June 17, 2013
(Original Japanese version released on May 30, 2013)

The Outlook for the Japanese Economy

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

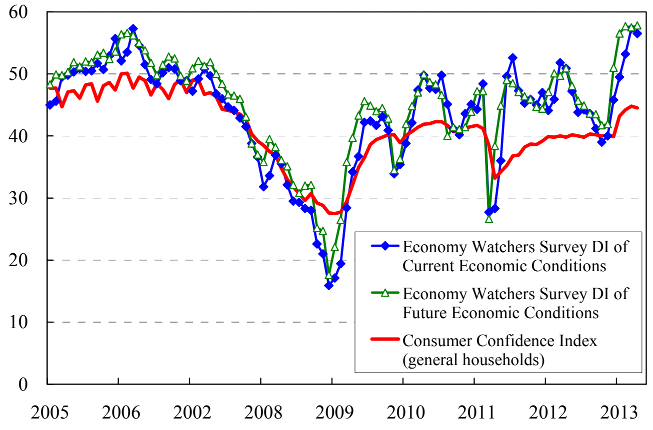
～Kicked Off by New Administration's Economic Policies, Japan's Economy Expected to Restart Virtuous Cycle～

1. Overview of the Japanese Economy

New administration's policy effects steadily appearing, Jan-Mar growth accelerates

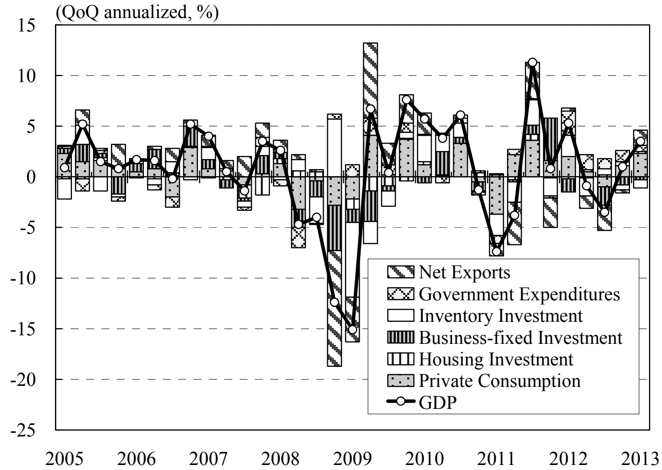
Japan's economic recovery is emerging more clearly throughout the country, and hopes for the future both at home and abroad have risen to unusually high levels. The biggest factor is the steady implementation of a series of stimulative economic measures under the New Administration's strong new leadership. The effects of these measures are starting to permeate the sentiment of economic entities like the financial markets, companies, and households, as well as the real economy. In the foreign exchange market, the JPY continues to weaken, breaking through the USD/JPY100 mark. The JPY's weighted average real effective exchange rate adjusted for differences in inflation with Japan's main trade partner countries (43 countries in total) has declined by more than 20% over the last half year. The JPY's real effective exchange rate fell to its lowest level since 1985 in April. Share prices continue to surge, with the Tokyo Stock Exchange's total market capitalization ballooning by JPY150 trillion between the end of October and the end of April. According to the Economy Watchers Survey, the DIs of both current and future economic conditions and the Consumer Confidence Index are now at the highest points since the collapse of Lehman Brothers, reflecting the sudden improvement in economic sentiment (Figure 1). In addition to such primary impacts, movement is starting to occur in the real economy as well. The real GDP growth rate rose at an annualized pace of +3.5% in Jan-Mar, well above the +1.0% pace of Oct-Dec (Figure 2). GDP export and private consumption growth was marked, suggesting that the weaker JPY, higher share prices, and improved economic sentiment has started to impact the real economy. On the other hand, capital expenditures declined on-quarter for the fifth straight quarter, and public investment slowed. However, monthly indicators show that orders received for machinery (private demands except the ship and the electric power), a leading indicator of capital expenditures, jumped in February and March, and April public works contracts rose the most since May 2012. Overall, Japan's economy is clearly growing more robust.

Figure 1: Corporate, Household Economic Sentiment Indicators



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

Figure 2: Real GDP and Final Demands

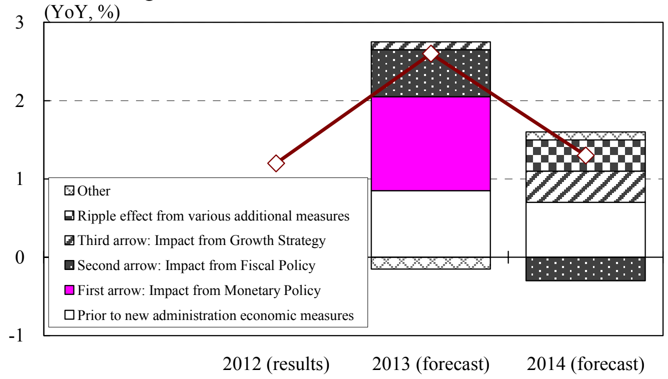


Source: Compiled by BTMU Economic Research Office from Cabinet Office materials.

Monetary and fiscal policies lift the economy toward self-sustaining path supported by the growth strategy

Looking ahead, the economy appears likely to stay on its recovery path. In FY13, the Abe Administration's economic policy 'first prong'—expanded monetary easing that has caused the JPY to weaken and share prices to rise—and fuller implementation of the 'second prong'—public works projects as part of emergency economic measures—are expected to boost the recovery via both domestic and external demand. With the added effect of a surge in demand prior to the April 2014 consumption tax hike (Figure 3), the real GDP growth rate for FY13 is projected to rise to the upper 2% YoY level. The effects of the 'third prong' of Abenomics—the growth strategy—are expected to start to slowly appear in FY14, by for example encouraging private sector capital expenditures. The second part of the growth strategy, explained on May 17, set a goal of a 10% increase in capital expenditures by FY15 (Table 1). As easy monetary conditions are maintained, growth is expected to continue while absorbing the adverse effects of the consumption tax hike and the dropping off of fiscal policy effects. The results of such growth are expected be distributed through corporate profits and household incomes, encouraging a virtuous cycle for the Japanese economy. Inflation is also expected to rise gradually. Meanwhile, our Risk Scenario is that a fundamental lifting of Japan's economy does not occur, and hopes from both home and abroad vanish. Dependence on the monetary and fiscal policy intended to offset this increases, leading to the fostering of a financial asset bubble and loss of fiscal discipline.

Figure 3: Real GDP Growth Forecast



Notes: 1) *Prior to new administration economic measures* includes impact of consumption tax hike.
2) *Impact from monetary policy* is *improvement in net exports, ripple effect from rise in exports,* and *asset effect from higher stock prices* due to weaker JPY.
3) *Other* includes due to changes in inventory due to changes in overseas economies and economic expansion.
Source: Compiled by BTMU Economic Research Office from Cabinet Office data.

Table 1: Key Quantitative Targets in Growth Strategy, Second Round

	Current		Target	Target date
Capital expenditures	JPY63 trn	⇒	JPY70 trn	FY2015
Infrastructure exports	JPY10 trn	⇒	JPY30 trn	2020
Agricultural goods・Foodstuff exports	JPY450.0bn	⇒	JPY1 trn	2020
Sextic industrialization market	JPY1 trn	⇒	JPY10 trn	2023
Number of foreign visitors to Japan	8 million	⇒	20 million	—

Source: Compiled by BTMU from Prime Minister's Office materials.

2. Current Situation and Outlook by Sectors and Components

(1) Corporate Sector

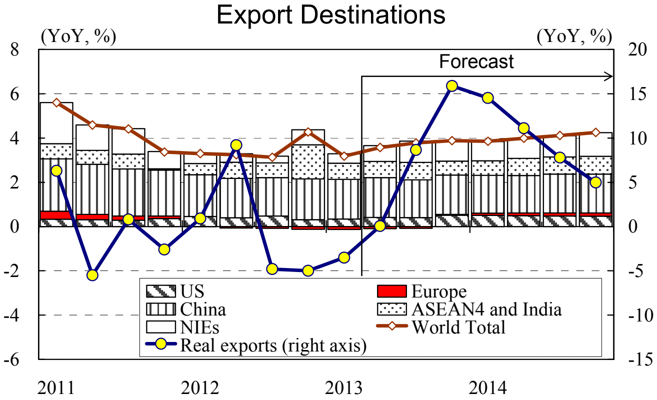
Export recovery pitch picks up on fuller effects of weak JPY

Exports have been showing signs of a rebound after bottoming because of the quickly-weakening JPY. Export volume continued to rise in March (+2.3% MoM) and April (+2.5% MoM). Looking ahead, the weak JPY is expected to lift exports even more with overseas economies projected to gradually improve, and this is likely to boost the degree of export recovery (Figure 4). Further, production rose in Jan-Mar for the first time in four quarters, and is expected to continue rising amidst the export recovery and improving domestic demand, primarily private consumption, and as inventory adjustments are completed.

Growth strategy taking root and declining real interest rates to trigger capital expenditures as corporate profits rise

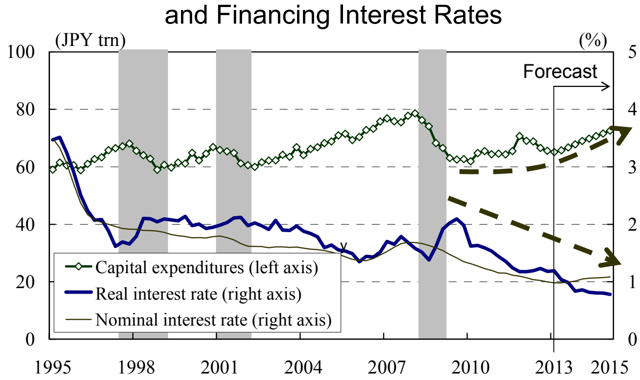
Real capital expenditures shrank by an annualized +2.6% QoQ in Jan-Mar, the fifth straight quarter of decline. This suggests that companies remain cautious regarding capital expenditures, but the rate of decline slowed from the -5.9% pace of Oct-Dec. Orders received for machinery (private demands except the ship and the electric power), a leading indicator of capital expenditures, surged in February (+4.2% MoM) and March (+14.2% MoM), as noted above. Further, according to March 2013 earnings reports, corporate profits surged, especially among manufacturers, propelled by the tailwind of a weak JPY. Companies project even higher profits in FY14. Looking ahead, ‘real’ interest rates are projected to fall as policy support from the growth strategy increases and the expected growth rate rises and inflation outpaces nominal interest rate. Capital expenditures are expected to start to steadily recover (Figure 5).

Figure 4: 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: Complied by BTMU Economic Research Office from MOF, country data.

Figure 5: Real Capital Expenditures and Financing Interest Rates



Note: 1) *Real interest rate* is difference between *New loan contracted average interest rate* and *Domestic demand deflator QoQ rate of change, excluding impact of consumption tax hike* (four quarter average).
2) Shadowed portions indicate economic downturns.
Source: Compiled by BTMU from Cabinet Office, BoJ data.

(2)Household Sector

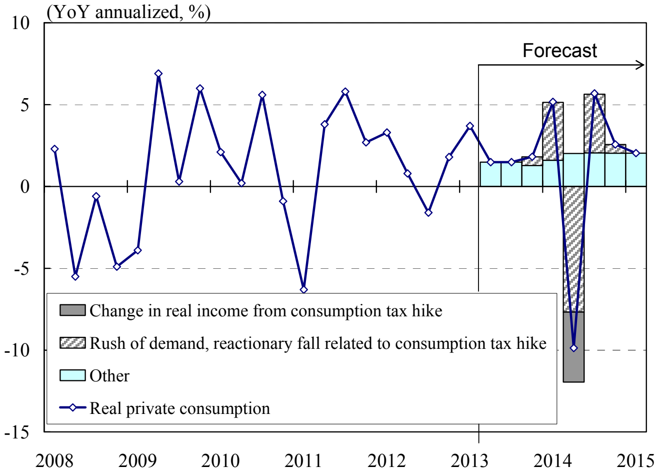
Private consumption expected to remain firm on asset effect and recovering incomes

Real private consumption rose +3.7% QoQ annualized in Jan-Mar, the second straight quarter of expansion (Figure 6). The asset effect rooted in the rise of share prices from late last year as well as improving sentiment appears to have boosted private consumption. Broken down, spending on durable goods (+13.1% QoQ annualized) surged as the dropoff in automobile sales following the end of Ecocar subsidies was negated, while demand for semi-durable goods (+8.7% QoQ annualized) like clothing and footwear also ballooned. Spending on non-durable goods (+1.4% QoQ annualized) including utilities and services (+3.4% QoQ annualized) like dining out and lodging also rose. The rise in average propensity to consume was especially striking among seniors, who hold large amounts of stocks, in Jan-Mar. This points to an asset effect appearing from higher stock prices. The asset effect from higher stock prices is expected to persist for some time, and worker incomes are also forecast to gradually recover, boosting consumption. Moreover, a rush of demand is likely to arise prior to the consumption tax hike in the second half of FY14, and consumption is projected to expand even further through the end of the year.

Residential investment expected to remain strong

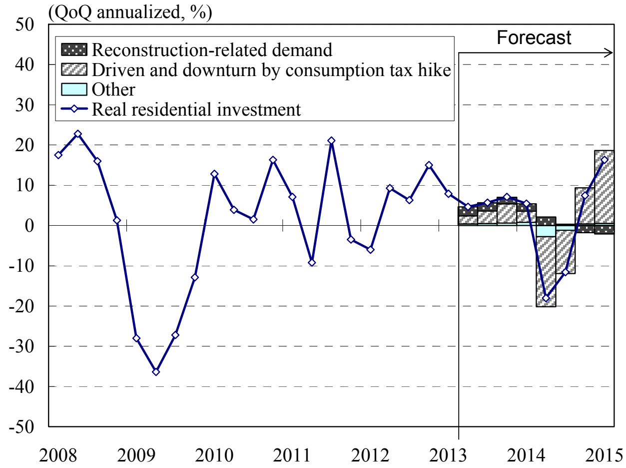
Real residential investment surged in FY12 and also continued to rise in Jan-Mar at an annualized rate of +7.9% QoQ (Figure 7). Home reconstruction goes on in the Tohoku region, hit hard by the 2011 earthquake, while continued low interest rates are also expected to keep bolstering residential investment. Looking ahead, ongoing disaster reconstruction demand and improved employment and income conditions are likely to support residential investment. Further, the rush of demand prior to the consumption tax hike is expected to gain even more strength. However, more home loan tax credits are expected to be introduced, coinciding with the consumption tax hike, and the alleviated financial burden from the tax breaks could even exceed the financial burden from the consumption tax hike, depending on some conditions like annual income or home purchase price. We therefore think that this rush of demand will be more limited than in the past.

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

Disaster reconstruction demand peaks out as public demand rises for a fifth straight quarter

Real public demand in GDP figures rose by an annualized rate of +2.4% in Jan-Mar, the fifth straight quarter of expansion. Public investment also expanded for the fifth straight quarter from spending for disaster reconstruction budgeted in FY11 and FY12, and government net spending rose. (In-kind benefits like medical treatment and nursing costs continue to increase because of the aging population.) However, public investment is slowing. Growth in public investment, which hit +29.7% QoQ annualized in Jan-Mar 2012 and +27.7% in Apr-June, slowed to +14.1% in Jul-Sept and +11.9% in Oct-Dec. Public investment rose by only +3.4% annualized in Jan-Mar. It is very likely that reconstruction demand may soon peak out.

Instead, implementation of huge supplementary budget to support public demand

Reconstruction-related demand is expected to continue to shrink, helping to push down the growth rate. On the other hand, spending for the huge supplementary budget passed on February 26 is expected to pick up going forward. In April, public works contracts rose +28.6% YoY (Figure 8). Spending appears to have been accelerated ahead of the House of Councillor election scheduled for July and the consumption tax hike. The JPY10.3 trillion in emergency economic measures in the supplemental budget will be implemented, offsetting the drop in reconstruction demand.

(4) Inflation

Despite negative core inflation, corporate prices starting to rise

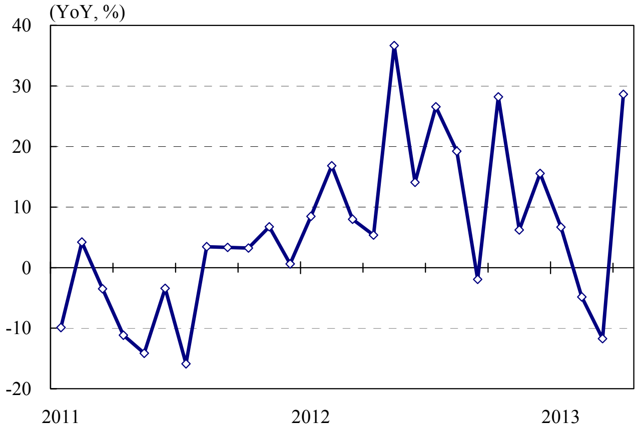
Consumer prices in core terms (excluding fresh foods) remains in negative territory on-year, but domestic corporate prices have stopped falling, remaining level on-year in April (Figure 9). Import prices are currently rising because of the weak JPY, and are in the first stage of spreading to prices for transactions among companies.

Inflation expected to gradually rise as JPY weakens and supply-demand gap improves

In addition to higher import prices induced by the weak JPY, macro supply and demand are tightening, and inflation is expected to start to rise, however slowly. Core consumer prices are projected to rise +0.7% YoY in FY13 and +3.3% YoY in FY14 (+1.2% YoY without the impact of the consumption tax hike).

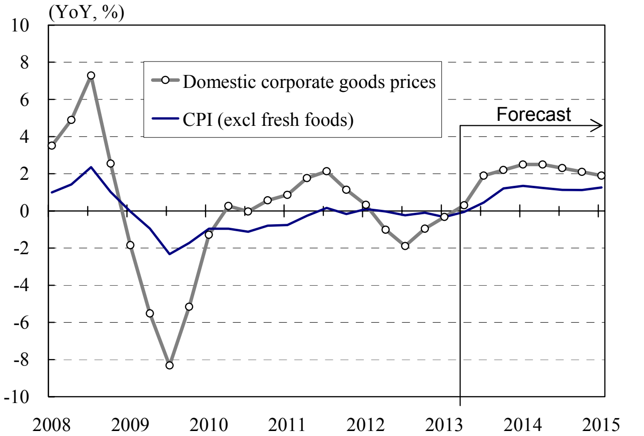
The GDP deflator will likely be slightly positive in the latter half of FY13, and the 'nominal-real inversion' of the GDP growth rate may finally disappear. However, we still think that the hurdles to reaching the BoJ's 2% price stability target within two years are high.

Figure 8: Public Works Project Contracts



Source: Compiled by BTMU Economic Research Office from East Japan Construction Surety data.

Figure 9: Domestic Corporate Goods Prices and CPI



Note: Excl impact of consumption tax hike.
Source: Compiled by BTMU Economic Research Office from BoJ, MIC data.

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

(1) Monetary Policy and Long-tern Interest Rates

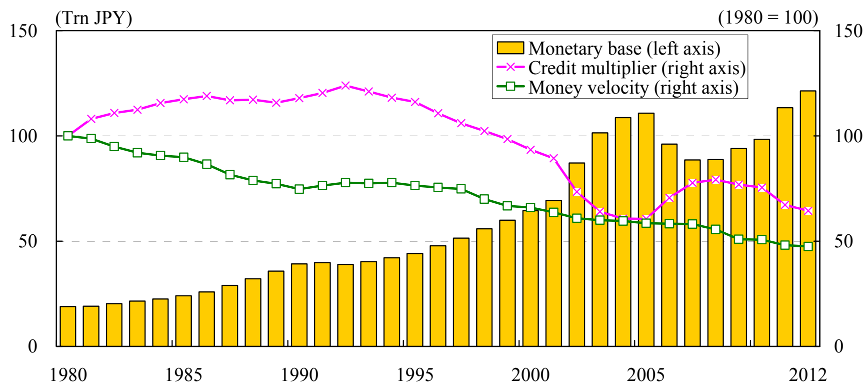
BoJ expected to continue aggressive easing measures under new leadership

At its April 3-4 Monetary Policy meeting, the BoJ agreed to launch 'quantitative and qualitative monetary easing,' bundling together nearly all the policy options expected beforehand. Specifically, the new policy will 1) control the monetary base and double the monetary base by the end of 2014; 2) expand monthly purchases of long-term JGBs from JPY4 trillion to JPY7 trillion and extend the average durations of JGBs purchased from nearly three years to seven years; and 3) expand the BoJ's holdings of ETFs and J-REITs. The BoJ will examine the impacts for some time while maintaining current policy. But looking back, the credit multiplier and velocity of money have both been declining in recent years (Figure 10). Thus, it should be borne in mind that, the credit multiplier has declined considerably during the sudden expansion of the monetary base.

Both upward and downward pressures at work on the 10Yr JGB yield

Although widely falling until the BoJ introduced its quantitative and qualitative monetary easing, long-term JGB yields thereafter started to rise. The only tenors with a yield currently lower than at end-November 2012 are the super-long-term notes. Daily fluctuations have been increasing as uncertainty prevails. However, yields are still considered to be low. We expect the 10Yr JGB yield to gradually rise to approximately 1% (the average level for FY13 and FY14). Recovering economic fundamentals like the growth and inflation rates and rising US Treasury yields would push up the JGB yield, while BoJ monetary easing and steady purchases of JGBs as well as an improved fiscal balance could limit the yield's rise (Table 2).

Figure 10: The Monetary Base, Credit Multiplier, and Money Velocity



Notes: 1) *Credit multiplier* is Money supply (M2) divided by Monetary base.
2) *Money velocity* is Nominal GDP divided by Money supply (M2)
Source: Compiled by BTMU Economic Research Office from BoJ, Cabinet Office data.

Table 2: Factors that Impact Market Interest Rates

Factor	Indicator	Indicator outlook	Direction of impact on market interest rates (direction of arrow) and importance (thickness of arrow) Long-term yields
Fundamentals	Inflation rate	Rising	↑
	Real economic growth rate	Rising	↑
Fiscal premium	Fiscal balance	Currently worsening →Improvement (consumption tax hike, etc.)	↓
	Avg remaining duration of JGBs outstanding	Gradually lengthening	↑
Monetary policy	Monetary base	Quickly expanding due to purchases of long-term bonds	↓
	Avg remaining duration of BoJ JGB holdings	Lengthening	↓
	Policy rate・interest rate on excess reserve balances	Held low	↓
Overseas interest rates	US interest rates	Gradually rising	↑
Portfolio rebalancing	Share prices	Rising	↑
	Bank lending	Gradually rising	↑
	Exchange rate	JPY weakening	↑
Market conditions	Market interest rate volatility	Gradually declining (stabilizing)	↓
Policy management・Financial system	Direction of economic policy	Growth-oriented economic policy accelerating with stable administration	↑
	Financial regulations (Basel III)	Introduction of obligation to hold certain amount of highly-liquid assets like JGBs	↓

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

(2) Exchange Rates

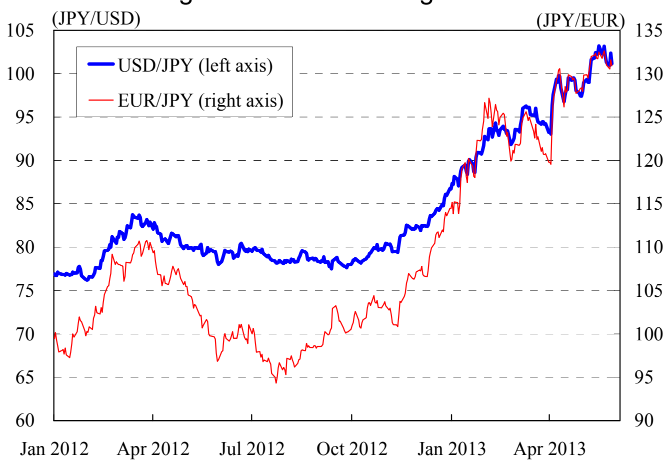
JPY has moved largely in one direction—weakening—since the launch of the new administration

The JPY has continued to weaken since the second half of 2012, accelerating since the launch of the new administration. The JPY has been soft recently, trading at less than USD/JPY100 and EUR/JPY130 (Figure 11). Further, the JPY has fallen by 21% over the half year from November through April in terms of real effective exchange rate, to its lowest level since 1985 (the previous lowest rate was in July 2007, Figure 12). Conversely, the KRW's real effective exchange rate since the second half of 2012 has been above its average level since 2008. Both the USD and EUR have been rising, and if the JPY continues to weaken at its current fast pace, any resultant criticism from the international community could be a concern.

Despite continued JPY weakening, pace expected to slow

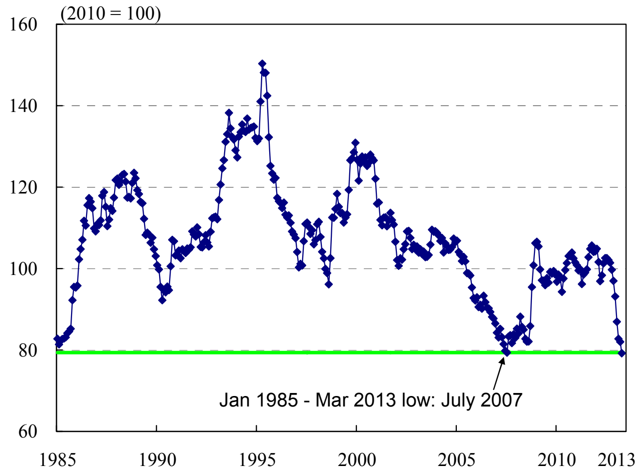
JPY weakening factors—Japan's expanded monetary base from the BoJ's qualitative and quantitative monetary easing as well as the growing spread between US and Japanese long-term yields (Japan's yield is lower than the US)—will likely prevail over JPY strengthening factors—interest rate differentials between Japan and other countries (lower in Japan than in the US)—and the JPY weakening trend is likely to continue, especially against the USD. But speculation about an early end to US monetary easing policy has weighed on the pace of the JPY's weakening, and as such views ebb, the pace of the weakening is expected to slow.

Figure 11:Yen Exchange Rate



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

Figure 12: JPY Real Effective Exchange Rate



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

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17-Jun-2013

Forecast (from 2013 2Q) Bank of Tokyo-Mitsubishi UFJ Economic Research Office

(%, billion yen)

	2011				2012				2013				2014	FY2012	FY2013	FY2014
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q			
1. The Real Economy (QoQ annualized change)																
Real GDP	-7.9	-3.3	11.2	0.8	4.8	-0.6	-3.6	1.2	4.1	2.3	3.3	3.9	4.1	1.2	2.6	1.3
Private Consumption	-6.3	3.8	5.8	2.7	3.4	0.8	-1.6	1.8	3.6	1.5	1.5	1.8	5.2	1.6	2.0	0.2
Housing Investment	7.1	-9.1	21.1	-3.6	-5.9	9.4	6.3	14.9	7.6	4.8	5.7	7.1	5.4	5.3	7.1	-3.2
Private Business Fixed Investment	0.7	-1.2	7.2	36.5	-9.6	-0.9	-12.4	-5.7	-1.2	2.4	5.7	7.0	7.0	-1.4	1.4	5.7
Business Inventory (Contribution)	-2.5	-1.5	2.5	-1.7	1.5	-1.3	0.5	-0.2	-0.1	-0.1	-0.0	0.3	-0.9	0.0	-0.1	0.1
Government Expenditures	-3.0	2.3	0.4	-1.0	10.3	5.2	3.7	3.9	1.6	-2.6	-1.1	-1.1	-1.3	4.4	-0.3	-1.5
Public Investment	-16.6	3.8	-1.9	-9.2	30.9	27.6	13.6	11.1	1.6	-11.5	-4.3	-3.9	-5.5	15.0	-2.9	-8.6
Net Exports (Contribution)	-1.2	-4.2	3.6	-2.9	0.3	-1.2	-2.5	-0.3	1.5	1.7	1.8	1.7	1.3	-0.8	1.2	0.8
Exports	-3.0	-25.6	42.2	-11.5	11.4	-0.2	-16.5	-11.3	16.1	16.5	16.1	14.8	10.8	-1.3	9.7	6.6
Imports	5.4	-1.6	13.7	6.8	8.4	7.2	-1.2	-8.5	4.0	5.3	4.5	4.5	3.6	3.8	2.5	1.9
Nominal GDP	-9.0	-6.0	9.9	0.1	4.4	-2.0	-4.2	0.6	2.2	3.4	3.6	5.4	3.4	0.3	2.6	3.4
GDP Deflator (YoY)	-2.0	-2.1	-1.9	-1.5	-1.0	-1.0	-0.8	-0.7	-1.1	-0.5	-0.3	0.0	0.7	-0.9	0.0	2.1
Industrial Production Index (QoQ)	-1.5	-4.2	5.4	0.4	1.3	-2.0	-4.2	-1.9	2.2	2.4	1.3	2.1	1.9	-3.4	4.7	2.2
Domestic Corporate Goods Price Index (YoY)	0.9	1.8	2.2	1.1	0.3	-1.1	-2.0	-0.9	-0.3	0.3	1.9	2.2	2.5	-1.1	1.7	4.9
Consumer Price Index (excl. fresh food, YoY)	-0.8	-0.3	0.2	-0.2	0.1	0.0	-0.2	-0.1	-0.3	-0.1	0.5	1.2	1.3	-0.2	0.7	3.3
2. Balance of Payments																
Trade Balance (billion yen)	826	-1,239	-323	-965	-1,069	-1,097	-1,651	-1,592	-2,526	-2,346	-2,079	-1,579	-1,460	-6,895	-7,464	-4,622
Current Balance (billion yen)	3,481	1,765	2,410	1,814	1,636	1,537	976	1,080	733	1,140	1,683	2,252	2,426	4,293	7,501	11,565
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	0.1	0.1	0.1	0.1	0-0.1	0.1	0.1
Euro-Yen TIBOR (3-mo.)	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.3	0.2	0.2
Newly Issued 10-Year Government Bonds Yield	1.2	1.2	1.0	1.0	1.0	0.9	0.8	0.7	0.7	0.7	0.9	0.9	1.0	0.8	0.9	1.0
Exchange Rate (USD/JPY)	82	82	78	77	79	80	79	81	92	100	102	105	106	83	103	107

Note: Uncollateralized overnight call rate guidance target (end-quarter) through Jan-Mar 2013; offered rate (mid-quarter average) for Apr-Jun 2013. Euro-Yen TIBOR (3-mo.), newly issued 10-year government bonds yield, 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 Jun. 17, 2013

	Fiscal	Fiscal	2012		2013	2013				
	2011	2012	3Q	4Q	1Q	JAN	FEB	MAR	APR	May
Real GDP Growth Rate <% changes from	0.2	1.2	-3.6	1.2	4.1	***	***	***	***	***
previous period at SA annual rate>			(0.2)	(0.4)	(0.4)					
Index of All Industries Activity	0.2	0.2	-0.5	0.3	-0.4	-1.6	0.6	-0.3		
			(-0.2)	(-0.2)	(-1.3)	(-0.7)	(-2.5)	(-1.0)		
Industrial Production Index	-1.0	-3.4	-4.2	-1.9	2.2	0.3	0.6	0.9	1.7	
Production			(-4.6)	(-5.9)	(-7.7)	(-5.8)	(-10.5)	(-6.7)	(-2.3)	
Shipments	-2.0	-2.5	-5.4	-2.1	3.4	-0.3	1.4	1.2	1.1	
			(-4.5)	(-6.0)	(-5.9)	(-3.9)	(-8.8)	(-5.0)	(-1.7)	
Inventory	9.6	-4.4	0.3	-2.5	-2.2	-0.4	-2.0	0.2	0.6	
			(4.8)	(3.5)	(-4.4)	(1.0)	(-0.5)	(-4.4)	(-5.6)	
Inventory/Shipments Ratio	116.4	124.4	127.9	127.1	121.1	122.5	121.1	119.6	120.2	
(2005=100)			[116.5]	[115.0]	[113.1]	[113.5]	[110.4]	[115.3]	[123.2]	[118.6]
Domestic Corporate Goods Price Index	1.4	-1.1	-0.8	0.0	0.8	0.2	0.5	0.1	0.4	0.1
			(-2.0)	(-0.9)	(-0.3)	(-0.4)	(-0.1)	(-0.5)	(0.1)	(0.6)
Consumer Price Index(SA, total, excl.fresh foods)	0.0	-0.2	-0.3	-0.1	-0.3	0.0	0.0	0.0	0.1	
			(-0.2)	(-0.1)	(-0.3)	(-0.2)	(-0.3)	(-0.5)	(-0.4)	
Index of Capacity Utilization	87.4	85.9	85.0	83.1	86.2	86.0	86.6	85.9		
(2005=100)			[87.5]	[89.3]	[92.1]	[92.8]	[91.2]	[92.4]	[91.8]	[89.8]
Machinery Orders(Private Demand,	6.2	-3.0	-1.3	-0.8	0.0	-7.5	4.2	14.2	-8.8	
Excl.Electric Power and Ship building)			(-4.6)	(-0.8)	(-4.6)	(-9.7)	(-11.3)	(2.4)	(-1.1)	
Manufacturing	5.9	-10.1	-3.0	-5.3	-1.7	-10.0	4.9	13.3	-7.3	
			(-9.5)	(-11.1)	(-12.1)	(-19.0)	(-18.2)	(-3.9)	(-9.8)	
Non-manufacturing	6.6	2.8	-0.3	5.6	-3.1	-4.5	0.3	14.3	-6.0	
Excl.Electric Power & Ship building			(-1.3)	(7.4)	(2.8)	(-1.5)	(-5.5)	(9.8)	(4.8)	
Shipments of Capital Goods	5.4	-6.5	-4.8	-6.0	2.9	-5.8	4.0	2.5	-2.0	
(Excl.Transport Equipment)			(-5.3)	(-11.4)	(-9.6)	(-9.5)	(-14.9)	(-5.6)	(-3.3)	
Construction Orders	7.1	2.4								
			(6.3)	(-2.7)	(1.2)	(-3.7)	(16.3)	(-3.4)	(2.0)	
Private	3.7	2.6								
			(0.9)	(3.1)	(1.2)	(-1.1)	(18.7)	(-5.1)	(3.2)	
Public	22.7	5.3								
			(11.7)	(-7.3)	(0.2)	(-0.9)	(11.6)	(-4.8)	(11.5)	
Public Works Contracts	-0.5	10.3								
			(13.3)	(17.7)	(-6.0)	(6.7)	(-4.8)	(-11.7)	(28.6)	
Housing Starts	84.1	89.3	88.5	90.9	89.9	86.3	94.4	90.4	93.9	
10,000 units at Annual Rate, SA	(2.7)	(6.2)	(-1.1)	(15.0)	(5.1)	(5.0)	(3.0)	(7.3)	(5.8)	
Total floor	(2.5)	(4.8)	(-2.7)	(12.2)	(5.7)	(7.2)	(3.5)	(6.4)	(6.4)	
Sales at Retailers	0.8	0.3								
			(0.1)	(-0.0)	(-1.2)	(-1.1)	(-2.2)	(-0.3)	(-0.2)	
Real Consumption Expenditures	-1.2	1.6	-1.4	-0.6	3.8	1.9	2.2	2.0	-4.6	
of Households over 2 persons (SA)			(0.9)	(-0.2)	(2.8)	(2.4)	(0.8)	(5.2)	(1.5)	
Propensity to Consume	73.4	73.3	74.2	74.4	76.3	76.7	77.8	77.3	73.2	
(SA,%)			[72.9]	[73.8]	[72.3]	[73.7]	[72.7]	[73.0]	[73.2]	[74.2]
Overtime Hours Worked	0.8	-0.3	-2.8	-0.3	1.5	-0.6	2.0	-0.3	1.0	
(All Industries, 5 employees or more)			(-0.9)	(-2.5)	(-1.6)	(-1.9)	(-1.0)	(-1.9)	(0.0)	
Total Cash Earnings (Regular Employees	-0.2	-0.7								
Only; All Industries, 5 employees or more)			(-0.7)	(-1.1)	(-0.5)	(0.1)	(-0.8)	(-0.9)	(0.3)	
Employment Index(Regular Employees Only;'All Industries,	52	107	131	133	24	26	23	23	28	
5 employees or more）(Change over the M/Q/Y)										
Ratio of Job Offers to Applicants	0.68	0.82	0.81	0.82	0.85	0.85	0.85	0.86	0.89	
(SA,Times)			[0.65]	[0.71]	[0.75]	[0.74]	[0.75]	[0.76]	[0.79]	[0.80]
Unemployment Rate	4.5	5.0	4.3	4.2	4.2	4.2	4.3	4.1	4.1	
(SA,%)										
Economy Watcher Survey	44.9	46.3	43.0	41.6	53.3	49.5	53.2	57.3	56.5	55.7
(Judgment of the present condition D.I,%)			[48.4]	[46.0]	[47.3]	[44.1]	[45.9]	[51.8]	[50.9]	[47.2]
Bankruptcies (Number of cases)	12,707	11,719	2,924	2,889	2,779	934	916	929	899	1,045
	(-2.7)	(-7.7)	(-5.9)	(-6.8)	(-12.7)	(-5.1)	(-11.7)	(-19.9)	(-10.4)	(-8.9)

(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 Jun. 17, 2013

	Fiscal 2011	Fiscal 2012	2012 3Q	2012 4Q	2013 1Q	2013 JAN	FEB	MAR	APR	MAY
Customs Clearance(Exports in Yen Terms)	-3.7	-2.1	(-8.2)	(-5.5)	(1.2)	(6.3)	(-2.9)	(1.1)	(3.8)	
Value	0.7	4.9	(0.6)	(4.2)	(13.5)	(13.0)	(15.3)	(12.1)	(9.6)	
Volumes	-4.3	-6.4	(-8.7)	(-9.3)	(-10.8)	(-5.9)	(-15.8)	(-9.8)	(-5.3)	
Imports(In Yen terms)	11.6	3.5	(0.3)	(0.4)	(8.1)	(7.1)	(12.0)	(5.6)	(9.4)	
Value	9.2	2.7	(-2.6)	(1.1)	(10.7)	(8.3)	(12.1)	(11.7)	(7.3)	
Volumes	2.2	0.8	(2.9)	(-0.6)	(-2.3)	(-1.1)	(-0.1)	(-5.5)	(2.0)	
Current Balance(100 mil. yen)	76,180	42,930	16,210	105	15,238	-3,648	6,374	12,512	7,500	
Trade Balance(100 mil. yen)	-34,698	-68,948	-15,144	-18,744	-23,762	-14,793	-6,770	-2,199	-8,188	
Services(100 mil. yen)	-18,265	-25,811	-8,092	-7,083	-2,333	-1,802	-536	5	-4,405	
Capital and Financial Accounts(100 mil. yen)	29,618	-54,786	-23,904	3,165	-3,865	6,075	-1,317	-8,623	-1,124	
Gold & Foreign Exchange Reserves($1mil.)	1,288,703	1,254,356	1,277,000	1,268,125	1,254,356	1,267,299	1,258,809	1,254,356	1,257,964	1,250,243
Exchange Rate(\/$)	79.05	83.08	78.62	81.16	92.38	89.18	93.21	94.75	97.71	101.08

３．Financial Market Indicators

	Fiscal 2011	Fiscal 2012	2012 3Q	2012 4Q	2013 1Q	2013 JAN	FEB	MAR	APR	MAY
Uncollateralized Overnight Call Rates	0.077	0.083	0.085	0.084	0.083	0.083	0.087	0.078	0.072	0.073
			[0.078]	[0.079]	[0.083]	[0.080]	[0.085]	[0.084]	[0.075]	[0.084]
Euro Yen TIBOR	0.331	0.312	0.327	0.318	0.270	0.292	0.269	0.250	0.228	0.228
(3 Months)			[0.330]	[0.329]	[0.331]	[0.331]	[0.332]	[0.332]	[0.332]	[0.332]
Newly Issued Japanese Government Bonds Yields	1.050	0.760	0.780	0.757	0.655	0.740	0.665	0.560	0.600	0.860
(10 Years)			[1.043]	[1.030]	[0.968]	[0.965]	[0.955]	[0.985]	[0.885]	[0.830]
Average Contracted Interest Rates	1.269	1.184								
on Loans and Discounts(City Banks)			1.245	1.226	1.184	1.220	1.203	1.184	1.183	
(% changes from previous period)			(-0.010)	(-0.019)	(-0.042)	(-0.006)	(-0.017)	(-0.019)	(-0.001)	
The Nikkei Stock Average	10,084	12,398	8,870	10,395	12,398	11,139	11,559	12,398	13,861	13,775
(TSE 225 Issues)			[8,700]	[8,455]	[10,084]	[8,803]	[9,723]	[10,084]	[9,521]	[8,543]
M2(Average)	(2.9)	(2.5)	(2.4)	(2.3)	(2.9)	(2.7)	(2.9)	(3.1)	(3.2)	(3.4)
Broadly-defined Liquidity(Average)	(0.1)	(0.5)	(0.2)	(0.5)	(1.3)	(1.0)	(1.2)	(1.6)	(2.2)	(2.8)
Principal Figures of Financial Institutions										
Loans and Discount (Average): Banks & Shinkin	(-0.1)	(0.9)	(0.8)	(1.0)	(1.4)	(1.3)	(1.5)	(1.5)	(1.7)	(1.8)
Loans and Discount (Average): Banks	(-0.1)	(1.1)	(1.1)	(1.2)	(1.8)	(1.6)	(1.8)	(1.9)	(2.1)	(2.1)
Loans and Discount (Average): City Banks etc.	(-1.8)	(-0.2)	(-0.4)	(-0.1)	(1.0)	(0.6)	(1.1)	(1.2)	(1.5)	(1.6)
Loans and Discount (Average): Regional Banks	(1.9)	(2.9)	(2.9)	(3.1)	(3.1)	(3.1)	(3.2)	(3.1)	(3.2)	(3.2)
Loans and Discount (Average): Regional Banks Ⅱ	(1.1)	(0.9)	(1.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.6)	(0.7)
Loans and Discount (Average): Shinkin	(-0.5)	(-0.7)	(-0.8)	(-0.7)	(-0.5)	(-0.5)	(-0.6)	(-0.5)	(-0.3)	(-0.2)
Deposits and CDs (Average): Total(3 Business Condition)	(2.7)	(2.2)	(2.2)	(2.0)	(2.9)	(2.3)	(2.9)	(3.4)	(3.6)	(3.7)
Deposits and CDs (Average): City Banks	(1.9)	(1.8)	(2.1)	(1.7)	(2.8)	(2.1)	(2.7)	(3.5)	(3.9)	(4.0)
Deposits and CDs (Average): Regional Banks	(3.7)	(2.8)	(2.3)	(2.6)	(3.4)	(3.0)	(3.4)	(3.7)	(3.8)	(4.0)
Deposits and CDs (Average): Regional Banks Ⅱ	(2.8)	(1.8)	(2.2)	(1.1)	(1.2)	(0.9)	(1.4)	(1.4)	(1.4)	(1.5)

(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.