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Bank of Japan

**Monthly Report of  
Recent Economic and Financial Developments  
October 2013**

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released on October 7, 2013)

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

**October 2013**

## **Summary**

Japan's economy is recovering moderately.

Overseas economies as a whole are gradually heading toward a pick-up, although a lackluster performance is partly seen. In this situation, exports have generally been picking up. Business fixed investment has been picking up as corporate profits have improved. Public investment has continued to increase, and housing investment has also increased. Private consumption has remained resilient, with some improvement observed in the employment and income situation. Reflecting these developments in demand both at home and abroad, industrial production is increasing moderately. Business sentiment has continued to improve.

With regard to the outlook, Japan's economy is expected to continue a moderate recovery.

Exports are expected to increase moderately mainly against the background of the pick-up in overseas economies. As for domestic demand, both public and housing investments are expected to continue trending upward. Business fixed investment is projected to follow a moderate increasing trend as corporate profits continue to improve. Private consumption is expected to remain resilient, supported by improvement in the employment and income situation. Under these circumstances, industrial production is expected to continue increasing moderately.

Meanwhile, there remains a high degree of uncertainty about the global economy.

On the price front, domestic corporate goods prices are rising moderately relative to three months earlier against the backdrop of movements in international commodity prices and foreign exchange rates. The year-on-year rate of change in

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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 October 3 and 4, 2013.

consumer prices (all items less fresh food) is in the range of 0.5-1.0 percent. Inflation expectations appear to be rising on the whole.

Domestic corporate goods prices are expected to continue rising moderately for the time being. The year-on-year rate of increase in consumer prices is likely to rise gradually.

Financial conditions are accommodative.

The monetary base has increased significantly as asset purchases by the Bank of Japan have progressed, and the year-on-year rate of growth has been at around 45 percent.

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 have continued to be favorable. Those for corporate bonds have also remained favorable on the whole. Firms' credit demand has been increasing moderately, mainly for working capital and funds related to mergers and acquisitions. Against this backdrop, the year-on-year rate of increase in the amount outstanding of bank lending has been in the range of 2.0-2.5 percent. The year-on-year rate of change in the amount outstanding of CP and corporate bonds has been positive. Firms have retained their recovered financial positions on the whole. Meanwhile, the year-on-year rate of growth in the money stock has been in the range of 3.5-4.0 percent.

The weighted average of the overnight call rate has been below the 0.1 percent level, and interest rates on term instruments have declined slightly. Compared with last month, the value of the yen against the U.S. dollar has risen, while long-term interest rates have declined. Meanwhile, stock prices have remained at more or less the same level as last month.

## 1. Economic Developments

Public investment has continued to increase. The amount of public construction completed—which reflects the progress of public works—kept increasing in July relative to the second quarter, after having risen for six quarters in a row until the second quarter this year (Chart 5). The value of public works contracted—a measure that reflects public orders—has remained at a high level: the decline in July-August was only marginal relative to the second quarter, following the upsurge in the second quarter.

Public investment is expected to continue trending upward supported by the effects of various economic measures.

Real exports have generally been picking up (Charts 6[1] and 7). Real exports declined only marginally in July-August compared with the second quarter, after having turned positive in the first quarter on a quarter-on-quarter basis for the first time in three quarters and having grown at an accelerated rate in the second quarter. Monthly figures show that the increase in August outpaced the significant decline in July. Looking at movements in exports by region (Chart 7[1]), exports to the United States have trended upward on average, particularly in motor vehicles and their related goods, assisted partly by movements in foreign exchange rates since the end of last year, with the moderate recovery in the U.S. economy. Exports to the EU have started to bottom, mainly in motor vehicles and their related goods, as well as capital goods and parts; they seem to be picking up with a marked increase in July-August compared with the second quarter. Exports to China have been picking up overall, as improvements were observed chiefly in motor vehicles and their related goods, with the effects of the bilateral relationship between Japan and China dissipating, as well as in some IT-related goods. On the other hand, exports to NIEs have been mixed on the whole, although a pick-up in capital goods and parts as well as in some IT-related goods is seen. Exports to ASEAN have continued to show somewhat sluggish movements lately. Meanwhile, exports to Others seem to have been on a moderate uptrend overall, supported by the effects of movements in foreign exchange rates, mainly in motor vehicles and their related goods as well as in capital goods and parts. By goods (Chart 7[2]), exports of motor vehicles and their related goods—due in part to the effects of movements in foreign exchange rates—have

resumed their uptrend, assisted by the pick-up in those to the EU as well as to China—which had seen a significant drop in the second half of last year—amid steady exports to the United States and Others. Exports of capital goods and parts have picked up mildly, with increases in exports of semiconductor products machinery bound for East Asia, despite the fluctuations in ships, after having plunged in the second half of last year. Meanwhile, exports of IT-related goods (including visual and audio apparatus) have begun to gradually stop declining, aided by upward pressure from parts for new products of smartphones; those of intermediate goods have also gradually ceased to decline, partly due to the effects of movements in foreign exchange rates.

Real imports seem to be heading for an increase again (Charts 6[1] and 9). Real imports—which stayed flat in the second quarter as a result of the previous increase and also due in part to movements in foreign exchange rates after having risen in the first quarter—rose marginally in July-August relative to the second quarter. Looking at movements in imports by goods (Chart 9[2]), those of raw materials have become more or less flat on average, although the underlying trend is difficult to read with the large fluctuations. Imports of IT-related goods appear to be on an increasing trend, chiefly in smartphones, despite large monthly fluctuations. Imports of capital goods and parts have turned upward, as a reflection of the progress in inventory adjustments and of developments in business fixed investment at home. Meanwhile, imports of intermediate goods (such as chemicals as well as iron and steel) have begun to pick up as a whole in line with movements in domestic production, despite restraints in place caused by movements in foreign exchange rates.

Net exports—in terms of the real trade balance—have tended to pick up moderately as a reflection of the aforementioned developments in exports and imports (Chart 6[1]). The nominal current account surplus increased its level in the second quarter as a whole compared with the first quarter, since the nominal goods and services balance saw its deficit narrow and also since the income surplus increased (Chart 6[2] and [3]). In July, the amount of current account surplus as a whole narrowed relative to the second quarter due to the plunge in exports, but the services balance kept reducing its volume of deficit, and the income surplus—which had expanded in the second quarter—maintained a high level.



Regarding the environment surrounding exports, overseas economies as a whole are gradually heading toward a pick-up, although a lackluster performance is partly seen (Chart 8[2]). Looking at movements by major region, the U.S. economy has been on a moderate recovery trend against the background of steady private demand. The European economy—which had continued to recede slowly—has recently bottomed and some indicators of major economies show that they have been heading for a pick-up. The Chinese economy has begun to stabilize as it exhibited somewhat lower growth compared to a while ago. Meanwhile, some emerging economies apart from China and commodity-exporting economies have shown somewhat sluggish movements. As for the exchange rate, the yen has depreciated from a while ago against both the U.S. dollar and euro, albeit with fluctuations; in terms of the real effective exchange rate, the yen has fallen to a level similar to that last observed around 2007 (Chart 8[1]).

Overseas economies, including the United States, are expected to gradually pick up. The aforementioned movements in foreign exchange rates are also projected to continue exerting upward pressure on exports. A high degree of uncertainty remains about overseas economies, however, and the pace of pick-up is expected to remain very modest for the time being. The sluggishness in the European economy is projected to remain for the time being, and thus attention should continue to be paid to its impact on the global economy, including the outcome of its debt problem. As for the Chinese economy, the manufacturing sector—which has a large influence on Japan's economy—may further continue to face a situation in which a marked improvement is unlikely to be seen, mainly because there seems to be an overhang in the supply of raw materials and other goods. Future developments in emerging economies and commodity-exporting economies—which have shown relatively slack movements in some economies—continue to require close scrutiny, along with movements in the financial and foreign exchange markets. In contrast, the U.S. economy is expected to continue a moderate recovery trend, partly since downward pressure from the fiscal side is expected to wane gradually, although attention should be paid to the effects of the rise in interest rates for housing loans as well as to the outcome of the fiscal problem. In relation to this, as for the IT-related sector, orders received and production of electronic parts and semiconductor products machinery for Japanese firms have seen an incipient pick-up, mainly against the

backdrop of increased production of new smartphone products. Final demand of this sector as a whole, however, including conventional products such as PCs, has yet to show noticeable improvement, and thus developments in the IT-related sector—including a possibility that new adjustment pressures may be placed depending on developments in sales of new products—continue to require close monitoring. Meanwhile, the impact of the bilateral relationship between Japan and China on Japan's economy, despite lingering severity, has continued to become less visible with the pick-up in automobile-related exports to China.

Taking the above into consideration, exports are expected to increase moderately mainly against the background of the pick-up in overseas economies. Imports are projected to resume their moderate uptrend along with movements in industrial production, amid firm domestic demand, even though movements in foreign exchange rates will bear down on some areas. As a reflection of these developments in exports and imports, net exports are projected to trend moderately upward.

Business fixed investment has been picking up as corporate profits have improved. The aggregate supply of capital goods—a coincident indicator of machinery investment—dropped temporarily in the second quarter on a quarter-on-quarter basis, after having turned upward in the first quarter, but increased again in July-August relative to the second quarter (Chart 10[1]).<sup>2</sup> As for leading indicators, machinery orders (private sector, excluding orders for ships and those from electric power companies)—a leading indicator of machinery investment—turned upward in the second quarter for the first time in five quarters and continued to advance in July relative to the second quarter, after having been almost flat in the first quarter (Chart 11[1]). By industry, machinery orders of manufacturing have begun to pick up, as they kept moving upward in July compared with the second quarter following the upturn in the second quarter, after having declined for six quarters in a row until the first quarter. On the other hand, those of nonmanufacturing (excluding orders for ships and those from electric power companies) have stayed firm with the fluctuations smoothed out, despite having fallen back in July from the upsurge in the

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<sup>2</sup> Following the base-year revision of *Indices of Industrial Production*, the base year of the aggregate supply of capital goods was changed to the year 2010 from the release of the July figures on September 13. It should be noted that the underlying trend to date was almost unchanged.



second quarter on a quarter-on-quarter basis. Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—have fluctuated, but they continued to trend upward (Chart 11[2]). By industry, construction starts of mining and manufacturing have continued to be more or less flat, albeit with fluctuations. On the other hand, those of nonmanufacturing kept trending upward. Meanwhile, the production capacity DI in the September *Tankan* improved for the present in both manufacturing and nonmanufacturing; firms also project ongoing improvements in their forecasts (Chart 10[2]).

Regarding the environment surrounding business fixed investment, corporate profits have improved. Business sentiment has continued to improve. The business conditions DI for all industries and enterprises in the September *Tankan* moved into positive territory for the first time since December 2007. By industry and size (Chart 13), the DI for large manufacturing firms continued to improve in almost all industries. In detail, the DIs for motor vehicles and electrical machinery kept improving significantly as a reflection of demand at home and abroad as well as of movements in foreign exchange rates; the effects of the improvement had also spread to basic materials industries such as chemicals, iron & steel, and nonferrous metals. Firmness in construction demand led to upward pressure on relating industries including lumber & wood products and ceramics, stone & clay. As for industries related to business fixed investment, with the DIs for general-purpose machinery and business oriented machinery having kept moving in positive territory similar to the previous term, the DI for production machinery moved into positive territory. The DI for small manufacturing firms points to an improvement in many industries, which was on par with that in large firms, although the effects of cost increases were seen in some basic materials industries. The DI for nonmanufacturing continued to improve as well in both large and small firms. Looking at the breakdown, although the improvement in the DIs for a few industries including real estate came to a pause after having improved remarkably in the June *Tankan*, the DIs for construction and goods rental & leasing held steady as a reflection of firm public and housing investments; this movement was also observed in the DIs for retailing and services for individuals in response to resilience in private consumption. Furthermore, the DIs for wholesaling, information services, and services for businesses improved stimulated by increased corporate activity.

Corporate profits are projected to keep improving, supported by firm domestic demand as well as by the moderate rise in exports and movements in foreign exchange rates. According to the business plans of firms in the September *Tankan*, current profits (all industries and enterprises) in fiscal 2013 are forecasted to keep firming up, with a year-on-year increase of 9.2 percent, after an increase of 7.2 percent in fiscal 2012, and are revised upward even in comparison to the June *Tankan*. By industry and size (Chart 12), large manufacturing firms are forecasting that fiscal 2013 will continue to see large profit increases; their projections of the profits were revised firmly upward even in comparison to the June *Tankan*. As for nonmanufacturing, current profits for both large and small firms were revised upward from the June *Tankan*, and firms are forecasting profit increases in fiscal 2013. Meanwhile, even though small manufacturing firms are projecting profit increases, their projections were revised slightly downward in comparison to the June *Tankan*.

Taking the above into consideration, business fixed investment is projected to follow a moderate increasing trend, as corporate profits continue to improve. Business fixed investment plans for all industries and enterprises (excluding software investment and including land purchasing expenses) in the September *Tankan* were revised upward in comparison to the June *Tankan* with a year-on-year increase of 3.3 percent. By industry and size (Chart 14), business plans of both large manufacturing and nonmanufacturing firms stood at positive 6.6 percent and 4.4 percent, respectively, on year-on-year basis; their plans continued to be solid, despite a slight downward revision from the June *Tankan*. Plans of small manufacturing firms were revised further upward from the June *Tankan*—which was considerably strong—to a year-on-year increase of 14.2 percent. Meanwhile, small nonmanufacturing firms—whose investment resulted in extremely high growth of positive 26.7 percent in the previous fiscal year—saw a year-on-year decline in their business plans, but they have been revised markedly upward from the June *Tankan*. On a "software and fixed investment excluding land purchasing expenses" basis—a concept close to that of GDP—business fixed investment of all industries and enterprises for fiscal 2013 is projecting a marginal upward revision of positive 5.8 percent from the June *Tankan* and showing solid growth.

Private consumption has remained resilient, with some improvement observed in the employment and income situation (Chart 15). Consumption of goods—as seen through sales at retail stores in real terms (Chart 16[1])—fell in July-August relative to the second quarter, after having risen in both the first and second quarters on a quarter-on-quarter basis. Looking at consumption of durable goods (Chart 16[2]), the number of new passenger-car registrations—although having fallen back from the upsurge, aided partly by the introduction of new models since the start of this year—has recently moved upward again as new models were introduced, thereby holding steady as a trend. Sales of household electrical appliances in real terms have been steady as a whole, albeit with fluctuations, aided by sales of smartphones, tablet devices, and white goods installed with energy-saving devices, although those of televisions and PCs continued to be sluggish. Sales at department stores dropped in July-August relative to the second quarter, after having exhibited quarter-on-quarter increases for three consecutive quarters since the fourth quarter last year (Chart 17[1]). On a monthly basis, however, sales picked up in August after having fallen back in July from the front-loading of summer sales; as a trend, sales at department stores are considered to remain firm, notably in imports and high-end products. On the other hand, sales at supermarkets—which had continued to show somewhat sluggish movements—were up, albeit a bit, in both the second quarter on a quarter-on-quarter basis and July-August compared with the second quarter. Meanwhile, sales at convenience stores have continued to trend moderately upward. As for consumption of services (Chart 17[2]), outlays for travel and sales in the food service industry have held steady as a whole.

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 (Chart 16[1])—which is compiled so as to make it similar to items used for estimating GDP—fell back marginally in the second quarter and continued to do so in July-August relative to the second quarter, after having advanced significantly in the first quarter, mainly due to strong automobiles and services (reading & recreation).<sup>3</sup> The total expenditure in the *Survey of Household Economy*

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

(in real terms; two-or-more-person households) has remained almost flat on a quarter-on-quarter basis, despite large monthly fluctuations.

Indicators related to consumer confidence have recently fallen back slightly, but from a somewhat long-term perspective, they have improved as a reflection of the rise in stock prices since the end of last year and of recent movements in the employment and income situation (Chart 18).

Private consumption is expected to remain resilient, supported by improvement in the employment and income situation.

Housing investment has increased. The number of housing starts—a leading indicator of housing investment—has recently continued to increase its level by registering 983 thousand units (on a seasonally adjusted, annual basis) in the second quarter followed by 969 thousand units in July-August, after having recorded 899 thousand units in the first quarter (Chart 19[1]).

Housing investment is expected to continue trending upward.

Industrial production is increasing moderately (Chart 20). Industrial production, on a quarterly basis, turned upward, albeit marginally, in the first quarter for the first time in four quarters and increased moderately in the second quarter on a quarter-on-quarter basis and in July-August as well compared with the second quarter. By industry, production of transport equipment (such as passenger cars) is considered to continue trending upward, following the rise in the first and second quarters. While domestic sales have been steady, supported in part by the introduction of new models, production for exports to the EU—which had been relatively weak—and those to China—which dipped temporarily, affected by the bilateral relationship between Japan and China—have continued their improving trend, and exports to the United States and Others have held steady. Production of iron and steel and of chemicals has held steady as a whole, amid the uptrend in production of motor vehicles. Production of electronic parts and devices has picked up, aided partly by upward pressure from parts for new smartphone and tablet products. Production of other electrical machinery (electrical machinery; information and communication

electronics equipment), including electronic computers, has recently shown upward movements. Production of general-purpose, production and business oriented machinery has started to pick up markedly as a reflection of developments in business fixed investment at home and abroad. Meanwhile, production such as of ceramics, stone and clay products and of fabricated metals has been steady as a reflection of firm demand with ties to construction.

Shipments have also been on a mild uptrend, with the fluctuations smoothed out (Chart 20[1]). Looking at the trend in shipments by goods (Chart 21), producer goods are considered to be on a mild uptrend overall, since electronic parts and devices—which had remained sluggish—have recently headed for an increase, as shipments for motor vehicles (such as motor vehicle parts, iron and steel, and chemicals) have been steady. Shipments of construction goods have moved slightly upward in response to movements in public and housing investments. Shipments of capital goods have started to pick up. Shipments of durable consumer goods appear to have tended to pick up on average, notably in motor vehicles. On the other hand, shipments of non-durable consumer goods have continued to be more or less flat.

Inventories have begun to bottom out (Chart 20[1]). Inventories posted marginal increases at the end of June relative to the end of March and at the end of August compared with the end of June, after having been on a declining trend since the end of last year. Inventories are considered to have started to bottom out, as a trend, as production and inventories enter a recovery phase. By industry, inventories of transport equipment—which had been declining amid a pick-up in shipments—have recently begun to bottom out as a trend, despite fluctuations caused mainly by inventories waiting to be shipped overseas. Inventories of general-purpose, production and business oriented machinery—which had continued to trend downward after having been at relatively high levels a while ago—have also ceased to decline lately. Meanwhile, inventories of electronic parts and devices have moved downward due to increases in shipments for new products. As for the shipment-inventory balance (year-on-year rate of change in shipments less that in inventories), growth in shipments has started to somewhat outpace that in inventories as a whole (Chart 22[2]). As for durable consumer goods, construction goods, and electronic parts and devices, shipments have continued to grow at a faster pace than

inventories. Shipments of capital goods (excluding transport equipment) have also grown at a slightly faster pace than inventories; those of producer goods excluding electronic parts and devices have improved to a situation in which growth in shipments and in inventories is broadly balanced.

Industrial production is expected to continue increasing moderately, mainly reflecting developments in demand at home and abroad. Based on anecdotes by firms and other information, regarding the third quarter, transport equipment is projected to become more or less flat, after having continued to increase for two consecutive quarters, as a reflection of developments in demand at home and abroad. General-purpose, production and business oriented machinery is expected to be on the rise in response to the pick-up in business fixed investment at home and abroad; added to this, electronic parts and devices are likely to increase, chiefly in parts for new smartphone and tablet products, with inventory adjustments having come to a pause. Moreover, ceramics, stone and clay products as well as fabricated metals are expected to keep moving upward against the backdrop of steady construction demand. As a result, industrial production as a whole is projected to advance markedly. For the fourth quarter, production, despite the uncertainty, is considered to increase in a wide range of industries including transport equipment, general-purpose, production and business oriented machinery, and electronic parts and devices. It looks as though industrial production will continue to increase as a whole.

As for the employment and income situation, supply and demand conditions in the labor market have continued to improve moderately and employee income has also shown a pick-up.

As for supply and demand conditions in the labor market, the unemployment rate has trended moderately downward on average, although it posted 4.1 percent in August, after having fallen to the 3-percent level for two months in a row with readings of 3.9 percent in June and 3.8 percent in July (Chart 23). New job openings have trended upward again since the beginning of this year. In response to these movements, the active job openings-to-applicants ratio also continued its moderate improving trend; they stood at 0.95 in August, recovering to the May 2008 level. Non-scheduled hours worked have increased at a mild pace, together with the pick-up

in manufacturing, while nonmanufacturing has been resilient. Meanwhile, the employment conditions DI in the *Tankan* for all industries and enterprises, affected partly by the hiring of new graduates, remained unchanged in June from the level in March when it moved into "insufficient employment" territory, albeit marginally, but the DI expanded its net "insufficient employment" markedly in September (Chart 24). As for the outlook toward December, the overall employment conditions DI is projected to expand its net "insufficient employment" further as manufacturing reduces its net "excessive employment" and nonmanufacturing expands its net "insufficient employment."

In terms of employment, the year-on-year rate of increase in the number of employees in the *Labour Force Survey* has recently risen somewhat on average, as a reflection of movements in nonmanufacturing (Chart 25[1]). The rate of increase in the number of regular employees in the *Monthly Labour Survey* has expanded mildly as a whole on a year-on-year basis, supported by the rise in nonmanufacturing, although manufacturing has continued to decline.

Total cash earnings per employee have begun to bottom out as a whole, albeit with fluctuations (Chart 25[2]). Looking in detail, the year-on-year rate of decline in scheduled cash earnings has still narrowed marginally, with the uptrend in the ratio of part-time employees having exerted downward pressure. Nevertheless, scheduled cash earnings per regular employee have almost stopped declining and scheduled cash earnings per hour of part-time employees have accelerated at a very mild pace. Non-scheduled cash earnings have somewhat accelerated their pace of increase in response to movements in the number of hours worked.

Employee income has shown year-on-year increases of late, as a reflection of the aforementioned developments in employment and wages (Chart 25[3]).

As for the outlook regarding employee income, a pick-up is expected to become gradually evident as the recovery in economic activity and business performance becomes noticeable.



## 2. Prices

International commodity prices have been more or less flat as a whole (Chart 27[1] and [3]). Prices of crude oil—which had increased their levels slightly in view of geopolitical risks, mainly in response to the situation in the Middle East—have recently fallen back slightly in light of receding concern over the situation in the Middle East. Prices of nonferrous metals have generally been flat, after having bounced back slightly in August triggered by the upturn in some Chinese economic indicators. Prices of grains have been level following the decline in response to a bountiful harvest forecast.

The three-month rate of change in import prices (on a yen basis) has been more or less flat since mid-year, after having risen consistently (Chart 27[2]).

Domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter) are rising moderately relative to three months earlier against the backdrop of movements in international commodity prices and foreign exchange rates (Chart 28[2]).<sup>4</sup> Prices have risen moderately relative to three months earlier; they stood at positive 0.4 percent in July and 0.8 percent in August, after having registered positive 0.5 percent in May and June alike. Looking in detail at domestic corporate goods price movements in August, prices of "goods sensitive to exchange rates and overseas commodity prices" turned marginally upward in August, after having been flat in July, mainly due to the rebound in crude oil prices following a temporary downturn in May and June. Prices of "iron & steel and construction goods" and "Other materials" kept moving marginally upward, mainly due to the effects of increases in costs of raw materials imports and in prices of import-competing products as a reflection of movements in foreign exchange rates. Prices of "electric power, gas & water" continued to rise markedly, with movements in foreign exchange rates since the end of last year having pushed prices upward

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<sup>4</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.

through the fuel cost adjustment system.<sup>5</sup> Meanwhile, prices of "machinery" have trended moderately downward.

The year-on-year rate of decline in corporate services prices (excluding international transportation; year-on-year basis, same hereafter) had tended to continue narrowing, and the rate of change is currently around 0 percent (Chart 29). As for developments on a year-on-year basis, the rate of decline has narrowed from negative 0.5 percent in the fourth quarter last year to readings of negative 0.4 percent in the first quarter and negative 0.2 percent in the second quarter followed by 0.0 percent in July-August (it stood at positive 0.1 percent in August alone, a year-on-year increase last observed in May 2012). Looking in detail at corporate services price movements in July-August compared with the second quarter, the rate of decline in prices related to "selling, general and administrative expenses" diminished as a whole since advertising services turned positive from the increase in advertisement placements and also since hotels rose at an accelerated pace. The rate of decline in prices related to "real estate" kept narrowing moderately; prices related to "fixed investment" continued to increase marginally, primarily in civil engineering and architectural services. The rate of decline in "IT-related" prices (such as leasing of computer and related equipment) has narrowed compared to a whole ago as a reflection of movements in their prices.

The year-on-year rate of change in consumer prices (all items less fresh food; year-on-year basis, same hereafter) is in the range of 0.5-1.0 percent (Chart 30[1]). On a year-on-year basis, consumer prices—which had turned upward to positive 0.4 percent in June after having registered 0.0 percent in May—rose in July at a somewhat accelerated pace to positive 0.7 percent followed by positive 0.8 percent in August. This year-on-year rate of increase in August was the highest since November 2008 (positive 1.0 percent). Those on a basis that excludes food and energy stood at negative 0.1 percent in August on par with that in July. Regarded as a method for capturing trend changes, the year-on-year rate of change in the trimmed mean—which had ceased to improve since the middle of last year—has recently

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<sup>5</sup> Under the fuel cost adjustment system, electricity prices reflect fuel costs of three to five months earlier.

improved again; it turned marginally upward (Chart 31[2]).<sup>6</sup> The year-on-year rate of change in the Laspeyres chain index has moved in tandem with that in the 2010-base index (Chart 31[1]).<sup>7</sup>

As for the backdrop of the somewhat accelerated year-on-year rate of increase in consumer prices of late, fees for public services were heavily affected by the upsurge in electricity prices in response to price increases by electric power companies as well as the rise in fuel costs as a reflection of movements in foreign exchange rates. As for prices for goods, the effects of the pronounced increase in the positive contribution from petroleum products were largely at play, partly in response to the previous year's movement. Added to this, however, the following developments, having become gradually widespread, have also exerted upward pressure on prices of overall goods to a certain extent; prices of some categories, including durable goods, food products, and other goods, have either begun to reduce their rate of decline or turn marginally upward, partly because cost increases have been passed on in the form of higher prices as a reflection of movements in foreign exchange rates under resilient private consumption. Meanwhile, prices of general services have not shown a discernable improvement as a whole, since prices of rent—which comprise a large weight—have continued to be somewhat sluggish, but prices of eating out have turned marginally upward, and those of other services have also tended to reduce their rate of decline, albeit with fluctuations, compared to a while ago.

With regard to domestic supply and demand conditions in the September *Tankan* (Chart 32), the net "excess supply" of the domestic supply and demand conditions DI for products and services narrowed following that of the June *Tankan* for both manufacturing and nonmanufacturing, regardless of size. Turning to the

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<sup>6</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>7</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.

output prices DI, as movements to pass increased import costs onto prices continued to be observed, the DI for large nonmanufacturing firms turned to net "increase" for the first time in five years since September 2008; the DIs for manufacturing firms as well as small nonmanufacturing firms continued to narrow their net "fall." Meanwhile, the weighted average of the production capacity DI and employment conditions DI kept improving moderately and is projected to improve further in the future.

Domestic corporate goods prices are expected to continue rising moderately for the time being. The year-on-year rate of increase in consumer prices is likely to rise gradually.

Meanwhile, inflation expectations appear to be rising on the whole (Chart 33).

Looking at developments in land prices through the *Land Price Survey by Prefectural Governments* as of July (Chart 34), the rate of change for the national average of all land prices posted a year-on-year negative, but the rate of decline has narrowed compared with July last year. By region, the three large city areas as a whole saw their commercial land prices turn upward on a year-on-year basis for the first time since 2008, along with their residential land prices having almost bottomed. In other areas, both residential and commercial land prices reduced their rate of decline for the second straight year.

### **3. Financial Developments**

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

The monetary base (average amounts outstanding) has increased significantly as asset purchases by the Bank of Japan have progressed, and the year-on-year rate of growth has been at around 45 percent (Chart 35).

Firms' funding costs have been hovering at low levels. Issuance rates on CP and those on corporate bonds have been at low levels. The average contract interest rates on new loans and discounts have also been low (Chart 37).

With regard to credit supply, firms have continued to see financial institutions' lending attitudes as being on an improving trend (Chart 36). Issuing conditions for CP have continued to be favorable. Those for corporate bonds have also remained favorable on the whole. In these circumstances, as for funding of the private sector, the year-on-year rate of increase in the amount outstanding of bank lending has been in the range of 2.0-2.5 percent, mainly in demand for working capital and funds related to mergers and acquisitions (Chart 38). The year-on-year rate of change in the amount outstanding of CP and corporate bonds has been positive (Chart 39).

Firms have retained their recovered financial positions on the whole (Chart 36). The number of corporate bankruptcies has remained at a low level (Chart 41).

Meanwhile, the year-on-year rate of growth in the money stock (M2) has been in the range of 3.5-4.0 percent. Its August reading was 3.7 percent on a year-on-year basis, following 3.7 percent in July (Chart 40).<sup>8</sup>

## **(2) Financial Markets**

In Japan's money markets, interest rates have been stable at low levels, including those for longer term rates. 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 declined marginally. The Euroyen interest rate (3-month) and interest rates on Euroyen futures have been virtually level (Chart 42). In U.S. dollar funding, the LIBOR-OIS spread for the dollar has basically been flat (Chart 43).

Yields on 10-year government bonds (newly issued 10-year JGB) have fallen in light of the decline in U.S. long-term interest rates; they are currently moving at around 0.65 percent (Chart 44).

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<sup>8</sup> On an M3 basis, which includes the Japan Post Bank, the year-on-year rate of growth has been at around 3 percent; its August reading was 3.0 percent, following 3.0 percent in July. The year-on-year rate of growth in broadly-defined liquidity (L) has recently been at around 3.5 percent; it increased by 3.5 percent in August, following an increase of 3.2 percent in July.

Yield spreads between corporate bonds and government bonds have been narrowing very moderately on the whole, despite a widening in some corporate bond spreads (Chart 45).

Stock prices moved upward, mainly due to the announcement that Tokyo was chosen to host the 2020 Olympic Games, but have since declined primarily in line with U.S. stock prices. The Nikkei 225 Stock Average is currently moving at around 14,000 yen (Chart 46).

In the foreign exchange market, although the yen temporarily depreciated slightly against the U.S. dollar mainly in view of the rise in Japanese stock prices, it has appreciated thereafter primarily due to speculation about U.S. monetary policies and uncertainty regarding U.S. fiscal debate; the yen is currently moving in the range of 97-98 yen against the U.S. dollar. The yen's exchange rate against the euro has been more or less level; the yen is currently moving in the range of 132-133 yen against the euro (Chart 47).

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Chart 1

## Main Economic Indicators (1)

	s.a., q/q (m/m) % chg. <sup>1</sup>						
	2013/Q1	Q2	Q3	2013/Jun.	Jul.	Aug.	Sep.
Index of consumption expenditure level (two-or-more-person households)	4.4	-2.2	n.a.	-1.6	1.1	-2.1	n.a.
Sales at department stores	1.5	1.1	n.a.	3.8	-8.1	p 4.2	n.a.
Sales at supermarkets	-1.9	0.3	n.a.	1.1	-0.4	p -0.9	n.a.
New passenger-car registrations <sup>3</sup> <s.a., ann. 10,000 units>	<304>	<283>	<267>	<261>	<252>	<275>	<275>
Sales of household electrical appliances (real, "Current Survey of Commerce")	6.1	-2.7	n.a.	4.4	-8.7	p 4.3	n.a.
Outlays for travel	0.8	-0.1	n.a.	2.6	-3.5	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	<90>	<98>	<n.a.>	<98>	<98>	<96>	<n.a.>
Machinery orders <sup>4</sup> (Private sector, exc. volatile orders)	-0.0	6.8	n.a.	-2.7	-0.0	n.a.	n.a.
Manufacturing	-1.7	5.6	n.a.	2.4	4.8	n.a.	n.a.
Nonmanufacturing <sup>4</sup> (exc. volatile orders)	-3.1	12.5	n.a.	-17.5	0.0	n.a.	n.a.
Construction starts (private, nondwelling use)	5.2	-3.2	n.a.	-8.7	5.9	-7.0	n.a.
Mining & manufacturing	20.0	-9.9	n.a.	-7.5	9.9	-9.1	n.a.
Nonmanufacturing <sup>5</sup>	0.7	1.5	n.a.	-7.8	5.0	-4.1	n.a.
Value of public works contracted	-3.6	28.6	n.a.	1.0	-1.6	-11.2	n.a.
Real exports	1.5	3.6	n.a.	2.0	-4.9	6.4	n.a.
Real imports	3.1	-0.0	n.a.	3.1	-1.7	1.3	n.a.
Industrial production	0.6	1.5	n.a.	-3.1	3.4	p -0.7	n.a.
Shipments	4.1	-1.9	n.a.	-3.2	2.0	p 0.4	n.a.
Inventories	-3.4	0.4	n.a.	0.0	1.6	p -0.1	n.a.
Inventory ratio <s.a., CY 2010 = 100>	<112.8>	<111.0>	<n.a.>	<111.0>	<110.5>	<p 112.3>	<n.a.>
Real GDP	1.0	0.9	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.0	1.0	n.a.	-0.7	0.5	n.a.	n.a.

## Main Economic Indicators (2)

	y/y % chg. <sup>1</sup>						
	2012/Q4	2013/Q1	Q2	2013/May	Jun.	Jul.	Aug.
Active job openings-to-applicants ratio <s.a., times>	< 0.82>	< 0.85>	< 0.90>	< 0.90>	< 0.92>	< 0.94>	< 0.95>
Unemployment rate <s.a., %>	< 4.2>	< 4.2>	< 4.0>	< 4.1>	< 3.9>	< 3.8>	< 4.1>
Non-scheduled hours worked <sup>6</sup>	-2.5	-1.6	1.0	0.0	2.0	3.9	p 3.0
Number of employees	0.1	0.4	0.9	1.1	0.8	0.9	0.9
Number of regular employees <sup>6</sup>	0.7	0.5	0.7	0.7	0.8	0.9	p 0.8
Nominal wages per person <sup>6</sup>	-1.1	-0.6	0.3	-0.1	0.6	-0.1	p -0.6
Domestic corporate goods price index <q/q % chg., 3-month rate of change> <sup>7</sup>	-0.9 < 0.2>	-0.3 < 0.8>	0.6 < 0.6>	0.5 < 0.5>	1.2 < 0.5>	2.3 < 0.4>	p 2.4 <p 0.8>
Consumer price index <sup>8</sup>	-0.1	-0.3	0.0	0.0	0.4	0.7	0.8
Corporate services price index <sup>9</sup>	-0.5	-0.4	-0.2	-0.1	0.0	-0.1	p 0.1
Money stock (M2) <average outstanding, y/y % chg.>	2.3	2.9	3.5	3.5	3.8	3.7	p 3.7
Number of corporate bankruptcies <cases per month>	<963>	<926>	<947>	<1,045>	<897>	<1,025>	<819>

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";

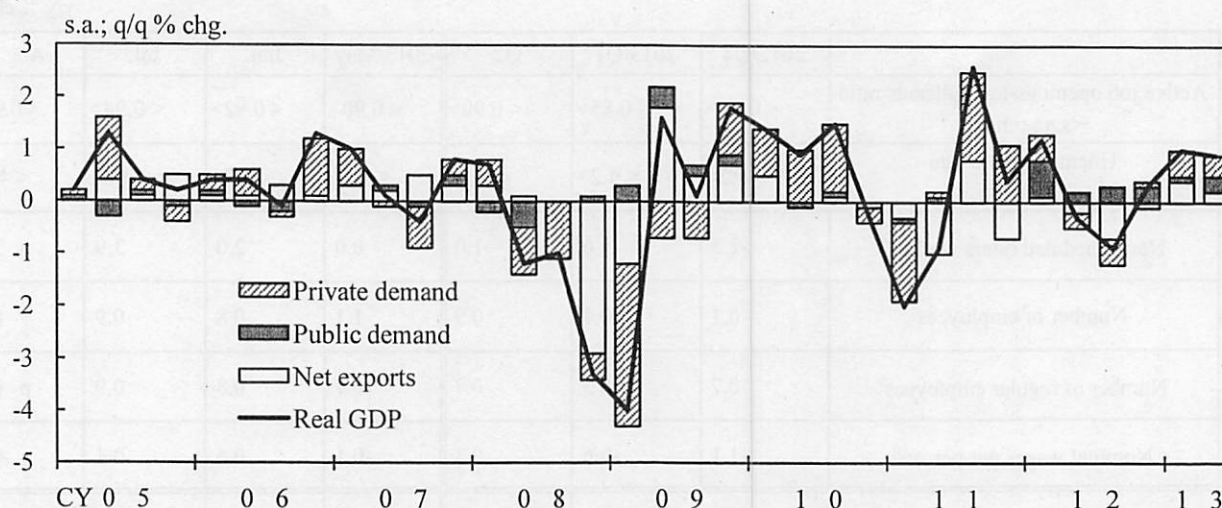
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey";

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



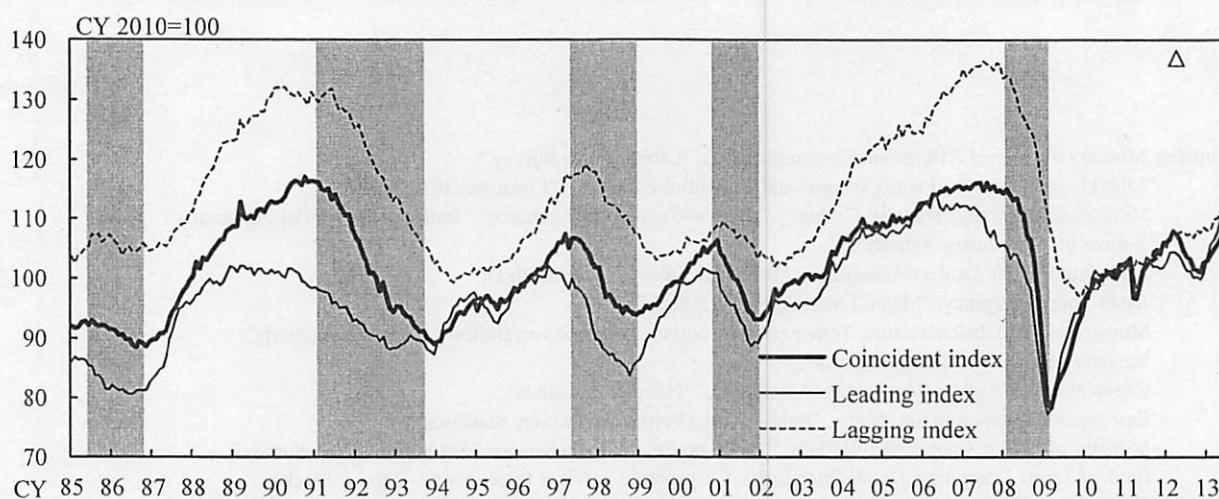
## (2) Components

s.a.; q/q % chg.

	2012			2013	
	Q2	Q3	Q4	Q1	Q2
Real GDP	-0.3	-0.9	0.3	1.0	0.9
[Annual rate]	[-1.2]	[-3.5]	[1.1]	[4.1]	[3.8]
Domestic demand	-0.1	-0.2	0.3	0.6	0.7
Private demand	-0.3	-0.5	0.1	0.5	0.4
Private consumption	0.0	-0.2	0.3	0.5	0.4
Non-Resi. investment	-0.1	-0.4	-0.2	-0.0	0.2
Residential investment	0.1	0.0	0.1	0.1	-0.0
Private inventory	-0.3	0.1	-0.2	-0.0	-0.2
Public demand	0.2	0.3	0.3	0.1	0.3
Public investment	0.2	0.2	0.2	0.1	0.2
Net exports of goods and services	-0.2	-0.7	-0.1	0.4	0.2
Exports	-0.0	-0.7	-0.4	0.6	0.4
Imports	-0.2	0.0	0.3	-0.2	-0.3
Nominal GDP	-0.9	-0.9	0.1	0.6	0.9

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

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

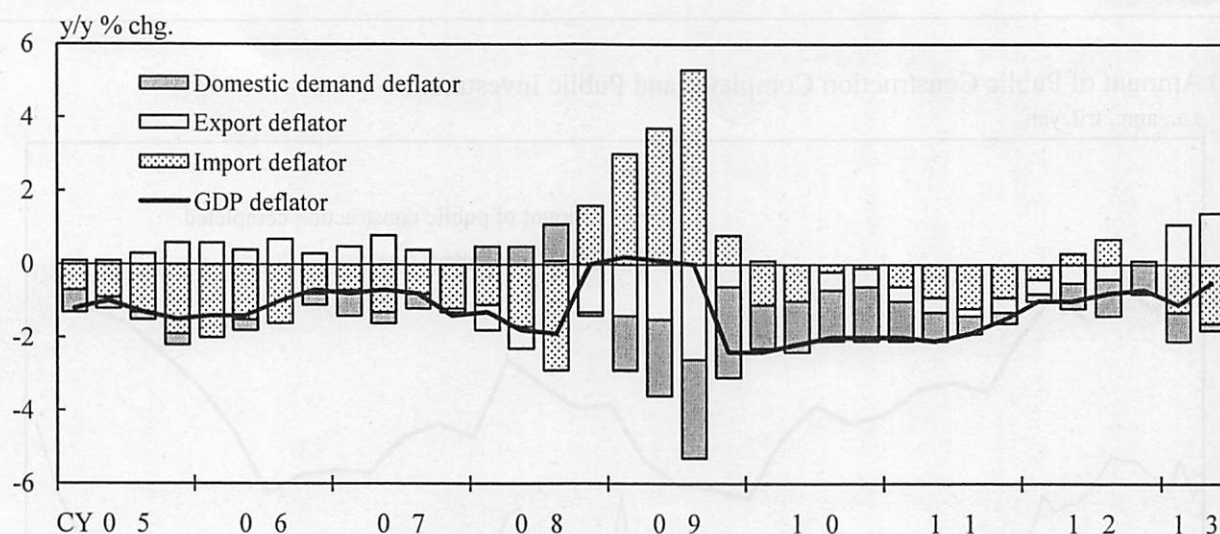


Note: Shaded areas indicate recession periods. Triangle shows the last peak.

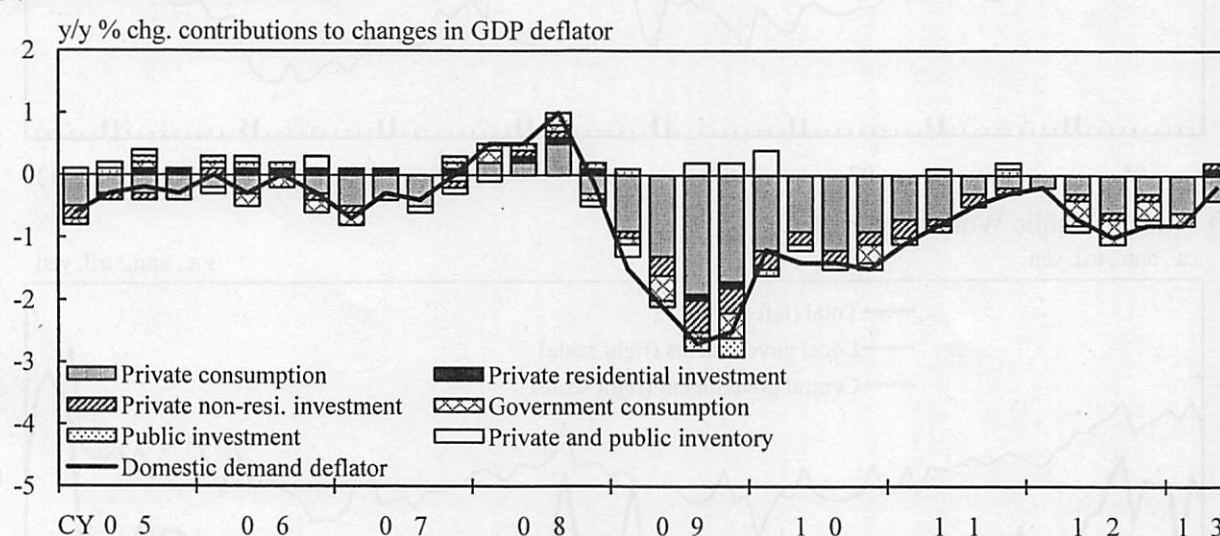
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

## GDP Deflator and Income Formation

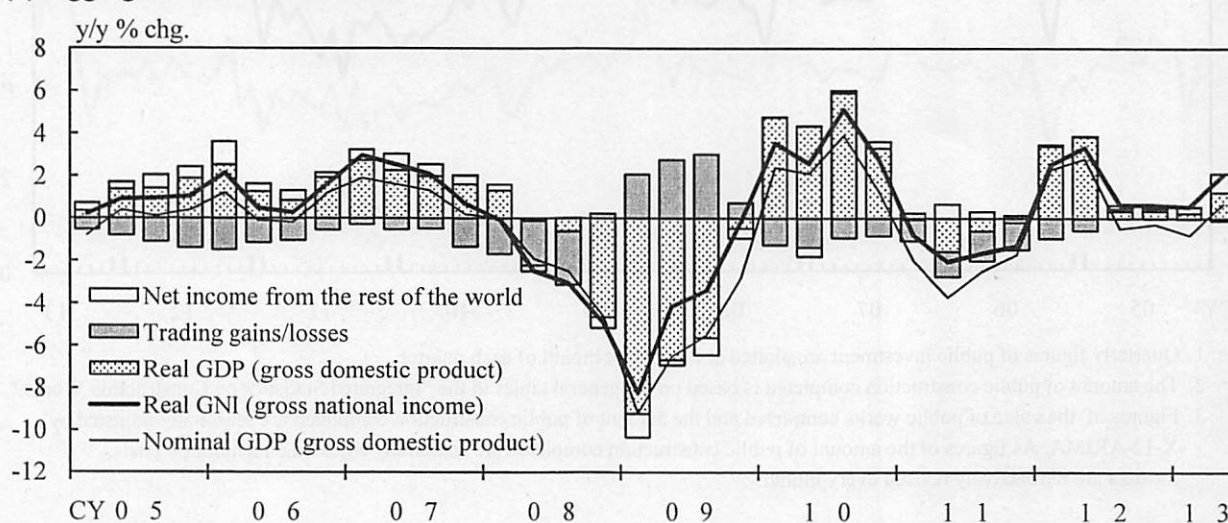
## (1) GDP Deflator



## (2) Domestic Demand Deflator



## (3) Aggregate Income Formation



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

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

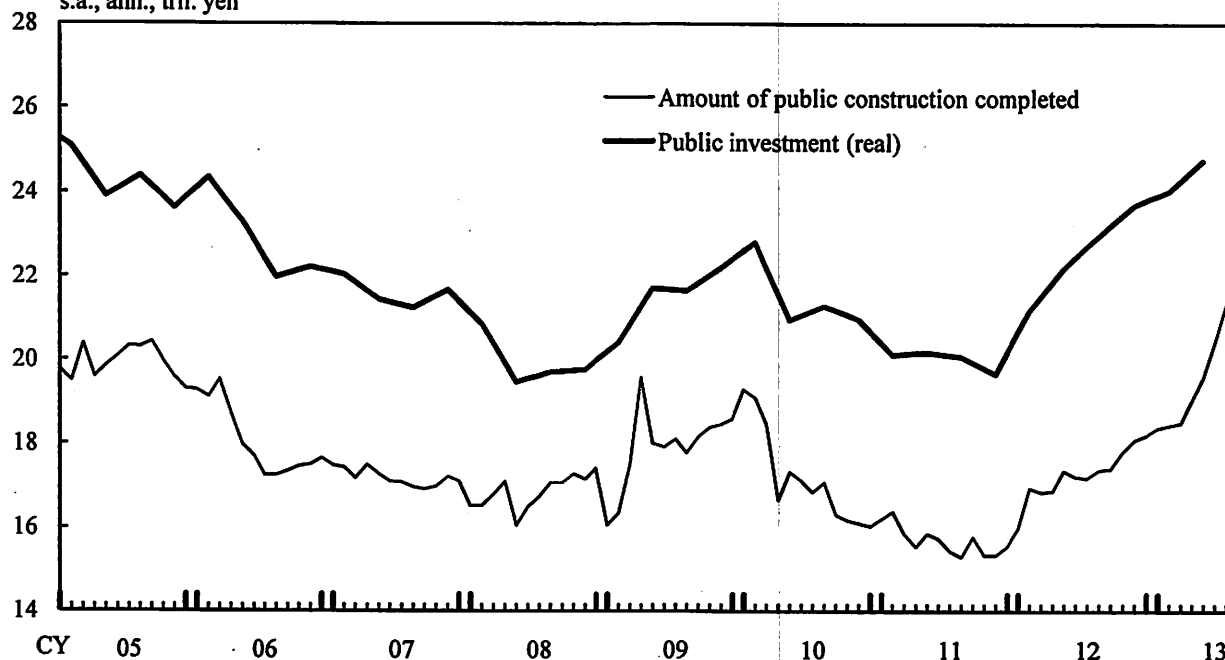
Trading gains/losses = nominal net exports / weighted average of export and import deflators - real net exports

Source: Cabinet Office, "National Accounts."

## Public Investment

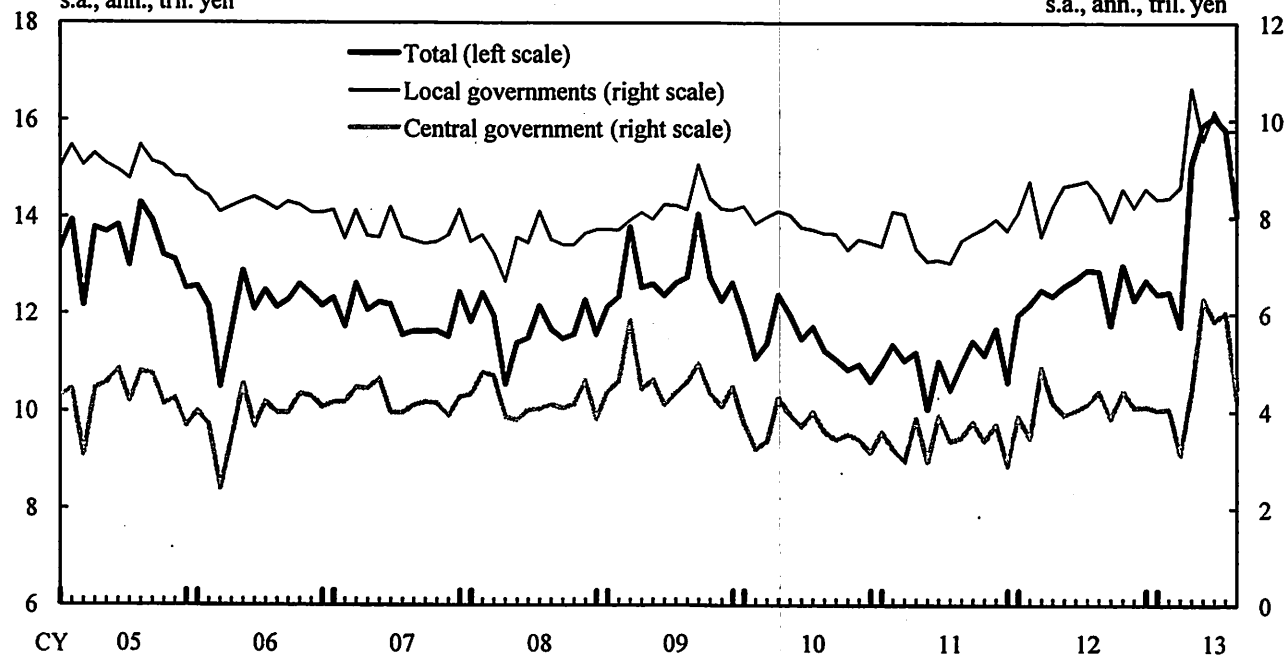
## (1) Amount of Public Construction Completed and Public Investment

s.a., ann., tril. yen



## (2) Value of Public Works Contracted

s.a., ann., tril. yen



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

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

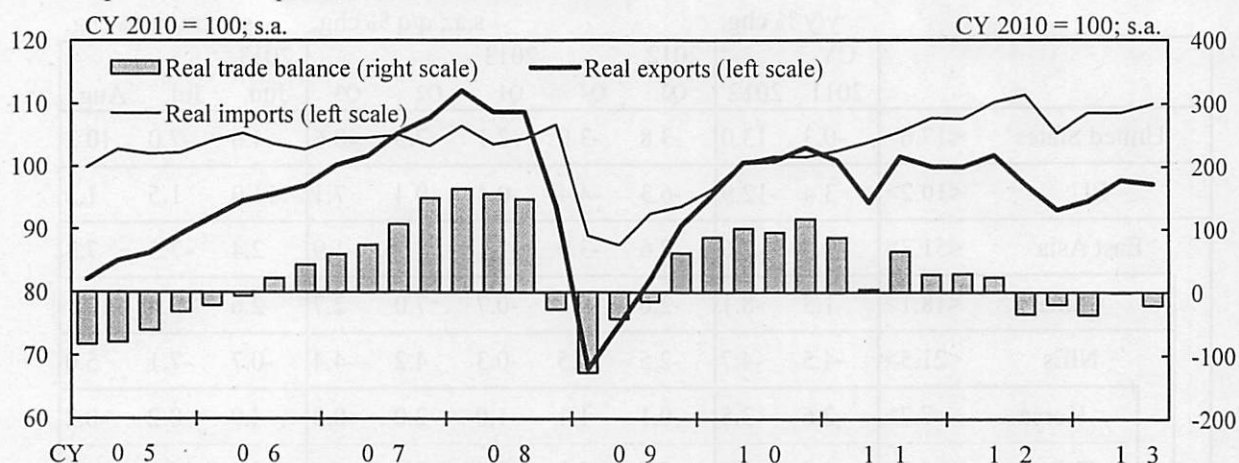
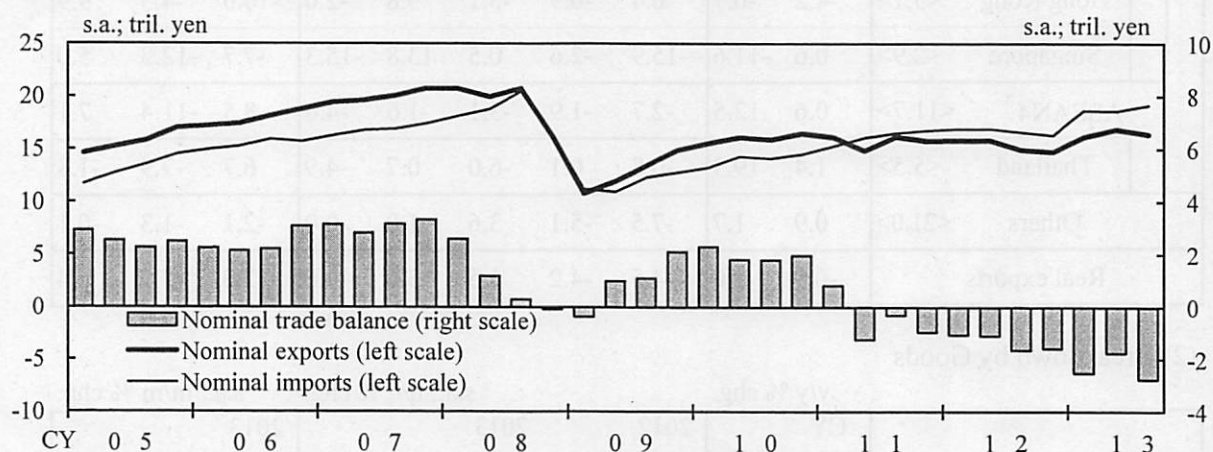
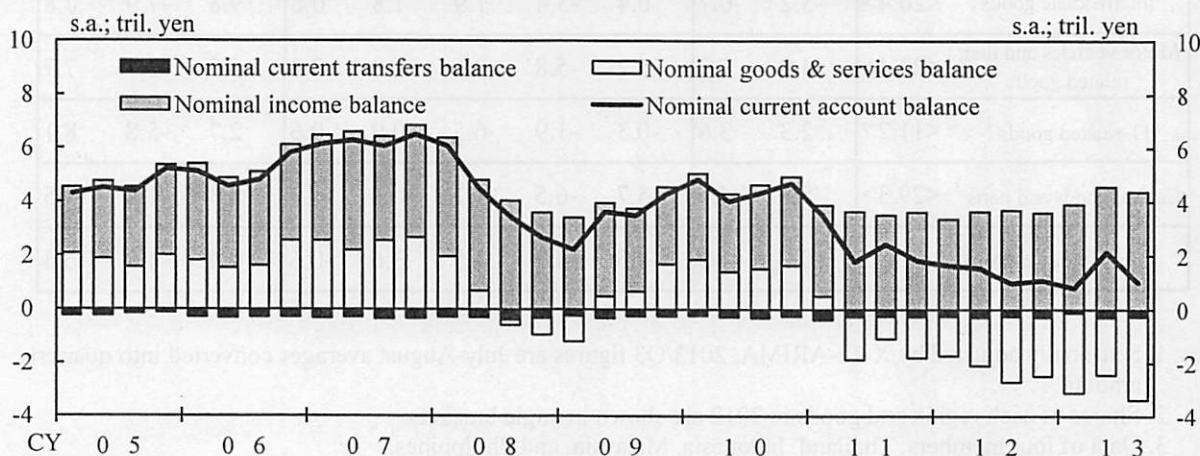
3. Figures of the value of public works contracted and the amount of public construction completed are seasonally adjusted by X-12-ARIMA. As figures of the amount of public construction completed are seasonally adjusted on a monthly basis, the data are retroactively revised every month.

Sources: Cabinet Office, "National Accounts";

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

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



External Balance<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." "Real trade balance" is defined as real exports minus real imports. 2013/Q3 figures are July-August averages converted into quarterly amount.

3. Figures are based on the "Balance of Payments." 2013/Q3 figures are July figures converted into quarterly amount.

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

Real Exports <sup>1</sup>

## (1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2011	2012	2012 Q3	2012 Q4	2013 Q1	Q2	Q3	2013 Jun.	Jul.	Aug.
United States	<17.6>	-0.3	13.0	-3.8	-3.0	2.1	7.5	-0.6	4.6	-7.0	10.2
EU	<10.2>	3.4	-12.9	-6.3	-4.4	-0.4	0.4	7.1	11.0	1.5	1.3
East Asia	<51.3>	-1.4	-2.6	-2.6	-3.9	-1.1	3.9	-1.9	2.4	-7.5	7.3
China	<18.1>	1.3	-8.1	-2.6	-9.2	-0.7	7.0	2.7	2.6	-5.4	10.1
NIEs	<21.5>	-4.5	-4.7	-2.5	-0.5	-0.3	4.2	-4.4	-0.7	-7.1	5.0
Korea	<7.7>	-2.6	-3.5	-0.1	1.1	1.0	2.0	0.3	4.9	0.2	-0.2
Taiwan	<5.8>	-9.4	-6.0	0.6	-2.8	2.4	-1.1	-5.6	8.2	-14.8	4.7
Hong Kong	<5.1>	-4.2	-0.7	-0.4	-0.9	-5.1	9.8	-2.0	-10.0	-4.3	9.9
Singapore	<2.9>	0.6	-11.6	-15.9	-2.6	0.5	13.8	-15.3	-7.7	-12.3	5.0
ASEAN4 <sup>3</sup>	<11.7>	0.6	12.5	-2.7	-1.9	-3.1	-1.6	-4.0	8.5	-11.4	7.1
Thailand	<5.5>	1.4	19.3	-0.8	0.1	-6.0	0.7	-4.9	6.7	-7.9	-1.3
Others	<21.0>	0.9	1.7	-7.5	-5.1	3.6	1.0	-0.0	-2.1	-1.3	-0.1
Real exports		-0.9	-1.0	-4.5	-4.2	1.5	3.6	-0.6	2.0	-4.9	6.4

## (2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2011	2012	2012 Q3	2012 Q4	2013 Q1	Q2	Q3	2013 Jun.	Jul.	Aug.
Intermediate goods	<20.4>	-3.2	-0.7	0.4	-3.4	1.9	1.8	0.8	9.8	-7.9	7.8
Motor vehicles and their related goods	<23.4>	-4.9	7.7	-6.2	-5.8	0.6	6.0	3.3	5.5	-2.7	7.7
IT-related goods <sup>4</sup>	<11.2>	2.3	3.6	-0.3	-1.9	-6.5	0.9	0.6	2.7	-5.8	8.1
Capital goods and parts <sup>5</sup>	<29.3>	5.8	-4.0	-5.7	-6.5	1.1	0.4	1.9	0.3	-1.9	3.5
Real exports		-0.9	-1.0	-4.5	-4.2	1.5	3.6	-0.6	2.0	-4.9	6.4

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2013/Q3 figures are July-August averages converted into quarterly amount.

2. Shares of each region and goods in 2012 are shown in angle brackets.

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

4. IT-related goods are composed of computers and units, telecommunication machinery, ICs, visual apparatus, audio apparatus, and medical and optical instruments.

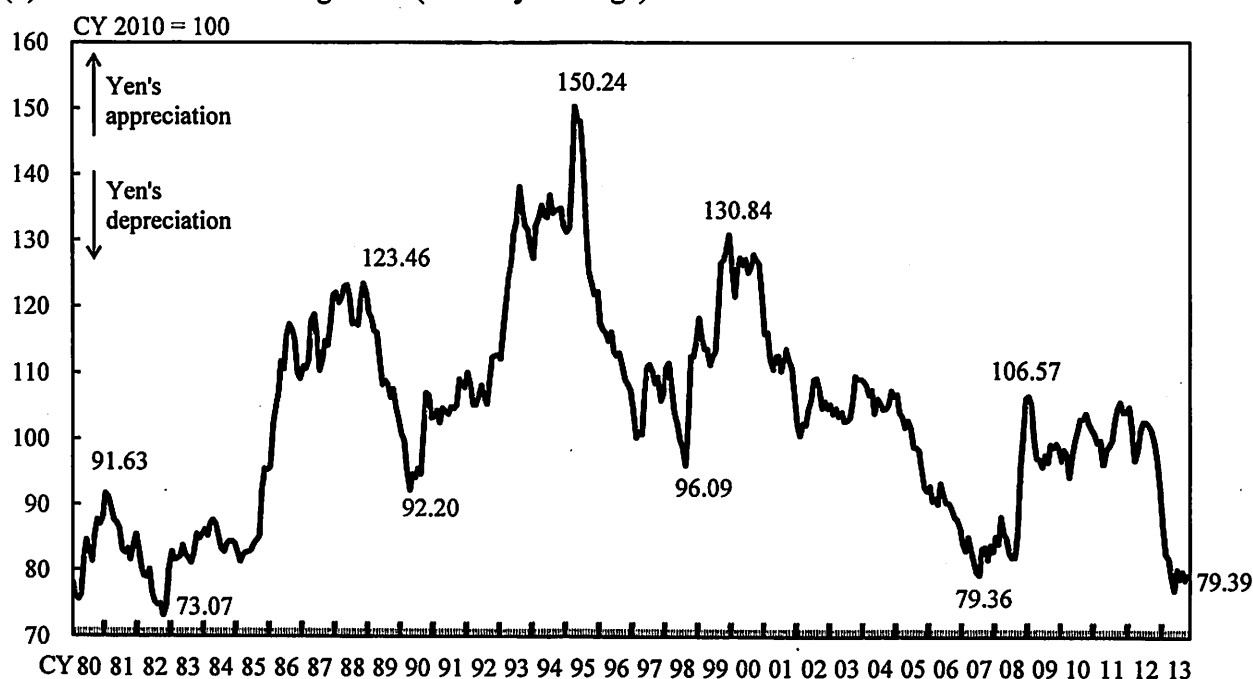
5. Excludes IT-related goods, power generating machinery, and parts of motor vehicles.

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 September and October (up to October 2) 2013 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

	CY2010	2011	2012	2012	s.a., ann., q/q % chg.		
				Q3	Q4	2013 Q1	2013 Q2
United States <sup>1</sup>	2.5	1.8	2.8	2.8	0.1	1.1	2.5
European Union <sup>2</sup>	2.0	1.7	-0.4	0.2	-1.6	-0.2	1.4
Germany <sup>1</sup>	4.0	3.3	0.7	0.8	-1.8	0.0	2.9
France <sup>1</sup>	1.6	2.0	0.0	0.6	-0.6	-0.6	2.1
United Kingdom <sup>1</sup>	1.7	1.1	0.1	2.5	-1.2	1.5	2.7
East Asia <sup>3</sup>	9.2	5.9	4.8	4.9	6.5	2.5	5.1
China <sup>1</sup>	10.4	9.3	7.7	8.2	7.8	6.6	7.0
NIEs <sup>1,3</sup>	8.9	4.3	1.6	1.2	4.1	1.0	5.1
ASEAN4 <sup>1,3,4</sup>	7.4	3.0	6.3	6.7	9.5	-1.1	2.3
Main economies <sup>3</sup>	6.7	4.5	3.7	3.8	4.1	1.8	4.1

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, Indonesia, Malaysia, 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 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Jun.	2013 Jul.	2013 Aug.
United States	<8.6>	0.5	3.8	1.7	-8.1	-0.1	2.5	4.7	5.8	-1.3	0.4
EU	<9.4>	10.3	4.0	3.0	-1.2	-1.8	-0.7	2.1	8.3	-2.1	-0.4
East Asia	<40.8>	11.1	3.8	0.6	-2.0	2.8	-1.9	1.2	3.9	-3.2	3.2
China	<21.3>	14.5	4.9	0.9	-0.9	3.6	-1.7	0.4	4.6	-5.6	5.8
NIEs	<8.5>	10.0	4.9	2.0	-1.6	1.1	-5.9	7.7	3.5	1.1	6.1
Korea	<4.6>	24.3	4.2	2.7	-3.8	2.8	-10.0	9.0	0.9	3.5	5.6
Taiwan	<2.7>	-3.1	7.2	2.3	1.5	-1.1	5.0	4.1	14.9	-6.6	4.3
Hong Kong	<0.2>	-5.6	-2.5	-5.2	-1.3	8.2	-10.2	12.5	12.0	-0.7	15.2
Singapore	<1.0>	-0.1	2.9	-1.2	-0.4	-1.1	-16.4	12.2	-4.9	8.8	8.3
ASEAN4 <sup>3</sup>	<11.1>	5.6	0.5	-0.9	-4.7	2.7	1.0	-2.0	2.7	-1.5	-4.8
Thailand	<2.7>	7.3	-1.0	-2.4	-2.9	3.5	0.9	-1.1	0.9	0.1	-2.5
Others	<41.2>	-0.4	4.6	0.5	-10.5	7.7	1.0	0.4	1.7	-2.1	3.7
Real imports		4.8	4.1	1.0	-5.5	3.1	-0.0	1.3	3.1	-1.7	1.3

## (2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2011	2012	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Jun.	2013 Jul.	2013 Aug.
Raw materials <sup>4</sup>	<40.8>	-0.2	4.5	0.3	-12.3	9.8	-1.6	0.5	1.4	-2.8	4.0
Intermediate goods	<13.5>	11.7	-2.7	3.0	-3.1	-1.5	-2.6	3.8	3.7	3.3	-0.3
Foodstuffs	<8.3>	1.3	-0.7	0.6	-3.9	3.4	-6.1	5.1	0.2	3.2	2.4
Consumer goods <sup>5</sup>	<7.5>	9.9	4.5	0.8	-2.9	1.9	3.0	3.1	8.1	-1.6	-1.8
IT-related goods <sup>6</sup>	<12.0>	11.2	8.8	2.1	3.5	2.9	1.3	-2.5	2.3	-9.1	6.1
Capital goods and parts <sup>7</sup>	<10.9>	11.3	10.3	-0.7	-3.7	0.5	4.6	3.5	5.6	-2.4	3.4
Excluding aircraft	<10.1>	12.6	6.9	0.2	-2.3	-0.3	4.8	2.5	4.9	-2.3	4.6
Real imports		4.8	4.1	1.0	-5.5	3.1	-0.0	1.3	3.1	-1.7	1.3

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2013/Q3 figures are July-August averages converted into quarterly amount.

2. Shares of each region and goods in 2012 are shown in angle brackets.

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

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

5. Excludes foodstuffs.

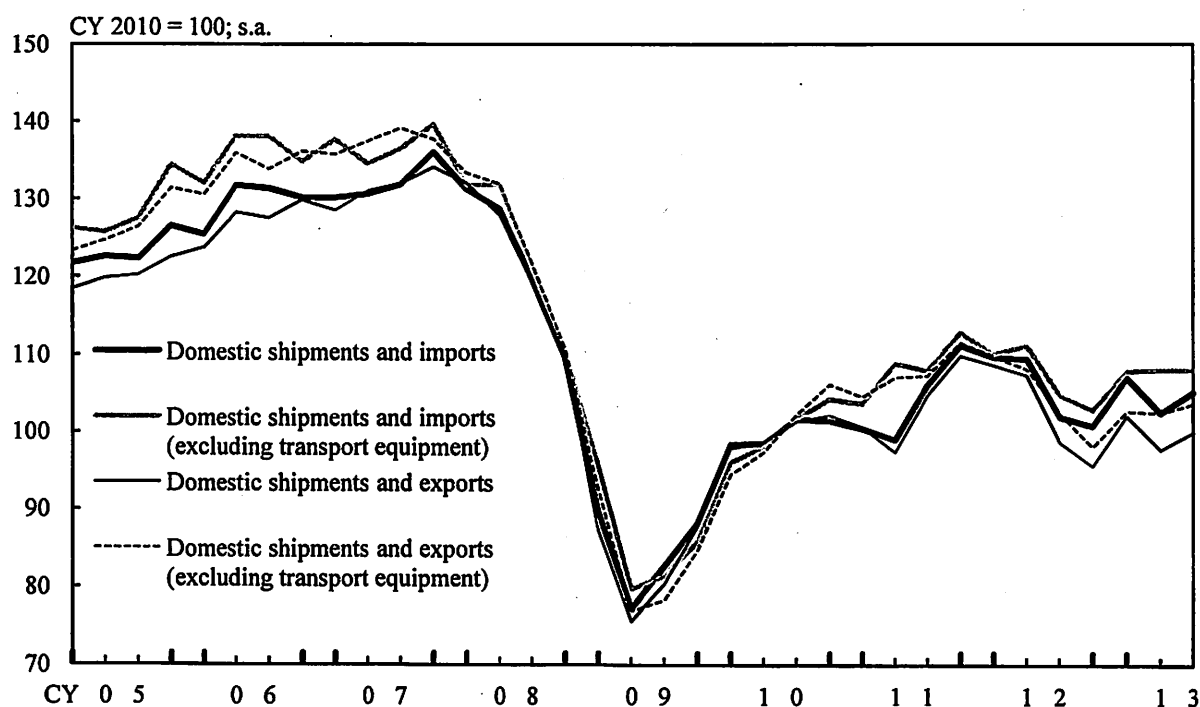
6. IT-related goods are composed of computers and units, parts of computers, telecommunication machinery, ICs, audio and visual apparatus, and medical and optical instruments.

7. Excludes IT-related goods.

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

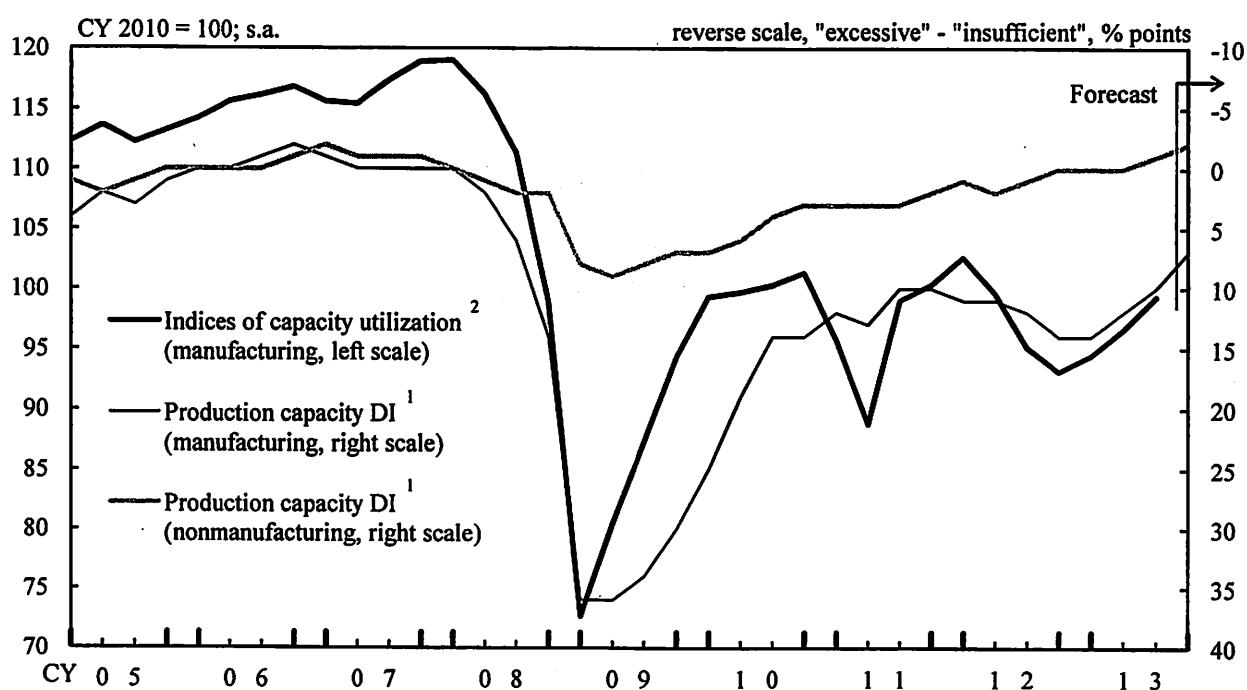
## Coincident Indicators of Business Fixed Investment

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



Note: Figures for 2013/Q3 are July-August averages.

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



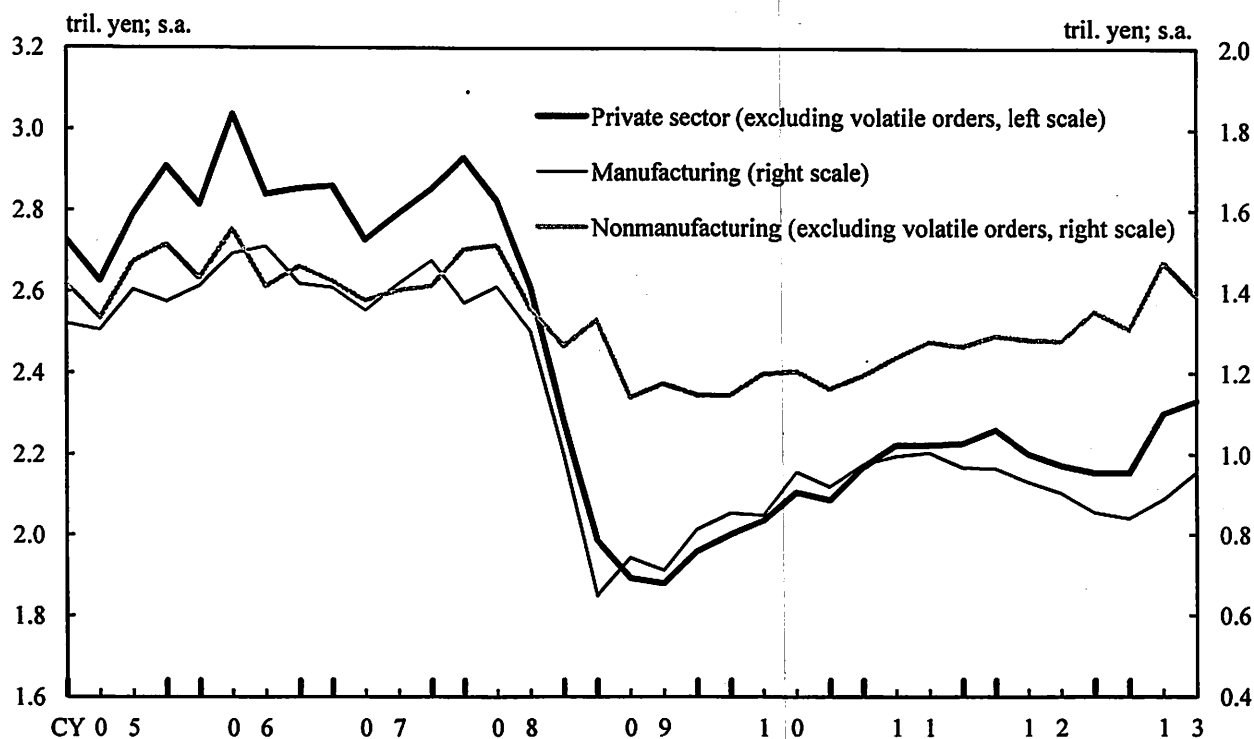
Notes: 1. Production capacity DIs are those of all enterprises.

2. The figure for 2013/Q3 is that of July.

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

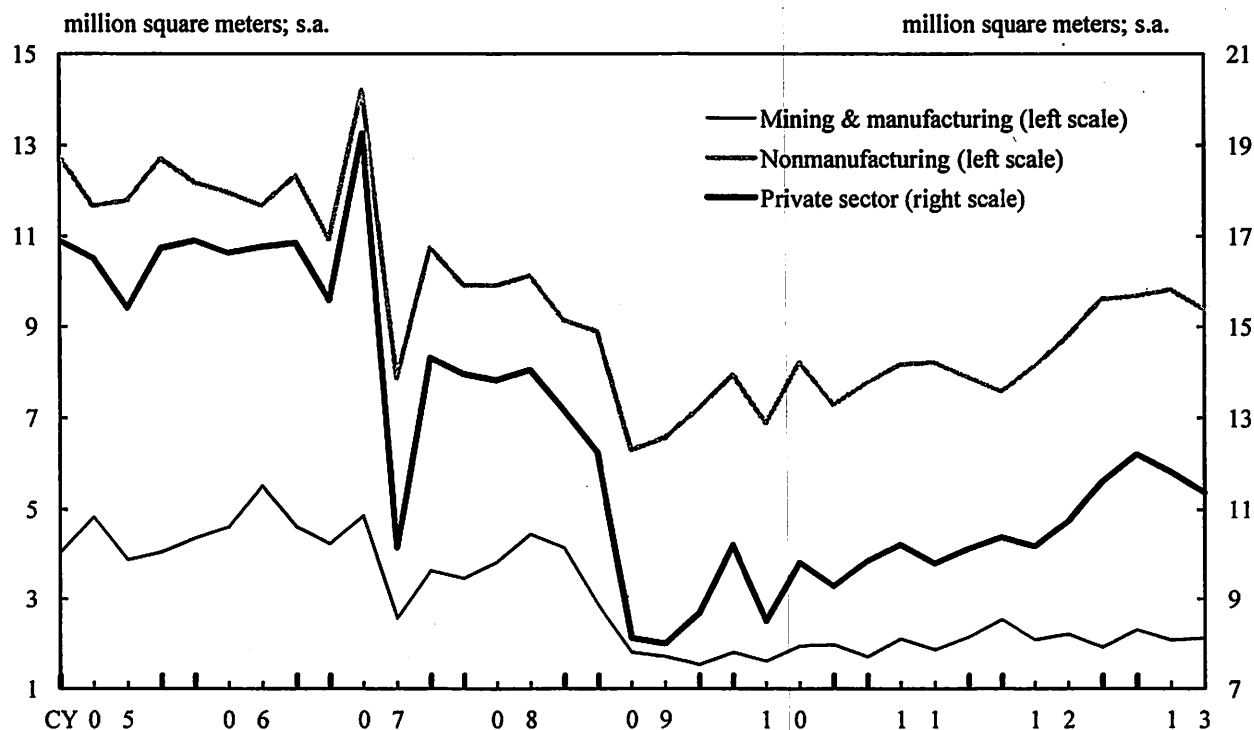


Notes: 1. Figures for 2005/Q1 are estimated by the Cabinet Office.

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

3. Figures for 2013/Q3 are those of July in quarterly amount.

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



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

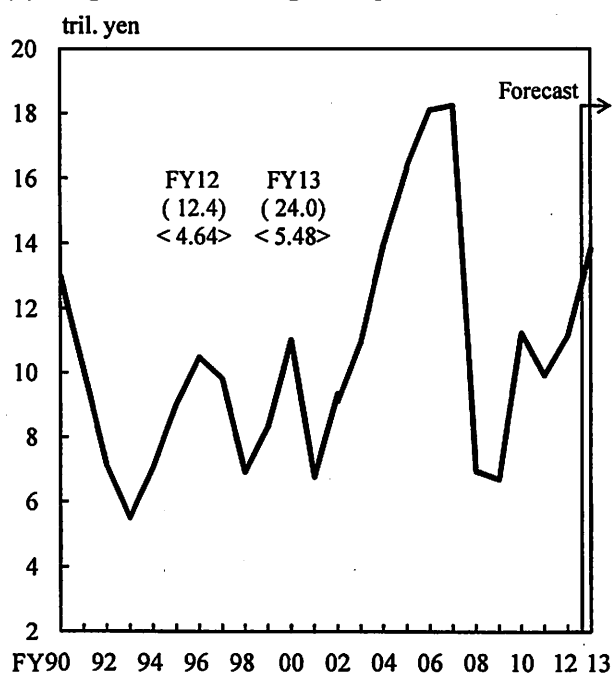
2. Figures for 2013/Q3 are July-August averages in quarterly amount.

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

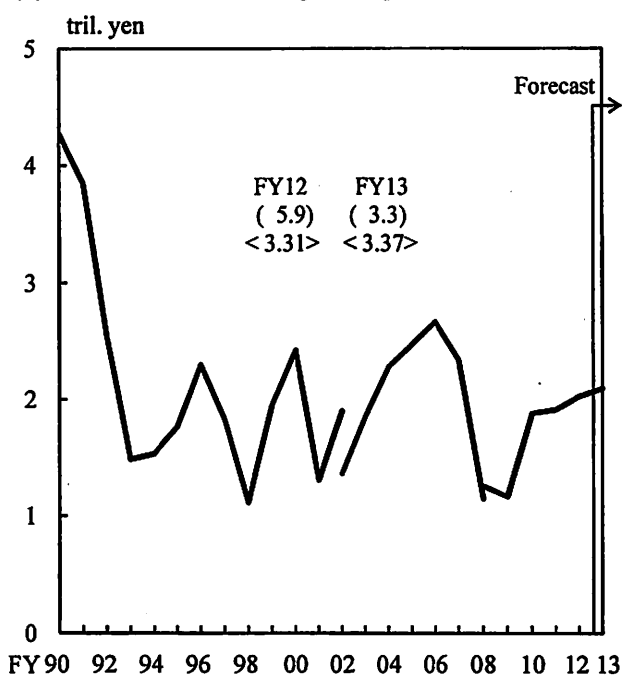
Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts."

## Current Profits

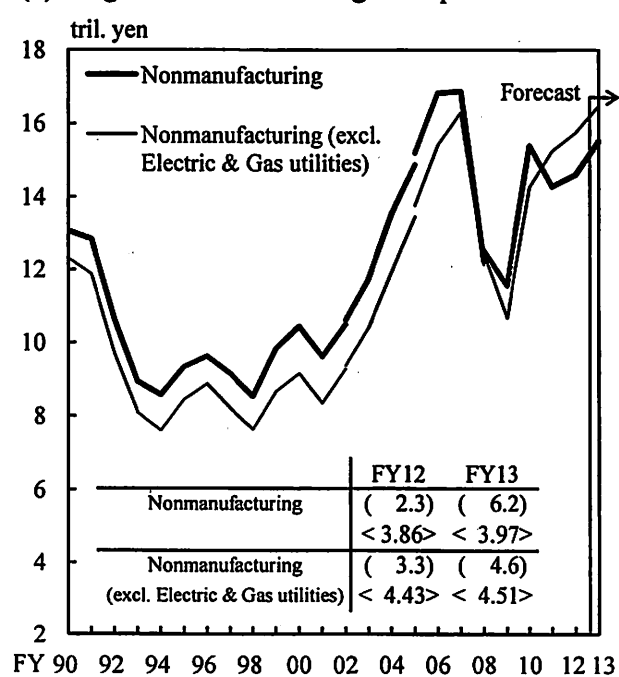
(1) Large Manufacturing Enterprises



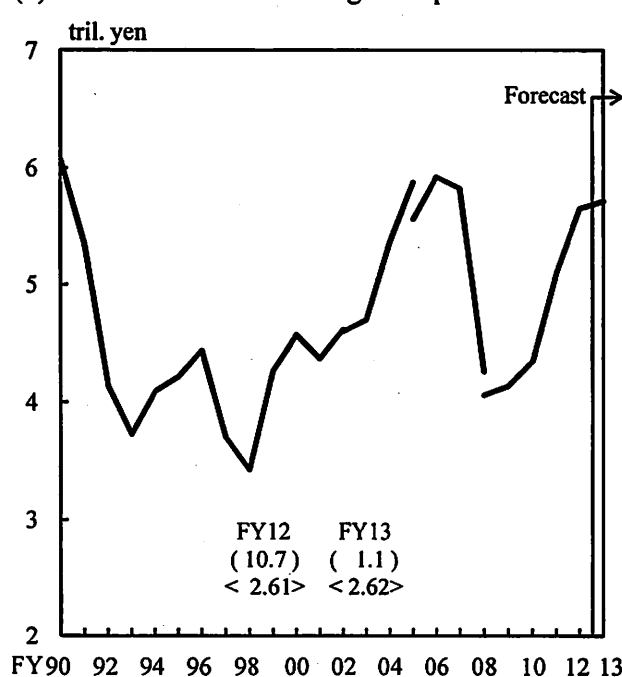
(2) Small Manufacturing Enterprises



(3) Large Nonmanufacturing Enterprises



(4) Small Nonmanufacturing Enterprises



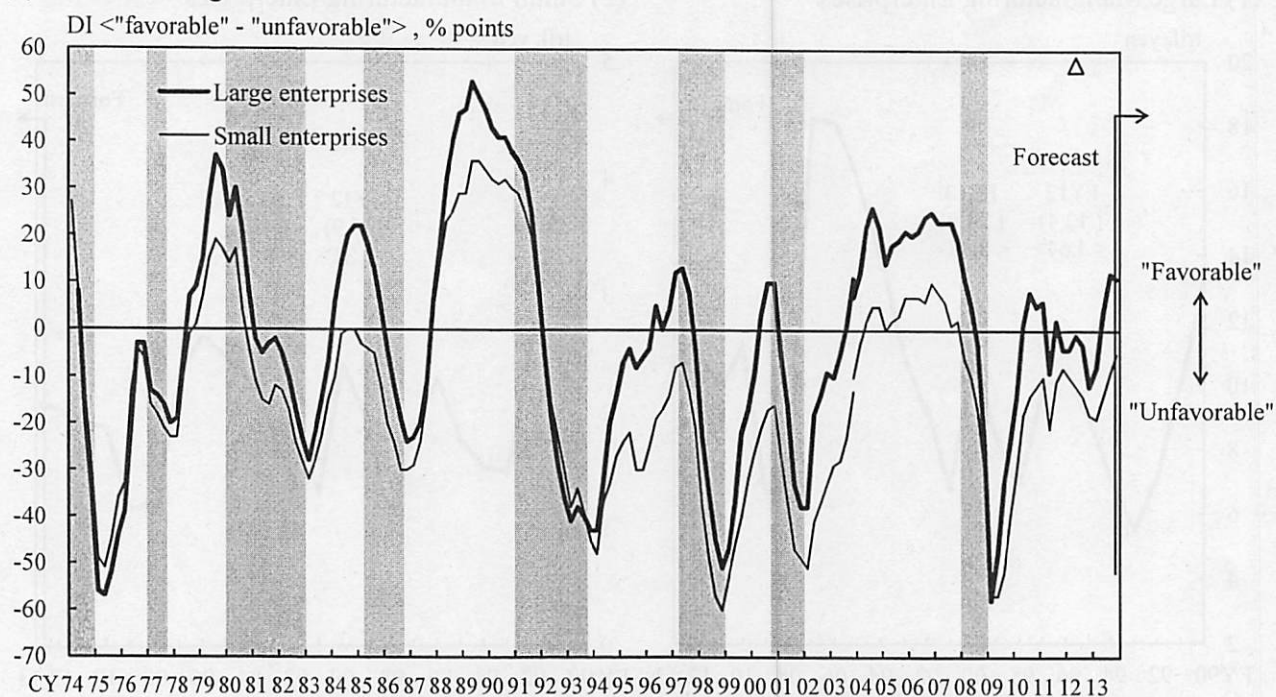
Notes: 1. ( ): Current profits (y/y % chg.); < >: Ratio of current profit to sales (%).

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

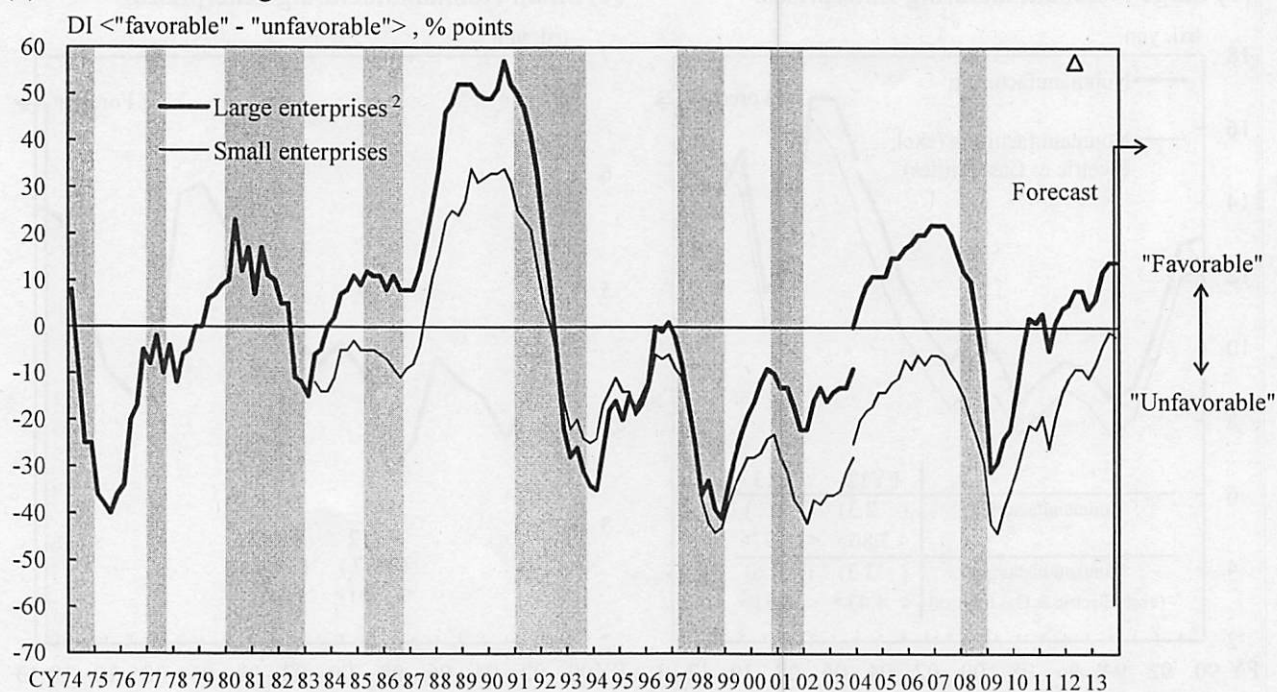
Source: Bank of Japan, "Tankan", Short-term Economic Survey of Enterprises in Japan."

## Business Conditions

## (1) Manufacturing



## (2) Nonmanufacturing



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

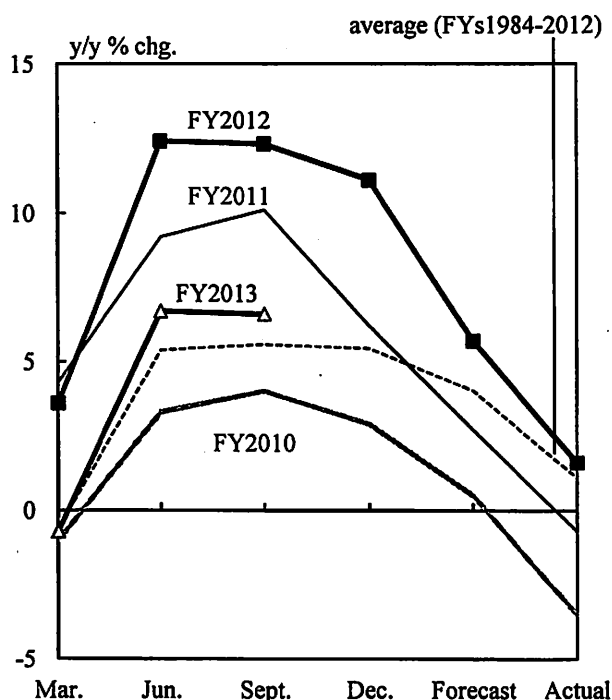
2. Data prior to February 1983 are those of principal enterprises.

3. Shaded areas indicate recession periods. Triangle shows the last peak.

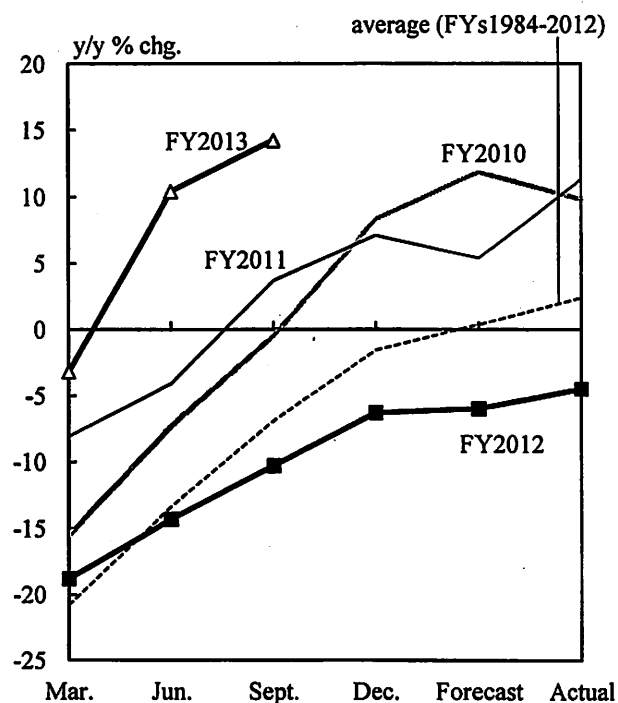
Source: Bank of Japan, "Tankan", Short-term Economic Survey of Enterprises in Japan."

## Business Fixed Investment Plans as Surveyed

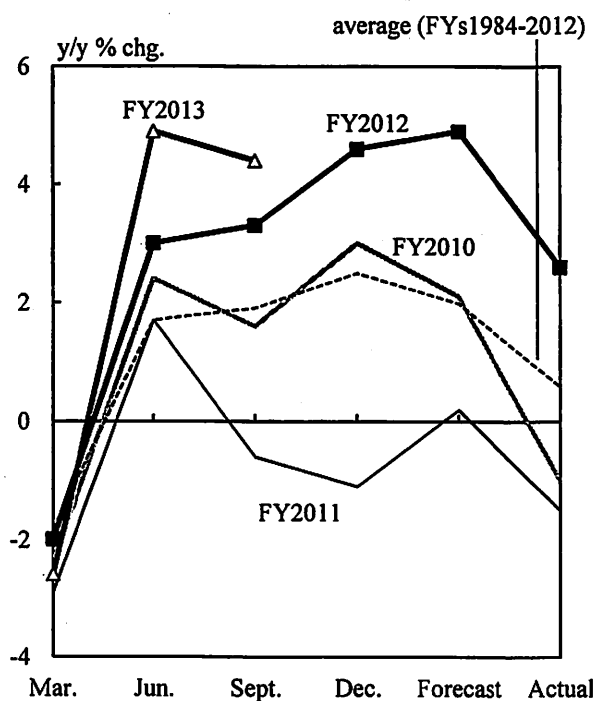
(1) Large Manufacturing Enterprises



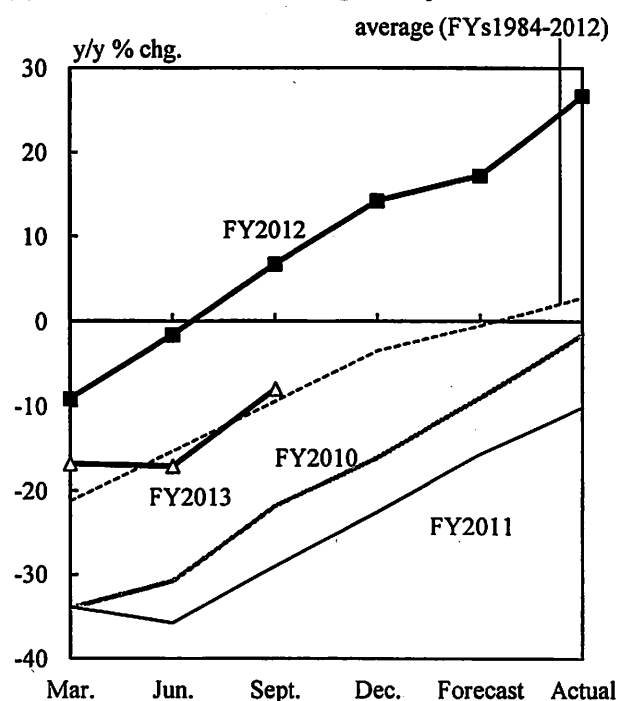
(2) Small Manufacturing Enterprises



(3) Large Nonmanufacturing Enterprises



(4) Small Nonmanufacturing Enterprises



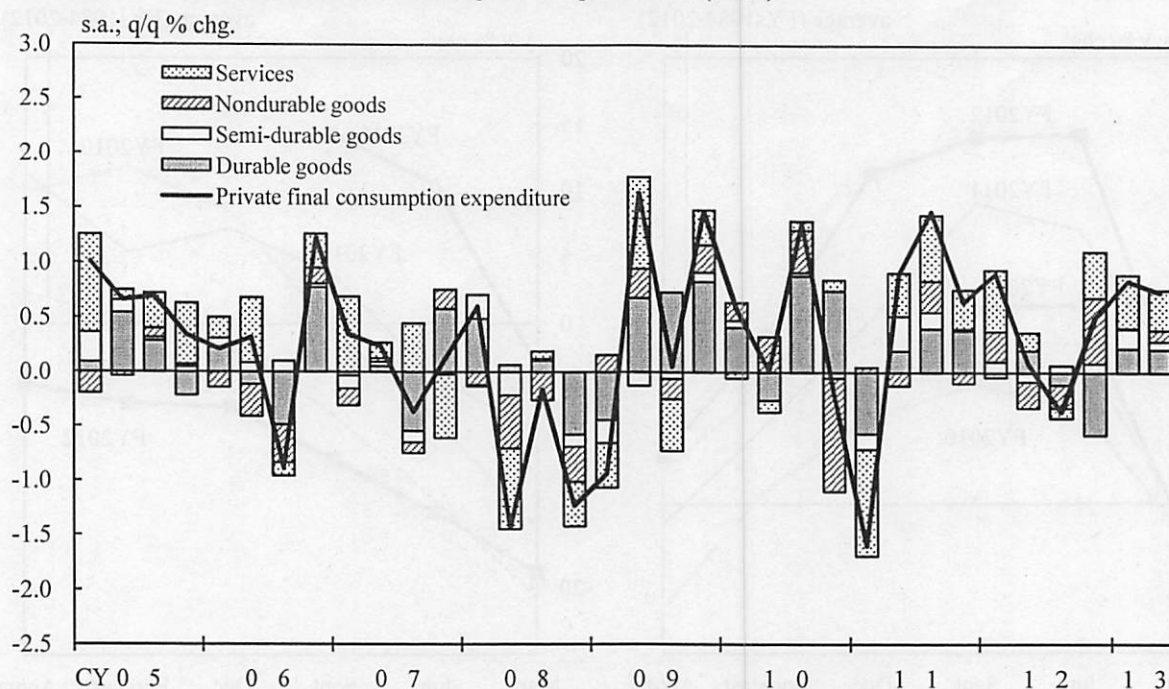
Notes: 1. Includes land purchasing expenses and excludes software investment.

2. Since the introduction of the new accounting standard for lease transactions beginning April 1, 2008, figures up to FY2008 are based on the previous standard and figures from FY2009 onward are based on the new standard. Past averages (FYs 1984-2012) are calculated using these figures.

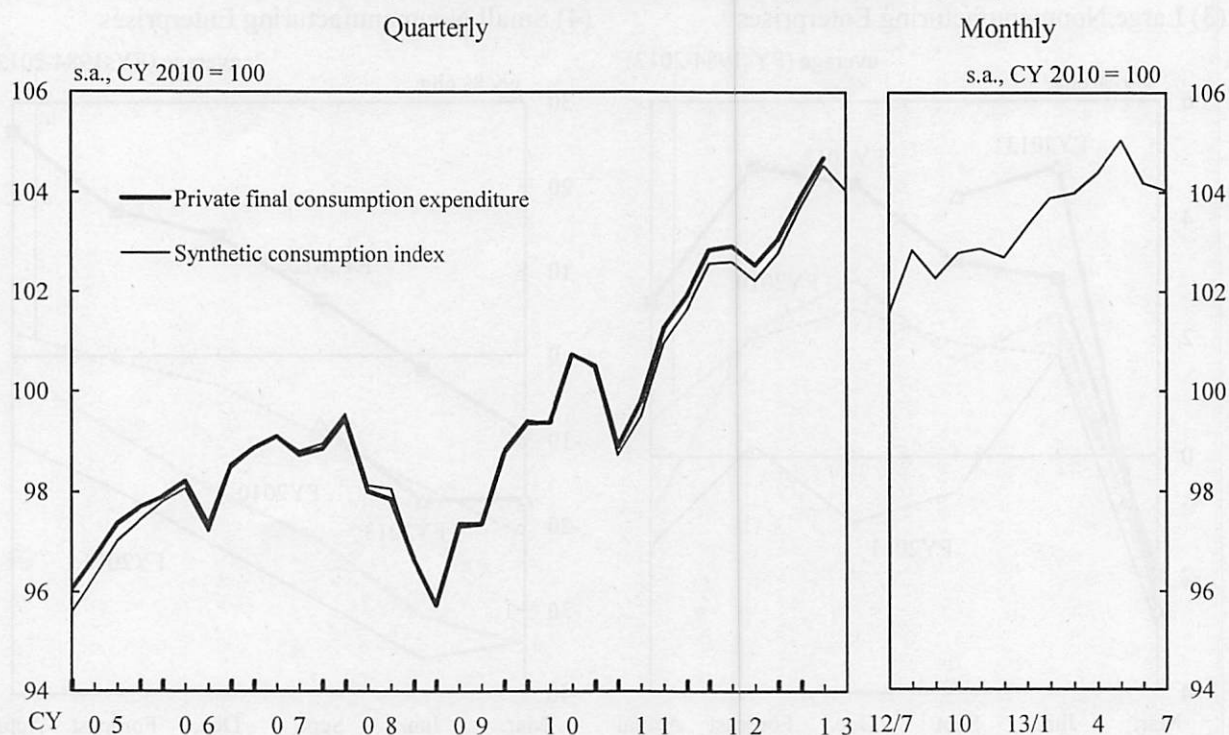


## Indicators of Private Consumption (1)

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



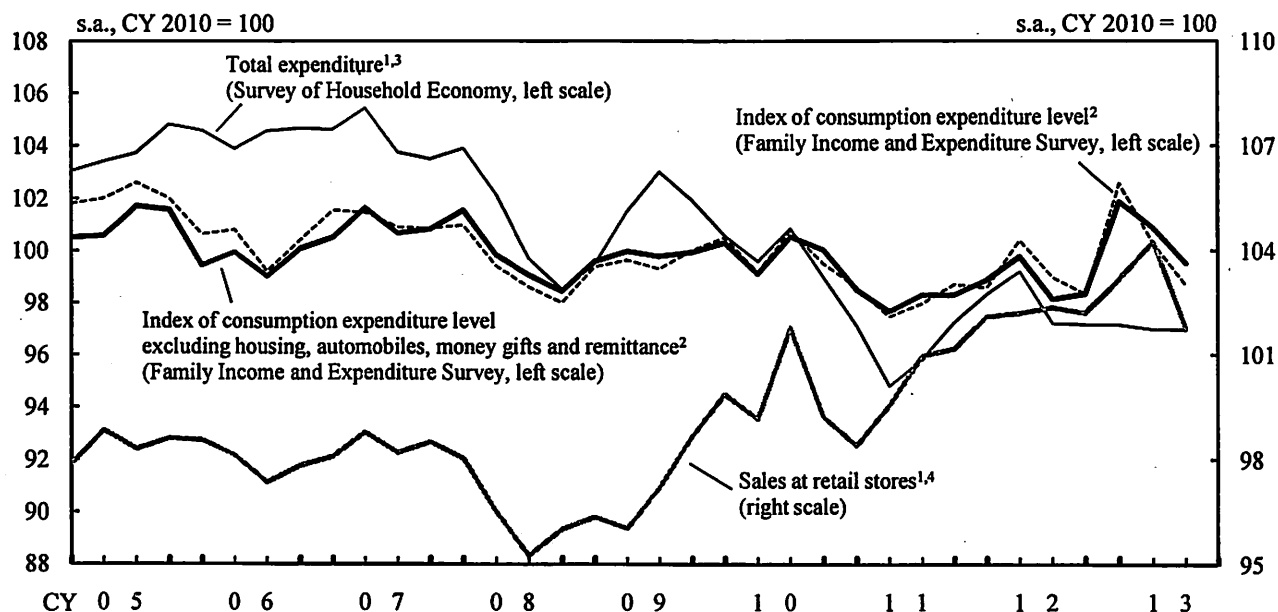
## (2) Private Final Consumption Expenditure and Synthetic Consumption Index (Real)



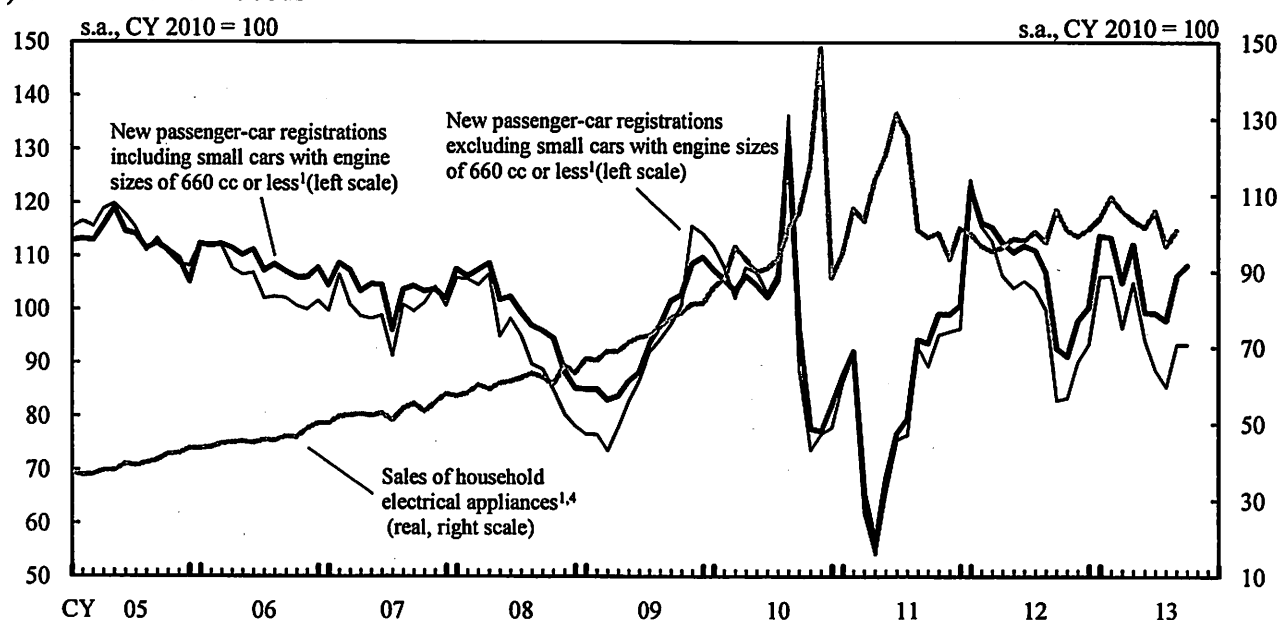
Note: The figure of the synthetic consumption index for 2013/Q3 is that of July in quarterly amount.

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

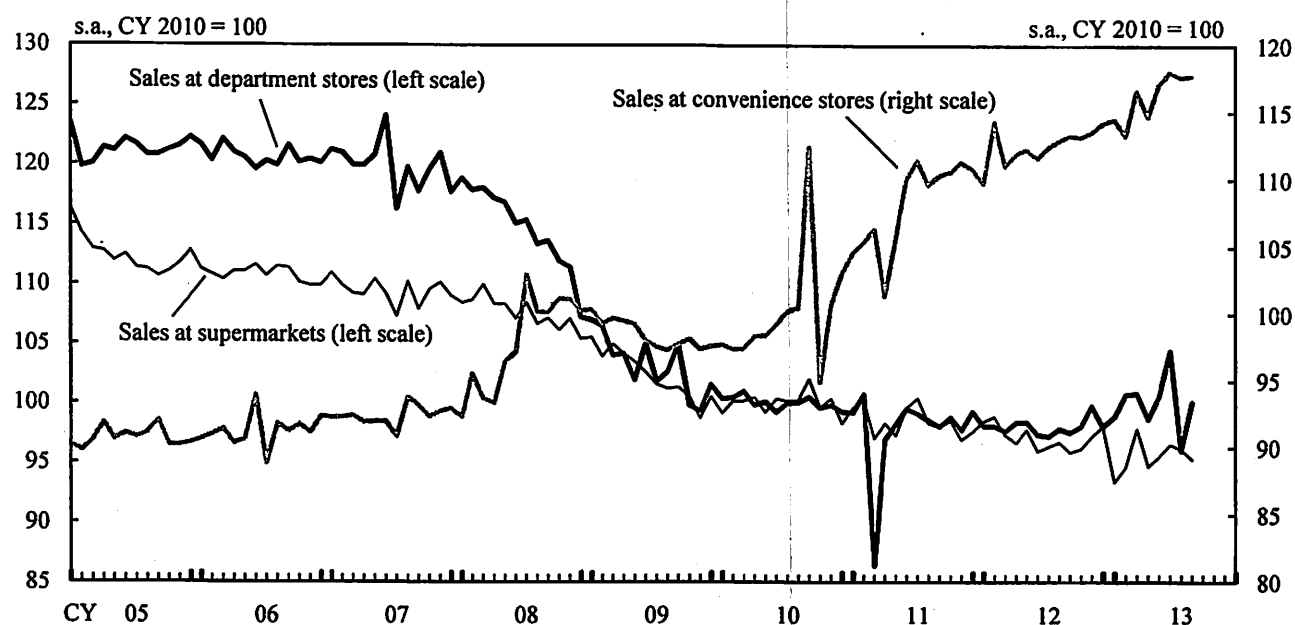
## Indicators of Private Consumption (2)

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

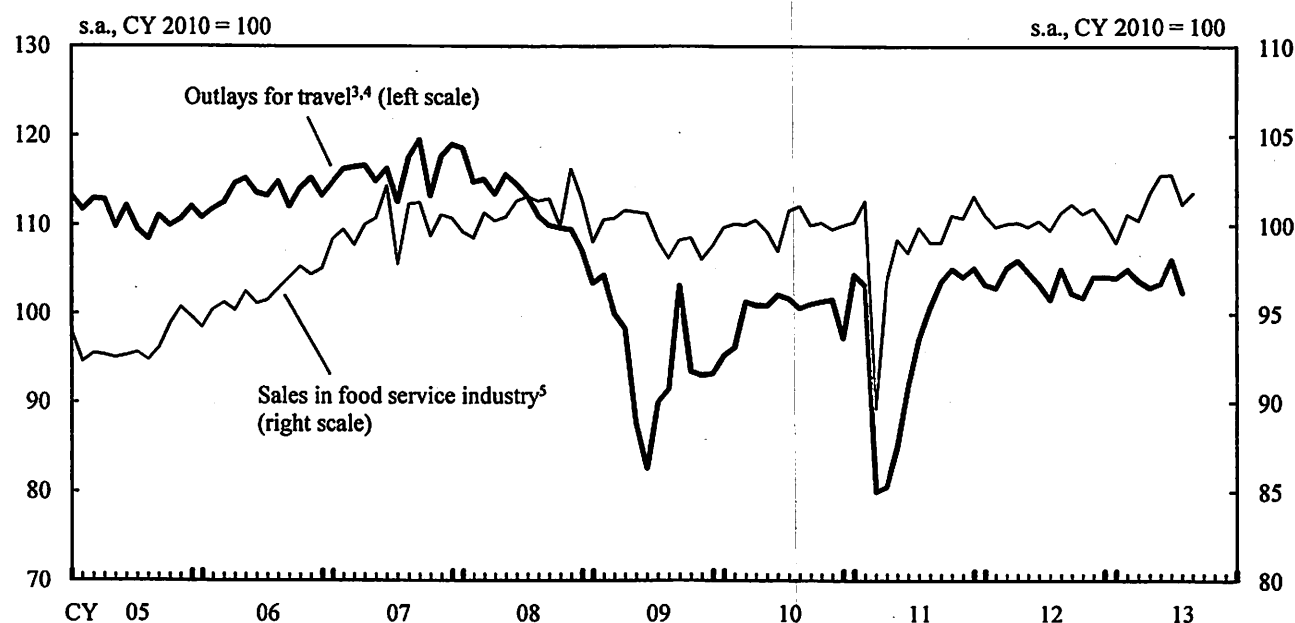
## (2) Sales of Durable Goods



- 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 CPI.
5. The Figure of Total expenditure for 2013/Q3 is that of July; Figures of Index of Consumption Expenditure Level and Sales at retail stores for 2013/Q3 are those of July-August averages in terms of 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 for convenience stores).

3. Excluding those by foreign travelers.

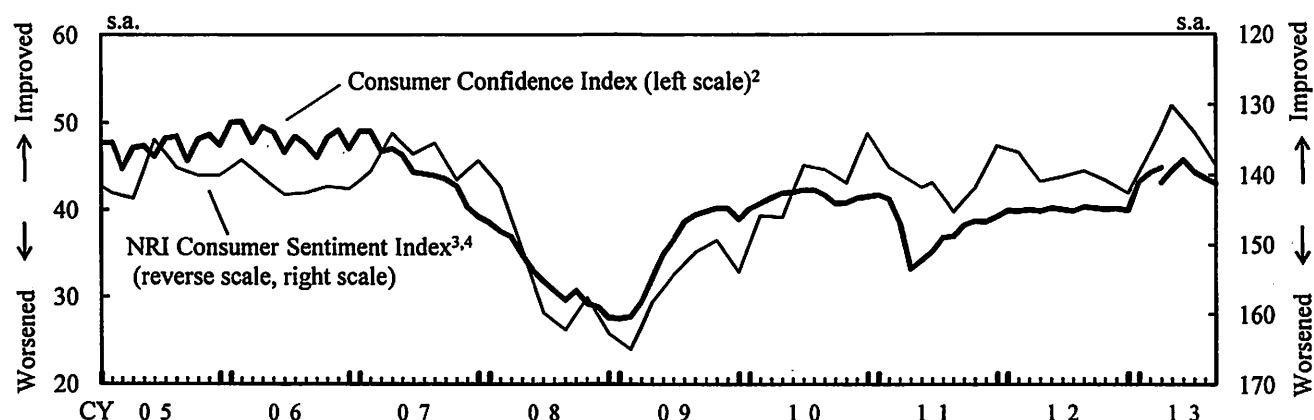
4. There are discontinuities in the underlying data as of April 2007 and April 2010 due to changes in the sample. Data from April 2007 and onward are calculated using the year-on-year rates of change.

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.

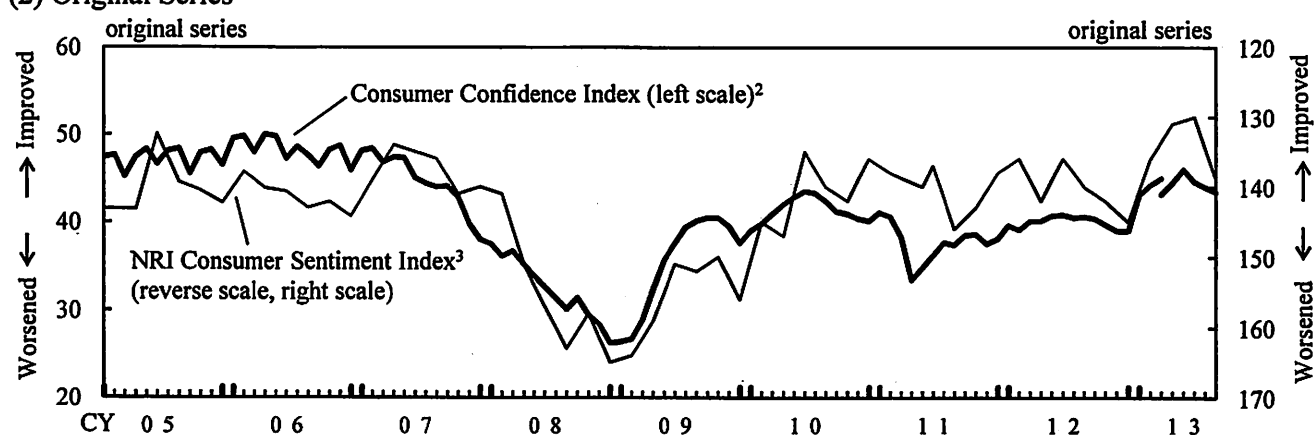
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce"; Japan Tourism Agency, "Major Travel Agents' Revenue"; Food Service Industry Survey & Research Center, "Getsuji Uriage Doukou Chousa (Monthly survey of food service sales)"; Japan Food Service Association, "Gaishoku Sangyou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

# Consumer Confidence<sup>1</sup>

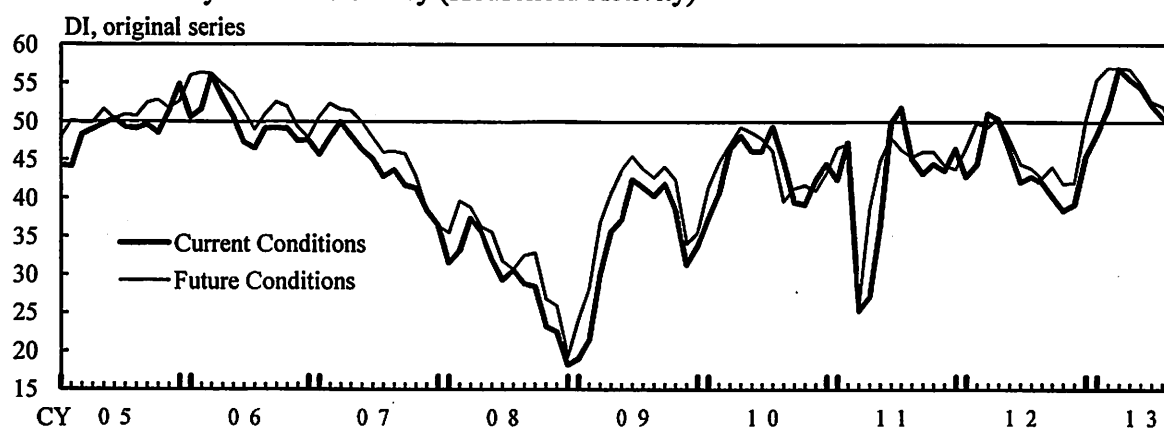
## (1) Seasonally Adjusted Series



## (2) Original Series



## Reference: Economy Watchers Survey (Household Activity)

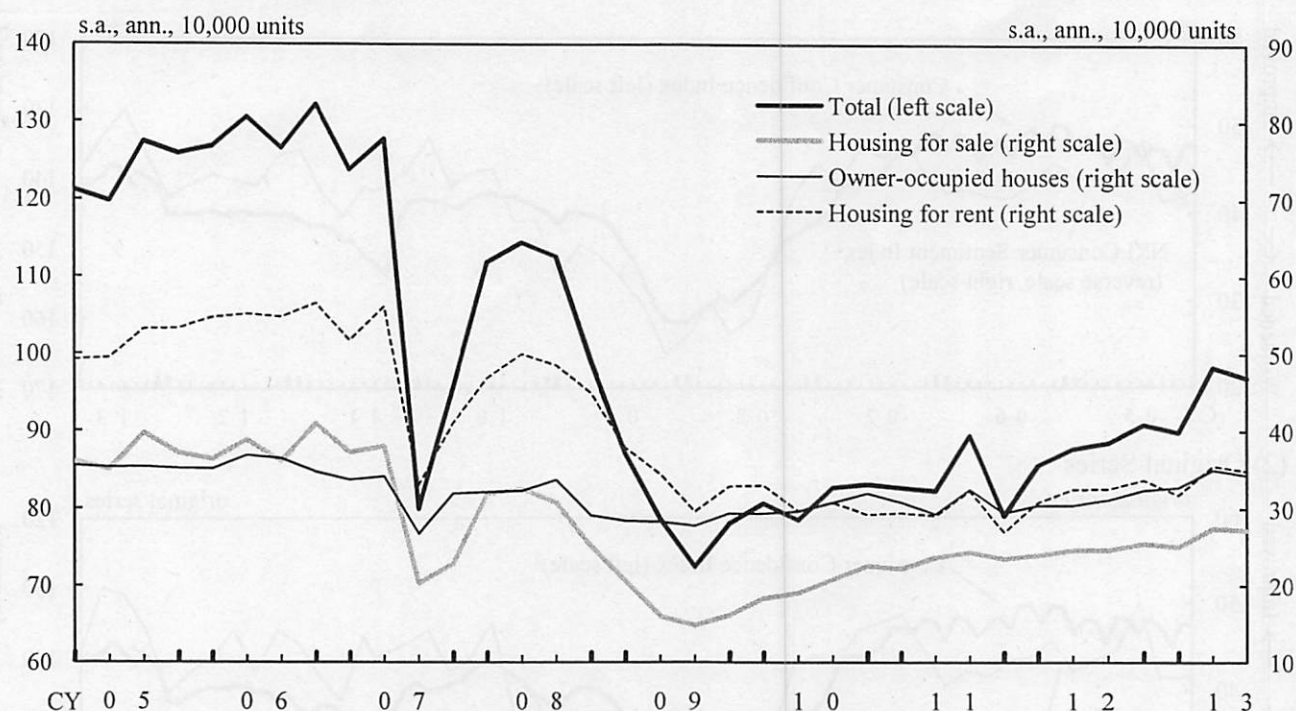


- Notes: 1. The Consumer Confidence Index (covering about 5,700 samples on a nationwide basis from April 2013 onward) and NRI Consumer Sentiment Index (1,200 samples on a nationwide basis) are based on surveys on consumer confidence.
2. In April 2013, the Cabinet Office changed the method for conducting the Consumer Confidence Survey to a postal method, along with some other changes. For this reason, there is a discontinuity between data up to March 2013, which were obtained from the survey on a visit-and-leave method, and those thereafter. The figure for March 2013 on a postal-method basis is obtained from an examination survey.
3. Figures are plotted for each surveyed month and the data for the intervening months are linearly interpolated.
4. Figures are seasonally adjusted by X-12-ARIMA.

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

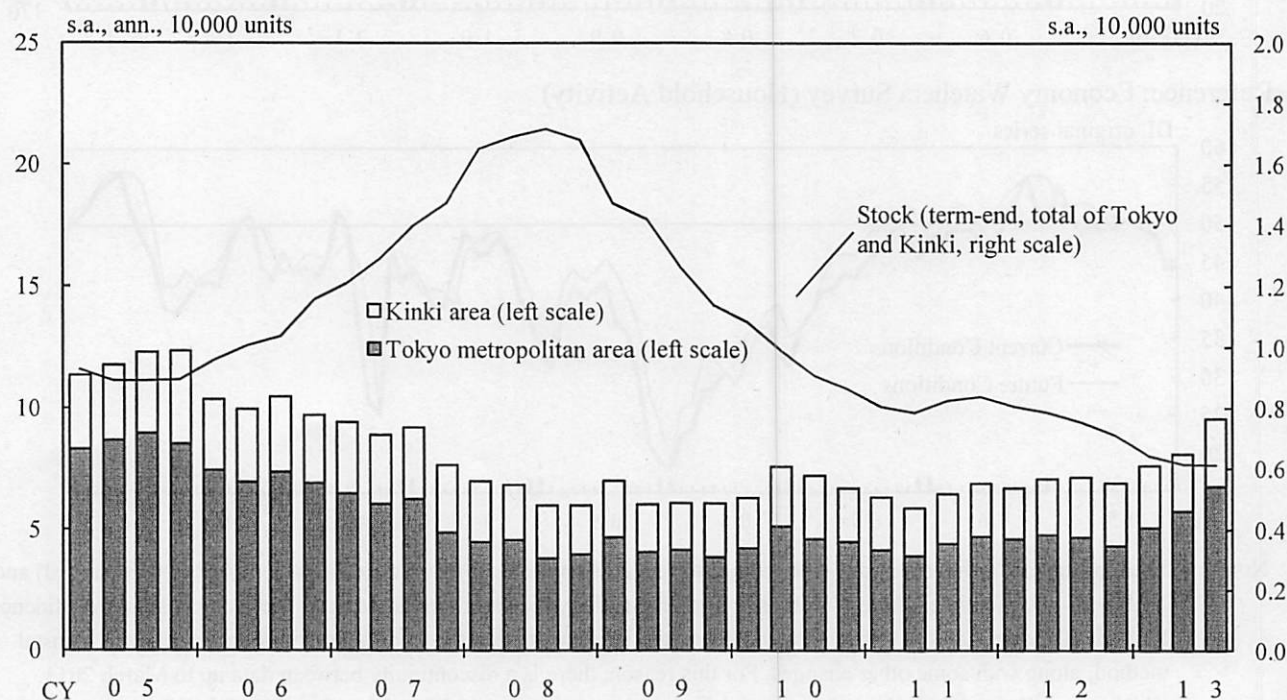
## Indicators of Housing Investment

## (1) Housing Starts



Note: Figures for 2013/Q3 are July-August averages.

## (2) Sales of Apartments



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

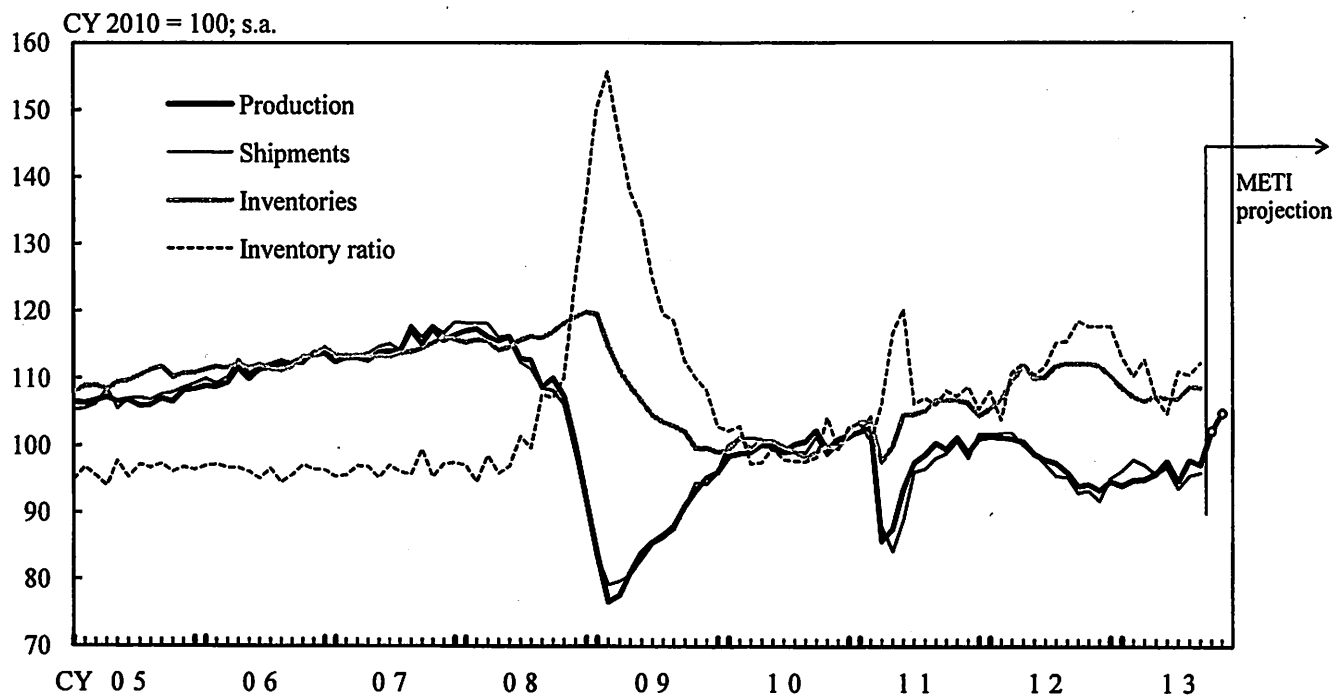
2. The figure of total apartment sales for 2013/Q3 is the July-August average.

The term-end stock for 2013/Q3 is that of August.

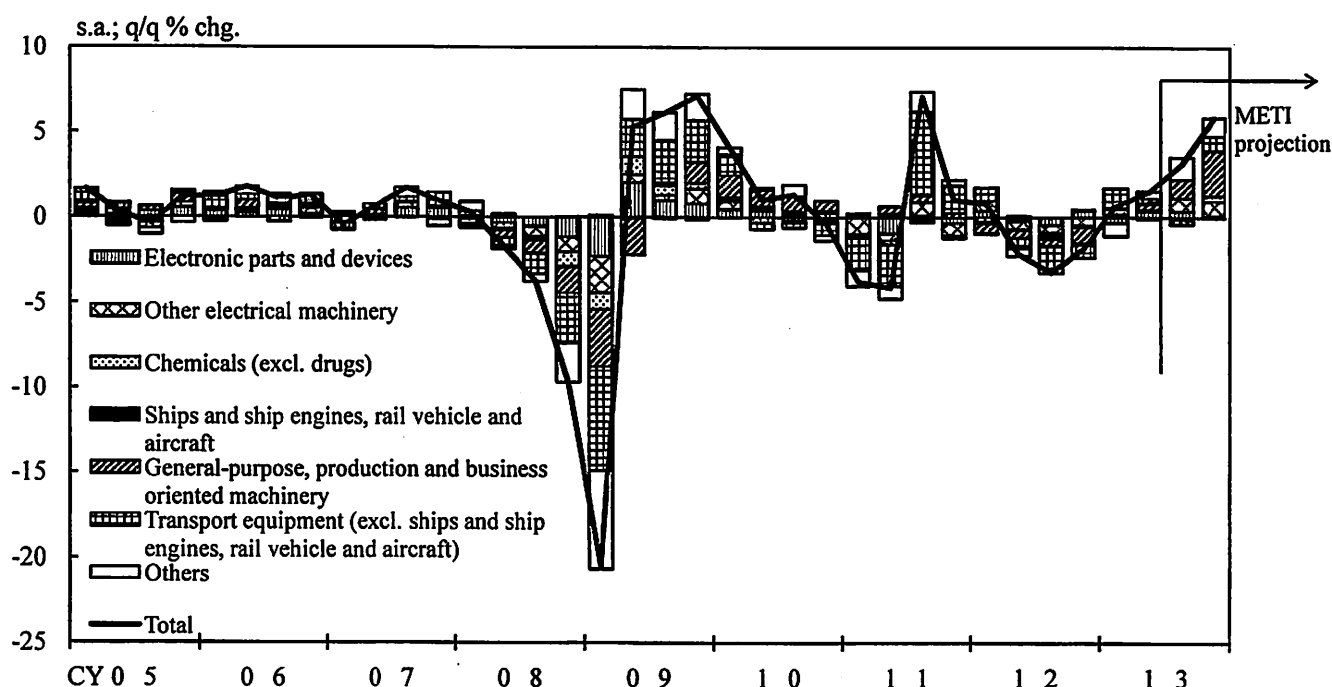
Sources: Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts," etc.

# Production, Shipments, and Inventories

## (1) Production, Shipments, and Inventories



## (2) Production by Industry<sup>1,2,3</sup>



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

2. Figures up to 2008/Q1 are on the 2005 base.

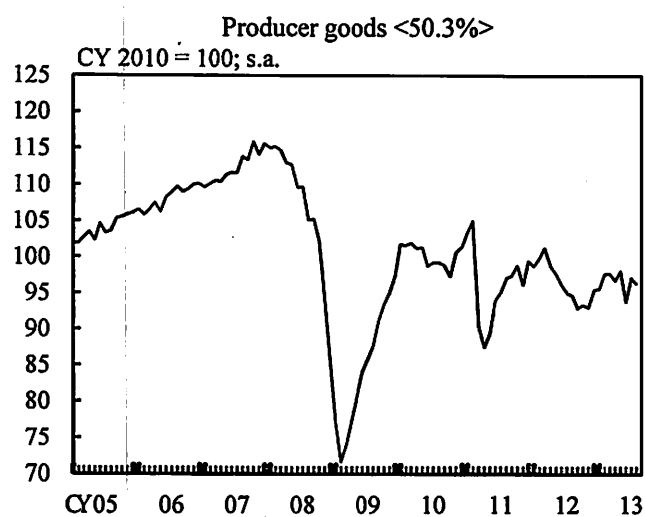
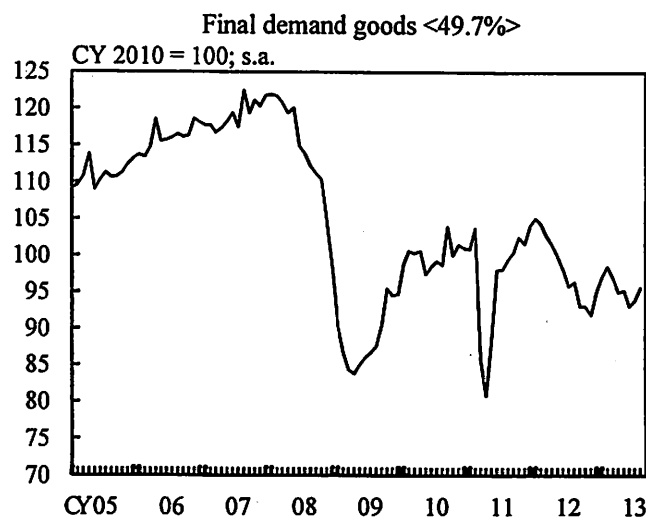
Figures for "general-purpose, production and business oriented machinery" up to 2008/Q1 are those for "general machinery."

3. 2013/Q3 figures are based on the actual production levels in July and August, and the METI projection of September. 2013/Q4 figures are based on the assumption that the production levels in November and December are the same as those of October.

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

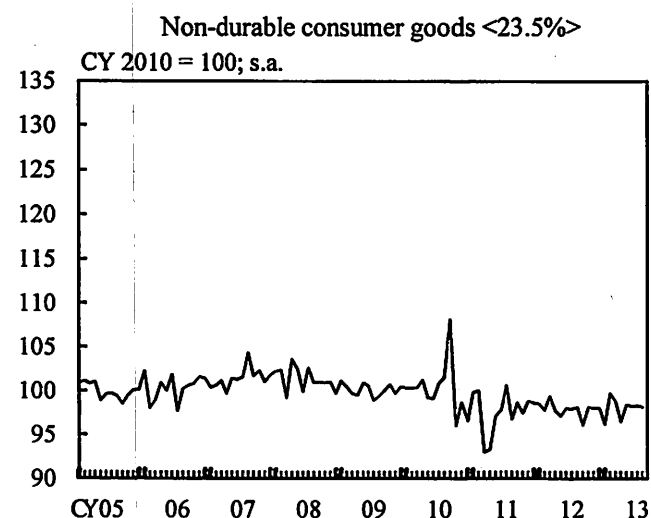
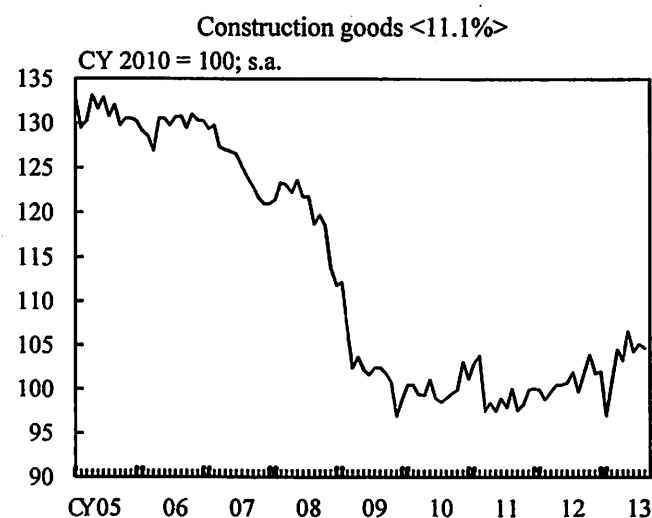
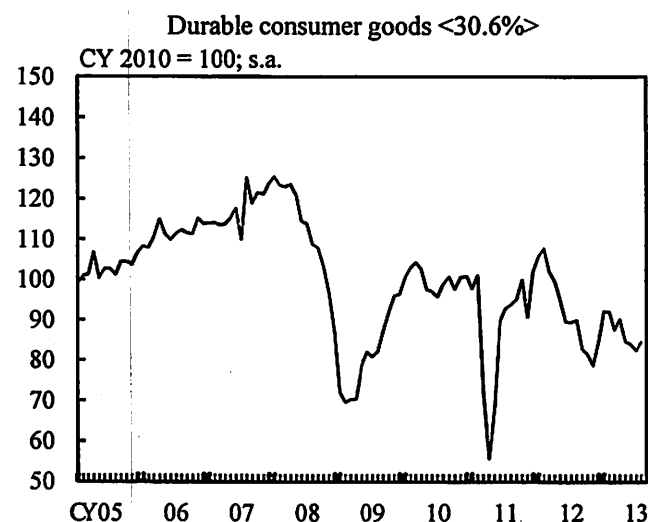
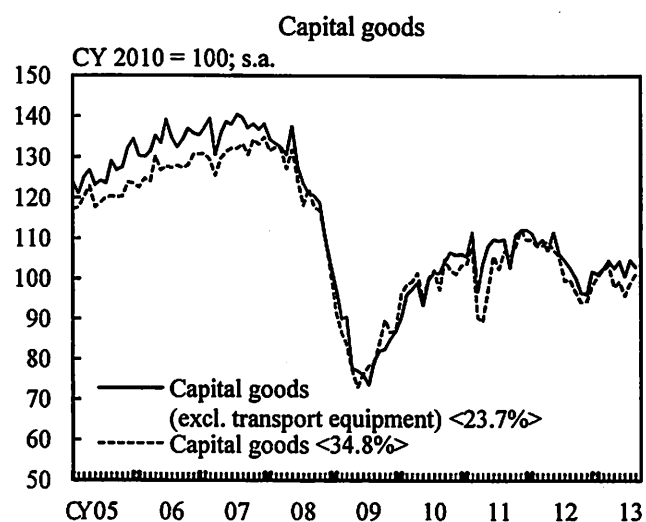
## Shipments by Type of Goods

## (1) Final Demand Goods and Producer Goods



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

## (2) Breakdown of Final Demand Goods



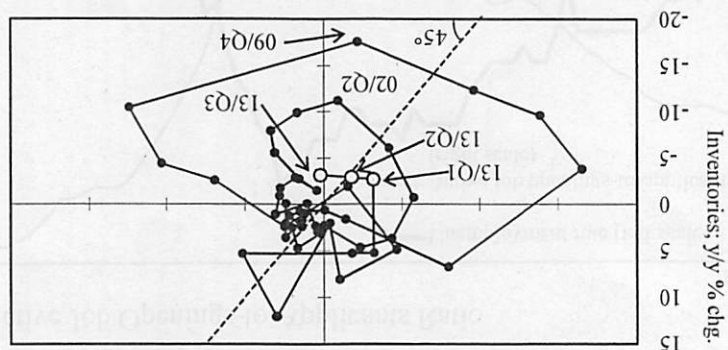
Note: Figures in angle brackets show the shares among shipments of final demand goods.

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

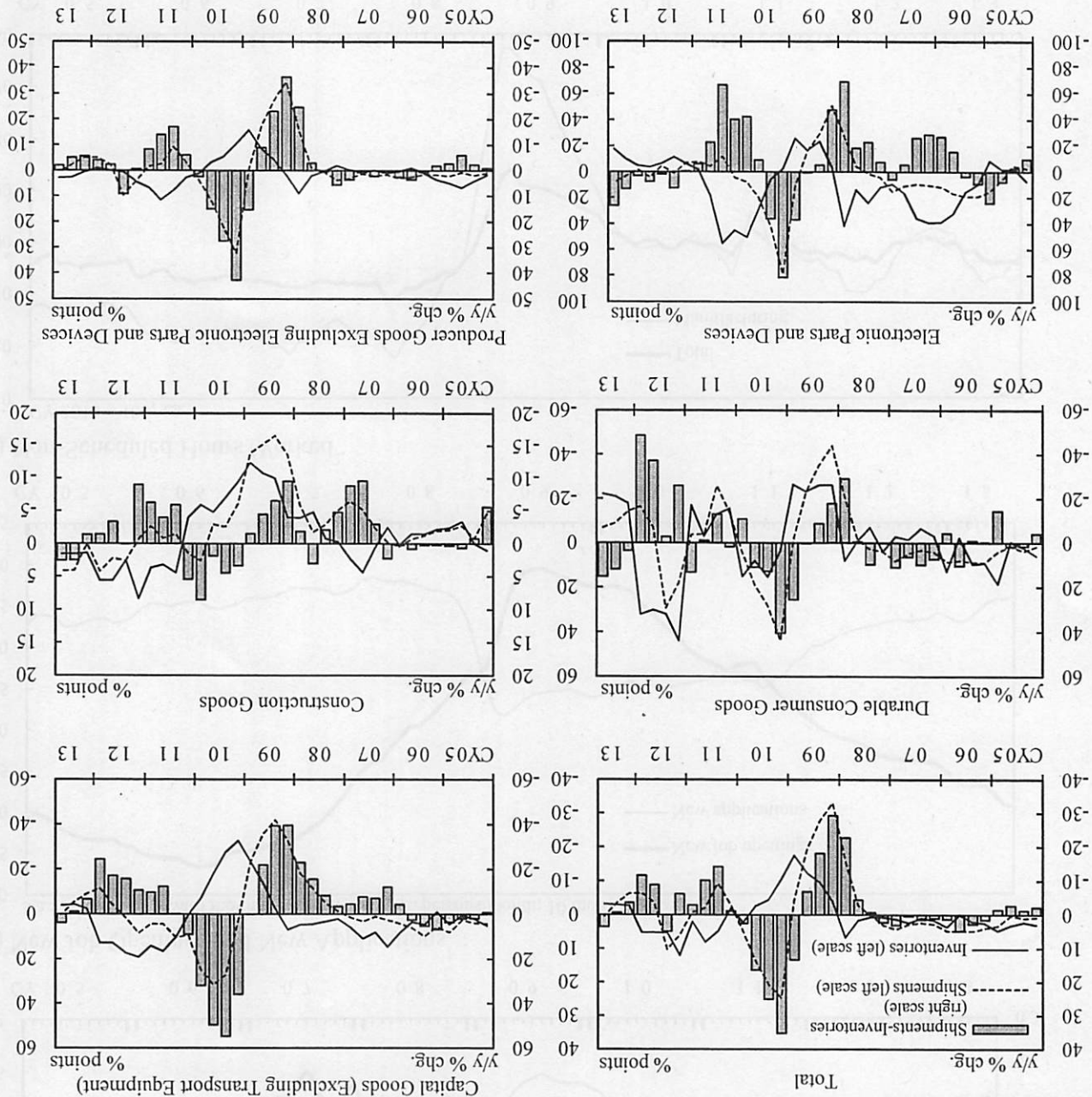


# Inventory Cycle

(1) Inventory Cycle (Total)



(2) Shipment-Inventory Balance



Note: Figures of shipments for 2013/Q3 are July-August averages.

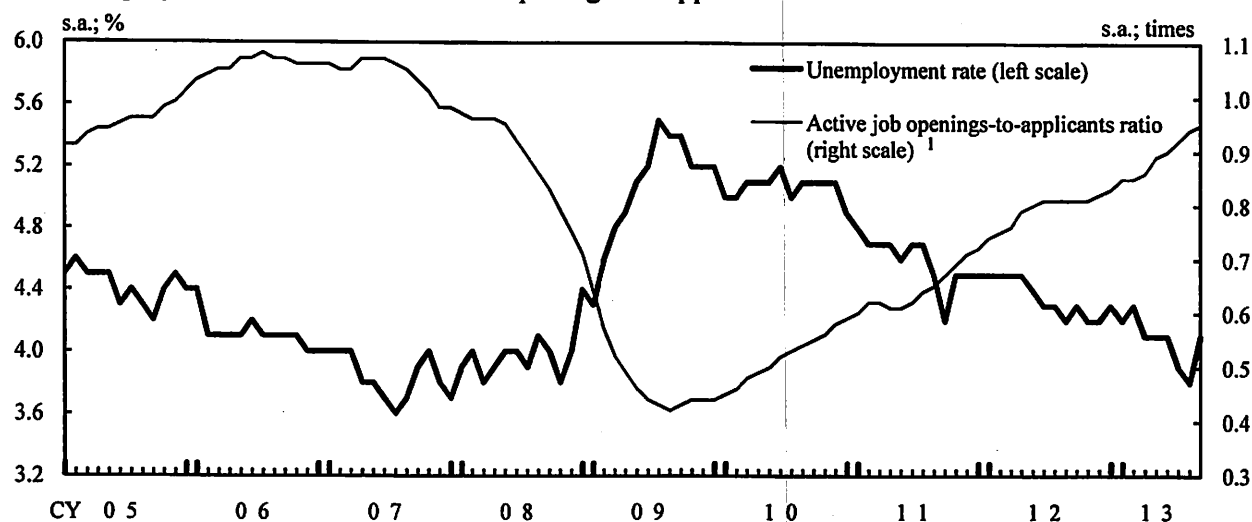
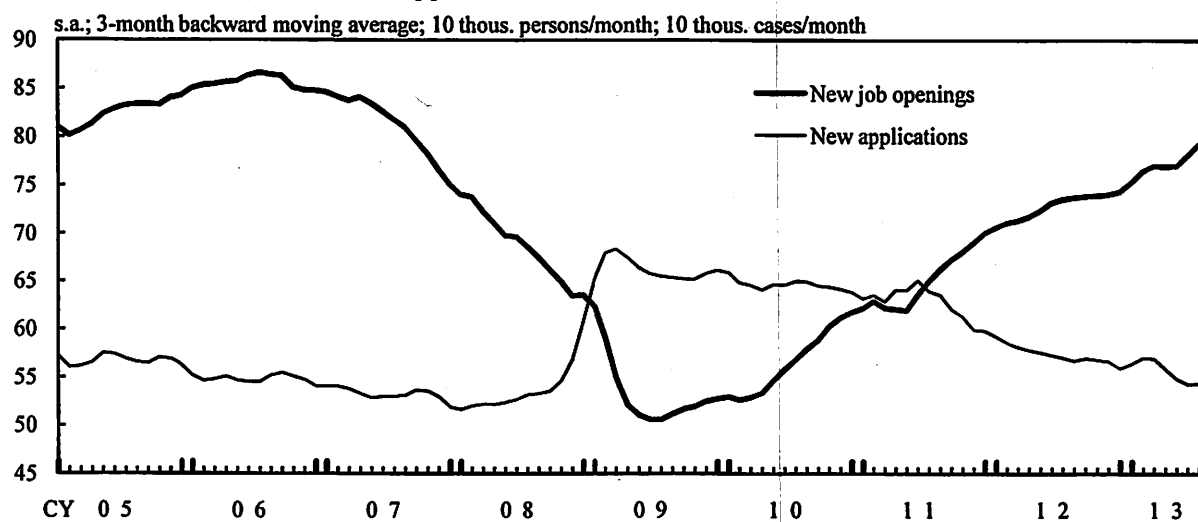
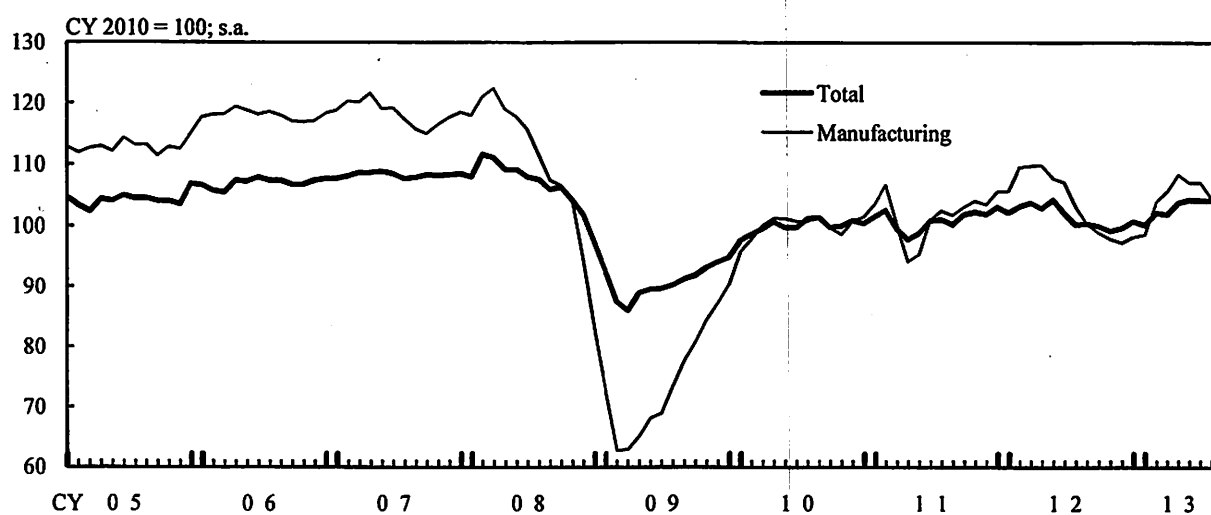
Inventories for 2013/Q3 are those of August.

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



## 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>

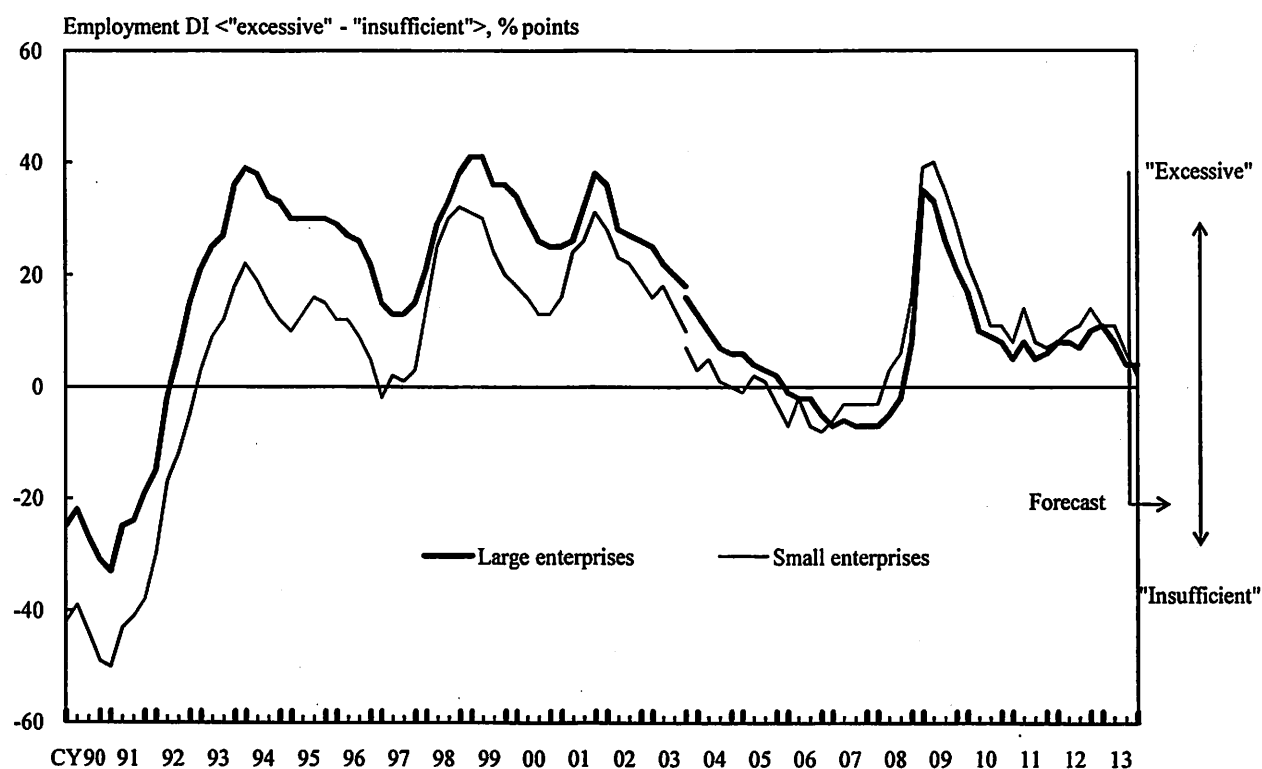
Notes: 1. Excluding new school graduates and including part-timers.

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

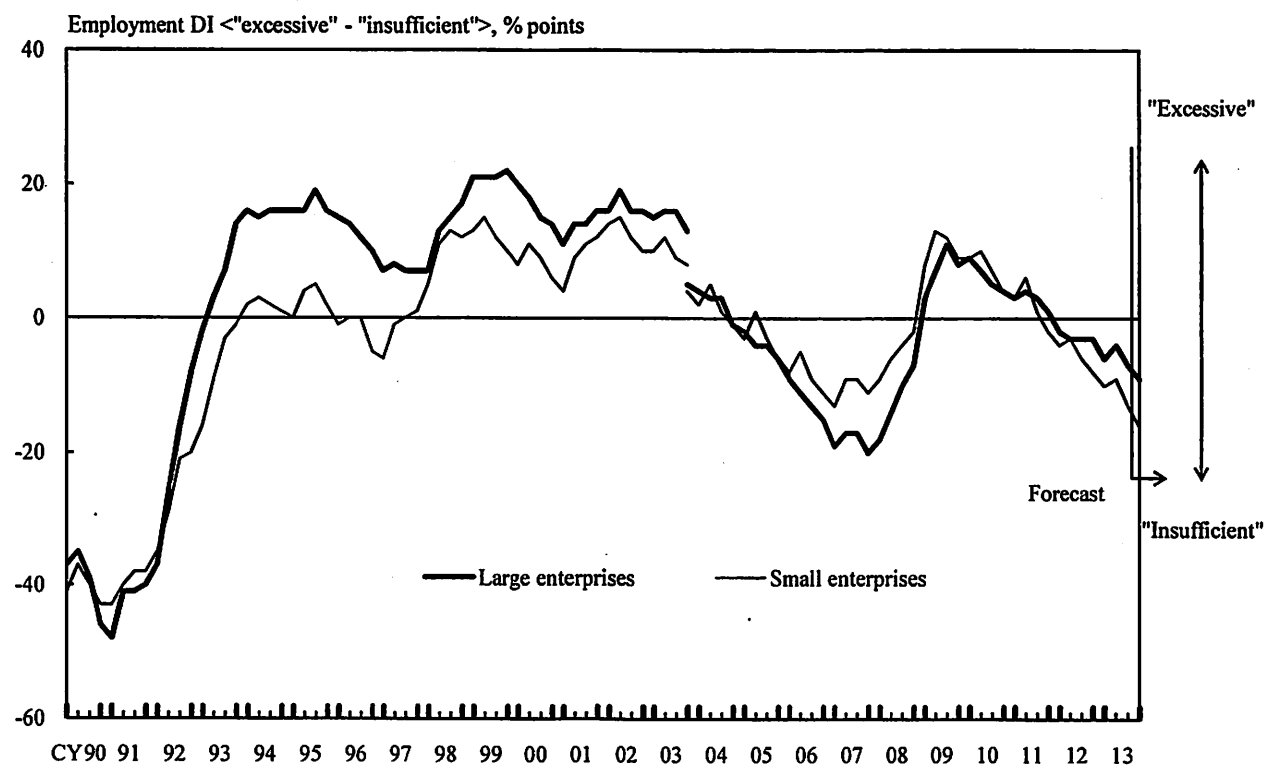
Sources: Ministry of Internal Affairs and Communications, "Labour Force Survey";  
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey."

# Employment Conditions

## (1) Manufacturing



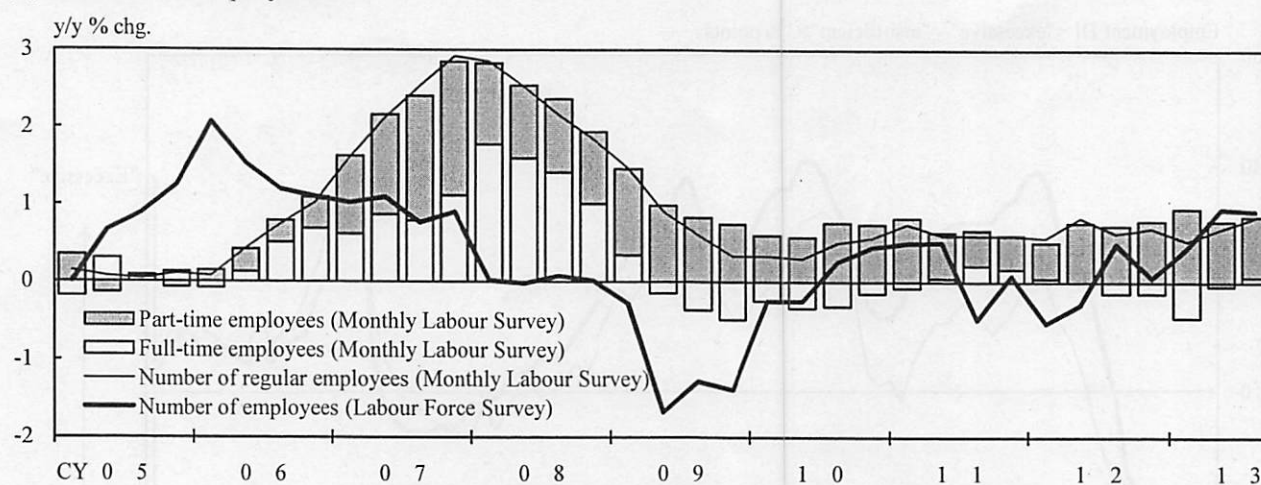
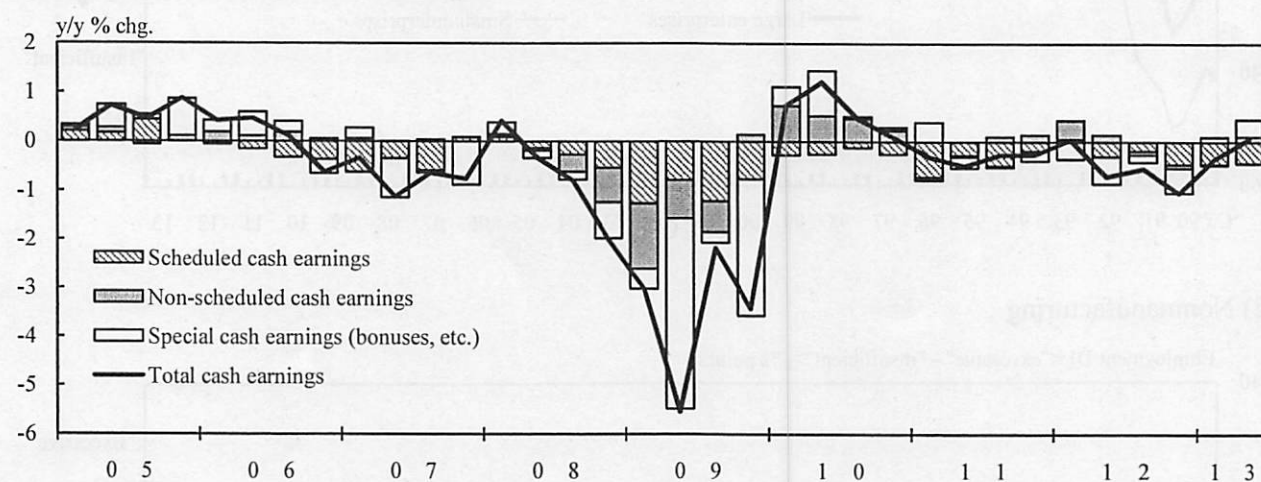
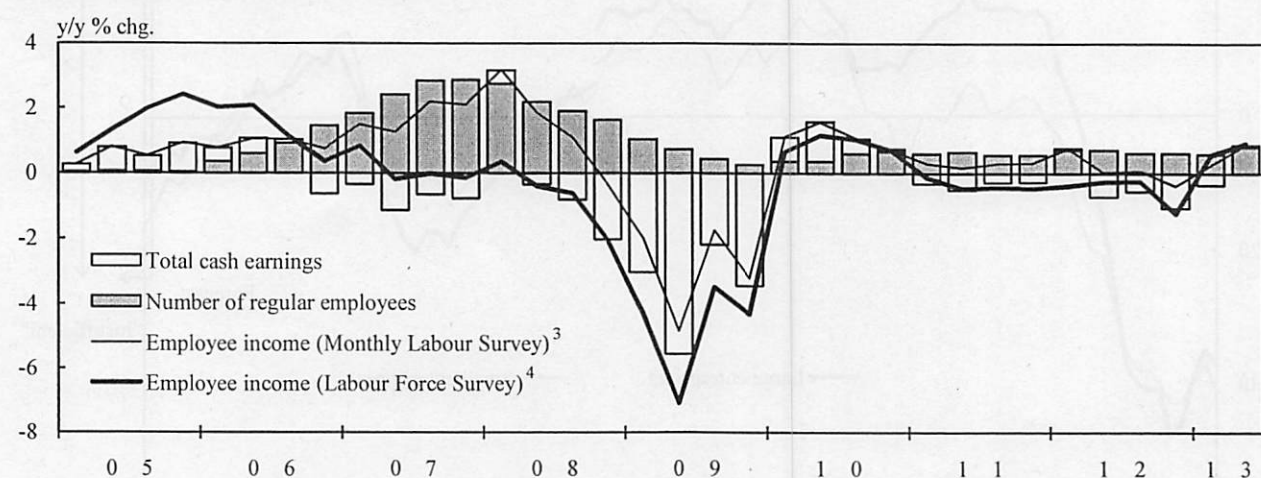
## (2) Nonmanufacturing



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

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

## Employee Income

(1) Number of Employees<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.

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

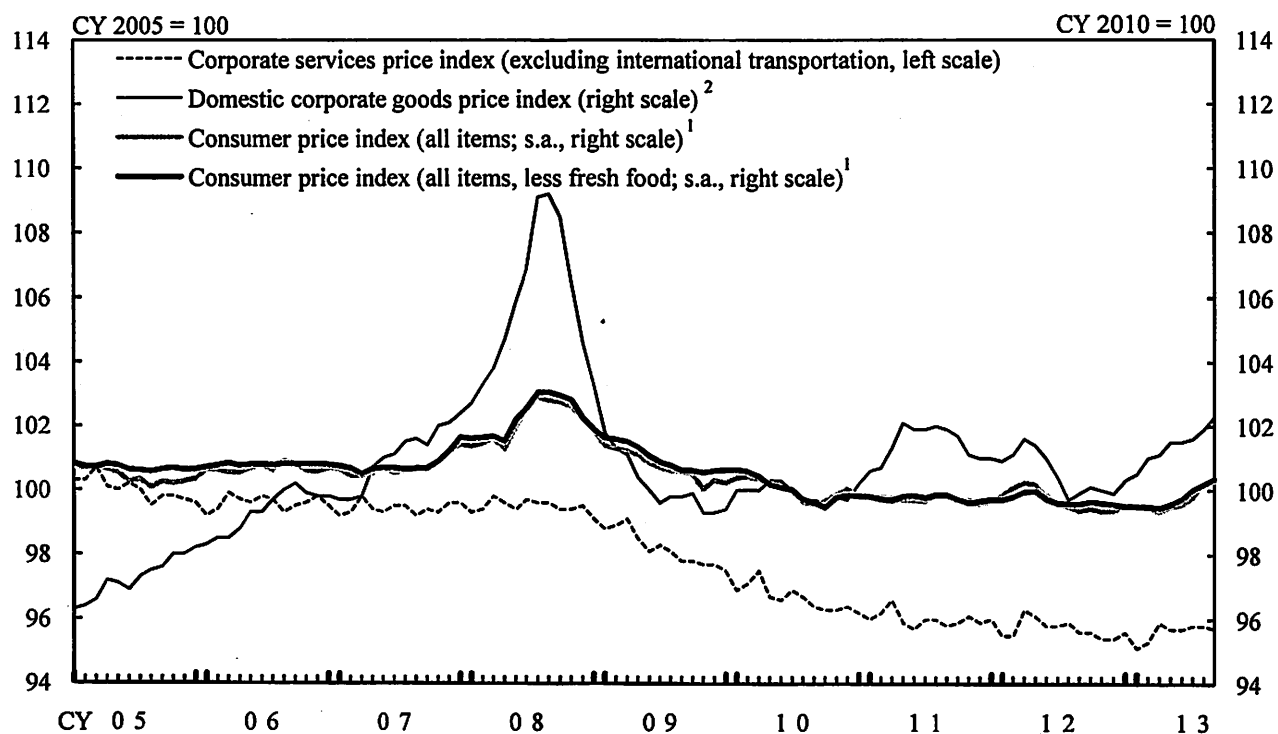
4. Calculated as the "number of employees" (Labour Force Survey) times "total cash earnings" (Monthly Labour Survey).

5. Figures for 2013/Q3 are July-August averages.

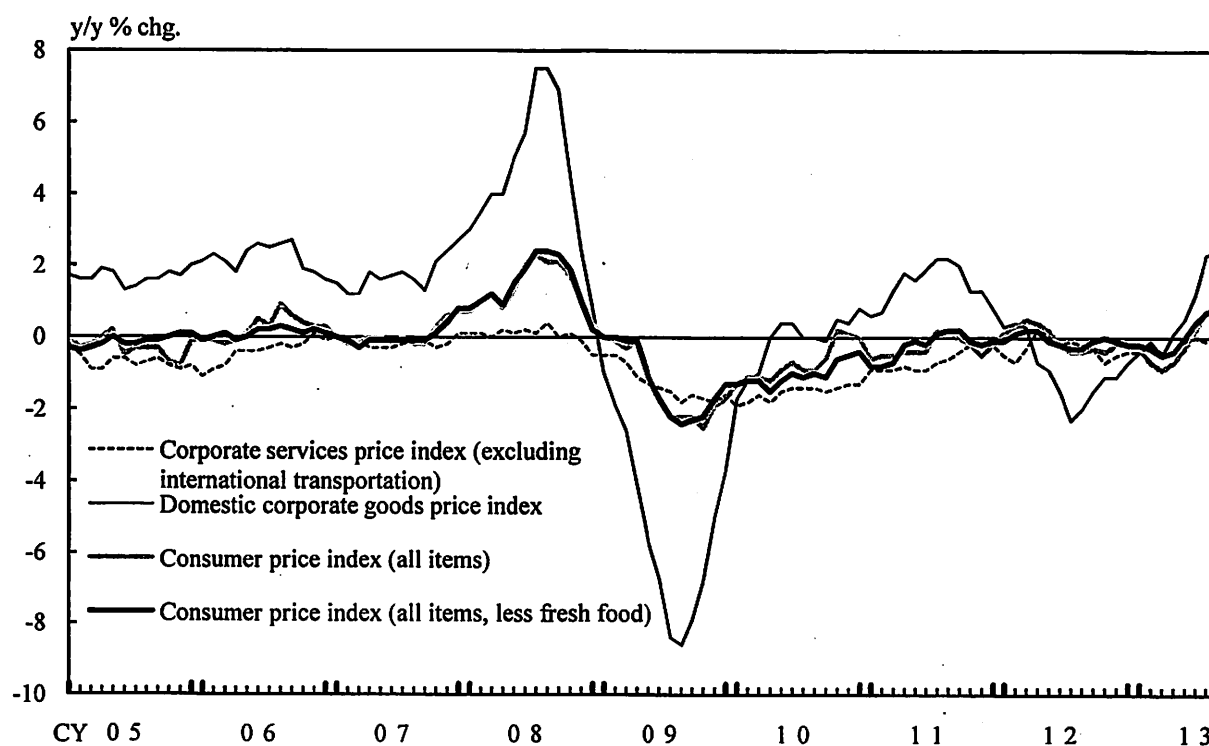
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";  
Ministry of Internal Affairs and Communications, "Labour Force Survey."

## Prices

## (1) Level



## (2) Changes from a Year Earlier



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

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

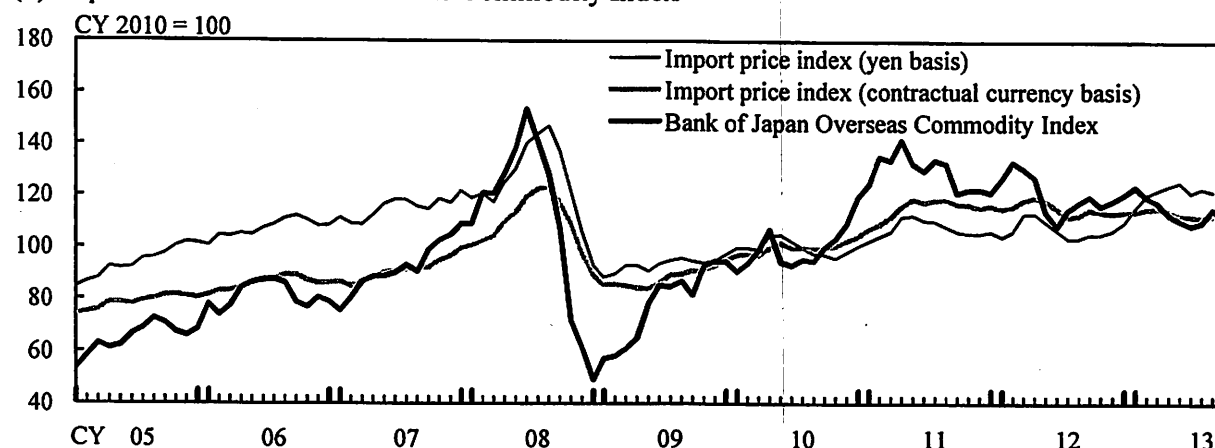
3. The levels of "Consumer Price Index" up to 2009 are based on the linked indices.

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

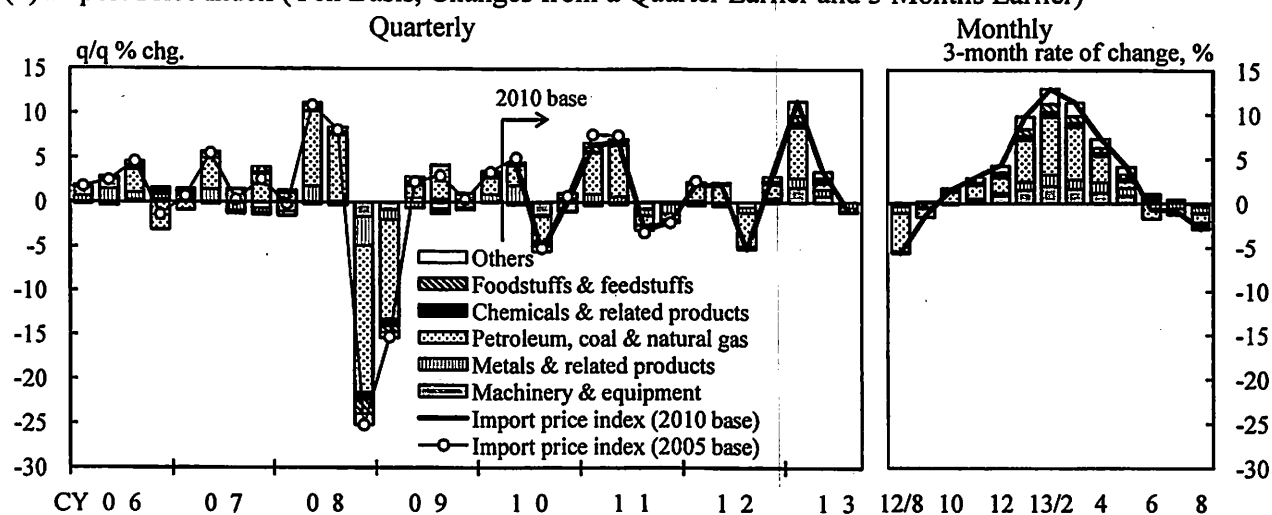
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index."

# Import Prices and International Commodity Prices

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



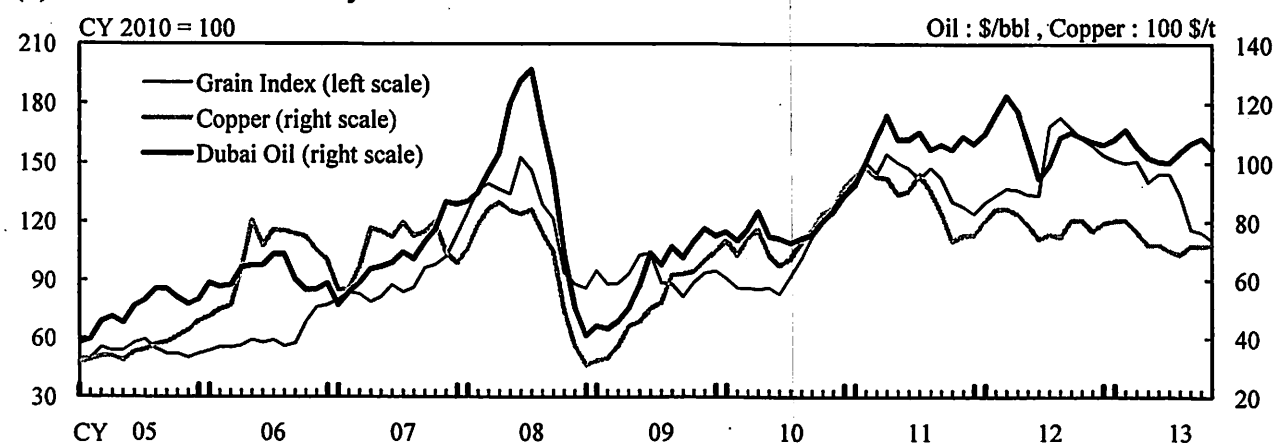
## (2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



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

2. Figures for 2013/Q3 are July-August averages.

## (3) International Commodity Prices



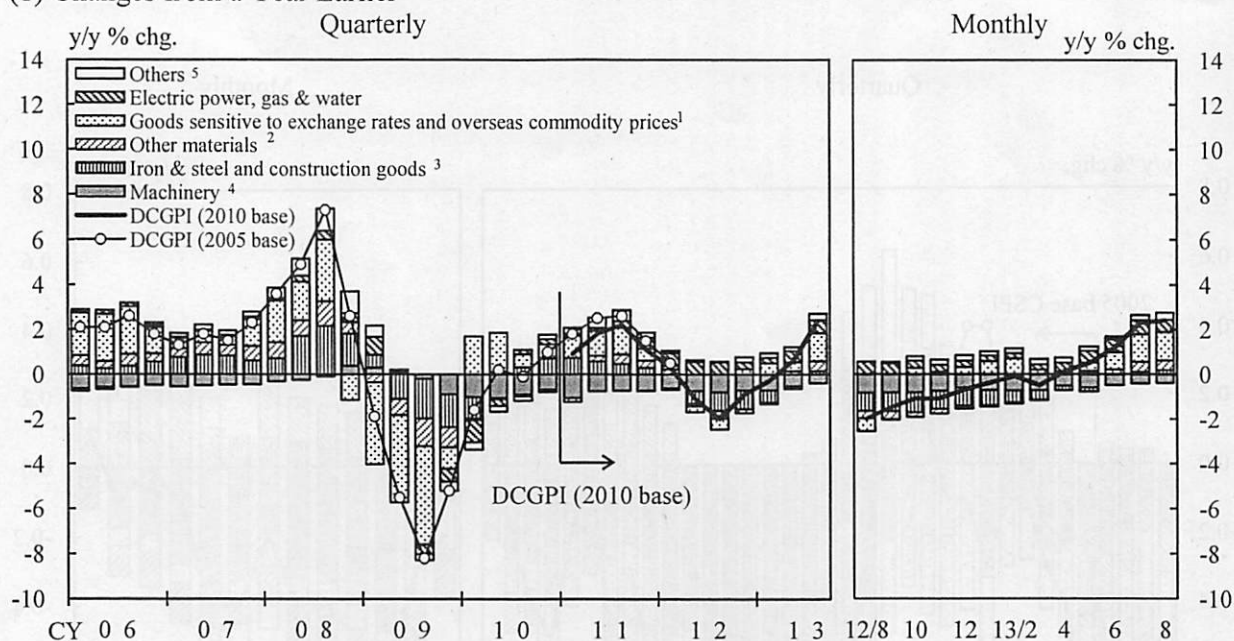
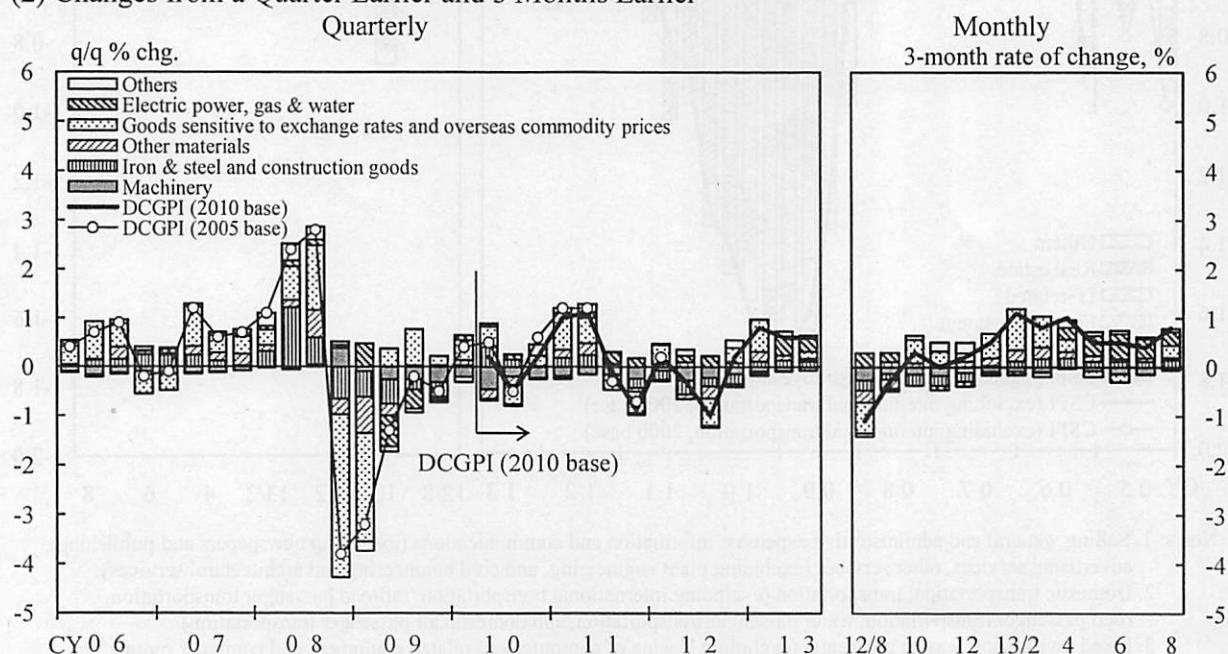
Notes: 1. The "grain index" is the weighted average of prices of three selected items (wheat, soybeans, and corn) in overseas commodity markets. The weights are based on the value of imports in the "Trade Statistics."

2. Monthly averages. Figures for October 2013 are averages up to October 3.

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.

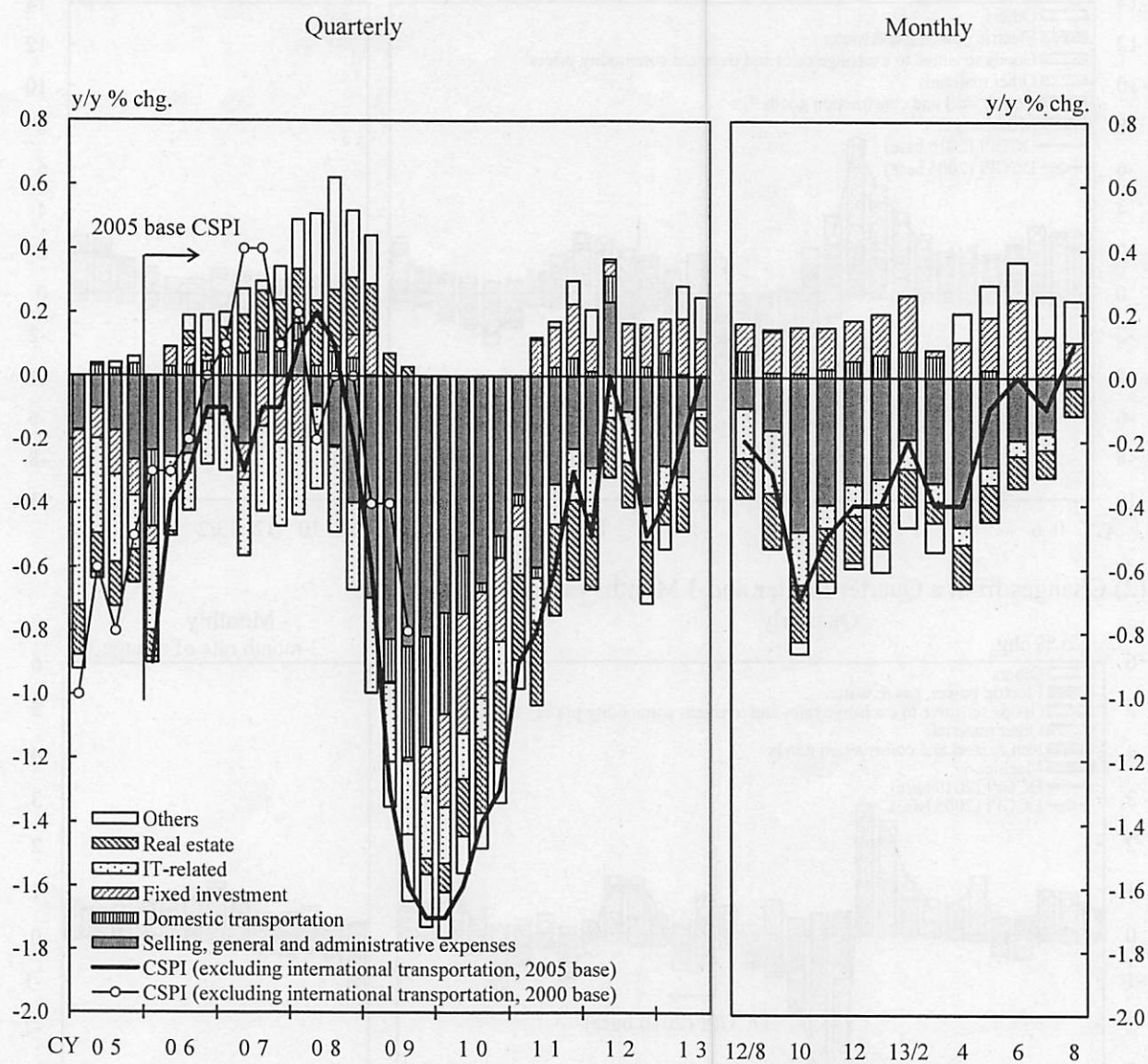
6. Adjusted to exclude a hike in electric power charges during the summer season from July to September. This adjustment makes the "Domestic Corporate Goods Price Index" fall by about 0.2%.

7. Figures for 2013/Q3 are July-August averages.

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



## Corporate Services Price Index

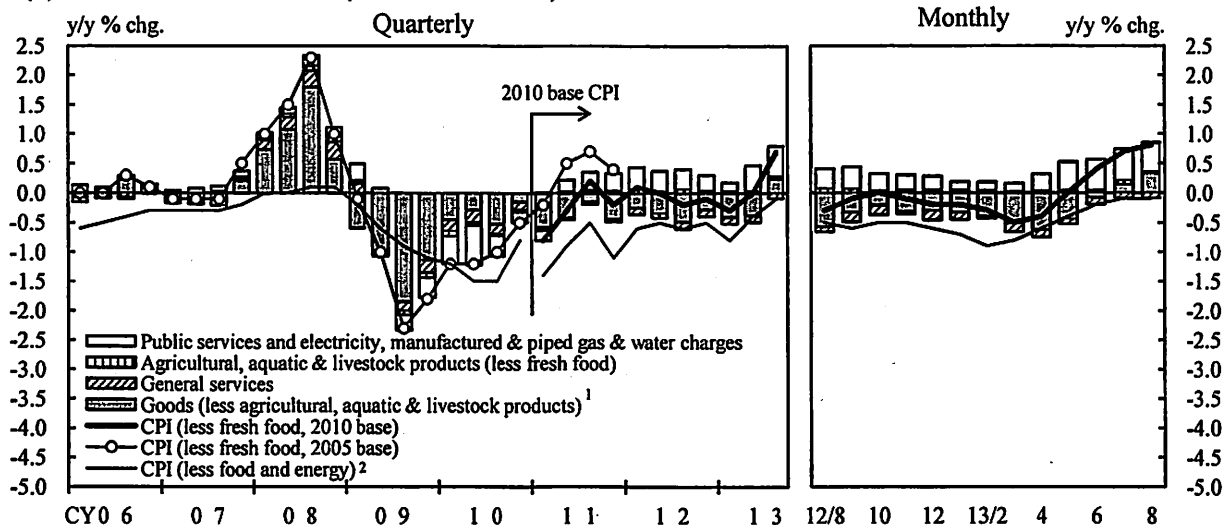
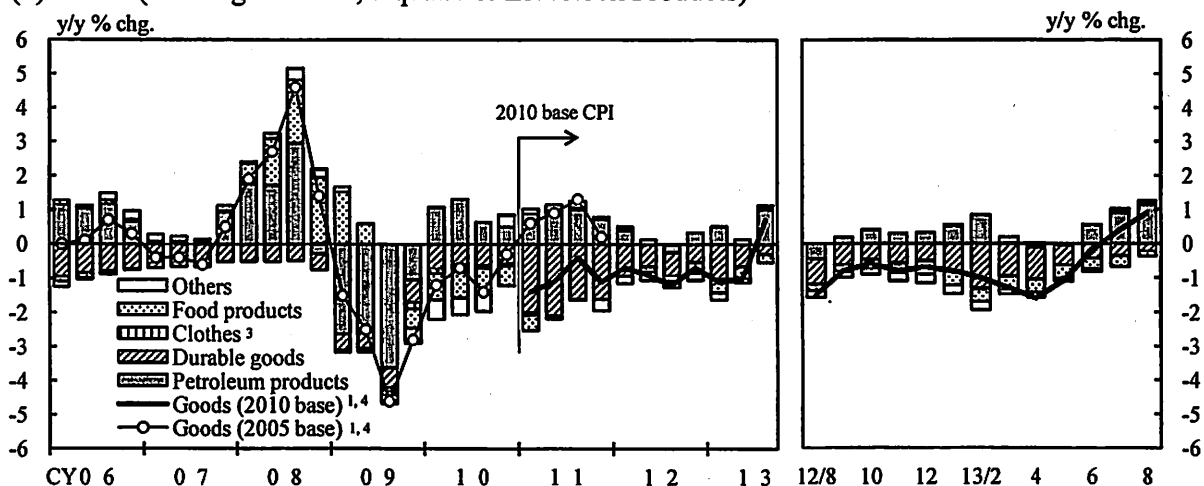


- Notes: 1. Selling, general and administrative expenses: information and communications (excluding newspapers and publishing), advertising services, other services (excluding plant engineering, and civil engineering and architectural services).  
 2. Domestic transportation: transportation (excluding 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 2013/Q3 are July-August averages. Figures for 2009/Q3 on the 2000 base are July-August averages.

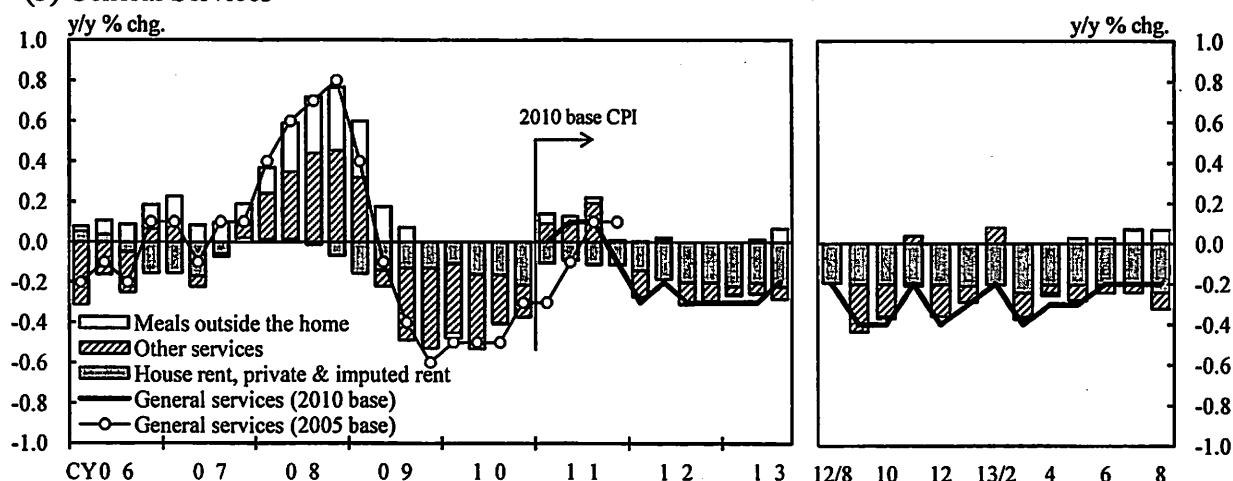
Source: Bank of Japan, "Corporate Services Price Index."

## Consumer Price Index (Less Fresh Food)

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

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

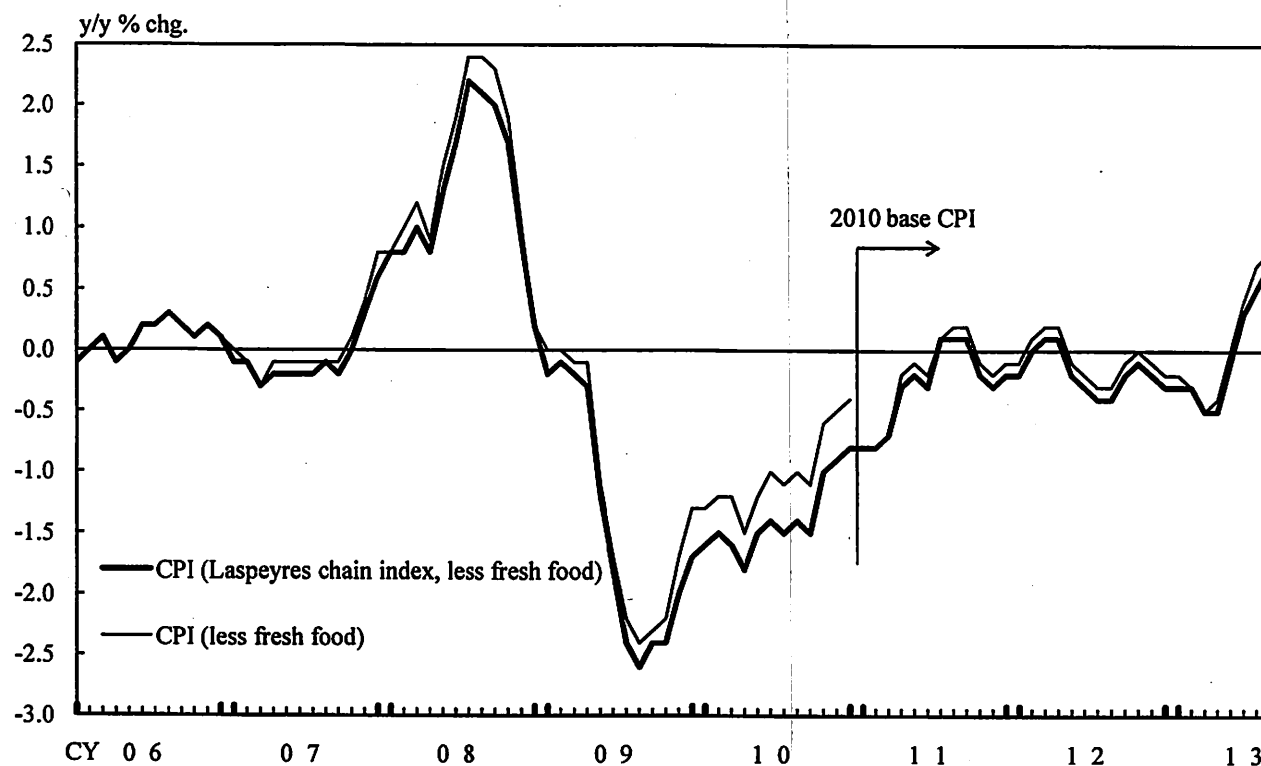
6. Figures for 2013/Q3 are July-August averages.

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

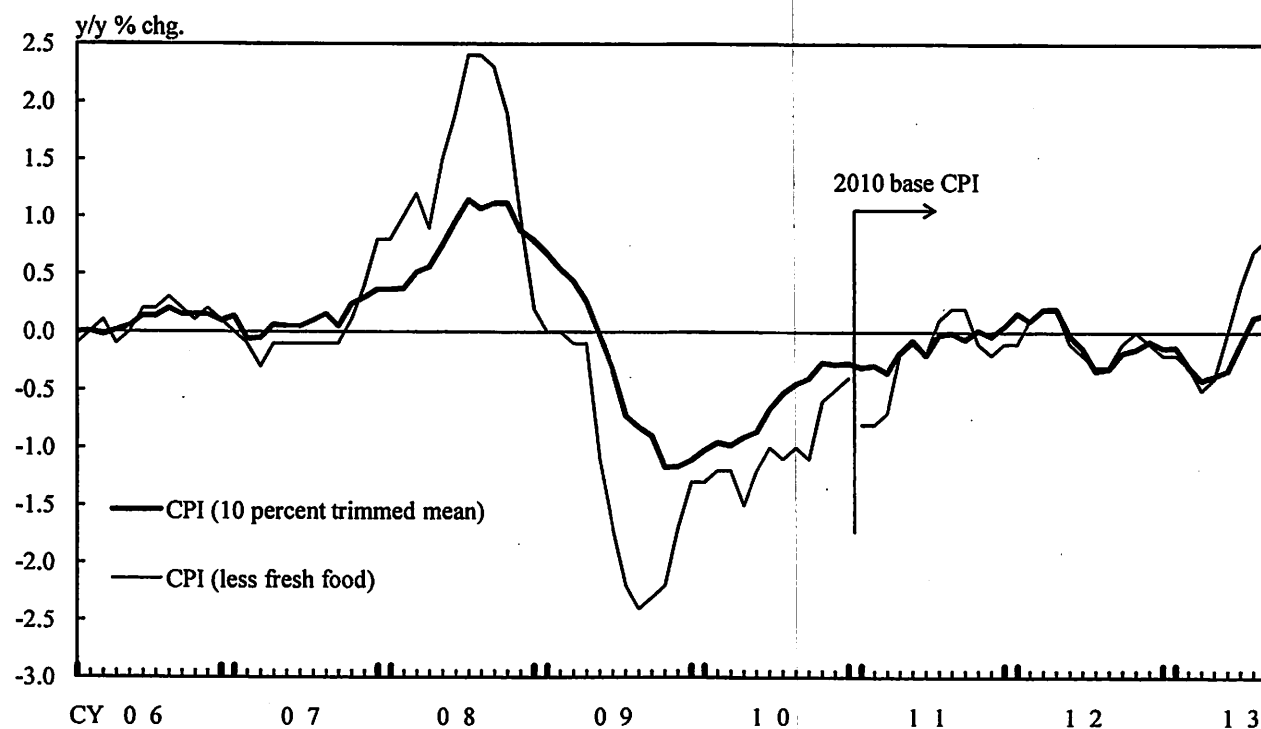


## Trend Changes in Consumer Prices

## (1) Laspeyres Chain Index



## (2) Trimmed Mean



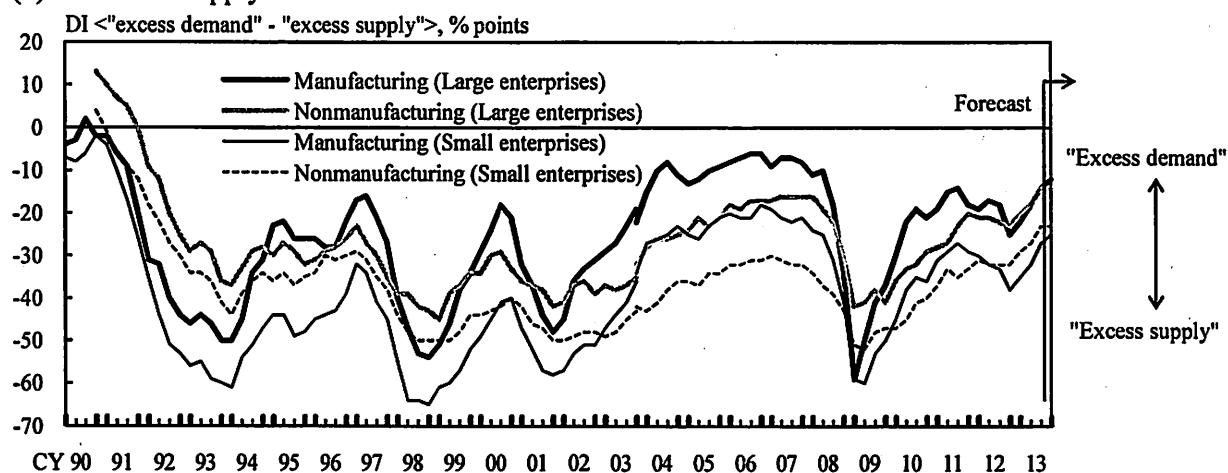
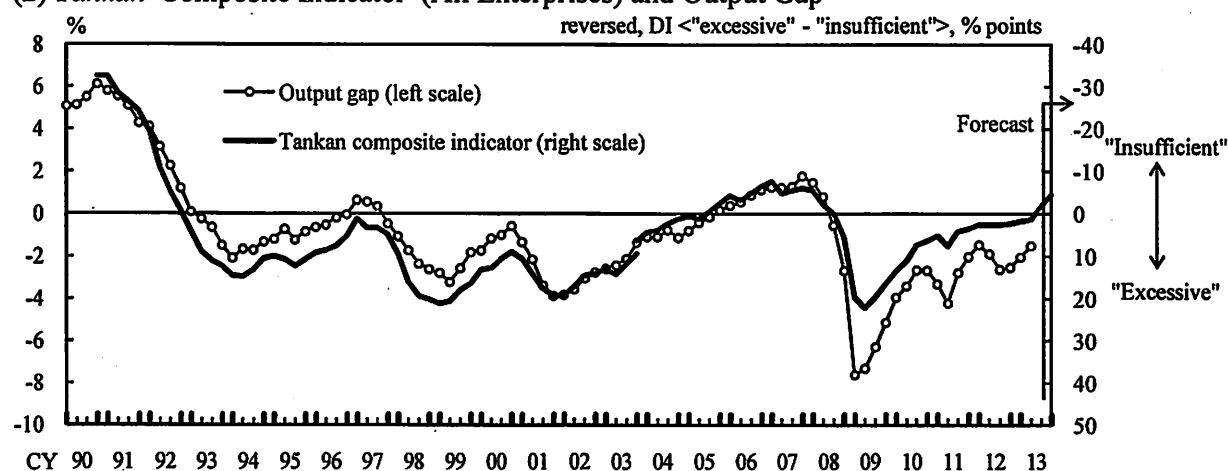
Notes: 1. Figures for the 10 percent trimmed mean are weighted averages of items; these items are obtained by rearranging year-on-year rates of price change in ascending order and then excluding items in both the upper and lower 10 percent tails by weight.

2. Figures 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.

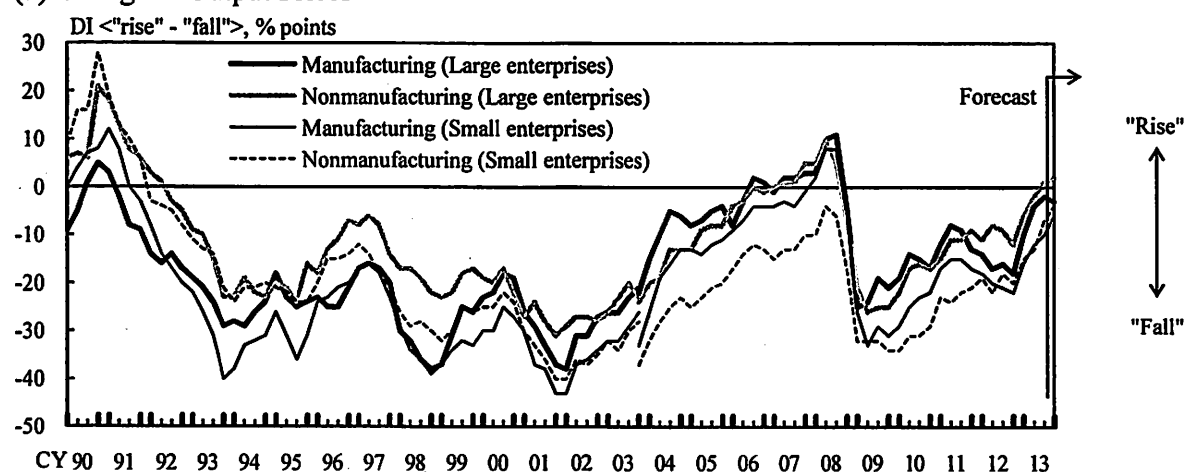
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Domestic Supply and Demand Conditions<sup>1</sup>

## (1) Domestic Supply and Demand Conditions for Products and Services

(2) *Tankan* Composite Indicator<sup>2</sup> (All Enterprises) and Output Gap<sup>3</sup>

## (3) Change in Output Prices

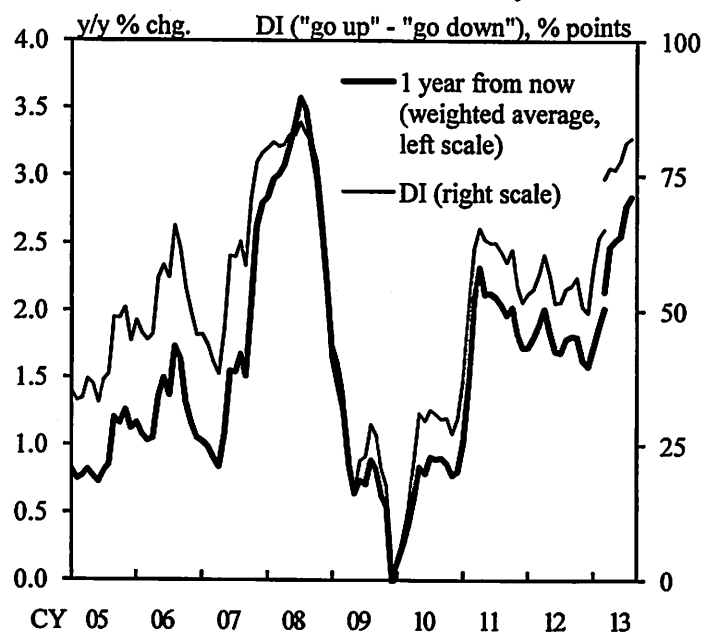


- Notes: 1. The "Tankan" has been revised from the March 2004 Survey. Figures up to the December 2003 Survey are based on the previous data sets. Figures from the December 2003 Survey are on a new basis.
2. Figures are weighted averages of the production capacity DI and employment conditions DI. The FY 1990-2011 averages of capital and labor shares in the "National Accounts" are used as the weight.
3. The output gap is estimated by the Research and Statistics Department, Bank of Japan. Since the estimation of the output gap includes various errors, considerable latitude should be allowed for this estimation.

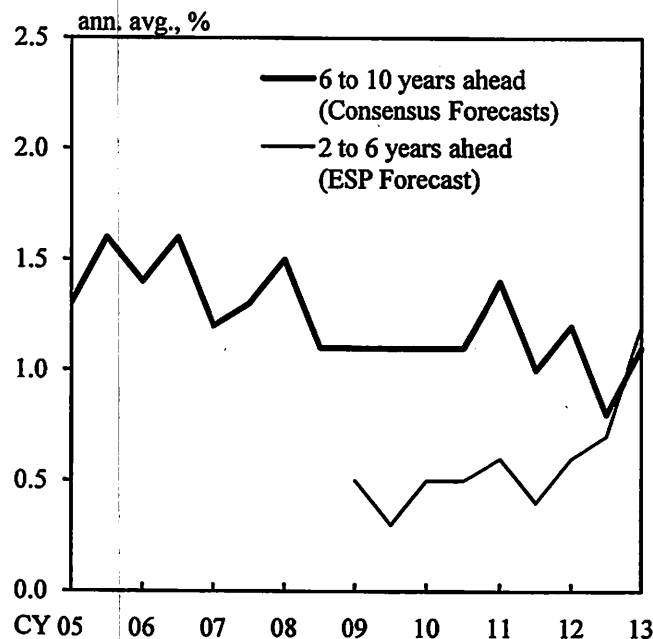
Sources: Cabinet Office, "National Accounts";  
Bank of Japan, "*Tankan*", Short-Term Economic Survey of Enterprises in Japan," etc.

## Inflation Expectations

## (1) Households

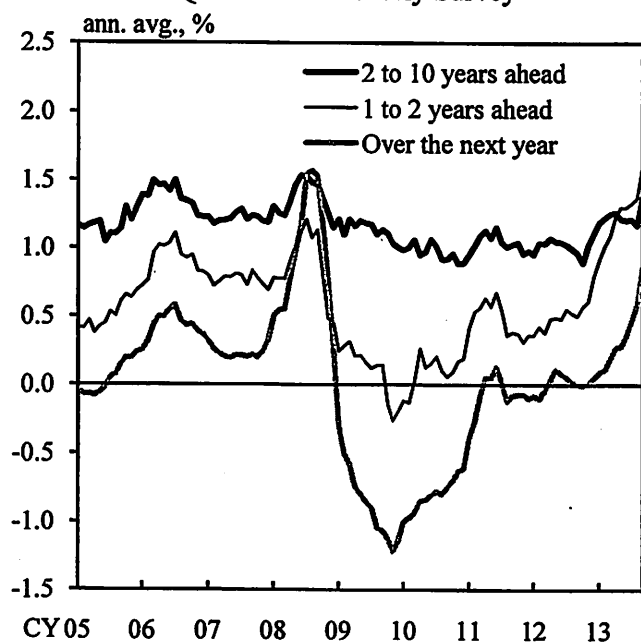
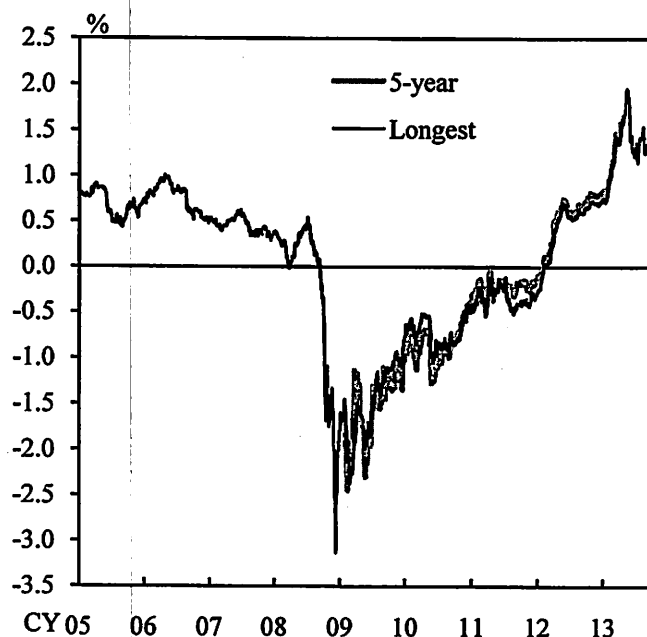
<Consumer Confidence Survey><sup>1,2,3</sup>

## (2) Economists



## (3) Market Participants

&lt;Quick Bond Monthly Survey&gt;

<BEI for Inflation-Indexed JGBs><sup>4</sup>

Notes: 1. Figures are for all households.

2. The Consumer Confidence Survey asks households to provide their price expectations one year from now. The weighted average is calculated based on the following assumption: survey responses chosen by households as their expected inflation rates -- "-5% or below," "from -5% to -2%," "from -2% to 0%," "from 0% to +2%," "from +2% to +5%," and "+5% or above" -- indicate inflation rates of -5%, +3.5%, -1%, +1%, +3.5%, and +5%, respectively.

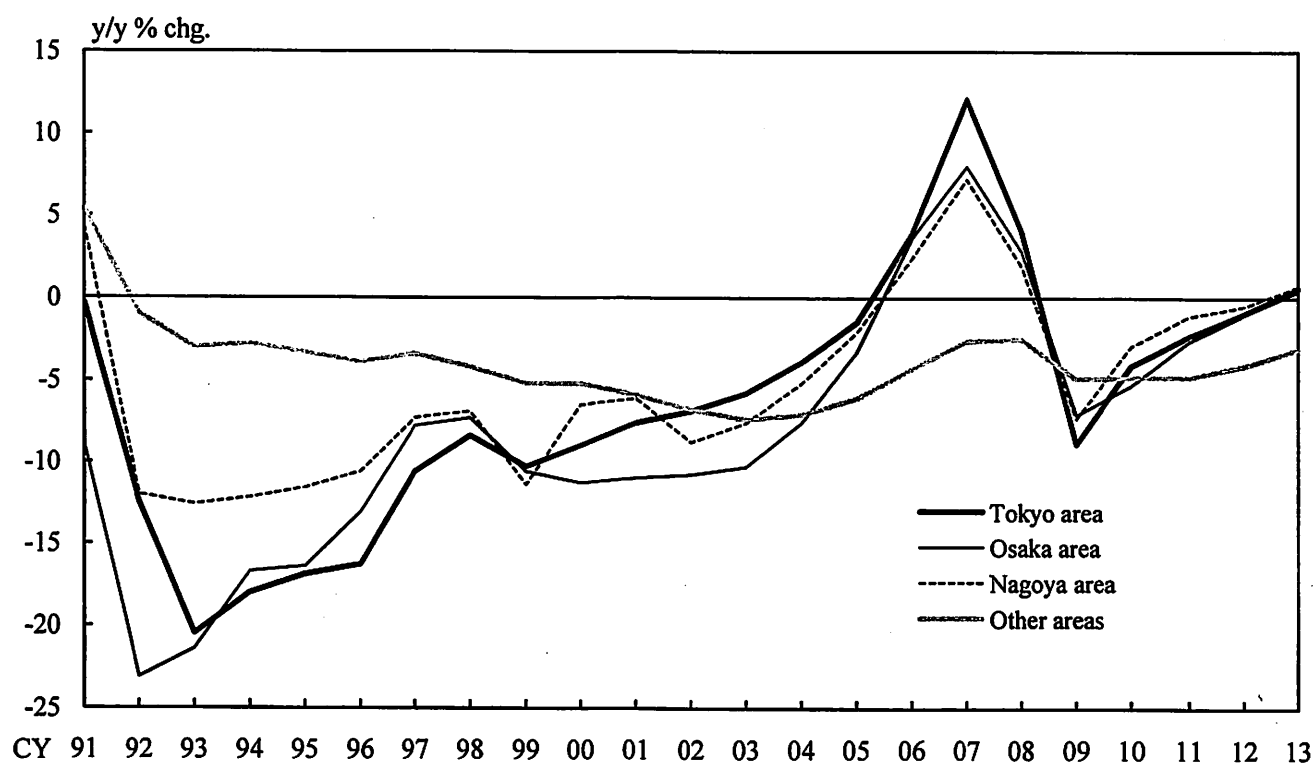
3. There is discontinuity between figures up to March 2013 and those thereafter due to the change in the survey method in April 2013. Figures for March 2013 via the new survey method are reference values obtained from the examination survey.

4. Yield spreads between fixed-rate coupon-bearing JGBs and inflation-indexed JGBs. Figures for "Longest" are calculated using yield data for the inflation-indexed JGBs that have the longest maturity at each period, which currently correspond to those maturing in June 2018.

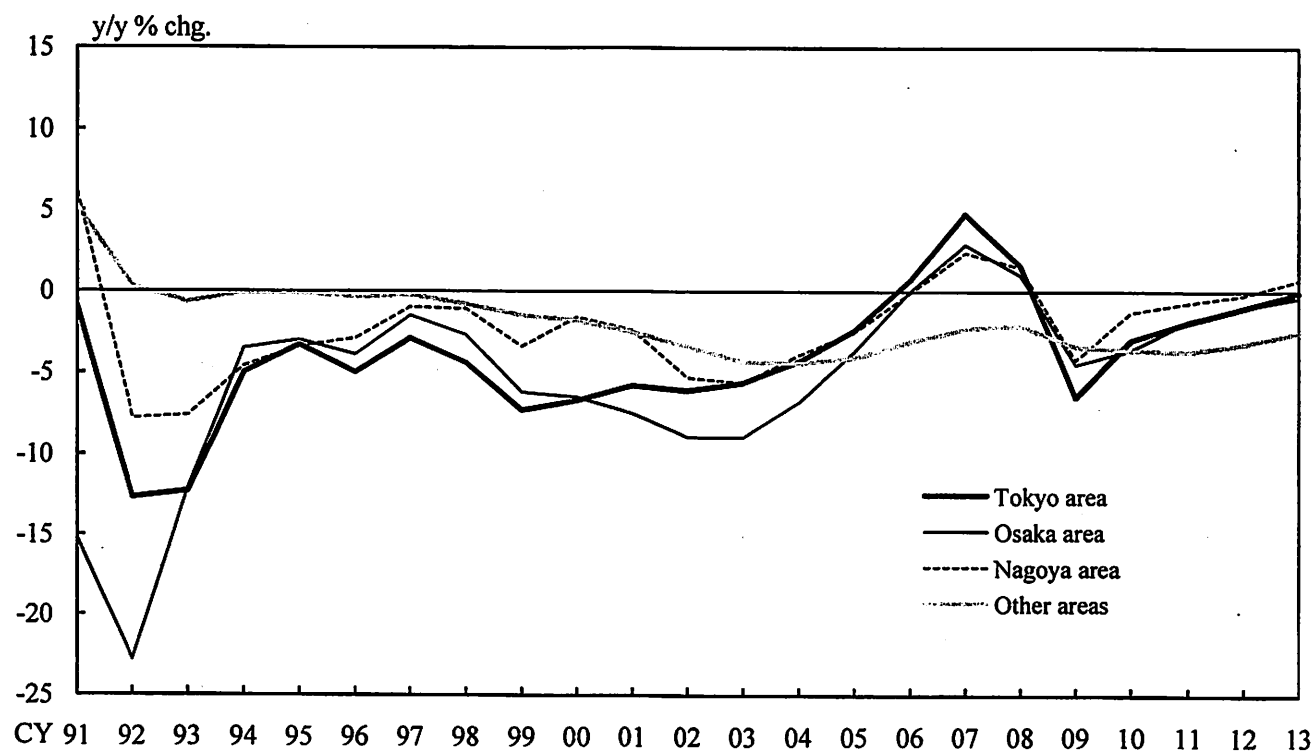
Sources: Cabinet Office, "Consumer Confidence Survey"; Consensus Economics Inc., "Consensus Forecasts"; JCER, "ESP Forecast"; QUICK, "Quick Bond Monthly Survey"; Bloomberg.

## Land Prices

## (1) Commercial Land



## (2) Residential Land

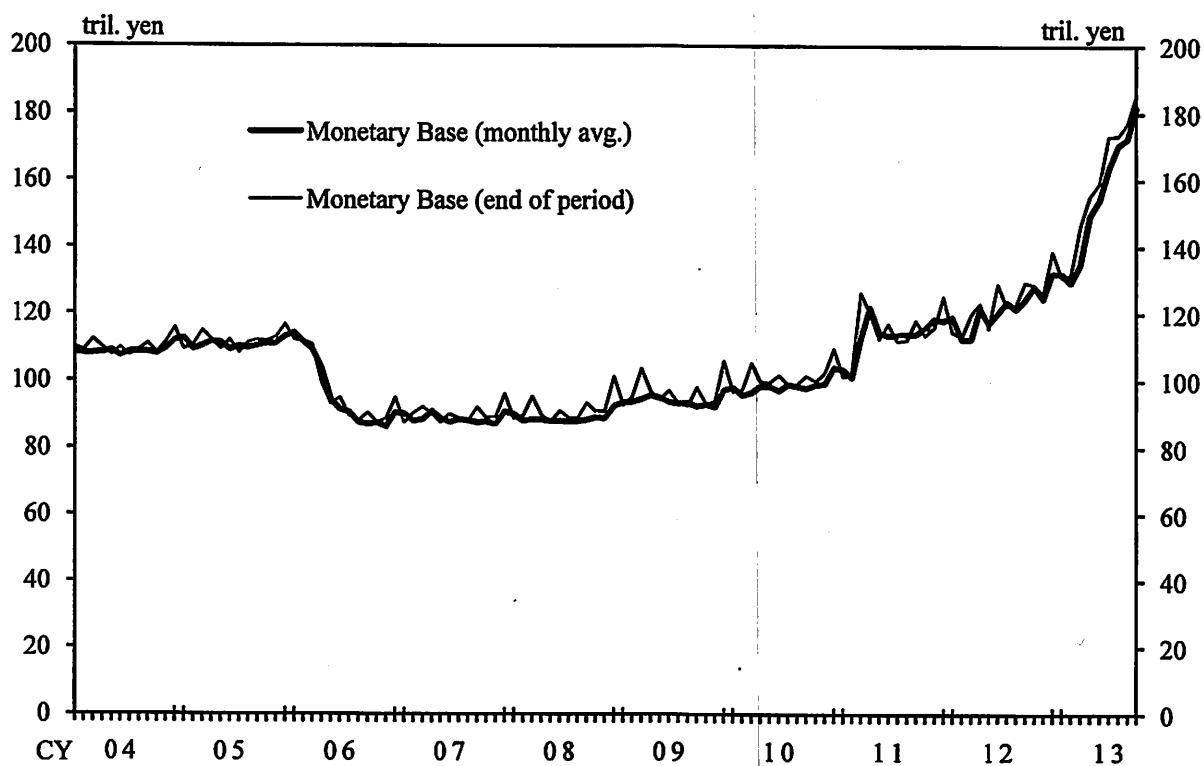


Note: "Land Price Survey by Prefectural Governments" shows land prices as of July 1.

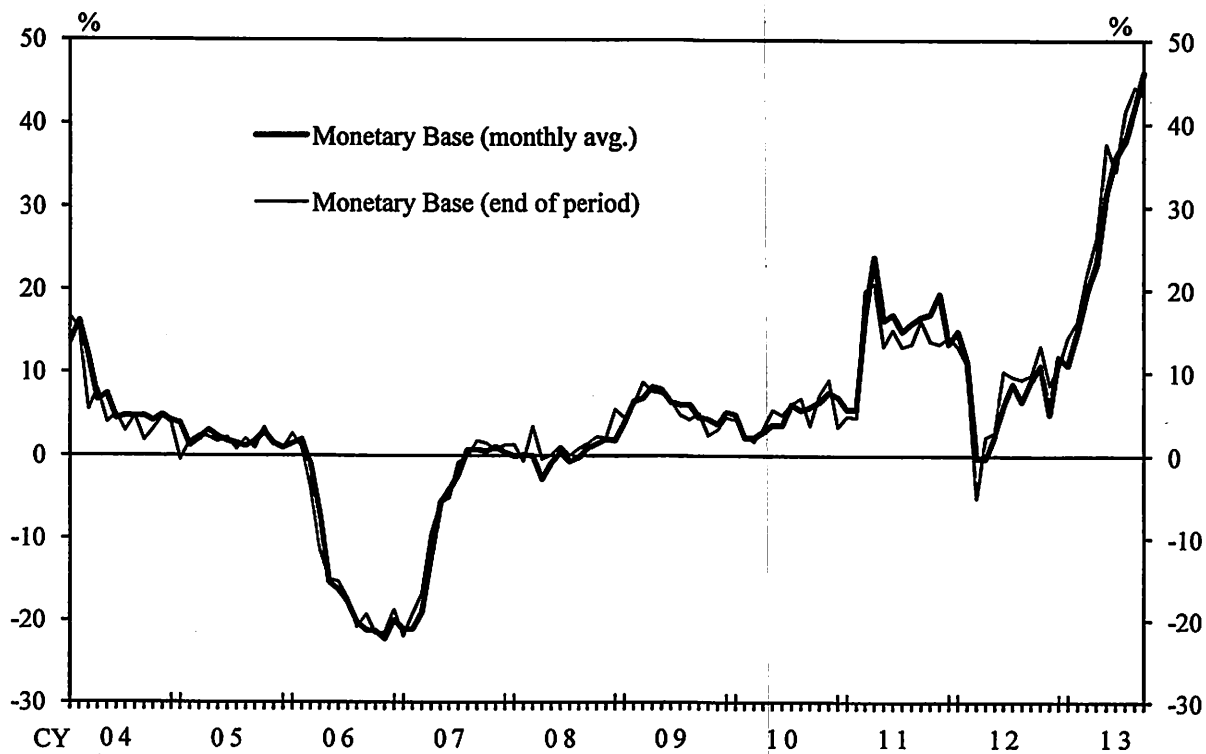
Source: Ministry of Land, Infrastructure, Transport and Tourism, "Land Price Survey by Prefectural Governments."

## Monetary Base

## (1) Level

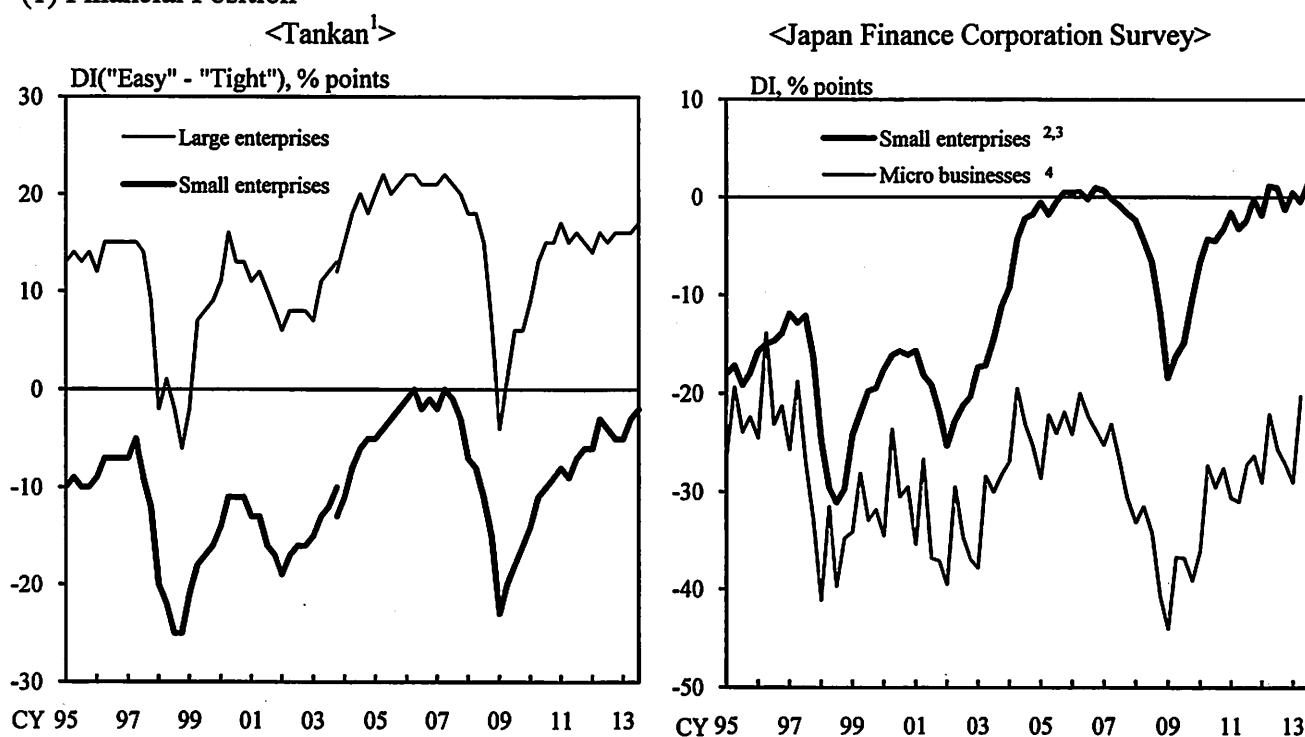


## (2) Changes from a Year Earlier

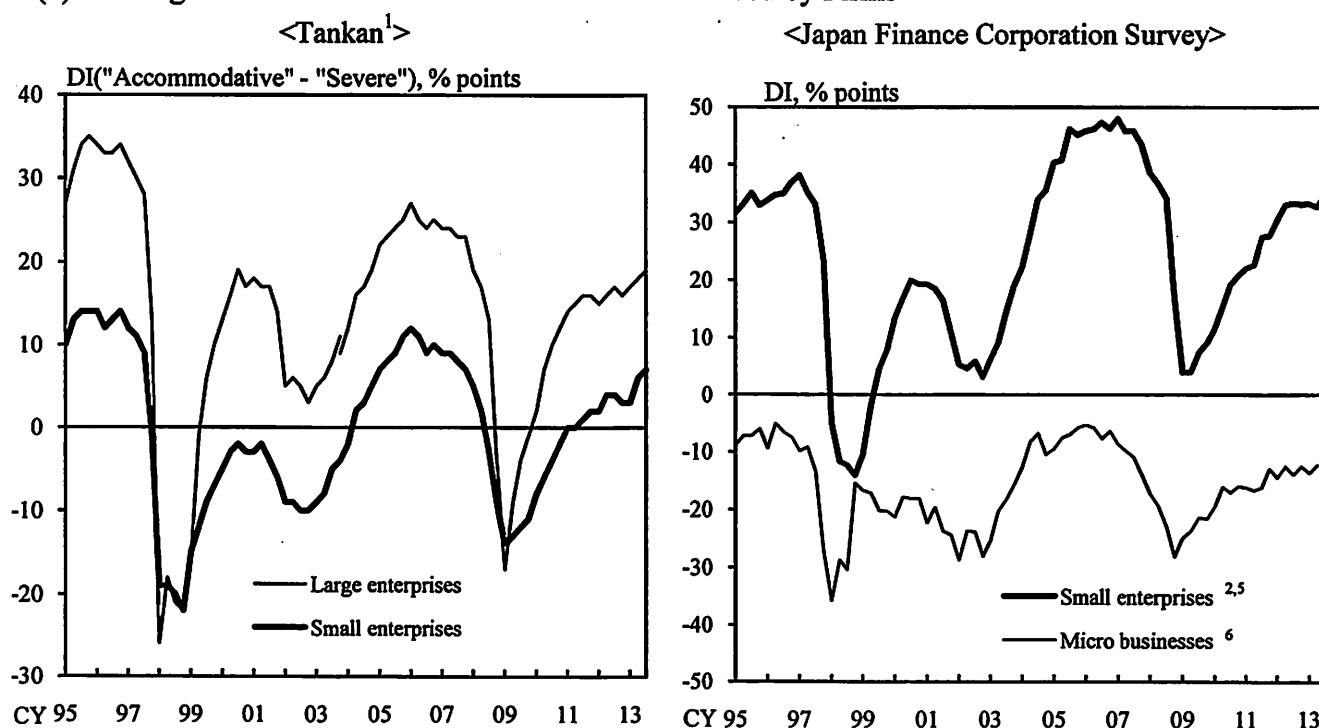


## Corporate Finance-Related Indicators

## (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.

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

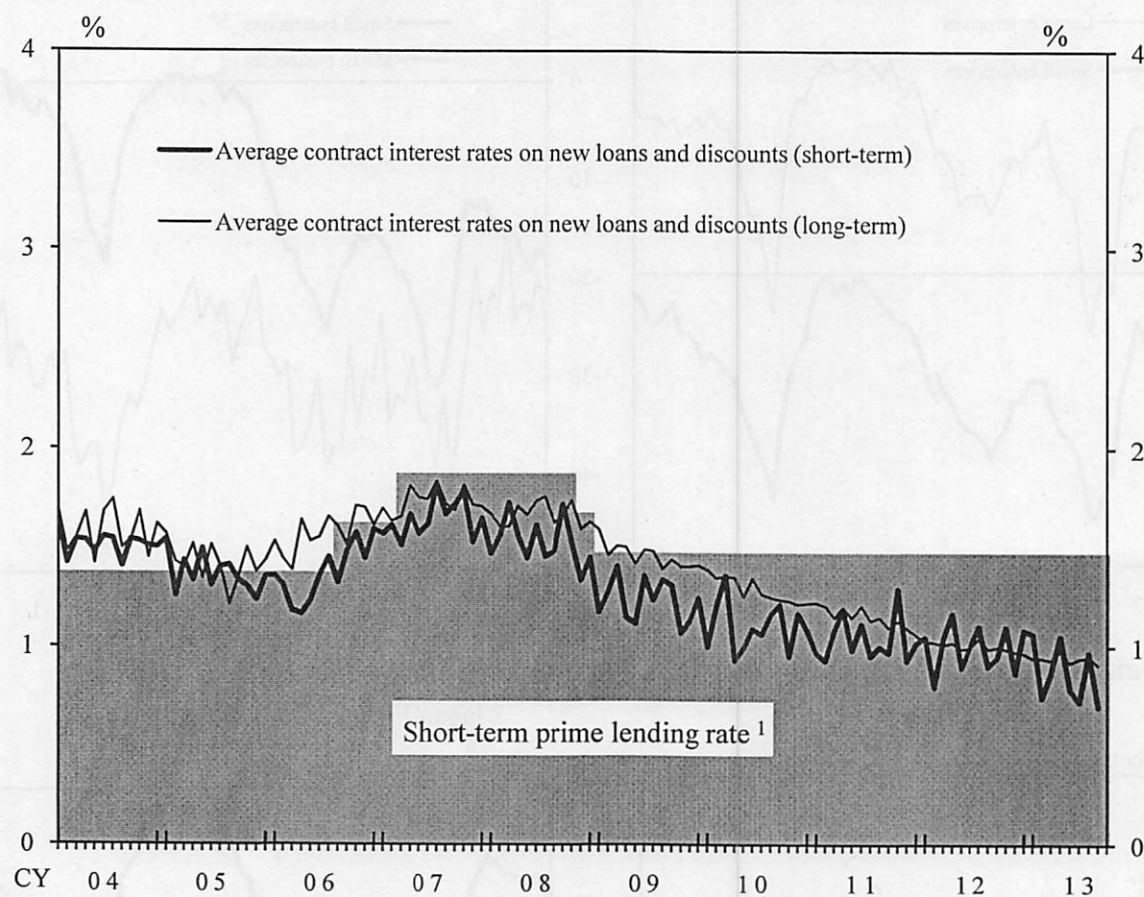
4. DI of "Easier" - "Tighter."

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

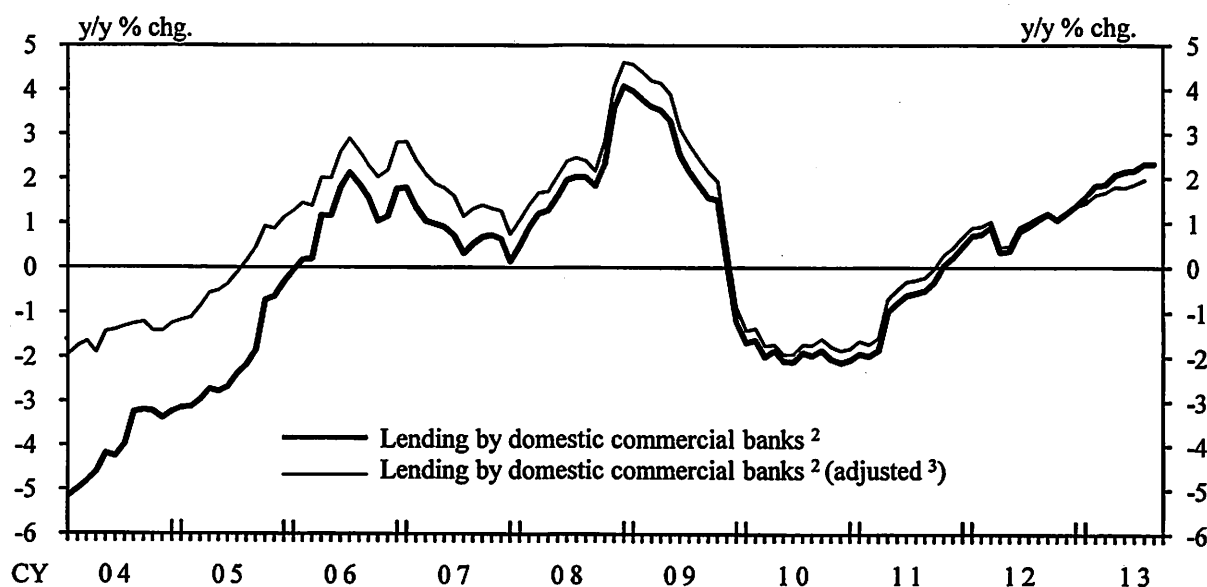


Note: 1. Data are at end of period.

Source: Bank of Japan.

## Lending by Financial Institutions

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



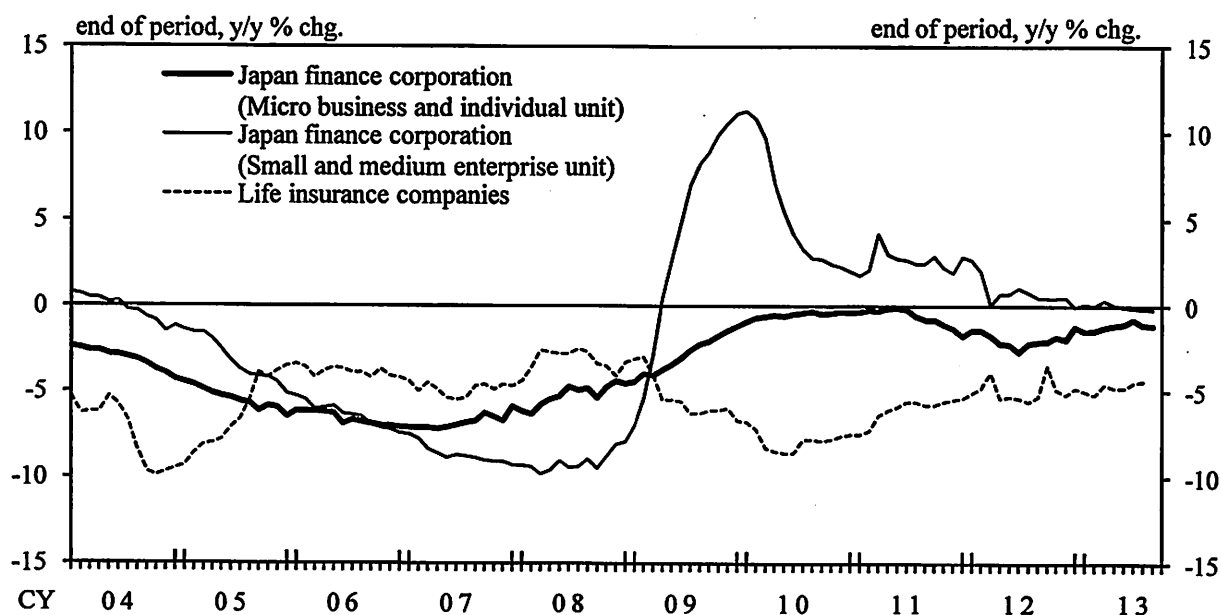
Notes: 1. Percent changes in average amounts outstanding from a year earlier.

2. "Domestic commercial banks" refers to major banks, regional banks I, 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



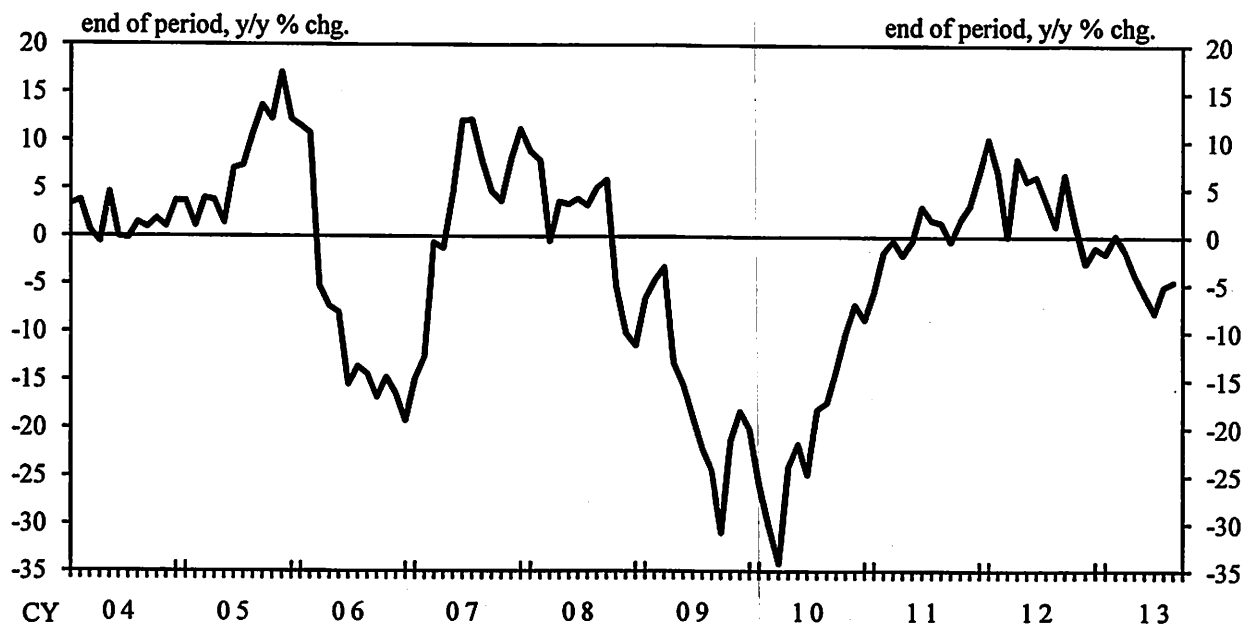
Note: The figures of the Japan Finance Corporation (Small and Medium Enterprise Unit) exclude the amounts outstanding of lending to the Credit Guarantee Corporations.

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



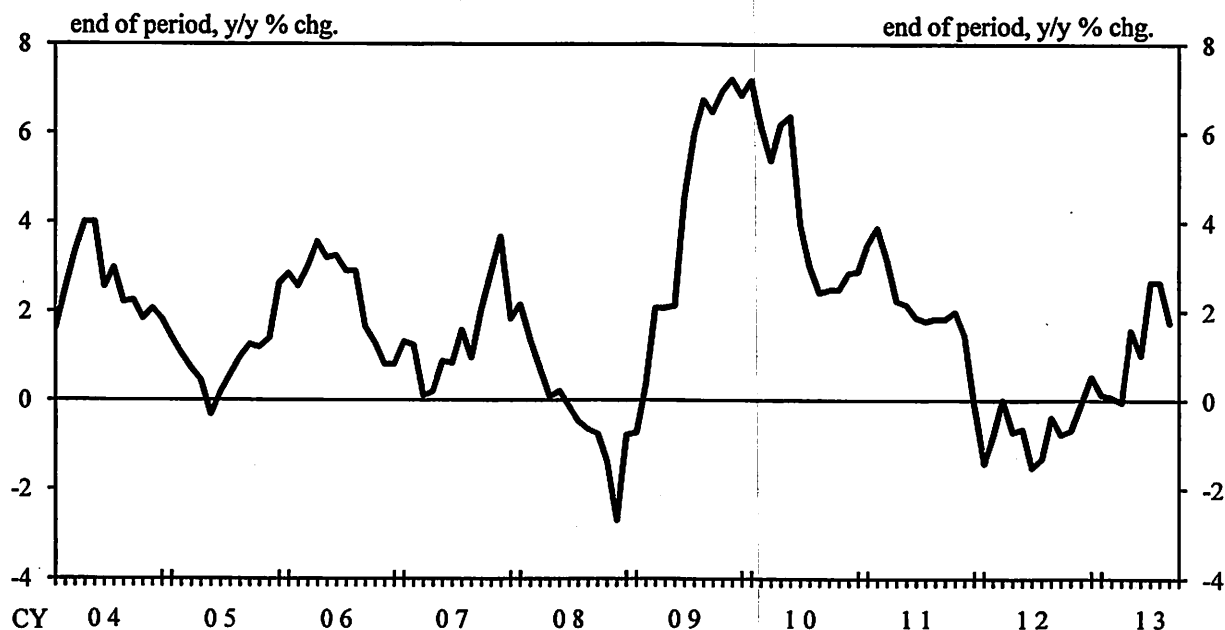
## Private-Sector Fund-Raising in the Capital Markets

## (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



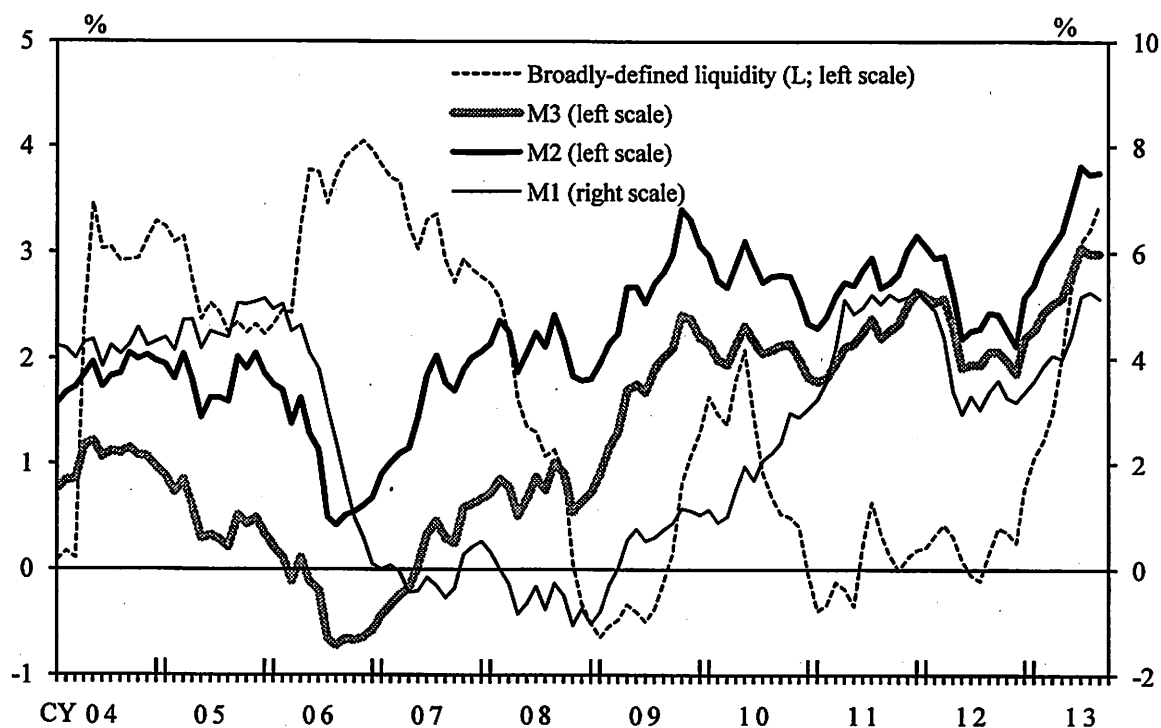
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

- (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.

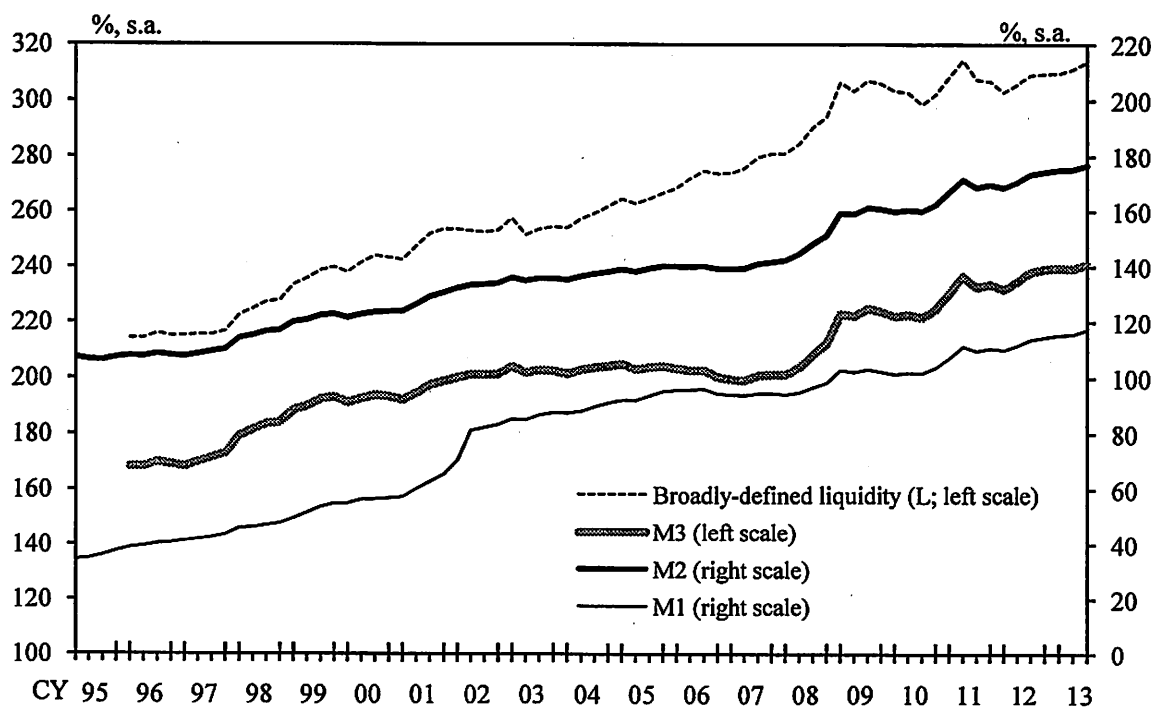
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category"; Bank of Japan, "Principal Figures of Financial Institutions"; Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts of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

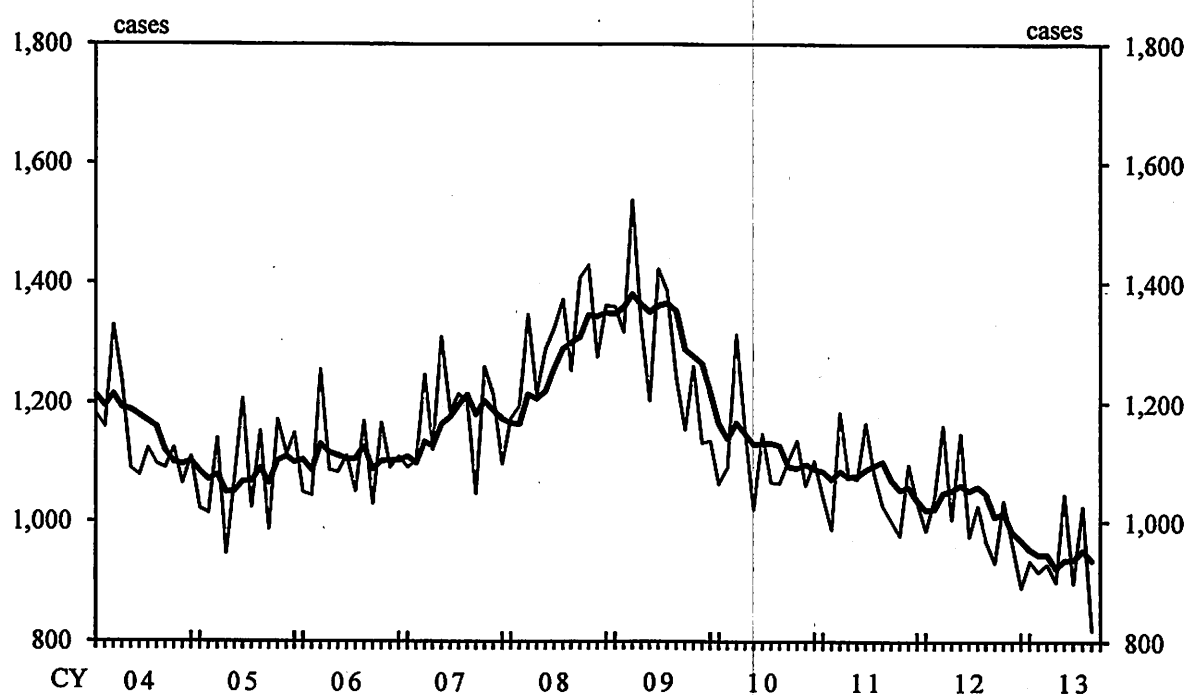
3. The figures up to March 2004 in the upper panel and those up to March 2003 in the lower panel are based on the former series.

4. Figures for money stock in 2013/Q3 are those of Jul.-Aug. averages, and nominal GDP in 2013/Q3 is assumed to be unchanged from the previous quarter.

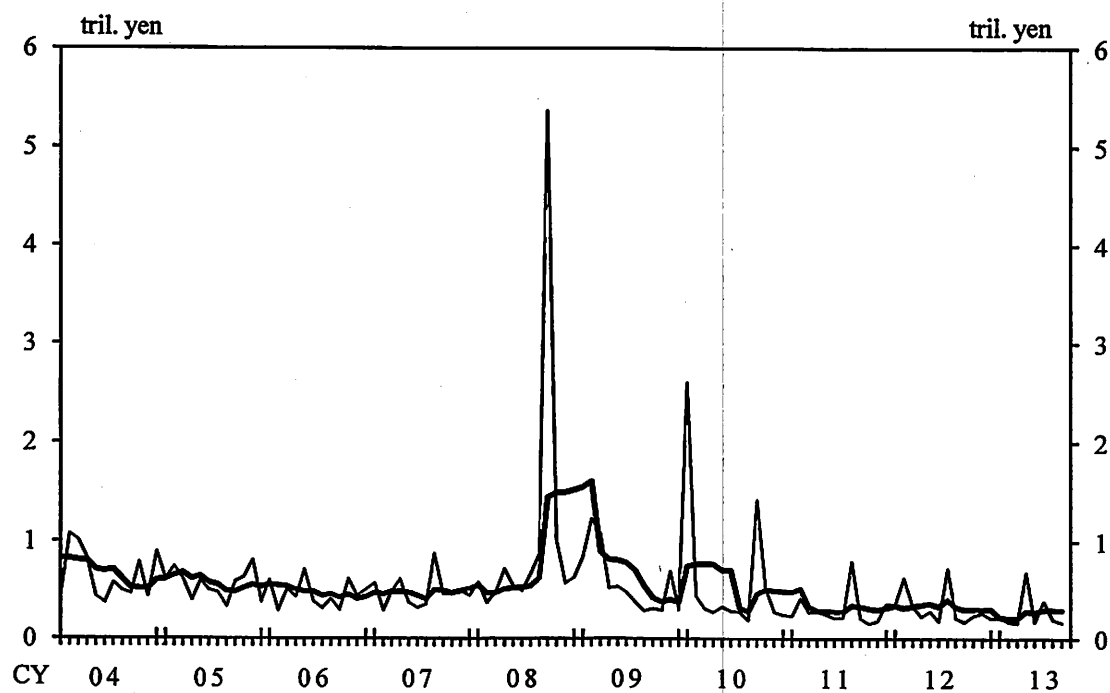
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

## Corporate Bankruptcies

## (1) Number of Cases



## (2) Amount of Liabilities

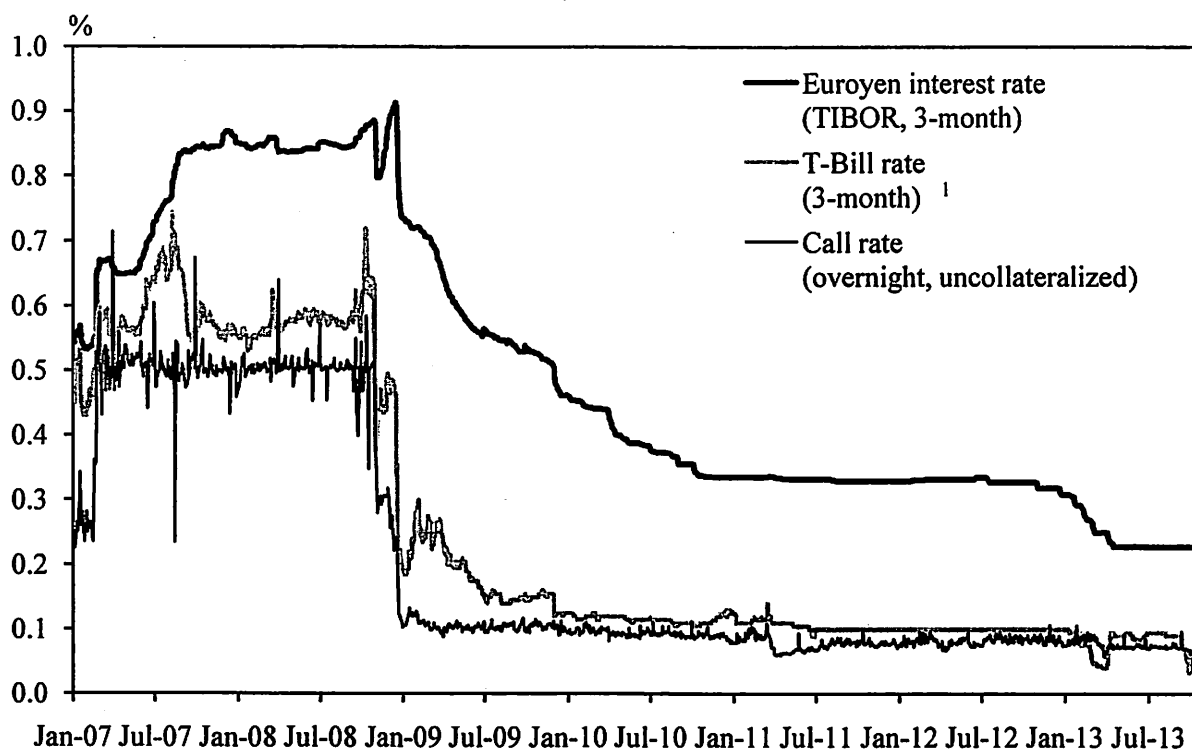


Note: Bold lines are the six-month moving average.

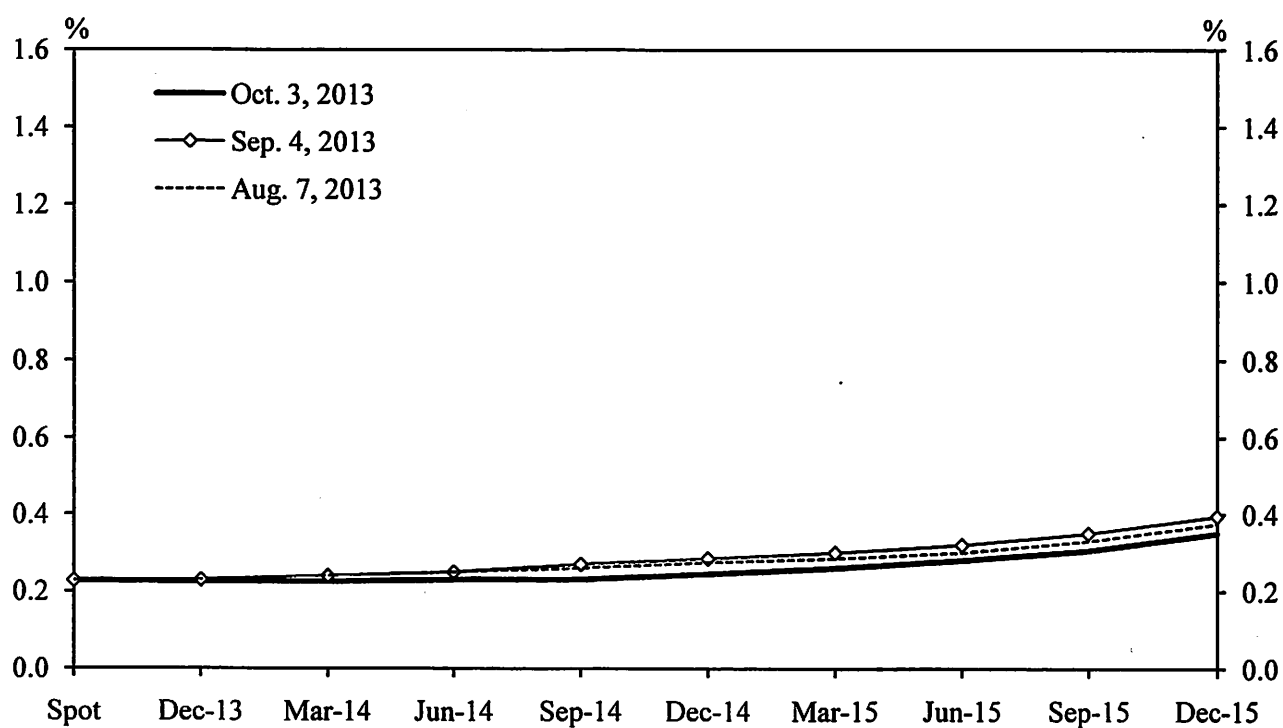
Source: Tokyo Shoko Research Ltd., "Tosan Geppo (Monthly review of corporate bankruptcies)."

## Short-Term Interest Rates

(1) Short-Term Interest Rates



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

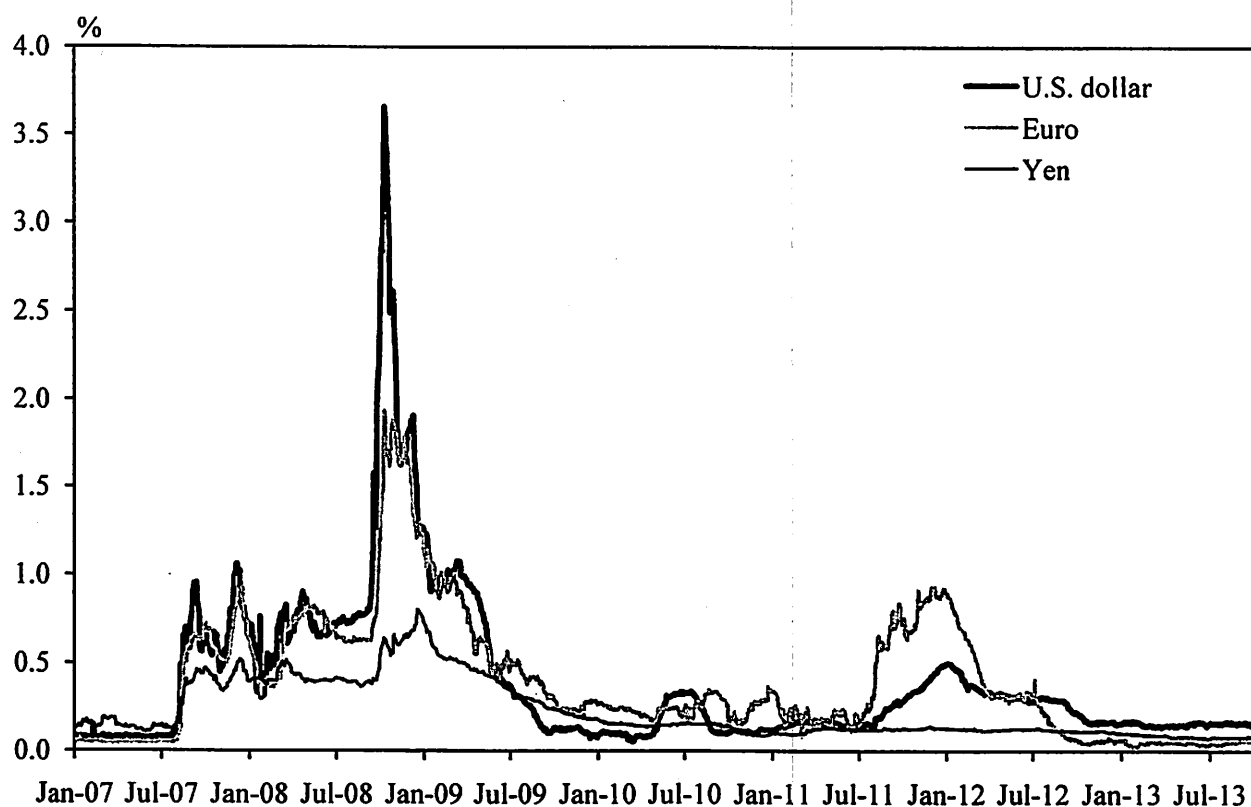


Note: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.

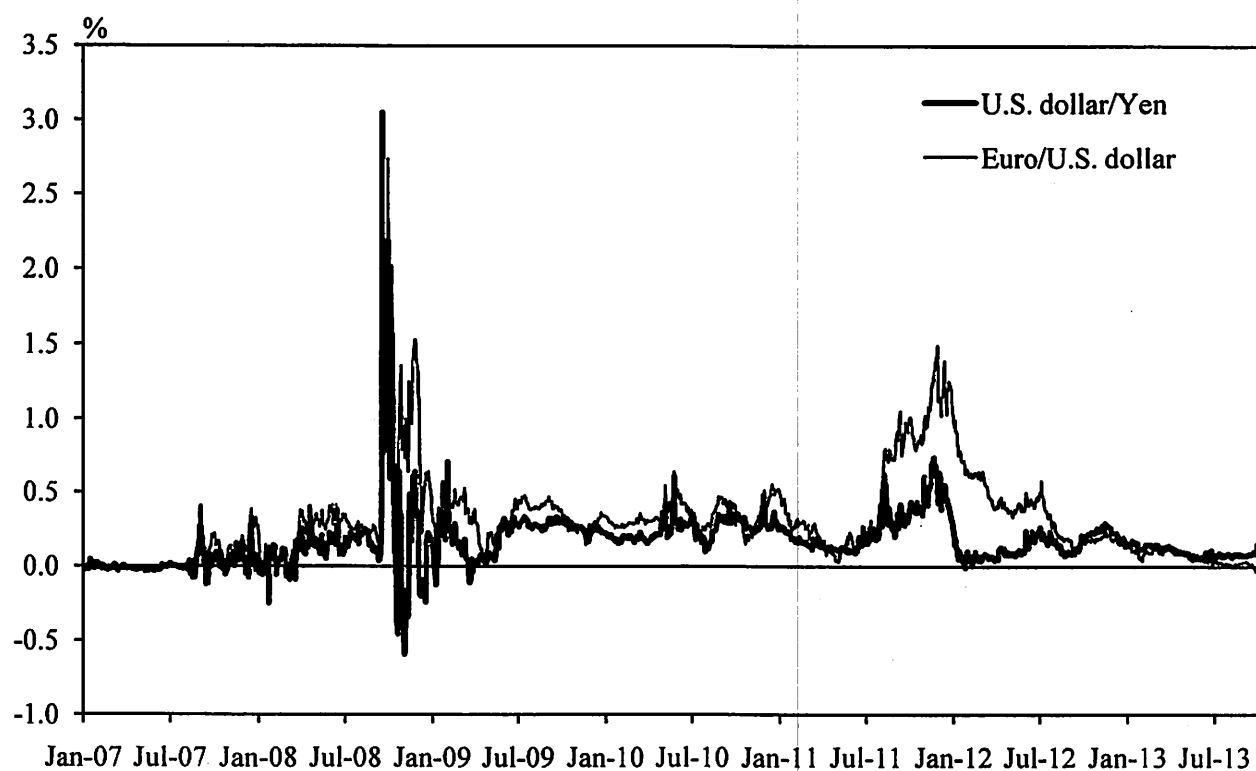
Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.;  
Tokyo Financial Exchange; Bank of Japan.

## Global Money Markets

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



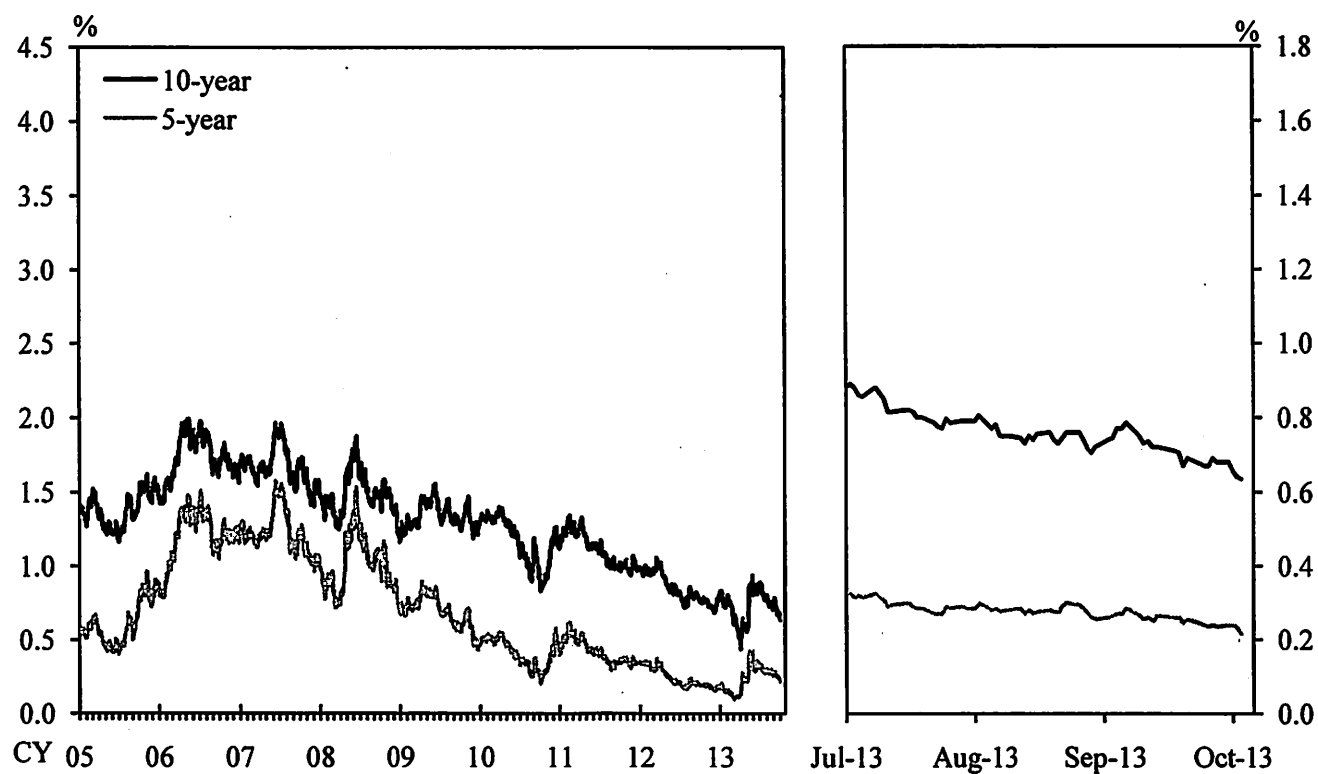
(2) FX swap implied dollar rate - LIBOR spreads (3-Month)



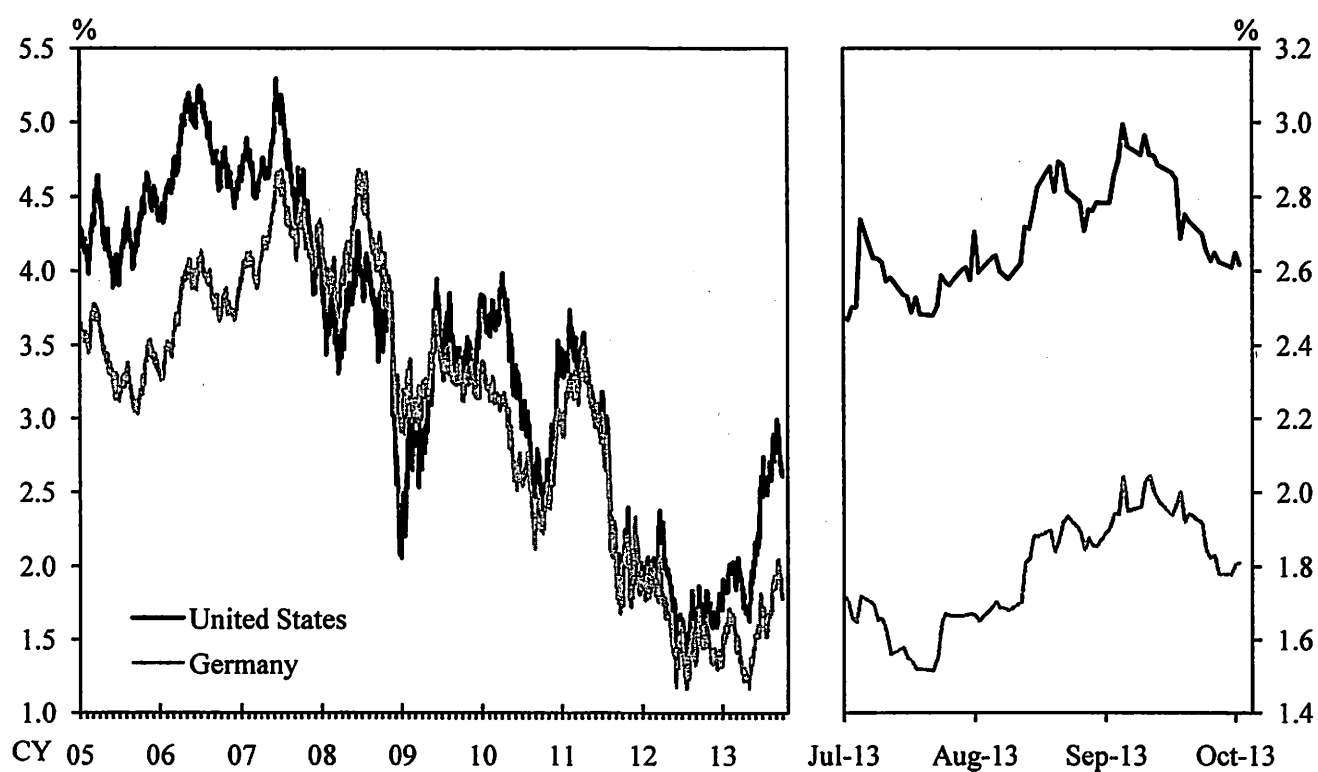
Source: Bloomberg.

## Long-Term Interest Rates

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



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

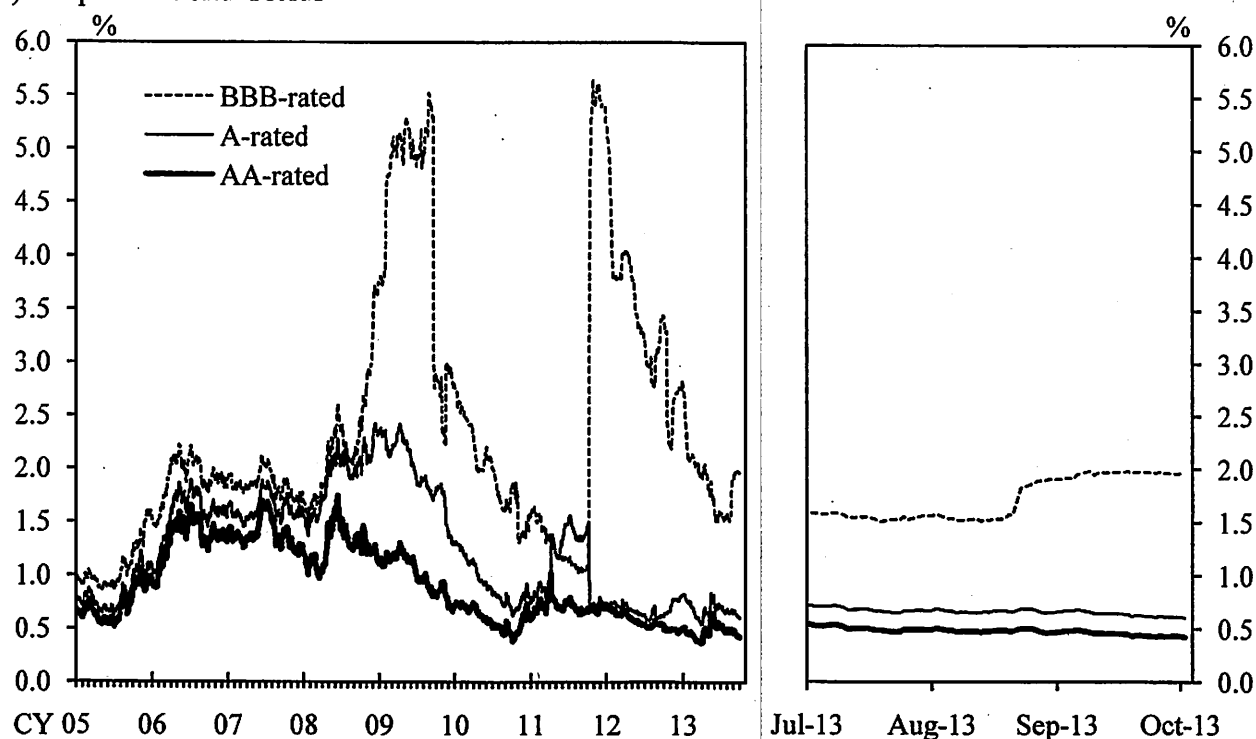


Note: 1. Yields on newly issued bonds.

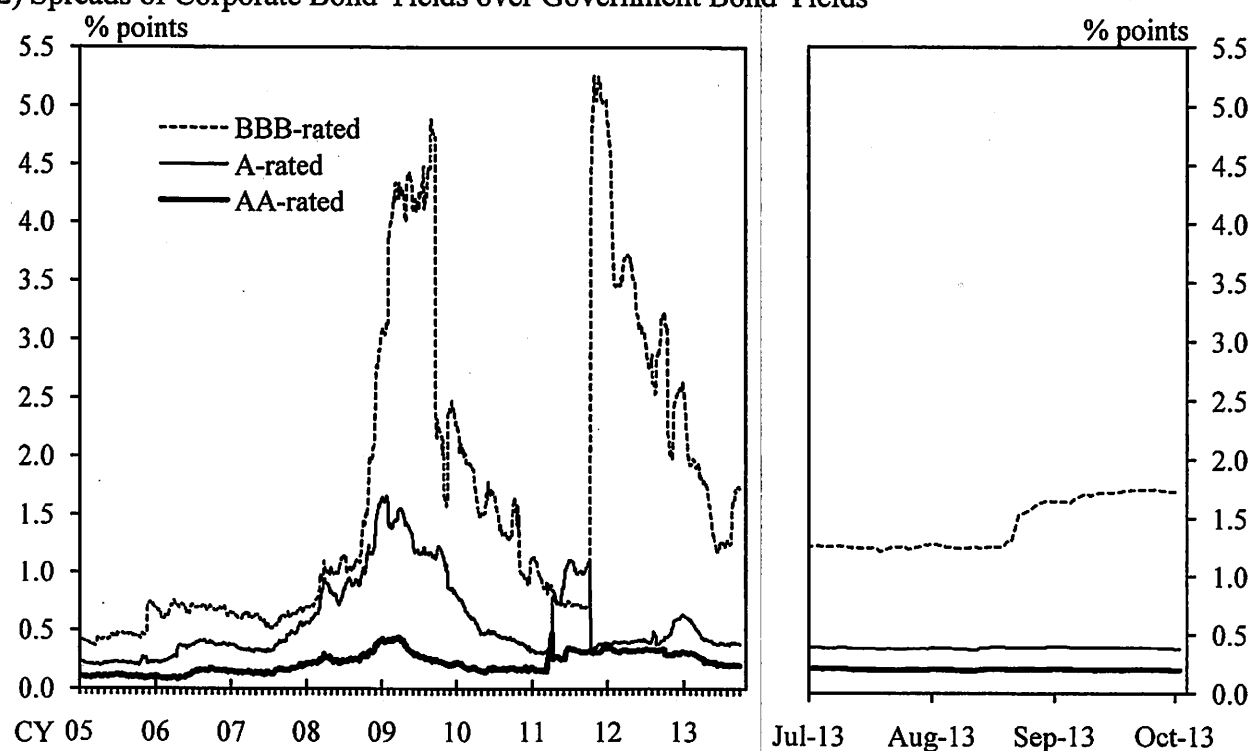
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

# 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.

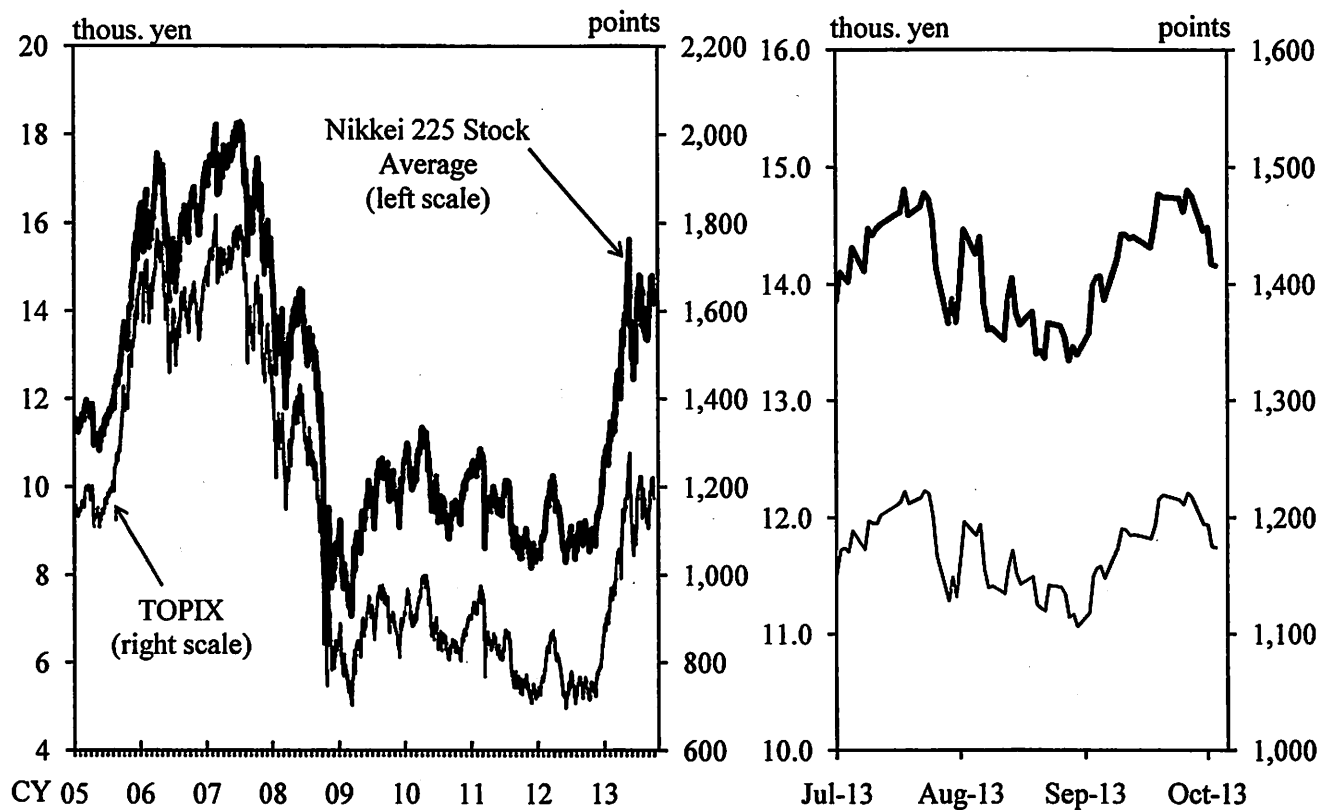
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.

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

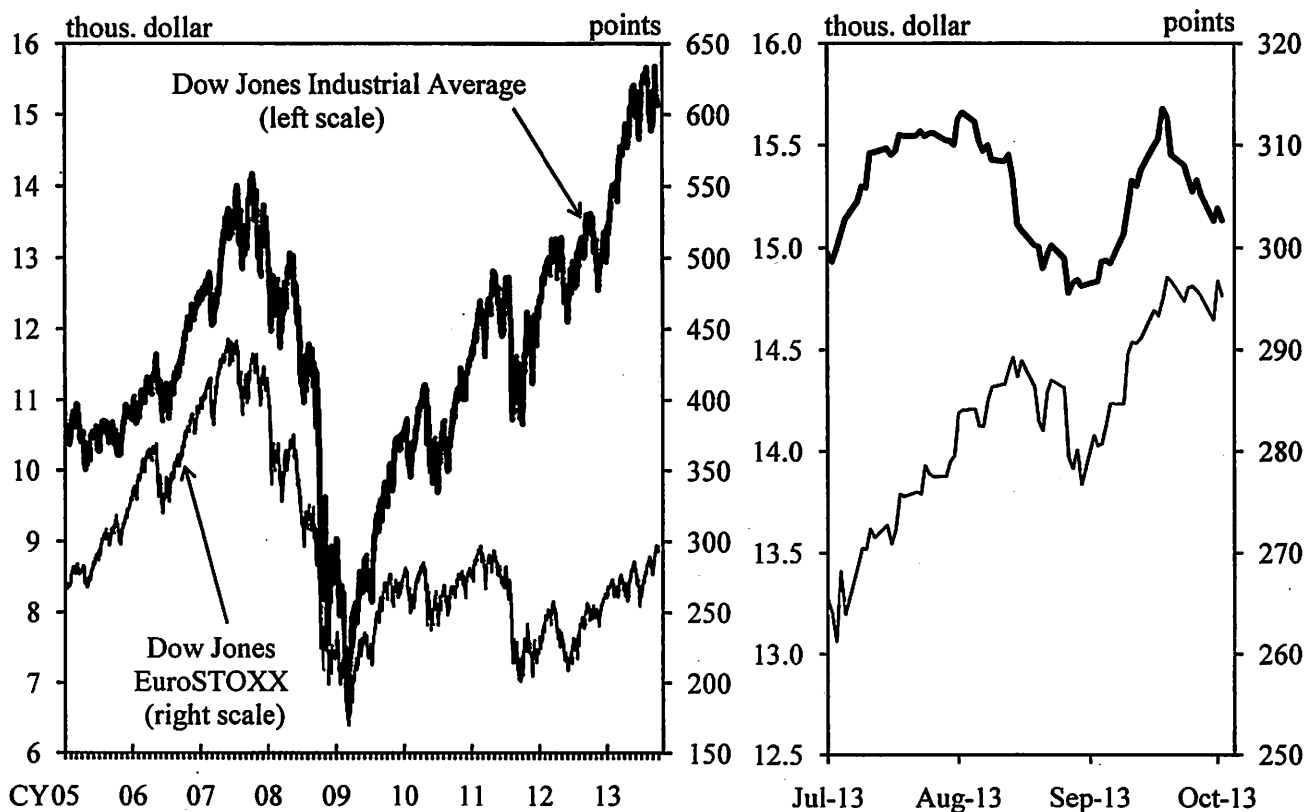
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

# Stock Prices

## (1) Japanese Stock Prices



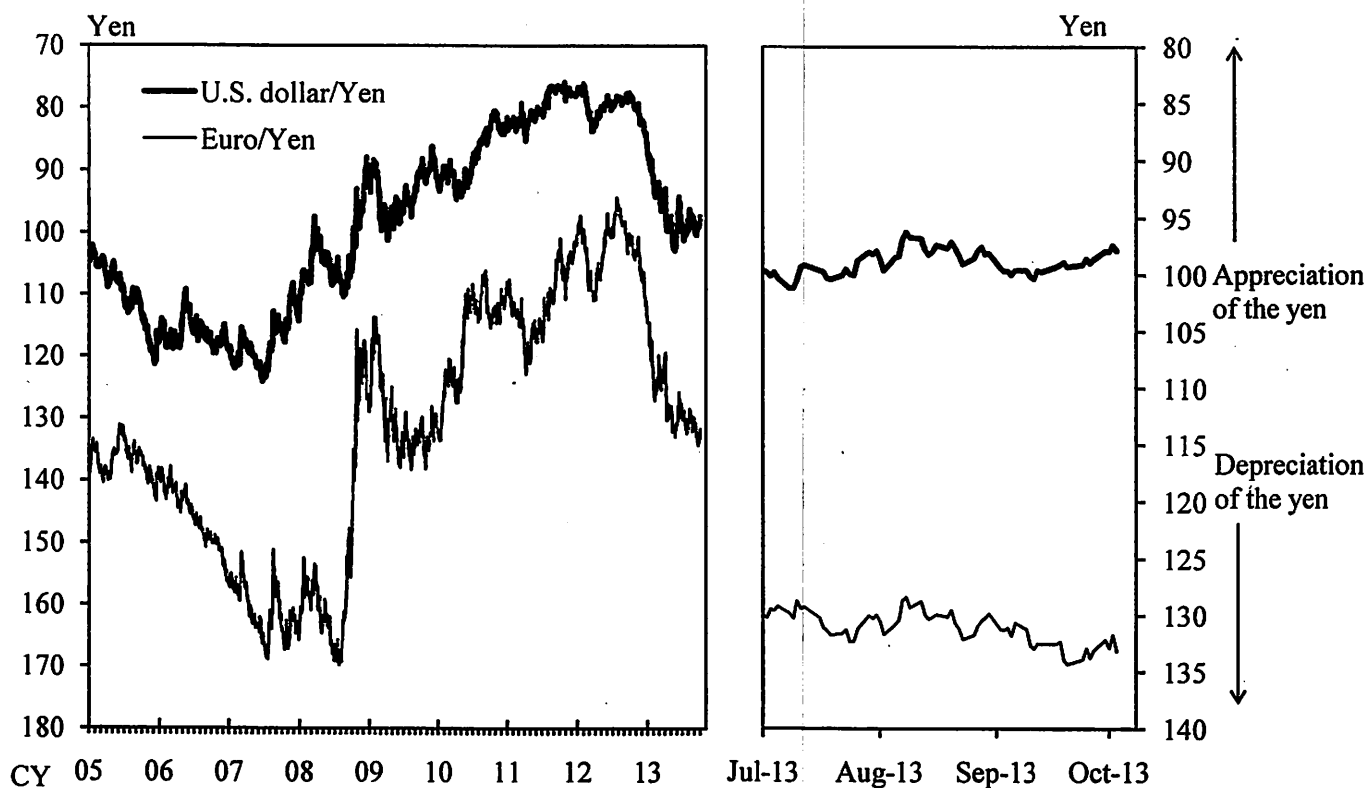
## (2) Overseas Stock Prices



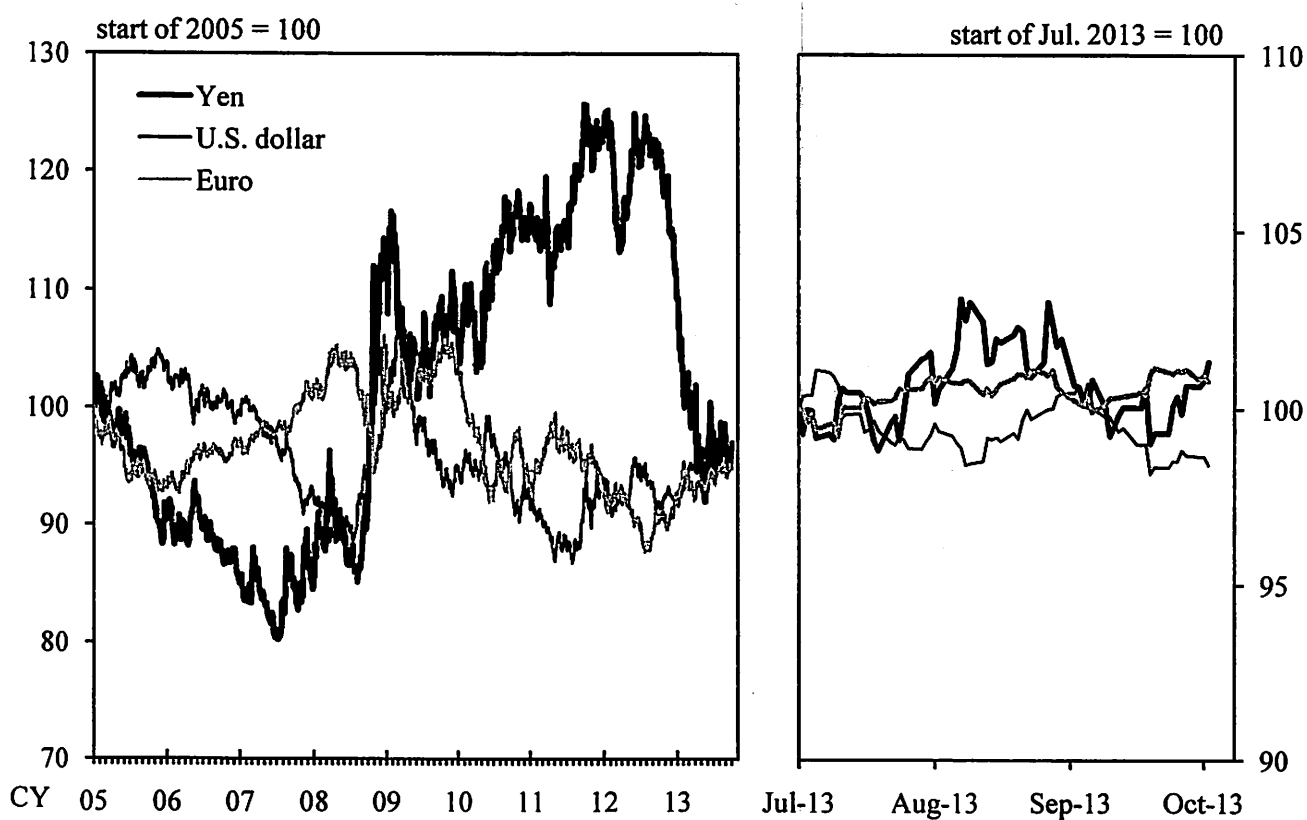


## Exchange Rates

## (1) Bilateral Exchange Rates



## (2) Nominal Effective Exchange Rates



Sources: Bank of Japan; European Central Bank; Thomson Reuters Datastream.

