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Monthly Report of Recent Economic and Financial Developments

September 2014

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Monthly Report of Recent Economic and Financial Developments[1]

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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 -- have been recovering, albeit with a lackluster performance still seen in part. Exports have shown some weakness. 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 has remained resilient as a trend with the employment and income situation improving steadily, and the effects of the decline in demand following the front-loaded increase have gradually begun to wane. As for housing investment, a decline following the front-loaded increase has continued. Reflecting these developments in demand both at home and abroad, industrial production has recently shown some weakness, although it has continued to increase moderately as a trend.

With regard to the outlook, Japan's economy is expected to continue its moderate recovery trend, and the effects of the subsequent decline in demand following the front-loaded increase prior to the consumption tax hike are expected to wane gradually.

Exports are expected to head for a moderate increase 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 is expected to remain resilient with the employment and income situation continuing to improve steadily, and the effects of the decline in demand following the front-loaded increase are

[1] This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on September 3 and 4, 2014.

expected to wane further. Housing investment is projected to regain its resilience gradually, while the effects of the decline following the front-loaded increase are expected to remain for the time being. Reflecting these developments in demand both at home and abroad, industrial production is expected to follow a moderate increasing trend, albeit with some weakness remaining for the time being.

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, producer prices are rising moderately relative to three months earlier, and 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, producer prices are expected to continue rising moderately 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 40 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' financial

positions have improved further. Meanwhile, the year-on-year rate of growth in the money stock has been at around 3 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 risen, while the value of the yen against the U.S. dollar has fallen. Meanwhile, long-term interest rates have remained at more or less the same level 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—rose again in the second quarter, albeit slightly, on a quarter-on-quarter basis, mainly due to the effects of the supplementary budget for fiscal 2013, after turning down slightly in the first quarter (Chart 5). The value of public works contracted—a measure that reflects public orders—after increasing in the first quarter, registered a sizeable increase in the second quarter, assisted partly by the effects of the early implementation of the initial budget for fiscal 2014, but it fell back in July compared with the second quarter, although still at a high level.

Public investment is expected to continue leveling off more or less at a high level for the time being, due to the effects of the supplementary budget for fiscal 2013 and to the early implementation of the initial budget for fiscal 2014.

Real exports have shown some weakness (Charts 6[1] and 7). Real exports marked a slight increase in July relative to the second quarter, after declining slightly in both the first and second quarters on a quarter-on-quarter basis. One main reason why exports have continued to lose pace is that emerging economies that have strong economic ties with Japan's economy, including some ASEAN economies, have been sluggish. In addition, a greater-than-expected slowdown in the U.S. economy in the first quarter, and successive movements mainly by Japanese automakers to expand their production base overseas through this year have also been exerting downward pressure on exports with a time lag. Looking at movements in exports by region (Chart 7[1]), exports to the United States decreased somewhat in the second quarter on a quarter-on-quarter basis and in July compared with the second quarter, after increasing slightly in the first quarter. The decline in exports to the United States since early spring is considered to be attributable to the fact that the aforementioned factors, such as the slowdown in the U.S economy in the first quarter and the expansion of production base overseas, have still been exerting downward pressure on exports, mainly those of motor vehicles and their related goods. Exports to the EU increased for five consecutive quarters and also inched upward in July relative to the second quarter; they have kept trending moderately upward, mainly in motor vehicles and their related goods, as well as in capital goods and parts. Exports to China

declined for two quarters in a row in the first and second quarters, and continued to show a decline in July compared with the second quarter; the pick-up in exports has come to a halt, mainly in intermediate goods and in capital goods and parts. Exports to NIEs have shown both upward and downward movements: they fell in the second quarter for the first time in three quarters, but bounced back again in July relative to the second quarter. Exports to ASEAN temporarily leveled off in the second quarter after decreasing for seven consecutive quarters, but they have remained somewhat sluggish, showing a decline again in July compared with the second quarter. Meanwhile, exports to Others—which increased slightly in the second quarter on a quarter-on-quarter basis, after being relatively weak since the middle of last year—rose in July as well relative to the second quarter, mainly in motor vehicles and their related goods. By goods (Chart 7[2]), exports of motor vehicles and their related goods fell toward the first quarter and stayed more or less flat in the second quarter, but they increased in July compared with the second quarter, mainly in those bound for Others and EU. Exports of motor vehicles and their related goods—which have recently fluctuated somewhat sharply—are considered to generally stay on a moderate increasing trend. Exports of capital goods and parts seem to be picking up, primarily reflecting developments in business fixed investment abroad, but they have remained sluggish among those bound for East Asia including China. In contrast, exports of IT-related goods have stopped declining and headed toward a pick-up, mainly due to movements in parts for smartphone products. Meanwhile, exports of intermediate goods including iron and steel as well as chemicals have been somewhat weak, mainly in those to China, NIEs, and ASEAN.

As for real imports, the effects of the decline in demand following the front-loaded increase in line with the consumption tax hike have gradually begun to wane, while they have continued to trend moderately upward against the backdrop of firm domestic demand (Charts 6[1] and 9). Real imports stepped up their quarter-on-quarter growth in the first quarter due to the front-loaded increase in demand prior to the consumption tax hike and in line with the ending of support for some software (operating system), but they fell back sharply in the second quarter in response to prior increases. Thereafter, imports were almost flat in July compared with the second quarter, and the effects of the decline in demand following the front-loaded increase have gradually begun to wane. Looking at movements in

imports by goods (Chart 9[2]), those of raw materials fell back substantially in the second quarter from the relatively high rise, assisted partly by the front-loaded increase in demand prior to the rise in the environment tax rate in the first quarter, but they increased markedly again in July compared with the second quarter. Imports of consumer goods have recently shown movements of heading toward a pick-up, after declining noticeably in the second quarter due mainly to the effects of the decline in demand following the consumption tax hike. On the other hand, imports of IT-related goods have recently declined due to the following reasons: (i) the effects of the decline in demand following the front-loaded increase in line with the ending of support for some software have remained, and (ii) inventories of smartphones have been drawn down prior to the sales of new models. Imports of capital goods and parts have continued to pick up as a trend, albeit with fluctuations, mainly as a reflection of developments in business fixed investment at home. Meanwhile, imports of intermediate goods seem to have been picking up as a trend, in line with movements in domestic production, although they fell back in the second quarter from the high growth in the first quarter and declined in July as well compared with the second quarter.

Net exports—in terms of the real trade balance—have improved noticeably since the second quarter, after deteriorating significantly toward the first quarter, reflecting the aforementioned developments in exports and imports (Chart 6[1]). Looking at movements in the nominal current account balance on a quarterly basis (Chart 6[2] and [3]), 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 nominal goods and services balance, due mainly to the significant increase in imports that was chiefly affected by the front-loaded increase in demand, although the surplus of the primary income balance continued to be on par with the fourth quarter. On the other hand, as for the second quarter, with the surplus of the primary income balance having stayed almost the same as the previous quarter, the current account balance as a whole returned to a surplus because the volume of deficit of the nominal goods and services balance decreased for the first time in four quarters, due mainly to the plunge in imports owing to the effects of the decline in demand following the front-loaded increase.

Regarding the environment surrounding exports, overseas economies—mainly advanced economies—have been recovering, albeit with a lackluster performance still seen in part (Chart 8[2]). Looking at movements by major region, in the United States, the moderate economic recovery—which is centered on private demand—has started to become firm. The European economy has been recovering moderately, although its improvement seems to have stalled recently. As for the Chinese economy, stable growth has continued, as the effects of small-scale economic measures have become evident. Emerging economies apart from China and commodity-exporting economies have continued to lose pace as a whole. 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 somewhat 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 income situation becomes notable, with downward pressure on the economy from the fiscal side expected to wane. The European economy is projected to maintain its moderate recovery trend, although attention should be paid to such issues as the outcome of its debt problem and the effects of the slowdown in the Russian economy. As for the Chinese economy, stable growth is expected to continue, although the problem of an overhang in supply has persisted in the manufacturing sector—which has a large influence on Japan's economy. Growth in emerging economies apart from China and the commodity-exporting economies might lose pace for a protracted period, although the recovery in advanced economies is basically expected to exert positive effects gradually. In relation to this, as for the IT-related sector, shipments for semiconductors have recently trended upward on a worldwide basis, albeit with monthly fluctuations. As for future developments, it is considered that the pick-up will become more noticeable, against the backdrop of increased shipments for new smartphone products. Attention should be paid, however, to the point that shipments for smartphone products tend to fluctuate significantly, depending on movements in production and sales of new products. Meanwhile, although the expansion of

production base overseas, mainly in automobiles, is expected to keep weighing down on exports for the time being, the yen's depreciation since the end of 2012 is considered to ease the downward pressure on exports from a somewhat long-term perspective.

Taking the above into consideration, exports are expected to head for a moderate increase mainly against the background of the recovery in overseas economies. Imports are projected to continue trending moderately upward, mainly as a reflection of movements in domestic demand, and the effects of the decline in private consumption in response to prior increases are expected to wane. As a reflection of these developments in exports and imports, net exports are projected to be on a moderate improving trend, albeit with fluctuations.

Business fixed investment has increased moderately as corporate profits have improved. According to the *Financial Statements Statistics of Corporations by Industry, Quarterly*, business fixed investment in nominal terms registered a quarter-on-quarter increase in the fourth quarter last year and grew at a somewhat accelerated pace in the first quarter, but it fell back in the second quarter for the first time in three quarters, partly in response to the increase in the first quarter;[2] as a trend, however, it has kept moving moderately upward (Chart 10[1]). By industry and company size (Chart 11), as for manufacturing, business fixed investment for both large and medium-sized and small firms has been on a moderate uptrend on average, despite showing a decline in the second quarter in response to the increase in the previous quarter. Meanwhile, as for nonmanufacturing, business fixed investment has continued its improving trend, with medium-sized and small firms showing an increase for five straight quarters, although large firms registered a marginal decline in the second quarter. The aggregate supply of capital goods—a coincident indicator of machinery investment—on a basis excluding transport equipment has continued to increase moderately as a trend, although in the second quarter it showed a decline on a quarter-on-quarter basis following the substantial increase in the first quarter (Chart 12[1]). As for leading indicators, machinery

[2] As for business fixed investment in the second quarter, the subsequent decline following the renewal demand for PCs in line with the ending of support for some software and other factors observed in the first quarter seem to have temporarily exerted downward pressure.

orders (private sector, excluding orders for ships and those from electric power companies)—a leading indicator of machinery investment—fell back somewhat significantly in the second quarter from the relatively high growth in the first quarter (Chart 13[1]). Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—have been more or less flat, albeit with fluctuations, after rising toward the second quarter last year (Chart 13[2]).[3]

Regarding the environment surrounding business fixed investment, corporate profits have continued to improve. According to the *Financial Statements Statistics of Corporations by Industry, Quarterly* (Chart 10[2]), the ratio of current profits to sales for all industries recorded a historical high in the fourth quarter last year, and maintained about the same level in the first and second quarters for two quarters in a row. By industry and company size, the ratio of current profits for large firms improved for both manufacturing and nonmanufacturing; in particular, the ratio for nonmanufacturing posted a historical peak for three consecutive quarters.[4] Meanwhile, the ratio of current profits for medium-sized and small firms remained at a high level for both manufacturing and nonmanufacturing, although the ratio dropped from the previous quarter, which was assisted by the front-loaded increase in demand. Corporate profits are projected to continue an improving trend, albeit with fluctuations, supported by firm domestic demand and partly by exports heading for a moderate increase.

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 the employment and income situation improving steadily, and the effects of the decline in demand following the front-loaded increase have gradually begun to wane (Chart 14).

[3] On the other hand, planned construction expenses have continued to be on an increasing trend, mainly due to the rise in the unit cost of construction. This could be attributable to the increase in high-value added constructions, but could also be due to the effects of the rise in construction costs, mainly reflecting a shortage of labor.

[4] The ratio of current profits for large firms has recently shown relatively strong movements compared with that of operating profits. Factors such as an increase in dividends received from overseas subsidiaries are considered to have underpinned profits to some degree.

Looking at consumption of goods—as seen through sales at retail stores in real terms (Chart 15[1])—it increased at a significantly accelerated pace in the first quarter due to the front-loaded increase in demand, and fell back substantially in the second quarter following the front-loaded increase. It then moved up slightly in July relative to the second quarter; the effects of the decline in demand following the front-loaded increase have gradually begun to wane, mainly in components other than durable goods, despite being affected by weather-related and other factors. Looking at consumption of durable goods (Chart 15[2]), the number of new passenger-car registrations fell substantially through April due to the effects of the decline in demand following the front-loaded increase; it has then been almost flat for four consecutive months since May. Sales of household electrical appliances in real terms decreased significantly in the second quarter on a quarter-on-quarter basis, due to the decline following (i) the front-loaded demand in line with the consumption tax hike and (ii) the renewal demand for PCs in line with the ending of support for some software; sales in July were level compared with the second quarter. In this regard, as for durable consumer goods, since the scale of the front-loaded increase in demand was significant to begin with, the subsequent decline is considered to be large in scale and seems to be dragging on. Sales at department stores increased markedly in March due to the front-loaded increase in demand and then fell back largely in April, but they have picked up since May, albeit with fluctuations caused by weather-related factors (Chart 16[1]). Sales at supermarkets decreased largely in April, after the effects of the front-loaded increase in demand were seen noticeably in March, but they have tended to pick up mildly since May, with the fluctuations smoothed out. As for sales at convenience stores, fluctuations caused by the front-loaded increase in demand have been relatively small; sales have continued to show their moderate increasing trend. In all of these sectors, the effects of the subsequent decline seem to have been waning gradually. However, due in part to the effects of the recent irregular weather, there have been reports that the pace of pick-up has slowed somewhat and furthermore, some firms have pointed out that the pace of improvement has varied according to items and regions. Meanwhile, as for consumption of services (Chart 16[2]), outlays for travel and sales in the food service industry have remained steady as a whole, with the fluctuations smoothed out; the effects of the

front-loaded increase in demand and the subsequent decline seem to have been limited.[5]

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, purchase of vehicles, money gifts and remittance" basis (Chart 15[1])—which is compiled so as to make it similar to items used for estimating GDP—was up significantly in the first quarter, due to the front-loaded increase in demand.[6] It then fell back sharply in the second quarter and continued to show some weakness in July, due in part to short-term fluctuations.[7] The total expenditure in the *Survey of Household Economy* (in real terms; two-or-more-person households) registered high growth in the first quarter with the front-loaded increase in demand having been observed, notably in durable goods, despite large monthly fluctuations, but it decreased significantly in the second quarter.

Looking at indicators related to consumer confidence, the consumer confidence index had continued its weak development since October last year, but has improved for three consecutive months since May (Chart 17).

Private consumption is expected to remain resilient with the employment and income situation continuing to improve steadily, and the effects of the decline in demand following the front-loaded increase are expected to wane further.

As for housing investment, a decline following the front-loaded increase has continued. The number of housing starts—a leading indicator of housing

[5] In addition to the effects of the irregular weather, the recent drop in sales in the food service industry seems to be largely attributable to the slump in some businesses caused by tainted chicken products from China. Disregarding these factors, sales are considered to maintain their firmness.

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

[7] Movements of income in the *Family Income and Expenditure Survey* have recently shifted downward from those of total cash earnings in the *Monthly Labour Survey*; this divergence might be attributable to the sampling factor.

investment—has kept falling since the first quarter due to the decline in demand following the front-loaded increase (Chart 18[1]).

Housing investment is projected to regain its resilience gradually with the employment and income situation continuing to improve steadily, also supported by the accommodative financial conditions, while the effects of the decline following the front-loaded increase are expected to remain for the time being.

Industrial production has recently shown some weakness, although it has continued to increase moderately as a trend (Chart 19). Industrial production had kept increasing moderately since the first quarter last year; as for the first quarter this year, it grew at a somewhat rapid pace, partly in response to the front-loaded increase in demand, and decreased noticeably in the second quarter on a quarter-on-quarter basis, due to the decline following the front-loaded increase. Thereafter, production in July was almost flat on a month-on-month basis and continued to decline compared with the second quarter; it showed some weakness, mainly in durable goods (automobiles and household electrical appliances) and construction goods (with ties to housing), which have been largely affected by the decline in demand following the front-loaded increase. By industry, production of transport equipment (such as passenger cars) decreased noticeably in the second quarter after increasing toward the first quarter, due to the effects of the front-loaded increase and the subsequent decline in demand; it was also down in July relative to the second quarter. Production of general-purpose, production and business oriented machinery has risen mildly, albeit with fluctuations, in light of developments in business fixed investments at home and abroad. Production of electronic parts and devices as a whole is considered to be on an upward trend, albeit with fluctuations, with parts for smartphone and tablet products produced in Asia having held steady as a trend.

Shipments grew at a noticeably accelerated pace in the first quarter and marked a decline in the second quarter. Thereafter, shipments in July moved slightly upward on a month-on-month basis, but were still negative compared with the second quarter (Chart 19[1]). By goods (Chart 20), shipments for nondurable consumer goods—which had been affected by the front-loaded increase in demand, mainly those for daily necessities—fell back in the second quarter, but bounced back in July

relative to the second quarter. Shipments for durable consumer goods and construction goods—which had continued to grow steadily until the first quarter—decreased noticeably in the second quarter, due to the decline in demand following the front-loaded increase and showed some weakness in July as well. On the other hand, shipments for capital goods have continued a moderate increase, albeit with fluctuations, as a reflection of developments in business fixed investment at home and abroad.

Inventories have risen somewhat, due mainly to the effects of the decline in demand following the front-loaded increase, after trending downward toward early spring (Chart 19[1]). The recent increase in inventories, particularly those of automobiles, household electrical appliances and those related to housing, seem to have been affected by the fact that the pick-up in demand has lagged behind. As for the shipment-inventory balance (year-on-year rate of change in shipments less that in inventories), growth in inventories has marginally outpaced that in shipments on the whole (Chart 21[2]). By goods, the shipment-inventory balance has deteriorated for durable consumer goods as well as for construction goods. On the other hand, growth in inventories of capital goods and producer goods has been generally balanced with that in shipments.

Industrial production is expected to follow a moderate increasing trend, mainly as a reflection of developments in demand both at home and abroad, and the effects of the decline in demand following the front-loaded increase are expected to wane gradually, albeit with some weakness remaining for the time being. Based on anecdotes by firms and on other information, as for the third quarter, industrial production as a whole is projected to be almost flat. By industry, production of general-purpose, production and business oriented machinery is expected to keep trending upward on the back of continued improvement in business fixed investment both at home and abroad. Production of electronic parts and devices is expected to increase with the overhang in stocks of parts for smartphones, including those for new products scheduled to be sold, becoming active. Production of chemicals and foodstuffs is also projected to turn slightly upward, while the effects of the decline in demand following the front-loaded increase are expected to wane gradually. On the other hand, while the effects of the decline in demand following the front-loaded

increase remain, notably in durable goods, production of transport equipment is projected to stay somewhat weak for production for home; production of information and communication electronics equipment (PCs) and of electrical machinery (air conditioners) is also expected to continue to see production cutbacks. As for the fourth quarter, production as a whole is expected to pick up, although large uncertainty remains. By industry, production of transport equipment is forecasted to turn slightly upward, with the effects of the decline in demand following the front-loaded increase having almost dissipated. Production of electronic parts and devices is expected to continue increasing, mainly for smartphone products; production of general-purpose, production and business oriented machinery is also expected to keep trending upward, as business fixed investment continues its improving trend both at home and abroad.

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

As for supply and demand conditions in the labor market, the unemployment rate has been on a moderate improving trend with the fluctuations smoothed out, although it has recently moved somewhat upward, after having declined to a level last recorded in December 1997 with a reading of 3.5 percent in May (Chart 22). New job openings have recently improved at a somewhat subdued pace, whereas the ratio of new job openings has continued to be above the peak prior to the Lehman shock. The active job openings-to-applicants ratio has also kept improving steadily; it recorded 1.10 in July following the previous month, a level on par with that in June 1992. Non-scheduled hours worked accelerated their pace of growth toward March, partly in response to the front-loaded increase in demand, but have dropped back since April. As a trend, however, they have been on a moderate uptrend.

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 24[1]). The year-on-year rate of increase in the number of regular employees in the *Monthly Labour Survey* has kept expanding

moderately as a trend overall, since manufacturing has continued to reduce its rate of decline, while nonmanufacturing has gradually shown higher growth.

Total cash earnings per employee have picked up as a whole (Chart 24[2]). Hourly cash earnings of overall employees have also improved moderately as a whole, as non-scheduled cash earnings and special cash earnings have continued to increase and scheduled cash earnings have started to pick up (Chart 23[1]). Taking a closer look, both monthly cash earnings of full-time employees per employee and hourly cash earnings of part-time employees have accelerated their year-on-year rate of increases at a modest pace (Chart 23[2]). Scheduled cash earnings have started to pick up on a year-on-year basis as a whole, since the rate of increase in scheduled cash earnings of full-time employees has expanded, mainly due to the effects of the rise in base wages this spring, while downward pressure from the increase in the ratio of part-time workers has diminished (Chart 23[3]). Meanwhile, the rate of increase in scheduled cash earnings of part-time employees has recently been positive as a whole, although an increase in employees with short hours worked has still been exerting downward pressure. The year-on-year rate of increase in non-scheduled cash earnings diminished somewhat in the second quarter, as a reflection of movements in the number of hours worked, but has maintained a distinct positive since then. Meanwhile, special cash earnings in June-July—which comprise over 90 percent of summer bonuses—were up for two consecutive years by posting a year-on-year increase of 3.9 percent; they have also grown at an accelerated pace from the previous year.

Employee income has accelerated moderately its year-on-year rate of increase, as a reflection of the aforementioned developments in employment and wages (Chart 24[3]).

As for the outlook, employee income is expected to continue increasing moderately, in line with the recovery in economic activity and business performance.

2. Prices

International commodity prices have been somewhat weak as a whole (Chart 26[1] and [3]). Prices of crude oil have recently been somewhat sluggish as anxiety over geopolitical risks—which had increased a while ago—has eased a little. Prices of nonferrous metals have recently firmed up a bit as a reflection of positive movements in the Chinese economy. In contrast, prices of grains have kept declining, a reflection of a reduction in anxiety over supply and an increase in stocks on a global basis.

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 26[2]).

Producer 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, are rising moderately relative to three months earlier (Chart 27[2]).[8] Excluding the direct effects of the consumption tax hike, the three-month rate of change in producer prices has continued to be positive at around 0.5 percent since May. Looking in detail at producer price movements in July relative to three months earlier, the rate of increase in prices of "goods sensitive to exchange rates and overseas commodity prices" heightened as a whole partly since petroleum products such as gasoline rose, a reflection of heightened crude oil prices earlier on and price rises for the purpose of improving profit. Prices of "other materials" turned positive against the backdrop of the increase in prices of chemicals & related products, while the effects of reduced pharmaceutical prices through the previous month dissipated. On the contrary, the rate of increase in prices of "electric power, gas & water" has narrowed since upward pressure of the fuel and gas resource cost adjustment system, which reflects past movements in foreign exchange rates, has been diminishing. The rate of increase in prices of "iron & steel and construction goods" has also diminished as a reflection of reduced prices of lumber & wood products in light of the decline in housing investment following the front-loaded increase. Meanwhile, prices of

[8] Figures are adjusted to exclude large seasonal fluctuations in electric power charges to observe the underlying changes in producer prices. Industrial and commercial electric power charges are set relatively high during July-September, when electric power consumption increases substantially.

"others"—which had continued to increase slightly since April—turned negative in July as a whole, due to price declines in agriculture, forestry & fishery products.

The year-on-year rate of change in services producer prices (excluding international transportation; year-on-year basis, same hereafter), on a basis excluding the direct effects of the consumption tax hike, has been at around 1 percent (Chart 28). The year-on-year rate of increase, on a basis excluding the direct effects of the consumption tax hike, has been expanding since the start of the year and stood at 1.0 percent in July, a growth on par with that in March 1993. Looking in detail at services producer price movements, although prices of information services have continued to register a year-on-year decline, the year-on-year rate of change in prices related to "selling, general and administrative expenses" has been rising slightly as a whole: while the year-on-year rate of change in prices of advertising services has followed a positive trend, hotel services have marked a relatively large increase, reflecting firm demand for business and sightseeing, and added to this, temporary employment agency services have also risen at a mild pace against the backdrop of increased job offers. The rate of increase in prices related to "fixed investment" has expanded, mainly in civil engineering and architectural services. In a situation where the rate of change in overland freight transportation fare has continued to increase, the rate of increase in prices related to "domestic transportation" has expanded since April because prices have also been affected by the abolishment of a discount in some charges in the expressway toll system. Prices of "others" have also marked somewhat high growth, mainly in finance and insurance. Meanwhile, prices of "real estate services"—which had continued to decline since October 2009—have more or less bottomed out recently.

The year-on-year rate of increase in consumer prices (all items less fresh food; year-on-year basis, same hereafter), on a basis excluding the direct effects of the consumption tax hike, is around 1¼ percent (Chart 29[1]).[9] Consumer prices for July, on a basis excluding the direct effects of the consumption tax hike, recorded positive 1.3 percent on a less fresh food basis and positive 0.6 percent on a basis that excludes food and energy; the rate of increase for both bases was about the same as

[9] 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.

that of the previous month. 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 (Chart 30[2]).[10]

Looking at recent year-on-year growth in consumer prices, prices for goods (excluding agricultural, aquatic & livestock products) have recently continued to show a relatively strong development. Looking in detail, the rate of increase in prices of food products has been expanding steadily due to a continued pass-on of past cost increases in the form of higher prices. Since April, in addition to such upward pressure as a trend, the fact that prices of petroleum products have continued to show a stronger development even compared to movements in crude oil prices has contributed to raising the overall growth rate. On the other hand, prices of general services have narrowed their rate of increase compared to a while ago; they have leveled off since June on a year-on-year basis. This is largely attributable to the following factors: (i) mobile telephone charges included in other services have declined due to the effects of the introduction of new price plans and (ii) the decline following the previous year's increase in some prices of eating out has been observed. Meanwhile, the rate of change in prices of rent—which accounts for a large share—has continued to be negative, albeit with fluctuations; this movement has exerted downward pressure on overall prices. Fees for public services have continued to diminish their rate of increase moderately in response to last year's increase, mainly in electricity prices.

With regard to the outlook, excluding the direct effects of the consumption tax hike, producer prices are expected to continue rising moderately 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.

Meanwhile, inflation expectations appear to be rising on the whole (Chart 31).

[10] 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.

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 40 percent (Chart 32).

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 34).

With regard to credit supply, firms have continued to see financial institutions' lending attitudes as being on an improving trend (Chart 33). 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 35). The year-on-year rate of change in the amount outstanding of CP and corporate bonds has been negative (Chart 36).

Firms' financial positions have improved further (Chart 33). The number of corporate bankruptcies has remained at a low level (Chart 38).

Meanwhile, the year-on-year rate of growth in the money stock (M2) has been at around 3 percent. Its July reading was 3.0 percent on a year-on-year basis, following 3.0 percent in June (Chart 37).[11]

(2) Financial Markets

In Japan's money markets, interest rates have been stable at low levels, including those for longer term rates. The overnight call rate (uncollateralized) has been below the 0.1 percent level. Regarding interest rates on term instruments, the T-Bill rate (3-month) has been declining slightly. The Euroyen interest rate (3-month),

[11] On an M3 basis, which includes the Japan Post Bank, the year-on-year rate of growth has been at around 2.5 percent; its July reading was 2.4 percent, following 2.5 percent in June. The year-on-year rate of growth in broadly-defined liquidity (L) has recently been at around 3.0 percent; it increased by 3.1 percent in July, following an increase of 3.0 percent in June.

and interest rates on Euroyen futures have all been virtually level (Chart 39). In U.S. dollar funding, the LIBOR-OIS spread for the dollar has basically been flat (Chart 40).

Yields on 10-year government bonds (newly issued 10-year JGB) decreased somewhat amid declining U.S. and European long-term interest rates, but they have risen slightly thereafter partly due to the increase in Japanese stock prices and the depreciation of the yen; they have recently been moving in the range of 0.50-0.55 percent (Chart 41).

Yield spreads between corporate bonds and government bonds have been narrowing very moderately (Chart 42).

Stock prices have increased, mainly in response to the rise in U.S. and European stock prices and the depreciation of the yen. The Nikkei 225 Stock Average is recently moving in the range of 15,500-16,000 yen (Chart 43).

In the foreign exchange market, the yen's exchange rate has depreciated against the U.S. dollar, mainly due to speculations about U.S. monetary policies; the yen is currently moving at around 105 yen against the U.S. dollar. Meanwhile, the yen's exchange rate against the euro has depreciated; the yen is recently moving at around 138 yen against the euro (Chart 44).

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Main Economic Indicators (1)

s.a., q/q (m/m) % chg.[1]

	2013/Q4	2014/Q1	Q2	2014/May	Jun.	Jul.	Aug.
Index of consumption expenditure level (two-or-more-person households)	-0.1	4.3	-8.5	-5.7	5.3	-2.6	n.a.
Sales at department stores	1.0	9.4	-13.2	8.2	2.6	p -1.2	n.a.
Sales at supermarkets	0.1	3.2	-5.4	5.4	0.8	p -0.7	n.a.
New passenger-car registrations[3] <s.a., ann. 10,000 units>	< 309>	< 333>	< 264>	< 266>	< 268>	< 277>	< 279>
Sales of household electrical appliances (real, "Current Survey of Commerce")	3.1	14.3	-25.5	4.9	1.1	p -2.0	n.a.
Outlays for travel	2.1	0.6	-2.4	7.6	-2.5	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	< 103>	< 94>	< 89>	< 87>	< 88>	< 84>	<n.a.>
Machinery orders[4] (Private sector, exc. volatile orders)	1.9	4.2	-10.4	-19.5	8.8	n.a.	n.a.
Manufacturing	2.0	3.9	-8.5	-18.6	6.7	n.a.	n.a.
Nonmanufacturing[4] (exc. volatile orders)	4.9	-1.0	-6.7	-17.8	4.0	n.a.	n.a.
Construction starts (private, nondwelling use)	1.1	-2.5	-3.8	-5.9	9.6	-5.1	n.a.
Mining & manufacturing	4.4	-3.6	-8.6	46.5	-34.7	16.2	n.a.
Nonmanufacturing[5]	0.0	-2.2	-3.4	-17.0	25.1	-8.2	n.a.
Value of public works contracted	-3.6	6.6	11.3	17.3	-8.3	-9.0	n.a.
Real exports	1.5	-1.0	-1.2	-2.2	-0.3	2.2	n.a.
Real imports	1.6	4.5	-7.1	-2.6	3.7	-1.4	n.a.
Industrial production	1.8	2.9	-3.8	0.7	-3.4	p 0.2	n.a.
Shipments	2.6	4.6	-6.8	-1.0	-1.9	p 0.7	n.a.
Inventories	-1.9	0.2	4.6	3.0	2.0	p 0.8	n.a.
Inventory ratio <s.a., CY 2010 = 100>	< 104.1>	< 105.4>	< 111.5>	< 107.8>	< 111.5>	<p 108.9>	<n.a.>
Real GDP	-0.0	1.5	-1.7	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.3	1.6	-3.3	0.6	-0.4	n.a.	n.a.

Main Economic Indicators (2)

y/y % chg.[1]

	2013/Q4	2014/Q1	Q2	2014/Apr.	May	Jun.	Jul.
Active job openings-to-applicants ratio <s.a., times>	< 1.01>	< 1.05>	< 1.09>	< 1.08>	< 1.09>	< 1.10>	< 1.10>
Unemployment rate <s.a., %>	< 3.9>	< 3.6>	< 3.6>	< 3.6>	< 3.5>	< 3.7>	< 3.8>
Non-scheduled hours worked[6]	6.0	7.1	5.1	6.4	4.9	3.9	p 1.9
Number of employees	1.2	0.8	0.6	0.3	0.7	0.8	1.0
Number of regular employees[6]	1.1	1.2	1.4	1.4	1.4	1.5	p 1.6
Nominal wages per person[6]	0.4	0.1	0.8	0.7	0.6	1.0	p 2.6
Producer price index	2.5	1.9	4.4	4.2	4.4	4.6	p 4.3
<excluding consumption tax, y/y % chg.>			< 1.6>	< 1.5>	< 1.6>	< 1.7>	<p 1.5>
<excluding consumption tax, q/q % chg., 3-month rate of change>[7]	< 0.4>	< 0.2>	< 0.4>	< 0.1>	< 0.4>	< 0.5>	<p 0.4>
Consumer price index[8]	1.1	1.3	3.3	3.2	3.4	3.3	3.3
<consumption tax adjusted, y/y % chg.>			< 1.4>	< 1.5>	< 1.4>	< 1.3>	< 1.3>
Services producer price index[9]	0.1	0.2	3.6	3.4	3.6	3.7	p 3.7
<excluding consumption tax, y/y % chg.>			< 0.9>	< 0.7>	< 0.9>	< 0.9>	<p 1.0>
Money stock (M2) <average outstanding, y/y % chg.>	4.2	4.0	3.3	3.5	3.3	3.0	p 3.0
Number of corporate bankruptcies <cases per month>	<857>	<820>	<871>	<914>	<834>	<865>	<882>

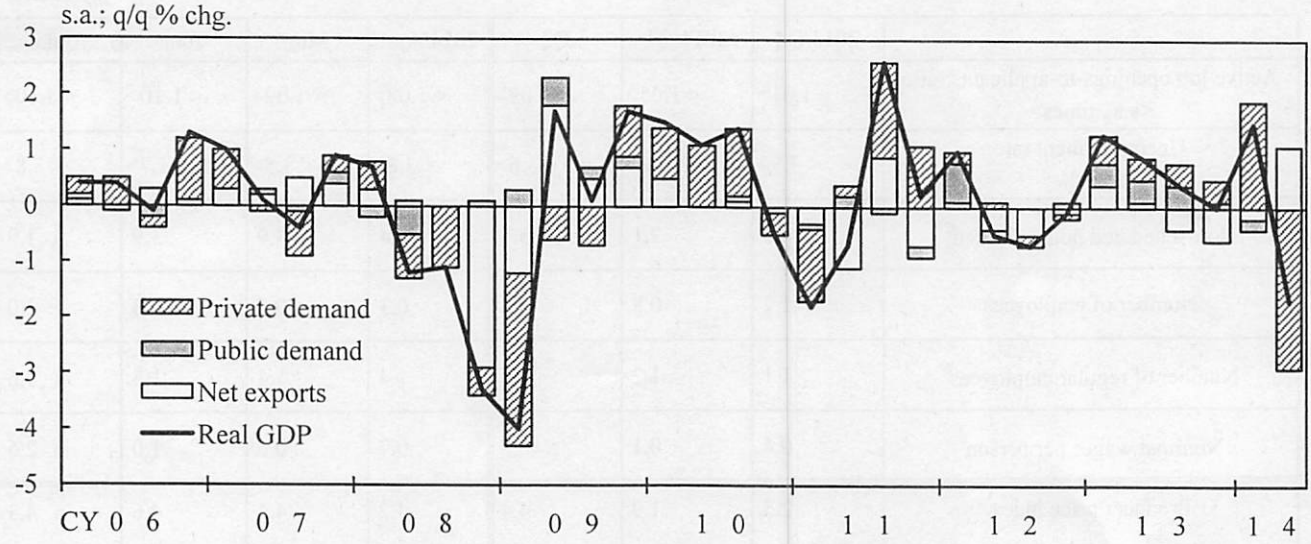
Notes: 1. All figures in Chart 1 except figures in angle brackets are quarter-on-quarter (month-on-month) changes of seasonally adjusted data. All figures in Chart 2 except figures in angle brackets are year-on-year changes. For details on seasonal adjustments and data processing/compilation conducted 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," "Services Producer 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



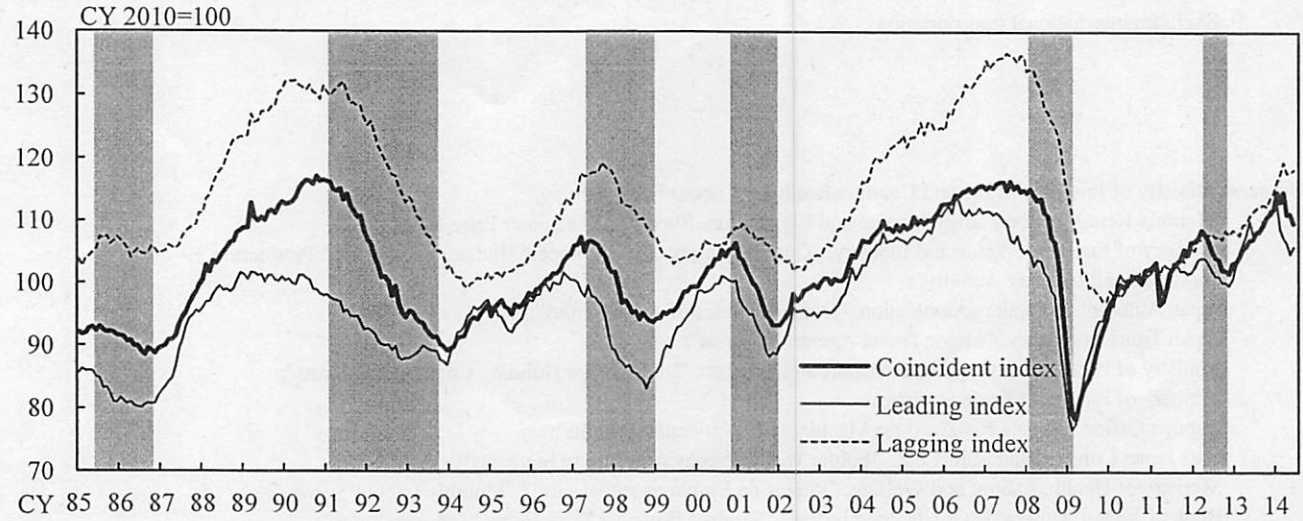
(2) Components

s.a.; q/q % chg.

	2013			2014	
	Q2	Q3	Q4	Q1	Q2
Real GDP	0.9	0.4	-0.0	1.5	-1.7
[Annual rate]	[3.4]	[1.4]	[-0.2]	[6.1]	[-6.8]
Domestic demand	0.8	0.8	0.5	1.7	-2.8
Private demand	0.4	0.4	0.4	1.9	-2.9
Private consumption	0.5	0.1	0.2	1.3	-3.1
Non-Resi. investment	0.2	0.1	0.2	1.1	-0.4
Residential investment	0.1	0.1	0.1	0.1	-0.3
Private inventory	-0.3	0.0	-0.1	-0.5	1.0
Public demand	0.4	0.4	0.1	-0.2	0.0
Public investment	0.3	0.3	0.1	-0.1	-0.0
Net exports of goods and services	0.1	-0.4	-0.6	-0.2	1.1
Exports	0.4	-0.1	0.0	1.1	-0.1
Imports	-0.4	-0.3	-0.6	-1.3	1.2
Nominal GDP	0.3	0.3	0.3	1.6	-0.1

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

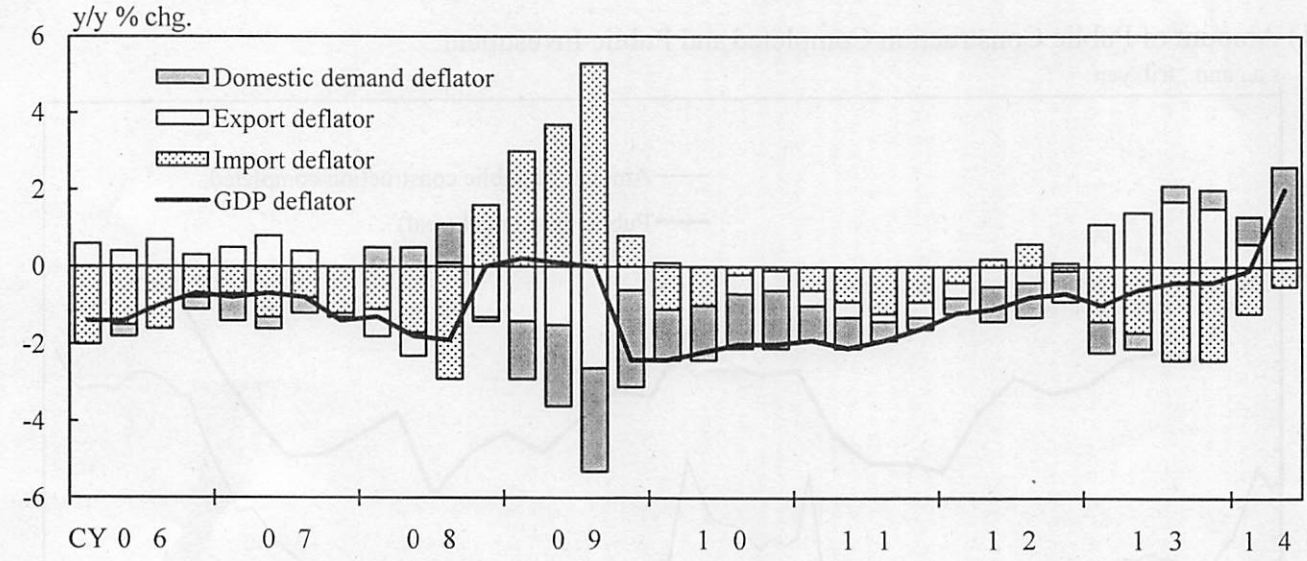
(3) Indexes of Business Conditions (Composite Indexes)



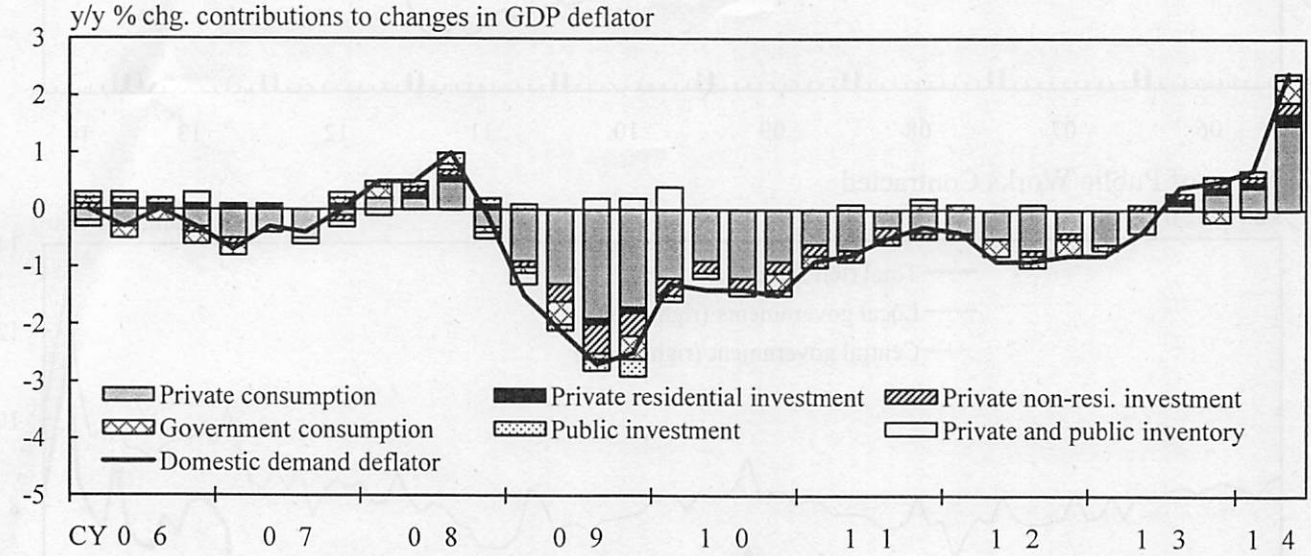
Note: Shaded areas indicate recession periods.
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

GDP Deflator and Income Formation

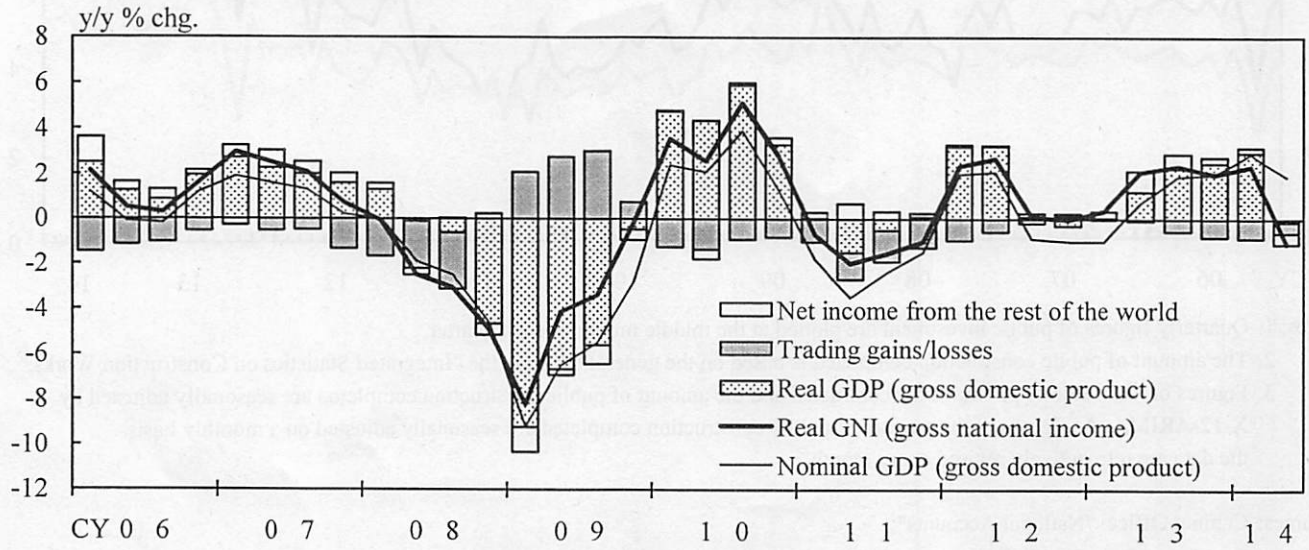
(1) GDP Deflator



(2) Domestic Demand Deflator



(3) Aggregate Income Formation



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

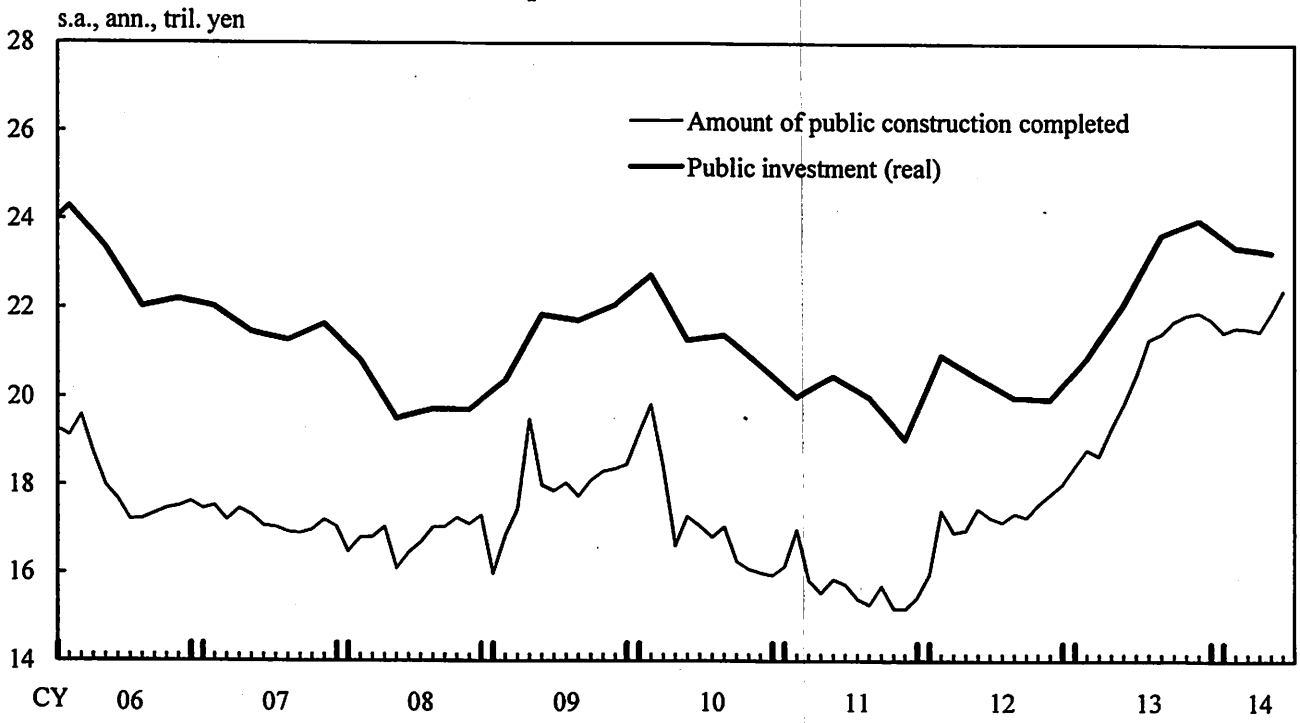
2. Real GNI = real GDP + trading gains/losses + net income from the rest of the world

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

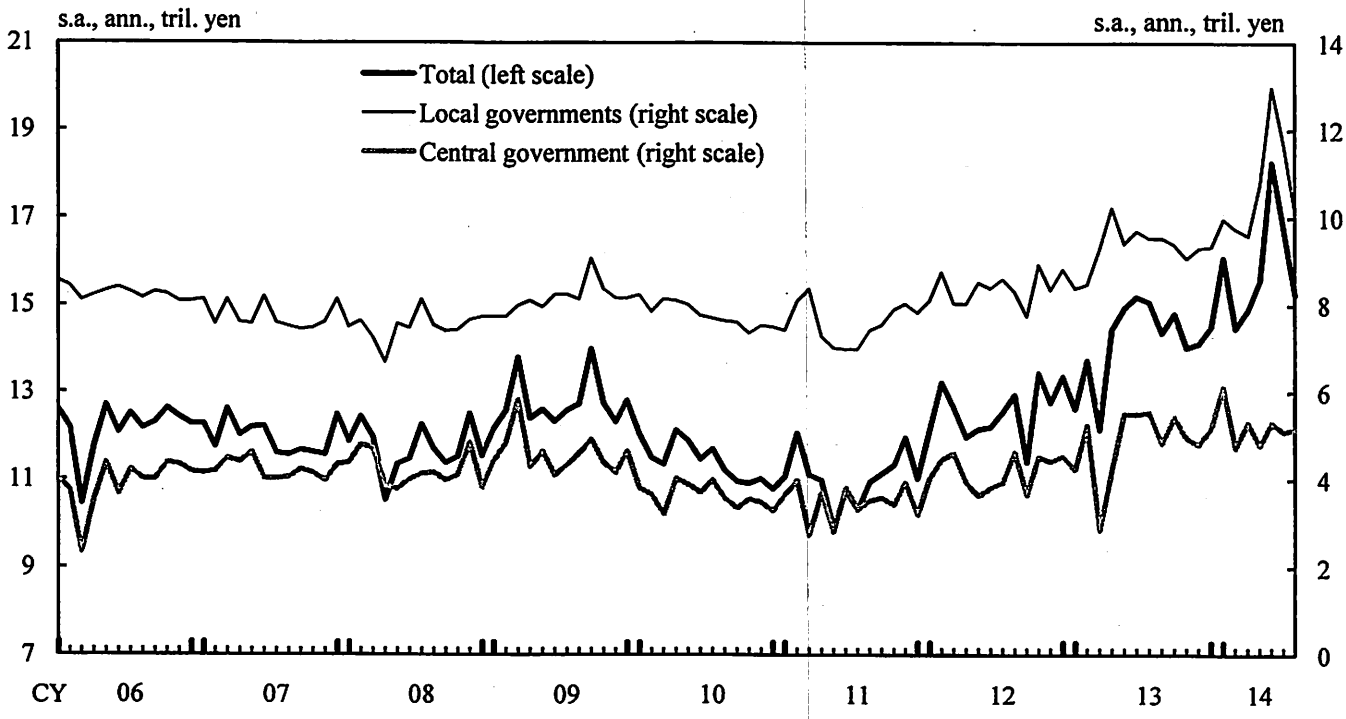
Source: Cabinet Office, "National Accounts."

Public Investment

(1) Amount of Public Construction Completed and Public Investment



(2) Value of Public Works Contracted

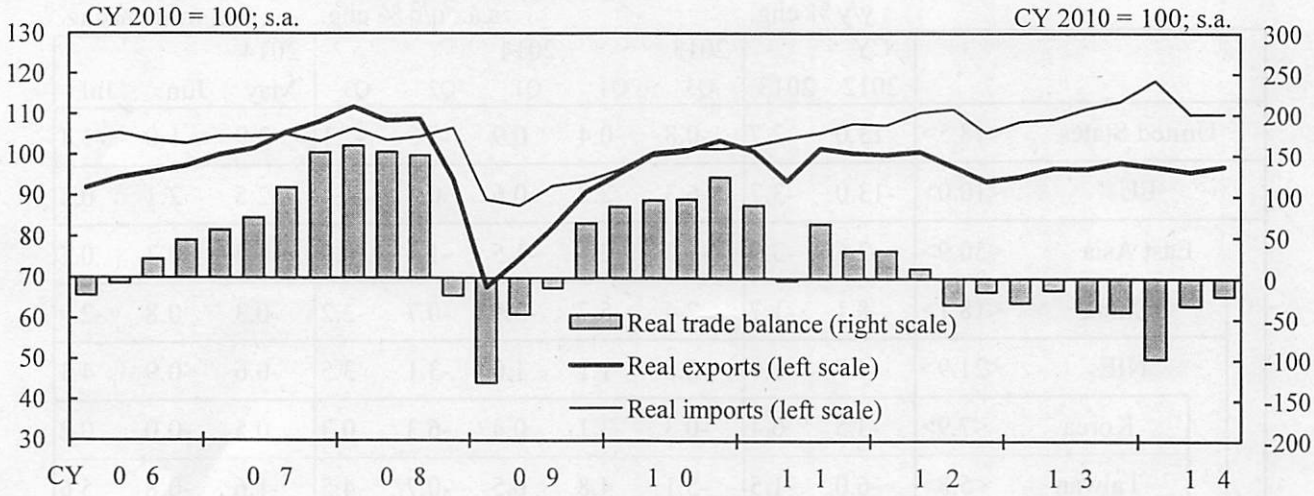


Notes: 1. Quarterly figures of public investment are plotted at the middle month of each quarter.
2. The amount of public construction completed is based on the general tables in the "Integrated Statistics on Construction Works."
3. Figures of the value of public works contracted and the amount of public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

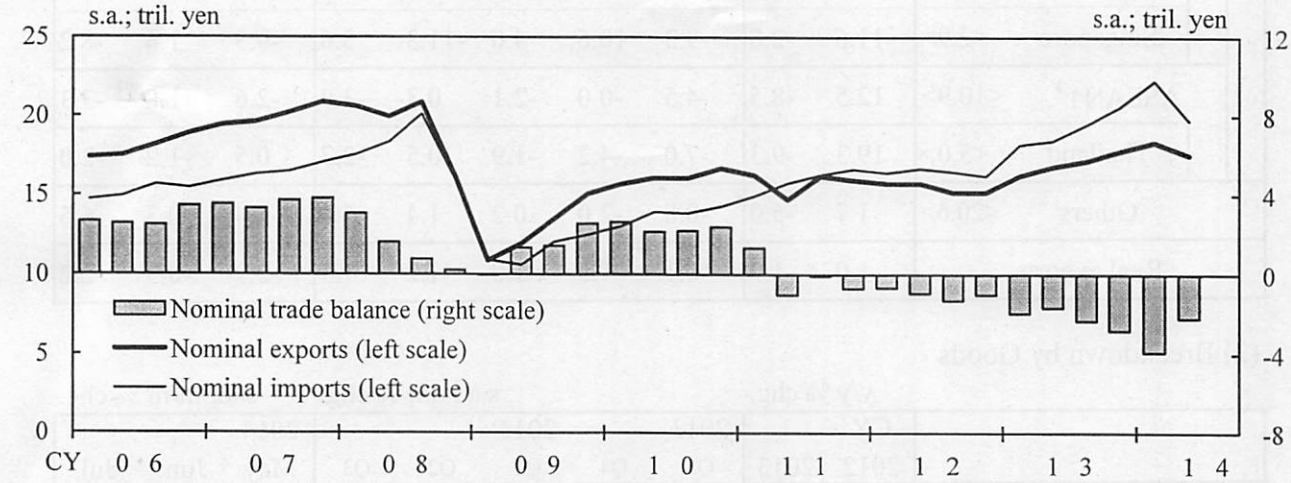
Sources: Cabinet Office, "National Accounts";
East Japan Construction Surety etc., "Public Works Prepayment Surety Statistics";
Ministry of Land, Infrastructure, Transport and Tourism, "Integrated Statistics on Construction Works."

External Balance [1]

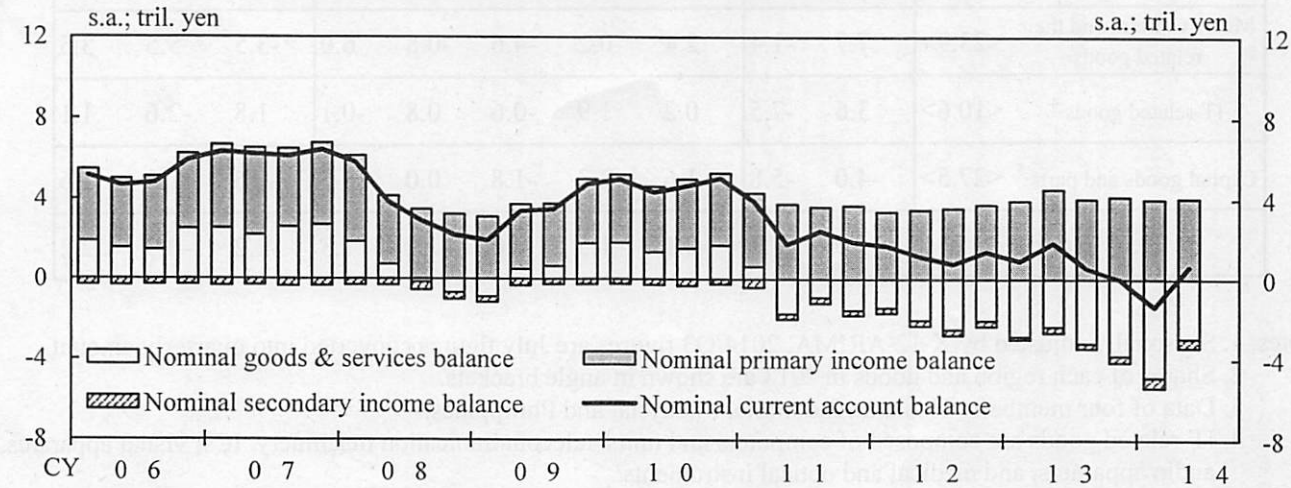
(1) Real Exports, Real Imports, and Real Trade Balance[2]



(2) Nominal Exports, Nominal Imports, and Nominal Trade Balance[3]



(3) Nominal Current Account Balance and Nominal Goods & Services Balance[3]



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. 2014/Q3 figures are July figures converted into quarterly amount.
3. Figures are based on the "Balance of Payments."

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

Real Exports [1]

(1) Breakdown by Region

		y/y % chg.				s.a.; q/q % chg.			s.a.; m/m % chg.		
		CY		2013		2014			2014		
		2012	2013	Q3	Q4	Q1	Q2	Q3	May	Jun.	Jul.
United States	<18.5>	13.0	2.7	-0.8	-0.4	0.9	-2.3	-2.1	-3.9	1.0	-1.4
EU	<10.0>	-13.0	-3.7	6.3	2.2	0.6	0.5	2.4	2.5	2.1	0.2
East Asia	<50.9>	-2.6	-3.0	-1.3	2.5	-1.5	-1.5	0.0	-0.7	0.3	0.1
China	<18.1>	-8.1	-1.7	2.4	5.7	-3.9	-0.7	-2.2	0.3	0.8	-2.9
NIEs	<21.9>	-4.7	-1.0	-2.8	1.1	1.0	-3.1	3.5	-0.6	-0.9	4.3
Korea	<7.9>	-3.5	0.4	-0.3	-3.1	0.4	-6.3	0.3	0.5	-0.0	0.2
Taiwan	<5.8>	-6.0	-1.5	-5.1	4.8	0.5	-0.7	4.5	-1.6	-0.8	5.6
Hong Kong	<5.2>	-0.7	-1.4	-1.0	-2.3	2.2	4.6	6.4	2.8	-3.9	8.3
Singapore	<2.9>	-11.6	-2.8	-9.3	10.6	4.0	-11.3	5.6	-9.3	1.4	8.2
ASEAN4 [3]	<10.9>	12.5	-8.5	-4.5	-0.0	-2.1	0.3	-3.0	-2.6	1.8	-3.3
Thailand	<5.0>	19.3	-9.3	-7.0	-4.2	-1.9	0.5	-2.7	0.5	-1.2	-2.0
Others	<20.6>	1.7	-5.0	-0.8	-2.0	0.2	1.4	5.4	-3.4	0.3	6.5
Real exports		-1.0	-1.9	-0.1	1.5	-1.0	-1.2	1.3	-2.2	-0.3	2.2

(2) Breakdown by Goods

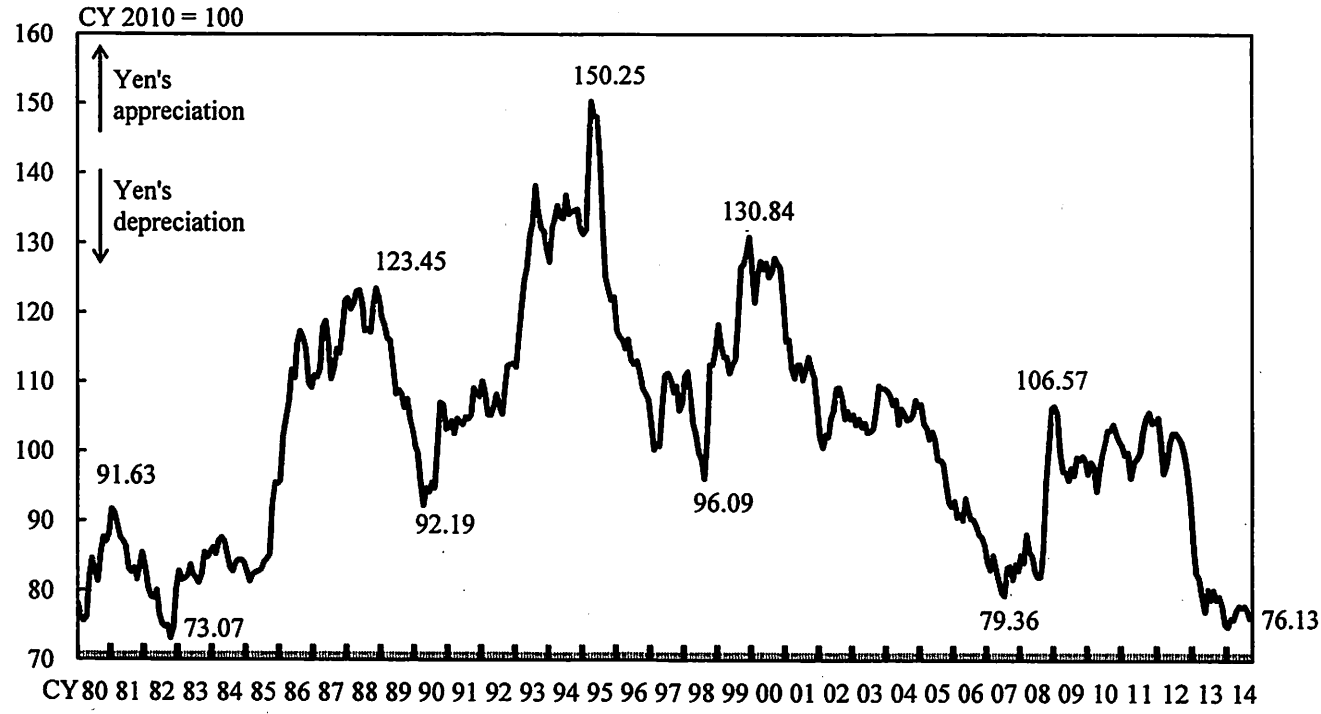
		y/y % chg.				s.a.; q/q % chg.			s.a.; m/m % chg.		
		CY		2013		2014			2014		
		2012	2013	Q3	Q4	Q1	Q2	Q3	May	Jun.	Jul.
Intermediate goods	<21.1>	-0.7	1.2	-0.1	-0.1	1.1	-2.0	-1.8	0.3	0.4	-2.2
Motor vehicles and their related goods	<23.9>	7.7	-1.4	2.4	-0.2	-4.6	-0.8	6.0	-3.5	5.5	3.5
IT-related goods [4]	<10.6>	3.6	-7.5	0.2	1.9	-0.6	0.8	-0.1	1.8	-2.6	1.1
Capital goods and parts [5]	<27.5>	-4.0	-5.8	1.6	2.3	-1.8	0.0	0.5	-0.6	-1.3	1.6
Real exports		-1.0	-1.9	-0.1	1.5	-1.0	-1.2	1.3	-2.2	-0.3	2.2

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2014/Q3 figures are July figures converted into quarterly amount.
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. Figures for August and September (up to September 2) 2014 have been calculated using the monthly average of the BOJ's nominal effective exchange rate (the Yen Index).

(2) Real GDP Growth Rates of Overseas Economies

s.a., ann., q/q % chg.

	CY2011	2012	2013	2013 Q3	Q4	2014 Q1	Q2
United States[1]	1.6	2.3	2.2	4.5	3.5	-2.1	4.2
European Union[2]	1.6	-0.4	0.1	1.1	1.7	1.3	0.7
Germany[1]	3.6	0.4	0.1	1.2	1.8	2.7	-0.6
France[1]	2.1	0.4	0.4	-0.3	0.7	0.1	-0.1
United Kingdom[1]	1.1	0.3	1.7	3.4	2.6	3.3	3.4
East Asia[3]	5.9	4.9	4.9	5.7	5.4	3.0	4.7
China[1]	9.3	7.7	7.7	9.5	7.0	6.1	8.2
NIEs[1,3]	4.4	1.9	2.9	2.4	5.1	2.5	1.6
ASEAN4[1,3,4]	3.0	6.3	4.4	5.8	3.6	-1.1	5.1
Main economies[3]	4.5	3.7	3.7	4.8	4.5	1.6	4.1

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

Real Imports [1]

(1) Breakdown by Region

		y/y % chg.				s.a.; q/q % chg.			s.a.; m/m % chg.		
		CY		2013		2014			2014		
		2012	2013	Q3	Q4	Q1	Q2	Q3	May	Jun.	Jul.
United States	<8.4>	3.8	-2.1	3.8	-0.2	5.8	-7.2	6.9	2.5	4.1	3.2
EU	<9.4>	4.0	0.8	4.8	-0.2	5.6	-5.1	-2.0	-1.6	0.9	-2.1
East Asia	<40.8>	3.9	2.5	3.1	3.1	5.3	-8.9	-5.2	-5.1	0.4	-3.7
China	<21.7>	5.0	5.4	4.2	3.0	5.7	-9.4	-8.5	-6.5	4.2	-8.9
NIEs	<8.2>	5.0	-0.4	6.2	0.9	5.7	-8.4	0.2	-5.5	-3.5	4.7
Korea	<4.3>	4.3	-4.8	5.0	1.3	2.1	-6.9	-0.8	3.1	-4.0	0.9
Taiwan	<2.8>	7.2	8.0	3.5	-0.1	8.4	-9.0	0.2	-9.3	-1.8	4.8
Hong Kong	<0.2>	-2.5	9.2	9.2	1.9	0.6	9.2	-15.8	8.9	-2.2	-16.9
Singapore	<0.9>	3.0	-7.0	12.6	0.4	13.9	-10.8	8.6	-14.7	-2.0	16.5
ASEAN4 [3]	<10.8>	0.5	-1.2	-2.0	5.4	3.9	-7.9	-2.0	-1.3	-4.9	1.8
Thailand	<2.6>	-0.9	1.6	-0.8	3.3	7.2	-8.5	-4.4	-7.2	-0.8	-1.4
Others	<41.4>	4.7	0.2	0.4	-0.6	4.6	-6.1	4.2	-2.6	9.2	-0.8
Real imports		4.2	0.9	2.4	1.6	4.5	-7.1	0.1	-2.6	3.7	-1.4

(2) Breakdown by Goods

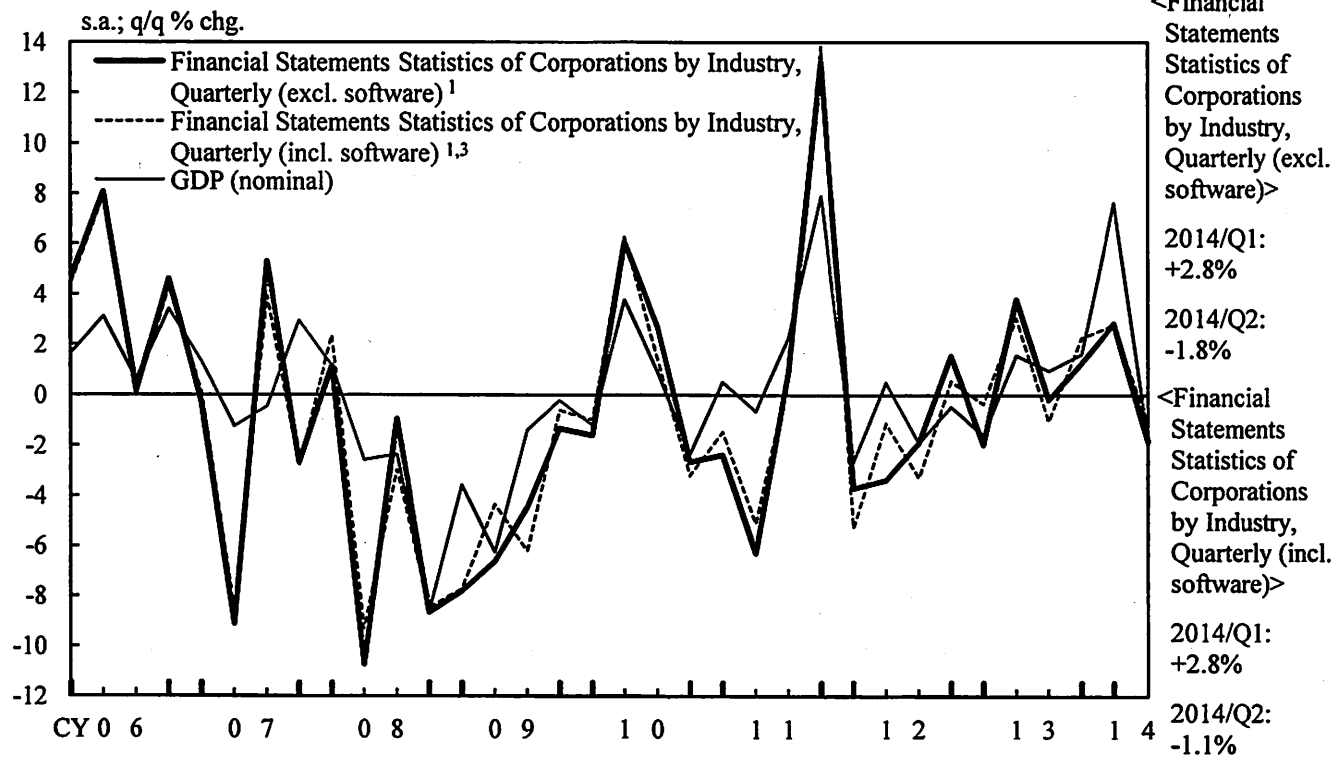
		y/y % chg.				s.a.; q/q % chg.			s.a.; m/m % chg.		
		CY		2013		2014			2014		
		2012	2013	Q3	Q4	Q1	Q2	Q3	May	Jun.	Jul.
Raw materials [4]	<40.4>	4.5	-2.0	0.2	-0.7	5.0	-7.1	4.0	-1.1	7.9	-0.7
Intermediate goods	<12.9>	-2.7	-2.7	2.8	0.8	5.6	-2.7	-1.0	-3.3	-0.7	0.6
Foodstuffs	<8.0>	-0.7	-3.2	3.3	0.7	-1.2	-2.3	3.7	3.8	2.2	0.9
Consumer goods [5]	<7.9>	4.5	4.1	2.4	1.1	2.2	-8.8	0.4	-0.5	3.3	-1.5
IT-related goods [6]	<12.6>	9.0	12.9	4.8	4.7	6.8	-12.9	-11.1	-10.7	2.7	-9.2
Capital goods and parts [7]	<11.4>	10.4	4.7	5.3	2.6	7.2	-8.4	4.6	-0.7	0.0	4.8
Excluding aircraft	<10.5>	7.0	5.3	4.8	2.7	8.5	-6.8	1.5	0.6	3.9	-1.3
Real imports		4.2	0.9	2.4	1.6	4.5	-7.1	0.1	-2.6	3.7	-1.4

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2014/Q3 figures are July figures converted into quarterly amount.
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.

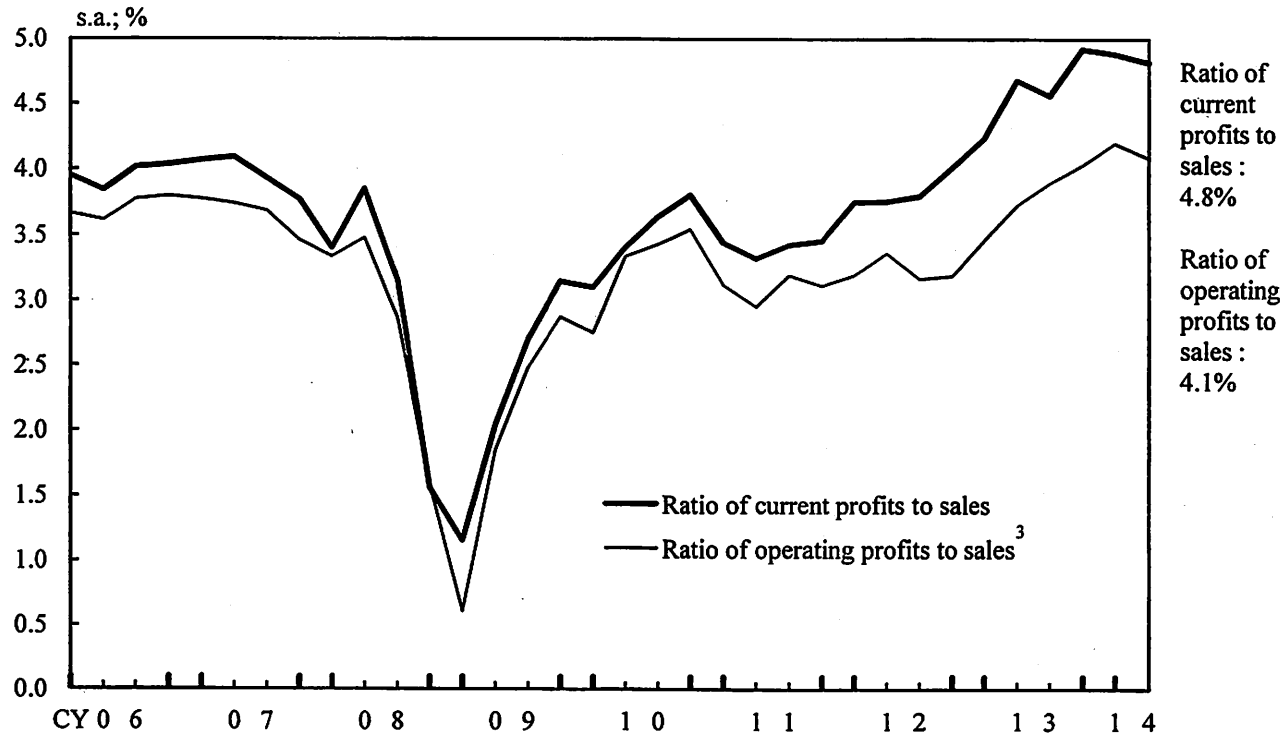
Sources: Ministry of Finance, "Trade Statistics"; Bank of Japan, "Corporate Goods Price Index."

Business Fixed Investment and Corporate Profits

(1) Business Fixed Investment



(2) Corporate Profits (Ratio of Profits to Sales) [1,2]

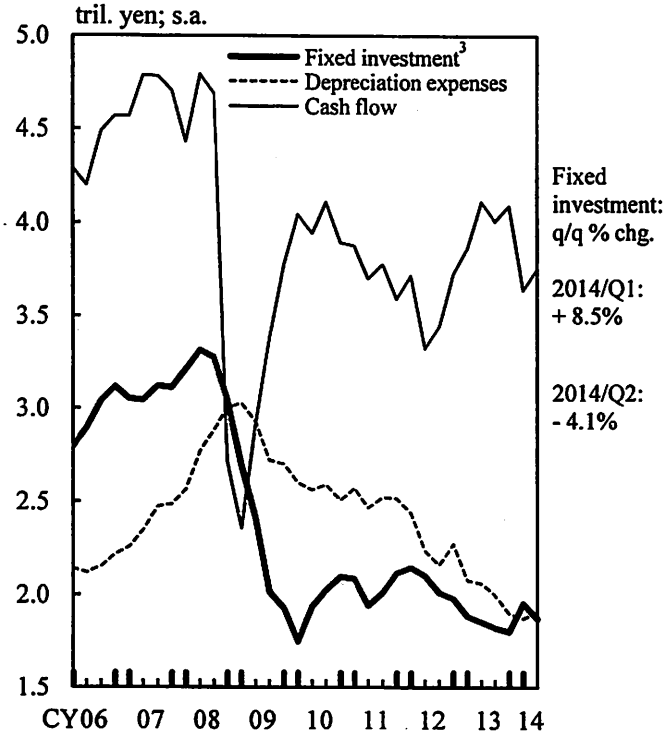


Notes: 1. All enterprises excluding "Finance and Insurance."
2. Based on the "Financial Statements Statistics of Corporations by Industry, Quarterly."
3. Figures are seasonally adjusted by X-12-ARIMA.

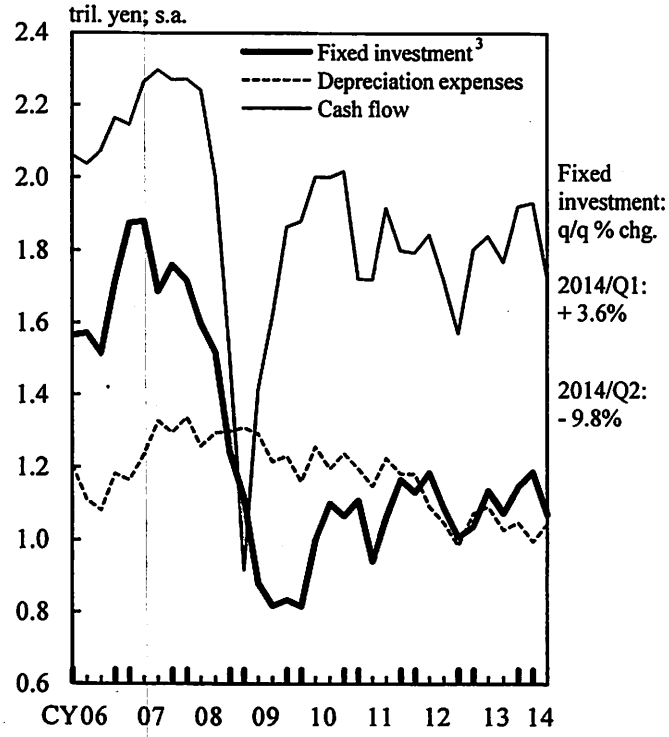
Sources: Cabinet Office, "National Accounts"; Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

Business Fixed Investment by Industry and Size

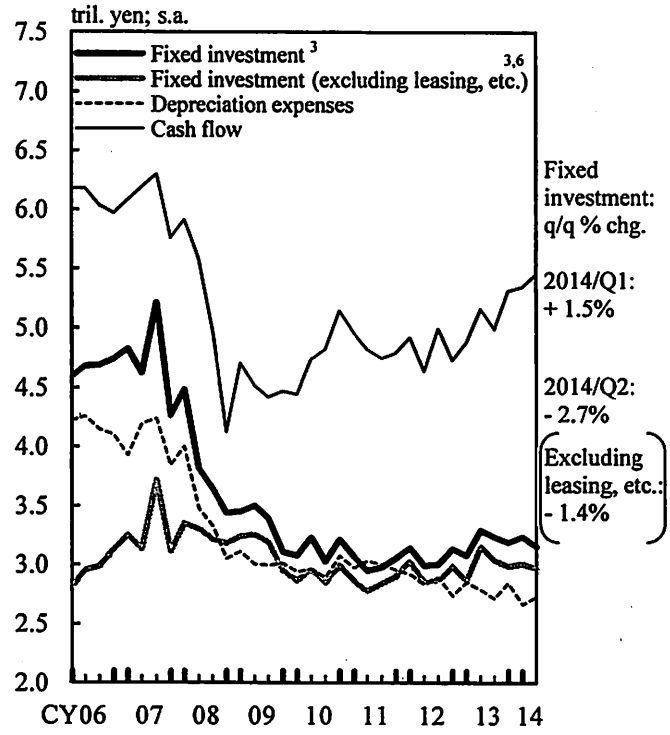
(1) Large Manufacturing Firms



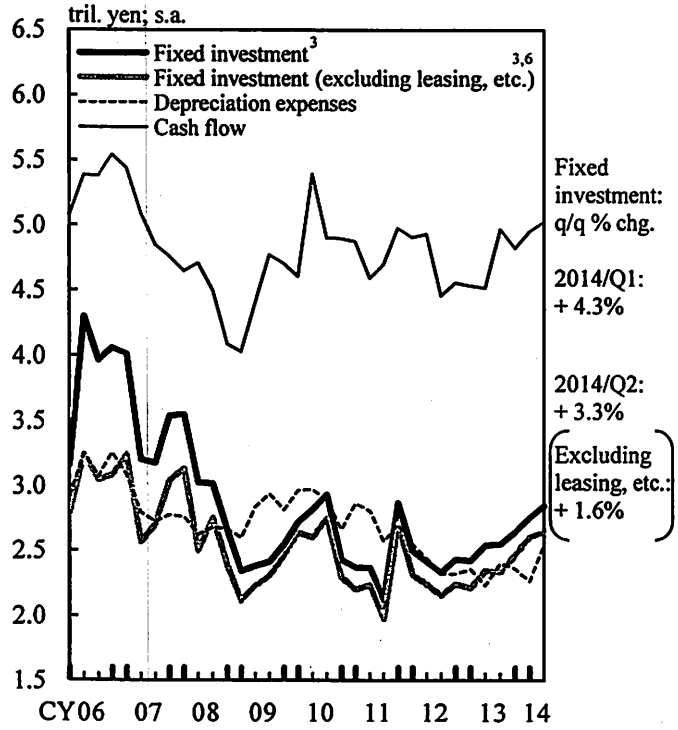
(2) Medium-Sized and Small Manufacturing Firms



(3) Large Nonmanufacturing Firms



(4) Medium-Sized and Small Nonmanufacturing Firms

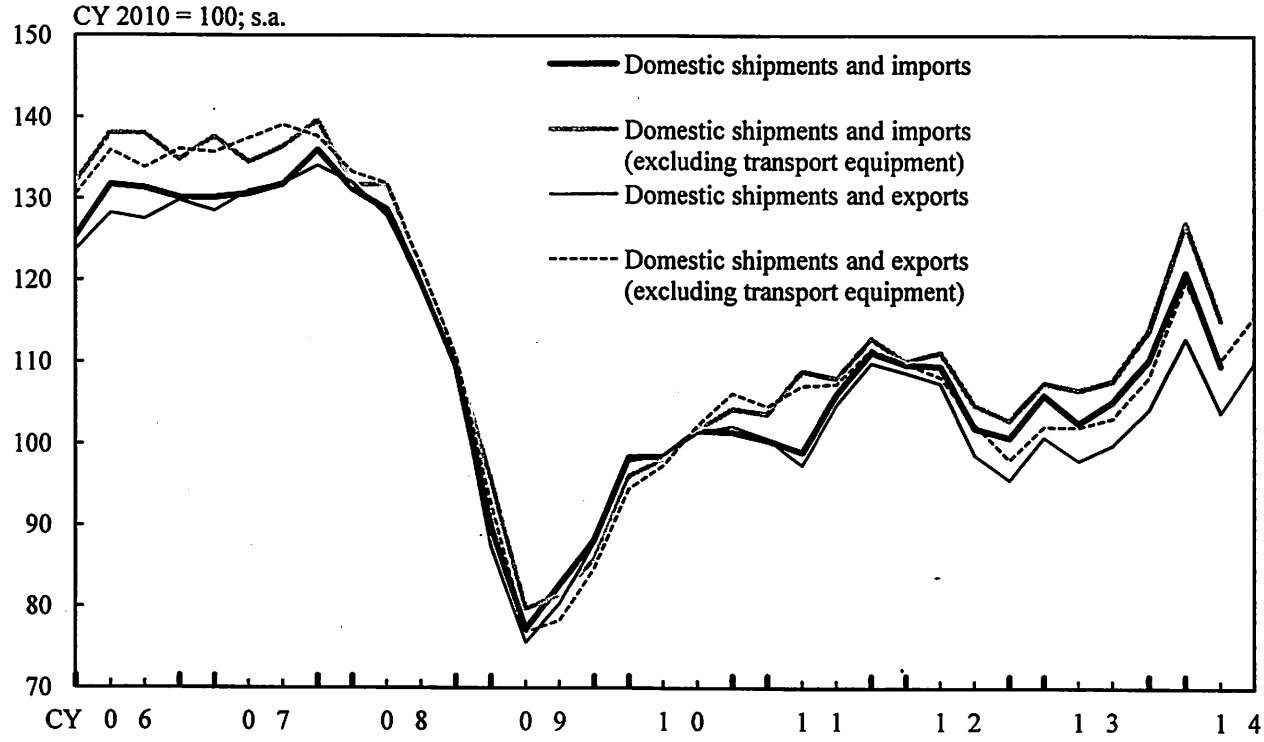


Notes: 1. "Large firms" refers to firms with capital stock of 1 billion yen or more, and "medium-sized and small firms" refers to firms with capital stock of 10 million or more but less than 1 billion yen.
2. Cash flow = current profits / 2 + depreciation expenses.
3. Excluding software investment.
4. Seasonally adjusted by X-12-ARIMA.
5. Excluding "Finance and Insurance."
6. Excluding "Goods rental and Leasing."

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

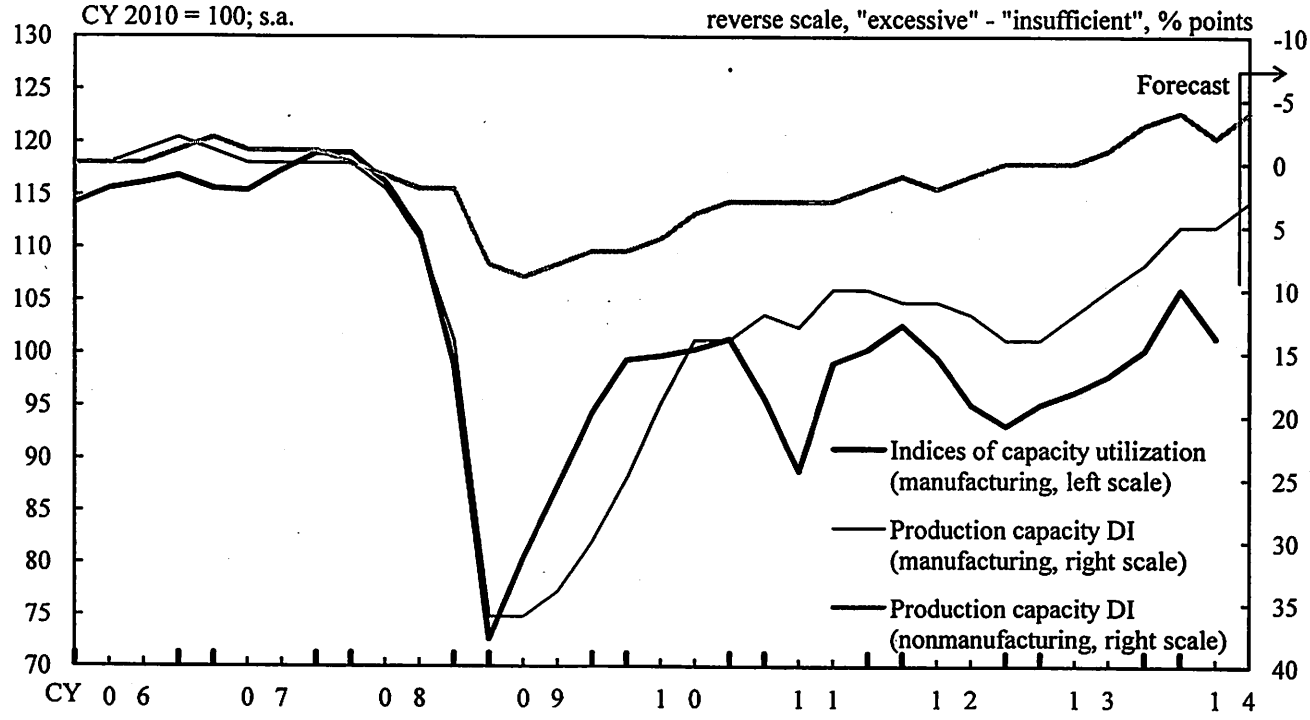
Coincident Indicators of Business Fixed Investment

(1) Aggregate Supply and Shipments of Capital Goods



Note: Figures for 2014/Q3 are those of July.

(2) Indices of Capacity Utilization and Production Capacity DI

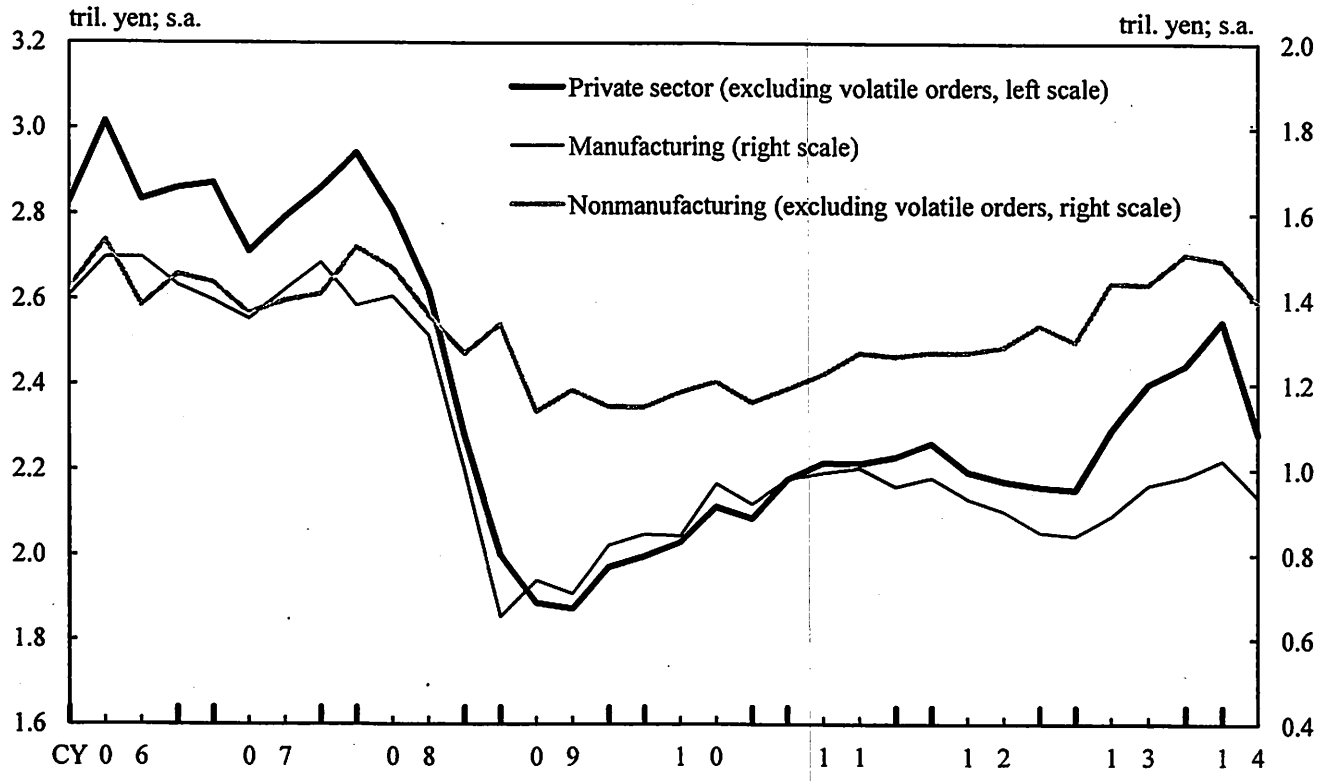


Note: Production capacity DIs are those of all enterprises.

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."

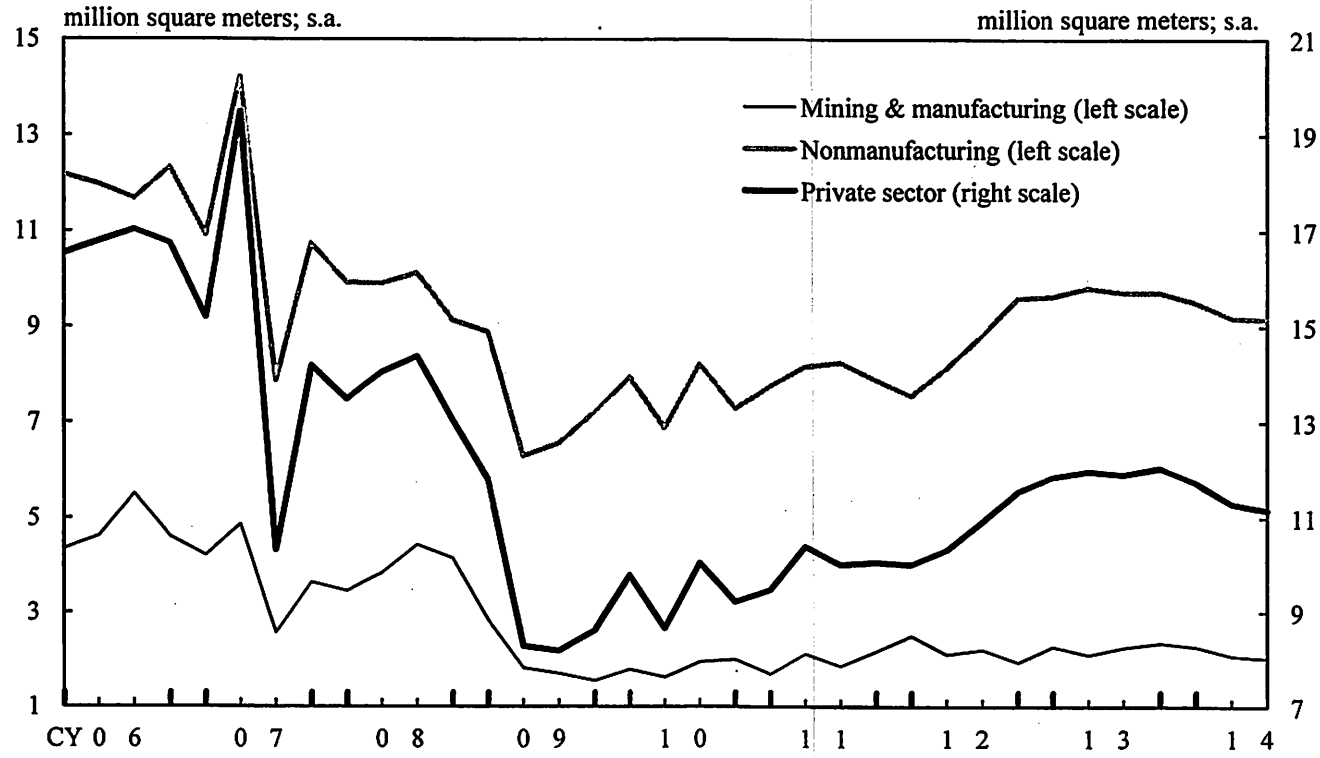
Leading Indicators of Business Fixed Investment

(1) Machinery Orders



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

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

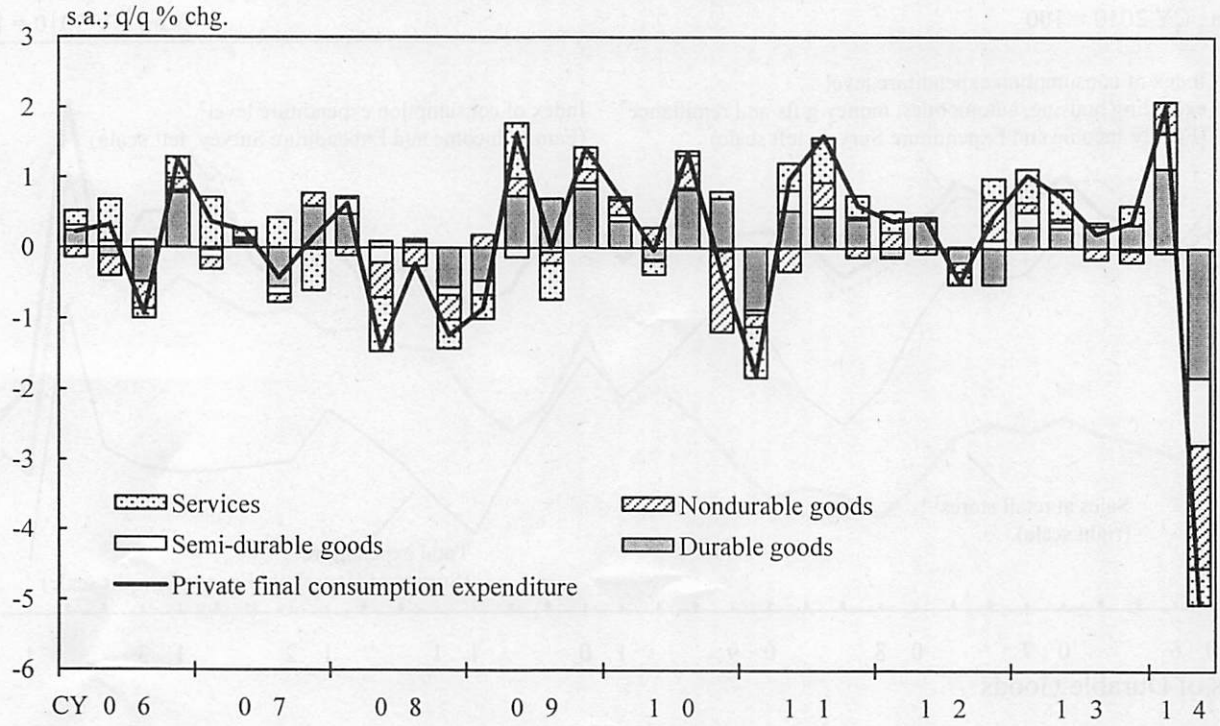


Notes: 1. Seasonally adjusted by X-12-ARIMA.
2. Figures for 2014/Q3 are those of July in quarterly amount.

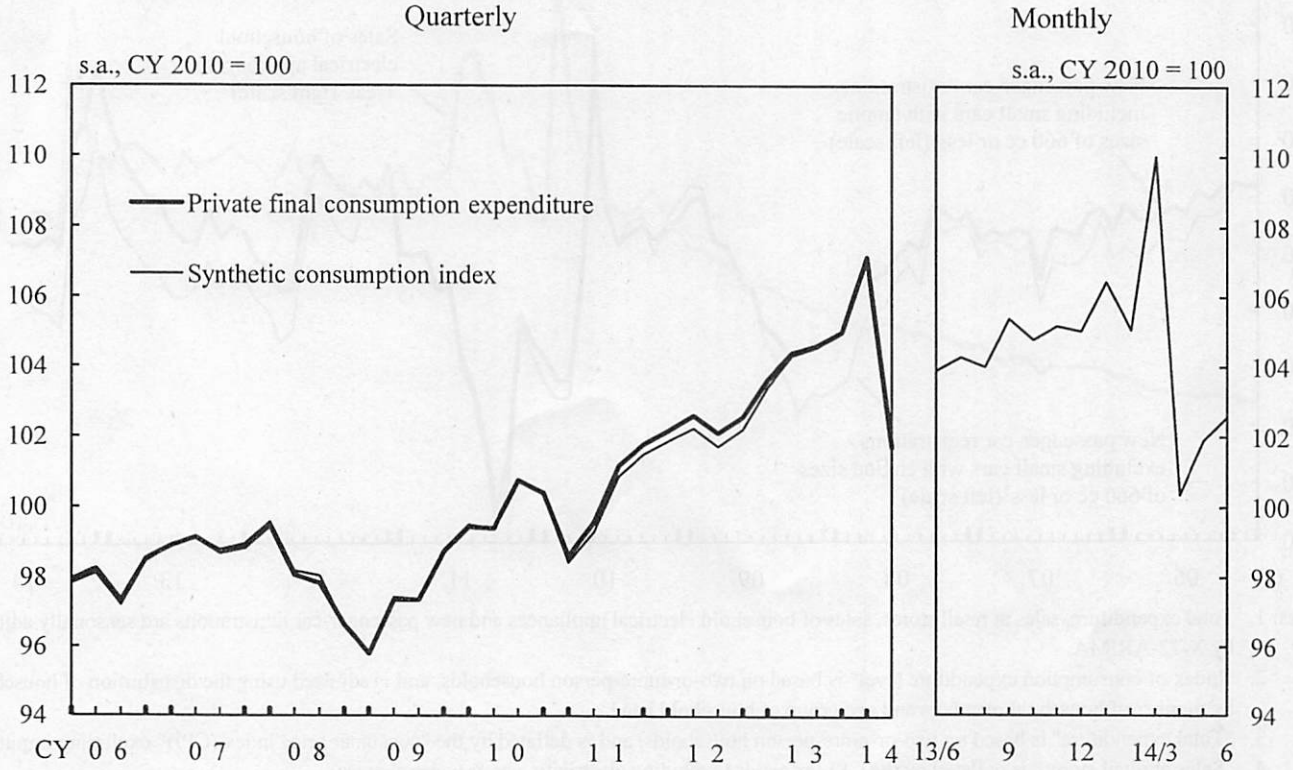
Sources: Cabinet Office, "Orders Received for Machinery";
Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts."

Indicators of Private Consumption (1)

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



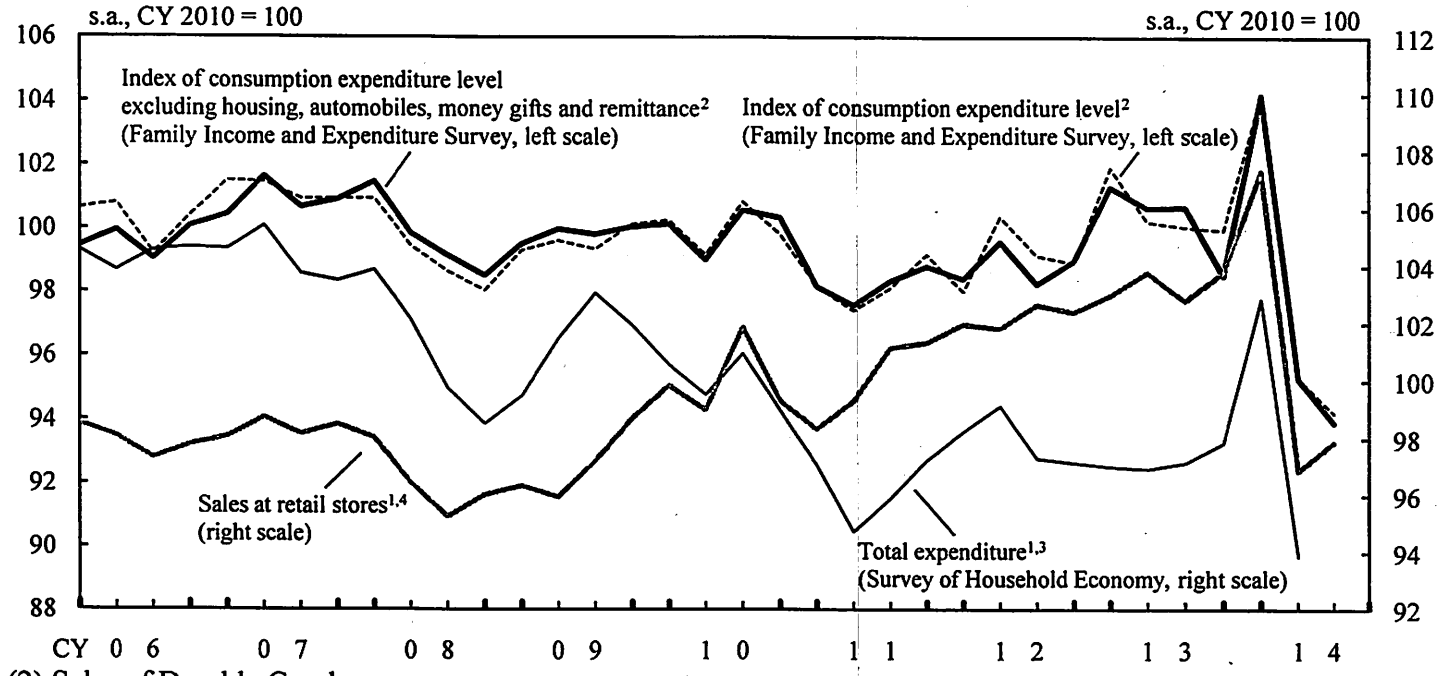
(2) Private Final Consumption Expenditure and Synthetic Consumption Index (Real)



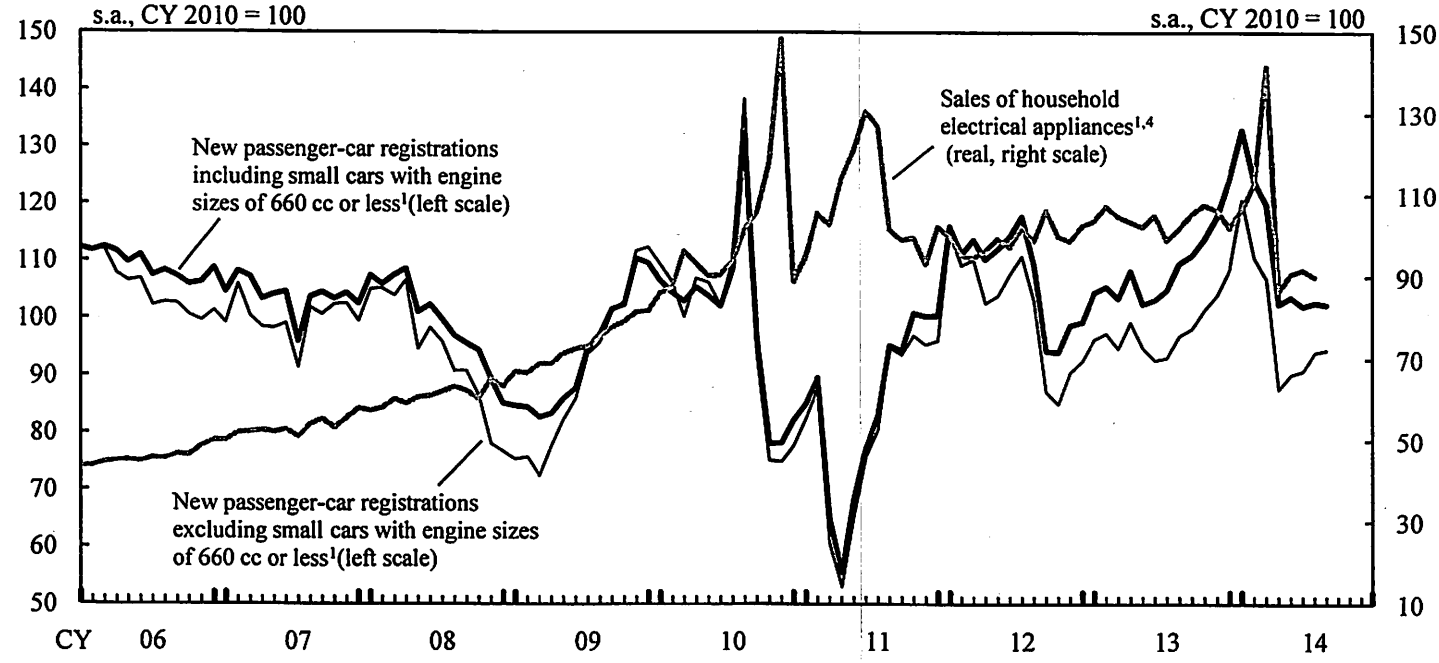
Source: Cabinet Office, "National Accounts," "Synthetic Consumption Index."

Indicators of Private Consumption (2)

(1) Household Spending (Real)[5]



(2) Sales of Durable Goods



Notes: 1. Total expenditure, sales at retail stores, sales of household electrical appliances and new passenger-car registrations are seasonally adjusted by X-12-ARIMA.

2. "Index of consumption expenditure level" is based on two-or-more-person households, and is adjusted using the distribution of household by number of household members and age group of household head.

3. "Total expenditure" is based on two-or-more-person households, and is deflated by the "consumer price index (CPI)" excluding imputed rent.

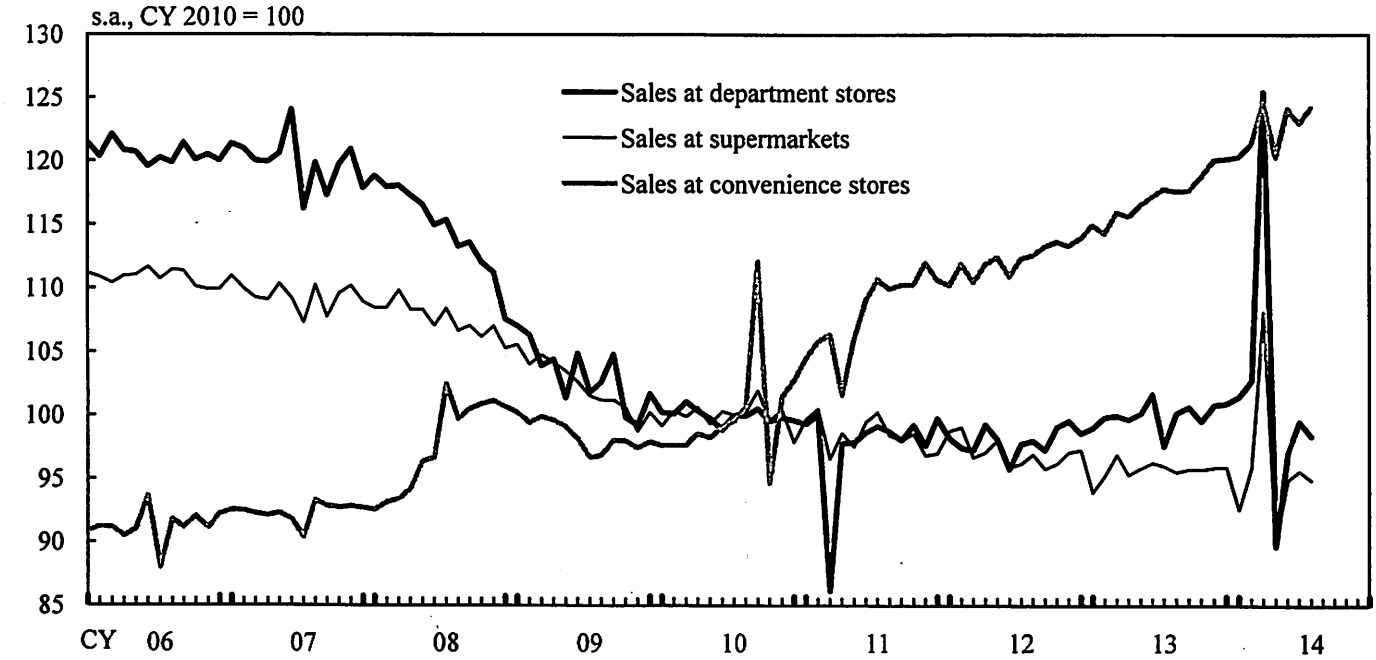
4. "Sales at retail stores" is deflated by the CPI for goods (excluding electricity, gas & water charges).
"Sales of household electrical appliances" is calculated as follows: indices of retail sales of machinery and equipment in the "Current Survey of Commerce" are deflated by the geometric means of the corresponding CPI.

5. Figures for 2014/Q3 are those of July in quarterly amount.

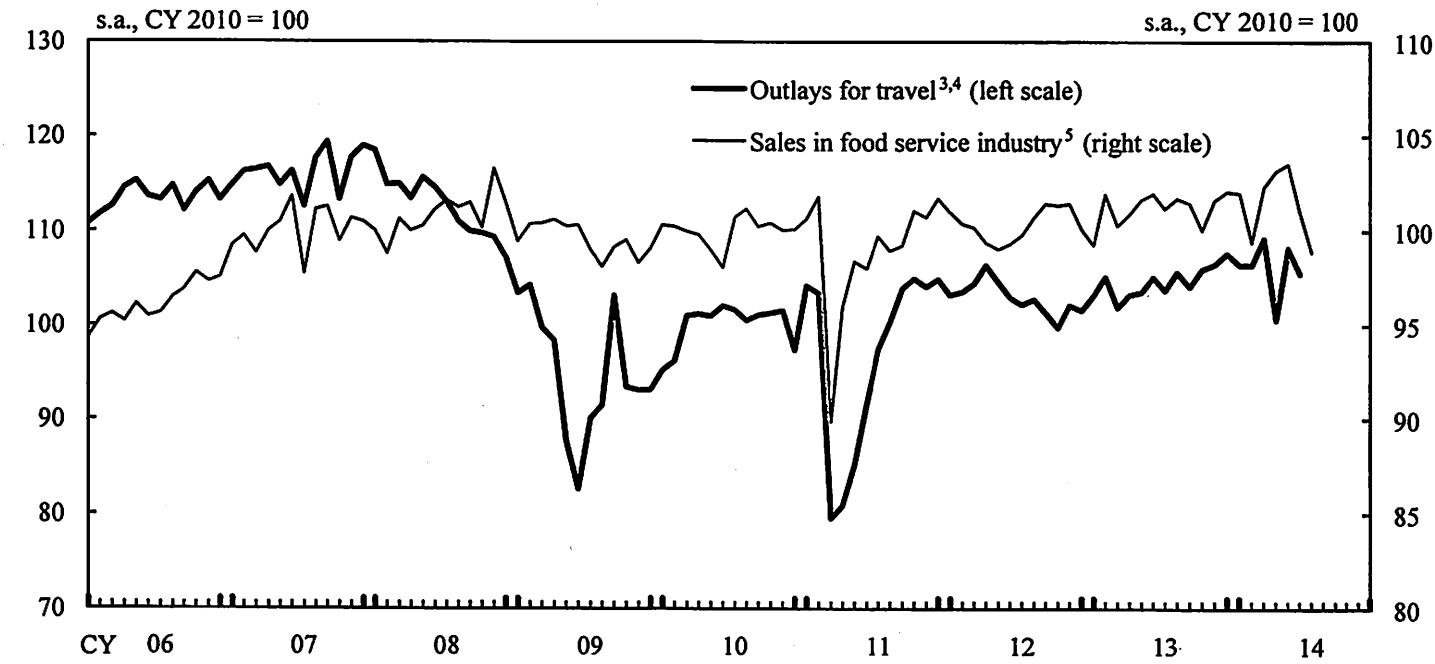
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index,"
"Monthly Report on the Family Income and Expenditure Survey," "Survey of Household Economy";
Ministry of Economy, Trade and Industry, "Current Survey of Commerce";
Japan Automobile Dealers Association, "Domestic Sales of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

Indicators of Private Consumption[1] (3)

(1) Sales at Retail Stores (Nominal)[2]



(2) Consumption of Services (Nominal)

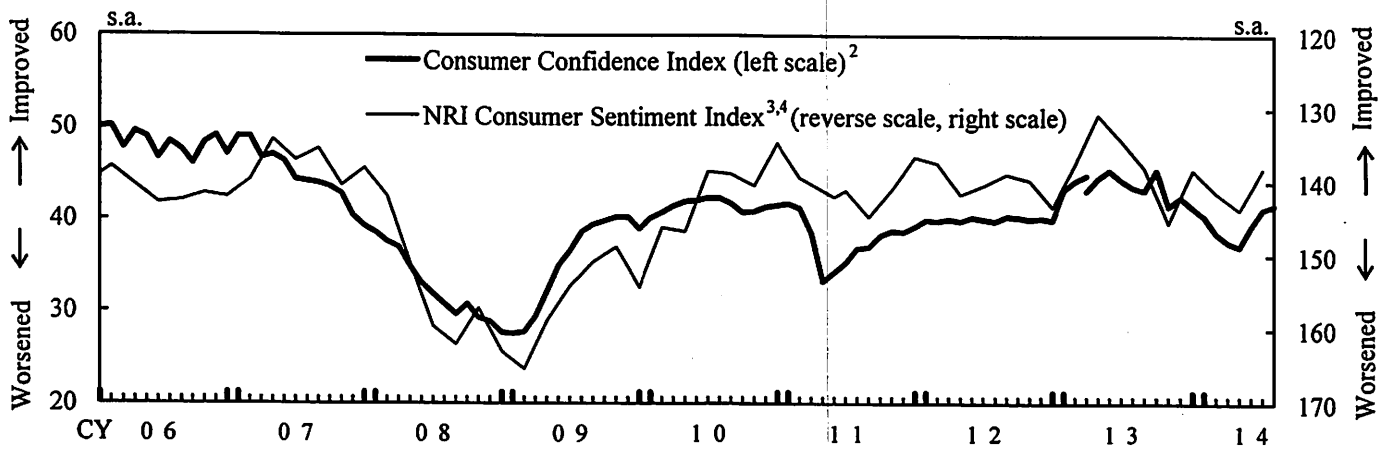


Notes: 1. Seasonally adjusted by X-12-ARIMA.
2. Adjusted to exclude the effects of the increase in the number of stores (except for convenience stores).
3. Excluding those by foreign travelers.
4. There are discontinuities in the underlying data as of April 2007, April 2010 and April 2014 due to changes in the sample. Data from April 2007 and onward are calculated using the year-on-year rates of change.
5. "Sales in food service industry" is calculated using the year-on-year rates of change of every month released by the Japan Food Service Association based on the amount of monthly sales in 1993 released by the Food Service Industry Survey & Research Center.

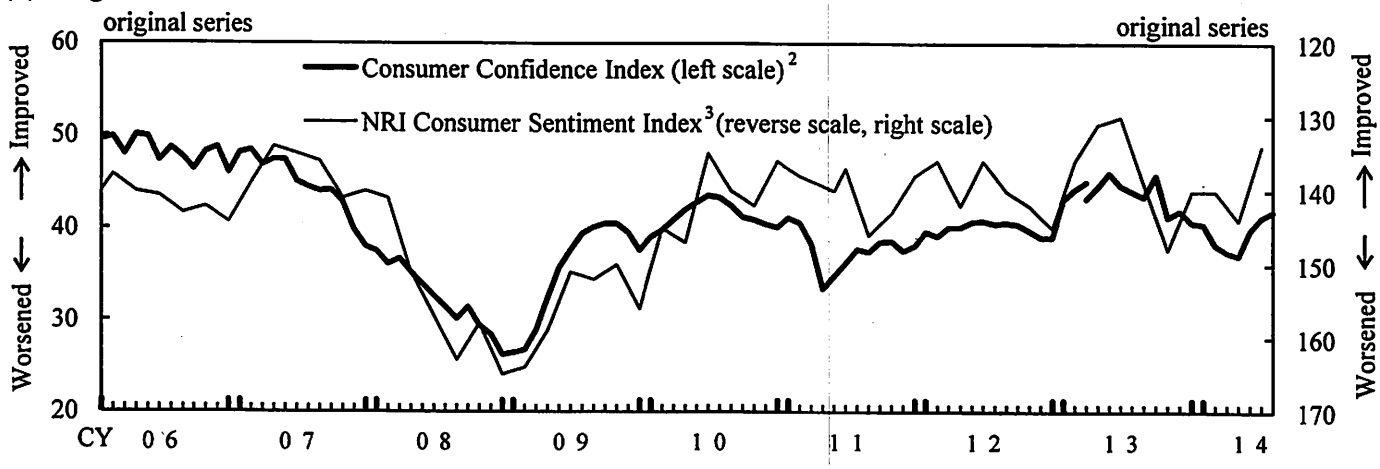
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce";
Japan Tourism Agency, "Major Travel Agents' Revenue";
Food Service Industry Survey & Research Center, "*Getsuji Uriage Doukou Chousa* (Monthly survey of food service sales)"; Japan Food Service Association, "*Gaishoku Sangyou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

Consumer Confidence[1]

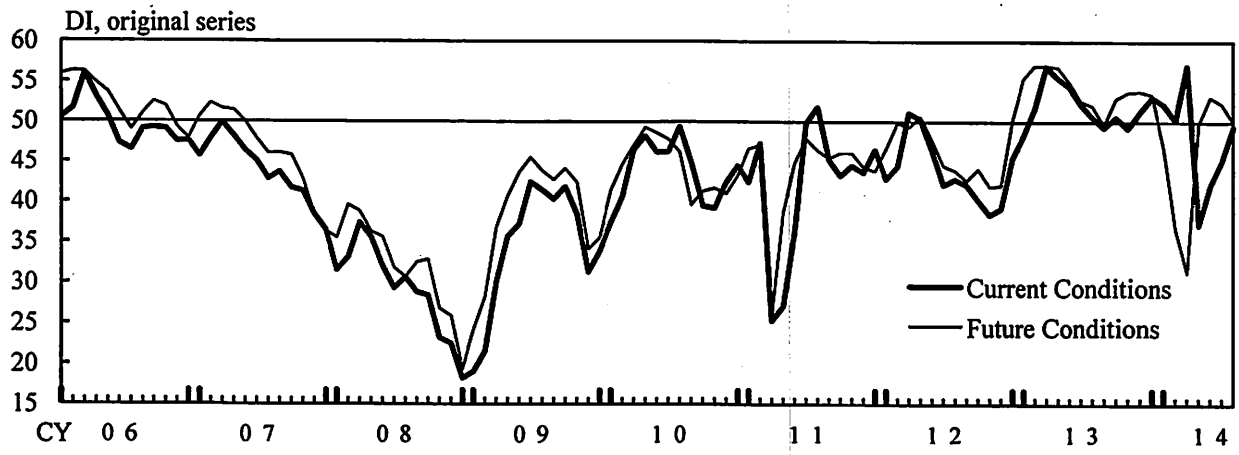
(1) Seasonally Adjusted Series



(2) Original Series



Reference: Economy Watchers Survey (Household Activity)



Notes: 1. The Consumer Confidence Index (covering about 5,700 samples on a nationwide basis from April 2013 onward) and NRI Consumer Sentiment Index (1,200 samples on a nationwide basis) are based on surveys on consumer confidence.

2. In April 2013, the Cabinet Office changed the method for conducting the Consumer Confidence Survey to a postal method, along with some other changes. For this reason, there is a discontinuity between data up to March 2013, which were obtained from the survey on a visit-and-leave method, and those thereafter. The figure for March 2013 on a postal-method basis is obtained from an examination survey.

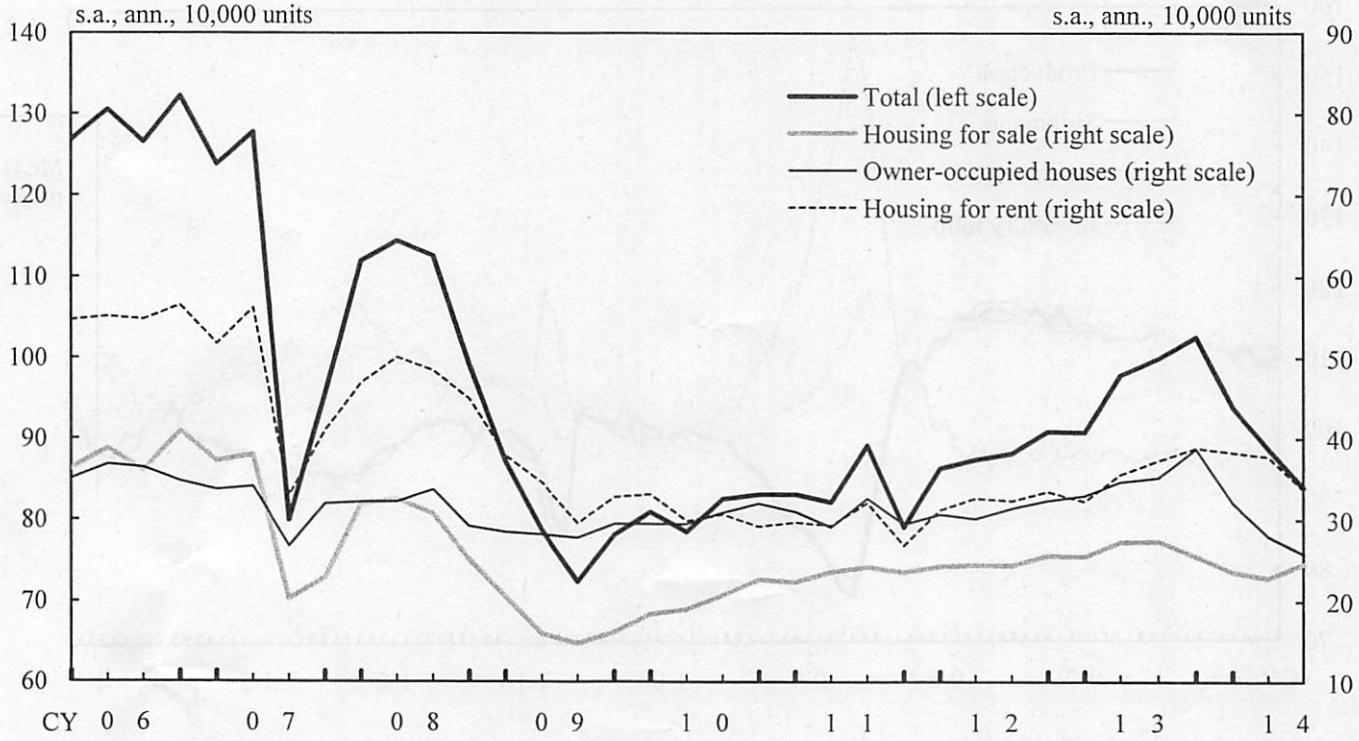
3. Figures are plotted for each surveyed month and the data for the intervening months are linearly interpolated.

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

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

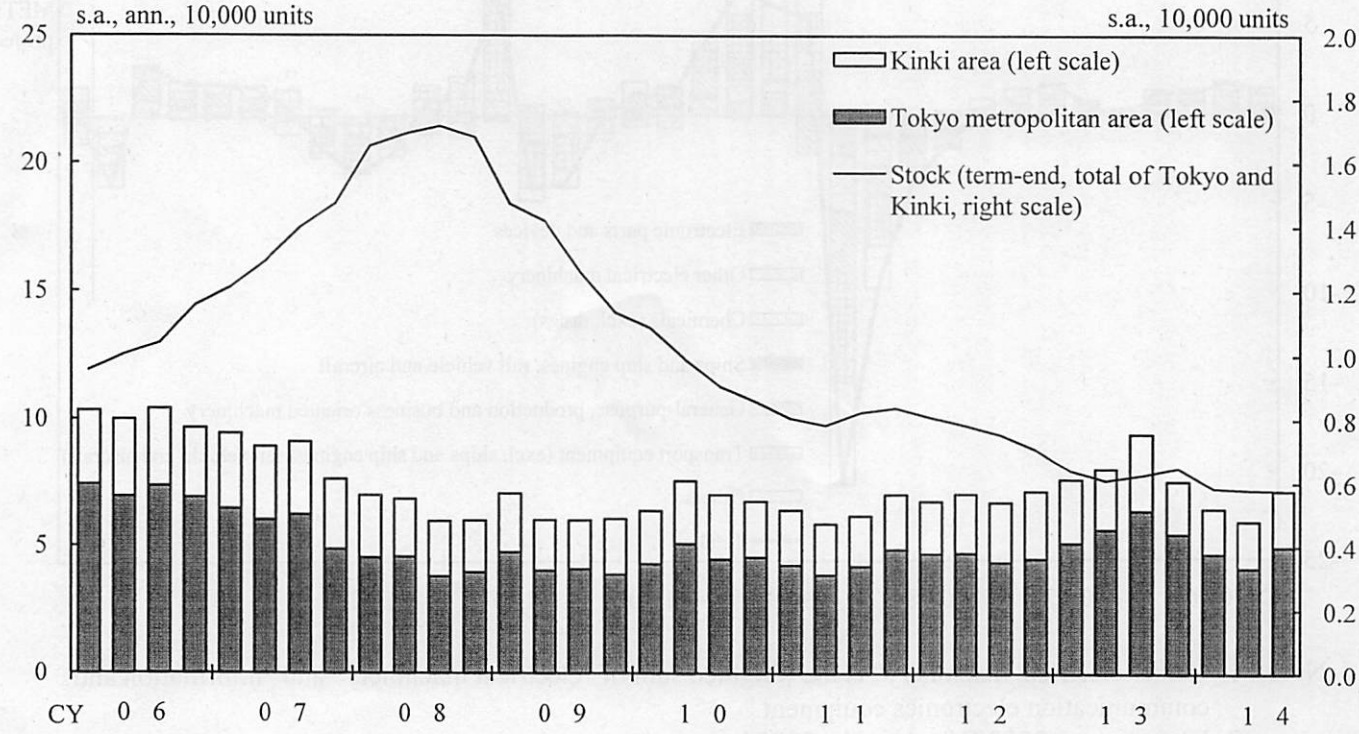
Indicators of Housing Investment

(1) Housing Starts



Note: Figures for 2014/Q3 are those of July.

(2) Sales of Apartments

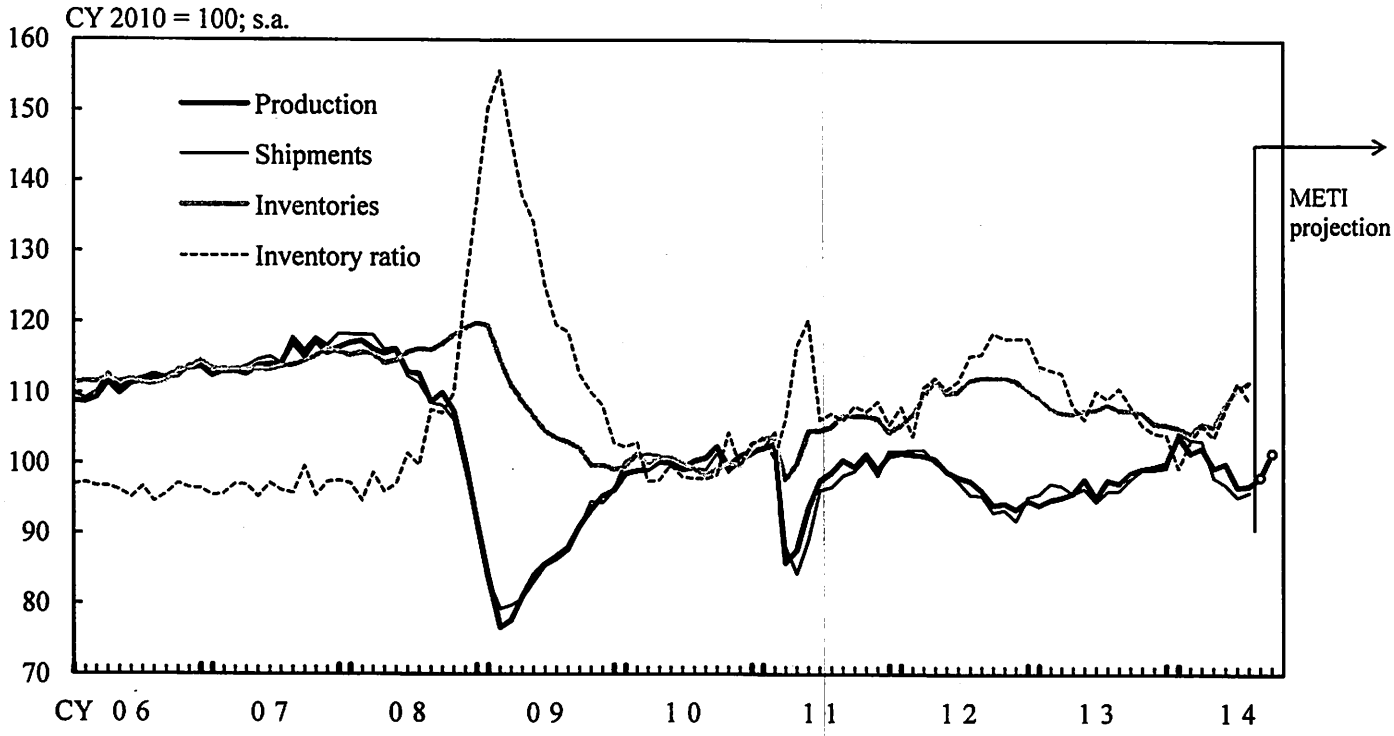


Notes: 1. Seasonally adjusted by X-12-ARIMA.
2. Figures for 2014/Q3 are those of July.

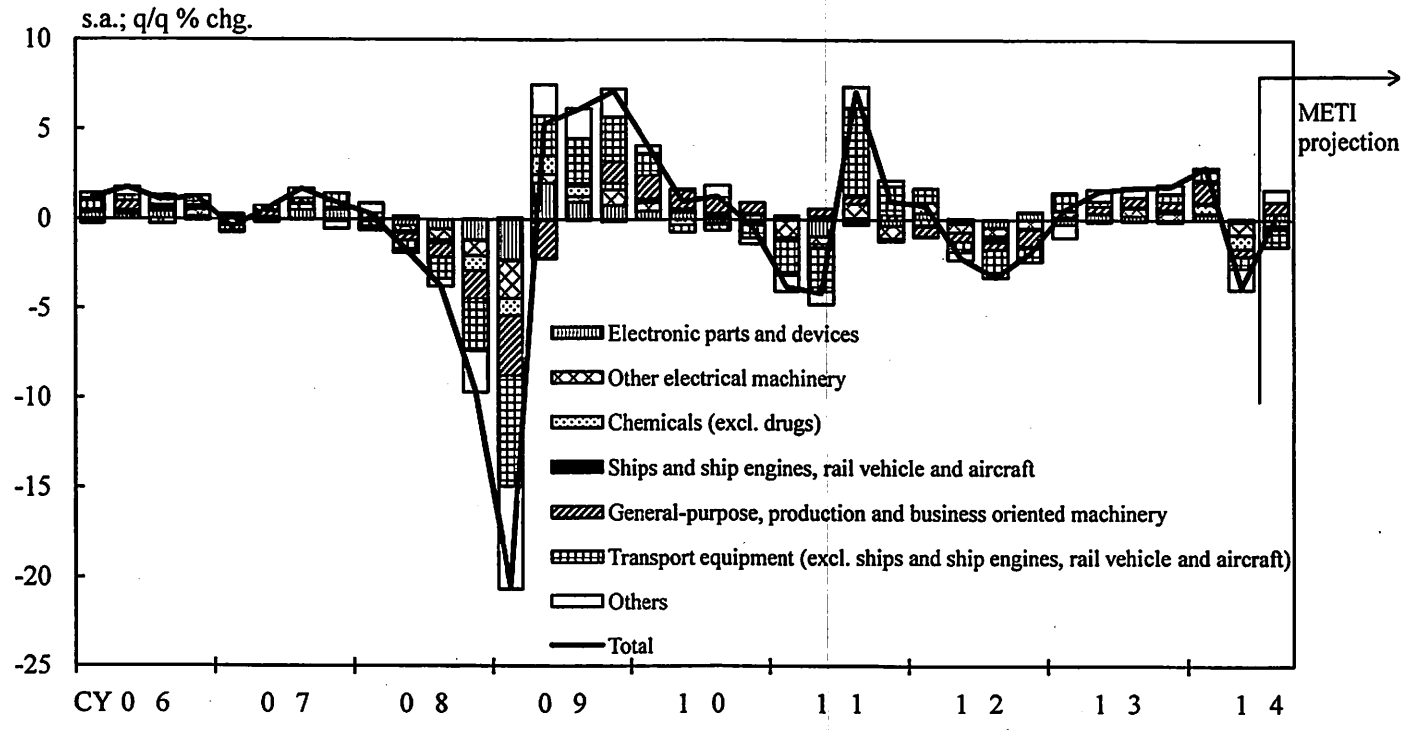
Sources: Ministry of Land, Infrastructure, Transport and Tourism, "Statistics on Building Construction Starts," etc.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industry[1,2,3]

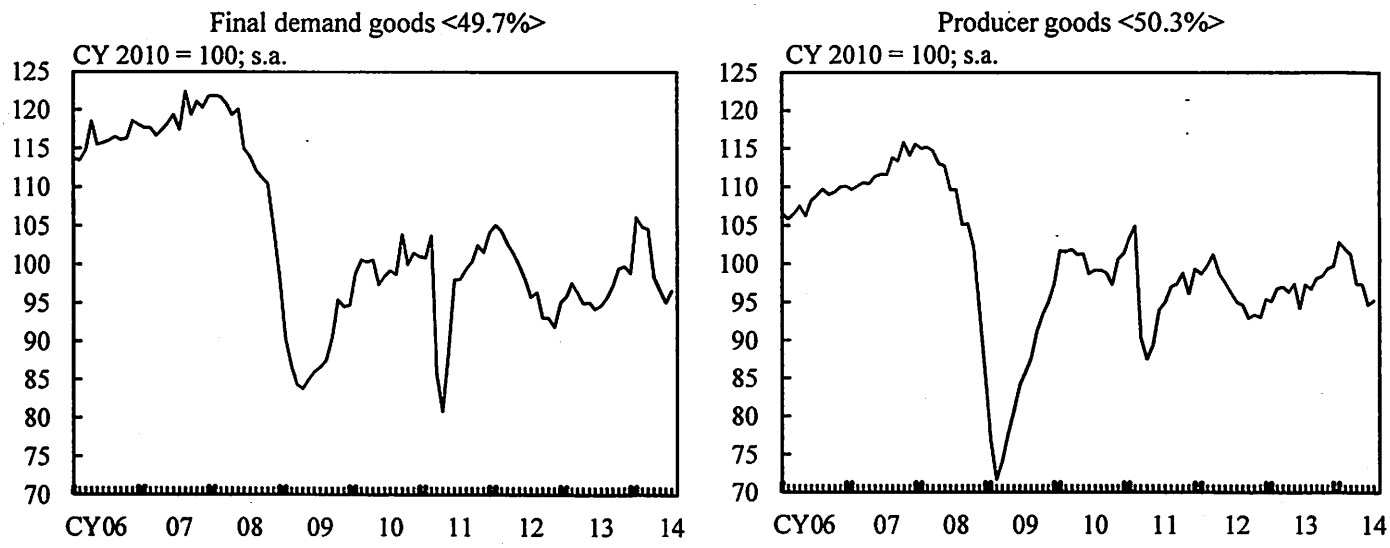


Notes: 1. "Other electrical machinery" is the weighted sum of "electrical machinery" and "information and communication electronics equipment."
2. Figures up to 2008/Q1 are on the 2005 base.
Figures for "general-purpose, production and business oriented machinery" up to 2008/Q1 are those for "general machinery."
3. 2014/Q3 figures are based on the actual production levels in July, and the METI projection of August and September.

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

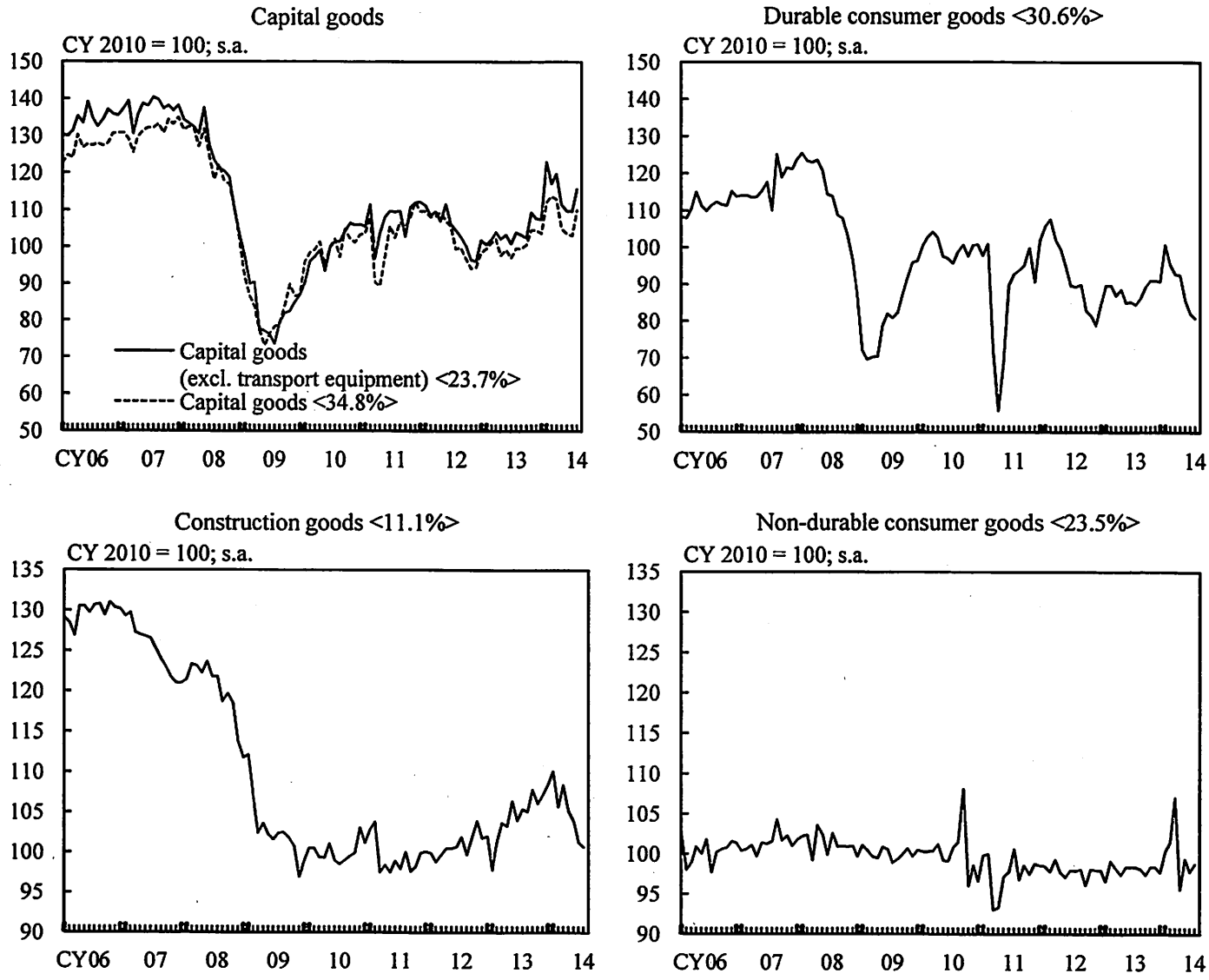
Shipments by Type of Goods

(1) Final Demand Goods and Producer Goods



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

(2) Breakdown of Final Demand Goods

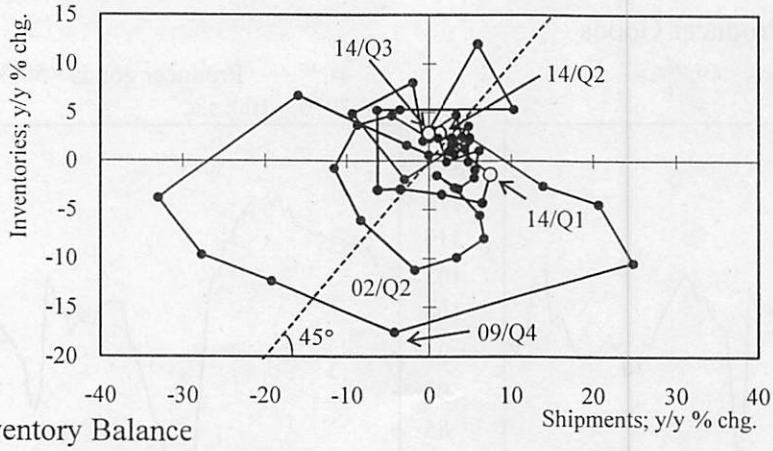


Note: Figures in angle brackets show the shares among shipments of final demand goods.

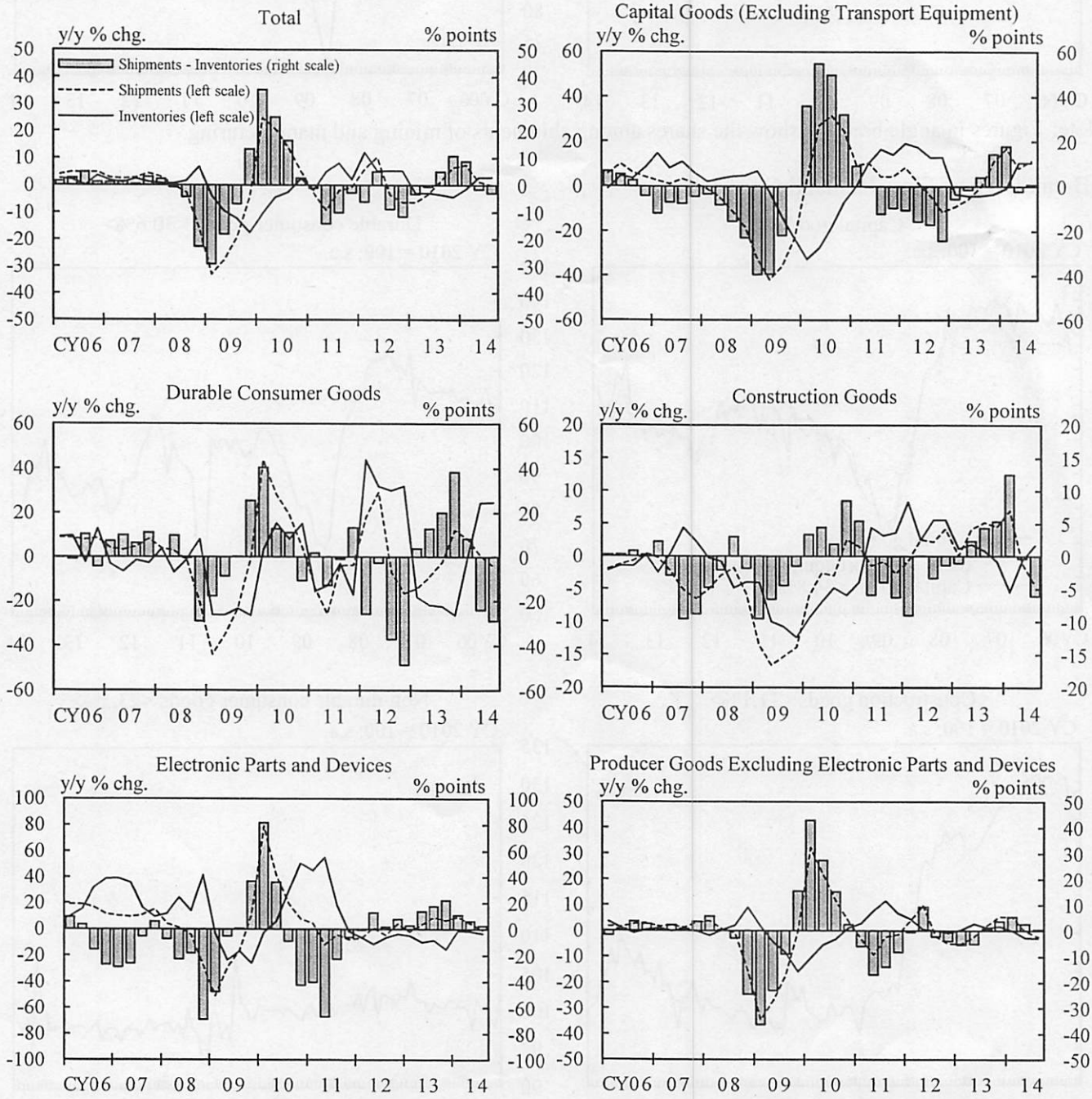
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Inventory Cycle

(1) Inventory Cycle (Total)



(2) Shipment-Inventory Balance

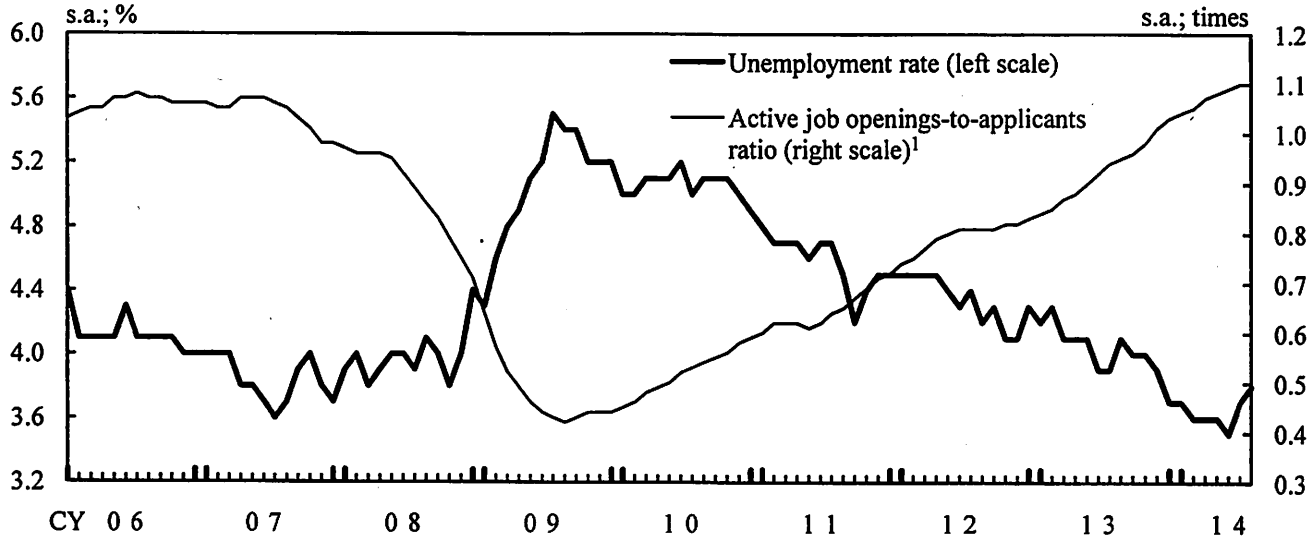


Note: Figures for 2014/Q3 are those of July.

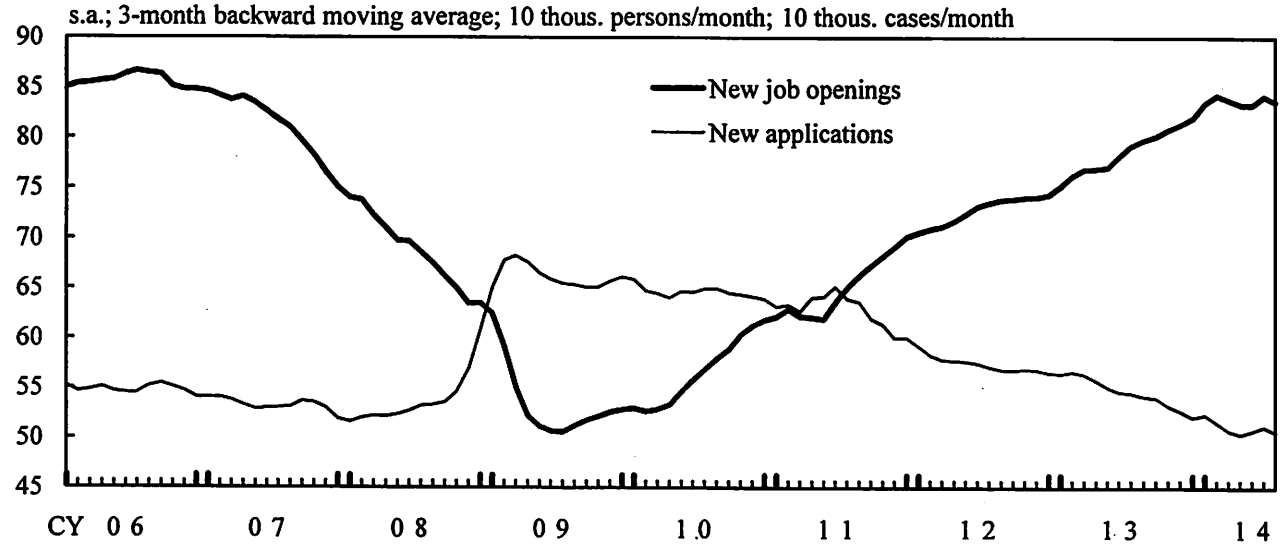
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Labor Market

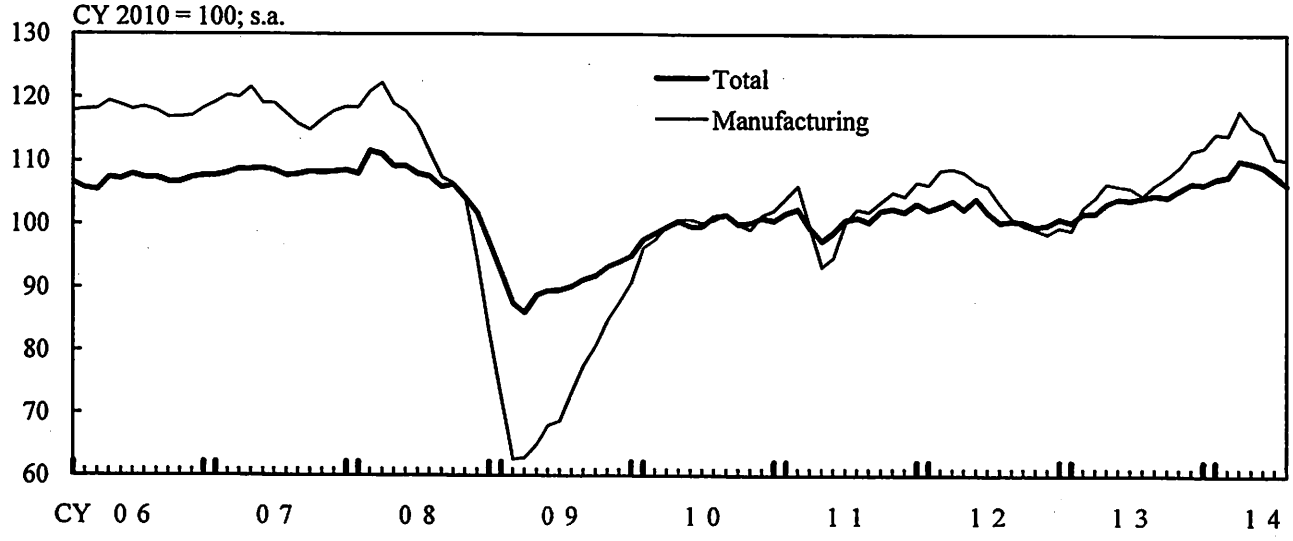
(1) Unemployment Rate and Active Job Openings-to-Applicants Ratio



(2) New Job Openings and New Applications[1]



(3) Non-Scheduled Hours Worked[2]

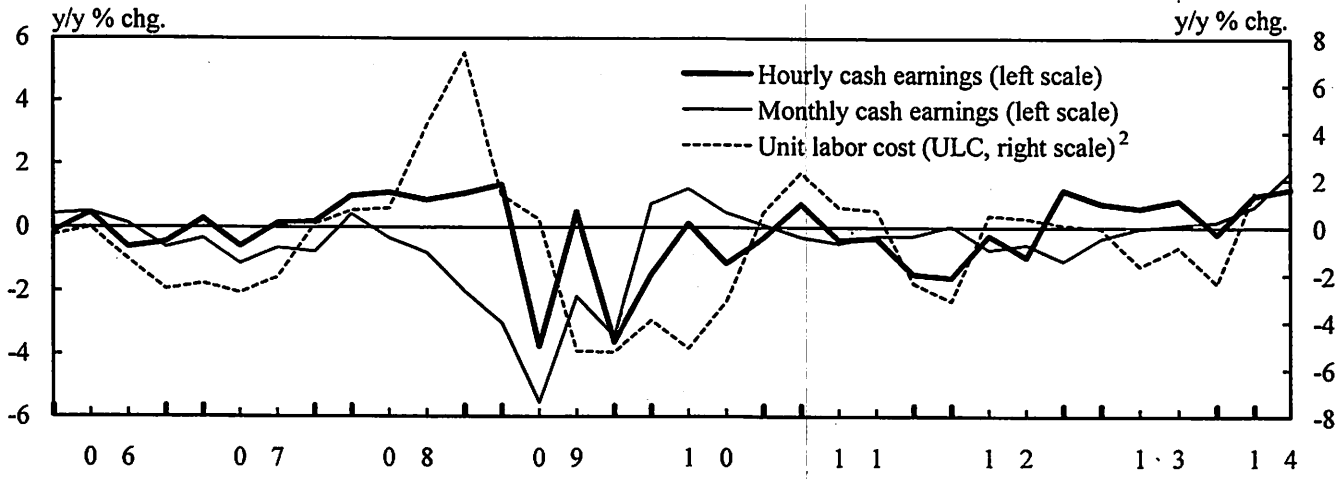


Notes: 1. Excluding new school graduates and including part-timers.
2. Data are for establishments with at least five employees.

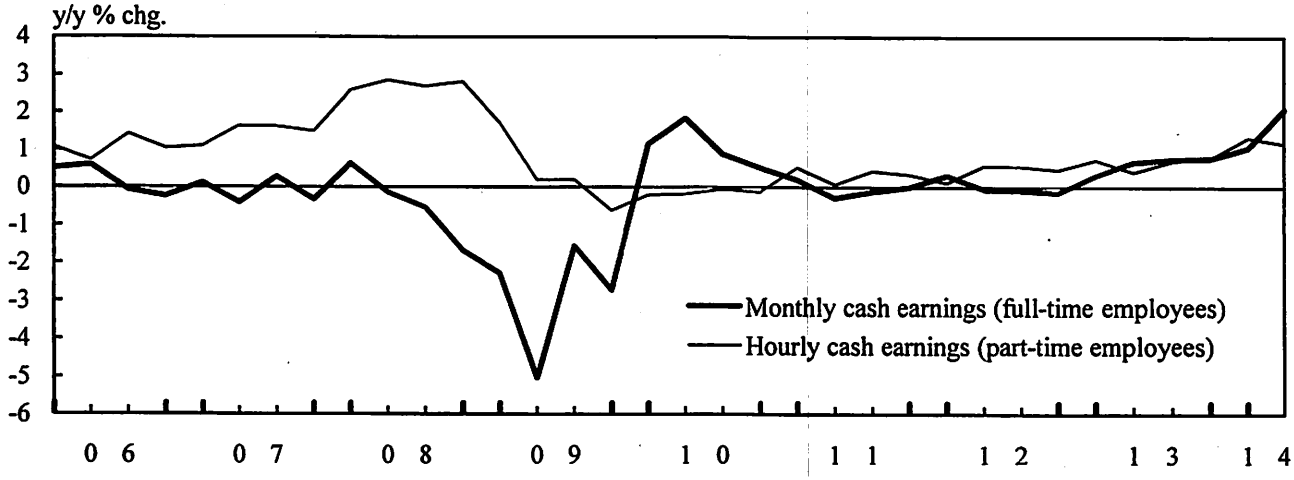
Sources: Ministry of Internal Affairs and Communications, "Labour Force Survey";
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey."

Wages

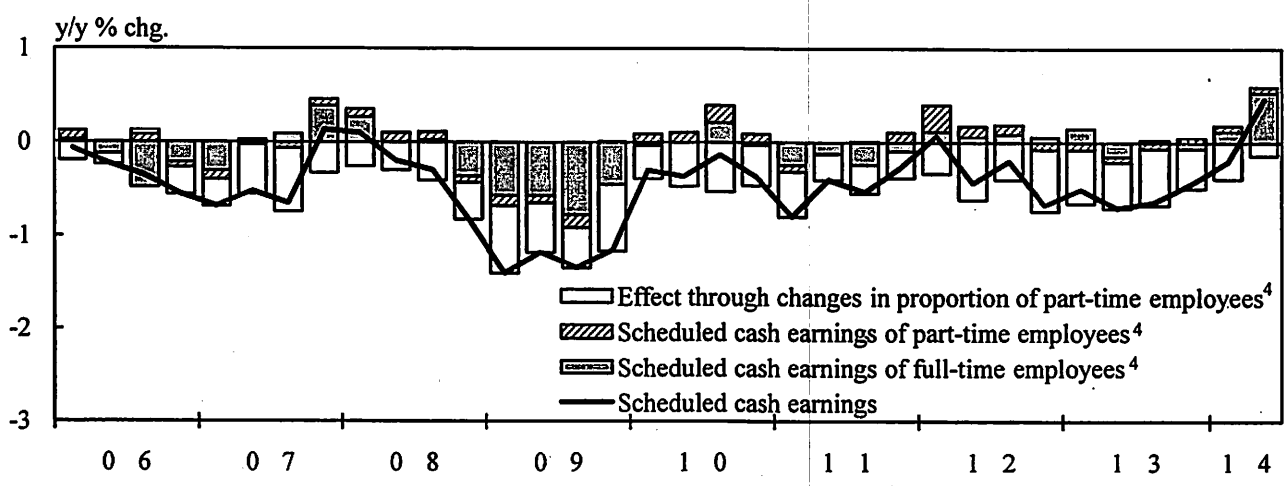
(1) Total[1,3]



(2) Cash Earnings by Type of Worker[1,3]



(3) Breakdown of Scheduled Cash Earnings[1,3]

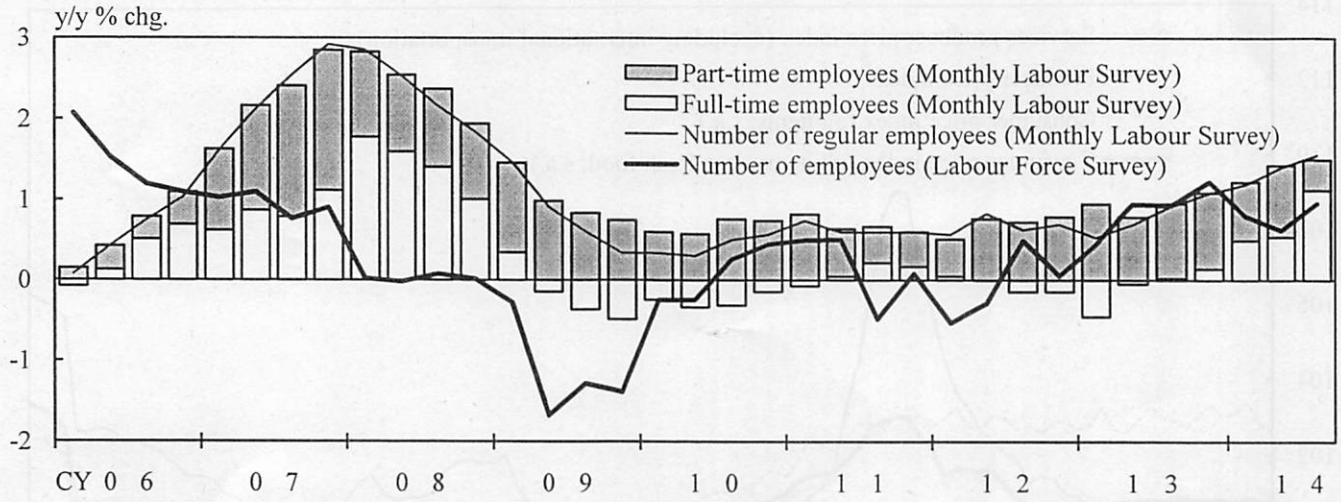


Notes: 1. Data for the "Monthly Labour Survey" are for establishments with at least five employees.
2. ULC = nominal compensation of employees (SNA) / real GDP
3. Figures for 2014/Q2 are June-July averages (except ULC).
Except ULC : Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.
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.

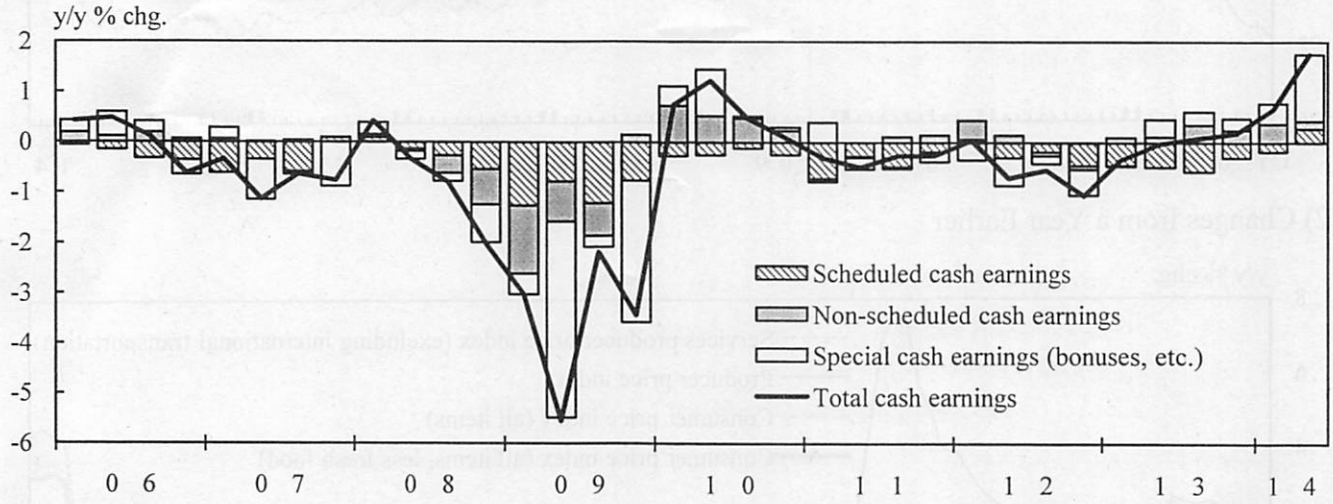
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey"; Cabinet Office, "National Accounts."

Employee Income

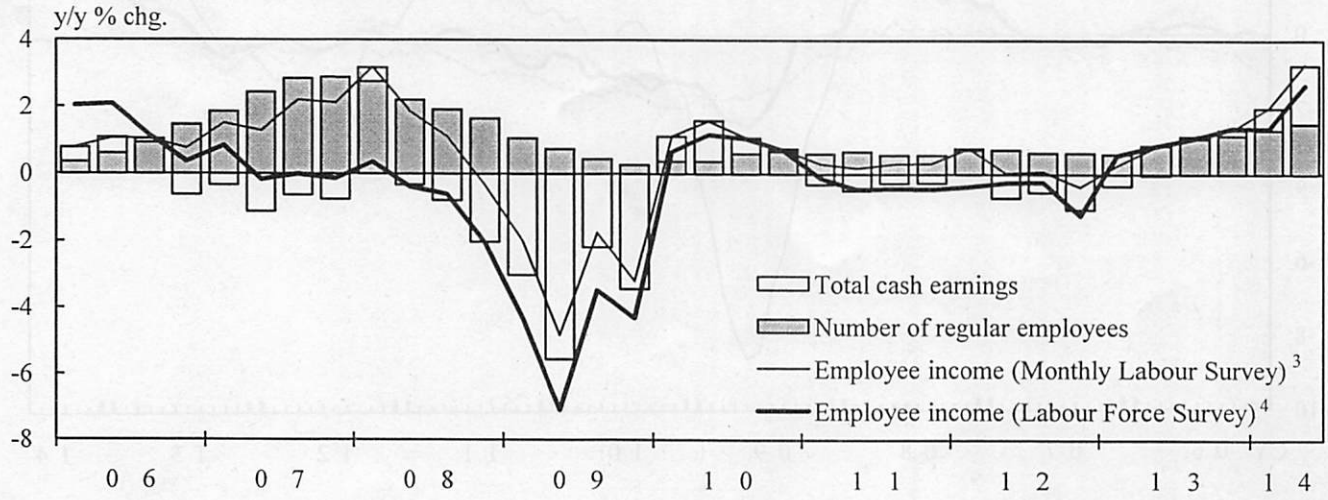
(1) Number of Employees[1,5]



(2) Breakdown of Total Cash Earnings[1,2]



(3) Breakdown of Employee Income[1,2]

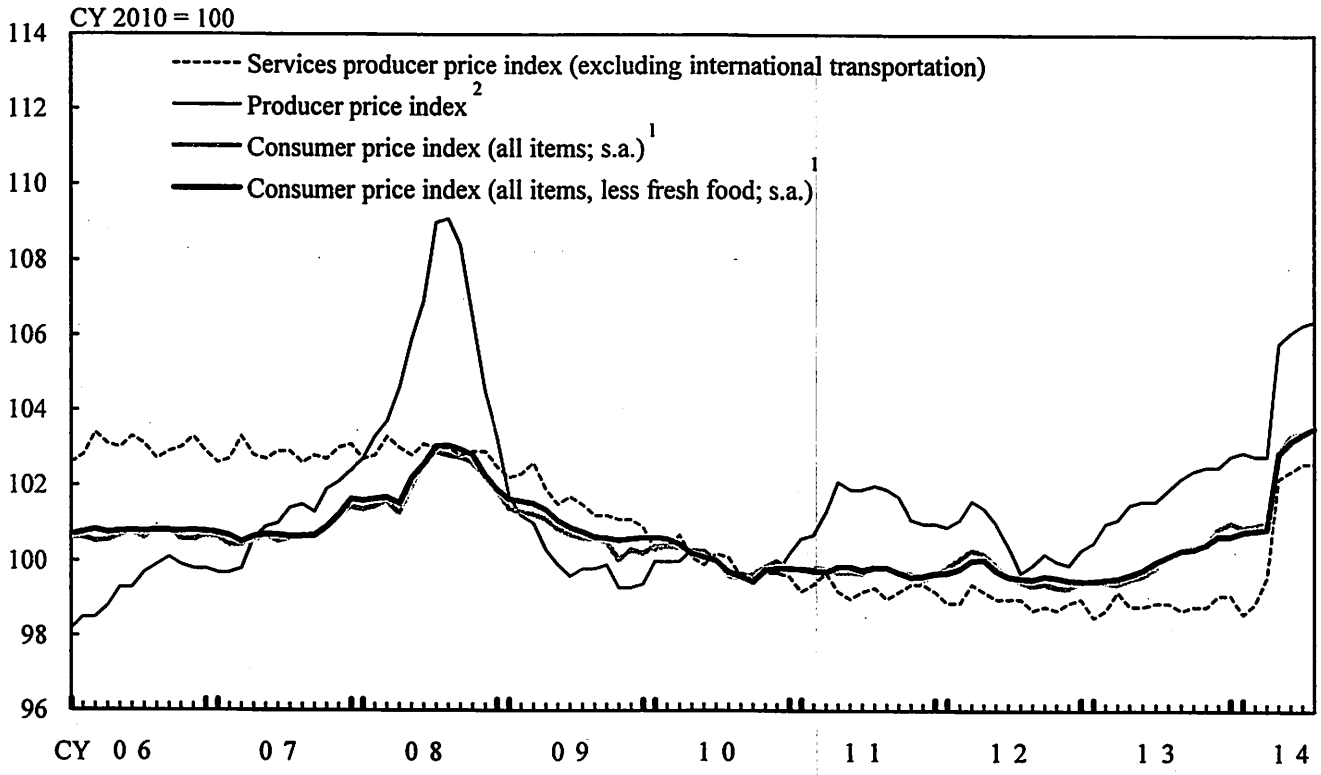


Notes: 1. Data for the "Monthly Labour Survey" are for establishments with at least five employees.
2. Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.
Figures for 2014/Q2 are June-July averages.
3. Calculated as the "number of regular employees" (Monthly Labour Survey) times "total cash earnings" (Monthly Labour Survey).
4. Calculated as the "number of employees" (Labour Force Survey) times "total cash earnings" (Monthly Labour Survey).
5. Figures for 2014/Q3 are those of July.

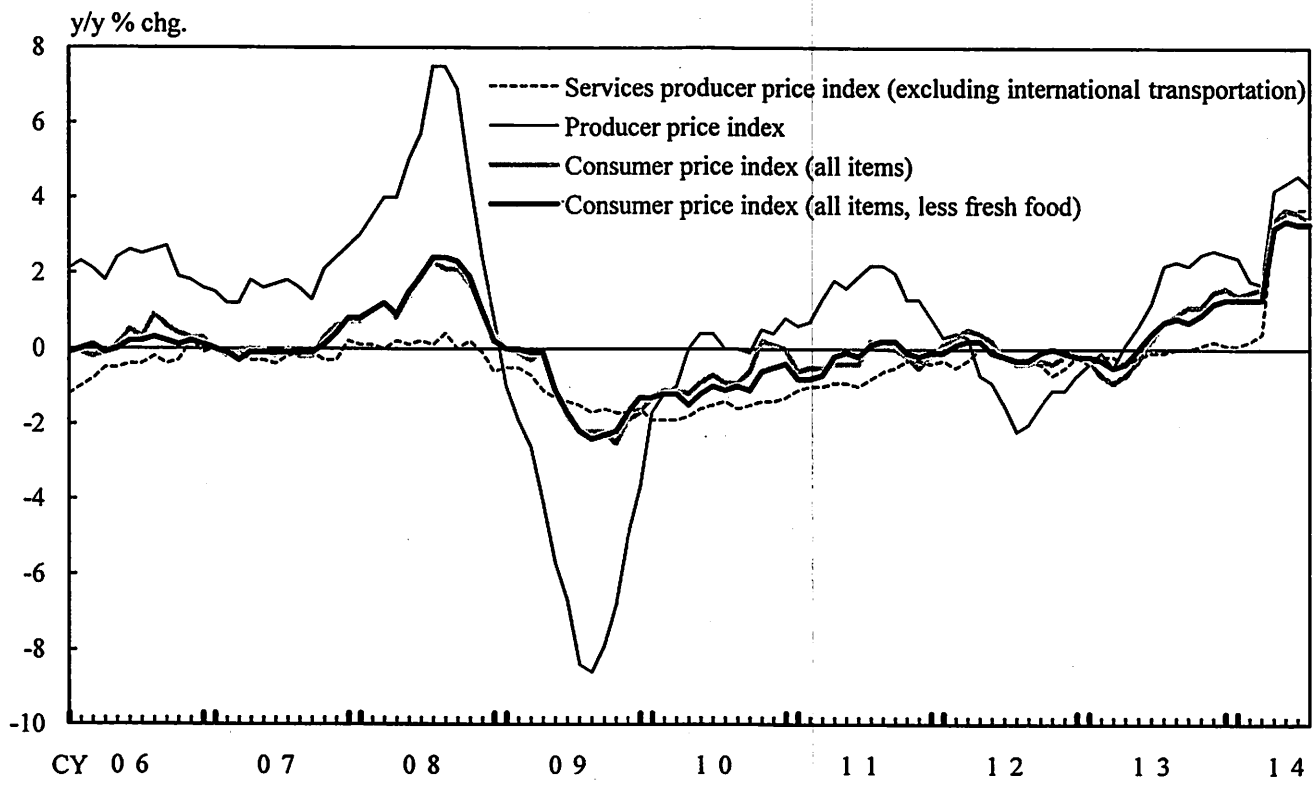
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
Ministry of Internal Affairs and Communications, "Labour Force Survey."

Prices

(1) Level



(2) Changes from a Year Earlier

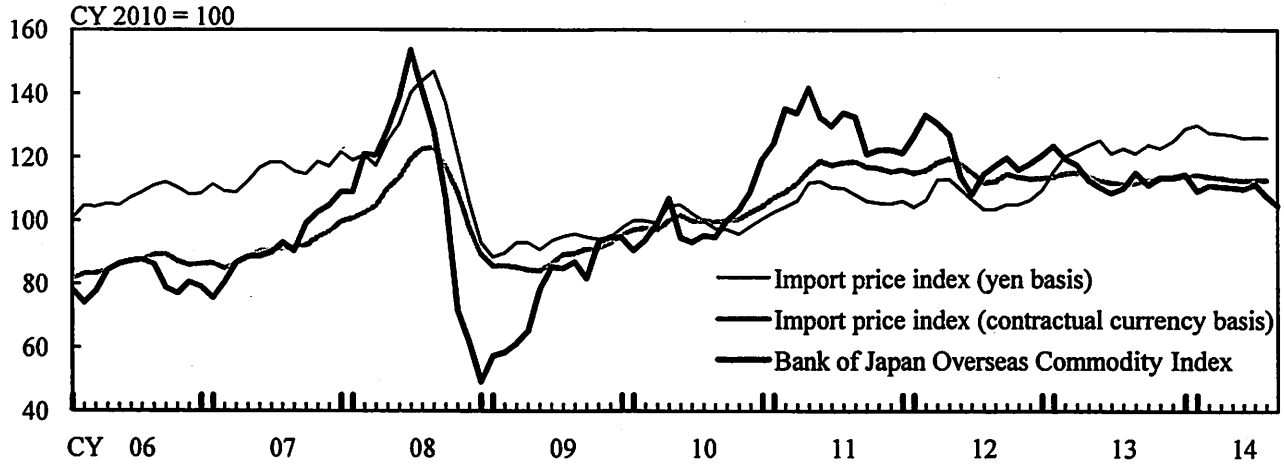


Notes: 1. Seasonally adjusted by X-12-ARIMA.
2. Adjusted to exclude a hike in electric power charges during the summer season from July to September.
3. The levels of "Consumer Price Index" up to 2009 are based on the linked indices.
4. Figures of "Services Producer Price Index" and "Producer Price Index" up to 2009 are based on the linked indices.
5. Figures include the consumption tax.

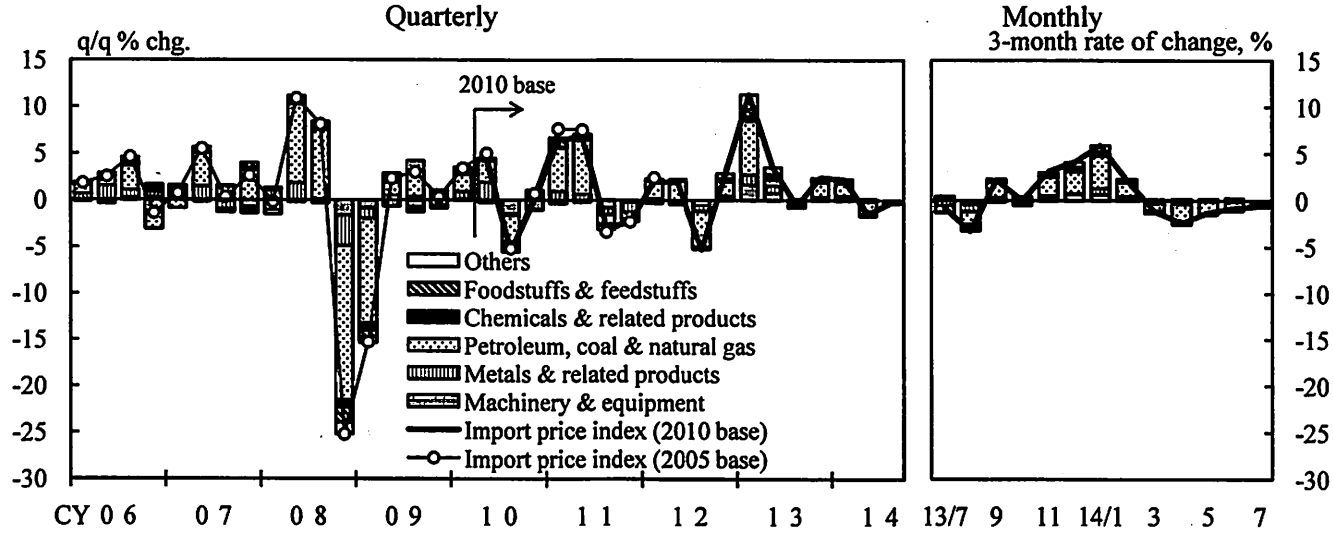
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Services Producer Price Index."

Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index

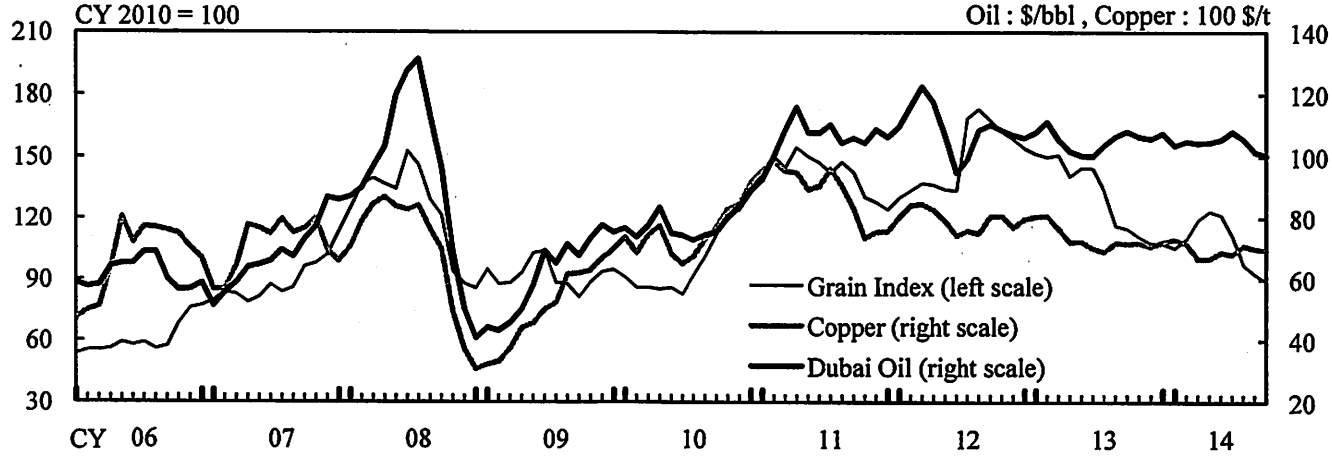


(2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



Notes: 1. Machinery & equipment: general purpose, production & business oriented machinery, electric & electronic products, and transportation equipment.
2. Figures for 2014/Q3 are those of July.

(3) International Commodity Prices

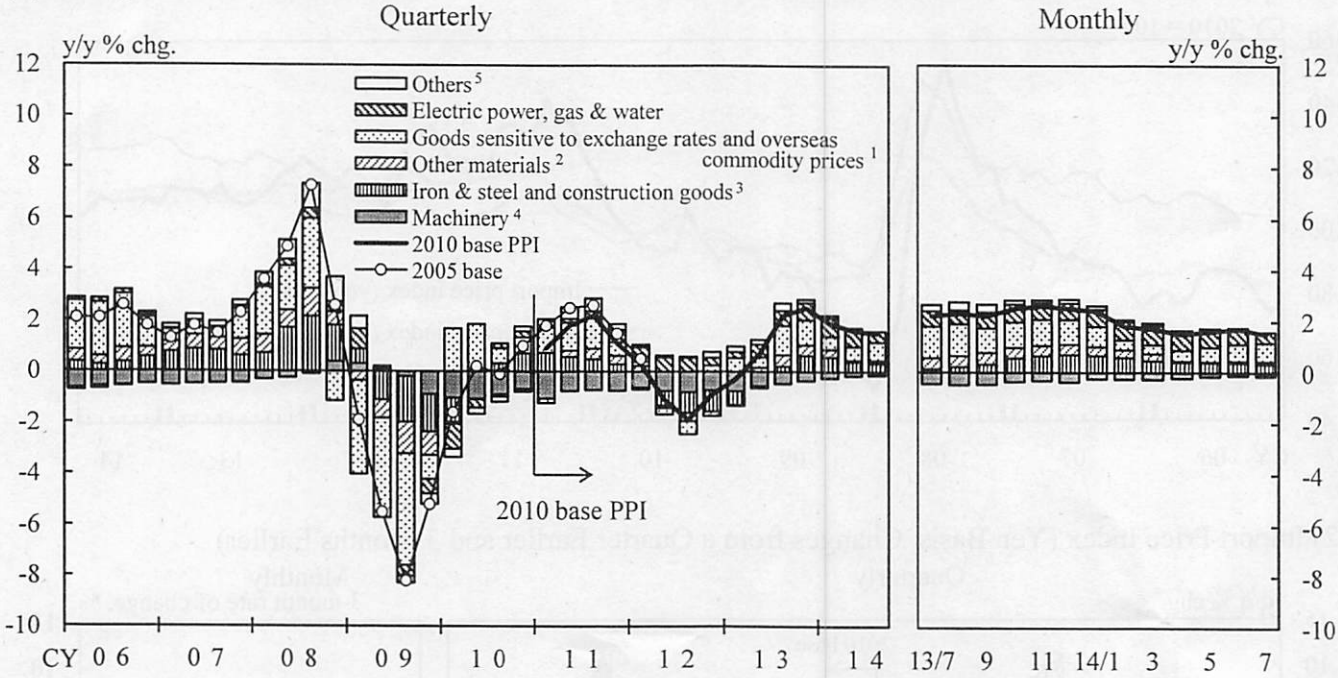


Notes: 1. The "grain index" is the weighted average of prices of three selected items (wheat, soybeans, and corn) in overseas commodity markets. The weights are based on the value of imports in the "Trade Statistics."
2. Monthly averages. Figures for September 2014 are averages up to September 3.

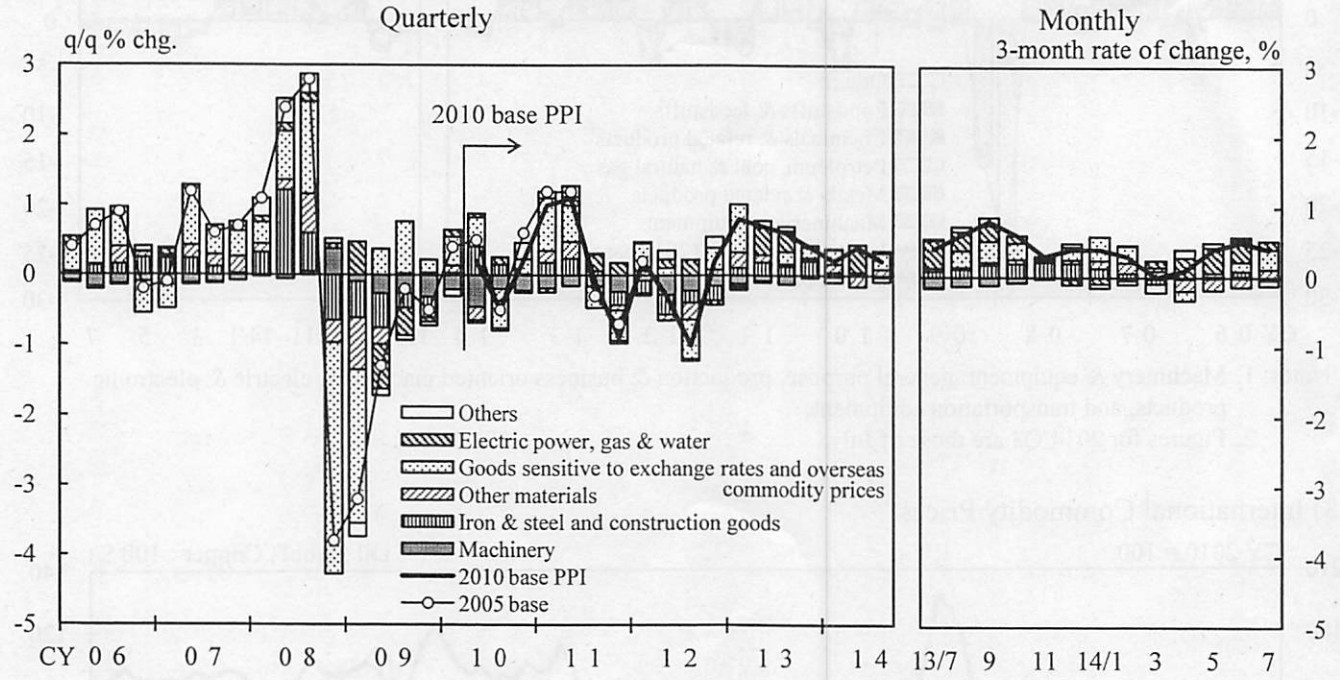
Sources: Bank of Japan, "Corporate Goods Price Index," "Bank of Japan Overseas Commodity Index," etc.

Producer Price Index

(1) Changes from a Year Earlier



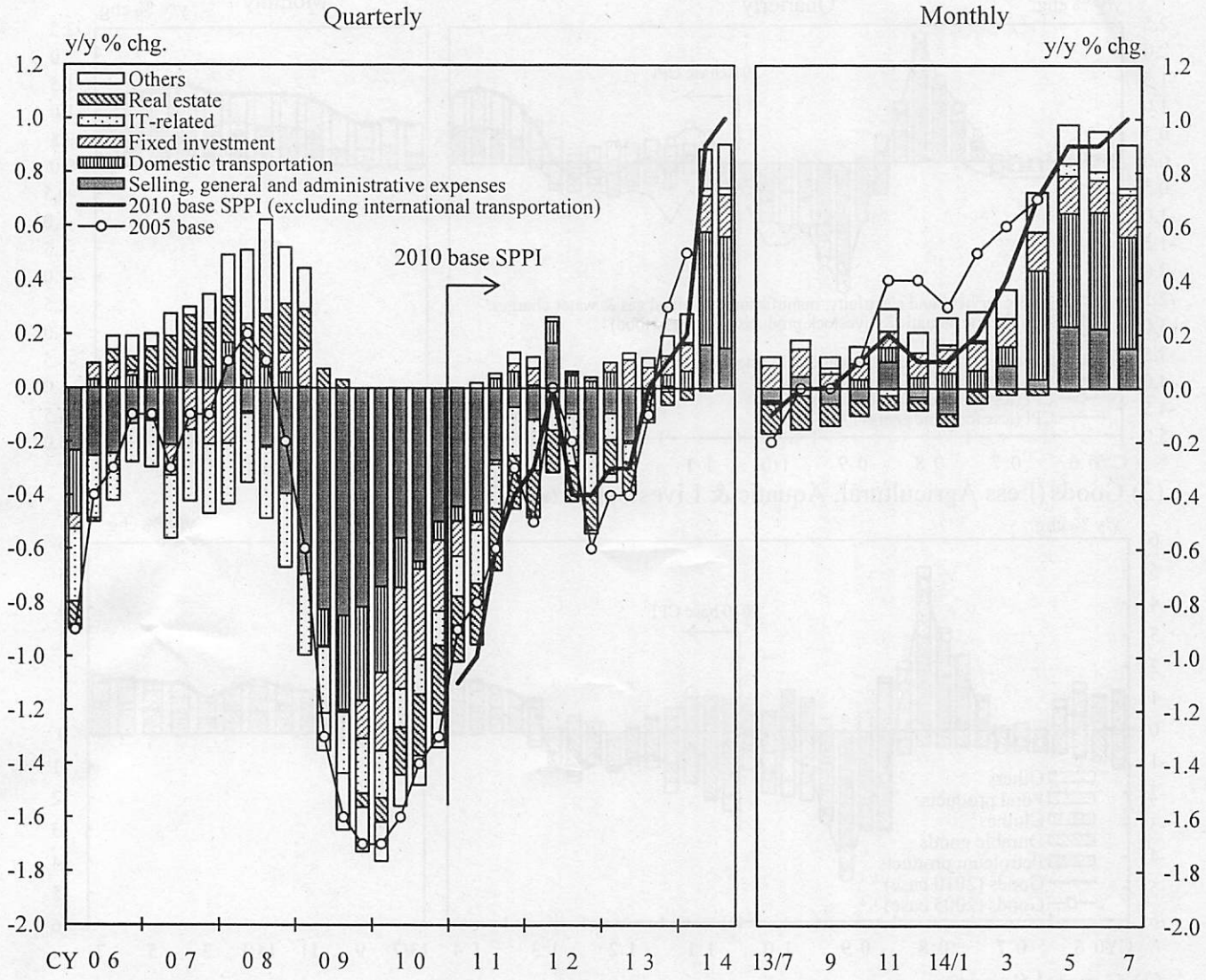
(2) Changes from a Quarter Earlier and 3 Months Earlier 6



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 "Producer 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/Q3 are those of July.

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

Services Producer Price Index

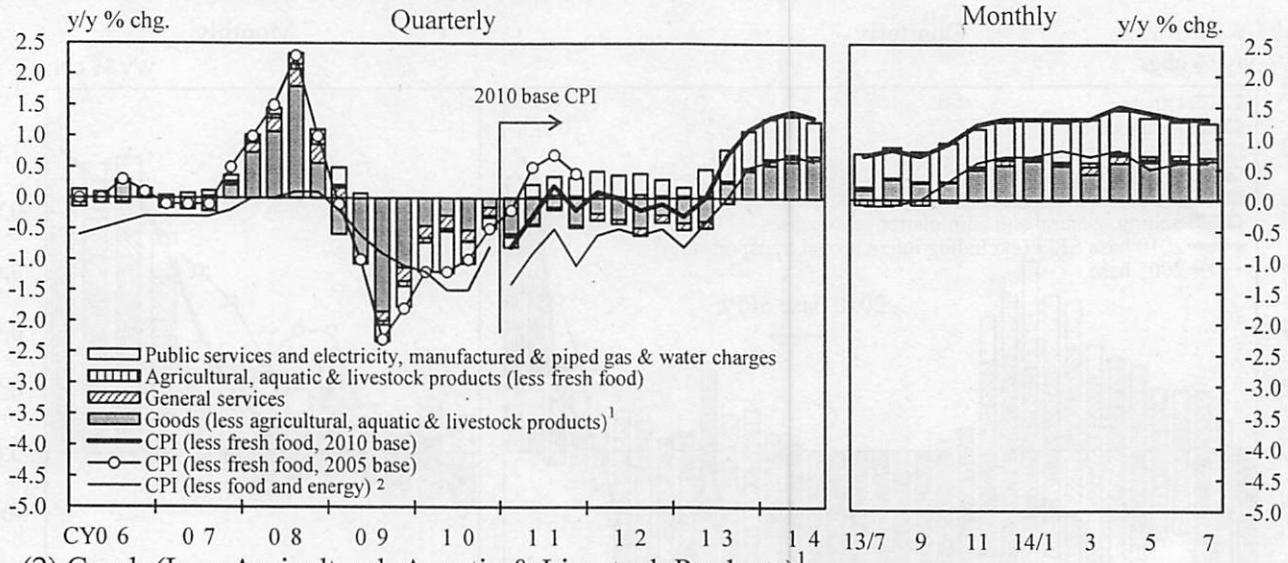


Notes: 1. Selling, general and administrative expenses: information and communications (excluding newspapers and publishing), advertising services, other services (excluding plant engineering, and civil engineering and architectural services).
2. Domestic transportation: transportation and postal services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

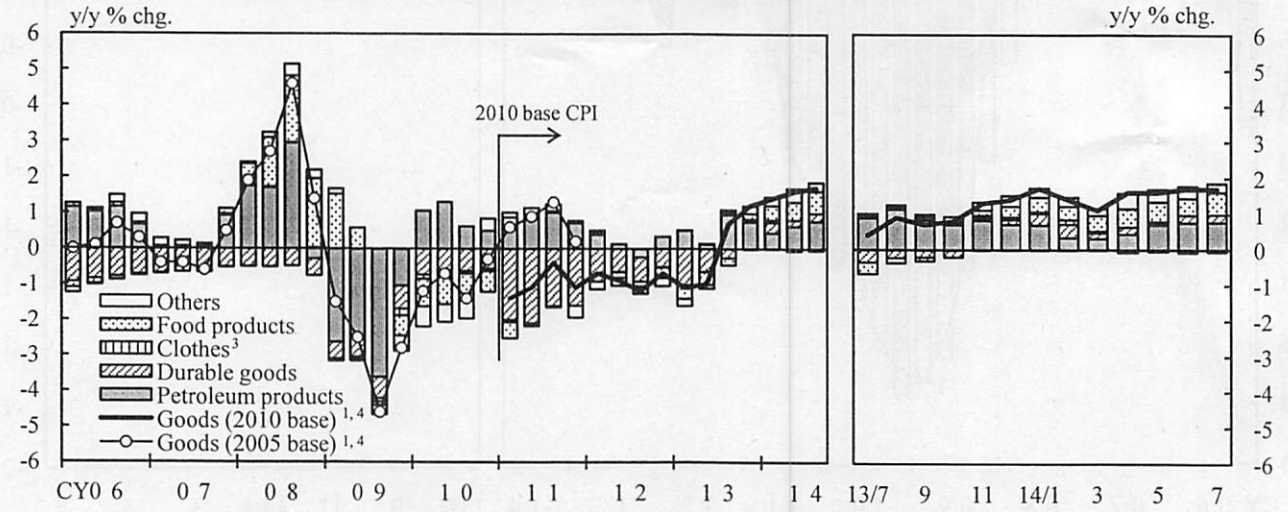
Source: Bank of Japan, "Services Producer Price Index."

Consumer Price Index (Less Fresh Food)

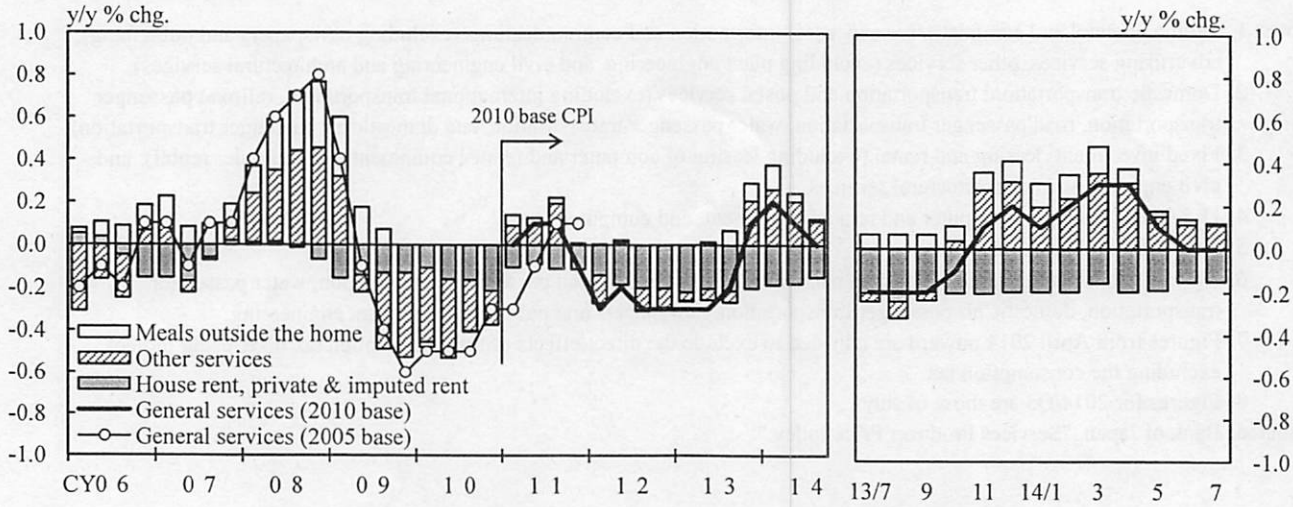
(1) Consumer Price Index (Less Fresh Food)



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



(3) General Services

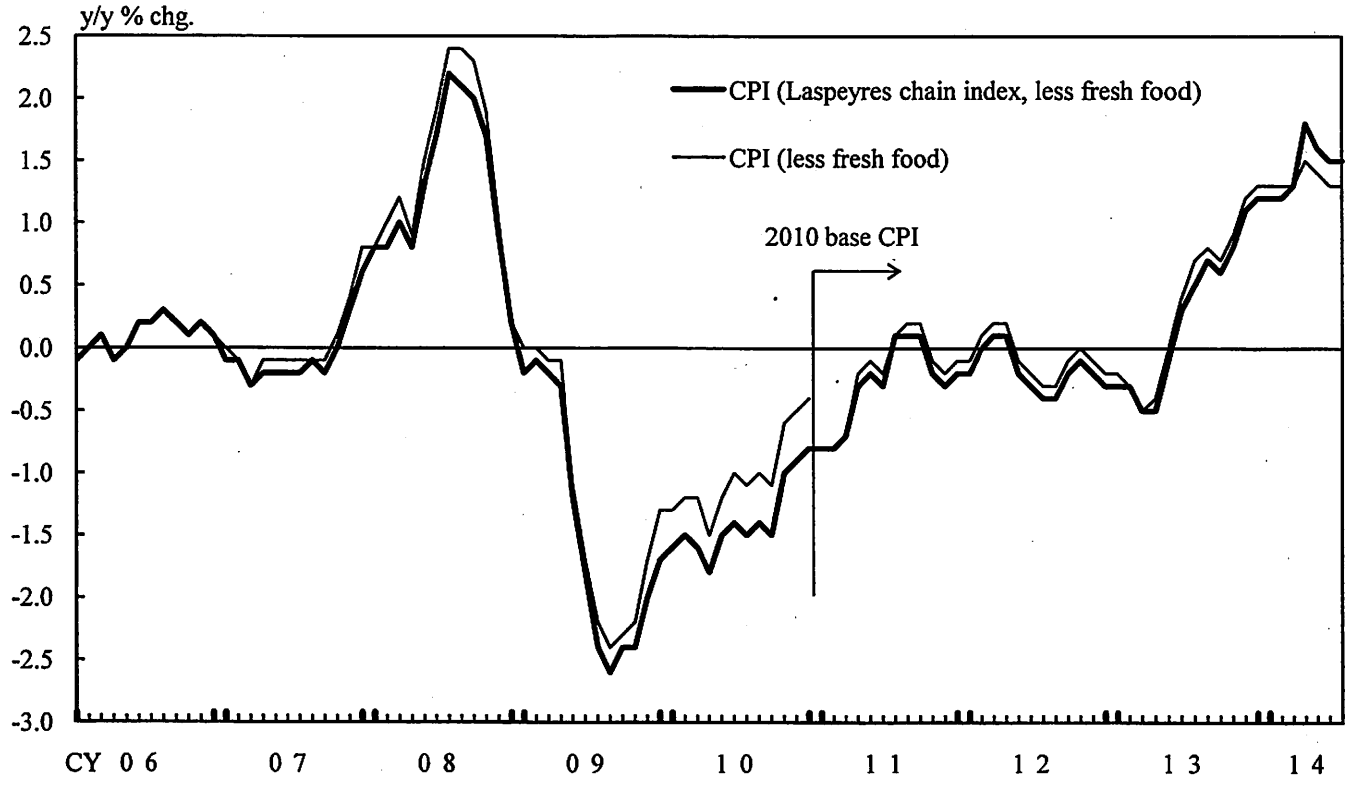


Notes: 1. The items are basically the same as those defined by the Ministry of Internal Affairs and Communications. However, electricity, manufactured & piped gas & water charges are excluded from goods.
2. Alcoholic beverages are excluded from food. Energy: electricity, gas manufactured & piped, liquefied 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.
6. Figures from April 2014 onward are estimated to adjust the direct effects of the consumption tax hike. Figures for 2014/Q3 are those of July.

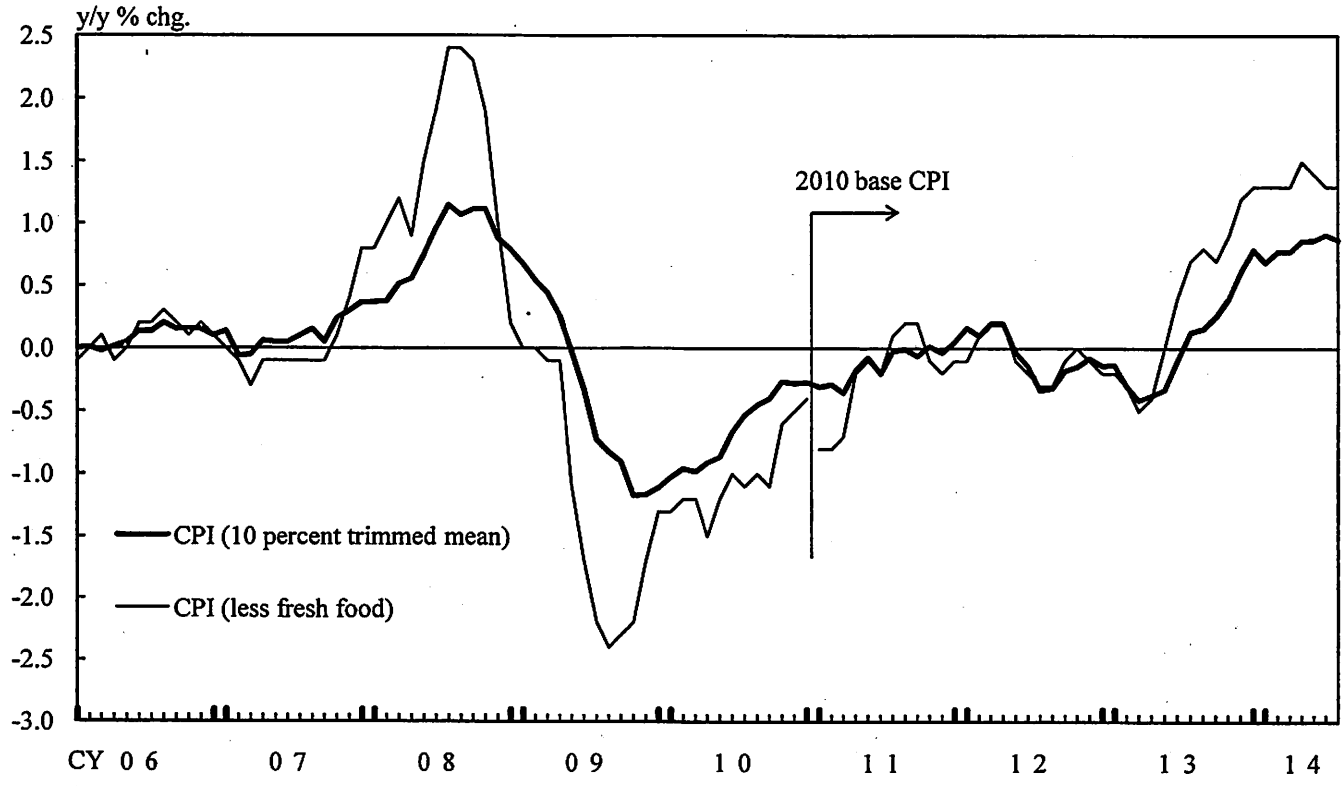
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Trend Changes in Consumer Prices

(1) Laspeyres Chain Index



(2) Trimmed Mean



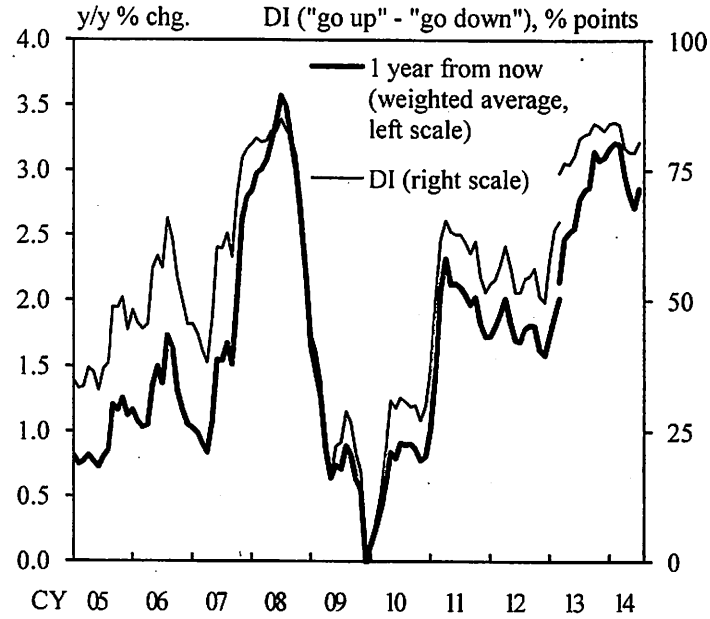
Notes: 1. Figures for the 10 percent trimmed mean are weighted averages of items; these items are obtained by rearranging year-on-year rates of price change in ascending order and then excluding items in both the upper and lower 10 percent tails by weight.
2. Figures for the Laspeyres chain index for 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.
3. Figures from April 2014 onward are estimated to adjust the direct effects of the consumption tax hike.

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

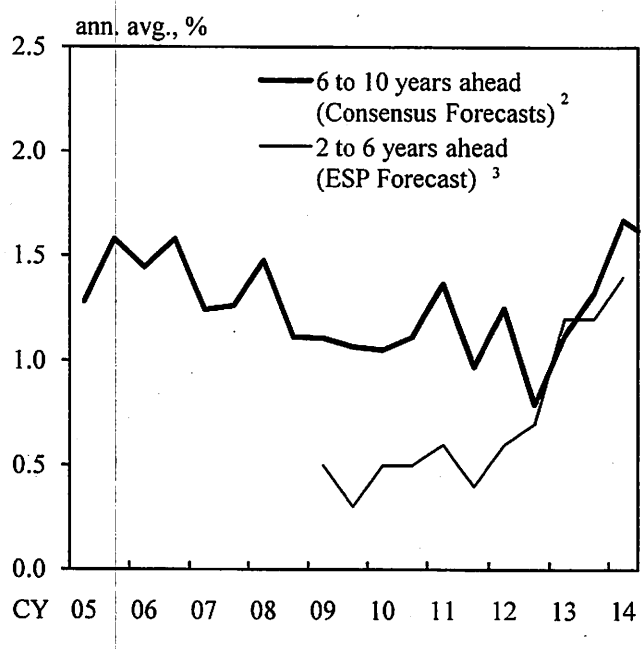
Inflation Expectations

(1) Households

<Consumer Confidence Survey>[1]

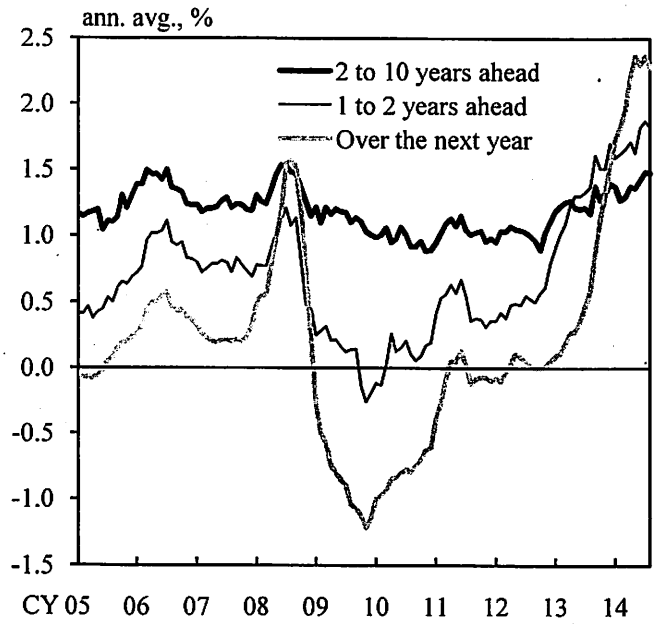


(2) Economists

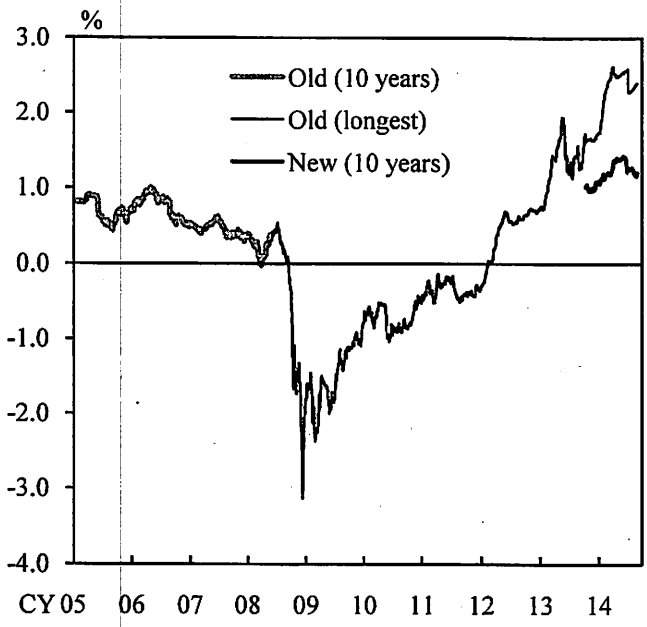


(3) Market Participants

<QUICK Survey>[4]



<BEI for Inflation-Indexed JGBs>[5]



Notes: 1. The Consumer Confidence Survey asks households to provide their price expectations one year from now. Figures are for all households. 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. There is discontinuity between figures up to March 2013 and those thereafter due to the change in the survey method in April 2013.

2. Figures are forecasts made every January, April, July, and October. Those up through April 2014 are forecasts made every April and October.

3. Figures are forecasts made every June and December. The effects of the consumption tax hikes are excluded.

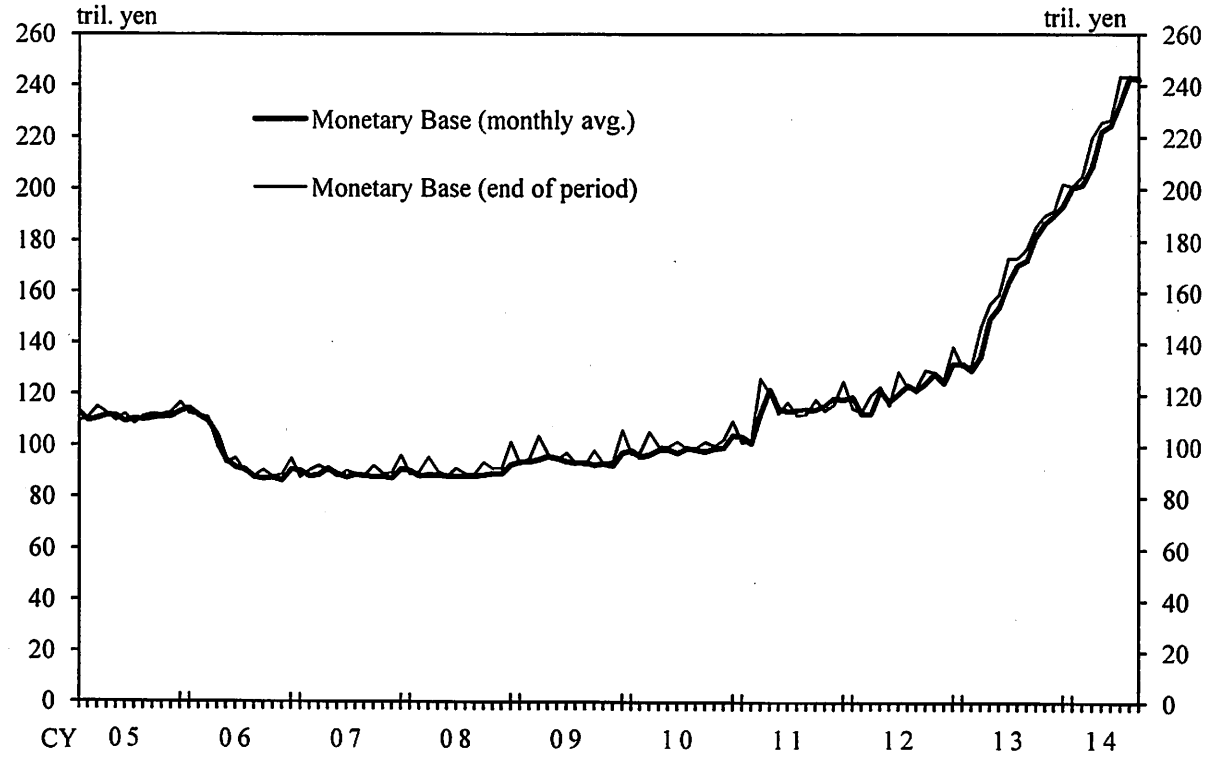
4. From the September 2013 survey, the QUICK Monthly Market Survey (Bonds) has asked respondents to include the effects of the consumption tax hikes.

5. 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.

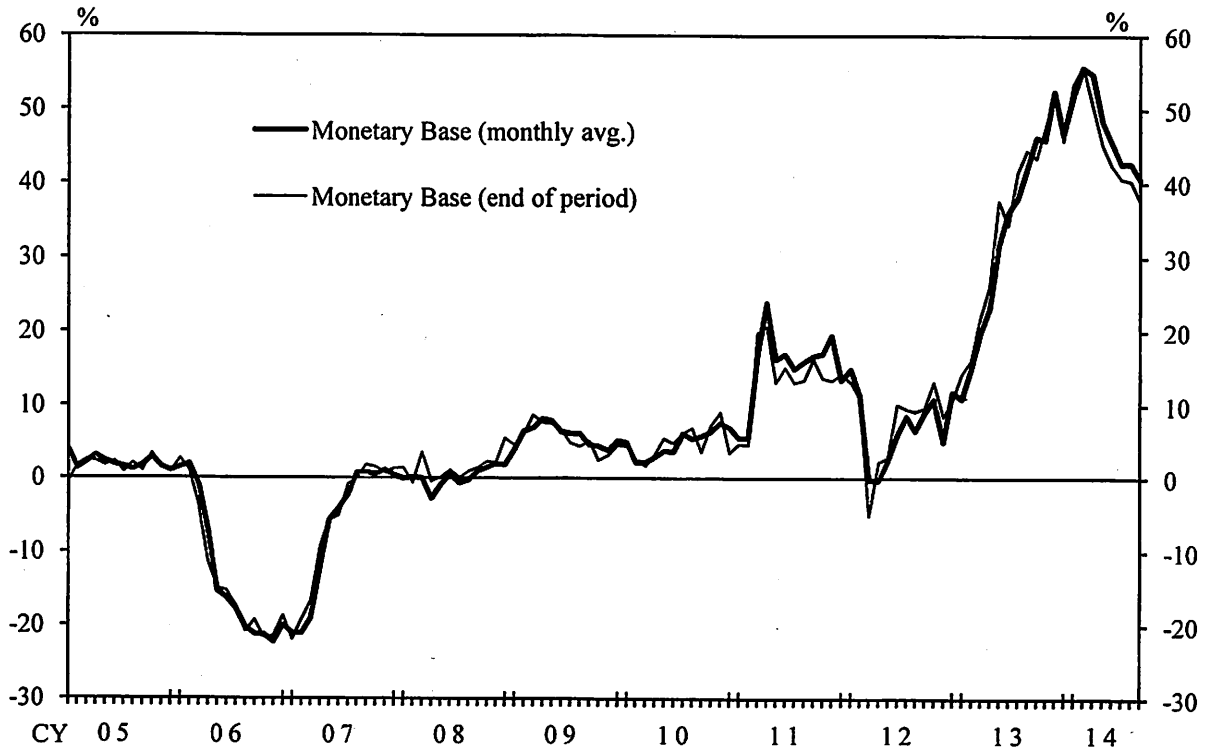
Sources: Cabinet Office, "Consumer Confidence Survey"; Consensus Economics Inc., "Consensus Forecasts"; JCER, "ESP Forecast"; QUICK, "QUICK Monthly Market Survey (Bonds)"; Bloomberg.

Monetary Base

(1) Level



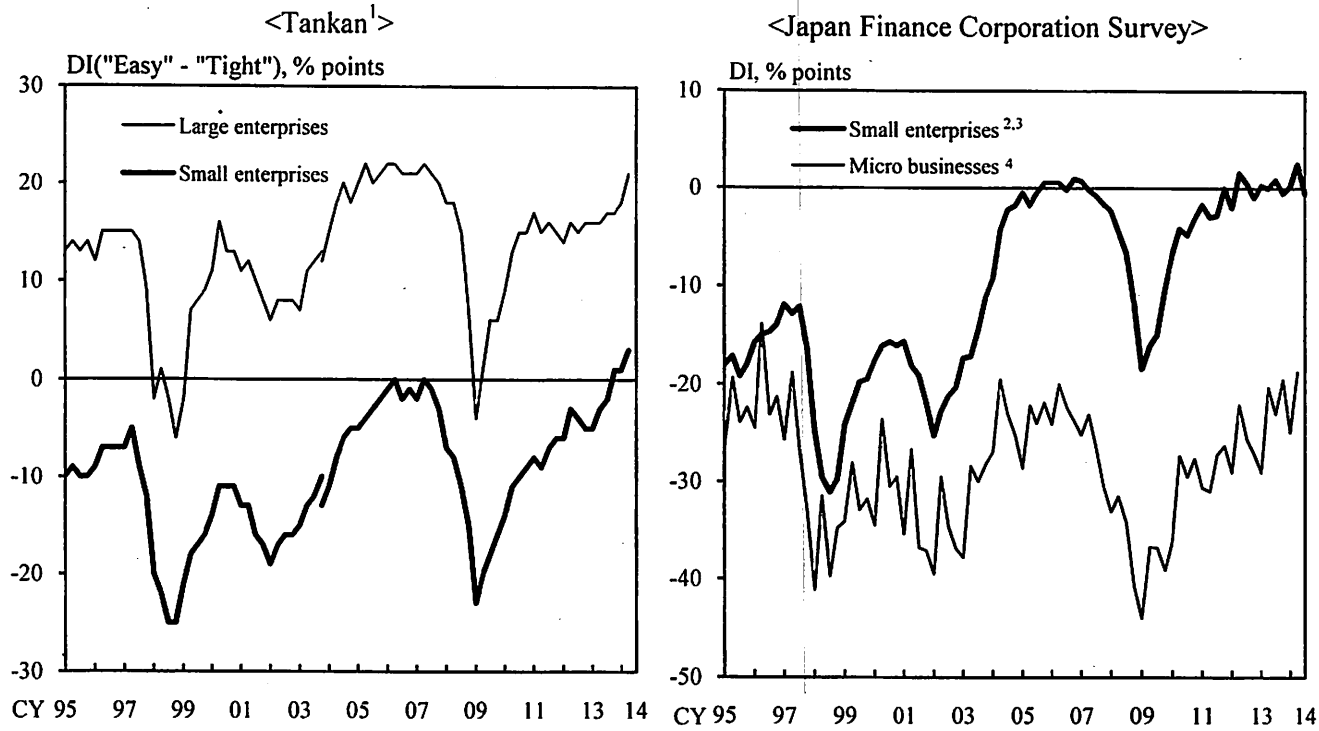
(2) Changes from a Year Earlier



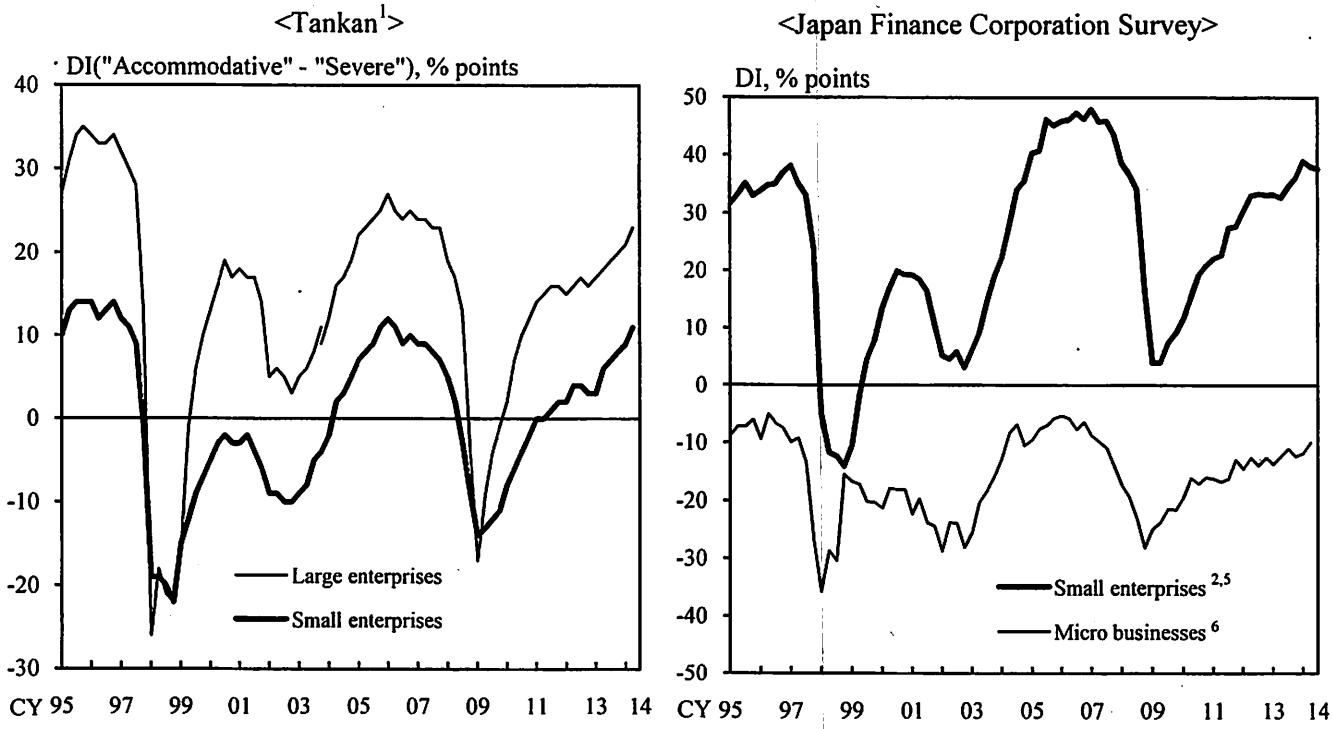
Source: Bank of Japan.

Corporate Finance-Related Indicators

(1) Financial Position



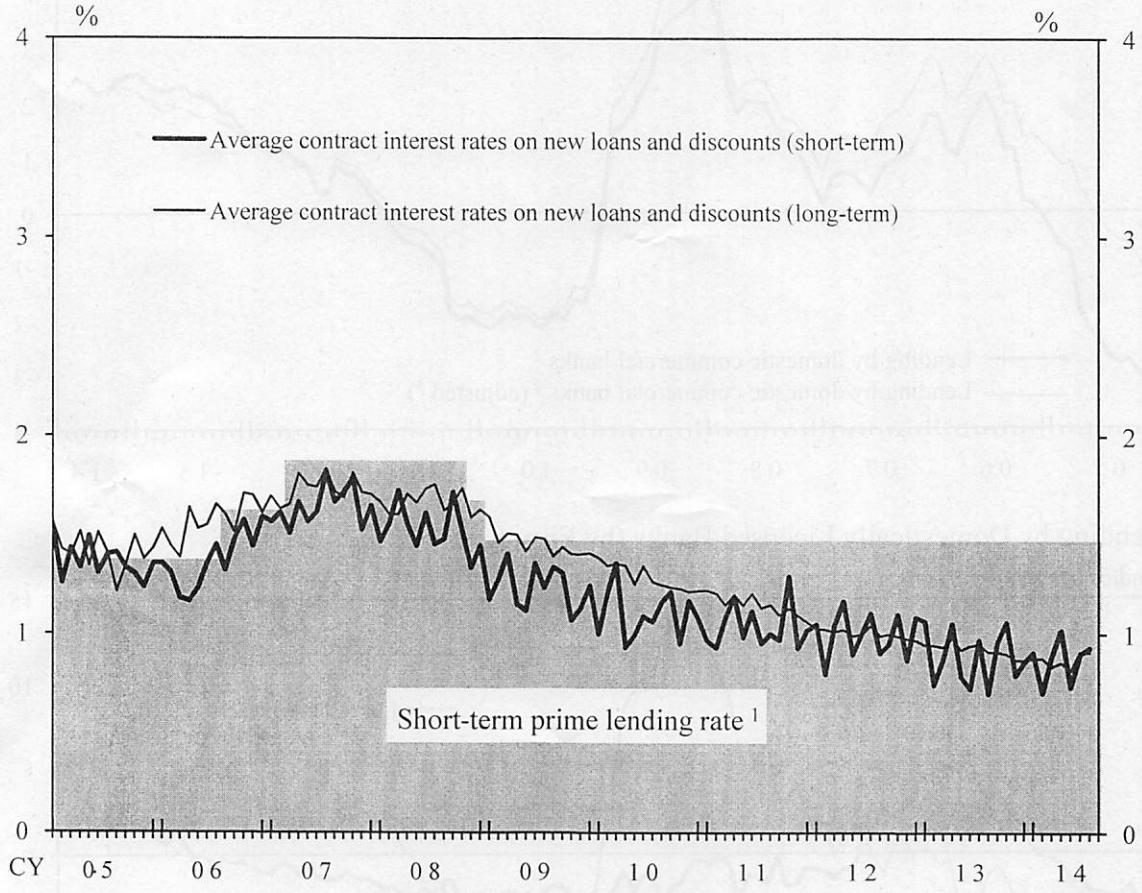
(2) Lending Attitude of Financial Institutions as Perceived by Firms



Notes: 1. Data of the "Tankan" are based on all industries. The "Tankan" has been revised from the March 2004 survey. Figures up to the December 2003 survey are based on the previous data sets. Figures from the December 2003 survey are on the new basis.
2. Figures are quarterly averages of monthly data. Figures for 2014/Q3 are those of Jul.-Aug. averages.
3. DI of "Easy" - "Tight."
4. DI of "Easier" - "Tighter."
5. DI of "Accommodative" - "Severe."
6. DI of "More accommodative" - "More severe."

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

Lending Rates

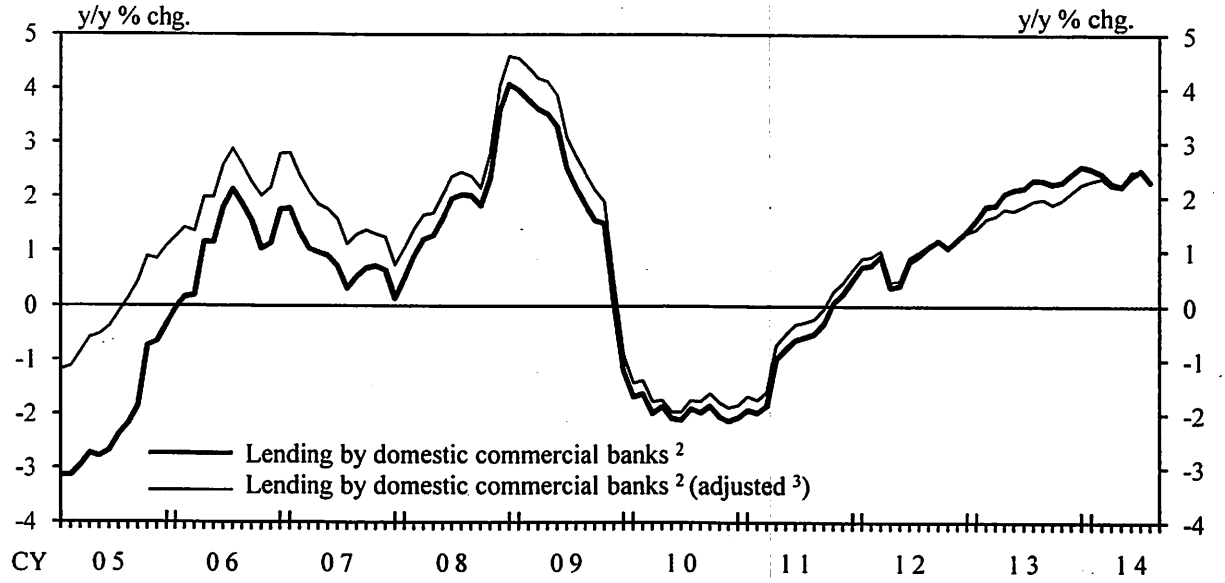


Note: 1. Data are at end of period.

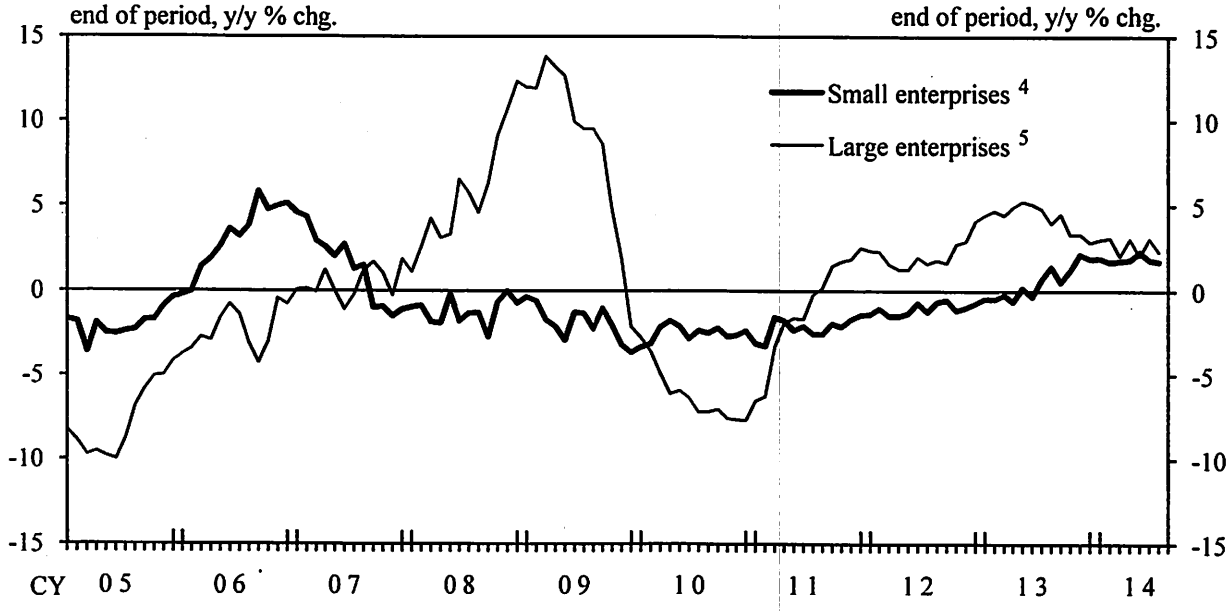
Source: Bank of Japan.

Lending by Financial Institutions

(1) Lending by Domestic Commercial Banks[1]



(2) Lending by Domestically Licensed Banks (by Firm Size)



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.

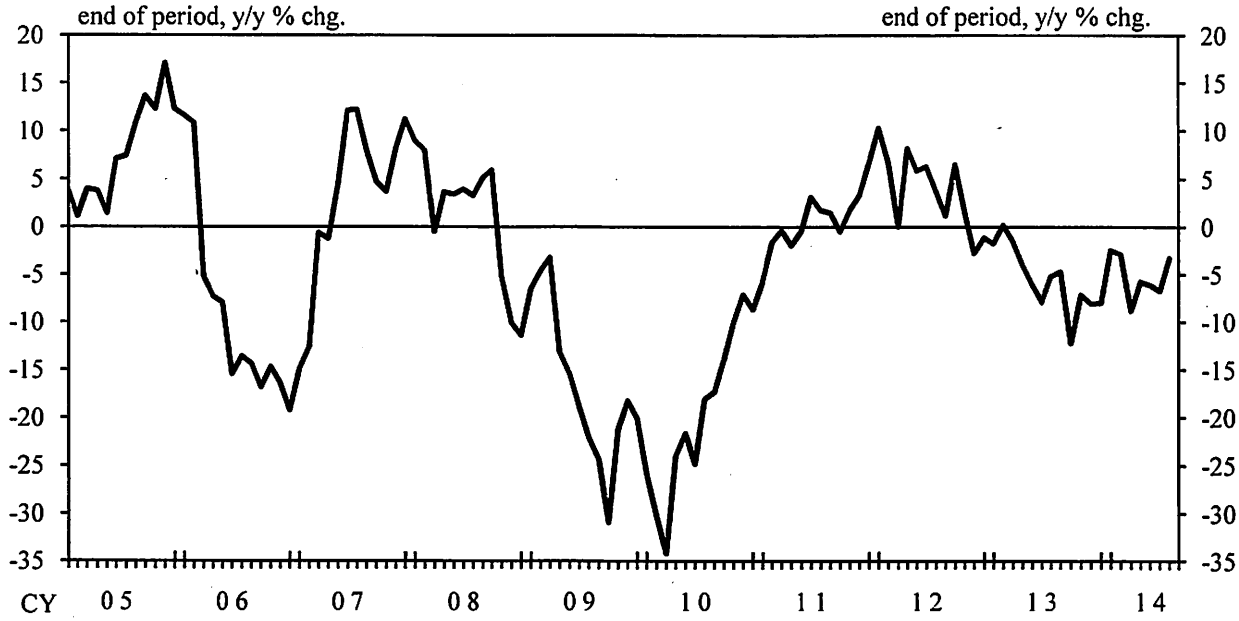
4. Small enterprises are those capitalized at 300 million yen or less or with regular employees of 300 persons or less ("wholesale trade" capitalized at 100 million yen or less or with regular employees of 100 persons or less, "retail trade" and "eating and drinking services" capitalized at 50 million yen or less or with regular employees of 50 persons or less, and "goods rental and leasing," etc. capitalized at 50 million yen or less or with regular employees of 100 persons or less).

5. Other than small enterprises.

Source: Bank 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.

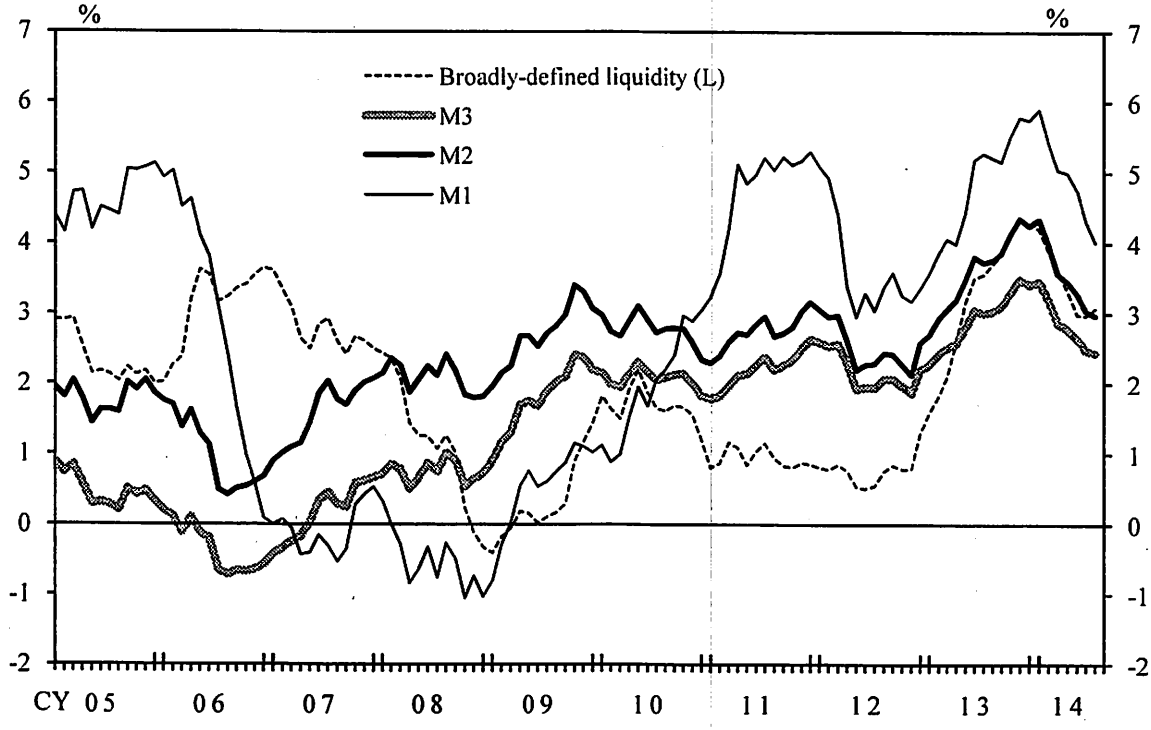
(2) Amount Outstanding of Corporate Bonds

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.

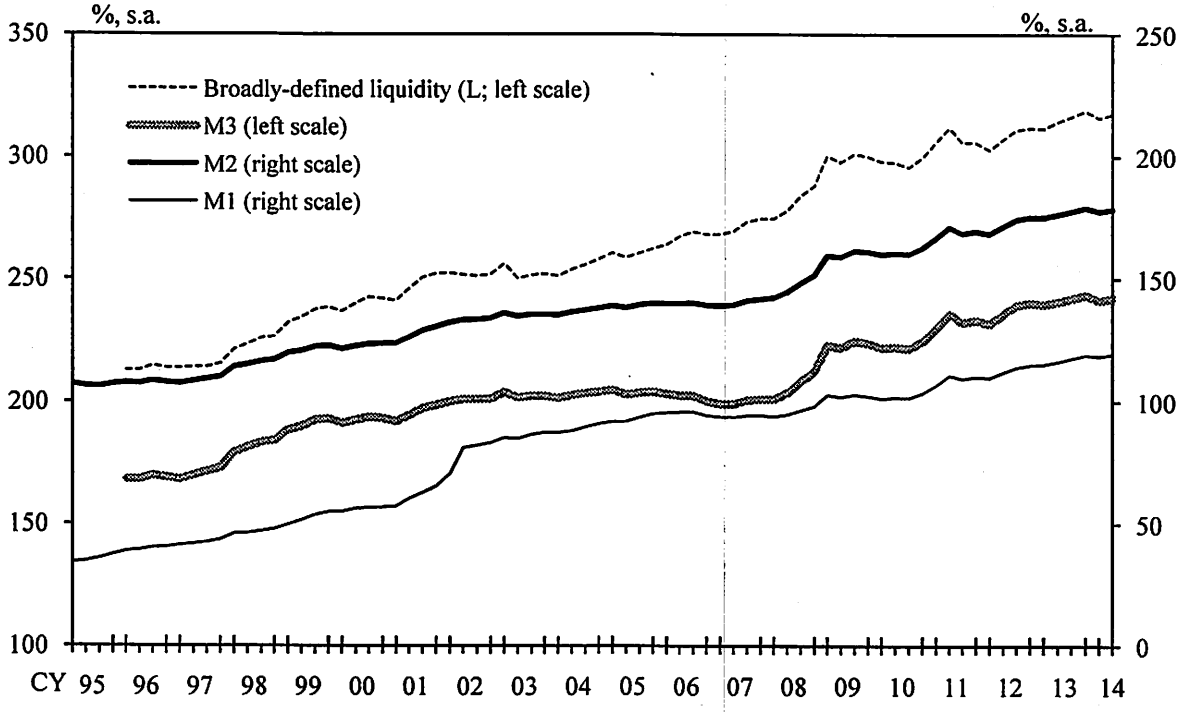
Sources: Japan Securities Depository Center, "Issue, Redemption and Outstanding" (for Corporate Bonds), "Outstanding Amounts of CP by Issuer's category";
Bank of Japan, "Principal Figures of Financial Institutions";
Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts of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

Money Stock

(1) Changes from a Year Earlier



(2) Ratio of Money Stock to Nominal GDP

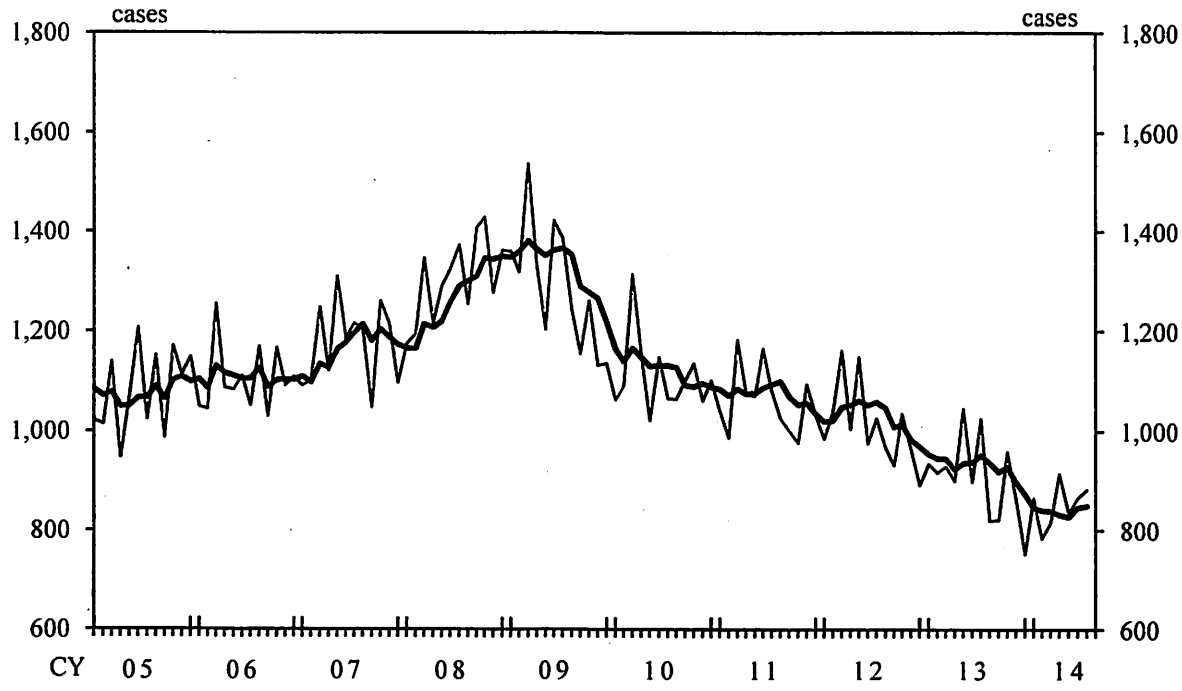


Notes: 1. M1 consists of cash currency and demand deposits; both M2 and M3 consist of cash currency, demand deposits, time deposits and CDs.
2. Financial institutions surveyed for M1 and M3 include the Japan Post Bank and OFIs (other financial institutions) in addition to those for M2.
3. The figures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

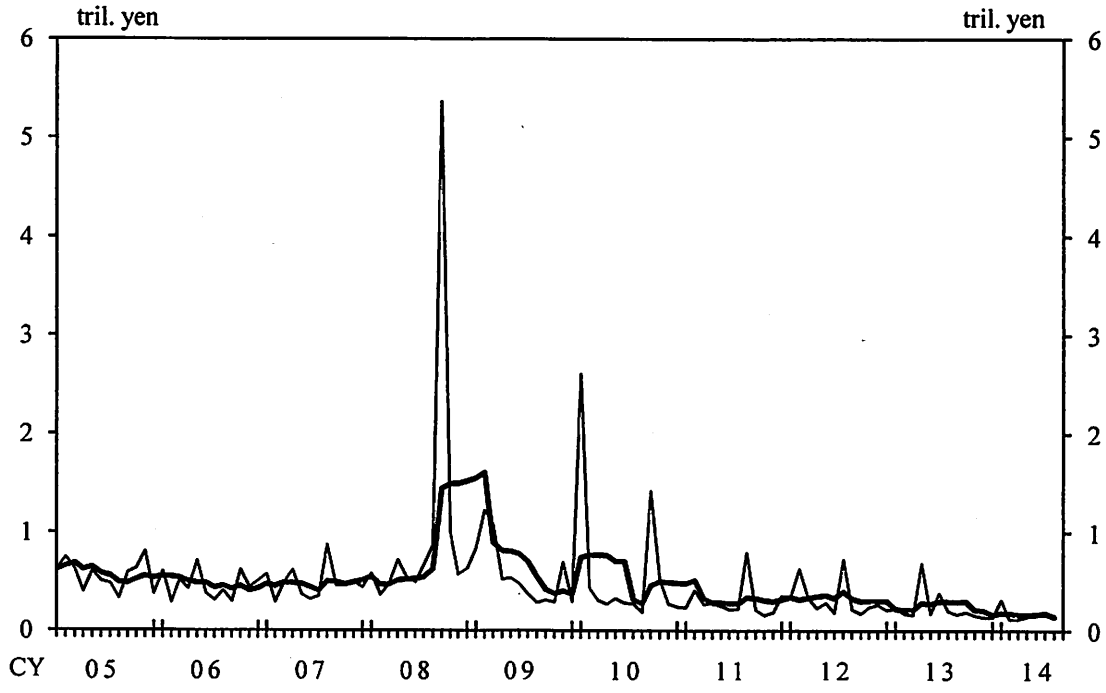
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities

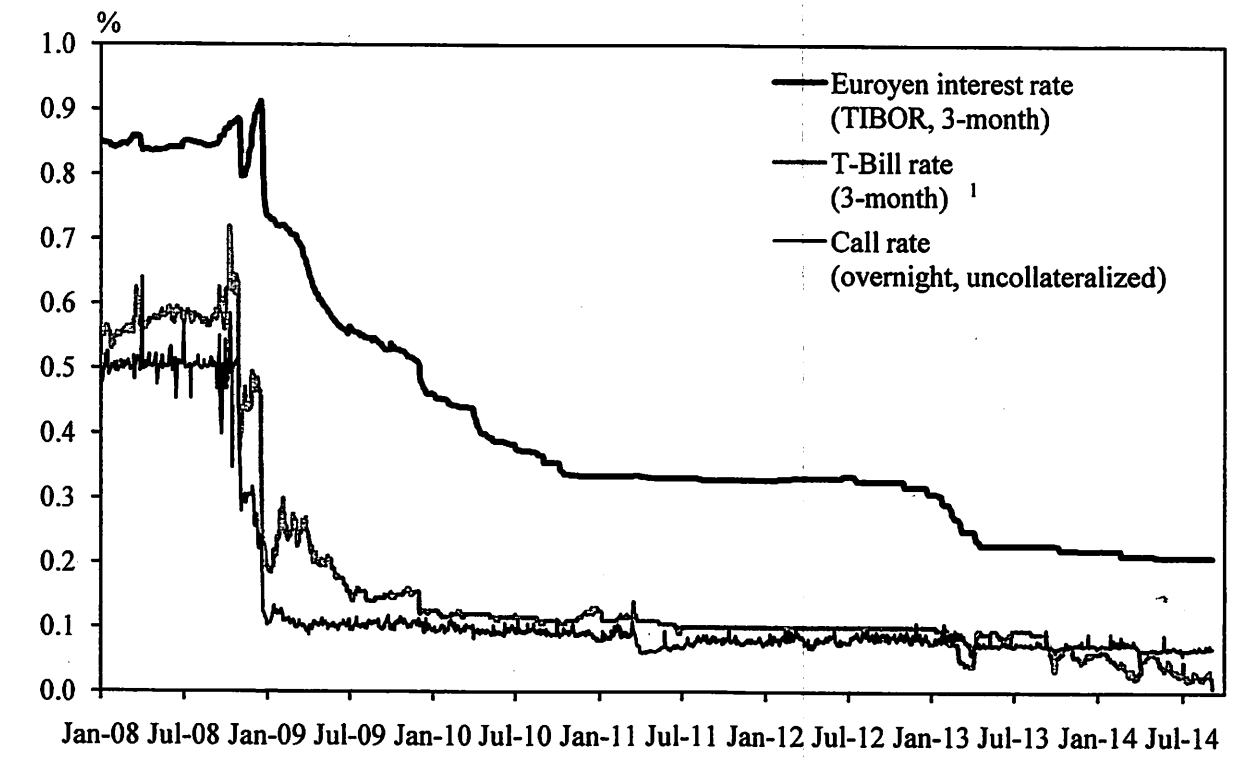


Note: Bold lines are the six-month moving average.

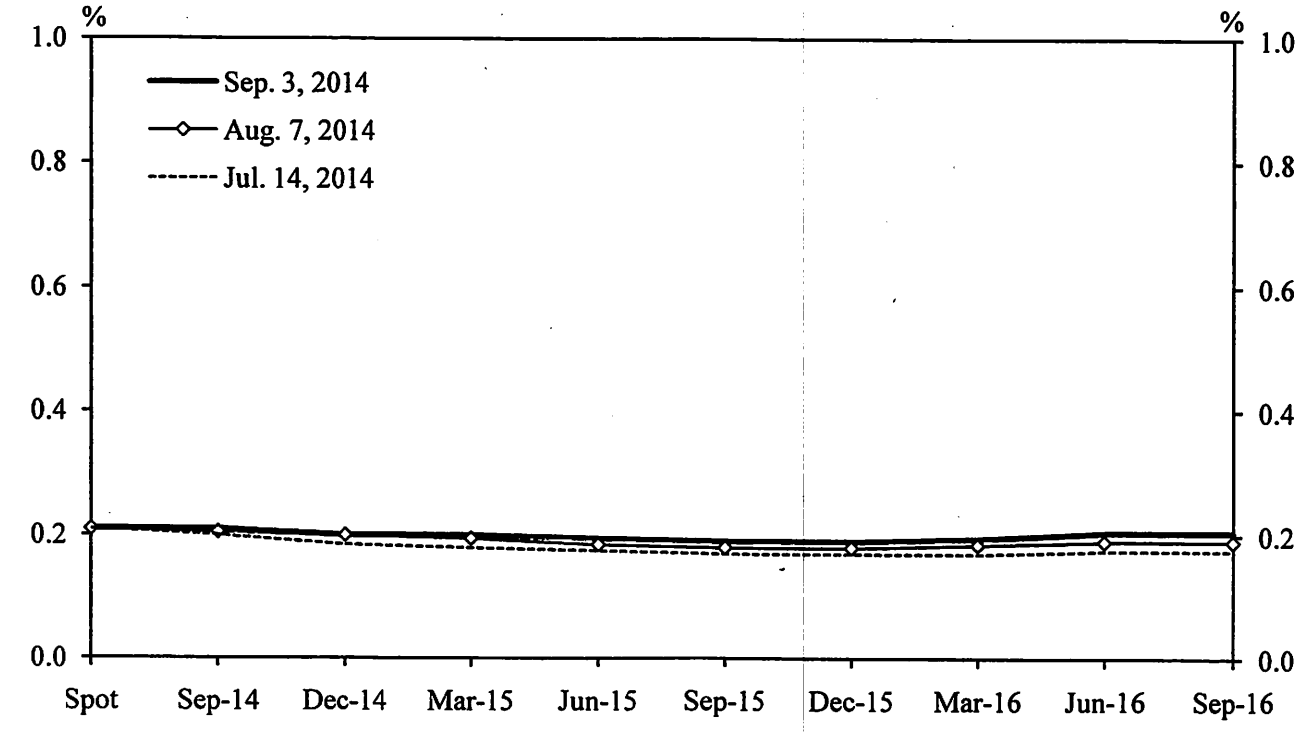
Source: Tokyo Shoko Research Ltd., "*Tosan Geppo* (Monthly review of corporate bankruptcies)."

Short-Term Interest Rates

(1) Short-Term Interest Rates



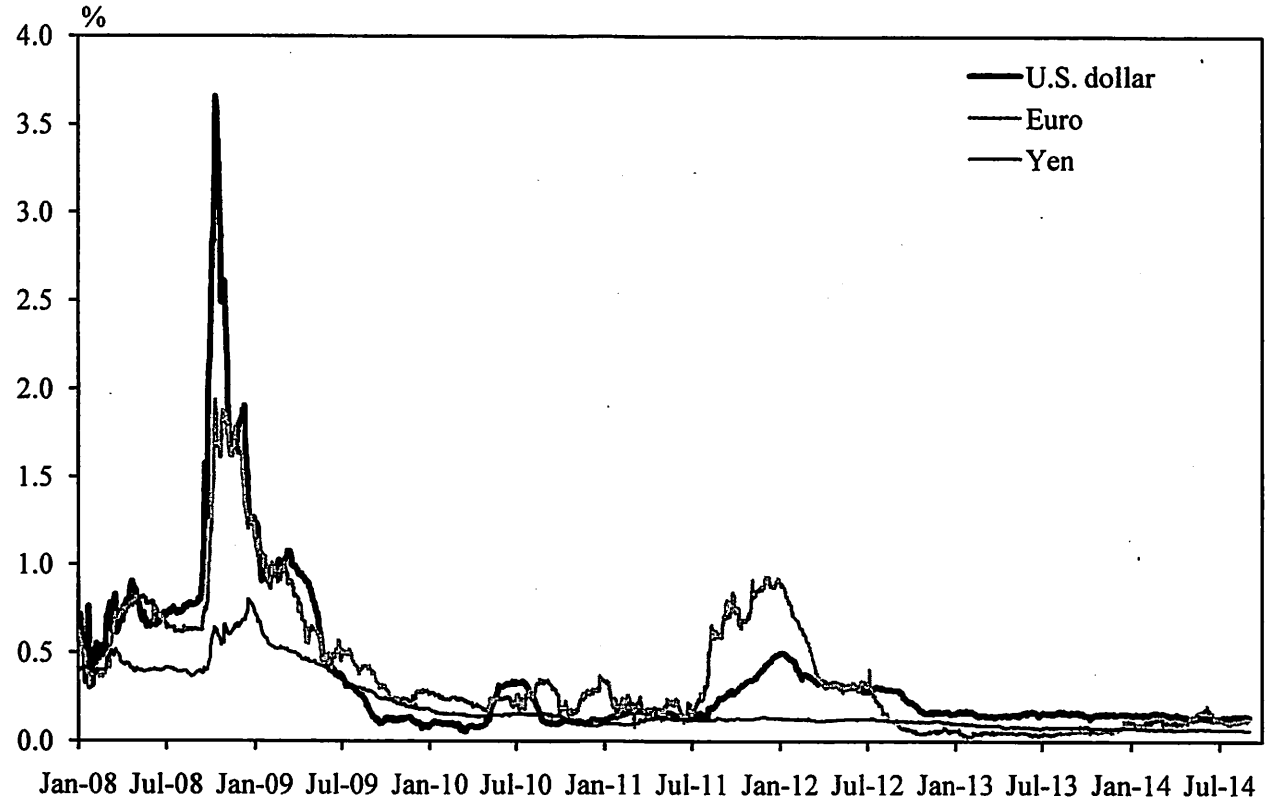
(2) Euroyen Interest Rate Futures (3-Month)



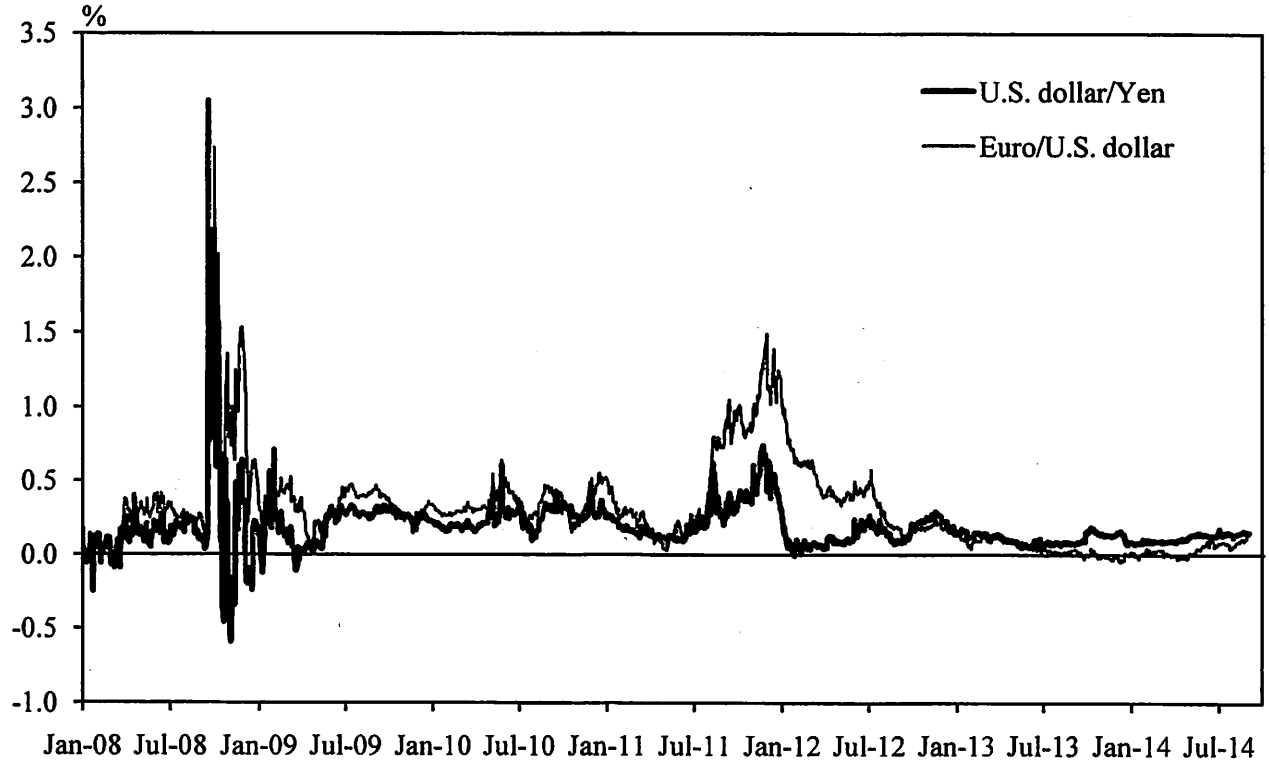
Note: 1. Rate prior to the integration of FBs and TBs in February 2009 is the FB rate.
Sources: Japanese Bankers Association; Bloomberg; Japan Bond Trading Co., Ltd.; Tokyo Financial Exchange; Bank of Japan.

Global Money Markets

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



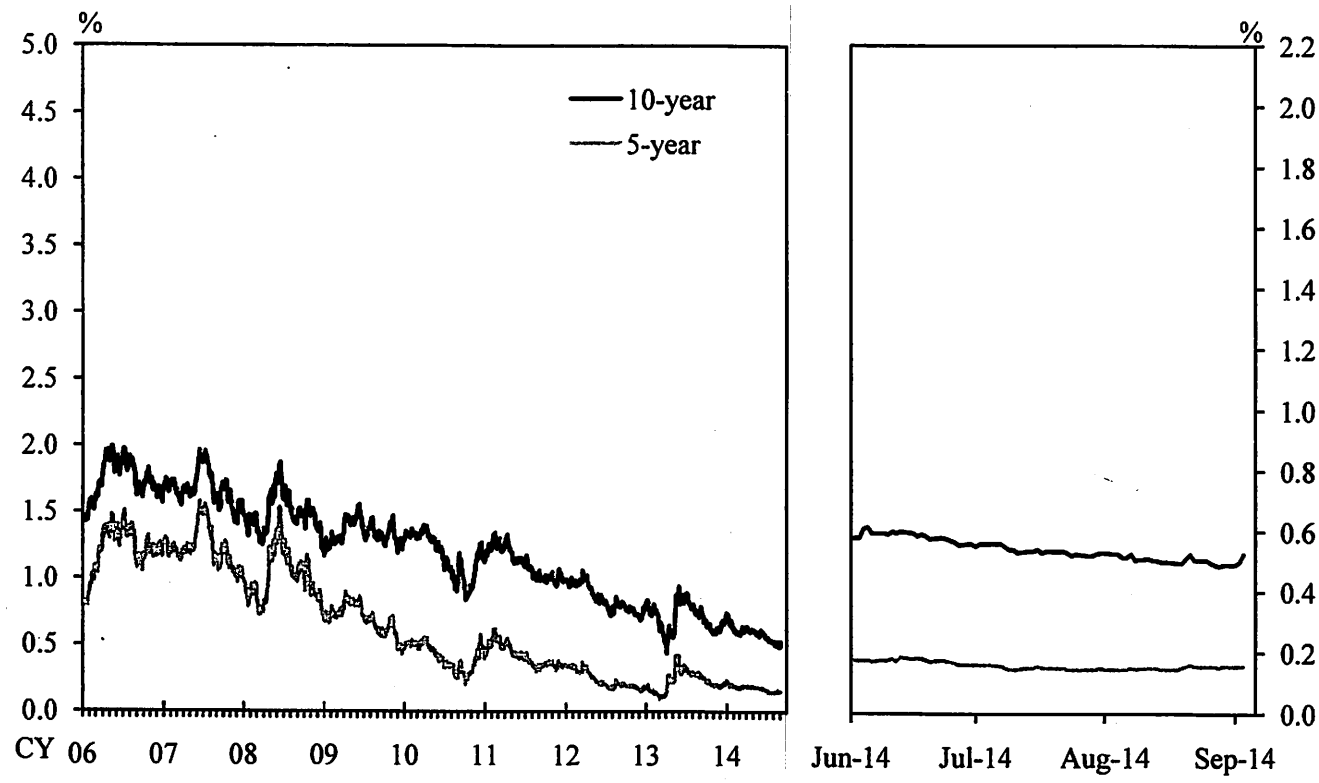
(2) FX swap implied dollar rate - LIBOR spreads (3-Month)



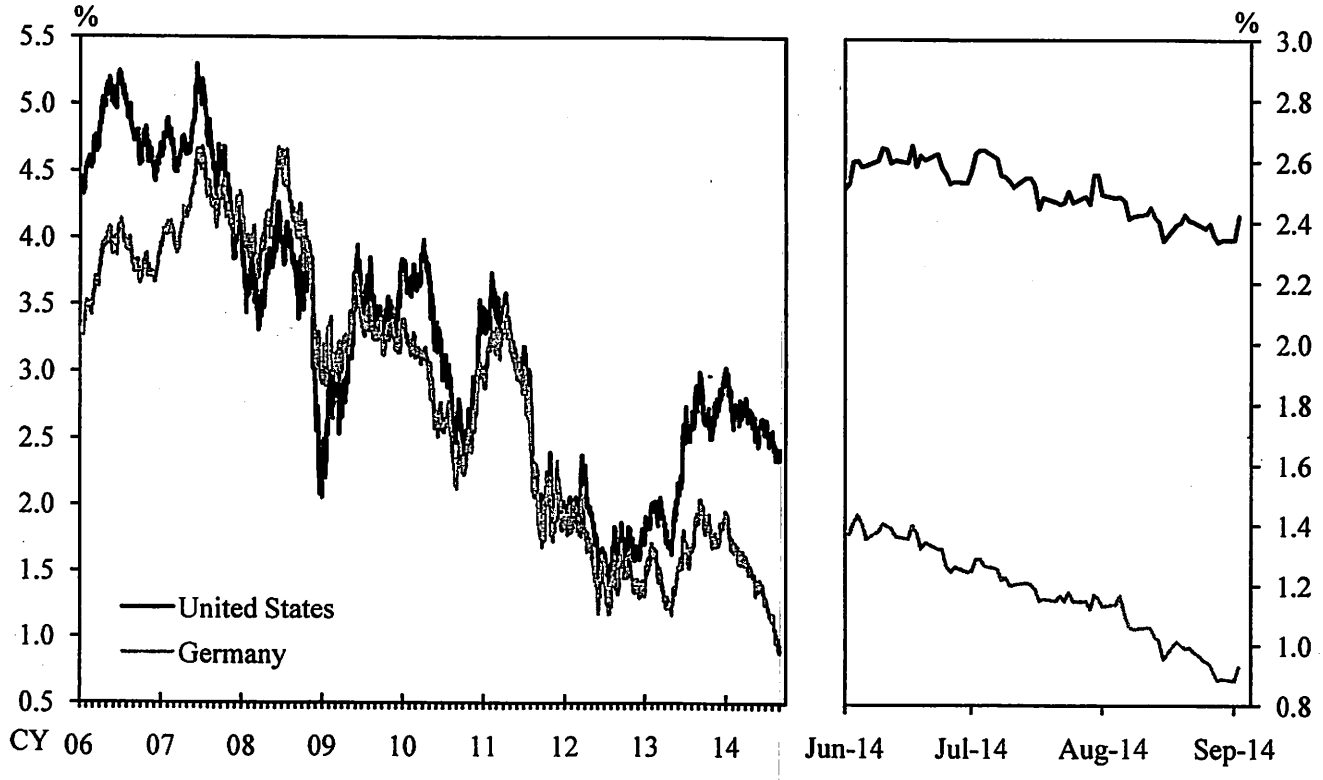
Source: Bloomberg.

Long-Term Interest Rates

(1) Japanese Government Bond Yields[1]



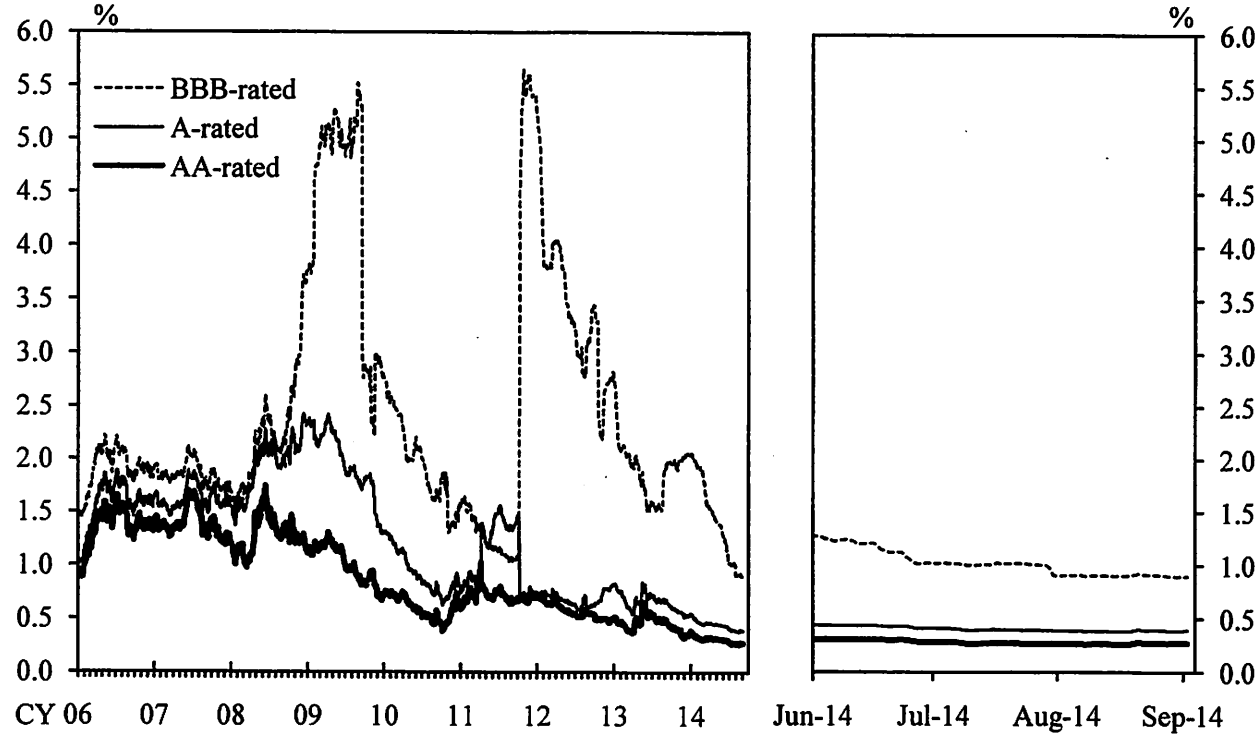
(2) Overseas Government Bond Yields (10-Year)



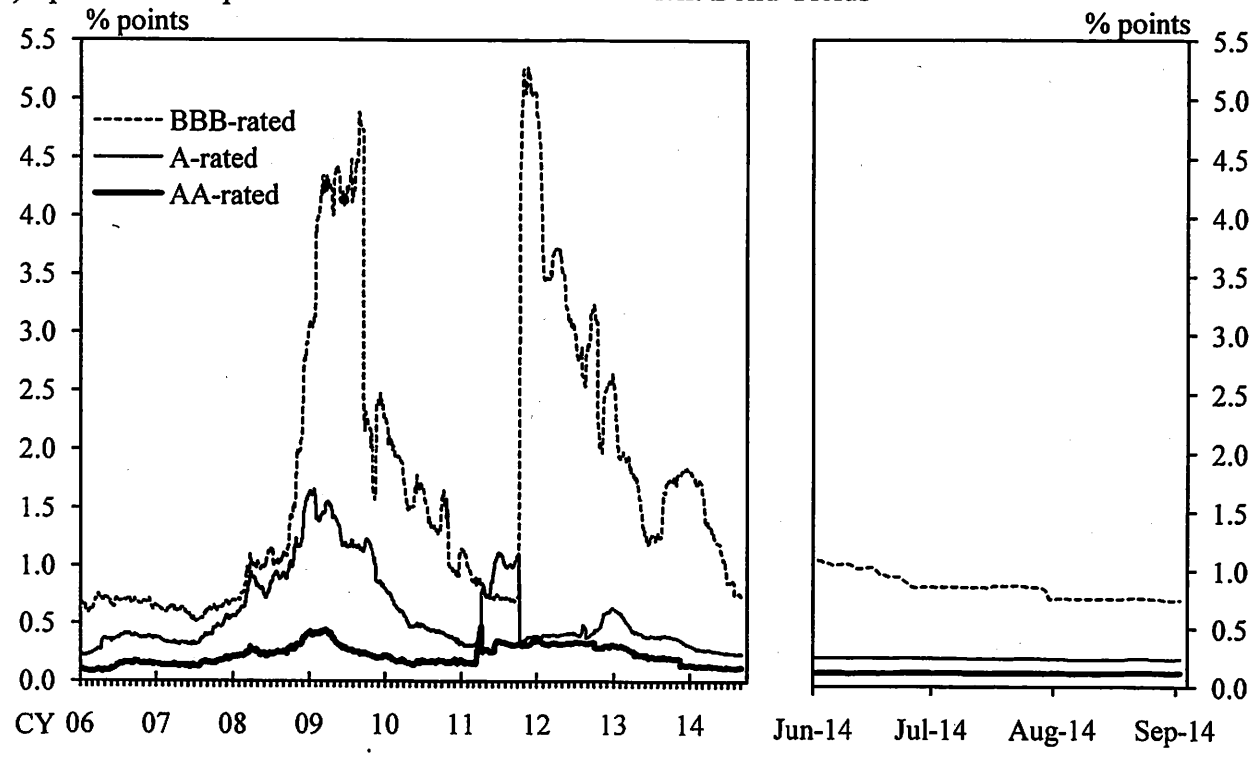
Note: 1. Yields on newly issued bonds.
Sources: Japan Bond Trading Co., Ltd.; Bloomberg.

Yields of Corporate Bonds

(1) Corporate Bond Yields[1,2]



(2) Spreads of Corporate Bond Yields over Government Bond Yields[1,2]

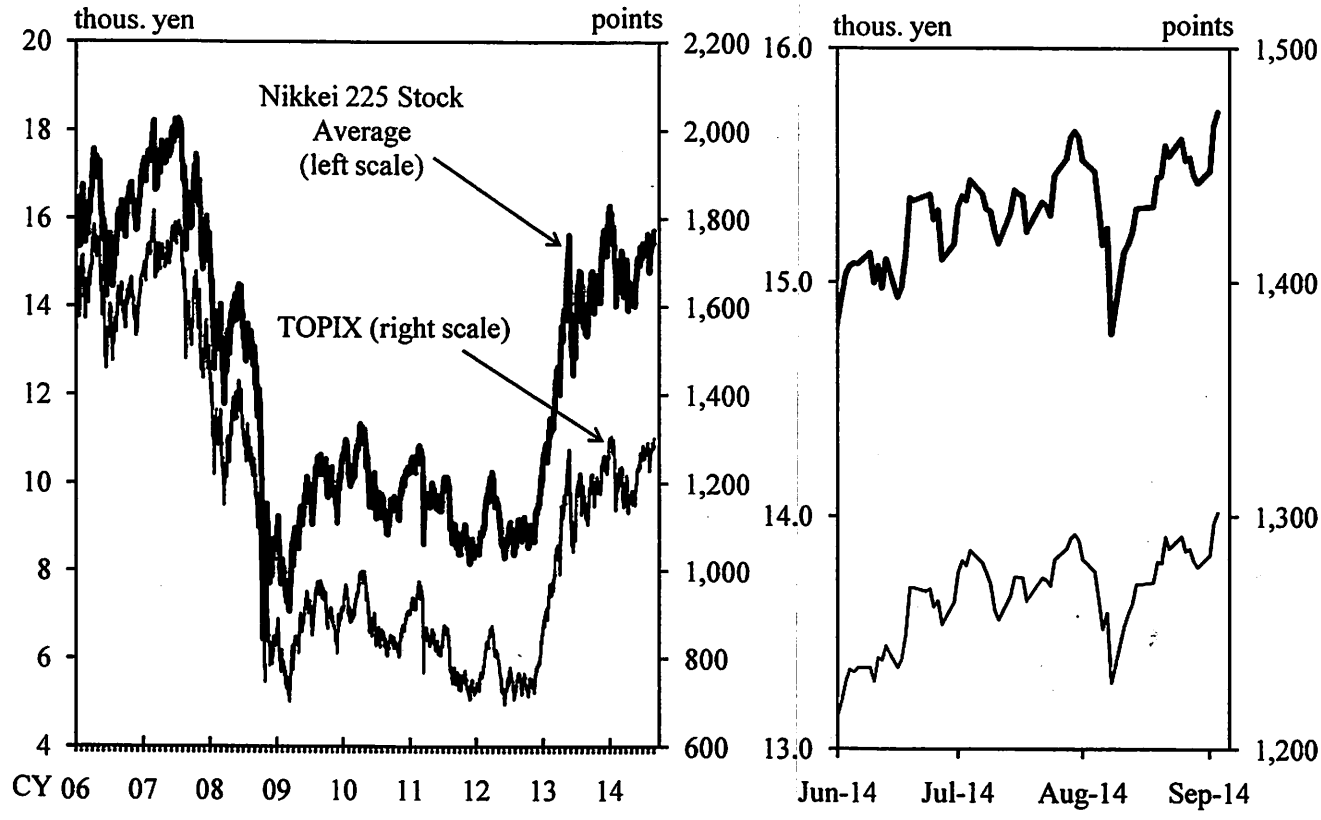


Notes: 1. Yields on bonds with 5-year maturity.
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of three to seven years.
2. The indicated ratings are of Rating and Investment Information, Inc.

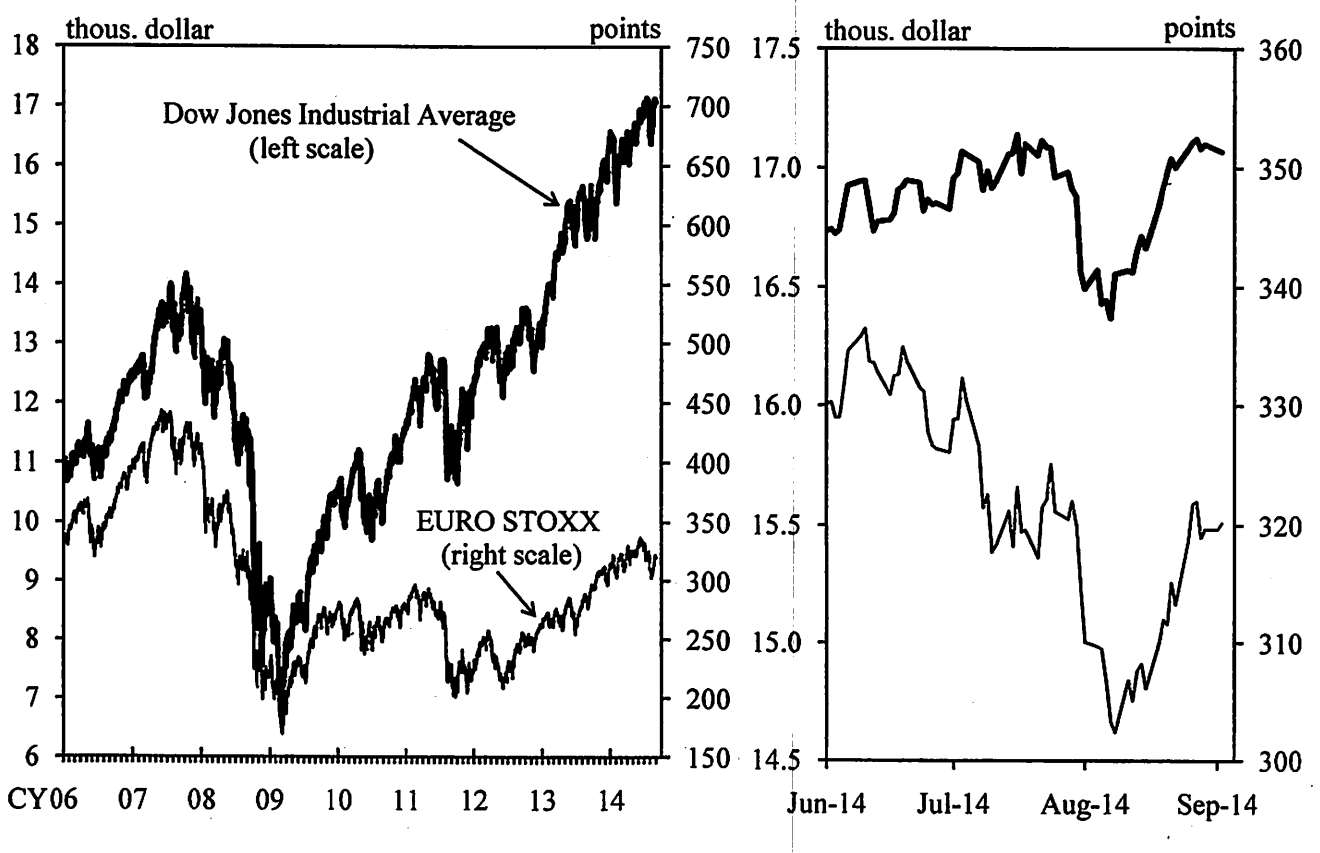
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Japanese Stock Prices



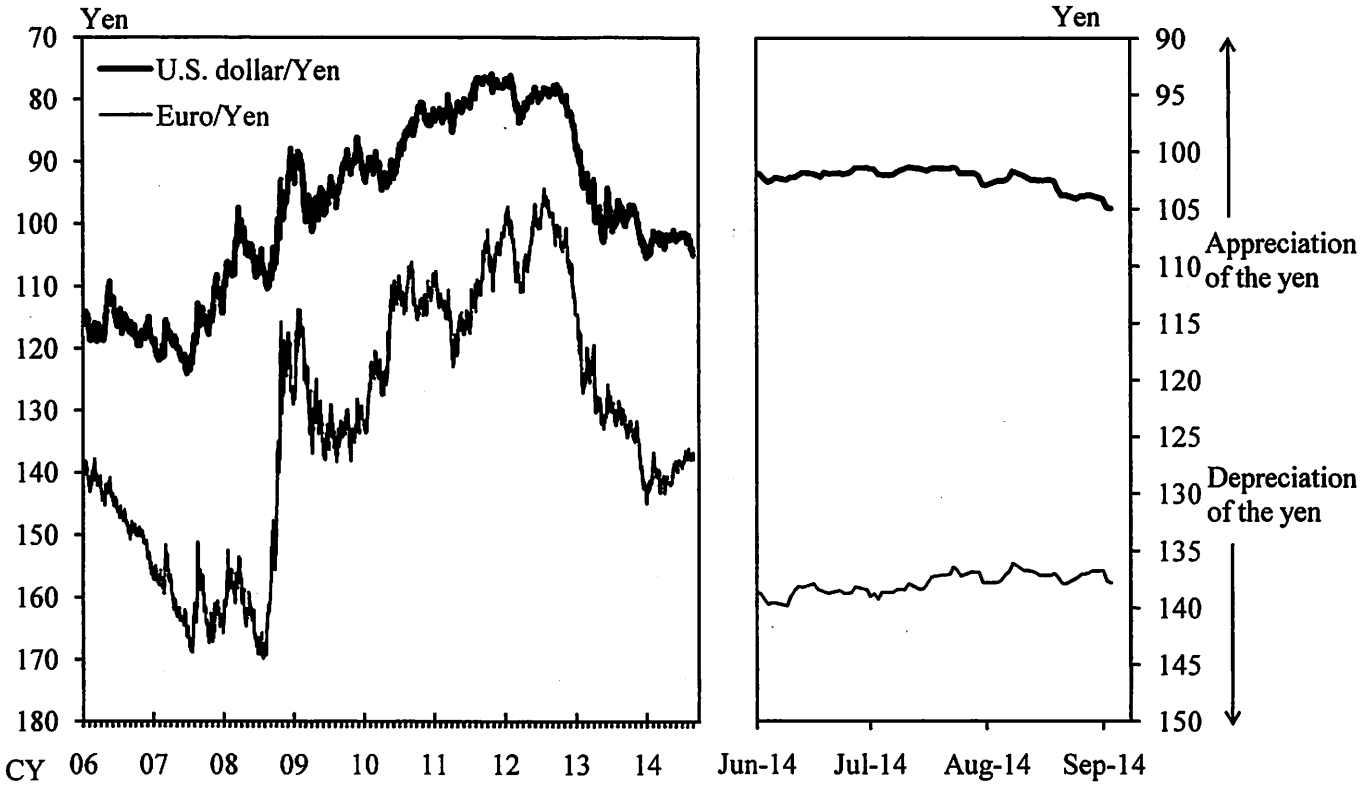
(2) Overseas Stock Prices



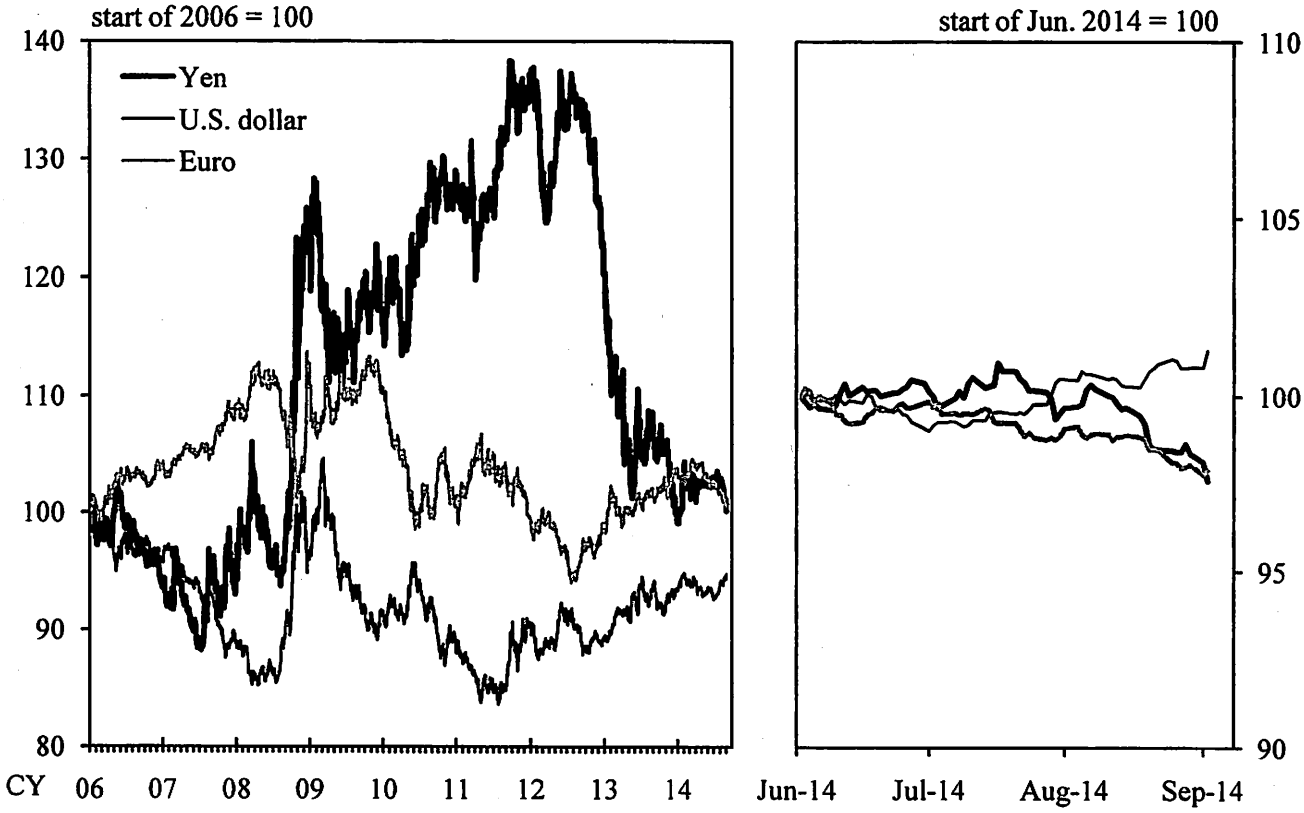
Sources: The *Nihon Keizai Shimbun*; Tokyo Stock Exchange; Bloomberg.

Exchange Rates

(1) Bilateral Exchange Rates



(2) Nominal Effective Exchange Rates



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