

# The Outlook for the Japanese Economy

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

## ~A Big Boost to FY13 Growth from Policy Effects~

### 1. Overview of the Japanese Economy

New administration  
steadily  
implementing  
Abenomics

Expectations regarding the economic policies of Japan's new government have risen and the mood has quickly shifted since the December 2012 Lower House elections. The coalition government between the Liberal Democratic Party, headed by Prime Minister Shinzo Abe, and the New Komeito, had campaigned on promises of stimulative and reflationary economic measures, and the new government has been steadily delivering following its inauguration. Emergency economic measures for the revitalization of the Japanese economy are one of the three prongs of so-called 'Abenomics', and JPY13.1 trillion in spending (of this, a total of JPY10.3 trillion is related to emergency economic measures) and the second biggest supplementary budget ever were approved in mid-January (Table 1). Monetary policy changes include the introduction of a price stability target of 2%, agreed upon at the end-January Monetary Policy Meeting. Together with the Government, the BoJ released a joint statement expressing resolve to 'achieve this target at the earliest possible time.'

Table 1: Outline of New Administration's Economic Policy ('Abenomics')

		Party manifesto (LDP)	Status	Major upcoming developments
Three prongs of Abenomics	Bold monetary policy	Set a clear price stability target (2%), build a strong coalition between the Government and BoJ and implement bold monetary policy toward achieving the target, eyeing the BoJ Law reform	<ul style="list-style-type: none"> <li>● A 2% YoY price stability target and JPY13 trn in monthly asset purchases of long- and short-dated JGBs from 2014 introduced by BoJ (Jan 22)</li> <li>● Joint statement of the government and the BoJ on overcoming deflation and achieving sustainable economic growth announced (Jan 22)</li> </ul>	<ul style="list-style-type: none"> <li>○ Terms of two BoJ Deputy Governors end (Mar 19)</li> <li>○ BoJ Governor's term ends (Mar 19)</li> <li>○ BoJ Monetary Policy Board meetings (Mar 6-7, Apr 3-4, Apr 26, May 21-22...)</li> </ul>
	Flexible fiscal policy	After new administration is launched, quickly push through first round of emergency economic measures and continuously implement economic measures together with large supplementary budget and new fiscal year budget	<ul style="list-style-type: none"> <li>● CEFP relaunched (January 9)</li> <li>● Emergency measures to revitalize Japan's economy approved (Jan 11)</li> <li>● FY13 budget approved (Jan 15)</li> <li>● FY13 budget proposal and FY13 fiscal reform outline approved (Jan 29)</li> </ul>	<ul style="list-style-type: none"> <li>○ Passage of FY12 Supplementary Budget (expected mid-Feb)</li> <li>○ Passage of FY13 Budget (expected around May)</li> </ul>
	Growth strategy that encourages private sector investment	Establish an 'Industry Competitiveness Council' within the Japan Economic Revitalization Office to promote targeting policy to nurture growth industries. First solve national issues, then set strategy targets possible in the world, then concentrate investment in core technologies and reform the system in order to introduce policies all at once.	<ul style="list-style-type: none"> <li>● CEFP re-launched (Jan 9)</li> <li>● Emergency economic measures for the revitalization of the Japanese economy approved (Jan 11)</li> <li>● FY12 Supplementary Budget bill passed (Jan 15)</li> <li>● Industrial Competitiveness Council launched (Jan 23)</li> <li>● Regulatory Reform Council launched (Jan 24)</li> <li>● FY13 budget proposal and FY13 fiscal reform outline approved (Jan 29)</li> </ul>	<ul style="list-style-type: none"> <li>○ Passage of FY12 Supplementary Budget (expected mid-Feb)</li> <li>○ Passage of FY13 Budget (expected around May)</li> <li>○ Drafting of New Targeting Policy (strategic market creation plan, expected around May)</li> <li>○ Drafting of Nippon Industrial Revitalization Plan and Internationalization Strategy (expected around June)</li> </ul>

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

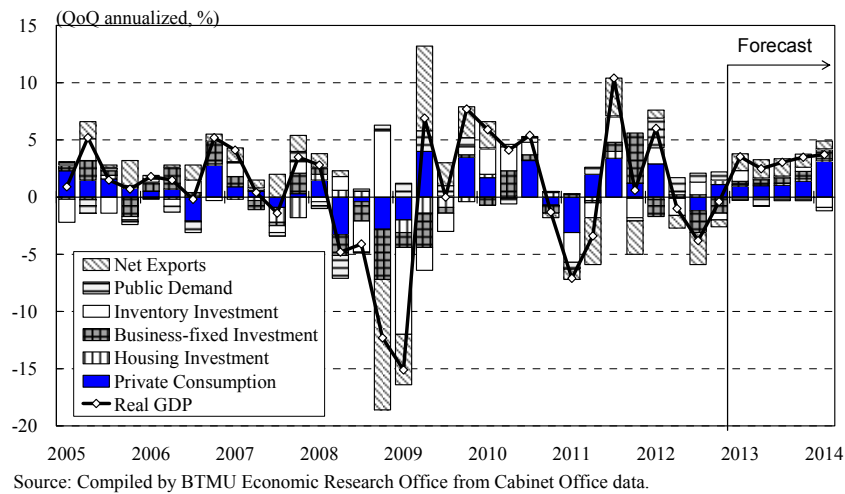
JPY weakens and share prices rise on Abenomics

With the introduction of Abenomics, the JPY has been falling and share prices rising. The JPY has weakened from approximately USD/JPY80 to the USD/JPY90 range, and from EUR/JPY110 to more than EUR/JPY120. The JPY's weakening has caused share prices to surge, and TSE market capitalization has swollen by nearly JPY70 trillion since the end of October (as of January; TSE1, TSE2, and Mothers combined). Corporate and household sentiment have also started to improve automatically. The leading DI of future economic conditions in the Economy Watchers Survey and consumer confidence rose considerably in January, to the highest level since the collapse of Lehman Brothers.

FY13 real GDP growth accelerates to more than +2% on supplementary budget and weak JPY

Japan's economy had been nearly on the precipice of another downturn as overseas economies slowed, but now appears to be headed toward a recovery because of the stimulus measures under the Abe Administration. First, the supplementary budget was passed in February, and appears likely to be executed quickly in order to lay the groundwork for the Upper House election in July and the consumption tax hike. Because of this, spending will be concentrated in FY13 and is expected to help push up economic growth for the year (by +0.6ppt from the growth outlook made in November, before the launch of Abenomics). This is likely to offset the dropoff in spending related to earthquake reconstruction. Further, in light of Abenomics, the USD/JPY exchange rate is now expected to reflect a 10% weakening of the JPY. This is estimated to result in an aggregate positive impact of +0.6ppt on real GDP for the year because of an improvement in net exports (an increase in exports and decrease in imports), the ripple effect triggered from a rise in exports, and a wealth effect from higher share prices. As a result, real GDP growth is anticipated to be fairly strong, at a rate of +2.2% YoY in FY13 (Figure 1). On the other hand, a major concern is the risk of reflationary policies being too effective and hurting confidence in Japan's policy management as a result. If this happens, market interest rates could jump and impede private sector demand. In addition, if the JPY keeps weakening, rising import costs could be a growing burden.

Figure 1: Real GDP Growth



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

### (1) Corporate Sector

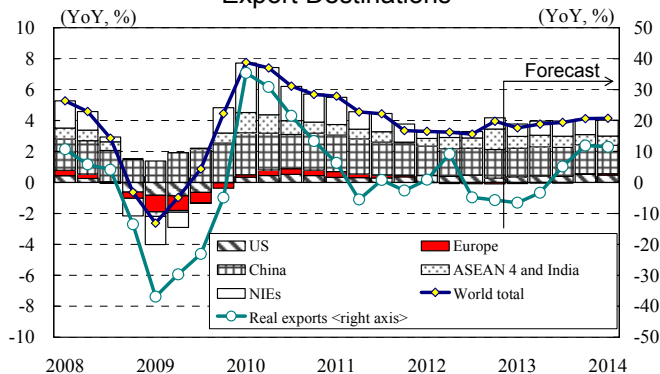
Exports improving  
as JPY weakens

Exports have been declining as overseas economies have weakened and because of the tensions with China, but have been showing signs of bottoming recently in terms of volume. Going forward, exports are projected to keep recovering, propelled by the sudden weakening of the JPY and gaining more upward momentum as overseas economies improve (Figure 2). Further, production rose +2.4% MoM in December as overseas demand stopped falling and on expectations of a recovery in domestic demand as well as inventory adjustments. Output is expected to keep rising at the same pace in January and February (by +2.6% MoM in January and +2.3% MoM in February, according to the manufacturers production forecast survey).

Recovering  
corporate profits due  
to the weaker JPY  
could spread to  
capital expenditures

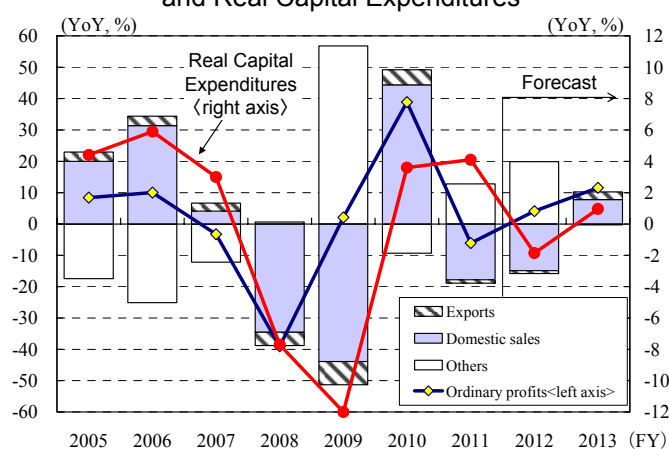
Real capital expenditures slumped by an annualized -9.9% QoQ in Oct-Dec, the fourth straight quarter of decline. However, machinery orders (private sector, excluding the shipbuilding and power industries)—a leading indicator of capital expenditures—rose for the first time in three quarters in Oct-Dec, and are projected to rise again in Jan-Mar, however slightly. As described above, economic sentiment has improved suddenly recently. The real positive effects of a weaker JPY pushing up profits, especially for exporters, are very likely to become more apparent (Figure 3). Amidst these developments, capital expenditures are likely to slowly recover.

Figure 2: Real Exports and Growth Rates of Main Export Destinations



Notes: 1. Europe includes Eurozone and UK.  
 2. World total is weighted average by export weight of main export destination's real GDP growth rate.  
 Source: Compiled by BTMU Economic Research Office from MOF, country data.

Figure 3: Ordinary Profits(Non-Financial Companies) and Real Capital Expenditures



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

## (2) Household Sector

Private consumption expected to remain firm as consumer sentiment and incomes improve

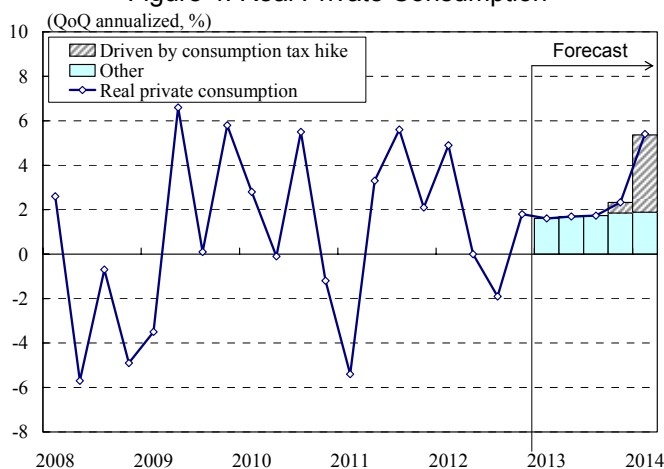
Real private consumption rose for the first time in two quarters in Oct-Dec, by +1.8% QoQ annualized (Figure 4). By component item, although spending on durable goods (-23.5% QoQ annualized) slumped because of falling car sales as the Ecocar subsidy ended, demand for semi-durable goods (+3.1% QoQ annualized) including seasonal goods and non-durable goods (+9.4% QoQ annualized) like utilities expanded because of the cold winter. Furthermore, spending on services like travel and dining out rose (+3.0% QoQ annualized). Private consumption is projected to remain firm. As noted above, consumer sentiment has been improving considerably since the end of 2012 in appreciation of the weaker JPY and higher share prices, as well as expectations of Abenomics. Further, improving production has been reflected in rising overtime pay, and compensation of employees are expected to gradually recover. Also, a surge of demand is anticipated in the second half of FY13 ahead of the consumption tax hike, and spending is expected to gain momentum.

Residential investment likely to remain strong

Residential investment rose an annualized +14.7% QoQ in Oct-Dec, faster than the +9.0% QoQ pace of Apr-Jun and +6.7% QoQ of Jul-Sept (Figure 5). Although support measures like the Flat 35s Eco preferential interest rate and the residential Ecopoint programs wound down at the end of October, housing starts were strong in November and December, at an annualized pace of 900,000 homes. Further, residential reconstruction activity has been continuing in the earthquake-struck Tohoku region, especially owned homes and rented dwellings. Looking ahead, continued reconstruction demand, stable

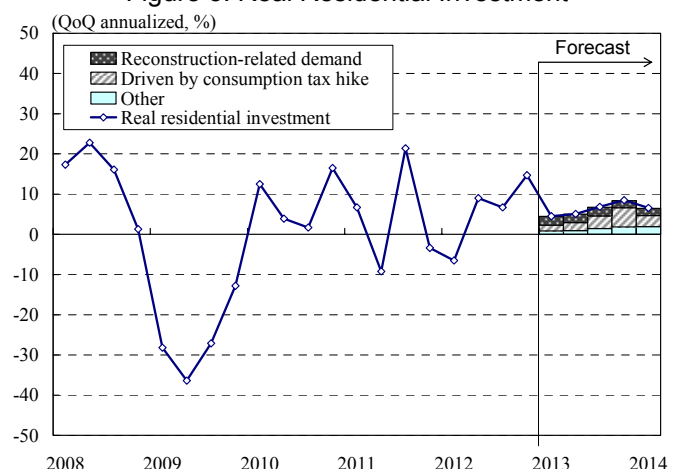
and low interest rates, and a gradual improvement in incomes are expected to be positive factors for residential investment. Furthermore, a rush of demand prior to the consumption tax hike is projected to provide a lift, and FY13 residential investment is expected to remain firm. Note that if the home loan tax break is officially expanded in the revision of the FY13 tax code, lessened burdens due to tax breaks could exceed the added burdens from the consumption tax hike, depending on annual incomes and home purchase prices. Developments that could delay some home purchases may arise.

Figure 4: Real Private Consumption



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

Figure 5: Real Residential Investment



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

### (3) Public Sector

Public demand, especially reconstruction-related, rose for a fourth straight quarter

New administration's economic policies to support public demand

Real public demand continued to rise in Oct-Dec for the fourth straight quarter, by an annualized rate of +2.9% QoQ. Public investment has expanded for four straight quarters because of spending budgeted in FY11 to FY12 as well as higher government final spending because of the aging population and higher in-kind benefits for medical and nursing care. However, public institution contract orders show that reconstruction-related spending started to fall on-year in September. Earthquake-related public demand, which had been supporting Japan's economy, is starting to peak out.

Earthquake-related demand is expected to shrink, weighing on the economic growth rate. On the other hand, the Abe Administration's large-scale economic measures, primarily public works projects, are likely to support public demand. Emergency economic measures totaling JPY10.3 trillion are projected to boost real GDP by +1.6ppt through FY15. This is expected to offset the decline in public reconstruction demand (Figure 6).

#### (4) Inflation

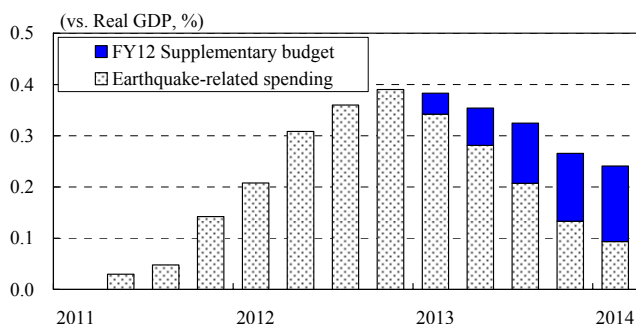
Core consumer prices remain negative on-year

Inflation to slowly rise as GDP improves and JPY weakens

Consumer prices in core terms (excluding fresh foods) continue to fall on-year (Figure 7). By item, although energy-related costs (including utilities and gasoline prices) are rising, prices of leisure activities and durable goods like TVs and refrigerators are falling as the pattern thus far continues.

Going forward, core consumer prices are expected to rise slowly, boosted by higher import prices because of the weaker JPY and a narrowing negative GDP gap. However, it will be some time before the BoJ's price stability target— 2 percent in terms of the year-on-year rate of change in the consumer price index(CPI) — is achieved. This is because linkages since 1985 show that a GDP gap of 1.8% would be commensurate with an inflation rate of 2%, but the GDP gap is still stuck well in negative territory. Further, the GDP deflator is expected to turn slightly positive in FY13, and the 'nominal-real inversion' growth rate phenomenon is expected to be erased.

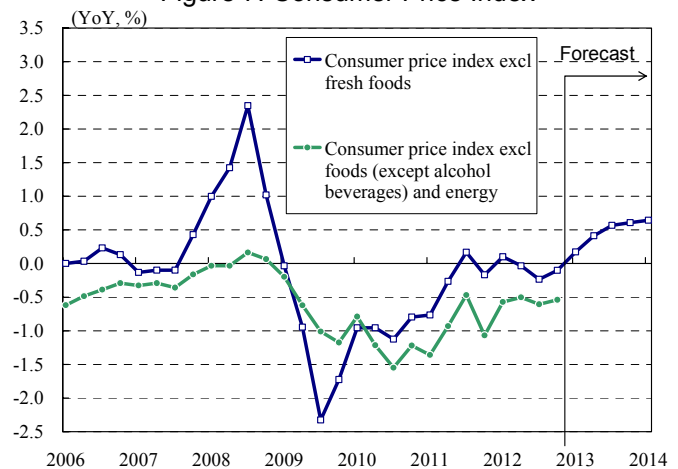
Figure 6: Impact on Real Public Demand from Earthquake-Related Spending and New Administration's FY12 Supplementary Budget



Note: Earthquake-related budget is spending in FY11 Supplementary Budget and FY12 Initial budget.

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

Figure 7: 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

BoJ expected to continue aggressive easing measures under new leadership

The BoJ has been bolstering monetary easing policy since the second half of 2012 (Table 2). After agreeing to increase funds for Asset Purchases Program in December, the BoJ introduced a price stability target and open-ended asset purchasing method at the January 21-22 meeting, further easing monetary policy. In particular, the BoJ raised the inflation target to 2%

and indicated that easy money conditions would persist at least past 2013 (as long as deemed necessary). In other words, the expectations for the BOJ's further monetary easing has been strengthened. The BoJ is expected to pursue aggressive monetary easing after the new Governor and two Deputy Governors take office in March. Policy is likely to continue to be primarily expanding and maintaining a large balance sheet, and seeking to strengthen the expectations for further monetary easing by increasing purchases of long-dated JGBs and extending the residual maturities of JGBs purchased under the Asset Purchase Program (currently one to three years).

10Yr yield to gradually rise

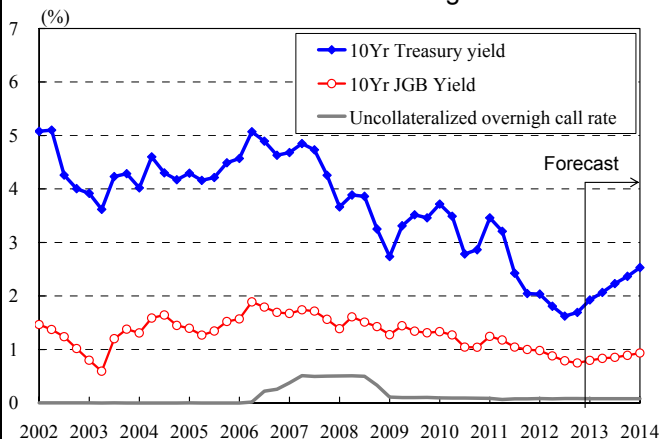
Although yield-boosting factors like rising share prices and expectations of an improving domestic economy have been appearing, the yield on the 10Yr JGB has remained at a low level in the upper 0.7% range because of added monetary easing by the BoJ. The pace of rise is expected to be limited as the BoJ maintains its monetary easing policy, but long-term yields are expected to rise slowly as both the domestic and overseas economies recover and JGB issuances expand because of economic measures, as well as because of rising US Treasury yields (Figure 8).

Table 2: Recent BoJ Monetary Easing Policy

Sept 19, 2012	Increased size of Asset Purchase Program
	Increased funds from JPY70trn→JPY80trn Eliminated minimum bid yield for purchases of long-term JGBs and corporate bonds
Oct 30, 2012	Increased size of Asset Purchase Program
	Increased funds from JPY80trn→JPY91trn
	Agreed to create funds supply framework to support increased lending To supply as much funding as desired at low interest rates and for long terms in order to boost financial institution lending Joint announcement by BoJ Governor, Minister of Finance, and Head of CEFP on efforts to end deflation
Dec 20, 2012	Increased size of Asset Purchase Program
	Increased funds from JPY91trn→JPY101trn
Jan 22, 2013	Introduced price stability target Consumer price rise of 2% YoY
	Introduced open-ended asset purchasing method Monthly purchases of JPY 13 trn including JPY2 trn in long-term JGBs from 2014
	Released joint Government-BoJ statement on policy collaboration to end deflation and ensure sustainable economic growth

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

Figure 8: US and Japan Long-Term Yields and the Uncollateralized Overnight Call Rate



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

## (2) Exchange Rates

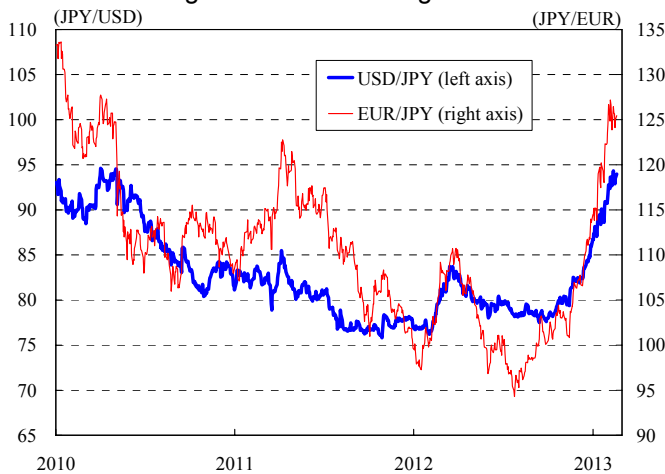
JPY has continued to weaken since late 2012

Conditions have supported JPY selling since late 2012, and the currency has fallen to the USD/JPY90 and EUR/JPY120 level (Figure 9). The main reason appears to be expectations for Abenomics, which would include bolstering monetary easing by the BoJ, overseas factors also have an impact. Speculation of a recovery by the US economy is strengthening and excessive risk aversion stemming from jitters over Europe has been easing.

**Current level of JPY looks fair**

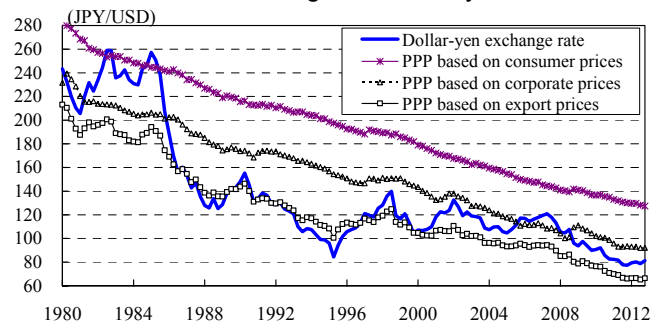
Because of the strong possibility that a further dramatic weakening in the JPY would not be allowed internationally, once major factors—such as further easing by the BoJ—are exhausted, the JPY’s fall is likely to pause. Further, purchasing power parity between the US and Japan has stood at USD1:JPY66 for export prices, USD1:JPY92 for corporate prices, and USD1:JPY127 for consumer prices (Figure 10). The USD/JPY rate has achieved purchasing price parity for corporate prices, which had been the upper limit in the past. Although the JPY is not expected to re-trace back to the USD/JPY70 level again, we think that the FY13 average rate will be USD/JPY89, a full JPY7 weaker than the FY12 rate.

**Figure 9: Yen Exchange Rate**



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

**Figure 10: Yen Exchange Rate : 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 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

22-Feb-2013

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			
1. The Real Economy (QoQ annualized change)																
Real GDP	-7.1	-3.4	10.4	0.6	6.0	-1.0	-3.8	-0.4	3.5	2.5	3.0	3.5	3.7	0.3	1.0	2.2
Private Consumption	-5.4	3.3	5.6	2.1	4.9	0.0	-1.9	1.8	1.6	1.7	1.7	2.3	5.4	1.5	1.4	1.8
Housing Investment	6.7	-9.2	21.4	-3.4	-6.5	9.0	6.7	14.7	4.5	5.1	6.8	8.5	6.6	3.7	5.0	7.1
Private Business Fixed Investment	0.5	-1.8	6.4	38.9	-10.0	-1.0	-13.7	-9.9	2.4	3.1	3.9	5.3	7.0	4.1	-1.9	1.0
Business Inventory (Contribution)	-2.6	-1.3	2.2	-1.7	1.4	-1.5	1.1	-0.6	0.9	0.2	0.1	0.3	-0.9	-0.5	-0.0	0.2
Government Expenditures	-2.6	2.4	0.2	-1.2	10.9	6.1	3.3	2.9	-1.2	-3.3	-1.4	-1.3	-1.3	0.9	4.2	-1.1
Public Investment	-14.0	4.2	-4.1	-11.5	38.0	26.8	10.4	6.0	-6.3	-12.1	-3.9	-3.6	-5.5	-2.3	13.3	-4.9
Net Exports (Contribution)	-0.9	-4.1	3.3	-2.9	0.7	-1.1	-2.8	-0.6	1.5	1.6	1.5	1.2	0.7	-1.0	-0.8	0.8
Exports	-1.1	-25.5	39.4	-11.8	14.2	0.2	-19.0	-14.0	9.3	14.8	13.4	10.4	7.5	-1.6	-2.2	6.1
Imports	5.6	-2.0	13.7	7.0	8.6	6.8	-1.9	-9.0	-0.8	4.1	3.6	3.2	3.6	5.3	3.3	0.8
Nominal GDP	-8.5	-5.8	9.4	-0.4	5.7	-2.2	-4.1	-1.8	3.6	2.8	3.5	3.9	4.2	-1.4	0.2	2.3
GDP Deflator (YoY)	-2.0	-2.1	-1.9	-1.5	-1.0	-0.9	-0.8	-0.6	-0.7	-0.3	-0.0	0.1	0.5	-1.7	-0.7	0.1
Industrial Production Index (QoQ)	-1.5	-4.2	5.4	0.4	1.3	-2.0	-4.2	-1.9	2.7	1.5	2.0	3.1	1.5	-1.0	-2.8	5.1
Domestic Corporate Goods Price Index (YoY)	0.9	1.8	2.2	1.1	0.3	-1.0	-1.9	-0.8	-0.4	0.3	1.1	1.1	1.1	1.4	-1.1	1.0
Consumer Price Index (excl. fresh food, YoY)	-0.8	-0.3	0.2	-0.2	0.1	0.0	-0.2	-0.1	0.2	0.4	0.6	0.6	0.6	0.0	-0.0	0.6
2. Balance of Payments																
Trade Balance (billion yen)	908	-1,093	-241	-1,185	-1,133	-1,102	-1,714	-1,893	-2,095	-1,743	-1,382	-1,251	-1,131	-3,470	-6,804	-5,507
Current Balance (billion yen)	3,487	1,887	2,546	1,682	1,485	1,515	951	738	1,052	1,269	1,590	1,727	1,834	7,618	4,256	6,420
3. Financial																
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	0.7	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	81	89	91	89	88	87	79	82	89

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 Mar. 6, 2013

	Fiscal 2010	Fiscal 2011	2012			2012				2013
			2Q	3Q	4Q	SEP	OCT	NOV	DEC	JAN
Real GDP Growth Rate <% changes from previous period at SA annual rate>	3.4	0.3	-1.0 (3.8)	-3.8 (0.4)	-0.4 (0.3)	***	***	***	***	***
Index of All Industries Activity	2.0	0.2	-0.1 (2.6)	-0.5 (-0.2)	0.3 (-0.2)	-0.4 (-1.2)	0.3 (0.2)	-0.4 (0.1)	1.8 (-0.8)	
Industrial Production Index	9.3	-1.0	-2.0 (5.3)	-4.2 (-4.6)	-1.9 (-5.9)	-4.1 (-8.1)	1.6 (-4.5)	-1.4 (-5.5)	2.4 (-7.9)	1.0 (-5.1)
Production										
Shipments	9.4	-2.0	-0.2 (8.0)	-5.4 (-4.5)	-2.1 (-6.0)	-4.3 (-8.4)	-0.1 (-4.9)	-0.8 (-5.6)	4.0 (-7.5)	0.1 (-3.4)
Inventory	3.9	9.6	0.0 (6.3)	0.3 (4.8)	-2.5 (3.5)	-0.9 (4.8)	-0.1 (3.8)	-1.2 (3.1)	-1.2 (3.5)	-0.5 (0.9)
Inventory/Shipments Ratio (2005=100)	108.4	116.4	121.8 [121.1]	127.9 [116.5]	127.1 [115.0]	130.4 [117.6]	127.6 [116.6]	127.2 [115.6]	126.5 [112.7]	121.8 [113.5]
Domestic Corporate Goods Price Index	0.7	1.4	-0.2 (-1.0)	-0.8 (-1.9)	0.0 (-0.8)	0.2 (-1.5)	-0.3 (-1.0)	0.0 (-0.9)	0.2 (-0.7)	0.4 (-0.2)
Consumer Price Index(SA, total, excl.fresh foods)	-0.8	0.0	0.3 (0.0)	-0.3 (-0.2)	0.0 (-0.1)	0.0 (-0.1)	0.0 (0.0)	-0.1 (-0.1)	0.0 (-0.2)	0.0 (-0.2)
Index of Capacity Utilization (2005=100)	88.0	87.4	89.8 [79.8]	85.0 [87.5]	83.1 [89.3]	81.1 [87.0]	82.4 [89.9]	82.2 [88.1]	84.6 [89.9]	86.6 [92.8]
Machinery Orders(Private Demand, Excl.Electric Power and Ship building)	9.1	6.2	-4.1 (-1.7)	-1.1 (-4.6)	2.0 (-0.8)	-4.3 (-7.8)	2.6 (1.2)	3.9 (0.3)	2.8 (-3.4)	
Manufacturing	18.3	5.9	-5.8 (-7.6)	-3.2 (-9.5)	-3.9 (-11.1)	2.8 (-12.7)	-3.6 (-13.3)	3.9 (-10.5)	3.0 (-9.8)	
Non-manufacturing Excl.Electric Power & Ship building	2.7	6.6	0.0 (3.1)	0.1 (-1.3)	6.3 (7.4)	1.3 (-4.7)	2.8 (13.3)	6.2 (9.1)	-8.0 (1.6)	
Shipments of Capital Goods (Excl.Transport Equipment)	21.4	5.4	0.7 (0.9)	-4.8 (-5.3)	-6.0 (-11.4)	-1.5 (-4.4)	-6.7 (-11.2)	0.0 (-12.9)	8.4 (-9.9)	-5.2 (-9.0)
Construction Orders	-5.2	7.1	(6.1)	(6.3)	(-2.7)	(3.6)	(-13.8)	(-2.1)	(4.8)	(-3.7)
Private	-2.6	3.7	(6.6)	(0.9)	(3.1)	(0.7)	(-2.0)	(7.9)	(2.7)	(-1.1)
Public	-12.1	22.7	(29.7)	(11.7)	(-7.3)	(-17.8)	(-39.7)	(-2.0)	(21.5)	(-0.9)
Public Works Contracts	-8.8	-0.5	(15.5)	(13.3)	(17.7)	(-1.9)	(28.2)	(6.2)	(15.6)	(6.7)
Housing Starts 10,000 units at Annual Rate, SA	81.9 (5.6)	84.1 (2.7)	87.6 (6.2)	87.6 (-1.1)	91.8 (15.0)	87.5 (15.5)	96.8 (25.2)	90.6 (10.3)	88.0 (10.0)	86.3 (5.0)
Total floor	(9.0)	(2.5)	(5.1)	(-2.7)	(12.2)	(12.6)	(20.1)	(8.5)	(8.4)	(7.2)
Sales at Retailers	0.8	0.8	(3.1)	(0.5)	(0.1)	(0.4)	(-1.2)	(1.2)	(0.3)	(-1.1)
Real Consumption Expenditures of Households over 2 persons (SA)	-0.9	-1.2	1.7 (2.7)	-1.4 (0.9)	-0.7 (-0.2)	-1.3 (-0.9)	0.4 (-0.1)	0.1 (0.2)	-0.1 (-0.7)	1.9 (2.4)
Propensity to Consume (SA,%)	73.4	73.3	74.1 [74.0]	74.4 [73.1]	74.8 [74.2]	74.3 [73.7]	73.9 [72.8]	74.7 [73.8]	75.0 [74.1]	76.7 [73.7]
Overtime Hours Worked (All Industries, 5 employees or more)	7.9	0.8	0.0 (4.0)	-3.3 (-0.9)	-0.2 (-2.5)	-0.8 (-2.0)	-1.0 (-3.1)	1.0 (-2.2)	1.7 (-2.2)	-1.0 (-1.9)
Total Cash Earnings (Regular Employees Only; All Industries, 5 employees or more)	0.5	-0.3	(-0.5)	(-0.7)	(-1.0)	(-0.5)	(-0.4)	(-0.8)	(-1.7)	(0.7)
Employment Index(Regular Employees Only;All Industries, 5 employees or more) (Change over the M/Q/Y)	23	52	138	131	133	130	134	128	137	23
Ratio of Job Offers to Applicants (SA,Times)	0.56	0.68	0.80 [0.61]	0.81 [0.65]	0.82 [0.71]	0.81 [0.67]	0.81 [0.69]	0.82 [0.71]	0.83 [0.72]	0.85 [0.74]
Unemployment Rate (SA,%)	5.0	5.0	4.4	4.3	4.2	4.3	4.2	4.2	4.3	4.2
Economy Watcher Survey (Judgment of the present condition D.I,%)	44.2	44.9	47.3 [38.0]	43.0 [48.4]	41.6 [46.0]	41.2 [45.3]	39.0 [45.9]	40.0 [45.0]	45.8 [47.0]	49.5 [44.1]
Bankruptcies (Number of cases)	13,065 (-11.3)	12,707 (-2.7)	3,127 (-5.5)	2,924 (-5.9)	2,889 (-6.8)	931 (-6.9)	1,035 (6.0)	964 (-11.9)	890 (-13.7)	934 (-5.1)

(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. 6, 2013

	Fiscal	Fiscal	2012			2012				2013
	2010	2011	2Q	3Q	4Q	SEP	OCT	NOV	DEC	JAN
Customs Clearance(Exports in Yen Terms)	14.9	-3.7	(4.8)	(-8.2)	(-5.5)	(-10.3)	(-6.5)	(-4.1)	(-5.8)	(6.4)
Value	0.1	0.6	(1.2)	(0.6)	(4.2)	(0.9)	(1.7)	(3.6)	(7.3)	(13.1)
Volumes	14.7	-4.3	(3.5)	(-8.7)	(-9.3)	(-11.1)	(-8.1)	(-7.5)	(-12.2)	(-5.9)
Imports(In Yen terms)	16.0	11.6	(5.1)	(0.2)	(0.4)	(4.2)	(-1.5)	(0.9)	(1.9)	(7.3)
Value	3.4	9.1	(1.8)	(-2.6)	(1.1)	(-0.1)	(-0.4)	(1.8)	(1.9)	(8.4)
Volumes	12.4	2.2	(3.2)	(2.9)	(-0.6)	(4.2)	(-1.0)	(-0.9)	(0.0)	(-1.0)
Current Balance(100 mil. yen)	166,595	76,180	11,377	16,210	▲ 1,096	5,137	3,769	-2,224	-2,641	
Trade Balance(100 mil. yen)	64,955	-34,698	-11,298	-15,144	-18,654	-4,747	-4,503	-8,475	-5,676	
Services(100 mil. yen)	-12,730	-18,265	-8,303	-8,092	-8,270	-2,633	-3,568	-1,901	-2,801	
Capital and Financial Accounts(100 mil. yen)	-155,633	29,618	-30,182	-23,904	-60	-6,860	-5,920	-3,274	9,134	
Gold & Foreign Exchange Reserves(\$1mil.)	1,116,025	1,288,703	1,270,547	1,277,000	1,268,125	1,277,000	1,274,160	1,270,848	1,268,125	1,267,299
Exchange Rate(V\$)	85.69	79.05	80.17	78.62	81.16	78.17	78.97	80.87	83.64	89.18

## 3. Financial Market Indicators

	Fiscal	Fiscal	2012			2012				2013	
	2010	2011	2Q	3Q	4Q	SEP	OCT	NOV	DEC	JAN	
Uncollateralized Overnight Call Rates	0.091	0.077	0.078 [0.067]	0.085 [0.078]	0.084 [0.079]	0.085 [0.080]	0.085 [0.081]	0.086 [0.077]	0.082 [0.078]	0.083 [0.080]	
Euro Yen TIBOR (3 Months)	0.356	0.331	0.333 [0.332]	0.327 [0.330]	0.318 [0.329]	0.327 [0.329]	0.326 [0.329]	0.318 [0.329]	0.308 [0.329]	0.292 [0.331]	
Newly Issued Japanese Government Bonds Yields (10 Years)	1.127	1.050	0.848 [1.160]	0.780 [1.043]	0.757 [1.030]	0.765 [1.020]	0.775 [1.045]	0.700 [1.065]	0.795 [0.980]	0.740 [0.965]	
Average Contracted Interest Rates on Loans and Discounts(City Banks) (% changes from previous period)	1.357	1.269	1.255 (-0.014)	1.245 (-0.010)	1.226 (-0.019)	1.245 (-0.012)	1.242 (-0.003)	1.239 (-0.003)	1.226 (-0.013)	1.220 (-0.006)	
The Nikkei Stock Average (TSE 225 Issues)	9,755	10,084	9,007 [9,816]	8,870 [8,700]	10,395 [8,455]	8,870 [8,700]	8,928 [8,988]	9,446 [8,435]	10,395 [8,455]	11,139 [8,803]	
M2(Average)	(2.7)	(2.9)	(2.4)	(2.4)	(2.3)	(2.4)	(2.3)	(2.1)	(2.6)	(2.7)	
Broadly-defined Liquidity(Average)	(0.6)	(0.2)	(0.2)	(0.3)	(0.7)	(0.5)	(0.5)	(0.4)	(1.1)	(1.4)	
Principal Figures of Financial Institutions											
Loans and Discount (Average)	Banks & Shinkin		(-1.9)	(-0.1)	(0.3)	(0.8)	(1.0)	(0.9)	(0.8)	(1.0)	(1.1)
	Banks		(-2.0)	(-0.1)	(0.5)	(1.1)	(1.2)	(1.1)	(1.2)	(1.4)	(1.6)
	City Banks etc.		(-4.2)	(-1.8)	(-1.1)	(-0.4)	(-0.1)	(-0.4)	(-0.4)	(-0.2)	(0.7)
	Regional Banks		(0.6)	(1.9)	(2.4)	(2.9)	(3.1)	(3.2)	(3.1)	(3.2)	(3.1)
	Regional Banks II		(-0.4)	(1.1)	(1.3)	(1.4)	(0.4)	(1.2)	(0.3)	(0.5)	(0.4)
Deposits and CDs (Average)	Shinkin		(-1.3)	(-0.5)	(-0.7)	(-0.8)	(-0.7)	(-0.8)	(-0.7)	(-0.6)	(-0.5)
	Total(3 Business Condition)		(2.6)	(2.7)	(1.8)	(2.2)	(2.0)	(2.3)	(2.1)	(1.7)	(2.3)
	City Banks		(2.6)	(1.9)	(0.7)	(2.1)	(1.7)	(2.5)	(1.9)	(1.1)	(2.1)
	Regional Banks		(3.1)	(3.7)	(3.0)	(2.3)	(2.6)	(2.1)	(2.5)	(2.5)	(3.0)
		Regional Banks II	(0.6)	(2.8)	(2.8)	(2.2)	(1.1)	(1.9)	(1.1)	(1.2)	(0.9)

(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.