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Bank of Japan

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

March 2011

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released on March 15, 2011)

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

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## **Summary**

Japan's economy is emerging from the current deceleration phase.

Exports and production are showing signs of resuming their uptrend. Business fixed investment is picking up. The employment and income situation has remained severe, but the degree of severity has eased somewhat. Private consumption is showing signs of picking up. Housing investment has started to pick up. On the other hand, public investment is declining.

Japan's economy is expected to return to a moderate recovery path. However, the damage of the earthquake has been geographically widespread, and thus, for the time being, production is likely to decline and there is also concern that the sentiment of firms and households might deteriorate.

Exports are expected to increase moderately as a trend, reflecting the improvement in overseas economic conditions. Private consumption is expected to pick up. Meanwhile, business fixed investment is expected to continue picking up 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 basically expected to increase modestly.

On the price front, the three-month rate of change in domestic corporate goods prices is rising, mainly due to the increase in international commodity prices. The year-on-year rate of decline in consumer prices (excluding fresh food) has continued to slow, while there remains substantial slack in the economy as a whole.

Domestic corporate goods prices are expected to continue rising for the time being, reflecting movements in international commodity prices. The year-on-year

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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 March 14, 2011.

rate of change in consumer prices is expected to become slightly positive in the near future.<sup>2</sup>

The weighted average of the overnight call rate has generally been slightly below the 0.1 percent level, and interest rates on term instruments have been more or less unchanged. Long-term interest rates and stock prices have fallen compared with last month. Meanwhile, the value of the yen against the U.S. dollar has remained at more or less the same level 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 strengthening 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 at around 2.5 percent.

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<sup>2</sup> The base year for the consumer price index (CPI) is scheduled to be changed to 2010 in August 2011, and year-on-year figures retroactive to January 2011 will be revised accordingly. This rebasing is likely to cause the year-on-year rate of change in the CPI to be revised downward.

## 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—inched up in January relative to the fourth quarter, after having declined for two consecutive quarters. The amount of public construction completed—which reflects the progress of public works—registered a quarter-on-quarter decline in the fourth quarter.

The decline in public investment is likely to continue.

Real exports are showing signs of resuming their uptrend (Charts 6[1] and 7). Exports declined by 5.8 percent in January compared with the previous month; they were affected mainly by the Chinese New Year holidays.

Looking at exports in January on a month-on-month basis by destination (Chart 7[1]), as for exports to East Asia, those to China and Hong Kong fell, although this was largely due to the effects of the Chinese New Year holidays. Since the timing of the Chinese New Year holidays differs each year, exports tend to show large fluctuations in January-February every year even for seasonally adjusted figures. The Chinese New Year holidays this year fell in the February 2-8 period, which was somewhat earlier than last year (February 13-19). This indicates that exports to China and Hong Kong were suspended around the end of January. Exports to the NIES—excluding Hong Kong—and ASEAN economies rose, notably in intermediate goods and in capital goods and parts. Exports to the United States dropped, but this was mainly due to fluctuations caused by motor vehicles and their related goods that were awaiting shipments overseas. Automobile sales in the United States have shown a steady recovery. Exports to the EU were relatively weak, chiefly in motor vehicles and their related goods. Exports to "other regions" have shown signs of picking up, mainly in motor vehicles and their related goods as well as in capital goods and parts.

By goods (Chart 7[2]), exports fell for all goods in January compared with the fourth quarter. Among these, however, exports of capital goods and parts as well as intermediate goods have picked up and become virtually flat.

Real imports have been more or less flat (Charts 6[1] and 9). Imports increased by 2.4 percent in January relative to the fourth quarter.

By goods (Chart 9[2]), imports rose for all goods in January compared with the fourth quarter. Imports of raw materials and intermediate goods rose in line with production increases. Imports of consumer goods increased as a whole mainly due to the rise in textile-related products, even though those of flat panel televisions had come to a standstill. Imports of IT-related goods were also steady, primarily in tablet devices.

Net exports—in terms of the real trade balance—are showing signs of picking up; they are reflecting the aforementioned developments in exports and imports (Chart 6[2]). The surplus of the nominal balance on goods and services as well as the current account surplus marked a somewhat sizeable drop in January. This was attributable to the temporary decline in the real trade balance caused by the Chinese New Year holidays and also to the rise in import prices following the increase in international commodity prices.

Exports are expected to increase moderately as a trend, reflecting the improvement in overseas economic conditions, notably in emerging economies.

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

Both exports and imports, however, may possibly show somewhat weak movements for the time being, in line with the production declines caused by the earthquake.

Business fixed investment is picking up. According to the *Financial Statements of Corporations by Industry, Quarterly* (Chart 10[1]), business fixed investment in nominal terms rose marginally in the fourth quarter on a quarter-on-quarter basis; it increased for the third consecutive quarter. By industry and company size (Chart 11), investment continued to increase in manufacturing for large firms, whereas that by medium-sized and small firms was more or less flat. As



for nonmanufacturing, investment by large firms increased, while medium-sized and small firms saw a decline. The aggregate supply of capital goods—a coincident indicator of machinery investment—has recently been virtually level (Chart 12[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—dropped in the fourth quarter on a quarter-on-quarter basis, but increased in January compared with the fourth quarter (Chart 13[1]). By industry, in manufacturing, machinery orders moved up in January relative to the fourth quarter, which recorded a quarter-on-quarter decrease. On the other hand, in nonmanufacturing (excluding orders for ships, those from electric power companies, and those for cell phones), machinery orders decreased in the fourth quarter on a quarter-on-quarter basis, and continued to do so in January compared with the fourth quarter. Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—rose significantly in January relative to the fourth quarter (Chart 13[2]). By industry, they fell back in mining and manufacturing from the rise in the fourth quarter. In contrast, nonmanufacturing saw an upsurge, primarily in construction starts related to medical, health care and welfare as well as to wholesale and retail trade.

Regarding the environment surrounding business fixed investment, corporate profits have been on a recovery trend. According to the *Financial Statements of Corporations by Industry, Quarterly* (Chart 10[2]), the ratio of current profits to sales moved upward in the fourth quarter compared with the third quarter. By industry and company size, the ratio has risen for all industries and company sizes. Fourth quarter figures, however, may turn out to be somewhat stronger than their actual state due mainly to seasonal adjustment factors and to fluctuations in nonmanufacturing.

Business fixed investment is expected to continue picking up 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 12[2]). Attention should be paid to the impact of the earthquake on corporate sentiment.

Private consumption is showing signs of picking up. Consumption of goods—as seen through sales at retail stores (in real terms)—rose in January relative to the fourth quarter (Chart 15[1]). Looking at developments in 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—has been on a recovery trend since December, supported partly by the introduction of new models (Chart 15[2]). Sales of household electrical appliances (in real terms) also turned upward in January, although December saw a sharp drop in response to the prior increase.<sup>3</sup> Sales at convenience stores rose in January relative to the fourth quarter, mainly in foodstuffs and tobacco (Chart 16[1]). Sales at department stores climbed marginally in January compared with the fourth quarter, assisted mainly by steady sales of accessories. On the other hand, sales at supermarkets dropped in January relative to the fourth quarter, notably in foodstuffs and beverages as well as in household electrical appliances. As for developments in services consumption (Chart 16[2]), outlays for travel and sales in the food service industry have continued to be 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—declined in January relative to the fourth quarter (Chart 15[1]).<sup>4</sup> The total expenditure in the *Survey of Household Economy* (in real terms) also dropped in January from the fourth quarter.

Indicators related to consumer sentiment have recently improved slightly (Chart 17).

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<sup>3</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 eco-point system for household electrical appliances: (i) the number of eco-points granted was reduced by about half for products purchased from December 1, 2010; and (ii) the number of eligible types of household electrical appliances is limited and eco-points are 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>4</sup> Items in the index are not completely limited to those used for estimating GDP. Education, for example, is not used for estimating GDP.



Private consumption is expected to pick up. Attention, however, should be paid to the impact of the earthquake on household sentiment.

Housing investment has started to pick up. The number of housing starts (Chart 18[1])—a leading indicator of housing investment—rose marginally in January compared with the fourth 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 is showing signs of resuming its uptrend. In January, production rose for the third month running with a month-on-month increase of 2.4 percent (Chart 19). In detail, production of transport equipment increased, supported by the recovery in sales of new passenger cars to the domestic market and in exports; those of general machinery also increased, mainly among those for exports. On a quarterly basis, production registered somewhat high growth in January compared with the fourth quarter by marking an increase of 5.0 percent, partly due to a distortion in seasonal adjustments. With the distortion in seasonal adjustments corrected, production has, in fact, been increasing.<sup>5</sup>

Shipments rose by 2.8 percent in January relative to the fourth quarter. By goods (Chart 20), shipments of producer goods rose, mainly in iron and steel, electronic parts and devices, and motor vehicle parts. Those of durable consumer goods dropped as a whole due to the decline in flat panel televisions, even though motor vehicles increased. Construction goods—with the monthly fluctuations

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<sup>5</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.

smoothed out—have been on a moderate uptrend lately. Non-durable consumer goods have been picking up, mainly in tobacco. Capital goods (excluding transport equipment) have continued to trend gradually upward on average.

Inventories rose in January, mainly in flat panel televisions and motor vehicles. Looking at the shipment-inventory balance on a year-on-year basis (Chart 21), growth in inventories outpaced that in shipments, reflecting movements in flat panel televisions and motor vehicles. Electronic parts and devices have still been in an inventory-adjustment phase, with growth in inventories outpacing that in shipments on a year-on-year basis.

Production is basically expected to increase modestly. The damage of the earthquake, however, has been geographically widespread, and thus, production is likely to decline for the time being.

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 (Chart 22[1]). The unemployment rate, though still high, has been more or less flat.

In terms of employment (Chart 23[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 still remains high.<sup>6</sup> The year-on-year pace of increase in overtime hours worked,

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<sup>6</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

meanwhile, has been on a downtrend since the seasonally adjusted level has been more or less flat (Chart 23[3]).

Nominal wages per employee inched up in January on a year-on-year basis (Chart 24[1]). In detail, regular payments exhibited a marginal decrease on a year-on-year basis mainly since the number of days worked was lesser than that of the previous year. Overtime payments have continued to increase on a year-on-year basis, albeit at a reduced pace. Winter bonus payments—equivalent to special payments from November to January—were almost the same as the year-ago level. Manufacturing saw an increase, whereas nonmanufacturing faced a decline. In nonmanufacturing, educational services as well as medical and social welfare services decreased significantly due to the weakness in local government employees.

Employee income has been slightly above the year-ago level as a reflection of the aforementioned developments in employment and wages (Chart 24[3]).

The increase in employee income is likely to lack vigor for the time being, mainly due to the persistent sense among firms of excessive employment, although employee income is expected to be more or less flat.

## 2. Prices

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 26). Looking at international commodity prices in somewhat detail, crude oil prices have climbed, partly due to accommodative financial conditions on a worldwide basis and to uncertainty about the situations in the Middle East and North Africa, amid anticipated growing demand from emerging economies. Prices of nonferrous metals have increased, chiefly in copper, in the face of infrastructure-related demand among emerging economies. Grain prices have also risen consistently, led by rising demand for foodstuffs and feedstuffs in emerging economies as well as by unfavorable weather.

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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>7</sup> is rising, mainly due to the increase in international commodity prices (Chart 27). In detail, as a reflection of the increase in international commodity prices, prices of "goods sensitive to exchange rates and overseas commodity prices" have continued to exhibit high growth; the three-month rates of increase in prices of "iron & steel and construction goods" and "other materials" have accelerated.

Corporate services prices (excluding international transportation; year-on-year basis, same hereafter) have been declining, a reflection mainly of cost-cutting among firms (Chart 28). A breakdown of developments in January shows that prices related to selling, general and administrative expenses have declined at a slower pace on a year-on-year basis, since both newspaper advertising and television commercials in advertising services saw a recovery in demand. As for prices related to fixed investment, civil engineering and architectural services have continued to register a somewhat sizeable decline due to sluggish demand. The rates of decline in prices related to real estate have started to flatten lately.

The year-on-year rate of decline in consumer prices (excluding fresh food; year-on-year basis, same hereafter) has continued to slow, while there remains substantial slack in the economy as a whole (Charts 29 and 30). In January, the rate of decline in consumer prices narrowed by 0.2 percentage points from December, and registered a decrease of 0.2 percent (an increase of 0.3 percent with high school fees excluded).<sup>8,9</sup> Looking at developments on a basis that excludes food and energy, the rate of decline in consumer prices narrowed by 0.1 percentage point from December to a decline of 0.6 percent (an increase of 0.2 percent with high school fees excluded).

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<sup>7</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>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.

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 in detail at recent movements other than high school fees, cigarettes, and accident insurance premiums, as for goods, prices of petroleum products (such as gasoline) have increased at a faster pace; those of clothes have turned upward. Prices such as of food products and durable consumer goods have tended to decline at a slower pace. As for general services, the rate of decline for house rent has accelerated slightly, but the rates of decrease for other services have tended to slow, mainly due to the rise in package tours to overseas. Although airplane fares have continued to rise, public utility charges have declined at a somewhat faster pace as a whole since the prior decline in crude oil prices has taken effect on electricity with a time lag.

Domestic corporate goods prices are expected to continue rising for the time being, reflecting movements in international commodity prices. The year-on-year rate of change in consumer prices is expected to become slightly positive in the near future.<sup>10</sup>

### **3. Financial Developments**

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

Japan's money markets have been stable as a whole amid the Bank of Japan's provision of ample funds. The overnight call rate (uncollateralized) has generally been slightly below the 0.1 percent level. Regarding interest rates on term instruments, the T-Bill rate (3-month) has 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.

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<sup>10</sup> The base year for the consumer price index (CPI) is scheduled to be changed to 2010 in August 2011, and year-on-year figures retroactive to January 2011 will be revised accordingly. This rebasing is likely to cause the year-on-year rate of change in the CPI to be revised downward.

Interest rates on Euroyen futures, mainly those with distant contract months, have declined (Chart 31). In U.S. dollar funding, the LIBOR-OIS spread for the dollar has been at a low level (Chart 32).

Yields on 10-year government bonds (newly issued 10-year JGB) have decreased amid weak stock prices; they have recently been in the range of 1.2-1.3 percent (Chart 33).

Yield spreads between corporate bonds and government bonds have remained relatively narrow, mainly due to the Bank of Japan's asset purchase program as well as to firm demand among investors (Chart 34).

Stock prices declined, with U.S. stock prices weakening slightly and the yen appreciating somewhat. They have more recently fallen further; the Nikkei 225 Stock Average has recently been at around 9,500 yen (Chart 35).

In the foreign exchange market, the yen's exchange rate against the U.S. dollar appreciated somewhat, against the backdrop of risk-averse reactions among investors and decreases in U.S. interest rates, amid geopolitical concerns in North Africa and the Middle East; it has recently been in the range of 82-83 yen (Chart 36).

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

The declining trend in firms' funding costs has continued, against the background that the overnight call rate has remained at an extremely low level. 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 38).

With regard to credit supply, firms have continued to see financial institutions' lending attitudes as improving (Chart 37). Issuing conditions for CP and corporate bonds have become more favorable as seen in an increased variety of corporate bond 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 39).

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 40).

In these circumstances, the financial positions of firms have been improving as a whole (Chart 37). The number of corporate bankruptcies has continued to decrease. It was down by 9.4 percent on a year-on-year basis in February, following a decline of 2.1 percent in January (Chart 42).

Meanwhile, the year-on-year growth rate of the money stock (M2) has recently been at around 2.5 percent. Its February reading was 2.4 percent on a year-on-year basis, following 2.3 percent in January (Chart 41).<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 February reading was 1.8 percent, following 1.8 percent in January. The year-on-year growth rate of broadly-defined liquidity (L) has recently been at around 0 percent; it decreased by 0.0 percent in February, following a decrease of 0.1 percent in January.



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## Main Economic Indicators (1)

	s.a., q/q (m/m) % chg. <sup>1</sup>						
	2010/Q2	Q3	Q4	2010/Nov.	Dec.	2011/Jan.	Feb.
Index of consumption expenditure level (two-or-more-person households)	-1.7	1.6	-1.4	0.5	-2.8	2.1	n.a.
Sales at department stores	-1.5	-0.7	0.4	0.1	-1.1	p 1.2	n.a.
Sales at supermarkets	0.1	1.2	-1.4	1.6	-3.2	p 0.8	n.a.
New passenger-car registrations <sup>3</sup> <s.a., ann. 10,000 units>	< 311>	< 337>	< 217>	< 213>	< 217>	< 246>	< 266>
Sales of household electrical appliances (real, "Current Survey of Commerce")	1.7	8.5	14.5	25.0	-39.5	p 9.2	n.a.
Outlays for travel	3.1	-1.0	0.4	-0.0	-3.1	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	< 77>	< 82>	< 84>	< 85>	< 86>	< 85>	<n.a.>
Machinery orders (from private sector) excluding volatile orders 1 <sup>4</sup>	0.3	9.6	-6.9	-3.0	1.7	4.2	n.a.
excluding volatile orders 2 <sup>4</sup>	-0.1	7.7	-5.8	0.8	-0.9	6.6	n.a.
Construction starts (private, nondwelling use)	-19.4	17.6	-9.7	-5.5	-9.3	31.1	n.a.
Mining & manufacturing	-11.2	7.7	9.0	-8.0	-14.1	3.8	n.a.
Nonmanufacturing <sup>5</sup>	-20.1	21.1	-12.1	-6.8	-3.2	30.2	n.a.
Value of public works contracted	5.2	-7.9	-5.5	0.4	-5.2	7.5	n.a.
Real exports	9.6	-0.4	-1.6	-1.8	7.0	-5.8	n.a.
Real imports	6.2	1.1	-1.0	1.1	-2.1	3.5	n.a.
Industrial production	1.5	-1.8	-1.6	1.0	3.3	p 2.4	n.a.
Shipments	1.6	-1.2	-1.6	2.6	1.2	p 1.1	n.a.
Inventories	3.4	0.4	-1.2	-1.8	1.6	p 4.7	n.a.
Inventory ratio <s.a., CY 2005 = 100>	< 106.7>	< 108.8>	< 108.5>	< 108.1>	< 108.5>	<p 109.3>	<n.a.>
Real GDP	0.5	0.8	-0.3	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.8	0.7	-1.1	-0.2	-0.2	n.a.	n.a.

## Main Economic Indicators (2)

	y/y % chg. <sup>1</sup>						
	2010/Q2	Q3	Q4	2010/Nov.	Dec.	2011/Jan.	Feb.
Ratio of job offers to applicants <s.a., times>	< 0.50>	< 0.54>	< 0.57>	< 0.57>	< 0.58>	< 0.61>	<n.a.>
Unemployment rate <s.a., %>	< 5.1>	< 5.0>	< 5.0>	< 5.1>	< 4.9>	< 4.9>	<n.a.>
Overtime working hours <sup>6</sup>	10.8	9.6	5.7	6.1	5.1	p 2.1	n.a.
Number of employees	-0.3	0.3	0.4	0.3	0.2	0.3	n.a.
Number of regular employees <sup>6</sup>	0.2	0.5	0.7	0.7	0.6	p 0.8	n.a.
Nominal wages per person <sup>6</sup>	1.3	0.9	0.2	0.2	0.1	p 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>	1.0 < 0.5>	0.9 < 0.4>	1.2 < 0.8>	1.6 < 1.0>	p 1.7 <p 1.1>
Consumer price index <sup>8</sup>	-1.2	-1.0	-0.5	-0.5	-0.4	-0.2	n.a.
Corporate services price index <sup>9</sup>	-1.2	-1.1	-1.3	-1.2	-1.3	p -1.0	n.a.
Money stock (M2) <average outstanding, y/y % chg.>	3.0	2.8	2.6	2.6	2.3	2.3	p 2.4
Number of corporate bankruptcies <cases per month>	<1,108>	<1,077>	<1,100>	<1,061>	<1,102>	<1,041>	<987>

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";

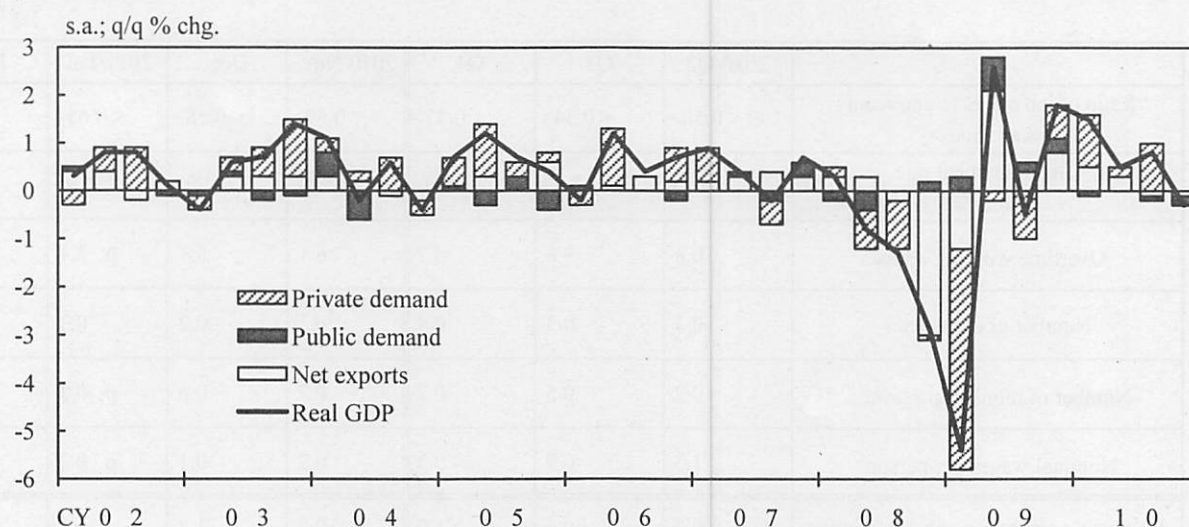
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey";

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



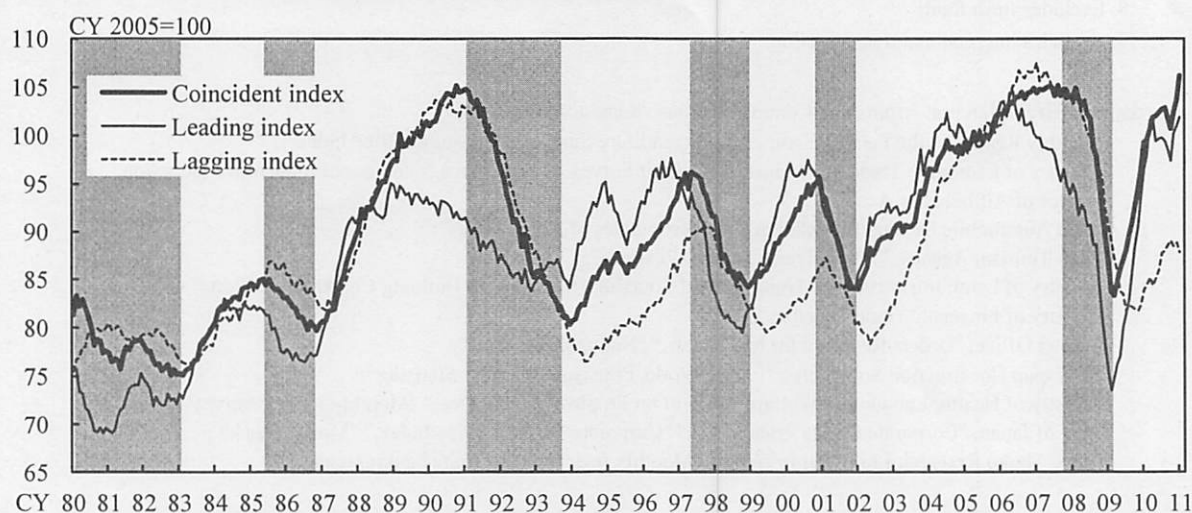
## (2) Components

s.a.; q/q % chg.

	2009	2010			
	Q4	Q1	Q2	Q3	Q4
Real GDP	1.8	1.5	0.5	0.8	-0.3
Domestic demand	1.0	1.0	0.3	1.0	-0.2
Private demand	0.7	1.1	0.2	1.0	-0.0
Private consumption	0.6	0.3	-0.0	0.5	-0.5
Non-Resi. investment	0.2	0.1	0.4	0.2	0.1
Residential investment	-0.1	0.0	-0.0	0.0	0.1
Private inventory	0.0	0.7	-0.1	0.3	0.3
Public demand	0.3	-0.1	0.0	-0.1	-0.2
Public investment	0.1	-0.1	-0.2	-0.1	-0.2
Net exports of goods and services	0.8	0.5	0.3	-0.1	-0.1
Exports	0.9	0.9	0.8	0.2	-0.1
Imports	-0.2	-0.4	-0.5	-0.4	0.0
Nominal GDP	0.9	1.7	-0.6	0.6	-0.7

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

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

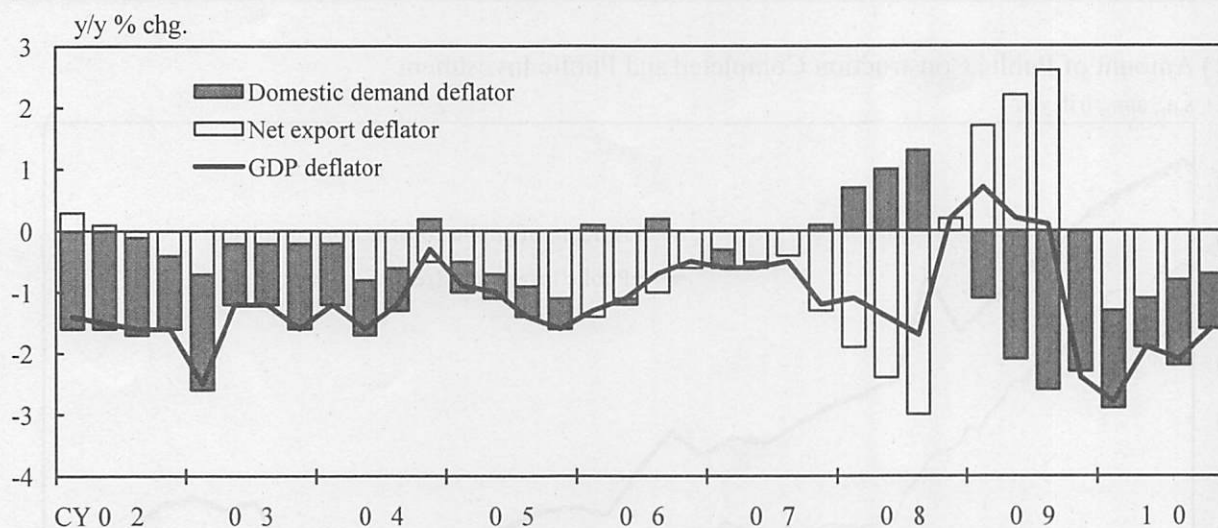


Note: Shaded areas indicate recession periods.

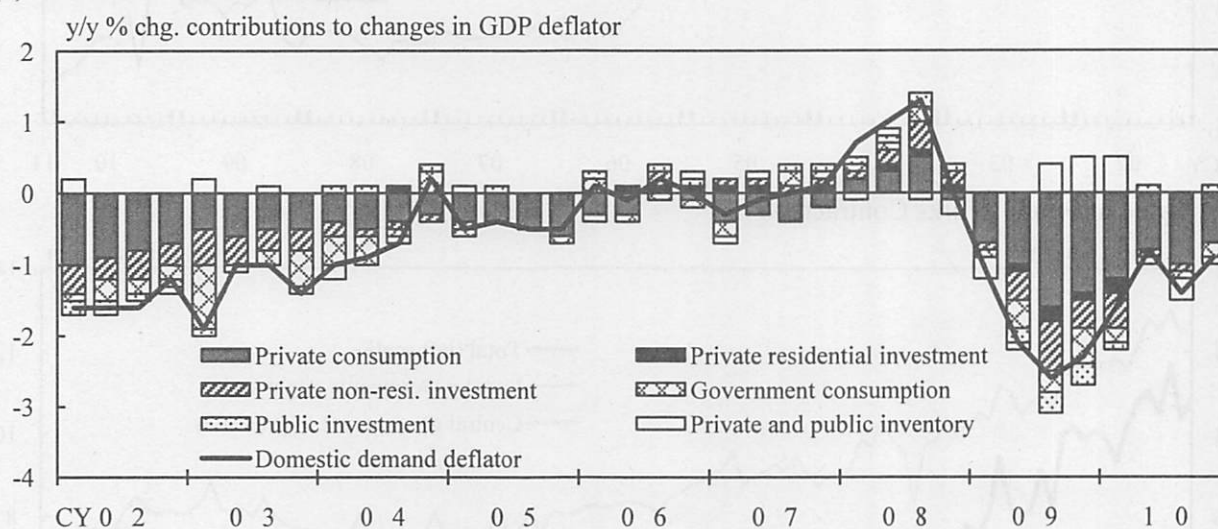
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

## GDP Deflator and Income Formation

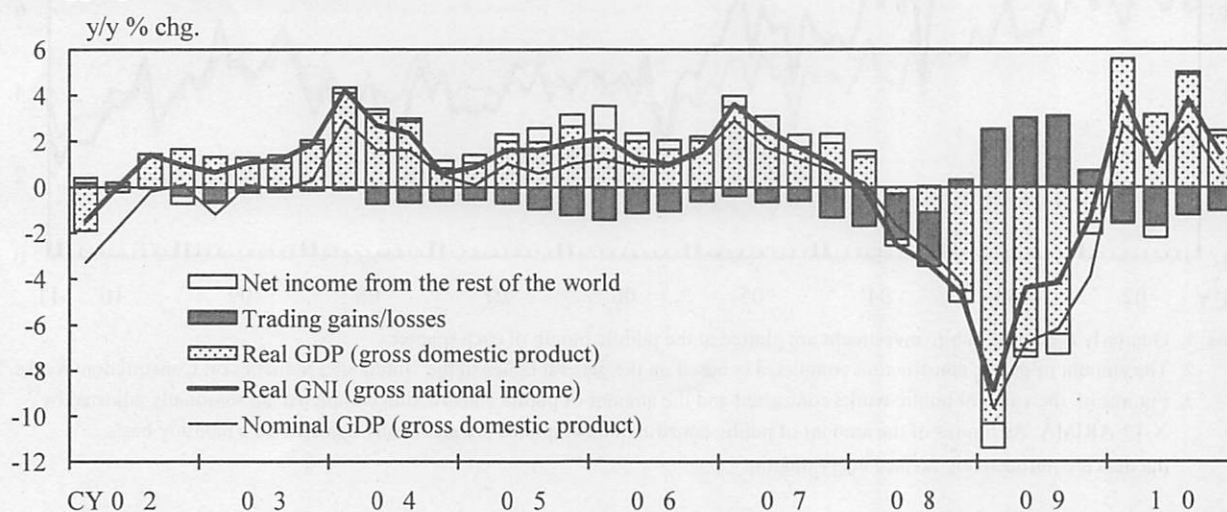
## (1) GDP Deflator



## (2) Domestic Demand Deflator



## (3) Aggregate Income Formation



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

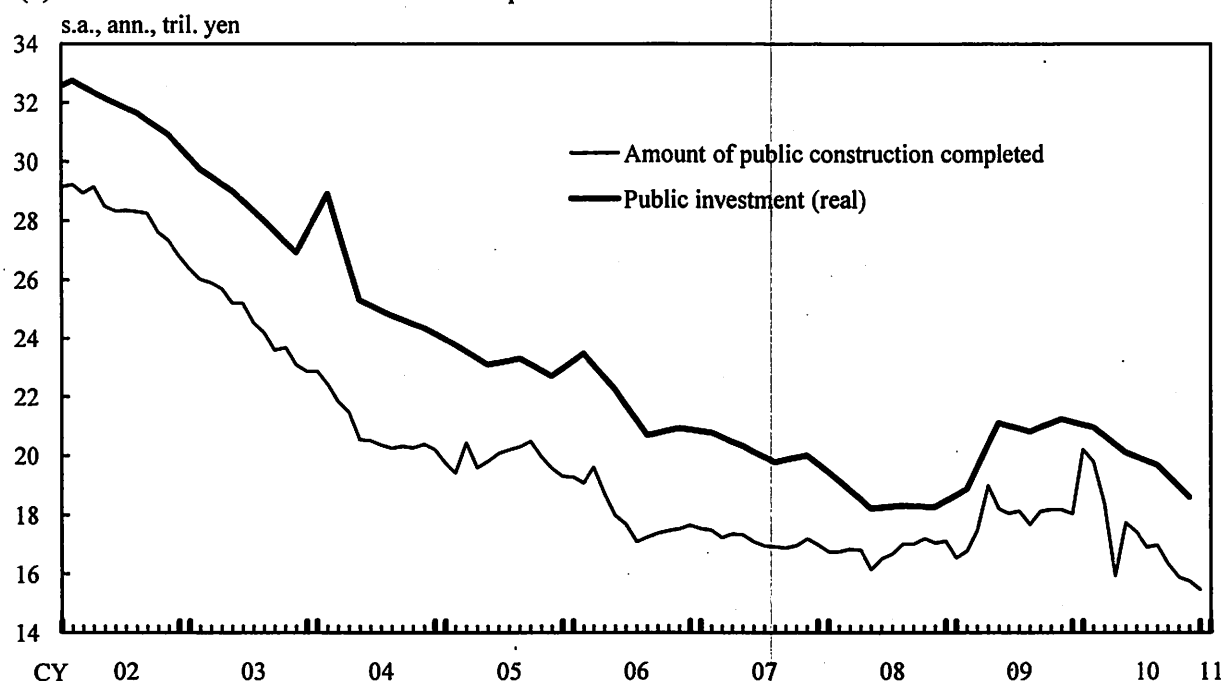
2. Real GNI = real GDP + trading gains/losses + net income from the rest of the world

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

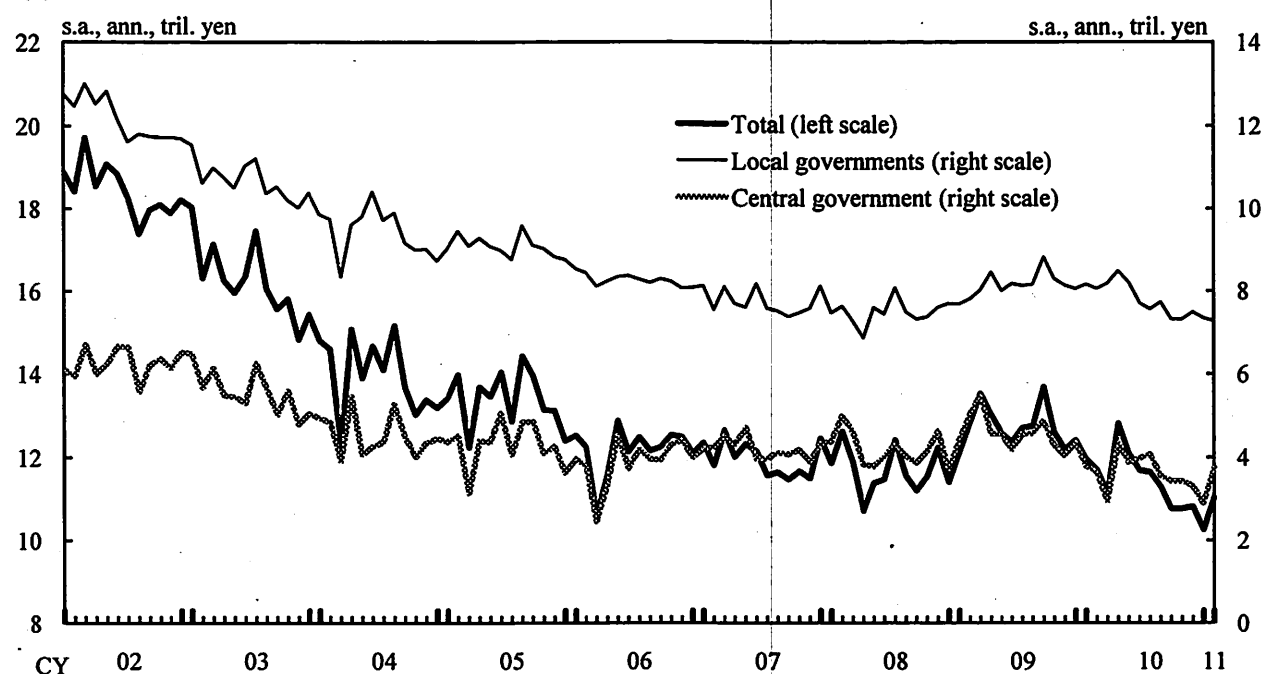
Source: Cabinet Office, "National Accounts."

## 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.

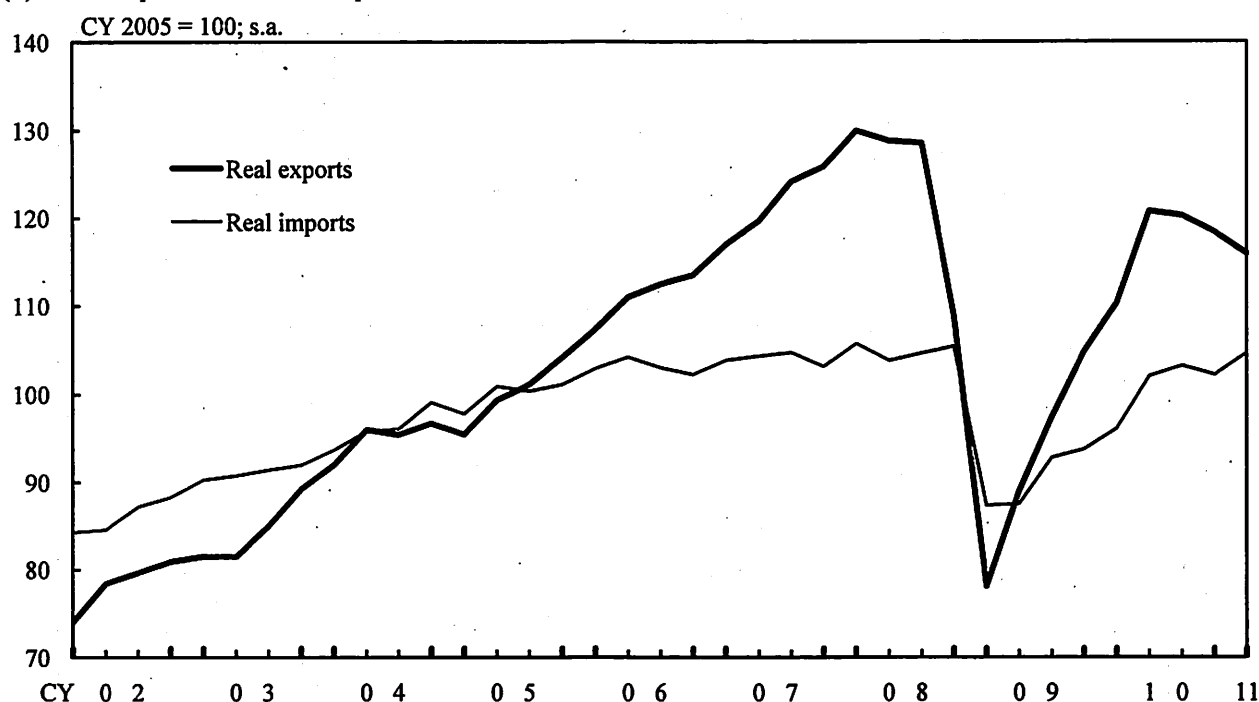
Sources: Cabinet Office, "National Accounts";

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

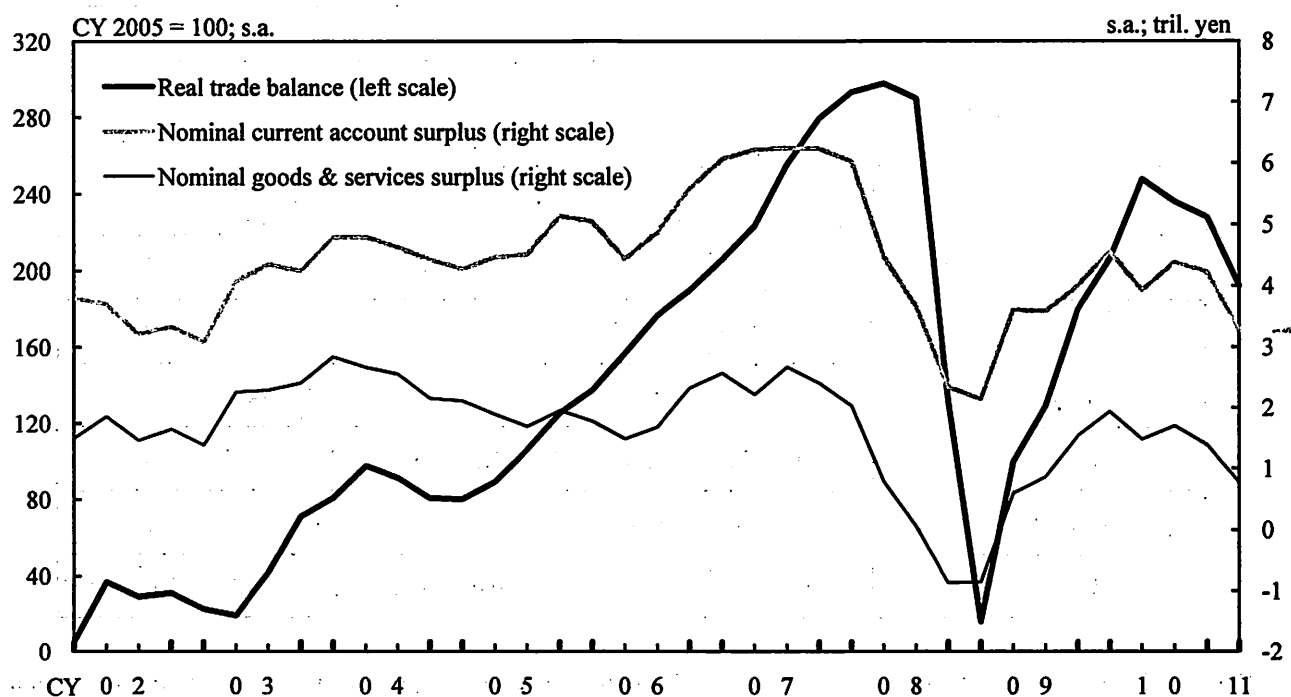
Ministry of Land, Infrastructure, Transport and Tourism, "Integrated Statistics on Construction Works."

## 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. 2011/Q1 figures are January figures converted into quarterly amount.

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



Real Exports <sup>1</sup>

## (1) Breakdown by Region

		y/y % chg.			s.a.; q/q % chg.				s.a.; m/m % chg.		
		CY		2010			2011		2010		2011
		2009	2010	Q1	Q2	Q3	Q4	Q1	Nov.	Dec.	Jan.
United States	<15.4>	-32.6	24.3	-1.2	11.3	3.4	-1.9	-2.5	-2.5	7.0	-6.0
EU	<11.3>	-34.6	16.7	-4.0	8.5	4.2	0.9	-4.4	8.5	-4.7	-3.8
East Asia	<53.4>	-15.8	31.6	7.9	5.0	0.8	1.4	0.7	-2.3	5.7	-2.2
China	<19.4>	-10.2	31.0	9.1	2.5	2.7	6.8	0.1	-3.4	8.5	-4.1
NIEs	<23.7>	-18.0	27.9	6.9	5.3	-0.6	-1.8	0.0	-0.5	3.0	-1.8
Korea	<8.1>	-16.0	23.7	5.9	5.8	1.6	-7.4	9.2	2.8	3.9	5.5
Taiwan	<6.8>	-17.7	37.1	9.7	6.8	-0.8	-4.0	2.7	-2.0	0.6	3.0
Hong Kong	<5.5>	-18.8	28.7	4.9	10.0	-3.9	1.4	-7.5	-9.5	19.1	-14.7
Singapore	<3.3>	-21.6	19.8	13.3	-11.0	6.0	5.8	-1.0	17.4	-16.5	6.2
ASEAN4 <sup>3</sup>	<10.2>	-20.5	42.7	8.1	9.0	0.6	-1.0	3.5	-4.2	6.2	0.9
Thailand	<4.4>	-20.9	46.0	4.9	11.1	1.2	-0.9	4.0	-1.3	2.1	3.0
Others	<19.9>	-32.1	28.9	11.1	9.1	-4.0	-4.3	6.1	-3.9	7.1	2.7
Real exports		-25.6	27.5	5.2	9.6	-0.4	-1.6	-2.1	-1.8	7.0	-5.8

## (2) Breakdown by Goods

		y/y % chg.					s.a.; q/q % chg.		s.a.; m/m % chg.		
		CY		2010			2011		2010		2011
		2009	2010	Q1	Q2	Q3	Q4	Q1	Nov.	Dec.	Jan.
Intermediate goods	<20.6>	-5.6	18.6	0.9	5.4	1.3	-1.9	-0.0	0.4	-0.2	-0.0
Motor vehicles and their related goods	<21.6>	-41.4	42.1	4.9	10.7	0.5	-0.2	-4.6	-4.4	9.7	-8.9
Consumer goods <sup>4</sup>	<3.4>	-28.8	9.9	-0.5	9.2	1.0	-7.1	-6.8	-4.3	7.1	-9.6
IT-related goods <sup>5</sup>	<10.7>	-17.0	27.2	5.9	7.2	-1.5	-1.9	-2.1	-3.7	4.0	-3.4
Capital goods and parts <sup>6</sup>	<29.2>	-28.1	35.7	8.7	14.7	1.2	-2.8	-0.0	-1.5	7.2	-4.1
Real exports		-25.6	27.5	5.2	9.6	-0.4	-1.6	-2.1	-1.8	7.0	-5.8

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2011/Q1 figures are January figures converted into quarterly amount.

2. Shares of each region and goods in 2010 are shown in angle brackets.

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

4. Excludes motor vehicles.

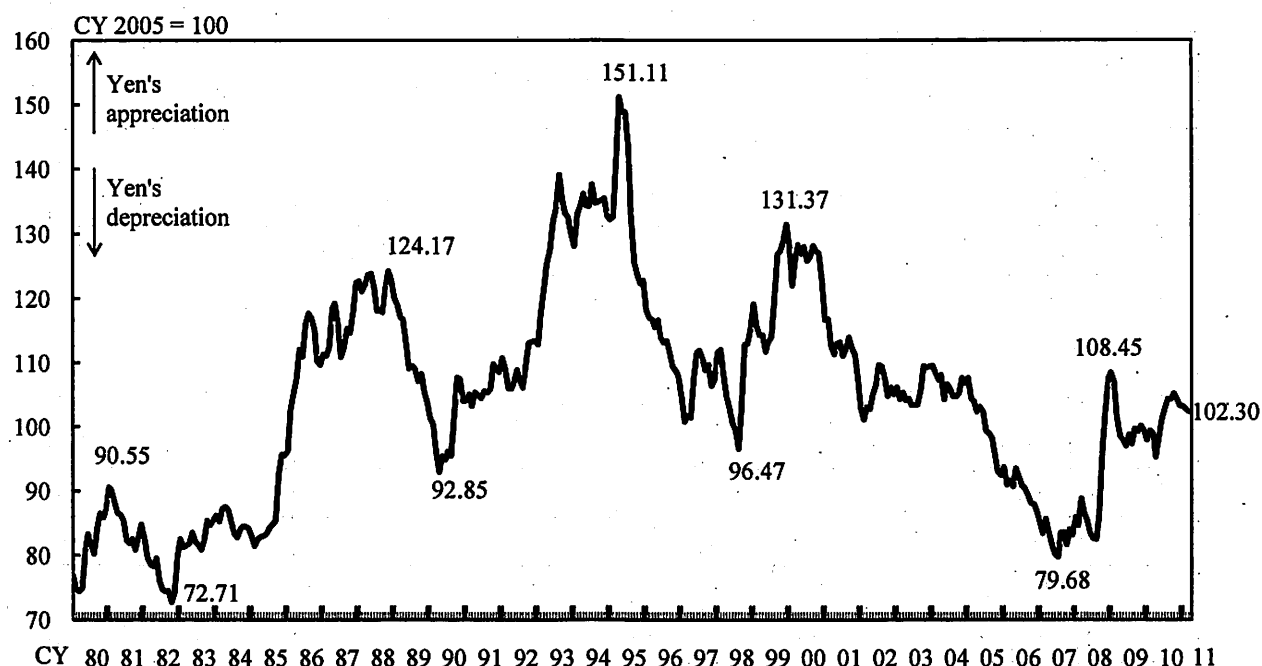
5. IT-related goods are composed of computers and units, telecommunication machinery, ICs, and medical and optical instruments.

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. Figures for February and March (up to March 10) 2011 have 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	2.8	3.7	1.7	2.6	2.8
European Union <sup>1</sup>		0.5	-4.2	1.8	1.7	4.2	1.9	0.7
	Germany	1.0	-4.7	3.6	2.6	9.2	2.8	1.5
	France	0.1	-2.5	1.5	1.1	2.4	1.0	1.4
	United Kingdom	-0.1	-4.9	1.3	1.3	4.2	2.8	-2.3
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	6.1	8.1	7.2	4.4	4.8
	Taiwan	0.7	-1.9	10.8	13.6	12.9	10.7	6.9
	Hong Kong	2.3	-2.7	6.8	8.1	6.4	6.7	6.2
	Singapore	1.5	-0.8	14.5	16.4	19.4	10.5	12.0
	ASEAN4							
	Thailand	2.5	-2.3	7.8	12.0	9.2	6.6	3.8
	Indonesia	6.0	4.6	6.1	5.6	6.1	5.8	6.9
	Malaysia	4.7	-1.7	7.2	10.1	8.9	5.3	4.8
	Philippines	3.7	1.1	7.3	7.8	8.2	6.3	7.1

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		2010		2011			2010		2011
		2009	2010	Q1	Q2	Q3	Q4	Q1	Nov.	Dec.	Jan.
United States	<9.7>	-18.7	8.3	-0.4	4.5	0.7	-1.3	-1.8	12.5	-7.9	-0.2
EU	<9.6>	-13.2	6.6	-0.8	4.1	4.6	-5.0	5.8	-7.6	3.4	6.3
East Asia	<42.5>	-13.1	22.0	4.2	11.2	1.2	1.9	4.5	2.4	-0.7	4.2
China	<22.1>	-11.1	24.0	3.0	13.8	0.9	4.0	3.8	3.8	-2.9	4.6
NIEs	<8.9>	-15.9	21.7	7.0	6.9	0.7	-1.8	10.2	0.6	1.0	9.2
Korea	<4.1>	-19.0	20.9	4.0	10.7	0.9	6.2	14.8	1.6	1.1	13.3
Taiwan	<3.3>	-12.4	21.3	6.3	4.6	1.2	-7.4	5.4	-0.9	-1.5	6.8
Hong Kong	<0.2>	-29.7	33.0	55.5	-7.4	-5.0	2.3	4.1	29.5	0.6	-4.2
Singapore	<1.2>	-12.4	23.2	12.6	7.7	-3.8	-7.8	6.7	-2.4	8.6	1.8
ASEAN4 <sup>3</sup>	<11.5>	-14.9	18.1	4.3	9.3	2.6	0.4	1.5	0.5	3.3	-0.9
Thailand	<3.0>	-17.5	25.9	3.6	11.0	6.1	-4.7	4.0	6.1	-0.7	2.4
Others	<38.2>	-13.9	6.5	2.6	3.3	0.8	-1.8	3.0	-1.6	-2.7	5.4
Real imports		-14.0	11.9	2.5	6.2	1.1	-1.0	2.4	1.1	-2.1	3.5

## (2) Breakdown by Goods

		y/y % chg.				s.a.; q/q % chg.			s.a.; m/m % chg.		
		CY		2010		2011			2010		2011
		2009	2010	Q1	Q2	Q3	Q4	Q1	Nov.	Dec.	Jan.
Raw materials <sup>4</sup>	<36.4>	-14.9	5.2	3.2	2.9	1.0	-1.7	1.8	-3.9	-0.6	3.6
Intermediate goods	<14.9>	-15.3	18.8	5.8	7.4	1.7	-3.9	4.5	1.6	1.7	2.7
Foodstuffs	<8.6>	1.0	2.3	2.2	8.6	3.4	-13.9	6.3	3.4	-0.7	5.6
Consumer goods <sup>5</sup>	<8.5>	-10.3	22.8	1.0	11.3	-1.4	12.2	1.7	5.6	3.6	-2.3
IT-related goods <sup>6</sup>	<11.2>	-12.4	26.5	6.2	10.0	1.7	3.0	6.9	-1.6	-0.2	7.6
Capital goods and parts <sup>7</sup>	<11.3>	-23.8	18.9	-0.4	6.8	3.4	2.3	2.3	10.5	-5.5	2.9
Excluding aircraft	<10.7>	-24.4	21.7	4.9	6.7	3.3	1.1	5.5	3.0	-0.7	5.0
Real imports		-14.0	11.9	2.5	6.2	1.1	-1.0	2.4	1.1	-2.1	3.5

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2011/Q1 figures are January figures converted into quarterly amount.

2. Shares of each region and goods in 2010 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.

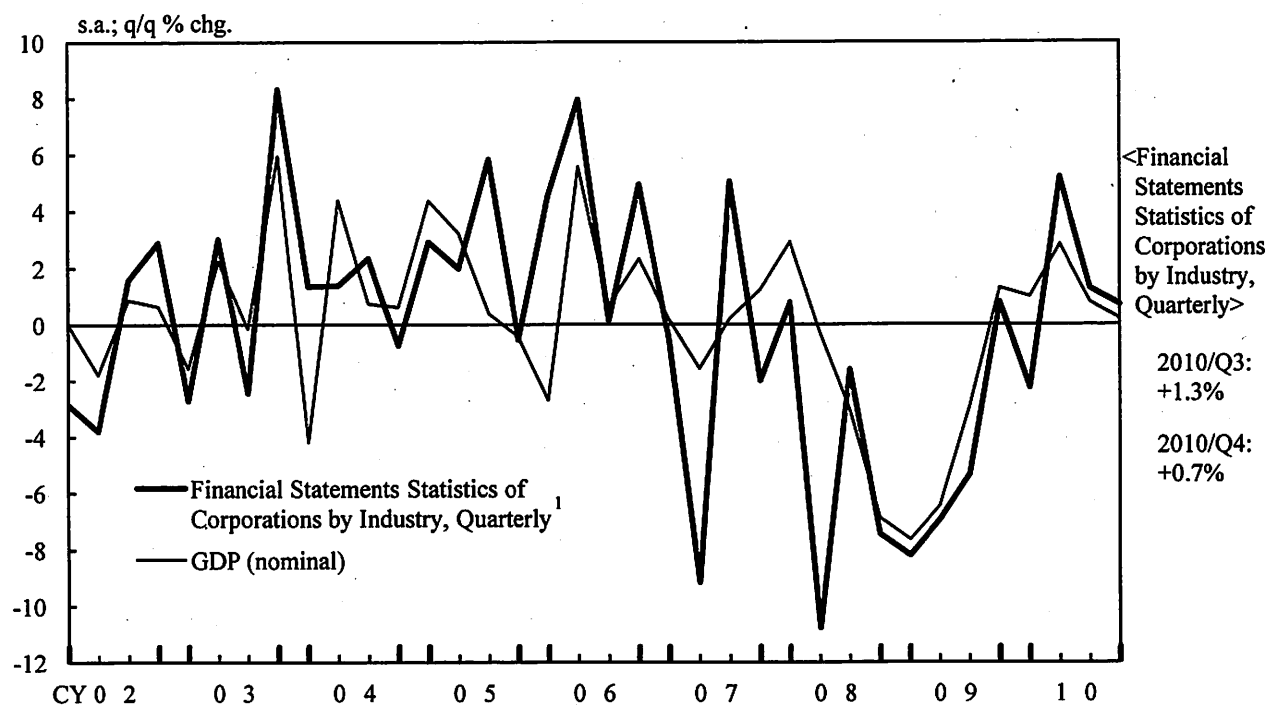
6. IT-related goods are composed of computers and units, parts of computers, telecommunication machinery, ICs, and medical and optical instruments.

7. Excludes IT-related goods.

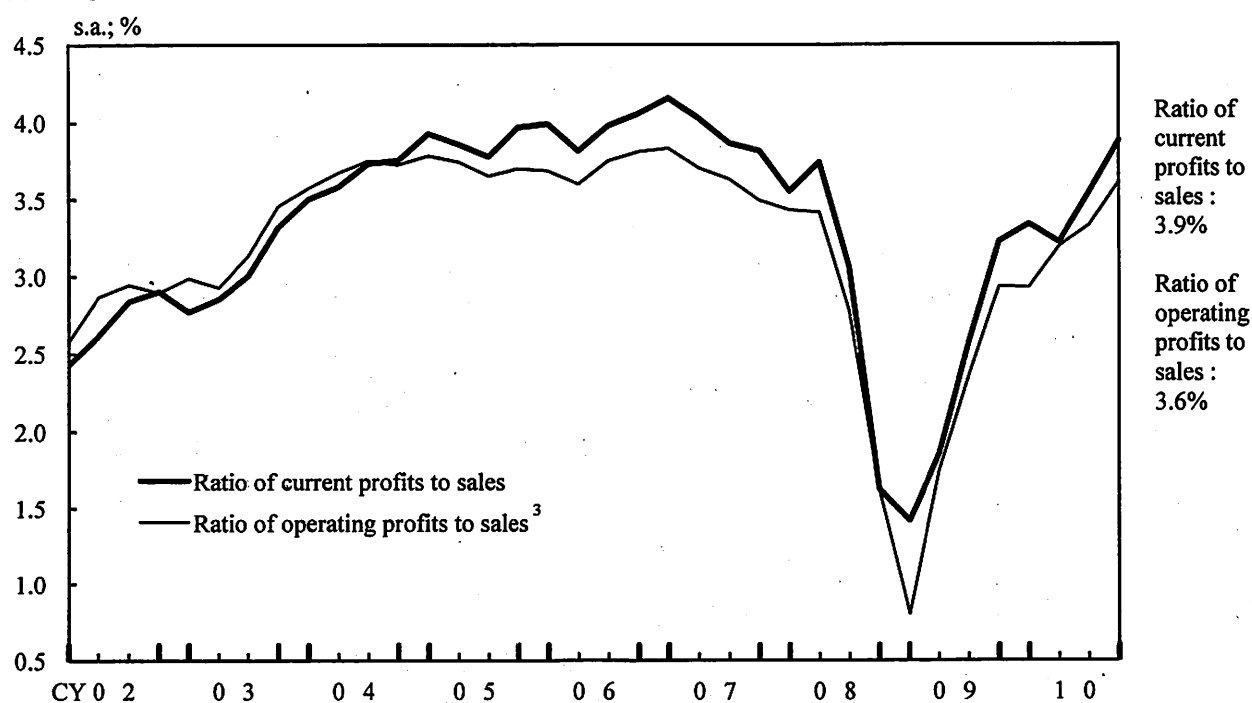
Sources: Ministry of Finance, "Trade Statistics"; Bank of Japan, "Corporate Goods Price Index."

# Business Fixed Investment and Corporate Profits

## (1) Business Fixed Investment



## (2) Corporate Profits (Ratio of Profits to Sales)<sup>1,2</sup>



Notes: 1. All enterprises excluding "Finance and Insurance."

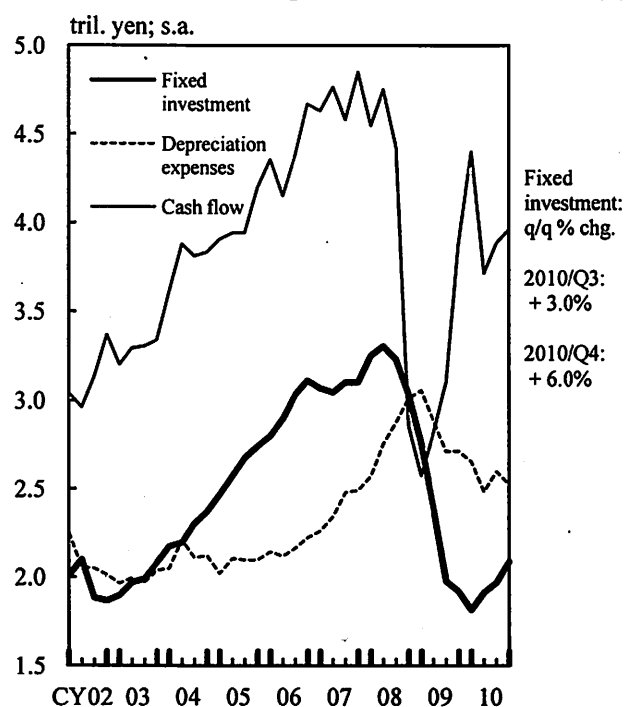
2. Based on the "Financial Statements Statistics of Corporations by Industry, Quarterly."

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

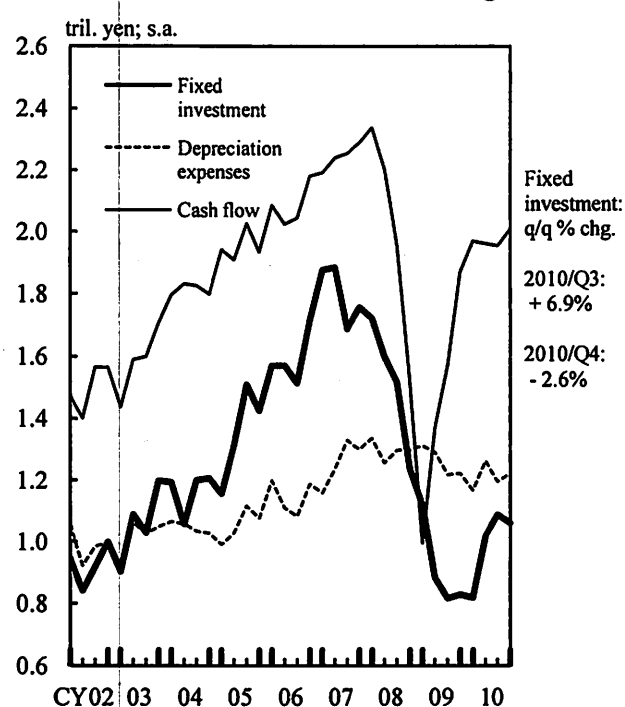
Sources: Cabinet Office, "National Accounts"; Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

## Business Fixed Investment by Industry and Size

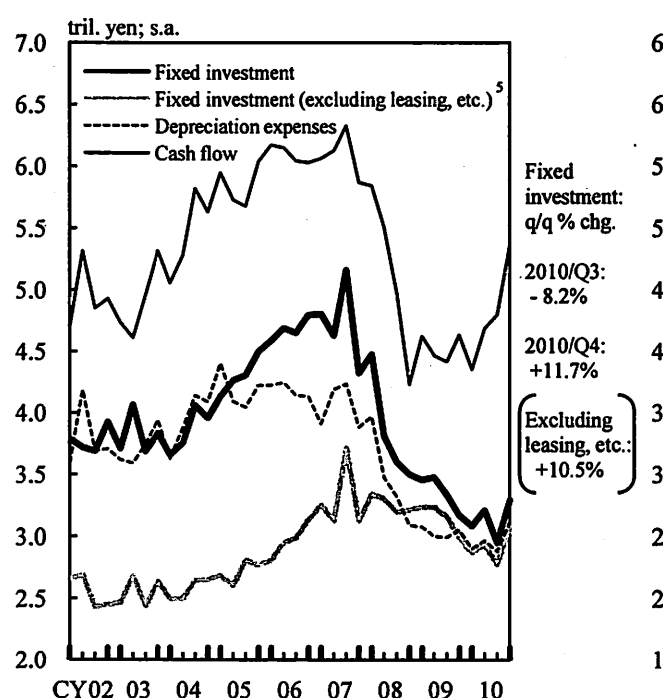
(1) Large Manufacturing Firms



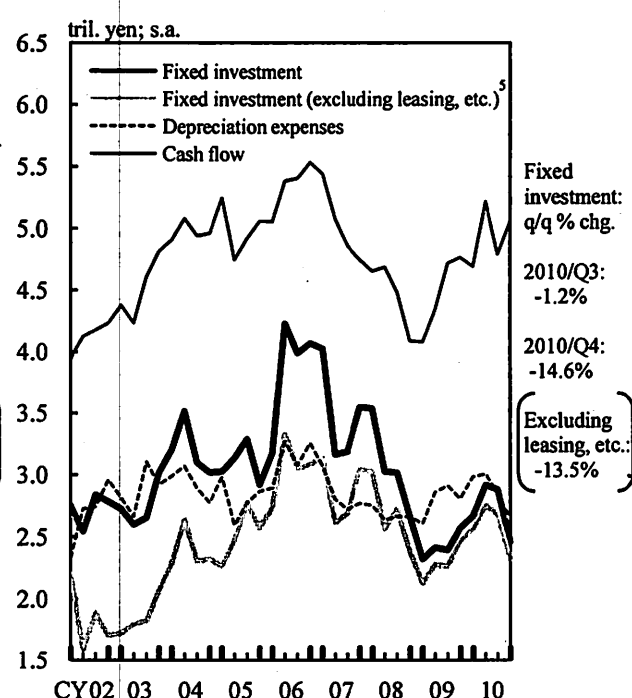
(2) Medium-Sized and Small Manufacturing Firms



(3) Large Nonmanufacturing Firms



(4) Medium-Sized and Small Nonmanufacturing Firms



Notes: 1. "Large firms" refers to firms with capital stock of 1 billion yen or more, and "medium-sized and small firms" refers to firms with capital stock of 10 million or more but less than 1 billion yen.

2. Cash flow = current profits / 2 + depreciation expenses.

3. Seasonally adjusted by X-11.

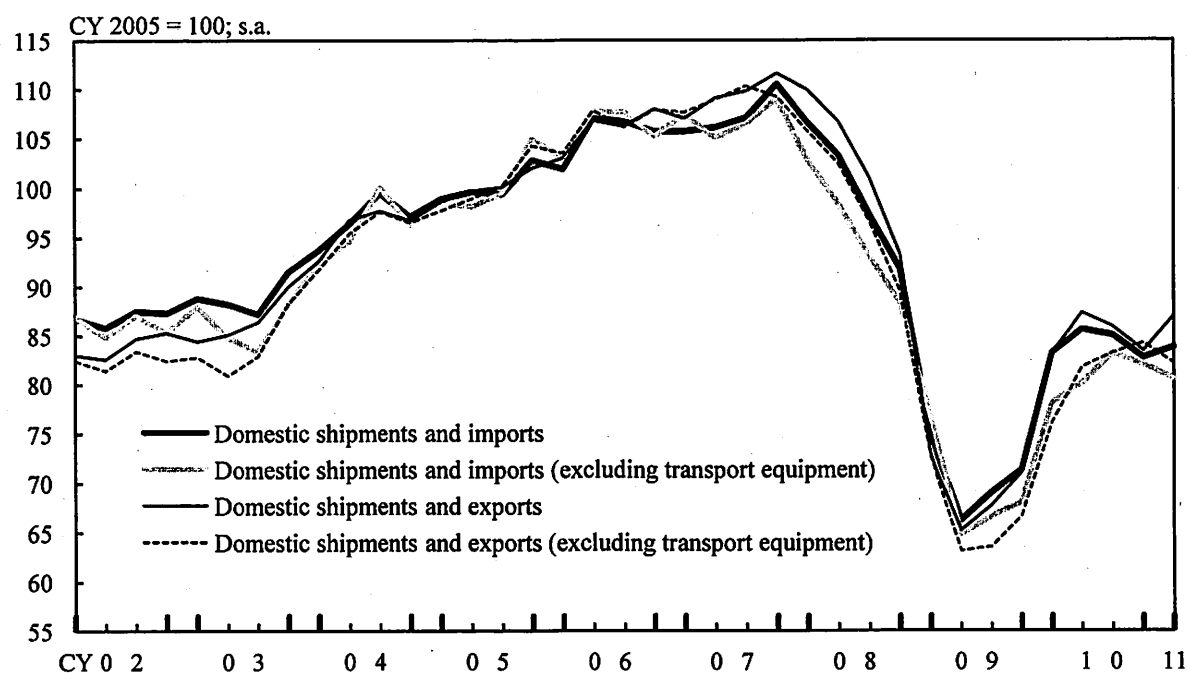
4. Excluding "Finance and Insurance."

5. Up to 2004/Q1, excluding "Business Services." From 2004/Q2, excluding "Goods rental and Leasing."

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

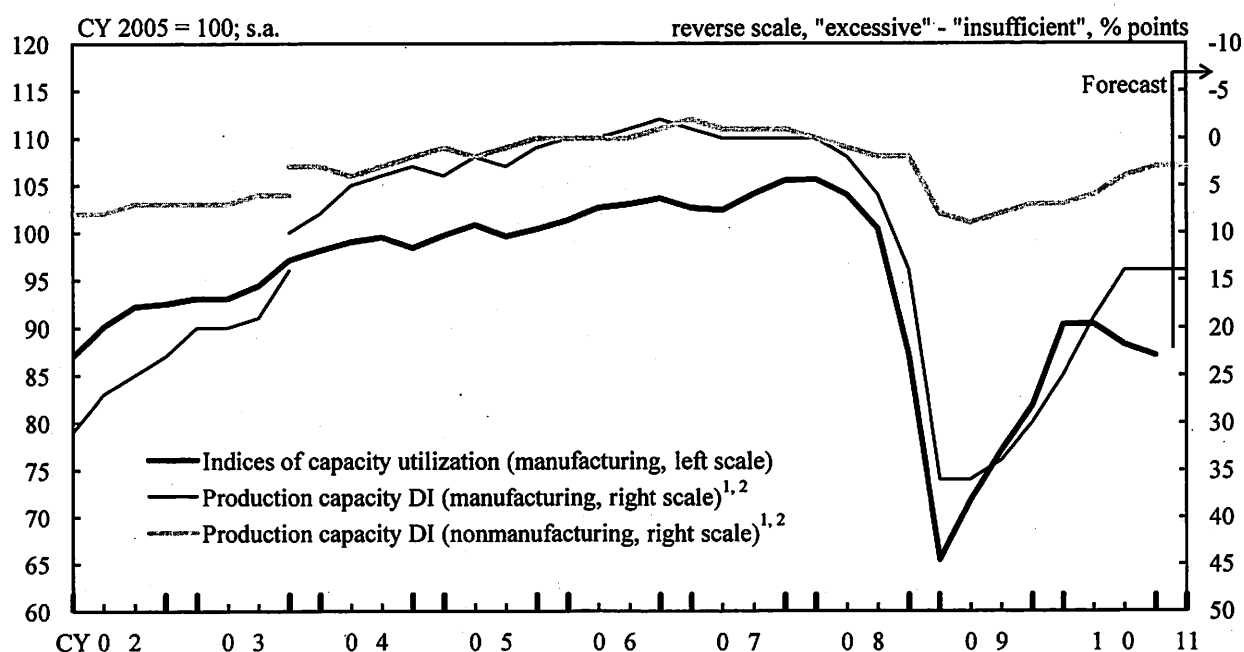
## Coincident Indicators of Business Fixed Investment

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



Note: Figures for 2011/Q1 are those of January.

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



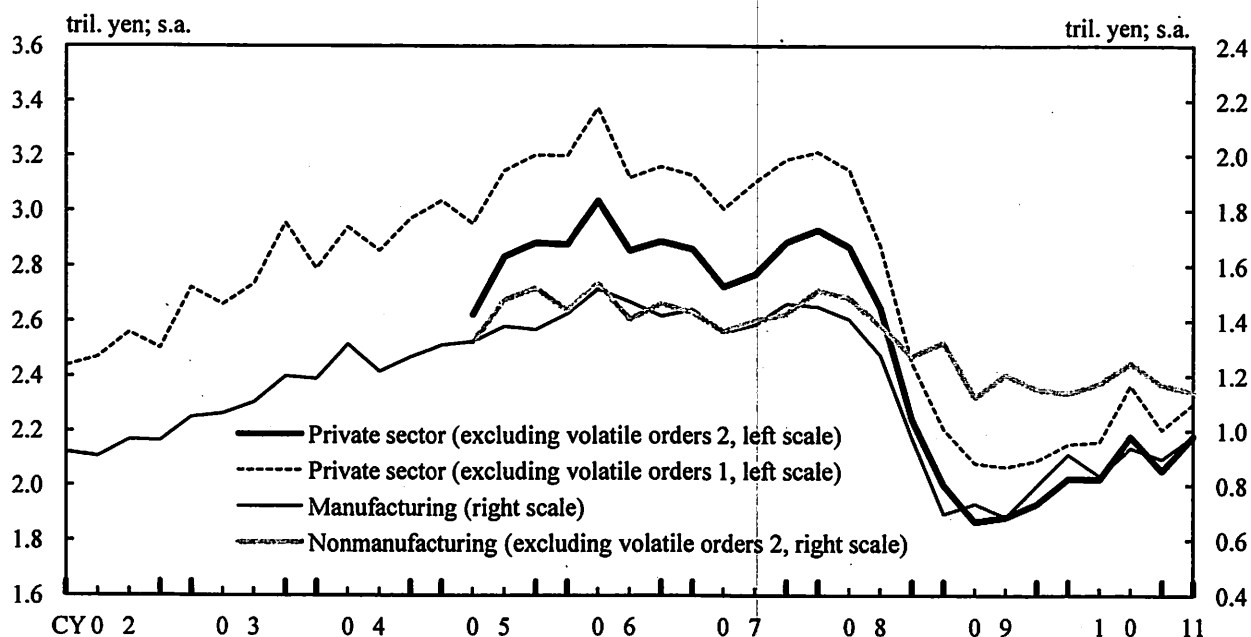
Notes: 1. Production capacity DIs are those of all enterprises.

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.

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

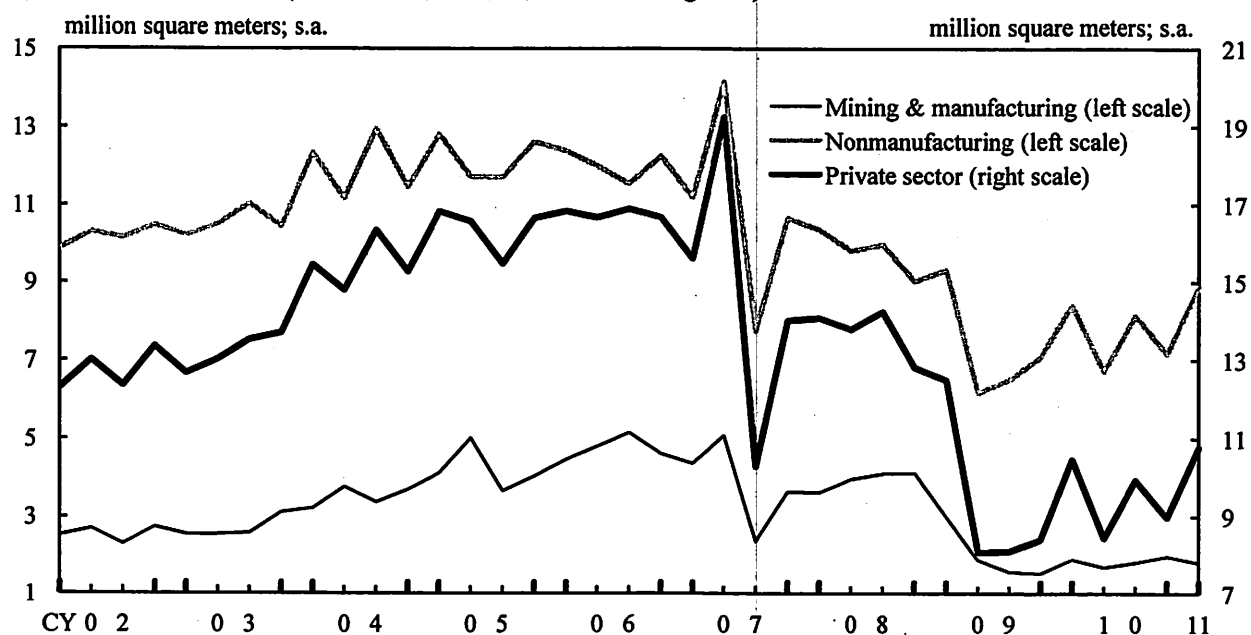


Notes: 1. Volatile orders 1: Orders for ships and those from electric power companies.

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

2. Figures for 2011/Q1 are those of January 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 2011/Q1 are those of January in quarterly amount.

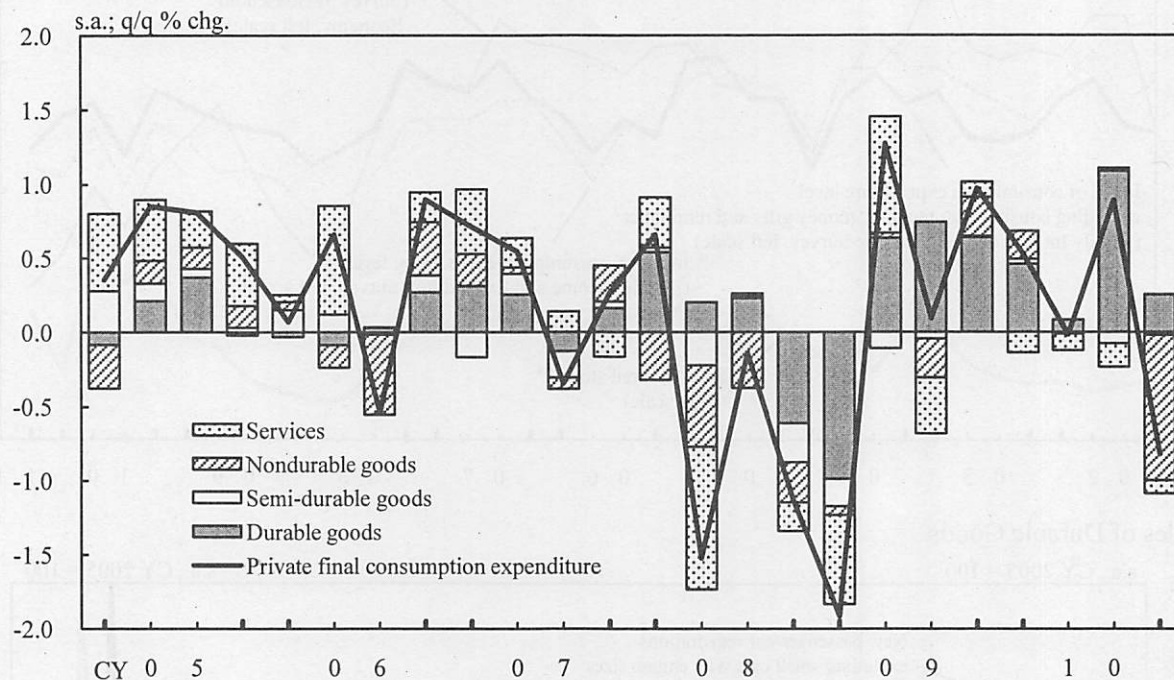
Sources: Cabinet Office, "Orders Received for Machinery";

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

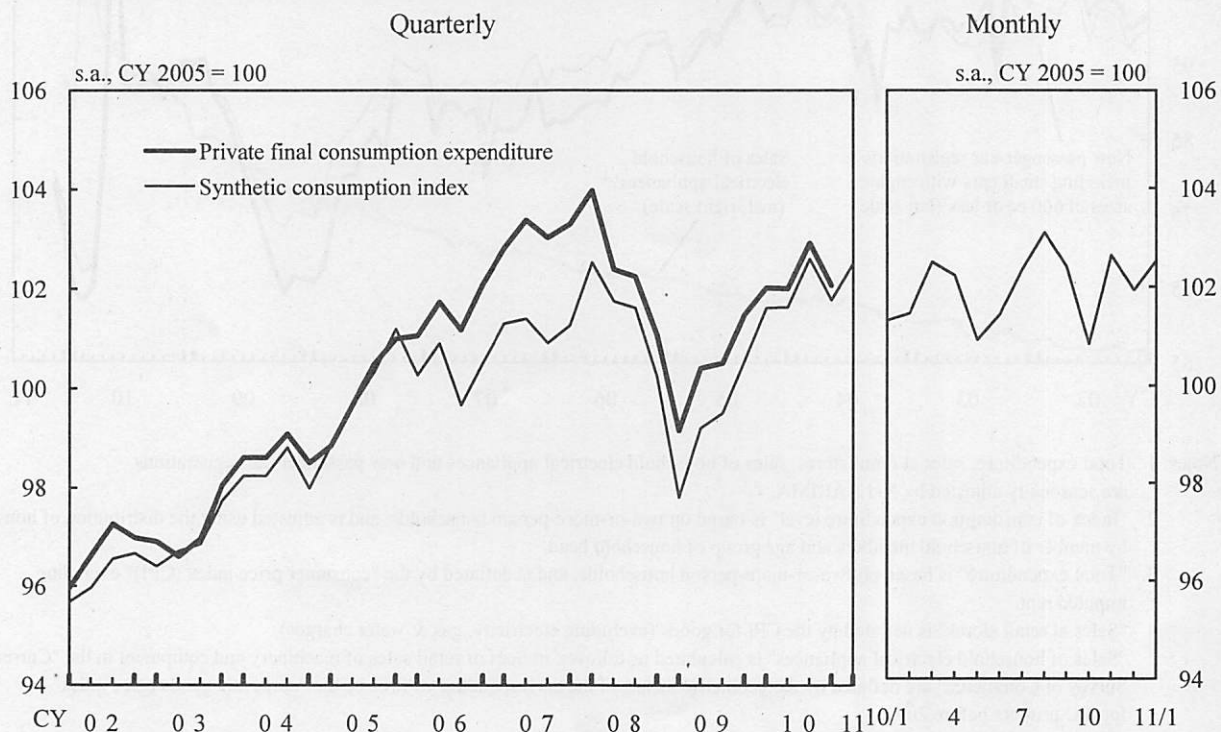


## Indicators of Private Consumption (1)

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



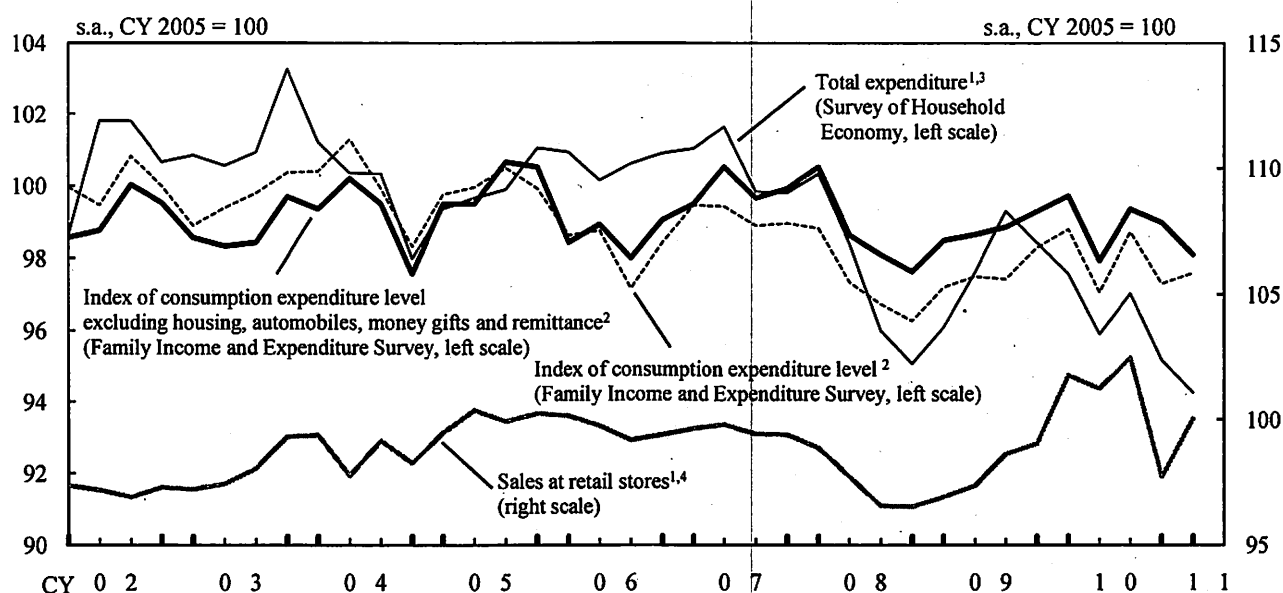
## (2) Private Final Consumption Expenditure and Synthetic Consumption Index (Real)



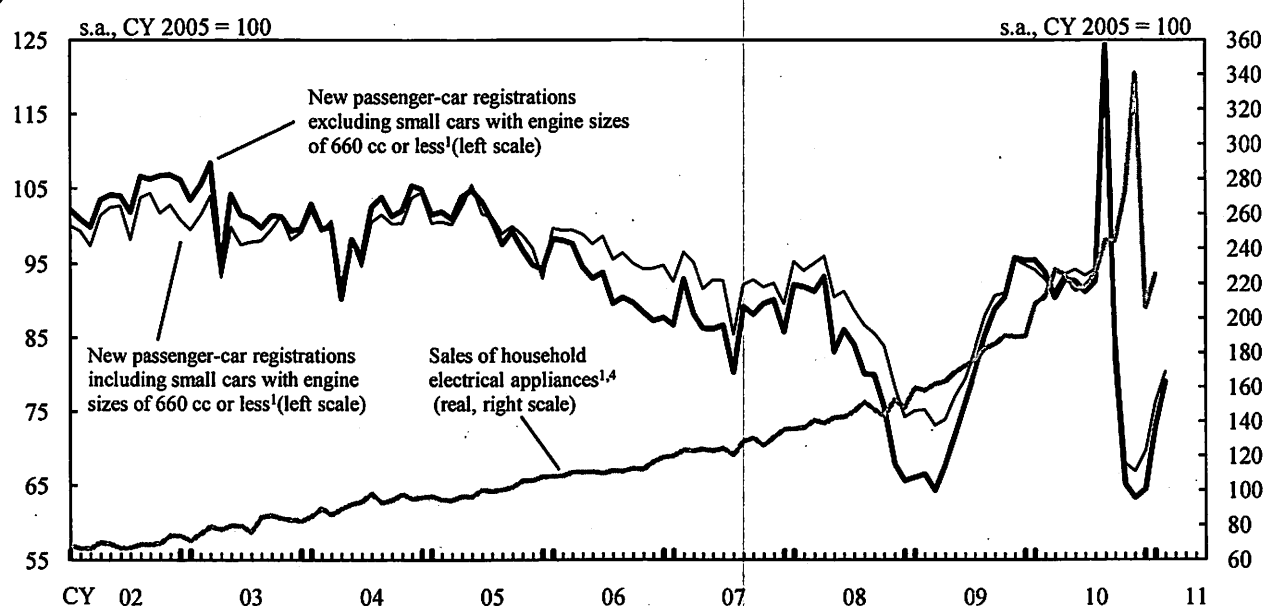
Note: The figure of the synthetic consumption index for 2011/Q1 is that of January in quarterly amount.

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 2011/Q1 are those of January in quarterly amount.

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

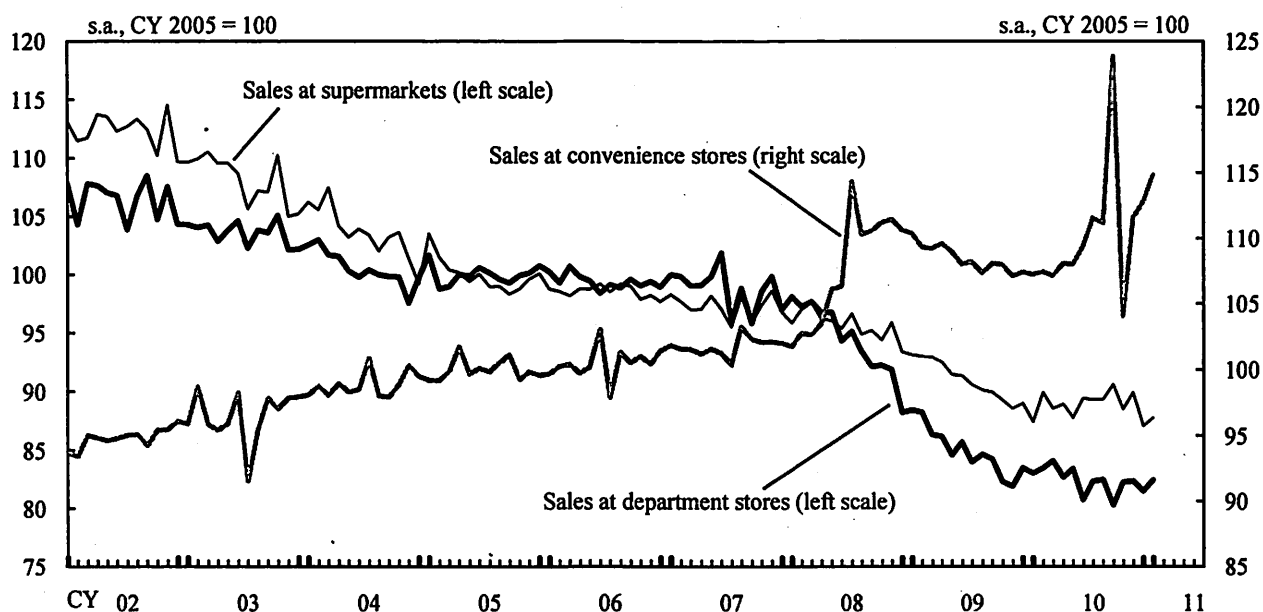
"Monthly Report on the Family Income and Expenditure Survey," "Survey of Household Economy";

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

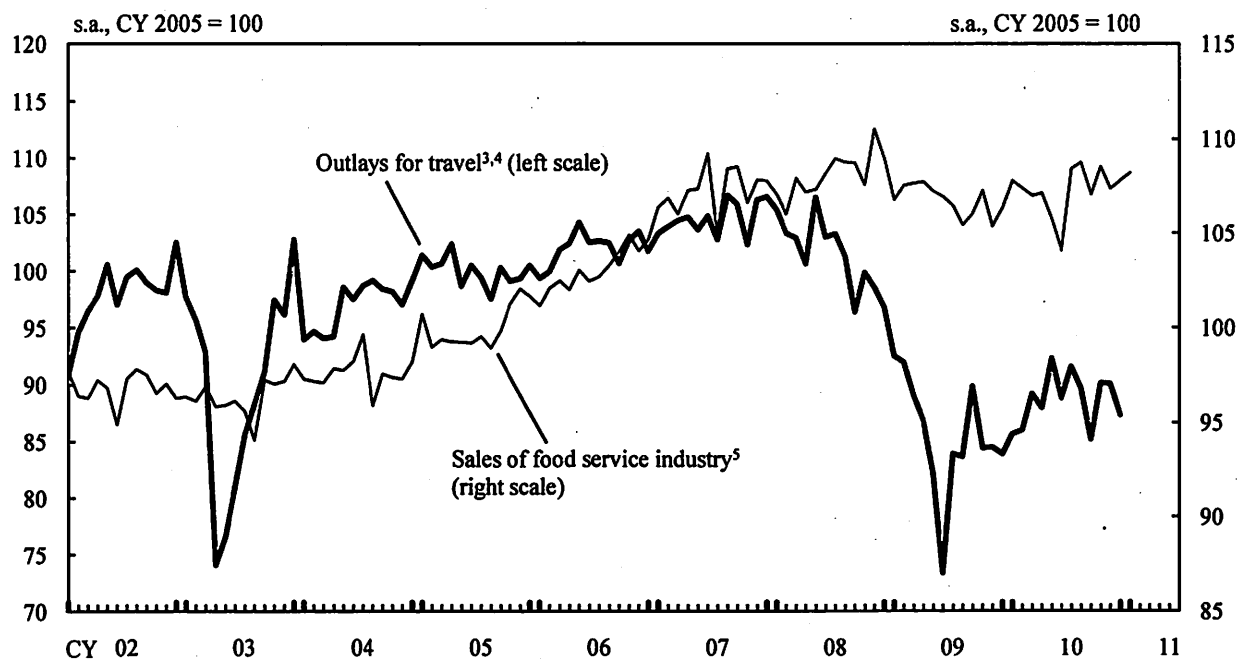
Bank of Japan, "Corporate Goods Price Index";

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";

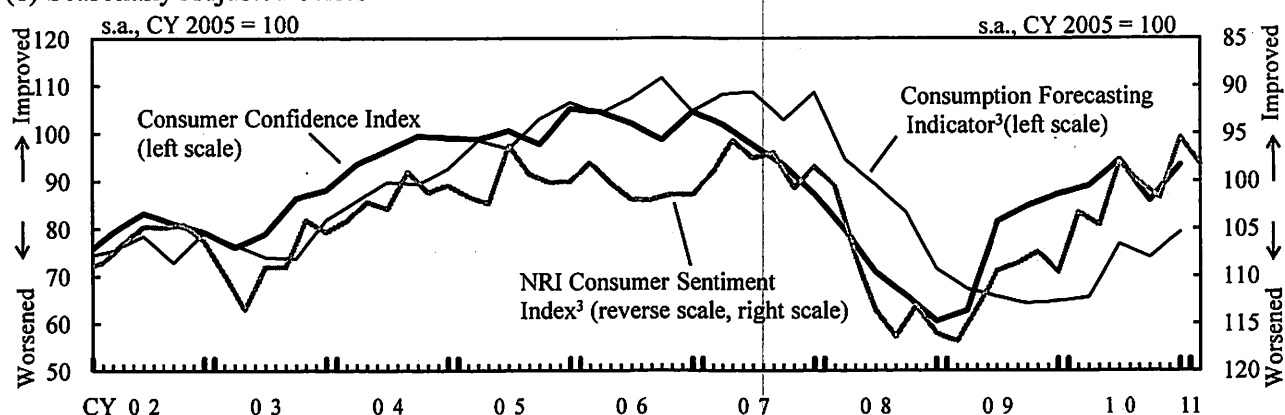
Japan Tourism Agency, "Major Travel Agents' Revenue";

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

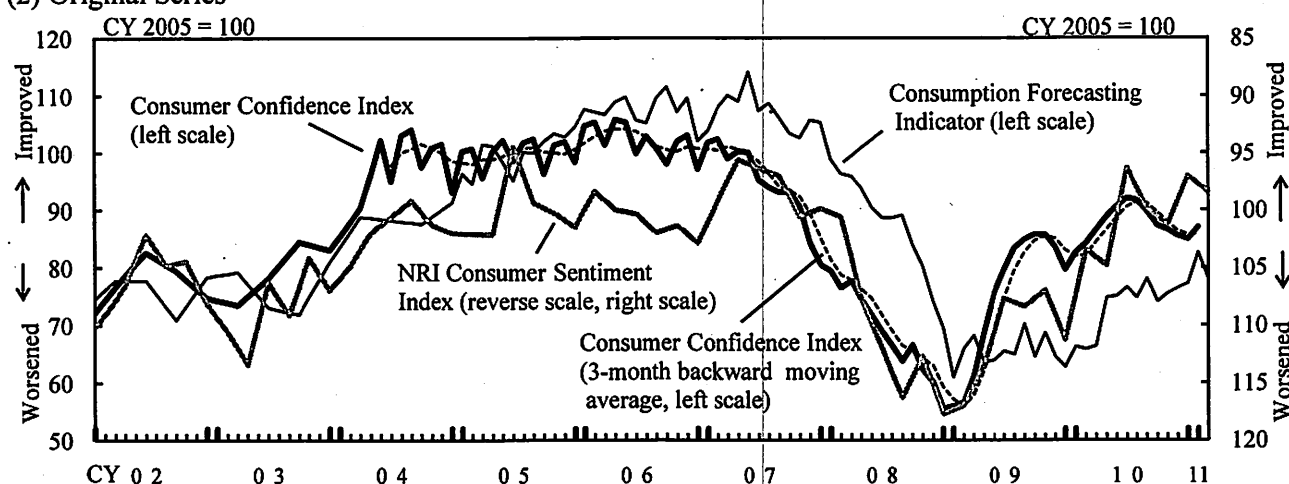
(Research on the food service industry)."

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

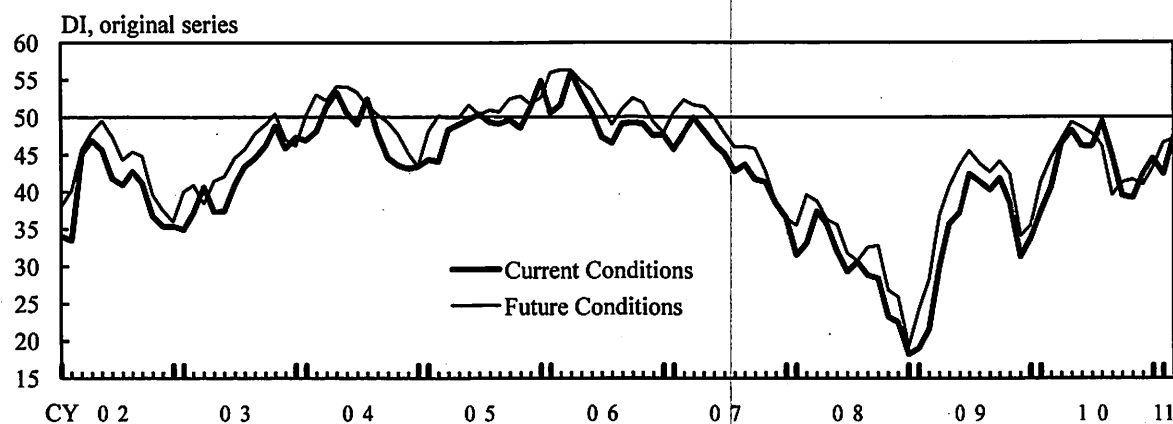
## (1) Seasonally Adjusted Series



## (2) Original Series



## Reference: Economy Watchers Survey (Household Activity)

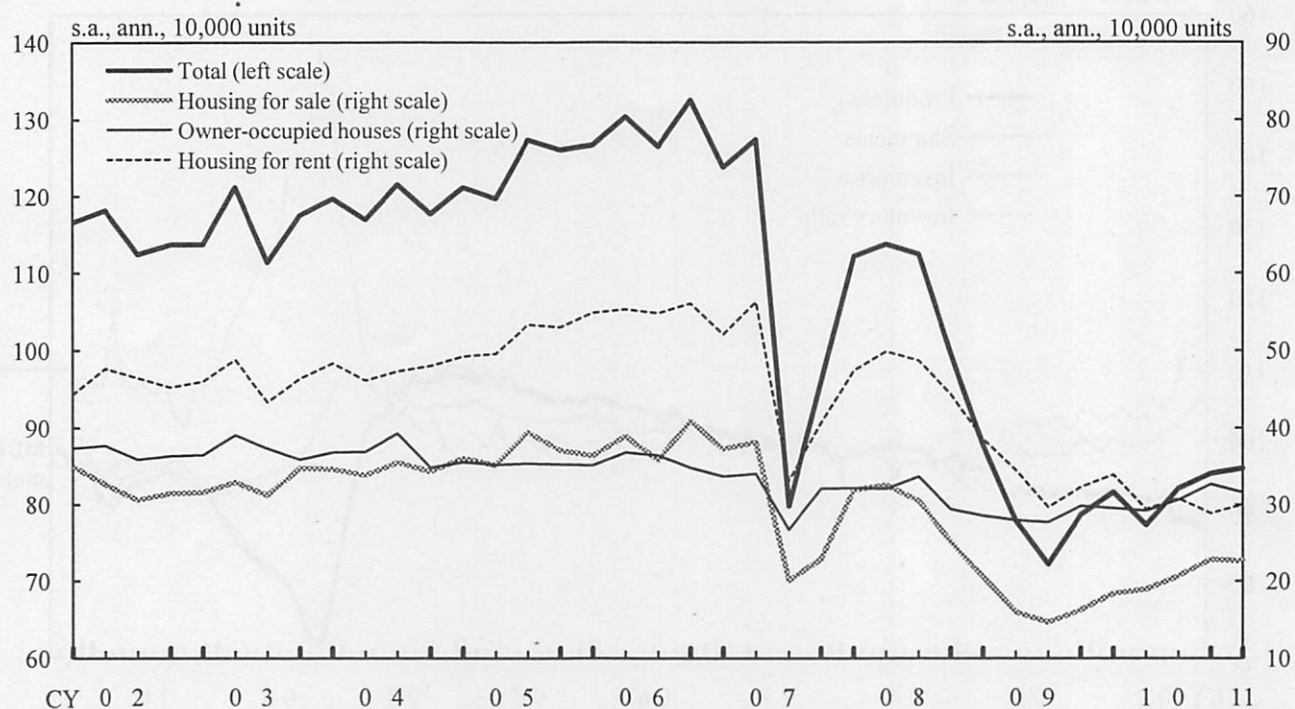


- Notes: 1. The Consumer Confidence Index (covering about 4,700 samples on a nationwide basis), Consumption Forecasting Indicator (600 samples in the metropolitan area), and NRI Consumer Sentiment Index (1,200 samples on a nationwide basis) are based on surveys on consumer confidence.
2. Figures are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

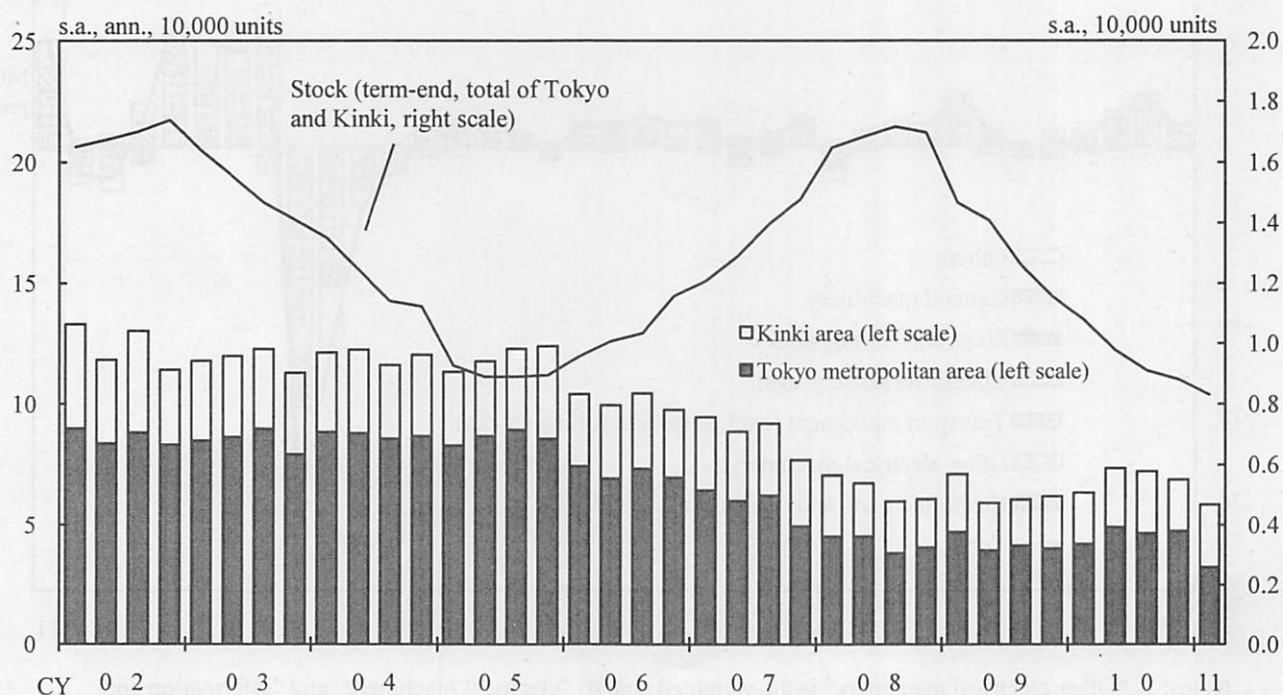
## Indicators of Housing Investment

## (1) Housing Starts



Note: Figures for 2011/Q1 are those of January.

## (2) Sales of Apartments



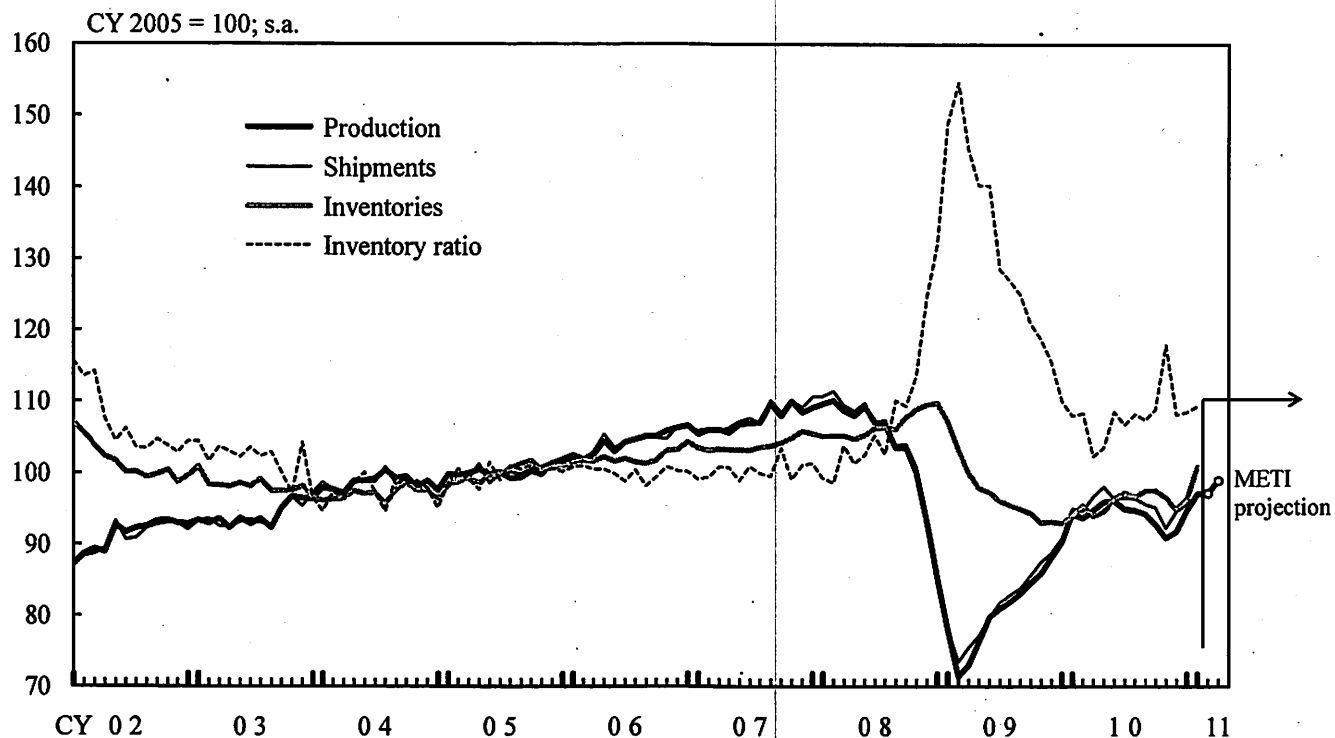
Notes: 1. Seasonally adjusted by X-12-ARIMA.

2. Figures for 2011/Q1 are those of January.

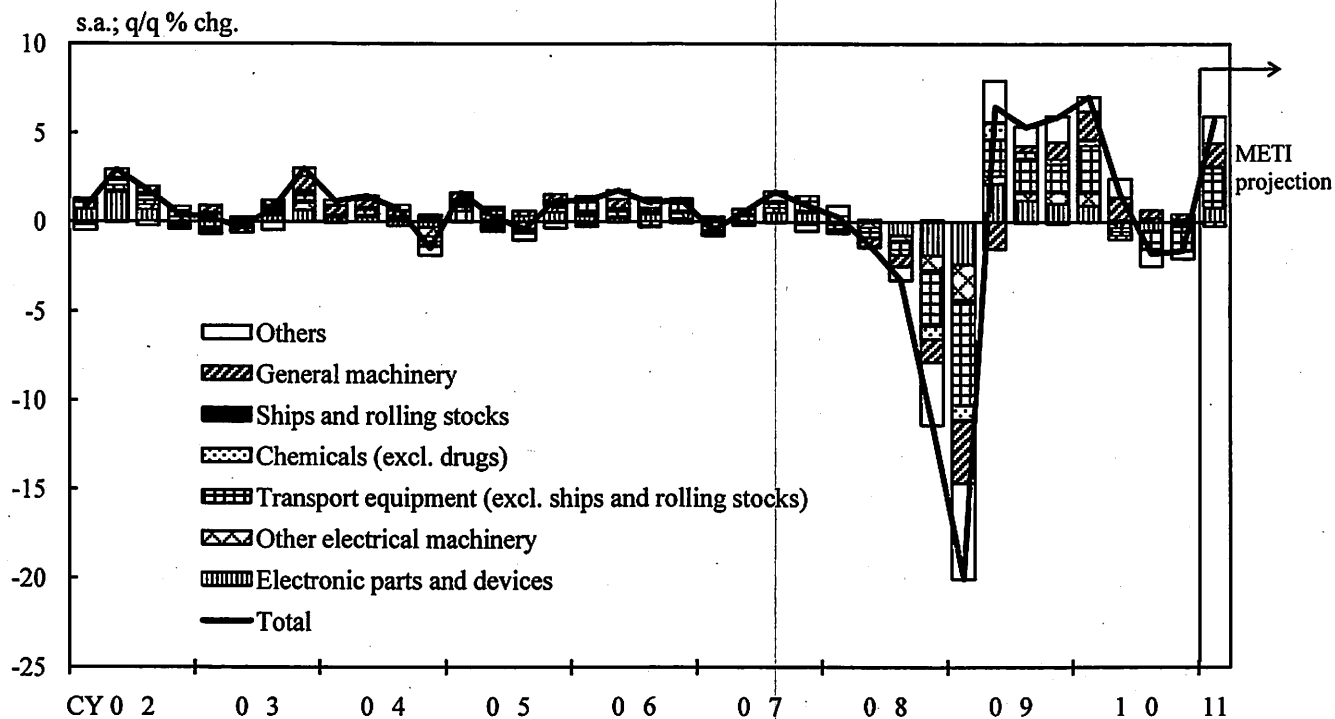
Sources: Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts," etc.

# Production, Shipments, and Inventories

## (1) Production, Shipments, and Inventories



## (2) Production by Industry

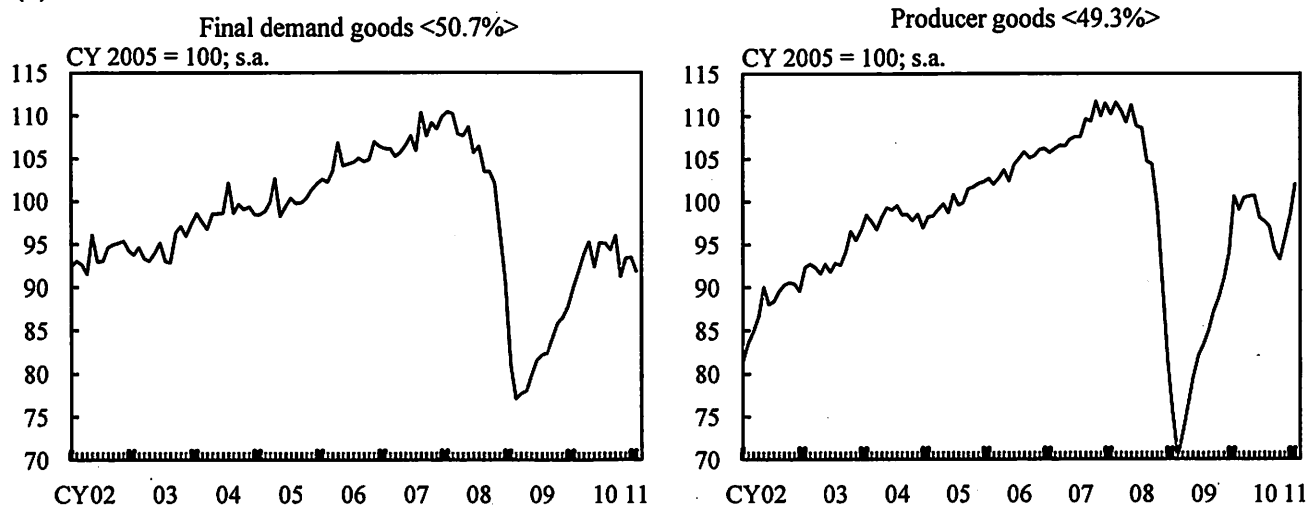


- Notes: 1. "Other electrical machinery" is the weighted sum of "electrical machinery" and "information and communication electronics equipment."  
 2. Figures up to 2003/Q1 are on the 2000 base.  
 3. 2011/Q1 figures are based on the actual production levels in January, and the METI projection of February and March.

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

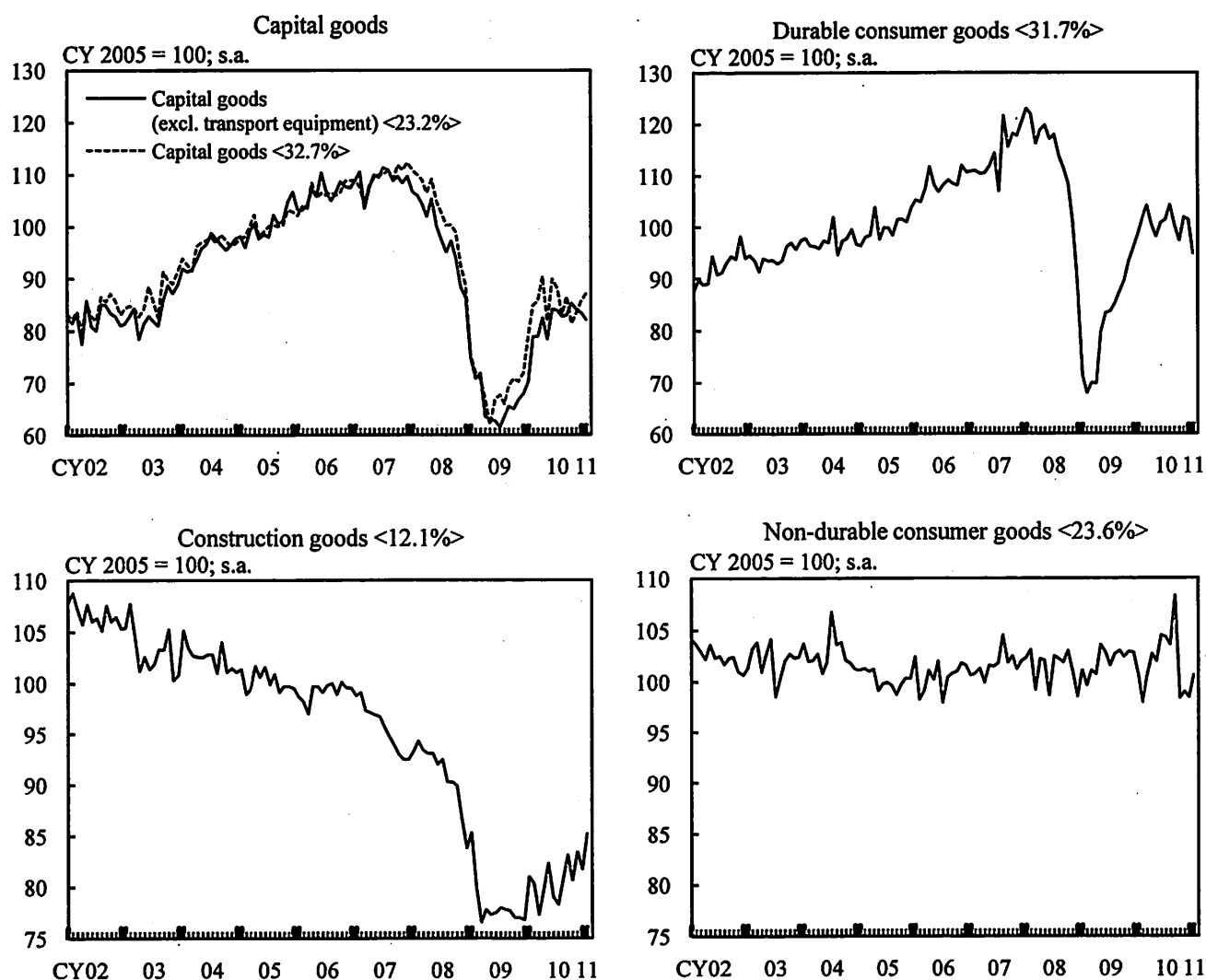
## Shipments by Type of Goods

## (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

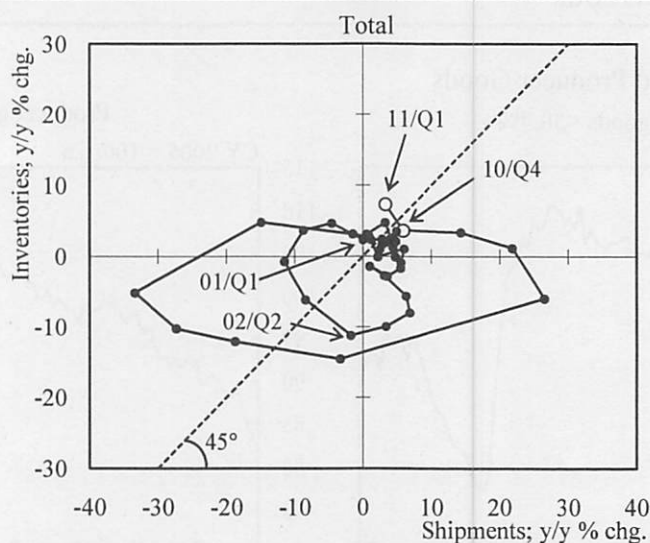


Note: Figures in angle brackets show the shares among shipments of final demand goods.

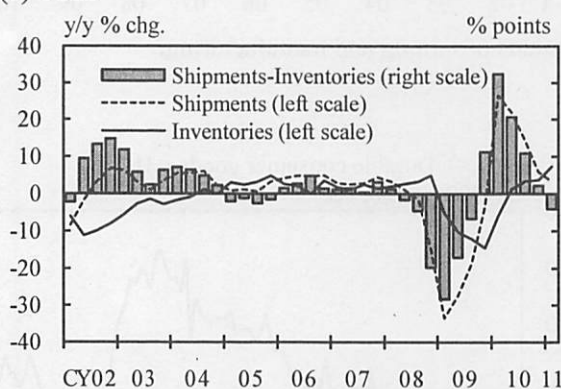
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."



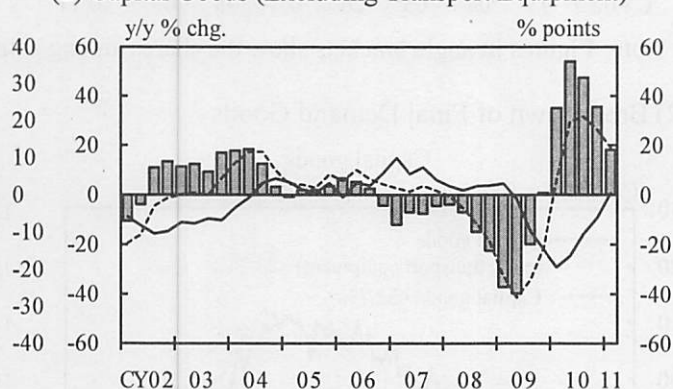
## Inventory Cycle



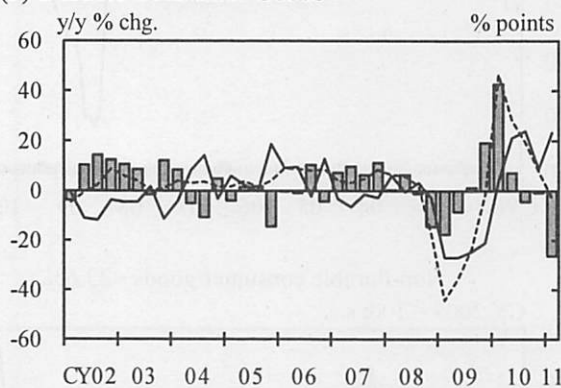
(1) Total



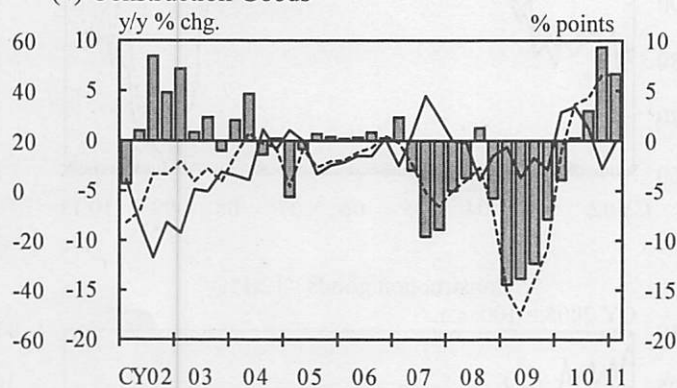
(2) Capital Goods (Excluding Transport Equipment)



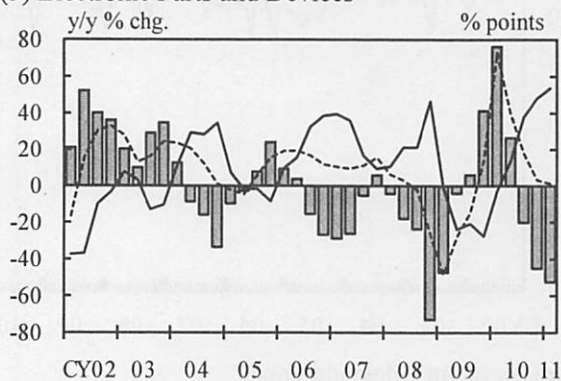
(3) Durable Consumer Goods



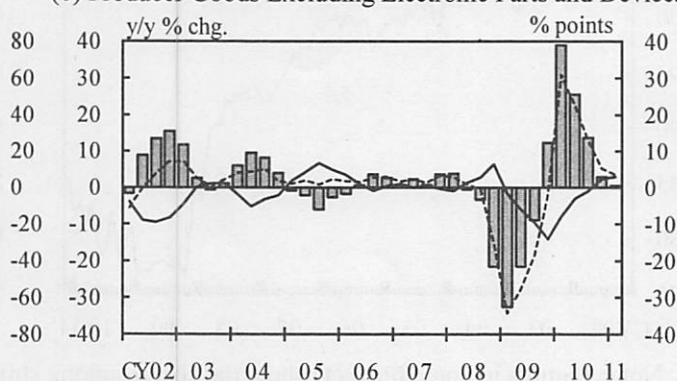
(4) Construction Goods



(5) Electronic Parts and Devices



(6) Producer Goods Excluding Electronic Parts and Devices

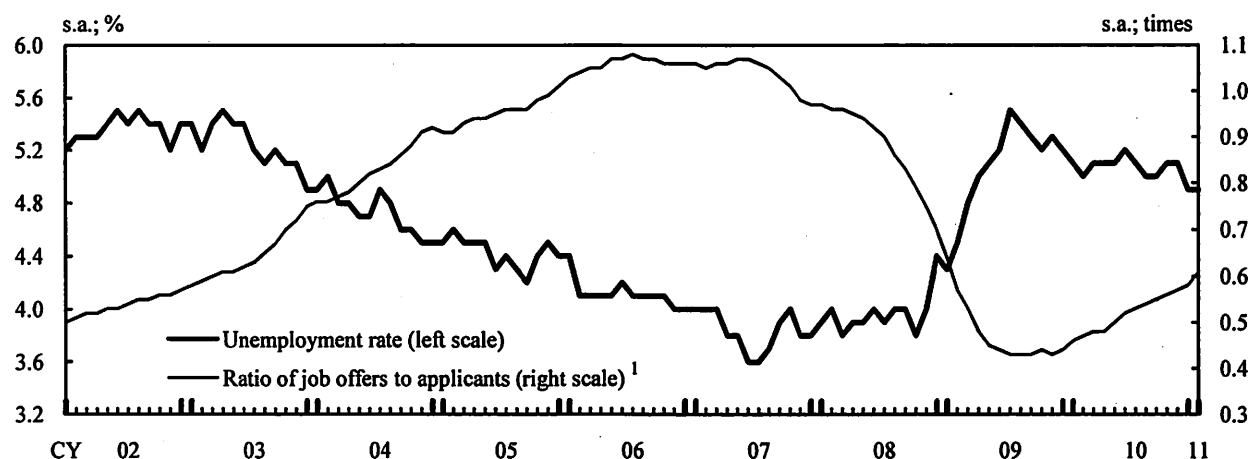
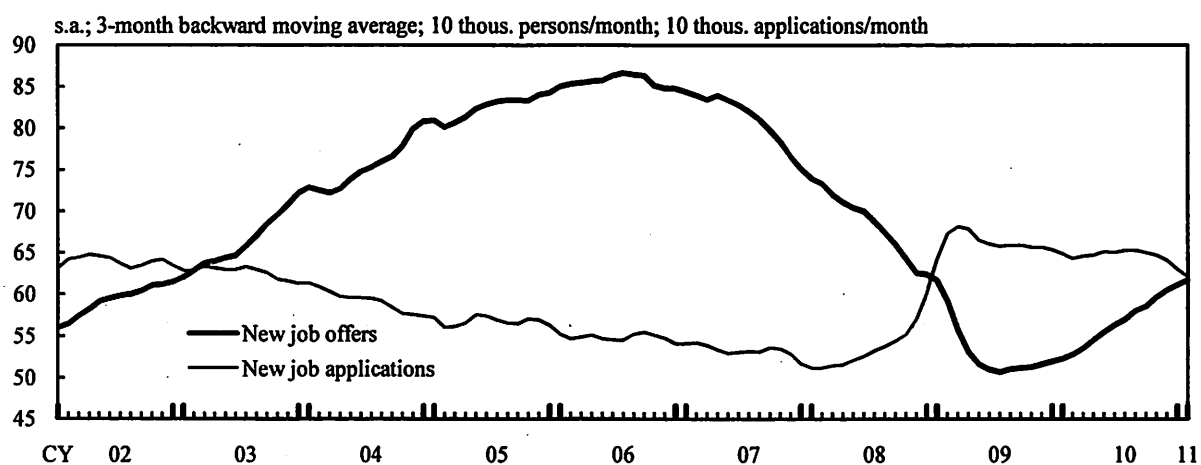
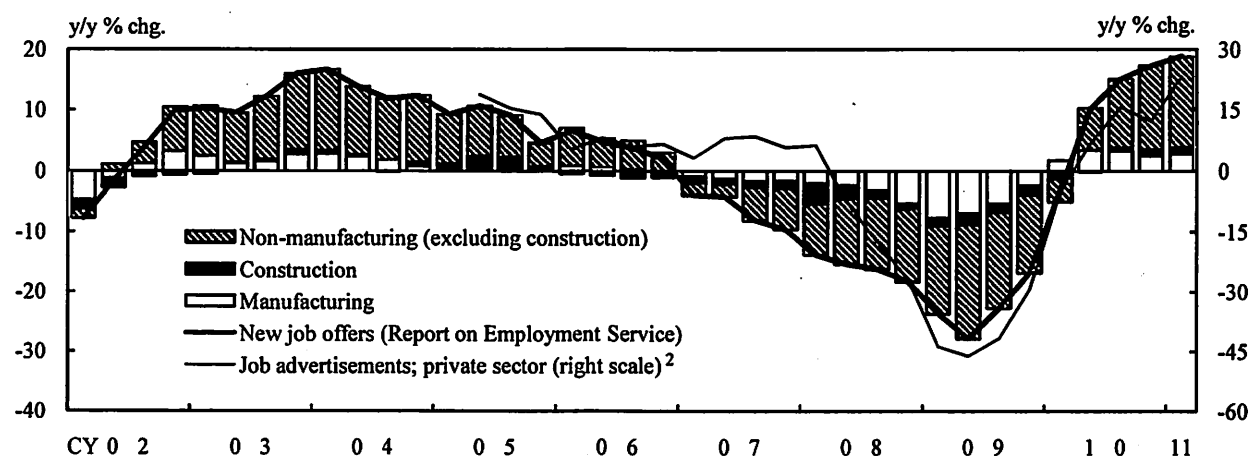


Note: Figures for 2011/Q1 are those of January.

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</sup>

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

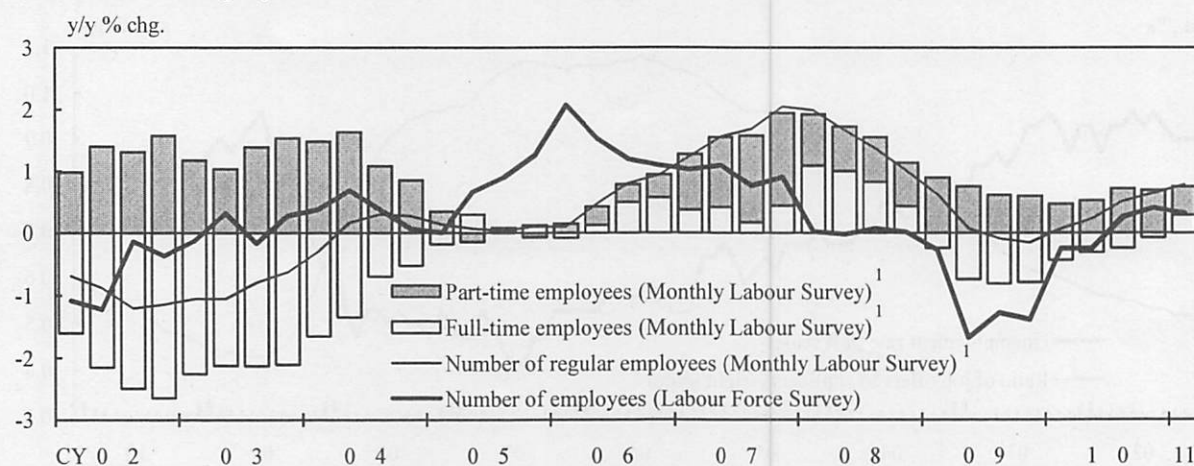
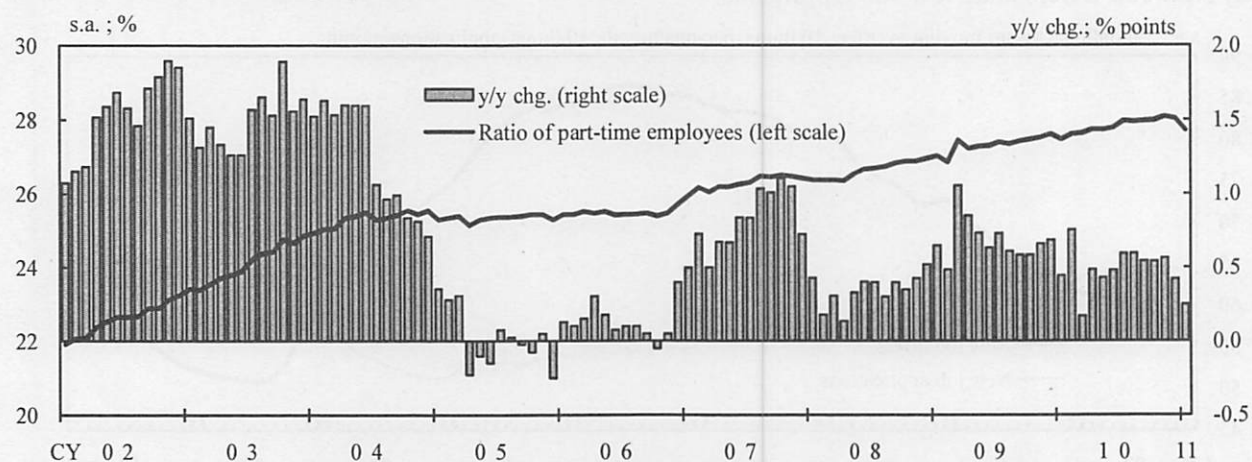
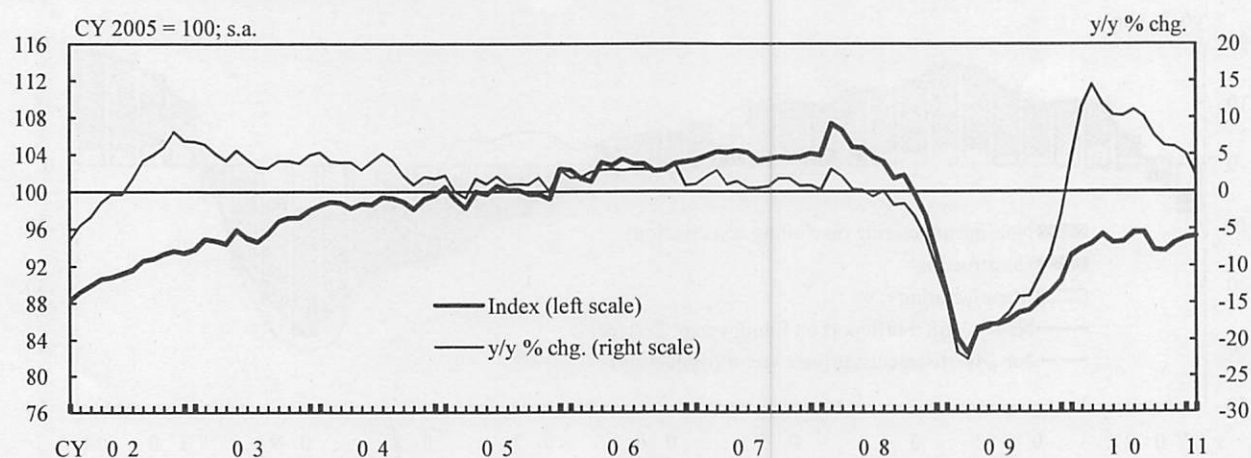
2. Figures are the sum of job advertisements listed in free/paid job information magazines, newspaper inserts, and job information websites provided by member companies of the Association of Job Information of Japan.

3. Figures for 2011/Q1 are those of January.

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

## Labor Market (2)

## (1) Number of Employees

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

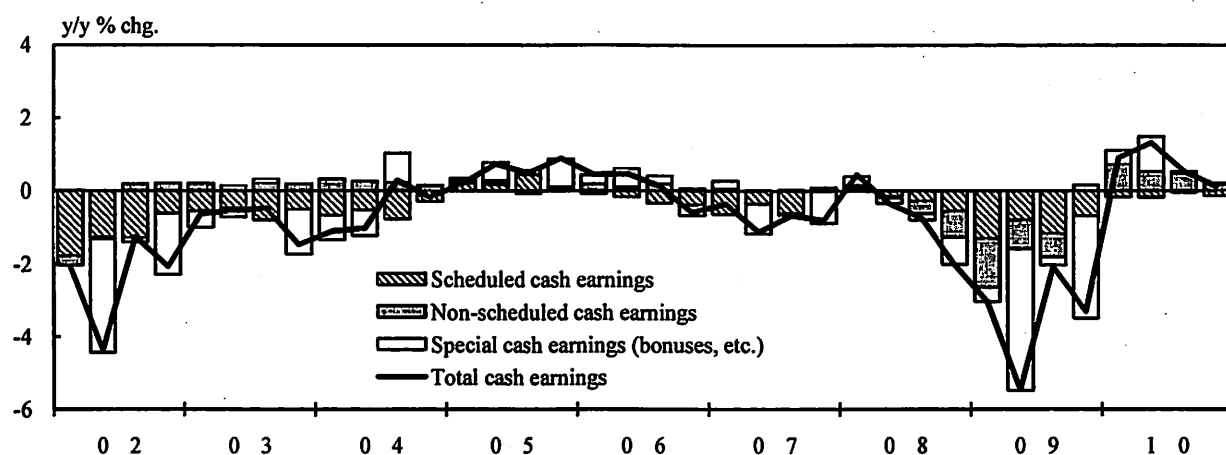
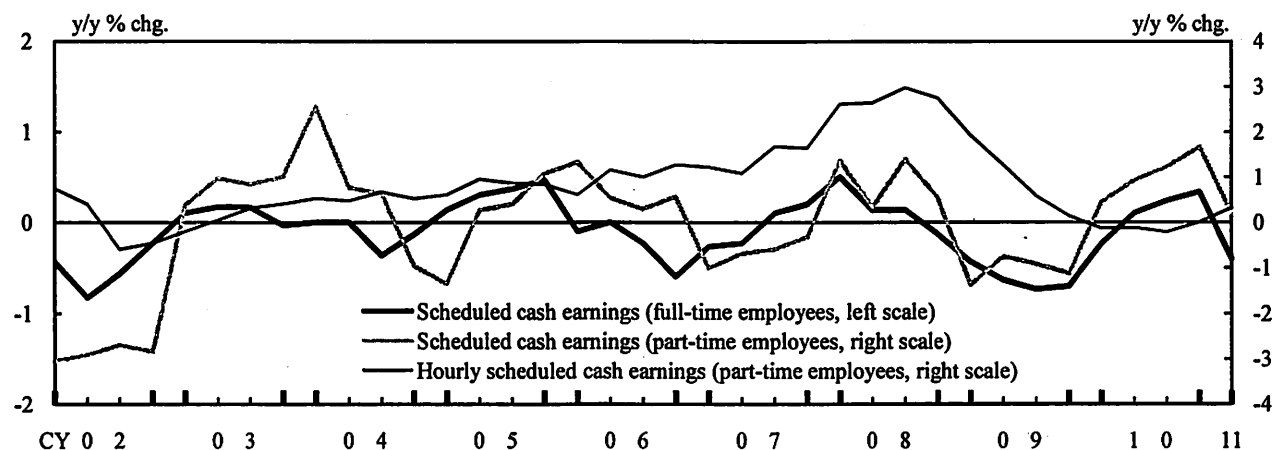
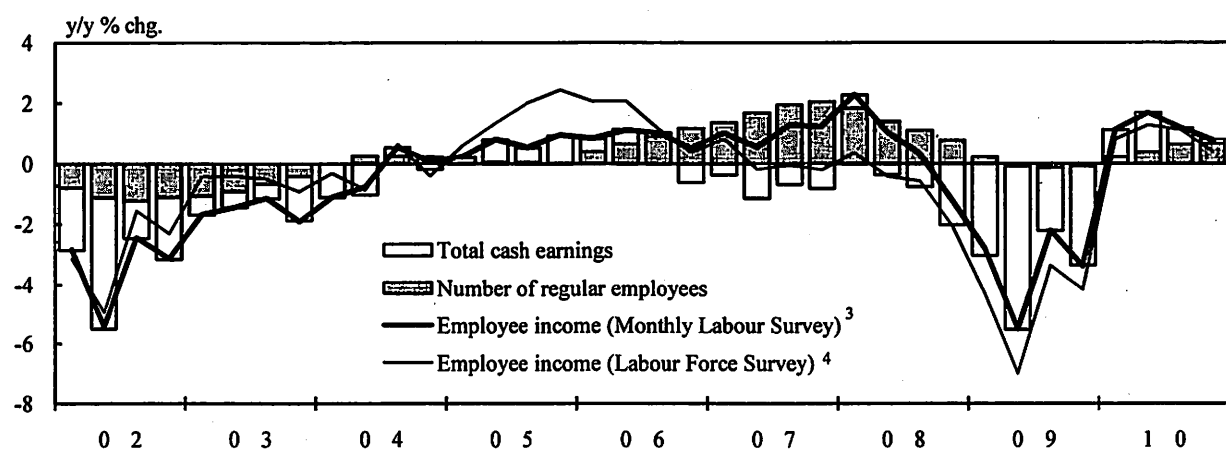
Notes: 1. Data are for establishments with at least five employees.

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 2011/Q1 are those of January.

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

## Employee Income

(1) Breakdown of Total Cash Earnings<sup>1,2,5</sup>(2) Scheduled Cash Earnings<sup>1,6</sup>(3) Breakdown of Employee Income<sup>1,2,5</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).

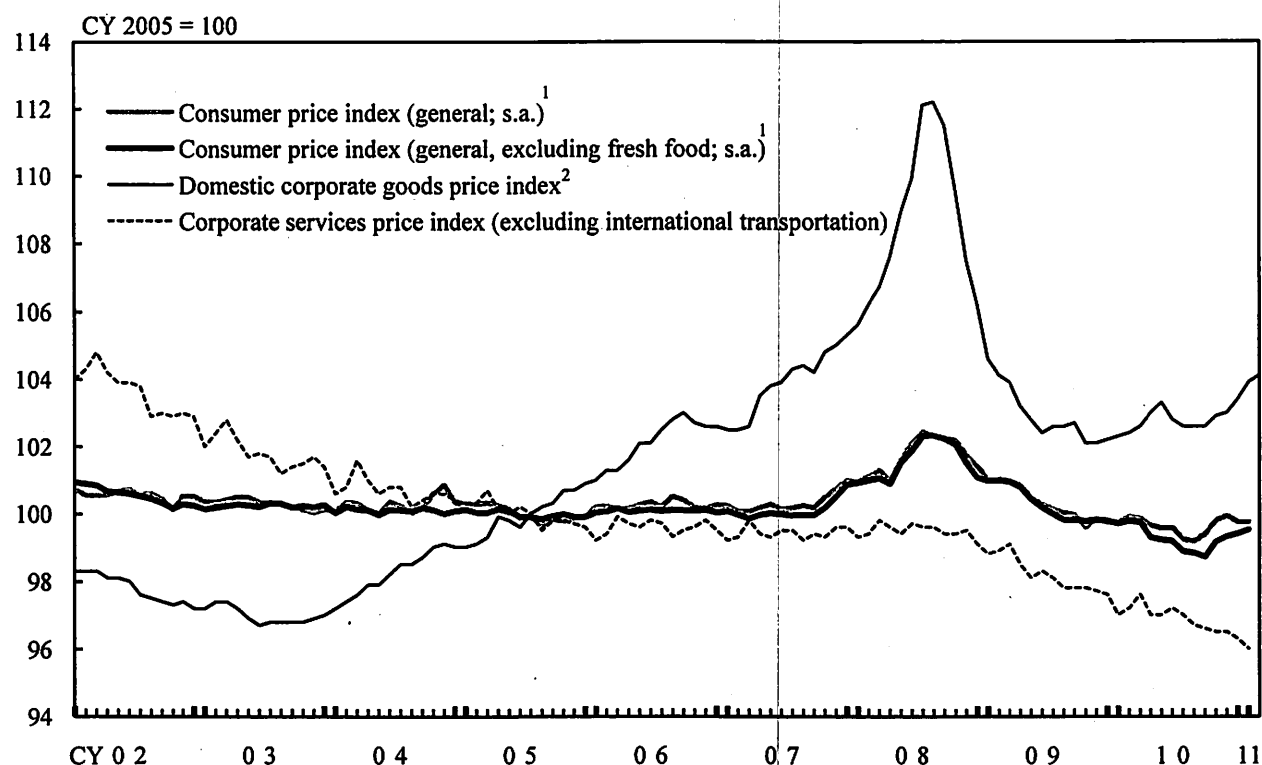
5. Figures for 2010/Q4 are December 2010 - January 2011 averages.

6. Figures for 2011/Q1 are those of January.

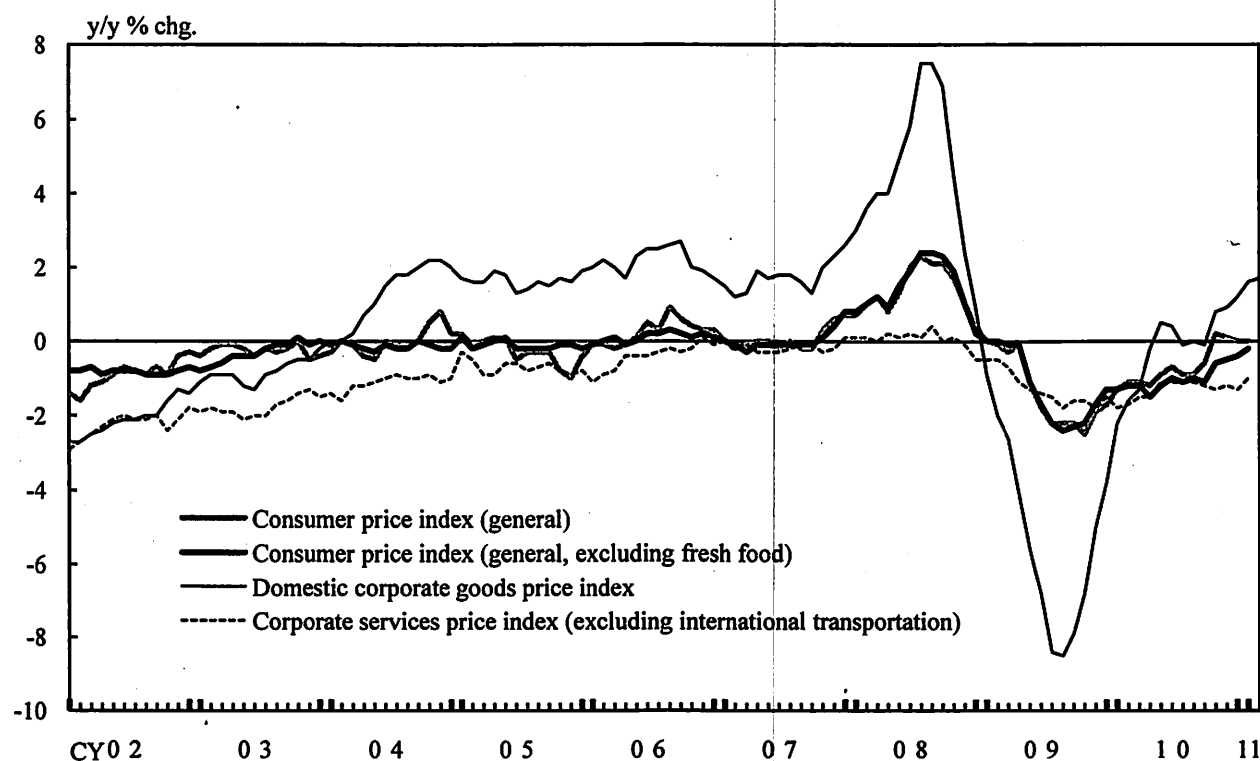
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";  
Ministry of Internal Affairs and Communications, "Labour Force Survey."

## Prices

## (1) Level



## (2) Changes from a Year Earlier



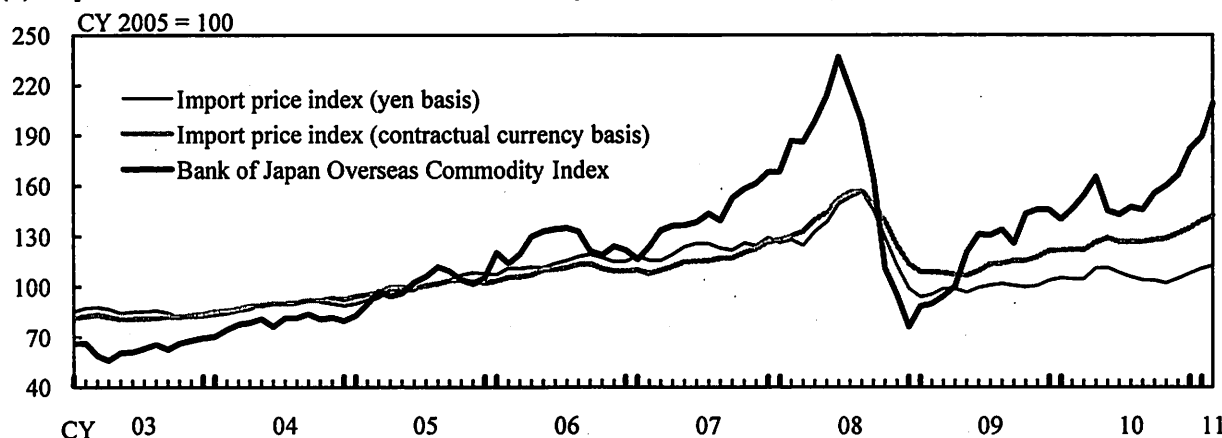
Notes: 1. Seasonally adjusted by X-12-ARIMA.

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

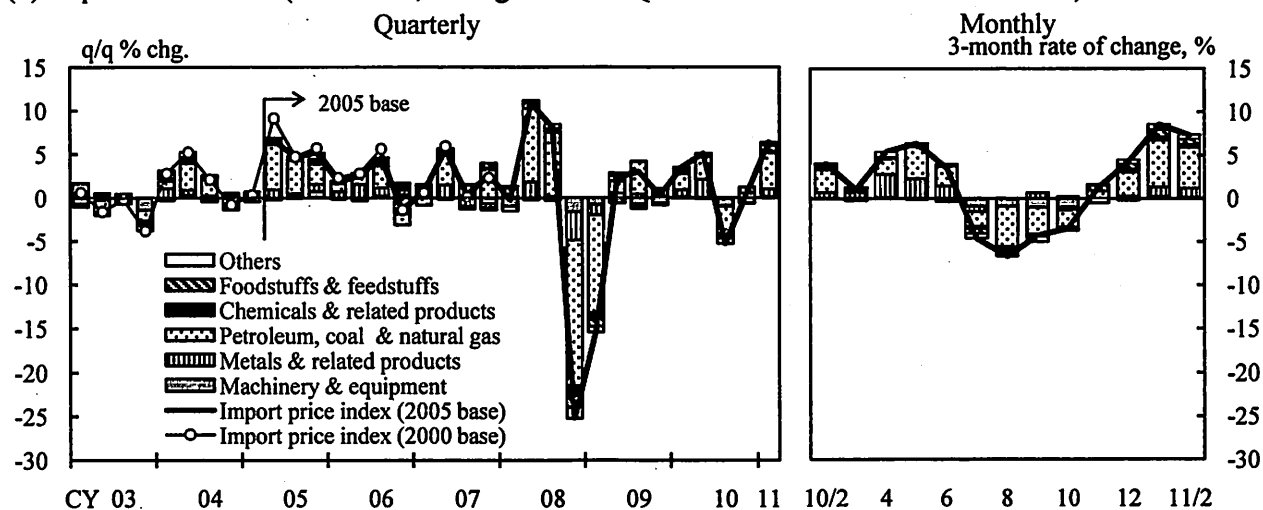
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index."

# Import Prices and International Commodity Prices

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



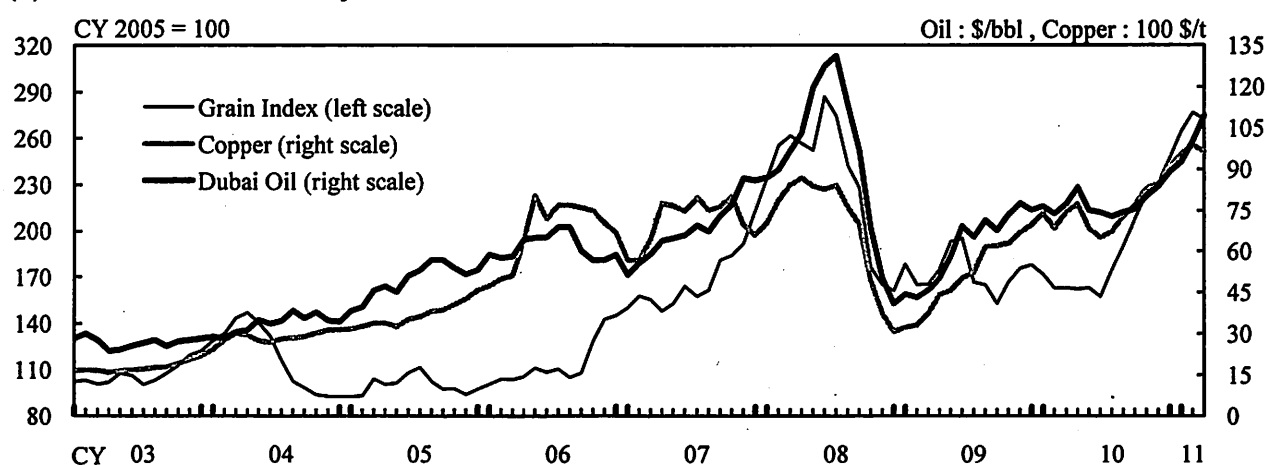
## (2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



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

2. Figures for 2011/Q1 are January-February averages. Figures for 2007/Q4 on the 2000 base are those of October.

## (3) International Commodity Prices



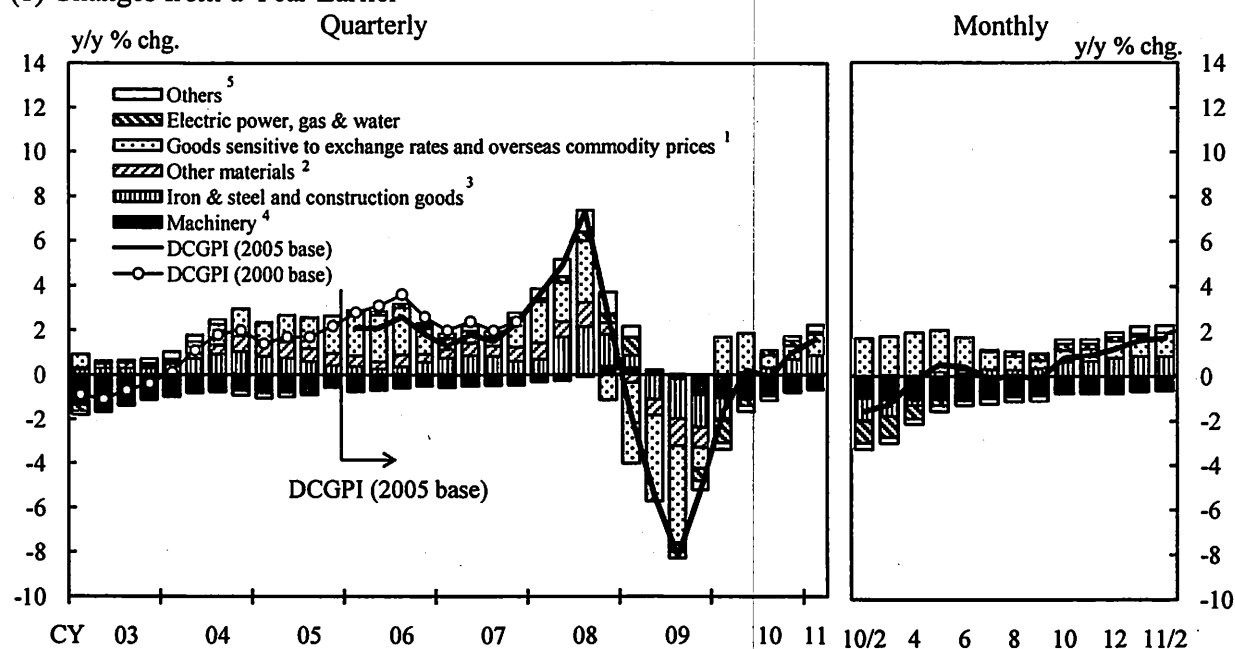
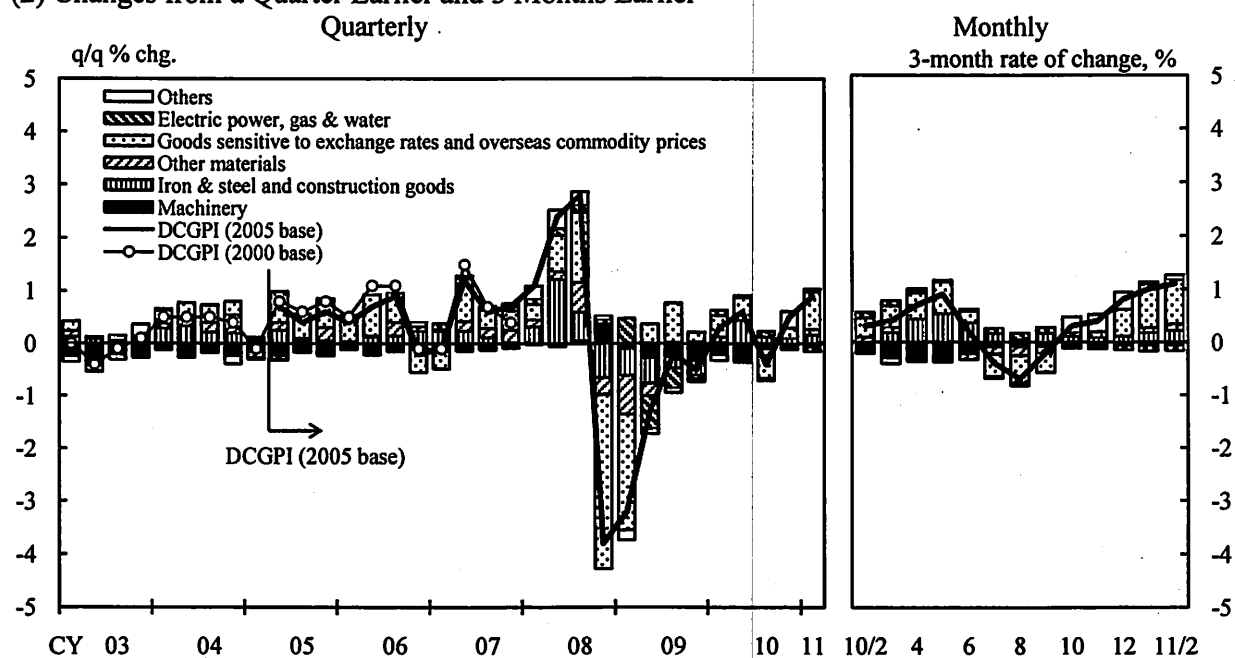
Notes: 1. The "grain index" is the weighted average of prices of three selected items (wheat, soybeans, and corn) in overseas commodity markets. The weights are based on the value of imports in the "Trade Statistics."

2. Monthly averages. Figures for March 2011 are averages up to March 11.

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.

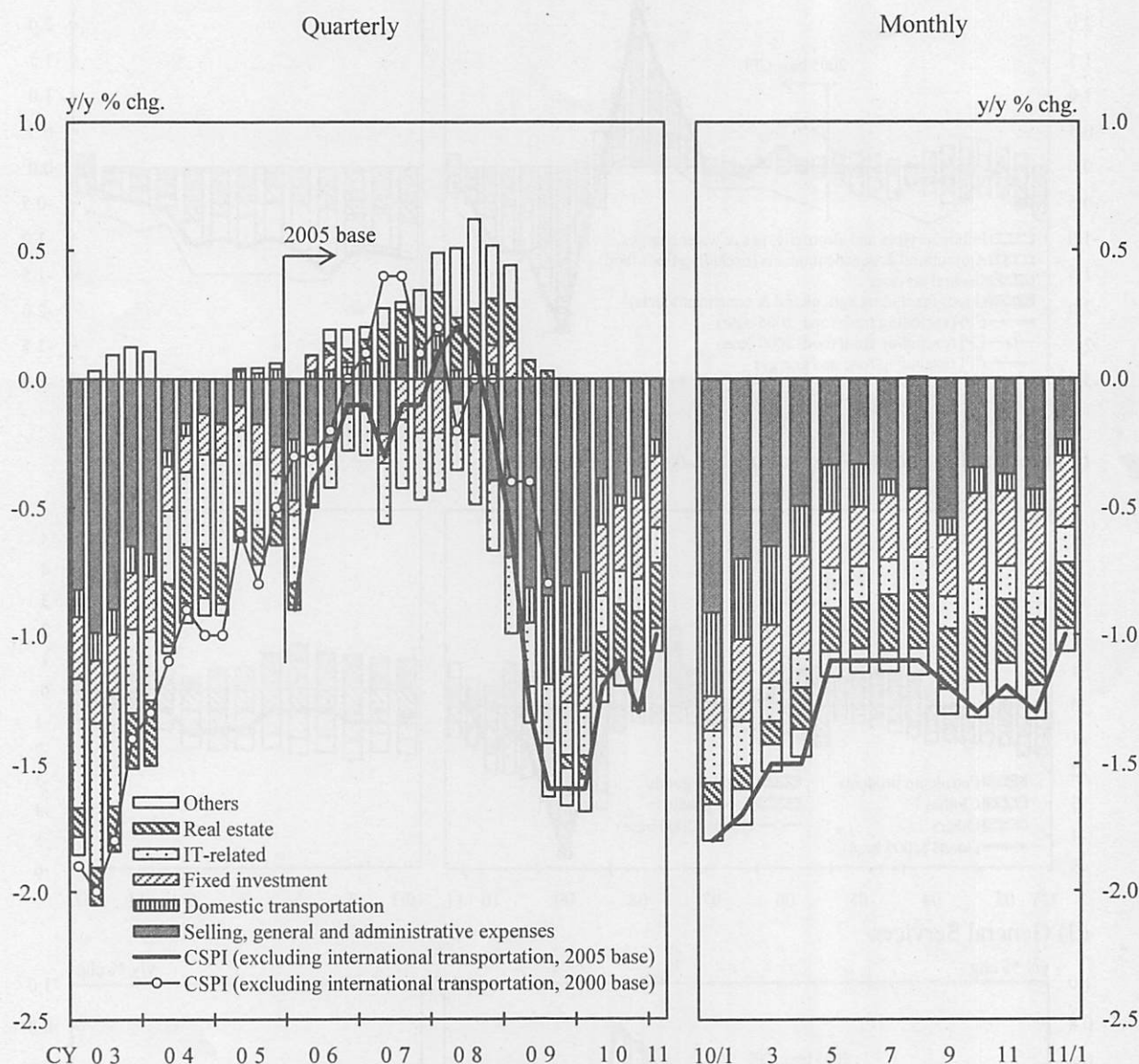
6. Adjusted to exclude a hike in electric power charges during the summer season from July to September. This adjustment makes the "Domestic Corporate Goods Price Index" fall by about 0.2%.

7. Figures for 2011/Q1 are January-February averages. Figures for 2007/Q4 on the 2000 base are those of October.

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



## Corporate Services Price Index



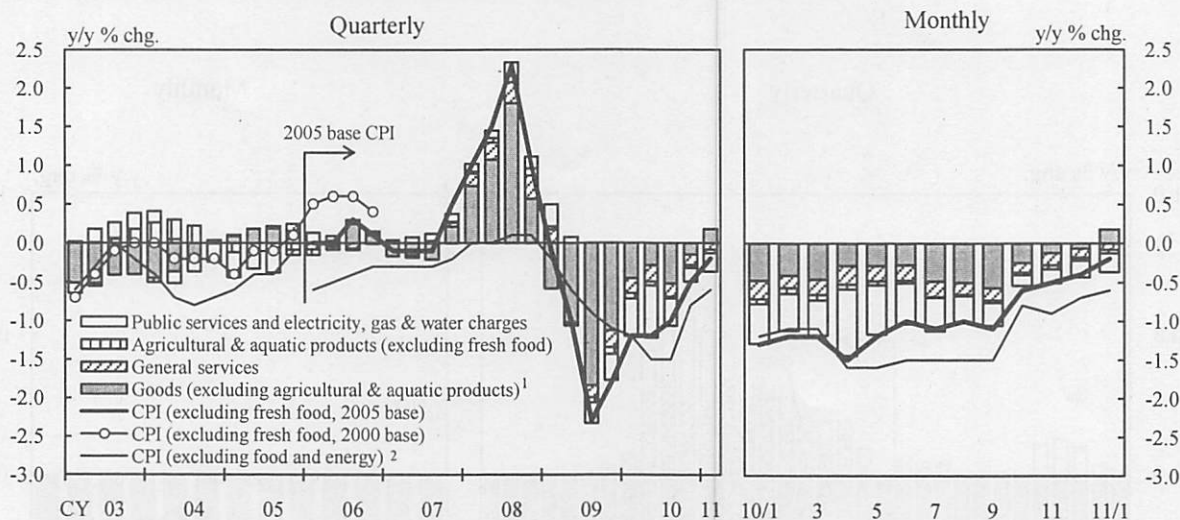
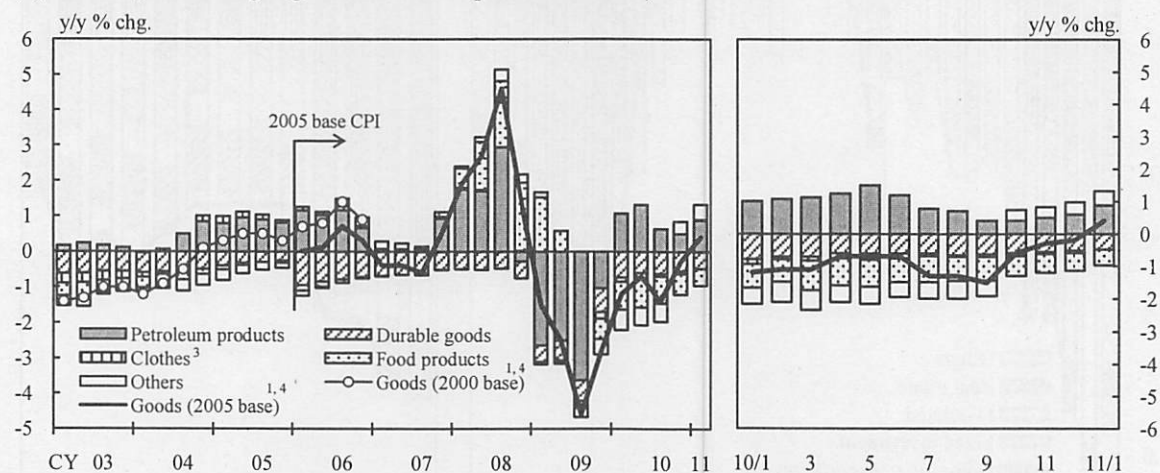
- Notes: 1. Selling, general and administrative expenses: information and communications (excluding newspapers and publishing), advertising services, other services (excluding plant engineering, and civil engineering and architectural services).  
 2. Domestic transportation: transportation (excluding 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 2011/Q1 are those of January. Figures for 2009/Q3 on the 2000 base are July-August averages.

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

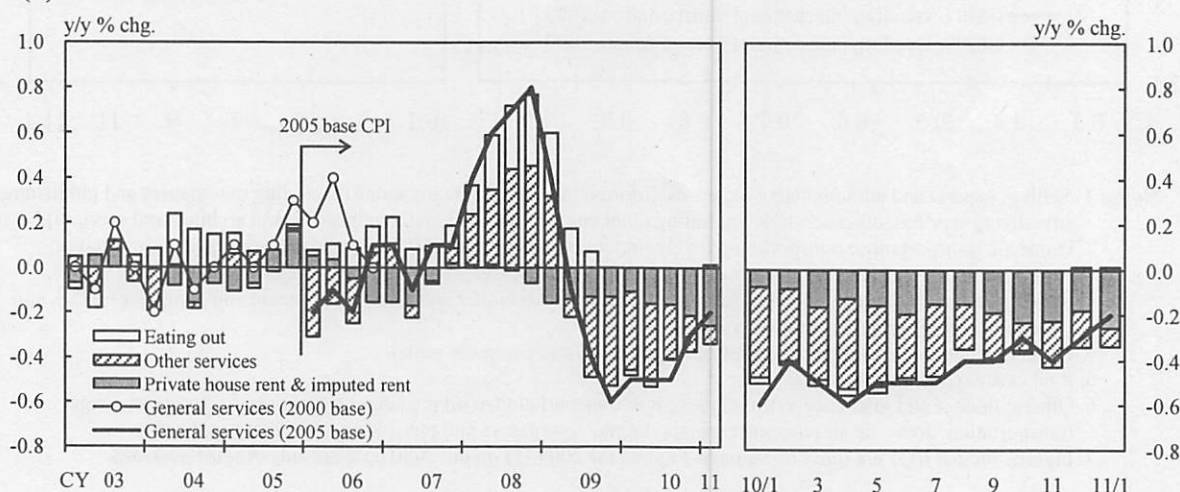


## Consumer Price Index (Excluding Fresh Food)

## (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 defined 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.

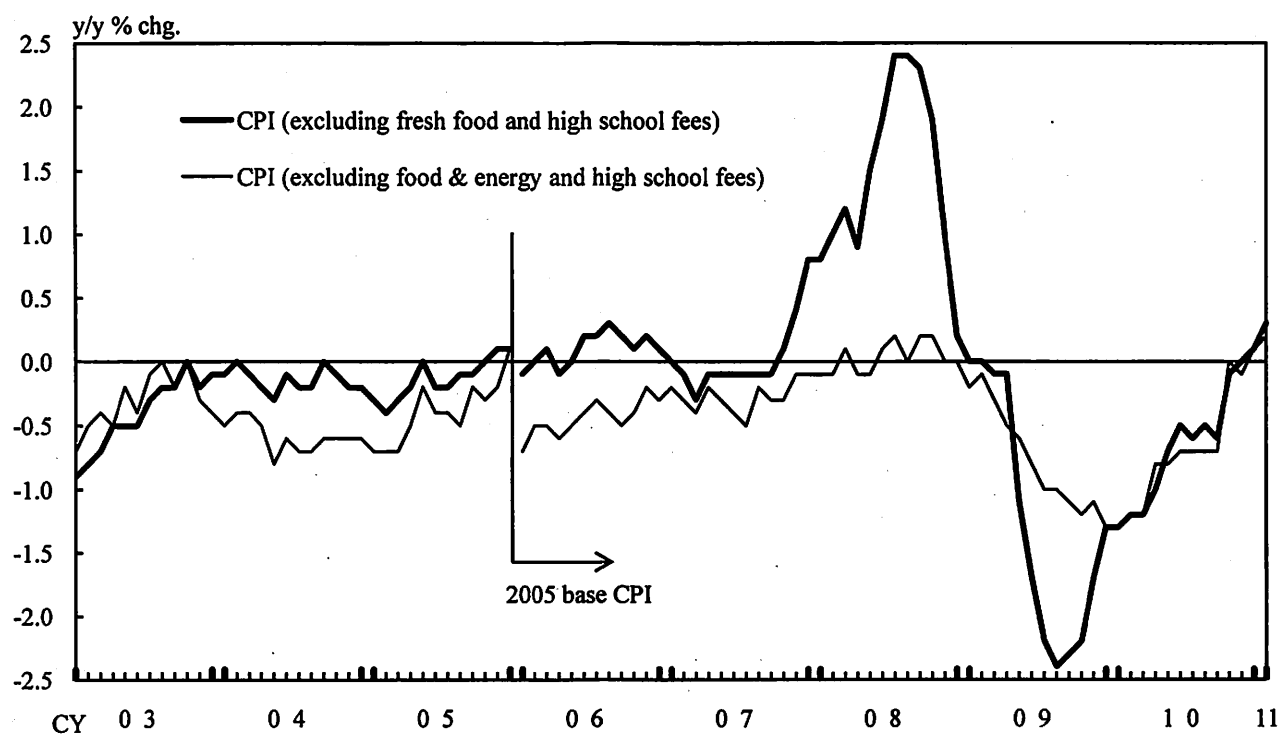
4. Excluding agricultural & aquatic products.

5. Figures for 2011/Q1 are those of January.

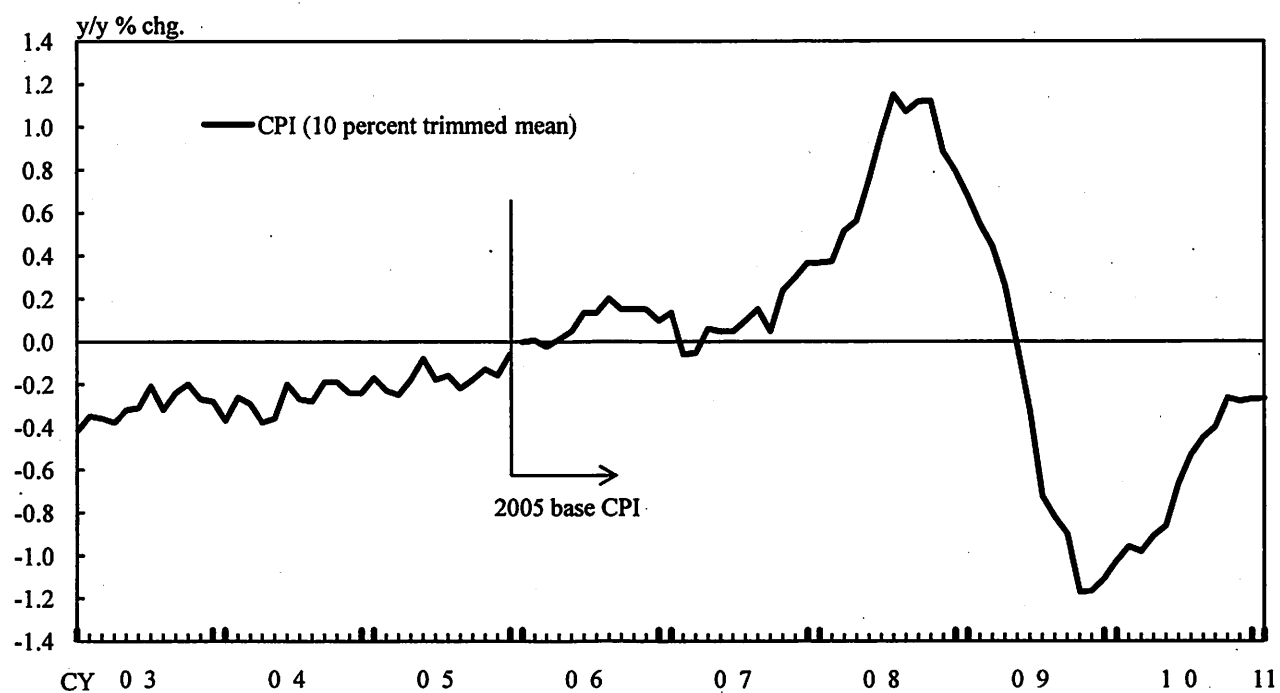
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

## 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.

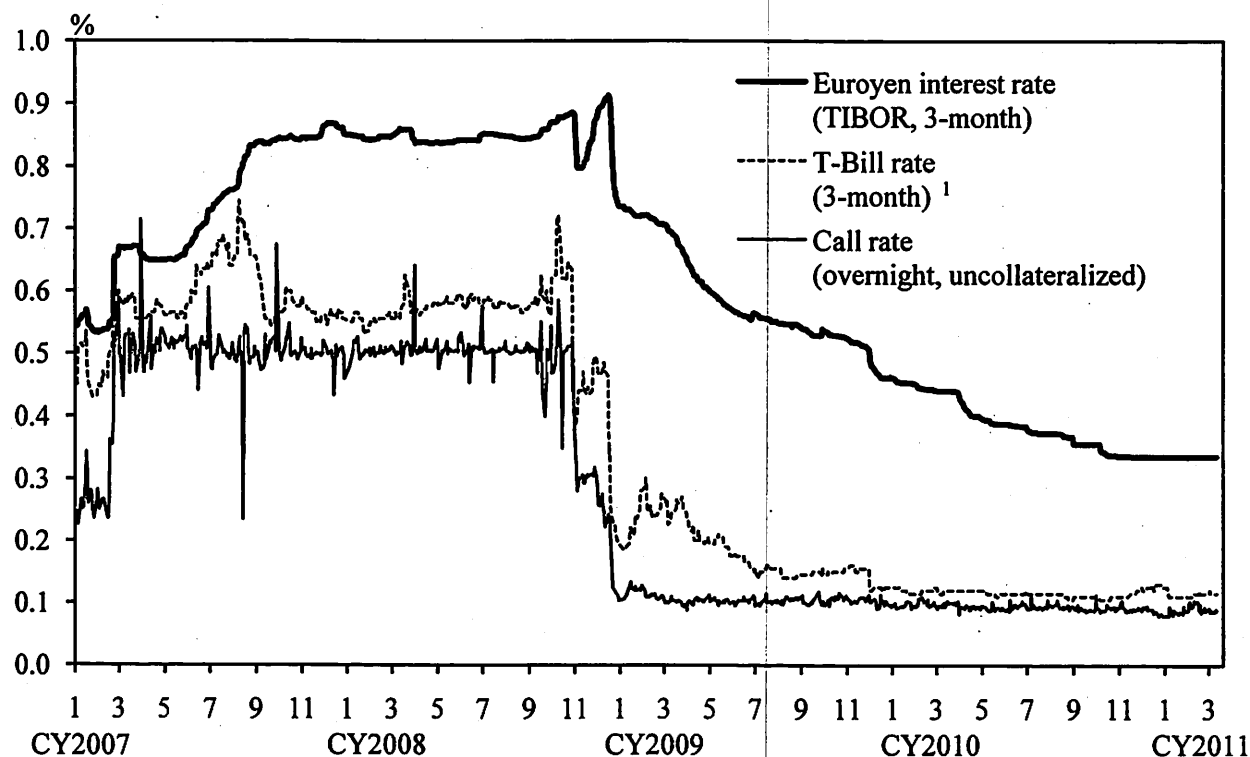
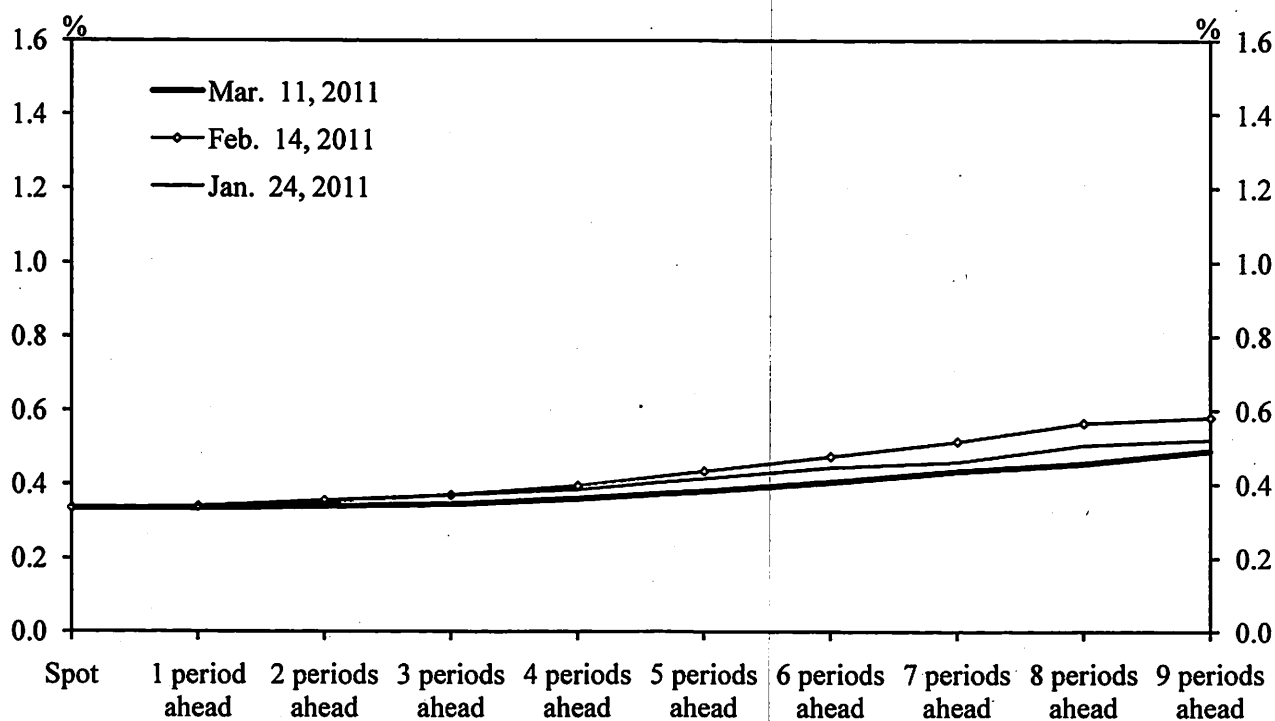
2. High school fees: high school fees (public) and high school fees (private).

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>

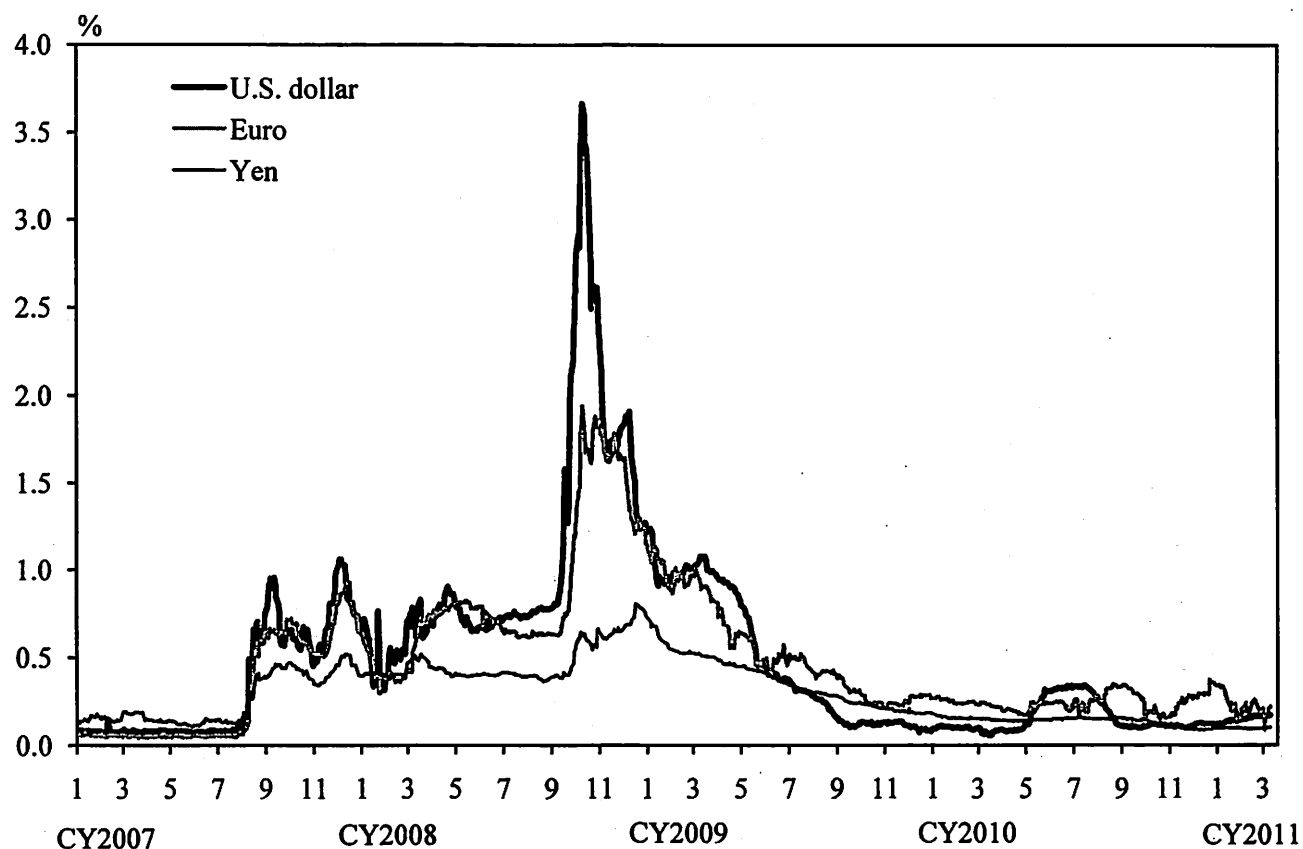
Notes: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.

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

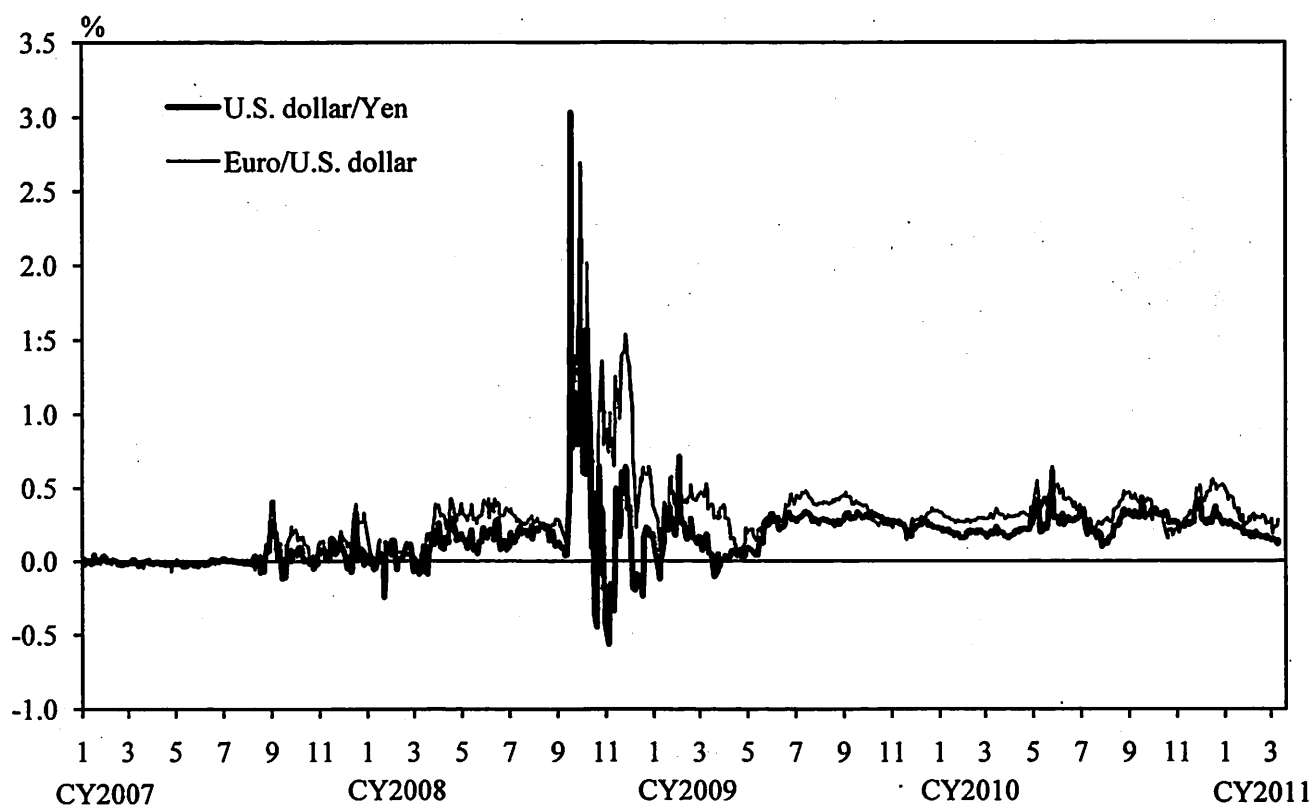
Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.; Tokyo Financial Exchange; Bank of Japan.

## Global Money Markets

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



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

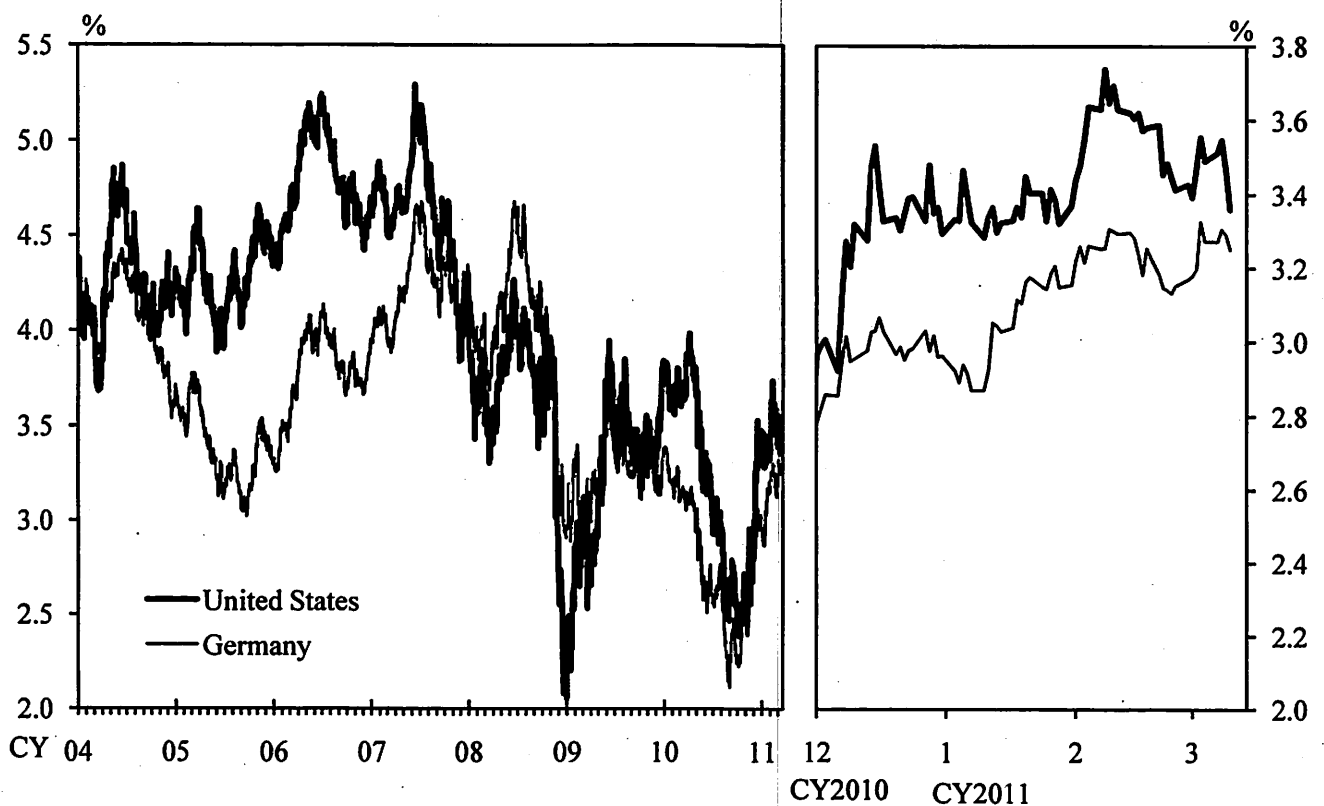


Source: Bloomberg.

## Long-Term Interest Rates

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

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

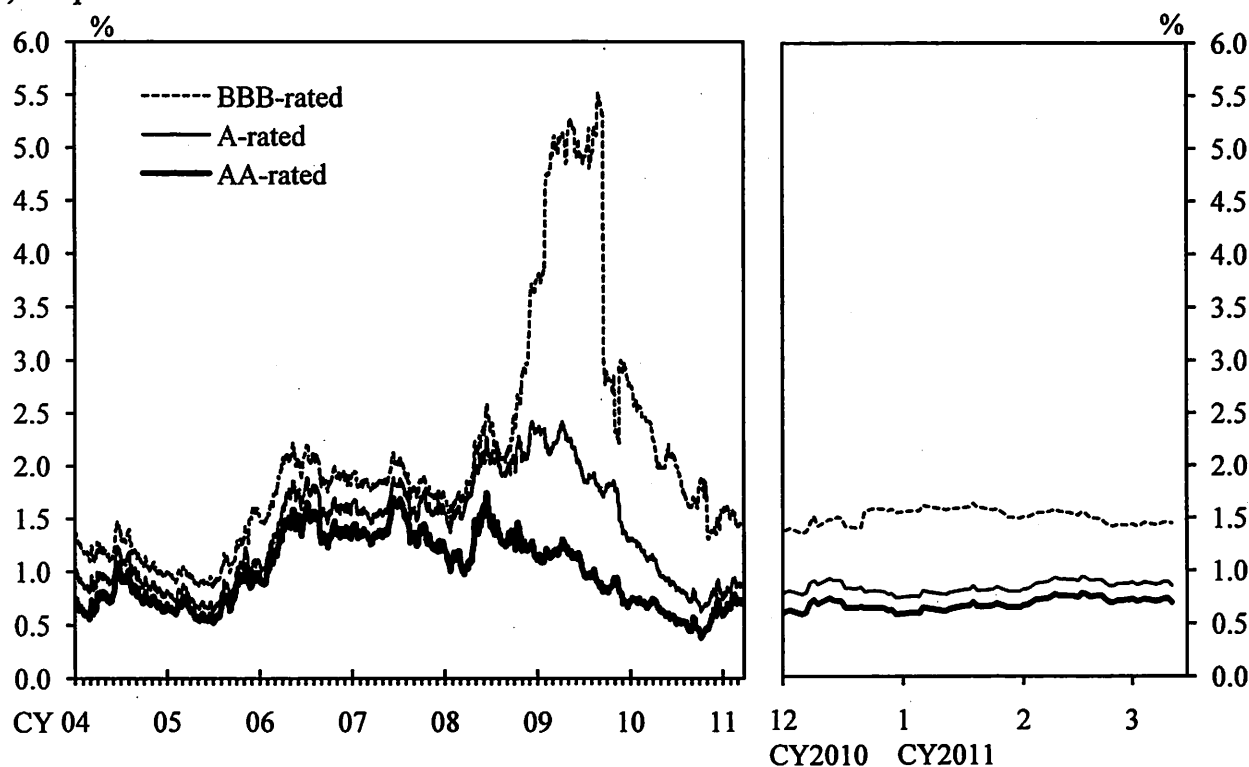


Note: 1. Yields on newly issued bonds.

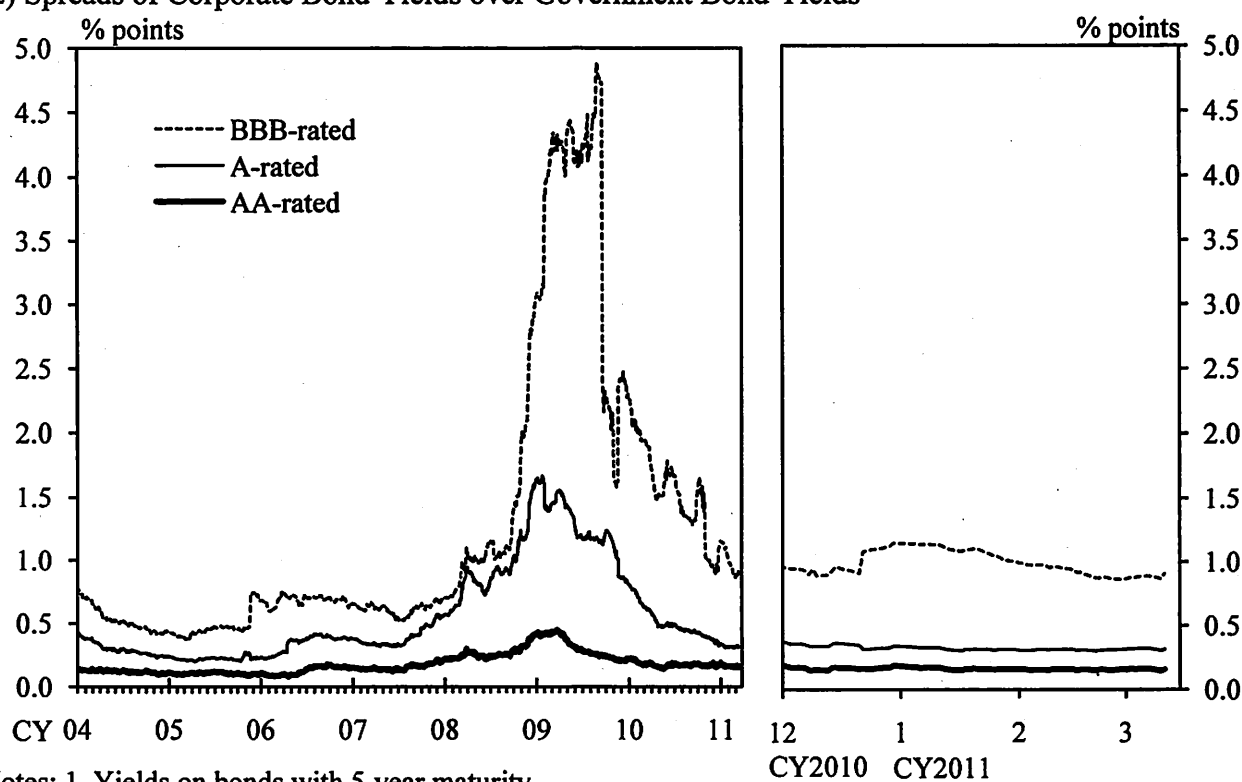
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

# 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.

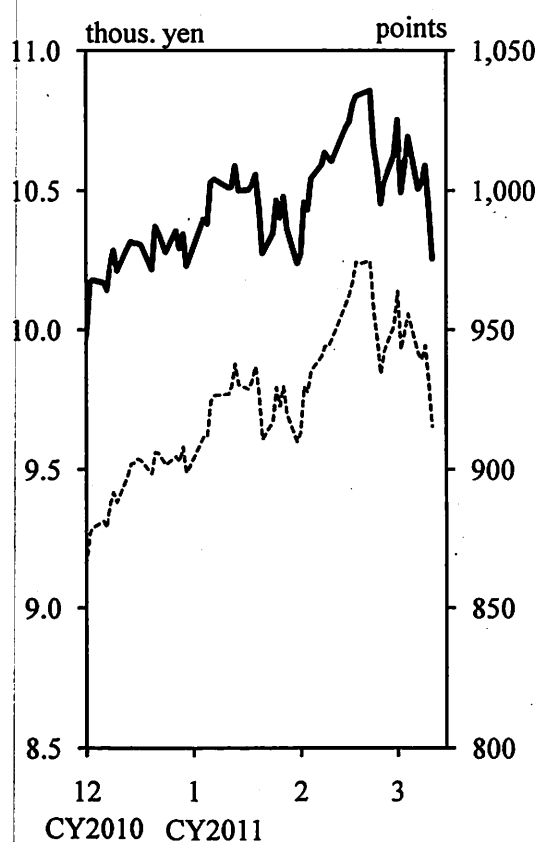
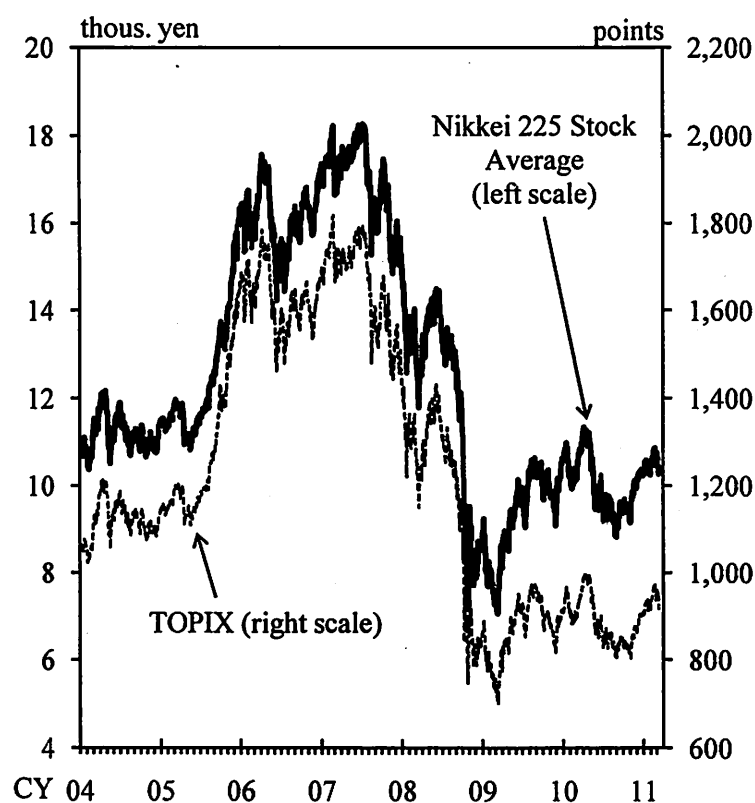
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.

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

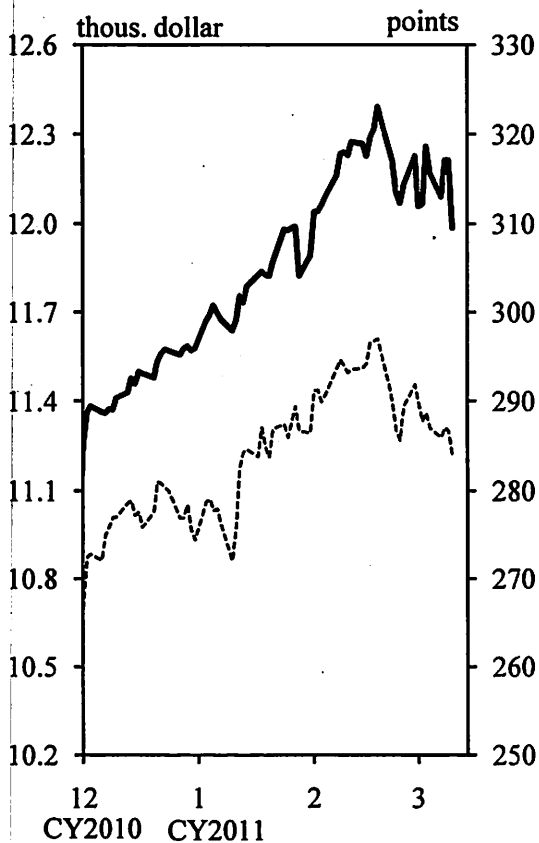
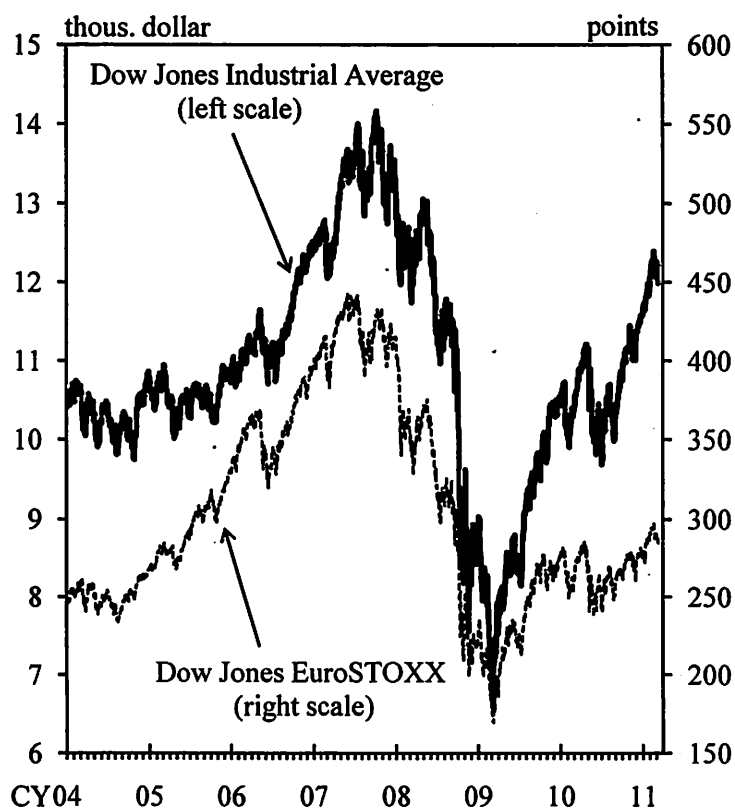
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

## Stock Prices

## (1) Japanese Stock Prices

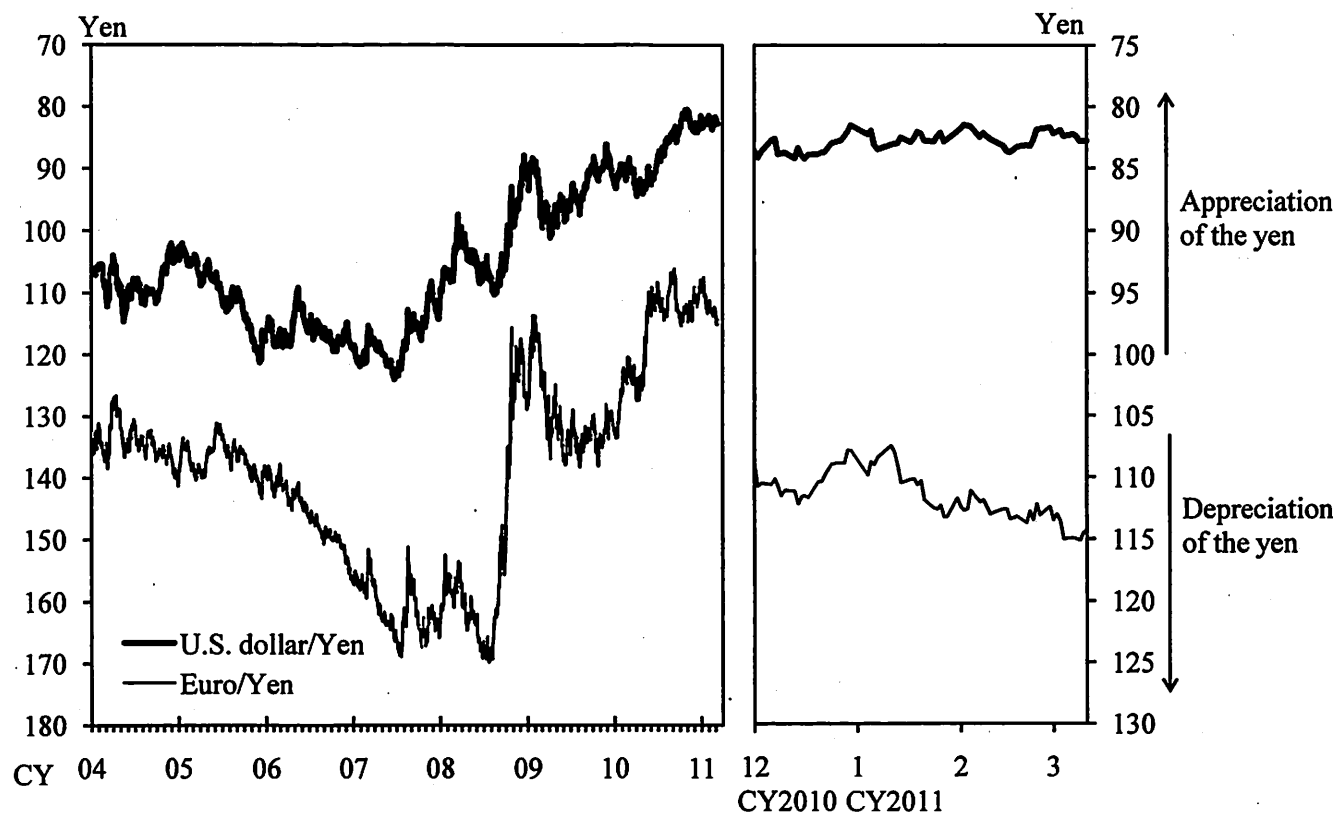


## (2) Overseas Stock Prices

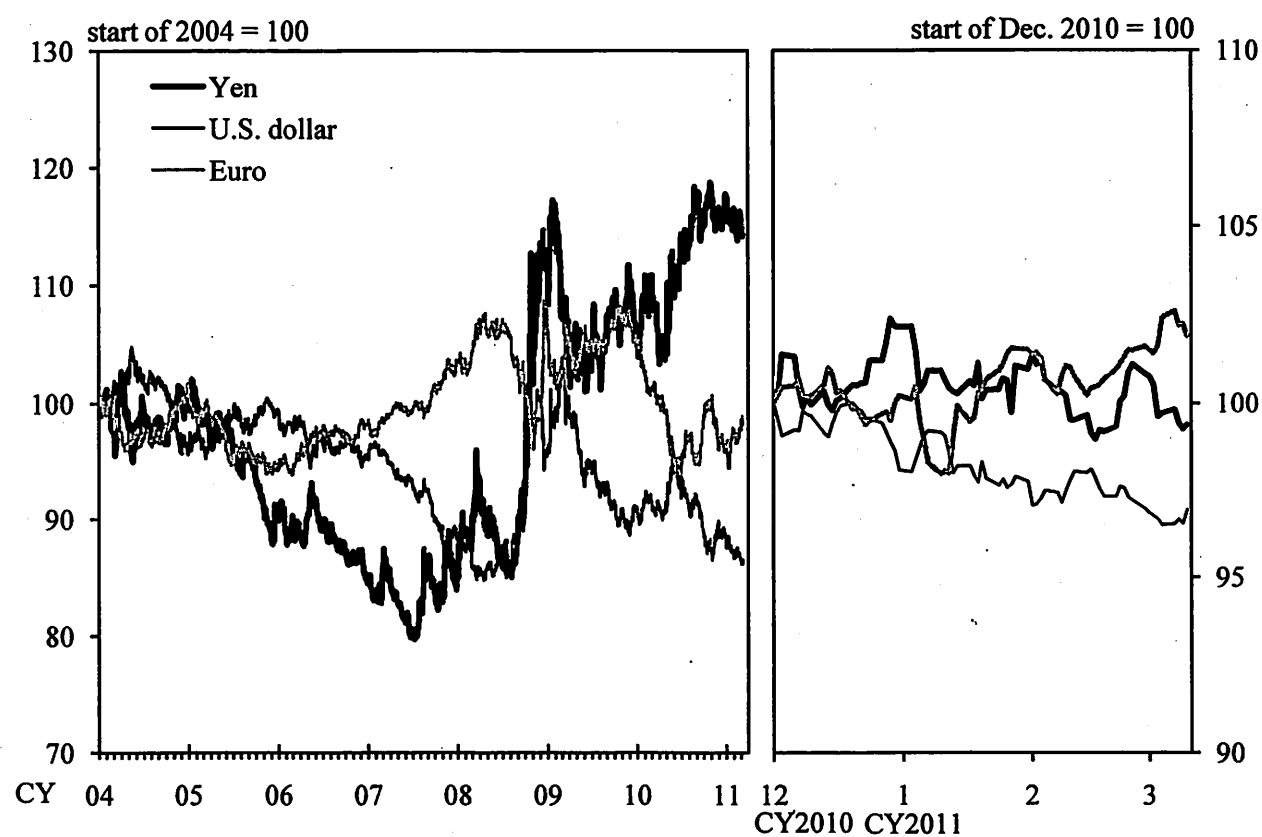


## Exchange Rates

## (1) Bilateral Exchange Rates



## (2) Nominal Effective Exchange Rates

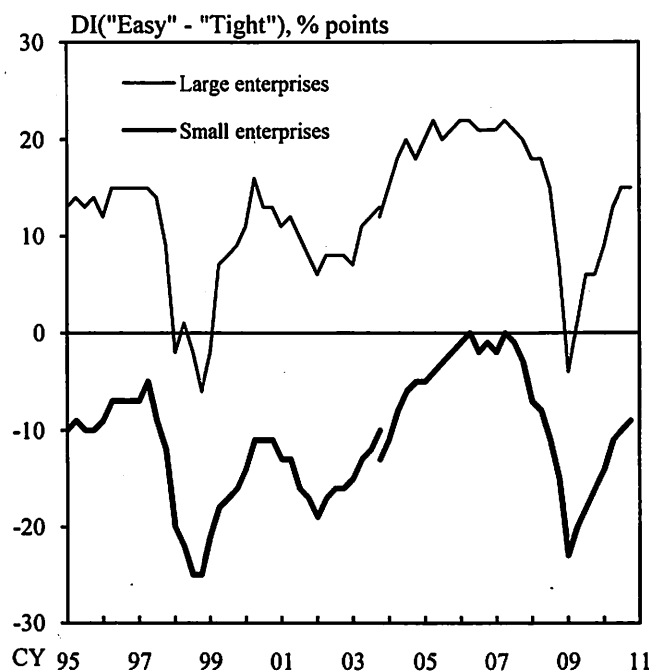


Sources: Bank of Japan; European Central Bank; Bloomberg.

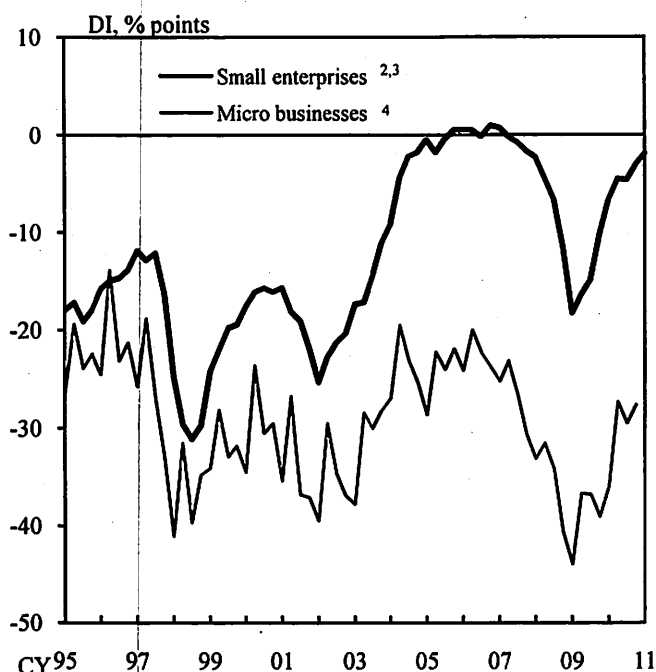


## Corporate Finance-Related Indicators

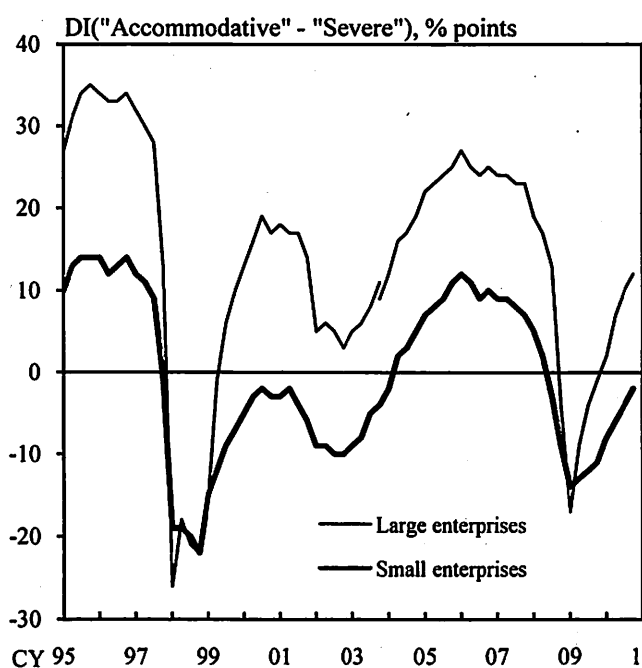
## (1) Financial Position

<Tankan<sup>1</sup>>

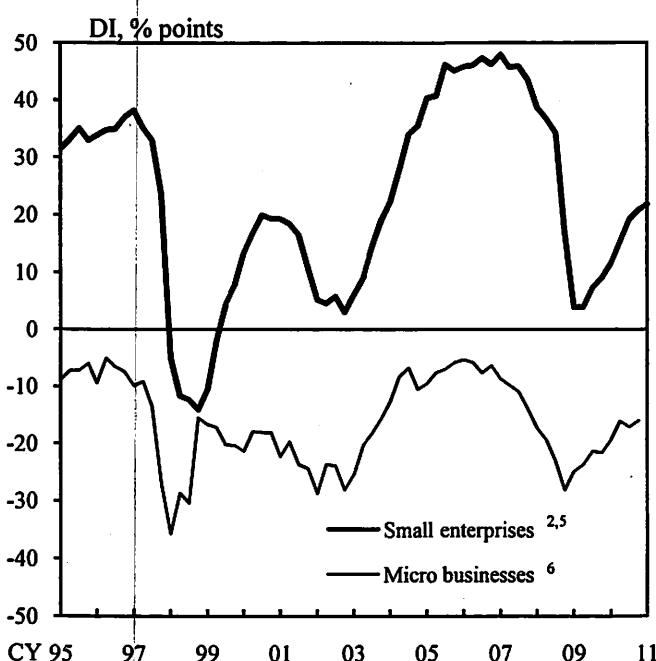
&lt;Japan Finance Corporation Survey&gt;



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

<Tankan<sup>1</sup>>

&lt;Japan Finance Corporation Survey&gt;



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

2. Figures are quarterly averages of monthly data. Figures for 2011/Q1 are those of Jan.-Feb. averages.

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

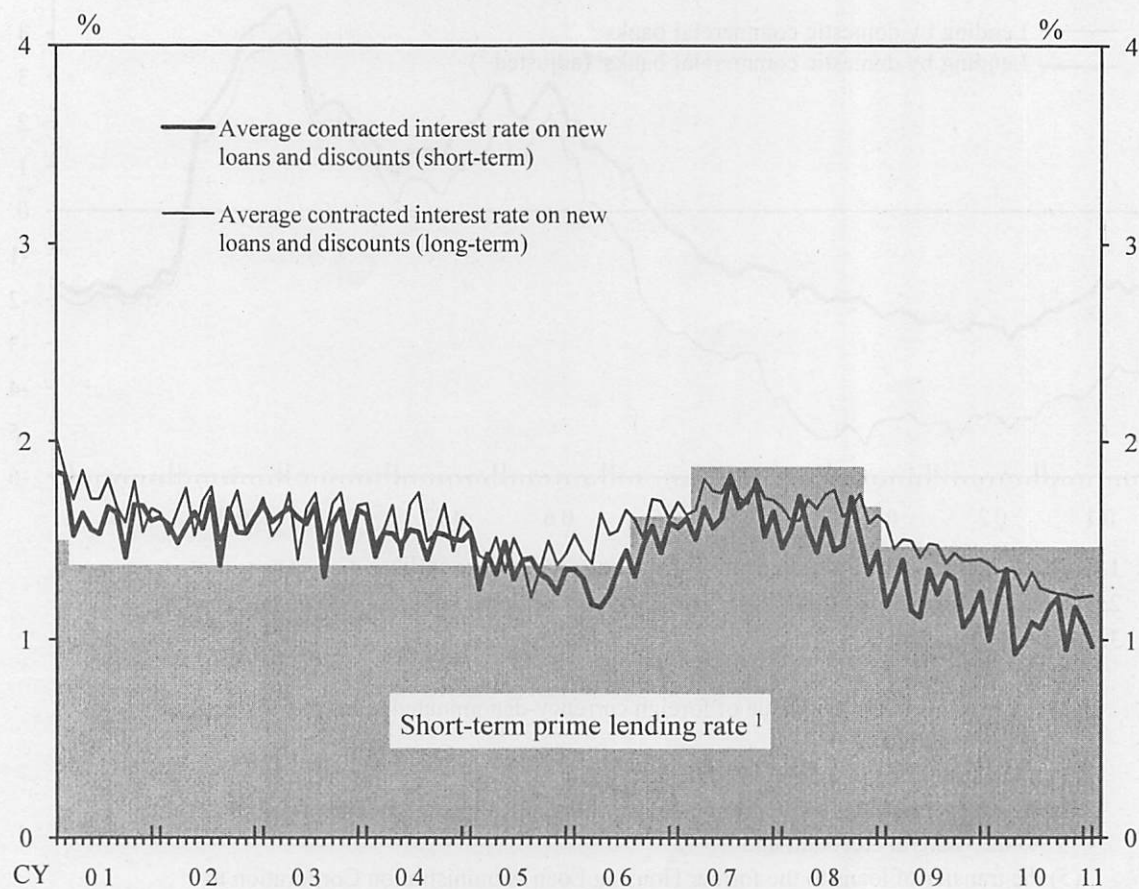
4. DI of "Easier" - "Tighter."

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

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

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

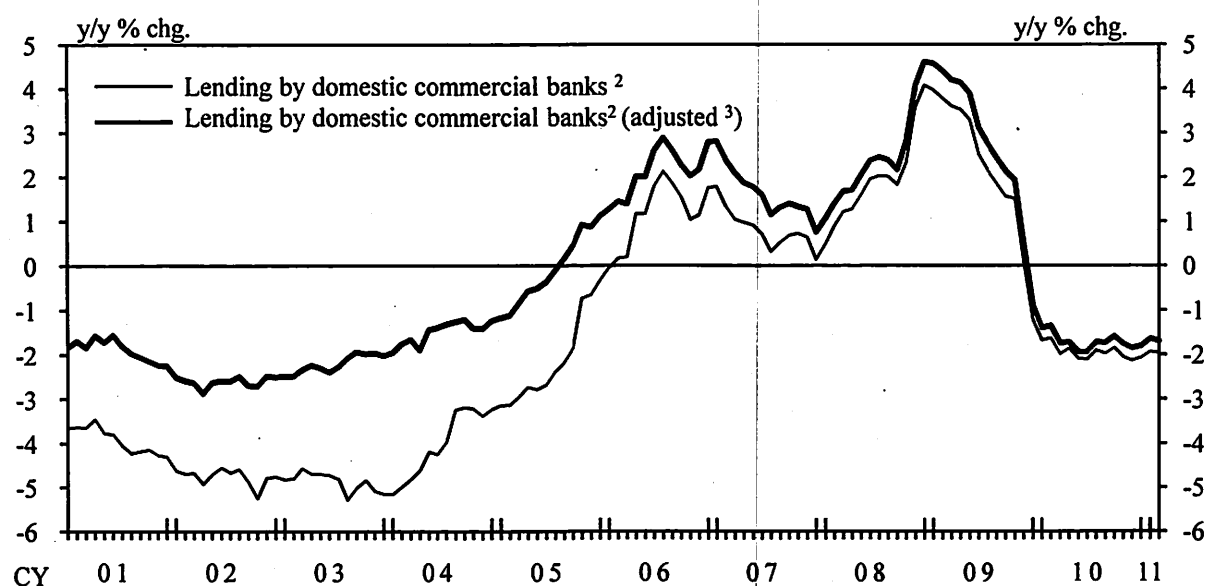
## Lending Rates



Note: 1. Data are at end of period.

Source: Bank of Japan.

## Lending by Financial Institutions

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

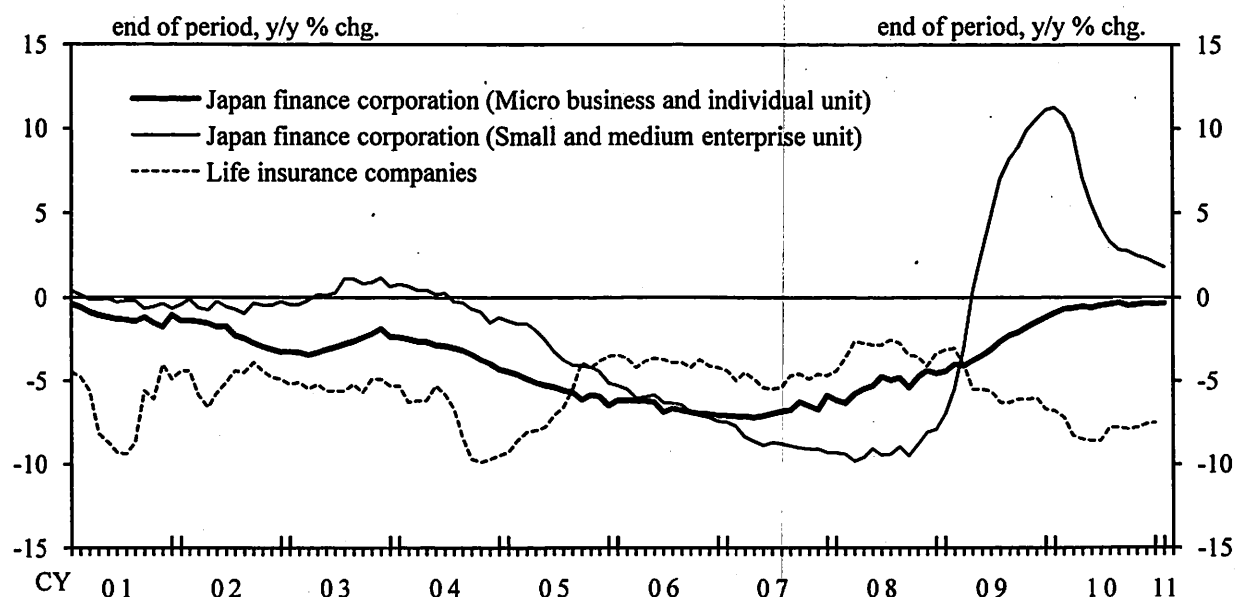
Notes: 1. Percent changes in average amounts outstanding from a year earlier.

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

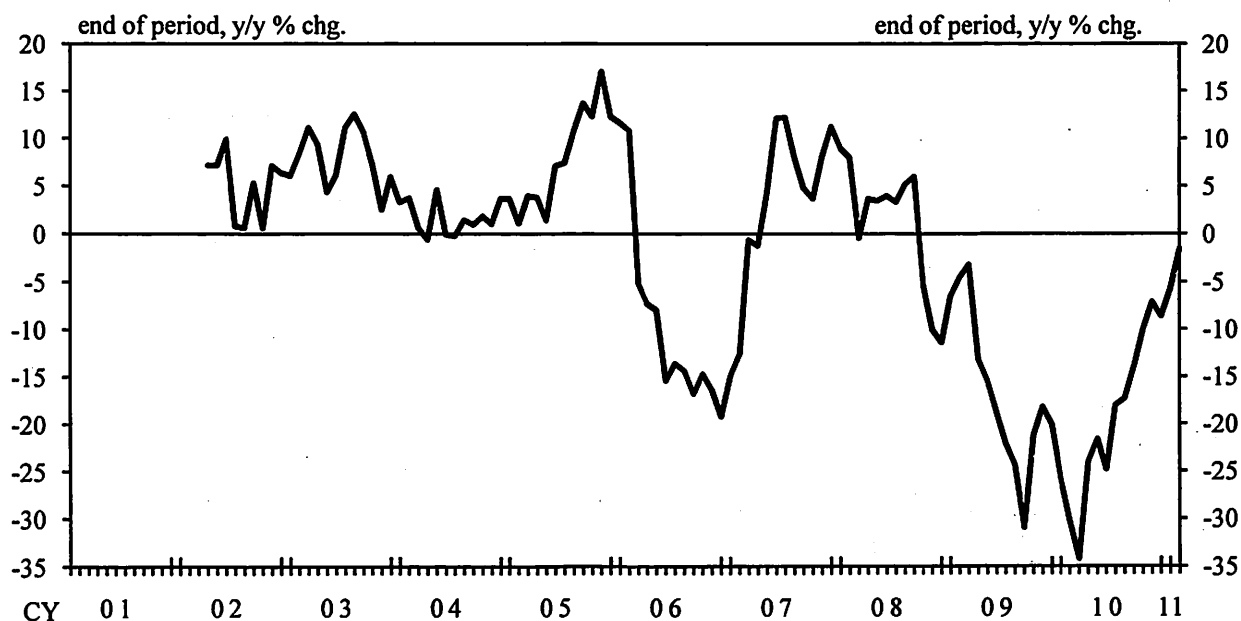


Note: The figures of the Japan Finance Corporation (Small and Medium Enterprise Unit) exclude the amounts outstanding of lending to the Credit Guarantee Corporations.

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

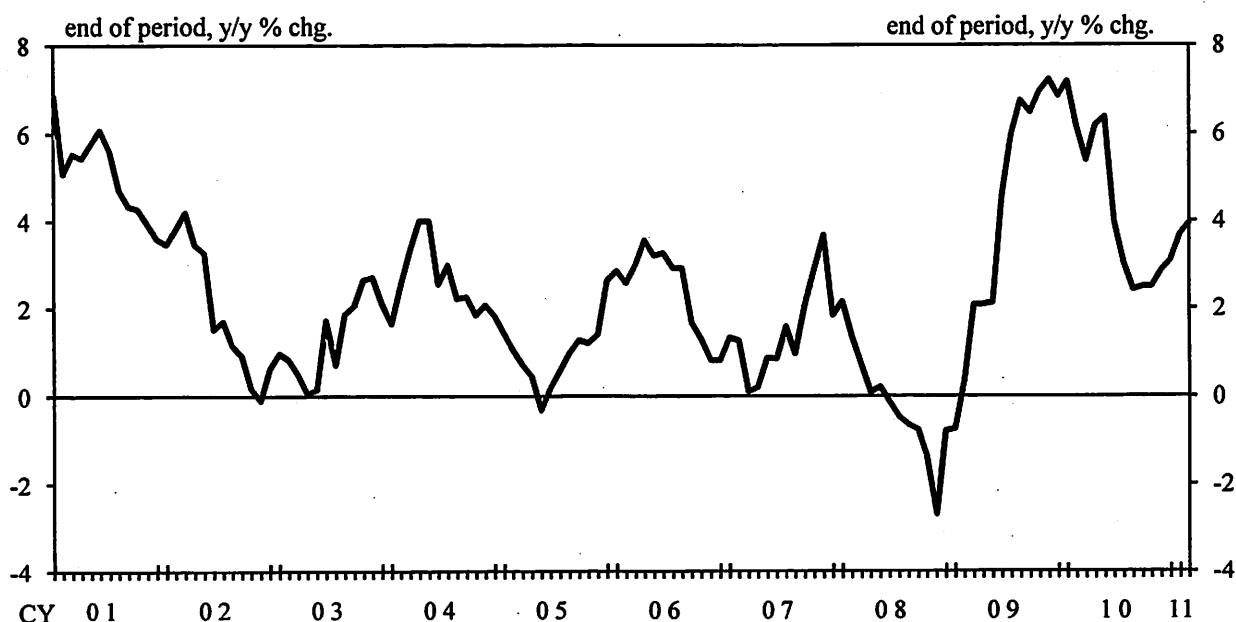
## Private-Sector Fund-Raising in the Capital Markets

### (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



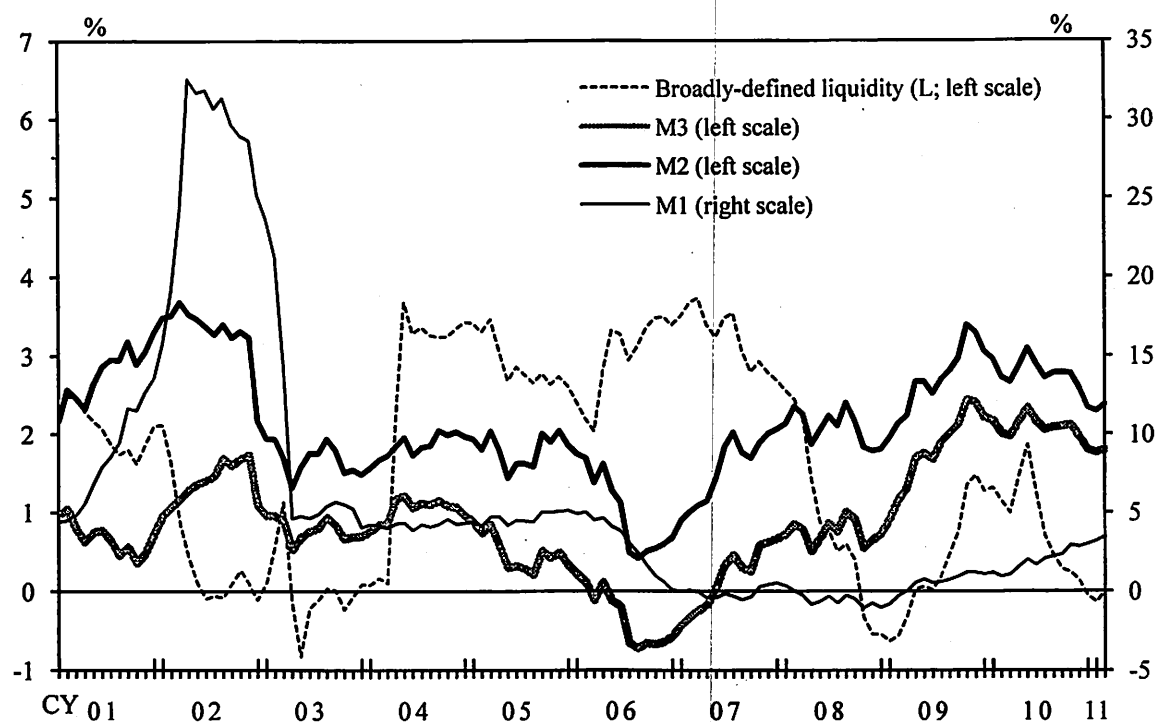
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

- (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.

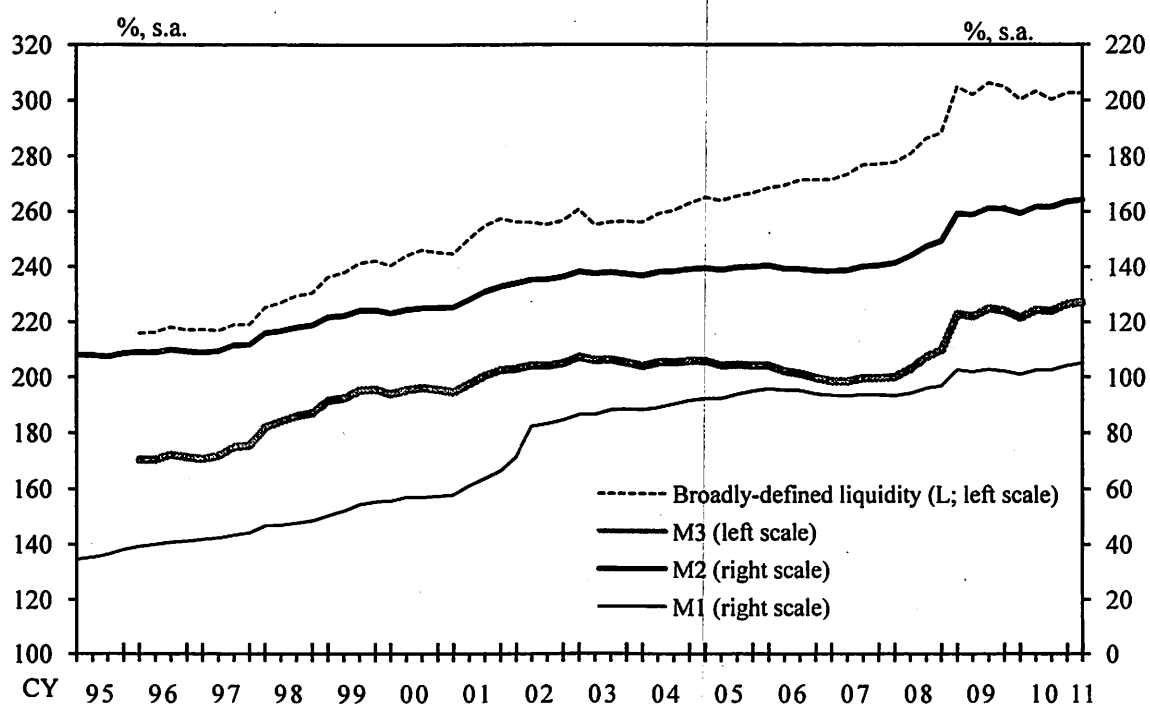
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category"; Bank of Japan, "Principal Figures of Financial Institutions"; Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts of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

## Money Stock

## (1) Changes from a Year Earlier



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

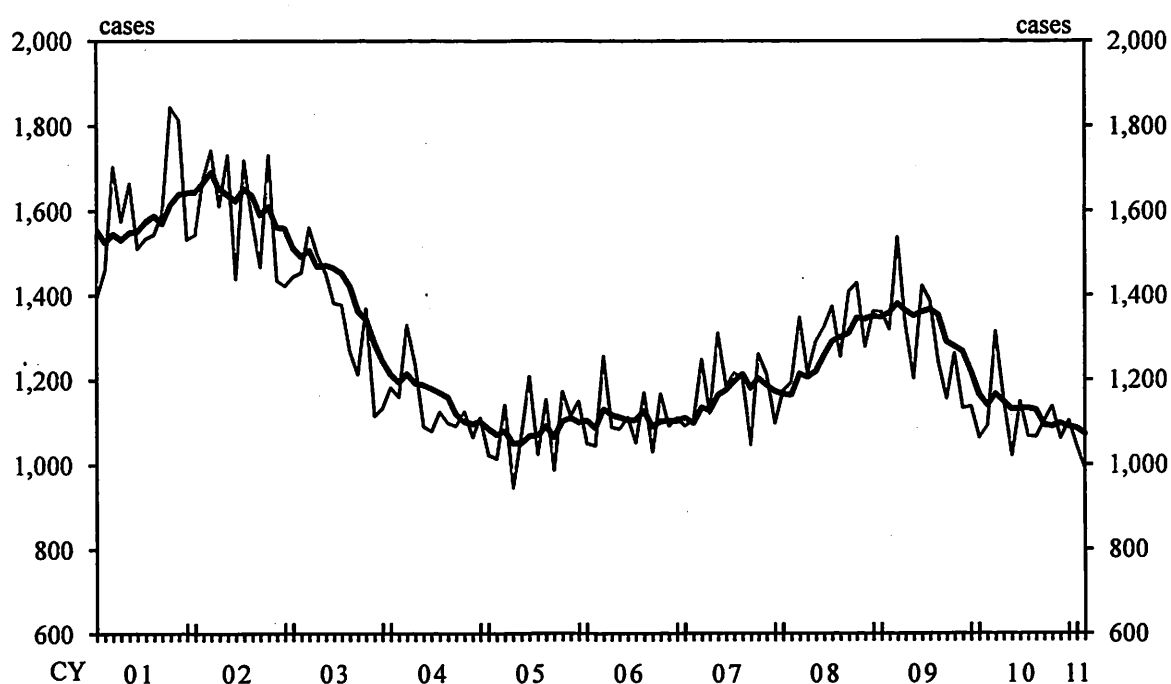


- Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.  
 2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.  
 3. The 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. Figures for money stock in 2011/Q1 are those of Jan.-Feb. averages, and nominal GDP in 2011/Q1 is assumed to be unchanged from the previous quarter.

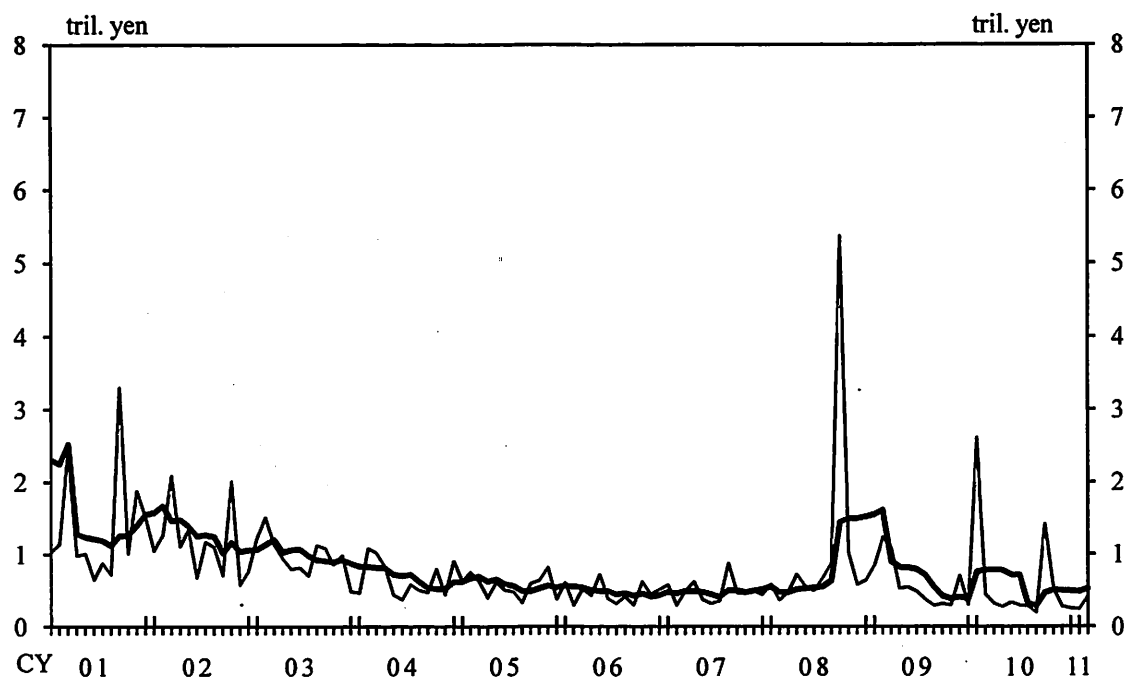
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

## 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)." 8