

Japan Economic Monthly

~ Japan's Economy Overcomes Summertime Electricity Supply Restrictions, Stays on Recovery Course ~

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

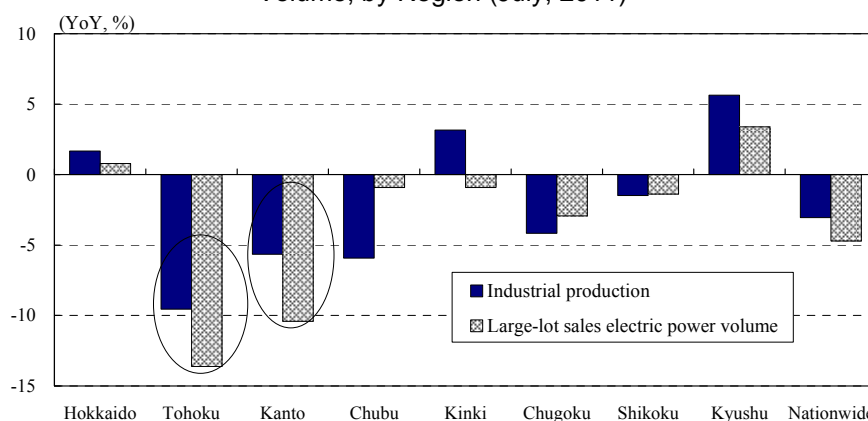
1 . The Real Economy

(1) Overview of the Economy

Minimal adverse impact on production or economic activities from electricity supply restrictions

Japan's economy overcame the dreaded electricity supply restrictions over the summer months without major turmoil. Both government-mandated electric power usage restrictions in the Tohoku and Tokyo electric power company service areas (which were lifted in all areas September 9, two weeks earlier than initial plans for September 22), as well as companies' efforts to stagger employee days off, weekends, and working hours, proved successful. As a result, sudden large-scale power outages and the continuous re-introduction of planned blackouts were averted, and production and economic activity did not contract conspicuously. In fact, production continued to post on-month gains in July. Though still negative on a year-to-year comparison because of the big drop in March following the earthquake, July production did not appear to contract as much as electricity usage even in the Tohoku and Kanto regions where usage restrictions were in effect. (On-year production growth even accelerated in the Kinki and Kyushu regions. See Figure 1.) Furthermore, manufacturers projected a continued increase in production in August, and it appears that Japan's economy has cleared a hurdle toward achieving a full fledged recovery.

Figure 1: Industrial Production and Large Electric Power Supplier Sales Volume, by Region (July, 2011)



Note: Regional classifications differ somewhat for *Industrial production* and *Large-lot sales electric power volume*.
Source: Compiled by BTMU Economic Research Office from METI, Federation of Electric Power Companies data.

A number of concerns still remain

However, more—and weightier—issues than usual cloud the outlook for Japan’s economy. Slowing economies overseas, the JPY’s persistent super-strength, as well as a delayed public response to the March 11 disaster—in both implementing and executing budget decisions—are hindering exports and reconstruction demand, both keys to an economic recovery. The electricity shortage issue has by no means been solved, and more efforts will be needed as the next heavy demand period approaches this winter. Japan’s economy is expected to post positive growth for the first time in four quarters in Jul-Sept, but even so the unease and uncertainty that lie ahead will not be easily dispelled.

(2) Fiscal

Government to submit third FY11 supplementary budget to Diet

The Japanese Government has begun to formulate the third FY11 supplementary budget. The supplementary budget is expected to include comprehensive earthquake recovery measures as well as countermeasures for JPY appreciation. Specifically, the government plans to provide municipalities with JPY1.9 trillion in allocations and create a JPY500 billion subsidy program to encourage companies to locate factories and R&D sites within Japan (Table 1). For now, the budget bill is scheduled to be submitted in an extraordinary Diet session from mid-October after September’s deliberations between ruling and opposite parties.

Table 1: Measures Under Consideration for FY11 Third Supplementary Budget

| | Item | Budget |
|--|---|-----------------------------|
| Disaster response | Disaster reconstruction allocation funds for municipalities | approx JPY 1.9 Trn |
| | Financial support for affected companies | approx JPY 900 Bn |
| | Infrastructure rebuilding projects | approx JPY 350 Bn |
| | Medical, caregiving, and welfare support in disaster areas | approx JPY 230 Bn |
| | Preliminary integration of childcare in disaster area | — |
| | Subsidies for public housing facilities in disaster area (200,000 units) | approx JPY 200 Bn |
| | Relocation to higher ground | approx JPY 400 Bn |
| | Residential Ecopoint system (for disaster area) | — |
| | Restart of <i>Flat 35</i> preferential interest rate program | — |
| | Overhaul, replacement of SDF facilities | approx JPY 162 Bn |
| | Fukushima revitalization fund | — |
| | Creation of disaster area employment measures fund | approx JPY 151 Bn |
| Nuclear reactor-, energy conservation-related measures | Rebuilding local government facilities in disaster zone, establishing wireless disaster management facilities | approx JPY 66 Bn |
| | Funding assistance for disaster-area fisheries | — |
| | Increased issuance of government bonds to fund nuclear accident reparations (from JPY2 Trn to JPY5 Trn) | (when budget payments made) |
| Countermeasures to strong JPY | Renewable energy R&D facilities in Fukushima Prefecture | approx JPY 100 Bn |
| | Subsidies for electricity conservation measures | approx JPY 200 Bn |
| Countermeasures to strong JPY | 33% subsidies for rechargeable battery purchases | — |
| | Increased funding for employment measures fund to combat strong JPY | approx JPY 200 Bn |
| | Promoting domestic base | approx JPY 500 Bn |
| | Increased stake in Japan Oil, Gas and Metals National Corporation | approx JPY 30 Bn |

Source: Compiled by BTMU Economic Research Office from various reports.

(3) Corporate Sector Production

Despite continued production growth, pace gradually easing

July industrial production continued to rise in July, by +0.4% MoM (Table 2), marking the fourth straight month of on-month positive production growth. However, July’s pace was well short of the +2.2% MoM increase projected in the manufacturers’ production forecast survey one month earlier. Further, although the forecast survey calls for a continued increase of +2.8% MoM in

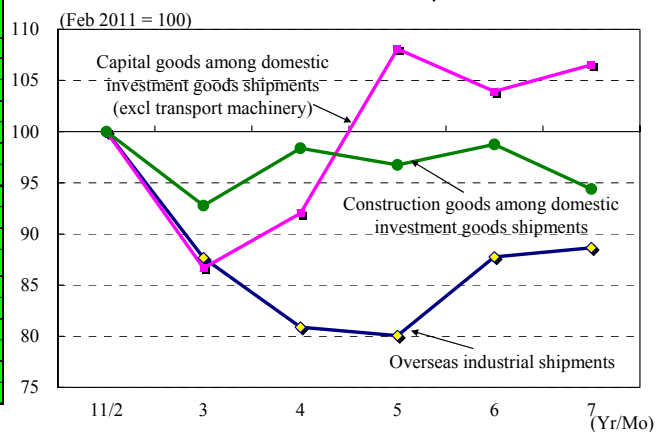
August, output is expected to fall for the first time since the March 11 earthquake, by -2.4% MoM in September. In particular, concerns are building about electronic parts and devices makers (inventory rates have surged +39.5% YoY), as well as general and transport machinery makers, which have been leading the recovery since the earthquake. Production in these sectors in particular is expected to continue to decline through September. Overall, the recovery from the production plunge after the March 11 earthquake appears to be stalling, and new drivers, like overseas or reconstruction demand, are needed to further boost output. On this point, decelerating overseas economies and slow removal of rubble in the disaster-stricken areas are stoking unease going forward. In fact, manufacturing shipments destined for overseas as well as domestic shipments of building materials have been weak recently, causing such concerns to grow (Figure 2).

Table 2: Production, Major Industries

| Industry | Weight (%) | (MoM, %) | | | | | | | |
|---------------------------------------|------------|----------|-------|------|------|------|-------|------|--|
| | | Mar 2011 | Apr | May | Jun | Jul | Aug | Sept | |
| Industry | 100.0 | -15.5 | 1.6 | 6.2 | 3.8 | 0.6 | 2.8 | -2.4 | |
| Iron, steel | 6.0 | -10.2 | -2.2 | -2.1 | 1.0 | -0.7 | -1.7 | 2.7 | |
| General machinery | 13.2 | -14.5 | 12.0 | 5.6 | -0.8 | 0.6 | 7.9 | -1.1 | |
| Electronic machinery | 6.1 | -10.2 | 4.4 | 2.4 | 4.6 | 0.0 | 15.1 | -3.3 | |
| Information, communications machinery | 4.3 | -8.0 | -16.7 | 13.5 | 15.0 | 15.7 | -10.1 | -4.2 | |
| Electronic parts, devices | 8.0 | -6.6 | -12.6 | -0.6 | 5.2 | -3.4 | -1.1 | -1.4 | |
| Transport machinery | 16.9 | -46.7 | -1.9 | 36.6 | 19.5 | 5.3 | 6.5 | -6.4 | |
| Chemicals | 11.8 | -2.3 | -0.1 | 11.0 | -0.3 | -3.8 | 4.5 | -5.3 | |
| | | -0.3 | 0.0 | 1.3 | 0.0 | -0.5 | 0.5 | -0.6 | |

Notes: 1. Figures in bottom boxes are contribution to *Industry* overall.
 2. August and September *Industry* based on manufacturer forecast surveys.
 Source: Compiled by BTMU Economic Research Office from METI data.

Figure 2: Overseas Industrial and Domestic Goods Shipments



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

Capital Expenditures

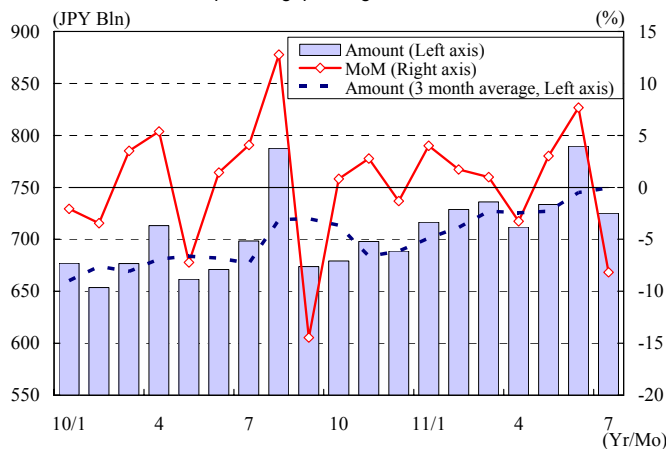
Machinery orders, a leading indicator, continue to recover and are expected to keep rising on reconstruction demand

Machinery orders (private sector, excluding shipbuilding and power generating companies), a leading indicator of capital expenditures, fell -8.2% MoM in July. This was the first decline in three months, since April (Figure 3). However, since machinery orders are by nature highly volatile, it is often hard to discern trends using monthly data. Three-month averages of spending amounts likely indicate that machinery orders still have room to rise.

Furthermore, the Cabinet Office's *Business Outlook Survey* (conducted August 15) shows that although FY11 capital expenditures projections have been revised downward from levels three months earlier among both manufacturers and non-manufacturers in H1, H2 spending projections have been raised commensurate to the downward revisions (Table 3). Although reconstruction investment following the disaster still lacks momentum, such investment is expected to slowly increase from H2 and support corporate

capital expenditures overall.

Figure 3: Machinery Orders from Private Sector
excl. shipbuilding, power generation industries



Source: Compiled by BTMU Economic Research Office from Cabinet Office

Table 3: Capital Expenditures Projection

| | FY11 (YoY, %) | |
|-------------------|---------------|--------|
| | H1 | H2 |
| All industries | 5.4 | 4.4 |
| | (4.9) | (-0.3) |
| Manufacturing | 9.0 | 10.4 |
| | (6.9) | (3.3) |
| Non-manufacturing | 3.0 | 0.6 |
| | (3.8) | (-2.4) |

Notes: 1. Figures in bottom parentheses are projections in previous Apr-Jun survey.

Notes: 2. Including software investment and excluding land purchases.

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

(4) Household Sector Employment, Wages, Private Consumption

Employment conditions remain severe

According to the *Labor Force Survey*, Japan's unemployment rate—excluding Iwate, Miyagi, and Fukushima prefectures—stood at 4.7% in July, up +0.1 ppt from June (Figure 4). Broken down, both an increase in unemployed persons and decrease in number of employees have contributed to the unemployment rate worsening over the last month. Also, *circumstances of employer or business (involuntary separation)* was cited as the main reason for seeking a job, adding 60,000 persons to the June figure. This stood in contrast to the number of unemployed persons who left their jobs for *voluntary* reasons in June (+70,000 persons from May). The figures show that employment conditions remained severe in July.

On the other hand, according to the *July Report on Employment Service* report, both the active openings rate and new openings rate continued to rise and improve from June. The number of job applicants, the denominator in the calculations, continues to rise on-year, and is clearly good news if it relates to employment. However, this may in fact not be related to finding employment, as the number of placements has actually been falling. It is frankly difficult to applaud the improvement in job-openings-to-applicants ratio, and considered together with the higher unemployment rate, employment conditions remain severe.

Table 4: Employment-Related Indicators

| | 2010/10-12 | | | 2011/1-3 | | | 2011/4-6 | | | | | | | | | |
|--|------------|------|------|----------|------|------|----------|------|------|------|------|------|------|------|------|---|
| | 10 | 11 | 12 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | | | | | | |
| The Labor Force Survey | | | | | | | | | | | | | | | | |
| Unemployment rate (%) | 5.0 | 5.1 | 5.1 | 4.9 | 4.7 | 4.9 | 4.6 | 4.6 | 4.6 | 4.7 | 4.5 | 4.6 | × | 4.7 | × | |
| Unemployed persons (MoM '000 persons) | -20 | 60 | -20 | -100 | -60 | -10 | -180 | 10 | -350 | 20 | -90 | 60 | × | 50 | × | |
| Job seekers (MoM '000 persons) | -63 | -80 | -260 | 150 | 3 | 210 | 260 | -460 | -120 | × | -140 | -100 | 40 | -40 | × | |
| Number of workers | -107 | -140 | -280 | 100 | 7 | 320 | 280 | -580 | 50 | -90 | 190 | 70 | | -440 | × | |
| Report on Employment Service | | | | | | | | | | | | | | | | |
| Ratio of job offers to applicants (mult) | 0.57 | 0.56 | 0.57 | 0.58 | 0.62 | 0.61 | 0.62 | 0.63 | 0.62 | 0.61 | 0.61 | 0.63 | | 0.6 | | |
| Monthly job offers to job seekers (YoY, %) | 22.2 | 19.6 | 23.8 | 23.4 | 23.6 | 23.8 | 25.0 | 22.2 | 19.0 | 19.6 | 19.6 | 18.0 | | 17.4 | | |
| Monthly effective job seekers (YoY, %) | -6.4 | -6.8 | -5.7 | -6.7 | -6.3 | -7.1 | -5.8 | -6.2 | -3.1 | × | -4.7 | -2.6 | -1.8 | × | -3.2 | × |
| New job openings (multiple) | 0.97 | 0.95 | 0.97 | 0.99 | 1.00 | 1.02 | 0.99 | 0.98 | 0.98 | × | 0.95 | 0.98 | 1.00 | | 1.1 | |
| New openings (YoY, %) | 17.3 | 13.9 | 22.6 | 15.8 | 17.2 | 18.8 | 22.9 | 10.5 | 13.9 | 12.2 | 17.3 | 12.6 | | 12.2 | | |
| New job applications (YoY, %) | -3.0 | -6.0 | 3.3 | -5.8 | -3.6 | -5.0 | 2.7 | -7.5 | 1.6 | 0.9 | 6.5 | -2.2 | × | -7.7 | × | |

Note 1. *The Labor Force Survey* excludes Iwate, Miyagi, and Fukushima prefectures.

2. *Report on Employment Service* includes part-time workers excluding new graduates.

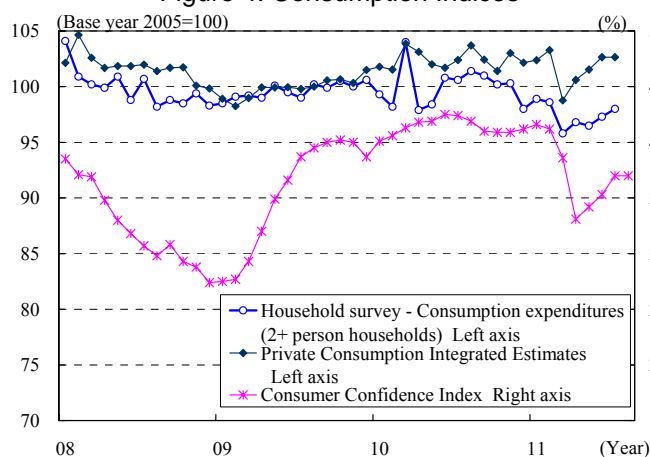
Source: Compiled by BTMU Economic Research Office from MIC, MHLW data.

Consumption recovering but likely to remain in the balance

Consumption expenditures according to the *Survey of Household Economy* (households of two persons or more) increased +0.7% MoM in July (Figure 4). Broken down, *culture and recreation* spending, which had been curtailed after the March earthquake, increased +6.5% for a second straight month, suggesting that the impact of the earthquake is slowly diminishing. The *Private Consumption Integrated Estimates* recovered to 108.8 in July (this stood at 109.48 in Feb), an improvement.

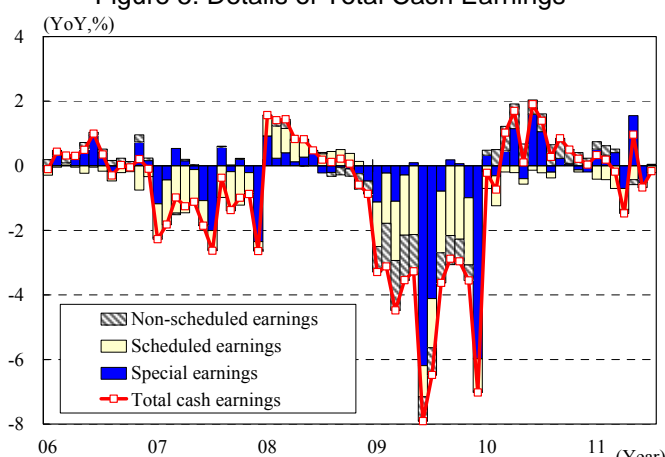
On the other hand, the Consumer Confidence Index was flat in August after rising for three straight months. Also, wages are still weak, with total cash wages contracting -0.2% YoY in July, according to the *Provisional Report of Monthly Labour Survey* (Figure 5). In sum, consumption is recovering from the March 11 earthquake but is likely to remain hard to predict until wages and employments strongly recover.

Figure 4: Consumption Indices



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

Figure 5: Details of Total Cash Earnings



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

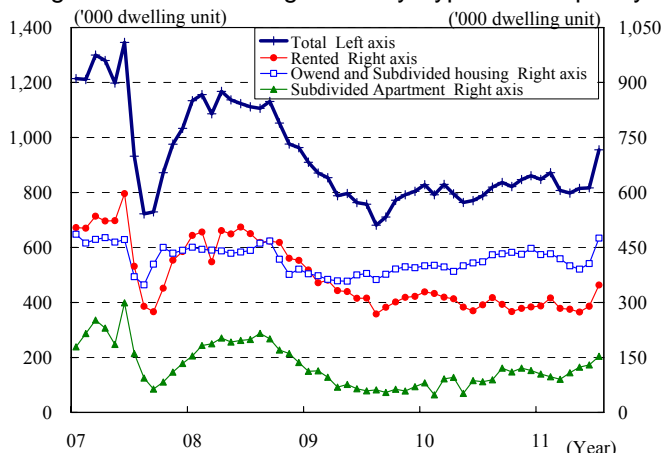
Residential Investment

July residential construction starts increased sharply on the back of reconstruction and accelerated demand

Residential construction starts jumped +16.9% MoM in July, or at an annualized pace of 955,000 homes, the biggest rise since October 2007 and to the highest level since December 2008 (Figure 6). Furthermore, the number of starts increased both by region and type of occupancy (Figure 7). Starts, which had been sluggish nationwide in the wake of the March 11 earthquake, were boosted not only by reconstruction demand but also by approaching deadlines for home purchase assistance measures¹. However, signs of recovery have not appeared in Fukushima Prefecture mainly because of the ongoing nuclear reactor problems.

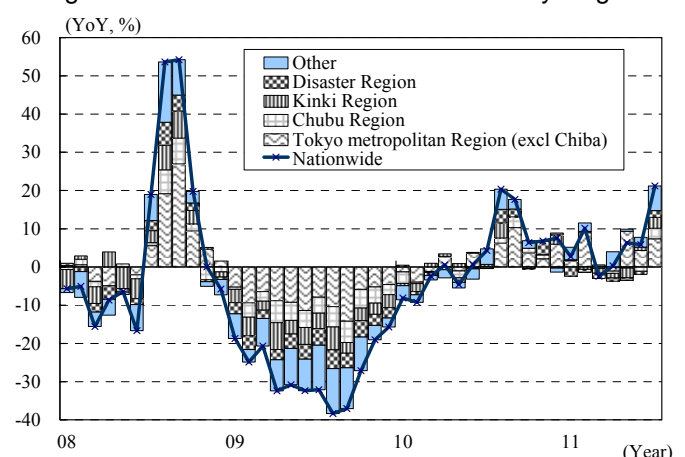
¹ The deadline for home starts under the Ecopoint housing acquisition support program was the end of July 2011, and the end of September 2011 for the preferential interest rate (-1.0%) program for home purchases. The latter program will go through March 2012, with a smaller interest rate cut (-0.3%). Expanded tax exemptions for gifts are scheduled to end at end-2011, while tax credits for home mortgages will expire at end-2013.

Figure 6: New Housing Starts by Type of Occupancy



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

Figure 7: 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 unchanged though core CPI turned positive for first time in 29 months

The July Consumer Price Index (excluding fresh foods, or core CPI) stood at 0.1% YoY, the first rise on a year-on-year basis in 29 months (Figure 8). However, this was primarily due to the recent uptrend in gasoline prices and electricity charges, and the core-core CPI (excluding foods except alcoholic beverages and energy) stayed at -0.5% YoY. This figure also factors in a 0.3 ppt upward contribution from two temporarily volatile items, higher cigarette taxes and casualty insurance premiums. It is probably too early to determine that the downward trend of consumer prices has started to turn upward.

The trend is likely to appear unchanged for some time with a deflationary gap persisting despite a recovering real economy. Furthermore, it is reasonably possible that consumer prices will return to negative territory again, given the drop in energy prices with the recent fall in oil prices and that the upward thrust from higher cigarette taxes and casualty insurance premiums will drop off from October (Figure 9).

Figure 8 : Consumer Price Index

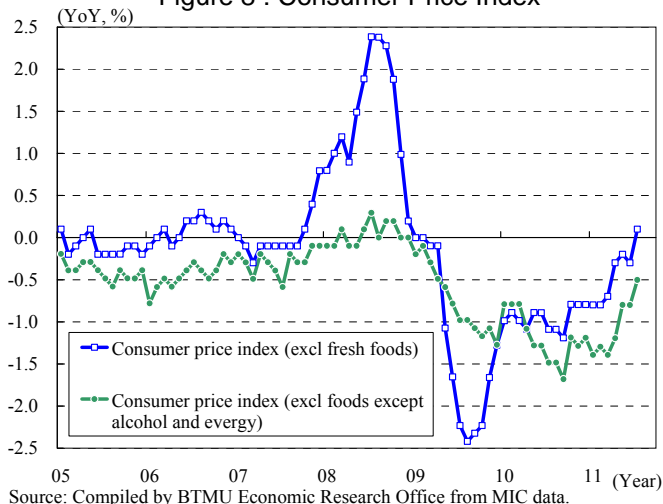
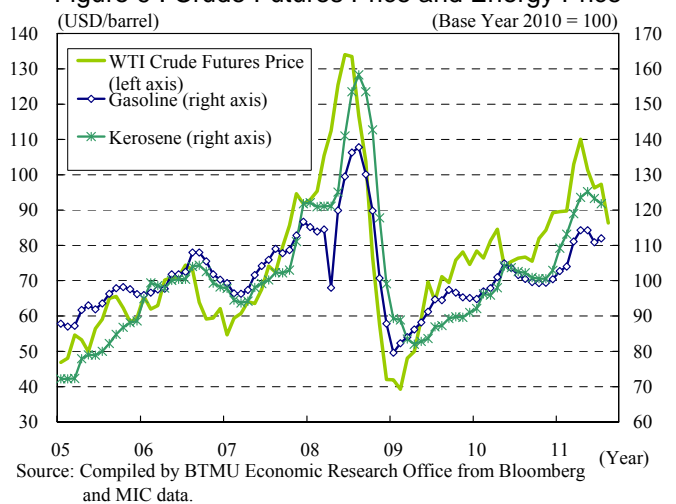


Figure 9 : Crude Futures Price and Energy Price



2 . Financial Markets

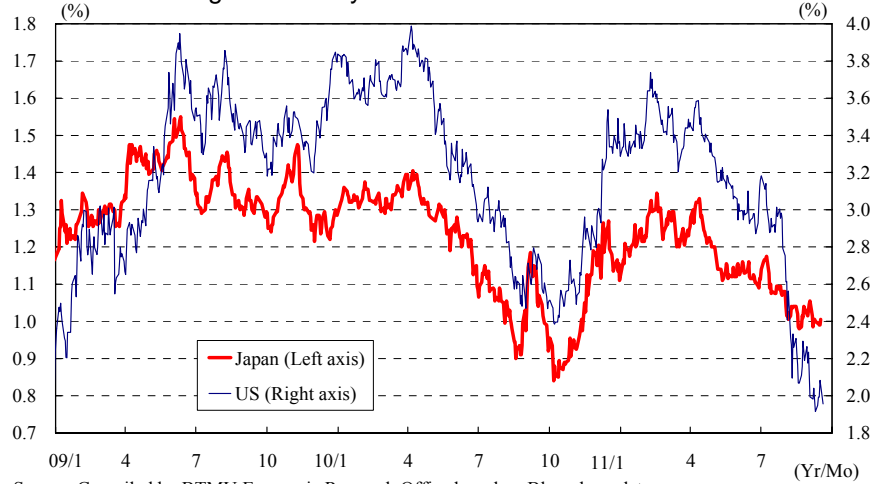
(1) Monetary Policy & Long-term Interest Rates

BoJ decides to maintain present monetary policy at its meeting in Sep. Downward pressure on long-term interest rates increasing

The Bank of Japan decided to maintain present monetary policy at its September 6-7 Monetary Policy Board meeting. The BoJ had decided to implement additional monetary easing through increased asset purchase funds at the prior meeting in August.

Downward pressure on long-term interest rates is mounting due to the worsening European sovereign debt problems and concerns regarding a worldwide economic slowdown. Recently, the yield on newly-issued 10Yr JGBs has been moving around 1% (Figure 10). However, compared with the US 10Yr Treasury yield, which fell below 2% for the first time since 1946, the margin of decline for the long-term JGB yield has been relatively small. Further, the government plans to generate funds to repay new JGBs issued under the third supplementary budget primarily by temporarily raising taxes. However, opposition to any tax hikes is deeply-rooted within the ruling party.

Figure 10: 10-year Government Bond Yields

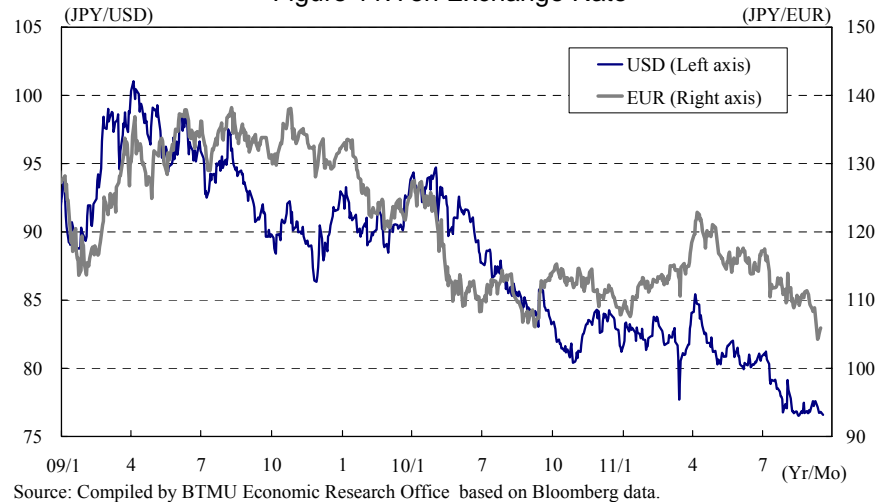


(2) Exchange Rates

JPY appreciation pressure increasing due to European sovereign debt issue

JPY appreciation pressure is increasing due to the European sovereign debt issue. On September 13, the JPY hit the JPY/EUR103 level, the highest point in over 10 years (Figure 11). However, on September 6, the Swiss National Bank, Switzerland's central bank, decided to introduce unlimited foreign exchange interventions to restrain Swiss franc appreciation. The decision led to the JPY declining against the USD. But because the Japanese government and BoJ are unlikely to employ a similar policy, we think the JPY/USD strengthening trend will not change.

Figure 11: Yen Exchange Rate



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MAIN ECONOMIC AND FINANCIAL INDICATORS (JAPAN)

1 . Main Economic Indicators

As of Sep 22, 2011

| | Fiscal 2009 | Fiscal 2010 | 2010 | | | 2011 | | | | |
|--|------------------|-------------------|--------------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------------|
| | | | 4Q | 1Q | 2Q | APR | MAY | JUN | JUL | AUG |
| Real GDP Growth Rate <% changes from previous period at SA annual rate> | -2.4 | 2.3 | -2.4 (2.2) | -3.7 (-1.0) | -2.1 (-1.1) | *** | *** | *** | *** | *** |
| Index of All Industries Activity | -4.2 | 2.0 | -0.2 (2.1) | -1.9 (-0.5) | -0.4 (-1.7) | 1.7 (-4.0) | 2.0 (-1.3) | 2.2 (0.2) | 0.4 (-0.8) | |
| Industrial Production Index | -8.8 | 8.9 | -0.1 (5.9) | -2.0 (-2.5) | -4.0 (-6.8) | 1.6 (-13.6) | 6.2 (-5.5) | 3.8 (-1.7) | 0.4 (-3.0) | |
| Production | | | | | | | | | | |
| Shipments | -8.3 | 9.3 | -0.3 (6.4) | -1.9 (-2.6) | -5.9 (-8.4) | -2.6 (-16.1) | 5.3 (-8.0) | 8.1 (-1.8) | 0.1 (-3.0) | |
| Inventory | -6.1 | 3.5 | -0.6 (3.8) | 1.0 (3.5) | 3.2 (4.0) | 0.5 (3.3) | 5.6 (7.7) | -2.8 (4.0) | -0.1 (4.1) | |
| Inventory/Shipments Ratio (2005=100) | 120.4 | 108.2 | 111.0 [114.7] | 106.9 [106.3] | 119.1 [106.5] | 124.8 [105.0] | 120.7 [107.5] | 111.9 [106.9] | 116.4 [109.0] | [108.0] |
| Domestic Corporate Goods Price Index | -5.2 | 0.7 | 0.4 (1.0) | 1.1 (1.7) | 1.2 (2.4) | 0.9 (2.5) | -0.2 (2.1) | 0.0 (2.5) | 0.3 (2.9) | -0.2 (2.6) |
| Consumer Price Index(SA, total, excl.fresh foods) | -1.6 | -0.8 | 0.1 (-0.8) | -0.3 (-0.8) | 0.5 (-0.3) | 0.3 (-0.2) | 0.1 (-0.1) | -0.3 (-0.2) | 0.0 (0.1) | |
| Index of Capacity Utilization (2005=100) | 80.0 | 88.0 | 88.4 [81.8] | 86.1 [89.5] | 80.4 [89.8] | 72.8 [90.0] | 82.1 [90.5] | 86.4 [88.9] | 86.9 [88.5] | [88.5] |
| Machinery Orders(Private Demand, Excl.Electric Power and Ship building) | -20.4 | 9.1 | -4.3 (5.6) | 5.6 (8.9) | 2.5 (9.8) | -3.3 (-0.2) | 3.0 (10.5) | 7.7 (17.9) | -8.2 (4.0) | |
| Manufacturing | -27.9 | 18.3 | -1.7 (11.5) | 5.3 (16.3) | -0.2 (17.2) | -2.7 (7.4) | -1.4 (22.5) | 9.3 (21.1) | -5.2 (3.2) | |
| Non-manufacturing Excl.Electric Power & Ship building | -14.7 | 2.7 | -5.1 (0.3) | 1.4 (3.5) | 5.0 (4.2) | 2.9 (-5.2) | -5.4 (1.5) | 15.7 (15.4) | -1.4 (5.8) | |
| Shipments of Capital Goods (Excl.Transport Equipment) | -24.2 | 21.3 | 1.2 (23.9) | -2.4 (6.6) | 6.1 (9.0) | 8.0 (1.9) | 8.4 (16.9) | 1.1 (9.3) | 0.6 (7.5) | |
| Construction Orders | -14.2 | -5.2 | | | | | | | | |
| Private | -15.3 | -2.6 | (2.0) | (-4.9) | (18.0) | (31.4) | (25.5) | (6.0) | (5.7) | |
| Public | -11.1 | -12.1 | (4.8) | (1.5) | (20.1) | (33.5) | (20.2) | (13.1) | (12.0) | |
| Public Works Contracts | 4.9 | -8.8 | (-3.6) | (-20.1) | (15.1) | (31.0) | (51.6) | (-8.0) | (9.1) | |
| Housing Starts 10,000 units at Annual Rate, SA | 77.6 (-25.4) | 81.9 (5.6) | 84.3 (6.9) | 84.2 (3.2) | 81.0 (4.1) | 79.8 (0.3) | 81.5 (6.4) | 81.7 (5.8) | 95.5 (21.2) | |
| Total floor | (-21.5) | (9.0) | (11.0) | (6.0) | (3.8) | (1.1) | (5.8) | (4.6) | (22.5) | |
| Sales at Retailers | -0.4 | 0.8 | (-0.4) | (-3.0) | (-1.7) | (-4.8) | (-1.3) | (1.2) | (0.6) | |
| Real Consumption Expenditures of Households over 2 persons (SA) | 1.0 | -0.9 | -1.3 (-1.5) | -2.8 (-3.0) | 0.4 (-2.1) | 1.0 (-2.0) | -0.3 (-1.2) | 0.8 (-3.5) | 0.7 (-2.1) | |
| Propensity to Consume (SA,%) | 74.7 | 73.4 | 74.5 [74.8] | 71.9 [74.1] | 74.1 [72.4] | 72.9 [72.7] | 74.7 [72.9] | 73.6 [71.8] | 71.9 [75.4] | [75.5] |
| Overtime Hours Worked (All Industries, 5 employees or more) | -8.5 | 6.8 | -0.6 (5.7) | 1.2 (1.7) | -2.6 (-2.0) | -1.8 (-3.9) | 0.9 (-2.1) | 2.2 (0.0) | -0.1 (-1.0) | |
| Total Cash Earnings (Regular Employees Only; All Industries, 5 employees or more) | -3.3 | 0.6 | (0.2) | (0.1) | (-0.4) | (-1.4) | (1.0) | (-0.7) | (-0.2) | |
| Employment Index(Regular Employees Only;All Industries, 5 employees or more) (Change over the M/Q/Y) | -77,894 | 23,384 | 28,038 -109,743 | 33,848 1,683 | 28,033 10,188 | 28,654 3,912 | 24,914 15,833 | 30,531 10,821 | 28,860 20,627 | 18,928 |
| Ratio of Job Offers to Applicants (SA,Times) | 0.45 | 0.56 | 0.57 [0.44] | 0.62 [0.47] | 0.62 [0.50] | 0.61 [0.48] | 0.61 [0.50] | 0.63 [0.52] | 0.64 [0.53] | [0.54] |
| Unemployment Rate (SA,%) | 5.2 | 5.0 | 5.0 | 4.7 | 4.7 | 4.7 | 4.5 | 4.6 | 4.7 | |
| Economy Watcher Survey (Judgment of the present condition D.I,%) | 39.9 | 44.2 | 43.0 [36.7] | 40.1 [42.8] | 38.0 [48.3] | 28.3 [49.8] | 36.0 [47.7] | 49.6 [47.5] | 52.6 [49.8] | 47.3 [45.1] |
| Bankruptcies (Number of cases) | 14,732 (-8.7) | 13,065 (-11.3) | 3,299 (-6.5) | 3,211 (-7.3) | 3,312 (-0.3) | 1,076 (-6.7) | 1,071 (4.8) | 1,165 (1.4) | 1,081 (1.4) | 1,026 (-3.5) |

(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.

Unemployment Rate excludes Iwate, Miyagi, and Fukushima prefectures from March 2011.

2 . Balance of Payments

As of Sep 22, 2011

| | Fiscal | Fiscal | 2010 | 2011 | | 2011 | | | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2009 | 2010 | 4Q | 1Q | 2Q | APR | MAY | JUN | JUL | AUG |
| Customs Clearance(Exports in Yen Terms) | -17.1 | 14.9 | (10.0) | (2.5) | (-8.1) | (-12.4) | (-10.3) | (-1.6) | (-3.4) | (2.8) |
| Value | -7.0 | 0.2 | (1.2) | (-0.0) | (0.2) | (-0.9) | (0.5) | (1.1) | (2.0) | (1.9) |
| Volumes | -9.9 | 14.6 | (8.6) | (2.4) | (-8.3) | (-11.6) | (-10.8) | (-2.7) | (-5.3) | (0.9) |
| Imports(In Yen terms) | -25.2 | 16.0 | (11.3) | (11.4) | (10.4) | (9.0) | (12.4) | (9.8) | (9.9) | (19.2) |
| Value | -18.4 | 3.3 | (1.6) | (4.0) | (7.4) | (7.6) | (6.5) | (8.0) | (12.9) | (12.5) |
| Volumes | -7.3 | 12.4 | (9.6) | (7.2) | (2.8) | (1.3) | (5.5) | (1.7) | (-2.7) | (5.9) |
| Current Balance(100 mil. yen) | 157,817 | 161,255 | 36,482 | 39,866 | 15,232 | 4,056 | 5,907 | 5,269 | 9,902 | |
| Trade Balance(100 mil. yen) | 65,996 | 64,955 | 19,233 | 5,577 | -10,587 | -4,175 | -7,727 | 1,315 | 1,233 | |
| Services(100 mil. yen) | -18,185 | -12,730 | -3,984 | -771 | -5,595 | -4,213 | -176 | -1,206 | -3,062 | |
| Capital and Financial Accounts(100 mil. yen) | -123,113 | -97,221 | -10,192 | -34,301 | 7,914 | 11,466 | -1,638 | -1,914 | -7,531 | |
| Gold & Foreign Exchange Reserves(\$1mil.) | 1,042,715 | 1,116,025 | 1,096,185 | 1,116,025 | 1,137,809 | 1,135,549 | 1,139,524 | 1,137,809 | 1,150,877 | 1,218,501 |
| Exchange Rate(V/\$) | 92.80 | 85.69 | 82.59 | 82.32 | 81.70 | 83.35 | 81.23 | 80.51 | 79.47 | 77.22 |

3 . Financial Market Indicators

| | Fiscal | Fiscal | 2010 | 2011 | | 2011 | | | | |
|---|-----------------------------|--------|----------|----------|----------|----------|----------|---------|----------|---------|
| | 2009 | 2010 | 4Q | 1Q | 2Q | APR | MAY | JUN | JUL | AUG |
| Uncollateralized Overnight Call Rates | 0.102 | 0.091 | 0.090 | 0.088 | 0.067 | 0.062 | 0.069 | 0.069 | 0.073 | 0.081 |
| | | | [0.104] | [0.098] | [0.093] | [0.093] | [0.091] | [0.095] | [0.094] | [0.095] |
| Euro Yen TIBOR (3 Months) | 0.516 | 0.356 | 0.336 | 0.336 | 0.332 | 0.333 | 0.332 | 0.332 | 0.332 | 0.329 |
| | | | [0.498] | [0.443] | [0.388] | [0.396] | [0.388] | [0.381] | [0.373] | [0.363] |
| Newly Issued Japanese Government Bonds Yields (10 Years) | 1.353 | 1.127 | 1.072 | 1.242 | 1.160 | 1.200 | 1.150 | 1.130 | 1.080 | 1.030 |
| | | | [1.317] | [1.337] | [1.208] | [1.280] | [1.260] | [1.085] | [1.055] | [0.975] |
| Average Contracted Interest Rates on Loans and Discounts(City Banks) (% changes from previous period) | 1.449 | 1.357 | 1.382 | 1.357 | 1.349 | 1.359 | 1.346 | 1.349 | 1.338 | |
| | | | (-0.010) | (-0.025) | (-0.008) | (0.002) | (-0.013) | (0.003) | (-0.011) | |
| The Nikkei Stock Average (TSE 225 Issues) | 11,090 | 9,755 | 10,229 | 9,755 | 9,816 | 9,850 | 9,694 | 9,816 | 9,833 | 8,955 |
| | | | [10,546] | [11,090] | [9,383] | [11,057] | [9,769] | [9,383] | [9,537] | [8,824] |
| M2(Average) | (2.9) | (2.7) | (2.6) | (2.4) | (2.8) | (2.7) | (2.7) | (2.9) | (3.0) | (2.7) |
| Broadly-defined Liquidity(Average) | (0.5) | (0.6) | (0.3) | (-0.3) | (-0.0) | (-0.2) | (-0.3) | (0.3) | (0.7) | (0.6) |
| Principal Figures of Financial Institutions | | | | | | | | | | |
| Loans and Discount (Average) | Banks & Shinkin | (0.8) | (-1.9) | (-2.0) | (-1.8) | (-0.8) | (-1.0) | (-0.8) | (-0.6) | (-0.5) |
| | Banks | (0.8) | (-2.0) | (-2.1) | (-1.9) | (-0.8) | (-1.0) | (-0.8) | (-0.6) | (-0.5) |
| | City Banks etc. | (-0.4) | (-4.2) | (-4.6) | (-4.6) | (-2.8) | (-3.1) | (-2.7) | (-2.7) | (-2.6) |
| | Regional Banks | (2.4) | (0.6) | (0.9) | (1.2) | (1.5) | (1.4) | (1.4) | (1.7) | (1.8) |
| | Regional Banks | (1.3) | (-0.4) | (-0.5) | (-0.0) | (0.9) | (0.7) | (0.7) | (1.1) | (1.3) |
| | Shinkin | (0.8) | (-1.3) | (-1.3) | (-1.1) | (-0.7) | (-0.7) | (-0.6) | (-0.5) | (-0.3) |
| Deposits and CDs (Average) | Total(3 Business Condition) | (2.9) | (2.6) | (2.7) | (2.2) | (2.7) | (2.7) | (2.6) | (2.8) | (2.1) |
| | City Banks | (3.0) | (2.6) | (3.0) | (1.8) | (2.3) | (2.5) | (2.1) | (2.2) | (0.6) |
| | Regional Banks | (3.1) | (3.1) | (3.0) | (3.1) | (3.4) | (3.0) | (3.4) | (3.7) | (3.8) |
| | Regional Banks | (1.8) | (0.6) | (0.1) | (0.9) | (2.0) | (1.9) | (1.9) | (2.2) | (2.6) |

(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.