

June 19, 2012  
Bank of Japan

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

(English translation prepared by the Bank's staff based on the Japanese original  
released on June 18, 2012)

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

**June 2012**

## **Summary**

Japan's economic activity has started picking up moderately as domestic demand remains firm mainly supported by reconstruction-related demand.

Overseas economies on the whole still have not emerged from a deceleration phase, but have shown some, albeit moderate, improvement. In this situation, exports have shown signs of a pick-up. As for domestic demand, public investment has been increasing. Business fixed investment has been on a moderate increasing trend with corporate profits improving. Against the background of improvement in consumer sentiment, private consumption has continued to increase 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 started picking up moderately.

With regard to the outlook, Japan's economy is expected to return to a moderate recovery path as domestic demand remains firm and overseas economies emerge from the deceleration phase.

Exports are expected to increase moderately as overseas economies emerge from the deceleration phase. 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. Private consumption is expected to remain firm as the employment situation is on an improving trend. Reflecting these developments in demand at home and abroad, production is expected to increase moderately.

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<sup>1</sup> This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on June 14 and 15, 2012.

Meanwhile, there remains a high degree of uncertainty about the global economy. Specifically, particular attention should be given to developments in global financial markets associated with the European debt problem.

On the price front, the three-month rate of increase in domestic corporate goods prices is slowing, mainly because international commodity prices have fallen back. 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 be somewhat weak 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. 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 percent.

## 1. Economic Developments

Public investment has been increasing, primarily in that related to reconstruction after the earthquake disaster. 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). 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.

Real exports have shown signs of a pick-up (Charts 6[1] and 7). They registered high growth in April relative to the first quarter, after having been roughly level in the first quarter on a quarter-on-quarter basis. Looking at exports in April compared with the first quarter by region (Chart 7[1]), those to the United States continued to move upward, mainly in motor vehicles and their related goods and in capital goods and parts. Exports to ASEAN were on the rise, assisted partly by a spike in those to Thailand where the effects of the flooding had dissipated. Exports to both China—chiefly in intermediate goods (chemicals; iron and steel)—and NIEs—notably in IT-related goods and intermediate goods (chemicals, nonferrous metals, and iron and steel)—rose in April relative to the first quarter, after having declined for two consecutive quarters through the first quarter. On the other hand, exports to the EU are considered to continue a downward trend, although they bounced back in April after having declined sharply for two quarters in a row through the first quarter. Meanwhile, exports to Others have remained firm. Looking at exports in April relative to the first quarter by goods (Chart 7[2]), those of capital goods and parts grew at a somewhat fast pace, affected partly by fluctuations in ships which were exported to Others. Exports of IT-related goods have recently risen mildly as a reflection of the progress in inventory adjustments on a global scale; those of motor vehicles and their related goods, chiefly to the U.S., have also continued to move upward. In contrast, consumer goods (digital cameras) saw their exports decrease, since the effects of upward pressure from the removal of supply constraints caused by the flooding in Thailand had waned. Meanwhile, exports of intermediate



goods—which had been somewhat weak notably in those to China—rose in April compared with the first quarter.

Real imports have trended upward (Charts 6[1] and 9). They rebounded in April compared with the first quarter, when they had exhibited a marginal quarter-on-quarter decline for the first time in four quarters. Looking at imports in April relative to the first quarter by goods (Chart 9[2]), those of raw materials rose for four straight quarters from the third quarter, primarily in mineral fuels used for thermal power generation. Imports of capital goods and parts continued to increase, and those of IT-related goods also registered relatively high growth, particularly in smartphones. Those of intermediate goods bounced back in April, partly from the plunge in the first quarter, primarily in chemicals. In contrast, imports of foodstuffs were down in April, after having risen for two consecutive quarters through the first quarter. Those of consumer goods remained somewhat sluggish, mainly due to the decline in flat panel televisions.

Net exports—in terms of the real trade balance—rose in April relative to the first quarter as a reflection of the aforementioned developments in exports and imports, after having been more or less flat (Chart 6[1]). The nominal goods and services balance expanded their deficit in April relative to the first quarter, since both the trade and services balance deficits rose further (Chart 6[2] and [3]). Meanwhile, the income balance surplus in April was on par with that in the first quarter. As a result, the nominal current account surplus narrowed in April compared with the first quarter.

As for the outlook, exports are expected to increase moderately as overseas economies emerge from the deceleration phase. Imports are projected to trend gradually upward, assisted heavily 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 increase at a moderate pace.

Regarding the environment surrounding exports, overseas economies on the whole still have not emerged from the deceleration phase, but have shown some, albeit moderate, improvement (Chart 8[2]). The U.S. economy has continued to

recover moderately as business fixed investment and private consumption have remained firm. 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. Meanwhile, the Chinese economy has continued to decelerate. The European economy has been sluggish, with the market on high alert about government debt problems and the soundness of the financial system. In this situation, some nervousness continues to be seen in global financial markets, due in part to concern about a slowdown in the global economy; as for the exchange rate, the real effective exchange rate shows that the yen has appreciated further to levels of the second half of last year (Chart 8[1]).

Overseas economies are basically expected to gradually emerge from the deceleration phase. However, there remains a high degree of uncertainty about the global economy. Specifically, particular attention should be given to developments in global financial markets associated with the European debt problem. In the IT-related sector, inventory adjustments have been in progress on a global scale, and global semiconductor shipments have gradually been picking up. Although this is projected to underpin Japan's exports for some time ahead, final demand in this sector has not shown clear signs of a pick-up at this current stage. In these circumstances, attention should be paid to the risk of a delay in the recovery of Japan's exports as a result of a prolonged deceleration of overseas economies.

Business fixed investment has been on a moderate increasing trend with corporate profits improving. According to the *Financial Statements Statistics of Corporations by Industry, Quarterly*, business fixed investment in nominal terms declined only marginally in the first quarter on a quarter-on-quarter basis, after having increased sharply in the fourth quarter (Chart 10[1]). By industry and company size (Chart 11), the investment of large manufacturing firms continued to increase for the third straight quarter; that of medium-sized and small manufacturing firms has been on an increasing trend on average, despite a marginal decrease in the first quarter. As for nonmanufacturing, nominal business fixed investment of large firms continued to increase mildly, whereas that of medium-sized and small firms fell back from the upsurge in the fourth quarter. The aggregate supply of capital goods—a coincident indicator of machinery investment—declined in the first quarter for the first time in

four quarters on a quarter-on-quarter basis, but bounced back again in April relative to the first quarter (Chart 12[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—continued to increase in April compared with the first quarter, after having inched upward in the first quarter on a quarter-on-quarter basis (Chart 13[1]). By industry, manufacturing saw a marginal increase in April, after having been almost level in the first quarter. Nonmanufacturing (excluding orders for ships and those from electric power companies) showed somewhat accelerated growth in April, after having risen marginally in the first quarter. Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—were down in April compared with the first quarter, after having risen in the first quarter on a quarter-on-quarter basis (Chart 13[2]). By industry, construction starts of mining and manufacturing fell back in April, partly since it increased sharply for two consecutive quarters through the first quarter. Those of nonmanufacturing also declined marginally.

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.

Regarding the environment surrounding business fixed investment, corporate profits have gradually been improving, notably in domestic demand-oriented sectors. According to the *Financial Statements Statistics of Corporations by Industry, Quarterly* (Chart 10[2]), the ratio of current profits to sales rose markedly in the first quarter, after having been roughly flat in the fourth quarter. By industry and company size, the ratio moved upward for large firms as well as for medium-sized and small firms in both manufacturing and nonmanufacturing. The size of increase in the ratio of nonmanufacturing was noticeable in the first quarter, following that in the fourth quarter, as a reflection of firm domestic demand.<sup>2</sup> Corporate profits are

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<sup>2</sup> Looking at the seasonally adjusted figures of the ratio of current profits to sales from fiscal 1985, the ratio of large nonmanufacturing firms (excluding production, transmission and distribution of electricity) recorded the highest level in the first quarter; that of medium-sized and small nonmanufacturing firms also posted a high level for the first time since the first quarter of 1989.



projected to improve, following an increase in demand at home and abroad and in production.

Against the background of improvement in consumer sentiment, private consumption has continued to increase moderately due to the effects of measures to stimulate demand for automobiles (Chart 14). Consumption of goods—as seen through sales at retail stores in real terms (Chart 15[1])—declined marginally in April relative to the first quarter, after having increased for four quarters in a row through the first quarter. Looking at consumption of durable goods (Chart 15[2]), the number of new passenger-car registrations remained high, primarily in new models of small cars and mini-vehicles. However, since this was supported in part by subsidies for purchasing energy efficient cars that had been reintroduced at the end of last year, attention should be given to developments in sales of automobiles after the effect of the subsidies dissipates.<sup>3</sup> Sales of household electrical appliances in real terms have been more or less flat, with their fluctuations smoothed out. Sales at department stores and supermarkets had been more or less level, but in April, those at department stores grew at a somewhat accelerated pace, notably in apparel and accessories, while supermarkets saw their sales fall marginally (Chart 16[1]). Meanwhile, sales at convenience stores have continued to trend upward. As for consumption of services (Chart 16[2]), sales in the food service industry and outlays for travel have been firm, albeit with fluctuations.

As for statistics on the demand side, consumption expenditure in the *Family Income and Expenditure Survey* (in real terms; two-or-more-person households) shows that 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—rose substantially in April compared with the first quarter, after having inched upward on a quarter-on-quarter basis for three quarters in a row through the first quarter (Chart 15[1]).<sup>4</sup> The total expenditure in the *Survey of*

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<sup>3</sup> Remarkably strong sales of automobiles so far indicate a likelihood that the budget allocated for subsidies for purchasing energy efficient cars may run out around this summer. Attention should be paid to how far automobile sales and furthermore production will fall back thereafter.

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

*Household Economy* (in real terms; two-or-more-person households) more or less leveled off in April relative to the first quarter, after having recorded quarter-on-quarter increases for three straight quarters through the first quarter.

Indicators related to consumer confidence have been on an improving trend as a whole, mainly as a reflection of improvements in the employment situation, although some indicators have moved down in conjunction with stock price movements (Chart 17).

Private consumption is expected to remain firm as the employment situation is on an improving trend.

Housing investment has generally been picking up, supported in part by reconstruction of disaster-stricken homes. The number of housing starts—a leading indicator of housing investment—has tended to pick up, supported partly by construction starts of disaster-stricken areas, as it increased in the first quarter on a quarter-on-quarter basis and continued to rise in April relative to the first quarter (Chart 18[1]).

Housing investment is expected to continue to generally pick up.<sup>5</sup>

Industrial production has started picking up moderately (Chart 19). As for production in April relative to the first quarter, it was more or less flat in the released-base index; the adjusted-base index showed an increase.<sup>6</sup> Besides, taking into account developments of demand at home and abroad as well as anecdotes by firms and other information, production is considered to move out of its current phase of flat growth, albeit at a mild pace.<sup>7</sup>

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<sup>5</sup> 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.

<sup>6</sup> 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).

<sup>7</sup> The production forecast index projects an increase for June on a month-on-month basis, despite a projected decline in May. This decline projected for May is considered to be largely attributable to the following two factors: (1) the number of operating days of factories is

Looking at production in April relative to the first quarter by industry, that of transport equipment (such as passenger cars) moved upward, since domestic sales remained high aided mainly by the reintroduction of subsidies for purchasing energy efficient cars and the release of popular models of new cars to the market, together with a pick-up in exports notably to the U.S. Chemicals (such as cosmetics) also ramped up their production. Besides, as for domestic demand-related movements, industries such as fabricated metals have also shown signs of increasing their production. In contrast, production of electronic parts and devices rose temporarily in the first quarter in light of the gradual progress in inventory adjustments, but has yet to resume a noticeable uptrend as they moved down again in April.

Shipments have started to pick up moderately, as has production. Looking at the trend in shipments by goods (Chart 20), those of durable consumer goods have been picking up, mainly in motor vehicles. Shipments of non-durable consumer goods have also increased moderately, albeit with fluctuations. Shipments of producer goods have moderately been rising, chiefly for motor vehicles (such as iron and steel as well as motor vehicle parts), whereas those of electronic parts and devices, like production of these goods, have yet to show clear signs of an upturn. Shipments of capital goods and construction goods have been roughly level.

Inventories have recently moved upward. They continued to increase in April on a month-on-month basis following the rise in March. The increase in April—as was the case in March—was influenced, to a certain extent, by the rise in inventories of motor vehicles waiting to be shipped overseas; the overhang in stocks of chemicals (such as cosmetics) also pushed inventories upward. Some electronic parts and devices, however, have seen their inventories pile up, since the pick-up in demand at home and abroad has lagged behind. As for the shipment-inventory balance (year-on-year rate of change in shipments less that in inventories), growth in shipments has started to outpace that in inventories, notably in production goods and durable consumer goods (Chart 21). This was because shipments plunged in April

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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 after the earthquake disaster, and some of this growth is regarded as a seasonal factor, which in turn exerted downward pressure on the seasonally adjusted figures for this May. On the other hand, these factors are considered to exert upward pressure on the production forecast index for June.

last year due to the influence of the earthquake disaster, which in turn caused shipments—mainly of durable consumer goods—to register particularly high growth on a year-on-year basis. The shipment-inventory balance of electronic parts and devices are considered to maintain its moderate improving trend as a whole, but attention should be paid to the recent pile-up of some inventories.

Production is expected to increase moderately, as domestic demand remains firm and as exports pick up gradually. Anecdotes by firms indicate that although the production schedules of many firms remain cautious amid a high degree of uncertainty regarding overseas demand, production in terms of the adjusted-base index is projected to increase, albeit marginally, in both the second and third quarters, mainly reflecting the rise in domestic demand, particularly in reconstruction-related demand, as well as the progress in inventory adjustments of producer goods (iron and steel; chemicals).

The employment and income situation has generally been improving, although it remains severe.

As for supply and demand conditions in the labor market, the ratio of job offers to applicants has continued to improve (Chart 22). 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 recently declined marginally, notwithstanding large monthly fluctuations (Chart 23[1]).<sup>8</sup> In contrast, the number of regular employees in the *Monthly Labour Survey* has been increasing on a

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<sup>8</sup> Recently, the number of employees in the *Labour Force Survey* has been relatively weak compared with the number of regular employees in the *Monthly Labour Survey*. In this respect, a detailed look at the *Labour Force Survey* indicates that the following four categories specific to this survey are not counted as factors that place noticeable downward pressure on the number of employees: (1) employees at small establishments with 1 to 4 persons; (2) government employees; (3) agricultural, forestry and fisheries workers; and (4) workers on a very short-term contract such as daily employees. Therefore, the difference between the number of employees and that of regular employees is hard to explain just from the distinction in the coverage of the two surveys. As a result, the difference is basically considered to be attributable to fluctuations in samples of the *Labour Force Survey*.

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 been below the pre-earthquake level.

The year-on-year rate of change in nominal wages per employee (total cash earnings) increased in both March and April on a year-on-year basis. This was largely attributable to the fact that the decline in hours and days worked after the earthquake disaster reduced wages in March and April last year (Chart 23[2]).<sup>9</sup>

The year-on-year rate of change in employee income has been almost 0 percent with its monthly fluctuations smoothed out, as a reflection of the aforementioned developments in employment and wages (Chart 23[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 improvements in the labor market will support income gradually.

## 2. Prices

International commodity prices have fallen back recently (Chart 25[1] and [3]). Prices of crude oil and nonferrous metals have fallen back, mainly due to concern about a slowdown in the global economy. Prices of grains—which had been more or less flat at high levels due in part to weather factors in South America—have declined lately.

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<sup>9</sup> In March and April 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 after the earthquake disaster. However, the year-on-year increase in nominal wages per employee of late is considered to be partly attributable to the rise in hours worked aided by the pick-up in economic activity. Looking at regular payments in seasonally adjusted terms to exclude the effects of fluctuations caused by the year-ago factor, they have been picking up to a certain extent since the start of this year. Wages per employee and per hour, however, remain unchanged.

The three-month rate of increase in import prices (on a yen basis) is slowing, largely since international commodity prices have fallen back (Chart 25[2]).

The three-month rate of increase in domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter)<sup>10</sup> is slowing, mainly because international commodity prices have fallen back (Chart 26[2]). In May, the three-month rate of increase was smaller than in April. Looking in detail at domestic corporate goods price movements in May, prices of "goods sensitive to exchange rates and overseas commodity prices" reduced their pace of increase and those of "other materials" turned to a decrease, albeit marginally, largely since international commodity prices fell back. Prices of "machinery" fell at a somewhat accelerated pace. Meanwhile, those of "iron & steel and construction goods" continued to decline.

Corporate services prices (excluding international transportation; year-on-year basis, same hereafter) have recently increased marginally, after having reduced their pace of decline (Chart 27). Corporate services prices were up in April on a year-on-year basis for the first time in three and a half years since October 2008. Looking in detail at corporate services price movements in April, prices of advertising services and hotels—in the category of selling, general and administrative expenses—further expanded their year-on-year pace of increase, assisted partly by the rise in advertisements and a recovery in the number of foreign visitors to Japan, against the background of the accelerated pace of decline in April last year after the earthquake disaster. Price revisions at the start of this fiscal year indicate that despite ongoing downward pressure on prices, information and communications (custom software), other services (waste disposal and motor vehicle repair and maintenance), and overland freight transportation (road freight transportation) have shown signs of price increases.

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



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 28[1]). In April, the year-on-year rate of increase stood at positive 0.2 percent, as in March. Looking at developments on a basis that excludes food and energy, prices rose by 0.2 percentage points from March, to negative 0.3 percent on a year-on-year basis. 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 29[2]).<sup>11</sup> The year-on-year rate of change in the Laspeyres chain index has moved up in tandem with that in the 2010-base index (Chart 29[1]).<sup>12</sup>

Looking in detail at consumer price movements in April, prices for goods (excluding agricultural, aquatic and livestock products) on a year-on-year basis fell at an accelerated pace overall, albeit very marginally, mainly since the year-on-year rate of change in prices of food products turned to a decrease due to the increase last year caused by short supply after the earthquake disaster, even though prices of durable goods reduced their year-on-year pace of decline due to a further increase in prices of TV sets.<sup>13</sup> Prices of general services somewhat slowed their year-on-year pace of decline as a whole, since those of package tours to overseas and hotel charges started to climb, even though rent declined at a somewhat accelerated 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 be somewhat weak for the time being, mainly reflecting movements in international commodity prices. The

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<sup>11</sup> 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.

<sup>12</sup> 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.

<sup>13</sup> TV sets—which turned to an increase in February on a year-on-year basis due to the selected-item change—continued to expand their year-on-year increase in April (the year-on-year rate of change for TV sets was: -36.1 percent in January, +0.5 percent in February, +2.3 percent in March, and +8.1 percent in April). The index for the Ku-area of Tokyo in May shows that the rate of decline in prices of TV sets expanded again, but the size of decline remains minimal compared with that until the start of this year.

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 urban land price index shows that the rate of change in prices of both commercial and residential land in the six large city areas has continued to decrease compared with six months ago and has almost leveled off lately, since the economy has been on a moderate recovery trend following the plunge after the Lehman shock (Chart 30). Both commercial and residential land prices outside the six large city areas have continued to decline moderately, but the pace of decline has somewhat slowed relative to six months ago.

### **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 31). In U.S. dollar funding, the LIBOR-OIS spread for the dollar has basically been more or less flat (Chart 32).

Yields on 10-year government bonds (newly issued 10-year JGB) dipped in line with the decline in U.S. long-term interest rates, but have rebounded thereafter, partly due to growing concern over price adjustments; they are currently moving at around 0.85 percent (Chart 33).

Yield spreads between corporate bonds and government bonds have generally been more or less flat (Chart 34).

As for stock prices, the Nikkei 225 Stock Average fell temporarily, as adjustments were observed in U.S. stock prices and the yen appreciated, but it has since rebounded to around 8,500 yen, aided by the upturn in U.S. stock prices and the depreciation of the yen (Chart 35).

In the foreign exchange market, the yen's exchange rate once appreciated to the 77-78 yen level against the U.S. dollar, mainly due to lower-than-expected U.S. economic indicators. After that, however, the yen has depreciated again and is currently being traded in the range of 79-80 yen, partly due to the rise in U.S. interest rates amid the rebound in U.S. stock prices as expectations increased for policies regarding the situation in Europe, together with concern about a foreign exchange intervention (Chart 36).

## **(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 38).

With regard to credit supply, firms have continued to see financial institutions' lending attitudes as being on an improving trend (Chart 37). 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 39). 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 40).

In these circumstances, firms have retained their recovered financial positions on the whole (Chart 37). The number of corporate bankruptcies has been slightly above the year-ago level (Chart 42).

Meanwhile, the year-on-year rate of change in the money stock (M2) has been positive at around 2 percent. Its May reading was 2.1 percent on a year-on-year basis, following 2.6 percent in April (Chart 41).<sup>14</sup>

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<sup>14</sup> On an M3 basis, which includes the Japan Post Bank, the year-on-year rate of change has been positive at around 2 percent; its May reading was 1.9 percent, following 2.3 percent in April. The year-on-year rate of change in broadly-defined liquidity (L) has been positive at around 0.5 percent; it increased by 0.4 percent in May, following an increase of 0.5 percent in April.

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## Main Economic Indicators (1)

s.a., q/q (m/m) % chg.<sup>1</sup>

	2011/Q3	Q4	2012/Q1	2012/Feb.	Mar.	Apr.	May
Index of consumption expenditure level (two-or-more-person households)	0.4	0.5	-0.3	0.9	0.3	1.6	n.a.
Sales at department stores	-0.4	0.4	-0.9	-1.1	-0.3	3.2	n.a.
Sales at supermarkets	0.2	-0.7	0.5	1.9	-2.3	-0.9	n.a.
New passenger-car registrations <sup>3</sup> <s.a., ann. 10,000 units>	< 257>	< 267>	< 349>	< 335>	< 356>	< 313>	< 309>
Sales of household electrical appliances (real, "Current Survey of Commerce")	-9.7	-5.2	0.9	-9.8	-0.9	-2.2	n.a.
Outlays for travel	15.2	4.3	0.4	0.2	0.7	4.7	n.a.
Housing starts <s.a., ann. 10,000 units>	< 88>	< 80>	< 86>	< 92>	< 85>	< 90>	<n.a.>
Machinery orders <sup>4</sup> (Private sector, exc. volatile orders)	1.6	-0.7	0.9	2.8	-2.8	5.7	n.a.
Manufacturing	-0.0	-0.7	0.1	9.5	-8.4	3.4	n.a.
Nonmanufacturing <sup>4</sup> (exc. volatile orders)	3.6	-0.5	0.5	2.1	-3.9	5.7	n.a.
Construction starts (private, nondwelling use)	-1.9	-1.0	1.9	-10.4	-4.7	0.8	n.a.
Mining & manufacturing	-18.0	20.9	24.9	-19.0	-4.3	-9.5	n.a.
Nonmanufacturing <sup>5</sup>	1.4	-3.2	-3.1	-5.1	-8.4	6.1	n.a.
Value of public works contracted	2.0	1.8	3.5	0.6	-0.5	2.8	n.a.
Real exports	7.3	-2.8	-0.1	-0.2	-0.0	6.3	n.a.
Real imports	1.9	1.3	-0.4	-6.8	3.9	2.0	n.a.
Industrial production	5.4	0.4	1.3	-1.6	1.3	-0.2	n.a.
Shipments	7.0	0.3	0.8	0.3	0.5	0.6	n.a.
Inventories	1.8	-1.4	5.9	-0.5	4.3	2.0	n.a.
Inventory ratio <s.a., CY 2005 = 100>	< 117.6>	< 112.7>	< 115.3>	< 110.4>	< 115.3>	< 123.2>	<n.a.>
Real GDP	1.9	0.0	1.2	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	2.1	0.5	-0.1	-0.1	-0.3	n.a.	n.a.



## Main Economic Indicators (2)

	y/y % chg. <sup>1</sup>						
	2011/Q3	Q4	2012/Q1	2012/Feb.	Mar.	Apr.	May
Ratio of job offers to applicants <s.a., times>	< 0.66>	< 0.69>	< 0.75>	< 0.75>	< 0.76>	< 0.79>	<n.a.>
Unemployment rate <s.a., %>	< 4.4>	< 4.5>	< 4.6>	< 4.5>	< 4.5>	< 4.6>	<n.a.>
Overtime working hours <sup>6</sup>	0.2	2.0	1.8	0.6	4.3	p 4.3	n.a.
Number of employees	-0.5	0.1	-0.5	-0.8	-0.3	-0.3	n.a.
Number of regular employees <sup>6</sup>	0.7	0.6	0.6	0.6	0.6	p 0.7	n.a.
Nominal wages per person <sup>6</sup>	-0.4	-0.1	0.0	0.1	0.9	p 0.8	n.a.
Domestic corporate goods price index <q/q % chg., 3-month rate of change> <sup>7</sup>	2.6 <-0.3>	1.5 <-0.7>	0.5 < 0.2>	0.6 < 0.1>	0.5 < 0.7>	-0.3 < 0.9>	p -0.5 <p 0.3>
Consumer price index <sup>8</sup>	0.2	-0.2	0.1	0.1	0.2	0.2	n.a.
Corporate services price index <sup>9</sup>	-0.6	-0.3	-0.5	-0.7	-0.3	p 0.4	n.a.
Money stock (M2) <average outstanding, y/y % chg.>	2.8	3.0	3.0	2.9	3.0	2.6	p 2.1
Number of corporate bankruptcies <cases per month>	<1,036>	<1,034>	<1,061>	<1,038>	<1,161>	<1,004>	<1,148>

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";

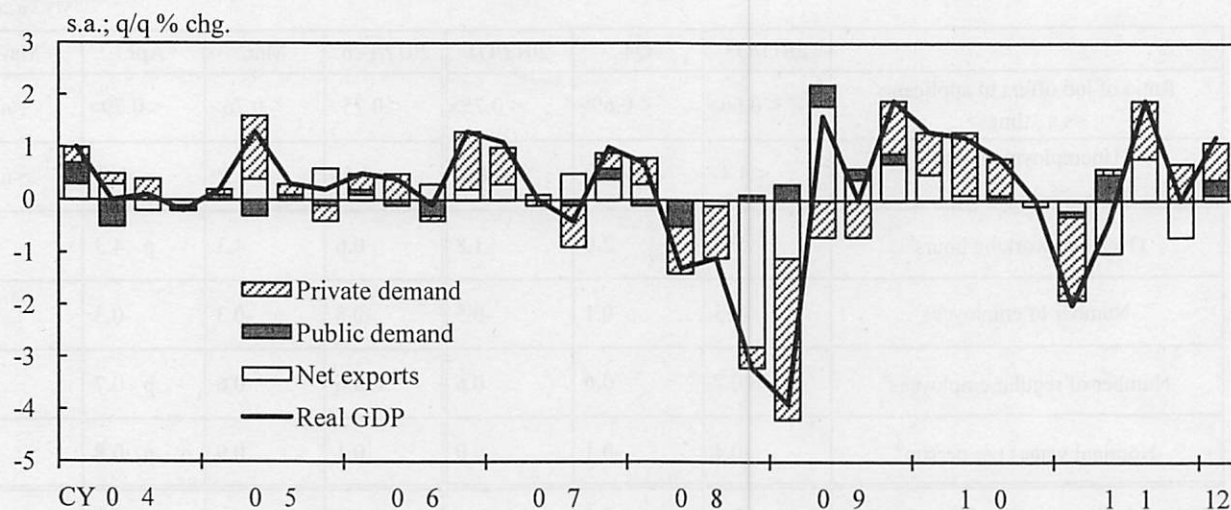
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey";

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



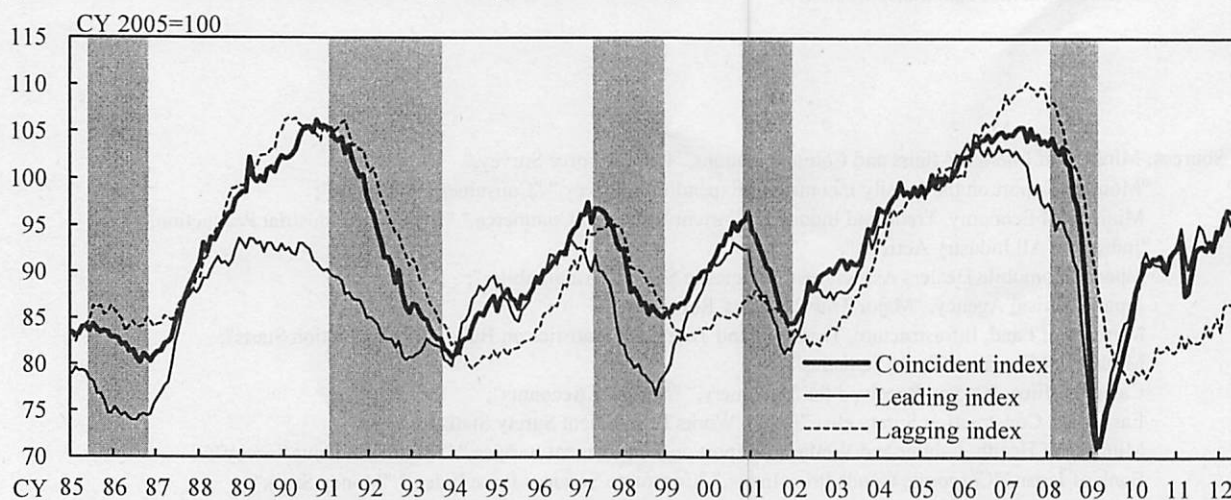
## (2) Components

s.a.; q/q % chg.

	2011				2012
	Q1	Q2	Q3	Q4	Q1
Real GDP	-2.0	-0.4	1.9	0.0	1.2
[Annual rate]	[-7.7]	[-1.7]	[7.8]	[0.1]	[4.7]
Domestic demand	-1.8	0.6	1.1	0.7	1.0
Private demand	-1.6	0.1	1.1	0.7	0.7
Private consumption	-0.9	0.4	0.6	0.4	0.7
Non-Resi. investment	-0.0	-0.0	0.0	0.7	-0.3
Residential investment	0.0	-0.1	0.1	0.0	-0.0
Private inventory	-0.7	-0.1	0.3	-0.4	0.3
Public demand	-0.1	0.5	0.0	0.0	0.3
Public investment	-0.2	0.3	-0.0	-0.0	0.2
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	-2.4	-1.3	1.6	-0.3	1.2

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

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

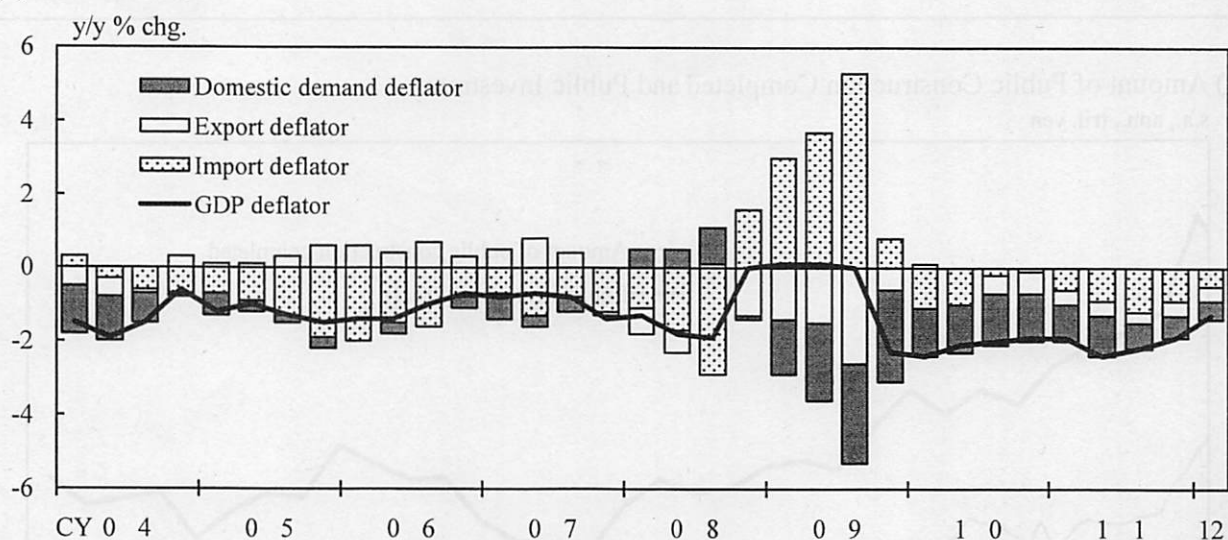


Note: Shaded areas indicate recession periods.

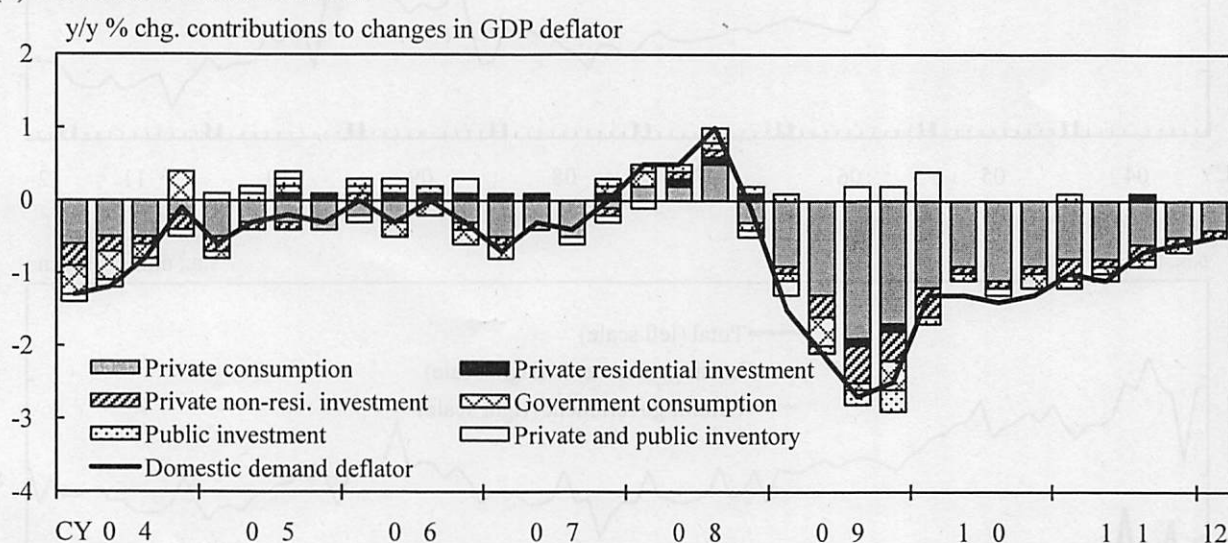
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

## GDP Deflator and Income Formation

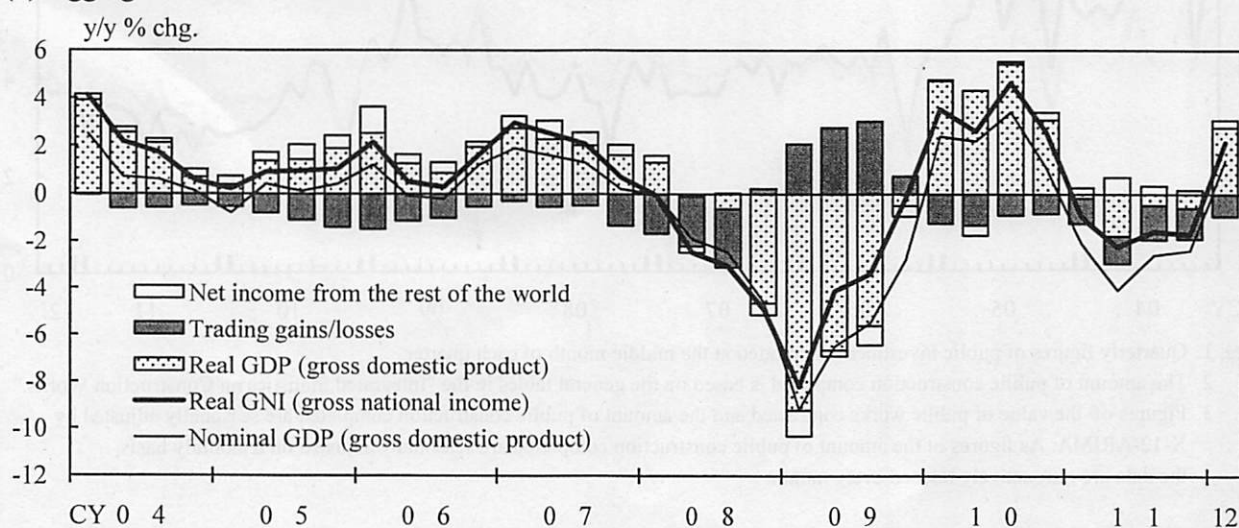
## (1) GDP Deflator



## (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

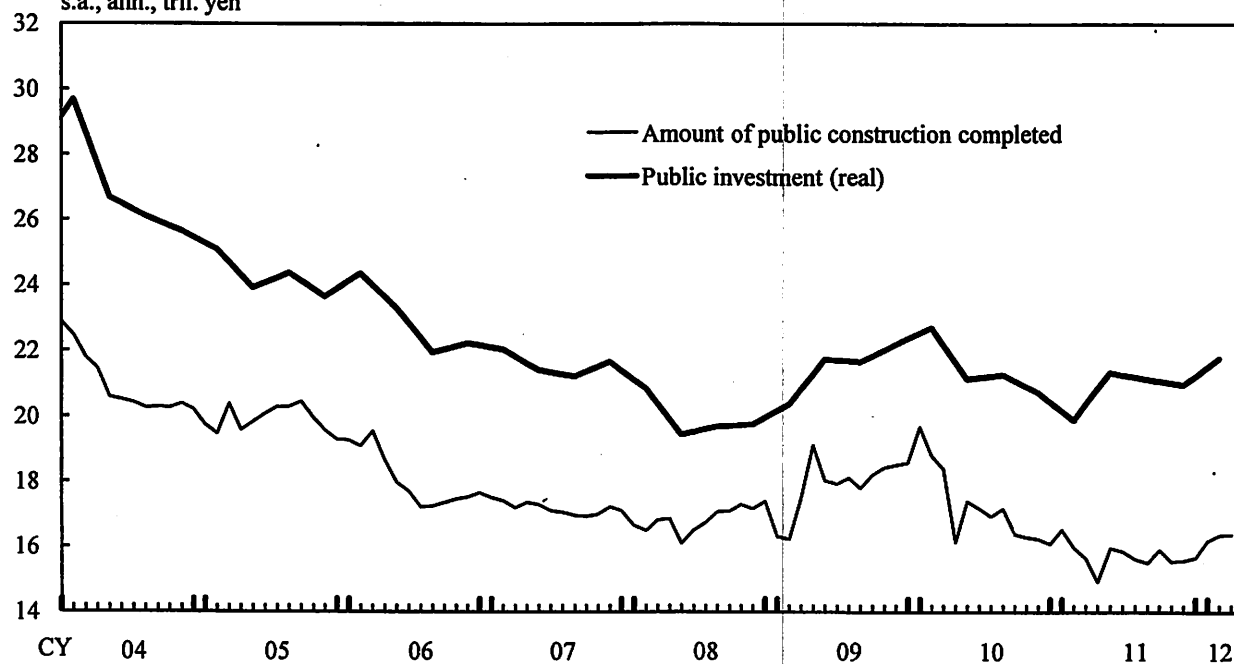
Trading gains/losses = nominal net exports / weighted average of export and import deflators - real net exports

Source: Cabinet Office, "National Accounts."

## Public Investment

## (1) Amount of Public Construction Completed and Public Investment

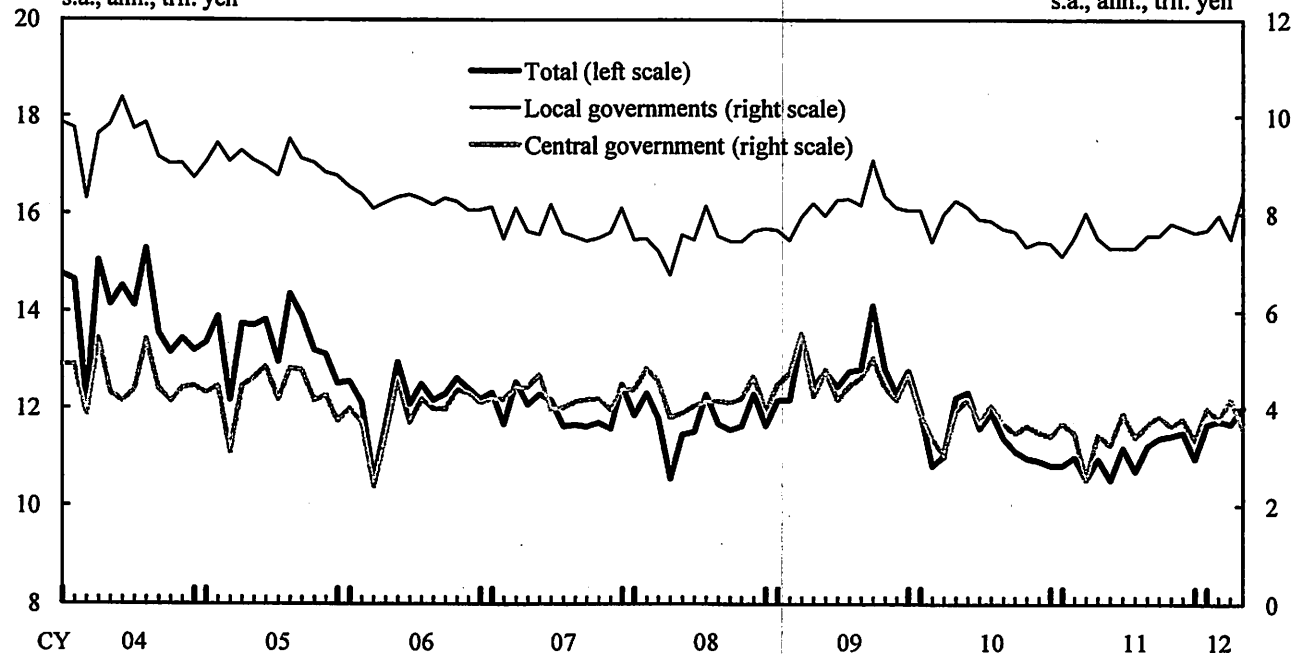
s.a., ann., tril. yen



## (2) Value of Public Works Contracted

s.a., ann., tril. yen

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."

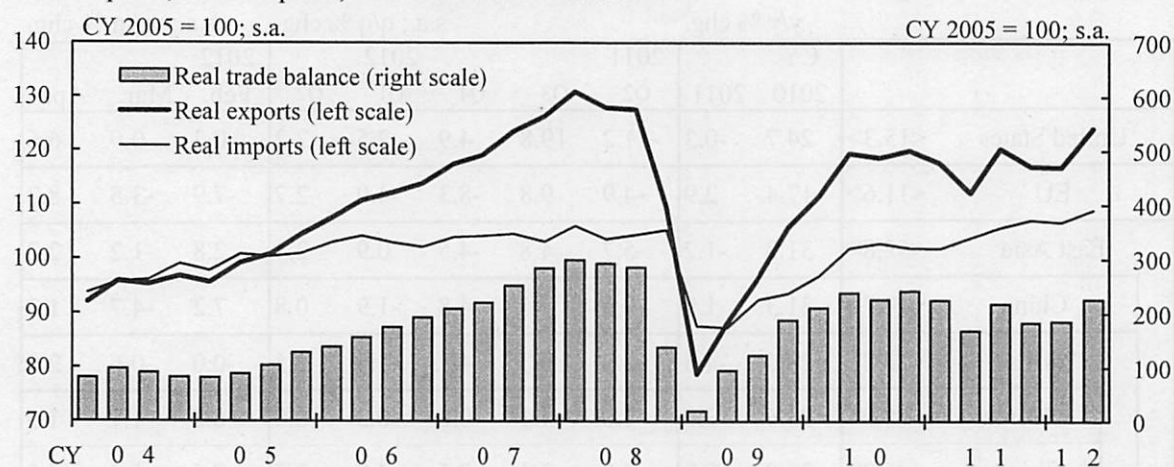
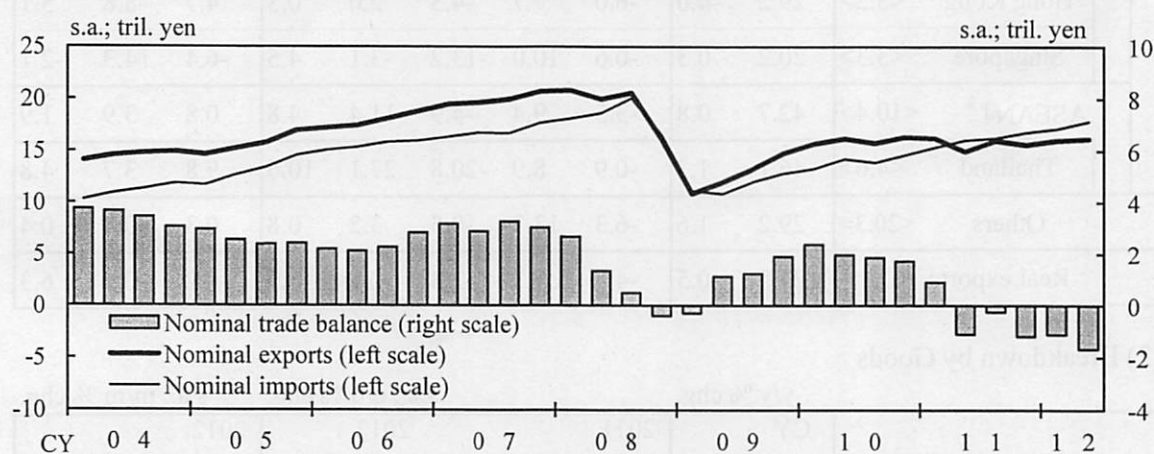
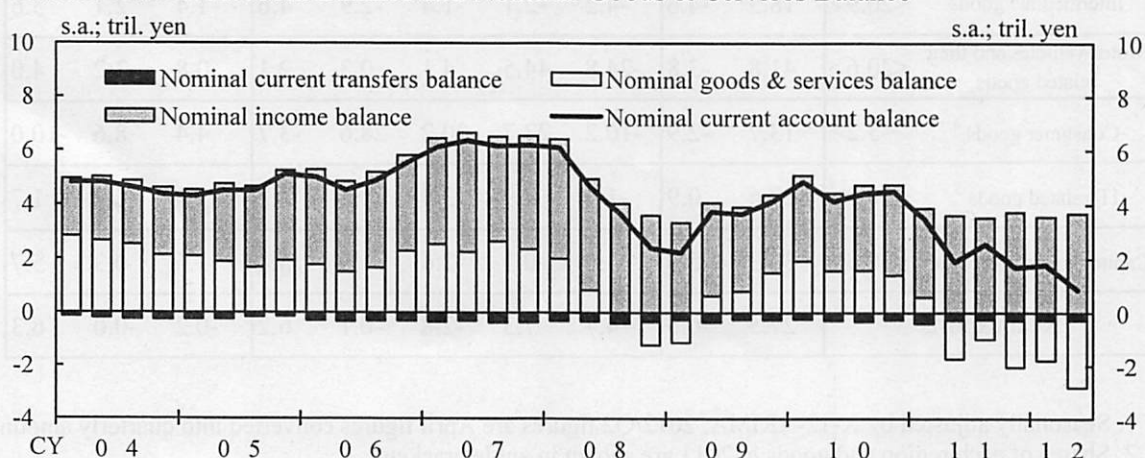
3. Figures of the value of public works contracted and the amount of public construction completed are seasonally adjusted by X-12-ARIMA. As figures of the amount of public construction completed are seasonally adjusted on a monthly basis, the data are retroactively revised every month.

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<sup>1</sup>(1) Real Exports, Real Imports, and Real Trade Balance<sup>2</sup>(2) Nominal Exports, Nominal Imports, and Nominal Trade Balance<sup>3</sup>(3) Nominal Current Account Balance and Nominal Goods & Services Balance<sup>3</sup>

- Notes: 1. Seasonally adjusted by X-12-ARIMA. 2012/Q2 figures are April figures 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 <sup>1</sup>

## (1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2010	2011	2011 Q2	Q3	Q4	2012 Q1	Q2	2012 Feb.	Mar.	Apr.
United States	<15.3>	24.7	-0.3	-11.2	19.8	4.9	2.5	7.2	-0.2	0.9	6.6
EU	<11.6>	17.4	2.9	-4.9	9.8	-8.3	-4.0	2.7	-7.9	-3.5	8.2
East Asia	<52.8>	31.8	-1.2	-5.7	4.8	-4.5	0.9	2.4	2.8	-1.2	2.2
China	<19.7>	31.3	1.9	-9.9	7.5	-4.8	-1.9	0.8	7.2	-4.7	1.7
NIEs	<22.8>	28.0	-4.6	-2.9	0.7	-4.1	-1.5	2.5	-0.0	-0.6	2.9
Korea	<8.0>	23.6	-3.0	1.0	-4.1	-0.8	0.3	0.0	-6.2	1.1	1.5
Taiwan	<6.2>	36.8	-9.3	-6.0	-3.4	-3.6	-4.9	2.5	7.5	-5.5	4.0
Hong Kong	<5.2>	29.2	-4.0	-6.0	7.7	-4.3	2.0	0.3	4.7	-8.8	5.1
Singapore	<3.3>	20.2	0.3	-0.6	10.0	-13.2	-3.1	4.5	-6.4	14.3	-2.1
ASEAN <sup>3</sup>	<10.4>	42.7	0.8	-3.5	9.4	-4.9	11.4	4.8	0.8	3.9	1.9
Thailand	<4.6>	46.1	1.3	-0.9	8.9	-20.8	27.1	10.6	9.8	3.7	4.8
Others	<20.3>	29.2	1.6	-6.3	13.7	-0.5	3.2	0.8	0.3	0.4	0.4
Real exports		27.5	-0.5	-4.7	7.3	-2.8	-0.1	6.2	-0.2	-0.0	6.3

## (2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2010	2011	2011 Q2	Q3	Q4	2012 Q1	Q2	2012 Feb.	Mar.	Apr.
Intermediate goods	<20.9>	18.3	-4.6	-4.2	-2.1	-1.4	-2.9	4.6	-1.4	2.1	3.6
Motor vehicles and their related goods	<20.6>	41.8	-3.8	-24.8	44.5	4.1	0.3	2.1	0.8	-3.2	4.0
Consumer goods <sup>4</sup>	<3.2>	13.7	-2.9	-10.2	23.7	-20.2	28.6	-3.7	4.4	8.6	-10.0
IT-related goods <sup>5</sup>	<10.0>	27.6	0.9	-1.4	4.9	-3.5	1.6	2.2	3.0	-0.7	1.7
Capital goods and parts <sup>6</sup>	<30.3>	36.3	5.0	1.0	-0.1	-2.6	1.0	5.4	-1.6	0.3	5.7
Real exports		27.5	-0.5	-4.7	7.3	-2.8	-0.1	6.2	-0.2	-0.0	6.3

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2012/Q2 figures are April figures 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.

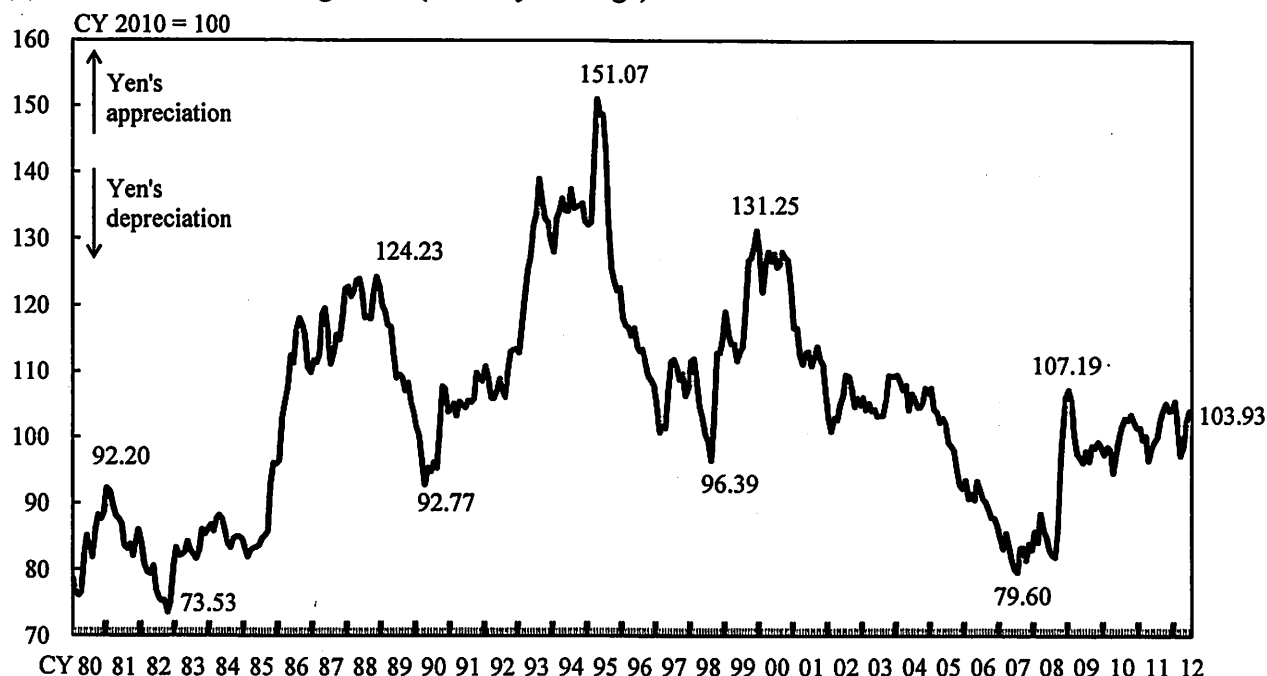
6. Excludes IT-related goods, power generating machinery, and parts of motor vehicles.

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 May and June (up to June 13) 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	2011 Q2	Q3	Q4	2012 Q1
United States <sup>1</sup>	-3.5	3.0	1.7	1.3	1.8	3.0	1.9
European Union <sup>2</sup>	-4.4	2.1	1.5	0.7	1.0	-1.1	-0.1
Germany <sup>1</sup>	-5.1	3.7	3.0	1.1	2.3	-0.7	2.1
France <sup>1</sup>	-3.0	1.6	1.7	-0.2	1.1	0.3	0.2
United Kingdom <sup>1</sup>	-4.4	2.1	0.7	-0.2	2.3	-1.2	-1.3
East Asia <sup>3</sup>	2.5	9.2	5.8	4.4	4.9	0.5	9.5
China <sup>1</sup>	9.2	10.4	9.2	9.5	10.0	7.8	7.4
NIEs <sup>1,3</sup>	-1.1	9.0	4.2	1.0	1.0	-0.1	3.8
ASEAN <sup>4,3,4</sup>	-0.3	7.3	3.0	2.6	4.2	-11.7	26.2
Main economies <sup>3</sup>	-0.1	6.8	4.4	3.3	3.7	0.8	6.7

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 <sup>1</sup>

## (1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY		2011		2012			2012		
		2010	2011	Q2	Q3	Q4	Q1	Q2	Feb.	Mar.	Apr.
United States	<8.7>	8.2	-1.0	4.7	-1.0	2.9	1.6	4.8	-6.5	-0.9	7.9
EU	<9.4>	6.4	7.9	6.4	0.7	0.6	-1.3	-0.9	2.1	-1.4	-0.6
East Asia	<41.5>	22.0	9.1	1.1	2.5	1.5	-1.8	0.3	-6.8	5.1	-0.6
China	<21.5>	23.9	12.2	1.4	4.3	2.6	-3.5	3.0	-11.1	10.2	0.5
NIEs	<8.6>	21.6	5.9	0.7	-0.7	2.8	-0.3	-1.8	0.2	-2.0	-0.5
Korea	<4.7>	20.9	19.9	3.9	-2.5	3.8	1.6	-7.6	-4.7	2.0	-7.4
Taiwan	<2.7>	21.2	-5.6	-3.8	-0.1	4.1	-3.4	0.9	1.7	-1.8	1.5
Hong Kong	<0.2>	32.8	-5.4	-7.6	5.8	-0.1	23.3	-12.8	125.2	-67.0	56.0
Singapore	<1.0>	22.9	-2.8	2.3	-0.5	2.6	-2.1	14.8	4.4	0.8	12.6
ASEAN4 <sup>3</sup>	<11.5>	18.2	4.8	0.6	1.0	-2.3	1.1	-4.5	-2.4	-0.2	-3.6
Thailand	<2.9>	25.7	4.0	1.7	0.7	-14.9	4.7	4.4	-0.1	3.3	2.2
Others	<40.4>	6.8	-0.3	0.3	1.8	1.2	0.8	5.8	-6.0	3.7	5.4
Real imports		12.0	3.7	2.0	1.9	1.3	-0.4	2.1	-6.8	3.9	2.0

## (2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY		2011		2012			2012		
		2010	2011	Q2	Q3	Q4	Q1	Q2	Feb.	Mar.	Apr.
Raw materials <sup>4</sup>	<39.8>	5.5	-0.2	-0.8	3.5	0.6	2.6	1.4	-3.3	2.3	1.0
Intermediate goods	<15.0>	18.5	8.7	5.3	-2.1	0.7	-6.9	1.8	-8.6	5.1	1.6
Foodstuffs	<8.6>	2.2	1.6	6.2	-2.0	0.6	0.8	-1.9	-9.4	0.9	0.9
Consumer goods <sup>5</sup>	<8.1>	22.7	6.1	-2.6	1.8	-3.3	-0.1	-1.4	-8.6	6.4	-2.4
IT-related goods <sup>6</sup>	<9.8>	26.7	8.1	-1.7	2.5	5.5	0.1	4.3	2.6	-0.4	3.7
Capital goods and parts <sup>7</sup>	<10.4>	19.0	9.5	2.4	4.6	2.5	1.5	4.0	-10.2	9.6	1.5
Excluding aircraft	<10.0>	21.8	10.6	3.0	4.5	1.0	-1.1	3.8	-5.2	6.1	1.6
Real imports		12.0	3.7	2.0	1.9	1.3	-0.4	2.1	-6.8	3.9	2.0

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2012/Q2 figures are April figures 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.

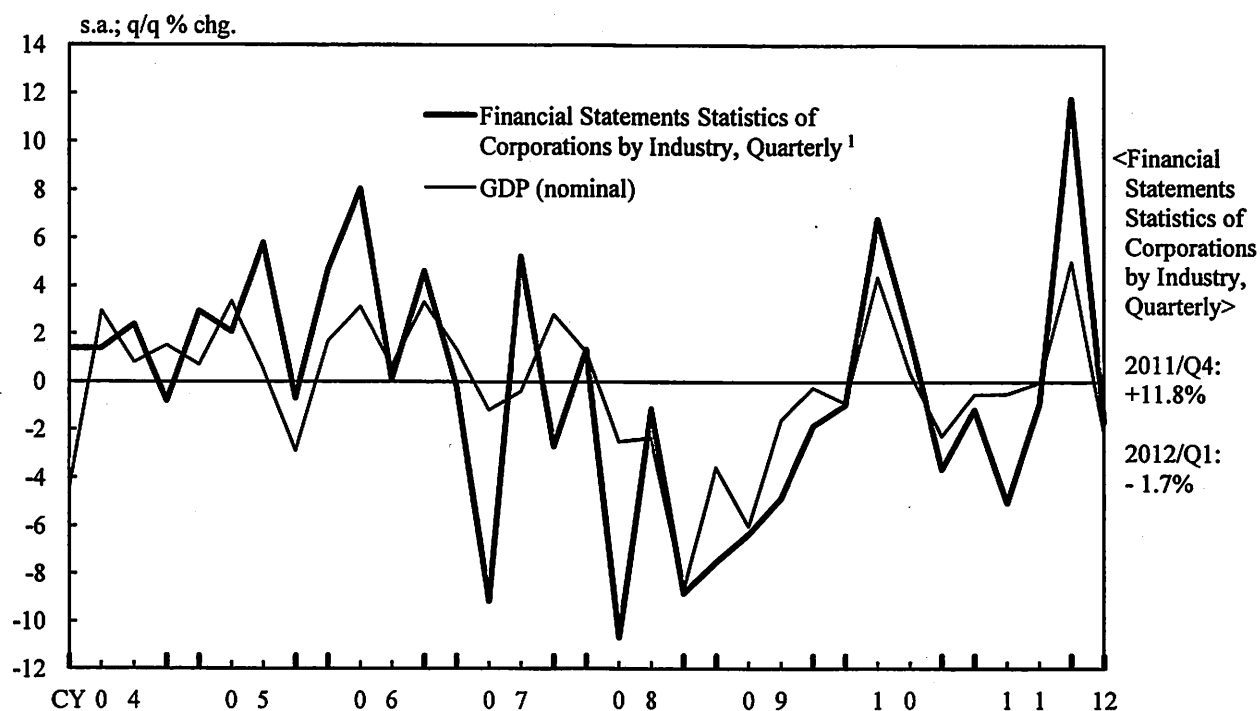
6. IT-related goods are composed of computers and units, parts of computers, telecommunication machinery, ICs, and medical and optical instruments.

7. Excludes IT-related goods.

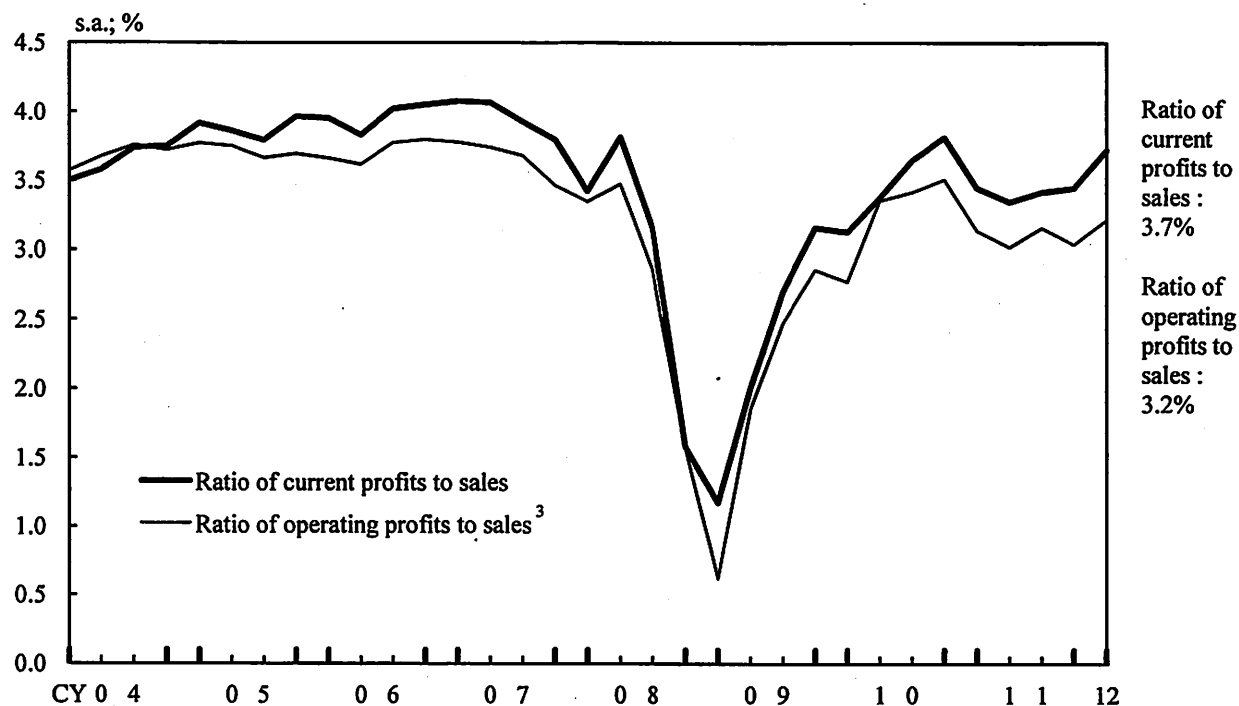
Sources: Ministry of Finance, "Trade Statistics"; Bank of Japan, "Corporate Goods Price Index."

## Business Fixed Investment and Corporate Profits

### (1) Business Fixed Investment



### (2) Corporate Profits (Ratio of Profits to Sales)<sup>1,2</sup>



Notes: 1. All enterprises excluding "Finance and Insurance."

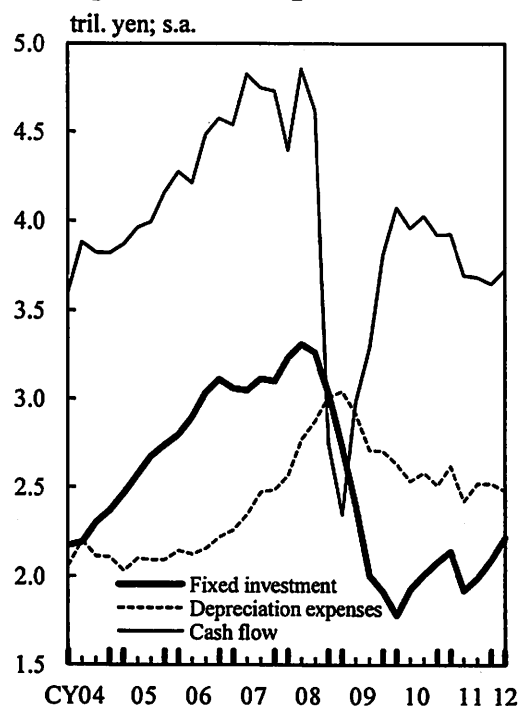
2. Based on the "Financial Statements Statistics of Corporations by Industry, Quarterly."

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

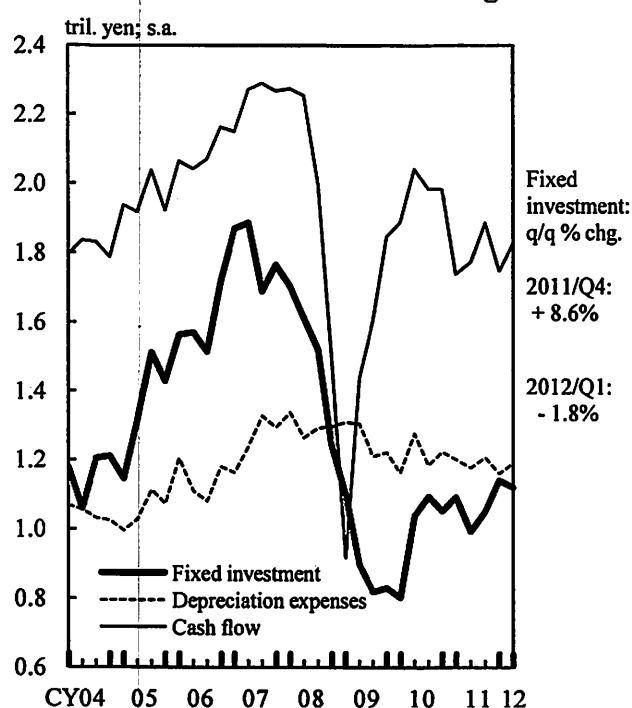
Sources: Cabinet Office, "National Accounts"; Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

## Business Fixed Investment by Industry and Size

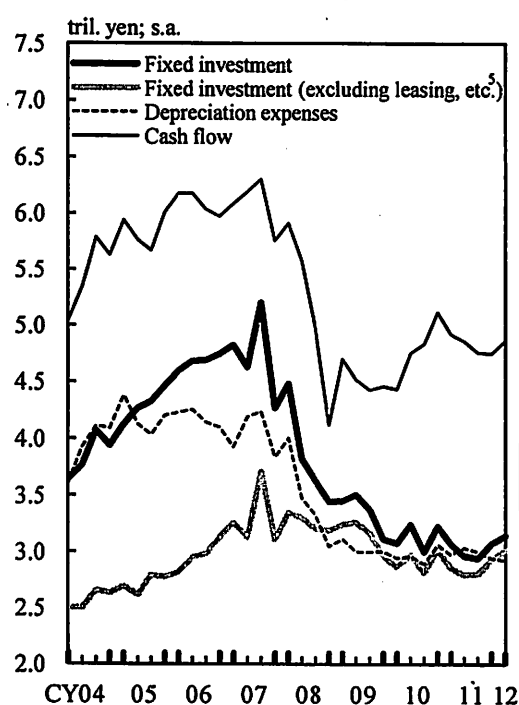
(1) Large Manufacturing Firms



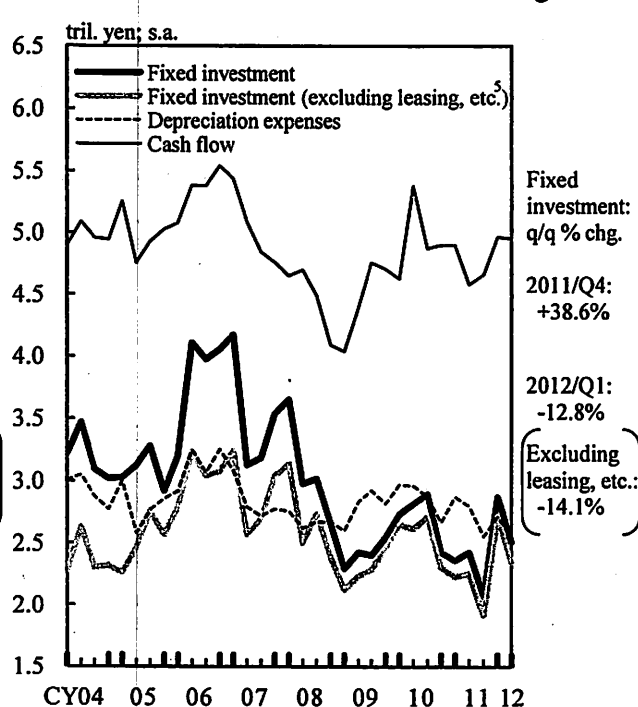
(2) Medium-Sized and Small Manufacturing Firms



(3) Large Nonmanufacturing Firms



(4) Medium-Sized and Small Nonmanufacturing Firms



Notes: 1. "Large firms" refers to firms with capital stock of 1 billion yen or more, and "medium-sized and small firms" refers to firms with capital stock of 10 million or more but less than 1 billion yen.

2. Cash flow = current profits / 2 + depreciation expenses.

3. Seasonally adjusted by X-12-ARIMA.

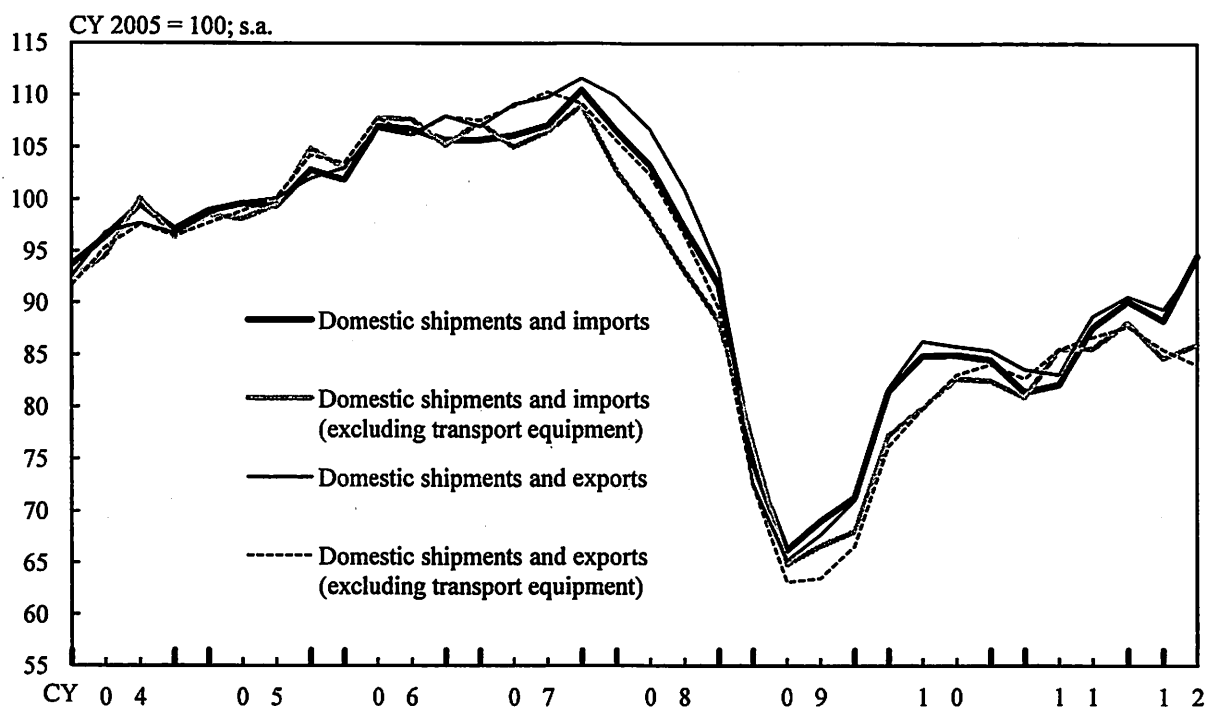
4. Excluding "Finance and Insurance."

5. Up to 2004/Q1, excluding "Business Services." From 2004/Q2, excluding "Goods rental and Leasing."

Source: Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

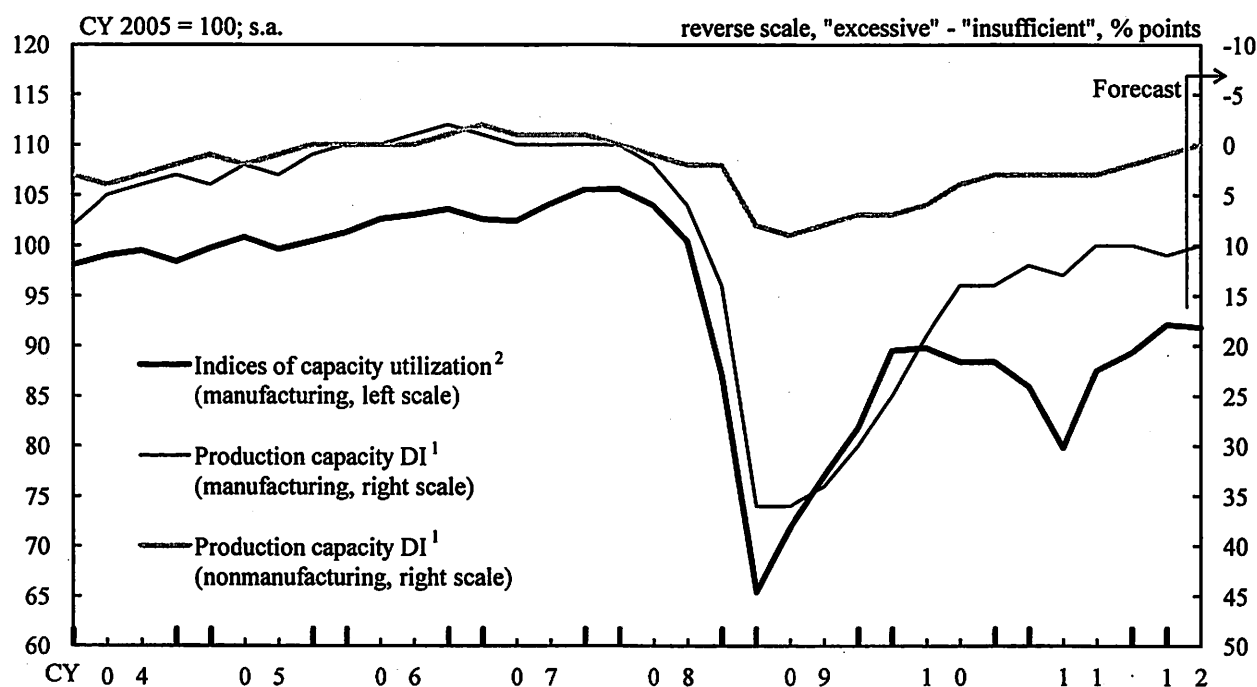
## Coincident Indicators of Business Fixed Investment

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



Note: Figures for 2012/Q2 are those of April.

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



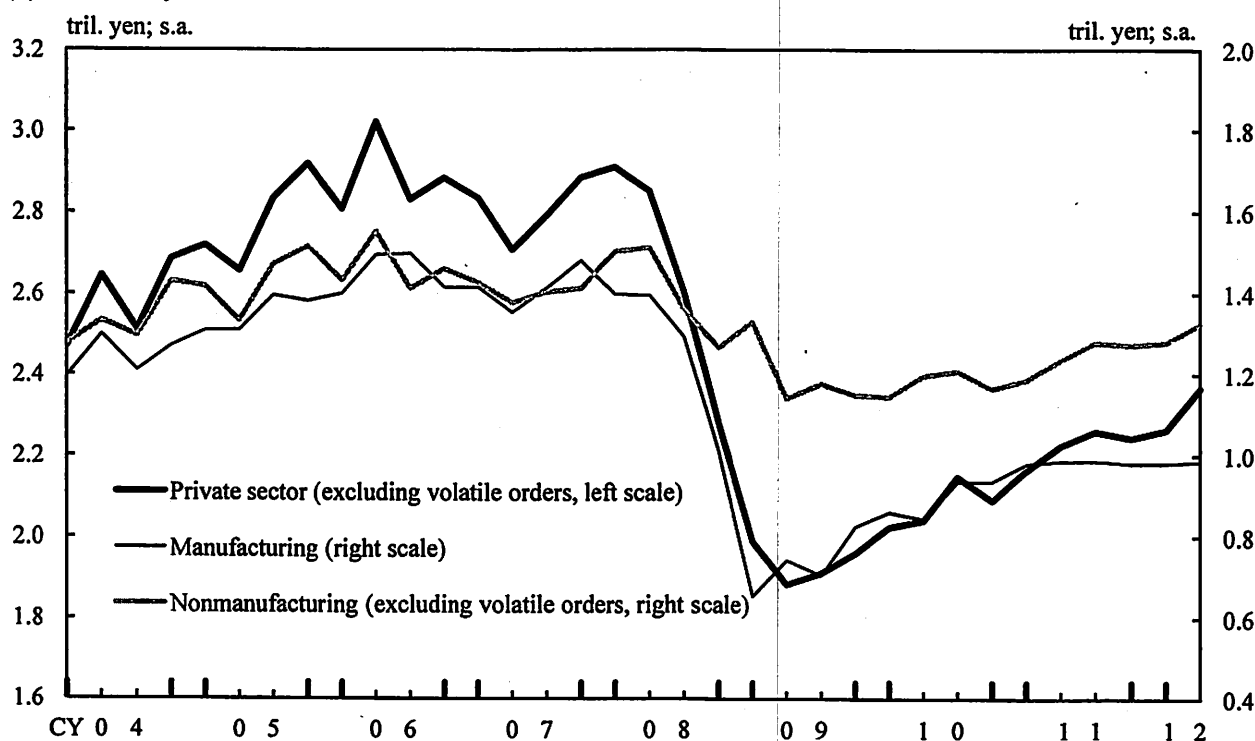
Notes: 1. Production capacity DIs are those of all enterprises.

2. The figure for 2012/Q2 is that of April.

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

## Leading Indicators of Business Fixed Investment

## (1) Machinery Orders

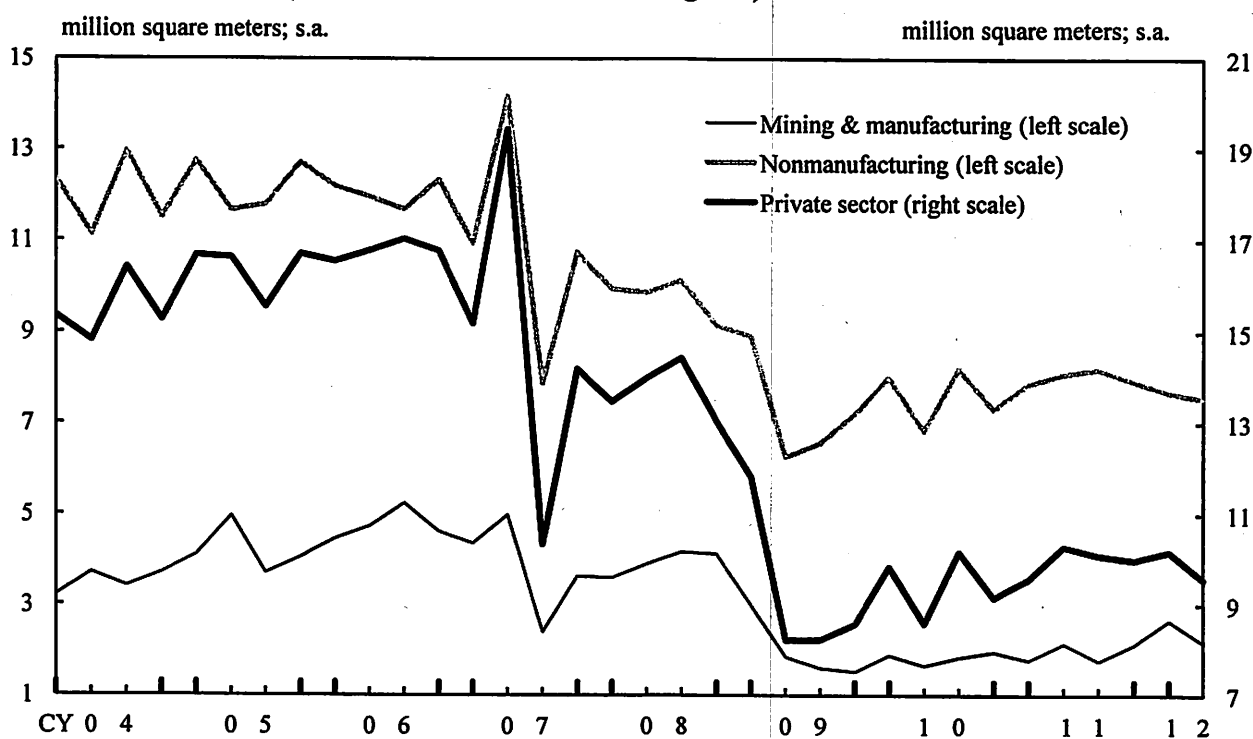


Notes: 1. Figures up to FY 2004 are estimated by the Cabinet Office.

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

3. Figures for 2012/Q2 are those of April in quarterly amount.

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



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

2. Figures for 2012/Q2 are those of April in quarterly amount.

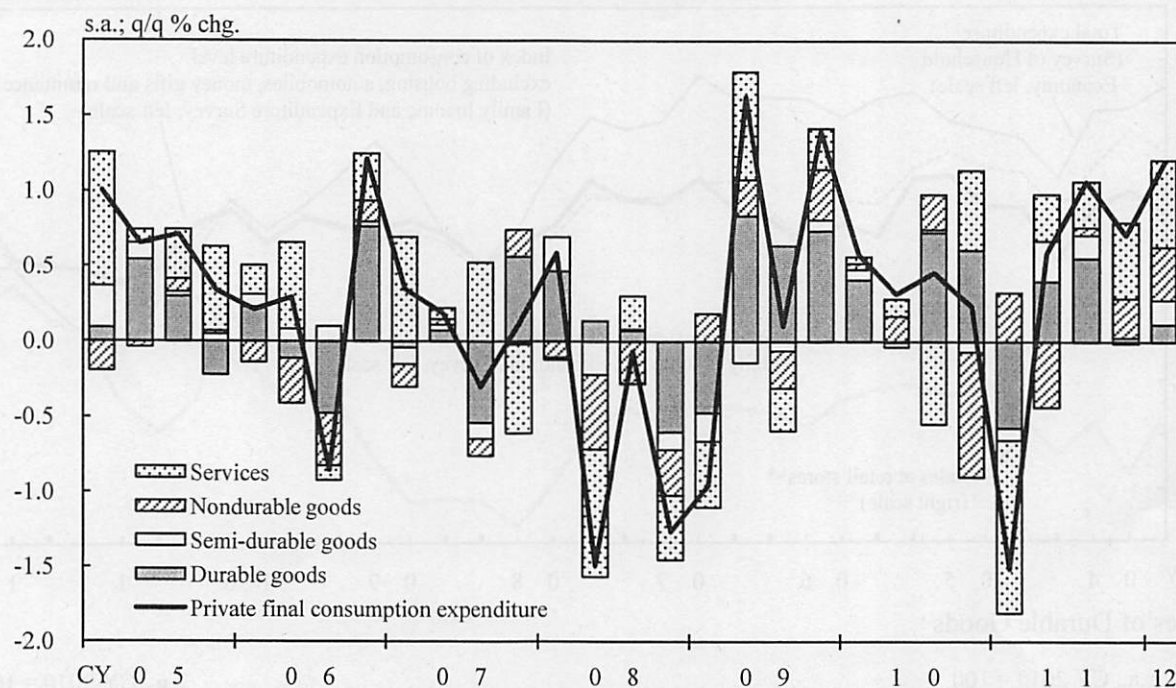
Sources: Cabinet Office, "Orders Received for Machinery";

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

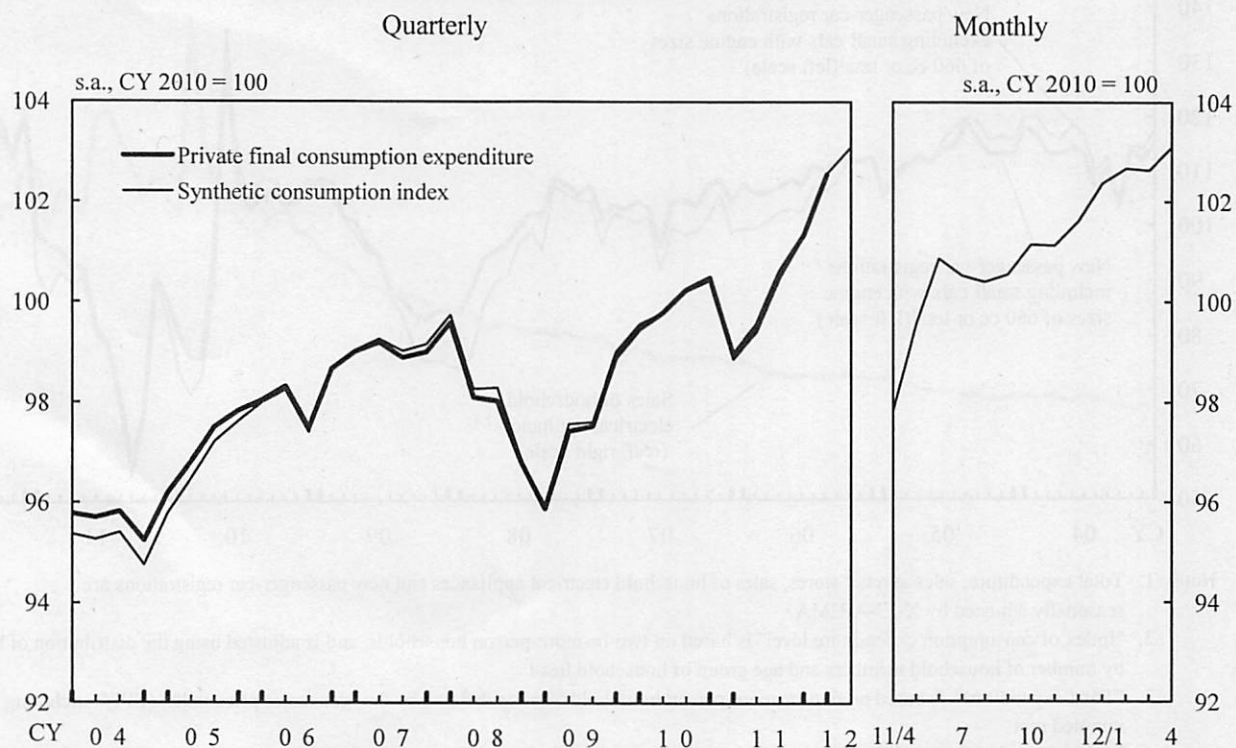


## Indicators of Private Consumption (1)

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



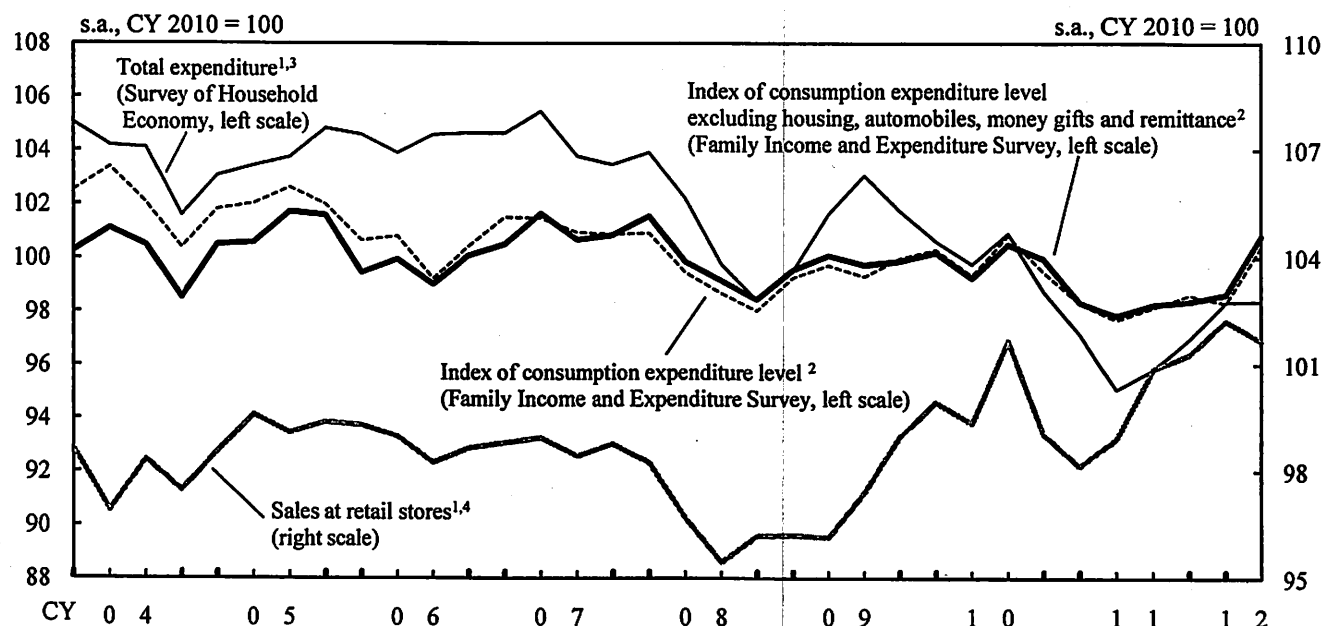
## (2) Private Final Consumption Expenditure and Synthetic Consumption Index (Real)



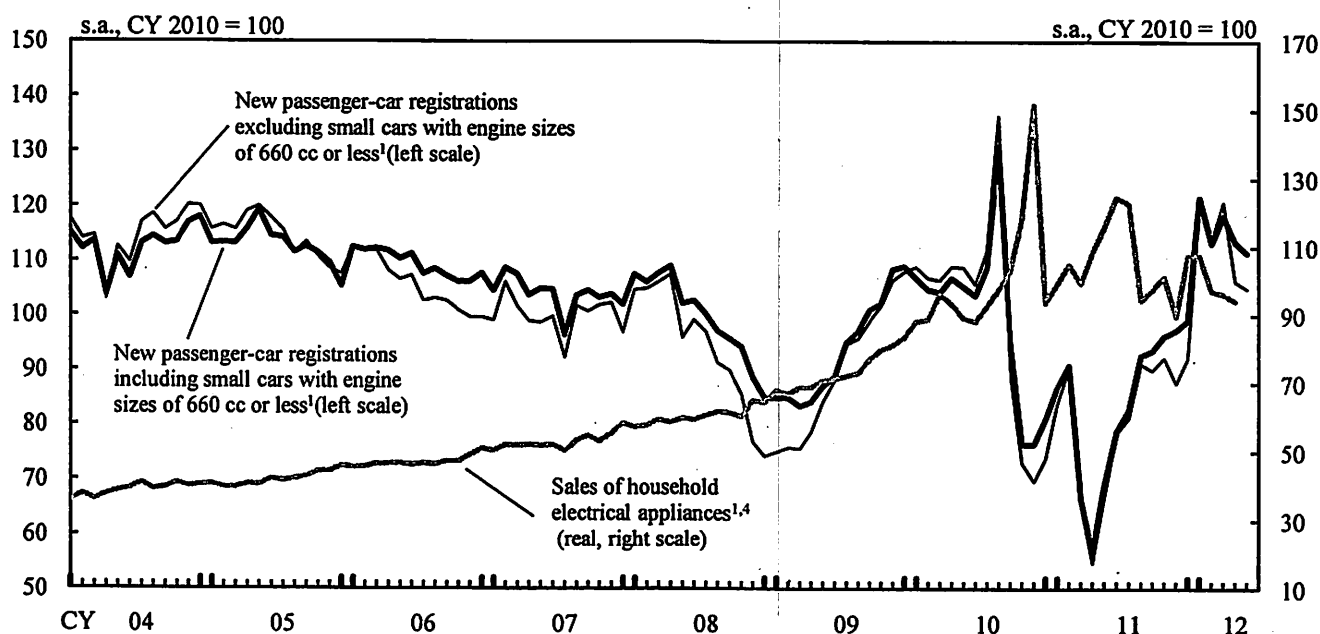
Note: The figure of the synthetic consumption index for 2012/Q2 is that of April in quarterly amount.

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

## Indicators of Private Consumption (2)

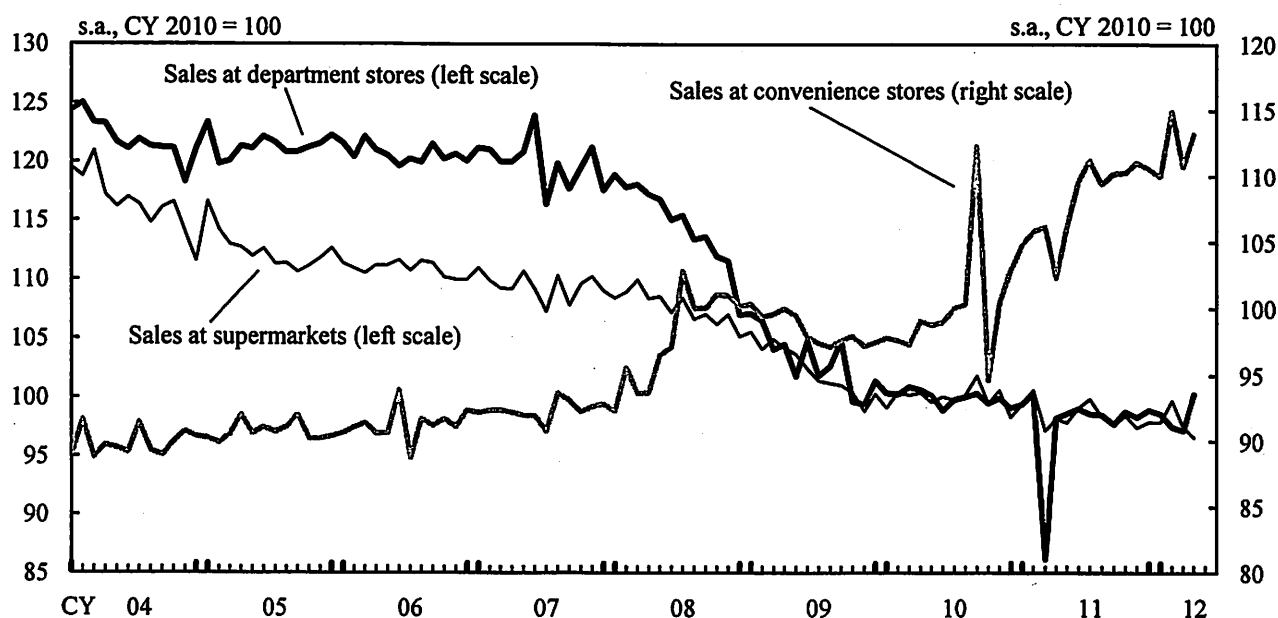
(1) Household Spending (Real)<sup>5</sup>

## (2) Sales of Durable Goods

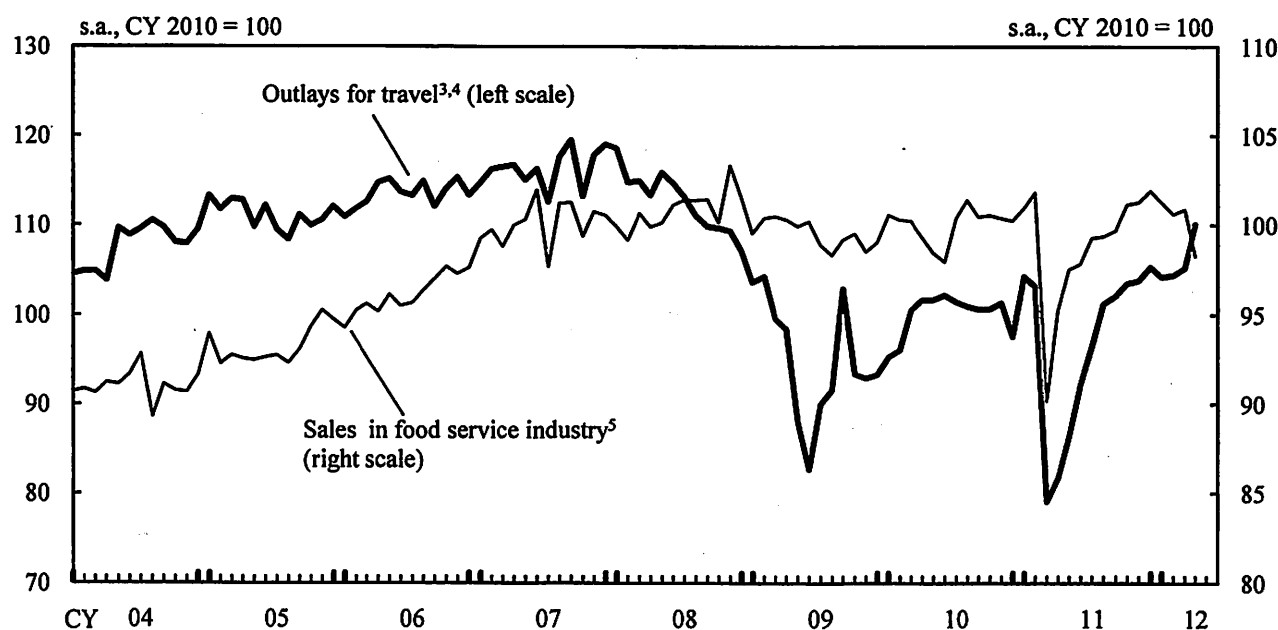


- Notes: 1. Total expenditure, sales at retail stores, sales of household electrical appliances and new passenger-car registrations are seasonally adjusted by X-12-ARIMA.
2. "Index of consumption expenditure level" is based on two-or-more-person households, and is adjusted using the distribution of household 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/Q2 are those of April 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 Consumption<sup>1</sup> (3)(1) Sales at Retail Stores (Nominal)<sup>2</sup>

## (2) Consumption of Services (Nominal)



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

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

3. Excluding those by foreign travelers.

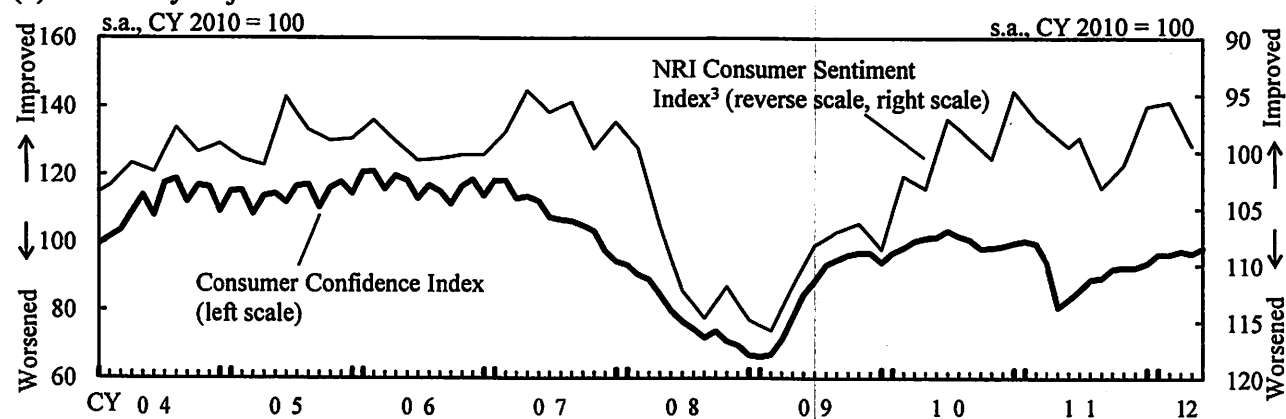
4. There are discontinuities in the underlying data as of April 2007 and April 2010 due to changes in the sample. Data from April 2007 and onward are calculated using the year-on-year rates of change.

5. "Sales 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.

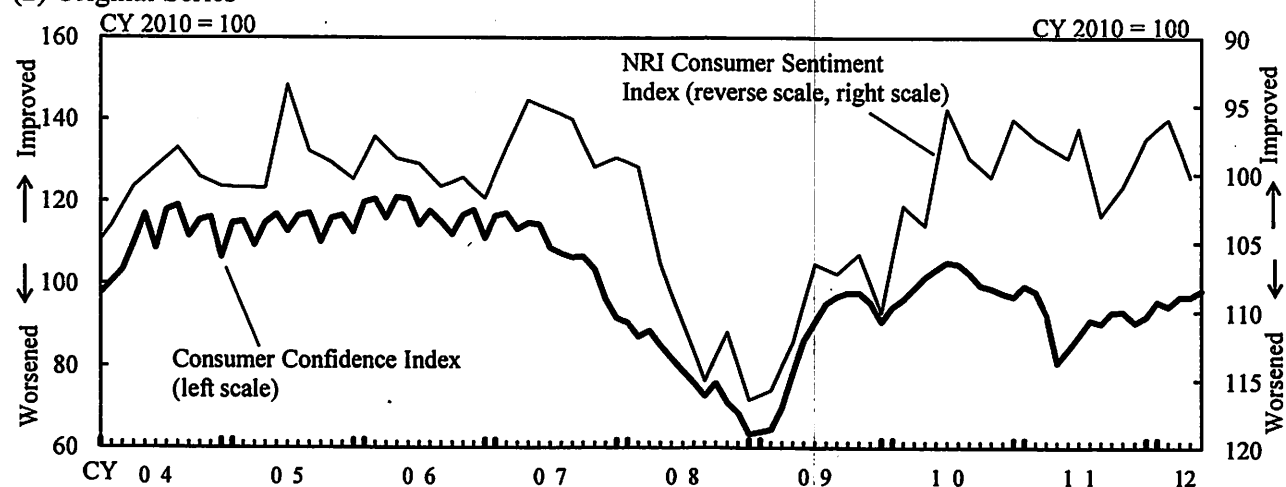
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce"; Japan Tourism Agency, "Major Travel Agents' Revenue"; Food Service Industry Survey & Research Center, "Getsuji Uriage Doukou Chousa (Monthly survey of food service sales)"; Japan Food Service Association, "Gaishoku Sangyou Shijou Doukou Chousa (Research on the food service industry)."

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

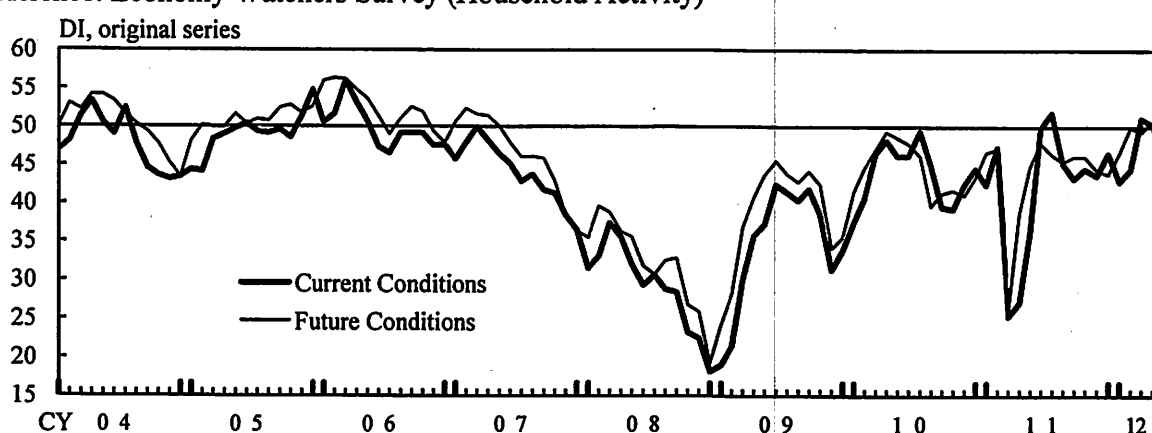
## (1) Seasonally Adjusted Series



## (2) Original Series



## Reference: Economy Watchers Survey (Household Activity)



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

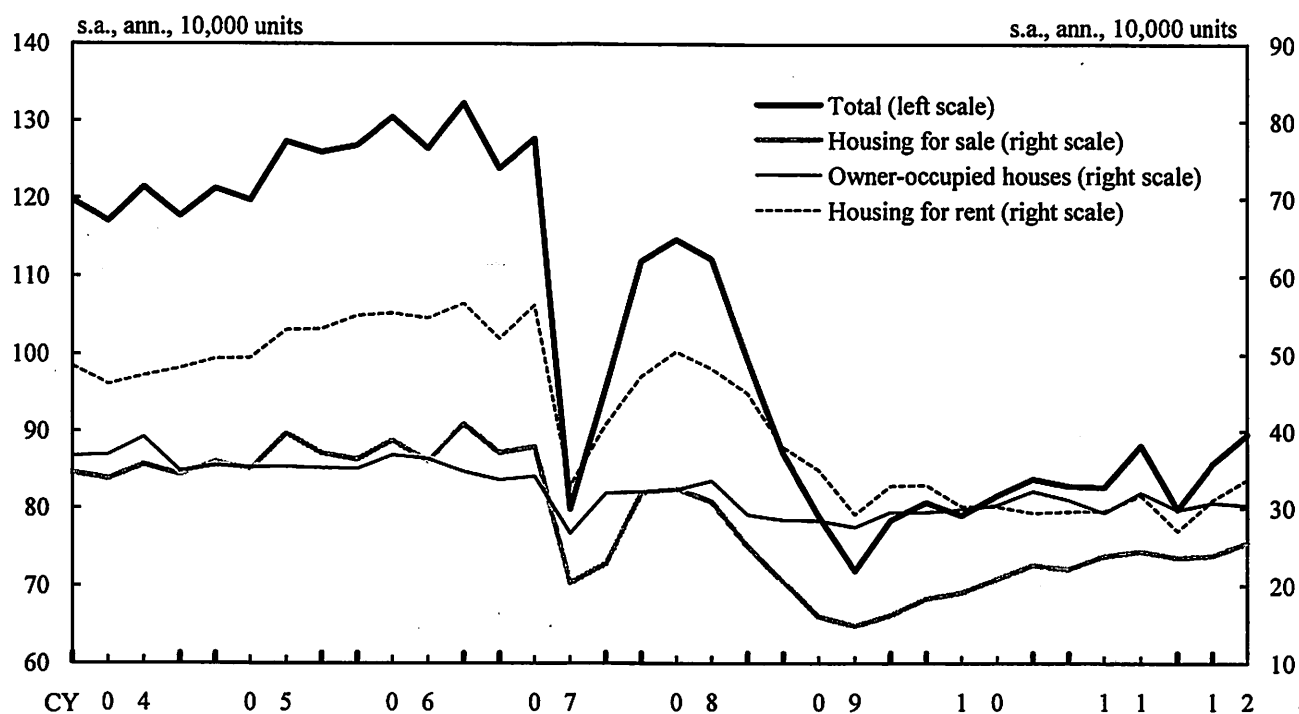
2. Figures are plotted for each surveyed month and the data for the intervening months are linearly interpolated.

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."

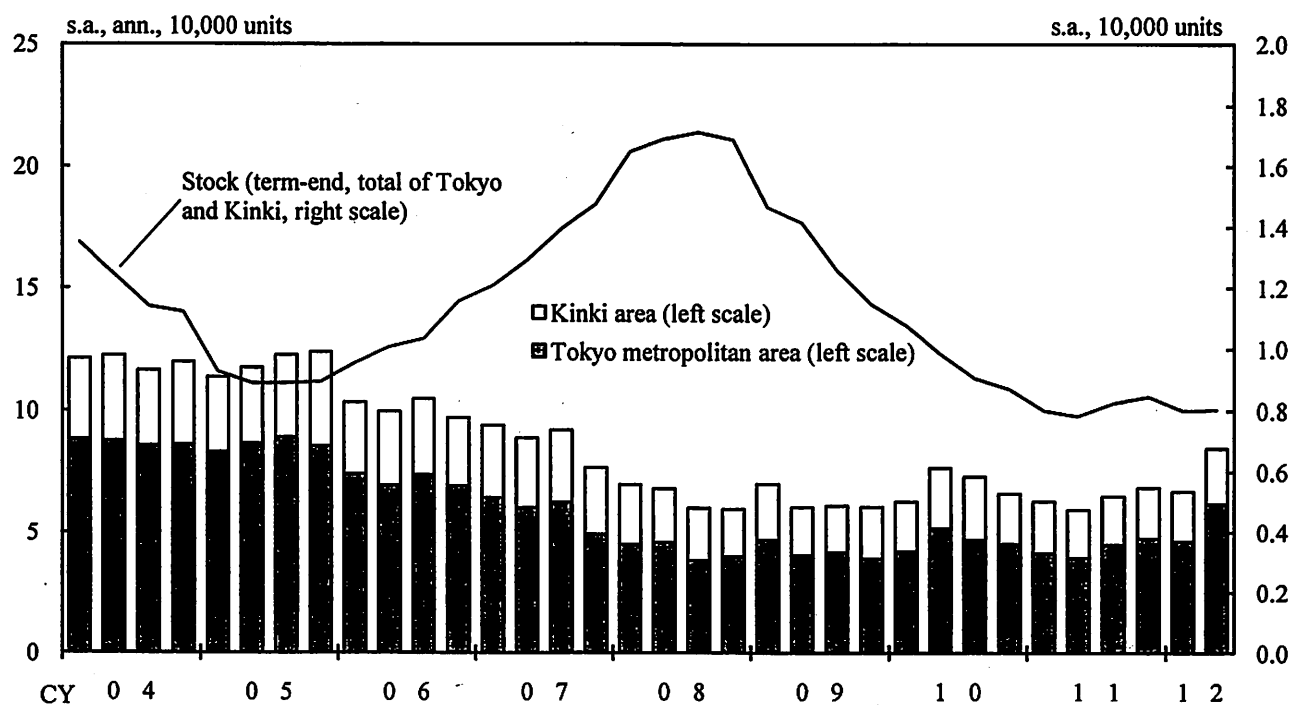
## Indicators of Housing Investment

## (1) Housing Starts



Note: Figures for 2012/Q2 are those of April.

## (2) Sales of Apartments

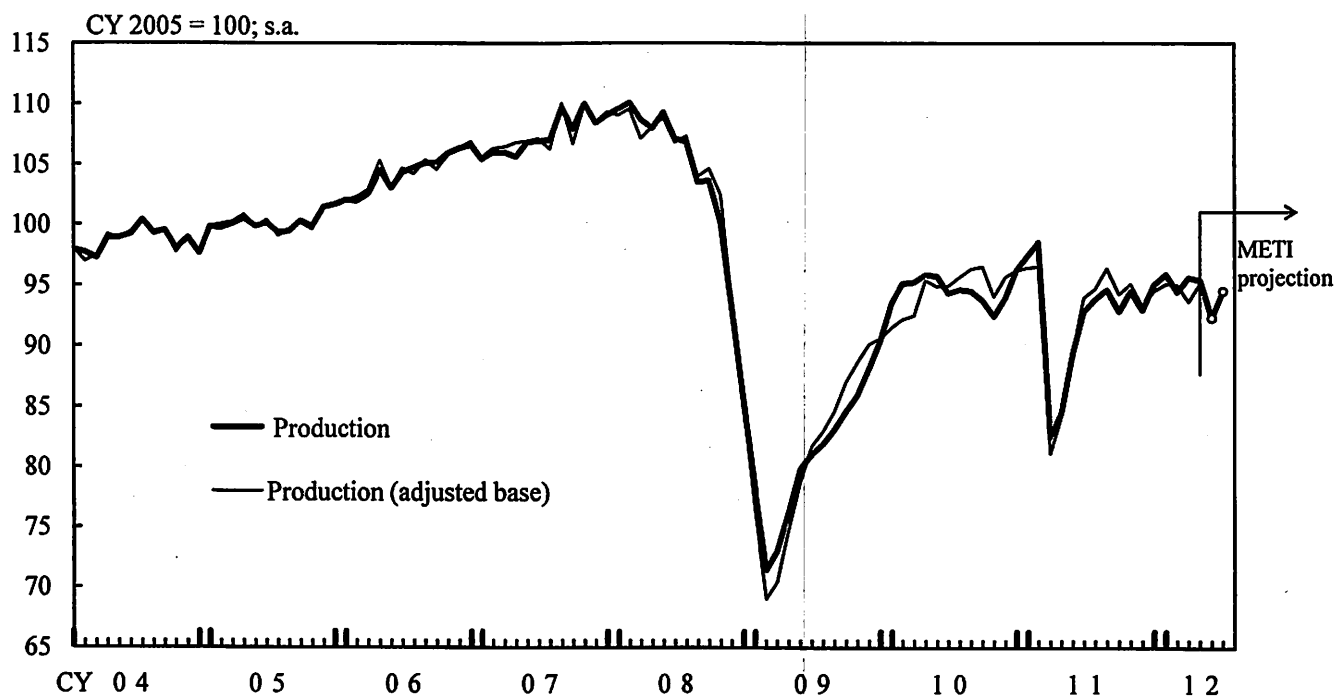


Notes: 1. Seasonally adjusted by X-12-ARIMA.  
 2. Figures for 2012/Q2 are those of April.

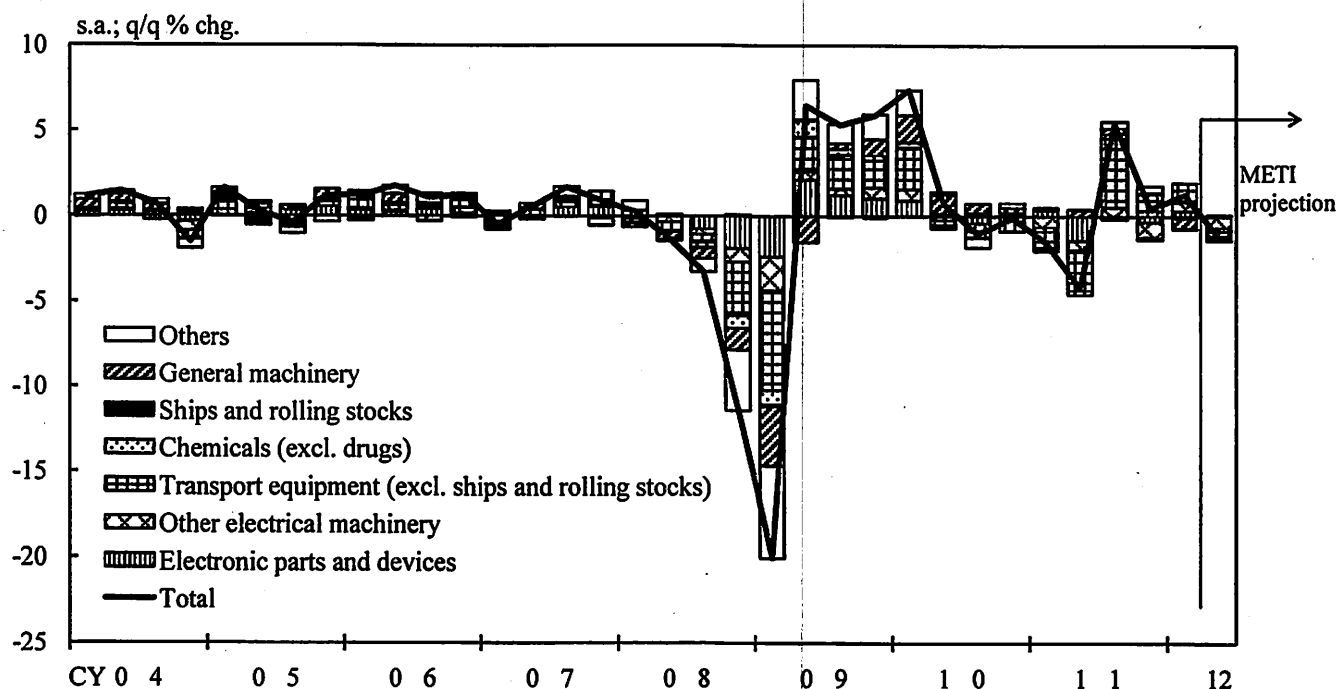
Sources: Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts," etc.

## 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).

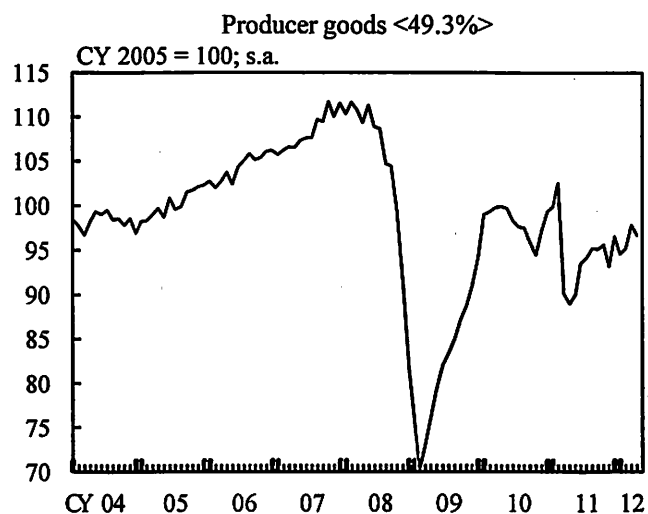
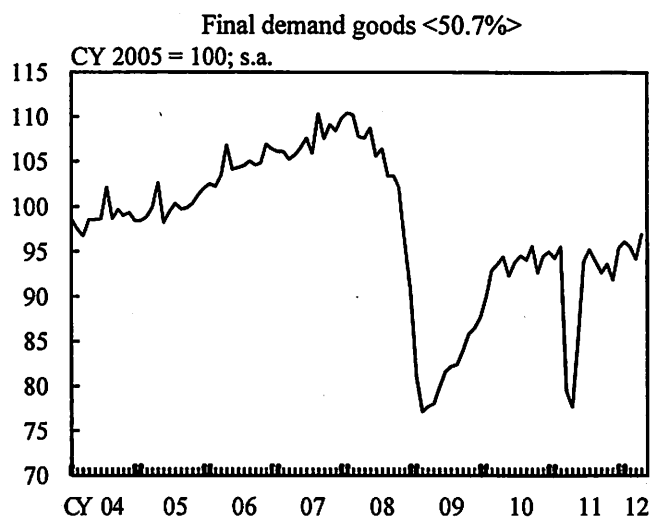
2. "Other electrical machinery" is the weighted sum of "electrical machinery" and "information and communication electronics equipment."

3. 2012/Q2 figures are based on the actual production levels in April, and the METI projection of May and June.

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

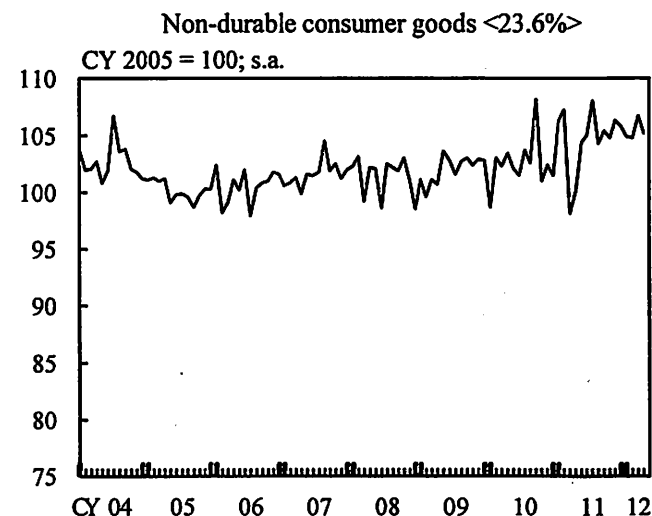
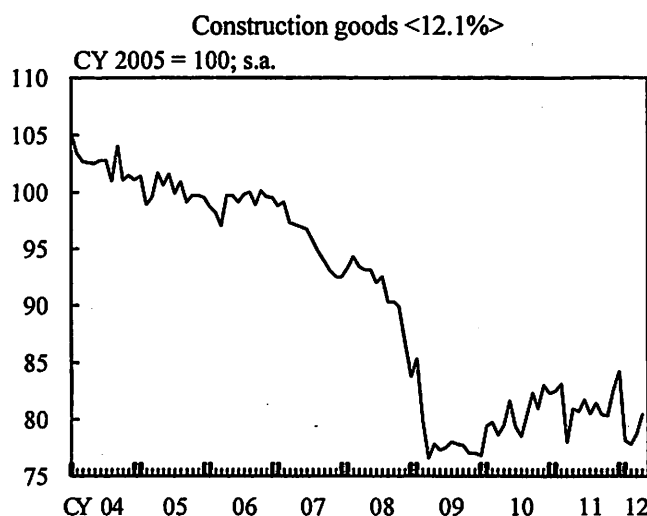
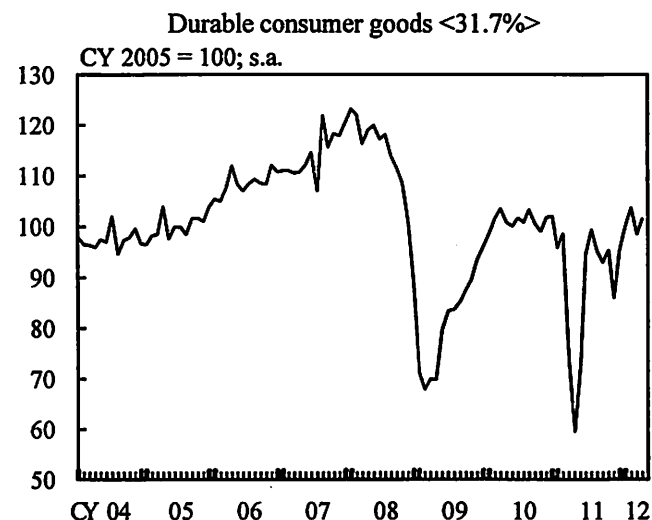
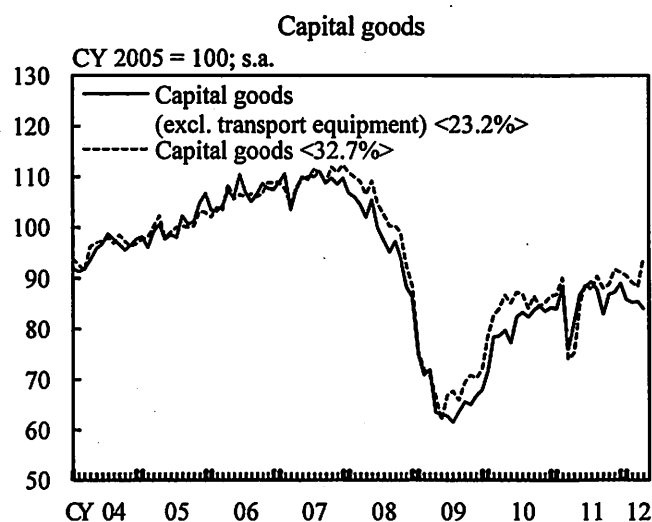
## Shipments by Type of Goods

## (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

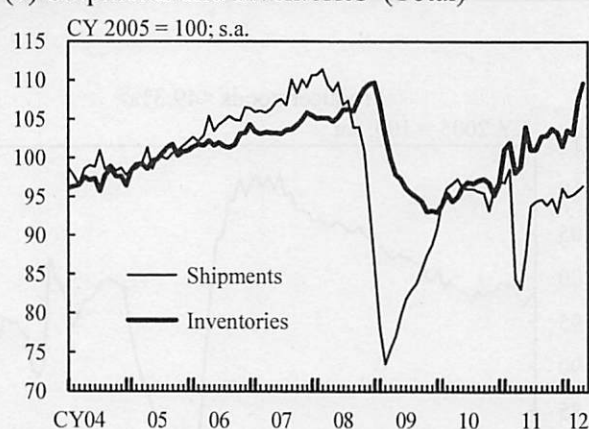


Note: Figures in angle brackets show the shares among shipments of final demand goods.

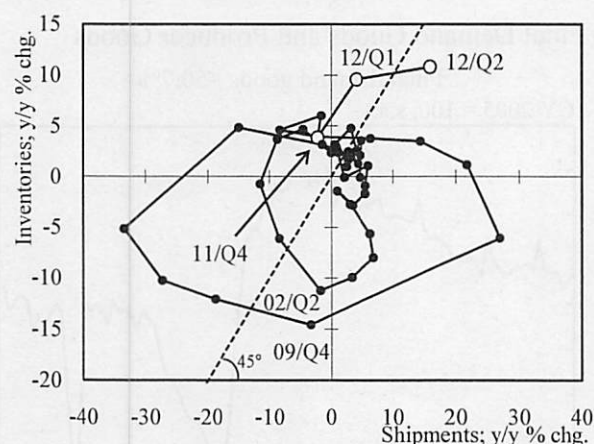
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

## Shipments and Inventories

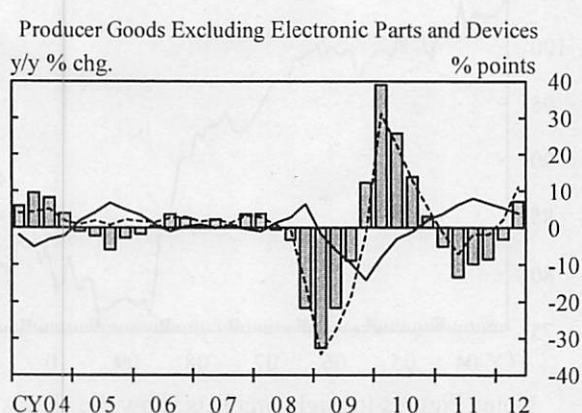
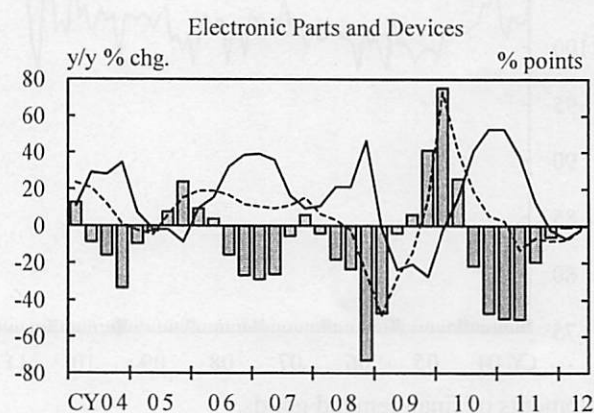
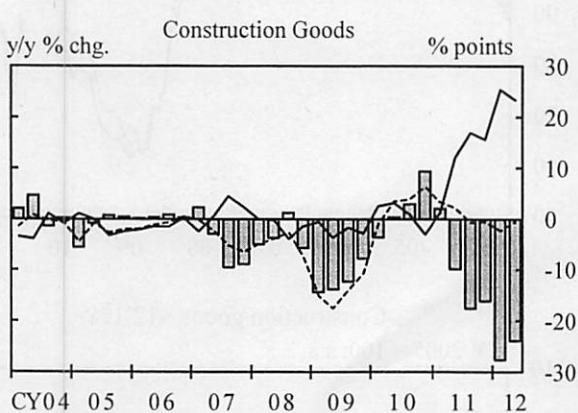
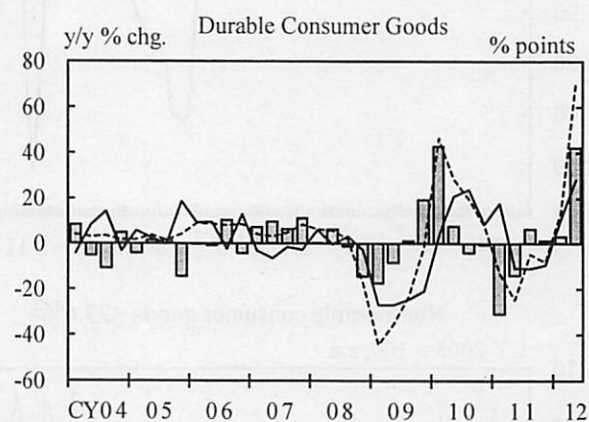
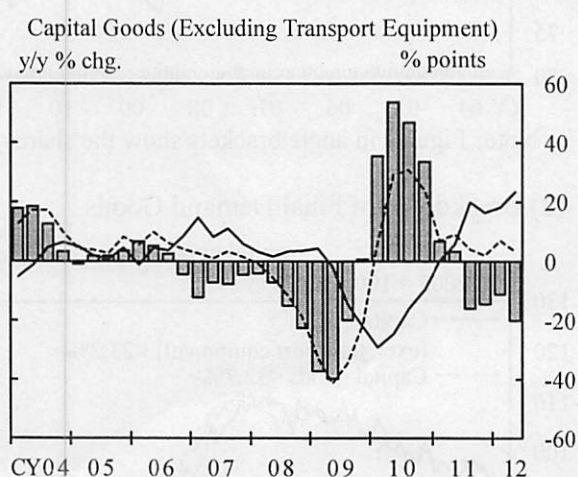
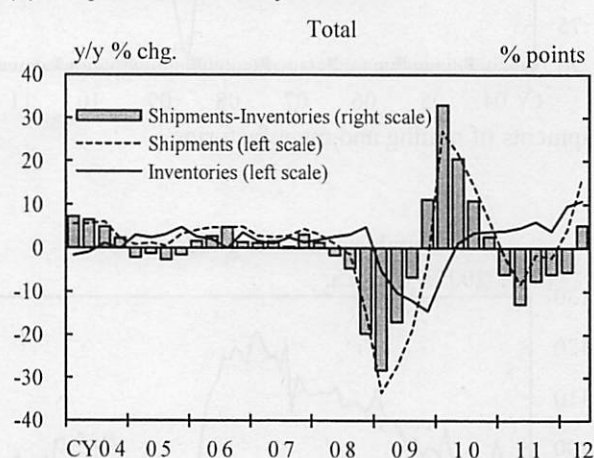
(1) Shipments and Inventories (Total)



(2) Inventory Cycle (Total)



(3) Shipment-Inventory Balance



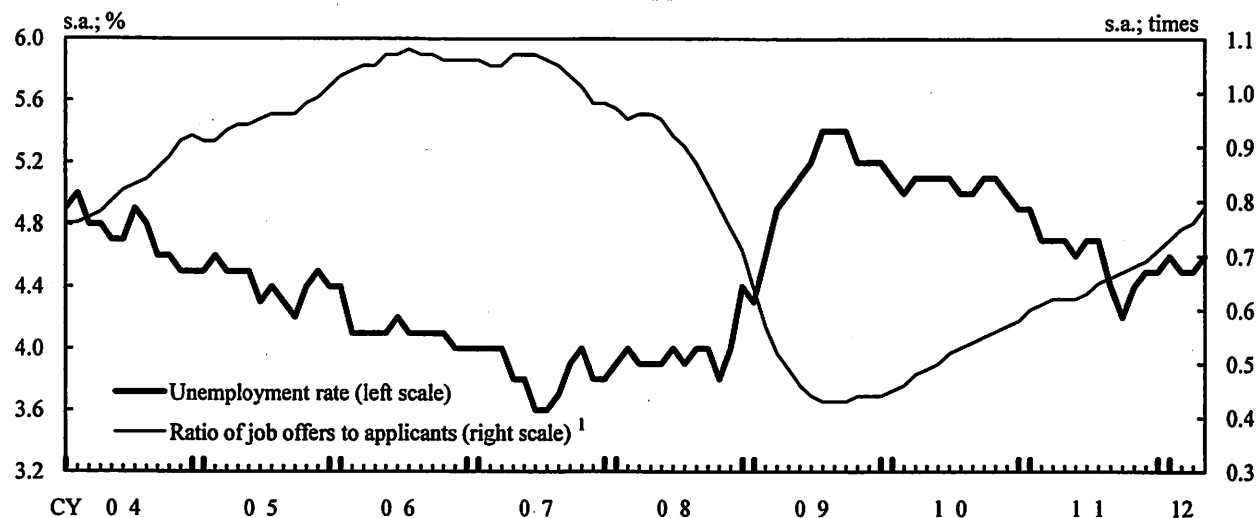
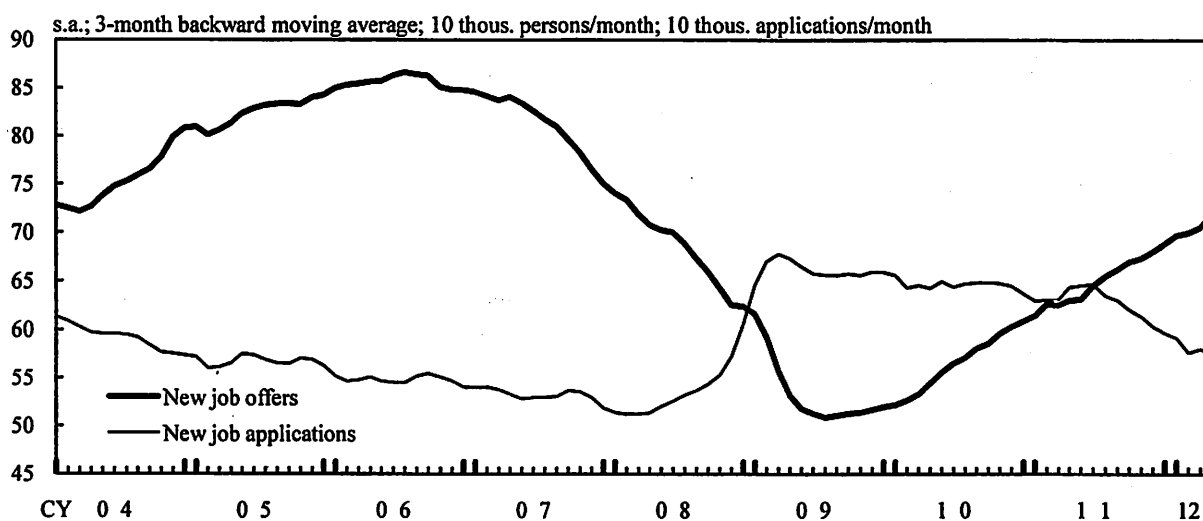
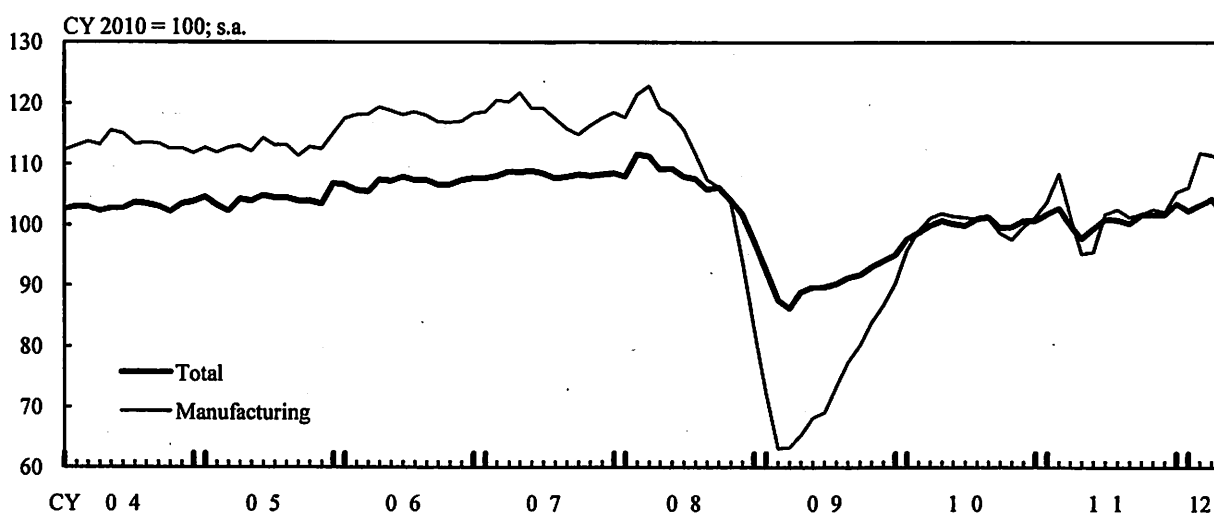
Note: Figures for 2012/Q2 are those of April.

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 Applicants<sup>1</sup>(3) Non-Scheduled Hours Worked<sup>2</sup>

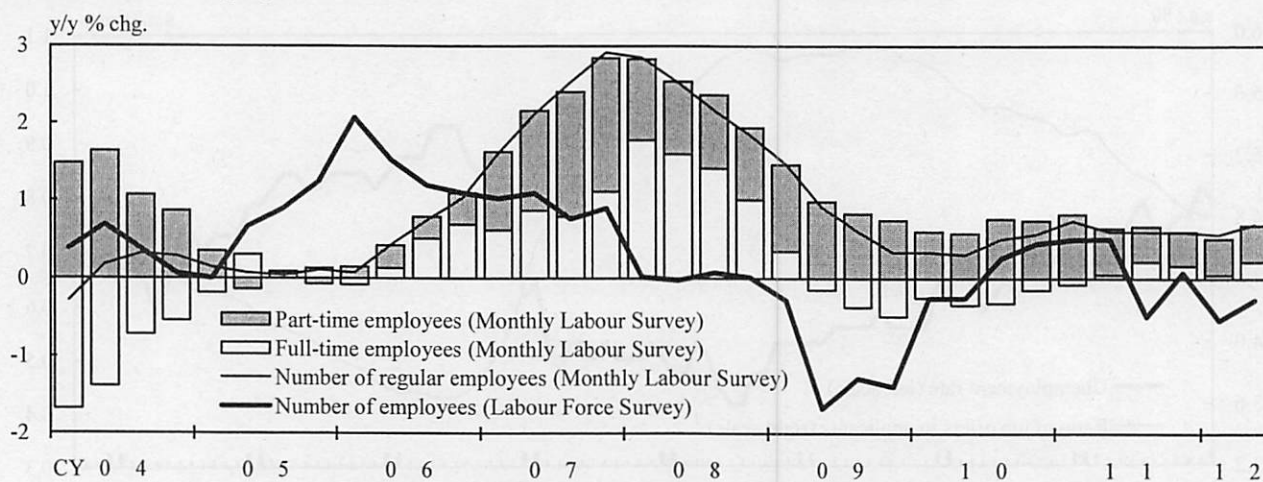
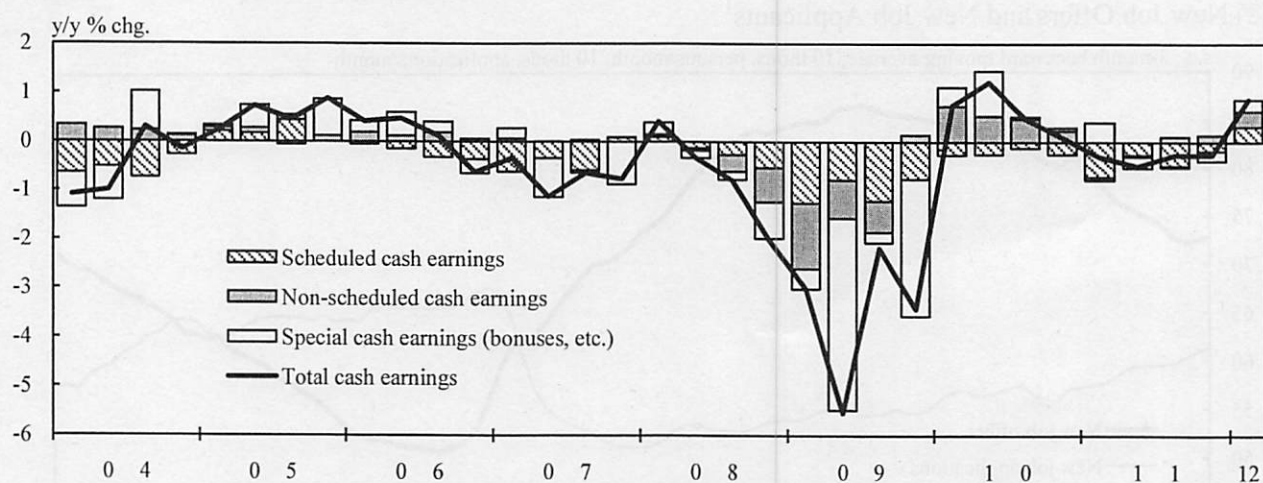
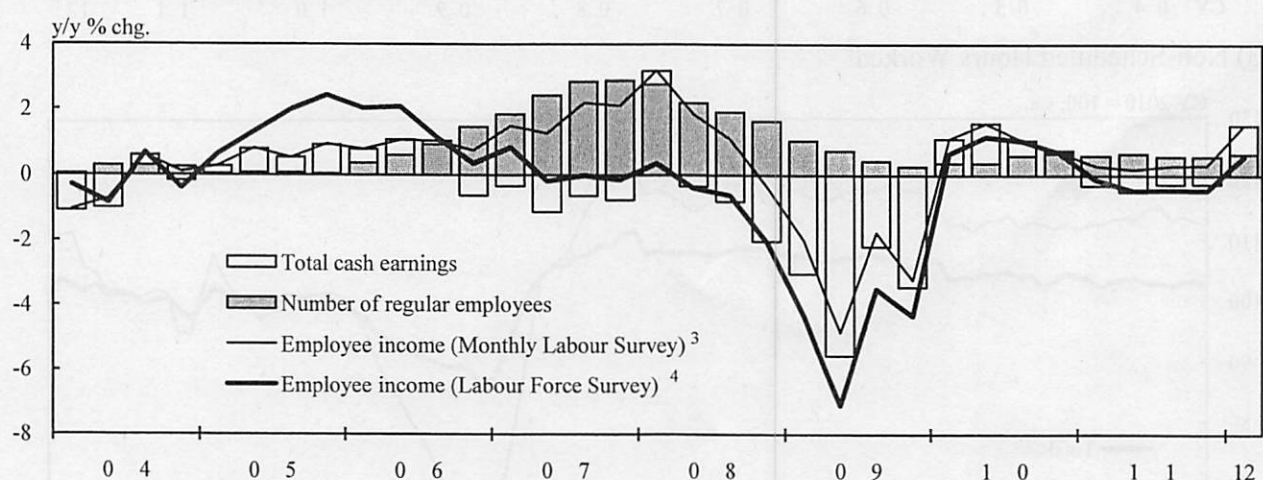
Notes: 1. Figures do not include jobs offered to new graduates, but include those offered to part-time workers.

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 Employees<sup>1,5</sup>(2) Breakdown of Total Cash Earnings<sup>1,2</sup>(3) Breakdown of Employee Income<sup>1,2</sup>

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

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

Figures for 2012/Q1 are March-April averages.

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

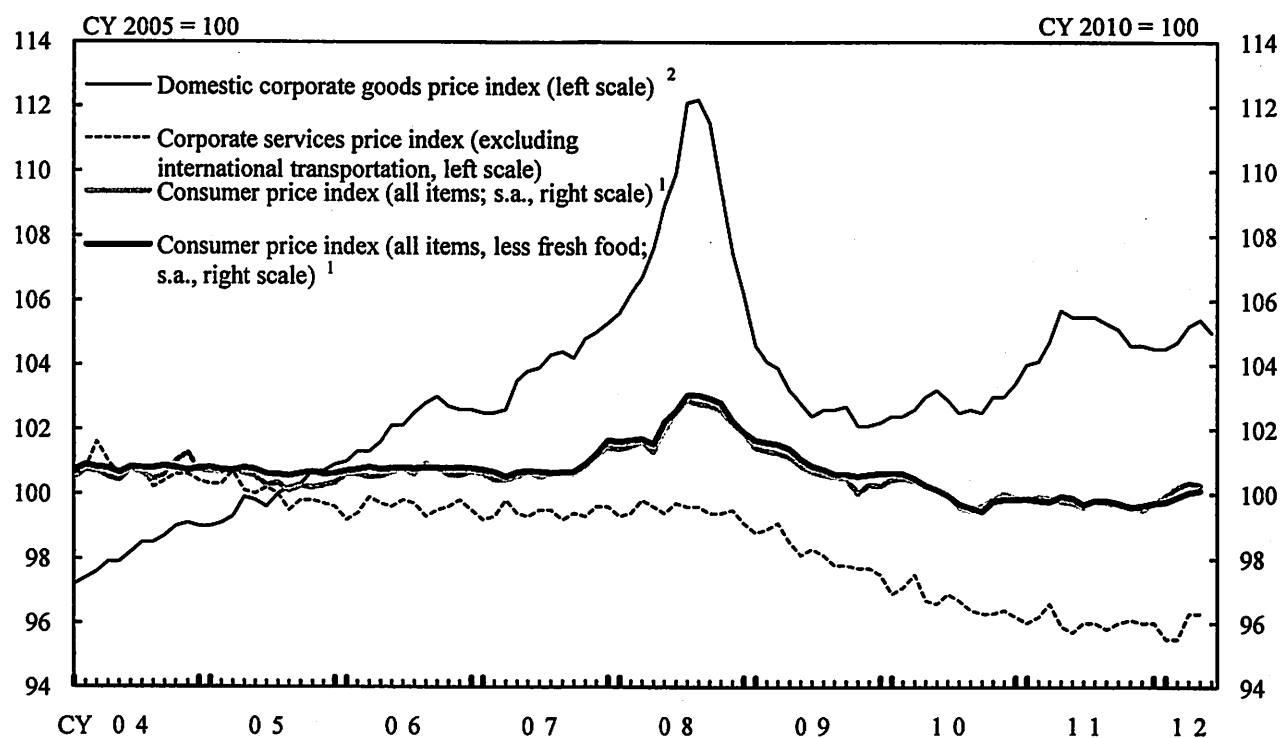
4. Calculated as the "number of employees" (Labour Force Survey) times "total cash earnings" (Monthly Labour Survey).

5. Figures for 2012/Q2 are those of April.

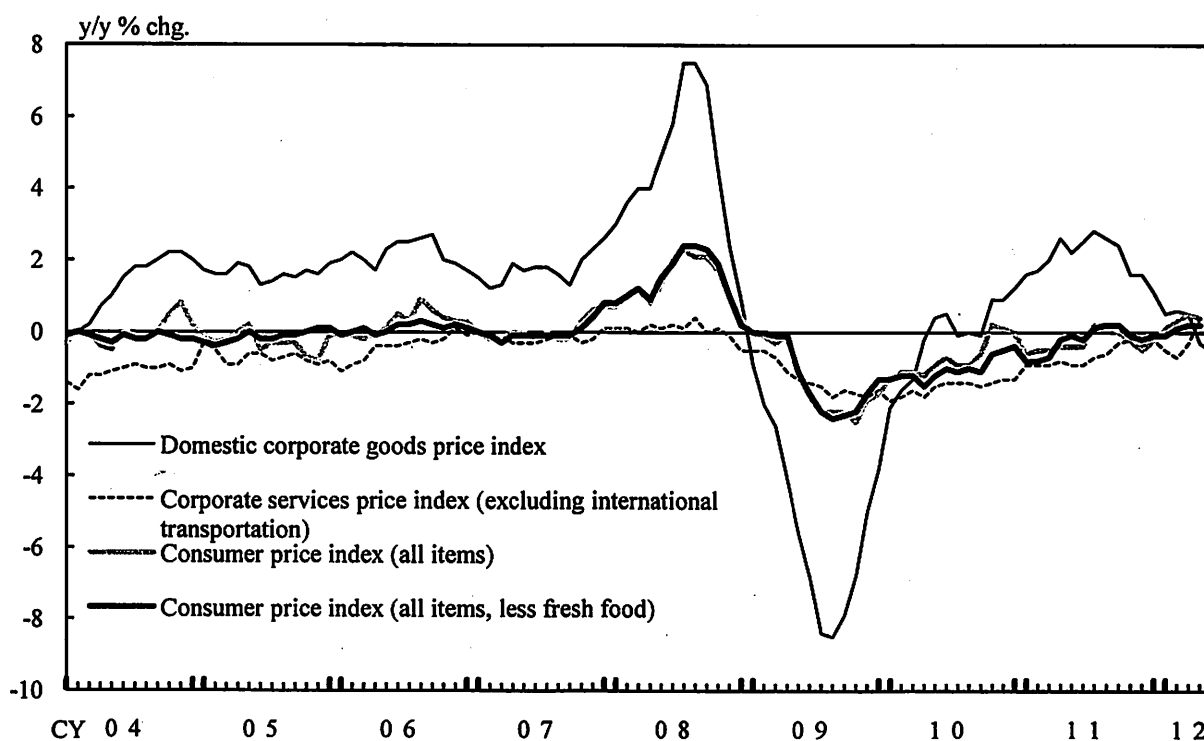
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";  
Ministry of Internal Affairs and Communications, "Labour Force Survey."

## 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.

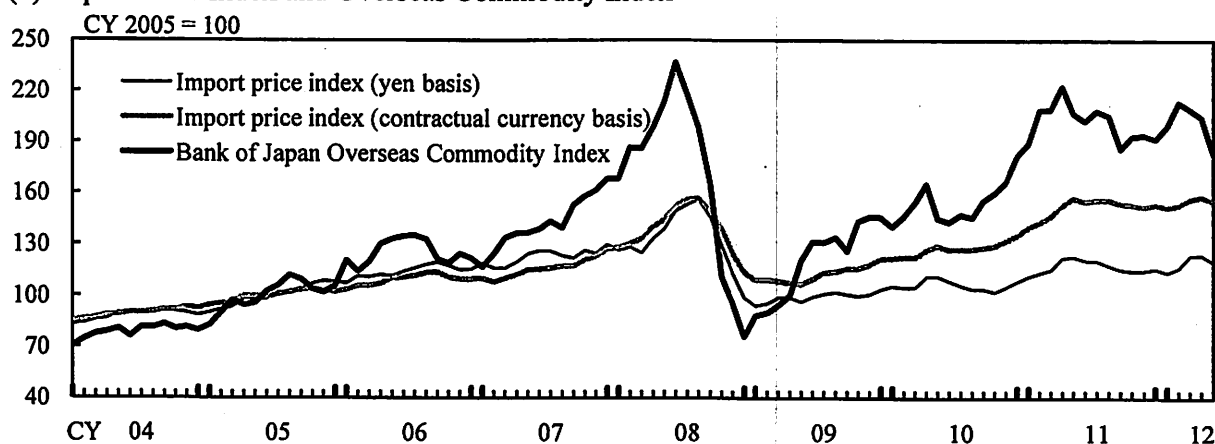
3. The levels of "Consumer Price Index" up to 2009 are based on the linked indices.

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

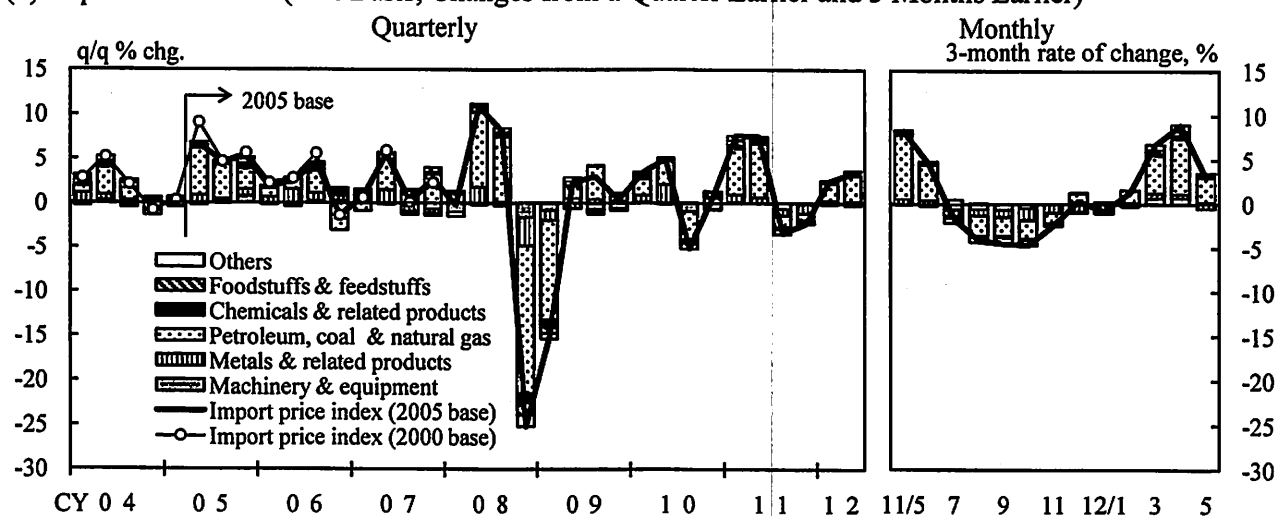
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index."

# Import Prices and International Commodity Prices

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



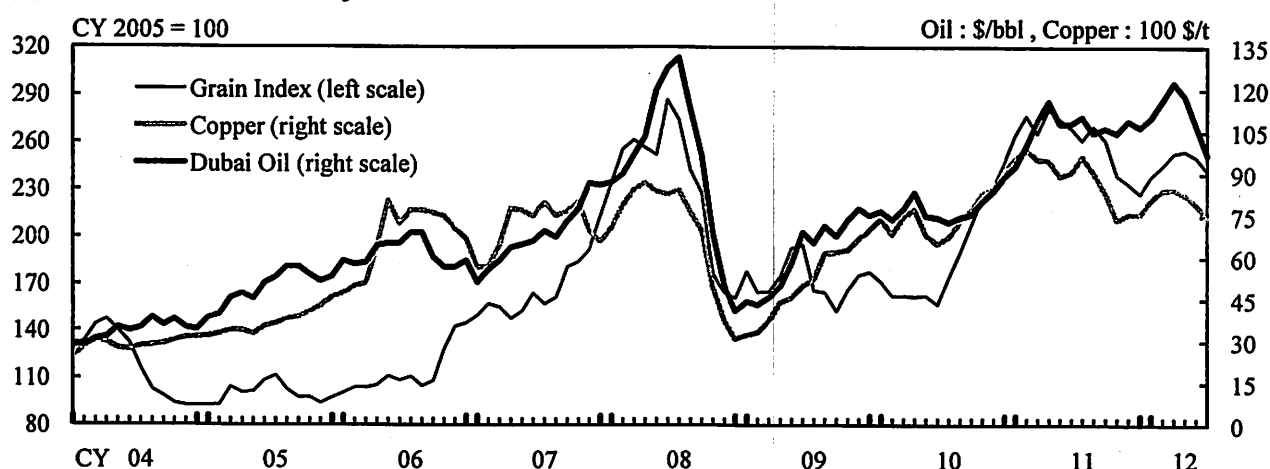
## (2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



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

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

## (3) International Commodity Prices



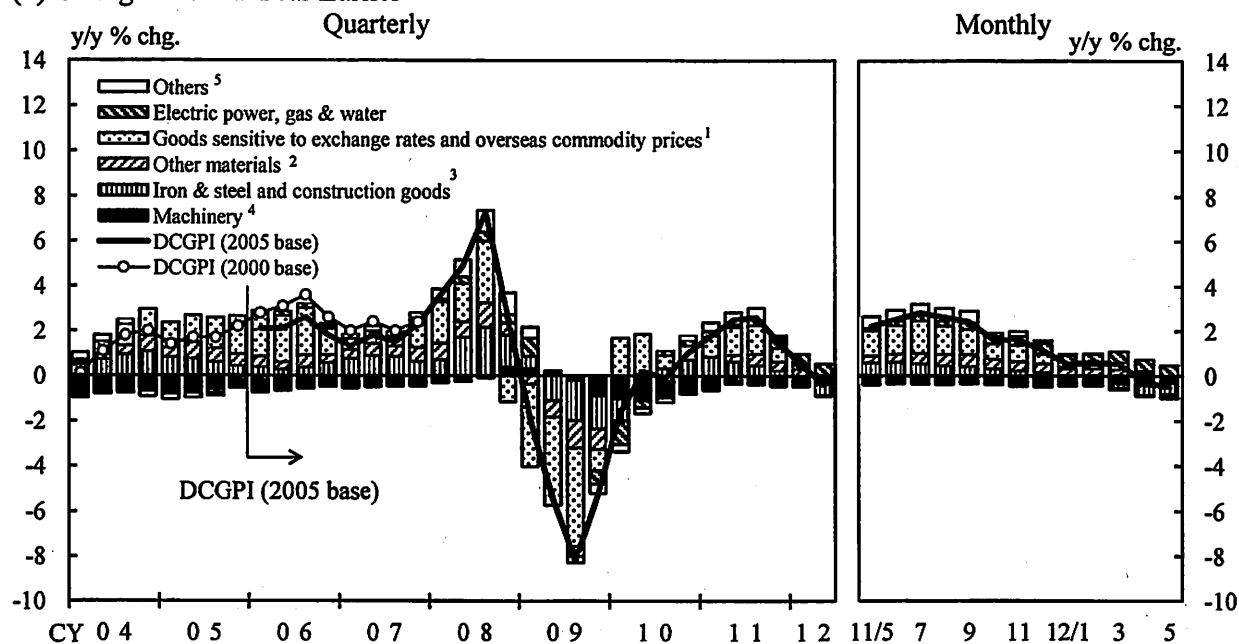
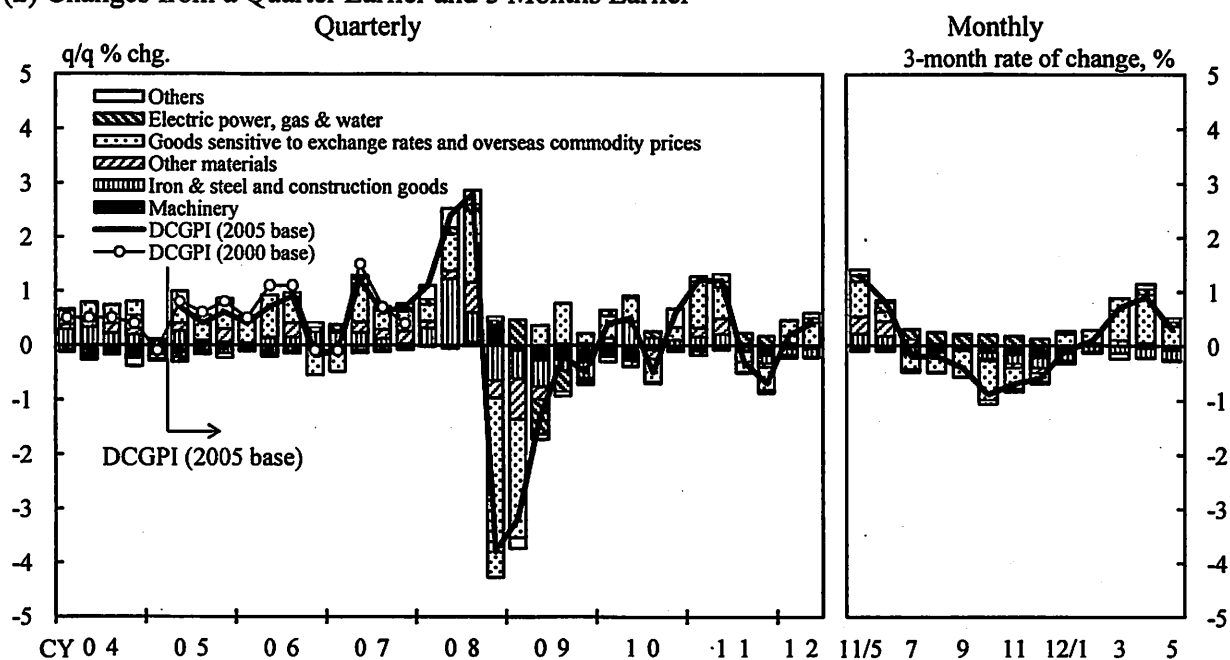
Notes: 1. The "grain index" is the weighted average of prices of three selected items (wheat, soybeans, and corn) in overseas commodity markets. The weights are based on the value of imports in the "Trade Statistics."

2. Monthly averages. Figures for June 2012 are averages up to June 14.

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

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

## (1) Changes from a Year Earlier

(2) Changes from a Quarter Earlier and 3 Months Earlier<sup>6</sup>

Notes: 1. Goods sensitive to exchange rates and overseas commodity prices: petroleum & coal products and nonferrous metals.

2. Other materials: chemicals & related products, plastic products, textile products, and pulp, paper & related products.

3. Iron & steel and construction goods: iron & steel, metal products, ceramics, stone & clay products, lumber & wood products, and scrap & waste.

4. Machinery: electrical machinery & equipment, information & communications equipment, electronic components & devices, general machinery & equipment, transportation equipment, and precision instruments.

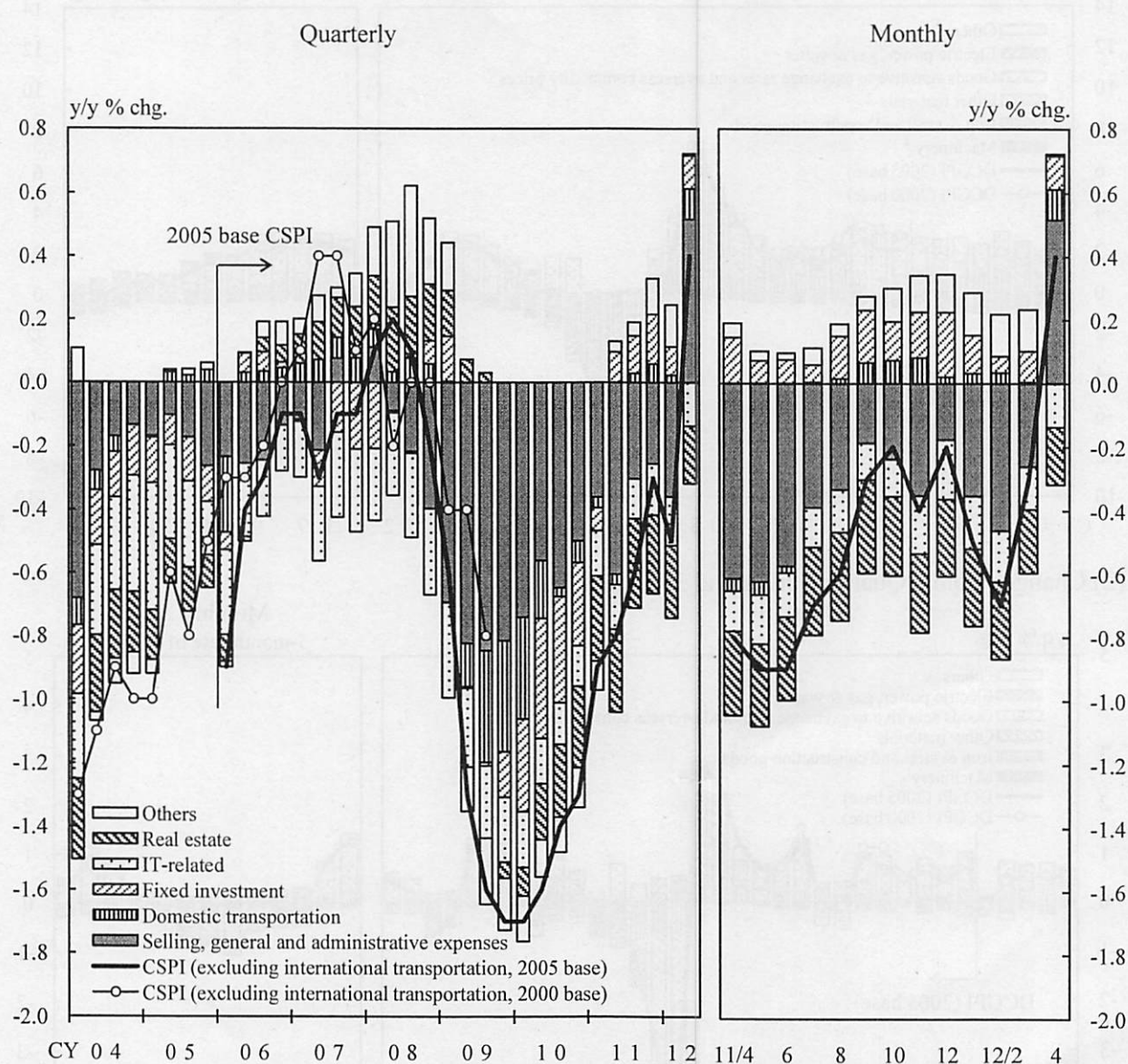
5. Others: processed foodstuffs, other manufacturing industry products, agriculture, forestry & fishery products, and minerals.

6. Adjusted to exclude a hike in electric power charges during the summer season from July to September. This adjustment makes the "Domestic Corporate Goods Price Index" fall by about 0.2%.

7. Figures for 2012/Q2 are April-May 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



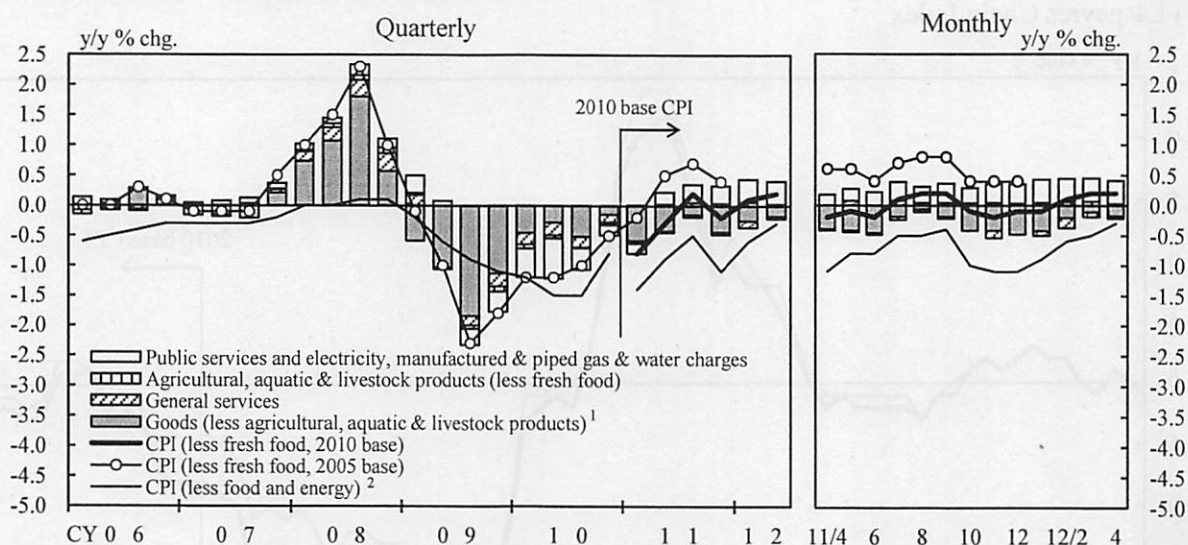
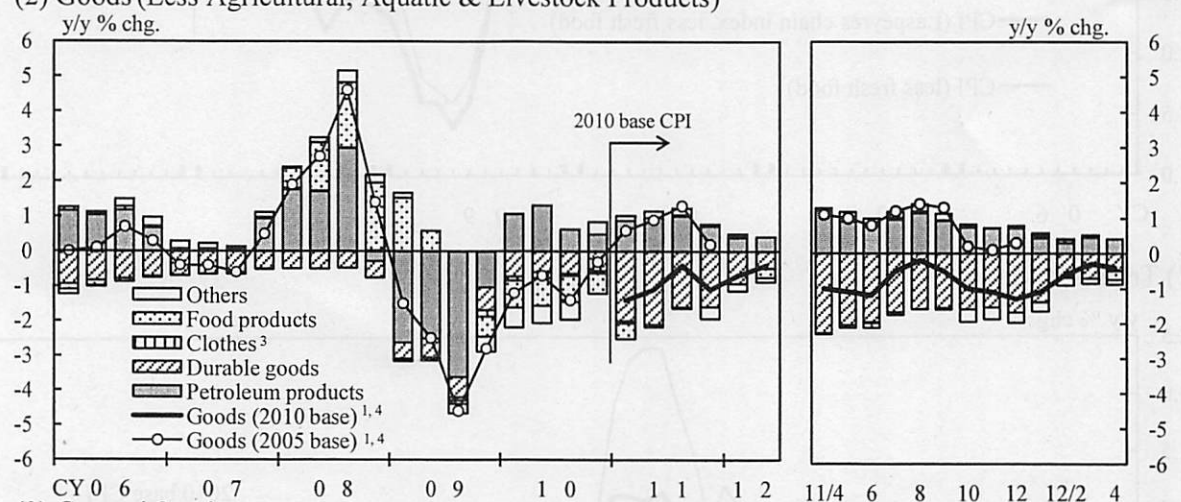
- Notes: 1. Selling, general and administrative expenses: information and communications (excluding newspapers and publishing), advertising services, other services (excluding plant engineering, and civil engineering and architectural services).  
 2. Domestic transportation: transportation (excluding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

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

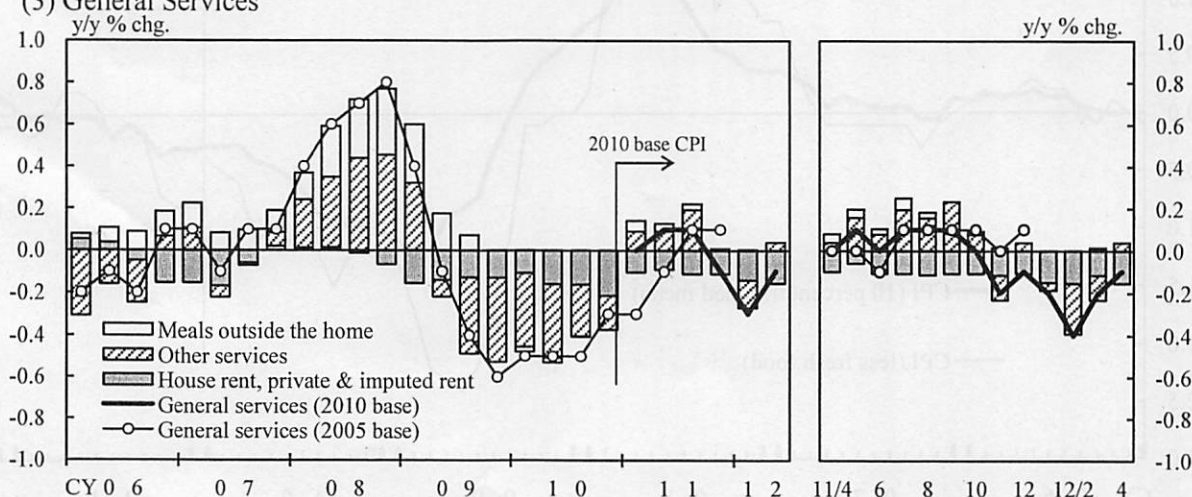


## Consumer Price Index (Less Fresh Food)

## (1) Consumer Price Index (Less Fresh Food)

(2) Goods (Less Agricultural, Aquatic & Livestock Products)<sup>1</sup>

## (3) General Services



Notes: 1. The items are basically the same as those defined by the Ministry of Internal Affairs and Communications.

However, electricity, 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.

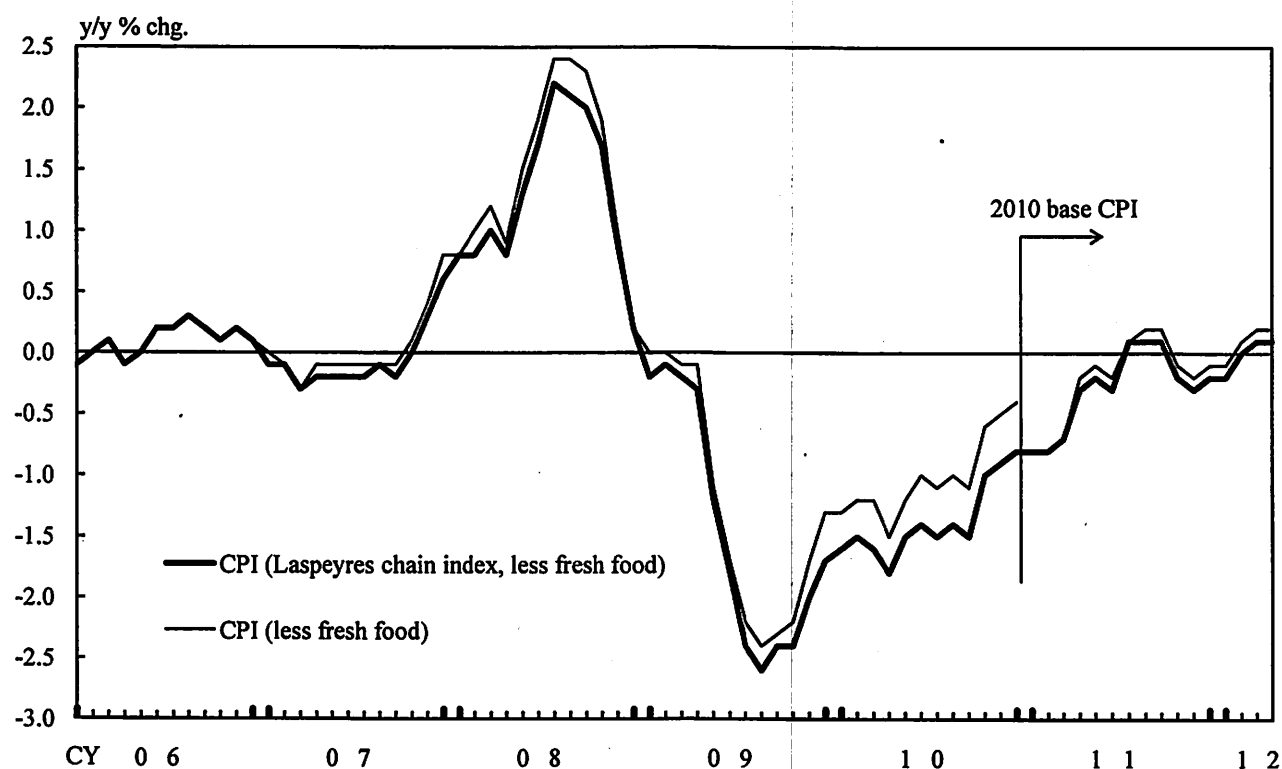
5. The year-on-year rates of change other than those of the CPI (less fresh food), CPI (less food and energy), and General services are calculated using published indices.

6. Figures for 2012/Q2 are those of April.

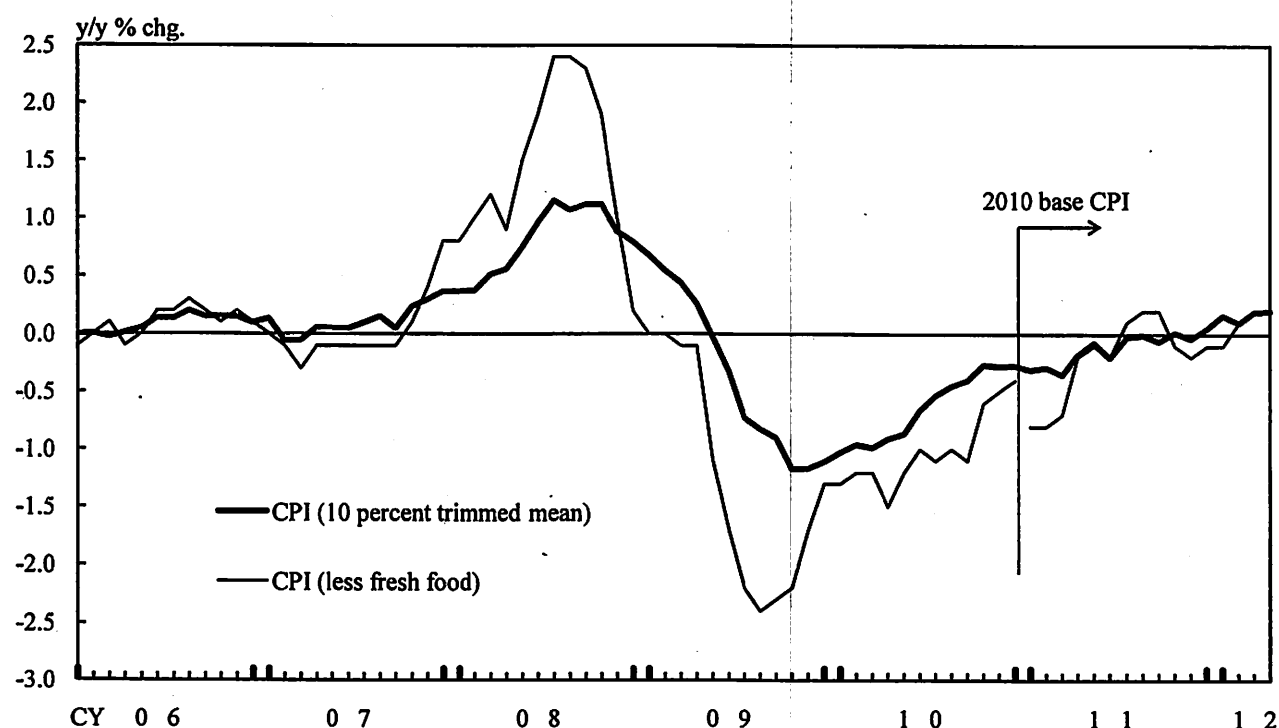
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

## 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.

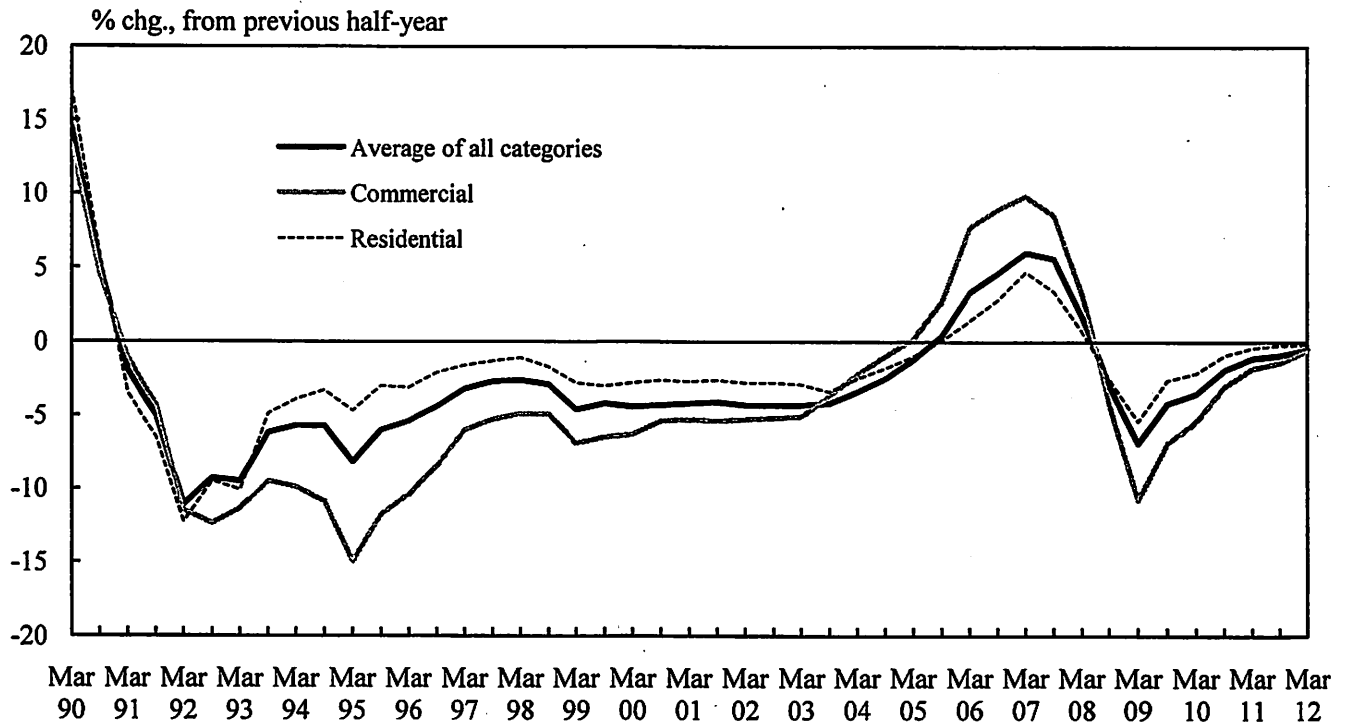
2. Figures for the Laspeyres chain index for 2006 are the year-on-year rates for the fixed-base method. The year-on-year figures for the Laspeyres chain index up to 2010 are on the 2005 base, and those from 2011 onward are on the 2010 base.

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

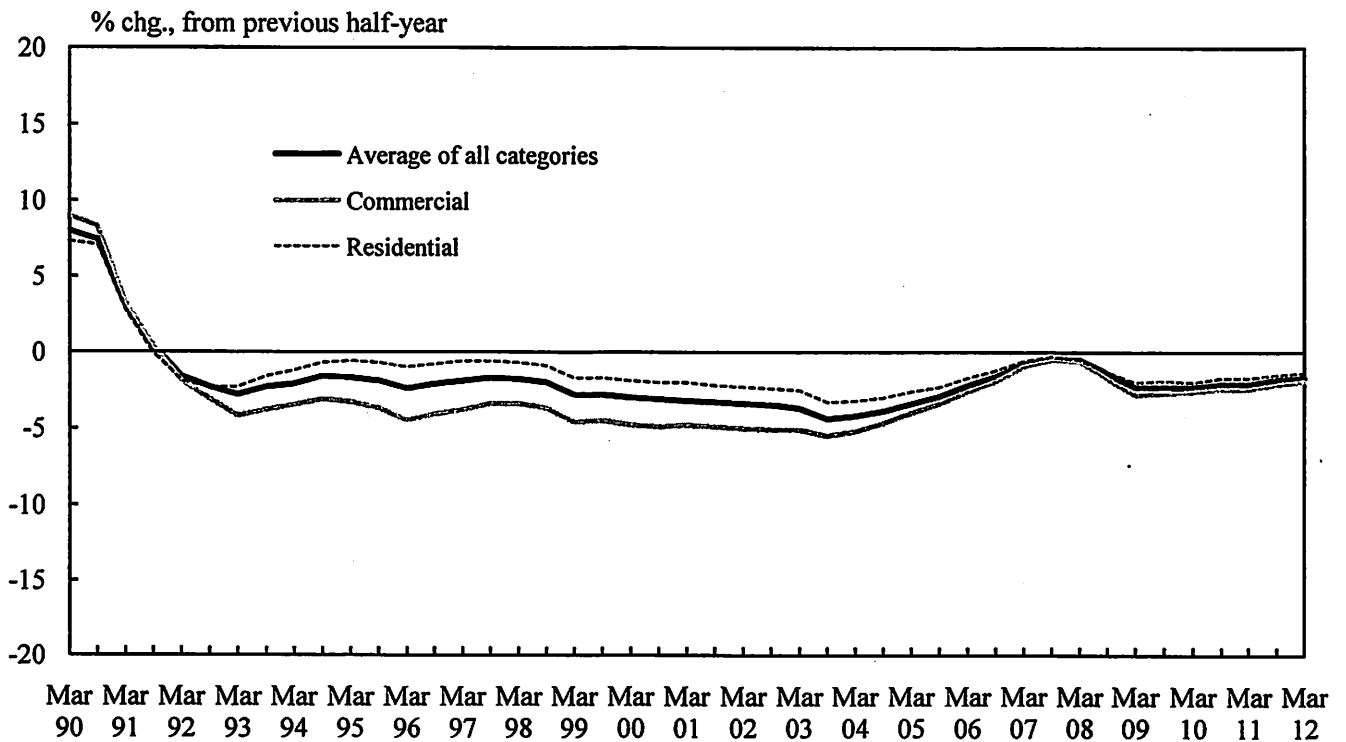


# Urban Land Price Index

## (1) Six Large City Areas



## (2) Excluding Six Large City Areas



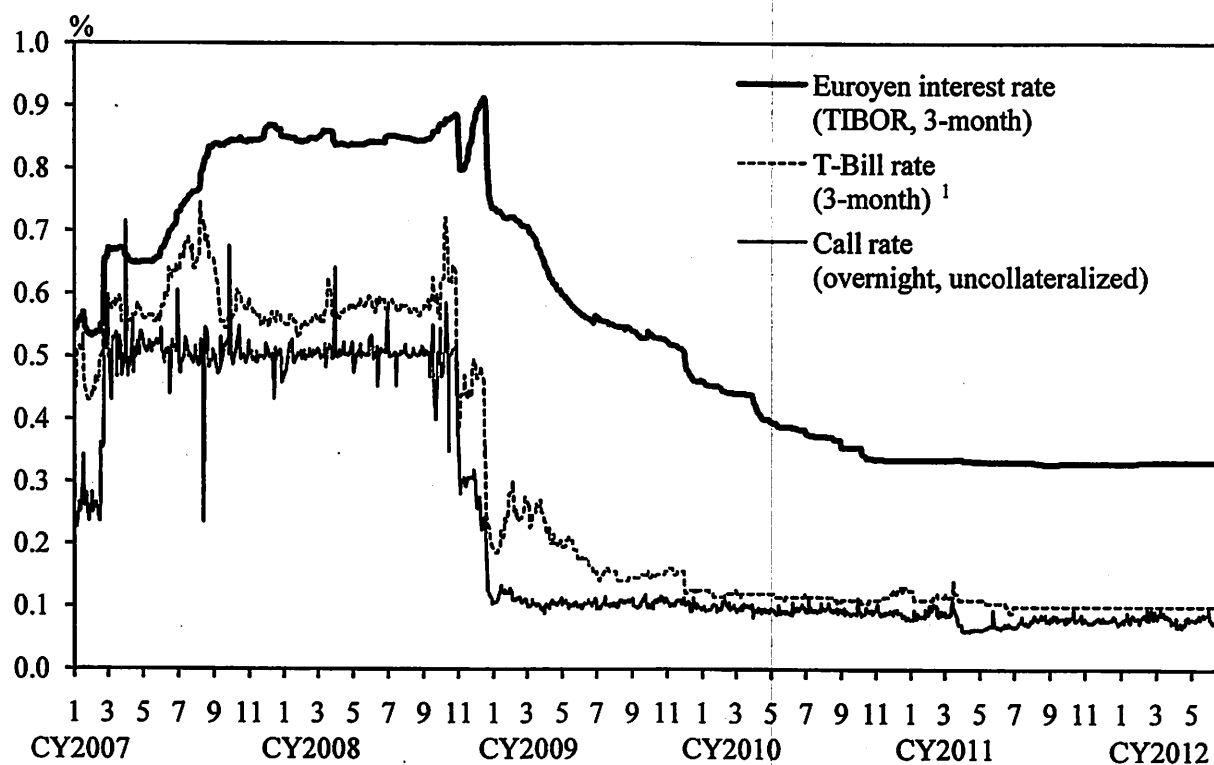
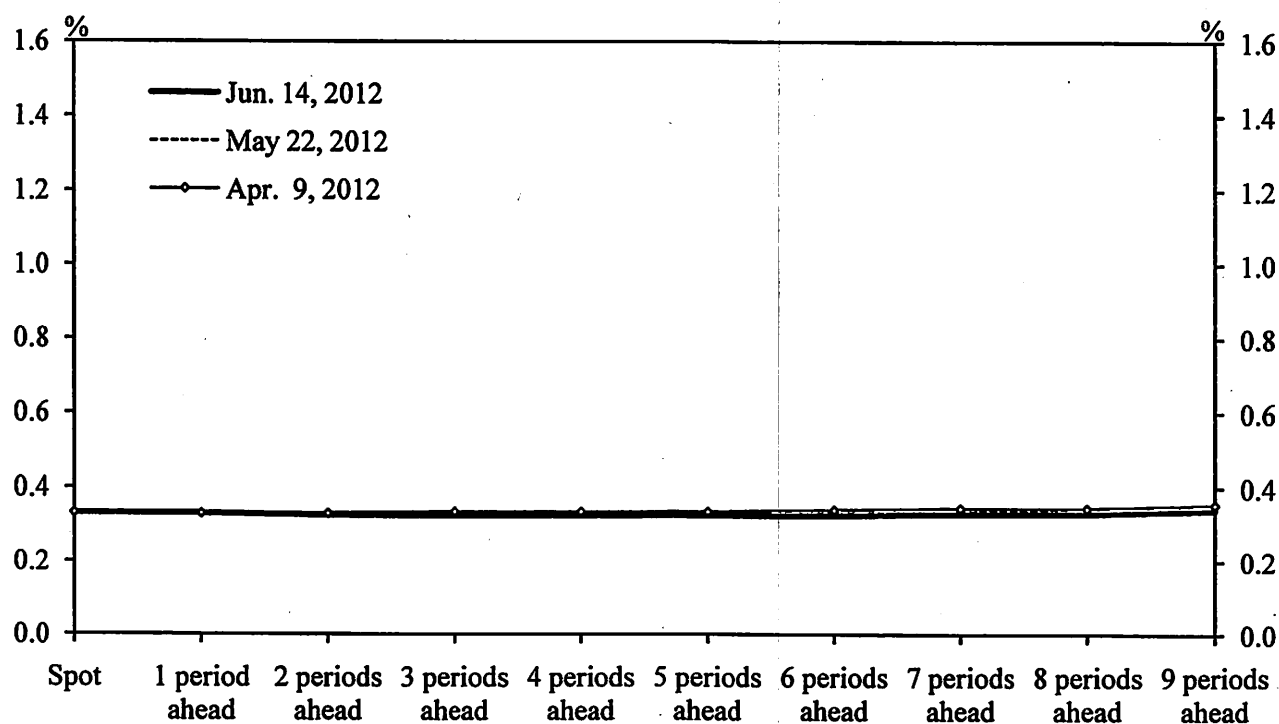
Notes: 1. The Urban Land Price Index is based on surveys conducted at the end of March and September each year.

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

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

## Short-Term Interest Rates

## (1) Short-Term Interest Rates

(2) Euroyen Interest Rate Futures (3-Month)<sup>2</sup>

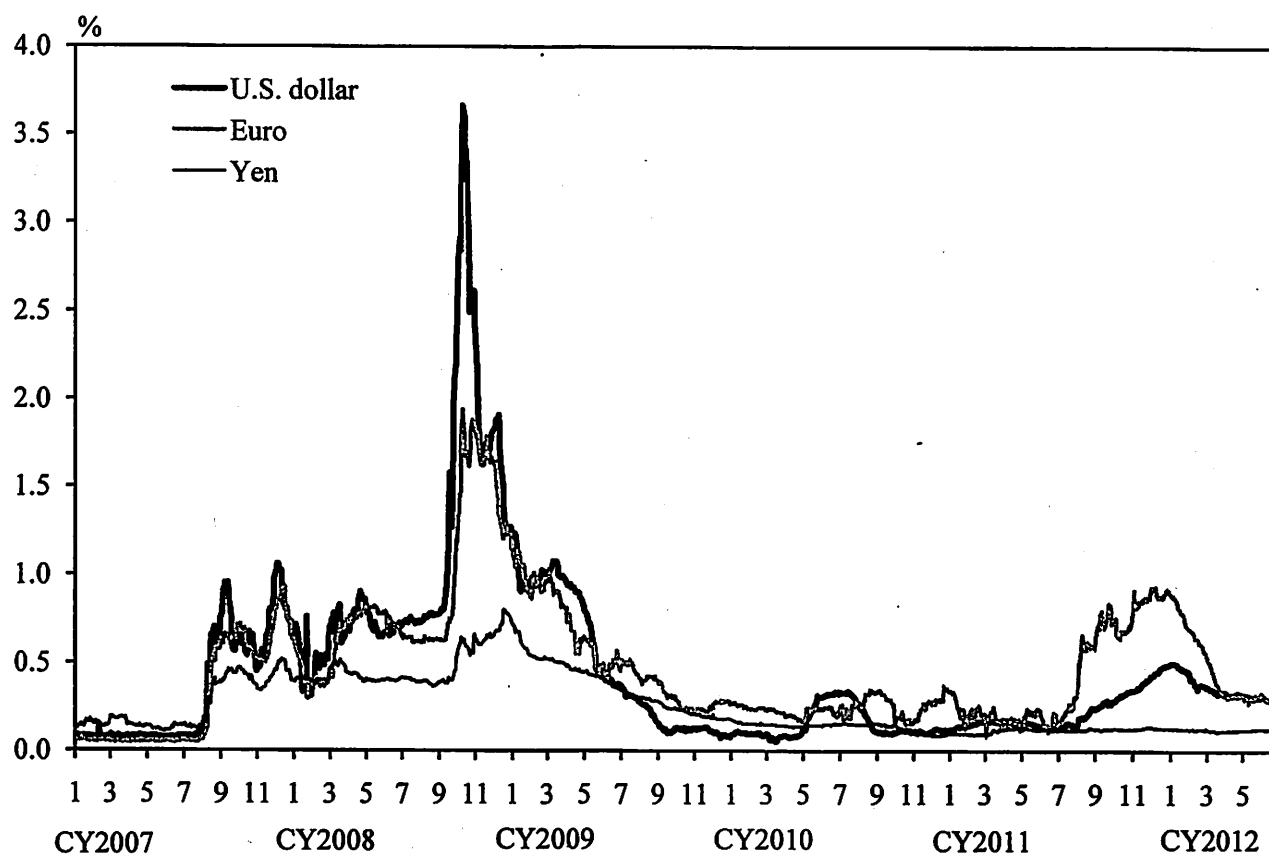
Notes: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.

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

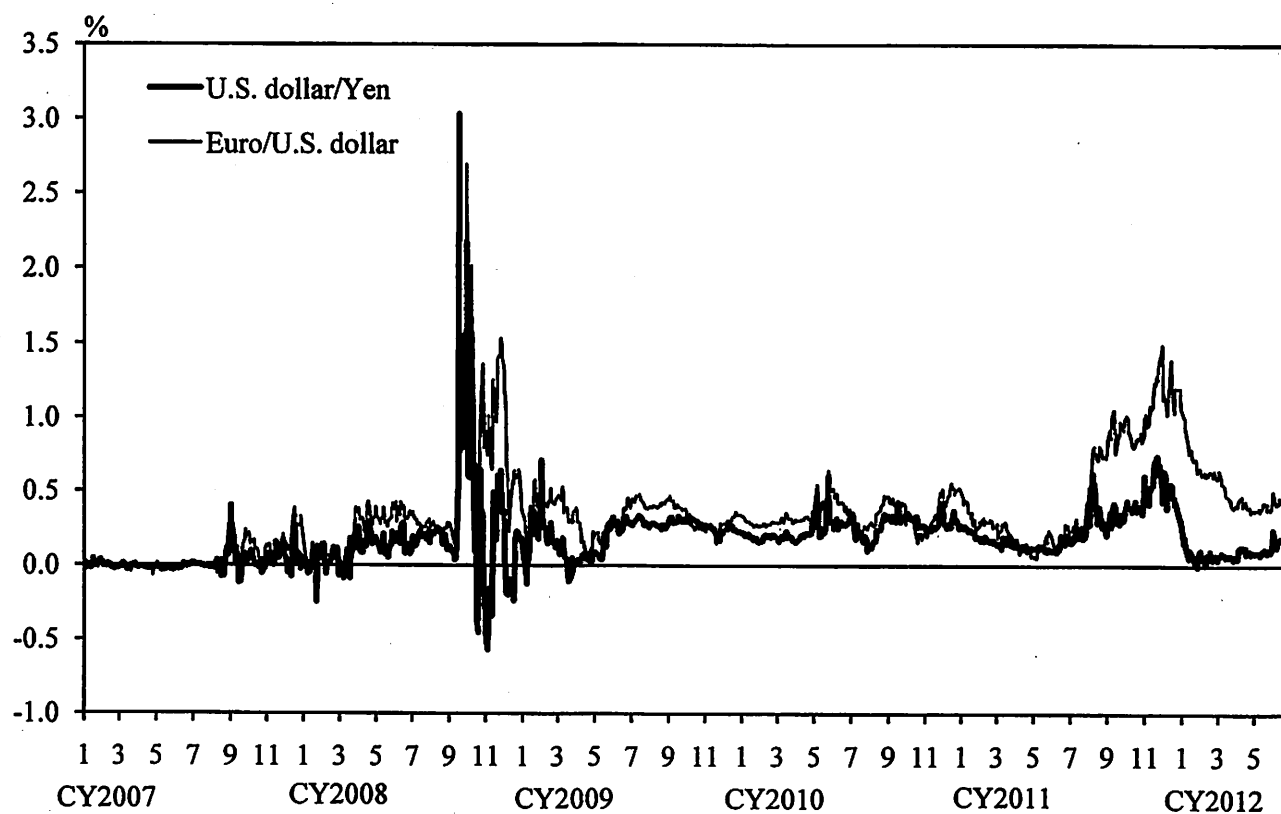
Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.; Tokyo Financial Exchange; Bank of Japan.

## Global Money Markets

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

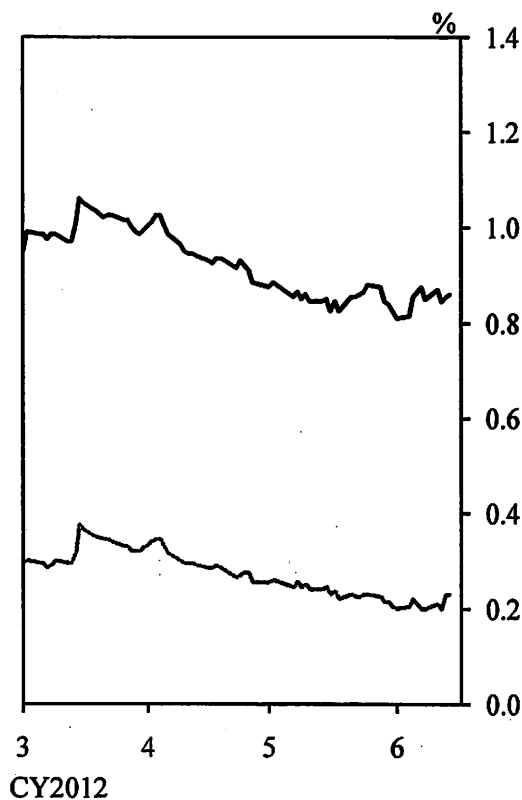
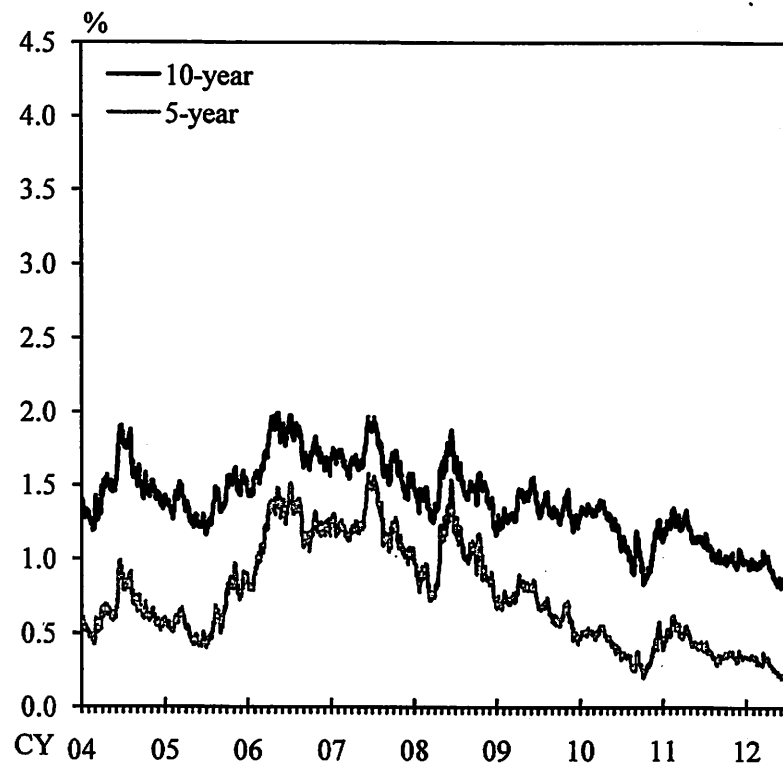


(2) FX swap implied dollar rate - LIBOR spreads (3-Month)

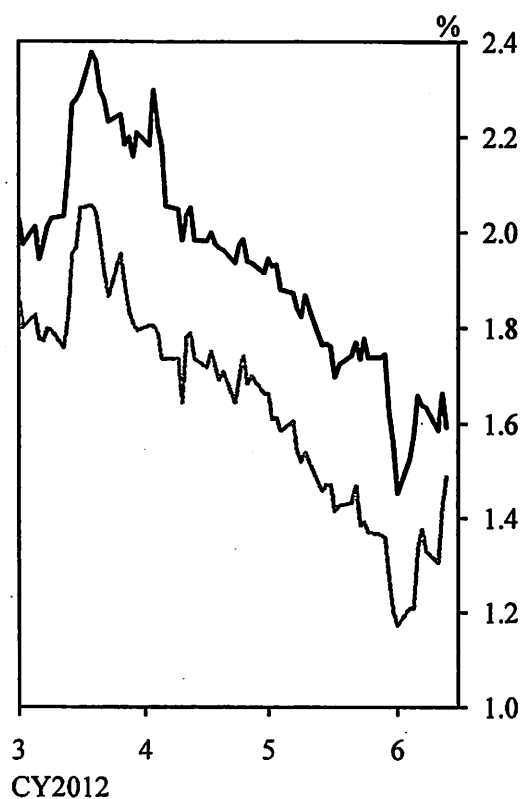
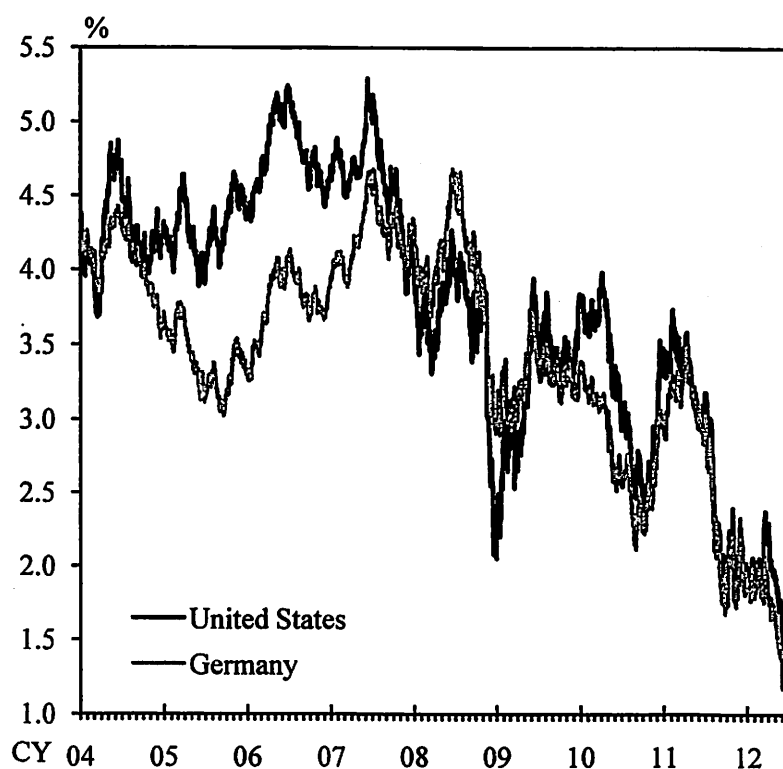


Source: Bloomberg.

## Long-Term Interest Rates

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

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

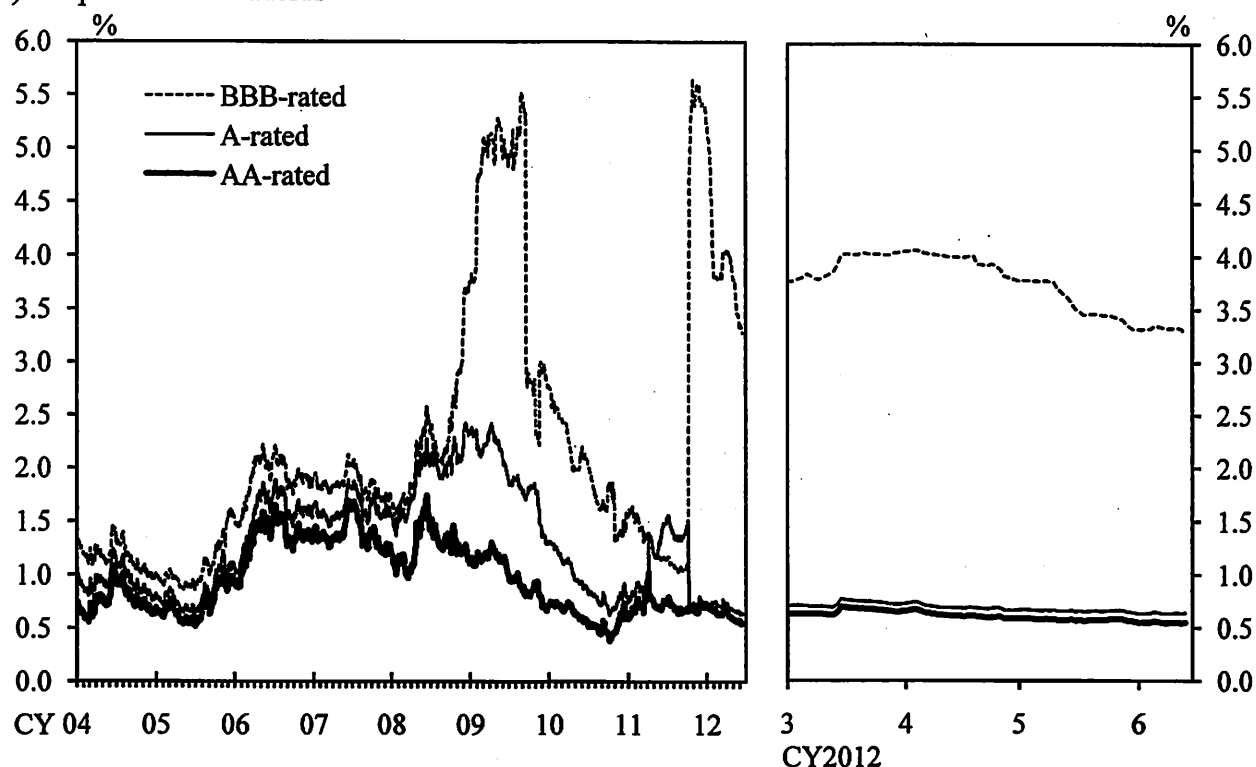


Note: 1. Yields on newly issued bonds.

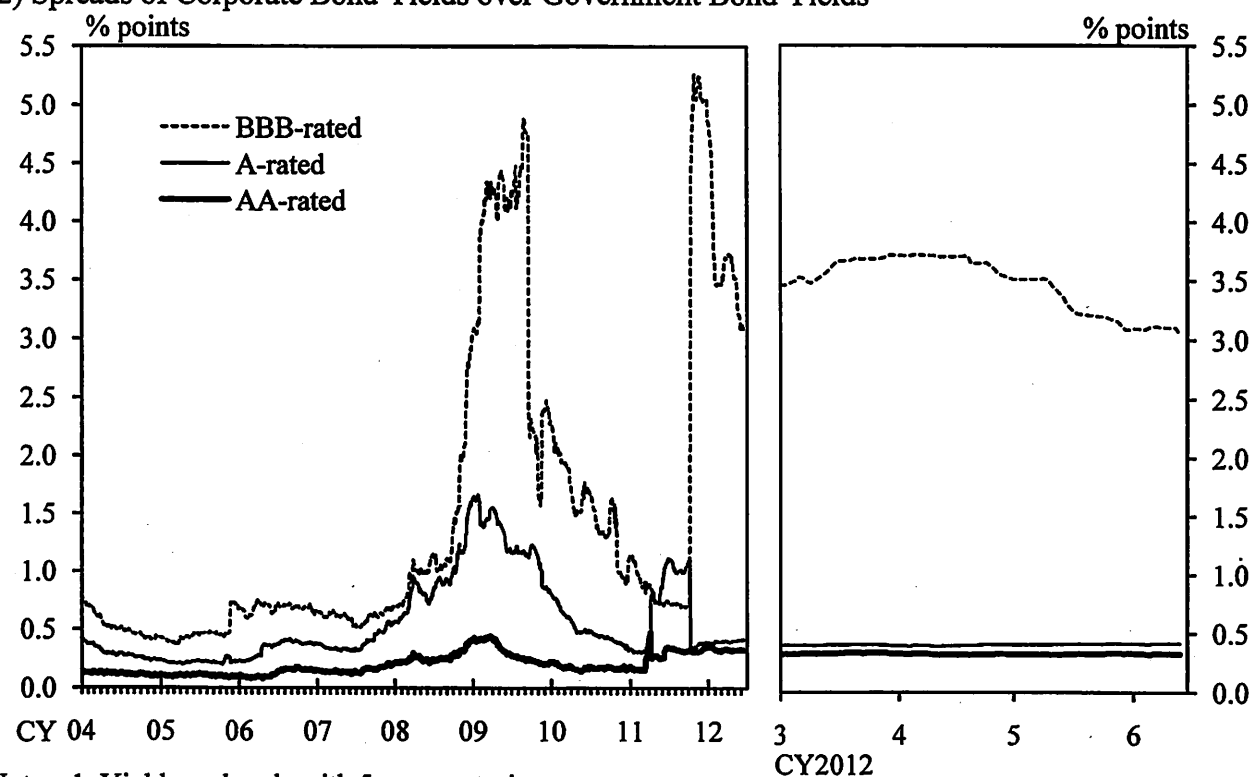
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

## Yields of Corporate Bonds

(1) Corporate Bond Yields<sup>1,2</sup>



(2) Spreads of Corporate Bond Yields over Government Bond Yields<sup>1,2</sup>



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

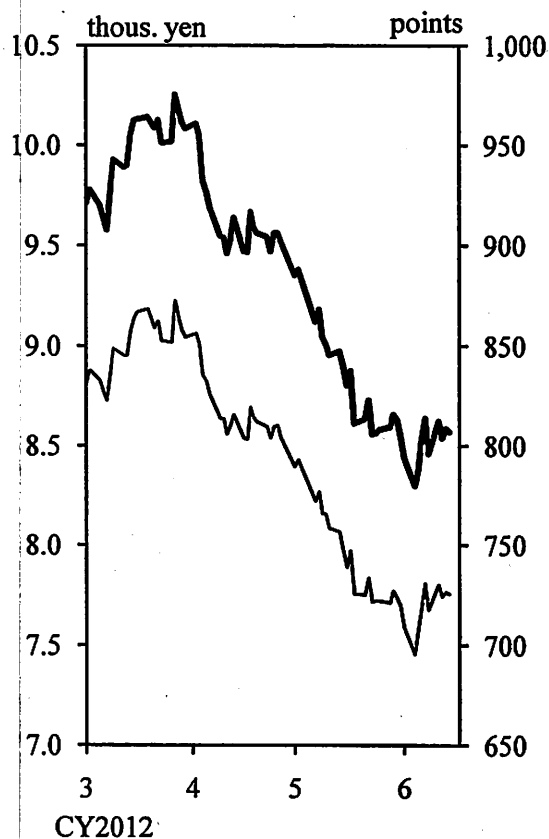
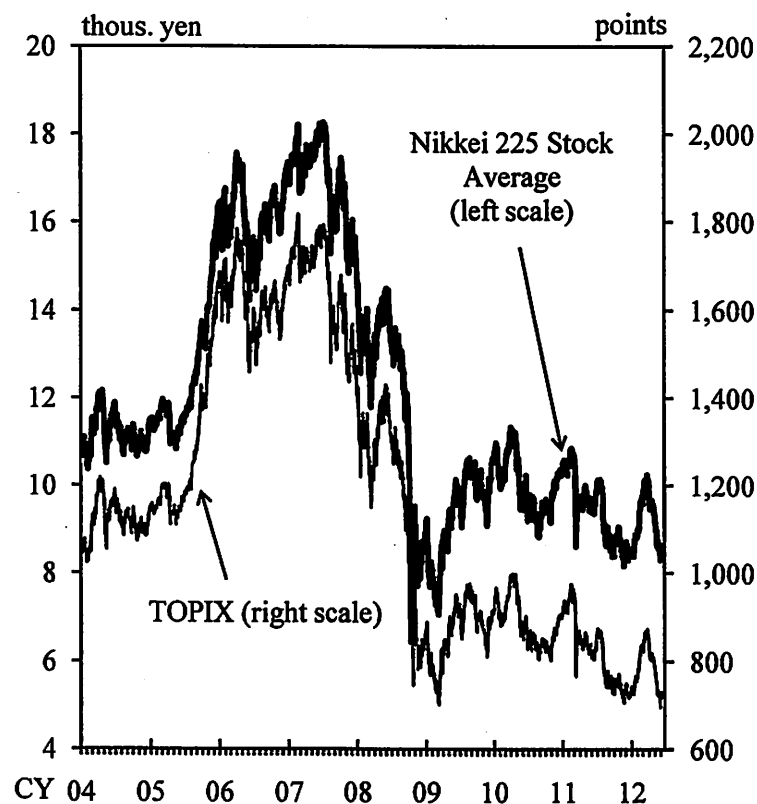
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.

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

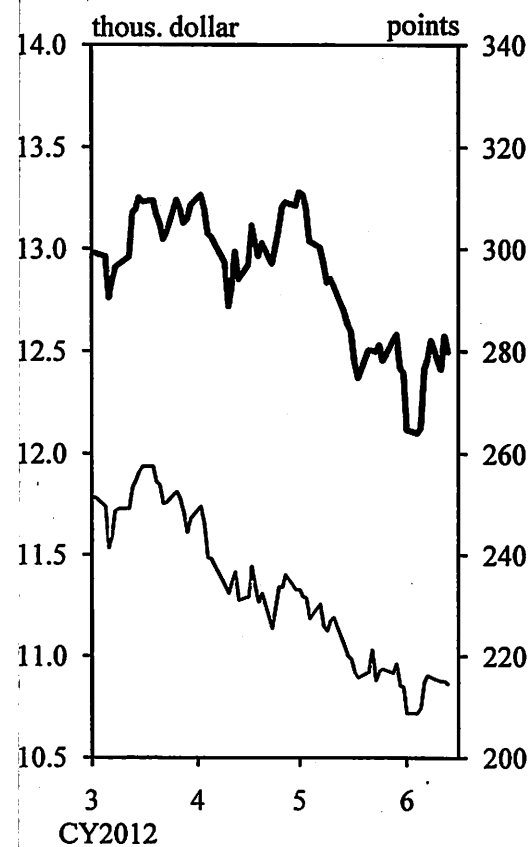
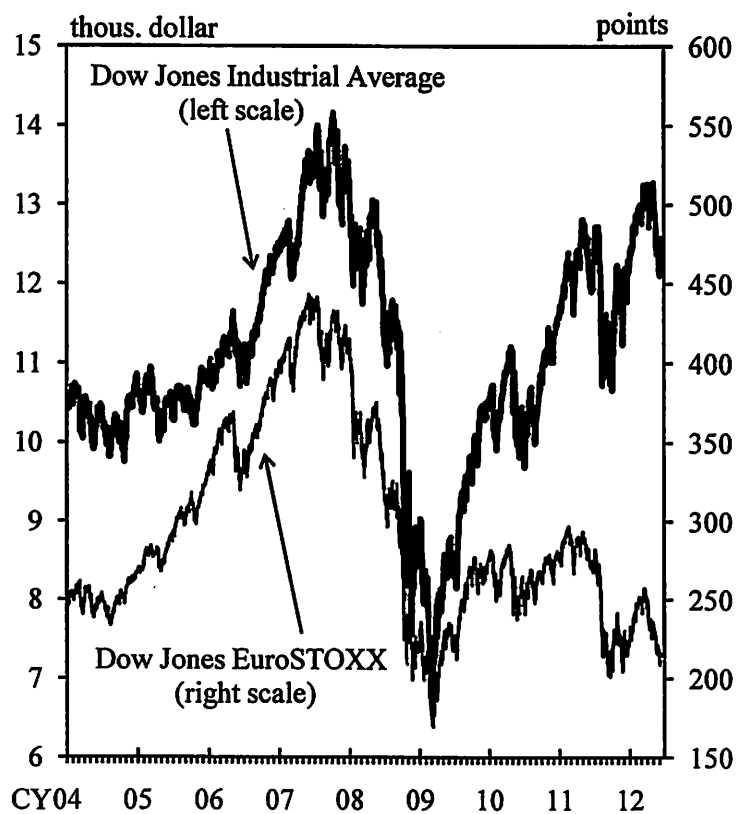
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

## Stock Prices

## (1) Japanese Stock Prices

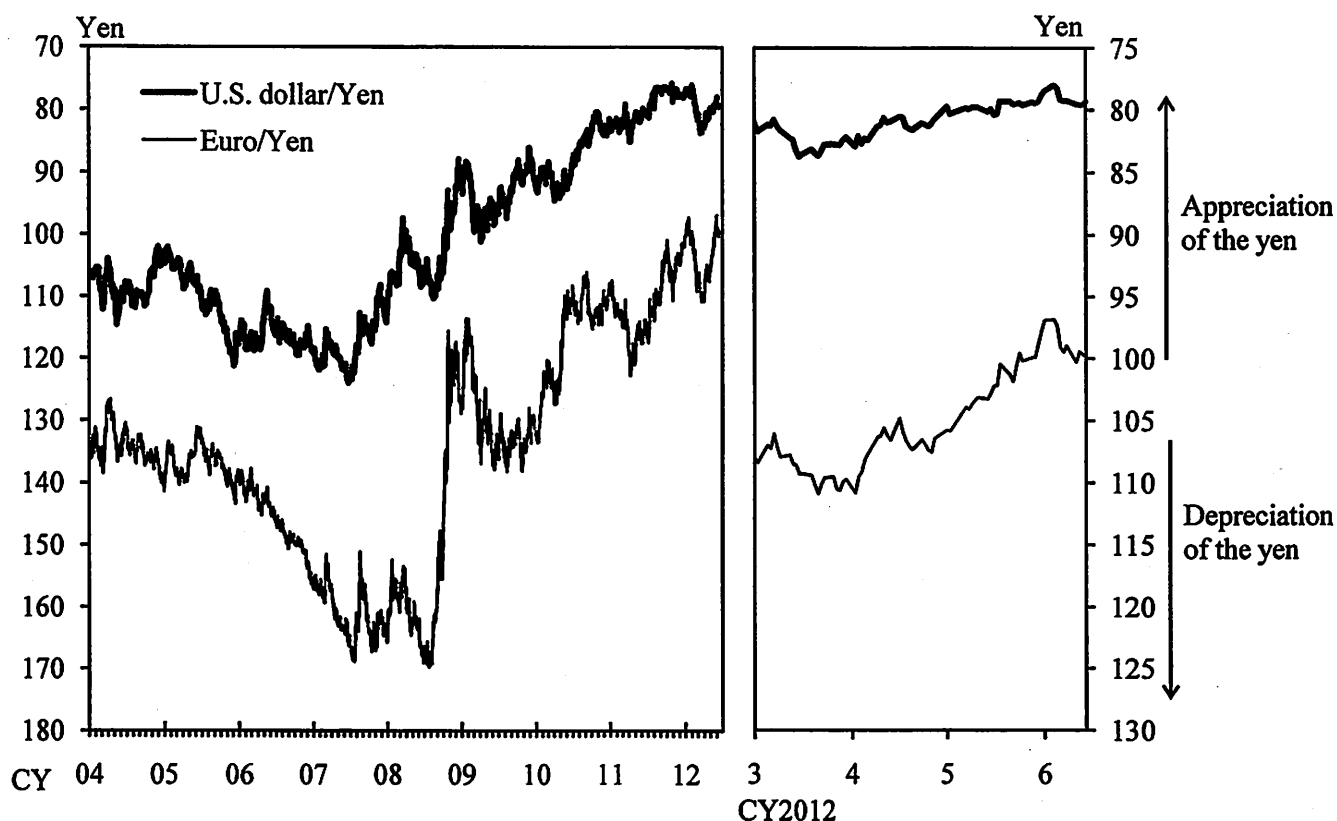


## (2) Overseas Stock Prices

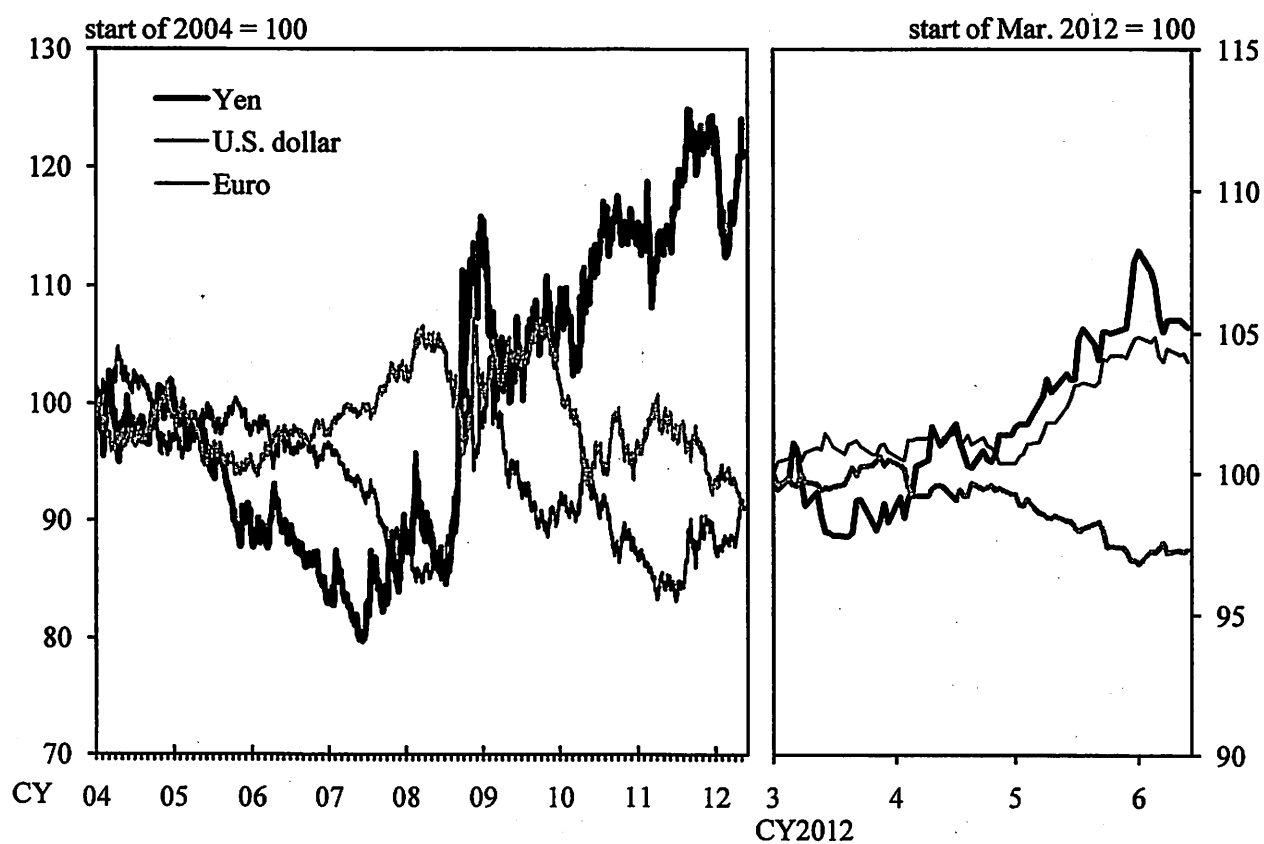


## Exchange Rates

## (1) Bilateral Exchange Rates



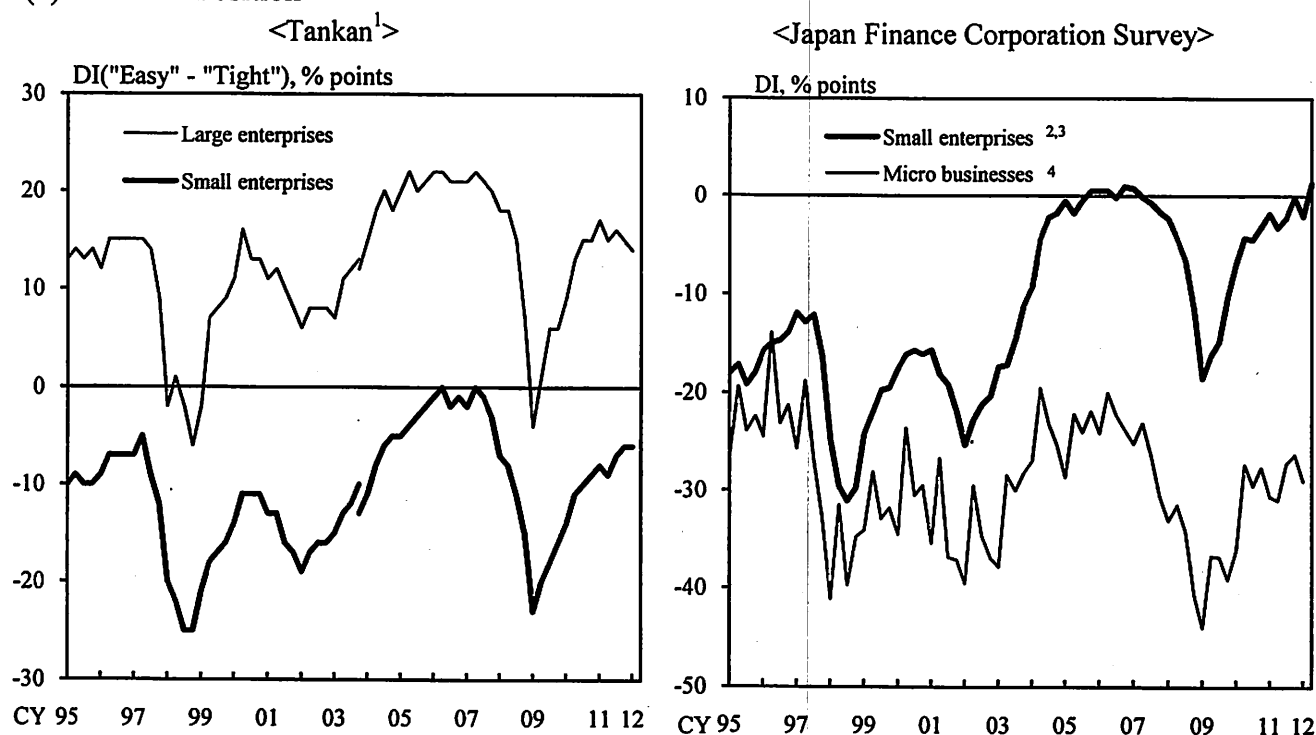
## (2) Nominal Effective Exchange Rates



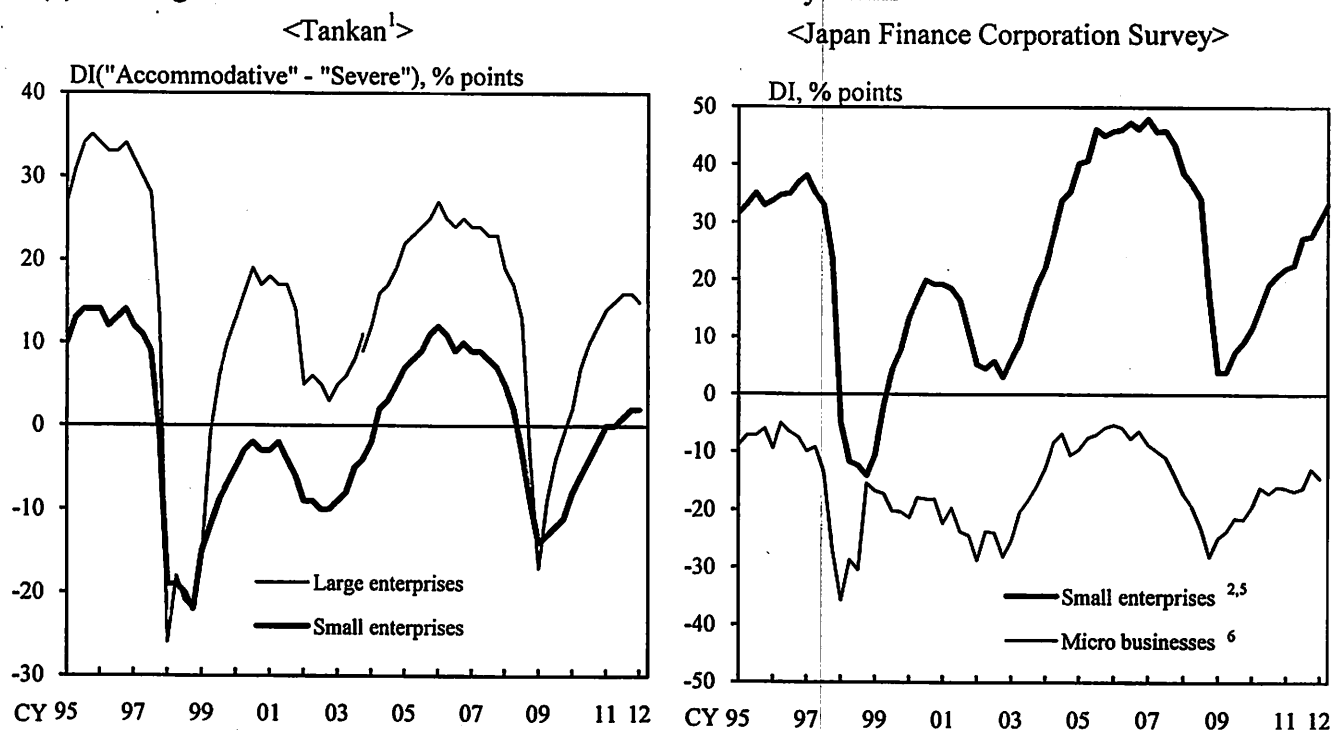
Sources: Bank of Japan; European Central Bank; Bloomberg.

## Corporate Finance-Related Indicators

## (1) Financial Position



## (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 Apr.-May averages.

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

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

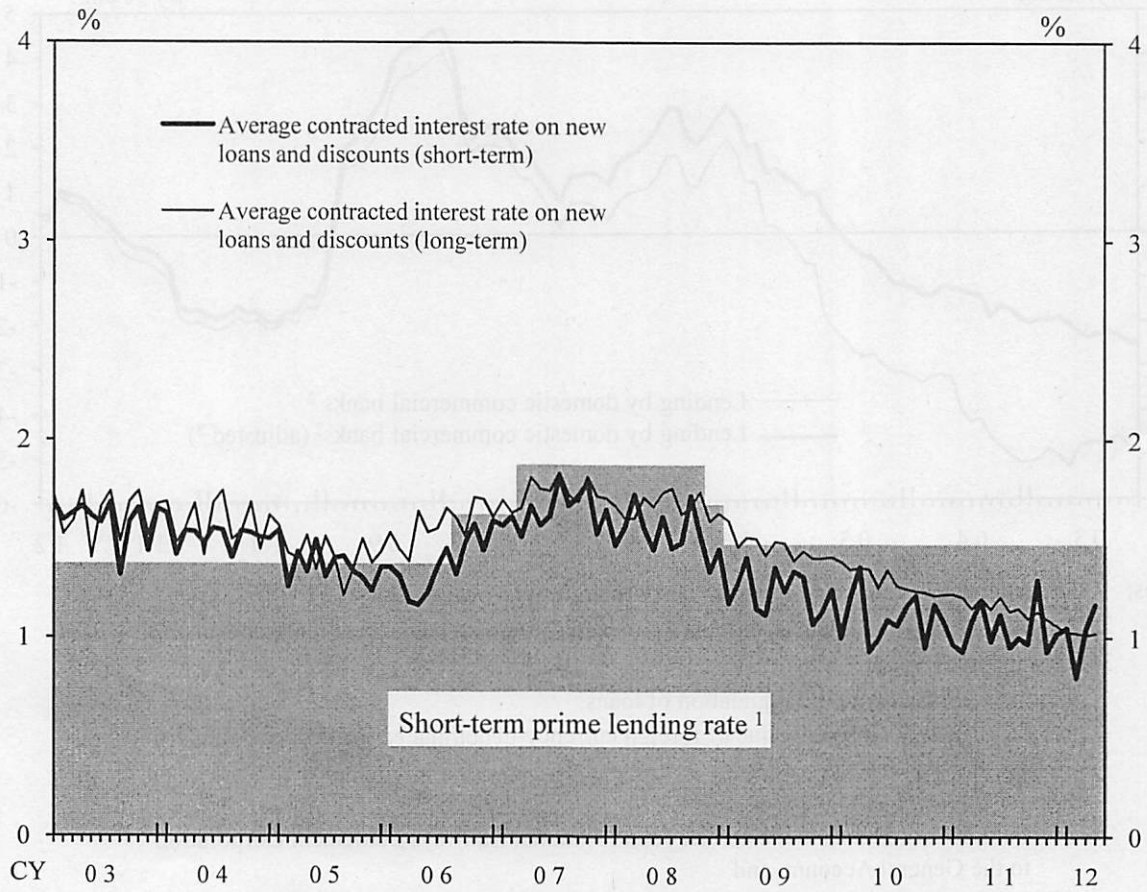
5. DI of "Accommodative" - "Severe."

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

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



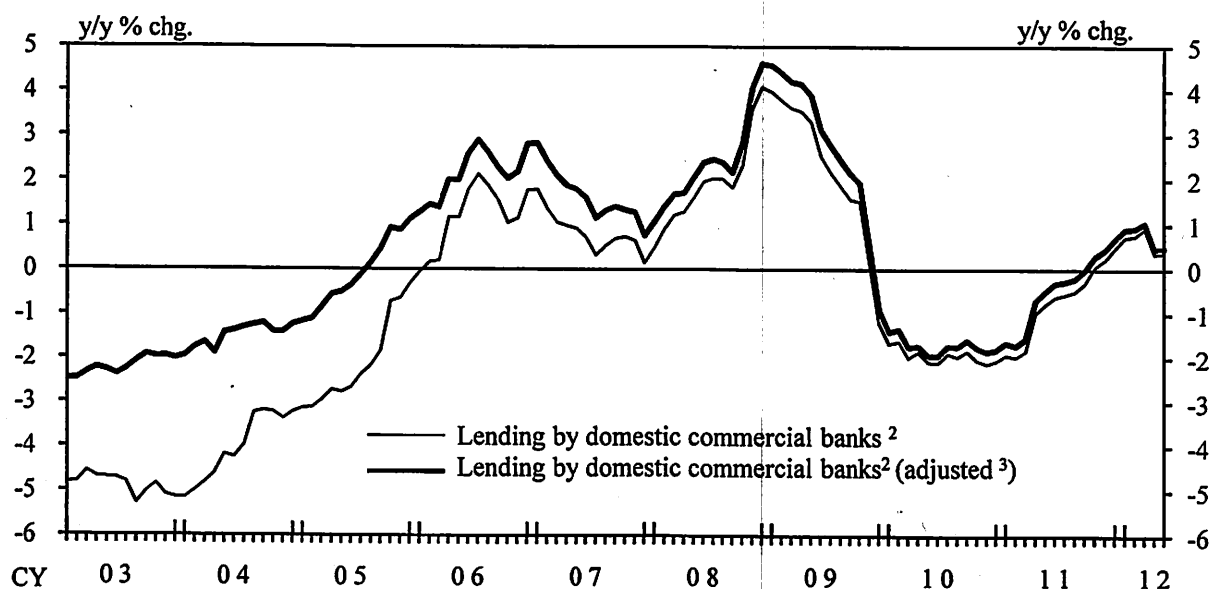
# Lending Rates



Note: 1. Data are at end of period.

Source: Bank of Japan.

## Lending by Financial Institutions

(1) Lending by Domestic Commercial Banks<sup>1</sup>

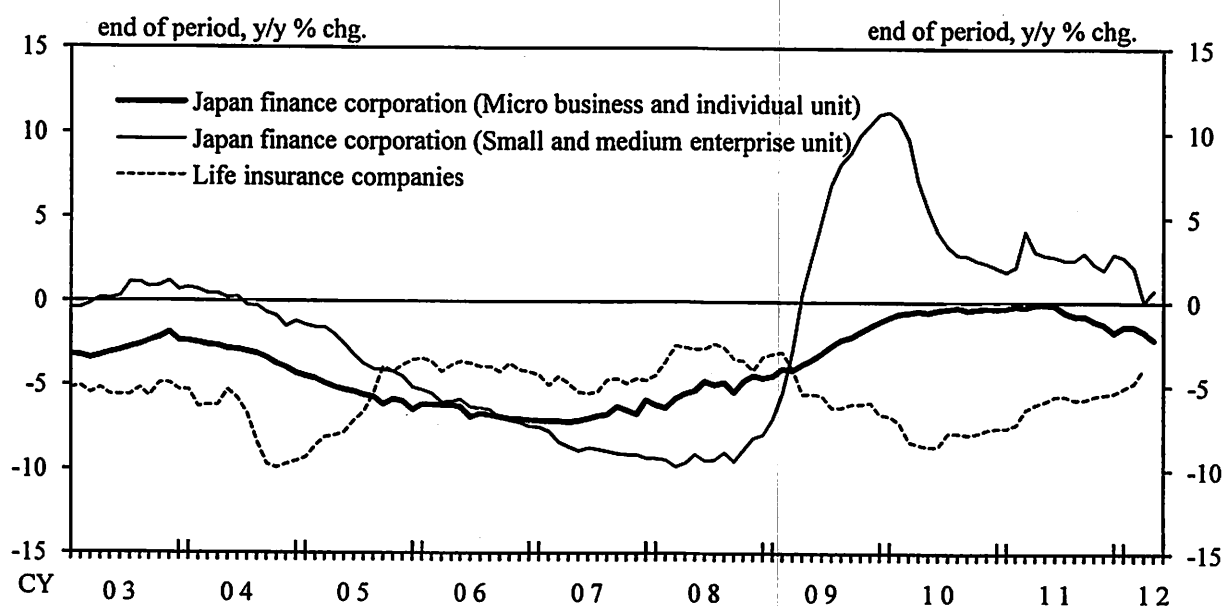
Notes: 1. Percent changes in average amounts outstanding from a year earlier.

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

3. Adjusted to exclude

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

## (2) Lending by Other Financial Institutions

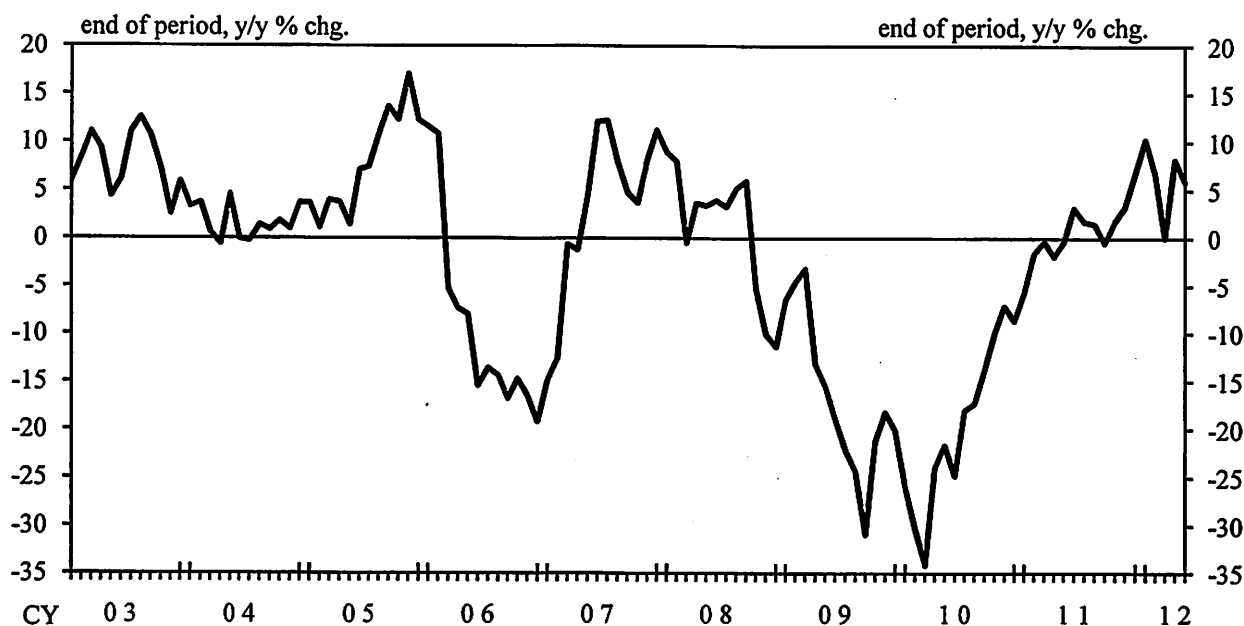


Note: The figures of the Japan Finance Corporation (Small and Medium Enterprise Unit) exclude the amounts outstanding of lending to the Credit Guarantee Corporations.

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

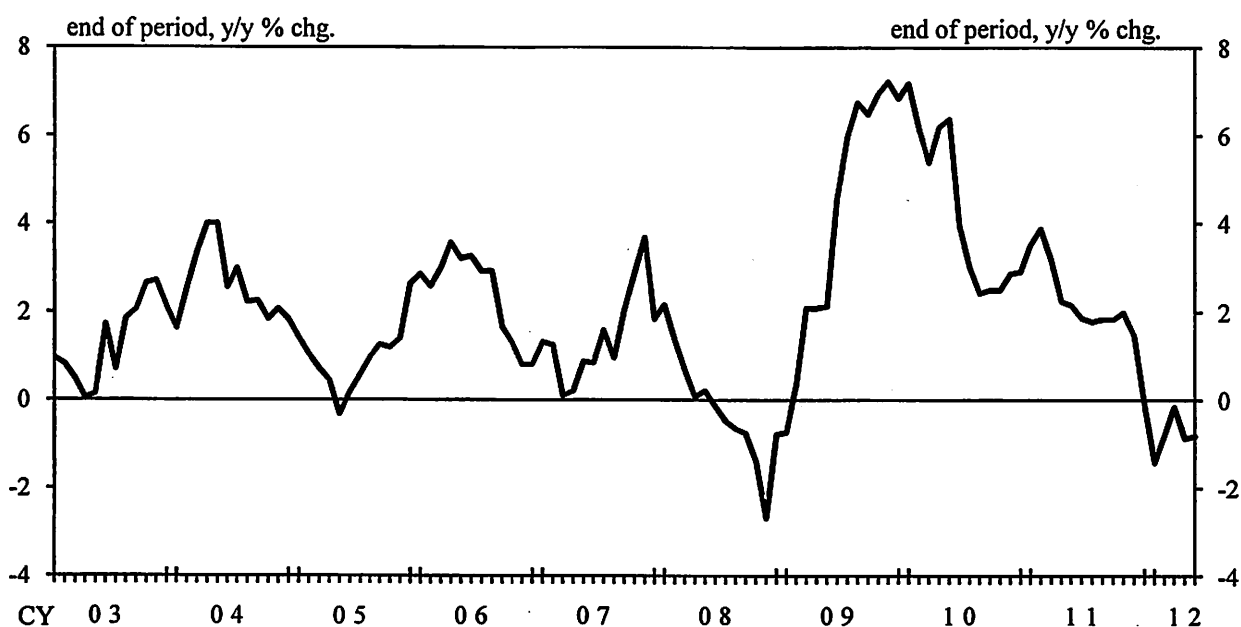
## Private-Sector Fund-Raising in the Capital Markets

## (1) Amount Outstanding of Commercial Paper



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

## (2) Amount Outstanding of Corporate Bonds



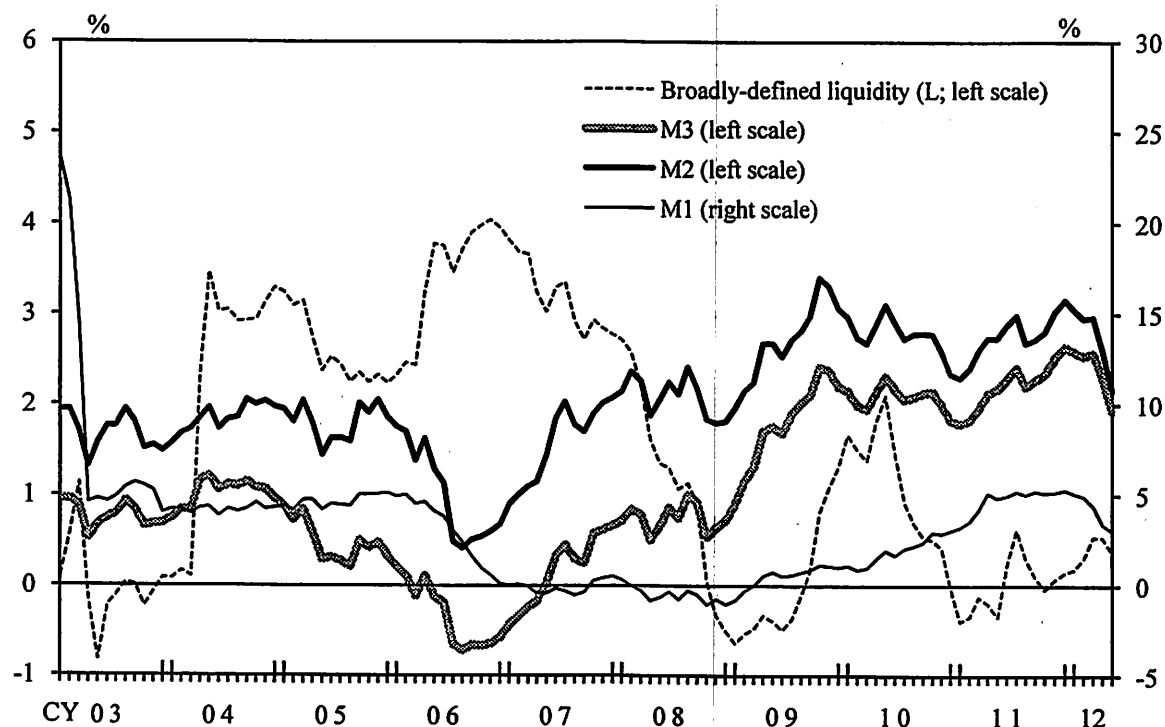
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

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

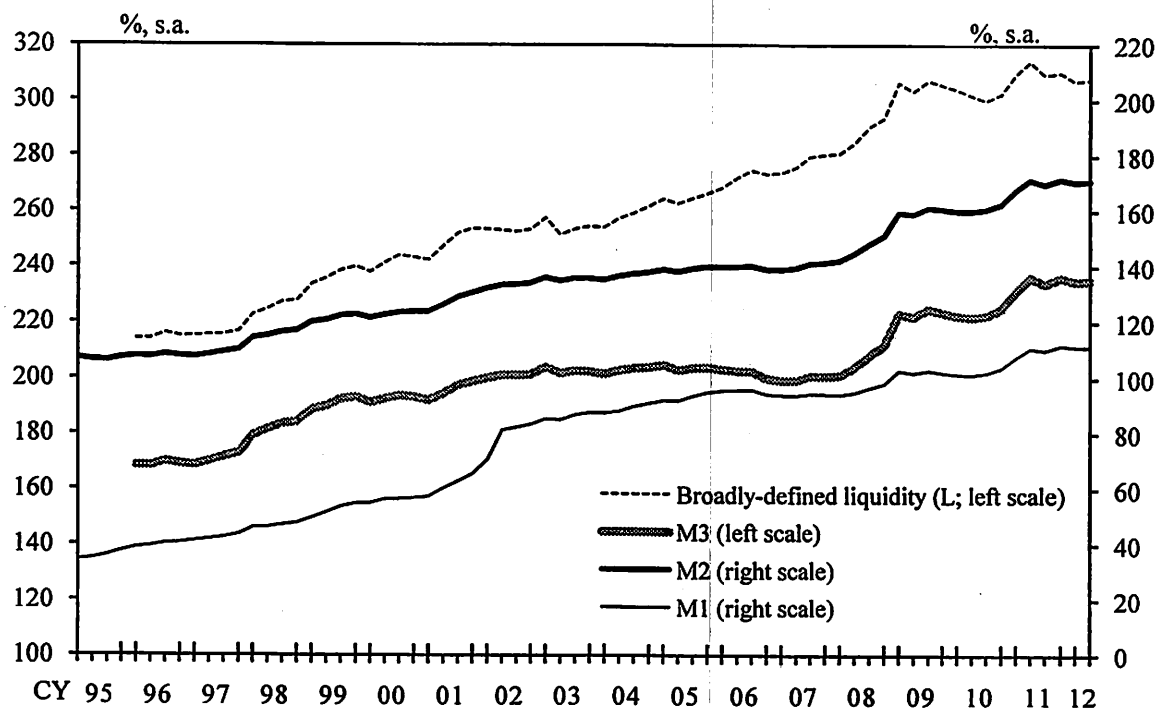
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category";  
Bank of Japan, "Principal Figures of Financial Institutions";  
Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts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

## Money Stock

## (1) Changes from a Year Earlier



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

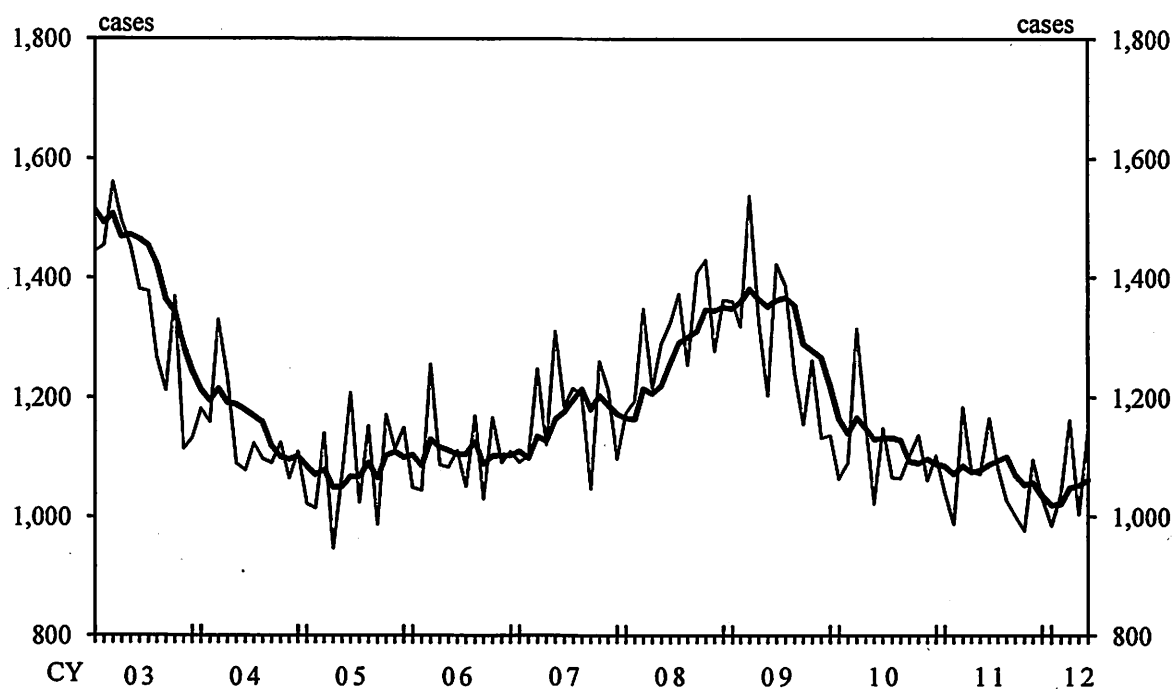


- Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.  
 2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.  
 3. The figures up to March 2004 in the upper panel and those up to March 2003 in the lower panel are based on the former series.  
 4. Figures for money stock in 2012/Q2 are those of Apr.-May averages, and nominal GDP in 2012/Q2 is assumed to be unchanged from the previous quarter.

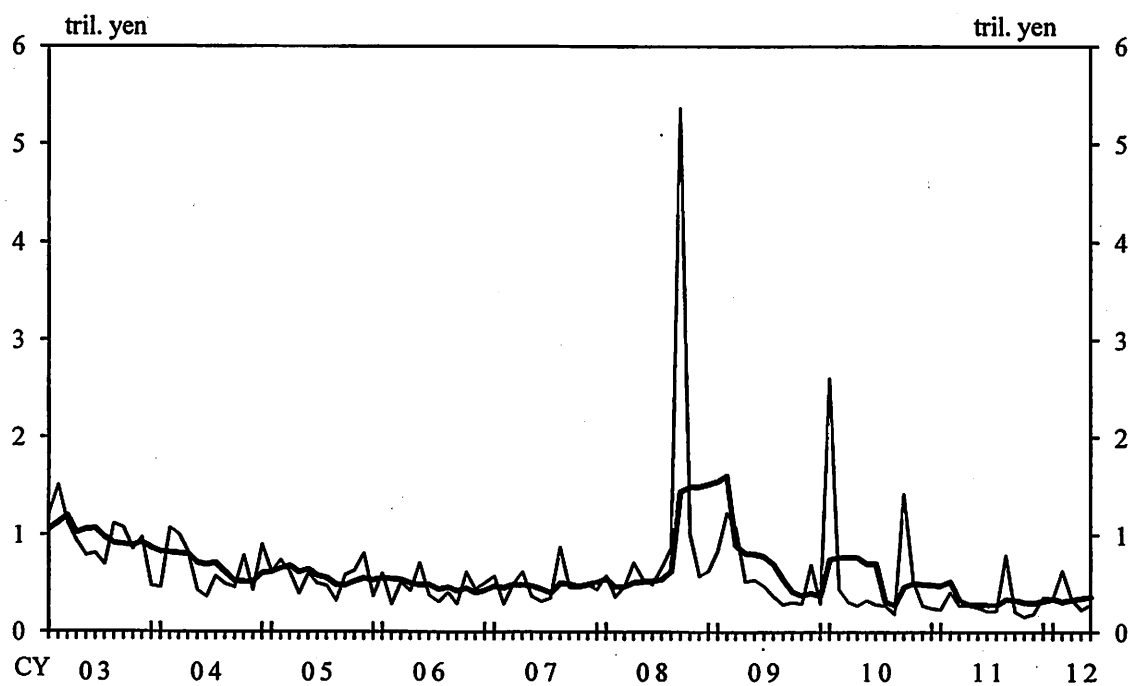
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

## 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)."