

# The Outlook for the Japanese Economy

## ***Virtuous Cycle Remains Intact, Japan's Economy and Particularly Domestic Demand Expected to Remain Firm***

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## 1. Overview of the Japanese Economy

Apr-Jun GDP contracted for the first time in three quarters

Japan's economy contracted for the first time in three quarters in Apr-Jun, with real GDP (first preliminary report) slipping -1.6% QoQ annualized. This indicated that the economic recovery had stagnated temporarily (Figure 1). By demand component, falling private consumption and exports primarily weighed on GDP overall. Private consumption contracted by -3.0% QoQ annualized for the first decline in four quarters. Although employment and income conditions improved, household budget cutting and the unseasonable weather caused consumption to fall. Further, exports—primarily to the US and Asia—slumped -16.5% QoQ annualized, the first decline in six quarters. Against this backdrop, residential investment rose +8.0% QoQ annualized, the second straight quarter of expansion. Public demand rose by +3.1% QoQ annualized, supporting the economy somewhat, while public investment rose strongly again after two quarters with the execution of the FY2014 supplementary budget.

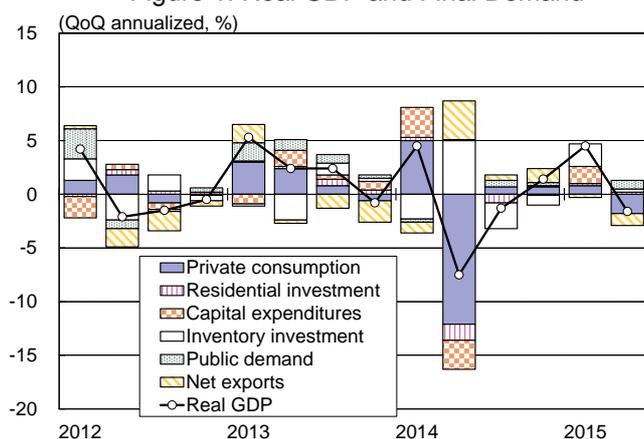
Virtuous cycle of higher income supporting spending remains intact, as economy expected to remain firm, primarily domestic demand

Although some parts of the economic recovery appeared to slow, incomes—the basis for spending growth—continued to improve and the economy's virtuous cycle remains unbroken. The JPY will trade at around 120 to the USD because of the Bank of Japan's massive monetary easing, and a steady cycle starting with strong corporate profits and leading to improved wages and expanded domestic demand has been functioning well. The economy is expected to remain firm. With respect to the global economy, we think the economic recovery momentum in advanced countries—primarily the US—will ultimately overcome the downward pressure from weakness in emerging economies including China. Japanese exports are also likely to continue to increase. As a result, we forecast Japan's real GDP to expand by +1.3% YoY in FY2015, exceeding the potential growth rate (Table 1). In FY2016, prolonged monetary easing is likely to be compounded by effects of government policies including the corporate tax cut, encouraging companies to make more forward-looking expenditures.

This trend will become clearer, and the virtuous cycle is likely to proceed stably. Demand will increase ahead of the April 2017 consumption tax hike, and real GDP will likely hit +1.7% YoY.

There are some downside risks to our Main Scenario, including of course overseas economies slowing more than forecasted. If China's economy loses its momentum and the global economy as a whole deteriorates significantly, then Japan's exports would inevitably collapse. Risk-averse JPY buying would cause corporate profits to slump, and the possibility of the economic virtuous cycle being broken would have to be watched.

Figure 1: Real GDP and Final Demand



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

Table 1 : GDP Forecast

	FY 2014 (Actual)	FY 2015 (Forecast)	FY 2016 (Forecast)
Real GDP	-0.9	1.3	1.7
Private consumption	-3.1	0.6	1.4
Residential investment	-11.7	2.2	2.9
Capital expenditures	0.5	4.5	5.6
Inventory investment(contribution)	0.5	0.0	-0.1
Public demand	0.8	0.5	0.4
Net exports(contribution)	0.6	0.0	0.1
Exports	7.9	0.1	3.0
Imports	3.6	-0.1	2.6
Nominal GDP	1.6	2.3	2.0
GDP deflators	2.5	1.0	0.3

Note: Contribution from Inventory investment and Net exports.

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

## 2. Key Points in Outlook

### (1) CORPORATE PROFITS DRIVING VIRTUOUS CYCLE

Record-high corporate profits projected to remain strong, drive virtuous cycle

Corporate profits, an important piece of the economy's virtuous cycle, remain strong. Ordinary profits at non-financial companies (based on Financial Statement Statistics of Corporations by Industry, Quarterly data) topped JPY16 trillion in seasonally-adjusted figures in Jan-Mar. Although the Jan-Mar figure was slightly lower than the record-high Oct-Dec 2014 figure, ordinary profits were still greater than the strong results prior to the collapse of Lehman Brothers (Figure 2). Quarterly data of the companies listed on the first section of the Tokyo Stock Exchange show that Apr-Jun ordinary profits increase 20 percent over last year and corporate profits continue to improve. We think that improved export profits because of the weaker JPY and greater JPY-denominated gains from overseas investments have contributed to lifting corporate profits overall. Further, a factor analysis of on-year ordinary profit growth shows that while net sales declined until around 2013, companies tended to limit personnel and depreciation expenses to boost profits. However, more recently, companies are now reporting higher profits as both net sales as well as personnel and depreciation expenses expand. High profits are linked to forward-looking corporate activity in the form of

boosting personnel and investing, and as noted later, appear to be leading to higher household incomes and private consumption as well as capital expenditures.

Corporate profits are likely to remain solid as domestic demand recovers, assuming that the Bank of Japan maintains monetary easing and the JPY's exchange range remains stable. This is likely to be the momentum for the economy's virtuous cycle.

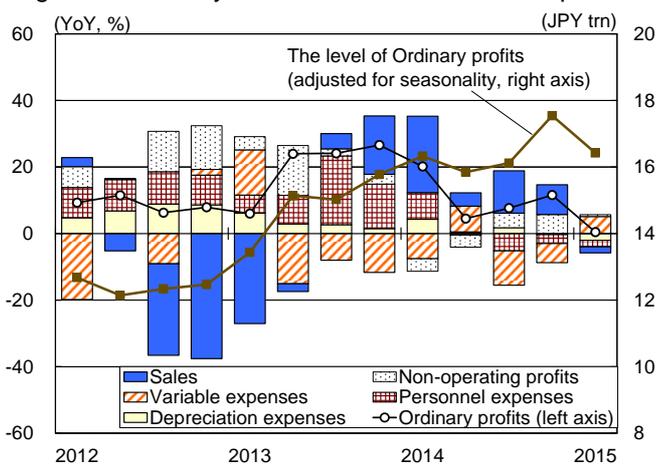
## (2) CORPORATE SENTIMENT DETERMINING CAPITAL EXPENDITURES

Capital expenditures expected to pick up again more, boosted by strong corporate profits

Capital expenditures slipped an annualized -0.3% QoQ in Apr-Jun, the first decline in three quarters. However, this appears to be largely due to a reaction to the strong growth of Jan-Mar (+11.7% QoQ annualized). Capital spending remains the high level approximately JPY73 trillion at an annualized rate, still above the level of last year, JPY72 trillion.

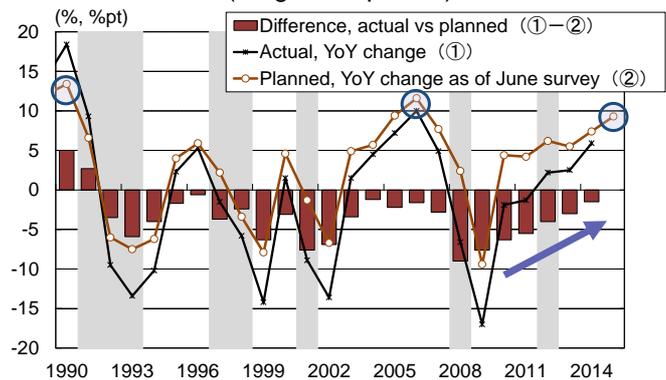
Capital expenditures are expected to be supported by strong corporate profits and to start to increase once again. The sense of surplus capital stock has already been erased, and with the burden of interest-bearing debt being alleviated, the environment that increase of cash flow lead easily to forward-looking capital expenditures are in place. Various capital expenditures surveys show that companies are increasingly willing to invest. The Bank of Japan's June Tankan survey showed that large companies' FY2015 capital expenditure plans were +9.3% YoY, with manufacturers like automobile and electronics makers expected to drive the biggest capital expenditures since FY2006. Moreover, comparing actual capital expenditures with plans (as of the June survey), we see that the expenditure plan 'realization rates' that had shrunken sharply after Lehman Brothers are improving steadily. Record-high corporate earnings are steadily boosting corporate capital investment expansion momentum.

Figure 2: Ordinary Profits of Non-Financial Corporation



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

Figure 3: Capital Expenditures, Actual vs Planned (Large Companies)



Note: 1) Capital expenditures include land purchasing expenses but exclude software investment.

2) Shaded portions are recession periods.

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

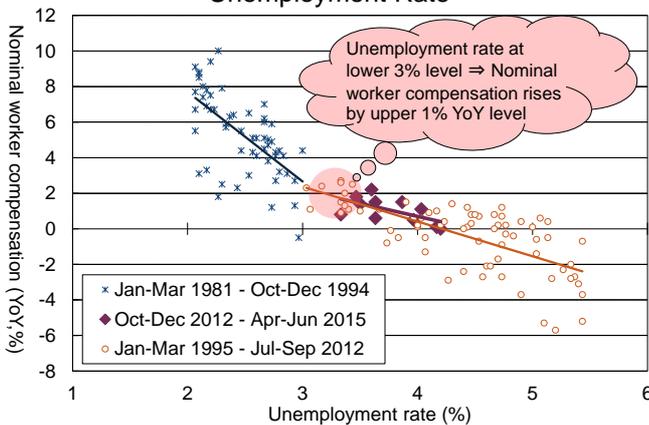
### (3) EMPLOYMENT AND INCOME CONDITIONS SUPPORTING HOUSEHOLD SPENDING

Worker incomes to continue improving as supply-demand tighten, supporting expanded household spending

As labor supply and demand tighten, companies are more aggressively hiring workers and raising wages in order to attract more employees. Employment and income conditions continue to improve. This year's spring wage negotiations—which have a big impact on wages—resulted in the biggest wage hikes in 17 years. Wage hikes were bigger than last year's even at SMEs and among non-regular workers. Wage hikes were seen not only in large companies and regular workers, but were spreading widely. The unemployment rate shows tightness between labor supply and demand, and nominal worker compensation data shows the total degree of improvement in employment and wages. The two data sets show that if the unemployment rate remains at the lower 3% level, nominal worker compensation will likely continue to expand by the upper 1% level on-year (Figure 4).

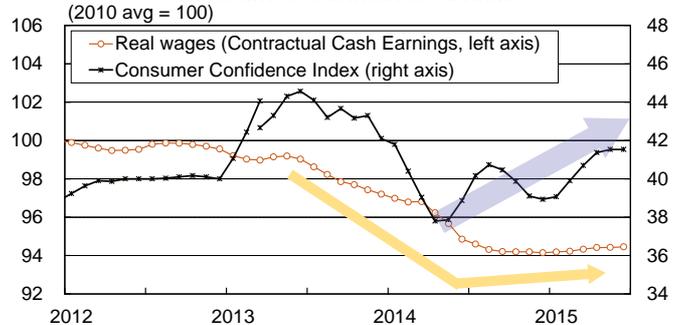
Although private consumption declined in Apr-Jun, it is likely to gradually recover. Looking at factors surrounding households, consumer sentiment is improving, while real wages (contractual cash earnings, total of scheduled wages and non-scheduled wages) has also bottomed and is gradually rising (Figure 5). Consumers have been tightening their purse-strings somewhat recently, but the wage hikes delivered by the spring wage negotiations have been appearing in pay, and as higher incomes are felt, consumers will likely start to loosen their purse-strings. Improving household incomes will likely lead to spending, so private consumption is likely to gradually rise going forward.

Figure 4: Nominal Worker Compensation and Unemployment Rate



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

Figure 5: Real Wages (Contractual Cash Earnings) and Consumer Confidence Index



Notes: 1) Contractual Cash Earnings are total of Scheduled wages and Non-scheduled wages.  
2) Real wages (Contractual Cash Earnings) and Consumer Confidence Index are adjusted for seasonality and averages of the past three months, including the present months.

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

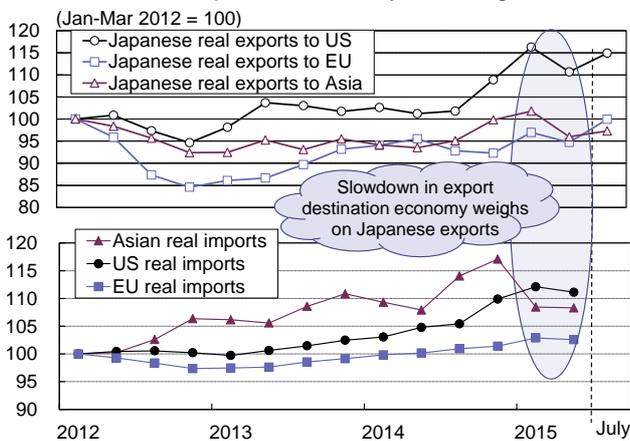
#### (4) OVERSEAS ECONOMIES AND JPY EXCHANGE RATE GUIDING EXPORTS

Exports likely to continue rising, especially to advanced countries with strong economies, bolstered by steady JPY

Exports in Apr-Jun pulled back from recent relatively strong growth, declining for the first time in six quarters. A comparison of Japanese real exports with real imports by countries and regions shows that Japanese exports declined mainly by the weak import of the destination areas (Figure 6). We think the drop in exports was largely due to income factors—weakening overseas economies since the start of 2015, including the US economy leveling off.

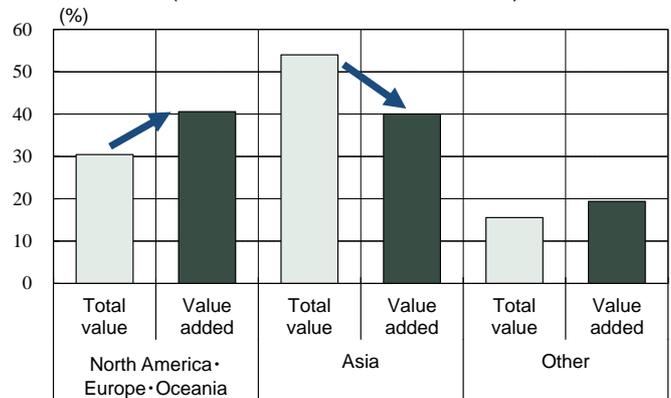
We think the export drop will be temporary and start to pick up again. The global economy is expected to keep expanding slowly, supported by recoveries in advanced countries, and we think imports in destination countries and regions will pick up. Exports to Asia typically comprise more than half of all exports from Japan in terms of value, with exports to advanced countries and regions like the US and Europe accounting for only 30%. However, in terms of added value (counted as final demand area), exports to both Asia and advanced economies each account for approximately 40% of Japan's exports (Figure 7). For Japanese exports, which are largely high value-added goods, the positive impact of economic recoveries in advanced countries is greater than it may appear at first. Further, assuming that the JPY remains at its current weak level, Japan's export goods will maintain their price competitiveness, supporting an increase in exports. In fact, exports to the US and EU rose more in July than in Apr-Jun, while exports to Asia show signs of bottoming.

Figure 6: Japanese Real Exports, Real Imports of Country and Region



Source: Compiled by BTMU Economic Research Office from CPB data etc.

Figure 7: Japan Export Share, by Region (Total Value vs Value Added)



Note: As of 2011.

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

### 3. Monetary policy and financial markets

Price trend picking up (when discounting oil prices), BoJ expected to maintain current policy

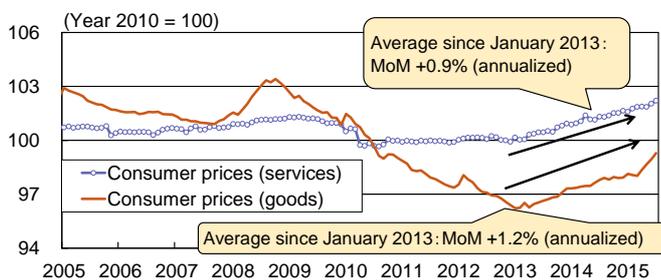
The BoJ's Monetary Policy Board voted to continue current monetary policy at its August 6-7 meeting. Although the growth rate of CPI has slowed to nearly 0% YoY because of falling oil prices, Governor Haruhiko Kuroda stated that price trend—as prescribed by the macro-level supply-demand gap and medium- to long-term expected inflation—remains solid. He noted that he does not feel further monetary easing is necessary at this time. In fact, seasonally-adjusted CPI excluding items sensitive to oil prices started to rise in early 2013 and continues to pick up (Figure 8). Prices of goods and services have been rising on average since January 2013 at an annualized pace of +1.2% MoM for goods (mainly because of the weaker JPY) and by +0.9% MoM annualized for services (services prices had been flat). The BoJ will continue to study the improvement in the price trend while maintaining current policy.

The 10Yr JGB yield hit 0.5% in early July before falling again. It now stands at around the higher 0.3% range. However, even amidst continued downward pressure from the BoJ's massive monetary easing, we expect the yield to gradually rise (even as it remains low), due to upward pressure from rising US Treasury yields ahead of FRB rate hike and improving Japanese economic fundamentals.

JGB yield likely to remain low but slowly rise by FRB rate hike in US, USD/JPY expected to settle in lower 120 range

JPY had traded at approximately 124 against the USD for some time, but then risk-averse JPY buying by investors picked up, pushing JPY to 120. Intermittent JPY buying may increase because of risk aversion due to concerns about the outlook for the global economy. However, we think that as a trend, conditions will support USD buying and JPY selling because of expectations that the US-Japan yield spread will widen. However, from the view of US-Japan purchasing power parity, USD/JPY is now near its historical upper limit in terms of CPI (USD/JPY128), and JPY is not likely to weaken much more (Figure 9). Overall, we think JPY will stay at around the lower 120 range against the USD.

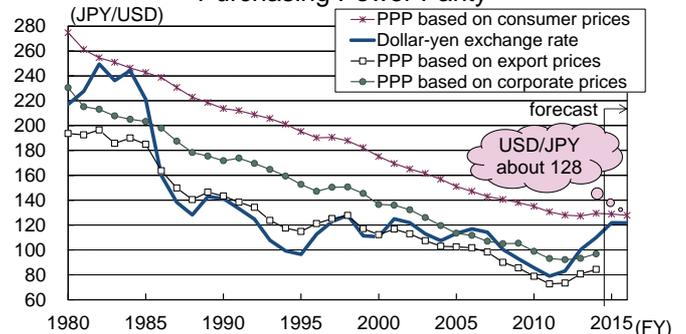
Figure 8: Consumer Prices, by Goods and Services (excl items easily impacted by oil prices)



Note: 1) Items easily impacted by oil prices are airfares and overseas travel tours for Consumer prices (Services) and petroleum products, electricity charges, and city gas charges for Goods.  
 2) Consumer prices (Services) does not include imputed rent for owned homes.  
 3) Excludes direct impact of consumption tax hike.  
 4) Adjusted for seasonality by BTMU.

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

Figure 9: Yen Exchange Rate by Purchasing Power Parity



Note: 1) Purchasing power parity = exchange rate for a base year (Average of 1973: JPY271.40 per dollar) × (Japanese price index/U.S. price index)  
 2) Data for export prices are the averages of those based on corporate prices and those based on GDP deflator.

Source: Compiled by BTMU Economic Research Office from Bank of Japan, Cabinet Office, U.S. DOL, U.S. DOC, and Bloomberg data.

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## Outlook for the Japanese Economy

Reflecting Apr-Jun2015 GDP (second preliminary figures)

Forecast →

(% , billion yen )

	2014				2015				2016				2017	FY2014	FY2015	FY2016
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q			
<b>1. The Real Economy (QoQ annualized change)</b>																
Real GDP	4.5	-7.6	-1.1	1.3	4.5	-1.2	2.1	1.9	1.5	1.3	1.6	1.7	3.9	-0.9	1.3	1.7
Private Consumption	8.5	-18.5	1.3	1.3	1.5	-2.7	2.8	2.1	0.6	0.7	0.8	1.2	6.1	-3.1	0.6	1.4
Housing Investment	8.4	-36.9	-22.9	-2.4	7.0	8.0	2.4	2.0	1.6	2.0	7.8	4.5	-5.1	-11.7	2.2	2.9
Private Business Fixed Investment	20.9	-15.9	-0.9	0.5	11.0	-3.6	6.9	5.8	5.8	5.6	5.5	5.3	5.0	0.5	3.4	5.6
Business Inventory (Contribution)	-2.2	4.8	-2.1	-1.0	2.2	1.1	-1.1	-0.3	0.0	0.0	-0.0	-0.1	-0.4	0.5	0.1	-0.1
Government Expenditures	-1.2	0.6	2.4	1.0	0.0	3.0	-0.5	-0.9	0.1	0.6	0.6	0.6	1.1	0.8	0.5	0.4
Public Investment	-3.0	1.8	6.7	0.9	-5.3	8.9	-5.9	-8.5	-2.1	0.6	0.6	0.8	3.2	2.0	-1.2	-1.0
Net Exports (Contribution)	-0.9	3.6	0.5	1.3	-0.3	-1.1	0.7	0.4	0.3	-0.1	0.0	0.1	0.0	0.6	0.0	0.1
Exports	24.6	2.3	7.3	11.6	6.7	-16.6	5.5	3.7	3.8	2.3	2.5	2.5	2.3	7.9	0.1	3.0
Imports	25.6	-14.5	3.7	3.4	7.3	-10.1	1.3	1.8	2.3	3.6	2.6	2.4	2.5	3.6	-0.1	2.6
Nominal GDP	4.9	0.7	-2.4	3.2	8.9	0.2	0.4	1.8	2.9	1.7	0.8	1.6	6.1	1.6	2.3	2.0
GDP Deflator (YoY)	0.1	2.2	2.1	2.4	3.5	1.5	1.4	0.7	0.3	0.1	0.2	0.2	0.6	2.5	1.0	0.3
Industrial Production Index (QoQ)	2.3	-3.0	-1.4	0.8	1.5	-1.4	0.5	0.7	0.7	0.4	0.8	1.5	1.6	-0.4	0.6	3.5
Domestic Corporate Goods Price Index (YoY)	2.0	4.3	4.0	2.4	0.4	-2.2	-3.2	-1.8	0.9	1.2	1.5	1.7	1.9	2.8	-1.7	1.6
Consumer Price Index (excl. fresh food, YoY)	1.3	3.3	3.2	2.7	2.1	0.1	0.0	0.1	0.5	0.8	1.0	1.3	1.5	2.8	0.2	1.2
<b>2. Balance of Payments</b>																
Trade Balance (billion yen)	-3,954	-2,093	-2,659	-1,846	78	-245	-202	-238	-259	-277	-641	-839	-849	-6,566	-945	-2,606
Current Balance (billion yen)	-1,331	800	501	2,665	3,868	4,211	3,992	3,949	3,923	3,928	3,606	3,450	3,481	7,931	16,075	14,465
<b>3. Financial</b>																
Uncollateralized overnight call rate	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.)	0.2	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	0.2
Newly Issued 10-Year Government Bonds Yield	0.6	0.6	0.5	0.4	0.3	0.4	0.4	0.6	0.7	0.8	0.8	0.9	1.0	0.5	0.5	0.9
Exchange Rate (USD/JPY)	103	102	104	115	119	121	123	122	121	121	122	122	122	110	122	122

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 Sep. 28, 2015

	Fiscal 2013	Fiscal 2014	2014		2015		2015				
			4Q	1Q	2Q	APR	MAY	JUN	JUL	AUG	
Real GDP Growth Rate <% changes from previous period at SA annual rate>	2.1	-0.9	1.3 (-1.0)	4.5 (-0.8)	-1.2 (0.8)	***	***	***	***	***	
Index of All Industries Activity	2.2	-1.1	0.6 (-1.1)	1.1 (-1.2)	-0.3 (1.3)	0.6 (2.0)	-0.9 (-0.2)	0.5 (2.2)	0.2 (1.7)		
Industrial Production Index	3.2	-0.4	0.8 (-1.5)	1.5 (-2.1)	-1.4 (-0.5)	1.2 (0.1)	-2.1 (-3.9)	1.1 (2.3)	-0.8 (0.0)		
Production											
Shipments	2.9	-1.1	0.9 (-1.9)	1.7 (-2.4)	-2.4 (-0.3)	0.6 (0.2)	-1.9 (-3.2)	0.6 (1.8)	-0.4 (-0.8)		
Inventory	-1.2	6.2	0.9 (6.2)	1.0 (6.2)	1.1 (4.0)	0.4 (6.6)	-0.8 (3.9)	1.5 (4.0)	-0.8 (2.7)		
Inventory/Shipments Ratio (2010=100)	106.3	112.0	113.8 [104.6]	112.3 [103.1]	114.0 [108.7]	113.2 [105.6]	115.4 [108.5]	113.5 [112.0]	112.2 [110.2]	[117.9]	
Domestic Corporate Goods Price Index	1.9	2.8	-1.3 (2.4)	-1.7 (0.4)	0.4 (-2.2)	0.1 (-2.1)	0.2 (-2.2)	-0.2 (-2.4)	-0.3 (-3.1)	-0.6 (-3.6)	
Consumer Price Index(SA, total, excl.fresh foods)	0.8	2.8	-0.1 (2.7)	-0.7 (2.1)	0.6 (0.1)	0.1 (0.3)	0.0 (0.1)	0.1 (0.1)	0.0 (0.0)	0.0 (-0.1)	
Index of Capacity Utilization (2010=100)	100.0	100.6	100.7 [100.2]	101.7 [104.7]	97.6 [101.2]	99.4 [102.2]	96.4 [101.9]	97.1 [99.4]	96.9 [98.8]	96.9 [98.3]	
Machinery Orders(Private Demand, Excl.Electric Power and Ship building)	11.5	0.8	0.7 (-2.6)	6.3 (3.3)	2.9 (12.4)	3.8 (3.0)	0.6 (19.3)	-7.9 (16.6)	-3.6 (2.8)		
Manufacturing	10.2	7.0	2.4 (8.6)	2.3 (5.2)	12.1 (27.5)	10.5 (16.3)	9.9 (44.6)	-14.0 (25.0)	-5.3 (3.8)		
Non-manufacturing Excl.Electric Power & Ship building	12.1	-3.3	-1.1 (-9.6)	8.5 (1.4)	-1.7 (2.3)	-0.6 (-5.5)	-4.0 (2.5)	0.6 (10.4)	-6.0 (1.8)		
Shipments of Capital Goods (Excl.Transport Equipment)	5.5	4.3	2.7 (5.0)	1.2 (-1.1)	-2.1 (2.5)	2.6 (3.0)	-1.4 (-0.4)	2.0 (4.7)	0.7 (0.4)		
Construction Orders	20.1	8.2									
Private	14.2	4.8									
Public	31.2	22.9									
Public Works Contracts	17.7	-0.3									
Housing Starts 10,000 units at Annual Rate, SA	98.7 (10.6)	88.0 (-10.8)	86.8 (-13.8)	89.8 (-5.4)	95.8 (7.6)	91.3 (0.4)	91.1 (5.8)	103.3 (16.3)	91.4 (7.4)		
Total floor	(9.9)	(-15.2)	(-19.3)	(-9.0)	(4.2)	(-2.4)	(3.5)	(11.5)	(4.6)		
Sales at Retailers	2.9	-1.2									
Real Consumption Expenditures of Households over 2 persons (SA)	0.9	-5.1	1.7 (-3.4)	1.4 (-6.5)	-3.2 (0.5)	-5.5 (-1.3)	2.4 (4.8)	-3.0 (-2.0)	0.6 (-0.2)		
Propensity to Consume (SA, %)	75.5	74.2	74.5 [75.1]	74.6 [78.3]	73.7 [73.6]	73.0 [74.6]	74.3 [71.3]	73.7 [74.8]	71.4 [75.0]	[73.6]	
Overtime Hours Worked (All Industries, 5 employees or more)	4.8	2.0	0.1 (0.9)	0.3 (-0.6)	-0.9 (-1.6)	-0.2 (-2.4)	-0.3 (-1.7)	0.6 (-0.8)	-0.2 (-0.7)		
Total Cash Earnings (Regular Employees Only; All Industries, 5 employees or more)	-0.2	0.5									
Employment Index(Regular Employees Only;All Industries, 5 employees or more) (Change over the M/Q/Y)	45	77	76	90	96	96	95	97	96		
Ratio of Job Offers to Applicants (SA, Times)	0.97	1.11	1.12 [1.01]	1.15 [1.05]	1.18 [1.09]	1.17 [1.08]	1.19 [1.09]	1.19 [1.10]	1.21 [1.10]	[1.10]	
Unemployment Rate (SA, %)	3.9	3.5	3.5	3.5	3.3	3.3	3.3	3.4	3.3		
Economy Watcher Survey (Judgment of the present condition D.I.%)	54.0	46.6	43.6 [53.6]	49.3 [55.2]	52.6 [44.8]	53.6 [41.6]	53.3 [45.1]	51.0 [47.7]	51.6 [51.3]	49.3 [47.4]	
Bankruptcies (Number of cases)	10,536 (-10.0)	9,543 (-9.4)	2,222 (-13.5)	2,272 (-7.6)	2,296 (-12.1)	748 (-18.1)	724 (-13.1)	824 (-4.7)	787 (-10.7)	632 (-13.0)	

(Notes)

Unless otherwise indicated, tabulated figures and those in parentheses show % changes from previous quarter/month as applicable.

The figures in ( ) indicate % changes from previous year.

[ ] show the comparable figure of the previous year.

## 2. Balance of Payments

As of Sep. 28, 2015

	Fiscal	Fiscal	2014	2015		2015				
	2013	2014	4Q	1Q	2Q	APR	MAY	JUN	JUL	AUG
Customs Clearance (Exports in Yen Terms)	10.8	5.4	(9.1)	(9.0)	(6.7)	(8.0)	(2.4)	(9.5)	(7.6)	(3.1)
Value	10.2	3.9	(6.6)	(5.0)	(7.3)	(6.0)	(6.4)	(9.5)	(8.4)	(7.6)
Volumes	0.6	1.3	(2.4)	(3.8)	(-0.6)	(1.8)	(-3.8)	(0.0)	(-0.7)	(-4.2)
Imports (In Yen terms)	17.4	-0.9	(1.2)	(-9.3)	(-5.1)	(-4.1)	(-8.6)	(-2.9)	(-3.2)	(-3.1)
Value	14.6	1.2	(4.9)	(-5.1)	(-3.1)	(-4.2)	(-3.5)	(-1.5)	(-0.2)	(-2.4)
Volumes	2.3	-2.1	(-3.5)	(-4.6)	(-2.2)	(0.1)	(-5.3)	(-1.4)	(-2.9)	(-0.7)
Current Account (100 mil. yen)	14,715	79,309	15,124	44,177	37,658	13,264	18,809	5,586	18,086	
Goods (100 mil. yen)	-110,187	-65,659	-17,782	-3,311	-909	-1,462	-473	1,026	-1,080	
Services (100 mil. yen)	-34,448	-27,482	-6,656	-2,801	-5,922	-5,245	1,037	-1,714	-1,836	
Financial Account (100 mil. yen)	-17,549	133,088	22,468	63,894	40,122	6,486	36,290	-2,654	9,170	
Gold & Foreign Exchange Reserves (\$1mil.)	1,279,346	1,245,316	1,260,548	1,245,316	1,242,935	1,250,073	1,245,755	1,242,935	1,242,316	1,244,150
Exchange Rate (¥/\$)	100.23	109.92	114.56	119.07	121.35	119.55	120.74	123.75	123.23	123.23

## 3. Financial Market Indicators

	Fiscal	Fiscal	2014	2015		2015					
	2013	2014	4Q	1Q	2Q	APR	MAY	JUN	JUL	AUG	
Uncollateralized Overnight Call Rates	0.073	0.068	0.064	0.073	0.067	0.061	0.069	0.072	0.074	0.076	
			[0.072]	[0.074]	[0.067]	[0.065]	[0.068]	[0.067]	[0.066]	[0.069]	
Euro Yen TIBOR (3 Months)	0.223	0.194	0.184	0.171	0.169	0.170	0.169	0.169	0.169	0.169	
			[0.220]	[0.215]	[0.211]	[0.212]	[0.210]	[0.210]	[0.210]	[0.210]	
Newly Issued Japanese Government Bonds Yields (10 Years)	0.640	0.400	0.330	0.400	0.455	0.340	0.390	0.455	0.410	0.380	
			[0.735]	[0.640]	[0.565]	[0.620]	[0.570]	[0.565]	[0.530]	[0.490]	
Average Contracted Interest Rates on Loans and Discounts(City Banks) (% changes from previous period)	1.077	1.006	1.025	1.006	0.987	1.007	1.003	0.987	0.982		
			(-0.023)	(-0.019)	(-0.019)	(0.001)	(-0.004)	(-0.016)	(-0.005)		
The Nikkei Stock Average (TSE 225 Issues)	14,828	19,207	17,451	19,207	20,236	19,520	20,563	20,236	20,585	18,890	
			[16,291]	[14,828]	[15,162]	[14,304]	[14,632]	[15,162]	[15,621]	[15,425]	
M2(Average)	(3.9)	(3.3)	(3.5)	(3.5)	(3.9)	(3.6)	(4.1)	(3.9)	(4.0)	(4.2)	
Broadly-defined Liquidity(Average)	(3.7)	(3.3)	(3.5)	(3.5)	(4.3)	(4.0)	(4.5)	(4.5)	(4.6)	(4.7)	
Principal Figures of Financial Institutions											
Loans and Discount (Average)	Banks & Shinkin	(2.0)	(2.4)	(2.5)	(2.5)	(2.5)	(2.6)	(2.5)	(2.5)	(2.6)	(2.7)
	Banks	(2.3)	(2.5)	(2.7)	(2.6)	(2.6)	(2.7)	(2.6)	(2.5)	(2.7)	(2.8)
	City Banks etc.	(1.7)	(1.4)	(1.7)	(1.4)	(1.4)	(1.6)	(1.3)	(1.2)	(1.4)	(1.7)
	Regional Banks	(3.3)	(3.8)	(3.8)	(4.0)	(4.0)	(4.0)	(4.1)	(3.9)	(4.0)	(3.9)
	Regional Banks II	(1.4)	(2.9)	(3.1)	(3.1)	(3.1)	(3.0)	(3.0)	(3.2)	(3.4)	(3.3)
	Shinkin	(0.3)	(1.4)	(1.5)	(1.6)	(1.9)	(1.9)	(1.9)	(1.9)	(2.0)	(2.1)
Deposits and CDs (Average)	Total(3 Business Condition)	(3.8)	(3.3)	(3.8)	(3.9)	(4.3)	(4.0)	(4.6)	(4.3)	(4.3)	(4.5)
	City Banks	(3.7)	(3.4)	(4.4)	(4.7)	(5.4)	(5.0)	(6.0)	(5.3)	(5.5)	(5.8)
	Regional Banks	(4.3)	(3.3)	(3.2)	(3.1)	(3.3)	(3.1)	(3.5)	(3.4)	(3.4)	(3.3)
	Regional Banks II	(2.5)	(3.1)	(3.3)	(3.1)	(2.9)	(2.9)	(2.9)	(2.9)	(2.8)	(2.6)

(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.