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The Outlook for the Japanese Economy

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

～Japan's Economy Takes Another Step Toward Continuous Growth～

1. Overview of the Japanese Economy

One year since the launch of the Abe Administration: So far, so good for Japan's economy

Japan's economy is making steady headway toward real revitalization. Since the launch of Prime Minister Shinzo Abe's second administration last December, the first effects have appeared in the financial markets (a weaker JPY, higher share prices, and higher bond prices meaning lower interest rates) and sentiment (improving household and corporate sentiment), followed by an increasingly clear recovery for the real economy in various sides (demand, production, and incomes). Real GDP growth has expanded for four straight quarters between Oct-Dec 2012 through Jul-Sept 2013, the longest continuous expansion over the last three years (Table 1). Although the pace of growth slowed somewhat in Jul-Sept to +1.9% QoQ annualized from the first half of a year (Apr-Jun +3.8% QoQ annualized and Jan-Mar +4.3% QoQ annualized), Japan's economy is clearly in a recovery phase. By final demand component, residential and public investment surged while private consumption and capital expenditures were up slightly in Jul-Sept, offsetting export sluggishness. Inventory investment contributed to growth positively overall for the first time in four quarters. In real amounts, all key final demand items have jumped over the past year, with the most striking increases for residential investment, public demand, and exports (Figure 1). Capital expenditures, exports, nominal GDP, and compensation of employees have been strong, exceeding the post-Lehman Brothers collapse average levels over the past year. As such, the Abe Administration has been hammering out and delivering on a growth strategy, in addition to making the final determination to hike the consumption tax, the first step toward fiscal restructuring. The Abe Administration appears to be laying the groundwork for tying the current recovery to continuous growth.

Table 1: Real GDP

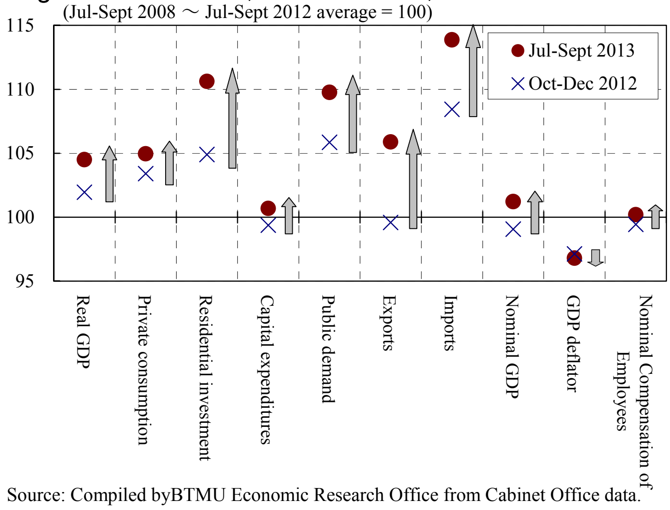
(QoQ annualized, %)

	2012 Jul-Sept	Oct-Dec	2013 Jan-Mar	Apr-Jun	Jul-Sept	
Real GDP	-3.7	0.6	4.3	3.8	1.9	
Private consumption	-1.1	1.6	3.3	2.3	0.4	+
Residential investment	4.3	13.3	9.4	1.6	11.3	++
Capital expenditures	-12.4	-4.7	0.2	4.4	0.7	+
Inventory investment (contribution)	0.1	-0.7	-0.1	-0.5	1.4	++
Public demand	2.6	4.3	2.0	6.4	6.5	++
of this, public investment	4.9	13.9	10.6	20.6	28.7	++
Net exports (contribution)	-2.1	-0.6	1.6	0.6	-1.8	
Exports	-14.5	-11.4	16.7	12.2	-2.4	-
Imports	-1.0	-6.7	4.2	6.8	9.2	

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

Figure 1: Real GDP, Final Demand, and Nominal GDP

(Jul-Sept 2008 ～ Jul-Sept 2012 average = 100)

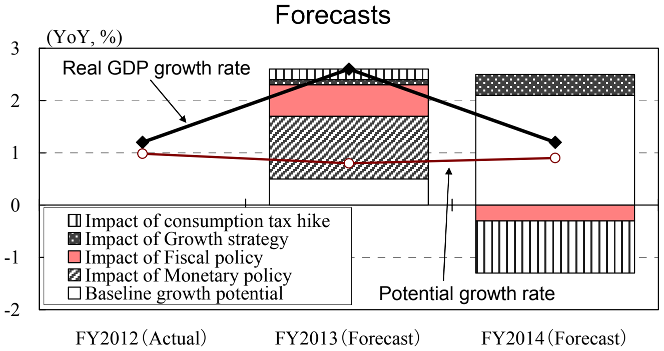


Source: Compiled byBTMU Economic Research Office from Cabinet Office data.

Impacts of consumption tax hike could be overcome by policy effects and a virtuous cycle engaging

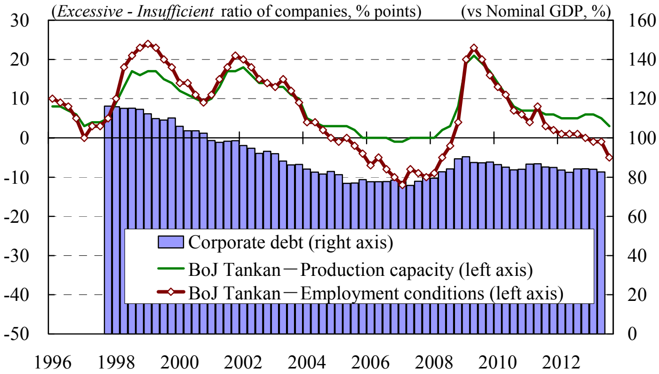
Looking ahead, Japan’s economy is expected to remain firm through the end of the fiscal year, supported by a surge of demand prior to the consumption tax hike in April 2014. FY2013 real GDP growth is projected to hit the mid-2% YoY range (Figure 2). Of this, a +1.2%pt lift will come from impact of monetary policy from bolstered monetary easing by the BoJ, including quantitative and qualitative monetary easing (the weaker JPY resulting in a rise in exports and an asset effect from higher share prices, etc.); +0.6%pt from impact of fiscal policy from the huge supplementary budget passed in February; and +0.2%pt from positive impact—demand ahead of the consumption tax hike. On the other hand, in FY2014, downward pressure is anticipated from the negative impact of the consumption tax hike—a reactionary drop in demand following the tax hike and shrinking household demand because of decreased real purchasing power—as well as fading boost from fiscal policy. These impacts will be headed off by the impact of growth strategy, including a 10% increase in capital expenditures by FY2015 to the level prior to the collapse of Lehman Brothers; sustained BoJ monetary easing; a higher baseline growth potential (a virtuous cycle triggered by policy effects already implemented); and upward momentum. The sense of excess corporate facilities, employment, and debt has been diminishing recently (Figure 3), as conditions support the smooth flow of an economic virtuous cycle without impediment by structural adjustment pressures. Japan’s economy is expected to log growth of more than 1% YoY even in FY2014, exceeding its potential growth rate. The risk scenario for Japan’s economy involves poor execution of the growth strategy and a plunge in household spending after the consumption tax hike as expectations of economic revitalization disappear.

Figure 2: Real GDP Growth and Potential Growth Rate Forecasts



Note: 1) *Baseline growth potential* is potential growth rate plus buildup of inventory from virtuous cycle and expanding demand stemming from policy effects.
2) *Monetary policy effects* are *Improvement in net exports* , *Ripple effects from increase in exports,* and *Asset effect of higher share prices* stemming from weaker JPY.
Source: Compiled by BTMU Economic Research Office from Cabinet Office data.

Figure 3: Sense of Excess Production, Operations Facilities and Employees and Corporate Debt



Note: *Corporate debt* is private non-financial company borrowings and non-share securities (corporate bonds, etc.)
Source: Compiled by BTMU Economic Research Office from BoJ, Cabinet Office data.

2. Current Situation and Outlook by Sectors and Components

(1) Corporate Sector

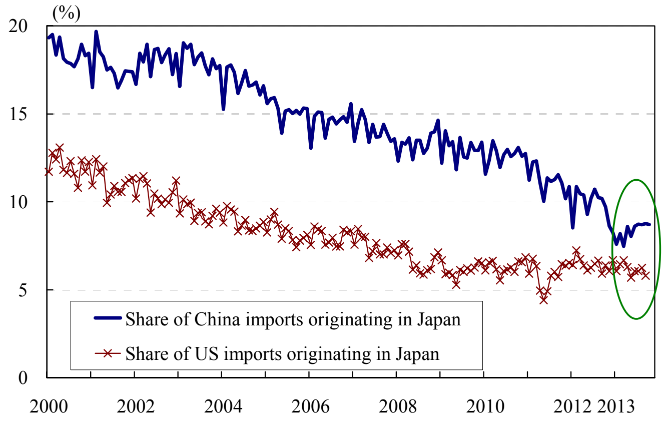
Japan maintains share of exports to China, US. Economic growth in both countries likely to lead to export recovery

Exports have been weakening recently. Export volume had been recovering in H1 2013, particularly shipments destined for the US and Asia. Thereafter, shipments to the US slipped by -0.7%, by -2.4% to Asia, and by -1.3% overall from June to October. Further, real exports (in GDP figures) dipped -2.4% QoQ in Jul-Sept, the first decline in three quarters. However, Japan's share of imports into the US and China—its biggest export destinations—have been flat or up only slightly since the start of 2013 (Figure 4). Japanese exports appear to have stalled because of weak import growth for the two destination countries. Going forward, as long as the Chinese and US economies continue to expand gradually, Japanese exports are expected to rise somewhat, commensurate with growth in China and the US.

Many tailwinds expected to boost production, capital expenditures

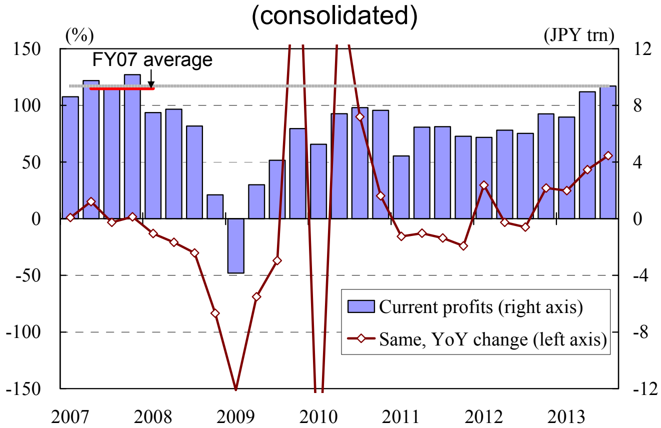
As such, Japanese production and capital expenditures are also expected to rise more. Industrial production has been increasing on-quarter for three quarters since the start of the year, and the Manufacturing Production Forecast Survey points to a further increase in Oct-Dec. Machinery orders (private sector, excluding shipbuilding and power generation industries), a leading indicator of capital expenditures, have been solid, expanding +6.8% QoQ in Apr-Jun and +4.3% QoQ in Jul-Sept. Japanese fundamentals are also strong, with recurring profits of TSE-I companies rising 50% YoY, recovering to the average level of FY2007 (Figure 5). A number of factors have been supporting capital expenditures, including various growth strategy measures like investment tax breaks.

Figure 4: Share of China, US Imports Originating in Japan



Note: All figures in USD.
Source: Compiled by BTMU Economic Research Office from country data.

Figure 5: TSE I Listed Company Current Profits (consolidated)



Note: *Current profits* of 1,208 companies that had announced Jul-Sep 2013 earnings as of Nov 29 with continuous data available from Jan-Mar 2006.
Source: Compiled by BTMU Economic Research Office from Bloomberg data.

(2) Household Sector

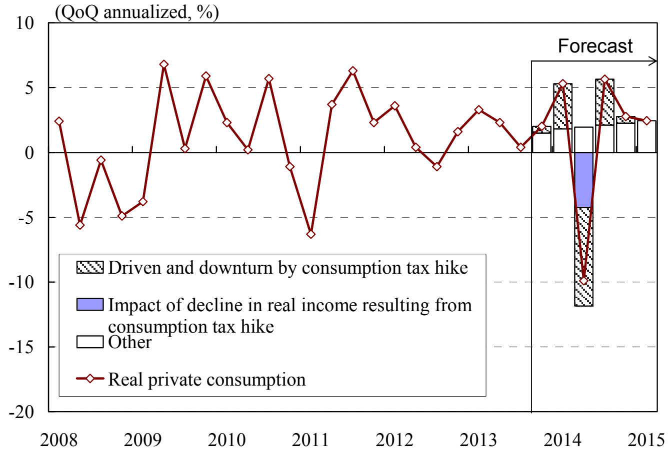
Private consumption, residential investment growth reflect strength

The household sector continues to be solid. Private consumption rose a slight +0.4% QoQ annualized in Jul-Sept, the fourth straight quarter of growth since Oct-Dec 2012 (Figure 6). Residential investment, which had already logged five straight quarters of expansion through Apr-Jun, surged by a +11.3% QoQ annualized in Jul-Sept (Figure 7).

Improvement in employment, income conditions to remain solid even despite consumption tax hike

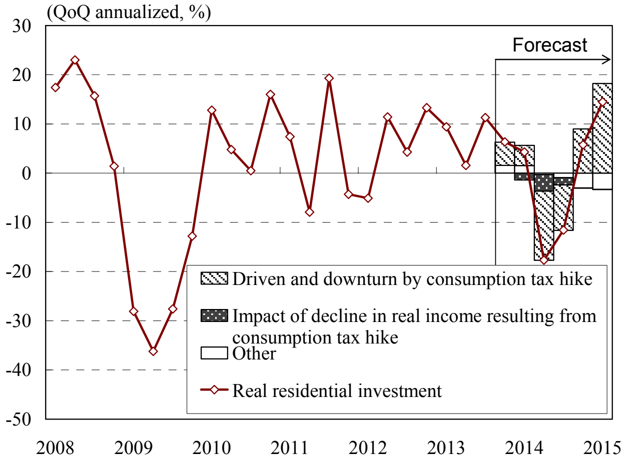
This, growth is likely to continue on the surge of demand prior to the consumption tax hike in April 2014. For example, September new housing starts, a leading indicator of residential investment, marked the highest level since October 2008. Room for growth appears to still remain. The issue will be what happens after the consumption tax is raised, but employment and income are likely to have clearly recovered by then. Not only have employment conditions been improving recently, winter bonuses are expected to rise this year because of strong company earnings. Also, wage hikes are being implemented more widely following calls by the Government. Although demand will inevitably shrink somewhat in the Apr-Jun 2014 quarter, immediately after the tax hike, because of a reactionary drop to the surge of demand prior to the hike and declining real purchasing power from higher prices, a relatively quick recovery is anticipated. Growth is expected to remain solid as a trend.

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

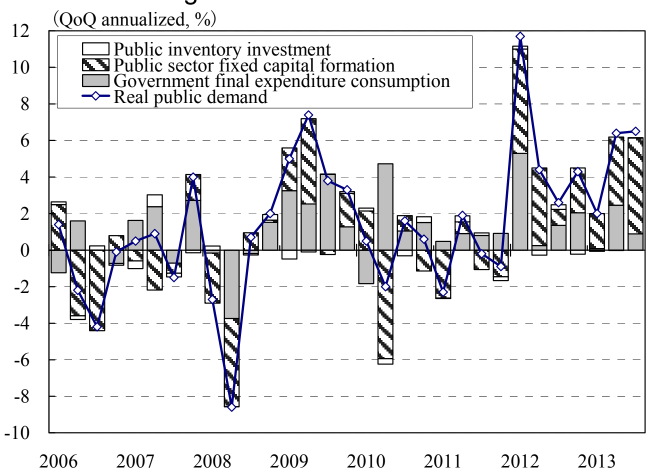
Public demand and investment surge on huge supplementary budget

Real public demand expanded by +6.5% QoQ annualized in Jul-Sept, above the +6.4% QoQ annualized pace of Apr-Jun (Figure 8). Of this, public investment surged by +28.7% QoQ annualized. Public works projects in the FY2012 supplementary budget—which included more than JPY10 trillion in emergency economic measures and was passed in February—appear to have driven the surge. This has supplanted the reconstruction demand following the March 2011 Tohoku disaster, which appears to have peaked out. Further, government final consumption spending has been rising, especially for medical and nursing costs.

Impacts of supplementary budget and ballooning public investment coming to an end

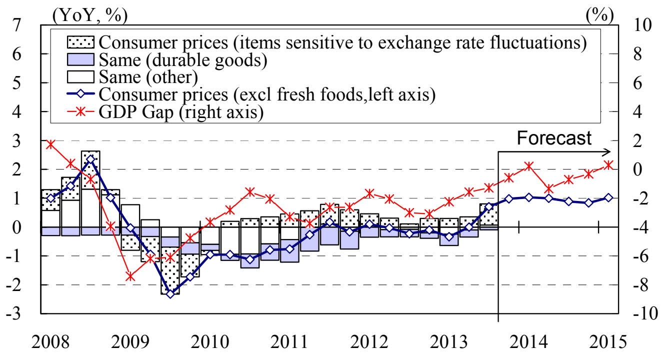
However, given the experience since November 2011, when a supplementary budget of ordinary scale was implemented, as well as recent trends for public works contracts (a leading indicator), public investment has been slowing since H2 FY2013. Much of the Government's economic policy package announced in October is expected to be covered by excess funds from the FY2012 budget, FY2013 reserves, and lower-than-anticipated costs for budgeted items like JGBs. Any net additional demand is likely to be limited. Public demand is expected to start to decline.

Figure 8: Real Public Demand



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

Figure 9: Consumer Prices and GDP Gap



Note: 1) *Consumer prices* exclude the direct effects of the consumption tax hikes.
2) *Items sensitive to exchange rate fluctuations* include energy, air fares, and overseas travel packages.
3) *GDP gap* expresses tha gap between actual GDP and potential GDP divided by potential GDP.

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

(4) Inflation

Consumer prices up on-year since June as end to deflation nears

An upward trend for consumer prices has taken root. Core CPI, excluding fresh foods, turned positive on-year in June, then accelerated to 0.7% YoY on average for Jul-Sept (Figure 9). Broken down, higher prices of imported goods (like energy, which is sensitive to the impact of a weaker JPY) continue to be striking, and prices of durable goods and other products have also been declining more slowly. An end to deflation, long a scourge of Japan's economy, may finally be within sight.

Improving supply-demand gap expected to result in consumer prices continuing to rise

Going forward, although the impact of the weaker JPY—which has been declining quickly since H2 FY2012—is expected to diminish, the macro supply-demand balance is expected to improve and tighten as the economy recovers. Because of this, consumer prices is also very likely to continue to rise. The core CPI is expected to stand at +0.7% YoY in FY2013 and +2.9% YoY in FY2014, or +0.9% YoY without the direct impact of the consumption tax hike. The pace of rise is expected to slowly pick up.

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

(1) Monetary Policy and Long-term Interest Rates

BoJ expected to maintain policy stance for the time being

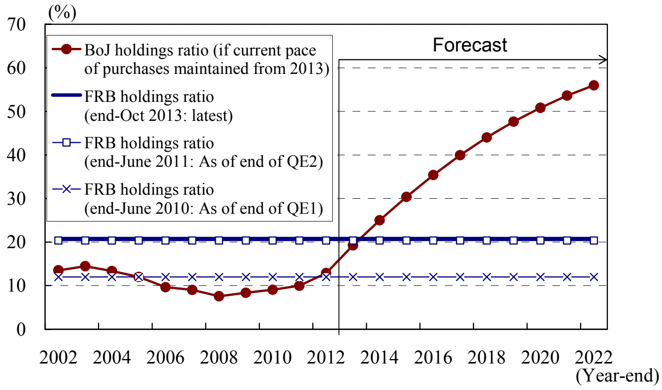
The BoJ has been pushing forth with its bold monetary easing policies. With the introduction of 'quantitative and qualitative monetary easing' on April 4, the BoJ has been increasing Japan's monetary base by approximately JPY60-70 trillion every year by increasing purchasing of assets like long-term JGBs. The policy is intended to raise the rate of change in the consumer price index to 2% YoY over two years. As noted above, consumer prices are rising, but hitting 2%

inflation by 2015 (excluding the direct impact of the consumption tax hike) would be difficult in reality. The BoJ is expected to adopt a stance of carefully watching for effects while maintaining current policy for some time. However, if the current pace of asset buying continues, fears that the BoJ has overdone JGB purchases are likely to intensify (Figure 10). Though still some time ahead, the BoJ will likely adjust its pace of buying somewhat if quantitative and qualitative monetary easing are maintained past the originally-planned end of end-2014.

BoJ monetary easing having impact in terms of controlling market interest rates

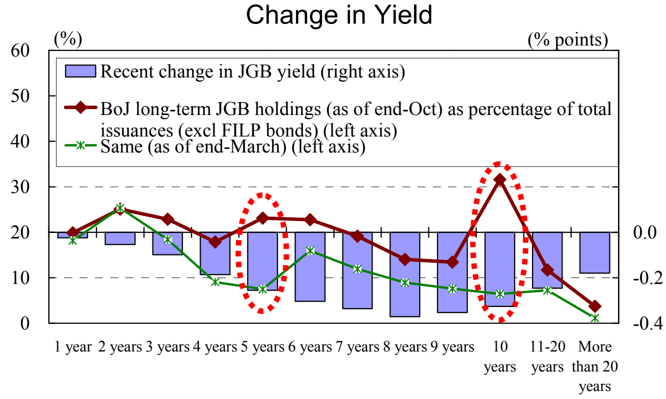
The 10Yr JGB yield dipped to the lower 0.6% range on average in October, the lowest level since quantitative and qualitative monetary easing was introduced in April. The yield fluctuated wildly, surging immediately after the BoJ policy was introduced, but has steadied since then. The BoJ has been buying significant amounts of 5Yr and 10Yr JGBs (see Figure 11); buying large amounts JGBs of key tenors is thought to have been effective at lowering overall market yields, including the yields of other tenors. Although long-term yields are expected to rise as Japanese economic fundamentals improve and in line with US Treasury yields, the pace of the rise is expected to be very slow given the BoJ's continued monetary easing policies.

Figure 10: Ratio of BoJ, FRB Long-Term Bond Holdings to Total Issuances



Note: *BoJ holdings ratio* excludes FILP bonds, and estimate is based on maintaining pace of current asset purchases from 2013, or JPY50 trillion annual increases.
Source: Compiled by BTMU Economic Research Office from BoJ, FRB data.

Figure 11: Ratio of BoJ Long-Term JGB Holding by Remaining Durations to Total Issuances, Recent Change in Yield



Note: *Recent change in yield* is yield as of May 29 (the recent peak of the 10Yr JGB yield) minus the yield on November 28.
Source: Compiled by BTMU Economic Research Office from BoJ, MoF data.

(2) Exchange Rates

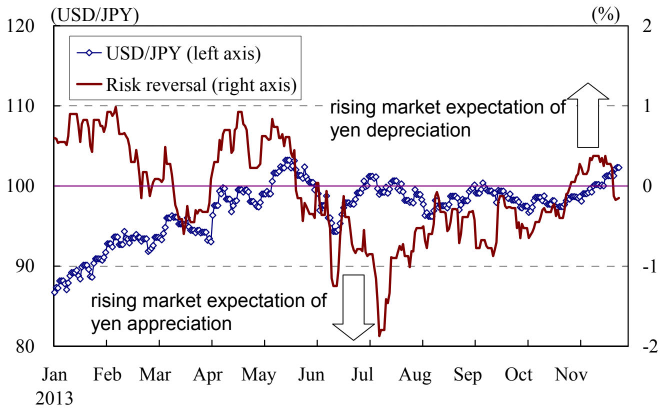
JPY becoming unstuck, weakening once again

The JPY is once again beginning to weaken. The JPY has become unstuck from the upper USD/JPY90 (JPY95-JPY100) range, dipping to the USD/JPY100 level, while also falling against the EUR to nearly EUR/JPY140 (Figure 12). Risk reversal indicators, which reflect the risk awareness of market participants, show that caution about JPY strengthening has faded, while awareness of JPY weakening has intensified.

JPY weakening as a result of continued BoJ monetary easing, widening interest rate spread between Japan and overseas

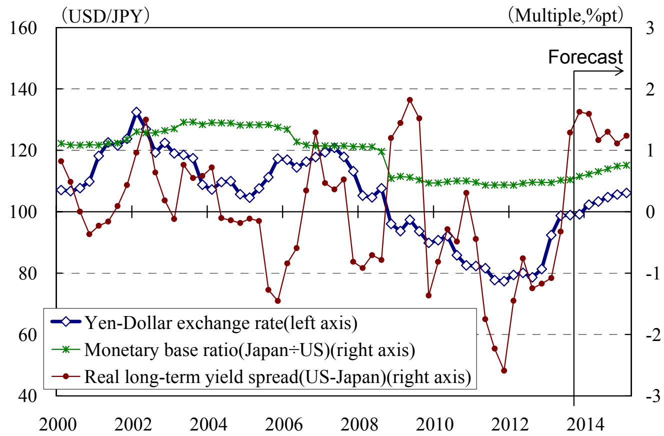
Overseas economies are not without risk, and JPY buying may prevail because of a lack of a better alternative, and intermittent JPY strengthening may arise. However, the JPY weakening trend is expected to persist amidst the BoJ's monetary easing policies and expansion of the monetary base, as well as widening spreads between persistently-low Japanese long-term yields and overseas long-term yields (Figure 13).

Figure 12: USD/JPY and Risk Reversal



Note: *Risk reversal* is call option implied volatility (25 delta, 1-month contract, annualized conversion value) minus put option implied volatility (same).
Source: Compiled by BTMU Economic Research Office from Bloomberg data.

Figure 13: Yen-Dollar Exchange Rate, Monetary Base Ratio and Real Long-term Yield Spread



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

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Outlook for the Japanese Economy

Forecast (from 2013 4Q)

(%, billion yen)

	2012				2013				2014				2015	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	5.1	-0.8	-3.7	0.6	4.3	3.8	1.9	3.2	4.2	-5.1	3.7	2.8	3.2	1.2	2.6	1.2
Private Consumption	3.6	0.4	-1.1	1.6	3.3	2.3	0.4	2.0	5.3	-9.9	5.6	2.8	2.4	1.6	2.0	0.2
Housing Investment	-5.1	11.4	4.3	13.3	9.4	1.6	11.3	6.3	4.3	-17.5	-11.5	5.7	14.3	5.3	7.2	-3.4
Private Business Fixed Investment	-9.2	-2.4	-12.4	-4.7	0.2	4.4	0.7	4.1	4.9	5.1	5.5	5.7	5.9	-1.3	0.8	4.9
Business Inventory (Contribution)	1.3	-0.8	0.1	-0.7	-0.1	-0.5	1.4	-0.7	-0.2	0.3	0.2	0.4	0.7	-0.1	-0.1	0.2
Government Expenditures	11.7	4.4	2.6	4.3	2.0	6.4	6.5	-1.0	-2.3	-1.0	-0.9	-0.9	-0.7	4.3	3.5	-0.7
Public Investment	38.4	26.2	4.9	13.9	10.6	20.6	28.7	-2.4	-10.7	-5.1	-4.3	-5.9	-5.1	14.9	13.0	-4.4
Net Exports (Contribution)	0.3	-1.3	-2.1	-0.6	1.6	0.6	-1.8	2.2	1.2	0.8	0.0	0.1	0.2	-0.8	0.4	0.6
Exports	11.2	-2.1	-14.5	-11.4	16.7	12.2	-2.4	15.2	9.5	4.5	4.1	3.6	3.6	-1.2	5.3	6.0
Imports	8.2	5.8	-1.0	-6.7	4.2	6.8	9.2	0.4	2.4	-0.4	4.5	3.6	3.0	3.9	3.4	2.4
Nominal GDP	5.2	-2.6	-4.6	0.7	2.8	4.3	1.6	5.3	4.1	-1.4	5.1	4.6	3.5	0.3	2.6	2.9
GDP Deflator (YoY)	-1.0	-1.0	-0.8	-0.7	-1.1	-0.5	-0.3	0.2	0.6	1.4	1.9	1.6	1.9	-0.9	0.0	1.7
Industrial Production Index (QoQ)	0.8	-2.2	-3.2	-1.9	0.6	1.5	1.7	4.1	2.2	-2.0	-0.2	0.3	0.6	-2.9	4.2	2.2
Domestic Corporate Goods Price Index (YoY)	0.3	-1.1	-1.9	-0.9	-0.3	0.7	2.2	2.4	2.3	4.5	4.5	4.5	4.4	-1.1	1.9	4.5
Consumer Price Index (excl. fresh food, YoY)	0.1	0.0	-0.2	-0.1	-0.3	0.0	0.7	1.0	1.0	3.0	2.9	2.8	3.0	-0.2	0.7	2.9
2. Balance of Payments																
Trade Balance (billion yen)	-1,069	-1,097	-1,651	-1,592	-2,523	-1,855	-2,835	-2,250	-2,195	-2,283	-2,265	-2,124	-2,353	-6,892	-9,135	-9,026
Current Balance (billion yen)	1,636	1,537	976	1,080	782	2,237	560	1,189	1,421	1,427	1,552	1,779	1,624	4,354	5,407	6,383
3. Financial																
Uncollateralized overnight call rate	0-0.1	0-0.1	0-0.1	0-0.1	0-0.1	0.1	0.1	0.1	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	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.2
Newly Issued 10-Year Government Bonds Yield	1.0	0.9	0.8	0.7	0.7	0.7	0.8	0.6	0.7	0.8	0.8	0.9	1.0	0.8	0.7	0.9
Exchange Rate (USD/JPY)	79	80	79	81	92	99	99	99	102	103	105	106	106	83	100	105

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.

MAIN ECONOMIC AND FINANCIAL INDICATORS (JAPAN)

1． Main Economic Indicators

As of Jan. 8, 2014

	Fiscal	Fiscal	2013			2013				
	2011	2012	1Q	2Q	3Q	JUL	AUG	SEP	OCT	NOV
Real GDP Growth Rate <% changes from	0.3	0.7	4.5	3.6	1.1	***	***	***	***	***
previous period at SA annual rate>			(0.1)	(1.2)	(2.4)					
Index of All Industries Activity	0.3	0.1	0.0	1.0	0.6	0.4	0.3	0.5	-0.2	
			(-1.2)	(0.5)	(1.6)	(1.5)	(0.9)	(2.3)	(1.9)	
Industrial Production Index	-0.7	-2.9	0.6	1.5	1.7	3.4	-0.9	1.3	1.0	0.1
Production			(-7.9)	(-3.1)	(2.3)	(1.8)	(-0.4)	(5.1)	(5.4)	(5.0)
Shipments	-1.5	-1.8	4.1	-1.9	0.6	2.0	-0.1	1.5	2.3	-0.1
			(-6.3)	(-3.5)	(1.6)	(1.4)	(-1.3)	(4.6)	(6.3)	(6.5)
Inventory	12.1	-2.7	-3.4	0.4	1.2	1.6	-0.2	-0.2	-0.3	-1.9
			(-2.7)	(-2.9)	(-3.5)	(-2.8)	(-3.3)	(-3.5)	(-3.8)	(-5.2)
Inventory/Shipments Ratio	109.0	114.4	112.1	107.6	111.0	110.5	112.5	110.1	106.0	104.5
(2010=100)			[107.6]	[111.5]	[116.4]	[115.3]	[115.5]	[118.5]	[117.7]	[117.7]
Domestic Corporate Goods Price Index	1.4	-1.1	0.8	0.7	0.8	0.6	0.2	0.2	-0.1	0.1
			(-0.3)	(0.7)	(2.2)	(2.2)	(2.3)	(2.2)	(2.5)	(2.7)
Consumer Price Index(SA, total, excl.fresh foods)	0.0	-0.2	-0.3	0.7	0.4	0.2	0.2	-0.1	0.2	0.2
			(-0.3)	(0.0)	(0.7)	(0.7)	(0.8)	(0.7)	(0.9)	(1.2)
Index of Capacity Utilization	97.9	95.4	94.4	96.6	98.3	99.3	97.2	98.4	99.6	
(2010=100)			[102.6]	[99.6]	[95.1]	[97.8]	[95.7]	[91.9]	[93.0]	[92.3]
Machinery Orders(Private Demand,	6.2	-3.0	0.0	6.8	4.3	0.0	5.4	-2.1	0.6	
Excl.Electric Power and Ship building)			(-4.6)	(6.4)	(9.6)	(6.5)	(10.3)	(11.4)	(17.8)	
Manufacturing	5.9	-10.1	-1.7	5.6	9.8	4.8	0.8	4.1	-0.2	
			(-12.1)	(-4.2)	(8.2)	(-2.0)	(8.7)	(17.3)	(21.9)	
Non-manufacturing	6.6	2.8	-3.1	12.5	-4.1	0.0	6.2	-7.0	11.5	
Excl.Electric Power & Ship building			(2.8)	(14.1)	(10.4)	(13.0)	(11.6)	(8.0)	(15.1)	
Shipments of Capital Goods	6.7	-6.0	4.7	-0.2	0.4	3.9	-1.5	-1.5	9.3	-2.6
(Excl.Transport Equipment)			(-9.1)	(-5.4)	(0.3)	(1.2)	(-1.0)	(0.7)	(14.8)	(11.0)
Construction Orders	7.1	2.4								
			(1.2)	(17.0)	(48.7)	(13.7)	(21.4)	(89.8)	(61.1)	(2.2)
Private	3.7	2.6								
			(1.2)	(13.5)	(60.6)	(1.6)	(23.0)	(127.1)	(67.0)	(-14.7)
Public	22.7	5.3								
			(0.2)	(18.7)	(29.9)	(4.0)	(23.9)	(51.3)	(56.1)	(30.3)
Public Works Contracts	-0.5	10.3								
			(-6.0)	(25.2)	(22.5)	(29.4)	(7.9)	(29.4)	(3.5)	(4.9)
Housing Starts	84.1	89.3	89.9	98.3	100.4	97.9	96.0	104.4	103.7	103.3
10,000 units at Annual Rate, SA	(2.7)	(6.2)	(5.1)	(11.8)	(13.5)	(12.4)	(8.8)	(19.4)	(7.1)	(14.1)
Total floor	(2.5)	(4.8)	(5.7)	(11.6)	(13.0)	(11.2)	(9.8)	(18.1)	(9.4)	(15.2)
Sales at Retailers	0.8	0.3								
			(-1.2)	(0.7)	(1.2)	(-0.3)	(1.1)	(3.0)	(2.4)	(4.0)
Real Consumption Expenditures	-1.2	1.6	3.8	-1.9	-0.6	0.9	-0.5	1.6	0.0	-0.3
of Households over 2 persons (SA)			(2.8)	(-0.2)	(0.7)	(0.1)	(-1.6)	(3.7)	(0.9)	(0.2)
Propensity to Consume	73.3	74.8	76.3	73.9	74.9	73.7	73.9	76.0	75.0	74.7
(SA,%)			[72.3]	[74.2]	[74.2]	[74.7]	[72.9]	[74.3]	[73.9]	[74.7]
Overtime Hours Worked	0.8	-0.3	1.5	2.7	0.1	0.0	0.2	-0.5	1.2	0.4
(All Industries, 5 employees or more)			(-1.6)	(1.0)	(4.0)	(3.9)	(4.0)	(3.9)	(5.8)	(5.7)
Total Cash Earnings (Regular Employees	-0.3	-0.7								
Only; All Industries, 5 employees or more)			(-0.6)	(0.3)	(-0.3)	(-0.1)	(-0.9)	(-0.2)	(-0.1)	(0.5)
Employment Index(Regular Employees Only;'All Industries,	52	107	24	33	43	40	42	46	46	48
5 employees or more）(Change over the M/Q/Y)			127	138	131					
Ratio of Job Offers to Applicants	0.68	0.82	0.85	0.90	0.95	0.94	0.95	0.95	0.98	1.00
(SA,Times)			[0.75]	[0.80]	[0.81]	[0.81]	[0.81]	[0.81]	[0.81]	[0.82]
Unemployment Rate	4.5	5.0	4.2	4.0	4.0	3.8	4.1	4.0	4.0	4.0
(SA,%)										
Economy Watcher Survey	44.9	46.3	53.3	55.1	52.1	52.3	51.2	52.8	51.8	53.5
(Judgment of the present condition D.I,%)			[47.3]	[47.3]	[43.0]	[44.2]	[43.6]	[41.2]	[39.0]	[40.0]
Bankruptcies (Number of cases)	12,707	11,719	2,779	2,841	2,664	1,025	819	820	959	862
	(-2.7)	(-7.7)	(-12.7)	(-9.1)	(-8.8)	(0.0)	(-15.3)	(-11.9)	(-7.3)	(-10.5)

(Notes)
Unless otherwise indicated, tabulated figures and those in parentheses show % changes from previous quarter/month as applicable.
The figures in ( ) indicate % changes from previous year.
[ ] show the comparable figure of the previous year.

２. Balance of Payments

As of Jan. 8, 2014

	Fiscal	Fiscal	2013			2013				
	2011	2012	1Q	2Q	3Q	JUL	AUG	SEP	OCT	NOV
Customs Clearance(Exports in Yen Terms)	-3.7	-2.1	(1.2)	(7.1)	(12.7)	(12.2)	(14.6)	(11.5)	(18.6)	(18.4)
Value	1.7	4.0	(9.4)	(10.5)	(12.1)	(10.2)	(12.5)	(13.6)	(13.6)	(11.6)
Volumes	-5.3	-5.8	(-7.5)	(-3.1)	(0.6)	(1.8)	(1.9)	(-1.8)	(4.4)	(6.1)
Imports(In Yen terms)	11.6	3.5	(8.1)	(10.4)	(17.5)	(19.7)	(16.1)	(16.6)	(26.2)	(21.1)
Value	9.2	2.5	(10.1)	(12.2)	(18.1)	(16.9)	(18.3)	(19.1)	(18.6)	(15.4)
Volumes	2.2	1.0	(-1.7)	(-1.5)	(-0.5)	(2.4)	(-1.9)	(-2.1)	(6.4)	(5.0)
Current Balance(100 mil. yen)	76,180	43,536	15,844	17,287	13,261	5,773	1,615	5,873	-1,279	
Trade Balance(100 mil. yen)	-34,698	-68,921	-23,735	-19,624	-27,040	-9,433	-8,859	-8,748	-10,919	
Services(100 mil. yen)	-18,265	-25,417	-1,939	-3,334	-4,513	-1,965	-1,533	-1,015	-3,137	
Capital and Financial Accounts(100 mil. yen)	29,618	-49,201	1,720	23,052	-8,290	-8,618	-1,805	2,133	4,073	
Gold & Foreign Exchange Reserves($1mil.)	1,288,703	1,254,356	1,254,356	1,238,713	1,273,446	1,254,033	1,254,204	1,273,446	1,276,751	1,275,352
Exchange Rate(\/$)	79.05	83.08	92.38	98.74	98.94	99.71	97.87	99.24	97.85	100.03

３. Financial Market Indicators

	Fiscal	Fiscal	2013			2013				
	2011	2012	1Q	2Q	3Q	JUL	AUG	SEP	OCT	NOV
Uncollateralized Overnight Call Rates	0.077	0.083	0.083	0.073	0.073	0.073	0.073	0.072	0.070	0.073
			[0.083]	[0.078]	[0.085]	[0.084]	[0.086]	[0.085]	[0.085]	[0.086]
Euro Yen TIBOR	0.331	0.312	0.270	0.228	0.228	0.228	0.228	0.228	0.221	0.220
(3 Months)			[0.331]	[0.333]	[0.327]	[0.327]	[0.327]	[0.327]	[0.326]	[0.318]
Newly Issued Japanese Government Bonds Yields	1.050	0.760	0.655	0.772	0.732	0.795	0.720	0.680	0.590	0.600
(10 Years)			[0.968]	[0.848]	[0.780]	[0.780]	[0.795]	[0.765]	[0.775]	[0.700]
Average Contracted Interest Rates	1.269	1.184								
on Loans and Discounts(City Banks)			1.184	1.153	1.125	1.145	1.139	1.125	1.124	1.114
(% changes from previous period)			(-0.042)	(-0.031)	(-0.028)	(-0.008)	(-0.006)	(-0.014)	(-0.001)	(-0.010)
The Nikkei Stock Average	10,084	12,398	12,398	13,677	14,456	13,668	13,389	14,456	14,328	15,662
(TSE 225 Issues)			[10,084]	[9,007]	[8,870]	[8,695]	[8,840]	[8,870]	[8,928]	[9,446]
M2(Average)	(2.9)	(2.5)	(2.9)	(3.5)	(3.8)	(3.7)	(3.8)	(3.9)	(4.1)	(4.3)
Broadly-defined Liquidity(Average)	(0.2)	(0.5)	(1.3)	(2.6)	(3.5)	(3.3)	(3.6)	(3.7)	(4.0)	(4.2)
Principal Figures of Financial Institutions										
Loans and Discount (Average): Banks & Shinkin	(-0.1)	(0.9)	(1.4)	(1.8)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.2)
Banks	(-0.1)	(1.1)	(1.8)	(2.1)	(2.3)	(2.3)	(2.3)	(2.2)	(2.3)	(2.4)
City Banks etc.	(-1.8)	(-0.2)	(1.0)	(1.6)	(1.9)	(1.8)	(1.9)	(1.9)	(1.7)	(1.8)
Regional Banks	(1.9)	(2.9)	(3.1)	(3.2)	(3.2)	(3.4)	(3.3)	(3.1)	(3.1)	(3.3)
Regional Banks Ⅱ	(1.1)	(0.8)	(0.4)	(0.6)	(0.7)	(0.6)	(0.6)	(0.9)	(1.9)	(2.0)
Shinkin	(-0.5)	(-0.7)	(-0.5)	(-0.2)	(0.1)	(-0.0)	(0.1)	(0.1)	(0.4)	(0.6)
Deposits and CDs (Average): Total(3 Business Condition)	(2.7)	(2.2)	(2.9)	(3.8)	(3.8)	(3.9)	(3.8)	(3.8)	(3.9)	(4.0)
City Banks	(1.9)	(1.8)	(2.8)	(4.1)	(3.7)	(4.0)	(3.7)	(3.5)	(3.7)	(3.7)
Regional Banks	(3.7)	(2.8)	(3.4)	(4.0)	(4.5)	(4.4)	(4.4)	(4.6)	(4.4)	(4.6)
Regional Banks Ⅱ	(2.8)	(1.8)	(1.2)	(1.5)	(2.1)	(1.7)	(1.9)	(2.6)	(3.1)	(3.3)

(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.