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Bank of Japan

**Monthly Report of  
Recent Economic and Financial Developments**  
May 2011

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released on May 23, 2011)

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

**May 2011**

## **Summary**

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

Production has declined sharply due to the supply-side constraints caused by the disaster. As a result, exports have decreased substantially, and domestic private demand has also been weak partly affected by a deterioration in business and household sentiment.

Japan's economy is likely to continue facing 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 ease and production regains traction.

Production is expected to remain at a low level for the time being, but is likely to start increasing as supply-side constraints ease. 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 the purposes of restoring capital stock. Meanwhile, private consumption is expected to pick up partly due to the improvement in household sentiment 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, and has been around 0 percent.

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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 May 19 and 20, 2011.

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.<sup>2</sup>

The weighted average of the overnight call rate has been below the 0.1 percent level, and interest rates on term instruments have been more or less unchanged. Compared with last month, the value of the yen against the U.S. dollar has risen, while long-term interest rates have fallen. Meanwhile, stock prices have remained at more or less the same level as last month.

Financial conditions have generally continued to ease, although 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 being on an improving trend. Issuing conditions for CP have continued to be favorable, and in the corporate bond market, new issuances have recently resumed at a gradual pace after a pause following the earthquake. As for credit demand, firms have recently shown signs of increasing their demand for working capital. Against this backdrop, the year-on-year rate of decline in bank lending is slowing. 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, firms have retained their recovered financial positions on the whole, although weakness has been observed in those of some firms, mainly small ones, since the earthquake. Meanwhile, the year-on-year rate of change in the money stock has been in the range of 2.5-3.0 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

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 the first quarter and continued to do so in April relative to the first quarter, led by the execution of the budget for prior economic measures. The amount of public construction completed—which reflects the progress of public works—rose in the first quarter on a quarter-on-quarter basis.

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

Real exports have decreased substantially since the earthquake (Charts 6[1] and 7). In March, exports registered a significant decline of 8.0 percent from the previous month, due to supply-side constraints following the earthquake disaster. By region (Chart 7[1]), exports plunged to all regions. By goods (Chart 7[2]), most goods declined: the rate of decline was most evident in motor vehicles and their related goods which were largely affected by the supply-chain disruption.

Real imports have been relatively weak since the earthquake (Charts 6[1] and 9). In March, imports were down by 1.4 percent on a month-on-month basis. Due to the effects of the earthquake disaster, imports decreased for many goods, mainly due to the decline in raw materials following production declines as well as the decline in consumer goods caused by the deterioration of consumer sentiment, although there have been movements to supplement daily necessities and some parts with imported goods (Chart 9[2]).

Net exports—in terms of the real trade balance—have declined lately, reflecting the aforementioned developments in exports and imports (Chart 6[2]). The nominal balance on goods and services recorded a deficit in March since the trade balance dropped sharply and the services deficit also increased at a faster pace. As a result, the nominal current account surplus also declined significantly in March on a month-on-month basis.

Exports are likely to remain at low levels for the time being, but they are expected to turn upward as supply-side constraints ease, against the background of the ongoing improvement in overseas economic conditions. Looking at overseas economies, the United States has continued to recover assisted mainly by the effects of the fiscal stimulus program and Europe has also been recovering moderately as a whole (Chart 8). Emerging economies, including China, have continued robust growth with monetary tightening gradually taking place. Meanwhile, in IT-related goods, inventory adjustment has been in progress, while final demand remains firm on a global basis. Imports are expected to be somewhat weak for the time being, but they are projected to turn upward. As a reflection of these developments in exports and imports, net exports are expected to remain relatively weak for the time being and then start turning upward.

Business fixed investment has been relatively weak due to the decline in production and the deterioration of business sentiment since the earthquake disaster. The aggregate supply of capital goods—a coincident indicator of machinery investment—registered a noticeable decline in the first quarter on a quarter-on-quarter basis due to the plunge in March, after having inched downward in 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 moved up in the first quarter (Chart 11[1]). By industry, both manufacturing and nonmanufacturing (excluding orders for ships, those from electric power companies, and those for cell phones) rose in the first quarter on a quarter-on-quarter basis, after having declined in the fourth quarter. Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—rose sharply in the first quarter relative to the fourth quarter due to an increase in the number of large-scale orders (Chart 11[2]). By industry, construction starts 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, transportation, and real estate.

Regarding the environment surrounding business fixed investment, corporate profits—which had been on a recovery trend—are either slowing their pace of



recovery or turning temporarily downward, due to the effects of the earthquake disaster.

Business fixed investment is expected to move gradually upward, aided partly by the restoration of quake-hit facilities.

As for private consumption, sagging sales caused by supply constraints as well as dampened consumption due to the deterioration of consumer sentiment have been observed (Chart 12). Consumption of goods—as seen through sales at retail stores (in real terms)—declined significantly in March on a month-on-month basis due to the earthquake disaster (Chart 13[1]). Looking at developments in durable consumer goods, the number of new passenger-car registrations has been falling sharply since March on a month-on-month basis, and sales of household electrical appliances (in real terms) also decreased in March; they were both affected by supply constraints and the deterioration of consumer sentiment due to the earthquake disaster (Chart 13[2]). Sales at convenience stores increased marginally in March, assisted by steady sales of processed foodstuffs, daily necessities, and tobacco (Chart 14[1]). Sales at department stores plunged in March, mainly in apparel. Sales at supermarkets declined in March, primarily due to a sharp drop in apparel, despite elevated demand for daily necessities. As for developments in services consumption (Chart 14[2]), sales in the food service industry dropped sharply in March, with people refraining from partying, sluggish food delivery, and scheduled black outs all caused by the earthquake disaster. Outlays for travel also marked a significant decline in March due to the earthquake disaster.

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 March on a month-on-month basis (Chart 13[1]).<sup>3</sup> The total expenditure in the *Survey of Household Economy* (in real terms; two-or-more-person households) also dropped in March.

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<sup>3</sup> Items in the index are not completely limited to those used for estimating GDP. Education, for example, is not used for estimating GDP.

Indicators related to consumer sentiment have deteriorated in response to the earthquake disaster (Chart 15). Recently, however, some indicators have started to show signs of improvement.

Private consumption is expected to pick up partly assisted by the improvement in household sentiment as production begins to recover. Anecdotes from firms reveal that consumption has been showing some signs of picking up since April, mainly in household electrical appliances.

Housing investment has been relatively weak due to the earthquake disaster. The number of housing starts (Chart 16[1])—a leading indicator of housing investment—dropped in March on a month-on-month basis. It had 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, but construction starts and housing construction have been delayed, mainly due to supply constraints caused by the earthquake disaster.

Housing investment is expected to edge up, as supply constraints are eased and disaster-stricken homes are rebuilt.

Industrial production has declined sharply due to the supply-side constraints such as supply-chain disruptions. In March, production dropped sharply, by 15.5 percent on a month-on-month basis, as a consequence of the earthquake disaster. In detail, production declined in all industries: transport equipment—which has been under severe supply constraints—showed the largest rate of decline (Chart 17).

Shipments declined significantly in March following that of production. By goods (Chart 18), shipments of durable consumer goods—including motor vehicles which have been under severe supply constraints—dropped sharply; they are nearing their lowest level recorded since the Lehman Shock. Those of producer goods plunged, mainly in motor vehicle parts and chemicals. Other goods also declined significantly, mainly due to supply constraints inflicted by the earthquake disaster.



Inventories dropped in March, since they were depleted due to supply constraints. Those of transport equipment—in which production declines were evident—plummeted by almost 50 percent. Inventories of electronic parts and devices, foodstuffs and tobacco, and general machinery also seem to have been scaled back and converted to shipments to cover production declines. On the other hand, flat panel televisions—which were expecting an upsurge in demand prior to the expiration of the eco-point system for household electrical appliances—saw a large pileup in their inventories, due to sagging sales caused by the earthquake disaster. Looking at the shipment-inventory balance on a year-on-year basis (Chart 19), growth in inventories outpaced that in shipments, a reflection mainly of movements in flat panel televisions.

Production is expected to remain at a low level for the time being, but is likely to start increasing as supply-side constraints ease. According to anecdotes by firms and other information, production in the second quarter is projected to decline following that of the first quarter, since transport equipment—which has been under severe supply constraints—is expecting a sharp decline, and since a wide range of industries are projecting production decreases.<sup>4</sup> On the other hand, production is projected to turn to an increase in the third quarter with the supply chain heading toward recovery. These projections, however, continue to entail great uncertainty.

The employment and income situation has remained severe, partly due to the effects of the earthquake disaster.

In the labor market, the ratio of job offers to applicants has tended to improve moderately and the unemployment rate has been on a gradual downtrend (Chart 20[1]). As for the outlook, the recovery trend in the labor market is expected to level off for the time being, due to the effects of the earthquake disaster.

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<sup>4</sup> According to the production forecast index, production in April and May is expected to increase by 3.9 percent and 2.7 percent respectively on a month-on-month basis. A calculation that includes the production forecast figures of these two months shows that production in the second quarter is expected to decline by 5.3 percent compared with the first quarter (based on the assumption that the figure for June is the same as that for May).

In terms of employment (Chart 21[1]), the year-on-year growth rate of the number of employees in the *Labour Force Survey* dropped marginally in March.<sup>5</sup> The number of regular employees in the *Monthly Labour Survey* has been increasing on a year-on-year basis, with March included.<sup>6</sup> With regard to the Employment Adjustment Subsidy, figures collected from reports on business suspension plans show that the number of applicants for this subsidy rose in March due to the earthquake disaster.<sup>7,8</sup> Overtime hours worked, meanwhile, turned negative in March on a year-on-year basis due to production declines (Chart 21[3]).

Nominal wages per employee turned somewhat negative in March on a year-on-year basis (Chart 22[1]). In detail, regular payments fell at a faster pace on a year-on-year basis, led mainly by the decline in the number of hours worked as a result of lowered economic activity. Overtime payments have slowed their year-on-year pace of increase, mainly due to the decline in the number of hours

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<sup>5</sup> The Great East Japan Earthquake has made it difficult to carry out the *Labour Force Survey* in Iwate, Miyagi, and Fukushima prefectures. Therefore, the released figures from March onward are aggregated excluding the above three prefectures. Both the original and seasonally adjusted figures based on 44 prefectures (excluding the above three) are released from January 2009 by the Ministry of Internal Affairs and Communications. Year-on-year figures based on 47 prefectures and 44 prefectures were much the same through February. However, taking into account that the employment situation in these quake-hit areas is severe compared to those of other regions due to the earthquake disaster, figures based on 44 prefectures are likely to turn out to be somewhat stronger than the actual conditions with the quake-hit areas included.

<sup>6</sup> As for the three quake-hit areas (which are Iwate, Miyagi, and Fukushima prefectures), surveys carried out by interviewers of the statistics section (mainly to small establishments) were cancelled, but those reported directly from establishments continued to be collected. However, the response rate also dropped for those collected directly from establishments, notably in quake-hit areas.

<sup>7</sup> The number of applicants was 2.53 million at its peak in April 2009 and dropped to 0.81 million in February. In March, however, the number rose again to 1.17 million due to the earthquake disaster and the subsequent easing of conditions.

<sup>8</sup> 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 firms in the disaster-stricken areas; 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 must also meet either of the following requirements 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.

worked. Special payments, meanwhile, have continued to register a year-on-year increase.

Employee income grew at a reduced pace in March on a year-on-year basis as a reflection of the aforementioned developments in employment and wages (Chart 22[3]).

Employee income is likely to be flat or somewhat weak for the time being, affected partly by the earthquake disaster.

## 2. Prices

International commodity prices—which had been rising—have recently fallen back (Chart 24). Looking at their movements in some detail, crude oil prices—which had been climbing, mainly due to growing demand from emerging economies, to accommodative financial conditions on a worldwide basis, and to uncertainty about the situations in the Middle East and North Africa—have fallen back lately. Prices of nonferrous metals and grain have recently shown signs of adjustments.

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

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>9</sup> is rising, mainly due to the increase in international commodity prices (Chart 25). 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. Those of "iron & steel and construction goods" and "other materials" have been on the rise. Prices of "electric power, gas and water" have

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<sup>9</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.

turned around since the rise in crude oil prices has started to take effect with a time lag.

Corporate services prices (excluding international transportation; year-on-year basis, same hereafter) have been declining, a reflection mainly of cost-cutting among firms (Chart 26). In March, the year-on-year rate of decline accelerated somewhat, mainly due to fluctuations in prices of civil engineering and architectural services. The effects of the earthquake disaster were observed in some items such as prices of magazine advertising, hotels, and sales space rental, but the effects have remained limited to date.

The year-on-year rate of decline in consumer prices (excluding fresh food; year-on-year basis, same hereafter) has continued to slow, and has been around 0 percent (Chart 27). In March, the rate of decline in consumer prices narrowed by 0.2 percentage points from February, and registered a decrease of 0.1 percent (an increase of 0.4 percent with high school fees excluded).<sup>10,11</sup> Looking at developments on a basis that excludes food and energy, the rate of decline expanded by 0.1 percentage point from February, and marked a decline of 0.7 percent (an increase of 0.1 percent with high school fees excluded). Regarded as a method for capturing trend changes, the year-on-year rate of decline in the trimmed mean—which systematically discards a certain percentage of the highest and lowest marks of the price fluctuation distribution by item (which eliminates large relative price fluctuations)—has been narrowing mildly (Chart 28).

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 and those of food products have tended to decline at a slower pace. As for general services, the rate of decline was about the

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<sup>10</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 2010 by about 0.3 percentage points and 0.1 percentage point, respectively, on a year-on-year basis.

<sup>11</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.

same as that in February. Public utility charges also declined at around the same pace as the previous month.

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.<sup>12,13</sup>

### **3. Financial Developments**

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

Japan's money markets have been stable, amid the Bank of Japan's provision of ample funds. The overnight call rate (uncollateralized) has been 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. Interest rates on Euroyen futures, mainly those with distant contract months, have decreased somewhat (Chart 29). In U.S. dollar funding, the LIBOR-OIS spread for the dollar has been at a low level (Chart 30).

Yields on 10-year government bonds (newly issued 10-year JGB) have decreased, against the backdrop of declines in U.S. interest rates as well as somewhat receding concerns about the supply and demand conditions of JGB; they have recently been in the range of 1.10-1.15 percent (Chart 31).

In the secondary market of corporate bonds, although investors seem to have eased their wait-and-see stances somewhat, the volume of transactions has remained

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<sup>12</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.

<sup>13</sup> In April, consumer prices (Ku-area of Tokyo; excluding fresh food) improved by 0.5 percentage points from March to an increase of 0.2 percentage points on a year-on-year basis, mainly since the effects of high school fees tapered off and electricity prices turned positive. The effects of the earthquake disaster varied across items with prices of some foodstuffs having risen due to supply constraints, while the rate of increase in prices of clothes was subdued reflecting the weakness in demand. In sum, however, both upward and downward pressures remain limited at present.

low; yield spreads between corporate bonds and government bonds have been more or less flat on the whole (Chart 32).<sup>14</sup>

Stock prices have been more or less flat as a whole, mainly since the announced corporate earnings—which investors have carefully watched to assess the impacts of the earthquake disaster—have generally been within the range of market expectations. The Nikkei 225 Stock Average has recently been at around 9,500 yen (Chart 33).

In the foreign exchange market, the yen's exchange rate against the U.S. dollar has appreciated amid declines in U.S. interest rates; it has recently been in the range of 81-82 yen (Chart 34).

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

The declining trend in firms' funding costs has continued, against the background that the overnight call rate has remained at an extremely low level. Issuance rates on CP and those on corporate bonds, meanwhile, have been at low levels. The average contracted interest rates on new loans and discounts have been on a declining trend, albeit with some fluctuations (Chart 36).

With regard to credit supply, firms have continued to see financial institutions' lending attitudes as being on an improving trend (Chart 35). Issuing conditions for CP have continued to be favorable, and in the corporate bond market, new issuances have recently resumed at a gradual pace after a pause following the earthquake. In these circumstances, funding of the private sector has declined at a reduced pace on a year-on-year basis. The year-on-year rate of decline in bank lending is slowing (Chart 37). The amount outstanding of corporate bonds issued has exceeded the previous year's level, and the pace of decline in the amount outstanding of CP issued has been on a decelerating trend (Chart 38).

In these circumstances, firms have retained their recovered financial positions on the whole, although weakness has been observed in those of some firms, mainly

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<sup>14</sup> The tightening in spreads of AA-rated corporate bonds as well as the widening in spreads of A-rated corporate bonds were due to the fact that some bonds with large spreads were downgraded from AA-rated to A-rated.

small ones, since the earthquake (Chart 35). The number of corporate bankruptcies has continued to decrease. It was down by 6.8 percent on a year-on-year basis in April, following a decline of 10.0 percent in March (Chart 40).

Meanwhile, the year-on-year rate of change in the money stock (M2) has recently been in the range of 2.5-3.0 percent. Its April reading was 2.7 percent on a year-on-year basis, following 2.6 percent in March (Chart 39).<sup>15</sup>

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<sup>15</sup> On an M3 basis, which includes the Japan Post Bank, the year-on-year growth rate has recently been at around 2 percent; its April reading was 2.1 percent, following 1.9 percent in March. The amount outstanding of broadly-defined liquidity (L) has recently been somewhat below the previous year's level; it decreased by 0.3 percent in April, following a decrease of 0.1 percent in March.



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Chart 1

## Main Economic Indicators (1)

	s.a., q/q (m/m) % chg. <sup>1</sup>						
	2010/Q3	Q4	2011/Q1	2011/Jan.	Feb.	Mar.	Apr.
Index of consumption expenditure level (two-or-more-person households)	1.6	-1.4	-1.1	2.1	0.0	-4.2	n.a.
Sales at department stores	-0.3	-0.2	-3.7	0.4	1.4	-14.9	n.a.
Sales at supermarkets	0.8	-1.0	-0.7	0.9	1.2	-4.8	n.a.
New passenger-car registrations <sup>3</sup> <s.a., ann. 10,000 units>	< 337>	< 217>	< 234>	< 246>	< 266>	< 188>	< 154>
Sales of household electrical appliances (real, "Current Survey of Commerce")	8.9	13.3	-16.2	6.3	9.6	-7.7	n.a.
Outlays for travel	-1.0	0.4	-7.0	3.9	-2.1	-21.8	n.a.
Housing starts <s.a., ann. 10,000 units>	< 82>	< 84>	< 84>	< 85>	< 87>	< 81>	<n.a.>
Machinery orders (from private sector) excluding volatile orders 1 <sup>4</sup>	7.6	-4.6	3.5	3.9	-1.9	2.9	n.a.
excluding volatile orders 2 <sup>4</sup>	5.6	-4.3	5.6	4.0	1.7	1.0	n.a.
Construction starts (private, nondwelling use)	17.6	-9.7	13.7	31.1	-20.2	30.4	n.a.
Mining & manufacturing	7.7	9.0	-9.6	3.8	-19.2	45.8	n.a.
Nonmanufacturing <sup>5</sup>	21.1	-12.1	15.4	30.2	-21.3	26.9	n.a.
Value of public works contracted	-5.2	-3.8	2.4	2.5	5.9	-6.7	3.4
Real exports	0.3	0.2	-1.1	-2.6	3.7	-8.0	n.a.
Real imports	1.3	-0.7	-0.7	2.0	-2.4	-1.4	n.a.
Industrial production	-1.0	-0.1	-2.0	0.0	1.8	-15.5	n.a.
Shipments	-0.8	-0.3	-1.9	-0.8	3.3	-14.6	n.a.
Inventories	0.4	-0.6	1.0	3.9	1.5	-4.2	n.a.
Inventory ratio <s.a., CY 2005 = 100>	< 109.1>	< 108.0>	< 108.6>	< 107.9>	< 104.3>	< 108.6>	<n.a.>
Real GDP	0.9	-0.8	-0.9	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.7	-0.2	n.a.	-0.5	0.7	n.a.	n.a.

## Main Economic Indicators (2)

	y/y % chg. <sup>1</sup>						
	2010/Q3	Q4	2011/Q1	2011/Jan.	Feb.	Mar.	Apr.
Ratio of job offers to applicants <s.a., times>	< 0.54>	< 0.57>	< 0.62>	< 0.61>	< 0.62>	< 0.63>	<n.a.>
Unemployment rate <sup>6</sup> <s.a., %>	< 5.0>	< 5.0>	< 4.7>	< 4.9>	< 4.6>	< 4.6>	<n.a.>
Overtime working hours <sup>7</sup>	9.6	5.7	1.7	3.2	3.0	-1.0	n.a.
Number of employees <sup>6</sup>	0.3	0.4	0.5	0.3	0.9	-0.2	n.a.
Number of regular employees <sup>7</sup>	0.5	0.7	0.7	0.8	0.7	0.8	n.a.
Nominal wages per person <sup>7</sup>	0.9	0.2	0.1	0.4	0.3	-0.1	n.a.
Domestic corporate goods price index <q/q % chg., 3-month rate of change> <sup>8</sup>	-0.2 <-0.5>	1.0 < 0.6>	1.7 < 1.1>	1.5 < 0.9>	1.7 < 1.1>	2.0 < 1.3>	p 2.5 <p 1.6>
Consumer price index <sup>9</sup>	-1.0	-0.5	-0.2	-0.2	-0.3	-0.1	n.a.
Corporate services price index <sup>10</sup>	-1.4	-1.5	p -1.1	-1.0	-1.0	p -1.2	n.a.
Money stock (M2) <average outstanding, y/y % chg.>	2.8	2.6	2.4	2.3	2.4	2.6	p 2.7
Number of corporate bankruptcies <cases per month>	<1,077>	<1,100>	<1,070>	<1,041>	<987>	<1,183>	<1,076>

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. Quarterly and monthly figures from 2011/Q1 and March 2011 respectively are based on data which exclude Iwate, Miyagi, and Fukushima prefectures.

7. Data for establishments with at least five regular employees.

8. Adjusted to exclude a hike in electric power charges during the summer season.

9. Excludes fresh food.

10. 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";

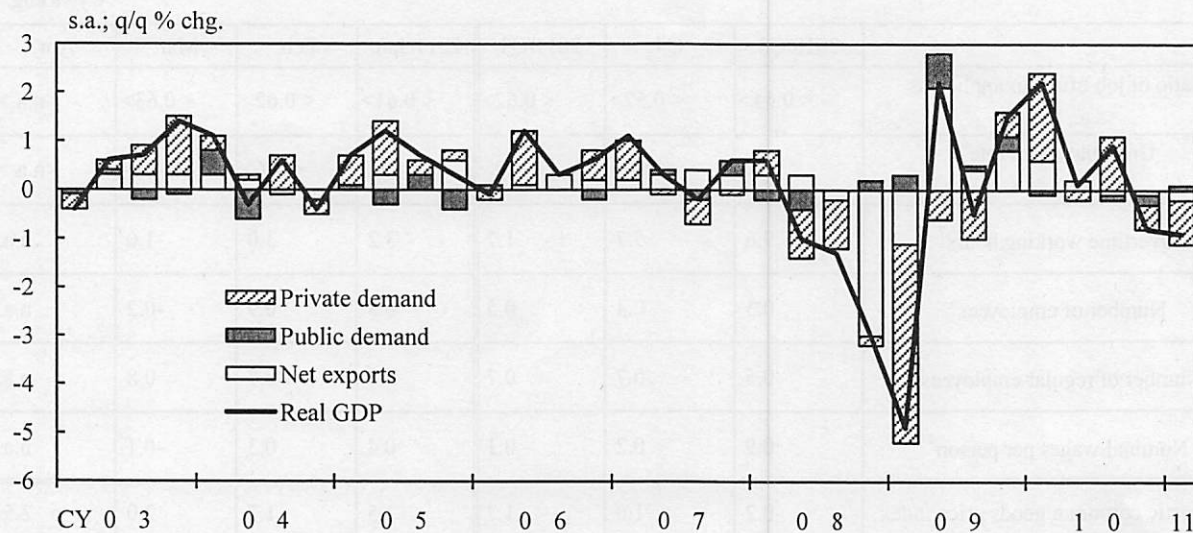
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey";

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



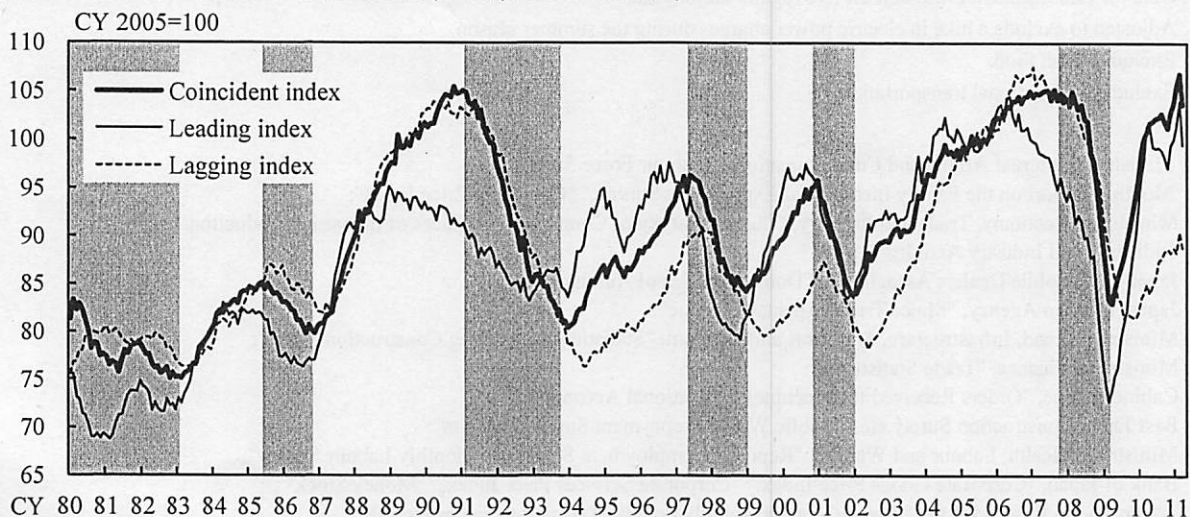
## (2) Components

s.a.; q/q % chg.

	2010				2011
	Q1	Q2	Q3	Q4	Q1
Real GDP	2.2	0.1	0.9	-0.8	-0.9
Domestic demand	1.7	-0.2	1.1	-0.7	-0.8
Private demand	1.8	-0.2	1.1	-0.5	-0.9
Private consumption	0.5	-0.1	0.5	-0.6	-0.3
Non-Resi. investment	0.2	0.4	0.1	0.0	-0.1
Residential investment	0.0	-0.0	0.0	0.1	0.0
Private inventory	1.0	-0.5	0.5	-0.0	-0.5
Public demand	-0.1	0.0	-0.1	-0.2	0.1
Public investment	-0.0	-0.2	-0.1	-0.2	-0.1
Net exports of goods and services	0.6	0.2	-0.1	-0.1	-0.2
Exports	0.9	0.7	0.2	-0.1	0.1
Imports	-0.4	-0.5	-0.4	0.0	-0.3
Nominal GDP	2.2	-1.0	0.6	-1.1	-1.3

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

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

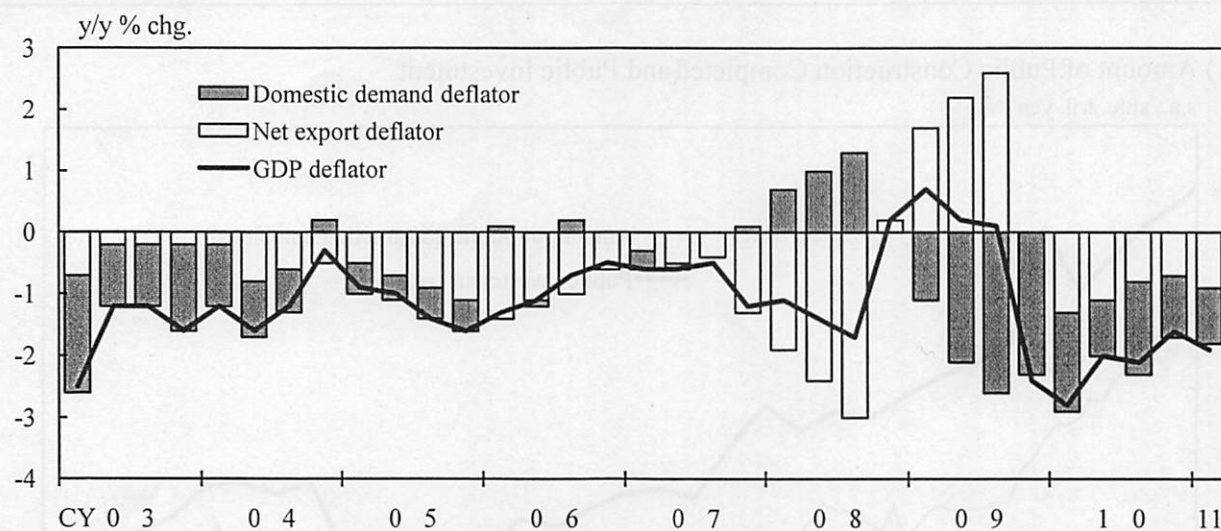


Note: Shaded areas indicate recession periods.

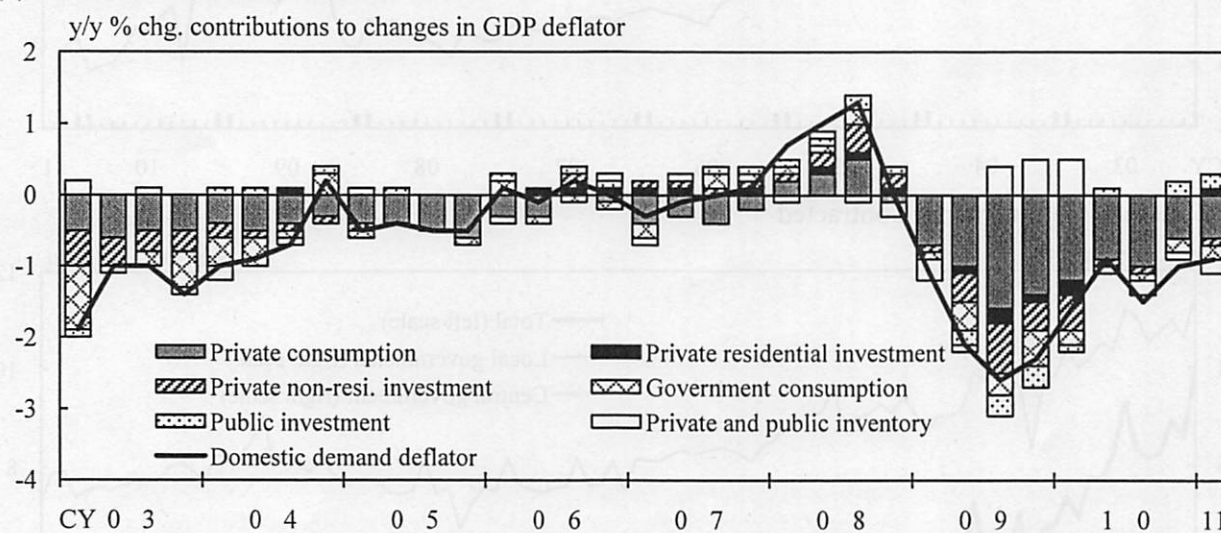
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

## GDP Deflator and Income Formation

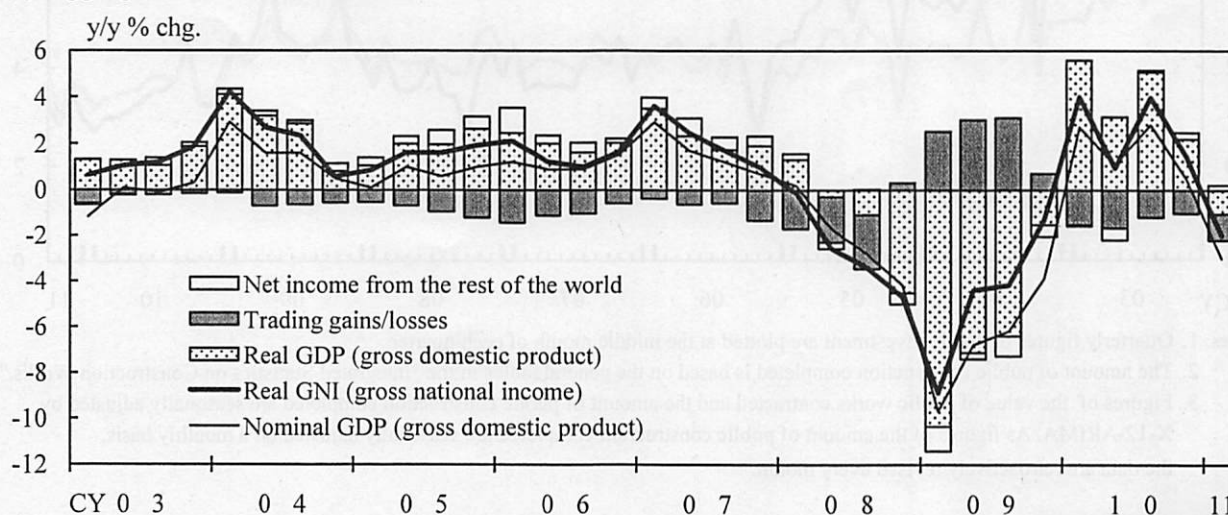
## (1) GDP Deflator



## (2) Domestic Demand Deflator



## (3) Aggregate Income Formation



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

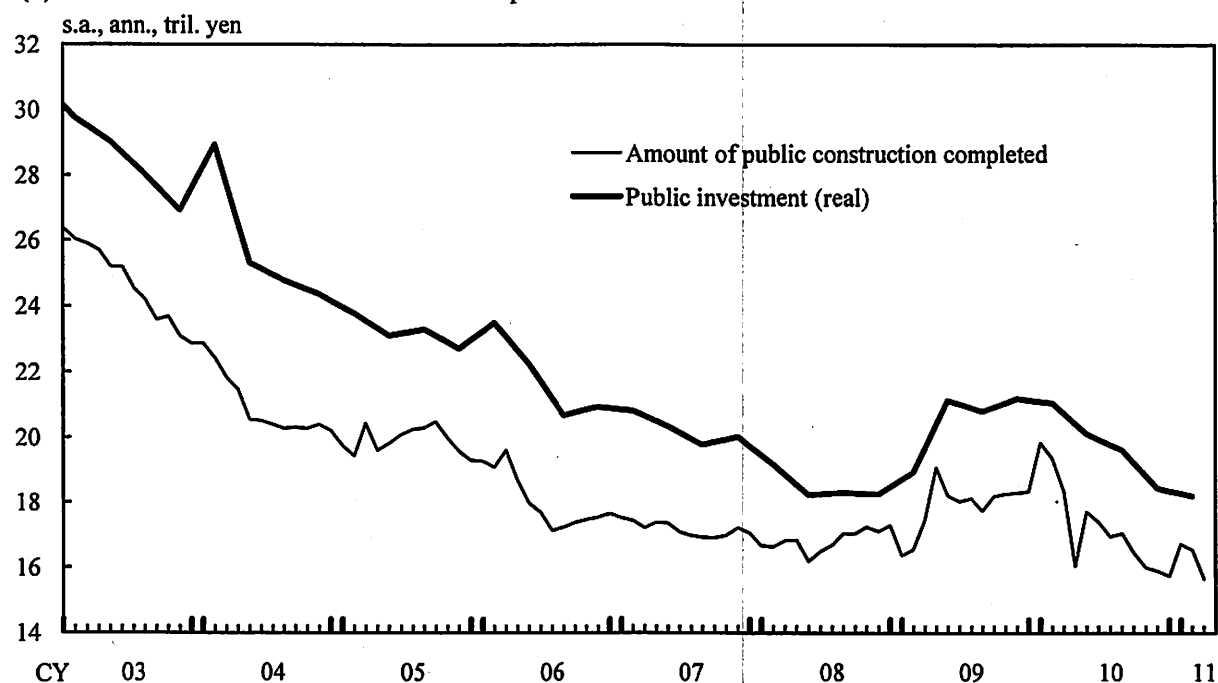
2. Real GNI = real GDP + trading gains/losses + net income from the rest of the world

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

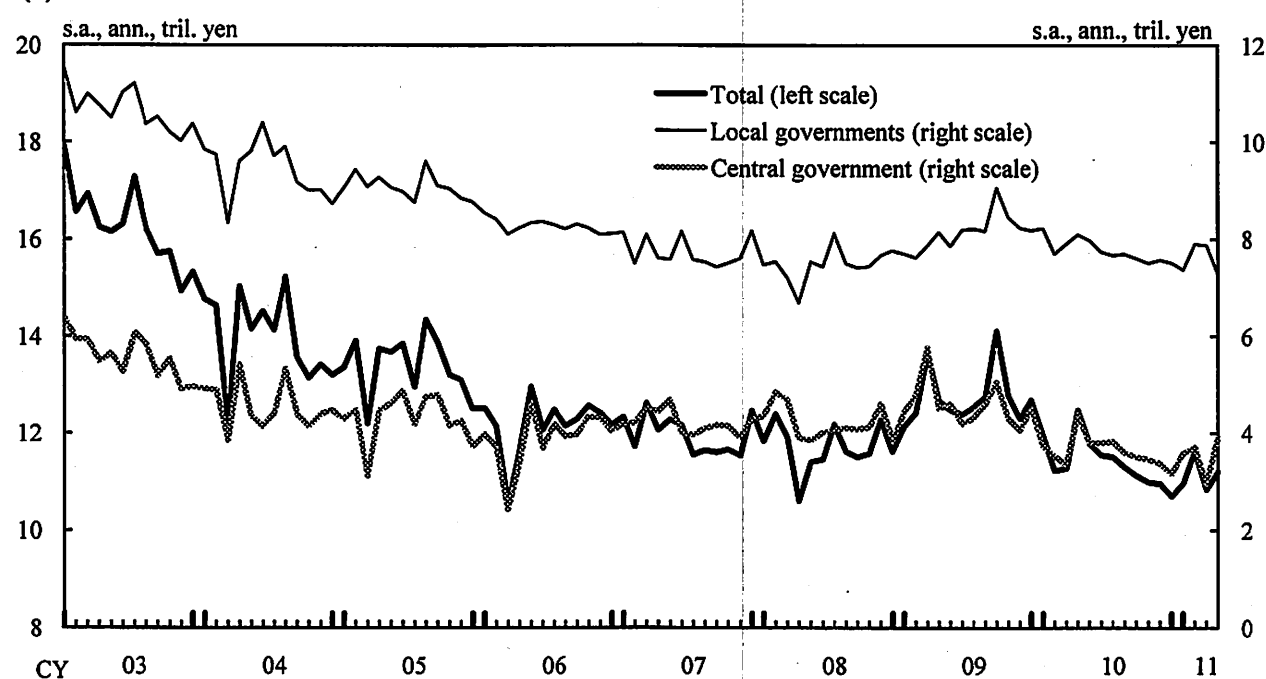
Source: Cabinet Office, "National Accounts."

## 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.

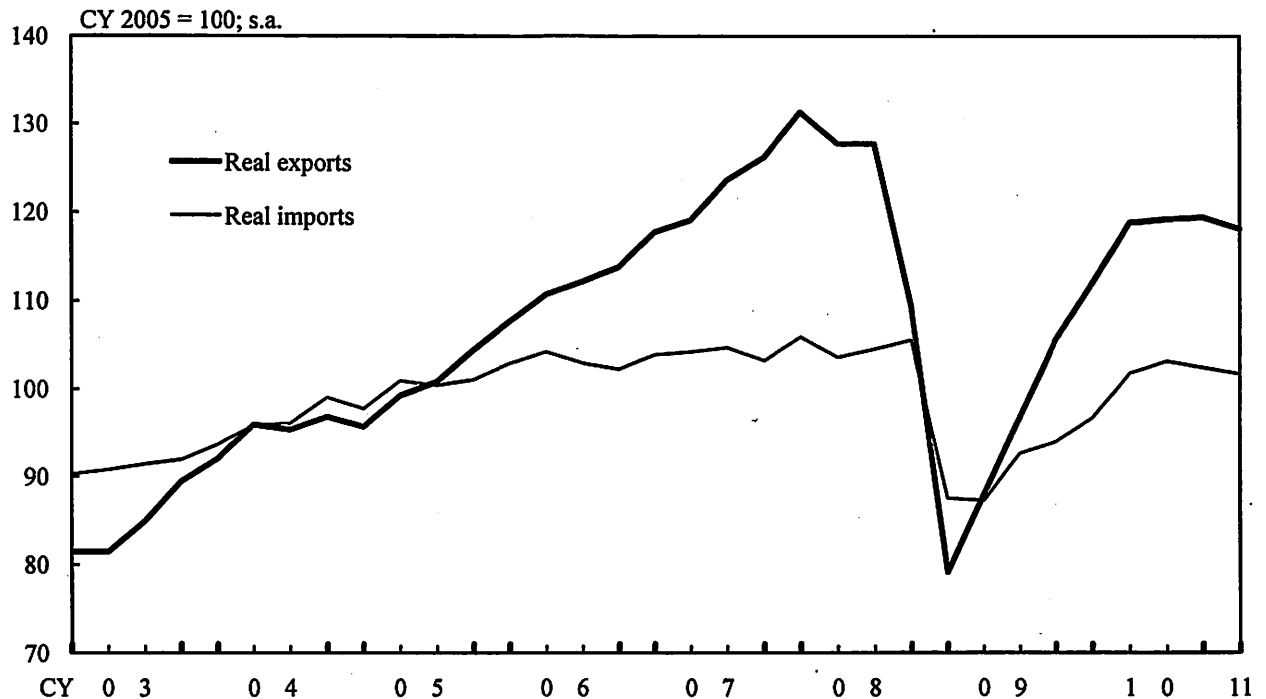
Sources: Cabinet Office, "National Accounts";

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

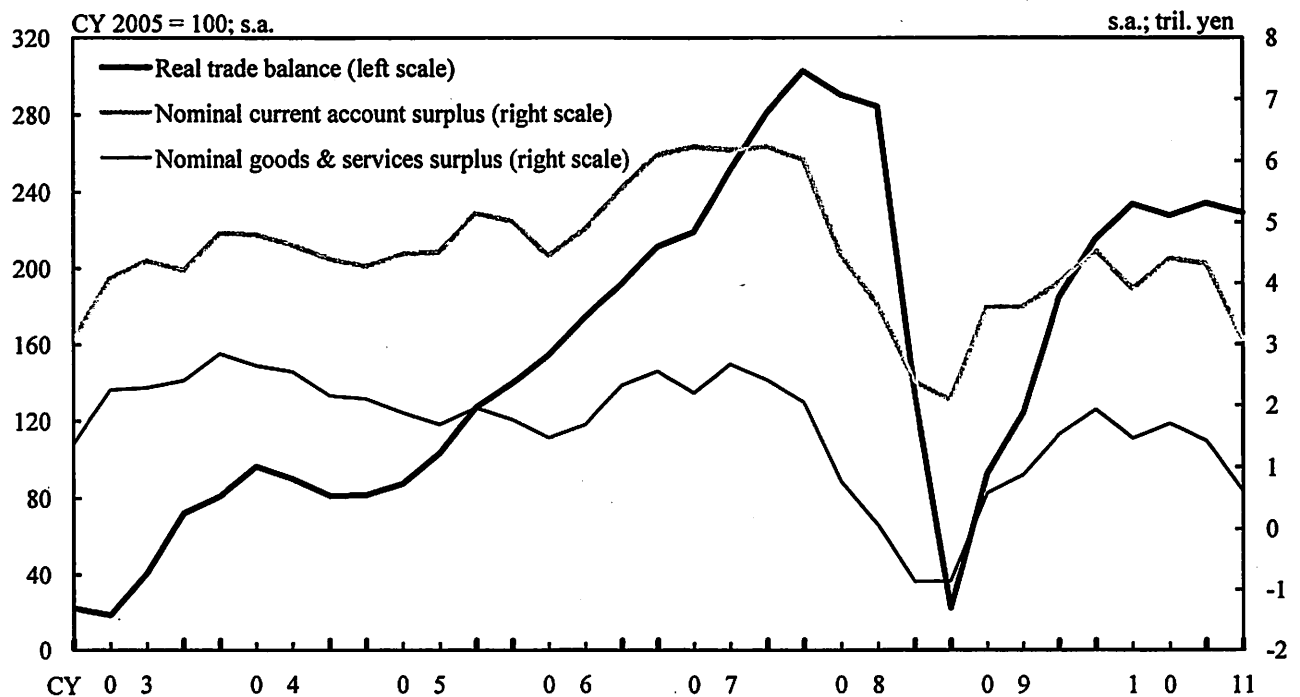
Ministry of Land, Infrastructure, Transport and Tourism, "Integrated Statistics on Construction Works."

## 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.

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		2011		
		2009	2010	Q1	Q2	Q3	Q4	Q1	Jan.	Feb.	Mar.
United States	<15.4>	-32.6	24.2	-0.8	7.9	3.9	0.3	-6.5	-5.5	-0.3	-9.9
EU	<11.3>	-34.6	16.8	-3.0	7.2	2.9	2.2	-3.0	-2.3	3.3	-7.7
East Asia	<53.3>	-15.8	31.6	7.5	3.9	1.3	2.4	-1.1	-0.8	2.2	-9.9
China	<19.4>	-10.2	31.0	8.0	2.6	3.5	6.9	0.5	-1.6	8.3	-15.7
NIEs	<23.7>	-18.0	27.8	6.7	3.6	-0.3	-0.4	-2.3	-1.2	-0.7	-5.3
Korea	<8.1>	-16.0	23.6	4.5	4.9	1.3	-4.9	1.2	3.9	-5.0	-3.7
Taiwan	<6.8>	-17.7	36.8	8.4	4.5	-0.5	-0.9	-2.4	2.1	-0.4	-10.6
Hong Kong	<5.5>	-18.8	28.7	4.6	6.9	-2.4	2.4	-4.0	-8.6	1.7	-2.7
Singapore	<3.3>	-21.6	19.7	11.9	-9.5	4.1	7.0	-6.6	4.5	-4.1	-5.6
ASEAN4 <sup>3</sup>	<10.2>	-20.5	42.6	8.4	7.0	1.3	-0.1	-1.7	1.9	-3.2	-7.4
Thailand	<4.4>	-20.9	46.0	5.9	8.8	1.9	-0.1	1.6	5.3	-1.7	-7.0
Others	<20.0>	-32.1	29.1	9.1	7.7	-3.2	-2.0	0.1	1.9	0.8	-12.0
Real exports		-25.6	27.4	6.0	6.1	0.3	0.2	-1.1	-2.6	3.7	-8.0

## (2) Breakdown by Goods

		y/y % chg.			s.a.; q/q % chg.				s.a.; m/m % chg.		
		CY		2010			2011		2011		
		2009	2010	Q1	Q2	Q3	Q4	Q1	Jan.	Feb.	Mar.
Intermediate goods	<20.6>	-5.6	18.4	1.4	3.6	0.8	-0.2	-0.4	0.4	1.6	-6.4
Motor vehicles and their related goods	<21.6>	-41.4	42.1	4.9	7.6	1.2	1.8	-8.8	-6.6	7.3	-26.6
Consumer goods <sup>4</sup>	<3.4>	-28.8	10.9	-1.3	5.4	1.3	-1.7	-1.7	-5.4	9.0	-11.9
IT-related goods <sup>5</sup>	<10.7>	-17.0	27.2	6.5	4.4	-0.8	-0.5	0.4	-1.1	0.2	0.4
Capital goods and parts <sup>6</sup>	<29.2>	-28.1	35.7	9.9	9.2	1.9	0.6	1.3	-0.7	2.0	-6.0
Real exports		-25.6	27.4	6.0	6.1	0.3	0.2	-1.1	-2.6	3.7	-8.0

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

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.

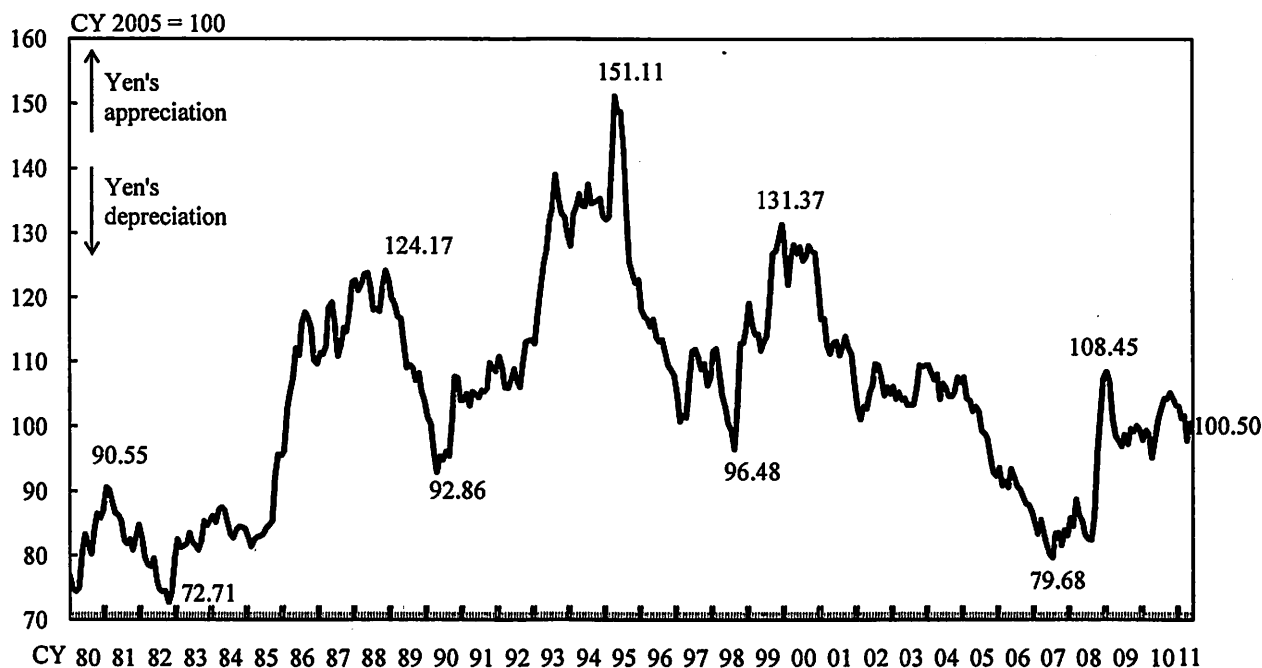
5. IT-related goods are composed of computers and units, telecommunication machinery, ICs, and medical and optical instruments.

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. The figure for May (up to May 18) 2011 has been calculated using the monthly average of the BOJ's nominal effective exchange rate (the Yen Index).

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

			CY2008	2009	2010	2010 Q2	Q3	Q4	2011 Q1
United States <sup>1</sup>			0.0	-2.6	2.9	1.7	2.6	3.1	1.8
European Union <sup>1</sup>			0.5	-4.2	1.8	4.1	2.0	0.9	3.1
East Asia <sup>2</sup>	Germany		1.0	-4.7	3.6	8.7	3.2	1.5	6.1
	France		-0.2	-2.6	1.4	2.0	1.7	1.4	3.9
	United Kingdom		-0.1	-4.9	1.3	4.3	2.9	-1.9	2.0
	China		9.6	9.2	10.3	10.3	9.6	9.8	9.7
	NIEs	Korea	2.3	0.3	6.2	7.5	4.4	4.7	4.2
		Taiwan	0.7	-1.9	10.9	12.9	10.7	7.1	6.5
		Hong Kong	2.3	-2.7	7.0	6.7	6.9	6.4	7.2
		Singapore	1.5	-0.8	14.5	19.4	10.5	12.0	8.3
	ASEAN <sup>4</sup>	Thailand	2.5	-2.3	7.8	9.2	6.6	3.8	n.a.
		Indonesia	6.0	4.6	6.1	6.1	5.8	6.9	6.5
		Malaysia	4.7	-1.7	7.2	9.0	5.3	4.8	4.6
		Philippines	3.7	1.1	7.3	8.2	6.3	7.1	n.a.

Notes: 1. Quarterly data of the U.S. and EU are quarter-to-quarter percent changes at annual rates.

2. Quarterly data of East Asia are percent changes from a year earlier.

Real Imports <sup>1</sup>

## (1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2009	2010	2010 Q1	Q2	Q3	Q4	2011 Q1	2011 Jan.	Feb.	Mar.
United States	<9.7>	-18.7	8.3	-0.0	3.5	0.3	-0.8	-5.4	-0.9	-0.4	-9.7
EU	<9.6>	-13.2	6.6	-1.0	3.7	3.5	-3.3	1.1	3.9	1.1	-10.7
East Asia	<42.4>	-13.1	22.2	5.9	9.2	1.4	2.0	1.6	2.5	-3.0	0.7
China	<22.1>	-11.1	24.1	5.7	11.2	0.9	3.7	0.9	2.4	-4.1	3.5
NIEs	<8.8>	-15.9	21.7	6.8	5.7	1.1	-0.6	3.6	7.1	-4.2	-5.2
Korea	<4.1>	-19.1	21.0	4.0	9.7	1.4	6.6	6.9	10.2	-7.1	-0.8
Taiwan	<3.3>	-12.4	21.4	3.7	4.1	0.9	-4.1	-1.1	2.3	0.4	-8.9
Hong Kong	<0.2>	-29.7	33.1	63.1	-8.0	-7.6	-2.0	16.7	30.7	-16.2	8.1
Singapore	<1.2>	-12.5	23.2	11.0	4.7	-1.4	-5.7	-1.9	-1.0	-4.0	-8.5
ASEAN4 <sup>3</sup>	<11.5>	-14.9	18.3	5.2	8.0	2.8	0.3	1.4	-1.0	0.6	-0.3
Thailand	<3.0>	-17.5	25.9	4.5	8.6	4.6	-1.7	2.6	1.6	-0.1	-2.6
Others	<38.3>	-13.9	6.8	3.1	2.5	1.2	-1.8	-1.2	3.2	-1.6	-5.4
Real imports		-14.0	12.1	2.9	5.3	1.3	-0.7	-0.7	2.0	-2.4	-1.4

## (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	2011 Jan.	Feb.	Mar.
Raw materials <sup>4</sup>	<36.5>	-14.9	5.6	3.6	2.6	1.4	-2.0	-0.8	2.2	-0.2	-4.7
Intermediate goods	<14.9>	-15.4	18.7	6.0	5.6	1.7	-2.2	2.8	1.2	-1.8	3.3
Foodstuffs	<8.6>	1.0	2.0	-0.2	5.5	1.3	-8.2	1.1	3.1	-0.1	-5.1
Consumer goods <sup>5</sup>	<8.5>	-10.3	22.7	4.9	7.9	-0.7	10.1	-0.7	-1.1	-0.4	-7.5
IT-related goods <sup>6</sup>	<11.2>	-12.4	27.0	7.0	9.3	1.7	3.5	-0.1	6.1	-7.7	-3.4
Capital goods and parts <sup>7</sup>	<11.3>	-23.8	19.1	0.4	6.5	3.0	2.4	-1.0	2.3	-2.4	-2.9
Excluding aircraft	<10.7>	-24.4	21.9	5.5	6.3	2.9	1.4	0.3	4.2	-7.1	1.5
Real imports		-14.0	12.1	2.9	5.3	1.3	-0.7	-0.7	2.0	-2.4	-1.4

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

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.

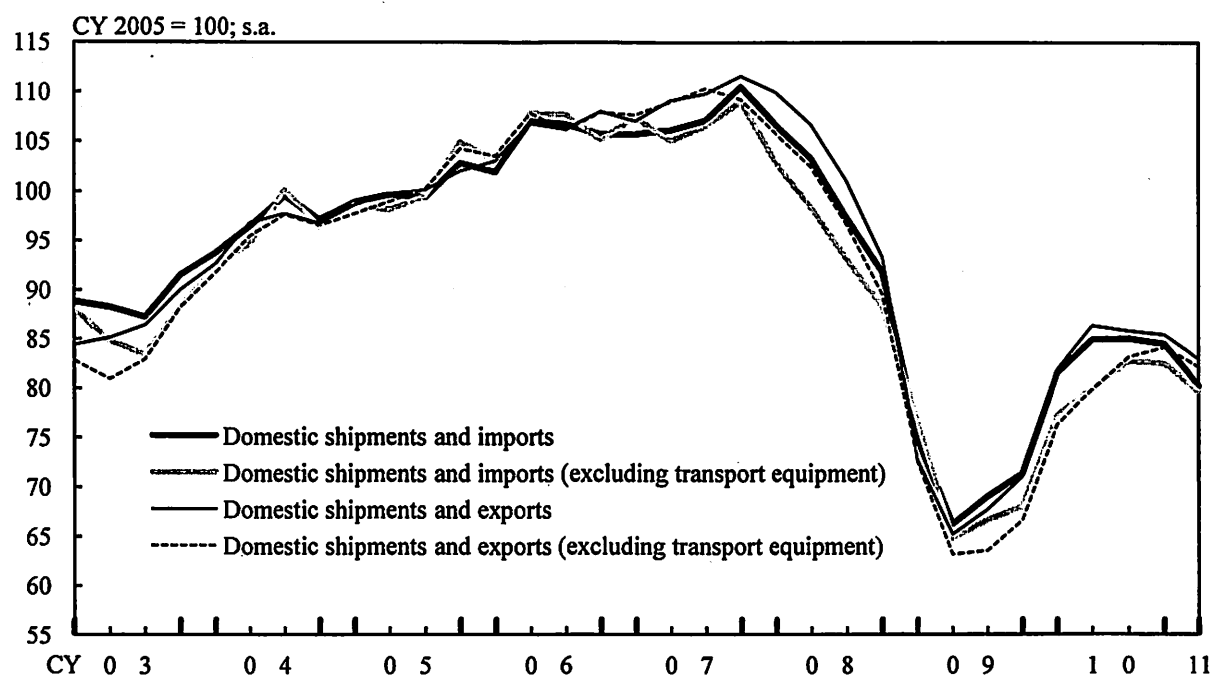
6. IT-related goods are composed of computers and units, parts of computers, telecommunication machinery, ICs, and medical and optical instruments.

7. Excludes IT-related goods.

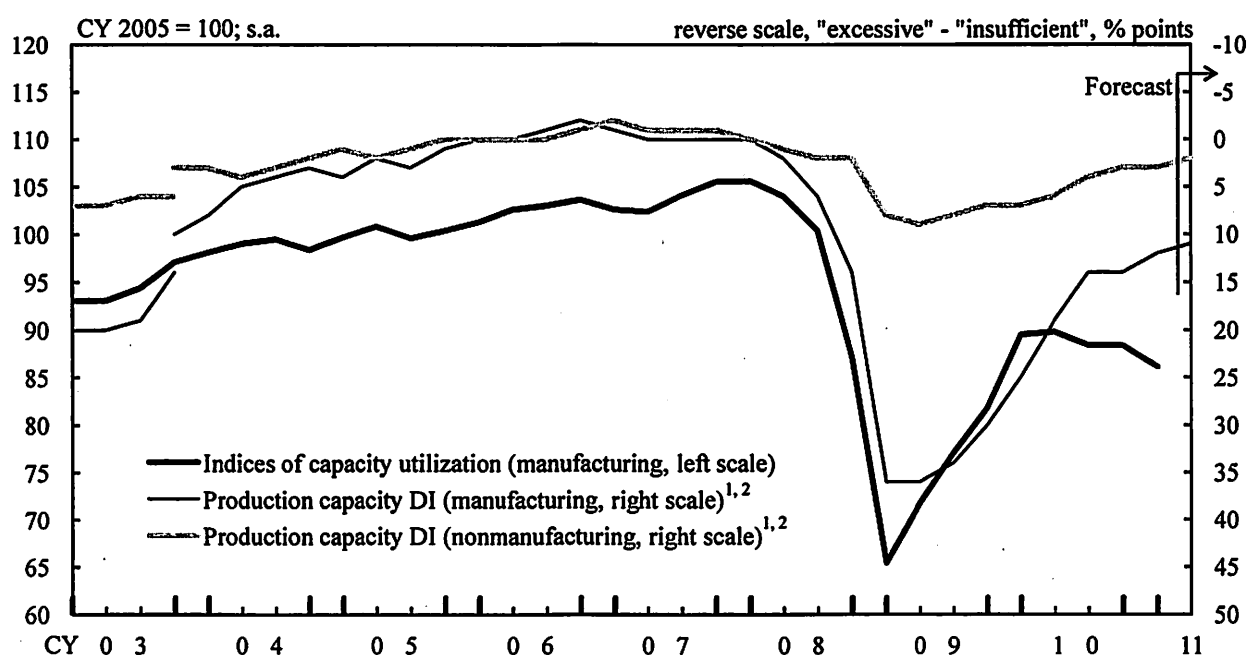
Sources: Ministry of Finance, "Trade Statistics"; Bank of Japan, "Corporate Goods Price Index."

## Coincident Indicators of Business Fixed Investment

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



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



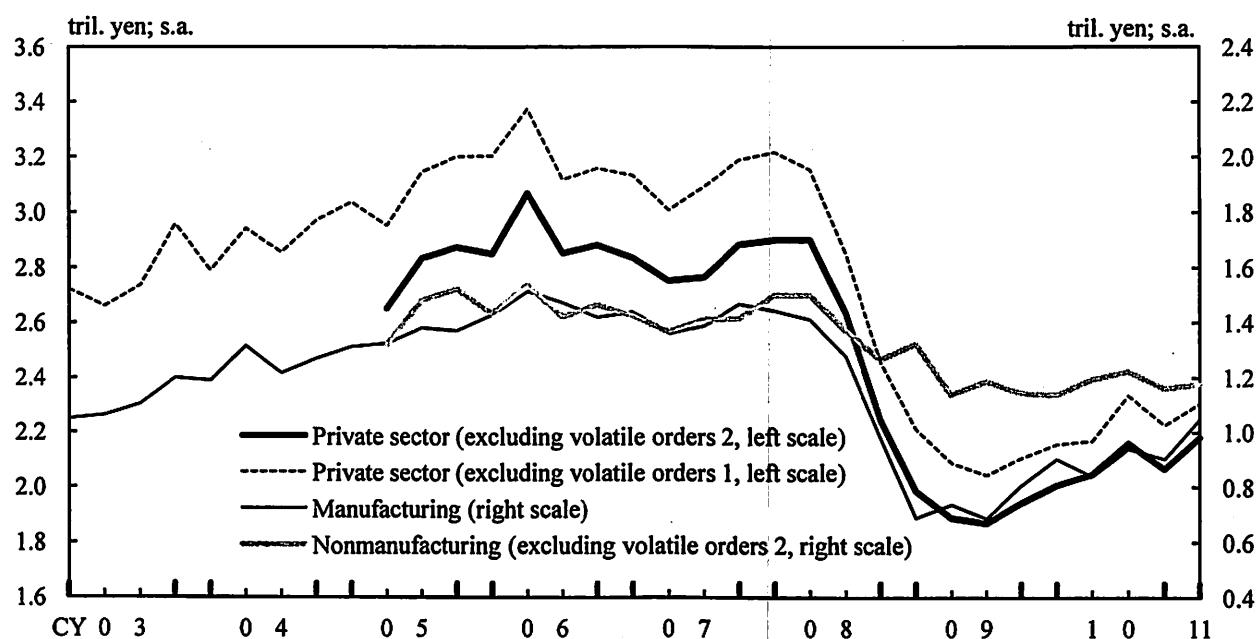
Notes: 1. Production capacity DIs are those of all enterprises.

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

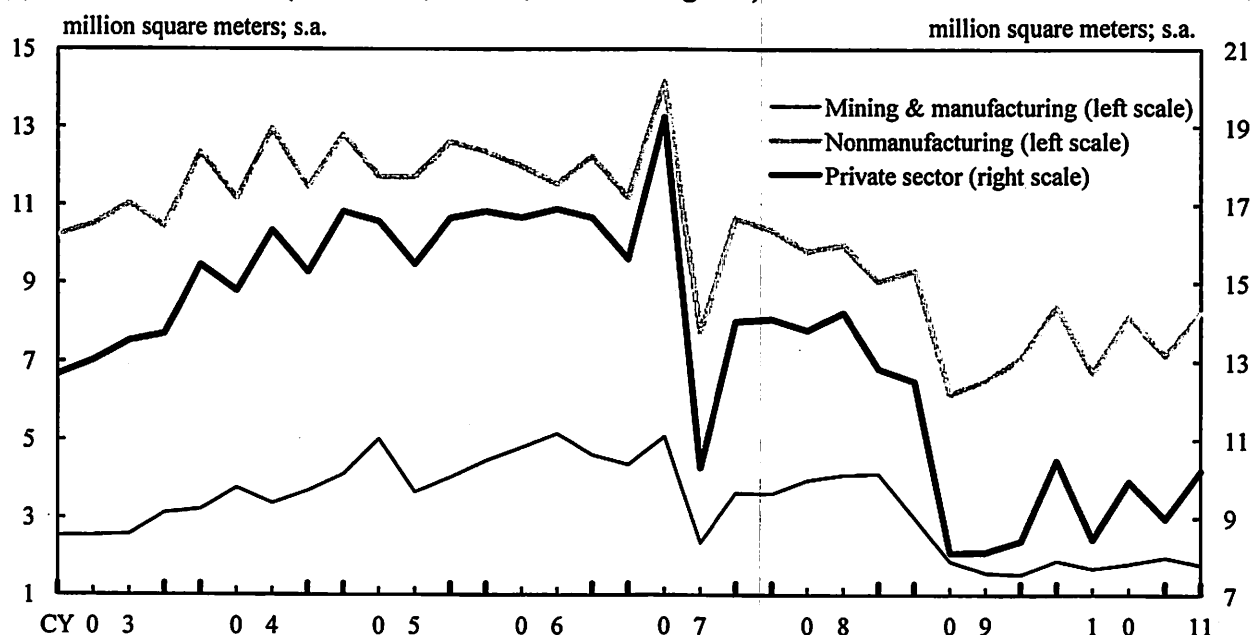
## (1) Machinery Orders



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

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

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



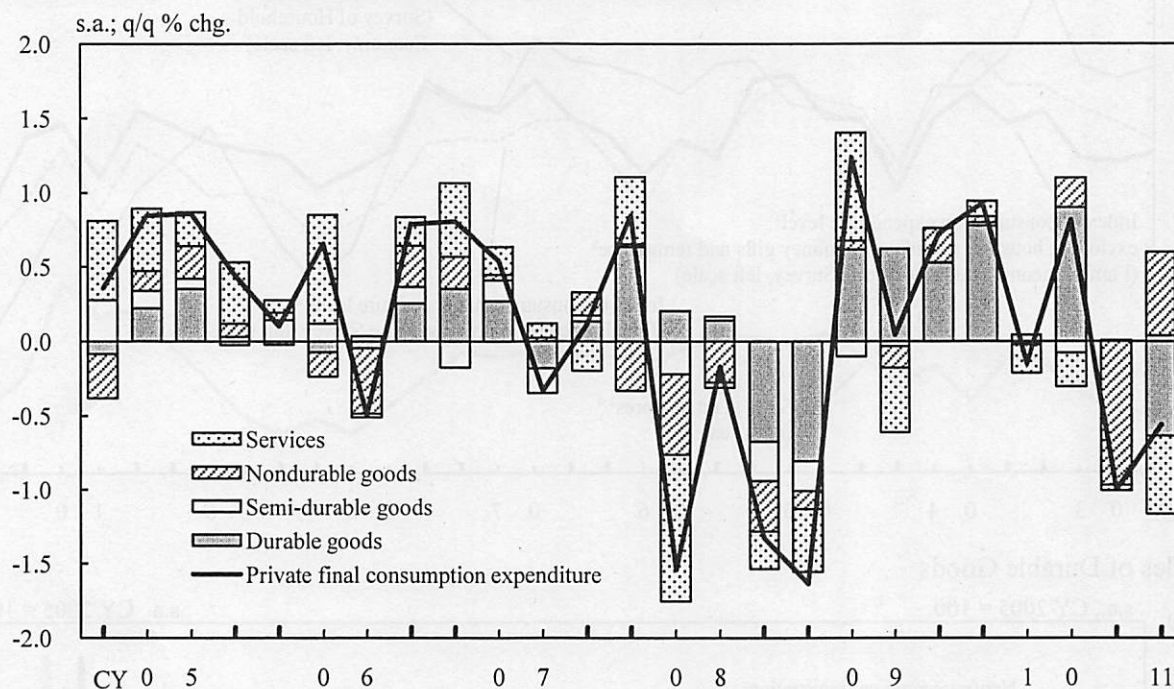
Notes: 1. Seasonally adjusted by X-12-ARIMA.

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.

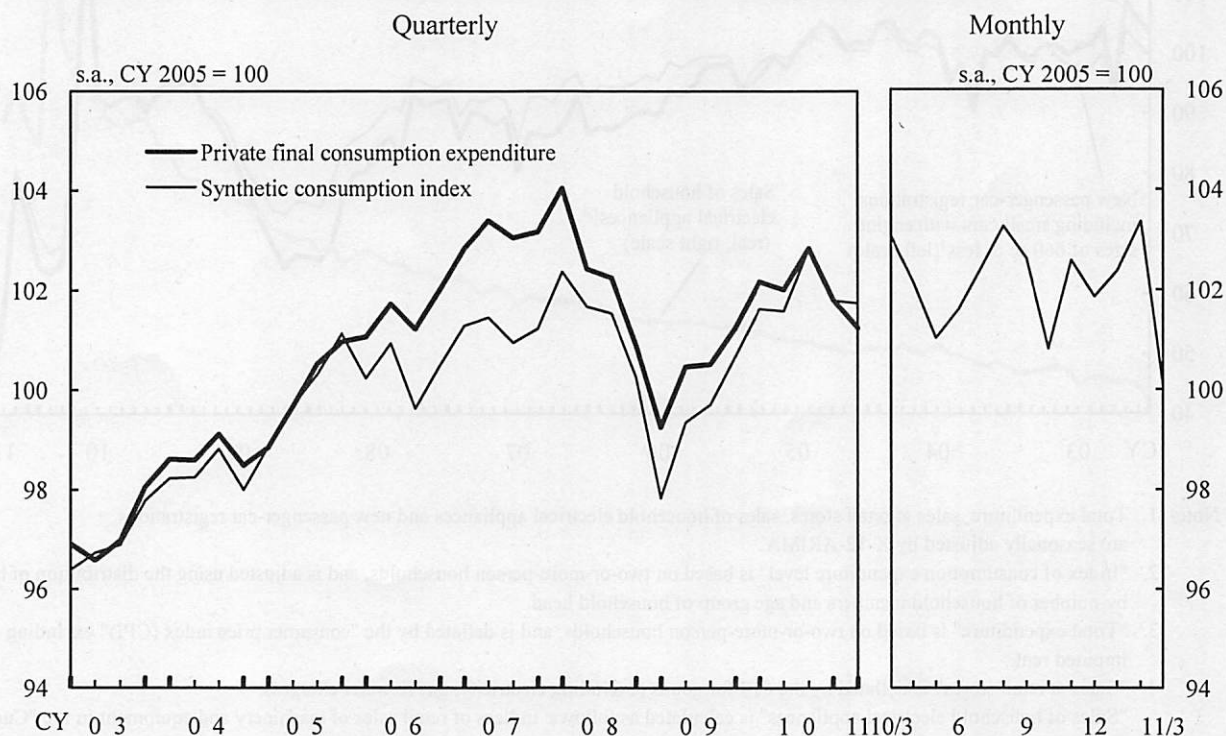
Sources: Cabinet Office, "Orders Received for Machinery";  
 Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts."

## Indicators of Private Consumption (1)

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



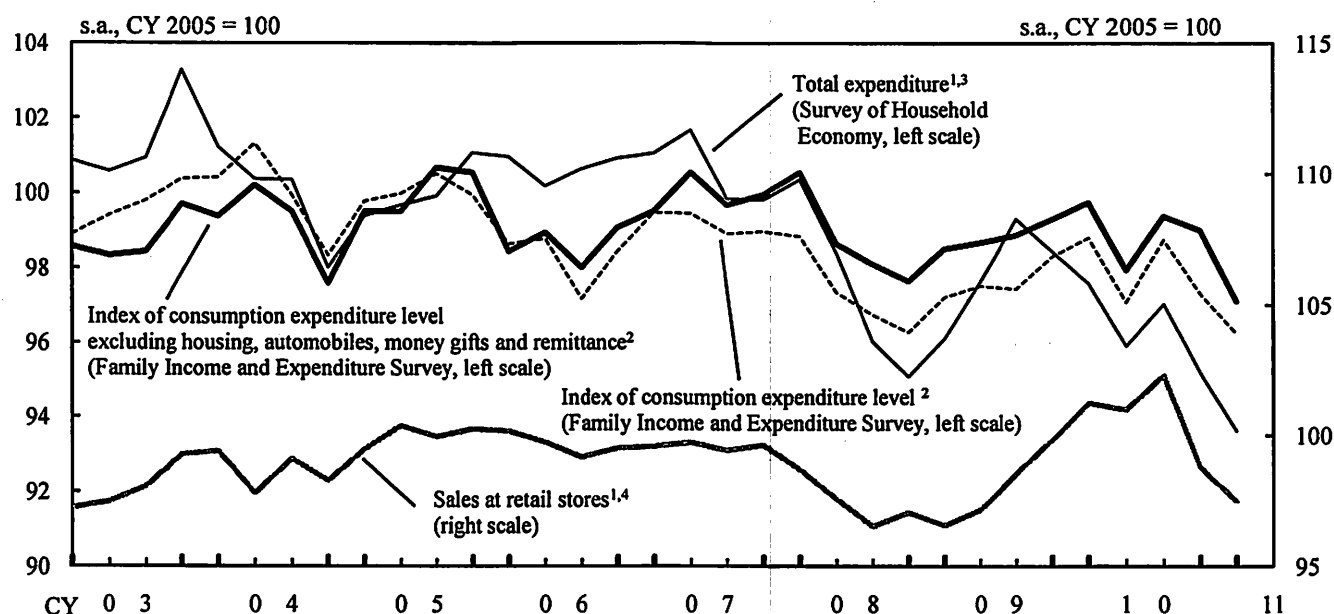
## (2) Private Final Consumption Expenditure and Synthetic Consumption Index (Real)



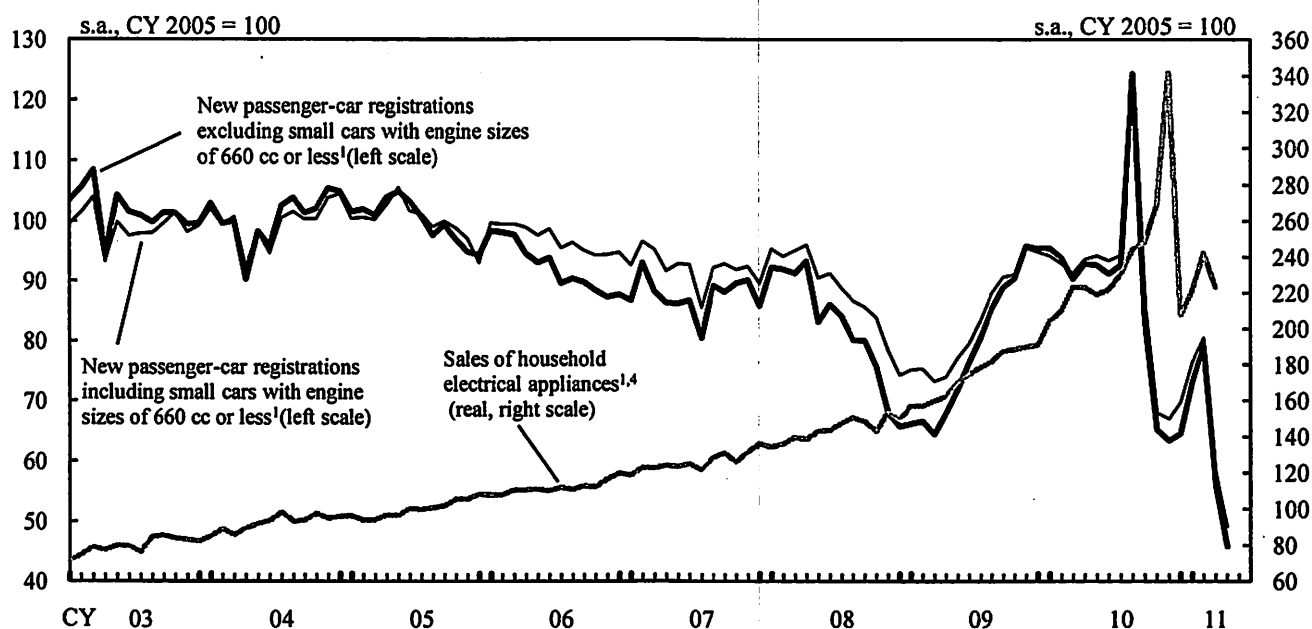
Source: Cabinet Office, "National Accounts," "Synthetic Consumption Index."

## Indicators of Private Consumption (2)

## (1) Household Spending (Real)



## (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.

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

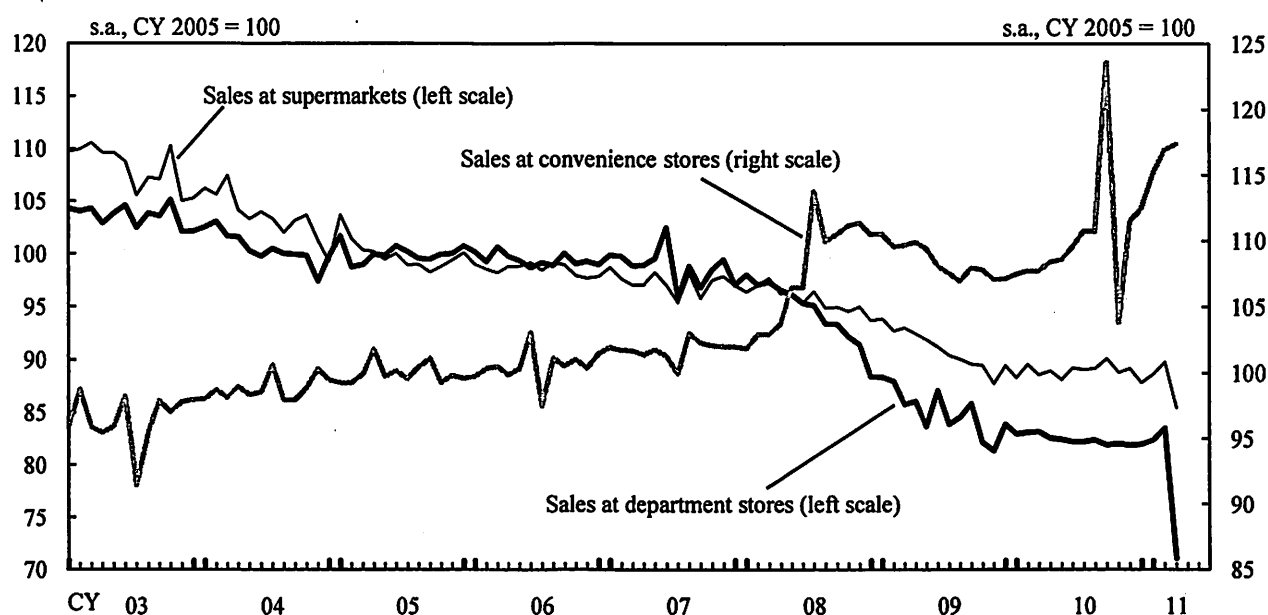
"Monthly Report on the Family Income and Expenditure Survey," "Survey of Household Economy";

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

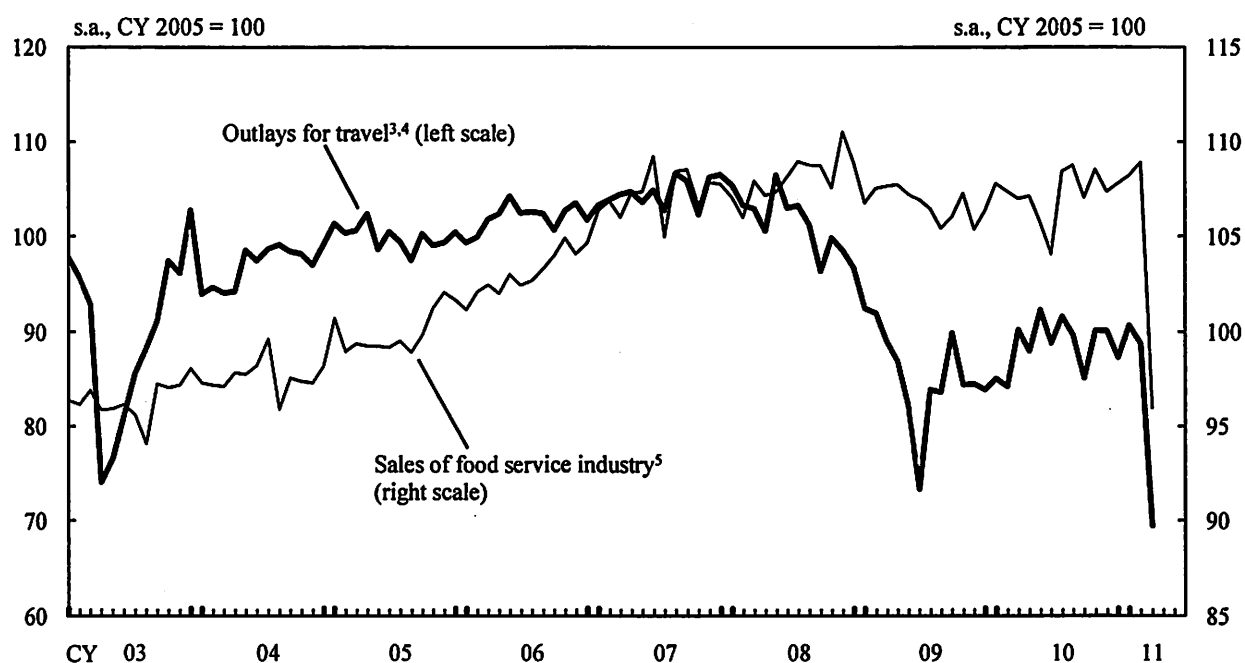
Japan Automobile Dealers Association, "Domestic Sales of Automobiles";

Japan Mini Vehicles Association, "Sales of Mini Vehicles."



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

## (2) Consumption of Services (Nominal)



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

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

3. Excluding those by foreign travelers.

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

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

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

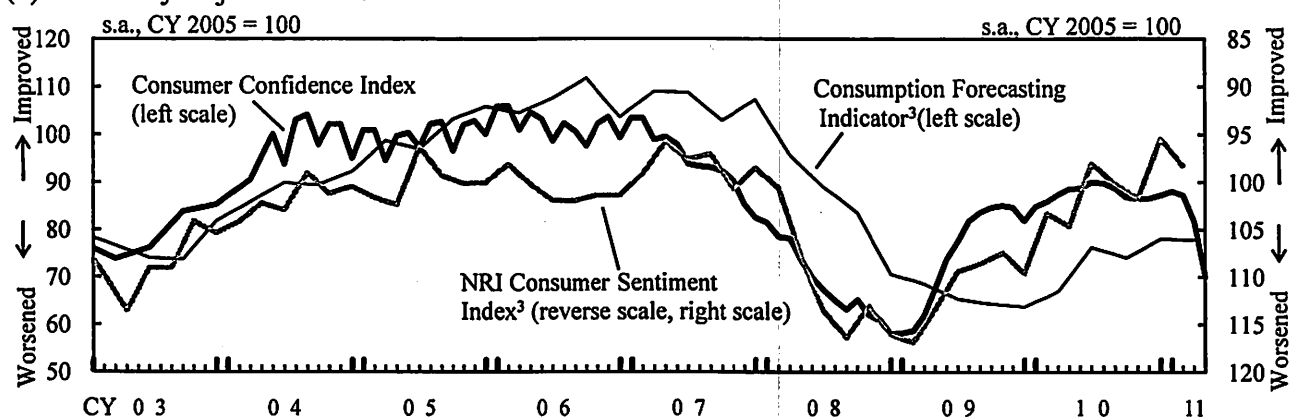
Japan Tourism Agency, "Major Travel Agents' Revenue";

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

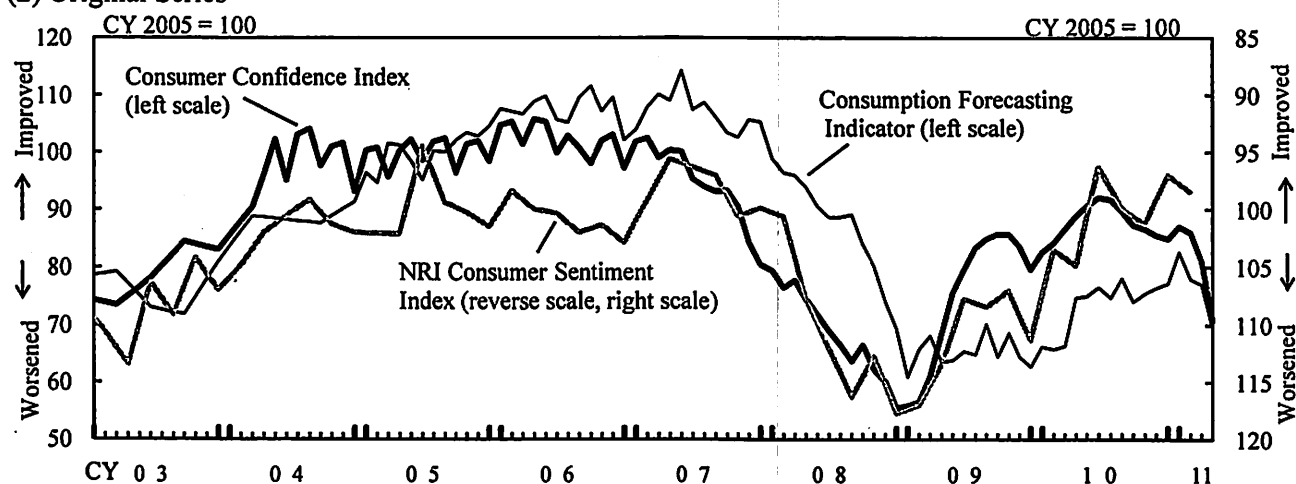
(Research on the food service industry)."

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

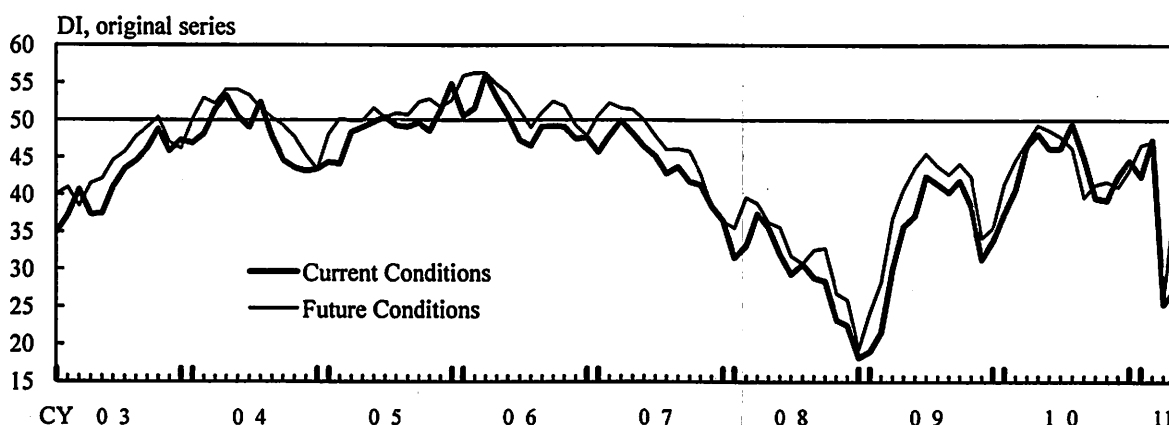
## (1) Seasonally Adjusted Series



## (2) Original Series



## Reference: Economy Watchers Survey (Household Activity)



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

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

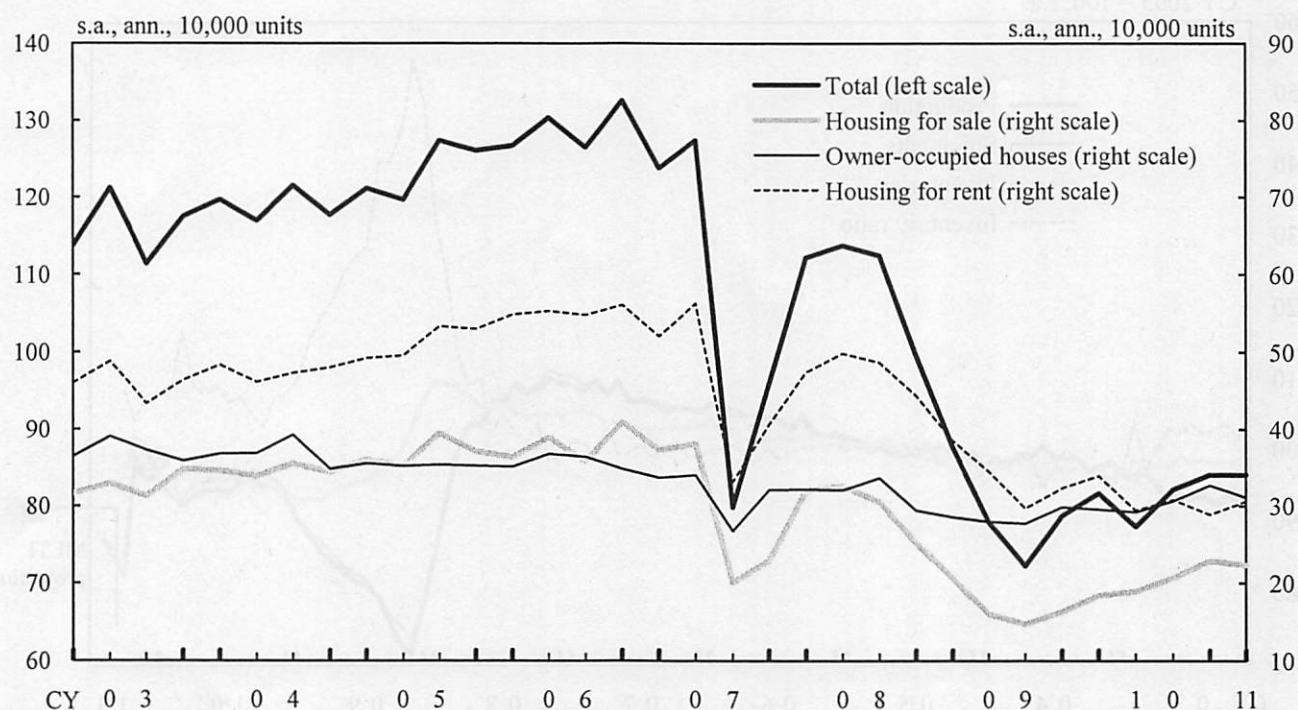
3. Figures are seasonally adjusted by X-12-ARIMA. The "Consumption Forecasting Indicator" is seasonally adjusted using quarterly figures since the survey was quarterly until 2004.

Sources: Cabinet Office, "Consumer Confidence Survey," "Economy Watchers Survey";

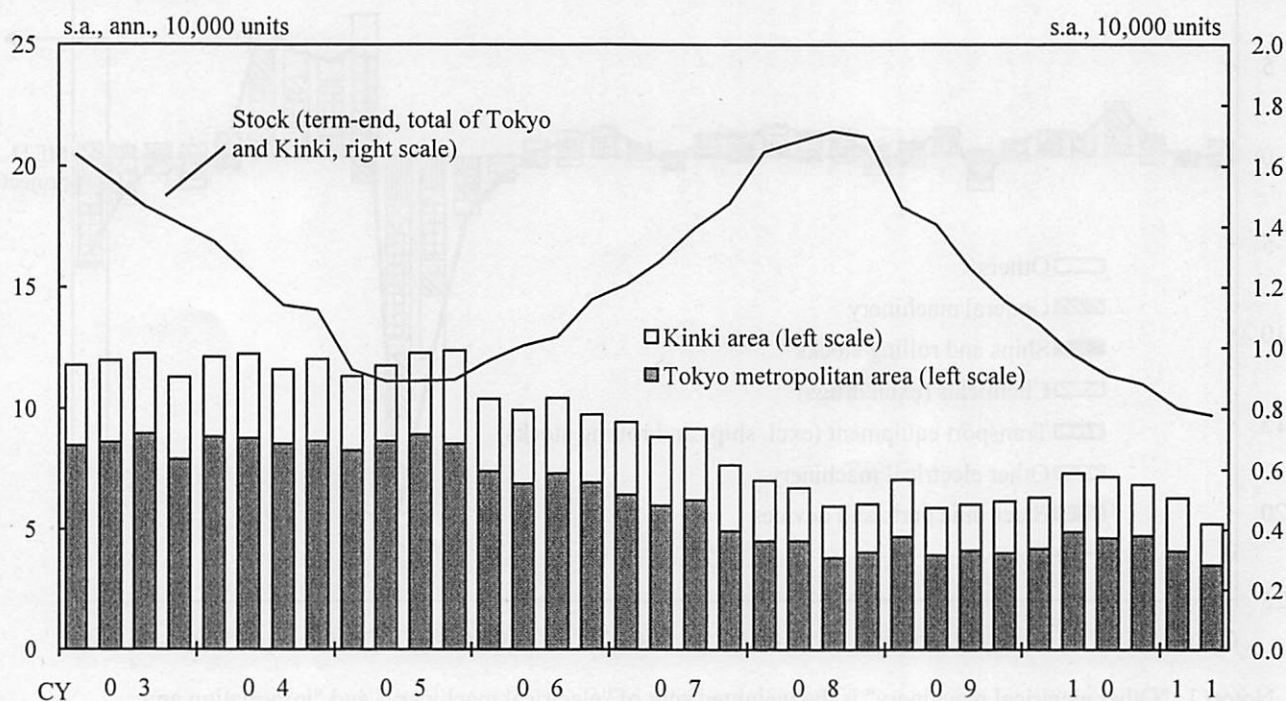
Nikkei inc., "Consumption Forecasting Indicator"; Nippon Research Institute (NRI), "Consumer Sentiment Survey."

## Indicators of Housing Investment

## (1) Housing Starts



## (2) Sales of Apartments



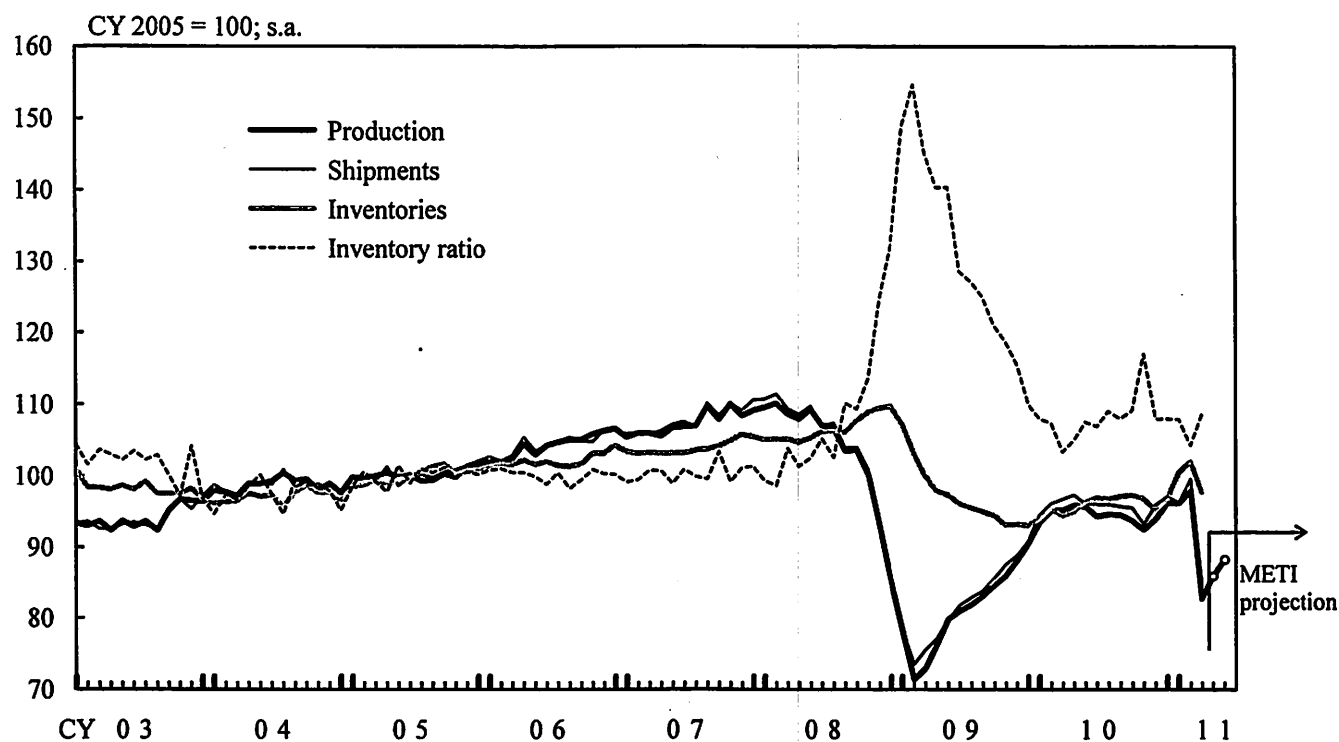
Notes: 1. Seasonally adjusted by X-12-ARIMA.

2. Figures for 2011/Q2 are those of April.

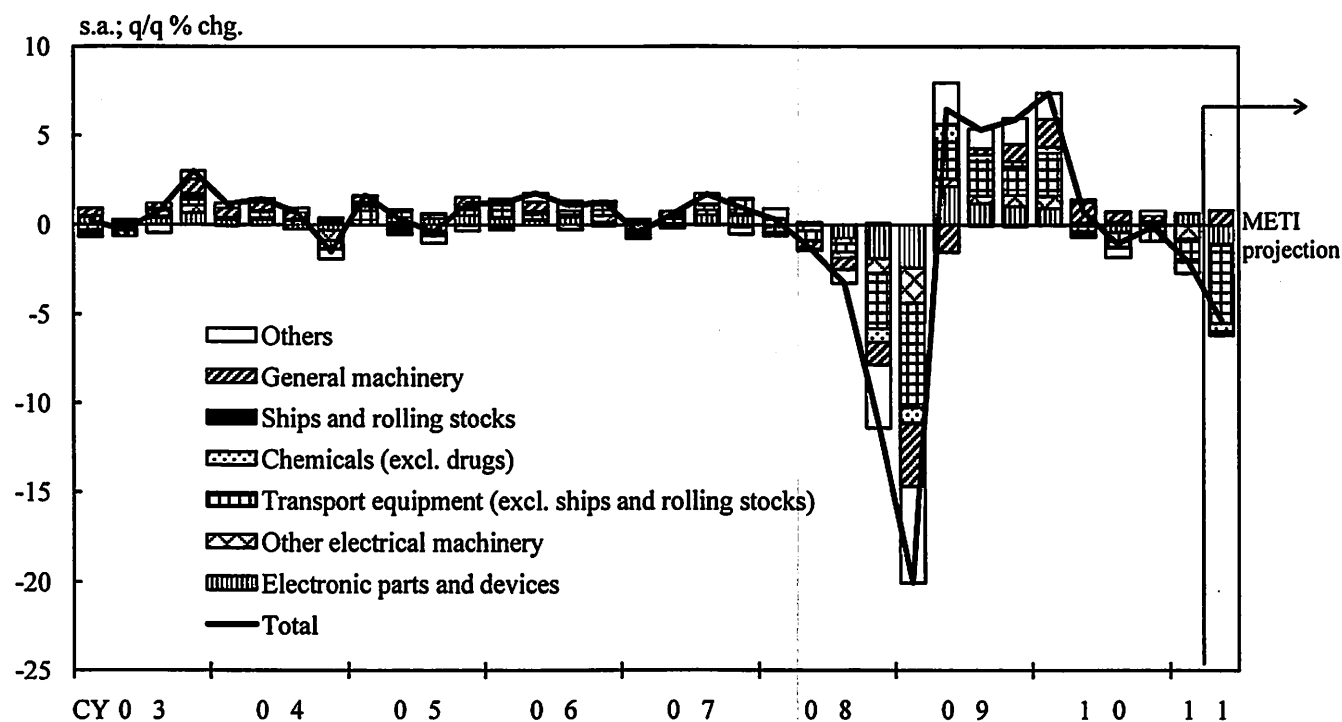
Sources: Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts," etc.

## 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."

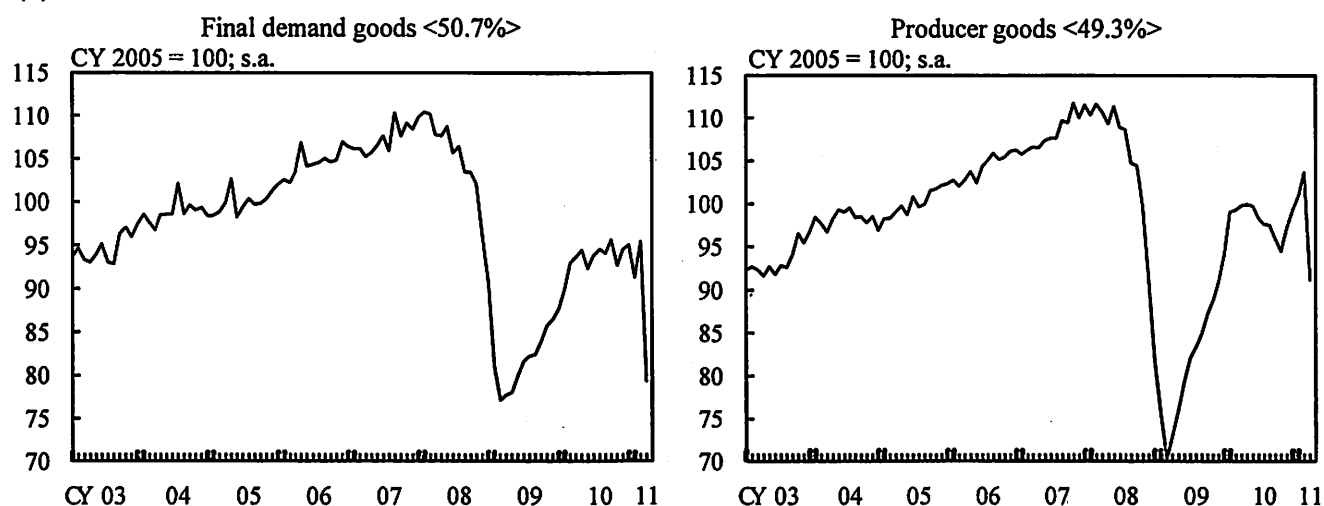
2. 2003/Q1 figures are on the 2000 base.

3. 2011/Q2 figures are based on the assumption that the production levels in June are the same as those of May.

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

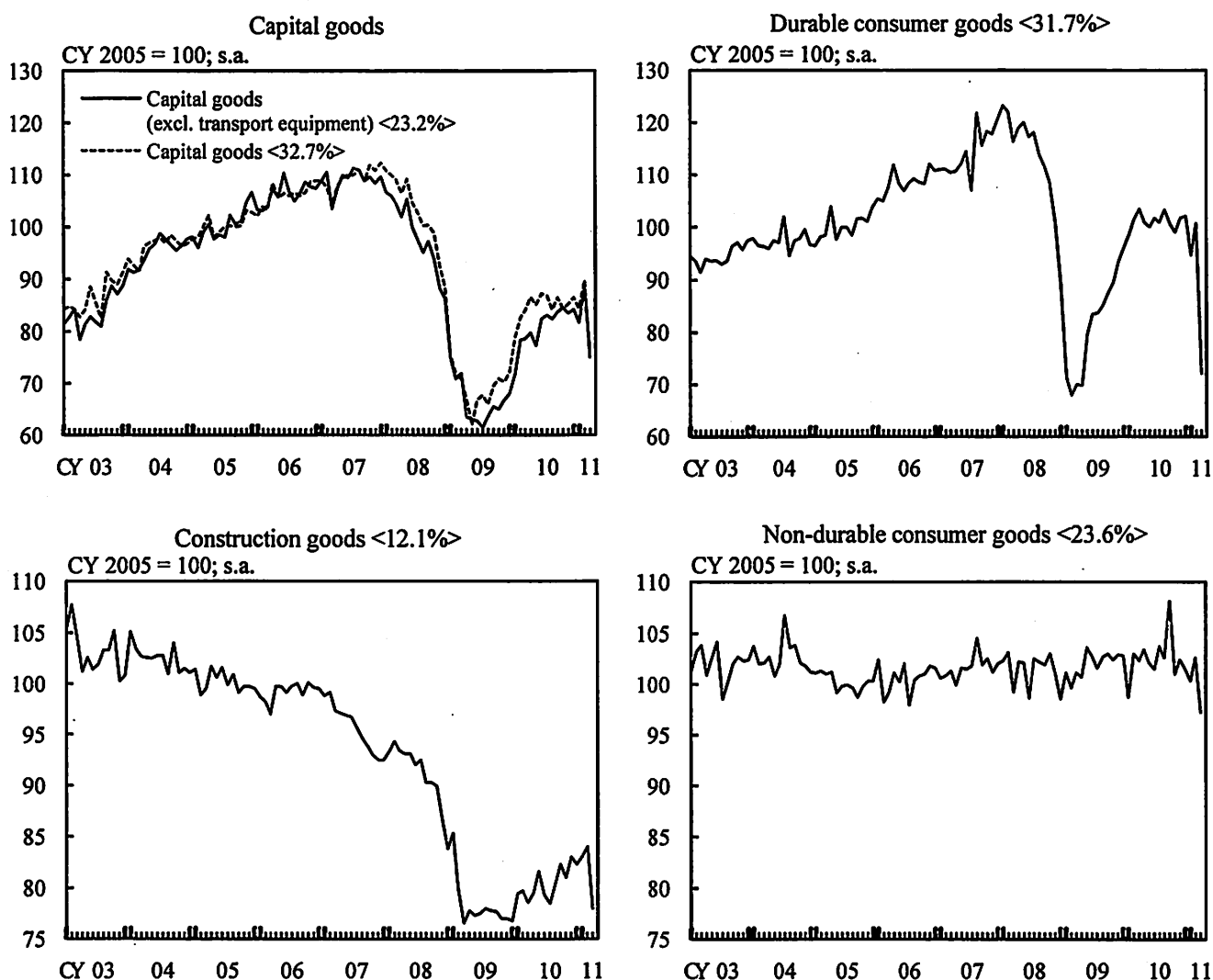
## Shipments by Type of Goods

## (1) Final Demand Goods and Producer Goods



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

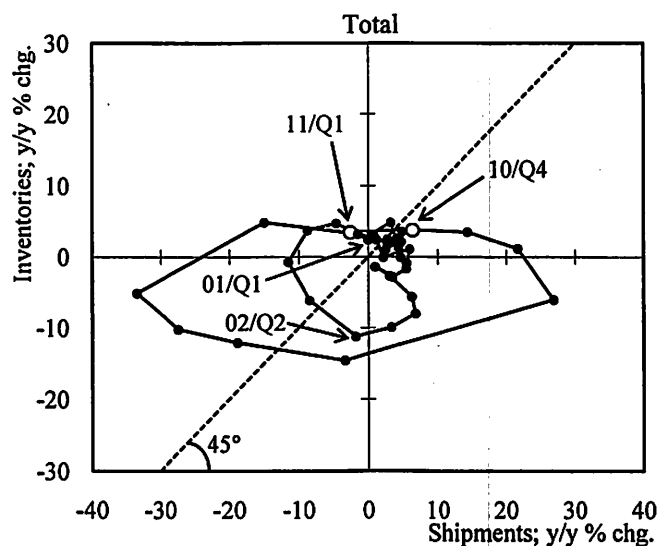
## (2) Breakdown of Final Demand Goods



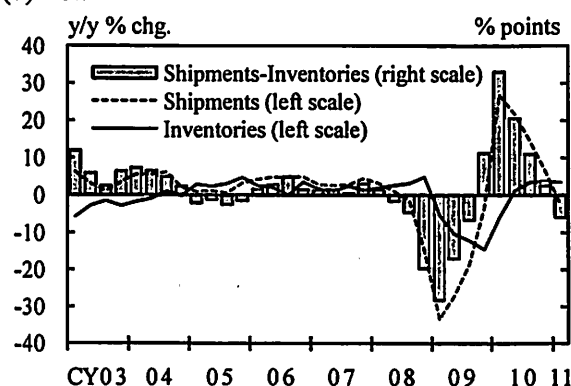
Note: Figures in angle brackets show the shares among shipments of final demand goods.

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

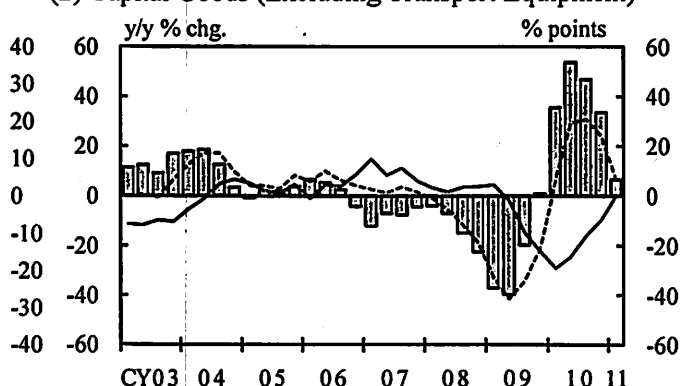
## Inventory Cycle



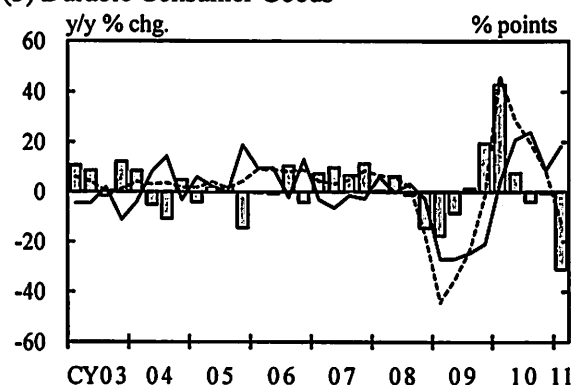
(1) Total



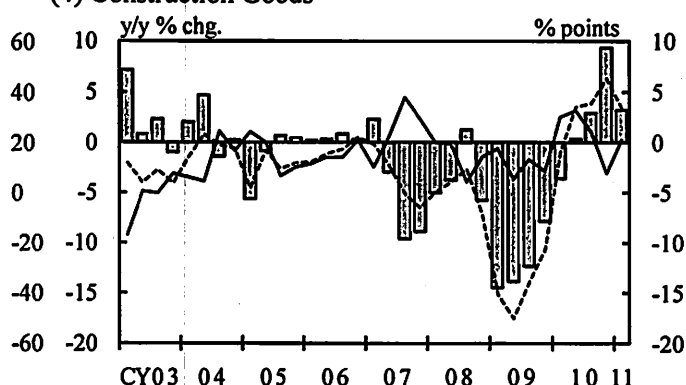
(2) Capital Goods (Excluding Transport Equipment)



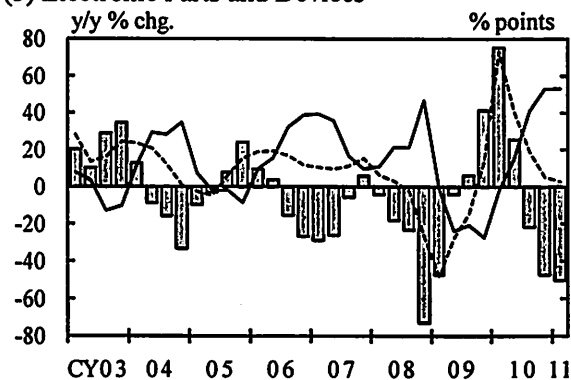
(3) Durable Consumer Goods



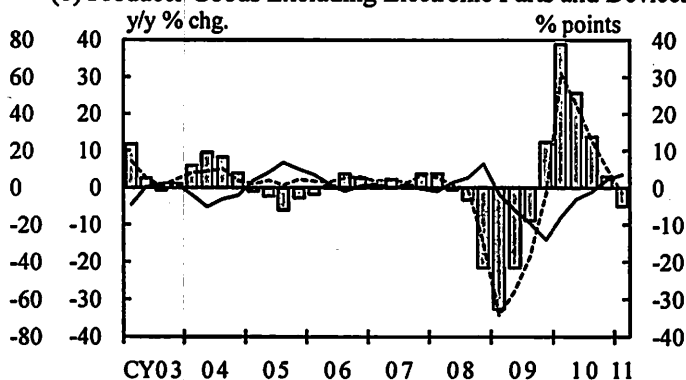
(4) Construction Goods



(5) Electronic Parts and Devices

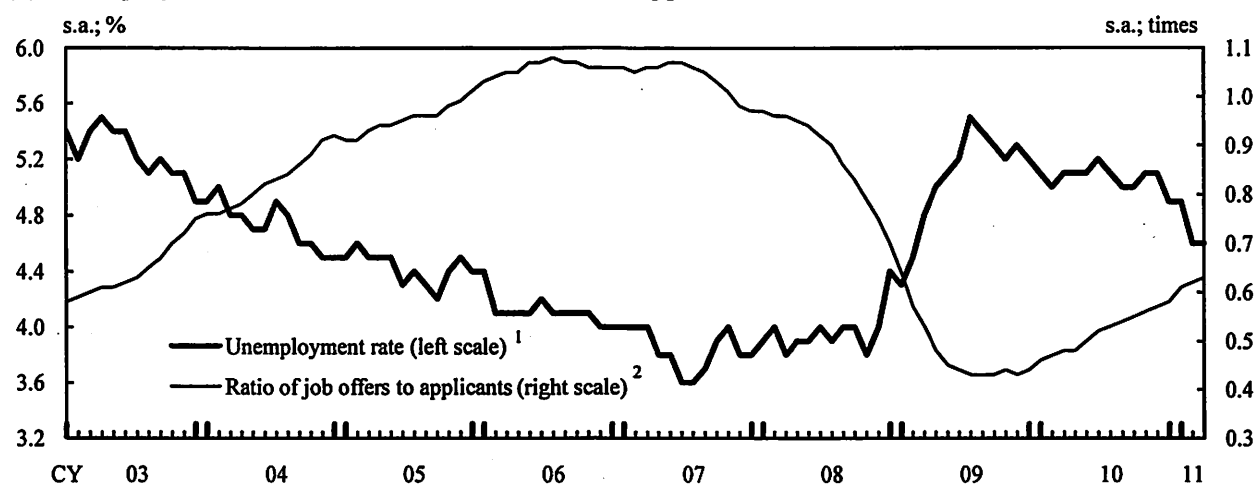
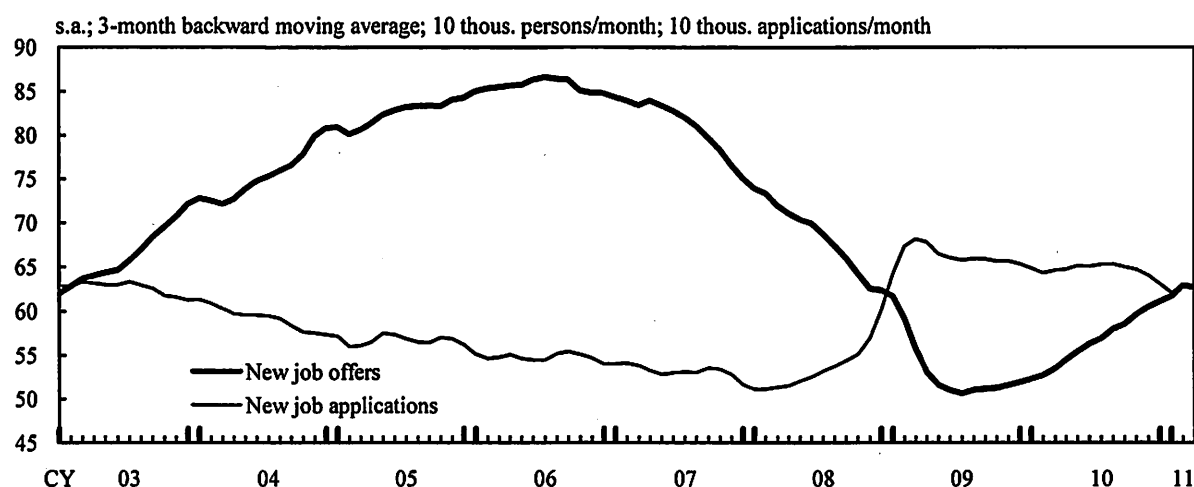
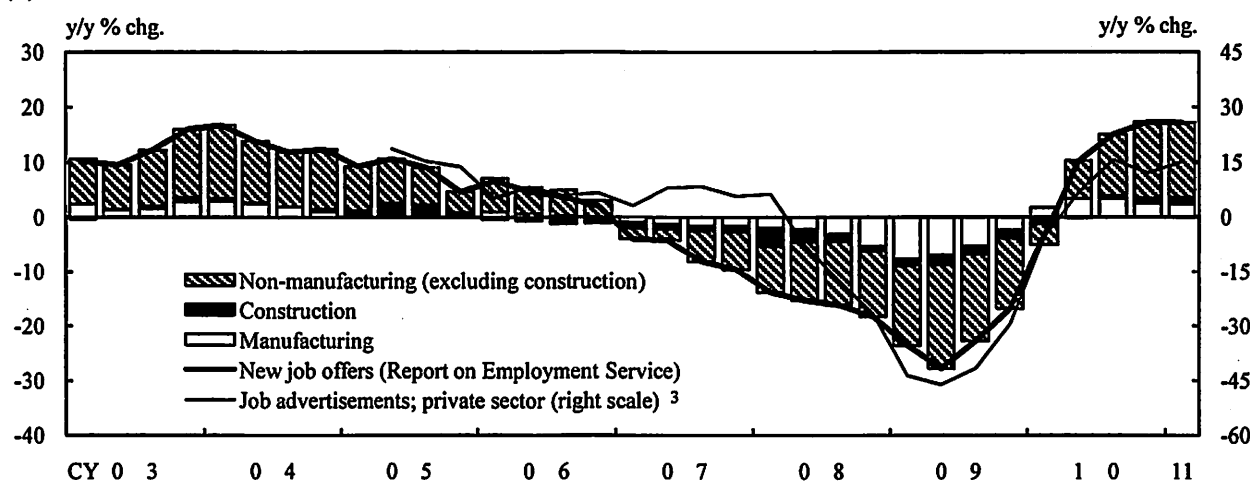


(6) Producer Goods Excluding Electronic Parts and Devices



## Labor Market (1)

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

(2) New Job Offers and New Job Applicants<sup>2</sup>(3) Breakdown of Job Offers<sup>2</sup>

Notes: 1. Figures from March 2011 are based on data which exclude Iwate, Miyagi, and Fukushima prefectures.

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

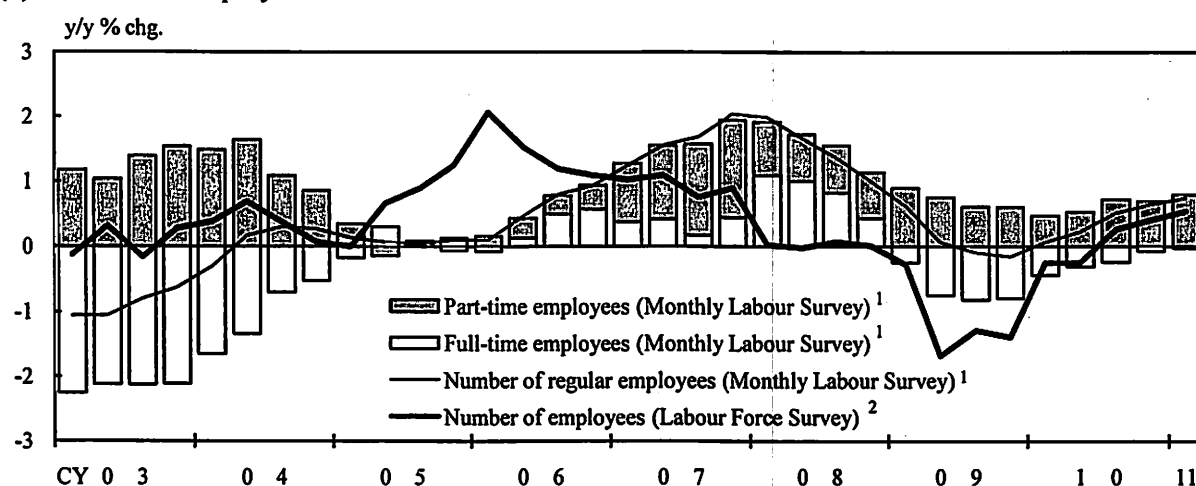
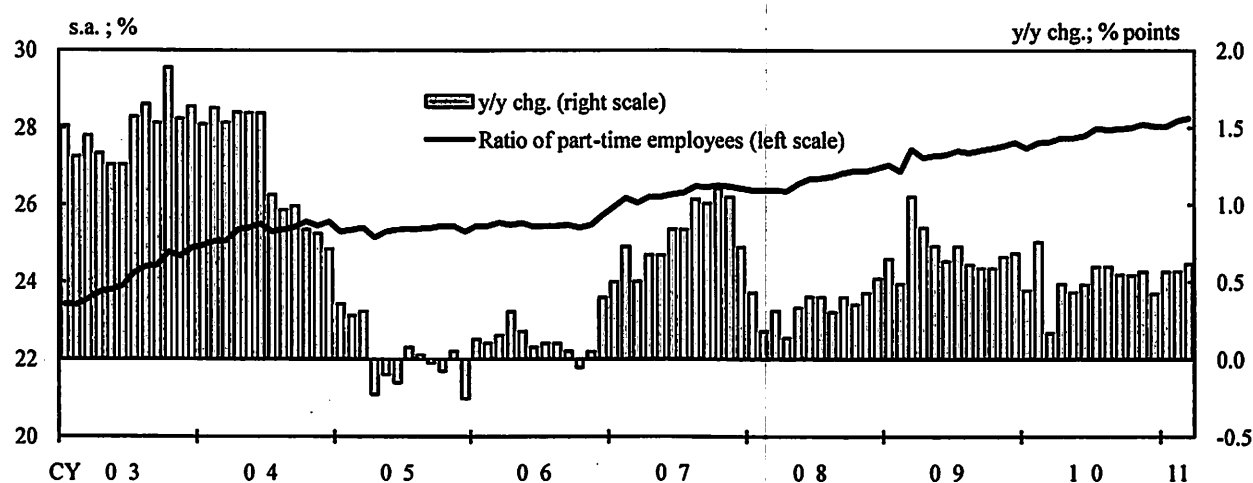
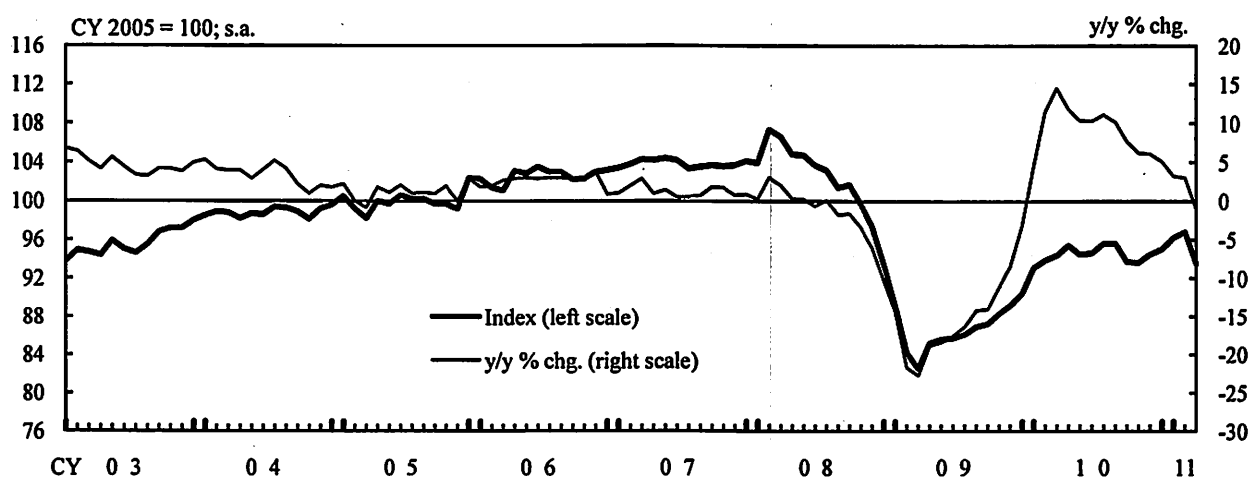
3. Figures are the sum of job advertisements listed in free/paid job information magazines, newspaper inserts, and job information websites provided by member companies of the Association of Job Information of Japan.

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<sup>1,3</sup>(3) Non Scheduled Hours Worked<sup>1</sup>

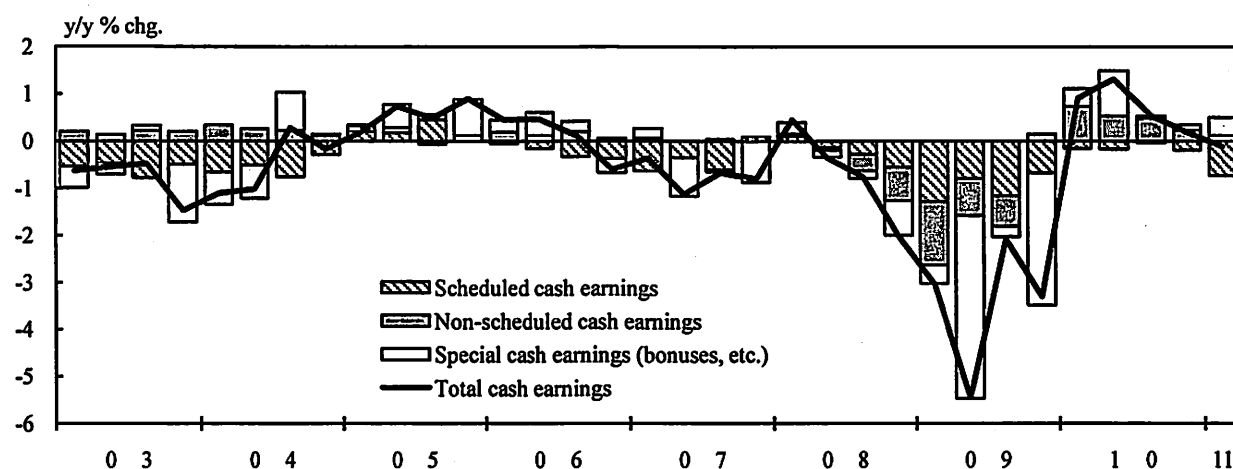
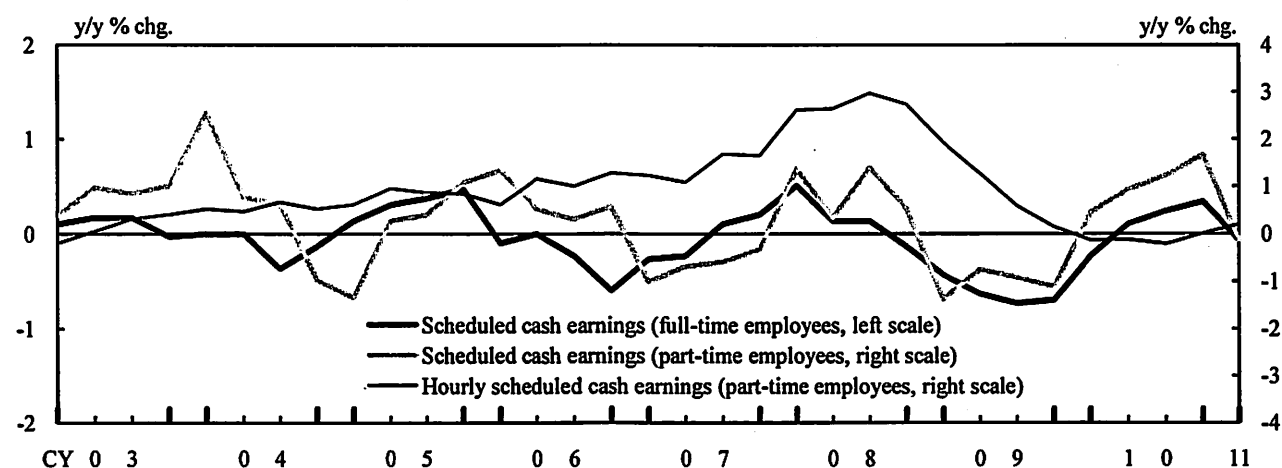
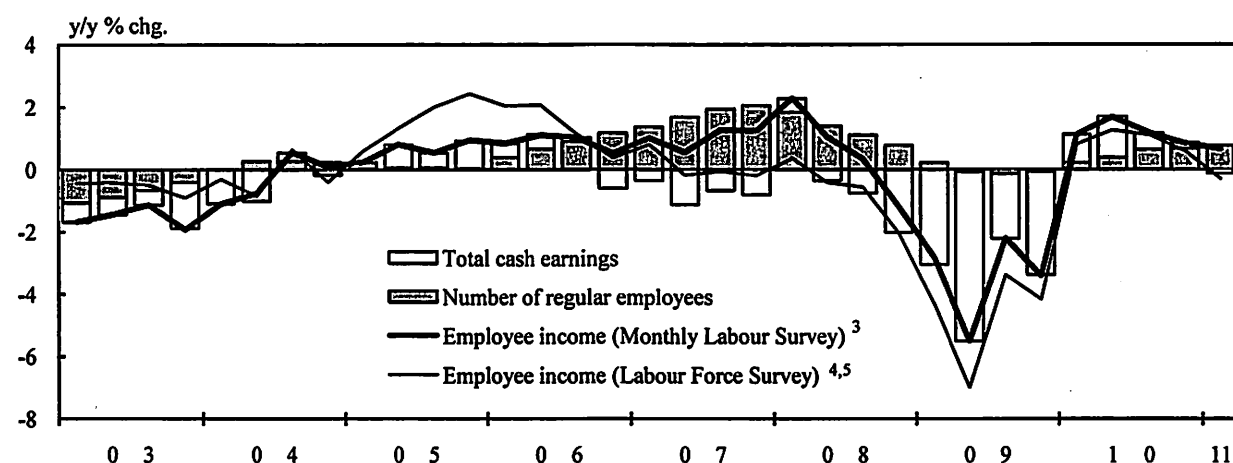
Notes: 1. Data are for establishments with at least five employees.

2. Figures from 2011/Q1 are based on data which exclude Iwate, Miyagi, and Fukushima prefectures.

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

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

## Employee Income

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

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

2. Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.  
Figures for 2011/Q1 are those of March.

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

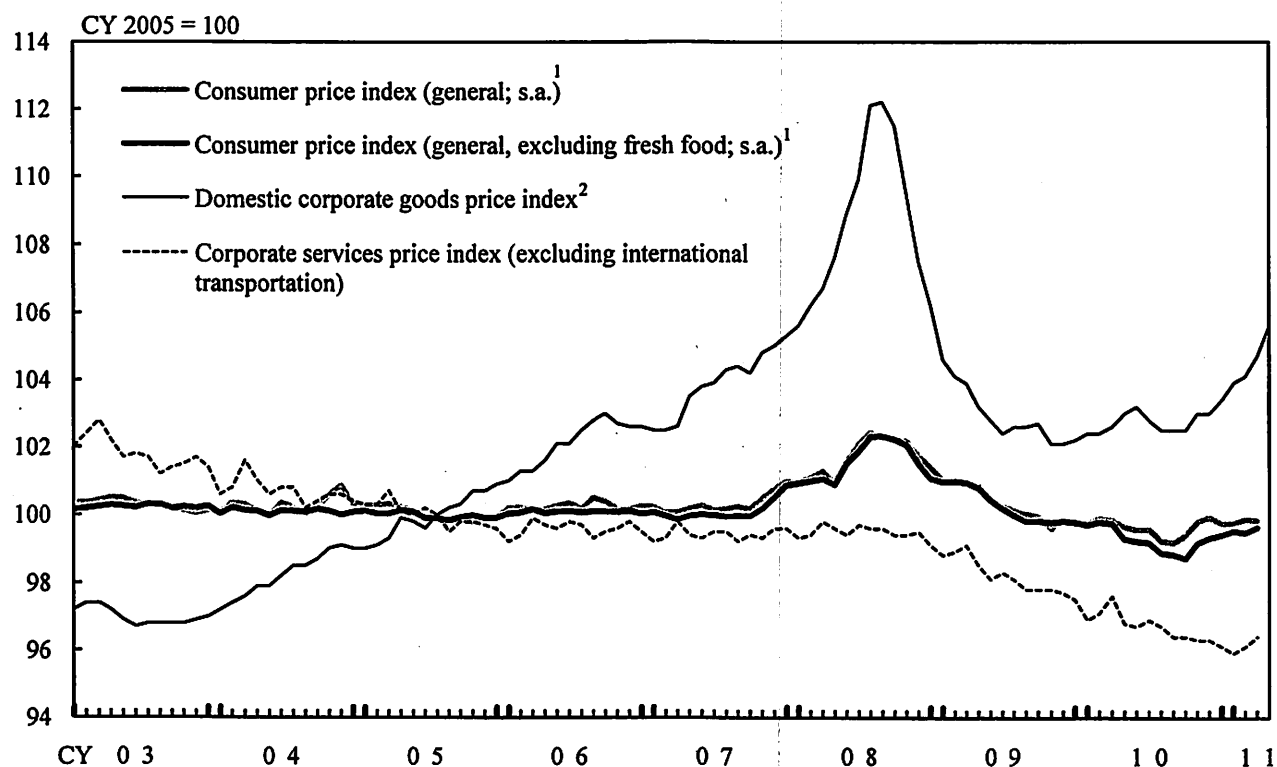
4. Calculated as the "number of employees" (Labour Force Survey) times "total cash earnings" (Monthly Labour Survey).

5. Figures from 2011/Q1 are based on data which exclude Iwate, Miyagi, and Fukushima prefectures.

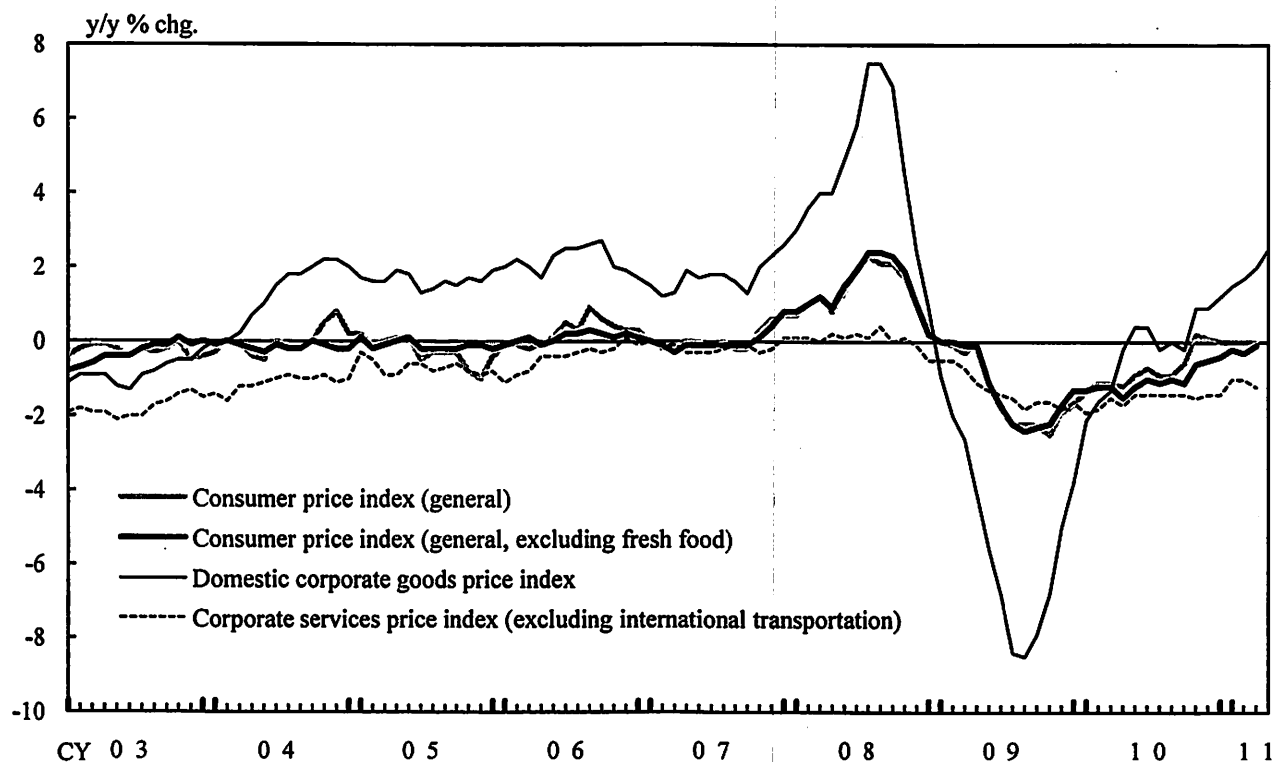
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";  
Ministry of Internal Affairs and Communications, "Labour Force Survey."

## Prices

## (1) Level



## (2) Changes from a Year Earlier



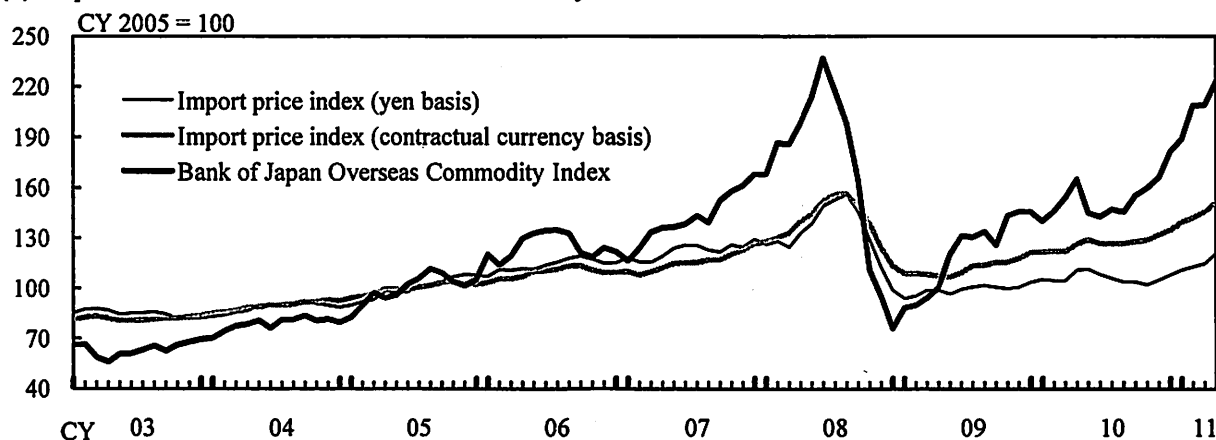
Notes: 1. Seasonally adjusted by X-12-ARIMA.

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

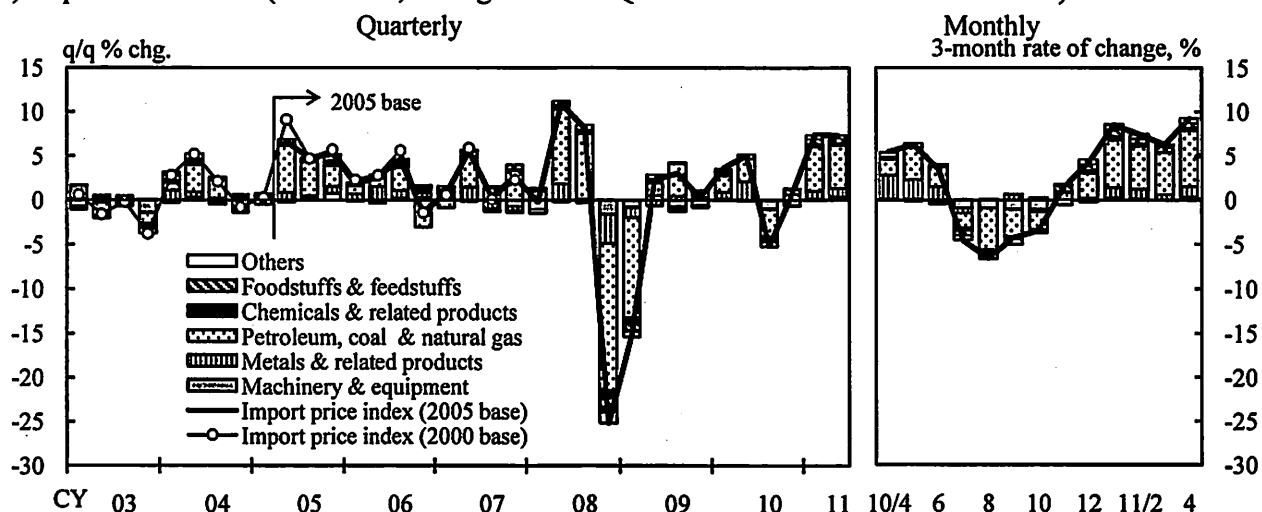
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index."

## Import Prices and International Commodity Prices

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



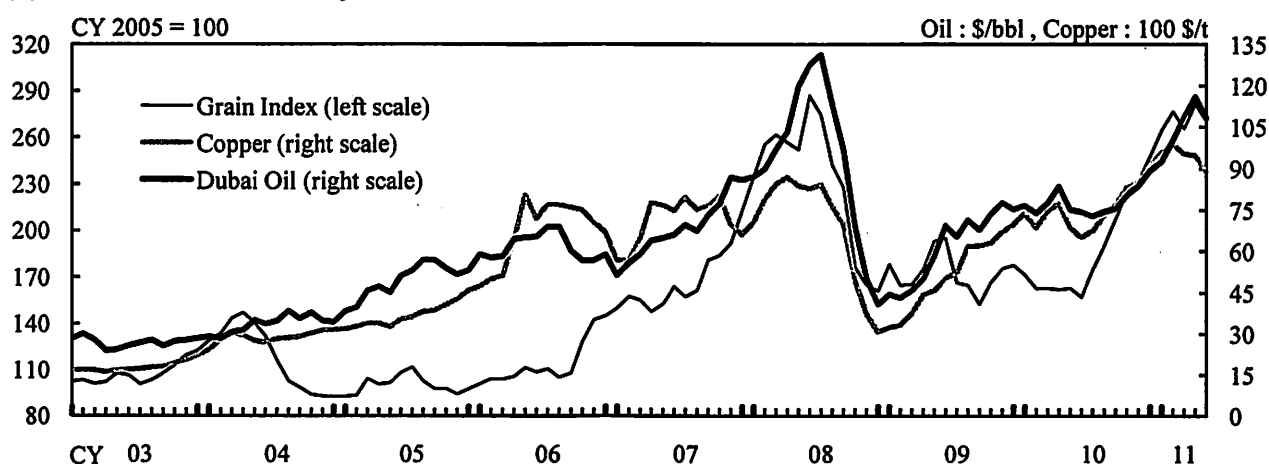
### (2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



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

2. Figures for 2011/Q2 are those of April. Figures for 2007/Q4 on the 2000 base are those of October.

### (3) International Commodity Prices



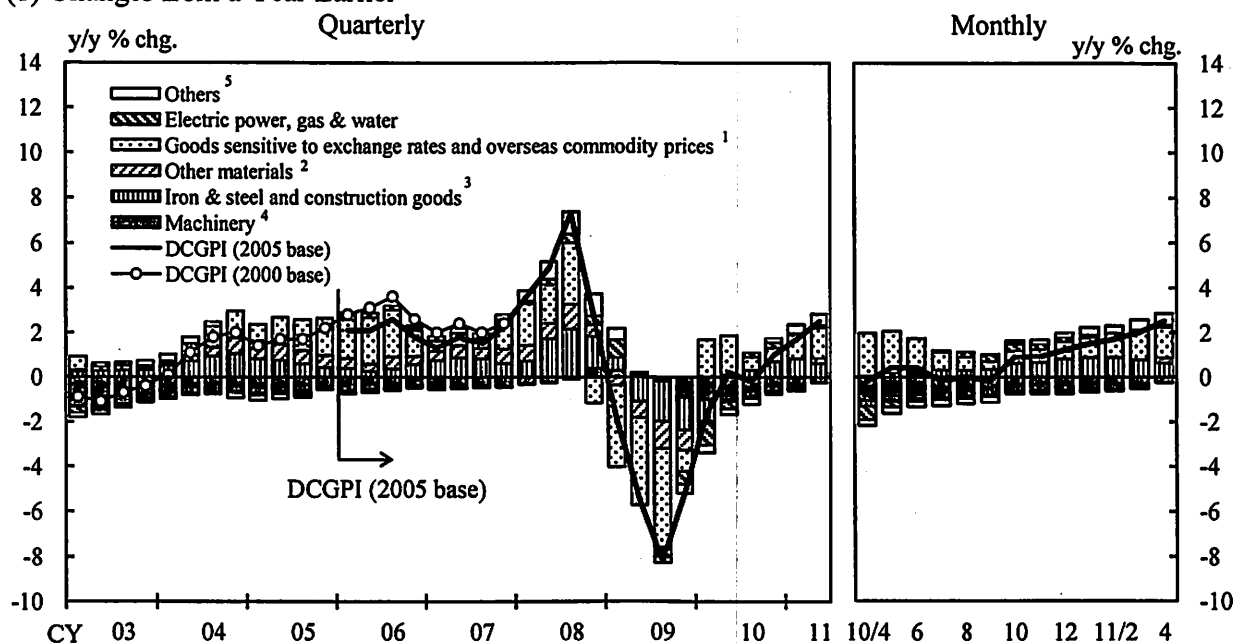
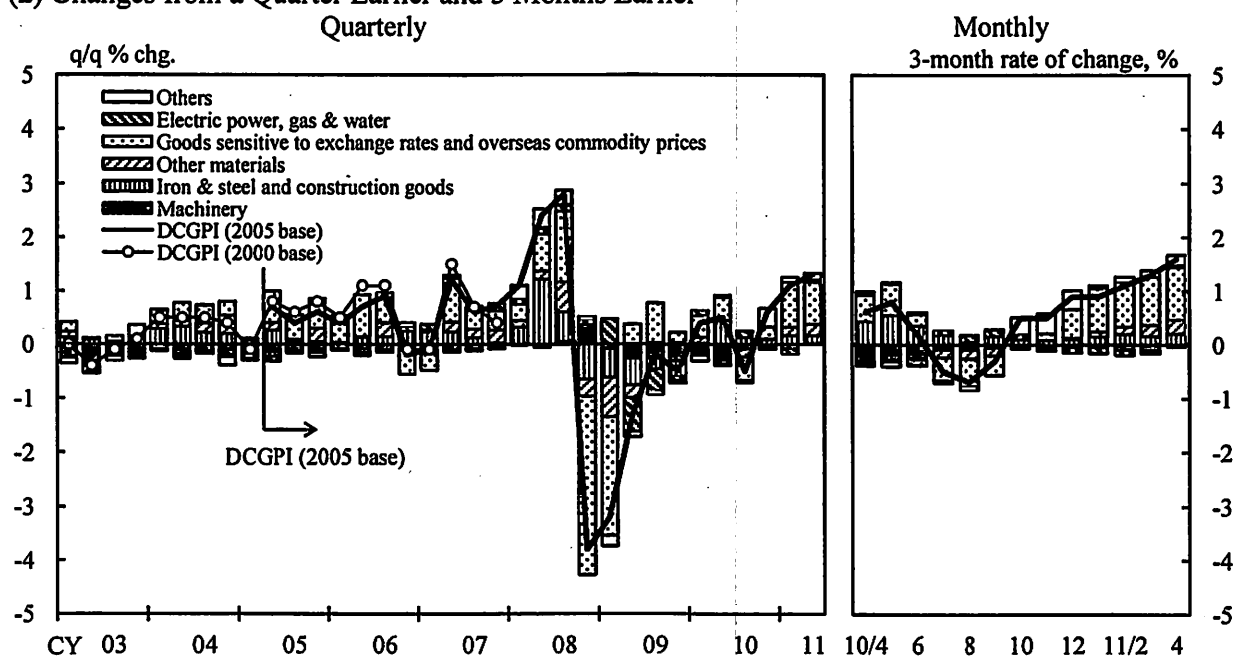
Notes: 1. The "grain index" is the weighted average of prices of three selected items (wheat, soybeans, and corn) in overseas commodity markets. The weights are based on the value of imports in the "Trade Statistics."

2. Monthly averages. Figures for May 2011 are averages up to May 19.

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

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

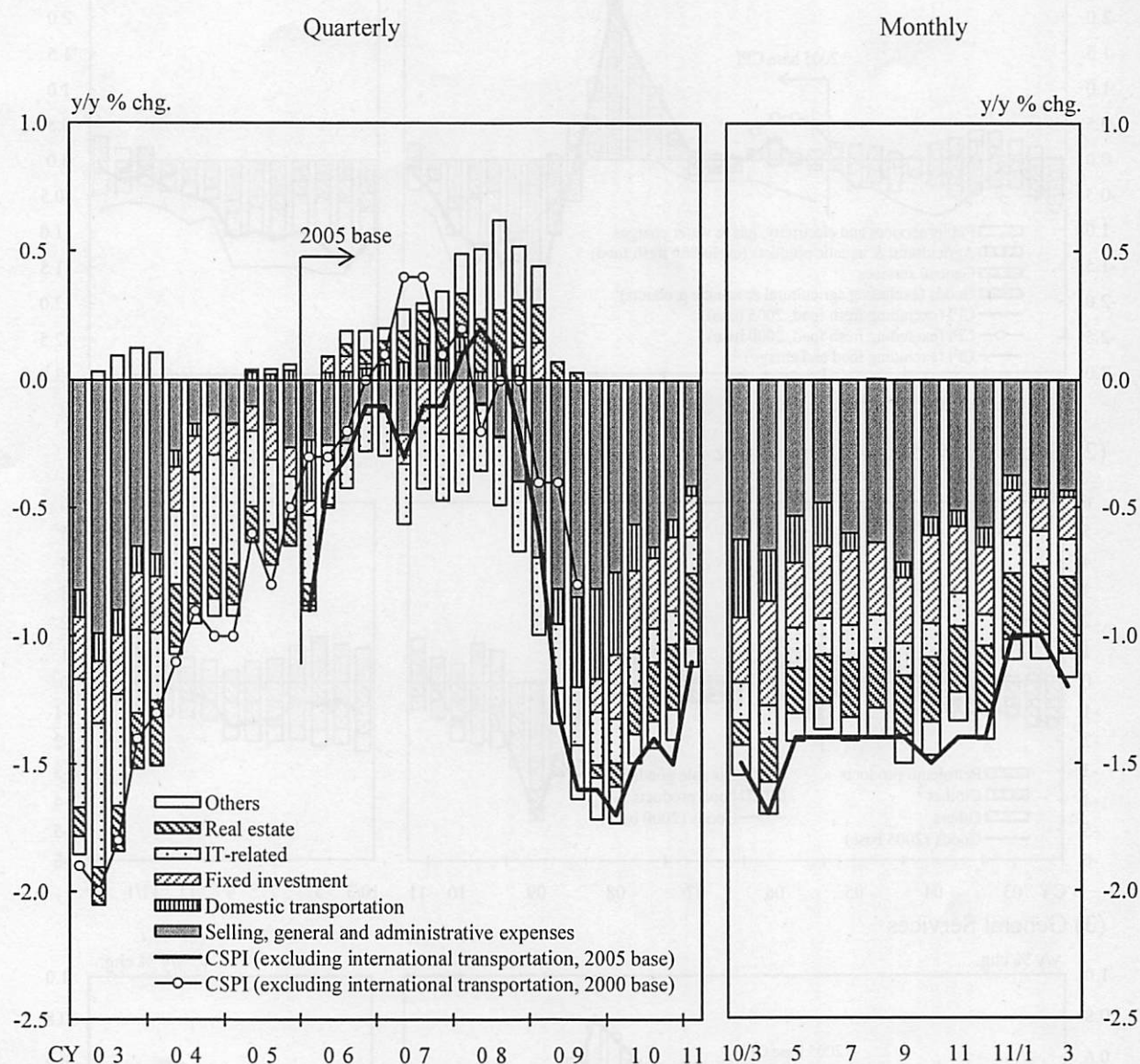
## (1) Changes from a Year Earlier

(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/Q2 are those of April. Figures for 2007/Q4 on the 2000 base are those of October.

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

## Corporate Services Price Index

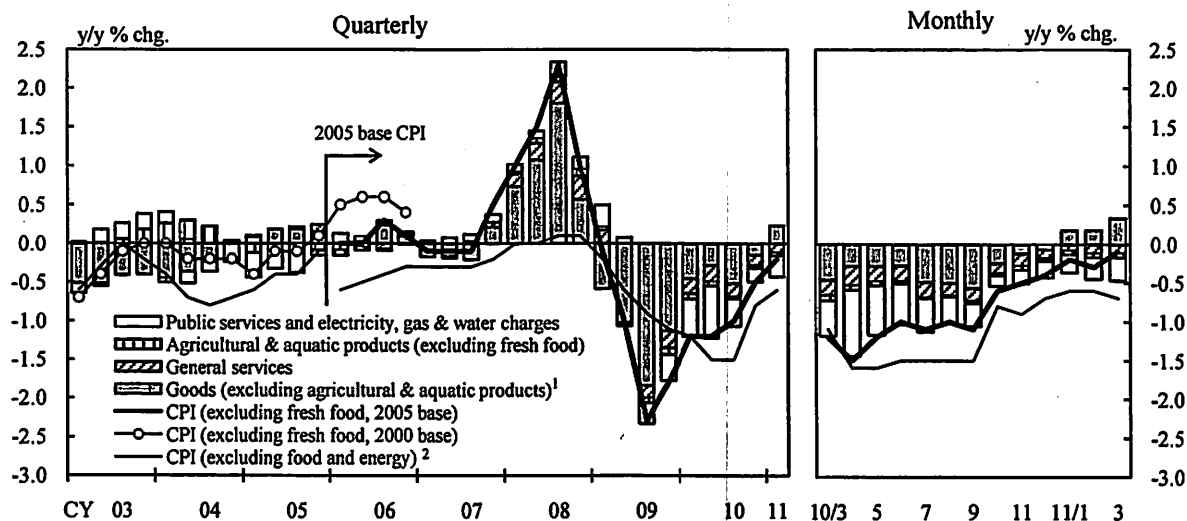
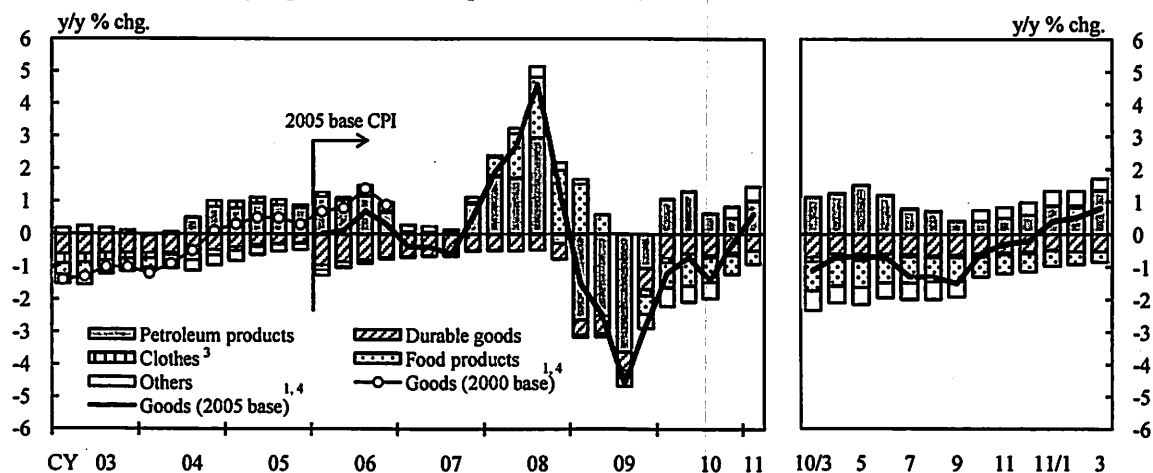


- Notes: 1. Selling, general and administrative expenses: information and communications (excluding newspapers and publishing), advertising services, other services (excluding plant engineering, and civil engineering and architectural services).  
 2. Domestic transportation: transportation (excluding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

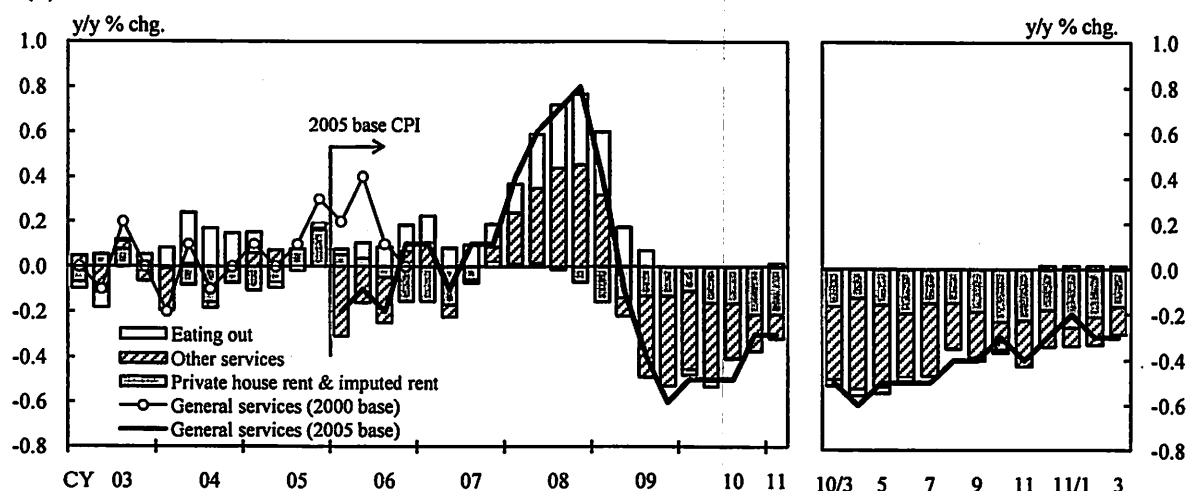
Source: Bank of Japan, "Corporate Services Price Index."

## 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.

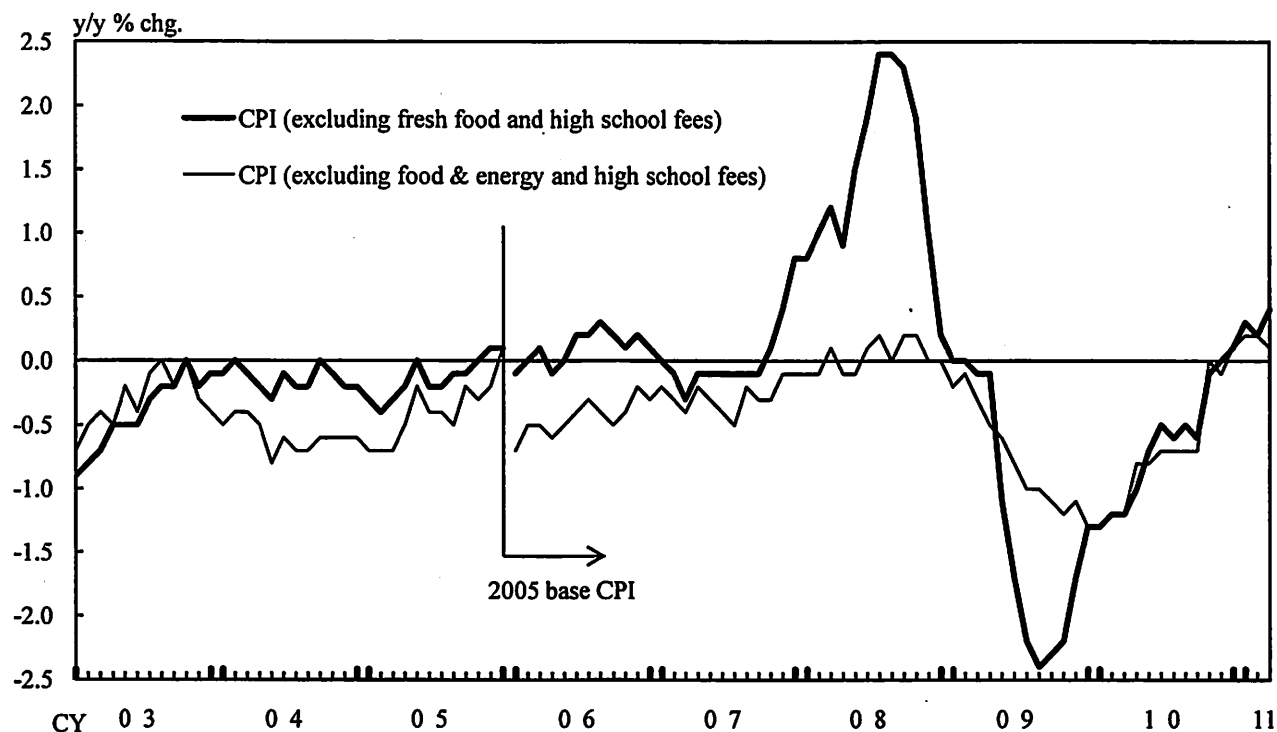
3. Including shirts, sweaters & underwear.

4. Excluding agricultural & aquatic products.

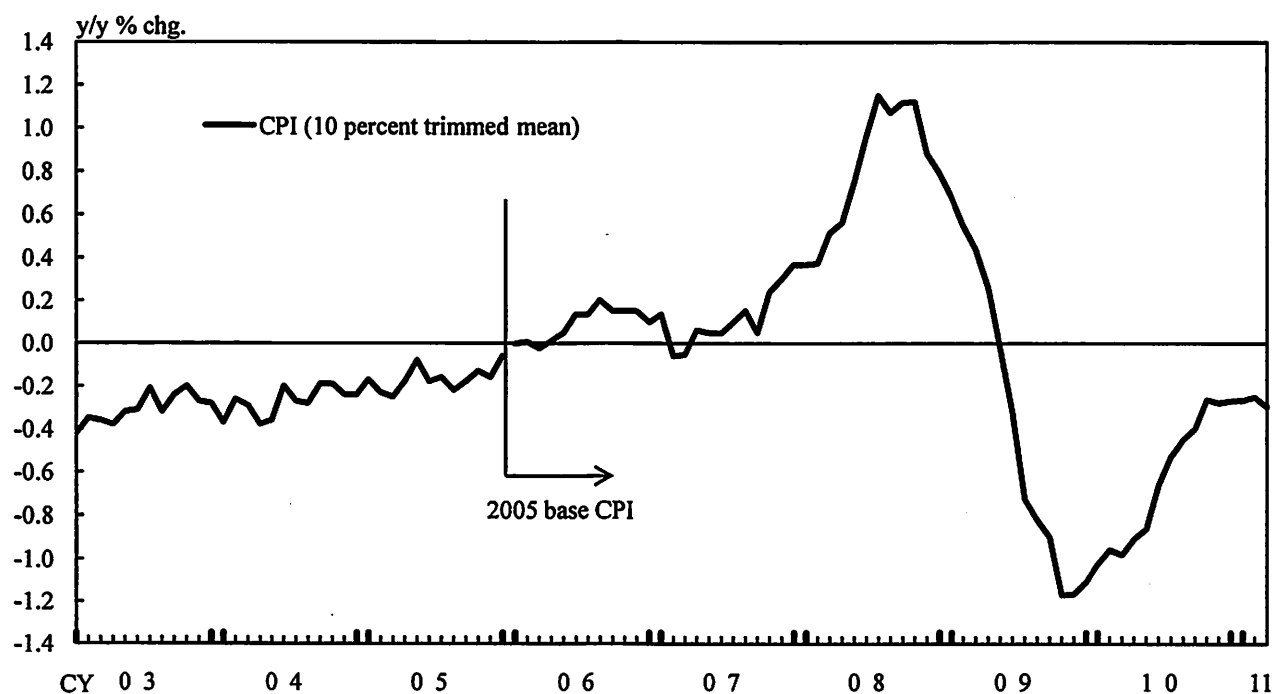
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

## 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).

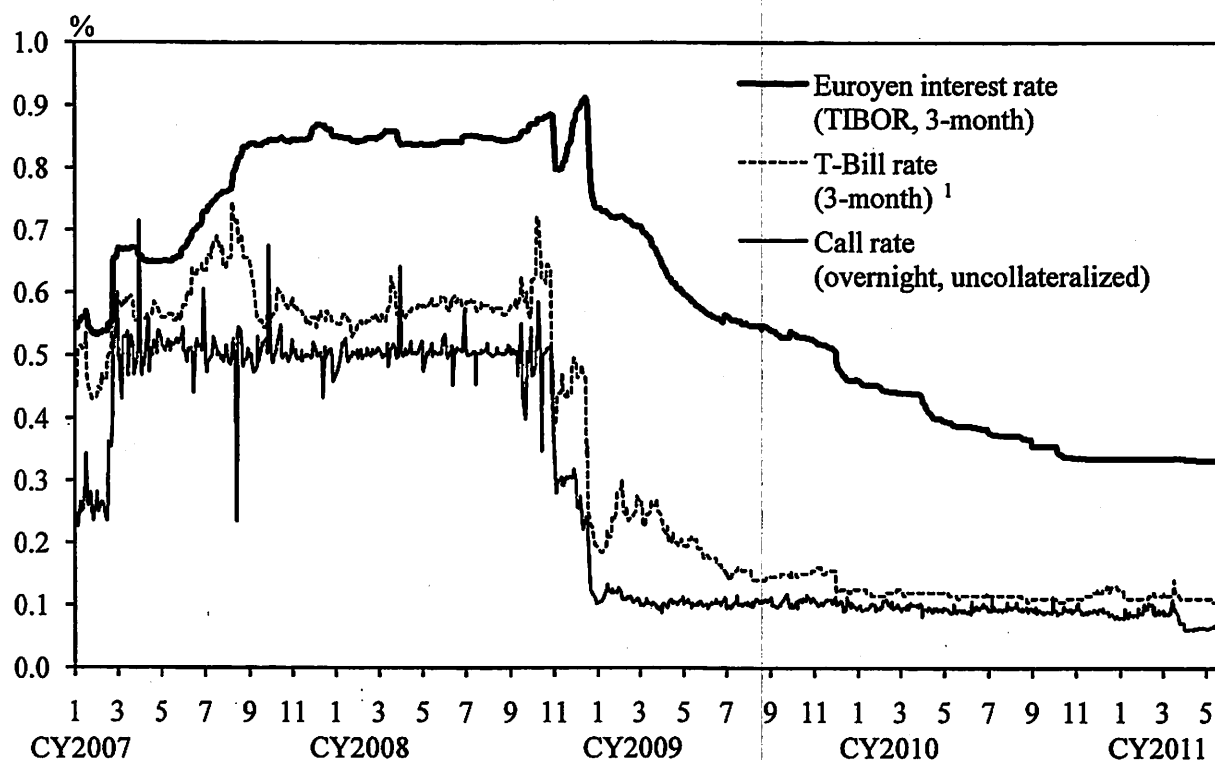
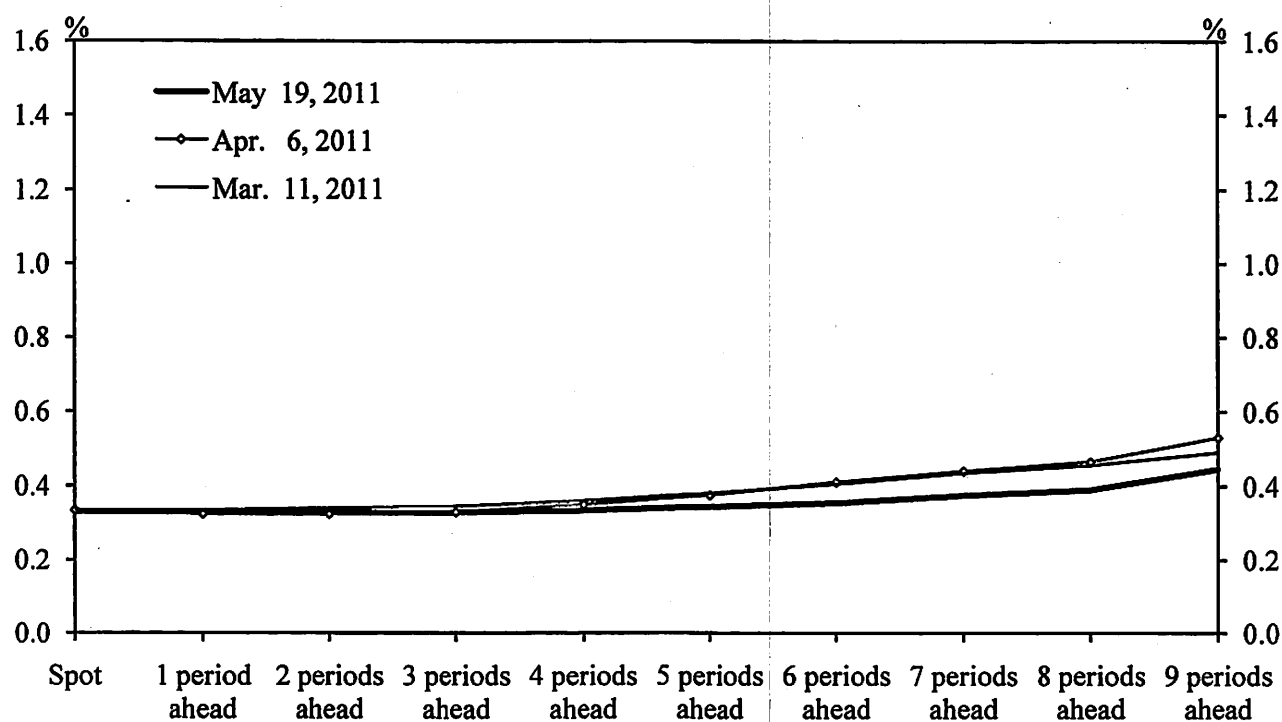
3. Figures for the 10 percent trimmed mean are weighted averages of items; these items are obtained by rearranging year-on-year rates of price change in ascending order and then excluding (trimming) items in both the upper and lower 10 percent tails by weight.

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>

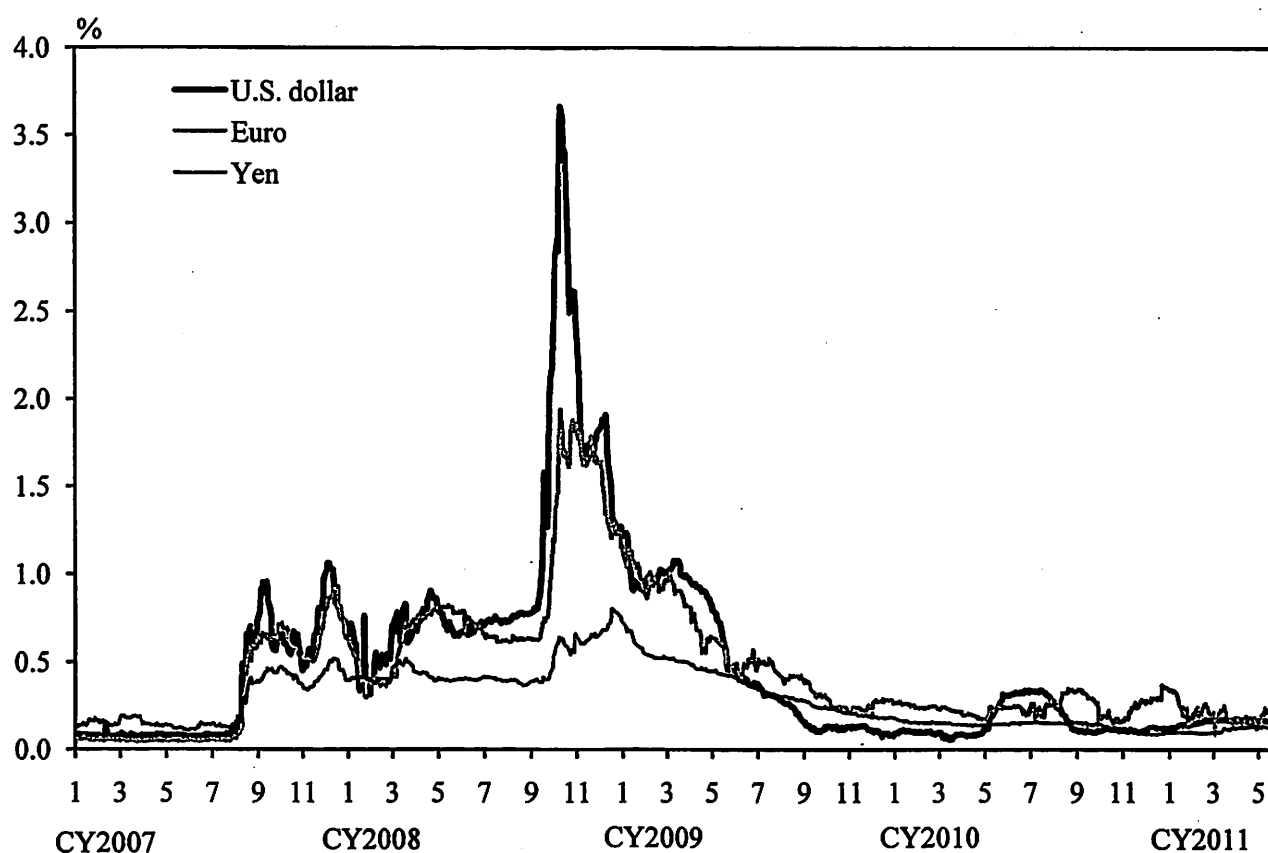
Notes: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.

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

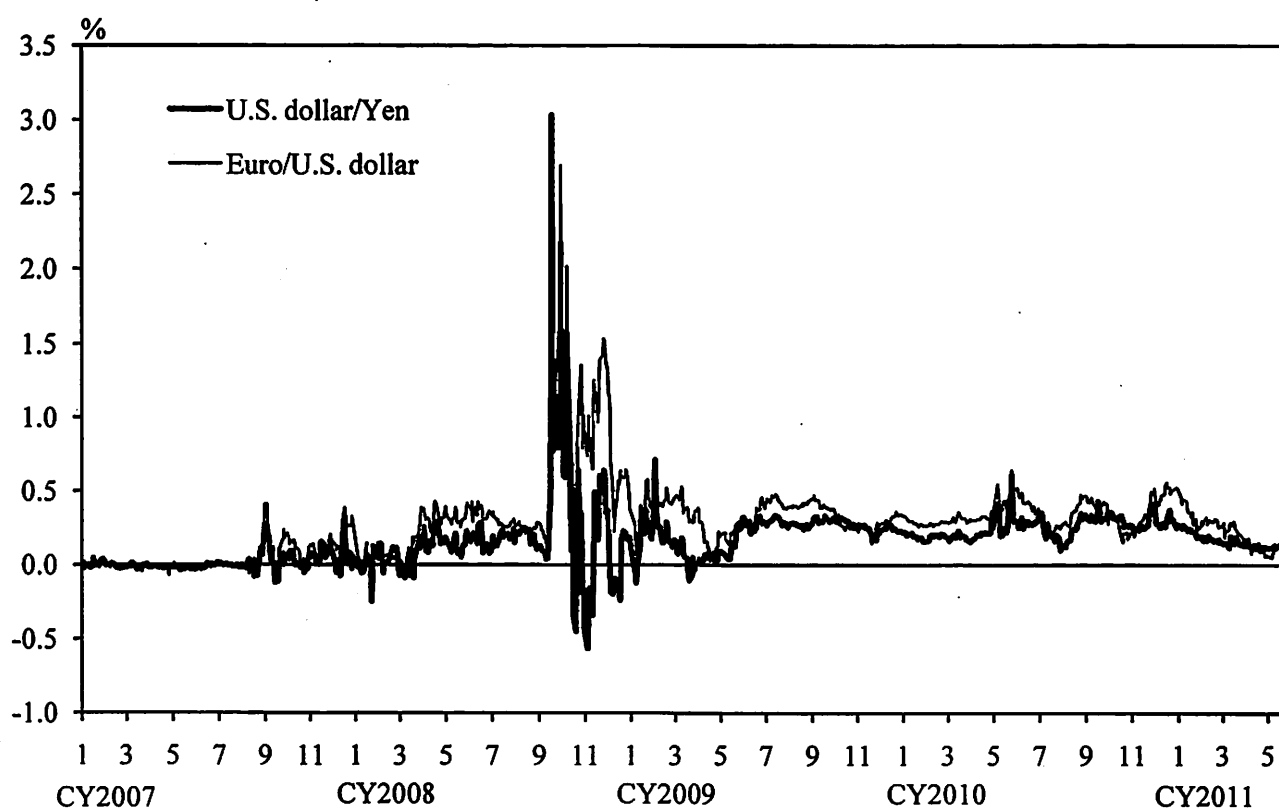
Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.; Tokyo Financial Exchange; Bank of Japan.

## Global Money Markets

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



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

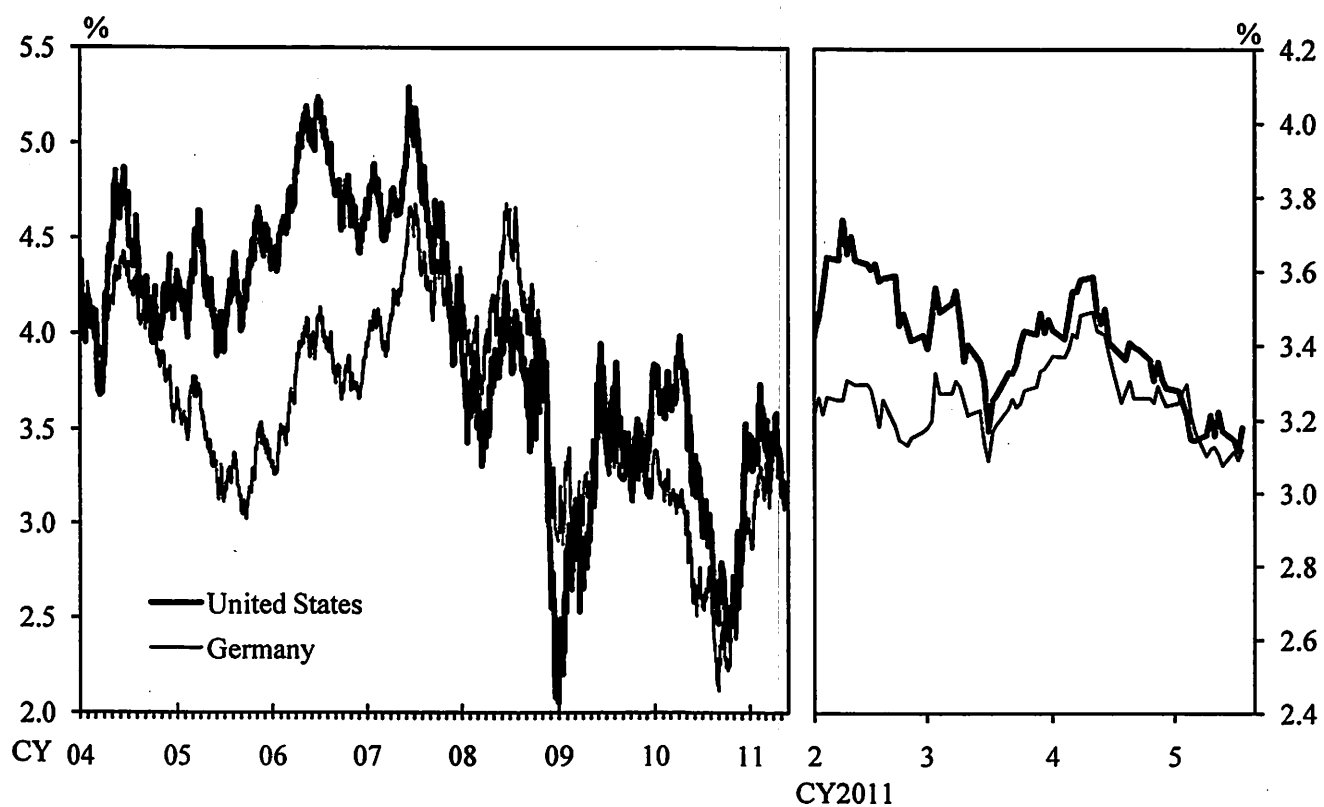


Source: Bloomberg.

## Long-Term Interest Rates

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

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

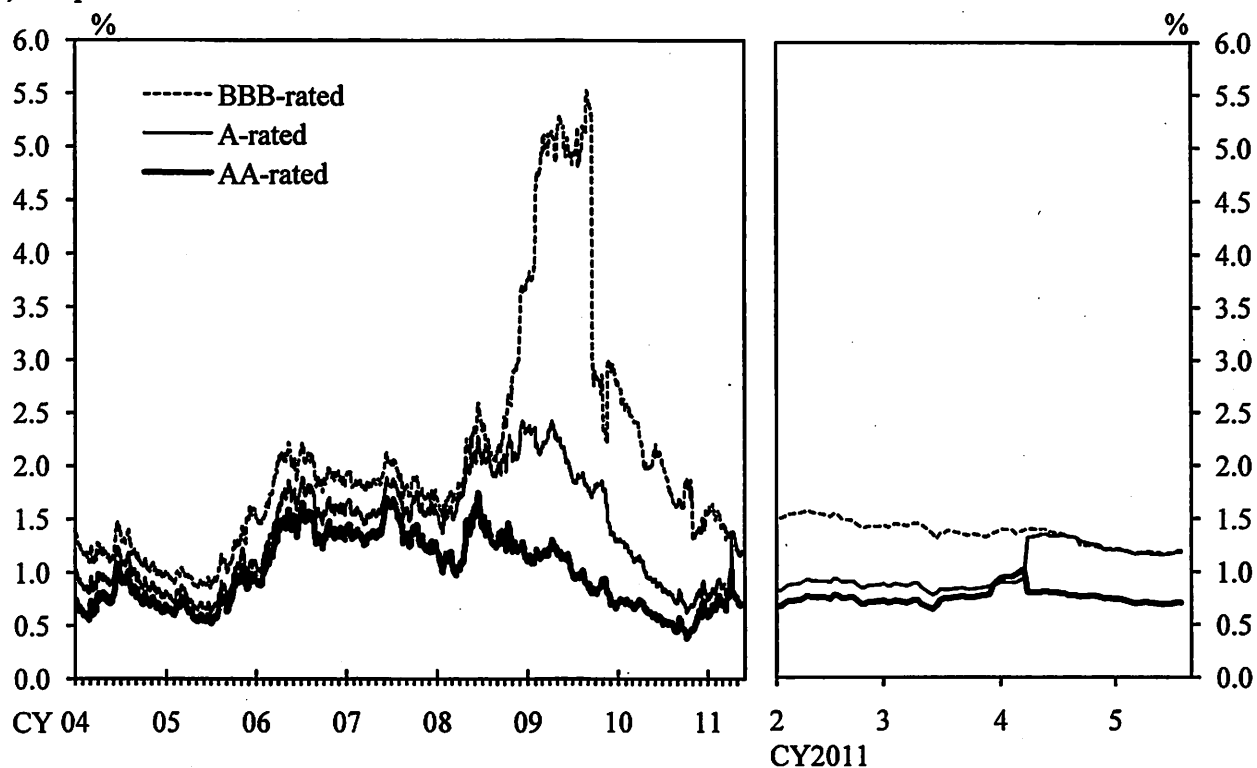


Note: 1. Yields on newly issued bonds.

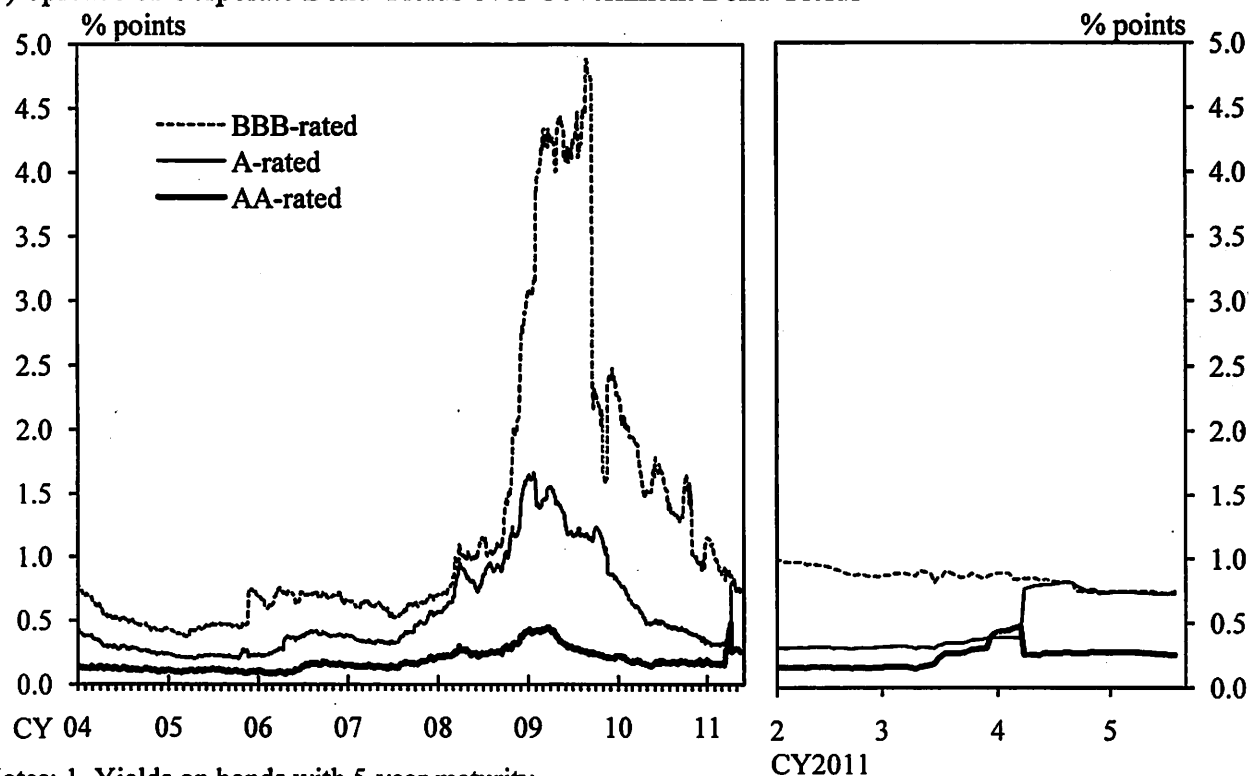
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

## 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.

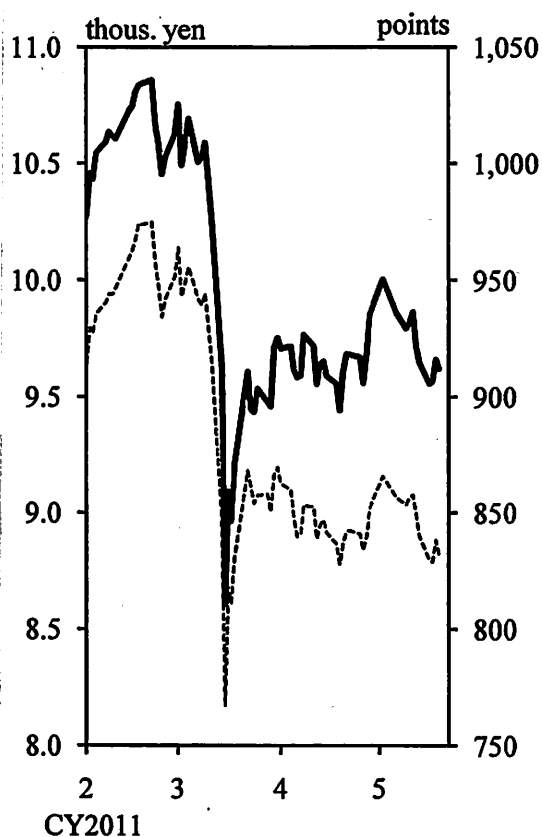
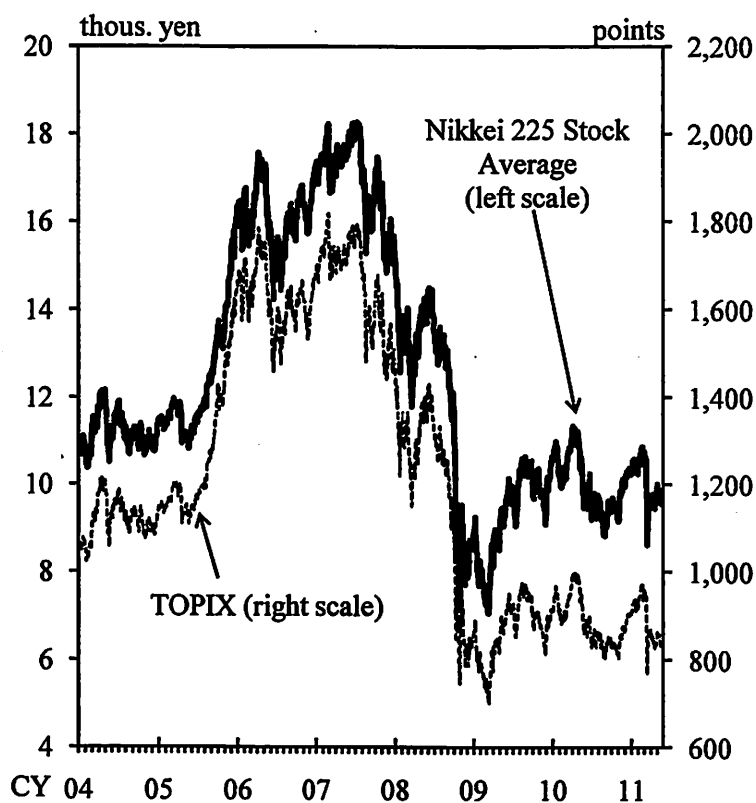
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.

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

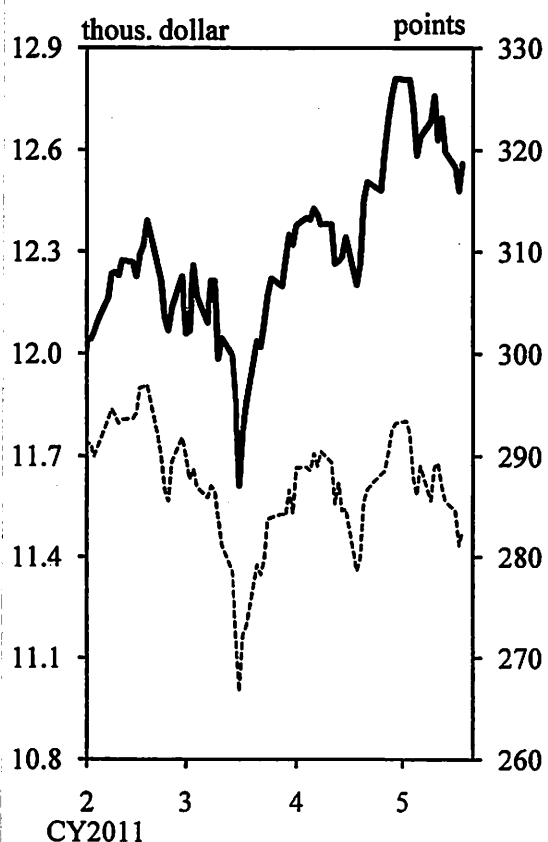
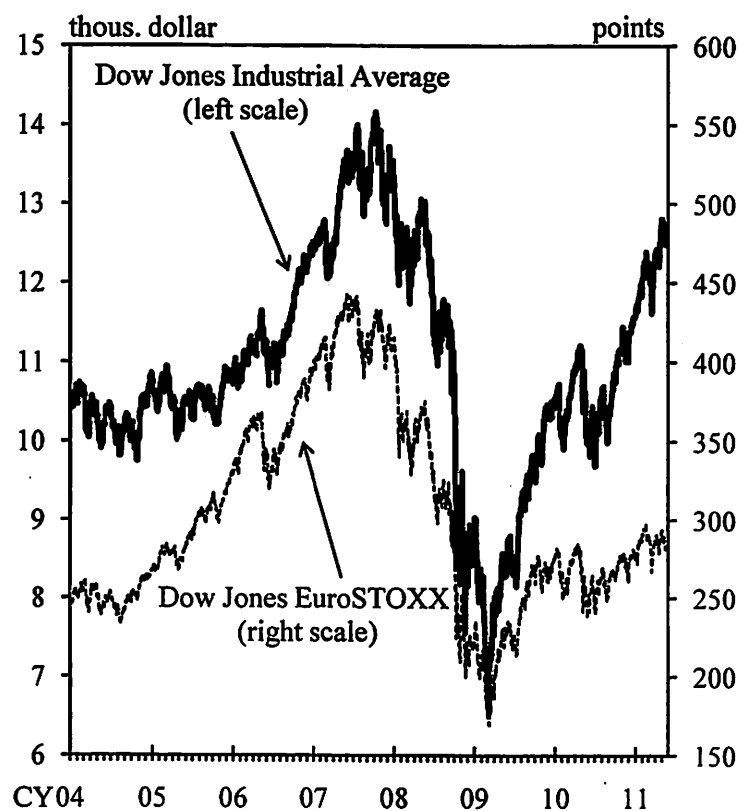
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

# Stock Prices

## (1) Japanese Stock Prices

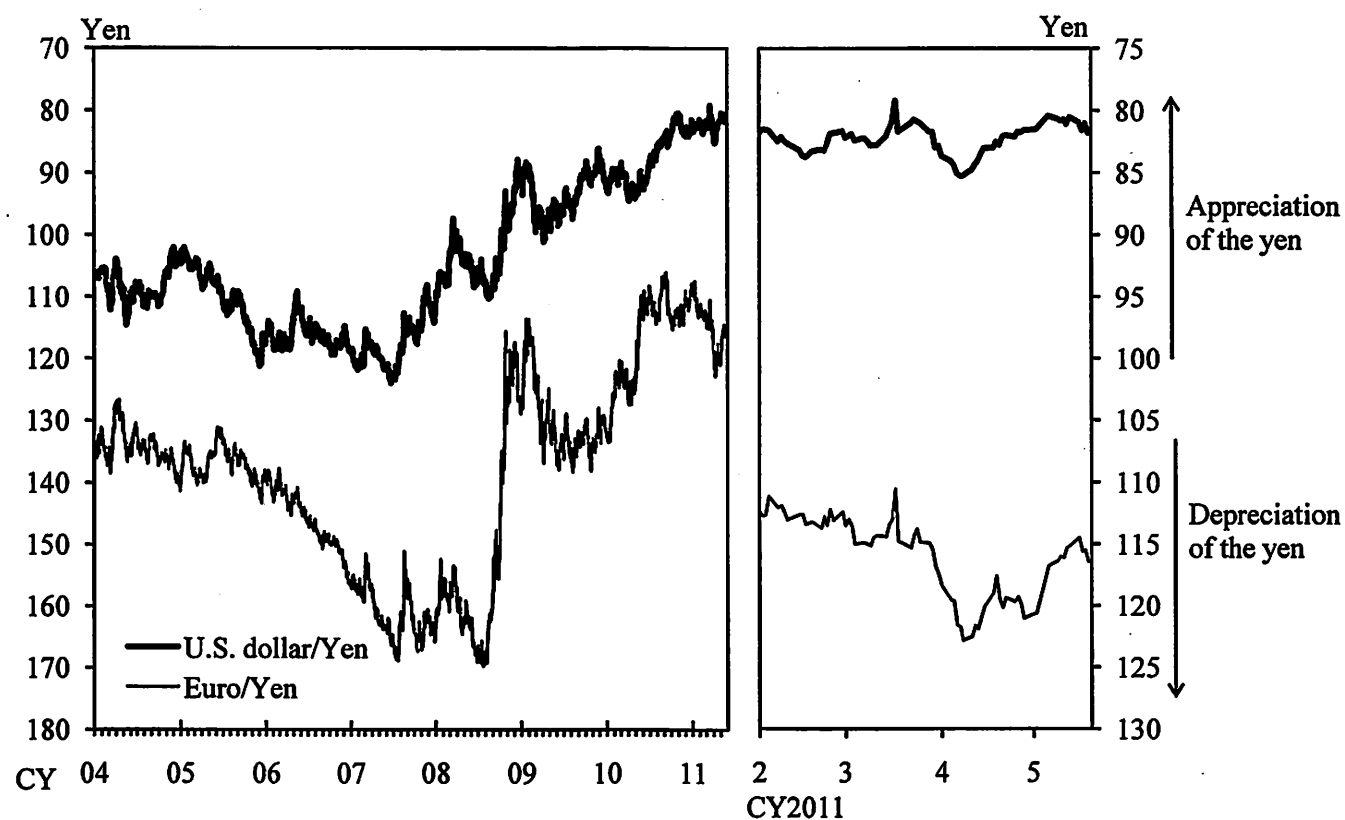


## (2) Overseas Stock Prices

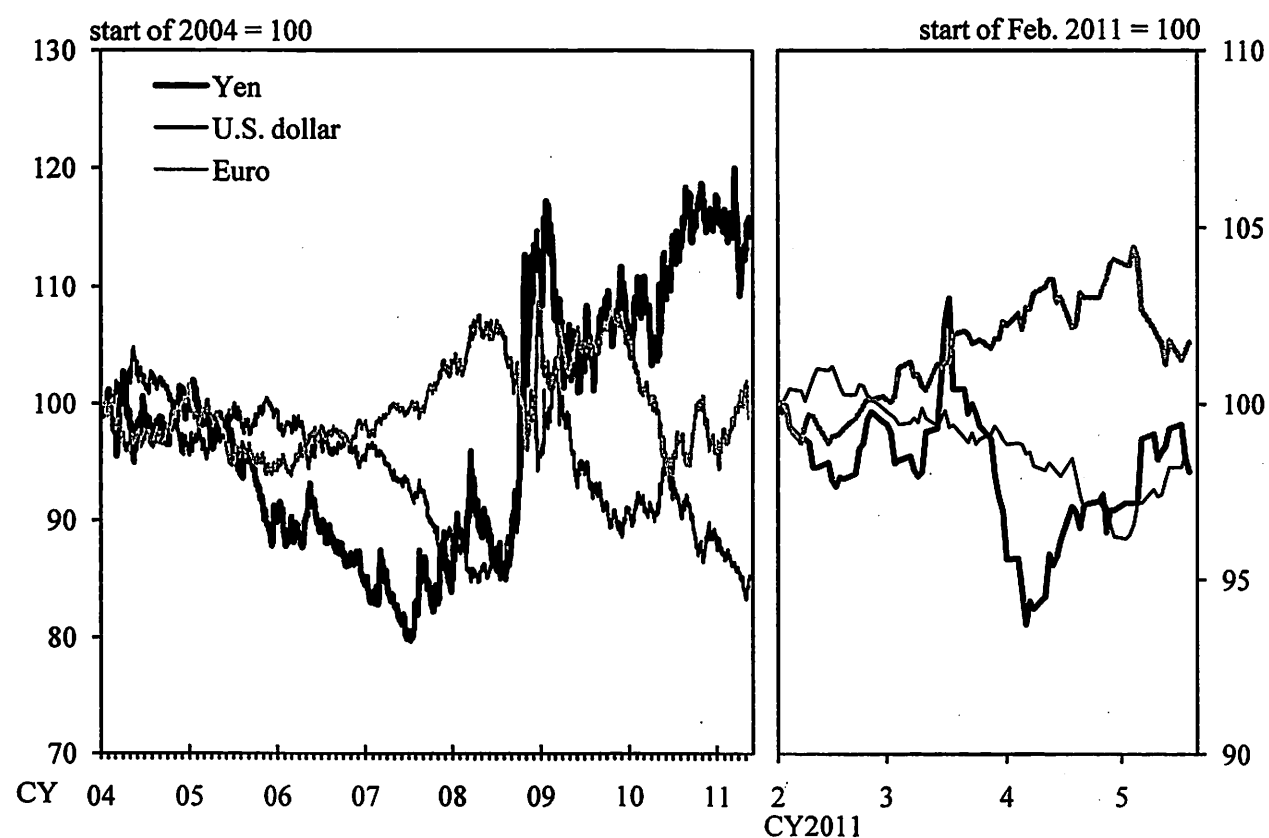


# Exchange Rates

## (1) Bilateral Exchange Rates



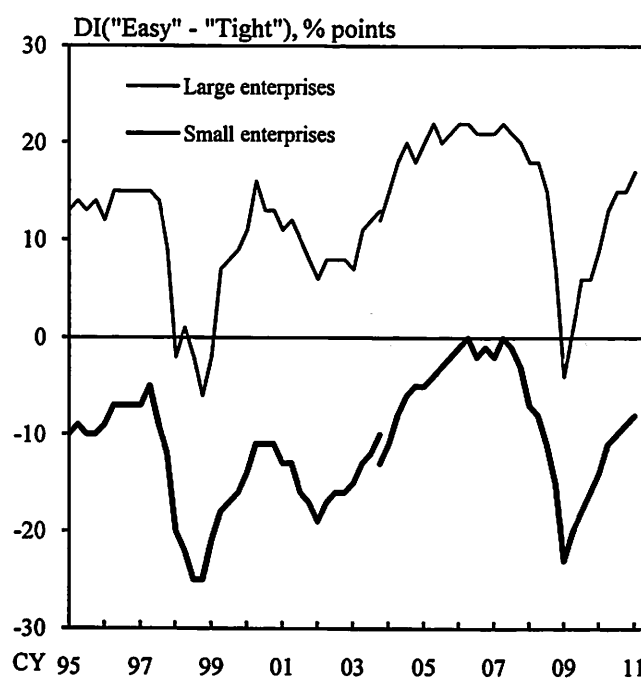
## (2) Nominal Effective Exchange Rates



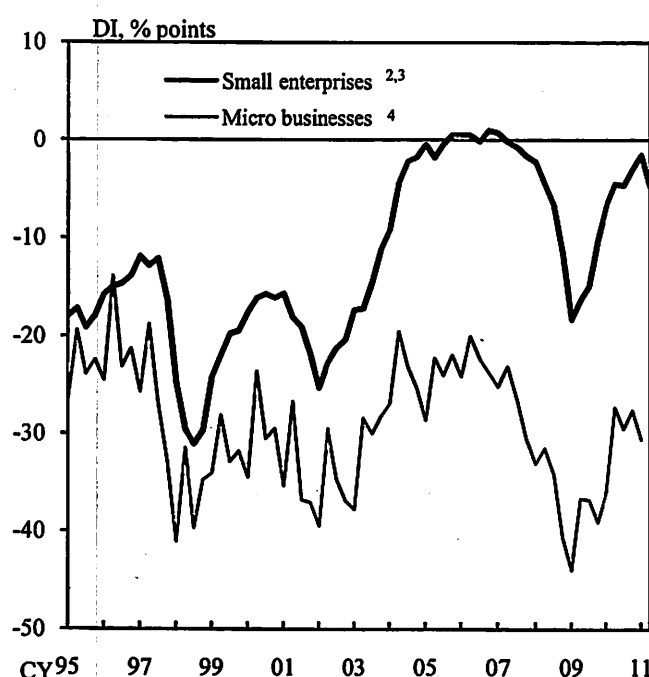
Sources: Bank of Japan; European Central Bank; Bloomberg.

## Corporate Finance-Related Indicators

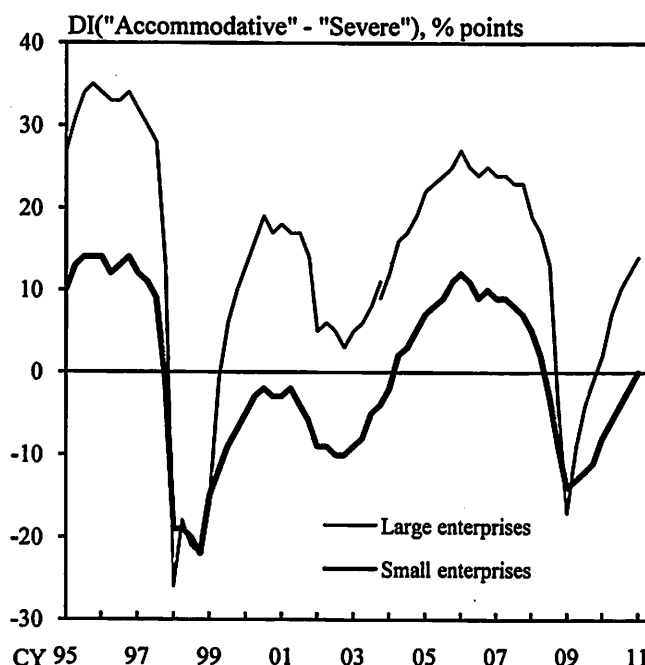
## (1) Financial Position

<Tankan<sup>1</sup>>

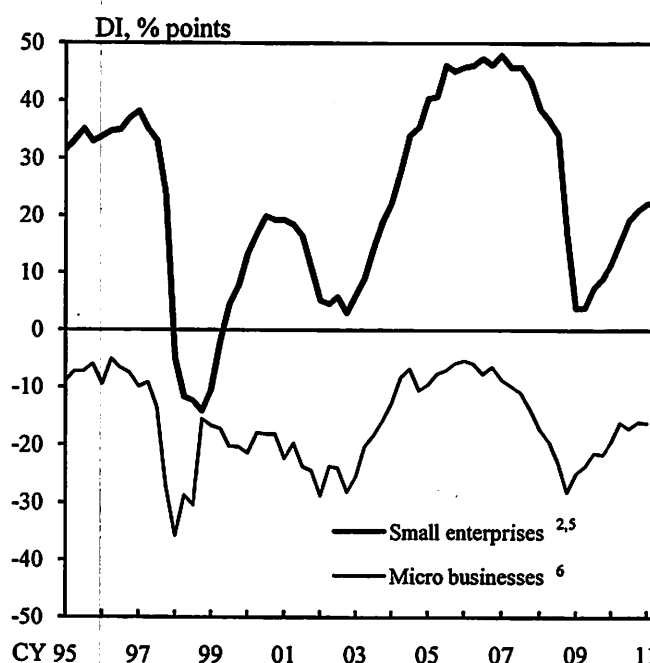
&lt;Japan Finance Corporation Survey&gt;



## (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/Q2 are those of April.

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

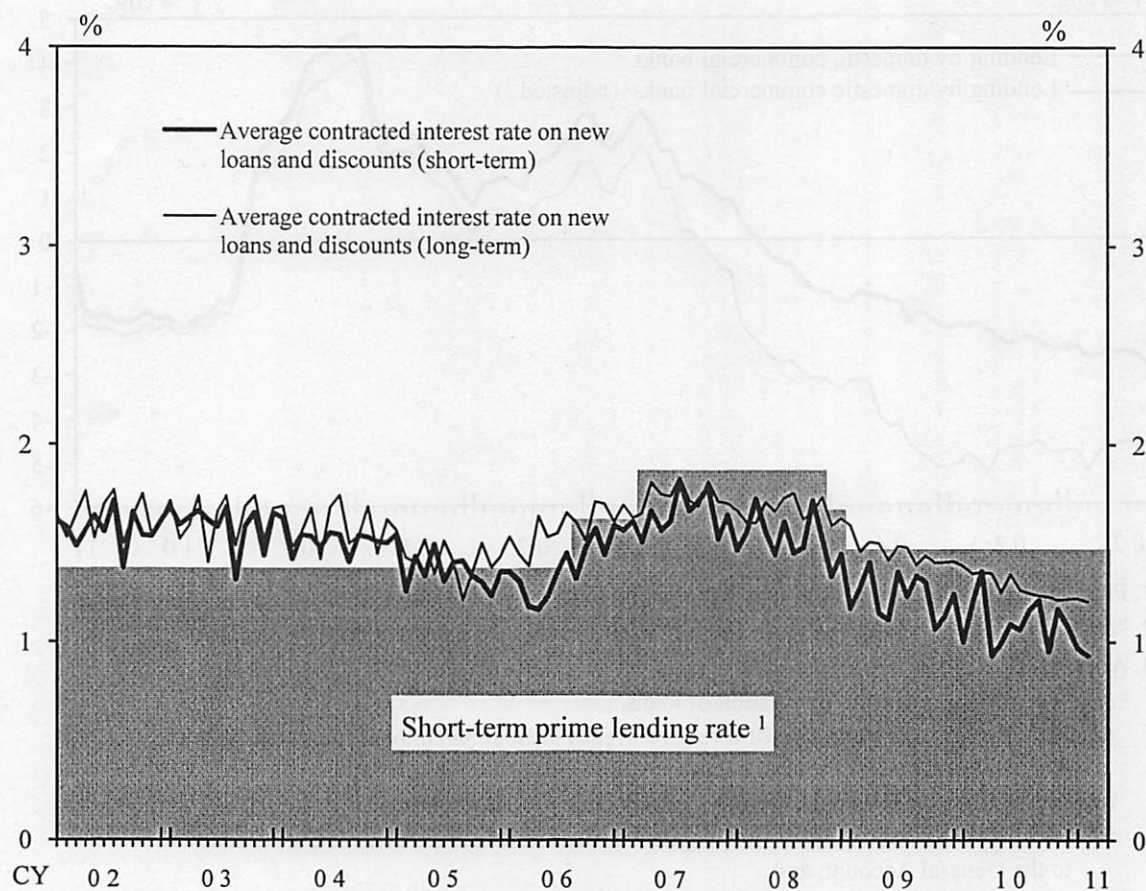
4. DI of "Easier" - "Tighter."

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



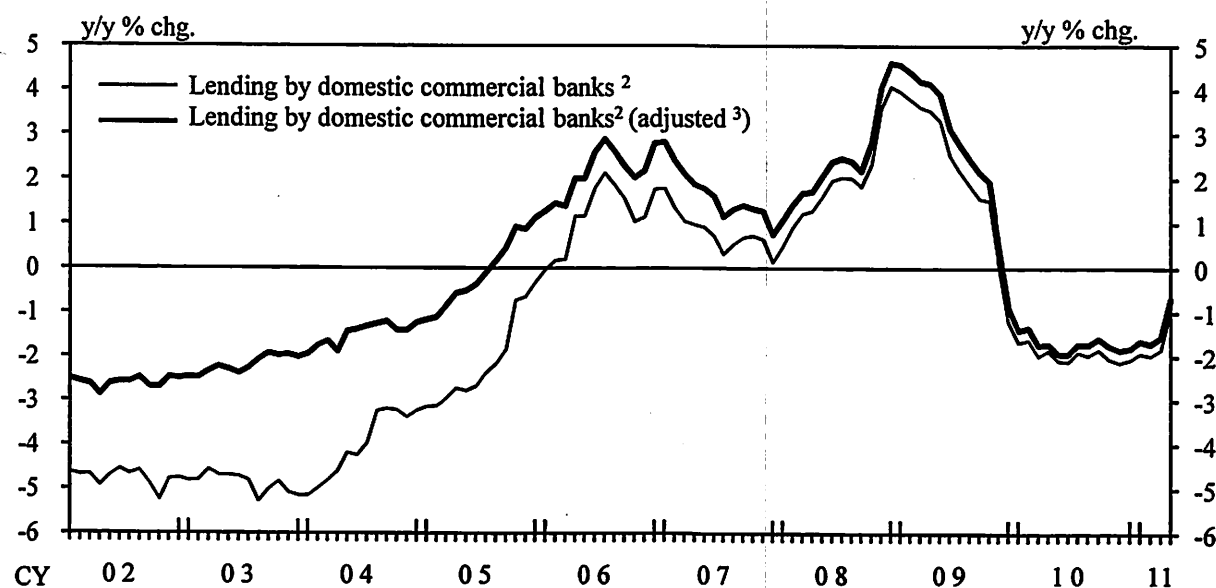
Note: 1. Data are at end of period.

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,

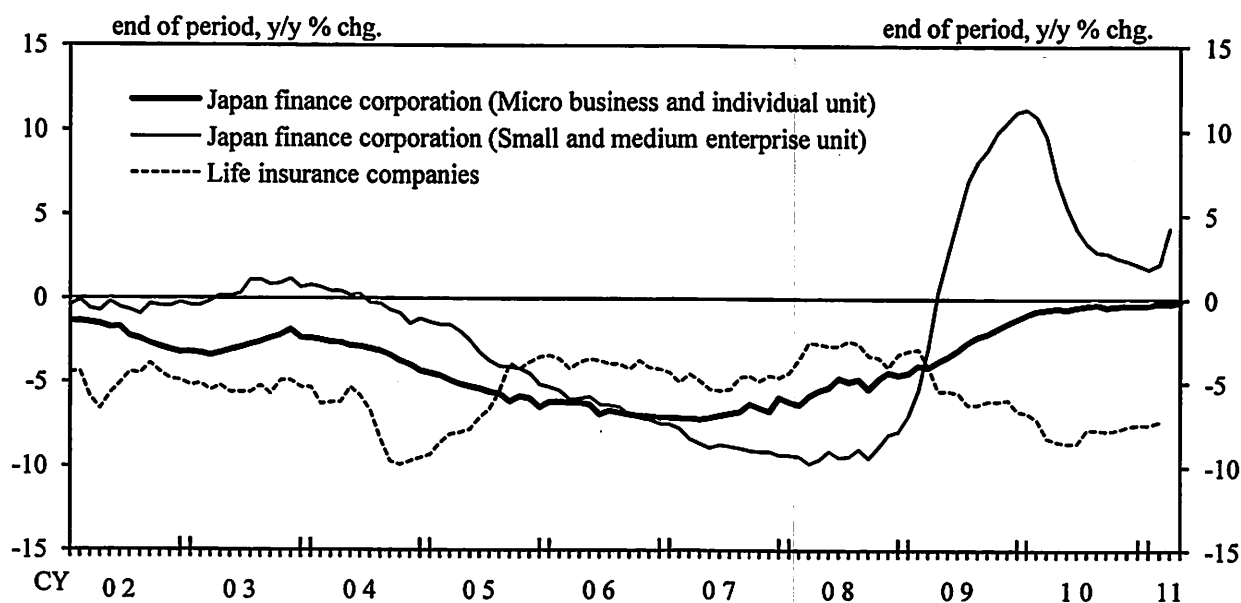
(2) fluctuations in the yen value of foreign currency-denominated loans due to changes in exchange rates,

(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

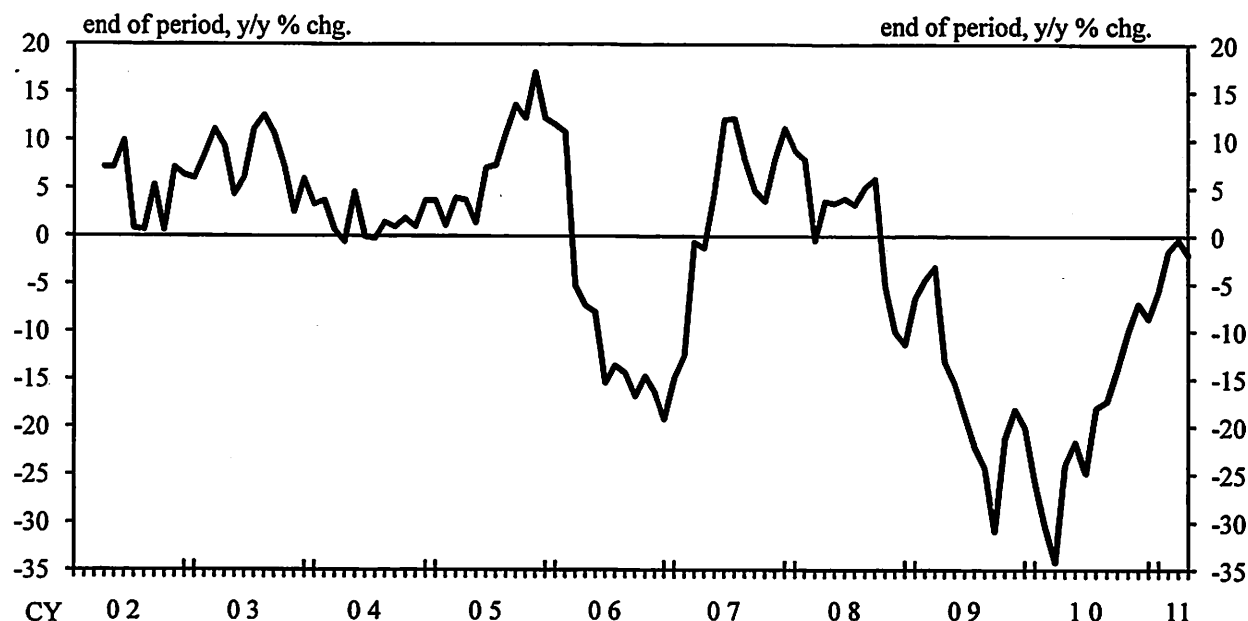


Note: The figures of the Japan Finance Corporation (Small and Medium Enterprise Unit) exclude the amounts outstanding of lending to the Credit Guarantee Corporations.

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

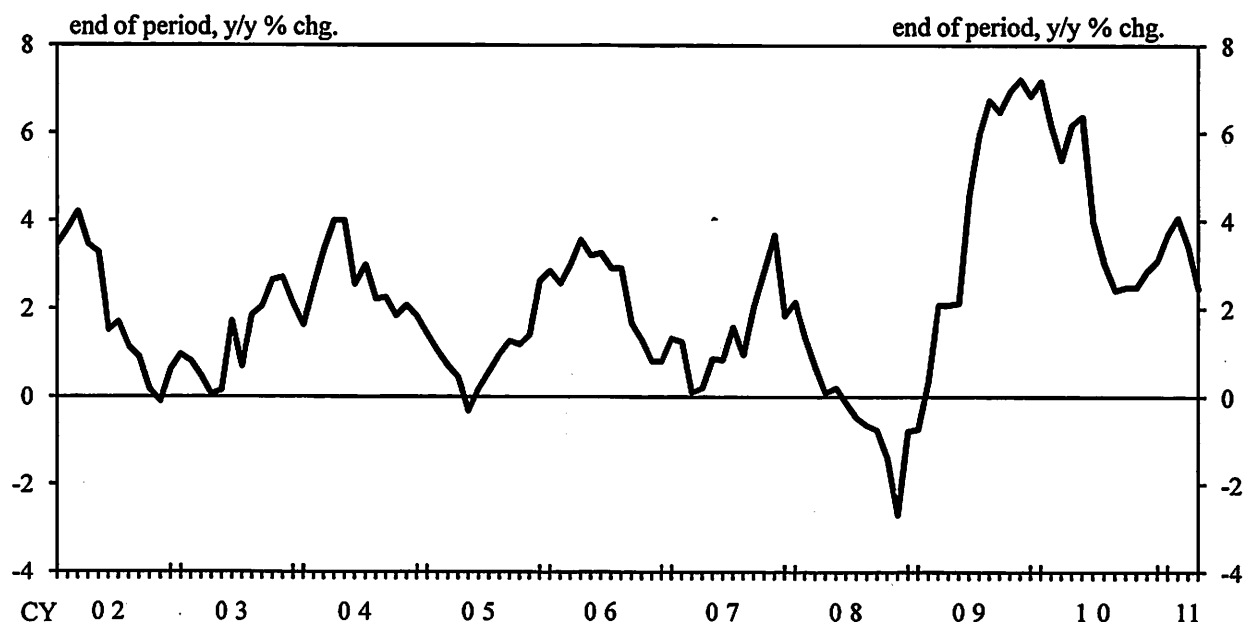
## Private-Sector Fund-Raising in the Capital Markets

### (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



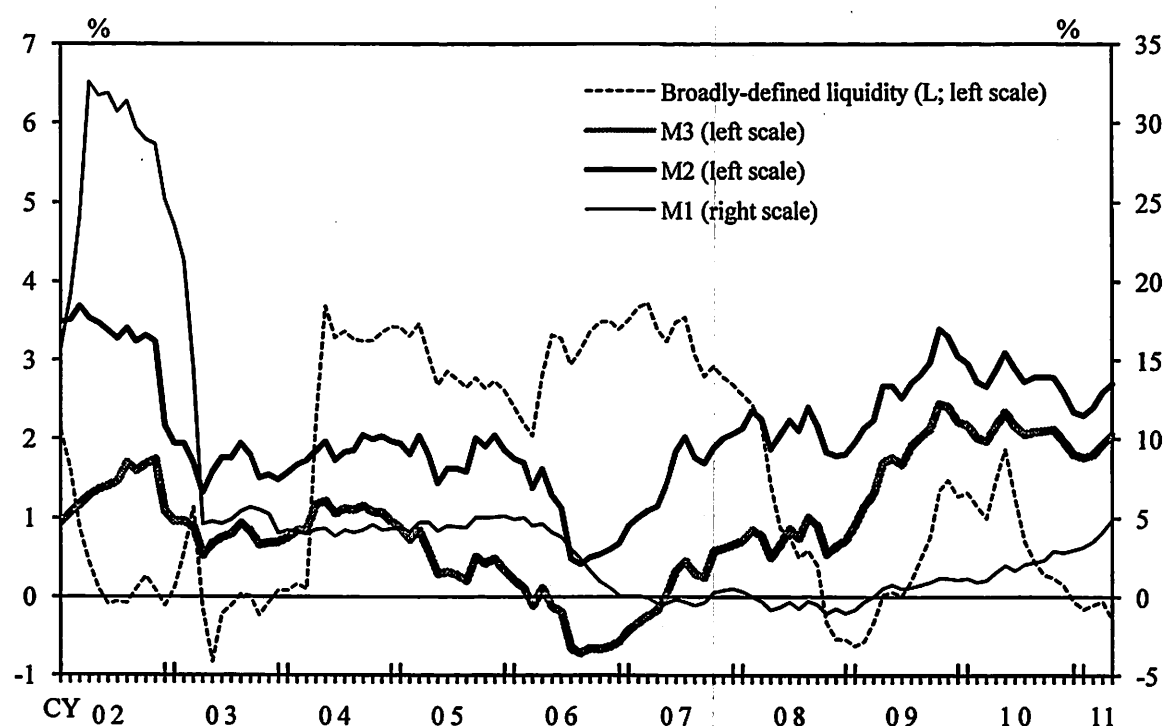
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

- (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.

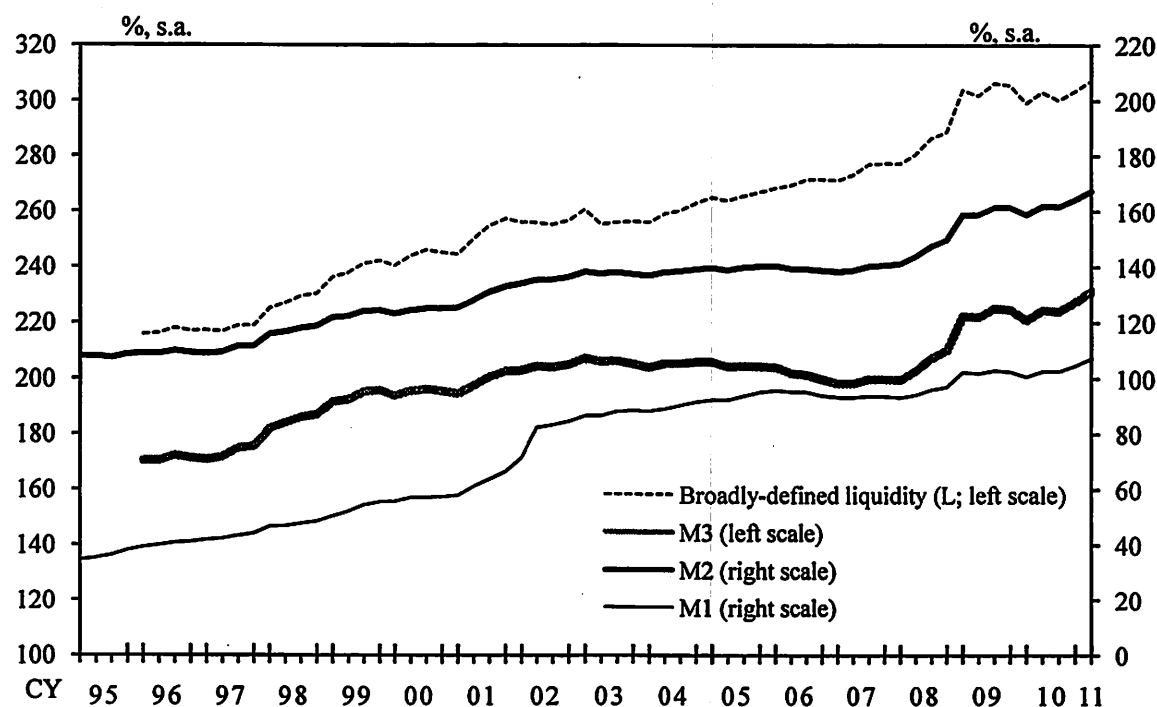
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category";  
Bank of Japan, "Principal Figures of Financial Institutions";  
Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts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

## Money Stock

## (1) Changes from a Year Earlier



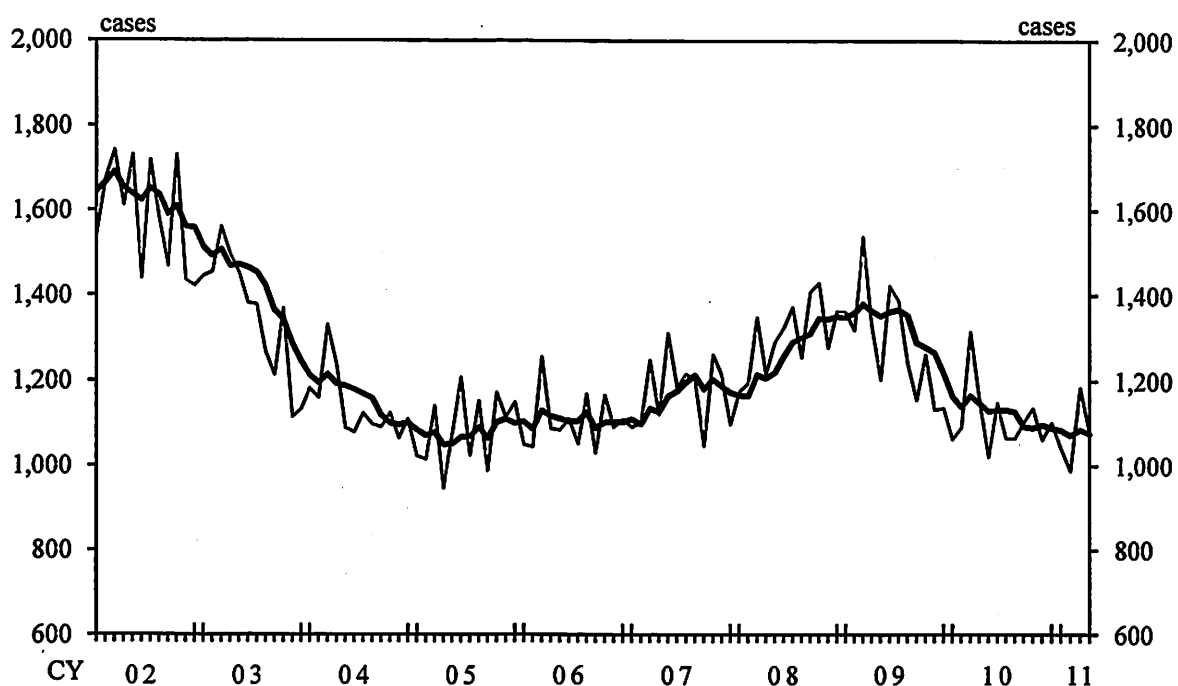
## (2) Ratio of Money Stock to Nominal GDP



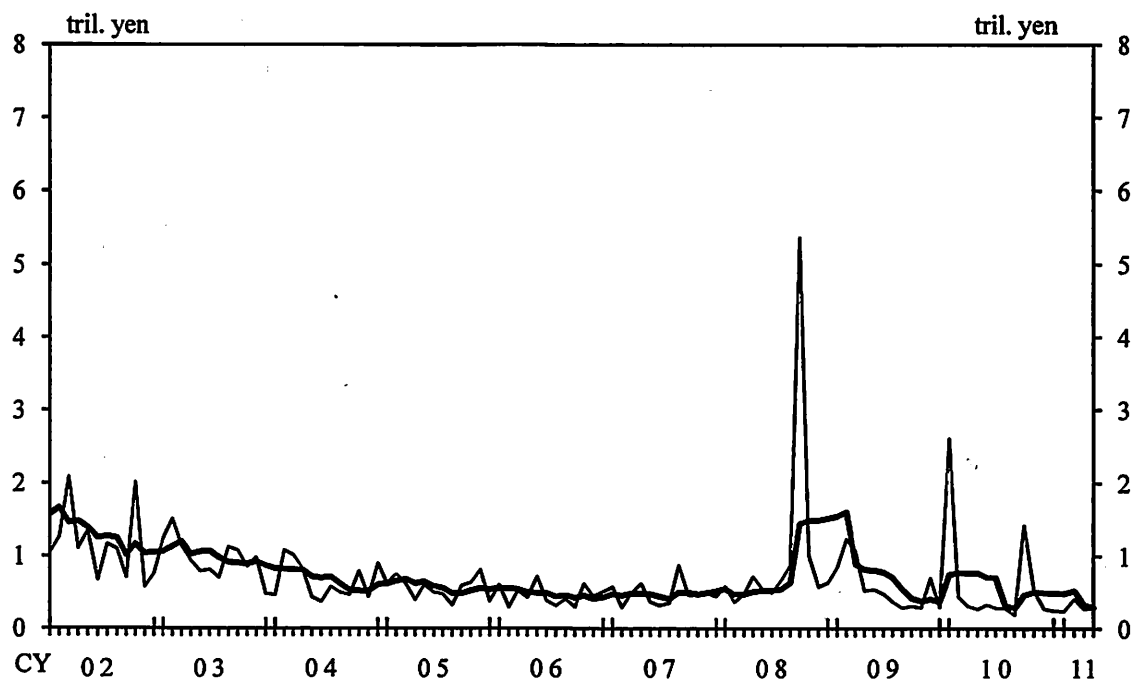
- Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.  
 2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.  
 3. The 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.

## 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)."