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Bank of Japan

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

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Summary

It has become increasingly evident that Japan's economy is shifting toward a pick-up phase, although its economic activity 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, public investment has been increasing. Business fixed investment has been on a moderate increasing trend with some improvement in business sentiment. Against the background of improvement in consumer sentiment, private consumption has been increasing moderately due to the effects of measures to stimulate demand for automobiles. Housing investment has generally been picking up. 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.

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

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on May 22 and 23, 2012.

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 is rising moderately, mainly due to the earlier increase in international commodity prices. 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 increase at a reduced pace 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. Long-term interest rates and stock prices have fallen compared with last month. Meanwhile, the value of the yen against the U.S. dollar has remained at more or less the same level as last month.

Financial conditions have continued to ease.

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 change in the amount outstanding of bank lending has been positive. The year-on-year rate of change in the total amount outstanding of corporate bonds and CP has been moving around 0 percent, while that of corporate bonds has 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 2.5 percent.

1. Economic Developments

Public investment has been increasing. The amount of public construction completed—which reflects the progress of public works—turned to an increase in the first quarter on a quarter-on-quarter basis, after having registered a decrease in the fourth quarter (Chart 5).² The value of public works contracted—a measure that reflects public orders—rose in the first quarter on a quarter-on-quarter basis, and continued to increase in April relative to the first quarter.

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 generally leveled off in the first quarter on a quarter-on-quarter basis, after having declined in the fourth quarter. Looking at exports in the first quarter by region (Chart 7[1]), those to the United States continued to move upward, mainly in consumer goods (digital cameras) for which supply constraints caused by the flooding in Thailand eased. Exports to ASEAN turned upward, assisted by a spike in those to Thailand. Meanwhile, exports to Others rose, mainly in motor vehicles and their related goods to the Middle East. On the other hand, exports to the EU have continued to move downward, chiefly in motor vehicles and their related goods. Exports to China continued to decline marginally, notably in intermediate goods (chemicals; iron and steel) and capital goods and parts; those to NIEs also fell marginally due to declines in motor vehicles and their related goods as well as in intermediate goods (chemicals), although improvement was observed in IT-related goods. Looking at exports in the first quarter by goods (Chart 7[2]), those 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 China. Meanwhile, exports of motor

² Based on the GDP statistics, public investment in real terms turned to an increase in the first quarter with the execution of the budget related to the earthquake disaster in progress, after having marked quarter-on-quarter declines for two quarters in a row through the fourth quarter.

vehicles and their related goods were roughly flat, after having increased for two consecutive quarters through the fourth quarter.

Real imports have trended upward (Charts 6[1] and 9). Imports inched downward in the first quarter on a quarter-on-quarter basis, after having increased for three consecutive quarters through the fourth quarter. Looking at imports in the first quarter by goods (Chart 9[2]), those of raw materials rose for three straight quarters, primarily in mineral fuels used for thermal power generation. Imports of capital goods and parts increased marginally in the first quarter, chiefly in aircrafts, after having grown somewhat strongly through the fourth quarter. Those of IT-related goods and foodstuffs rose marginally. On the other hand, imports of consumer goods were somewhat sluggish, and those of intermediate goods (chemicals) dropped 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]). As for the nominal goods and services balance in the first quarter, both the trade and services balance deficits declined slightly relative to the fourth quarter (Chart 6[2] and [3]). Meanwhile, the income balance surplus decreased slightly in the first quarter. As a result, the nominal current account surplus in the first quarter was on par with that in the fourth quarter.

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. Imports are projected to trend gradually upward, assisted largely 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.

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]). The U.S. economy has continued to recover moderately. The European economy has been sluggish. As for emerging and

commodity-exporting economies, although the Chinese economy has continued to decelerate somewhat, signs of improvement have started to appear in some economies, supported mainly by the decline in inflation rates and the effects of monetary easing. 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 appreciated slightly again of late against both the U.S. dollar and the euro, but the real effective exchange rate shows that the yen has remained weak compared with levels in the second half of last year (Chart 8[1]). Attention, however, should be paid to both the impact of the European debt problem on the global financial markets and the global economy as well as the possibility of a prolonged deceleration among emerging economies, including China.

Business fixed investment has been on a moderate increasing trend with some improvement in business sentiment. The aggregate supply of capital goods—a coincident indicator of machinery investment—declined in the first quarter on a quarter-on-quarter basis, after having increased 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—inched upward in the first quarter on a quarter-on-quarter basis, after having dipped marginally in the fourth quarter (Chart 11[1]). By industry, manufacturing was almost level in the first quarter, after having declined in the fourth quarter. Nonmanufacturing (excluding orders for ships and those from electric power companies) inched downward in the fourth quarter, but bounced back 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, after having inched downward for two consecutive quarters through the fourth quarter (Chart 11[2]). By industry, mining and manufacturing surged for two consecutive quarters, whereas nonmanufacturing declined marginally for two straight quarters.

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 well as to strengthen earthquake resistance and business continuity systems, as corporate profits improve gradually.

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. Corporate profits are projected to resume their uptrend gradually, following an increase in demand at home and abroad and in production. Meanwhile, business sentiment has recently shown signs of improvement. As for large firms, business sentiment of manufacturing—which had been somewhat weak a while ago—has picked up lately and that of nonmanufacturing has been on an improving trend. Sentiment of small firms has been on an improving trend on the whole for both manufacturing and nonmanufacturing.

Against the background of improvement in consumer sentiment, private consumption has been increasing moderately due to the effects of measures to stimulate demand for automobiles (Chart 12). Consumption of goods—as seen through sales at retail stores in real terms (Chart 13[1])—grew at a somewhat accelerated pace in the first quarter on a quarter-on-quarter basis, after having risen marginally in the fourth quarter. Looking at consumption of durable goods (Chart 13[2]), the number of new passenger-car registrations has remained high, primarily for new models, due to the reintroduction of subsidies for purchasing energy efficient cars. 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 14[1]). In March, sales at supermarkets recorded a month-on-month decline and those at department stores leveled off after having fallen in February, mainly because the unseasonable weather set back sales of spring apparel. Meanwhile, sales at convenience stores have remained firm on average, although they fell back in March from the increase in February. As for consumption of services (Chart 14[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; two-or-more-person households) 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—continued to inch upward in the first quarter on a quarter-on-quarter basis, following the marginal increase in the fourth quarter (Chart 13[1]).³ 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 through the fourth quarter and continued to rise in the first quarter.

Indicators related to consumer confidence have been on an improving trend (Chart 15).

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 the first quarter on a quarter-on-quarter basis (Chart 16[1]).

Housing investment is expected to continue to generally pick up, mainly supported by the reconstruction of disaster-stricken homes.⁴

Industrial production has shown some signs of picking up, although it has remained more or less flat (Chart 17). Both the released- and adjusted-base indexes show that production is considered to remain more or less flat on average.⁵ The

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

⁴ 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.

⁵ The adjusted-base index of industrial production is calculated by detecting large fluctuations after the Lehman shock as outliers (estimation by the Research and Statistics Department, Bank of Japan).

production forecast index projects a sizeable decline in May after an increase in April, mainly due to fewer operating days of factories than usual years as a result of the long holiday.⁶ Production shows some signs of picking up in the months ahead with: (i) the gradual improvement in the shipment-inventory balance, especially in electronic parts and devices, and (ii) anecdotes by firms revealing that many firms are projecting a marginal increase in the second quarter.

Looking at production in the first quarter on a quarter-on-quarter basis by industry, that of general machinery saw a decline, mainly for exports, and that of chemicals was somewhat weak, primarily 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 started to move up, 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 18), those of durable consumer goods (motor vehicles and digital cameras) have picked up, partly since the effects of the flooding in Thailand eased. Moreover, shipments of producer goods (such as electronic parts and devices) have recently shown signs of picking up. On the other hand, shipments of other goods have been flat or somewhat sluggish.

Inventories have been more or less flat, albeit with fluctuations. They moved upward in March on a month-on-month basis. Although there were goods (flat panel televisions and DVD recorders) whose inventories increased driven by low demand, inventories for motor vehicles piled up, due to those waiting to be shipped overseas; goods such as air conditioners and photovoltaic modules have also seen their

⁶ The sizeable decline projected for May in the production forecast index may be attributable to the following two factors: (1) the number of operating days of factories is considered to have been less than that of working days because this year's Golden Week holiday allowed the number of operating days to be reduced, and (2) production in May last year registered high growth due to the rebound in production following the earthquake disaster, but since some of this increase is regarded as a seasonal factor, it has exerted downward pressure on the seasonally adjusted figures for this May.

inventories increase, due to an anticipated increase in shipments to the domestic market. Excluding these factors, inventories are considered to remain more or less flat. As for the shipment-inventory balance (year-on-year rate of change in shipments less that in inventories), growth in inventories has continued to outpace that in shipments, but it has been on a moderate improving trend, mainly in electronic parts and devices (Chart 19). Both shipments and inventories in March this year marked somewhat high growth on a year-on-year basis, due to the sharp decline in March last year caused by the earthquake disaster.

Production is expected to increase moderately, as domestic demand stays firm and as exports pick up gradually.

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 20). The unemployment rate has been trending downward, albeit with monthly fluctuations. Meanwhile, overtime hours worked (non-scheduled hours worked) have been on a mild uptrend.

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 21[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 recently slipped below the pre-earthquake level.

The year-on-year rate of change in nominal wages per employee (total cash earnings) grew at a somewhat accelerated pace in March on a year-on-year basis, but this was only because the decline in hours and days worked reduced wages in March

last year due to the earthquake disaster (Chart 21[2]).⁷ With this factor excluded, the rate of decline in nominal wages per employee has narrowed and the rate of change is considered to be roughly 0 percent lately.

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 21[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 fallen back somewhat within their high range (Chart 23[1] and [3]). Prices of crude oil and nonferrous metals have declined to some extent, mainly due to concerns over a slowdown in the European and Chinese economies. Prices of grains have been more or less flat overall.

The three-month rate of change in import prices (on a yen basis) has risen, as a reflection of the earlier increase in international commodity prices (Chart 23[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 is rising moderately, mainly due to the earlier increase in international commodity prices (Chart 24[2]). In April, the three-month rate of increase was faster than that in

⁷ In March last year, some industries faced a situation in which both regular and overtime payments (scheduled and non-scheduled cash earnings) fell due to the decline in hours worked as a result of the earthquake disaster. Wages per employee and per hour, however, basically showed only slight changes even in the year-on-year figures for March this year.

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.

March. Looking in detail at domestic corporate goods price movements in April, prices of "goods sensitive to exchange rates and overseas commodity prices" increased at an accelerated pace as a reflection of movements in international commodity prices. Prices of "electric power, gas & water" registered a sizeable increase, since one electricity company raised prices of electricity for firms. Meanwhile, prices of "machinery" were more or less level and those of "iron & steel and construction goods" continued a modest decline.

Corporate services prices (excluding international transportation; year-on-year basis, same hereafter) have still declined marginally, although they have improved compared to a while ago (Chart 25). Corporate services prices declined at a slower pace in March relative to February on a year-on-year basis. Looking in detail at corporate services price movements in March, prices of selling, general and administrative expenses reduced their pace of decline markedly, mainly in advertising services; those related to real estate also declined at a slower pace, chiefly in office space rental. On the other hand, prices related to fixed investment reduced their pace of increase, chiefly in civil engineering and architectural services. Meanwhile, the year-on-year rate of change in prices related to domestic transportation has remained in the vicinity of 0 percent.

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 26[1]). Consumer prices in March improved by 0.1 percentage point from February, marking a year-on-year increase of 0.2 percent. Looking at developments on a basis that excludes food and energy, prices rose by 0.1 percentage point from February, to negative 0.5 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 27[2]).⁹ The year-on-year rate of

⁹ 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.

change in the Laspeyres chain index has moved up in tandem with that in the 2010-base index (Chart 27[1]).¹⁰

Looking in detail at consumer price movements in March, prices for goods (excluding agricultural, aquatic and livestock products) fell at a somewhat reduced pace overall, mainly since the pace of increase in prices of petroleum products (such as gasoline) accelerated and those of other goods (medicines and cosmetics) reduced their pace of decline, even though the pace of increase in prices of clothes slowed.¹¹ Prices of general services somewhat slowed their pace of decline as a whole, mainly since prices of package tours to overseas, hotel charges, and rent fell at a reduced pace. As for fees for public services, the year-on-year rate of increase was more or less level.

Domestic corporate goods prices are expected to increase at a reduced pace 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.

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

¹⁰ 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.

¹¹ TV sets—which had turned to an increase in February on a year-on-year basis due to the selected-item change—have continued to post year-on-year increases (the year-on-year rate of change for TV sets was: -36.1 percent in January, +0.5 percent in February, and +2.3 percent in March).

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 28). In U.S. dollar funding, the LIBOR-OIS spread for the dollar has basically been more or less flat (Chart 29).

Yields on 10-year government bonds (newly issued 10-year JGB) have fallen to around 0.85 percent, due partly to the downtrend in U.S. interest rates (Chart 30).

Yield spreads between corporate bonds and government bonds have generally been more or less flat (Chart 31).

As for stock prices, the Nikkei 225 Stock Average has recently slipped to the 8,500-9,000 yen level, compounded partly by the decline in U.S. stock prices as well as by the appreciation of the yen against the U.S. dollar (Chart 32).

In the foreign exchange market, the yen has appreciated slightly, partly due to the lower-than-expected U.S. economic indicators; the yen's exchange rate has recently been moving in the range of 79-80 yen against the U.S. dollar (Chart 33).

(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 35).

With regard to credit supply, firms have continued to see financial institutions' lending attitudes as being on an improving trend (Chart 34). 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 change in the amount outstanding of bank lending has been positive, mainly in demand for working capital and funds related to mergers and acquisitions (Chart 36). The year-on-year rate of change in the total amount

outstanding of corporate bonds and CP has been moving around 0 percent, while that of corporate bonds has been slightly negative (Chart 37).

In these circumstances, firms have retained their recovered financial positions on the whole (Chart 34). The number of corporate bankruptcies has been at a low level (Chart 39).

Meanwhile, the year-on-year rate of change in the money stock (M2) has been positive at around 2.5 percent. Its April reading was 2.6 percent on a year-on-year basis, following 3.0 percent in March (Chart 38).¹²

¹² On an M3 basis, which includes the Japan Post Bank, the year-on-year rate of change has been positive in the range of 2.0-2.5 percent; its April reading was 2.3 percent, following 2.6 percent in March. The year-on-year rate of change in broadly-defined liquidity (L) has been positive at around 0.5 percent; it increased by 0.6 percent in April, following an increase of 0.7 percent in March.

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Chart 1

Main Economic Indicators (1)

	s.a., q/q (m/m) % chg. ¹						
	2011/Q3	Q4	2012/Q1	2012/Jan.	Feb.	Mar.	Apr.
Index of consumption expenditure level (two-or-more-person households)	0.4	0.5	-0.3	-1.2	0.9	0.3	n.a.
Sales at department stores	-0.4	0.4	-0.9	-0.3	-1.1	-0.3	n.a.
Sales at supermarkets	0.2	-0.7	0.5	-0.0	1.9	-2.3	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 257>	< 267>	< 349>	< 356>	< 335>	< 356>	< 313>
Sales of household electrical appliances (real, "Current Survey of Commerce")	-9.7	-5.2	0.9	0.1	-9.8	-0.9	n.a.
Outlays for travel	18.6	4.8	-1.1	-4.6	0.5	2.0	n.a.
Housing starts <s.a., ann. 10,000 units>	< 88>	< 80>	< 86>	< 82>	< 92>	< 85>	<n.a.>
Machinery orders ⁴ (Private sector, exc. volatile orders)	1.6	-0.7	0.9	0.7	2.8	-2.8	n.a.
Manufacturing	-0.0	-0.7	0.1	-1.3	9.5	-8.4	n.a.
Nonmanufacturing ⁴ (exc. volatile orders)	3.6	-0.5	0.5	1.4	2.1	-3.9	n.a.
Construction starts (private, nondwelling use)	-3.3	-0.9	3.9	13.1	-13.3	-7.0	n.a.
Mining & manufacturing	-21.7	22.0	25.4	70.5	-18.4	-5.3	n.a.
Nonmanufacturing ⁵	0.9	-3.0	-1.4	0.3	-9.3	-10.0	n.a.
Value of public works contracted	2.0	1.8	3.5	6.5	0.6	-0.5	2.8
Real exports	7.3	-2.8	-0.1	0.2	-0.2	0.0	n.a.
Real imports	1.9	1.3	-0.5	4.9	-6.9	4.0	n.a.
Industrial production	5.4	0.4	1.3	0.9	-1.6	1.3	n.a.
Shipments	7.0	0.3	0.8	-1.1	0.3	0.5	n.a.
Inventories	1.8	-1.4	5.9	2.1	-0.5	4.3	n.a.
Inventory ratio <s.a., CY 2005 = 100>	< 117.6>	< 112.7>	< 115.3>	< 113.5>	< 110.4>	< 115.3>	<n.a.>
Real GDP	1.9	0.0	1.0	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	2.1	0.5	-0.1	-0.7	-0.1	-0.3	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2011/Q3	Q4	2012/Q1	2012/Jan.	Feb.	Mar.	Apr.
Ratio of job offers to applicants <s.a., times>	< 0.66>	< 0.69>	< 0.75>	< 0.73>	< 0.75>	< 0.76>	<n.a.>
Unemployment rate <s.a., %>	< 4.4>	< 4.5>	< 4.6>	< 4.6>	< 4.5>	< 4.5>	<n.a.>
Overtime working hours ⁶	0.2	2.0	1.8	0.6	0.6	4.3	n.a.
Number of employees	-0.5	0.1	-0.5	-0.5	-0.8	-0.3	n.a.
Number of regular employees ⁶	0.7	0.6	0.6	0.5	0.6	0.6	n.a.
Nominal wages per person ⁶	-0.4	-0.1	0.0	-1.2	0.1	0.9	n.a.
Domestic corporate goods price index <q/q % chg., 3-month rate of change> ⁷	2.6 <-0.3>	1.5 <-0.7>	0.5 < 0.2>	0.5 <-0.1>	0.6 < 0.1>	0.5 < 0.7>	p -0.2 <p 1.0>
Consumer price index ⁸	0.2	-0.2	0.1	-0.1	0.1	0.2	n.a.
Corporate services price index ⁹	-0.6	-0.3	p -0.6	-0.5	-0.7	p -0.4	n.a.
Money stock (M2) <average outstanding, y/y % chg.>	2.8	3.0	3.0	3.1	2.9	3.0	p 2.6
Number of corporate bankruptcies <cases per month>	<1,036>	<1,034>	<1,061>	<985>	<1,038>	<1,161>	<1,004>

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. Data for establishments with at least five regular employees.

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

8. All items, less fresh food.

9. Excludes international transportation.

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

"Monthly Report on the Family Income and Expenditure Survey," "Consumer Price Index";

Ministry of Economy, Trade and Industry, "Current Survey of Commerce," "Indices of Industrial Production,"

"Indices of All Industry Activity";

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

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

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

Ministry of Finance, "Trade Statistics";

Cabinet Office, "Orders Received for Machinery," "National Accounts";

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

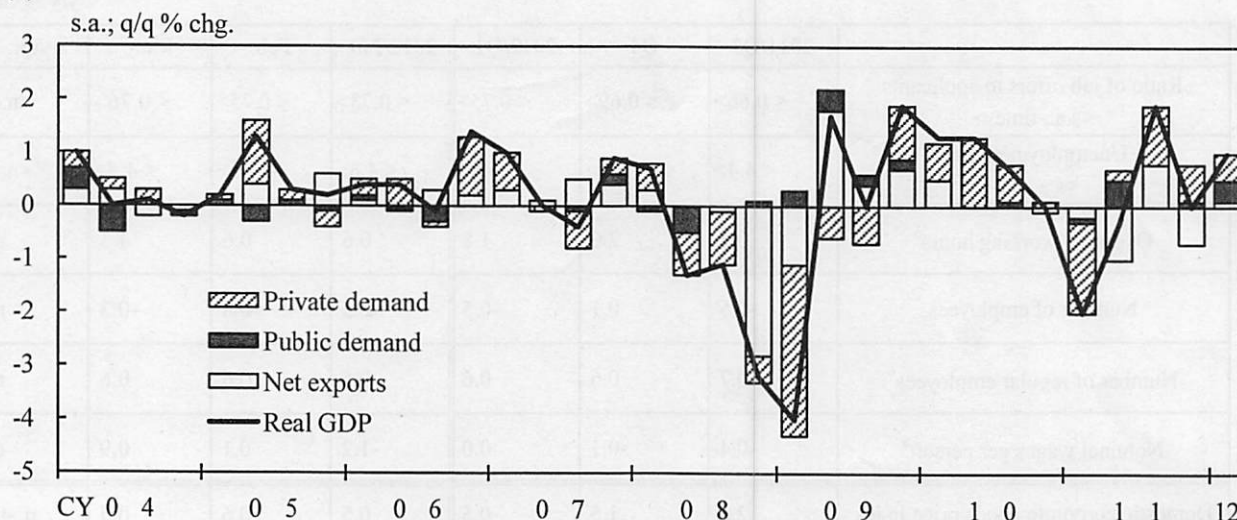
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey";

Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index," "Money Stock";

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

Real GDP and Indexes of Business Conditions

(1) Real GDP



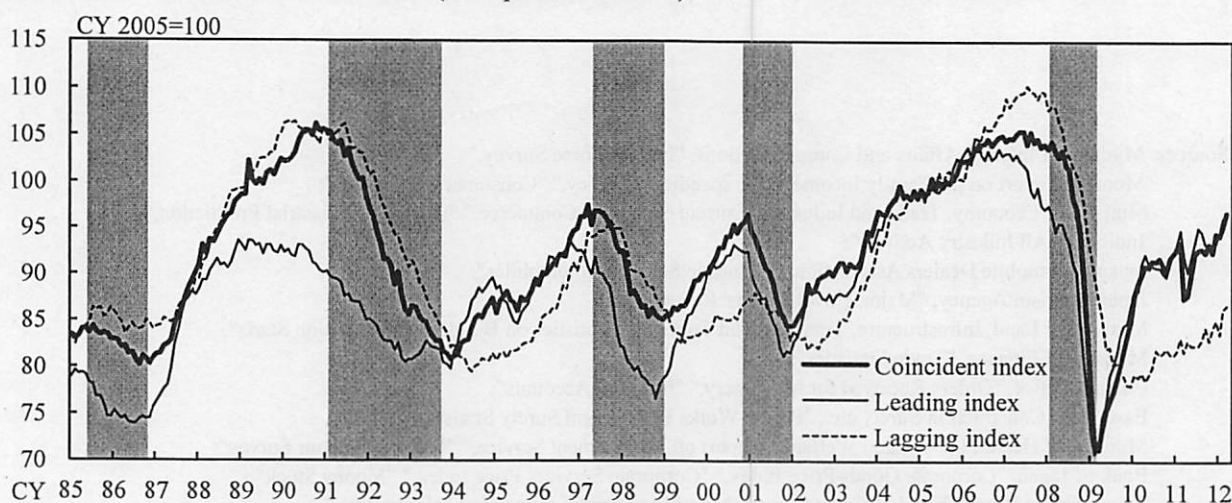
(2) Components

s.a.; q/q % chg.

	2011				2012
	Q1	Q2	Q3	Q4	Q1
Real GDP	-2.0	-0.3	1.9	0.0	1.0
[Annual rate]	[-7.9]	[-1.2]	[7.6]	[0.1]	[4.1]
Domestic demand	-1.8	0.7	1.1	0.7	0.9
Private demand	-1.7	0.2	1.1	0.7	0.5
Private consumption	-0.9	0.3	0.6	0.4	0.7
Non-Resi. investment	0.0	-0.1	-0.0	0.7	-0.5
Residential investment	0.0	-0.1	0.1	0.0	-0.0
Private inventory	-0.9	0.0	0.3	-0.4	0.4
Public demand	-0.1	0.5	0.0	0.1	0.4
Public investment	-0.2	0.3	-0.0	-0.0	0.3
Net exports of goods and services	-0.2	-1.0	0.8	-0.7	0.1
Exports	-0.1	-1.0	1.3	-0.6	0.4
Imports	-0.2	-0.0	-0.5	-0.1	-0.3
Nominal GDP	-2.6	-1.0	1.5	-0.3	1.0

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

(3) Indexes of Business Conditions (Composite Indexes)

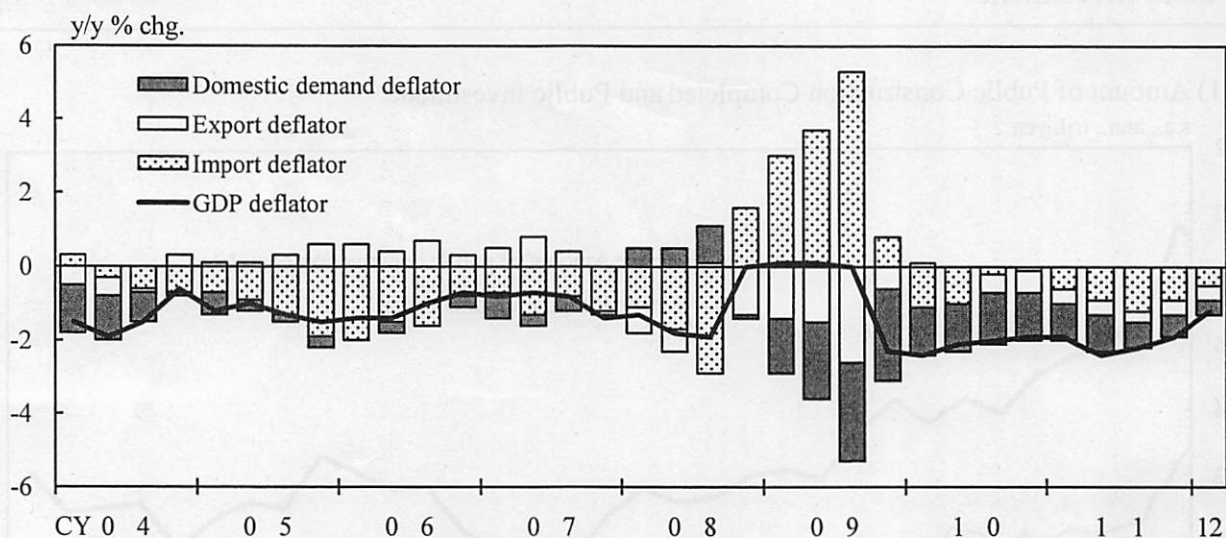


Note: Shaded areas indicate recession periods.

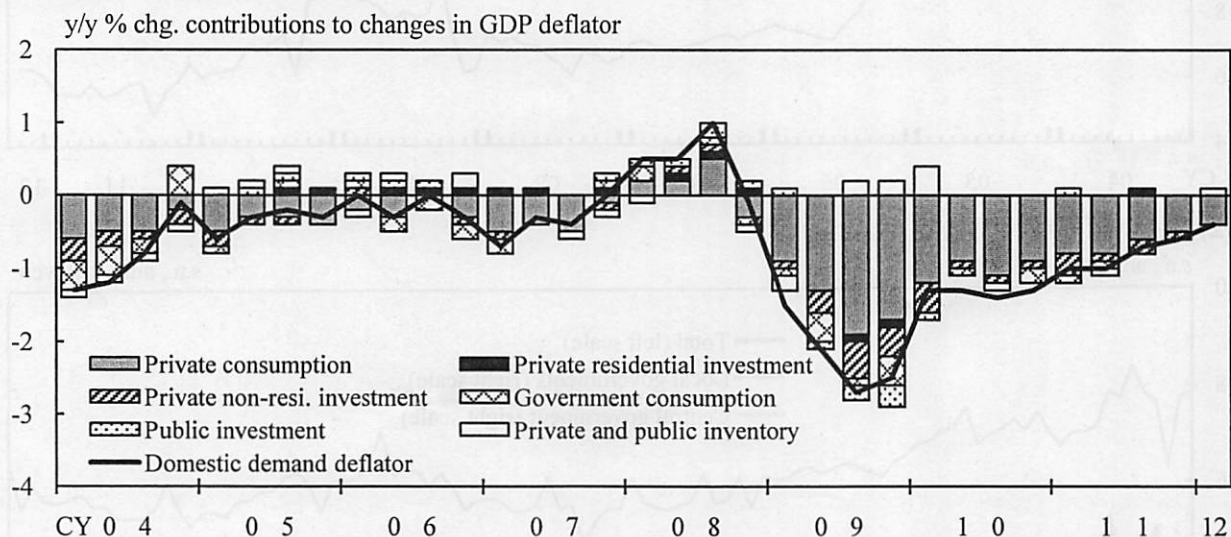
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

GDP Deflator and Income Formation

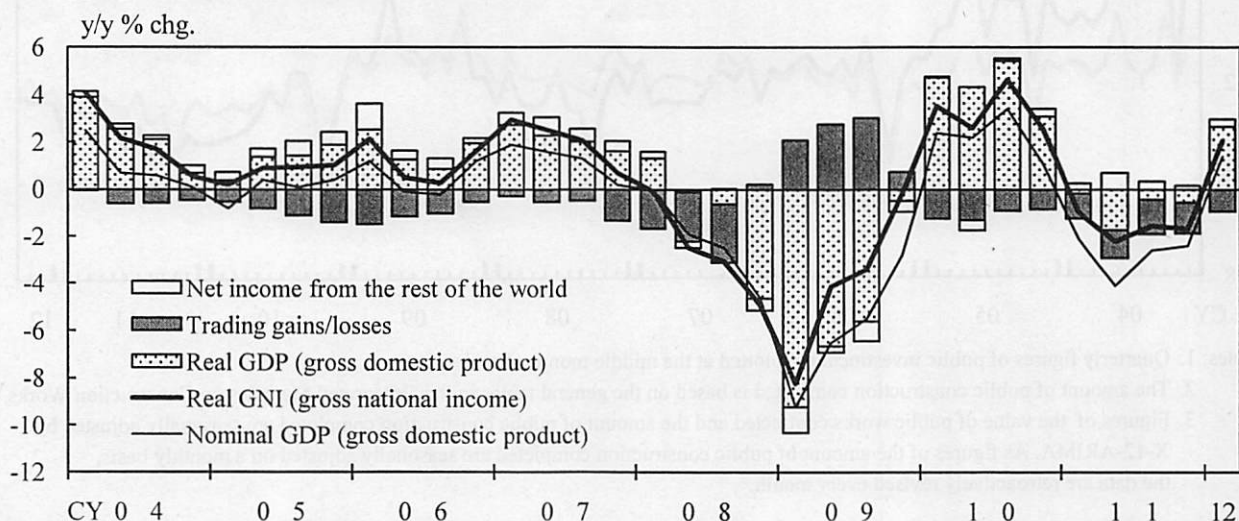
(1) GDP Deflator



(2) Domestic Demand Deflator



(3) Aggregate Income Formation



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

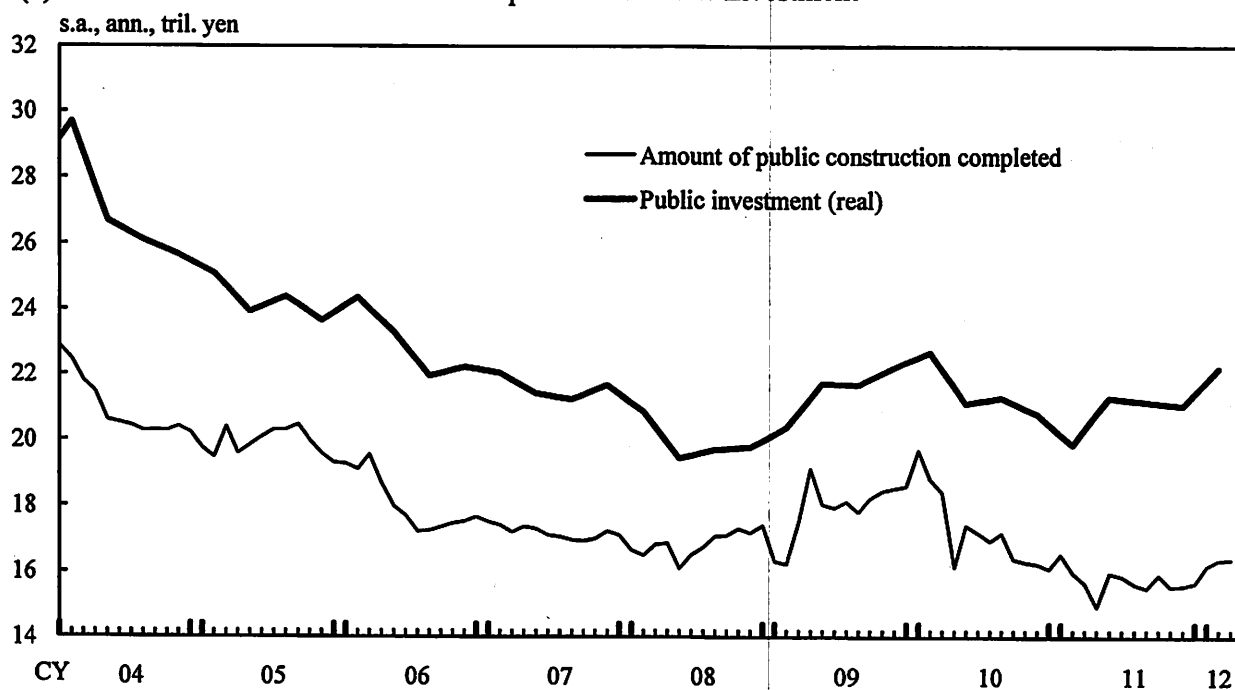
2. Real GNI = real GDP + trading gains/losses + net income from the rest of the world

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

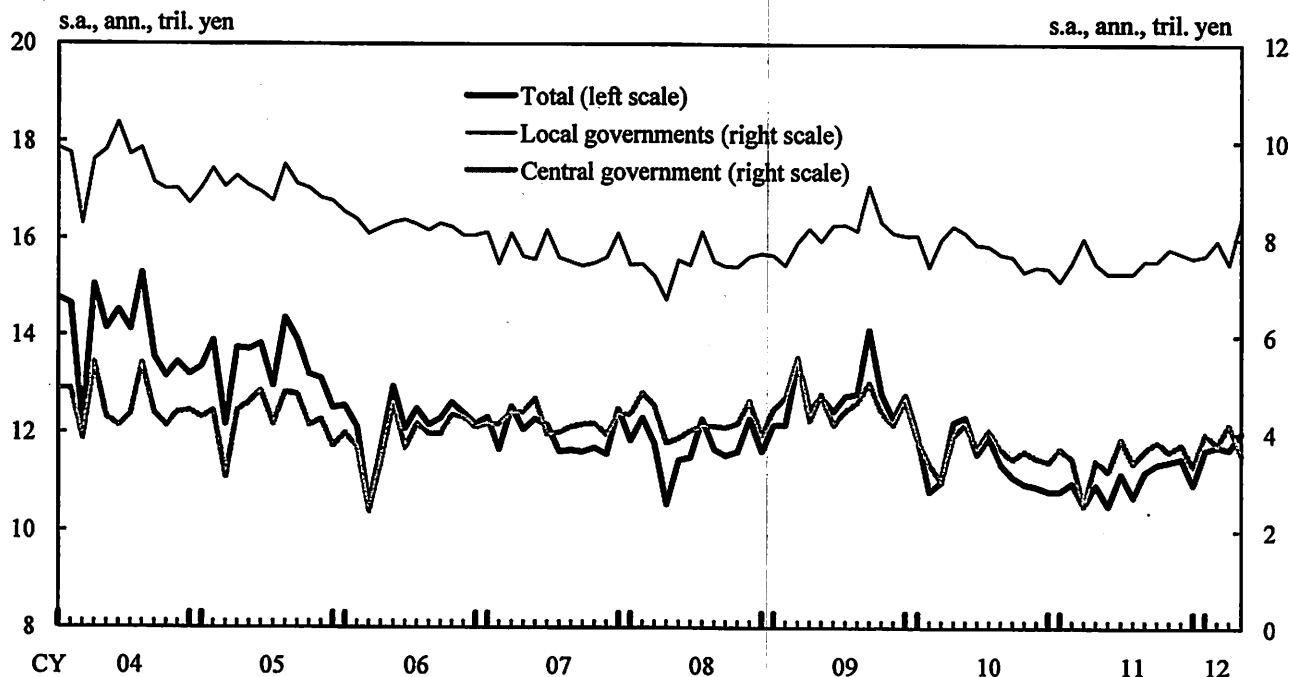
Source: Cabinet Office, "National Accounts."

Public Investment

(1) Amount of Public Construction Completed and Public Investment

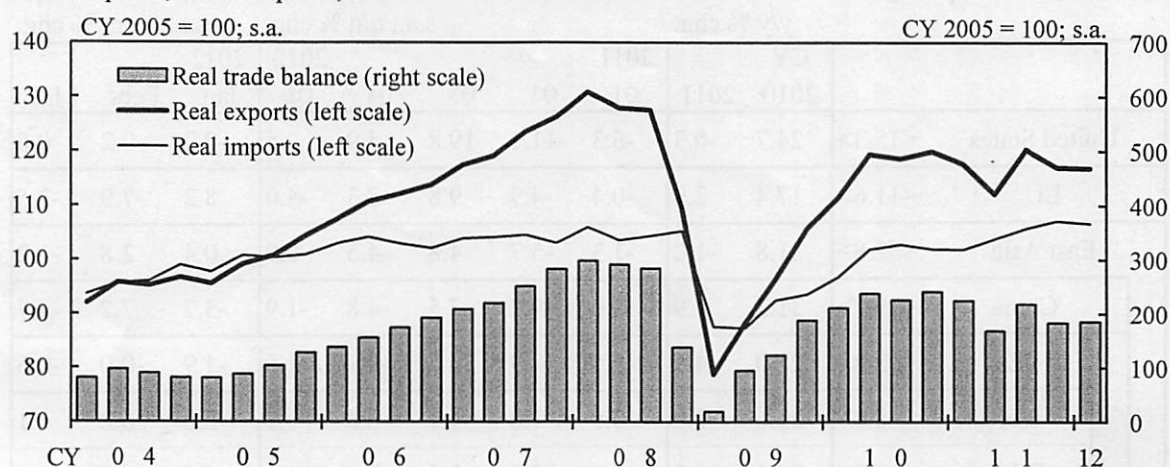
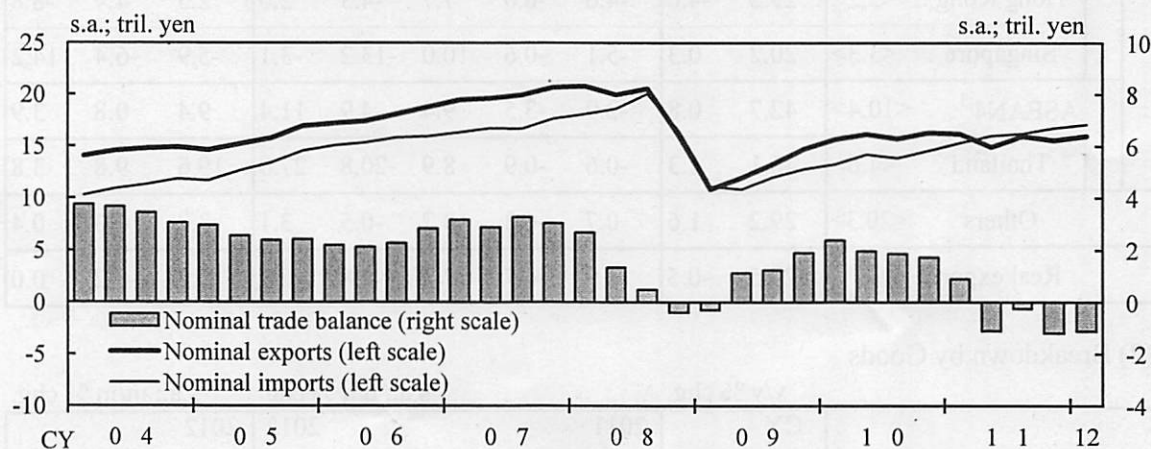
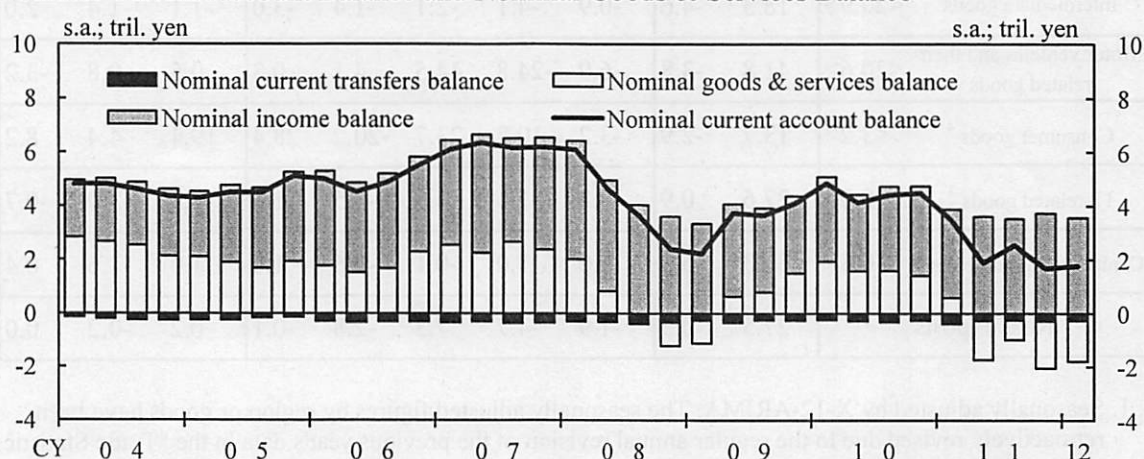


(2) Value of Public Works Contracted



- Notes: 1. Quarterly figures of public investment are plotted at the middle month of each quarter.
2. The amount of public construction completed is based on the general tables in the "Integrated Statistics on Construction Works."
3. Figures of the value of public works contracted and the amount of public construction completed are seasonally adjusted by X-12-ARIMA. As figures of the amount of public construction completed are seasonally adjusted on a monthly basis, the data are retroactively revised every month.

Sources: Cabinet Office, "National Accounts";
East Japan Construction Surety etc., "Public Works Prepayment Surety Statistics";
Ministry of Land, Infrastructure, Transport and Tourism, "Integrated Statistics on Construction Works."

External Balance¹(1) Real Exports, Real Imports, and Real Trade Balance²(2) Nominal Exports, Nominal Imports, and Nominal Trade Balance³(3) Nominal Current Account Balance and Nominal Goods & Services Balance³

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

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."

Chart 7

Real Exports ¹

(1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY		2011					2012	2012	
		2010	2011	Q1	Q2	Q3	Q4	Q1	Jan.	Feb.	Mar.
United States	<15.3>	24.7	-0.3	-6.3	-11.1	19.8	4.9	2.5	-2.2	-0.2	0.8
EU	<11.6>	17.4	2.9	-0.4	-4.9	9.8	-8.3	-4.0	8.2	-7.9	-3.5
East Asia	<52.8>	31.8	-1.2	-1.3	-5.7	4.8	-4.5	0.9	-0.4	2.8	-1.2
China	<19.7>	31.3	1.9	1.0	-9.9	7.5	-4.8	-1.9	-3.7	7.2	-4.7
NIEs	<22.8>	28.0	-4.6	-2.5	-2.9	0.7	-4.1	-1.5	-1.9	-0.0	-0.6
Korea	<8.0>	23.6	-2.9	0.5	1.0	-4.1	-0.8	0.3	2.6	-6.2	1.1
Taiwan	<6.2>	36.8	-9.3	-2.4	-6.0	-3.4	-3.6	-4.9	-6.0	7.5	-5.5
Hong Kong	<5.2>	29.2	-4.0	-4.6	-6.0	7.7	-4.3	2.0	2.5	4.7	-8.8
Singapore	<3.3>	20.2	0.3	-5.1	-0.6	10.0	-13.2	-3.1	-5.9	-6.4	14.2
ASEAN4 ³	<10.4>	42.7	0.8	-2.9	-3.5	9.4	-4.9	11.4	9.4	0.8	3.9
Thailand	<4.6>	46.1	1.3	-0.6	-0.9	8.9	-20.8	27.0	19.6	9.8	3.8
Others	<20.3>	29.2	1.6	0.7	-6.3	13.7	-0.5	3.1	3.2	0.3	0.4
Real exports		27.5	-0.5	-1.9	-4.7	7.3	-2.8	-0.1	0.2	-0.2	0.0

(2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY		2011		2012			2012		
		2010	2011	Q1	Q2	Q3	Q4	Q1	Jan.	Feb.	Mar.
Intermediate goods	<20.9>	18.3	-4.6	-0.9	-4.1	-2.1	-1.4	-3.0	-1.1	-1.4	2.0
Motor vehicles and their related goods	<20.6>	41.8	-3.8	-6.9	-24.8	44.5	4.1	0.3	0.5	0.8	-3.2
Consumer goods ⁴	<3.2>	13.7	-2.9	-3.2	-10.2	23.7	-20.2	28.4	19.4	4.4	8.2
IT-related goods ⁵	<10.0>	27.6	0.9	-0.8	-1.4	4.9	-3.5	1.6	-1.3	3.0	-0.7
Capital goods and parts ⁶	<30.3>	36.3	5.0	1.0	1.0	-0.1	-2.6	1.0	1.0	-1.6	0.4
Real exports		27.5	-0.5	-1.9	-4.7	7.3	-2.8	-0.1	0.2	-0.2	0.0

Notes: 1. Seasonally adjusted by X-12-ARIMA. The seasonally adjusted figures by region or goods have been retroactively revised due to the regular annual revision of the previous year's data in the "Trade Statistics." This also applies to Chart 9.

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.

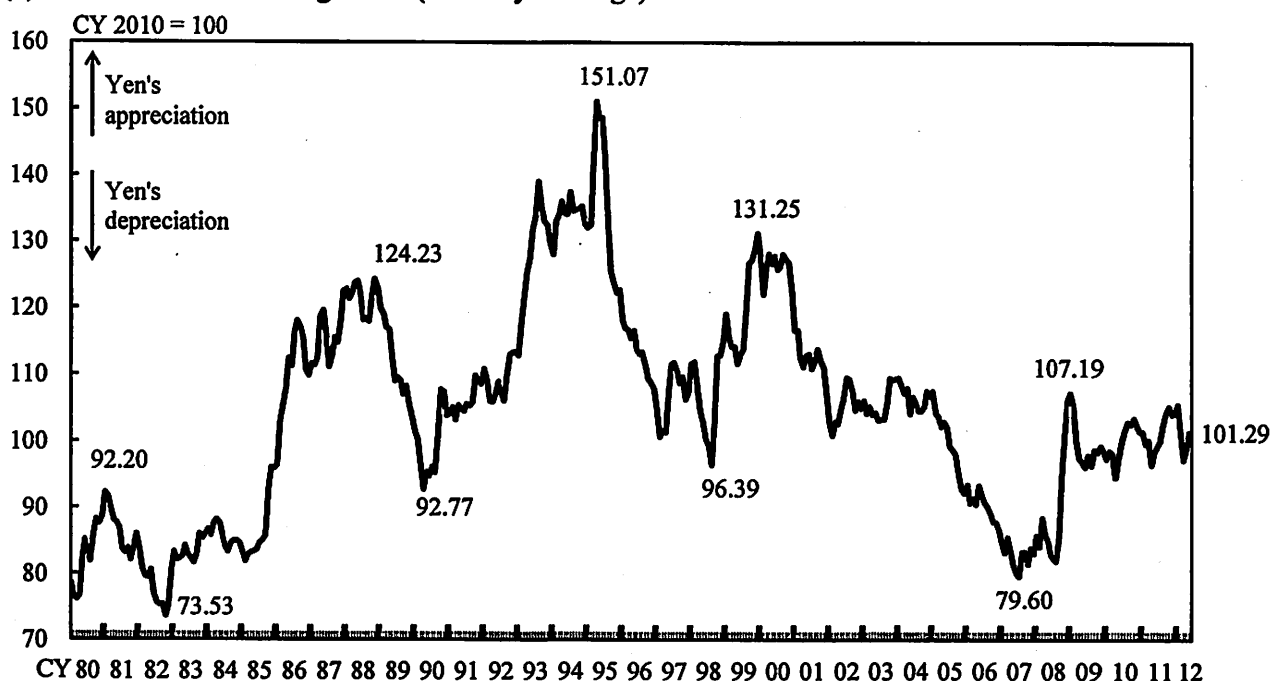
5. IT-related goods are composed of computers and units, telecommunication machinery, ICs, and medical and optical instruments.

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. The figure for May (up to May 21) 2012 has been calculated using the monthly average of the BOJ's nominal effective exchange rate (the Yen Index).

(2) Real GDP Growth Rates of Overseas Economies

	CY2009	2010	2011	s.a., ann., q/q % chg.			
				2011 Q2	Q3	Q4	2012 Q1
United States ¹	-3.5	3.0	1.7	1.3	1.8	3.0	2.2
European Union ²	-4.3	2.0	1.5	0.7	1.1	-1.0	-0.2
Germany ¹	-5.1	3.7	3.0	1.1	2.3	-0.7	2.1
France ¹	-3.0	1.6	1.7	-0.2	1.1	0.3	0.2
United Kingdom ¹	-4.4	2.1	0.7	-0.2	2.3	-1.2	-0.8
East Asia ³	2.5	9.2	5.8	4.1	5.2	0.6	n.a.
China ¹	9.2	10.4	9.2	9.5	10.0	7.8	7.4
NIEs ^{1,3}	-1.1	9.0	4.2	0.7	1.5	0.3	3.4
ASEAN4 ^{1,3,4}	-0.4	7.3	3.0	1.7	4.7	-12.5	n.a.
Main economies ³	-0.0	6.8	4.4	3.1	4.0	0.8	n.a.

- 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		2011			2012		2012		
		2010	2011	Q1	Q2	Q3	Q4	Q1	Jan.	Feb.	Mar.
United States	<8.7>	8.2	-1.0	-5.1	4.7	-1.0	2.9	1.5	9.2	-6.6	-0.8
EU	<9.4>	6.4	7.9	3.1	6.4	0.7	0.6	-1.3	3.3	2.0	-1.4
East Asia	<41.5>	22.0	9.1	2.3	1.1	2.5	1.5	-1.9	1.0	-6.9	5.2
China	<21.5>	23.9	12.2	2.5	1.4	4.3	2.6	-3.6	0.8	-11.1	10.3
NIEs	<8.6>	21.6	5.9	4.2	0.7	-0.7	2.8	-0.3	-1.4	0.1	-1.8
Korea	<4.7>	20.9	19.9	9.1	3.9	-2.5	3.8	1.5	1.6	-4.8	2.1
Taiwan	<2.7>	21.2	-5.6	-0.2	-3.8	-0.1	4.1	-3.3	-5.0	1.6	-1.5
Hong Kong	<0.2>	32.8	-5.4	-1.5	-7.6	5.8	-0.1	23.2	-4.3	124.9	-66.9
Singapore	<1.0>	22.9	-2.8	-0.0	2.3	-0.5	2.6	-2.0	-3.1	4.4	1.2
ASEAN4 ³	<11.5>	18.2	4.8	0.5	0.6	1.0	-2.3	1.1	3.6	-2.4	-0.1
Thailand	<2.9>	25.7	4.0	2.8	1.7	0.7	-14.9	4.7	10.8	-0.2	3.3
Others	<40.4>	6.8	-0.3	-1.0	0.3	1.8	1.2	0.8	4.6	-6.0	3.9
Real imports		12.0	3.7	-0.1	2.0	1.9	1.3	-0.5	4.9	-6.9	4.0

(2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY		2011		2012			2012		
		2010	2011	Q1	Q2	Q3	Q4	Q1	Jan.	Feb.	Mar.
Raw materials ⁴	<39.8>	5.5	-0.2	-0.7	-0.8	3.5	0.6	2.6	4.6	-3.3	2.5
Intermediate goods	<15.0>	18.5	8.7	5.6	5.3	-2.1	0.7	-7.0	0.2	-8.6	5.1
Foodstuffs	<8.6>	2.2	1.6	6.6	6.2	-2.0	0.6	0.9	6.5	-9.4	1.0
Consumer goods ⁵	<8.1>	22.7	6.1	-0.8	-2.6	1.8	-3.3	-0.2	5.6	-8.6	6.1
IT-related goods ⁶	<9.8>	26.7	8.1	1.6	-1.7	2.5	5.5	0.2	-0.3	2.6	0.0
Capital goods and parts ⁷	<10.4>	19.0	9.5	0.1	2.4	4.6	2.5	1.3	7.4	-10.5	9.7
Excluding aircraft	<10.0>	21.8	10.6	1.7	3.0	4.5	1.0	-1.4	1.8	-5.6	6.2
Real imports		12.0	3.7	-0.1	2.0	1.9	1.3	-0.5	4.9	-6.9	4.0

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

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.

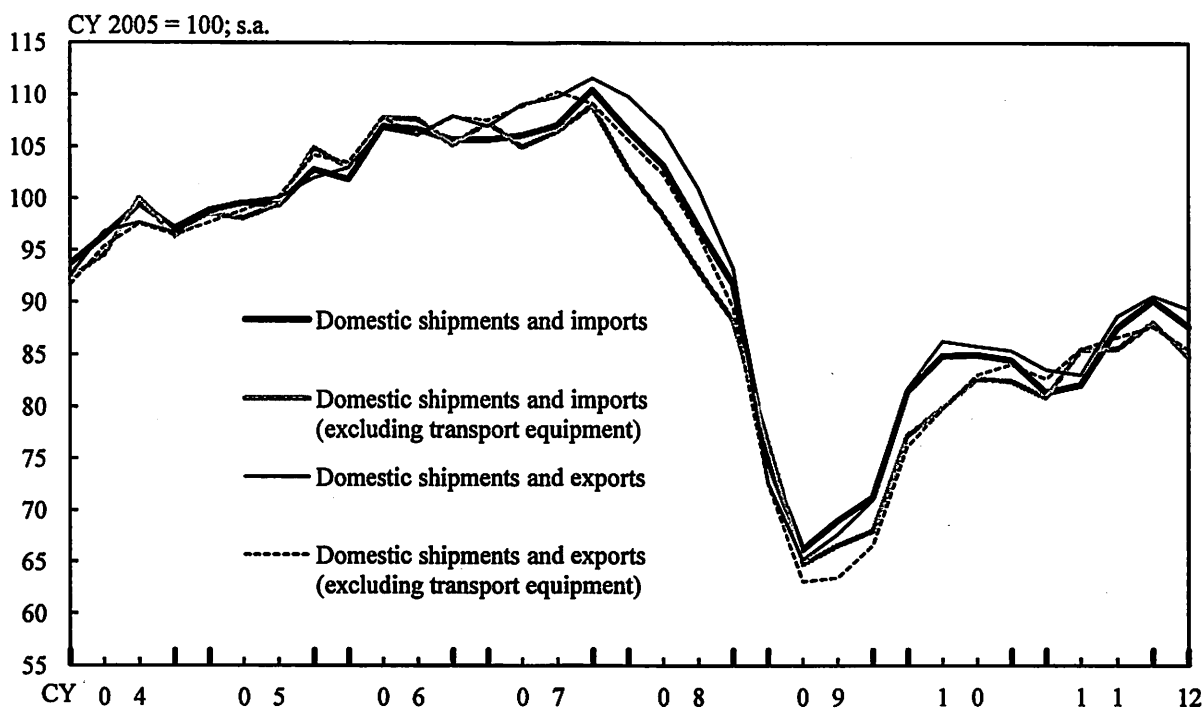
6. IT-related goods are composed of computers and units, parts of computers, telecommunication machinery, ICs, and medical and optical instruments.

7. Excludes IT-related goods.

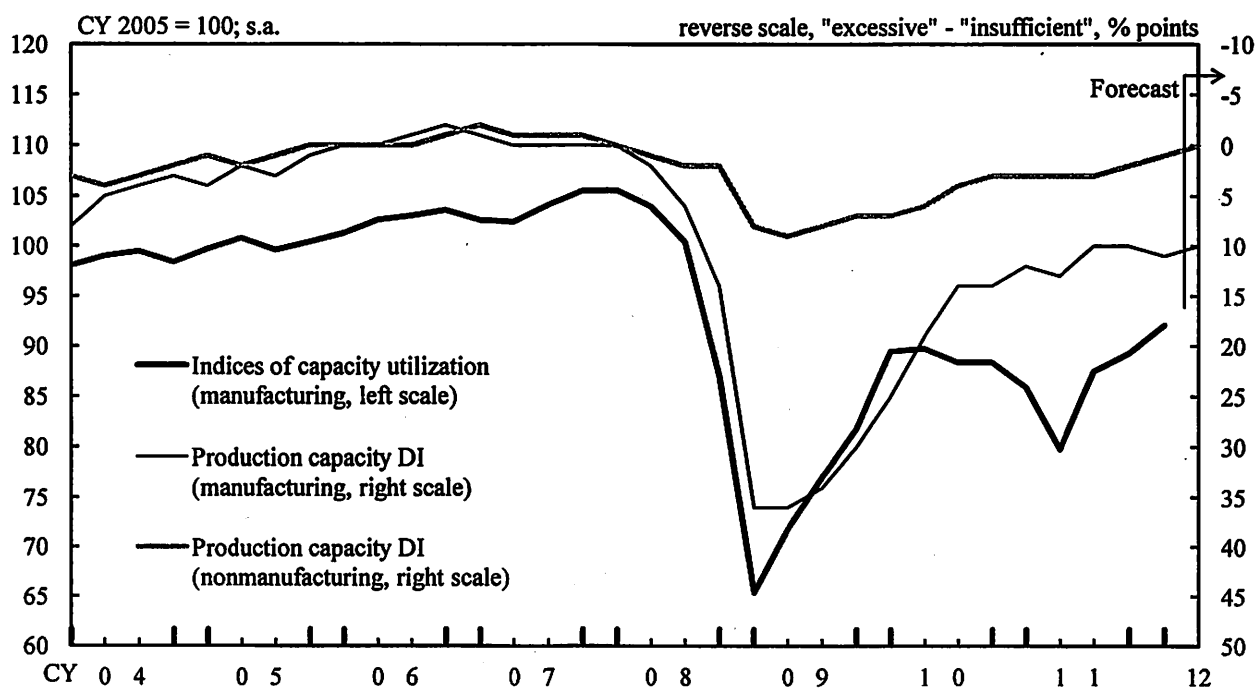
Sources: Ministry of Finance, "Trade Statistics"; Bank of Japan, "Corporate Goods Price Index."

Coincident Indicators of Business Fixed Investment

(1) Aggregate Supply and Shipments of Capital Goods



(2) Indices of Capacity Utilization and Production Capacity DI

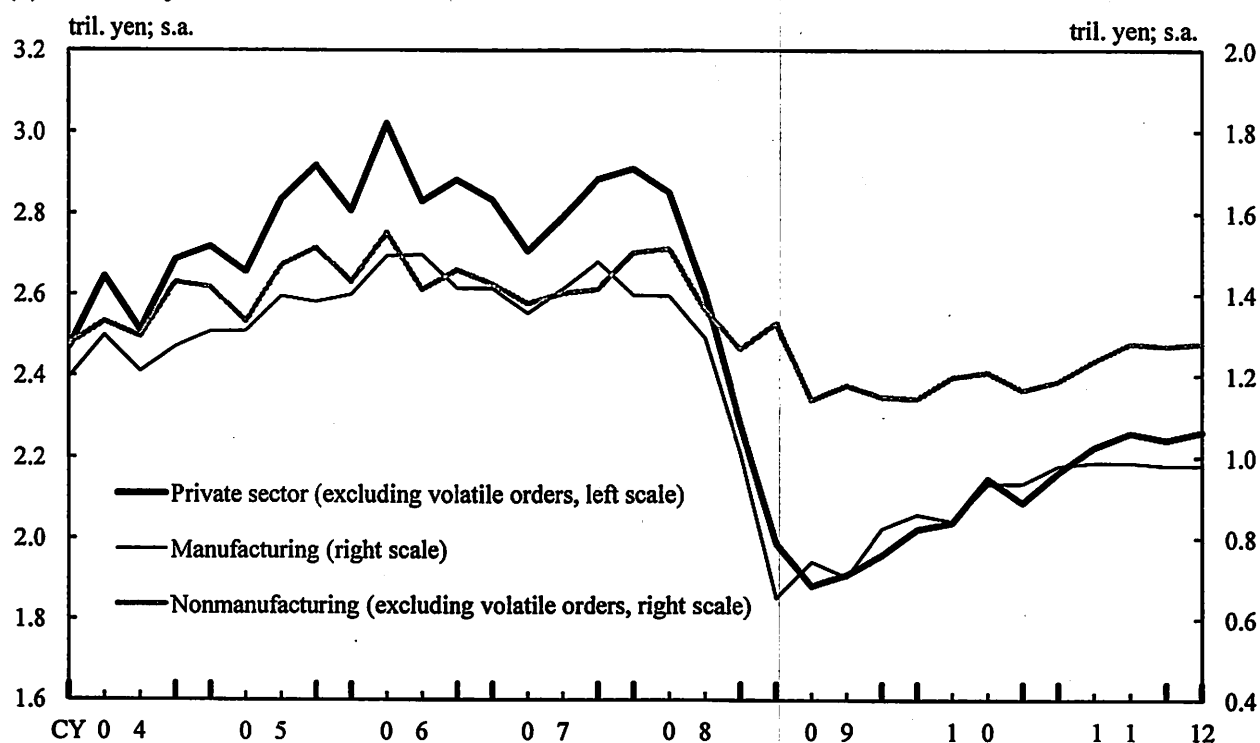


Note: Production capacity DIs are those of all enterprises.

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

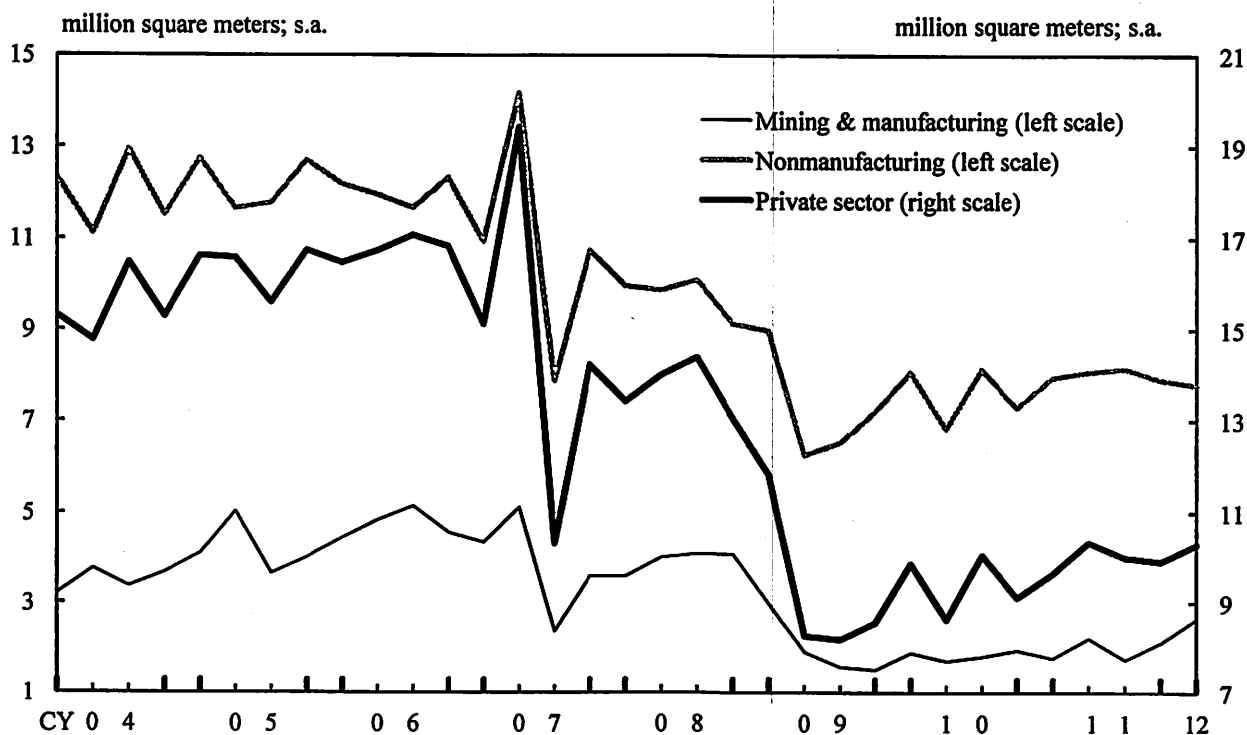
(1) Machinery Orders



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.

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

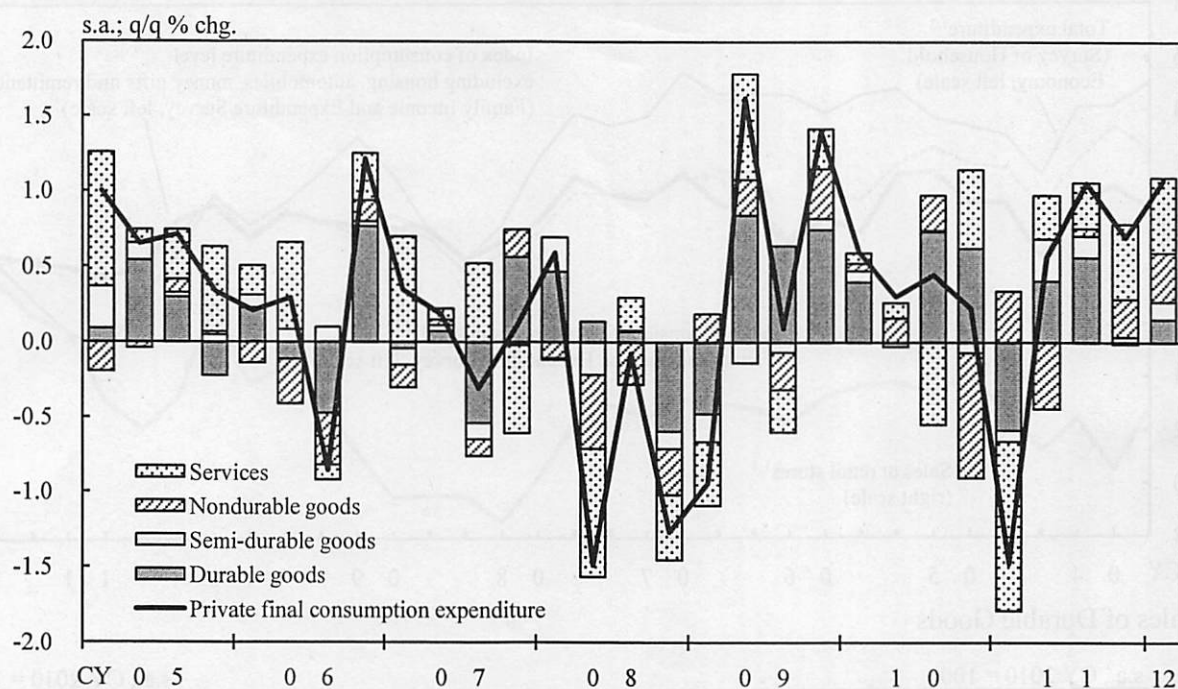


Note: Seasonally adjusted by X-12-ARIMA.

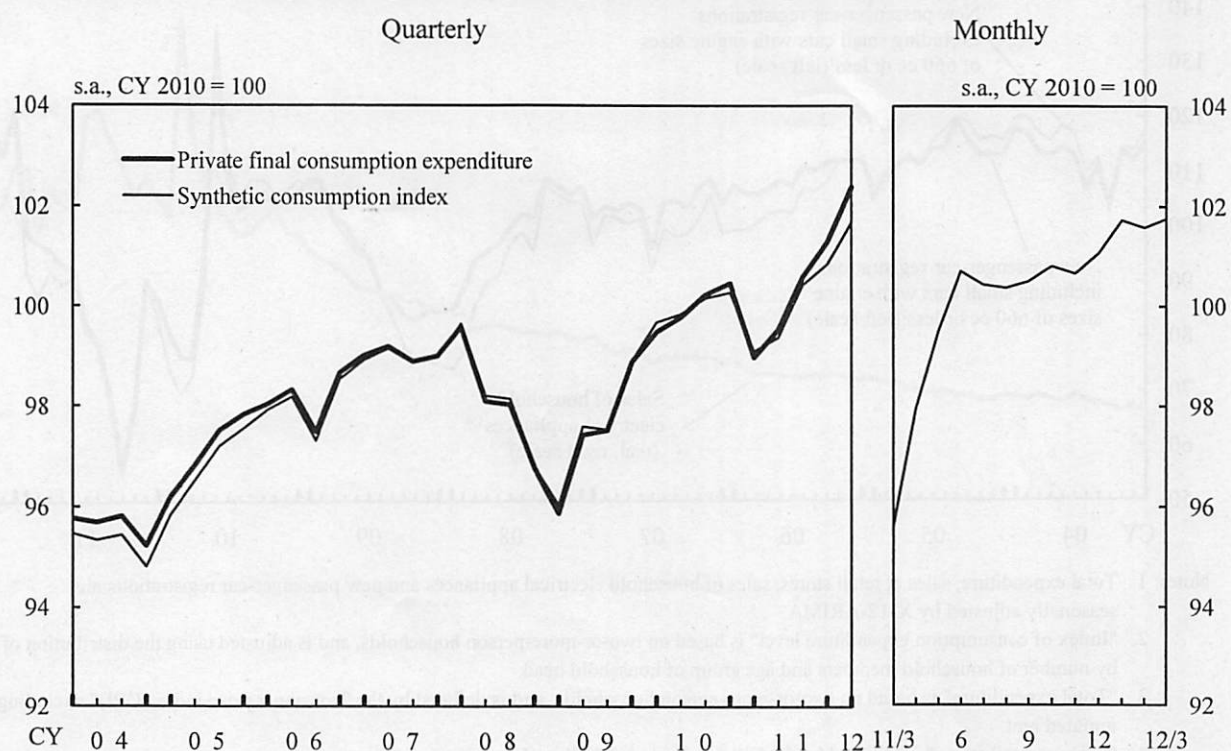
Sources: Cabinet Office, "Orders Received for Machinery";
Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts."

Indicators of Private Consumption (1)

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



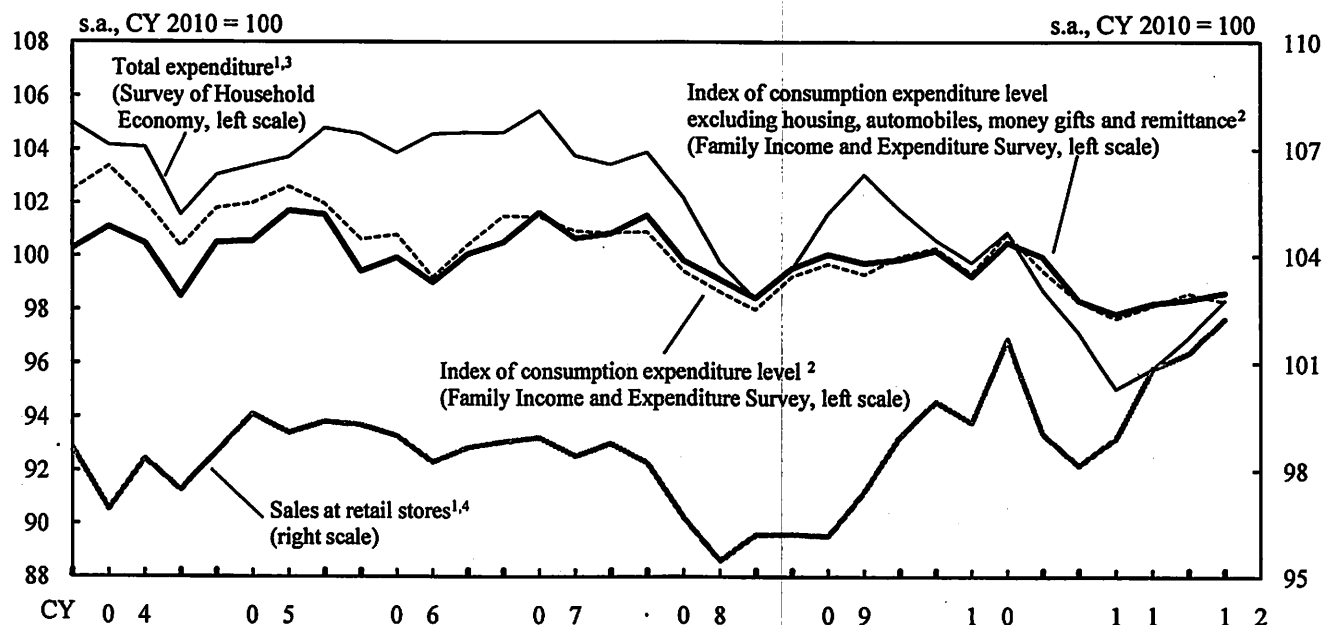
(2) Private Final Consumption Expenditure and Synthetic Consumption Index (Real)



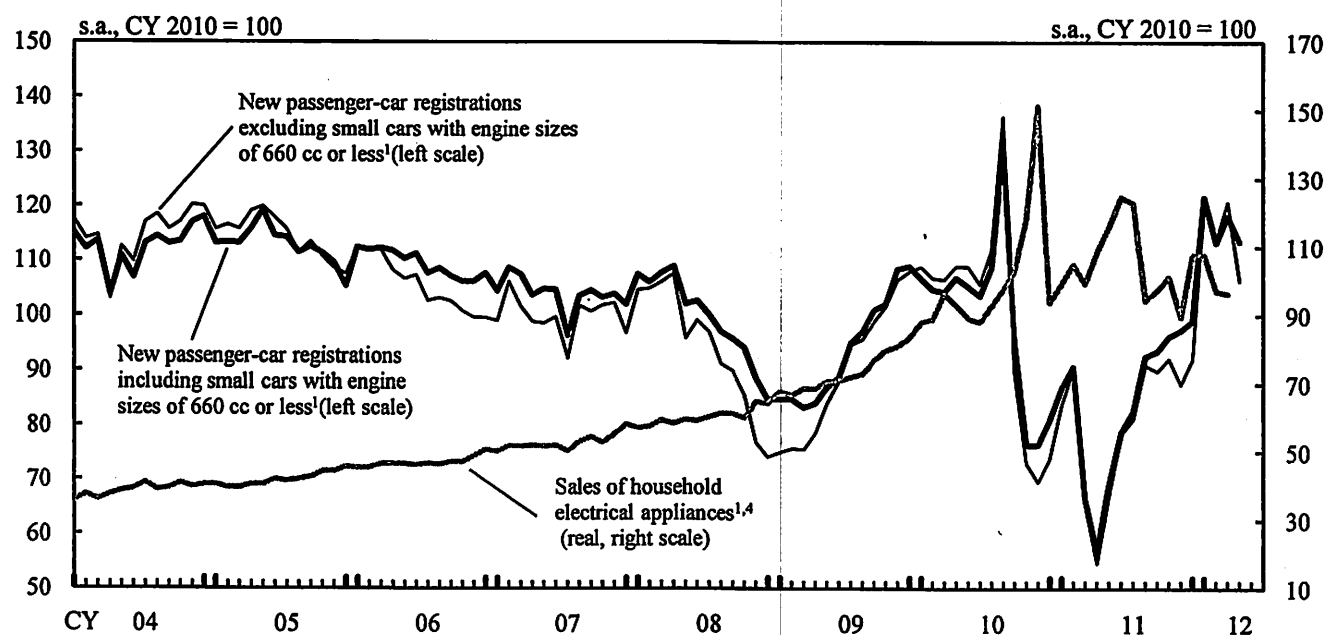
Source: Cabinet Office, "National Accounts," "Synthetic Consumption Index."

Indicators of Private Consumption (2)

(1) Household Spending (Real)

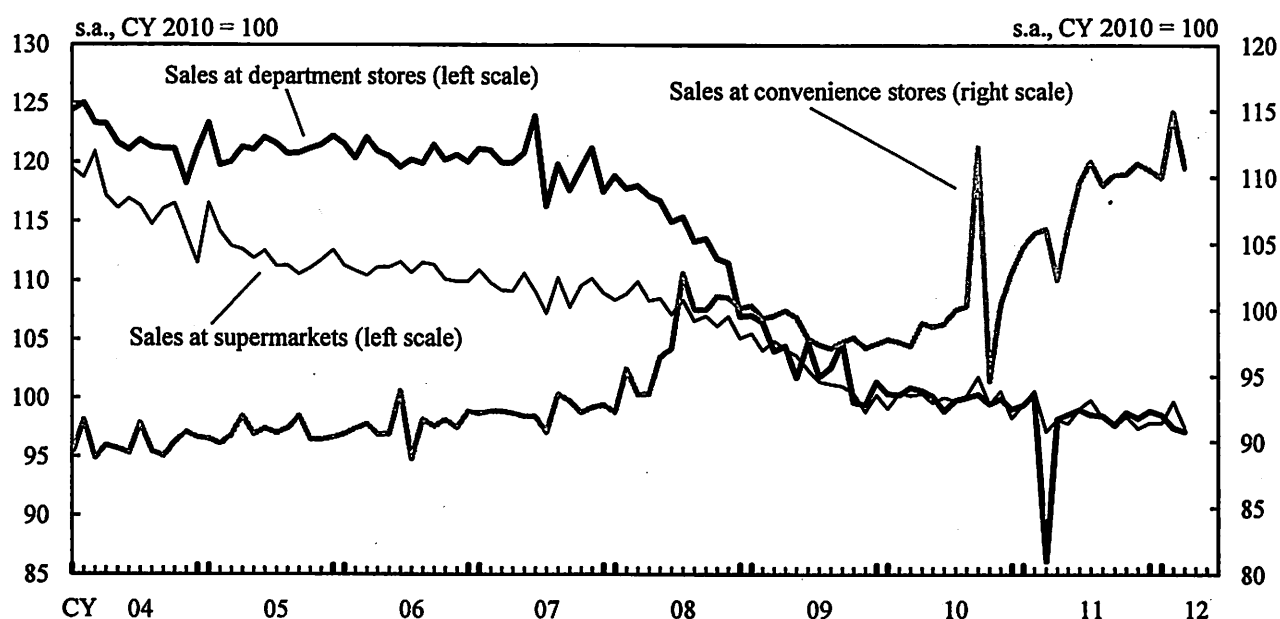


(2) Sales of Durable Goods

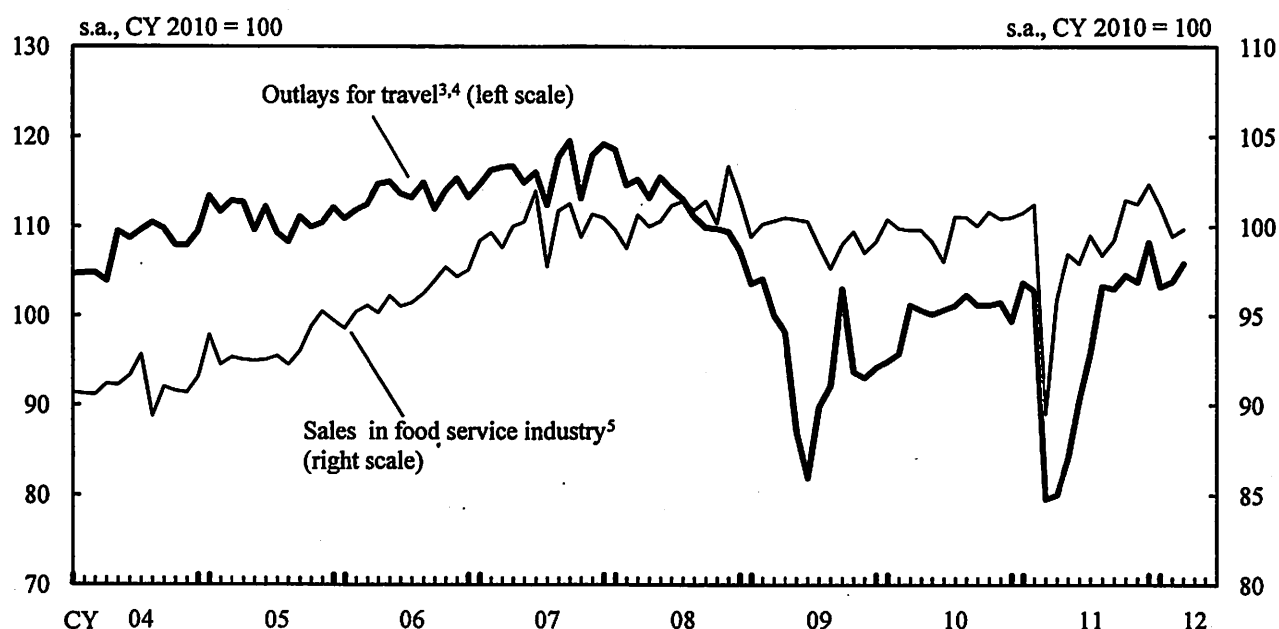


- Notes: 1. Total expenditure, sales at retail stores, sales of household electrical appliances and new passenger-car registrations are seasonally adjusted by X-12-ARIMA.
2. "Index of consumption expenditure level" is based on two-or-more-person households, and is adjusted using the distribution of household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

Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index,"
 "Monthly Report on the Family Income and Expenditure Survey," "Survey of Household Economy";
 Ministry of Economy, Trade and Industry, "Current Survey of Commerce";
 Japan Automobile Dealers Association, "Domestic Sales of Automobiles";
 Japan Mini Vehicles Association, "Sales of Mini Vehicles."

Indicators of Private 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";

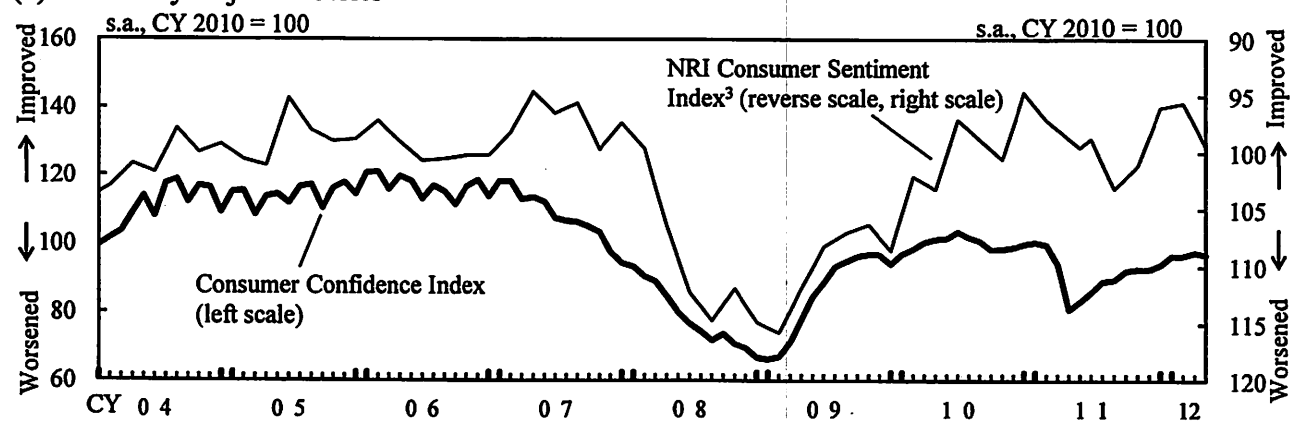
Japan Tourism Agency, "Major Travel Agents' Revenue";

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

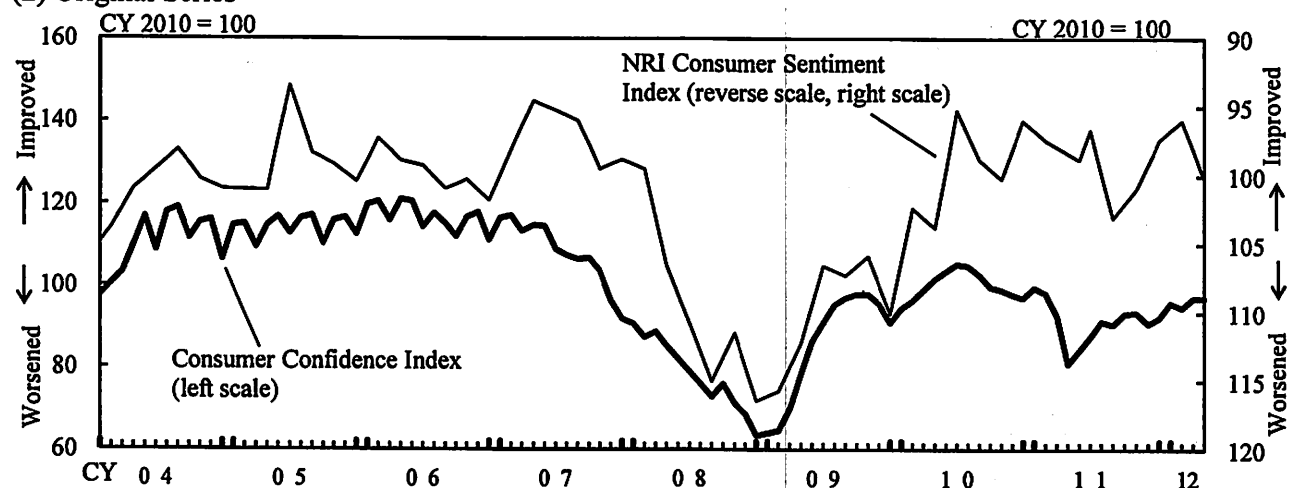
(Research on the food service industry)."

Consumer Confidence^{1,2}

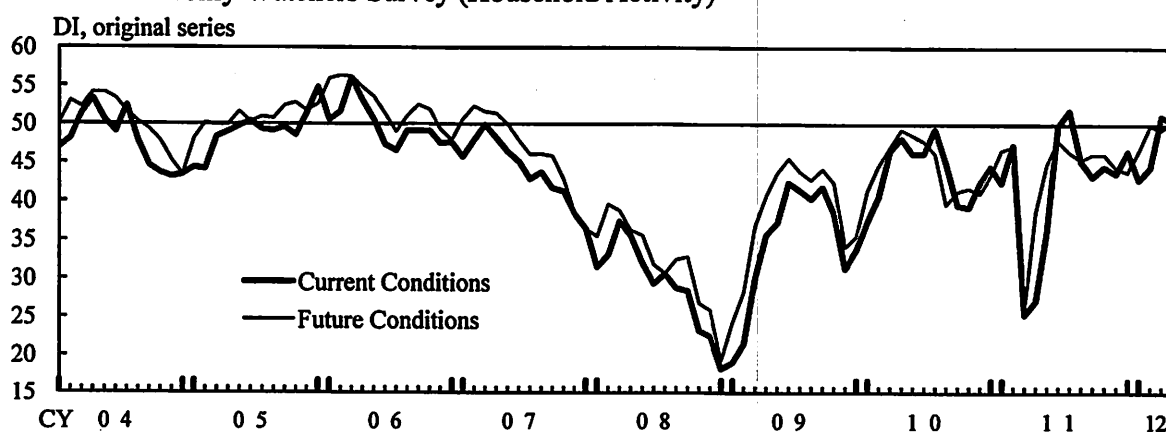
(1) Seasonally Adjusted Series



(2) Original Series



Reference: Economy Watchers Survey (Household Activity)



Notes: 1. The Consumer Confidence Index (covering about 4,700 samples on a nationwide basis) and NRI Consumer Sentiment Index (1,200 samples on a nationwide basis) are based on surveys on consumer confidence.

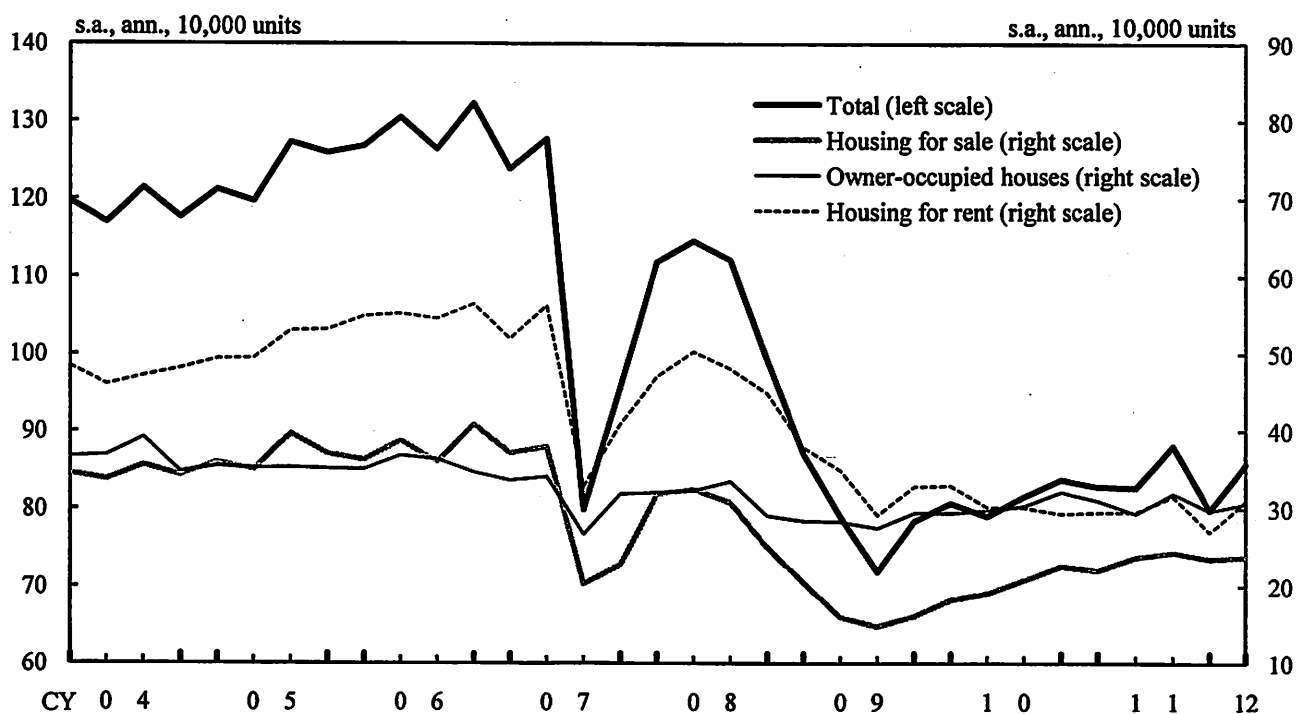
2. Figures are plotted for each surveyed month and the data for the intervening months are linearly interpolated.

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

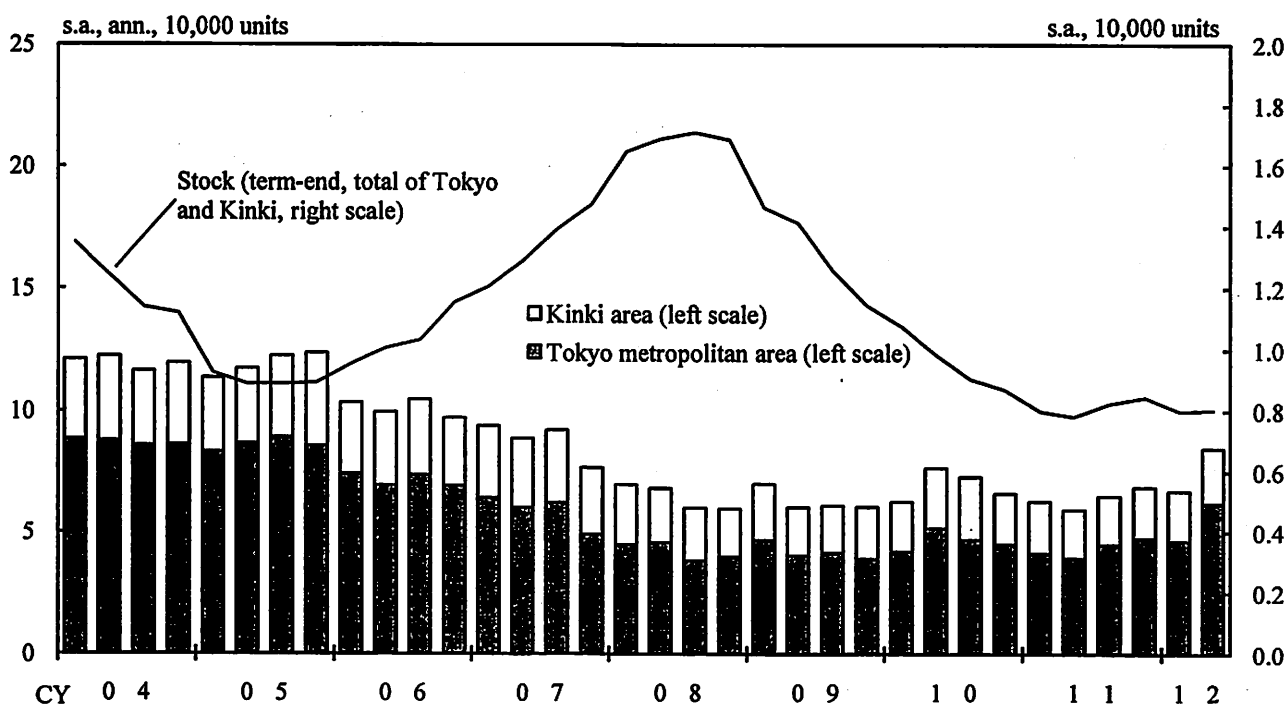
Sources: Cabinet Office, "Consumer Confidence Survey," "Economy Watchers Survey";
Nippon Research Institute (NRI), "Consumer Sentiment Survey."

Indicators of Housing Investment

(1) Housing Starts



(2) Sales of Apartments

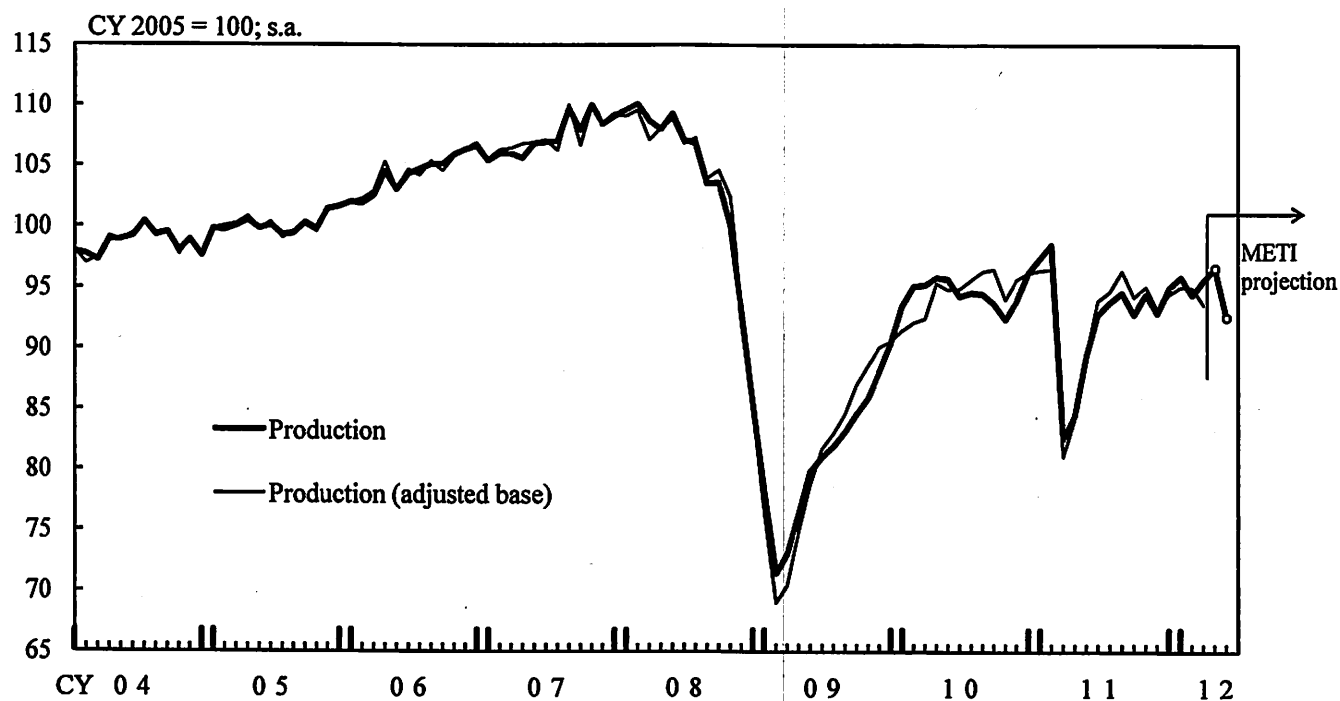


Notes: 1. Seasonally adjusted by X-12-ARIMA.
 2. Figures for 2012/Q2 are those of April.

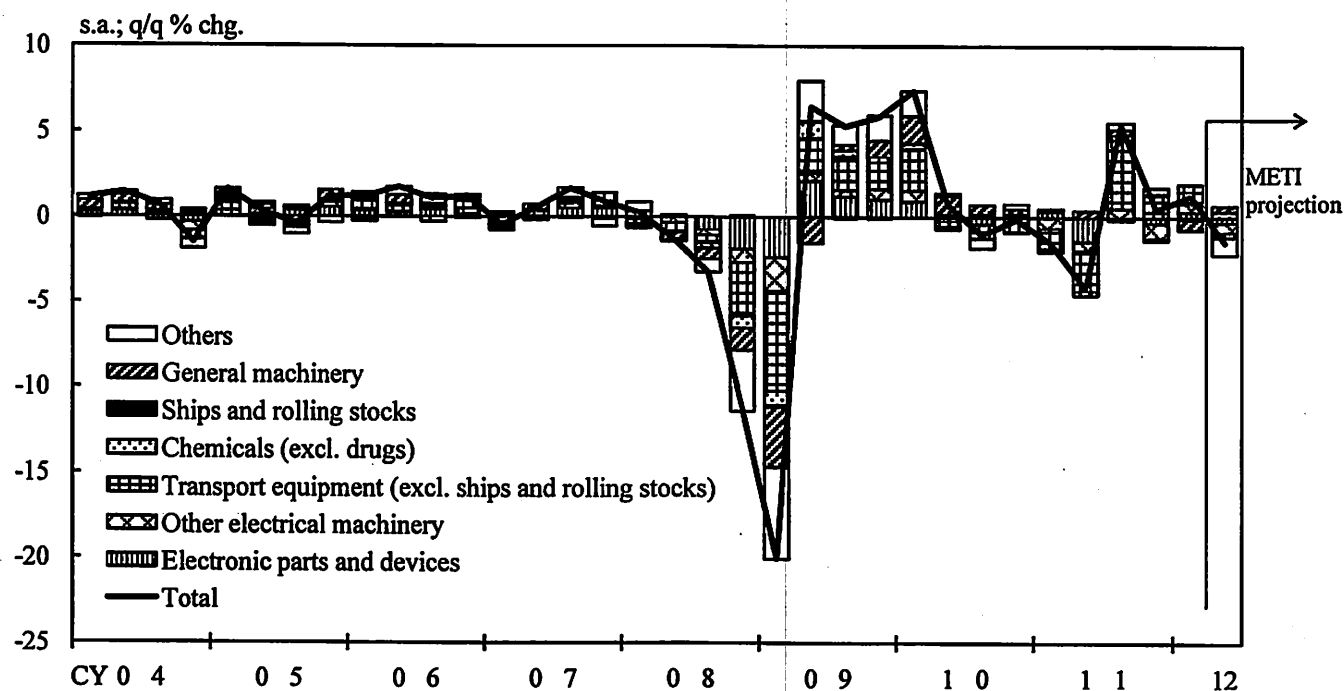
Sources: Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts," etc.

Production

(1) Production



(2) Production by Industry

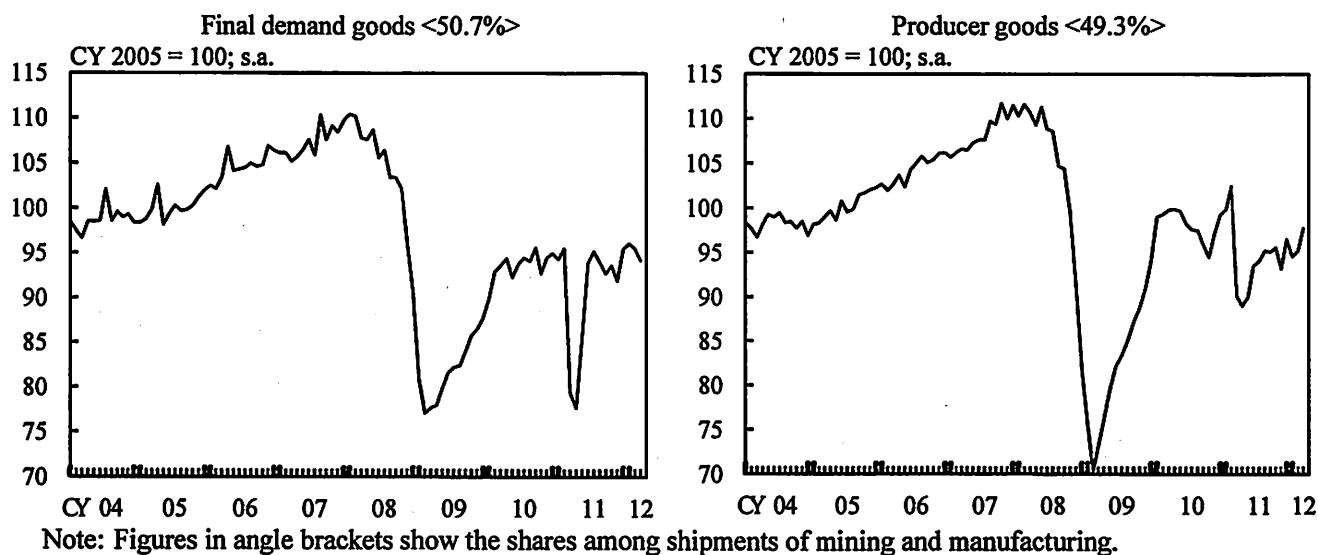


- Notes: 1. Industrial production (adjusted base) is calculated by detecting large fluctuations after the Lehman shock as outliers (estimation by the Research and Statistics Department, Bank of Japan).
2. "Other electrical machinery" is the weighted sum of "electrical machinery" and "information and communication electronics equipment."
3. 2012/Q2 figures are based on the assumption that the production levels in June are the same as those of May.

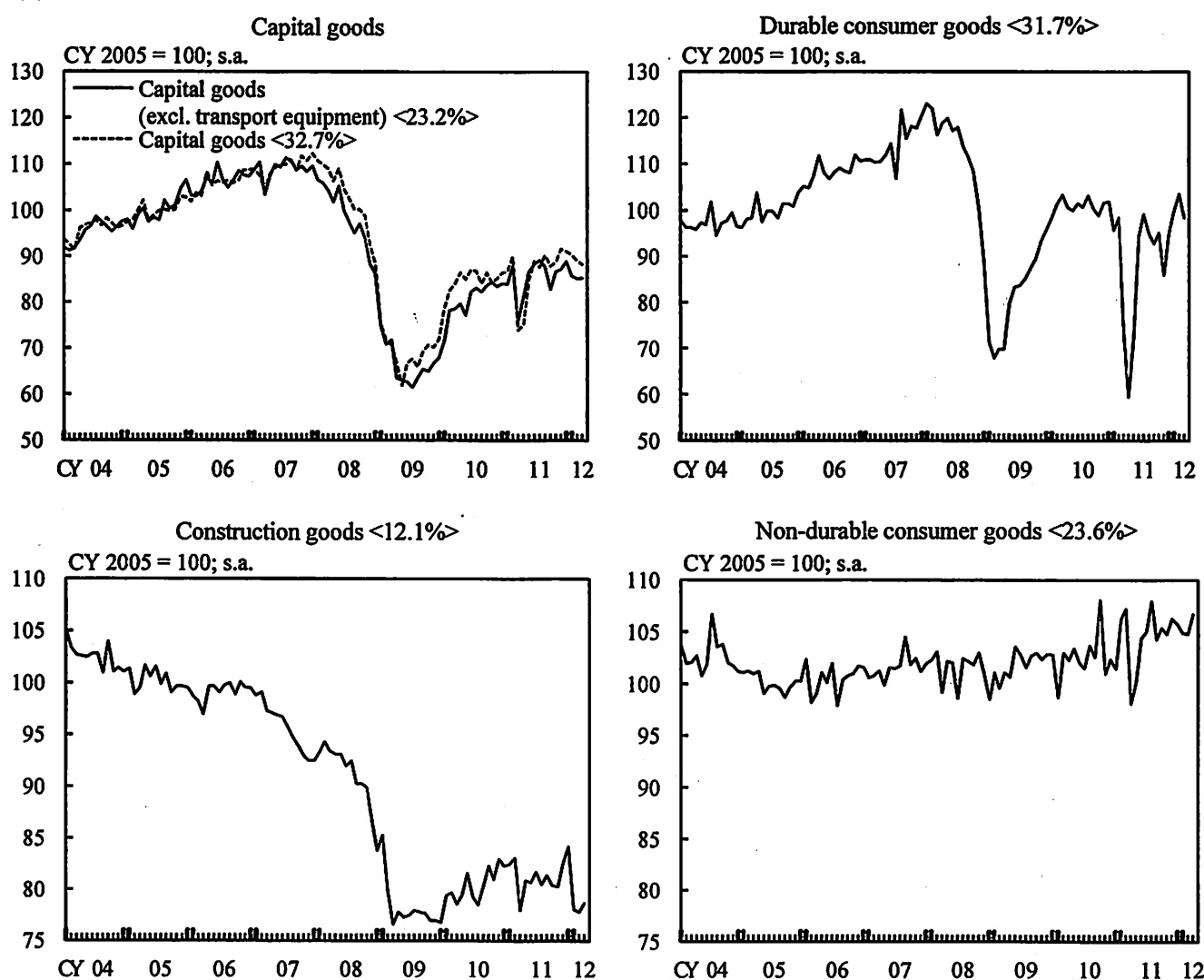
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Shipments by Type of Goods

(1) Final Demand Goods and Producer Goods



(2) Breakdown of Final Demand Goods

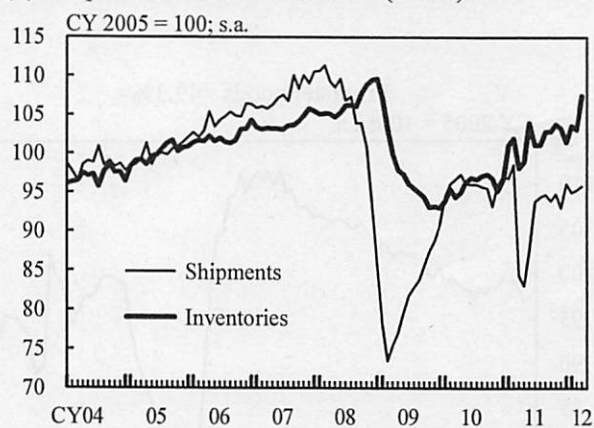


Note: Figures in angle brackets show the shares among shipments of final demand goods.

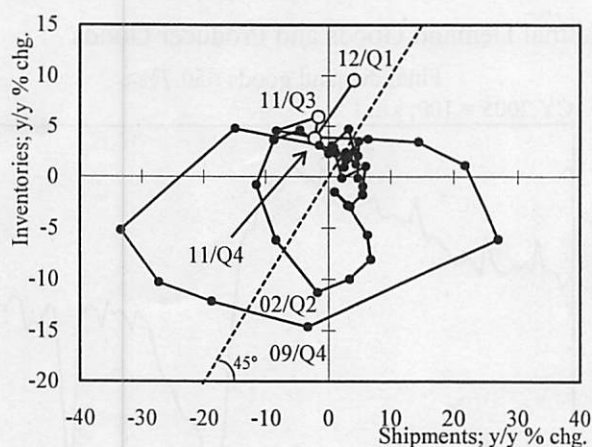
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Shipments and Inventories

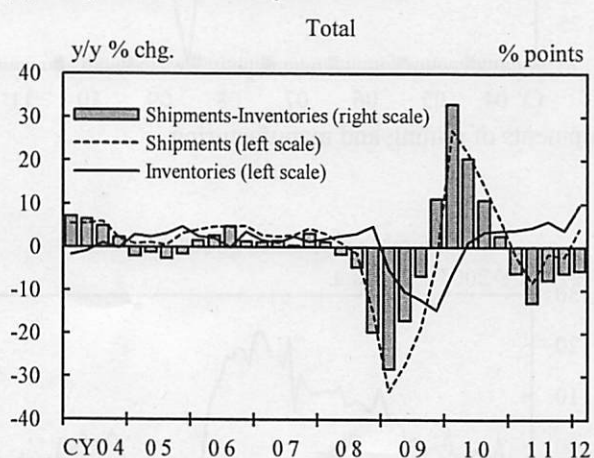
(1) Shipments and Inventories (Total)



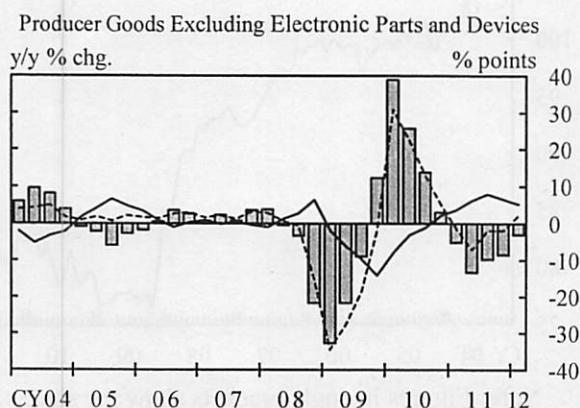
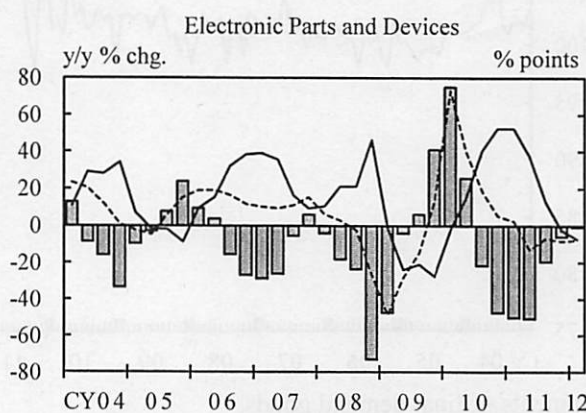
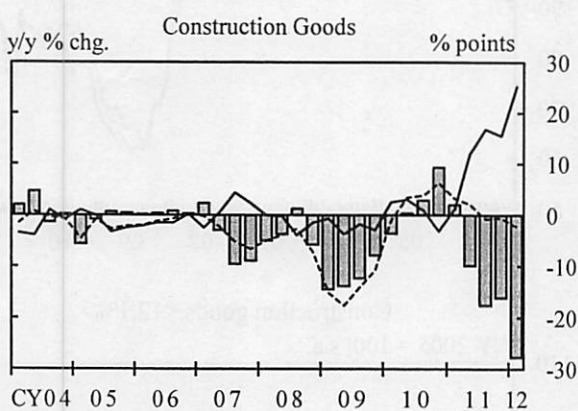
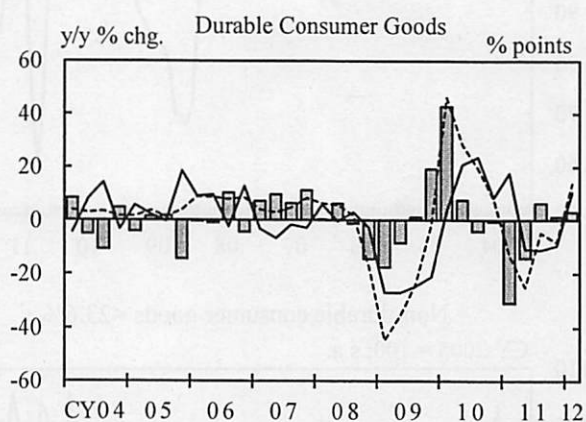
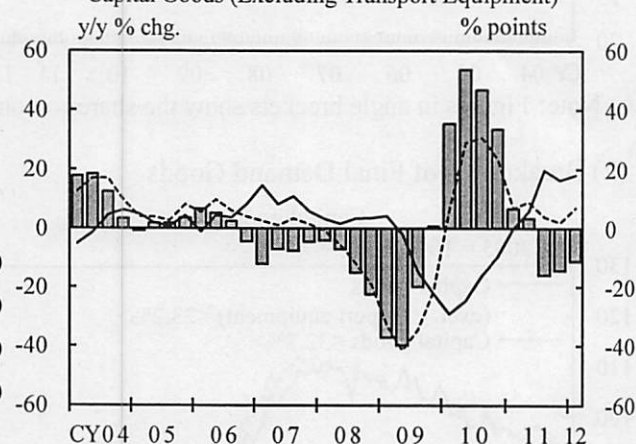
(2) Inventory Cycle (Total)



(3) Shipment-Inventory Balance



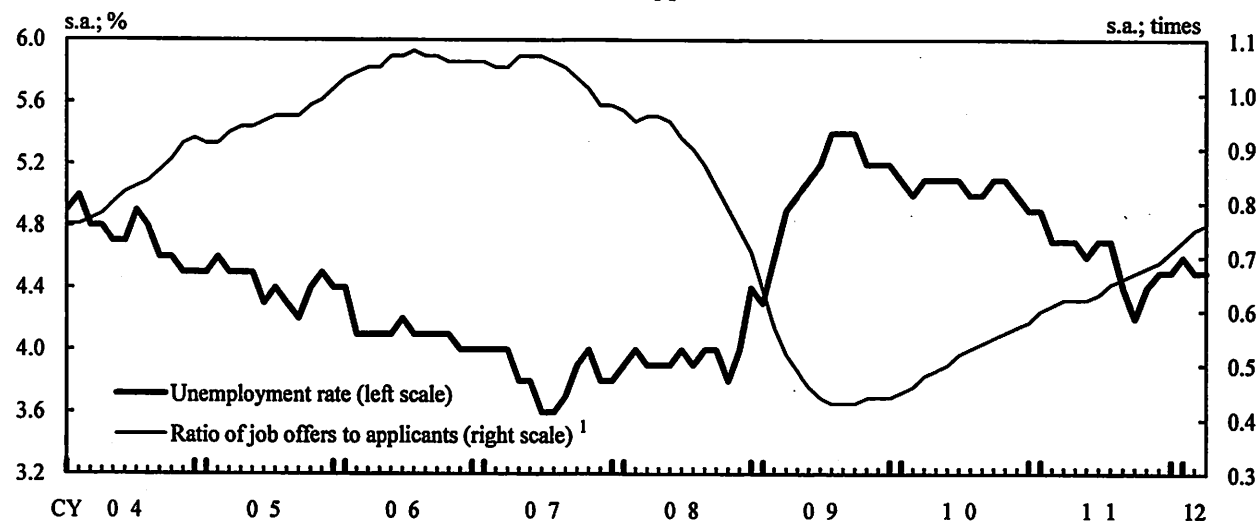
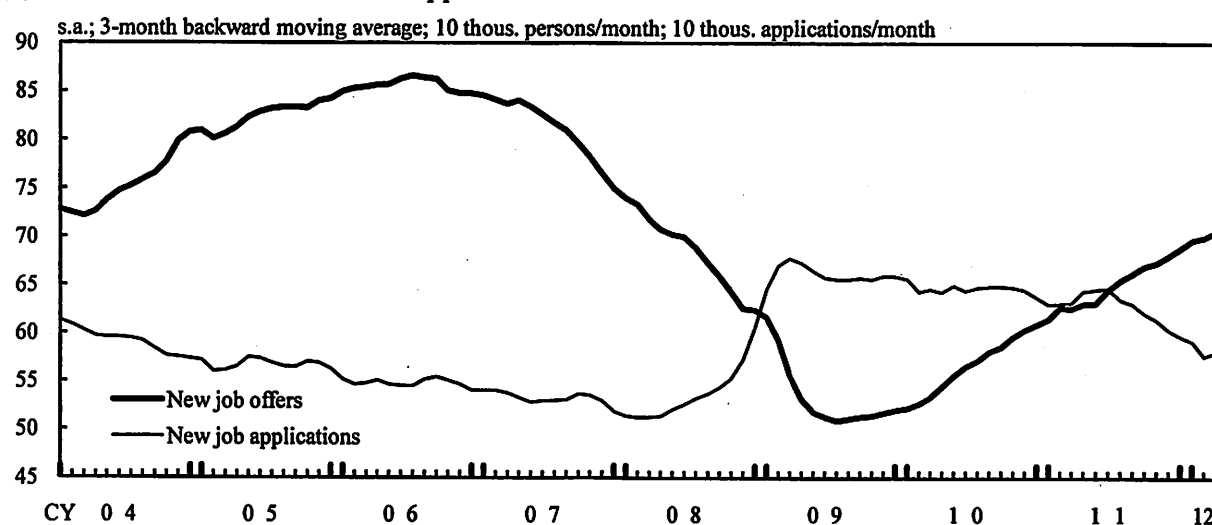
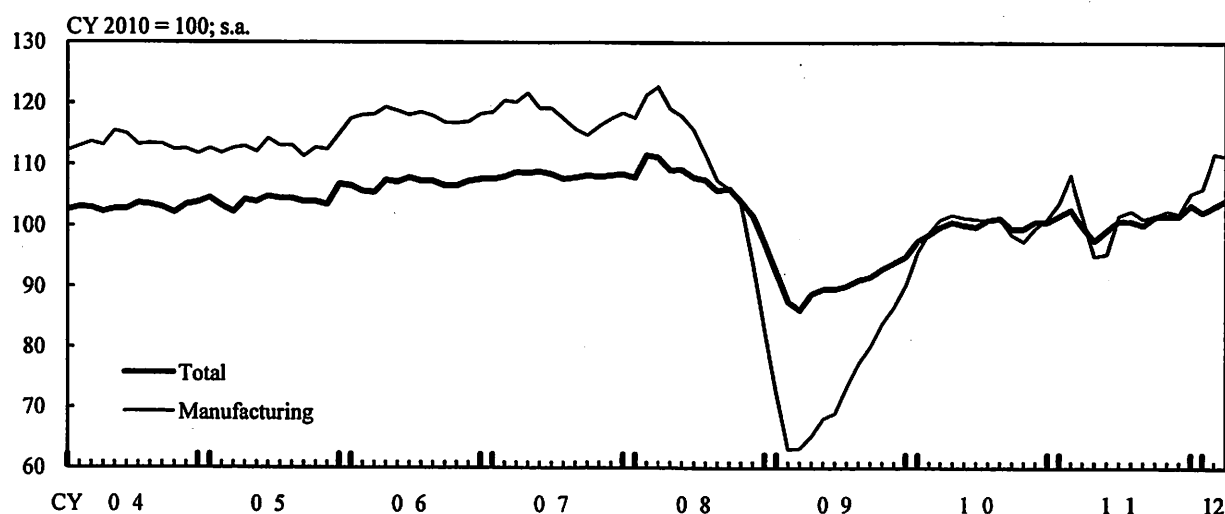
Capital Goods (Excluding Transport Equipment)



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

Labor Market

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

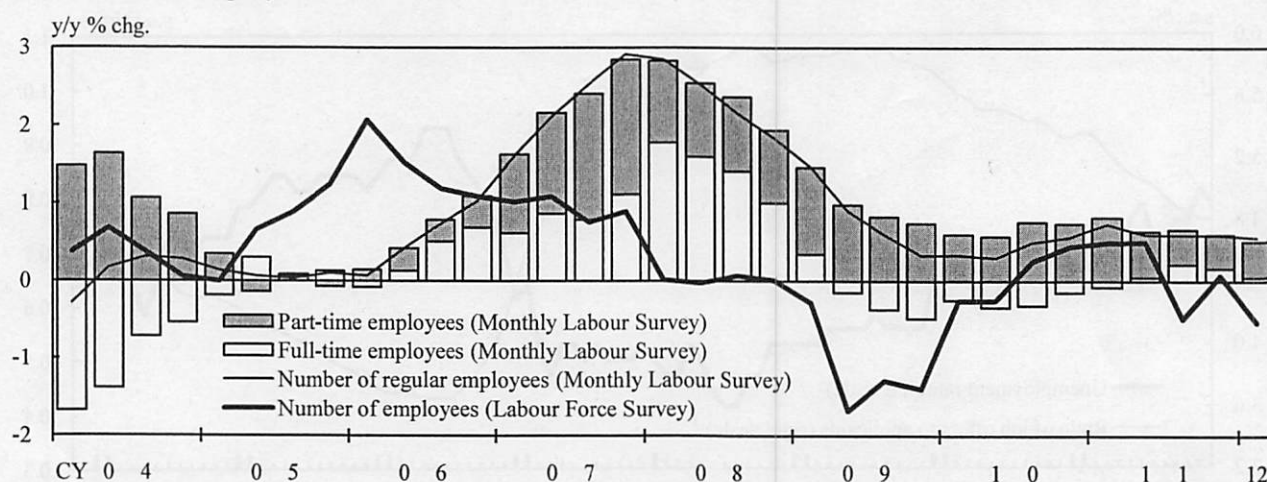
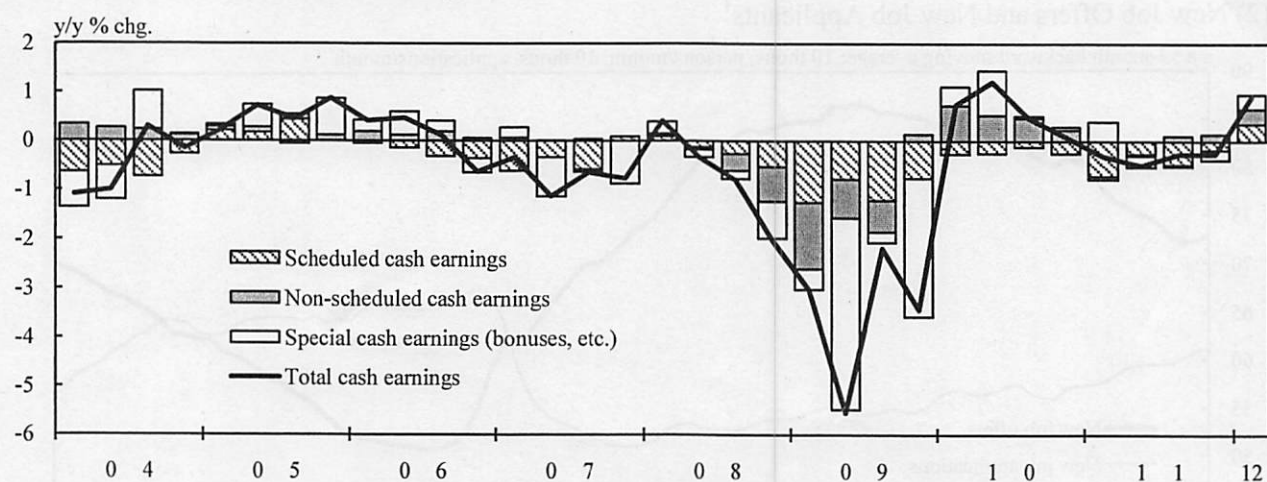
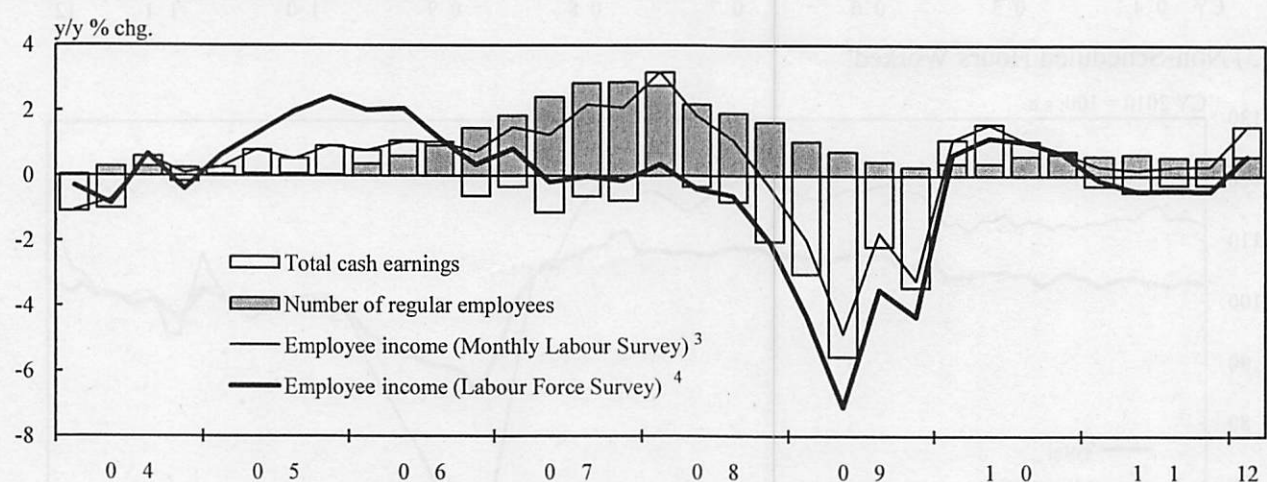
(2) New Job Offers and New Job Applicants¹(3) Non-Scheduled Hours Worked²

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

2. 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."

Employee Income

(1) Number of Employees¹(2) Breakdown of Total Cash Earnings^{1,2}(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.

Figures for 2012/Q1 are those of March.

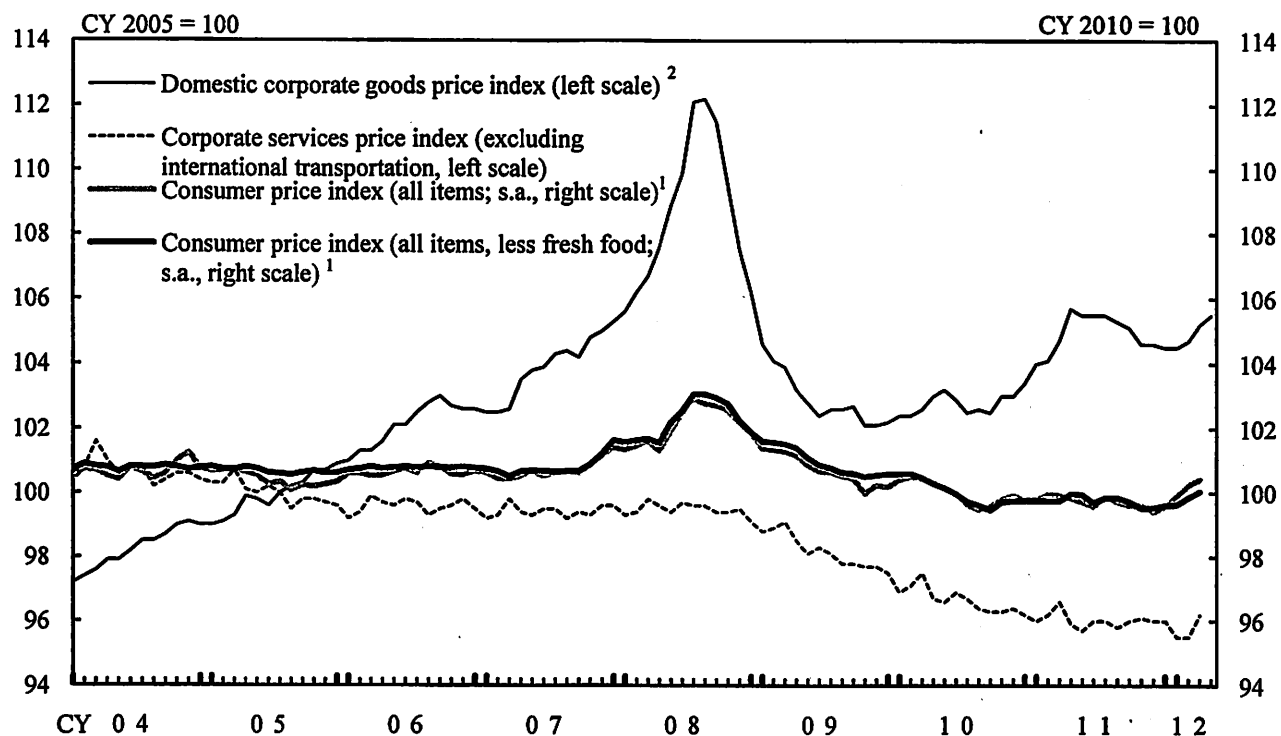
3. Calculated as the "number of regular employees" (Monthly Labour Survey) times "total cash earnings" (Monthly Labour Survey).

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

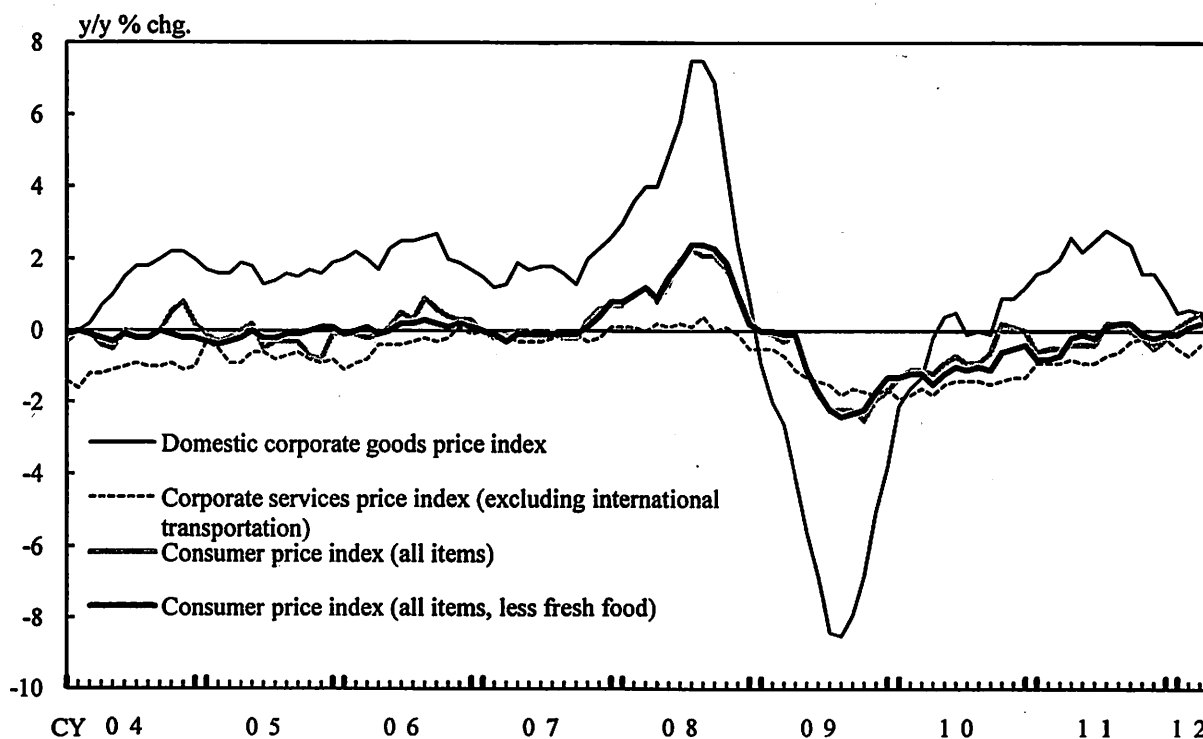
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
Ministry of Internal Affairs and Communications, "Labour Force Survey."

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.

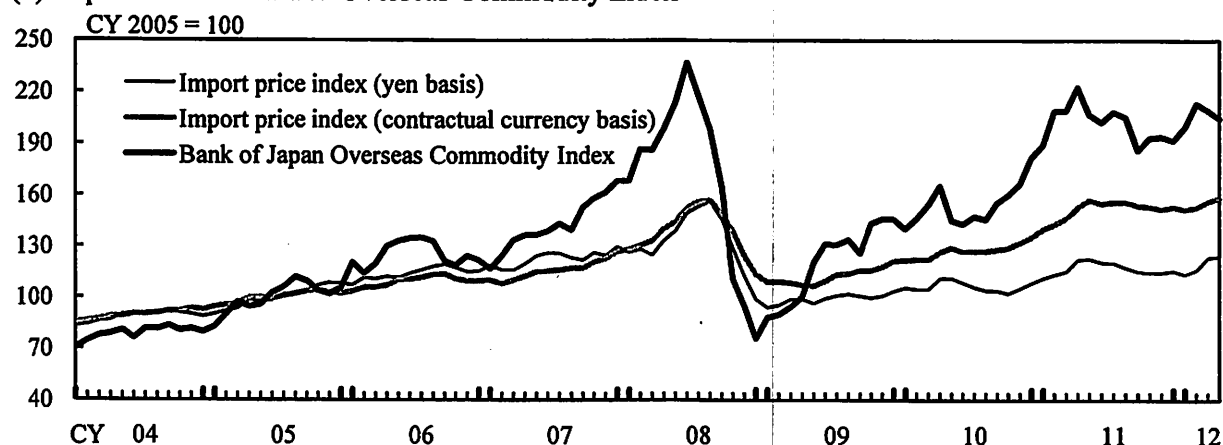
3. The levels of "Consumer Price Index" up to 2009 are based on the linked indices.

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

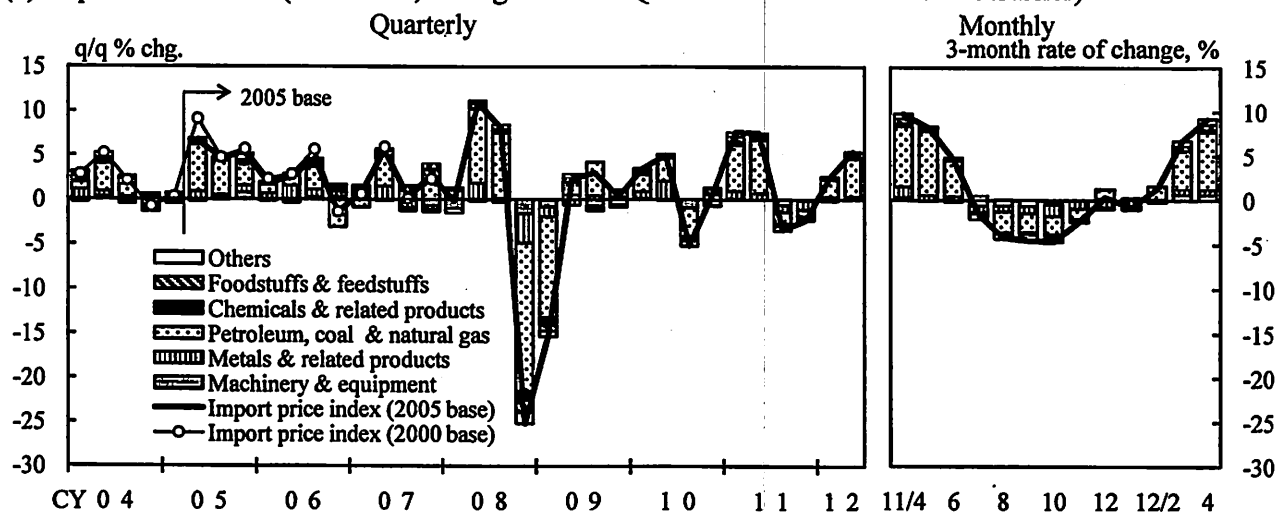
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index."

Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



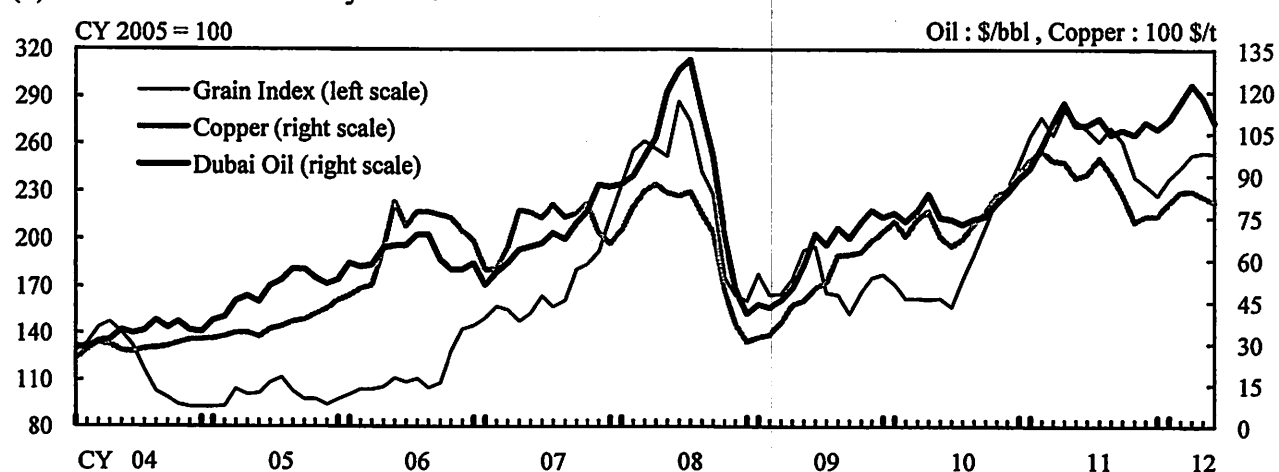
(2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



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

2. Figures for 2012/Q2 are those of April. Figures for 2007/Q4 on the 2000 base are those of October.

(3) International Commodity Prices



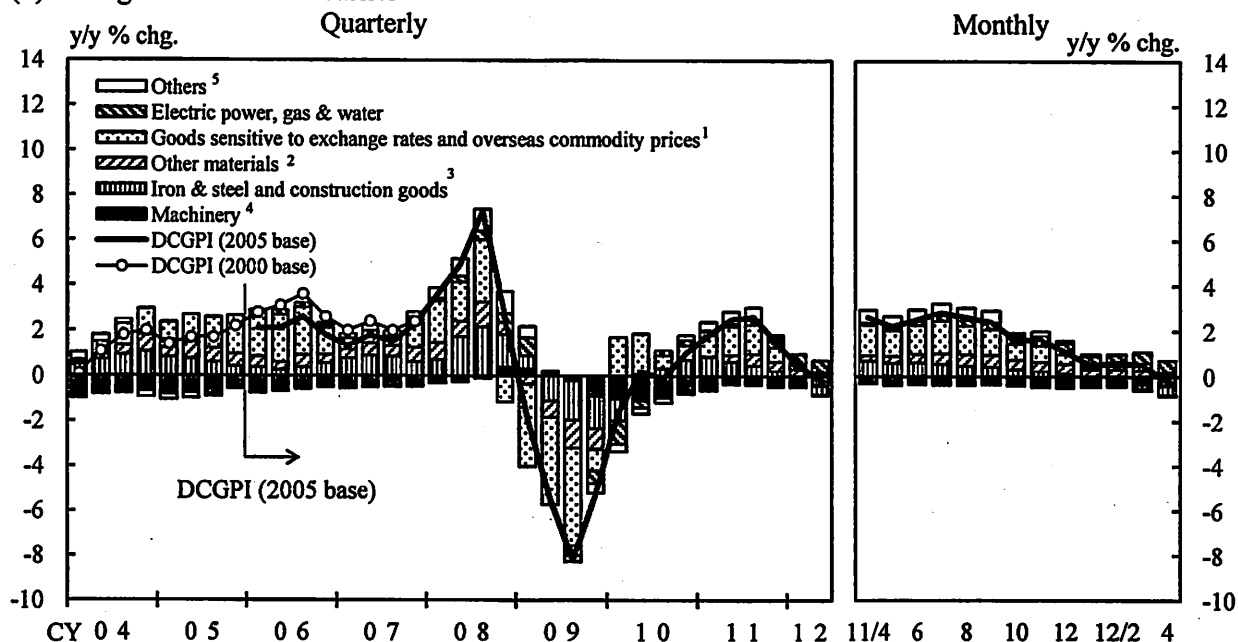
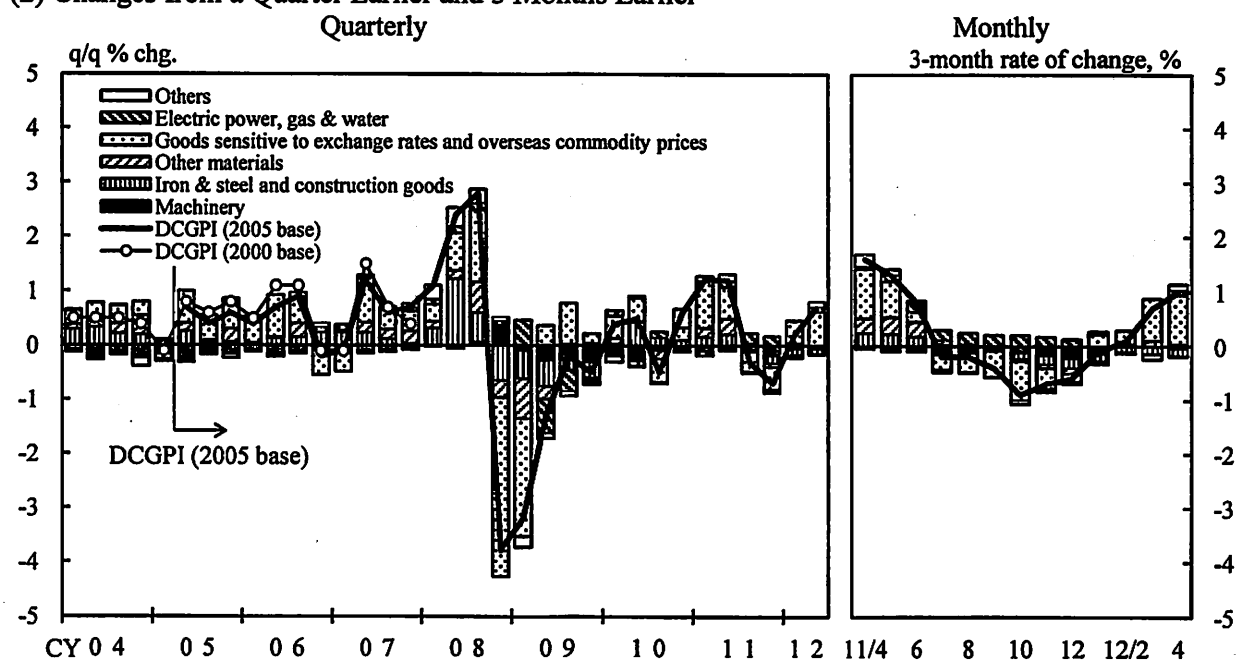
Notes: 1. The "grain index" is the weighted average of prices of three selected items (wheat, soybeans, and corn) in overseas commodity markets. The weights are based on the value of imports in the "Trade Statistics."

2. Monthly averages. Figures for May 2012 are averages up to May 22.

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.

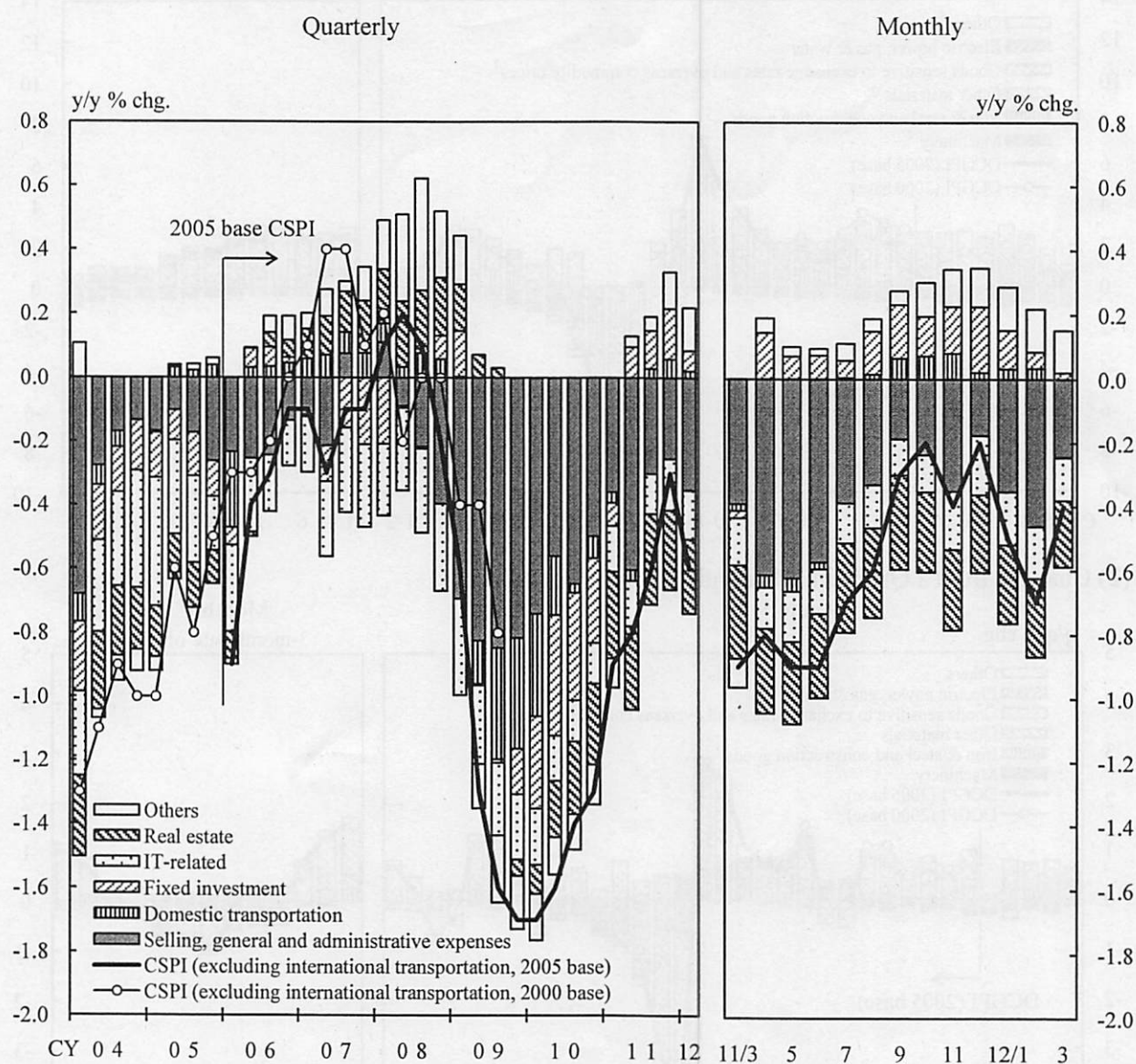
5. Others: processed foodstuffs, other manufacturing industry products, agriculture, forestry & fishery products, and minerals.

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

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

Corporate Services Price Index

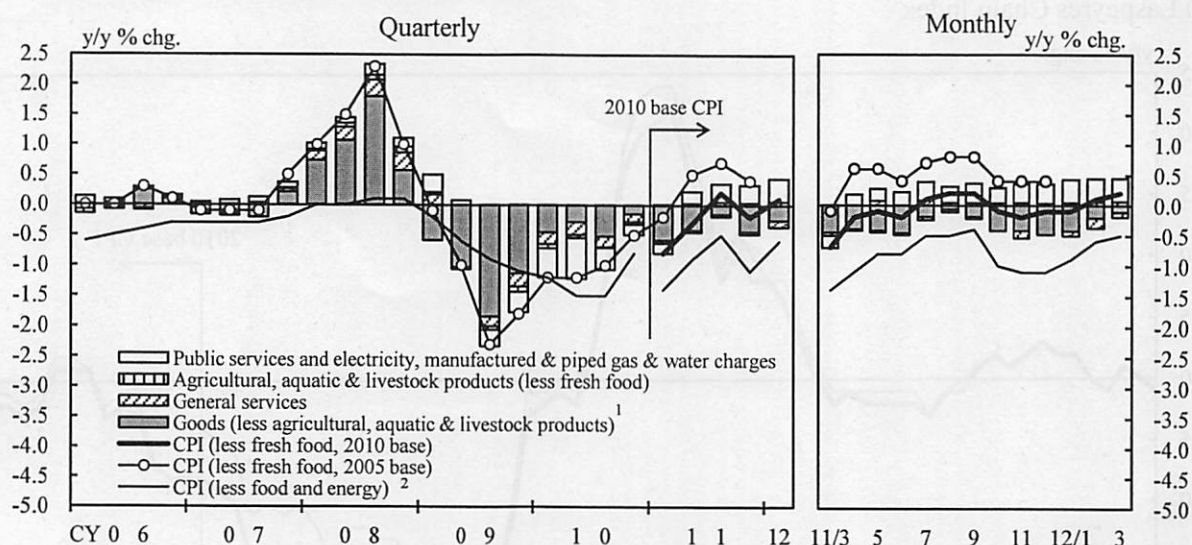
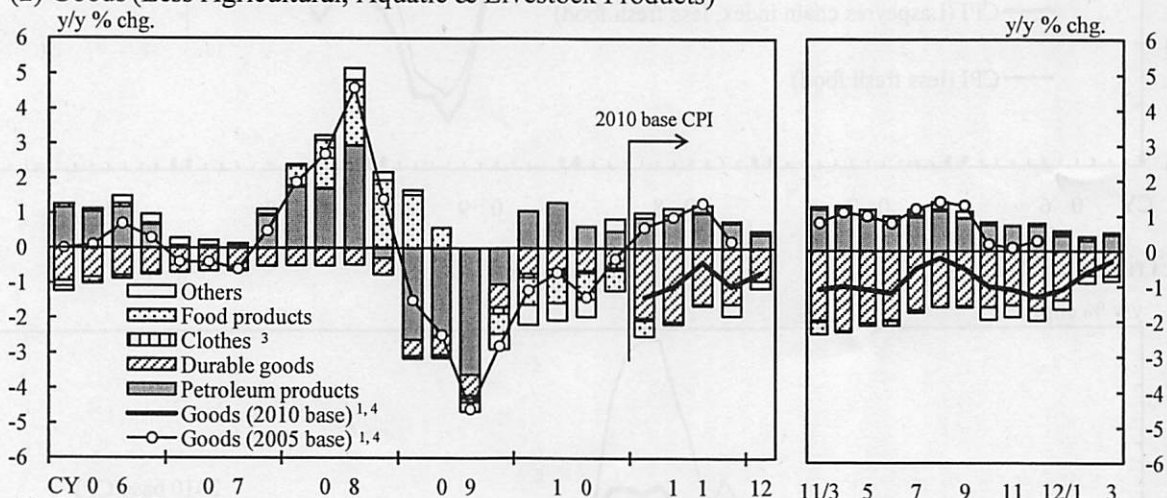


- Notes: 1. Selling, general and administrative expenses: information and communications (excluding newspapers and publishing), advertising services, other services (excluding plant engineering, and civil engineering and architectural services).
 2. Domestic transportation: transportation (excluding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

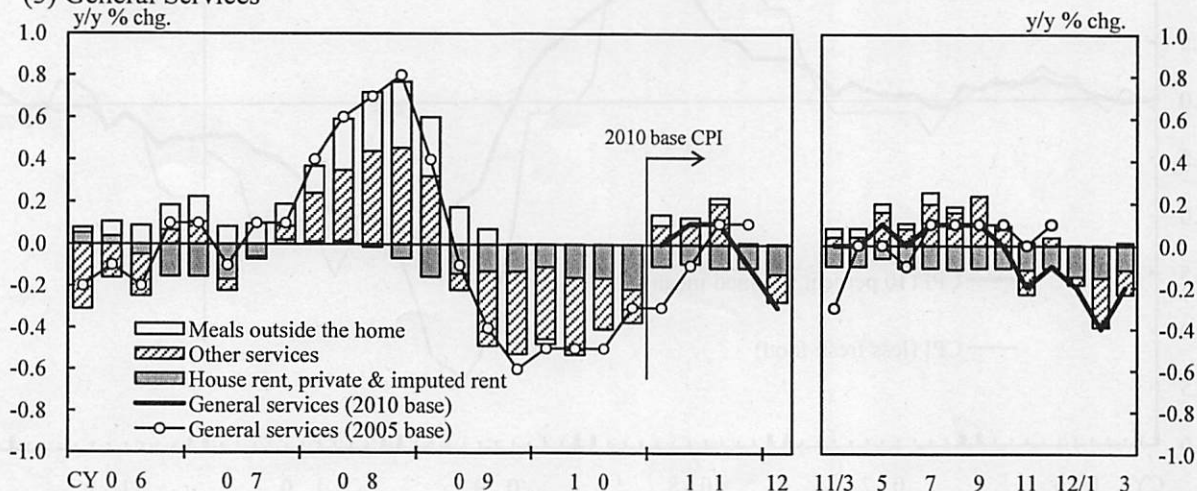
Source: Bank of Japan, "Corporate Services Price Index."

Consumer Price Index (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.

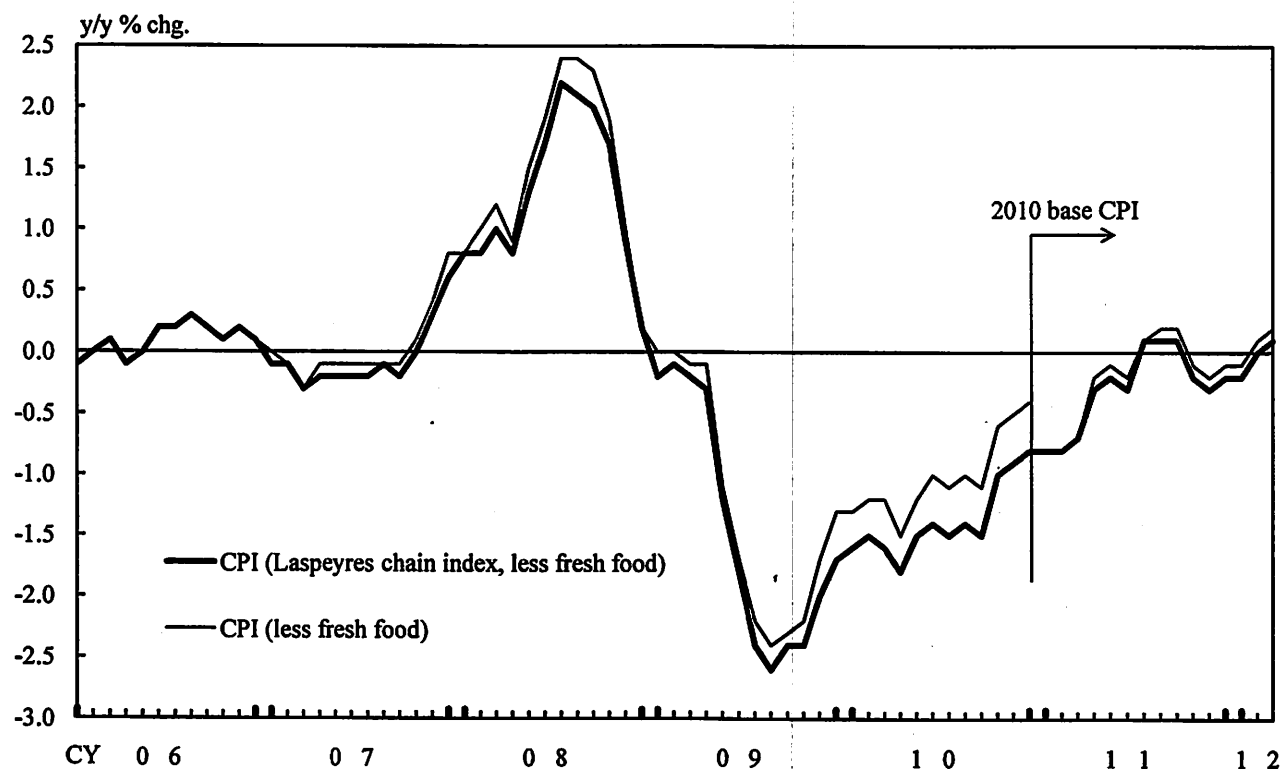
4. Less agricultural, aquatic & livestock products.

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.

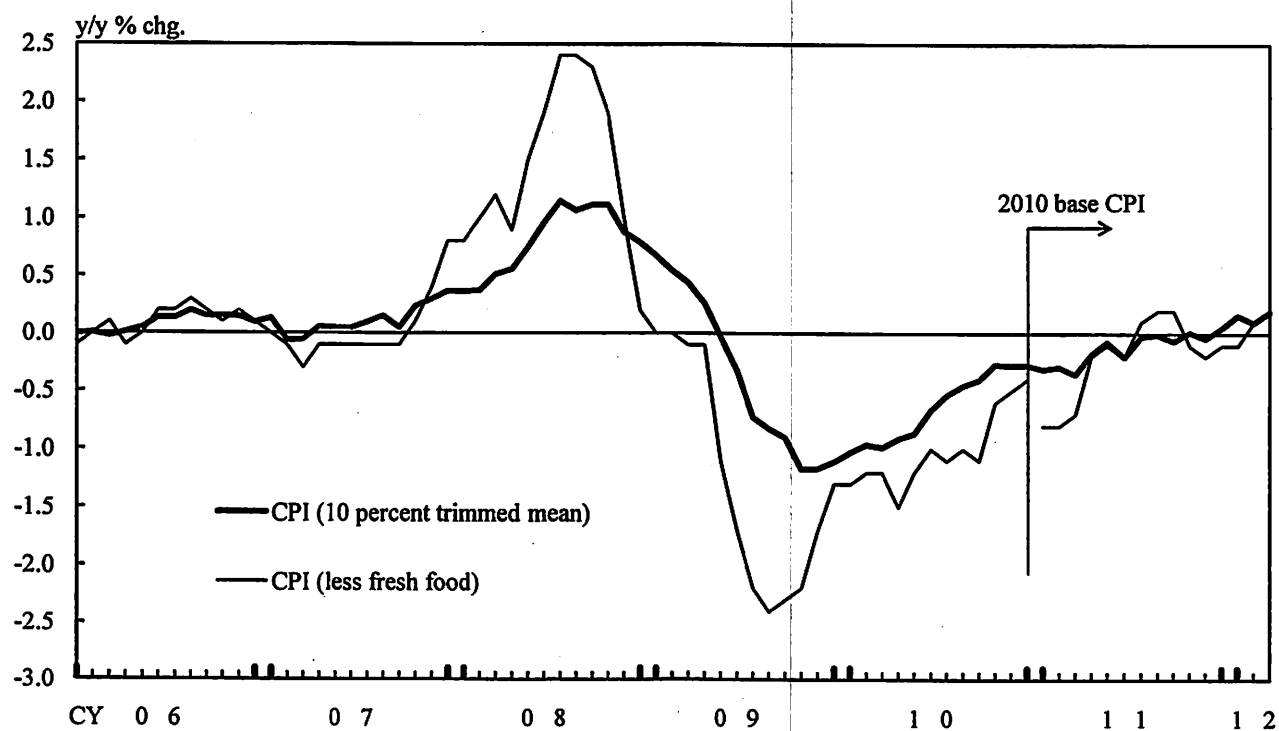
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Trend Changes in Consumer Prices

(1) Laspeyres Chain Index



(2) Trimmed Mean



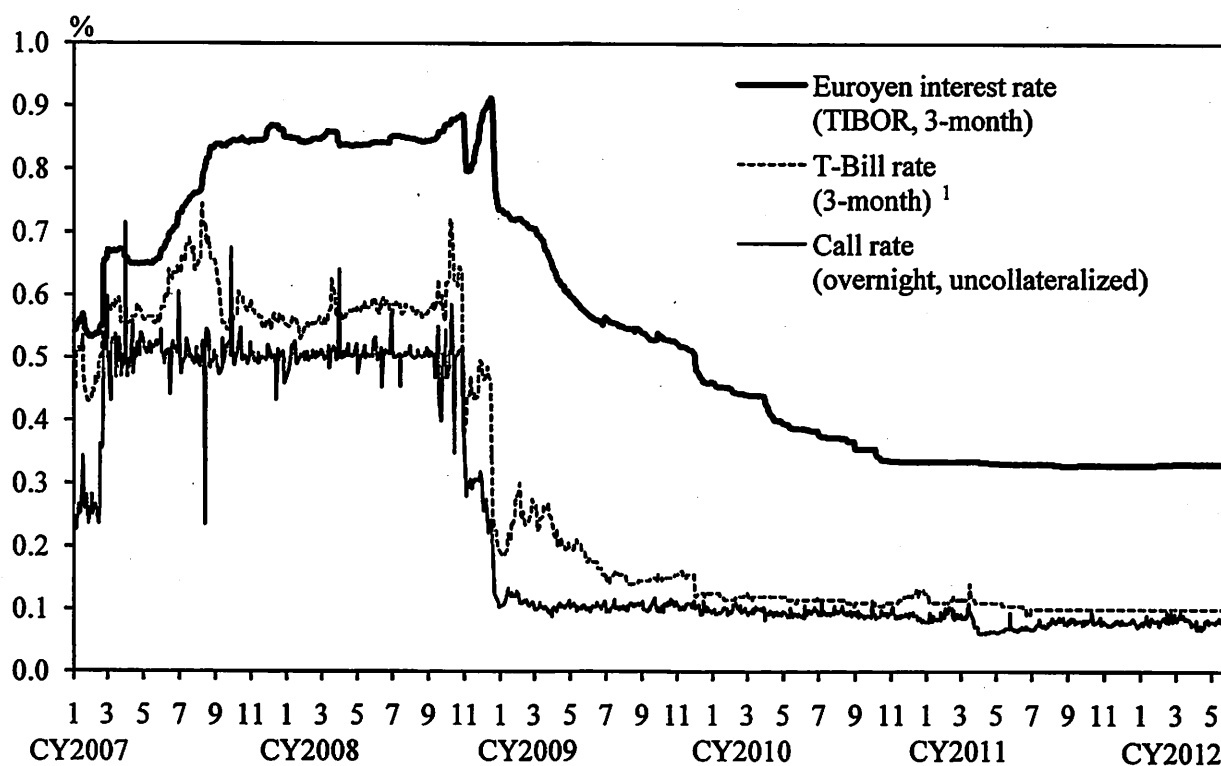
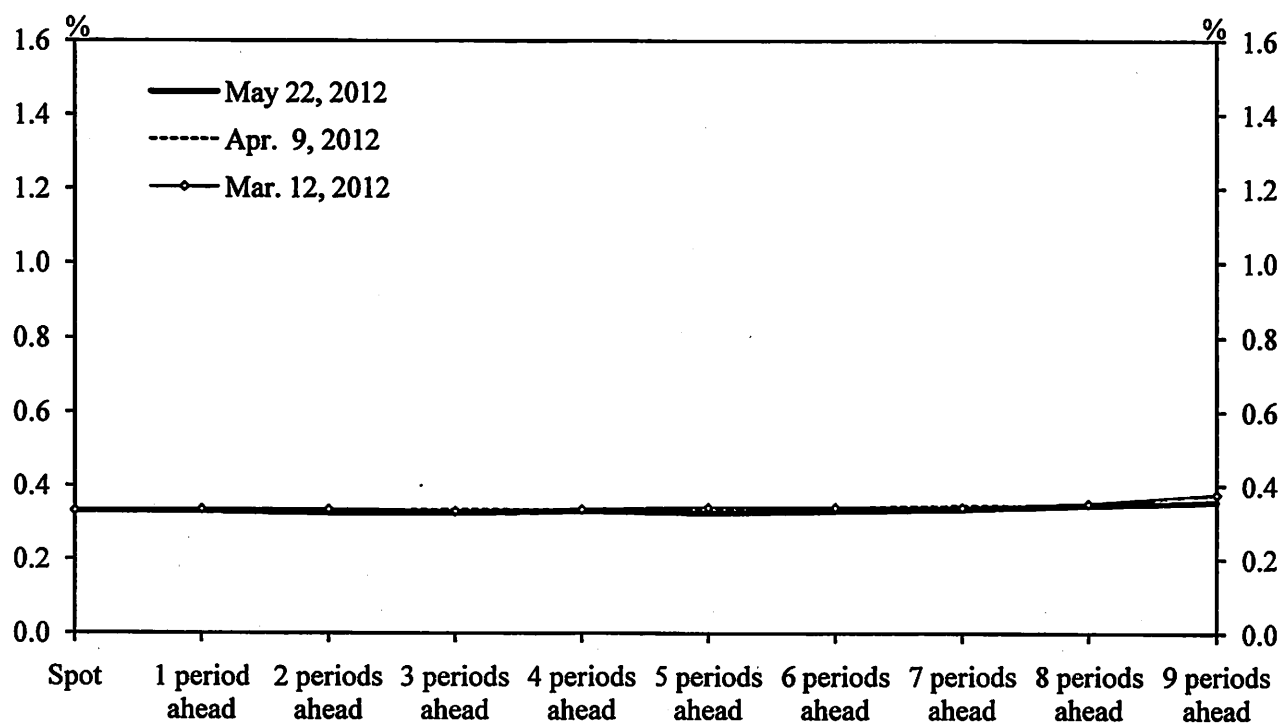
Notes: 1. Figures for the 10 percent trimmed mean are weighted averages of items; these items are obtained by rearranging year-on-year rates of price change in ascending order and then excluding items in both the upper and lower 10 percent tails by weight.

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

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

Short-Term Interest Rates

(1) Short-Term Interest Rates

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

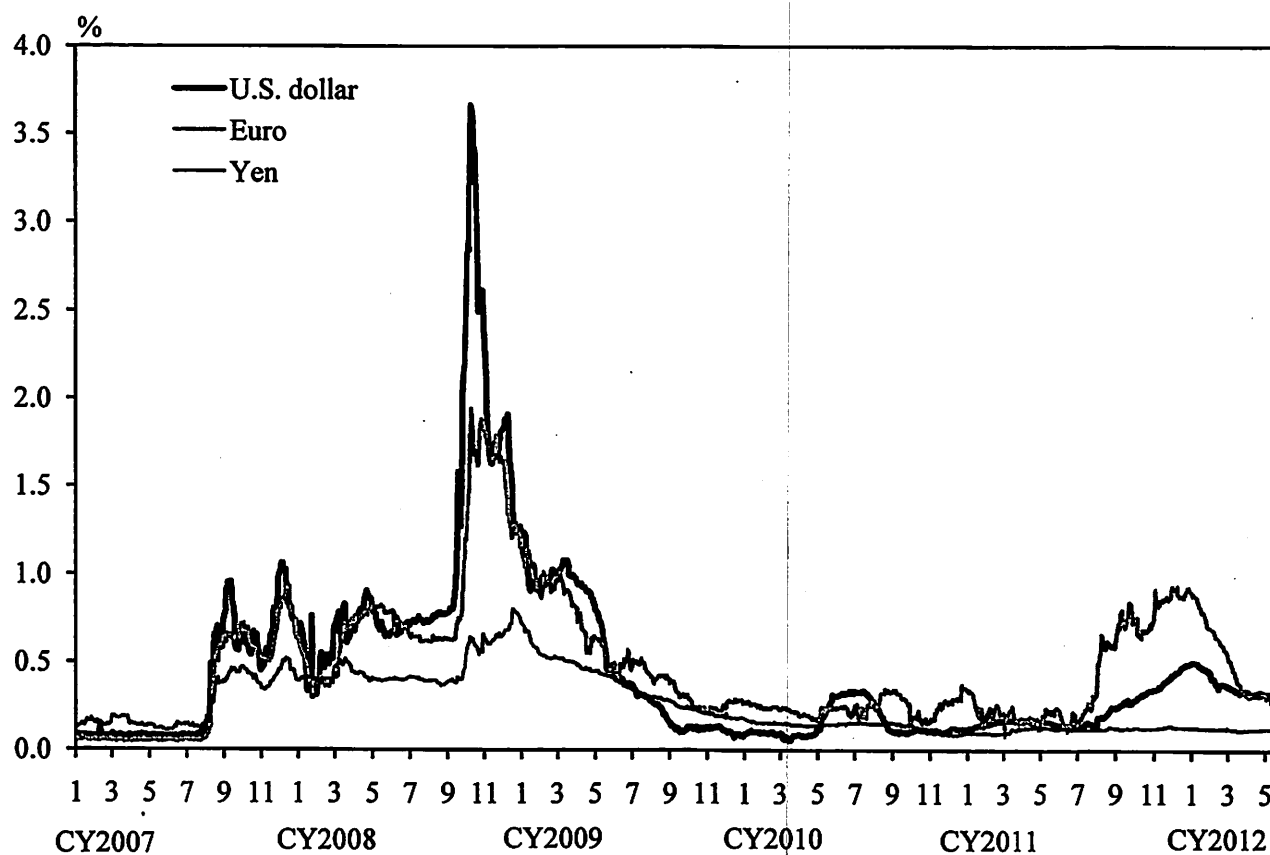
Notes: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.

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

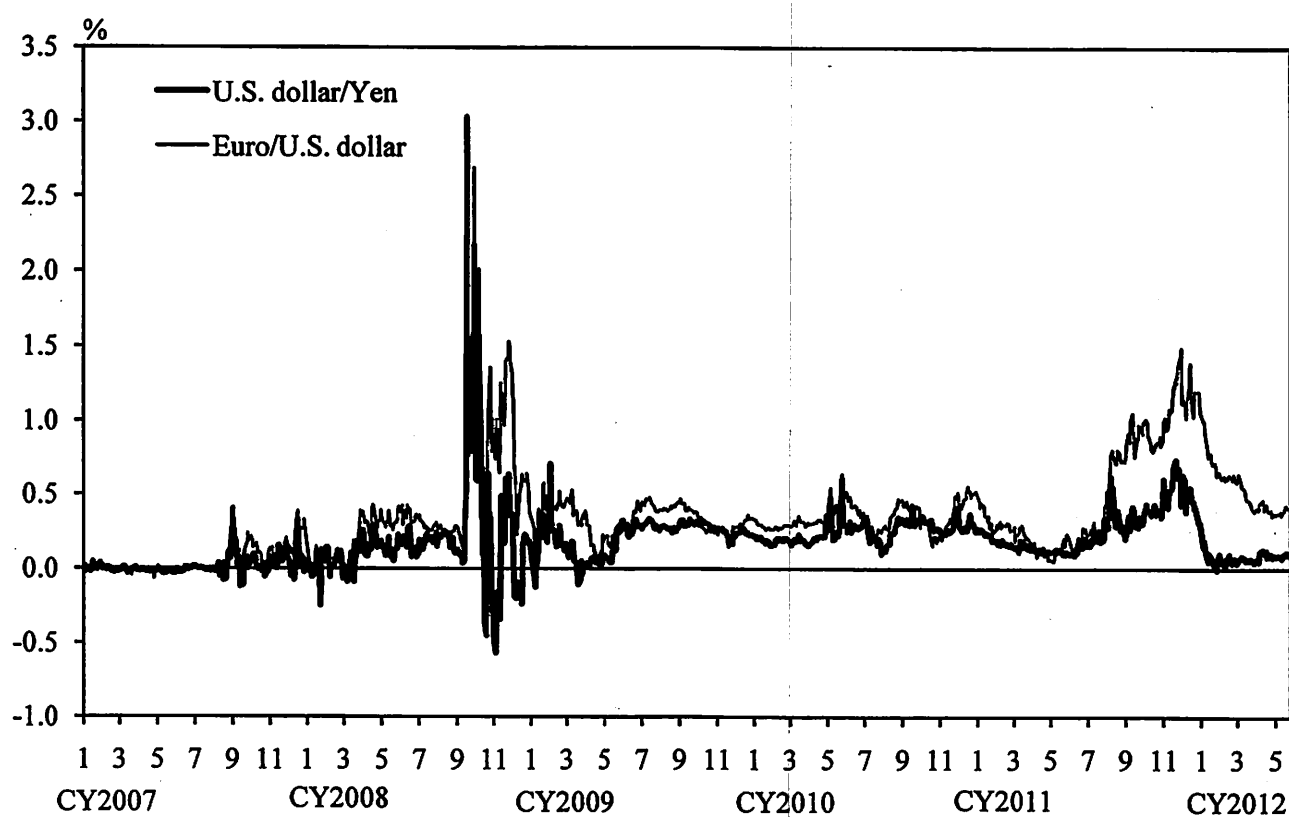
Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.; Tokyo Financial Exchange; Bank of Japan.

Global Money Markets

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

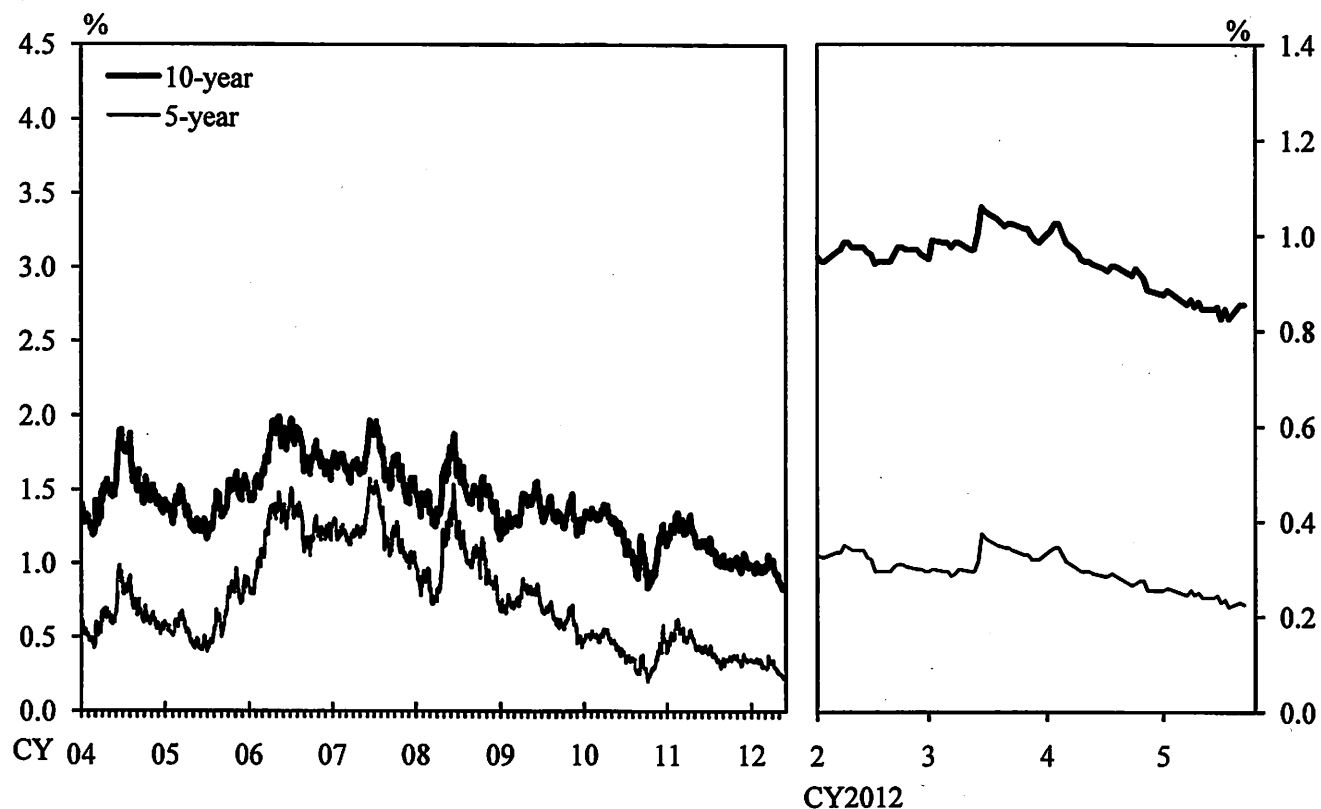


(2) FX swap implied dollar rate - LIBOR spreads (3-Month)

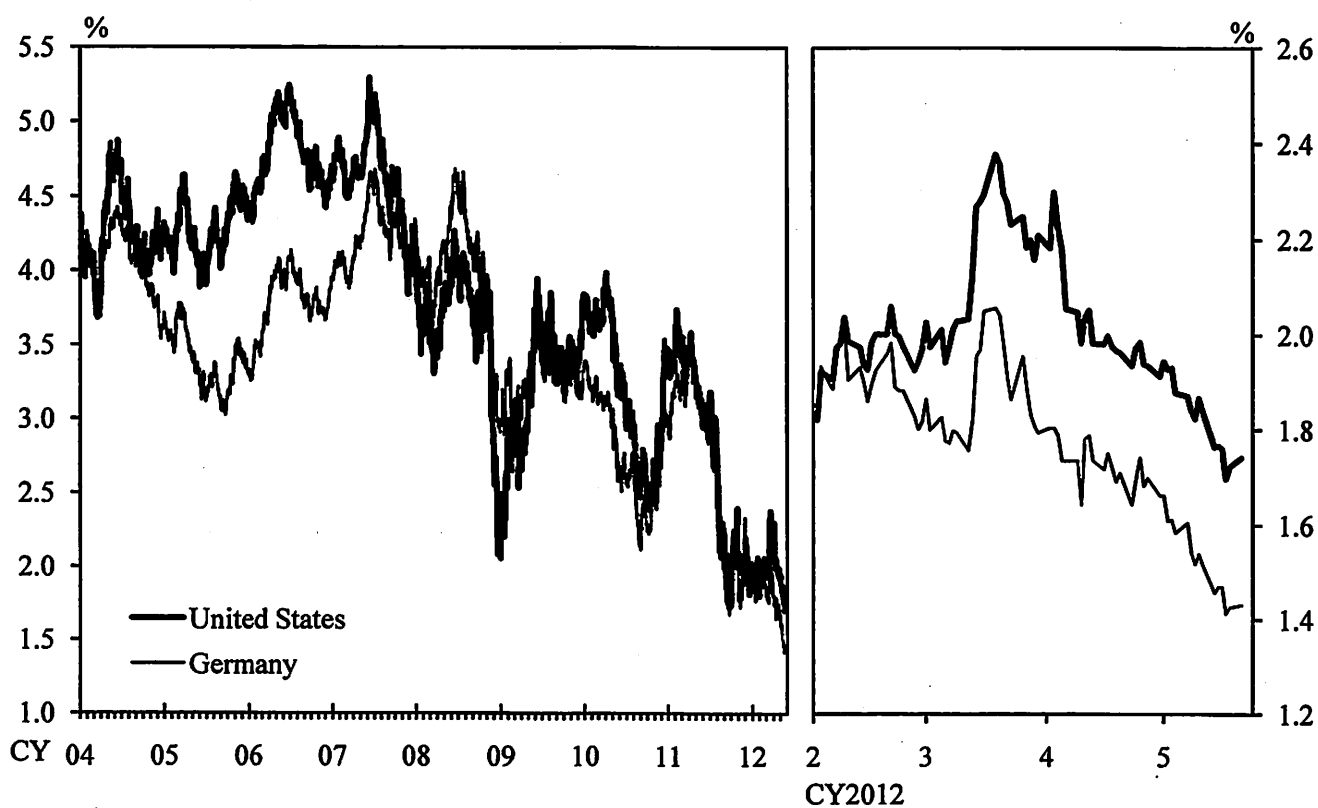


Source: Bloomberg.

Long-Term Interest Rates

(1) Japanese Government Bond Yields¹

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

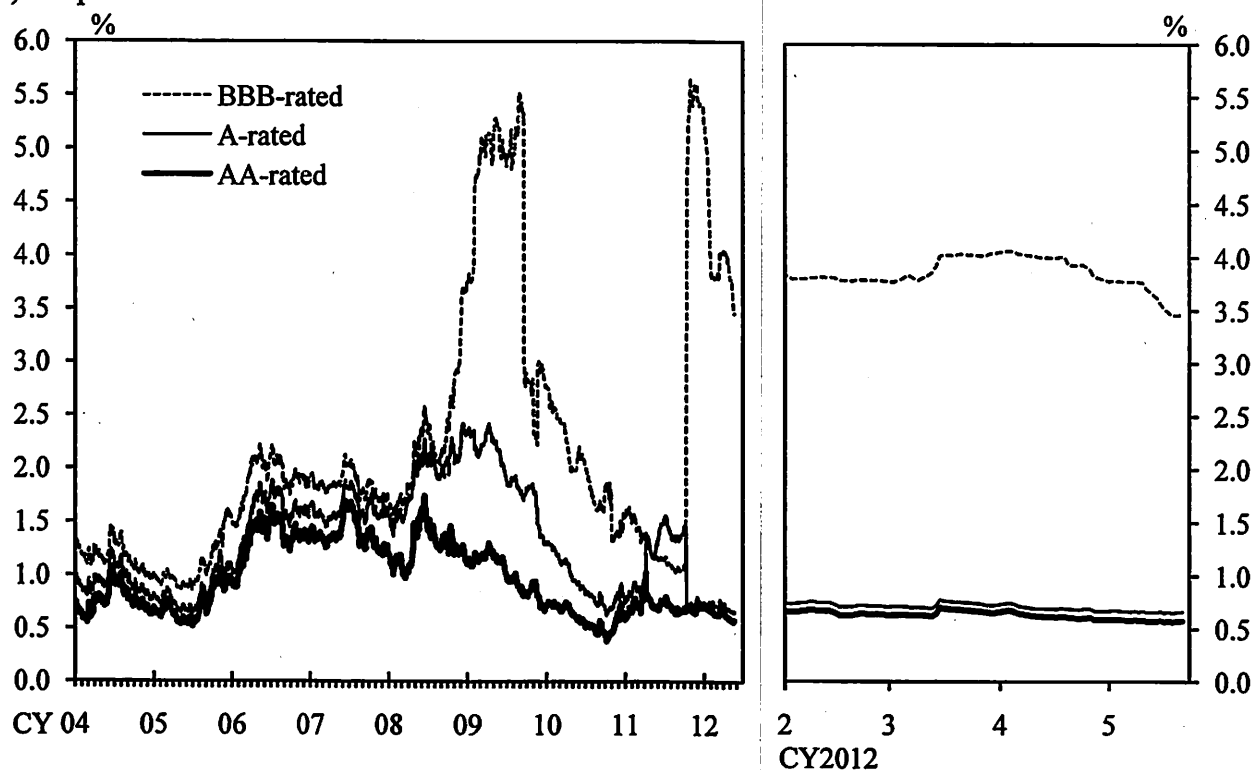


Note: 1. Yields on newly issued bonds.

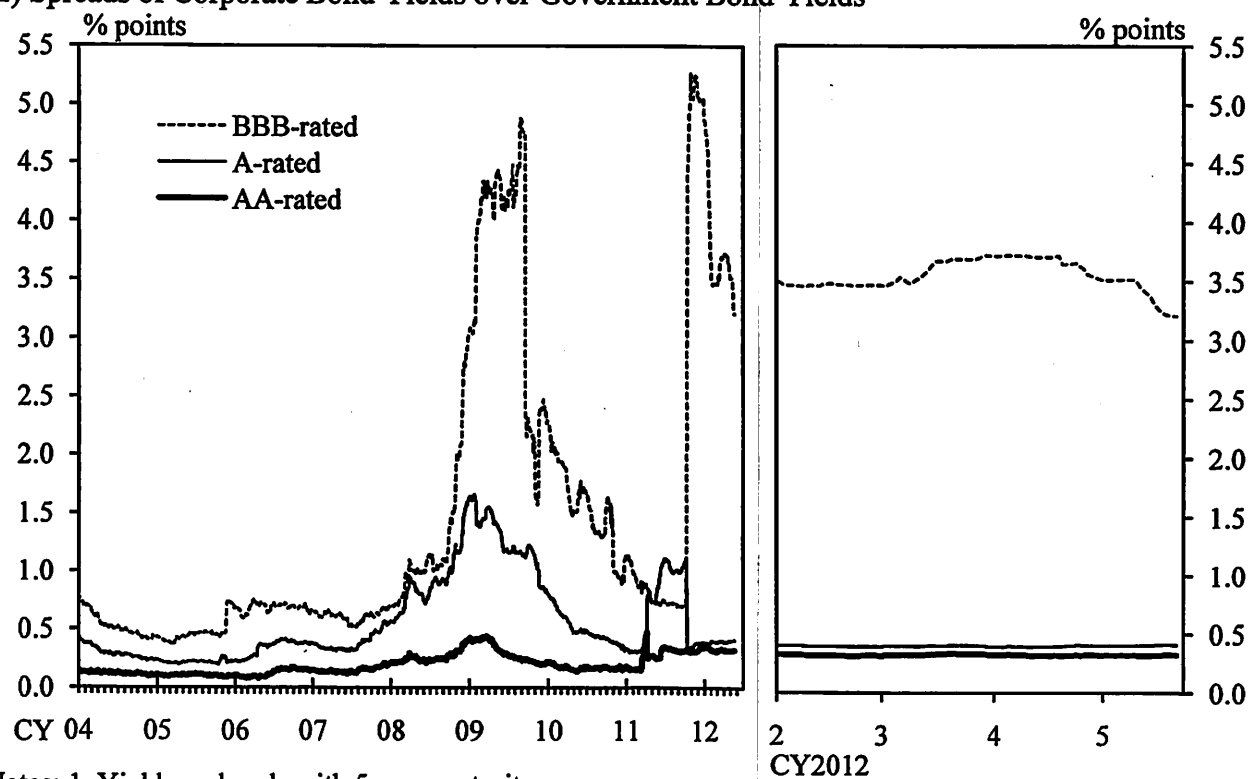
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

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.

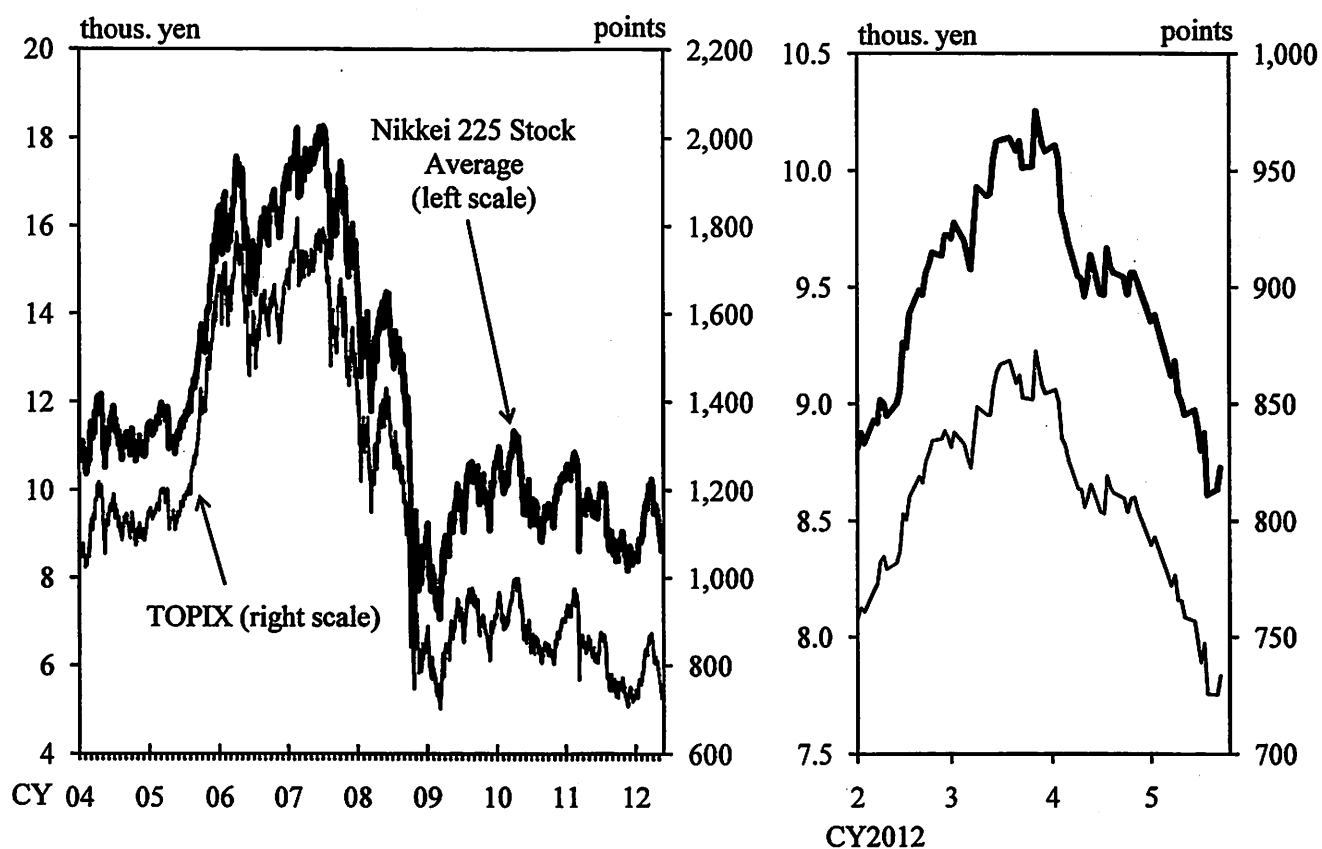
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.

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

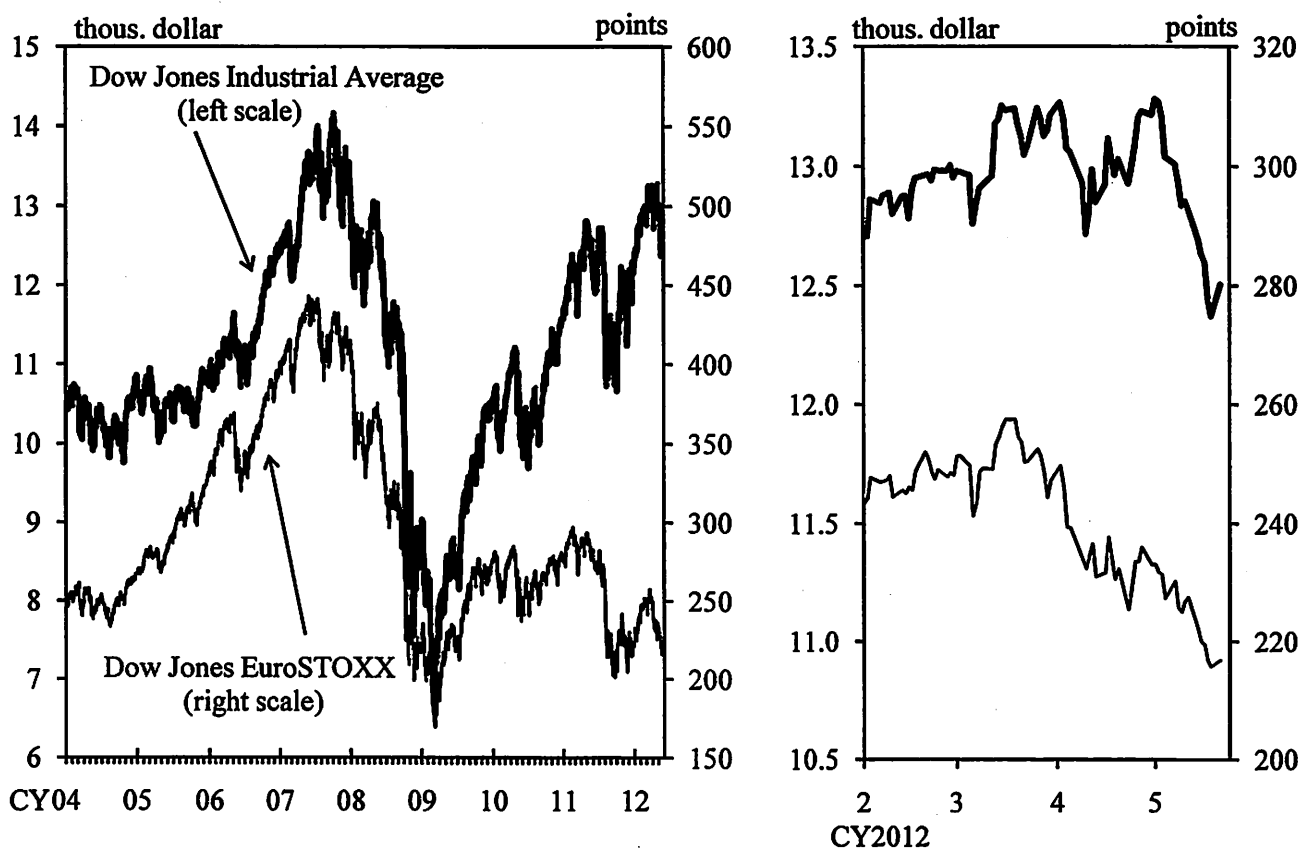
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Japanese Stock Prices



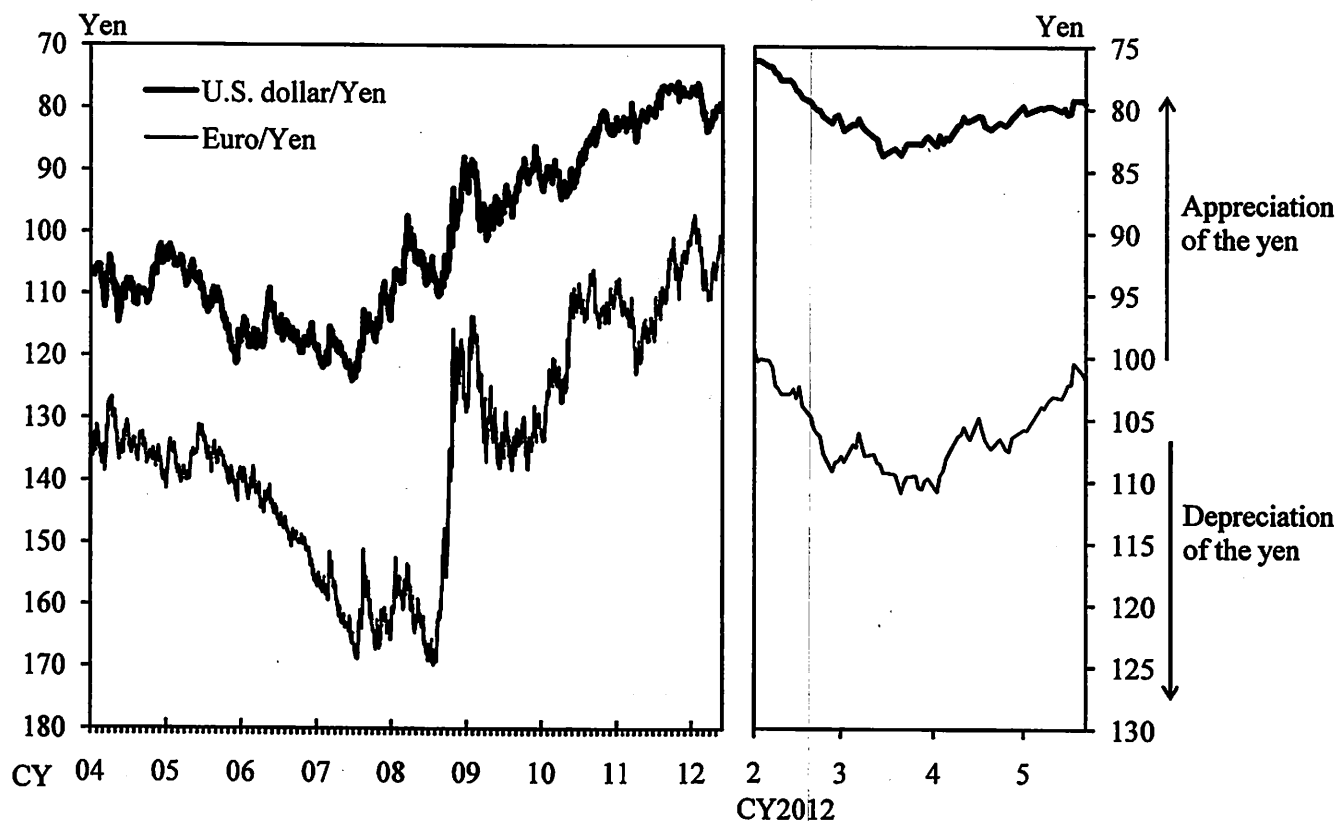
(2) Overseas Stock Prices



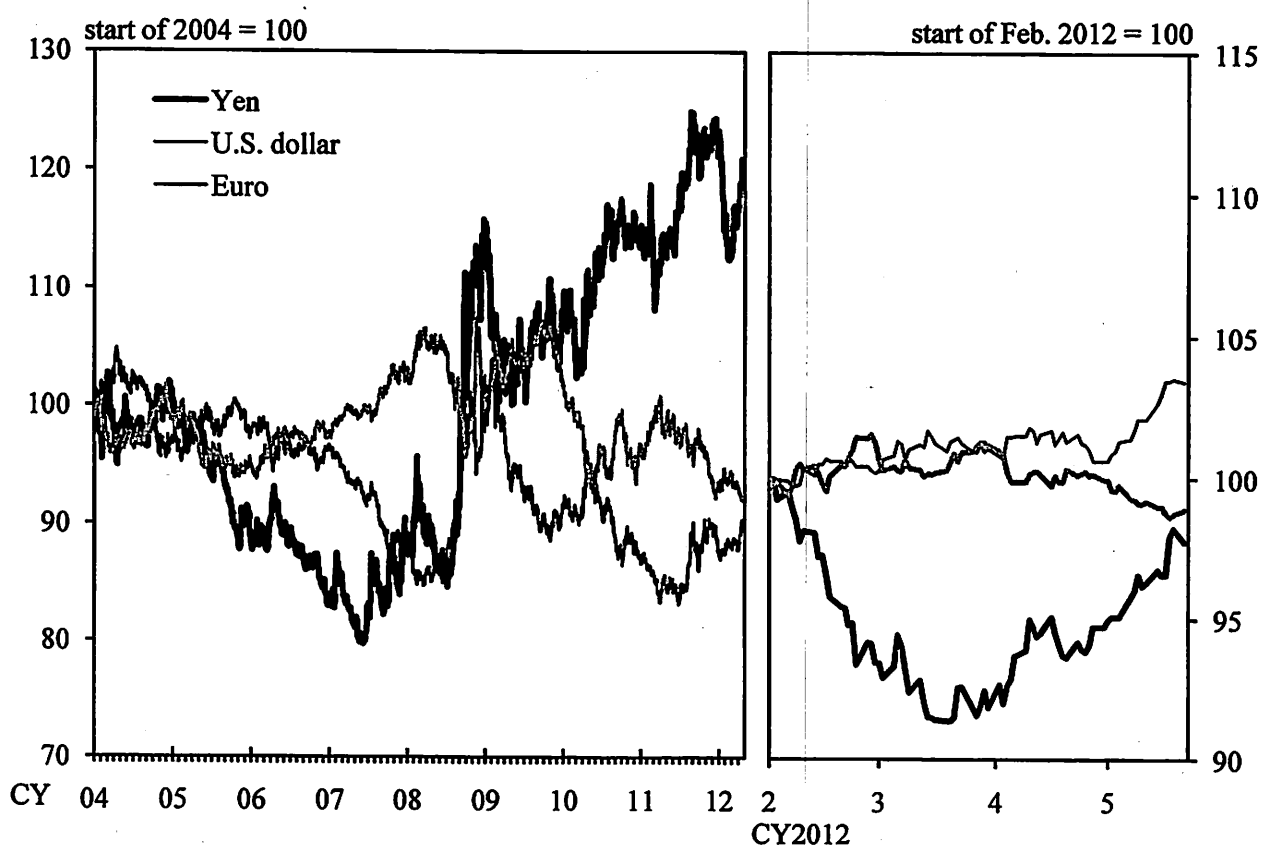
Sources: The *Nihon Keizai Shimbun*; Tokyo Stock Exchange; Bloomberg.

Exchange Rates

(1) Bilateral Exchange Rates



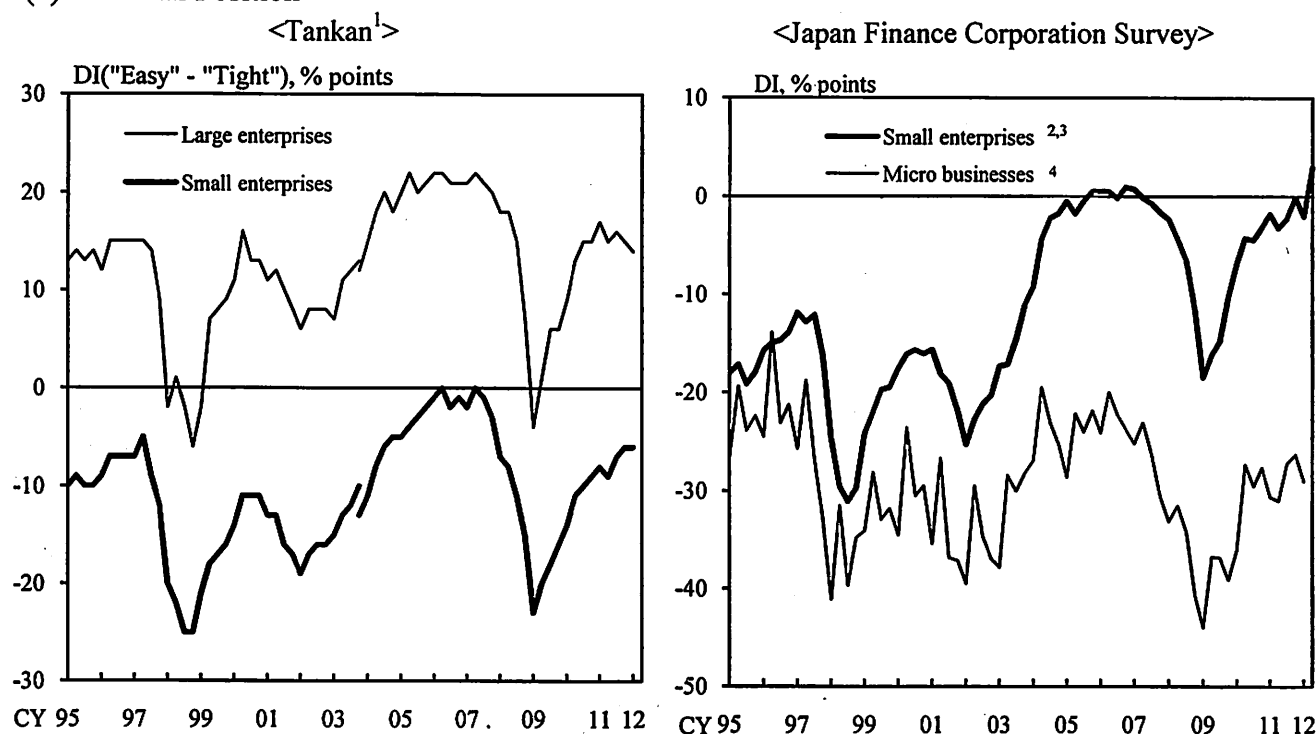
(2) Nominal Effective Exchange Rates



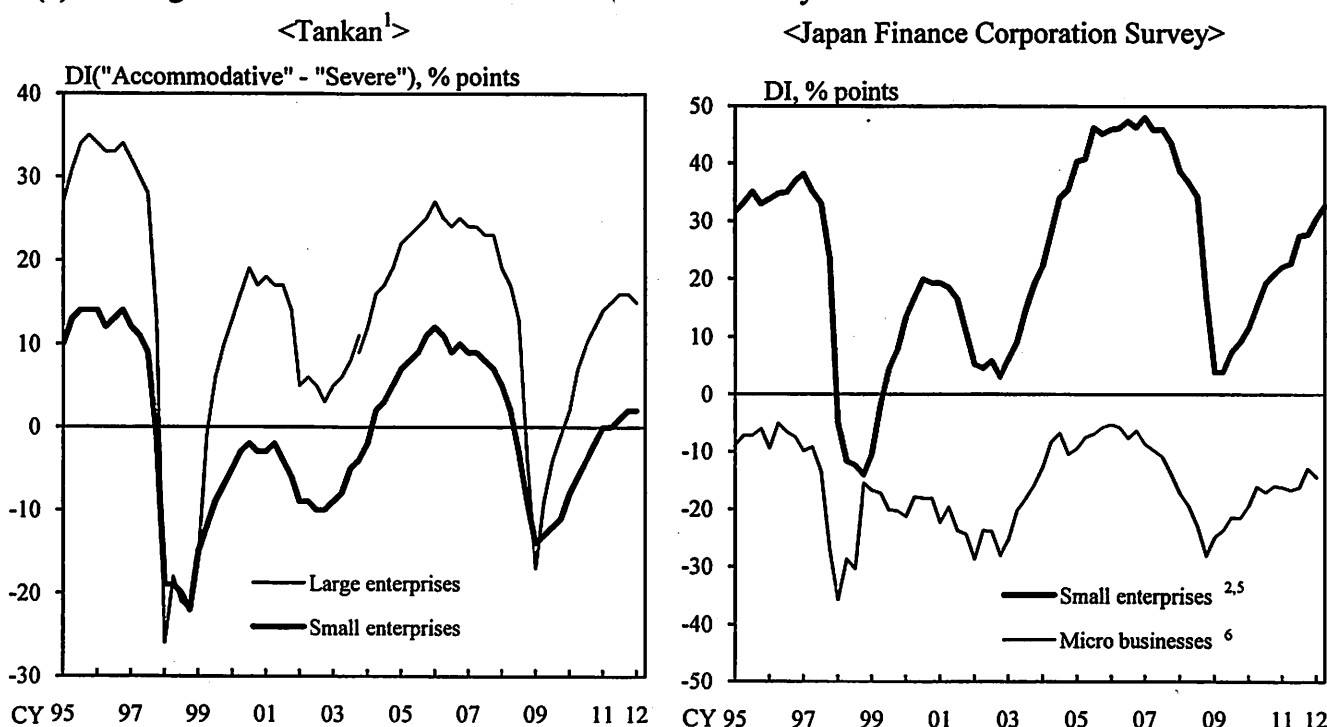
Sources: Bank of Japan; European Central Bank; Bloomberg.

Corporate Finance-Related Indicators

(1) Financial Position



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



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

2. Figures are quarterly averages of monthly data. Figures for 2012/Q2 are those of April.

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

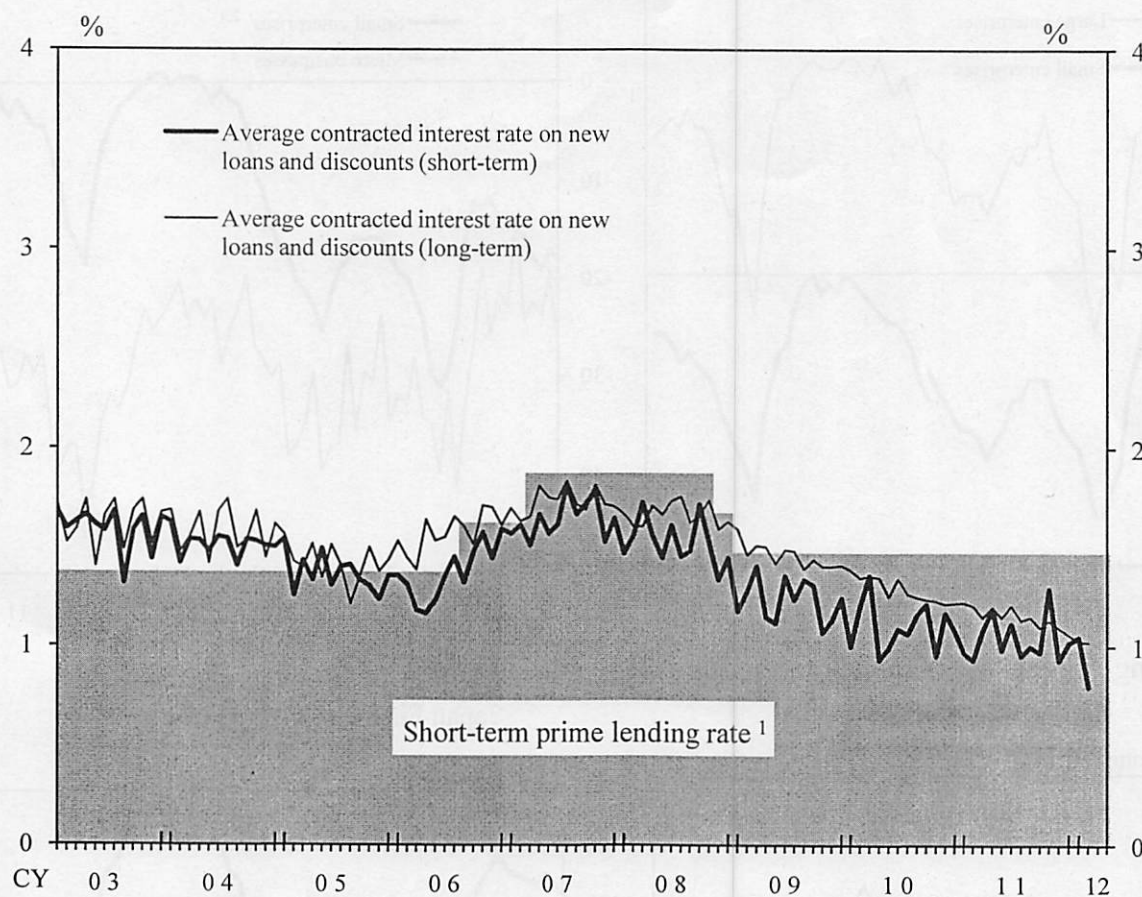
4. DI of "Easier" - "Tighter."

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

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

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

Lending Rates

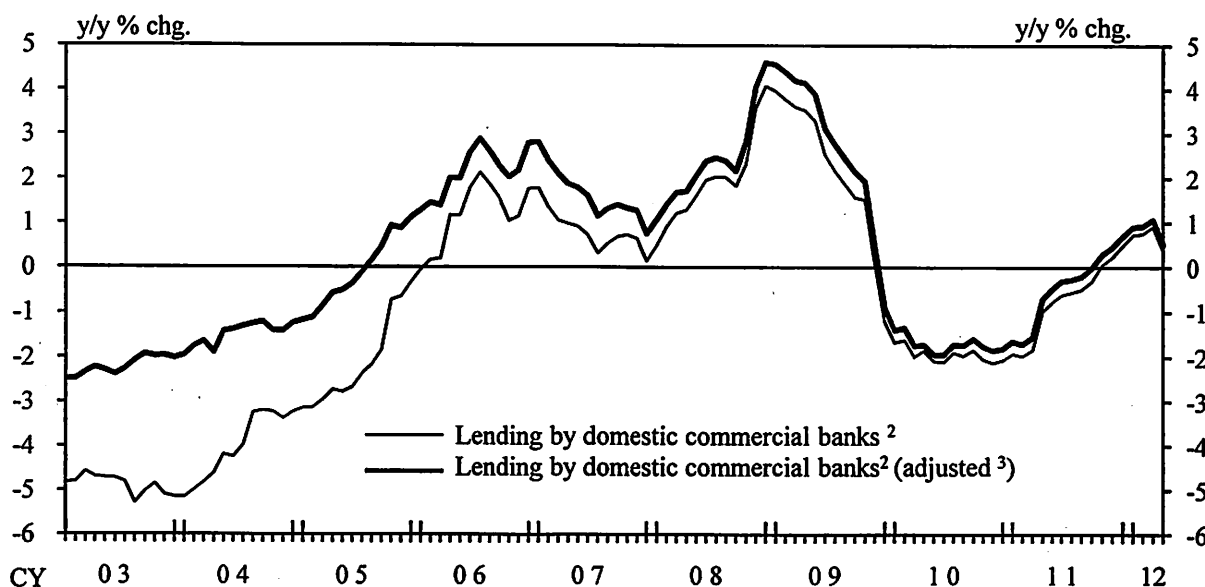


Note: 1. Data are at end of period.

Source: Bank of Japan.

Lending by Financial Institutions

(1) Lending by Domestic Commercial 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,

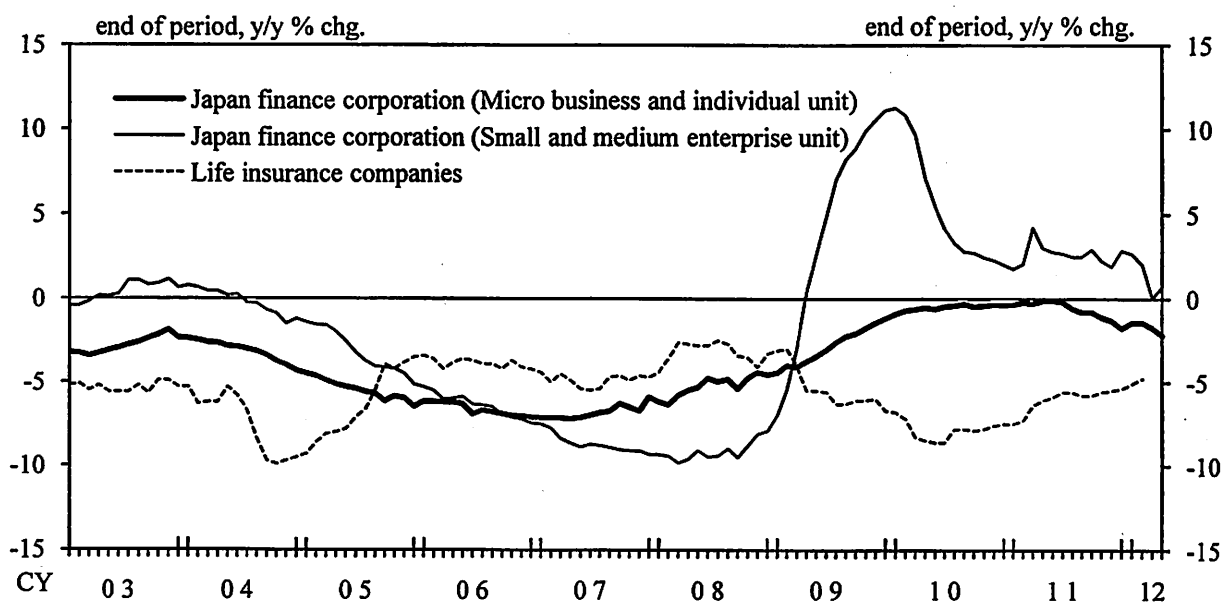
(2) fluctuations in the yen value of foreign currency-denominated loans due to changes in exchange rates,

(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

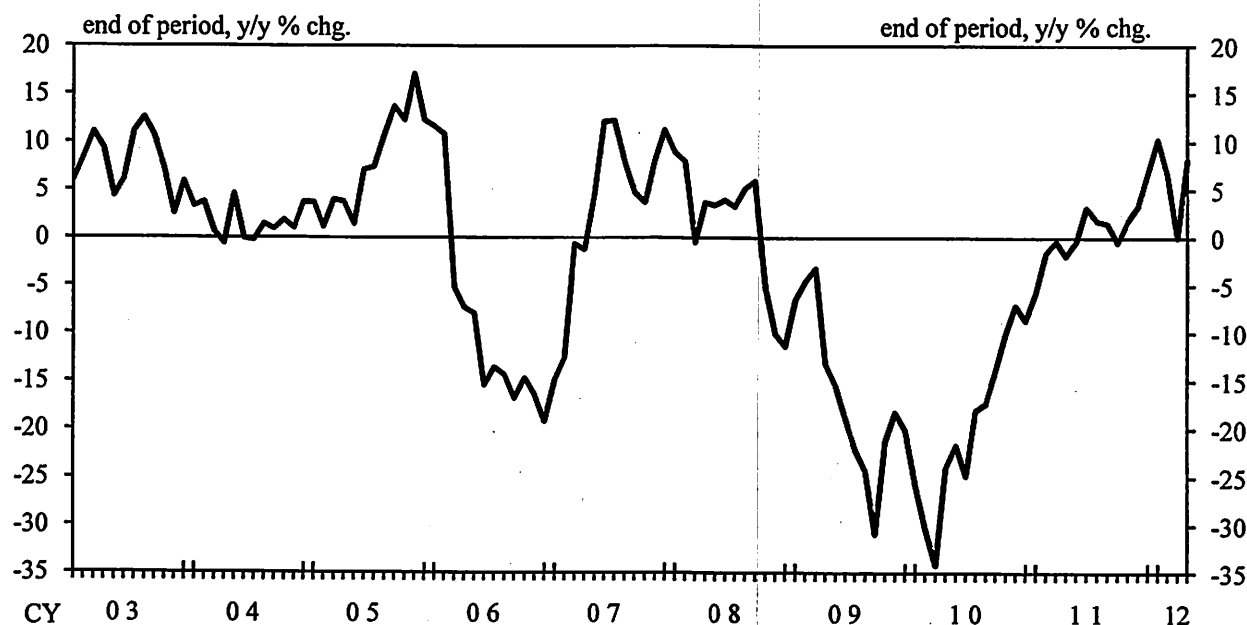


Note: The figures of the Japan Finance Corporation (Small and Medium Enterprise Unit) exclude the amounts outstanding of lending to the Credit Guarantee Corporations.

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

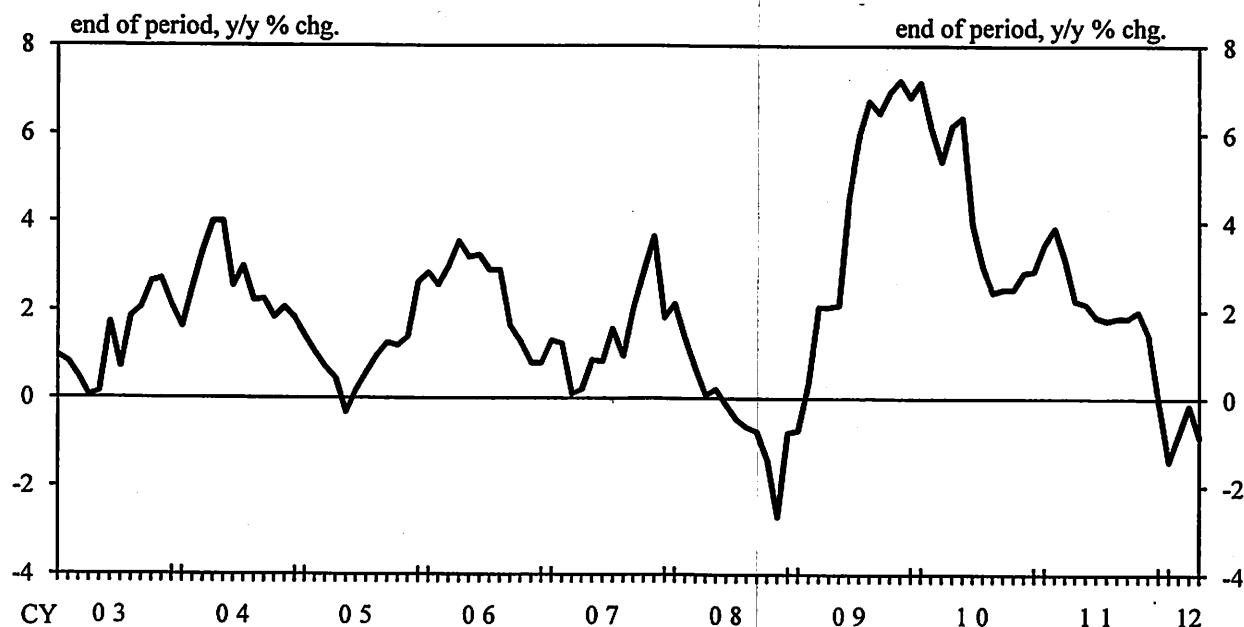
Private-Sector Fund-Raising in the Capital Markets

(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



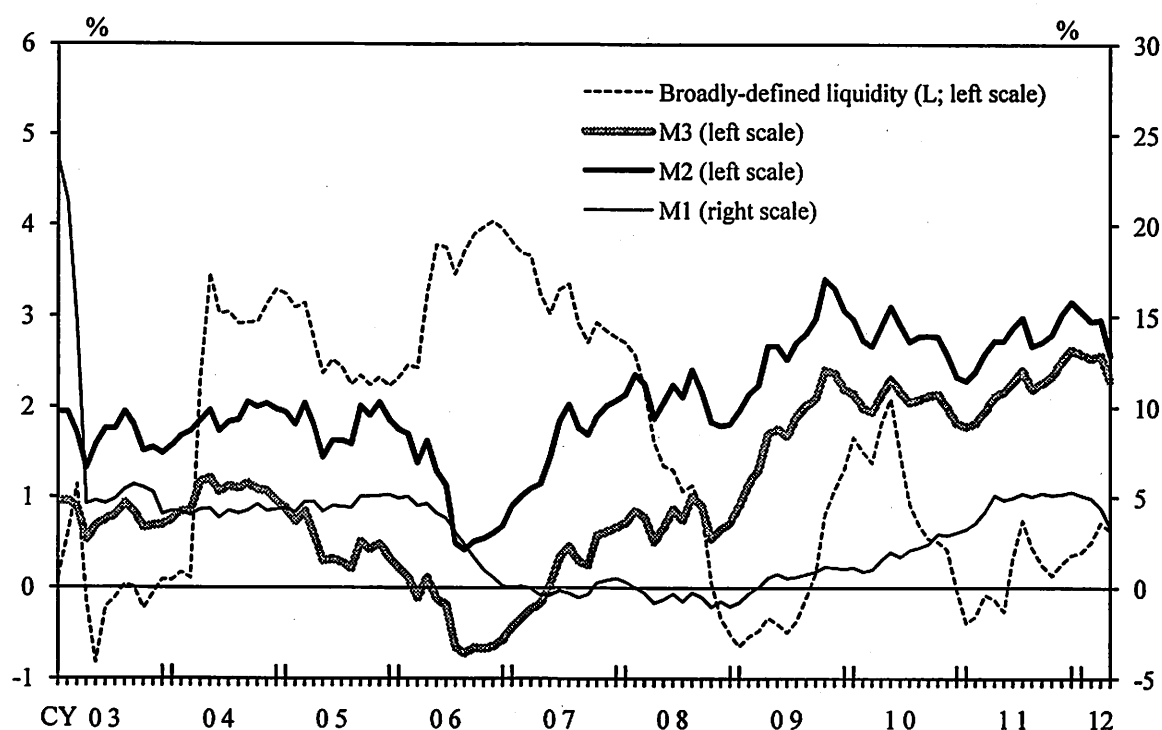
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

- (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.

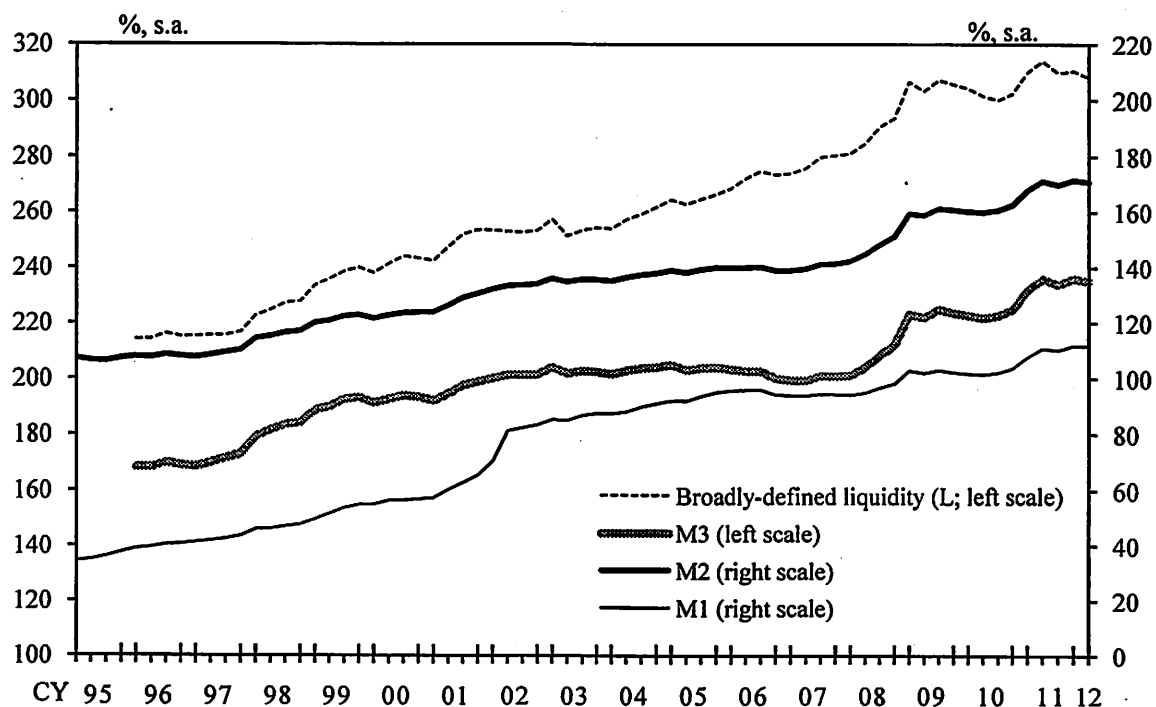
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category"; Bank of Japan, "Principal Figures of Financial Institutions"; Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts of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

Money Stock

(1) Changes from a Year Earlier



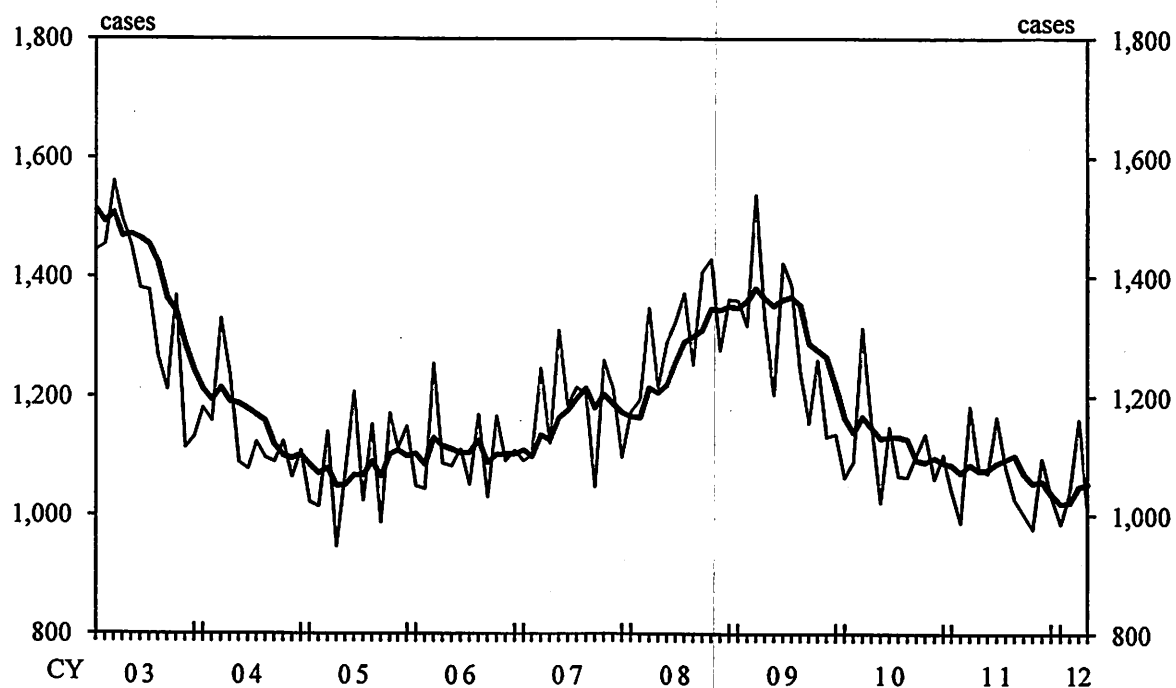
(2) Ratio of Money Stock to Nominal GDP



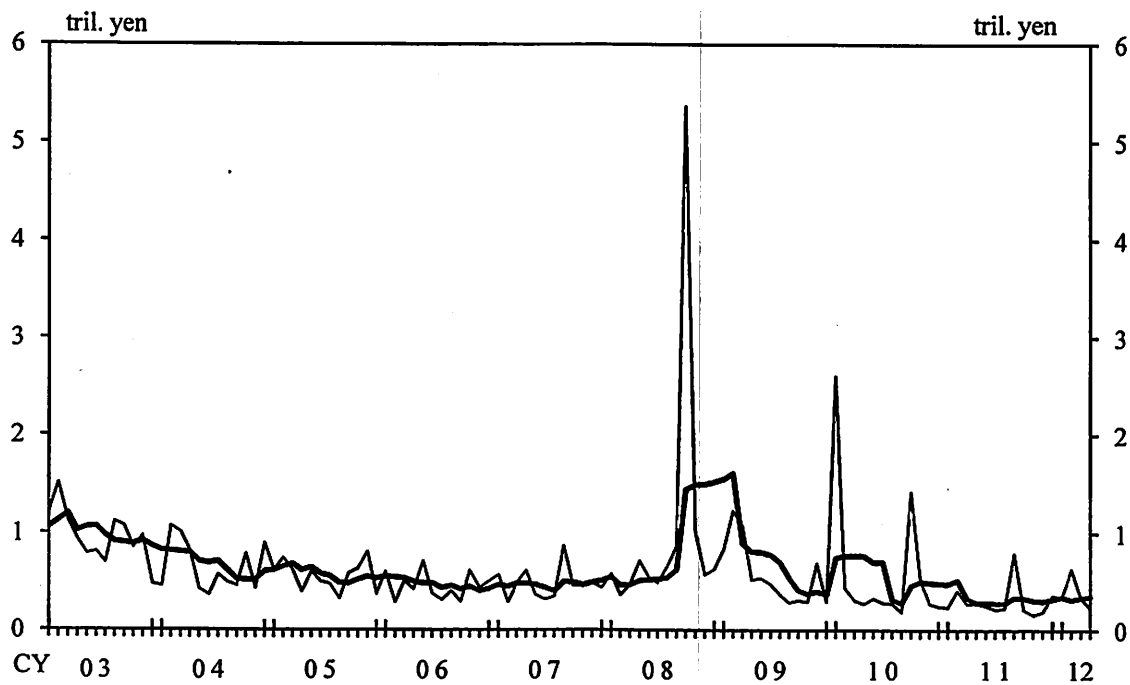
- Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.
 2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.
 3. The figures up to March 2004 in the upper panel and those up to March 2003 in the lower panel are based on the former series.

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)."

