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Bank of Japan

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

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released on July 13, 2011)

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Monthly Report of Recent Economic and Financial Developments¹

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Summary

Japan's economic activity is picking up with an easing of the supply-side constraints caused by the earthquake disaster.

After declining sharply following the earthquake, production has recently shown clear signs of picking up with the easing of supply-side constraints. This has resulted in an upturn in exports. Domestic private demand has also begun to pick up, with some improvement in household and business sentiment.

Japan's economy is expected to return to a moderate recovery path with supply-side constraints easing further and production regaining traction.

Production is expected to continue picking up as supply-side constraints ease further. In this situation, exports are also expected to be on the rise reflecting the improvement in overseas economic conditions. Business fixed investment, housing investment, and public investment are expected to increase gradually, mainly due to growing demand for the purposes of restoring capital stock. Private consumption is also expected to pick up, due partly to the improvement in household sentiment.

On the price front, the three-month rate of increase in domestic corporate goods prices is slowing as international commodity prices have fallen back. The year-on-year rate of change in consumer prices (excluding fresh food) has been slightly positive.

Domestic corporate goods prices are expected to be more or less flat for the time being, reflecting movements in international commodity prices. The

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on July 11 and 12, 2011.

year-on-year rate of change in consumer prices is expected to remain slightly positive.²

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. Meanwhile, the value of the yen against the U.S. dollar, long-term interest rates, and stock prices have remained at more or less the same levels as last month.

Financial conditions have generally continued to ease, albeit with the observed weakness in the financial positions of some firms, mainly small ones.

The overnight call rate has remained at an extremely low level, and the levels of firms' funding costs have also continued to be low. 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. Those for corporate bonds have been favorable as a whole, leading to an increased variety of corporate bond issuers. As for credit demand, firms have 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 both corporate bonds and CP has exceeded the previous year's level. In these circumstances, firms have retained their recovered financial positions on the whole, albeit with the observed weakness at some firms, mainly small ones. Meanwhile, the year-on-year rate of change in the money stock has been at around 3 percent.

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.

1. Economic Developments

The rate of decline in public investment has started to narrow gradually, albeit with fluctuations. Monthly indicators (Chart 5) show that the value of public works contracted—a measure that reflects public orders—increased in the first quarter, led by the execution of the budget for prior economic measures, but declined in April-May relative to the first quarter. The amount of public construction completed—which reflects the progress of public works—dropped in April from the increase in the first quarter.

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

Real exports have turned to an increase with the easing of supply-side constraints (Charts 6[1] and 7). Exports plunged in both March and April on a month-on-month basis due to supply-side constraints stemming from the earthquake disaster, but they turned upward in May with an increase of 4.7 percent. Looking at exports in May on a month-on-month basis by goods (Chart 7[2]), motor vehicles and their related goods as well as consumer goods—which had continued to decline substantially due to supply-chain disruptions—picked up rapidly; those of IT-related goods and of capital goods and parts also moved up. On the other hand, exports of intermediate goods fell. By region (Chart 7[1]), exports to the United States and Europe and to other regions rose sharply, chiefly in motor vehicles and their related goods and in consumer goods. Those to NIES and the ASEAN economies registered a marginal increase, mainly in motor vehicles and their related goods as well as in capital goods and parts. Meanwhile, exports to China decreased for the third straight month, notably in capital goods and parts.

Real imports have increased somewhat (Charts 6[1] and 9). They inched up in April on a month-on-month basis and continued to do so in May. As for the effects of the earthquake disaster, imports of intermediate goods and foodstuffs—which rose sharply in April mainly due to demand for substitutes—were more or less flat in May; the increase was significant in April-May relative to the first quarter (Chart 9[2]). Imports of raw materials have been on the rise as a reflection of heightened demand for thermal power generations. Meanwhile, imports of

IT-related goods, capital goods and parts, and consumer goods—which had been relatively weak since the earthquake—have also turned to an increase. Although this increase was basically supported by the pick-up in domestic production and demand, it also seems to be pushed up in part by emergency imports and demand for substitutes following the earthquake disaster.

Net exports—in terms of the real trade balance—have recently begun to turn upward, after having declined sharply, a reflection of the aforementioned developments in exports and imports (Chart 6[2]). The nominal balance on goods and services—whose surplus diminished in the first quarter—turned to a deficit in April-May as a whole since the trade balance marked a deficit, and the services deficit also increased at a faster pace both due to the effects of the earthquake disaster. As a result, the nominal current account surplus diminished in April-May compared with the first quarter.

Exports are expected to continue increasing as supply-side constraints ease further, against the background of the improvement in overseas economic conditions. Overseas economies have recently decelerated, mainly due to the decline in the real purchasing power caused by the previous rise in crude oil prices and to the effects of monetary tightening in emerging economies (Chart 8). They are basically projected to continue relatively high growth, mainly in emerging economies. The overseas supply and demand conditions for products DI of large firms in the June *Tankan* showed slight improvements for the present and future alike. There is significant uncertainty regarding the outlook for both advanced and emerging economies, however. Meanwhile, in IT-related goods, demand related to smartphones and tablet devices seems to have shown some deceleration compared to a while ago. On the other hand, imports are projected to move upward assisted mainly by the pickup in domestic production. As a reflection of these developments in exports and imports, net exports are expected to increase gradually.

Business fixed investment has been picking up as a whole. The aggregate supply of capital goods—a coincident indicator of machinery investment—declined in the first quarter on a quarter-on-quarter basis as a result of the earthquake disaster and continued to do so in April-May relative to the first quarter, mainly due to a decline in

transport equipment. Excluding transport equipment—in which supply constraints are evident—it turned to an increase in April-May compared with the first quarter, after having declined in the first quarter (Chart 10[1]). On a monthly basis, both bases exhibited a large drop in March, but almost reversed the slump after the earthquake by registering a rise for two consecutive months in April and May. As for leading indicators, machinery orders (private demand, excluding orders for ships and those from electric power companies)—a leading indicator of machinery investment—were more or less flat in April-May compared with the first quarter, after having moved up in the first quarter on a quarter-on-quarter basis (Chart 11[1]). By industry, manufacturing inched down in April-May relative to the first quarter, after having registered a quarter-on-quarter increase in the first quarter. Nonmanufacturing (excluding orders for ships and those from electric power companies) was flat in April-May relative to the first quarter, after having moved up marginally in the first quarter. Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—rose in the first quarter on a quarter-on-quarter basis and continued to do so in April-May relative to the first quarter (Chart 11[2]). By industry, construction starts rose sharply in mining and manufacturing; nonmanufacturing also increased, primarily in construction starts related to medical, health care and welfare, and to transportation.

Regarding the environment surrounding business fixed investment, corporate profits have recently turned to a decrease due to the effects of the earthquake disaster, but they are expected to move up again, assisted mainly by the pick-up in production. According to the business plans of firms in the June *Tankan* (Chart 12), current profits (for all industries and firms) on a fiscal year basis were forecasted to decline marginally in fiscal 2011 due to the effects of the earthquake disaster, after having registered a sharp increase in fiscal 2010.³ On a fiscal half-year basis, however, firms are projecting profits to decline in the first half of the year, followed by an increase in the second half. Under these circumstances, the business conditions DI in the June *Tankan* deteriorated compared with that of the March *Tankan*, which

³ Net income (all industries and firms)—affected by the increase in extraordinary losses due to the earthquake disaster—was revised substantially downward from the March survey, but on a year-on-year basis, it is also projected to increase in fiscal 2011 following that in fiscal 2010.

barely reflected the effects of the earthquake disaster, but firms, mainly in manufacturing, are projecting an improvement for the outlook (Chart 13).⁴

Business fixed investment is expected to move upward, aided partly by the restoration of quake-hit facilities. According to business fixed investment plans (excluding software investment and including land purchasing expenses, year-on-year basis) in the June *Tankan* (Chart 14), both large manufacturing and nonmanufacturing firms are projecting an increase. Business fixed investment plans (same as above) of small firms are projected to decline for manufacturing, but they turned out to be somewhat stronger than past averages as of June. On the other hand, plans of small nonmanufacturing firms were down sharply; unlike patterns of the past years, they were relatively weak, as they recorded a faster year-on-year pace of decline compared with the March survey. In sum, on a "software and fixed investment excluding land purchasing expenses" basis—a concept close to that of GDP—business fixed investment of all industries and firms for fiscal 2011 is projected to increase by 4.3 percent.

Private consumption has begun to pick up as a whole as production recovers and as household sentiment improves somewhat, despite some weakness (Chart 15). 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, but rose in both April and May (Chart 16[1]). Looking at developments in durable consumer goods, the number of new passenger-car registrations continued to climb steeply in June after having turned around in May (Chart 16[2]). Sales of household electrical appliances (in real terms) have soared since April, aided partly by measures for electricity conservations and replacement demand in disaster-stricken areas, in addition to the rush in demand mainly for liquid crystal televisions prior to the ending of the analogue TV broadcasting. Sales at department stores rose in May as well, notably in apparel, after having rebounded sharply in April (Chart 17[1]). Sales at supermarkets dropped marginally in May, mainly since daily necessities and foodstuffs fell back. In contrast, sales at convenience stores moved up in May, mainly due to the easing of supply constraints

⁴ Various monthly surveys show that business sentiment has improved somewhat after having bottomed in the April surveys.

in tobacco. As for developments in services consumption (Chart 17[2]), sales in the food service industry increased in May, after having rebounded in April. Outlays for travel have continued to be sluggish: they increased only marginally in April after having dropped sharply 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—turned to an increase in May on a month-on-month basis, after having declined through April (Chart 16[1]).⁵ In contrast, the total expenditure in the *Survey of Household Economy* (in real terms; two-or-more-person households) decreased in May as well.

Indicators related to consumer sentiment have been improving somewhat (Chart 18).

Private consumption is expected to pick up, due partly to the improvement in household sentiment as production recovers.

Housing investment—which had been relatively weak due to the earthquake disaster—has recently shown signs of a pick up. The number of housing starts (Chart 19[1])—a leading indicator of housing investment—turned around in May after having dropped until April. The effects of supply constraints caused by the earthquake disaster appear to be on the wane.

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

After declining sharply following the earthquake, industrial production has recently shown clear signs of picking up with the easing of supply-side constraints. On a monthly basis, production declined significantly by 15.5 percent in March on a month-on-month basis due to the supply-side constraints caused by the earthquake

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

disaster, but turned slightly positive by 1.6 percent in April followed by high growth of 5.7 percent in May (Chart 20). Looking at production in May in detail, production of transport equipment rose sharply as a reflection of the recovery in the supply chain, and that of general machinery was also on the rise. Production of iron and steel and of electronic parts and devices, on the other hand, continued to fall, mainly due to the effects of inventory adjustments. On a quarterly basis, production posted a significant decline of 6.4 percent in April-May relative to the first quarter.

Shipments increased sharply in May, as did production. By goods (Chart 21), shipments of durable consumer goods—including motor vehicles in which supply constraints have been easing—increased significantly. Those of non-durable consumer goods increased as supply constraints—inflicted by the earthquake disaster—eased. Capital goods and construction goods have also been picking up; capital goods in particular have almost recovered from their slump after the earthquake. Meanwhile, producer goods exhibited only marginal increases as a whole mainly due to the decline in electronic parts and devices which faced a downshift in demand, even though transport equipment (motor vehicle parts) turned to an increase driven by the easing of supply constraints.

Inventories have inched up lately. In detail, they rose in May notably in transport equipment and in electronic parts and devices. Inventories of transport equipment increased due to a pileup in inventories waiting to be shipped overseas. Meanwhile, the increase in inventories of electronic parts and devices seems to have been caused by a downshift in demand. Looking at the shipment-inventory balance on a year-on-year basis (Chart 22), growth in inventories substantially outpaced that in shipments, mainly due to a sharp decline in shipments.

Production is expected to continue picking up as supply-side constraints ease further. 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 also since a wide range of industries are projecting production decreases. Production, however, is projected to turn to a profound increase for the

third quarter as power supply constraints appear to be limited and as recovery in the supply chain becomes more evident.⁶

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

In the labor market, the ratio of job offers to applicants and the unemployment rate have been more or less level (Chart 23[1]). Looking at the employment conditions DI in the June *Tankan* (Chart 25), the net "excessive" employment has expanded slightly. As for the outlook, the net "excessive" employment is projected to narrow and return to around the March level.

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 been slightly positive.⁷ The number of regular employees in the *Monthly Labour Survey* has been increasing on a year-on-year basis.⁸ With regard to the Employment Adjustment Subsidy, figures collected from reports on business suspension plans show that the number of applicants for this subsidy had risen sharply since March due to the earthquake

⁶ According to the released production forecast index, production is expected to increase in both June and July by 5.3 percent and 0.5 percent respectively on a month-on-month basis. A calculation that includes the production forecast figure shows that production in the second quarter is expected to be down by 3.8 percent on a quarter-on-quarter basis.

⁷ The Great East Japan Earthquake has made it difficult to carry out the *Labour Force Survey* (which includes the unemployment rate and number of employees) in Iwate, Miyagi, and Fukushima Prefectures. Therefore, the released figures from March onward are aggregated excluding the above three prefectures. 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 that 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. From the May survey, data have resumed to be collected from some areas in the Iwate and Miyagi Prefectures. The data of these prefectures, however, continue to be excluded from the aggregates in the national survey since the number of samples is still insufficient.

⁸ As for the three quake-hit areas (which are Iwate, Miyagi, and Fukushima Prefectures) in March and April as well as for the Miyagi Prefecture in May, surveys carried out by interviewers of the statistics section (mainly to small establishments) were cancelled after the earthquake, but those reported directly from establishments continued to be collected. However, the response rate has also dropped for those collected directly from establishments, notably in quake-hit areas.

disaster, but fell back slightly in May.⁹ Meanwhile, the year-on-year rate of decline in overtime hours worked narrowed in May assisted by the pick-up in economic activity (Chart 24[3]).

Nominal wages per employee, with the monthly fluctuations smoothed out, have been relatively weak since the earthquake, led mainly by the decline in the number of hours worked (Chart 26[1]).

Employee income has grown at a reduced pace on a year-on-year basis with the monthly fluctuations smoothed out, as a reflection of the aforementioned developments in employment and wages (Chart 26[3]).

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

2. Prices

International commodity prices have been flat at high levels, after they had fallen back slightly (Chart 28). Looking at their movements in some detail, crude oil prices—which had been climbing until late April, mainly due to 1) growing demand from emerging economies, 2) accommodative financial conditions on a worldwide basis, and 3) uncertainty about the situations in the Middle East and North Africa—fell back in early May. Prices subsequently fell further in late June in response to the IEA's decision to release oil from its strategic oil reserves, and were followed by another rebound. In sum, prices have been flat at high levels as a trend, although they have been moving somewhat at a wider range. Prices of nonferrous

⁹ Businesses are usually eligible for the Employment Adjustment Subsidy on the condition that "the decline in the average of sales or production volume in the most recent three months is 5 percent or more compared with the prior three months or on a year-on-year basis." After the earthquake, however, the requirement has been relaxed so that (i) businesses located in regions where the Disaster Relief Law is applied, (ii) those doing a certain amount of business with firms in the disaster-stricken areas, and (iii) businesses located in areas that are subject to scheduled black outs and thus business activity has been reduced due to these black outs, can also receive the subsidy on the condition that the decline such as in the production volume and sales in the most recent one month is 5 percent or more compared with the prior one month or on a year-on-year basis (projection-based applications were also accepted until June 16).

metals have also recently been more or less flat. Prices of grain have fallen slightly, in line with the improved projection of planted acreage.

The three-month rate of increase in import prices (on a yen basis) is slowing as international commodity prices have fallen back.

The three-month rate of increase in domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter)¹⁰ is slowing as international commodity prices have fallen back (Chart 29). In detail, the rate of increase in prices of "goods sensitive to exchange rates and overseas commodity prices"—which had exhibited high growth to date—has slowed markedly; the rates of increase in those of "iron & steel and construction goods" and "other materials" have also slowed. Meanwhile, prices of "electric power, gas and water" have continued to increase since the prior 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—but the rate of decline has been narrowing somewhat (Chart 30). In detail, in May, prices related to fixed investment turned down, mainly those of leasing, while those of other services (plant engineering) continued to be positive, assisted mainly by the rise in demand due to the earthquake disaster. The rate of decline in prices related to 1) selling, general and administrative expenses, 2) real estate, and 3) domestic transportation has been more or less flat.

The year-on-year rate of change in consumer prices (excluding fresh food; year-on-year basis, same hereafter) has been slightly positive (Chart 31). In May, the year-on-year increase in consumer prices was 0.6 percentage points—the same

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.

level as that of April.¹¹ Looking at developments on a basis that excludes food and energy, the rate of increase improved by 0.2 percentage points from April, to an increase of 0.1 percent, mainly since the rate of decline narrowed in TV sets and hotel charges. 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 32).

Looking in detail at recent movements other than cigarettes and accident insurance premiums, prices for goods have increased at a somewhat slower pace, mainly as a reflection of the movement in petroleum products (such as gasoline). Prices of general services have continued to be around 0 percent. As for public utility charges, the overall prices increased at a faster pace due to a rise in electricity prices in response to the effects stemming from the prior heightened crude oil prices.

With regard to domestic supply and demand conditions in the June *Tankan* (Chart 33), the net "excess supply" of the supply and demand conditions DI for products and services moderated slightly in both manufacturing and nonmanufacturing. The net "fall" of the output prices DI has been moderating as a trend in both manufacturing and nonmanufacturing. Meanwhile, the "net excessive" of the weighted average of the production capacity DI and employment conditions DI is expected to resume narrowing, although it has widened slightly due to the effects of the earthquake disaster.

Domestic corporate goods prices are expected to be more or less flat for the time being, reflecting movements in international commodity prices. The year-on-year rate of change in consumer prices is expected to remain slightly positive.¹²

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 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.

As for land prices, according to the urban land price index (Chart 34), the rate of decline in the six large city areas has recently been slowing, in both commercial and residential land. On the other hand, both commercial and residential land prices outside the six large city areas have continued to decline moderately.

3. Financial Developments

(1) Financial Markets

In Japan's money markets, interest rates have declined somewhat, mainly those with longer terms, 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 decreased somewhat; it has been at around 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 unchanged (Chart 35). In U.S. dollar funding, the LIBOR-OIS spread for the dollar has been at a low level (Chart 36).

Yields on 10-year government bonds (newly issued 10-year JGB) have generally been in the range of 1.1-1.2 percent (Chart 37).

Yield spreads between corporate bonds and government bonds—except for those of electric company bonds—have narrowed moderately on the whole (Chart 38).

Stock prices rose, against the background that the faster-than-expected recovery from the earthquake disaster was seen as evident, mainly in the production forecast index, and that U.S. stock prices increased. They have been somewhat weak thereafter; the Nikkei 225 Stock Average has recently been at around 10,000 yen (Chart 39).

In the foreign exchange market, the yen's exchange rate against the U.S. dollar has been within a narrow range; it has recently been in the range of 80-81 yen (Chart 40).

(2) Corporate Finance and Monetary Aggregates

The levels of firms' funding costs have continued to be low, 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 also been at low levels (Chart 42).

With regard to credit supply, firms have continued to see financial institutions' lending attitudes as being on an improving trend (Chart 41). Issuing conditions for CP have continued to be favorable. Those for corporate bonds have been favorable as a whole, leading to an increased variety of corporate bond issuers. 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 43). The amount outstanding of both corporate bonds and CP issued has exceeded the previous year's level (Chart 44).

In these circumstances, firms have retained their recovered financial positions on the whole, albeit with the observed weakness at some firms, mainly small ones (Chart 41). The number of corporate bankruptcies has been at a low level (Chart 46).

Meanwhile, the year-on-year rate of change in the money stock (M2) has recently been at around 3 percent. Its June reading was 2.9 percent on a year-on-year basis, following 2.7 percent in May (Chart 45).¹³

¹³ On an M3 basis, which includes the Japan Post Bank, the year-on-year growth rate has recently been in the range of 2.0-2.5 percent; its June reading was 2.2 percent, following 2.2 percent in May. The year-on-year growth rate of broadly-defined liquidity (L) has recently been at around 0 percent; it increased by 0.1 percent in June, following a decrease of 0.4 percent in May.

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Chart 1

Main Economic Indicators (1)

	s.a., q/q (m/m) % chg. ¹						
	2010/Q4	2011/Q1	Q2	2011/Mar.	Apr.	May	Jun.
Index of consumption expenditure level (two-or-more-person households)	-1.4	-1.1	n.a.	-4.2	0.5	1.8	n.a.
Sales at department stores	-0.2	-3.7	n.a.	-14.9	12.9	p 1.1	n.a.
Sales at supermarkets	-1.0	-0.7	n.a.	-4.8	1.7	p -0.5	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 217>	< 234>	< 192>	< 188>	< 154>	< 191>	< 230>
Sales of household electrical appliances (real, "Current Survey of Commerce")	13.3	-16.2	n.a.	-7.7	12.0	p 11.8	n.a.
Outlays for travel	-0.2	-5.0	n.a.	-21.9	1.8	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	< 84>	< 84>	<n.a.>	< 81>	< 80>	< 81>	<n.a.>
Machinery orders ⁴ (Private sector, exc. volatile orders)	-4.3	5.6	n.a.	1.0	-3.3	3.0	n.a.
Manufacturing	-1.7	5.3	n.a.	-0.8	-2.7	-1.4	n.a.
Nonmanufacturing ⁴ (exc. volatile orders)	-5.1	1.4	n.a.	0.1	2.9	-5.4	n.a.
Construction starts (private, nondwelling use)	-9.4	5.9	n.a.	26.7	5.2	-9.6	n.a.
Mining & manufacturing	7.8	-8.9	n.a.	40.6	13.0	-7.7	n.a.
Nonmanufacturing ⁵	-10.5	9.1	n.a.	20.8	5.0	-15.7	n.a.
Value of public works contracted	-3.8	2.4	n.a.	-6.7	3.4	-12.9	n.a.
Real exports	0.2	-1.1	n.a.	-8.0	-7.0	4.7	n.a.
Real imports	-0.7	-0.8	n.a.	-1.5	1.8	3.3	n.a.
Industrial production	-0.1	-2.0	n.a.	-15.5	1.6	p 5.7	n.a.
Shipments	-0.3	-1.9	n.a.	-14.6	-2.6	p 5.3	n.a.
Inventories	-0.6	1.0	n.a.	-4.2	0.5	p 5.1	n.a.
Inventory ratio <s.a., CY 2005 = 100>	< 108.0>	< 108.6>	<n.a.>	< 108.6>	< 124.8>	<p 118.7>	<n.a.>
Real GDP	-0.7	-0.9	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	-0.2	-1.9	n.a.	-6.4	1.5	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2010/Q4	2011/Q1	Q2	2011/Mar.	Apr.	May	Jun.
Ratio of job offers to applicants <s.a., times>	< 0.57>	< 0.62>	<n.a.>	< 0.63>	< 0.61>	< 0.61>	<n.a.>
Unemployment rate ⁶ <s.a., %>	< 5.0>	< 4.7>	<n.a.>	< 4.6>	< 4.7>	< 4.5>	<n.a.>
Overtime working hours ⁷	5.7	1.7	n.a.	-1.0	-3.9	p -3.2	n.a.
Number of employees ⁶	0.4	0.5	n.a.	-0.2	0.4	1.1	n.a.
Number of regular employees ⁷	0.7	0.7	n.a.	0.8	0.7	p 0.5	n.a.
Nominal wages per person ⁷	0.2	0.1	n.a.	-0.1	-1.4	p 1.1	n.a.
Domestic corporate goods price index <q/q % chg., 3-month rate of change> ⁸	1.0 < 0.6>	1.7 < 1.1>	p 2.4 <p 1.2>	2.0 < 1.3>	2.5 < 1.6>	2.2 < 1.3>	p 2.5 <p 0.7>
Consumer price index ⁹	-0.5	-0.2	n.a.	-0.1	0.6	0.6	n.a.
Corporate services price index ¹⁰	-1.4	-1.0	n.a.	-1.0	-0.7	p -0.8	n.a.
Money stock (M2) <average outstanding, y/y % chg.>	2.6	2.4	p 2.8	2.6	2.7	2.7	p 2.9
Number of corporate bankruptcies <cases per month>	<1,100>	<1,070>	<1,104>	<1,183>	<1,076>	<1,071>	<1,165>

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: Orders for ships and those from electric power companies.

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";

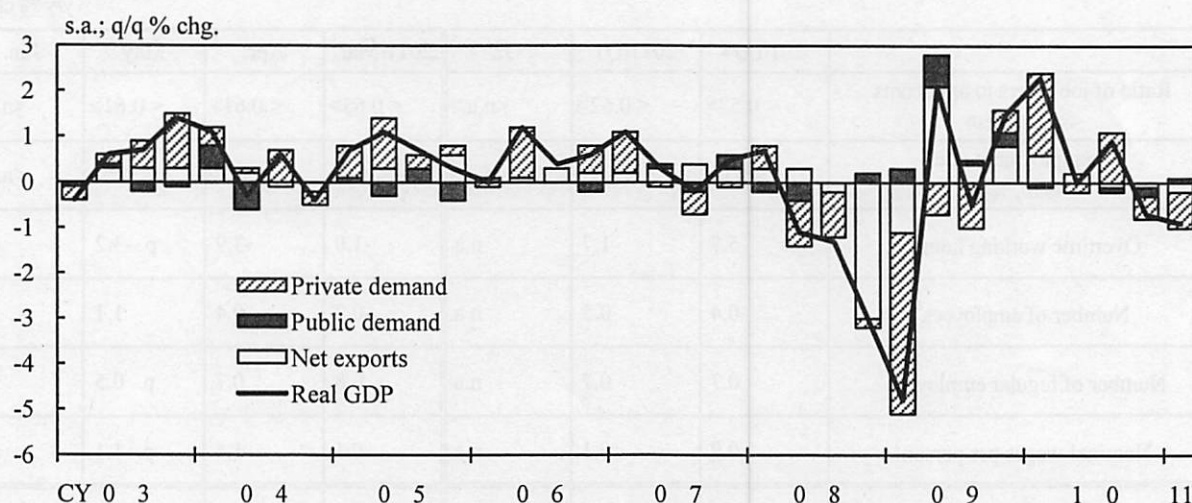
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey";

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



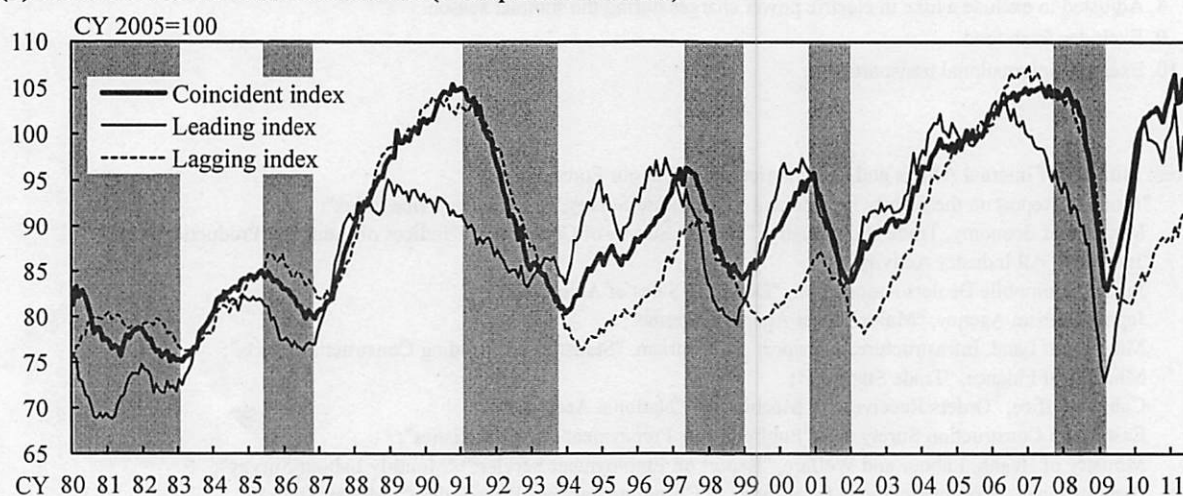
(2) Components

s.a.; q/q % chg.

	2010				2011
	Q1	Q2	Q3	Q4	Q1
Real GDP	2.3	-0.0	0.9	-0.7	-0.9
[Annual rate]	[9.4]	[-0.0]	[3.6]	[-2.9]	[-3.5]
Domestic demand	1.7	-0.2	1.0	-0.6	-0.7
Private demand	1.8	-0.2	1.1	-0.5	-0.8
Private consumption	0.6	-0.1	0.5	-0.6	-0.3
Non-Resi. investment	0.2	0.3	0.1	0.0	-0.2
Residential investment	0.0	-0.0	0.0	0.1	0.0
Private inventory	1.0	-0.5	0.5	0.0	-0.4
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	-0.9	-1.3

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

(3) Indexes of Business Conditions (Composite Indexes)

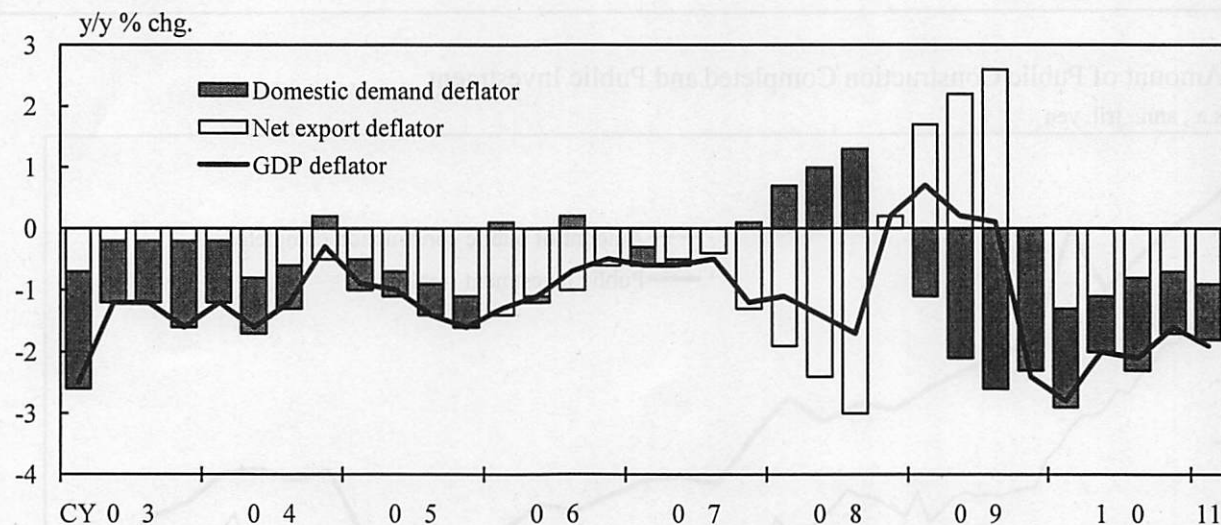


Note: Shaded areas indicate recession periods.

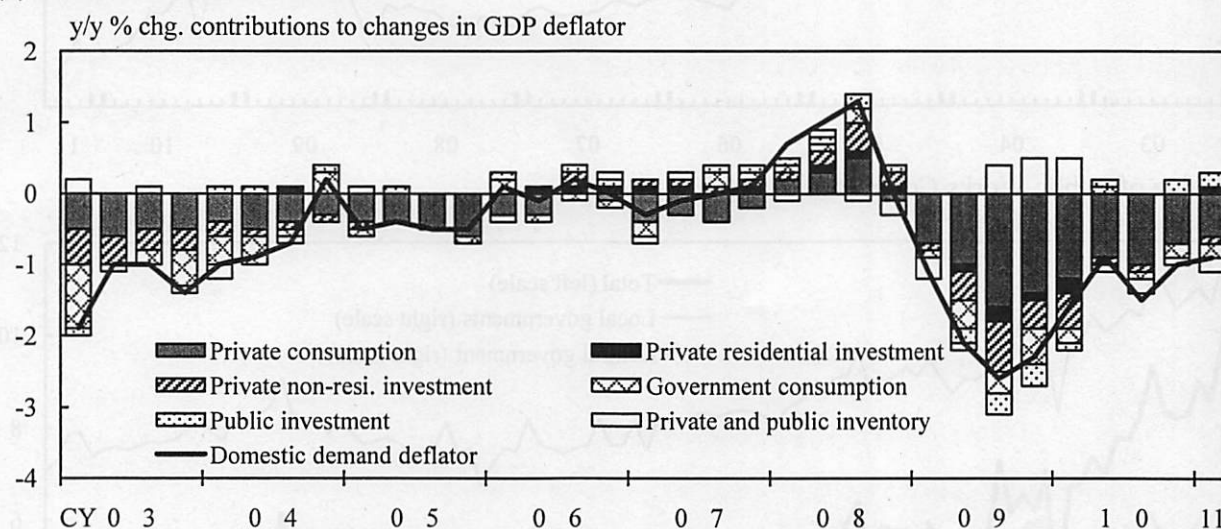
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

GDP Deflator and Income Formation

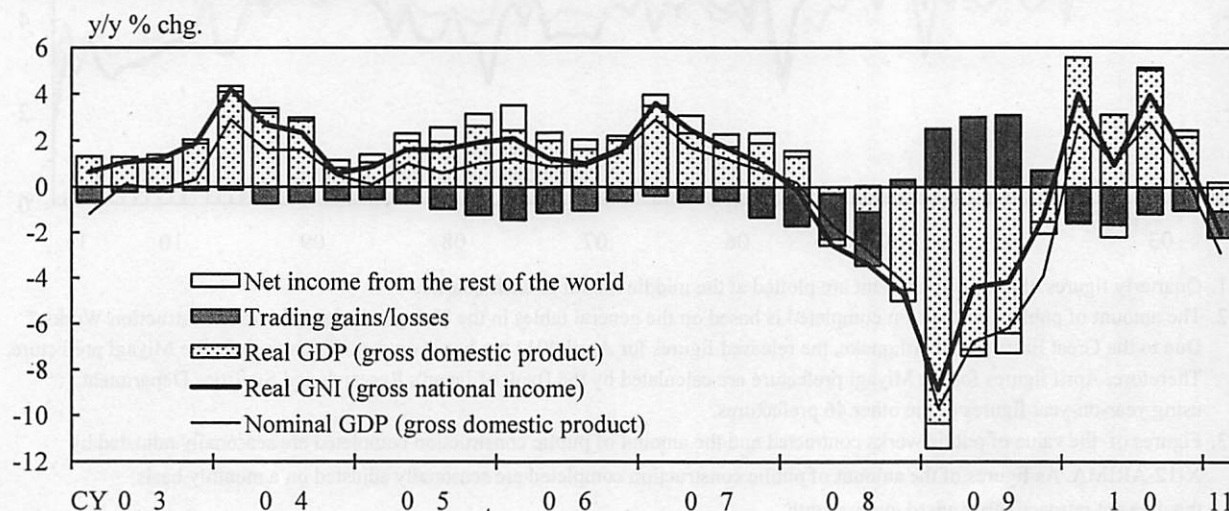
(1) GDP Deflator



(2) Domestic Demand Deflator



(3) Aggregate Income Formation



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

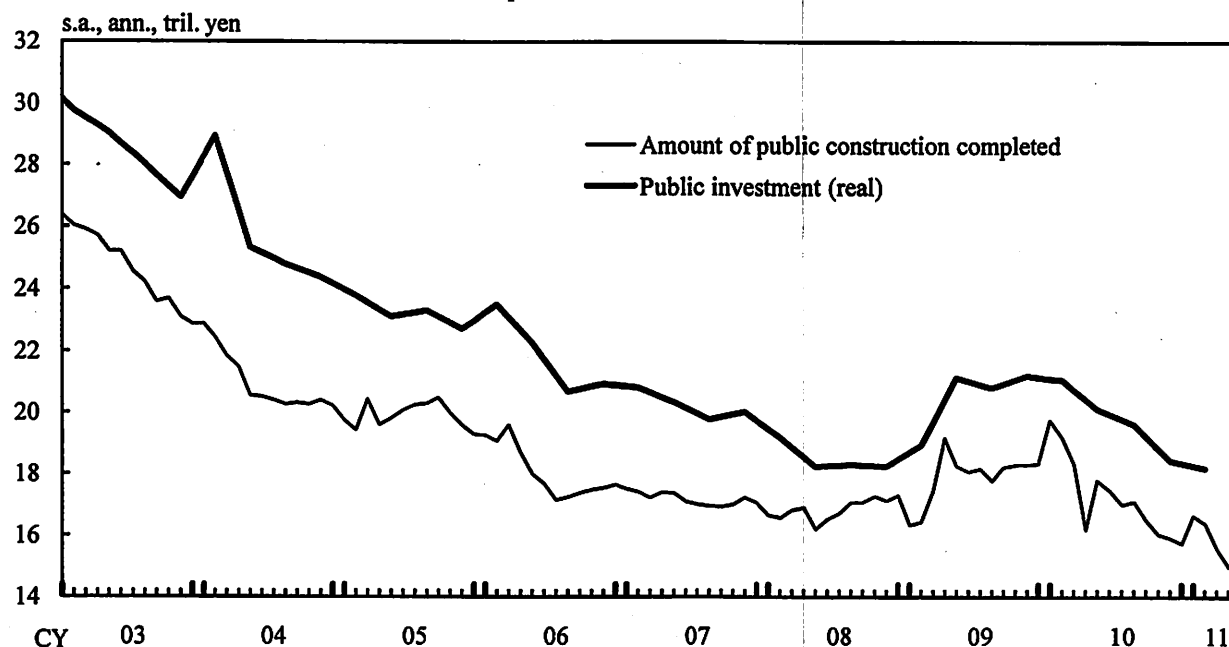
2. Real GNI = real GDP + trading gains/losses + net income from the rest of the world

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

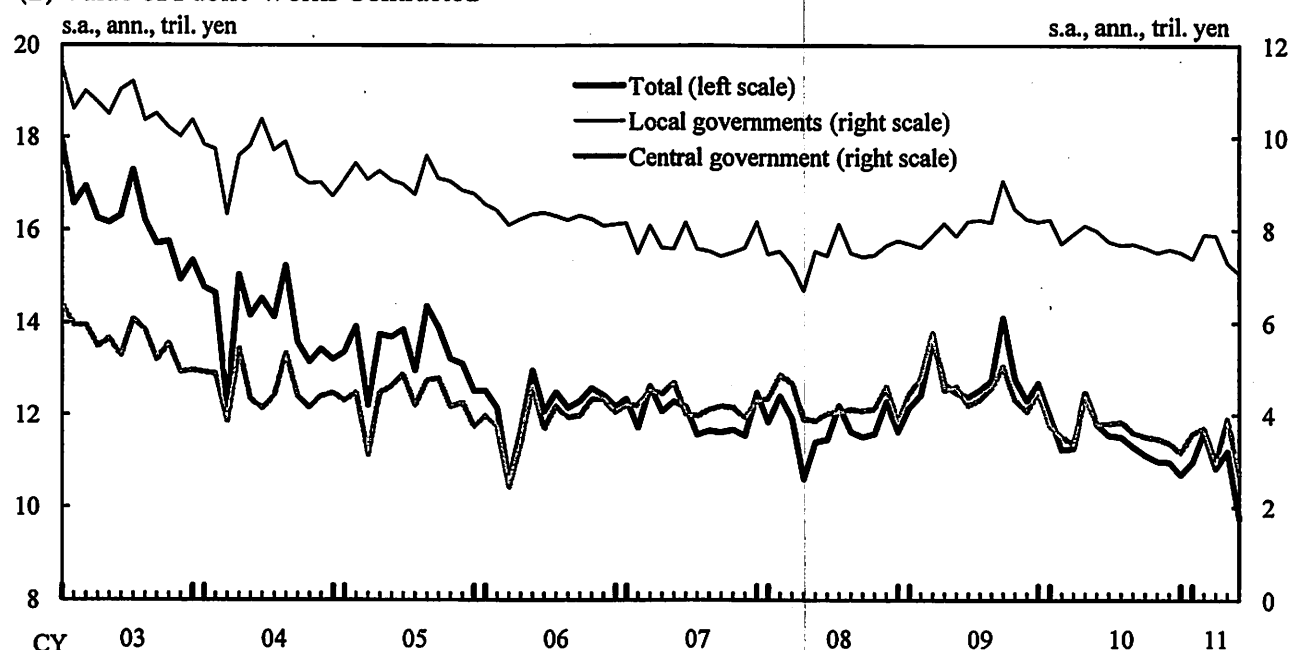
Source: Cabinet Office, "National Accounts."

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." Due to the Great East Japan Earthquake, the released figures for April 2011 are based on data which exclude the Miyagi prefecture. Therefore, April figures for the Miyagi prefecture are calculated by the Bank of Japan's Research and Statistics Department using year-on-year figures of the other 46 prefectures.

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

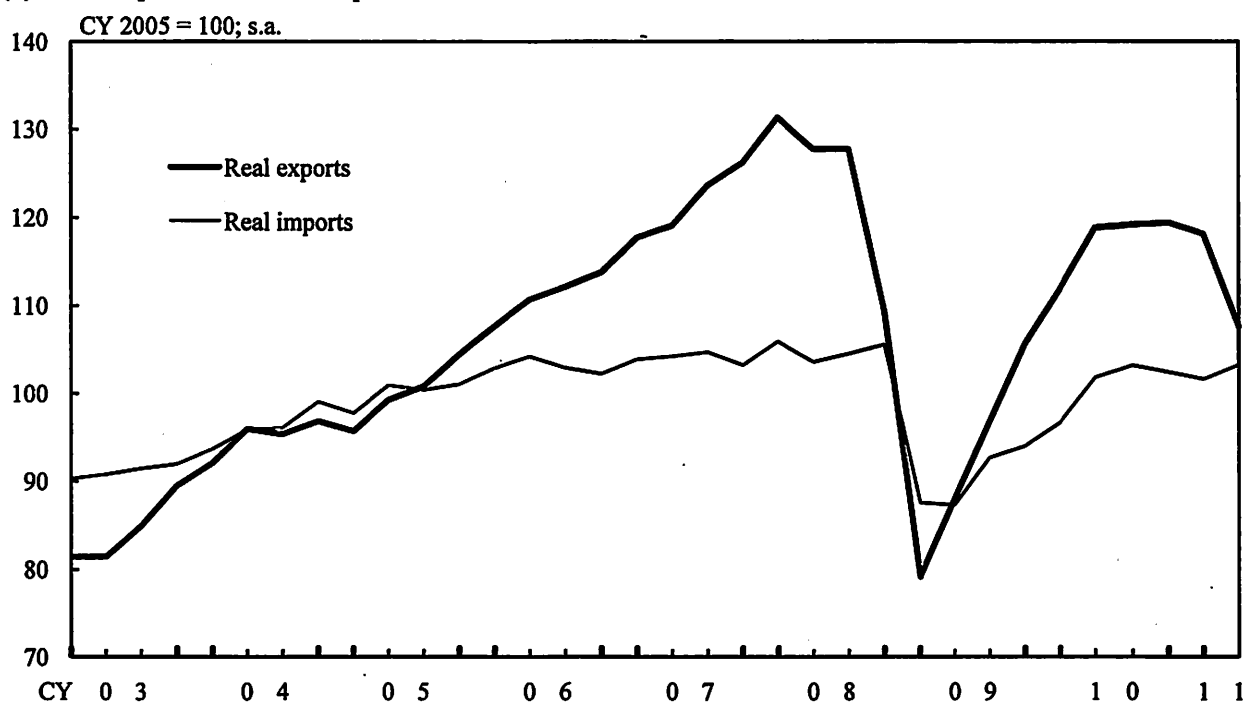
Sources: Cabinet Office, "National Accounts";

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

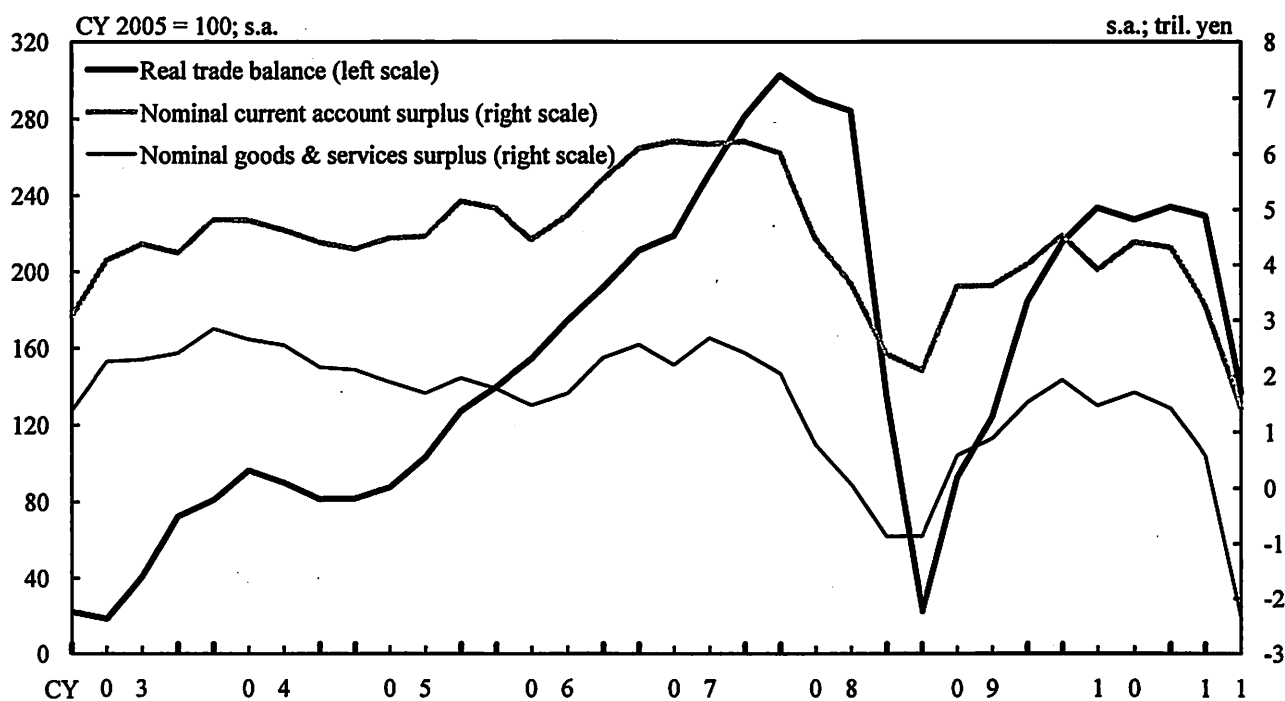
Ministry of Land, Infrastructure, Transport and Tourism, "Integrated Statistics on Construction Works."

External Balance

(1) Real Exports and Real Imports



(2) Real Trade Balance and Nominal Current Account Surplus



- Notes: 1. "Real trade balance" is defined as real exports minus real imports, indexed with the base year of 2005. Real exports/imports are the value of exports and imports in the "Trade Statistics" deflated by the "Export and Import Price Index."
 2. Figures are seasonally adjusted by X-12-ARIMA.
 3. 2011/Q2 figures are April-May averages converted into quarterly amount.

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

Chart 7

Real Exports ¹

(1) Breakdown by Region

		y/y % chg.					s.a.; q/q % chg.		s.a.; m/m % chg.		
		CY 2009	2010	2010 Q2	Q3	Q4	2011 Q1	Q2	2011 Mar.	Apr.	May
United States	<15.4>	-32.6	24.2	7.9	3.9	0.3	-6.5	-16.7	-9.9	-16.5	14.1
EU	<11.3>	-34.6	16.8	7.2	2.9	2.2	-3.0	-7.7	-7.6	-9.4	12.3
East Asia	<53.3>	-15.8	31.6	3.9	1.3	2.4	-1.1	-7.9	-9.9	-2.0	0.1
China	<19.4>	-10.2	31.0	2.6	3.5	6.9	0.5	-13.0	-15.7	-3.6	-2.6
NIEs	<23.7>	-18.0	27.8	3.6	-0.3	-0.4	-2.3	-4.5	-5.3	-1.5	1.6
Korea	<8.1>	-16.0	23.6	4.9	1.3	-4.9	1.1	0.1	-3.8	2.8	3.3
Taiwan	<6.8>	-17.7	36.8	4.5	-0.5	-0.9	-2.4	-7.3	-10.6	-0.9	2.1
Hong Kong	<5.5>	-18.8	28.7	6.9	-2.4	2.4	-4.0	-8.6	-2.6	-7.2	-0.6
Singapore	<3.3>	-21.6	19.7	-9.5	4.1	7.0	-6.6	-6.7	-5.6	-1.5	0.0
ASEAN4 ³	<10.2>	-20.5	42.6	7.0	1.3	-0.1	-1.7	-5.1	-7.4	0.1	2.0
Thailand	<4.4>	-20.9	46.0	8.8	1.9	-0.1	1.6	-3.3	-7.0	4.8	-5.2
Others	<20.0>	-32.1	29.1	7.7	-3.2	-2.0	0.2	-10.6	-11.9	-9.2	13.9
Real exports		-25.6	27.4	6.1	0.3	0.2	-1.1	-8.9	-8.0	-7.0	4.7

(2) Breakdown by Goods

		y/y % chg.					s.a.; q/q % chg.		s.a.; m/m % chg.		
		CY 2009	2010	2010 Q2	Q3	Q4	2011 Q1	Q2	2011 Mar.	Apr.	May
Intermediate goods	<20.6>	-5.6	18.4	3.6	0.8	-0.2	-0.5	-2.6	-6.5	4.6	-6.1
Motor vehicles and their related goods	<21.6>	-41.4	42.1	7.6	1.2	1.8	-8.8	-34.6	-26.6	-32.3	34.1
Consumer goods ⁴	<3.4>	-28.8	10.9	5.4	1.3	-1.7	-1.5	-21.5	-11.3	-26.7	25.7
IT-related goods ⁵	<10.7>	-17.0	27.2	4.4	-0.8	-0.5	0.5	-4.8	0.6	-7.8	5.6
Capital goods and parts ⁶	<29.2>	-28.1	35.7	9.2	1.9	0.6	1.4	-0.0	-5.9	2.0	2.9
Real exports		-25.6	27.4	6.1	0.3	0.2	-1.1	-8.9	-8.0	-7.0	4.7

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2011/Q2 figures are April-May 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.

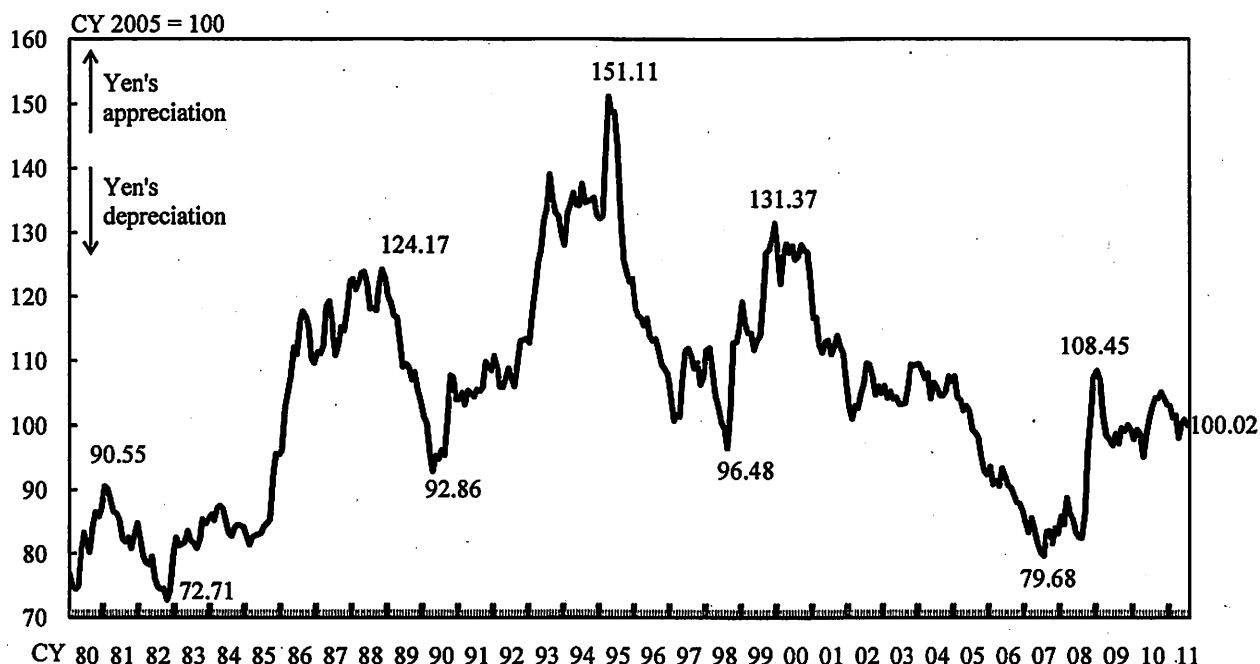
5. IT-related goods are composed of computers and units, telecommunication machinery, ICs, and medical and optical instruments.

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 June and July (up to July 8) 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 Q2	Q3	Q4	2011 Q1
United States ¹		0.0	-2.6	2.9	1.7	2.6	3.1	1.9
European Union ¹		0.5	-4.3	1.8	4.0	2.0	0.8	3.1
East Asia ²	Germany	1.0	-4.7	3.6	8.7	3.2	1.5	6.1
	France	-0.2	-2.6	1.4	2.0	1.5	1.3	3.8
	United Kingdom	-0.1	-4.9	1.4	4.3	2.5	-2.0	1.9
	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
		Taiwan	0.7	-1.9	10.9	12.9	10.7	7.1
		Hong Kong	2.3	-2.7	7.0	6.7	6.9	6.4
		Singapore	1.5	-0.8	14.5	19.4	10.5	12.0
	ASEAN4	Thailand	2.5	-2.3	7.8	9.2	6.6	3.8
		Indonesia	6.0	4.6	6.1	6.1	5.8	6.9
		Malaysia	4.8	-1.6	7.2	9.0	5.3	4.8
		Philippines	4.2	1.1	7.6	8.9	7.3	6.1

- Notes: 1. Quarterly data of the U.S. and EU are quarter-to-quarter percent changes at annual rates.
2. Quarterly data of East Asia are percent changes from a year earlier.

Real Imports ¹

(1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2009	2010	2010 Q2	Q3	Q4	2011 Q1	Q2	2011 Mar.	Apr.	May
United States	<9.7>	-18.7	8.3	3.5	0.3	-0.8	-5.4	8.0	-9.7	13.7	3.8
EU	<9.6>	-13.2	6.6	3.7	3.6	-3.3	1.0	8.6	-10.8	20.1	-5.1
East Asia	<42.4>	-13.1	22.2	9.2	1.4	2.0	1.6	0.0	0.7	-0.7	2.6
China	<22.1>	-11.1	24.1	11.2	0.9	3.7	0.9	0.1	3.5	-4.4	7.5
NIEs	<8.8>	-15.9	21.7	5.7	1.1	-0.6	3.6	1.2	-5.3	9.0	-4.4
Korea	<4.1>	-19.1	21.0	9.7	1.4	6.6	6.9	6.7	-0.9	14.1	-7.2
Taiwan	<3.3>	-12.4	21.4	4.1	0.9	-4.1	-1.1	-4.5	-8.8	2.4	-1.7
Hong Kong	<0.2>	-29.7	33.1	-8.0	-7.6	-2.0	16.7	-18.6	8.2	-14.6	-7.7
Singapore	<1.2>	-12.5	23.2	4.7	-1.4	-5.7	-1.9	5.8	-8.7	13.8	0.6
ASEAN4 ³	<11.5>	-14.9	18.3	8.0	2.8	0.2	1.4	-1.1	-0.4	-0.0	-2.1
Thailand	<3.0>	-17.5	25.9	8.6	4.7	-1.7	2.6	0.9	-2.6	2.5	0.6
Others	<38.3>	-13.9	6.8	2.5	1.2	-1.8	-1.3	0.1	-5.6	3.1	2.9
Real imports		-14.0	12.1	5.3	1.4	-0.7	-0.8	1.6	-1.5	1.8	3.3

(2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2009	2010	2010 Q2	Q3	Q4	2011 Q1	Q2	2011 Mar.	Apr.	May
Raw materials ⁴	<36.5>	-14.9	5.6	2.6	1.4	-2.1	-1.0	-1.2	-5.0	1.5	1.5
Intermediate goods	<14.9>	-15.4	18.7	5.6	1.7	-2.2	2.7	10.8	3.0	8.9	0.8
Foodstuffs	<8.6>	1.0	2.0	5.5	1.3	-8.2	1.2	8.2	-4.9	13.0	-1.8
Consumer goods ⁵	<8.5>	-10.3	22.7	7.9	-0.7	10.1	-0.6	-7.6	-7.3	-3.2	1.1
IT-related goods ⁶	<11.2>	-12.4	27.0	9.3	1.7	3.5	-0.1	-2.6	-3.4	0.0	5.0
Capital goods and parts ⁷	<11.3>	-23.8	19.1	6.5	3.0	2.4	-0.9	1.6	-2.7	2.9	2.7
Excluding aircraft	<10.7>	-24.4	21.9	6.3	2.9	1.4	0.4	2.7	1.6	3.7	0.9
Real imports		-14.0	12.1	5.3	1.4	-0.7	-0.8	1.6	-1.5	1.8	3.3

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2011/Q2 figures are April-May 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.

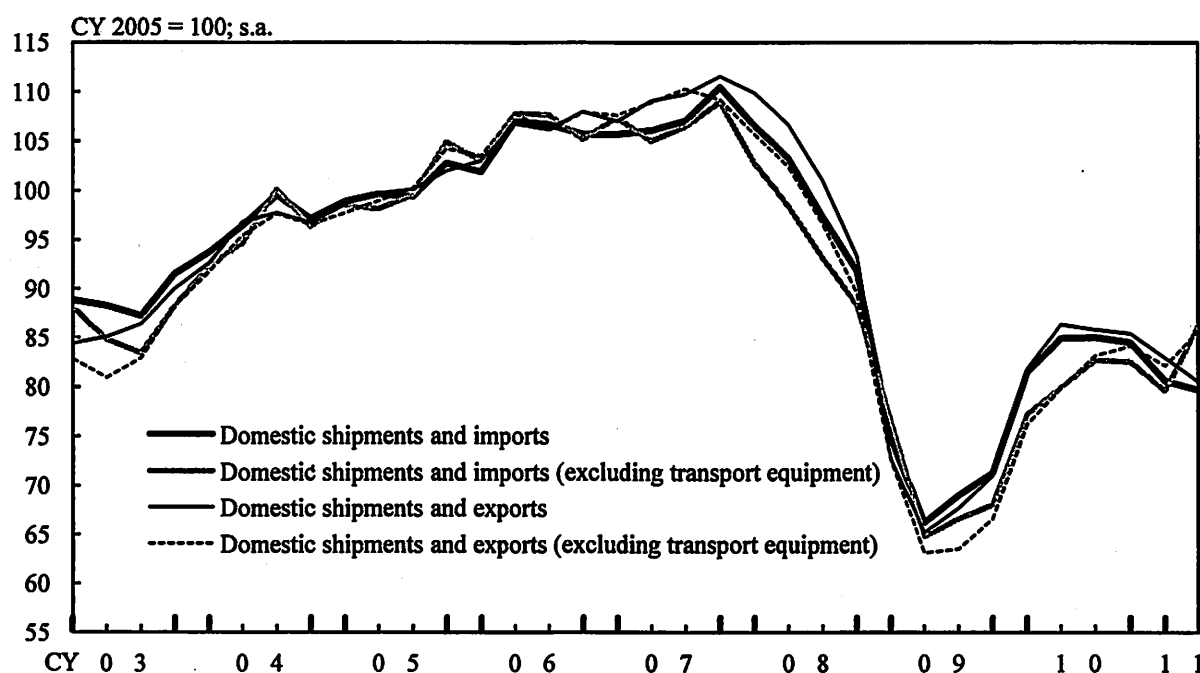
6. IT-related goods are composed of computers and units, parts of computers, telecommunication machinery, ICs, and medical and optical instruments.

7. Excludes IT-related goods.

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

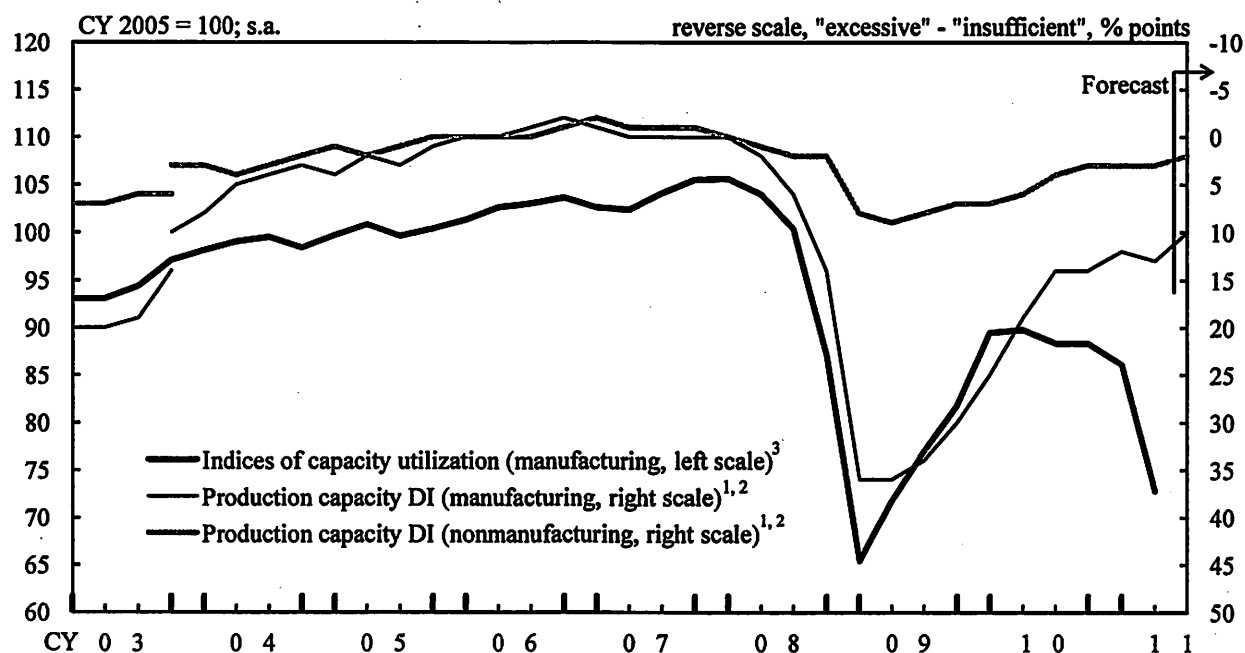
Coincident Indicators of Business Fixed Investment

(1) Aggregate Supply and Shipments of Capital Goods



Note: Figures for 2011/Q2 are April-May averages.

(2) Indices of Capacity Utilization and Production Capacity DI



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

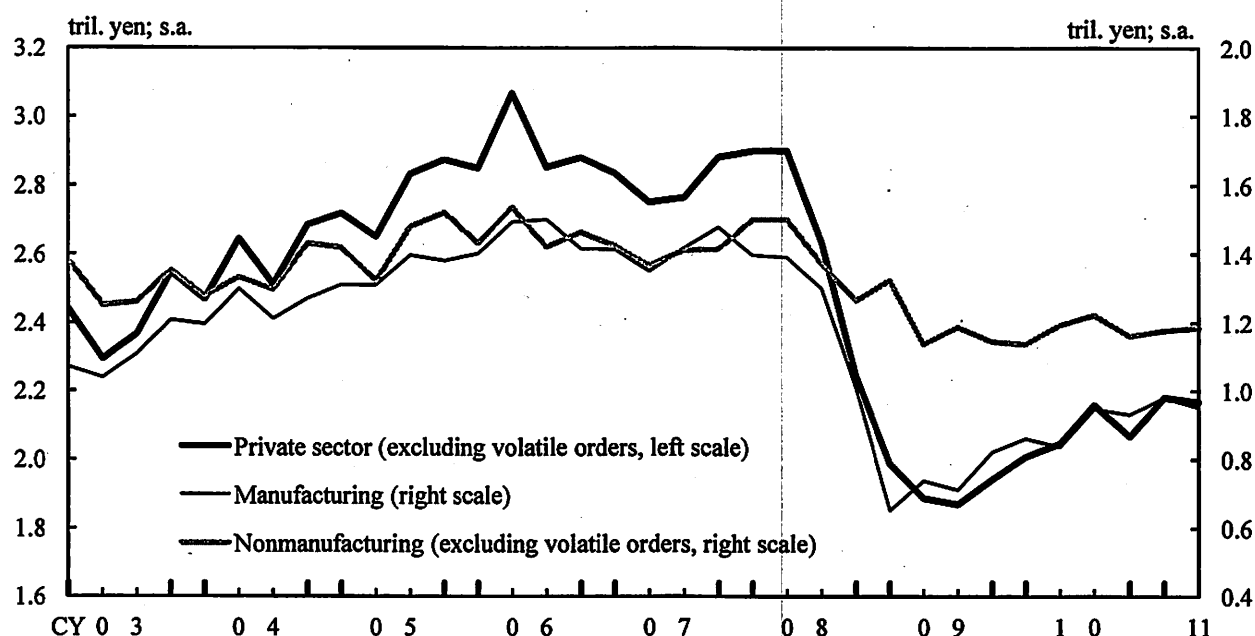
2. In the March 2004 survey, the "Tankan" underwent major revisions, including the addition of new sample enterprises to the survey. Figures up to the December 2003 survey are based on the previous data sets. Figures from the December 2003 survey are on the new basis.

3. The figure for 2011/Q2 is that of April.

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."

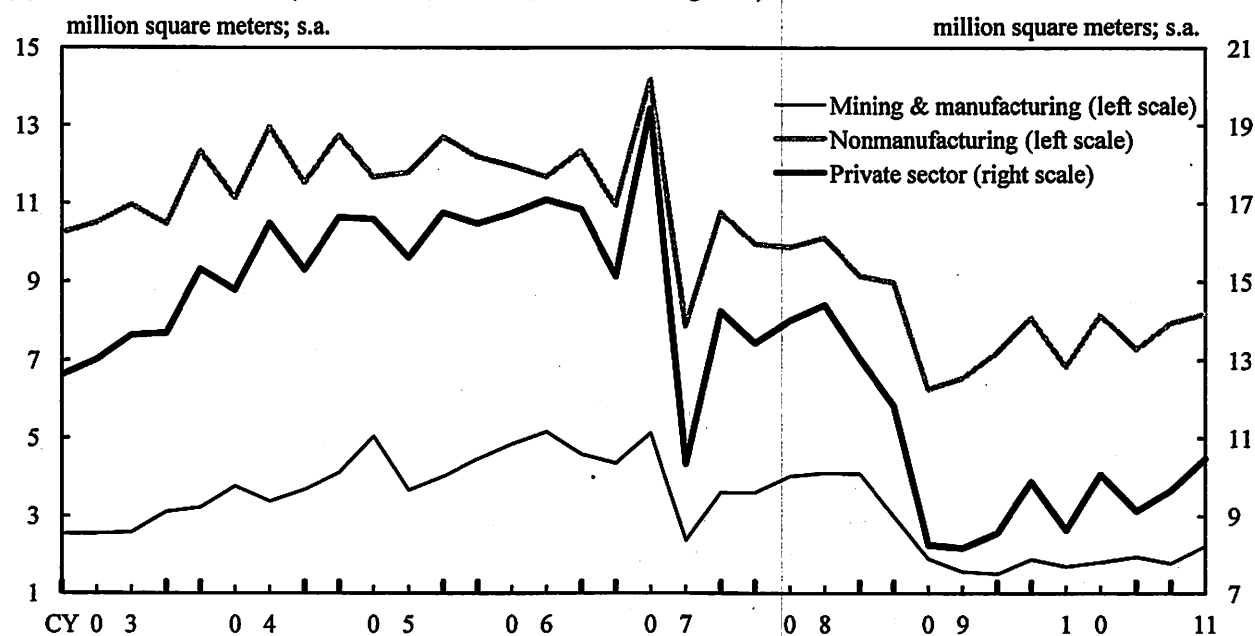
Leading Indicators of Business Fixed Investment

(1) Machinery Orders



- Notes: 1. Figures up to FY 2004 are estimated by the Cabinet Office.
2. Volatile orders: Orders for ships and those from electric power companies.
3. Figures for 2011/Q2 are April-May averages in quarterly amount.

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

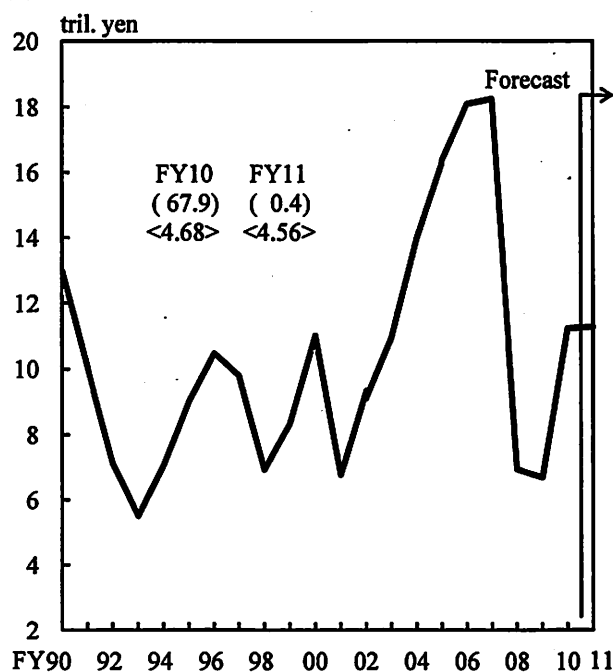


- Notes: 1. Seasonally adjusted by X-12-ARIMA.
2. Following the revision of the "Standard Industrial Classification for Japan" in March 2002, the industry classification for "newspaper publishing and publishing business" was changed from "mining and manufacturing" to "nonmanufacturing." This new classification 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/Q2 are April-May averages in quarterly amount.

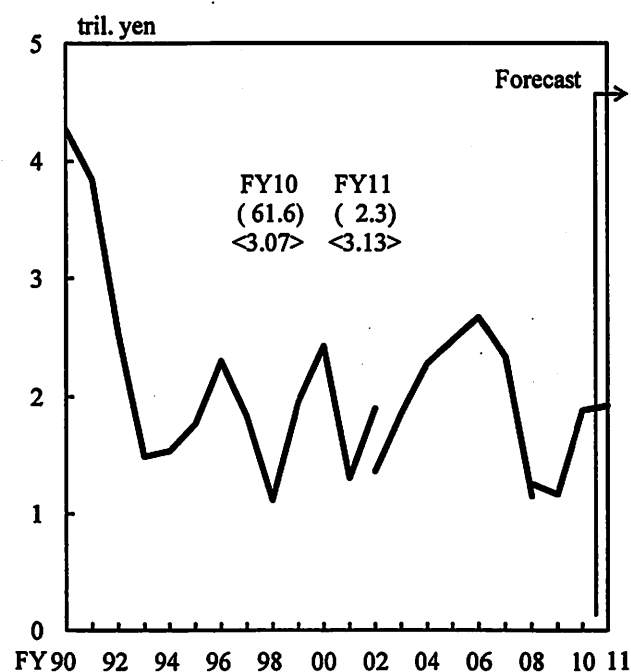
Sources: Cabinet Office, "Orders Received for Machinery";
Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts."

Current Profits

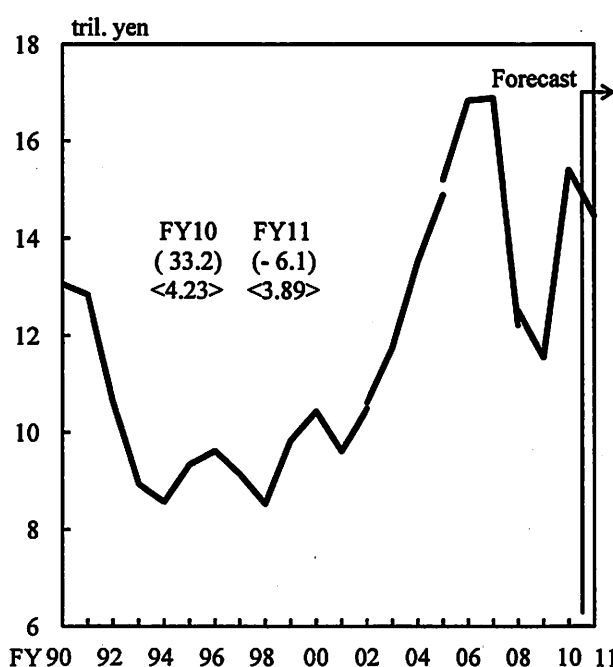
(1) Large Manufacturing Enterprises



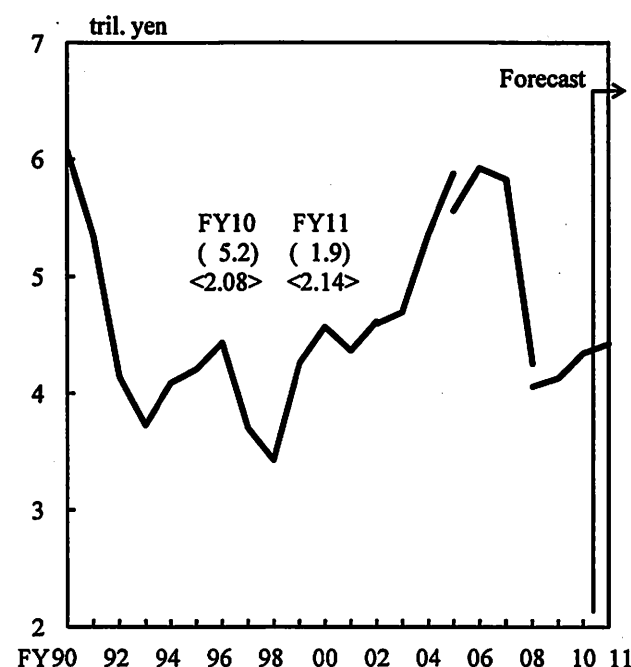
(2) Small Manufacturing Enterprises



(3) Large Nonmanufacturing Enterprises



(4) Small Nonmanufacturing Enterprises



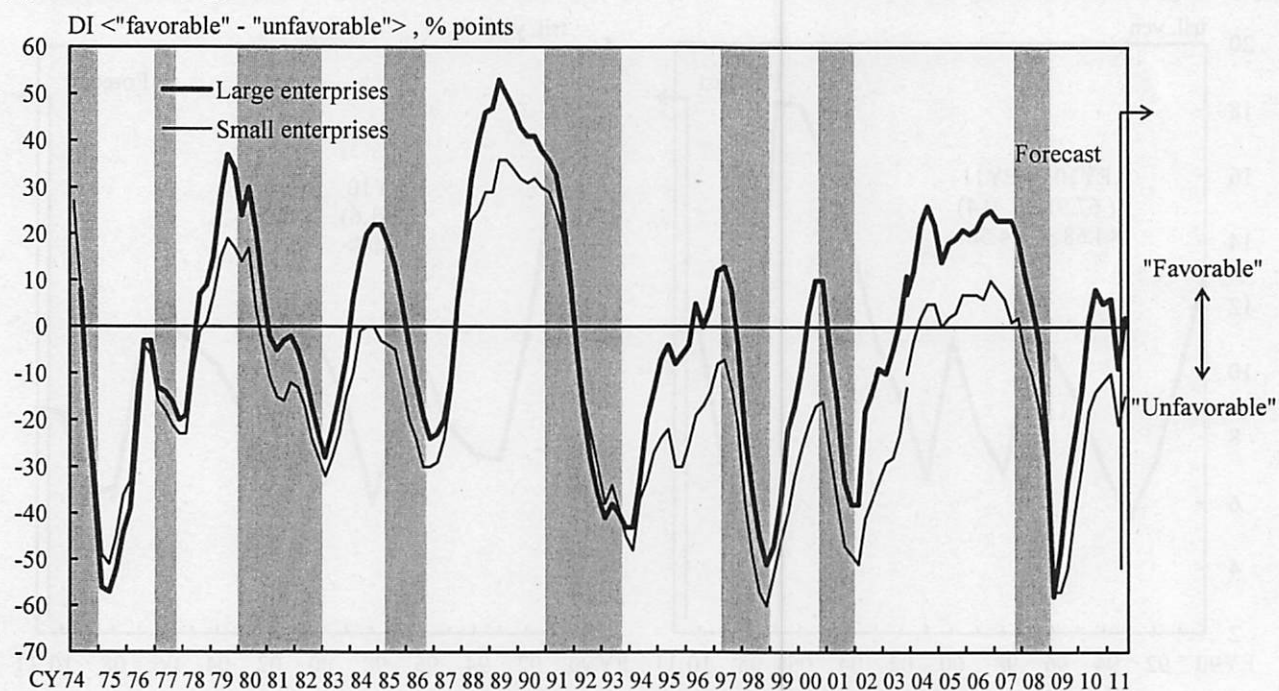
Notes: 1. (): Current profits (y/y % chg.); < >: Ratio of current profit to sales (%).

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.

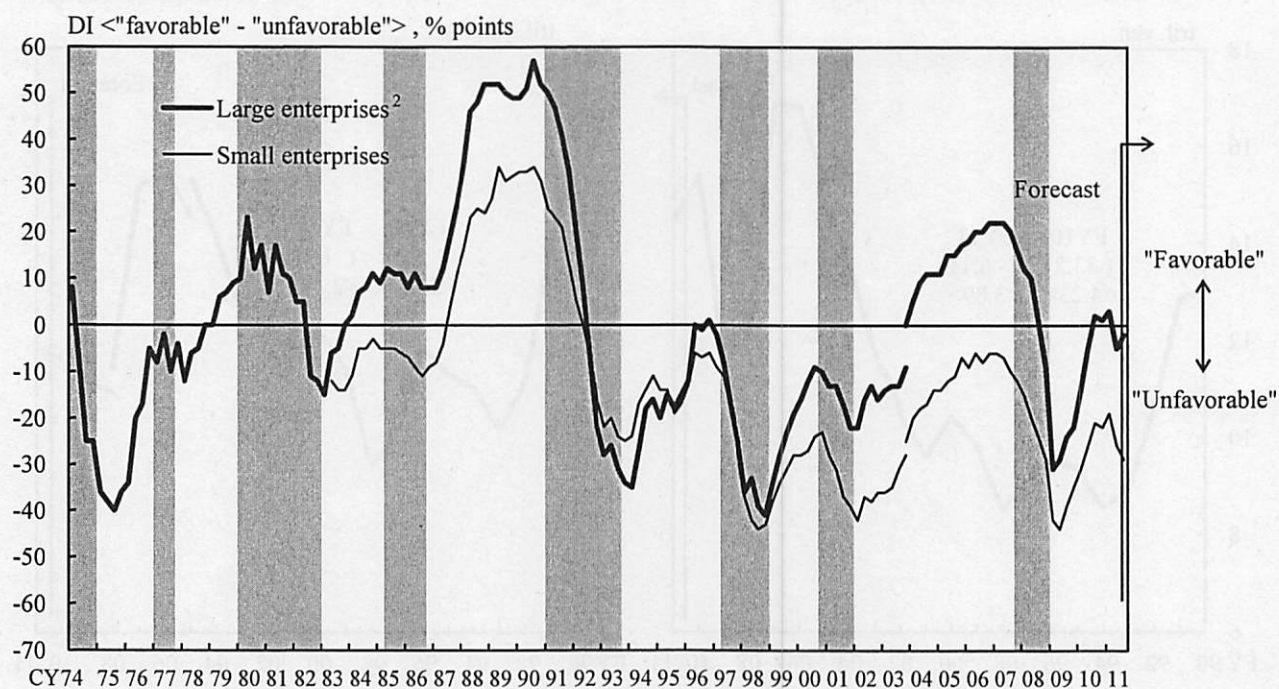
Source: Bank of Japan, "Tankan, Short-term Economic Survey of Enterprises in Japan."

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.

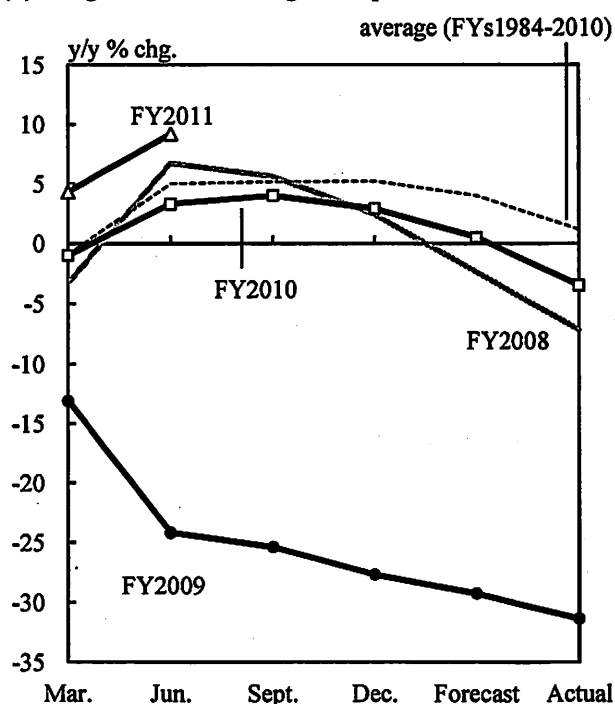
2. Data prior to February 1983 are those of principal enterprises.

3. Shaded areas indicate recession periods.

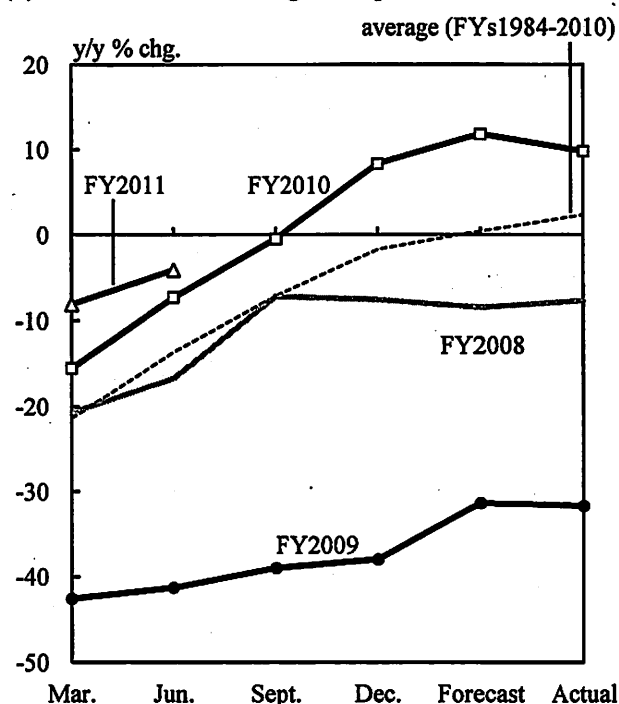
Source: Bank of Japan, "Tankan, Short-term Economic Survey of Enterprises in Japan."

Business Fixed Investment Plans as Surveyed

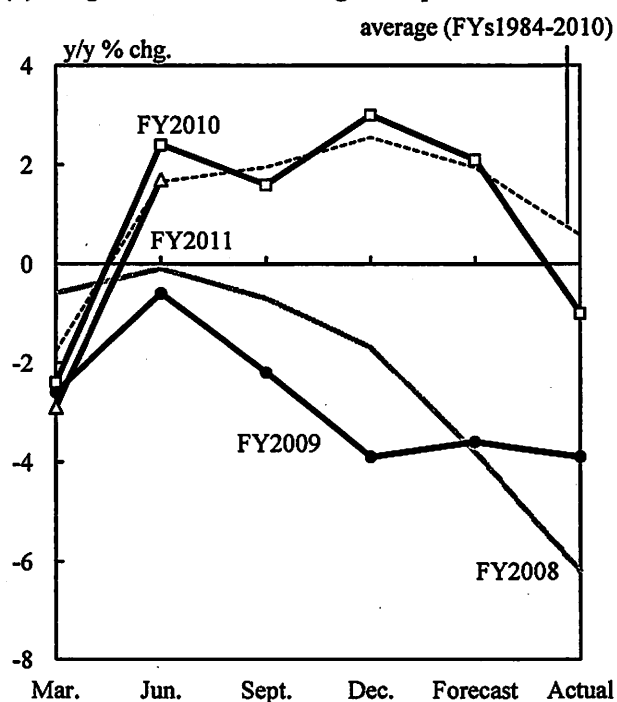
(1) Large Manufacturing Enterprises



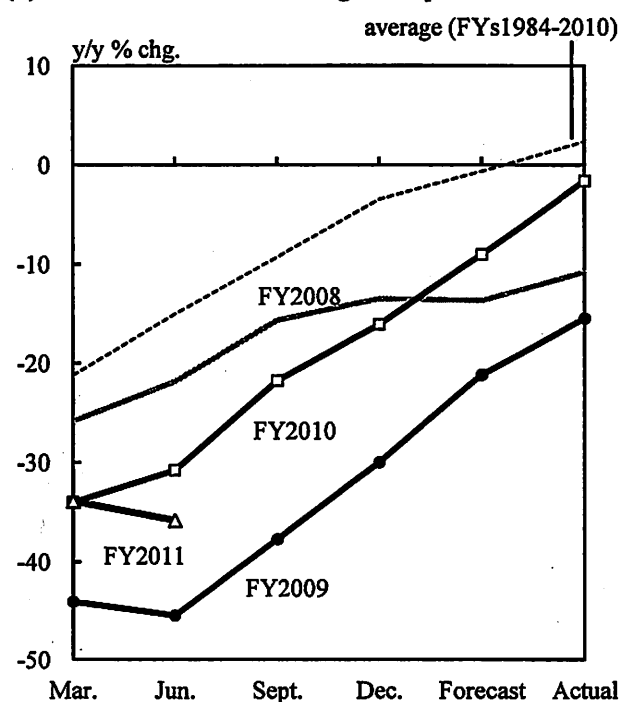
(2) Small Manufacturing Enterprises



(3) Large Nonmanufacturing Enterprises



(4) Small Nonmanufacturing Enterprises



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

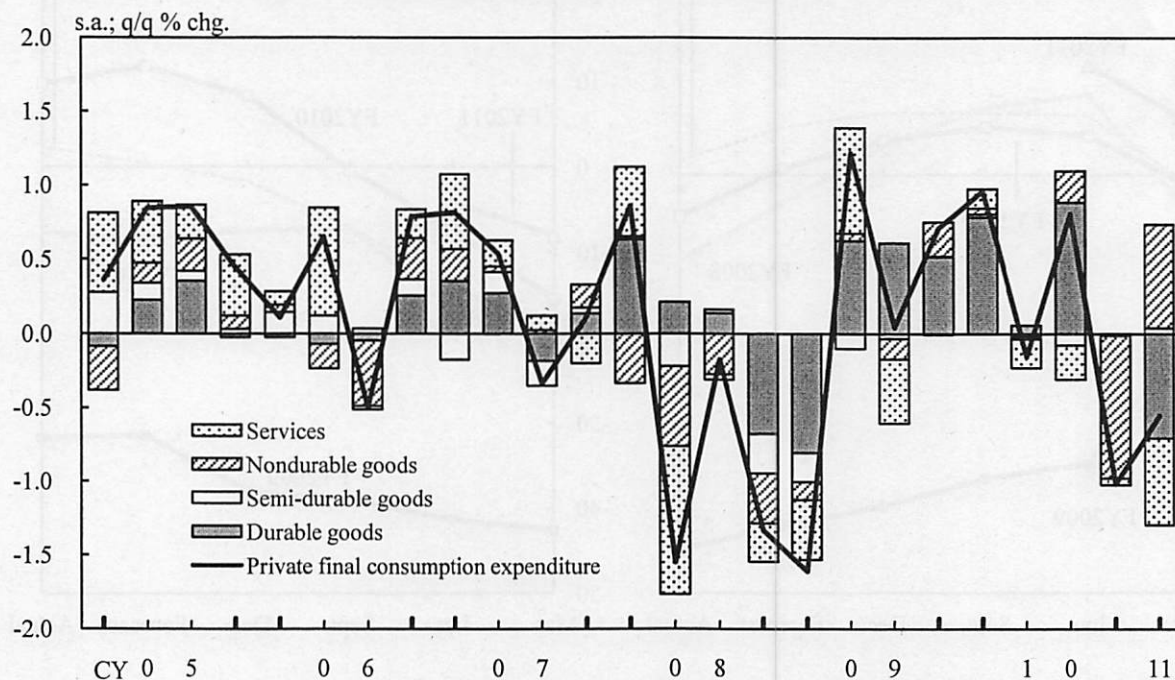
2. Sample enterprises were revised in the March 2010 surveys. Therefore, as for FY 2009, figures up to the December survey are based on the previous data sets, and the figures of "forecast" and "actual result" are based on the new basis.

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 1984-2010) are calculated using these figures.

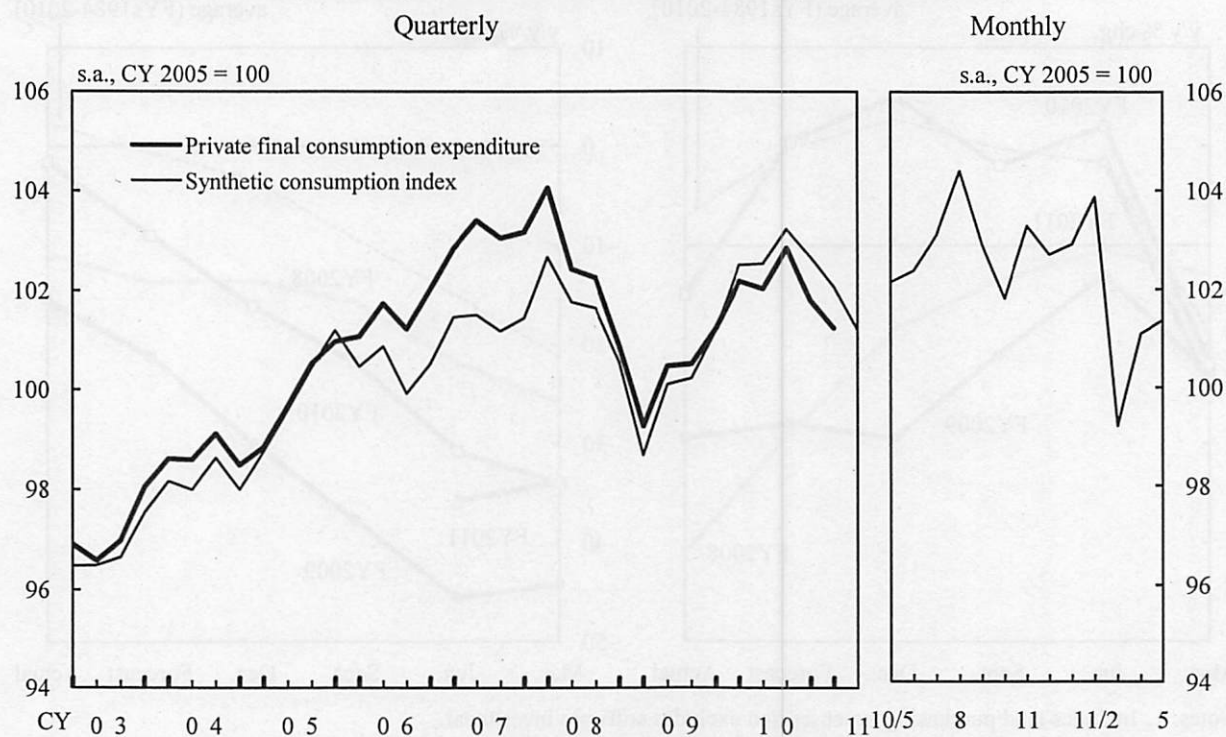
Source: Bank of Japan, "Tankan, Short-term Economic Survey of Enterprises in Japan."

Indicators of Private Consumption (1)

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



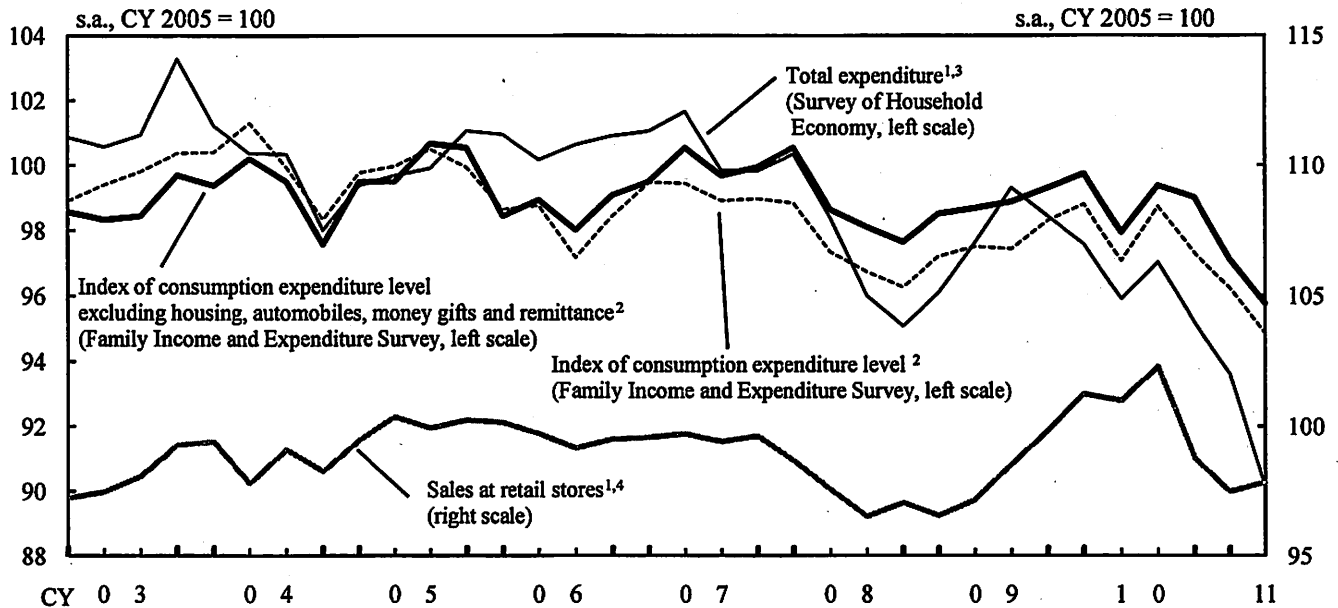
(2) Private Final Consumption Expenditure and Synthetic Consumption Index (Real)



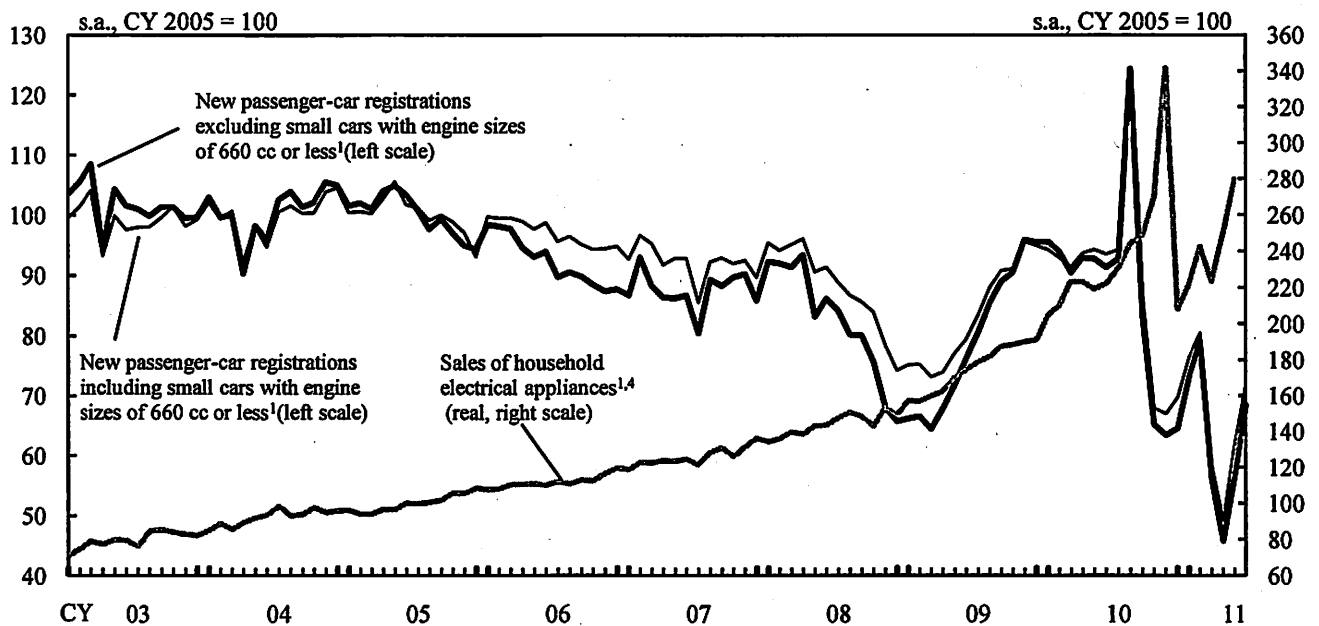
Note: The figure of the synthetic consumption index for 2011/Q2 is the average of April-May in quarterly amount.

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

Indicators of Private Consumption (2)

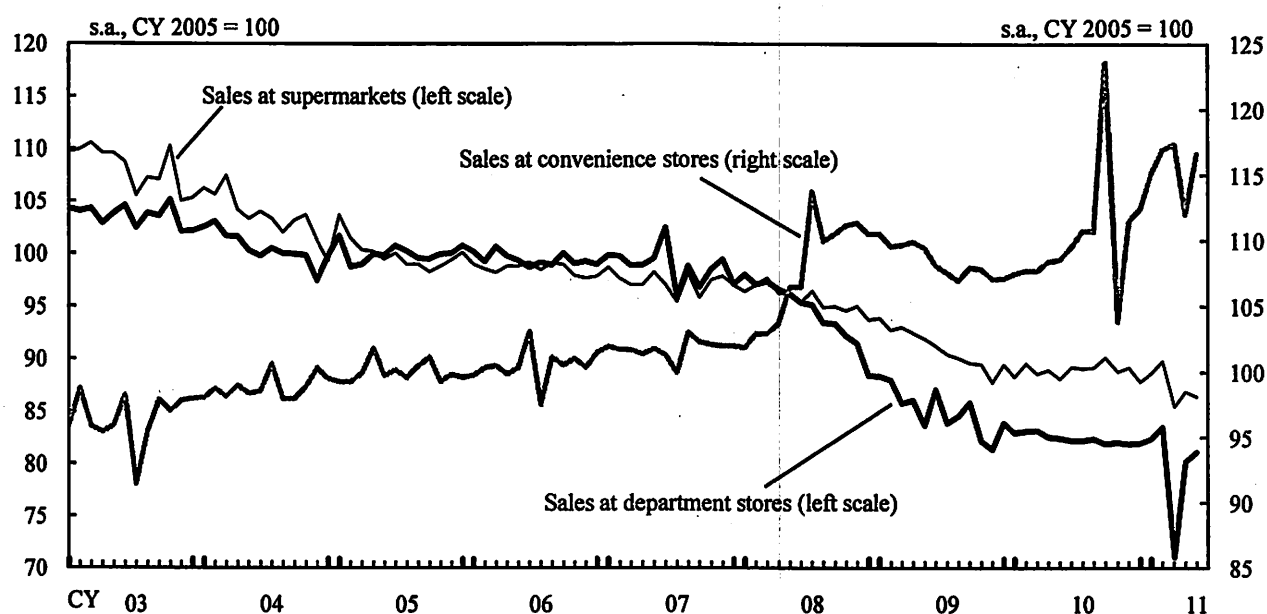
(1) Household Spending (Real)⁵

(2) Sales of Durable Goods

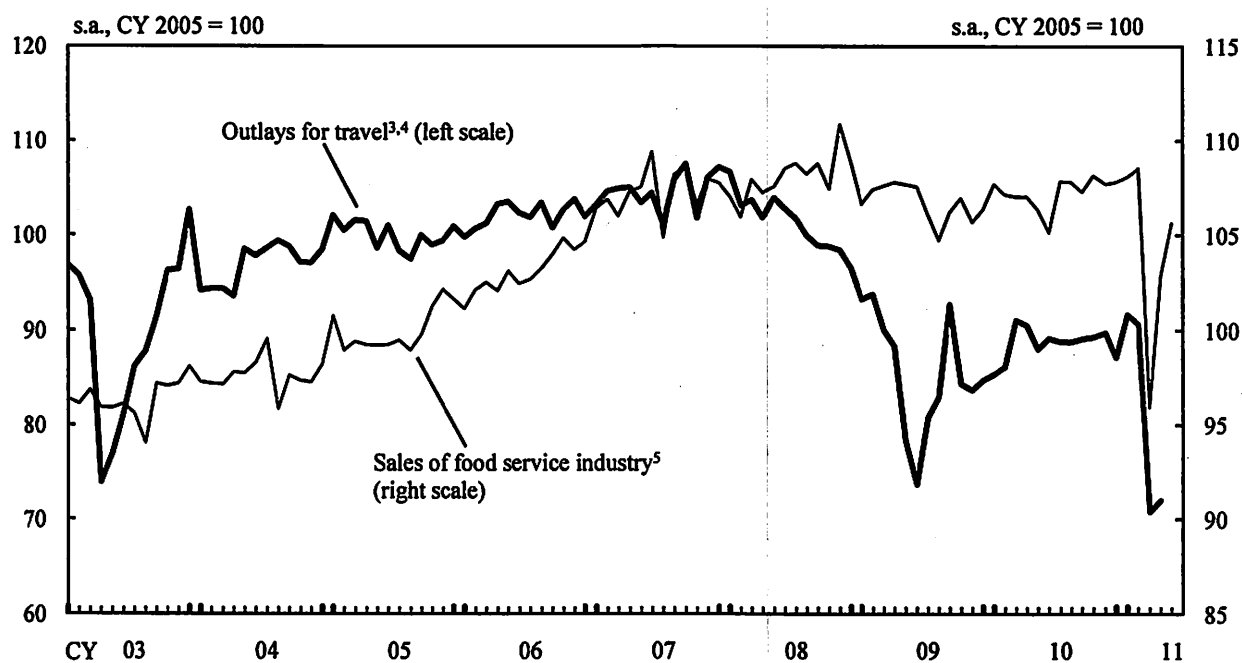


- Notes: 1. Total expenditure, sales at retail stores, sales of household electrical appliances and new passenger-car registrations are seasonally adjusted by X-12-ARIMA.
2. "Index of consumption expenditure level" is based on two-or-more-person households, and is adjusted using the distribution of household 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/Q2 are those of April-May averages in quarterly amount.

Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index,"
"Monthly Report on the Family Income and Expenditure Survey," "Survey of Household Economy";
Ministry of Economy, Trade and Industry, "Current Survey of Commerce";
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.

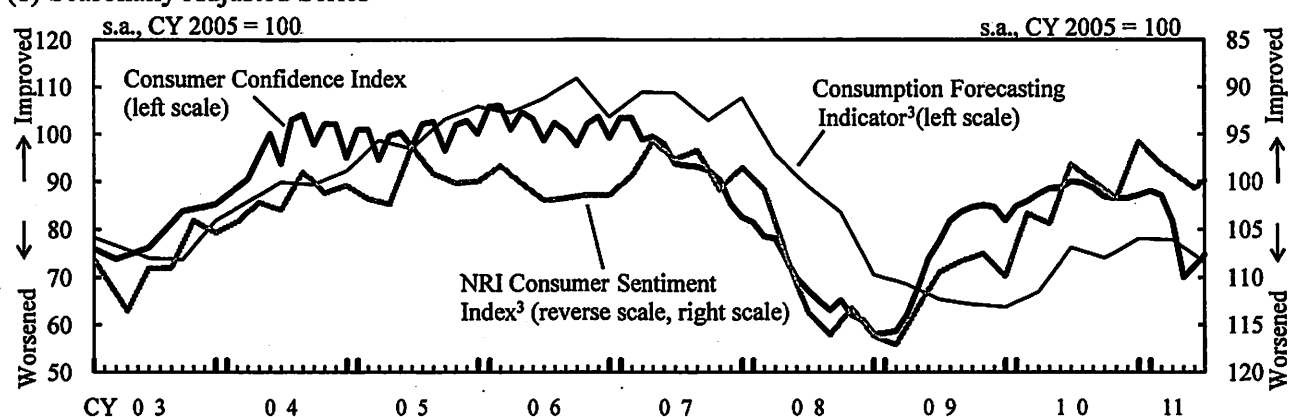
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce";

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

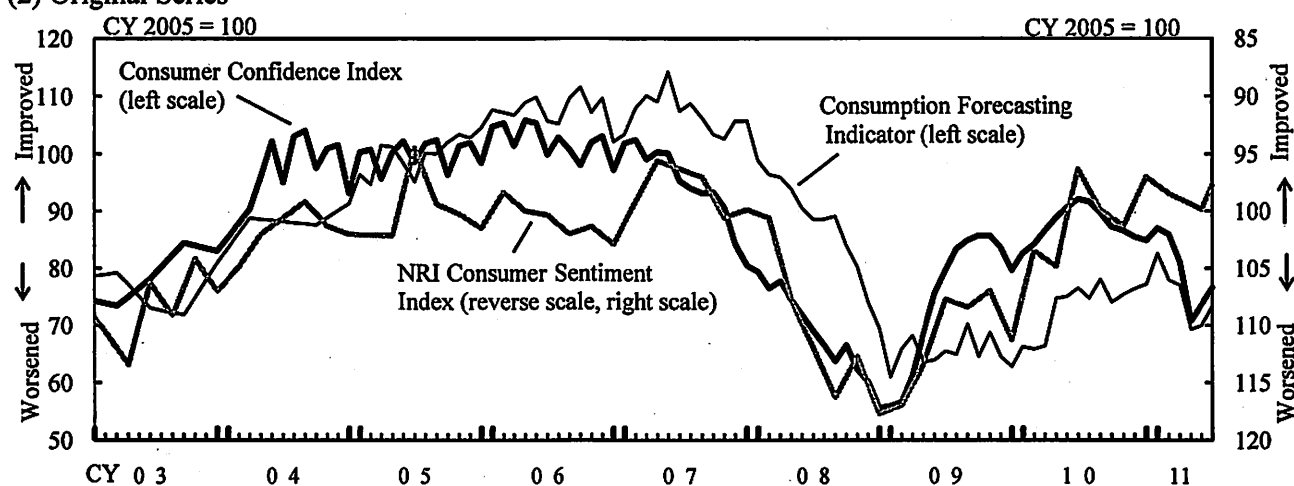
Food Service Industry Survey & Research Center, "Getsuji Uriage Doukou Chousa (Monthly survey of food service sales)"; Japan Food Service Association, "Gaishoku Sangyou Shijou Doukou Chousa (Research on the food service industry)."

Consumer Confidence^{1,2}

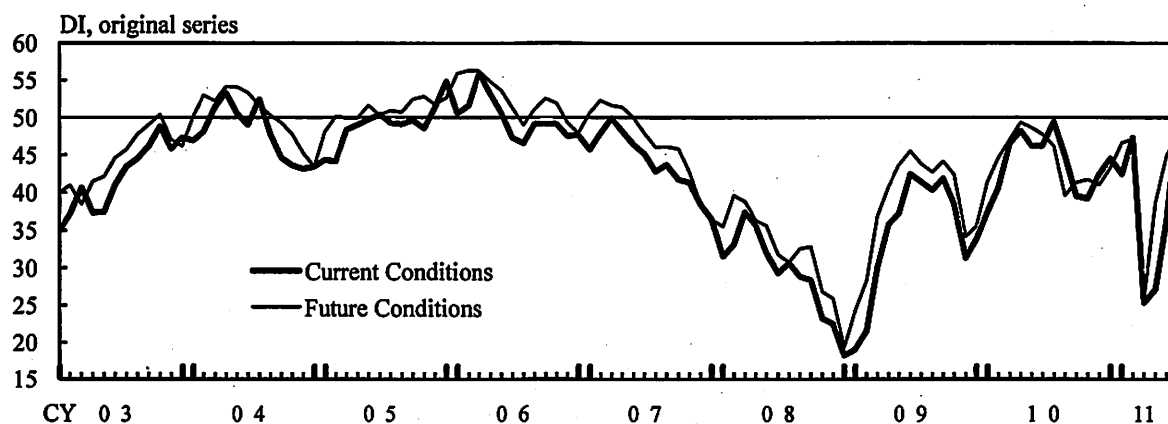
(1) Seasonally Adjusted Series



(2) Original Series



Reference: Economy Watchers Survey (Household Activity)

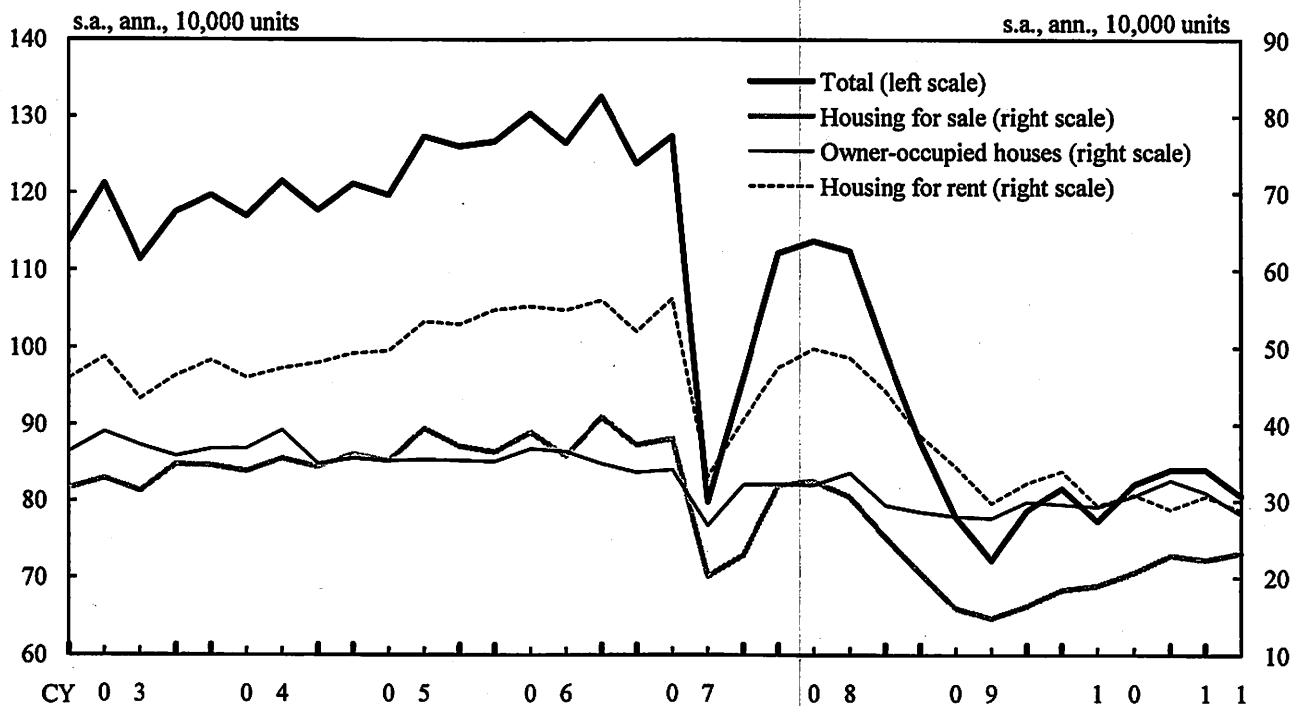


- Notes: 1. The Consumer Confidence Index (covering about 4,700 samples on a nationwide basis), Consumption Forecasting Indicator (600 samples in the metropolitan area), and NRI Consumer Sentiment Index (1,200 samples on a nationwide basis) are based on surveys on consumer confidence.
2. Figures are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

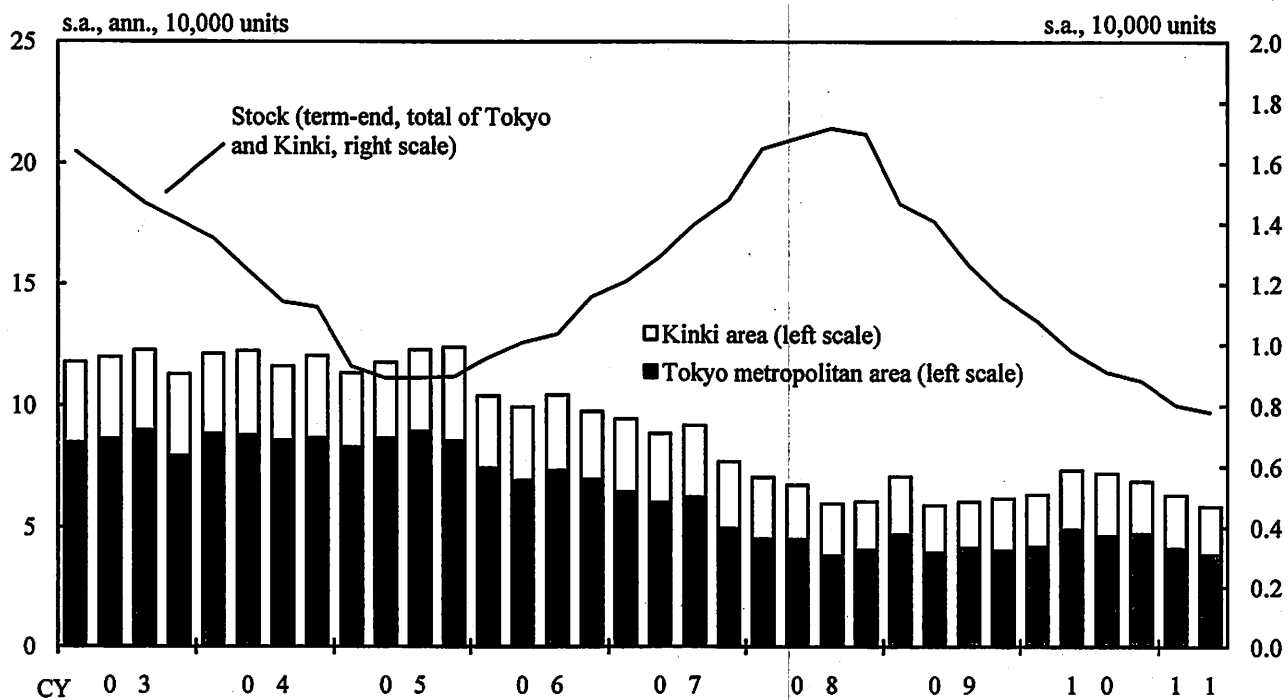
Sources: Cabinet Office, "Consumer Confidence Survey," "Economy Watchers Survey";
Nikkei inc., "Consumption Forecasting Indicator"; Nippon Research Institute (NRI), "Consumer Sentiment Survey."

Indicators of Housing Investment

(1) Housing Starts



(2) Sales of Apartments



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

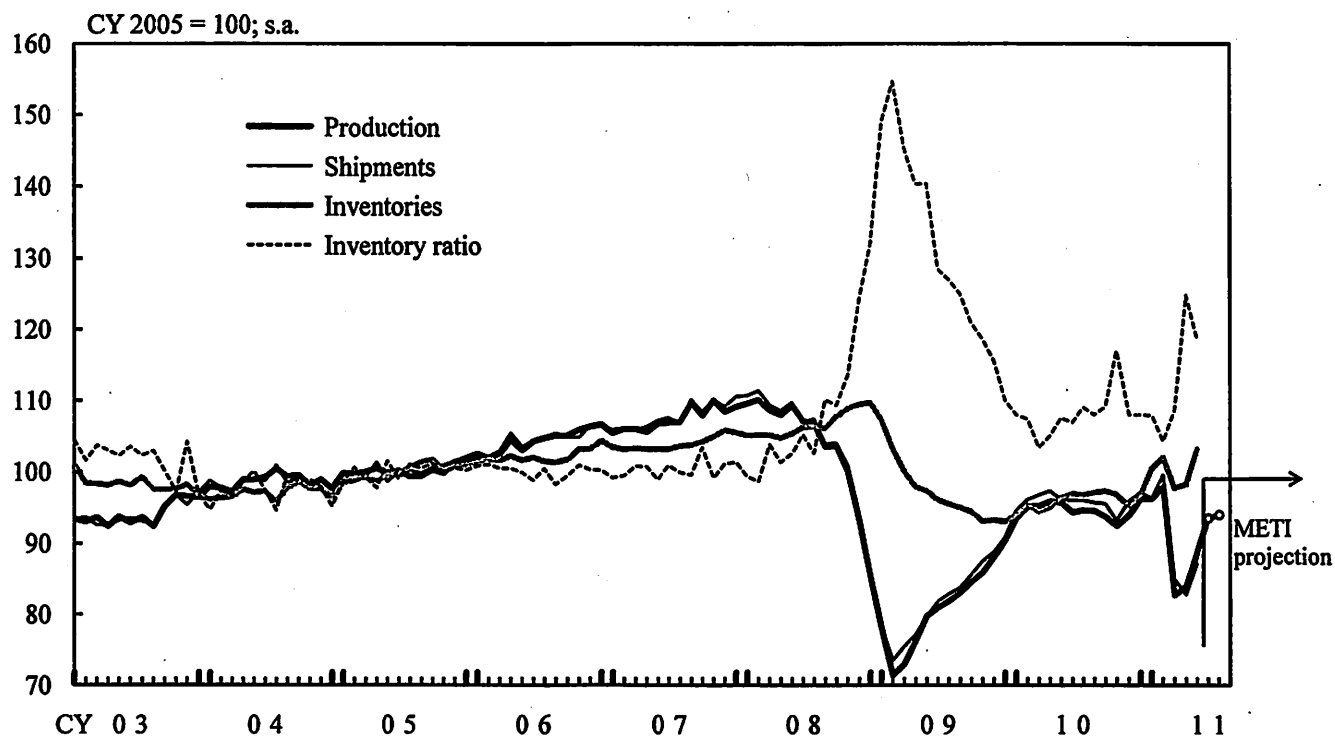
2. Figures of total apartment sales for 2011/Q2 are April-May averages.

Term-end stocks for 2011/Q2 are those of May.

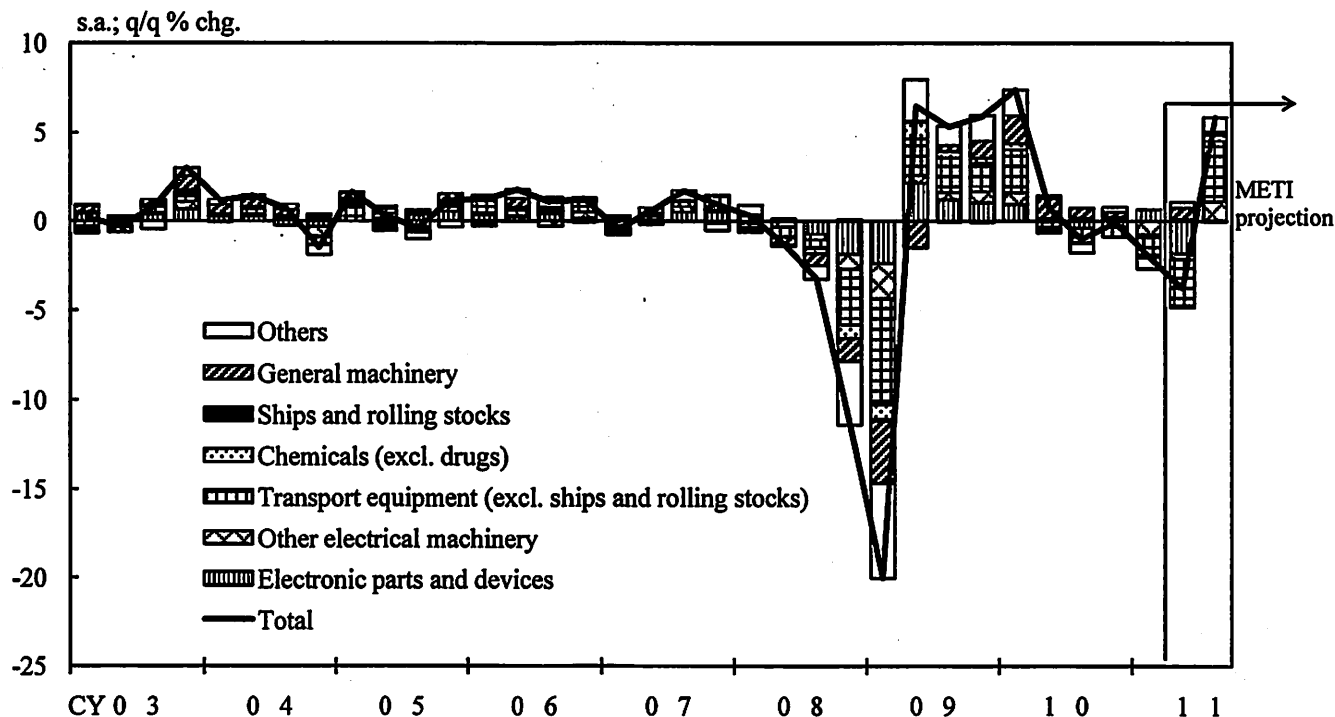
Sources: Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts," etc.

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."

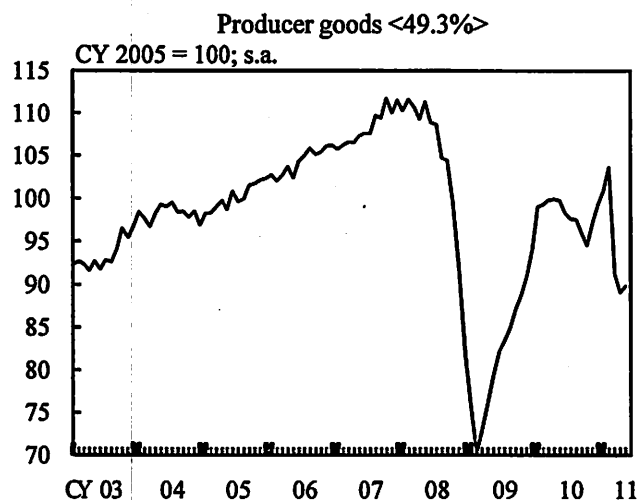
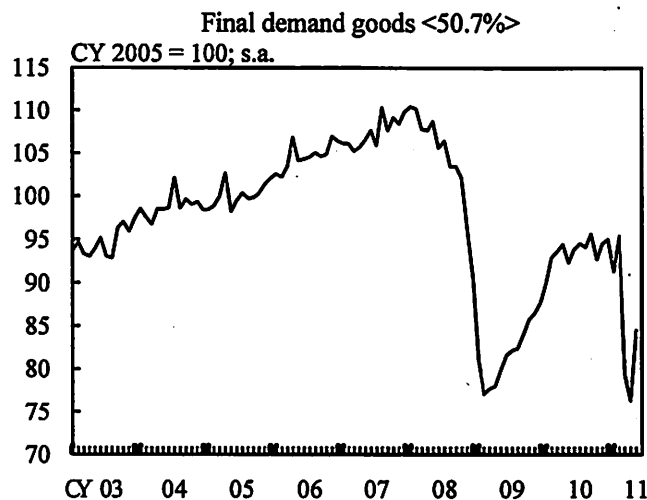
2. 2003/Q1 figures are on the 2000 base.

3. 2011/Q2 figures are based on the actual production levels in April and May, and the METI projection of June. 2011/Q3 figures are based on the assumption that the production levels in August and September are the same as those of July.

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

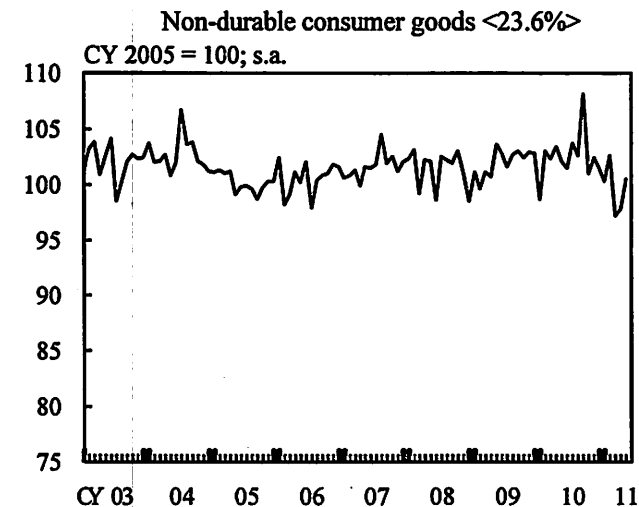
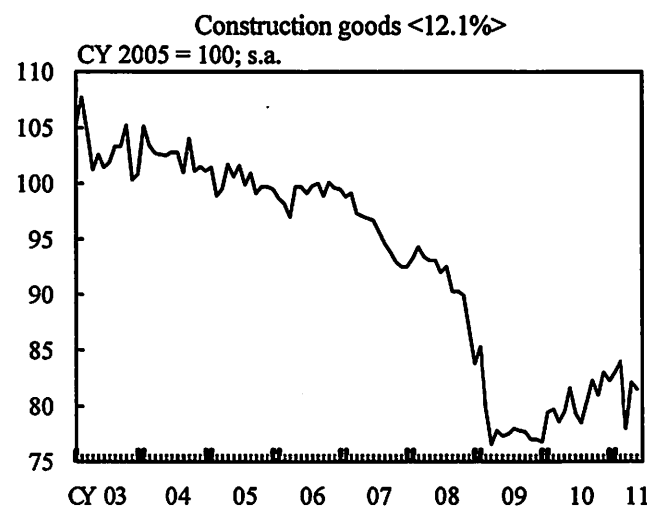
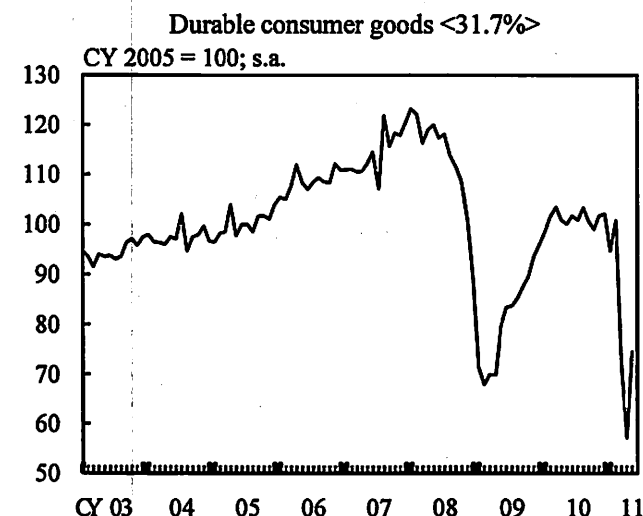
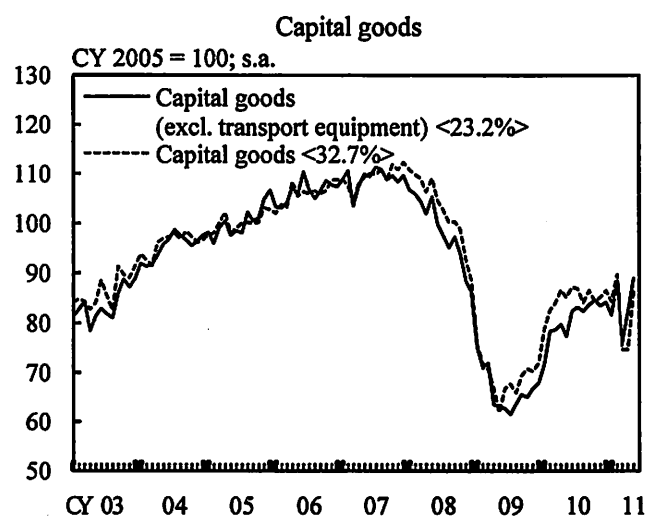
Shipments by Type of Goods

(1) Final Demand Goods and Producer Goods



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

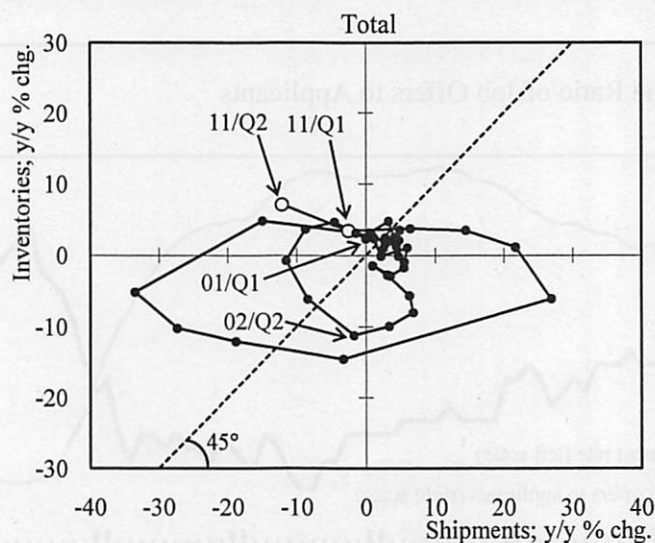
(2) Breakdown of Final Demand Goods



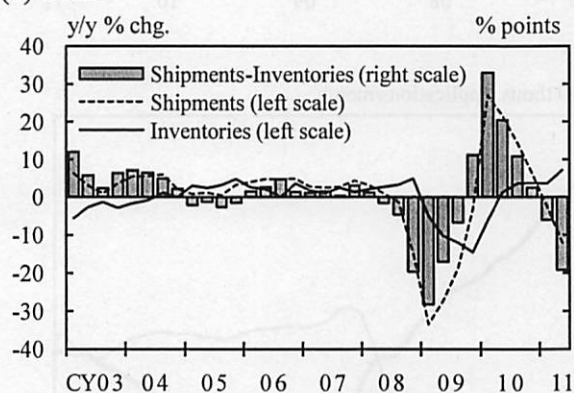
Note: Figures in angle brackets show the shares among shipments of final demand goods.

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

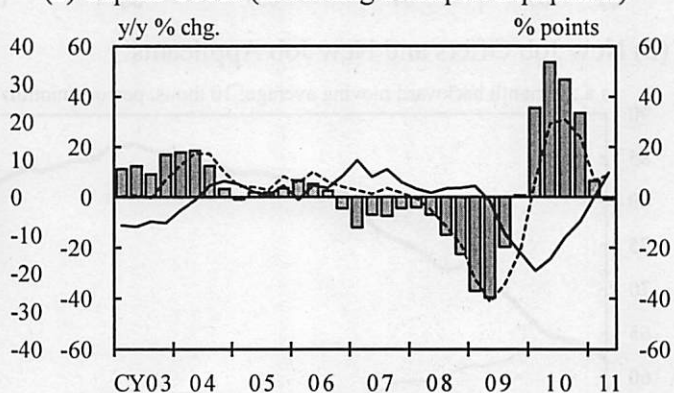
Inventory Cycle



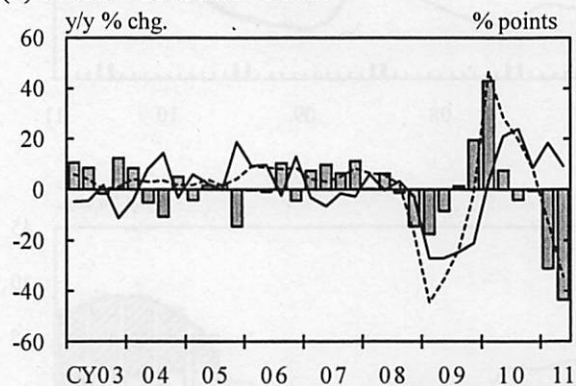
(1) Total



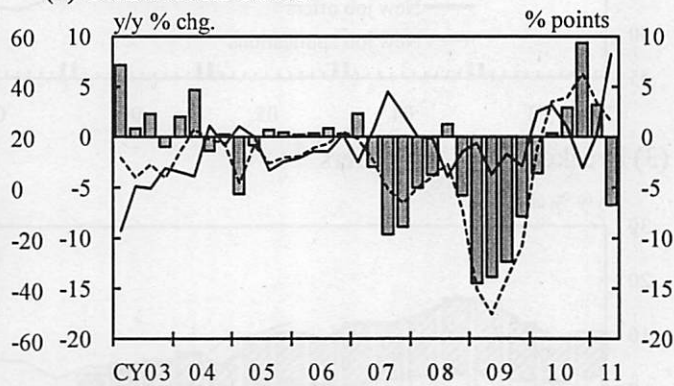
(2) Capital Goods (Excluding Transport Equipment)



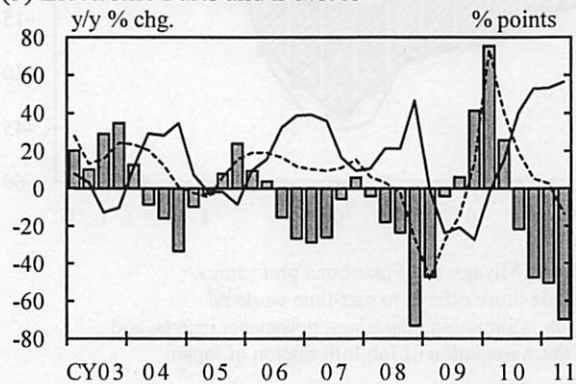
(3) Durable Consumer Goods



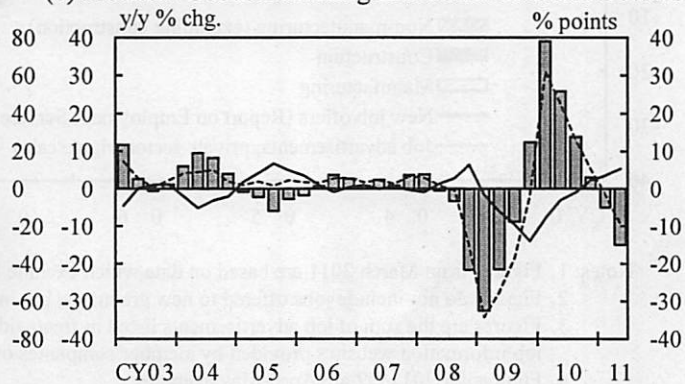
(4) Construction Goods



(5) Electronic Parts and Devices



(6) Producer Goods Excluding Electronic Parts and Devices



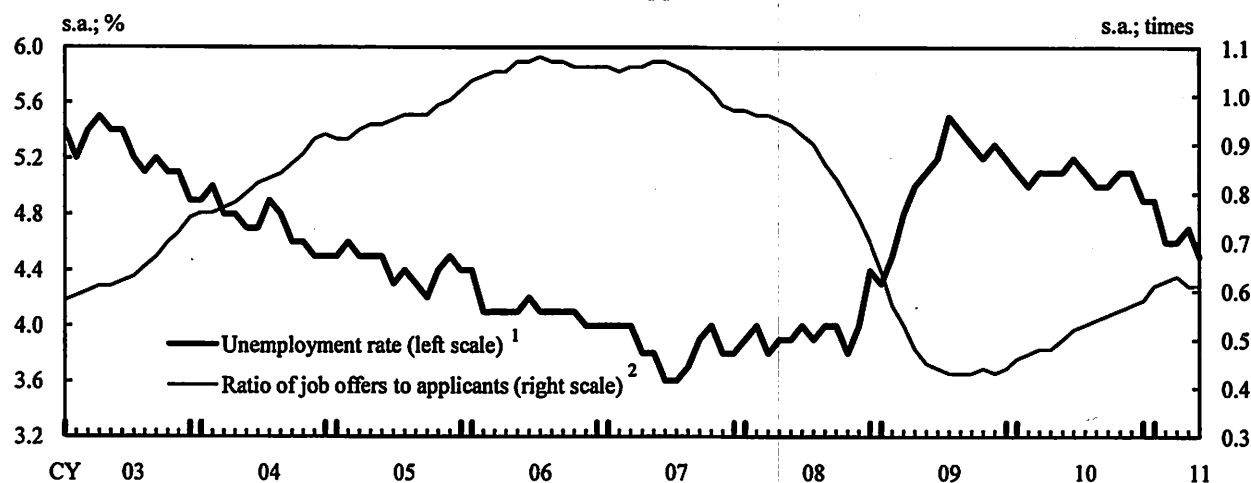
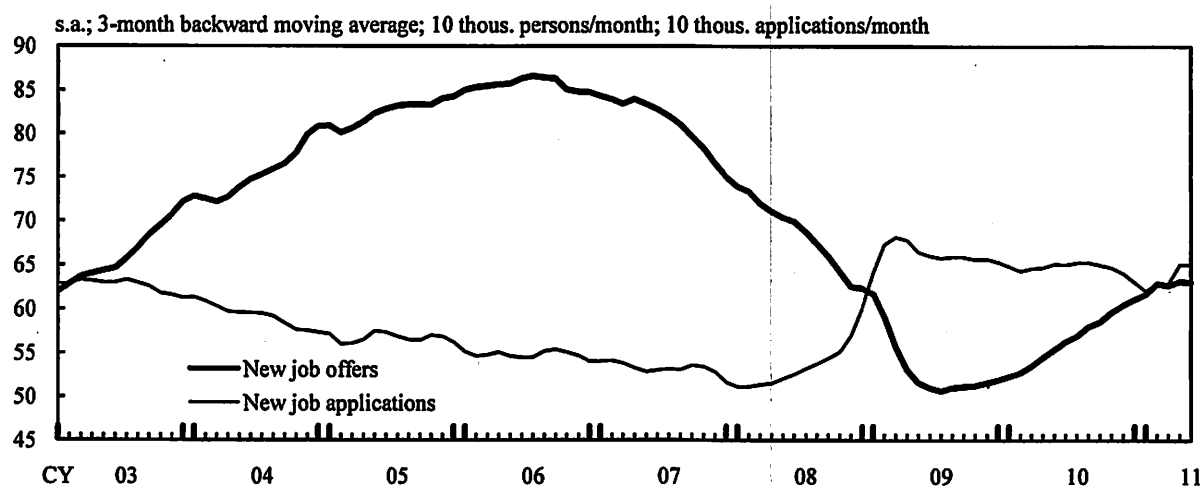
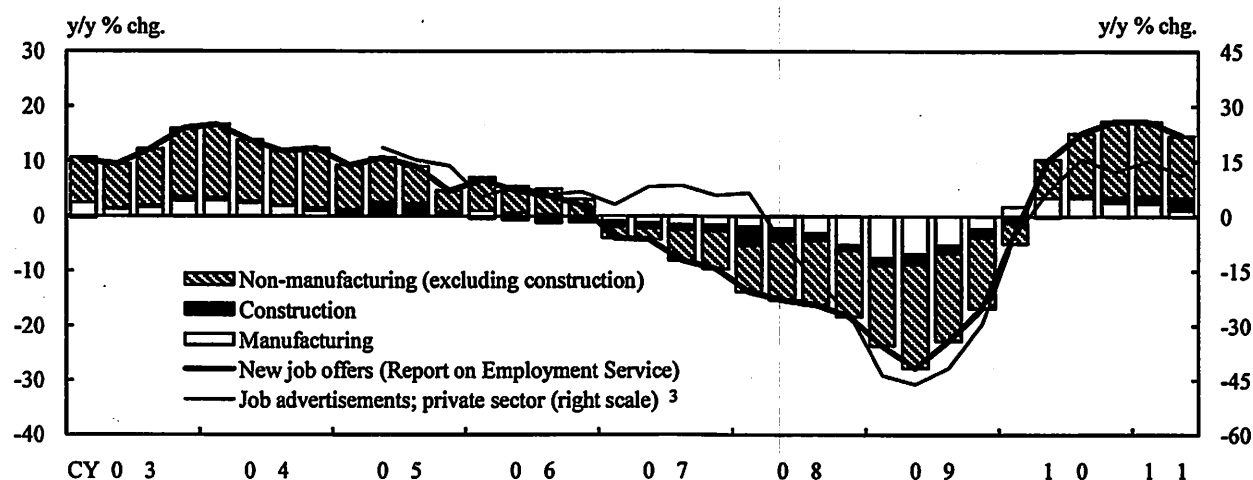
Note: Figures of shipments for 2011/Q2 are April-May averages.

Inventories for 2011/Q2 are those of May.

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

Labor Market (1)

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

(2) New Job Offers and New Job Applicants²(3) Breakdown of Job Offers^{2,4}

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.

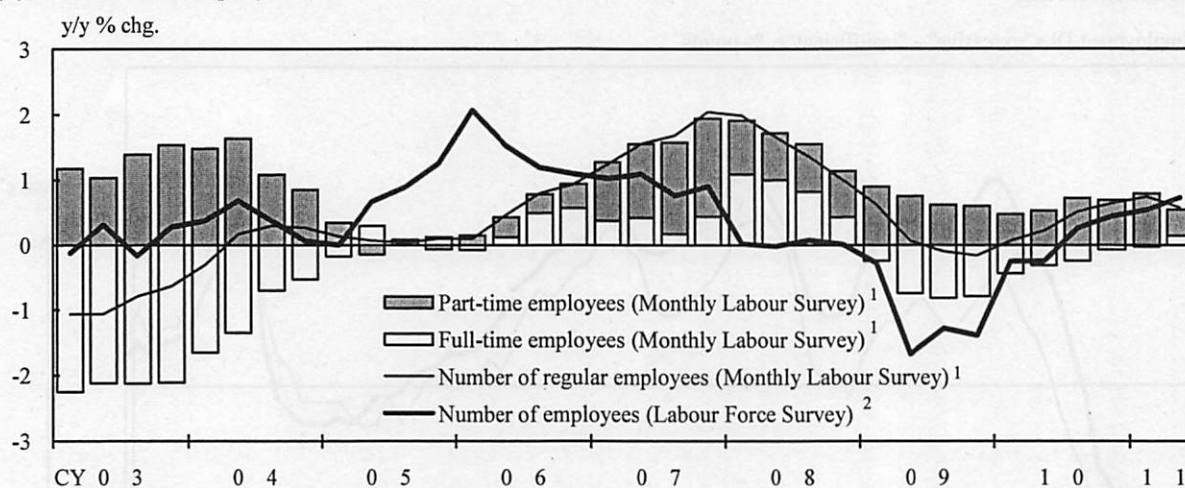
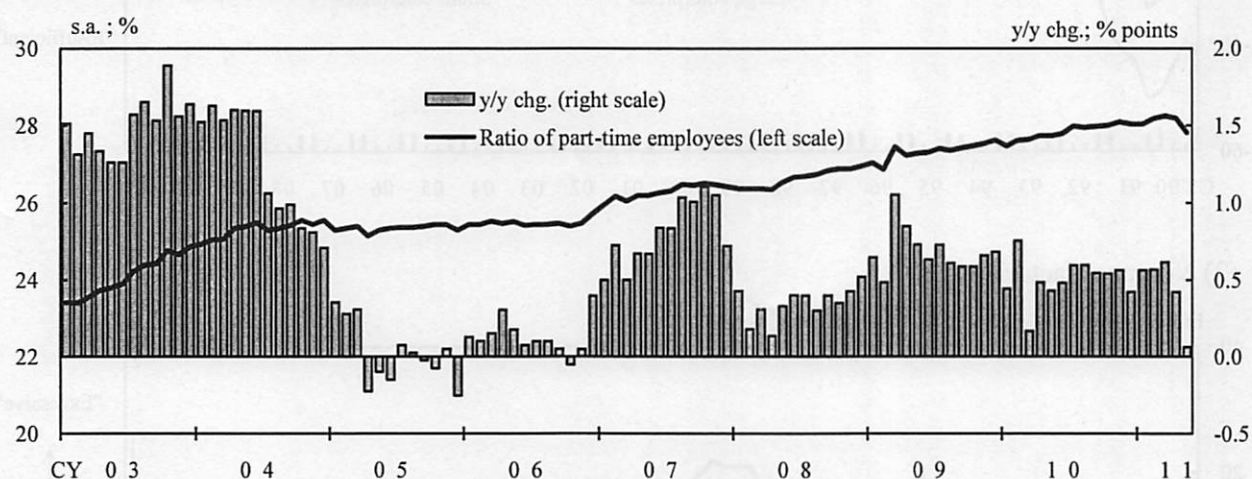
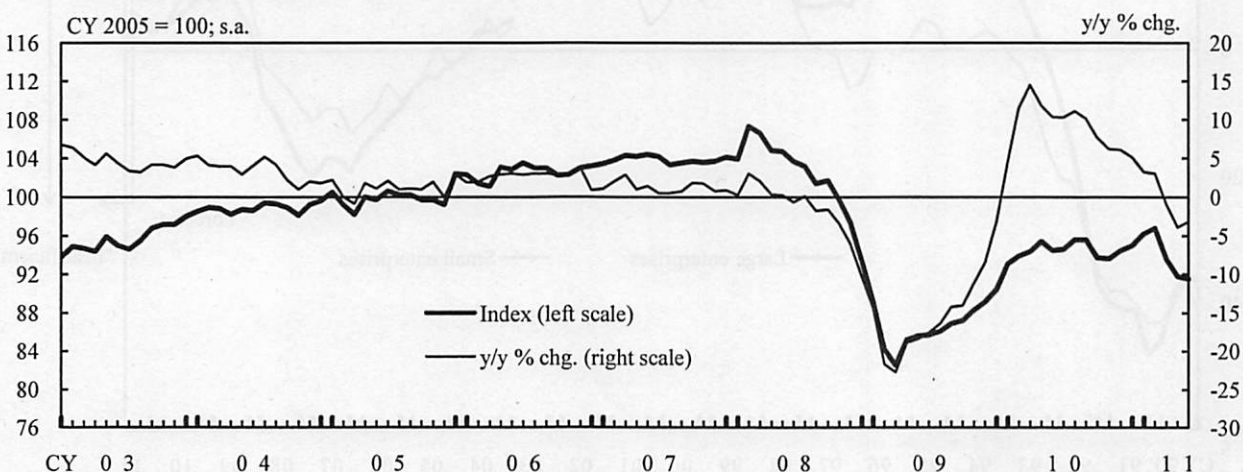
4. Figures for 2011/Q2 are April-May averages.

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

Ministry of Internal Affairs and Communications, "Labour Force Survey";

Association of Job Information of Japan, "Kyujin Koukoku Keisaiensu (Survey of job advertisements)."

Labor Market (2)

(1) Number of Employees⁴(2) Ratio of Part-Time Employees^{1,3}(3) Non Scheduled Hours Worked¹

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.

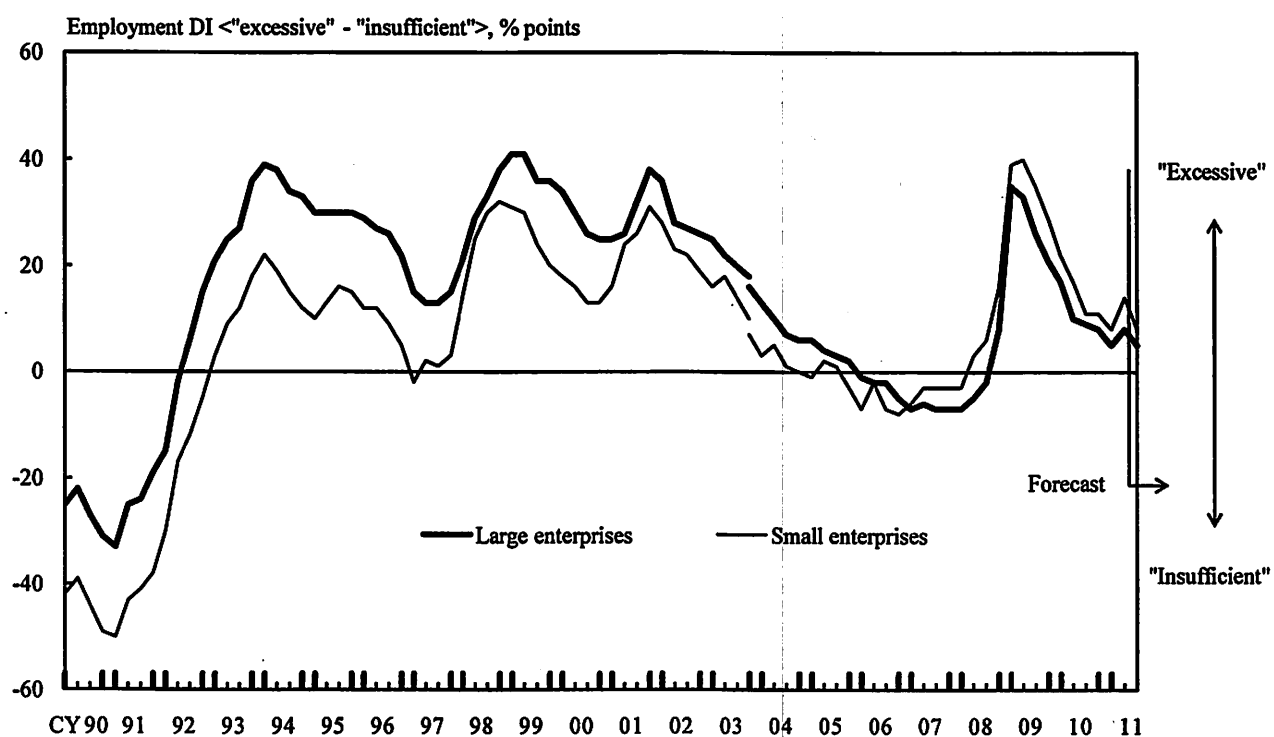
3. The ratio of part-time employees is calculated as the number of part-time employees divided by the number of regular employees times 100.

4. Figures for 2011/Q2 are April-May averages.

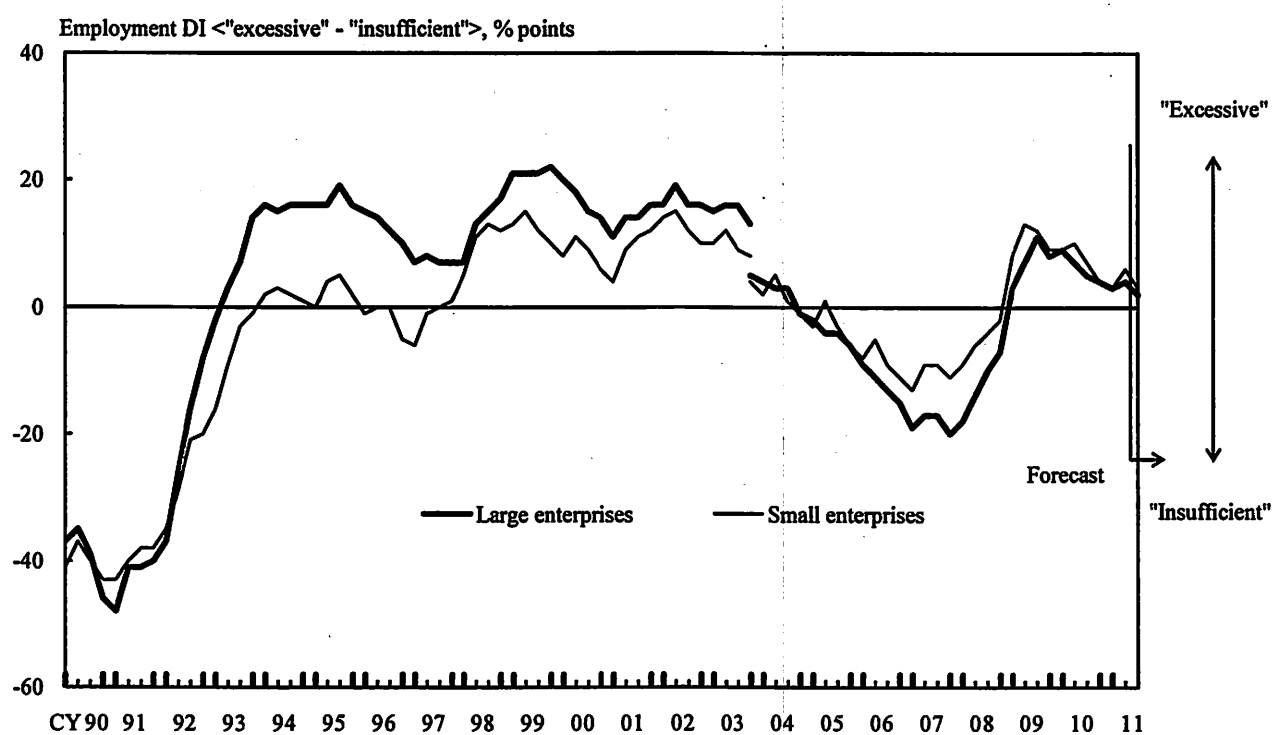
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
 Ministry of Internal Affairs and Communications, "Labour Force Survey."

Employment Conditions

(1) Manufacturing



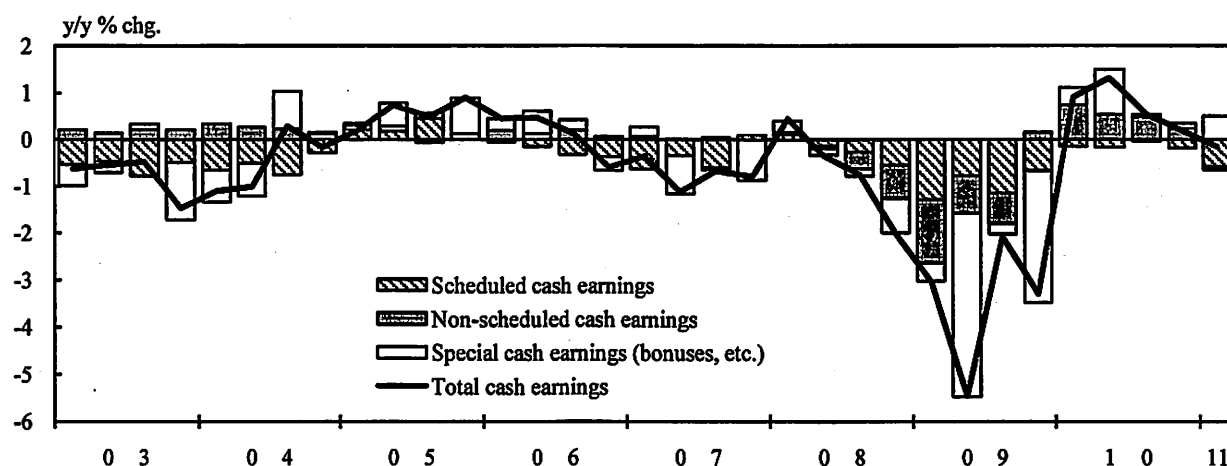
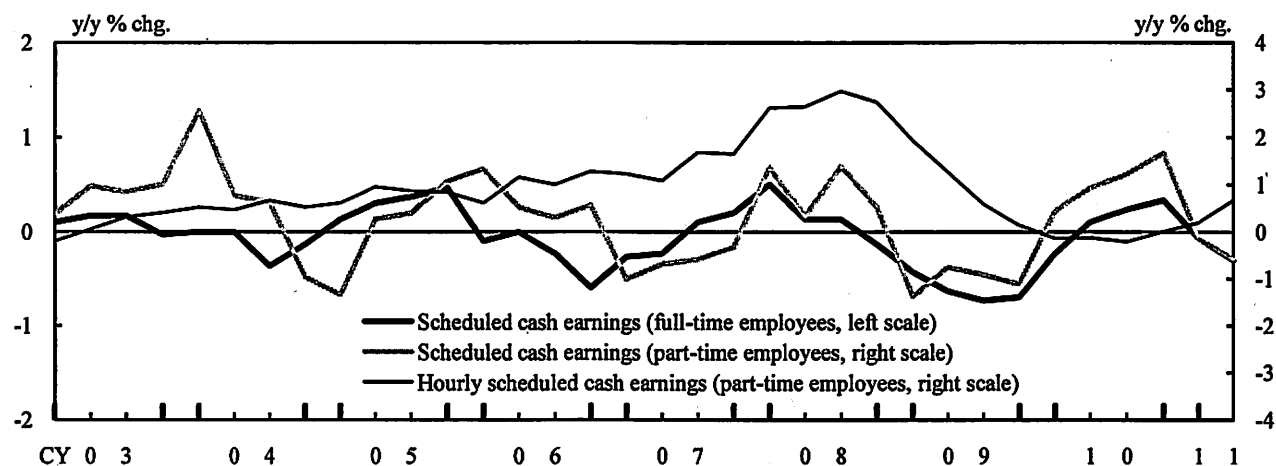
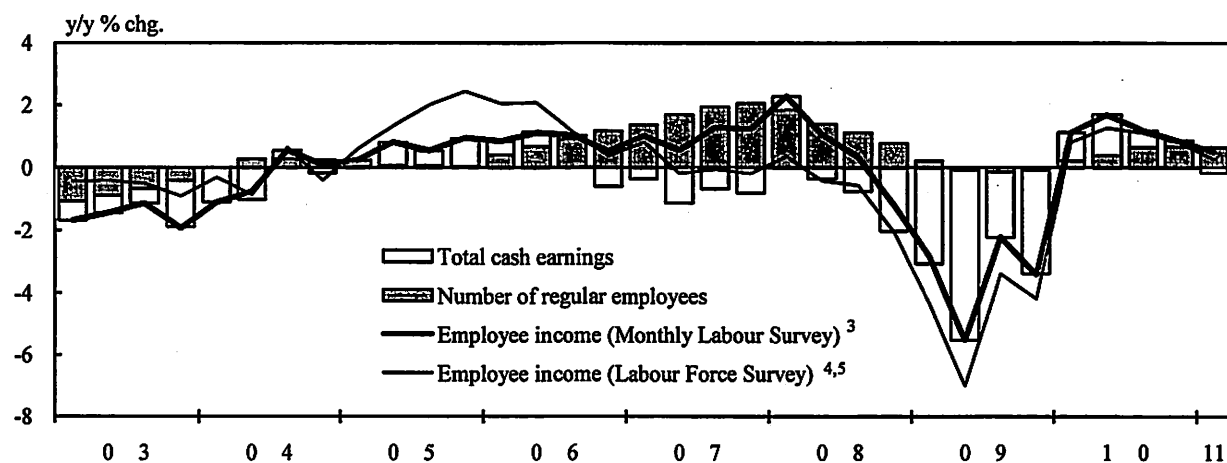
(2) Nonmanufacturing



Note: The "Tankan" has been revised from the March 2004 survey. Figures up to the December 2003 survey are based on the previous data sets. Figures from the December 2003 survey are on 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^{1,6}(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).

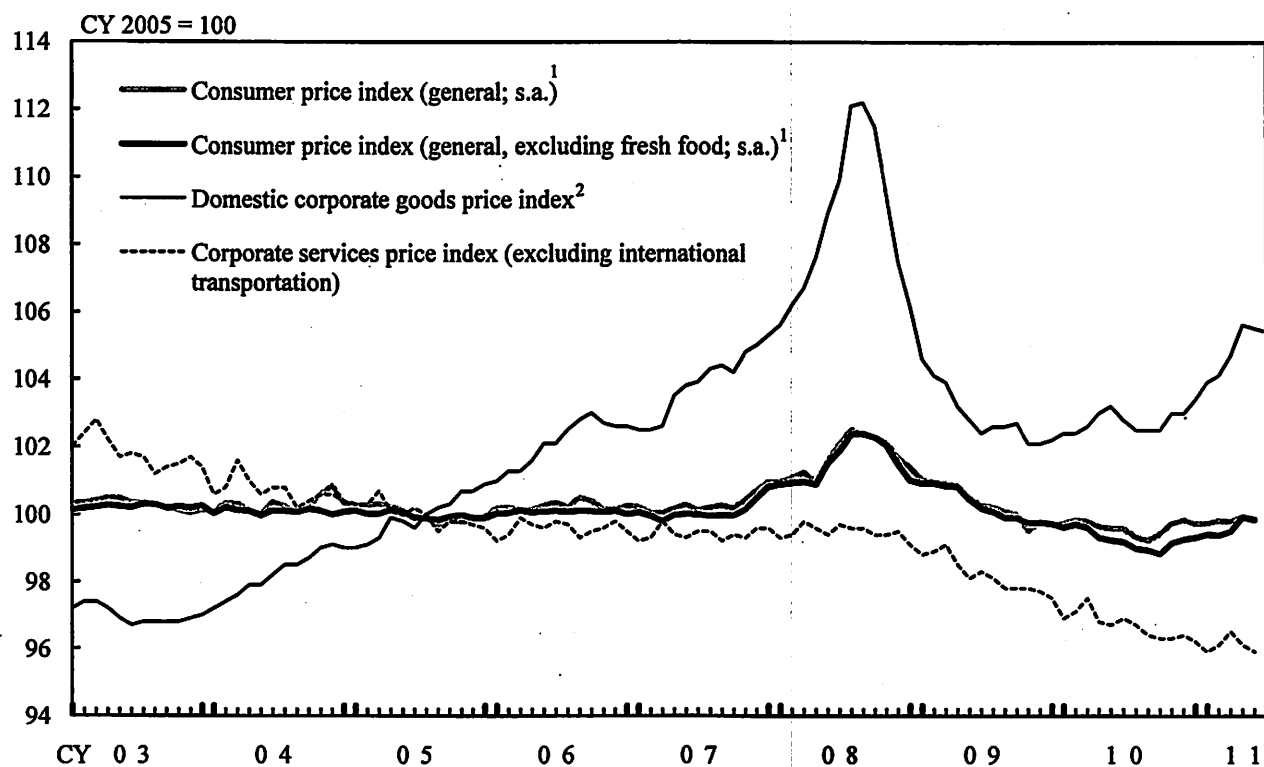
5. Figures from 2011/Q1 are based on data which exclude Iwate, Miyagi, and Fukushima prefectures.

6. Figures for 2011/Q2 are April-May averages.

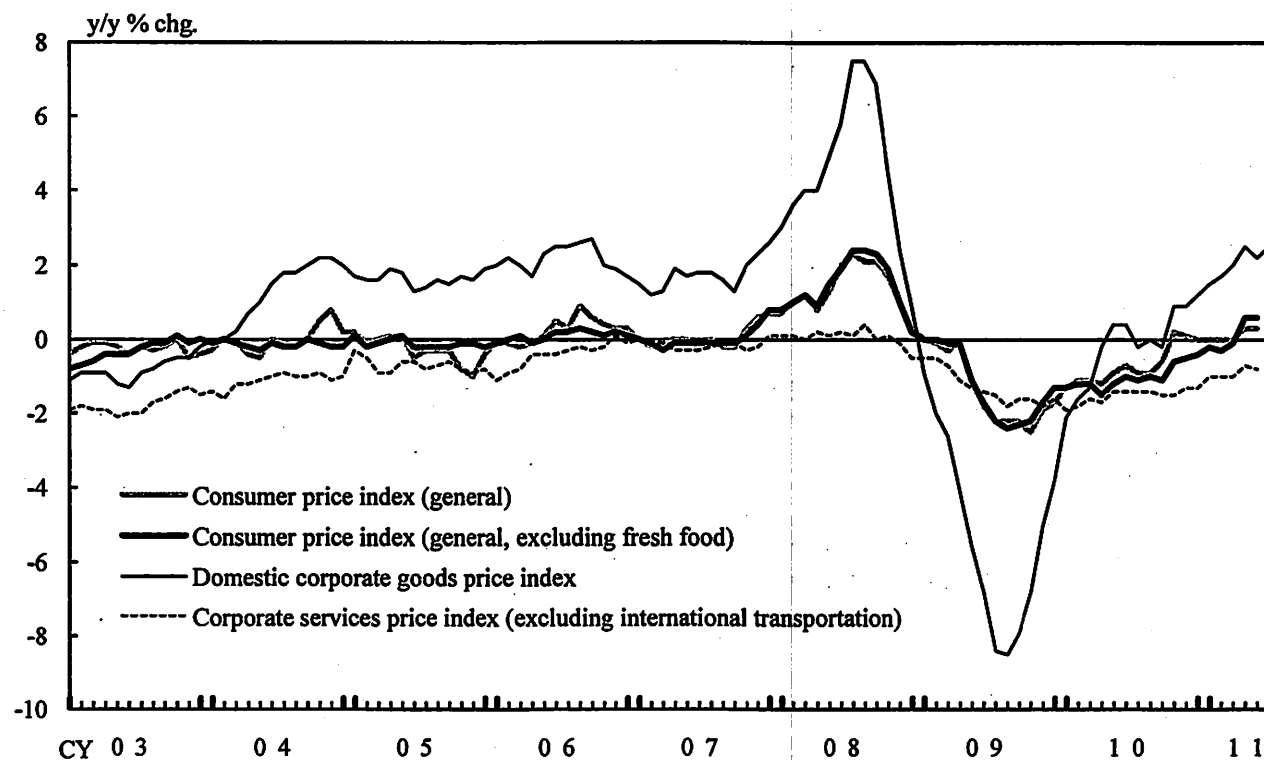
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
Ministry of Internal Affairs and Communications, "Labour Force Survey."

Prices

(1) Level



(2) Changes from a Year Earlier



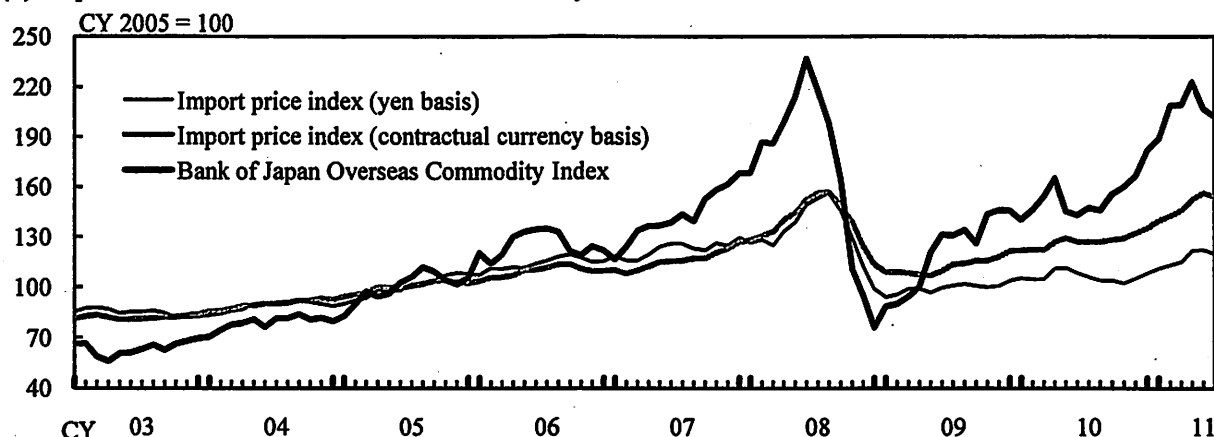
Notes: 1. Seasonally adjusted by X-12-ARIMA.

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

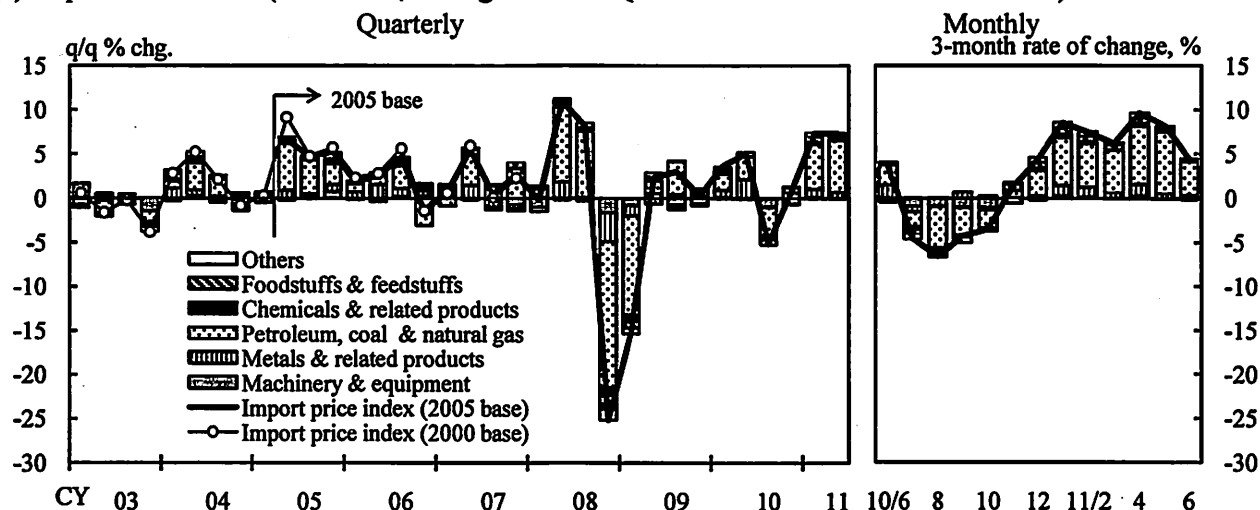
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index."

Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



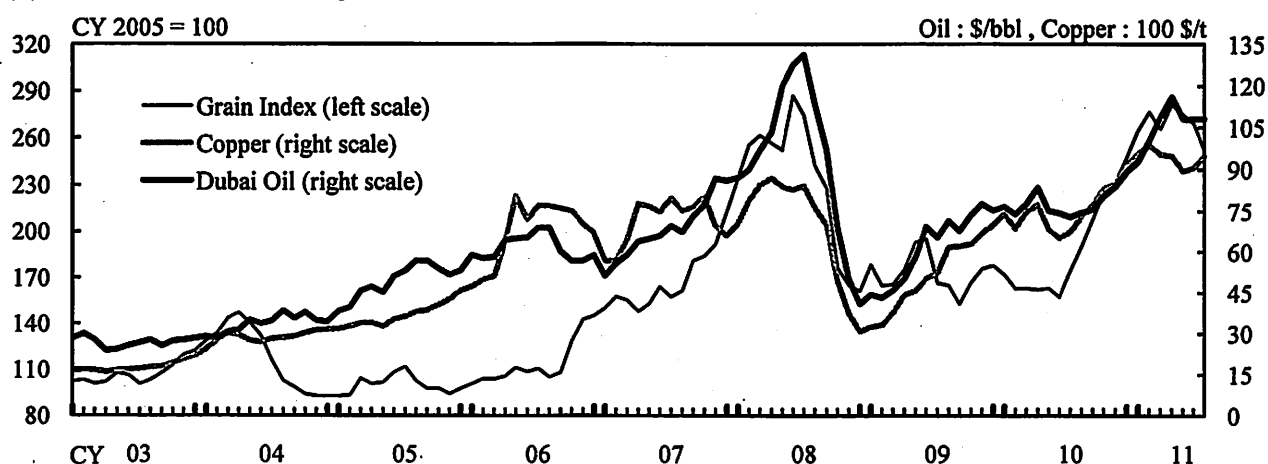
(2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



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

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

(3) International Commodity Prices



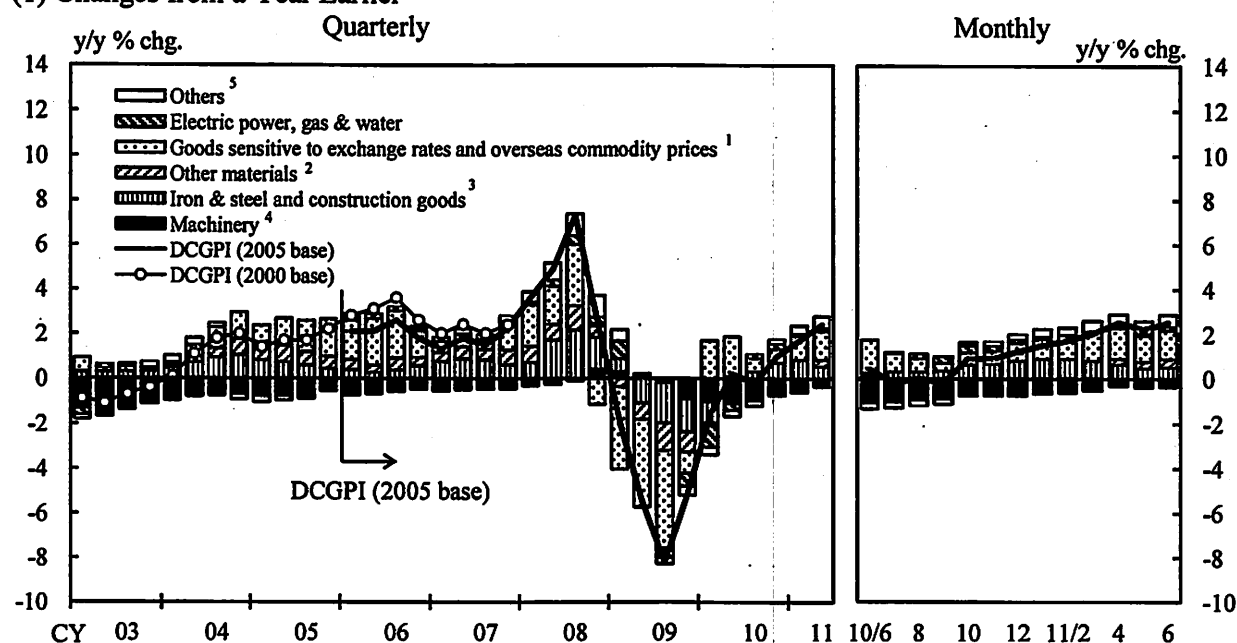
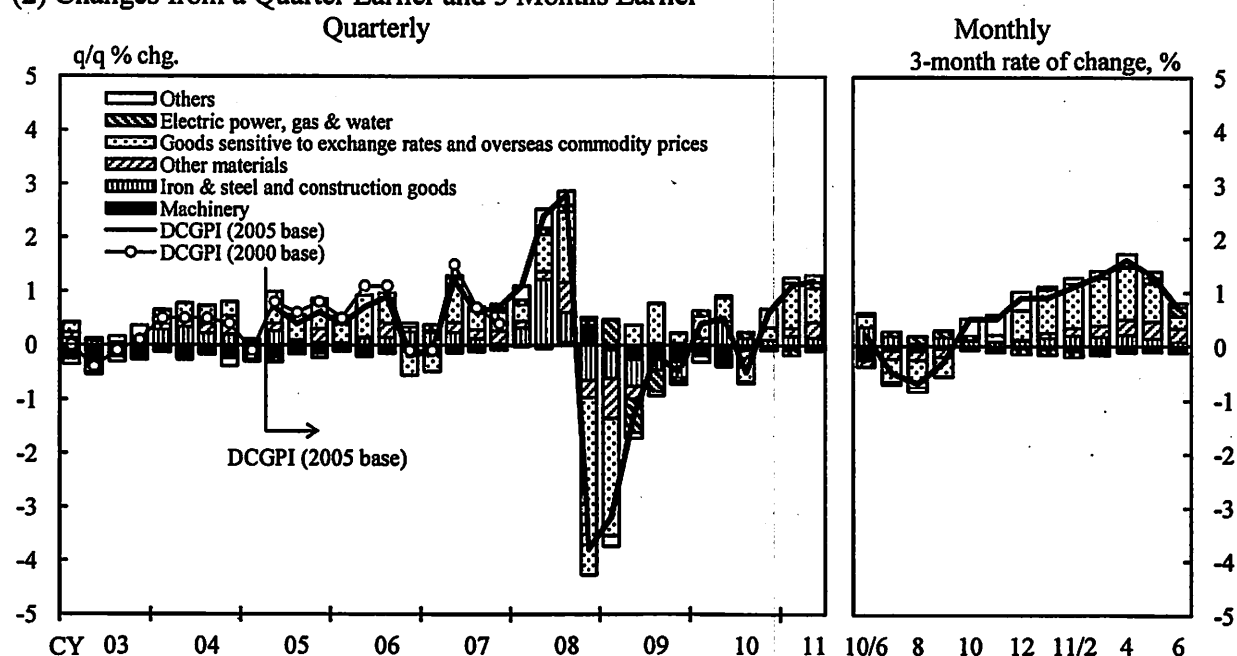
Notes: 1. The "grain index" is the weighted average of prices of three selected items (wheat, soybeans, and corn) in overseas commodity markets. The weights are based on the value of imports in the "Trade Statistics."

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

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

Domestic Corporate Goods Price Index⁷

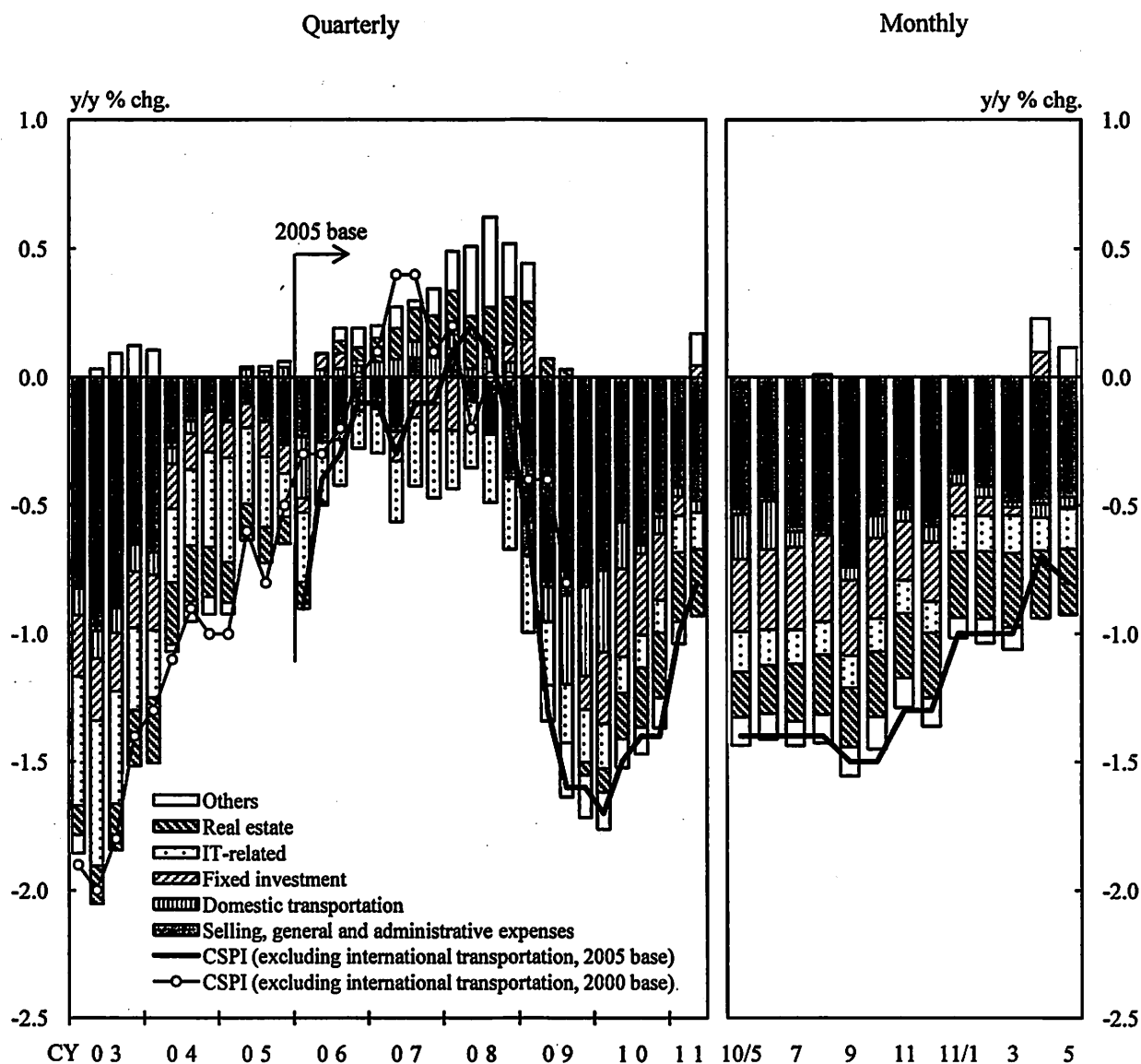
(1) Changes from a Year Earlier

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

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

Corporate Services Price Index

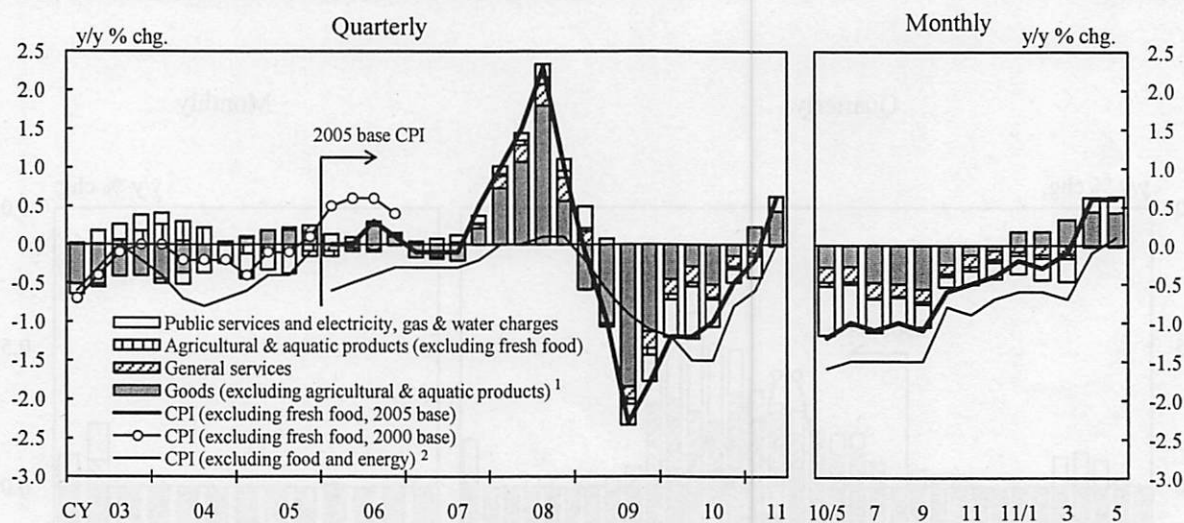
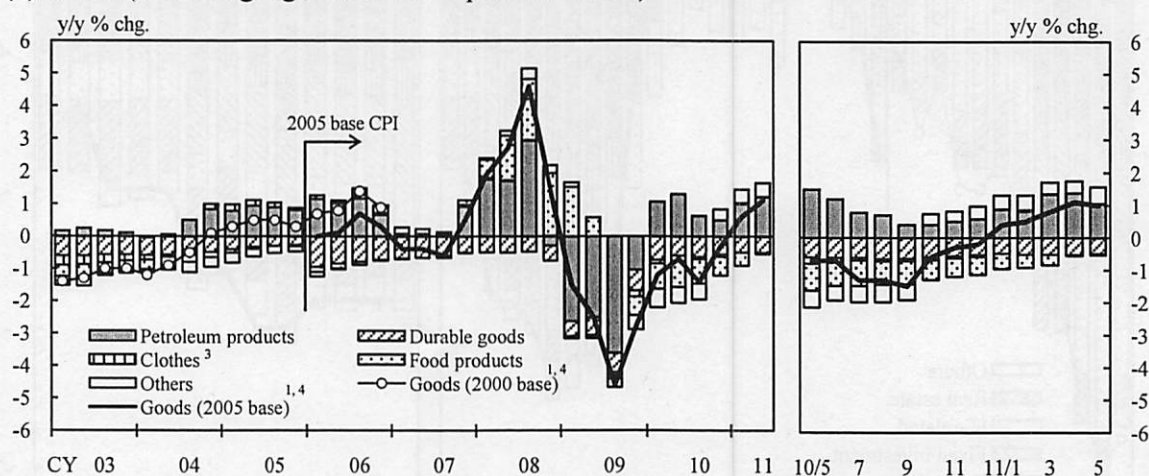


- Notes: 1. Selling, general and administrative expenses: information and communications (excluding newspapers and publishing), advertising services, other services (excluding plant engineering, and civil engineering and architectural services).
 2. Domestic transportation: transportation (excluding 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/Q2 are April-May averages. Figures for 2009/Q3 on the 2000 base are July-August averages.

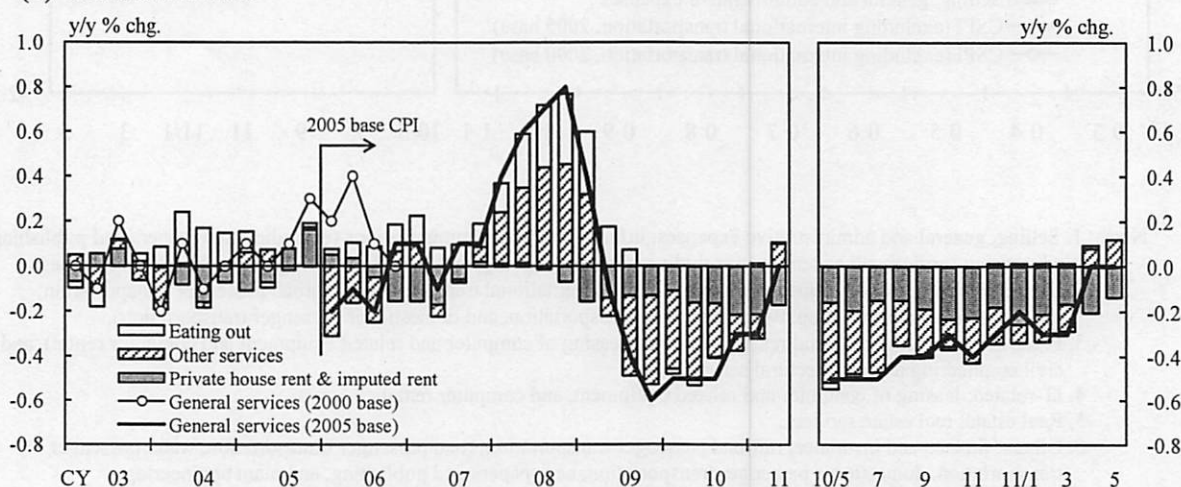
Source: Bank of Japan, "Corporate Services Price Index."

Consumer Price Index (Excluding Fresh Food)

(1) Consumer Price Index (Excluding Fresh Food)

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

(3) General Services



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

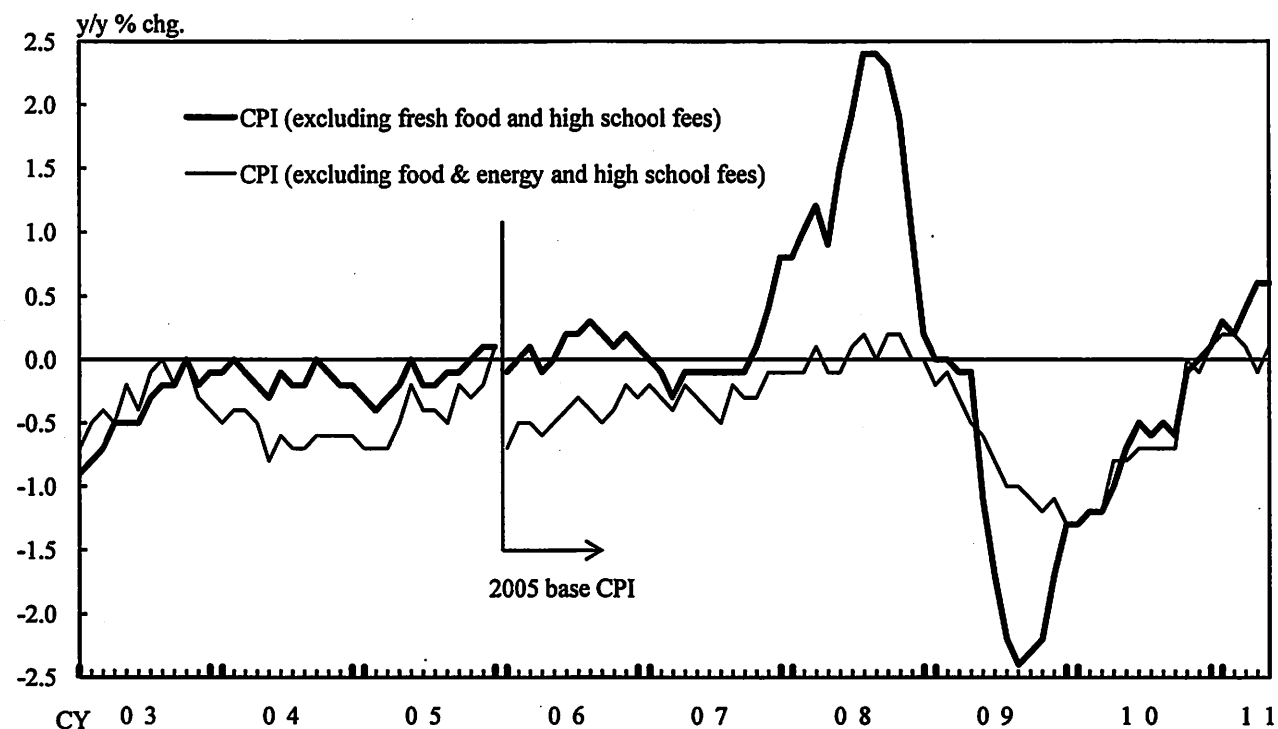
4. Excluding agricultural & aquatic products.

5. Figures for 2011/Q2 are April-May averages.

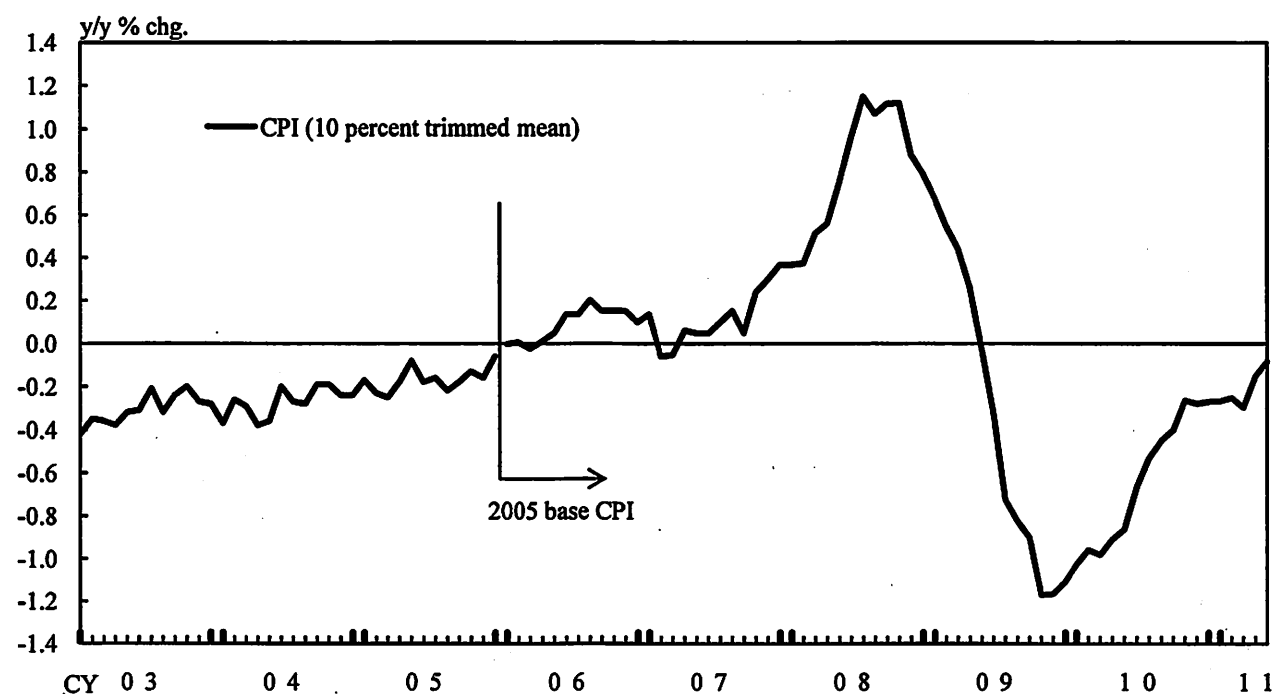
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Trend Changes in Consumer Prices

(1) CPI Excluding High School Fees



(2) Trimmed Mean



Notes: 1. Alcoholic beverages are excluded from food. Energy: electricity, gas manufactured & piped, liquefied propane, kerosene, and gasoline.

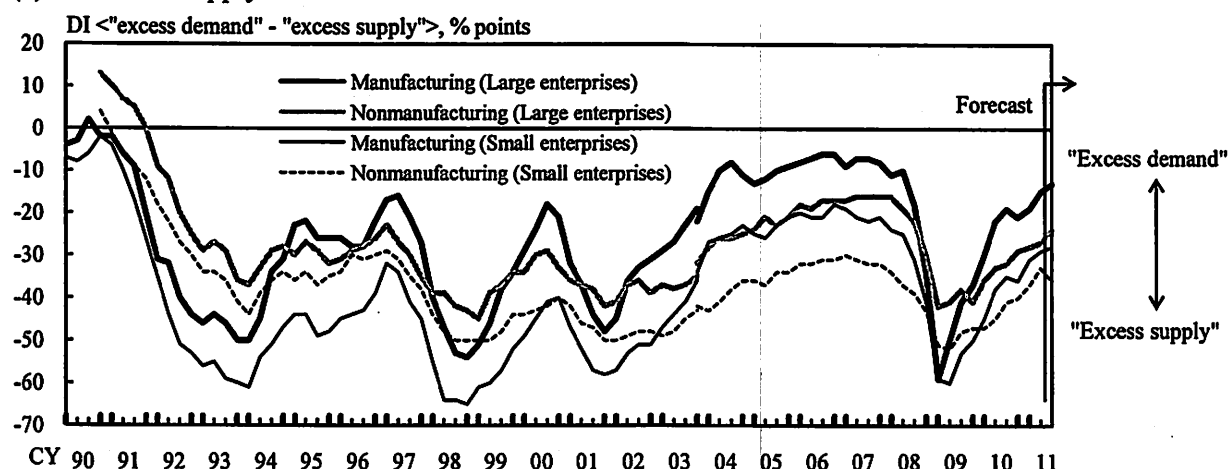
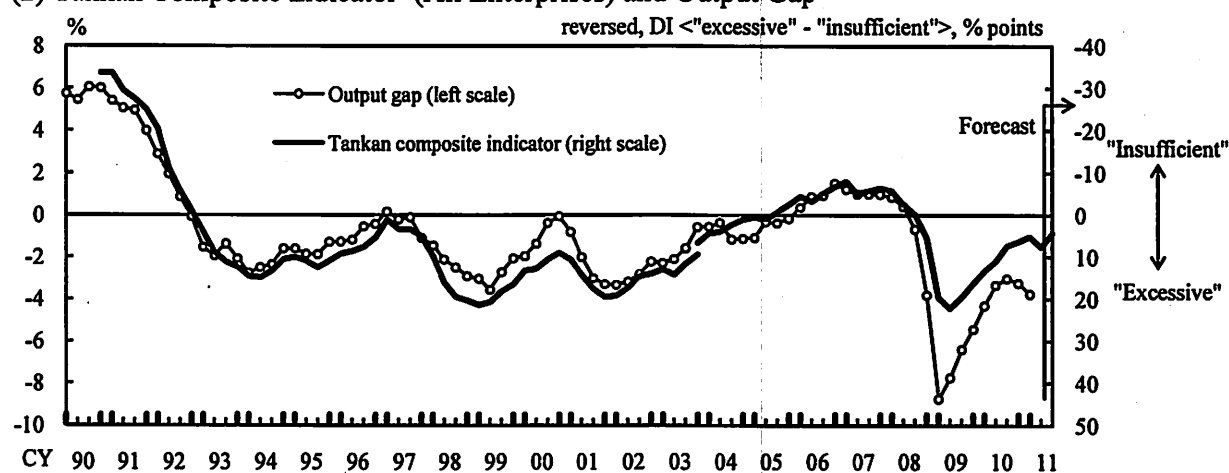
2. High school fees: high school fees (public) and high school fees (private).

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.

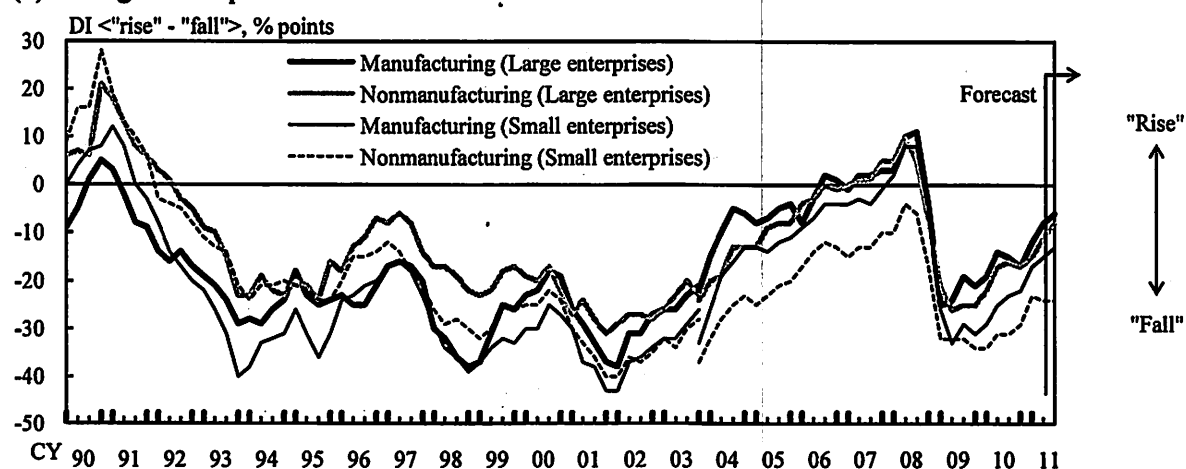
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

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.

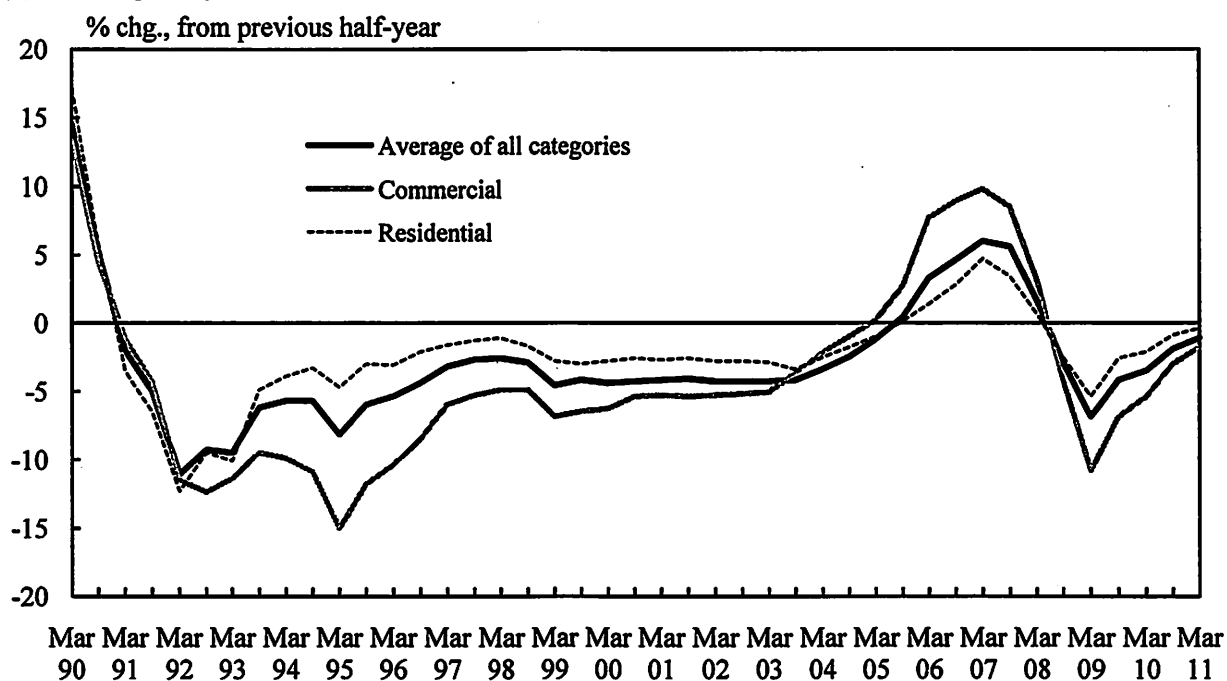
2. Figures are weighted averages of the production capacity DI and employment conditions DI. The FY 1990-2009 averages of capital and labor shares in the "National Accounts" are used as the weight.

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.

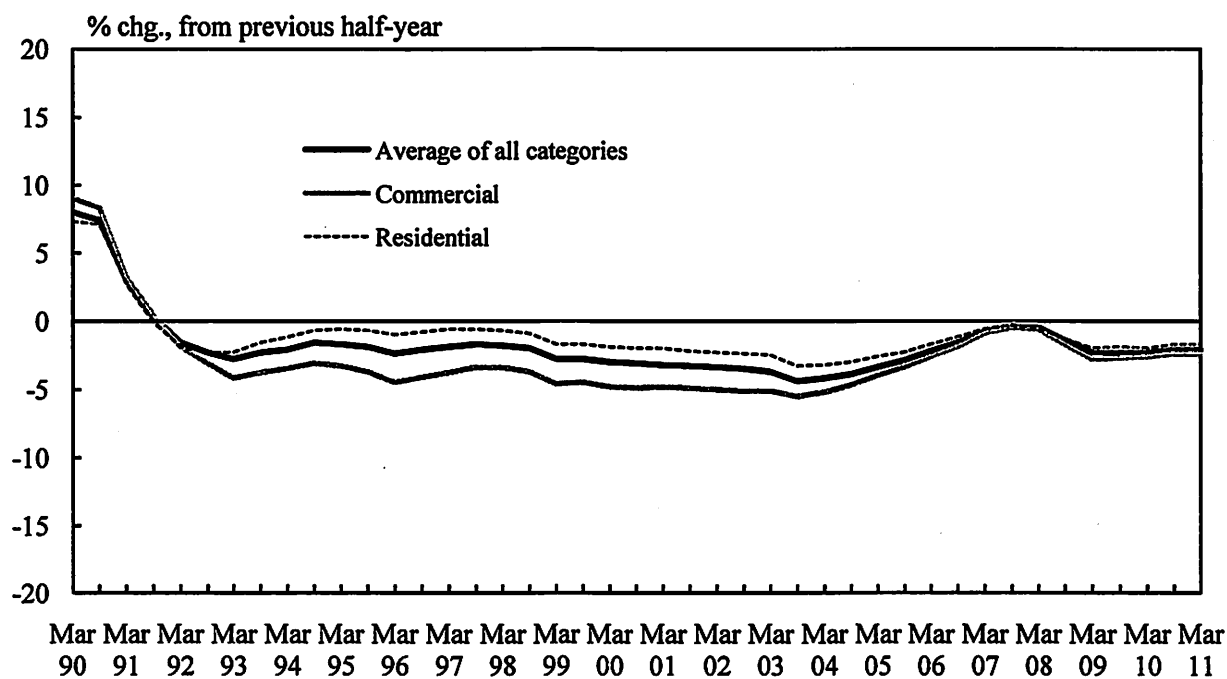
Sources: Cabinet Office, "National Accounts";
Bank of Japan, "Tankan", Short-Term Economic Survey of Enterprises in Japan," etc.

Urban Land Price Index

(1) Six Large City Areas



(2) Excluding Six Large City Areas



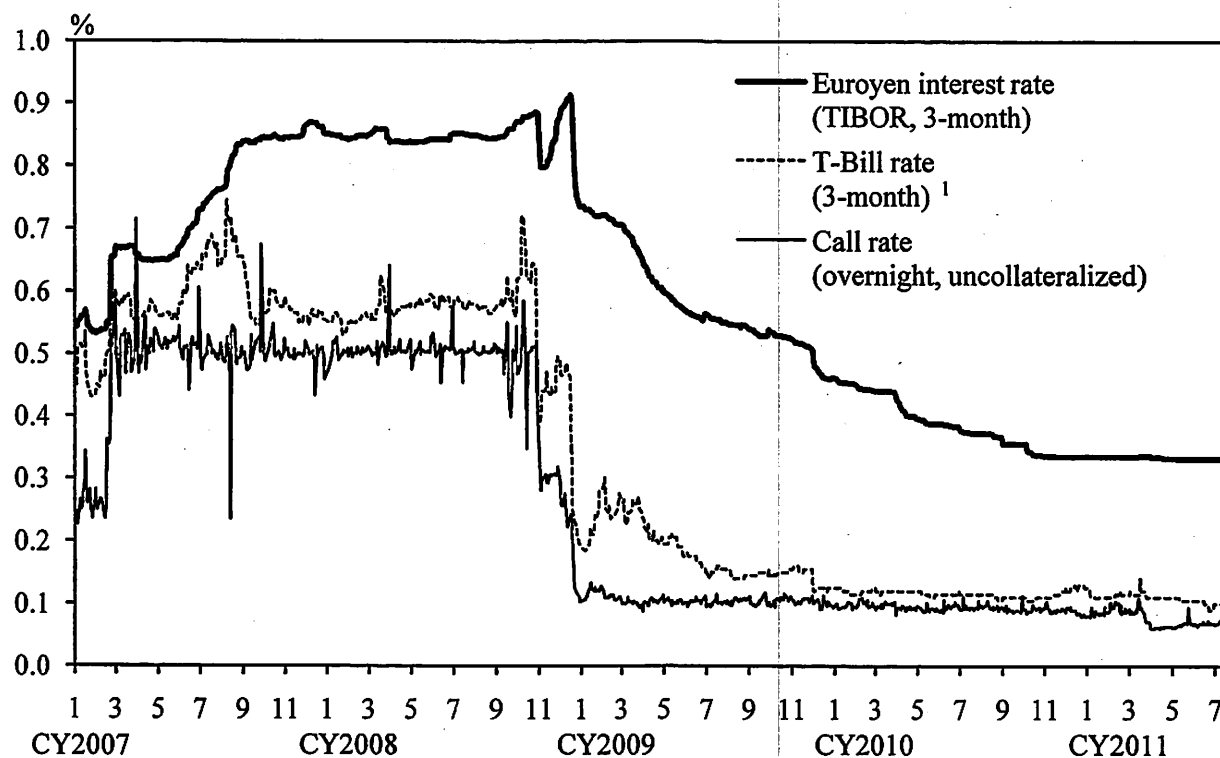
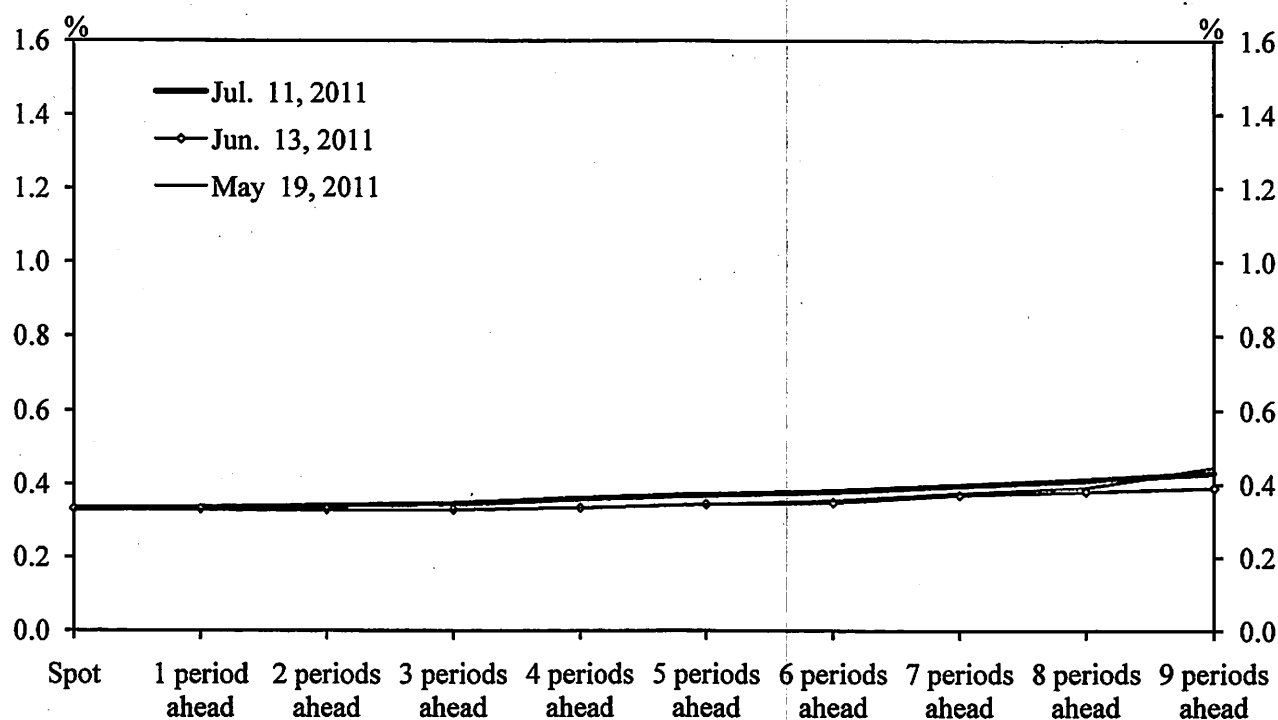
Notes: 1. The Urban Land Price Index is based on surveys conducted at the end of March and September each year.

2. Six Large City Areas are Tokyo Metropolitan wards, Yokohama, Nagoya, Kyoto, Osaka, and Kobe.

Source: Japan Real Estate Institute, "Urban Land Price Index."

Short-Term Interest Rates

(1) Short-Term Interest Rates

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

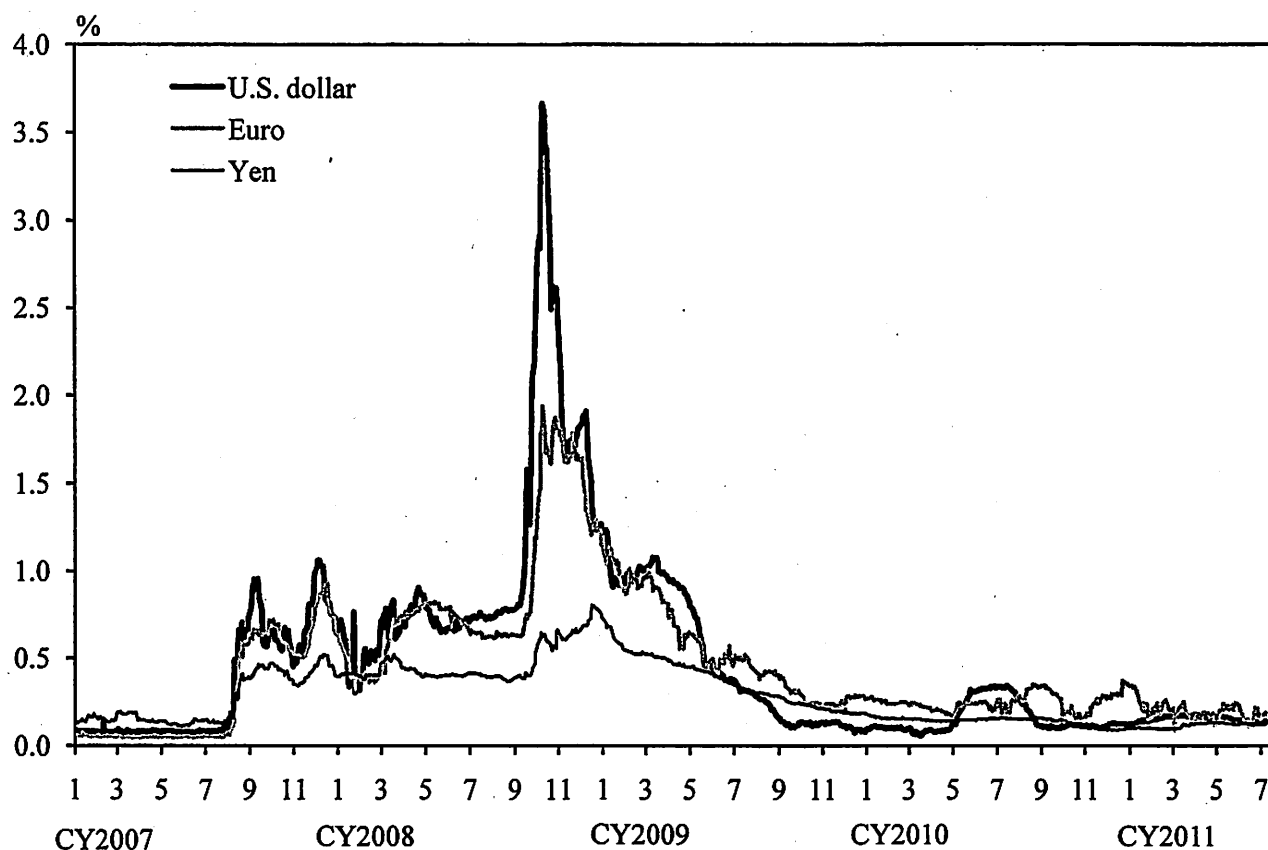
Notes: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.

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

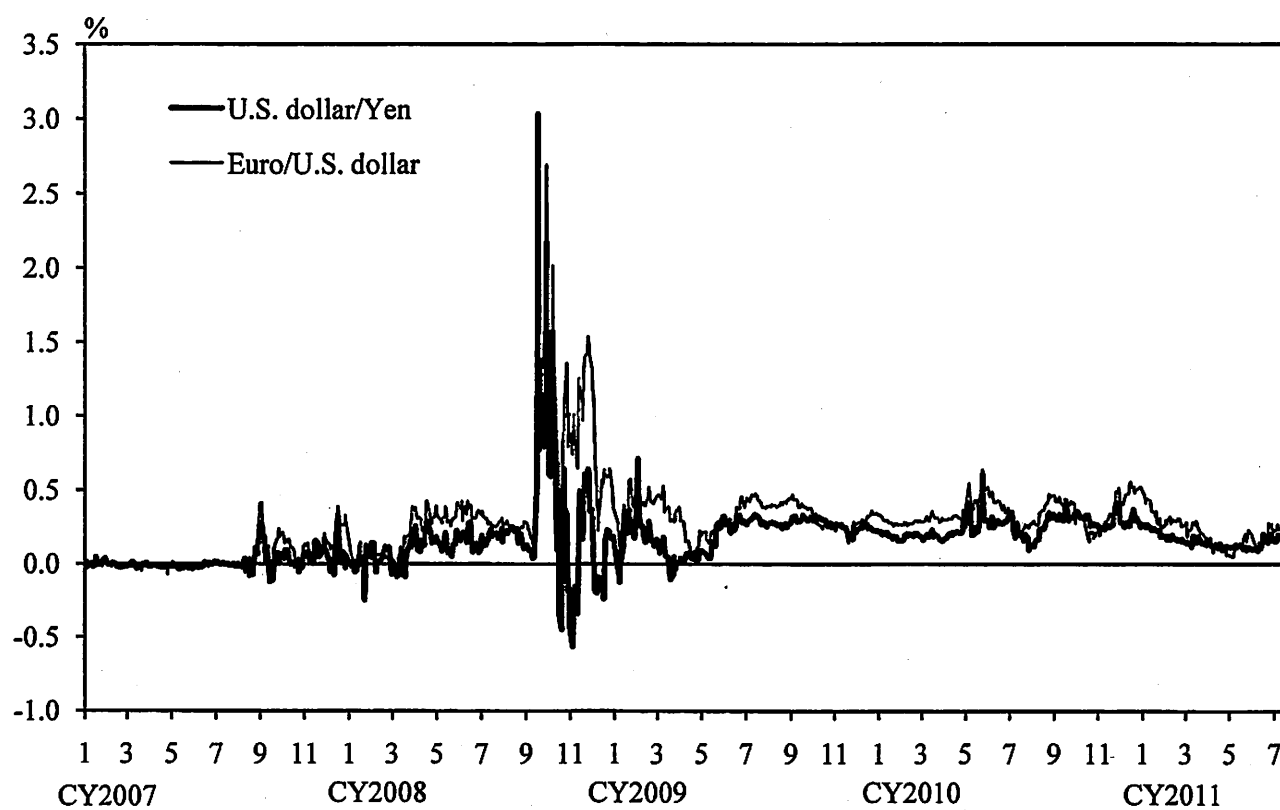
Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.; Tokyo Financial Exchange; Bank of Japan.

Global Money Markets

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

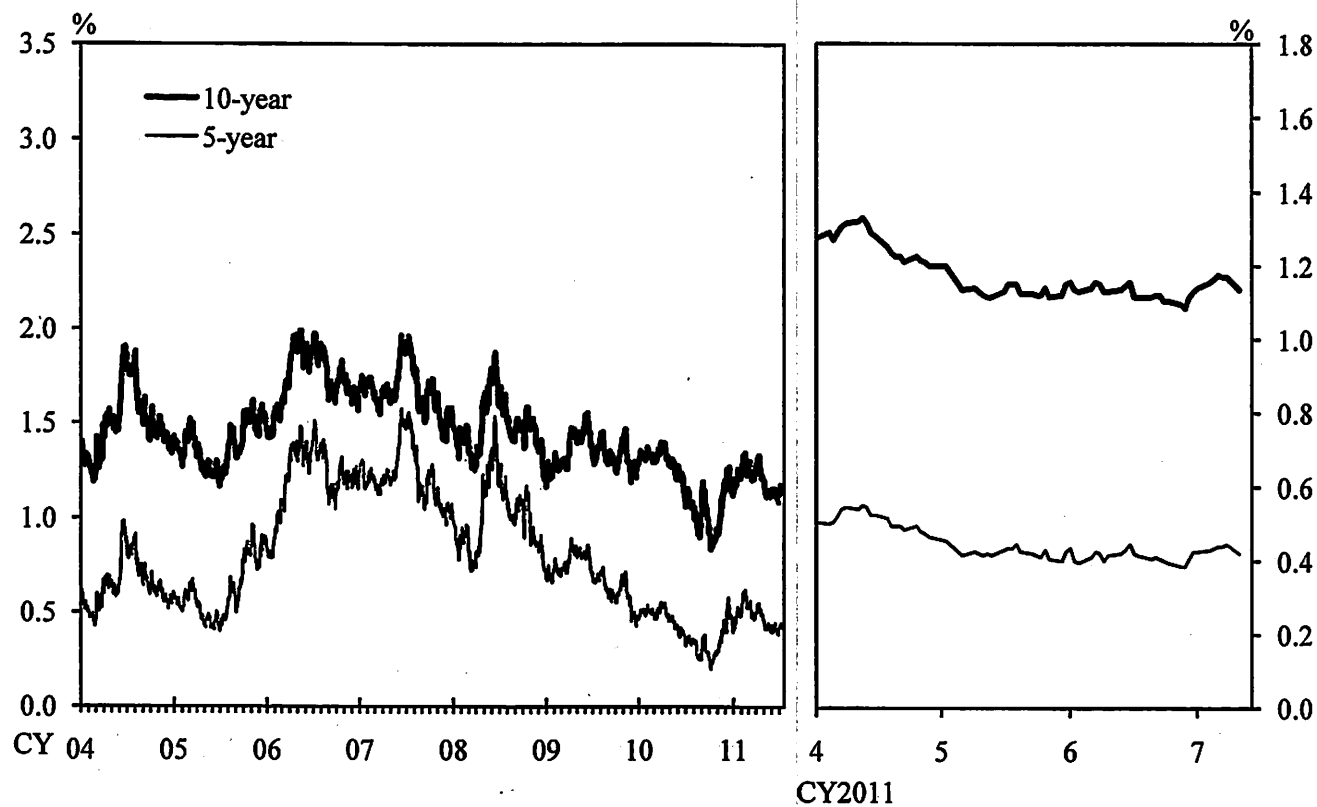


(2) FX swap implied dollar rate - LIBOR spreads (3-Month)

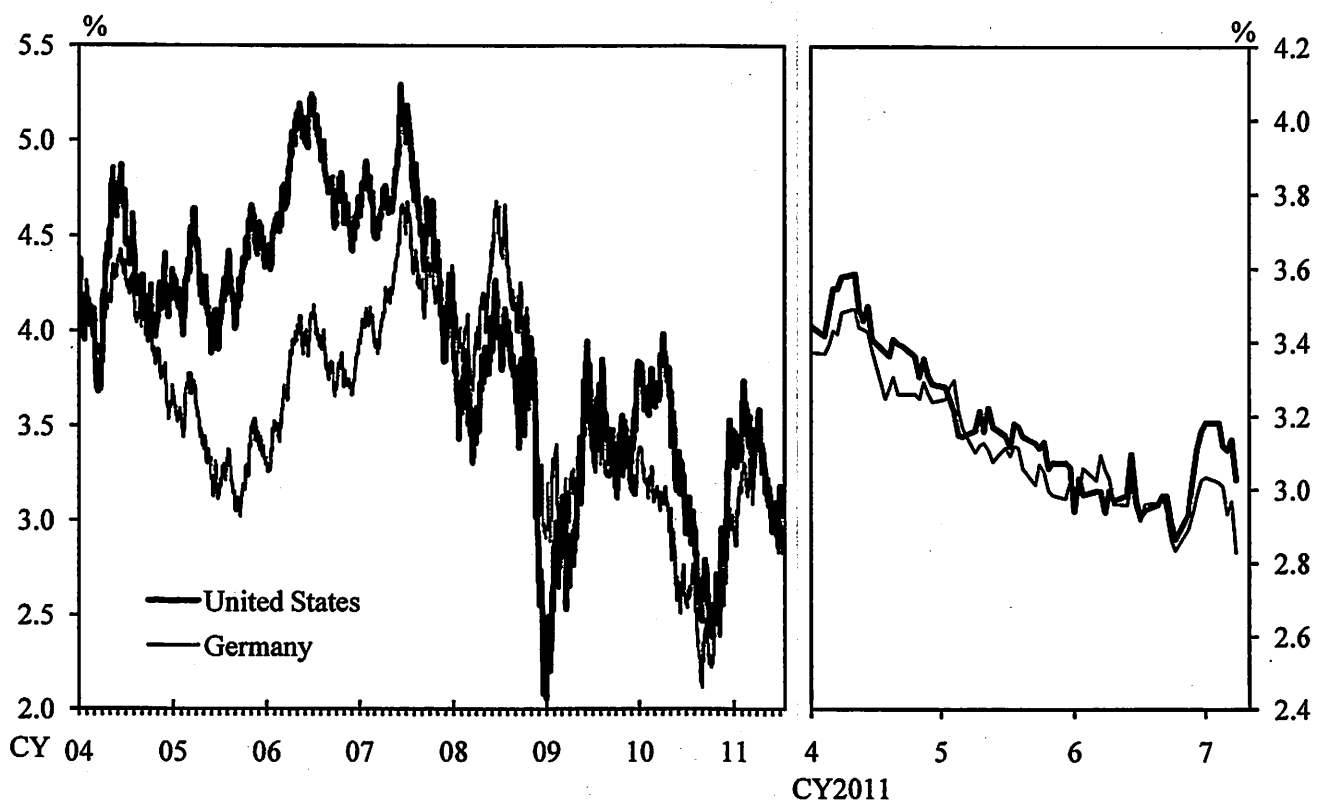


Source: Bloomberg.

Long-Term Interest Rates

(1) Japanese Government Bond Yields¹

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

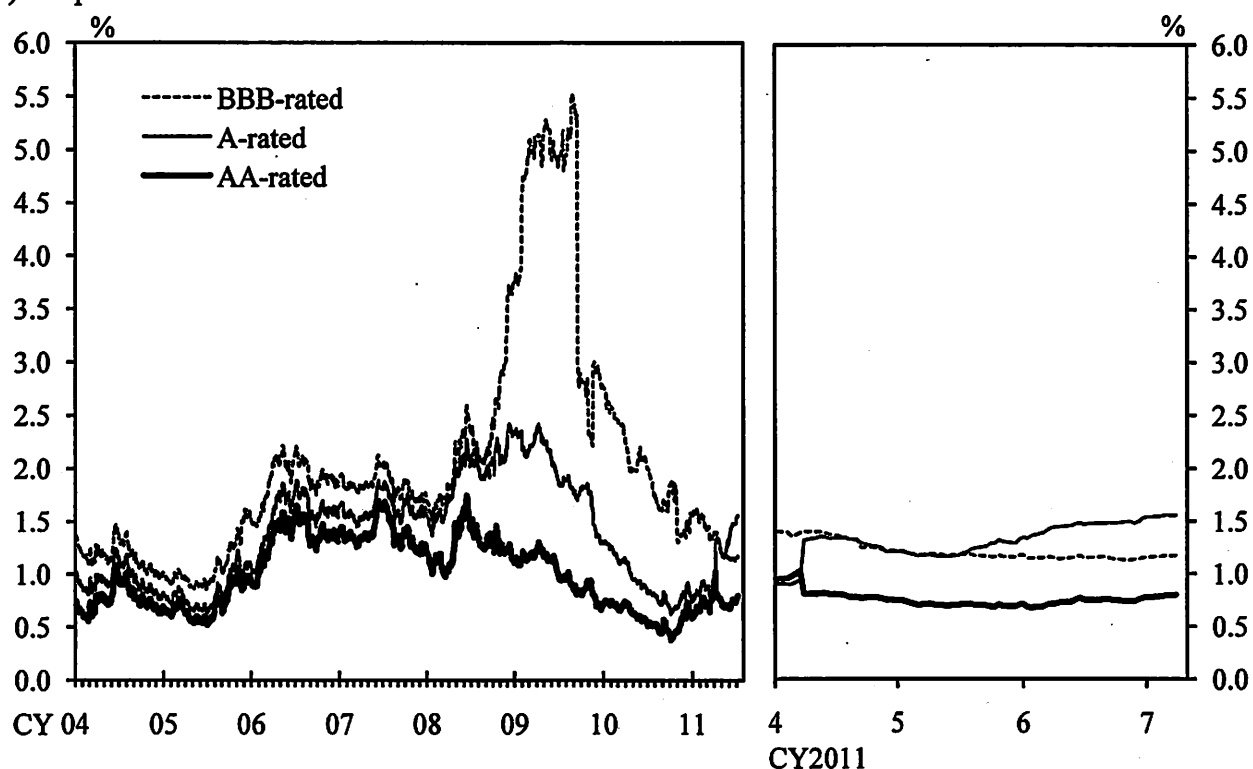


Note: 1. Yields on newly issued bonds.

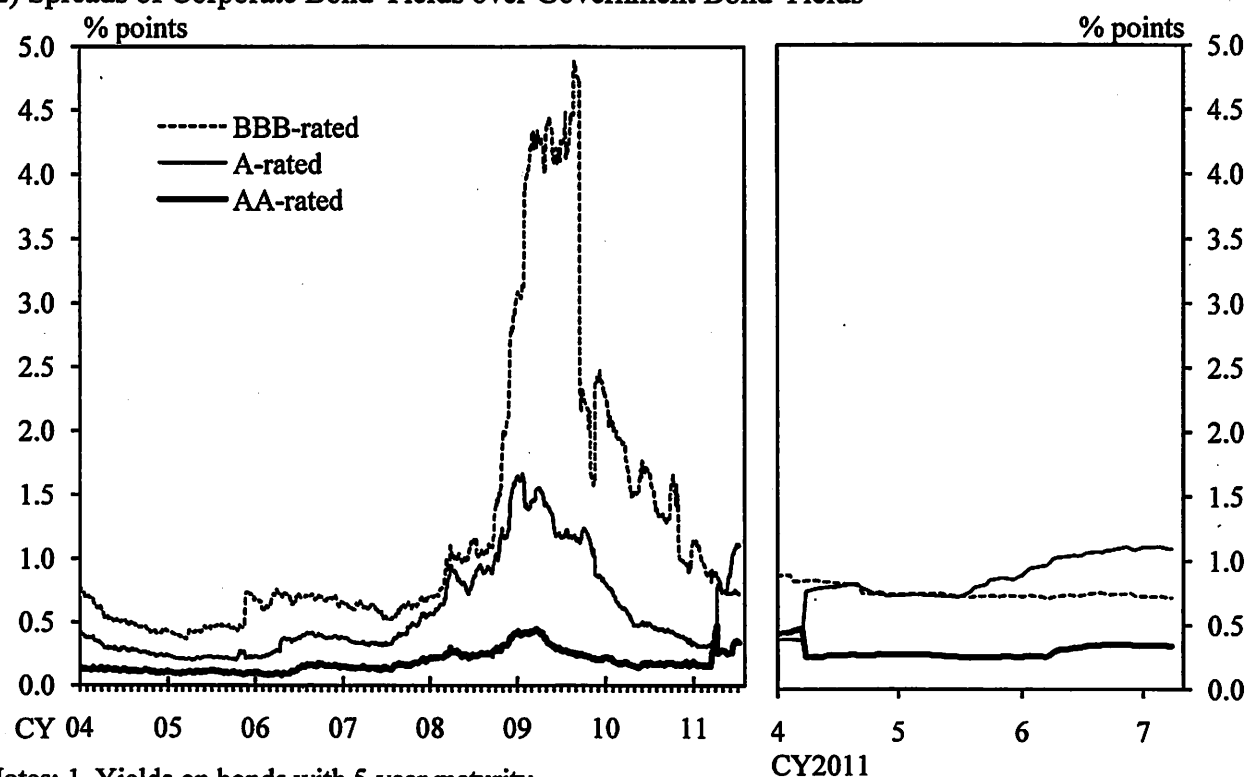
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

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.

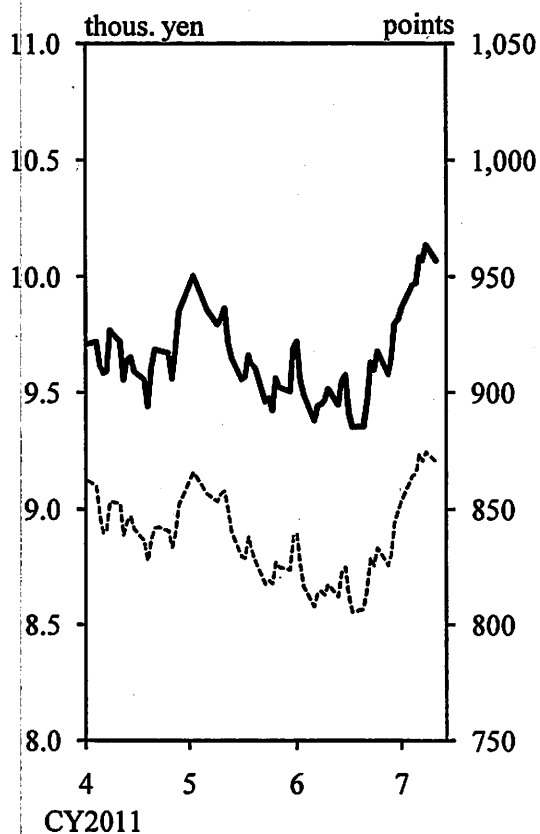
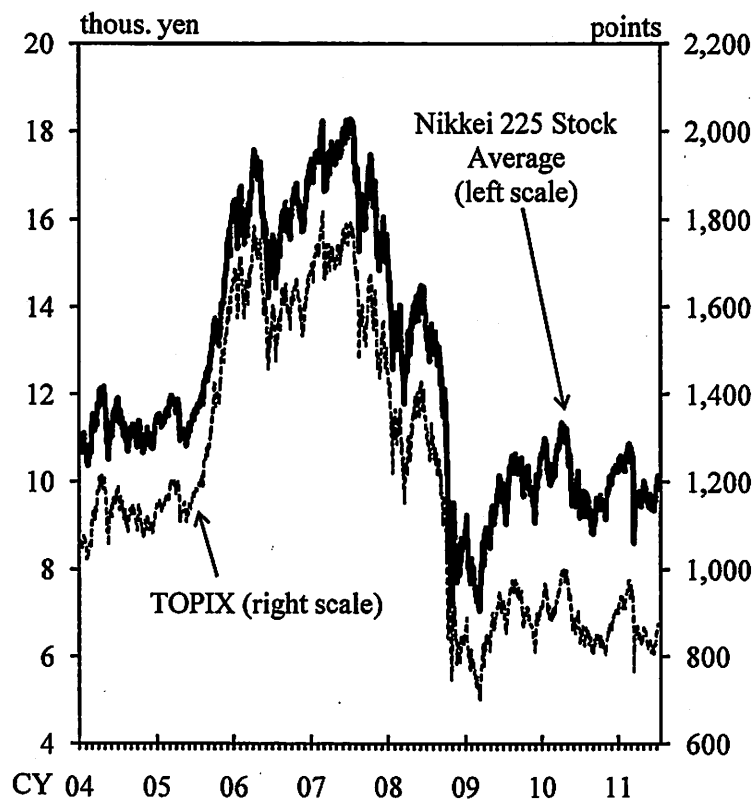
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.

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

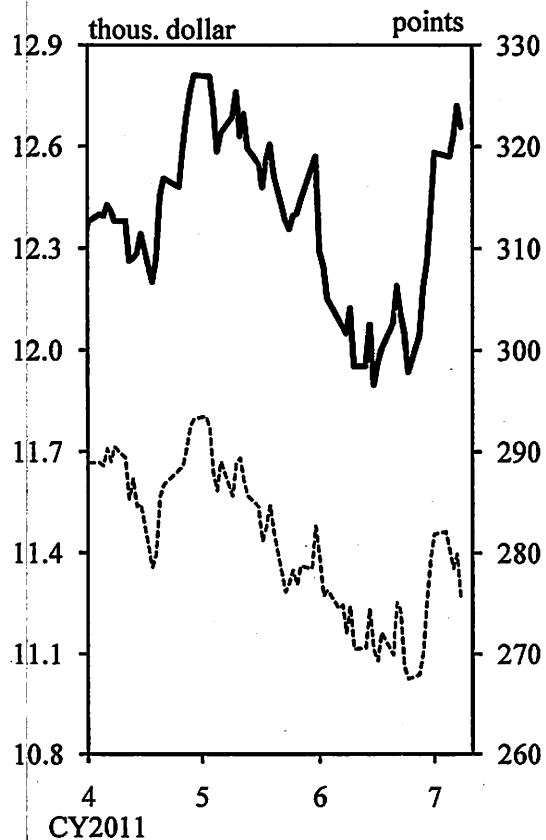
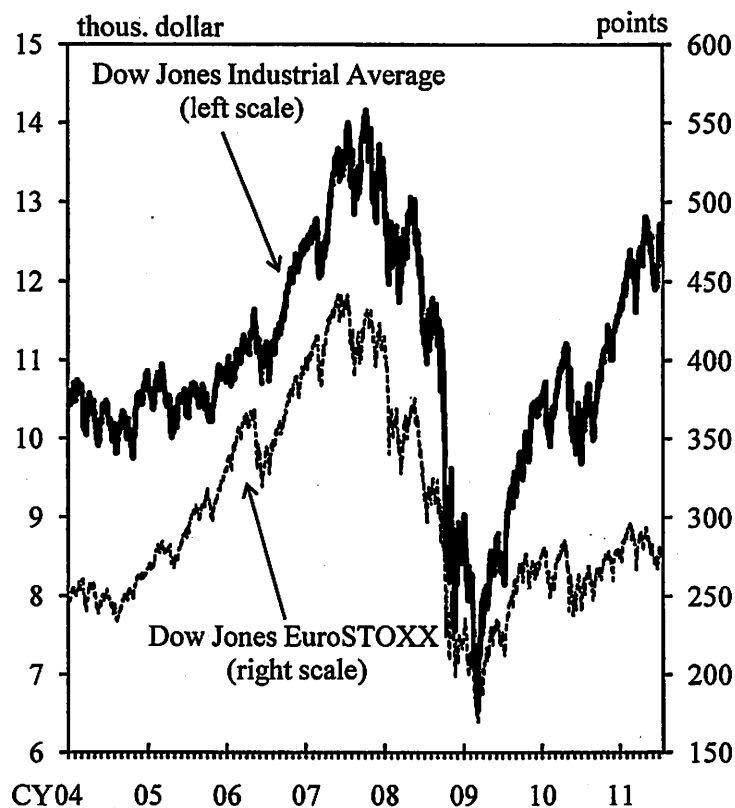
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Japanese Stock Prices

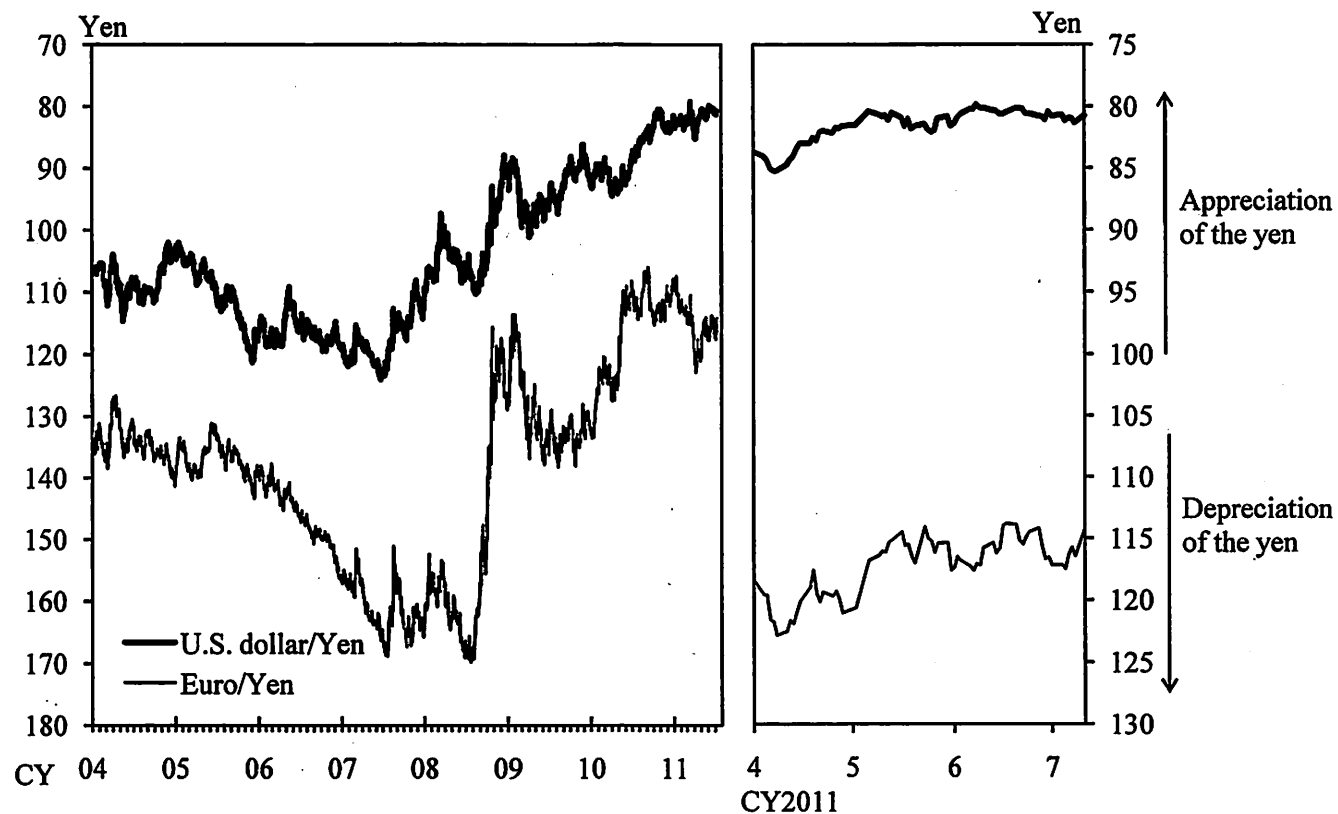


(2) Overseas Stock Prices

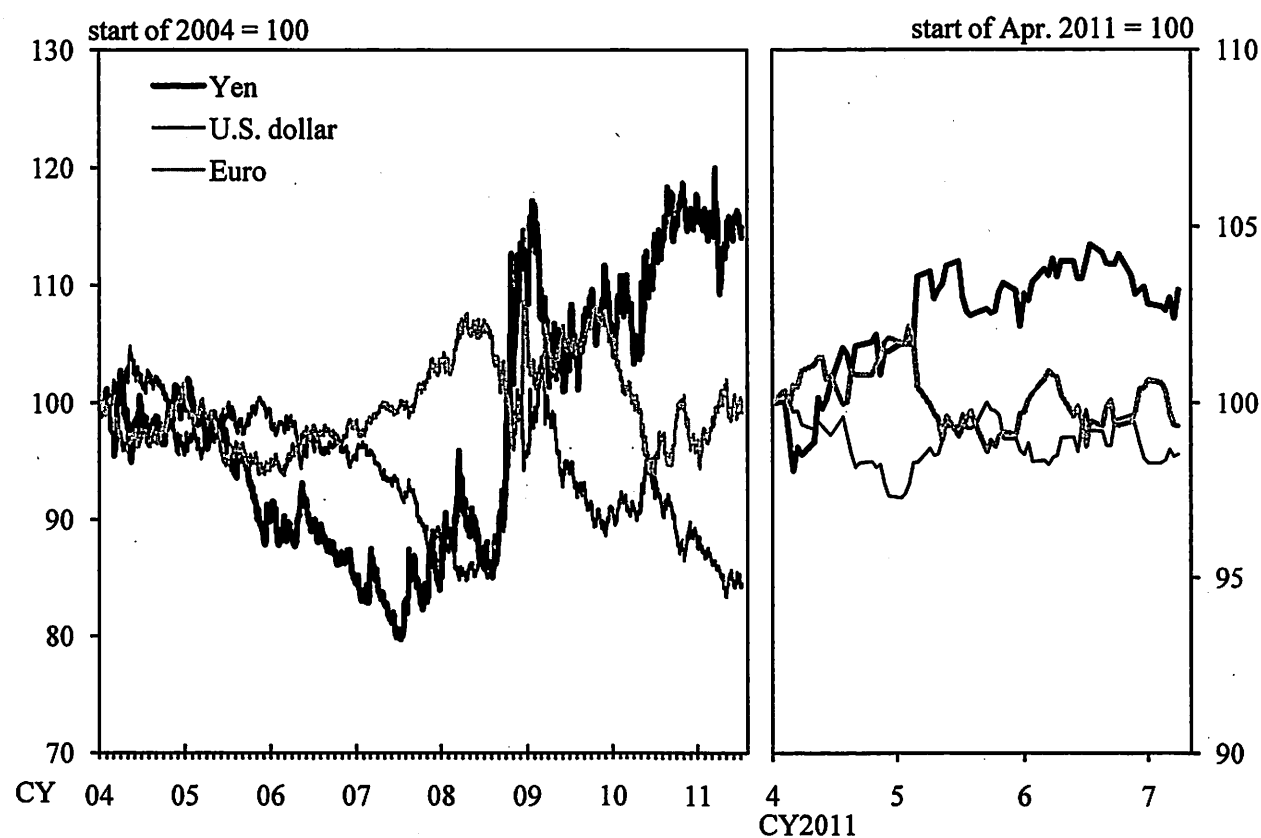


Exchange Rates

(1) Bilateral Exchange Rates



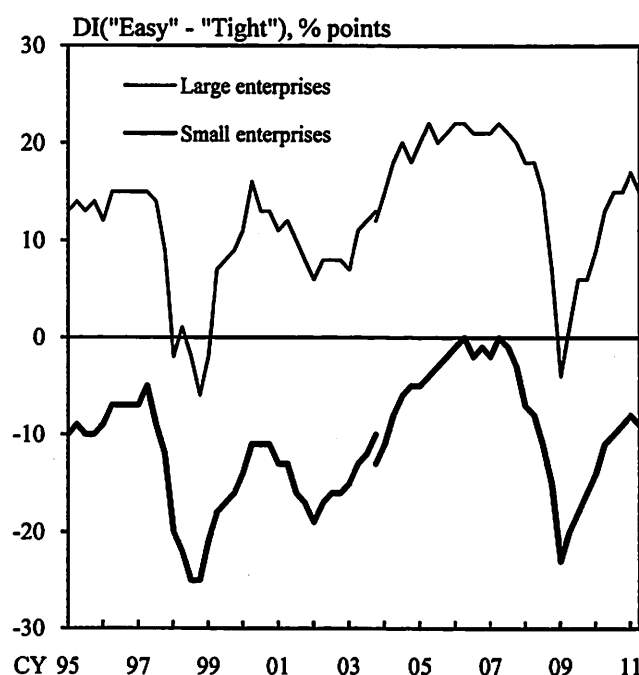
(2) Nominal Effective Exchange Rates



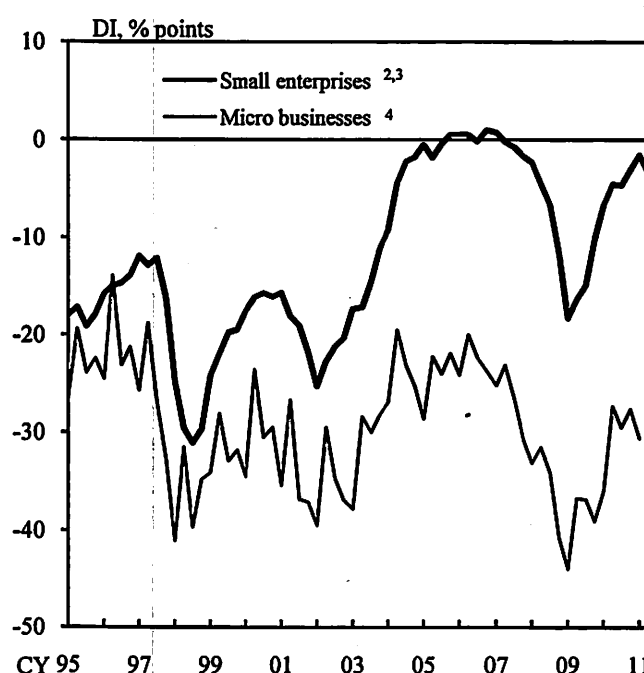
Sources: Bank of Japan; European Central Bank; Bloomberg.

Corporate Finance-Related Indicators

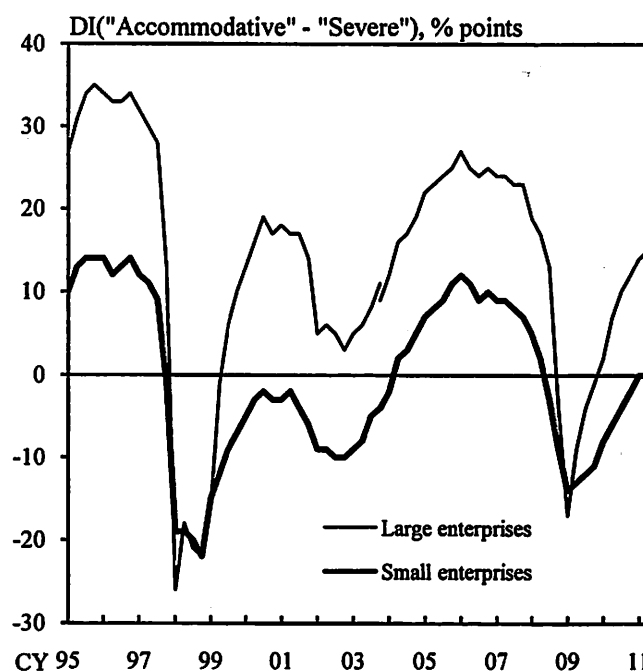
(1) Financial Position

<Tankan¹>

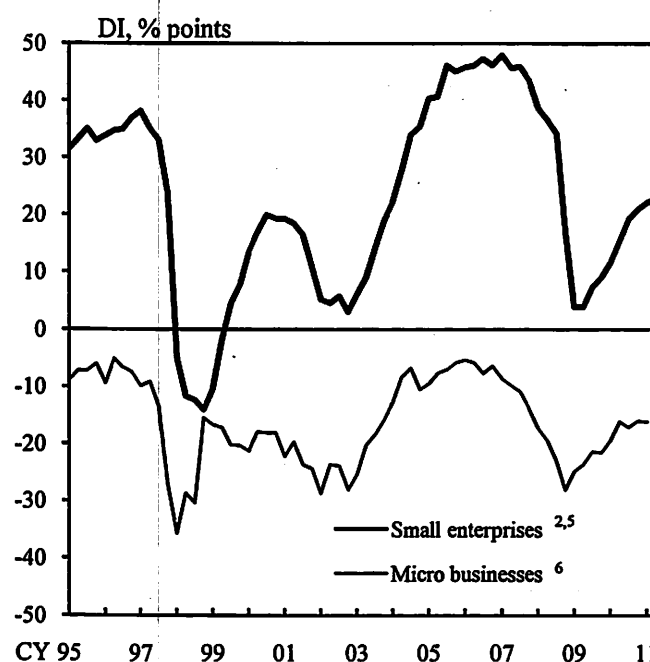
<Japan Finance Corporation Survey>



(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."

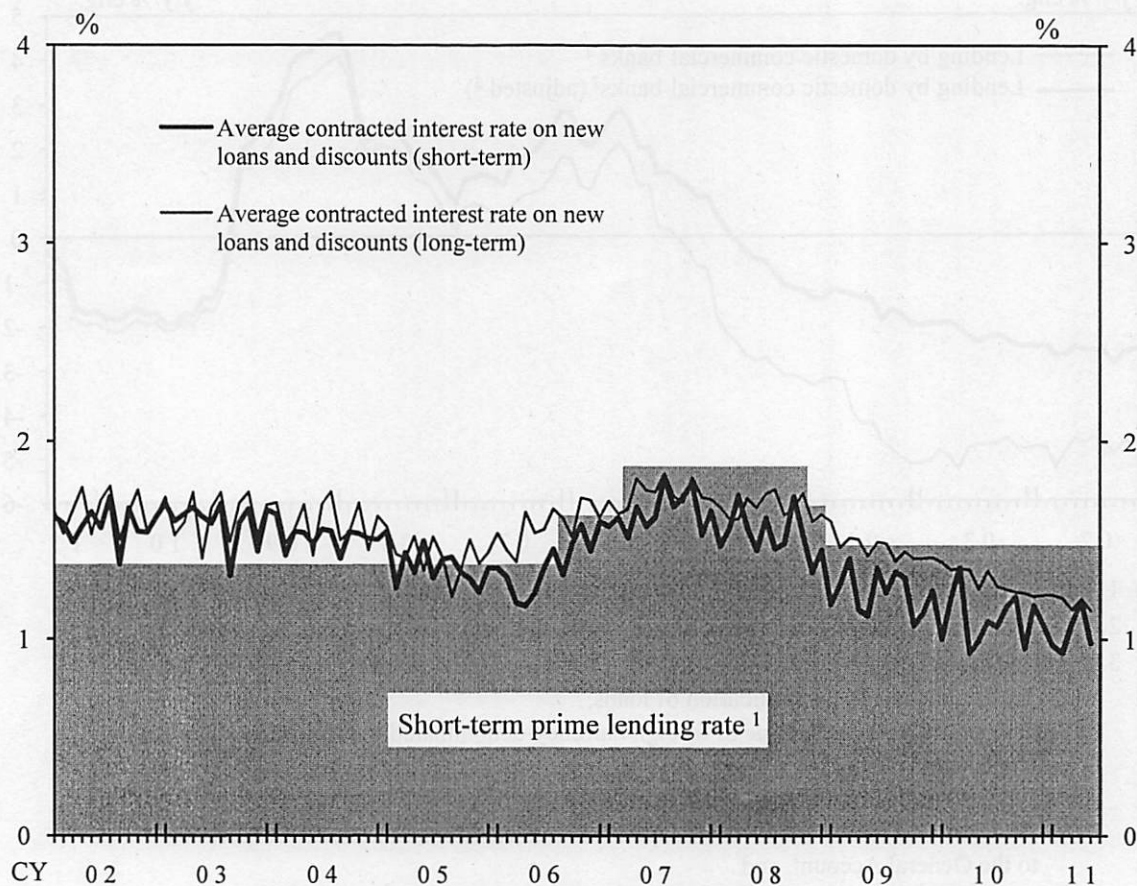
4. DI of "Easier" - "Tighter."

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

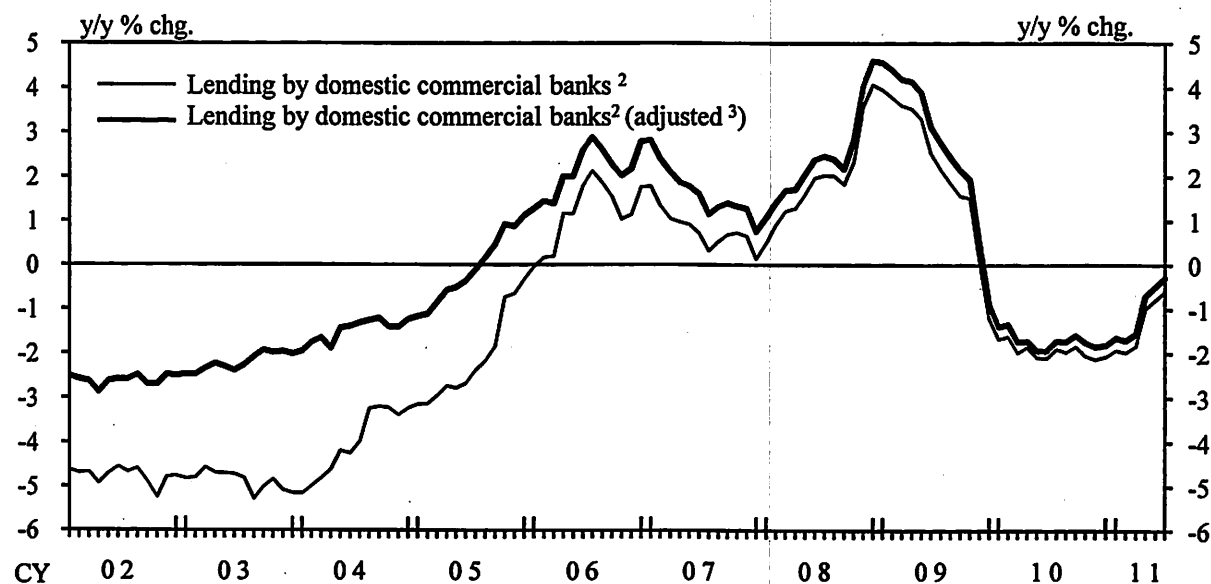


Note: 1. Data are at end of period.

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,

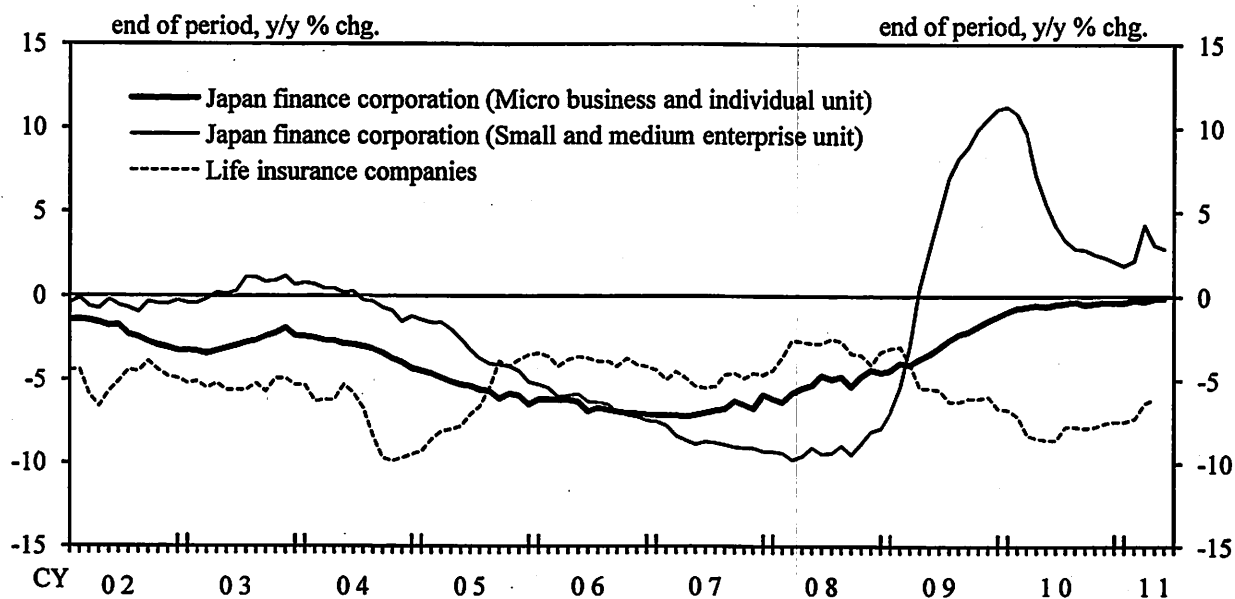
(2) fluctuations in the yen value of foreign currency-denominated loans due to changes in exchange rates,

(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

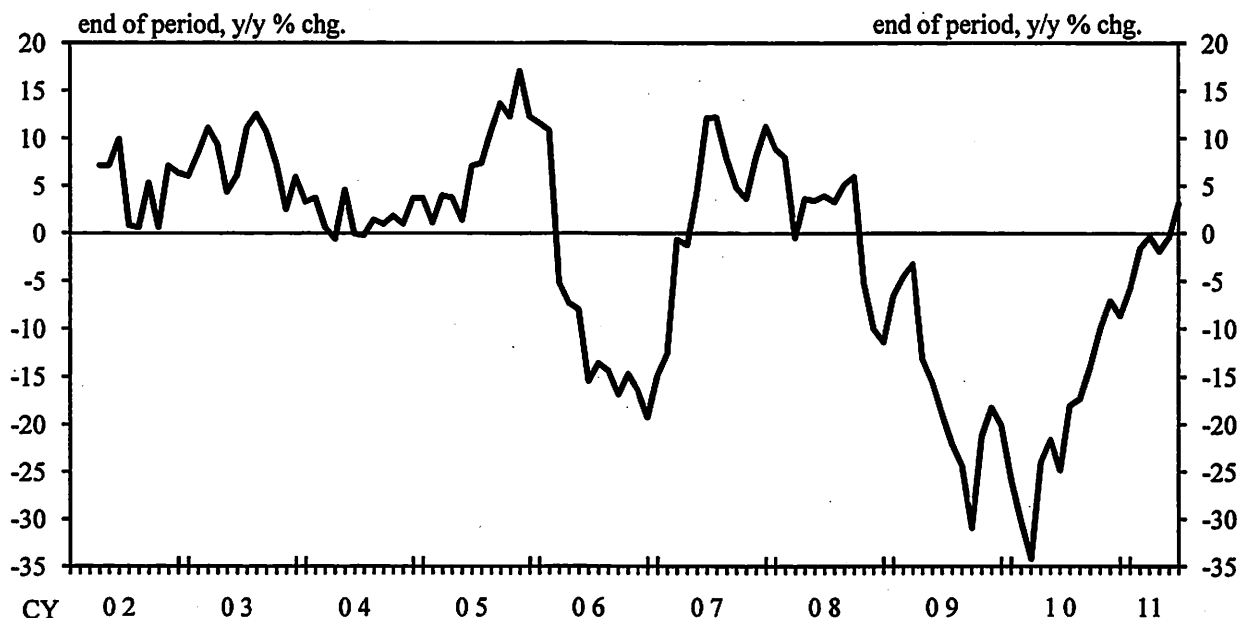


Note: The figures of the Japan Finance Corporation (Small and Medium Enterprise Unit) exclude the amounts outstanding of lending to the Credit Guarantee Corporations.

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

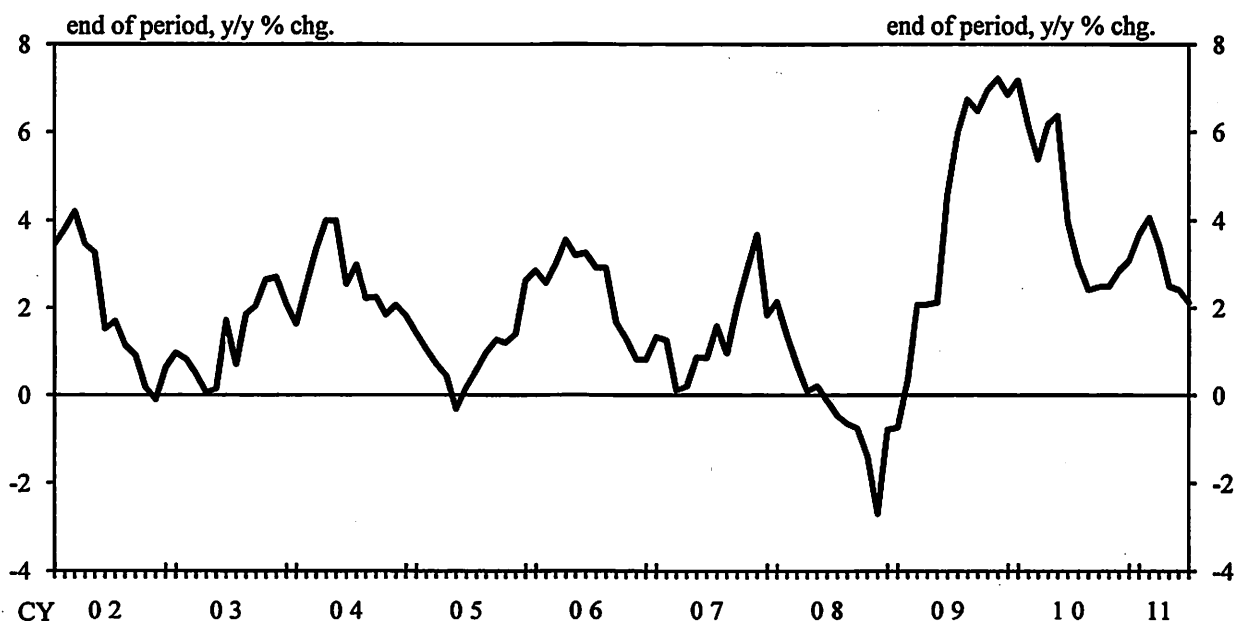
Private-Sector Fund-Raising in the Capital Markets

(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



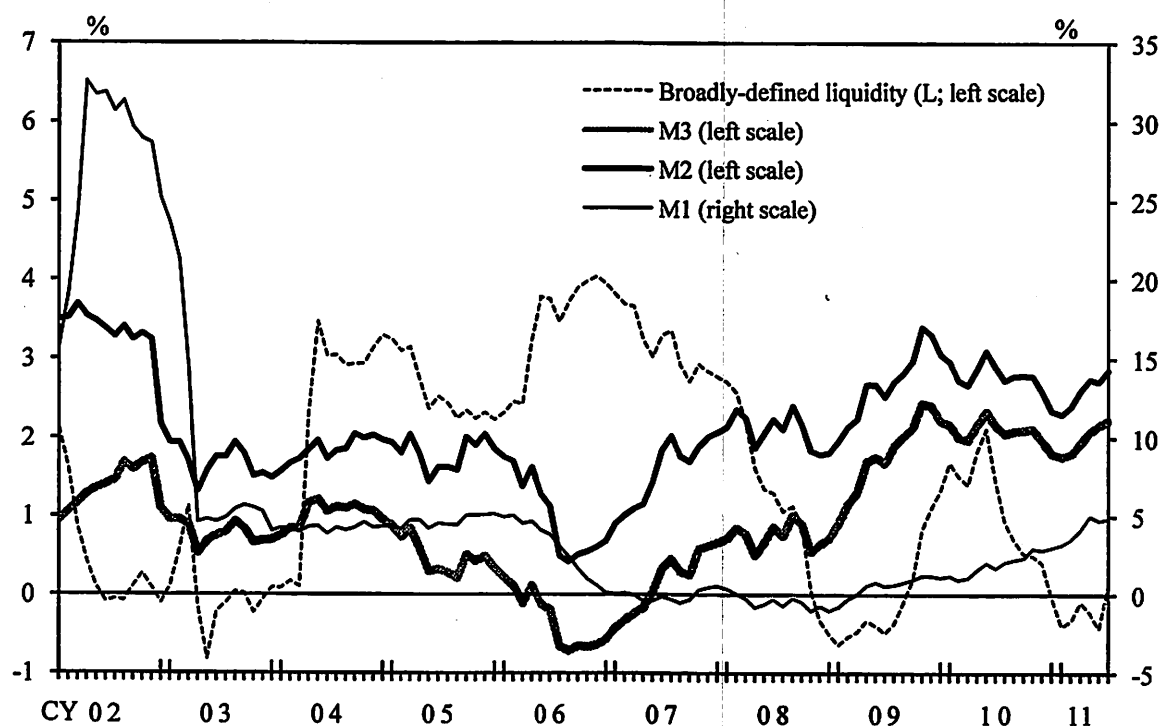
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

- (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.

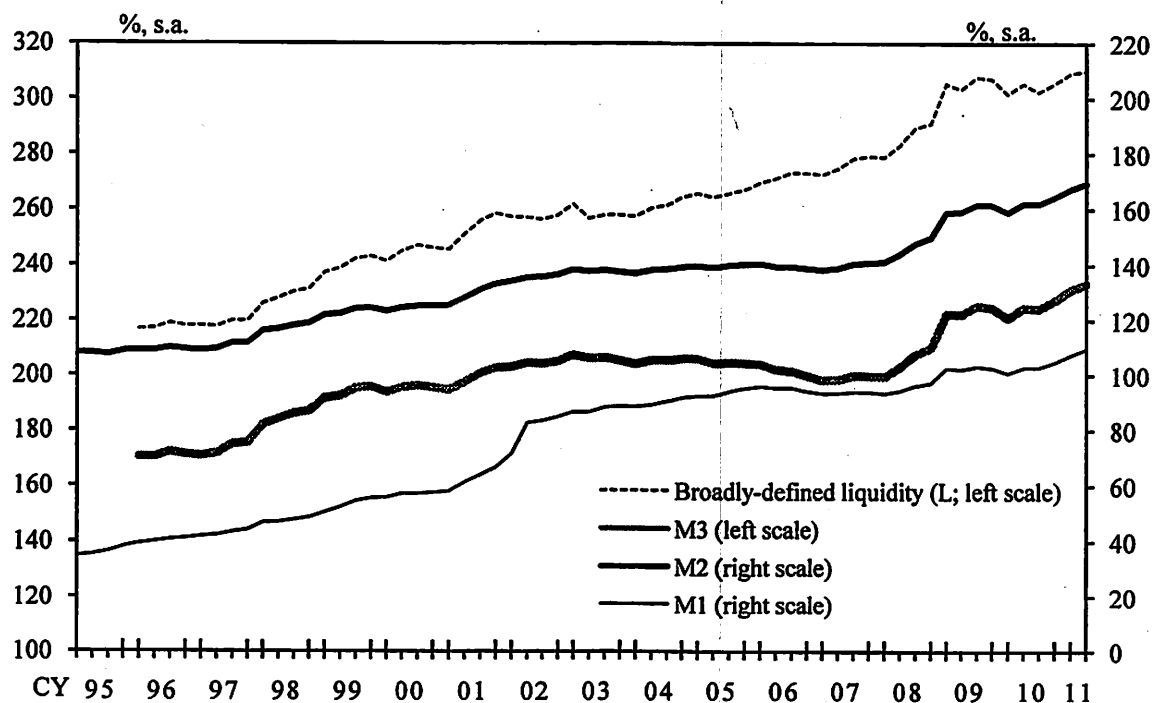
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category";
 Bank of Japan, "Principal Figures of Financial Institutions";
 Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts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

Money Stock

(1) Changes from a Year Earlier



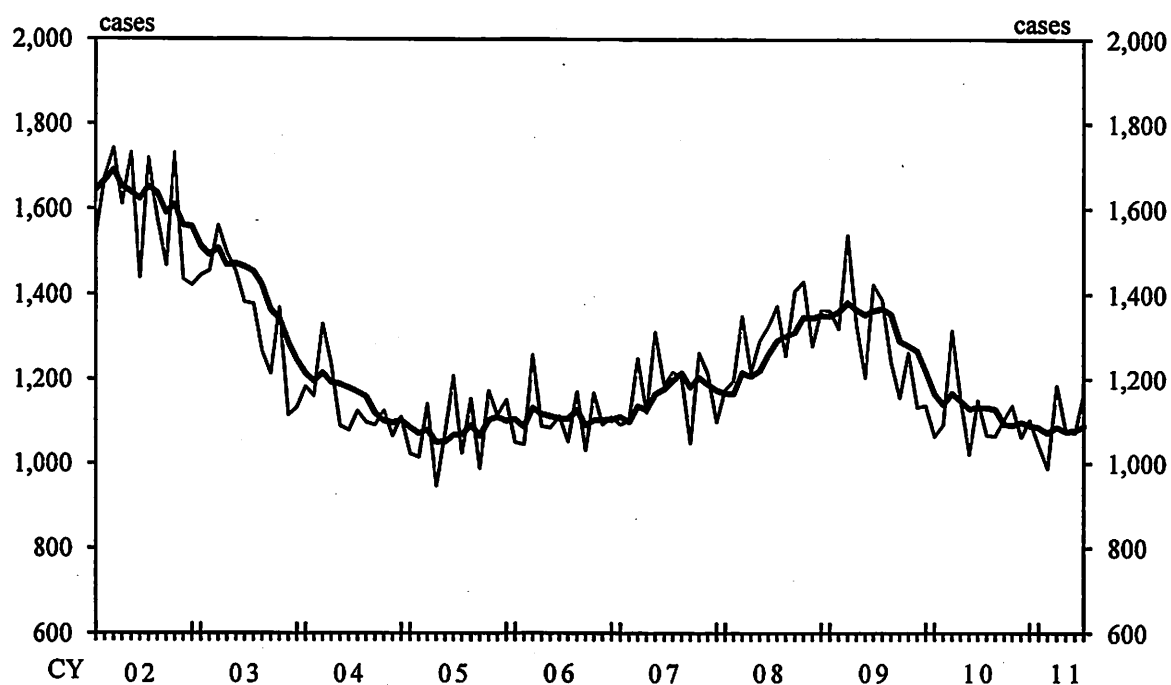
(2) Ratio of Money Stock to Nominal GDP



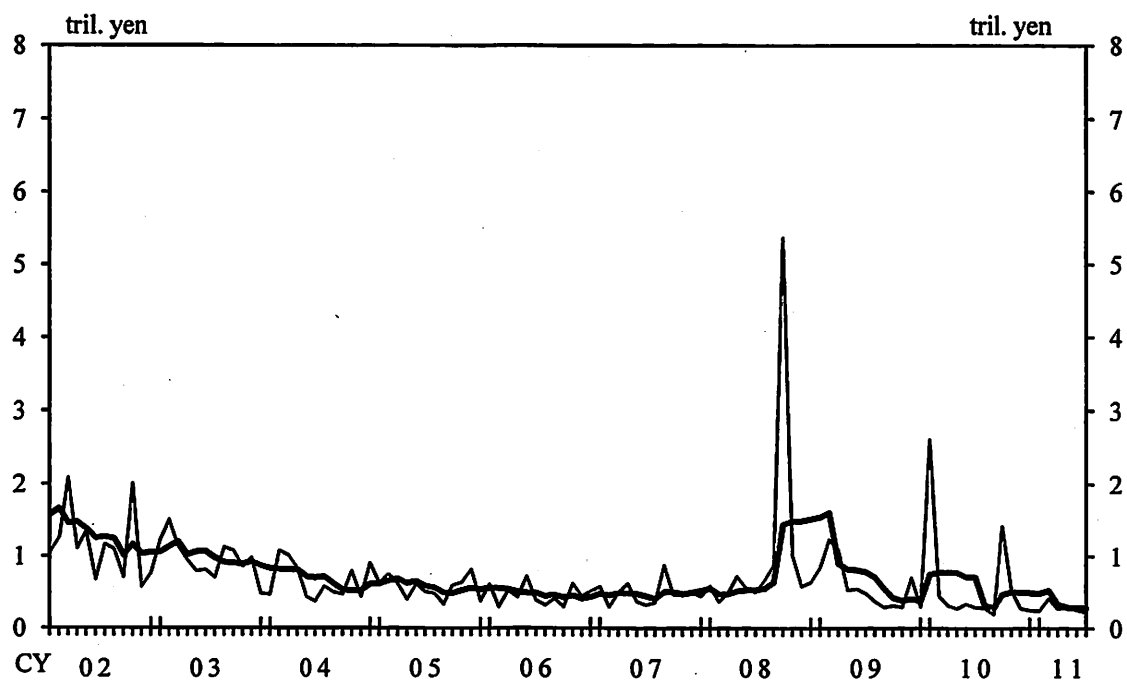
- Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.
 2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.
 3. The figures 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. The figure for nominal GDP in 2011/Q2 is assumed to be unchanged from the previous quarter.

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)."