

# The Outlook for the Japanese Economy

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

## ~Japan's Economy Struggles Anew, Hit by Sudden Worsening in External Conditions~

### 1. Overview of the Japanese Economy

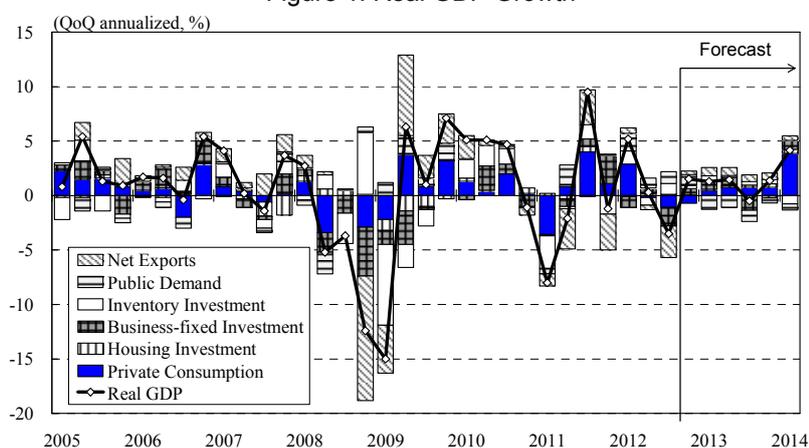
Both domestic and external demand slowed in Jul-Sept and real GDP plunged

FY12, FY13 GDP expected to grow only around +1%

Japan's economy has been losing momentum along its recent recovery trajectory led by reconstruction demand following the March 2011 Tohoku region disasters. Real GDP contracted by an annualized -3.5% YoY in Jul-Sept, the first negative growth in three quarters and the biggest contraction since Jan-Mar 2011 (Figure 1). The main cause was a plunge in exports, but private consumption and capital expenditures also weakened, the first decline in both domestic and external demand since the earthquake.

Looking ahead, the economy is likely to continue to struggle for some time, and there is a risk of further deterioration. From H2 FY12, domestic demand appears to have deteriorated, partly due to ripples from heightening tensions between Japan and China, while the end of the Ecocar subsidy program is expected to have an impact. The overall economy is very likely to weaken. Even in FY13, a big negative impact is anticipated as reconstruction activities slow further and related demand winds down. An increase in renewal investment that had been put off is expected to absorb some of the shock, but no other major drivers have emerged. Real GDP is expected to expand by only about +1% YoY in FY12 and by less than +1% YoY in FY13 even despite a boost from a surge in demand prior to the consumption tax hike.

Figure 1: Real GDP Growth



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

Heightened tensions between Japan and China as economic relations deepen put added pressure on Japan's economy

The key point in our outlook is the impact of heightening tensions between Japan and China. This is likely to be strongly manifested in macro terms in both trade in goods and local affiliates' activities. Comparing the events of September 2012 to September-October 2010, when anti-Japanese demonstrations occurred on a similar scale, we note that slowdowns in Japanese exports to China and sales of Japanese local affiliates in China could reduce Japan's GDP growth rate and overall sales of Japanese companies both domestically and abroad by 0.5%pt (Table 1). Further, the primary adverse impacts are expected to persist, and there are concerns that this may spread to domestic production in Japan. By industry, declining final demand for automobiles, auto parts, other transport equipment, electronic machinery, and steel is expected to hurt Japanese domestic production. Even as mass anti-Japanese protests in China appear to be easing for now, a number of unclear factors persist for China-Japan bilateral relations. Conditions remain unpredictable and will bear close watch.

Table 1: Effects of Worsening Japan-China Relations on the Japanese Economy

	Representative indicator, Japanese economy	Scale vis-à-vis overall Japanese economy	Size of 2010 fall	September 2012 status	Projected overall adverse impact over next 6 months
Trade in goods	Exports to China	◎◎◎ 2.8% of nominal GDP	× -15.3% YoY slowdown (6mo avg)	-14.1% YoY -4.2% YoY since August	▲▲▲ Could reduce Japan's GDP by -0.4%pt to -0.5%pt
	Imports from China	◎◎◎ 3.1% of nominal GDP	× 5.6% YoY slowdown (6mo avg)	+3.8% YoY Turned positive from -7.2% YoY in August	▲▲ Prolongation could cause bottleneck in domestic production activity
Export of services	Revenue from travel, air transport from China	◎ 0.1% of nominal GDP	××× -59.6% YoY slowdown (6mo avg)	Chinese visitors to Japan down -79.0%pt YoY	▲ Despite big projected fall, macro impact likely to be limited
Local affiliate activities	Net sales of local Chinese affiliate companies	◎◎ JPY26.3 trn, 1.7% of total sales of all domestic companies	×× 36.4% YoY slowdown (6mo maximum, JPY net sales of manufacturers, incl Hong Kong affiliates)	Chinese new vehicle sales of Japanese Big Three makers down -35% to -49% YoY Home electronics makers and supermarkets also adversely impacted	▲▲▲ Both domestic and overall net sales of Japanese companies could fall by -0.5%

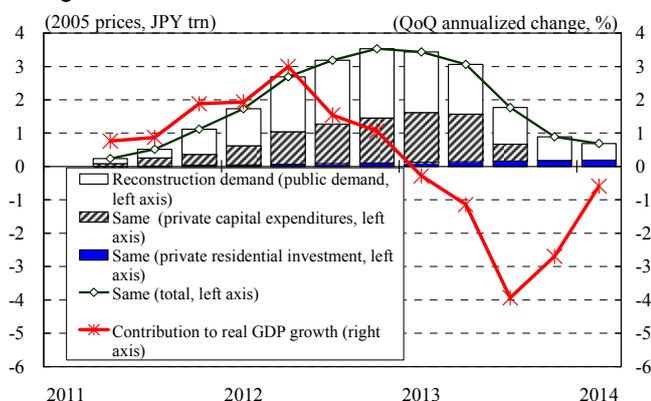
Note: 『◎、×、▲』 are assessments based on BTMU determinations. Multiple symbols represent 'large scale,' 'steep decline,' and 'strong overall adverse impact.'  
Source: Compiled by BTMU Economic Research Office from various data, materials.

End of reconstruction demand and renewal demand to determine FY13 economy

A considerable negative impact is expected in FY13 (Figure 2) as disaster reconstruction activity slows further and related demand ends. What could reverse this trend? One possibility is investment demand from maintaining and updating production facilities. The ratio of capital expenditures to capital stock is currently well below the long-term equilibrium level; moreover, capital stock has been declining since peaking at the end of 2008 (Figure 3). Although companies had been showing signs of curtailing and putting off even renewal investment, some demand is expected to arise if conditions are right. Either way, new investment is unlikely to suddenly surge, and the main point for Japan's economy is to what extent will the anticipated drop off in

reconstruction demand in FY13 be offset by renewal investment.

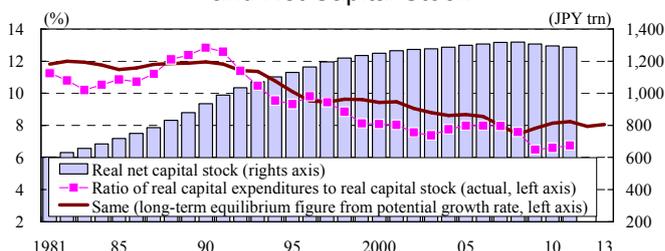
Figure 2: Tohoku Disaster Reconstruction Demand



Note: BTMU estimates based on Tohoku disaster-related government budget and private sector capital stock losses and previous natural disaster cases.

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

Figure 3: Ratio of Capital Expenditures to Capital Stock and Net Capital Stock



Note: Long-term equilibrium figure from potential growth rate, etc., in Ratio of real capital expenditures to real capital stock is total of Potential growth rate, Depletion rate, and Capital coefficient trend rate of change. Of these, Potential growth rate is BTMU calculation. Depletion rate is annual depletion (real capital stock minus real capital investment flows) divided by real net capital stock as of end of previous year, and has been unchanged since 2009. Capital coefficient trend rate of change is 10-year average of real net capital stock divided by industrial sector real GDP. Depletion rate and Capital coefficient trend rate of change exclude government sector and private non-profit groups.

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

## 2. Current Situation and Outlook by Sectors and Components

### (1) Corporate Sector

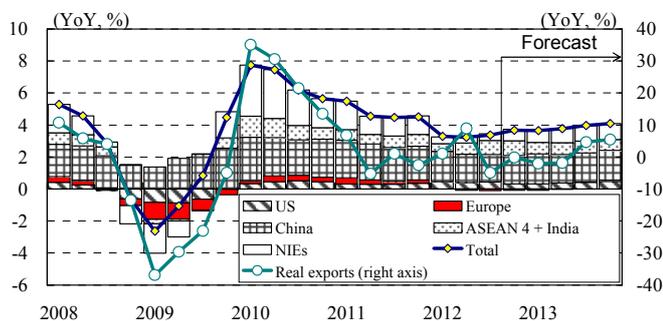
Though exports avoid collapse, improvement to be slow

Japanese exports slumped over the summer, especially to Europe and Asia, and remain sluggish thereafter. Production has been declining, impacted not only by the export weakness, but also cooling support from domestic demand, which had been solid. Manufacturer business confidence in major export destination countries has continued to be poor in Europe, but has started to improve somewhat in the US and China. An overall drop in external demand and collapse in exports may be averted somehow. However, a strong recovery in business confidence like in the past now looks unlikely, and Japanese exports are projected to improve only slowly (Figure 4).

Despite figures showing improvement, capital expenditures expected to weaken again in FY13 H2 as reconstruction demand ends

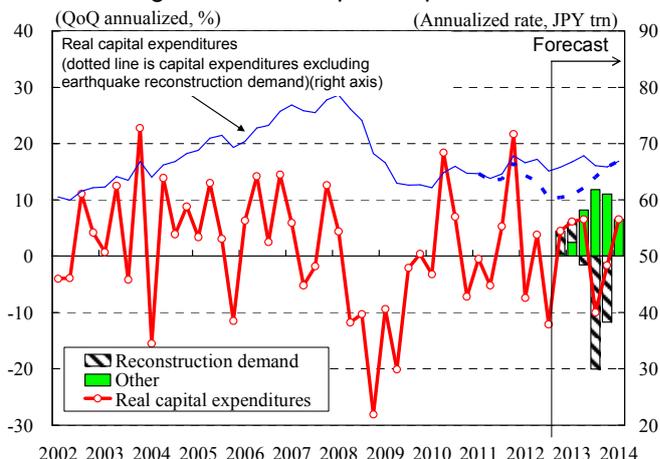
Real capital expenditures dropped by a sharp -12.1% QoQ annualized in Jul-Sept. The BoJ's September Tankan survey projected that investment that had been curtailed in H1 FY12 would be strong in H2, but such investment now appears to have been put off because of deteriorating external conditions. Machinery orders (private sector, excluding the shipbuilding and power generating industries), a leading indicator, declined by -3.3% MoM in August and -4.3% MoM in September, trending downward going into the Oct-Dec quarter. Capital expenditures are expected to jump in reaction to the bigger-than-expected slump in Jul-Sept, indicating an improvement through H1 2013 in data terms (Figure 5). Even so, capital expenditures will not create a steady uptrend, and the negative impact from the end of reconstruction demand is likely to weigh strongly in H2.

Figure 4: Real GDP Growth Rates of Major Export Destination Countries/Regions and Japanese Real Exports



Note: *Europe* is Eurozone and UK. *Total* is weighted average of real GDP growth rate in customs-cleared terms of each country/region by nominal exports.  
Source: Compiled by BTMU Economic Research Office from Cabinet Office, national data.

Figure 5: Real Capital Expenditures



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

## (2) Household Sector

Private consumption to keep shrinking through year-end and improve only slowly from January

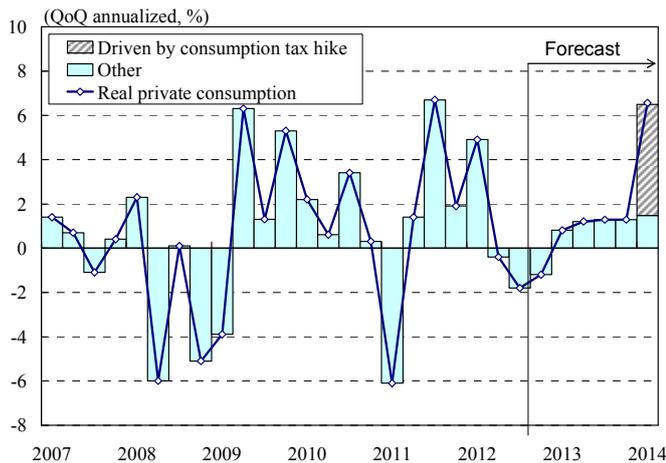
Real private consumption shrank by an annualized -1.8% QoQ in Jul-Sept, the second straight quarter of decline (Figure 6). By type of goods, durable goods spending dropped for the first time in three quarters, by -8.3% QoQ annualized, due to falling auto sales as the Ecar subsidy program ended. Further, a weakening economy due to declining exports causing consumer sentiment to worsen, a slow recovery in wages and income, and poor sales of seasonal goods because of climate factors have weighed on consumption. Spending on non-durable goods (-4.0% QoQ annualized) and services (-0.3% QoQ annualized) has weakened. Looking ahead, auto sales are likely to continue declining and private consumption overall to contract on-quarter for a third straight quarter in Oct-Dec. From January, the reaction to the end of the Ecar subsidy program will finally end and private consumption is expected to turn positive on-quarter. However, with employment and income conditions likely to remain tough, private consumption is expected to improve only slowly through Jan-Mar 2014, when a jump in demand is anticipated ahead of the planned consumption tax hike in April.

Residential investment expected to remain solid

Residential investment in GDP figures has continued to increase, expanding an annualized +3.8% QoQ in Jul-Sept after the Apr-Jun rise (Figure 7). Various home purchase measures and low interest rates likely continued to support residential acquisitions. Further, home rebuilding activity is continuing, especially for single-family homes, in the hard-hit disaster region of Iwate, Miyagi, and Fukushima prefectures. Looking ahead, the Flat35s Eco preferential interest rate program ended at the end of October; this, together

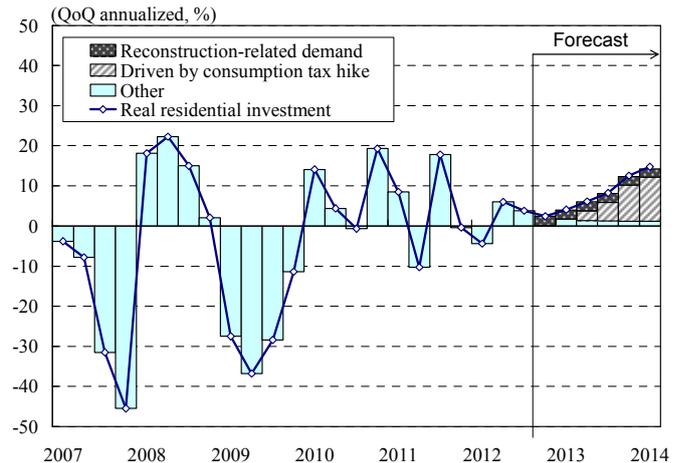
with tough employment and income conditions, is expected to weigh on housing demand. On the other hand, housing starts for condominiums and other long-term construction projects are expected to slowly rise in 2013 ahead of the surge in demand before the April 2014 consumption tax hike. This, together with reconstruction demand expected to persist for some time, is expected to boost residential investment and be a supporting factor.

Figure 6: Real Private Consumption



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

Figure 7: Real Residential Investment



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

### (3) Public Sector

GDP public demand up for fourth straight quarter

Real public demand rose at an annual pace of +4.3% QoQ in Jul-Sept, the fourth straight quarter of positive growth. Spending of funds budgeted for reconstruction in FY11 and FY12 has not only bolstered public investment on-quarter by double digits on an annualized basis (+16.8% QoQ in Jul-Sept) for three straight quarters, government final expenditures also continues to rise as in-kind medical treatment and nursing benefits have expanded due to the aging population.

Public reconstruction demand likely to peak out in 2012

However, although contract orders, a leading indicator of public investment, have been solid, especially for soil and water conservation projects related to the March 2011 disaster, reconstruction-related projects started to decline on-year in September (Figure 8). As of the end of March, JPY9.1 trn of FY14.9 trn of public funds budgeted for reconstruction in FY11 had been spent, and the recent rate of spending appears to be rising. Although much of the JPY3.8 trn budgeted for reconstruction in FY12 has not been implemented, public investment and public demand overall are expected to peak out through the end of this year, then start to decline in FY13.

#### (4) Inflation

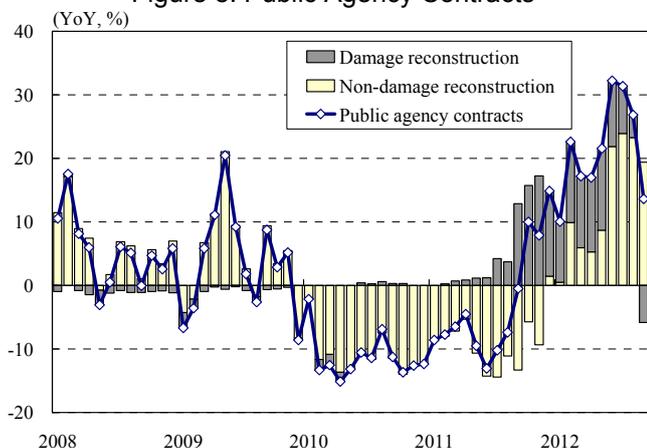
Core consumer prices still declining on-year

Although rate of decline to slow, deflationary conditions expected to persist

Core consumer prices, excluding fresh food, continued to decline for a fifth month through September (prices were a flat 0.0% MoM in October, Figure 9). Energy prices-oil and electric utilities-rose, while prices of durable goods including TVs and refrigerators continued to fall, weighing on prices overall.

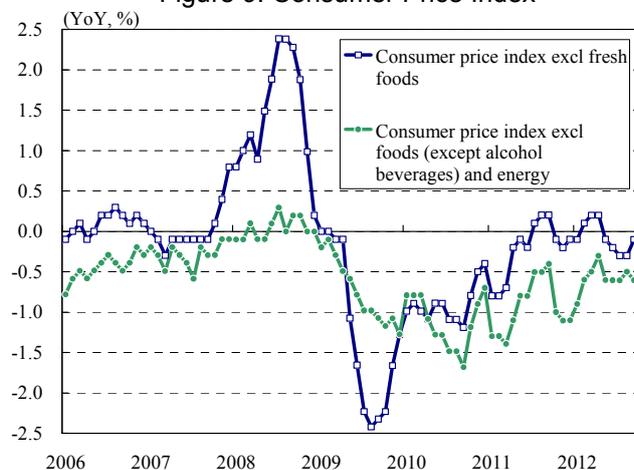
Core consumer prices are expected to remain negative for some time. Although the pace of decline is expected to gradually slow because of rising energy costs, the macro deflationary gap is likely to persist because of the weakening domestic economy. Note that the consumption tax hike slated for April 2014 is projected to boost core consumer prices by 2.1%.

Figure 8: Public Agency Contracts



Note: Contracts totaling JPY5 mn or more from public agencies.  
Source: Compiled by BTMU Economic Research Office from MLIT data.

Figure 9: Consumer Price Index



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

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

#### (1) Monetary Policy and Long-term Interest Rates

Further monetary easing expected as conditions warrant

10Yr yield expected to stay low

The Bank of Japan has been further easing monetary policy in stages largely by increasing the scale of funds for asset purchases (Table 2). Japan's economy has suddenly lost momentum recently as overseas economies have weakened, and the central bank is expected to implement additional monetary easing as conditions warrant.

The 10Yr JGB yield has been low due to the weakening economy both at home and abroad as well as the BoJ's added easing measures, falling again to the lower 0.7% level. A number of worrisome factors loom, like the weakening domestic economy, the US 'fiscal cliff,' and deteriorating economic conditions in Europe, and the 10Yr JGB yield is expected to remain at a low level for some time. However, the 10Yr yield has not stayed below

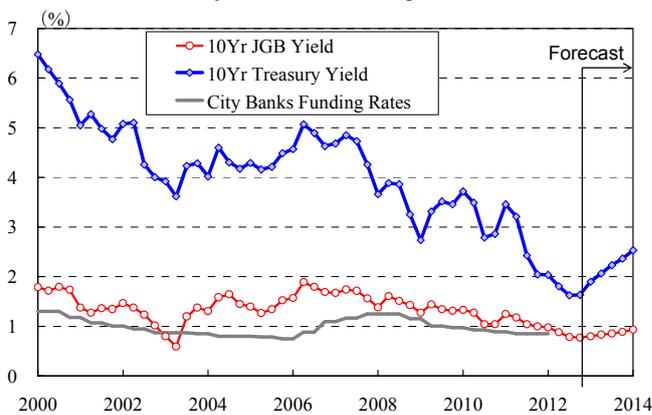
the city bank funding rate (now at 0.85%) for long since the 2000's (Figure 10) and appears to have little room for downside. The yield is expected to start to rise, although extremely slowly, as US Treasury yields rise.

Table 2: Major BoJ Policy Changes, 2012

Apr 27	Increased size of Asset Purchase Program
	Asset Purchase Program increased from JPY65 trn → JPY70 trn Purchases increased: Long-term JGBs JPY19 trn → JPY29 trn; ETFs JPY1.4 trn → JPY1.6 trn; J-REITs JPY110 bn → JPY120 bn Fixed-rate funds supplying operations against pooled collateral (6m) increased: JPY15 trn → JPY10 trn Extension of remaining terms for long-term JGBs and corporate bonds eligible for purchase: From 1-2 years → 1-3 years
Sept 19	Increased size of Asset Purchase Program
	Asset Purchase Program increased: from JPY70 trn → JPY80 trn Purchases increased: Long-term JGBs JPY29 trn → JPY34 trn, Short-term JGBs JPY9.5 trn → JPY14.5 trn Removal of minimum bid yield (0.1% pa) for long-term JGB and corporate bond purchases
Oct 30	Increased size of Asset Purchase Program
	Asset Purchase Program increased from JPY80 trn → JPY91 trn Purchases increased: Long-term JGBs JPY34 trn → JPY39 trn; Short-term JGBs JPY14.5 trn → JPY19.5 trn; ETFs JPY1.6 trn → JPY2.1 trn Corporate bonds: JPY2.9 trn → JPY3.2 trn; CP JPY2.1 trn → JPY2.2 trn; J-REIT JPY120 bn → JPY130 bn
	Created new funds supplying framework to support increased lending
	Supplied funds at low interest rates for long terms as requested to financial institutions to boost lending
	Lending interest rate: Target rate Lending period: Maximum 4 years
BoJ Governor, Minister of Finance, and economic & fiscal-related officials announce efforts to end deflation Clarified roles of government and BoJ	

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

Figure 10: US-Japan Long-Term Yields and City Banks' Funding Rates



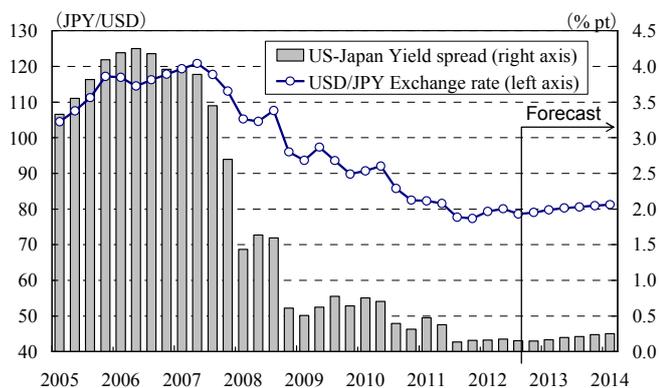
Source: Compiled by BTMU Economic Research Office from Japanese Bankers Association and Bloomberg data.

## (2) Exchange Rates

Despite lingering strong JPY pressures, JPY expected to be slightly weaker in FY13

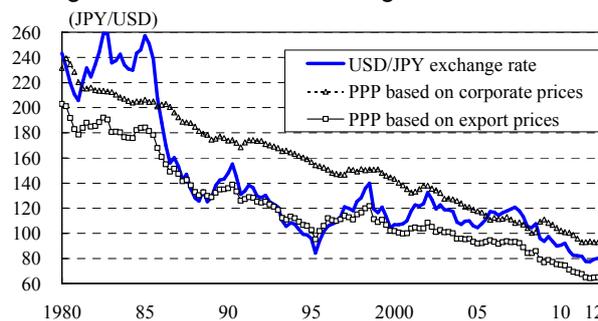
The JPY has been weakening against the USD recently, trading at the lower USD/JPY80 level. Further, the JPY has also been weakening against the EUR since August due to easing excessive risk aversion from the problems in Europe. Looking ahead, the USD is expected to strengthen slightly against the JPY in FY13 as the US-Japan yield spread widens, however slightly (Figure 11). JPY-boosting pressures are expected to persist because of differences in inflation rates between Japan and abroad and Japan's deflation (Figure 12), so even if the JPY does weaken, the pace would probably be very slow. JPY buying could also be revived if the crisis in Europe re-conflates as investors seek the safety of the JPY.

Figure 11: USD/JPY Exchange Rate and US-Japan Yield Spread



Note: US-Japan yield spread is US 2Yr Treasury yield minus 2Yr JGB yield.  
Source: Compiled by BTMU Economic Research Office from Bloomberg data.

Figure 12: USD/JPY Exchange Rate : Purchasing



Note: 1. Purchasing power parity = exchange rate for a base year (Average of 1973: 1.40 per dollar)  $\times$  (Japanese price index / U.S. price index)  
2. Data for export prices are the averages of those based on corporate prices and those based on GDP 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

30-Nov-2012

Forecast →

Bank of Tokyo-Mitsubishi UFJ Economic Research Office  
(%, billion yen)

	2011				2012				2013				2014	FY2011	FY2012	FY2013	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q				
<b>1. The Real Economy (QoQ annualized change)</b>																	
Real GDP	-8.0	-2.1	9.5	-1.2	5.2	0.3	-3.5	1.5	1.3	1.4	-0.5	1.4	4.2	-0.0	1.0	0.9	
Private Consumption	-6.1	1.4	6.7	1.9	4.9	-0.4	-1.8	-1.2	0.8	1.2	1.3	1.3	6.6	1.2	1.0	1.0	
Housing Investment	8.5	-10.3	17.8	-0.4	-4.4	6.0	3.8	2.4	4.1	6.1	8.2	12.6	14.8	3.8	2.9	6.9	
Private Business Fixed Investment	-0.5	-5.2	5.3	21.7	-7.4	3.8	-12.1	4.5	6.1	6.6	-10.0	-1.6	6.6	1.1	0.7	0.7	
Business Inventory (Contribution)	-3.0	-0.2	1.3	-1.7	1.2	-0.7	1.0	0.3	0.5	0.2	0.3	0.4	-0.8	-0.5	0.1	0.3	
Government Expenditures	-2.0	8.2	-0.6	0.5	6.7	3.7	4.3	4.2	-5.1	-4.5	-4.3	-2.0	-2.3	2.2	3.2	-2.6	
Public Investment	-15.1	36.0	-9.9	-2.0	17.7	11.0	16.8	10.4	-15.1	-19.2	-14.7	-7.8	-13.3	2.9	8.7	-11.2	
Net Exports (Contribution)	-1.1	-3.7	3.2	-3.3	0.5	-0.4	-2.9	0.3	0.8	0.7	0.6	0.6	0.4	-1.0	-0.6	0.4	
Exports	-1.6	-22.1	40.3	-16.1	14.1	5.3	-18.7	2.0	5.6	5.8	5.3	5.1	5.0	-1.4	0.3	3.4	
Imports	6.2	-0.6	15.3	3.8	9.2	7.3	-1.4	0.1	0.8	1.4	1.5	1.7	2.7	5.6	4.7	1.1	
Nominal GDP	-9.3	-5.6	8.5	-2.4	5.6	-1.3	-3.6	-0.3	0.5	1.3	-0.6	1.5	4.3	-2.0	0.2	0.5	
GDP Deflator (YoY)	-2.0	-2.4	-2.1	-1.8	-1.3	-0.9	-0.7	-0.6	-0.9	-0.5	-0.7	-0.4	-0.1	-1.9	-0.8	-0.4	
Industrial Production Index (QoQ)	-1.5	-4.2	5.4	0.4	1.3	-2.0	-4.2	-1.4	1.3	1.2	0.1	1.5	1.7	-1.0	-3.1	1.6	
Domestic Corporate Goods Price Index (YoY)	0.9	1.8	2.2	1.1	0.3	-1.0	-1.9	-0.7	-0.8	-0.3	0.1	0.2	0.2	1.4	-1.1	0.0	
Consumer Price Index (excl. fresh food, YoY)	-0.8	-0.3	0.2	-0.2	0.1	0.0	-0.2	-0.2	-0.2	0.0	0.1	0.2	0.4	0.0	-0.1	0.2	
<b>2. Balance of Payments</b>																	
Trade Balance (billion yen)	908	-1,093	-241	-1,185	-1,133	-1,102	-1,690	-2,385	-2,588	-2,043	-1,190	-1,500	-1,807	-3,470	-7,765	-6,539	
Current Balance (billion yen)	3,487	1,887	2,546	1,682	1,485	1,515	916	561	302	715	1,612	1,423	1,178	7,618	3,294	4,927	
<b>3. Financial</b>																	
Uncollateralized overnight call rate	0-0.1	0-0.1	0-0.1	0-0.1	0-0.1	0-0.1	0-0.1	0-0.1	0-0.1	0-0.1	0-0.1	0-0.1	0-0.1	0-0.1	0-0.1	0-0.1	
Euro-Yen TIBOR (3-mo.)	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	
Newly Issued 10-Year Government Bonds Yield	1.2	1.2	1.0	1.0	1.0	0.9	0.8	0.8	0.8	0.8	0.9	0.9	0.9	1.0	0.8	0.9	
Exchange Rate (USD/JPY)	82	82	78	77	79	80	79	79	80	80	81	81	81	79	79	81	

Note: Uncollateralized overnight call rate is end-of-period rate. Euro-Yen TIBOR (3-mo.), newly issued 10-year government bonds yield, and exchange rate (Yen/U.S.\$) are period average. Domestic Corporate Goods Price and Consumer prices reflect 2005 base revision.

## MAIN ECONOMIC AND FINANCIAL INDICATORS (JAPAN)

### 1. Main Economic Indicators

As of Dec. 7, 2012

	Fiscal 2010	Fiscal 2011	2012			2012				
			1Q	2Q	3Q	JUN	JUL	AUG	SEP	OCT
Real GDP Growth Rate <% changes from previous period at SA annual rate>	3.3	-0.0	5.2 (2.9)	0.3 (3.3)	-3.5 (0.1)	***	***	***	***	***
Index of All Industries Activity	2.0	0.2	-0.1 (2.4)	-0.1 (2.6)	-0.5 (-0.2)	0.3 (0.6)	-0.5 (0.6)	0.0 (-0.1)	-0.3 (-1.1)	
Industrial Production Index	9.3	-1.0	1.3 (4.8)	-2.0 (5.3)	-4.2 (-4.6)	0.4 (-1.5)	-1.0 (-0.8)	-1.6 (-4.6)	-4.1 (-8.1)	1.8 (-4.3)
Production										
Shipments	9.4	-2.0	0.8 (4.1)	-0.2 (8.0)	-5.4 (-4.5)	-0.9 (-1.1)	-3.1 (-1.8)	0.2 (-3.3)	-4.3 (-8.4)	0.0 (-4.7)
Inventory	3.9	9.6	5.9 (9.6)	0.0 (6.3)	0.3 (4.8)	-1.2 (6.3)	2.9 (9.4)	-1.6 (5.9)	-0.9 (4.8)	0.3 (4.2)
Inventory/Shipments Ratio (2005=100)	108.4	116.4	113.1 [107.7]	121.8 [121.1]	127.9 [116.5]	123.6 [115.2]	128.2 [116.6]	125.2 [115.2]	130.4 [117.6]	128.1 [116.6]
Domestic Corporate Goods Price Index	0.7	1.4	0.2 (0.3)	-0.2 (-1.0)	-0.8 (-1.9)	-0.7 (-1.5)	-0.4 (-2.2)	0.2 (-1.9)	0.2 (-1.5)	-0.3 (-1.0)
Consumer Price Index(SA, total, excl.fresh foods)	-0.8	0.0	-0.1 (0.1)	0.3 (0.0)	-0.3 (-0.2)	-0.3 (-0.2)	0.0 (-0.3)	0.0 (-0.3)	0.2 (-0.1)	0.0 (0.0)
Index of Capacity Utilization (2005=100)	88.0	87.4	92.1 [85.9]	89.8 [79.8]	85.0 [87.5]	87.7 [85.7]	88.1 [86.8]	85.8 [88.8]	81.1 [87.0]	
Machinery Orders(Private Demand, Excl.Electric Power and Ship building)	9.1	6.2	0.9 (3.3)	-4.1 (-1.7)	-1.1 (-4.6)	5.6 (-9.9)	4.6 (1.7)	-3.3 (-6.1)	-4.3 (-7.8)	
Manufacturing	18.3	5.9	0.1 (-0.5)	-5.8 (-7.6)	-3.2 (-9.5)	-2.9 (-16.2)	12.0 (4.0)	-15.1 (-18.4)	2.8 (-12.7)	
Non-manufacturing Excl.Electric Power & Ship building	2.7	6.6	0.5 (6.4)	0.0 (3.1)	0.1 (-1.3)	2.6 (-4.6)	-2.1 (-1.0)	3.6 (3.9)	1.3 (-4.7)	
Shipments of Capital Goods (Excl.Transport Equipment)	21.4	5.4	-2.5 (7.0)	0.7 (0.9)	-4.8 (-5.3)	-3.5 (-4.5)	-1.8 (-4.5)	-3.0 (-7.1)	-1.5 (-4.4)	-6.7 (-11.2)
Construction Orders	-5.2	7.1								
Private	-2.6	3.7								
Public	-12.1	22.7								
Public Works Contracts	-8.8	-0.5								
Housing Starts 10,000 units at Annual Rate, SA	81.9 (5.6)	84.1 (2.7)	86.2 (3.7)	87.8 (6.2)	87.4 (-1.1)	83.7 (-0.2)	87.0 (-9.6)	88.8 (-5.5)	86.6 (15.5)	97.8 (25.2)
Total floor	(9.0)	(2.5)	(2.3)	(5.1)	(-2.7)	(-0.4)	(-9.6)	(-7.7)	(12.6)	(20.1)
Sales at Retailers	0.8	0.8								
Real Consumption Expenditures of Households over 2 persons (SA)	-0.9	-1.2	0.2 (1.1)	1.7 (2.7)	-1.4 (0.9)	-1.3 (1.6)	-1.3 (1.7)	2.2 (1.8)	-1.9 (-0.9)	0.6 (-0.1)
Propensity to Consume (SA,%)	73.4	73.3	71.8 [72.4]	74.1 [74.0]	74.4 [73.1]	72.0 [72.6]	75.4 [71.9]	73.2 [74.0]	74.7 [74.1]	74.0 [72.7]
Overtime Hours Worked (All Industries, 5 employees or more)	7.9	0.8	1.0 (1.8)	0.0 (4.0)	-3.3 (-0.9)	-2.6 (1.2)	-2.2 (-0.8)	0.3 (0.1)	-0.8 (-2.0)	-1.9 (-4.0)
Total Cash Earnings (Regular Employees Only; All Industries, 5 employees or more)	0.5	-0.3								
Employment Index(Regular Employees Only;All Industries, 5 employees or more) (Change over the M/Q/Y)	23,384	52,083	127,239 33,848	138,382 28,033	131,051 27,711	141,824 30,531	130,161 28,860	133,260 29,735	129,732 24,538	134,865 21,493
Ratio of Job Offers to Applicants (SA,Times)	0.56	0.68	0.75 [0.61]	0.81 [0.62]	0.82 [0.66]	0.82 [0.63]	0.83 [0.65]	0.83 [0.66]	0.81 [0.67]	0.80 [0.68]
Unemployment Rate (SA,%)	5.0	5.0	4.6	4.7		4.3	4.3	4.2	4.2	4.2
Economy Watcher Survey (Judgment of the present condition D.I,%)	44.2	44.9	47.3 [40.1]	47.3 [38.0]	43.0 [48.4]	43.8 [49.6]	44.2 [52.6]	43.6 [47.3]	41.2 [45.3]	39.0 [45.9]
Bankruptcies (Number of cases)	13,065 (-11.3)	12,707 (-2.7)	3,184 (-0.8)	3,127 (-5.5)	2,924 (-5.9)	975 (-16.3)	1,026 (-5.0)	967 (-5.7)	931 (-6.9)	1,035 (6.0)

(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. 7, 2012									
	Fiscal	Fiscal	2012			2012				
	2010	2011	1Q	2Q	3Q	JUN	JUL	AUG	SEP	OCT
Customs Clearance(Exports in Yen Terms)	14.9	-3.7	(-1.6)	(4.8)	(-8.2)	(-2.3)	(-8.1)	(-5.8)	(-10.3)	(-6.5)
Value	0.1	0.6	(1.4)	(1.2)	(0.6)	(0.1)	(2.4)	(-1.6)	(0.9)	(1.8)
Volumes	14.7	-4.3	(-3.1)	(3.5)	(-8.7)	(-2.3)	(-10.2)	(-4.2)	(-11.1)	(-8.2)
Imports(In Yen terms)	16.0	11.6	(9.9)	(5.1)	(0.2)	(-2.2)	(2.2)	(-5.3)	(4.1)	(-1.5)
Value	3.4	9.1	(6.5)	(1.8)	(-2.6)	(-1.5)	(-4.5)	(-3.3)	(-0.1)	(-0.5)
Volumes	12.4	2.2	(3.1)	(3.2)	(2.9)	(-0.7)	(7.0)	(-2.1)	(4.2)	(-1.1)
Current Balance(100 mil. yen)	166,595	76,180	20,544	11,377	15,837	4,221	6,254	4,547	5,036	
Trade Balance(100 mil. yen)	64,955	-34,698	-12,956	-11,298	-14,894	1,122	-3,736	-6,445	-4,713	
Services(100 mil. yen)	-12,730	-18,265	-1,421	-8,303	-8,488	-2,083	-3,462	-2,225	-2,801	
Capital and Financial Accounts(100 mil. yen)	-97,221	68,806	-28,153	-30,182	-26,433	-19,683	-7,329	-11,472	-7,632	
Gold & Foreign Exchange Reserves(\$1mil.)	1,116,025	1,288,703	1,288,703	1,270,547	1,277,000	1,270,547	1,272,777	1,273,242	1,277,000	1,274,160
Exchange Rate(V\$)	85.69	79.05	79.28	80.17	78.62	79.32	79.02	78.66	78.17	78.97

## 3. Financial Market Indicators

	Fiscal	Fiscal	2012			2012						
	2010	2011	1Q	2Q	3Q	JUN	JUL	AUG	SEP	OCT		
Uncollateralized Overnight Call Rates	0.091	0.077	0.083 [0.088]	0.078 [0.067]	0.085 [0.078]	0.076 [0.069]	0.084 [0.073]	0.086 [0.081]	0.085 [0.080]	0.085 [0.081]		
Euro Yen TIBOR (3 Months)	0.356	0.331	0.331 [0.336]	0.333 [0.332]	0.327 [0.330]	0.335 [0.332]	0.327 [0.332]	0.327 [0.329]	0.327 [0.329]	0.326 [0.329]		
Newly Issued Japanese Government Bonds Yields (10 Years)	1.127	1.050	0.968 [1.242]	0.848 [1.160]	0.780 [1.043]	0.830 [1.130]	0.780 [1.080]	0.795 [1.030]	0.765 [1.020]	0.775 [1.045]		
Average Contracted Interest Rates on Loans and Discounts(City Banks) (% changes from previous period)	1.357	1.269	1.269 (-0.023)	1.255 (-0.014)	#N/A	1.255 (-0.013)	1.252 (-0.003)	1.257 (0.005)	1.245 (-0.012)	1.242 (-0.003)		
The Nikkei Stock Average (TSE 225 Issues)	9,755	10,084	10,084 [9,755]	9,007 [9,816]	8,870 [8,700]	9,007 [9,816]	8,695 [9,833]	8,840 [8,955]	8,870 [8,700]	8,928 [8,988]		
M2(Average)	(2.7)	(2.9)	(3.0)	(2.4)	(2.4)	(2.3)	(2.3)	(2.4)	(2.4)	(2.3)		
Broadly-defined Liquidity(Average)	(0.6)	(0.1)	(0.3)	(0.2)	(0.3)	(0.0)	(0.0)	(0.3)	(0.7)	(0.8)		
Principal Figures of Financial Institutions												
Loans and Discount (Average)	Banks & Shinkin		(-1.9)	(-0.1)	(0.6)	(0.3)	(0.8)	(0.6)	(0.7)	(0.8)	(0.9)	(0.9)
	Banks		(-2.0)	(-0.1)	(0.8)	(0.5)	(1.1)	(0.8)	(0.9)	(1.1)	(1.2)	(1.1)
	City Banks etc.		(-4.2)	(-1.8)	(-0.4)	(-1.1)	(-0.4)	(-0.7)	(-0.5)	(-0.4)	(-0.4)	(-0.4)
	Regional Banks		(0.6)	(1.9)	(2.3)	(2.4)	(2.9)	(2.6)	(2.6)	(2.8)	(3.2)	(3.2)
	Regional Banks II		(-0.4)	(1.1)	(1.2)	(1.3)	(1.4)	(1.4)	(1.3)	(1.5)	(1.2)	(0.3)
	Shinkin		(-1.3)	(-0.5)	(-0.5)	(-0.7)	(-0.8)	(-0.7)	(-0.9)	(-0.8)	(-0.7)	(-0.6)
Deposits and CDs (Average)	Total(3 Business Condition)		(2.6)	(2.7)	(2.9)	(1.8)	(2.2)	(1.9)	(2.0)	(2.3)	(2.3)	(2.1)
	City Banks		(2.6)	(1.9)	(2.2)	(0.7)	(2.1)	(1.4)	(1.7)	(2.1)	(2.5)	(1.9)
	Regional Banks		(3.1)	(3.7)	(3.7)	(3.0)	(2.3)	(2.4)	(2.3)	(2.4)	(2.1)	(2.5)
	Regional Banks II		(0.6)	(2.8)	(3.2)	(2.8)	(2.2)	(2.5)	(2.3)	(2.4)	(1.9)	(1.1)

(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.