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Bank of Japan

Monthly Report of Recent Economic and Financial Developments

April 2011

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Secretariat of the Policy Board, Bank of Japan
P.O. Box 30, Nihonbashi, Tokyo 103-8660, Japan

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Summary

Japan's economy is under strong downward pressure, mainly on the production side, due to the effects of the earthquake disaster.

The earthquake has sharply dampened production in some areas by damaging production facilities, disrupting the supply chain, and constraining electric power supply; exports and domestic private demand have been affected accordingly.

Japan's economy is likely to remain under strong downward pressure, mainly on the production side, for the time being, but is expected to return to a moderate recovery path -- as supply-side constraints are mitigated and production regains traction -- backed by an increase in exports reflecting the improvement in overseas economic conditions and by a rise in demand for restoring capital stock.

Production is expected to remain at a low level for the time being, but is likely to start increasing as supply-side constraints are mitigated. In such a case, exports are expected to turn upward reflecting the improvement in overseas economic conditions. Business fixed investment, housing investment, and public investment are also expected to increase gradually, mainly due to growing demand for restoring capital stock. Meanwhile, private consumption is expected to pick up as production begins to recover.

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

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on April 6 and 7, 2011.

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

As for financial developments since the earthquake, the financial intermediation function has been maintained and smooth fund settlement has also been secured.

Financial markets have been stable as a whole, as the Bank of Japan has continued to provide ample funds. 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. Compared with last month, long-term interest rates have risen, while the value of the yen against the U.S. dollar has fallen. Meanwhile, stock prices have remained at more or less the same level as last month.

Financial conditions have generally continued to ease, while weakness has been observed in the financial positions of some firms, mainly small ones, since the earthquake.

The overnight call rate has remained at an extremely low level, and the declining trend in firms' funding costs has continued. Stimulative effects from low interest rates are still partly constrained given current developments in economic activity and prices. With regard to credit supply, firms have continued to see financial institutions' lending attitudes as improving. In the corporate bond market, the new issuance of bonds has been at a pause amid somewhat wider credit spreads on corporate bonds, whereas the issuing conditions for CP have continued to be favorable. As for credit demand, some firms have recently shown signs of increasing their demand for working capital as well as accumulating their on-hand liquidity. 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

² 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.

have been improving as a whole, while weakness has been observed in those of some firms, mainly small ones. Meanwhile, the year-on-year rate of change in the money stock has been at around 2.5 percent.

1. Economic Developments

The rate of decline in public investment has started to narrow gradually. Monthly indicators (Chart 5) show that the value of public works contracted—a measure that reflects public orders—rose in January-February relative to the fourth quarter, led by the execution of the budget for prior economic measures, after having declined for two consecutive quarters. The amount of public construction completed—which reflects the progress of public works—increased in January compared with the fourth quarter.

Public investment is expected to increase gradually, mainly due to the restoration of damaged social capital.

Real exports seem to have dropped sharply since the earthquake (Charts 6[1] and 7). Production, such as in automobiles, appears to have declined significantly since mid-March affected by the earthquake disaster. Real exports are expected to turn downward in response to these production declines.

Although statistics are only available until February, real exports rose by 1.1 percent in January-February relative to the fourth quarter.³

Looking at exports in January-February compared with the fourth quarter by destination (Chart 7[1]), exports to China maintained high growth; those to other regions also grew at a relatively fast pace, notably in motor vehicles and their related goods. On the other hand, exports to the NIES and ASEAN economies were more or less flat. Meanwhile, exports to the United States and EU were relatively weak, mainly in motor vehicles and their related goods.

By goods (Chart 7[2]), exports of capital goods and parts, intermediate goods, and consumer goods have inched upward, mainly for those to China. Exports of IT-related goods have declined marginally, although the pace of decline has

³ Figures of real exports and imports were revised retroactively due to the reflection of revised trade statistics figures of 2010 and to the revision of seasonally adjusted figures. Figures by destination and goods are planned to be revised retroactively after the release of the March preliminary figures of real exports and imports.

moderated. Meanwhile, those of motor vehicles and their related goods have continued to decline marginally.

Real imports have been more or less flat (Charts 6[1] and 9). Imports increased by 0.2 percent in January-February relative to the fourth quarter.

Looking at real imports in January-February compared with the fourth quarter by goods (Chart 9[2]), imports of raw materials and intermediate goods rose in line with production increases. Imports of IT-related goods were also steady, primarily in smartphones and tablet devices. In contrast, imports of consumer goods dropped slightly, since those of flat panel televisions came to a standstill.

Net exports—in terms of the real trade balance—seem to have been relatively weak, 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 are expected to be relatively weak for the time being, since the real trade balance and the services surplus are both expected to deteriorate.

Exports are likely to remain at low levels for the time being, but they are expected to turn upward as production constraints are mitigated, against the background of the ongoing improvement in overseas economic conditions.

Imports are projected to show some weakness for the time being, but they are expected to turn upward. Due to the effects of the earthquake disaster, imports are expected to be relatively weak as a whole for the time being because of limited procurement of raw materials following production declines, although there have been movements to supplement everyday goods and some parts with imported goods.

Business fixed investment—which had been picking up—is likely to have weakened temporarily due to the decline in production since the earthquake. The aggregate supply of capital goods—a coincident indicator of machinery investment—increased in January-February compared with the fourth quarter (Chart 10[1]). As for leading indicators, machinery orders (private demand, excluding orders for ships, those from electric power companies, and those for cell phones)—a

leading indicator of machinery investment—dropped in the fourth quarter on a quarter-on-quarter basis, but increased in January compared with the fourth quarter (Chart 11[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 in January-February relative to the fourth quarter (Chart 11[2]). By industry, they fell back sharply 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 and to transportation.

Regarding the environment surrounding business fixed investment, corporate profits have been on a recovery trend, but the pace of recovery seems to have slowed due to the effects of the earthquake disaster. According to the business plans of firms in the March *Tankan*, current profits (for all industries and firms) on a fiscal year basis are forecasted to increase marginally in fiscal 2011, following the significant increase in fiscal 2010 (Chart 12). It seems, however, that this March *Tankan* includes only a small fraction of the effects of the earthquake disaster. In these circumstances, business sentiment improved marginally for all industries and firms in the March *Tankan*, after having deteriorated in the December *Tankan* for the first time in seven quarters. In detail (Chart 13), both large and small manufacturing firms had projected business conditions to deteriorate at the time of the December *Tankan* due to future anxiety, but business conditions improved marginally in large and small firms alike, assisted by the pick-up in demand at home and abroad. As for nonmanufacturing, business conditions improved somewhat for both large and small firms. Looking at data before and after the earthquake for reference, firms projected deterioration in their business conditions "after the earthquake."⁴

⁴ Since the situation in which the survey forms were completed has changed significantly depending on whether the forms were completed before or after the earthquake, the Research and Statistics Department of the Bank of Japan has released "Business Conditions Before and After the Tohoku-Pacific Ocean Earthquake" on April 4 as reference data for the business conditions DI.

Business fixed investment is expected to increase gradually, mainly since repair work will be carried out for quake-hit facilities. According to business fixed investment plans (excluding software investment and including land purchasing expenses) in the March *Tankan* (Chart 14), those of large firms are projected to decrease by 0.4 percent for fiscal 2011 on a year-on-year basis, after increasing 1.6 percent for fiscal 2010. Plans of small firms are projected to decrease by 24.5 percent for fiscal 2011 on a year-on-year basis, after declining by 2.3 percent for fiscal 2010. Based on "software and fixed investment excluding land purchasing expenses"—a concept similar to GDP—business fixed investment of all industries and firms for fiscal 2011 is projected to decline by 0.2 percent on a year-on-year basis, after having increased by 0.9 percent in fiscal 2010.

As for private consumption—which had been showing signs of picking up—the effects of the earthquake disaster have pushed up demand for some necessities, whereas they seem to have dampened consumption due to a deterioration in consumer sentiment. Looking first at the situation prior to the earthquake, consumption of goods—as seen through sales at retail stores (in real terms)—rose in January-February relative to the fourth quarter (Chart 16[1]). Sales of household electrical appliances (in real terms) increased in January and February on a month-on-month basis, although December saw a sharp drop in response to the prior increase (Chart 16[2]).⁵ Sales at convenience stores increased in January-February relative to the fourth quarter, mainly in foodstuffs and tobacco (Chart 17[1]). Sales at department stores also climbed marginally in January-February compared with the fourth quarter, assisted mainly by steady sales of apparel and accessories. Sales at supermarkets showed slight increases in January-February relative to the fourth quarter, notably in apparel as well as in foodstuffs and beverages. As for

The reaggregated data consist of two parts: (i) aggregates of the survey forms returned to the Bank from February 24 to March 11; and (ii) aggregates of those from March 12 to 31.

⁵ 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 was limited and eco-points were granted only on the basis that the old product was to be recycled for appliances purchased through the January-to-March period in 2011.

developments in services consumption (Chart 17[2]), outlays for travel and sales in the food service industry have continued to be more or less level.

In terms of the situation after the earthquake, the number of new passenger-car registrations—which had been on a recovery trend since December, supported partly by the introduction of new models—dropped again in March due to the effects of the earthquake disaster (Chart 16[2]).

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-February relative to the fourth quarter (Chart 16[1]).⁶ The total expenditure in the *Survey of Household Economy* (in real terms; two-or-more-person households) also dropped in January-February from the fourth quarter.

Indicators related to consumer sentiment had been improving slightly until February (Chart 18).

Private consumption is expected to pick up as production begins to recover.

Housing investment has started to pick up. The number of housing starts (Chart 19[1])—a leading indicator of housing investment—rose in January-February compared with the fourth quarter. It 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. However, there may be a delay in housing construction due to the effects of the earthquake disaster.

Housing investment is expected to edge up, mainly in response to the damage caused by the earthquake.

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

Industrial production has declined substantially in some industries and regions, mainly due to damaged production facilities, supply-chain disruptions, and electric power supply constraints since the earthquake. Although statistics are only available until February, production registered relatively high growth of 4.0 percent in January-February compared with the fourth quarter (Chart 20).⁷

Shipments rose by 3.1 percent in January-February relative to the fourth quarter. By goods (Chart 21), shipments of producer goods rose, mainly in motor vehicle parts, iron and steel, and electronic parts and devices. 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 smoothed out—have been on a moderate uptrend lately. Non-durable consumer goods have been picking up, mainly in foodstuffs and beverages as well as tobacco. Capital goods (excluding transport equipment) have continued to trend gradually upward on average.

Inventories rose in February, mainly in electronic parts and devices as well as flat panel televisions. Looking at the shipment-inventory balance on a year-on-year basis (Chart 22), growth in inventories outpaced that in shipments, mainly reflecting movements in flat panel televisions and in electronic parts and devices.

Production is expected to remain at a low level for the time being, but is likely to start increasing as supply-side constraints are mitigated.

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 23[1]). From a somewhat long-term perspective, the unemployment rate—though still high—has been on a downtrend. Looking at the employment conditions DI in the March *Tankan* (Chart 25), the net "excessive" employment has continued to narrow. As for the outlook, the labor market is

⁷ Having adjusted the distortion in seasonal adjustments caused by the Lehman Shock, the pace of increase seems to have been more gradual.

expected to remain more or less unchanged for the time being, partly due to the effects of the earthquake disaster.

In terms of employment (Chart 24[1]), the year-on-year growth rate of the number of employees in the *Labour Force Survey* has recently risen marginally.⁸ 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.⁹ The year-on-year pace of increase in overtime hours worked, meanwhile, has been on a downtrend since the seasonally adjusted level has been more or less flat (Chart 24[3]).

Nominal wages per employee have continued to increase marginally on a year-on-year basis (Chart 26[1]). In detail, regular payments have exhibited a marginal decrease on a year-on-year basis as a result of fluctuations which seem to be caused by sample changes. Overtime payments have continued to increase on a year-on-year basis, albeit at a reduced pace. Special payments have marked a sizeable increase, with some samples showing relatively strong payments.

Employee income has been slightly above the year-ago level as a reflection of the aforementioned developments in employment and wages (Chart 26[3]).

⁸ As for the *Labour Force Survey*, Iwate, Miyagi, and Fukushima prefectures were unable to return their survey forms due to the effects of the Great East Japan Earthquake (survey forms for February have been collected by each prefecture, but there has been a delay in sending the forms back to the Ministry of Internal Affairs and Communications). Therefore, the February preliminary figures were compiled by estimating that the employment situation of these three prefectures was the same as that of the other regions.

⁹ Among areas hit by the Great East Japan Earthquake (which are Aomori, Iwate, Miyagi, Fukushima, Ibaraki, Tochigi, Chiba, Niigata, and Nagano prefectures), the following businesses can receive the Employment Adjustment Subsidy: businesses located in regions where the Disaster Relief Law is applied; those doing a certain amount of business with these disaster-stricken firms; and businesses located in areas that are subject to scheduled black outs and thus business activity has been reduced due to these black outs. These businesses also need to meet either requirement to receive this subsidy: (i) the decline such as in the production volume and sales in the most recent one month was 5 percent or more compared with the prior month or on a year-on-year basis; or (ii) the expected decline such as in the production volume or sales in the one month following the earthquake disaster was 5 percent or more relative to the prior one month on a year-on-year basis.

The increase in employee income is likely to lack vigor for the time being, affected partly by the earthquake disaster.

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 28). Looking at international commodity prices in somewhat detail, crude oil prices have climbed, mainly due to growing demand from emerging economies, accommodative financial conditions on a worldwide basis, and uncertainty about the situations in the Middle East and North Africa. On the other hand, prices of nonferrous metals and grain—which had been moving up mainly as a reflection of demand among emerging economies—have recently shown some signs of adjustments.

The three-month rate of change in domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter)¹⁰ is rising, mainly due to the increase in international commodity prices (Chart 29). 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 30). A breakdown of developments in February shows that prices related to selling, general and administrative expenses have declined at a somewhat faster pace on a year-on-year basis, mainly since advertising services fell back from the increase in the previous month. The rates of decline in prices related to real estate have started to flatten lately.

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

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 31 and 32). In February, the rate of decline in consumer prices expanded by 0.1 percentage point from January, and registered a decrease of 0.3 percent (an increase of 0.2 percent with high school fees excluded).^{11,12} Looking at developments on a basis that excludes food and energy, consumer prices registered a decline of 0.6 percent, which was the same as that in January (an increase of 0.2 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 in detail at recent movements other than high school fees, cigarettes, and accident insurance premiums, as for goods, while prices of petroleum products (such as gasoline) have increased at about the same pace as that of January, prices of clothes have increased at a faster pace and those of food products have tended to decline at a slower pace. As for general services, the rate of decline was about the same as that in January. Public utility charges have declined at a somewhat faster pace as a whole, since the pace of increase in airplane fares has slowed slightly and also since the prior decline in crude oil prices has taken effect on electricity with a time lag.

With regard to domestic supply and demand conditions in the March *Tankan* (Chart 33), the net "excess supply" of the supply and demand conditions DI for products and services moderated marginally in both manufacturing and nonmanufacturing. The net "fall" of the output prices DI narrowed somewhat in both manufacturing and nonmanufacturing. Meanwhile, the weighted average of the

¹¹ The rise in the tobacco tax and the increase in accident insurance premiums have pushed consumer prices (nationwide; excluding fresh food) upward since October 2010 by about 0.3 percentage points and 0.1 percentage point, respectively, on a year-on-year basis.

¹² In terms of high school fees, households with public high school students are exempt from paying the annual tuition fee of about 120,000 yen, while those with private high school students receive subsidies equivalent to the annual tuition fee of public high schools.

production capacity DI and employment conditions DI has been on a moderate improving trend.

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.¹³

Meanwhile, looking at developments in land prices through the *Public Notice of Land Prices* as of January (Chart 34), nationwide land prices were below the previous year's level for the third consecutive year. The year-on-year rate of decline decelerated in both commercial and residential lands.

3. Financial Developments

(1) Financial Markets

In Japan's money markets, interest rates rose somewhat after the earthquake—against the backdrop that financial institutions temporarily became cautious about releasing funds, while they became prudent in securing liquidity funds at the same time—but have regained their stability as a whole, as the Bank of Japan has provided a large volume of funds, including those through same-day funds-supplying operations. 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) rose somewhat but has turned to decrease thereafter; it 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. Interest rates on Euroyen futures have been more or less flat (Chart 35). In U.S. dollar funding, the LIBOR-OIS spread for the dollar has been at a low level (Chart 36).

¹³ 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.

Yields on 10-year government bonds (newly issued 10-year JGB) decreased somewhat amid declining stock prices, but they have risen thereafter, partly due to concerns about increases in the issuance of JGB; they have recently been at around 1.3 percent (Chart 37).

In the secondary market of corporate bonds, the volume of transactions has been low, as investors have taken wait-and-see stances. Meanwhile, yield spreads between corporate bonds and government bonds, mainly those of electric company bonds, have widened (Chart 38).

Stock prices dropped sharply after the earthquake, but they have rebounded somewhat thereafter, against the background that foreign investors seem to have purchased stocks on dips. The Nikkei 225 Stock Average has recently been at around 9,500 yen (Chart 39).

In the foreign exchange market, the yen's exchange rate against the U.S. dollar appreciated after the earthquake and hit the range of 76-77 yen, but it has depreciated thereafter, triggered by the coordinated intervention; it has recently been in the range of 85-86 yen (Chart 40).

(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 42).

With regard to credit supply, firms have continued to see financial institutions' lending attitudes as improving (Chart 41). In the corporate bond market, the new issuance of bonds has been at a pause amid somewhat wider credit spreads on corporate bonds, whereas the issuing conditions for CP have continued to be favorable. In these circumstances, funding of the private sector has declined on a year-on-year basis. Bank lending has declined on a year-on-year basis (Chart 43). 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 44).

In these circumstances, the financial positions of firms have been improving as a whole, while weakness has been observed in those of some firms, mainly small ones (Chart 41). 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 46).

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 45).¹⁴

¹⁴ On an M3 basis, which includes the Japan Post Bank, the year-on-year growth rate has recently been in the range of 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. ¹						
	2010/Q3	Q4	2011/Q1	2010/Dec.	2011/Jan.	Feb.	Mar.
Index of consumption expenditure level (two-or-more-person households)	1.6	-1.4	n.a.	-2.8	2.1	0.0	n.a.
Sales at department stores	-0.3	-0.2	n.a.	0.2	0.4	p 1.4	n.a.
Sales at supermarkets	0.8	-1.0	n.a.	-1.5	0.9	p 1.2	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 337>	< 217>	< 234>	< 217>	< 246>	< 266>	< 188>
Sales of household electrical appliances (real, "Current Survey of Commerce")	8.9	13.3	n.a.	-39.2	6.3	p 9.2	n.a.
Outlays for travel	-1.0	0.4	n.a.	-3.1	3.9	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	< 82>	< 84>	<n.a.>	< 86>	< 85>	< 87>	<n.a.>
Machinery orders (from private sector) excluding volatile orders 1 ⁴	9.6	-6.9	n.a.	1.7	4.2	n.a.	n.a.
excluding volatile orders 2 ⁴	7.7	-5.8	n.a.	-0.9	6.6	n.a.	n.a.
Construction starts (private, nondwelling use)	17.6	-9.7	n.a.	-9.3	31.1	-20.2	n.a.
Mining & manufacturing	7.7	9.0	n.a.	-14.1	3.8	-19.2	n.a.
Nonmanufacturing ⁵	21.1	-12.1	n.a.	-3.2	30.2	-21.3	n.a.
Value of public works contracted	-7.9	-5.5	n.a.	-5.2	7.5	11.2	n.a.
Real exports	0.3	0.0	n.a.	2.8	-2.6	3.7	n.a.
Real imports	1.4	-0.7	n.a.	-1.2	2.0	-2.4	n.a.
Industrial production	-1.8	-1.6	n.a.	3.3	1.3	p 0.4	n.a.
Shipments	-1.2	-1.6	n.a.	1.2	0.6	p 1.7	n.a.
Inventories	0.4	-1.2	n.a.	1.6	4.0	p 1.5	n.a.
Inventory ratio <s.a., CY 2005 = 100>	< 108.8>	< 108.5>	<n.a.>	< 108.5>	< 108.3>	<p 105.9>	<n.a.>
Real GDP	0.8	-0.3	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.7	-1.1	n.a.	-0.3	2.9	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	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>	< 0.62>
Unemployment rate <s.a., %>	< 5.1>	< 5.0>	< 5.0>	< 5.1>	< 4.9>	< 4.9>	< 4.6>
Overtime working hours ⁶	10.8	9.6	5.7	6.1	5.1	3.2	p 1.0
Number of employees	-0.3	0.3	0.4	0.3	0.2	0.3	1.3
Number of regular employees ⁶	0.2	0.5	0.7	0.7	0.6	0.8	p 0.7
Nominal wages per person ⁶	1.3	0.9	0.2	0.2	0.1	0.4	p 0.3
Domestic corporate goods price index <q/q % chg., 3-month rate of change> ⁷	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 ⁸	-1.2	-1.0	-0.5	-0.5	-0.4	-0.2	-0.3
Corporate services price index ⁹	-1.4	-1.3	-1.4	-1.3	-1.3	-1.0	p -0.9
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";

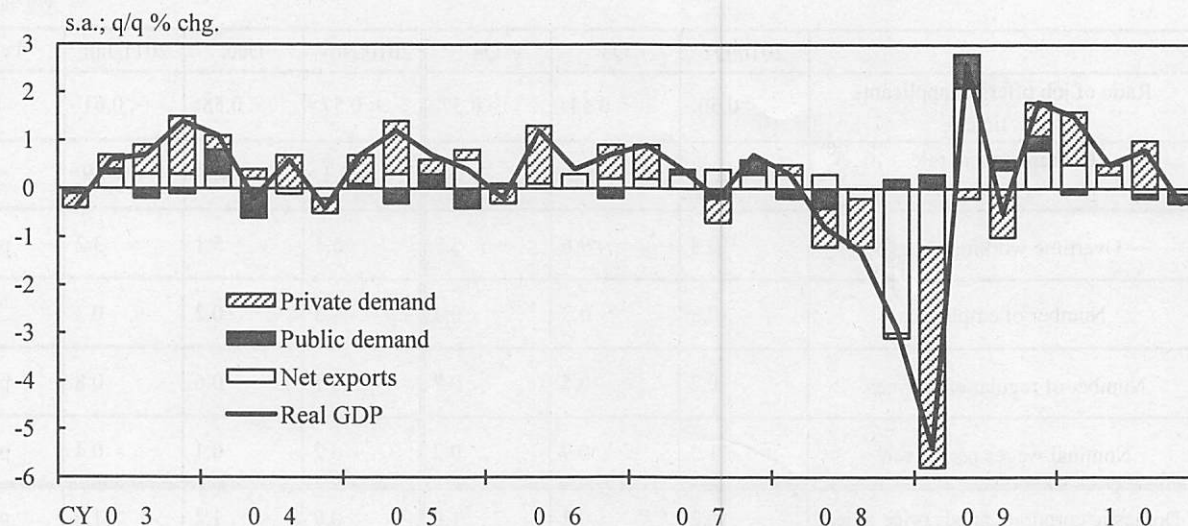
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey";

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



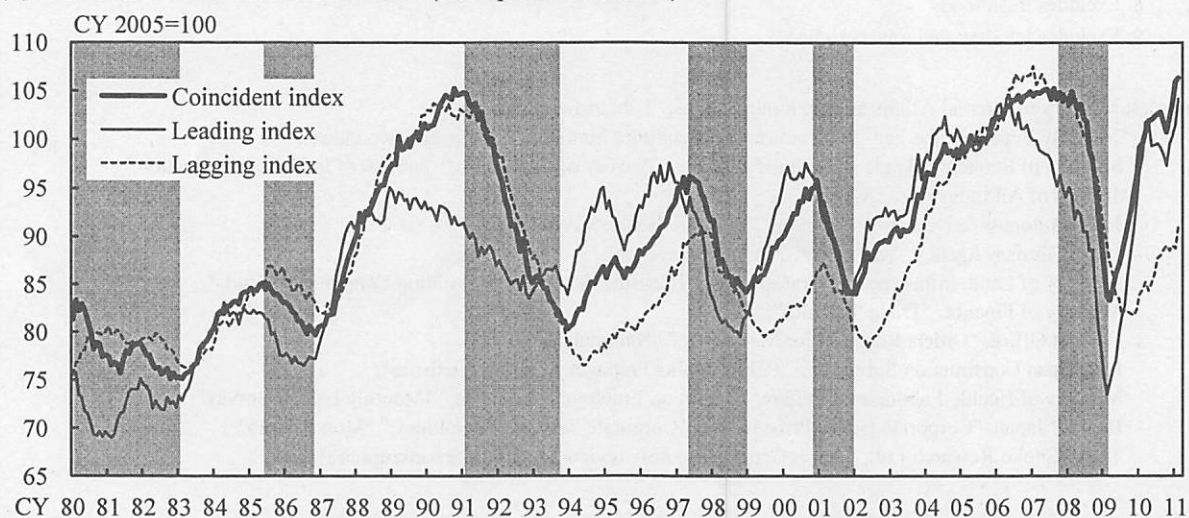
(2) Components

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)

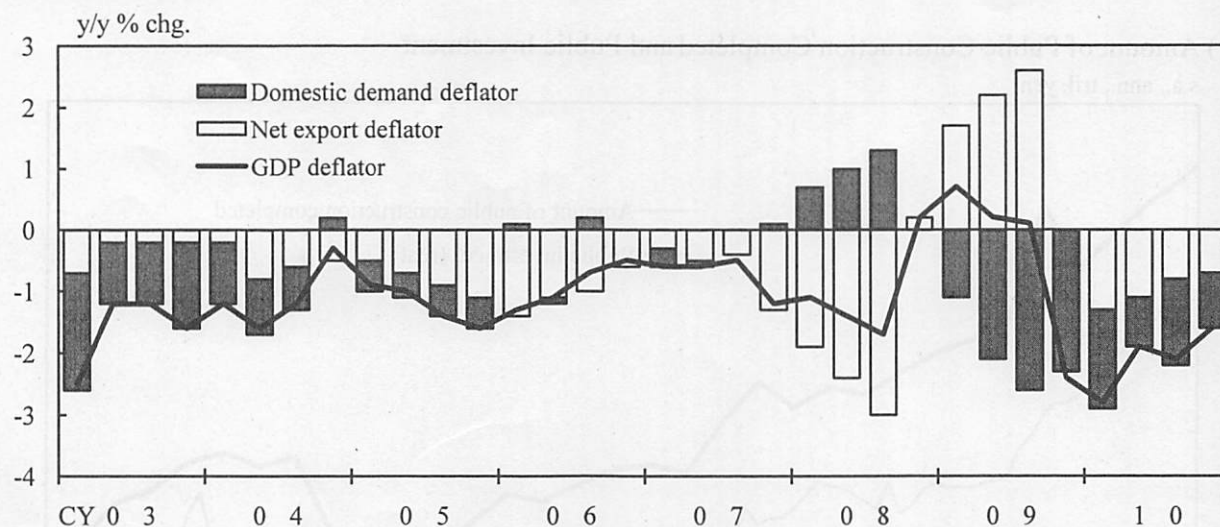


Note: Shaded areas indicate recession periods.

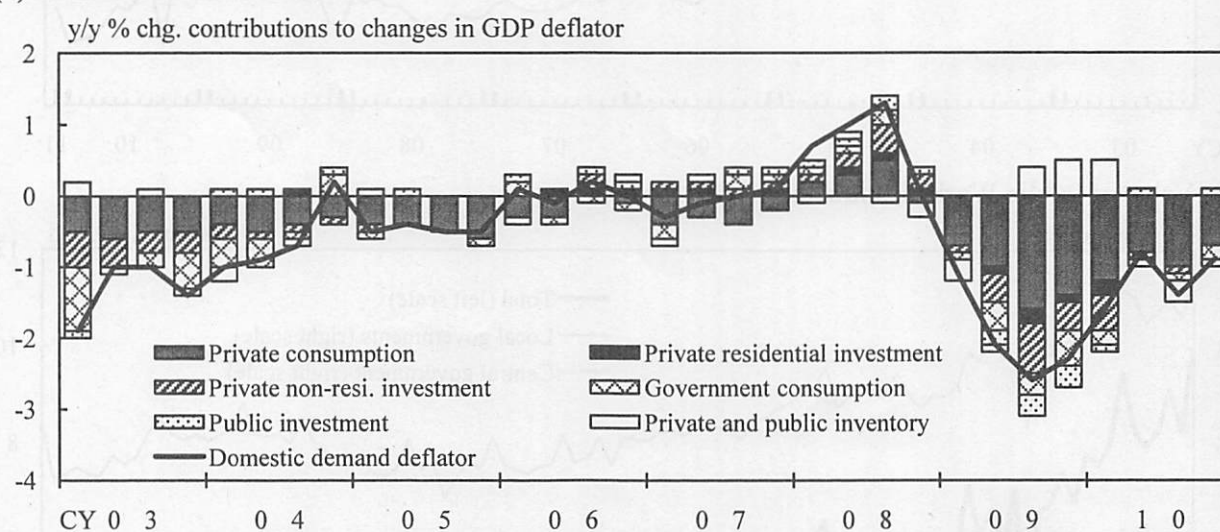
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

GDP Deflator and Income Formation

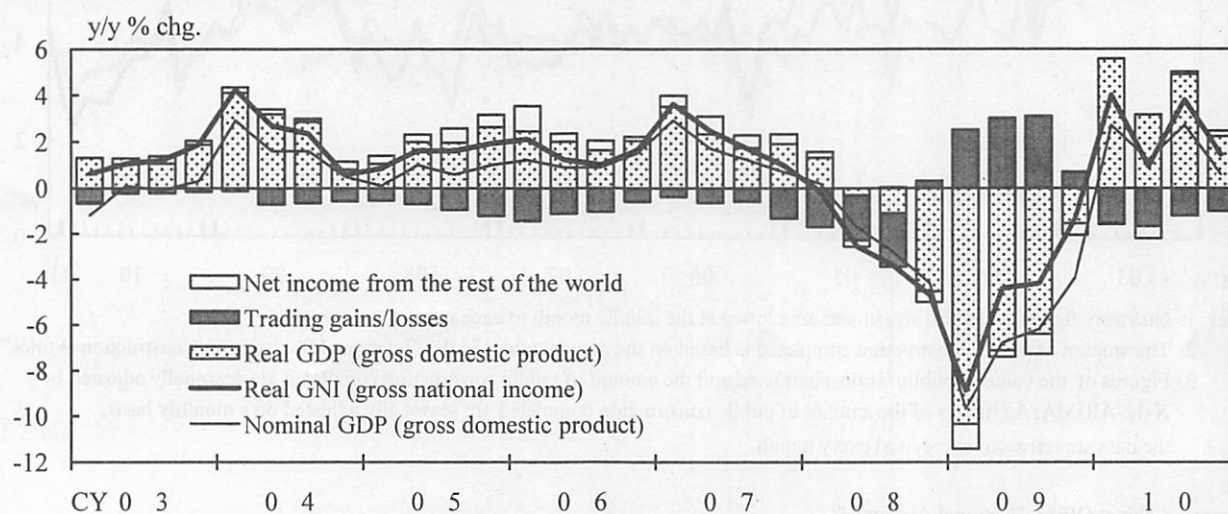
(1) GDP Deflator



(2) Domestic Demand Deflator



(3) Aggregate Income Formation



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

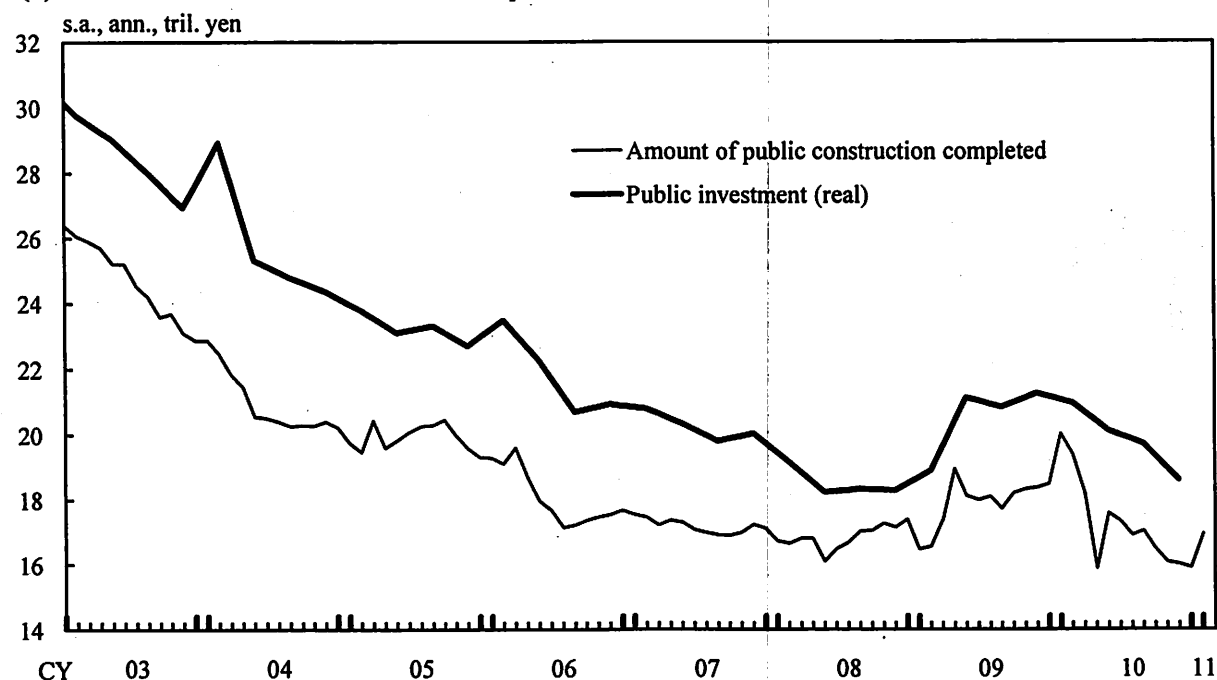
2. Real GNI = real GDP + trading gains/losses + net income from the rest of the world

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

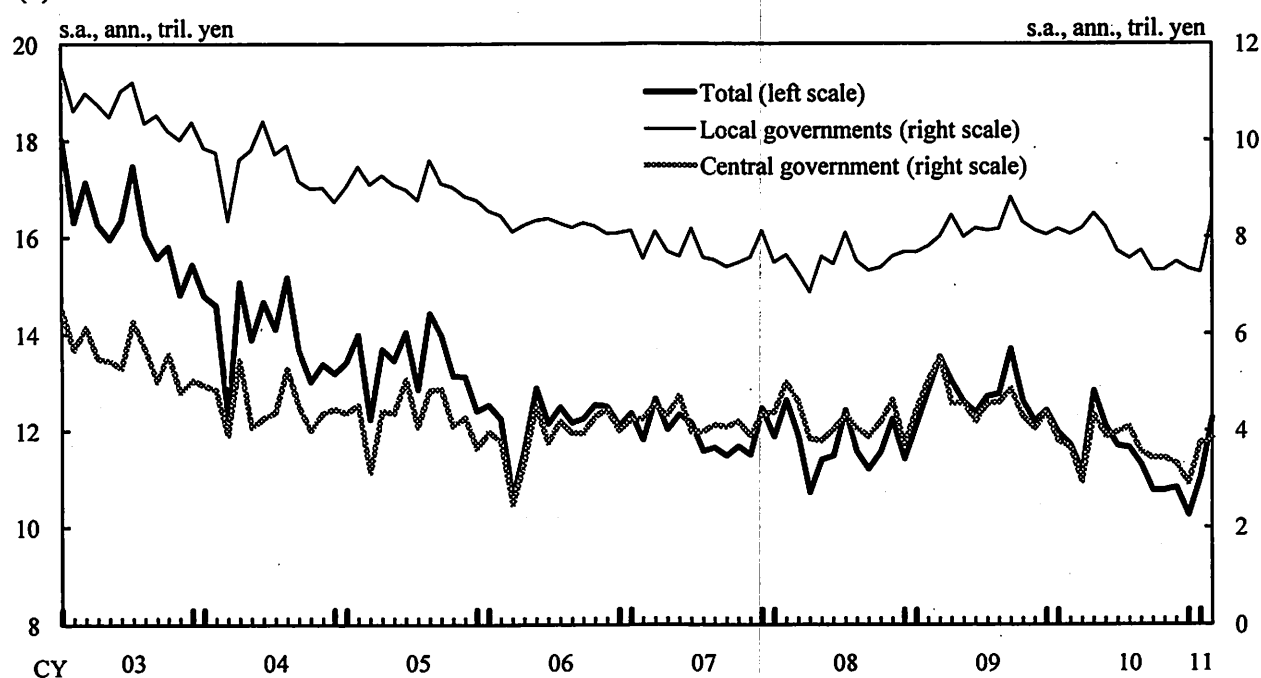
Source: Cabinet Office, "National Accounts."

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.

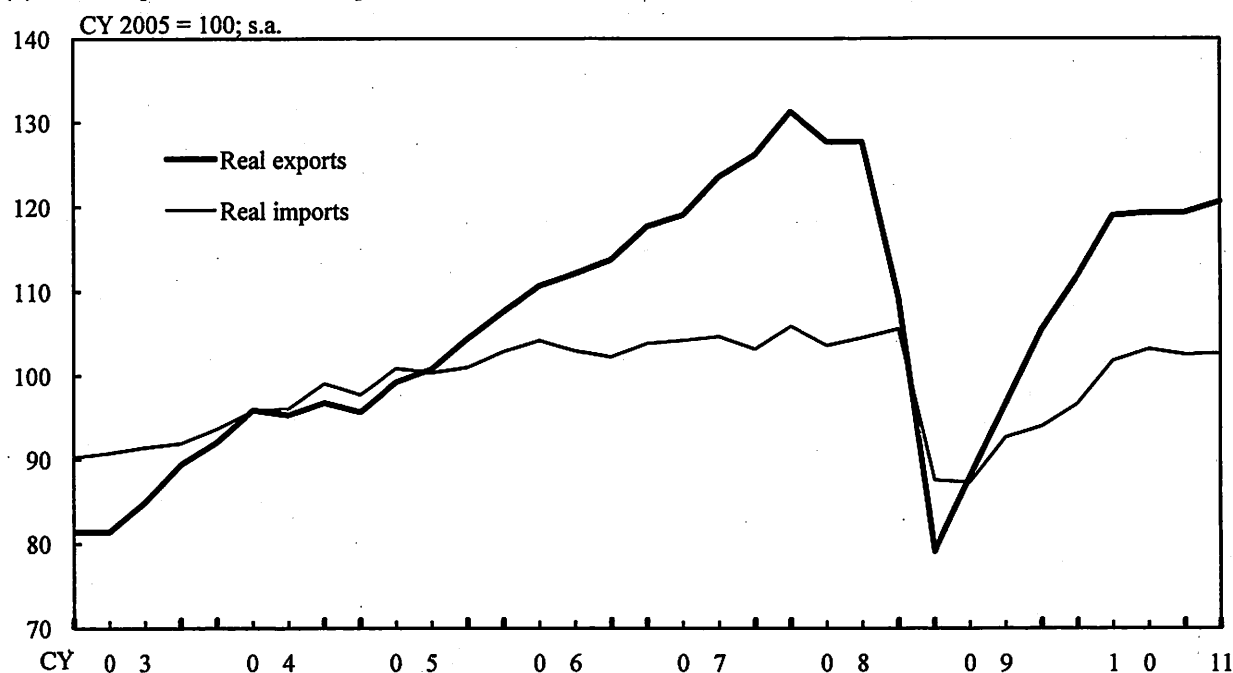
Sources: Cabinet Office, "National Accounts";

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

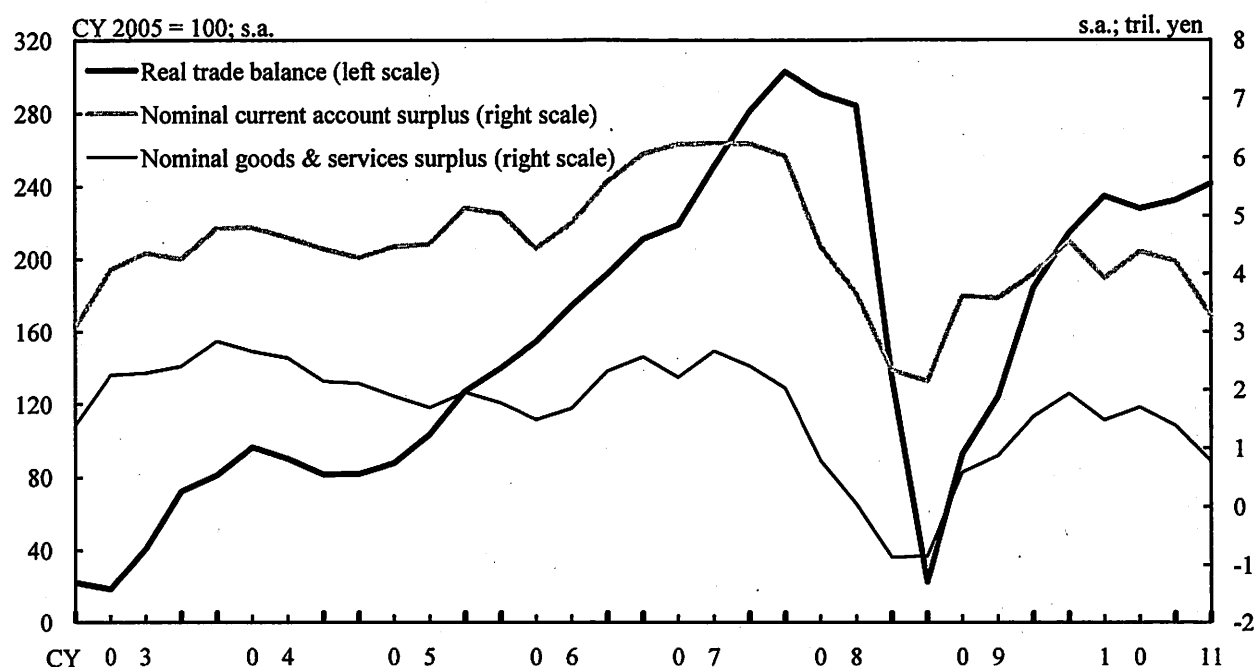
Ministry of Land, Infrastructure, Transport and Tourism, "Integrated Statistics on Construction Works."

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. The seasonally adjusted figures for real exports, real imports, and real trade balance have been retroactively revised due to the regular annual revision for the previous year's data in the "Trade Statistics." Figures by region or goods, however, have not revised this time. These also apply to Chart 7, and 9.
3. 2011/Q1 figures for real exports/imports and the real trade balance are January-February averages converted into quarterly amount.
4. 2011/Q1 figures for the nominal current account surplus and nominal goods & services surplus 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 ¹

(1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2009	2010	2010 Q1	Q2	Q3	Q4	2011 Q1	2010 Dec.	2011 Jan.	2011 Feb.
United States	<15.4>	-32.6	24.3	-1.2	11.3	3.4	-1.9	-3.9	7.0	-6.0	-2.8
EU	<11.3>	-34.6	16.7	-4.0	8.5	4.2	0.9	-2.0	-4.7	-3.8	4.8
East Asia	<53.4>	-15.8	31.6	7.9	5.0	0.8	1.4	2.3	5.7	-2.1	3.0
China	<19.4>	-10.2	31.0	9.1	2.5	2.7	6.8	6.1	8.5	-4.0	11.8
NIEs	<23.7>	-18.0	27.9	6.9	5.3	-0.6	-1.8	-0.7	3.0	-1.8	-1.4
Korea	<8.1>	-16.0	23.7	5.9	5.8	1.6	-7.4	5.1	3.9	5.5	-7.5
Taiwan	<6.8>	-17.7	37.1	9.7	6.8	-0.8	-4.0	2.6	0.6	3.1	-0.3
Hong Kong	<5.5>	-18.8	28.7	4.9	10.0	-3.9	1.4	-5.4	19.1	-14.6	4.4
Singapore	<3.3>	-21.6	19.8	13.3	-11.0	6.0	5.8	-3.4	-16.5	6.2	-4.9
ASEAN ³	<10.2>	-20.5	42.7	8.1	9.0	0.6	-1.0	1.2	6.2	0.9	-4.4
Thailand	<4.4>	-20.9	46.0	4.9	11.1	1.2	-0.9	3.4	2.1	3.1	-1.4
Others	<19.9>	-32.1	28.9	11.1	9.1	-4.0	-4.3	6.1	7.1	2.7	0.0
Real exports		-25.6	27.5	6.0	6.4	0.3	0.0	1.1	2.8	-2.6	3.7

(2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2009	2010	2010 Q1	Q2	Q3	Q4	2011 Q1	2010 Dec.	2011 Jan.	2011 Feb.
Intermediate goods	<20.6>	-5.6	18.6	0.9	5.4	1.3	-1.9	0.9	-0.2	-0.2	2.3
Motor vehicles and their related goods	<21.6>	-41.4	42.1	4.9	10.7	0.5	-0.2	-0.7	9.7	-8.9	8.2
Consumer goods ⁴	<3.4>	-28.8	9.9	-0.5	9.2	1.0	-7.1	1.4	7.1	-9.6	17.4
IT-related goods ⁵	<10.7>	-17.0	27.2	5.9	7.2	-1.5	-1.9	-1.2	4.0	-3.1	1.3
Capital goods and parts ⁶	<29.2>	-28.1	35.7	8.7	14.7	1.2	-2.8	1.3	7.2	-3.9	2.1
Real exports		-25.6	27.5	6.0	6.4	0.3	0.0	1.1	2.8	-2.6	3.7

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2011/Q1 figures are January-February averages 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.

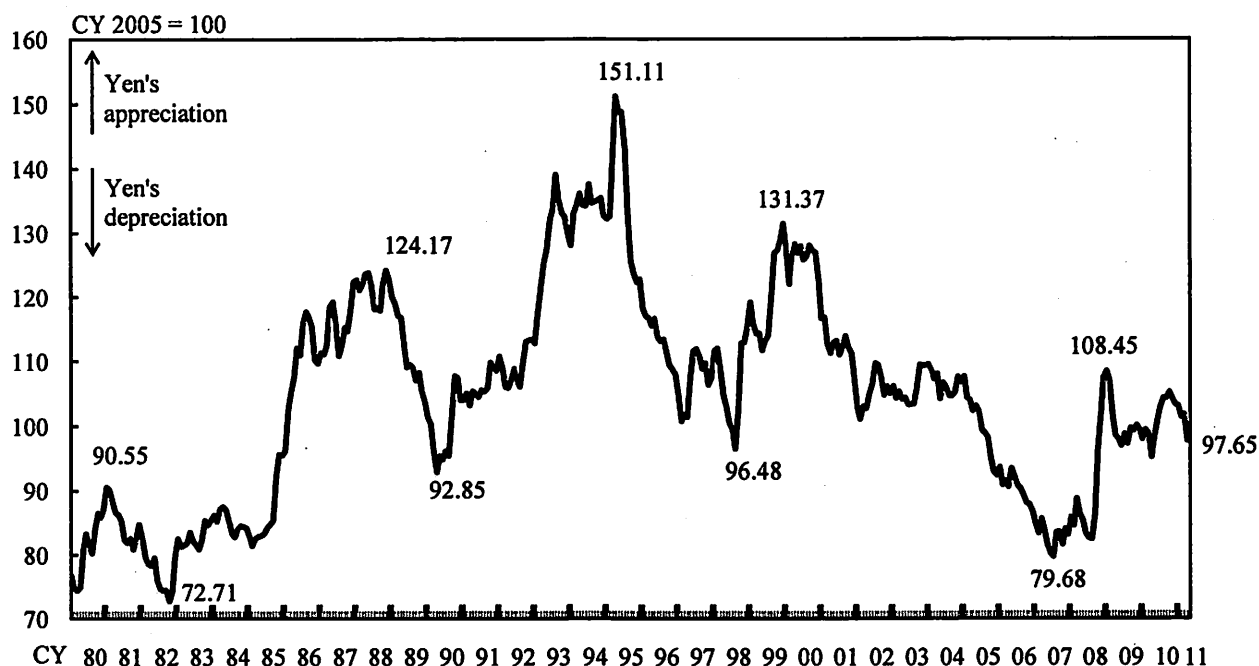
5. IT-related goods are composed of computers and units, telecommunication machinery, ICs, and medical and optical instruments.

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 March and April (up to April 5) 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 ¹		0.0	-2.6	2.9	3.7	1.7	2.6	3.1
European Union ¹		0.5	-4.2	1.8	1.8	4.1	2.0	0.9
East Asia ²	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	0.8	4.3	2.9	-1.9
	China	9.6	9.2	10.3	11.9	10.3	9.6	9.8
	NIEs	Korea	2.3	0.3	6.2	8.5	7.5	4.4
		Taiwan	0.7	-1.9	10.8	13.6	12.9	10.7
		Hong Kong	2.3	-2.7	6.8	8.1	6.4	6.7
		Singapore	1.5	-0.8	14.5	16.4	19.4	10.5
	ASEAN4	Thailand	2.5	-2.3	7.8	12.0	9.2	6.6
		Indonesia	6.0	4.6	6.1	5.6	6.1	5.8
		Malaysia	4.7	-1.7	7.2	10.1	8.9	5.3
		Philippines	3.7	1.1	7.3	7.8	8.2	6.3

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.

Chart 9

Real Imports ¹

(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	Dec.	Jan.	Feb.
United States	<9.7>	-18.7	8.3	-0.4	4.5	0.7	-1.3	-2.7	-7.9	-0.3	-1.5
EU	<9.6>	-13.2	6.6	-0.8	4.1	4.6	-5.0	5.6	3.4	6.1	0.0
East Asia	<42.5>	-13.1	22.0	4.2	11.2	1.2	1.9	1.4	-0.7	4.6	-6.7
China	<22.1>	-11.1	24.0	3.0	13.8	0.9	4.0	-0.5	-2.9	5.3	-9.4
NIEs	<8.9>	-15.9	21.7	7.0	6.9	0.7	-1.8	7.1	1.0	9.5	-6.2
Korea	<4.1>	-19.0	20.9	4.0	10.7	0.9	6.2	9.5	1.1	13.7	-9.8
Taiwan	<3.3>	-12.4	21.3	6.3	4.6	1.2	-7.4	4.9	-1.5	7.0	-1.3
Hong Kong	<0.2>	-29.7	33.0	55.5	-7.4	-5.0	2.3	8.6	0.6	-4.2	8.8
Singapore	<1.2>	-12.4	23.2	12.6	7.7	-3.8	-7.8	3.2	8.6	2.0	-6.9
ASEAN4 ³	<11.5>	-14.9	18.1	4.3	9.3	2.6	0.4	1.1	3.3	-0.9	-0.7
Thailand	<3.0>	-17.5	25.9	3.6	11.0	6.1	-4.7	3.3	-0.7	2.5	-1.4
Others	<38.2>	-13.9	6.5	2.6	3.3	0.8	-1.8	1.2	-2.7	4.8	-2.2
Real imports		-14.0	12.2	2.9	5.3	1.4	-0.7	0.2	-1.2	2.0	-2.4

(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	Dec.	Jan.	Feb.
Raw materials ⁴	<36.4>	-14.9	5.2	3.2	2.9	1.0	-1.7	1.4	-0.6	2.9	0.5
Intermediate goods	<14.9>	-15.3	18.8	5.8	7.4	1.7	-3.9	2.4	1.7	2.4	-3.3
Foodstuffs	<8.6>	1.0	2.3	2.2	8.6	3.4	-13.9	4.7	-0.7	4.3	-0.5
Consumer goods ⁵	<8.5>	-10.3	22.8	1.0	11.3	-1.4	12.2	-0.5	3.6	-2.1	-4.9
IT-related goods ⁶	<11.2>	-12.4	26.5	6.2	10.0	1.7	3.0	3.1	-0.2	9.5	-10.4
Capital goods and parts ⁷	<11.3>	-23.8	18.9	-0.4	6.8	3.4	2.3	0.2	-5.5	3.0	-4.5
Excluding aircraft	<10.7>	-24.4	21.7	4.9	6.7	3.3	1.1	1.2	-0.7	5.1	-8.5
Real imports		-14.0	12.2	2.9	5.3	1.4	-0.7	0.2	-1.2	2.0	-2.4

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2011/Q1 figures are January-February averages 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.

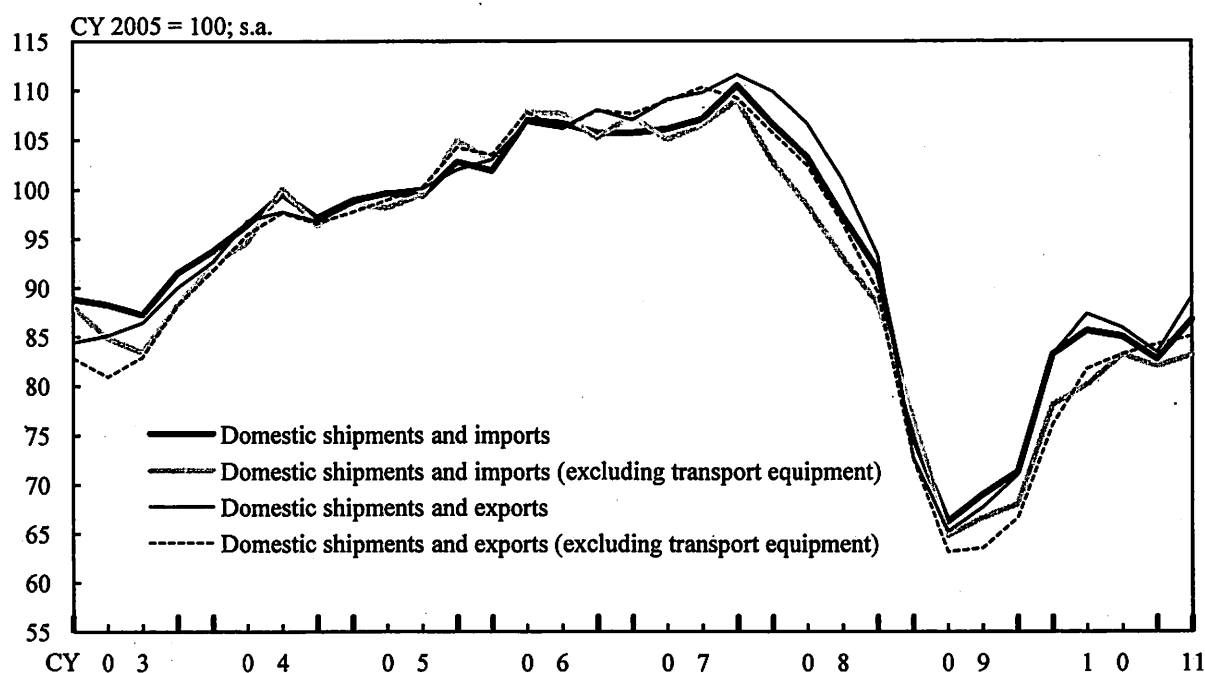
6. IT-related goods are composed of computers and units, parts of computers, telecommunication machinery, ICs, and medical and optical instruments.

7. Excludes IT-related goods.

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

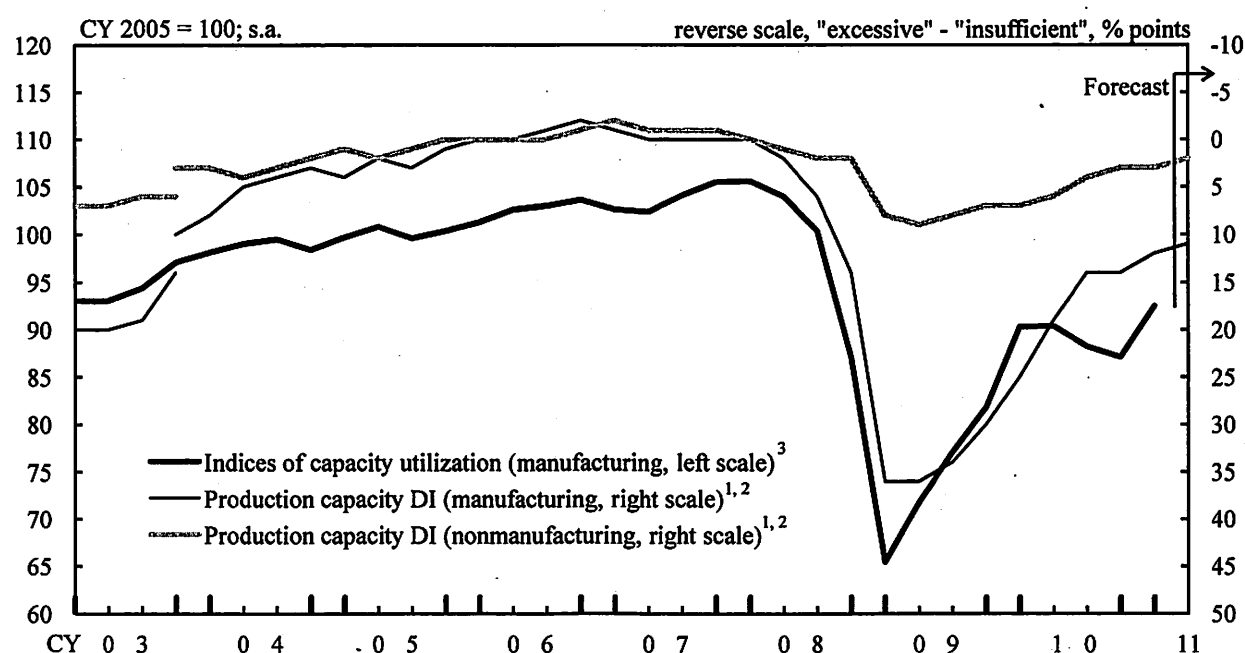
Coincident Indicators of Business Fixed Investment

(1) Aggregate Supply and Shipments of Capital Goods



Note: Figures for 2011/Q1 are January-February averages.

(2) Indices of Capacity Utilization and Production Capacity DI



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

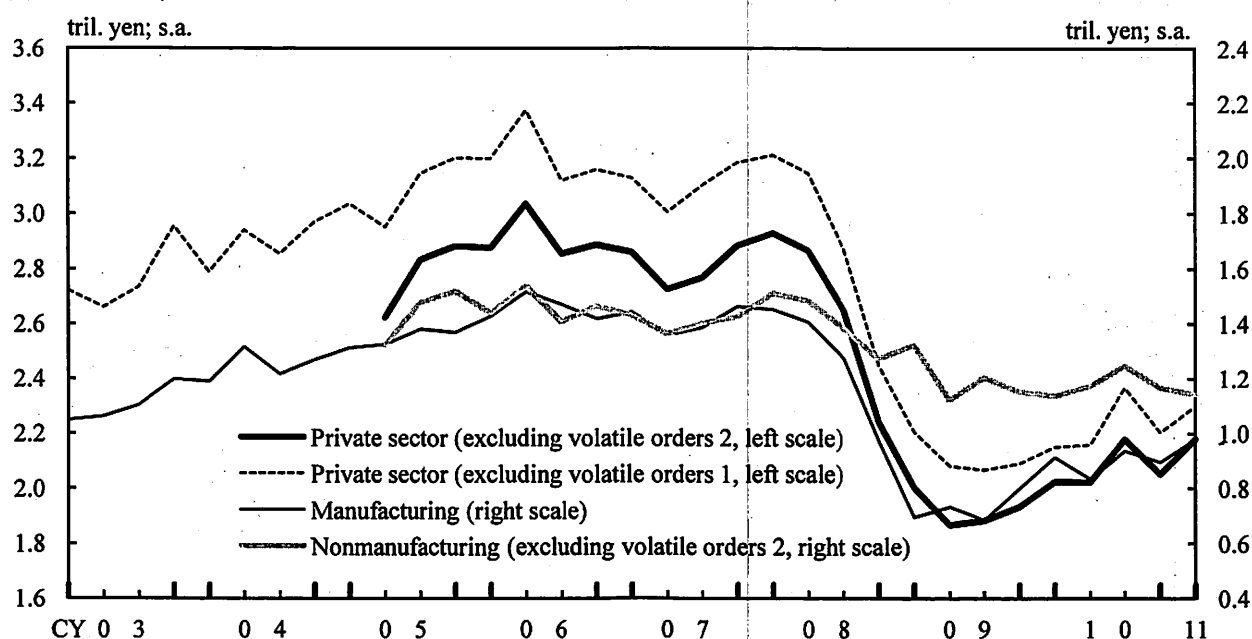
2. In the March 2004 survey, the "Tankan" underwent major revisions, including the addition of new sample enterprises to the survey. Figures up to the December 2003 survey are based on the previous data sets. Figures from the December 2003 survey are on the new basis.

3. The figure for 2011/Q1 is that of January.

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

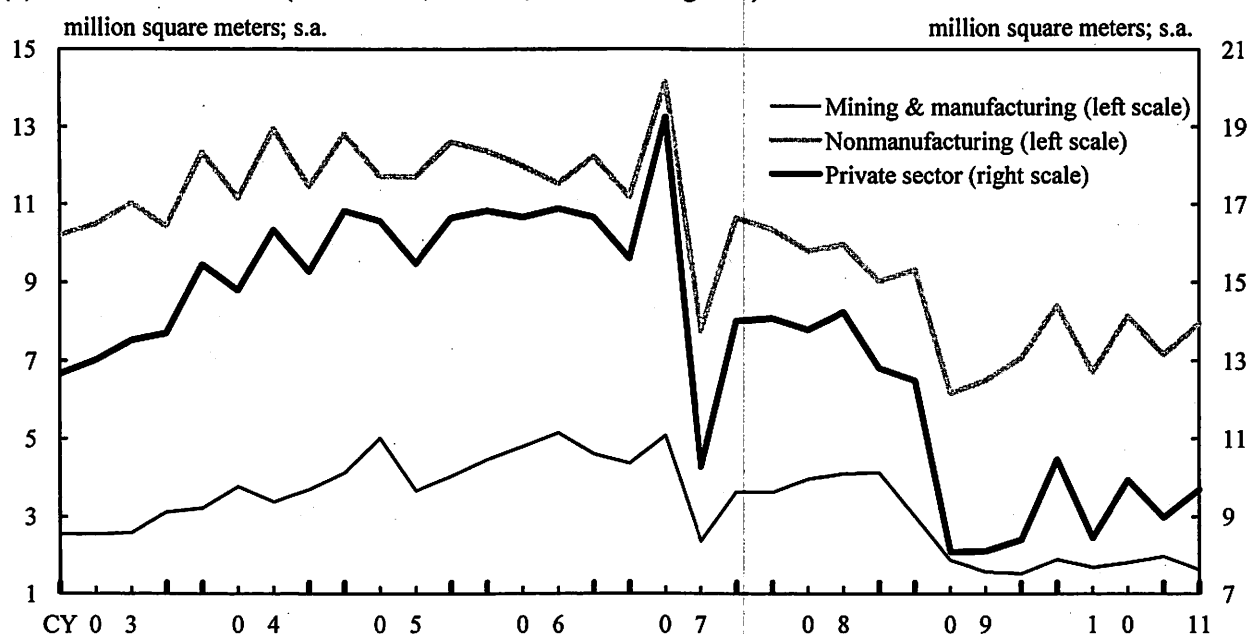


Notes: 1. Volatile orders 1: Orders for ships and those from electric power companies.

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.

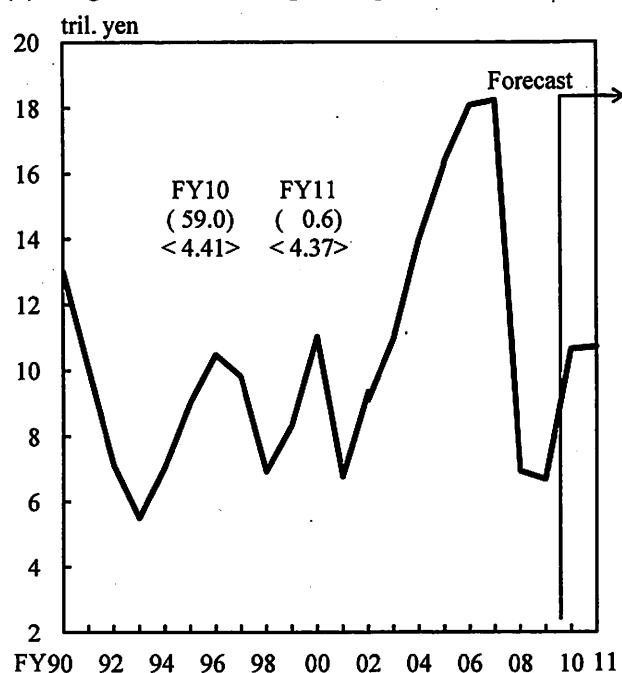
3. Figures for 2011/Q1 are January-February averages in quarterly amount.

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

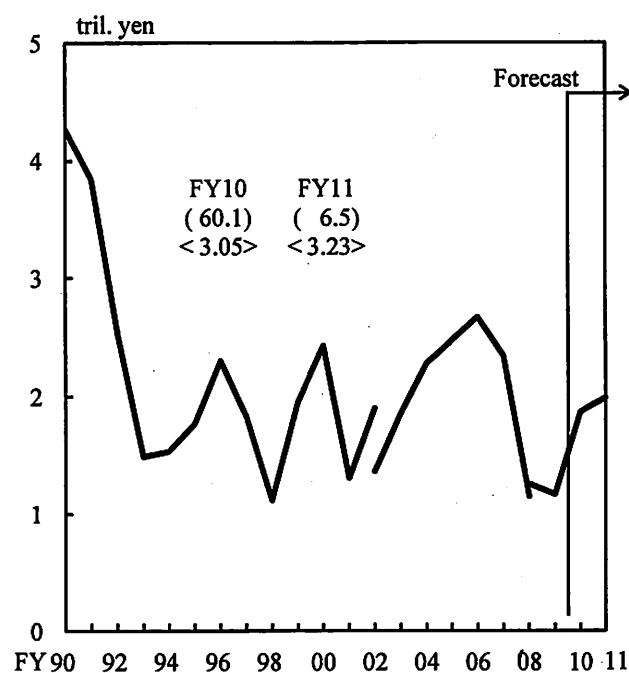
Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts."

Current Profits

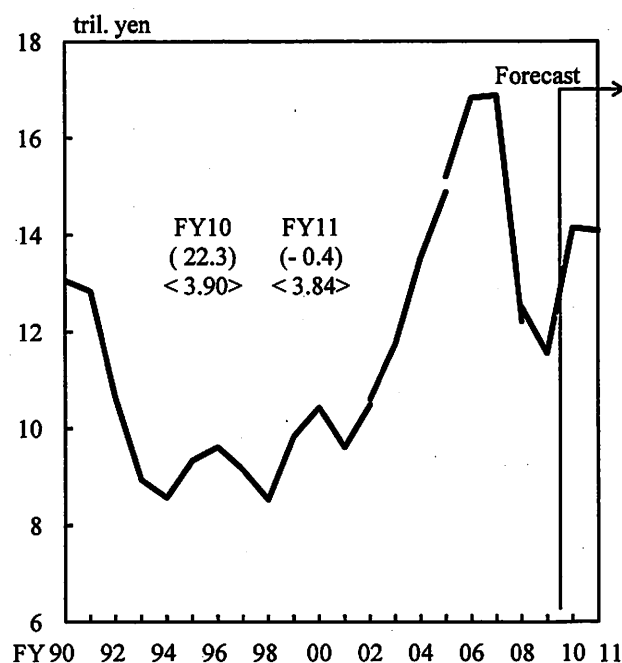
(1) Large Manufacturing Enterprises



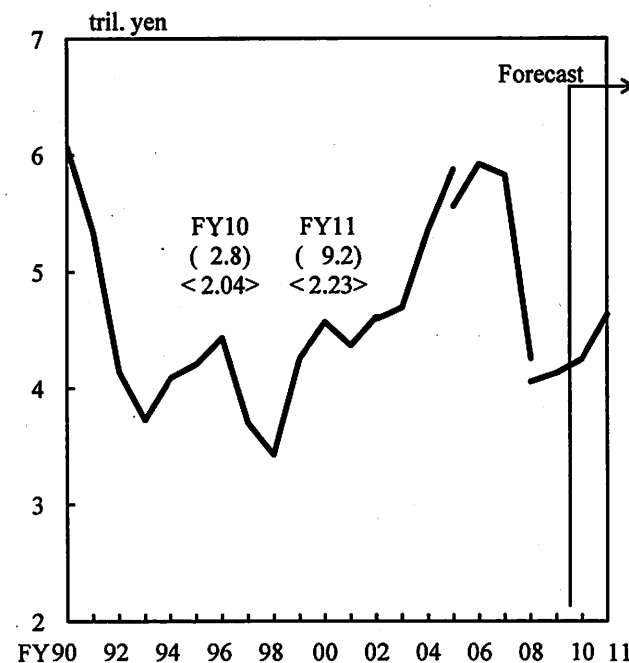
(2) Small Manufacturing Enterprises



(3) Large Nonmanufacturing Enterprises



(4) Small Nonmanufacturing Enterprises



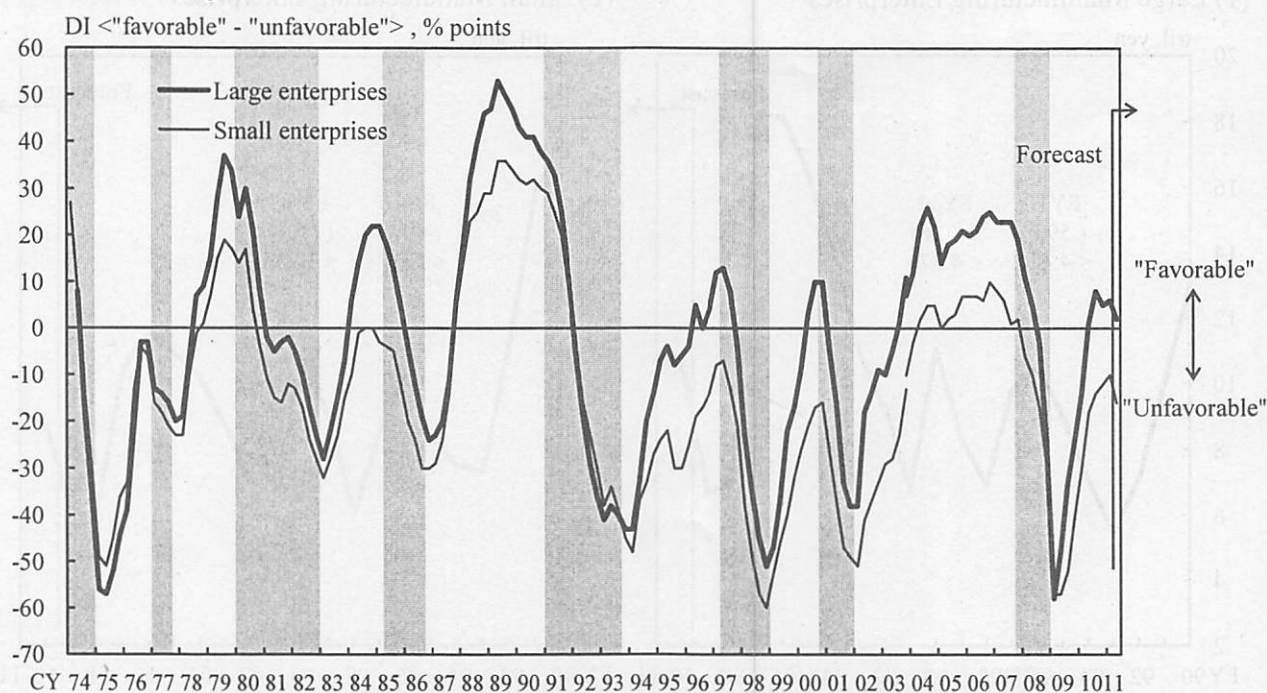
Notes: 1. (): Current profits (y/y % chg.); < >: Ratio of current profit to sales (%).

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

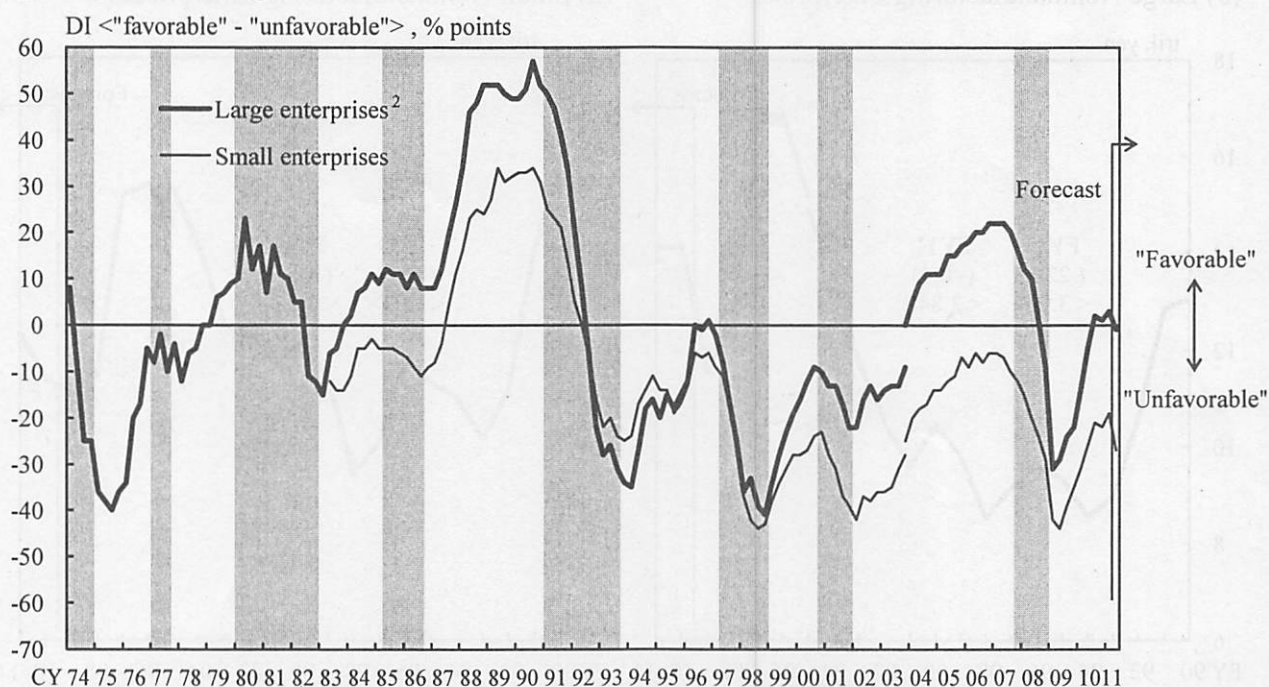
Source: Bank of Japan, "Tankan", Short-term Economic Survey of Enterprises in Japan."

Business Conditions

(1) Manufacturing



(2) Nonmanufacturing



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

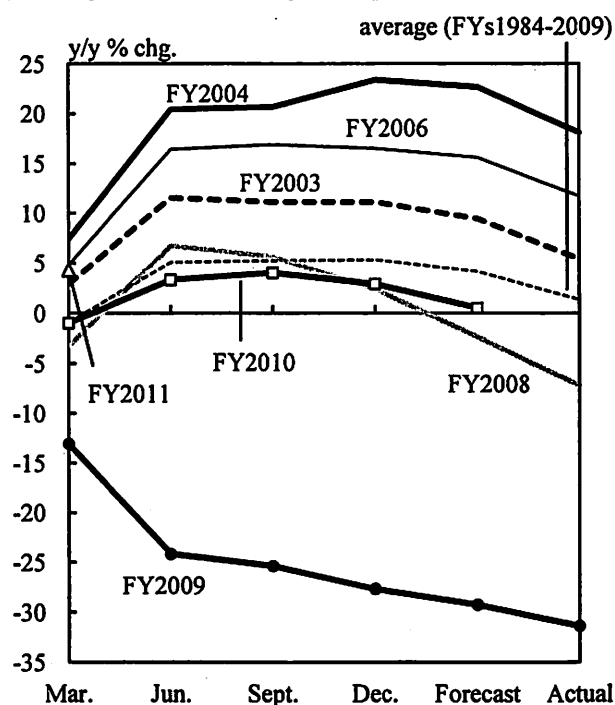
2. Data prior to February 1983 are those of principal enterprises.

3. Shaded areas indicate recession periods.

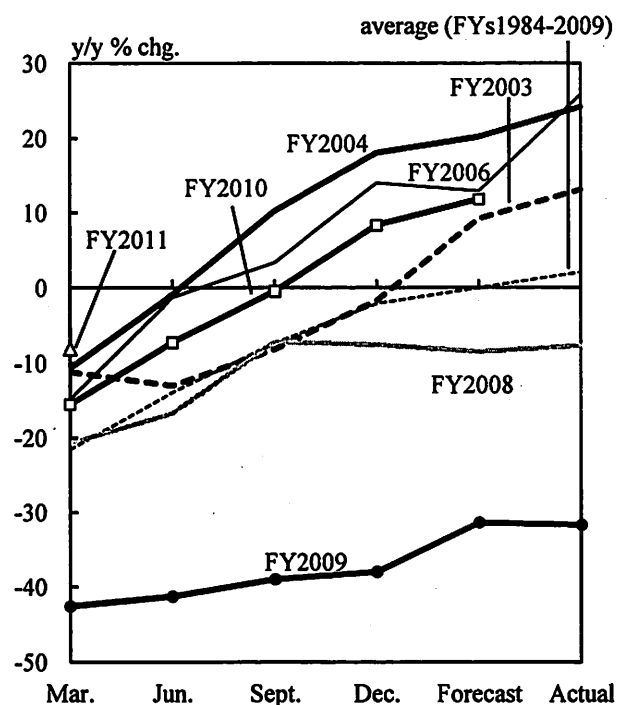
Source: Bank of Japan, "Tankan, Short-term Economic Survey of Enterprises in Japan."

Business Fixed Investment Plans as Surveyed

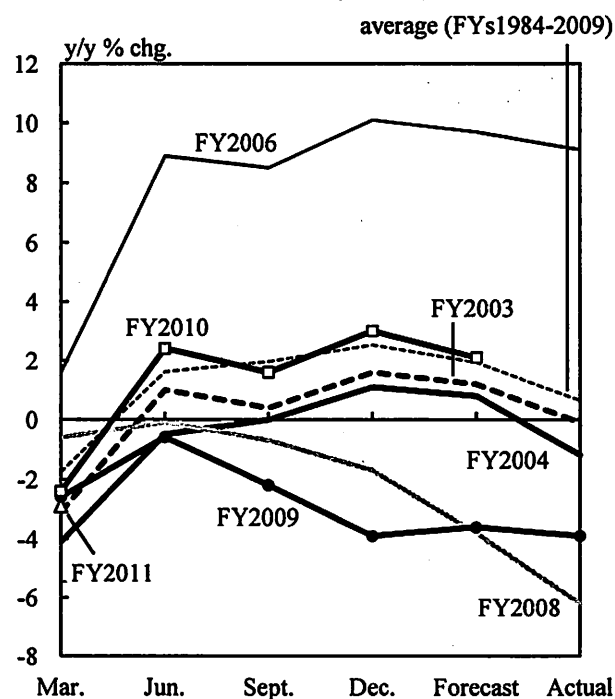
(1) Large Manufacturing Enterprises



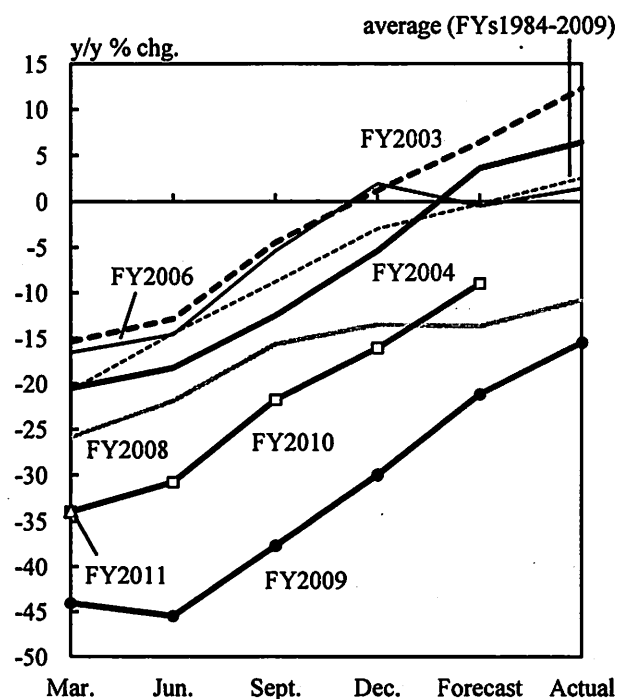
(2) Small Manufacturing Enterprises



(3) Large Nonmanufacturing Enterprises



(4) Small Nonmanufacturing Enterprises



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

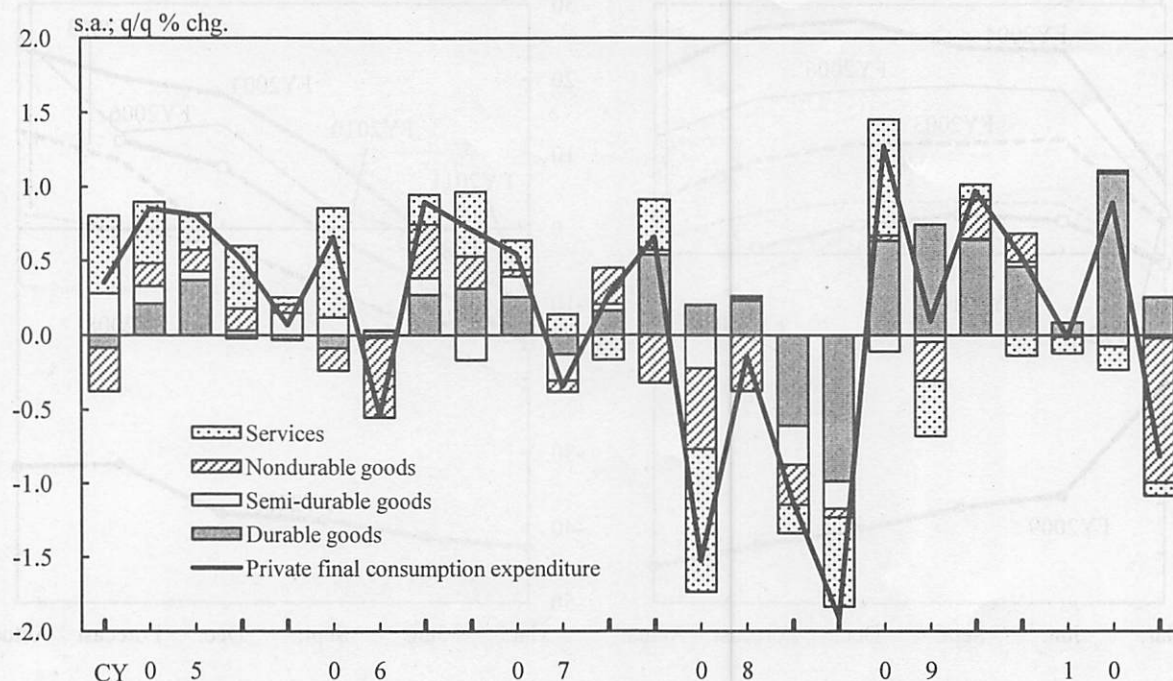
2. Sample enterprises were revised in the March 2004, March 2007, and March 2010 surveys. Therefore, as for FYs 2003, 2006, and 2009, figures up to the December survey are based on the previous data sets, and the figures of "forecast" and "actual result" are based on the new basis.

3. Since the introduction of the new accounting standard for lease transactions beginning April 1, 2008, figures up to FY2008 are based on the previous standard and figures from FY2009 onward are based on the new standard. Past averages (FYs 1984-2009) are calculated using these figures.

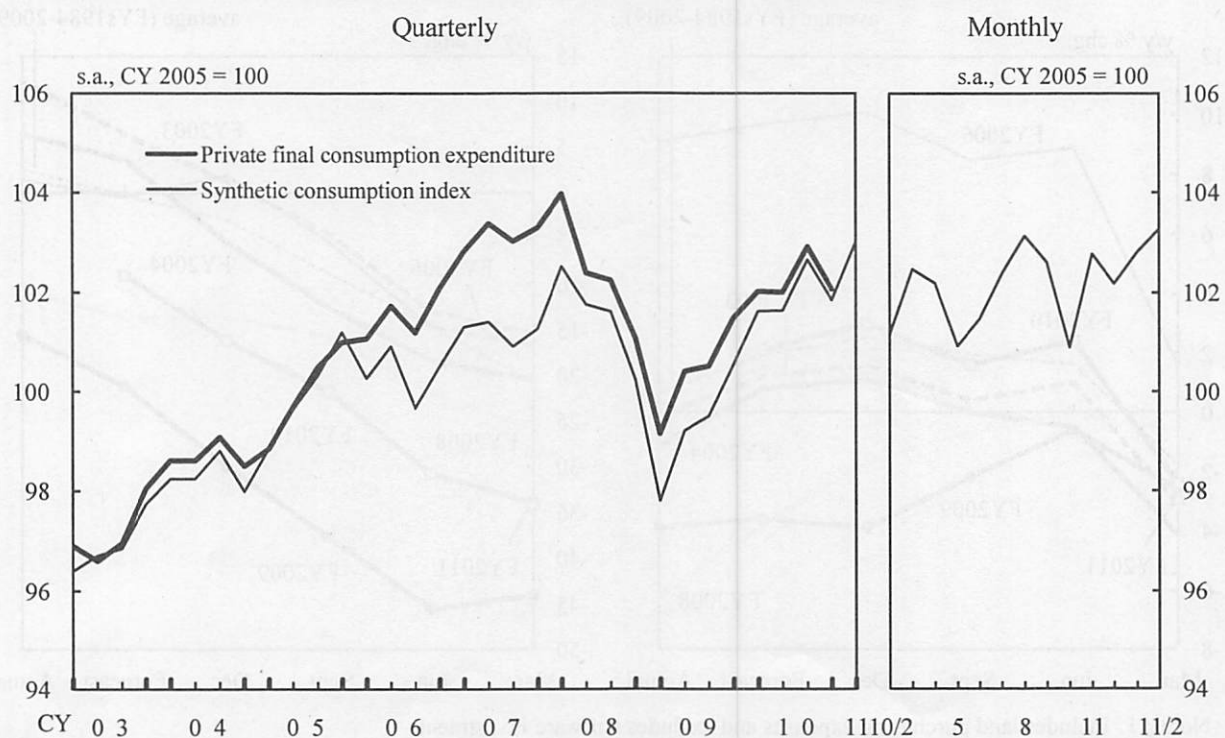
Source: Bank of Japan, "Tankan, Short-term Economic Survey of Enterprises in Japan."

Indicators of Private Consumption (1)

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



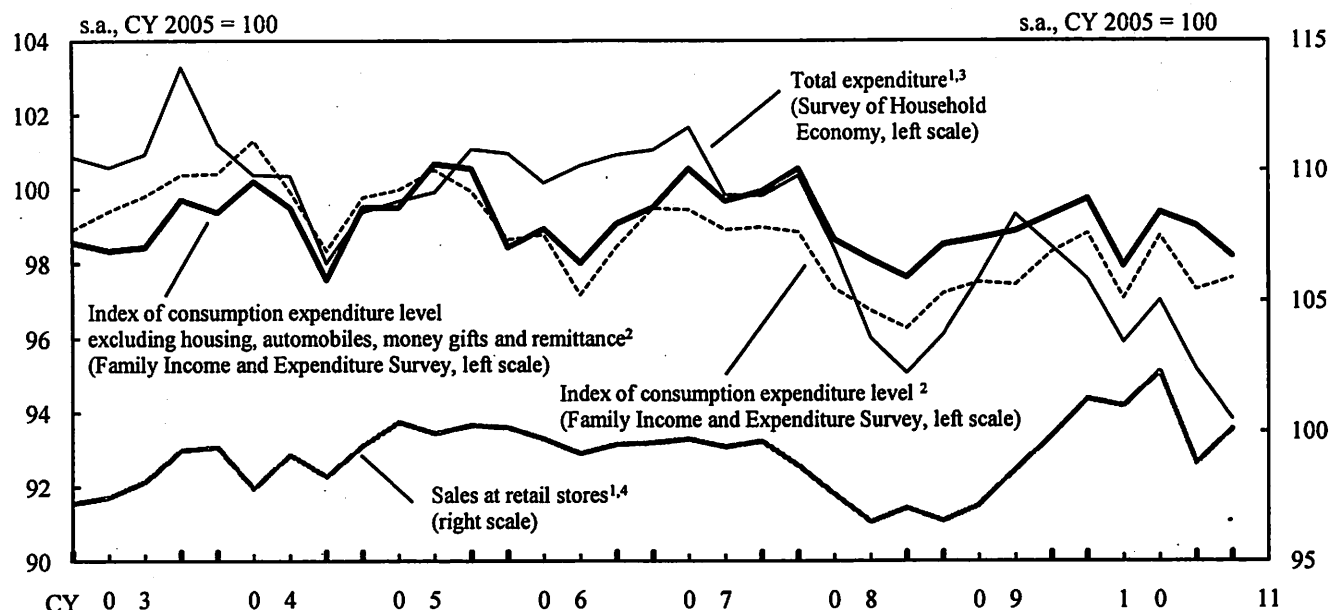
(2) Private Final Consumption Expenditure and Synthetic Consumption Index (Real)



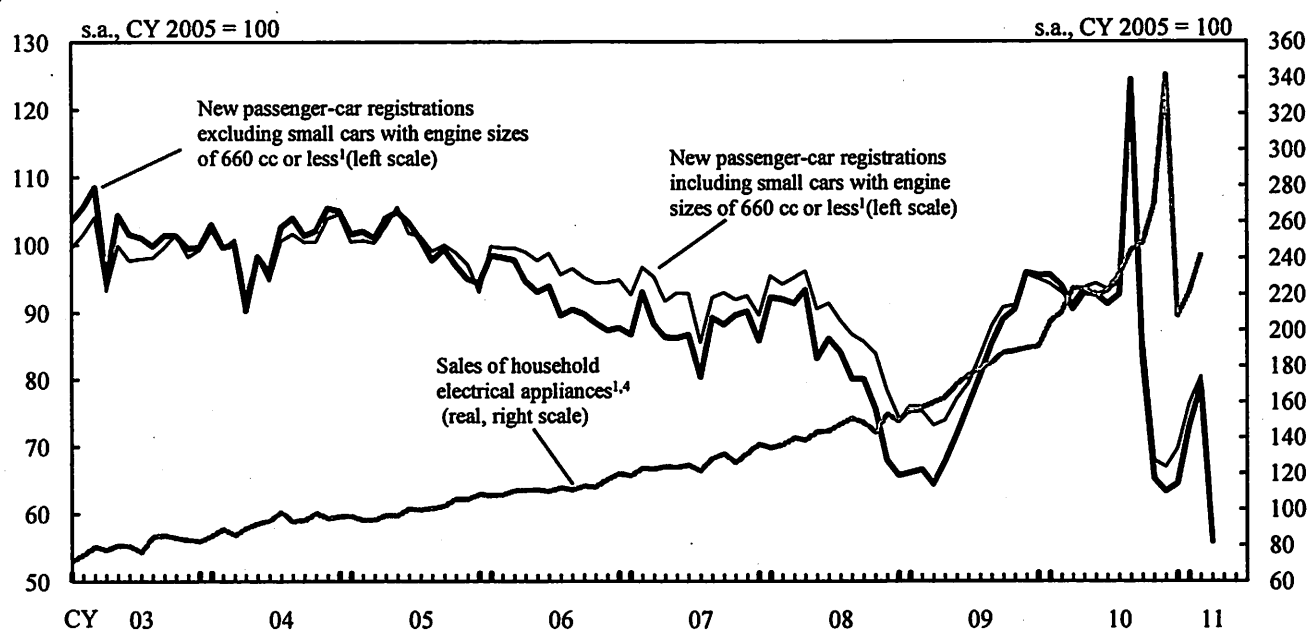
Note: The figure of the synthetic consumption index for 2011/Q1 is the average of January-February in quarterly amount.

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

Indicators of Private Consumption (2)

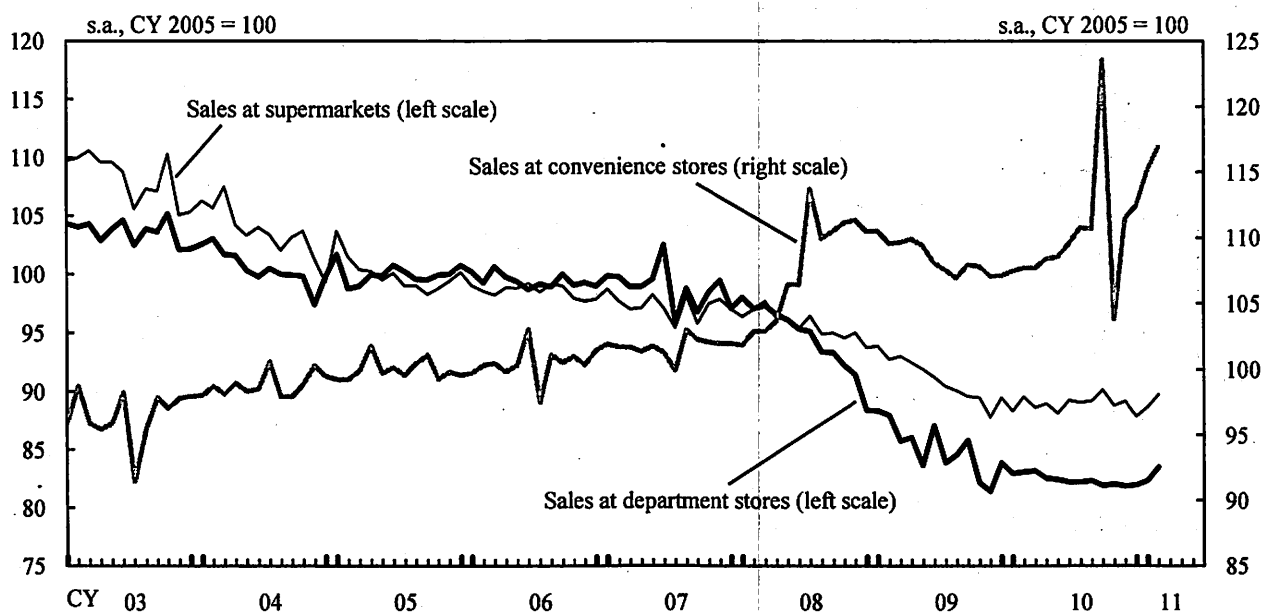
(1) Household Spending (Real)⁵

(2) Sales of Durable Goods

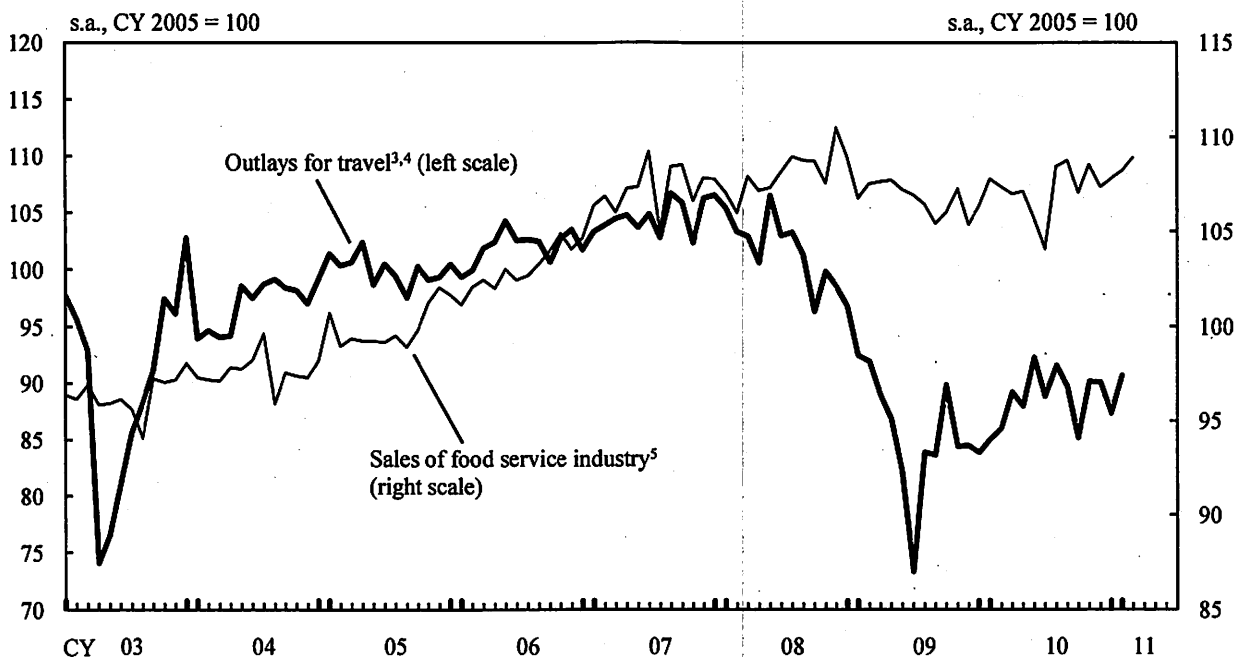


- Notes: 1. Total expenditure, sales at retail stores, sales of household electrical appliances and new passenger-car registrations are seasonally adjusted by X-12-ARIMA.
2. "Index of consumption expenditure level" is based on two-or-more-person households, and is adjusted using the distribution of household 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.
5. Figures for 2011/Q1 are January-February 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";
Japan Automobile Dealers Association, "Domestic Sales of Automobiles";
Japan Mini Vehicles Association, "Sales of Mini Vehicles."

Indicators of Private Consumption¹ (3)(1) Sales at Retail Stores (Nominal)²

(2) Consumption of Services (Nominal)



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

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

3. Excluding those by foreign travelers.

4. There are discontinuities in the underlying data as of April 2007 and April 2010 due to changes in the sample.

Data from April 2007 and onward are calculated using the year-on-year 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";

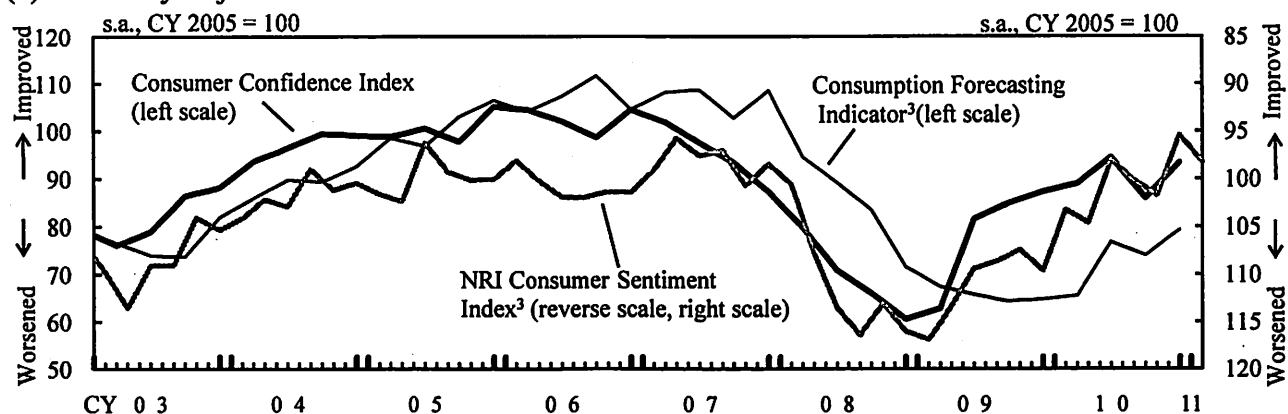
Japan Tourism Agency, "Major Travel Agents' Revenue";

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

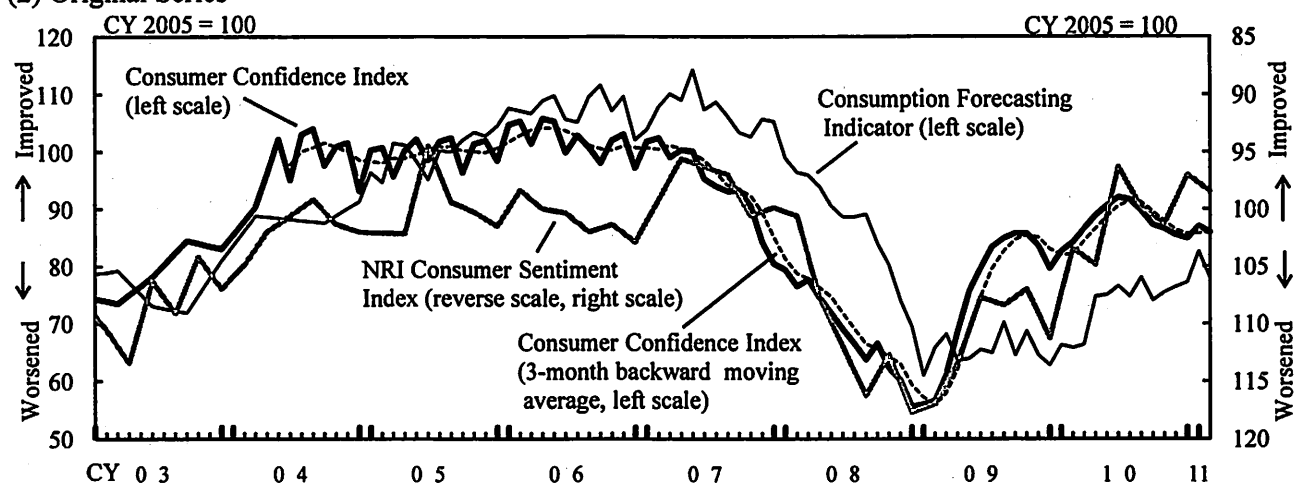
(Research on the food service industry)."

Consumer Confidence^{1,2}

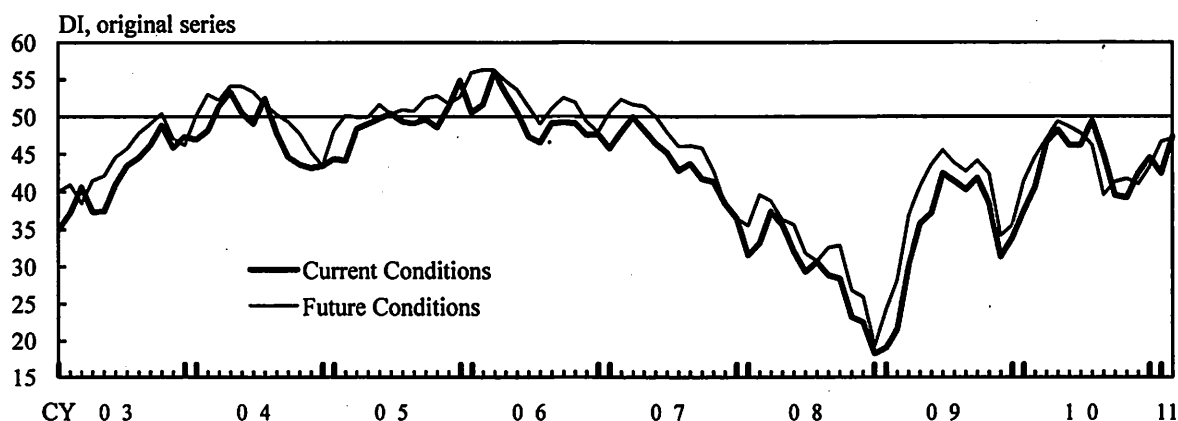
(1) Seasonally Adjusted Series



(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.

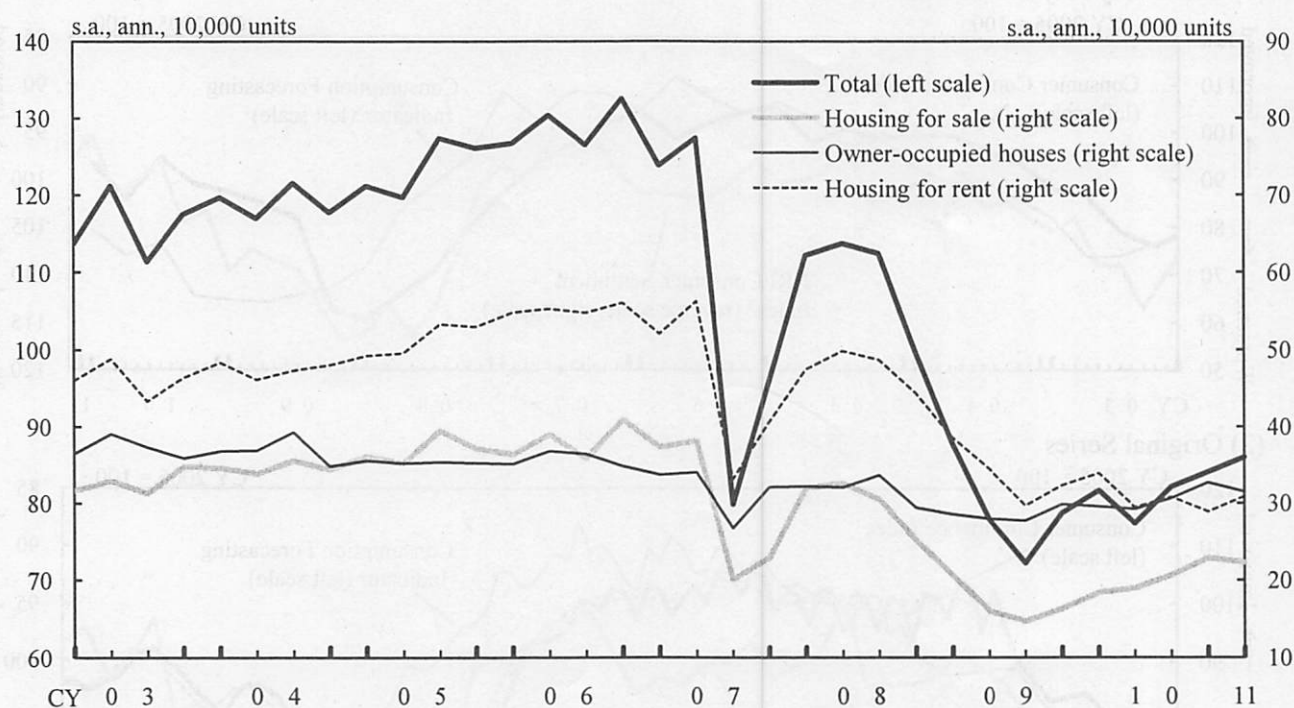
2. Figures are plotted for each surveyed month and the data for the intervening months are linearly interpolated.

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."

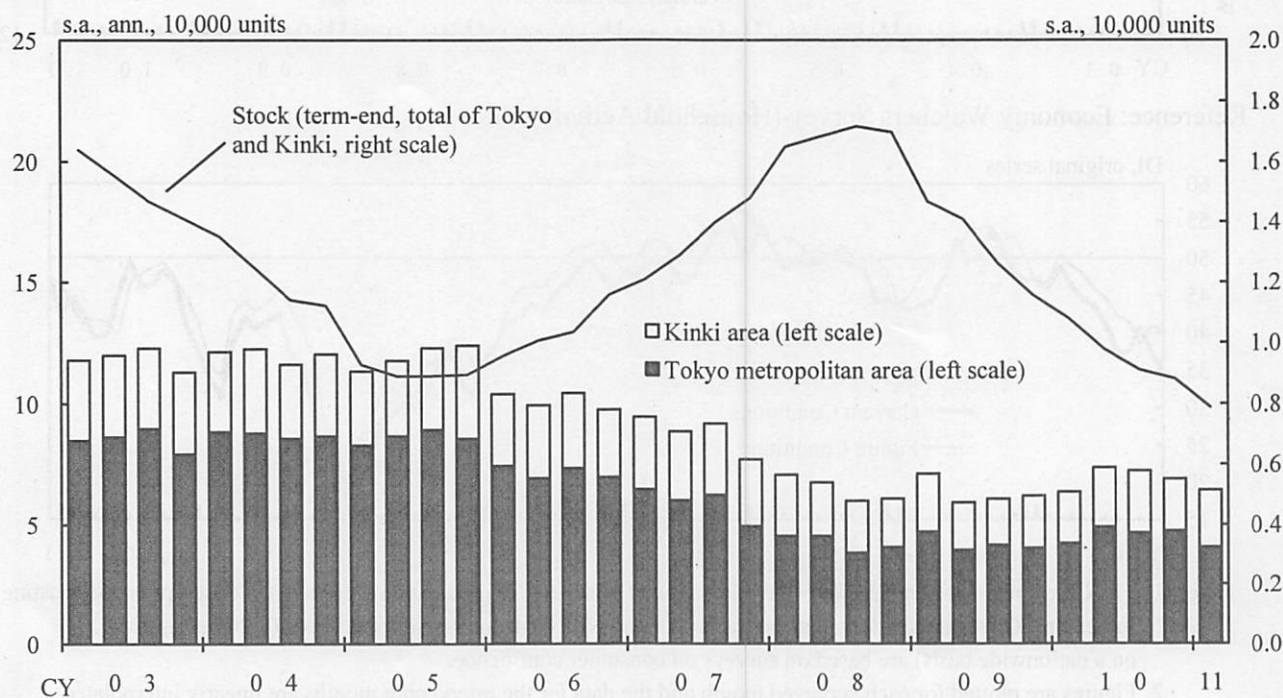
Indicators of Housing Investment

(1) Housing Starts



Note: Figures for 2011/Q1 are January-February averages.

(2) Sales of Apartments



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

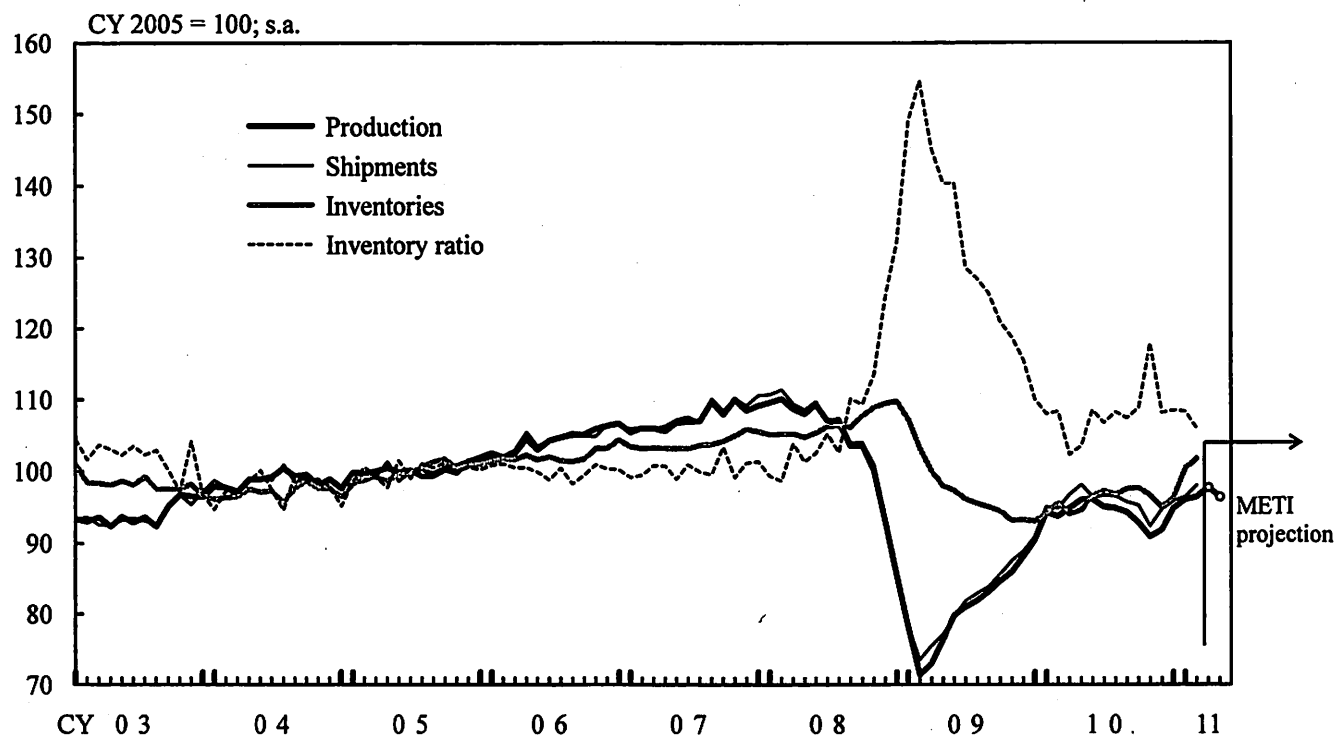
2. Figures of total apartment sales for 2011/Q1 are January-February averages.

Term-end stocks for 2011/Q1 are those of February.

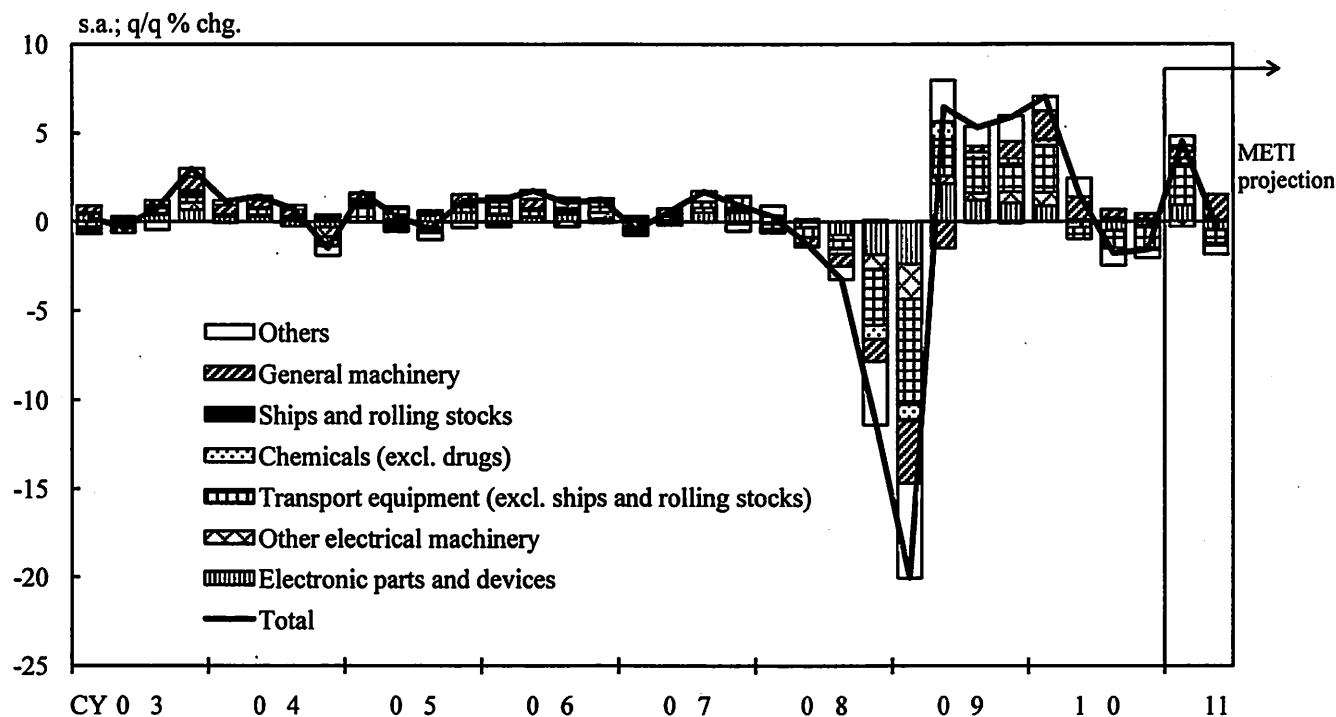
Sources: Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts," etc.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industry

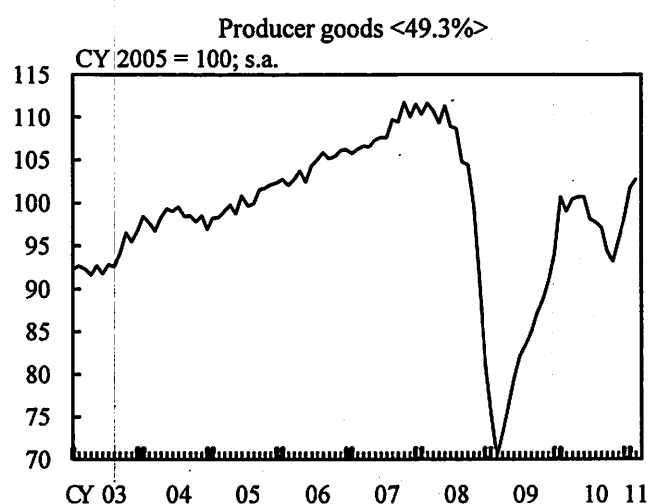
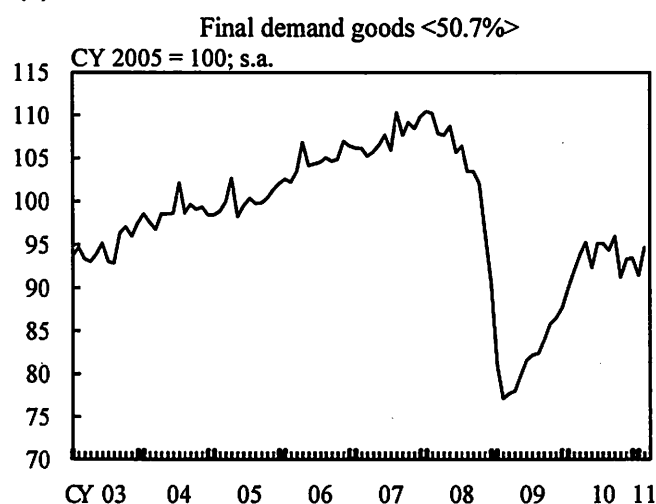


- Notes: 1. "Other electrical machinery" is the weighted sum of "electrical machinery" and "information and communication electronics equipment."
 2. 2003/Q1 figures are on the 2000 base.
 3. 2011/Q1 figures are based on the actual production levels in January and February, and the METI projection of March. 2011/Q2 figures are based on the assumption that the production levels in May and June are the same as those of April.

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

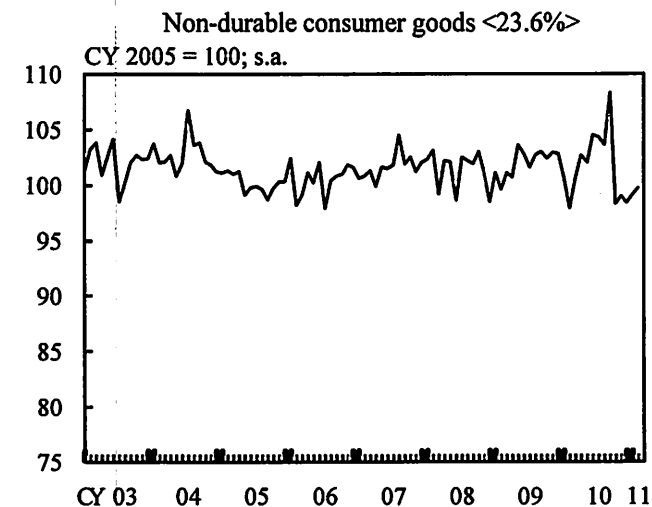
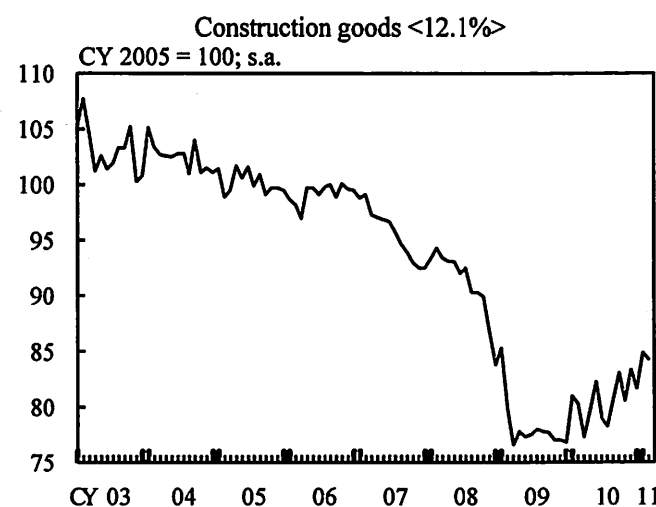
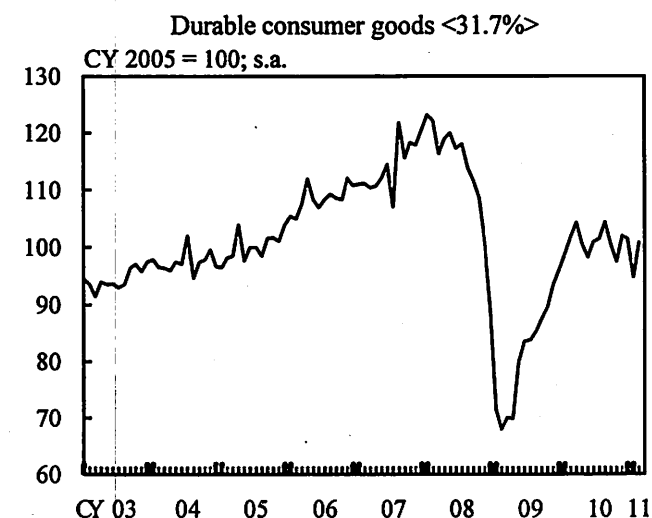
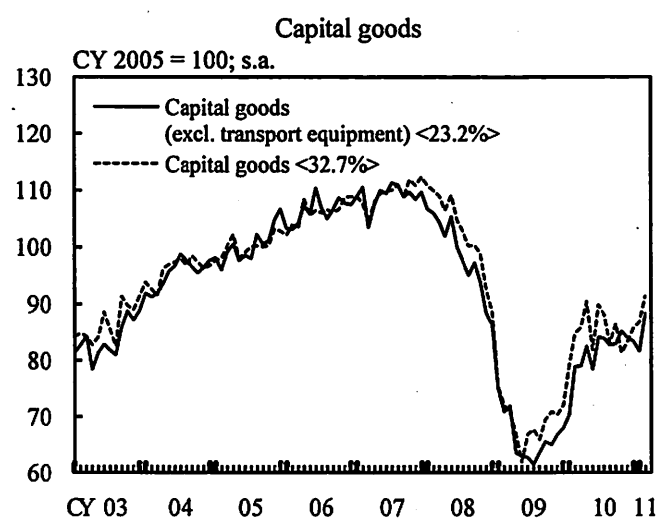
Shipments by Type of Goods

(1) Final Demand Goods and Producer Goods



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

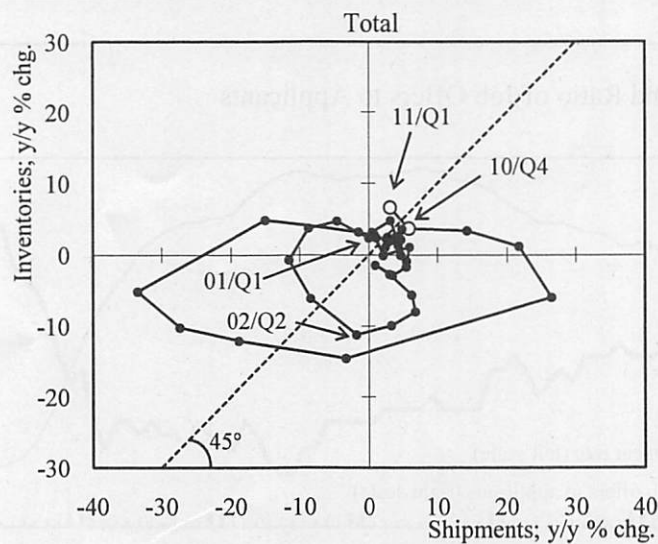
(2) Breakdown of Final Demand Goods



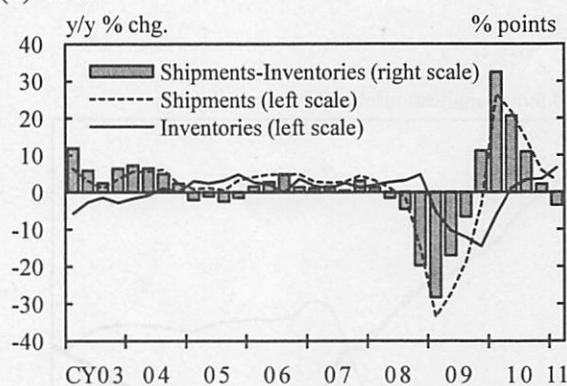
Note: Figures in angle brackets show the shares among shipments of final demand goods.

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

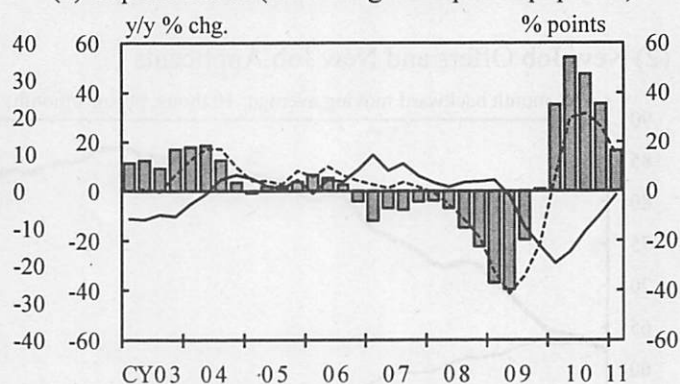
Inventory Cycle



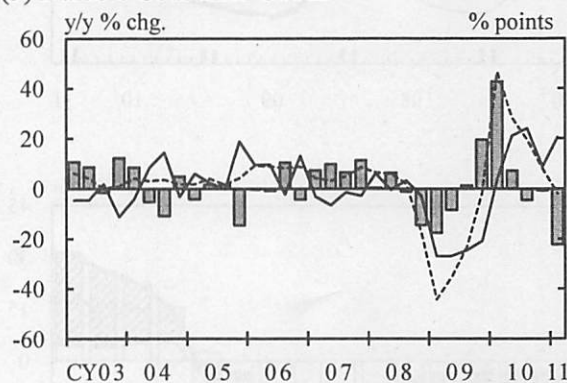
(1) Total



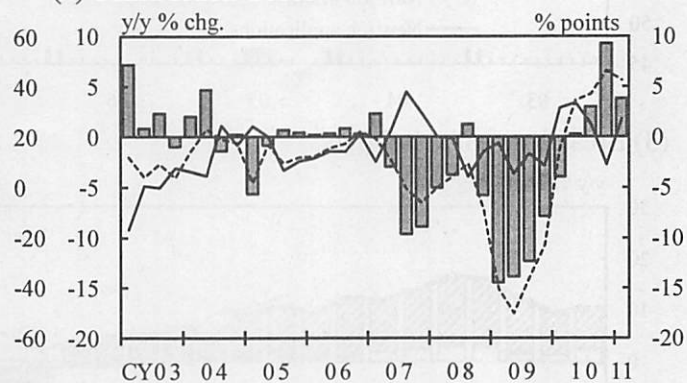
(2) Capital Goods (Excluding Transport Equipment)



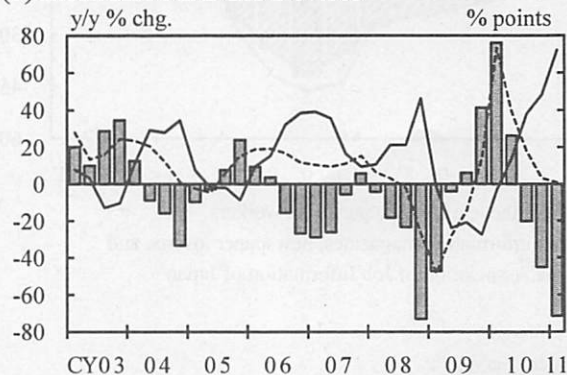
(3) Durable Consumer Goods



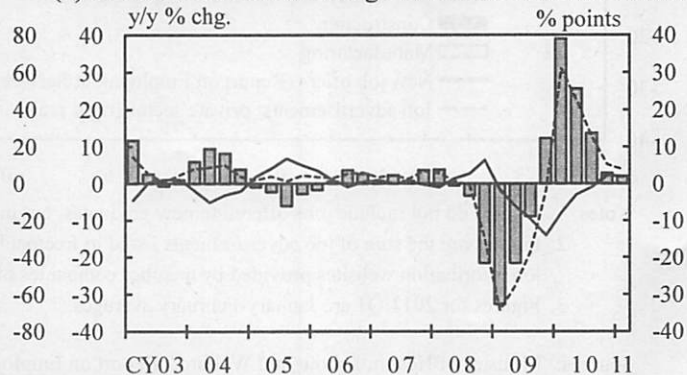
(4) Construction Goods



(5) Electronic Parts and Devices



(6) Producer Goods Excluding Electronic Parts and Devices



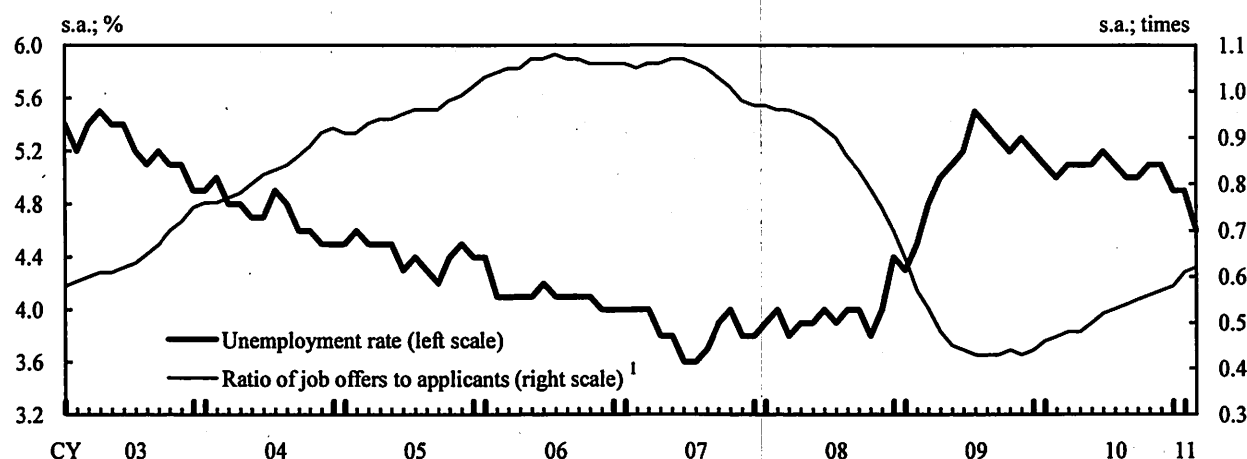
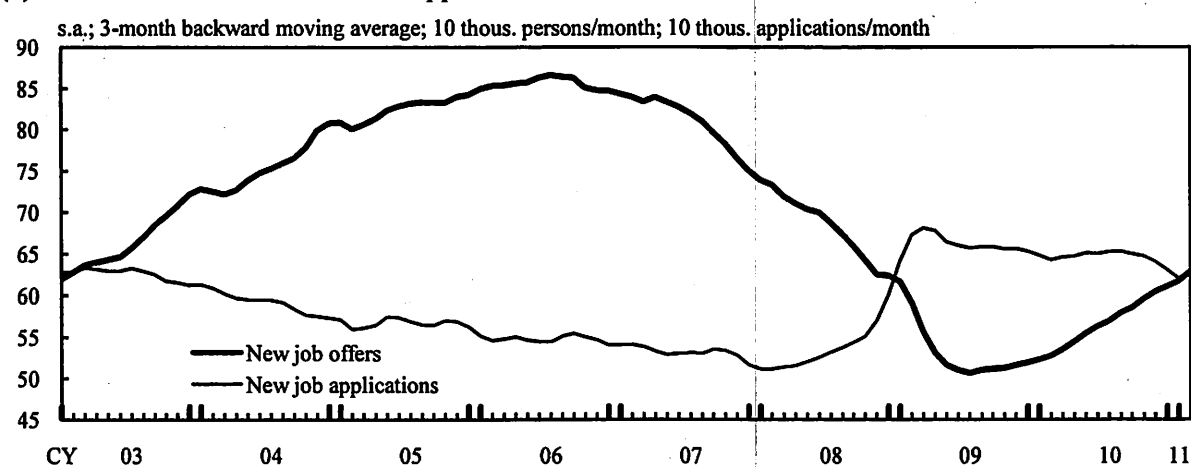
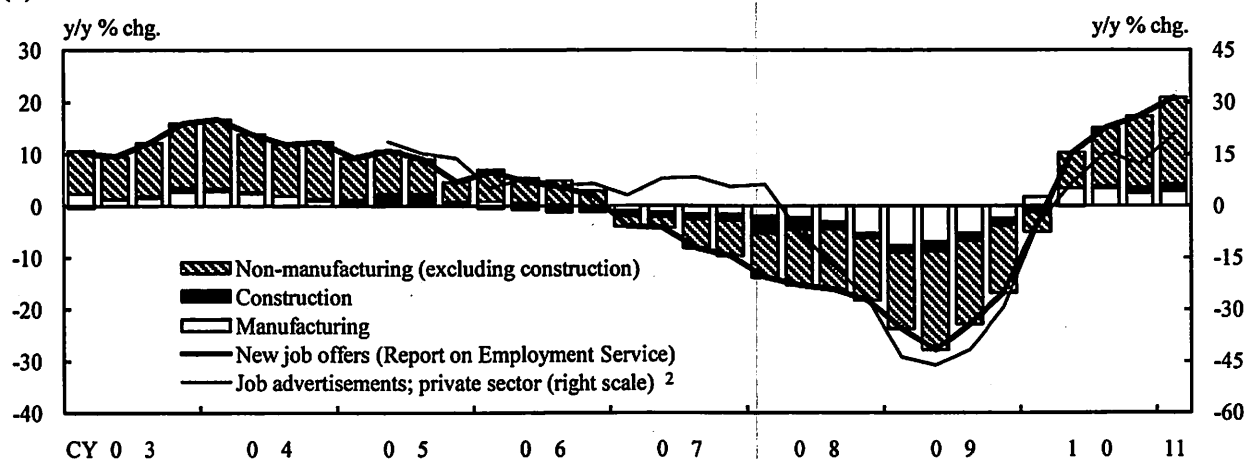
Note: Figures of shipments for 2011/Q1 are January-February averages.

Inventories for 2011/Q1 are those of February.

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

Labor Market (1)

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

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

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

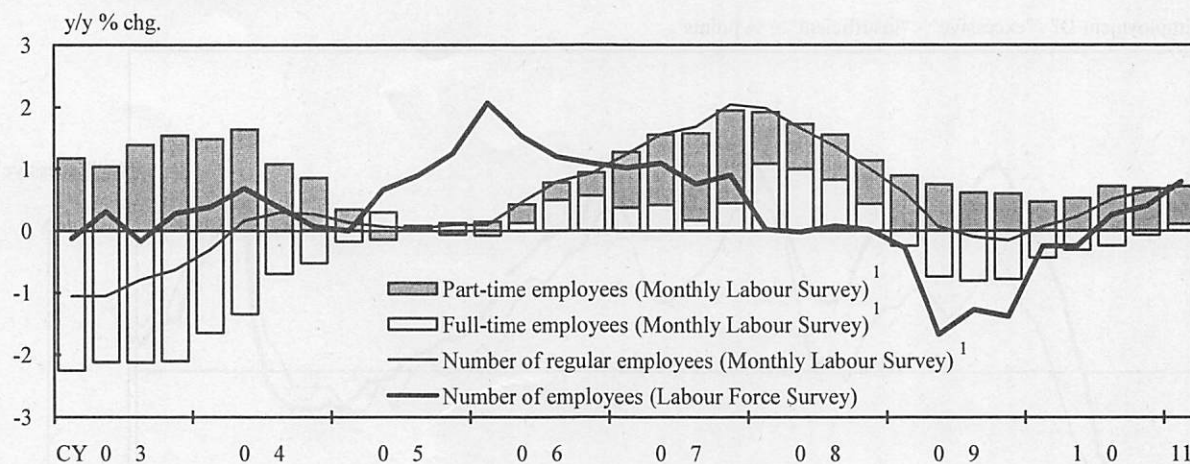
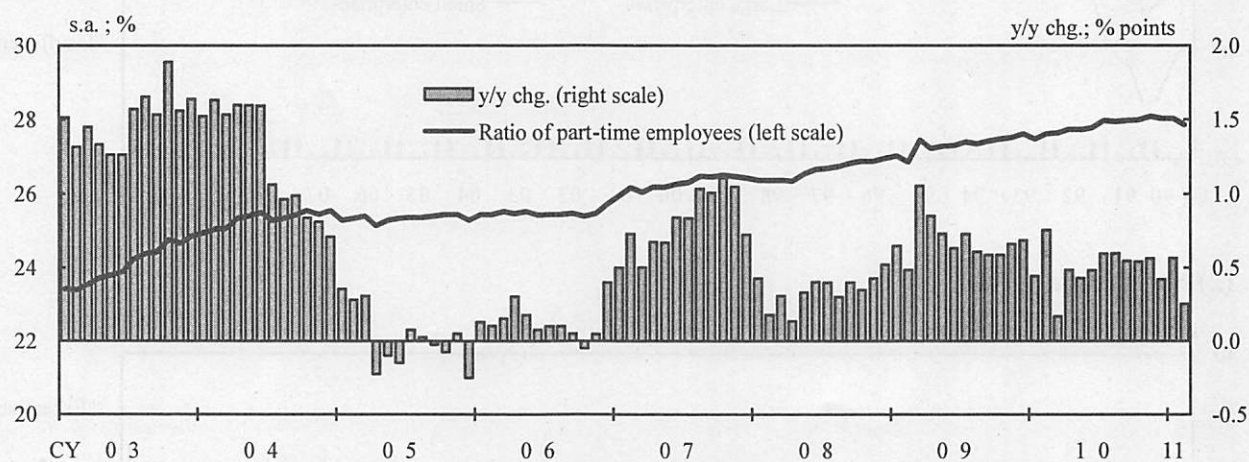
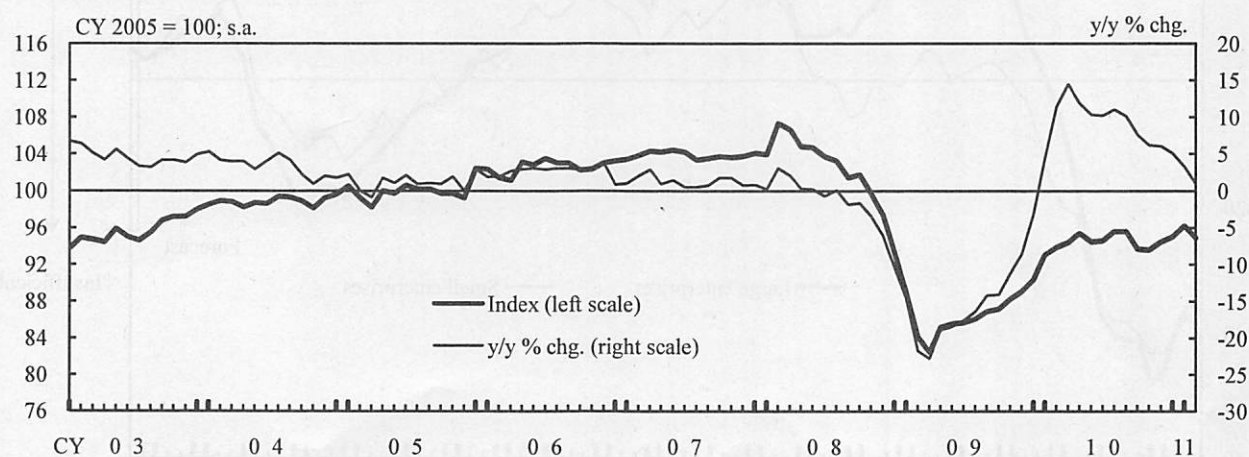
2. Figures are the sum of job advertisements listed in free/paid job information magazines, newspaper inserts, and job information websites provided by member companies of the Association of Job Information of Japan.

3. Figures for 2011/Q1 are January-February averages.

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

Labor Market (2)

(1) Number of Employees

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

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

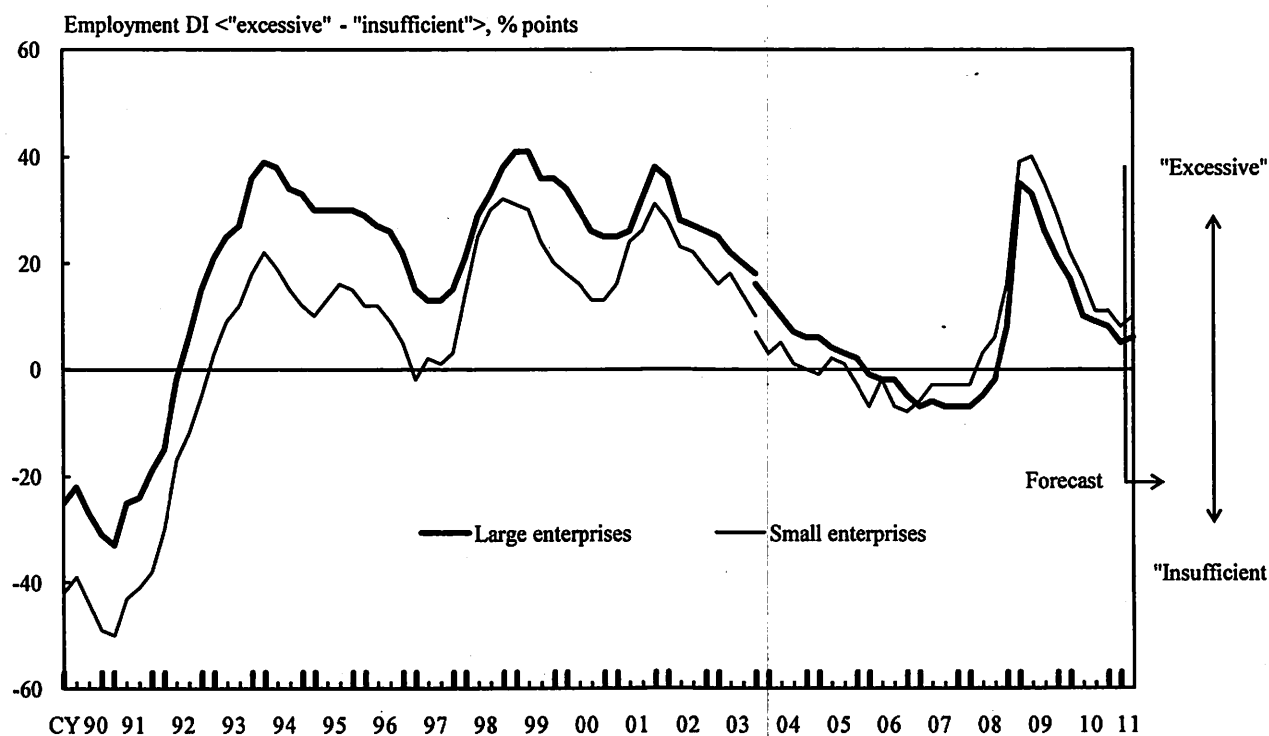
2. The ratio of part-time employees is calculated as the number of part-time employees divided by the number of regular employees times 100.

3. Figures for 2011/Q1 are January-February averages.

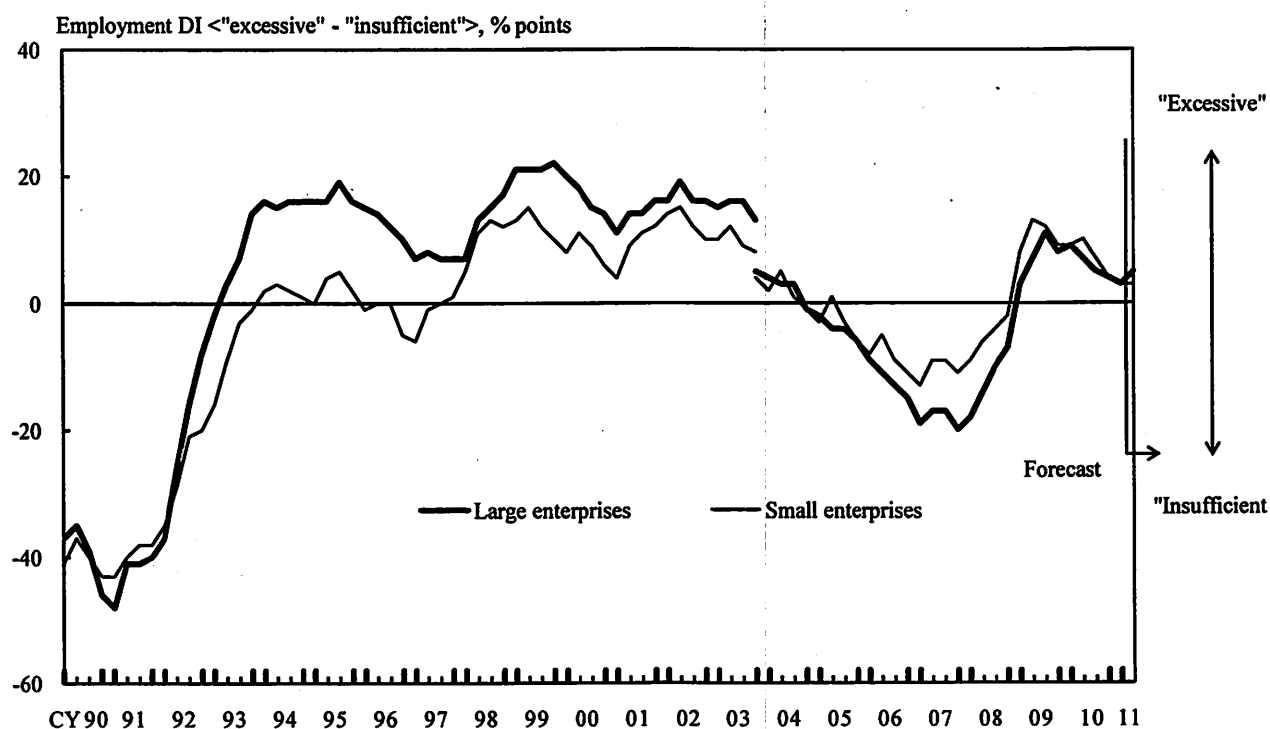
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
Ministry of Internal Affairs and Communications, "Labour Force Survey."

Employment Conditions

(1) Manufacturing



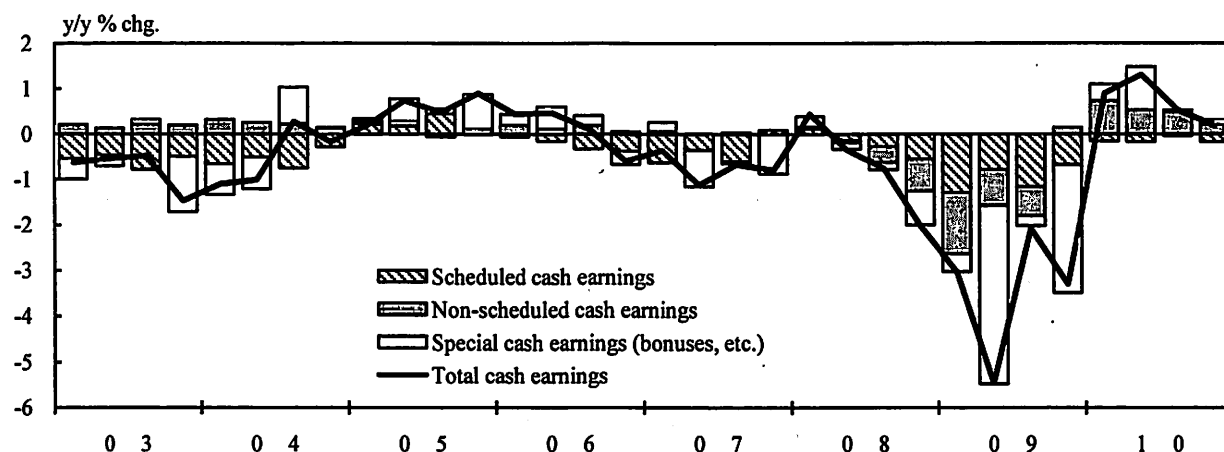
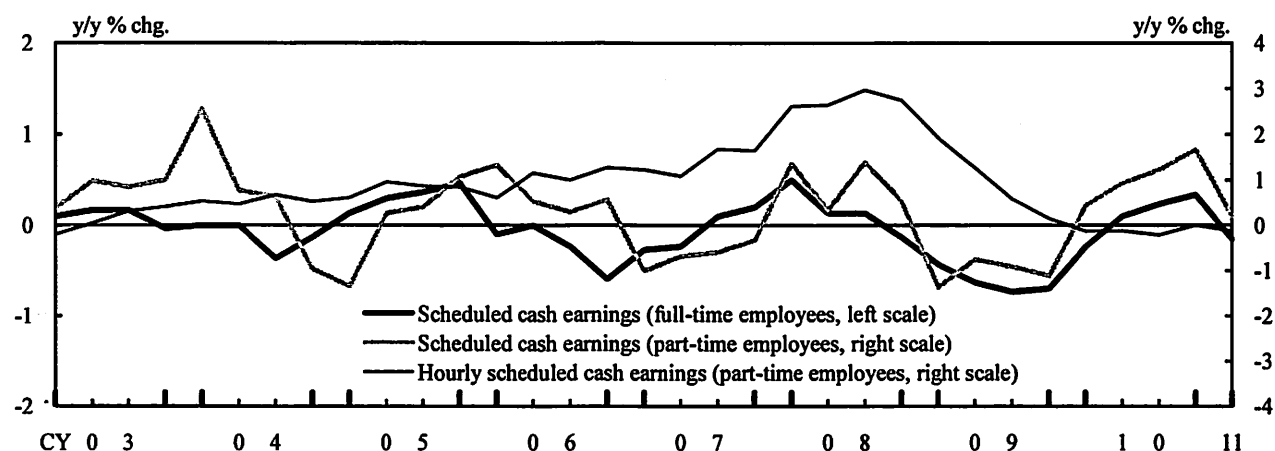
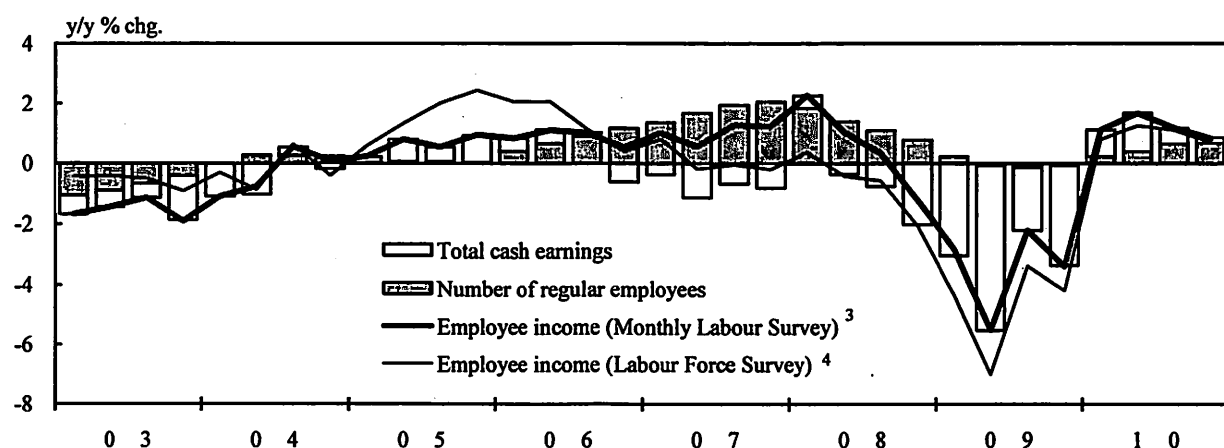
(2) Nonmanufacturing



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

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

Employee Income

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

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

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

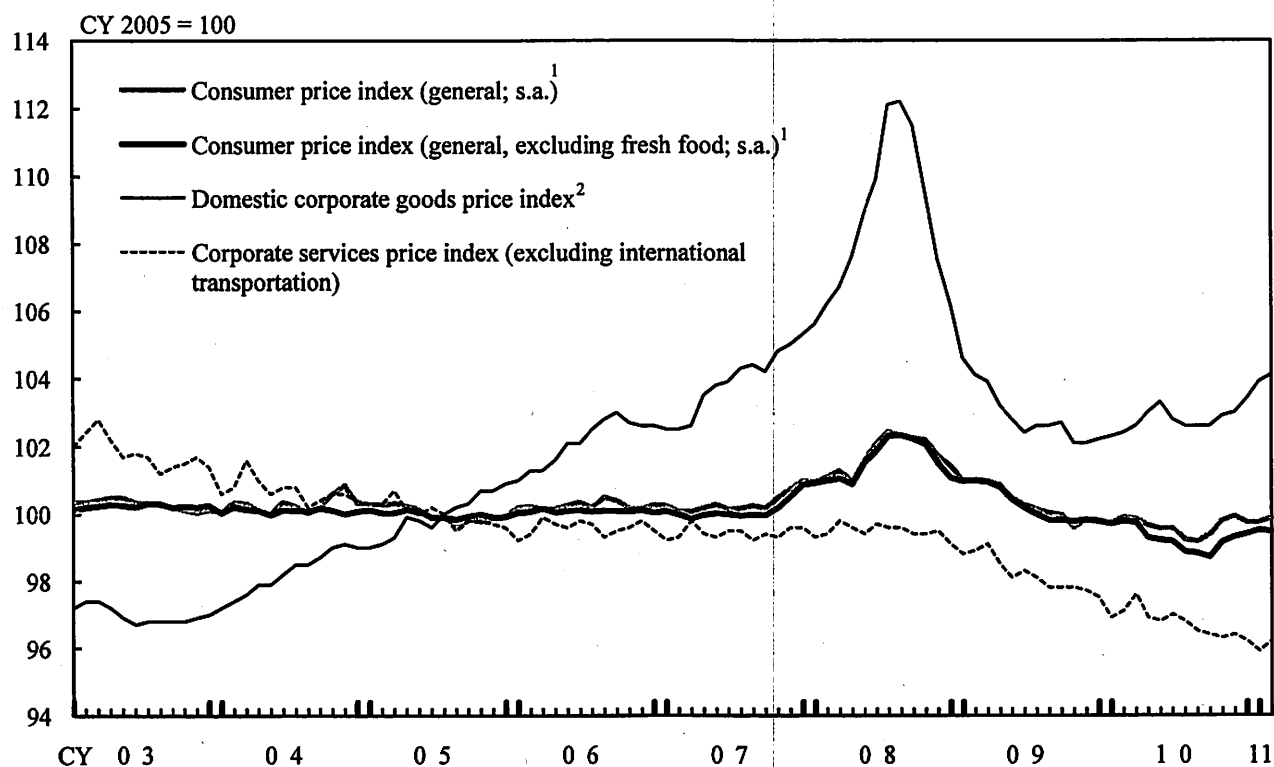
3. Calculated as the "number of regular employees" (Monthly Labour Survey) times "total cash earnings" (Monthly Labour Survey).

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

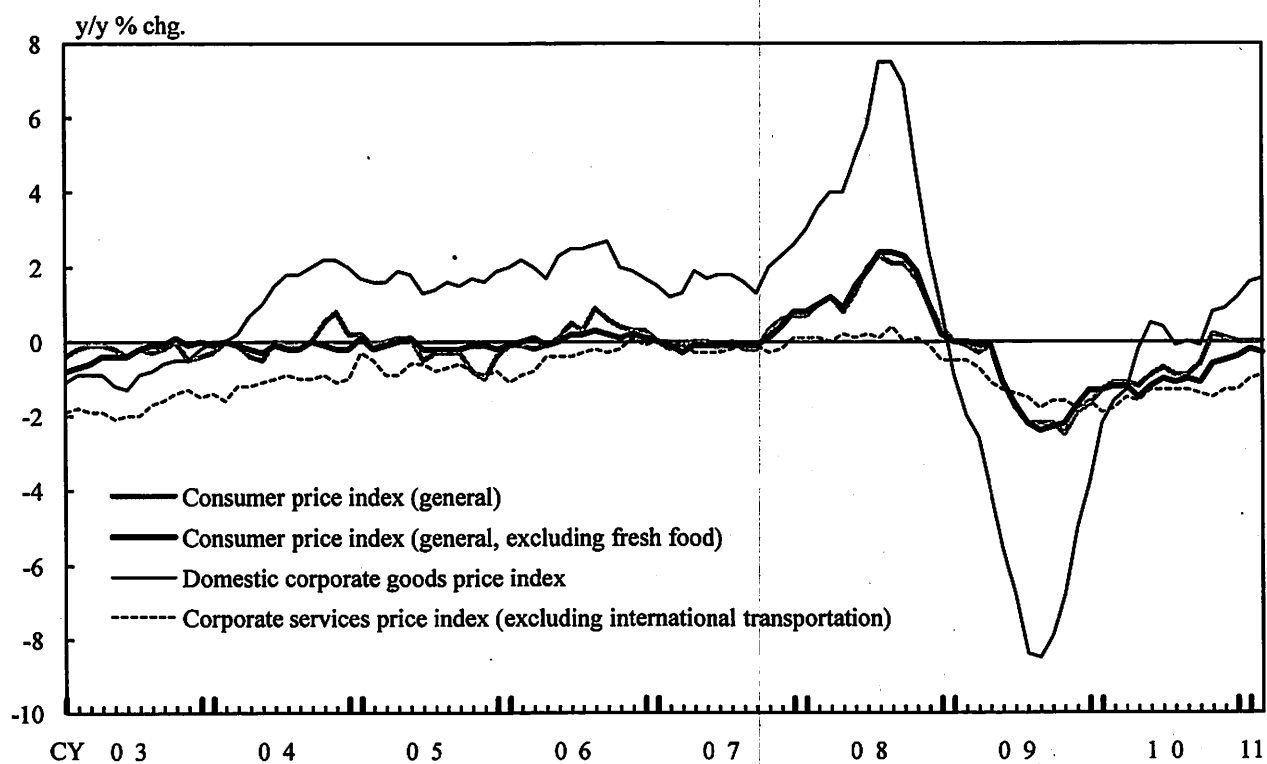
5. Figures for 2011/Q1 are January-February averages.

Prices

(1) Level



(2) Changes from a Year Earlier



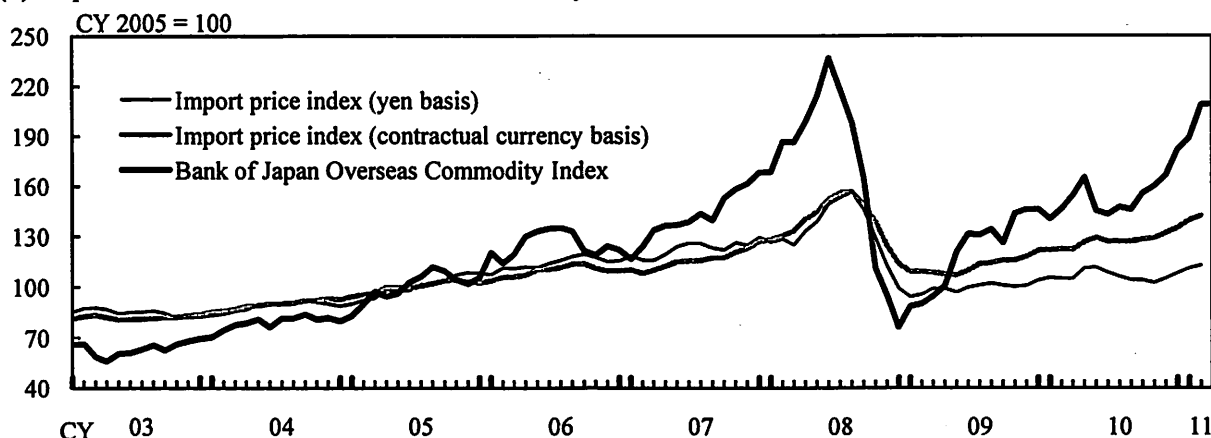
Notes: 1. Seasonally adjusted by X-12-ARIMA.

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

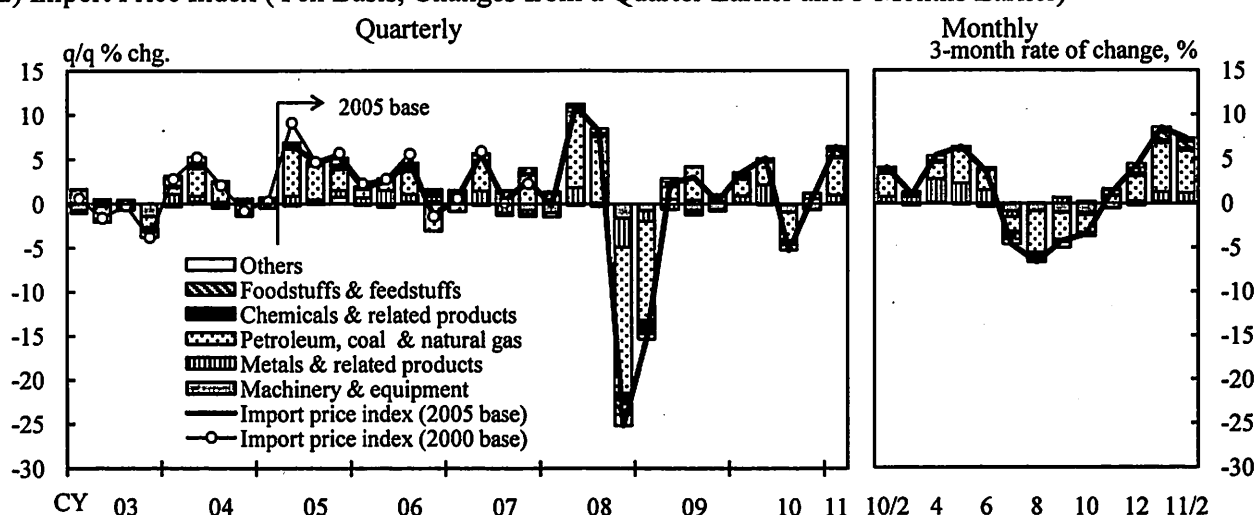
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index."

Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



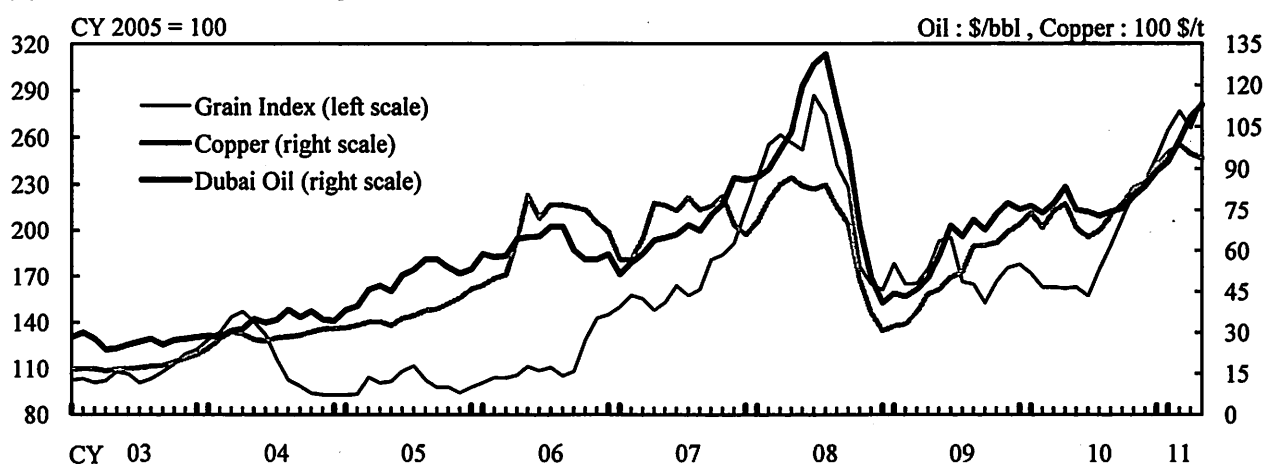
(2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



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



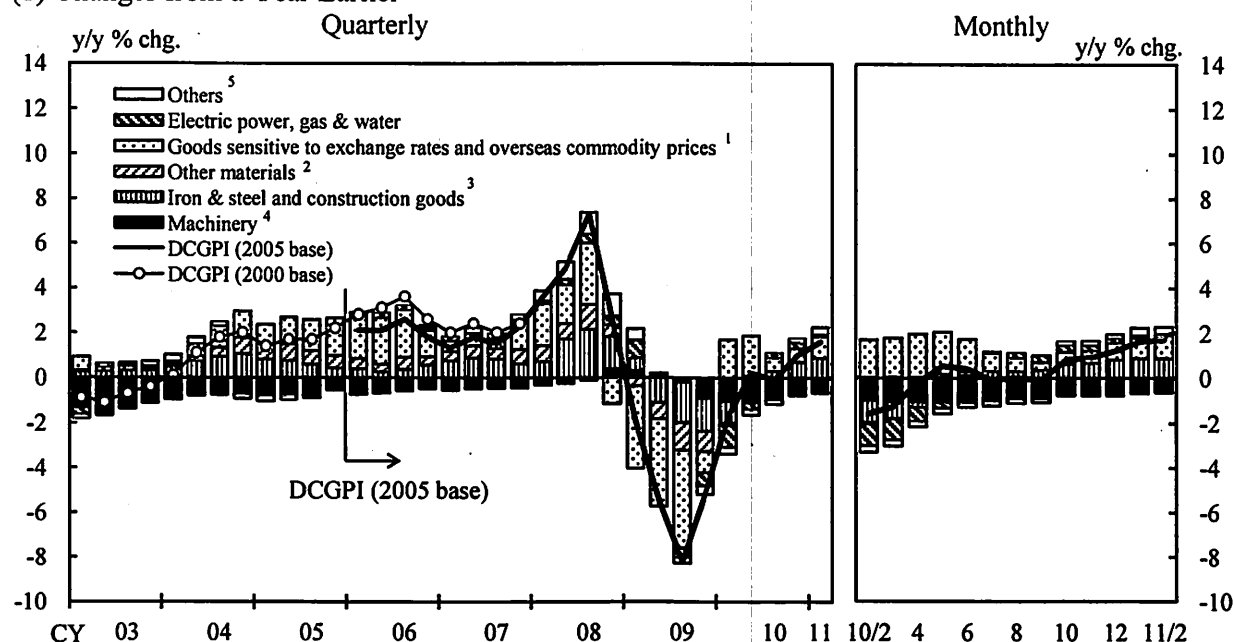
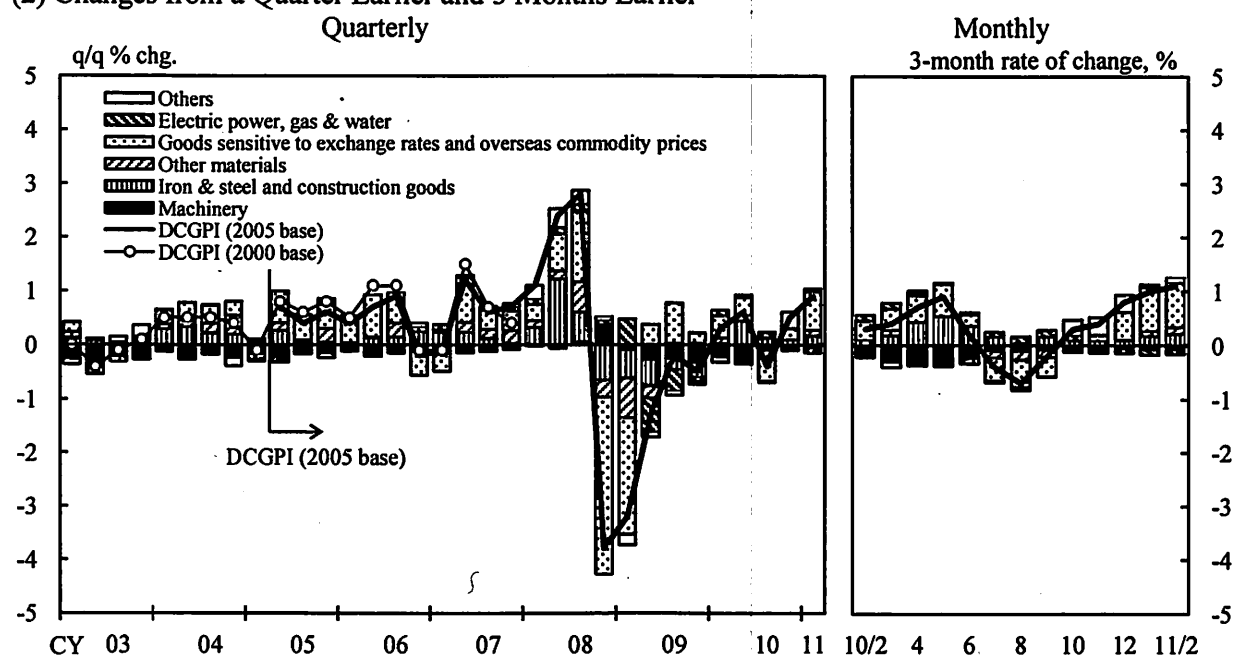
Notes: 1. The "grain index" is the weighted average of prices of three selected items (wheat, soybeans, and corn) in overseas commodity markets. The weights are based on the value of imports in the "Trade Statistics."

2. Monthly averages. Figures for April 2011 are averages up to April 6.

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

Domestic Corporate Goods Price Index⁷

(1) Changes from a Year Earlier

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

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.

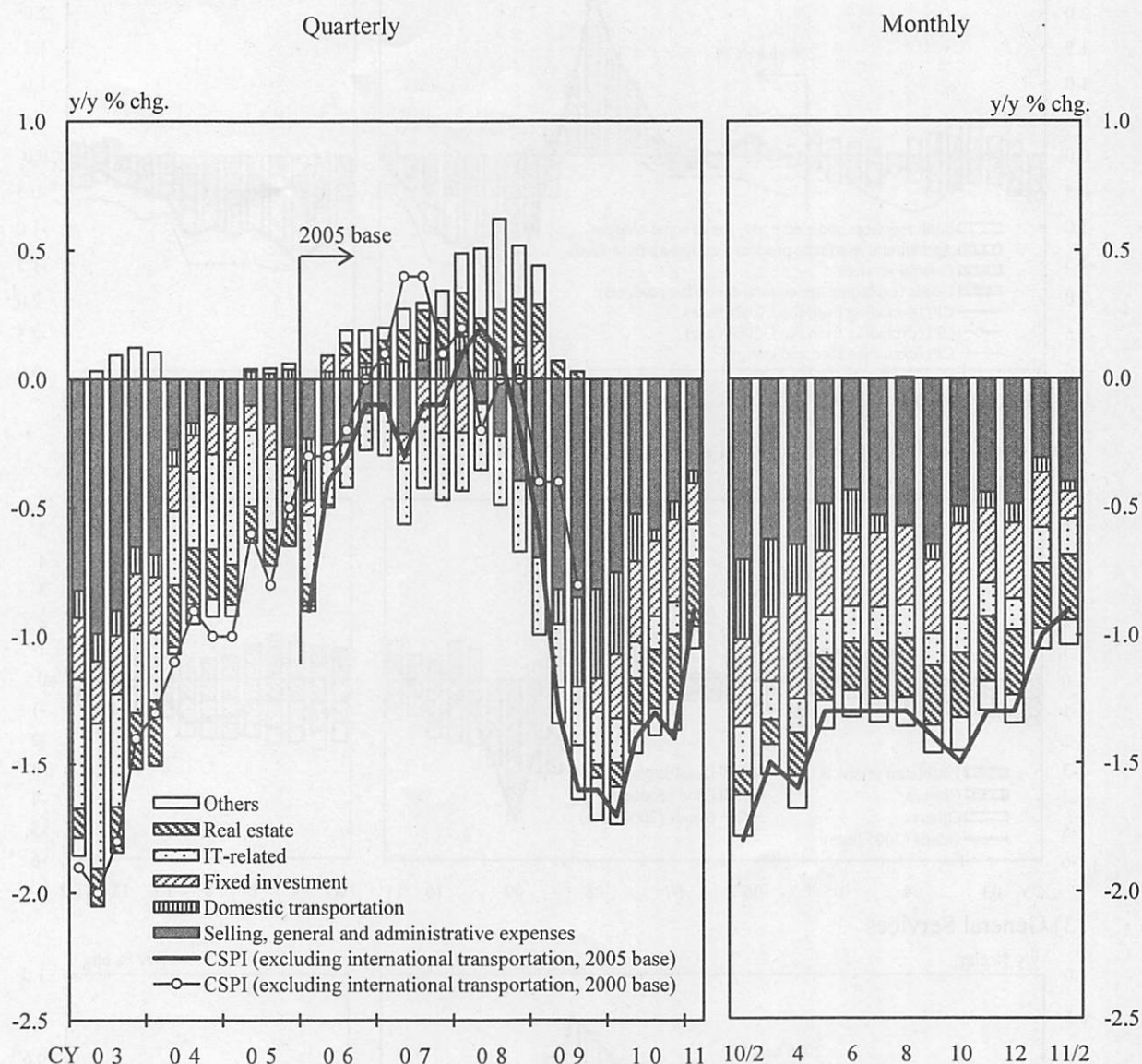
5. Others: processed foodstuffs, other manufacturing industry products, agriculture, forestry & fishery products, and minerals.

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

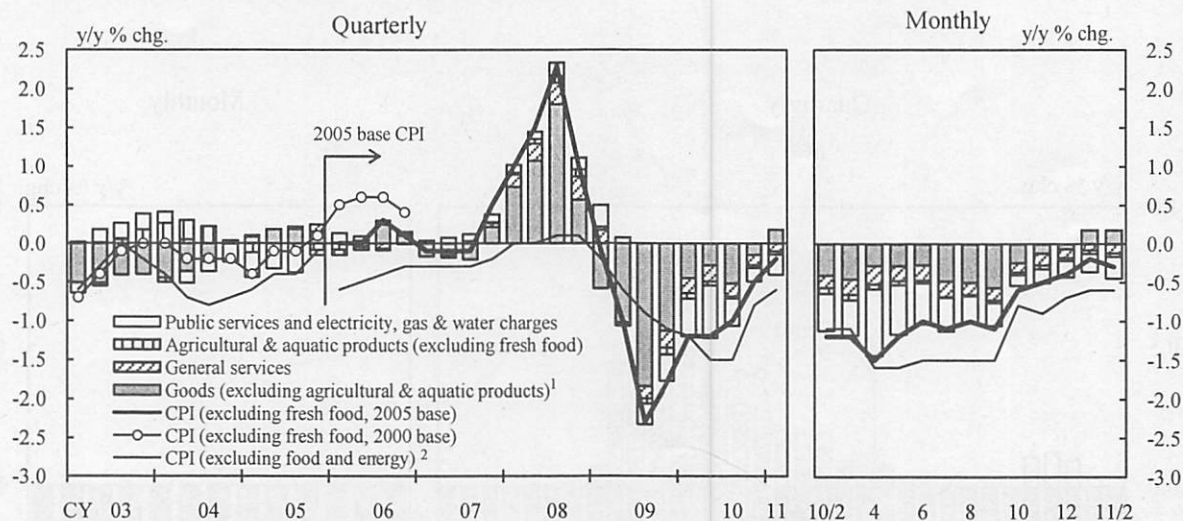
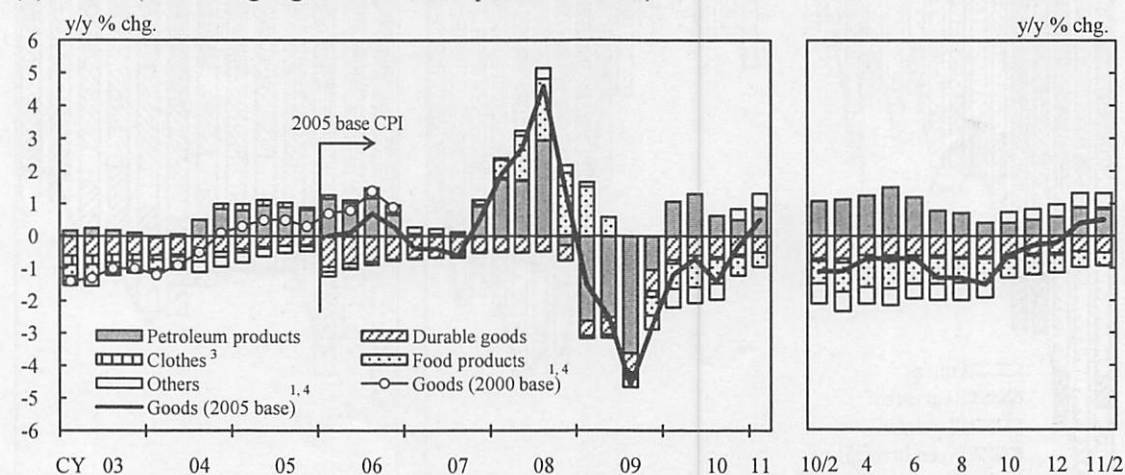


- Notes: 1. Selling, general and administrative expenses: information and communications (excluding newspapers and publishing), advertising services, other services (excluding plant engineering, and civil engineering and architectural services).
 2. Domestic transportation: transportation (excluding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

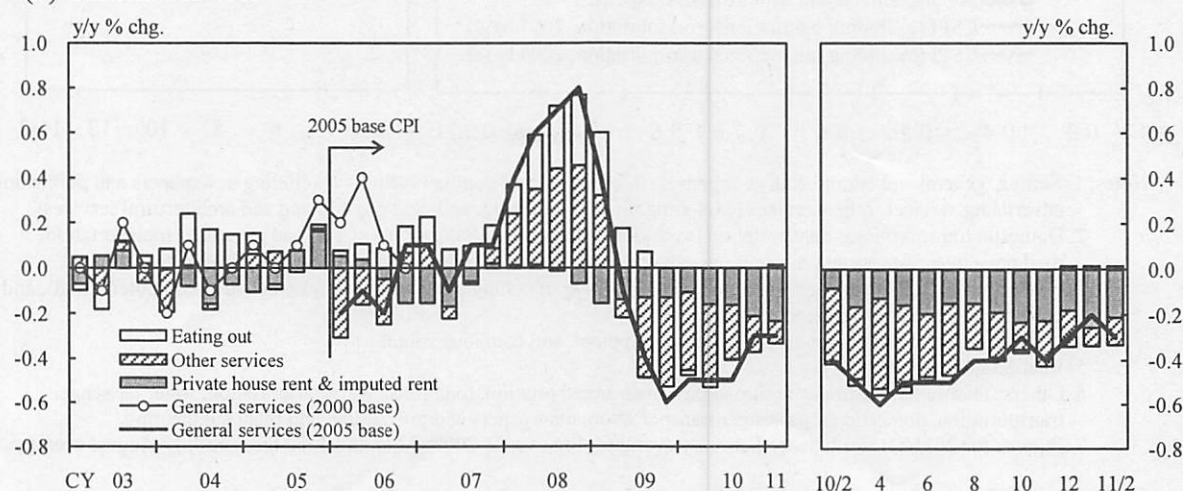
Source: Bank of Japan, "Corporate Services Price Index."

Consumer Price Index (Excluding Fresh Food)

(1) Consumer Price Index (Excluding Fresh Food)

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

(3) General Services



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

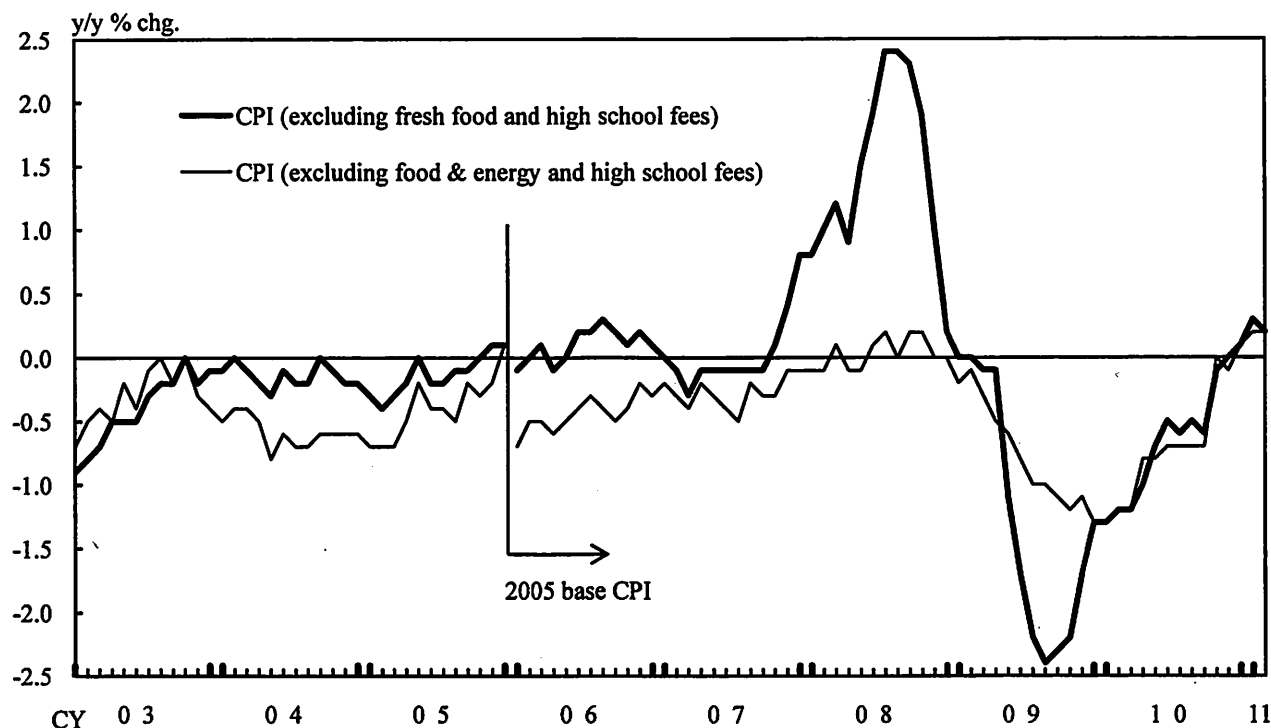
4. Excluding agricultural & aquatic products.

5. Figures for 2011/Q1 are January-February averages.

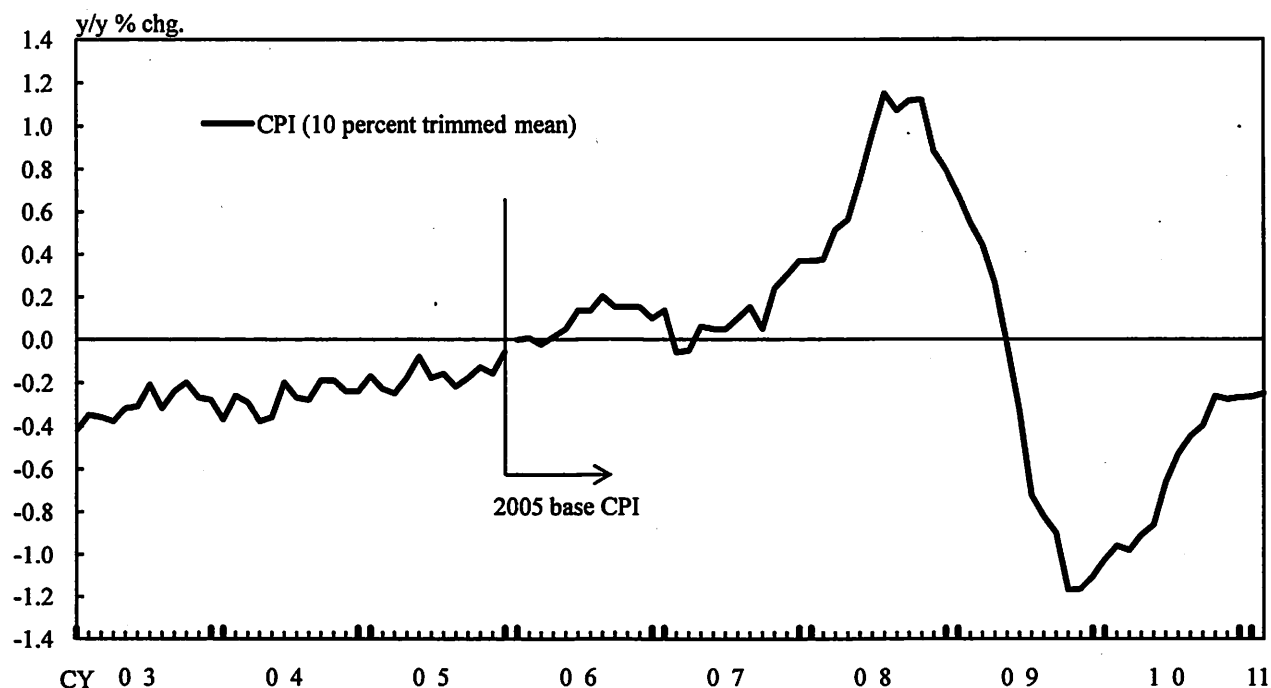
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

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.

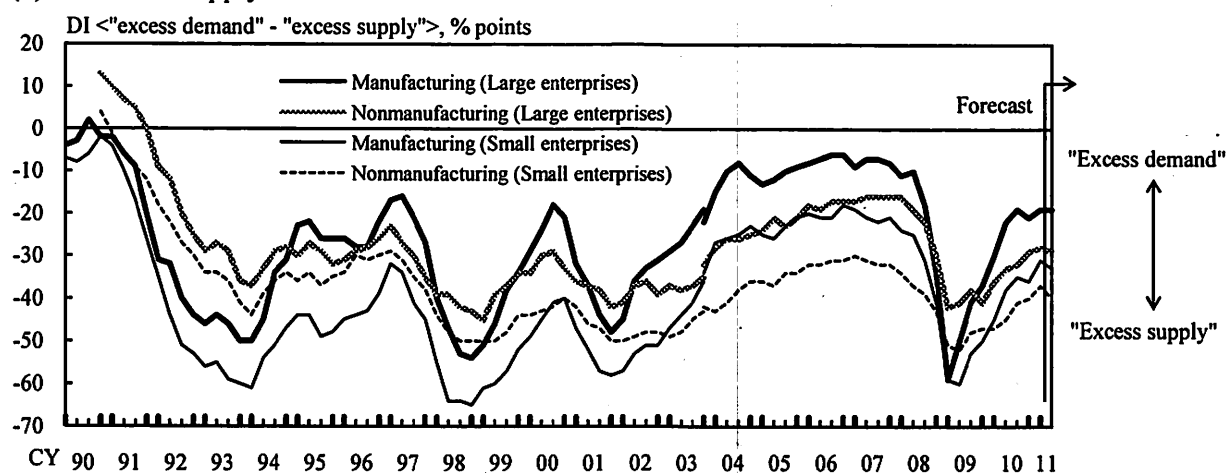
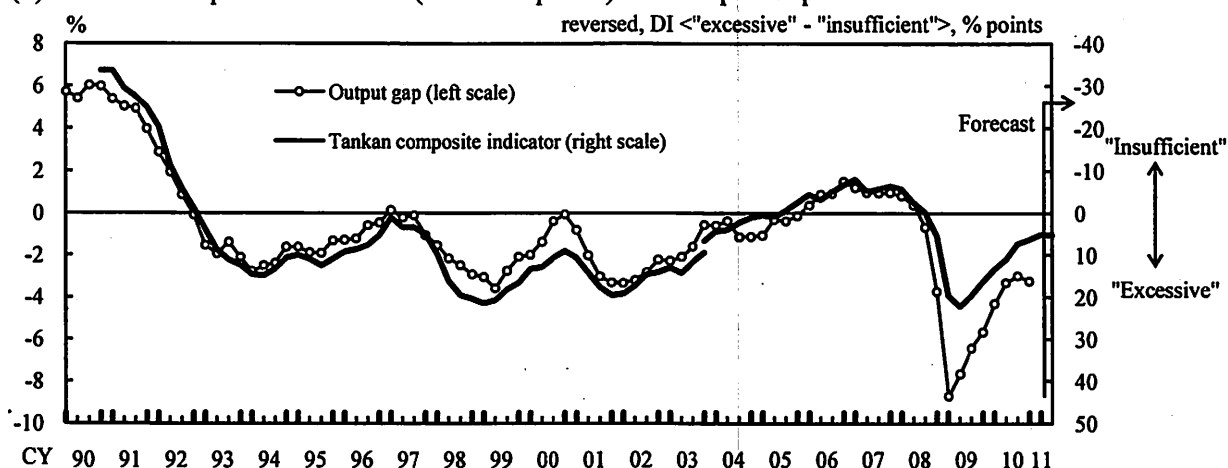
2. High school fees: high school fees (public) and high school fees (private).

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.

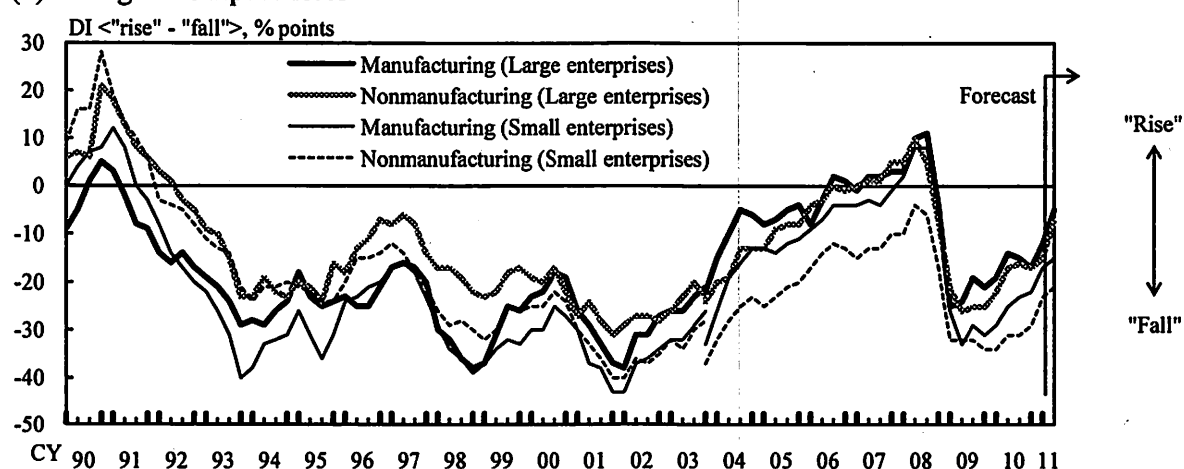
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Domestic Supply and Demand Conditions¹

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

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

(3) Change in Output Prices

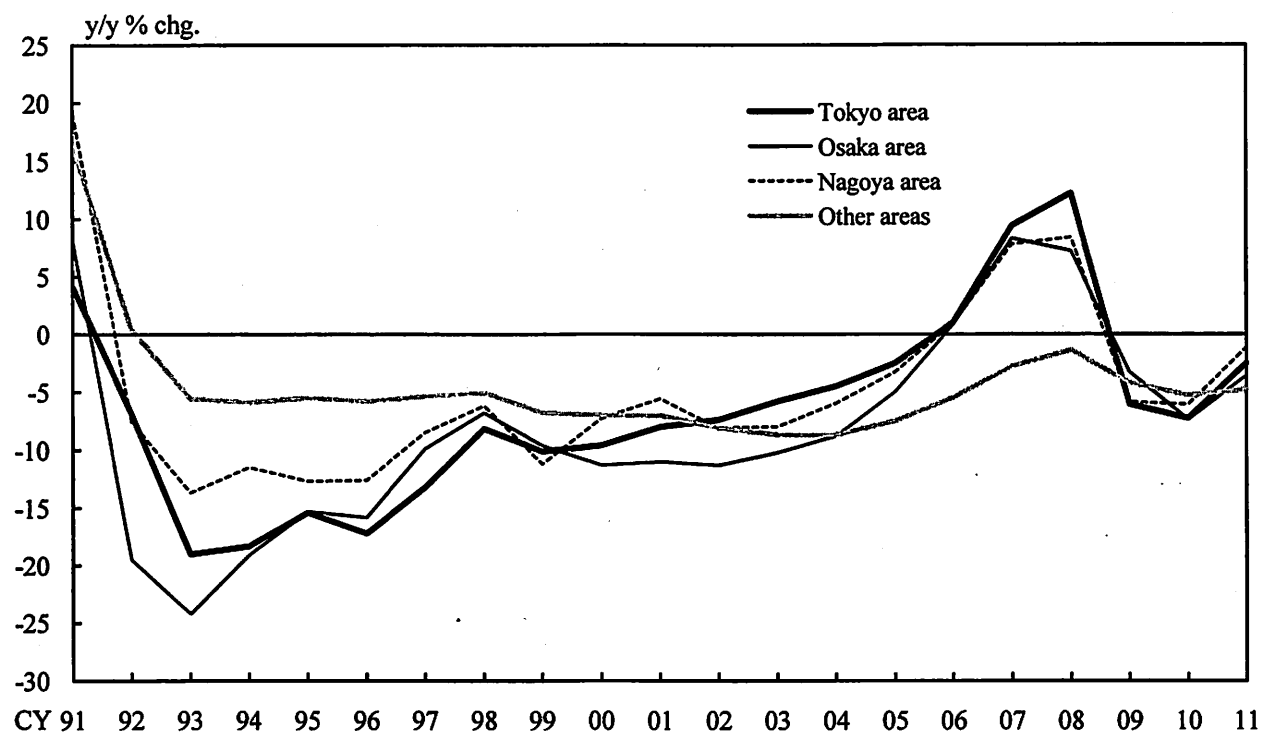


- Notes: 1. The "Tankan" has been revised from the March 2004 Survey. Figures up to the December 2003 Survey are based on the previous data sets. Figures from the December 2003 Survey are on a new basis.
2. Figures are weighted averages of the production capacity DI and employment conditions DI. The FY 1990-2009 averages of capital and labor shares in the "National Accounts" are used as the weight.
3. The output gap is estimated by the Research and Statistics Department, Bank of Japan. Since the estimation of the output gap includes various errors, considerable latitude should be allowed for this estimation.

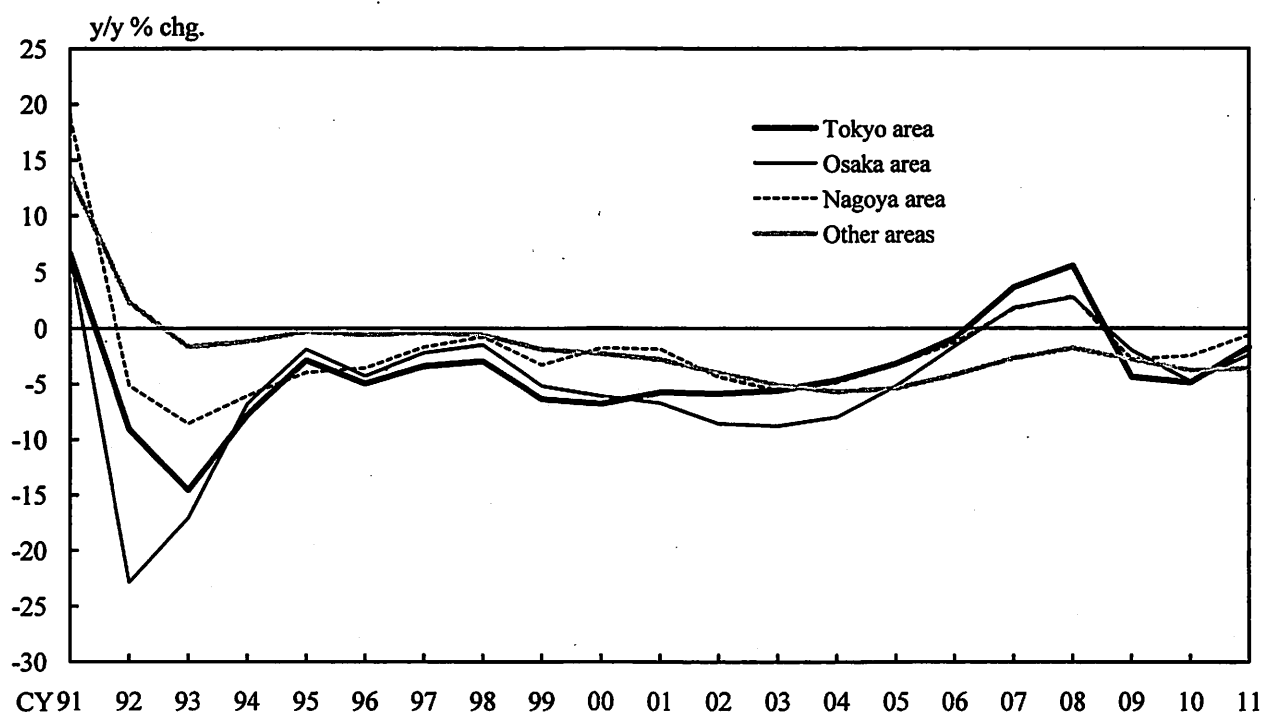
Sources: Cabinet Office, "National Accounts";
Bank of Japan, "Tankan", Short-Term Economic Survey of Enterprises in Japan," etc.

Land Prices

(1) Commercial Land



(2) Residential Land

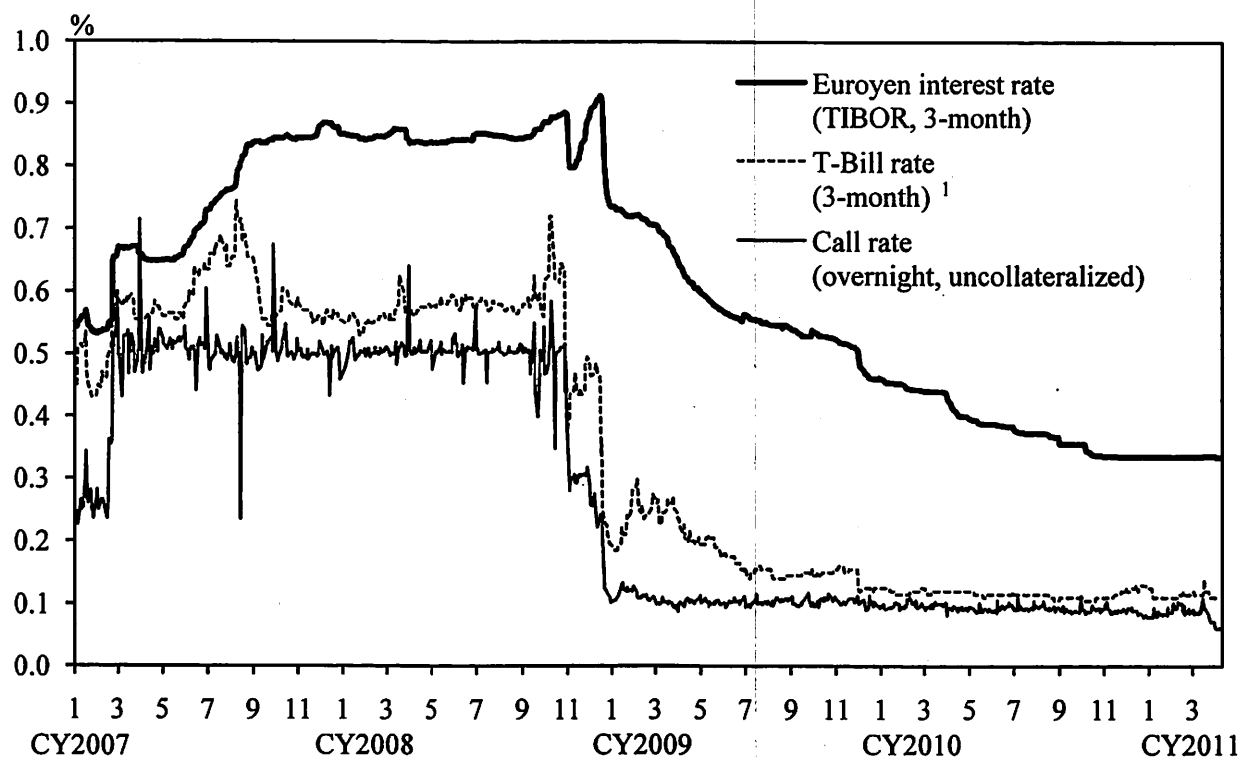
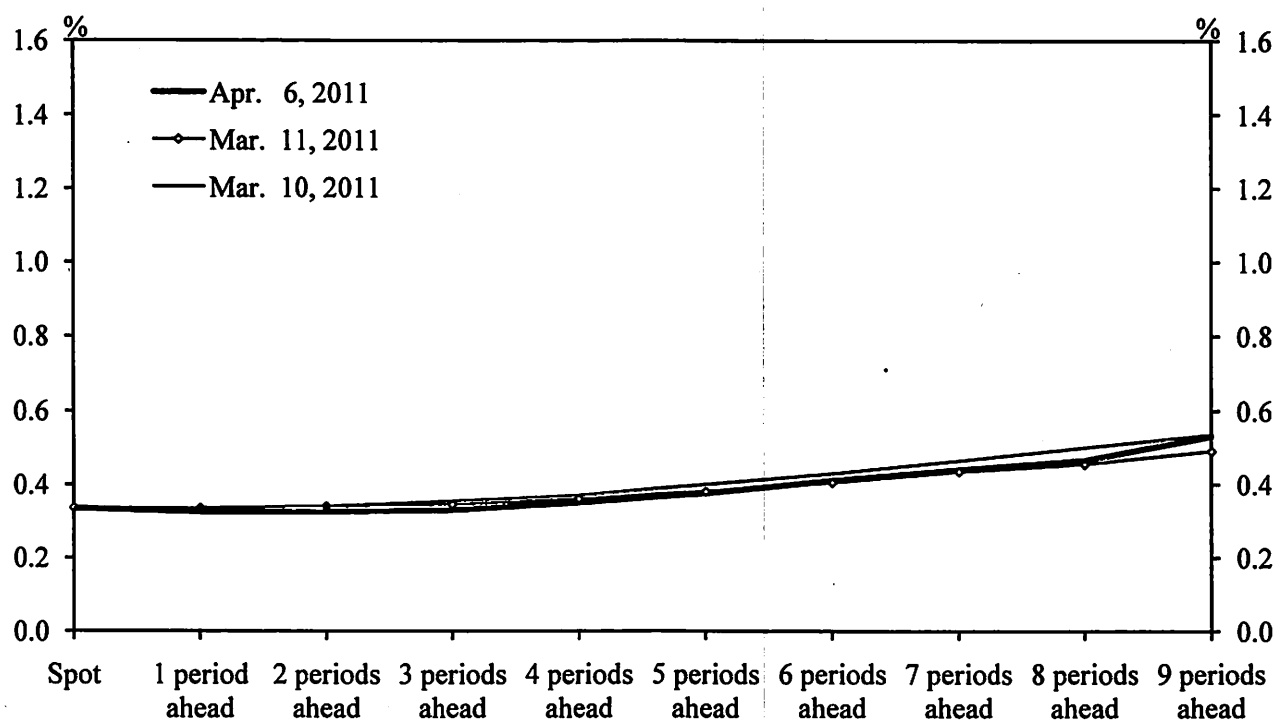


Note: "Public Notice of Land Prices" surveyed by the Ministry of Land, Infrastructure, Transport and Tourism, shows land prices as of January 1.

Source: Ministry of Land, Infrastructure, Transport and Tourism, "Public Notice of Land Prices."

Short-Term Interest Rates

(1) Short-Term Interest Rates

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

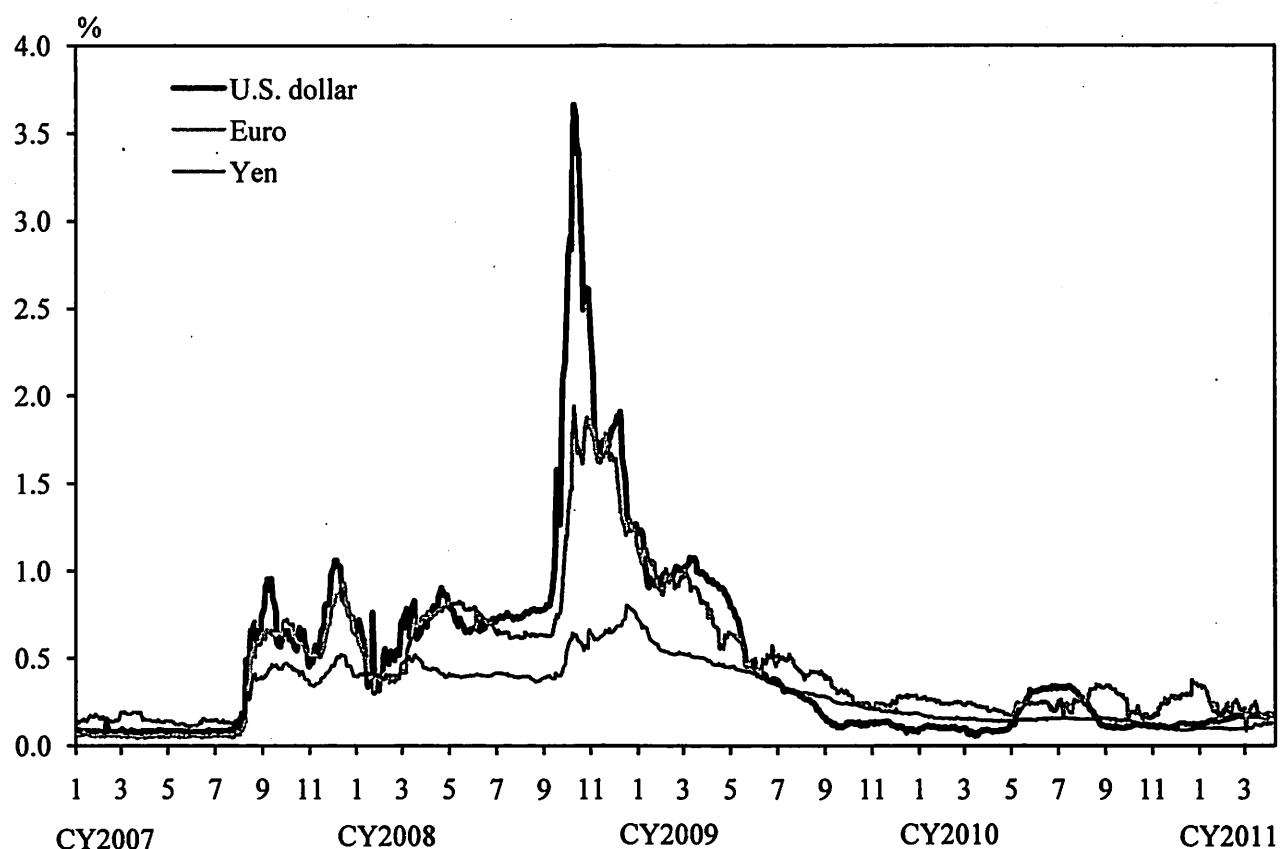
Notes: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.

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

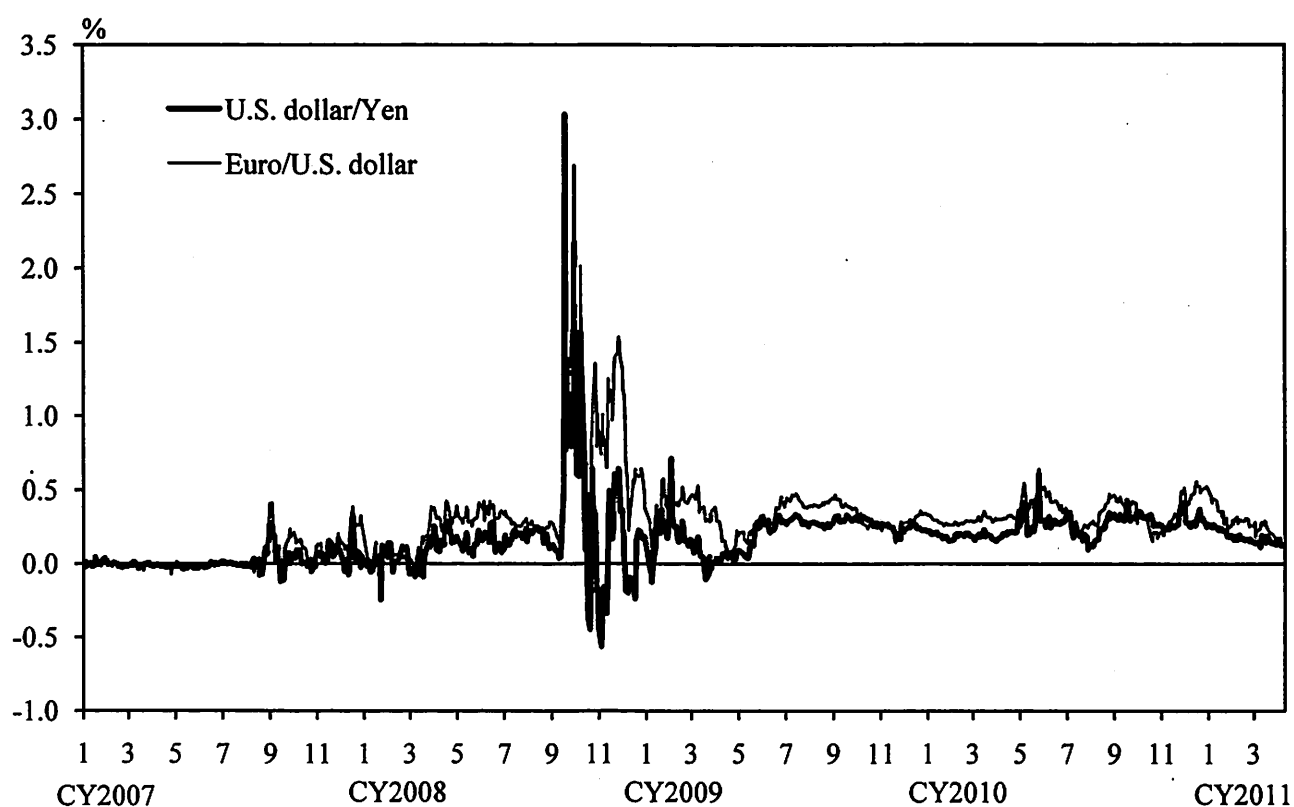
Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.; Tokyo Financial Exchange; Bank of Japan.

Global Money Markets

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

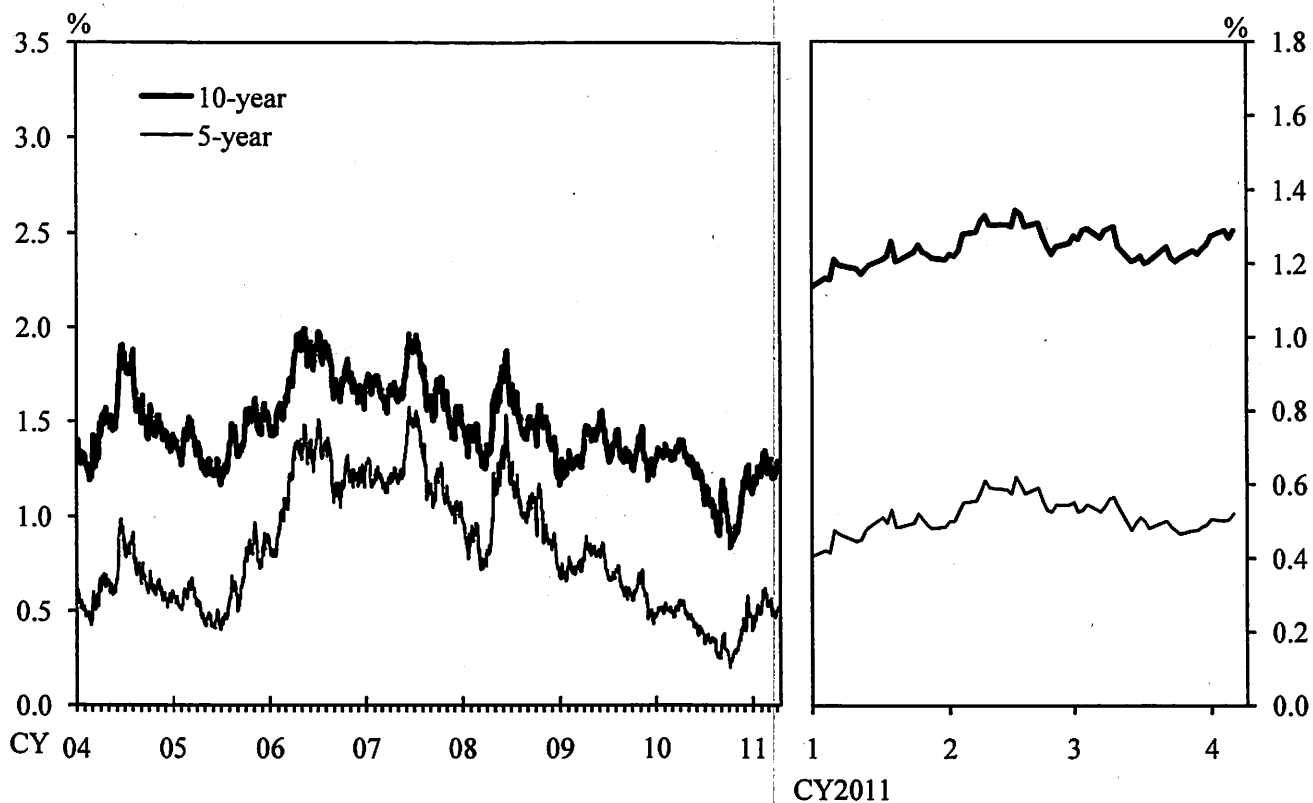


(2) FX swap implied dollar rate - LIBOR spreads (3-Month)

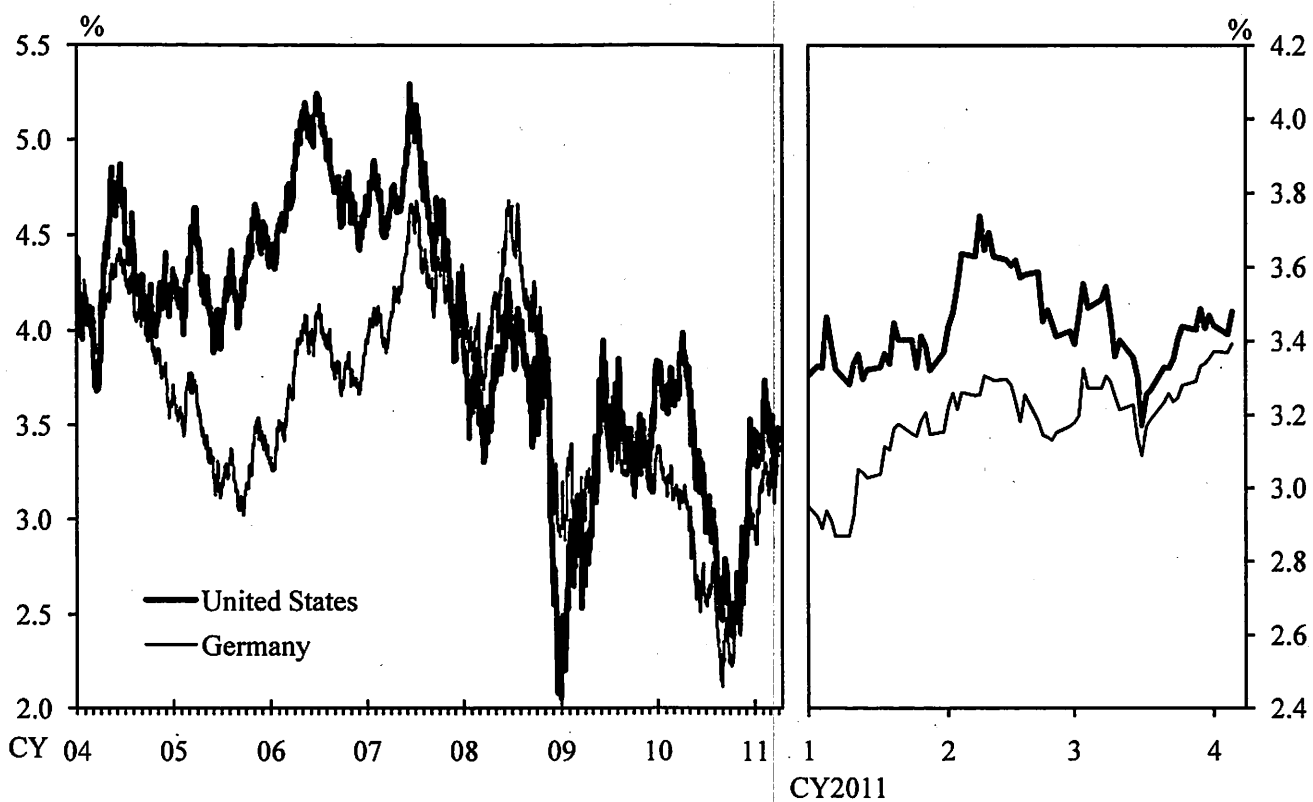


Source: Bloomberg.

Long-Term Interest Rates

(1) Japanese Government Bond Yields¹

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

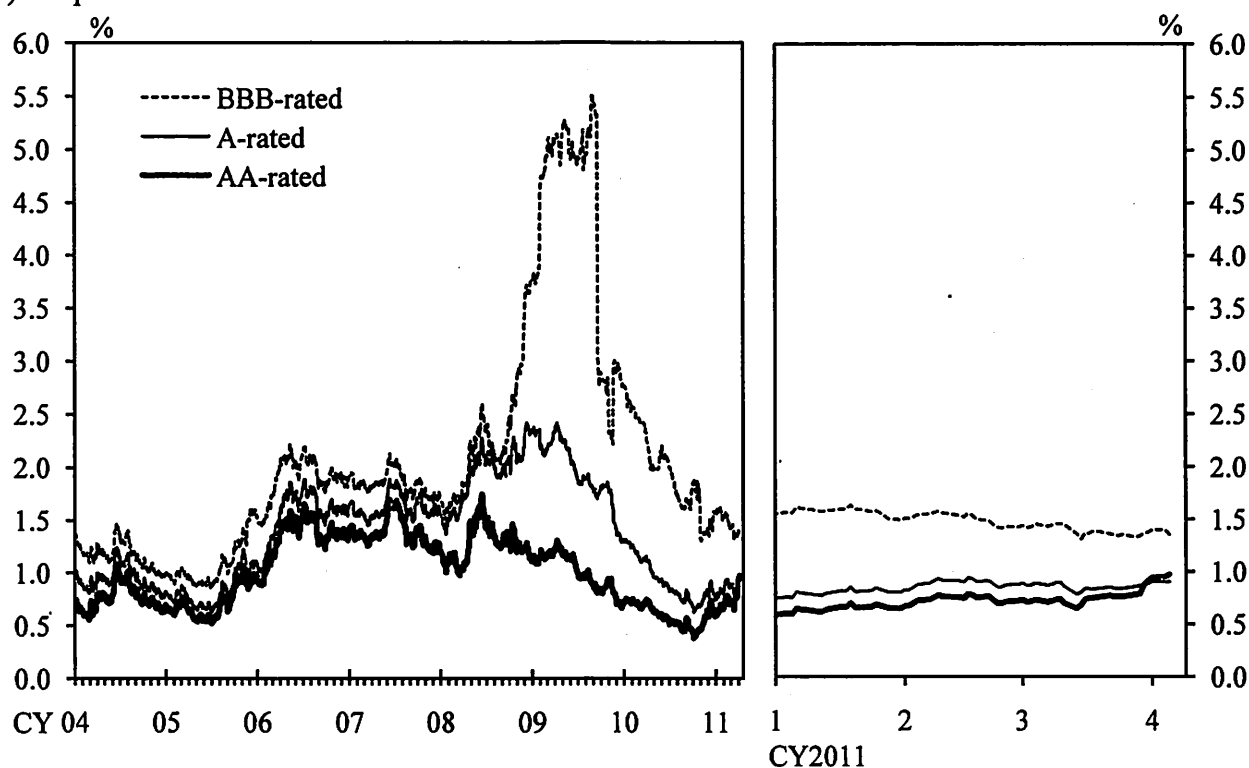


Note: 1. Yields on newly issued bonds.

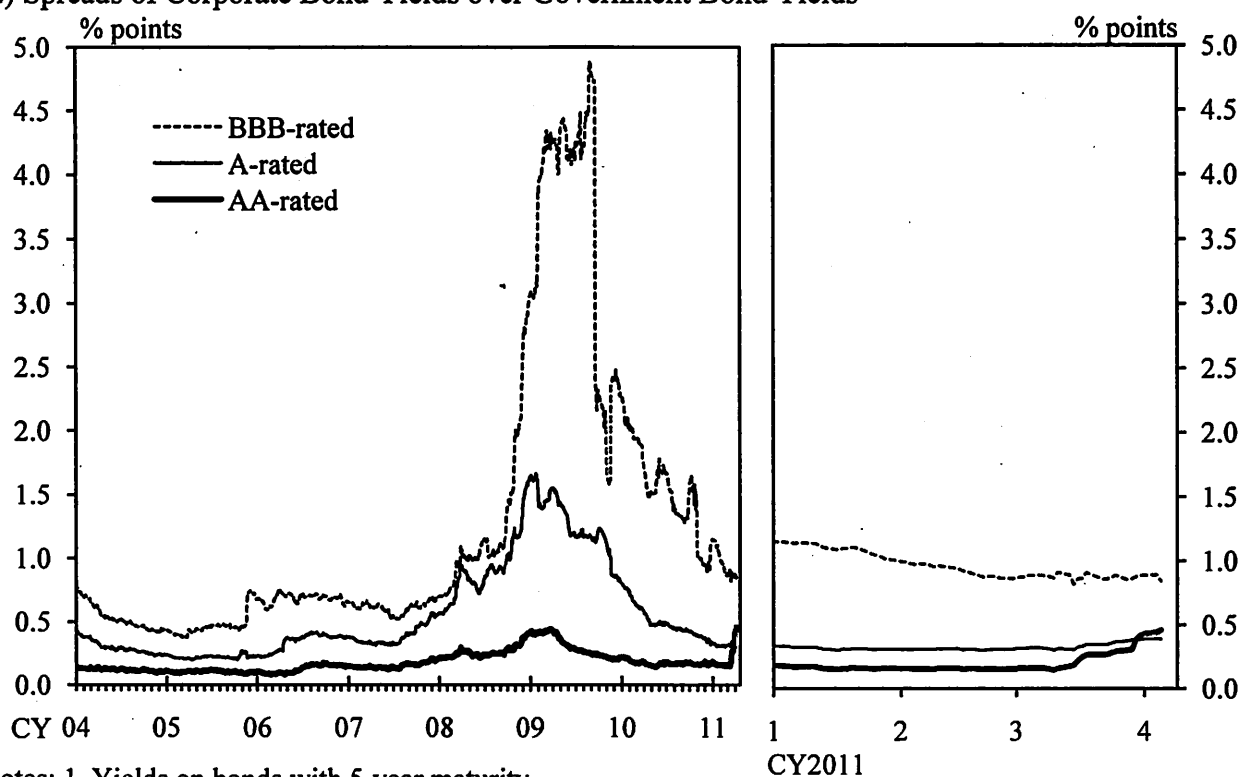
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

Yields of Corporate Bonds

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



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



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

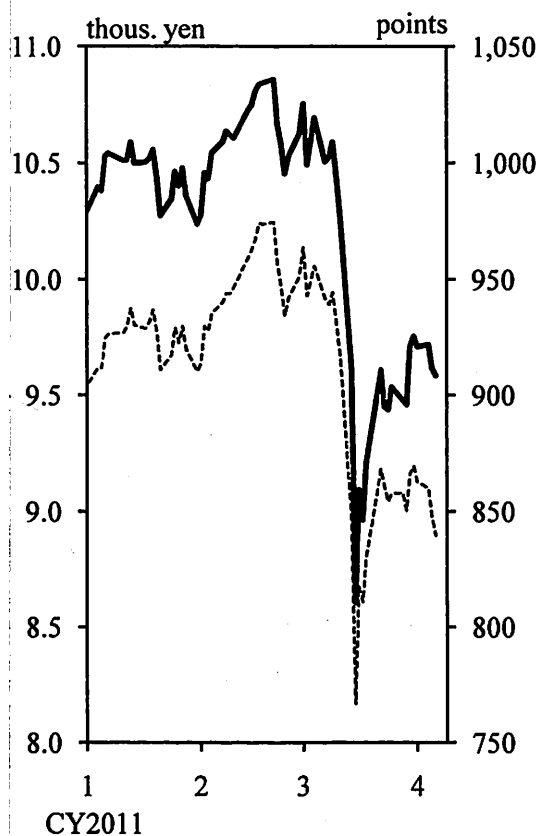
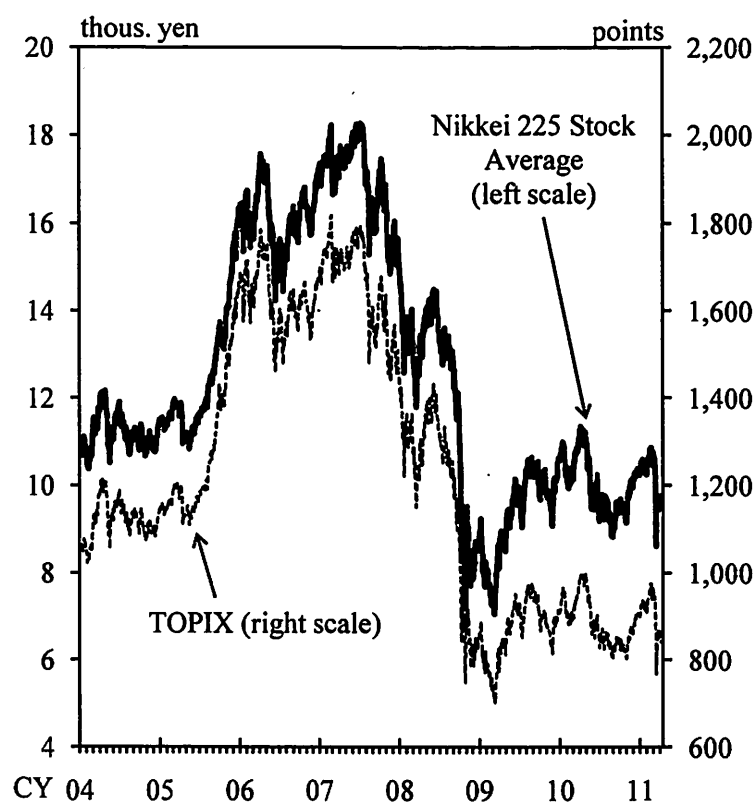
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.

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

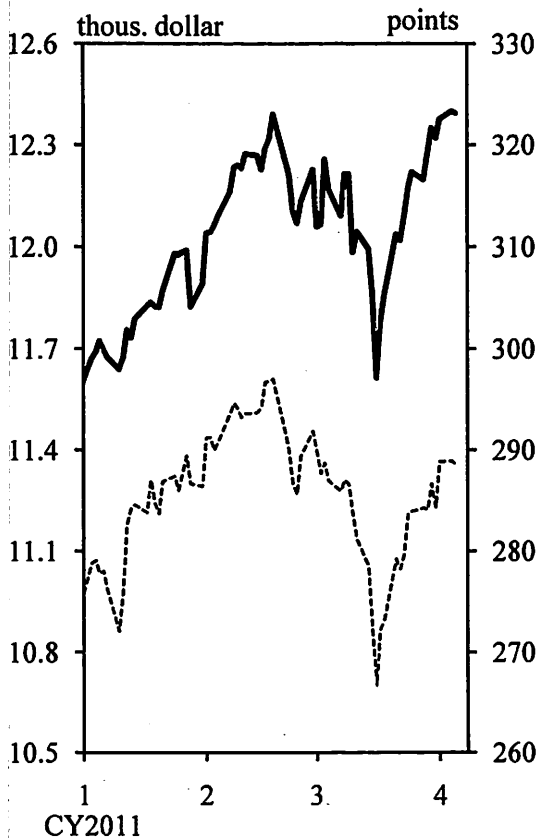
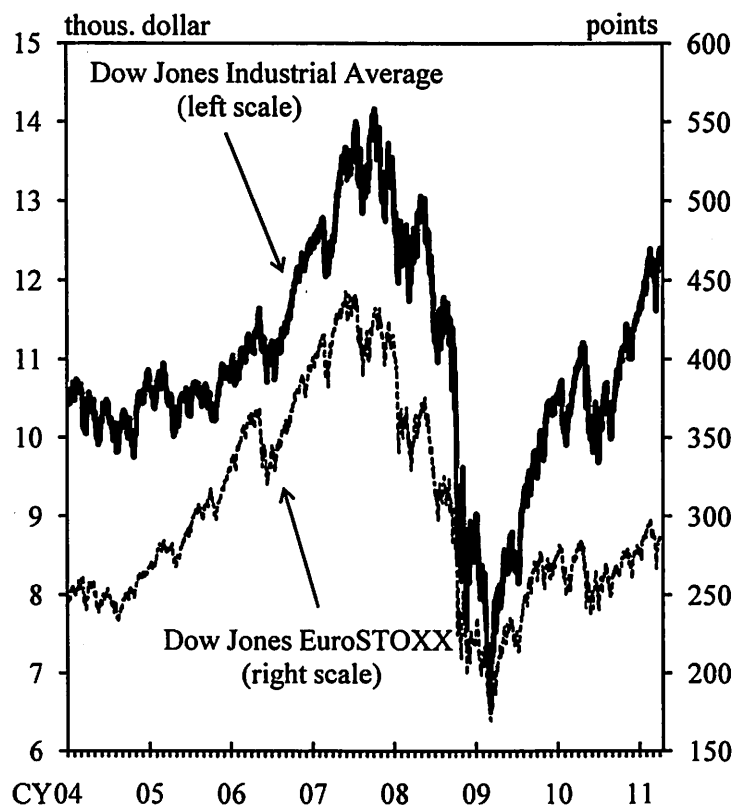
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Japanese Stock Prices

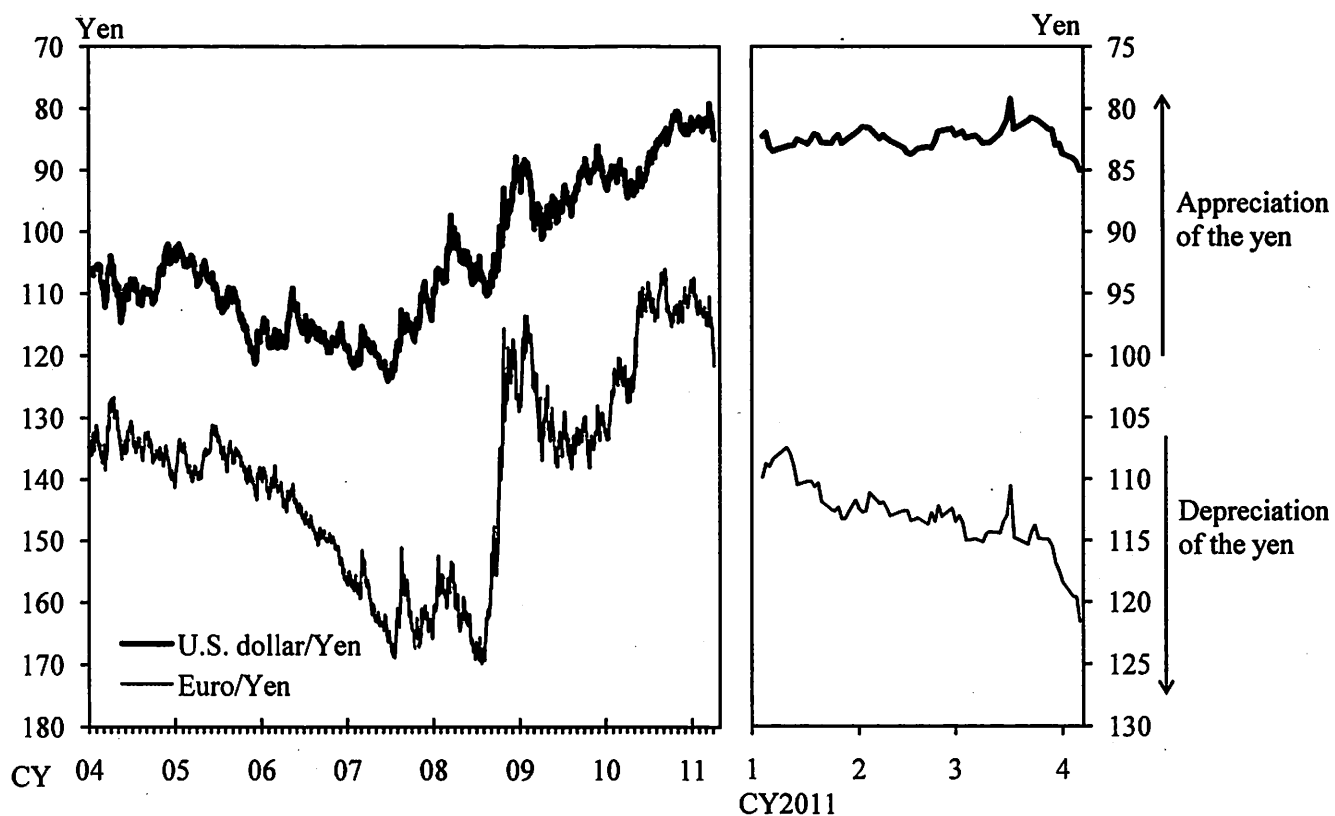


(2) Overseas Stock Prices

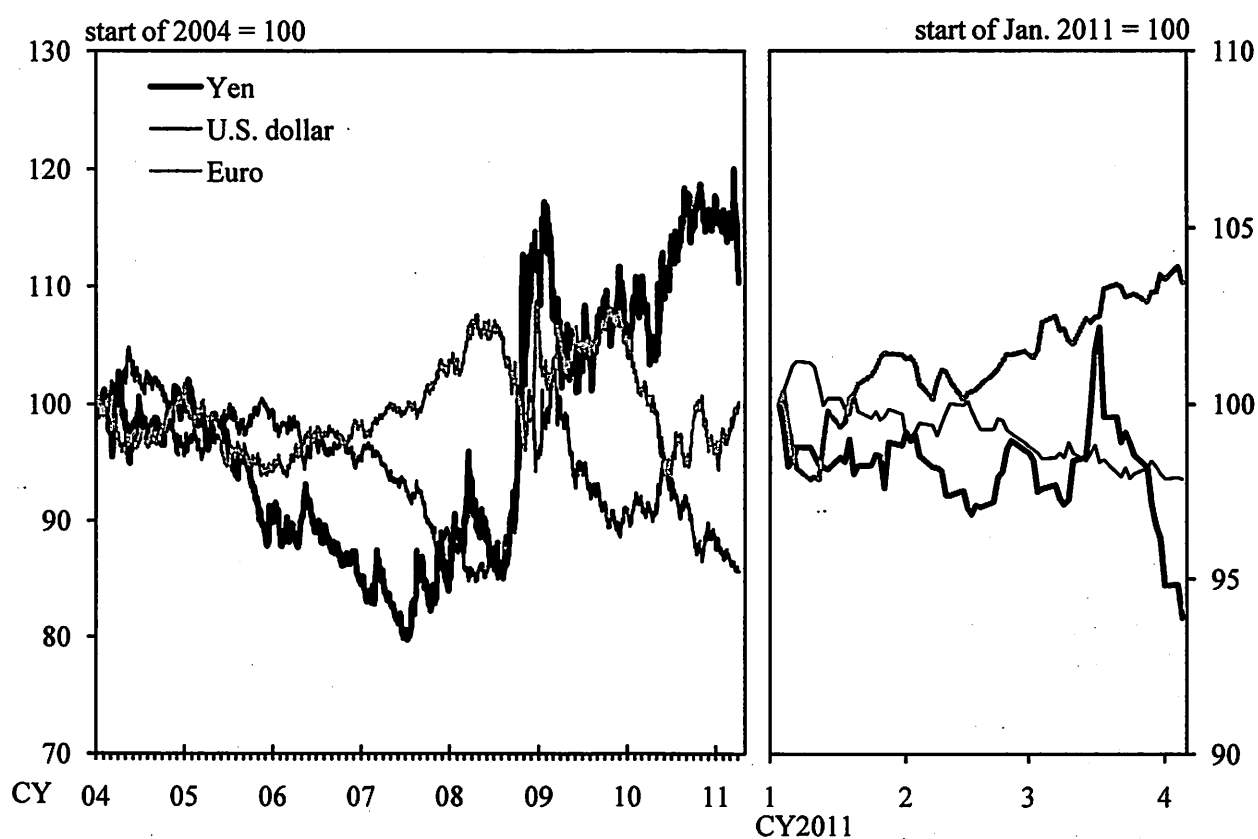


Exchange Rates

(1) Bilateral Exchange Rates



(2) Nominal Effective Exchange Rates



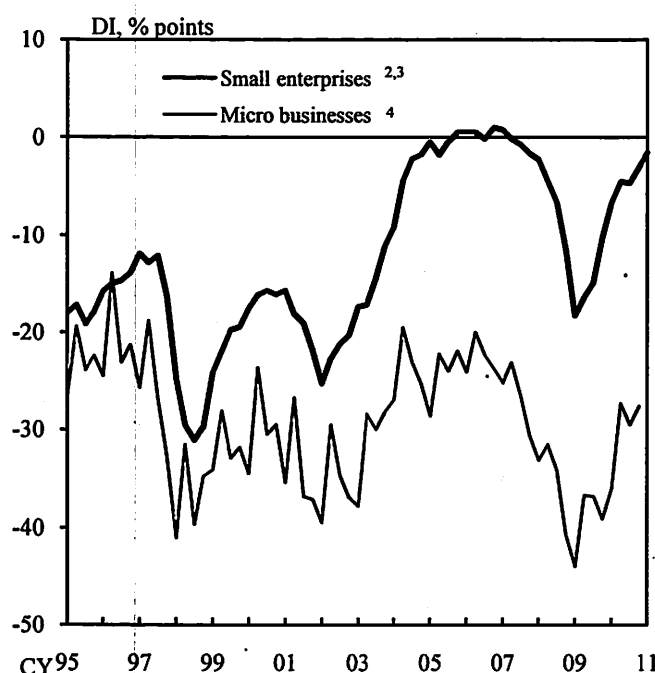
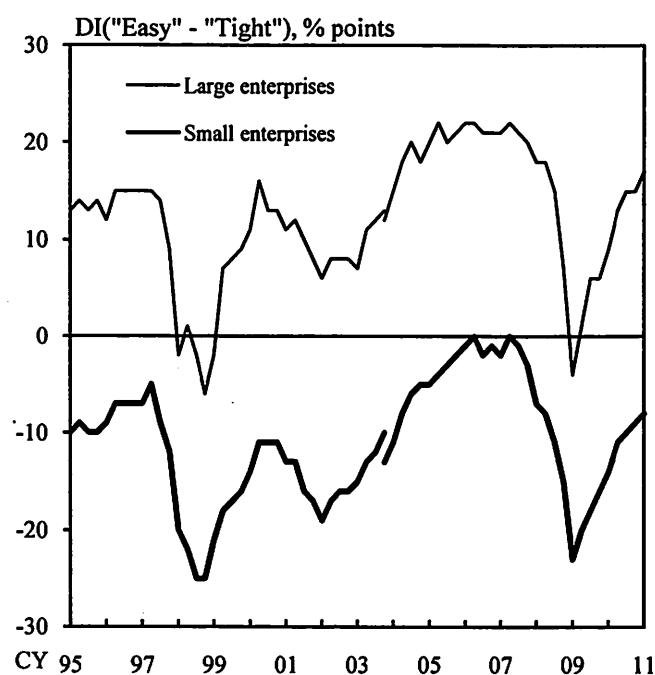
Sources: Bank of Japan; European Central Bank; Bloomberg.

Corporate Finance-Related Indicators

(1) Financial Position

<Tankan¹>

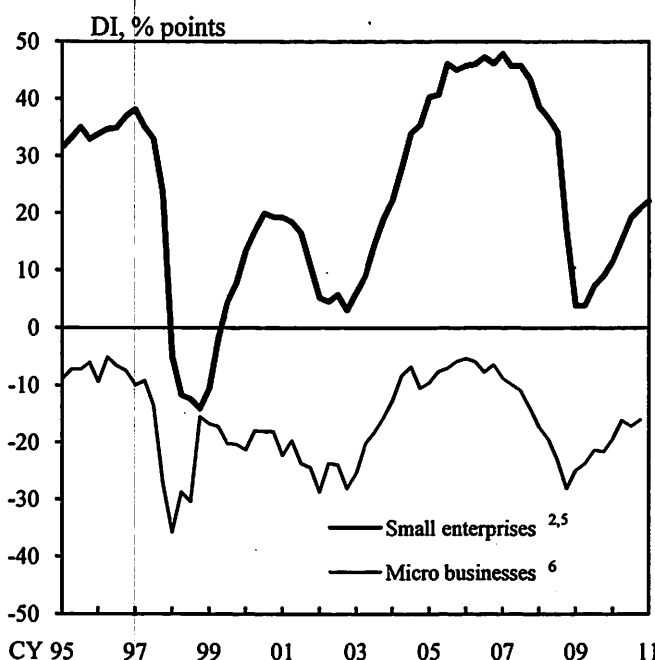
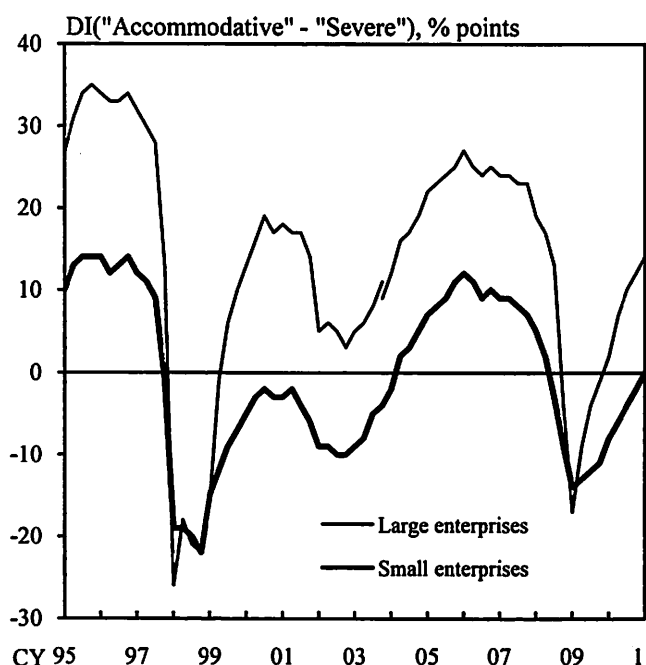
<Japan Finance Corporation Survey>



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

<Tankan¹>

<Japan Finance Corporation Survey>



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

2. Figures are quarterly averages of monthly data.

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

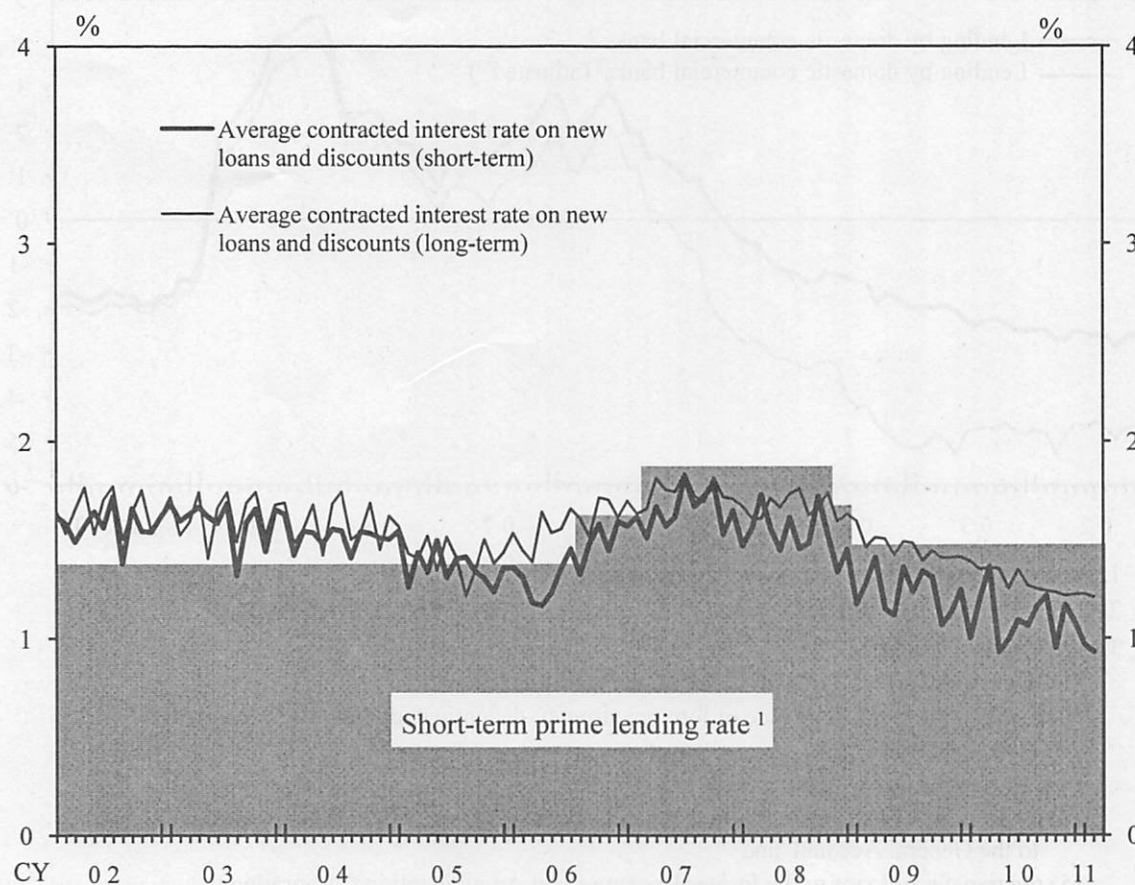
4. DI of "Easier" - "Tighter."

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

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

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

Lending Rates

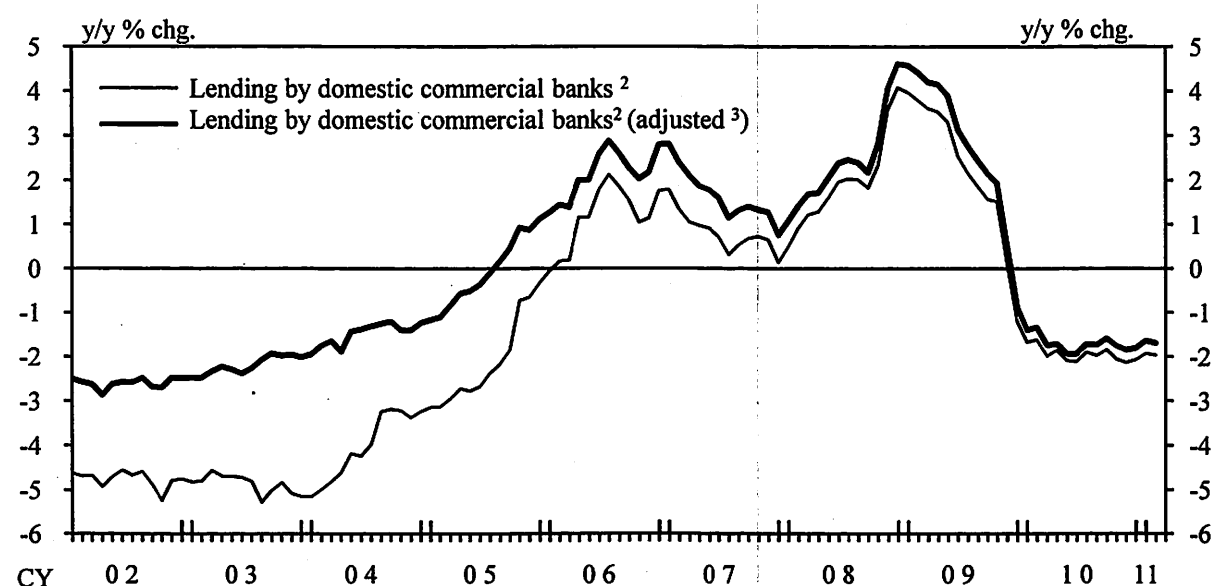


Note: 1. Data are at end of period.

Source: Bank of Japan.

Lending by Financial Institutions

(1) Lending by Domestic Commercial Banks¹



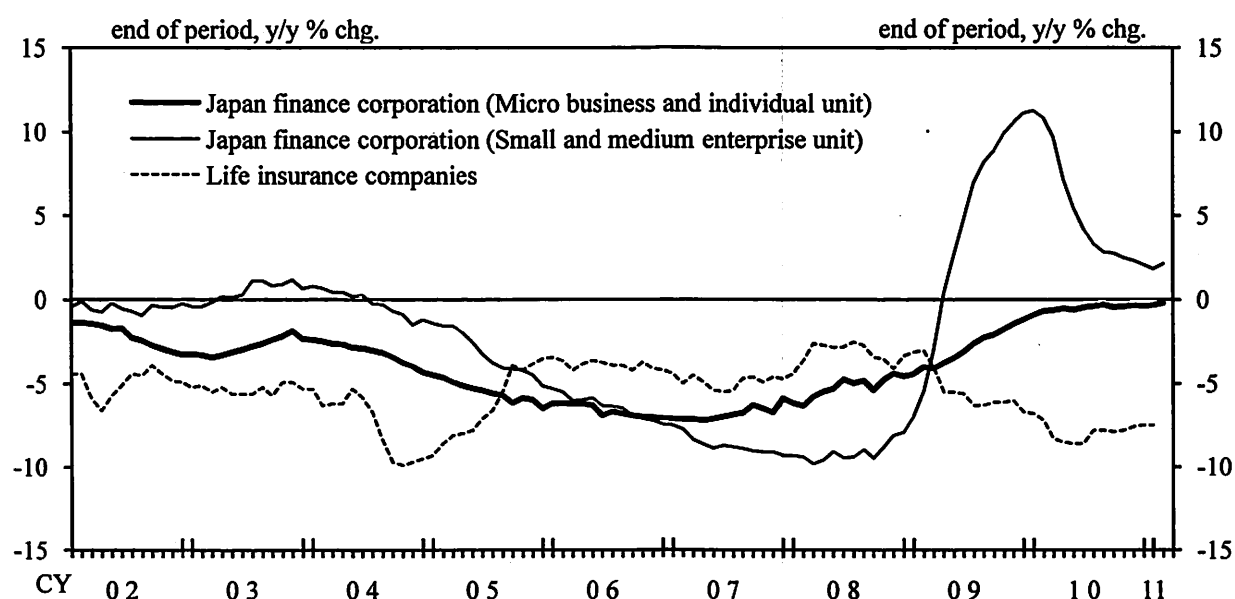
Notes: 1. Percent changes in average amounts outstanding from a year earlier.

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

3. Adjusted to exclude

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

(2) Lending by Other Financial Institutions

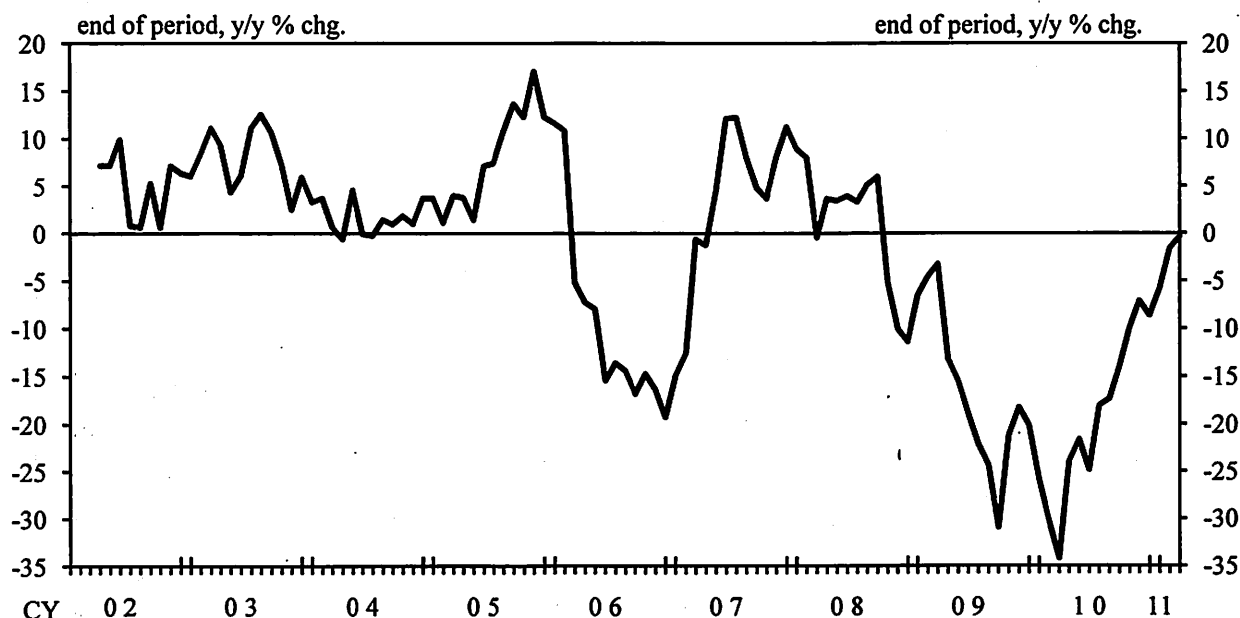


Note: The figures of the Japan Finance Corporation (Small and Medium Enterprise Unit) exclude the amounts outstanding of lending to the Credit Guarantee Corporations.

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

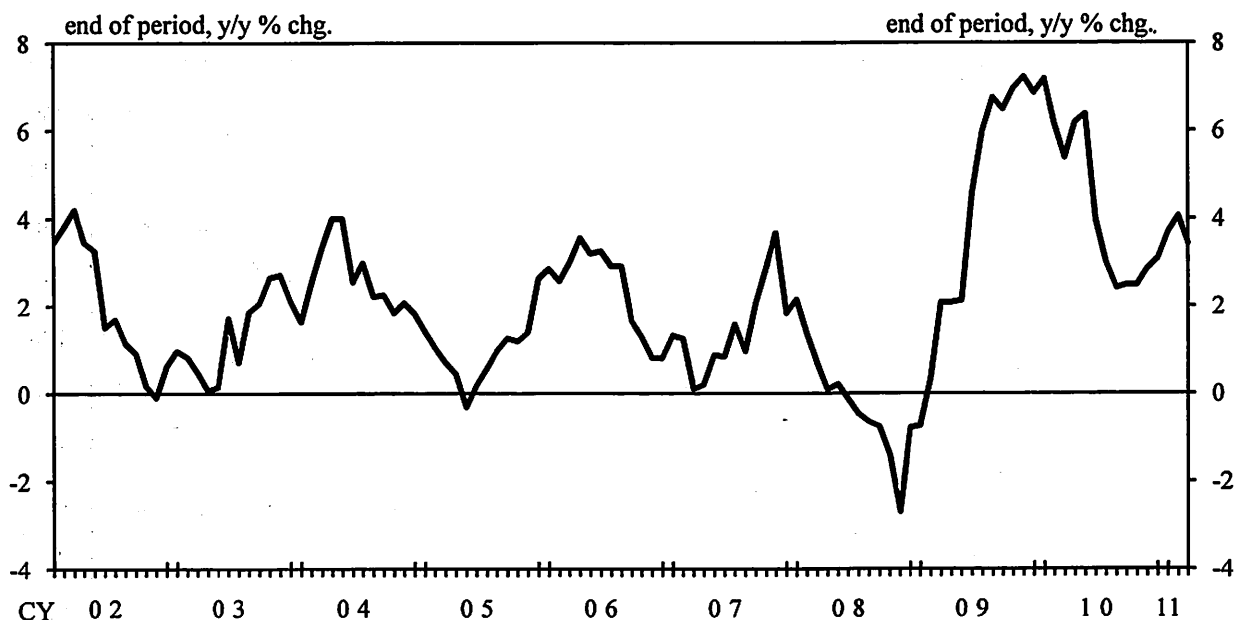
Private-Sector Fund-Raising in the Capital Markets

(1) Amount Outstanding of Commercial Paper



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

(2) Amount Outstanding of Corporate Bonds



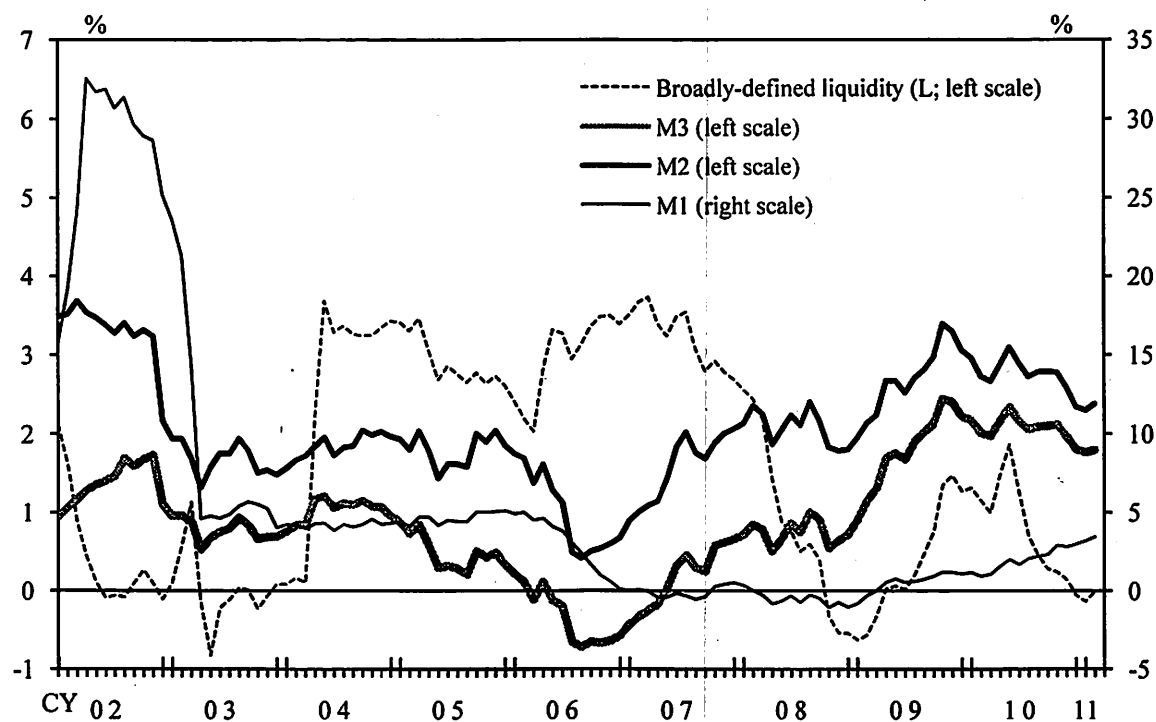
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

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

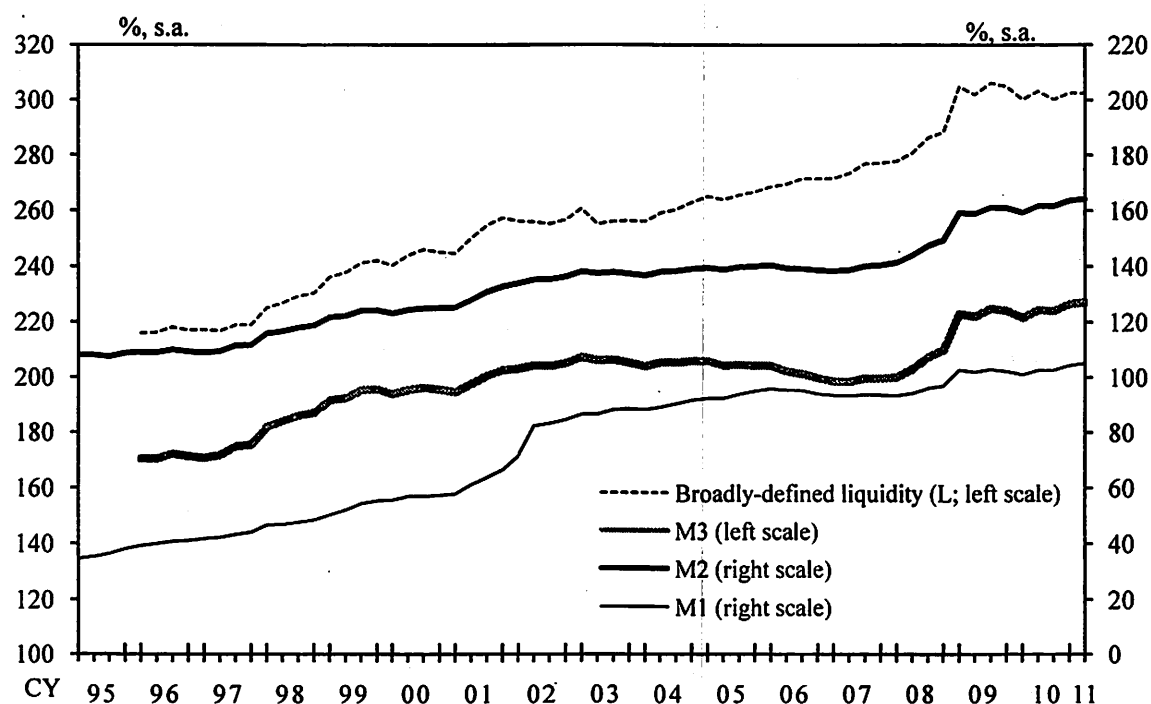
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category"; Bank of Japan, "Principal Figures of Financial Institutions"; Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts of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

Money Stock

(1) Changes from a Year Earlier



(2) Ratio of Money Stock to Nominal GDP

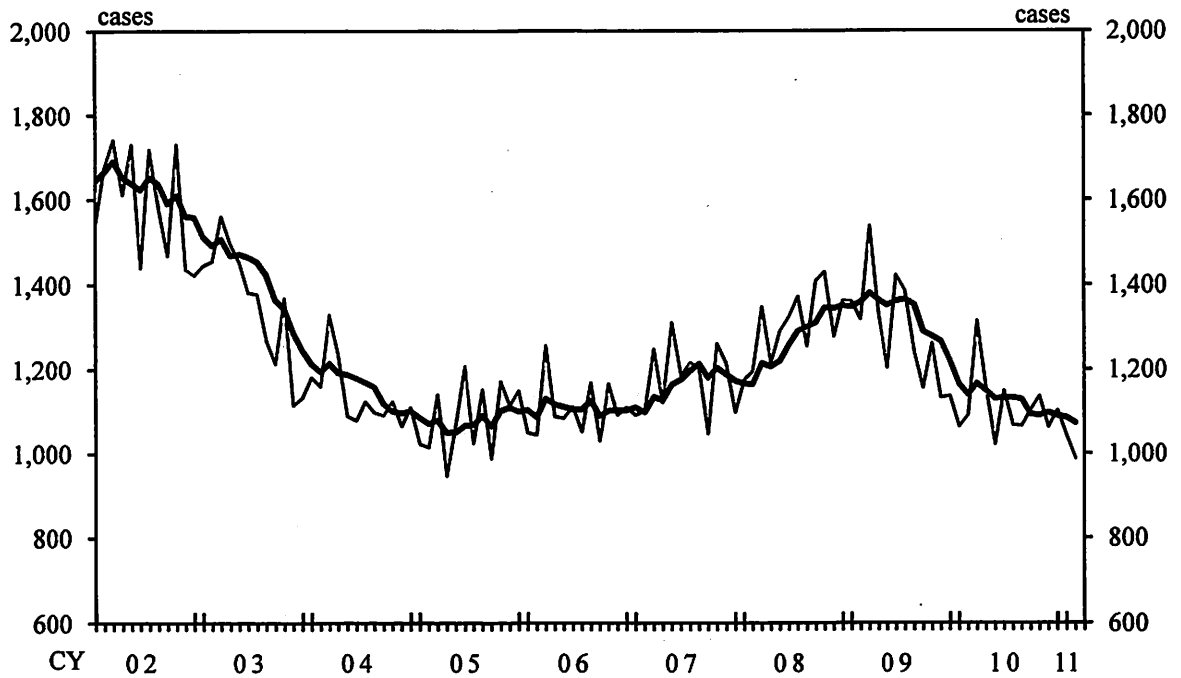


- Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.
 2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.
 3. The figures up to March 2004 in the upper panel and those up to March 2003 in the lower panel are based on the former series.
 4. Figures for money stock in 2011/Q1 are those of Jan.-Feb. averages, and nominal GDP in 2011/Q1 is assumed to be unchanged from the previous quarter.

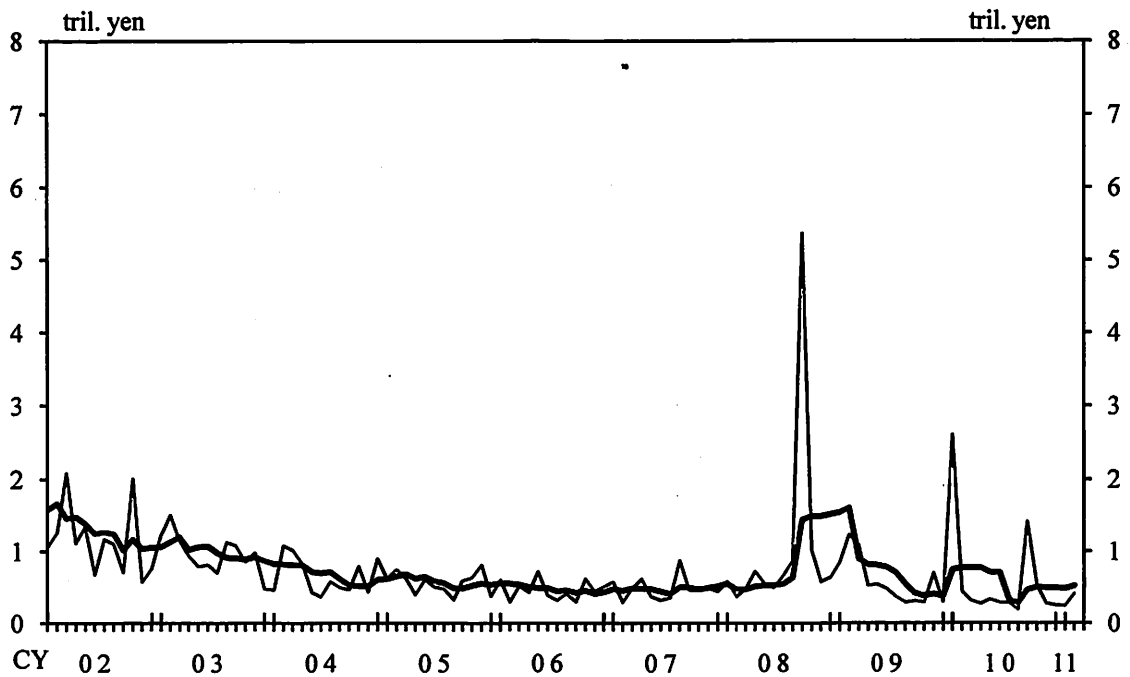
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

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)."