

A strong wage hike at the annual wage negotiations will be vital in overcoming deflation

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1. The Real Economy

In December last year, growth of core CPI was 0.9% YoY, increasing for the twelfth consecutive month and marking a distinct, upward trend since the start of last year. In the Bank of Japan's "Opinion Survey on the General Public's Views and Behavior" and its "Tankan", the ratio of households and enterprises who forecast a rise in prices is increasing, and there are

indications that inflation expectations are gradually rising. However, a breakdown of core CPI into goods and services reveals that the strong upward pressure on prices is from external factors such as a rise in energy prices (Chart 1). The overall trend of prices, less energy and fresh food, is still weak: halfway to overcoming deflation.

Prices are rising due to external factors, but what is essential in creating a self-sustaining, upward prices trend is a rise in wages, which pushes up prices both in terms of demand-pull inflation through a rise in households' purchasing power, and cost-push inflation, owing to corporations shifting labour costs onto prices. Analysis of the conditions surrounding this year's annual wage negotiations confirms the presence of many factors necessary for a high increase in wages (Table 1). First, the labour shortage is deepening further and corporations' demand for full-time workers is increasing. With corporate earnings at a record high, the wage ratio is decreasing which, along with improved productivity, means it would be easier for corporations to raise wages. In addition, inflation is entering positive territory, as mentioned above.

Under such circumstances, Prime Minister Abe urged a 3% wage rise from businesses at the Council on Economic and Fiscal Policy in October last year. As a result, the Keidanren expressed their fundamental thoughts on the issue, calling on companies to "consider the matter proactively in line with their earnings, keeping in mind society's expectations for a 3% rise in wages". The management side also appears to be taking a proactive stance. The "New Economic Policy Package", decided by the government at the end of last year, includes corporate tax relief measures under the condition that businesses increase wages, which is also forecast to boost corporations' wage hikes. If this combined strength of the public and private sectors results in a rise in wages, this will spur expectations of significant progress in overcoming deflation.





Table 1: Conditions Surrounding the Annual Labour Negotiations

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	2017	2018	Impact from the wage hike
Employment conditions DI (Dec '17 survey, % points)	- 21	- 31	
Jobs-to-applicants ratio for full-time employees (At Nov'17, times)	0.91	1.05	$\widehat{\mathbf{t}}$
Ordinary profits growth rate (Total of 3 quarters until Jul-Sep '17, %)	- 3.6	18.2	$\widehat{\mathbf{t}}$
Wage share (Average of 3 quarters until Jul-Sep '17, %)	61.1	59.0	
Real labour productivity growth rate (Average of 3 quarters until Jul-Sep '17, %)	- 0.2	0.7	$\widehat{\mathbf{t}}$
Core CPI growth rate (Average of the previous year up until Dec, %)	- 0.3	0.5	$\widehat{1}$
Rate of increase in wages (annual fixed wage increase+base wage increase) (Current year's actual result, %)	2.11	_	_

Source: Various, BTMU Economic Research Office



(1) Monetary Policy

The Bank of Japan (BoJ) decided to maintain its current monetary policy at its Monetary Policy Meeting (MPM) on 22nd-23rd January. This result was widely predicted, but there are two points which should be raised concerning this MPM, including the Outlook for Economic Activity and Prices published alongside the meeting and Governor Haruhiko Kuroda's comments at the press conference after the meeting.

The first point is that while the Policy Board members' median value forecast for real GDP and core CPI in January's Outlook for Economic Activity and Prices remained unchanged from October, the range of the forecast was revised upwards somewhat (Table 2). This appears to reflect the current economic expansion as well as the upward trend of inflation, brought about by the growth of oil prices.

The second point is Governor Kuroda's clearly contradictory statement at the press conference after the MPM in response to somewhat increased expectations by the market that the BoJ is paving the way for an exit from monetary easing, brought about when it unexpectedly reduced the amount of its JGBs purchases on 9th January: "this occasional (purchasing) amount or its timing does not indicate the future of monetary policy". It could be said that this once again confirms the importance of taking a detailed look at MPM publications, the subsequent press conferences and speeches by board members in detecting a change in monetary policy.

If a strong wage hike is achieved at this year's annual wage negotiations and progress is made towards overcoming deflation, there will even more attention drawn around the timing and the method of the BoJ's exit strategy. There are hopes that the BoJ will use opportunities such as the MPM publications and press conferences to pass on information carefully so as to not spur market speculation as it did this time.



(2) Long-Term Yields and Exchange Rate

The 10-year JGB yield was 0.09% on 17th January, rising to the same level as July 2017 owing to a decrease in the amount of JGB purchasing by the BoJ. Meanwhile, up until now, the JPY/USD has kept in pace with the gap in real interest rates between Japan and the US; however, there is currently a predominant deviation where the JPY is just above JPY109 to the USD (Chart 2). Nevertheless, it is thought that there were background factors other than US/Japanese interest rates and inflation expectations, such as speculation about the BoJ's monetary policy exit strategy and US Treasury Secretary Steve Mnuchin's statement welcoming a weaker dollar. When these other factors calm, it is likely that the JPY will revert to following the gap in real interest rates between Japan and the US.

Table 2: Forecasts of the Majority of Policy Board Members (January 2018)

		(YoY, %)
	Real GDP	CPI (all items less fresh food) (Excludes the effects of the consumption tax hike)
FY2017	1.8 to 2.0	0.7 to 1.0
median value	(1.9)	(0.8)
Forecast made in Oct 2017	1.7 to 2.0	0.7 to 1.0
(median value)	(1.9)	(0.8)
FY2018	1.3 to 1.5	1.3 to 1.6
(median value)	(1.4)	(1.4)
Forecast made in Oct 2017	1.2 to 1.4	1.1 to 1.6
(median value)	(1.4)	(1.4)
FY2019	0.7 to 0.9	1.5 to 2.0
(median value)	(0.7)	(1.8)
Forecast made in Oct 2017	0.7 to 0.8	1.5 to 2.0
(median value)	(0.7)	(1.8)

Note: The shaded areas indicate forecasts which were revised upwards from October 2017 Source: Bank of Japan, BTMU Economic Research Office Chart 2: USD/JPY and the Gap in Real Interest Rates between Japan and the US



Note: "Real interest rate" refers to the yield of 10-year government bond break-even inflation rate.

Source: Bloomberg data, BTMU Economic Research Office

(Translated by Elizabeth Foster)



MAIN ECONOMIC AND FINANCIAL INDICATORS (JAPAN)

1. Main Economic Indicators

2016 2019 202 </th <th></th> <th colspan="5">Fiscal Fiscal 2017</th> <th colspan="7">2017</th>		Fiscal Fiscal 2017					2017						
$ \begin{array}{ c c c c c c c c c c c c c c c c c c c$		2015	2016	1Q	2Q	3Q	AUG	SEP	OCT	NOV	DEC		
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near And Cons Cons <thc< td=""><td>previous period at SA annual rate></td><td></td><td></td><td>(1.5)</td><td>(1.6)</td><td>(2.1)</td><td></td><td></td><td></td><td></td><td></td></thc<>	previous period at SA annual rate>			(1.5)	(1.6)	(2.1)							
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Podecim CA CA CA CA <th< td=""><td></td><td></td><td></td><td>(0.8)</td><td>(2.5)</td><td>(1.5)</td><td>(1.7)</td><td>(0.9)</td><td>(1.8)</td><td>(2.1)</td><td></td></th<>				(0.8)	(2.5)	(1.5)	(1.7)	(0.9)	(1.8)	(2.1)			
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$\begin{array}{ c c c c c c c c c c c c c c c c c c c$	Production			(3.8)	(5.8)	(4.2)	(5.3)	(2.6)	(5.9)	(3.6)			
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Image: Constraint of the second sec				(3.7)	(5.2)	(3.7)	(5.8)	(1.5)	(2.7)	(2.3)			
mentory/Optimizers Ratio 114.9 112.2 111.5 112.5 110.3 110.3 111.2 111	nventory	1.1	-4.0	2.2	-0.5	-1.6	-0.6	0.0	3.2	-0.8			
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Image: Price Index(SA, total, excl.fresh foods) 0,0 0,2 0,1 </td <td>(2010=100)</td> <td></td> <td></td> <td>[116.8]</td> <td>[116.0]</td> <td>[114.3]</td> <td>[113.2]</td> <td>[113.5]</td> <td>[112.2]</td> <td>[108.0]</td> <td>[108.9</td>	(2010=100)			[116.8]	[116.0]	[114.3]	[113.2]	[113.5]	[112.2]	[108.0]	[108.9		
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Public Works Contracts -3.8 4.1 (9.9) (2.6) (7.9) (7.9) (10.4) (3.9) (5.0) Housing Starts 92.1 97.4 97.5 100.2 95.6 94.2 95.2 93.3 95.1 10.000 units at Annual Rate, SA (4.6) (5.8) (3.5) (1.1) (2.4) (2.20) (2.9) (4.8) (0.4) Total floor (2.1) (4.1) (3.3) (1.0) (-3.7) (-3.9) (-5.4) (-1.2) Sales at Retailers 0.8 -0.2 (1.2) (2.5) (2.0) (1.8) (2.3) (-0.2) (2.1) of Households over 2 persons (SA) -1.2 -1.6 0.8 1.0 -0.4 -0.2 0.4 -2.0 2.1 of Households over 2 persons (SA) -1.2 -1.6 0.8 1.0 -0.4 0.2 0.4 -2.0 2.1 Overtime Hours Worked -1.3 -0.7 1.5 -0.4 -0.2 1.8 -1.0 0.6	Public	-15.6	8.4										
N. 1 (9.9) (2.6) (-7.9) (-10.4) (3.9) (5.0) Housing Starts 92.1 97.4 97.5 100.2 95.6 94.2 95.2 93.3 95.1 10.000 units at Annual Rate, SA (4.6) (5.8) (3.5) (1.1) (2.4) (2.4) (3.3) (1.0) (-3.7) (-3.9) (-4.8) (-0.4) Total floor (2.1) (4.1) (3.3) (1.0) (-3.7) (-3.9) (-5.4) (-1.2) Sales at Retailers 0.8 -0.2 (1.2) (2.5) (2.0) (1.8) (2.3) (-0.2) (2.1) Real Consumption Expenditures -1.2 -1.6 0.8 1.0 -0.4 0.2 0.4 -2.0 2.1 G1 Households over 2 persons (SA) -1.2 -1.6 0.8 1.0 -0.4 0.2 0.4 -0.0 (0.0) (0.0) (0.0) (0.0) (0.0) (0.1) (0.7) (7.1) (7.2.0) (SA,%) 73.6		_		(-1.8)	(19.9)	(-34.3)	(-18.9)	(-59.6)	(20.0)	(22.0)			
Housing Starts 92.1 97.4 97.5 10.02 95.6 94.2 95.2 93.3 95.1 10,000 units at Annual Rate, SA (4.6) (5.8) (3.5) (1.1) (-2.4) (-2.0) (-2.9) (-4.8) (-0.4) Total floor (2.1) (4.1) (3.3) (1.0) (-3.7) (-3.9) (-3.9) (-5.4) (-1.2) Sales at Retailers 0.8 -0.2 (1.2) (2.5) (2.0) (1.8) (2.3) (-0.2) (2.1) Real Consumption Expenditures -1.2 -1.6 0.8 1.0 -0.4 0.2 0.4 -2.0 2.1 of Households over 2 persons (SA) (2.0) (0.0) (0.6) (-0.3) (0.0) (1.7) Propensity to Consume 73.6 72.1 73.1 75.3 69.6 69.8 69.8 71.0 72.0 (SA,%) (12.2) (0.9) (0.9) (0.6) (1.5) (0.7) (1.5) 71.11 (72.4) Overtime Hours Worked -1.3 -0.7 1.5 -0.4 -0.2 <td>Public Works Contracts</td> <td>-3.8</td> <td>4.1</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>	Public Works Contracts	-3.8	4.1										
10,000 units at Annual Rate, SA (4,6) (5,8) (3,5) (1,1) (-2,4) (-2,0) (-2,9) (-4,8) (-0,4) Total floor (2,1) (4,1) (3,3) (1,0) (-3,7) (-3,9) (-3,9) (-5,4) (-1,2) Sales at Retailers 0.8 -0.2 (1,2) (2,5) (2,0) (1,8) (2,3) (-0,2) (2,1) Real Consumption Expenditures -1.2 -1.6 0.8 1.0 -0.4 0.2 0.4 -2.0 2.1 of Households over 2 persons (SA) -1.2 -1.6 0.8 1.0 -0.4 0.2 0.4 -2.0 2.1 Propensity to Consume 73.6 72.1 73.1 75.3 69.6 69.8 69.8 71.0 72.0 (SA,%) -1.3 0.7 1.5 -0.4 -0.2 -0.2 1.8 -1.0 0.6 (All Industries, 5 employees or more) -1.3 0.7 1.5 -0.4 -0.2 -0.2 1.8 -1.0 0.6 Only; All Industries, 5 employees or more) -1.2 0.9		_									(-6.4		
Total floor (2.1) (4.1) (3.3) (1.0) (-3.7) (-3.9) (-5.4) (-1.2) Sales at Retailers 0.8 -0.2 (1.2) (2.5) (2.0) (1.8) (2.3) (-0.2) (2.1) Real Consumption Expenditures -1.2 -1.6 0.8 1.0 -0.4 0.2 0.4 -2.0 2.1 of Households over 2 persons (SA) -1.2 -1.6 0.8 1.0 -0.4 0.2 0.4 -2.0 2.1 Propensity to Consume 73.6 72.1 73.1 75.3 69.6 69.8 69.8 71.0 72.0 (SA,%) - - -0.7 1.5 -0.4 -0.2 -0.2 1.8 -1.0 0.6 (All Industries, 5 employees or more) - </td <td></td> <td></td> <td></td> <td></td> <td>1</td> <td></td> <td></td> <td>1</td> <td>1</td> <td></td> <td></td>					1			1	1				
Sales at Retailers 0.8 0.2 (1.2) (2.5) (2.0) (1.8) (2.3) (0.2) (2.1) Real Consumption Expenditures -1.2 -1.6 0.8 1.0 -0.4 0.2 0.4 -2.0 2.1 of Households over 2 persons (SA) -1.2 -1.6 0.8 1.0 -0.4 0.2 0.4 -2.0 2.1 Propensity to Consume 73.6 72.1 73.1 75.3 69.6 69.8 69.8 71.0 72.0 (SA,%)				1	1		1	5	1	1			
International construction International construction <th< td=""><td></td><td></td><td></td><td>(3.3)</td><td>(1.0)</td><td>(-3.7)</td><td>(-3.9)</td><td>(-3.9)</td><td>(-5.4)</td><td>(-1.2)</td><td></td></th<>				(3.3)	(1.0)	(-3.7)	(-3.9)	(-3.9)	(-5.4)	(-1.2)			
Real Consumption Expenditures -1.2 -1.6 0.8 1.0 -0.4 0.2 0.4 -2.0 2.1 of Households over 2 persons (SA) (-2.0) (0.2) (0.0) (0.6) (-0.3) (0.0) (1.7) Propensity to Consume 73.6 72.1 73.1 75.3 69.6 69.8 69.8 71.0 72.0 (SA,%) [72.6] [72.8] [70.7] [70.7] [71.6] [71.1] [72.4] Overtime Hours Worked -1.3 -0.7 1.5 -0.4 -0.2 -0.2 1.8 -1.0 0.6 (All Industries, 5 employees or more)	Sales at Retailers	0.8	-0.2	(1.0)	(0.5)	(0.0)	(1.0)	(0.0)	(0.0)	(0,1)			
of Households over 2 persons (SA) (-2.0) (0.2) (0.0) (0.6) (-0.3) (0.0) (1.7) Propensity to Consume 73.6 72.1 73.1 75.3 69.6 69.8 69.8 71.0 72.0 (SA,%) [72.6] [72.8] [70.7] [70.7] [71.6] [71.1] [72.4] Overtime Hours Worked -1.3 -0.7 1.5 -0.4 -0.2 -0.2 1.8 -1.0 0.6 (All Industries, 5 employees or more) (1.2) (0.9) (0.6) (1.5) (0.7) (1.5) Total Cash Eamings (Regular Employees or more) 0.2 0.4 0.2 (0.2) (0.7) (0.9)													
Propensity to Consume 73.6 72.1 73.1 75.3 69.6 69.8 69.8 69.8 71.0 72.0 (SA,%) [72.6] [72.8] [70.7] [70.7] [71.6] [71.1] [72.4] Overtime Hours Worked -1.3 -0.7 1.5 -0.4 -0.2 -0.2 1.8 -1.0 0.6 (All Industries, 5 employees or more) (1.2) (0.9) (0.6) (1.5) (0.7) (1.5) Total Cash Earnings (Regular Employees 0.2 0.4 (0.2) (0.5) (0.2) (0.7) (0.9)		-1.2	-1.6	1	1		1	1	1	1			
(SA,%) [72.6] [72.8] [70.7] [71.6] [71.1] [72.4] Overtime Hours Worked -1.3 -0.7 1.5 -0.4 -0.2 -0.2 1.8 -1.0 0.6 (All Industries, 5 employees or more) (1.2) (0.9) (0.9) (0.6) (1.5) (0.7) (1.5) Total Cash Earnings (Regular Employees or more) 0.2 0.4													
Overtime Hours Worked -1.3 -0.7 1.5 -0.4 -0.2 -0.2 1.8 -1.0 0.6 (All Industries, 5 employees or more) (1.2) (0.9) (0.9) (0.6) (1.5) (0.7) (1.5) Total Cash Earnings (Regular Employees or more) 0.2 0.4 (0.2) (0.5) (0.2) (0.7) (0.9) (0		73.6	72.1	1				1	1		174.0		
(All Industries, 5 employees or more) (1.2) (0.9) (0.9) (0.6) (1.5) (0.7) (1.5) Total Cash Earnings (Regular Employees 0.2 0.4 (0.2) (0.5) (0.2) (0.7) (0.9) (0.	· · ·			}				9			[71.8		
Total Cash Earnings (Regular Employees 0.2 0.4 (0.2) (0.5) (0.2) (0.7) (0.9) (0.2) (0.9) Only; All Industries, 5 employees or more) 98 103 112 131 130 123 133 136 135 5 employees or more) (Change over the M/Q/Y) 1.23 1.39 1.44 1.49 1.52 1.52 1.55 1.56 (SA, Times) [1.29] [1.35] [1.37] [1.37] [1.38] [1.40] [1.41] Unemployment Rate 3.3 3.0 2.9 2.8 2.8 2.8 2.7 (SA,%) 2 50.1 50.1 49.6 49.9 52.4 (Judgment of the present condition D.1,%) 48.8 46.4 49.2 50.1 50.1 49.6 49.9 52.4		-1.3	-0.7	1	1		1	8	1	1			
Only: All Industries, 5 employees or more) (0.2) (0.2) (0.2) (0.7) (0.9) (0.2) (0.9) Employment Index(Regular Employees Only: All Industries, 5 employees or more) 98 103 112 131 130 123 133 136 135 S employees or more) (Change over the M/Q/Y) 1.23 1.39 1.44 1.49 1.52 1.52 1.55 1.56 (SA, Times) [1.29] [1.35] [1.37] [1.37] [1.38] [1.40] [1.41] Unemployment Rate (SA,%) 3.3 3.0 2.9 2.8 2.8 2.8 2.7 (SA,%)	· · · · ·			(1.2)	(0.9)	(0.9)	(0.6)	(1.5)	(0.7)	(1.5)			
Employment Index(Regular Employees Only; All Industries, 5 employees or more) (Change over the M/Q/Y) 98 103 112 131 130 123 133 136 135 5 employees or more) (Change over the M/Q/Y) 1.23 1.39 1.44 1.49 1.52 1.52 1.52 1.55 1.56 (SA, Times) [1.29] [1.35] [1.37] [1.37] [1.38] [1.40] [1.41] Unemployment Rate (SA,%) 3.3 3.0 2.9 2.8 2.8 2.8 2.7 Economy Watcher Survey (Judgment of the present condition D.I,%) 48.8 46.4 49.2 50.1 50.1 49.6 49.9 52.4		0.2	0.4	(0.0)	(0.5)	(0.0)	(0.7)	(0.0)	(0.0)	(0.0)			
5 employees or more) (Change over the M/Q/Y) 1.23 1.39 1.44 1.49 1.52 1.52 1.52 1.55 1.56 Ratio of Job Offers to Applicants 1.23 1.39 1.44 1.49 1.52 1.52 1.52 1.55 1.56 (SA, Times) [1.29] [1.35] [1.37] [1.37] [1.38] [1.40] [1.41] Unemployment Rate 3.3 3.0 2.9 2.8 2.8 2.8 2.7 (SA,%)			105	(- /	()	(-)	C- 7	(/)	(- /	(/]			
Ratio of Job Offers to Applicants 1.23 1.39 1.44 1.49 1.52 1.52 1.52 1.55 1.56 (SA, Times) [1.29] [1.35] [1.37] [1.37] [1.37] [1.38] [1.40] [1.41] Unemployment Rate 3.3 3.0 2.9 2.8 2.8 2.8 2.8 2.8 2.7 (SA,%) Economy Watcher Survey 48.8 46.4 49.2 50.1 50.1 49.6 49.9 52.4 (Judgment of the present condition D.1,%) 48.6 [45.6] [42.6] [45.6]		98	103	112	131	130	123	133	130	100			
(SA, Times) [1.29] [1.35] [1.37] [1.37] [1.38] [1.40] [1.41] Unemployment Rate 3.3 3.0 2.9 2.9 2.8		4.00	4.00	1 //	1 /0	1 50	1.50	1 50	1 55	1.56			
Unemployment Rate 3.3 3.0 2.9 2.9 2.8 2.8 2.8 2.8 2.8 2.7 (SA,%) Economy Watcher Survey (Judgment of the present condition D.1,%) 48.8 46.4 49.2 50.1 50.1 49.6 49.9 52.4		1.23	1.39	1				8	1	1	[1 42		
(SA,%) 48.8 46.4 49.2 50.1 50.1 49.6 49.9 52.4 (Judgment of the present condition D.1,%) [45.6] [42.6] [45.2] [45.6] [44.8] [46.2] [48.6]				}				9			[1.43		
Economy Watcher Survey 48.8 46.4 49.2 50.1 50.1 49.6 49.9 52.4 (Judgment of the present condition D.I,%) [45.6] [42.6] [45.2] [45.6] [44.8] [46.2] [48.6]		3.3	3.0	2.9	2.9	2.0	2.0	2.0	2.0	2.1			
(Judgment of the present condition D.I,%) [45.6] [42.6] [45.2] [45.6] [44.8] [46.2] [48.6]		48.8	46.4	40.2	50.1	50.1	49.6	49.6	40.0	52 A	53.9		
		40.0	40.4								[51.2		
Bankruptcies (Number of cases) 8,684 8,381 2,079 2,188 2,032 639 679 733 677 (-9.0) (-3.5) (-3.0) (2.8) (-2.6) (-12.0) (4.6) (7.3) (-2.3)	Bankruptcies (Number of cases)			2,079	2,188	2,032	639	679	733	677	690 (-2.0		

(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 J	an. 26, 2018
	Fiscal	Fiscal		2017				2017		
	2015	2016	1Q	2Q	3Q	AUG	SEP	OCT	NOV	DEC
Customs Clearance (Exports in Yen Terms)		-3.5	(8.5)	(10.5)	(15.1)	(18.1)	(14.1)	(14.0)	(16.2)	(9.3
Value	2.0	-5.8	(3.1)	(5.2)	(8.8)	(7.0)	(8.9)	(9.8)	(10.1)	(4.6
Volumes	-2.7	2.4	(5.1)	(5.1)	(5.8)	(10.4)	(4.8)	(3.8)	(5.5)	(4.5
Imports (In Yen terms)	-10.2	-10.2	(8.6)	(16.2)	(14.5)	(15.3)	(12.1)	(19.0)	(17.2)	(14.9
Value	-8.4	-10.7	(6.2)	(10.8)	(12.5)	(12.6)	(12.4)	(15.3)	(14.2)	(8.5
Volumes	-1.9	0.5	(2.2)	(4.9)	(1.8)	(2.4)	(-0.2)	(3.2)	(2.6)	(5.9
Current Account (100 mil. yen)	178,618	203,818	59,697	45,622	70,214	23,941	22,593	21,764	13,473	
Goods (100 mil. yen)	3,296	57,726	10,961	9,493	17,353	3,240	8,457	4,302	1,810	
Services (100 mil. yen)	-13,527	-13,816	50	-2,834	-2,315	281	-461	-334	417	
Financial Account (100 mil. yen)	238,492	249,299	52,424	44,237	50,052	19,246	20,738	-8,532	14,046	
Gold & Foreign Exchange Reserves (\$1mil.)	1,262,099	1,230,330	1,230,330	1,249,847	1,266,310	1,268,006	1,266,310	1,260,925	1,261,242	1,264,283
Exchange Rate (//\$)	120.13	108.37	113.60	111.06	111.01	109.91	110.68	112.96	112.92	112.97

3. Financial Market Indicators

			Fiscal	Fiscal		2017			2017					
			2015	2016	1Q	2Q	3Q	AUG	SEP	OCT	NOV	DEC		
Uncollateralized Overni	ight Call Rates	3	0.063	-0.045	-0.042	-0.054	-0.054	-0.049	-0.058	-0.037	-0.048	-0.042		
					[0.035]	[-0.050]	[-0.046]	[-0.043]	[-0.052]	[-0.037]	[-0.049]	-0.044		
Euro Yen TIBOR		0.157	0.057	0.056	0.056	0.062	0.056	0.056	0.063	0.063	0.063			
(3 Months)					[0.122]	[0.060]	[0.057]	[0.058]	[0.056]	[0.056]	[0.056]	[0.056]		
Newly Issued Japanes	e Government	Bonds Yields	-0.050	0.065	0.065	0.075	0.060	0.010	0.060	0.065	0.035	0.045		
(10 Years)					[-0.050]	[-0.230]	[-0.085]	[-0.070]	[-0.085]	[-0.050]	0.020	[0.040]		
Average Contracted Int	erest Rates		0.924	0.847										
on Loans and Discour	nts(City Banks	5)			0.847	0.842	0.831	0.839	0.831	0.834	0.835			
(% changes from previo	ous period)				(-0.006)	(-0.005)	(-0.011)	(-0.002)	(-0.008)	(0.003)	(0.001)			
The Nikkei Stock Average		16,759	18,909	18,909	20,033	20,356	19,646	20,356	22,012	22,725	22,765			
(TSE 225 Issues)				[16,759]	[15,576]	[16,450]	[16,887]	[16,450]	[17,425]	[18,308]	[19,114]			
M2(Average)	2(Average)		(3.5)	(3.6)	(4.1)	(3.9)	(4.0)	(4.0)	(4.0)	(4.1)	(4.0)	(3.6)		
Broadly-defined Liquidi	ty(Average)		(3.7)	(1.8)	(2.3)	(2.8)	(3.7)	(3.7)	(3.9)	(4.1)	(3.9)	(3.5)		
Principal Figures of Fir	nancial Institut	ions												
E	3anks & Shink	kin	(2.4)	(2.4)	(2.8)	(3.1)	(3.1)	(3.2)	(2.9)	(2.8)	(2.7)	(2.5)		
Loans and	Ba	inks	(2.5)	(2.4)	(2.8)	(3.2)	(3.2)	(3.2)	(3.0)	(2.8)	(2.7)	(2.4)		
Discount		City Banks etc.	(1.2)	(1.2)	(2.0)	(2.8)	(2.8)	(2.8)	(2.3)	(2.0)	(1.8)	(1.2)		
(Average)		Regional Banks	(3.7)	(3.5)	(3.6)	(3.7)	(3.7)	(3.8)	(3.7)	(3.6)	(3.7)	(3.7)		
		Regional Banks II	(3.2)	(3.1)	(3.2)	(3.0)	(3.1)	(3.1)	(3.0)	(2.9)	(3.0)	(3.0)		
	Sh	inkin	(2.2)	(2.3)	(2.5)	(2.8)	(2.7)	(2.7)	(2.8)	(2.6)	(2.6)	(2.6)		
Total(3 Business Condition)		(3.7)	(3.8)	(4.5)	(4.5)	(4.5)	(4.4)	(4.5)	(4.4)	(4.4)	(4.0)			
Deposits		City Banks	(4.5)	(5.5)	(6.4)	(6.5)	(6.4)	(6.3)	(6.5)	(6.3)	(6.3)	(5.7)		
and CDs		Regional Banks	(3.0)	(2.3)	(2.7)	(2.6)	(2.6)	(2.6)	(2.5)	(2.6)	(2.5)	(2.5)		
(Average) Regional Banks II		(2.5)	(2.1)	(2.4)	(2.3)	(2.3)	(2.3)	(2.2)	(2.2)	(2.2)	(1.8)			

(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.

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