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Bank of Japan

**Monthly Report of
Recent Economic and Financial Developments
May 2014**

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Secretariat of the Policy Board, Bank of Japan
P.O. Box 30, Nihonbashi, Tokyo 103-8660, Japan

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Summary

Japan's economy has continued to recover moderately as a trend, although the subsequent decline in demand following the front-loaded increase prior to the consumption tax hike has been observed.

Overseas economies -- mainly advanced economies -- are starting to recover, although a lackluster performance is still seen in part. Exports have recently leveled off more or less. Business fixed investment has increased moderately as corporate profits have improved. Public investment has more or less leveled off at a high level. Private consumption and housing investment have remained resilient as a trend with improvement in the employment and income situation, although the subsequent decline in demand following the front-loaded increase has recently been observed. Reflecting these developments in demand both at home and abroad, industrial production has been on a moderate increasing trend.

With regard to the outlook, Japan's economy is expected to continue a moderate recovery as a trend, while it will be affected by the subsequent decline in demand following the front-loaded increase prior to the consumption tax hike.

Exports are expected to increase moderately mainly against the background of the recovery in overseas economies. As for domestic demand, public investment is expected to continue leveling off more or less at a high level. Business fixed investment is projected to follow a moderate increasing trend as corporate profits continue their improving trend. Private consumption and housing investment are expected to remain resilient as a trend, supported mainly by improvement in the employment and income situation, while they will be affected by the subsequent decline in demand following the front-loaded increase. Under these circumstances, industrial production is expected to follow a moderate increasing trend.

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on May 20 and 21, 2014.

Meanwhile, risks to the outlook include developments in the emerging and commodity-exporting economies, the prospects for the European debt problem, and the pace of recovery in the U.S. economy.

On the price front, excluding the direct effects of the consumption tax hike, domestic corporate goods prices are more or less flat relative to three months earlier, mainly against the backdrop of movements in international commodity prices and foreign exchange rates. The year-on-year rate of increase in consumer prices (all items less fresh food) is around 1¼ percent. Inflation expectations appear to be rising on the whole.

With regard to the outlook, excluding the direct effects of the consumption tax hike, domestic corporate goods prices are expected to remain more or less flat for the time being, and the year-on-year rate of increase in consumer prices is likely to be around 1¼ percent for some time.

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 50 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 and corporate bonds have continued to be favorable. 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 negative. Firms have retained their recovered financial positions. Meanwhile, the year-on-year rate of growth in the money stock has been at around 3.5 percent.

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

1. Economic Developments

Public investment has more or less leveled off at a high level. The amount of public construction completed—which reflects the progress of public works—grew at an accelerated pace toward the third quarter last year and continued to move upward in the fourth quarter, albeit at a subdued pace, mainly as a reflection of the effects of the emergency economic package, but it inched downward in the first quarter (Chart 5). The value of public works contracted—a measure that reflects public orders—rose again in the first quarter, after having declined toward the fourth quarter, and it continued to move upward in April relative to the first quarter, partly since the effects of the supplementary budget for fiscal 2013 have started to be observed.

Public investment is expected to continue leveling off more or less at a high level, as the effects of the upward pressure from various economic measures to date continue to diminish while those of the supplementary budget for fiscal 2013 become evident.

Real exports have recently leveled off more or less (Charts 6[1] and 7). Real exports remained more or less flat in the third quarter last year on a quarter-on-quarter basis, after having grown at an accelerated rate in the second quarter, but they rose again in the fourth quarter. Real exports since the start of this year have shown large monthly fluctuations as they were down in January on a month-on-month basis followed by a noticeable increase in February, but declined again in March; exports for the first quarter declined marginally on a quarter-on-quarter basis. In addition to the ongoing sluggishness in countries that have close economic ties with Japan, such as ASEAN countries, the effects of the freezing weather in the United States as well as movements to prioritize domestic supply in response to the front-loaded increase in demand prior to the consumption tax hike and thereby imposing slight constraints on exports are considered to have pushed exports temporary downward up until March. Looking at movements in exports by region (Chart 7[1]), exports to the United States dropped marginally in both the third and fourth quarters last year following the upsurge in the second quarter; the increase in the first quarter remained only marginal on a quarter-on-quarter basis. Exports to the United States seem to have trended upward, particularly in motor vehicles and their related goods, due to the moderate recovery in the U.S. economy and movements in foreign exchange rates. However,

such factors as the freezing weather in the United States and movements to prioritize domestic shipments as a reflection of the front-loaded increase in demand have temporarily exerted downward pressure on exports. Exports to the EU have continued to pick up as a whole; they have kept increasing since the third quarter last year, mainly in motor vehicles and their related goods, as well as capital goods and parts, after having bottomed toward the second quarter. Exports to China—which fell back in the first quarter from the upsurge in the previous quarter—seem to be picking up overall as a trend, with the fluctuations smoothed out, as improvements have been observed mainly in motor vehicles and their related goods and in some capital goods, including semiconductor products machinery. On the other hand, exports to NIEs have continued to show mixed movements. Exports to ASEAN have continued to be somewhat sluggish. Meanwhile, exports to Others—which had been moving moderately upward during the first half of last year, supported by the effects of movements in foreign exchange rates—have been relatively weak since the middle of last year. By goods (Chart 7[2]), exports of motor vehicles and their related goods fell toward the first quarter since transitory factors such as the effects of the aforementioned freezing weather in the United States and movements to prioritize domestic shipments have exerted downward pressure, amid the ongoing sluggishness in demand of some emerging economies. Nevertheless, exports of these goods are considered to be trending upward, primarily due to the moderate recovery in the U.S. economy and to the effects of movements in foreign exchange rates. Exports of capital goods and parts seem to be picking up, albeit with fluctuations, primarily in those of semiconductor products machinery bound for East Asia. Exports of IT-related goods (including visual and audio apparatus) have stopped declining as a trend, mainly due to movements in parts for smartphone products. Meanwhile, exports of intermediate goods inched upward in the first quarter, primarily in chemicals, but they have been relatively weak as a trend, mainly in those to NIEs and ASEAN.

Real imports have continued to increase moderately as a trend against the backdrop of firm domestic demand, despite the effects of some fluctuations in private consumption caused by the consumption tax hike (Charts 6[1] and 9). Real imports continued to increase in the third and fourth quarters last year on a quarter-on-quarter basis, after having stayed almost flat in the second quarter due in part to movements

in foreign exchange rates. After that, imports stepped up their growth in the first quarter this year: this is considered to be mainly attributable to the effects of the front-loaded increase in demand prior to the consumption tax hike and in line with the ending of support for software (operating system) amid firm domestic demand. Looking at movements in imports by goods (Chart 9[2]), although the underlying trend is difficult to read with the large fluctuations, those of raw materials rose sharply in March, mainly in crude oil, assisted partly by the front-loaded increase in demand prior to the rise in the environment tax rate in April; they registered a somewhat large positive in the first quarter on a quarter-on-quarter basis. Imports of IT-related goods increased at an accelerated pace in the first quarter, since those of smartphones have tended to exert upward pressure and also with the effects of the front-loaded increase in demand prior to the ending of support for software having given additional impetus. Imports of consumer goods have been on an increasing trend, mainly in motor vehicles; those of capital goods and parts have picked up, mainly as a reflection of the progress in inventory adjustments and of developments in business fixed investment at home. Imports in the first quarter grew at a somewhat accelerated pace for both of these goods, and this seems to be partly due to the effects of the front-loaded increase in demand prior to the consumption tax hike.² Meanwhile, imports of intermediate goods (such as chemicals as well as iron and steel) have been picking up as a whole, in line with movements in domestic production, and grew at a faster pace in the first quarter than in the fourth quarter, despite the restraints still in place caused by movements in foreign exchange rates.

Net exports—in terms of the real trade balance—deteriorated significantly toward the first quarter, reflecting the aforementioned developments in exports and imports (Chart 6[1]). Looking at movements in the nominal current account surplus on a quarterly basis (Chart 6[2] and [3]), in the fourth quarter last year, the amount of current account surplus narrowed to around zero since the nominal goods and services balance increased its volume of deficit from the previous term, as growth in imports outpaced that in exports, although the surplus of the primary income balance remained unchanged from the previous term. As for the first quarter, the current account balance turned to a deficit because of a further increase in the volume of deficit of the

² Some consumer goods, such as white goods, are included in capital goods and parts as well since it is difficult to categorize them separately.

nominal goods and services balance, due mainly to significant growth in imports, although the surplus of the primary income balance continued to be on par with the fourth quarter.

Regarding the environment surrounding exports, overseas economies—mainly advanced economies—are starting to recover, although a lackluster performance is still seen in part (Chart 8[2]). Looking at movements by major region, in the U.S. economy, the moderate recovery centering on private demand has started to become firm, aided in part by improvement in the employment situation as the effects of the freezing weather have dissipated. The European economy has been recovering moderately. The Chinese economy has continued to be stable, with somewhat lower growth compared to a while ago. Some emerging economies apart from China and commodity-exporting economies have continued to show somewhat sluggish movements, especially in such regions as ASEAN countries, which have close economic ties with Japan. As for the exchange rate, the yen has depreciated significantly against both the U.S. dollar and the euro compared to the period prior to 2012; in terms of the real effective exchange rate, the yen has depreciated slightly below the level around 2007 (Chart 8[1]).

Overseas economies, mainly advanced economies, are expected to recover moderately. The aforementioned movements in foreign exchange rates are also projected to continue exerting upward pressure on exports. By major region, the U.S. economy is projected to gradually accelerate its pace of recovery, as improvement in the employment and incomes situation becomes notable, with downward pressure on the economy from the fiscal side expected to wane in light of forecasts that accommodative financial conditions will be maintained. On the other hand, the European economy is projected to continue a moderate recovery, but attention should still be paid to such issues as the outcome of its debt problem. As for the Chinese economy, in the manufacturing sector—which has a large influence on Japan's economy—problems such as an overhang in the supply of raw materials have persisted. Growth in some emerging and commodity-exporting economies—which have continued to show relatively slack movements—is expected to lose pace for the time being, as these economies deal with issues, mainly in terms of current accounts and inflation rates, although the improvement in advanced

economies is projected to gradually seep through. In relation to this, as for the IT-related sector, with demand for parts for smartphones and other products on an uptrend, orders received and production of electronic parts and semiconductor products machinery for Japanese firms appear to be picking up as a trend. As for future developments, it is considered that the pick-up will become more noticeable, due in part to shipments for new smartphone products. Attention, however, should be paid to the point that shipments for smartphone products would fluctuate significantly depending on movements in production and sales of new products.

Taking the above into consideration, exports are expected to increase moderately mainly against the background of the recovery in overseas economies. Imports are projected to increase moderately as a trend, mainly as a reflection of movements in domestic demand, although they are expected to move downward for the meantime primarily due to the effects of the decline in private consumption in response to prior increases. As a reflection of these developments in exports and imports, net exports are projected to improve moderately as a trend, albeit with fluctuations.

Business fixed investment has increased moderately as corporate profits have improved. On a GDP basis, real business fixed investment (the first preliminary) increased in the first quarter for the fourth consecutive quarter, having grown at a noticeably accelerated pace compared with the previous quarters (Chart 3). The aggregate supply of capital goods—a coincident indicator of machinery investment—on a basis excluding transport equipment has continued to show solid movements, increasing for three quarters in a row since the third quarter last year (Chart 10[1]). As for leading indicators, machinery orders (private sector, excluding orders for ships and those from electric power companies)—a leading indicator of machinery investment—increased for four consecutive quarters from the second quarter last year through the first quarter (Chart 11[1]). By industry, machinery orders of manufacturing have tended to pick up, albeit with monthly fluctuations. Those of nonmanufacturing (excluding orders for ships and those from electric power companies) have also trended upward, with the fluctuations smoothed out. Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—have been more or less flat overall, albeit with fluctuations,

after having risen markedly toward the first quarter last year (Chart 11[2]). By industry, construction starts of mining and manufacturing and of nonmanufacturing have recently been more or less flat, but those of nonmanufacturing have held steady as they have maintained a relatively high level after having surged toward the first quarter last year.

Regarding the environment surrounding business fixed investment, corporate profits have continued to improve. Corporate profits are projected to continue an improving trend, albeit with fluctuations, supported by firm domestic demand as well as by the moderate rise in exports and movements in foreign exchange rates.

Taking the above into consideration, business fixed investment is projected to follow a moderate increasing trend as corporate profits continue their improving trend.

Private consumption has remained resilient as a trend with improvement in the employment and income situation, although the subsequent decline in demand following the front-loaded increase in line with the consumption tax hike has recently been observed (Chart 12). Looking at consumption of goods up until March—as seen through sales at retail stores in real terms (Chart 13[1])—it turned upward in the fourth quarter last year on a quarter-on-quarter basis, after having declined in the third quarter; it increased at a significantly accelerated pace in the first quarter due to the effects of the front-loaded increase in demand. Looking at consumption of durable goods (Chart 13[2]), the number of new passenger-car registrations has recently declined markedly due to the effects of the subsequent decline in demand following the front-loaded increase; sales of household electrical appliances in real terms have also fallen back from the front-loaded increase in demand, and renewal demand for PCs in line with the ending of support for software seems to have begun to peak out. According to anecdotes by firms and other information, however, the scale of the subsequent decline in demand following the increase in durable goods to date seems to have been basically within the scope that was previously projected. Sales at department stores increased markedly in March due to the front-loaded increase in demand prior to the consumption tax hike (Chart 14[1]). Even looking at the first quarter, department store sales climbed substantially from the previous quarter,

assisted partly by favorable start-of-the-year sales and winter clearance sales at the start of the year, aided mainly by the effects of increased winter bonus payments. Sales at supermarkets in March saw the noticeable effect of the front-loaded increase in demand, although they had shown some sluggishness compared to other sectors. On the other hand, sales at convenience stores—which have continued to trend moderately upward—increased at a faster pace in March, but the impact of the front-loaded increase in demand seemed not to have been as large as that in other sectors. All of these sectors have faced a subsequent decline following the increase in demand since the start of April, but similar to the situation in durable goods, many industries have voiced that the situation to date was generally within the scope previously projected. Meanwhile, as for consumption of services (Chart 14[2]), outlays for travel and sales in the food service industry have remained steady as a whole; the effects of the front-loaded increase in demand followed by the subsequent decline seem to have been limited.

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 13[1])—which is compiled so as to make it similar to items used for estimating GDP—was up significantly in the first quarter, due in part to the front-loaded increase in demand prior to the consumption tax hike, after having registered a sizeable decline in the fourth quarter last year.³ The total expenditure in the *Survey of Household Economy* (in real terms; two-or-more-person households) inched upward in the fourth quarter on a quarterly basis, despite large monthly fluctuations, after having remained almost flat until the third quarter; it registered high growth in the first quarter as well with the front-loaded increase in demand having been observed, notably in durable goods.

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

Indicators related to consumer confidence—which had continued an improving trend, albeit with fluctuations, after having risen at a rapid pace since the start of last year—have been relatively weak since October (Chart 15).⁴

Private consumption is expected to remain resilient as a trend, supported mainly by improvement in the employment and income situation, while it will be affected by the subsequent decline in demand following the front-loaded increase.

Housing investment has remained resilient as a trend with improvement in the employment and income situation, although the subsequent decline in demand following the front-loaded increase in line with the consumption tax hike has recently been observed. The number of housing starts—a leading indicator of housing investment—fell back in the first quarter to the level around the first half of last year, after having increased its level to around the annualized 1 million unit level in the third quarter last year and then having inched further upward in the fourth quarter (on a seasonally adjusted, annual basis, it recorded approximately 978,000 units in the second quarter, approximately 999,000 units in the third quarter, approximately 1.026 million units in the fourth quarter, and approximately 939,000 units in the first quarter; Chart 16[1]).

Housing investment is expected to remain resilient as a trend, supported mainly by improvement in the employment and income situation and the accommodative financial conditions, while it will be affected by the subsequent decline in demand following the front-loaded increase.

Industrial production has been on a moderate increasing trend, albeit with some fluctuations due to the consumption tax hike (Chart 17). Movements during the period up to March show that industrial production kept increasing, after having turned marginally upward in the first quarter last year; as for the first quarter at the start of this year, it grew at a somewhat high pace, partly in response to the

⁴ Looking at household movements in the *Economy Watchers Survey*, the current conditions DI in the April survey was down somewhat significantly from the previous month, since the subsequent decline in demand following the front-loaded increase was observed, chiefly in retailing. Meanwhile, the future conditions DI showed a discernible improvement due to anticipations that the effects of the subsequent decline in demand following the increase will wane.

front-loaded increase in demand prior to the consumption tax hike. By industry, production of transport equipment (such as passenger cars)—which had been almost flat temporarily in the third quarter last year—increased markedly in the fourth quarter and grew at a somewhat accelerated pace in the first quarter, despite some effects of heavy snow in February. These movements were supported by somewhat strong domestic sales due in part to the effects of the front-loaded increase in demand as well as those of the introduction of new models. Against the backdrop of the increase in domestic production of motor vehicles and firm demand with ties to construction, production of iron and steel, nonferrous metals, and chemicals has also held steady; chemicals, in particular, exhibited somewhat high growth as the effects of the front-loaded increase in demand for daily necessities added further impetus. Furthermore, production of general-purpose, production and business oriented machinery has picked up noticeably as a reflection of developments in business fixed investment at home and abroad. Production of other electrical machinery (electrical machinery; information and communication electronics equipment) has increased across a wide range of items, including white goods and some capital goods such as electronic computers. Production of ceramics, stone and clay products has continued to be solid, albeit with fluctuations, as a reflection of firm demand with ties to construction. Production of electronic parts and devices have turned upward as a whole, since the effects of shipments of some smartphone products released last fall that had come to a halt have generally dissipated, with parts for smartphone and tablet products produced in Asia having held steady as a trend.

Shipments grew at a noticeably accelerated pace through the first quarter, although some effects of heavy snow were observed in February (Chart 17[1]). By goods (Chart 18), shipments rose for goods of all categories in the first quarter; an increase was noticeable especially in capital goods as a reflection of developments in business fixed investment as well as in nondurable consumer goods—which were susceptible to the front-loaded increase in demand—including daily necessities.

Inventories have trended downward since around the end of last year, due in part to the effects of the front-loaded increase in demand, albeit with monthly fluctuations (Chart 17[1]). Movements in inventories show that they inched upward at the end of March compared with the end of December last year, after having

registered a sizeable decline at the end of December relative to the end of September. By industry, inventories of transport equipment—which had been flat, albeit with fluctuations, after having declined somewhat significantly at the end of last year—rose significantly in March. This increase may be attributable to movements to restore the inventory level that was lowered due mainly to the effects of heavy snow in February as well as to inventories waiting to be shipped overseas. Inventories of electronic parts and devices seemed to have piled up, partly in anticipation of recovery in demand for the outlook. On the other hand, inventories of iron and steel and of ceramics, stone and clay products as well as general-purpose, production and business oriented machinery have declined, amid a pick-up in shipments. Inventories associated with daily necessities including pulp, paper and paper products plunged toward the end of March. As for the shipment-inventory balance (year-on-year rate of change in shipments less that in inventories), growth in shipments has clearly outpaced that in inventories; the shipment-inventory balance has improved markedly (Chart 19[2]). By goods, the shipment-inventory balance, with the fluctuations smoothed out, has improved noticeably for sectors of all categories.

Industrial production is expected to follow a moderate increasing trend, mainly as a reflection of developments in demand at home and abroad, while it will be affected by the subsequent decline in demand following the front-loaded increase prior to the consumption tax hike. Based on anecdotes by firms and on other information, as for the second quarter, industrial production as a whole is projected to fall back temporarily due to the subsequent decline from the previous quarter that registered somewhat high growth in response to the front-loaded increase in demand. By industry, amid the subsequent decline in demand of domestic sales following the front-loaded increase, transport equipment will see noticeable production cutbacks, and this is projected to have spillover effects on related industries, including chemicals as well as iron and steel. Production of information and communication electronics equipment is expected to decline, mainly since renewal demand in line with the ending of support for software will peak out gradually. On the other hand, production of general-purpose, production and business oriented machinery is projected to continue increasing, with the ongoing improvement of developments in business fixed investment at home and abroad. Production of electronic parts and

devices is forecasted to continue a moderate increase, with the overhang in stocks of parts for smartphone products, including those for new products, scheduled for release later on.

As for the employment and income situation, supply and demand conditions in the labor market have continued to improve steadily, and employee income has picked up moderately.

As for supply and demand conditions in the labor market, the unemployment rate has been on a moderate improving trend on average; its readings in February and March were 3.6 percent, improving to a level on par with that in July 2007 which was the bottom prior to the Lehman shock (Chart 20). New job openings have trended upward. The active job openings-to-applicants ratio has also continued its moderate improving trend; it kept improving steadily and recorded 1.07 in March—the highest level since June 2007—after having stood at 1.01 in November last year, recovering to the 1.00-2.00 level for the first time since October 2007. Non-scheduled hours worked have accelerated their pace of growth, partly in response to the front-loaded increase in demand in March, while nonmanufacturing has been resilient and manufacturing has tended to pick up noticeably.

In terms of employment, the year-on-year rate of increase in the number of employees in the *Labour Force Survey* has been at around 1 percent on average, despite large monthly fluctuations (Chart 22[1]). The year-on-year rate of increase in the number of regular employees in the *Monthly Labour Survey* has tended to expand mildly as a whole, since manufacturing has tended to decline at a reduced rate, while nonmanufacturing has kept growing at around 1.5 percent.

Total cash earnings per employee have generally bottomed out as a whole, albeit with fluctuations (Chart 22[2]). Hourly cash earnings of overall employees have improved moderately as a whole, albeit with fluctuations, as non-scheduled cash earnings and special cash earnings have increased (Chart 21[1]). Taking a closer look, as a reflection of movements in nonmanufacturing, both monthly cash earnings of full-time employees per employee and hourly cash earnings of part-time employees have continued their year-on-year increases, albeit at a mild pace (Chart 21[2]). The

year-on-year rate of change in scheduled cash earnings, however, has still been slightly negative on average, with the uptrend in the ratio of part-time employees having exerted downward pressure and due in part to the effects of the reduced number of hours worked of part-time employees (Chart 21[3]). On the other hand, the year-on-year rate of increase in non-scheduled cash earnings has registered a distinct positive as a reflection of movements in the number of hours worked, and special cash earnings have also continued to move upward on a year-on-year basis.

Employee income has picked up moderately, as it has recently continued to register year-on-year increases, as a reflection of the aforementioned developments in employment and wages (Chart 22[3]).

As for the outlook regarding employee income, a pick-up is expected to become more evident in line with the recovery in economic activity and business performance.

2. Prices

International commodity prices have been more or less flat (Chart 24[1] and [3]). Prices of crude oil have been basically flat since a pile-up in inventories of crude oil in the United States exerted downward pressure, while concern about the situation in Ukraine and Russia placed upward pressure. Prices of grains have been more or less level as a whole, although factors such as the situation in Ukraine and Russia as well as weather factors in the United States have been taken into account. In contrast, prices of nonferrous metals have been sluggish as uncertainty about emerging economies including China has been perceived.

The three-month rate of change in import prices (on a yen basis) has recently been almost flat, as a reflection of movements in foreign exchange rates and international commodity prices (Chart 24[2]).

Domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter), on a basis excluding the direct effects of

the consumption tax hike,⁵ are more or less flat relative to three months earlier, mainly against the backdrop of movements in international commodity prices and foreign exchange rates (Chart 25[2]).⁶ Excluding the direct effects of the consumption tax hike, the three-month rate of change in domestic corporate goods prices rose moderately in January and February, recording positive 0.4 percent and positive 0.3 percent, respectively, mainly against the backdrop of movements in international commodity prices and foreign exchange rates, but then became more or less flat by posting 0.0 percent in March and April for two months in a row. Looking in detail at domestic corporate goods price movements in April relative to three months earlier, prices of "goods sensitive to exchange rates and overseas commodity prices" and of "Other materials" turned downward. These price declines were attributable to movements in foreign exchange rates and international commodity prices of crude oil and nonferrous metals; added to this, overall prices of "Other materials" were largely affected by reduced pharmaceutical prices. Prices of "iron & steel and construction goods" continued to decline marginally, as the effects of the decline in scrap & waste persist in response to somewhat sluggish demand in Asia. On the other hand, prices of "electric power, gas & water" rose at an accelerated pace, aided in part by price increases of some electric power companies amid upward pressure brought on by movements in foreign exchange rates since the end of last year through the fuel cost adjustment system. "Others" have seen their prices firm upward, primarily in food, assisted partly by the effects of previous increases in prices of grains.

The year-on-year rate of change in corporate services prices (excluding international transportation; year-on-year basis, same hereafter) has been at around 0.5 percent (Chart 26). On a year-on-year basis, corporate services prices registered positive 0.6 percent in March, following positive 0.5 percent in February. Looking in detail at recent corporate services price movements, the year-on-year rate of change in prices related to "selling, general and administrative expenses" has bottomed out

⁵ As for the *Domestic Corporate Goods Price Index*, a reference index—which has been released on a basis excluding the consumption tax—is used. For details, see BOX in the *Monthly Report of Recent Economic and Financial Developments*, March 2014.

⁶ 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.

overall, since advertising services have accelerated their rate of increase and other items have seen ongoing price increases, mainly as a reflection of the recovery in corporate profits, while hotel services have been firm, although communications services have remained negative. The rate of change in prices related to "real estate," including office space rental, has begun to bottom out as a whole, albeit with fluctuations. Prices related to "fixed investment" have expanded their year-on-year rate of increase markedly amid firm demand with ties to construction; prices of "others" have increased at a somewhat significant rate, buoyed by the effects of the rise in finance and insurance as a result of increased property and casualty insurance services, as plant engineering continued to post year-on-year increases. The year-on-year rate of change in "IT-related" prices has ceased to decline, albeit with fluctuations, reflecting movements of prices for leasing. As for March, however, the year-on-year rate of change in prices such as of advertising services may have been somewhat strong due to the effects of the front-loaded increase in demand prior to the consumption tax hike.

The year-on-year rate of increase in consumer prices (all items less fresh food; year-on-year basis, same hereafter) is around 1¼ percent (Chart 27[1]). On a year-on-year basis, consumer prices—which had been in the range of positive 0.7-0.8 percent in the third quarter last year—have been around 1¼ percent since November, after having expanding their rate of increase to positive 0.9 percent in October (readings of positive 1.3 percent from December to March were the highest levels since positive 1.9 percent in October 2008). Those on a basis that excludes food and energy—which turned upward to positive 0.3 percent in October on a year-on-year basis—have been at around 0.75 percent since November (the most recent figure in March was positive 0.7 percent). Regarded as a method for capturing trend changes, the year-on-year rate of change in the trimmed mean has continued to be on a moderate rising trend, albeit with fluctuations (Chart 28[2]).⁷ The year-on-year rate

⁷ 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.

of change in the Laspeyres chain index has moved in tandem with that in the 2010-base index (Chart 28[1]).⁸

Looking at recent year-on-year movements in consumer prices, fees for public services—which continued to grow at generally the same rate, after having increased at an accelerated pace in October last year due mainly to increased charges for accident insurance—have risen at a somewhat accelerated pace, as movements in foreign exchange rates since the end of last year have placed upward pressure on electricity prices through the fuel cost adjustment system. Prices for goods (excluding agricultural, aquatic & livestock products) have lowered their overall growth rate slightly after the peak in January; this is affected by the movement of the subsequent decline following the previous increase at the same time last year in petroleum products, durable goods (TV sets and room air conditioners) and other goods (handbags <imported>). Nevertheless, movements to pass on cost increases in the form of higher prices have continued to be observed in a wide range of items, primarily as a reflection of movements in foreign exchange rates, against the backdrop of firm private consumption; prices of these goods have continued to register year-on-year increases, and prices of food products have kept increasing at an accelerated pace. Prices of general services have gradually accelerated their pace of increase as a whole, since prices of rent—which comprise a large weight—have reduced their rate of decline, albeit slightly, in response to movements at the same month last year, together with prices of eating out having expanded their rate of increase mildly and prices of other services having risen at an accelerated pace, albeit with fluctuations, chiefly in package tours to overseas and hotel charges.

With regard to the outlook, excluding the direct effects of the consumption tax hike, domestic corporate goods prices are expected to remain more or less flat for the

⁸ 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.

time being, and the year-on-year rate of increase in consumer prices is likely to be around 1¼ percent for some time.⁹

Meanwhile, inflation expectations appear to be rising on the whole (Chart 29).

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 50 percent (Chart 30).

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 32).

With regard to credit supply, firms have continued to see financial institutions' lending attitudes as being on an improving trend (Chart 31). Issuing conditions for CP and corporate bonds have continued to be favorable. 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 33). The year-on-year rate of change in the amount outstanding of CP and corporate bonds has been negative (Chart 34).

Firms have retained their recovered financial positions (Chart 31). The number of corporate bankruptcies has remained at a low level (Chart 36).

⁹ Consumer prices for the Ku-area of Tokyo in April (preliminary)—excluding the direct effects of the consumption tax hike on a year-on-year basis—stood at positive 1.0 percent on an all items less fresh food basis (positive 2.7 percent including consumption tax); they registered the same rate of increase as that in March prior to the consumption tax hike. Those on a basis that excludes food and energy registered positive 0.6 percent (positive 2.0 percent including consumption tax), up 0.2 percentage points from positive 0.4 percent in March. For details on the direct effects of the consumption tax hike (estimates), see BOX in the *Monthly Report of Recent Economic and Financial Developments*, March 2014.

Meanwhile, the year-on-year rate of growth in the money stock (M2) has been at around 3.5 percent. Its April reading was 3.4 percent on a year-on-year basis, following 3.6 percent in March (Chart 35).¹⁰

(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), the Euroyen interest rate (3-month), and interest rates on Euroyen futures have all been virtually level (Chart 37). In U.S. dollar funding, the LIBOR-OIS spread for the dollar has basically been flat (Chart 38).

Yields on 10-year government bonds (newly issued 10-year JGB) have been more or less flat; they are currently moving at around 0.6 percent (Chart 39).

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 40).

Stock prices have been fluctuating generally in line with U.S. stock prices, after having dipped temporarily. The Nikkei 225 Stock Average is currently moving at around 14,000 yen (Chart 41).

In the foreign exchange market, the yen's exchange rate has been moving within a narrow range against the U.S. dollar, although it has recently appreciated somewhat primarily in view of decreases in U.S. interest rates; the yen is currently moving in the range of 101-102 yen against the U.S. dollar. The yen's exchange rate has appreciated against the euro, mainly due to speculation about monetary policies in the euro area, after having depreciated slightly mainly in response to expectations for an improvement in the European economy; the yen is currently moving in the range of 138-139 yen against the euro (Chart 42).

¹⁰ On an M3 basis, which includes the Japan Post Bank, the year-on-year rate of growth has been in the range of 2.5-3.0 percent; its April reading was 2.8 percent, following 2.9 percent in March. The year-on-year rate of growth in broadly-defined liquidity (L) has recently been at around 3 percent; it increased by 3.1 percent in April, following an increase of 3.7 percent in March.

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Chart 1

Main Economic Indicators (1)

	s.a., q/q (m/m) % chg. ¹						
	2013/Q3	Q4	2014/Q1	2014/Jan.	Feb.	Mar.	Apr.
Index of consumption expenditure level (two-or-more-person households)	-0.2	-0.1	4.3	1.7	-1.5	10.6	n.a.
Sales at department stores	-1.0	1.0	9.4	0.5	1.2	22.1	n.a.
Sales at supermarkets	-0.0	0.1	3.2	-3.5	3.6	12.8	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 284>	< 309>	< 333>	< 356>	< 326>	< 315>	< 259>
Sales of household electrical appliances (real, "Current Survey of Commerce")	-1.4	3.1	14.3	4.4	5.9	25.6	n.a.
Outlays for travel	-0.1	3.0	n.a.	-2.7	-0.8	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	< 100>	< 103>	< 94>	< 99>	< 92>	< 89>	<n.a.>
Machinery orders ⁴ (Private sector, exc. volatile orders)	4.8	1.9	4.2	8.1	-4.6	19.1	n.a.
Manufacturing	8.1	2.0	3.9	4.9	-4.6	23.7	n.a.
Nonmanufacturing ⁴ (exc. volatile orders)	-0.2	4.9	-1.0	6.1	-5.1	8.5	n.a.
Construction starts (private, nondwelling use)	-0.5	2.9	-0.5	5.0	-7.4	0.9	n.a.
Mining & manufacturing	8.9	3.1	-1.6	-14.3	-14.7	-3.1	n.a.
Nonmanufacturing ⁵	-1.3	0.6	-1.7	11.6	-5.1	-2.1	n.a.
Value of public works contracted	-0.7	-3.6	6.6	10.9	-10.1	3.0	4.5
Real exports	-0.1	1.5	-1.0	-2.5	4.3	-3.3	n.a.
Real imports	2.4	1.6	4.5	5.1	-4.9	8.3	n.a.
Industrial production	1.8	1.8	2.9	3.9	-2.3	0.7	n.a.
Shipments	1.2	2.6	4.6	5.1	-1.0	-0.2	n.a.
Inventories	-0.1	-1.9	0.2	-0.4	-0.9	1.4	n.a.
Inventory ratio <s.a., CY 2010 = 100>	< 108.2>	< 104.1>	< 105.4>	< 99.3>	< 103.2>	< 105.4>	<n.a.>
Real GDP	0.3	0.1	1.5	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.5	0.3	1.6	1.7	-1.1	1.5	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2013/Q3	Q4	2014/Q1	2014/Jan.	Feb.	Mar.	Apr.
Active job openings-to-applicants ratio <s.a., times>	< 0.95>	< 1.01>	< 1.05>	< 1.04>	< 1.05>	< 1.07>	<n.a.>
Unemployment rate <s.a., %>	< 4.0>	< 3.9>	< 3.6>	< 3.7>	< 3.6>	< 3.6>	<n.a.>
Non-scheduled hours worked ⁶	4.0	6.0	7.1	7.0	5.8	8.4	n.a.
Number of employees	0.9	1.2	0.8	0.8	0.5	1.0	n.a.
Number of regular employees ⁶	0.9	1.1	1.2	1.2	1.2	1.2	n.a.
Nominal wages per person ⁶	-0.4	0.4	0.1	-0.2	-0.1	0.7	n.a.
Domestic corporate goods price index <excluding consumption tax, y/y % chg.>	2.2	2.5	1.9	2.4	1.8	1.7	p 4.1
<excluding consumption tax, q/q % chg., 3-month rate of change> ⁷	< 0.6>	< 0.4>	< 0.2>	< 0.4>	< 0.3>	< 0.0>	<p 1.4> <p 0.0>
Consumer price index ⁸	0.7	1.1	1.3	1.3	1.3	1.3	n.a.
Corporate services price index ⁹	-0.1	0.3	p 0.5	0.3	0.5	p 0.6	n.a.
Money stock (M2) <average outstanding, y/y % chg.>	3.8	4.2	4.0	4.3	4.0	3.6	p 3.4
Number of corporate bankruptcies <cases per month>	<888>	<857>	<820>	<864>	<782>	<814>	<914>

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";

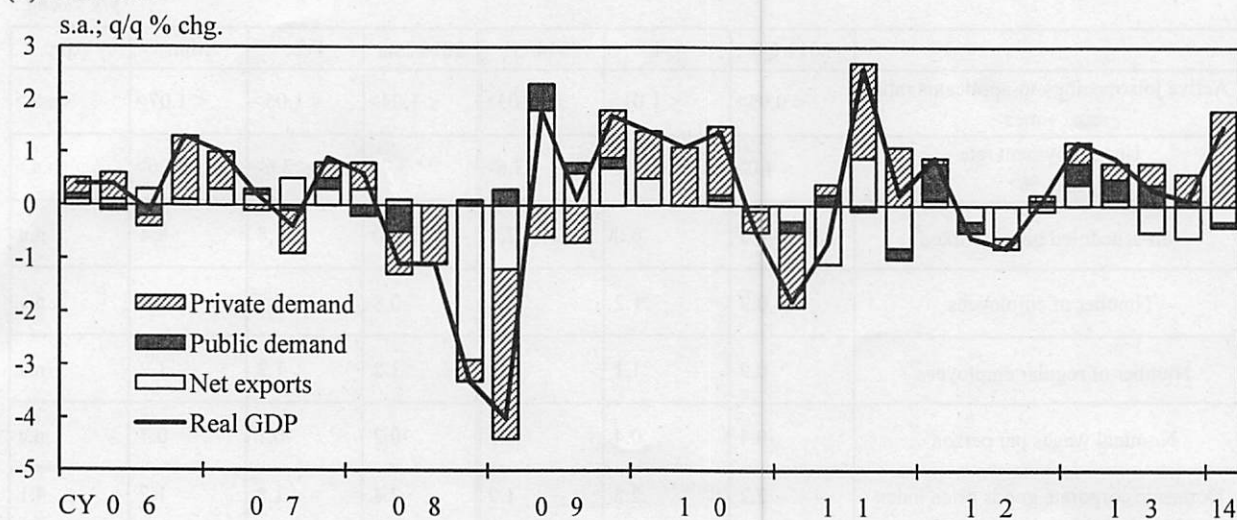
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey";

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



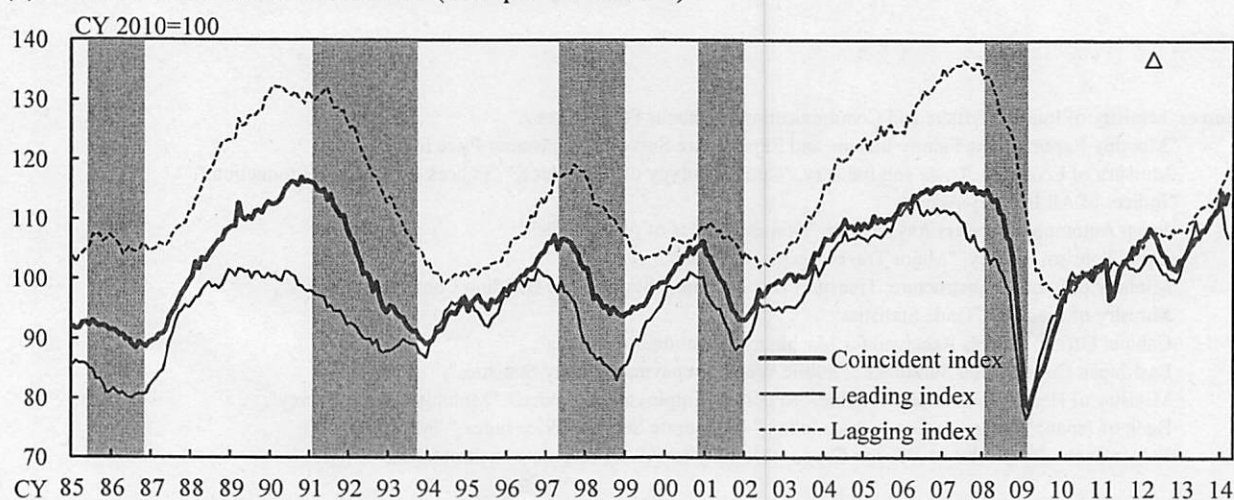
(2) Components

s.a.; q/q % chg.

	2013				2014
	Q1	Q2	Q3	Q4	Q1
Real GDP	1.2	0.9	0.3	0.1	1.5
[Annual rate]	[4.9]	[3.5]	[1.3]	[0.3]	[5.9]
Domestic demand	0.8	0.7	0.8	0.6	1.7
Private demand	0.4	0.3	0.4	0.5	1.8
Private consumption	0.6	0.4	0.1	0.2	1.3
Non-Resi. investment	-0.3	0.1	0.1	0.2	0.7
Residential investment	0.1	0.0	0.1	0.1	0.1
Private inventory	0.0	-0.3	0.1	-0.0	-0.2
Public demand	0.4	0.4	0.4	0.1	-0.1
Public investment	0.2	0.3	0.3	0.1	-0.1
Net exports of goods and services	0.4	0.1	-0.5	-0.6	-0.3
Exports	0.6	0.4	-0.1	0.1	1.0
Imports	-0.2	-0.3	-0.4	-0.6	-1.3
Nominal GDP	0.8	0.9	0.2	0.2	1.2

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

(3) Indexes of Business Conditions (Composite Indexes)

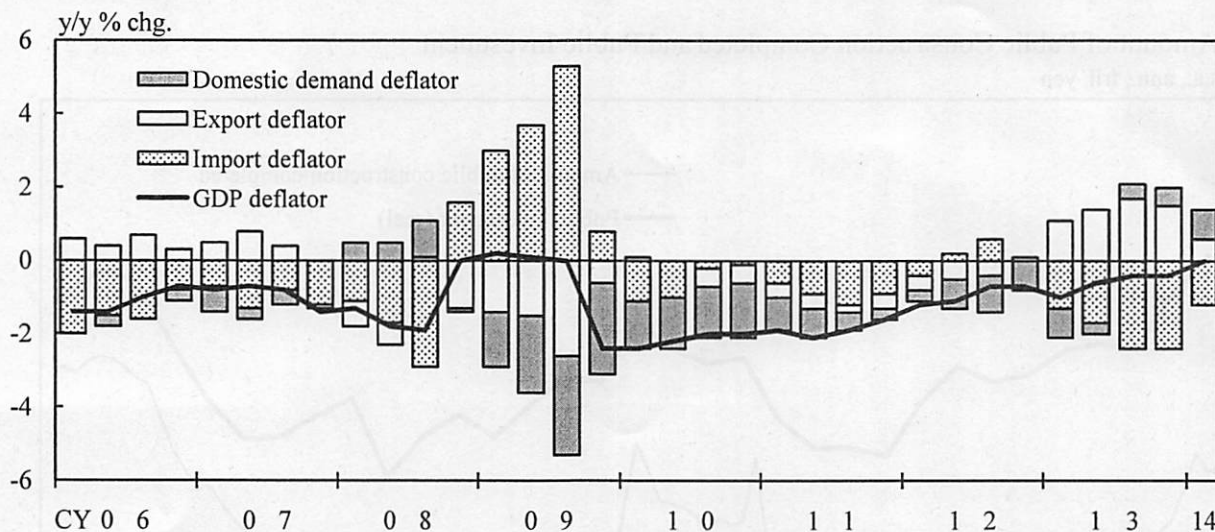


Note: Shaded areas indicate recession periods. Triangle shows the latest peak.

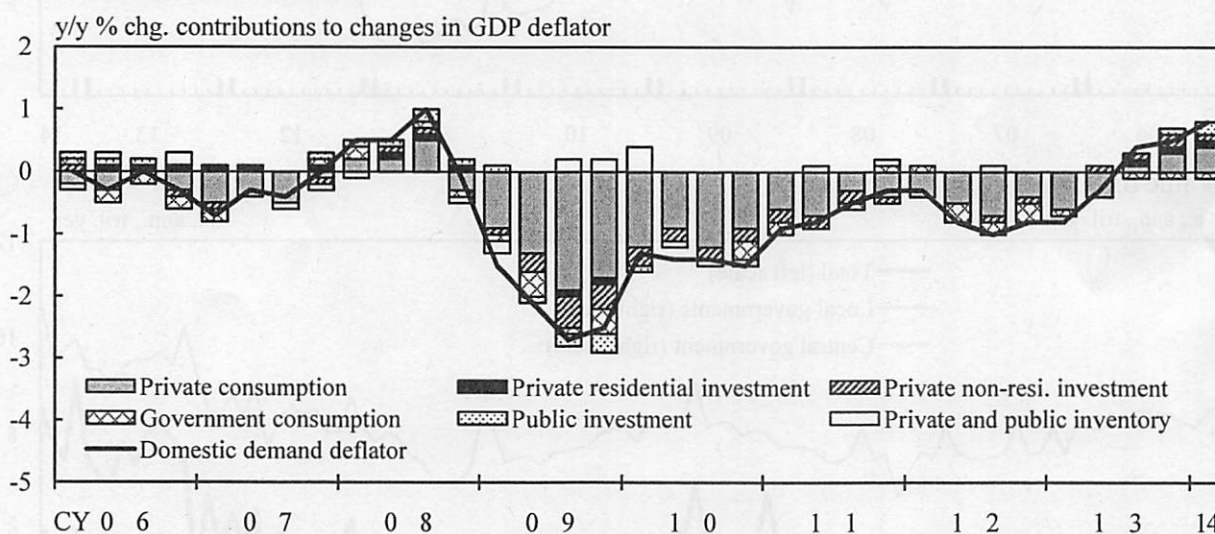
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

GDP Deflator and Income Formation

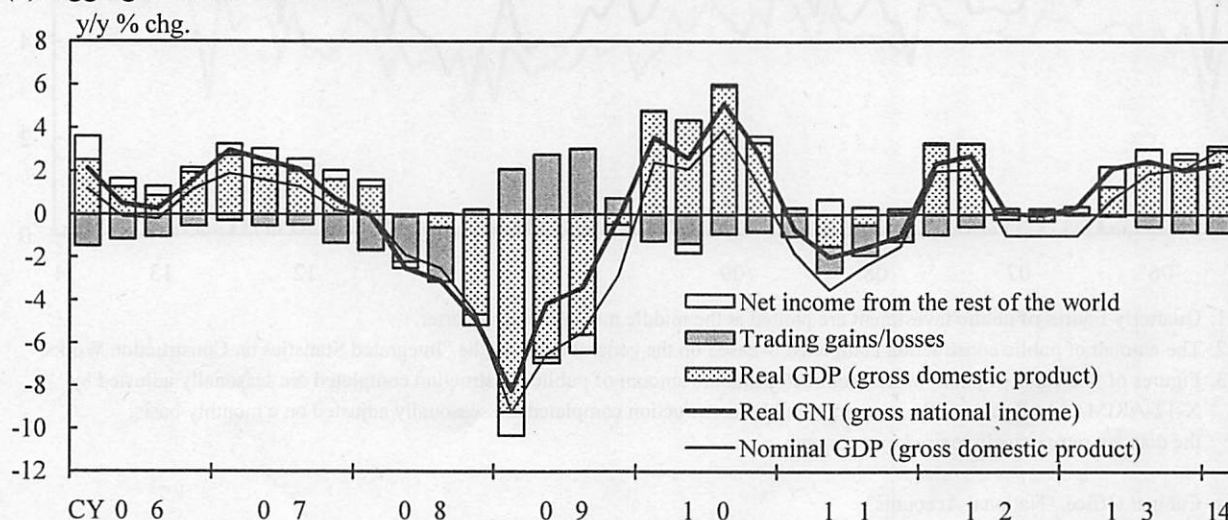
(1) GDP Deflator



(2) Domestic Demand Deflator



(3) Aggregate Income Formation



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

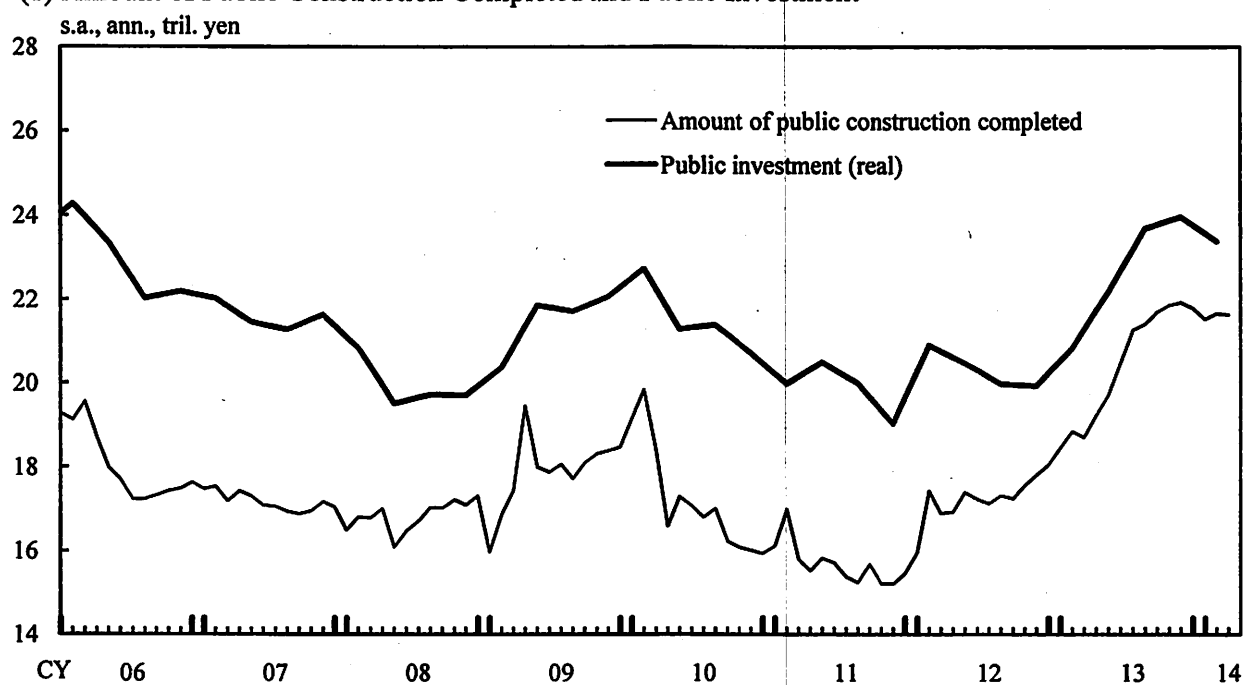
2. Real GNI = real GDP + trading gains/losses + net income from the rest of the world

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

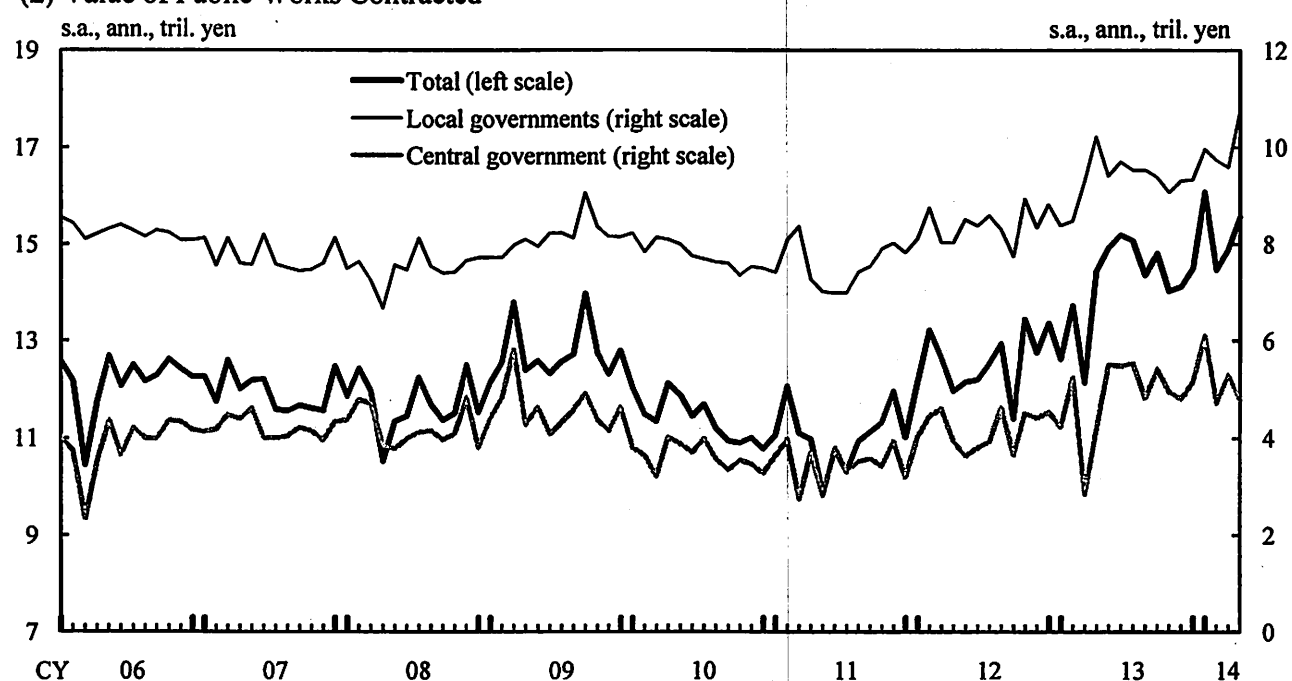
Source: Cabinet Office, "National Accounts."

Public Investment

(1) Amount of Public Construction Completed and Public Investment



(2) Value of Public Works Contracted



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

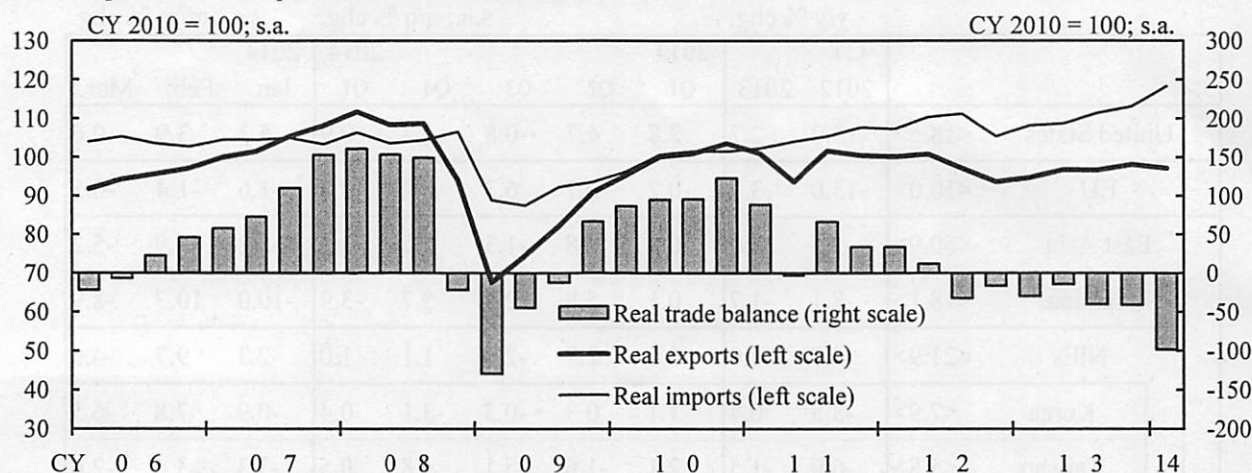
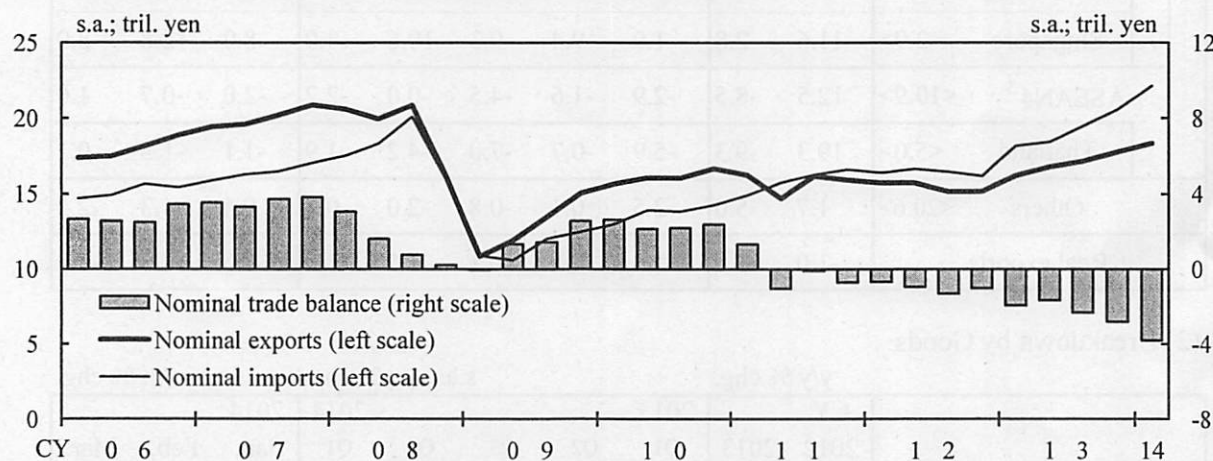
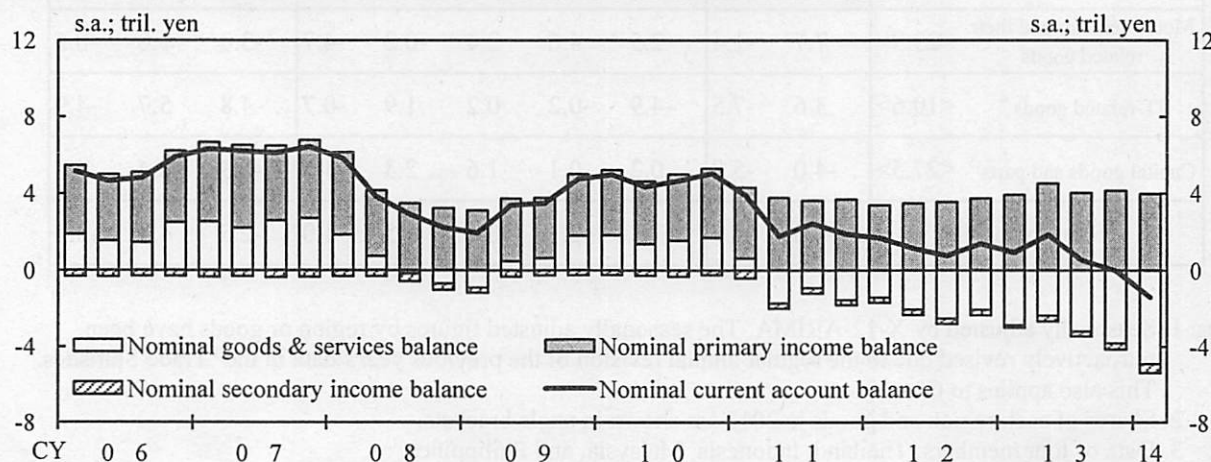
2. The amount of public construction completed is based on the general tables in the "Integrated Statistics on Construction Works."

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

Sources: Cabinet Office, "National Accounts";

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

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

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

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

2. Real exports/imports are the value of exports and imports in the "Trade Statistics" deflated by the "Export and Import Price Index." "Real trade balance" is defined as real exports minus real imports. The seasonally adjusted figures, etc., have been retroactively revised. This also applies to Charts 7 and 9.

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

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

Chart 7

Real Exports ¹

(1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY		2013			2014		2014		
		2012	2013	Q1	Q2	Q3	Q4	Q1	Jan.	Feb.	Mar.
United States	<18.5>	13.0	2.7	2.8	4.7	-0.8	-0.4	0.9	5.3	-3.9	0.6
EU	<10.0>	-13.0	-3.7	-0.2	0.7	6.3	2.2	0.5	-1.6	-1.4	-0.5
East Asia	<50.9>	-2.6	-3.0	-0.8	2.8	-1.3	2.5	-1.5	-5.2	7.9	-5.2
China	<18.1>	-8.1	-1.7	0.1	5.8	2.4	5.7	-3.9	-10.0	10.7	-8.9
NIEs	<21.9>	-4.7	-1.0	-0.4	2.7	-2.8	1.1	1.0	-2.3	9.7	-4.6
Korea	<7.9>	-3.5	0.4	1.1	0.3	-0.3	-3.1	0.4	-0.9	7.8	-6.5
Taiwan	<5.8>	-6.0	-1.5	2.1	-1.6	-5.1	4.8	0.5	-3.3	3.4	-2.6
Hong Kong	<5.2>	-0.7	-1.4	-4.1	7.1	-1.0	-2.3	2.2	-7.8	19.4	-2.5
Singapore	<2.9>	-11.6	-2.8	1.9	9.4	-9.3	10.6	4.0	8.0	12.8	-8.9
ASEAN ⁴	<10.9>	12.5	-8.5	-2.9	-1.6	-4.5	-0.0	-2.2	-2.0	-0.7	1.0
Thailand	<5.0>	19.3	-9.3	-5.9	-0.7	-7.0	-4.2	-1.9	-1.1	-1.5	0.1
Others	<20.6>	1.7	-5.0	2.5	0.1	-0.8	-2.0	0.1	0.4	4.3	-2.5
Real exports		-1.0	-1.9	1.3	2.1	-0.1	1.5	-1.0	-2.5	4.3	-3.3

(2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY		2013			2014		2014		
		2012	2013	Q1	Q2	Q3	Q4	Q1	Jan.	Feb.	Mar.
Intermediate goods	<21.1>	-0.7	1.2	1.1	1.7	-0.1	-0.1	1.1	-0.6	2.6	-2.9
Motor vehicles and their related goods	<23.9>	7.7	-1.4	2.5	4.6	2.4	-0.2	-4.7	-3.0	1.0	-0.5
IT-related goods ⁴	<10.6>	3.6	-7.5	-4.9	-0.2	0.2	1.9	-0.7	-4.8	5.7	-4.9
Capital goods and parts ⁵	<27.5>	-4.0	-5.8	0.2	0.1	1.6	2.3	-1.8	-6.3	8.4	-4.7
Real exports		-1.0	-1.9	1.3	2.1	-0.1	1.5	-1.0	-2.5	4.3	-3.3

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

2. Shares of each region and goods in 2013 are shown in angle brackets.

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

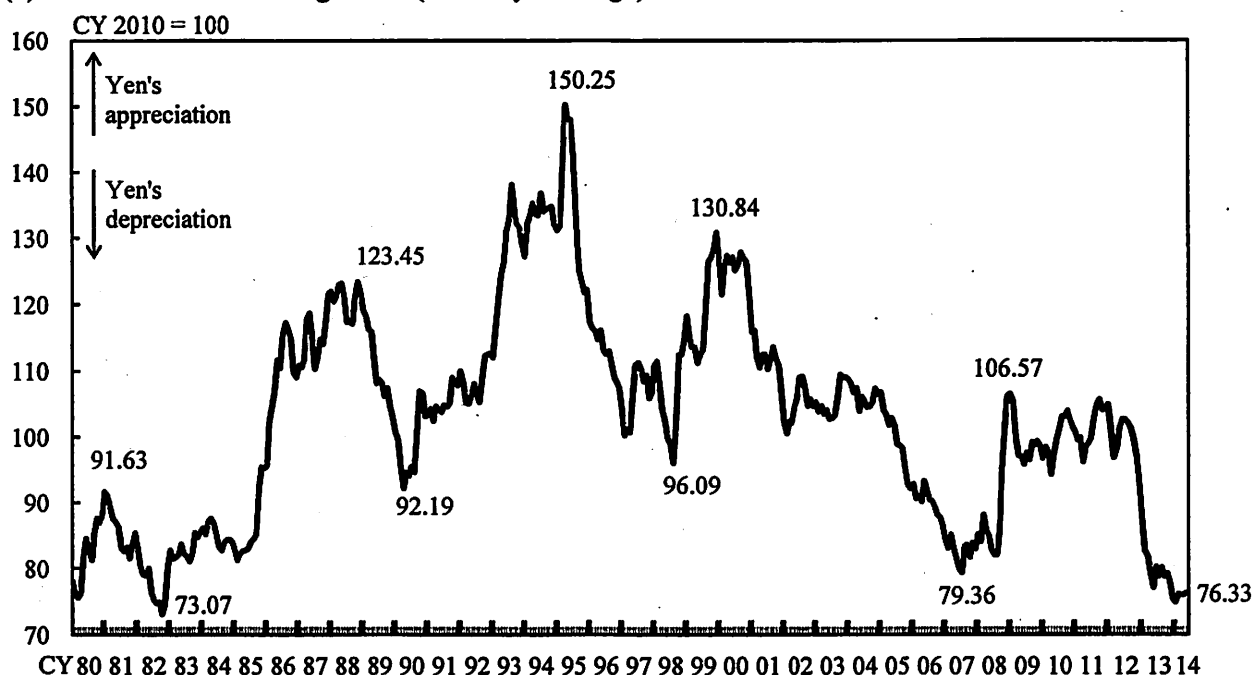
4. IT-related goods are composed of computers and units, telecommunication machinery, ICs, visual apparatus, audio apparatus, and medical and optical instruments.

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. The figure for May (up to May 19) 2014 has been calculated using the monthly average of the BOJ's nominal effective exchange rate (the Yen Index).

(2) Real GDP Growth Rates of Overseas Economies

	CY2011	2012	2013	s.a., ann., q/q % chg.			
				2013 Q2	Q3	Q4	2014 Q1
United States ¹	1.8	2.8	1.9	2.5	4.1	2.6	0.1
European Union ²	1.6	-0.4	0.1	1.6	1.2	1.6	1.3
Germany ¹	3.3	0.7	0.4	2.9	1.3	1.5	3.3
France ¹	2.1	0.4	0.4	2.4	-0.2	0.7	0.1
United Kingdom ¹	1.1	0.3	1.7	3.1	3.4	2.7	3.2
East Asia ³	5.9	4.9	4.9	5.3	5.8	5.5	n.a.
China ¹	9.3	7.7	7.7	7.4	9.5	7.0	5.7
NIEs ^{1,3}	4.4	1.9	2.9	4.4	2.5	5.1	2.2
ASEAN4 ^{1,3,4}	3.0	6.3	4.4	3.6	6.1	3.8	n.a.
Main economies ³	4.5	3.7	3.6	4.2	4.8	4.3	n.a.

- Notes: 1. Figures for each country are based on those released by the government or central bank. Quarterly figures for China are annualized based on quarter-on-quarter changes released by the National Bureau of Statistics of China.
2. Figures are based on those released by the European Commission.
3. Figures are averages of members' real GDP growth rates, weighted by the value of exports from Japan to each country or region.
The members are described below.
Main economies: United States, European Union, and East Asia
East Asia: China, NIEs, and ASEAN4
NIEs: Korea, Taiwan, Hong Kong, and Singapore
ASEAN4: Thailand, Indonesia, Malaysia, and Philippines
4. To calculate the quarterly figures, real GDP growth rates of a member country are seasonally adjusted by the Bank of Japan using X-11.

Chart 9

Real Imports ¹

(1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY		2013		2014		2014			
		2012	2013	Q1	Q2	Q3	Q4	Q1	Jan.	Feb.	Mar.
United States	<8.4>	3.8	-2.1	-0.8	3.0	3.8	-0.2	5.8	17.5	-3.1	-2.8
EU	<9.4>	4.0	0.8	-1.7	-0.7	4.8	-0.2	5.6	-2.3	4.2	0.4
East Asia	<40.8>	3.9	2.5	2.5	-0.6	3.1	3.1	5.3	6.8	-5.5	6.9
China	<21.7>	5.0	5.4	3.3	0.1	4.2	3.0	5.7	7.5	-9.4	11.1
NIEs	<8.2>	5.0	-0.4	0.7	-4.6	6.2	0.9	5.7	9.4	-4.8	5.6
Korea	<4.3>	4.3	-4.8	0.7	-6.5	5.0	1.3	2.2	5.7	-1.6	0.7
Taiwan	<2.8>	7.2	8.0	-0.7	4.8	3.5	-0.1	8.5	14.4	-7.1	7.5
Hong Kong	<0.2>	-2.5	9.2	14.4	-7.6	9.2	1.9	0.6	-17.3	-14.1	37.9
Singapore	<0.9>	3.0	-7.0	-2.1	-13.0	12.6	0.4	13.9	20.4	-14.0	12.0
ASEAN4 ³	<10.8>	0.5	-1.2	2.0	1.0	-2.0	5.4	3.9	2.8	3.7	-1.2
Thailand	<2.6>	-0.9	1.6	1.4	1.1	-0.8	3.3	7.2	7.1	1.1	-1.5
Others	<41.4>	4.7	0.2	6.7	1.5	0.4	-0.6	4.6	1.2	-2.1	11.9
Real imports		4.2	0.9	2.6	0.5	2.4	1.6	4.5	5.1	-4.9	8.3

(2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY		2013		2014		2014			
		2012	2013	Q1	Q2	Q3	Q4	Q1	Jan.	Feb.	Mar.
Raw materials ⁴	<40.4>	4.5	-2.0	8.4	-0.7	0.2	-0.7	5.0	2.6	-1.0	10.4
Intermediate goods	<12.9>	-2.7	-2.7	-1.6	-1.3	2.8	0.8	5.6	2.1	-2.3	8.1
Foodstuffs	<8.0>	-0.7	-3.2	0.8	-5.0	3.3	0.7	-1.1	2.5	-8.1	3.3
Consumer goods ⁵	<7.9>	4.5	4.1	1.4	3.4	2.4	1.1	2.1	3.2	-2.0	-1.6
IT-related goods ⁶	<12.6>	9.0	12.9	2.5	3.0	4.8	4.7	6.8	7.4	-4.1	8.7
Capital goods and parts ⁷	<11.4>	10.4	4.7	1.3	4.3	5.3	2.6	7.2	9.5	-5.2	3.1
Excluding aircraft	<10.5>	7.0	5.3	0.0	4.3	4.8	2.7	8.5	7.6	-4.2	4.0
Real imports		4.2	0.9	2.6	0.5	2.4	1.6	4.5	5.1	-4.9	8.3

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

2. Shares of each region and goods in 2013 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.

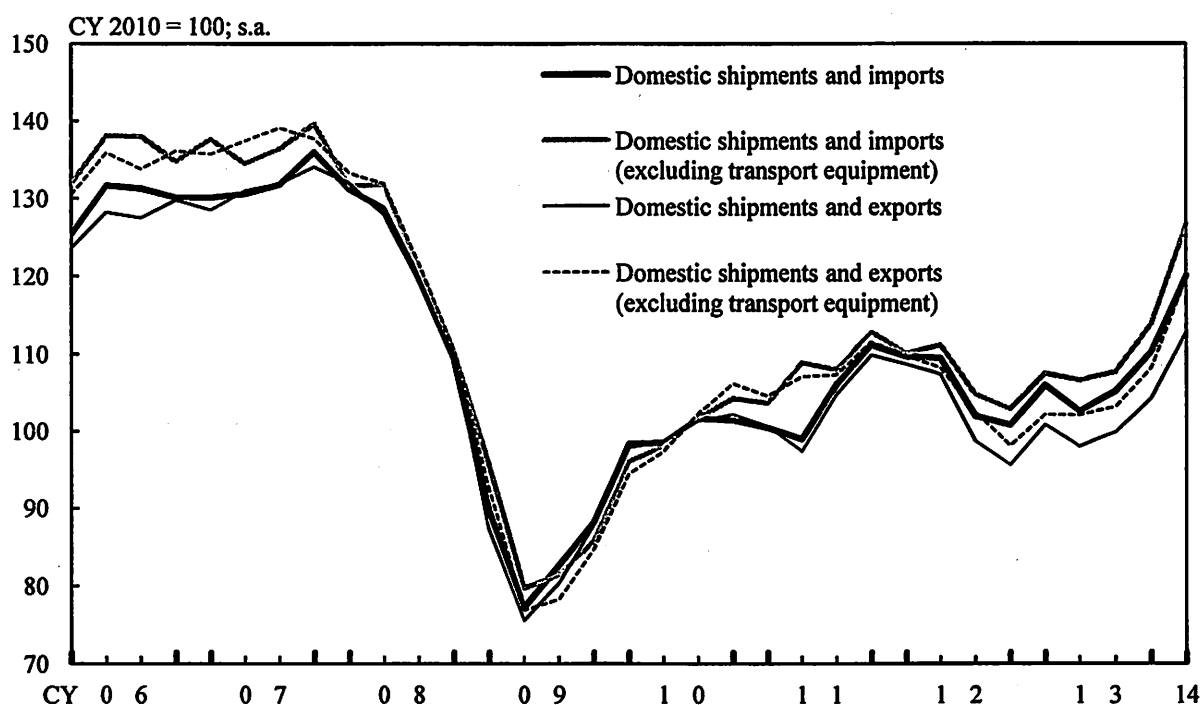
6. IT-related goods are composed of computers and units, parts of computers, telecommunication machinery, ICs, audio and visual apparatus, and medical and optical instruments.

7. Excludes IT-related goods.

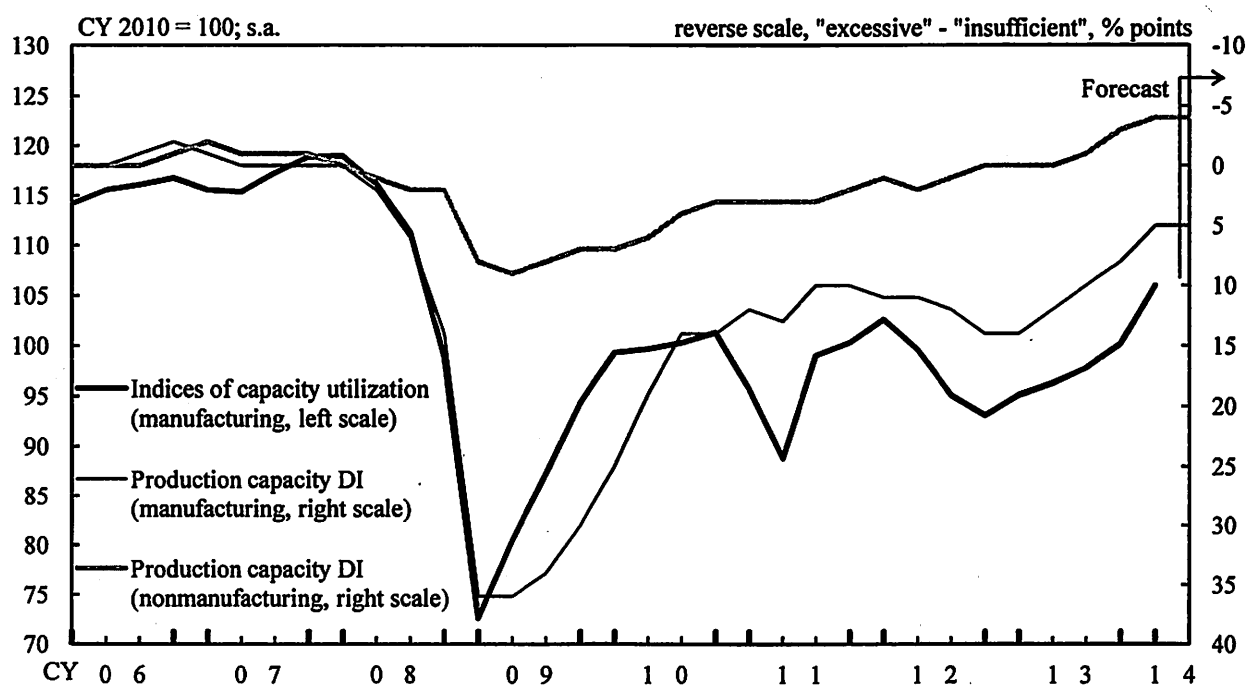
Sources: Ministry of Finance, "Trade Statistics"; Bank of Japan, "Corporate Goods Price Index."

Coincident Indicators of Business Fixed Investment

(1) Aggregate Supply and Shipments of Capital Goods



(2) Indices of Capacity Utilization and Production Capacity DI

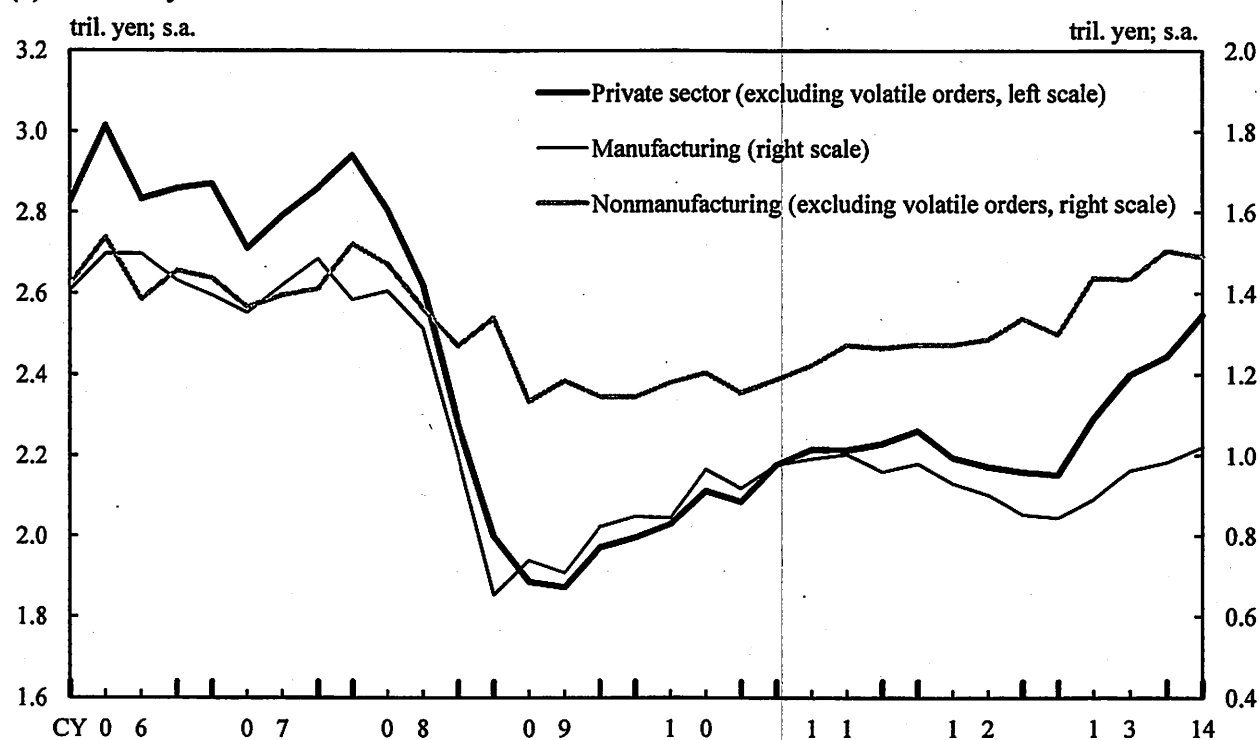


Note: Production capacity DIs are those of all enterprises.

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

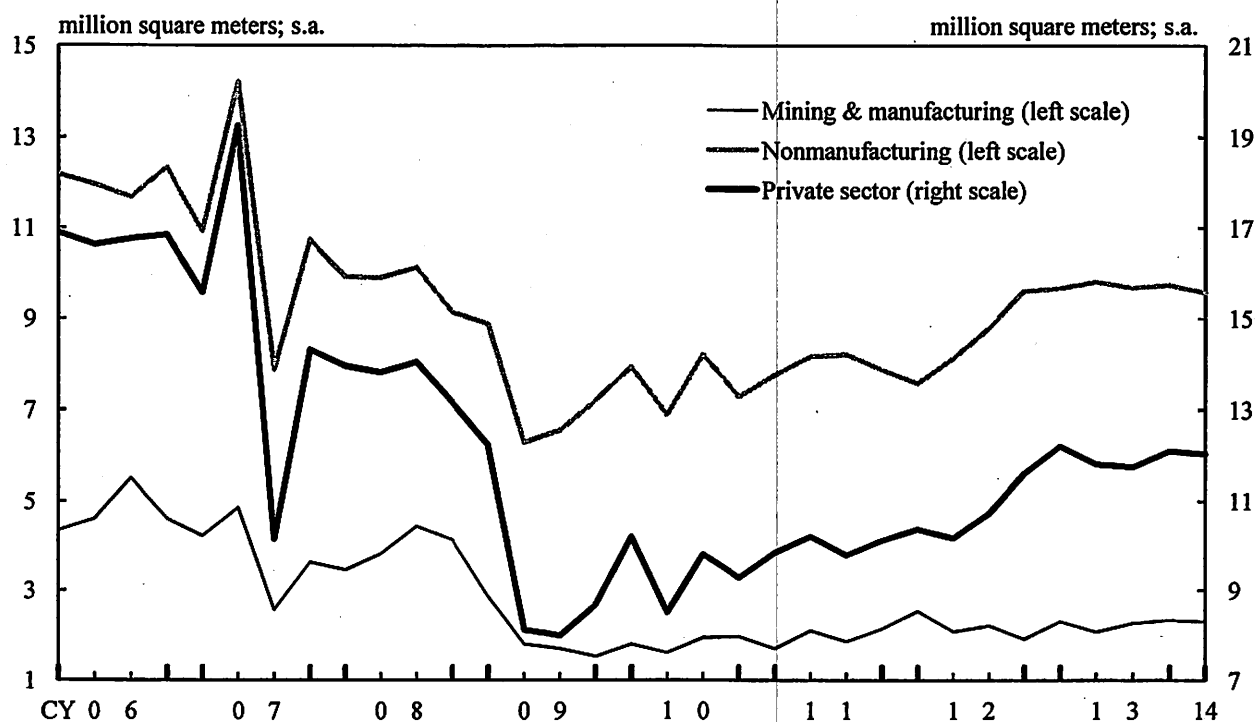
Leading Indicators of Business Fixed Investment

(1) Machinery Orders



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

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

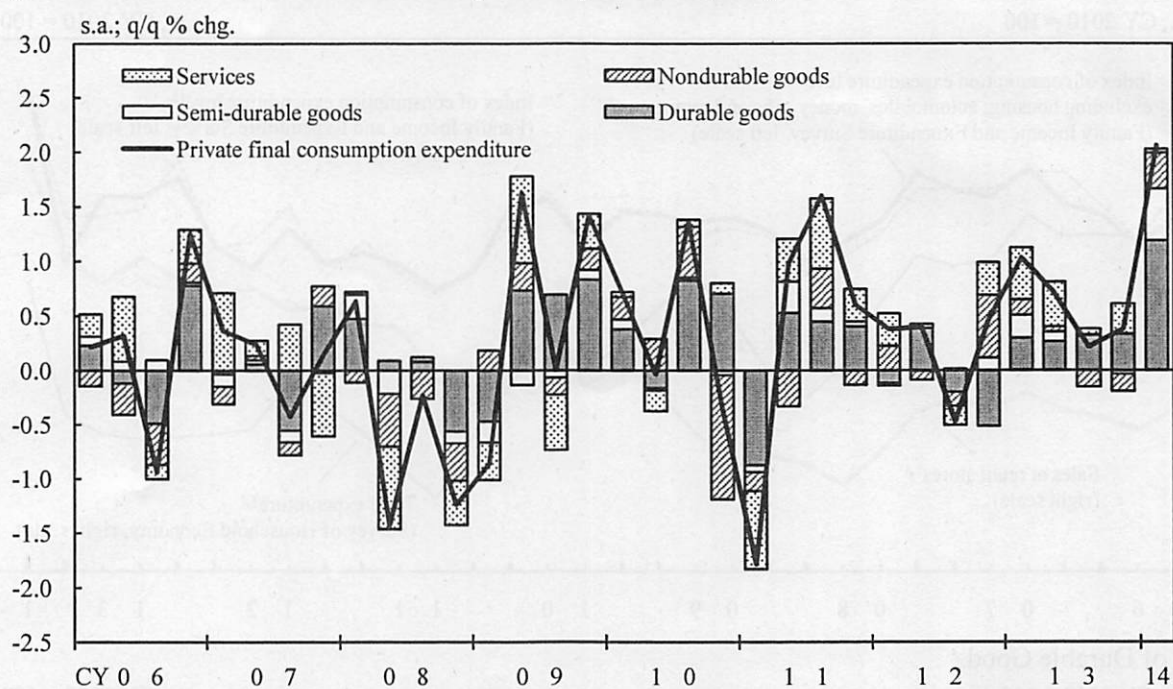


Note: Seasonally adjusted by X-12-ARIMA.

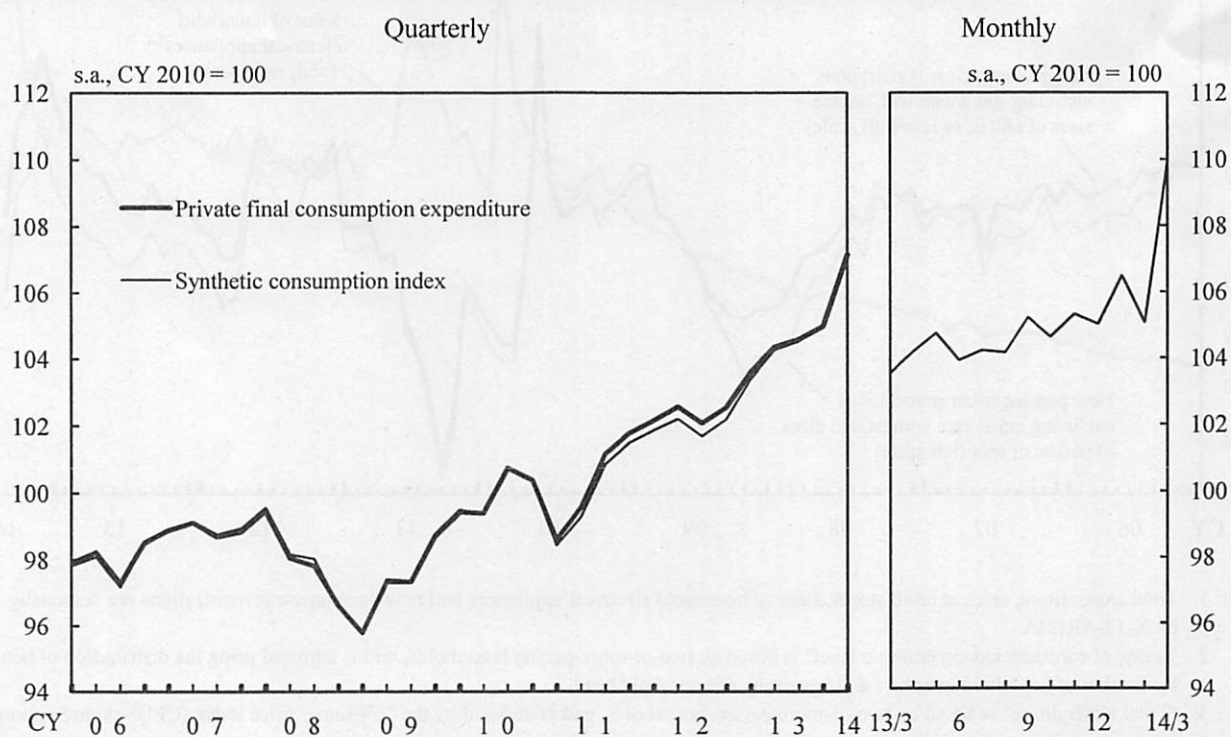
Sources: Cabinet Office, "Orders Received for Machinery";
Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts."

Indicators of Private Consumption (1)

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



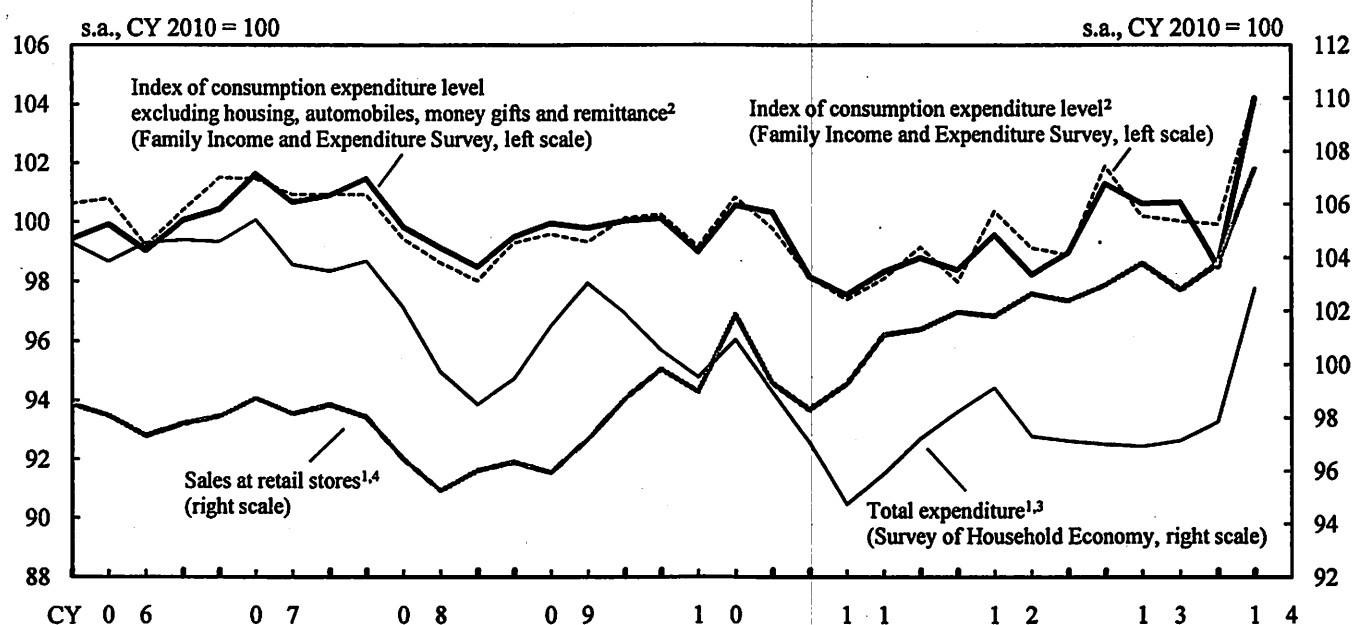
(2) Private Final Consumption Expenditure and Synthetic Consumption Index (Real)



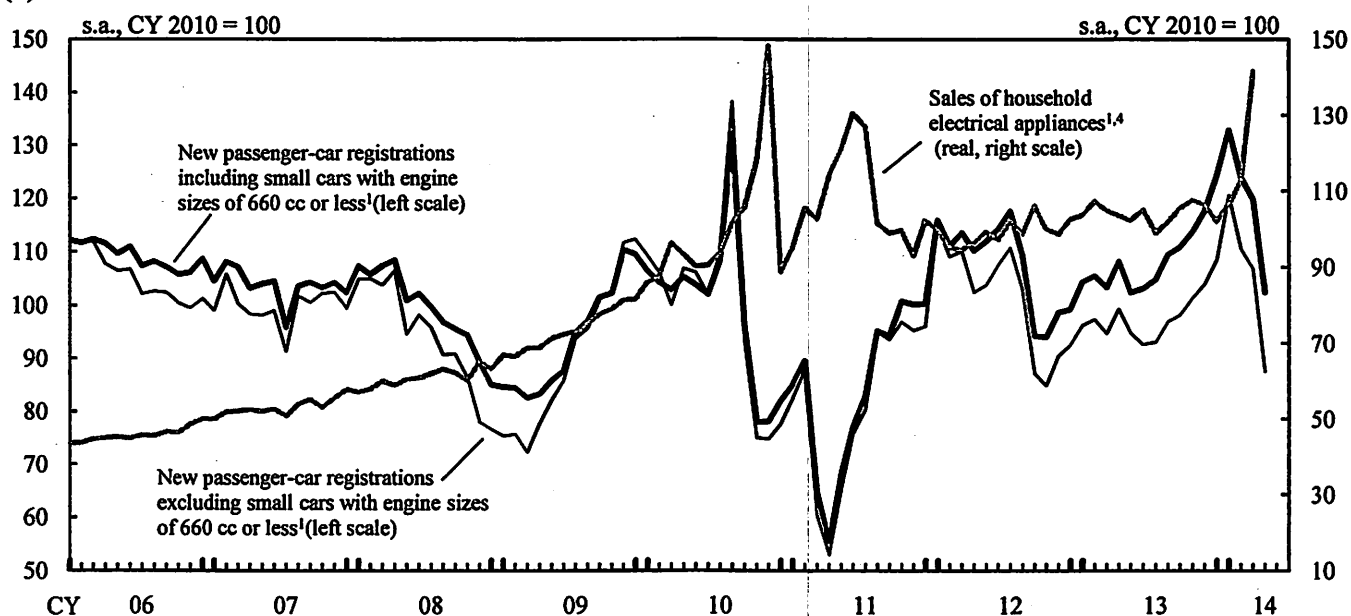
Source: Cabinet Office, "National Accounts," "Synthetic Consumption Index."

Indicators of Private Consumption (2)

(1) Household Spending (Real)

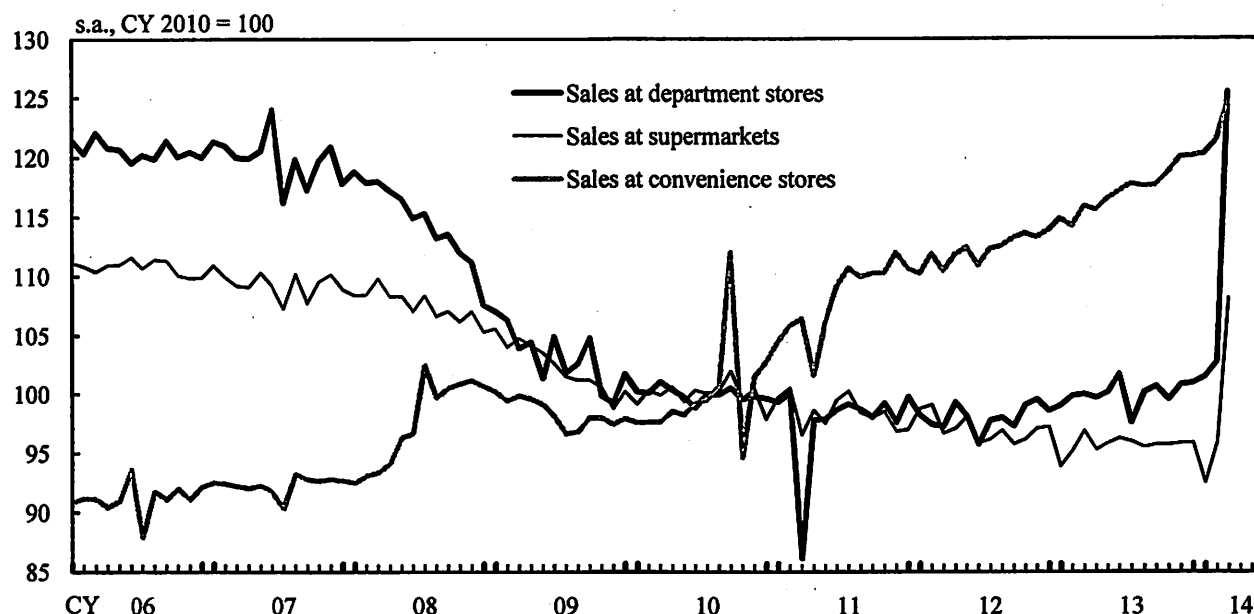


(2) Sales of Durable Goods

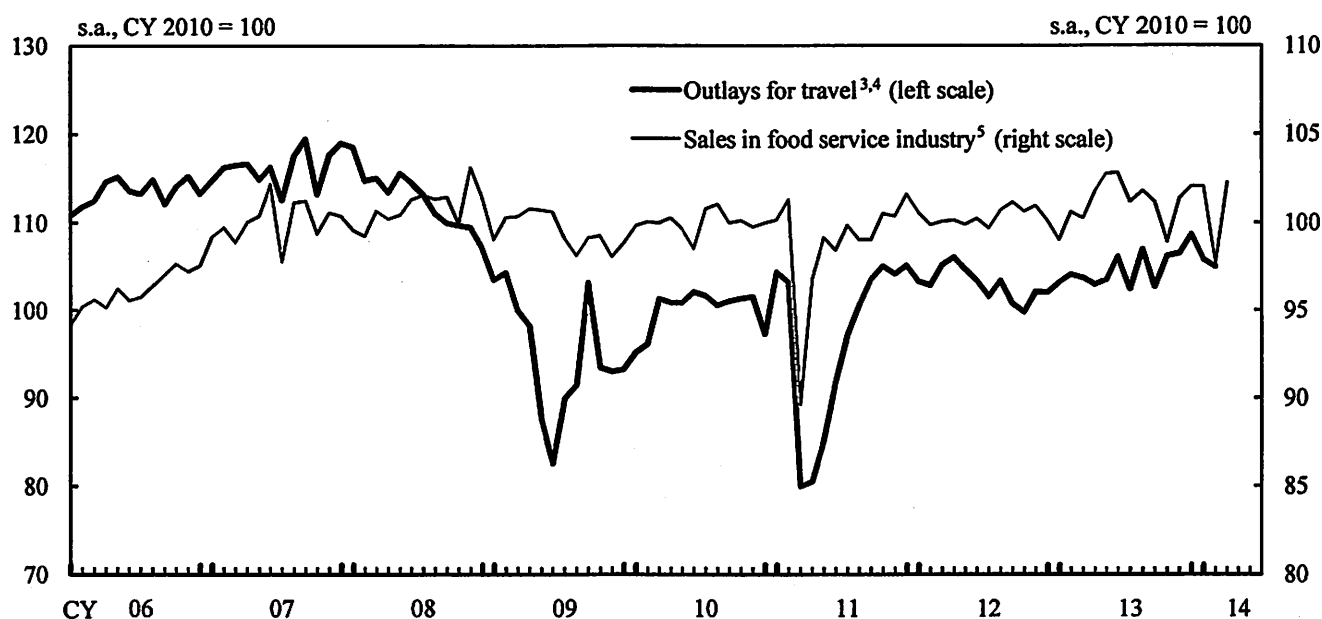


- Notes: 1. Total expenditure, sales at retail stores, sales of household electrical appliances and new passenger-car registrations are seasonally adjusted by X-12-ARIMA.
2. "Index of consumption expenditure level" is based on two-or-more-person households, and is adjusted using the distribution of household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

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

Indicators of Private Consumption¹ (3)(1) Sales at Retail Stores (Nominal)²

(2) Consumption of Services (Nominal)



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

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

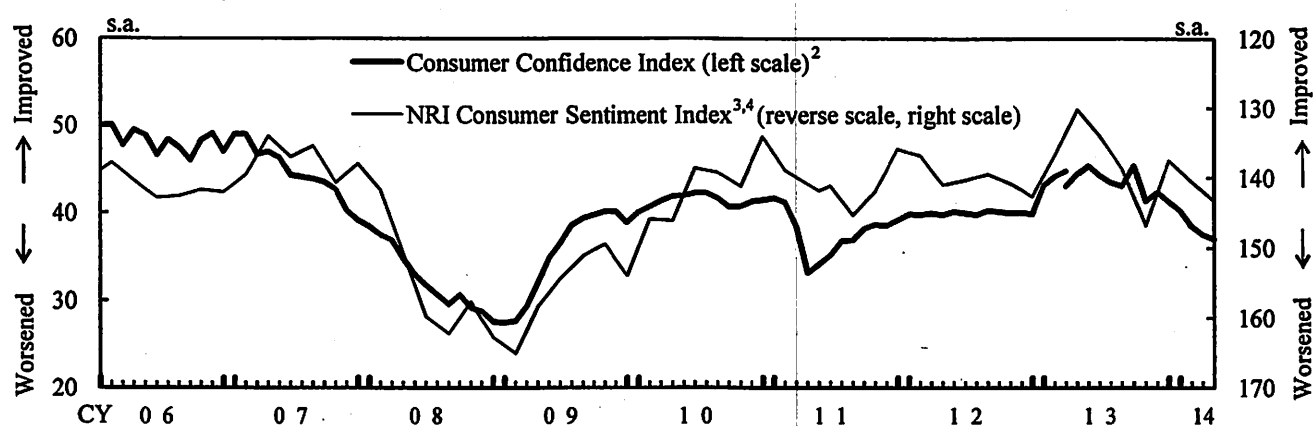
Japan Tourism Agency, "Major Travel Agents' Revenue";

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

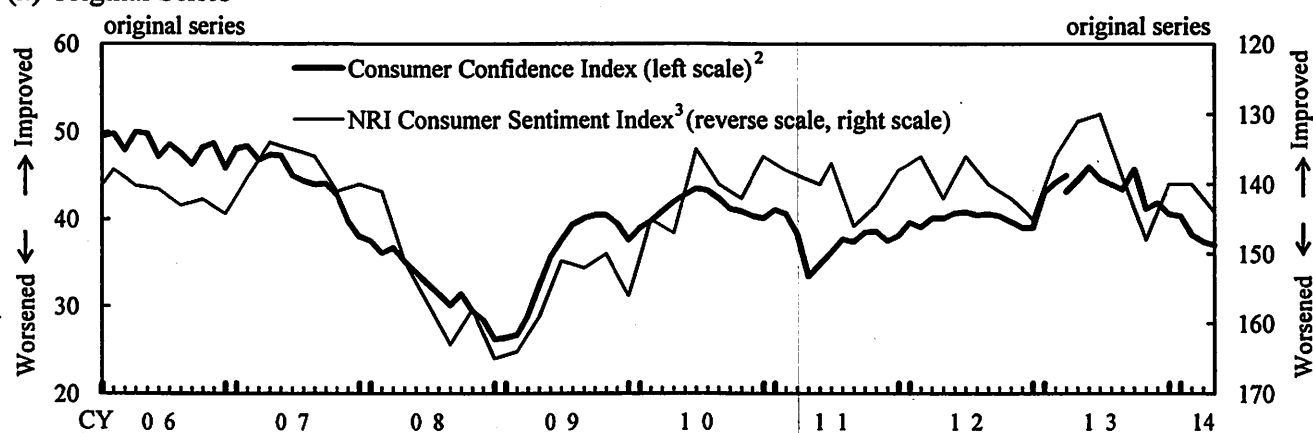
(Research on the food service industry)."

Consumer Confidence¹

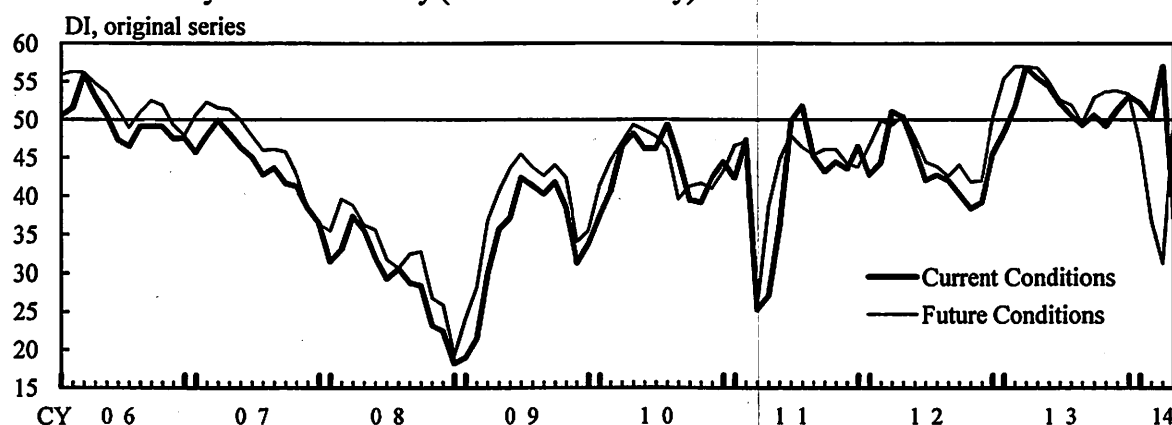
(1) Seasonally Adjusted Series



(2) Original Series



Reference: Economy Watchers Survey (Household Activity)

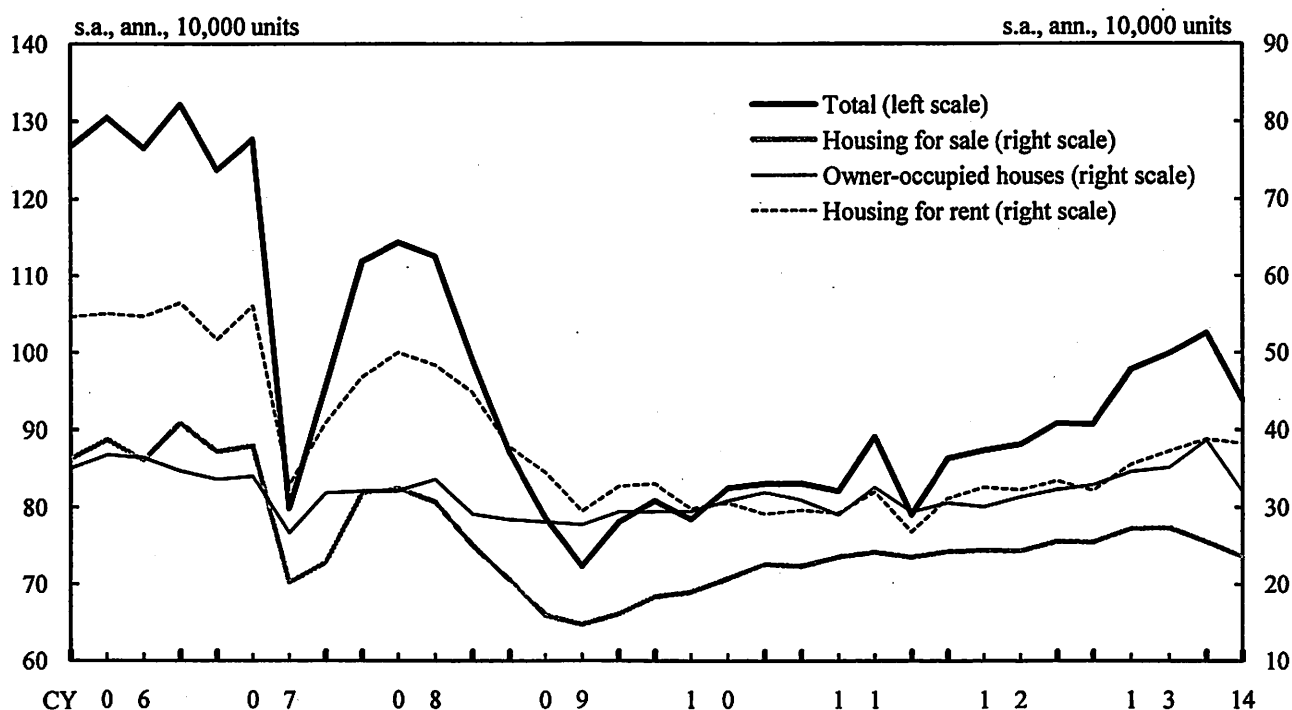


- Notes: 1. The Consumer Confidence Index (covering about 5,700 samples on a nationwide basis from April 2013 onward) and NRI Consumer Sentiment Index (1,200 samples on a nationwide basis) are based on surveys on consumer confidence.
2. In April 2013, the Cabinet Office changed the method for conducting 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.

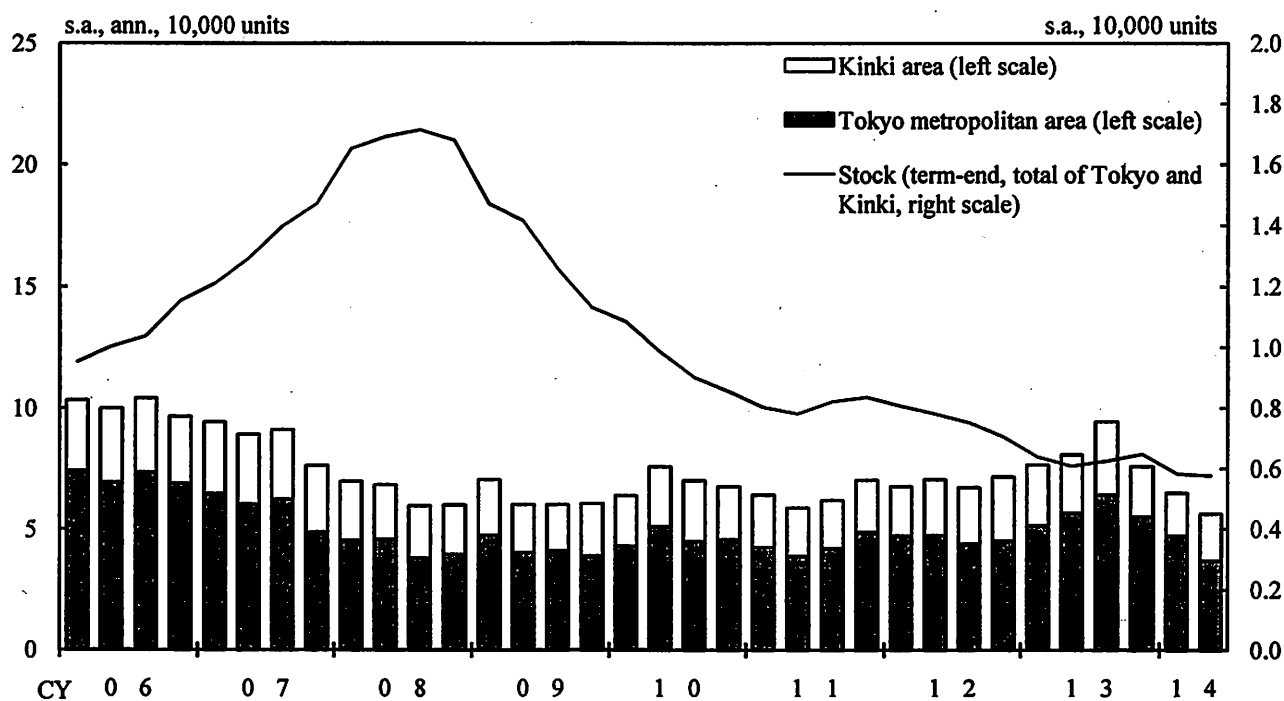
Sources: Cabinet Office, "Consumer Confidence Survey," "Economy Watchers Survey";
Nippon Research Institute (NRI), "Consumer Sentiment Survey."

Indicators of Housing Investment

(1) Housing Starts



(2) Sales of Apartments



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

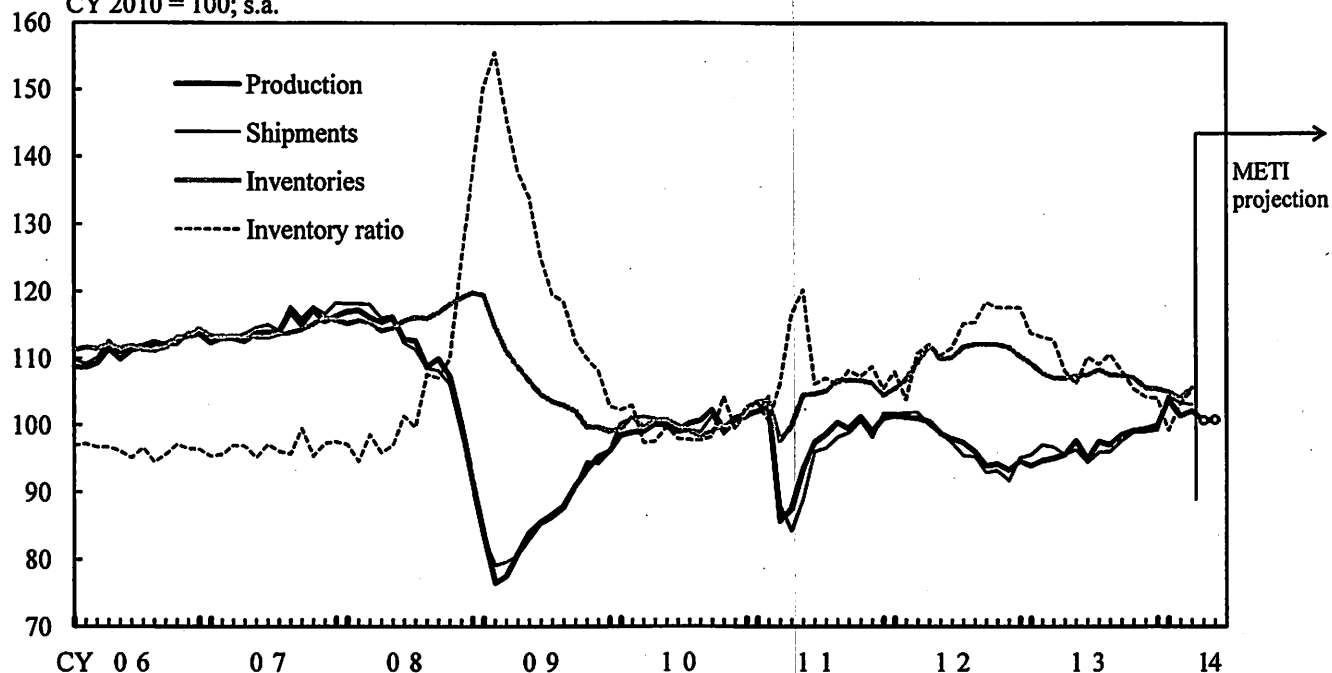
2. Figures for 2014/Q2 are those of April.

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

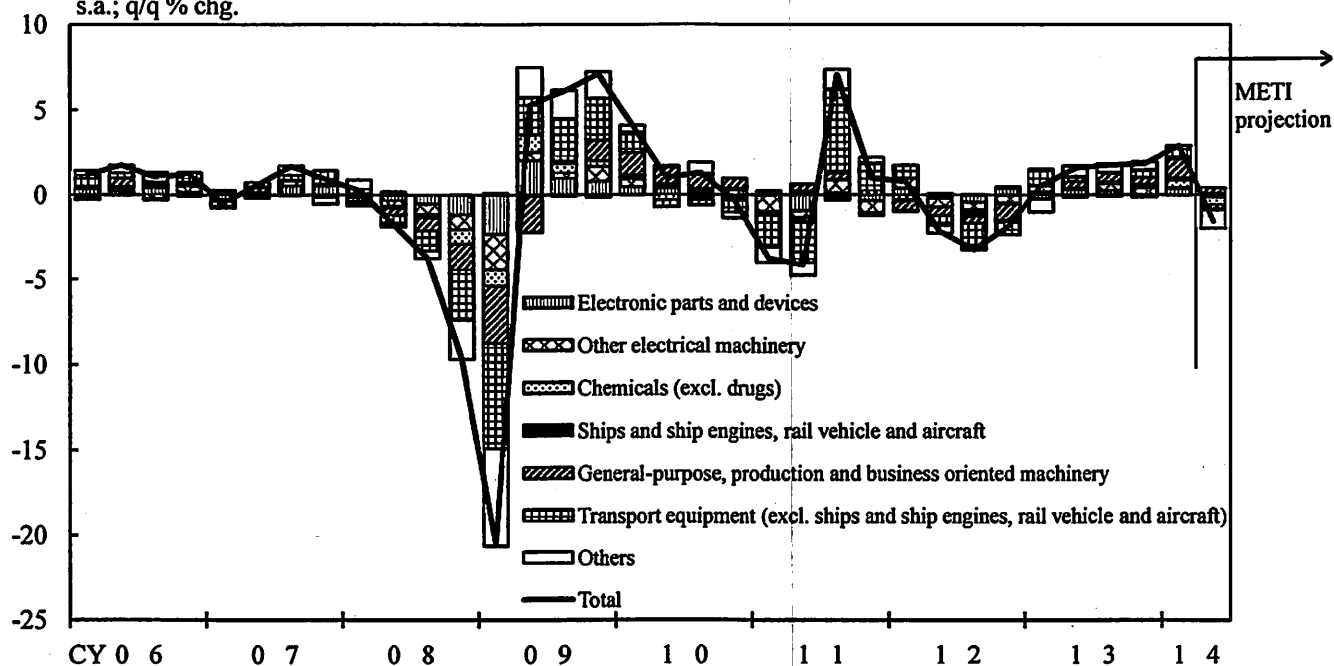
Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories

CY 2010 = 100; s.a.

(2) Production by Industry^{1,2,3}

s.a.; q/q % chg.



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.

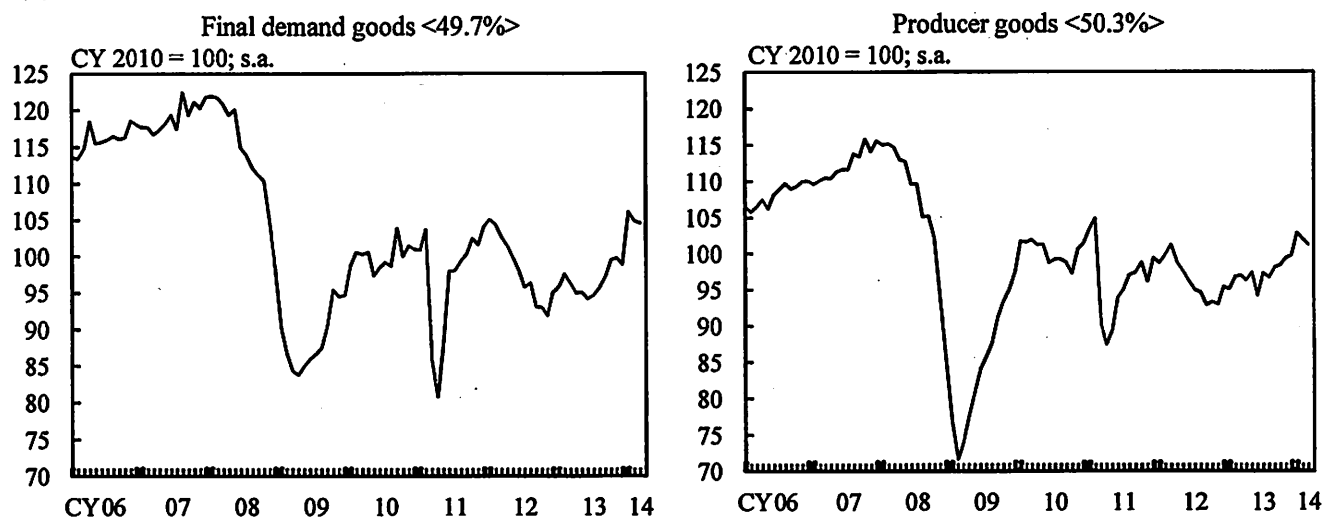
Figures for "general-purpose, production and business oriented machinery" up to 2008/Q1 are those for "general machinery."

3. 2014/Q2 figures are based on the assumption that the production levels in June are the same as those of May.

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

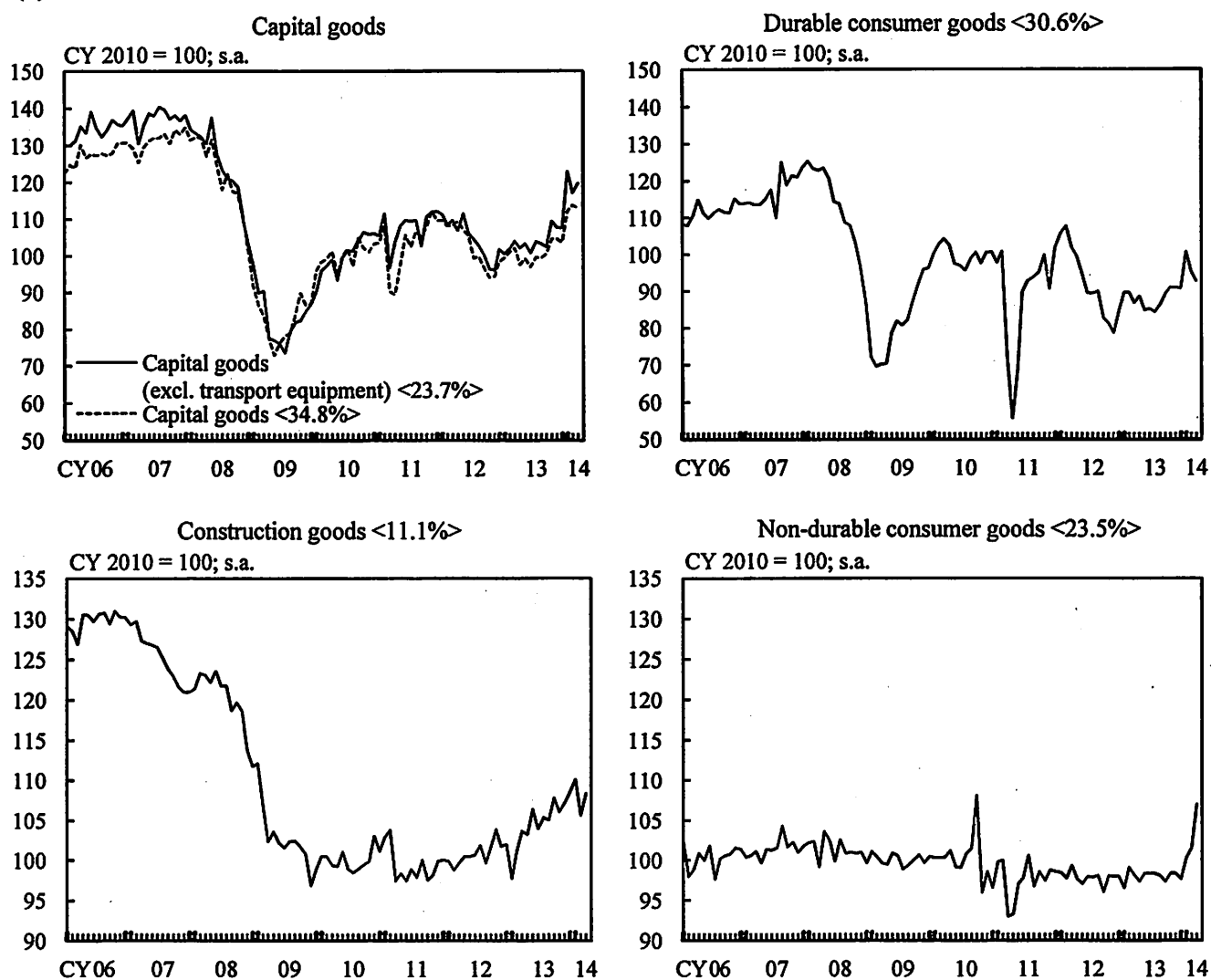
Shipments by Type of Goods

(1) Final Demand Goods and Producer Goods



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

(2) Breakdown of Final Demand Goods

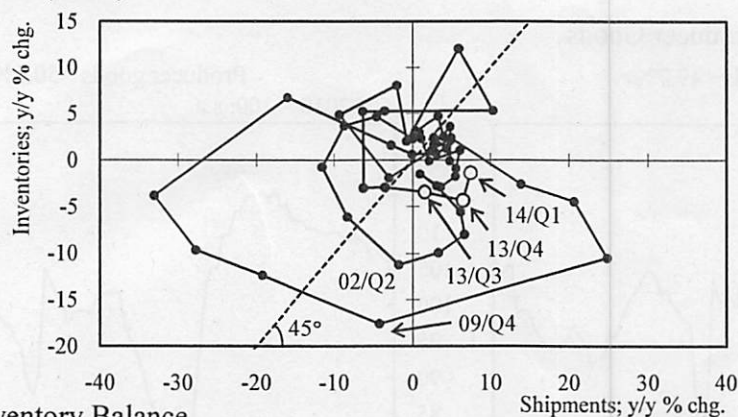


Note: Figures in angle brackets show the shares among shipments of final demand goods.

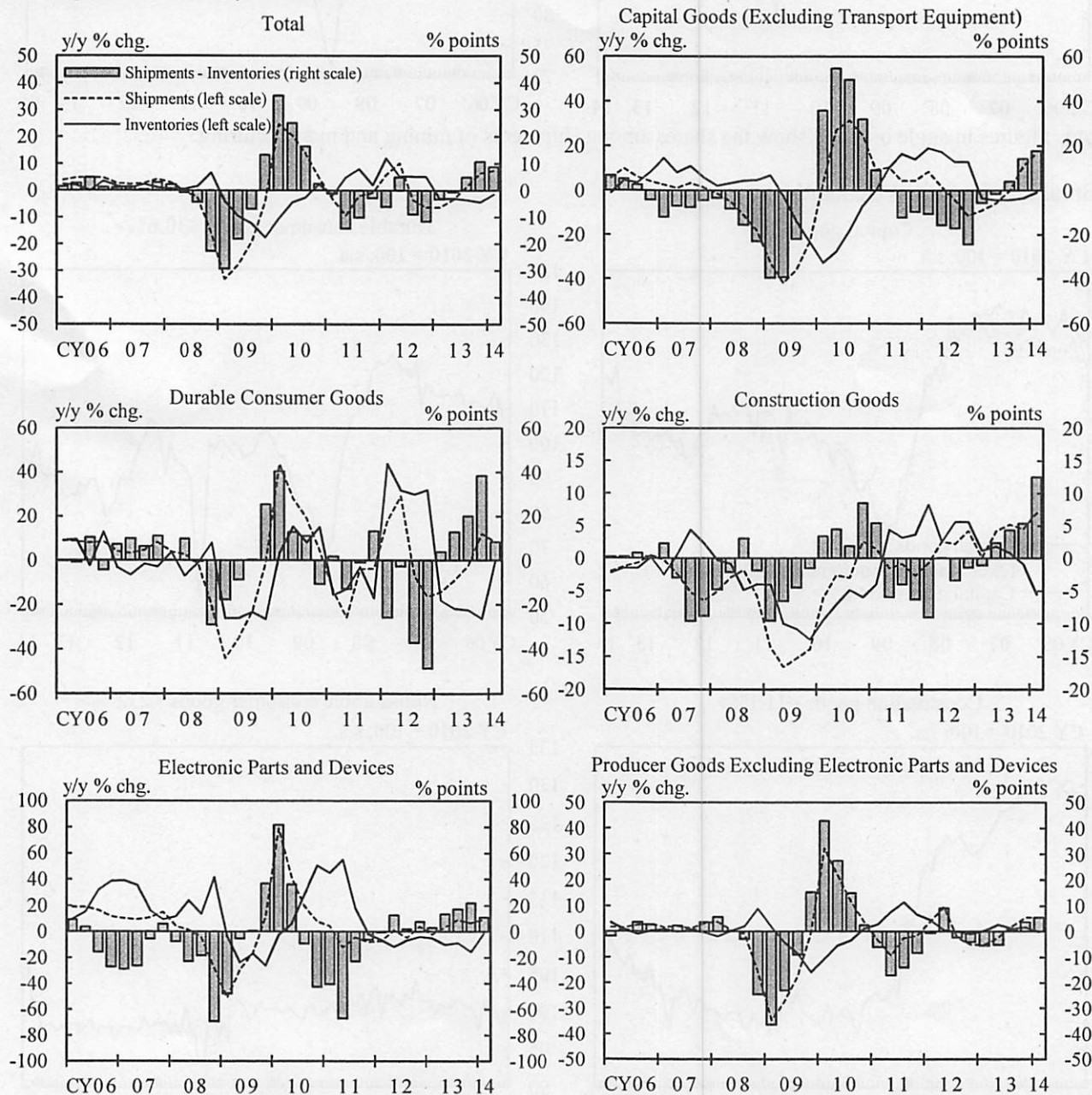
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Inventory Cycle

(1) Inventory Cycle (Total)



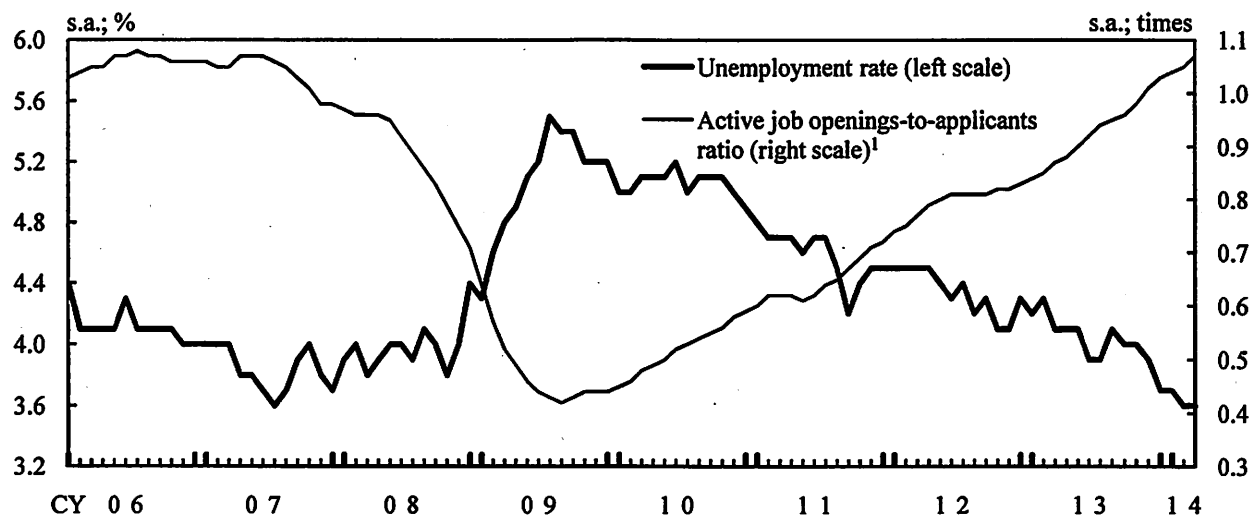
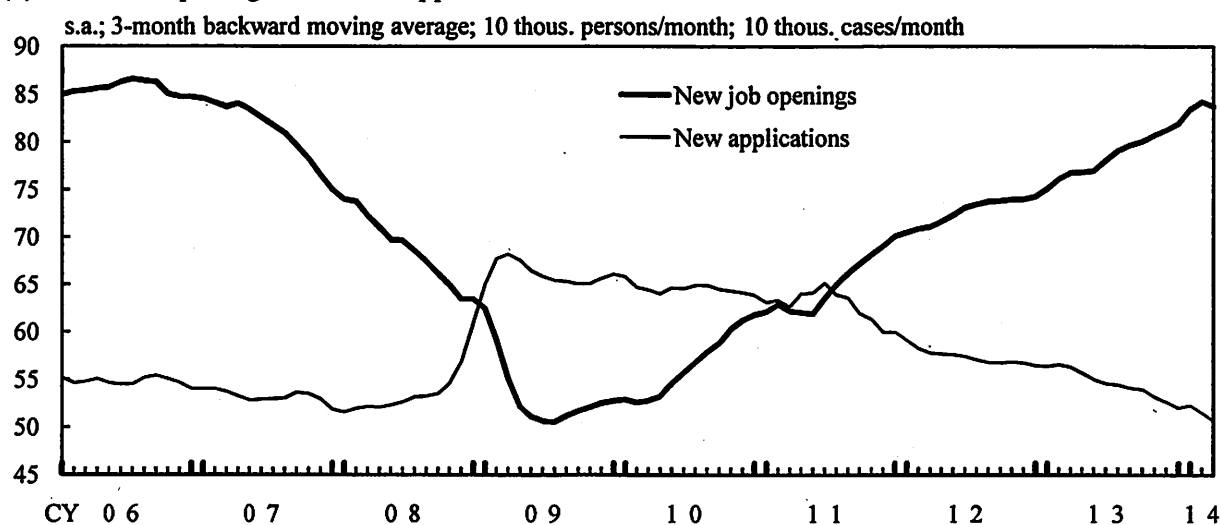
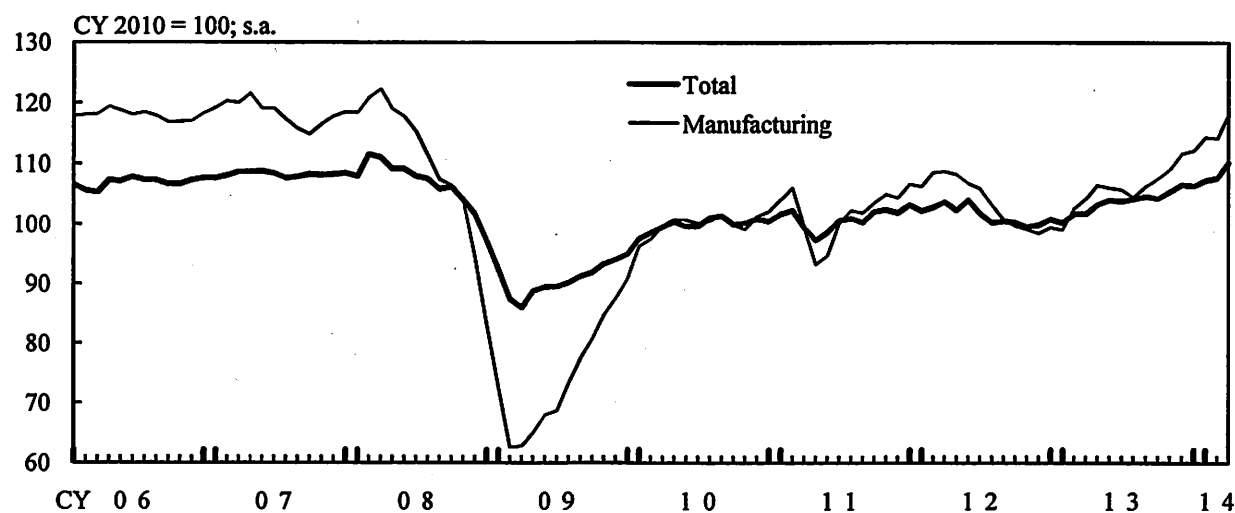
(2) Shipment-Inventory Balance



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

Labor Market

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

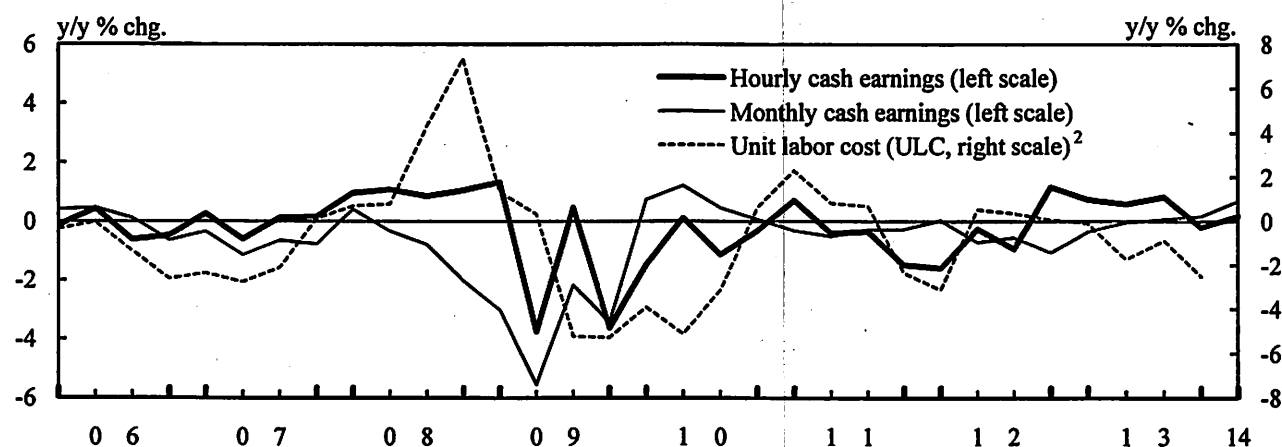
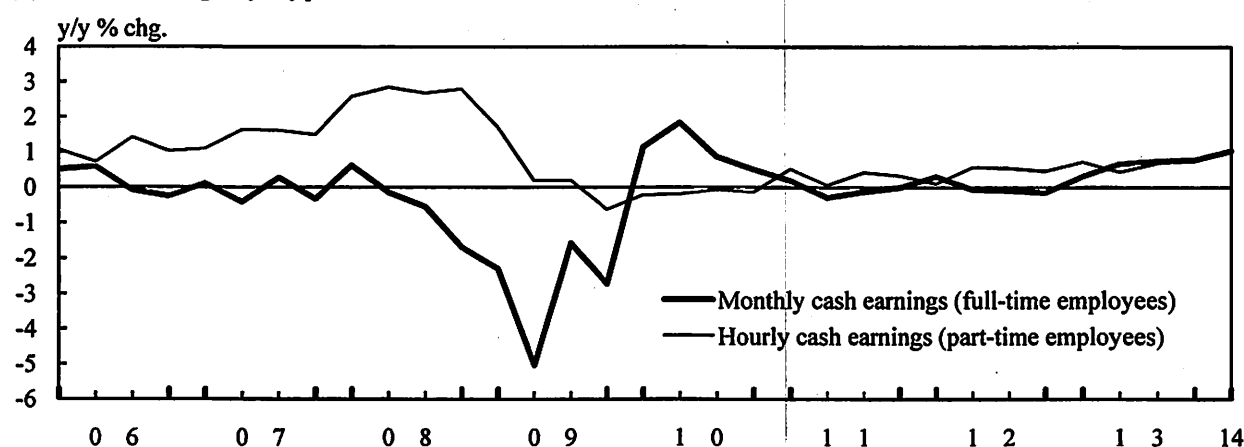
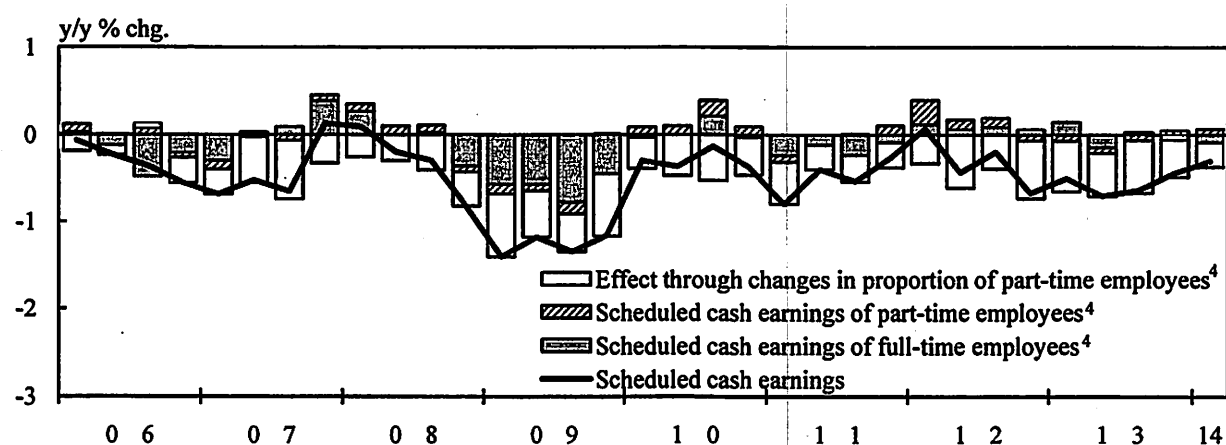
(2) New Job Openings and New Applications¹(3) Non-Scheduled Hours Worked²

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."

Wages

(1) Total^{1,3}(2) Cash Earnings by Type of Worker^{1,3}(3) Breakdown of Scheduled Cash Earnings^{1,3}

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

2. ULC = nominal compensation of employees (SNA) / real GDP

3. Figures for 2014/Q1 are those of March (except ULC).

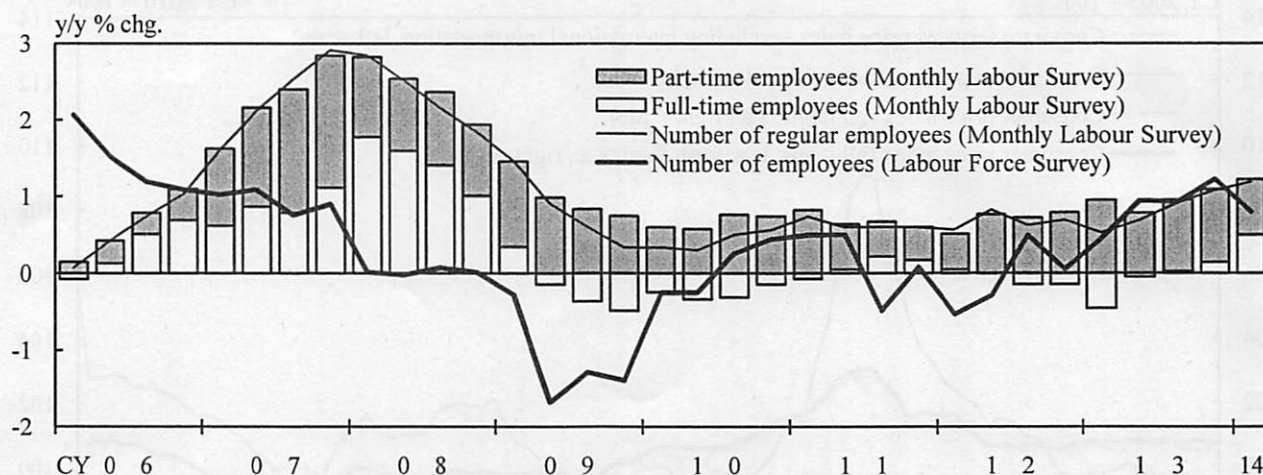
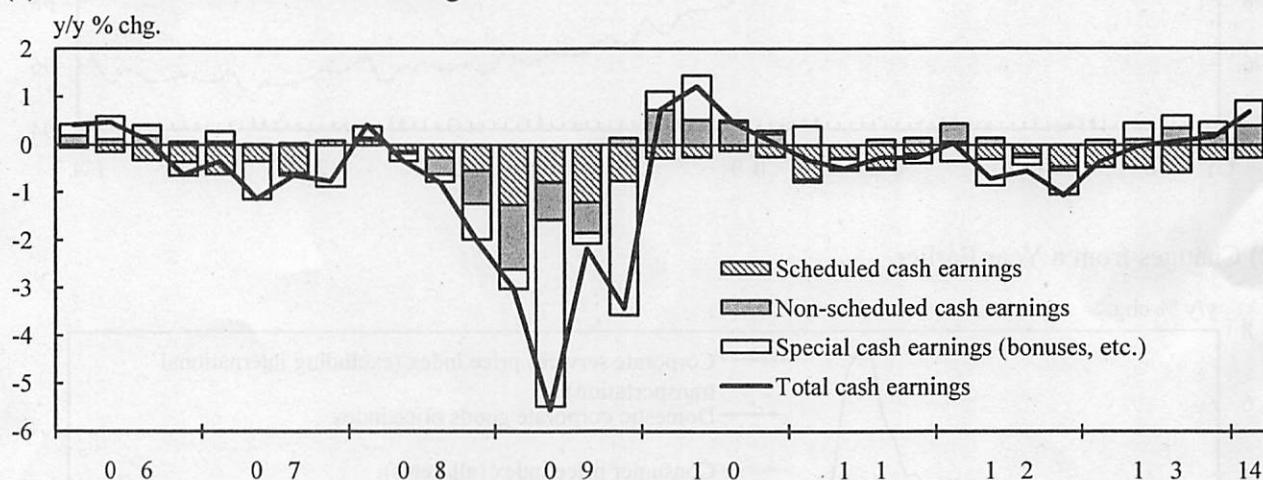
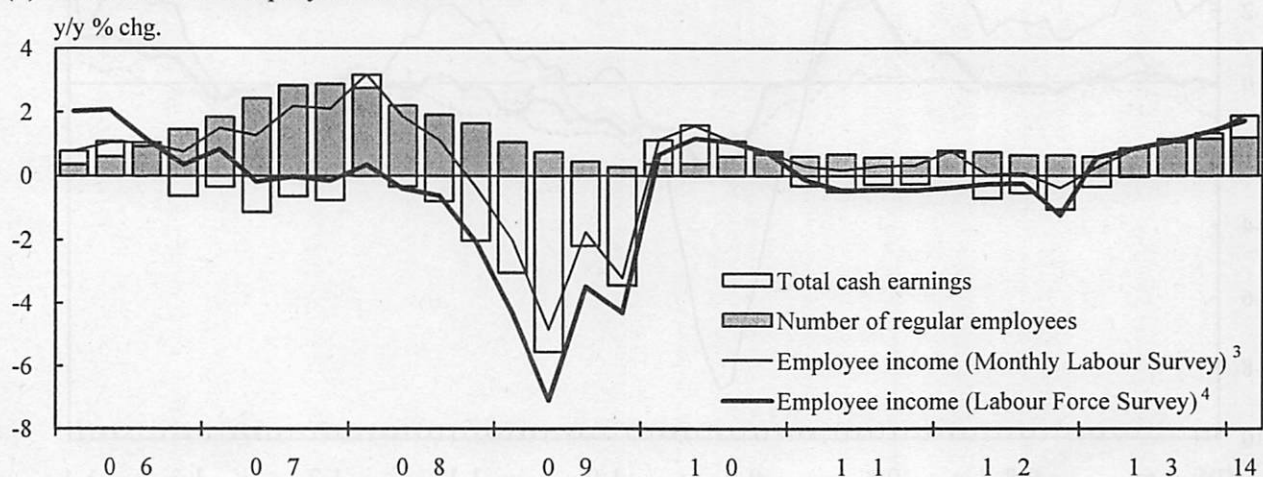
Except ULC : Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.

ULC : Q1 = April-June, Q2 = July-September, Q3 = October-December, Q4 = January-March.

4. Contributions from scheduled cash earnings of full-time employees and those of part-time employees are calculated as: "scheduled cash earnings of each type of employee (y/y chg.)" times "proportion of the corresponding type's scheduled cash earnings to the previous year's total." Contributions from the effect through changes in proportion of part-time employees are the residuals.

Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey"; Cabinet Office, "National Accounts."

Employee Income

(1) Number of Employees¹(2) Breakdown of Total Cash Earnings^{1,2}(3) Breakdown of Employee Income^{1,2}

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

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

Figures for 2014/Q1 are those of March.

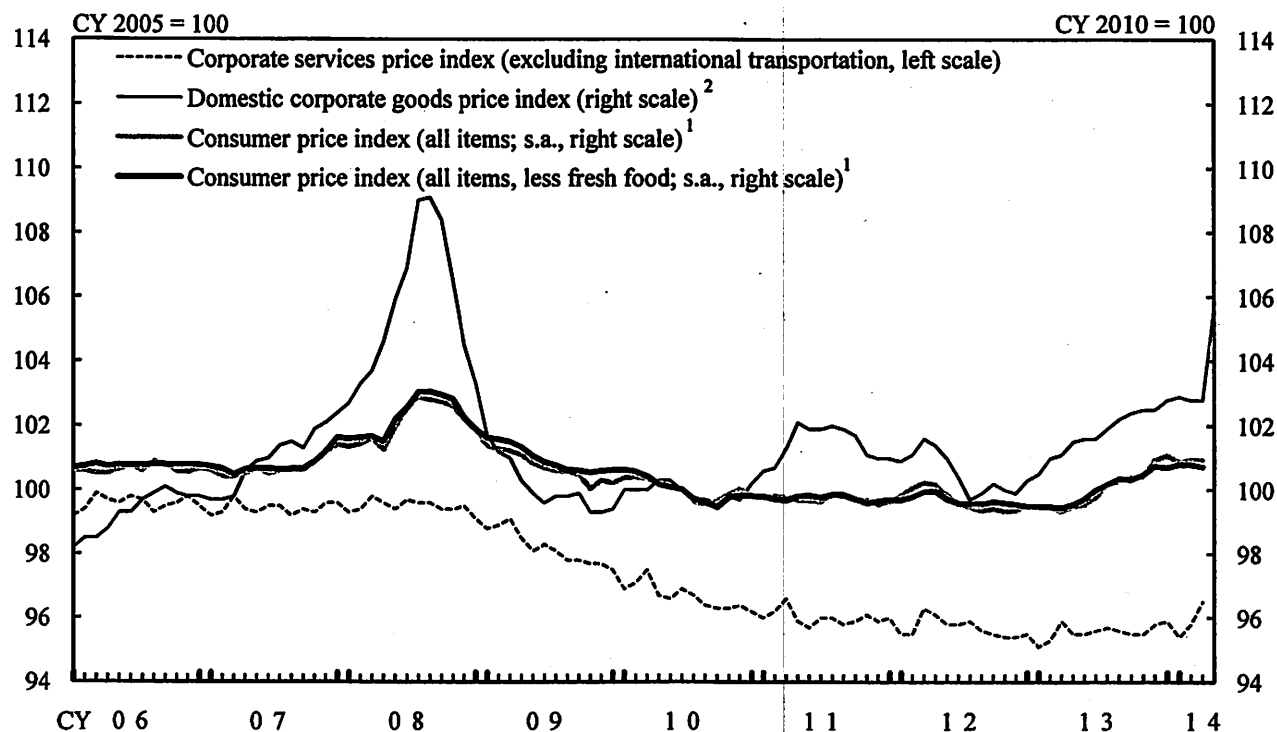
3. Calculated as the "number of regular employees" (Monthly Labour Survey) times "total cash earnings" (Monthly Labour Survey).

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

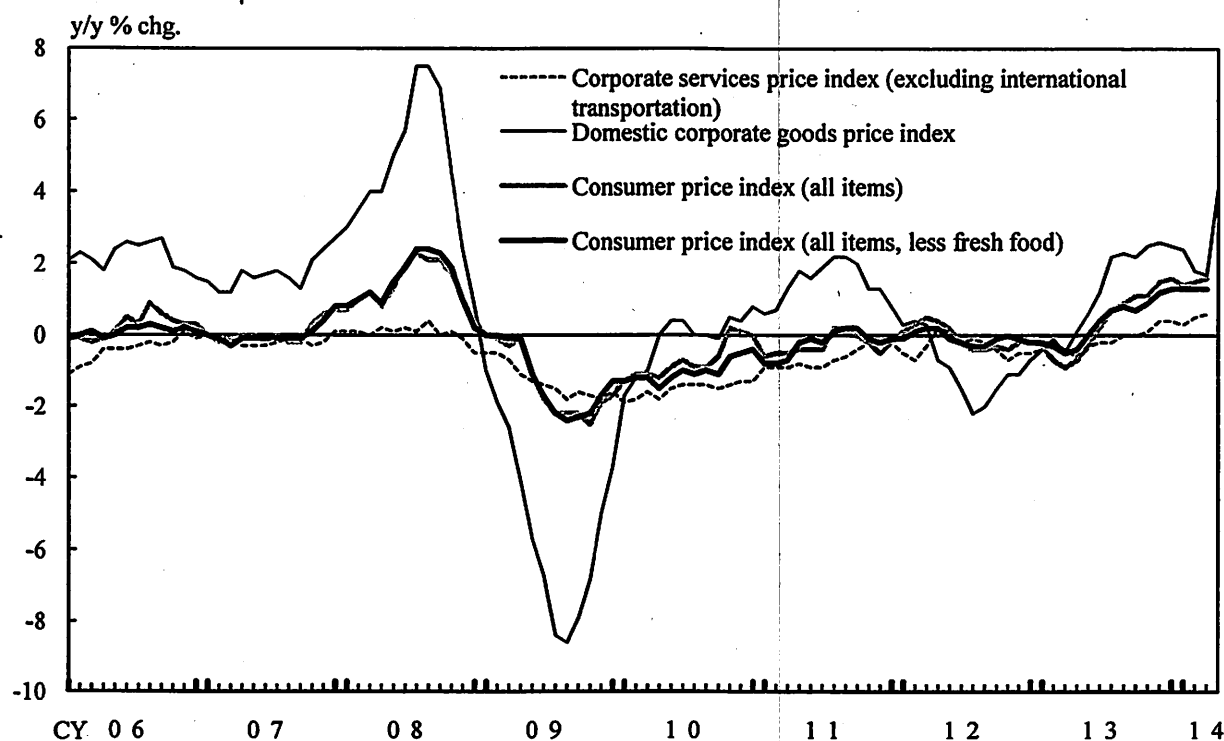
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
Ministry of Internal Affairs and Communications, "Labour Force Survey."

Prices

(1) Level



(2) Changes from a Year Earlier



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

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

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

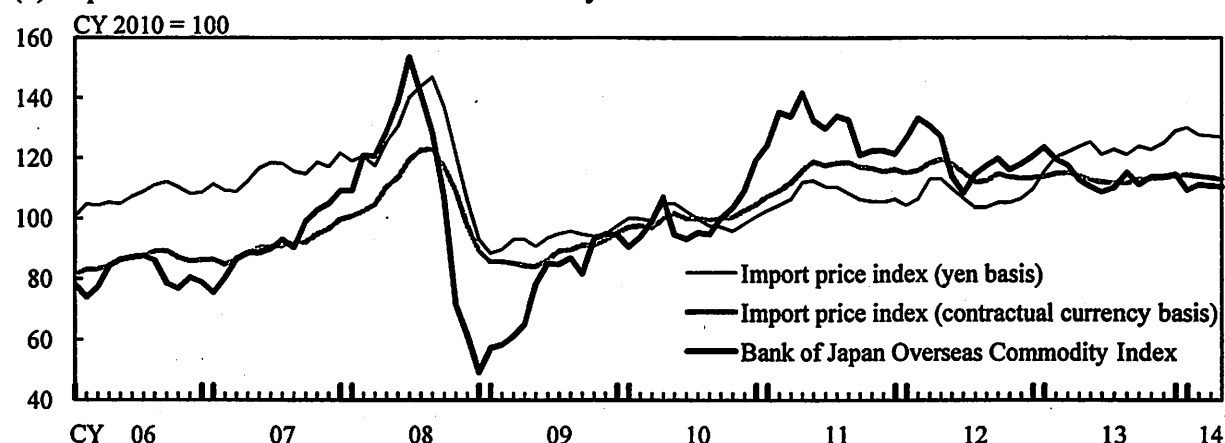
4. Figures of "Corporate Goods Price Index" up to 2009 are based on the linked index.

5. Figures from April 2014 onward include the consumption tax.

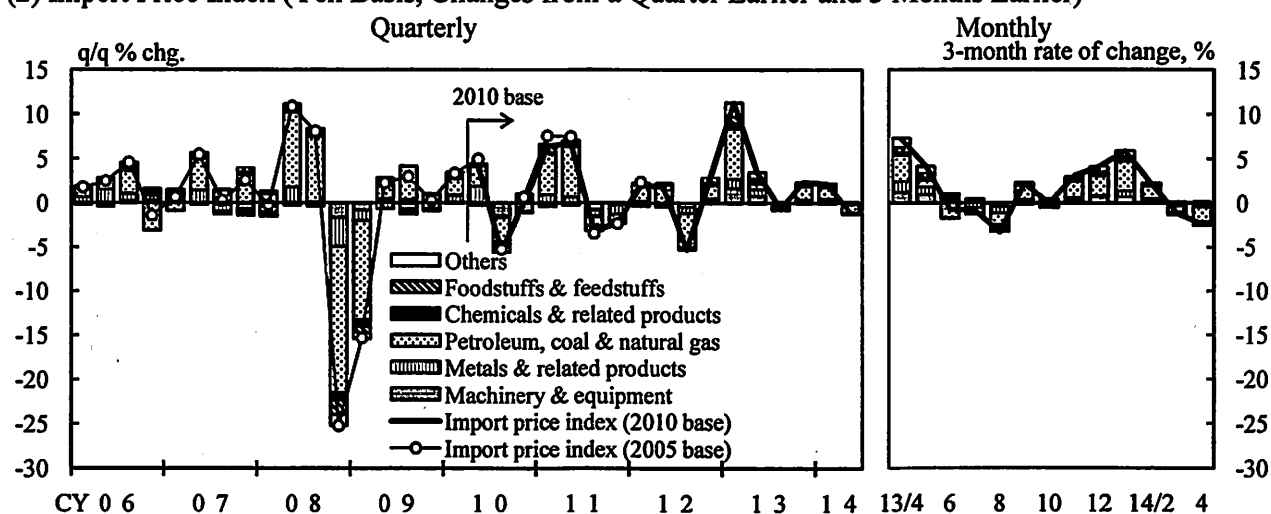
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Corporate Services Price Index."

Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



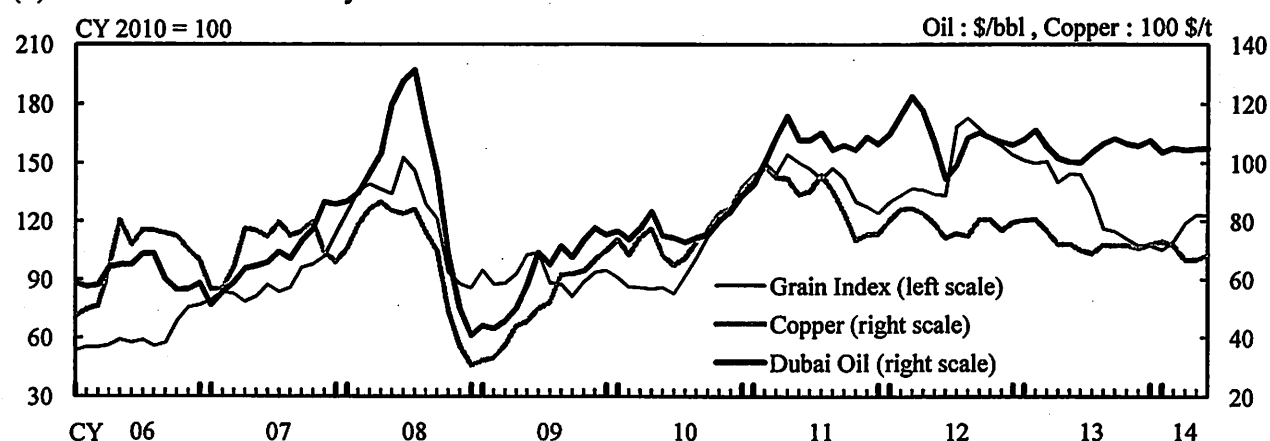
(2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



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

2. Figures for 2014/Q2 are those of April.

(3) International Commodity Prices



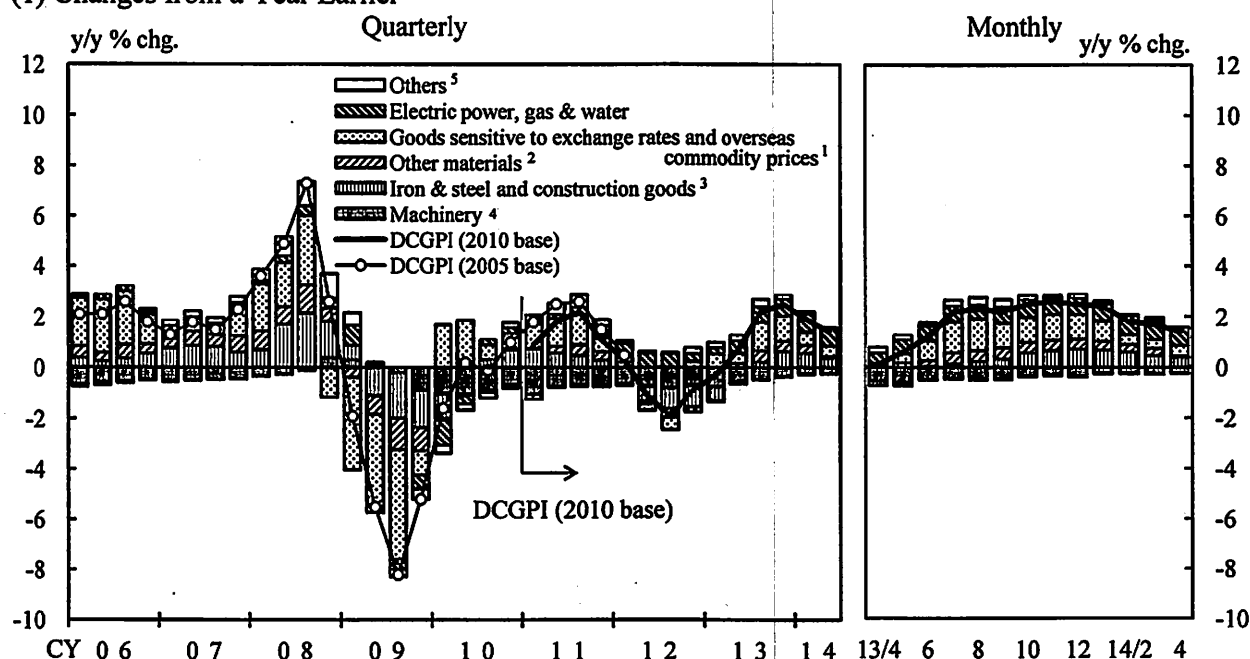
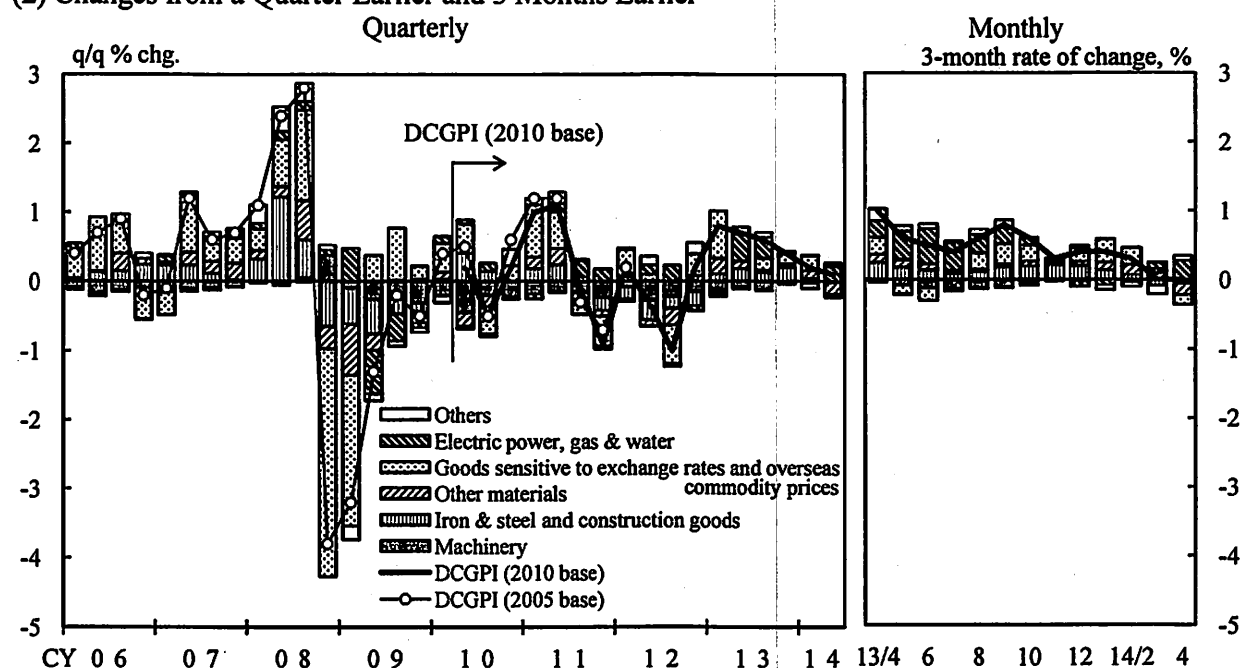
Notes: 1. The "grain index" is the weighted average of prices of three selected items (wheat, soybeans, and corn) in overseas commodity markets. The weights are based on the value of imports in the "Trade Statistics."

2. Monthly averages. Figures for May 2014 are averages up to May 20.

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

Domestic Corporate Goods Price Index

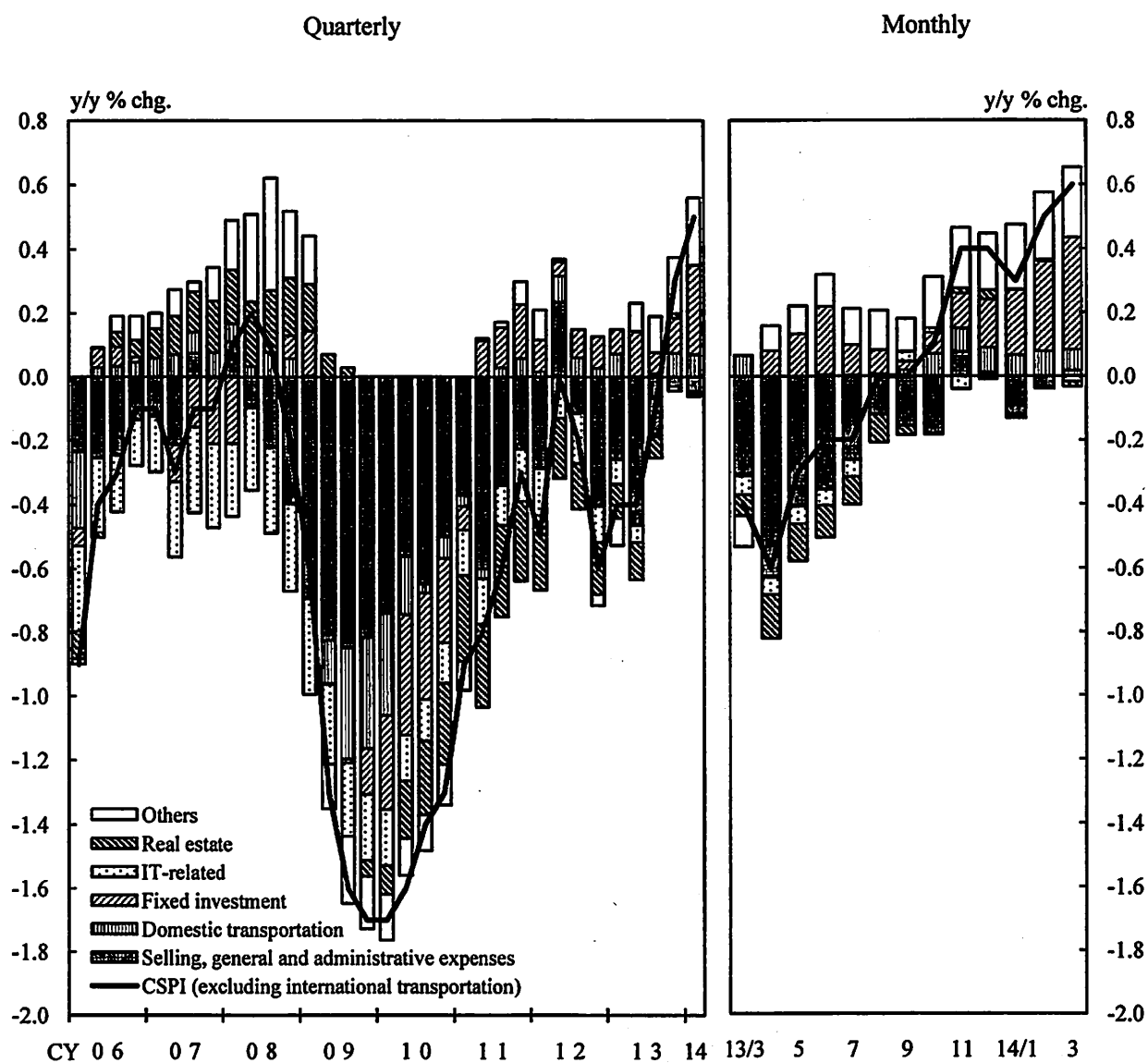
(1) Changes from a Year Earlier

(2) Changes from a Quarter Earlier and 3 Months Earlier⁶

- Notes: 1. Goods sensitive to exchange rates and overseas commodity prices: petroleum & coal products and nonferrous metals.
 2. Other materials: chemicals & related products, plastic products, textile products, and pulp, paper & related products.
 3. Iron & steel and construction goods: iron & steel, metal products, 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 from April 2014 onward are adjusted to exclude the direct effects of the consumption tax hike, using indices excluding the consumption tax.
 8. Figures for 2014/Q2 are those of April.

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

Corporate Services Price Index

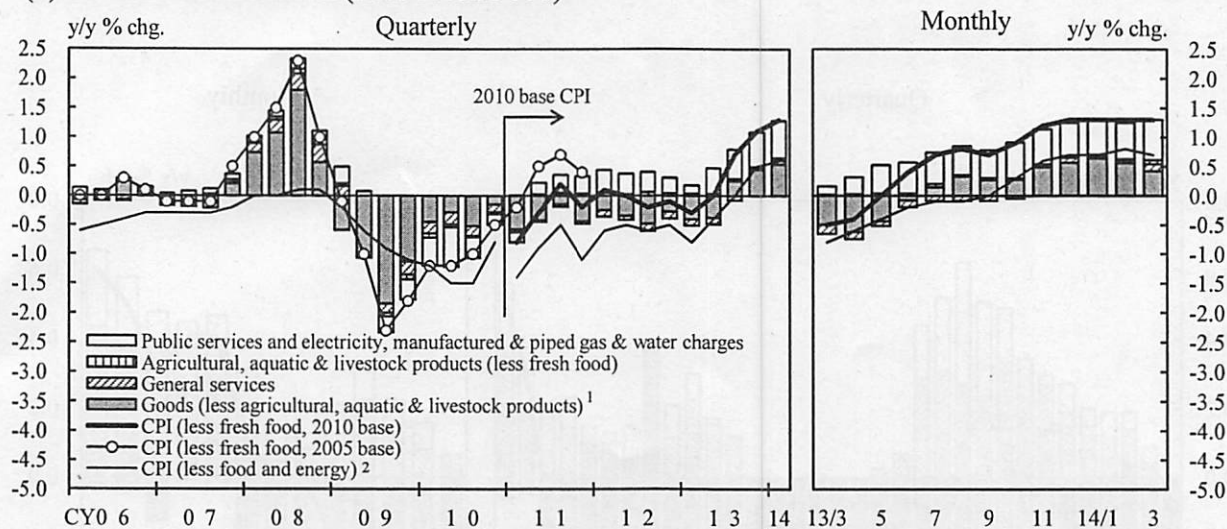
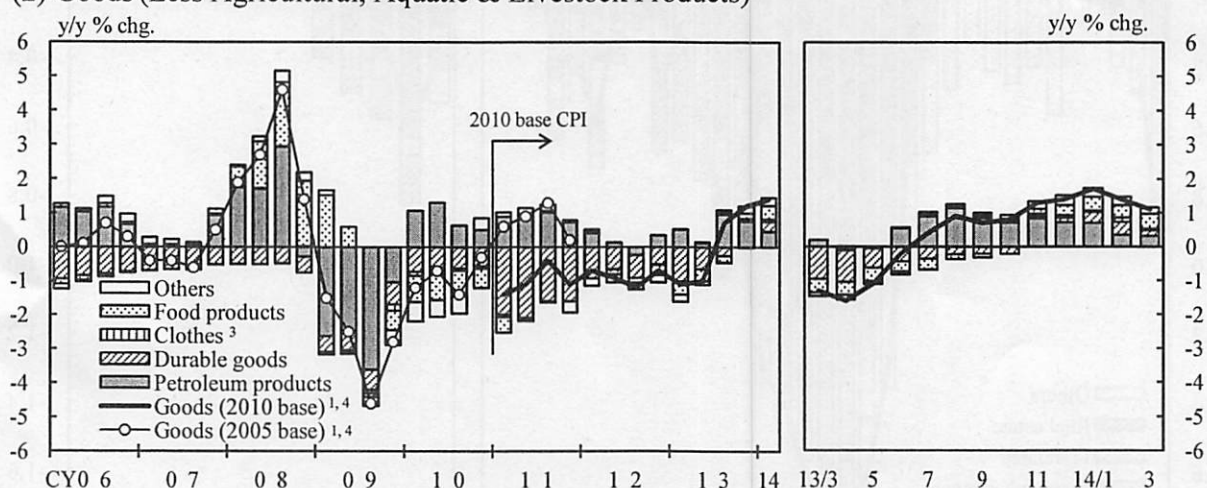


- Notes: 1. Selling, general and administrative expenses: information and communications (excluding newspapers and publishing), advertising services, other services (excluding plant engineering, and civil engineering and architectural services).
 2. Domestic transportation: transportation (excluding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

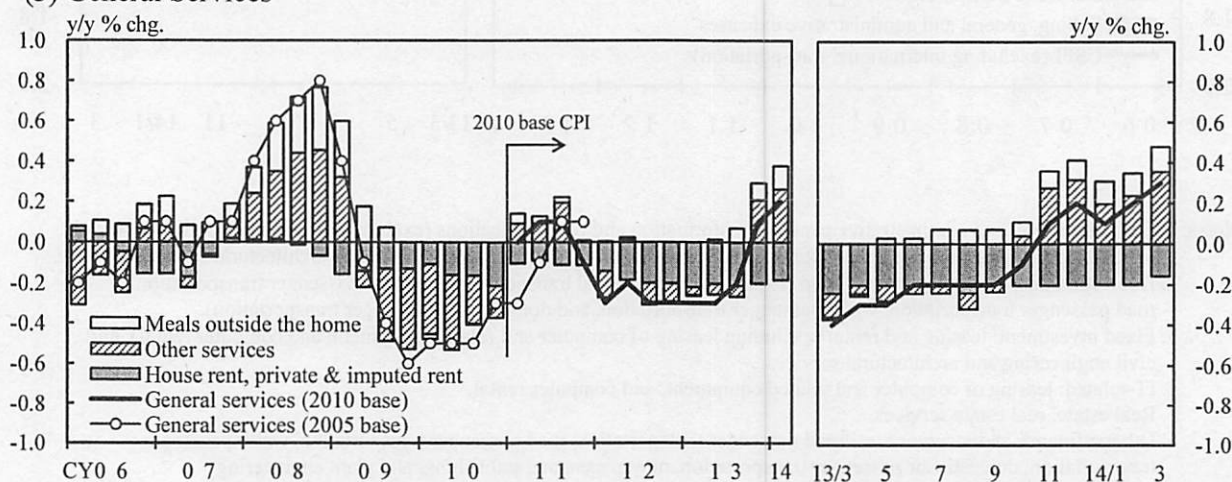
Source: Bank of Japan, "Corporate Services Price Index."

Consumer Price Index (Less Fresh Food)

(1) Consumer Price Index (Less Fresh Food)

(2) Goods (Less Agricultural, Aquatic & Livestock Products)¹

(3) General Services



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

However, electricity, manufactured & piped gas & water charges are excluded from goods.

2. Alcoholic beverages are excluded from food. Energy: electricity, gas manufactured & piped, Liquefied propane, kerosene, and gasoline.

3. Including shirts, sweaters & underwear.

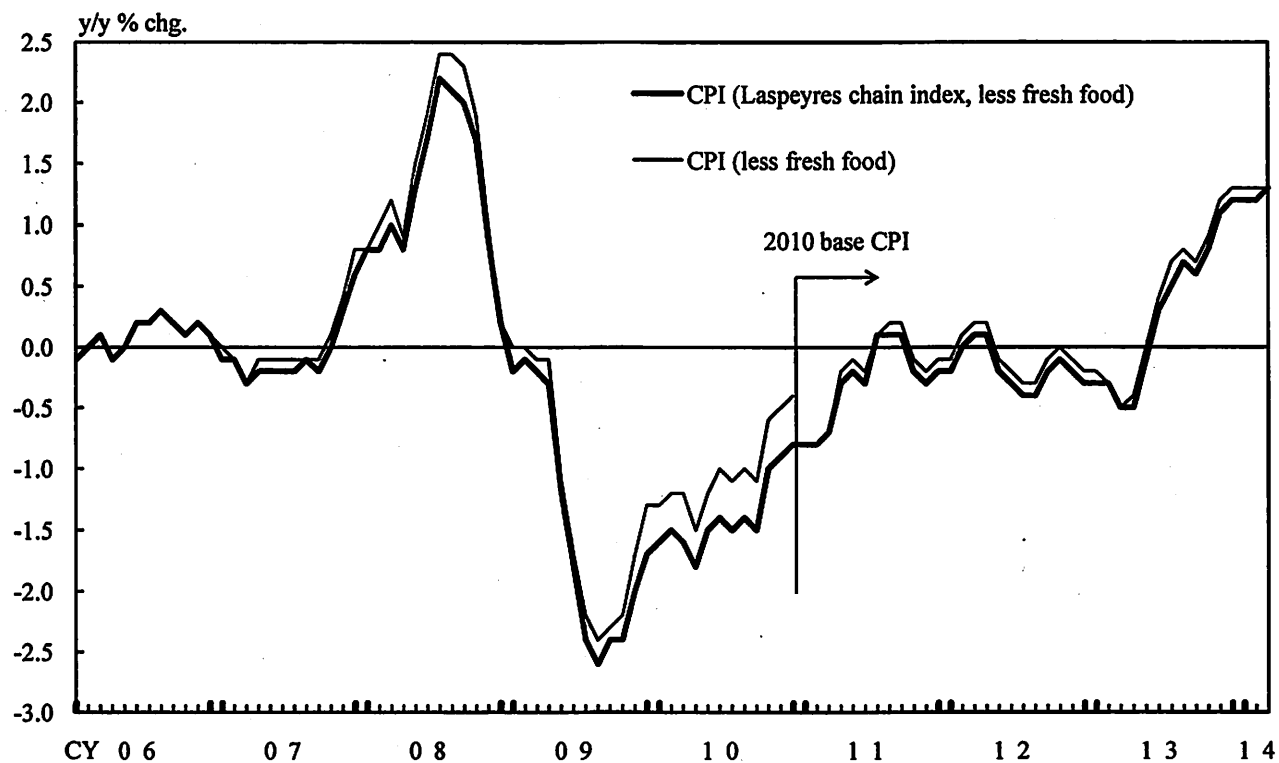
4. Less agricultural, aquatic & livestock products.

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

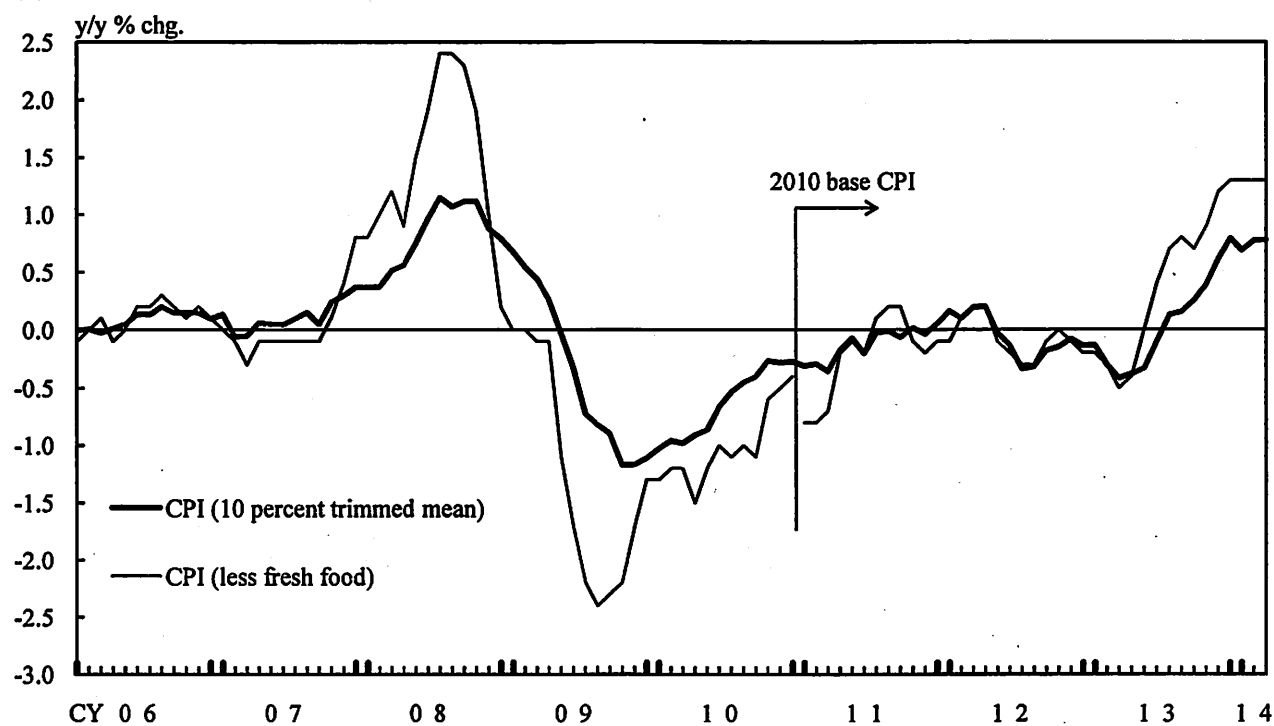
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Trend Changes in Consumer Prices

(1) Laspeyres Chain Index



(2) Trimmed Mean



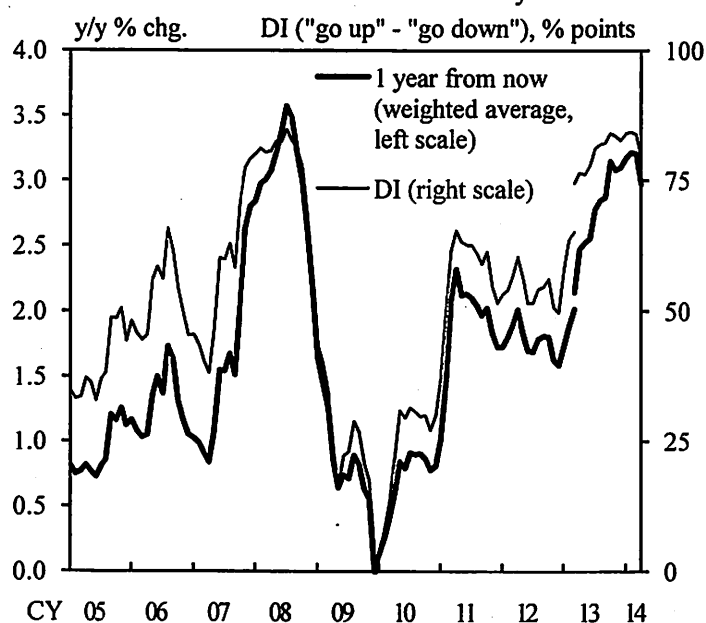
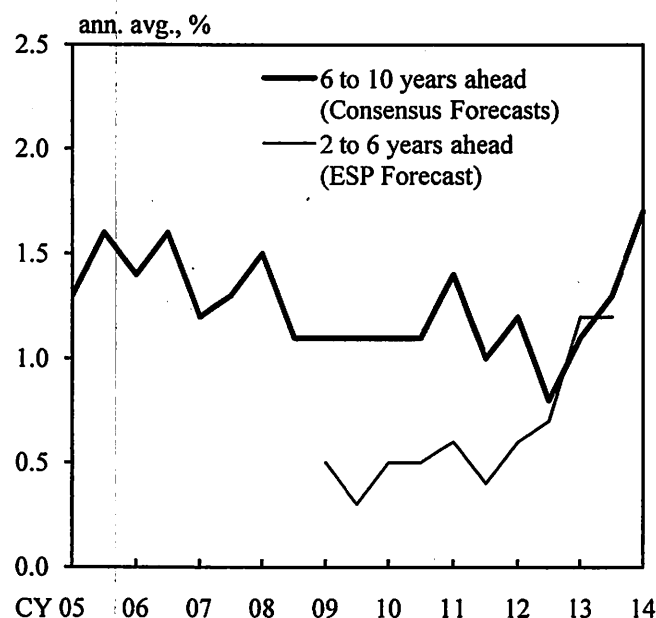
Notes: 1. Figures for the 10 percent trimmed mean are weighted averages of items; these items are obtained by rearranging year-on-year rates of price change in ascending order and then excluding items in both the upper and lower 10 percent tails by weight.

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

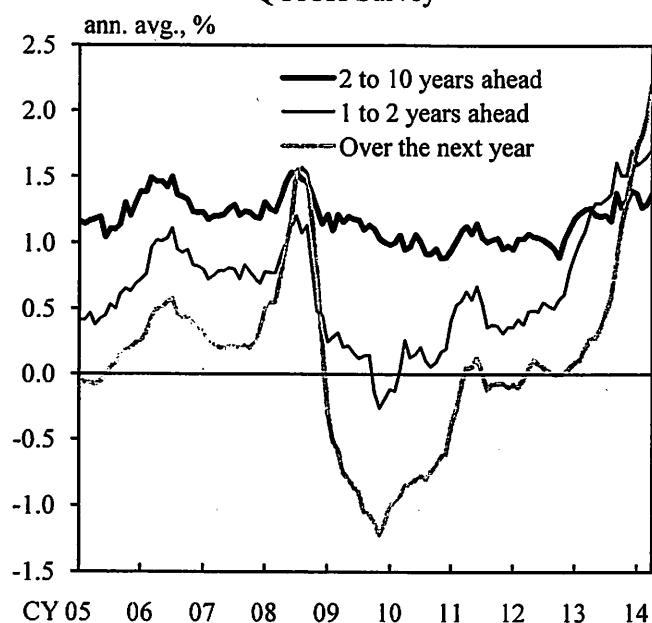
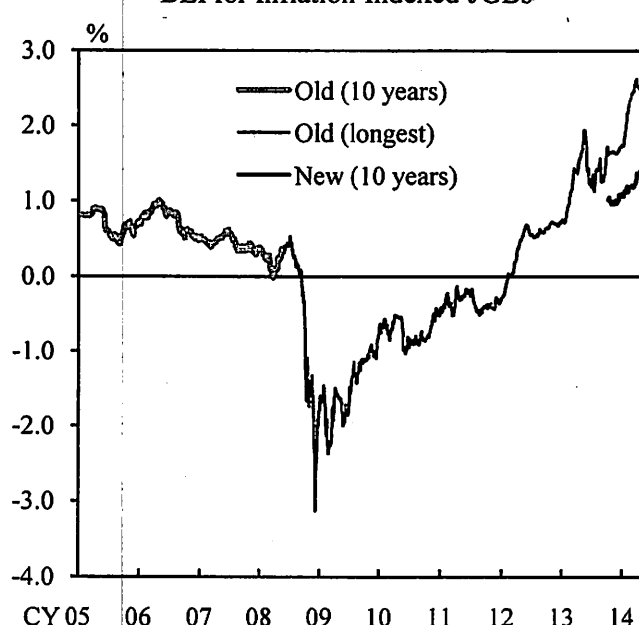
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Inflation Expectations

(1) Households

<Consumer Confidence Survey>^{1,2,3}(2) Economists⁴

(3) Market Participants

<QUICK Survey>⁵<BEI for Inflation-Indexed JGBs>⁶

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. Figures for the ESP Forecast exclude the effects of the consumption tax hikes.

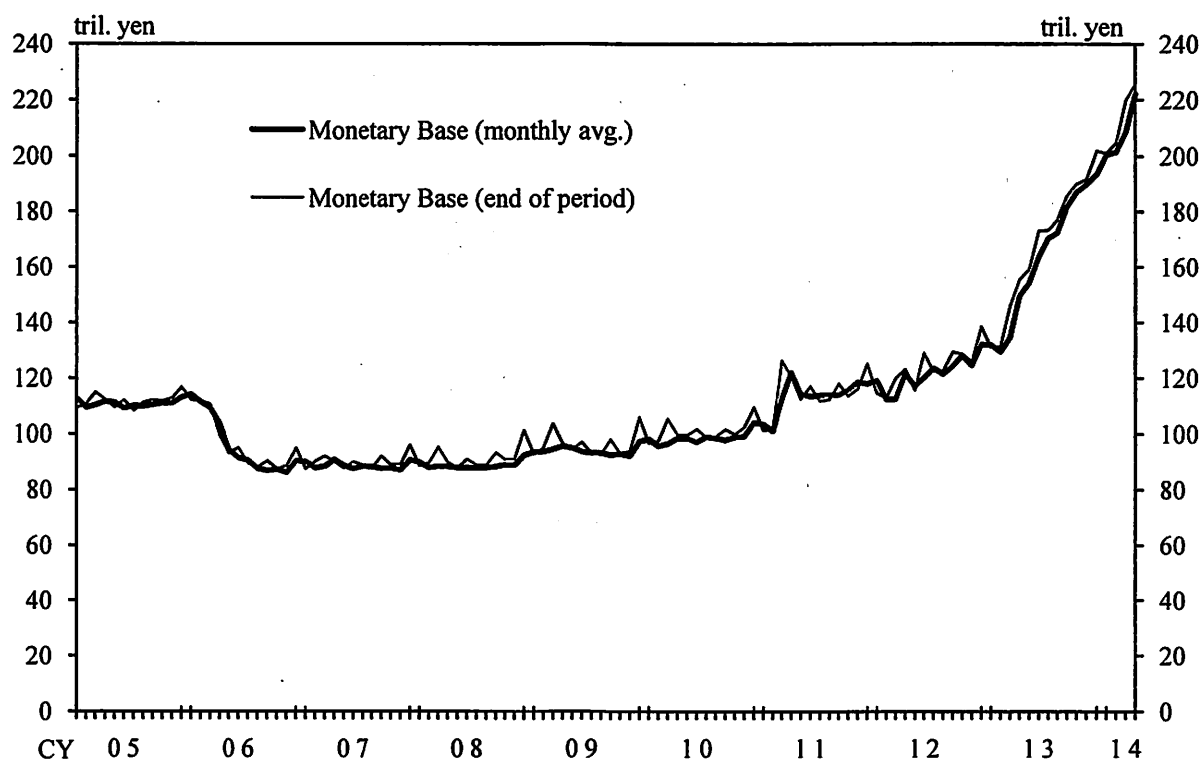
5. From the September 2013 survey, the QUICK Monthly Market Survey (Bonds) has asked respondents to include the effects of the consumption tax hikes.

6. Yield spreads between fixed-rate coupon-bearing JGBs and inflation-indexed JGBs. Inflation-indexed JGBs issued since October 2013 are designated as "new," while the rest are designated as "old." Figures for "old (longest)" are calculated using yield data for issue No. 16 of the inflation-indexed JGBs, which matures in June 2018.

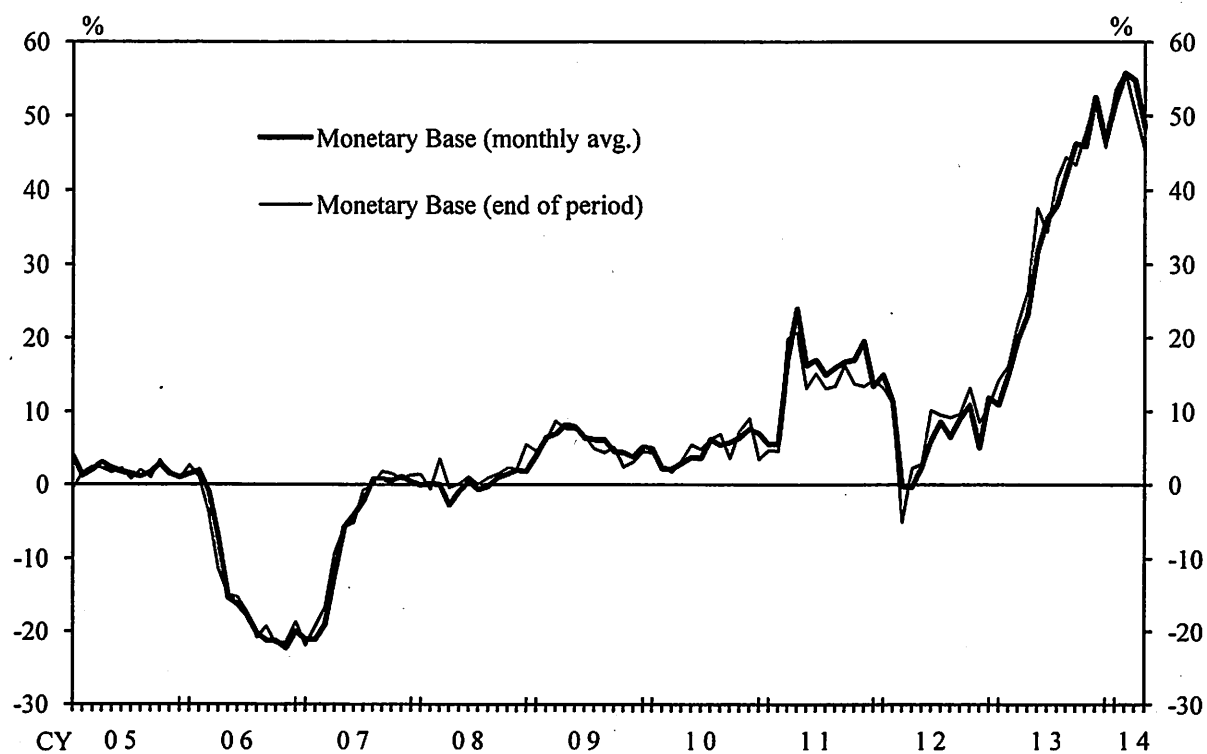
Sources: Cabinet Office, "Consumer Confidence Survey"; Consensus Economics Inc., "Consensus Forecasts"; JCER, "ESP Forecast"; QUICK, "QUICK Monthly Market Survey (Bonds)"; Bloomberg.

Monetary Base

(1) Level

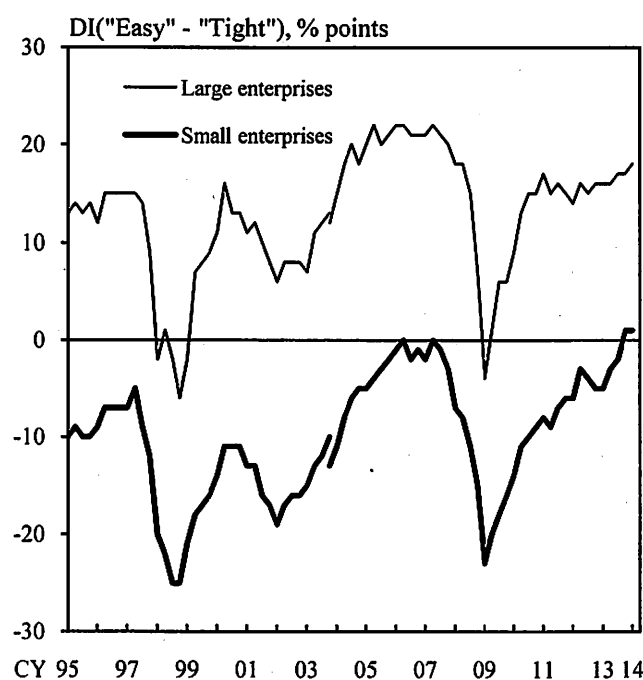


(2) Changes from a Year Earlier

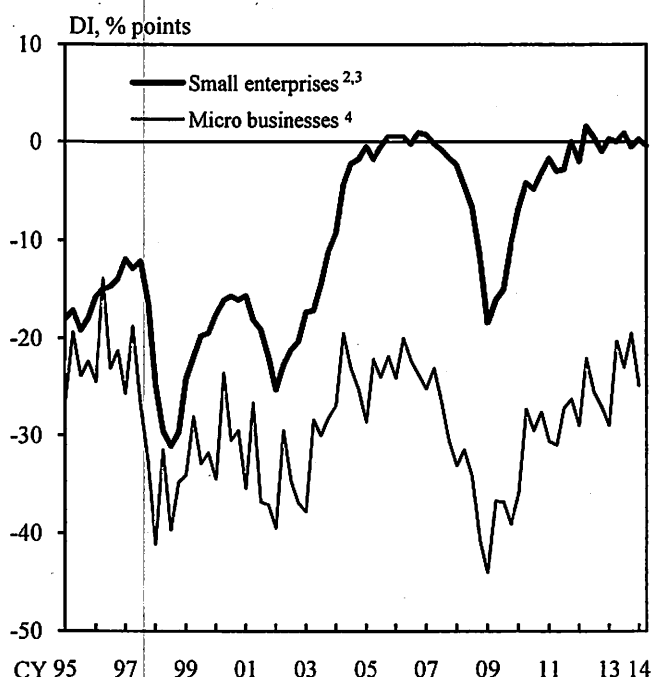


Corporate Finance-Related Indicators

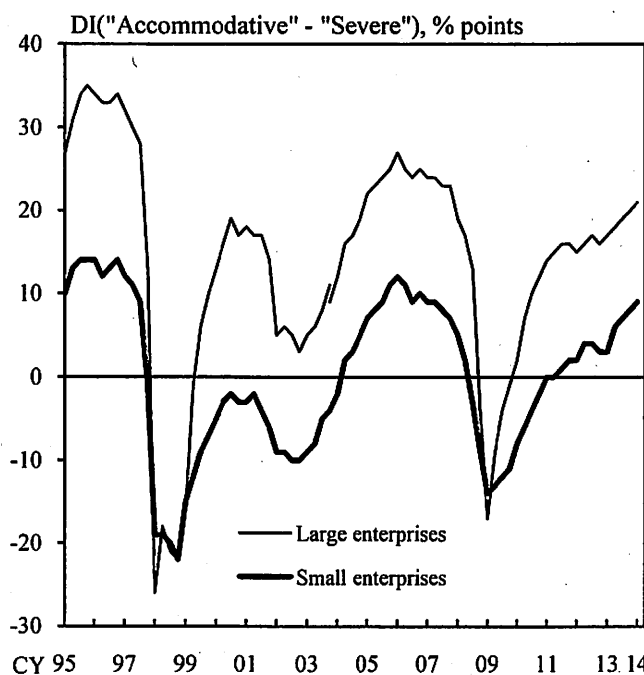
(1) Financial Position

<Tankan¹>

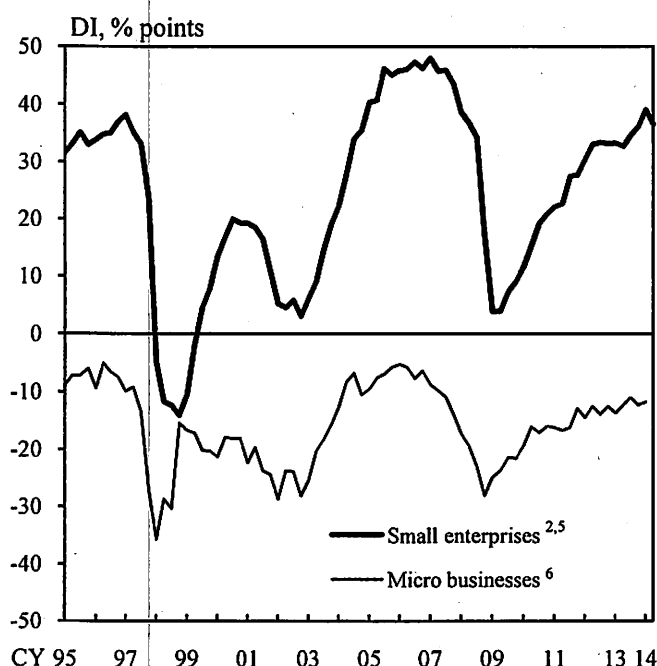
<Japan Finance Corporation Survey>



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

<Tankan¹>

<Japan Finance Corporation Survey>



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

2. Figures are quarterly averages of monthly data. Figures for 2014/Q2 are those of April.

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

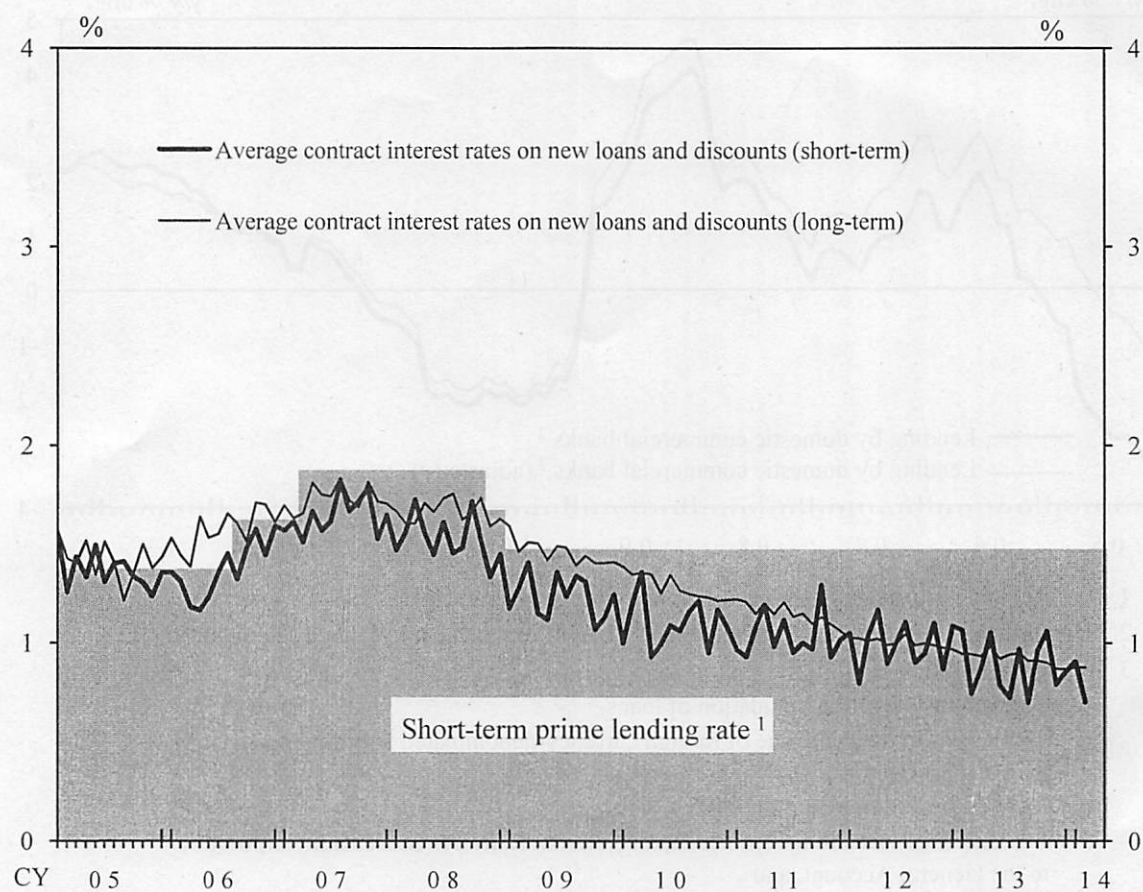
4. DI of "Easier" - "Tighter."

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

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

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

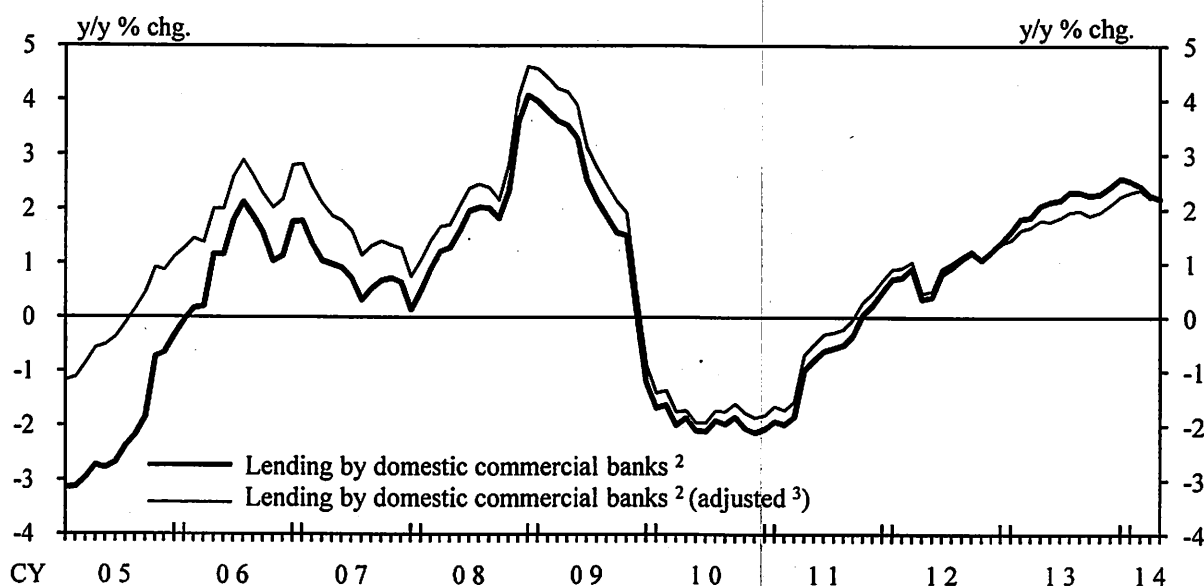
Lending Rates



Note: 1. Data are at end of period.

Source: Bank of Japan.

Lending by Financial Institutions

(1) Lending by Domestic Commercial Banks¹

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

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

3. Adjusted to exclude

(1) fluctuations due to the liquidation of loans,

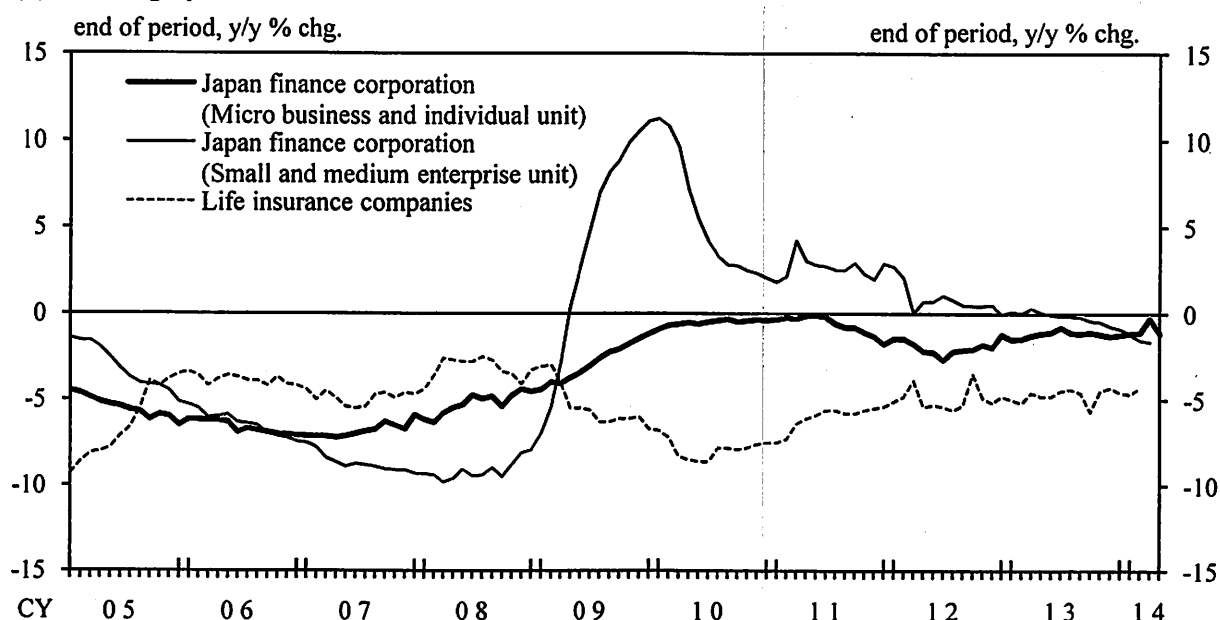
(2) fluctuations in the yen value of foreign currency-denominated loans due to changes in exchange rates,

(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

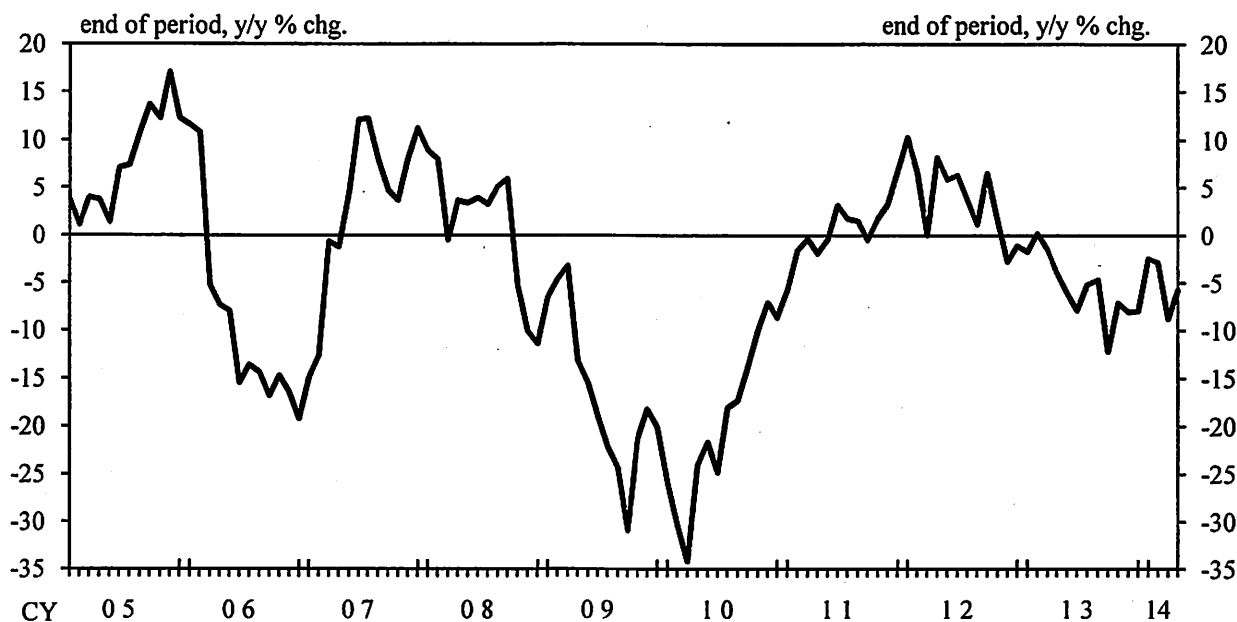


Note: The figures of the Japan Finance Corporation (Small and Medium Enterprise Unit) exclude the amounts outstanding of lending to the Credit Guarantee Corporations.

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

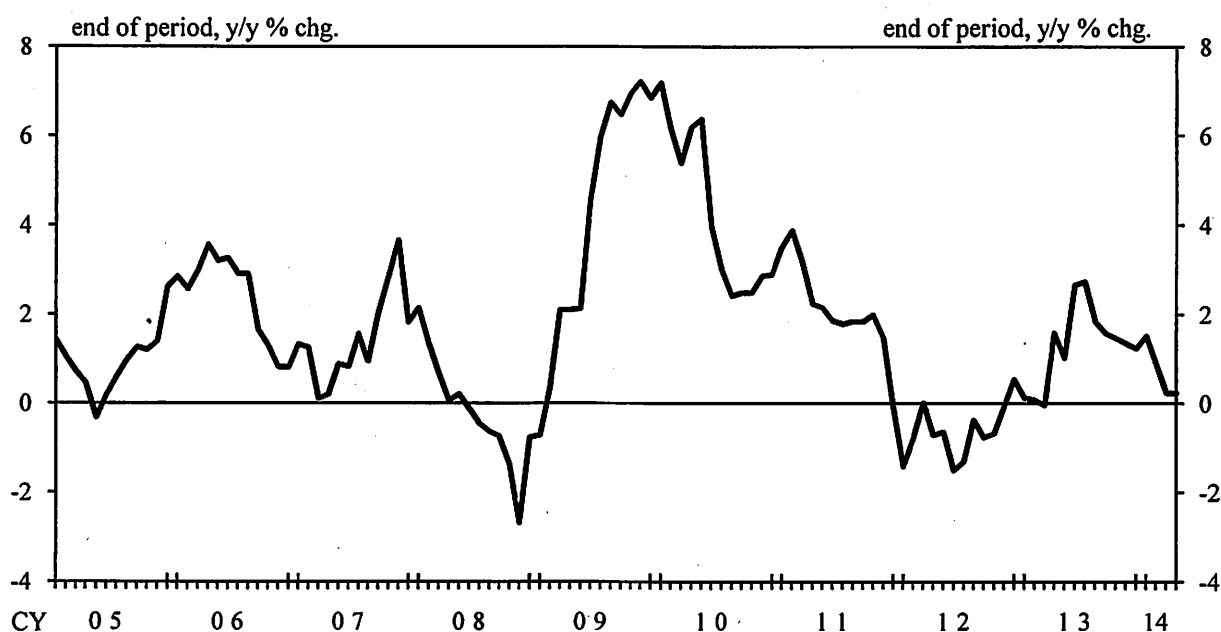
Private-Sector Fund-Raising in the Capital Markets

(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



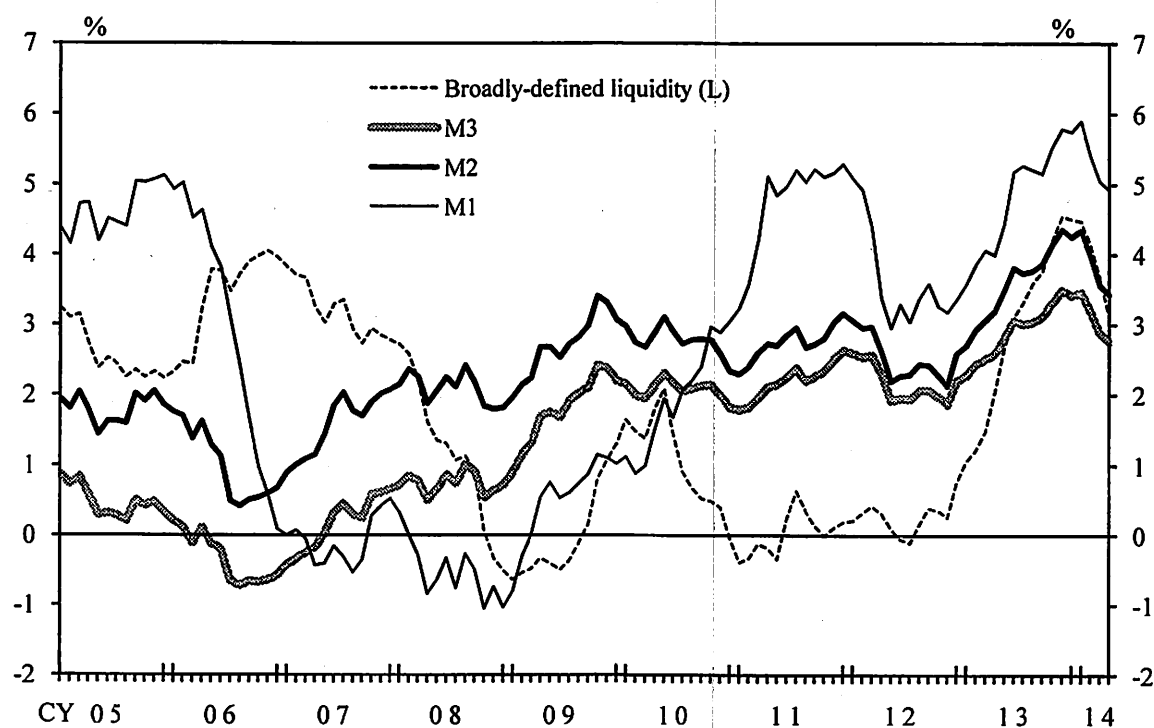
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

- (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.

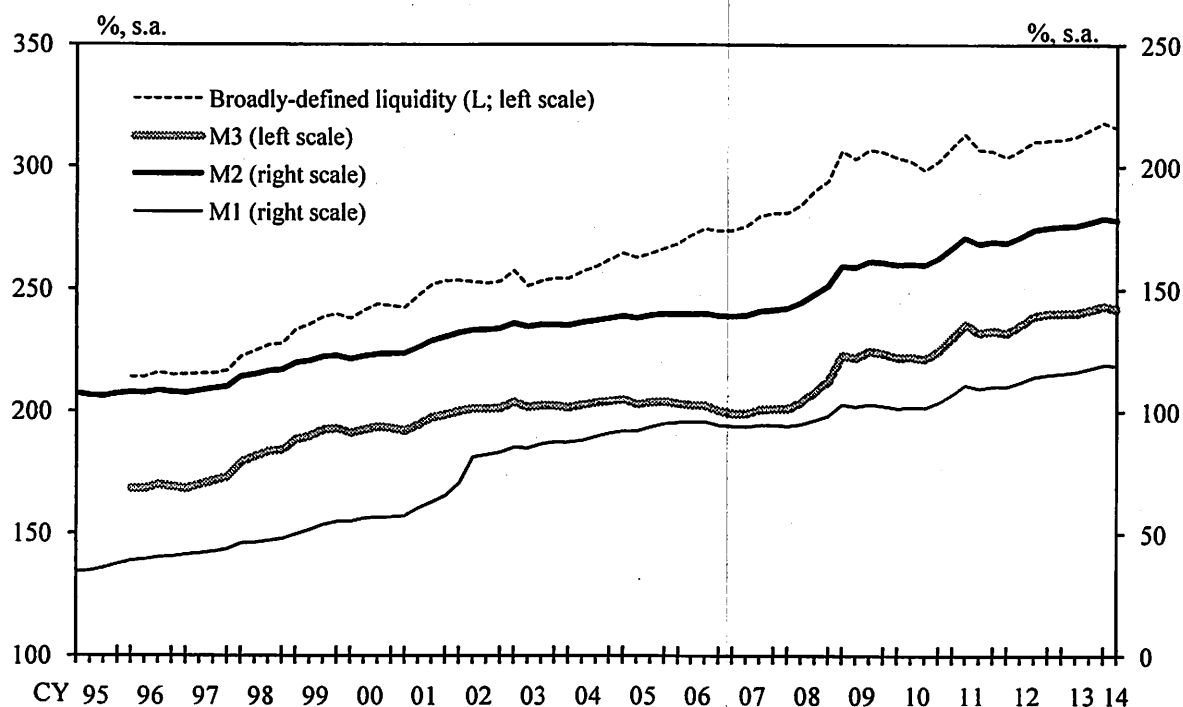
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category";
Bank of Japan, "Principal Figures of Financial Institutions";
Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts of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

Money Stock

(1) Changes from a Year Earlier



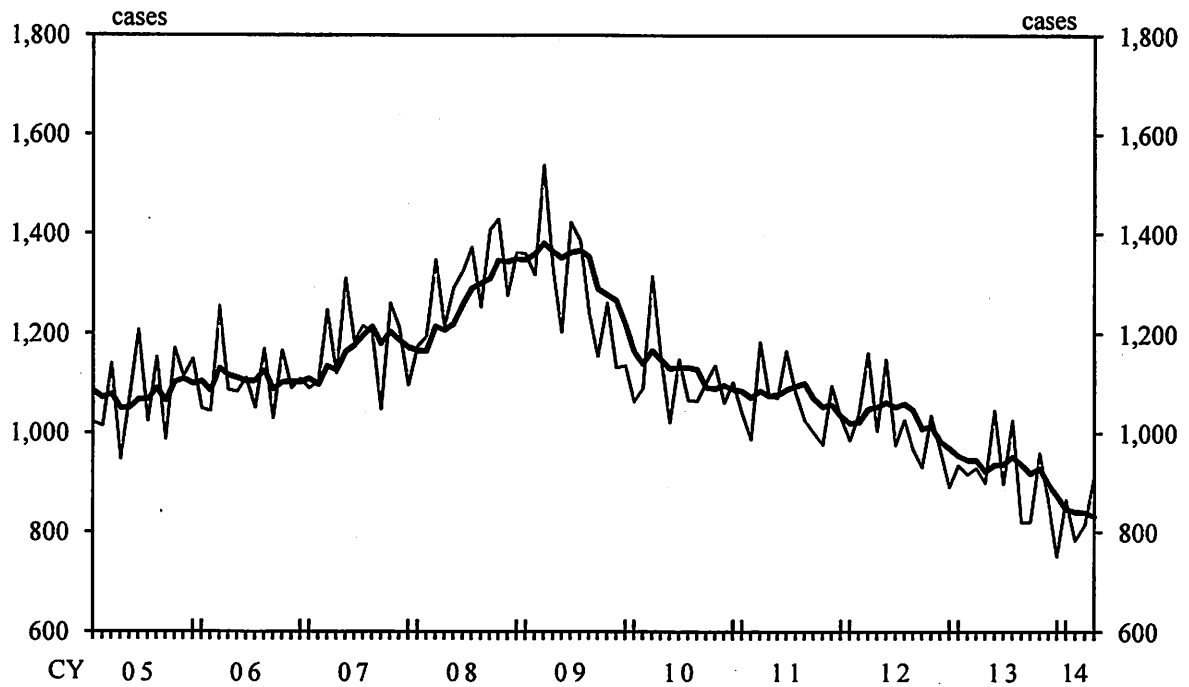
(2) Ratio of Money Stock to Nominal GDP



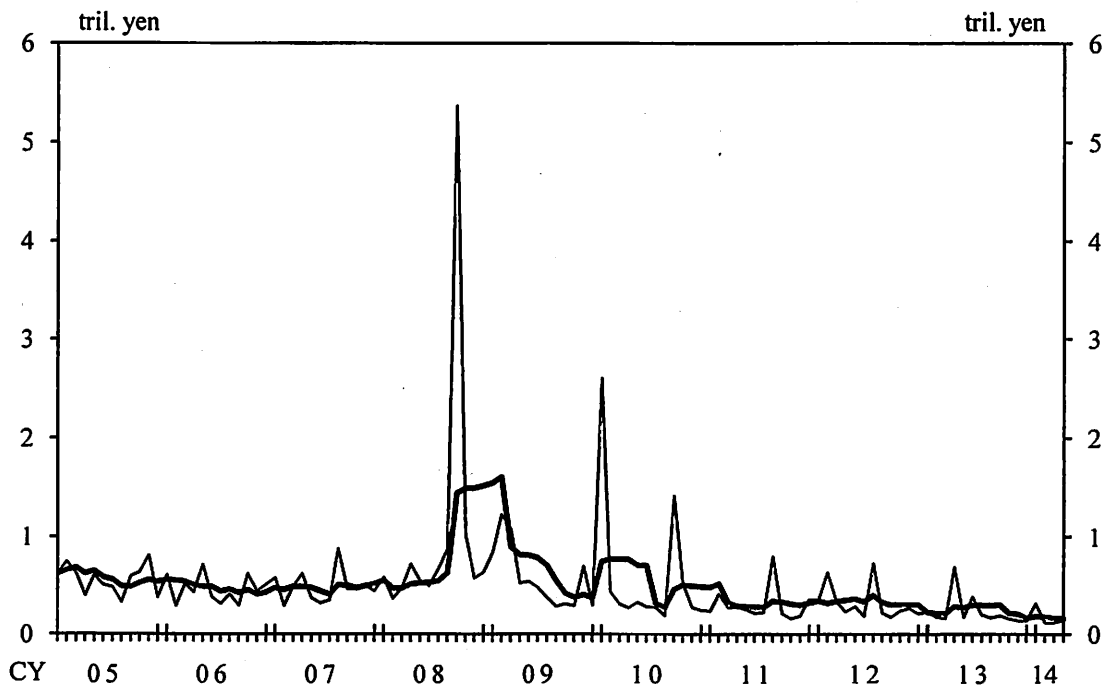
- Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.
 2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.
 3. The figures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

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities

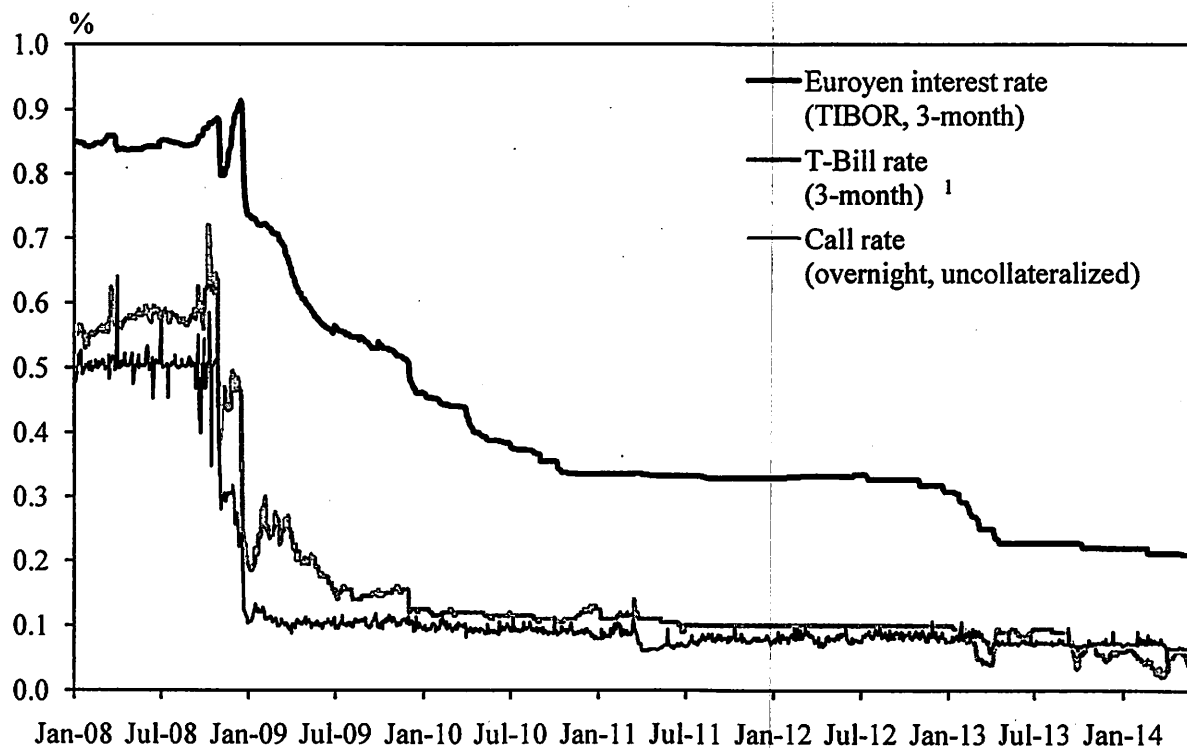


Note: Bold lines are the six-month moving average.

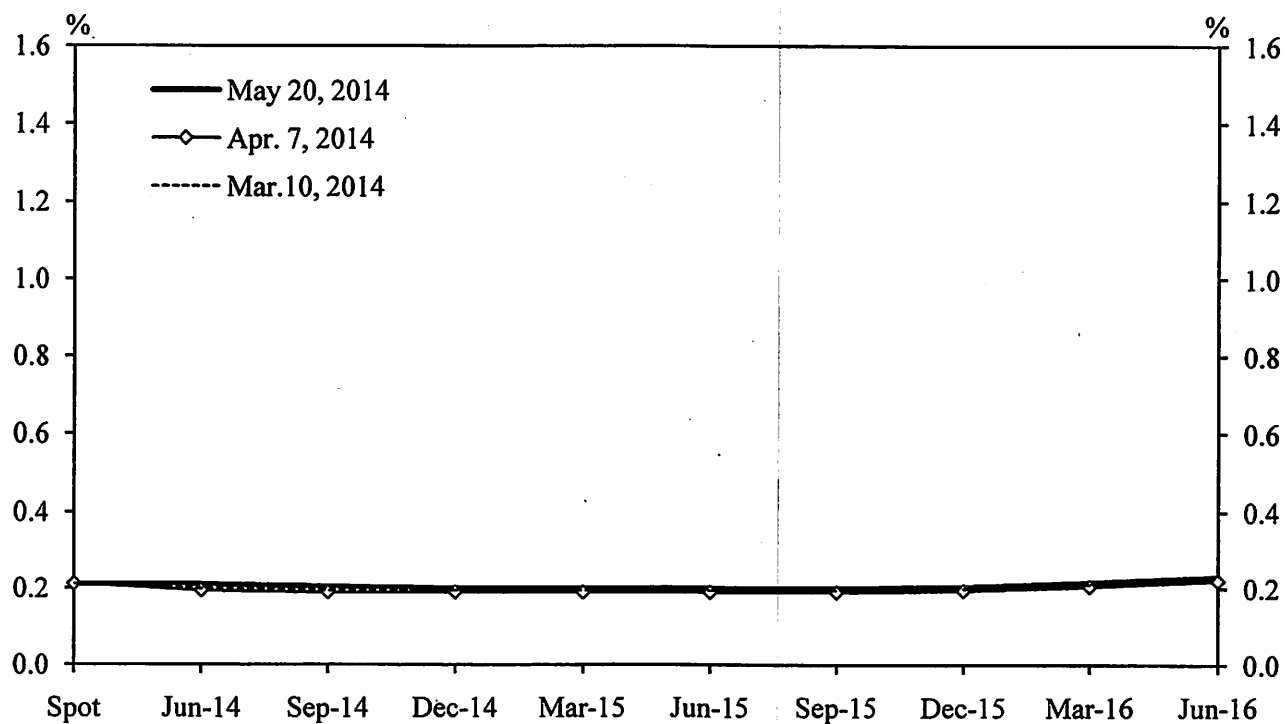
Source: Tokyo Shoko Research Ltd., "Tosan Geppo (Monthly review of corporate bankruptcies)."

Short-Term Interest Rates

(1) Short-Term Interest Rates



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

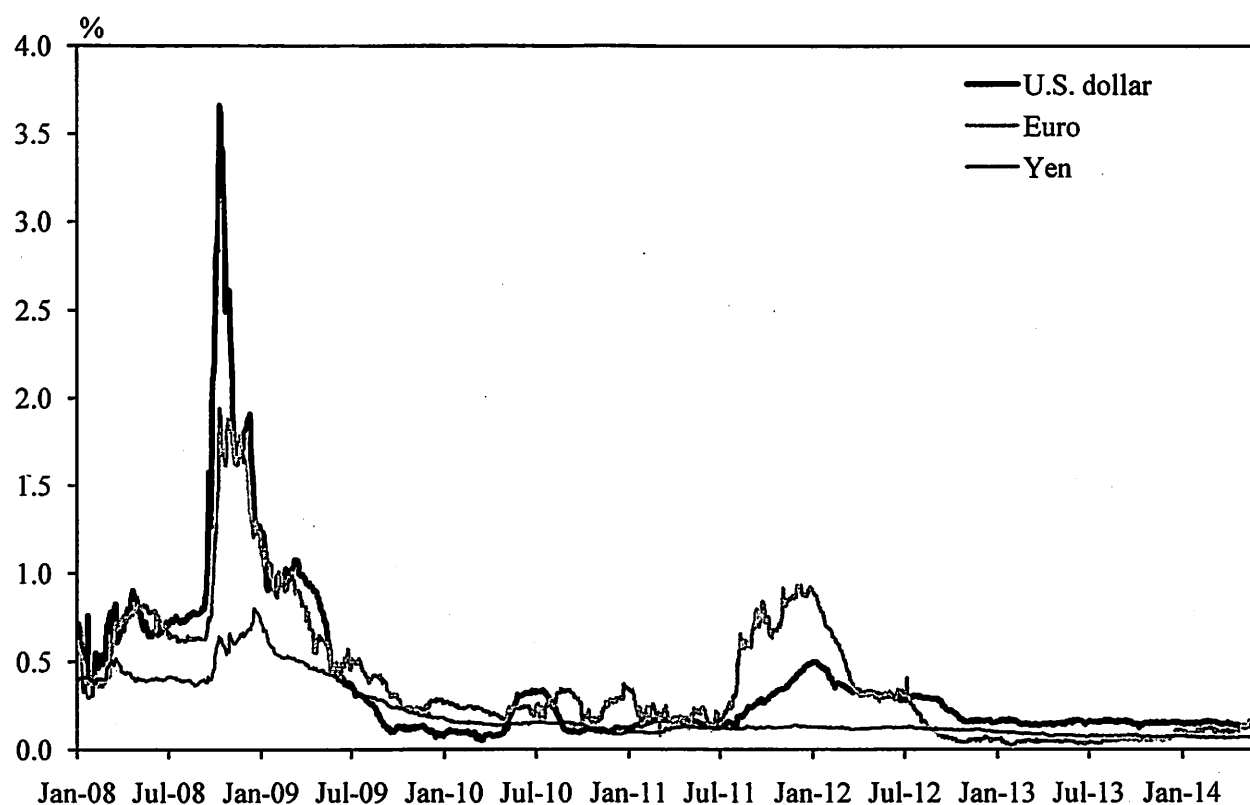


Note: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.

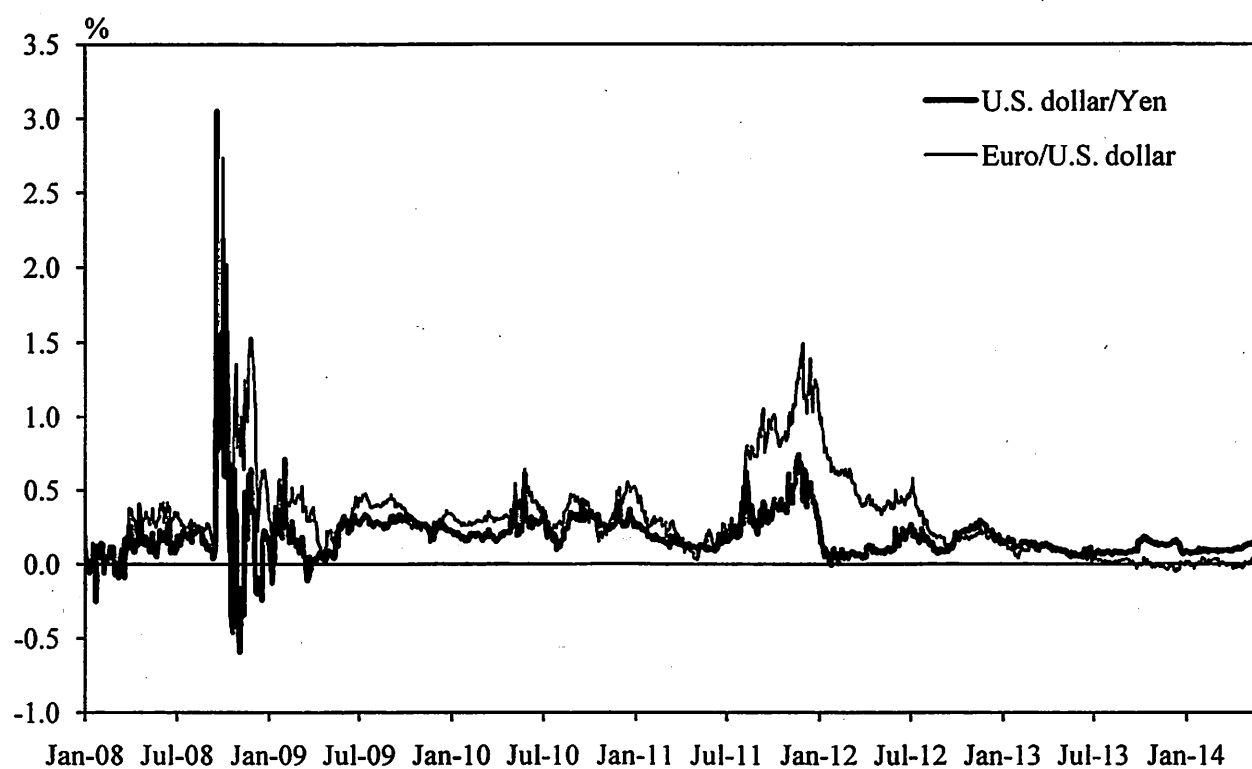
Sources: Japanese Bankers Association; Bloomberg; Japan Bond Trading Co., Ltd.; Tokyo Financial Exchange; Bank of Japan.

Global Money Markets

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

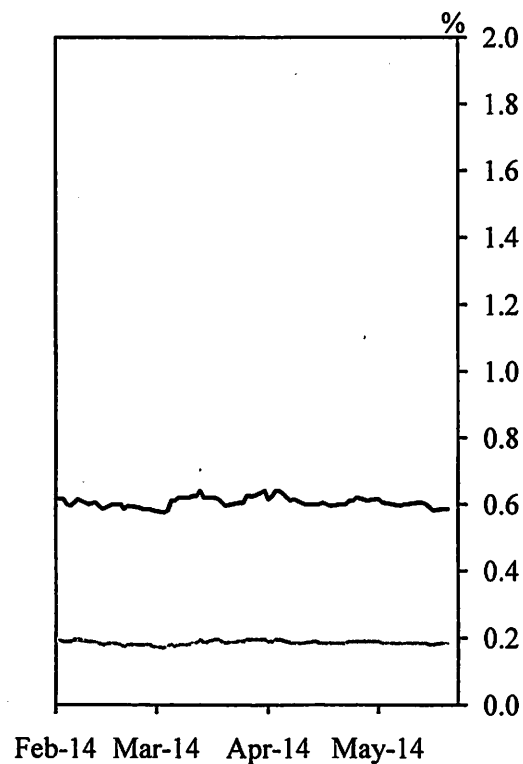
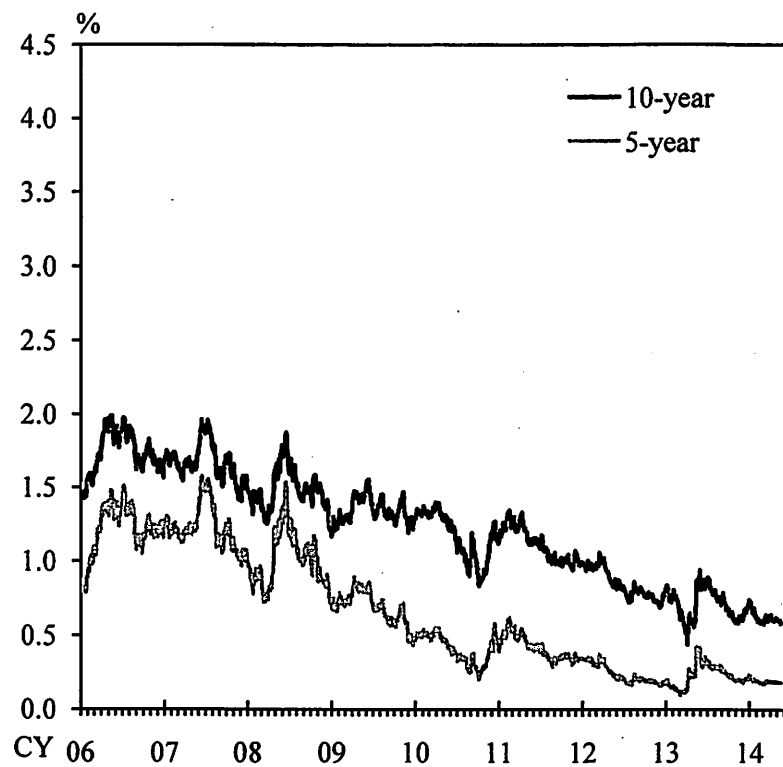


(2) FX swap implied dollar rate - LIBOR spreads (3-Month)

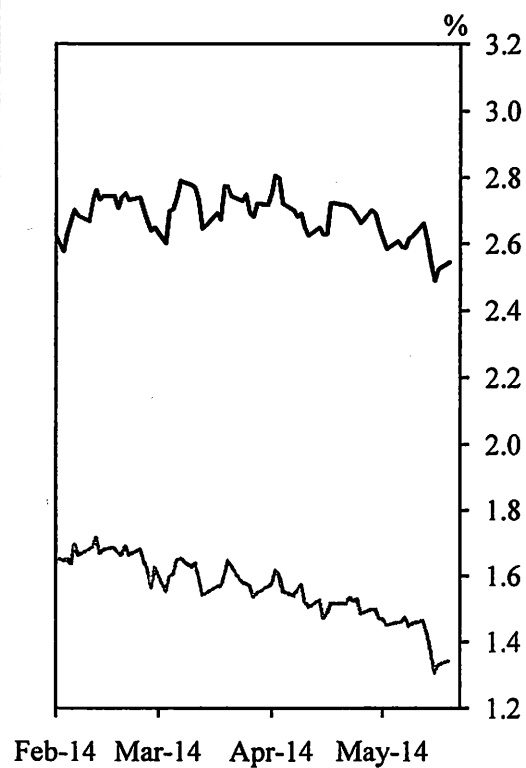
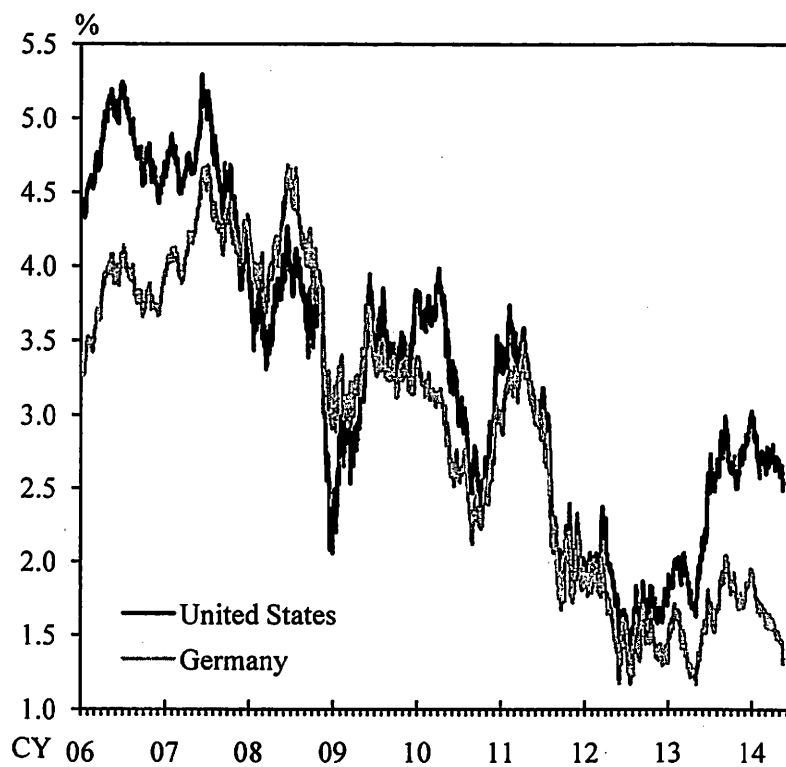


Source: Bloomberg.

Long-Term Interest Rates

(1) Japanese Government Bond Yields¹

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

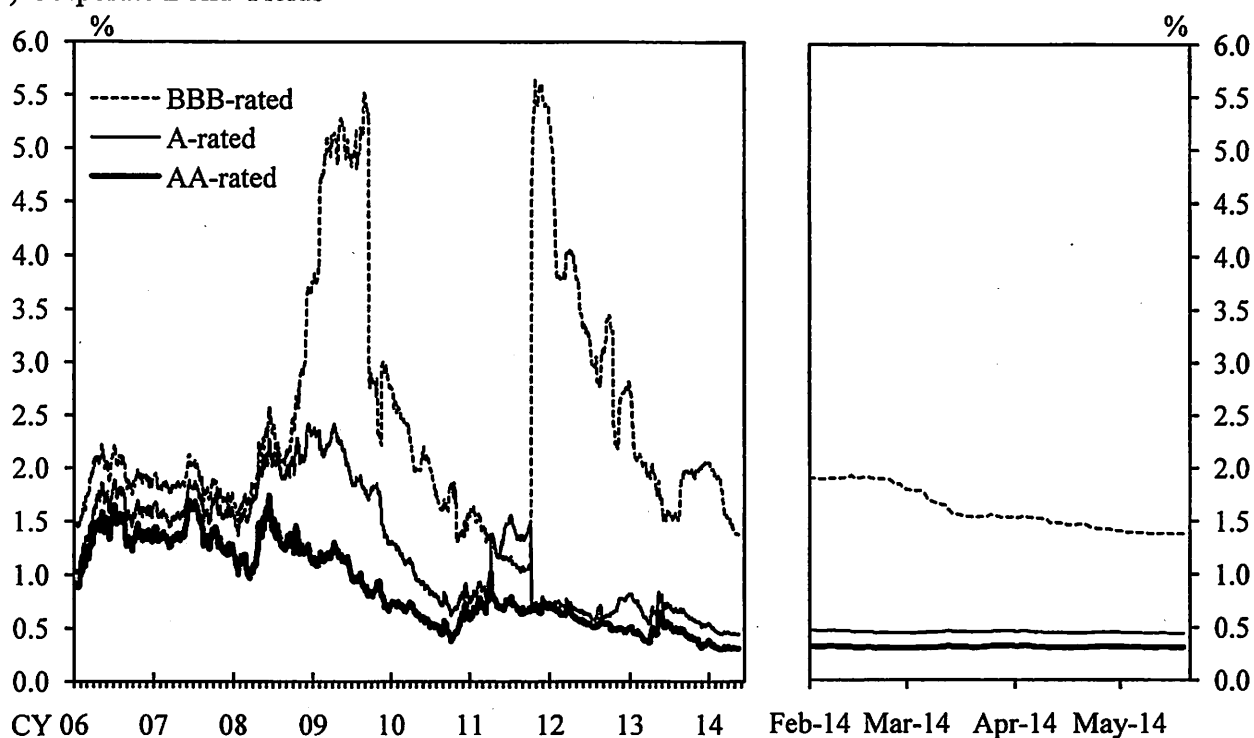


Note: 1. Yields on newly issued bonds.

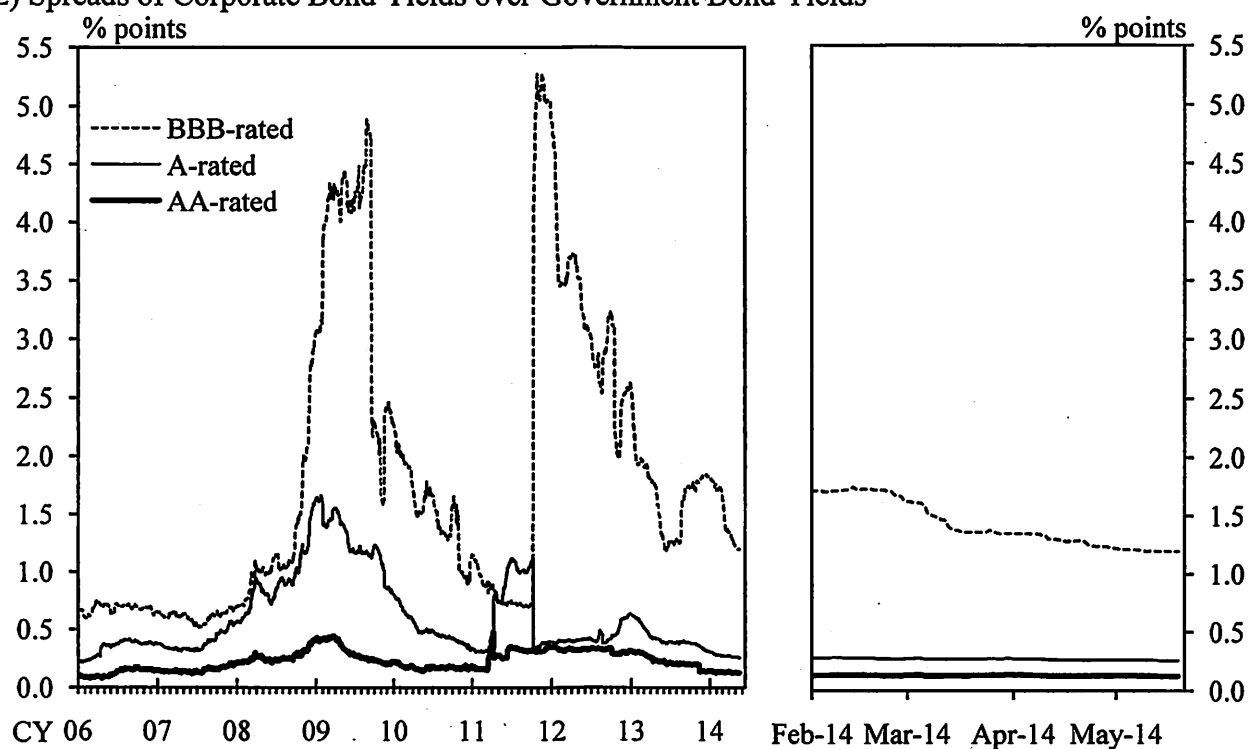
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

Yields of Corporate Bonds

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



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



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

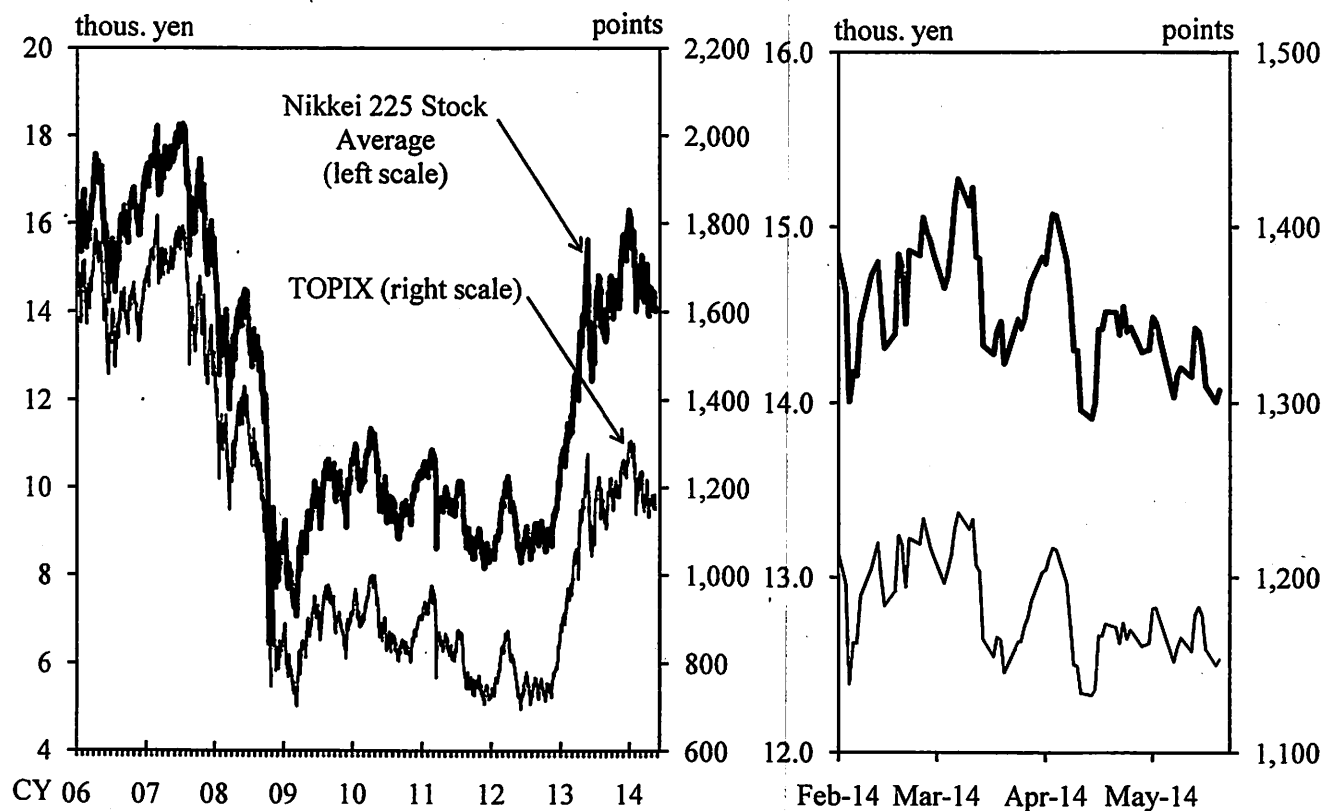
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.

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

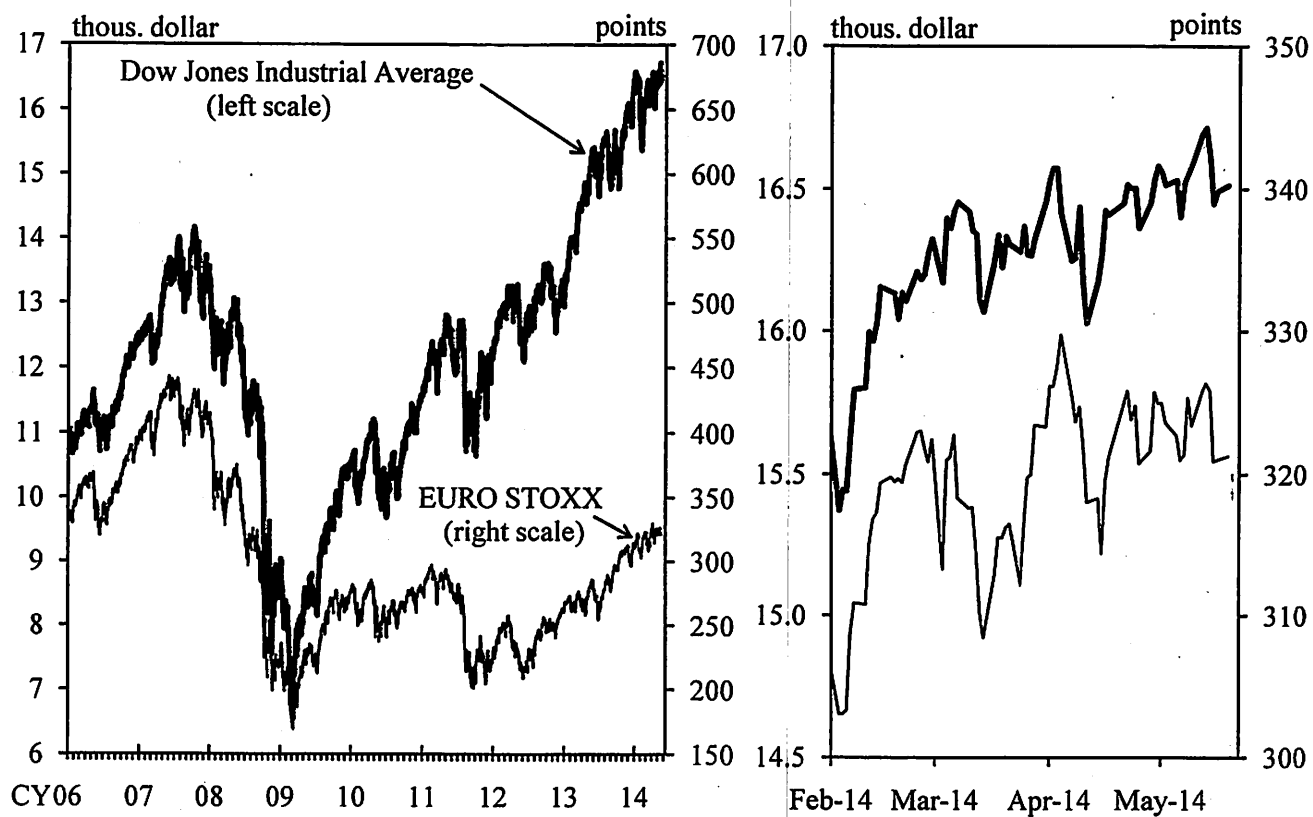
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Japanese Stock Prices

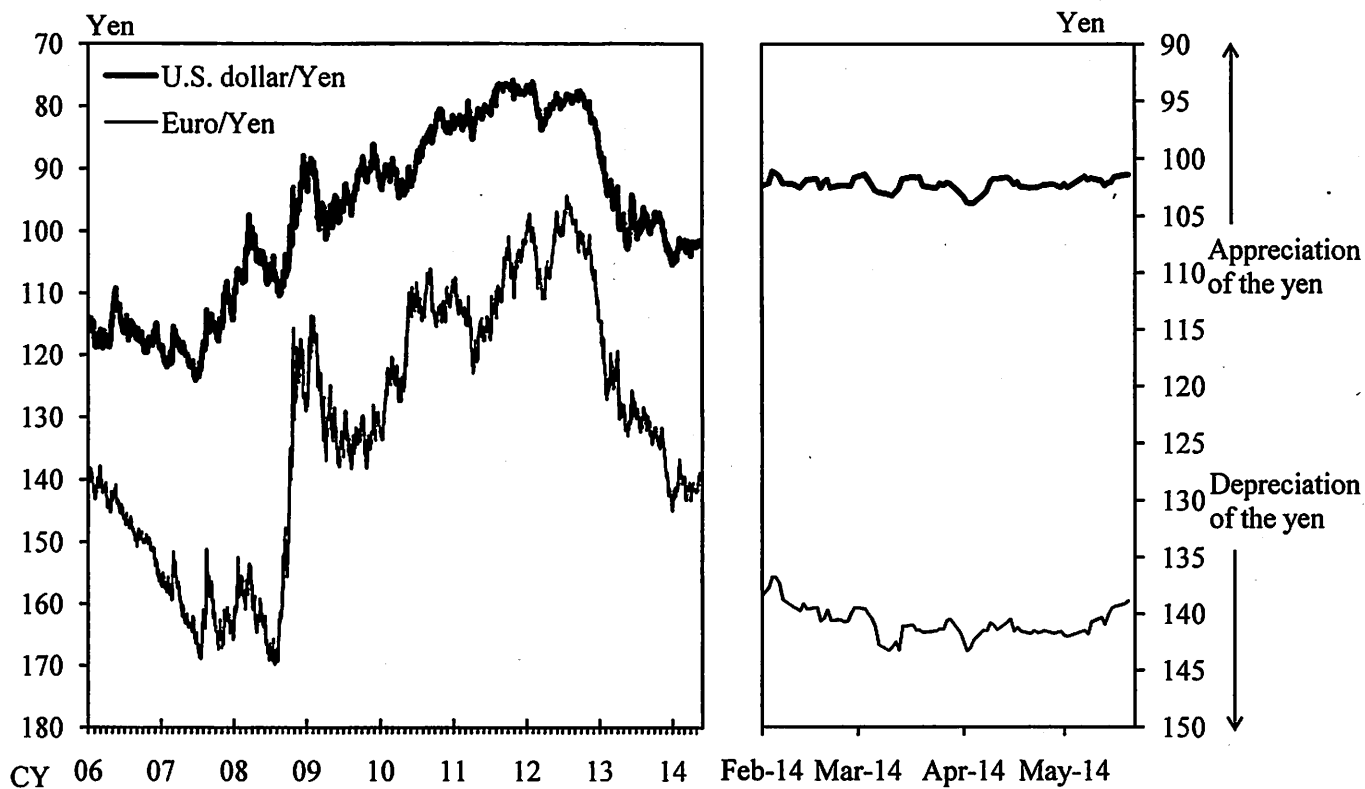


(2) Overseas Stock Prices

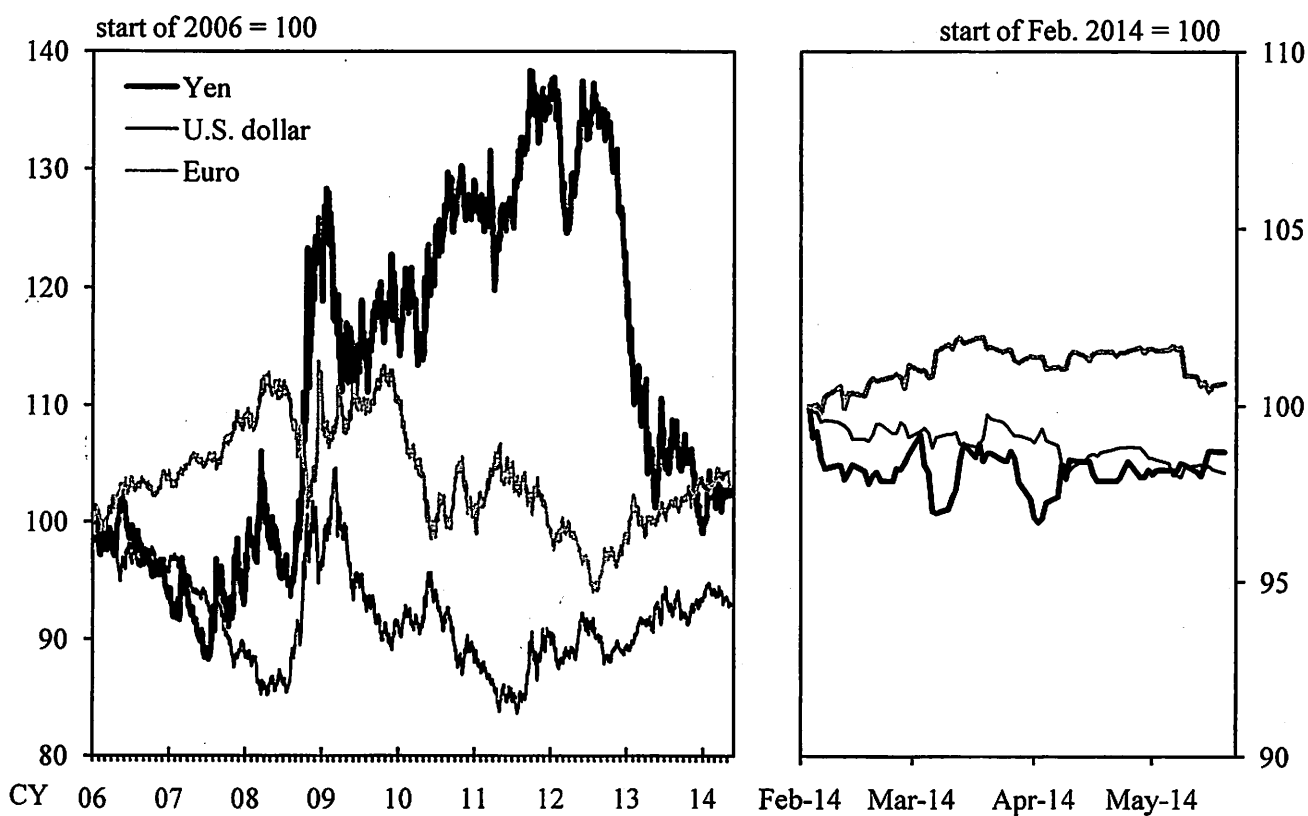


Exchange Rates

(1) Bilateral Exchange Rates



(2) Nominal Effective Exchange Rates



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