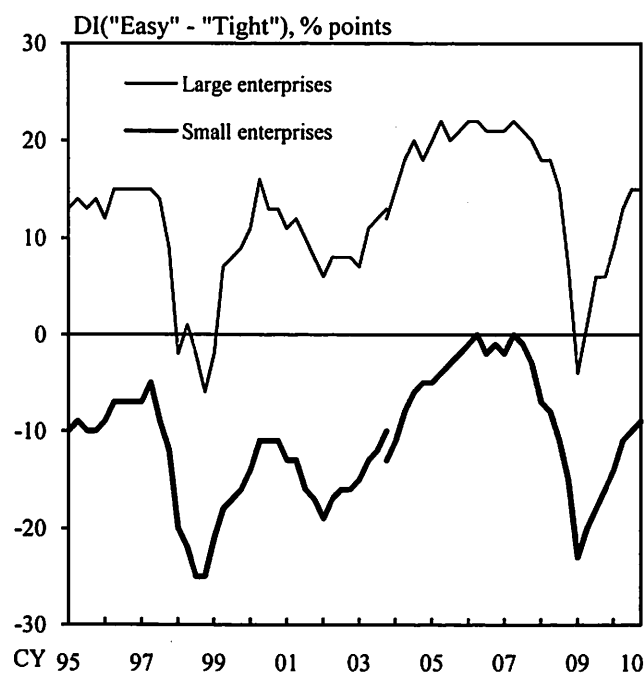
## (2) Nominal Effective Exchange Rates



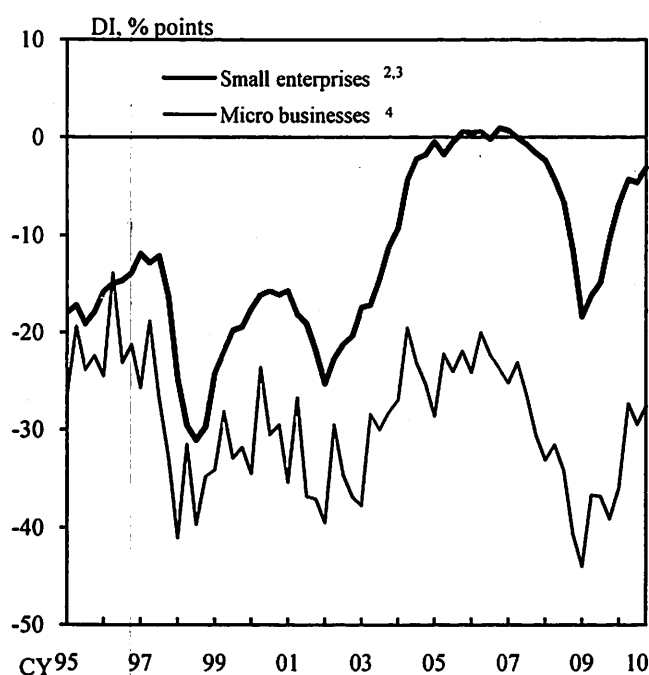
Sources: Bank of Japan; European Central Bank; Bloomberg.

## Corporate Finance-Related Indicators

## (1) Financial Position

<Tankan<sup>1</sup>>

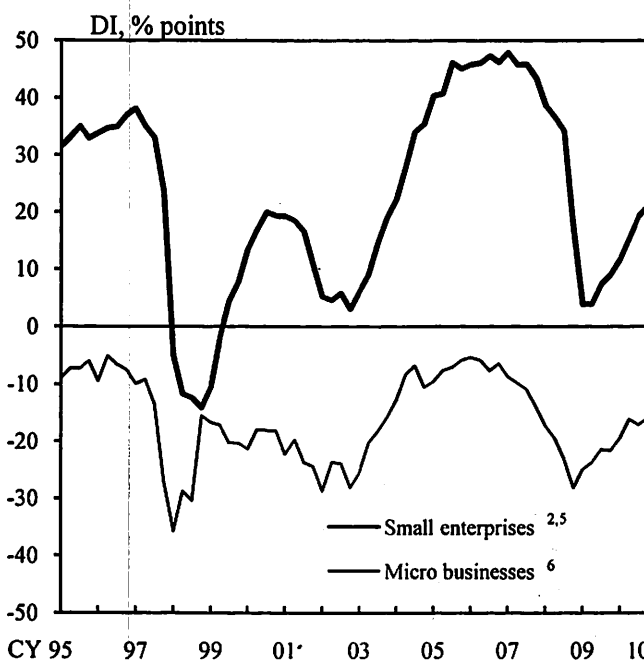
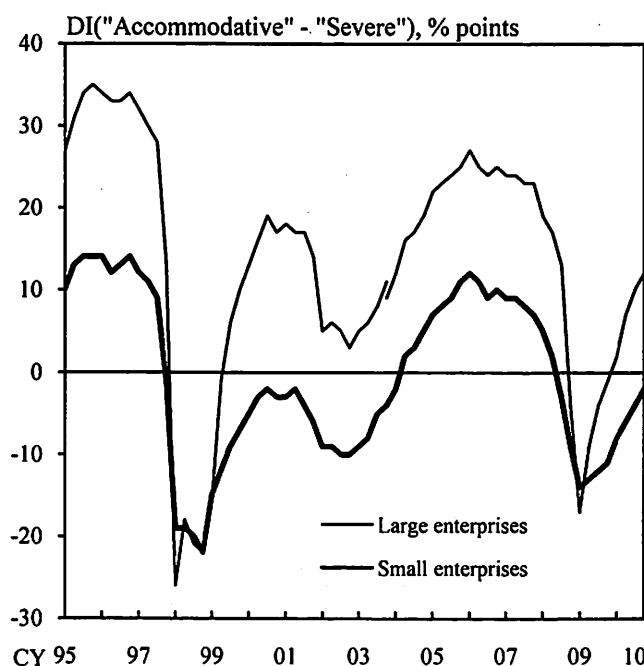
&lt;Japan Finance Corporation Survey&gt;



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

<Tankan<sup>1</sup>>

&lt;Japan Finance Corporation Survey&gt;



Notes: 1. Data of the *Tankan* are based on all industries. The *Tankan* has been revised from the March 2004 survey. Figures up to the December 2003 survey are based on the previous data sets. Figures from the December 2003 survey are on a new basis.

2. Figures are quarterly averages of monthly data.

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

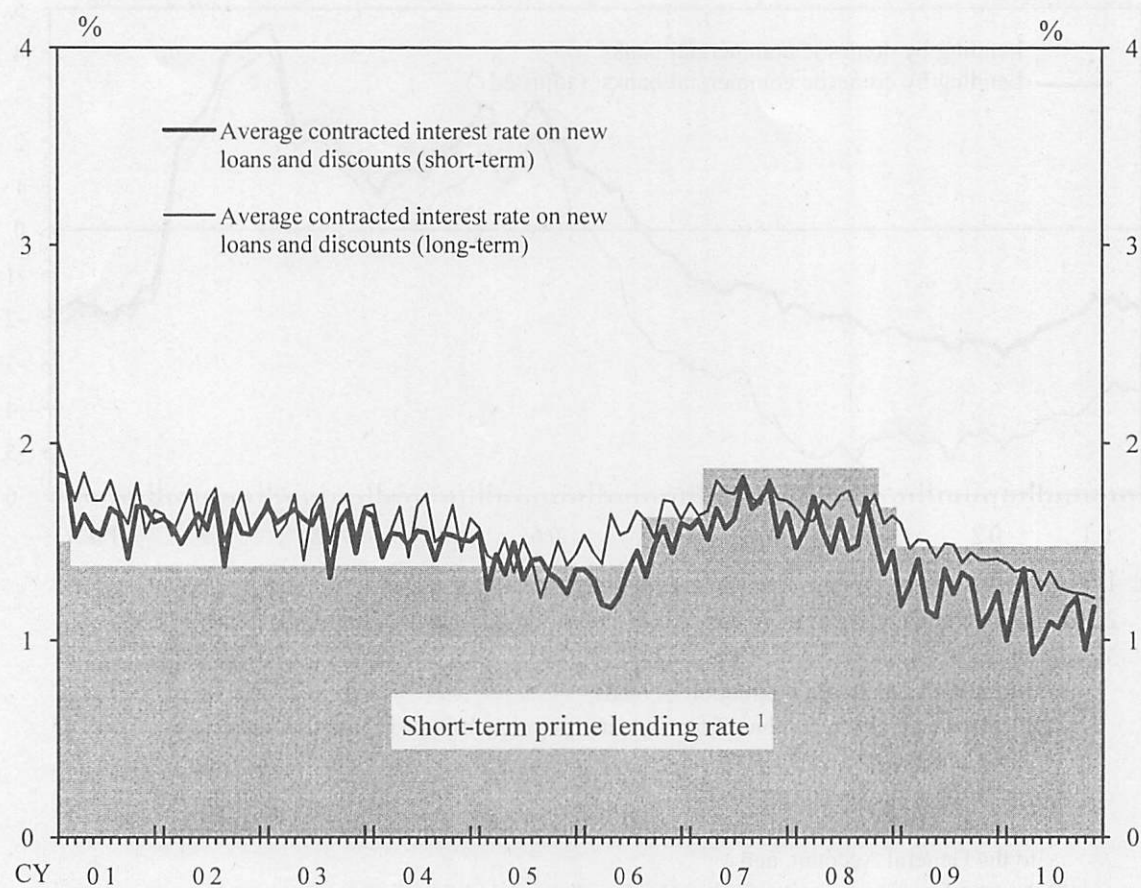
4. DI of "Easier" - "Tighter."

5. DI of "Accommodative" - "Severe."

6. DI of "More accommodative" - "More severe."

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

## Lending Rates



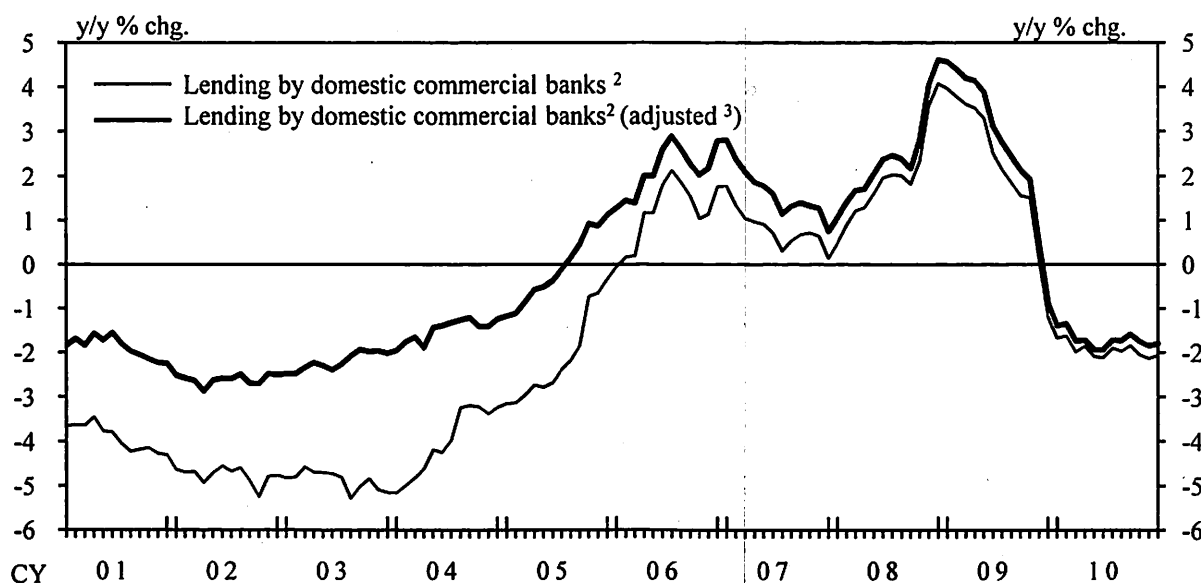
Note: 1. Data are at end of period.

Source: Bank of Japan.



## Lending by Financial Institutions

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



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

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

3. Adjusted to exclude

(1) fluctuations due to the liquidation of loans,

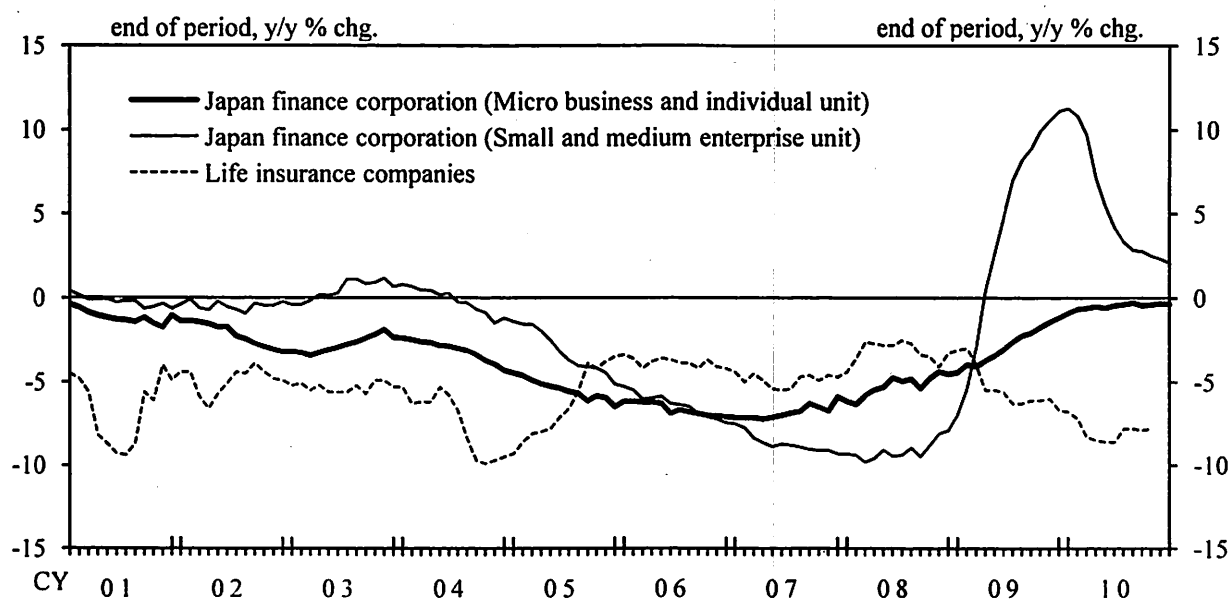
(2) fluctuations in the yen value of foreign currency-denominated loans due to changes in exchange rates,

(3) fluctuations due to loan write-offs,

(4) the transfer of loans to the former Japan National Railways Settlement Corporation to the General Account, and

(5) the transfer of loans to the former Housing Loan Administration Corporation to the Resolution and Collection Corporation.

### (2) Lending by Other Financial Institutions

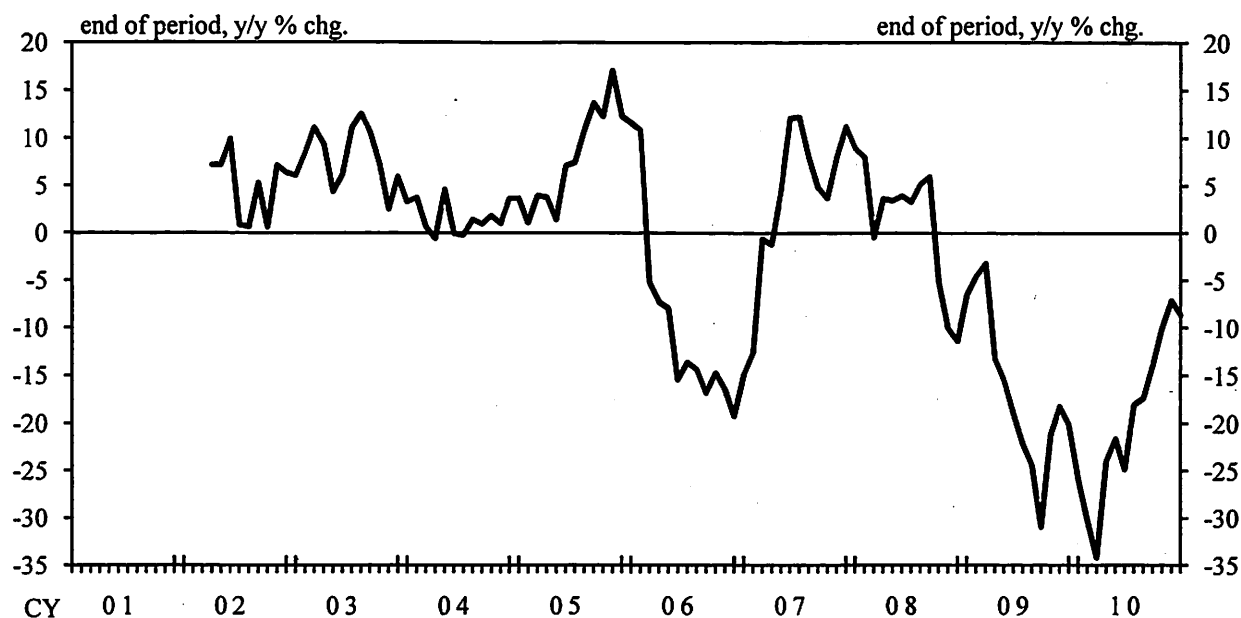


Note: The figures of the Japan Finance Corporation (Small and Medium Enterprise Unit) exclude the amounts outstanding of lending to the Credit Guarantee Corporations.

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

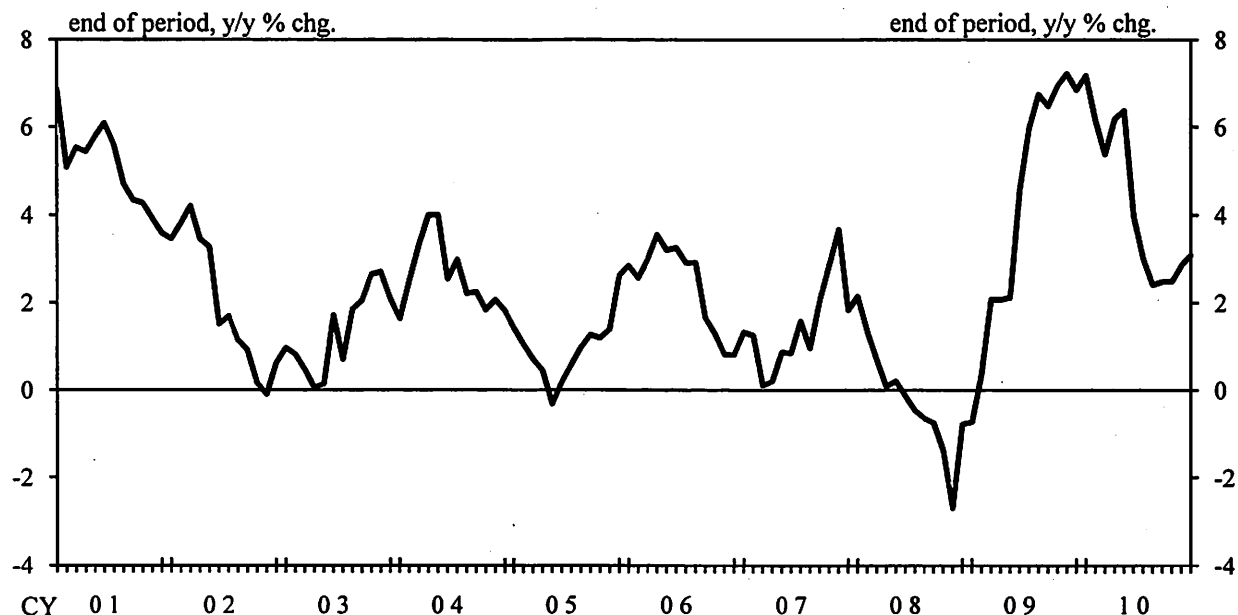
## Private-Sector Fund-Raising in the Capital Markets

## (1) Amount Outstanding of Commercial Paper



Note: Figures are those of short-term corporate bonds registered at the book-entry transfer system. Those issued by banks, securities companies and others such as foreign corporations are excluded; ABCPs are included. Figures up to March 2008 are those compiled by the Bank of Japan.

## (2) Amount Outstanding of Corporate Bonds



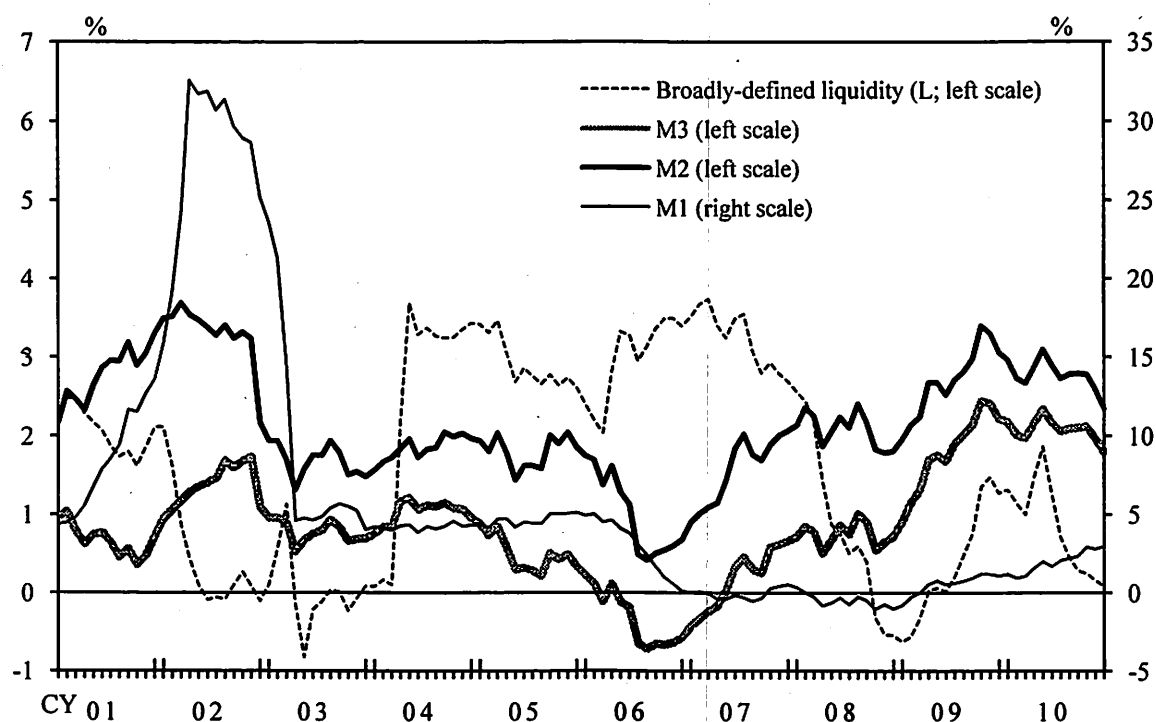
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

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

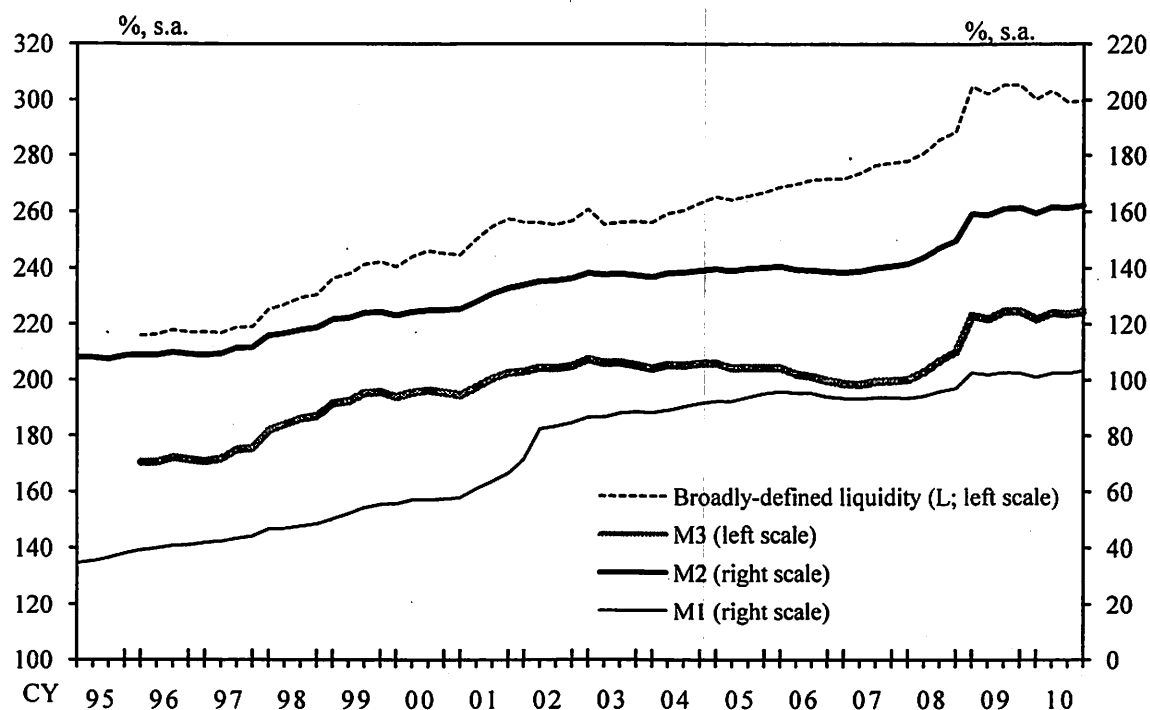
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category"; Bank of Japan, "Principal Figures of Financial Institutions"; Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts of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

## Money Stock

## (1) Changes from a Year Earlier



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

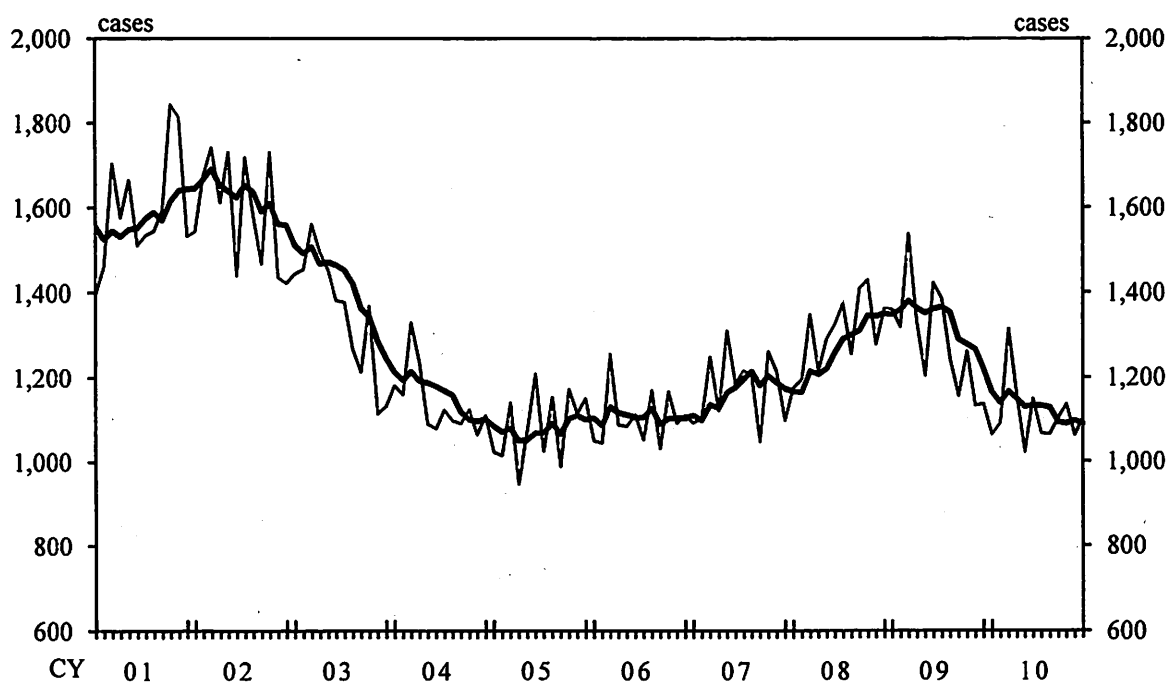


- Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.  
 2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.  
 3. The figures up to March 2004 in the upper panel and those up to March 2003 in the lower panel are based on the former series.  
 4. The figure for nominal GDP in 2010/Q4 is assumed to be unchanged from the previous quarter.

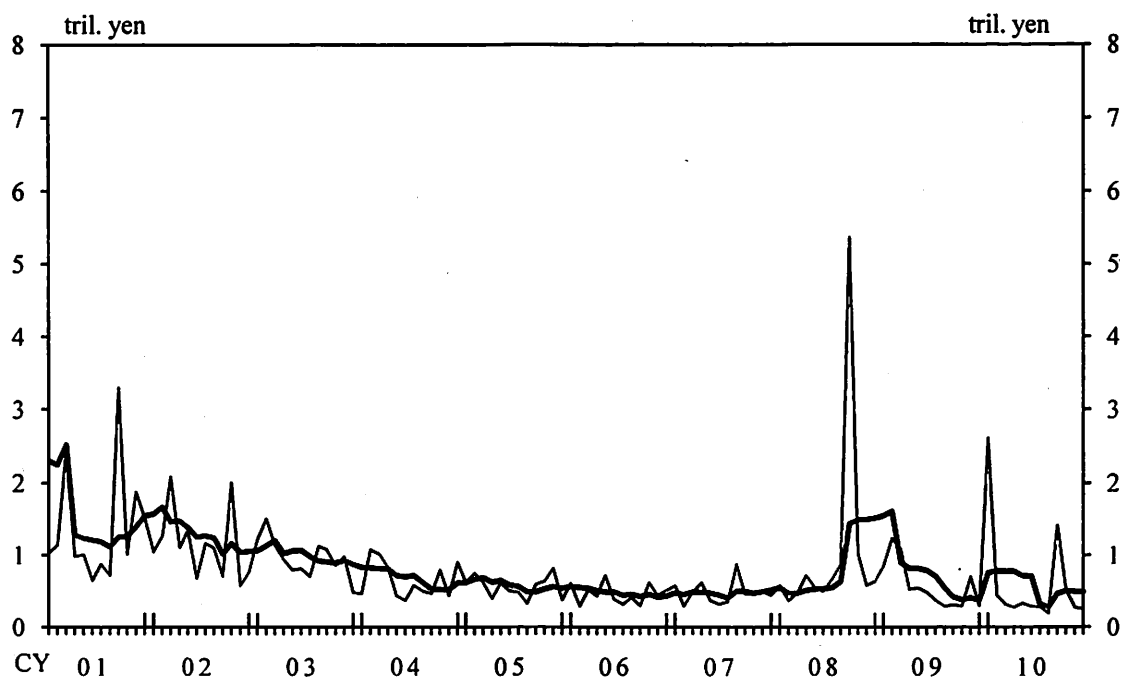
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

## 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)."