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Bank of Japan

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

(English translation prepared by the Bank's staff based on the Japanese original  
released on November 21, 2012)

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

**November 2012**

## **Summary**

Japan's economy has been weakening somewhat.

Exports and industrial production have decreased mainly due to the fact that overseas economies remain in a deceleration phase. Business fixed investment has shown some weakness in manufacturing mainly due to the effects of the deceleration in overseas economies, while it has been on a moderate increasing trend. In private consumption, car sales have recently fallen back due to the ending of some measures to stimulate demand for automobiles, while it has remained resilient. Meanwhile, public investment has continued to increase, and housing investment has generally been picking up.

With regard to the outlook, Japan's economy is expected to remain relatively weak for the time being, and thereafter, it will return to a moderate recovery path as domestic demand remains resilient on the whole and overseas economies gradually emerge from the deceleration phase.

Exports and industrial production are expected to continue decreasing for the time being and start picking up thereafter as overseas economies gradually emerge from the deceleration phase. As for domestic demand, public investment is expected to continue increasing for the time being, albeit at a slower pace, 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, albeit impacted for the time being mainly by the deceleration in overseas economies, partly due to investment related to disaster prevention and energy, as corporate profits maintain their improving trend on the whole. Private consumption is expected to remain resilient as a trend, while it will show some weakness for the time being mainly since car sales have fallen back.

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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 November 19 and 20, 2012.

Meanwhile, there remains a high degree of uncertainty about the global economy; furthermore, attention should be paid to the effects of financial and foreign exchange market developments on economic activity and prices.

On the price front, the three-month rate of change in domestic corporate goods prices has stopped declining, reflecting earlier movements 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 be more or less flat for the time being. 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. In the meantime, compared with last month, the value of the yen against the U.S. dollar has fallen, while long-term interest rates and stock prices have remained at more or less the same levels.

Financial conditions are accommodative.

The overnight call rate has remained at an extremely low level, and firms' funding costs have been hovering at low levels. With regard to credit supply, firms have continued to see financial institutions' lending attitudes as being on an improving trend. Issuing conditions for CP and corporate bonds have 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. That of CP has also been positive. In contrast, the year-on-year rate of change in the amount outstanding of corporate bonds, especially electric company bonds, has been 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 within the range of 2-3 percent.

## 1. Economic Developments

Public investment has continued to increase, primarily in that related to reconstruction after the earthquake disaster. The amount of public construction completed—which reflects the progress of public works—has risen for four straight quarters since the fourth quarter last year (Chart 5). The value of public works contracted—a measure that reflects public orders—was up again in October relative to the third quarter, after having been flat in the third quarter following an upsurge in the second quarter.

Public investment is expected to continue increasing for the time being, albeit at a slower pace.

Real exports have decreased (Charts 6[1] and 7). Although real exports on a quarter-on-quarter basis rose in the second quarter for the first time in three quarters, they fell back sharply in the third quarter. On a monthly basis, they were also down for five straight months through September. Even after that, exports appear to be on the decrease, influenced partly by the recent bilateral relationship between Japan and China. Looking at exports in the third quarter on a quarter-on-quarter basis by region (Chart 7[1]), those to the United States declined for the first time in five quarters as a whole, since exports of motor vehicles and their related goods turned downward, largely because the effects of upward pressure—assisted mainly by restocking—waned. Exports to the EU have continued to decrease markedly since the fourth quarter last year. Exports to both China and NIEs remained somewhat weak: despite a temporary rise in the second quarter—including that in intermediate goods—after having declined for two quarters in a row through the first quarter, they turned downward again in the third quarter. Meanwhile, exports to ASEAN and Others fell in the third quarter, due partly to fluctuations caused by some goods. By goods (Chart 7[2]), exports of IT-related goods have remained more or less level, primarily since final demand has not shown discernable improvement. Exports of motor vehicles and their related goods extended their rate of decline markedly in the third quarter, after having turned downward very marginally in the second quarter for the first time in four quarters, mainly since finished cars and motor vehicle parts exported to China and Others were down, as the restocking of these goods in the United States ceased while those to the EU remained somewhat weak. Exports of

capital goods and parts registered a sizeable decline in the third quarter, partly since ships exported to Others and NIEs fell back from the previous quarter. Exports of intermediate goods leveled off in the third quarter, despite having grown at a somewhat accelerated pace in the second quarter, notably to East Asia. Meanwhile, exports of consumer goods (digital cameras) rose, particularly to the EU and United States.

Real imports have trended upward, albeit with fluctuations (Charts 6[1] and 9). On a quarter-on-quarter basis, real imports have trended upward, albeit with fluctuations, as movements from the start of the year show that they inched downward in the first quarter followed by an increase in the second quarter and continued to move up marginally in the third quarter. Looking at movements in imports by goods (Chart 9[2]), those of raw materials rose for the fifth straight quarter, primarily in mineral fuels used for thermal power generation. Imports of IT-related goods have trended upward, particularly in smartphones, with an exceptional upsurge, chiefly for new products, in September. Those of intermediate goods climbed in the third quarter on a quarter-on-quarter basis, primarily in chemicals from Europe and the United States, after having been almost level in the second quarter. Although those of capital goods and parts had increased moderately in light of developments in domestic business fixed investment, they dropped marginally in the third quarter. Imports of foodstuffs were virtually flat, albeit with fluctuations. Imports of consumer goods, meanwhile, came down in the third quarter, particularly in audio and visual apparatus (flat panel televisions).

Net exports—in terms of the real trade balance—have decreased as a reflection of the aforementioned developments in exports and imports (Chart 6[1]). The nominal goods and services balance further expanded its deficit in the third quarter, since both the trade and services balance deficits increased (Chart 6[2] and [3]). As a result, the current account surplus declined sharply in the third quarter, even though the income balance surplus expanded.<sup>2</sup>

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<sup>2</sup> The current account balance in September (seasonally adjusted) marked a deficit for the first time since 1996 which is the latest year for which data are available on the same basis as that of the current statistics, mainly due to the effects of intensive imports of raw materials and IT-related goods.



Regarding the environment surrounding exports, overseas economies have remained in a deceleration phase (Chart 8[2]). Looking at movements by major region, the European economy has receded slowly, as the negative effects of the debt problem have spilled over from periphery countries to core countries. As for the Chinese economy, the deceleration is still noticeable, particularly in manufacturing, since exports to Europe (which comprise a large weight) have remained depressed and also since inventory adjustment pressures have influenced a wide range of sectors, including raw materials and construction machinery. As a reflection of these movements, the pick-up in the NIEs and ASEAN economies has moderated, notably in the corporate sector. Meanwhile, the U.S. economy has been on a moderate recovery trend as a whole, with a mild increase in private consumption in the household sector as well as an ongoing pick-up in housing investment, while the corporate sector has been relatively weak. As for the exchange rate, the yen has recently depreciated slightly against both the U.S. dollar and euro; similar movements were also observed in the real effective exchange rate (Chart 8[1]).

Overseas economies are expected to remain in a deceleration phase for the time being and then to gradually emerge from the deceleration phase and start a moderate recovery. There is still a high level of uncertainty, however, about the global economy, and attention should also be paid to financial and foreign exchange market developments. As to the European debt problem, concern over the so-called tail risk of global financial market turmoil—due to anxiety about the financial system—causing a significant economic downturn has waned somewhat. With the ongoing sluggishness in the European economy, however, there is still a high risk that the global economy will decelerate for an extended period through channels of trade, financial markets, and worsening business sentiment. As for the Chinese economy, the effects of economic stimulus measures are projected to surface gradually, but the loose supply and demand conditions may prevail mainly because the supply of raw materials and other goods seems to have exceeded demand as a result of increased business fixed investment. In the U.S. economy, balance sheet adjustments by households are projected to remain in place, although they have started to move gradually forward; there is also a high degree of uncertainty regarding the outlook for fiscal policies. In relation to this, as for the IT-related sector, in line with the introduction of new products of final demand goods, shipments of related parts by

Japanese manufacturers are projected to underpin exports, although attention should be paid to the risk that the sluggishness in demand for parts may persist, depending on developments in final demand from European and Chinese markets. Meanwhile, close attention should be paid to whether the bilateral relationship between Japan and China may push down Japan's economy through the effects on trade and the number of Chinese visitors to Japan.

Taking the above into consideration, exports are expected to continue decreasing for the time being and start picking up thereafter as overseas economies gradually emerge from the deceleration phase. A high degree of uncertainty about the timing of when overseas economies will head for recovery does remain, however. Imports are projected to continue rising at a moderate pace as a trend, against the backdrop of resilient domestic demand on the whole, although they will be affected by the decrease in industrial production for the time being. As a reflection of these developments in exports and imports, net exports are projected to continue declining for the time being and then gradually resume their moderate uptrend.

Business fixed investment has shown some weakness in manufacturing mainly due to the effects of the deceleration in overseas economies, while it has been on a moderate increasing trend. The aggregate supply of capital goods—a coincident indicator of machinery investment—declined sharply in the third quarter on a quarter-on-quarter basis, partly since steel ships and trucks fell back, after having increased in the second 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—continued to move down marginally in the third quarter on a quarter-on-quarter basis, following a somewhat sharp decline in the second quarter (Chart 11[1]). By industry, machinery orders of manufacturing continued to decline in the third quarter, partly due to the decrease in exports and industrial production, following that in the second quarter. Meanwhile, that of nonmanufacturing (excluding orders for ships and those from electric power companies) continued to be more or less level. Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—increased significantly in the third quarter, assisted by some large projects, following the increase for two consecutive quarters through the second quarter (Chart 11[2]). By



industry, construction starts of mining and manufacturing were almost flat in the third quarter, after having fallen back in the second quarter from the upsurge in the first quarter. Those of nonmanufacturing rose in the third quarter assisted by large office building projects (with ties to real estate and transportation), following that in the second quarter which was supported by large projects associated with logistics (wholesale and retail as well as transportation).

Regarding the environment surrounding business fixed investment, corporate profits have been on an improving trend on the whole, notably in domestic demand-oriented sectors, although the deceleration in overseas economies has gradually affected manufacturing of late. Corporate profits are projected to continue a mild improving trend on the whole, supported by resilient domestic demand, albeit impacted at times mainly by the deceleration in overseas economies. Meanwhile, various monthly surveys on business sentiment reveal that manufacturing has become noticeably more cautious due to the deceleration in overseas economies as well as the bilateral relationship between Japan and China, and furthermore to slack car sales in the domestic market. Business sentiment among nonmanufacturing has also become slightly more cautious lately.

Business fixed investment is projected to continue a moderate increasing trend, albeit impacted for the time being mainly by the deceleration in overseas economies, partly due to investment related to disaster prevention and energy, as corporate profits maintain their improving trend on the whole.

In private consumption, car sales have recently fallen back due to the ending of some measures to stimulate demand for automobiles, while it has remained resilient (Charts 12 and 13 [2]). Consumption of goods—as seen through sales at retail stores in real terms (Chart 13[1])—rose again in the third quarter on a quarter-on-quarter basis, despite having been almost level in the second quarter, after having gained momentum in the first quarter. Looking at consumption of durable goods (Chart 13[2]), the number of new passenger-car registrations fell back toward October following the ending of subsidies for purchasing energy-efficient cars; it has retreated

to a level below that when these subsidies were reintroduced at the end of last year.<sup>3</sup> Sales of household electrical appliances in real terms have been more or less flat as a whole, albeit with fluctuations, since sales of smartphones, tablet devices, and white goods installed with energy-saving devices were firm, whereas those of televisions and PCs were sluggish. Sales at department stores and supermarkets showed mixed movements: they inched downward in September on a month-on-month basis, mainly due to sluggish sales of fall apparel as a reflection of the lingering heat, after having picked up slightly in August, notably in foodstuffs (beverages) and summer apparel, aided by temperature rises (Chart 14[1]). Meanwhile, sales at convenience stores have continued to trend moderately upward. As for consumption of services (Chart 14[2]), outlays for travel—which had continued to trend upward, albeit with fluctuations—have recently moved downward, chiefly in overseas travel. Sales in the food service industry have been solid as a trend, with sales—which had been declining toward the middle of the year—having shown a sizeable rebound in August-September.

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—registered a sizeable decline in the third quarter, mainly in expenditure on fuel and light charges and that related to culture & recreation (such as travel), after having advanced for four quarters in a row through the second quarter (Chart 13[1]).<sup>4</sup> The total expenditure in the *Survey of Household Economy* (in real terms; two-or-more-person households) also fell somewhat sharply in the third quarter, mainly since car sales fell back, after having increased for four straight quarters through the second quarter.

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<sup>3</sup> As for subsidies for purchasing energy-efficient cars, applications for private vehicles were closed as of those accepted on September 21 as the rush in demand lacked vigor. For the future, attention should be given to car sales and furthermore to how long production will continue to fall back, even though the introduction of energy-efficient new models will underpin demand to some extent.

<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.

Indicators related to consumer confidence—which had maintained their moderate improving trend—have recently ceased to improve (Chart 15).

Private consumption is expected to remain resilient as a trend, while it will show some weakness for the time being mainly since car sales have fallen back.

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 on average, albeit with fluctuations: it was almost level in the third quarter, after having moved upward for two consecutive quarters through the second quarter following a temporary decline in the fourth quarter last year (Chart 16[1]).

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

Industrial production has decreased (Chart 17). On a monthly basis, production continued to decline for three months in a row since July in both the released-base index and the adjusted-base index,<sup>6</sup> although it inched upward in June, after a sizeable decline in May that was affected partly by factors such as fewer operating days for factories than in typical years as a result of the long holiday. Even on a quarterly basis, production kept decreasing in the second and third quarters, after having increased in the first quarter. The production forecast index recently shows that a downtrend has become evident, with larger downward revisions in both the realization and amendment ratios.

Looking at production in the third quarter on a quarter-on-quarter basis by industry, that of transport equipment (such as passenger cars) fell markedly, as production for the domestic market decreased with the ending of subsidies for

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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. As for the former, the eligible construction starting period for houses to receive eco-points ended on October 31, while applications for the latter have closed as of those received on October 31.

<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).

purchasing energy-efficient cars and as production of finished cars exported to Europe and the United States and that of motor vehicle parts to China came down. Production of electronic parts and devices has declined again since the second quarter as the recovery in final demand at home and abroad lagged behind, although it temporarily turned upward in the first quarter in light of the progress in inventory adjustments. Most recently, however, production has increased, chiefly for new products. Production of general machinery declined markedly, due to somewhat weak domestic demand including those for semiconductor products machinery, on top of the overall decline in overseas demand. Meanwhile, production of ceramics, stone and clay products was relatively firm, due in part to reconstruction-related demand.

Shipments have been moving down (Chart 19[1]). Looking at the trend in shipments by goods (Chart 18), those of durable consumer goods—which had continued to pick up supported by the increase in motor vehicles—have recently been somewhat sluggish among those for exports, and those to the domestic market have also declined reflecting the ending of subsidies for purchasing energy-efficient cars. On the other hand, shipments of non-durable consumer goods have continued to increase moderately. Shipments of capital goods—which had been on a mild uptrend—have recently declined significantly, affected by fluctuations in those for ships and electricity, together with depressed shipments of goods such as semiconductor products machinery as well as engineering and construction machinery. Shipments of producer goods—which had continued to trend moderately upward, chiefly for motor vehicles (such as iron and steel as well as motor vehicle parts)—have recently trended downward, mainly since those for motor vehicles showed somewhat weak movements and since the pick-up in electronic parts and devices lagged behind. Shipments of electronic parts and devices have inched upward most recently, primarily for new products. Meanwhile, shipments of construction goods still remain more or less level as a whole, but goods such as photovoltaic modules have shown signs of increases.

Inventories have been at a relatively high level lately (Chart 19[1]). Looking at the three-month rate of change, inventories increased slightly at the end of September, although they were flat at the end of June after having surged at the end of

March. By industry, general machinery including engineering and construction machinery saw its inventories pile up, affected mainly by the downswing in demand from Asia. Inventories of electronic parts and devices came down marginally as of the end of September, due to further shipments for new products, but the effects of a delayed pick-up in demand, notably for exports, are still in sight. As for the shipment-inventory balance (year-on-year rate of change in shipments less that in inventories), growth in inventories has been well above that in shipments (Chart 19[3]).<sup>7</sup> By goods, as for producer goods, growth in inventories of electronic parts and devices has been almost aligned with that in shipments, but the shipment-inventory balance of other producer goods—which had been on an improving trend—has deteriorated due to decreased demand, primarily from Asia. As for capital goods, the shipment-inventory balance has continued to deteriorate, mainly due to the downswing in demand, notably for exports.

Industrial production is expected to continue decreasing for the time being, and start picking up thereafter, in line with improvements in exports as overseas economies gradually emerge from the deceleration phase. Based on anecdotes by firms and other information, electronic parts and devices are projected to see production increases for new products, whereas transport equipment will face production declines, mainly as a reflection of the ending of subsidies for purchasing energy-efficient cars and a decline in exports to Europe and China; this movement is in turn expected to spill over to industries such as iron and steel as well as metal products. Production of general machinery is also projected to move downward in a wide range of items, mainly since the timing of recovery in overseas economies has lagged behind. Other than that, the delay in the recovery of overseas economies and elevated inventory adjustment pressures in the Asian market will weigh heavily on many industries regardless of whether being raw materials or processing industries. As a result, production as a whole is projected to continue decreasing. For the first quarter, although there is still a high degree of uncertainty, there are many views that production of electronic parts and devices will continue increasing, mainly for new products, and that of transport equipment will turn upward, whereas production of

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<sup>7</sup> As of the second quarter, growth in shipments was above that in inventories, but this was because the year-on-year increase in shipments rebounded this year from the sharp decline in shipments in the second quarter last year due to the effects of the earthquake disaster.

many other industries will stay relatively weak. It looks as though production will become more or less flat as a whole.

The employment and income situation has continued to be severe and the improvement in supply and demand conditions in the labor market has come to a halt.

As for supply and demand conditions in the labor market, the unemployment rate has still trended downward, albeit with monthly fluctuations (Chart 20). On the other hand, job openings have turned slightly downward as a whole, with the number of new job openings in manufacturing, including transport equipment, registering a sizeable decline of late. The active job openings-to-applicant ratio—which had continued its improving trend—fell, albeit slightly, in September compared with the previous month. Non-scheduled hours worked—which had been on a mild uptrend, albeit with fluctuations—have recently inched downward, notably in manufacturing.

In terms of employment, the year-on-year rate of change in the number of employees in the *Labour Force Survey* has recently registered a slight positive, although attention should be given to 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 with the fluctuations smoothed out, and has been well below the pre-earthquake level.

The year-on-year rate of change in total cash earnings per employee has recently declined marginally, mainly as a reflection of the decrease in the number of hours worked (Chart 21[2]). Looking in detail, non-scheduled cash earnings have reduced their pace of increase, while scheduled cash earnings have somewhat accelerated their pace of decline, primarily due to the reduced number of hours worked by part-time employees.

The year-on-year rate of change in employee income has been almost 0 percent with the fluctuations smoothed out, as a reflection of the aforementioned developments in employment and wages (Chart 21[3]).

Employee income is unlikely to improve for the time being, mainly since the drag from the lackluster business performance of fiscal 2011 is likely to persist and since the decrease in exports and industrial production will weigh on non-scheduled cash earnings. After that, however, the improvement in employee income is expected to become gradually evident as the pick-up in exports and industrial production becomes noticeable.

## 2. Prices

International commodity prices have ceased to improve (Chart 23[1] and [3]). Crude oil prices—which have remained at a relatively high level compared to a while ago—have recently fallen back slightly. Prices of nonferrous metals have been somewhat weak lately, mainly as a reflection of the weakness in Asian demand. Prices of grains have remained high, due to anxiety over supply as a result of the unseasonable weather, including that in the United States, although they have recently fallen back slightly.

The three-month rate of change in import prices (on a yen basis) has increased marginally, reflecting earlier movements 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) has stopped declining, reflecting earlier movements in international commodity prices (Chart 24[2]).<sup>8</sup> In October, the three-month rate of change turned positive, albeit marginally, for the first time since April this year, registering an increase of 0.3 percent. Looking in detail at domestic corporate goods price movements, prices of "goods sensitive to exchange rates and overseas commodity prices" expanded their rate of increase in October, after having turned positive, albeit marginally, in September; those of "other materials" turned positive in October, mainly in chemicals

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<sup>8</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.



& related products. On the other hand, prices of "iron & steel and construction goods" have been on the decline, due mainly to the effects of the loose supply and demand balance in the Asian market. Meanwhile, prices of "electric power, gas & water"—which had continued to rise gently—were level in October, due in part to revisions of electricity prices for firms by an electricity company amid downward pressure from the decline in crude oil prices toward the middle of the year.

The year-on-year rate of change in corporate services prices (excluding international transportation; year-on-year basis, same hereafter) has recently been around 0 percent (Chart 25). As for developments on a year-on-year basis, corporate services prices stood at negative 0.3 percent in September, following a decline of 0.2 percent in August. Looking in detail at corporate services price movements in September, prices related to "selling, general and administrative expenses" turned somewhat negative, due mainly to decreased placements of television commercials; prices related to "domestic transportation" reduced their pace of increase, affected mainly by price reductions in packing for freight. Prices related to "real estate" are considered to be reducing their year-on-year pace of decline, albeit moderately, as a trend, but the rate of decline expanded slightly in September. Meanwhile, prices related to "fixed investment" have been increasing marginally, particularly in civil engineering and architectural services, whereas "IT-related" prices have continued to decrease, due to price declines in leasing and rentals of equipment.

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]). In September, consumer prices stood at negative 0.1 percent, narrowing the rate of decline by 0.2 percentage points from August. On the other hand, looking at developments on a basis that excludes food and energy, prices in September posted negative 0.6 percent, expanding the rate of decline by 0.1 percentage point from August. Regarded as a method for capturing trend changes, the year-on-year rate of change in the trimmed mean has been slightly negative recently, but from a somewhat long-term perspective, it has been on a moderate improving trend (Chart 27[2]).<sup>9</sup>

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<sup>9</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.

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 27[1]).<sup>10</sup>

Looking in detail at consumer price movements in September, prices for goods (excluding agricultural, aquatic and livestock products) reduced their year-on-year pace of decline, mainly since prices of petroleum products turned positive as a reflection of the slight pick-up in crude oil prices during the summer. Prices of general services as a whole declined at an accelerated pace since (i) hotel charges—which saw an upsurge in the previous month due to calendar factors—reduced their rate of increase, and (ii) package tours to overseas declined at a somewhat accelerated pace. On the other hand, fees for public services somewhat accelerated their pace of increase, mainly due to electricity price increases by an electricity company.

Domestic corporate goods prices are expected to be more or less flat for the time being. 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 or less flat, at a somewhat high level relative to the T-Bill rate (3-month). Interest

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<sup>10</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.

rates on Euroyen futures have fallen very marginally (Chart 28). In U.S. dollar funding, the LIBOR-OIS spread for the dollar has narrowed somewhat (Chart 29).

Yields on 10-year government bonds (newly issued 10-year JGB)—which had been moving in the range of 0.75-0.80 percent—have recently moved marginally downward, in line with movements in U.S. long-term interest rates; they are currently moving in the range of 0.70-0.75 percent (Chart 30).

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

Stock prices have inched up, albeit with fluctuations, due mainly to the depreciation of the yen, although they temporarily declined somewhat against the background of declining U.S. stock prices as well as somewhat weak corporate earnings. The Nikkei 225 Stock Average is currently moving in the range of 9,000-9,500 yen (Chart 32).

In the foreign exchange market, the yen has depreciated against the U.S. dollar, albeit with fluctuations; it is currently moving in the range of 81.0-81.5 yen against the U.S. dollar (Chart 33).

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

Firms' funding costs have been hovering at low levels, against the background that the overnight call rate has remained at an extremely low level. Issuance rates on CP and those on corporate bonds, meanwhile, have been at low levels. The average contracted interest rates on new loans and discounts have also been low (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 and corporate bonds have 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 (Chart 36). That of CP has also been positive. In contrast, the year-on-year rate of change in the amount

outstanding of corporate bonds, especially electric company bonds, has been 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 slightly above the year-ago level, albeit having remained at a low level (Chart 39).

Meanwhile, the year-on-year rate of change in the money stock (M2) has been positive within the range of 2-3 percent. Its October reading was 2.3 percent on a year-on-year basis, following 2.4 percent in September (Chart 38).<sup>11</sup>

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<sup>11</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 October reading was 1.9 percent, following 2.1 percent in September. The year-on-year rate of growth in broadly-defined liquidity (L) has recently been at around 1 percent; it increased by 0.8 percent in October, following an increase of 0.7 percent in September.

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Chart 1

## Main Economic Indicators (1)

	s.a., q/q (m/m) % chg. <sup>1</sup>						
	2012/Q1	Q2	Q3	2012/Jul.	Aug.	Sep.	Oct.
Index of consumption expenditure level (two-or-more-person households)	-0.3	2.3	-1.4	0.9	-0.2	-2.4	n.a.
Sales at department stores	-0.9	1.0	-1.7	-0.1	1.6	-1.0	n.a.
Sales at supermarkets	0.5	-1.6	-0.8	0.5	1.1	-1.3	n.a.
New passenger-car registrations <sup>3</sup> <s.a., ann. 10,000 units>	< 349>	< 316>	< 285>	< 325>	< 284>	< 245>	< 232>
Sales of household electrical appliances (real, "Current Survey of Commerce")	0.9	-5.8	4.1	6.1	-5.6	12.0	n.a.
Outlays for travel	0.4	3.2	-4.5	-3.2	4.1	-5.4	n.a.
Housing starts <s.a., ann. 10,000 units>	< 86>	< 88>	< 87>	< 87>	< 89>	< 87>	<n.a.>
Machinery orders <sup>4</sup> (Private sector, exc. volatile orders)	0.9	-4.1	-1.1	4.6	-3.3	-4.3	n.a.
Manufacturing	0.1	-5.8	-3.2	12.0	-15.1	2.8	n.a.
Nonmanufacturing <sup>4</sup> (exc. volatile orders)	0.5	0.0	0.1	-2.1	3.6	1.3	n.a.
Construction starts (private, nondwelling use)	1.9	0.3	8.1	-3.5	15.3	9.8	n.a.
Mining & manufacturing	24.9	-20.4	0.1	-12.5	17.6	4.1	n.a.
Nonmanufacturing <sup>5</sup>	-3.1	4.7	9.0	-1.0	11.7	12.2	n.a.
Value of public works contracted	3.5	9.2	-0.1	3.8	-1.5	-13.5	18.5
Real exports	-0.1	4.1	-6.0	-3.1	-0.7	-3.5	n.a.
Real imports	-0.4	3.3	0.8	2.3	-3.8	6.6	n.a.
Industrial production	1.3	-2.0	-4.2	-1.0	-1.6	-4.1	n.a.
Shipments	0.8	-0.2	-5.4	-3.1	0.2	-4.3	n.a.
Inventories	5.9	0.0	0.3	2.9	-1.6	-0.9	n.a.
Inventory ratio <s.a., CY 2005 = 100>	< 115.3>	< 123.6>	< 130.4>	< 128.2>	< 125.2>	< 130.4>	<n.a.>
Real GDP	1.3	0.1	-0.9	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	-0.1	-0.1	n.a.	-0.6	0.1	n.a.	n.a.

## Main Economic Indicators (2)

	y/y % chg. <sup>1</sup>						
	2012/Q1	Q2	Q3	2012/Jul.	Aug.	Sep.	Oct.
Active job openings-to-applicants ratio <s.a., times>	< 0.75>	< 0.81>	< 0.82>	< 0.83>	< 0.83>	< 0.81>	<n.a.>
Unemployment rate <s.a., %>	< 4.6>	< 4.4>	< 4.2>	< 4.3>	< 4.2>	< 4.2>	<n.a.>
Overtime working hours <sup>6</sup>	1.8	4.0	-0.9	-0.8	0.1	-2.0	n.a.
Number of employees	-0.5	-0.3	0.5	0.6	0.8	0.1	n.a.
Number of regular employees <sup>6</sup>	0.6	0.9	0.6	0.6	0.7	0.6	n.a.
Nominal wages per person <sup>6</sup>	0.0	-0.5	-0.7	-1.6	0.0	-0.5	n.a.
Domestic corporate goods price index <q/q % chg., 3-month rate of change> <sup>7</sup>	0.3 < 0.2>	-1.0 <-0.2>	-1.9 <-1.0>	-2.2 <-1.7>	-1.9 <-1.1>	-1.5 <-0.2>	p -1.0 <p 0.3>
Consumer price index <sup>8</sup>	0.1	0.0	-0.2	-0.3	-0.3	-0.1	n.a.
Corporate services price index <sup>9</sup>	-0.6	0.1	p -0.1	0.0	-0.2	p -0.3	n.a.
Money stock (M2) <average outstanding, y/y % chg.>	3.0	2.4	2.4	2.3	2.4	2.4	p 2.3
Number of corporate bankruptcies <cases per month>	<1,061>	<1,042>	<975>	<1,026>	<967>	<931>	<1,035>

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";

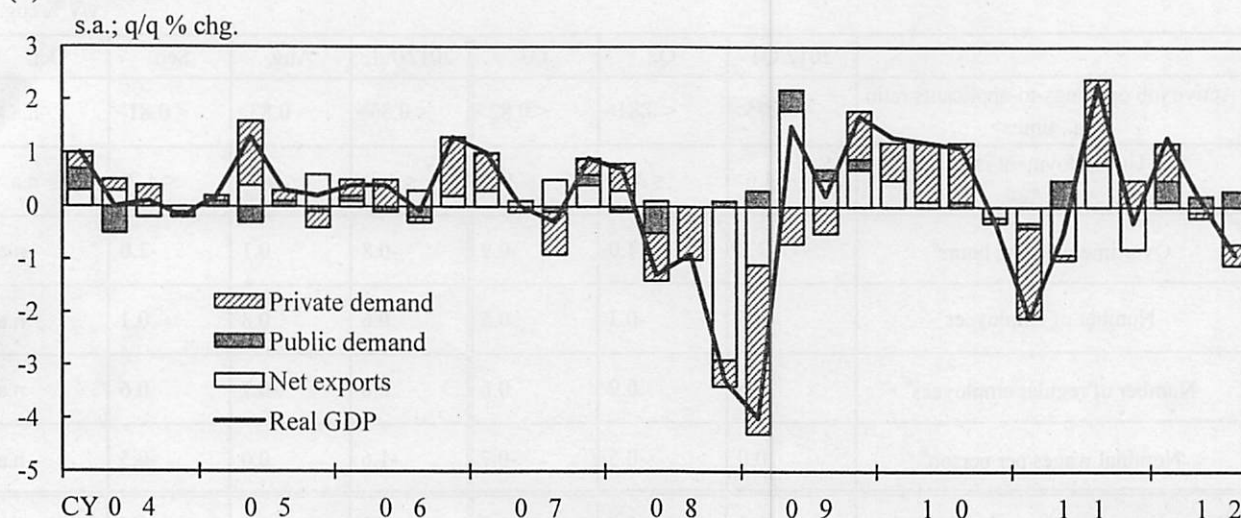
Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index," "Money Stock";

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



## Real GDP and Indexes of Business Conditions

## (1) Real GDP



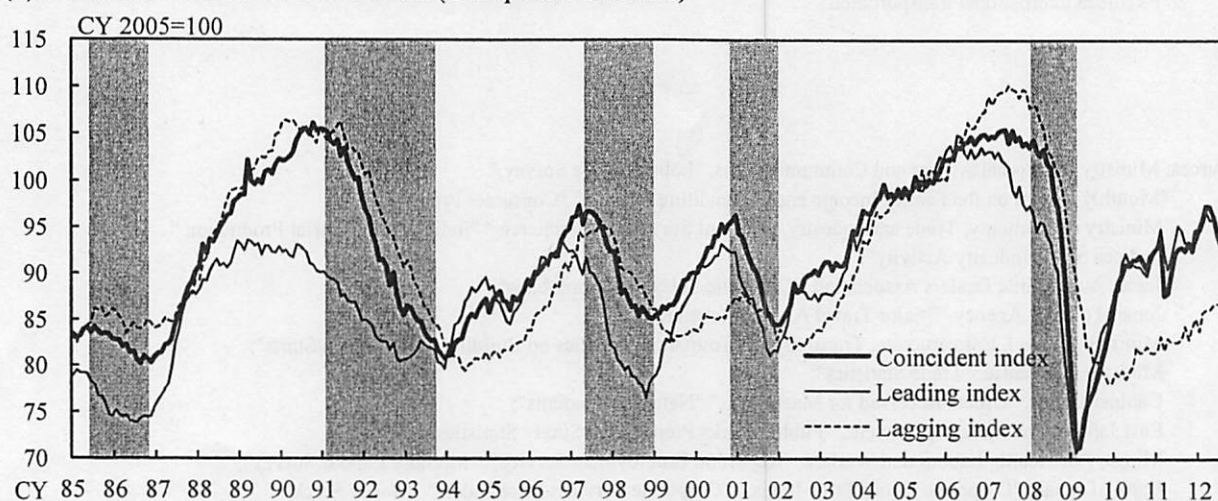
## (2) Components

s.a.; q/q % chg.

	2011		2012		
	Q3	Q4	Q1	Q2	Q3
Real GDP	2.3	-0.3	1.3	0.1	-0.9
[Annual rate]	[9.5]	[-1.2]	[5.2]	[0.3]	[-3.5]
Domestic demand	1.5	0.5	1.1	0.2	-0.2
Private demand	1.6	0.5	0.7	-0.1	-0.4
Private consumption	1.0	0.3	0.7	-0.1	-0.3
Non-Resi. investment	0.2	0.6	-0.3	0.1	-0.4
Residential investment	0.1	-0.0	-0.0	0.0	0.0
Private inventory	0.3	-0.4	0.3	-0.2	0.2
Public demand	-0.0	0.0	0.4	0.2	0.3
Public investment	-0.1	-0.0	0.2	0.1	0.2
Net exports of goods and services	0.8	-0.8	0.1	-0.1	-0.7
Exports	1.3	-0.7	0.5	0.2	-0.8
Imports	-0.5	-0.1	-0.4	-0.3	0.1
Nominal GDP	2.1	-0.6	1.4	-0.3	-0.9

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

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

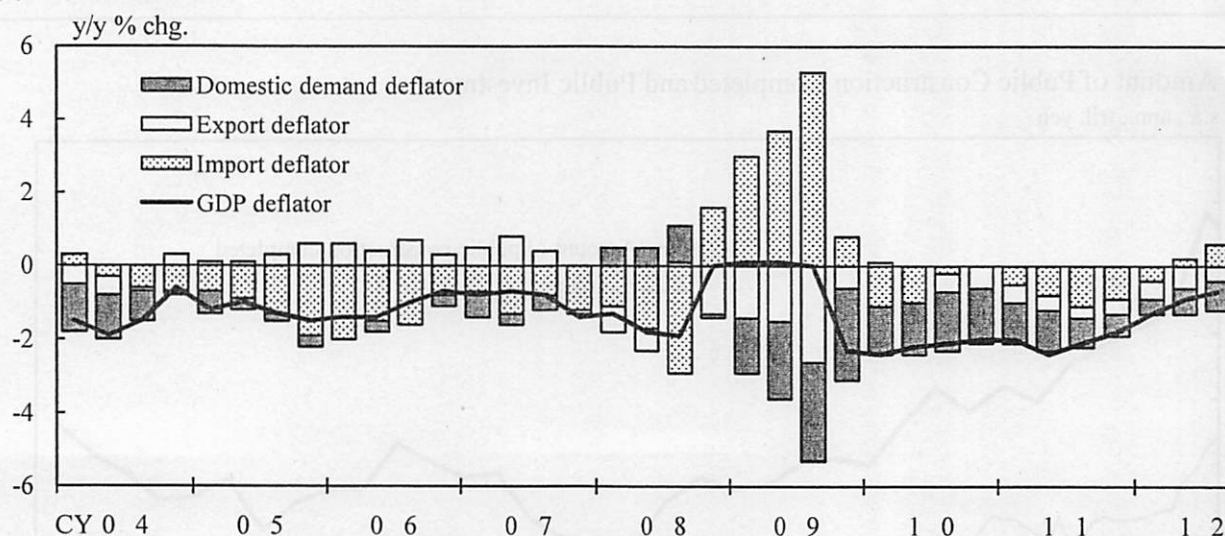


Note: Shaded areas indicate recession periods.

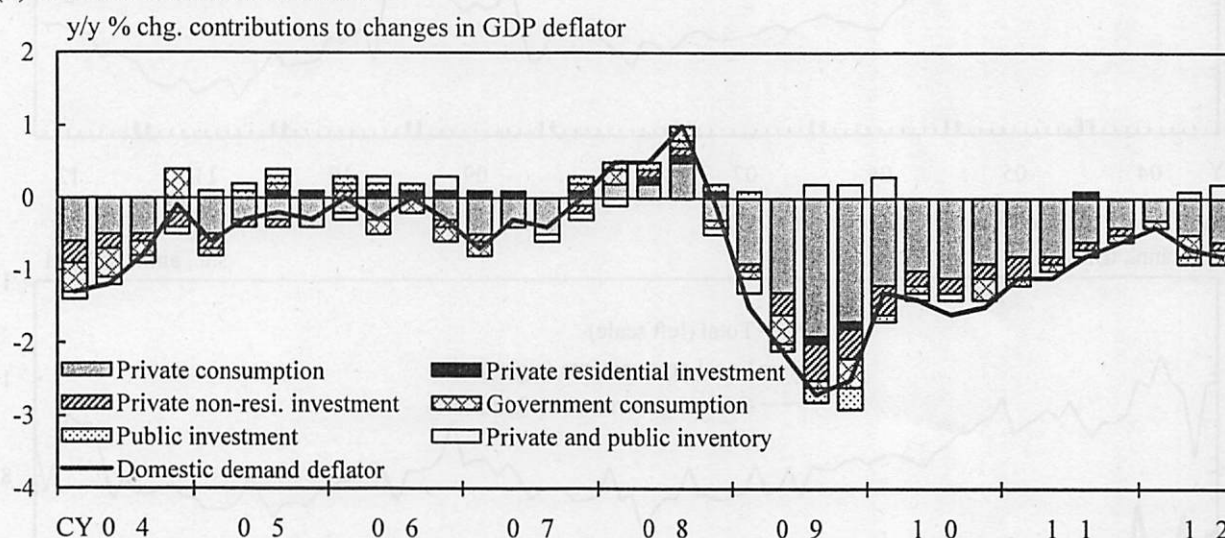
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

## GDP Deflator and Income Formation

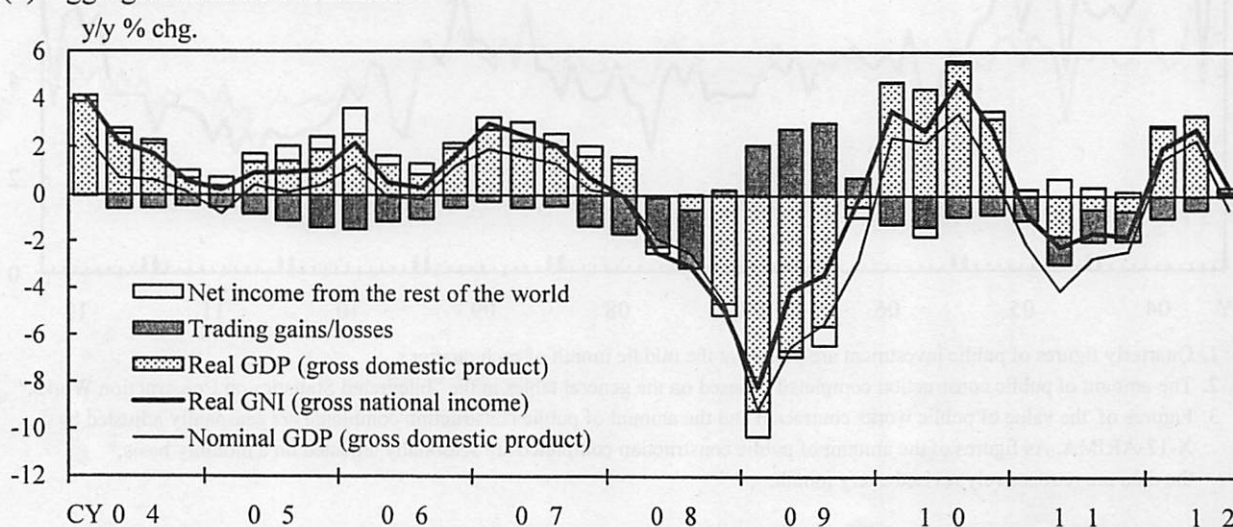
## (1) GDP Deflator



## (2) Domestic Demand Deflator



## (3) Aggregate Income Formation



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

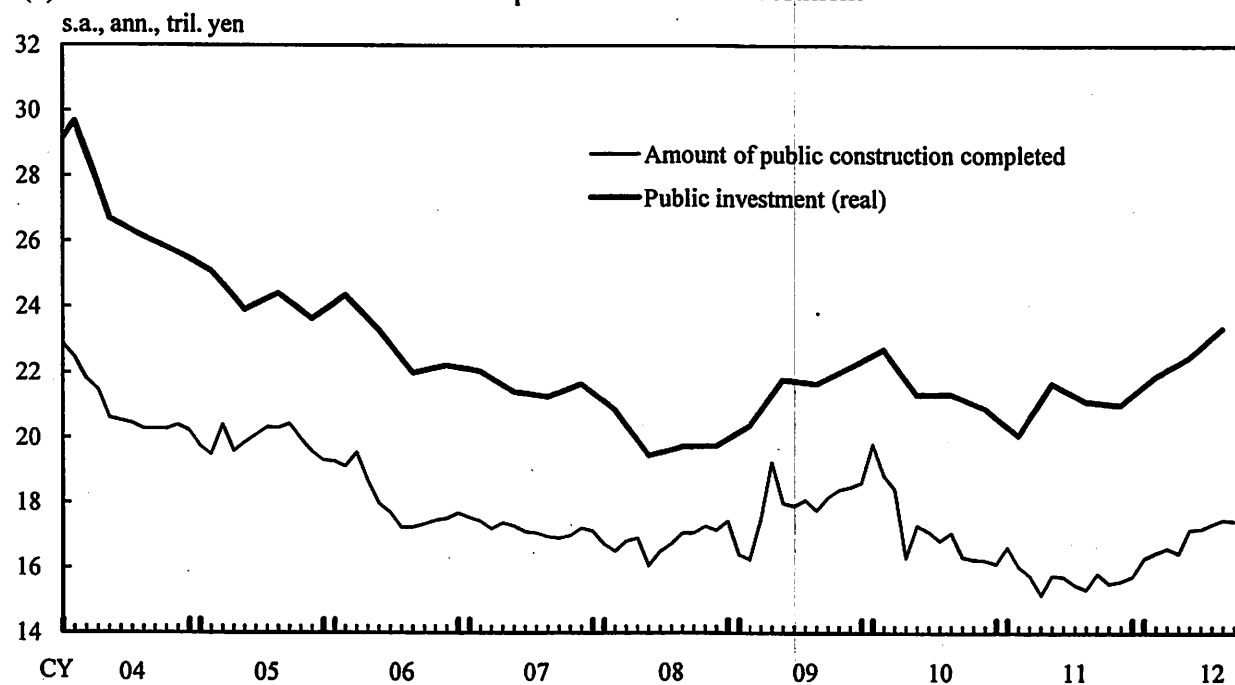
2. Real GNI = real GDP + trading gains/losses + net income from the rest of the world

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

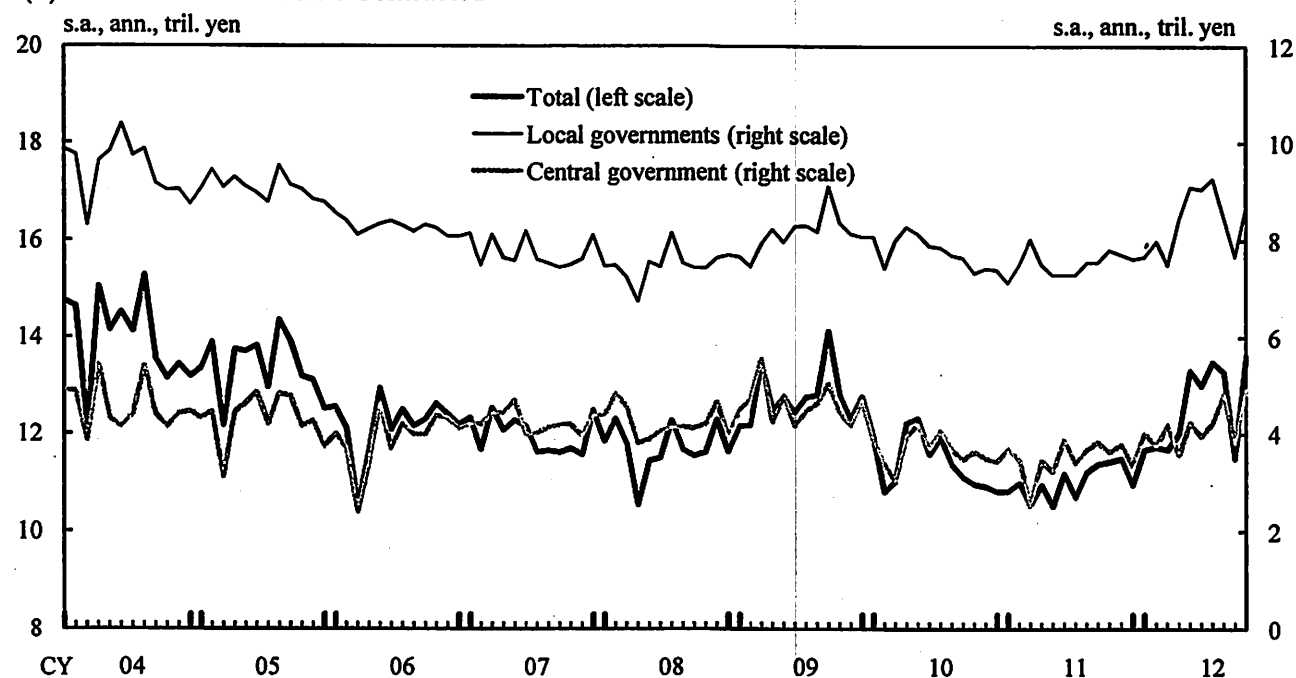
Source: Cabinet Office, "National Accounts."

## Public Investment

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



## (2) Value of Public Works Contracted



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

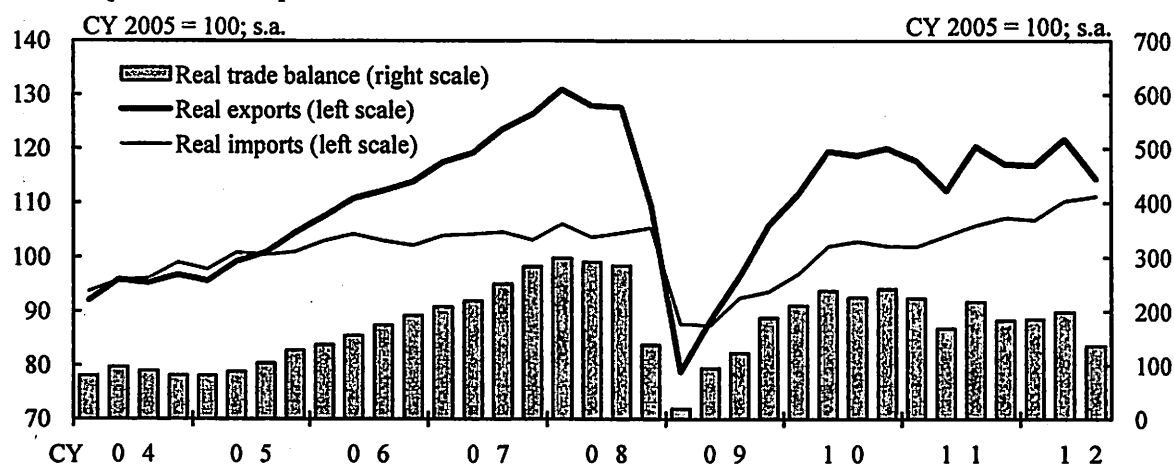
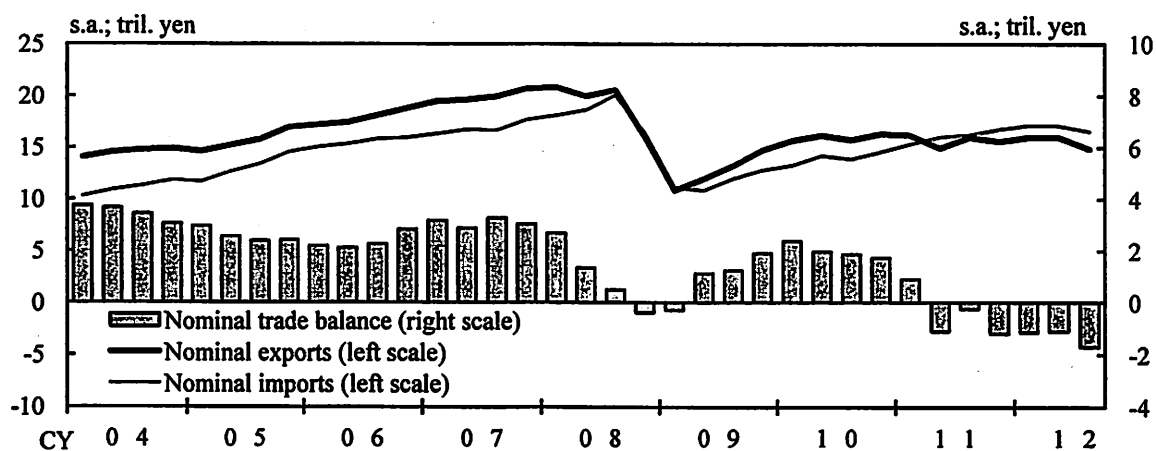
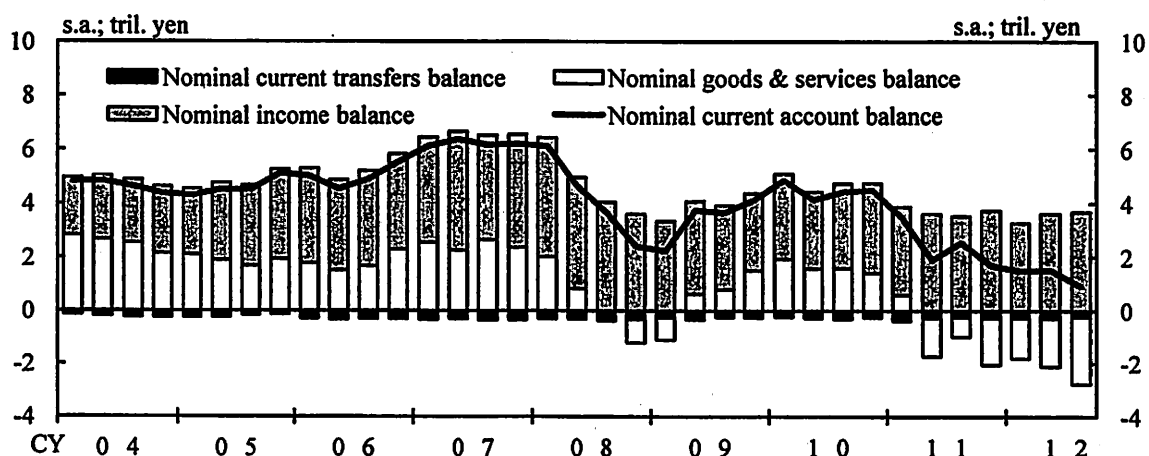
2. The amount of public construction completed is based on the general tables in the "Integrated Statistics on Construction Works."

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

Sources: Cabinet Office, "National Accounts";

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

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

External Balance<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.

2. Real exports/imports are the value of exports and imports in the "Trade Statistics" deflated by the "Export and Import Price Index." From May 2012 and onward, deflators are calculated by extending the 2005 base deflators using monthly changes of the 2010 base price indices. All the deflators regarding real exports/imports are similarly calculated in the following charts. "Real trade balance" is defined as real exports minus real imports.

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 Q3	2012 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Jul.	2012 Aug.	2012 Sep.
United States	<15.3>	24.7	-0.3	19.8	4.9	2.5	4.8	-4.7	-2.3	3.7	-7.2
EU	<11.6>	17.4	2.9	9.8	-8.3	-4.0	-2.3	-5.9	4.5	-5.6	5.6
East Asia	<52.8>	31.8	-1.2	4.8	-4.5	0.9	2.5	-3.0	-3.5	-1.9	1.3
China	<19.7>	31.3	1.9	7.5	-4.8	-1.9	1.8	-2.8	-3.8	-1.2	-1.6
NIEs	<22.8>	28.0	-4.6	0.7	-4.1	-1.5	2.3	-2.6	-3.3	-2.2	2.2
Korea	<8.0>	23.6	-3.0	-4.1	-0.8	0.3	-2.3	-0.0	5.5	-6.3	5.5
Taiwan	<6.2>	36.8	-9.3	-3.4	-3.6	-4.9	5.9	1.2	-3.9	1.3	1.3
Hong Kong	<5.2>	29.2	-4.0	7.7	-4.3	2.0	-1.2	-0.2	-6.2	6.0	-0.0
Singapore	<3.3>	20.2	0.3	10.0	-13.2	-3.1	10.8	-15.3	-13.5	-10.7	-4.2
ASEAN4 <sup>3</sup>	<10.4>	42.7	0.8	9.4	-4.9	11.4	4.2	-4.2	-3.7	-2.7	4.3
Thailand	<4.6>	46.1	1.3	8.9	-20.8	27.1	10.3	-2.2	-2.2	-4.7	9.6
Others	<20.3>	29.2	1.6	13.7	-0.5	3.2	0.3	-9.5	-7.7	2.2	-8.9
Real exports		27.5	-0.5	7.3	-2.8	-0.1	4.1	-6.0	-3.1	-0.7	-3.5

## (2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2010	2011	2011 Q3	2012 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Jul.	2012 Aug.	2012 Sep.
Intermediate goods	<20.9>	18.3	-4.6	-2.1	-1.4	-2.9	6.5	0.2	0.1	-1.4	1.5
Motor vehicles and their related goods	<20.6>	41.8	-3.8	44.5	4.1	0.3	-0.7	-9.3	2.0	-3.0	-7.6
Consumer goods <sup>4</sup>	<3.2>	13.7	-2.9	23.7	-20.2	28.6	-0.9	3.8	-1.3	0.9	-11.1
IT-related goods <sup>5</sup>	<10.0>	27.6	0.9	4.9	-3.5	1.6	-0.3	-0.6	-1.1	-1.1	1.4
Capital goods and parts <sup>6</sup>	<30.3>	36.3	5.0	-0.1	-2.6	1.0	2.9	-6.6	-7.3	2.6	-7.2
Real exports		27.5	-0.5	7.3	-2.8	-0.1	4.1	-6.0	-3.1	-0.7	-3.5

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. Excludes motor vehicles.

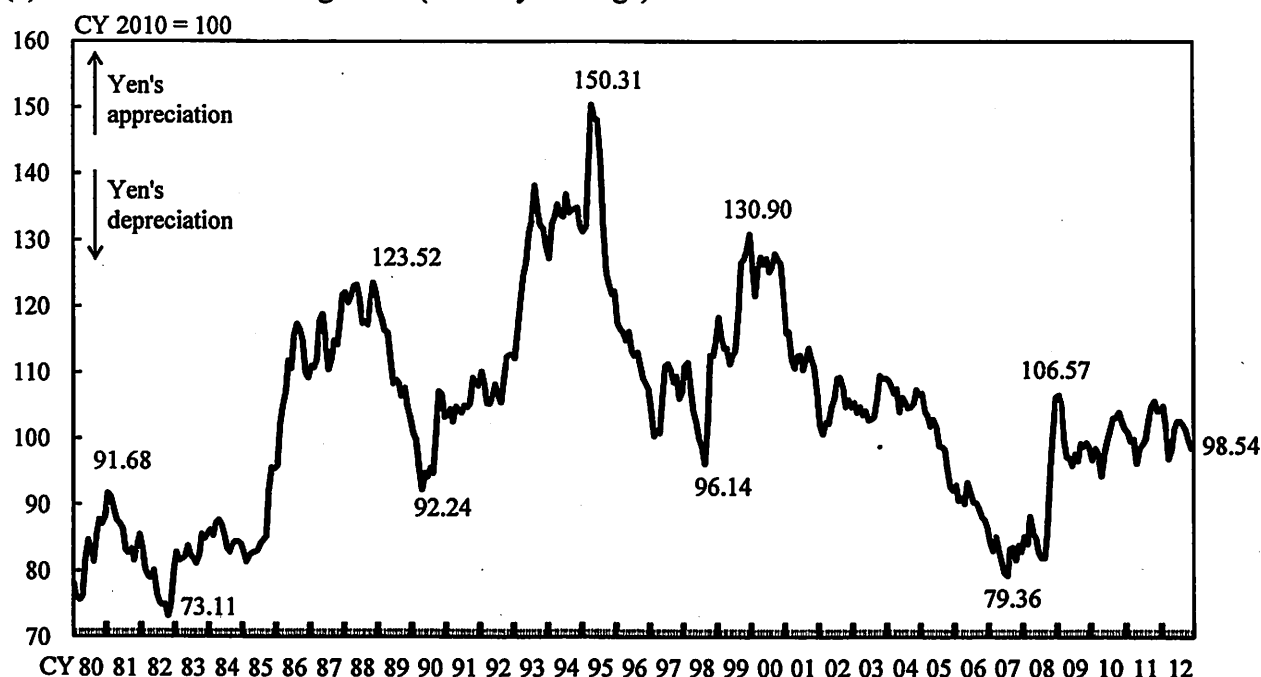
5. IT-related goods are composed of computers and units, telecommunication machinery, ICs, and medical and optical instruments.

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 November (up to November 16) 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	2011 Q4	2012 Q1	2012 Q2	2012 Q3
United States <sup>1</sup>	-3.1	2.4	1.8	4.1	2.0	1.3	2.0
European Union <sup>2</sup>	-4.3	2.1	1.5	-1.3	-0.1	-0.6	0.5
Germany <sup>1</sup>	-5.1	4.2	3.0	-0.6	2.0	1.1	0.9
France <sup>1</sup>	-3.1	1.6	1.7	0.1	-0.1	-0.2	0.9
United Kingdom <sup>1</sup>	-4.0	1.8	0.9	-1.4	-1.2	-1.5	4.1
East Asia <sup>3</sup>	2.6	9.2	5.8	0.2	9.2	5.0	n.a.
China <sup>1</sup>	9.2	10.4	9.3	7.0	6.1	8.2	9.1
NIEs <sup>1,3</sup>	-1.1	8.9	4.2	-0.3	3.6	1.0	0.9
ASEAN4 <sup>1,3,4</sup>	-0.3	7.3	3.0	-11.8	27.5	7.9	n.a.
Main economies <sup>3</sup>	0.1	6.7	4.4	0.7	6.5	3.5	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.



Chart 9

Real Imports <sup>1</sup>

## (1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2010	2011	2011 Q3	2012 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Jul.	2012 Aug.	2012 Sep.
United States	<8.7>	8.2	-1.0	-1.0	2.9	1.6	0.3	1.8	8.4	-1.3	1.1
EU	<9.4>	6.4	7.9	0.7	0.6	-1.3	0.4	4.2	8.2	-4.2	-3.3
East Asia	<41.5>	22.0	9.1	2.5	1.5	-1.8	2.4	-0.4	0.2	-4.6	6.3
China	<21.5>	23.9	12.2	4.3	2.6	-3.5	3.3	-0.5	0.6	-5.4	11.8
NIEs	<8.6>	21.6	5.9	-0.7	2.8	-0.3	0.9	1.6	2.1	-5.4	-0.3
Korea	<4.7>	20.9	19.9	-2.5	3.8	1.6	-4.6	2.9	0.7	-9.4	1.2
Taiwan	<2.7>	21.2	-5.6	-0.1	4.1	-3.4	7.7	1.2	1.0	-2.1	1.0
Hong Kong	<0.2>	32.8	-5.4	5.8	-0.1	23.3	-16.7	-7.2	-7.3	9.8	-7.8
Singapore	<1.0>	22.9	-2.8	-0.5	2.6	-2.1	4.6	-3.1	10.5	-5.7	0.5
ASEAN <sup>3</sup>	<11.5>	18.2	4.8	1.0	-2.3	1.1	1.6	-2.0	-2.5	-2.0	-0.8
Thailand	<2.9>	25.7	4.0	0.7	-14.9	4.7	10.1	-3.2	-0.1	-10.0	2.5
Others	<40.4>	6.8	-0.3	1.8	1.2	0.8	5.2	0.4	-0.9	-1.8	13.4
Real imports		12.0	3.7	1.9	1.3	-0.4	3.3	0.8	2.3	-3.8	6.6

## (2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2010	2011	2011 Q3	2012 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Jul.	2012 Aug.	2012 Sep.
Raw materials <sup>4</sup>	<39.8>	5.5	-0.2	3.5	0.6	2.6	3.2	0.3	-2.9	-1.5	14.5
Intermediate goods	<15.0>	18.5	8.7	-2.1	0.7	-6.9	0.5	5.0	7.3	-2.5	3.0
Foodstuffs	<8.6>	2.2	1.6	-2.0	0.6	0.8	-3.7	1.3	4.1	-0.8	1.7
Consumer goods <sup>5</sup>	<8.1>	22.7	6.1	1.8	-3.3	-0.1	2.5	-5.3	-1.7	-5.6	-2.9
IT-related goods <sup>6</sup>	<9.8>	26.7	8.1	2.5	5.5	0.1	1.1	3.0	8.3	-7.3	9.8
Capital goods and parts <sup>7</sup>	<10.4>	19.0	9.5	4.6	2.5	1.5	4.5	-1.5	5.7	-6.4	4.3
Excluding aircraft	<10.0>	21.8	10.6	4.5	1.0	-1.1	4.6	-1.2	4.8	-6.1	0.8
Real imports		12.0	3.7	1.9	1.3	-0.4	3.3	0.8	2.3	-3.8	6.6

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.

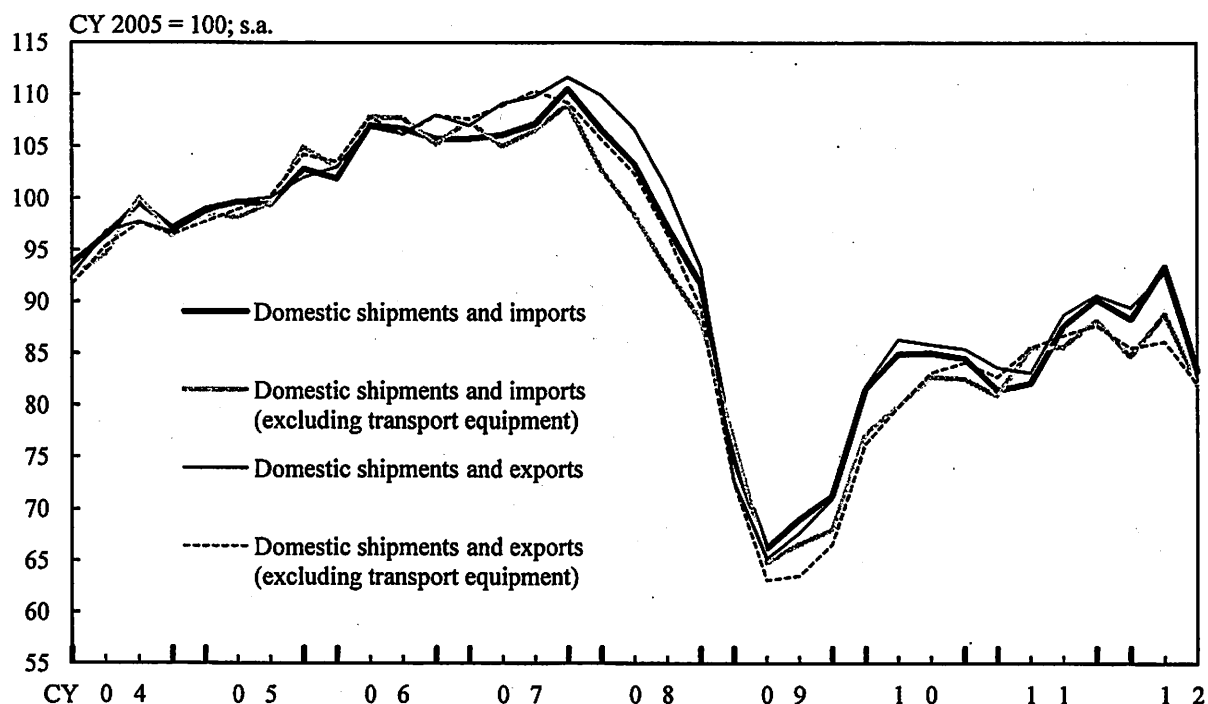
7. Excludes IT-related goods.

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

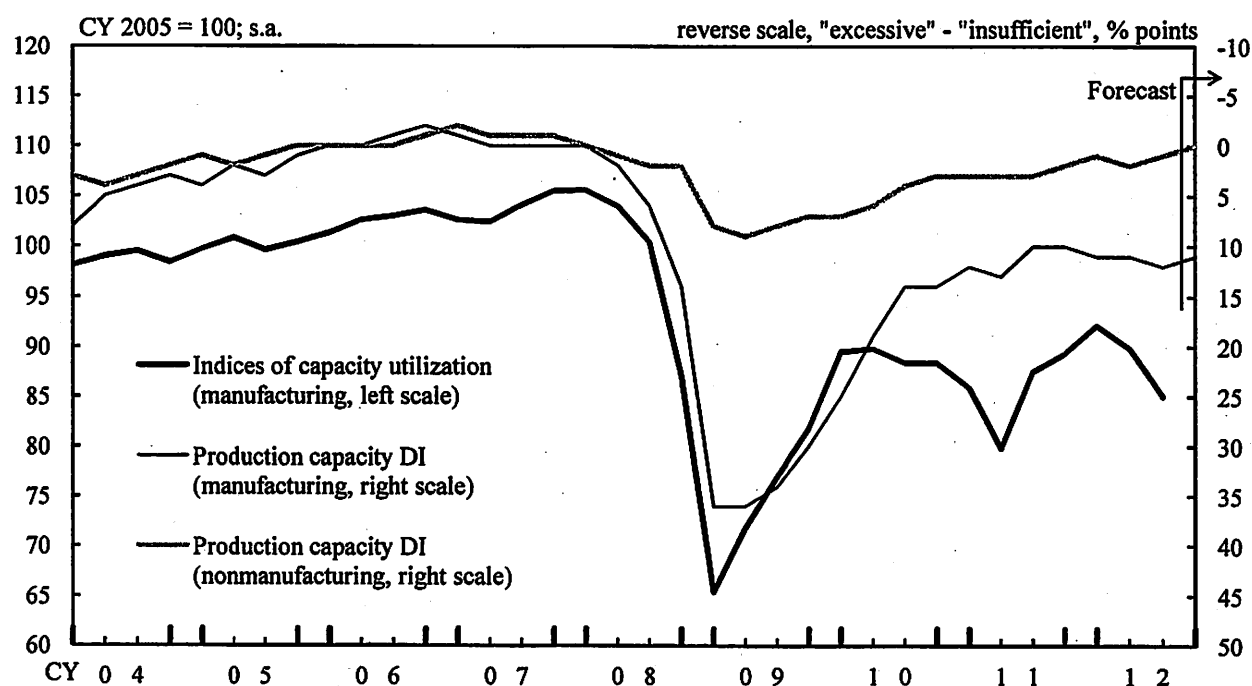


## Coincident Indicators of Business Fixed Investment

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



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

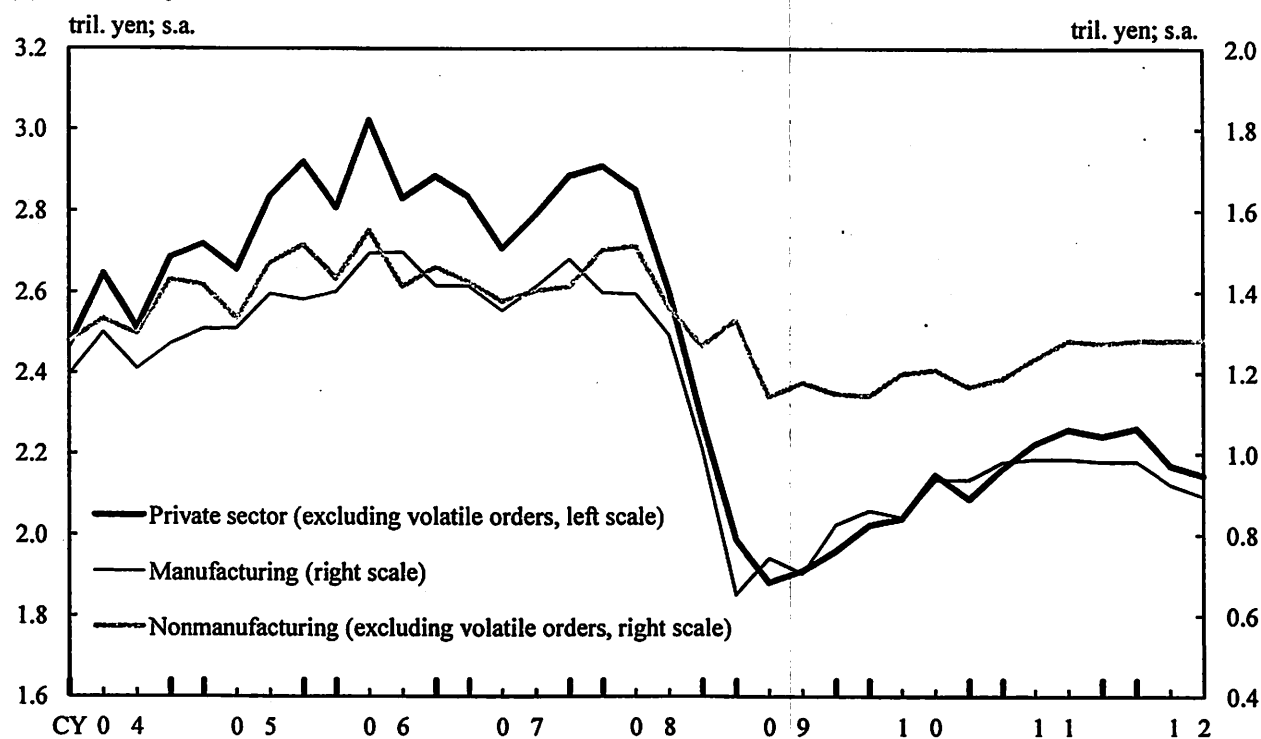


Note: Production capacity DIs are those of all enterprises.

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

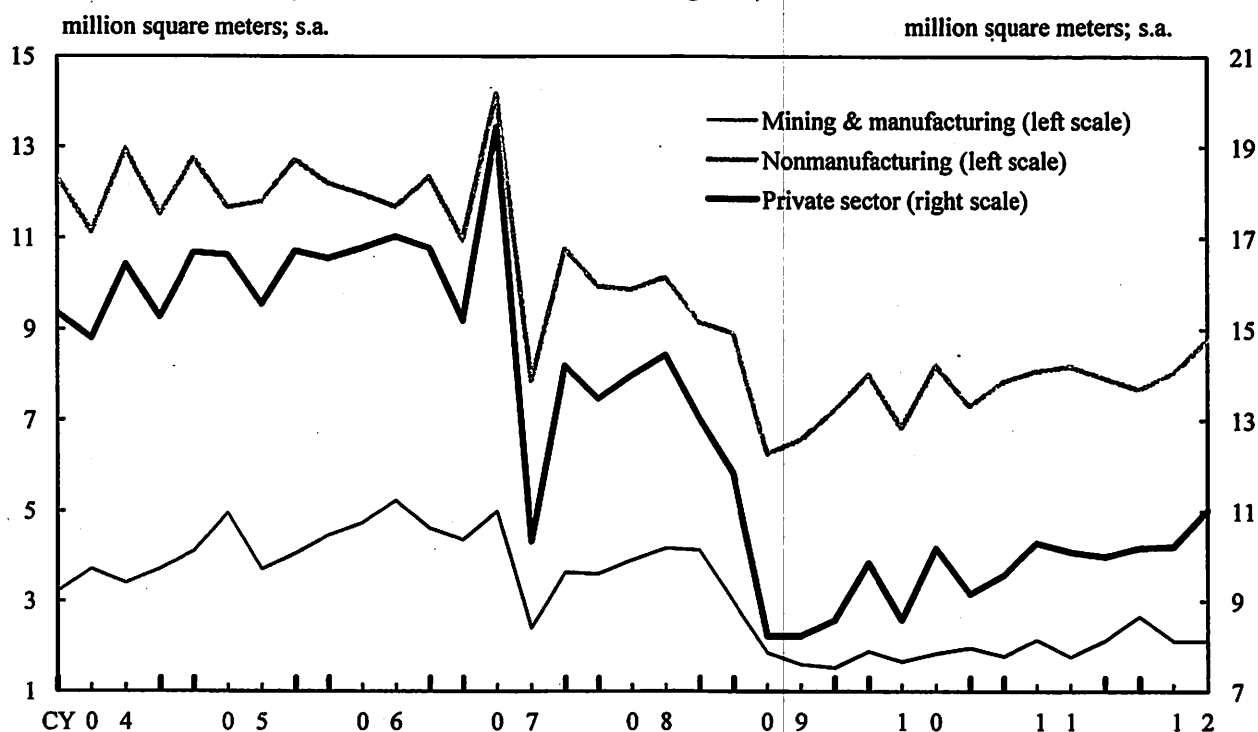
## (1) Machinery Orders



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)

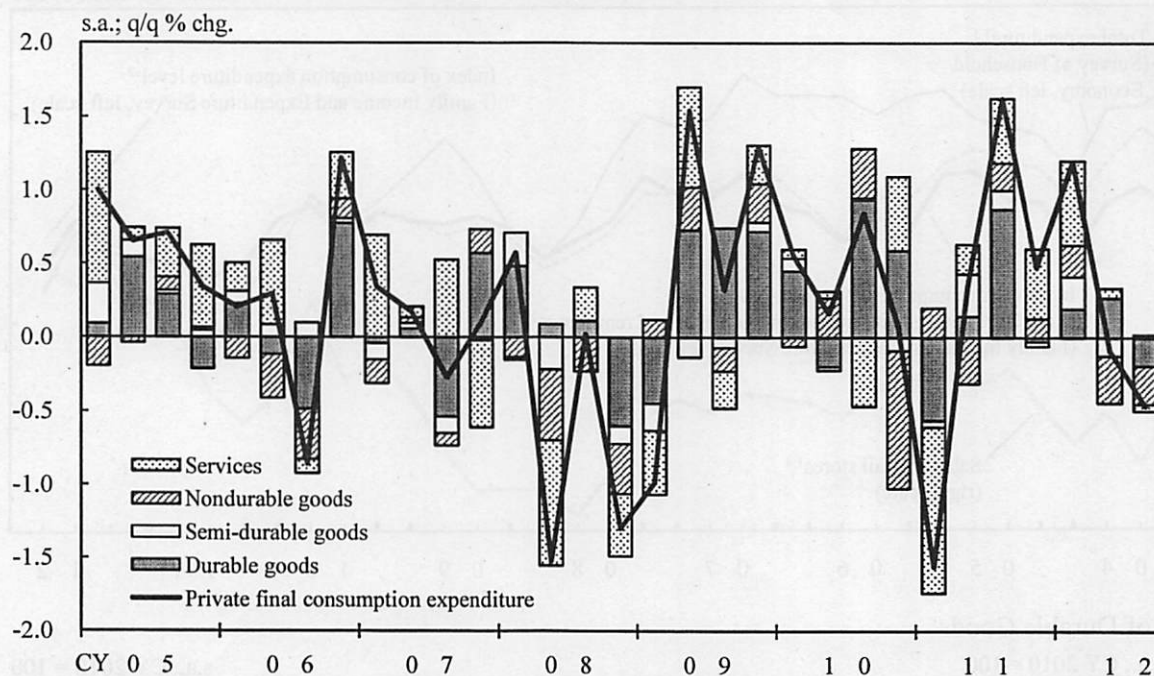


Note: Seasonally adjusted by X-12-ARIMA.

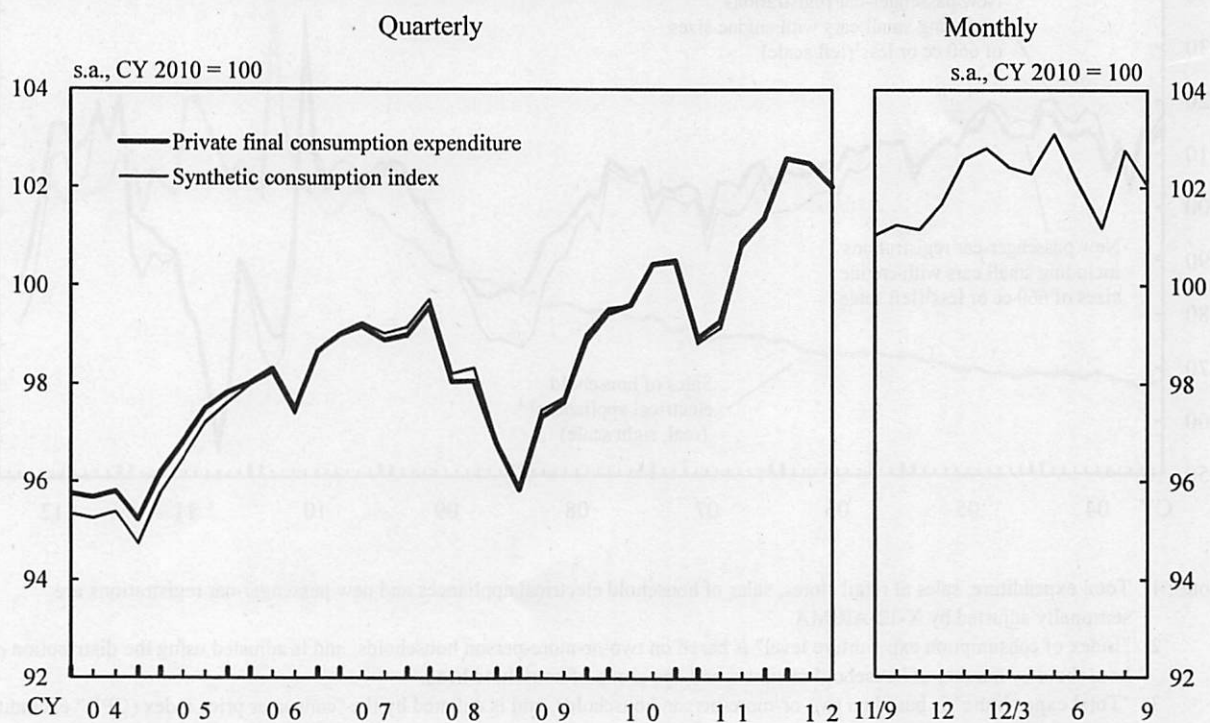
Sources: Cabinet Office, "Orders Received for Machinery";  
Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts."

## Indicators of Private Consumption (1)

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



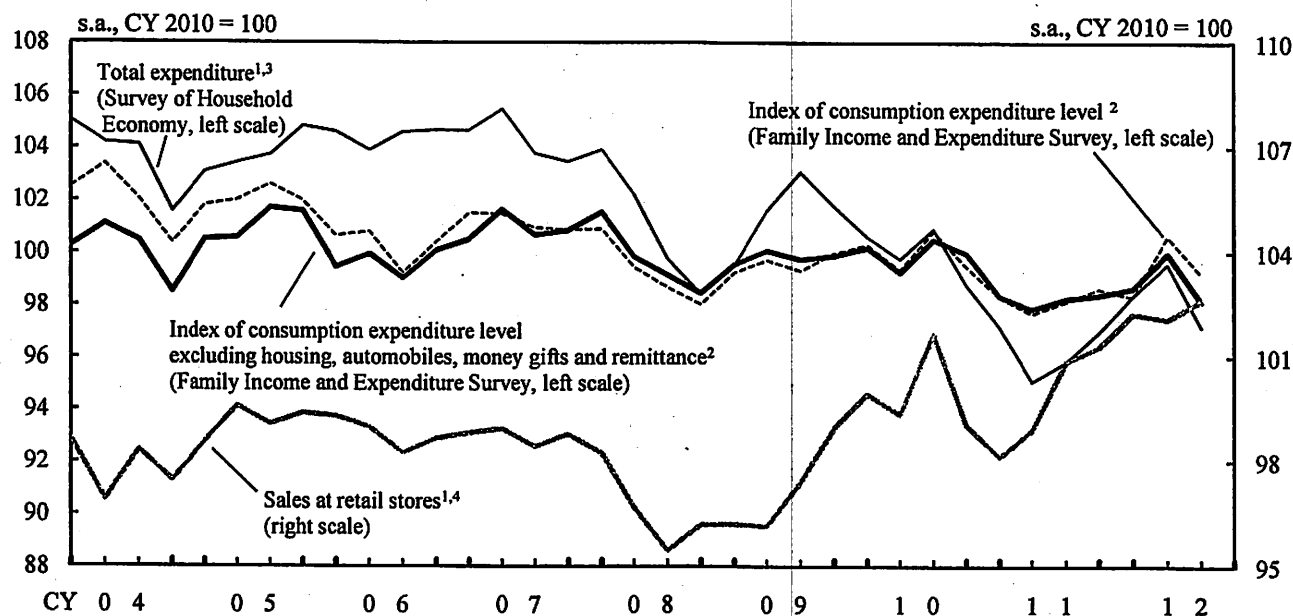
## (2) Private Final Consumption Expenditure and Synthetic Consumption Index (Real)



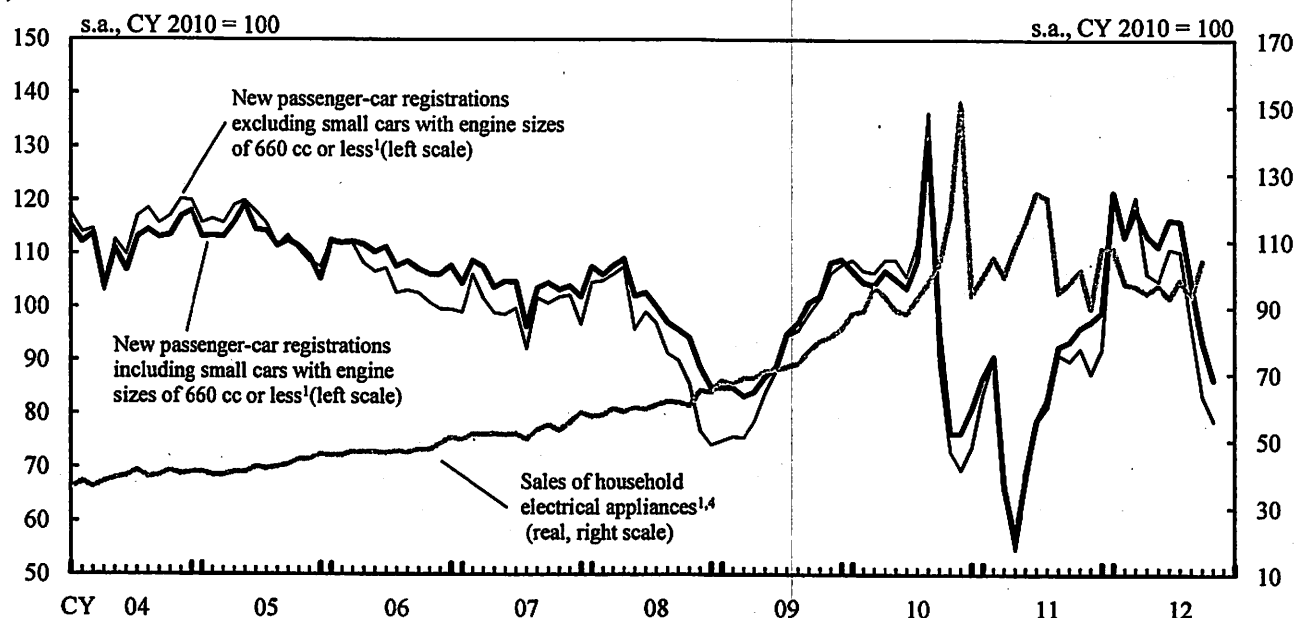
Source: Cabinet Office, "National Accounts," "Synthetic Consumption Index."

## Indicators of Private Consumption (2)

## (1) Household Spending (Real)

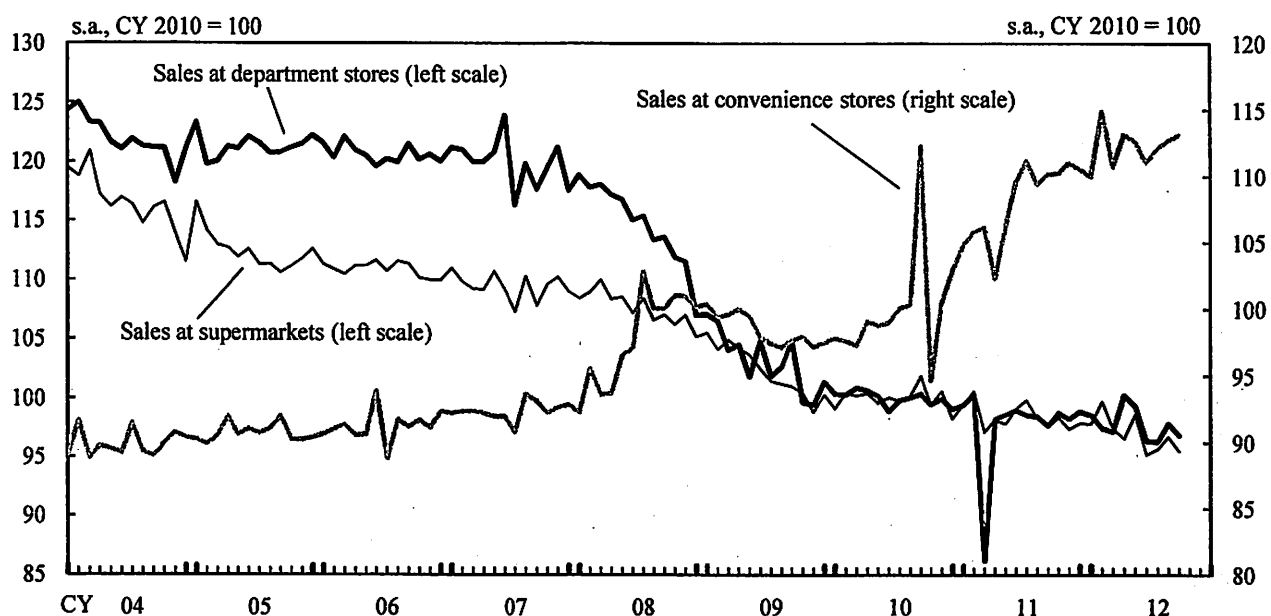


## (2) Sales of Durable Goods

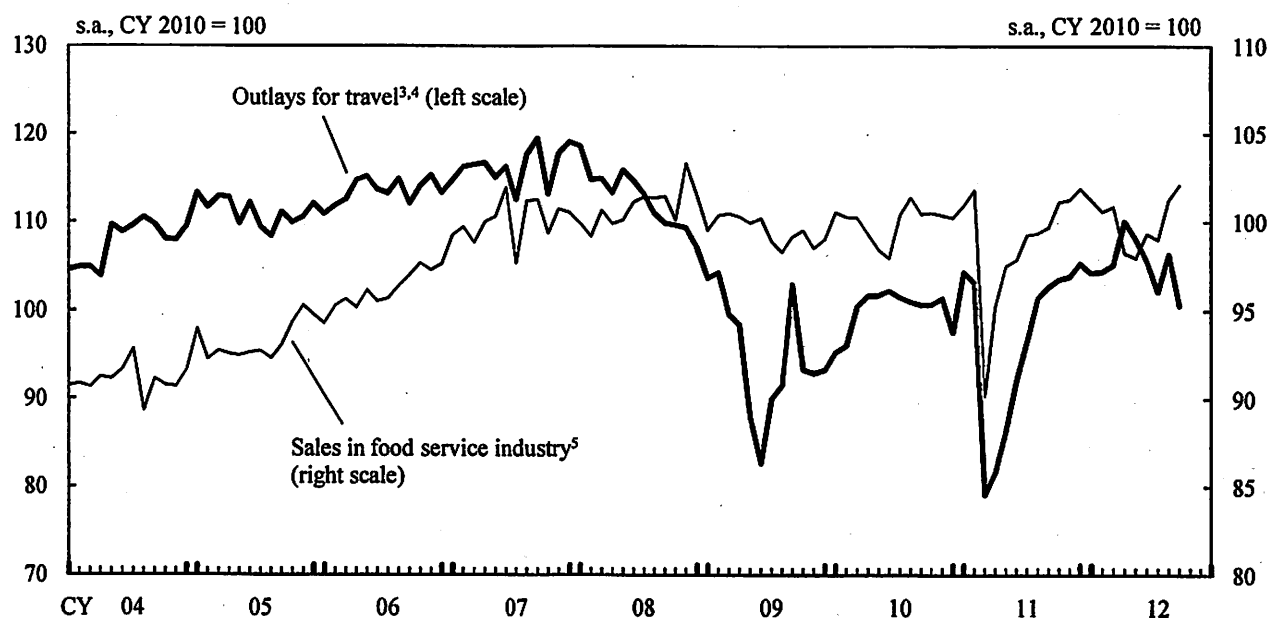


- Notes: 1. Total expenditure, sales at retail stores, sales of household electrical appliances and new passenger-car registrations are seasonally adjusted by X-12-ARIMA.
2. "Index of consumption expenditure level" is based on two-or-more-person households, and is adjusted using the distribution of household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

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

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

## (2) Consumption of Services (Nominal)



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

2. Adjusted to exclude the effects of the increase in the number of stores (except for 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";

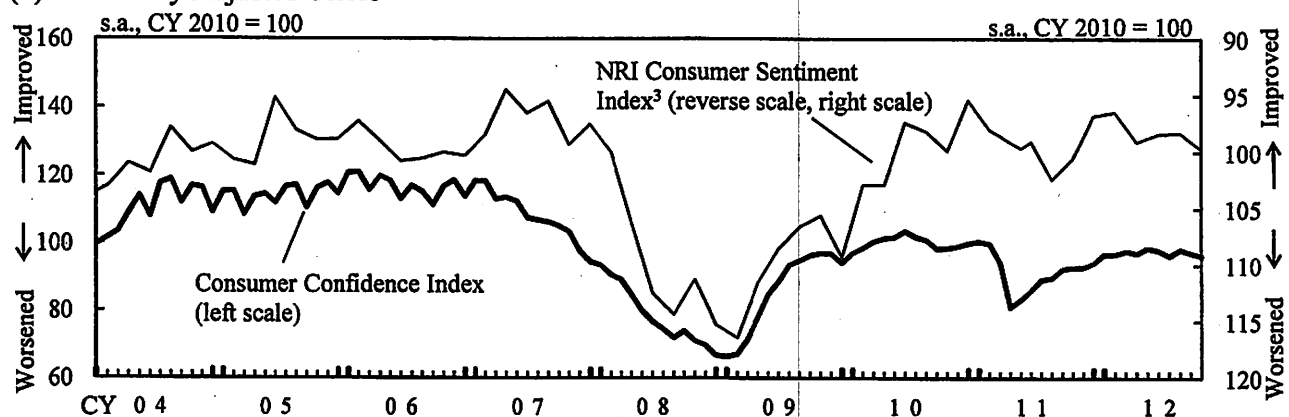
Japan Tourism Agency, "Major Travel Agents' Revenue";

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

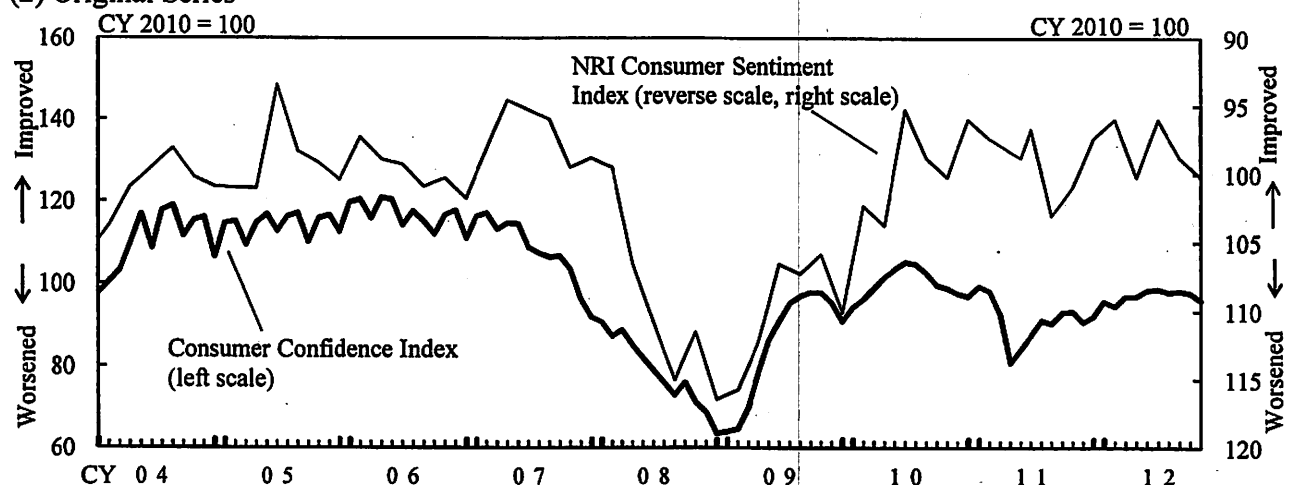
(Research on the food service industry)."

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

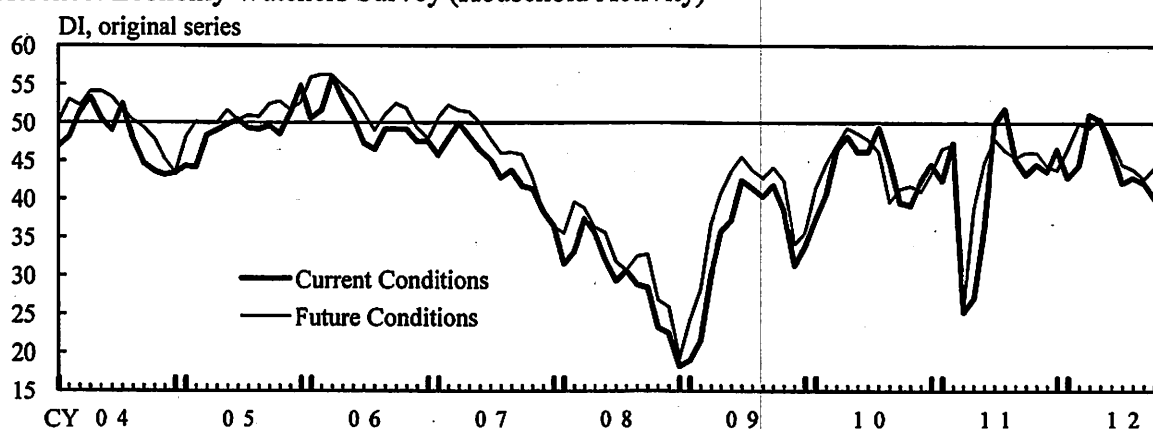
## (1) Seasonally Adjusted Series



## (2) Original Series



## Reference: Economy Watchers Survey (Household Activity)

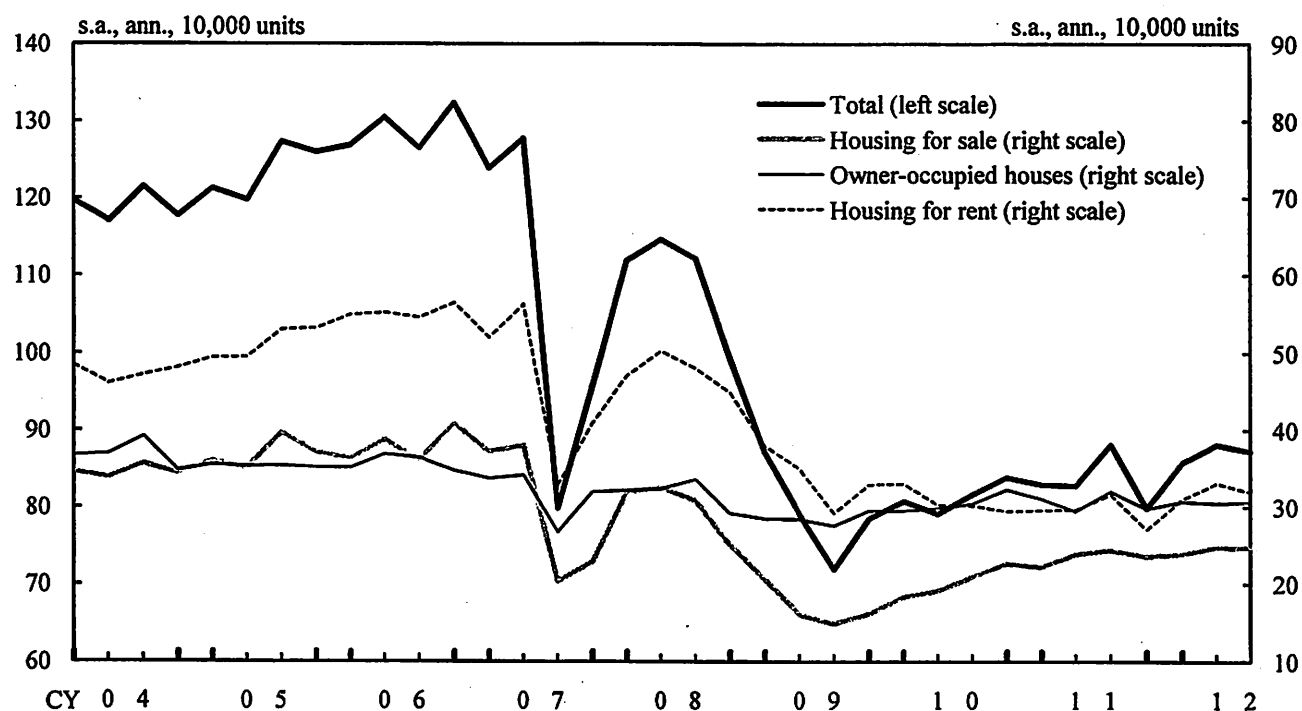


- Notes: 1. The Consumer Confidence Index (covering about 4,700 samples on a nationwide basis) and NRI Consumer Sentiment Index (1,200 samples on a nationwide basis) are based on surveys on consumer confidence.
2. Figures are plotted for each surveyed month and the data for the intervening months are linearly interpolated.
3. Figures are seasonally adjusted by X-12-ARIMA.

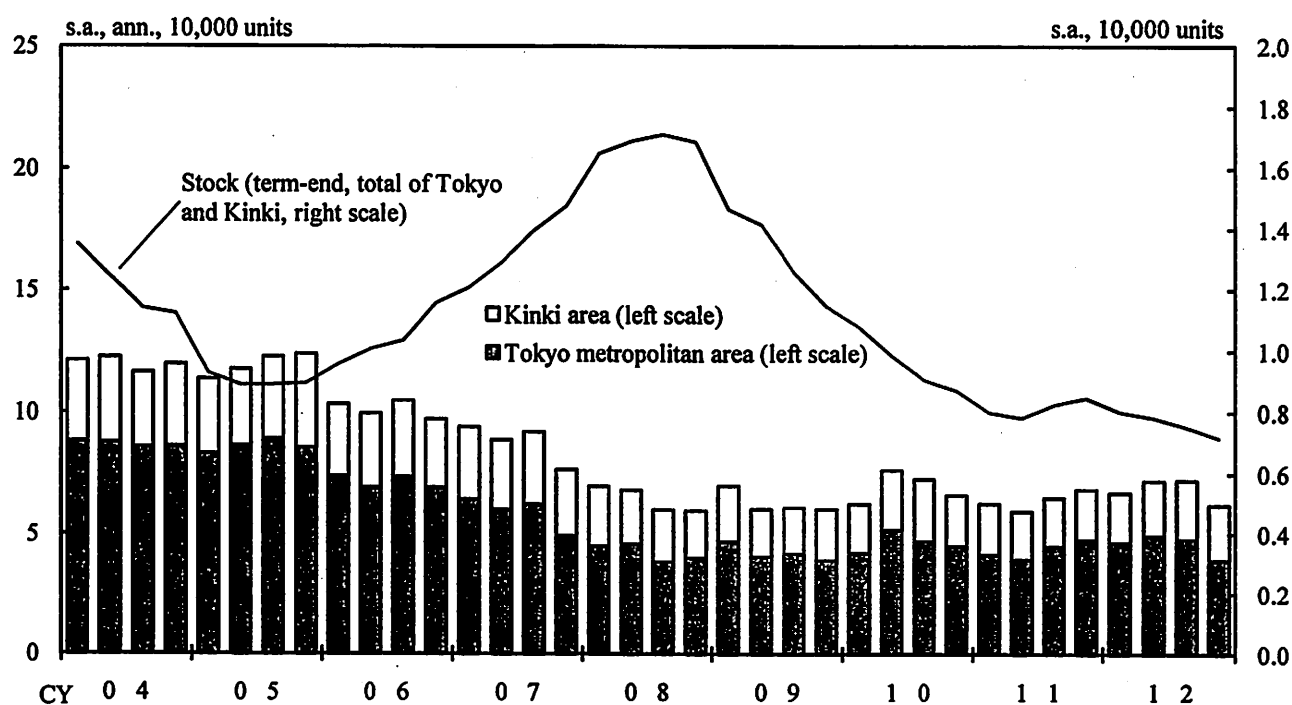
Sources: Cabinet Office, "Consumer Confidence Survey," "Economy Watchers Survey";  
Nippon Research Institute (NRI), "Consumer Sentiment Survey."

## Indicators of Housing Investment

## (1) Housing Starts



## (2) Sales of Apartments



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

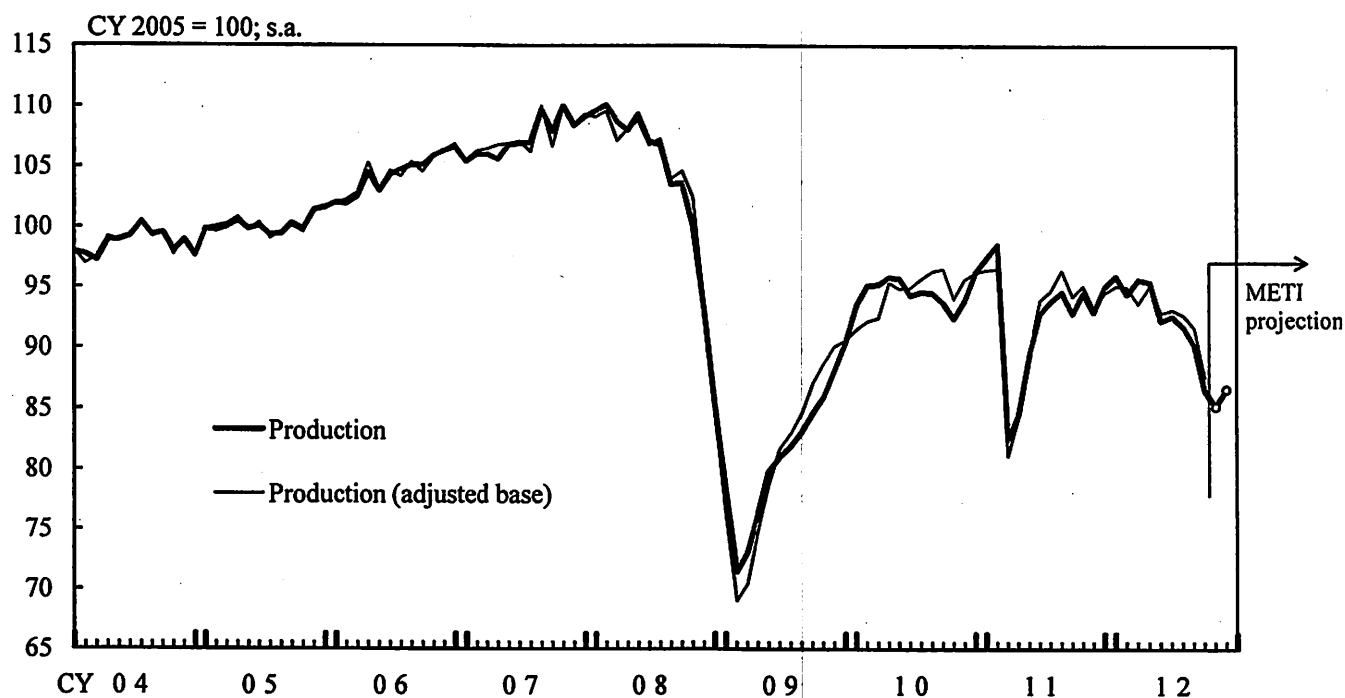
2. Figures for 2012/Q4 are those of October.

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

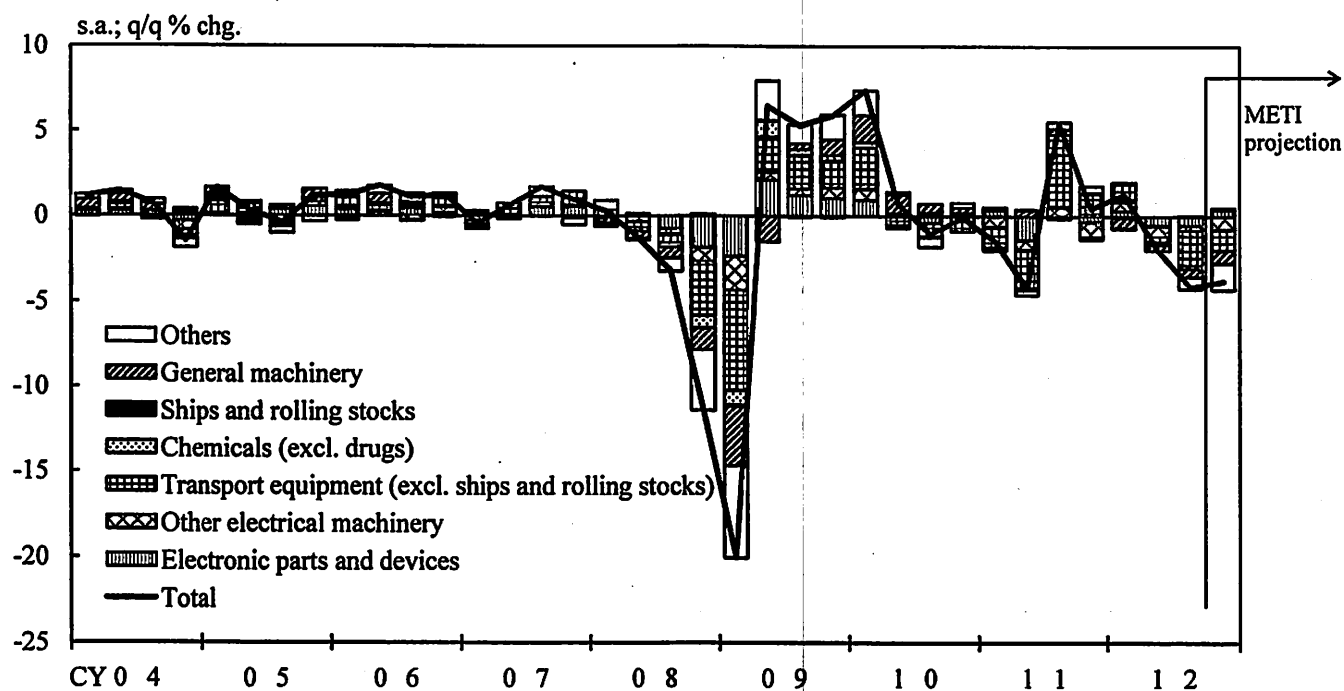


## Production

## (1) Production



## (2) Production by Industry



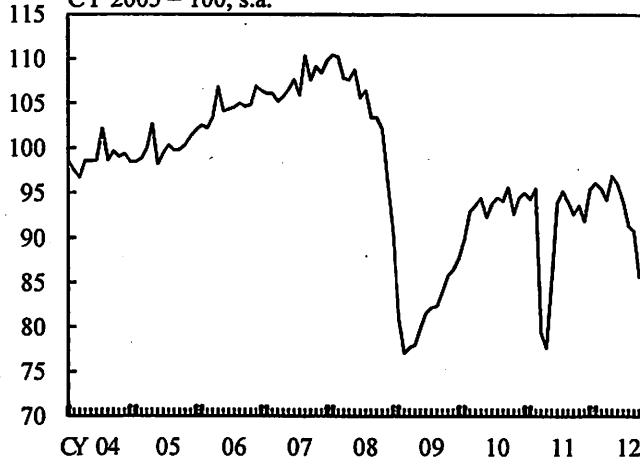
- Notes: 1. Industrial production (adjusted base) is calculated by detecting large fluctuations after the Lehman shock as outliers (estimation by the Research and Statistics Department, Bank of Japan).
2. "Other electrical machinery" is the weighted sum of "electrical machinery" and "information and communication electronics equipment."
3. 2012/Q4 figures are based on the assumption that the production levels in December are the same as those of November.

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

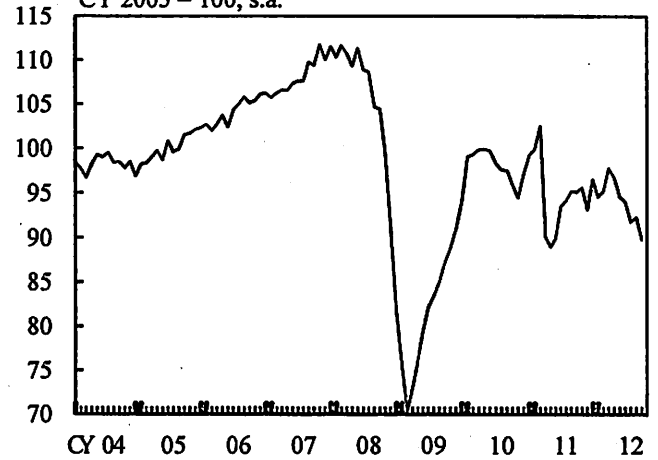
## Shipments by Type of Goods

## (1) Final Demand Goods and Producer Goods

Final demand goods <50.7%>  
CY 2005 = 100; s.a.



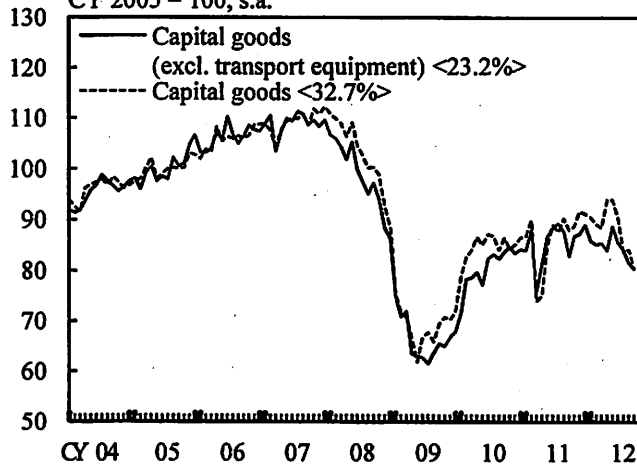
Producer goods <49.3%>  
CY 2005 = 100; s.a.



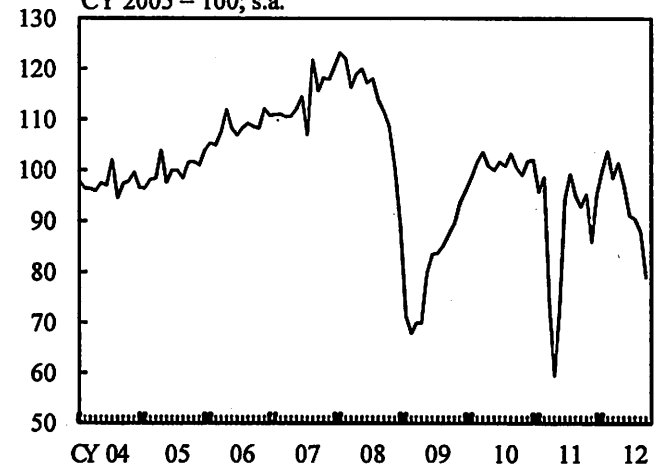
Note: Figures in angle brackets show the shares among shipments of mining and manufacturing.

## (2) Breakdown of Final Demand Goods

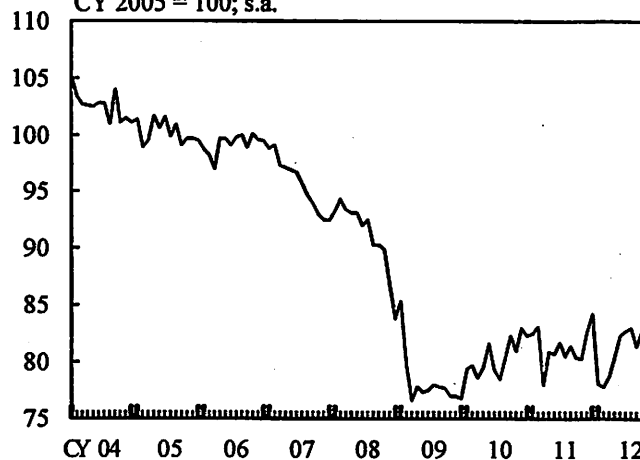
Capital goods  
CY 2005 = 100; s.a.



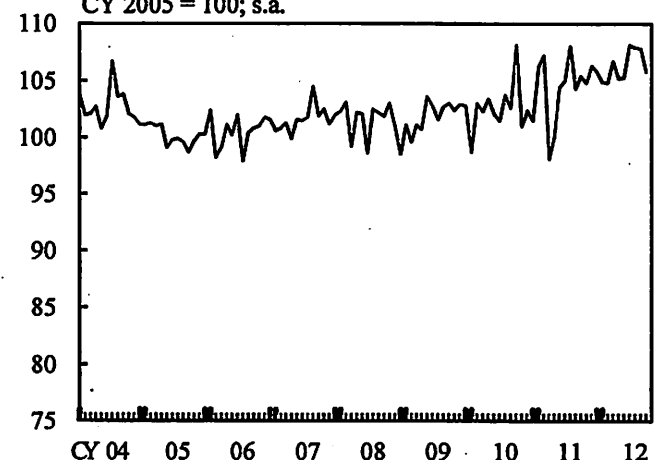
Durable consumer goods <31.7%>  
CY 2005 = 100; s.a.



Construction goods <12.1%>  
CY 2005 = 100; s.a.



Non-durable consumer goods <23.6%>  
CY 2005 = 100; s.a.

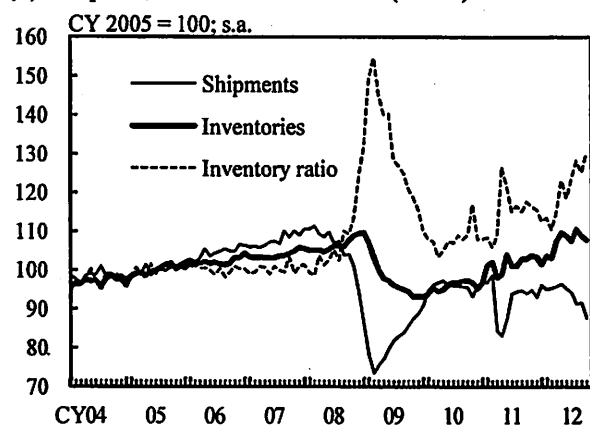


Note: Figures in angle brackets show the shares among shipments of final demand goods.

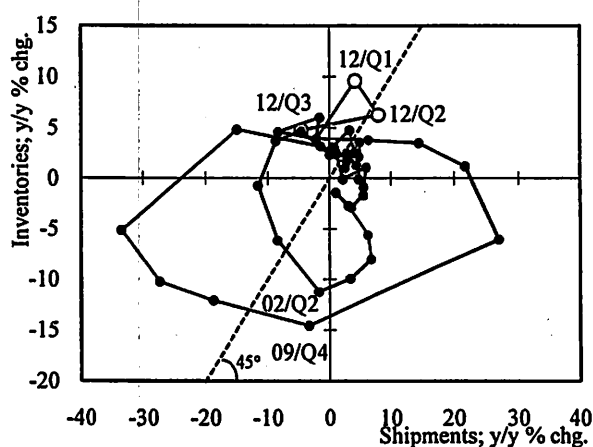
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

## Shipments and Inventories

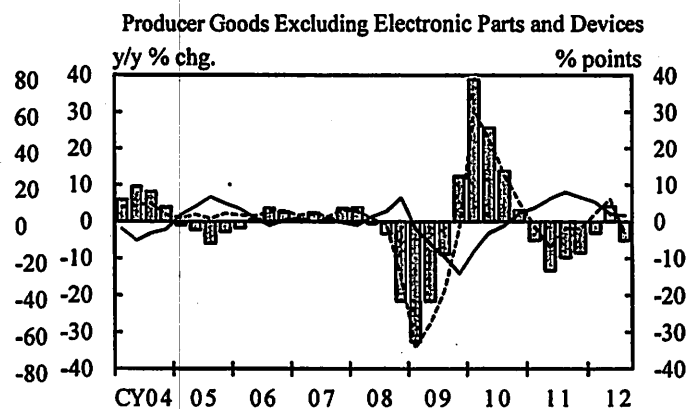
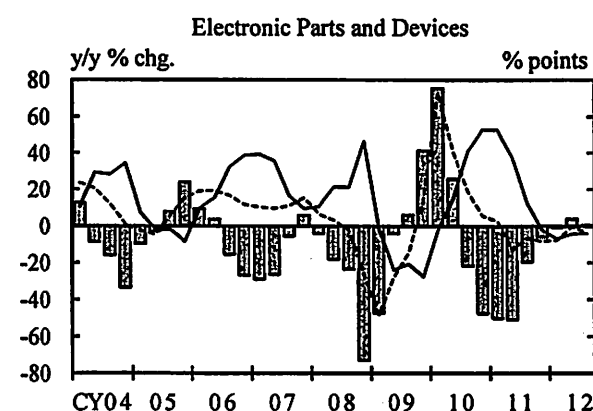
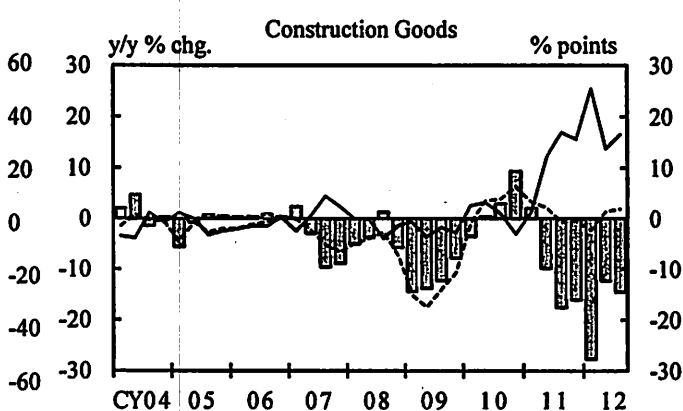
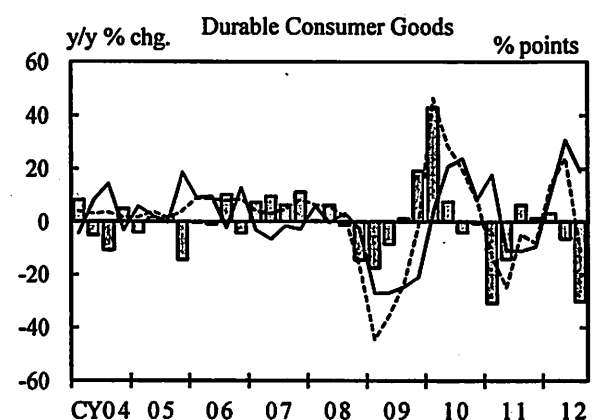
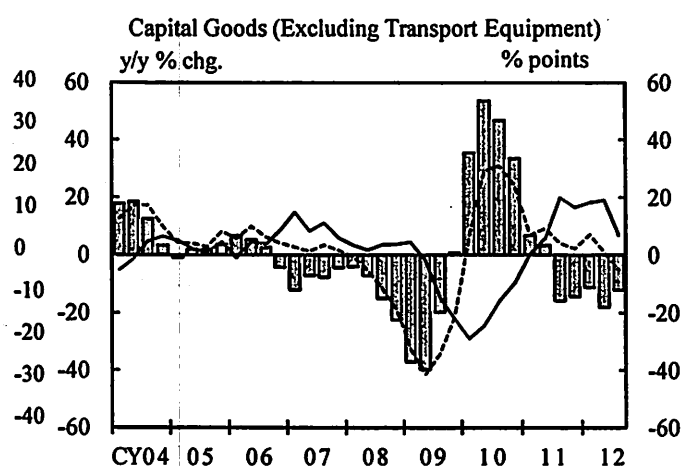
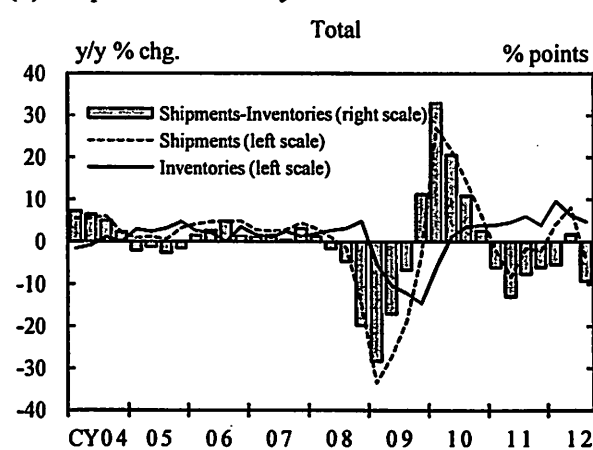
(1) Shipments and Inventories (Total)



(2) Inventory Cycle (Total)

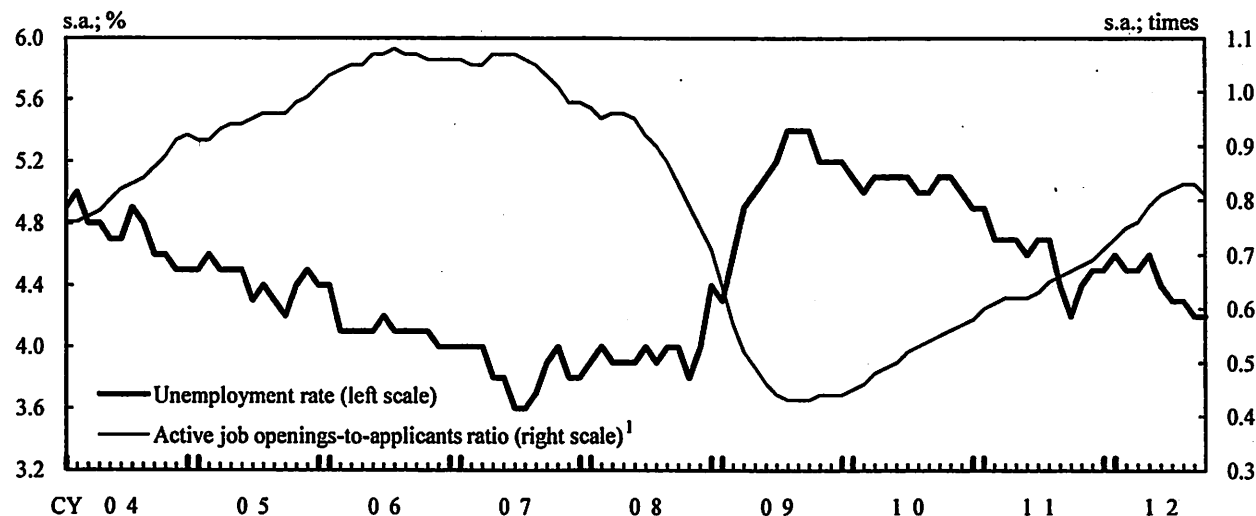
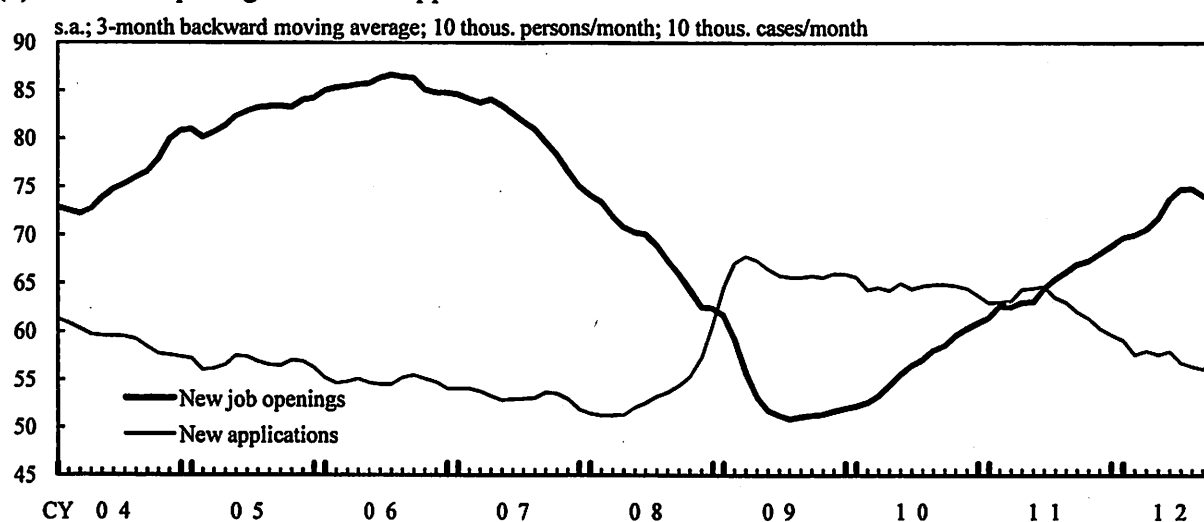
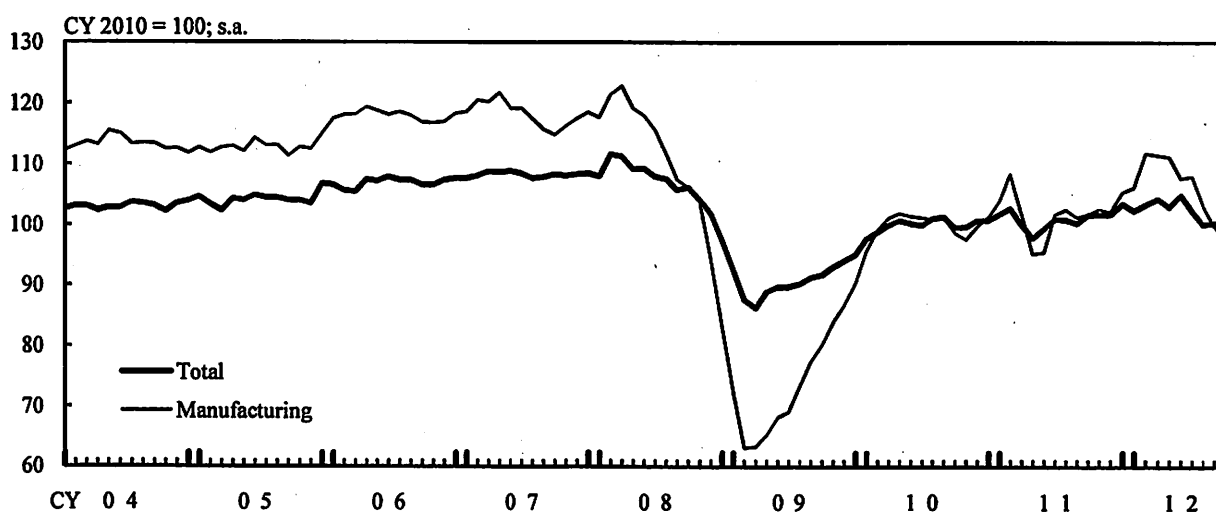


(3) Shipment-Inventory Balance



## Labor Market

## (1) Unemployment Rate and Active Job Openings-to-Applicants Ratio

(2) New Job Openings and New Applications<sup>1</sup>(3) Non-Scheduled Hours Worked<sup>2</sup>

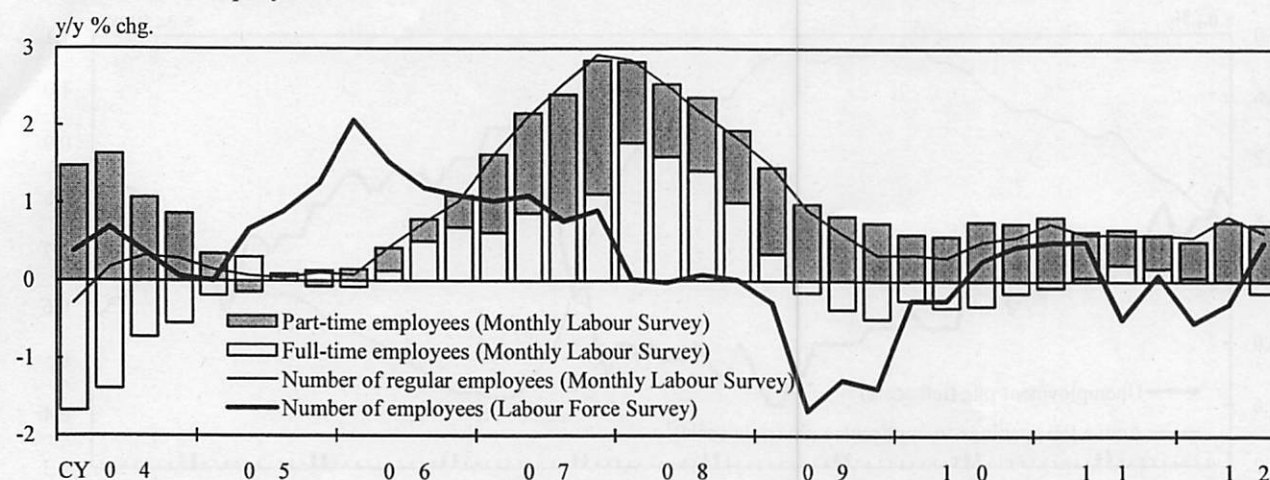
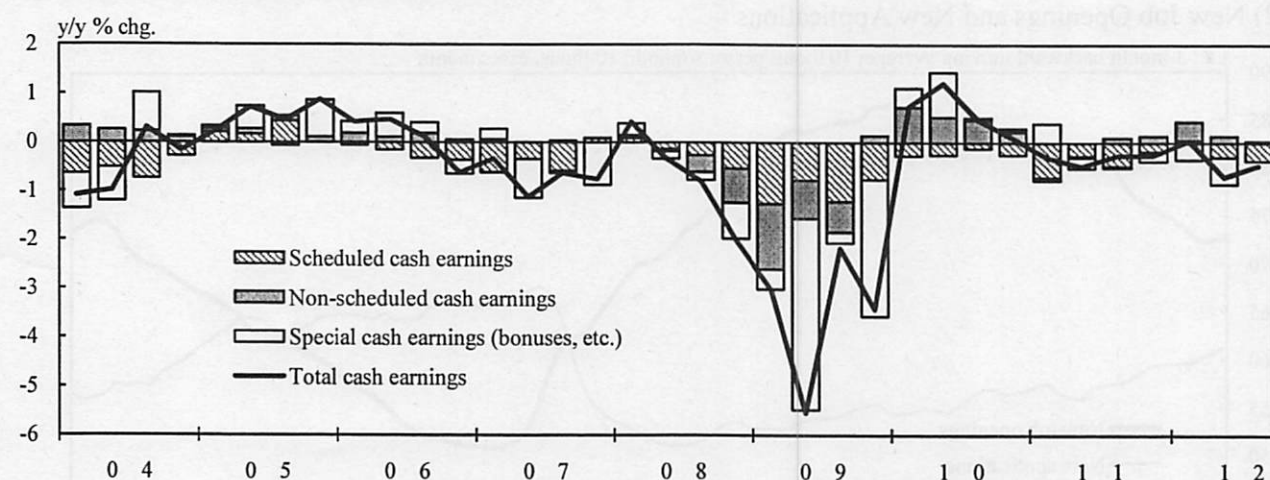
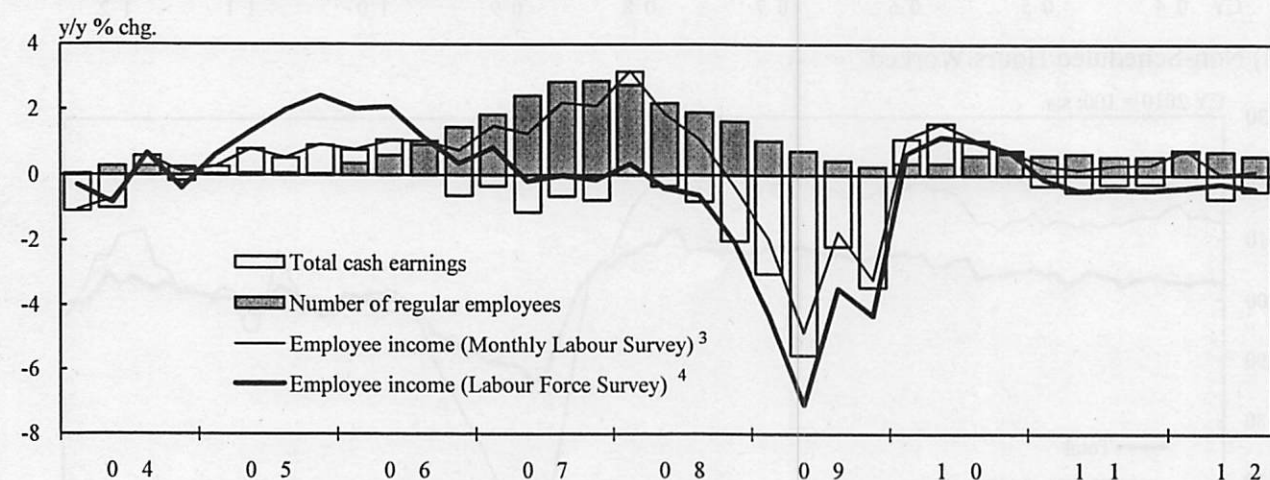
Notes: 1. Excluding new school graduates and including part-timers.

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</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/Q3 are those of September.

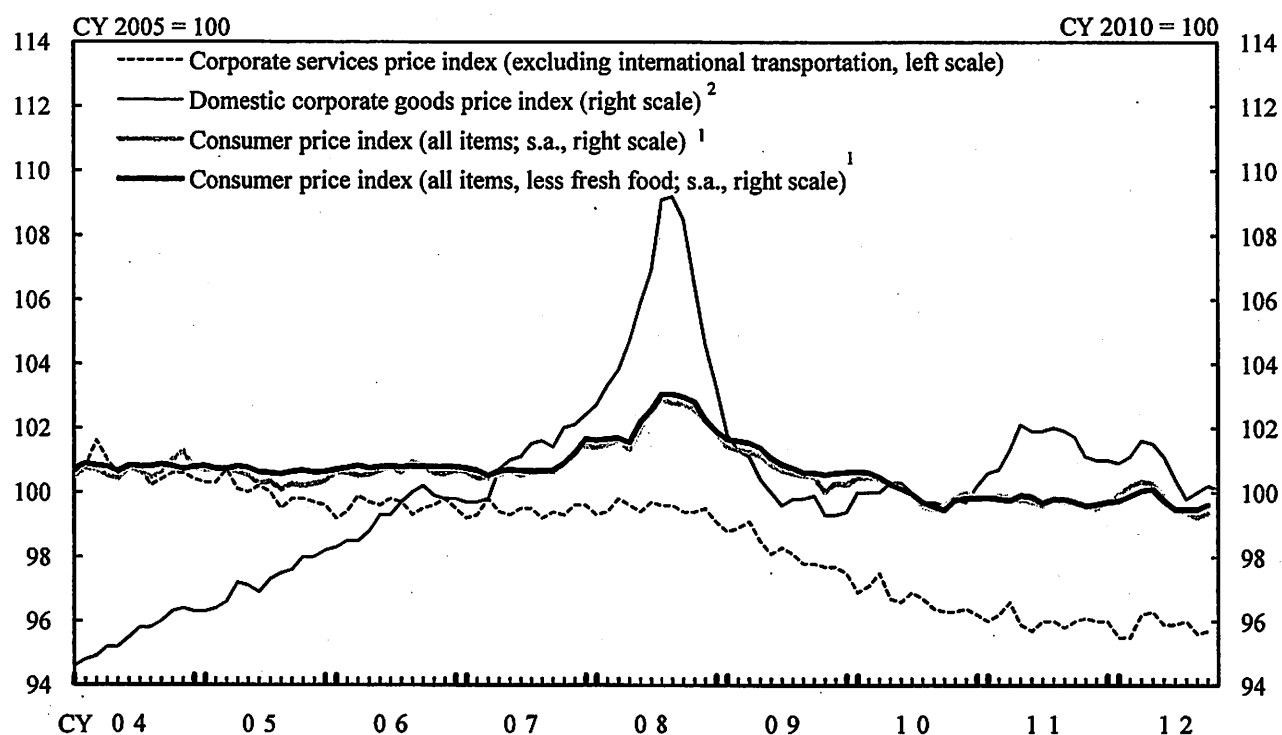
3. Calculated as the "number of regular employees" (Monthly Labour Survey) times "total cash earnings" (Monthly Labour Survey).

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

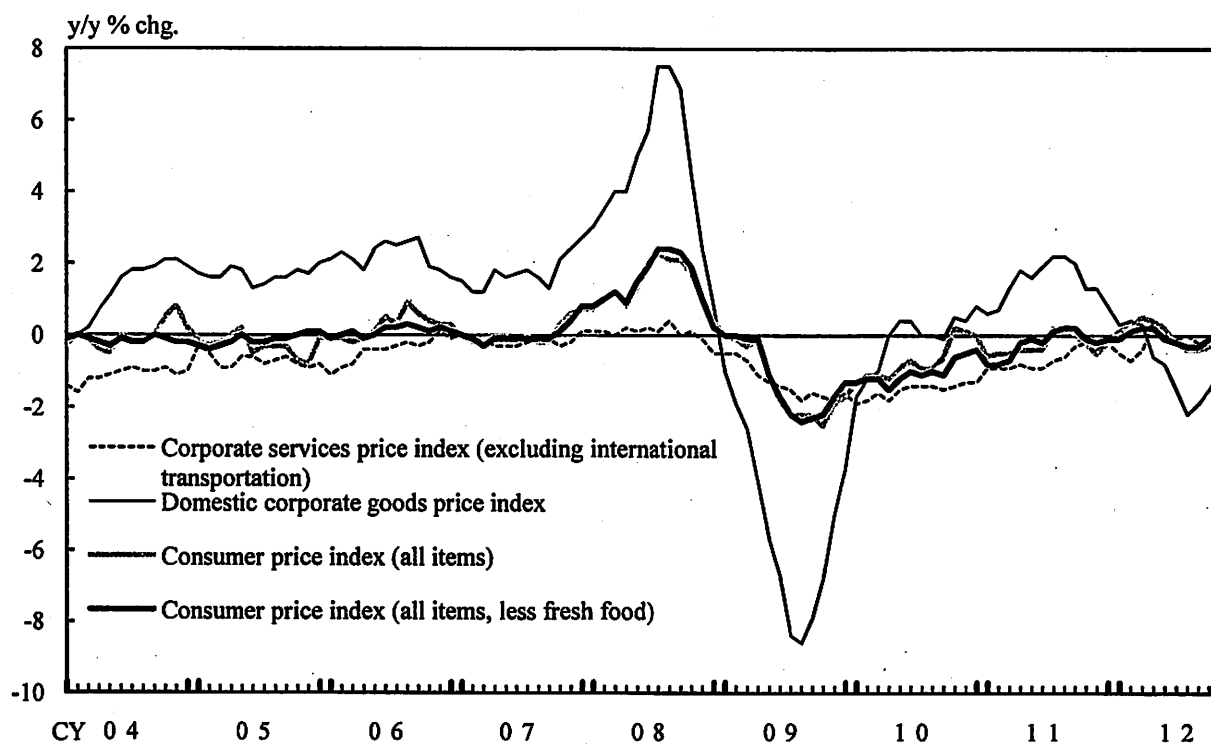
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";  
Ministry of Internal Affairs and Communications, "Labour Force Survey."

## 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.

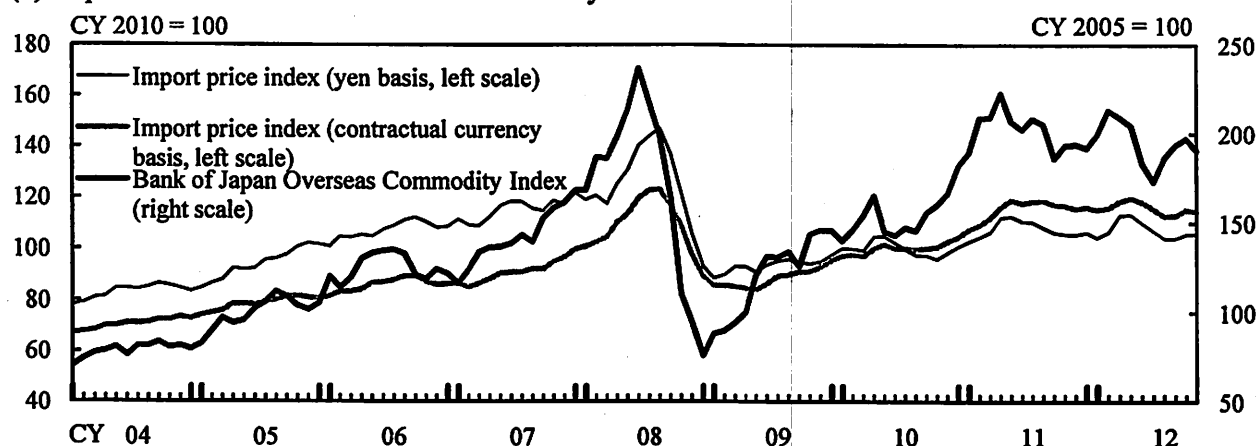
3. The levels of "Consumer Price Index" up to 2009 are based on the linked indices.

4. Figures of "Corporate Services Price Index" up to 2004 and "Corporate Goods Price Index" up to 2009 are based on the linked indices.

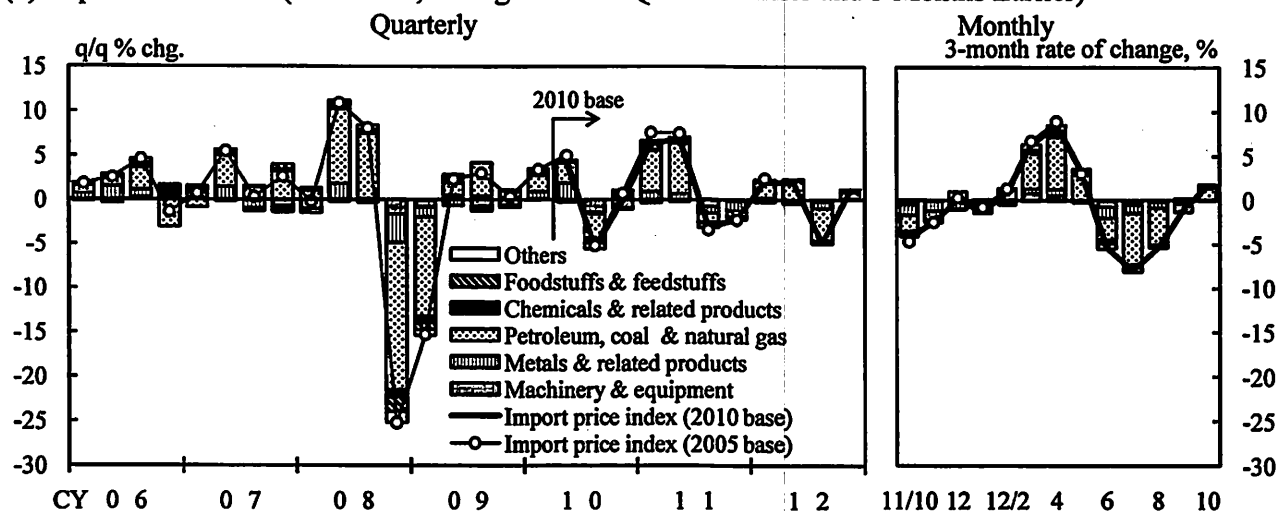
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index."

# Import Prices and International Commodity Prices

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



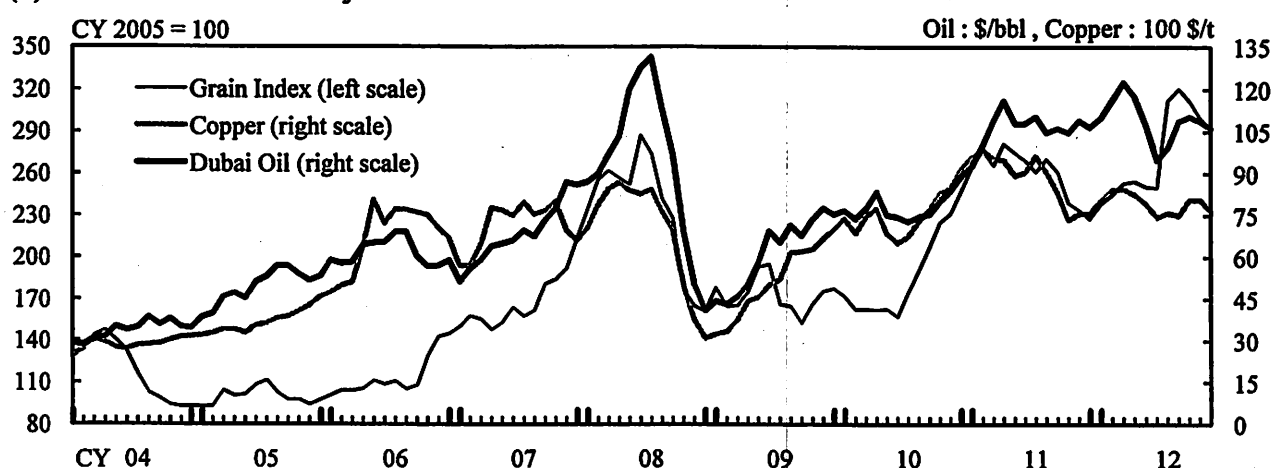
## (2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



Notes: 1. Machinery & equipment: general purpose, production & business oriented machinery, electric & electronic products, and transportation equipment.

2. Figures for 2012/Q4 are those of October.

## (3) International Commodity Prices



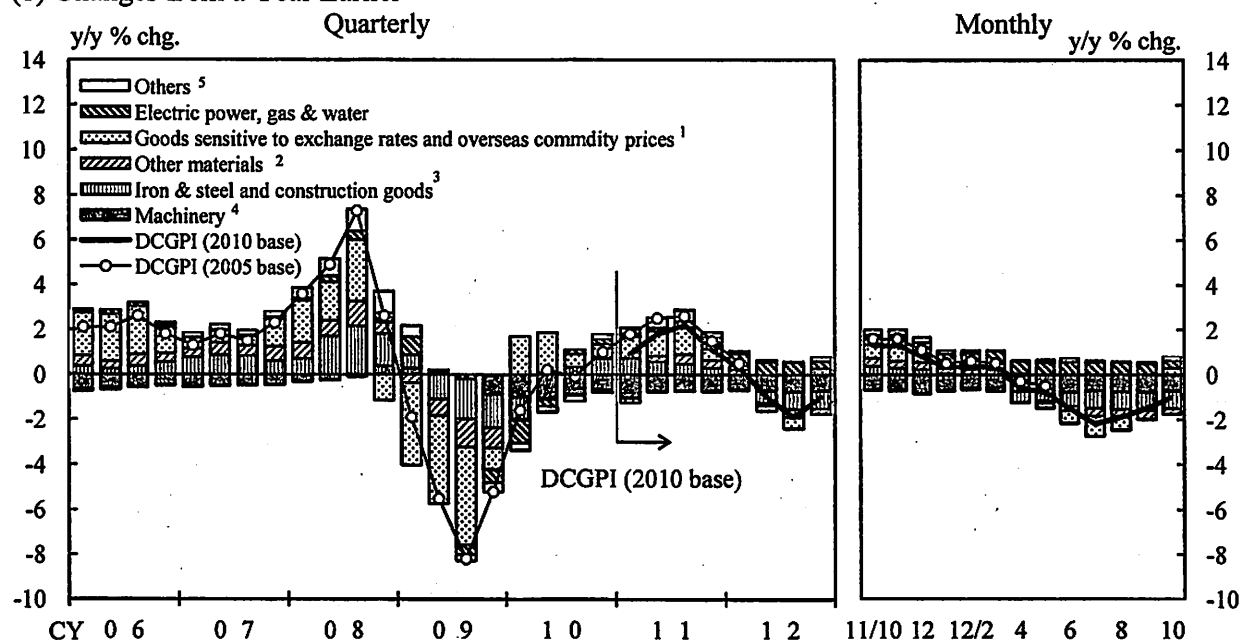
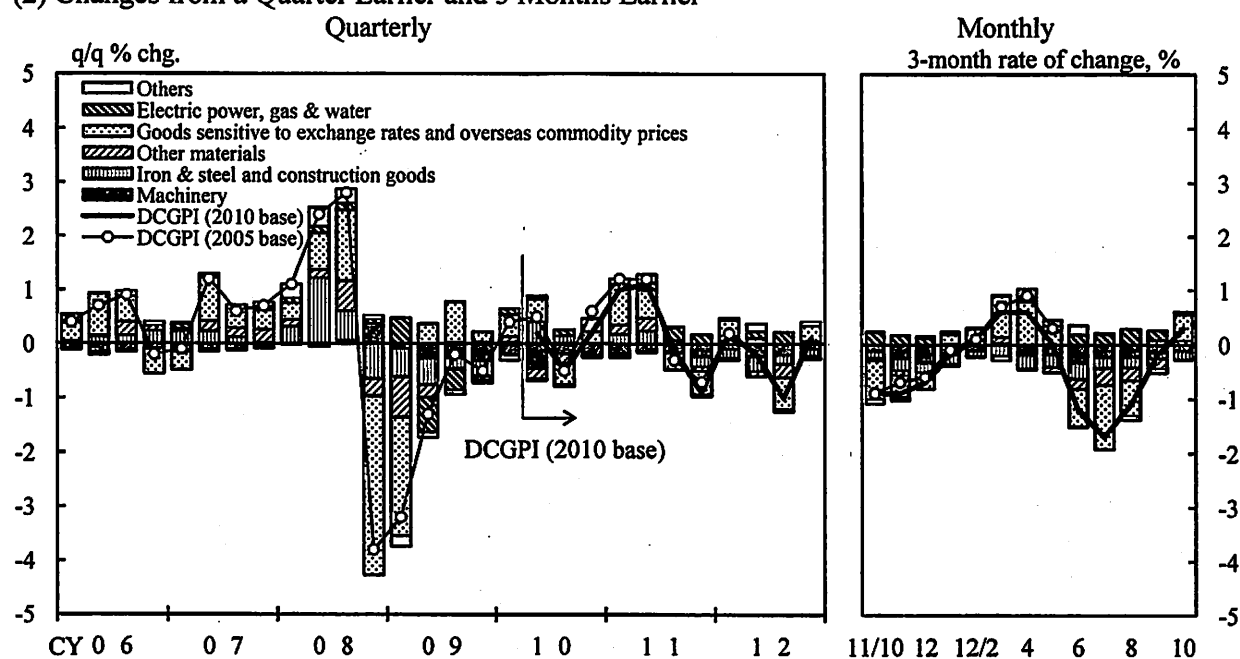
Notes: 1. The "grain index" is the weighted average of prices of three selected items (wheat, soybeans, and corn) in overseas commodity markets. The weights are based on the value of imports in the "Trade Statistics."

2. Monthly averages. Figures for November 2012 are averages up to November 19.

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

## Domestic Corporate Goods Price Index

## (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, ceramic, stone & clay products, lumber & wood products, and scrap & waste.

4. Machinery: general purpose machinery, production machinery, business oriented machinery, electronic components & devices, electrical machinery & equipment, information & communications equipment, and transportation equipment.

5. Others: food, beverages, tobacco & feedstuffs, other manufacturing industry products, agriculture, forestry & fishery products, and minerals.

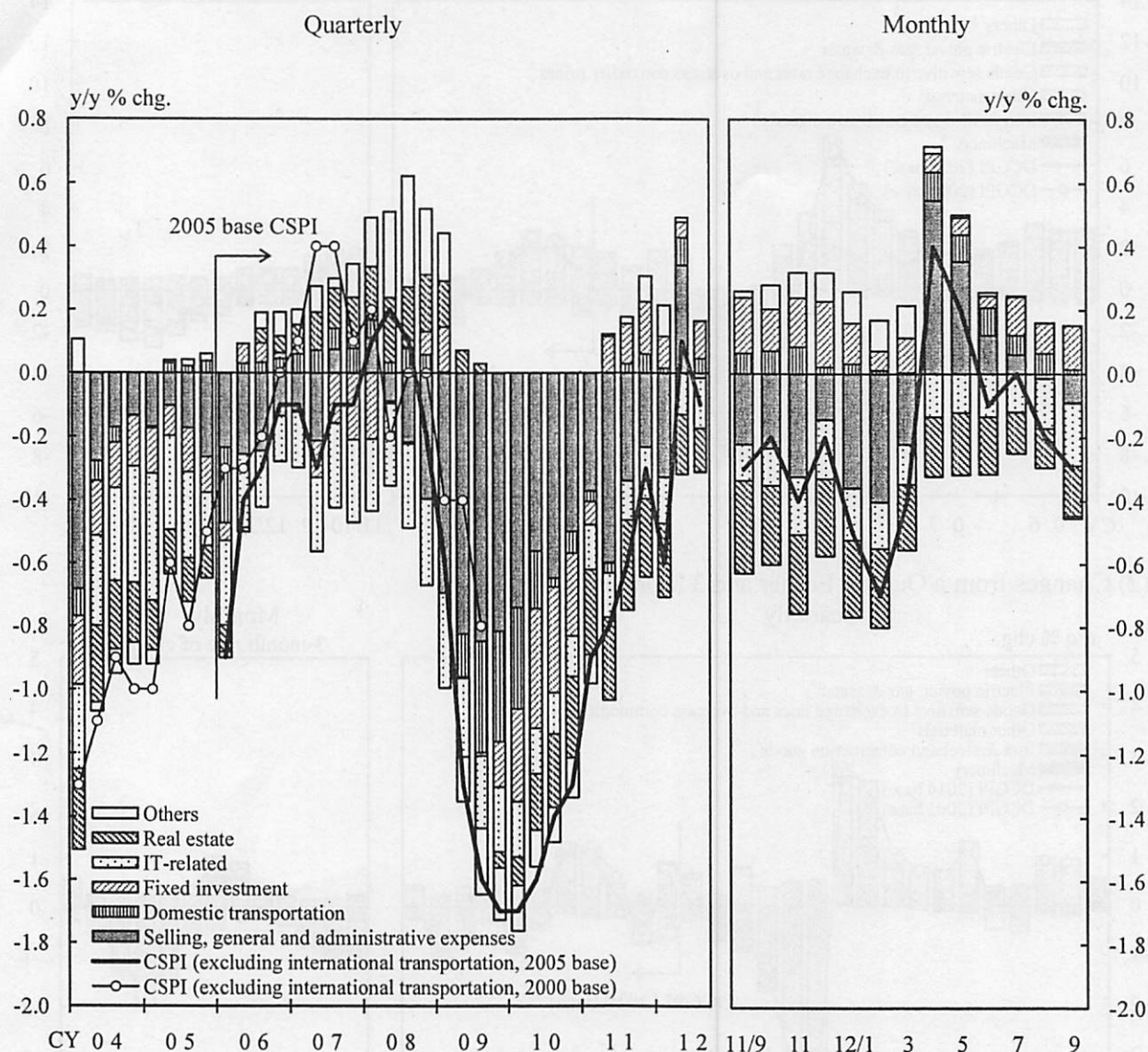
6. Adjusted to exclude a hike in electric power charges during the summer season from July to September. This adjustment makes the "Domestic Corporate Goods Price Index" fall by about 0.2%.

7. Figures for 2012/Q4 are those of October.

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



## Corporate Services Price Index

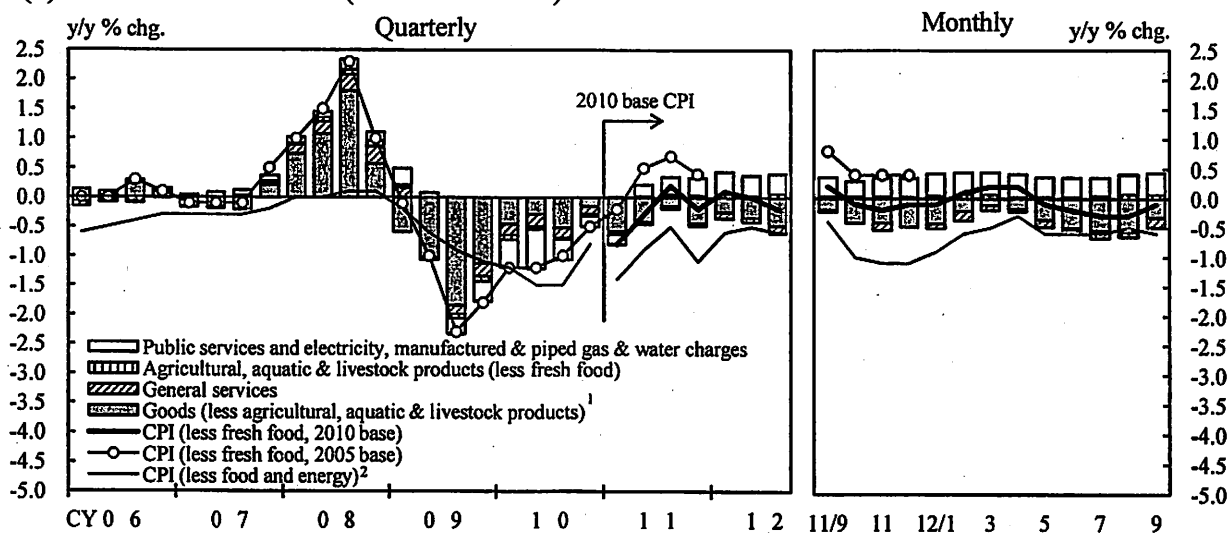
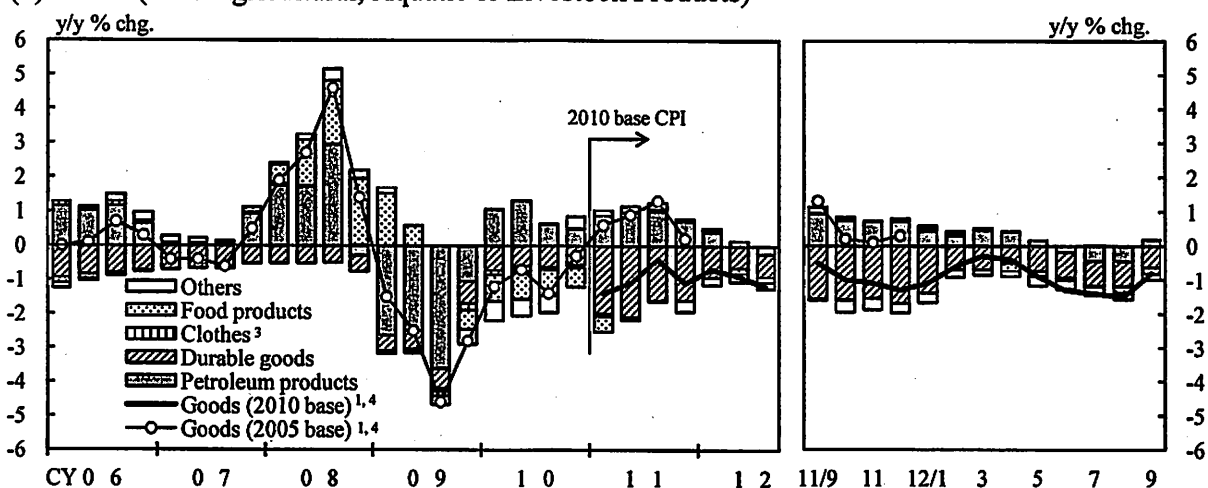


- Notes: 1. Selling, general and administrative expenses: information and communications (excluding newspapers and publishing), advertising services, other services (excluding plant engineering, and civil engineering and architectural services).  
 2. Domestic transportation: transportation (excluding 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.

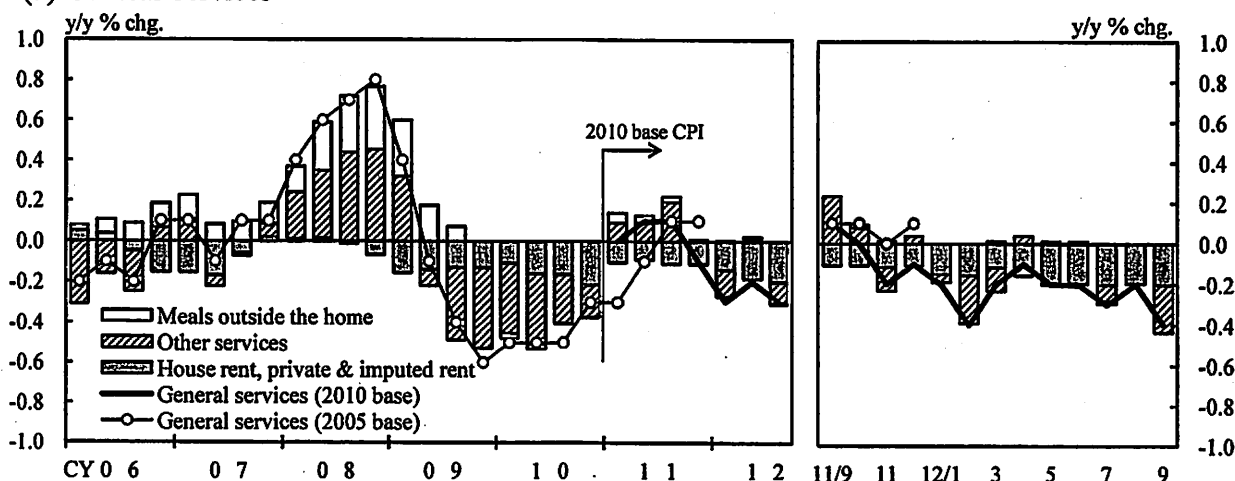
Source: Bank of Japan, "Corporate Services Price Index."

## Consumer Price Index (Less Fresh Food)

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

(2) Goods (Less Agricultural, Aquatic & Livestock Products)<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.

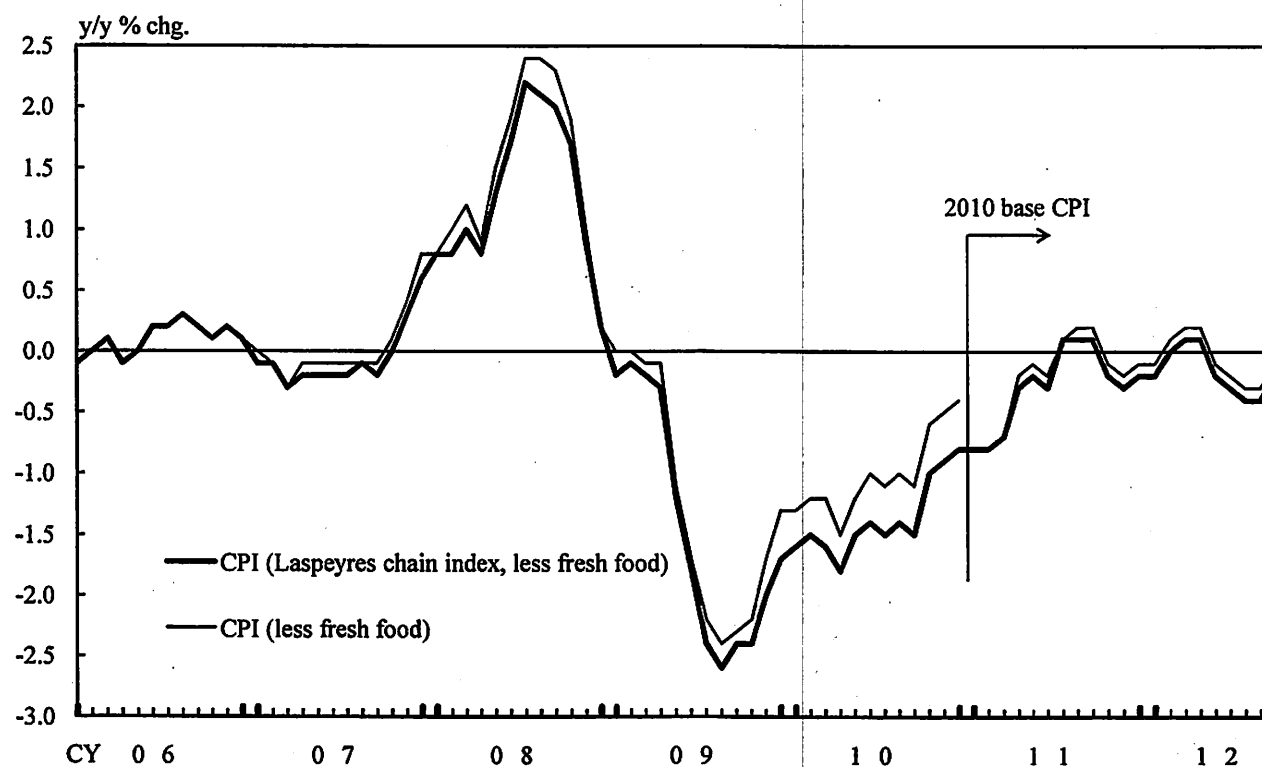
4. Less agricultural, aquatic & livestock products.

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.

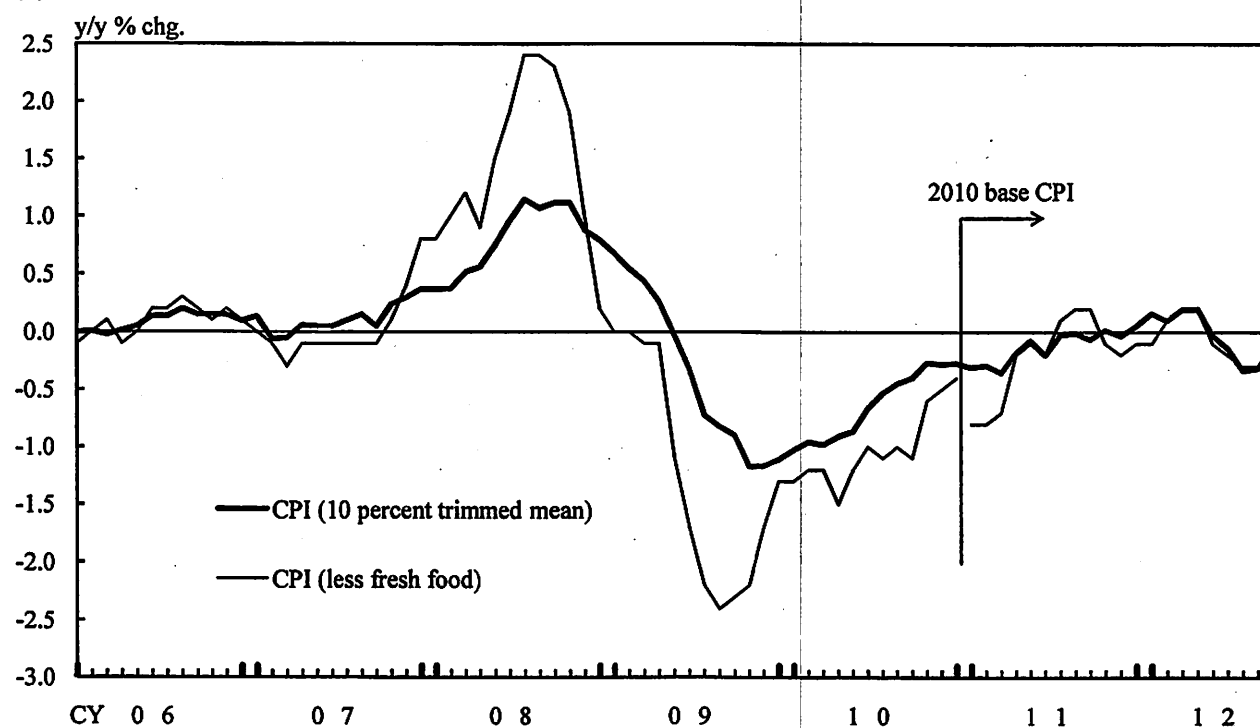
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

## Trend Changes in Consumer Prices

## (1) Laspeyres Chain Index



## (2) Trimmed Mean



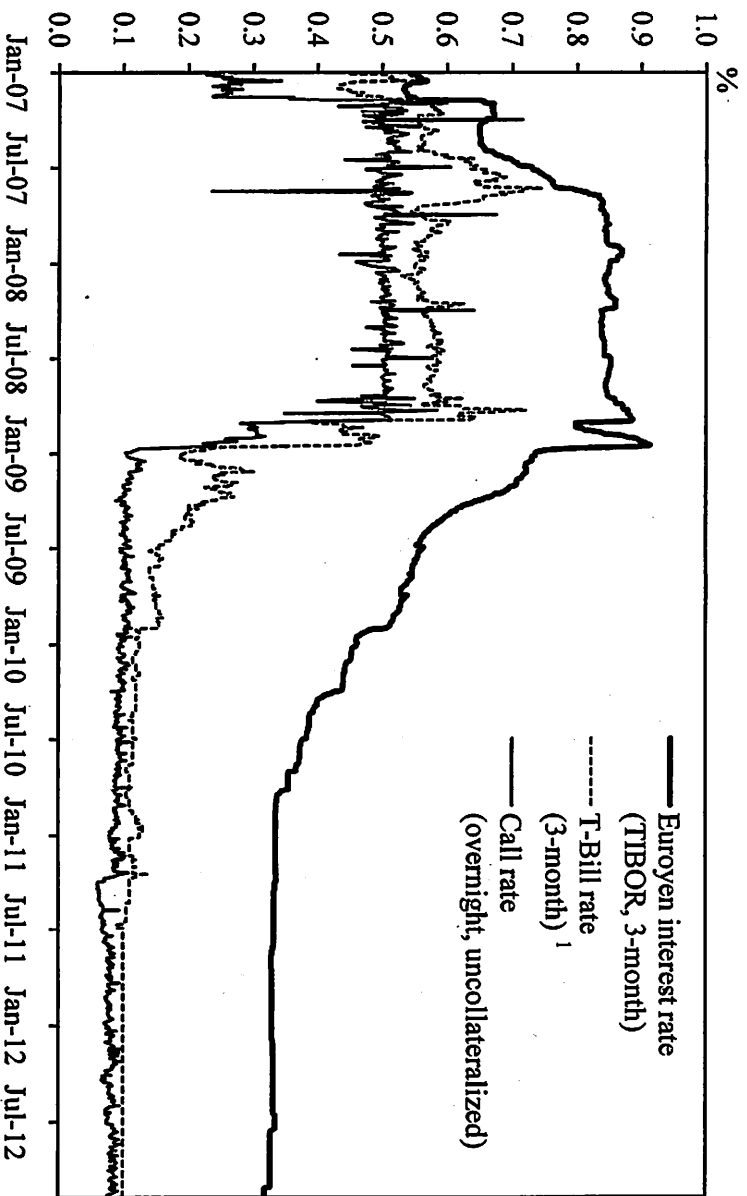
Notes: 1. Figures for the 10 percent trimmed mean are weighted averages of items; these items are obtained by rearranging year-on-year rates of price change in ascending order and then excluding items in both the upper and lower 10 percent tails by weight.

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.

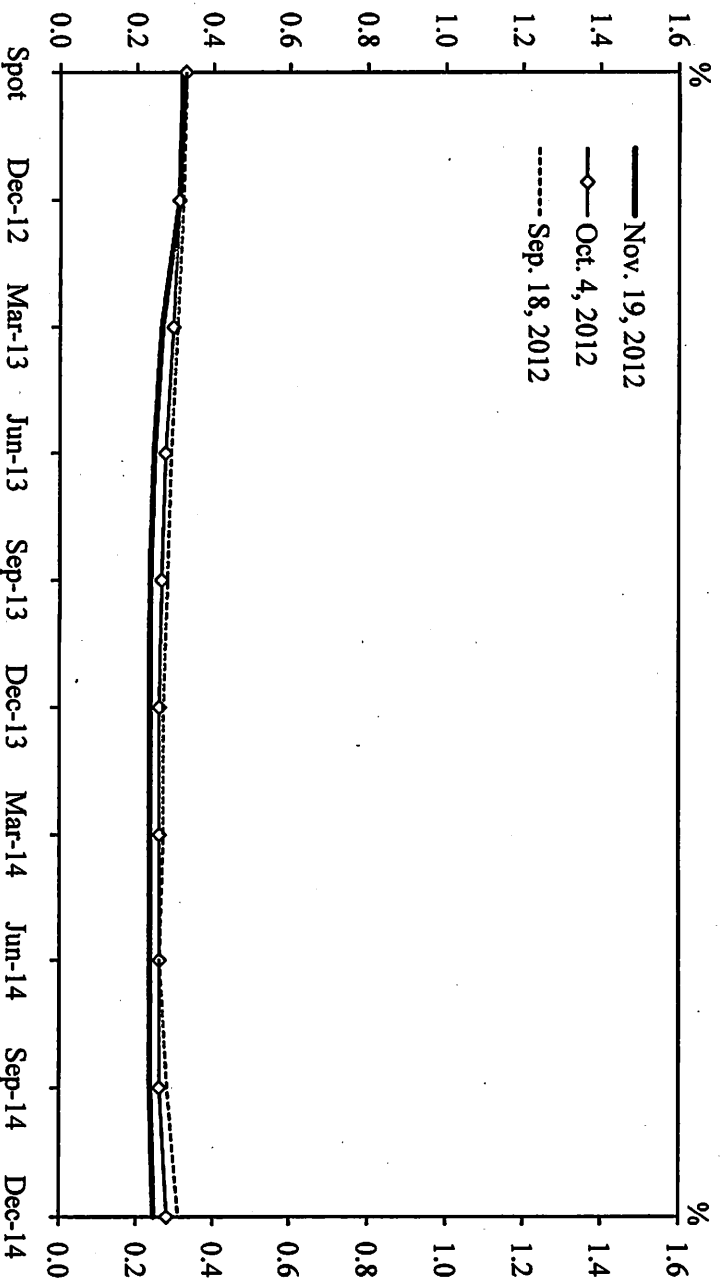
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

# Short-Term Interest Rates

(1) Short-Term Interest Rates



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



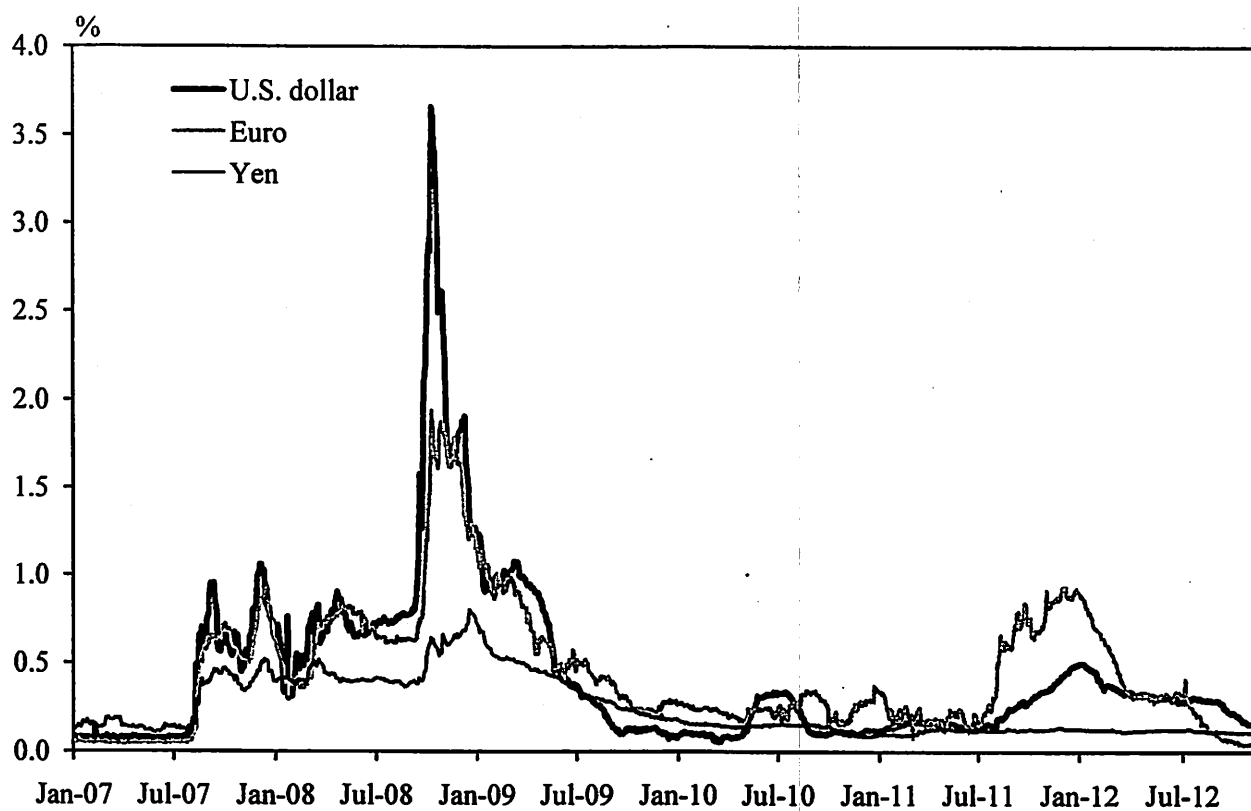
Note: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.

Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.;

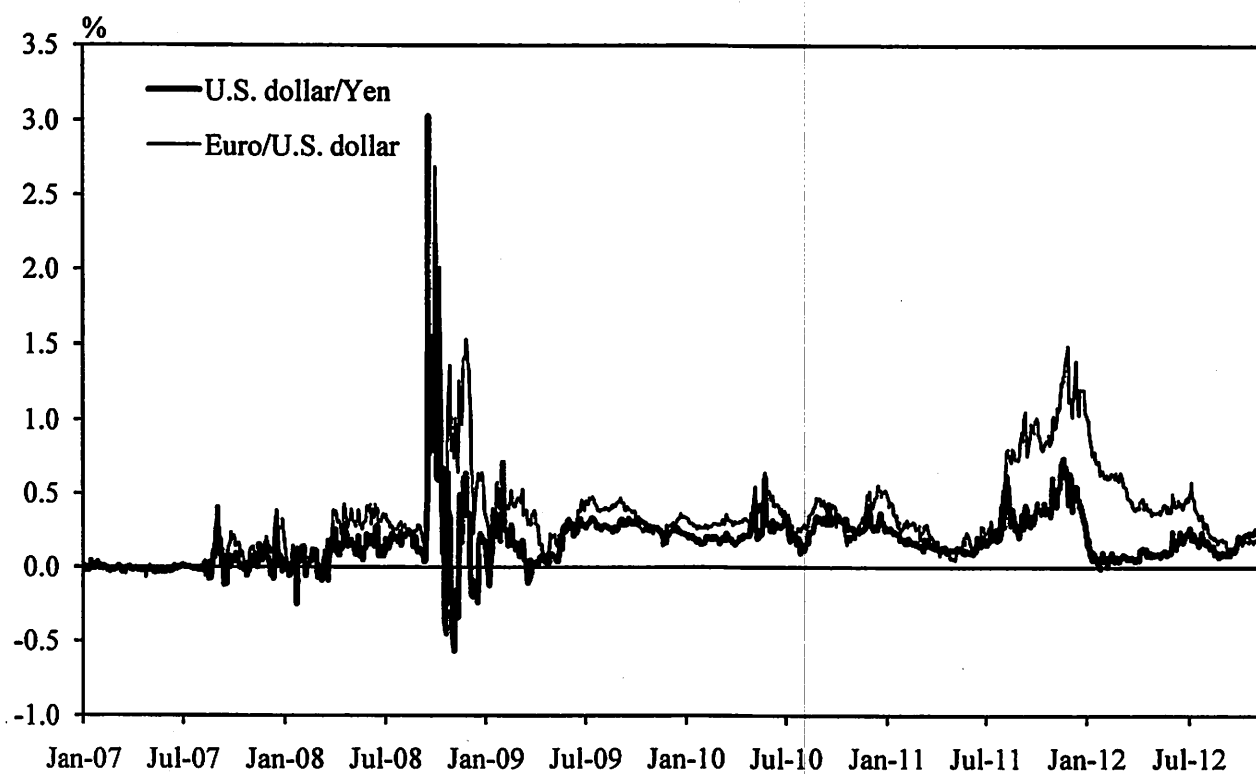
Tokyo Financial Exchange; Bank of Japan.

## Global Money Markets

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



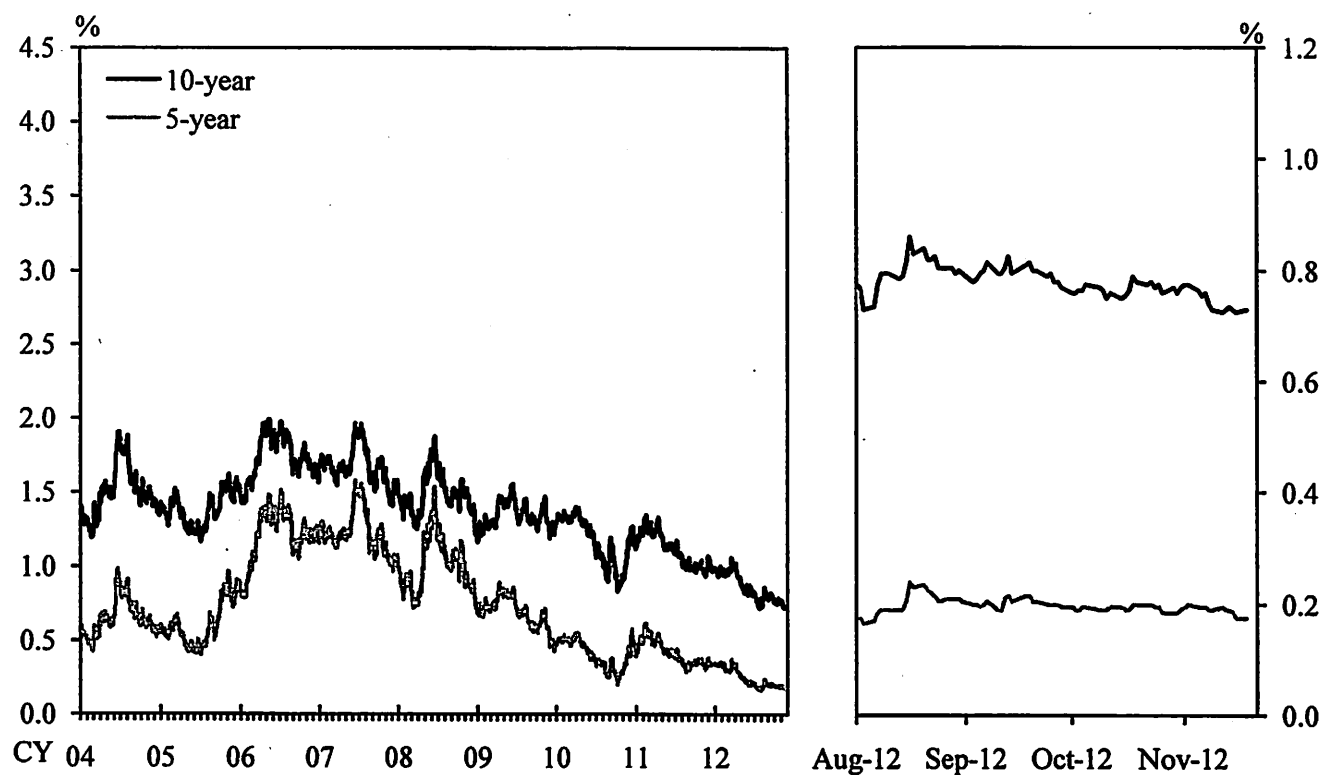
(2) FX swap implied dollar rate - LIBOR spreads (3-Month)



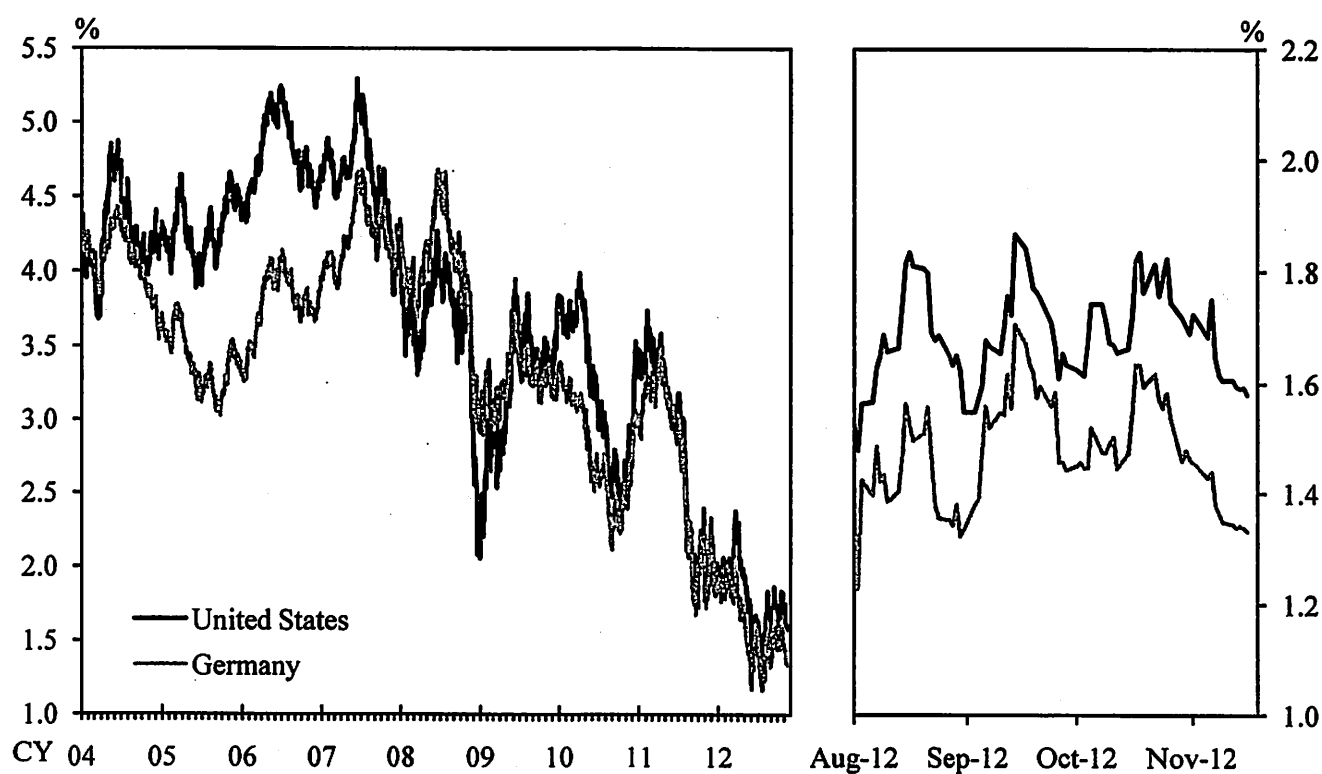
Source: Bloomberg.

# Long-Term Interest Rates

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



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

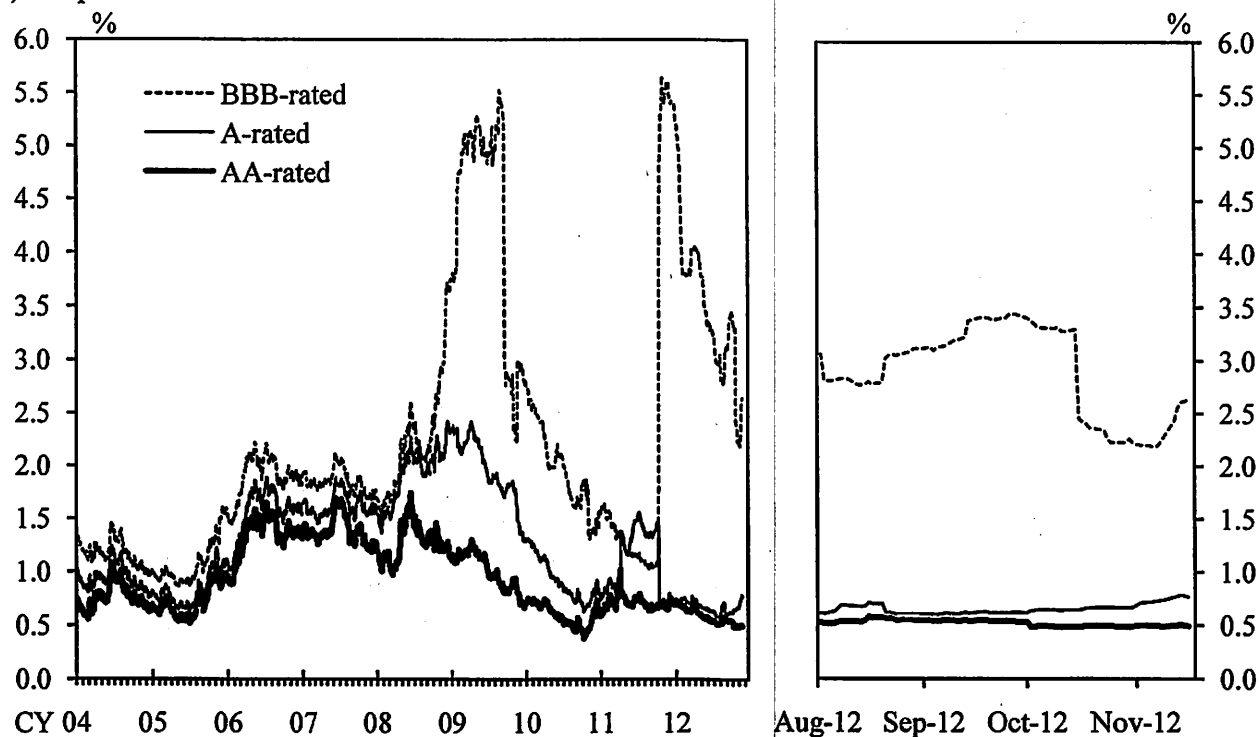


Note: 1. Yields on newly issued bonds.

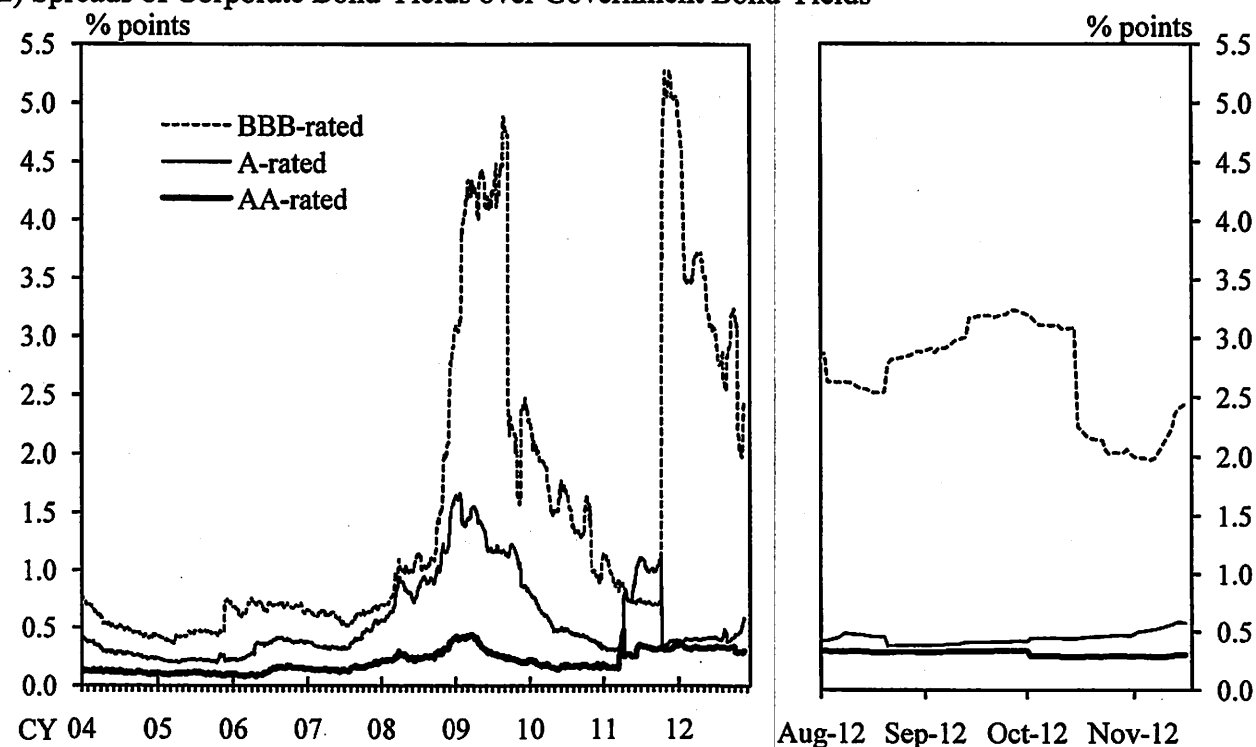
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

# 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.

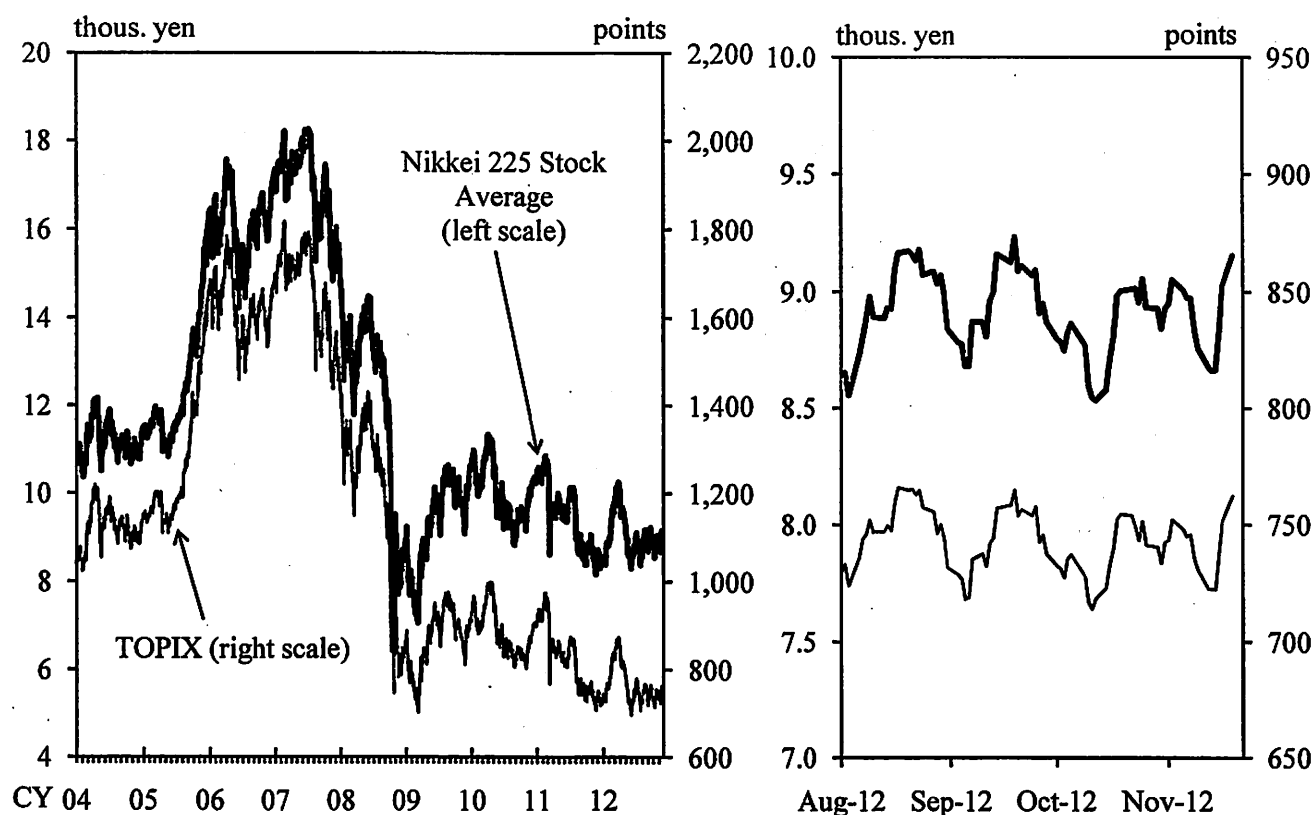
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.

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

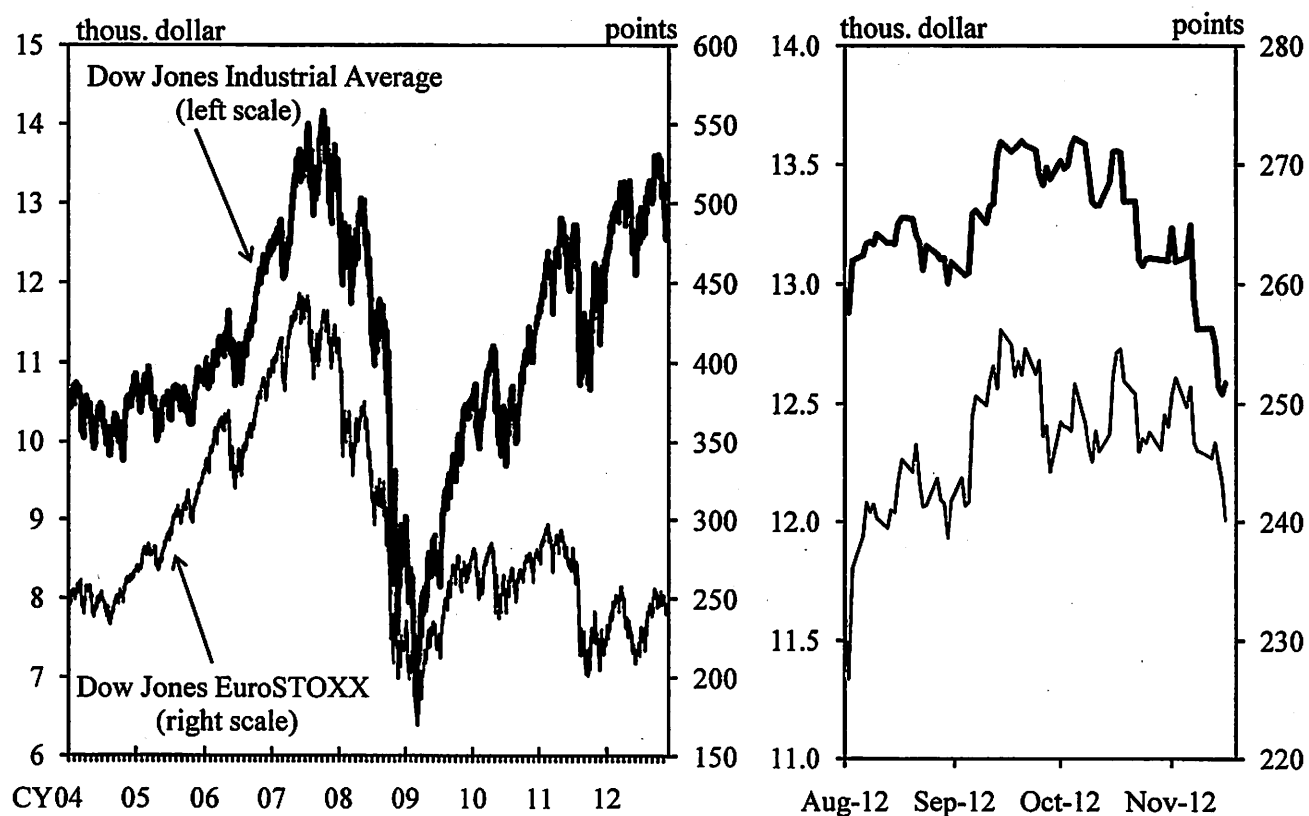
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

# Stock Prices

## (1) Japanese Stock Prices



## (2) Overseas Stock Prices

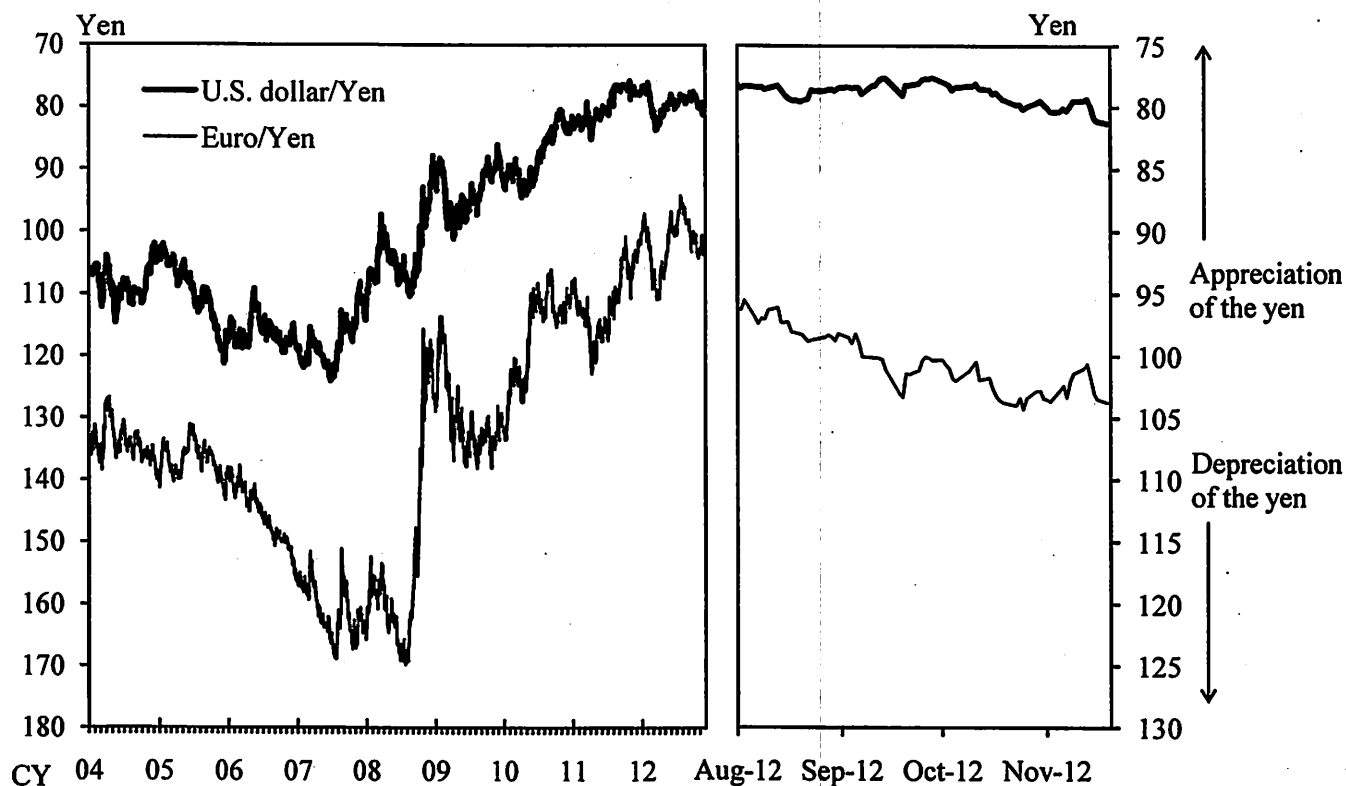


Sources: The *Nihon Keizai Shimbun*; Tokyo Stock Exchange; Bloomberg.

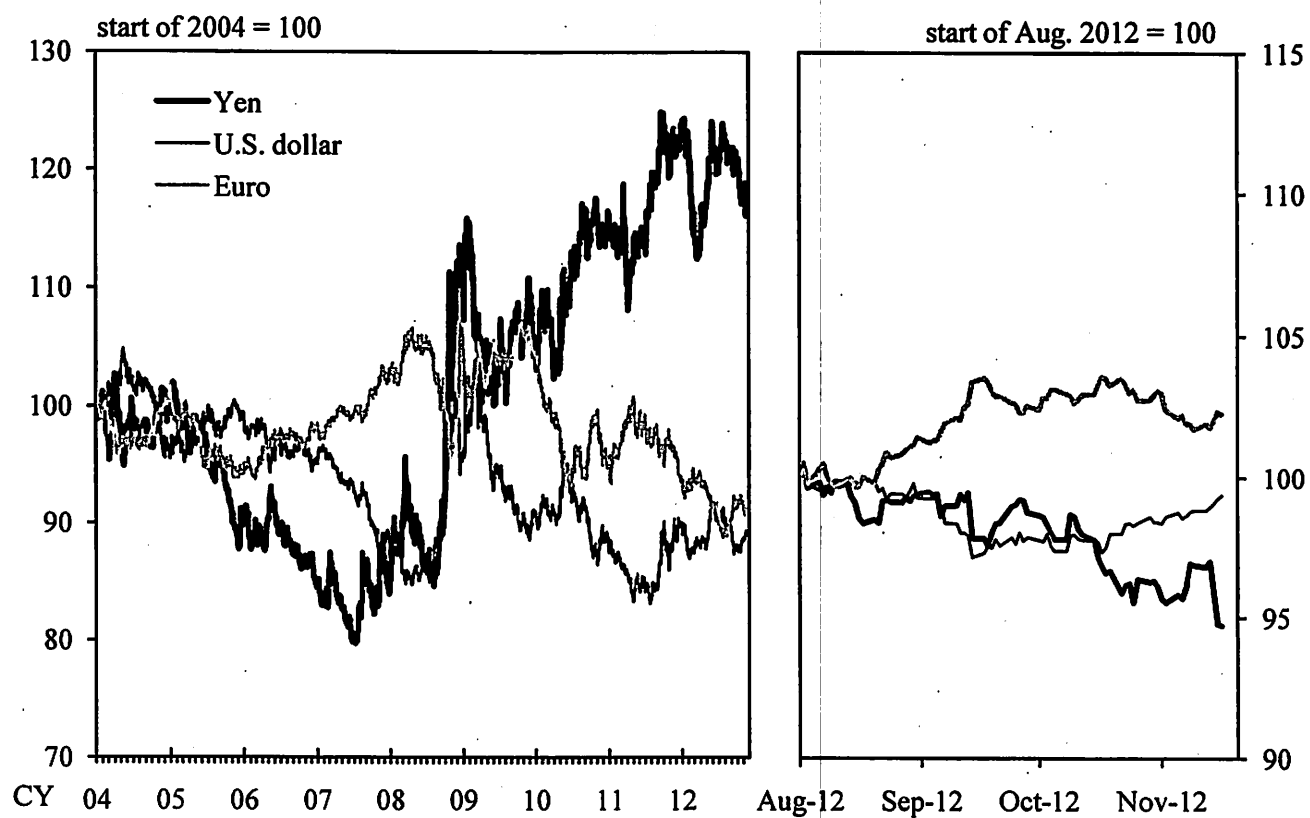


## Exchange Rates

## (1) Bilateral Exchange Rates



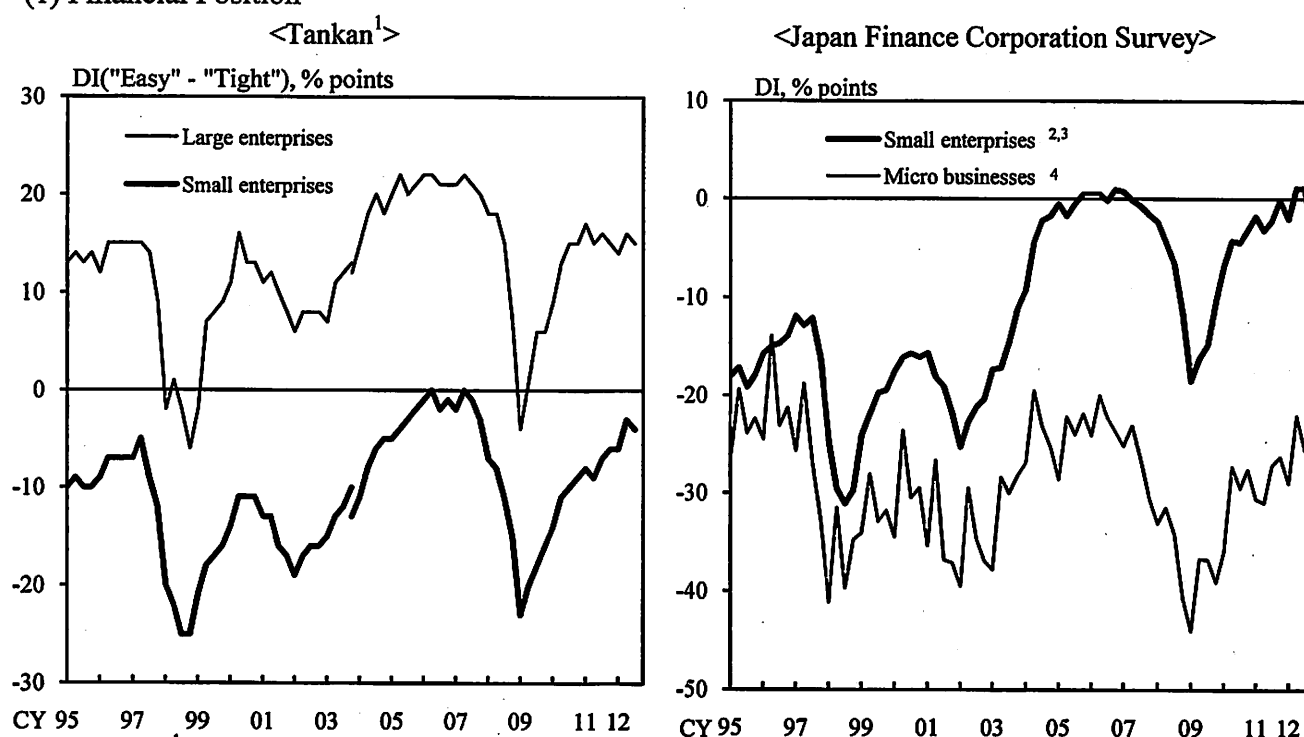
## (2) Nominal Effective Exchange Rates



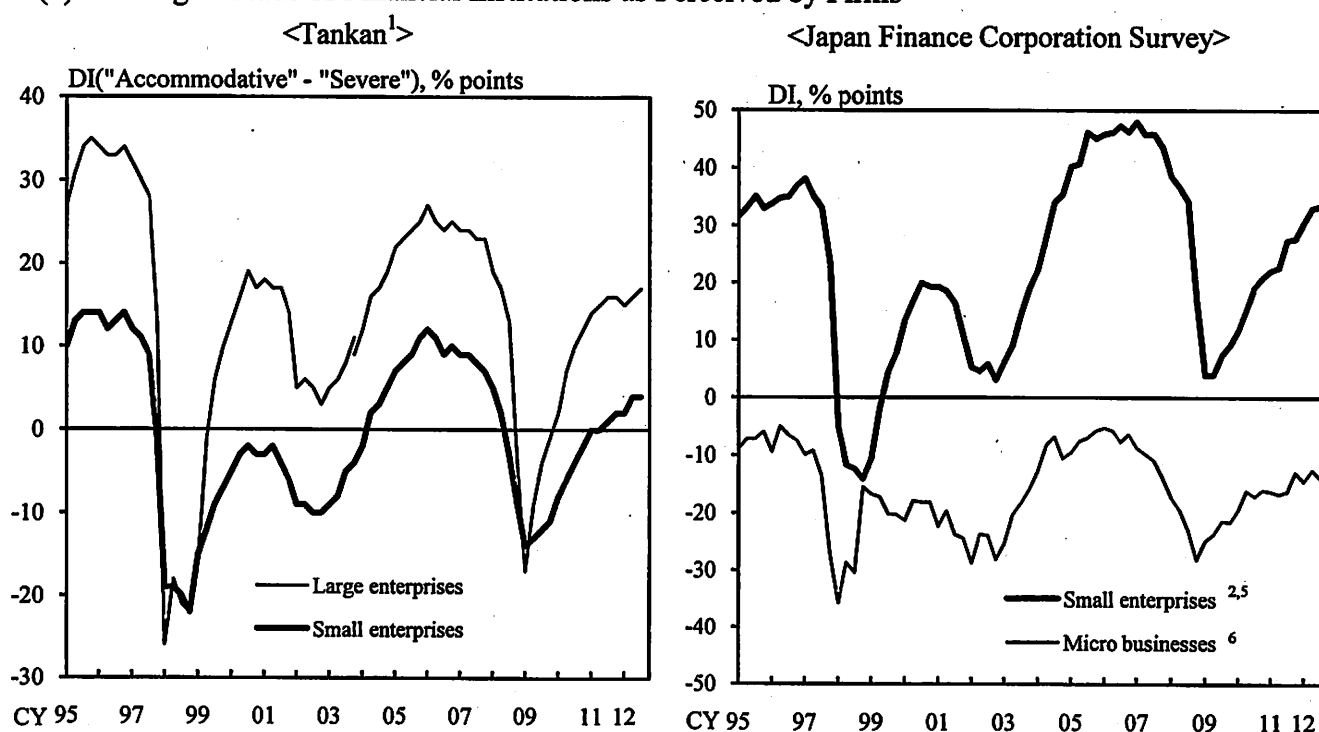
Sources: Bank of Japan; European Central Bank; Bloomberg.

## 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/Q4 are those of October.

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

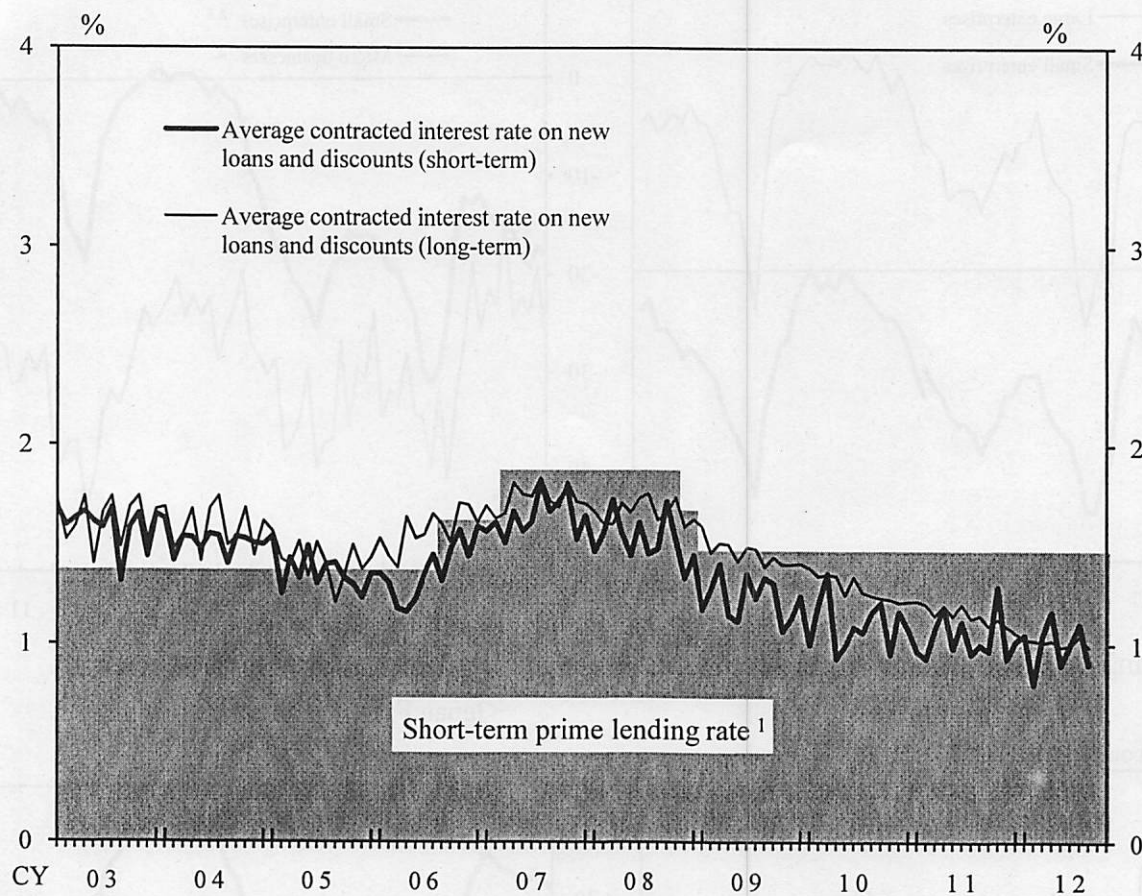
4. DI of "Easier" - "Tighter."

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

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

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

## Lending Rates

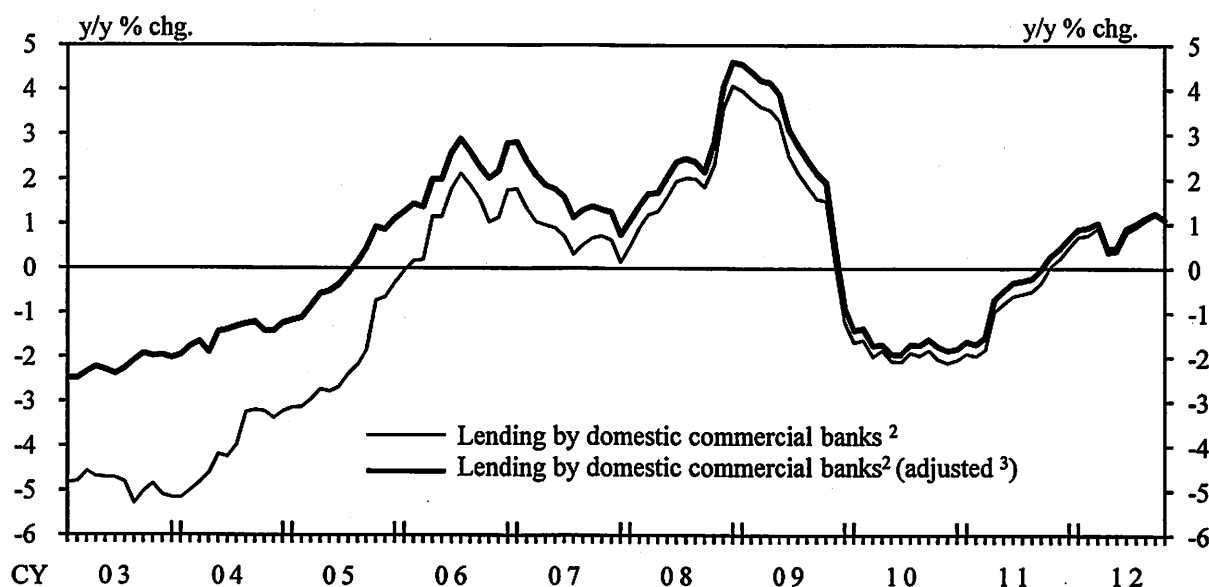


Note: 1. Data are at end of period.

Source: Bank of Japan.

## Lending by Financial Institutions

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



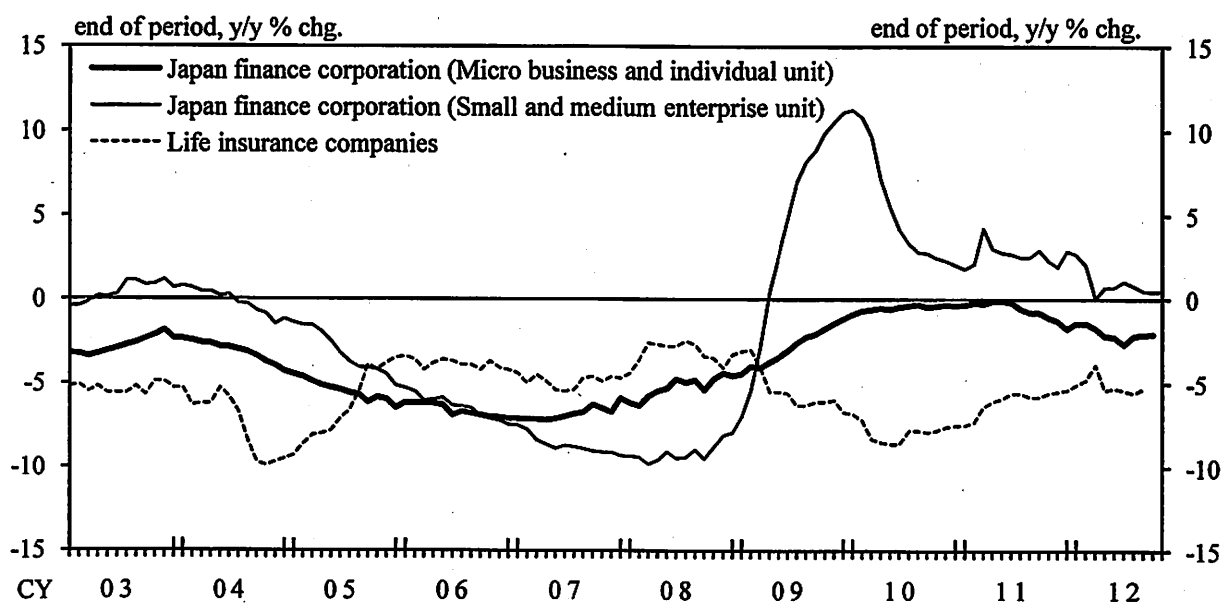
Notes: 1. Percent changes in average amounts outstanding from a year earlier.

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

3. Adjusted to exclude

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

### (2) Lending by Other Financial Institutions

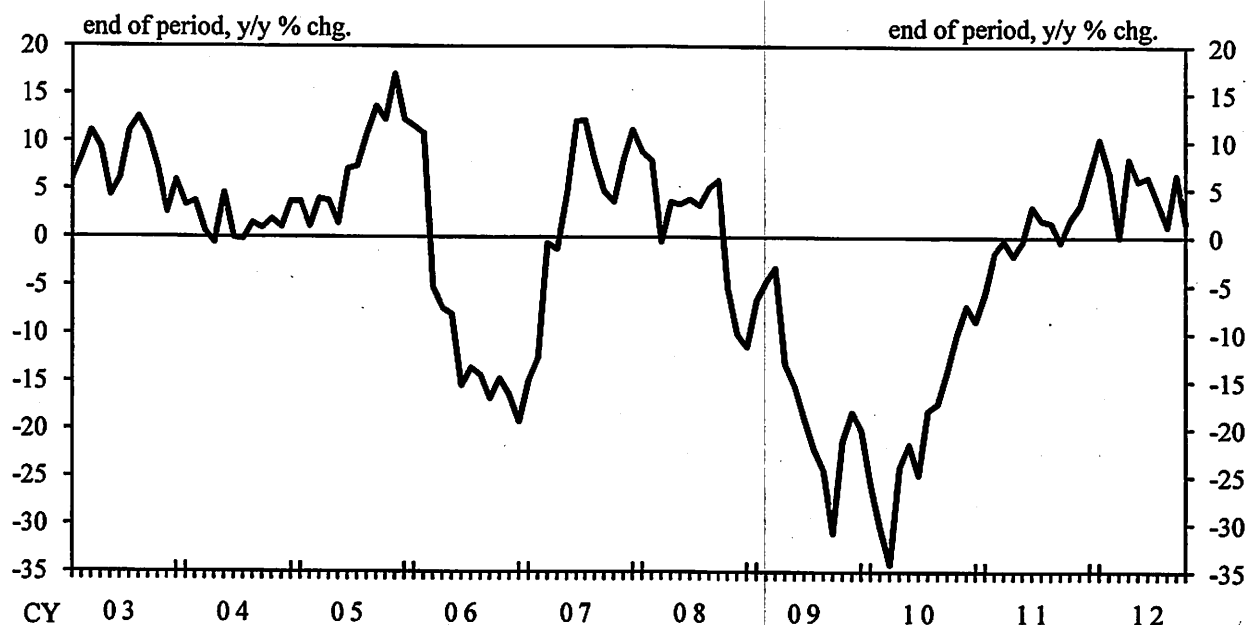


Note: The figures of the Japan Finance Corporation (Small and Medium Enterprise Unit) exclude the amounts outstanding of lending to the Credit Guarantee Corporations.

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

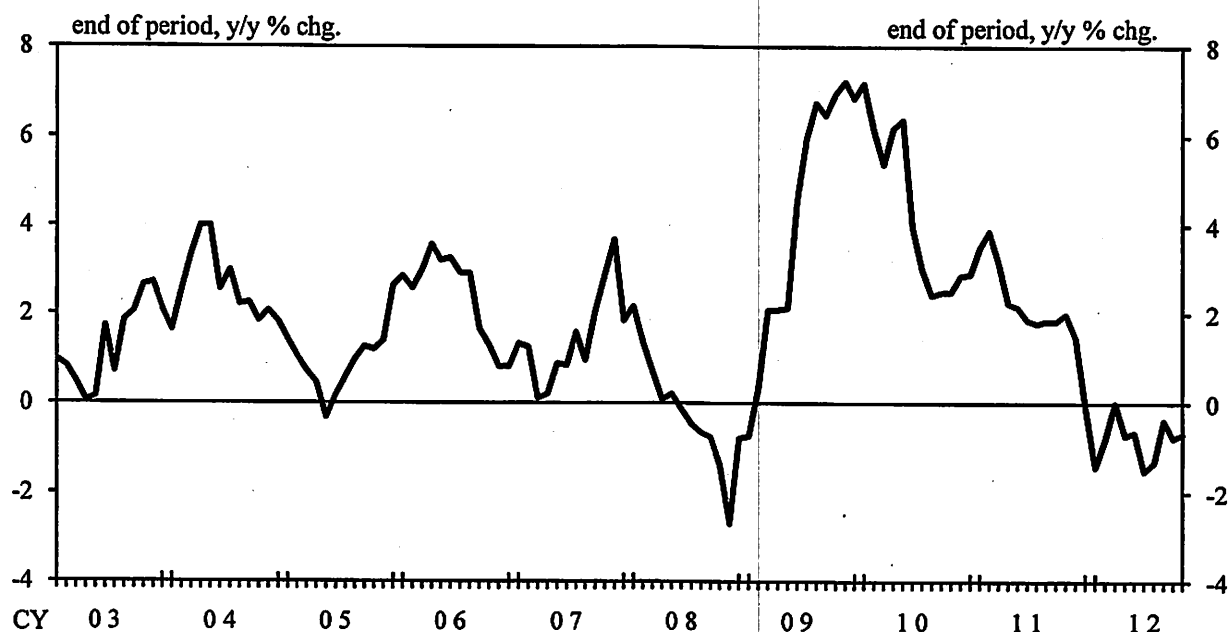
## Private-Sector Fund-Raising in the Capital Markets

## (1) Amount Outstanding of Commercial Paper



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

## (2) Amount Outstanding of Corporate Bonds



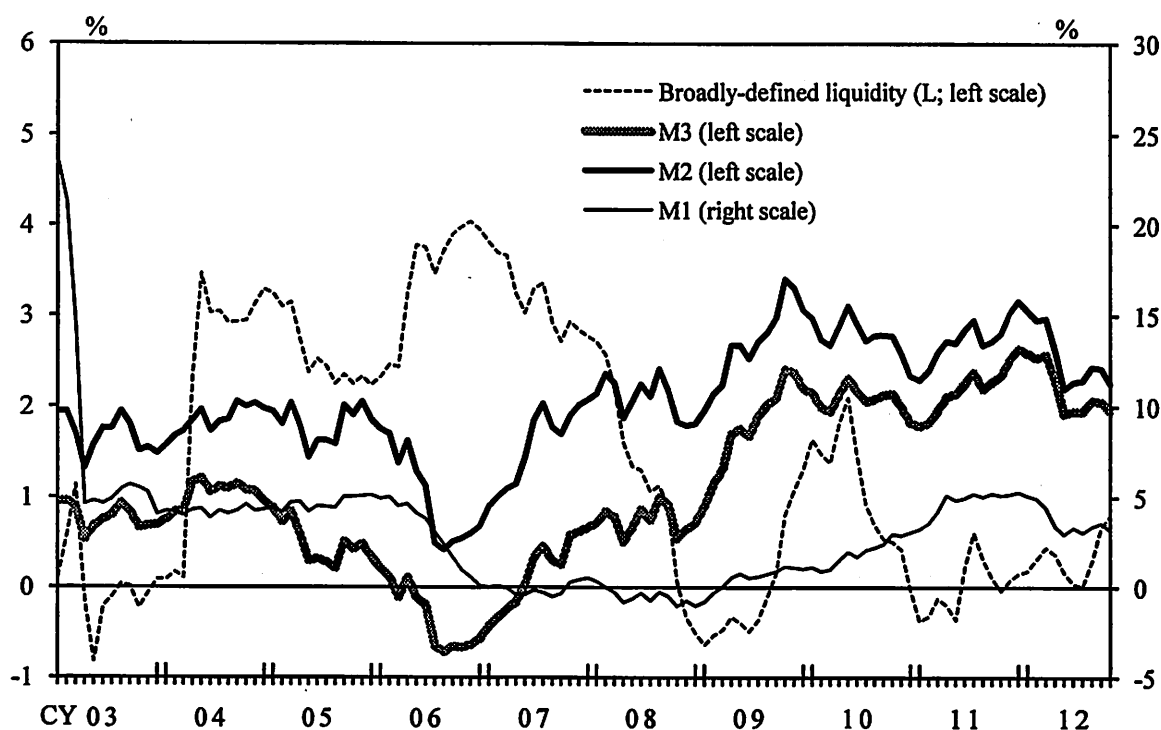
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

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

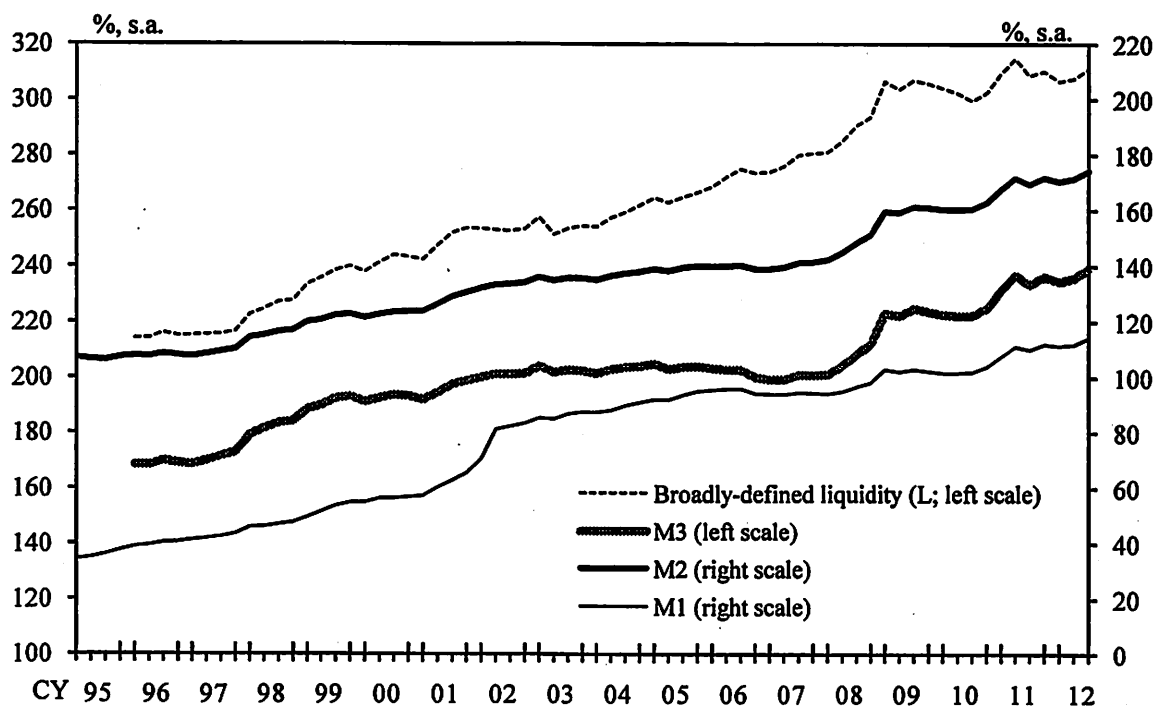
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category"; Bank of Japan, "Principal Figures of Financial Institutions"; Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts of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

## Money Stock

## (1) Changes from a Year Earlier



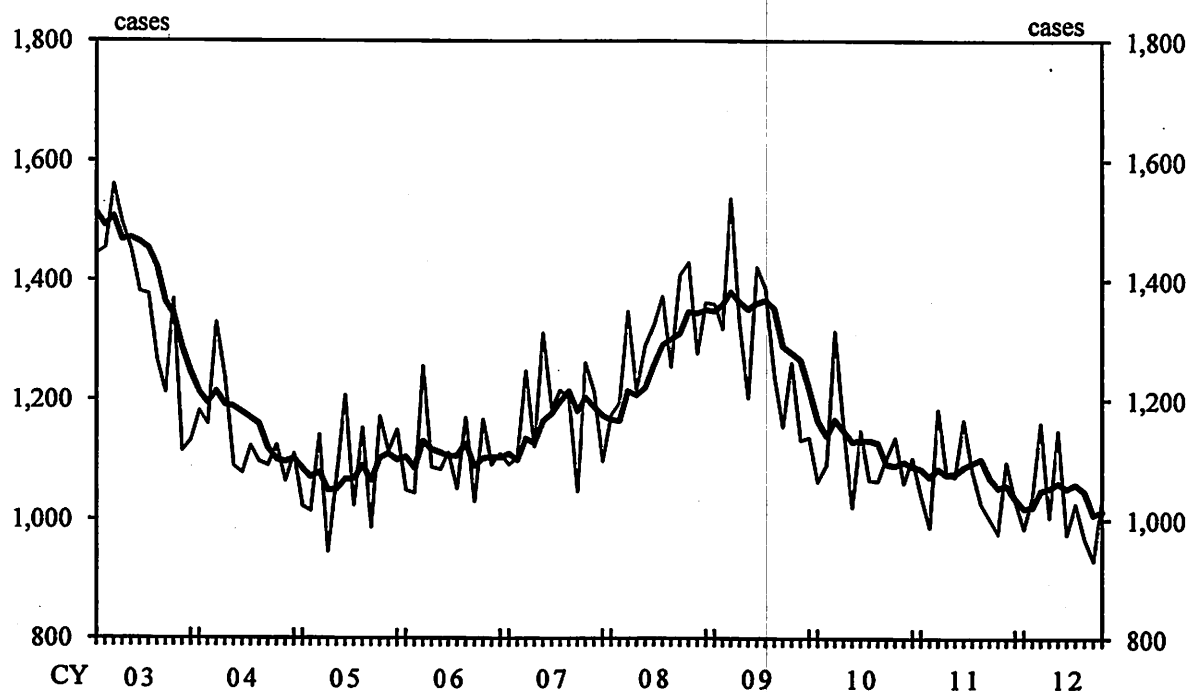
## (2) Ratio of Money Stock to Nominal GDP



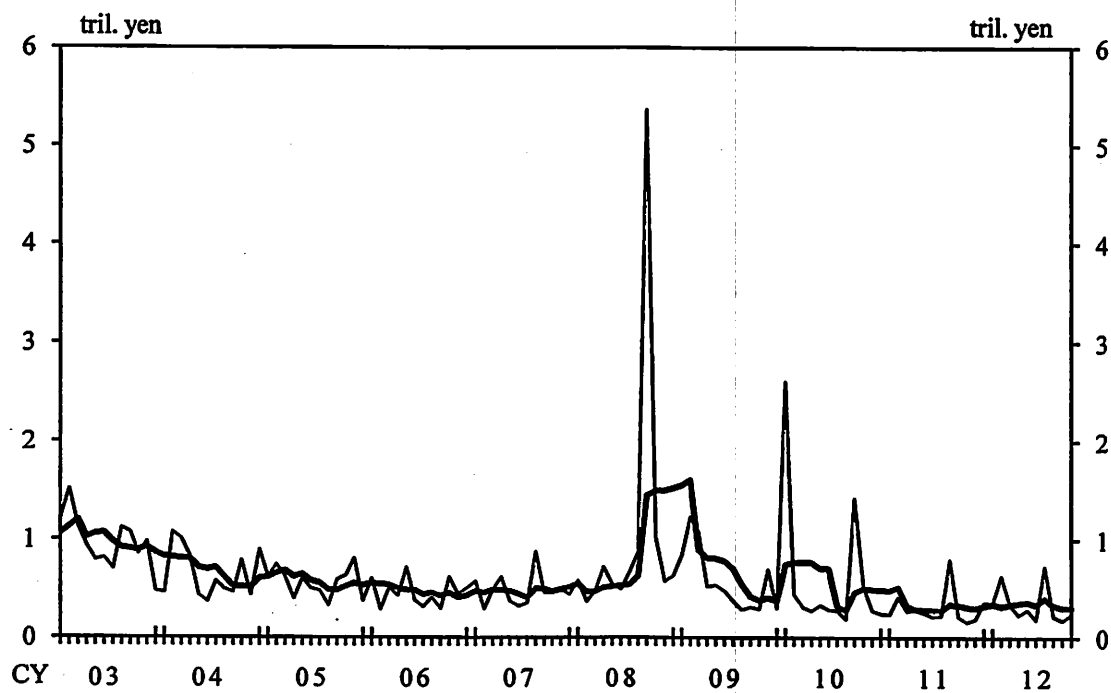
- Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.  
 2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.  
 3. The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

## Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities



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

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

