The Outlook for the Japanese Economy

Falling Oil Prices Support Virtuous Cycle, Economy's Gradual Recovery to Persist

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1. Overview of the Japanese Economy

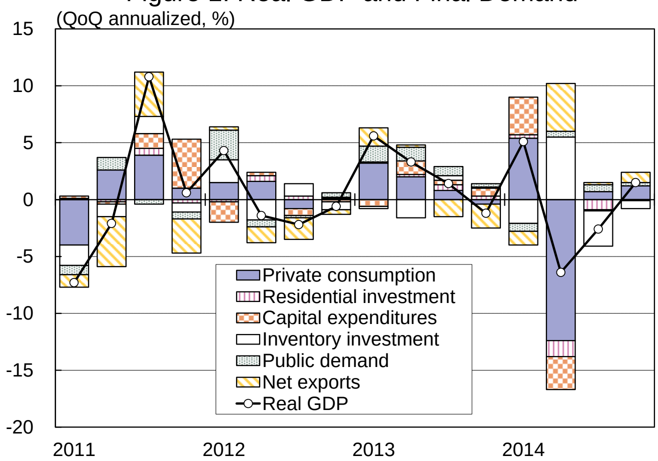
GDP expands again after three quarters, though recovery pace is slow

Japan's economy continues on its recovery trajectory. Real GDP (second preliminary estimates) expanded by an annualized +1.5% QoQ in Oct-Dec, the first expansion in three quarters. By demand component, exports have shown strong growth for two straight quarters, while the downward pressure by inventory investment on GDP growth shrank considerably from the previous quarter. On the other hand, domestic private final demand has started to pick up overall as the reactionary drop to the surge of demand ahead of the consumption tax hike last April has eased, although the pace has been slow (Figure 1). Private consumption, the core of private demand, has not strengthened much, and this has had an impact.

The surge of demand ahead of consumption tax hike and reactionary drop have largely leveled off

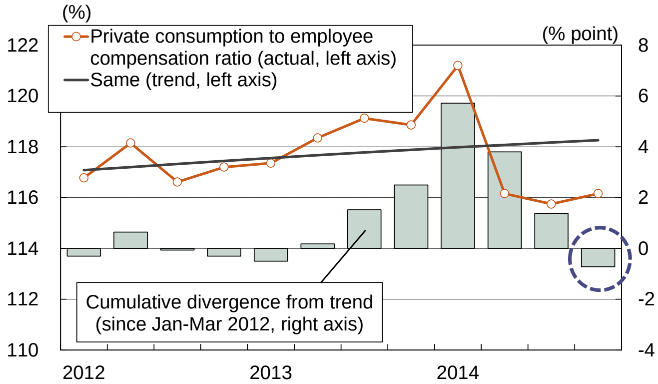
The surge of demand ahead of last April's consumption tax hike and the reactionary drop appear to have largely leveled off. This is an important point in considering the outlook for Japan's private consumption. Nominal private consumption divided by nominal employee compensation is considered to propensity to consumption, and the cumulative divergence from the trend since Jan-Mar 2012−before the surge of demand brought forward arose−fell to below zero in Oct-Dec 2014 (Figure 2). Although the scale of the surge of demand brought forward and the reactionary drop were greater than anticipated and have slowed the private consumption recovery, the downward pressures appear to have largely abated. We expect improving incomes to lead to higher expenditures going forward.

Figure 1: Real GDP and Final Demand



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

Figure 2: Private Consumption to Employee Compensation Ratio - Actual and Trend



Note: *Private consumption to Employee compensation ratio* is nominal private consumption divided by nominal employee compensation. *Trend* determined using HP filter.
Source: Compiled by BTMU Economic Research Office from Cabinet Office data.

2015 spring wage negotiations likely to deliver bigger hikes than in 2014

The size of the wage increases following this spring's wage negotiations may be a key point in projecting household incomes and by extension Japan's economy. In this regard, wages are a key node linking improving corporate profits to expanding household incomes. As such, we feel that there is greater room for wage hikes this year compared to last (Table 1). First, the labor distribution rate is lower due to improved corporate profits on the back of a weaker JPY, while companies are increasingly feeling a worker shortage as labor supply and demand tighten. Further, consumer price index has risen since last year, even discounting the direct effect of the consumption tax hike. The groundwork for a bigger base pay hike than last year has been laid. The Institute of Labor Administration's annual survey carried out prior to the spring wage negotiations featured a question about 'desired' wage hikes for the overall economy. The survey showed that overall momentum to higher wages is picking up as the labor side is growing more assertive despite management caution. This year may implement bigger wage hikes than last year's.

Falling oil prices also having been a tailwind for the economy

Falling oil prices have also been a tailwind for the economy by limiting income outflows overseas. We have estimated the direct impact of a 10% drop in oil prices on Japan's economy. Lower prices would cut annual import value by JPY1.4 trillion and raise domestic economic entities' (companies and households) incomes by the same degree, ultimately lifting private consumption and capital expenditures by a total of JPY500 billion, or 0.1% of GDP (Table 2). JPY-denominated oil import prices plunged by 33% YoY in January. Falling oil prices may support and lift the economy reasonably.

FY2015 growth rate expected to near 2%

Real GDP is expected to contract by nearly 1% YoY in FY2014, impacted by the consumption tax hike primarily in 1H, but then expand by nearly 2% in FY2015. With corporate profits continuing to expand now that a weaker JPY has taken root, recovering household incomes as wages rise and employment expands will support a virtuous cycle, and the economy is expected to sustain its recovery.

Table 1: Conditions Surrounding Spring Wage Negotiations

	2014	2015	Impact on wage hike	Reference: 1997 (pre-deflation)
Labor distribution rate (previous year result, %)	62.9	61.6	⇧	66.9
Employment conditions DI (*Excessive* minus *Insufficient*) (as of previous December, %point)	-10	-15	⇧	5
Rate of labor productivity rise (previous year result, %)	2.7	0.4	⬇	2.3
Rate of Core CPI rise (previous year result, %)	0.4	1.1	⇧	0.2
Desired wage hike, labor	3.04	3.35	⇧	3.60
Desired wage hike, management	2.46	2.52	⇨	2.50
Rate of wage hike (regular increases + higher base) (actual, %)	2.19	2.5 (approx)	–	2.90

Notes: 1) *Core CPI rate of rise* excludes direct impact of consumption tax hike.
2) 2015 *Rate of wage hike* is BTMU forecast.
Source: Compiled by BTMU Economic Research Office from various data and materials.

Table 2: Calculating the Direct Impact of a 10% Drop in Oil Prices on Japan's Economy

Import values	－JPY1.4 trn
Incomes	＋JPY1.4 trn
Households	＋JPY0.6 trn
Corporations	＋JPY0.5 trn
Government	＋JPY0.3 trn
Expenditures	＋JPY0.5 trn
Private consumption	＋JPY0.3 trn
Capital expenditures	＋JPY0.2 trn

Note: *Incomes* includes improvement in household real incomes from lower CPI.
Source: Compiled by BTMU Economic Research Office from various data.

2. Current Conditions and Outlook, by Sector and Area

(1) CORPORATE SECTOR

Exports to continue rising as weaker JPY takes root and overseas economies gradually recover

Exports are increasing. Real exports in GDP figures accelerated to an annualized +11.5% QoQ in Oct-Dec, the second straight quarter of increase after the +6.2% QoQ annualized pace of Jul-Sept. Real export value by key destination country and regions, based on trade statistics (roughly equivalent to export volume) has been declining to the EU, but picking up to the US and Asia (Figure 3). Further, exports of general machinery, electrical machinery, and chemicals have risen markedly. The weakening JPY has helped to improve the price competitiveness of Japanese products, supporting export growth.

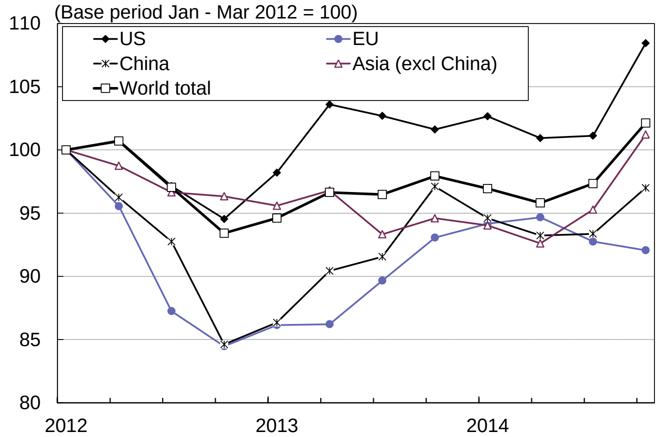
Exports are likely to continue to rise. In addition to greater price competitiveness as the JPY remains weak, global economic recovery — especially the US—is also likely to support export growth.

Capital expenditures growth likely to slowly rise on firm corporate profits

Real capital expenditures slipped for a third straight quarter in Oct-Dec, by -0.3% QoQ annualized. However, the degree of decline has been shrinking and capital expenditures have been largely flat recently. The sense of excess capacity has been cleared as demand both in Japan and abroad has improved, and strong corporate profits appear to be resulting in increased investment.

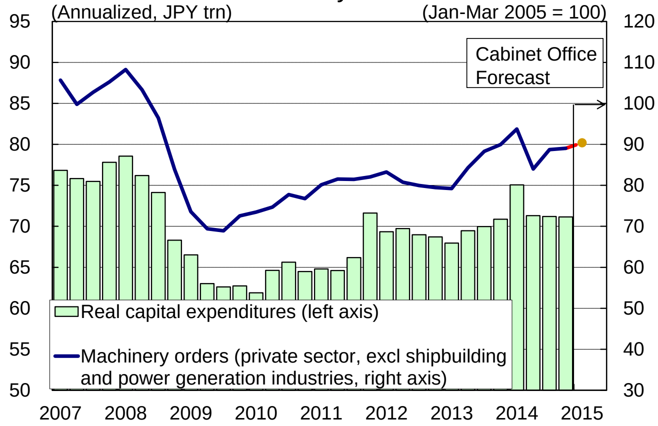
Machinery orders—a leading indicator of capital expenditures—point to an upturn in capital expenditures in Jan-Mar (Figure 4). Corporate profits have remained strong recently, with recurring profits setting record highs in Oct-Dec. Further, the necessity of capital investment for rationalization and laborsaving is building because of the sense of a labor shortage, and real interest rates are also low because of the BoJ's massive monetary easing. As confidence in the economy grows and companies' outlooks improve, we expect capital expenditures growth to accelerate.

Figure 3: Real Export Value, by Region



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

Figure 4: Real Capital Expenditures and Machinery Orders



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

(2) HOUSEHOLD SECTOR

Private consumption to rebound and rise in FY2015 on clear improvement in real incomes

Although real private consumption rose for a second consecutive quarter in Oct-Dec, by an annualized +2.0% QoQ, the result lacked momentum. The reactionary drop to the surge of demand ahead of the consumption tax hike in April has eased but appears to still be quelling consumption. On the other hand, consumer sentiment has stopped deteriorating (Table 3). The Economy Watchers Survey's Household activity-related indicators and the Consumer Confidence Survey's Consumer Confidence Index show that although consumer sentiment continued to worsen last summer through autumn because of the consumption tax hike as well as inclement weather conditions, the deterioration has halted recently as sentiment starts to improve.

We forecast that private consumption will start to rebound and rise next fiscal year as real incomes steadily improve (Figure 5). First, as noted earlier, wage hikes are very likely to exceed last year's margin in this spring wage negotiations, and base scheduled wages are expected to clearly rise next fiscal year. Such wage growth coupled with increased worker numbers and unscheduled working hours due to the economic recovery is expected to cause nominal employee compensation to keep rising at a fast pace again next fiscal year. Furthermore, falling oil prices and the negation of the impact of last April's consumption tax hike will likely have a clear positive impact on incomes and consumption on real basis.

Residential investment to turn positive in Jan-Mar as new housing starts pick up

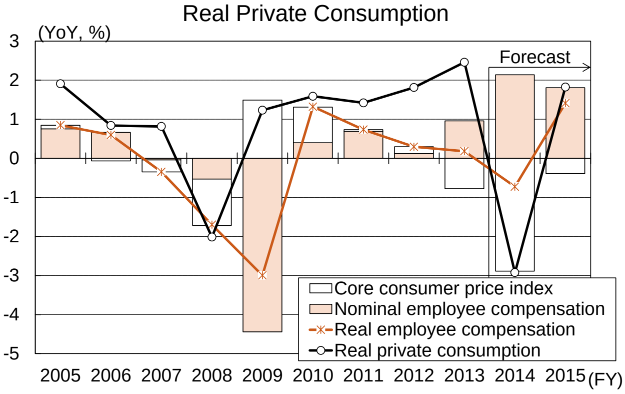
Real residential investment declined for a third straight quarter in Oct-Dec, by an annualized -4.6% QoQ, but the impact of the consumption tax hike has eased and the degree of decline has contracted sharply. New housing starts, a leading indicator of residential investment, continue to improve slowly, especially for rented housing and owned housing. New housing starts rose for the first time in three quarters in Oct-Dec, by +2.3% QoQ. Residential investment is likely to start to rise in Jan-Mar as housing starts improve and actual construction rises.

Table 3: Economic Sentiment Around the Time of Consumption Tax Hike

Indicator			Jul 2014	Aug	Sep	Oct	Nov	Dec	Jan 2015	Feb
Economy Watchers Survey	Household activity-related	Retail	48.2	44.4	46.2	41.1	37.6	42.5	42.9	48.0
		Food and beverage	49.1	45.7	43.5	37.8	38.6	45.1	39.7	49.4
		Services	51.5	47.9	48.4	45.8	44.0	47.3	46.6	49.1
		Housing	51.2	49.4	46.8	42.6	39.1	44.8	46.6	48.1
Consumer Confidence Survey	Consumer Confidence Index	Overall livelihood	38.5	39.1	37.1	36.4	34.9	36.0	35.8	-
		Income growth	39.1	38.5	38.2	38.0	37.6	38.7	38.5	-
		Employment	48.7	47.8	46.6	44.7	42.8	44.1	44.7	-
		Willingness to buy durable goods	39.6	39.5	37.8	36.5	35.4	36.3	37.3	-

Note: Shaded cells indicate indicators that improved from previous month.
Source: Compiled by BTMU Economic Research Office from Reuters, Shoko Chukin, Cabinet Office data.

Figure 5: Real Employee Compensation and Real Private Consumption



Note: *Real employee compensation* is *Nominal employee compensation* divided by *Core consumer price index*.
Source: Compiled by BTMU Economic Research Office from Cabinet Office, MIC data

(3) GOVERNMENT SECTOR

Public investment increasing more slowly as the early implementation of budget having taken around

Although real public demand rose for a third straight quarter in Oct-Dec, by an annualized +1.3% QoQ, the pace of growth has gradually eased (Figure 6). Public investment growth has slowed considerably as the early implementation of the FY2013 supplementary budget and the FY2014 budget has taken around.

Though public investment remains high, starting to peak out

The FY2014 supplementary budget approved in February focuses on household and corporate income support, and public investment allocations are less than half the FY2013 scale. Public works project contracts and orders, leading indicators of public investment, have already dipped below year-earlier levels, and public investment is likely to start to fall despite remaining at high levels.

(4) INFLATION

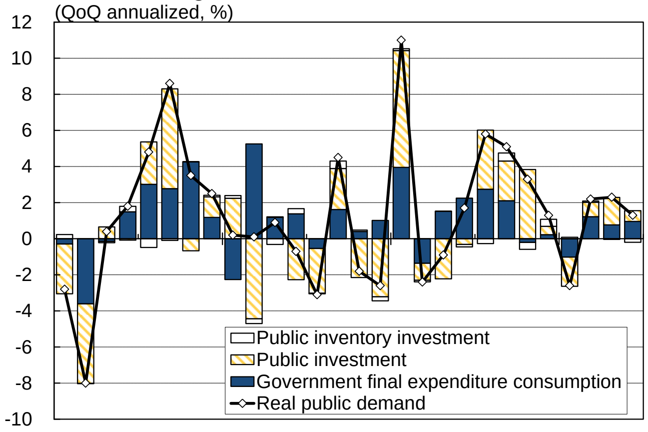
Inflation continues to slow as oil prices plunge

Although core inflation (excluding fresh foods and the direct impact of the consumption tax hike) rose for a seventh straight quarter in Oct-Dec, by +0.7% YoY, the pace has slowed since peaking in Apr-Jun at +1.3% YoY. Plunging oil prices have weighed increasingly on inflation. On the other hand, improving the gap between supply and demand as well as some firmness in corporate and household inflation expectations continues to support inflation.

CPI is likely to dip to nearly zero level in 1H FY2015

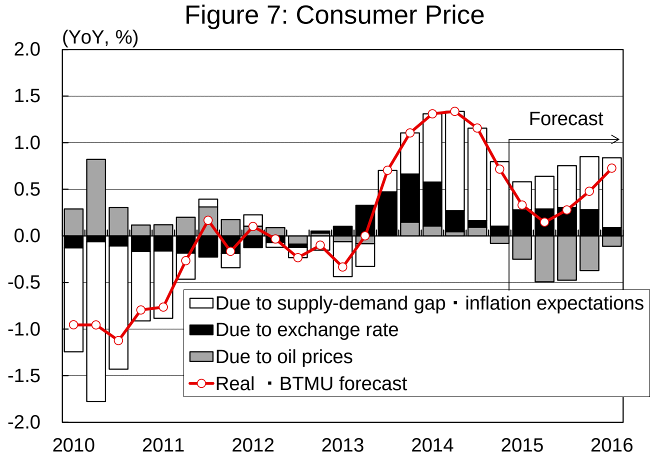
Inflation is likely to continue to slow in 1H FY2015, when the effect of falling oil prices is felt most, and could dip to nearly zero. Thereafter, we expect inflation to pick up once again on improving the supply-demand gap conditions and inflation expectations taking root as the effect of falling oil prices is negated (Figure 7). We project that core inflation will improve to +0.7% YoY in Jan-Mar 2016, but still fall short of the BoJ's 2% inflation target.

Figure 6: Real Public Demand



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

Figure 7: Consumer Price



Note: *Consumer price* is core, excluding fresh foods and direct impact of sales tax hike.
Source: Compiled by BTMU Economic Research Office from MIC data.

3. Current Conditions and Outlook, Monetary Policy and Financial Markets

(1) MONETARY POLICY AND LONG-TERM YIELD

BoJ cuts FY2015 inflation outlook but continues to project two-year, 2% price stability target will be reached

The BoJ continues to implement the expanded quantitative and qualitative monetary easing introduced October 31. BoJ holdings of long-term JGBs rose to JPY200 trillion as of end-December, in line with its target, with the average duration growing to more than six years. The BoJ is steadily fulfilling its buying plans announced after the added easing. In its mid-term evaluation of the Outlook Report conducted at the January meeting, the BoJ cut its FY2015 core inflation outlook sharply to +1% YoY to reflect falling oil prices, but still maintained its view that inflation will hit 2% sometime during the projection period around FY2015.

Governor Haruhiko Kuroda stressed at a recent press conference that falling oil prices will work to lift inflation by improving economic activity over the medium to long term. Further, he stated his view that the macro-level supply and demand gap and expected inflation rate are determinants of inflation trends, and that the corporate and household sectors still maintain their medium- to long-term inflation expectations even amidst falling oil prices. Given such sentiments, the market appears to be backing off expectations of further monetary easing.

Massive BoJ monetary easing absorbs much upward pressure from improving fundamentals, slowing the pace of long-term yield rise

The 10Yr JGB yield declined further following the BoJ's added monetary easing last October, dipping into the 0.1% range for the first time ever in mid-January. Thereafter, the yield started to rise as volatility suddenly increased, and now hovers around the 0.4% level. JGBs lose their attractiveness for buyers when the yield is exceptionally low, below 0.2%, as investors grow wary of the risk of a reversion. This appears to be one factor behind the yield's rise. The JGB bid-to-cover ratio has been declining, and the tail—the gap between average contract price and lowest contract price—has increased sharply (Figure 8). A smaller tail reflects better auction results.

However, once yields rise and JGB prices fall somewhat, we think that long-term JGB yields will stabilize and converge with fundamentals and monetary policy. Looking ahead, the improving momentum in Japan's economy and rising US interest rates ahead of a rate hike are likely to boost JGB yields. On the other hand, the BoJ's continued monetary easing and lower yields in Europe on the ECB's quantitative easing are likely to absorb much of the upward pressure on JGB yields, and the yield rise is likely to be very slow.

(2) EXCHANGE RATES

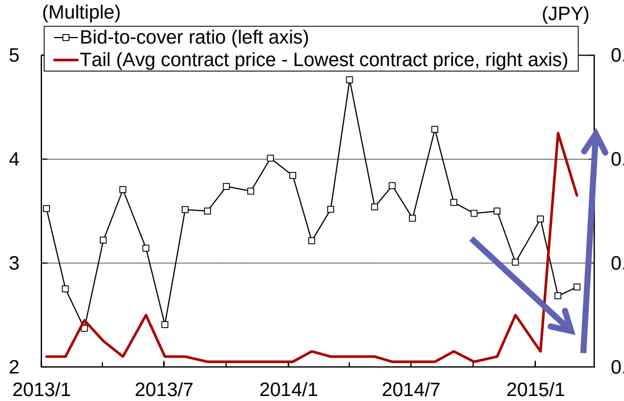
Sharp JPY weakening against USD has paused

The USD has surged against the JPY, from USD/JPY105 in mid-October prior to the BoJ's additional monetary easing to nearly USD/JPY122 in early December. Since then, the exchange rate has lacked clear direction, with USD/JPY now trading at approximately USD/JPY121. The JPY's real effective exchange rate, the weighted average of JPY exchange rate against currencies of trading partner and adjusted for inflation rate, weakened to the lowest level since 1973—immediately prior to the shift to the floating exchange rate system—in December, but has since started to rise slightly. Since last October, when the BoJ implemented additional monetary easing, the US-Japan yield gap (US minus Japan) has not widened much for 10Yr bonds, which tend to more readily reflect long-term growth expectations and inflation trends. The macro conditions that typically support JPY weakening may not be so strong, and we think this may one reason the JPY's weakening has paused so far in 2015.

JPY to gradually weaken on widening US-Japan long-term yield spread

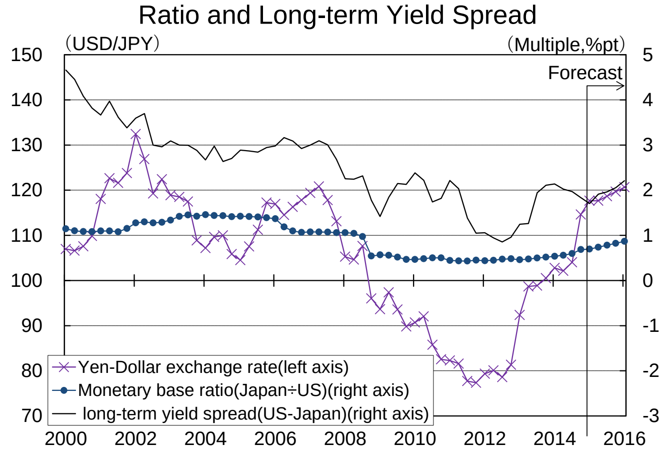
Looking further ahead, as Japan's long-term yields remain low as the BoJ maintains massive monetary easing, US long-term yields are expected to rise on stable medium- to long-term inflation and growth expectations. The US-Japan long-term yield spread is expected to be gradually widened. The US-Japan monetary base ratio (Japan ÷ US), which has been tightly correlated to USD/JPY since the collapse of Lehman Brothers, is also expected to continue to rise as US and Japanese monetary policy directions diverge, and the JPY is likely to continue to weaken further against the USD (Figure 9).

Figure 8: 10Yr JGB Bid-to-Cover Ratio and Tail



Note: *Bid-to-Cover Ratio* is *Amount of competitive bids* divided by *Successful bids, allotment value*.
Source: Compiled by BTMU Economic Research Office from Bloomberg data.

Figure 9:Yen-Dollar Exchange Rate,Monetary Base Ratio and Long-term Yield Spread



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

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Outlook for the Japanese Economy

Reflecting Oct-Dec2014 GDP (second preliminary figures)

Forecast (from 2015 1Q)

(%, billion yen)

	2013				2014				2015				2016	FY2013	FY2014	FY2015
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q			
1. The Real Economy (QoQ annualized change)																
Real GDP	5.6	3.3	1.4	-1.2	5.1	-6.4	-2.6	1.5	3.0	2.5	1.9	1.5	1.6	2.1	-0.9	1.9
Private Consumption	5.2	3.3	1.3	-0.7	9.0	-18.7	1.1	2.0	2.3	2.3	1.8	0.9	0.8	2.5	-2.9	1.8
Housing Investment	4.5	7.8	17.7	10.7	10.0	-35.3	-25.1	-4.6	6.6	3.2	2.4	2.0	1.6	9.3	-11.9	0.5
Private Business Fixed Investment	-4.3	9.2	3.0	5.2	25.8	-18.5	-0.6	-0.3	4.0	5.9	6.1	5.5	5.8	4.0	-0.2	4.4
Business Inventory (Contribution)	-0.2	-1.6	0.4	0.1	-2.1	5.5	-3.1	-0.7	0.4	0.1	0.1	0.0	0.0	-0.5	0.4	-0.1
Government Expenditures	5.8	5.1	3.3	1.3	-2.6	2.2	2.3	1.3	-0.3	-0.4	-1.8	-0.6	0.4	3.2	0.9	-0.4
Public Investment	21.1	13.4	23.6	2.6	-8.6	4.5	8.7	3.3	-4.7	-6.2	-12.9	-7.0	-1.2	10.3	2.7	-5.5
Net Exports (Contribution)	1.6	0.2	-1.5	-2.1	-1.2	4.2	0.2	0.9	0.6	0.4	0.3	0.3	0.2	-0.5	0.7	0.5
Exports	18.4	12.8	-2.0	-0.7	28.8	-1.3	6.2	11.5	5.8	4.9	4.1	3.8	3.6	4.7	7.3	5.6
Imports	5.5	9.7	7.2	12.5	30.3	-19.7	4.2	5.3	2.6	3.2	2.8	2.5	2.7	6.7	2.9	3.2
Nominal GDP	4.7	2.1	1.2	-0.3	5.6	1.2	-3.5	3.9	8.0	4.0	0.5	0.8	2.1	1.8	1.6	3.0
GDP Deflator (YoY)	-1.0	-0.6	-0.3	-0.3	0.1	2.2	2.0	2.4	3.4	1.9	1.7	0.8	0.0	-0.3	2.5	1.1
Industrial Production Index (QoQ)	0.5	1.6	1.8	1.8	2.9	-3.8	-1.9	1.7	3.0	0.1	0.7	0.7	0.7	3.2	-0.4	3.8
Domestic Corporate Goods Price Index (YoY)	-0.3	0.7	2.2	2.5	2.0	4.3	4.0	2.4	-2.2	-4.1	-3.8	-2.8	3.8	1.9	2.1	-1.7
Consumer Price Index (excl. fresh food, YoY)	-0.3	0.0	0.7	1.1	1.3	3.3	3.2	2.7	2.3	0.1	0.3	0.5	0.7	0.8	2.9	0.4
2. Balance of Payments																
Trade Balance (billion yen)	-1,947	-1,664	-2,314	-2,805	-3,907	-2,211	-2,589	-1,801	-1,176	-677	-1,304	-1,649	-1,724	-10,971	-7,777	-5,355
Current Balance (billion yen)	922	1,845	565	1	-1,378	688	603	2,838	3,697	4,226	3,694	3,446	3,467	831	7,826	14,833
3. Financial																
Uncollateralized overnight call rate	0-0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Euro-Yen TIBOR (3-mo.)	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Newly Issued 10-Year Government Bonds Yield	0.7	0.7	0.8	0.6	0.6	0.6	0.5	0.4	0.4	0.5	0.6	0.6	0.7	0.7	0.5	0.6
Exchange Rate (USD/JPY)	92	99	99	101	103	102	104	115	118	118	119	120	121	100	110	119

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.

MAIN ECONOMIC AND FINANCIAL INDICATORS (JAPAN)

1． Main Economic Indicators

As of Apr. 13, 2015

	Fiscal	Fiscal	2014			2014			2015	
	2012	2013	2Q	3Q	4Q	OCT	NOV	DEC	JAN	FEB
Real GDP Growth Rate <% changes from	1.0	2.1	-6.4	-2.6	1.5	***	***	***	***	***
previous period at SA annual rate>			(-0.3)	(-1.4)	(-0.8)					
Index of All Industries Activity	0.1	1.9	-3.4	-0.1	0.8	0.1	-0.1	-0.1	1.9	
			(-0.9)	(-1.6)	(-1.3)	(-0.9)	(-2.1)	(-0.8)	(-1.7)	
Industrial Production Index	-2.9	3.2	-3.8	-1.9	1.7	0.4	-0.5	0.8	3.7	-3.4
Production			(2.7)	(-1.0)	(-1.5)	(-0.8)	(-3.7)	(0.1)	(-2.8)	(-2.6)
Shipments	-1.8	2.9	-6.8	-0.8	2.2	0.6	-1.4	1.0	5.6	-3.4
			(1.3)	(-0.5)	(-1.6)	(-0.4)	(-4.5)	(0.3)	(-2.1)	(-3.1)
Inventory	-3.0	-1.4	4.6	1.1	-0.1	-0.4	1.1	-0.7	-0.4	0.5
			(2.8)	(4.0)	(5.9)	(3.8)	(6.5)	(5.9)	(5.8)	(7.3)
Inventory/Shipments Ratio	114.4	106.2	107.7	113.0	113.8	112.3	117.0	112.0	108.2	112.8
(2010=100)			[108.3]	[109.4]	[104.6]	[105.5]	[104.3]	[104.1]	[99.3]	[103.2]
Domestic Corporate Goods Price Index	-1.1	1.9	3.0	0.5	-1.3	-0.8	-0.3	-0.5	-1.3	-0.1
			(4.3)	(4.0)	(2.4)	(2.9)	(2.6)	(1.8)	(0.3)	(0.4)
Consumer Price Index(SA, total, excl.fresh foods)	-0.2	0.8	2.7	0.2	-0.1	0.0	0.0	0.0	-0.3	-0.1
			(3.3)	(3.2)	(2.7)	(2.9)	(2.7)	(2.5)	(2.2)	(2.0)
Index of Capacity Utilization	95.4	100.0	101.4	98.1	100.7	100.6	99.8	101.8	105.5	
(2010=100)			[96.3]	[97.8]	[100.2]	[99.4]	[99.9]	[101.4]	[107.7]	[104.9]
Machinery Orders(Private Demand,	-3.0	11.5	-10.4	5.6	0.4	-6.4	1.3	8.3	-1.7	-0.4
Excl.Electric Power and Ship building)			(-0.4)	(2.4)	(-2.6)	(-4.9)	(-14.6)	(11.4)	(1.9)	(5.9)
Manufacturing	-10.1	10.2	-8.5	12.6	0.8	-5.5	-7.0	24.1	-11.3	0.9
			(4.1)	(10.2)	(8.6)	(2.9)	(-4.8)	(27.1)	(7.3)	(13.8)
Non-manufacturing	2.8	12.1	-6.7	-1.2	-0.7	-7.5	0.5	7.2	3.7	-3.6
Excl.Electric Power & Ship building			(-3.1)	(-2.7)	(-9.6)	(-10.2)	(-21.2)	(2.0)	(-1.9)	(0.5)
Shipments of Capital Goods	-6.0	5.6	-8.0	0.1	3.7	6.2	-2.8	1.3	12.3	-11.2
(Excl.Transport Equipment)			(8.1)	(7.2)	(5.3)	(6.2)	(2.0)	(7.6)	(3.3)	(-2.6)
Construction Orders	2.4	20.1								
			(35.9)	(-15.0)	(12.9)	(15.7)	(16.9)	(7.5)	(27.5)	(1.0)
Private	2.6	14.2								
			(9.5)	(-26.4)	(8.9)	(-2.2)	(32.0)	(4.6)	(43.6)	(49.6)
Public	5.3	31.2								
			(143.0)	(0.6)	(14.1)	(41.1)	(20.9)	(-5.8)	(27.9)	(-23.0)
Public Works Contracts	10.3	17.7								
			(14.4)	(-3.9)	(-6.0)	(-7.4)	(-10.4)	(1.0)	(-13.7)	(2.3)
Housing Starts	89.3	98.7	89.1	86.8	86.8	88.6	87.3	88.3	86.4	90.5
10,000 units at Annual Rate, SA	(6.2)	(10.6)	(-9.3)	(-13.6)	(-13.8)	(-12.3)	(-14.3)	(-14.7)	(-13.0)	(-3.1)
Total floor	(4.8)	(9.9)	(-13.4)	(-17.9)	(-19.3)	(-17.6)	(-20.7)	(-19.5)	(-17.3)	(-6.3)
Sales at Retailers	0.3	2.9								
			(-1.8)	(1.4)	(0.6)	(1.4)	(0.5)	(0.1)	(-2.0)	(-1.8)
Real Consumption Expenditures	1.6	0.9	-8.1	0.0	1.4	0.7	0.4	0.2	-0.3	0.8
of Households over 2 persons (SA)			(-5.2)	(-5.4)	(-3.4)	(-4.0)	(-2.5)	(-3.4)	(-5.1)	(-2.9)
Propensity to Consume	74.8	75.5	74.0	74.7	74.0	74.2	75.5	73.8	74.6	72.9
(SA,%)			[74.2]	[74.9]	[74.6]	[75.5]	[74.6]	[75.2]	[75.3]	[75.3]
Overtime Hours Worked	-0.1	4.8	0.2	-1.1	0.1	0.0	-0.6	-0.3	1.9	-1.9
(All Industries, 5 employees or more)			(5.4)	(2.6)	(0.9)	(2.0)	(0.4)	(0.3)	(1.3)	(-0.7)
Total Cash Earnings (Regular Employees	-1.0	-0.2								
Only; All Industries, 5 employees or more)			(0.4)	(1.1)	(0.4)	(-0.1)	(-0.2)	(0.9)	(0.6)	(0.5)
Employment Index(Regular Employees Only;'All Industries,	107	45	65	76	76	73	74	80	90	95
5 employees or more）(Change over the M/Q/Y)										
Ratio of Job Offers to Applicants	0.82	0.97	1.09	1.10	1.12	1.10	1.12	1.14	1.14	1.15
(SA,Times)			[0.90]	[0.95]	[1.01]	[0.99]	[1.01]	[1.03]	[1.04]	[1.05]
Unemployment Rate	4.3	3.9	3.6	3.6	3.5	3.5	3.5	3.4	3.6	3.5
(SA,%)										
Economy Watcher Survey	46.3	54.0	44.8	48.7	43.6	44.0	41.5	45.2	45.6	50.1
(Judgment of the present condition D.I,%)			[55.1]	[52.1]	[53.7]	[51.8]	[53.5]	[55.7]	[54.7]	[53.0]
Bankruptcies (Number of cases)	11,719	10,536	2,613	2,436	2,222	800	736	686	721	692
	(-7.7)	(-10.0)	(-8.0)	(-8.5)	(-13.5)	(-16.5)	(-14.6)	(-8.5)	(-16.5)	(-11.5)

(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 Apr. 13, 2015

	Fiscal	Fiscal	2014			2014			2015	
	2012	2013	2Q	3Q	4Q	OCT	NOV	DEC	JAN	FEB
Customs Clearance (Exports in Yen Terms)	-2.1	10.8	(0.1)	(3.2)	(9.1)	(9.6)	(4.9)	(12.8)	(17.0)	(2.5)
Value	4.0	10.2	(1.1)	(2.9)	(6.6)	(4.6)	(6.7)	(8.6)	(5.3)	(4.7)
Volumes	-5.8	0.6	(-1.0)	(0.3)	(2.4)	(4.8)	(-1.7)	(3.9)	(11.1)	(-2.1)
Imports (In Yen terms)	3.4	17.4	(2.8)	(2.4)	(1.2)	(3.1)	(-1.6)	(1.9)	(-9.1)	(-3.6)
Value	2.5	14.6	(2.2)	(3.1)	(4.9)	(5.1)	(5.8)	(3.8)	(-3.0)	(-7.7)
Volumes	1.0	2.3	(0.4)	(-0.7)	(-3.5)	(-1.8)	(-6.9)	(-1.8)	(-6.3)	(4.5)
Current Account (100 mil. yen)	42,233	8,312	3,698	16,310	15,124	8,464	4,402	2,259	614	14,401
Goods (100 mil. yen)	-52,474	-109,709	-20,346	-24,221	-17,782	-7,649	-6,312	-3,821	-8,642	-1,431
Services (100 mil. yen)	-41,864	-34,522	-8,804	-9,221	-6,656	-2,095	-978	-3,583	-4,013	-1,087
Financial Account (100 mil. yen)	14,716	-17,550	18,652	28,075	22,468	11,069	5,129	6,270	-3,584	23,402
Gold & Foreign Exchange Reserves ($1mil.)	1,254,356	1,279,346	1,283,921	1,264,405	1,260,548	1,265,925	1,269,079	1,260,548	1,261,103	1,251,112
Exchange Rate (\/$)	83.08	100.23	102.13	103.92	114.56	108.06	116.22	119.40	118.24	118.57

3. Financial Market Indicators

		Fiscal	Fiscal	2014			2014			2015	
		2012	2013	2Q	3Q	4Q	OCT	NOV	DEC	JAN	FEB
Uncollateralized Overnight Call Rates		0.083	0.073	0.067	0.067	0.064	0.059	0.065	0.068	0.074	0.076
				[0.073]	[0.073]	[0.072]	[0.070]	[0.073]	[0.074]	[0.073]	[0.077]
Euro Yen TIBOR		0.312	0.223	0.211	0.210	0.184	0.192	0.182	0.179	0.173	0.171
(3 Months)				[0.228]	[0.228]	[0.220]	[0.221]	[0.220]	[0.220]	[0.220]	[0.212]
Newly Issued Japanese Government Bonds Yields		0.560	0.640	0.565	0.525	0.330	0.450	0.420	0.330	0.275	0.330
(10 Years)				[0.855]	[0.680]	[0.735]	[0.590]	[0.600]	[0.735]	[0.620]	[0.580]
Average Contracted Interest Rates		1.184	1.077								
on Loans and Discounts(City Banks)				1.067	1.048	1.025	1.041	1.037	1.025	1.024	1.021
(% changes from previous period)				(-0.010)	(-0.019)	(-0.023)	(-0.007)	(-0.004)	(-0.012)	(-0.001)	(-0.003)
The Nikkei Stock Average		12,398	14,828	15,162	16,174	17,451	16,414	17,460	17,451	17,674	18,798
(TSE 225 Issues)				[13,677]	[14,456]	[16,291]	[14,328]	[15,662]	[16,291]	[14,915]	[14,841]
M2(Average)		(2.5)	(3.9)	(3.2)	(3.0)	(3.5)	(3.2)	(3.6)	(3.6)	(3.4)	(3.5)
Broadly-defined Liquidity(Average)		(1.0)	(3.7)	(3.1)	(3.1)	(3.4)	(3.3)	(3.4)	(3.5)	(3.3)	(3.4)
Principal Figures of Financial Institutions											
	Banks & Shinkin	(0.9)	(2.0)	(2.2)	(2.2)	(2.5)	(2.3)	(2.7)	(2.6)	(2.5)	(2.5)
Loans and	Banks	(1.1)	(2.3)	(2.3)	(2.3)	(2.7)	(2.4)	(2.8)	(2.8)	(2.6)	(2.6)
Discount	City Banks etc.	(-0.2)	(1.7)	(1.3)	(1.1)	(1.7)	(1.3)	(2.0)	(1.7)	(1.4)	(1.3)
(Average)	Regional Banks	(2.9)	(3.3)	(3.6)	(3.7)	(3.8)	(3.7)	(3.8)	(3.9)	(3.9)	(4.1)
	Regional Banks Ⅱ	(0.8)	(1.4)	(2.5)	(2.9)	(3.1)	(3.0)	(3.2)	(3.2)	(3.2)	(3.2)
	Shinkin	(-0.7)	(0.3)	(1.2)	(1.4)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.6)
	Total(3 Business Condition)	(2.2)	(3.8)	(2.8)	(2.8)	(3.8)	(3.3)	(4.0)	(4.2)	(3.8)	(3.9)
Deposits	City Banks	(1.8)	(3.7)	(2.1)	(2.4)	(4.4)	(3.4)	(4.8)	(5.1)	(4.7)	(4.7)
and CDs	Regional Banks	(2.8)	(4.3)	(3.6)	(3.2)	(3.2)	(3.2)	(3.2)	(3.3)	(2.9)	(3.1)
(Average)	Regional Banks Ⅱ	(1.8)	(2.5)	(3.0)	(3.1)	(3.3)	(3.3)	(3.3)	(3.2)	(3.1)	(3.2)

(Notes)
Newly Issued Japanese Government Bonds Yields and 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.