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Bank of Japan

**Monthly Report of
Recent Economic and Financial Developments
April 2012**

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Monthly Report of Recent Economic and Financial Developments¹

April 2012

Summary

Japan's economic activity has shown some signs of picking up, although it has remained more or less flat.

Overseas economies on the whole still have not emerged from a deceleration phase, but some improvement has been observed. Exports have so far remained more or less flat. As for domestic demand, business fixed investment has been on a moderate increasing trend aided by the restoration of disaster-stricken facilities. Private consumption has firmed up due in part to the effects of measures to stimulate demand for automobiles, and housing investment has generally been picking up. Public investment has recently turned to an increase. Reflecting these developments in demand at home and abroad, production has shown some signs of picking up, although it has remained more or less flat. In these circumstances, business sentiment has been more or less unchanged on the whole, with continued improvement in domestic demand-oriented sectors and lingering cautiousness in export-oriented ones.

With regard to the outlook, Japan's economy is expected to return to a moderate recovery path as the pace of recovery in overseas economies picks up, led by emerging and commodity-exporting economies, and as reconstruction-related demand after the earthquake disaster gradually strengthens.

Exports are expected to gradually emerge from the current phase of flat growth and increase moderately, mainly reflecting a pick-up in the pace of recovery in overseas economies. As for domestic demand, public investment is expected to be on the rise and housing investment to continue to generally pick up, mainly supported by reconstruction-related demand. Business fixed investment is projected to continue a moderate increasing trend, partly due to efforts by firms to restore and reconstruct disaster-stricken facilities, as corporate profits improve gradually.

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on April 9 and 10, 2012.

Private consumption is expected to remain firm as the employment situation gradually heads toward improvement. Reflecting these developments in demand at home and abroad, production is expected to increase moderately.

On the price front, the three-month rate of change in domestic corporate goods prices has been more or less flat. The year-on-year rate of change in consumer prices (all items less fresh food) is currently around 0 percent.

Domestic corporate goods prices are expected to move slightly upward for the time being, mainly reflecting movements in international commodity prices. The year-on-year rate of change in consumer prices is expected to remain at around 0 percent for the time being.

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 continued to ease.

The overnight call rate has remained at an extremely low level, and firms' funding costs have declined moderately. 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 also remained favorable on the whole. As for credit demand, firms have shown signs of increasing their demand mainly for working capital and funds related to mergers and acquisitions. Against this backdrop, the year-on-year rate of increase in the amount outstanding of bank lending has risen. The amount outstanding of CP was around its year-ago level, partly due to an increase in redemptions toward the end of March. The year-on-year rate of change in the amount outstanding of corporate bonds has recently been slightly negative. In these circumstances, firms have retained their

recovered financial positions on the whole. Meanwhile, the year-on-year rate of change in the money stock has been positive at around 3 percent.

1. Economic Developments

Public investment has recently turned to an increase. The amount of public construction completed—which reflects the progress of public works—turned to an increase in January relative to the fourth quarter, after having registered a quarter-on-quarter decrease in the fourth quarter (Chart 5). The value of public works contracted—a measure that reflects public orders—increased at a faster pace in January-February compared with the fourth quarter, after having moved upward in the fourth quarter on a quarter-on-quarter basis.

Public investment is expected to be on the rise, mainly supported by the restoration of damaged social capital.

Real exports have so far remained more or less flat (Charts 6[1] and 7). Exports posted a 0 percent rate of change in January-February relative to the fourth quarter, after having declined in the fourth quarter on a quarter-on-quarter basis. Looking at exports in January-February by region (Chart 7[1]), those to the United States rose, mainly in consumer goods (digital cameras) for which supply constraints caused by the flooding in Thailand eased. Exports to the EU have continued to move downward, chiefly in motor vehicles and their related goods, in light of the sluggish European economy. Exports to China, on a monthly basis, rebounded sharply in February from the plunge in January caused by the Chinese New Year holidays, but they declined marginally in January-February compared with the fourth quarter, notably in intermediate goods (chemicals; iron and steel). Exports to NIEs also fell marginally due to the decline in motor vehicles and their related goods as well as in intermediate goods (chemicals), even though improvement was observed in IT-related goods. On the other hand, exports to ASEAN turned upward, assisted by a spike in those to Thailand. Meanwhile, exports to Others rose marginally, mainly in motor vehicles and their related goods. Looking at exports in January-February relative to the fourth quarter by goods (Chart 7[2]), exports of consumer goods (digital cameras) increased sharply, since supply constraints caused by the flooding in Thailand eased. Exports of capital goods and parts moved upward as well, primarily in parts to Thailand. Exports of IT-related goods turned to an increase, mainly in electronic parts, as a reflection of the progress in inventory adjustments on a global scale. In contrast, exports of intermediate goods have remained somewhat weak,

chiefly in those to East Asia. Meanwhile, exports of motor vehicles and their related goods were roughly flat.

Real imports have trended upward (Charts 6[1] and 9). Imports inched downward in January-February compared with the fourth quarter, after having recorded quarter-on-quarter increases through the fourth quarter for three consecutive quarters. Looking at imports in January-February by goods (Chart 9[2]), those of raw materials continued to rise, primarily in mineral fuels used for thermal power generation. Imports of capital goods and parts were flat, after having increased for three straight quarters. Those of foodstuffs and IT-related goods fell back marginally from the upsurge in the fourth quarter. Meanwhile, those of intermediate goods and consumer goods have been somewhat sluggish lately, although attention should be paid to the fact that they tend to fluctuate sharply.

Net exports—in terms of the real trade balance—have been more or less flat as a reflection of the aforementioned developments in exports and imports (Chart 6[1]). The nominal goods and services balance somewhat decreased its deficit in January-February relative to the fourth quarter, mainly because the services balance deficit declined (Chart 6[2] and [3]). On the other hand, the income balance surplus decreased in January-February. As a result, the nominal current account balance reduced its surplus in January-February.

As for the outlook, exports are expected to gradually emerge from the current phase of flat growth and increase moderately, mainly reflecting a pick-up in the pace of recovery in overseas economies.² Imports are projected to trend gradually upward, assisted mainly by firm domestic demand and an increase in thermal power generation. As a reflection of these developments in exports and imports, net exports are projected to remain more or less flat for the time being and eventually increase at a moderate pace.

² Looking at the overseas supply and demand conditions for products DI of large manufacturing firms in the *Tankan*, the actual result remained unchanged in March after having deteriorated in December; the March forecast displayed a marginal improvement. Annual projections for exports by large manufacturing firms show an increase for fiscal 2012 on a year-on-year basis after posting a decline in fiscal 2011.

Regarding the environment surrounding exports, overseas economies on the whole still have not emerged from a deceleration phase, but some improvement has been observed (Chart 8[2]). U.S. economic conditions have continued to improve moderately. The sluggish European economy has stopped deteriorating. As for emerging and commodity-exporting economies, signs of improvement have started to appear in some economies, supported mainly by the decline in inflation rates and the effects of monetary easing, although the Chinese economy has shown signs of deceleration. Overseas economies are basically expected to gradually emerge from their current deceleration phase and pick up, led by emerging and commodity-exporting economies, although uncertainty in this regard remains high. In the IT-related sector, inventory adjustments have been in progress on a global scale, and this in turn is also projected to underpin exports. As for the exchange rate, the yen has been depreciating slightly of late against both the U.S. dollar and the euro. Although restraints on exports from the previous yen's appreciation will remain for the time being, such downward pressure on exports is considered to wane since the yen's depreciation should stay in place (Chart 8[1]).

Business fixed investment has been on a moderate increasing trend aided by the restoration of disaster-stricken facilities. The aggregate supply of capital goods—a coincident indicator of machinery investment—inched downward in January-February compared with the fourth quarter, after having recorded quarter-on-quarter increases for three straight quarters through the fourth quarter (Chart 10[1]). As for leading indicators, machinery orders (private sector, excluding orders for ships and those from electric power companies)—a leading indicator of machinery investment—registered quarter-on-quarter increases for three quarters in a row through the third quarter; they dipped in the fourth quarter on a quarter-on-quarter basis, but bounced back again in January compared with the fourth quarter (Chart 11[1]). Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—surged in January-February relative to the fourth quarter, notably in mining and manufacturing, after having inched downward for two consecutive quarters in the third and fourth quarters on a quarter-on-quarter basis (Chart 11[2]). Meanwhile, as for the production capacity DI in the March *Tankan*, the net "excessive" narrowed slightly, mainly in nonmanufacturing (Chart 10[2]).

Regarding the environment surrounding business fixed investment, corporate profits have been more or less flat as a whole, although they varied by industry and size. Business sentiment has been more or less unchanged on the whole, with continued improvement in domestic demand-oriented sectors and lingering cautiousness in export-oriented ones. The business conditions DI for all industries and firms in the March *Tankan* was roughly level. By industry and size (Chart 13), the DI for manufacturing was flat or deteriorated somewhat overall in both large and small firms because industries such as iron and steel, chemicals, and general-purpose machines deteriorated, primarily due to sluggish exports to Asia, even though motor vehicles improved mainly as a reflection of strong domestic sales. On the other hand, the DI for nonmanufacturing improved marginally for both large and small firms thanks to firm domestic demand. Corporate profits are projected to resume their uptrend gradually, following an increase in demand at home and abroad and in production. According to the business plans of firms in the March *Tankan* (Chart 12), current profits (for all industries and firms) on a fiscal year basis have been revised downward from the December *Tankan* to a year-on-year decline of 9.4 percent for fiscal 2011, chiefly among large manufacturing firms, and are forecasted to turn to an increase of 2.1 percent for fiscal 2012. By industry and size, large manufacturing firms saw a sharply decline in their profits in fiscal 2011, but they are projecting a marginal increase for fiscal 2012.³ Current profits of small manufacturing firms declined in fiscal 2011, but are projected to increase significantly for fiscal 2012. As for nonmanufacturing, large firms are projecting a profit decline for fiscal 2012 following that of fiscal 2011, mainly due to the deficit in electricity, but industries related to private consumption such as construction and retailing are projecting an increase in their profits for fiscal 2012. Small nonmanufacturing firms are projecting a substantial profit increase for both fiscal 2011 and 2012, as a reflection of firm domestic demand.

Business fixed investment is projected to continue a moderate increasing trend, partly due to efforts by firms to restore and reconstruct disaster-stricken

³ For the March *Tankan*—in which plans for the new fiscal year are yet to be decided firmly—an increasing number of firms, notably large firms, tend to leave questions related to business plans unanswered. These firms are statistically treated so that their year-on-year rates of change become 0 percent. As a result, business plans of all firms are apt to improve marginally in phases when the economy is picking up.

facilities as well as to strengthen earthquake resistance and business continuity systems, as corporate profits improve gradually. Looking at business fixed investment plans (excluding software investment and including land purchasing expenses) in the March *Tankan* by industry and size (Chart 14), those of large and small manufacturing firms were revised downward for fiscal 2011 from the December *Tankan* by posting year-on-year increases of 2.7 percent and 5.4 percent respectively. On the other hand, plans of large and small nonmanufacturing firms were revised upward to an increase of 0.2 percent and a decrease of 15.7 percent on a year-on-year basis respectively. As for fiscal 2012, the initial plans of firms, except those of large nonmanufacturing firms, were set somewhat higher than those in past years. Based on "software and fixed investment excluding land purchasing expenses"—a concept similar to GDP—business fixed investment of all industries and firms for fiscal 2012 is projected to continue a year-on-year increase of 1.4 percent, after posting an increase of 2.4 percent for fiscal 2011; for an initial plan, this projection is somewhat higher than that in past years.

Private consumption has firmed up due in part to the effects of measures to stimulate demand for automobiles (Chart 15). Consumption of goods—as seen through sales at retail stores in real terms (Chart 16[1])—grew at a somewhat faster pace in January-February relative to the fourth quarter, after having risen marginally in the fourth quarter on a quarter-on-quarter basis. Looking at consumption of durable goods (Chart 16[2]), the number of new passenger-car registrations remained high in February and March alike, following the jump in January, mainly since (i) supply constraints caused by the flooding in Thailand eased, (ii) subsidies for purchasing energy efficient cars were reintroduced, and (iii) popular models of new cars were released to the market. Sales of household electrical appliances in real terms have been more or less flat. Sales at department stores and supermarkets have been more or less level (Chart 17[1]). In February, sales at department stores were weak while those at supermarkets were somewhat strong. This was mainly attributable to lower-than-usual temperatures resulting in sluggish sales of spring apparel at department stores and an increase in sales of foodstuffs (demand for Japanese *nabe*—a winter cuisine served in a clay pot) and winter underwear, both of which are best-selling supermarket products. Meanwhile, sales at convenience stores have remained firm and grew at an accelerated pace in February. As for

consumption of services (Chart 17[2]), sales in the food service industry and outlays for travel have trended moderately upward, albeit with fluctuations.

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 compiled so as to make it similar to items used for estimating GDP—inched downward in January-February relative to the fourth quarter, after having registered a marginal increase in the fourth quarter on a quarter-on-quarter basis (Chart 16[1]).⁴ The total expenditure in the *Survey of Household Economy* (in real terms; two-or-more-person households) recorded quarter-on-quarter increases for two straight quarters in the third and fourth quarters and continued to rise in January-February compared with the fourth quarter.

Indicators related to consumer confidence have remained firm (Chart 18).

Private consumption is expected to remain firm as the employment situation gradually heads toward improvement.

Housing investment has generally been picking up. The number of housing starts—a leading indicator of housing investment—has tended to pick up, albeit with fluctuations; it increased in January-February relative to the fourth quarter (Chart 19[1]).

Housing investment is expected to continue to generally pick up, mainly supported by the reconstruction of disaster-stricken homes.⁵

Industrial production has shown some signs of picking up, although it has remained more or less flat (Chart 20). Production is considered to remain more or

⁴ Items in the index are not completely limited to those used for estimating GDP. Education, for example, is not used for estimating GDP.

⁵ With the enactment of the third supplementary budget for fiscal 2011, the eco-point system for housing as well as the preferential interest rate measures for the Flat 35S were introduced once again with preferential treatment for disaster-stricken areas.

less flat on average, since it has picked up slightly from its bottom in November, but declined marginally on a month-on-month basis in February for the first time in three months. The production forecast index, however, shows an increase in production for both March and April. Moreover, production has shown signs of a possible pick-up in the coming period, mainly since the decline in the amendment ratio of the forecast index has come to a halt on the whole and since the shipment-inventory balance has improved gradually, especially in electronic parts and devices. Looking at production in January-February relative to the fourth quarter by industry, general machinery saw a decline, mainly for exports, and production of chemicals was somewhat weak, mainly due to sluggish exports to Asia. In contrast, production of transport equipment (such as passenger cars) increased, mainly since (i) supply constraints caused by the flooding in Thailand eased, (ii) subsidies for purchasing energy efficient cars were reintroduced, and (iii) popular models of new cars were released to the market. Production of electronic parts and devices rose, chiefly for smartphones which have enjoyed favorable demand, with inventory adjustments in gradual progress.

Shipments have been more or less flat on average, as has production. Looking at the trend in shipments by goods (Chart 21), those of durable consumer goods (motor vehicles and digital cameras) have picked up, partly since the effects of the flooding in Thailand eased. Shipments of producer goods (such as electronic parts and devices) as well as those of construction goods have recently shown signs of picking up, except some items (photovoltaic modules) which fluctuate sharply. Meanwhile, shipments of capital goods and nondurable consumer goods have been flat or somewhat sluggish.

Inventories have been more or less flat. They were almost level in February on a month-on-month basis. Looking in detail at inventories in February, those of information and communication electronics equipment (flat panel televisions) piled up in response to somewhat weak shipments. On the other hand, inventories of electronic parts and devices came down, mainly due to an increase in shipments for smartphones. Those of transport equipment (motor vehicles) declined as those waiting to be shipped overseas in January moved down to normal levels in February. The shipment-inventory balance (year-on-year rate of change in shipments less that in

inventories) has been improving gradually, mainly in electronic parts and devices; it is almost in the vicinity of 0 percent (Chart 22).

Production is expected to increase moderately, as domestic demand stays firm and as exports pick up gradually. According to anecdotes by firms and other information, production is expected to continue an uptrend toward the second quarter, mainly due to (i) the ease of supply constraints caused by the flooding in Thailand and the effects of measures to stimulate demand (transport equipment), (ii) an increase in reconstruction-related demand (fabricated metals and ceramics, stone and clay products), and (iii) the progress in inventory adjustments of IT-related goods on a global scale (electronic parts and devices), although the effects of the slowdown in overseas economies will remain in some industries (general machinery) for the time being.

The employment and income situation has continued to be severe, although there have been signs of improvement.

As for supply and demand conditions in the labor market, the ratio of job offers to applicants has continued to improve (Chart 23). The unemployment rate has been trending downward, albeit with monthly fluctuations. Overtime hours worked (non-scheduled hours worked) have been on a mild uptrend. The employment conditions DI in the March *Tankan* (Chart 24) has continued to improve at a moderate pace as a whole: the net "insufficient" employment expanded somewhat for nonmanufacturing, although the DI for manufacturing was level.

In terms of employment, the year-on-year rate of change in the number of employees in the *Labour Force Survey* has been moving around 0 percent, despite large monthly fluctuations (Chart 25[1]). The number of regular employees in the *Monthly Labour Survey* has been increasing on a year-on-year basis. Meanwhile, with regard to the Employment Adjustment Subsidy, figures collected from reports on business suspension plans show that the number of applicants for this subsidy has

been trending downward, albeit with fluctuations; it has come close to the pre-earthquake level.⁶

The year-on-year rate of change in nominal wages per employee (total cash earnings) has declined at a reduced pace; it has recently been around 0 percent (Chart 25[2]). Both regular and overtime payments (scheduled and non-scheduled cash earnings) have been on an improving trend, albeit with fluctuations.⁷

The year-on-year rate of change in employee income has been almost 0 percent with the monthly fluctuations smoothed out, as a reflection of the aforementioned developments in employment and wages (Chart 25[3]).

Employee income is highly expected to be more or less flat, mainly since the lackluster business performance of fiscal 2011 will weigh on income with a time lag for the time being, although improvement in the labor market will support income gradually.

2. Prices

International commodity prices have increased slightly compared to a while ago (Chart 27[1] and [3]). Prices of crude oil have risen compared to a while ago, partly due to increased geopolitical risks surrounding the situation in Iran amid

⁶ Currently, businesses are 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." As part of the government's new measure for dealing with the yen's appreciation, however, the requirement was relaxed so that businesses can receive the subsidy on the condition that "the decline 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 as well as on a projected decline basis." After the earthquake, this relaxed requirement was also applied to firms in the disaster-stricken areas and to businesses located in areas that were subject to scheduled black outs, but new applications for this subsidy ended on March 10. Added to this, the requirement was relaxed even further from March 11 so that firms in the disaster-stricken areas can receive the subsidy also for cases in which "the decline in the average of sales or production volume in the most recent three months is 10 percent or more compared with the same period two years ago."

⁷ There were more working days in February this year compared to last year, due to the fact that it was a leap year as well as to the effects of the smaller number of holidays. Some employees, depending on the daily-wage contract, received more monthly earnings due to the increased number of working days, which allowed an increase in regular payments on a year-on-year basis.

decreasing uncertainty regarding the global economy. Prices of grains have rebounded somewhat, mainly as a reflection of unseasonable weather conditions in South America; those of nonferrous metals have picked up slightly, mainly due to decreasing uncertainty regarding the global economy.

The three-month rate of change in import prices (on a yen basis) has turned marginally upward, as a reflection of movements in international commodity prices (Chart 27[2]).

The three-month rate of change in domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter)⁸ has been more or less flat (Chart 28[2]). In February, the three-month rate of change posted a marginal increase. Looking in detail at domestic corporate goods price movements in February, prices of "goods sensitive to exchange rates and overseas commodity prices" continued to increase, and at the same time, prices of "other materials" turned to an increase and those of "machinery" and "iron & steel and construction goods" reduced their pace of decline.

Corporate services prices (excluding international transportation; year-on-year basis, same hereafter) have improved compared to a while ago, although they have still declined marginally (Chart 29). Corporate services prices declined at a somewhat faster pace in February relative to January on a year-on-year basis.⁹ Looking in detail at corporate services price movements in February, prices of selling, general and administrative expenses have accelerated their pace of decline, mainly in advertising services; those related to fixed investment reduced their pace of increase, chiefly in civil engineering and architectural services. Other corporate services prices were on par with those of the previous month.

⁸ 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.

⁹ The *Corporate Services Price Index* has recently been revised retroactively, primarily for plant engineering, software development, and cellular phone services and PHS services. As a result, the year-on-year rate of change even as a whole was revised downward by around 0.2 percentage points during around the past one year.

The year-on-year rate of change in consumer prices (all items less fresh food; year-on-year basis, same hereafter) is currently around 0 percent (Chart 30[1]). Consumer prices in February improved by 0.2 percentage points from January, marking a year-on-year increase of 0.1 percent. Looking at developments on a basis that excludes food and energy, prices rose by 0.3 percentage points from January, to negative 0.6 percent. Regarded as a method for capturing trend changes, the year-on-year rate of decline in the trimmed mean has narrowed mildly; the rate of change has recently been around 0 percent (Chart 31[2]).¹⁰ As for the Laspeyres chain index (Chart 31[1]),¹¹ the year-on-year rate of change in February was 0 percent, which was 0.1 percentage point lower than that of change in the 2010-base index.¹²

Looking in detail at consumer price movements in February, prices for goods (excluding agricultural, aquatic and livestock products) fell at a reduced pace overall, mainly since the rate of decline in prices of durable goods (TV sets) narrowed significantly, even though the pace of increase in prices of petroleum products (such as gasoline) slowed.¹³ Prices of general services somewhat accelerated their pace of decline as a whole, mainly since prices of package tours to overseas turned to a decrease. Fees for public services were more or less level overall, mainly since

¹⁰ The trimmed mean is obtained by systematically discarding a certain percentage of the highest and lowest marks of the price fluctuation distribution by item to eliminate large relative price fluctuations.

¹¹ The Laspeyres chain index is compiled as follows: (i) aggregates are produced after updating the weights of items of the base year and resetting the index level of individual items to 100 every year; then (ii) multiplying the previous year's chain index by the aggregated year-on-year figures obtained from the above calculation. Disregarding such factors as adopting and terminating items and revising model formulae, it is virtually equivalent to compiling an index in which the base year is updated every year.

¹² Since it has become possible to calculate the weight of household expenditure for 2011 using the *Family Income and Expenditure Survey* and other information, the Laspeyres chain index—which has been calculated using the new weight—has recently been released. Looking in detail, the weight shows a feature that the weight of durable goods fell back in 2011 from the rise in purchases of durable goods in 2010 which was assisted by the eco-point system for household electrical appliances. On the other hand, the weights of medical treatment and rent increased.

¹³ TV sets—which had been declining sharply until January—turned upward by recording an increase of 0.5 percent in February on a year-on-year basis, assisted by the change in selected items.

prices of both electricity and gas, manufactured & piped accelerated their pace of increase, whereas those of airplane fares declined at an accelerated pace.

With regard to domestic supply and demand conditions in the March *Tankan* (Chart 32), the net "excess supply" of the domestic supply and demand conditions DI for products and services was level as a whole, since that of small nonmanufacturing firms narrowed, whereas that of other firms expanded slightly. The output prices DI also showed similar movements. Meanwhile, the weighted average of the production capacity DI and employment conditions DI improved slightly.

Domestic corporate goods prices are expected to move slightly upward for the time being, mainly reflecting movements in international commodity prices. The year-on-year rate of change in consumer prices is expected to remain at around 0 percent for the time being.

As for land prices, the *Public Notice of Land Prices* as of January shows that both commercial and residential land prices reduced their year-on-year rates of decline for the second year running (Chart 33). Compared to Other areas, the year-on-year rates of decline in the three metropolitan areas (Tokyo, Osaka, and Nagoya areas) narrowed more sharply for both commercial and residential land prices, with the rate of decline itself also being marginal.

3. Financial Developments

(1) Financial Markets

In Japan's money markets, interest rates have been stable at low levels—including those for longer term rates—as market participants share perceptions of an excess of liquidity, amid the Bank of Japan's ongoing provision of ample funds. The overnight call rate (uncollateralized) has been below the 0.1 percent level. Regarding interest rates on term instruments, the T-Bill rate (3-month) has been 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 virtually level (Chart 34). In U.S. dollar funding, the LIBOR-OIS spread for the dollar has narrowed very marginally (Chart 35).

Yields on 10-year government bonds (newly issued 10-year JGB) temporarily rose to the range of 1.05-1.10 percent in line with U.S. interest rates. However, they have declined again with some fluctuations below the 1.0 percent level thereafter, partly due to the buying on dips and declines in U.S. interest rates; they have recently been moving in the range of 0.95-1.00 percent (Chart 36).

Yield spreads between corporate bonds and government bonds have generally been more or less flat (Chart 37).

As for stock prices, the Nikkei 225 Stock Average rose above 10,000 yen level and had been moving in the range of 10,000-11,000 yen, but has declined recently as adjustments were observed in U.S. and European stock prices; it has been moving at around 9,500 yen (Chart 38).

In the foreign exchange market, the yen temporarily depreciated against the U.S. dollar, due to receding expectations of further monetary easing in the United States. The yen, however, has recently bounced back to the 81-82 yen level as U.S. interest rates have declined, partly as a reflection of somewhat weak economic indicators (Chart 39).

(2) Corporate Finance and Monetary Aggregates

Firms' funding costs have declined moderately, 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 declined moderately (Chart 41).

With regard to credit supply, firms have continued to see financial institutions' lending attitudes as being on an improving trend (Chart 40). Issuing conditions for CP have continued to be favorable. Those for corporate bonds have also remained favorable on the whole. In these circumstances, as for funding of the private sector,

the year-on-year rate of increase in the amount outstanding of bank lending has risen, mainly in demand for working capital and funds related to mergers and acquisitions (Chart 42). The amount outstanding of CP was around its year-ago level, partly due to an increase in redemptions toward the end of March. The year-on-year rate of change in the amount outstanding of corporate bonds has recently been slightly negative (Chart 43).

In these circumstances, firms have retained their recovered financial positions on the whole (Chart 40). The number of corporate bankruptcies has been at a low level (Chart 45).

Meanwhile, the year-on-year rate of change in the money stock (M2) has been positive at around 3 percent. Its February reading was 2.9 percent on a year-on-year basis, following 3.1 percent in January (Chart 44).¹⁴

¹⁴ On an M3 basis, which includes the Japan Post Bank, the year-on-year rate of change has been positive at around 2.5 percent; its February reading was 2.5 percent, following 2.6 percent in January. The year-on-year rate of change in broadly-defined liquidity (L) has been in the positive range of 0.0-0.5 percent; it increased by 0.3 percent in February, following an increase of 0.3 percent in January.

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Chart 1

Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2011/Q3	Q4	2012/Q1	2011/Dec.	2012/Jan.	Feb.	Mar.
Index of consumption expenditure level (two-or-more-person households)	0.4	0.5	n.a.	1.2	-1.2	0.9	n.a.
Sales at department stores	-0.4	0.4	n.a.	0.6	-0.3	p -1.1	n.a.
Sales at supermarkets	0.2	-0.7	n.a.	0.5	-0.0	p 1.8	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 257>	< 267>	< 349>	< 271>	< 356>	< 335>	< 356>
Sales of household electrical appliances (real, "Current Survey of Commerce")	-9.7	-5.2	n.a.	20.0	0.1	p -9.6	n.a.
Outlays for travel	18.6	4.8	n.a.	4.3	-4.6	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	< 88>	< 80>	<n.a.>	< 78>	< 82>	< 92>	<n.a.>
Machinery orders ⁴ (Private sector, exc. volatile orders)	1.5	-2.6	n.a.	-7.1	3.4	n.a.	n.a.
Manufacturing	2.5	-2.8	n.a.	-7.1	-1.8	n.a.	n.a.
Nonmanufacturing ⁴ (exc. volatile orders)	5.0	-2.3	n.a.	-6.0	2.3	n.a.	n.a.
Construction starts (private, nondwelling use)	-3.3	-0.9	n.a.	5.8	13.1	-13.3	n.a.
Mining & manufacturing	-21.7	22.0	n.a.	-22.6	70.5	-18.4	n.a.
Nonmanufacturing ⁵	0.9	-3.0	n.a.	15.9	0.3	-9.3	n.a.
Value of public works contracted	1.6	3.6	n.a.	-8.0	11.5	4.8	n.a.
Real exports	8.7	-3.9	n.a.	1.1	-0.0	0.3	n.a.
Real imports	2.5	1.3	n.a.	-2.8	6.2	-8.6	n.a.
Industrial production	4.3	-0.4	n.a.	3.8	1.9	p -1.2	n.a.
Shipments	6.6	-0.6	n.a.	4.6	-0.9	p 1.1	n.a.
Inventories	1.9	-2.6	n.a.	-2.9	3.0	p 0.1	n.a.
Inventory ratio <s.a., CY 2005 = 100>	< 119.2>	< 111.9>	<n.a.>	< 111.9>	< 113.5>	<p 109.1>	<n.a.>
Real GDP	1.7	-0.2	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	2.0	0.1	n.a.	1.6	-1.0	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2011/Q3	Q4	2012/Q1	2011/Dec.	2012/Jan.	Feb.	Mar.
Ratio of job offers to applicants <s.a., times>	< 0.66>	< 0.69>	<n.a.>	< 0.71>	< 0.73>	< 0.75>	<n.a.>
Unemployment rate ⁶ <s.a., %>	< 4.4>	< 4.5>	<n.a.>	< 4.5>	< 4.6>	< 4.5>	<n.a.>
Overtime working hours ⁷	0.2	2.0	n.a.	2.9	-0.3	p -1.4	n.a.
Number of employees ⁶	-0.4	0.1	n.a.	0.2	-0.5	-0.8	n.a.
Number of regular employees ⁷	0.7	0.6	n.a.	0.6	0.5	p 0.5	n.a.
Nominal wages per person ⁷	-0.4	-0.1	n.a.	0.0	-0.9	p 0.7	n.a.
Domestic corporate goods price index <q/q % chg., 3-month rate of change> ⁸	2.6 <-0.3>	1.5 <-0.7>	n.a. <n.a.>	1.2 <-0.5>	0.5 <-0.1>	p 0.6 <p 0.1>	n.a. <n.a.>
Consumer price index ⁹	0.2	-0.2	n.a.	-0.1	-0.1	0.1	n.a.
Corporate services price index ¹⁰	-0.6	-0.3	n.a.	-0.2	-0.5	p -0.6	n.a.
Money stock (M2) <average outstanding, y/y % chg.>	2.8	3.0	n.a.	3.2	3.1	p 2.9	n.a.
Number of corporate bankruptcies <cases per month>	<1,036>	<1,034>	<1,061>	<1,032>	<985>	<1,038>	<1,161>

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. Figures for 2011/Q3 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. All items, less 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";

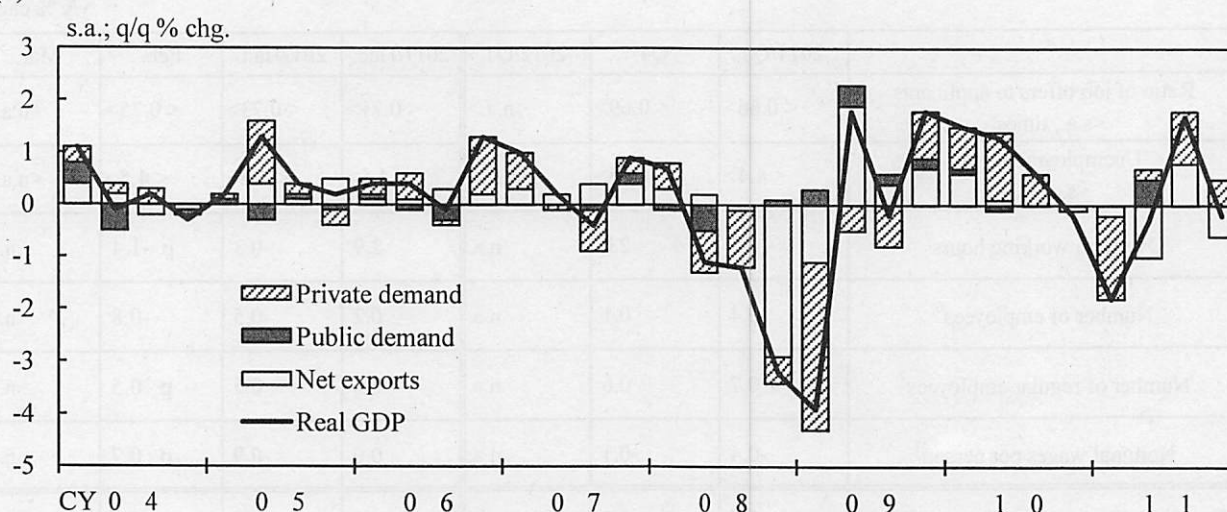
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey";

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



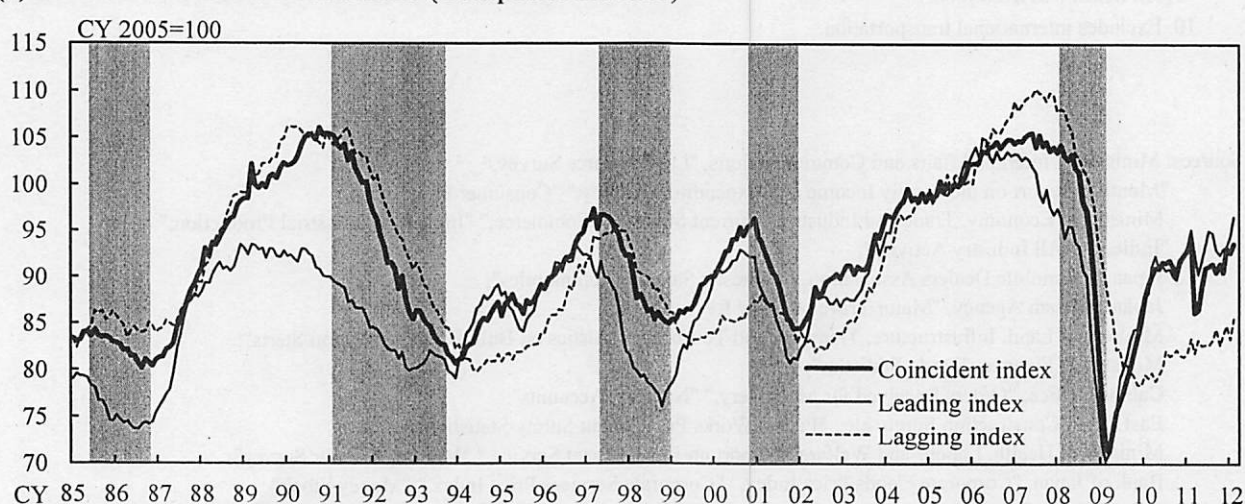
(2) Components

s.a.; q/q % chg.

	2010	2011			
	Q4	Q1	Q2	Q3	Q4
Real GDP	-0.2	-1.8	-0.3	1.7	-0.2
[Annual rate]	[-0.6]	[-6.9]	[-1.2]	[7.1]	[-0.7]
Domestic demand	-0.1	-1.6	0.7	1.0	0.5
Private demand	-0.0	-1.6	0.2	1.0	0.5
Private consumption	0.1	-0.7	0.2	0.6	0.2
Non-Resi. investment	-0.2	-0.1	-0.0	0.0	0.6
Residential investment	0.1	0.0	-0.1	0.1	-0.0
Private inventory	0.1	-0.9	0.1	0.2	-0.3
Public demand	-0.0	-0.0	0.5	-0.0	-0.0
Public investment	-0.1	-0.1	0.3	-0.1	-0.1
Net exports of goods and services	-0.1	-0.2	-1.0	0.8	-0.6
Exports	-0.0	-0.0	-1.0	1.3	-0.5
Imports	-0.0	-0.1	-0.0	-0.5	-0.2
Nominal GDP	-0.7	-2.1	-1.2	1.4	-0.5

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

(3) Indexes of Business Conditions (Composite Indexes)

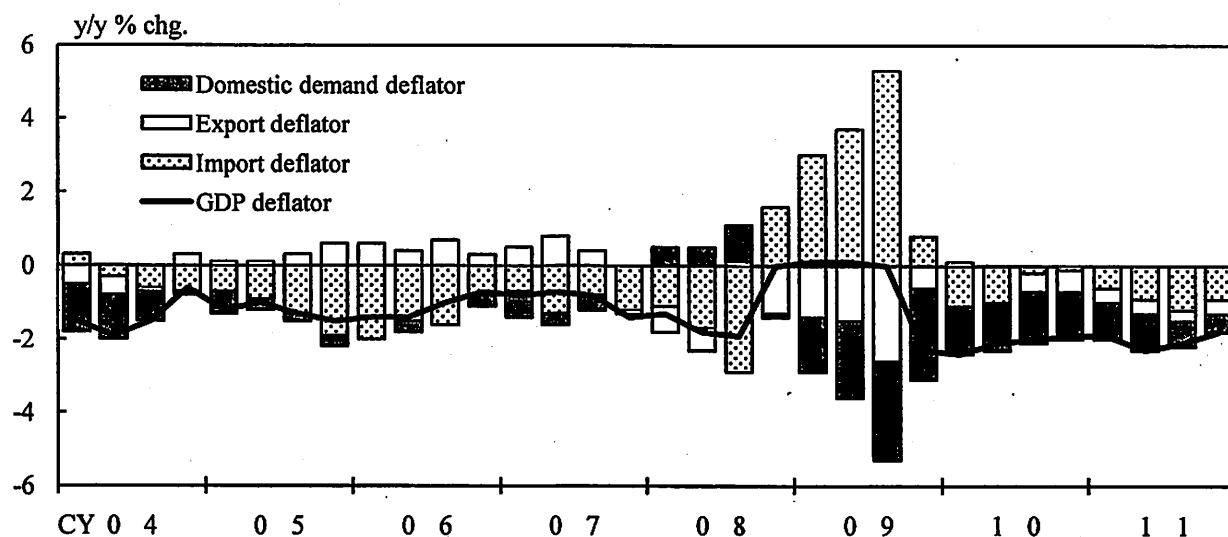


Note: Shaded areas indicate recession periods.

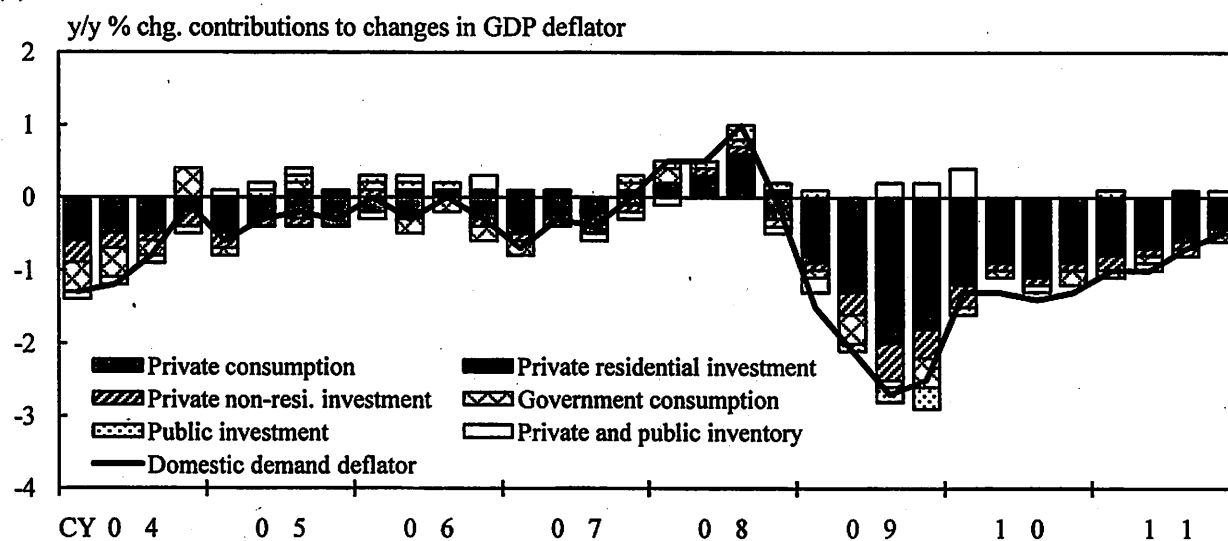
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

GDP Deflator and Income Formation

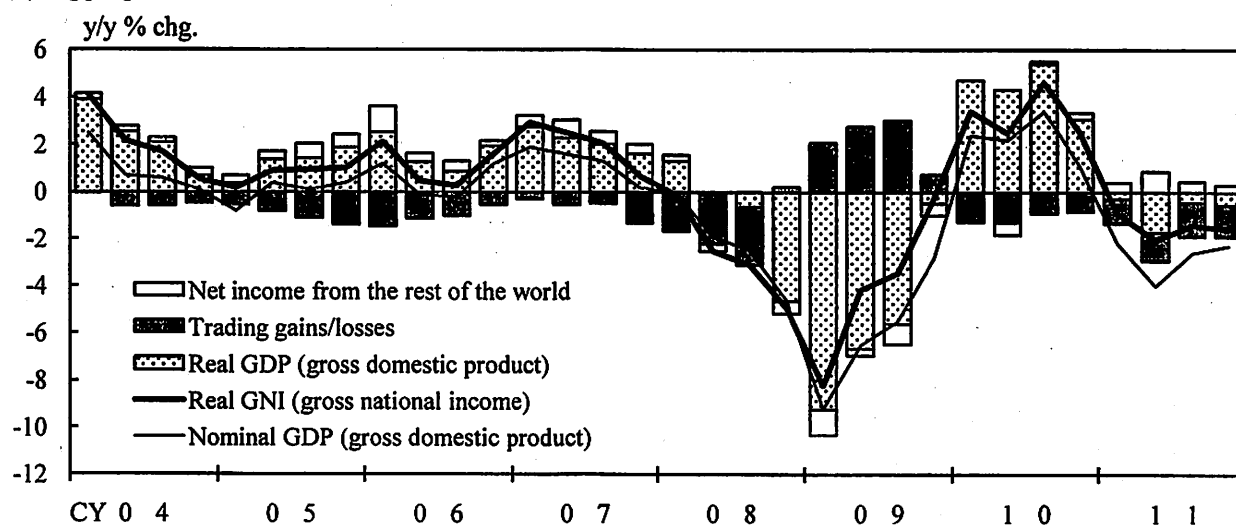
(1) GDP Deflator



(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

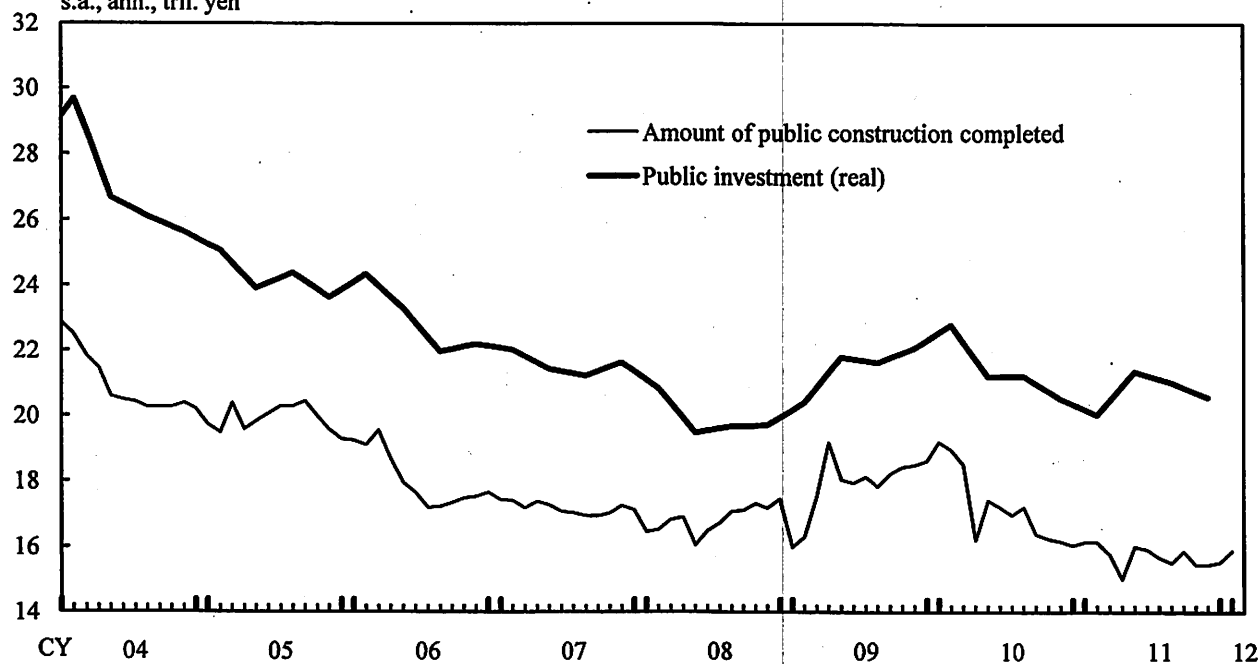
Trading gains/losses = nominal net exports / weighted average of export and import deflators - real net exports

Source: Cabinet Office, "National Accounts."

Public Investment

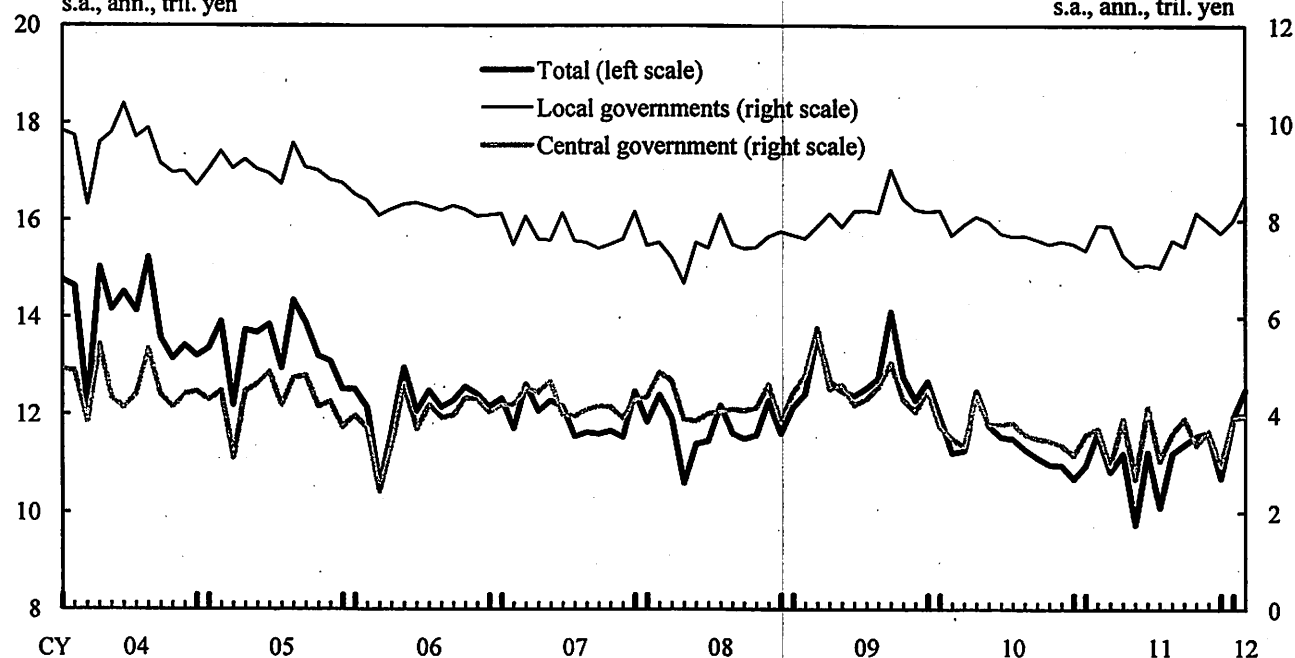
(1) Amount of Public Construction Completed and Public Investment

s.a., ann., tril. yen



(2) Value of Public Works Contracted

s.a., ann., tril. yen



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

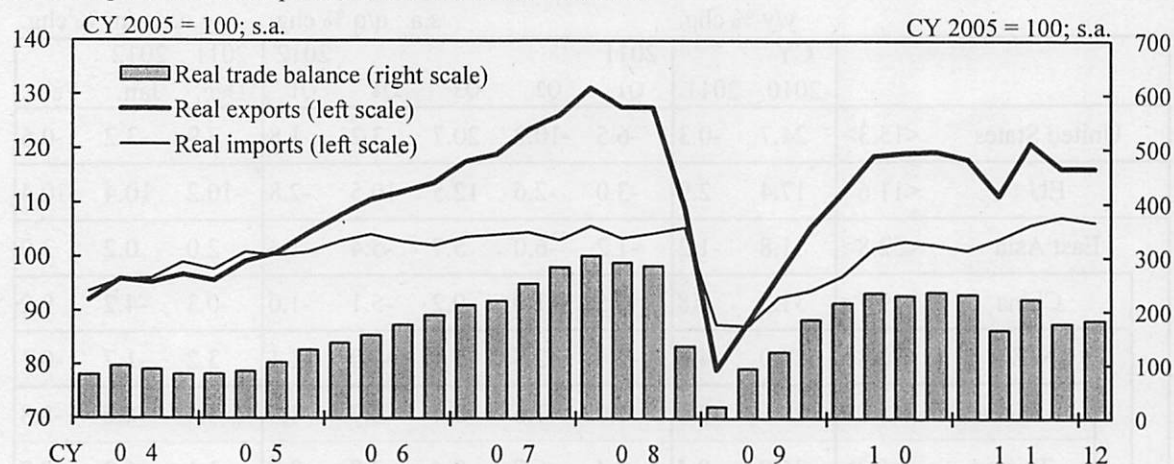
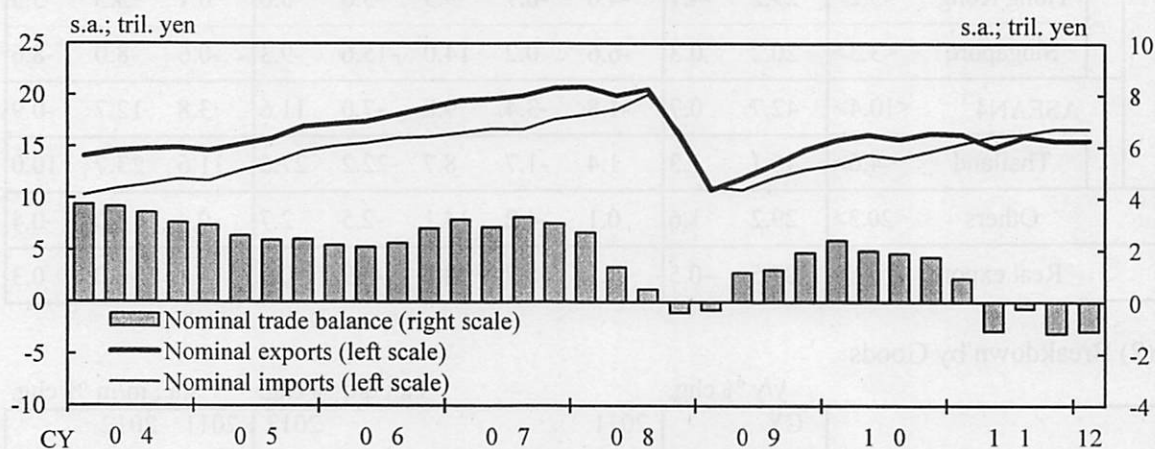
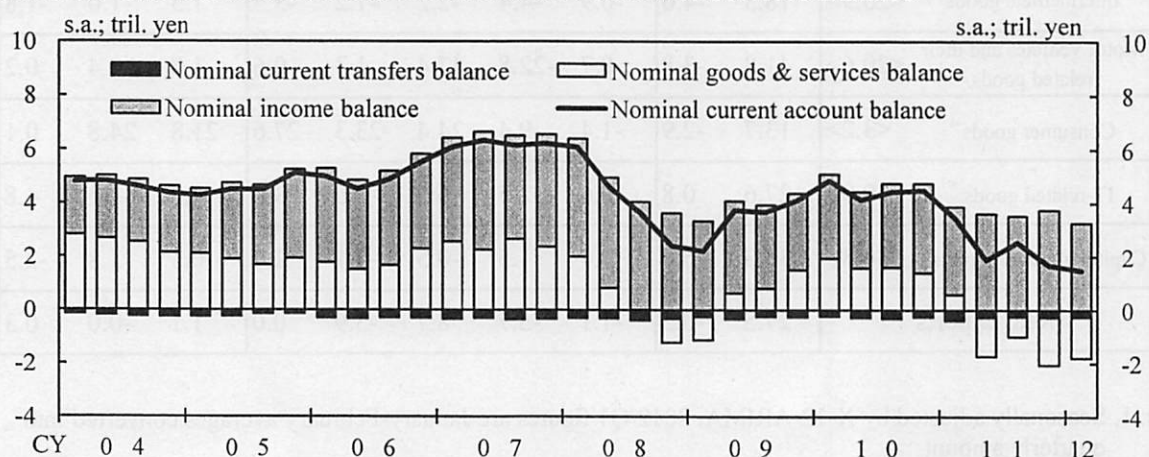
2. The amount of public construction completed is based on the general tables in the "Integrated Statistics on Construction Works."

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

Sources: Cabinet Office, "National Accounts";

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

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

External Balance ¹(1) Real Exports, Real Imports, and Real Trade Balance ²(2) Nominal Exports, Nominal Imports, and Nominal Trade Balance ³(3) Nominal Current Account Balance and Nominal Goods & Services Balance ³

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2012/Q1 figures are January-February averages converted into quarterly amount.

2. Real exports/imports are the value of exports and imports in the "Trade Statistics" deflated by the "Export and Import Price Index," indexed with the base year of 2005. "Real trade balance" is defined as real exports minus real imports, indexed with the base year of 2005.

3. Figures are based on the "Balance of Payments."

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

Real Exports ¹

(1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2010	2011	2011 Q1	Q2	Q3	Q4	2012 Q1	2011 Dec.	2012 Jan.	2012 Feb.
United States	<15.3>	24.7	-0.3	-6.5	-10.2	20.7	3.2	1.8	7.9	-3.2	-0.6
EU	<11.6>	17.4	2.9	-3.0	-2.6	12.5	-10.5	-2.8	-10.2	10.4	-10.4
East Asia	<52.8>	31.8	-1.2	-1.2	-6.0	5.7	-5.4	1.4	2.0	0.2	3.0
China	<19.7>	31.3	1.8	0.5	-11.0	9.2	-5.1	-1.0	-0.3	-4.2	9.2
NIEs	<22.8>	28.0	-4.6	-2.4	-2.6	1.1	-5.0	-1.1	3.2	-1.7	-0.1
Korea	<8.0>	23.6	-3.0	1.0	1.6	-5.4	-0.7	1.9	4.4	4.6	-8.8
Taiwan	<6.2>	36.8	-9.4	-2.4	-6.7	-2.4	-3.8	-3.8	1.1	-6.3	8.7
Hong Kong	<5.2>	29.2	-4.1	-4.0	-6.7	9.3	-5.6	5.0	0.1	3.5	5.5
Singapore	<3.3>	20.2	0.3	-6.6	0.2	14.0	-15.6	-9.3	-0.6	-8.0	-8.6
ASEAN ³	<10.4>	42.7	0.7	-1.8	-3.4	9.8	-7.0	11.6	3.8	12.7	-0.9
Thailand	<4.6>	46.1	1.3	1.4	-1.7	8.7	-22.2	27.6	11.6	23.7	10.0
Others	<20.3>	29.2	1.6	0.1	-4.2	14.1	-2.5	2.7	-0.4	4.0	-0.4
Real exports		27.5	-0.5	-1.1	-5.7	8.7	-3.9	0.0	1.1	-0.0	0.3

(2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2010	2011	2011 Q1	Q2	Q3	Q4	2012 Q1	2011 Dec.	2012 Jan.	2012 Feb.
Intermediate goods	<20.9>	18.3	-4.6	-0.9	-4.4	-2.2	-1.2	-3.5	1.5	-1.0	-1.8
Motor vehicles and their related goods	<20.6>	41.8	-3.8	-8.7	-22.8	47.4	1.3	-0.6	1.8	0.4	0.2
Consumer goods ⁴	<3.2>	13.7	-2.9	-1.4	-9.4	24.4	-23.3	27.6	21.8	24.8	0.1
IT-related goods ⁵	<10.0>	27.6	0.8	0.6	-2.5	6.0	-5.0	3.0	4.2	-1.3	4.8
Capital goods and parts ⁶	<30.3>	36.3	5.0	1.4	1.5	-0.5	-3.1	1.7	-0.3	1.8	-2.5
Real exports		27.5	-0.5	-1.1	-5.7	8.7	-3.9	0.0	1.1	-0.0	0.3

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2012/Q1 figures are January-February averages converted into quarterly amount.

2. Shares of each region and goods in 2011 are shown in angle brackets.

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

4. Excludes motor vehicles.

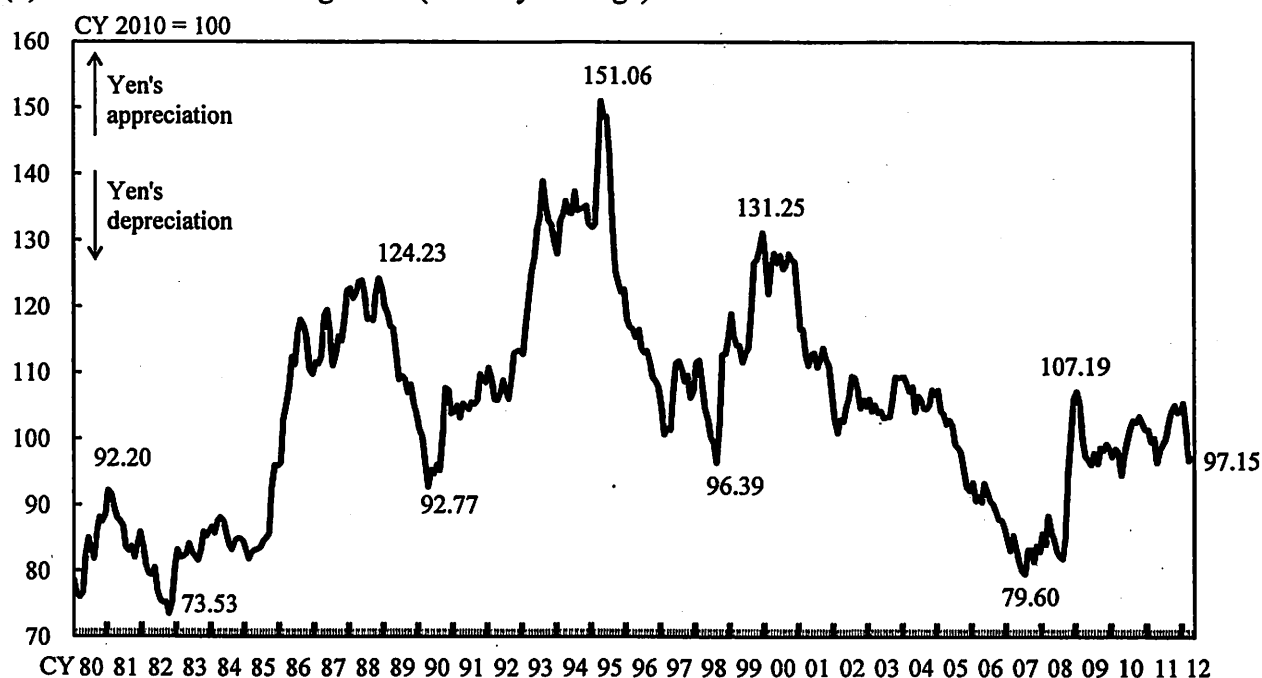
5. IT-related goods are composed of computers and units, telecommunication machinery, ICs, and medical and optical instruments.

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 (Monthly Average)



Notes: 1. Figures are based on the broad index of the BIS effective exchange rate, and those prior to 1994 are calculated using the narrow index.

2. Figures for March and April (up to April 6) 2012 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

	CY2009	2010	2011	s.a., ann., q/q % chg.			
				2011 Q1	Q2	Q3	Q4
United States ¹	-3.5	3.0	1.7	0.4	1.3	1.8	3.0
European Union ²	-4.3	2.0	1.5	2.6	0.7	1.1	-1.0
Germany ¹	-5.1	3.7	3.0	5.5	1.1	2.3	-0.7
France ¹	-2.6	1.4	1.7	3.5	-0.1	1.3	0.6
United Kingdom ¹	-4.4	2.1	0.7	1.0	-0.2	2.3	-1.2
East Asia ³	2.5	9.2	5.8	9.0	3.9	4.9	0.7
China ¹	9.2	10.4	9.2	8.7	9.5	9.5	8.2
NIEs ^{1,3}	-1.1	8.9	4.2	10.3	0.5	1.5	0.3
ASEAN4 ^{1,3,4}	-0.4	7.3	3.0	6.7	1.2	4.0	-12.4
Main economies ³	-0.0	6.8	4.4	6.5	3.0	3.8	0.9

Notes: 1. Figures for each country are based on those released by the government or central bank. Quarterly figures for China are annualized based on quarter-on-quarter changes released by the National Bureau of Statistics of China.

2. Figures are based on those released by the European Commission.

3. Figures are averages of members' real GDP growth rates, weighted by the value of exports from Japan to each country or region.

The members are described below.

Main economies: United States, European Union, and East Asia

East Asia: China, NIEs, and ASEAN4

NIEs: Korea, Taiwan, Hong Kong, and Singapore

ASEAN4: Thailand, Malaysia, Indonesia, and Philippines

4. To calculate the quarterly figures, real GDP growth rates of some member countries are seasonally adjusted by the Bank of Japan using X-11.

Real Imports ¹

(1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2010	2011	2011 Q1	Q2	Q3	Q4	2012 Q1	2011 Dec.	2012 Jan.	Feb.
United States	<8.7>	8.2	-1.2	-5.6	6.0	-1.8	3.0	3.3	-4.5	10.6	-8.0
EU	<9.4>	6.4	7.5	0.8	8.2	0.6	1.4	-1.7	-11.2	4.1	1.7
East Asia	<41.5>	22.0	9.1	1.5	1.1	3.2	1.8	-3.7	1.6	0.6	-7.8
China	<21.5>	23.9	12.2	0.9	1.6	5.3	3.1	-7.1	-0.0	-0.2	-12.3
NIEs	<8.6>	21.6	6.0	3.5	1.0	-0.8	3.9	-0.8	5.3	-2.1	-0.5
Korea	<4.7>	20.9	19.9	6.7	6.8	-2.9	3.5	-0.7	7.8	0.3	-6.8
Taiwan	<2.7>	21.2	-5.5	-1.2	-5.2	0.8	6.1	-2.9	5.7	-6.2	3.6
Hong Kong	<0.2>	32.8	-5.5	16.6	-16.1	4.2	-3.9	79.1	-28.5	66.3	34.4
Singapore	<1.0>	22.9	-2.8	-2.1	5.1	-1.1	3.0	-4.5	-1.2	-4.8	5.8
ASEAN4 ³	<11.5>	18.2	4.7	1.3	0.1	1.6	-3.0	2.6	2.5	5.2	-3.0
Thailand	<2.9>	25.7	3.9	2.6	2.7	2.1	-16.8	4.0	-4.9	13.4	-0.8
Others	<40.4>	6.8	-0.3	-1.6	-0.1	2.8	1.2	0.9	-0.4	5.9	-7.3
Real imports		12.0	3.6	-0.9	2.1	2.5	1.3	-0.9	-2.8	6.2	-8.6

(2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2010	2011	2011 Q1	Q2	Q3	Q4	2012 Q1	2011 Dec.	2012 Jan.	Feb.
Raw materials ⁴	<39.8>	5.5	-0.2	-1.3	-1.2	4.8	0.3	2.6	0.2	5.6	-4.1
Intermediate goods	<15.0>	18.5	8.5	2.3	9.6	-2.6	0.1	-9.7	-6.4	0.7	-12.1
Foodstuffs	<8.6>	2.2	1.5	1.1	6.9	-3.4	6.4	-0.8	-4.6	7.2	-12.1
Consumer goods ⁵	<8.1>	22.7	6.1	-0.7	-3.8	2.3	-2.7	-0.5	-0.1	6.4	-9.4
IT-related goods ⁶	<9.8>	26.7	8.0	0.1	-1.4	2.7	6.8	-1.3	-0.2	-0.9	3.2
Capital goods and parts ⁷	<10.4>	19.0	9.4	-0.9	2.1	5.8	2.7	-0.1	-4.6	9.5	-12.1
Excluding aircraft	<10.0>	21.8	10.5	0.4	3.8	5.6	0.3	-3.2	0.1	2.9	-8.2
Real imports		12.0	3.6	-0.9	2.1	2.5	1.3	-0.9	-2.8	6.2	-8.6

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2012/Q1 figures are January-February averages converted into quarterly amount.

2. Shares of each region and goods in 2011 are shown in angle brackets.

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

4. Raw materials are mainly composed of woods, ores, and mineral fuels.

5. Excludes foodstuffs.

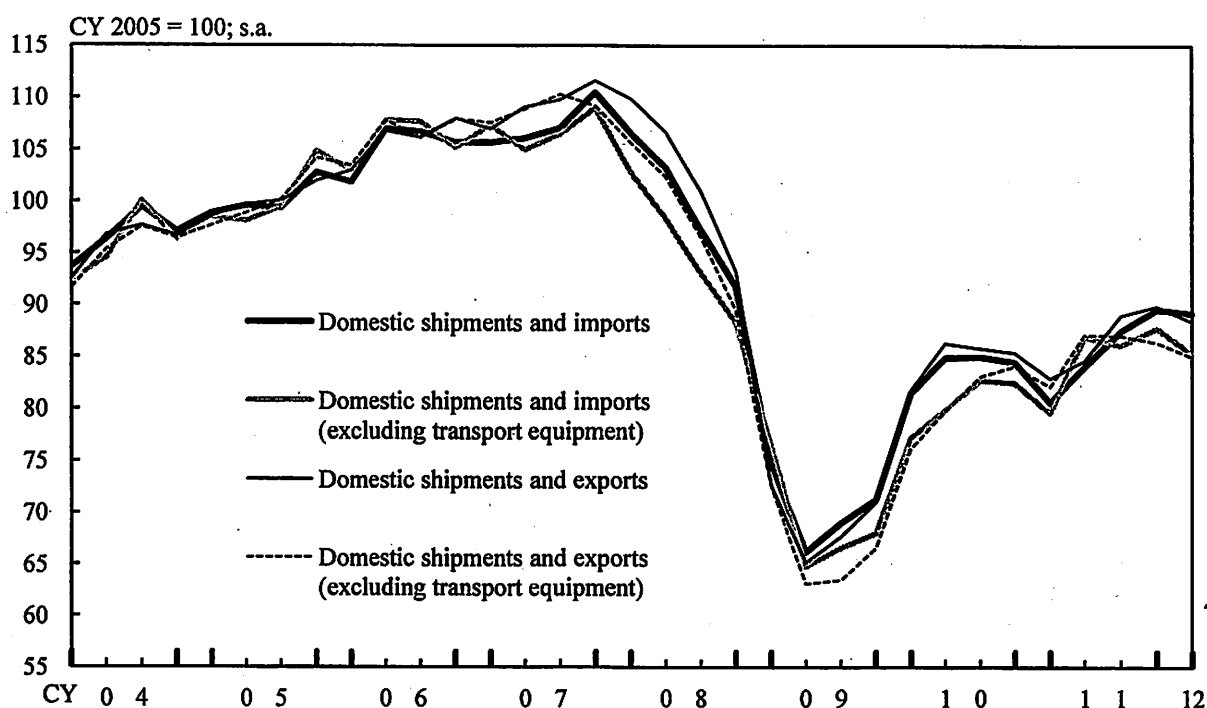
6. IT-related goods are composed of computers and units, parts of computers, telecommunication machinery, ICs, and medical and optical instruments.

7. Excludes IT-related goods.

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

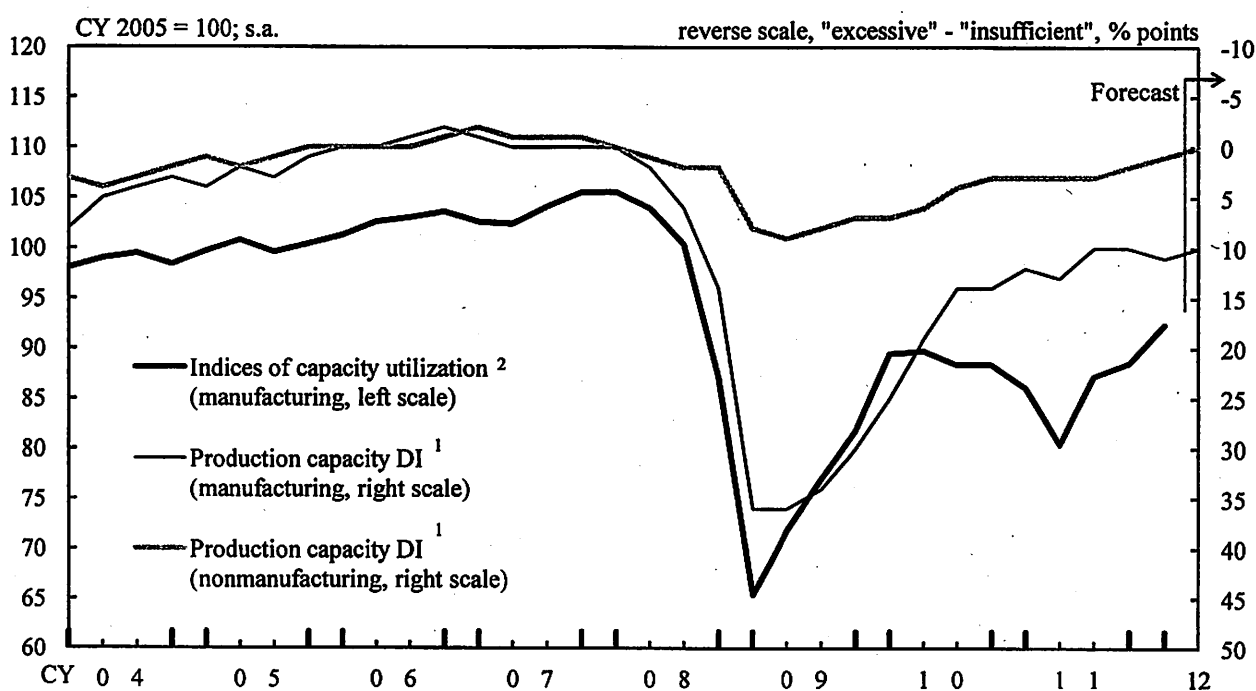
Coincident Indicators of Business Fixed Investment

(1) Aggregate Supply and Shipments of Capital Goods



Note: Figures for 2012/Q1 are those of January-February averages.

(2) Indices of Capacity Utilization and Production Capacity DI



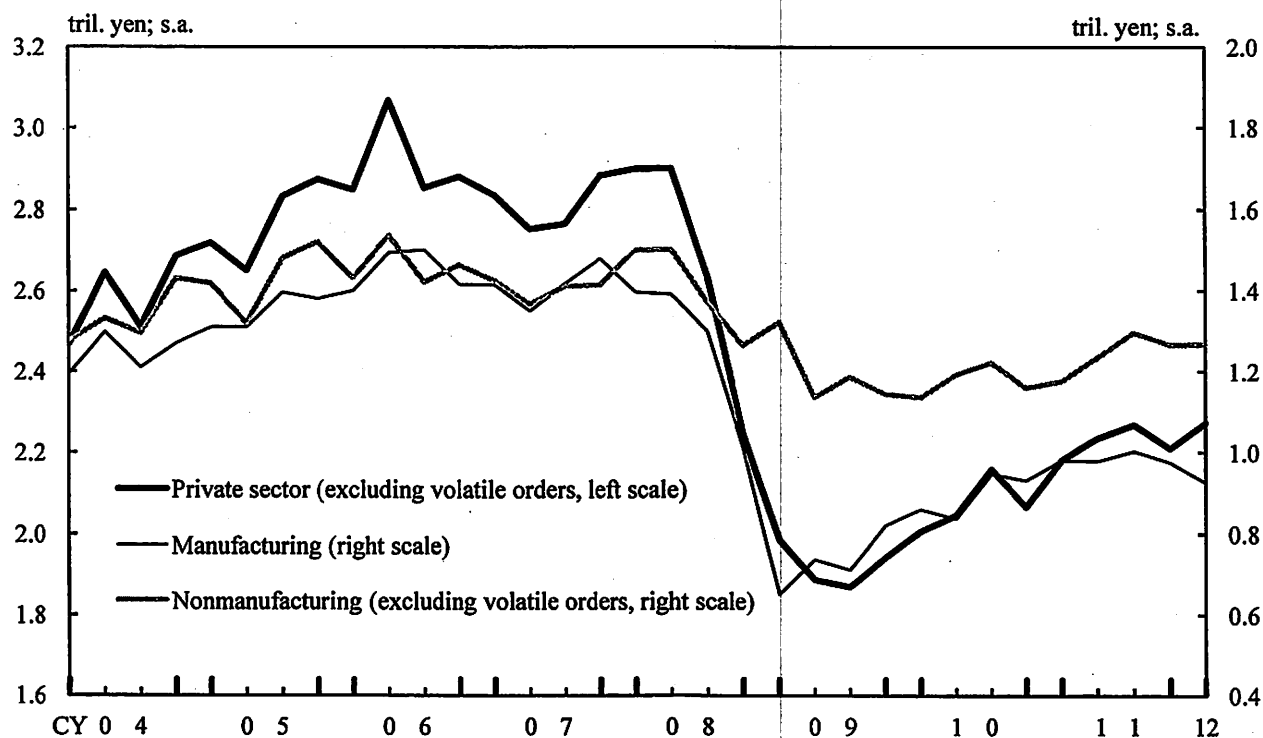
Notes: 1. Production capacity DIs are those of all enterprises.

2. The figure for 2012/Q1 is that of January.

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

Leading Indicators of Business Fixed Investment

(1) Machinery Orders

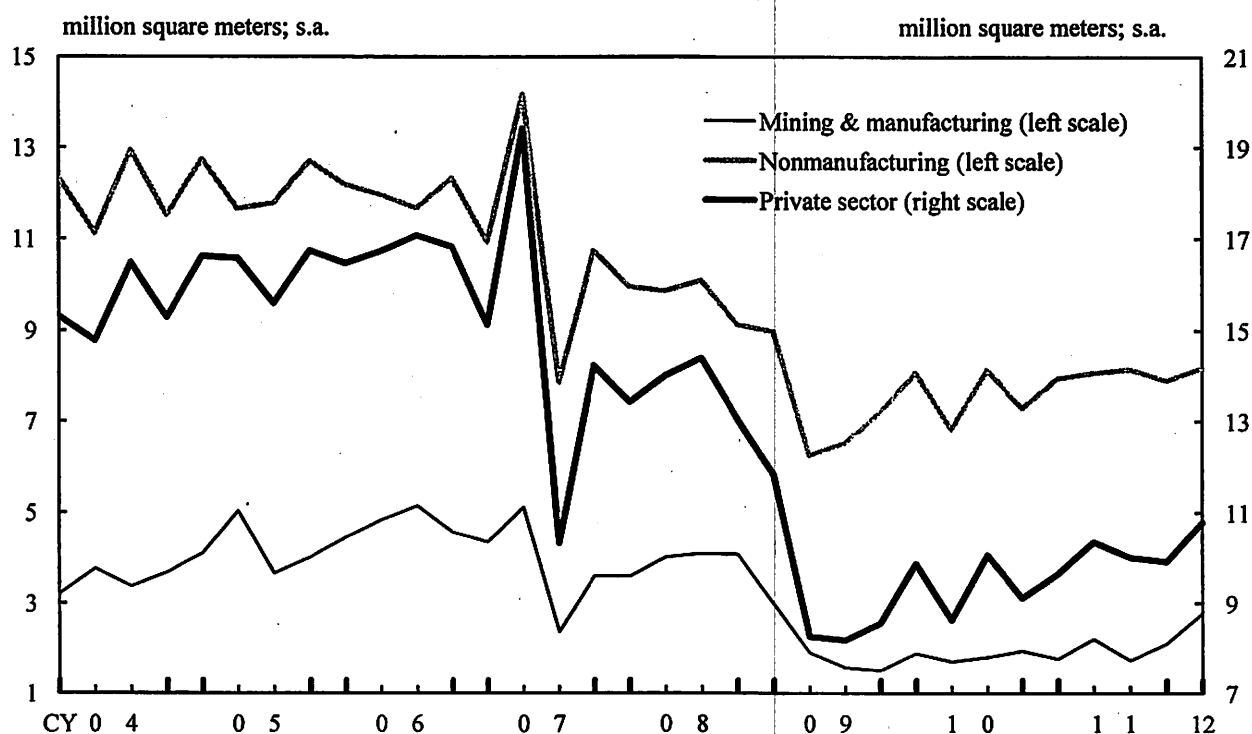


Notes: 1. Figures up to FY 2004 are estimated by the Cabinet Office.

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

3. Figures for 2012/Q1 are those of January in quarterly amount.

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



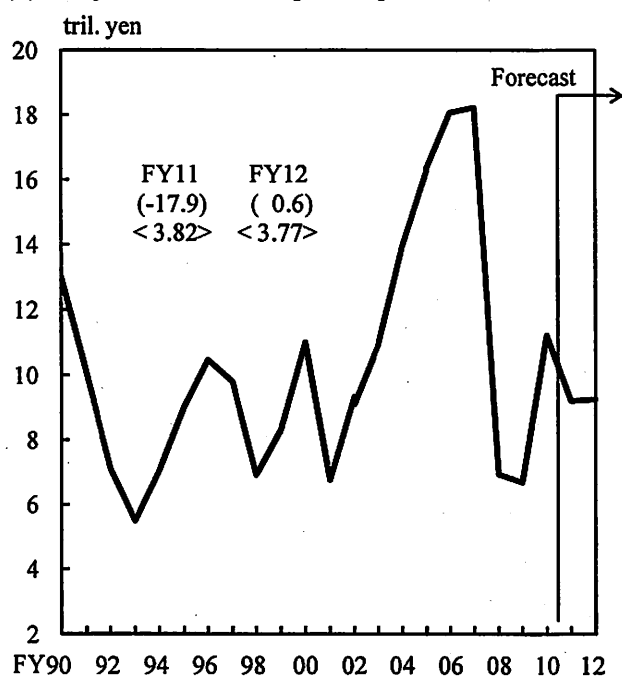
Notes: 1. Seasonally adjusted by X-12-ARIMA.

2. Figures for 2012/Q1 are those of January-February averages in quarterly amount.

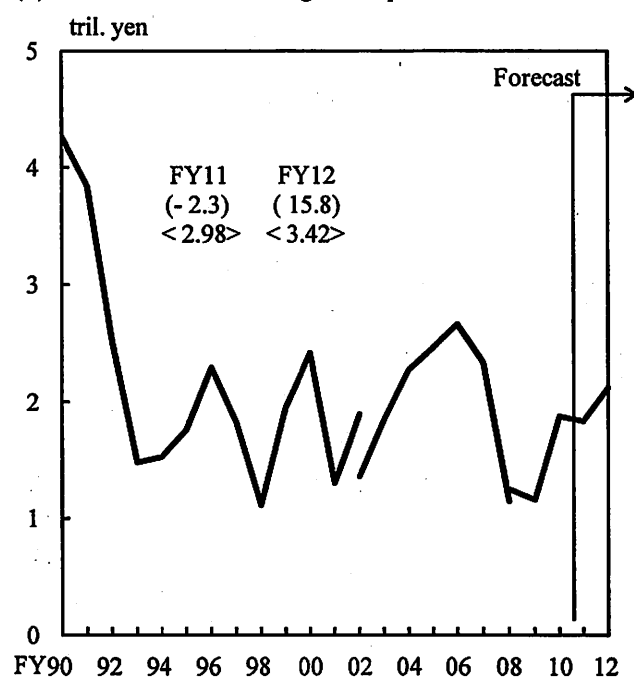
Sources: Cabinet Office, "Orders Received for Machinery";
Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts."

Current Profits

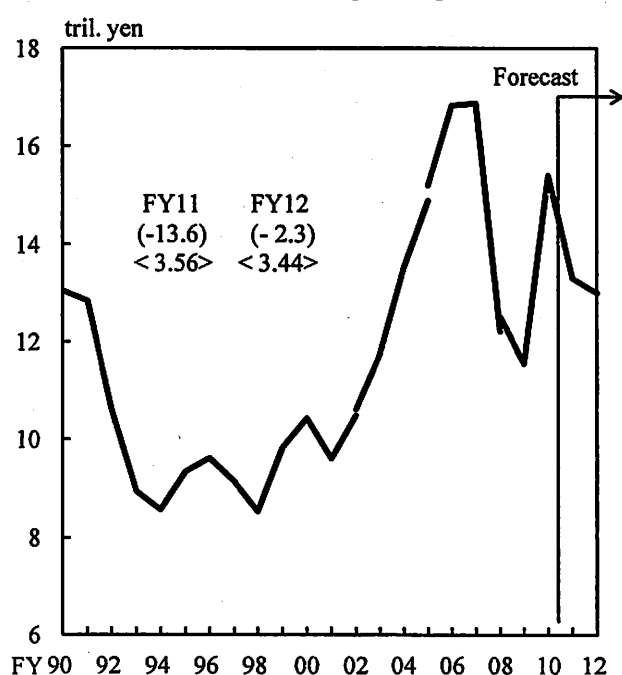
(1) Large Manufacturing Enterprises



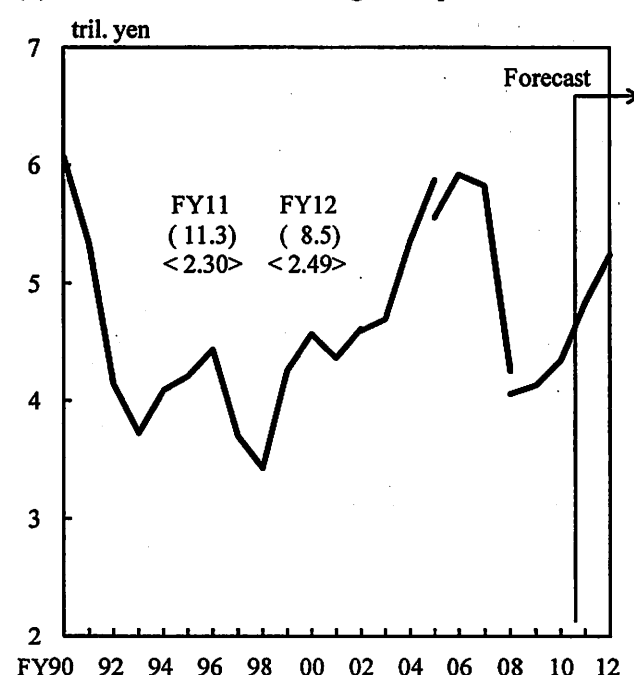
(2) Small Manufacturing Enterprises



(3) Large Nonmanufacturing Enterprises



(4) Small Nonmanufacturing Enterprises



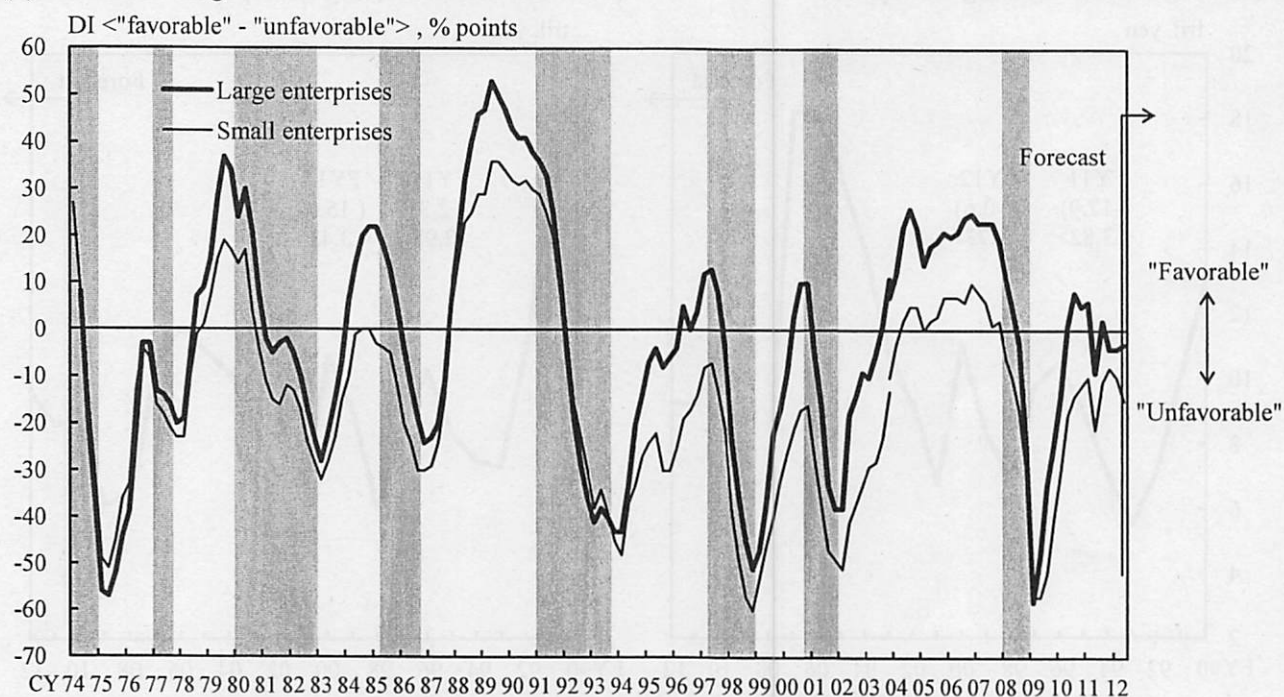
Notes: 1. (): Current profits (y/y % chg.); < >: Ratio of current profit to sales (%).

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

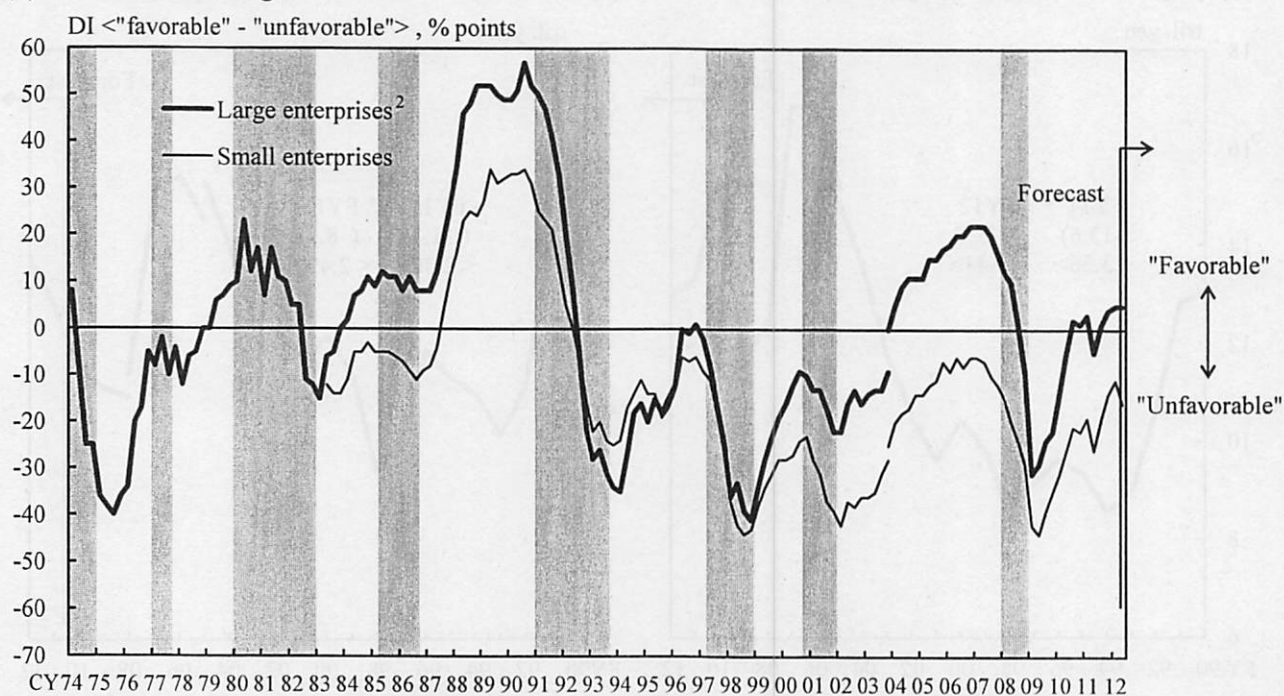
Source: Bank of Japan, "Tankan", Short-term Economic Survey of Enterprises in Japan."

Business Conditions

(1) Manufacturing



(2) Nonmanufacturing



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

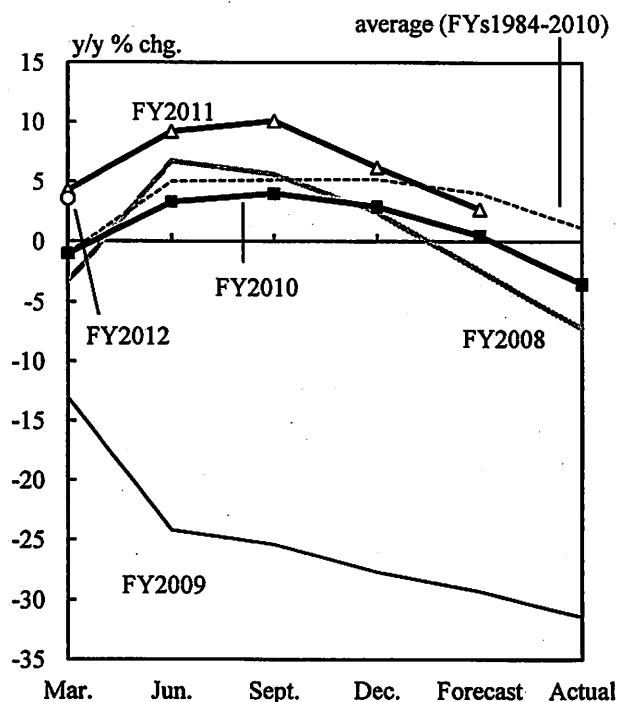
2. Data prior to February 1983 are those of principal enterprises.

3. Shaded areas indicate recession periods.

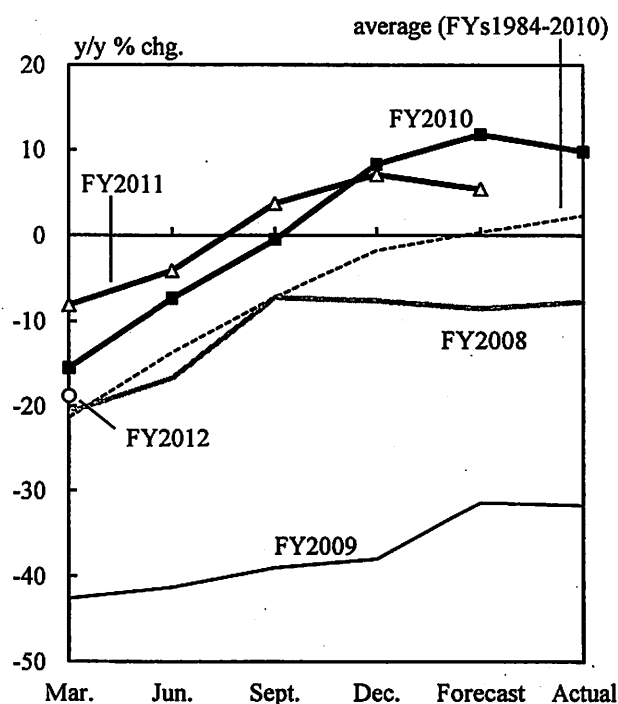
Source: Bank of Japan, "Tankan", Short-term Economic Survey of Enterprises in Japan."

Business Fixed Investment Plans as Surveyed

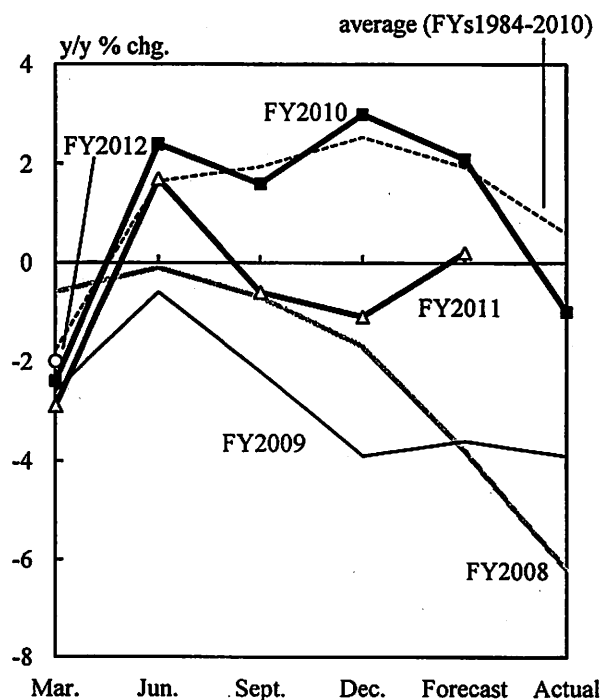
(1) Large Manufacturing Enterprises



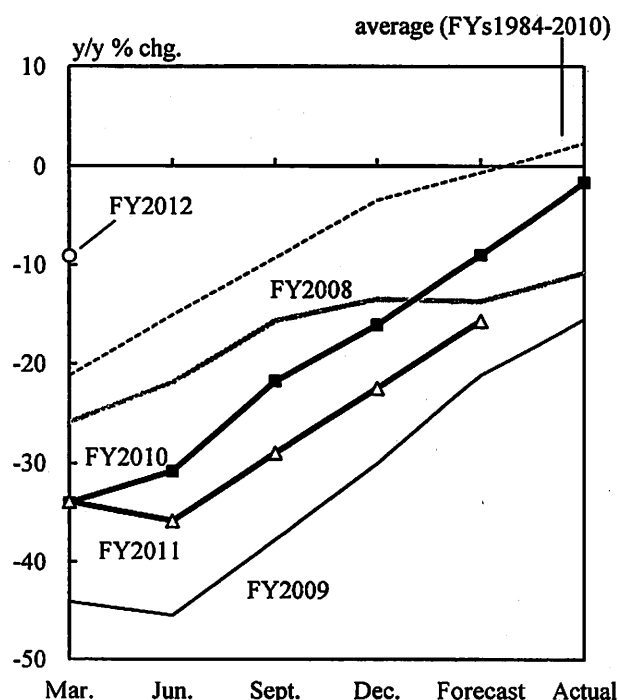
(2) Small Manufacturing Enterprises



(3) Large Nonmanufacturing Enterprises



(4) Small Nonmanufacturing Enterprises



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

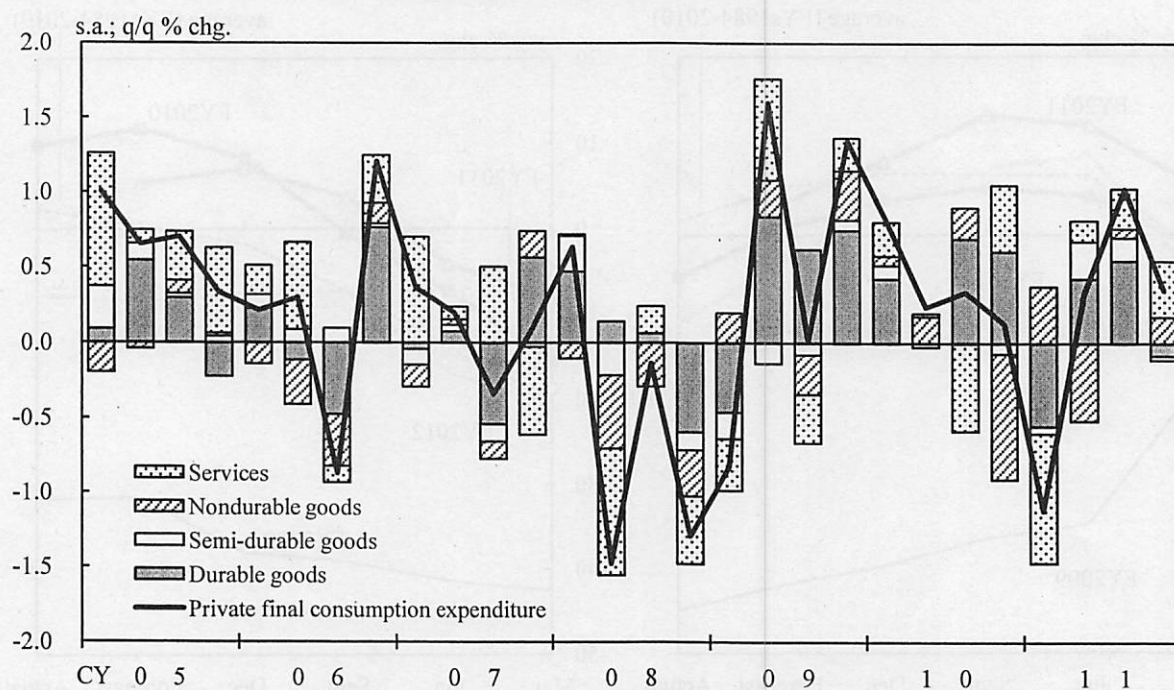
2. Sample enterprises were revised in the March 2010 survey. Therefore, as for FY 2009, figures up to the December survey are based on the previous data sets, and the figures of "forecast" and "actual result" are based on the new basis.

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.

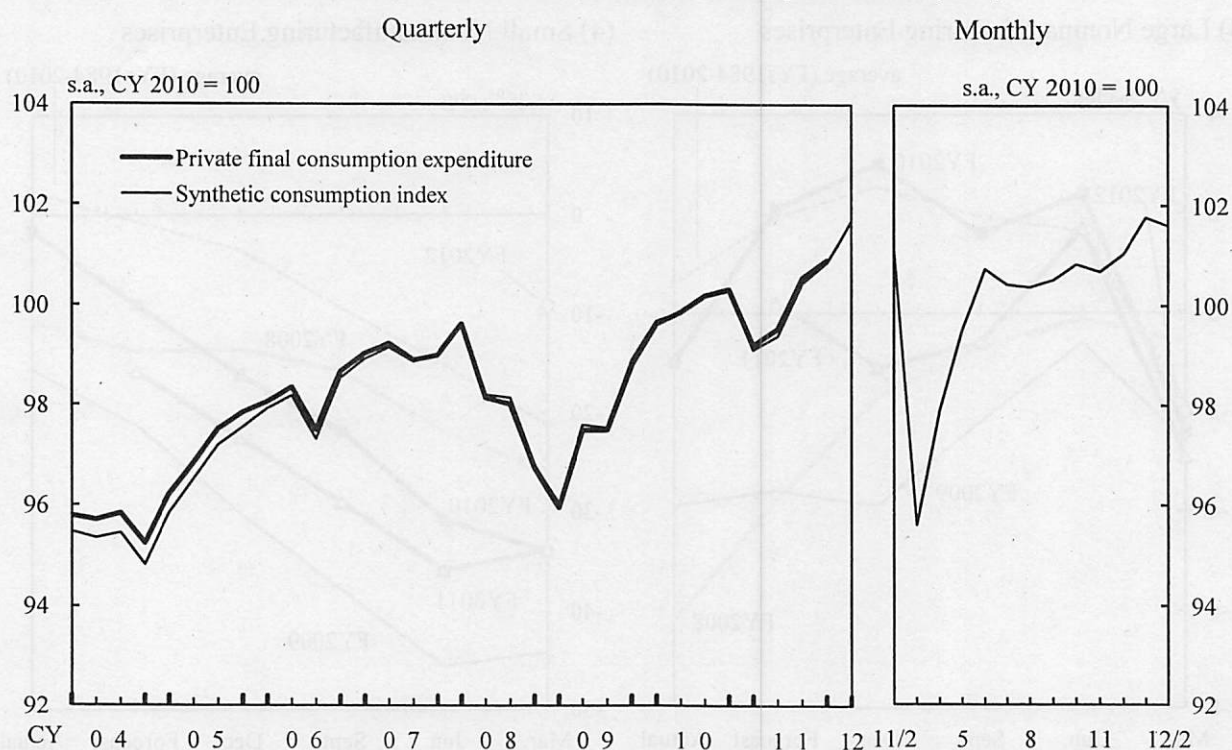
Source: Bank of Japan, "Tankan, Short-term Economic Survey of Enterprises in Japan."

Indicators of Private Consumption (1)

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



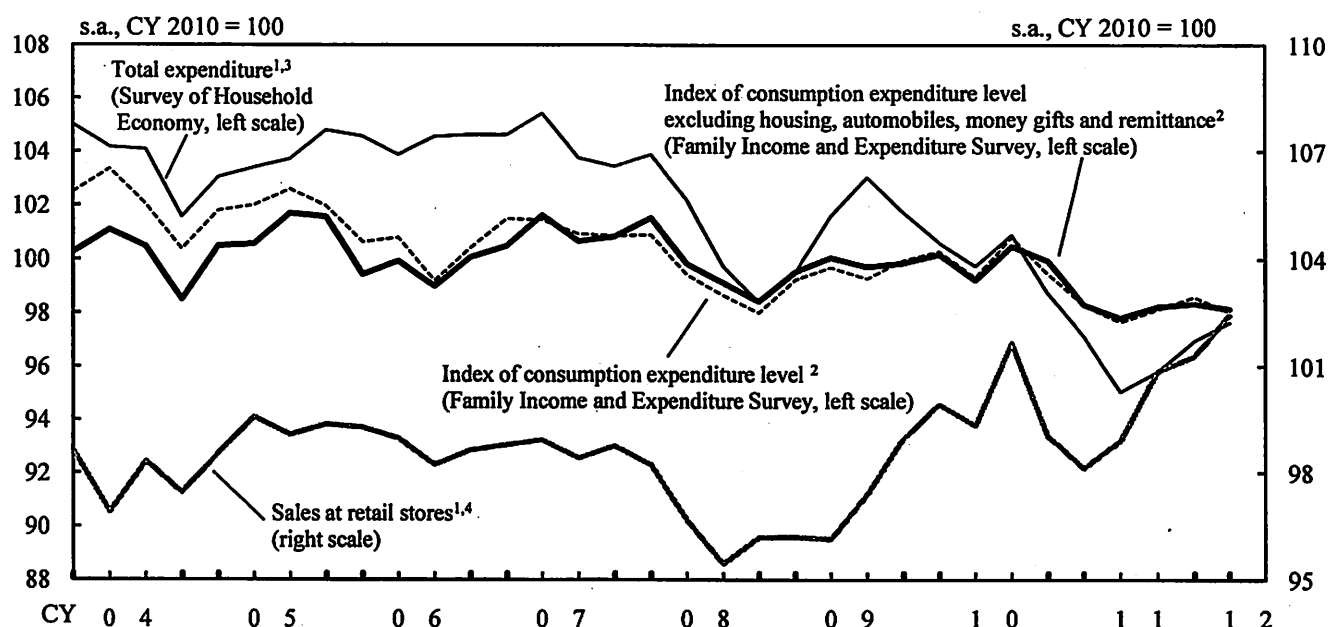
(2) Private Final Consumption Expenditure and Synthetic Consumption Index (Real)



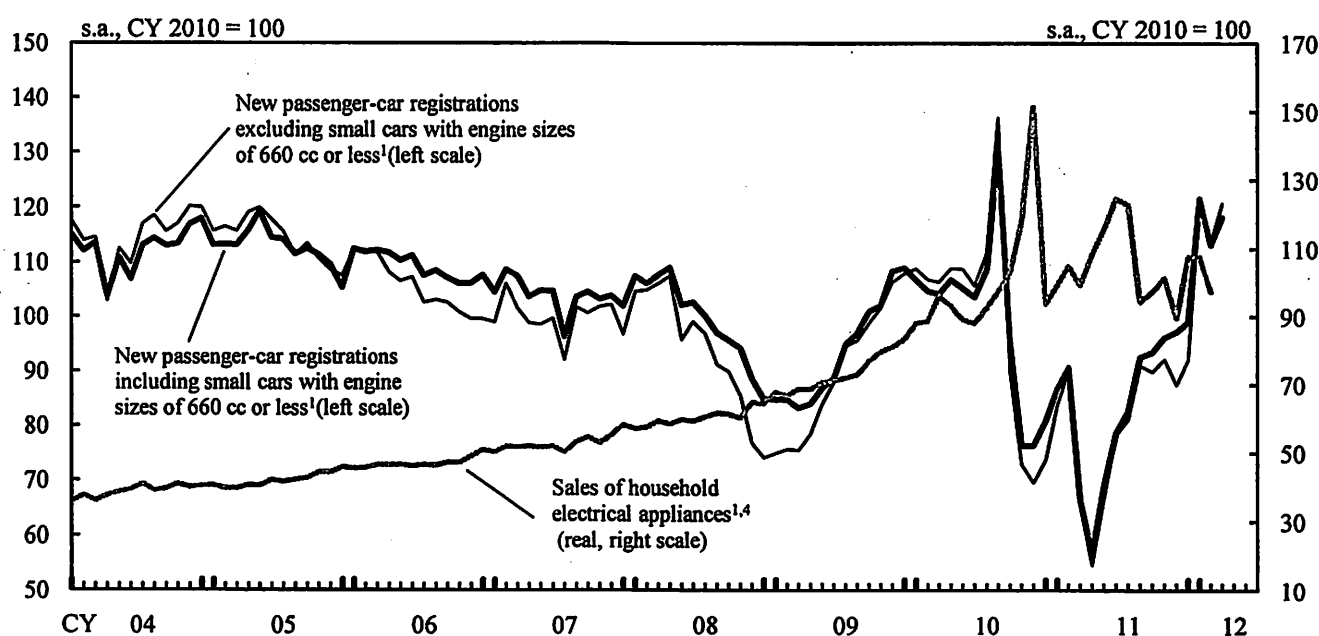
Note: The figure of the synthetic consumption index for 2012/Q1 is the average of January-February in quarterly amount.

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

Indicators of Private Consumption (2)

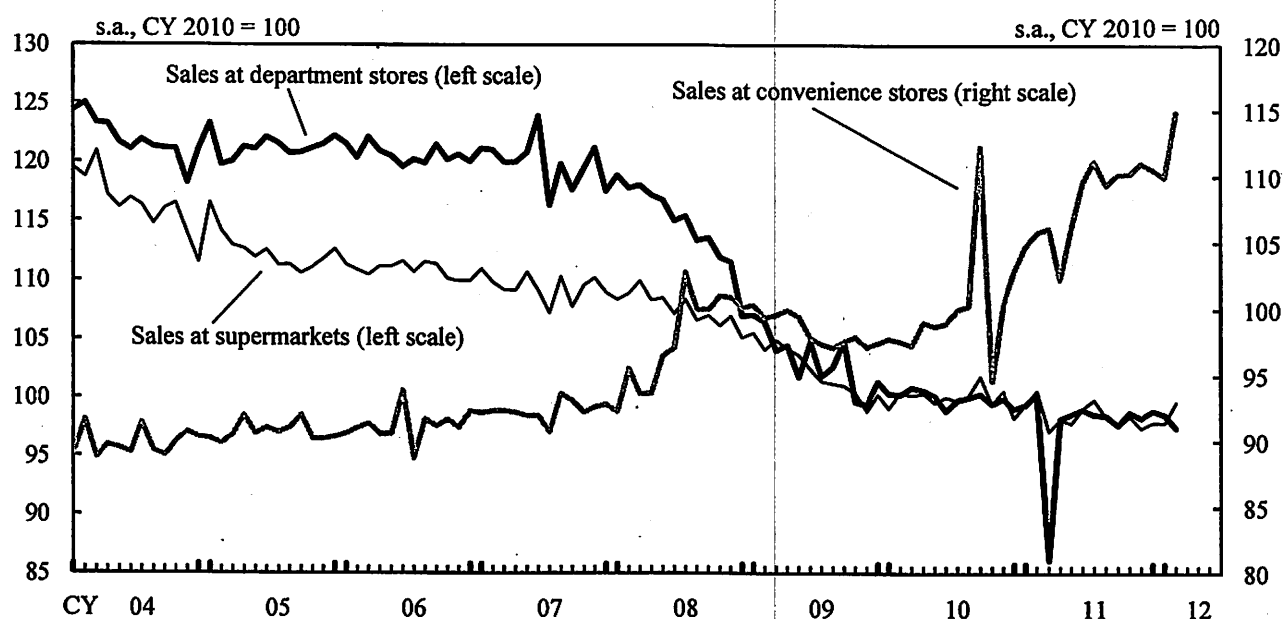
(1) Household Spending (Real)⁵

(2) Sales of Durable Goods

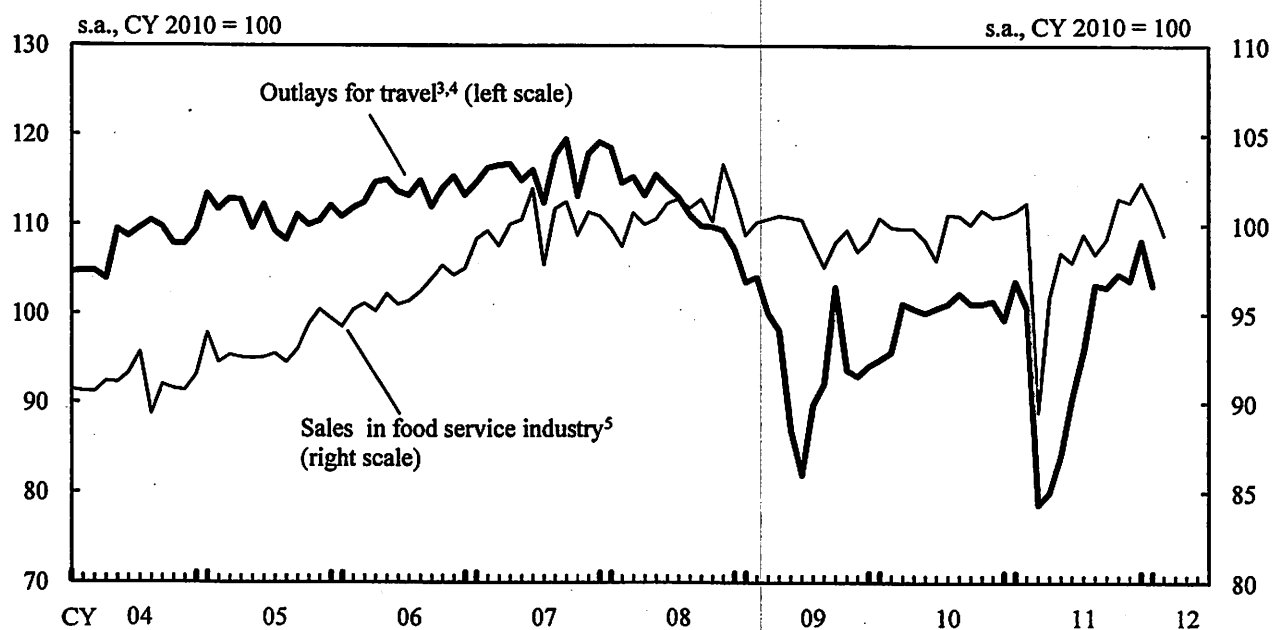


- Notes: 1. Total expenditure, sales at retail stores, sales of household electrical appliances and new passenger-car registrations are seasonally adjusted by X-12-ARIMA.
2. "Index of consumption expenditure level" is based on two-or-more-person households, and is adjusted using the distribution of household by number of household members and age group of household head.
3. "Total expenditure" is based on two-or-more-person households, and is deflated by the "consumer price index (CPI)" excluding imputed rent.
4. "Sales at retail stores" is deflated by the CPI for goods (excluding electricity, gas & water charges).
"Sales of household electrical appliances" is calculated as follows: indices of retail sales, of machinery and equipment in the "Current Survey of Commerce" are deflated by the geometric means of the corresponding the CPI.
5. Figures for 2012/Q1 are those of January-February 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 in 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.

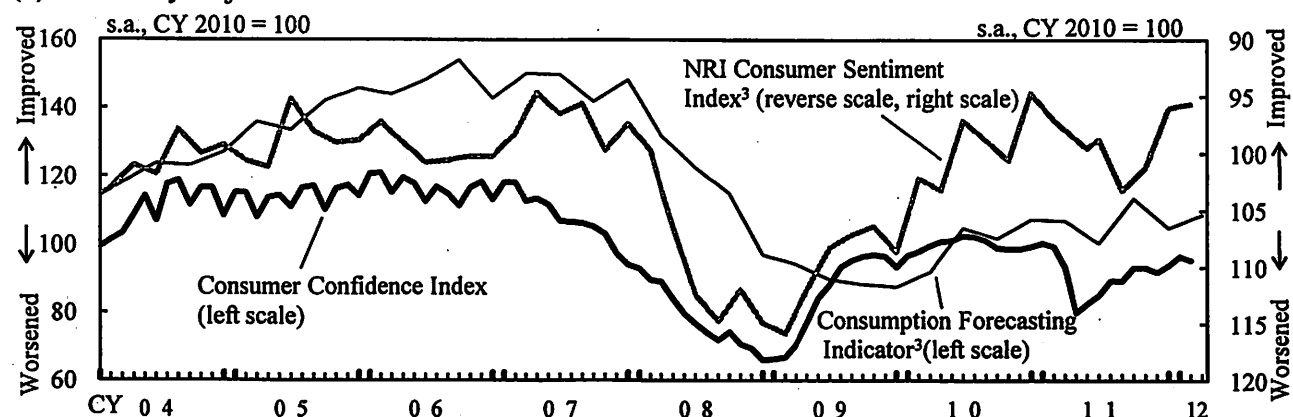
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce";

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

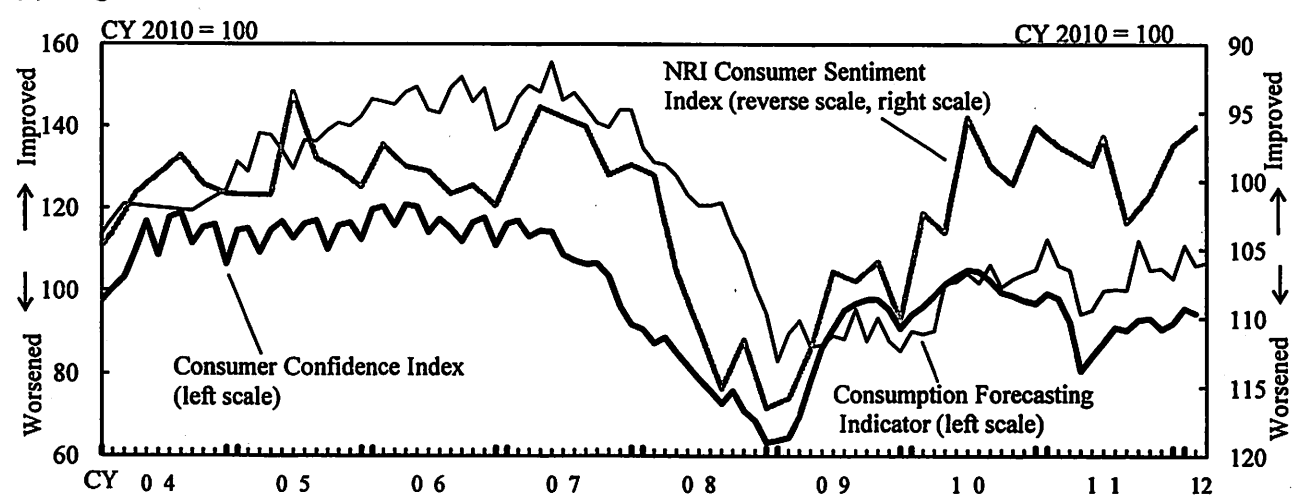
Food Service Industry Survey & Research Center, "Getsuji Uriage Doukou Chousa (Monthly survey of food service sales)"; Japan Food Service Association, "Gaishoku Sangyou Shijou Doukou Chousa (Research on the food service industry)."

Consumer Confidence^{1,2}

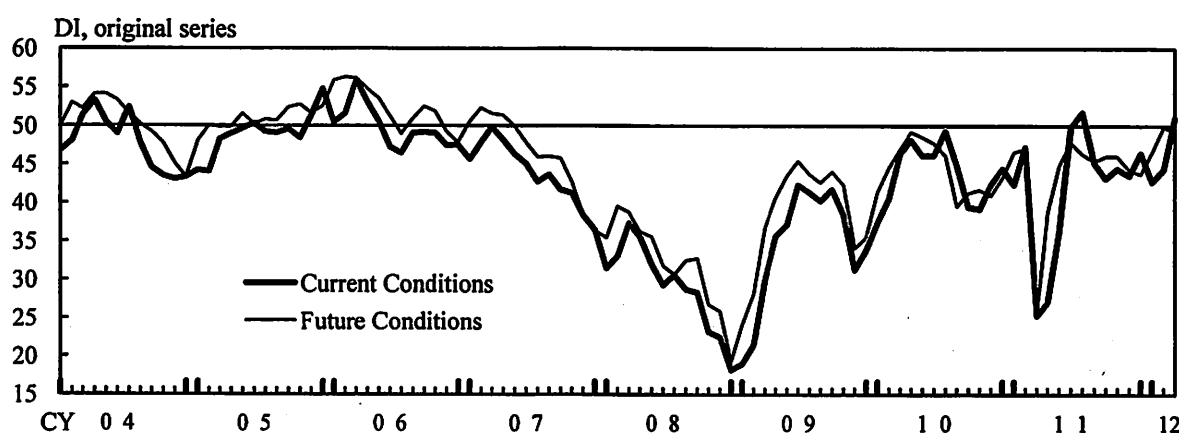
(1) Seasonally Adjusted Series



(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.

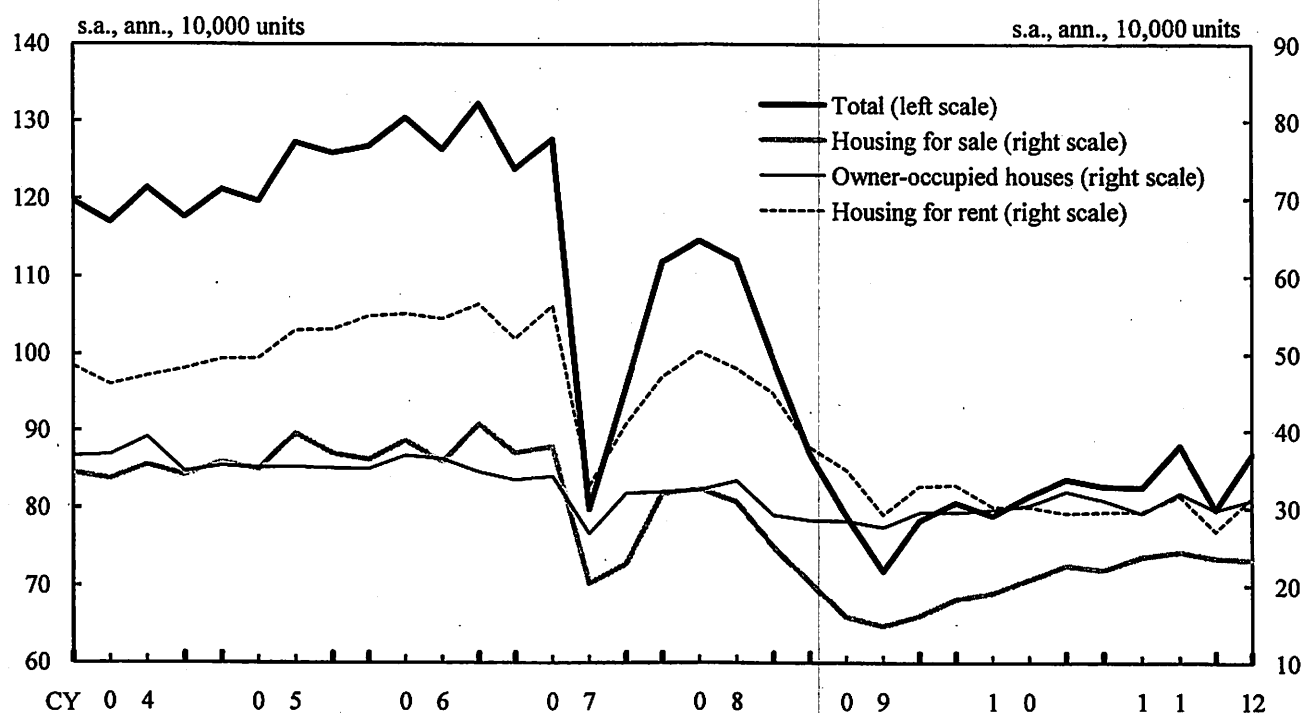
3. Figures are seasonally adjusted by X-12-ARIMA. The "Consumption Forecasting Indicator" is seasonally adjusted using quarterly figures since the survey was quarterly until 2004.

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

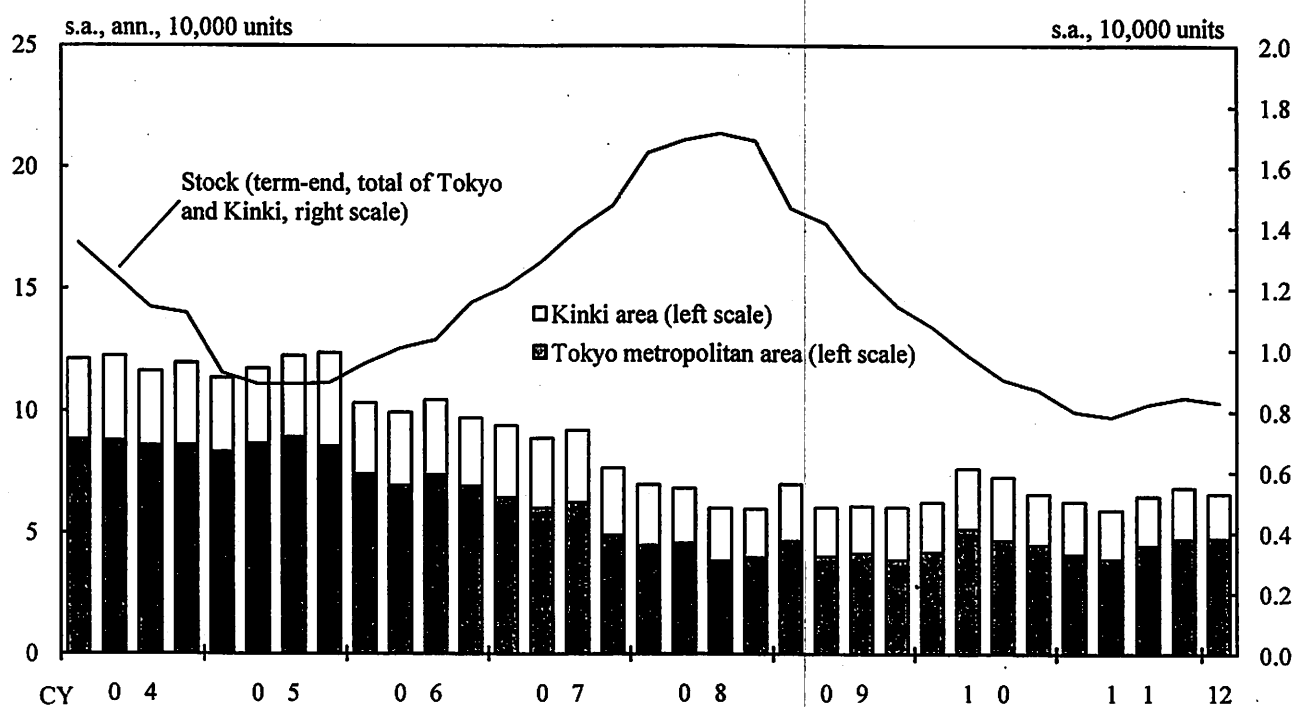
Nikkei inc., "Consumption Forecasting Indicator"; Nippon Research Institute (NRI), "Consumer Sentiment Survey."

Indicators of Housing Investment

(1) Housing Starts



(2) Sales of Apartments



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

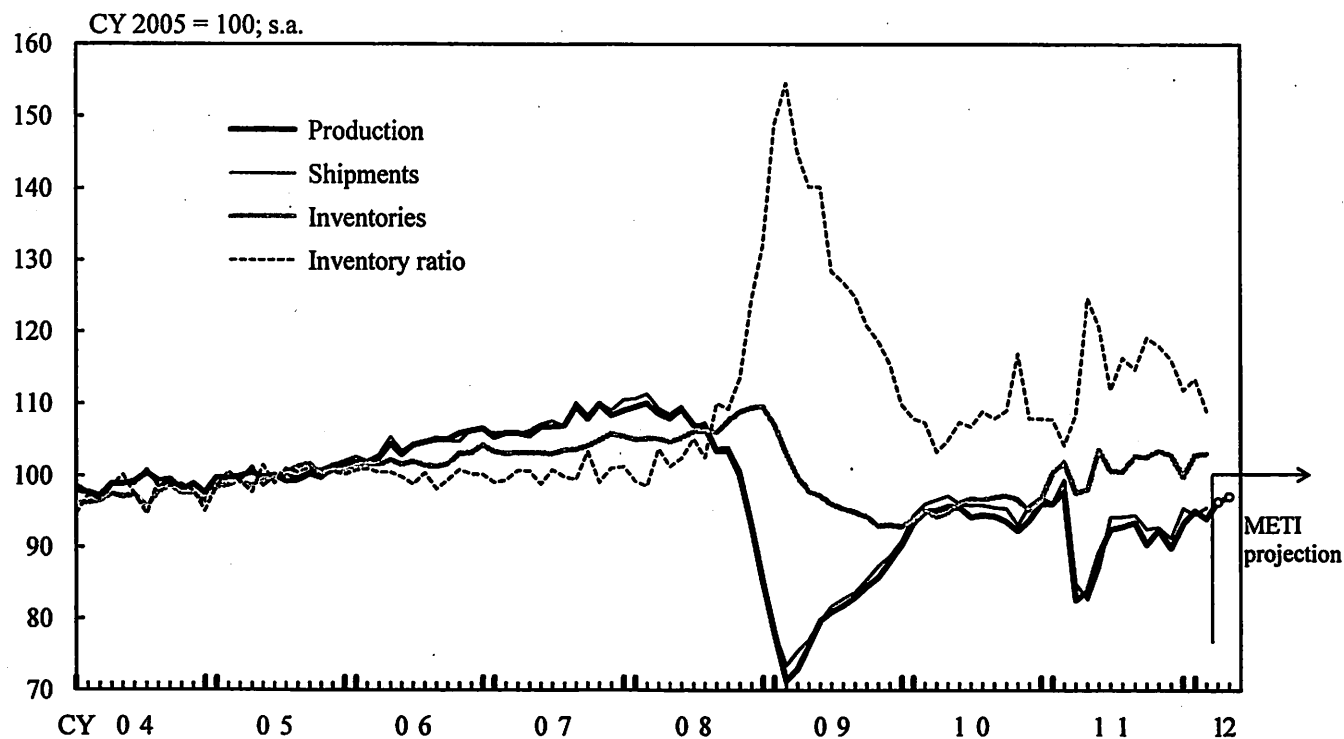
2. The figure of total apartment sales for 2012/Q1 is the January-February average.

The term-end stock for 2012/Q1 is that of February.

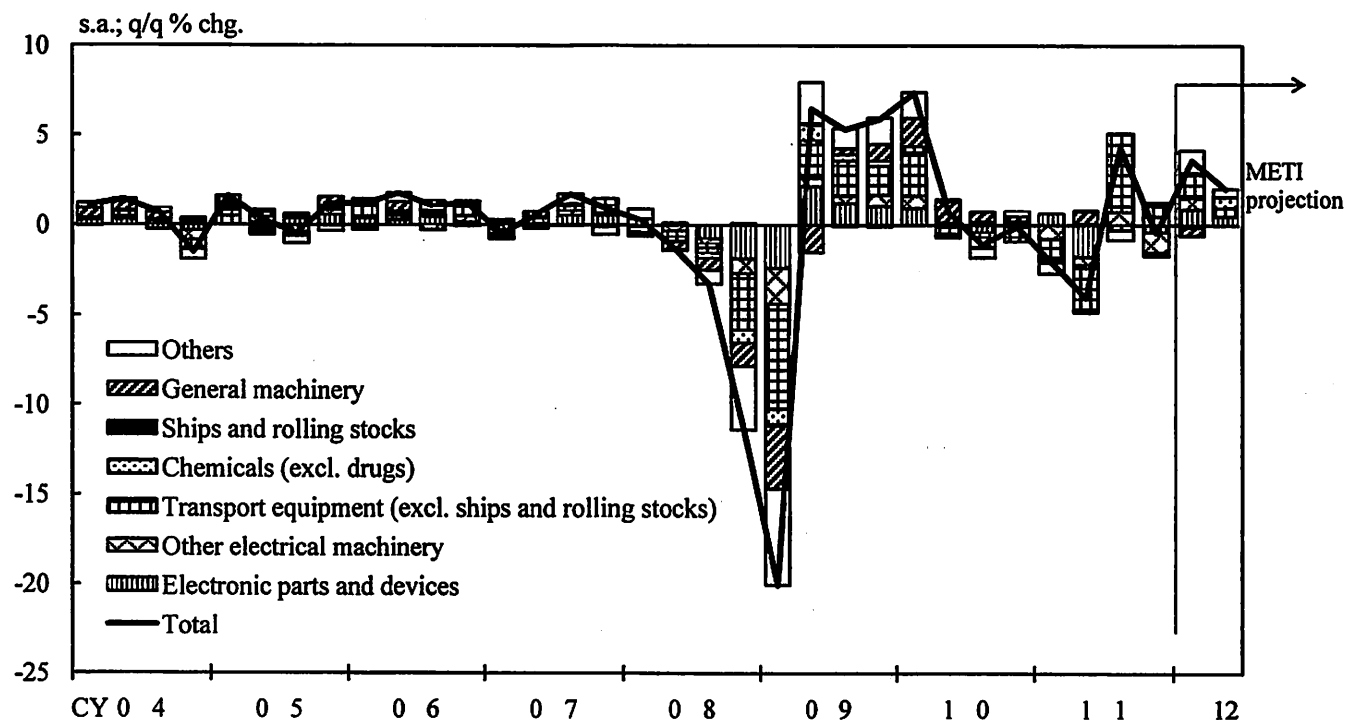
Sources: Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts," etc.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industry



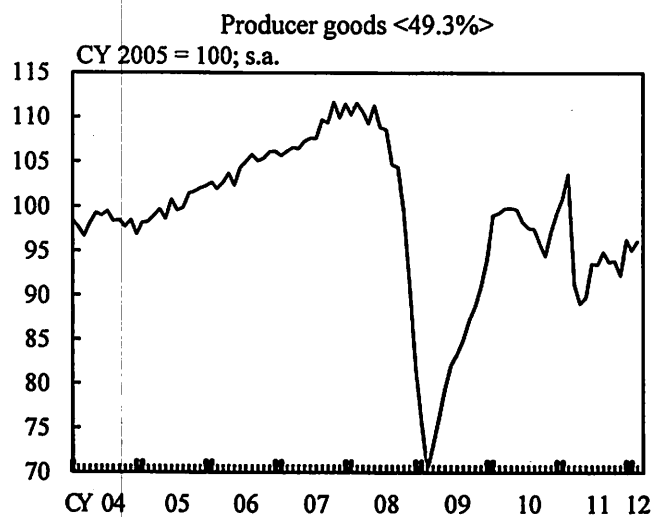
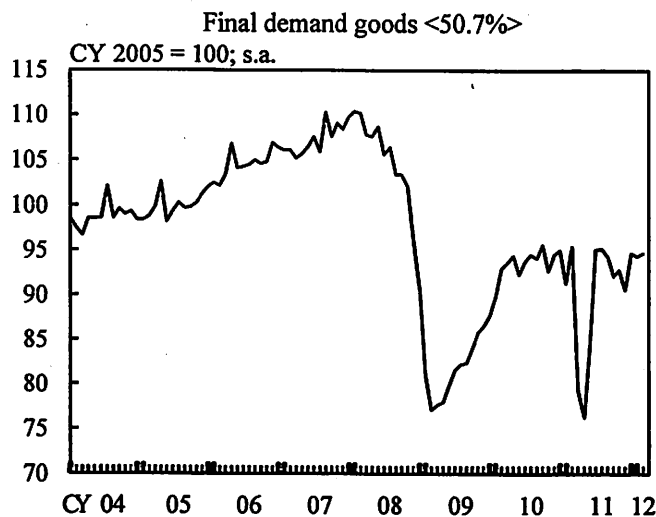
Notes: 1. "Other electrical machinery" is the weighted sum of "electrical machinery" and "information and communication electronics equipment."

2. 2012/Q1 figures are based on the actual production levels in January and February, and the METI projection of March. 2012/Q2 figures are based on the assumption that the production levels in May and June are the same as those of April.

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

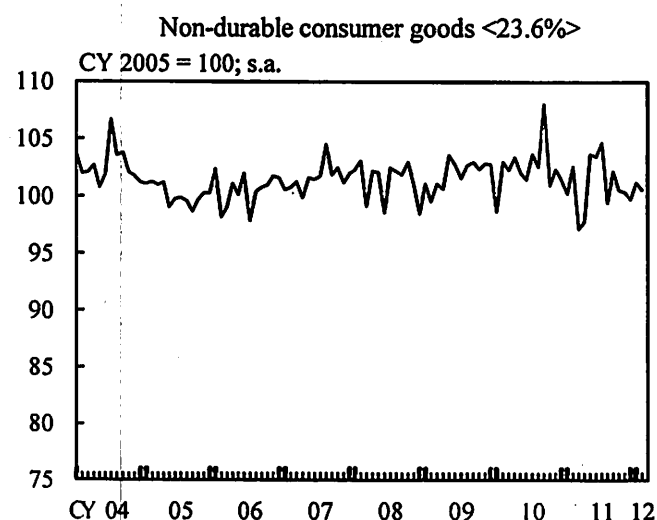
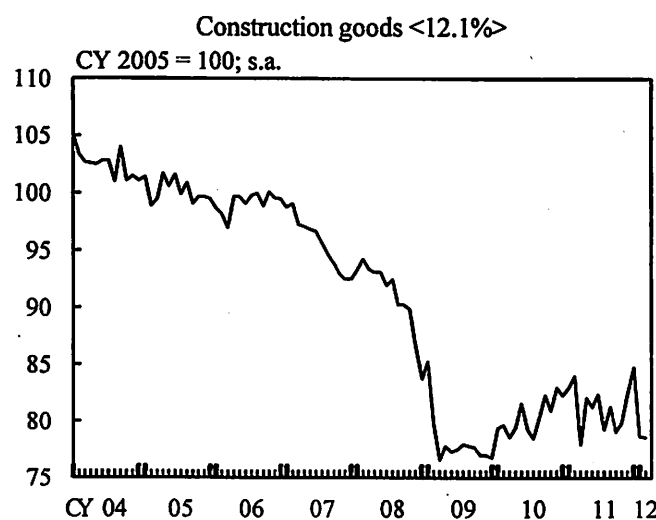
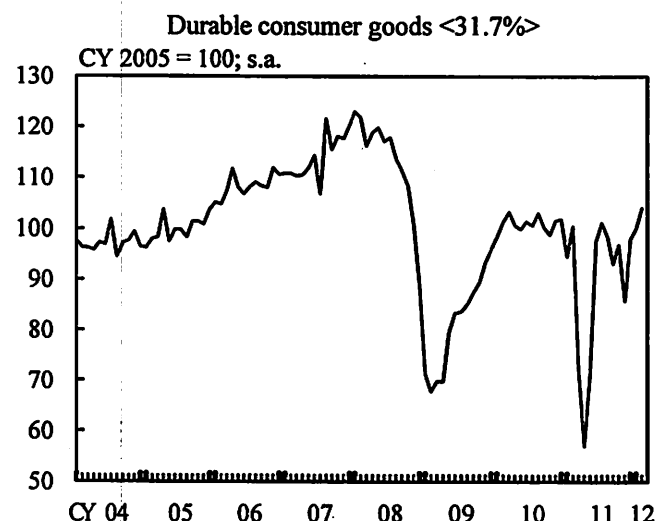
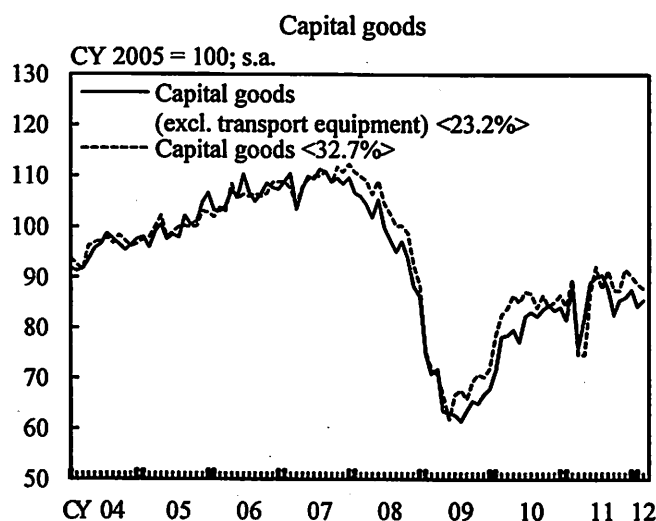
Shipments by Type of Goods

(1) Final Demand Goods and Producer Goods



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

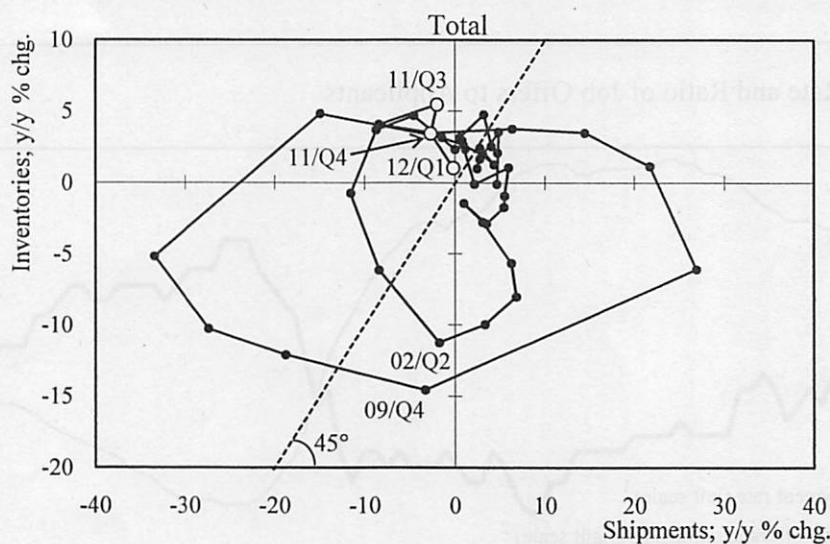
(2) Breakdown of Final Demand Goods



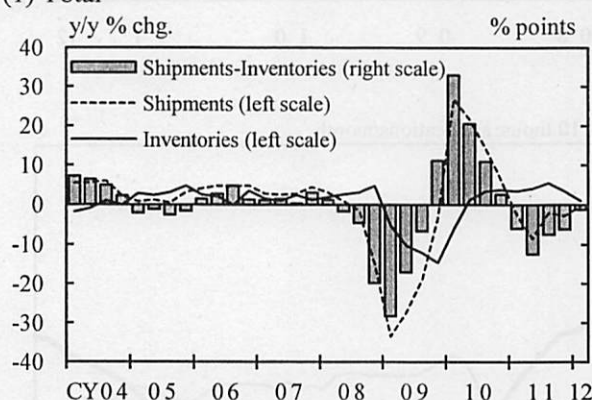
Note: Figures in angle brackets show the shares among shipments of final demand goods.

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

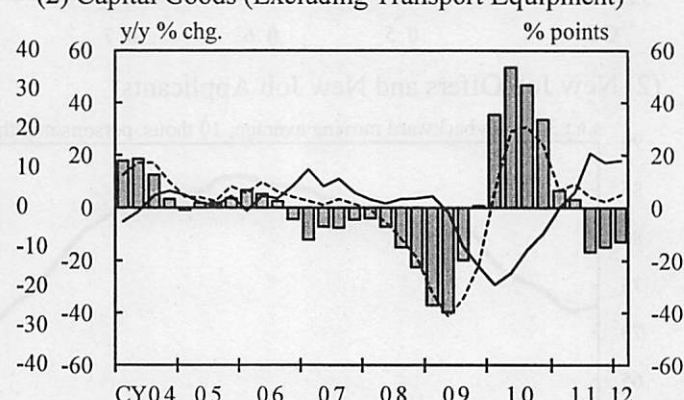
Inventory Cycle



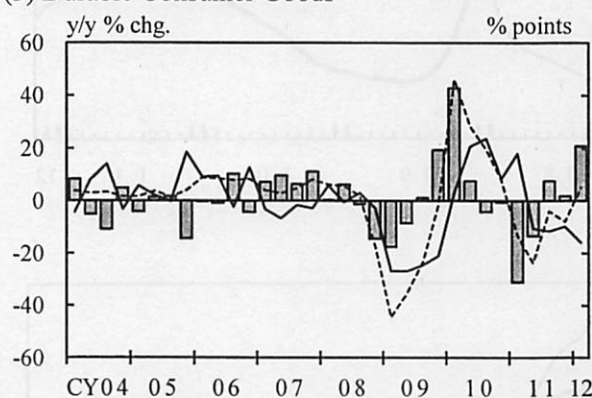
(1) Total



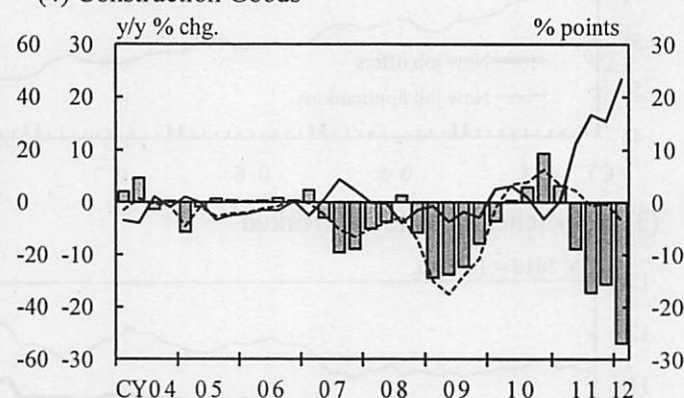
(2) Capital Goods (Excluding Transport Equipment)



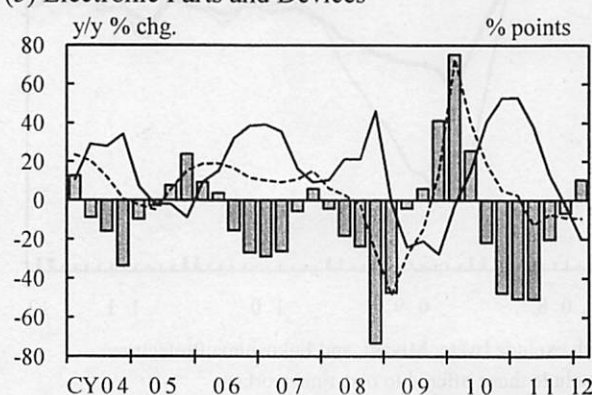
(3) Durable Consumer Goods



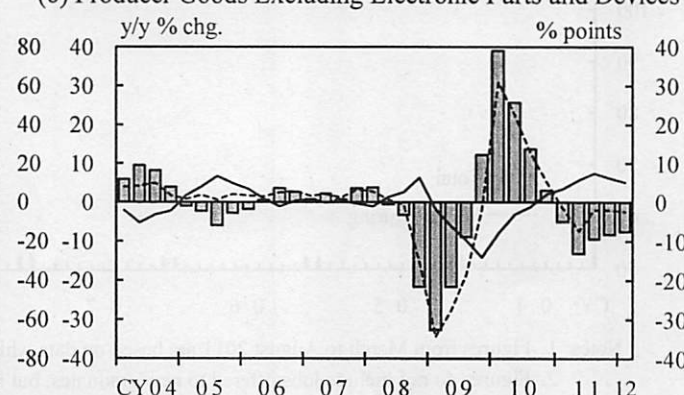
(4) Construction Goods



(5) Electronic Parts and Devices



(6) Producer Goods Excluding Electronic Parts and Devices



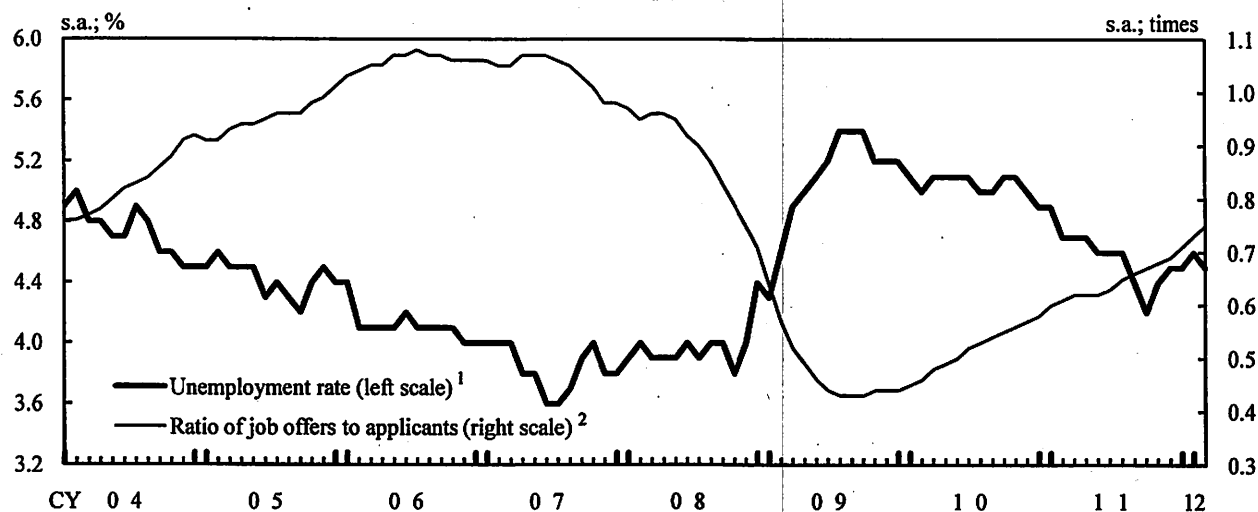
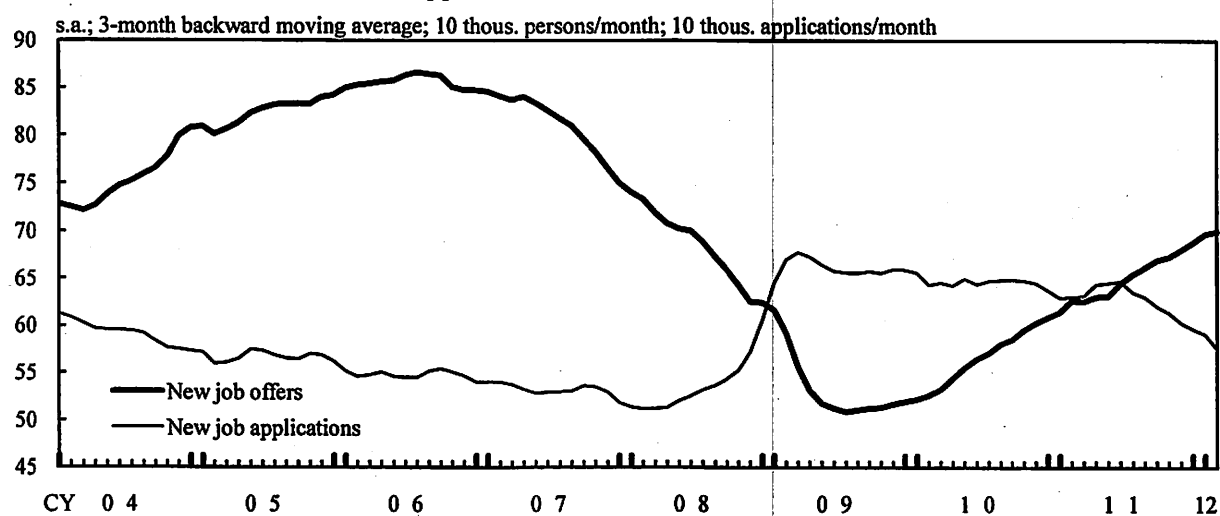
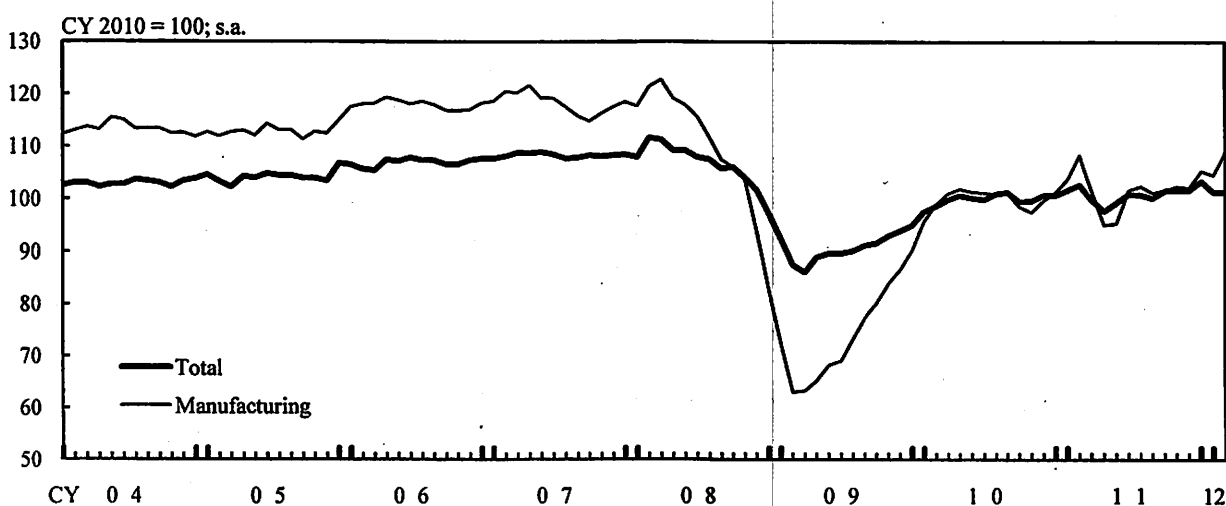
Note: Figures of shipments for 2012/Q1 are January-February averages.

Inventories for 2012/Q1 are those of February.

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

Labor Market

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

(2) New Job Offers and New Job Applicants²(3) Non-Scheduled Hours Worked³

Notes: 1. Figures from March to August 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.

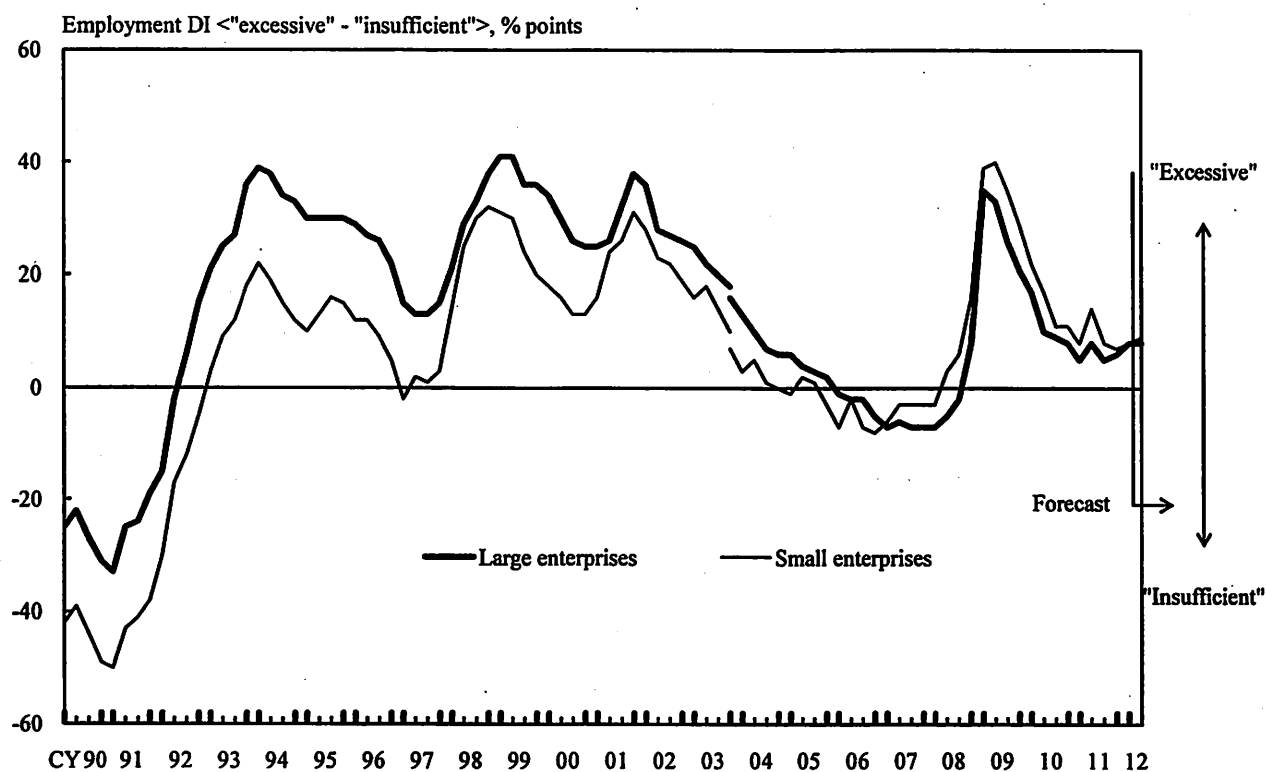
3. Data are for establishments with at least five employees.

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

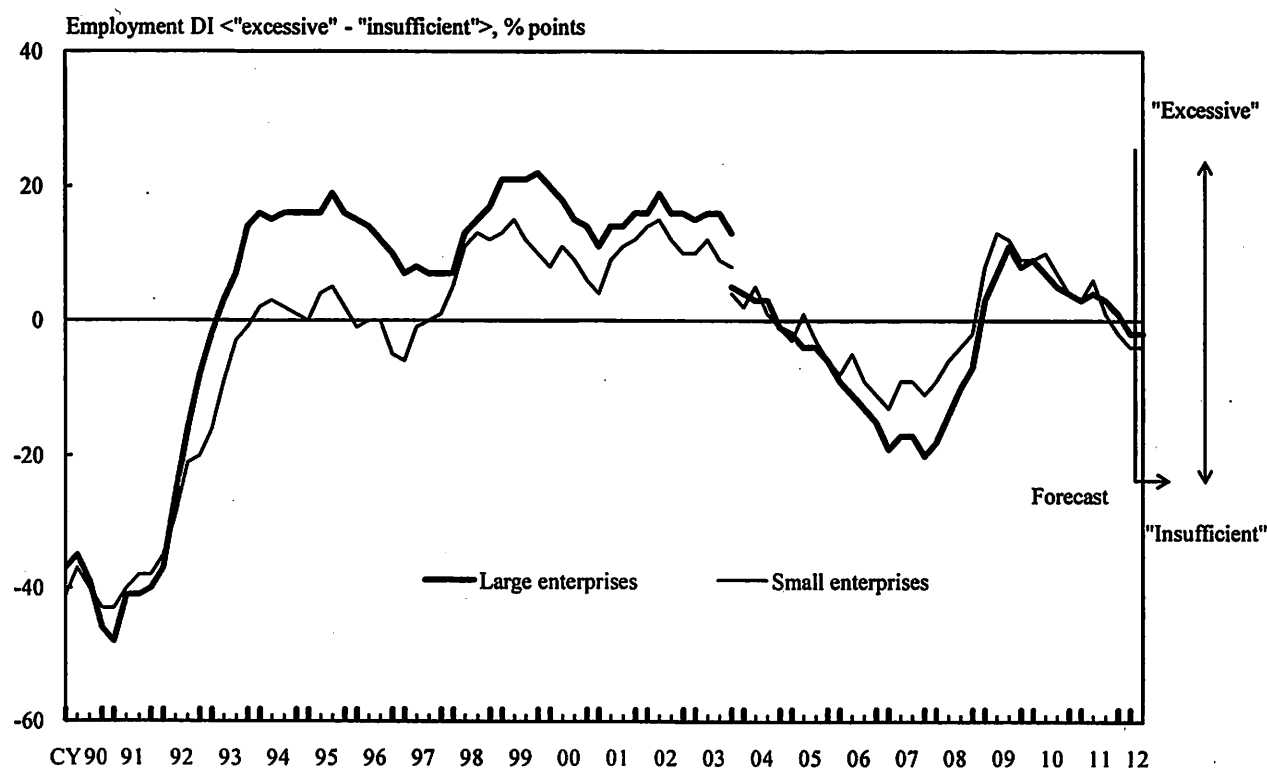
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey."

Employment Conditions

(1) Manufacturing



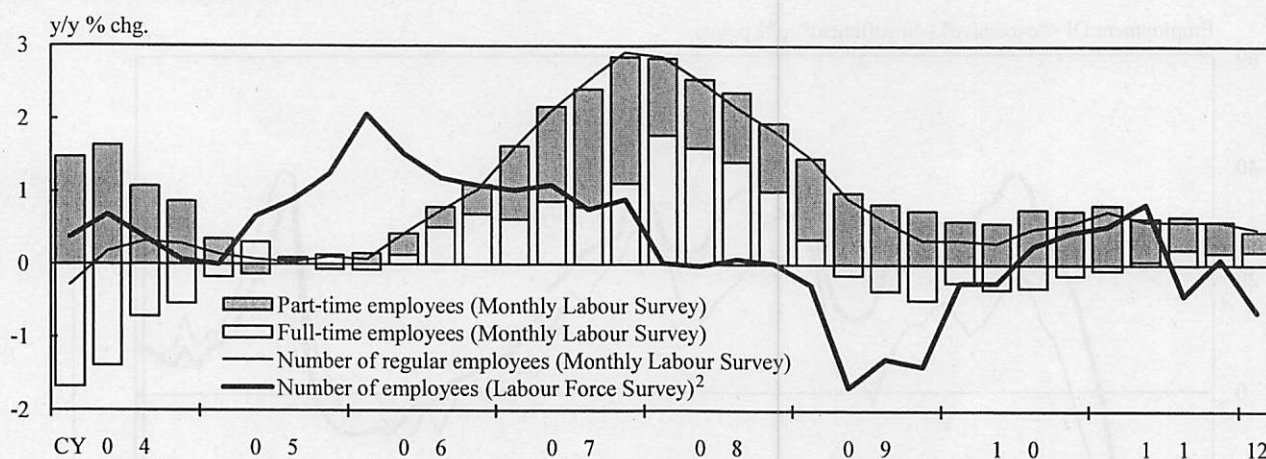
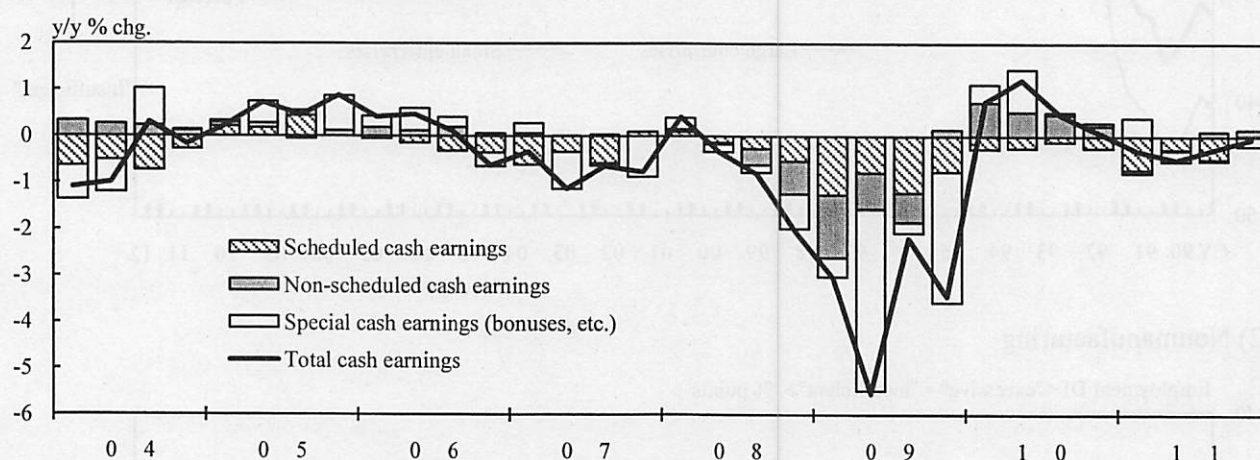
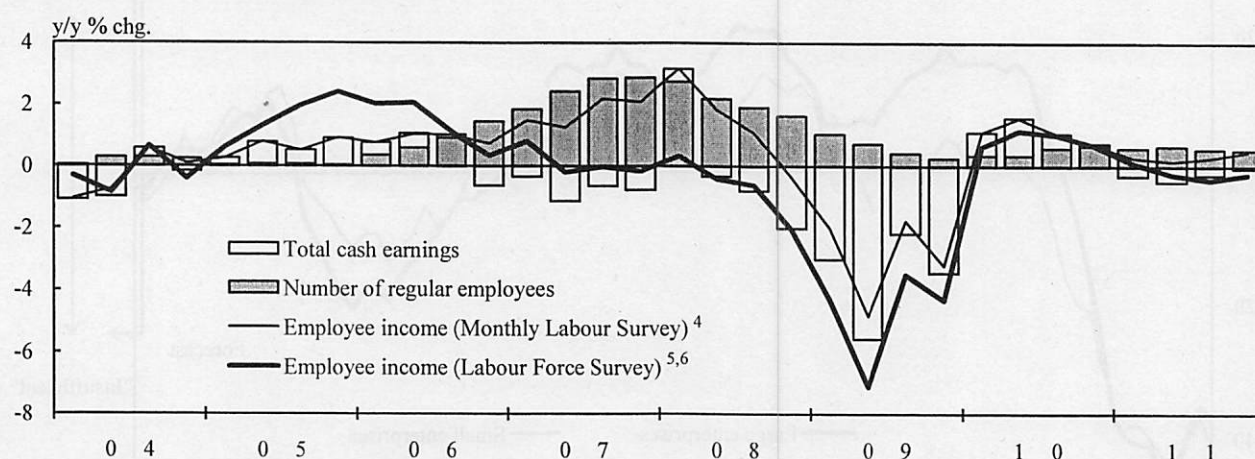
(2) Nonmanufacturing



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) Number of Employees^{1,7}(2) Breakdown of Total Cash Earnings^{1,3}(3) Breakdown of Employee Income^{1,3}

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

2. Figures from 2011/Q1 to 2011/Q3 are based on data which exclude Iwate, Miyagi, and Fukushima Prefectures.

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

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

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

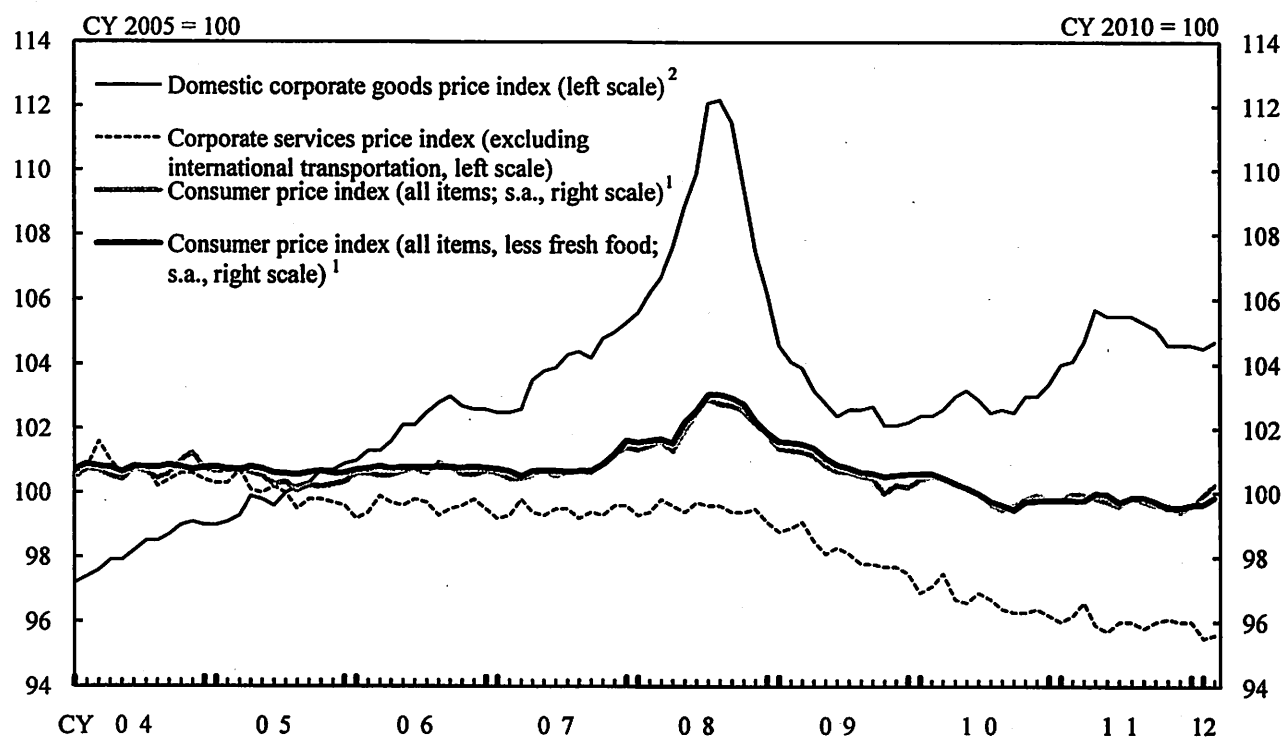
6. The "number of employees" (Labour Force Survey) used for calculating figures from 2011/Q1 to 2011/Q2 excludes Iwate, Miyagi, and Fukushima Prefectures.

7. Figures for 2012/Q1 are January-February averages.

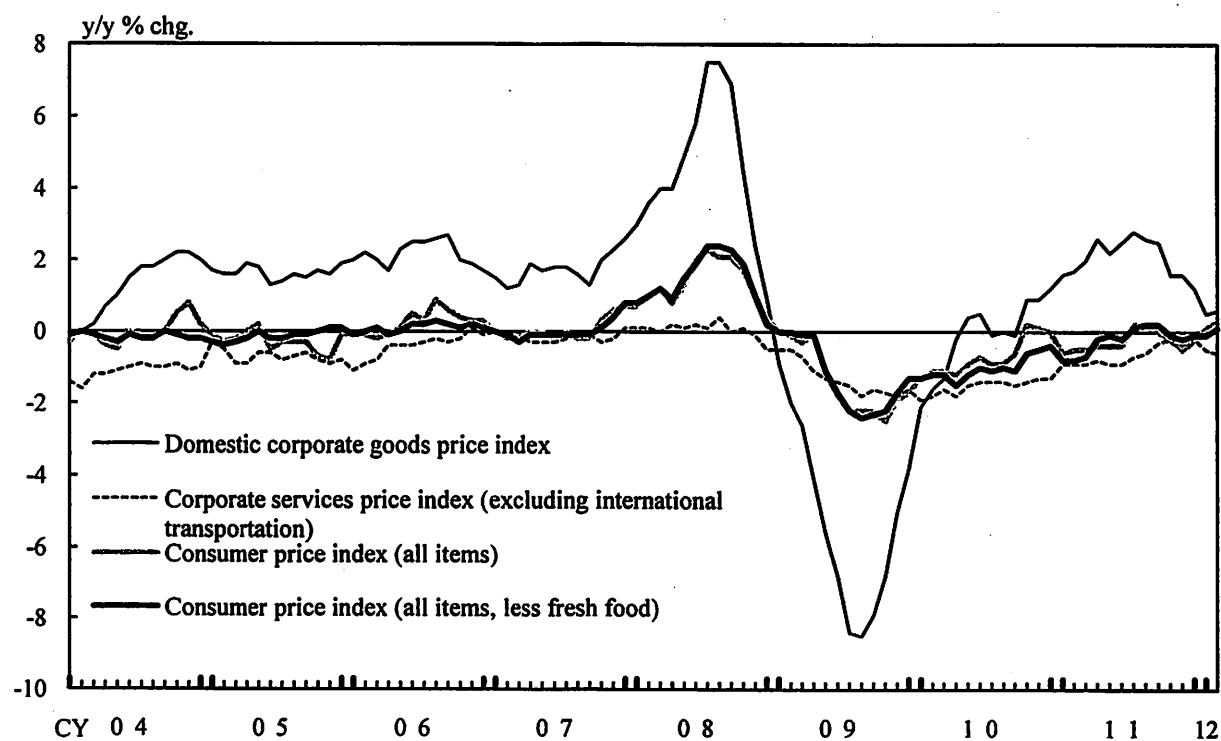
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
Ministry of Internal Affairs and Communications, "Labour Force Survey."

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.

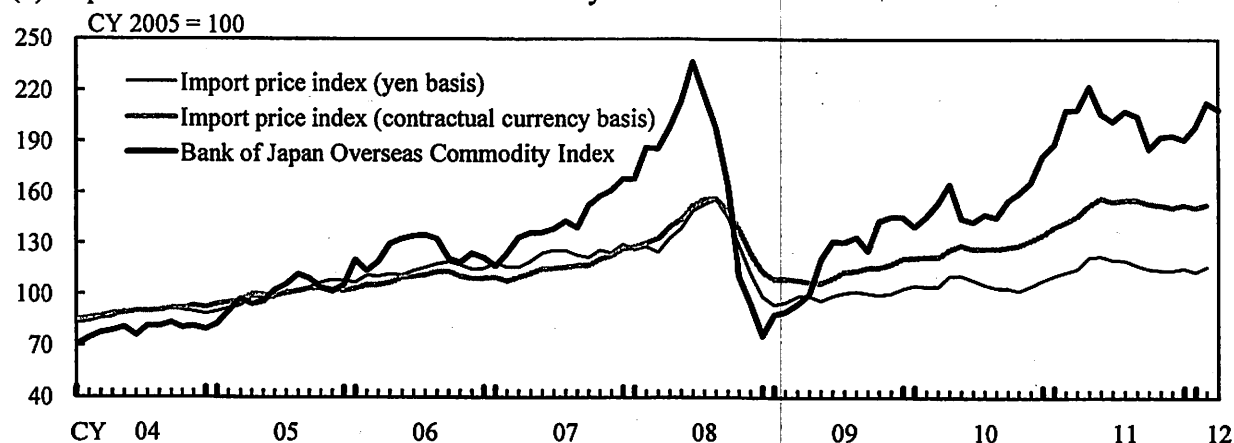
3. The levels of "Consumer Price Index" up to 2009 are based on the linked indices.

4. Figures of "Corporate Goods Price Index" and "Corporate Services Price Index" up to 2004 are based on the linked indices.

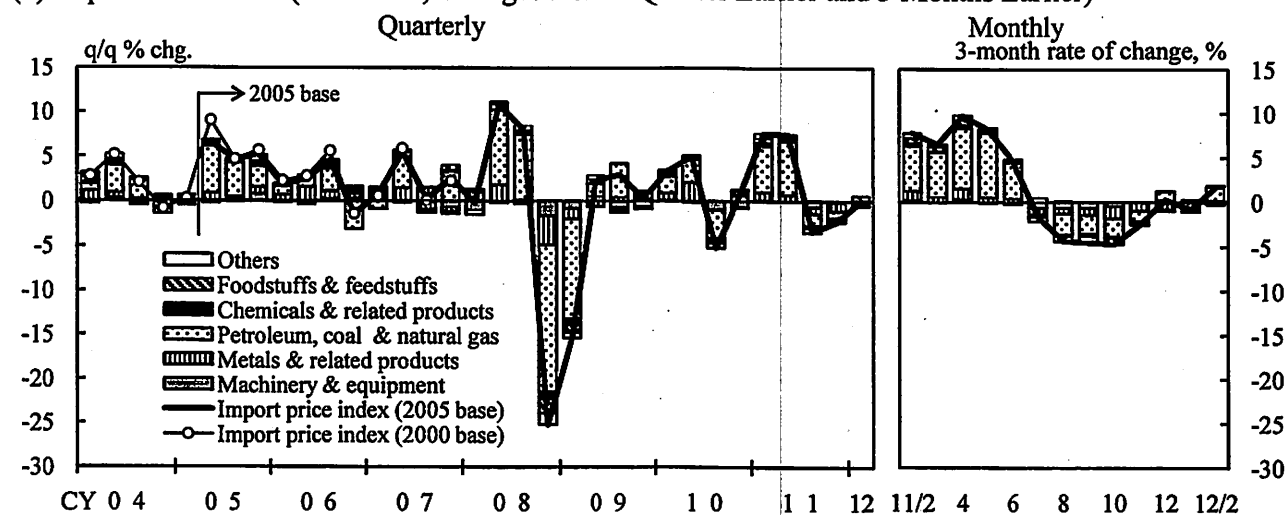
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index."

Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



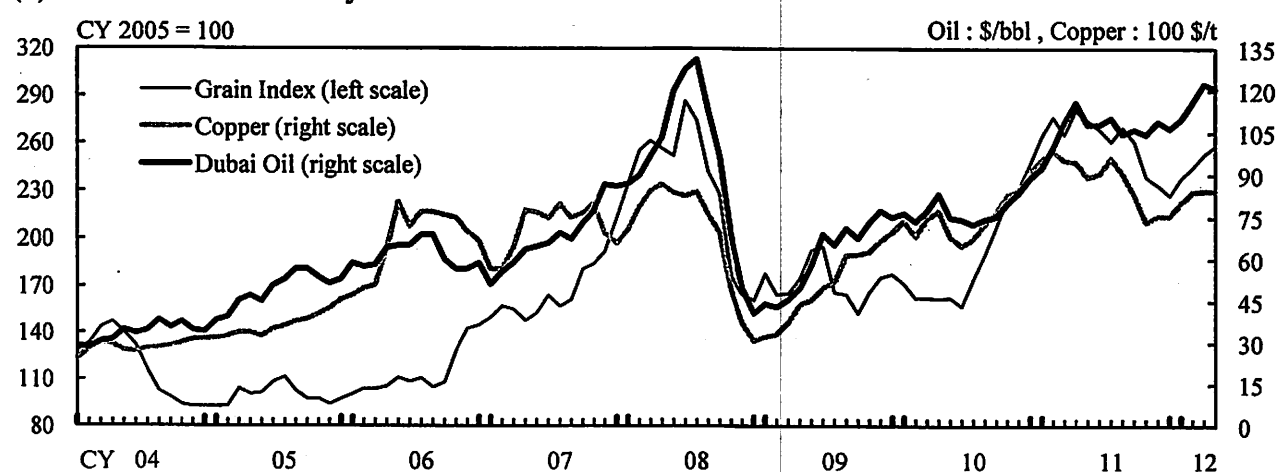
(2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



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

2. Figures for 2012/Q1 are January-February averages. Figures for 2007/Q4 on the 2000 base are those of October.

(3) International Commodity Prices



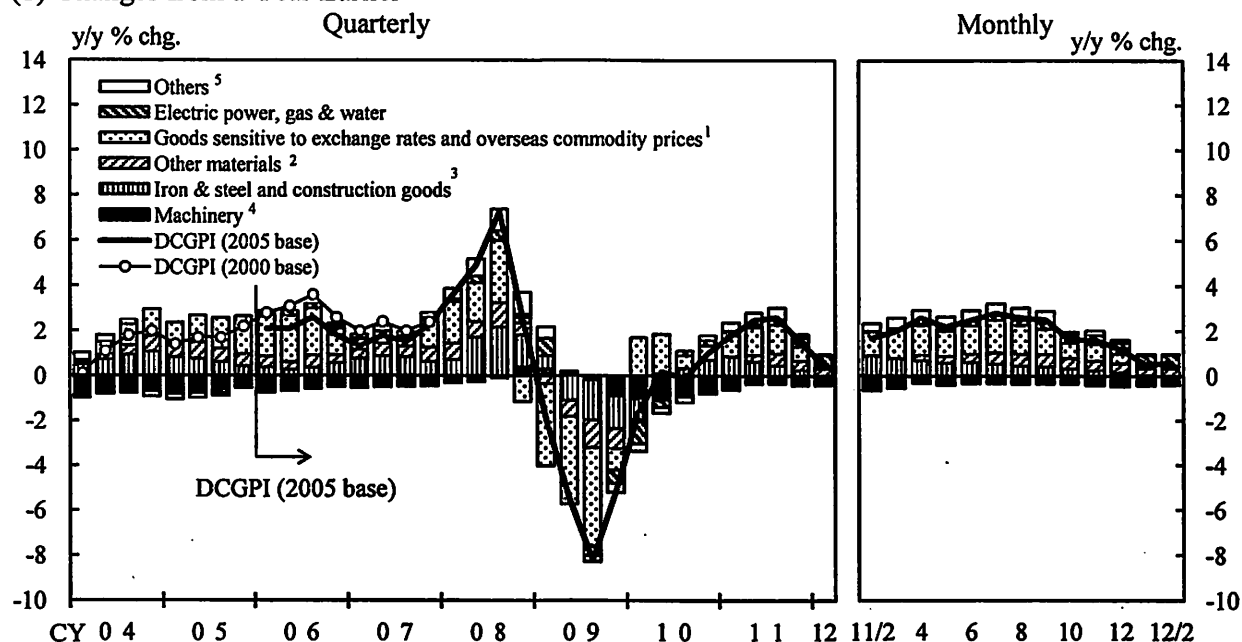
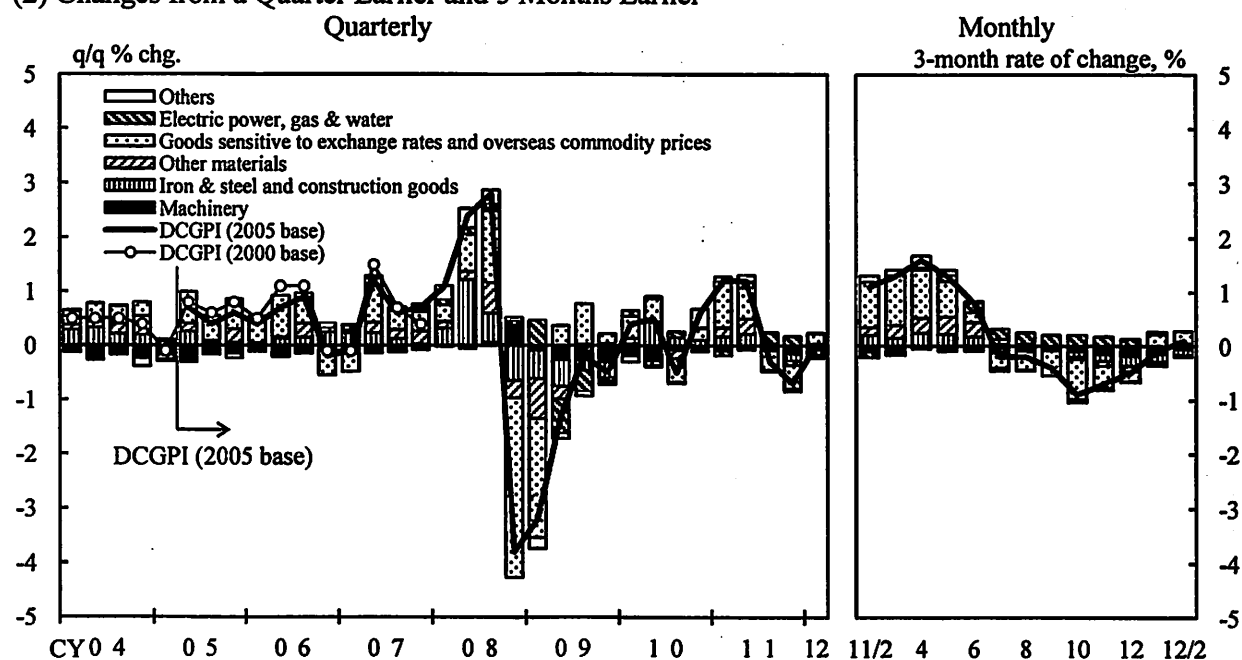
Notes: 1. The "grain index" is the weighted average of prices of three selected items (wheat, soybeans, and corn) in overseas commodity markets. The weights are based on the value of imports in the "Trade Statistics."

2. Monthly averages. Figures for April 2012 are averages up to April 9.

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.

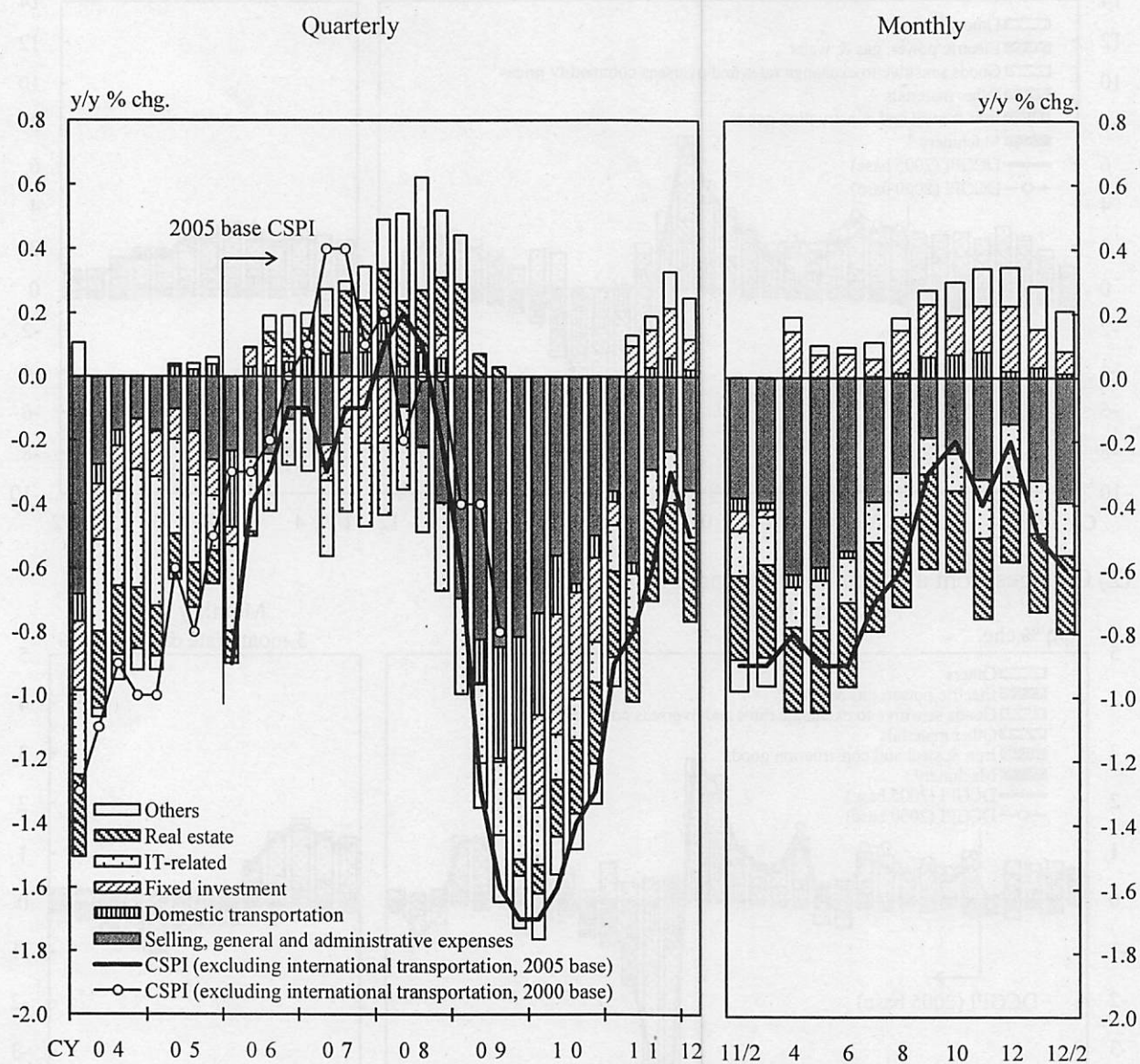
5. Others: processed foodstuffs, other manufacturing industry products, agriculture, forestry & fishery products, and minerals.

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 2012/Q1 are January-February averages. Figures for 2007/Q4 on the 2000 base are those of October.

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

Corporate Services Price Index

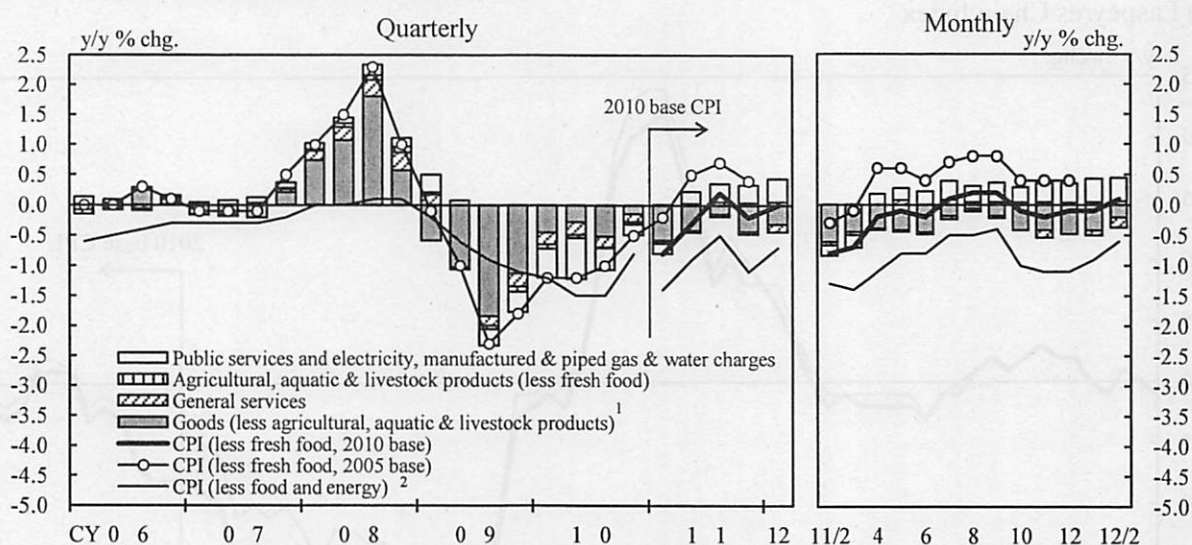
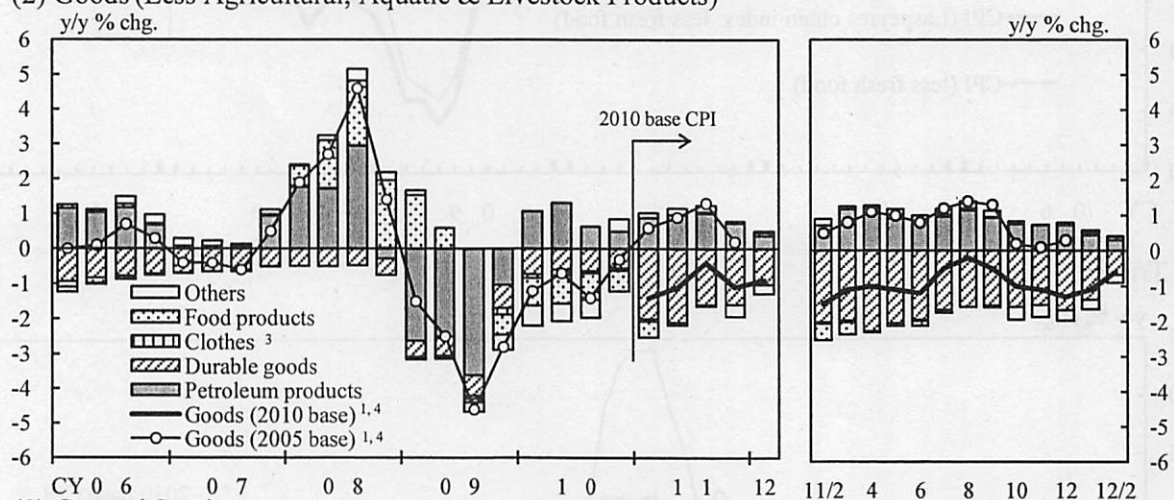


- Notes: 1. Selling, general and administrative expenses: information and communications (excluding newspapers and publishing), advertising services, other services (excluding plant engineering, and civil engineering and architectural services).
 2. Domestic transportation: transportation (excluding international transportation, railroad passenger transportation, road passenger transportation, water passenger transportation, and domestic air passenger transportation).
 3. Fixed investment: leasing and rental (excluding leasing of computer and related equipment and computer rental), and civil engineering and architectural services.
 4. IT-related: leasing of computer and related equipment, and computer rental.
 5. Real estate: real estate services.
 6. Others: finance and insurance, railroad passenger transportation, road passenger transportation, water passenger transportation, domestic air passenger transportation, newspapers and publishing, and plant engineering.
 7. Figures for 2012/Q1 are January-February averages. Figures for 2009/Q3 on the 2000 base are July-August averages.

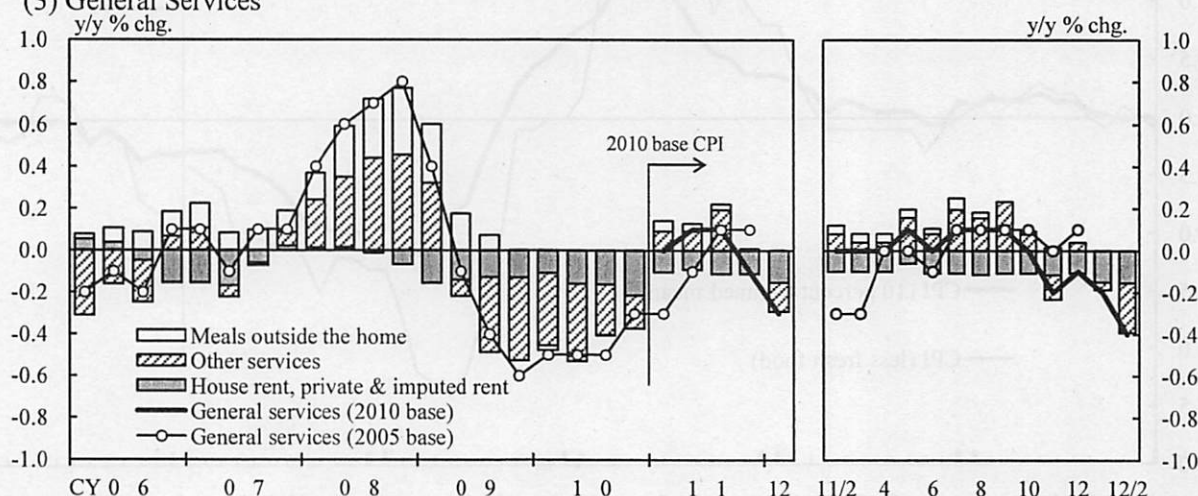
Source: Bank of Japan, "Corporate Services Price Index."

Consumer Price Index (Less Fresh Food)

(1) Consumer Price Index (Less Fresh Food)

(2) Goods (Less Agricultural, Aquatic & Livestock 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, manufactured & piped 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. Less agricultural, aquatic & livestock products.

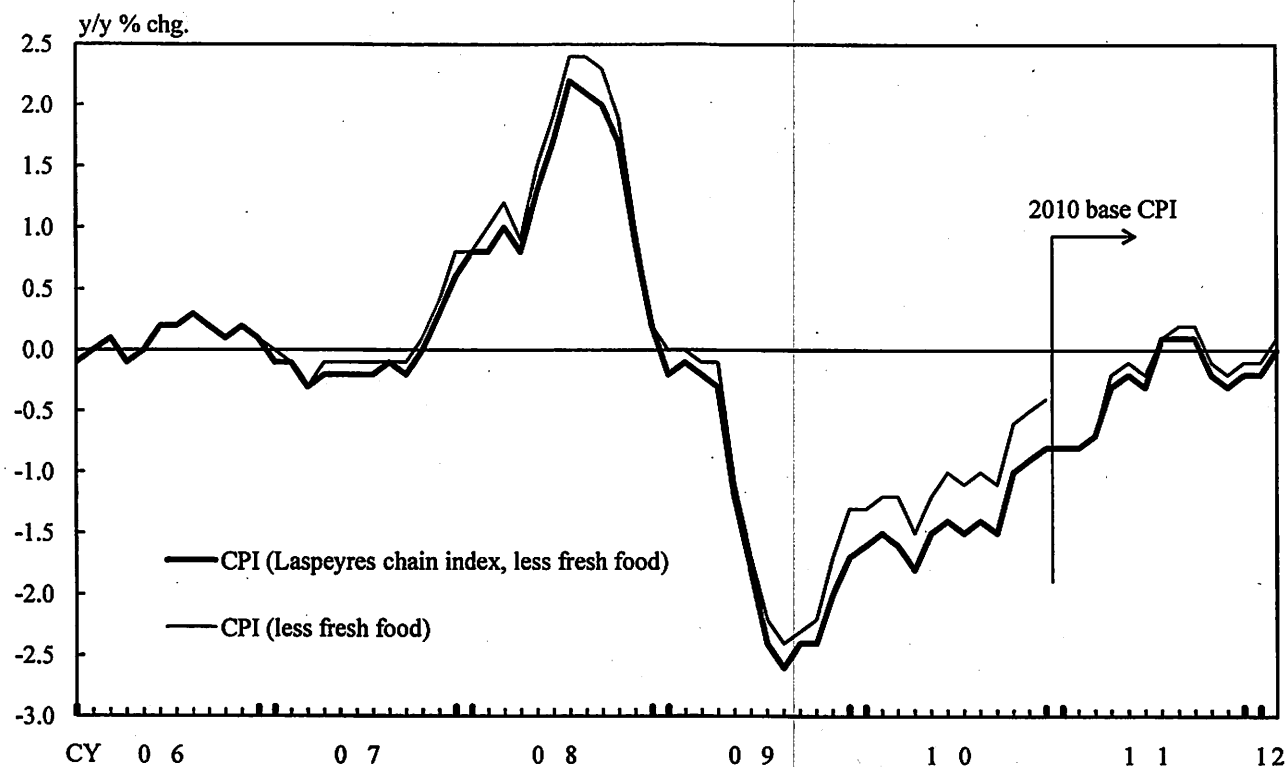
5. The year-on-year rates of change other than those of the CPI (less fresh food), CPI (less food and energy), and General services are calculated using published indices.

6. Figures for 2012/Q1 are January-February averages.

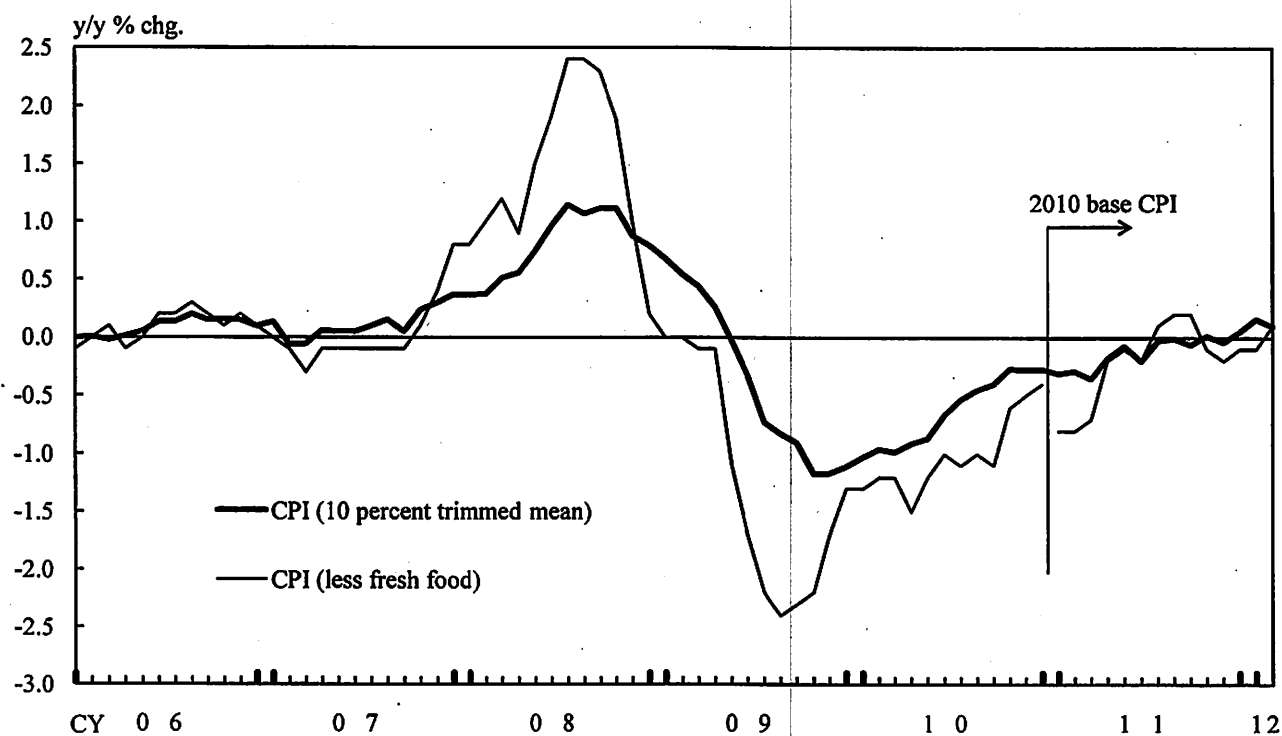
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Trend Changes in Consumer Prices

(1) Laspeyres Chain Index



(2) Trimmed Mean



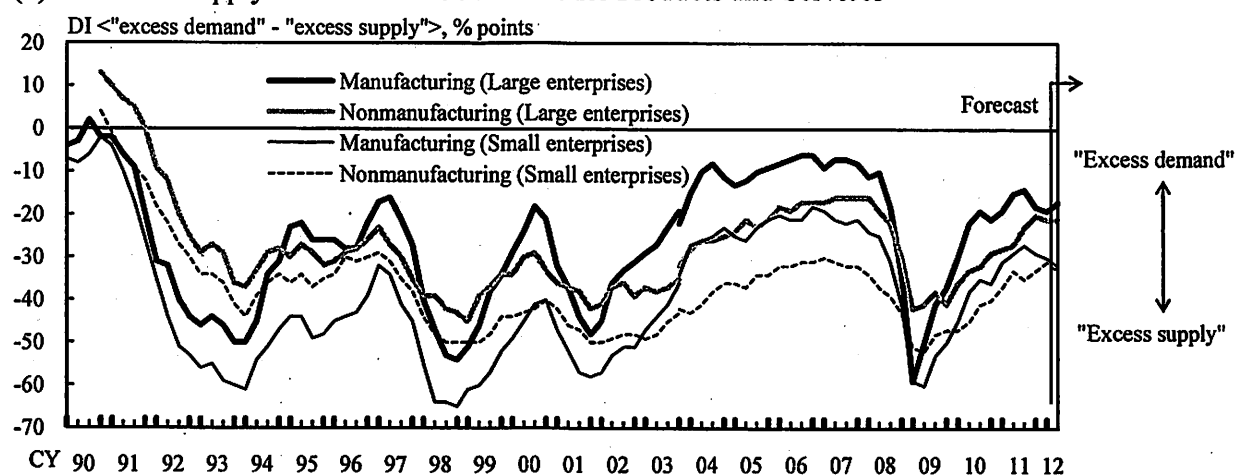
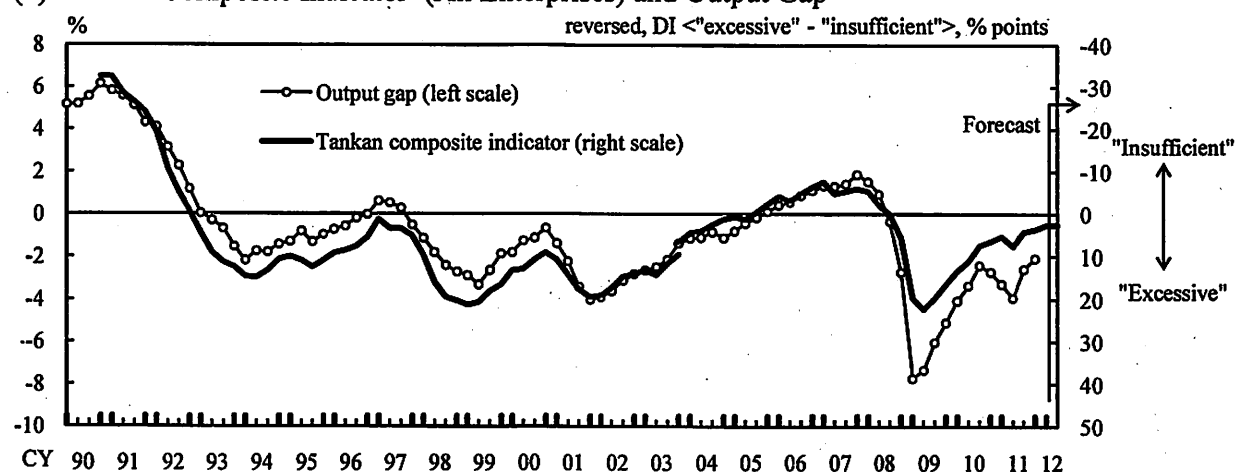
Notes: 1. Figures for the 10 percent trimmed mean are weighted averages of items; these items are obtained by rearranging year-on-year rates of price change in ascending order and then excluding items in both the upper and lower 10 percent tails by weight.

2. Figures of the Laspeyres chain index for 2006 are the year-on-year rates of the fixed-base method. The year-on-year figures of the Laspeyres chain index up to 2010 are on the 2005 base, those from 2011 are on the 2010 base.

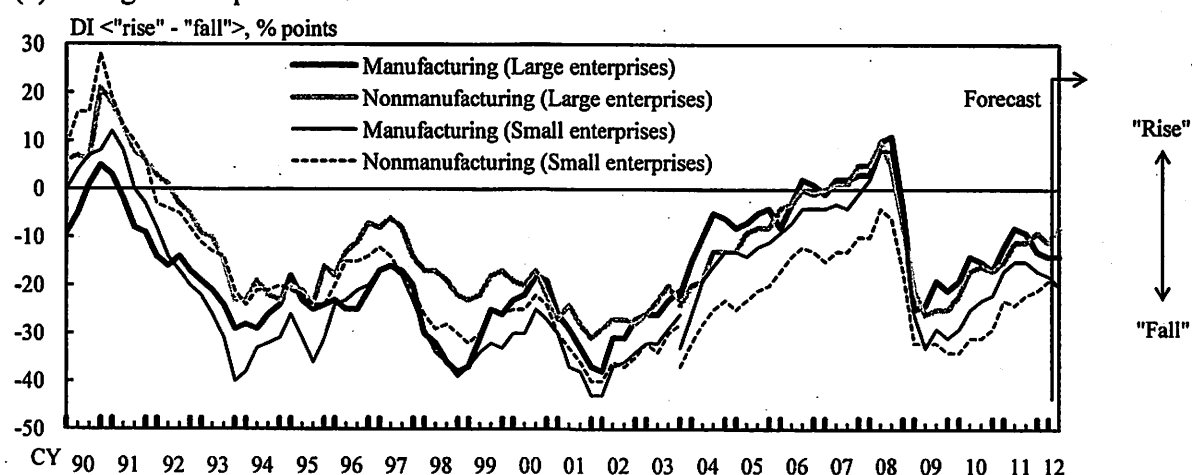
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

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 1990-2010 averages of capital and labor shares in the "National Accounts" are used as the weight.

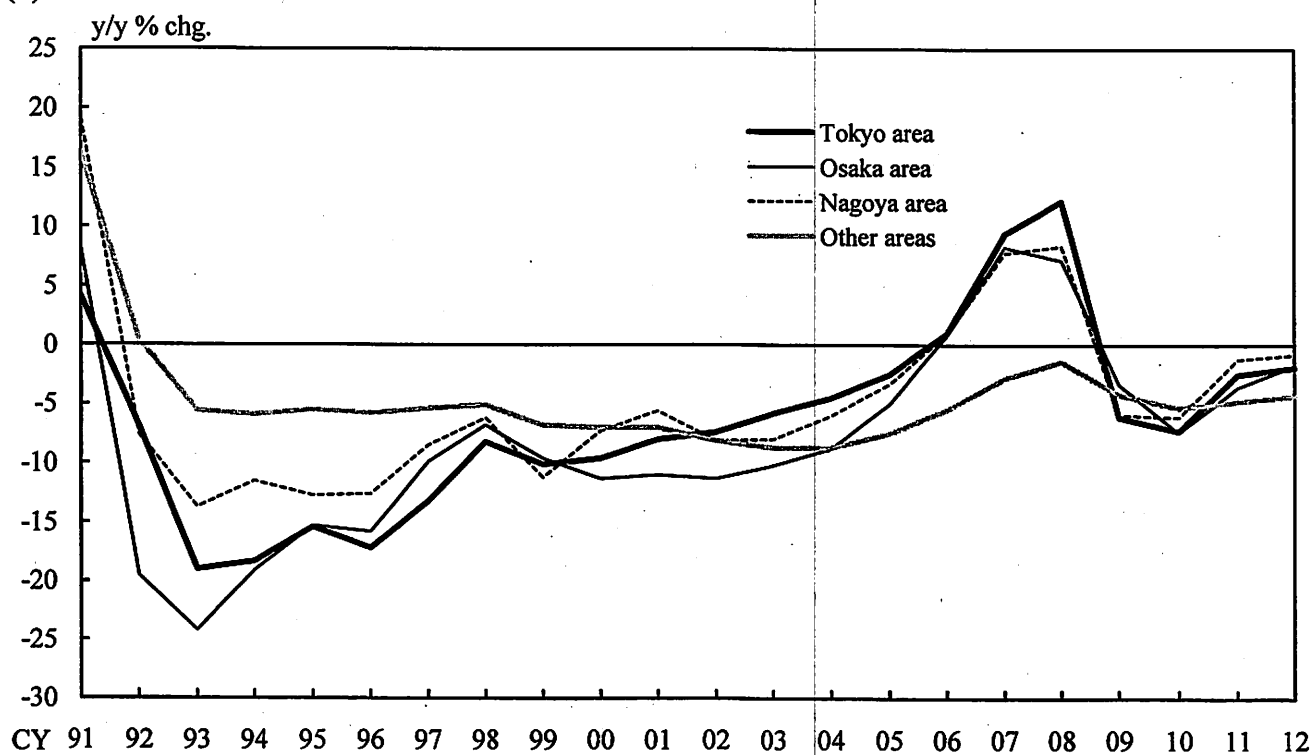
3. The output gap is estimated by the Research and Statistics Department, Bank of Japan. Since the estimation of the output gap includes various errors, considerable latitude should be allowed for this estimation.

Sources: Cabinet Office, "National Accounts";

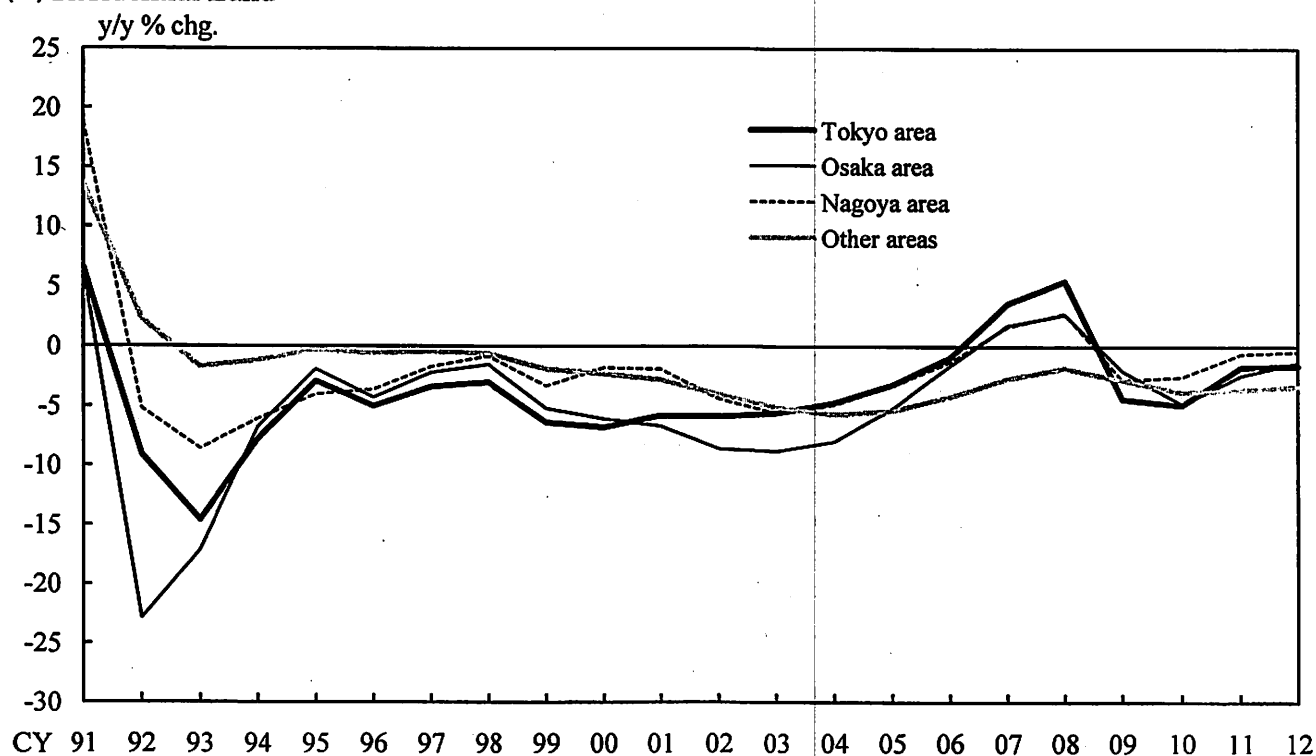
Bank of Japan, "Tankan, Short-Term Economic Survey of Enterprises in Japan," etc.

Land Prices

(1) Commercial Land



(2) Residential Land

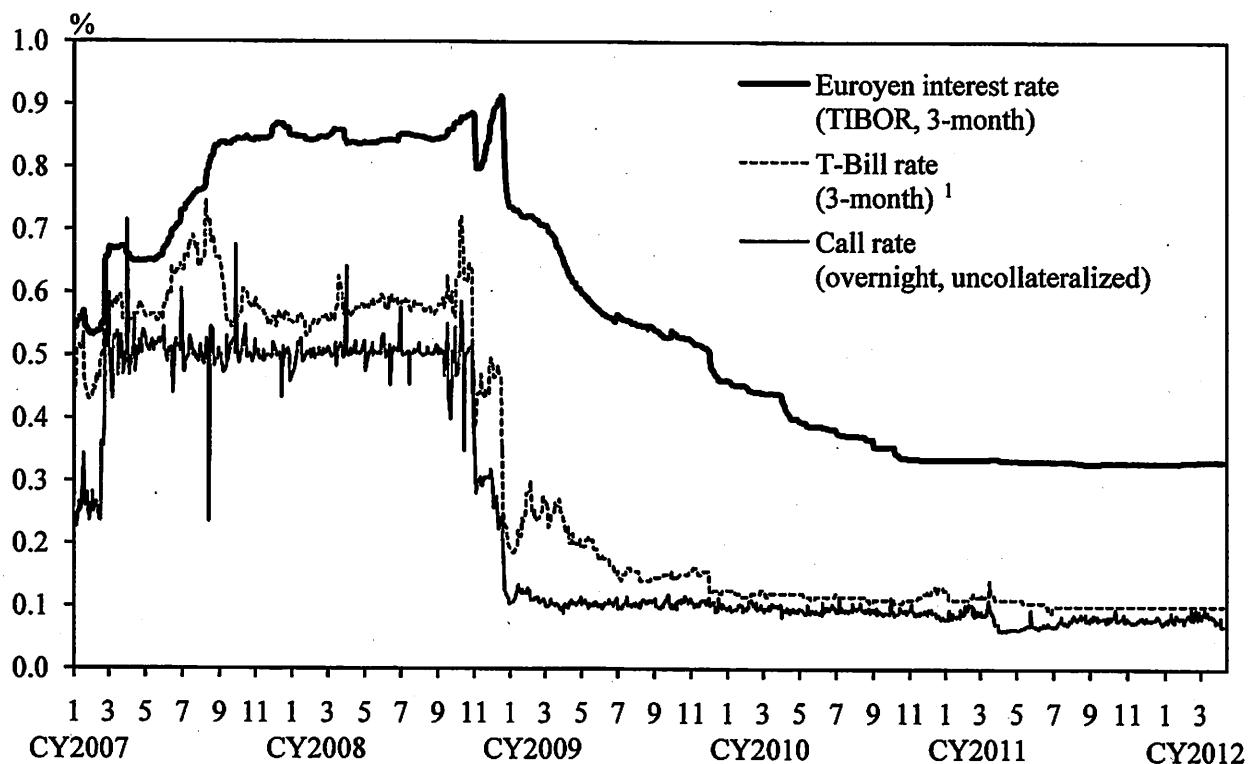
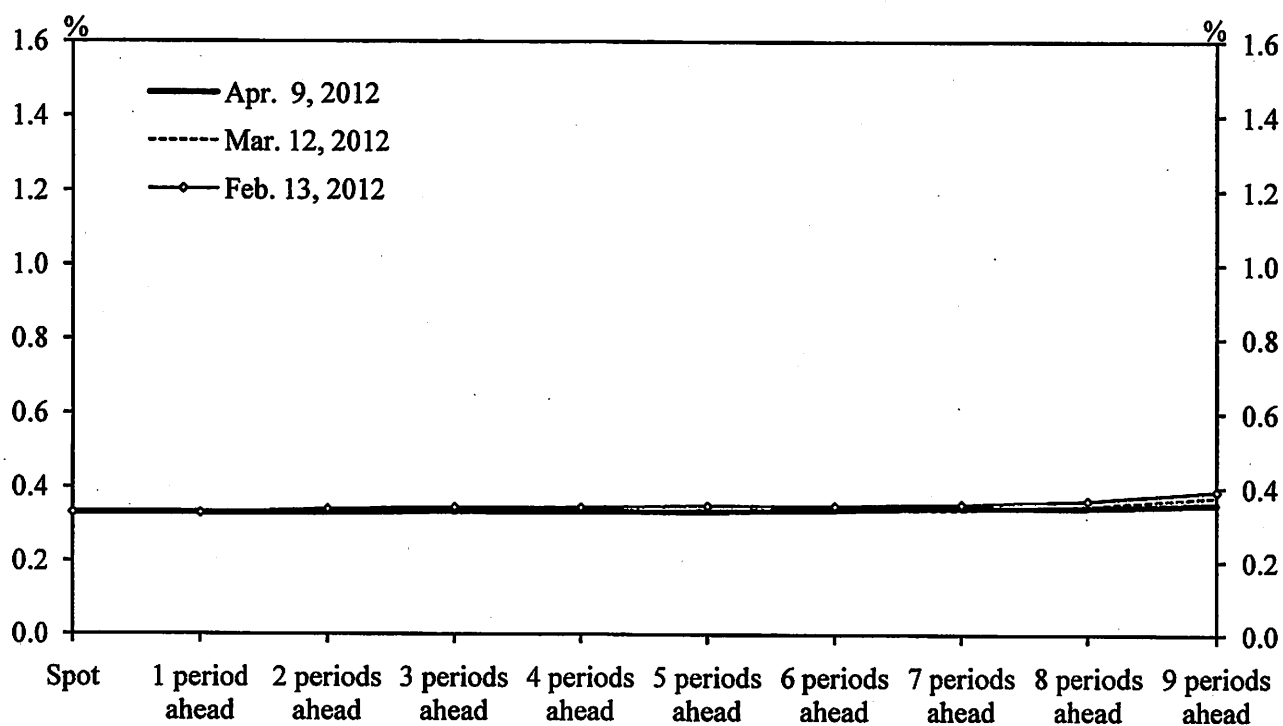


Note: "Public Notice of Land Prices" surveyed by the Ministry of Land, Infrastructure, Transport and Tourism, shows land prices as of January 1.

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

Short-Term Interest Rates

(1) Short-Term Interest Rates

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

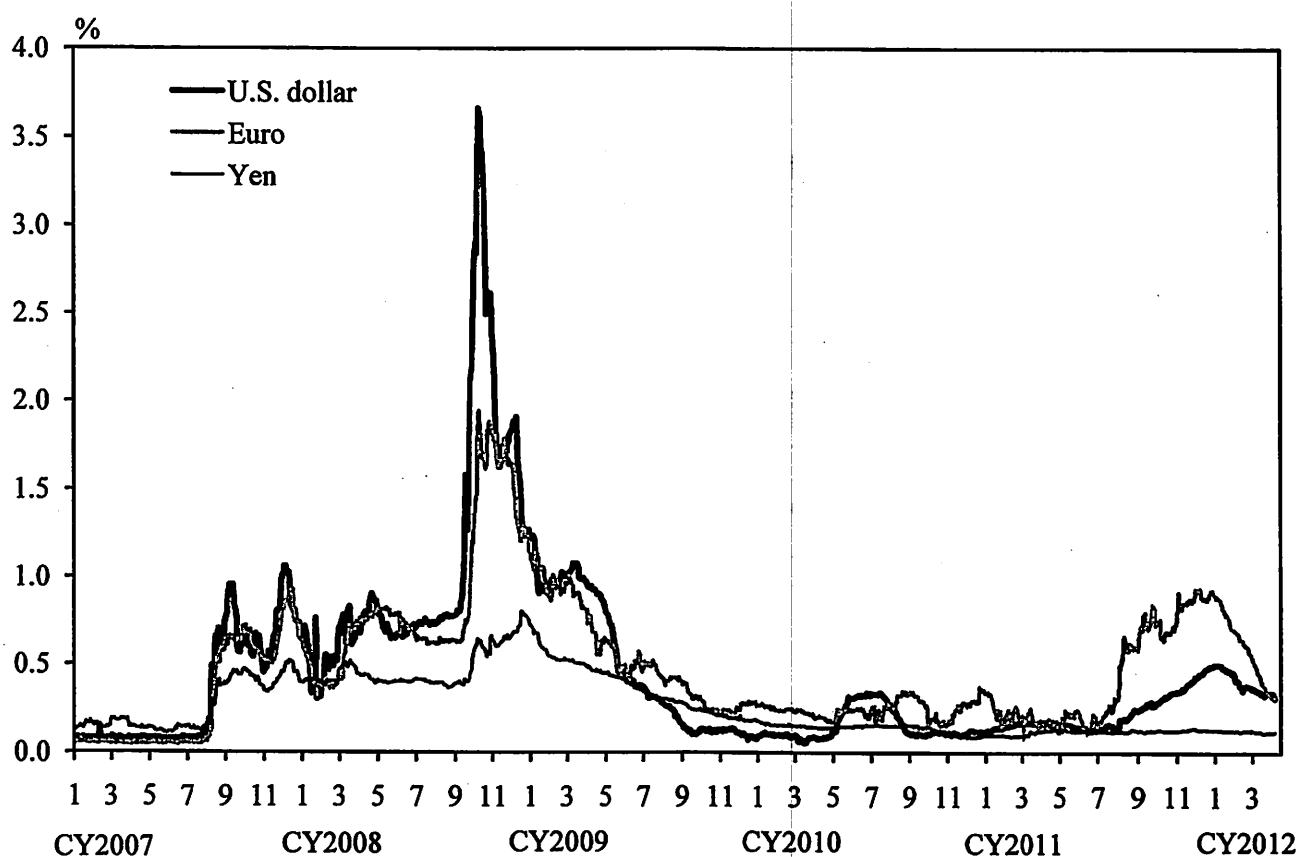
Notes: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.

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

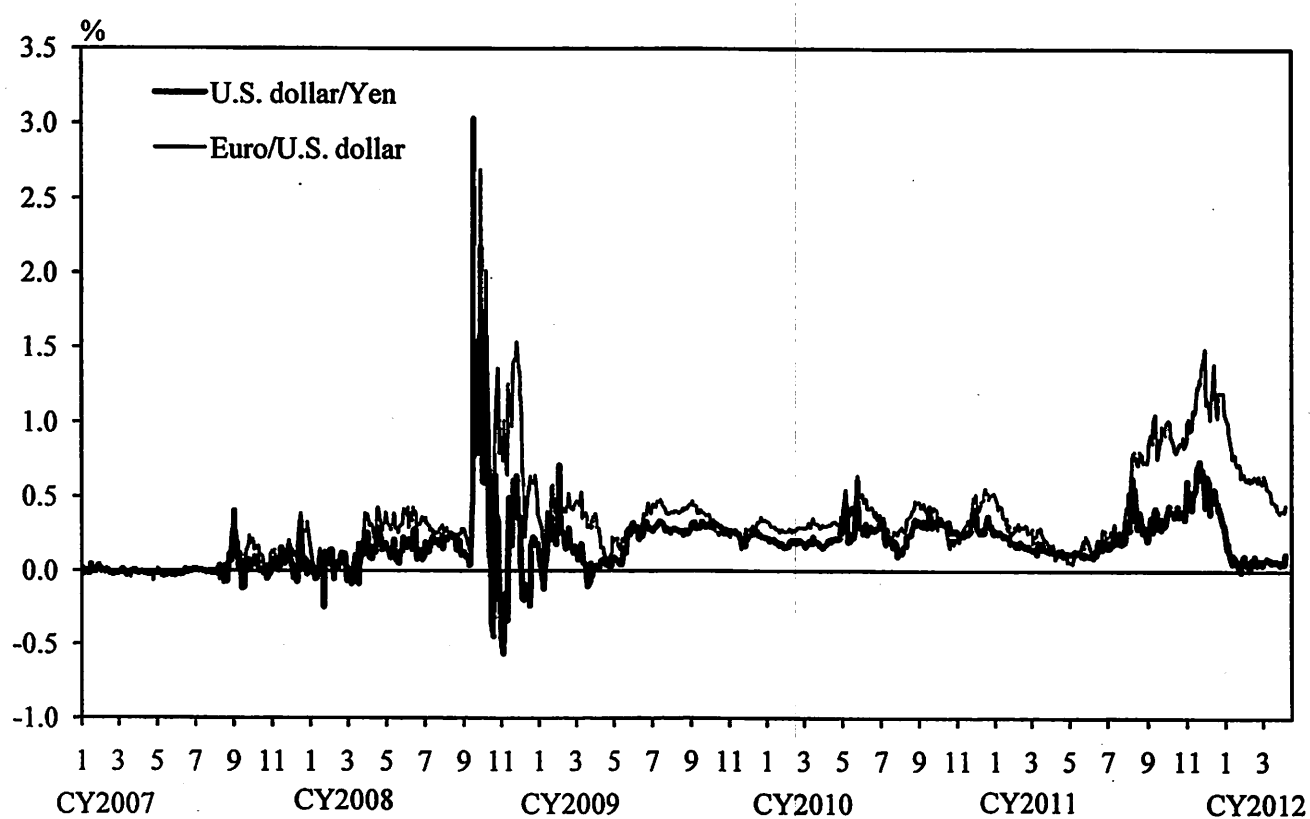
Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.; Tokyo Financial Exchange; Bank of Japan.

Global Money Markets

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

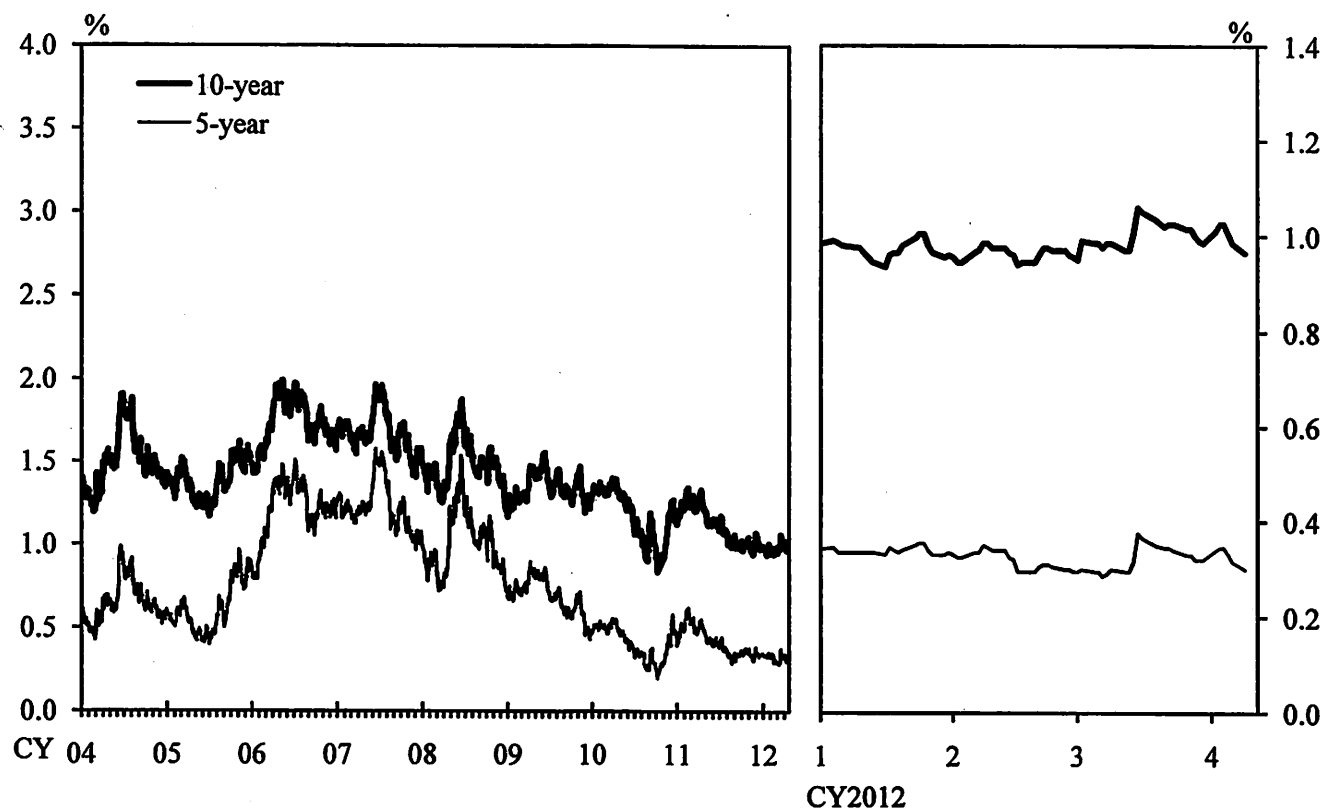


(2) FX swap implied dollar rate - LIBOR spreads (3-Month)

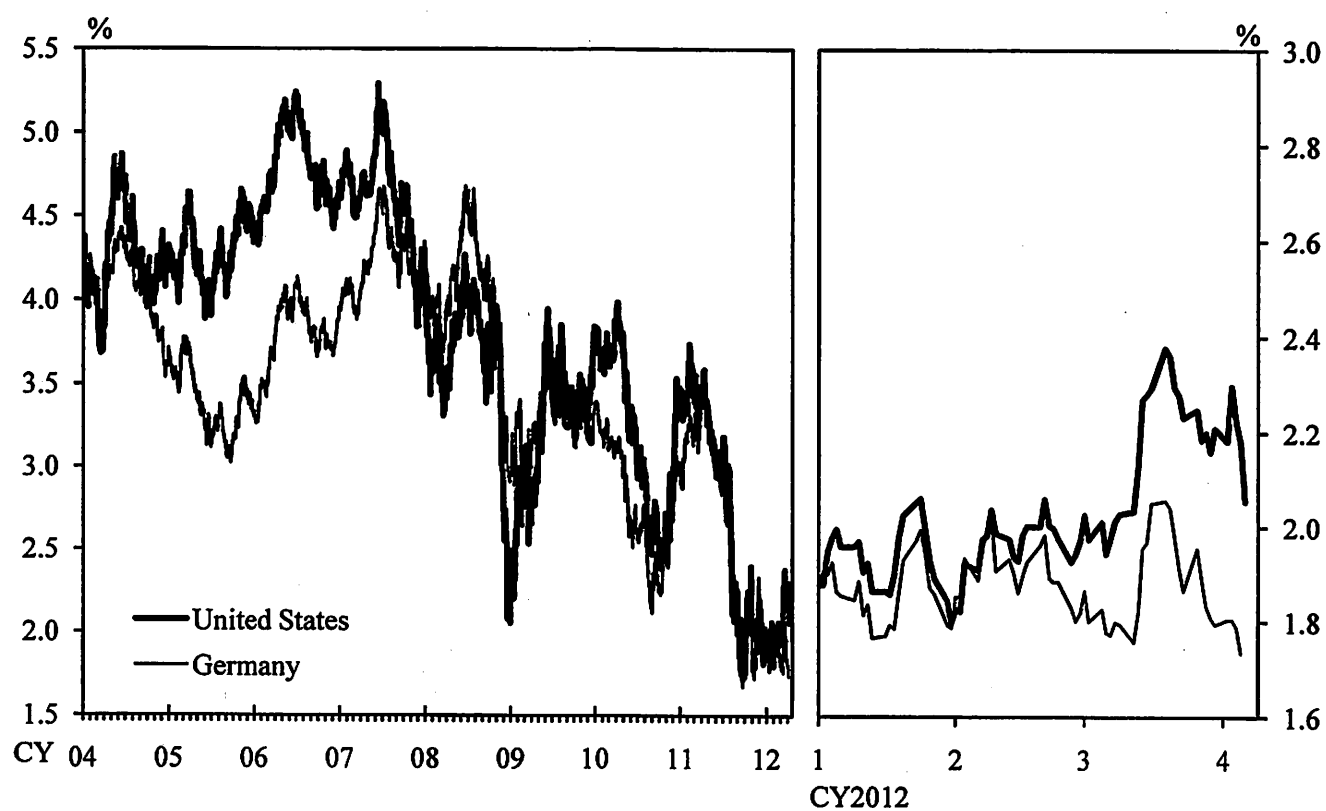


Source: Bloomberg.

Long-Term Interest Rates

(1) Japanese Government Bond Yields¹

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

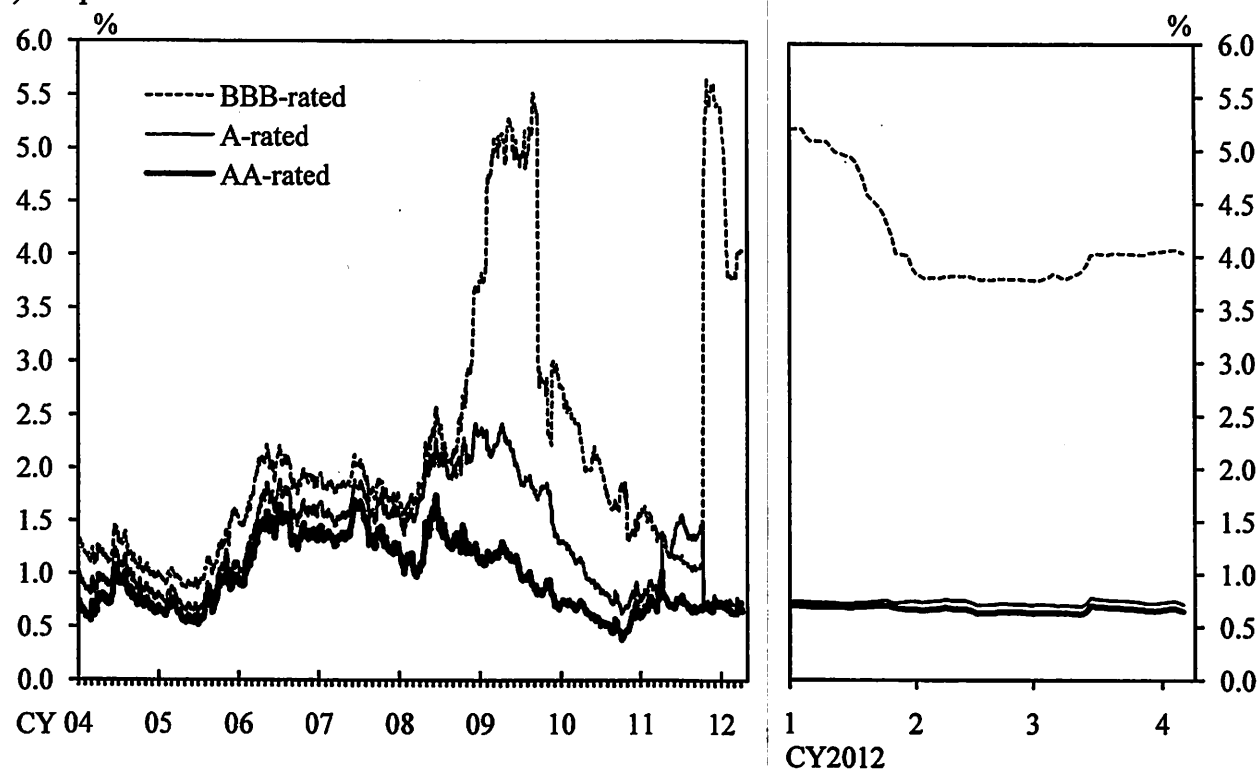


Note: 1. Yields on newly issued bonds.

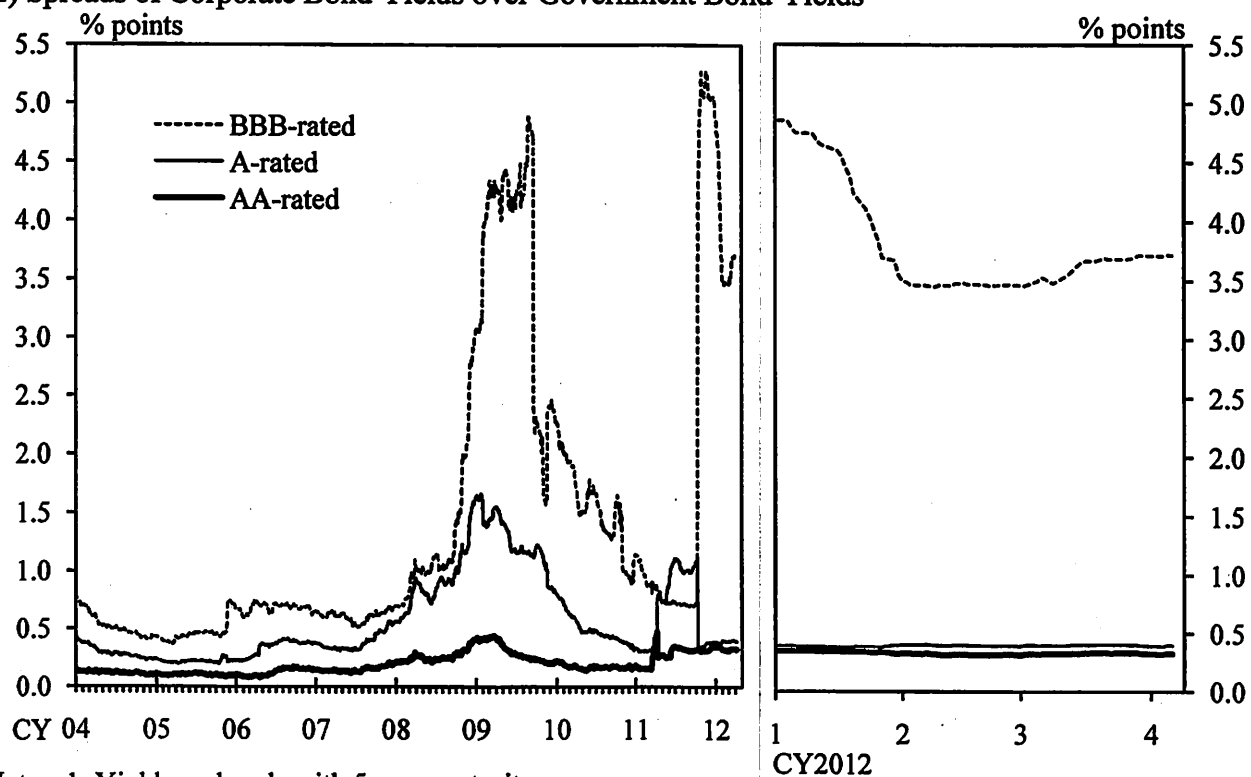
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

Yields of Corporate Bonds

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



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



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

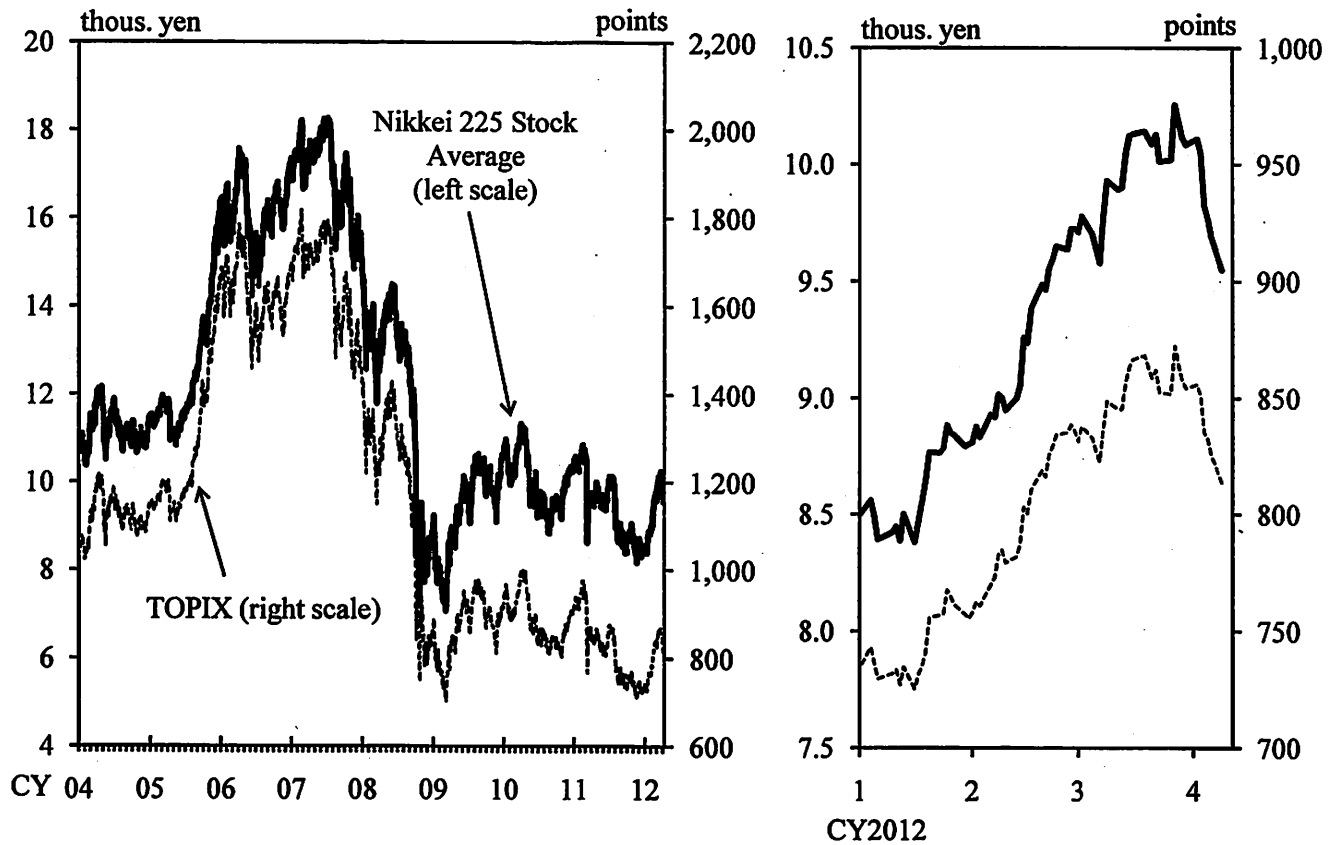
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.

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

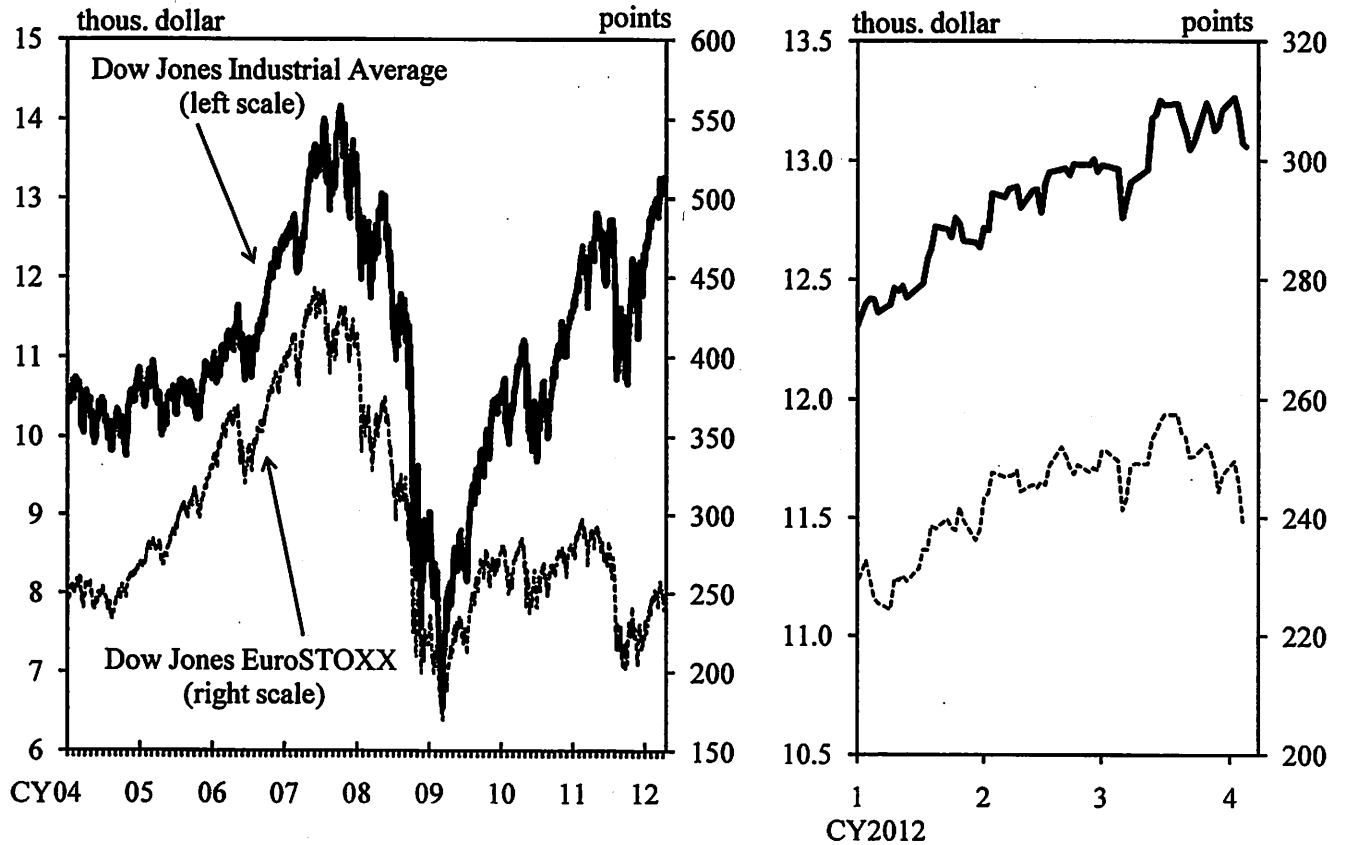
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Japanese Stock Prices

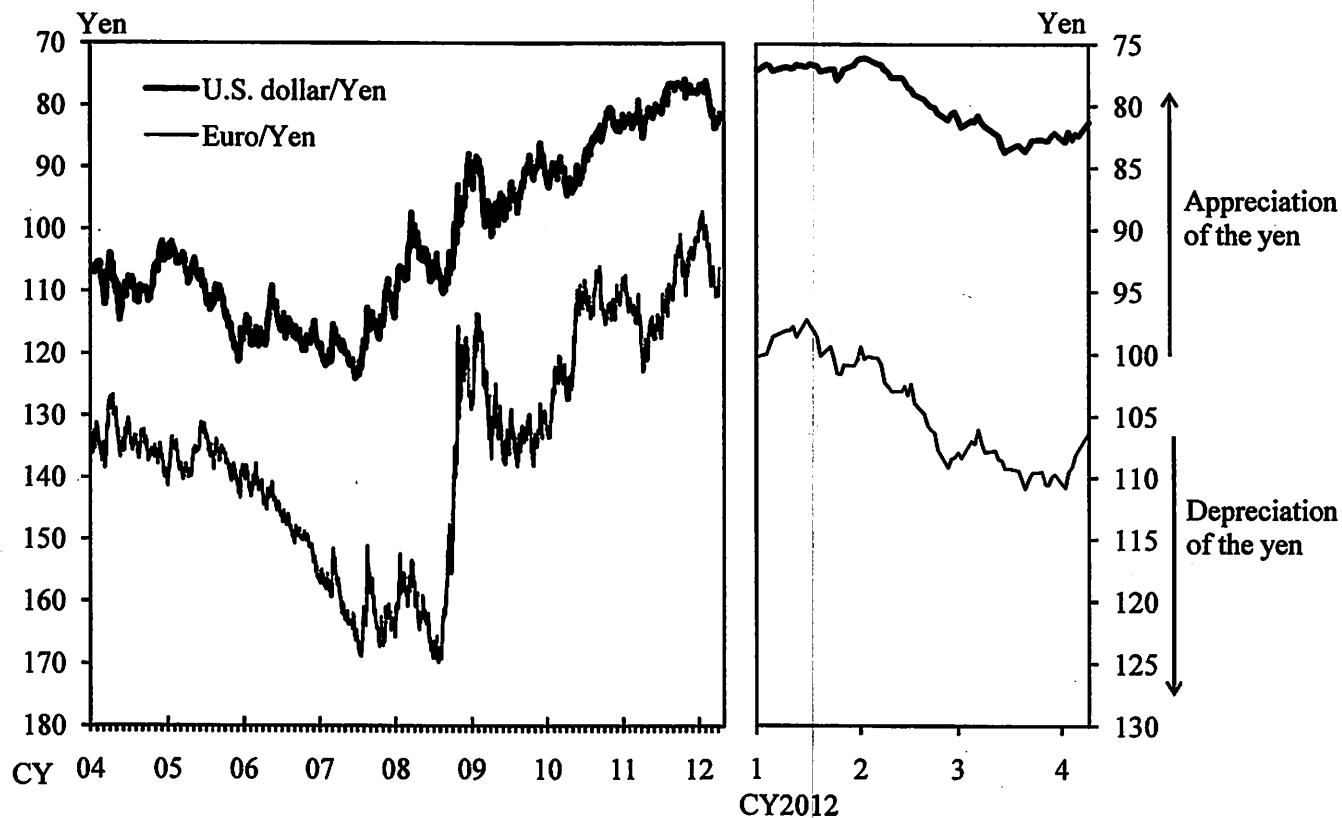


(2) Overseas Stock Prices

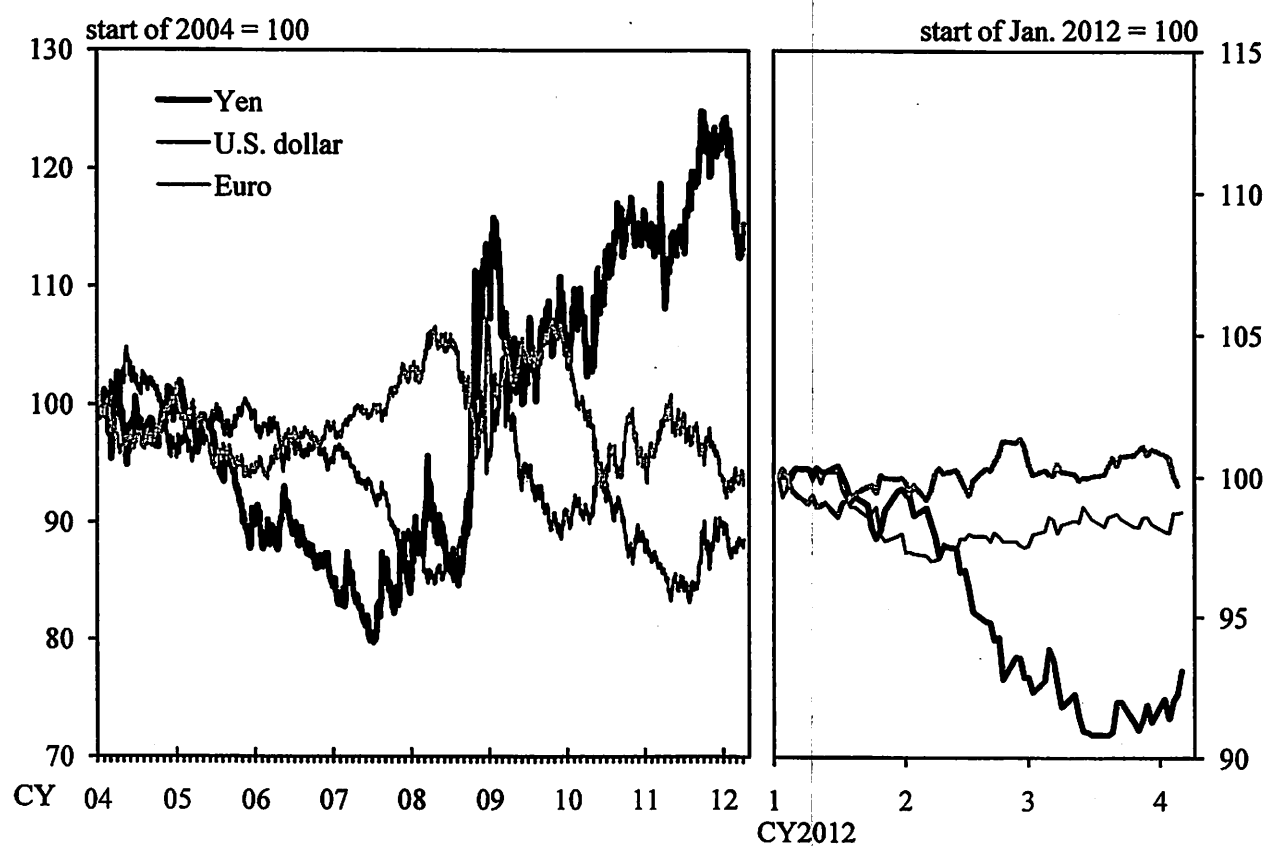


Exchange Rates

(1) Bilateral Exchange Rates



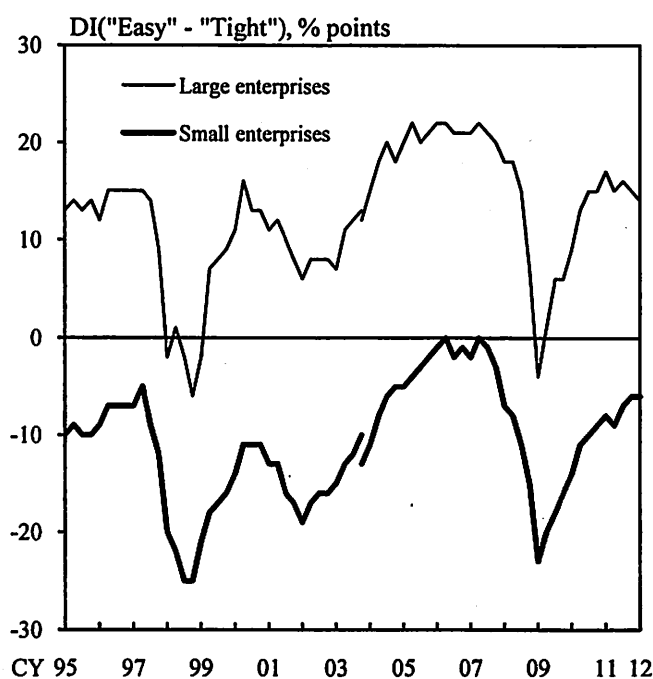
(2) Nominal Effective Exchange Rates



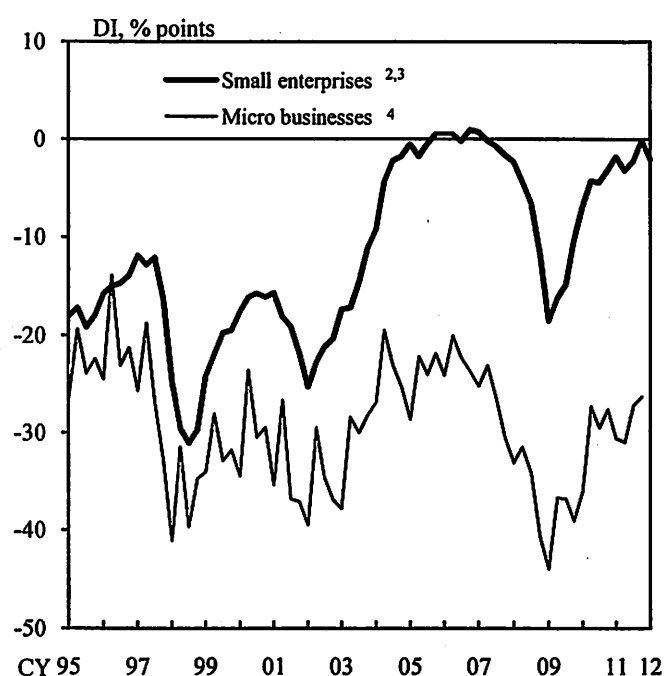
Sources: Bank of Japan; European Central Bank; Bloomberg.

Corporate Finance-Related Indicators

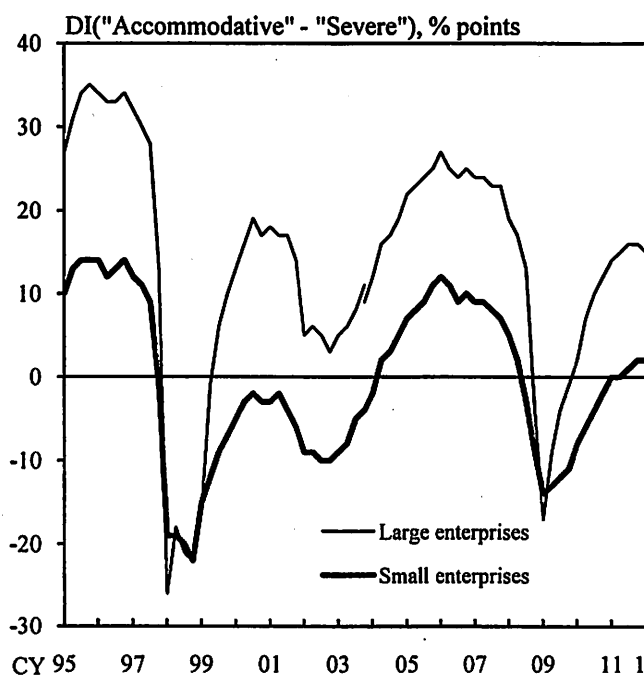
(1) Financial Position

<Tankan¹>

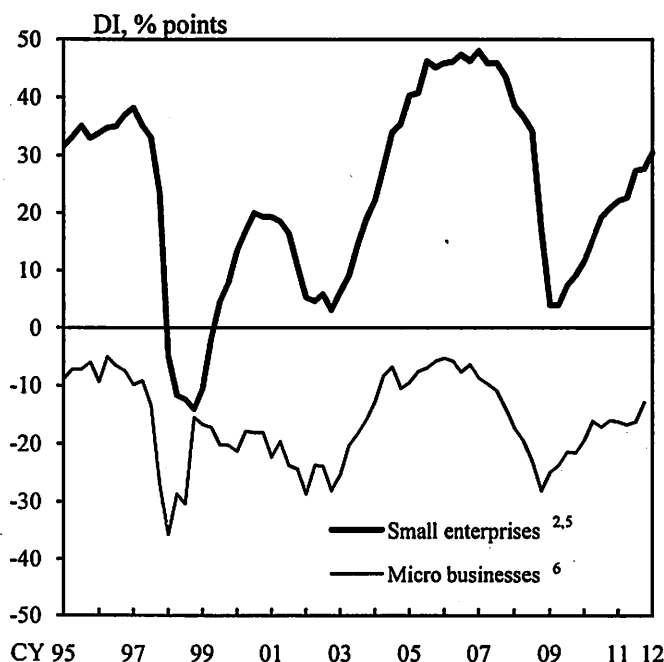
<Japan Finance Corporation Survey>



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

<Tankan¹>

<Japan Finance Corporation Survey>



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

2. Figures are quarterly averages of monthly data.

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

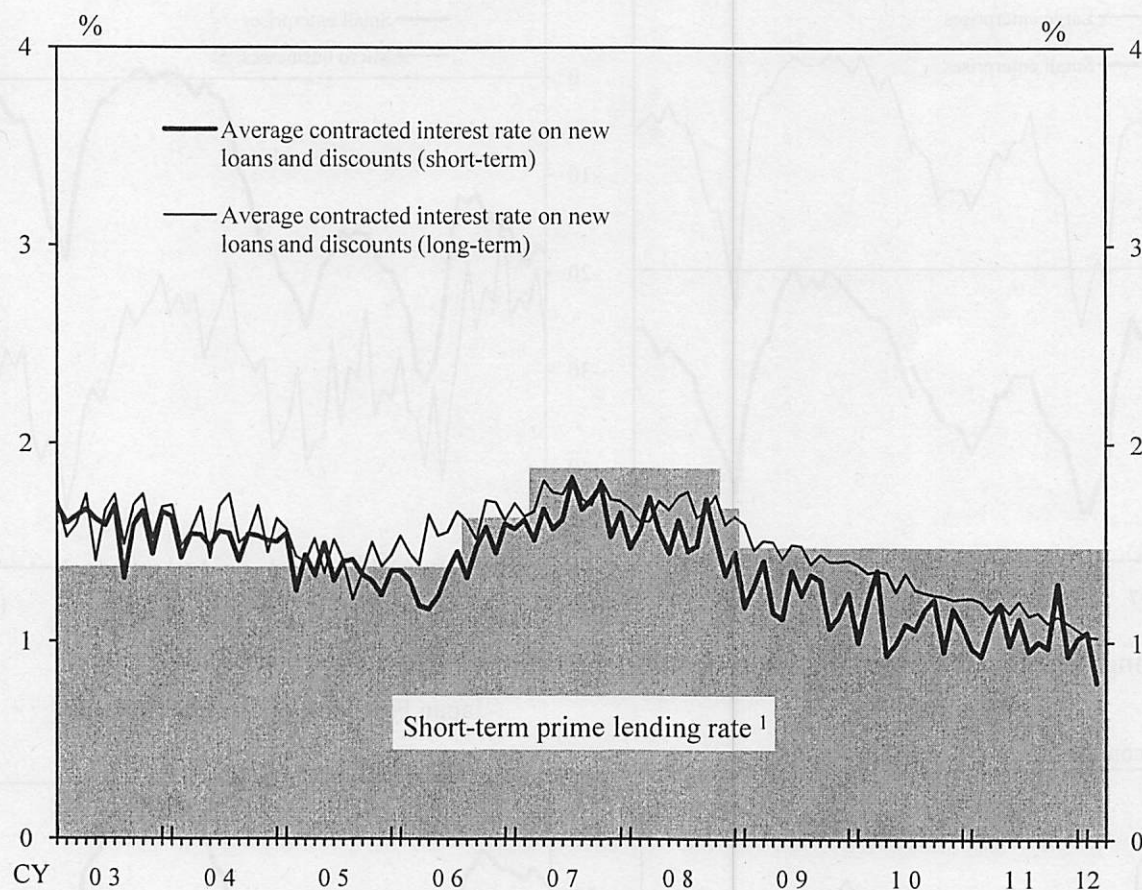
4. DI of "Easier" - "Tighter."

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

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

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

Lending Rates

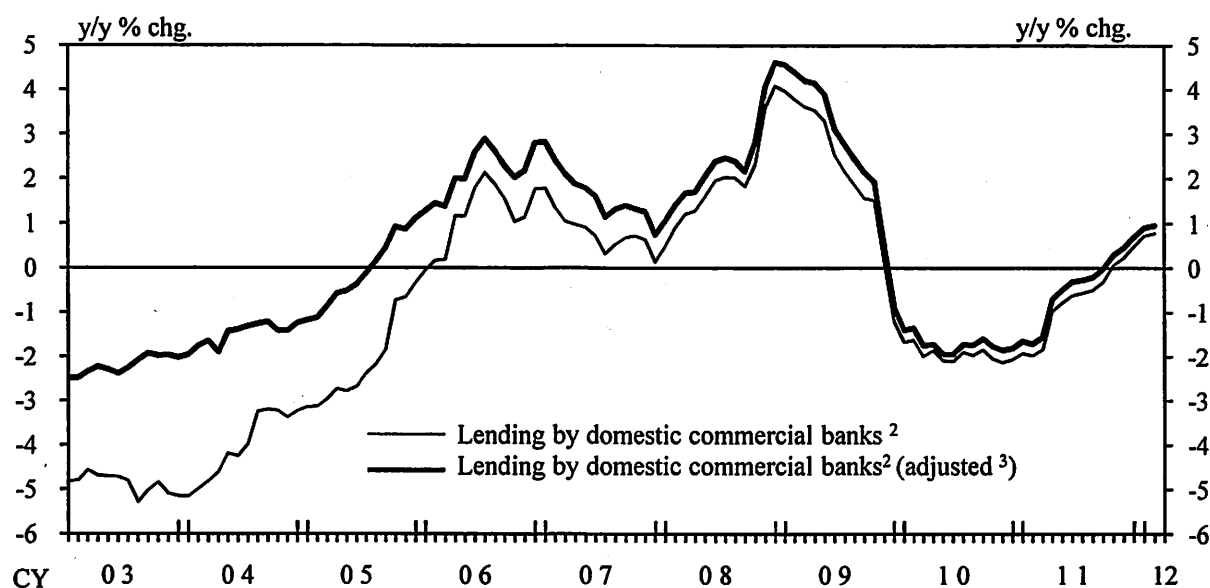


Note: 1. Data are at end of period.

Source: Bank of Japan.

Lending by Financial Institutions

(1) Lending by Domestic Commercial Banks¹



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

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

3. Adjusted to exclude

(1) fluctuations due to the liquidation of loans,

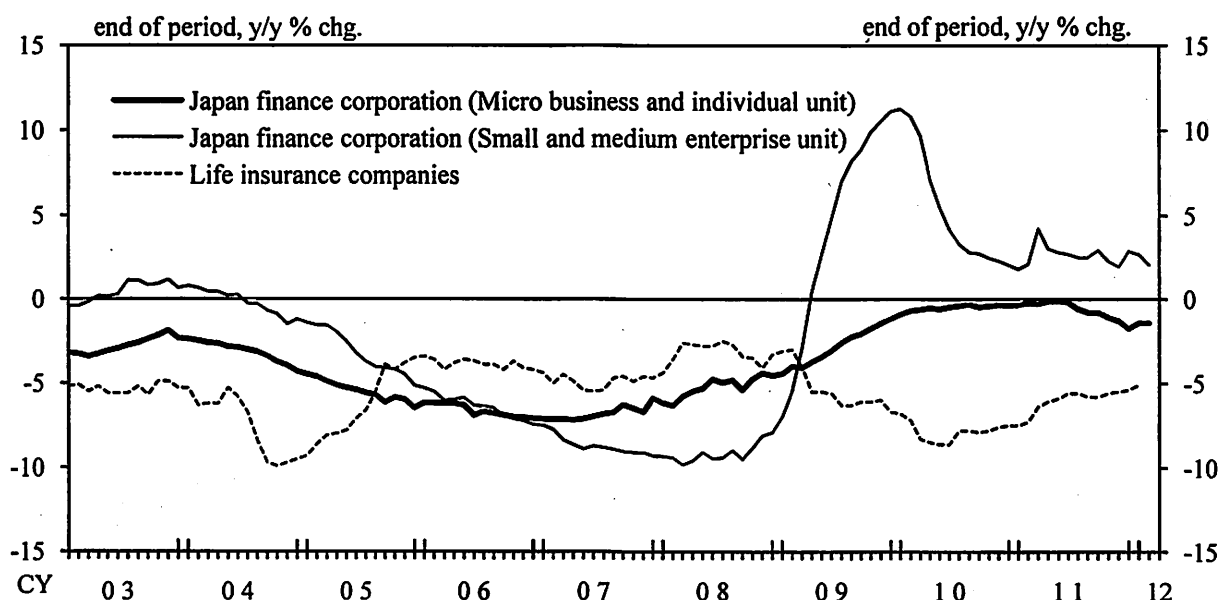
(2) fluctuations in the yen value of foreign currency-denominated loans due to changes in exchange rates,

(3) fluctuations due to loan write-offs,

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

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

(2) Lending by Other Financial Institutions

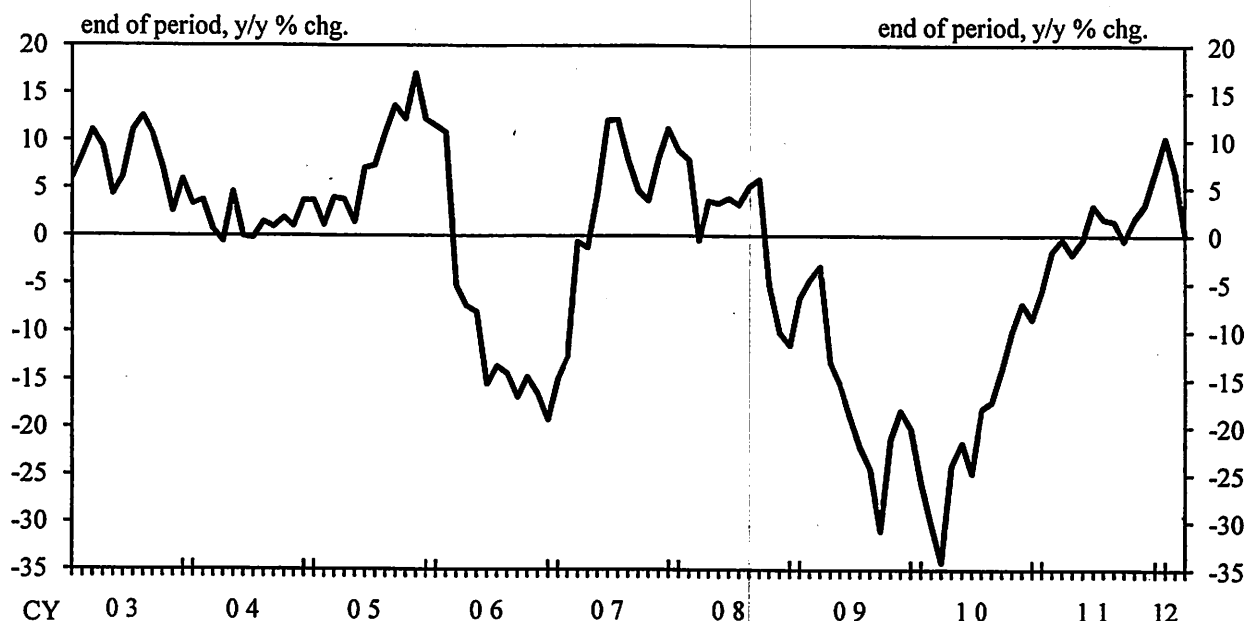


Note: The figures of the Japan Finance Corporation (Small and Medium Enterprise Unit) exclude the amounts outstanding of lending to the Credit Guarantee Corporations.

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

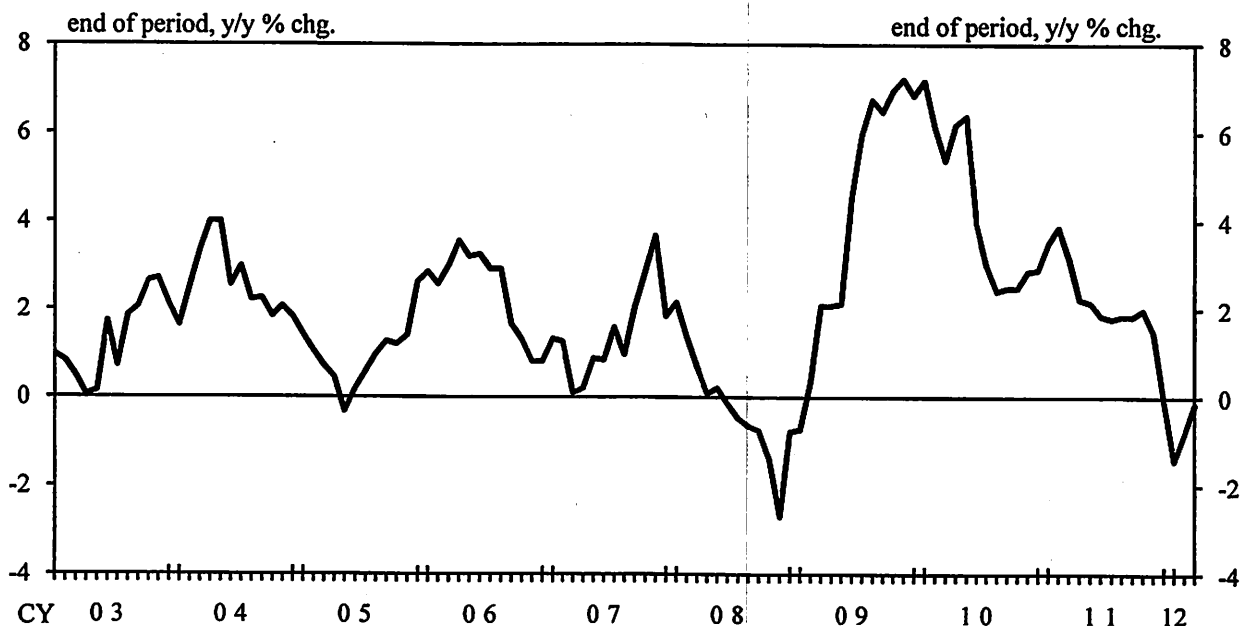
Private-Sector Fund-Raising in the Capital Markets

(1) Amount Outstanding of Commercial Paper



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

(2) Amount Outstanding of Corporate Bonds



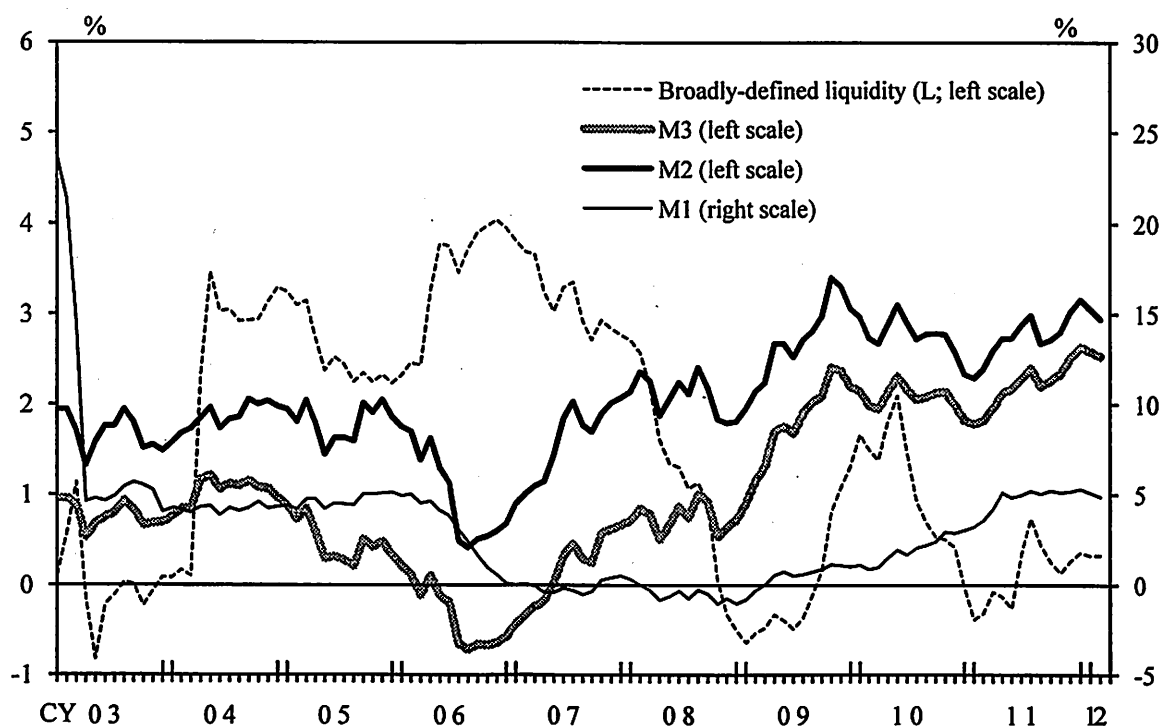
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

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

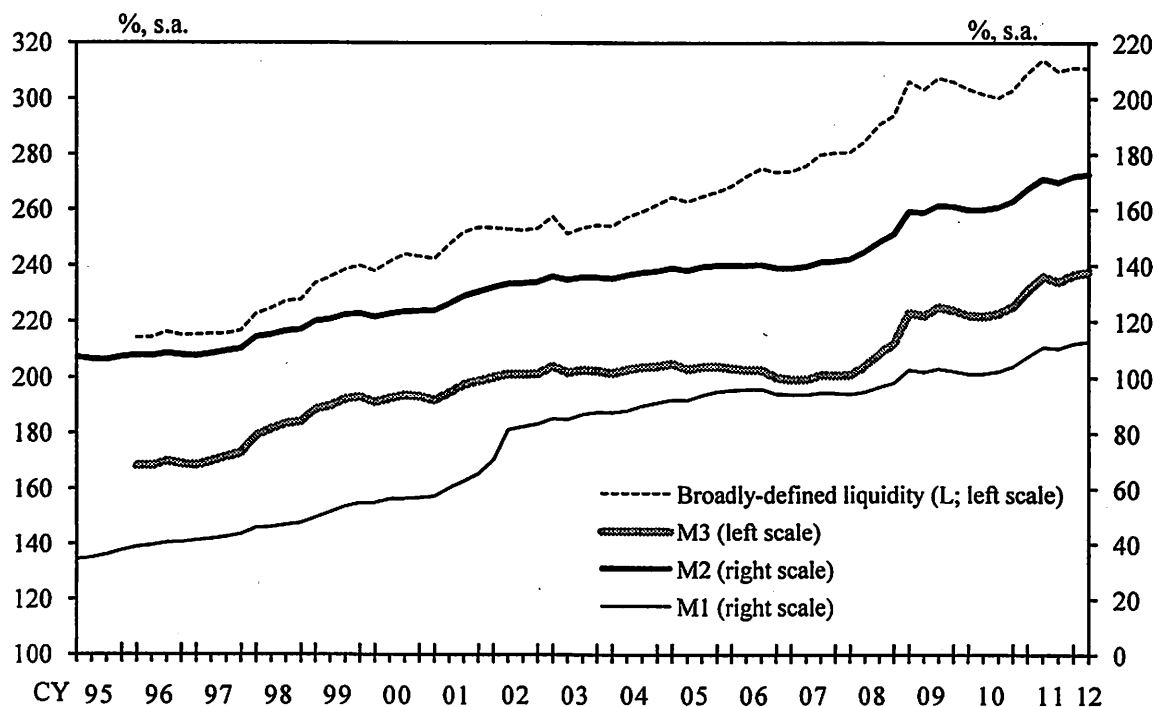
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category"; Bank of Japan, "Principal Figures of Financial Institutions"; Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts of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

Money Stock

(1) Changes from a Year Earlier



(2) Ratio of Money Stock to Nominal GDP

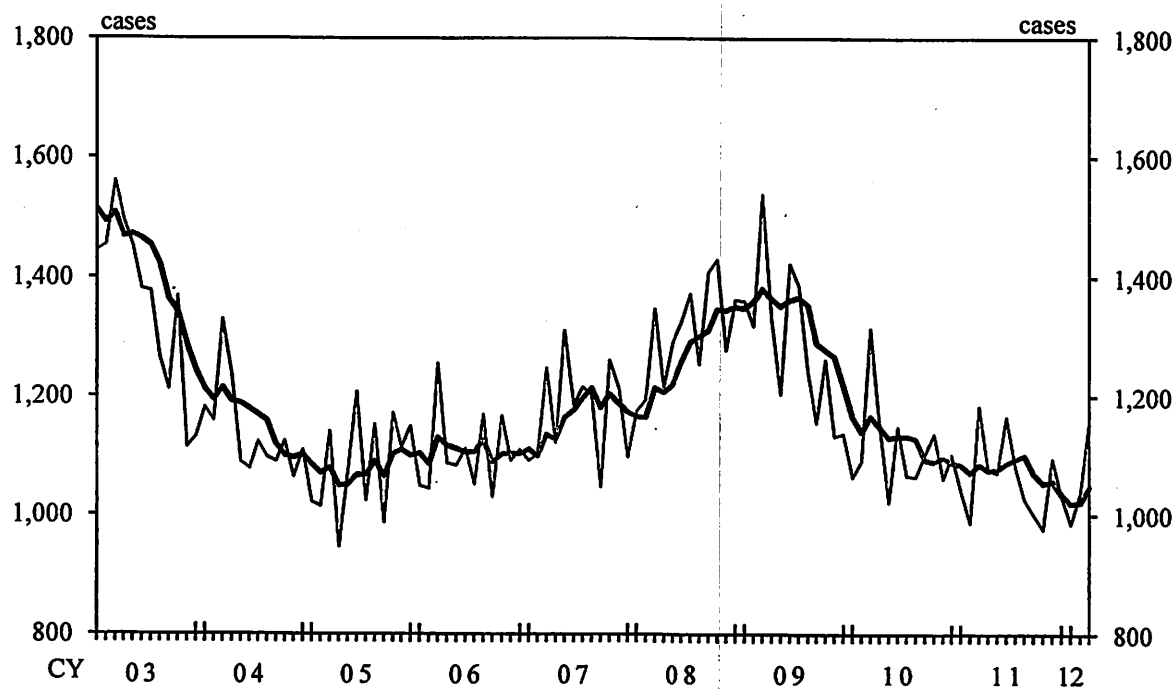


- Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.
 2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.
 3. The figures up to March 2004 in the upper panel and those up to March 2003 in the lower panel are based on the former series.
 4. Figures for money stock in 2012/Q1 are those of Jan.-Feb. averages, and nominal GDP in 2012/Q1 is assumed to be unchanged from the previous quarter.

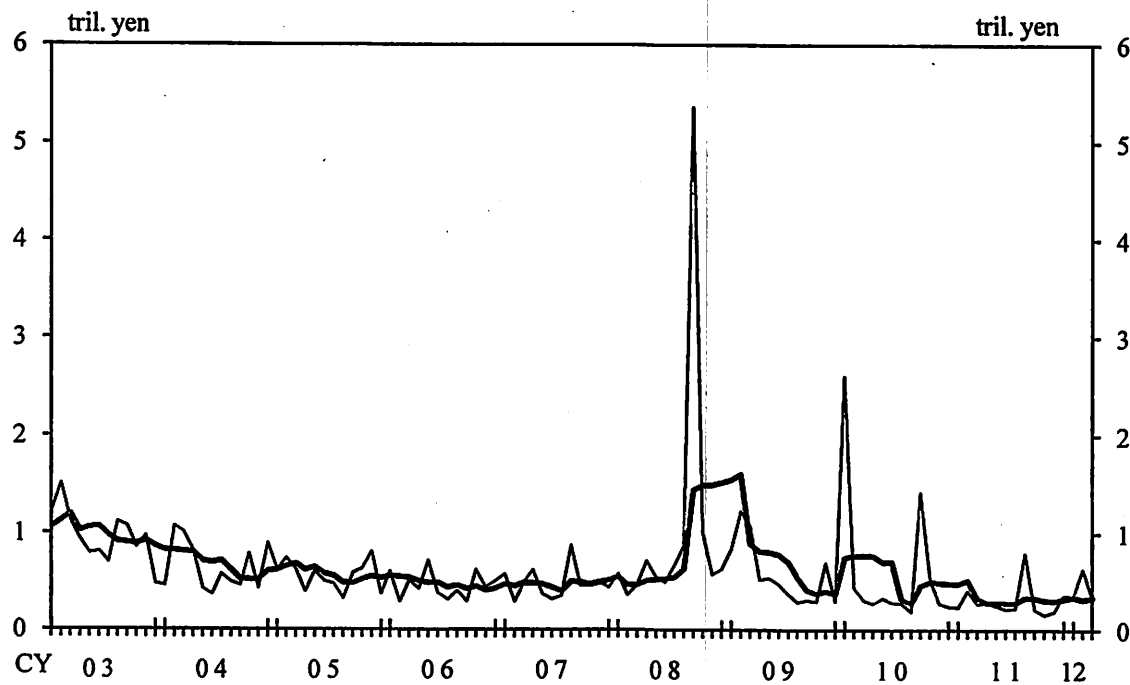
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities



Note: Bold lines are the six-month moving average.

Source: Tokyo Shoko Research Ltd., "Tosan Geppo (Monthly review of corporate bankruptcies)."

