

The Outlook for the Japanese Economy

Strong Downside Risks to Persist Even as Gradual Recovery is Sustained

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1. Overview of the Japanese Economy

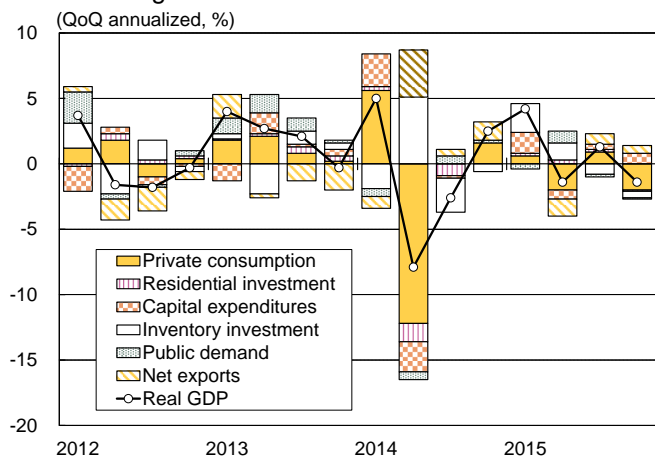
Real GDP contracts, hurt by weak private consumption as economy stagnates

Real GDP (the first preliminary figures) slipped an annualized -1.4% QoQ in Oct-Dec, the first contraction in two quarters, as Japan's economy stagnated (Figure 1). By demand component, private consumption was the main reason for the GDP contraction, slowing a considerable annualized -3.3% QoQ. Exports also fell, impacted by weakening overseas economies and in reaction to the strong growth of Jul-Sept. But capital expenditures rose for the second straight quarter. The corporate sector was hurt by sluggish demand both in Japan and abroad but appear to have made investment outlays that had been put off, bolstered by strong profits.

Slump in private consumption partly due to one-time factors like warm winter

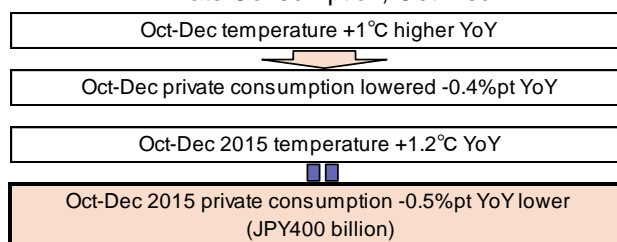
Although private consumption was clearly weak, the slump was partly due to one-time negative factors, like poor sales of seasonal goods and lower heating costs due to the warm winter. We estimate that a 1°C on-year rise in average temperature lowers real consumption of households by -0.4%pt (Figure 2). Average temperature in Oct-Dec 2015 was 1.2°C higher than the same period in 2014, and extrapolating the historical correlation shows that private consumption was cut by approximately -0.5%pt (-2%pt annualized).

Figure 1: Real GDP and Final Demand



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

Figure 2: Impact of Change in Temperature on Private Consumption, Oct-Dec



Note: The following method was used in calculation. *Temperature* is average temperature in Northern Japan, Eastern Japan, and Western Japan weighted by population in each region.

$$\text{Real consumption of households (YoY)} = 0.7 + 0.3 * \text{Real employee compensation (YoY)} - 0.4 * \text{temperature (YoY)} + (\text{dummy variable for impact of consumption tax hike, Lehman Brothers collapse})$$

Source: Compiled by BTMU Economic Research Office from Cabinet Office, Japan Meteorological Agency data.

Though the economy remains weighed down, not all news is bad

The economy is still being shackled and financial market jitters since the start of the year could further chill sentiment. Optimism about Japan's economic outlook is not justified. But not all news has been bad. Falling oil prices are a concern for the world's economy, and the adverse impact of slowing emerging economies (one of the reasons for falling oil prices) must be watched. But for Japan, lower fuel prices have a positive effect by boosting incomes for various economic entities, leading to expanding spending (Figure 3). In fact, corporate profits remain high and capital expenditures is picking up after slumping for a time. In contrast to the slump of consumption, worker compensation, the basis for consumption expenditure, is also clearly rising as employment conditions improve.

Economic recovery scenario, stoked by strong corporate profits, could be sustained

Although China's slowdown will keep weighing, the cyclical recoveries by the US and European economies will likely ensure that the global economy overall continues to stabilize. Slowing exports will not cause Japan's economy to collapse, in our view. We also expect financial markets to gradually calm down again as overseas economies stabilize, and sentiment will continue to improve. This will basically support our economic recovery scenario of high corporate profits leading to increased corporate and household spending. We forecasted FY2016 real GDP to expand by around 1.5% YoY, in light of accelerated demand ahead of the next consumption tax hike planned for April 2017 (Table 1).

Rising risks related to overseas economies and financial markets continue to bear watch

Of course, the possibility of risks emanating from overseas and the financial markets is rising, and strong downward pressure on the economy continues to be exerted. This bears watching. If the global economy weakens considerably due to a slowing China and economic downturn in the US, last-resort JPY buying could build even further and prolong financial market turmoil. Japan's economy would likely slump if an export collapse coincides with a JPY surge.

Figure 3: Calculating the Direct Impact of a 10% Drop in Oil Prices on Japan's Economy

| | |
|----------------------|--------------|
| Import values | - JPY0.8 trn |
| ↓ | |
| Incomes | + JPY0.8 trn |
| Households | + JPY0.4 trn |
| Corporations | + JPY0.3 trn |
| Government | + JPY0.1 trn |
| ↓ | |
| Expenditures | + JPY0.3 trn |
| Private consumption | + JPY0.2 trn |
| Capital expenditures | + JPY0.1 trn |

Note: *Incomes* includes improvement in household real incomes from lower CPI.

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

Table 1 : GDP Forecast

| | (YoY, %) | | |
|------------------------------------|------------------|--------------------|--------------------|
| | FY 2014 (Actual) | FY 2015 (Forecast) | FY 2016 (Forecast) |
| Real GDP | -1.0 | 0.7 | 1.5 |
| Private consumption | -2.9 | -0.3 | 1.5 |
| Residential investment | -11.7 | 2.2 | 1.2 |
| Capital expenditures | 0.1 | 2.1 | 3.4 |
| Inventory investment(contribution) | 0.6 | 0.2 | -0.2 |
| Public demand | -0.3 | 0.6 | 0.8 |
| Net exports(contribution) | 0.6 | 0.1 | 0.2 |
| Exports | 7.8 | 0.4 | 3.0 |
| Imports | 3.3 | -0.2 | 2.2 |
| Nominal GDP | 1.5 | 2.1 | 1.9 |
| GDP deflators | 2.5 | 1.4 | 0.4 |

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 TO STOKE ECONOMIC RECOVERY

Though effect of weakening JPY has ended, cheap oil expected to sustain high corporate profits

Corporate profits have been firm. Even despite stalling demand both at home and abroad, stronger improving profitability of export and overseas investment gains from the weak JPY have combined with limited variable expenses from falling commodities prices (including oil) to keep corporate profits high (Figure 4). Quarterly earnings data of TSE1 companies (1,389 companies, excluding financial institutions, as of February 22) show that recurring profit rose by +1.5% YoY in Oct-Dec, a slight rise. Corporate profits remain at record high levels. The recent commodities price weakness has been squeezing some trading company and materials industry profits, but has been a boon for many other sectors, primarily non-manufacturing companies that rely on domestic demand.

Although the yen's weakening is no longer boosting corporate profits on-year, we expect that lower variable expenses from cheap oil will support higher profits. The risk of slumping overseas economies and a subsequent surge in the yen will continue to bear watching, but corporate profits as a whole are expected to remain high as overseas economies, especially the US and Europe, recover lost ground. We think this will encourage companies to increase forward-looking outlays.

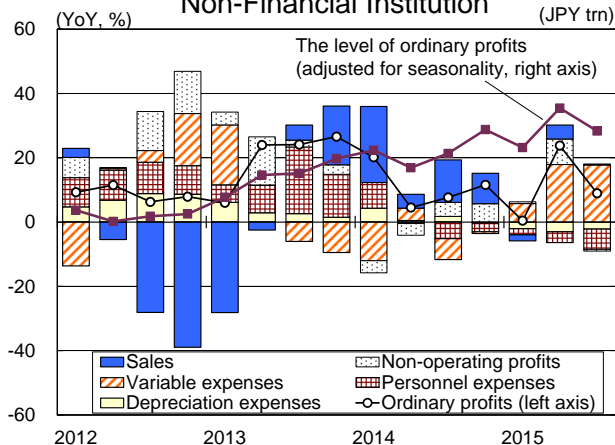
(2) CORPORATE SENTIMENT DETERMINING CAPITAL SPENDING

Companies expected to show strong will to invest as capital spending keeps increasing

With companies sustaining high profits, capital expenditures, which had been weak, are showing signs of recovery. Even while making fairly bullish capital spending plans, companies have tended to hold back on investing amidst uncertainty about the direction of overseas economies. However, companies now increasingly appear to be carrying out their investment plans, bolstered by accumulating profits.

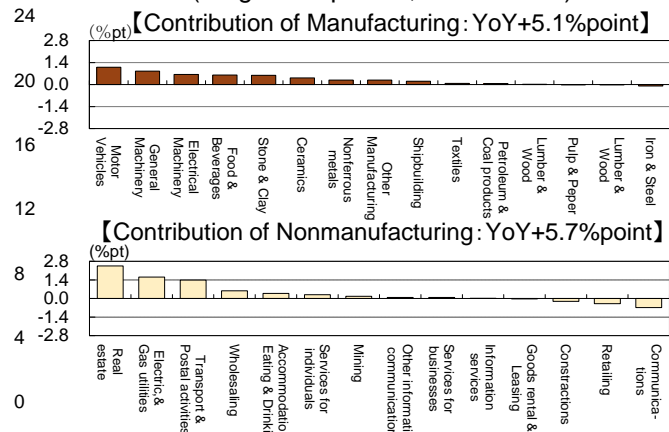
The December Bank of Japan Tankan survey revealed that large companies have raised their current year capital spending plans by +10.8% YoY. Although this was a slight downward revision from the September Tankan survey, spending plans are still at the highest levels since FY2006 (Figure 5). Manufacturers like motor vehicles and machinery makers have maintained bullish spending plans, while even non-manufacturers—particularly real estate and sectors benefitting most from cheap oil, like electric & gas utilities, and transport companies—are showing strong propensity to invest. Investment plans are expected to remain strong because of high profits and gradually improving demand both in Japan and abroad. We think that capital expenditures will continue to slowly rise.

Figure 4: Ordinary Profits by Non-Financial Institution



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

Figure 5: Capital Expenditure plan (Large Companies, YoY+10.8%)



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

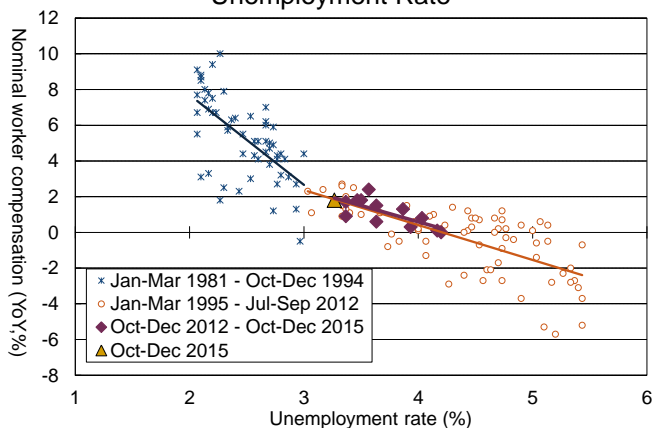
(3) INCOME CONDITIONS, SENTIMENT SUPPORTING PRIVATE CONSUMPTION

Rising worker compensation and looser pursestrings point to private consumption picking up

Companies have been more aggressively hiring and raising wages to lure workers as labor supply and demand tighten, as employment and income conditions continue to improve. The results of a survey conducted prior to the spring wage negotiations showed that although the wage hikes considered desirable by labor and management are lower than last year, it remain high. Though not as much as last year, companies still plan to hike wages. The unemployment rate, which reflects the degree of tightness between labor supply and demand, and nominal worker compensation, which shows the total degree of improvement in employment and wages, are correlated. If the unemployment rate remains at the lower 3% level, nominal worker compensation is likely to keep rising by the upper 1% level on-year (Figure 6).

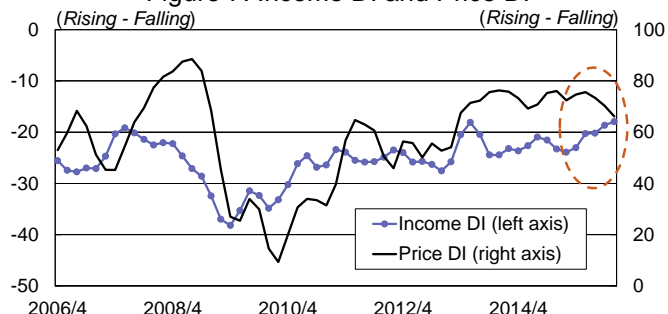
An issue is whether such income increases will lead to bigger consumption expenditure. But we note that household sentiment, which had languished for a long while after the consumption tax hike, is finally showing signs of changing. The Nippon Research Institute's *Consumer Confidence Survey* shows that while the *Inflation DI* has recently started to fall, the *Income DI* continues to rise (Figure 7). Rising income expectations follow inflation expectations, and this could show that households may be starting to loosen their pursestrings. We forecast that private consumption will start to rise gradually again, based on both continued increases in household incomes as well as greater willingness to loosen pursestrings.

Figure 6: Nominal Worker Compensation and Unemployment Rate



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

Figure 7: Income DI and Price DI



Note: 1) *Income DI* is total number of *Fall* or *Somewhat fall* responses minus total number of *Rise* or *Somewhat rise* responses to question *What do you expect your own or your family's income will do over the next year?*. *Price DI* is number of *Rise* responses minus number of *Fall* responses to question *What do you expect prices to do over the next year?*.

2) DIs are averages of the past two terms, including the present terms.

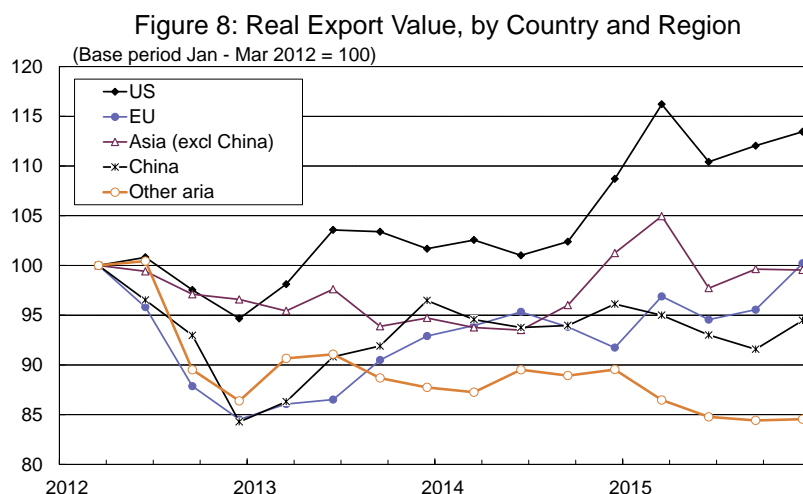
Source: Compiled by BTMU Economic Research Office from Nippon Research Institute materials.

(4) OVERSEAS ECONOMIES AND JPY EXCHANGE RATE GUIDING EXPORTS

Exports expected to gradually rise as advanced economies recover and overseas economies stabilize

Exports (in GDP figures) slipped an annualized -3.4% QoQ in Oct-Dec in reaction to the strong growth of the previous quarter. Real export value by key destination country and region has remained firm for advanced destinations like the US and EU (Figure 8). But shipments to China are still weak despite showing signs of bottoming recently, and exports to Asia (excl China) have also softened somewhat. Further, shipments to other regions (primarily resource-producing countries in the Middle East and South America) have remained weak, and slowing emerging economies are having an impact on Japanese exports.

But while China's slowdown will continue to drag on overseas economies going forward, the cyclical recoveries in the US and Europe will provide support. We expect the global economy overall to remain stable, though not robust. The JPY's exchange rate determines the price competitiveness of exporter companies, and we think the JPY is unlikely to strengthen significantly, as we explain below. Further, in the current phase of JPY weakening that began in late 2012, companies have lowered local sales prices only marginally compared to past JPY weakening phases. This shows that companies could be focusing more on price stability. Even if the JPY maintains its recent strength, we do not think that companies will become less price-competitive by hiking local sales prices. Exports are expected to keep rising gradually, despite some fluctuations, as overseas economies continue to stabilize.



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

3. Monetary Policy and Financial Markets

BoJ introduced “Quantitative and Qualitative Monetary Easing with a Negative Interest Rate” to further lower real interest rates and to spread policy effects

At the January 28-29 Monetary Policy Board meeting, the BoJ announced the introduction of “Quantitative and Qualitative Monetary Easing with a Negative Interest Rate”, further bolstering monetary easing. The new policy measure applies negative interest rates to some current accounts held by financial institutions at the Bank of Japan. By introducing the measure, the BoJ intends to forestall the *increasing risk that an improvement in the business confidence of Japanese firms and conversion of the deflationary mindset might be delayed* and that the *underlying trend in inflation might be negatively affected*, and lower the *short end of the yield curve and exert further downward pressure on interest rates across the entire yield curve, in combination with large-scale purchases of JGBs*. The intended policy effects of lowering real interest rates by lowering market interest rates and raising inflation expectations remain the same as under quantitative and qualitative monetary easing.

Overall market rates falling following introduction of negative rate policy

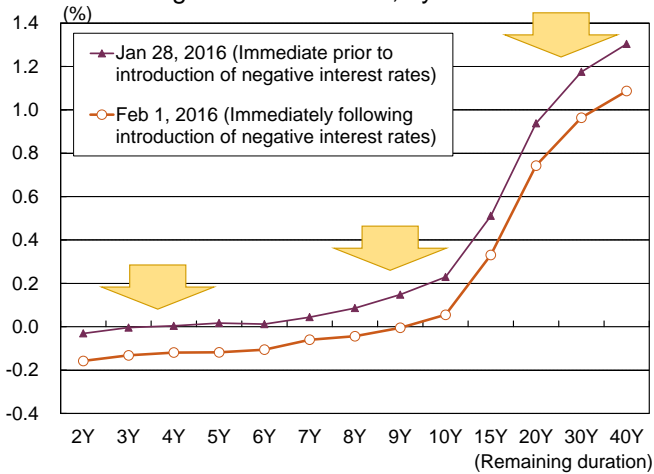
Market interest rates have fallen across the board following the introduction of the negative interest rate policy (Figure 9). The yield on the 10Yr JGB turned negative for the first time ever in early February on growing expectations that interest rates would fall. The yield has remained close to zero since then. Although rising US yields are exerting some upward pressure, the BoJ’s massive monetary easing is weighing heavily and JGB yields are expected to remain flat and low.

JPY has been somewhat overbought recently, and will likely start to weaken again as investor risk-averse movements start to ease

The JPY weakened against the USD to USD/JPY121 immediately following the BoJ’s negative interest rate announcement. Thereafter JPY buying suddenly picked up at a later time, sending JPY to the 110 level in mid-February, for the first time in 15 months. USD/JPY and the US-Japan spread on 2Yr notes have largely moved in lock-step until recently, but JPY has recently risen independently (Figure 10). We think this is partly due to JPY buying related to risk aversion picking up as uncertainty about the global economic outlook builds. Although we expect JPY buying to gain even more on global aversion to risk, the financial markets are likely to calm down once overseas economies—

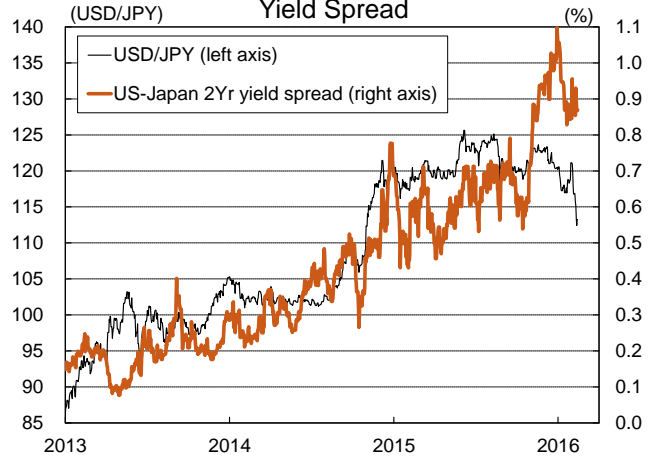
especially in the US and Europe—start to stabilize, and we expect investor risk aversion to ease. We forecast USD/JPY to move toward the 120 mark as investors once again focus on the widening US-Japan yield spread.

Figure 9: JGB Yields, by Duration



Source: Compiled by BTMU Economic Research Office

Figure 10: USD/JPY and US-Japan 2Yr Yield Spread



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

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Outlook for the Japanese Economy

Reflecting Oct-Dec 2015 GDP (first 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 | | | |
| 1. The Real Economy (QoQ annualized change) | | | | | | | | | | | | | | | | |
| Real GDP | 5.0 | -7.9 | -2.6 | 2.5 | 4.2 | -1.4 | 1.3 | -1.4 | 2.3 | 1.6 | 1.7 | 1.8 | 3.6 | -1.0 | 0.7 | 1.5 |
| Private Consumption | 9.5 | -18.4 | 0.0 | 2.6 | 0.9 | -3.3 | 1.5 | -3.3 | 2.7 | 1.6 | 1.7 | 1.9 | 6.1 | -2.9 | -0.3 | 1.5 |
| Housing Investment | 9.4 | -36.1 | -25.6 | -1.6 | 8.8 | 9.7 | 6.6 | -4.8 | -3.9 | 2.0 | 7.8 | 4.5 | -5.1 | -11.7 | 2.2 | 1.2 |
| Private Business Fixed Investment | 19.3 | -15.2 | -1.3 | -0.2 | 11.9 | -4.6 | 2.9 | 5.7 | 2.8 | 3.0 | 3.0 | 3.3 | 3.6 | 0.1 | 2.1 | 3.4 |
| Business Inventory (Contribution) | -1.9 | 5.1 | -2.6 | -0.6 | 2.2 | 1.3 | -0.8 | -0.5 | 0.0 | 0.0 | -0.1 | -0.2 | -0.5 | 0.6 | 0.2 | -0.2 |
| Government Expenditures | -2.3 | -2.5 | 2.5 | 1.0 | -1.5 | 3.7 | -0.8 | -0.3 | 1.0 | 0.8 | 0.7 | 0.8 | 1.0 | -0.3 | 0.6 | 0.8 |
| Public Investment | -8.8 | -10.0 | 5.3 | 2.7 | -11.1 | 13.8 | -7.6 | -10.3 | -2.1 | 0.6 | 1.2 | 2.0 | 3.2 | -2.6 | -1.5 | -1.0 |
| Net Exports (Contribution) | -0.9 | 3.6 | 0.5 | 1.4 | 0.0 | -1.3 | 0.8 | 0.6 | 0.2 | 0.1 | 0.1 | 0.2 | 0.1 | 0.6 | 0.1 | 0.2 |
| Exports | 26.1 | 0.3 | 6.0 | 13.3 | 8.6 | -17.2 | 10.9 | -3.4 | 3.0 | 3.5 | 3.5 | 3.6 | 3.8 | 7.8 | 0.4 | 3.0 |
| Imports | 26.5 | -16.0 | 2.5 | 4.3 | 7.7 | -9.8 | 5.2 | -5.6 | 2.3 | 3.6 | 3.4 | 2.8 | 3.9 | 3.3 | -0.2 | 2.2 |
| Nominal GDP | 5.3 | -0.1 | -2.8 | 3.9 | 7.9 | -0.1 | 2.5 | -1.2 | 1.9 | 1.9 | 2.5 | 2.9 | 3.3 | 1.5 | 2.1 | 1.9 |
| GDP Deflator (YoY) | 0.1 | 2.2 | 2.0 | 2.3 | 3.3 | 1.5 | 1.9 | 1.5 | 0.6 | 0.4 | 0.2 | 0.3 | 0.5 | 2.5 | 1.4 | 0.4 |
| Industrial Production Index (QoQ) | 2.3 | -3.0 | -1.4 | 0.8 | 1.5 | -1.4 | -1.2 | 0.5 | 0.3 | 0.6 | 0.7 | 1.2 | 1.6 | -0.4 | -0.8 | 2.3 |
| Domestic Corporate Goods Price Index (YoY) | 2.0 | 4.3 | 4.0 | 2.4 | 0.5 | -2.2 | -3.6 | -3.6 | -3.6 | -3.7 | -1.9 | -0.6 | 2.0 | 2.8 | -3.2 | -1.1 |
| Consumer Price Index (excl. fresh food, YoY) | 1.3 | 3.3 | 3.2 | 2.7 | 2.1 | 0.1 | -0.1 | 0.0 | 0.1 | 0.2 | 0.5 | 0.8 | 1.1 | 2.8 | 0.0 | 0.7 |
| 2. Balance of Payments | | | | | | | | | | | | | | | | |
| Trade Balance (billion yen) | -3,954 | -2,093 | -2,659 | -1,846 | 78 | -223 | -694 | 136 | 382 | 312 | 324 | 352 | 80 | -6,566 | -399 | 1,068 |
| Current Balance (billion yen) | -1,331 | 800 | 501 | 2,665 | 3,868 | 4,217 | 3,650 | 4,553 | 4,670 | 4,722 | 4,865 | 4,938 | 4,711 | 7,931 | 17,090 | 19,235 |
| 3. Financial | | | | | | | | | | | | | | | | |
| 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 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.1 |
| Newly Issued 10-Year Government Bonds Yield | 0.6 | 0.6 | 0.5 | 0.4 | 0.3 | 0.4 | 0.4 | 0.3 | 0.1 | 0.2 | 0.2 | 0.3 | 0.4 | 0.5 | 0.3 | 0.3 |
| Exchange Rate (USD/JPY) | 103 | 102 | 104 | 115 | 119 | 121 | 122 | 121 | 117 | 119 | 122 | 122 | 122 | 110 | 121 | 121 |

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. 5, 2016

| | Fiscal 2013 | Fiscal 2014 | 2015 | | | 2015 | | | 2016 | |
|---|-------------------|-----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | | | 1Q | 2Q | 3Q | OCT | NOV | DEC | JAN | FEB |
| Real GDP Growth Rate <% changes from previous period at SA annual rate> | 2.0 | -1.0 | -1.4 (0.7) | 1.4 (1.7) | -1.1 (0.7) | *** | *** | *** | *** | *** |
| Index of All Industries Activity | 2.2 | -1.1 | -0.3 (1.4) | 0.0 (1.3) | -0.1 (0.6) | 1.0 (1.0) | -1.1 (1.3) | -0.9 (-0.5) | 2.0 (-0.7) | |
| Industrial Production Index | 3.2 | -0.4 | -1.4 (-0.5) | -1.2 (-0.4) | 0.5 (-0.5) | 1.4 (-1.4) | -0.9 (1.7) | -1.7 (-1.9) | 3.7 (-3.8) | -6.2 (-1.5) |
| Production | | | | | | | | | | |
| Shipments | 2.9 | -1.1 | -2.4 (-0.3) | -0.6 (-0.6) | 0.4 (-0.8) | 2.1 (-0.8) | -2.4 (0.7) | -1.8 (-2.5) | 3.5 (-5.8) | -4.6 (-1.8) |
| Inventory | -1.2 | 6.2 | 1.1 (4.0) | -0.9 (2.1) | -1.1 (0.0) | -1.9 (0.2) | 0.4 (-0.4) | 0.4 (0.0) | -0.2 (0.3) | -0.1 (-0.9) |
| Inventory/Shipments Ratio (2010=100) | 106.3 | 112.0 | 114.0 [108.7] | 115.6 [113.2] | 114.5 [113.8] | 112.0 [112.6] | 115.5 [116.1] | 116.0 [112.7] | 113.5 [109.0] | 114.1 [113.4] |
| Domestic Corporate Goods Price Index | 1.9 | 2.8 | 0.3 (-2.2) | -1.0 (-3.6) | -1.4 (-3.6) | -0.6 (-3.8) | -0.1 (-3.6) | -0.4 (-3.5) | -1.0 (-3.2) | -0.2 (-3.4) |
| Consumer Price Index(SA, total, excl.fresh foods) | 0.8 | 2.8 | 0.6 (0.1) | 0.0 (-0.1) | 0.0 (0.0) | 0.0 (-0.1) | 0.1 (0.1) | 0.1 (0.1) | -0.3 (0.0) | -0.1 (0.0) |
| Index of Capacity Utilization (2010=100) | 100.0 | 100.6 | 97.6 [101.2] | 96.8 [99.1] | 98.3 [100.7] | 98.7 [100.6] | 98.6 [100.2] | 97.6 [101.2] | 100.1 [104.3] | |
| Machinery Orders(Private Demand, Excl.Electric Power and Ship building) | 11.5 | 0.8 | 3.0 (12.4) | -6.5 (-0.9) | 2.6 (2.1) | 6.4 (10.3) | -9.7 (1.2) | 1.0 (-3.6) | 15.0 (8.4) | |
| Manufacturing | 10.2 | 7.0 | 5.8 (27.5) | -9.6 (-1.1) | -3.0 (-3.1) | 6.2 (5.8) | -6.6 (1.3) | -3.0 (-13.1) | 41.2 (25.4) | |
| Non-manufacturing Excl.Electric Power & Ship building | 12.1 | -3.3 | -0.5 (2.3) | -4.9 (-0.8) | 5.6 (6.3) | 5.2 (14.4) | -12.7 (1.5) | 4.5 (3.3) | 1.0 (-4.6) | |
| Shipments of Capital Goods (Excl.Transport Equipment) | 5.5 | 4.3 | -2.1 (2.5) | -1.9 (-0.8) | -0.8 (-3.6) | 2.2 (-4.2) | -0.6 (-1.1) | -3.3 (-5.3) | 6.8 (-10.0) | -10.3 (-1.3) |
| 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) | 95.6 (7.6) | 91.7 (6.2) | 86.8 (-0.7) | 86.5 (-2.5) | 87.9 (1.7) | 86.0 (-1.3) | 87.3 (0.2) | 97.4 (7.8) |
| Total floor | | | | | | | | | | |
| Sales at Retailers | 2.9 | -1.2 | | | | | | | | |
| Real Consumption Expenditures of Households over 2 persons (SA) | 0.9 | -5.1 | -2.7 (0.5) | 0.5 (0.7) | -2.1 (-3.3) | -0.6 (-2.4) | -2.2 (-2.9) | 1.0 (-4.4) | -0.6 (-3.1) | 1.7 (1.2) |
| Propensity to Consume (SA, %) | 75.5 | 74.2 | 74.2 [74.0] | 73.4 [74.6] | 73.1 [74.4] | 73.2 [74.2] | 73.0 [75.3] | 72.9 [73.7] | 72.3 [74.5] | 74.6 [72.9] |
| Overtime Hours Worked (All Industries, 5 employees or more) | 4.8 | 2.0 | -0.9 (-1.6) | 0.1 (-0.9) | -0.2 (-0.9) | -0.1 (-0.8) | -0.6 (-0.9) | -0.2 (-0.9) | -0.2 (-2.8) | -1.0 (-1.9) |
| 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 | 96 | 95 | 104 | 104 | 101 | 106 | 98 | 93 |
| Ratio of Job Offers to Applicants (SA, Times) | 0.97 | 1.11 | 1.18 [1.09] | 1.22 [1.10] | 1.26 [1.12] | 1.24 [1.11] | 1.26 [1.14] | 1.27 [1.14] | 1.28 [1.14] | 1.28 [1.15] |
| Unemployment Rate (SA, %) | 3.9 | 3.5 | 3.3 | 3.4 | 3.3 | 3.2 | 3.3 | 3.3 | 3.2 | 3.3 |
| Economy Watcher Survey (Judgment of the present condition D.I.%) | 54.0 | 46.6 | 52.6 [44.8] | 49.5 [48.7] | 47.7 [43.6] | 48.2 [44.0] | 46.1 [41.5] | 48.7 [45.2] | 46.6 [45.6] | 44.6 [50.1] |
| Bankruptcies (Number of cases) | 10,536 (-10.0) | 9,543 (-9.4) | 2,296 (-12.1) | 2,092 (-14.1) | 2,152 (-3.1) | 742 (-7.2) | 711 (-3.3) | 699 (1.8) | 675 (-6.3) | 723 (4.4) |

(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. 5, 2016

| | Fiscal | Fiscal | 2015 | | | 2015 | | | 2016 | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2013 | 2014 | 1Q | 2Q | 3Q | OCT | NOV | DEC | JAN | FEB |
| Customs Clearance (Exports in Yen Terms) | 10.8 | 5.4 | (6.7) | (3.7) | (-4.6) | (-2.2) | (-3.4) | (-8.0) | (-12.9) | (-4.0) |
| Value | 10.2 | 3.9 | (7.4) | (6.8) | (-0.6) | (2.5) | (-0.3) | (-3.8) | (-4.1) | (-4.2) |
| Volumes | 0.6 | 1.3 | (-0.6) | (-2.9) | (-4.1) | (-4.6) | (-3.1) | (-4.4) | (-9.1) | (0.2) |
| Imports (In Yen terms) | 17.4 | -1.0 | (-5.3) | (-5.9) | (-13.9) | (-13.4) | (-10.2) | (-18.0) | (-17.8) | (-14.2) |
| Value | 14.6 | 1.2 | (-3.2) | (-4.1) | (-11.8) | (-9.9) | (-11.6) | (-13.7) | (-13.5) | (-12.2) |
| Volumes | 2.3 | -2.1 | (-2.2) | (-1.9) | (-2.5) | (-3.8) | (1.7) | (-5.0) | (-5.0) | (-2.3) |
| Current Account (100 mil. yen) | 14,715 | 79,309 | 37,637 | 48,974 | 35,625 | 14,584 | 11,435 | 9,607 | 5,208 | |
| Goods (100 mil. yen) | -110,187 | -65,659 | -678 | -3,619 | 1,175 | 2,002 | -2,715 | 1,887 | -4,110 | |
| Services (100 mil. yen) | -34,448 | -27,482 | -6,266 | -2,089 | -4,471 | -3,373 | 615 | -1,713 | -2,267 | |
| Financial Account (100 mil. yen) | -17,549 | 133,088 | 46,954 | 55,166 | 45,361 | 3,966 | 27,474 | 13,921 | 12,154 | |
| Gold & Foreign Exchange Reserves (\$1mil.) | 1,279,346 | 1,245,316 | 1,242,935 | 1,248,936 | 1,233,214 | 1,244,211 | 1,233,008 | 1,233,214 | 1,248,107 | 1,254,149 |
| Exchange Rate (¥/\$) | 100.23 | 109.92 | 121.35 | 122.23 | 121.48 | 120.06 | 122.54 | 121.84 | 118.25 | 115.02 |

3. Financial Market Indicators

| | Fiscal | Fiscal | 2015 | | | 2015 | | | 2016 | | |
|---|-----------------------------|--------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-------|
| | 2013 | 2014 | 1Q | 2Q | 3Q | OCT | NOV | DEC | JAN | FEB | |
| Uncollateralized Overnight Call Rates | 0.073 | 0.068 | 0.067 [0.067] | 0.074 [0.067] | 0.076 [0.064] | 0.076 [0.059] | 0.078 [0.065] | 0.075 [0.068] | 0.074 [0.074] | 0.033 [0.076] | |
| Euro Yen TIBOR (3 Months) | 0.223 | 0.194 | 0.169 [0.211] | 0.169 [0.210] | 0.169 [0.184] | 0.169 [0.192] | 0.169 [0.182] | 0.169 [0.179] | 0.169 [0.173] | 0.098 [0.171] | |
| Newly Issued Japanese Government Bonds Yields (10 Years) | 0.640 | 0.400 | 0.455 [0.565] | 0.350 [0.525] | 0.270 [0.330] | 0.300 [0.450] | 0.300 [0.420] | 0.270 [0.330] | 0.095 [0.275] | -0.065 [0.330] | |
| Average Contracted Interest Rates on Loans and Discounts(City Banks) (% changes from previous period) | 1.077 | 1.006 | 0.987 (-0.019) | 0.969 (-0.018) | 0.956 (-0.013) | 0.969 (0.000) | 0.965 (-0.004) | 0.956 (-0.009) | 0.954 (-0.002) | 0.943 (-0.011) | |
| The Nikkei Stock Average (TSE 225 Issues) | 14,828 | 19,207 | 20,236 [15,162] | 17,388 [16,174] | 19,034 [17,451] | 19,083 [16,414] | 19,747 [17,460] | 19,034 [17,451] | 17,518 [17,674] | 16,027 [18,798] | |
| M2(Average) | (3.9) | (3.3) | (3.9) | (4.0) | (3.4) | (3.7) | (3.3) | (3.1) | (3.2) | (3.1) | |
| Broadly-defined Liquidity(Average) | (3.7) | (3.3) | (4.3) | (4.5) | (4.0) | (4.2) | (4.0) | (3.7) | (3.9) | (3.9) | |
| Principal Figures of Financial Institutions | | | | | | | | | | | |
| Loans and Discount (Average) | Banks & Shinkin | (2.0) | (2.3) | (2.5) | (2.6) | (2.3) | (2.5) | (2.3) | (2.2) | (2.4) | (2.2) |
| | Banks | (2.3) | (2.5) | (2.6) | (2.7) | (2.3) | (2.5) | (2.3) | (2.2) | (2.3) | (2.2) |
| | City Banks etc. | (1.7) | (1.4) | (1.4) | (1.6) | (1.0) | (1.4) | (0.9) | (0.8) | (1.1) | (1.0) |
| | Regional Banks | (3.2) | (3.7) | (4.0) | (3.9) | (3.7) | (3.7) | (3.7) | (3.7) | (3.6) | (3.5) |
| | Regional Banks II | (1.4) | (2.9) | (3.1) | (3.4) | (3.2) | (3.2) | (3.2) | (3.1) | (3.2) | (3.2) |
| Deposits and CDs (Average) | Shinkin | (0.3) | (1.4) | (1.9) | (2.1) | (2.3) | (2.3) | (2.2) | (2.3) | (2.4) | (2.3) |
| | Total(3 Business Condition) | (3.8) | (3.3) | (4.3) | (4.3) | (3.2) | (3.6) | (3.2) | (2.9) | (2.9) | (3.1) |
| | City Banks | (3.7) | (3.4) | (5.4) | (5.4) | (3.6) | (4.2) | (3.6) | (3.0) | (3.1) | (4.0) |
| | Regional Banks | (4.3) | (3.3) | (3.3) | (3.3) | (3.0) | (3.1) | (3.0) | (2.8) | (2.6) | (2.3) |
| | Regional Banks II | (2.5) | (3.1) | (2.9) | (2.7) | (2.3) | (2.3) | (2.2) | (2.3) | (2.4) | (2.1) |

(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.