

The Outlook for the Japanese Economy

While the economy's positive growth cycle has stabilised, it is important to monitor external risks

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1. Overview of the Japanese Economy

Japan's real GDP growth stood at -0.6% QoQ annualized in the January-March 2018 quarter (first preliminary estimate), entering negative territory for the first time in nine quarters owing to downward pressure from inventory investment, as well as a decline in private consumption and capital expenditure (Table 1). It appears that private consumption was affected by concerns about low stock prices and a significant rise in fresh food prices owing to adverse weather. Meanwhile, it seems there was an impact on capital expenditure from the strong JPY and a rise in concerns about US trade policies. However, financial markets have returned to a trend of JPY depreciation and rising stock prices. Corporate and household incomes remain robust, and judging by the trend of domestic shipments, it is unlikely that stocks will enter a phase of adjustment based on the inventory cycle. Overall, it appears that the negative GDP growth this quarter will be temporary.

As of April, this period of economic expansion became the second longest in Japanese history, totalling 65 months in duration. Just taking into consideration domestic factors alone, there are few concerns that the momentum of current economic growth will falter. According to the results of Cabinet Office surveys and the annual labour negotiations, corporations' sentiment towards investment and employment is continuing to improve, and the foundation of the economy's positive growth cycle – which originated in the corporate sector – is stable. On the other hand, the level of real GDP in January-March was only 107% of the level in October-December 2012, which marked the previous trough in the economy's business cycle. In addition, the gap between supply and demand (output gap) has been in positive territory (excess demand) since April-June 2017, yet the amount of excess demand is limited. Therefore, these are not signs that the economy is overheating (Chart 2).

The consumption tax hike to 10%, which has been postponed until October 2019, could cause some disruption. However, it appears that the effects of last-minute buying before the hike and the subsequent rebound after, as well as the downward pressure on households' real income, will be somewhat less compared with the previous tax hike in April 2014. This is due to the fact that the hike will be smaller, a reduced tax rate to the scale of JPY 1 trillion will be introduced focusing on food, and the provision of free early childhood education will be implemented as

part of the Cabinet Office's "New Economic Policy Package", which was decided in December last year.

Chart 1: Real GDP and Final Demand

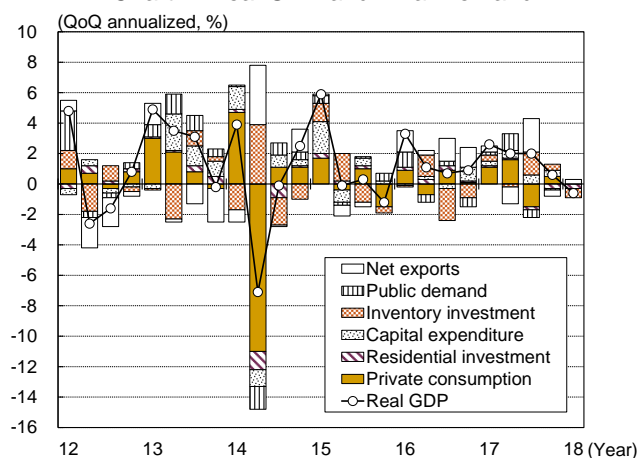
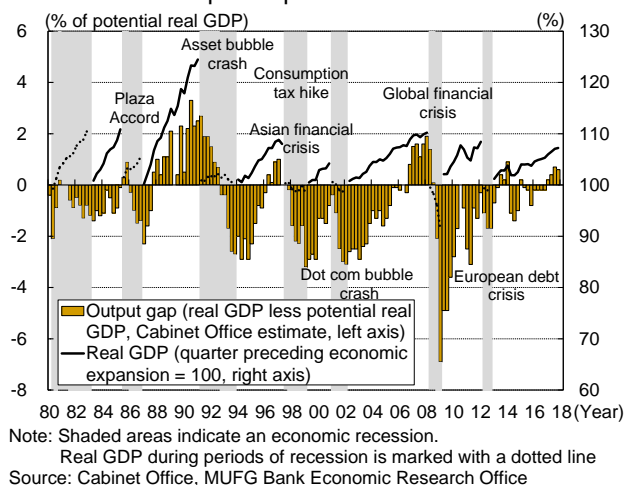


Chart 2: Output Gap and Level of Real GDP



That being said, it will be necessary to monitor external factors. Generally speaking, it is these factors which have brought about the end to periods of economic growth, such as the global financial crisis. In particular, there are currently concerns that US trade and foreign policies will lead to a downturn in global trade and will disrupt supply chains. Even before such a situation is reached, there is the risk that uncertainty about the future could lead to turbulence in financial markets and a surge in oil prices. The Financial Statements of Corporations by Industry published by the Ministry of Finance reveals resilience to adverse business conditions is steadily increasing due to improvements in management; corporations' break-even point improved, reaching 79% as of FY2016, and the ratio of net worth was 40% (Chart 3). The Japanese economy is expected to continue to grow gradually on the back of resilience across business sentiment, labour market and wage growth, yet it is perhaps too soon to be optimistic.

Chart 3: Domestic Corporations' Breakeven Point Ratio and Ratio of Net Worth

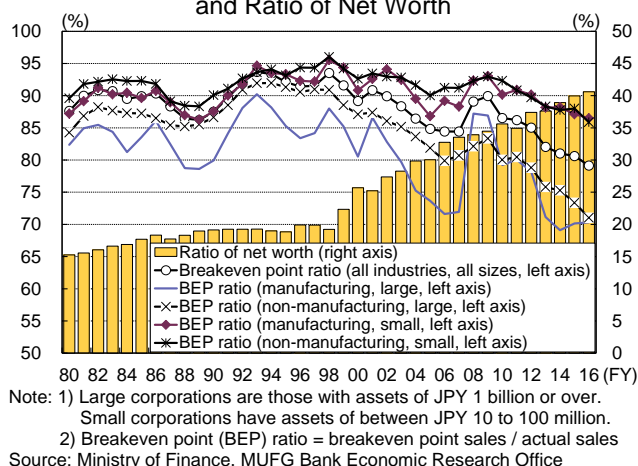


Table 1: GDP Forecast

	FY 2016 (Actual)	FY 2017 (Actual)	FY 2018 (Forecast)	FY 2019 (Forecast)
Real GDP	1.2	1.5	1.2	0.9
Private Consumption	0.3	0.8	0.7	0.5
Private Residential Investment	6.2	-0.3	-4.1	-0.1
Private Non-Residential Investment	1.2	3.0	2.3	2.0
Inventory Investment (contribution)	-0.3	0.1	0.3	0.1
Public Demand	0.5	0.7	0.1	1.1
Net Exports (contribution)	0.8	0.4	0.2	0.0
Exports	3.6	6.2	3.6	2.3
Imports	-0.8	4.0	2.6	2.4
Nominal GDP	1.0	1.6	1.6	2.2
GDP Deflator	-0.2	0.1	0.4	1.3

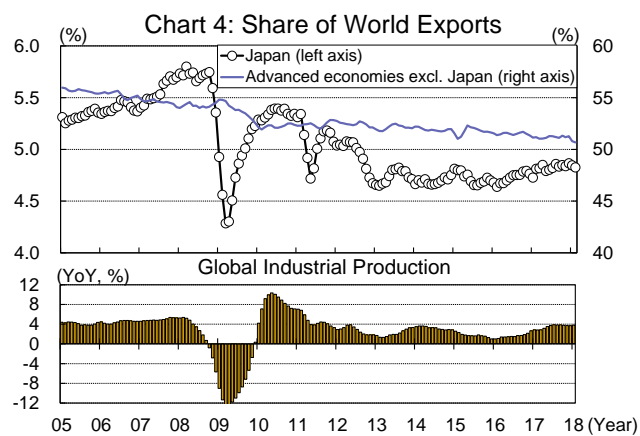
Source: Cabinet Office, MUFG Bank Economic Research Office

2. Key Points in Outlook

(1) While an improvement in corporate profits maintains its momentum, it is necessary to keep an eye on possible US tariffs on automobiles

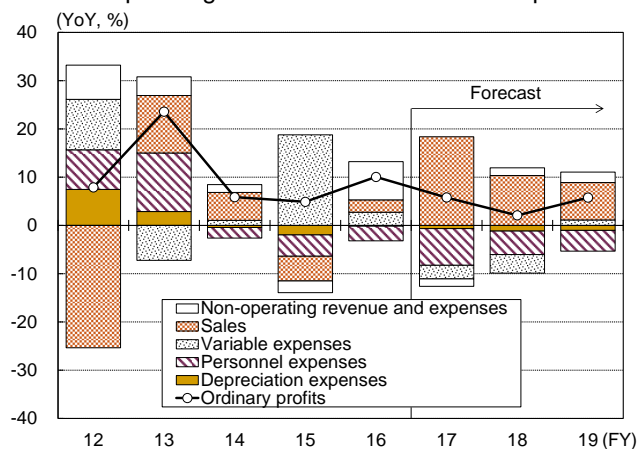
Ordinary profits of corporations (excluding the financial sector) listed on the First Section of the Tokyo Stock Exchange increased by 9.4% YoY in the January-March quarter (calculated by MUFG Bank Economic Research Office based on 1,373 companies' data as of 18th May). Although ordinary profits continued to increase for the sixth consecutive quarter, growth did slow. It appears that sluggish exports and JPY appreciation put downward pressure on profits, particularly in the manufacturing sector, while a rise in labour costs – reflecting the tight labour market – and oil prices have weighed down profits.

Looking ahead, a rise in oil prices owing to uncertainty surrounding the US' renewed economic sanctions against Iran is highly likely to put downward pressure on corporate profits in FY2018. Meanwhile, the JPY has returned to a weaker level, reflecting the gap in US and Japanese interest rates, which is forecast to underpin profits in the manufacturing sector. A slowdown in exports of IT-related goods – which had been leading growth –affected the growth of exports in the January-March quarter; however, as Japanese exports are weighted towards intermediate goods and capital goods, it essentially fluctuates with the strength of capital expenditure and production in export destinations (Chart 4). With robust economies overseas, Japanese exports are expected to continue to increase and the growth of corporate profits is forecast to maintain its momentum (Chart 5). Nevertheless, it is necessary to pay close attention to the outcome of the investigation by the US into raising tariffs on automobiles. Motor vehicles and auto parts to the US constitute 7% of Japan's total exports and 18% of all motor vehicles produced in Japan are exported to the US. If this tariff is enacted, there is a possibility it will have a wide effect on the domestic manufacturing sector through the supply chain.



Note: Figure uses 2010 prices as a real base. Share of exports is a moving average of the last 3 months.
Source: CPB Netherlands Bureau for Economic Policy Analysis, MUFG Bank Economic Research Office

Chart 5: Operating Profits of Non-Financial Corporations



Source: Ministry of Finance, MUFG Bank Economic Research Office

(2) The greater participation of women and the elderly in the workforce and the increase in regular employees will underpin household income

Nominal employee compensation rose by 3.2% YoY in the January-March quarter, reaching a 5-year growth phase which started in April-June 2013. During this 5-year period, the average growth of wages per capita was 0.3% YoY; meanwhile, the number of employees increased significantly by 1.2% YoY. Furthermore, breaking down this increase in employees by men and women reveals men contributed 0.3% YoY to the rise, and women 0.9% YoY. The increase of women in the labour market is leading the growth of household income.

In order to maintain this increase in employees in the future, it is necessary to make progress in broadening workforce participation, including women and the elderly. Ascertaining the potential labour force reveals the non-working population was approximately 43.8 million as of 2017, 3.7 million of which are seeking employment (Chart 6). For example, out of those who wish to find a job, approximately 1 million women gave “childbirth or childrearing” or “caring for an aged or sick family member” as a reason for not seeking a job. As progress is made in the government’s detailed policy responses, such as elimination of childcare waiting lists and a work-style reform, greater workforce participation can be expected from these women. Since 2015, the increase in the number of regular employees has surpassed that of non-regular employees, it appears there has been a change in the type of employment by women, and the ratio of part-time workers has plateaued. These changes since 2015 will act as a tailwind for increasing wages going forwards (Chart 7). While it will be necessary to take into account the cap on overtime work as part of the work-style reform, future employee compensation is forecast to remain solid based on the aforementioned factors, as well as the result from this year’s annual labour negotiations where the rise in wages accelerated, particularly that of small and medium-sized corporations.

Chart 6: Breakdown of Non-Working Population (2017)

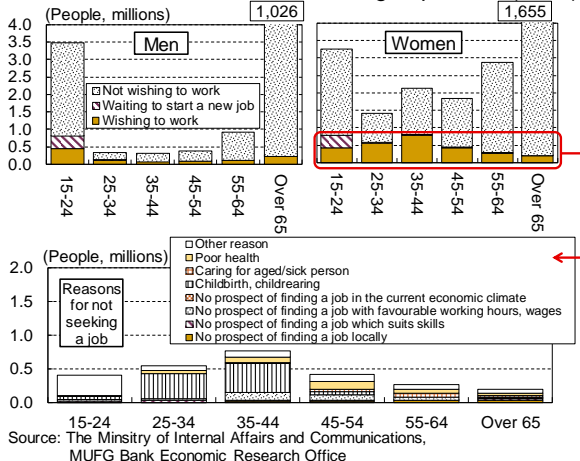
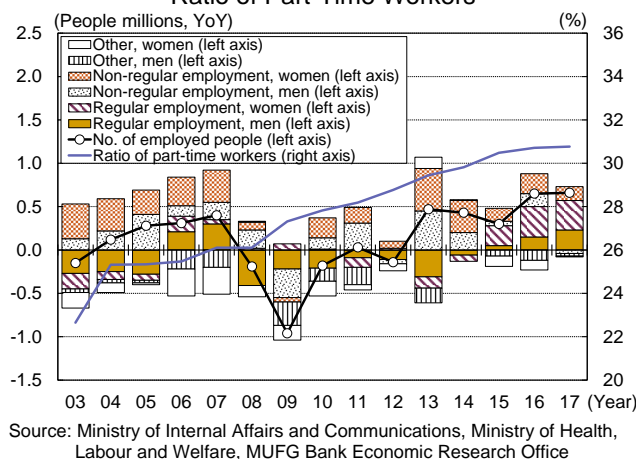


Chart 7: Number of Employed People and the Ratio of Part-Time Workers



3. Monetary Policy and Financial Markets

The Bank of Japan (BoJ) decided to maintain its current monetary policy at its Monetary Policy Meeting on 26-27 April. In the Outlook for Economic Activity and Prices published alongside the meeting, the sentence regarding the timing of reaching the 2% stability target, which was specified as “around fiscal 2019”, was removed in this outlook. It is thought that the BoJ intends to depart from a structure which was intertwined with market participants’ speculation about a change in the timing, and to allow a greater degree of freedom in policy management, including an exit strategy.

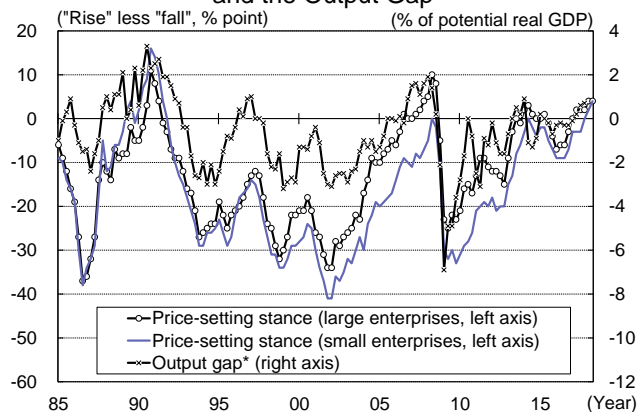
Looking at the trend of prices, which is key in forecasting future monetary policy, core consumer prices (excluding fresh food) grew 0.7% YoY, slowing from the previous month (0.9% YoY). Nevertheless, the conditions which will support a rise in prices are present. First, firms’ price-setting stance is steadily becoming more forward thinking owing to a tightening of the output gap. According to the BoJ’s Tankan survey, there is a continued clear improvement

in the output prices diffusion index as the output gap enters positive territory. In particular, the output prices diffusion index for small enterprises recorded excess “rise” for the first time in 26 years (Chart 8). It appears that the rise in labour costs, which reflects the tight labour market, is pushing corporations’ pricing decisions, led by the non-manufacturing sector, such as “accommodation, eating and drinking services” and “transport and postal activities”. Looking forwards, it seems that the JPY appreciation at the start of the year has been pushing down prices, but the exchange rate has already returned to around JPY108 to the USD (Chart 9). The current rise in oil prices will probably push up prices in the future, and core CPI is forecast to accelerate to around 1% YoY (excluding the effect of the consumption tax rise).

That being said, as the BoJ is still some distance from achieving its 2% price target, it is likely to maintain its current monetary policy framework for the time being. However, there is a view that extending monetary easing further could lead to the emergence of side effects as well as the importance of preserving the scope for easing at times of economic downturn. As a result, there is a possibility that the BoJ will make small adjustments to its monetary policy once prices reach a certain level.

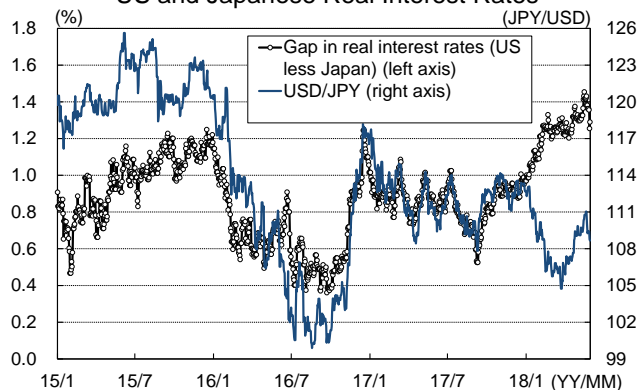
Since the JPY appreciation at the start of the year, it returned to around JPY111 to the USD on 21st May; however, owing to risk adverse behaviour brought about by US trade policies and uncertainty regarding the political situation in Italy, the JPY is currently around JPY108 per USD and will continue to fluctuate considerably. Looking ahead, despite some jitters, the JPY is expected to follow a gradual trend of depreciation on the back of the gap between US and Japanese real interest rates, which emerged from a difference in US and Japanese monetary policy.

Chart 8: Firms' Price-Setting Stance and the Output Gap



Note: *Output gap = real GDP less potential real GDP (Cabinet Office estimate)
Source: Cabinet Office, Bank of Japan, MUFG Bank Economic Research Office

Chart 9: USD/JPY and the Gap Between US and Japanese Real Interest Rates



Note: "Real interest rate" is the 10-year JGB yield less the break-even inflation rate
Source: Bloomberg, MUFG Bank Economic Research Office

(Translated by Elizabeth Foster)

Outlook for the Japanese Economy

Reflecting Jan-Mar 2018 GDP (the preliminary estimates)

	Forecast →												(%, billion yen)			
	2017				2018				2019				2020	FY2017	FY2018	FY2019
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	Q1			
1. The Real Economy (QoQ annualized change)																
Real GDP	2.6	2.0	2.0	0.6	-0.6	2.1	1.4	1.4	1.4	1.5	2.0	-3.0	0.9	1.5	1.2	0.9
Private Consumption	2.1	2.9	-2.6	0.9	-0.0	1.3	1.1	1.1	1.2	1.3	3.2	-7.0	1.3	0.8	0.7	0.5
Housing Investment	4.8	3.8	-6.4	-10.3	-8.2	-3.2	-0.8	0.0	2.4	4.9	3.2	-13.3	-7.8	-0.3	-4.1	-0.1
Private Business Fixed Investment	2.3	3.4	4.0	2.6	-0.3	3.3	2.5	2.6	2.7	2.8	3.4	-3.4	2.3	3.0	2.3	2.0
Business Inventory (Contribution)	0.4	-0.2	1.5	0.4	-0.6	0.6	0.2	0.2	0.1	0.0	0.0	0.1	0.2	0.1	0.3	0.1
Government Expenditures	0.9	4.7	-2.1	-0.3	0.0	0.5	0.5	0.6	0.7	1.0	1.5	1.6	1.4	0.7	0.1	1.1
Public Investment	-0.2	20.3	-10.0	-1.5	0.1	-0.4	-0.4	0.4	1.2	2.0	2.8	3.2	2.4	1.5	-0.7	1.9
Net Exports (Contribution)	0.4	-1.1	2.2	-0.4	0.3	0.1	0.1	0.0	0.0	-0.1	-0.8	1.5	-0.5	0.4	0.2	-0.0
Exports	8.6	-0.3	8.2	9.2	2.6	2.4	2.4	2.3	2.3	2.3	2.3	2.3	2.2	6.2	3.6	2.3
Imports	6.5	7.2	-5.2	12.9	1.2	1.6	2.0	2.2	2.2	3.0	7.0	-5.9	4.9	4.0	2.6	2.4
Nominal GDP	0.6	3.6	3.1	0.5	-1.5	2.0	3.0	3.8	1.5	2.2	3.1	1.0	0.9	1.6	1.6	2.2
GDP Deflator (YoY)	-0.9	-0.3	0.1	0.1	0.5	-0.0	0.0	0.6	1.0	1.1	1.0	1.5	1.5	0.1	0.4	1.3
Industrial Production Index (QoQ)	0.2	1.8	0.5	1.6	-1.4	2.3	0.9	0.9	1.0	1.0	1.5	-1.4	0.3	4.1	3.5	2.9
Domestic Corporate Goods Price Index (YoY)	0.9	2.1	2.8	3.3	2.5	2.3	2.3	2.1	2.0	2.0	2.0	3.9	3.9	2.7	2.2	3.0
Consumer Price Index (excl. fresh food, YoY)	0.2	0.4	0.6	0.9	0.9	1.0	1.0	1.1	1.2	1.1	1.0	2.0	1.9	0.7	1.1	1.5
2. Balance of Payments																
Trade Balance (billion yen)	1,294	819	1,578	1,291	717	-540	-266	-45	-149	-666	-706	-26	-257	4,582	-1,000	-1,655
Current Balance (billion yen)	5,360	4,994	5,806	5,895	4,611	3,430	3,811	4,082	4,028	3,532	3,491	4,171	3,938	21,736	15,351	15,133
3. Financial																
Uncollateralized overnight call rate	0.0	-0.1	-0.1	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Euro-Yen TIBOR (3-month 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
Newly Issued 10-Year Government Bonds Yield	0.1	0.0	0.0	0.0	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.3
Exchange Rate (USD/JPY)	114	111	111	113	108	109	111	112	113	113	113	113	113	111	111	112

Note: *Uncollateralized overnight call rate* is the average rate during the last month of the period. *Euro-Yen TIBOR (3-month rate)*, *Newly Issued 10-Year Government Bonds Yield* and *Exchange Rate (USD/JPY)* are averages during the period.

Source: Various statistics, Bloomberg, MUFG Bank Economic Research Office

MAIN ECONOMIC AND FINANCIAL INDICATORS (JAPAN)

1. Main Economic Indicators

As of May. 31, 2018

	Fiscal	Fiscal	2017		2018	2017	2018			
	2016	2017	3Q	4Q	1Q	DEC	JAN	FEB	MAR	APR
Real GDP Growth Rate <% changes from previous period at SA annual rate>	1.2	1.5	2.0 (1.9)	0.6 (1.8)	-0.6 (0.9)	***	***	***	***	***
Index of All Industries Activity	0.5	1.7	-0.1 (1.5)	0.7 (1.8)	-0.4 (1.3)	0.5 (2.0)	-1.1 (1.8)	0.4 (1.1)	0.0 (1.1)	
Industrial Production Index	1.0	4.1	0.5 (4.0)	1.6 (4.6)	-1.3 (2.4)	1.8 (4.5)	-4.5 (2.9)	2.0 (1.6)	1.4 (2.4)	0.3 (2.5)
Production										
Shipments	0.8	3.3	0.6 (3.8)	0.8 (3.1)	-1.1 (1.5)	2.0 (4.3)	-4.5 (2.2)	1.6 (0.7)	1.2 (1.4)	1.8 (3.8)
Inventory	-4.0	3.9	-1.4 (-2.5)	2.2 (1.9)	3.4 (3.9)	0.0 (1.9)	-0.5 (1.5)	0.5 (1.6)	3.3 (3.9)	-0.4 (1.9)
Inventory/Shipments Ratio (2010=100)	112.9	112.4	111.1 [114.3]	112.1 [109.7]	114.9 [111.1]	111.7 [108.9]	113.7 [111.2]	114.0 [111.1]	117.1 [111.0]	113.7 [113.1]
Domestic Corporate Goods Price Index	-2.4	2.7	0.4 (2.8)	0.9 (3.3)	0.6 (2.5)	0.2 (3.0)	0.3 (2.7)	0.1 (2.6)	-0.1 (2.1)	0.1 (2.0)
Consumer Price Index(SA, total, excl.fresh foods)	-0.2	0.7	0.0 (0.6)	0.4 (0.9)	-0.1 (0.9)	0.0 (0.9)	0.2 (0.9)	0.1 (1.0)	-0.1 (0.9)	-0.1 (0.7)
Index of Capacity Utilization (2010=100)	98.6	101.7	101.6 [98.0]	102.7 [100.1]	101.0 [100.1]	103.9 [101.1]	98.6 [99.3]	101.9 [100.8]	102.4 [100.2]	
Machinery Orders(Private Demand, Excl.Electric Power and Ship building)	0.5	-0.8	2.8 (-2.5)	0.3 (0.0)	3.3 (0.2)	-9.3 (-5.0)	8.2 (2.9)	2.1 (2.4)	-3.9 (-2.4)	
Manufacturing	-4.6	9.2	6.2 (9.2)	3.5 (13.3)	2.5 (10.6)	-8.5 (3.0)	9.9 (16.8)	8.0 (21.4)	-17.5 (-1.5)	
Non-manufacturing Excl.Electric Power & Ship building	4.3	-7.8	0.0 (-10.1)	-2.1 (-9.7)	3.4 (-6.9)	-5.3 (-10.9)	4.4 (-7.0)	0.0 (-10.4)	2.2 (-4.9)	
Shipments of Capital Goods (Excl.Transport Equipment)	1.4	6.2	1.2 (4.3)	3.1 (7.2)	-0.5 (7.0)	3.1 (10.4)	-3.4 (9.5)	-1.4 (3.1)	3.0 (8.3)	2.7 (9.6)
Construction Orders	4.0	0.7								
Private	5.1	0.6								
Public	8.4	-5.4								
Public Works Contracts	4.1	-4.3								
Housing Starts 10,000 units at Annual Rate, SA	97.4 (5.8)	94.6 (-2.8)	95.4 (-2.4)	94.8 (-2.4)	89.2 (-8.0)	93.6 (-2.1)	85.6 (-13.2)	92.6 (-2.6)	89.5 (-8.3)	
Total floor	(4.1)	(-3.7)	(-3.7)	(-3.2)	(-9.2)	(-2.9)	(-14.9)	(-5.6)	(-7.2)	
Sales at Retailers	-0.2	1.9								
Real Consumption Expenditures of Households over 2 persons (SA)	-1.6	0.4	-0.4 (0.0)	-0.6 (0.5)	1.1 (0.6)	-1.6 (-0.1)	2.8 (2.0)	-1.5 (0.1)	-0.1 (-0.2)	
Propensity to Consume (SA, %)	72.1	71.7	70.3 [71.3]	71.3 [71.8]	71.4 [73.0]	70.9 [72.0]	74.5 [71.5]	69.3 [75.1]	70.6 [72.4]	[73.1]
Overtime Hours Worked (All Industries, 5 employees or more)	-0.7	0.4	-0.2 (0.9)	0.3 (1.2)	-1.1 (-1.2)	-0.8 (1.5)	-1.7 (-2.0)	1.4 (-0.9)	-0.1 (-0.9)	
Total Cash Earnings (Regular Employees Only; All Industries, 5 employees or more)	0.4	0.7								
Employment Index(Regular Employees Only;All Industries, 5 employees or more) (Change over the M/Q/Y)	103	105	130	133	25	129	25	30	21	
Ratio of Job Offers to Applicants (SA, Times)	1.39	1.54	1.52 [1.37]	1.57 [1.41]	1.59 [1.44]	1.59 [1.43]	1.59 [1.43]	1.58 [1.44]	1.59 [1.45]	1.59 [1.47]
Unemployment Rate (SA, %)	3.0	2.7	2.8	2.7	2.5	2.7	2.4	2.5	2.5	2.5
Economy Watcher Survey (Judgment of the present condition D.I.%)	46.4	50.5	50.3 [45.5]	53.3 [49.8]	49.1 [48.7]	53.9 [50.7]	49.9 [49.4]	48.6 [48.8]	48.9 [47.9]	49.0 [48.5]
Bankruptcies (Number of cases)	8,381 (-3.5)	8,367 (-0.2)	2,032 (-2.6)	2,106 (1.0)	2,041 (-1.8)	696 (-2.0)	635 (5.0)	617 (-10.3)	789 (0.4)	650 (-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 May. 31, 2018

	Fiscal	Fiscal	2017		2018	2017	2018			
	2016	2017	3Q	4Q	1Q	DEC	JAN	FEB	MAR	APR
Customs Clearance (Exports in Yen Terms)	-3.5	10.8	(15.1)	(13.0)	(4.9)	(9.4)	(12.3)	(1.8)	(2.1)	(7.8)
Value	-5.8	6.0	(8.8)	(8.1)	(2.4)	(4.6)	(2.7)	(4.1)	(0.3)	(3.0)
Volumes	2.4	4.5	(5.8)	(4.6)	(2.6)	(4.5)	(9.3)	(-2.1)	(1.8)	(4.6)
Imports (In Yen terms)	-10.2	13.7	(14.8)	(17.0)	(7.4)	(15.0)	(7.8)	(16.6)	(-0.5)	(5.9)
Value	-10.7	10.1	(12.8)	(12.7)	(4.7)	(8.6)	(5.0)	(4.4)	(4.5)	(4.4)
Volumes	0.5	3.3	(1.8)	(3.9)	(2.6)	(5.9)	(2.6)	(11.7)	(-4.9)	(1.5)
Current Account (100 mil. yen)	210,188	217,362	70,061	43,257	58,057	7,965	6,074	20,760	31,223	
Goods (100 mil. yen)	57,851	45,818	17,588	11,527	7,128	5,250	-6,666	1,887	11,907	
Services (100 mil. yen)	-13,813	-6,029	-2,652	-1,975	1,476	-1,941	-1,682	1,227	1,931	
Financial Account (100 mil. yen)	247,407	194,144	45,817	30,753	73,592	18,645	12,072	15,390	46,130	
Gold & Foreign Exchange Reserves (\$1mil.)	1,230,330	1,268,287	1,266,310	1,264,283	1,268,287	1,264,283	1,268,535	1,261,749	1,268,287	1,256,018
Exchange Rate (¥/\$)	108.37	110.80	111.01	112.95	108.20	112.97	110.77	107.82	106.00	107.43

3. Financial Market Indicators

	Fiscal	Fiscal	2017		2018	2017	2018				
	2016	2017	3Q	4Q	1Q	DEC	JAN	FEB	MAR	APR	
Uncollateralized Overnight Call Rates	-0.045	-0.050	-0.054 [-0.046]	-0.042 [-0.043]	-0.048 [-0.042]	-0.042 [-0.044]	-0.040 [-0.045]	-0.042 [-0.038]	-0.062 [-0.042]	-0.063 -0.054	
Euro Yen TIBOR (3 Months)	0.057	0.065	0.062 [0.057]	0.063 [0.056]	0.078 [0.056]	0.063 [0.056]	0.068 [0.056]	0.068 [0.056]	0.097 [0.056]	0.097 [0.056]	
Newly Issued Japanese Government Bonds Yields (10 Years)	0.065	0.045	0.060 [-0.085]	0.045 [0.040]	0.045 [0.065]	0.045 [0.040]	0.080 [0.085]	0.045 [0.050]	0.045 0.065	0.050 [0.015]	
Average Contracted Interest Rates on Loans and Discounts(City Banks) (% changes from previous period)	0.847	0.817	0.831 (-0.011)	0.828 (-0.003)	0.817 (-0.011)	0.828 (-0.007)	0.827 (-0.001)	0.827 (0.000)	0.817 (-0.010)		
The Nikkei Stock Average (TSE 225 Issues)	18,909	21,454	20,356 [16,450]	22,765 [19,114]	21,454 [18,909]	22,765 [19,114]	23,098 [19,041]	22,068 [19,119]	21,454 [18,909]	22,468 [19,197]	
M2(Average)	(3.6)	(3.7)	(4.0)	(3.9)	(3.2)	(3.6)	(3.4)	(3.2)	(3.1)	(3.3)	
Broadly-defined Liquidity(Average)	(1.8)	(3.3)	(3.7)	(3.8)	(3.0)	(3.5)	(3.3)	(3.0)	(2.7)	(2.9)	
Principal Figures of Financial Institutions											
Loans and Discount (Average)	Banks & Shinkin	(2.4)	(2.8)	(3.1)	(2.6)	(2.1)	(2.5)	(2.3)	(2.1)	(2.0)	(2.1)
	Banks	(2.4)	(2.8)	(3.2)	(2.6)	(2.1)	(2.4)	(2.3)	(2.1)	(1.9)	(2.0)
	City Banks etc.	(1.2)	(2.0)	(2.8)	(1.7)	(0.7)	(1.2)	(1.1)	(0.6)	(0.3)	(0.5)
	Regional Banks	(3.5)	(3.7)	(3.7)	(3.7)	(3.5)	(3.6)	(3.5)	(3.6)	(3.5)	(3.6)
	Regional Banks II	(3.1)	(3.0)	(3.1)	(3.0)	(2.8)	(3.0)	(2.8)	(2.8)	(2.8)	(2.7)
Deposits and CDs (Average)	Shinkin	(2.3)	(2.7)	(2.7)	(2.6)	(2.5)	(2.6)	(2.5)	(2.5)	(2.5)	(2.3)
	Total(3 Business Condition)	(3.8)	(4.2)	(4.5)	(4.3)	(3.5)	(4.0)	(3.8)	(3.5)	(3.3)	(3.8)
	City Banks	(5.5)	(5.9)	(6.4)	(6.1)	(4.9)	(5.7)	(5.3)	(4.9)	(4.5)	(5.3)
	Regional Banks	(2.3)	(2.5)	(2.6)	(2.5)	(2.2)	(2.5)	(2.4)	(2.2)	(2.0)	(2.3)
	Regional Banks II	(2.1)	(2.1)	(2.3)	(2.0)	(1.6)	(1.8)	(1.6)	(1.7)	(1.5)	(1.7)

(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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