

The Outlook for the Japanese Economy

Improving Sentiment Supports to Increase in Spending as Japan's Economy Starts to Firm

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1. Overview of the Japanese Economy

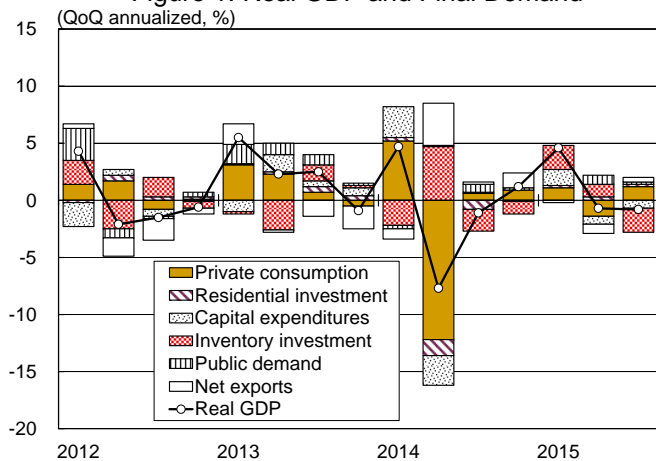
Final demand (excluding inventory investment) picking up even after second straight quarter of real GDP contraction

Japan's real GDP contracted by an annualized -0.8% QoQ in Jul-Sept, the second straight quarter of negative growth. The economy appears to be in a lull, but a number of demand components still point to firmness (Figure 1). First, private consumption, the core of domestic demand, rose by an annualized +2.1% QoQ in Jul-Sept, recovering steadily as employment and income conditions improved. Also, exports, which slumped in Apr-Jun because of the slowing global economy, have started to pick up, primarily to advanced economies. Exports rose an annualized +10.9% QoQ in Jul-Sept. One concern is a second straight quarter of contracting capital expenditures, but final demand (excluding inventory investment) turned positive. We feel the economy has averted a downturn.

Inventory adjustment likely to be short and slight

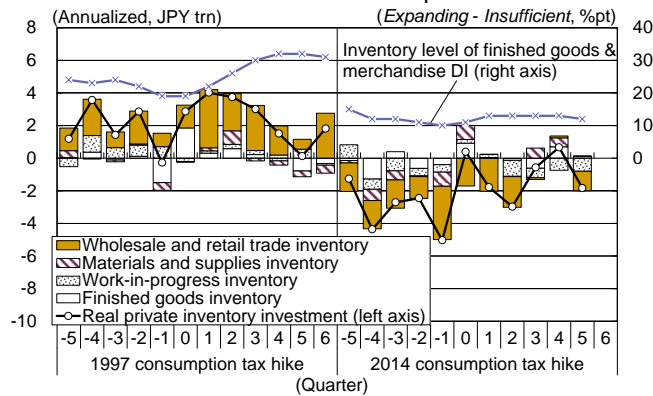
Inventory investment was the main cause for the GDP contraction, but we feel this is unlikely to weigh heavily on Japan's growth rate going forward. Finished goods inventory expanded somewhat in Apr-Jun after shrinking before that. We think that inventory adjustments may now be largely over (Figure 2). *Inventory Level of Finished Goods & Merchandise DI* in the Bank of Japan's *Tankan* survey has not risen, unlike after the 1997 consumption tax hike when the sense of surplus suddenly rose as inventories built up, especially at the distribution stage.

Figure 1: Real GDP and Final Demand



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

Figure 2: Real Private Inventory Investment and Inventory Level of Finished Goods & Merchandise DI, around 1997 and 2014 Consumption Tax Hikes



Note: 0th quarter is quarter when consumption tax was hiked. Source: Compiled by BTMU Economic Research Office from Cabinet Office data.

Improving corporate and household sentiment likely to support a forward-looking cycle of income to spending, Japan's economy starting to firm

The economy was sluggish due to inventory adjustment, but corporate and household incomes—the basis for increased spending—continue to improve. As the BoJ's massive monetary easing keeps the JPY remaining stable at or around its current level, we expect strong corporate profits to lead steadily to higher capital investments and more consumer spending through improving household income. Corporate and household sentiment, which has been somewhat cautious of late, will likely improve gradually and encourage such forward-looking developments. Concerning global economy, we think that the recovery momentum in advanced economies like the US and Europe will ultimately exceed the downward pressure from softness in emerging countries like China and resource-rich countries. As a result, Japanese exports will likely continue to increase. Demand for capital expenditures, which had been put off, will likely become obvious as uncertainties about the outlooks for overseas economies are swept away. We forecast Japan's real GDP to expand by +1.0% YoY in FY2015, picking up from the sluggishness of the year's first half and expanding at above the potential growth rate (Figure 1). In FY2016, sustained BoJ monetary easing coupled with reduction of corporate tax and other policies taking effect will likely boost forward-looking spending by corporates. A surge of demand is likely to occur prior to the April 2017 consumption tax hike, and we expect Japan's real GDP to hit +1.7% YoY in FY2016.

Risk factor: Plunge in exports and capital expenditures as overseas economies get out of order

One downside risk factor for our Main Scenario is overseas economies deteriorating more than expected. If China's economy slows and drags the global economy down, Japanese exports would not only collapse, but capital expenditures would also likely plummet as corporate sentiment atrophies. Another possible risk scenario is last-resort JPY buying occurring at the same time, which would cause corporate profits to drop. As a result, the economy's virtuous cycle would be disrupted.

Table 1 : GDP Forecast

	(YoY, %)		
	FY 2014 (Actual)	FY 2015 (Forecast)	FY 2016 (Forecast)
Real GDP	-0.9	1.0	1.7
Private consumption	-3.1	0.6	1.6
Residential investment	-11.6	3.7	3.2
Capital expenditures	0.5	0.2	4.5
Inventory investment(contribution)	0.5	0.1	-0.1
Public demand	0.8	0.9	0.6
Net exports(contribution)	0.6	0.1	0.1
Exports	7.9	1.3	3.0
Imports	3.6	0.9	3.0
Nominal GDP	1.6	2.2	1.8
GDP deflators	2.5	1.2	0.1

Note: Contribution from Inventory investment and Net exports.
 Source: Compiled by BTMU Economic Research Office from Cabinet Office data.

2. Key Points in Outlook

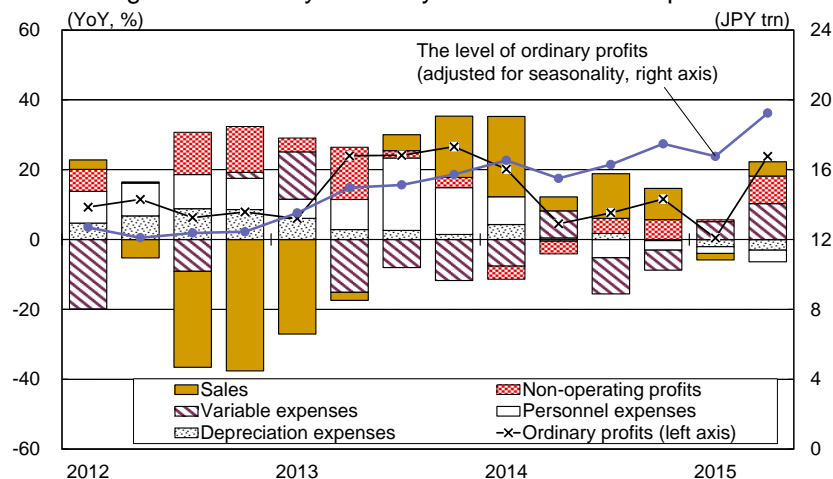
(1) CORPORATE PROFITS, CRITICAL FOR ECONOMIC VIRTUOUS CYCLE

Record corporate profits expected to stay high

Strong corporate profits, critical for an economic virtuous cycle to engage, persist. Ordinary profits among non-financial companies (based on *Financial Statement Statistics of Corporations by industry, Quarterly data*) neared a seasonally-adjusted JPY20 trillion, a record high (Figure 3), in Apr-Jun. TSE-1 companies reported higher ordinary profits in Jul-Sept than the same period a year earlier, and corporate profits continue to improve. Higher export profits due to the weak JPY, greater JPY-denominated profits from foreign investments, and falling international commodities markets—for example oil—appear to contribute to corporate profits overall. Also, a factor analysis shows that companies continue to report on-year ordinary profit growth, as higher sales are compatible with expanded personnel expenses and depreciation expenses. Higher profits are clearly encouraging companies to expand forward-looking spending.

We think that corporate profits are likely to stay strong because of recovering demand both in Japan and abroad as long as the BoJ maintains monetary easing and the JPY's exchange rate remains stable. The issue will be whether this will lead to increased private consumption via better employment and income conditions and forward-looking investing by companies. We discuss this below.

Figure 3: Ordinary Profits by Non-Financial Companies



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

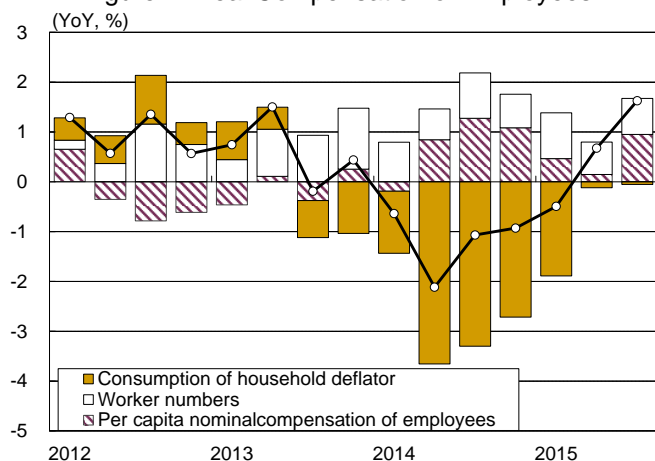
(2) EMPLOYMENT, INCOME CONDITIONS SUPPORTING INCREASED HOUSEHOLD SPENDING

Improving worker incomes and looser pursestrings expected to boost household spending

Companies have been more aggressively hiring and raising wages in order to lure workers as labor supply and demand tighten. Employment and income conditions continue to improve. Real worker compensation continues to rise (Figure 4) as not only worker numbers steadily expand and wages increase, but also as the impact of the consumption tax hike wears off and falling oil prices weigh on inflation. Real worker compensation has recently recovered to above the level immediately prior to the consumption tax hike. We think overall employment and income conditions will continue to improve because of the tight labor supply and demand.

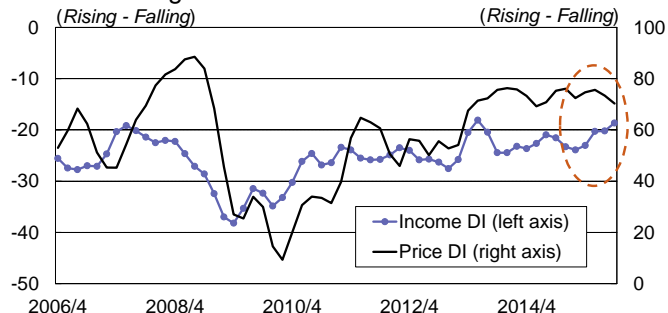
Private consumption started to rise in Jul-Sept despite remaining weak in Apr-Jun because of unseasonable weather and tighter household pursestrings. We expect private consumption to keep rising moderately as not only employment and income conditions improve, but also as consumers loose their pursestrings gradually. The Nippon Research Institute's *Consumer Confidence Survey* shows that, although the *Price DI* (*Rise* responses minus *Fall* responses) is still high, the *Income DI* (*Rise* or *Somewhat rise* responses minus *Fall* or *Somewhat fall* responses) has been on an upward trend in 2015 (Figure 5). We think expectations that incomes will rise will follow inflation expectations and households will loosen their pursestrings.

Figure 4: Real Compensation of Employees



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

Figure 5: Income DI and Price DI



Note: 1) *Income DI* is total number of *Fall* or *Somewhat fall* responses minus total number of *Rise* or *Somewhat rise* responses to question *What do you expect your own or your family's income will do over the next year*. *Price DI* is number of *Rise* responses minus number of *Fall* responses to question *What do you expect prices to do over the next year?*

2) DIs are averages of the past two terms, including the present terms.
Source: Compiled by BTMU Economic Research Office from Nippon Research Institute materials.

(3) CORPORATE SENTIMENT DETERMINING CAPITAL EXPENDITURES

Deferred capital expenditures to be made as uncertainties about overseas outlooks ease

Capital expenditures slipped an annualized -5.0% QoQ in Jul-Sept, the second straight quarter of contraction. We looked to the BoJ *Tankan's Domestic and Overseas Supply-Demand Conditions DI* to explain the weakness. Although companies feel that domestic supply and demand are the tightest since 2000, they feel that overseas supply and demand conditions are slowly worsening (Figure 6). The results show that Japanese companies may be becoming increasingly cautious about making capital expenditures following the big slump in exports in Apr-Jun and growing uncertainty about the direction of China and other

emerging markets. On the other hand, a number of conditions are supporting expanding capital spending; not only are corporate profits at record highs, but a greater sense of labor shortage and reduced sense of a facilities glut have taken root. Also, the BoJ Tankan survey shows that companies plan to make big capital spending outlays this fiscal year, and we think that strong potential corporate investment demand still persists.

As we explain below, we expect exports to rise as overseas economies—especially in advanced countries—stabilize. We expect companies to make the capital expenditures they had deferred as economic uncertainties both in Japan and abroad are lifted. We forecast capital expenditures to improve from recent weakness and start to increase.

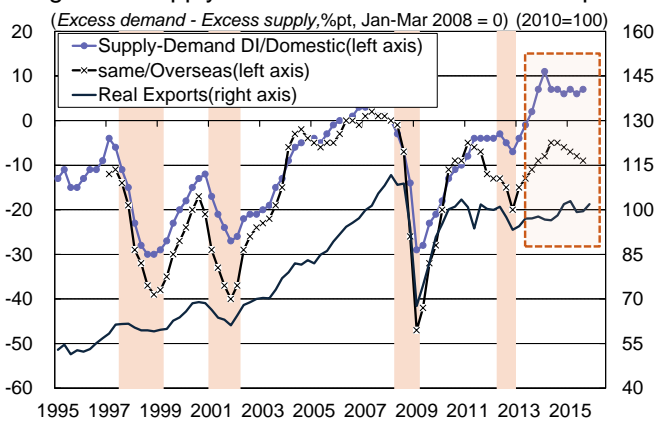
(4) OVERSEAS ECONOMIES AND JPY EXCHANGE RATE GUIDING EXPORTS

Exports likely to keep rising, especially to advanced countries with firm economies; stable exchange rates to also be a supporting factor

Exports posted a double-digit recovery in Jul-Sept from the drop in Apr-Jun, by an annualized +10.9% QoQ. Japanese exports are linked to the global economy and imports by destination countries and regions (Figure 7). Imports by Japan's main export destination economies have started to increase recently, after an early-year lull in the US and a weakening trend because of inventory adjustments in China. The global economy is stabilizing, primarily in advanced countries, and Japanese exports have improved after slumping in Apr-Jun. Japanese shipments have recovered to a gradual upward trajectory.

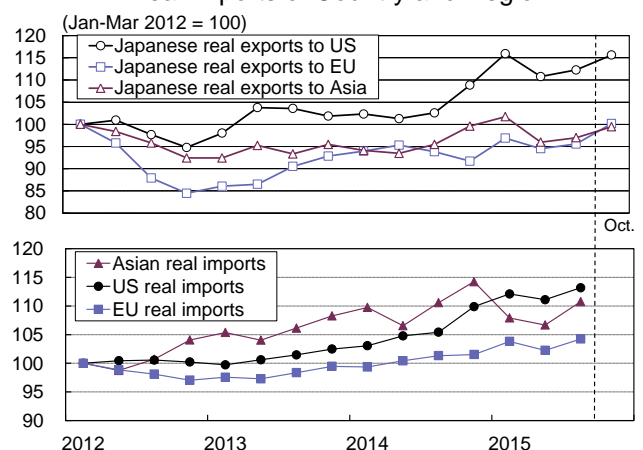
Exports are likely to keep rising. Given the recovery momentum in the US, Europe, and other advanced economies, we feel that firm exports destined for those areas will exceed the weakness of exports destined for China and other emerging markets. We also expect the JPY to remain at its current weak level against the USD as the BoJ maintains its massive monetary easing. This will likely continue to support Japanese exports by keeping prices lower.

Figure 6: Supply-Demand Conditions DI and Exports



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

Figure 7: Japanese Real Exports, Real Imports of Country and Region



Source: Compiled by BTMU Economic Research Office from CPB data etc.

3. Monetary Policy and Financial Markets

Price trend picking up(excluding impact of oil prices). BoJ to examine degree of improvement in price trend while maintaining current policy

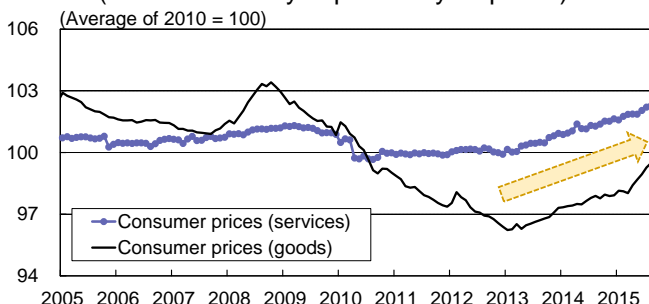
The Bank of Japan is maintaining *quantitative and qualitative monetary easing* operations expanded on October 31, 2014. In the *Outlook for Economic Activity and Prices* released at the Monetary Policy meeting October 30, 2015, the BoJ lowered its real GDP growth and CPI forecasts and also pushed back its timeline for hitting its 'Price Stability target' from '1H FY2016' to '2H FY2016'. Governor Haruhiko Kuroda cited falling energy prices as the main factor for the changes, asserting that the price trend continues to steadily improve. He made it clear he feels no need for additional monetary easing at this time. In fact, CPI(excluding items easily impacted by oil prices) for goods and services started to pick up in early 2013, and the price trend appears to be gaining momentum (Figure 8). We expect the BoJ to closely watch the degree of improvement in price trend while maintaining current monetary policy.

10Yr JGB yield to start to rise but only slowly; USD/JPY to remain between 120-125.

The yield on the 10Yr JGB remains low, dipping below 0.3% in late October for the first time in half a year. We expect Japan's 10 Yr JGB yield to start to rise slowly on higher US Treasury yields ahead of an expected Fed rate hike and a gradual improvement in Japanese economic fundamentals. But the pace of rise will likely be very slow, given the sustained downward pressure from the BoJ's massive monetary easing operations.

USD/JPY had continued to trade at or around the USD/JPY120 mark, but the JPY has weakened to USD/JPY123 since early November as US yields rose on expectations of a Fed rate hike and the resultant growing US-Japan yield gap. We expect conditions to support USD buying and JPY selling as the US-Japan yield gap widens once the Fed hikes the policy rate, although JPY buying touched off by risk aversion could also occur at times. However, in terms of US-Japan purchasing power parity, the USD/JPY rate is nearing the CPI-based ceiling set in the past (USD/JPY128 for FY2016), and the JPY is unlikely to weaken much more (Figure 9). We expect USD/JPY to remain in the JPY120-125 range.

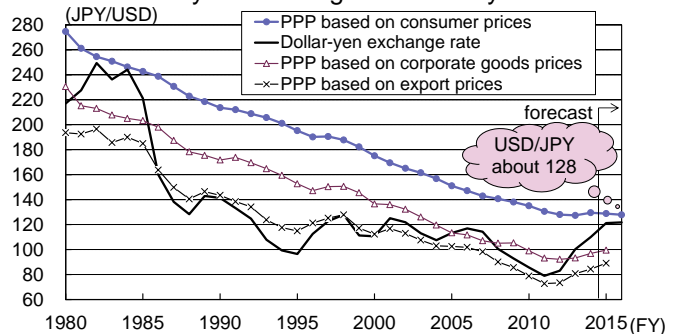
Figure 8: Consumer Prices, by Goods and Services (excl items easily impacted by oil prices)



Note: 1) Items easily impacted by oil prices are airplane fares and package tours to overseas for Consumer prices (Services) and petroleum products, electricity, and gas, manufactured & piped for Goods.
 2) Consumer prices (Services) does not include imputed rent.
 3) Excludes direct impact of consumption tax hike.
 4) Adjusted for seasonality by BTMU.

Source: Compiled by BTMU Economic Research Unit from MIC data.

Figure 9: Yen Exchange Rate by Purchasing Power Parity



Note: 1) Purchasing power parity = exchange rate for a base year (Average of 1973: JPY271.40 per dollar) × (Japanese price index/U.S. price index)
 2) Data for export prices are the averages of those based on export price index and those based on export deflator.

Source: Compiled by BTMU Economic Research Office from Bank of Japan, Cabinet Office, U.S. DOL, U.S. DOC, and Bloomberg data.

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Outlook for the Japanese Economy

Reflecting Jul-Sep2015 GDP (first preliminary figures)

Forecast →

(% , billion yen)

	2014				2015				2016				2017	FY2014	FY2015	FY2016
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q			
1. The Real Economy (QoQ annualized change)																
Real GDP	4.7	-7.7	-1.1	1.2	4.6	-0.7	-0.8	1.8	2.0	1.6	1.7	1.6	3.8	-0.9	1.0	1.7
Private Consumption	8.8	-18.5	0.9	1.4	1.7	-2.3	2.1	1.4	1.6	1.2	1.1	1.2	6.1	-3.1	0.6	1.6
Housing Investment	9.0	-35.9	-24.5	-2.7	8.1	10.1	8.0	1.9	1.6	2.0	7.8	4.5	-5.1	-11.6	3.7	3.2
Private Business Fixed Investment	20.4	-16.6	1.0	0.0	10.1	-4.8	-5.0	2.5	5.8	5.6	5.5	5.3	5.0	0.5	0.2	4.5
Business Inventory (Contribution)	-2.2	4.7	-1.9	-1.1	2.1	1.1	-2.1	0.4	0.2	0.0	-0.0	-0.1	-0.5	0.5	0.1	-0.1
Government Expenditures	-1.3	0.4	3.0	0.6	-0.1	3.3	0.7	-0.5	0.1	0.6	0.6	0.6	1.1	0.8	0.9	0.6
Public Investment	-2.9	1.5	7.0	0.8	-5.2	8.6	-1.3	-6.6	-2.1	0.6	0.6	0.8	3.2	2.0	0.0	-0.5
Net Exports (Contribution)	-0.9	3.7	0.2	1.3	-0.2	-0.8	0.4	0.3	0.1	-0.2	0.0	0.1	0.0	0.6	0.1	0.1
Exports	25.7	1.7	6.5	12.0	8.0	-16.1	10.9	3.4	2.5	2.3	2.5	2.5	2.3	7.9	1.3	3.0
Imports	26.1	-15.6	4.4	3.5	7.8	-10.8	7.1	2.1	2.3	3.6	2.6	2.4	2.5	3.6	0.9	3.0
Nominal GDP	4.9	0.5	-1.9	2.7	9.0	0.6	0.1	1.5	0.4	2.5	2.6	1.8	2.5	1.6	2.2	1.8
GDP Deflator (YoY)	0.1	2.1	2.1	2.3	3.5	1.5	2.1	1.3	0.0	0.1	-0.0	0.0	0.3	2.5	1.2	0.1
Industrial Production Index (QoQ)	2.3	-3.0	-1.4	0.8	1.5	-1.4	-1.2	2.3	0.4	0.8	0.8	1.5	1.6	-0.4	0.1	3.7
Domestic Corporate Goods Price Index (YoY)	2.0	4.3	4.0	2.4	0.5	-2.2	-3.6	-2.2	-0.6	0.8	1.5	1.8	2.0	2.8	-2.2	1.6
Consumer Price Index (excl. fresh food, YoY)	1.3	3.3	3.2	2.7	2.1	0.1	-0.1	0.1	0.5	0.8	1.1	1.4	1.6	2.8	0.2	1.2
2. Balance of Payments																
Trade Balance (billion yen)	-3,954	-2,093	-2,659	-1,846	78	-223	-683	-352	-841	-800	-932	-1,197	-1,905	-6,566	-2,099	-4,834
Current Balance (billion yen)	-1,331	800	501	2,665	3,868	4,217	3,688	4,120	3,711	3,797	3,711	3,490	2,827	7,931	15,736	13,825
3. Financial																
Uncollateralized overnight call rate	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Euro-Yen TIBOR (3-mo.)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Newly Issued 10-Year Government Bonds Yield	0.6	0.6	0.5	0.4	0.3	0.4	0.4	0.4	0.4	0.5	0.5	0.6	0.7	0.5	0.4	0.6
Exchange Rate (USD/JPY)	103	102	104	115	119	121	122	120	121	121	122	122	122	110	121	122

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 bonds yield.

MAIN ECONOMIC AND FINANCIAL INDICATORS (JAPAN)

1. Main Economic Indicators

As of Dec. 29, 2015

	Fiscal 2013	Fiscal 2014	2015			2015				
			1Q	2Q	3Q	JUL	AUG	SEP	OCT	NOV
Real GDP Growth Rate <% changes from previous period at SA annual rate>	2.0	-1.0	4.4 (-1.1)	-0.5 (0.7)	1.0 (1.6)	***	***	***	***	***
Index of All Industries Activity	2.2	-1.1	1.1 (-1.2)	-0.3 (1.4)	-0.1 (1.3)	-0.1 (1.5)	0.0 (1.6)	-0.2 (0.6)	1.0 (0.9)	
Industrial Production Index	3.2	-0.4	1.5 (-2.1)	-1.4 (-0.5)	-1.2 (-0.4)	-0.8 (0.0)	-1.2 (-0.4)	1.1 (-0.8)	1.4 (-1.4)	-1.0 (1.6)
Production										
Shipments	2.9	-1.1	1.7 (-2.4)	-2.4 (-0.3)	-0.6 (-0.6)	-0.4 (-0.8)	-0.7 (0.6)	1.4 (-1.5)	2.1 (-0.8)	-2.5 (0.6)
Inventory	-1.2	6.2	1.0 (6.2)	1.1 (4.0)	-0.9 (2.1)	-0.8 (2.7)	0.3 (2.1)	-0.4 (2.1)	-1.9 (0.2)	0.4 (-0.5)
Inventory/Shipments Ratio (2010=100)	106.3	112.0	112.3 [103.1]	114.0 [108.7]	115.6 [113.2]	112.2 [110.2]	119.2 [117.9]	115.5 [111.5]	112.0 [112.6]	115.2 [116.1]
Domestic Corporate Goods Price Index	1.9	2.8	-1.6 (0.5)	0.3 (-2.2)	-1.0 (-3.6)	-0.3 (-3.1)	-0.6 (-3.6)	-0.6 (-4.0)	-0.6 (-3.8)	-0.1 (-3.6)
Consumer Price Index(SA, total, excl.fresh foods)	0.8	2.8	-0.7 (2.1)	0.6 (0.1)	0.0 (-0.1)	0.0 (0.0)	0.0 (-0.1)	-0.1 (-0.1)	0.0 (-0.1)	0.1 (0.1)
Index of Capacity Utilization (2010=100)	100.0	100.6	101.7 [104.7]	97.6 [101.2]	96.8 [99.1]	96.9 [98.8]	96.0 [98.3]	97.4 [100.3]	98.7 [100.6]	
Machinery Orders(Private Demand, Excl.Electric Power and Ship building)	11.5	0.8	6.3 (3.3)	2.9 (12.4)	-10.0 (-0.9)	-3.6 (2.8)	-5.7 (-3.5)	7.5 (-1.7)	10.7 (10.3)	
Manufacturing	10.2	7.0	2.3 (5.2)	12.1 (27.5)	-15.3 (-1.1)	-5.3 (3.8)	-3.2 (4.5)	-5.5 (-8.7)	14.5 (5.8)	
Non-manufacturing Excl.Electric Power & Ship building	12.1	-3.3	8.5 (1.4)	-1.7 (2.3)	-6.5 (-0.8)	-6.0 (1.8)	-6.1 (-9.5)	14.3 (3.0)	10.7 (14.4)	
Shipments of Capital Goods (Excl.Transport Equipment)	5.5	4.3	1.2 (-1.1)	-2.1 (2.5)	-1.9 (-0.8)	0.7 (0.4)	-5.6 (0.6)	0.8 (-2.8)	2.2 (-4.2)	-0.6 (-1.1)
Construction Orders	20.1	8.2								
Private	14.2	4.8								
Public	31.2	22.9								
Public Works Contracts	17.7	-0.3								
Housing Starts 10,000 units at Annual Rate, SA	98.7 (10.6)	88.0 (-10.8)	89.8 (-5.4)	95.8 (7.6)	92.3 (6.2)	91.4 (7.4)	93.1 (8.8)	90.0 (2.6)	86.2 (-2.5)	88.6 (1.7)
Total floor	(9.9)	(-15.2)	(-9.0)	(4.2)	(2.8)	(4.6)	(3.4)	(0.6)	(-3.6)	(2.7)
Sales at Retailers	2.9	-1.2								
Real Consumption Expenditures of Households over 2 persons (SA)	0.9	-5.1	1.4 (-6.5)	-3.2 (0.5)	0.5 (0.7)	0.6 (-0.2)	2.5 (2.9)	-1.3 (-0.4)	-0.7 (-2.4)	-2.2 (-2.9)
Propensity to Consume (SA, %)	75.5	74.2	74.6 [78.3]	73.7 [73.6]	73.4 [74.6]	71.4 [75.0]	74.3 [73.6]	74.6 [75.1]	73.3 [74.2]	73.2 [75.5]
Overtime Hours Worked (All Industries, 5 employees or more)	4.8	2.0	0.3 (-0.6)	-0.9 (-1.6)	-0.2 (-0.9)	-0.2 (-0.7)	-1.0 (-0.8)	1.2 (-0.8)	0.1 (-0.8)	
Total Cash Earnings (Regular Employees Only; All Industries, 5 employees or more)	-0.2	0.5								
Employment Index(Regular Employees Only;All Industries, 5 employees or more) (Change over the M/Q/Y)	45	77	90	96	95	96	94	96	104	
Ratio of Job Offers to Applicants (SA, Times)	0.97	1.11	1.15 [1.05]	1.18 [1.09]	1.23 [1.10]	1.21 [1.10]	1.23 [1.10]	1.24 [1.10]	1.24 [1.10]	1.25 [1.12]
Unemployment Rate (SA, %)	3.9	3.5	3.5	3.3	3.4	3.3	3.4	3.4	3.1	3.3
Economy Watcher Survey (Judgment of the present condition D.I.%)	54.0	46.6	49.3 [55.2]	52.6 [44.8]	49.5 [48.7]	51.6 [51.3]	49.3 [47.4]	47.5 [47.4]	48.2 [44.0]	46.1 [41.5]
Bankruptcies (Number of cases)	10,536 (-10.0)	9,543 (-9.4)	2,272 (-7.6)	2,296 (-12.1)	2,092 (-14.1)	787 (-10.7)	632 (-13.0)	673 (-18.6)	742 (-7.2)	711 (-3.3)

(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 Dec. 29, 2015

	Fiscal	Fiscal	2015			2015				
	2013	2014	1Q	2Q	3Q	JUL	AUG	SEP	OCT	NOV
Customs Clearance (Exports in Yen Terms)	10.8	5.4	(9.0)	(6.7)	(3.7)	(7.6)	(3.1)	(0.5)	(-2.2)	(-3.3)
Value	10.2	3.9	(5.0)	(7.3)	(6.8)	(8.4)	(7.5)	(4.6)	(2.5)	(-0.3)
Volumes	0.6	1.3	(3.8)	(-0.6)	(-2.8)	(-0.7)	(-4.1)	(-3.9)	(-4.6)	(-3.1)
Imports (In Yen terms)	17.4	-0.9	(-9.3)	(-5.1)	(-5.8)	(-3.1)	(-3.1)	(-11.0)	(-13.3)	(-10.2)
Value	14.6	1.2	(-5.1)	(-3.1)	(-4.0)	(-0.2)	(-2.4)	(-9.2)	(-9.9)	(-11.7)
Volumes	2.3	-2.1	(-4.6)	(-2.2)	(-1.9)	(-2.9)	(-0.7)	(-1.9)	(-3.8)	(1.6)
Current Account (100 mil. yen)	14,715	79,309	44,177	37,637	49,301	18,086	16,531	14,684	14,584	
Goods (100 mil. yen)	-110,187	-65,659	-3,311	-678	-3,519	-1,080	-3,261	823	2,002	
Services (100 mil. yen)	-34,448	-27,482	-2,801	-6,266	-1,710	-1,836	578	-452	-3,373	
Financial Account (100 mil. yen)	-17,549	133,088	63,894	46,954	58,588	9,170	19,384	30,034	3,966	
Gold & Foreign Exchange Reserves (\$1mil.)	1,279,346	1,245,316	1,245,316	1,242,935	1,248,936	1,242,316	1,244,150	1,248,936	1,244,211	1,233,008
Exchange Rate (¥/\$)	100.23	109.92	119.07	121.35	122.23	123.23	123.23	120.22	120.06	122.54

3. Financial Market Indicators

	Fiscal	Fiscal	2015			2015							
	2013	2014	1Q	2Q	3Q	JUL	AUG	SEP	OCT	NOV			
Uncollateralized Overnight Call Rates	0.073	0.068	0.073 [0.074]	0.067 [0.067]	0.074 [0.067]	0.074 [0.066]	0.076 [0.069]	0.073 [0.066]	0.076 [0.059]	0.078 [0.065]			
Euro Yen TIBOR (3 Months)	0.223	0.194	0.171 [0.215]	0.169 [0.211]	0.169 [0.210]	0.169 [0.210]	0.169 [0.210]	0.169 [0.210]	0.169 [0.192]	0.169 [0.182]			
Newly Issued Japanese Government Bonds Yields (10 Years)	0.640	0.400	0.400 [0.640]	0.455 [0.565]	0.350 [0.525]	0.410 [0.530]	0.380 [0.490]	0.350 [0.525]	0.300 [0.450]	0.300 [0.420]			
Average Contracted Interest Rates on Loans and Discounts(City Banks) (% changes from previous period)	1.077	1.006	1.006 (-0.019)	0.987 (-0.019)	0.969 (-0.018)	0.982 (-0.005)	0.980 (-0.002)	0.969 (-0.011)	0.969 (0.000)				
The Nikkei Stock Average (TSE 225 Issues)	14,828	19,207	19,207 [14,828]	20,236 [15,162]	17,388 [16,174]	20,585 [15,621]	18,890 [15,425]	17,388 [16,174]	19,083 [16,414]	19,747 [17,460]			
M2(Average)	(3.9)	(3.3)	(3.5)	(3.9)	(4.0)	(4.0)	(4.2)	(3.8)	(3.7)	(3.3)			
Broadly-defined Liquidity(Average)	(3.7)	(3.3)	(3.5)	(4.3)	(4.5)	(4.6)	(4.7)	(4.3)	(4.3)	(4.0)			
Principal Figures of Financial Institutions													
Loans and Discount (Average)	Banks & Shinkin		(2.0)	(2.3)	(2.5)	(2.5)	(2.6)	(2.6)	(2.7)	(2.6)	(2.5)	(2.3)	
		Banks		(2.3)	(2.5)	(2.6)	(2.6)	(2.7)	(2.6)	(2.8)	(2.7)	(2.5)	(2.3)
			City Banks etc.	(1.7)	(1.4)	(1.4)	(1.4)	(1.6)	(1.4)	(1.7)	(1.5)	(1.4)	(0.9)
			Regional Banks	(3.2)	(3.7)	(4.0)	(4.0)	(3.9)	(3.9)	(3.8)	(3.8)	(3.7)	(3.7)
			Regional Banks II	(1.4)	(2.9)	(3.1)	(3.1)	(3.4)	(3.4)	(3.4)	(3.3)	(3.2)	(3.2)
	Shinkin	(0.3)	(1.4)	(1.6)	(1.9)	(2.1)	(2.0)	(2.1)	(2.3)	(2.3)	(2.2)		
Deposits and CDs (Average)	Total(3 Business Condition)		(3.8)	(3.3)	(3.9)	(4.3)	(4.3)	(4.3)	(4.5)	(4.0)	(3.6)	(3.2)	
		City Banks	(3.7)	(3.4)	(4.7)	(5.4)	(5.4)	(5.5)	(5.8)	(4.8)	(4.2)	(3.6)	
		Regional Banks	(4.3)	(3.3)	(3.1)	(3.3)	(3.3)	(3.4)	(3.3)	(3.3)	(3.1)	(3.0)	
		Regional Banks II	(2.5)	(3.1)	(3.1)	(2.9)	(2.7)	(2.8)	(2.6)	(2.6)	(2.3)	(2.2)	

(Notes)

Newly Issued Japanese Government Bonds Yields and 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.