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The Outlook for the Japanese Economy

Economic Research Office
The Bank of Tokyo-Mitsubishi UFJ, Ltd.

～Recovery to Sustain Momentum to Overcome Consumption Tax Hike as Virtuous Cycle Picks Up ～

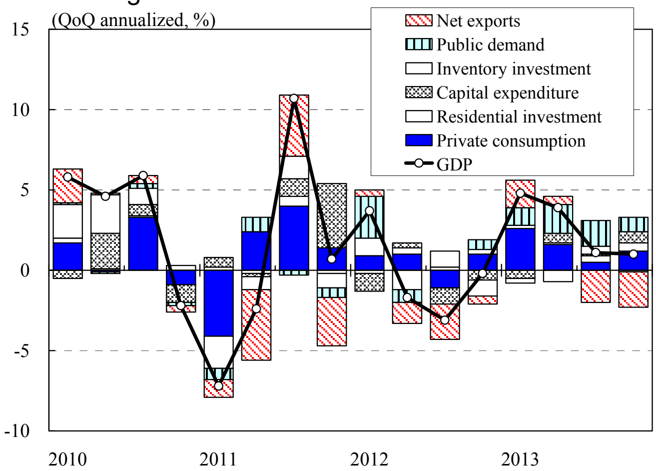
1. Overview of the Japanese Economy

Japan's economy steadily recovering as corporate profits surge

Japan's economy has been steadily recovering, supported by expanding domestic private sector demand. Real GDP grew +1.0% QoQ annualized in Oct-Dec, according to the first preliminary report. Although the pace of growth slowed from the Jul-Sept quarter, this was the fourth straight quarter of positive expansion (Figure 1). By demand component, although export growth was somewhat sluggish, private consumption and residential investment picked up affected by the rush demand prior to the consumption tax hike. Further, capital expenditures rose for the third straight quarter and at a relatively high pace.

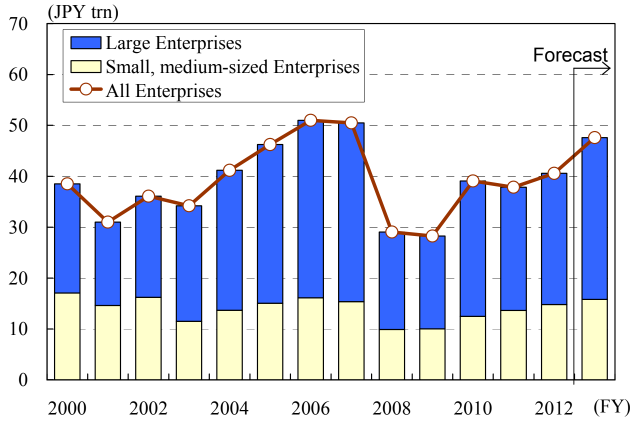
Corporate profits have jumped, contributing to the continued economic recovery (Figure 2). According to the BoJ December 2013 Tankan survey, current profits of enterprises of all scales across all industries hit JPY47.6 trillion in FY2013, nearing the peak JPY51.0 trillion level of FY2006 prior to the collapse of Lehman Brothers. Large enterprises, which benefit particularly from the weaker JPY, forecast higher profits, while small and medium-sized enterprises also expect profits to continue to steadily improve. The jump in corporate profits triggered by the JPY13.1 trillion supplementary budget, passed February 2013, as well as the massive monetary easing introduced by the BoJ in April 2013 appears to have set off a virtuous cycle of production, wages, and spending for Japan's economy as a whole.

Figure 1: Real GDP and Final Demands



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

Figure 2: Current Profits, by Enterprise scale



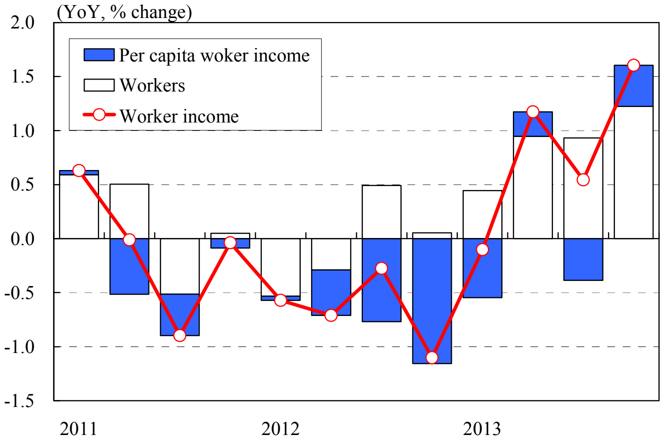
Note: *Forecast* is FY13 forecast as of December 2013 survey.
Source: Compiled by BTMU Economic Research Office from BoJ data.

Japan's economy expected to overcome consumption tax hike as virtuous cycle gains steam

Japan's economy will have to overcome the consumption tax hike slated for April in order to continue to grow. The tax hike will help fortify Japan's fiscal health and is critical to maintaining the medium- to long-term stability of Japan's economy, but is expected to weigh heavily on private consumption over the short term by raising prices. The economy as a whole will be adversely impacted. Japan's economy is expected to contract in the Apr-June quarter, when the consumption tax hike is scheduled, but then once again expand as the virtuous cycle is strengthened.

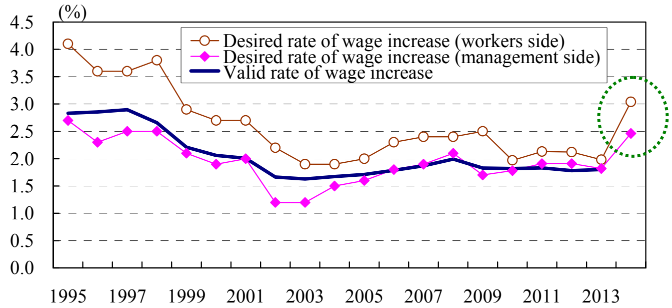
Household incomes hold the key to sustaining the economic recovery. Rising workers from increased corporate activity have driven worker income, but higher wages are still making only a limited contribution (Figure 3). However, not only are corporate profits surging, the sustained economic recovery is gradually giving rise to a labor shortage. The foundation on which wages go up is regulating from a macro economic environment side. Furthermore, according to the Institute of Labor Administration survey released January 23 and conducted prior to the spring labor negotiations that have a big impact on the direction of wages, not only labor but the management side feels that a wage hike is desirable (Figure 4). Since both *foundation* and *momentum* for wage hikes are gained, the likelihood of wage hikes from FY2014 appears to be rising. Higher incomes are expected to not only help ease the economic blow on households, which will feel the direct impact of the consumption tax hike, but also help to sustain consumer sentiment. Higher household incomes will strengthen the virtuous cycle, supported by the JPY5.5 trillion supplementary budget passed in February (which includes JPY800 million from the early repeal of the special corporate tax for reconstruction) as well as greater tax breaks for capital expenditure and home loan. In this way, an economic collapse will likely be averted. Real GDP growth is projected to expand by more than 2% YoY in FY2013, then by more than 1% YoY in FY2014, exceeding the potential growth rate.

Figure 3: Worker Income



Note: *Worker income* is workers multiplied by per capita worker income.
Source: Compiled by BTMU Economic Research Office from MIC, MHLW data.

Figure 4: Desired Rate of Wage Increase and Valid Rate of Wage Increase



Note: 1. *Desired rate of wage increase* based on survey of workers and management conducted prior to start of spring wage negotiations. The survey is conducted among TSE-1, TSE-2 company labor union committee heads, personnel/HR department heads.
2. *Valid rate of wage increase* is aggregate agreed-upon rate of wage increase at spring wage negotiations among major companies.
Source: Compiled by BTMU Economic Research Office from Institute of Labor Administration materials and MHLW data.

2. Current Situation and Outlook by Sectors and Components

(1) Corporate Sector

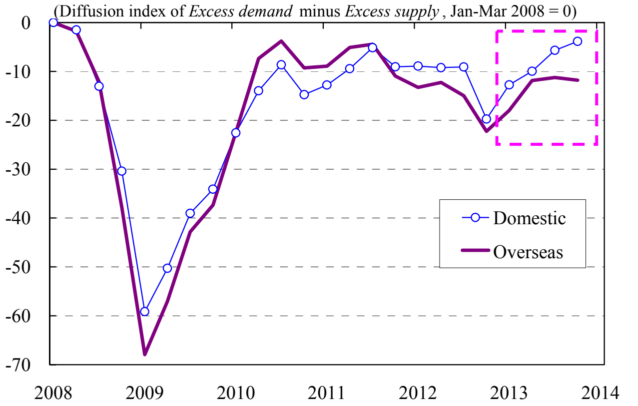
Exports projected to rise in line with gradually expanding overseas economies

Although real exports according to GDP figures rose by an annualized +1.7% QoQ in Oct-Dec 2013, the first positive increase in two quarters, the pace of improvement was weak. The BoJ Tankan Supply and Demand Conditions DI of major export industries, including transport equipment, showed that the recovery in overseas demand has stalled since mid-2013. This appears to have slowed export growth (Figure 5). Looking ahead, with economies of export destinations like the US and China continuing to gradually expand, Japanese exports are expected to maintain some growth.

Recent capital expenditure increases have been driven by non-manufacturers; further rises expected to be more widespread

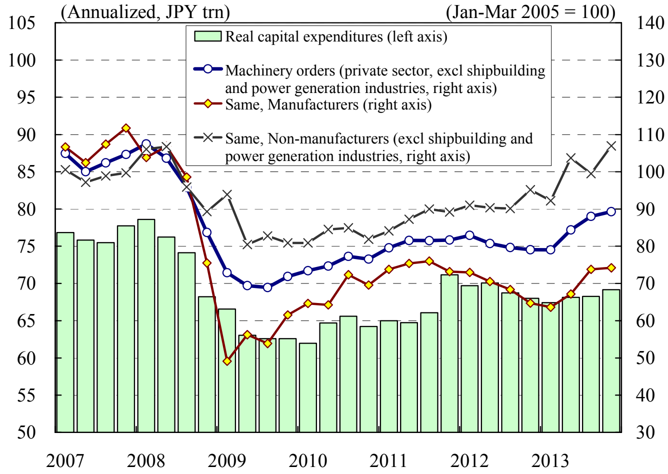
Industrial production rose for four straight quarters through Oct-Dec 2013 and is expected to continue to rise amidst solid domestic and external demand. Among non-manufacturers, which increasingly appear to face a shortage of equipment and facilities, machinery orders (private sector, excluding shipbuilders and power generation industries, a leading indicator of capital expenditures), have recovered to the level of prior to the Lehman Brothers collapse. Companies' willingness to invest is clearly improving (Figure 6). Looking ahead, revitalized corporate activity is expected to alleviate the surplus capacity or give rise to a sense of shortfall among many industries, including manufacturers. The foundation for a capital expenditures recovery is expected to gradually widen. Expanded investment tax breaks and new investment stimulus as well as the early repeal of the special corporate tax for reconstruction are expected to help boost capital expenditures.

Figure 5: Major Export Industries Supply-Demand DI



Note: *Major export industries* is total of transport equipment, general purpose/production/genaral oriented machinery, and electrical machinery.
Source: Compiled by BTMU Economic Research Office from BoJ data.

Figure 6: Real Capital Expenditures and Machinery Orders



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

(2) Household Sector

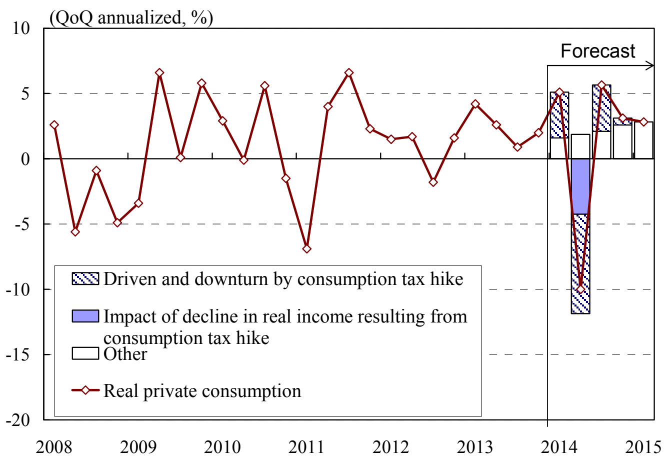
Collapse in private consumption expected to be averted as incomes improve

Private consumption rose for a fifth straight quarter in Oct-Dec 2013, by +2.0% QoQ annualized (Figure 7). In particular, spending of durable goods including automobiles jumped by an annualized +17.0% QoQ, reflecting a surge of demand ahead of the consumption tax hike. On the other hand, the family income and expenditure survey showed that real basic expenditures, including foods, rose even more, a sign that increased consumption is spreading to necessities demand as well. Demand for non-durable goods and services is expected to swell through the end of FY2013, accelerating further. Thereafter, although demand is likely to drop off due to the impact of the consumption tax hike, employment and wage conditions are projected to improve further and private consumption to start to rise once again.

Expanded mortgage tax breaks to partially offset downward pressure of reaction from surge of demand for residential investment

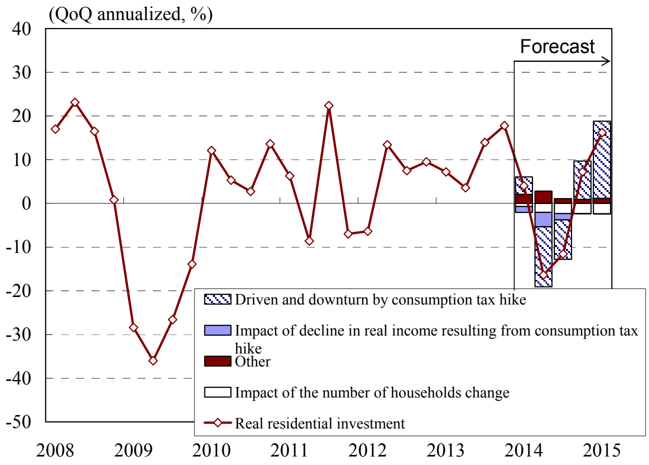
Real residential investment, bolstered by a jump in demand prior to the consumption tax hike, surged by an annualized +17.8% QoQ in Oct-Dec 2013, the seventh straight quarter of positive growth (Figure 8). Going forward, investment is expected to fall over the short term in reaction to the pre-tax hike demand surge as well as a decline in real income following the tax hike, as well as over the medium to long terms because of slowdown of the increase pace in the number of households. However, these downward pressures are expected to be offset somewhat by improved employment and income conditions as well as by more widespread home loan tax breaks.

Figure 7: Real Private Consumption



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

Figure 8: Real Residential Investment



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

(3) Public Sector

Public investment growth slowing, though still high

Real public demand in GDP figures rose by an annualized +3.6% QoQ, the sixth straight quarter of positive growth, in Oct-Dec 2013 (Figure 9). Of this, although public investment maintained high growth of +9.3% QoQ annualized, the pace of growth slowed from the two prior quarters, when growth exceeded 30% QoQ annualized. The growth of public works projects (a leading indicator) slowed, and the boost from the FY2012 supplementary budget passed in February 2013 (JPY3.3 trillion in public investment) appears to be weakening as the budgeted funds are being spent. On the other hand, government final expenditure consumptions continue to rise, particularly for medical expenses and care costs.

Public investment to decline despite support from FY13 supplementary budget

Going forward, the supplementary budget (including JPY1.7 trillion in public investment) related to the economic measures for realization of virtuous cycles passed in February is expected to support public investment as spending from the FY2012 supplementary budget peaks out. However, the more recent budget is only half the size of the FY2012 supplementary budget, and public investment is likely to slowly decline.

(4) Inflation

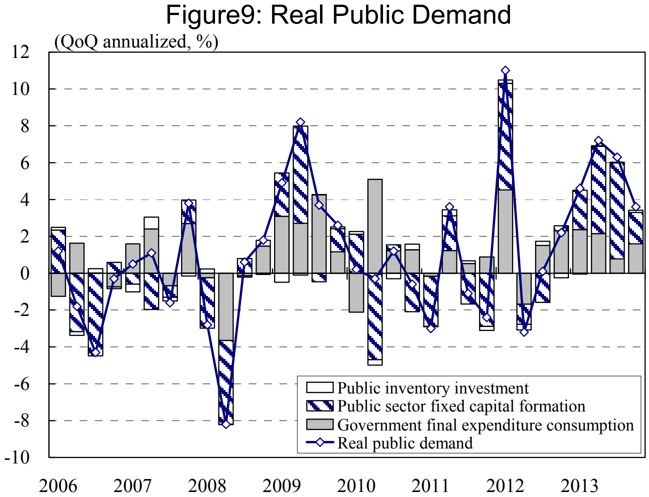
Consumer prices continue to rise as an end to deflation is in sight

An upward trend for consumer prices has taken root. Seasonally-adjusted core CPI, excluding fresh foods, have started to rise on-year, up +0.3% QoQ in Oct-Dec for the third straight quarter of rise (Figure 10). Higher prices of goods sensitive to the impact of the weaker JPY, including energy, were especially striking, but prices of other goods have also started to edge upward. The GDP deflator, which reflects domestic implied price changes, has also stopped declining. This is a different tone from the inflationary phase prior to the collapse of Lehman Brothers and an indication that Japan is emerging from deflation as domestic upward price pressures build.

Inflation expected to continue on improving supply-demand gap

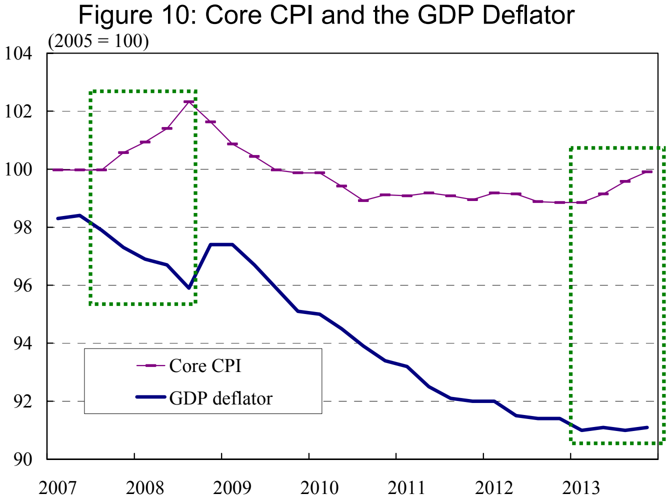
Looking forward, although direct upward pressure from the sudden weakening of the JPY beginning in late FY2012 will weaken, an improved macro supply-demand balance is expected to gradually increase upward pressure on inflation. Core CPI is projected to rise at a faster rate, at +0.7% YoY in FY2013 and +2.9% YoY in FY2014 (+0.9% YoY excluding the direct impact from the consumption tax hike).

Figure9: Real Public Demand



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

Figure 10: Core CPI and the GDP Deflator



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

3. Current Situation and Outlook of Monetary Policy and Financial Markets

(1) Monetary Policy and Long-term Interest Rates

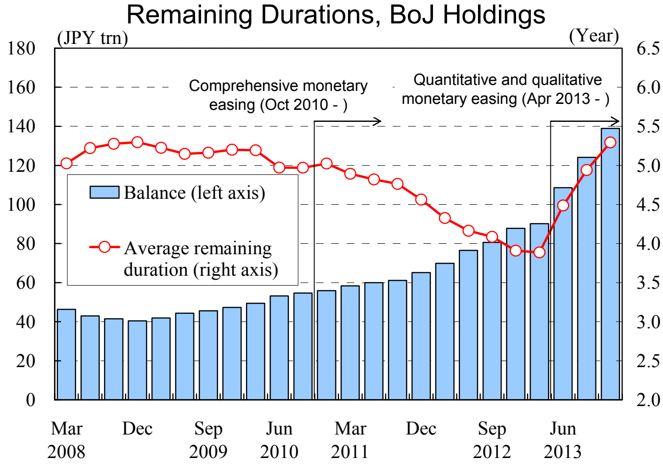
BoJ to continue to assess effects of current monetary policy

The BoJ has maintained its *quantitative and qualitative monetary easing* —its efforts to increase Japan's monetary base by approximately JPY60 –JPY70 trillion every year by increasing purchasing of long-term JGBs and other assets—in order to achieve an price stability target of +2% YoY over two years. The BoJ's *comprehensive monetary easing* launched in October 2010 also involved substantial purchases of long-term JGBs through an asset purchase fund, but that effort was focused on assets with shorter durations. As a result, the average remaining duration of BoJ holdings slowly shortened (Figure 11). *Quantitative and qualitative monetary easing* differs considerably in that, as well as much huger amounts of JGBs are purchased, the durations of the JGBs acquired have been extended. The BoJ is clearly taking on more risk by purchasing long-term JGBs, and this has lowered market interest rates and fostered inflationary expectations. The BoJ is expected to continue maintaining current policy while closely studying the effects of the policies.

BoJ's large-scale purchases to offset upward pressure from improving fundamentals; 10Yr JGB yield expected to remain low and stable

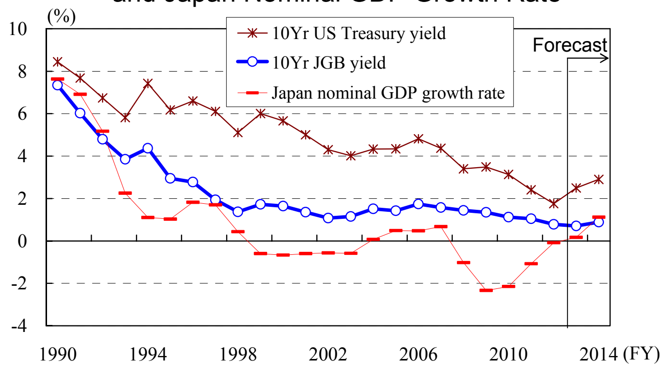
The 10Yr JGB yield jumped immediately after the introduction of *quantitative and qualitative monetary easing* because speculation that the interest rate on the BoJ's excess deposit reserves would be abolished wasn't realized. Thereafter, JGB supply has been squeezed because of the huge BoJ purchases, and the 10Yr JGB yield has hovered at a low 0.6% since then. The 10Yr yield is expected to remain at a low level of approximately 1% (Figure 12) despite an increasingly upward pressure like expected improvement in fundamentals for the Japanese economy and a rising US Treasury yield.

Figure 11: Long-Term JGB Balance and Average Remaining Durations, BoJ Holdings



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

Figure 12: 10Yr JGB Yield, 10Yr US Treasury Yield, and Japan Nominal GDP Growth Rate



Note: *Japan nominal GDP growth rate* is backward three-year moving average, excluding the direct impact of the consumption tax hike on the GDP deflator.
Source: Compiled by BTMU Economic Research Office from Cabinet Office, Bloomberg data.

(2) Exchange Rates

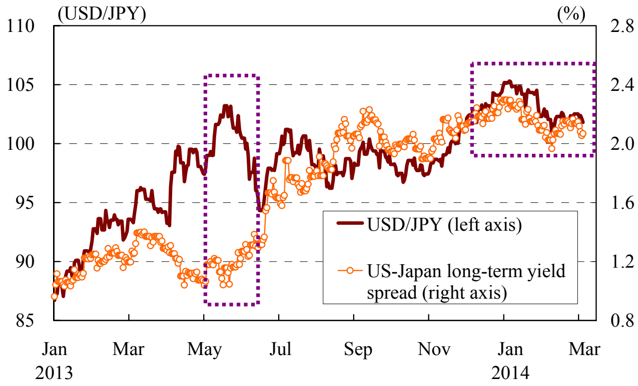
Macro conditions increasingly supporting weak JPY

The JPY is once again starting to weaken. The JPY traded against the USD in the USD/JPY95-100 range for an extended period, then settled at the USD/JPY100 level in December 2013 with some fluctuation (Figure 13). USD/JPY hit the lower USD/JPY100 level in late May 2013 as well, but at that time the long-term yield spread (US-Japan) stood at only approximately 1%, and the JPY once again started to strengthen. This time, however, the US-Japan yield spread is more than 2% points, so it is said that macroeconomic factors backing a weaker JPY are stronger.

BoJ's monetary easing, widening Japan-overseas yield spreads support weakening JPY

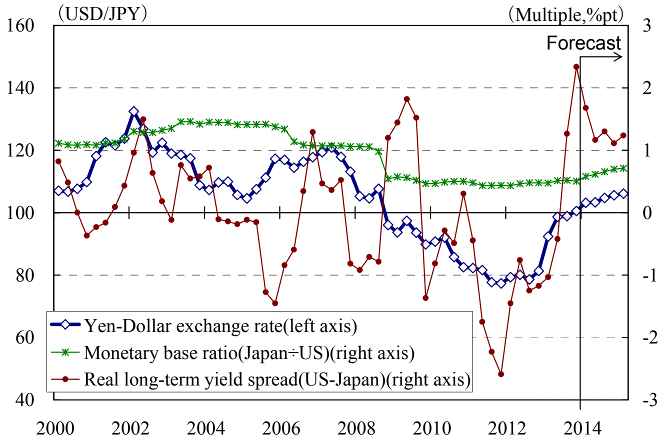
The possibility of risk-averse JPY buying arising again will bear watch for some time as overseas economies remain less than robust. However, a continued expansion in Japan's monetary base together with BoJ monetary easing and gradually widening spreads between Japan's low long-term yields and overseas yields are expected to support a weakening of the JPY (Figure 14).

Figure 13: USD/JPY and the US-Japan Long-Term Yield Spread



Note: *US-Japan Long-Term Yield Spread* derived by subtracting 10Yr JGB yield from 10Yr US Treasury yield.
Source: Compiled by BTMU Economic Research Office from Bloomberg data.

Figure 14: Yen-Dollar Exchange Rate, Monetary Base Ratio and Real Long-term Yield Spread



Source: Compiled by BTMU Economic Research Office from Bloomberg, various data.

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Outlook for the Japanese Economy

Forecast →

(%, billion yen)

	2012				2013				2014				2015	FY2012	FY2013	FY2014
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q			
1. The Real Economy (QoQ annualized change)																
Real GDP	3.7	-1.7	-3.1	-0.2	4.8	3.9	1.1	1.0	5.1	-4.7	4.0	2.8	2.8	0.6	2.3	1.2
Private Consumption	1.5	1.7	-1.8	1.6	4.2	2.6	0.9	2.0	5.4	-9.8	5.5	2.5	2.2	1.5	2.3	0.2
Housing Investment	-6.4	13.4	7.5	9.5	7.2	3.6	13.9	17.8	4.0	-16.4	-11.6	7.2	16.2	5.3	9.0	-1.5
Private Business Fixed Investment	-7.9	1.9	-7.3	-4.2	-3.5	4.4	0.8	5.3	5.0	5.1	5.3	5.6	5.9	0.7	0.7	5.0
Business Inventory (Contribution)	1.1	-1.2	1.0	-1.0	-0.3	-0.7	0.5	-0.1	0.4	0.0	0.0	0.1	0.1	-0.1	-0.2	0.1
Government Expenditures	11.0	-3.2	0.1	2.2	4.6	7.2	6.3	3.6	-1.6	-1.0	-0.6	-0.4	-0.2	1.4	4.5	-0.0
Public Investment	39.7	-6.2	-9.0	1.6	13.3	30.3	31.9	9.3	-10.7	-8.1	-6.6	-5.9	-4.7	1.3	15.9	-4.4
Net Exports (Contribution)	0.4	-1.3	-2.2	-0.5	1.7	0.5	-2.0	-2.2	1.2	1.3	0.6	0.4	0.2	-0.8	-0.2	0.4
Exports	11.8	-2.1	-15.2	-11.3	17.8	12.3	-2.7	1.7	8.1	7.8	7.8	5.7	3.9	-1.2	3.6	5.9
Imports	8.1	5.9	-1.5	-7.3	4.5	7.2	10.1	14.9	0.6	-0.6	4.5	3.6	3.0	3.7	5.3	3.8
Nominal GDP	3.5	-3.5	-3.9	0.1	3.0	4.1	0.7	1.6	5.9	0.4	5.1	2.8	3.6	-0.2	2.0	2.9
GDP Deflator (YoY)	-1.2	-1.1	-0.7	-0.7	-1.0	-0.5	-0.4	-0.4	0.4	1.5	1.9	1.5	1.9	-0.9	-0.2	1.7
Industrial Production Index (QoQ)	0.8	-2.2	-3.2	-1.9	0.6	1.5	1.7	1.9	3.8	-2.1	-0.2	0.4	0.6	-2.9	3.5	2.2
Domestic Corporate Goods Price Index (YoY)	0.3	-1.1	-1.9	-0.9	-0.3	0.7	2.2	2.5	2.3	4.5	4.5	4.5	4.4	-1.1	1.9	4.5
Consumer Price Index (excl. fresh food, YoY)	0.1	0.0	-0.2	-0.1	-0.3	0.0	0.7	1.1	1.0	3.0	2.9	2.8	3.0	-0.2	0.7	2.9
2. Balance of Payments																
Trade Balance (billion yen)	-1,069	-1,098	-1,651	-1,592	-2,523	-1,855	-2,877	-3,377	-2,273	-2,212	-2,046	-2,095	-1,991	-6,892	-10,381	-8,343
Current Balance (billion yen)	1,635	1,537	976	1,080	782	2,237	589	-303	1,227	1,357	1,642	1,690	1,874	4,354	3,751	6,564
3. Financial																
Uncollateralized overnight call rate	0-0.1	0-0.1	0-0.1	0-0.1	0-0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0-0.1	0.1	0.1
Euro-Yen TIBOR (3-mo.)	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.2
Newly Issued 10-Year Government Bonds Yield	1.0	0.9	0.8	0.7	0.7	0.7	0.8	0.6	0.7	0.8	0.8	0.9	1.0	0.8	0.7	0.9
Exchange Rate (USD/JPY)	79	80	79	81	92	99	99	101	103	103	105	106	106	83	100	105

Note: Uncollateralized overnight call rate guidance target (end-quarter) through Jan-Mar 2013; offered rate (mid-quarter average) for Apr-Jun 2013. Euro-Yen TIBOR (3-mo.), newly issued 10-year government bc

MAIN ECONOMIC AND FINANCIAL INDICATORS (JAPAN)

1． Main Economic Indicators

As of Mar. 25, 2014

	Fiscal	Fiscal	2013			2013			2014	
	2011	2012	2Q	3Q	4Q	OCT	NOV	DEC	JAN	FEB
Real GDP Growth Rate <% changes from	0.3	0.6	4.1	0.9	0.7	***	***	***	***	***
previous period at SA annual rate>			(1.2)	(2.3)	(2.6)					
Index of All Industries Activity	0.3	0.1	1.0	0.6	0.2	-0.4	0.5	-0.3	1.0	
			(0.5)	(1.6)	(1.8)	(1.7)	(1.9)	(2.1)	(3.3)	
Industrial Production Index	-0.7	-2.9	1.5	1.7	1.8	1.0	-0.1	0.9	3.8	
Production			(-3.1)	(2.3)	(5.7)	(5.4)	(4.8)	(7.1)	(10.3)	
Shipments	-1.5	-1.8	-1.9	0.6	3.5	2.3	0.0	0.8	5.1	
			(-3.5)	(1.6)	(6.4)	(6.3)	(6.6)	(6.3)	(9.0)	
Inventory	12.1	-2.7	0.4	1.2	-2.5	-0.3	-1.8	-0.5	-0.9	
			(-2.9)	(-3.5)	(-4.3)	(-3.8)	(-5.1)	(-4.3)	(-3.7)	
Inventory/Shipments Ratio	109.0	114.4	107.6	111.0	105.1	106.0	104.7	104.6	98.9	
(2010=100)			[111.5]	[116.4]	[117.7]	[117.7]	[117.7]	[117.7]	[113.2]	[110.3]
Domestic Corporate Goods Price Index	1.4	-1.1	0.7	0.8	0.2	-0.1	0.0	0.3	0.2	-0.2
			(0.7)	(2.2)	(2.5)	(2.5)	(2.6)	(2.5)	(2.5)	(1.8)
Consumer Price Index(SA, total, excl.fresh foods)	0.0	-0.2	0.7	0.4	0.3	0.2	0.2	-0.1	0.2	
			(0.0)	(0.7)	(1.1)	(0.9)	(1.2)	(1.3)	(1.3)	
Index of Capacity Utilization	97.9	95.4	96.6	98.3	100.0	99.6	99.1	101.3	107.3	
(2010=100)			[99.6]	[95.1]	[93.1]	[93.0]	[92.3]	[94.0]	[94.5]	[94.4]
Machinery Orders(Private Demand,	6.2	-3.0	6.8	4.3	1.5	0.6	9.3	-15.7	13.4	
Excl.Electric Power and Ship building)			(6.4)	(9.6)	(13.3)	(17.8)	(16.6)	(6.7)	(23.6)	
Manufacturing	5.9	-10.1	5.6	9.8	0.6	-0.2	6.0	-17.3	13.4	
			(-4.2)	(8.2)	(14.8)	(21.9)	(18.9)	(5.5)	(24.0)	
Non-manufacturing	6.6	2.8	12.5	-4.1	7.5	11.5	8.1	-17.2	12.1	
Excl.Electric Power & Ship building			(14.1)	(10.4)	(12.4)	(15.1)	(15.1)	(7.6)	(23.1)	
Shipments of Capital Goods	6.7	-6.0	-0.2	0.4	5.7	9.3	-3.2	0.8	13.8	
(Excl.Transport Equipment)			(-5.4)	(0.3)	(10.8)	(14.8)	(10.4)	(7.6)	(21.8)	
Construction Orders	7.1	2.4								
			(17.0)	(48.7)	(18.1)	(61.1)	(2.2)	(4.9)	(15.2)	
Private	3.7	2.6								
			(13.5)	(60.6)	(10.7)	(67.0)	(-14.7)	(-3.5)	(6.2)	
Public	22.7	5.3								
			(18.7)	(29.9)	(37.1)	(56.1)	(30.3)	(31.6)	(13.7)	
Public Works Contracts	-0.5	10.3								
			(25.2)	(22.5)	(5.0)	(3.5)	(4.9)	(7.5)	(28.8)	(3.7)
Housing Starts	84.1	89.3	98.3	100.4	102.6	103.0	103.7	105.5	98.7	
10,000 units at Annual Rate, SA	(2.7)	(6.2)	(11.8)	(13.5)	(12.9)	(7.1)	(14.1)	(18.0)	(12.3)	
Total floor	(2.5)	(4.8)	(11.6)	(13.0)	(13.8)	(9.4)	(15.2)	(17.1)	(10.5)	
Sales at Retailers	0.8	0.3								
			(0.7)	(1.2)	(3.0)	(2.4)	(4.1)	(2.5)	(4.4)	
Real Consumption Expenditures	-1.2	1.6	-1.9	-0.3	-0.2	0.3	-0.2	-0.4	1.6	
of Households over 2 persons (SA)			(-0.2)	(0.7)	(0.6)	(0.9)	(0.2)	(0.7)	(1.1)	
Propensity to Consume	73.3	74.8	74.0	74.8	74.6	75.3	74.9	75.0	75.9	
(SA,%)			[74.4]	[74.1]	[74.5]	[74.2]	[74.9]	[75.1]	[76.1]	[77.3]
Overtime Hours Worked	0.8	-0.3	2.5	0.7	1.6	1.1	1.0	-0.2	0.8	
(All Industries, 5 employees or more)			(1.0)	(4.0)	(6.0)	(5.8)	(6.7)	(5.6)	(7.0)	
Total Cash Earnings (Regular Employees	-0.3	-0.7								
Only; All Industries, 5 employees or more)			(0.3)	(-0.4)	(0.4)	(-0.1)	(0.6)	(0.5)	(-0.2)	
Employment Index(Regular Employees Only;'All Industries,	52	107	33	43	49	46	53	48	55	
5 employees or more）(Change over the M/Q/Y)			138	131	133					
Ratio of Job Offers to Applicants	0.68	0.82	0.90	0.95	1.01	0.98	1.01	1.03	1.04	
(SA,Times)			[0.80]	[0.81]	[0.82]	[0.82]	[0.82]	[0.83]	[0.84]	[0.85]
Unemployment Rate	4.5	5.0	4.0	4.0	3.9	4.0	3.9	3.7	3.7	
(SA,%)										
Economy Watcher Survey	44.9	46.3	55.1	52.1	53.7	51.8	53.5	55.7	54.7	53.0
(Judgment of the present condition D.I,%)			[47.3]	[43.0]	[41.6]	[39.0]	[40.0]	[45.8]	[49.5]	[53.2]
Bankruptcies (Number of cases)	12,707	11,719	2,841	2,664	2,571	959	862	750	864	782
	(-2.7)	(-7.7)	(-9.1)	(-8.8)	(-11.0)	(-7.3)	(-10.5)	(-15.7)	(-7.4)	(-14.6)

(Notes)

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

The figures in ( ) indicate % changes from previous year.

[ ] show the comparable figure of the previous year.

２．Balance of Payments

As of Mar. 25, 2014

	Fiscal 2011	Fiscal 2012	2013 2Q	2013 3Q	2013 4Q	2013 OCT	2013 NOV	2013 DEC	2014 JAN	2014 FEB
Customs Clearance(Exports in Yen Terms)	-3.7	-2.1	(7.0)	(12.7)	(17.4)	(18.6)	(18.4)	(15.3)	(9.5)	(9.8)
Value	1.7	4.0	(10.5)	(12.1)	(12.5)	(13.6)	(11.5)	(12.4)	(9.7)	(4.2)
Volumes	-5.3	-5.8	(-3.1)	(0.6)	(4.3)	(4.4)	(6.2)	(2.5)	(-0.2)	(5.4)
Imports(In Yen terms)	11.6	3.4	(10.3)	(17.5)	(24.1)	(26.3)	(21.2)	(24.8)	(25.1)	(9.0)
Value	9.2	2.5	(12.1)	(18.2)	(18.4)	(18.7)	(17.2)	(19.1)	(15.9)	(9.6)
Volumes	2.2	1.0	(-1.5)	(-0.5)	(4.8)	(6.4)	(3.4)	(4.7)	(8.0)	(-0.5)
Current Balance(100 mil. yen)	76,180	43,536	17,287	13,523	-13,593	-1,279	-5,928	-6,386		
Trade Balance(100 mil. yen)	-34,698	-68,921	-19,624	-27,452	-35,588	-10,919	-12,543	-12,126		
Services(100 mil. yen)	-18,265	-25,417	-3,334	-4,116	-6,561	-3,137	-1,100	-2,324		
Capital and Financial Accounts(100 mil. yen)	29,618	-49,201	23,052	-7,458	28,777	4,073	6,443	18,261		
Gold & Foreign Exchange Reserves($1mil.)	1,288,703	1,254,356	1,238,713	1,273,446	1,266,815	1,276,751	1,275,352	1,266,815	1,277,058	1,288,206
Exchange Rate(\/$)	79.05	83.08	98.74	98.94	100.45	97.85	100.03	103.46	103.94	102.13

３．Financial Market Indicators

	Fiscal 2011	Fiscal 2012	2013 2Q	2013 3Q	2013 4Q	2013 OCT	2013 NOV	2013 DEC	2014 JAN	2014 FEB
Uncollateralized Overnight Call Rates	0.077	0.083	0.073	0.073	0.072	0.070	0.073	0.074	0.073	0.077
			[0.078]	[0.085]	[0.084]	[0.085]	[0.086]	[0.082]	[0.083]	[0.087]
Euro Yen TIBOR	0.331	0.312	0.228	0.228	0.220	0.221	0.220	0.220	0.220	0.212
(3 Months)			[0.333]	[0.327]	[0.318]	[0.326]	[0.318]	[0.308]	[0.292]	[0.269]
Newly Issued Japanese Government Bonds Yields	1.050	0.760	0.772	0.732	0.642	0.590	0.600	0.735	0.620	0.580
(10 Years)			[0.848]	[0.780]	[0.757]	[0.775]	[0.700]	[0.795]	[0.740]	[0.665]
Average Contracted Interest Rates	1.269	1.184								
on Loans and Discounts(City Banks)			1.153	1.125	1.102	1.124	1.114	1.102	1.096	
(% changes from previous period)			(-0.031)	(-0.028)	(-0.023)	(-0.001)	(-0.010)	(-0.012)	(-0.006)	
The Nikkei Stock Average	10,084	12,398	13,677	14,456	16,291	14,328	15,662	16,291	14,915	14,841
(TSE 225 Issues)			[9,007]	[8,870]	[10,395]	[8,928]	[9,446]	[10,395]	[11,139]	[11,559]
M2(Average)	(2.9)	(2.5)	(3.5)	(3.8)	(4.2)	(4.1)	(4.4)	(4.3)	(4.3)	(4.0)
Broadly-defined Liquidity(Average)	(0.2)	(0.5)	(2.6)	(3.5)	(4.4)	(4.2)	(4.5)	(4.5)	(4.4)	(4.0)
Principal Figures of Financial Institutions										
Loans and Discount (Average): Banks & Shinkin	(-0.1)	(0.9)	(1.8)	(2.0)	(2.2)	(2.0)	(2.2)	(2.3)	(2.3)	(2.2)
Banks	(-0.1)	(1.1)	(2.1)	(2.3)	(2.4)	(2.3)	(2.4)	(2.6)	(2.5)	(2.4)
City Banks etc.	(-1.8)	(-0.2)	(1.6)	(1.9)	(1.8)	(1.7)	(1.8)	(2.0)	(1.8)	(1.6)
Regional Banks	(1.9)	(2.9)	(3.2)	(3.2)	(3.3)	(3.1)	(3.3)	(3.4)	(3.5)	(3.4)
Regional Banks Ⅱ	(1.1)	(0.8)	(0.6)	(0.7)	(2.0)	(1.9)	(2.0)	(2.1)	(2.3)	(2.4)
Shinkin	(-0.5)	(-0.7)	(-0.2)	(0.1)	(0.5)	(0.4)	(0.5)	(0.6)	(0.8)	(1.0)
Deposits and CDs (Average): Total(3 Business Condition)	(2.7)	(2.2)	(3.8)	(3.8)	(3.9)	(3.9)	(4.0)	(3.8)	(4.1)	(3.5)
City Banks	(1.9)	(1.8)	(4.1)	(3.7)	(3.7)	(3.7)	(3.7)	(3.5)	(3.8)	(3.2)
Regional Banks	(3.7)	(2.8)	(4.0)	(4.5)	(4.5)	(4.4)	(4.6)	(4.4)	(4.7)	(4.1)
Regional Banks Ⅱ	(2.8)	(1.8)	(1.5)	(2.1)	(3.2)	(3.1)	(3.3)	(3.3)	(3.3)	(2.9)

(Notes)
Interest rates are averages. The Nikkei Stock Average is as of month-end.
Unless otherwise indicated, tabulated figures and those in parentheses show % changes from previous quarter/month as applicable.
The figures in ( ) indicate % changes from previous year.
[ ] show the comparable figure of the previous year.

(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.