July 25, 2011

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Japan Economic Monthly

～Recovery From March 11 Disaster Sustained～

Economic Research Office

The Bank of Tokyo-Mitsubishi UFJ, Ltd.

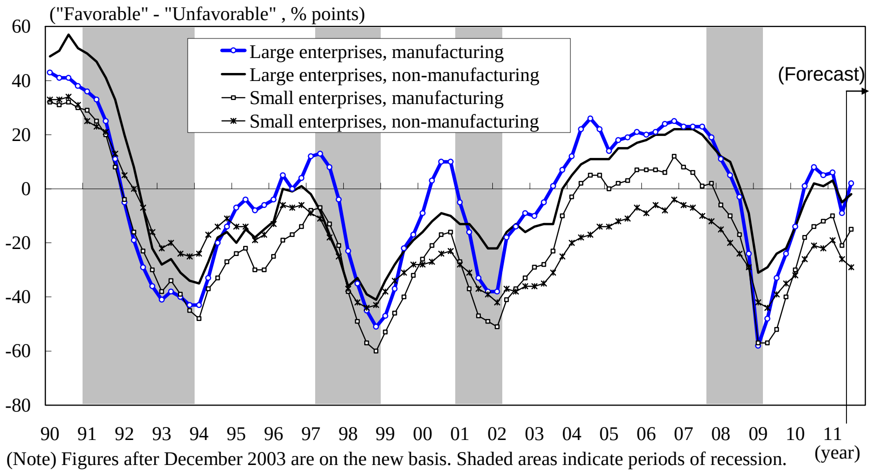
1. The Real Economy

(1) Overview of the Economy

A number of recent economic indicators show improvement, with some already returning to pre-quake levels

Japan's economy is still healing from the many wounds wrought by the March 11 earthquake in the Tohoku Region, and the recovery from the shock continues. The Bank of Japan's June *Tankan survey*, released in early July, reported that although the actual Business Conditions DI for large manufacturers plunged 15%point from the previous survey in March, the forecast for the September survey pointed to an 11%point rise, indicating that a recovery is expected (Figure 1). This trend was mirrored widely, with the large non-manufacturers' actual Business Conditions DI falling 8%point and the forecast rising 3%point. Further, industrial production, which rebounded slightly in April, accelerated in May, jumping +6.2% MoM. The forecast survey indicates that production is expected to continue increasing, by +5.3% MoM in June and +0.5% MoM in July. Industrial production is expected to return to its pre-earthquake February level at some point. Against such results, business sentiment is also picking up. The Cabinet Office's June *Economy Watchers Survey* current economic conditions DI improved by the biggest margin since the survey was first introduced in 2000, recovering to the pre-earthquake level ahead of other indicators.

Figure 1：Business Conditions DI by Industry and Size



(Note) Figures after December 2003 are on the new basis. Shaded areas indicate periods of recession.
(Source) Compiled by BTMU Economic Research Office based on The Bank of Japan "TANKAN"

Three concerns that could put a damper on recovery

On the other hand, several concerns call into question whether the Japanese economy's recovery can maintain such a pace. The first issue is the growing electricity supply issue. The fact that restricted electricity supply will likely weigh on production and economic activity to some degree has already been factored in. But, for example, if stress tests (endurance tests) on nuclear reactors in July raise the hurdles to re-starting operations at other plants that have already undergone tests, a resolution to the electricity supply issue could be further delayed. The unease concerning electricity shortages and supply are not merely temporary, short-term concerns, and the risks appear to be growing that even medium and long-term economic growth paths could be adversely affected.

Another concern is the sense that overseas economies, especially the US, have been slowing. Under BTMU's forecast assumption that overseas economies will remain firm and demand for Japanese exports will continue to be adequate for some time, exports will improve as domestic supply restrictions are eased and production recovers. However, if that assumption itself is challenged, then one supporting factor for Japan's economy will diminish from the latter half of 2011.

The third concern is political disarray. Japan's government was able to pass a first supplementary budget for FY11 on May 2—which primarily funded initial reconstruction-related projects—as well as a second supplementary budget on July 5—which covered funds for reparations and radiation measures related to the Fukushima nuclear reactor accident as well as disaster victim support programs. However, there is still no timeline for drafting a real reconstruction budget. Also, with concerns about delays in implementing the budget, even the BoJ's June Tankan survey projects a deterioration in the construction sector outlook for the six prefectures in the disaster-struck region. In fact, the Tankan's future (September) Business Conditions DI for the construction sector fell the most among major industries, by -13%points. Even nationwide, the Business Conditions DI for small construction companies fell -11%points for September, the biggest drop among major sectors. As of July 14, debris removal in the three most severely damaged prefectures stands at less than 30% to the 50% range (a Ministry of Environment figure, the ratio of debris moved to temporary sites to all debris volume), with 56% in Iwate Prefecture, 36% in Miyagi Prefecture, and 27% in Fukushima Prefecture, for a total of 39% in the three prefectures. Perhaps because of that, production of steel and general machinery (May steel production fell -2.1% MoM, while general machinery rose +5.6% MoM in May and is projected to fall -1.2% MoM in June) and machinery orders (which fell -22.9% MoM for steel and -0.7% MoM for general machinery), which would presumably increase with reconstruction and rebuilding demand, have been inconsistent. (Of course, some sectors are rising, due to increased orders for petroleum and coal products and construction orders.)

Either way, a number of barriers remain everywhere before Japan's economy can make a full-fledged recovery. Although the difficulty in discerning the direction of overseas economies is significant, domestically, comprehensive reconstruction and rebuilding measures, including involving public-private electricity supply and the nuclear reactor issue, are needed.

(2) Fiscal

Government to submit second FY11 supplementary budget to Diet

On July 15, the government submitted the second FY11 supplementary budget to the Diet. The budget included JPY1.9988 trillion in spending related to the March 11 earthquake. This followed the first supplementary budget, which was passed May 2 (and included spending of JPY4.153 trillion for the earthquake). Together, the two supplementary budgets provided funds of JPY6.141 trillion for the natural disaster. The second supplementary budget is intended to be a small revision to supplement disaster spending in the first supplementary budget. The government plans to draft a third supplementary budget from August, and this is intended to include funding for comprehensive earthquake recovery.

Reserves and local tax allocations are crux of second supplementary budget

The main expenditures in the second supplementary budget are JPY800.0 billion in reserves and JPY545.5 billion in local tax allocations. Nearly 70% of budget items are for non-designated usages (Table 1). Other expenditures include JPY300.0 billion for subsidies to support the livelihoods of disaster victims and JPY247.4 billion related to damage reparations for the nuclear reactor accident. The ratio of spending for victims of the disaster is considerable.

Table 1: Outline of FY11 Second Supplementary Budget

1. Act on Compensation for Nuclear Damages-related spending	275.4 billion
(1) Act on Compensation for Nuclear Damages-related spending	247.4 billion
・Reparation payments based on government compensation contracts	120.0 billion
・Nuclear damages reparations settlement mediation fees, etc.	1.3 billion
・Fukushima Prefecture health fund for nuclear reactor accident victims, children	96.2 billion
・Drafting decontamination guidelines	200 million
・Bolstering radioactivity monitoring	23.5 billion
・Schoolyard radiation-reduction projects, including outside Fukushima Prefecture	5.0 billion
・Tepco Fukushima nuclear reactor site survey, testimony committee costs	200 million
・Strengthening communication to rebuild 'Japan Brand'	5.3 billion
(2) Nuclear Power Damages Reparation Support Agency Act-related (provisional name) costs	28.0 billion
・Buying stake in Nuclear Power Damages Reparations Agency (provisional name)	7.0 billion
・Interest payments for delivery of JGBs repayments	20.0 billion
・Costs for Tepco management, financial investigation committee	1.0 billion
2. Victim support-related costs	377.4 billion
(1) Double-loan measures	77.4 billion
・Bolstering consultation operations, primarily for SME Revitalization Support Agency	3.0 billion
・New framework with stake by SME Support, Japan	100 million
・Reduction of interest payments until determination of viability is made	18.4 billion
・Financing for SMEs that suspended operations due to earthquake	1.0 billion
・Disaster reconstruction projects, incl public facilities like SME cooperatives (JPY15.5 billion in First Supplementary Budget)	10.0 billion
・Reconstruction of industrial zone facilities in earthquake area (JPY1.0 billion in First Supplementary Budget)	21.5 billion
・Improving equipment for public marine industry facilities (ice makers, etc.) (JPY1.8 billion in First Supplementary Budget)	19.3 billion
・Testing usability of wooden debris	100 million
・Strengthening financial base of Welfare and Medical Service Agency in order to change loan obligation terms for medical, welfare facilities that are still viable	4.0 billion
(2) Subsidies for restoration of livelihoods of disaster victims Raising subsidy rate, including support payments already made, to 80% from current 50% as special measure for March 11 earthquake. (Amount necessary for payments to 200,000 households.)	300.0 billion
3. March 11 Earthquake reconstruction, recovery reserves Funds for emergency replenishments of unexpected shortfalls for costs related to reconstruction, recovery following March 11 earthquake.	800.0 billion
4. Local tax allocations To meet special financial demand from local governments in disaster regions. To be used appropriately to cover increase in burdens by local governments related to reconstruction, rebuilding and reconstruction support system following March 11 earthquake.	545.5 billion
Total	1.9988 trillion

Source: Compiled by BTMU Economic Research Office from MoF materials.

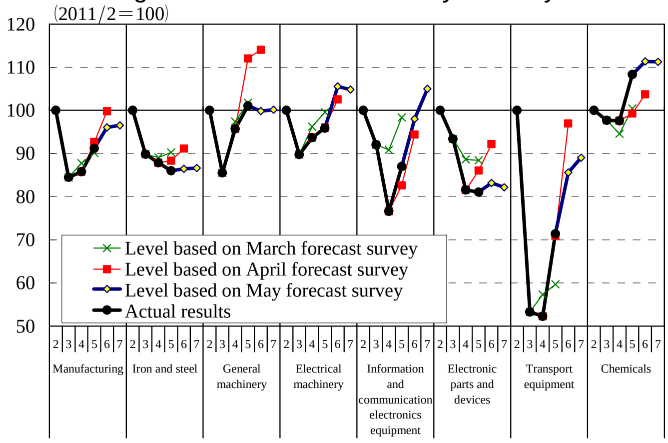
(3) Corporate Sector

① Production, Exports

May production jumps most in 58 years, drop in exports also slowly easing

Production is recovering. May industrial production rose +6.2% MoM, the second straight month of growth and the biggest margin of increase in 58 years, since March 1953 (+7.9% MoM, Figure 2). Production had already recovered to 90% of the pre-earthquake level (February) in May, with production improving as expected following the reconstruction of damaged plants and facilities and the supply chain. Also, reflecting the production recovery, the year-over-year decline in export values is starting to gradually shrink (Figure 3).

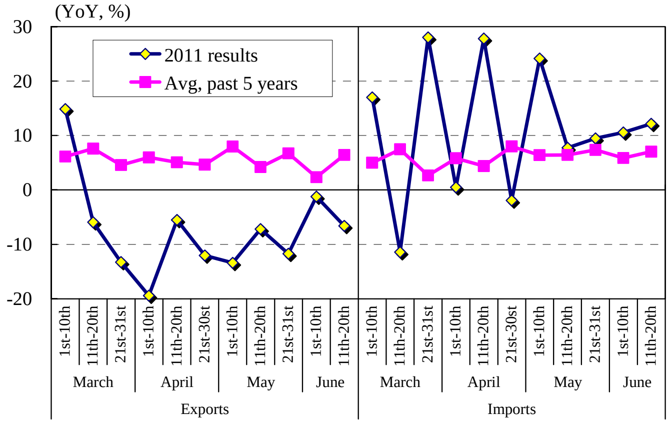
Figure 2: Production Level by Industry



(Mo/2011)

Source: Compiled by BTMU Economic Research Office from METI data.

Figure 3: Nominal Exports, Imports by Time



Note: Average past 5 years is simple average of YoY growth of nominal export value during same period over last 5 years.

Source: Compiled by BTMU Economic Research Office from METI materials.

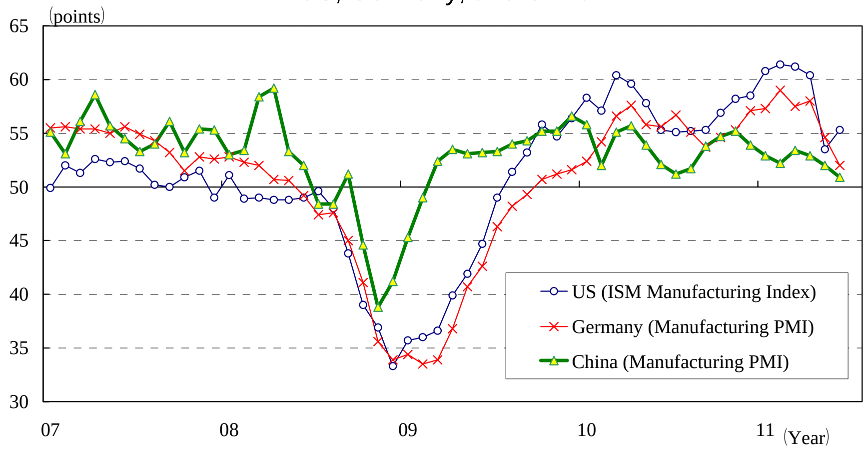
Concerns that electricity shortages could become more severe, prolonged

However, companies appear to be cautious in their production outlooks. The manufacturers' production forecast survey, released at the same time as production results, showed that while output is expected to continue to increase in June and July, the pace of growth is projected to gradually weaken to +5.3% MoM in June and +0.5% MoM in July. Based on this, June production is expected to fall short of the May forecast survey for steel and general machinery, electronic parts and devices, and transport equipment. The recovery in production is then expected to stall across a wider range of industries in July. This is likely to be due to the electricity supply restrictions, expected to grow increasingly severe through the summer months. Already, Tokyo Electric Power Company and Tohoku Electric Power Company have set targets of reducing power consumption by 15% from last summer's peak levels in their respective service areas. Furthermore, restarting the nuclear reactors appears more difficult day by day. The electric power supply issue could cut production nationwide.

Overseas economies also a point of concern

However, even without the supply restrictions, the outlook for external demand—the major source for Japanese production—is becoming more clouded. Business sentiment among manufacturers in the US, Europe, and Asia—major export destinations—has started to slip recently (Figure 4). Numerous downside risks to overseas economies remain: tightening policies to control inflation in China, the persisting sovereign debt problem in Europe, and lackluster employment in the US. These likely warrant further attention as important points in forecasting the outlook for production.

Figure 4: Business sentiment among manufacturers in the US, Germany, and China



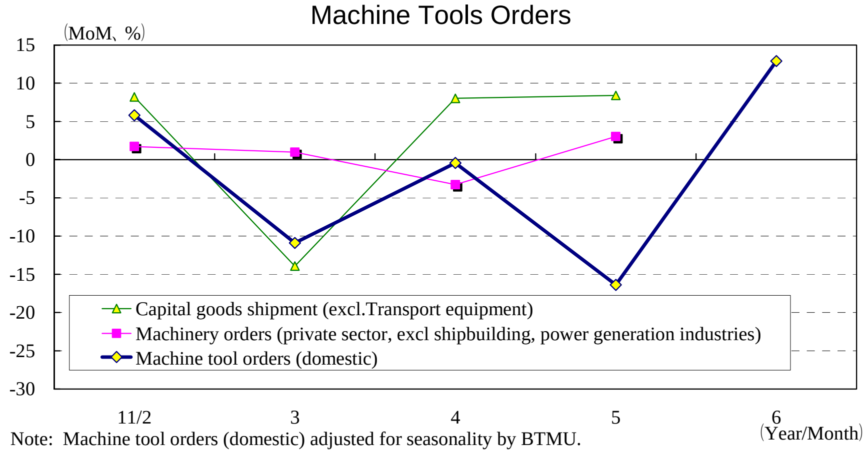
Source: Compiled by BTMU Economic Research Office from Bloomberg.

②Capital Expenditures

Strong confidence in capital expenditures

Capital expenditures appear firm, though lacking in momentum. Capital goods shipments excluding transport machinery expanded +8.0% MoM in April and +8.4% MoM in May, while machinery orders (excluding shipbuilding and power generating company orders, which tend to be volatile), a leading indicator of capital expenditures, rose +3.0% MoM in May (Figure 5). Moreover, June domestic machine tools orders, published one month prior and a leading indicator of machinery orders, increased +12.9% MoM (seasonally adjusted), the first increase since the March 11th earthquake. Despite concerns about chilling capital expenditures just after the earthquake, the recent data suggests that orders have remained firm.

Figure 5: Capital Goods Shipments and Machinery Orders, Machine Tools Orders



Note: Machine tool orders (domestic) adjusted for seasonality by BTMU.
Source: Compiled by BTMU Economic Research Office from Cabinet Office, METI, Japan Machine Tool Builders Association materials.

Policy basis needed for greater reconstruction, rebuilding investment

That said, delays in reconstruction and rebuilding policy responses have dampened such movements. As noted earlier in this report, lags in implementing policy responses—starting with rubble removal—have been striking, and we think that conditions will continue to dampen greater corporate investment in reconstruction and rebuilding.

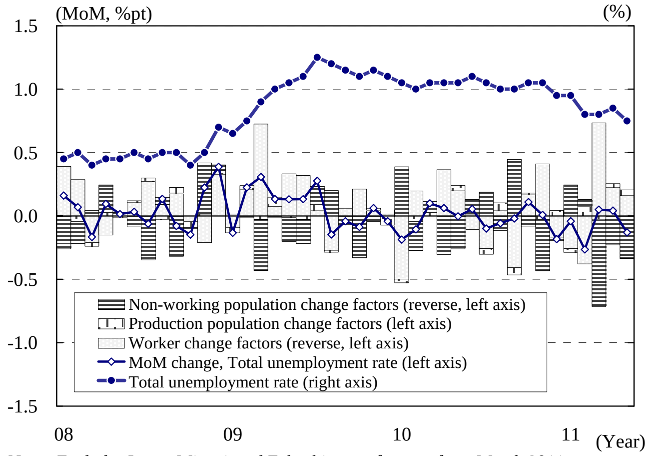
(4) Household Sector

① Employment, Wages

Some indicators have improved, while employment conditions remain severe

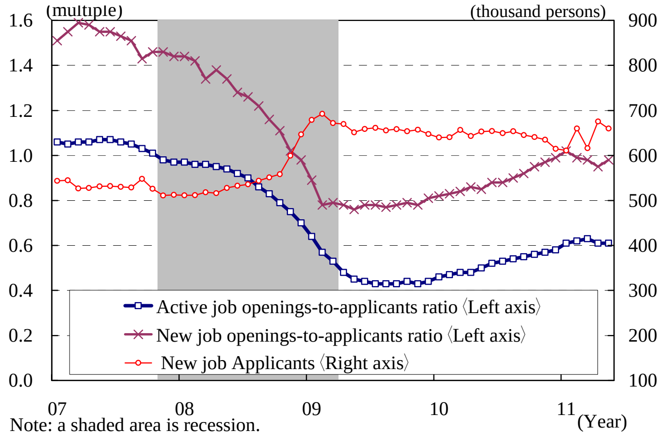
Japan's unemployment rate—excluding Iwate, Miyagi, and Fukushima prefectures—stood at 4.5% in May, a -0.2%point improvement from April (Figure 6). However, a closer look is not so bright. While the number of unemployed fell by 90,000 in May from April, the number of workers also fell by -100,000. Meanwhile, although the non-working population increased by +220,000 MoM, many who are actually unemployed could be included simply because the figure included those not actively seeking work (therefore, not counted among the 'unemployed' in statistics). Also, after falling by -0.02 points in April, the jobs-to-applicants ratio was merely flat in May (Figure 7). On the other hand, the new hires ratio (number of new hires divided by number of new job applications) rose by +0.03 points MoM, but this was also due to a decline in number of new job applications (-2.3% MoM). Overall, Japan's weak employment conditions appear to be unchanged.

Figure 6: Unemployment Rate and Change Factors



Note: Excludes Iwate, Miyagi, and Fukushima prefectures from March 2011.
Source: Compiled by BTMU Economic Research Office from MIC data.

Figure 7：Job Openings-to-Applicants Ratio and New job Applicants

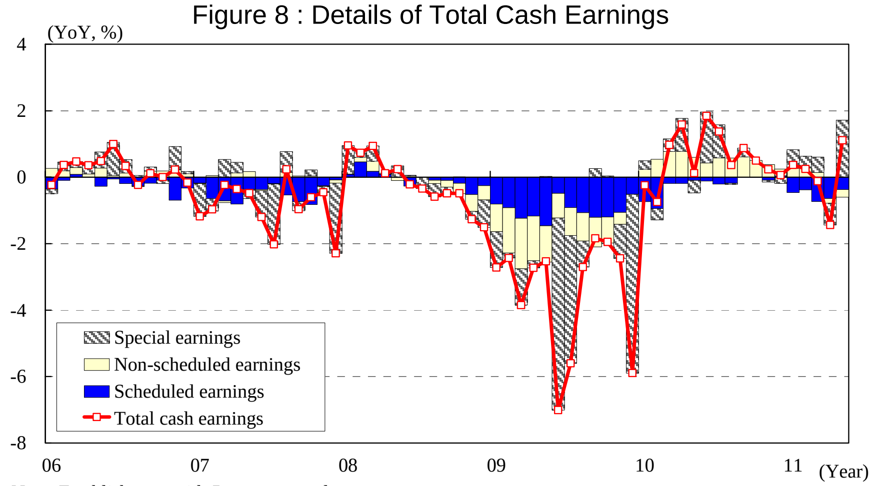


Note: a shaded area is recession.
Source: Compiled by BTMU Economic Rescearch Office from MHLW Survey

Special wages jump, while scheduled and non-scheduled wages still soft

May cash wages rose +1.1% YoY, the first increase in three months, since the March 11 earthquake. The main factor was the jump in special wages, which rose +67.7% YoY (Figure 8). These may have been special payments made to offset the drop in wages in the immediate aftermath of the quake, but either way, it is unrealistic that such a surge will persist. The special payments category fluctuates wildly, and is unlikely to be a source of stable income. On the other hand, both scheduled and non-scheduled wages continue to fall, by -0.4% YoY and -3.3% YoY, respectively. Working hours also declined by -0.4% YoY overall, by -0.2% YoY for scheduled working hours and -3.2% YoY for non-scheduled working hours.

Figure 8 : Details of Total Cash Earnings



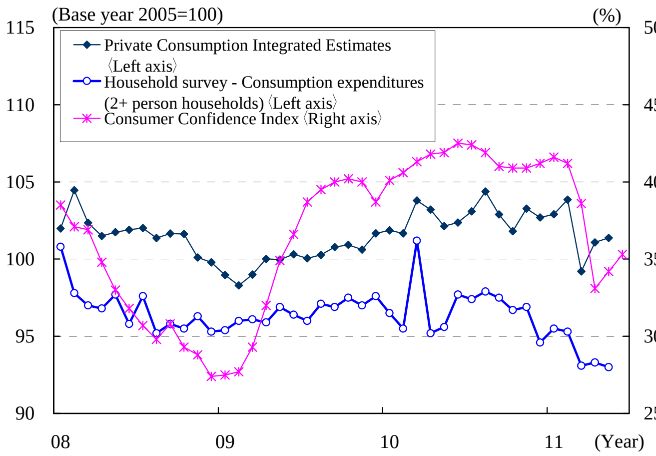
Note: Establishment with 5 or more employees
Source: Compiled by BTMU Economic Research Office based on the MHLW data.

② Private Consumption

Private consumption improving after sudden chill immediately after quake

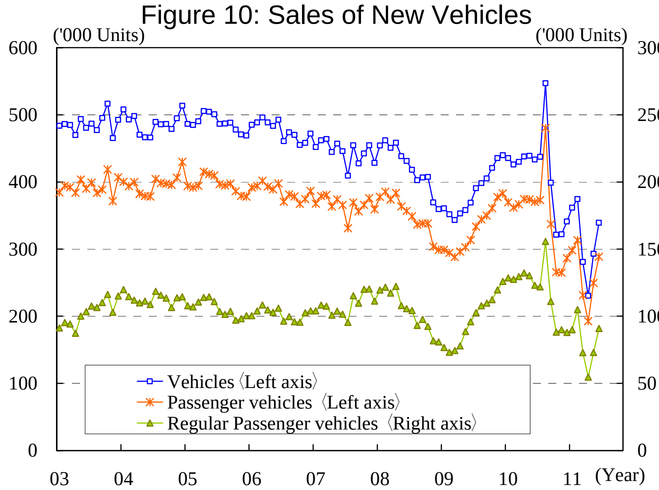
Consumption-related indicators were mixed in May. The Cabinet Office's Private Consumption Integrated Estimates rose +0.3% MoM (Figure 9). The increase was weaker than April's +1.9% MoM, but nevertheless a second straight month of rise. On the other hand, consumption expenditures according to the Ministry of Internal Affairs and Communications' *Survey of Household Economy* (households of two persons or more) declined -0.3% MoM in real terms, reversing course from the +0.2% MoM increase in April. Meanwhile, the Consumer Confidence Index rose +1.1 points in June, the second straight month of improvement. Although the level remained weak compared to before the earthquake, the index is steadily rising. The same trend has been evident in automobile sales, with May sales jumping +27.2% MoM and June sales by +15.7% MoM, two straight months of growth (Figure 10). Although gradual and inconsistent, private consumption has clearly been showing signs of improvement.

Figure 9: Consumption Indices



Note: Private Consumption Integrated Estimates and Household Survey are actual figures.
Source: Compiled by BTMU Economic Research Office from MIC, CAO data.

Figure 10: Sales of New Vehicles



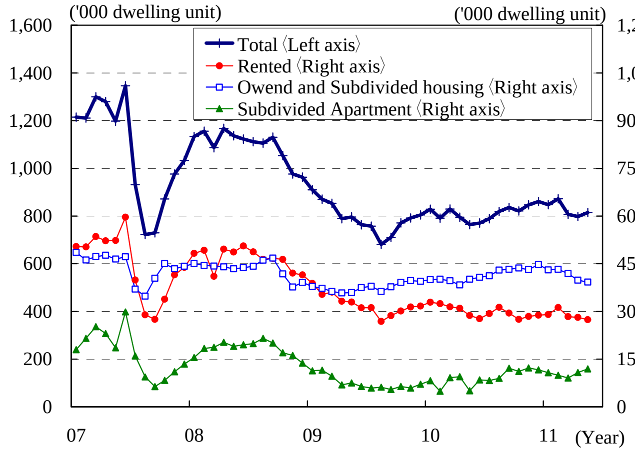
(Source) Compiled by BTMU Economic Research Office from Japan Automobile Dealers Assosiation data

③ Residential Investment

Residential construction starts increase slightly

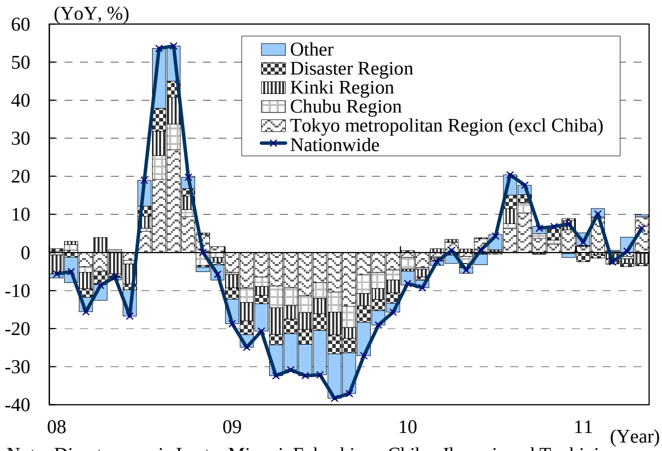
Residential construction starts increased +6.4% YoY in June and +2.1% MoM in May (Figure 11). Construction was begun on 815,000 homes, still a -6.6% dip from the Feburary figure before the March quake. The result was mainly due to a +18.2% MoM jump in April and +11.0% MoM in May for subdivided apartments. However, starts on leased and owned and rented housing decreased -2.6% MoM and -0.6% MoM in May. By region, although starts increased year-on-year in the Tokyo metropolitan area excluding Chiba Prefecture, residential reconstruction demand has yet to reappear (Figure 12).

Figure 11: New Housing Starts by Type of Occupancy



Note: Subdivided housing and Apartment adjusted for seasonability by BTMU.
Source: Compiled by BTMU Economic Research Office from MLIT

Figure 12: Residential Construction Starts by Region



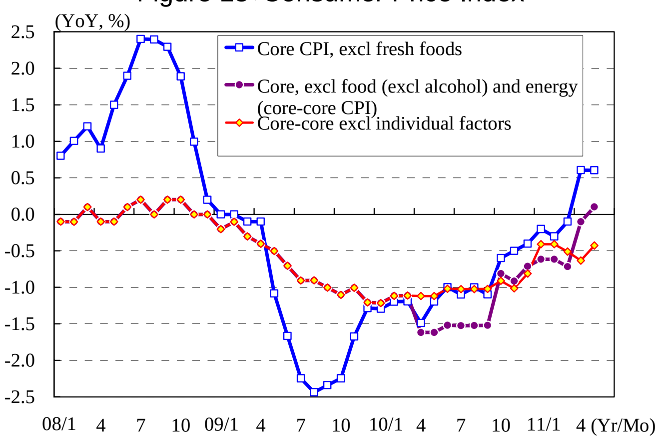
Note: Disaster area is Iwate, Miyagi, Fukushima, Chiba, Ibaragi, and Tochigi.
Source: Compiled by BTMU Economic Research Office from MLIT data.

(5) Inflation

Downward trend persists though core CPI up on-year for two consecutive months

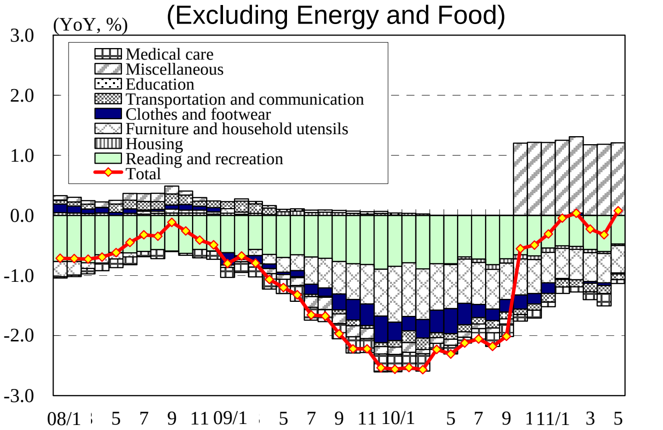
The May Consumer Price Index (overall, excluding fresh food, or the core CPI) stood at +0.6% YoY, the second consecutive rise. The core-core CPI, which excludes fresh food (except alcoholic beverages) and energy, stood at +0.1% YoY, the first rise in 29 months (Figure 13). However, the detailed breakdown shows that this rise is largely due to miscellaneous goods, including cigarettes and casualty insurance premiums (Figure 14). On the other hand, without the impact of individual factors such as cigarette price hikes and higher casualty insurance premiums last October, the core-core CPI stood at -0.4% YoY; the downward trend of the CPI has not yet changed although the margin of decline has shrunk. The base revision scheduled for this August is projected to pressure the core CPI downward by approximately 0.5%point. Furthermore, upward factors like cigarette price hikes and higher casualty insurance premiums will fall off from this October, and this is likely to drag the core and core-core CPI back into the negative range on year-on-year basis.

Figure 13：Consumer Price Index



Note: *Individual factors* are waiving of high school tuition and price hikes of cigarettes, medical treatment individual-borne costs, and casualty insurance premiums.
Source: Compiled by BTMU Economic Research Office from MIC data.

Figure 14: Consumer Price Index (Excluding Energy and Food)



Notes: *Miscellaneous* includes cigarettes, personal care services, casualty insurance premium, personal effects, etc.
Source: Compiled by BTMU Economic Research Office from MIC data.

2. Finance

(1) Monetary Policy

BoJ cuts FY11 growth projection, but leaves FY12 forecast unchanged

At its July 11-12 Monetary Policy Board meeting, the Bank of Japan conducted an interim review of the *Outlook for Economic Activity and Prices*, cutting the real GDP growth rate projection from +0.6% YoY in April to +0.4% YoY (Table 2). The BoJ cited “the sharp downturn immediately after the earthquake” for the downward revision. On the other hand, the central bank’s projection for FY12 was left unchanged at +2.9% YoY. However, the members pointed to one risk factor that “uncertainty has increased somewhat with regard to the longer-term outlook for electricity supply constraints.” We think this may be based on the nuclear reactor suspensions continuing to expand nationwide.

Table 2：Outlook on Economy and Prices by the BOJ Policy Board Members (Jul)

(yoy, %)

	Real GDP	Domestic Corporate Goods Price Index	Consumer Price Index (excl. fresh food)
FY2011	+0.2～+0.6 〈+0.4〉	+2.2～+2.5 〈+2.4〉	+0.6～+0.8 〈+0.7〉
Outlook as of Apr	+0.5～+0.9 〈+0.6〉	+1.6～+2.6 〈+2.2〉	+0.5～+0.8 〈+0.7〉
FY2012	+2.5～+3.0 〈+2.9〉	+0.5～+0.9 〈+0.6〉	+0.6～+0.7 〈+0.7〉
Outlook as of Apr	+2.7～+3.0 〈+2.9〉	+0.3～+0.7 〈+0.6〉	+0.5～+0.7 〈+0.7〉

(Note) Figures in < > are the median figures of the outlook
(Source) Compiled by BTMU Economic Research Office from BoJ materials.

Deep-rooted downside risks to the economy persist, and further easing remains a possibility

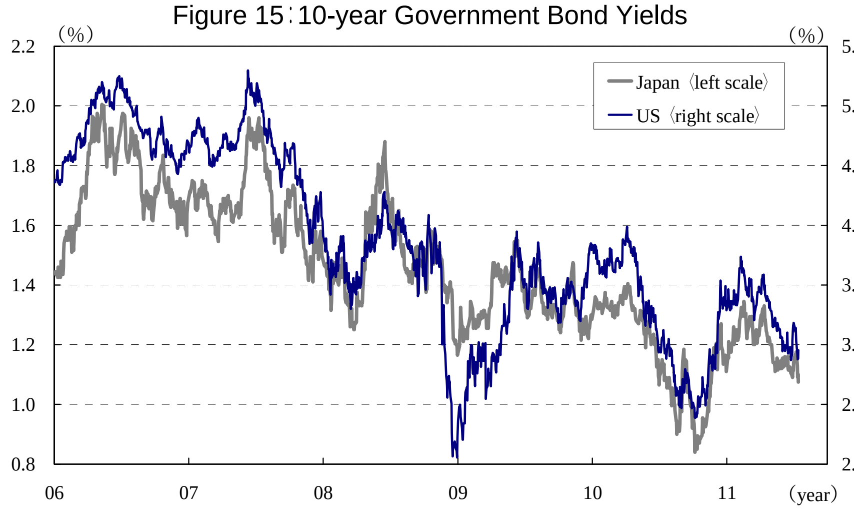
More recent economic indicators have been showing signs of improvement since dropping in the wake of the March 11 earthquake, and speculation that the BoJ will introduce further monetary easing measures has waned. However, deep-seated risks to Japan's economy remain, including not only the electricity supply restrictions but also rebuilding upward pressure on the JPY from mid-July. We think the possibility of additional monetary easing by the BoJ will remain for some time.

（2）Long-term Interest Rates

Benchmark JGB yield once again dips below 1.1%

The benchmark JGB yield rose from end-June through early July on higher overseas yields and share prices, with the yield on the newly-issued 10Yr JGB hitting 1.18%. This was the highest point in approximately two months (Figure 15). Then, weak June employment data for the US was released on July 8 and alarm over the European sovereign debt issue also heightened, and the benchmark JGB yield suddenly started to fall. The 10Yr yield is now once again below 1.1%. Although concerns about delayed fiscal strengthening and JGB issuances are still deep-rooted, we think that the JGB benchmark yield will remain low over the near term on concerns about a weakening economy because of the strong JPY.

Figure 15：10-year Government Bond Yields



Source: Compiled by BTMU Economic Research Office based on Bloomberg data

(3) Exchange Rates

JPY-strengthening, USD-weakened pressures increasing fast on weak US employment data and expectations of further monetary easing

The JPY/USD exchange rate has moved in a relatively narrow band of JPY/USD80-81 since end-May (Figure 16). However, JPY-strengthening and USD-weakening pressures have suddenly been building recently following the release of weak June employment data in the US and FRB Chairman Bernanke's comment in testimony to Congress July 13 that further monetary easing remains a possibility. In particular, after the JPY broke past JPY/USD80, JPY buying and USD selling in order to stop losses increased, and the JPY hit the JPY/USD78 range. The JPY may break its record high of JPY/USD76.25 set on March 17 if speculation grows that the US FRB will further ease monetary policy.

Figure 16：Dollar-yen exchange rate

Source: Compiled by BTMU Economic Research Office based on Bloomberg data

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MAIN ECONOMIC AND FINANCIAL INDICATORS (JAPAN)

1. Main Economic Indicators

As of Jul 25, 2011

	Fiscal	Fiscal	2010		2011	2011				
	2009	2010	3Q	4Q	1Q	FEB	MAR	APR	MAY	JUN
Real GDP Growth Rate <% changes from	-2.4	2.3	3.6	-2.9	-3.5	***	***	***	***	***
previous period at SA annual rate>			(5.0)	(2.2)	(-1.0)					
Index of All Industries Activity	-4.2	2.0	0.7	-0.2	-1.9	0.9	-6.4	1.5		
			(3.2)	(2.1)	(-0.5)	(2.0)	(-4.5)	(-4.1)		
Industrial Production Index										
Production	-8.8	8.9	-1.0	-0.1	-2.0	1.8	-15.5	1.6	6.2	
			(14.0)	(5.9)	(-2.5)	(2.9)	(-13.1)	(-13.6)	(-5.5)	
Shipments	-8.3	9.3	-0.8	-0.3	-1.9	3.3	-14.6	-2.6	5.3	
			(14.4)	(6.4)	(-2.6)	(3.6)	(-12.1)	(-16.1)	(-8.0)	
Inventory	-6.1	3.5	0.4	-0.6	1.0	1.5	-4.2	0.5	5.6	
			(3.5)	(3.8)	(3.5)	(6.9)	(3.5)	(3.3)	(7.7)	
Inventory/Shipments Ratio	120.4	108.2	108.7	111.0	106.9	104.3	108.6	124.8	120.7	
(2005=100)			[124.3]	[114.7]	[106.3]	[107.4]	[103.4]	[105.0]	[107.5]	[106.9]
Domestic Corporate Goods Price Index	-5.2	0.7	-0.3	0.4	1.1	0.2	0.6	0.9	-0.1	-0.1
			(-0.2)	(1.0)	(1.7)	(1.7)	(2.0)	(2.5)	(2.2)	(2.5)
Consumer Price Index(SA, total, excl.fresh foods)	-1.6	-0.8	-0.2	0.3	-0.3	0.0	0.2	0.2	0.0	
			(-1.0)	(-0.5)	(-0.2)	(-0.3)	(-0.1)	(0.6)	(0.6)	
Index of Capacity Utilization	80.0	88.0	88.4	88.4	86.1	93.7	73.6	72.8	82.1	
(2005=100)			[77.0]	[81.8]	[89.5]	[89.7]	[90.1]	[90.0]	[90.5]	[88.9]
Machinery Orders(Private Demand,	-20.4	9.1	5.6	-4.3	5.6	1.7	1.0	-3.3	3.0	
Excl.Electric Power and Ship building)			(13.9)	(5.6)	(8.9)	(11.5)	(9.1)	(-0.2)	(10.5)	
Manufacturing	-27.9	18.3	13.2	-1.7	5.3	3.1	-0.8	-2.7	-1.4	
			(34.4)	(11.5)	(16.3)	(18.0)	(18.3)	(7.4)	(22.5)	
Non-manufacturing	-14.7	2.7	2.5	-5.1	1.4	1.6	0.1	2.9	-5.4	
Excl.Electric Power & Ship building			(2.3)	(0.3)	(3.5)	(6.5)	(3.1)	(-5.2)	(1.5)	
Shipments of Capital Goods	-24.2	21.3	4.1	1.2	-2.4	8.2	-13.9	8.0	8.4	
(Excl.Transport Equipment)			(30.8)	(23.9)	(6.6)	(12.9)	(-3.1)	(1.9)	(16.9)	
Construction Orders	-14.2	-5.2								
			(-8.0)	(2.0)	(-4.9)	(19.5)	(-11.0)	(31.4)	(25.5)	
Private	-15.3	-2.6								
			(-9.4)	(4.8)	(1.5)	(21.8)	(-1.4)	(33.5)	(20.2)	
Public	-11.1	-12.1								
			(-6.2)	(-3.6)	(-20.1)	(-4.7)	(-28.2)	(31.0)	(51.6)	
Public Works Contracts	4.9	-8.8								
			(-12.6)	(-14.8)	(-3.2)	(4.2)	(-3.5)	(-11.2)	(-14.1)	(-3.4)
Housing Starts	77.6	81.9	81.5	84.3	84.2	87.2	80.7	79.8	81.5	
10,000 units at Annual Rate, SA	(-25.4)	(5.6)	(13.8)	(6.9)	(3.2)	(10.1)	(-2.4)	(0.3)	(6.4)	
Total floor	(-21.5)	(9.0)	(15.1)	(11.0)	(6.0)	(12.0)	(-0.5)	(1.1)	(5.8)	
Sales at Retailers	-0.4	0.8								
			(3.2)	(-0.4)	(-3.0)	(0.1)	(-8.3)	(-4.8)	(-1.3)	
Real Consumption Expenditures	1.0	-1.0	1.2	-1.5	-2.4	-0.2	-2.3	0.2	-0.3	
of Households over 2 persons (SA)			(0.9)	(-1.5)	(-3.5)	(-0.2)	(-8.5)	(-3.0)	(-1.9)	
Propensity to Consume	74.7	73.4	75.2	74.5	71.8	71.5	72.3	72.9	74.7	
(SA,%)			[74.2]	[74.8]	[74.1]	[72.9]	[78.0]	[72.7]	[72.9]	[71.8]
Overtime Hours Worked	-8.5	6.8	0.2	-0.6	1.2	0.6	-3.4	-1.8	-0.3	
(All Industries, 5 employees or more)			(9.6)	(5.7)	(1.7)	(3.0)	(-1.0)	(-3.9)	(-3.2)	
Total Cash Earnings (Regular Employees	-3.3	0.6								
Only; All Industries, 5 employees or more)			(0.9)	(0.2)	(0.1)	(0.3)	(-0.1)	(-1.4)	(1.1)	
Employment Index(Regular Employees Only;'All Industries,	-77,894.3	23,384.5	21,463.6	28,037.5	33,848.2	32,772.3	35,975.0	28,654.1	21,954.9	
5 employees or more) (Change over the M/Q/Y)			[-106,546.5]	[-109,742.7]	[1,682.9]	[5,834.7]	[6,084.6]	[3,912.2]	[15,832.6]	[10,820.5]
Ratio of Job Offers to Applicants	0.45	0.56	0.54	0.57	0.62	0.62	0.63	0.61	0.61	
(SA,Times)			[0.43]	[0.44]	[0.47]	[0.47]	[0.48]	[0.48]	[0.50]	[0.52]
Unemployment Rate	5.2	5.0	5.1	4.8	4.7	4.6	4.6	4.6	4.8	
(SA,%)										
Economy Watcher Survey	39.9	44.2	45.4	43.0	40.1	48.4	27.7	28.3	36.0	49.6
(Judgment of the present condition D.I,%)			[42.4]	[36.7]	[42.8]	[42.1]	[47.4]	[49.8]	[47.7]	[47.5]
Bankruptcies (Number of cases)	14,732	13,065	3,232	3,299	3,211	987	1,183	1,076	1,071	1,165
	(-8.7)	(-11.3)	(-14.5)	(-6.5)	(-7.3)	(-9.4)	(-9.9)	(-6.7)	(4.8)	(1.4)

(Notes)

Unless otherwise indicated, tabulated figures and those in parentheses show % changes from previous quarter/month as applicable.

2. Balance of Payments

As of Jul 25, 2011

	Fiscal 2009	Fiscal 2010	2010 3Q	4Q	2011 1Q	2011 FEB	MAR	APR	MAY	JUN
Customs Clearance(Exports in Yen Terms)	-17.1	14.9	(17.8)	(10.0)	(2.5)	(9.0)	(-2.3)	(-12.4)	(-10.3)	
Value	-7.0	0.2	(-0.7)	(1.2)	(-0.0)	(-0.2)	(1.0)	(-0.9)	(0.5)	
Volumes	-9.9	14.6	(18.6)	(8.6)	(2.4)	(9.2)	(-3.3)	(-11.6)	(-10.8)	
Imports(In Yen terms)	-25.2	16.0	(14.9)	(11.3)	(11.4)	(10.0)	(12.0)	(9.0)	(12.3)	
Value	-18.4	3.3	(0.4)	(1.6)	(4.0)	(4.9)	(6.2)	(7.6)	(6.5)	
Volumes	-7.3	12.4	(14.5)	(9.6)	(7.2)	(4.9)	(5.5)	(1.3)	(5.5)	
Current Balance(100 mil. yen)	157,817	161,255	48,791	36,482	39,866	17,008	17,386	4,056	5,907	
Trade Balance(100 mil. yen)	65,996	64,955	19,787	19,233	5,577	7,203	2,368	-4,175	-7,727	
Services(100 mil. yen)	-18,185	-12,730	-2,756	-3,984	-771	-319	306	-4,213	-176	
Capital and Financial Accounts(100 mil. yen)	-123,113	-97,221	-36,631	-10,192	-34,301	-10,852	-7,546	11,466	-1,638	
Gold & Foreign Exchange Reserves($1mil.)	1,042,715	1,116,025	1,109,591	1,096,185	1,116,025	1,091,485	1,116,025	1,135,549	1,139,524	1,137,809
Exchange Rate(V$)	92.80	85.69	85.86	82.59	82.32	82.53	81.79	83.35	81.23	80.51

3. Financial Market Indicators

	Fiscal 2009	Fiscal 2010	2010 3Q	4Q	2011 1Q	2011 FEB	MAR	APR	MAY	JUN
Uncollateralized Overnight Call Rates	0.102	0.091	0.093	0.090	0.088	0.093	0.085	0.062	0.069	0.069
			[0.103]	[0.104]	[0.098]	[0.101]	[0.097]	[0.093]	[0.091]	[0.095]
Euro Yen TIBOR	0.516	0.356	0.364	0.336	0.336	0.335	0.336	0.333	0.332	0.332
(3 Months)			[0.543]	[0.498]	[0.443]	[0.442]	[0.434]	[0.396]	[0.388]	[0.381]
Newly Issued Japanese Government Bonds Yields	1.353	1.127	0.987	1.072	1.242	1.255	1.255	1.200	1.150	1.130
(10 Years)			[1.338]	[1.317]	[1.337]	[1.300]	[1.395]	[1.280]	[1.260]	[1.085]
Average Contracted Interest Rates	1.449	1.357								
on Loans and Discounts(City Banks)			1.392	1.382	1.357	1.371	1.357	1.359	1.346	
(% changes from previous period)			(-0.028)	(-0.010)	(-0.025)	(-0.006)	(-0.014)	(0.002)	(-0.013)	
The Nikkei Stock Average	11,090	9,755	9,369	10,229	9,755	10,624	9,755	9,850	9,694	9,816
(TSE 225 Issues)			[10,133]	[10,546]	[11,090]	[10,126]	[11,090]	[11,057]	[9,769]	[9,383]
M2(Average)	(2.9)	(2.7)	(2.8)	(2.6)	(2.4)	(2.4)	(2.6)	(2.7)	(2.7)	(2.9)
Broadly-defined Liquidity(Average)	(1.3)	(0.6)	(0.7)	(0.3)	(-0.3)	(-0.3)	(-0.1)	(-0.2)	(-0.4)	(0.1)
Principal Figures of Financial Institutions										
Loans and Discount (Average): Banks & Shinkin	(0.8)	(-1.9)	(-1.8)	(-2.0)	(-1.8)	(-1.9)	(-1.7)	(-1.0)	(-0.8)	(-0.6)
Banks	(0.8)	(-2.0)	(-1.9)	(-2.1)	(-1.9)	(-2.0)	(-1.8)	(-1.0)	(-0.8)	(-0.6)
City Banks etc.	(-0.4)	(-4.2)	(-3.8)	(-4.6)	(-4.6)	(-4.6)	(-4.6)	(-3.1)	(-2.7)	(-2.7)
Regional Banks	(2.4)	(0.6)	(0.4)	(0.9)	(1.2)	(1.2)	(1.2)	(1.4)	(1.4)	(1.7)
Regional Banks II	(1.3)	(-0.4)	(-0.7)	(-0.5)	(-0.0)	(-0.5)	(0.8)	(0.7)	(0.7)	(1.1)
Shinkin	(0.8)	(-1.3)	(-1.4)	(-1.3)	(-1.1)	(-1.1)	(-1.0)	(-0.8)	(-0.7)	(-0.5)
Deposits and CDs (Average): Total(3 Business Condition)	(2.9)	(2.6)	(2.7)	(2.7)	(2.2)	(2.0)	(2.6)	(2.7)	(2.6)	(2.8)
City Banks	(3.0)	(2.6)	(2.9)	(3.0)	(1.8)	(1.4)	(2.6)	(2.5)	(2.1)	(2.2)
Regional Banks	(3.1)	(3.1)	(3.1)	(3.0)	(3.1)	(3.3)	(2.9)	(3.0)	(3.4)	(3.7)
Regional Banks II	(1.8)	(0.6)	(0.4)	(0.1)	(0.9)	(0.5)	(1.9)	(1.9)	(1.9)	(2.2)

(Notes) Interest rates are averages. The Nikkei Stock Average is as of month-end.

(Sources) Cabinet Office, National Accounts, Machinery Orders; METI, Indices of Tertiary Industry Activity, Industrial Production, Current Survey of Commerce; MOF, Trade Statistics, Balance of Payments; MPMHAPT, Consumer Price Index, Family Income and Expenditure Survey, Labour Force Survey; MHLW, Monthly Labour Survey; Ministry of Land, Infrastructure, and Transport, Economic Construction Statistics; BOJ, Corporate Price Index, Financial and Economic Statistics Monthly, etc.