

Japan Economics: Weekly Monitor

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Chart of the week: Recovery in housing starts has stopped2

Housing starts for July was almost flat +0.1% mom after -1.3% in June. Housing starts have looked to finish its recovery phase since January of this year.

The Week ahead3

Next week, the second preliminary GDP estimates for the April-June quarter (2Q), and the balance of payments for July will be released on the 8th.

Incorporating results of the 1Q MoF corporate survey, capex is expected to be revised up (from -1.5% to +0.8%), inventory contribution is likely to be downgraded (from -0.1pp to -0.5pp). Since those two effects would cancel out, we expect real GDP growth rate to remain unchanged from +0.2% qoq annualized.

Our estimates based on the customs-cleared trade statistics point to a seasonally adjusted current account surplus of about 1.63 trillion yen in July after 1.65 trillion yen in June.

BoJ monetary policy meeting outlook5

The policy board of the BoJ is scheduled to review a report prepared by the staff on "comprehensive assessment" of QQE+NIRP at the next board meeting on 20-21 September. We have seen little to alter our view and continue to expect no additional surprise moves from the BoJ on 21 September.

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Recent publications

[Japan Economic Adviser: We continue to expect no additional surprise moves from the BoJ on 21 September](#) (1 September 2016)

[Japan Economic Adviser: Income policies won't work](#) (22 August 2016)

[Japan Economic Adviser: BoJ Governor Kuroda suggests NIRP expansion remains an policy option](#) (22 August 2016)

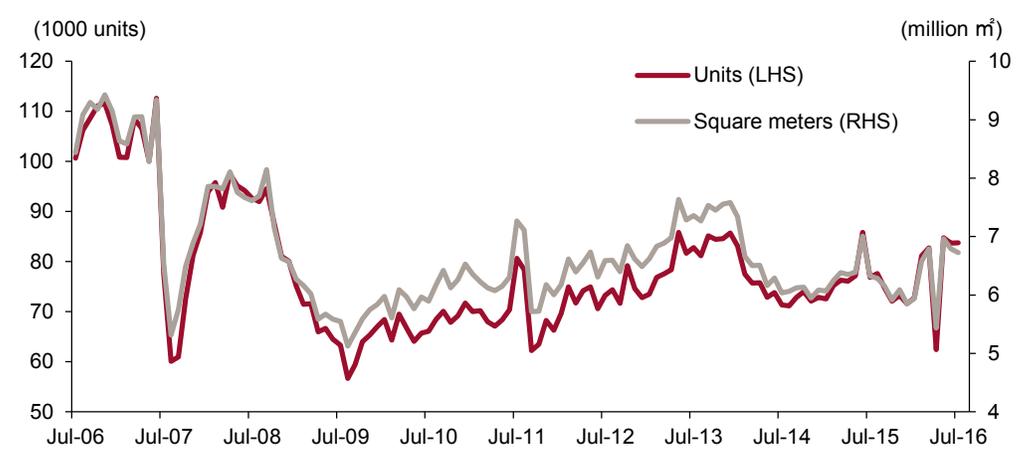
[Japan Economic Adviser: Balance of Payments Monitor \(August 2016\): Current account surplus above 3% of GDP for a fifth straight quarter](#) (18 August 2016)

[Japan Economic Adviser: Japan Inflation Watch \(August 2016\): Quite limited impact on our inflation forecast from the stimulus package](#) (17 August 2016)

Chart of the week: Recovery in housing starts has stopped

Housing starts for July were almost flat at +0.1% mom after -1.3% in June. Housing starts have looked to finish its recovery phase since January of this year. The amount of housing construction orders in July, which are used for estimating housing investment in the GDP statistics, were -0.2% lower than the Apr-Jun average.

Figure 1: New Housing Started



Source: MLIT, Credit Suisse

The week ahead

Next week, the second preliminary GDP estimates for the April-June quarter (2Q), and the balance of payments for July will be released on the 8th.

GDP 2nd prelim (Apr-Jun) forecast: 0.2 (qoq%, ann)

Thursday, September 8
8:50

Incorporating results of the 1Q MoF corporate survey, capex is expected to be revised up (from -1.5% to +0.8%), inventory contribution is likely to be downgraded (from -0.1pp to -0.5pp). Since those two effects would cancel out, we expect the real GDP growth rate to remain unchanged from +0.2% qoq annualized.

Figure 2: GDP results (1st preliminary estimates)

%, pp, * contribution

	QoQ, SA, annualized			
	15Q3	15Q4	16Q1	16Q2(1 st)
Real GDP	2.0	-1.7	2.0	0.2
Private consumption	1.8	-3.2	2.8	0.6
Housing investment	4.3	-1.8	-0.5	21.3
Capex	3.0	4.8	-2.7	-1.5
Private inventory(*)	-0.4	-0.7	-0.4	-0.1
Government consumption	1.0	3.1	3.6	0.9
Public investment	-7.5	-12.5	0.4	9.5
Net export(*)	0.8	0.2	0.5	-1.0
Export	10.6	-3.7	0.4	-5.9
Import	4.9	-4.2	-2.1	-0.3
Real GDP (yoy, %)	1.8	0.7	0.2	0.6
Nominal GDP (yoy%)	3.6	2.2	1.1	1.3
GDP deflator (yoy%)	1.8	1.5	0.9	0.8

Source: Cabinet Office, METI, Credit Suisse

Balance of Payments (July) forecast: 1.63 trillion yen

Thursday, September 8
8:50

Our estimates based on the customs-cleared trade statistics point to a seasonally adjusted current account surplus of about 1.63 trillion yen in July after 1.65 trillion yen in June. While the trade balance is expected to show a somewhat narrower surplus of about 400 billion yen after 470 billion yen surplus, the income balance (1.41 trillion yen surpluses) will likely shrink due to yen appreciation.

Figure 3: Current account balance

Monthly, seasonally adjusted, ¥100mn



Source: MoF, Credit Suisse

Figure 4: Key data and events

		Indicator	CS Est.	Consensus	Prior
Sep 5 (Mon)	9:00	Monthly Labor Survey (Jul) - Total cash earnings (yoy%)	--	0.5	1.4
Sep 7 (wed)	14:00	Indexes of Business Conditions (Jul, prelim) - Leading CI	--	98.6	99.2
		- Coincident CI	--	111.7	111.1
Sep 8 (Thu)	8:50	GDP (Apr - Jun, 2nd prelim) - Real GDP (qoq%, annualized)	0.2	0.1	0.2
	8:50	Balance of Payments (Jul) - Current account (sa, ¥ tn)	1.63	1.61	1.65
	8:50	Bank Lending (Aug) (yoy%)	--	--	2.1
	14:00	Economy Watchers Survey (Aug) - DI for current economic conditions	--	--	45.1
Sep 9 (Fri)	8:50	Money Stock (Aug) - M2 (yoy%)	--	3.3	3.3
		- Broadly Defined Liquidity (yoy%)	--	--	1.7
	13:30	Tertiary Industry Index (Jul) (mom%)	--	0.4	0.8

Source: BoJ, Cabinet Office, Ministry of Public Management, Home Affairs, Posts and Telecommunications, MoF, METI, MHLT, MLIT, the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

BoJ monetary policy meeting outlook

The policy board of the BoJ is scheduled to discuss and review a report prepared by the staff on "comprehensive assessment" of the QQE+NIRP at the next board meeting on 20-21 September. We have seen little to alter our view and continue to expect no additional surprise moves from the BoJ on 21 September.

The bank is likely to essentially make positive assessments for the QQE+NIRP, and therefore, we don't see a high probability of the policy review laying a platform for further action of a "ground-breaking" nature such as JGB underwriting and foreign security buying. If the BoJ indeed assesses its policy efforts in a generally favorable light without expressing material "remorse", then we see little scope for "radical innovation".

The BoJ is expected to argue that the NIRP has helped to stimulate borrowing and investment while also alleviating problems pertaining to the "zero lower bound", shrugging off the latest criticism by the financial industry that the policy is weighing on banks' profitability. It is likely for the Bank to continue to see room for the marginal (Tier 3) policy rate to be lowered deeper into negative territory. We therefore think that expansion of the NIRP will be the most likely next action by the BoJ while we think that a small and temporary upgrade to the JGB purchase amount is possible as well.

The Bank is foreseen to point out importance of recognizing the fact that the central bank cannot simply keep expanding its balance sheet without limit. We expect the board to argue that greater attention may therefore need to be paid to the sustainability of BoJ asset purchases in the medium term. In relating to this, our anticipation is that the BoJ may declare its consideration of introducing a new monetary policy framework in which asset purchases are made more sustainable over a longer run and re-anchoring of inflation expectations are more secured.

Figure 5: Credit Suisse expectations for BoJ monetary policy meetings in 2016

PRB denotes Policy-rate balance (the third tier balance), ○: a likely action under base cases, △: a possible action under risk cases

Dates for CY2016	Outlook report	Credit Suisse expectations for each policy action									
		Monetary base target upgrade	JGB purchase upgrade	JGB targeted maturity upgrade	EQ ETF purchase upgrade	J-REIT purchase upgrade	CB/CP purchase upgrade	Reduction in the rate on PRB	Reduction in the loan rate	Easing of collateral standards	Other asset purchase
Apr 27-28	yes	—	—	—	—	—	—	—	—	—	—
Jun 15-16		—	—	—	—	—	—	—	—	—	—
Jul 28-29	yes	—	—	—	Increased	—	—	—	—	—	—
Sep 20-21											
Oct 31- Nov 1	yes		△					○	○		△
Dec 19-20											

Source: BoJ, Credit Suisse

Calendar

Mon	Tue	Wed	Thu	Fri
8/29	30	31	9/1	2
8:50 Input-Output Price Index of MFG (Jul) Output/Input Ratio Index (yoy%) -8.4 / -5.5	8:30 Household Survey (Jul) Real expenditures (mom%, sa) 2.5 8:30 Unemployment Rate (Jul) (%) 3.0 8:30 Effective-Job-Offers-to-Job-Seekers Ratio (Jul) (X) 1.37 8:50 Retail Sales (Jul, prelim) (yoy%) -0.2	8:50 Industrial Production (Jul, prelim) (mom%): 0.0 14:00 New Housing Starts (Jul) (yoy%) 8.9	8:50 MOF Corporate Survey (Q2) All Industry Investment (exclude software, qoq%) -0.5	8:50 Monetary Base (Aug) (yoy%) 24.2 14:00 Consumer Confidence Survey (Aug)
9/5	6	7	8	9
9:00 Monthly Labor Survey (Jul)		14:00 Indexes of Business Conditions (Jul, prelim)	8:50 GDP (Apr - Jun, 2nd prelim) Real GDP (qoq%, annualized) CS forecast: 0.2 8:50 Balance of Payments (Jul) Current account (sa, ¥ tn) CS forecast: 1.63 8:50 Bank Lending (Aug) 14:00 Economy Watchers Survey (Aug)	8:50 Money Stock (Aug) 13:30 Tertiary Industry Index (Jul)
9/12	13	14	15	16
8:50 Machinery Orders (Jul) 8:50 Corporate Goods Price Index (Aug, prelim)	8:50 Business Outlook Survey (Q3)	1:30 Industrial Production (Jul, final)		
9/19	20	21	22	23
		8:50 Trade Balance (Aug) BOJ Monetary Policy Meeting		13:30 All Industry Activity Index (Jul)
9/26	27	28	29	30
8:50 Flow of funds (Q2 prelim)	8:50 Services Producer Price Index (Aug) 8:50 Minutes of the Monetary Policy Meeting (Jul 28-29)		8:50 Input-Output Price Index of MFG (Aug) 8:50 Retail Sales (Aug, prelim)	8:30 Consumer Price Index (Tokyo: Sep, Nationwide Aug) 8:30 Household Survey (Aug) 8:30 Unemployment Rate (Aug) 8:30 Effective-Job-Offers-to-Job-Seekers Ratio (Aug) 8:50 Industrial Production (Aug, prelim) 14:00 New Housing Starts (Aug)

Source: BoJ, Cabinet Office, Ministry of Public Management, Home Affairs, Posts and Telecommunications, MoF, METI, MHLW, MLIT, Credit Suisse

Japan economic forecasts

Figure 6: As of 2 September 2016

		2015				2016				2017				FY				CY			
		Q1	Q2	Q3	Q4	Q1	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	14	15	16E	17E	14	15	16E	17E
Real GDP qoq% annualized	Real GDP	4.9	-1.7	2.0	-1.7	2.0	0.2	0.6	0.4	0.5	0.8	0.7	0.7	-0.9	0.8	0.5	0.7	0.0	0.5	0.5	0.6
	Private consumption	0.2	-2.6	1.8	-3.2	2.8	0.6	1.2	1.0	0.5	1.0	0.4	0.5	-2.9	-0.2	0.7	0.7	-0.9	-1.2	0.5	0.8
	Private residential investment	11.0	7.0	4.3	-1.8	-0.5	21.3	1.4	1.0	0.0	-1.0	-2.0	1.0	-11.7	2.4	5.3	-0.2	-5.3	-2.5	4.4	1.2
	Private non-residential investment	12.7	-3.5	3.0	4.8	-2.7	0.8	-1.0	-1.0	0.5	-1.0	0.5	1.0	0.1	2.1	-0.5	-0.1	3.1	1.5	-0.1	-0.3
	Private inventory (contribution)	2.5	1.3	-0.4	-0.7	-0.4	-0.5	-0.3	-0.4	0.0	0.0	0.1	0.0	0.6	0.3	-0.3	0.2	0.2	0.6	-0.2	0.1
	Government consumption	1.1	1.3	1.0	3.1	3.6	0.9	1.5	1.5	1.5	1.5	1.5	1.5	0.1	1.6	1.9	1.5	0.1	1.2	2.1	1.5
	Public investment	-6.0	4.9	-7.5	-12.5	0.4	9.5	0.4	1.0	3.0	10.0	8.0	5.0	-2.6	-2.7	1.0	5.4	0.4	-2.5	-1.2	4.7
	Net exports (contribution)	0.4	-1.6	0.8	0.2	0.5	-1.0	0.0	0.0	-0.3	-0.3	-0.3	-0.3	0.6	0.1	-0.1	-0.2	0.0	0.4	0.0	-0.3
	Exports	6.9	-15.8	10.6	-3.7	0.4	-5.9	1.0	1.0	0.0	-3.0	-2.0	0.0	7.9	0.4	-1.0	-0.9	8.3	2.8	-1.4	-0.9
	Imports	4.3	-6.8	4.9	-4.2	-2.1	-0.3	1.0	1.0	2.0	-1.0	0.0	2.0	3.4	0.0	-0.3	0.6	7.2	0.3	-1.0	0.7
Real GDP (yoy%)		-1.0	0.7	1.8	0.7	0.2	0.6	0.3	0.8	0.4	0.6	0.6	0.7	-0.9	0.8	0.5	0.7	0.0	0.6	0.5	0.6
Nominal GDP (yoy%)		2.2	2.2	3.6	2.2	1.1	0.8	-0.7	-0.5	-1.6	-1.9	-0.6	-0.7	1.5	2.2	-0.4	-0.9	1.6	2.6	0.3	-1.2
Industrial production (yoy%)		-2.3	-0.8	-0.9	-0.8	-1.6	-1.8	-0.2	-0.7	-0.5	0.3	-0.3	-0.3	-0.5	-1.0	-0.8	-0.1	2.2	-1.2	-1.1	-0.2
Industrial production (qoq%)		1.1	-1.3	-1.0	0.0	-1.0	0.2	0.3	0.2	0.1	-0.3	-0.2	0.1	-	-	-	-	-	-	-	-
CPI (core, yoy%)		2.3	0.3	-0.2	-0.1	-0.1	-0.4	-0.4	-0.4	-0.1	0.0	0.0	0.2	2.9	0.0	-0.3	0.1	2.7	0.6	-0.3	0.0
CPI (core, ex. VAT, yoy%)		0.3	0.2	-0.2	-0.1	-0.1	-0.4	-0.4	-0.4	-0.1	-0.3	0.0	0.2	0.9	0.0	-0.3	0.0	1.2	0.0	-0.3	0.0
CPI (ex. food, energy and VAT, yoy%)		0.4	0.5	0.8	0.8	0.7	0.6	0.4	0.3	0.2	0.1	-0.1	-0.1	0.5	0.7	0.4	0.0	0.6	0.6	0.5	0.0
Unemployment rate (%)		3.5	3.4	3.4	3.3	3.2	3.2	3.2	3.1	3.0	3.0	3.0	3.0	3.5	3.3	3.1	3.0	3.6	3.4	3.2	3.0
Trade service balance to GDP (%)		-0.7	-0.7	-0.4	0.0	0.7	0.7	0.0	-0.2	-0.6	-0.9	-1.2	-1.4	-1.9	-0.1	0.0	-1.3	-2.8	-0.5	0.3	-1.0
Current account balance to GDP (%)		2.9	3.2	3.2	3.8	4.0	3.7	2.9	2.7	2.3	1.8	1.6	1.2	1.8	3.5	2.9	1.4	0.8	3.3	3.3	1.7
Fiscal balance to GDP (%)		-	-	-	-	-	-	-	-	-	-	-	-	-5.2	-4.4	-5.1	-5.4	-	-	-	-
IOER (%)		0.10	0.10	0.10	0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	0.10	-0.10	-0.10	-0.10	0.10	0.10	-0.10	-0.10
10yr JGB yields		0.41	0.47	0.36	0.27	-0.03	-0.22	-0.10	0.00	0.10	0.10	0.10	0.10	0.41	-0.03	0.10	0.20	0.33	0.27	0.00	0.10
USD/JPY		119.2	121.4	122.2	121.4	115.2	108.0	100.0	98.3	96.7	95.0	95.0	95.0	119.2	115.2	96.7	95.0	114.5	121.4	98.3	95.0

Notes: IOER, JGB yields, and USD/JPY are end of period data, while USD/JPY is average over period.
Source: Cabinet Office, MoF, METI, Statistics Bureau, Credit Suisse estimates

JGB yield forecasts and JGB auction schedule

Figure 7: JGB yield forecasts

	2yr	5yr	7yr	10yr	20yr	30yr
2016/09/30	-0.23	-0.22	-0.22	-0.10	0.26	0.36
2016/12/31	-0.13	-0.12	-0.12	0.00	0.36	0.46
2017/03/31	-0.03	-0.02	-0.02	0.10	0.46	0.56
2017/06/30	-0.03	-0.02	-0.02	0.10	0.46	0.56
2017/09/30	-0.03	-0.02	-0.02	0.10	0.46	0.56
2017/12/31	-0.03	-0.02	-0.02	0.10	0.46	0.56
2018/03/31	0.07	0.08	0.08	0.20	0.56	0.66

Source: Credit Suisse

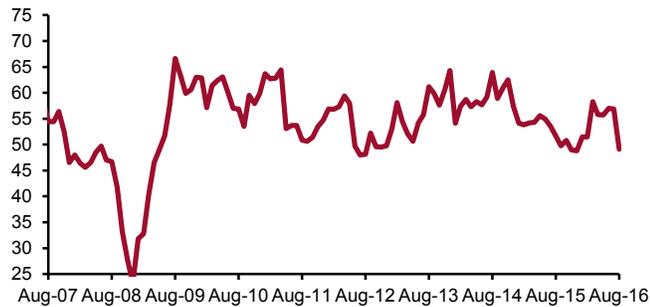
Figure 8: JGB auction schedule

2016/09/06	(Tue)	30y	2016/10/18	(Tue)	1y T-bill
2016/09/07	(Wed)	6m T-bill	2016/10/18	(Tue)	Enhanced liquidity
2016/09/08	(Thu)	3m T-bill	2016/10/20	(Thu)	3m T-bill
2016/09/08	(Thu)	5y	2016/10/20	(Thu)	Enhanced liquidity
2016/09/13	(Tue)	20y	2016/10/25	(Tue)	20y
2016/09/14	(Wed)	1y T-bill	2016/10/27	(Thu)	3m T-bill
2016/09/15	(Thu)	3m T-bill	2016/10/27	(Thu)	2y
2016/09/15	(Thu)	Enhanced liquidity	2016/11/02	(Wed)	3m T-bill
2016/09/20	(Tue)	3m T-bill	2016/11/02	(Wed)	Enhanced liquidity
2016/09/23	(Fri)	Enhanced liquidity	2016/11/08	(Tue)	6m T-bill
2016/09/27	(Tue)	40y	2016/11/08	(Tue)	10y
2016/09/29	(Thu)	3m T-bill	2016/11/10	(Thu)	3m T-bill
2016/09/29	(Thu)	2y	2016/11/10	(Thu)	30y
2016/10/04	(Tue)	10y	2016/11/15	(Tue)	5y
2016/10/05	(Wed)	6m T-bill	2016/11/16	(Wed)	1y T-bill
2016/10/06	(Thu)	3m T-bill	2016/11/17	(Thu)	3m T-bill
2016/10/06	(Thu)	10y CPI linker	2016/11/17	(Thu)	20y
2016/10/12	(Wed)	2m T-bill	2016/11/22	(Tue)	Enhanced liquidity
2016/10/12	(Wed)	30y	2016/11/24	(Thu)	3m T-bill
2016/10/13	(Thu)	3m T-bill	2016/11/25	(Fri)	40y
2016/10/14	(Fri)	5y	2016/11/29	(Tue)	2y

Source: MoF, Credit Suisse

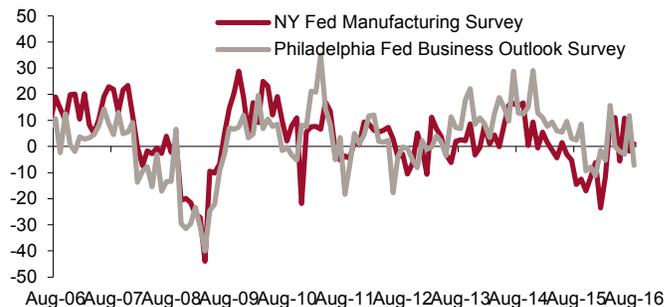
Major indicator charts and tables

Figure 9: US manuf. ISM survey new order index



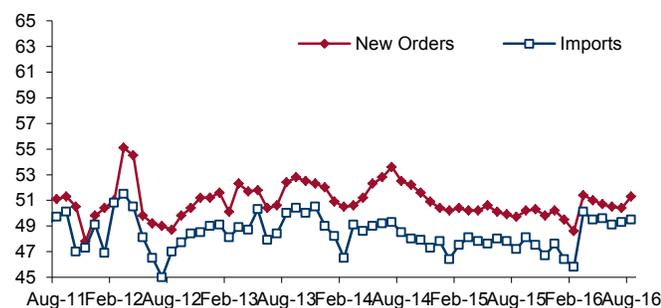
Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Figure 10: Manufacturing survey new order index



Source: NY Fed, Philadelphia Fed, Credit Suisse

Figure 11: China PMI manuf. survey



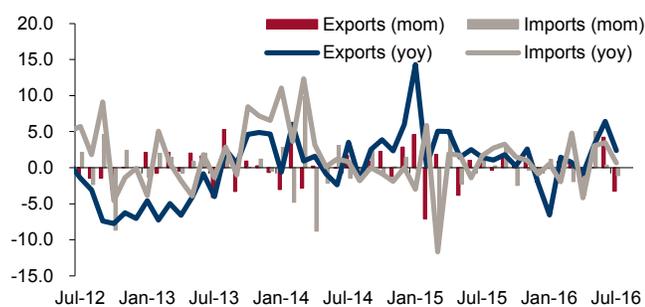
Source: Thomson Reuters Datastream, Credit Suisse

Figure 12: Real trade indices



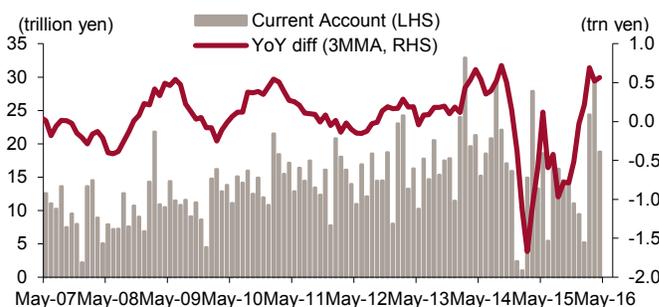
Source: BoJ, Credit Suisse

Figure 13: Customs-cleared trade indices



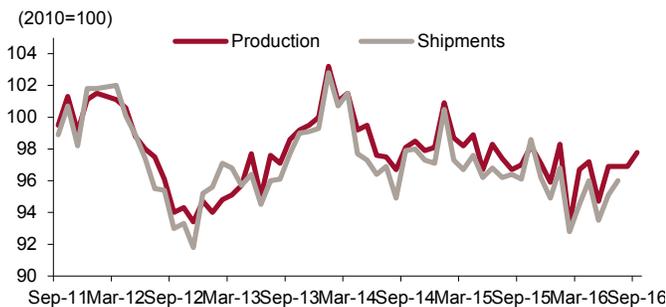
Source: MoF, Credit Suisse

Figure 14: Current account balance



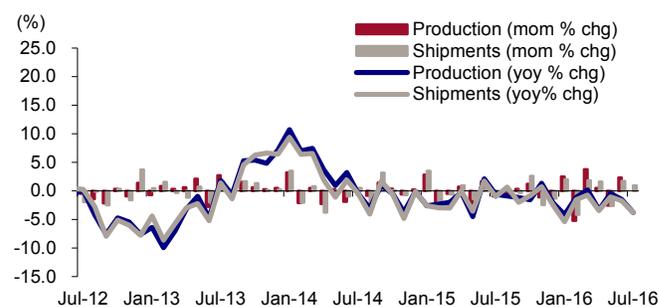
Source: BoJ, Credit Suisse

Figure 15: Industrial production and shipments



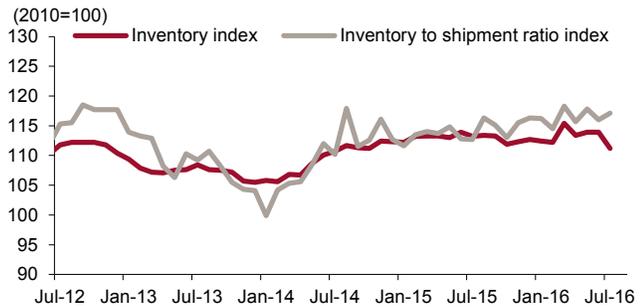
Note: Production data in August and September are METI's forecasts.
Source: METI, Credit Suisse

Figure 16: Industrial production and shipments (2)



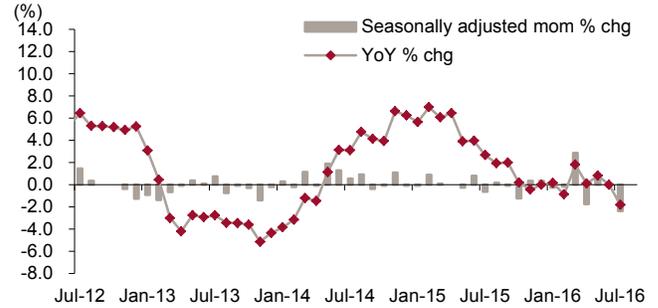
Source: METI, Credit Suisse

Figure 17: Industrial inventory index and inventory to shipment ratio



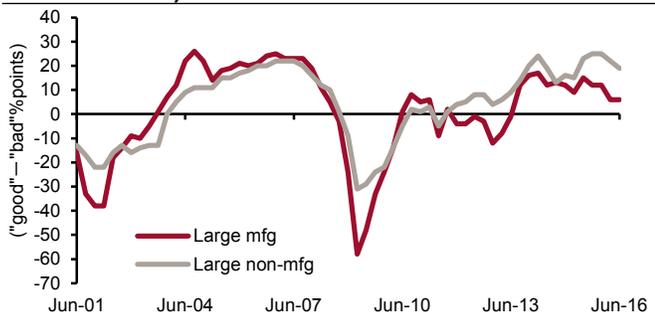
Source: METI, Credit Suisse

Figure 18: Industrial inventory changes



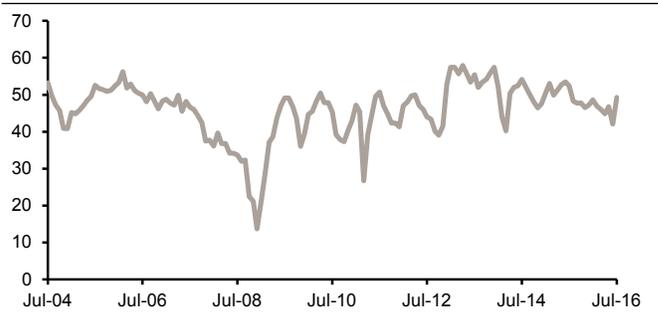
Source: METI, Credit Suisse

Figure 19: BoJ Tankan Survey (business conditions DI)



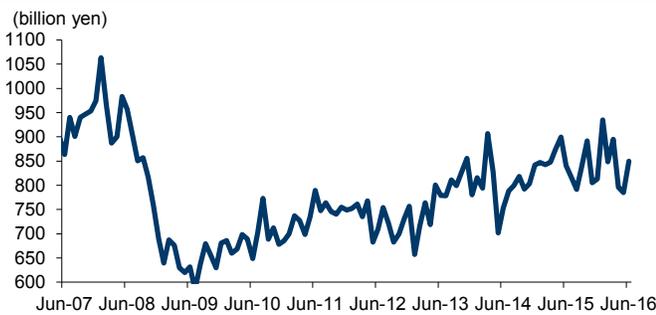
Source: BoJ, Credit Suisse

Figure 20: Business Watchers' Survey for manufacturers



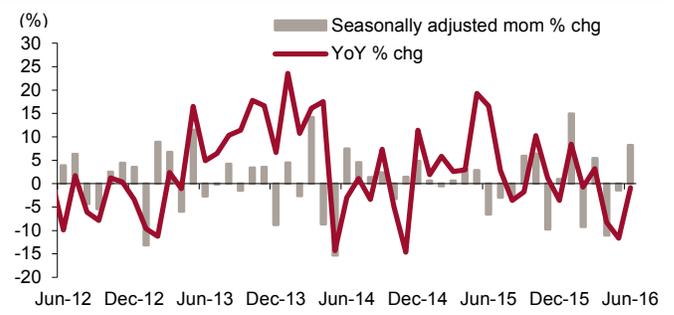
Source: Cabinet Office, the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Figure 21: Core machinery orders (1)



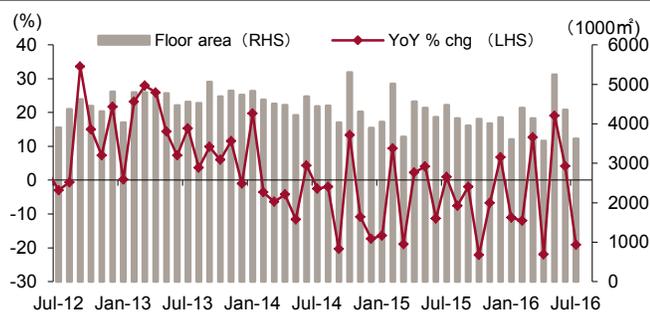
Source: Cabinet Office, Credit Suisse

Figure 22: Core machinery orders (2)



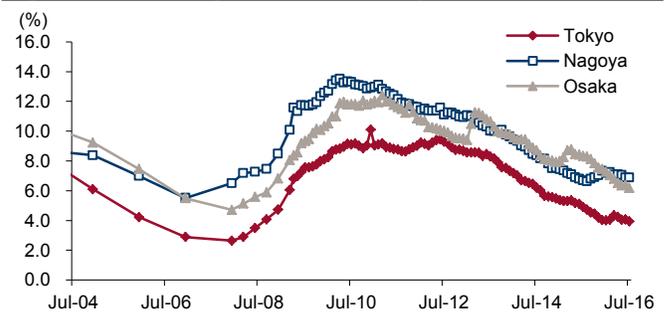
Source: Cabinet Office, Credit Suisse

Figure 23: Floor area of construction started (non-residential)



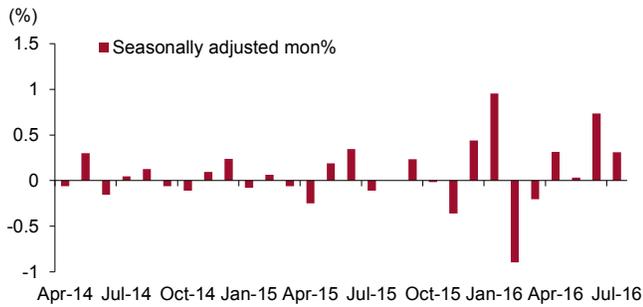
Source: MLIT, Credit Suisse

Figure 24: Average office vacancy rates



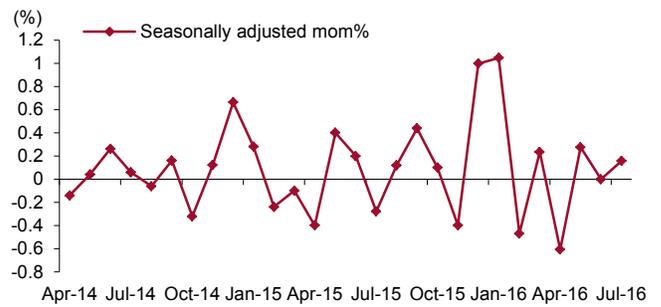
Source: Miki Shoji, Credit Suisse

Figure 25: Changes in the number of workers



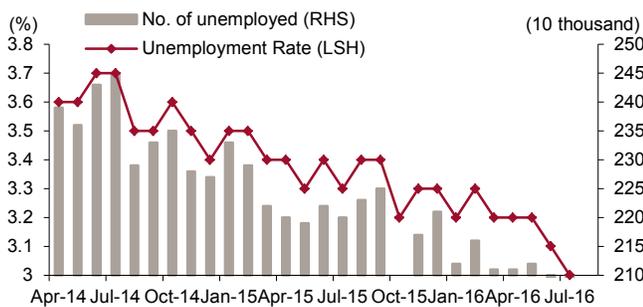
Source: MIC, Credit Suisse

Figure 26: Changes in the non-farm payroll number



Source: MIC, Credit Suisse

Figure 27: Unemployment rate



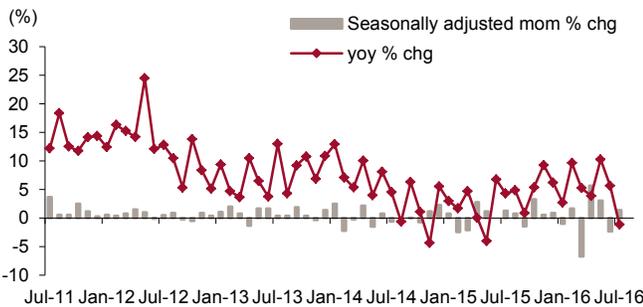
Source: MIC, Credit Suisse

Figure 28: Job offers to applicants ratio



Source: MLHS, Credit Suisse

Figure 29: New job offers (including part-time employees)



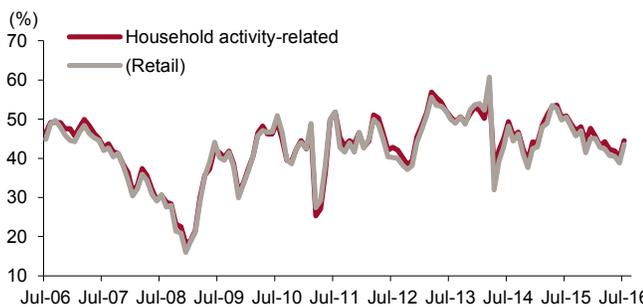
Source: MHLT, Credit Suisse

Figure 30: Consumer Sentiment Index



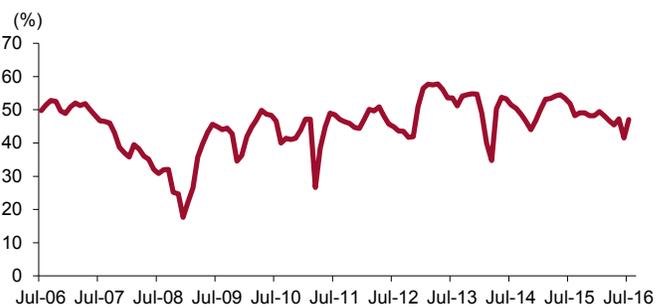
Note: Data before Jun 2012 are old base.
Source: Cabinet Office, Credit Suisse

Figure 31: Business Watchers' Survey – current business conditions DI for households



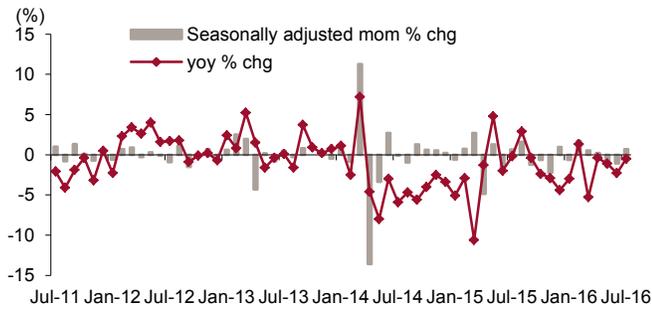
Source: Cabinet Office, Credit Suisse

Figure 32: Business Watchers' Survey –future business conditions DI for households



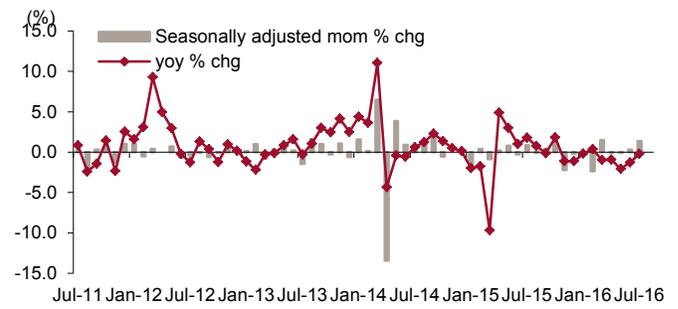
Source: Cabinet Office, Credit Suisse

Figure 33: Real household spending



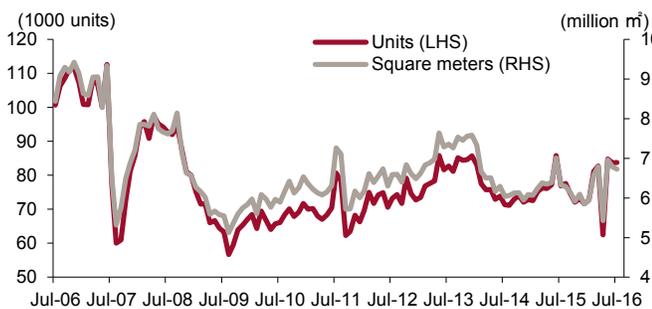
Source: Miki Shoji, Credit Suisse

Figure 34: Retail sales



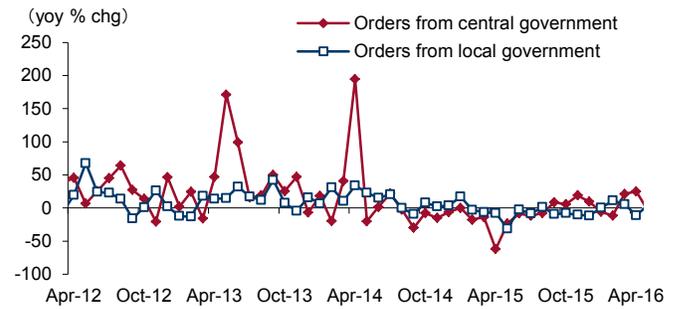
Source: METI, Credit Suisse

Figure 35: New housing started



Source: MLIT, Credit Suisse

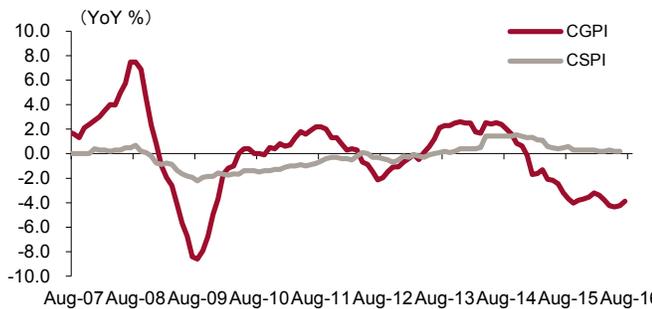
Figure 36: Construction orders from public sector



Note: Quarterly base, but monthly base for 2009.

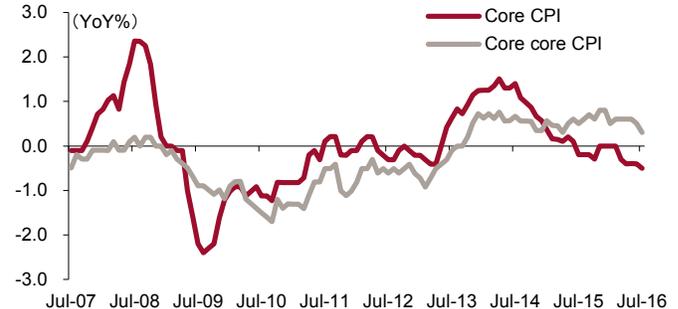
Source: MLIT, Credit Suisse

Figure 37: Corporate prices



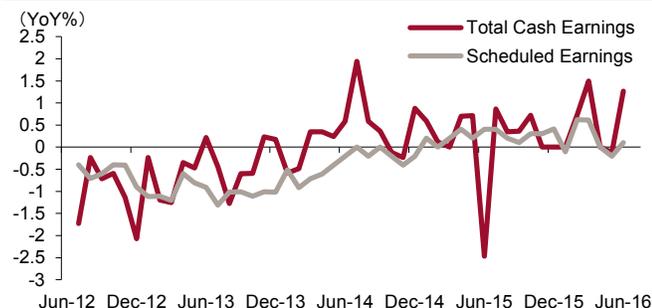
Source: BoJ, Credit Suisse

Figure 38: CPI



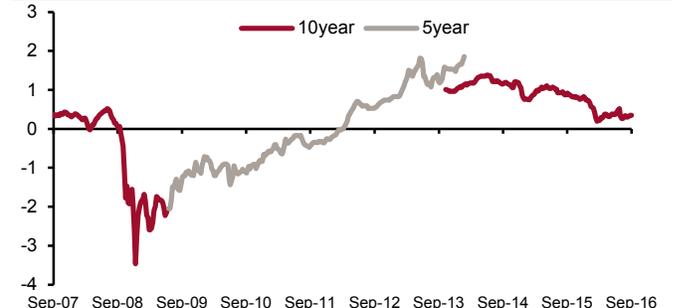
Source: MIC, Credit Suisse

Figure 39: Nominal wage indices



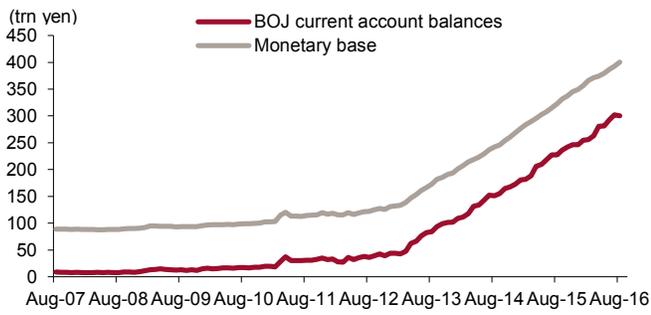
Source: MHLW, Credit Suisse

Figure 40: Break-even inflation rates



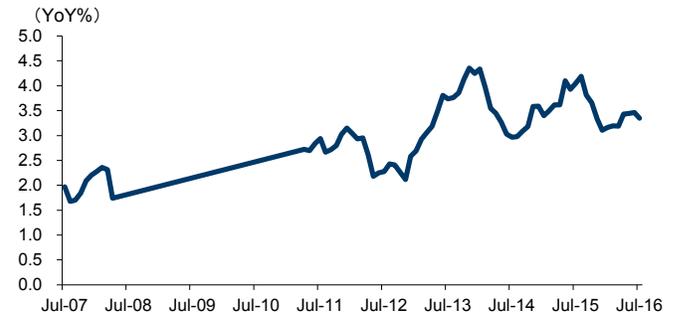
Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Figure 41: Monetary base



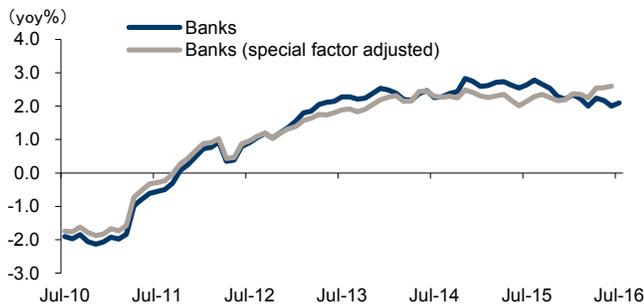
Source: BoJ, Credit Suisse

Figure 42: Money stock (M2)



Source: BoJ, Credit Suisse

Figure 43: Average outstanding bank lending (banks and shinkin banks)



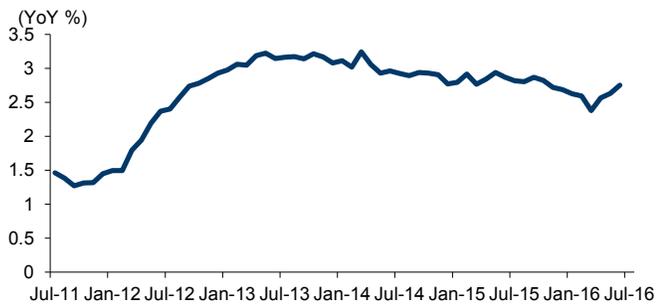
Source: BoJ, Credit Suisse

Figure 44: Outstanding bank lending (domestic banking accounts)



Source: BoJ, Credit Suisse

Figure 45: Bank lending to household sector



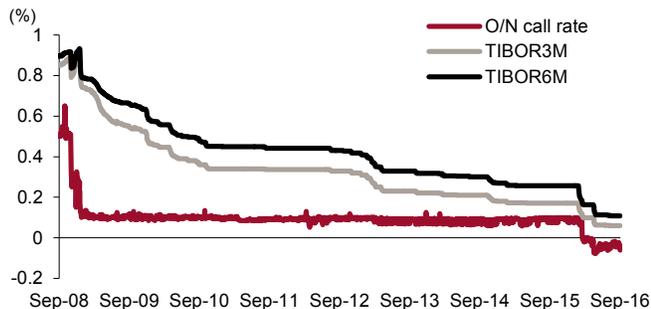
Source: BoJ, Credit Suisse

Figure 46: LIBOR-OIS spread (3-month)



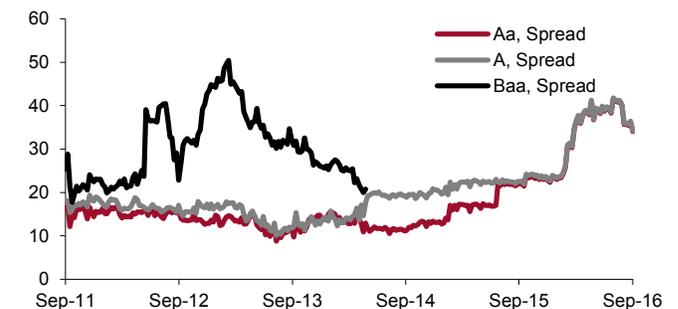
Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Figure 47: Money market rates



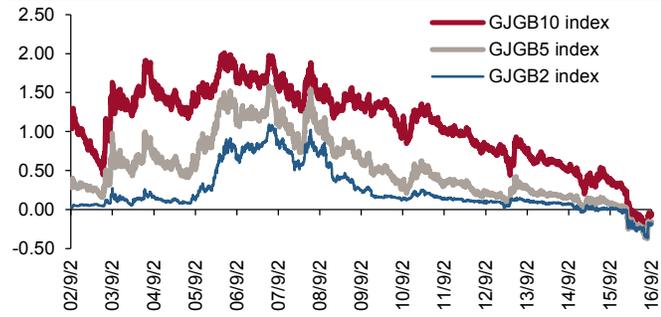
Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Figure 48: Credit spreads



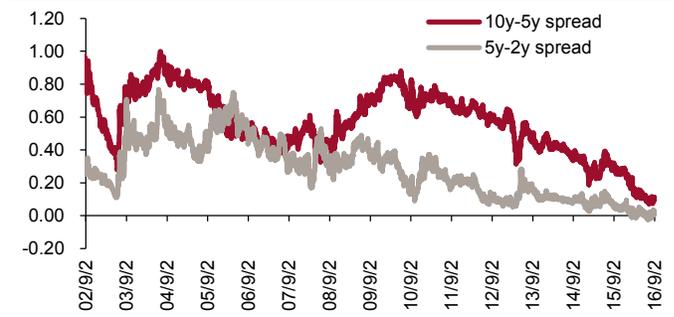
Note: Credit spreads are calculated using the Bloomberg Fair Market Value index and JGB5Y yields.
Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Figure 49: JGB yields



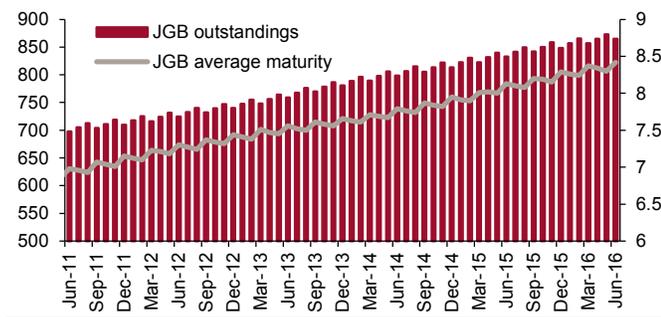
Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Figure 50: JGB yields, term spreads



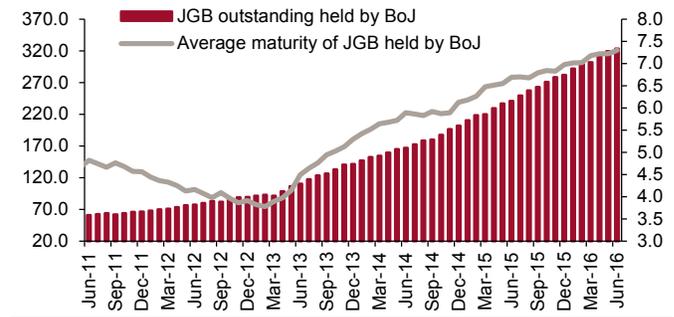
Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Figure 51: JGB outstanding (¥tn) and average maturity (years)



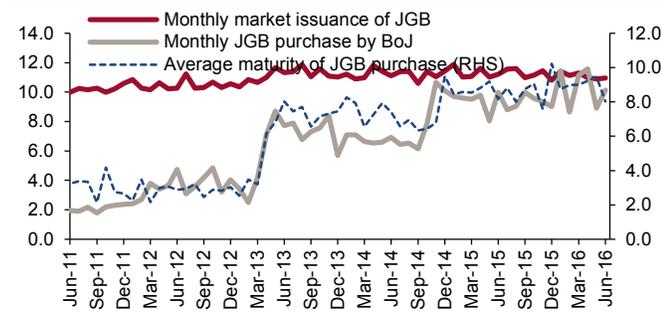
Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Figure 52: JGB outstanding held by BoJ (¥tn) and its average maturity (years)



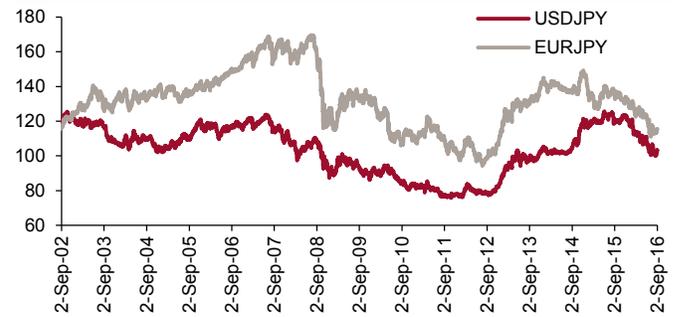
Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Figure 53: Monthly market issuance of JGB and BoJ's purchase (¥tn)



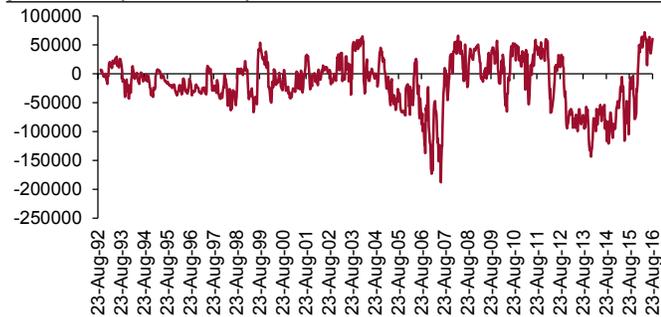
Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Figure 54: USDJPY and EURJPY



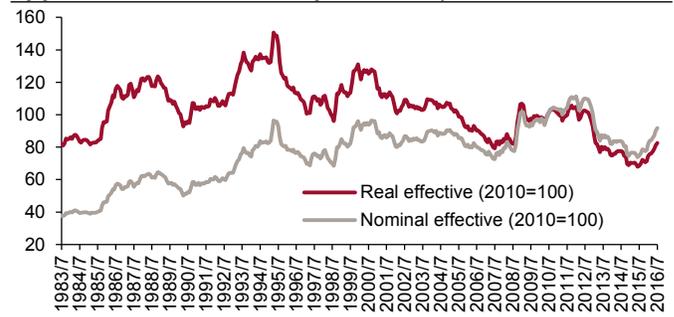
Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Figure 55: CME JPY net non-commercial future position (contracts)



Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Figure 56: Effective FX rate index (2010 = 100, up = appreciation, down = depreciation)



Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Figure 57: Major indicators

		2015/12	2016/01	2016/02	2016/03	2016/04	2016/05	2016/06	2016/07	2016/08
Consumption-related indicators										
Real spending by all households	YoY %	-4.4	-3.0	1.3	-5.3	-0.4	-1.1	-2.3		-0.5
Real spending by wage-earners	YoY %	-5.0	-2.5	1.9	-4.9	1.4	-2.8	-5.2		-3.5
Real disposable income	YoY %	-3.1	-0.8	-3.3	1.3	1.2	-3.9	1.8		-0.4
Average propensity to consume	YoY %	72.9	72.3	74.6	71.5	74.2	75.2	69.4		69.3
Department store sales	YoY %	-0.1	-2.1	-0.2	-3.0	-3.9	-5.3	-3.7		-0.2
Super store sales	YoY %	-0.7	1.6	2.4	-2.3	-2.1	-1.9	-1.4		-0.9
Convenience store sales	YoY %	4.4	4.1	6.9	2.9	4.1	2.3	3.5		3.5
Household activity-related DI	YoY pts	3.5	1.7	-5.2	-6.6	-11.0	-11.7	-10.2		-6.3
Consumer sentiment index	MoM pts	0.2	-0.3	-2.2	1.6	-0.9	0.1	0.9		-0.5
Monthly wages	YoY %	0.0	0.0	0.7	1.5	0.0	-0.1	1.4		
Real monthly wages	YoY %	-0.2	0.0	0.3	1.6	0.4	0.4	2.0		
Labor market conditions										
Unemployment rate	s.a. %	3.3	3.2	3.3	3.2	3.2	3.2	3.1		3.0
# of workers	s.a. MoM 10k	28	61	-58	-13	20	2	47		20
# of unemployed	s.a. MoM 10k	221	212	216	211	211	212	208		201
# of non-labor force	s.a. MoM 10k	-31	-43	47	22	-23	0	-48		-12
Job offers to applicants ratio	s.a.	1.27	1.28	1.28	1.30	1.34	1.36	1.37		1.37
Job offers	s.a. MoM %	1.4	-1.6	1.3	-0.4	1.5	0.3	0.4		0.7
Job seekers	s.a. MoM %	0.2	-2.1	1.2	-1.7	-1.8	-0.9	-0.4		0.4
New job seekers	s.a. MoM %	0.9	-1.0	1.7	-6.7	5.7	3.1	-2.3		1.4
Corporate-related indicators										
Industrial production										
Production	s.a. MoM %	-1.2	2.5	-5.2	3.8	0.5	-2.6	2.3		0.0
Production	YoY %	-2.1	-4.2	-1.2	0.2	-3.3	-0.4	-1.5		-3.8
Shipments	YoY %	-2.5	-5.4	-1.6	-0.7	-3.4	-1.0	-1.7		-3.8
Inventory	YoY %	0.0	0.2	-0.9	1.8	0.1	0.8	0.0		-1.8
Inventory to sales ratio	s.a.(2005=100)	116.3	116.2	114.5	118.3	115.7	117.8	116.0		117.1
Manufacturers' operating ratio	s.a.(2005=100)	97.2	99.9	94.5	97.5	96.5	94.2	95.6		
Machinery orders										
Core machinery orders	s.a. MoM %	1.0	15.0	-9.2	5.5	-11.0	-1.4	8.3		
	YoY %	-3.6	8.4	-0.7	3.2	-8.2	-11.7	-0.9		
Foreign demands	s.a. MoM %	-2.2	-29.4	6.3	28.5	-6.9	-14.8	10.8		
	YoY %	5.7	-31.2	-31.2	-0.4	-2.0	-20.8	-16.8		
New housing starts	YoY %	-1.3	0.2	7.8	8.4	9.0	9.8	-2.5		8.9
	s.a. annualized, 10k	86.0	87.3	97.4	99.3	99.5	101.7	100.4		100.5
Construction starts (floor)	YoY %	6.7	-11.1	-12.0	12.7	-22.0	19.0	4.2		-19.1
	s.a. MoM %	3.8	-13.4	22.2	-6.0	-14.0	47.2	-17.1		-16.8

* Contracted rate is the number of contracts sold divided by the number of units for sale.

Source: MIAC, Department Store Assoc., Chain Store Assoc., Convenience Store Assoc., Cabinet Office, MHLW, METI, MLIT, MoF, BoJ, JREI, Credit Suisse

Figure 58: Major indicators (continued)

		2015/12	2016/01	2016/02	2016/03	2016/04	2016/05	2016/06	2016/07	2016/08
Contracted rate for condominiums										
Tokyo metropolitan area	%	64.8	58.6	72.9	67.6	66.4	70.9	69.6	63.3	
Kinki area	%	59.6	67.1	72.0	78.6	70.0	64.5	73.3	74.6	
Prices										
Nationwide core CPI	YoY %	0.1	0.0	0.0	-0.3	-0.4	-0.4	-0.4	-0.5	
Tokyo core CPI	YoY %	0.1	-0.1	0.0	-0.1	-0.3	-0.4	-0.3	-0.4	-0.4
Domestic CGPI	YoY %	-3.5	-3.2	-3.4	-3.8	-4.2	-4.3	-4.2	-3.9	
Raw materials	YoY %	-32.3	-31.0	-29.7	-31.5	-27.7	-26.8	-29.1	-25.5	
Intermediate goods	YoY %	-6.2	-6.0	-6.2	-7.0	-7.8	-8.1	-8.5	-7.8	
Final goods	YoY %	-0.5	-1.0	-1.5	-2.1	-2.7	-3.1	-3.7	-3.7	
CSPI	YoY %	0.3	0.3	0.2	0.2	0.3	0.2	0.2	0.4	
External demand										
Trade balance	billion yen	138.9	-647.7	239.9	749.1	820.7	-42.9	690.7	513.6	
Exports	YoY %	-8.0	-12.9	-4.0	-6.8	-10.1	-11.3	-7.4	-14.0	
Imports	YoY %	-18.0	-17.8	-14.2	-14.9	-23.3	-13.7	-18.7	-24.7	
Trade volume										
Exports	YoY %	-4.4	-9.1	0.2	-1.0	-4.6	-2.4	3.1	-2.4	
Imports	YoY %	-5.0	-5.0	-2.4	5.2	-7.5	3.6	0.4	-4.0	
Real trade										
Exports	s.a. MoM %	-2.0	-0.1	0.9	1.1	-1.4	0.0	4.2	-3.2	
Imports	s.a. MoM %	-0.5	1.1	1.3	-2.0	-3.8	5.0	0.4	-1.1	
Balance of payments										
Current account balance	billion yen	940.1	590.1	2,387.4	2,986.2	1,878.5	1,809.1	974.4		
Current account balance	s.a. billion yen	1,645.8	1,436.1	1,636.1	1,900.7	1,625.8	1,414.5	1,648.4		
Trade and services	billion yen	-4.0	-617.8	567.6	1,145.1	295.9	157.4	596.0		
Trade balance	billion yen	194.3	-431.6	402.3	882.8	697.1	39.9	763.6		
Service balance	billion yen	-198.3	-186.2	165.3	262.3	-401.2	117.4	-167.6		
Income accounts	billion yen	1,013.6	1,337.0	2,015.4	2,164.3	1,780.5	1,898.2	417.5		
Financial balance	billion yen	1,416.1	765.0	3,010.7	5,238.0	1,479.3	4,099.4	1,447.8		
Direct investment	billion yen	1,323.5	1,020.0	1,273.1	1,132.1	1,034.8	575.6	337.5		
Portfolio investment	billion yen	746.4	1,176.0	9,553.4	9,466.6	-5,301.1	6,678.2	3,014.4		
Changes in reserve assets	billion yen	-151.6	179.0	105.3	-266.3	-29.2	207.7	-265.9		
Business conditions indices										
Coincident CI	MoM %	-1.3	0.7	-2.4	0.8	1.7	-2.3	1.8		
Leading CI	MoM %	-1.2	0.3	-2.0	-0.2	0.9	-0.3	0.8		

* Contracted rate is the number of contracts sold divided by the number of units for sale.

Source: MIAC, Department Store Assoc., Chain Store Assoc., Convenience Store Assoc., Cabinet Office, MHLW, METI, MLIT, MoF, BoJ, JREI, Credit Suisse

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Disclosure Appendix

Analyst Certification

Hironichi Shirakawa and Takashi Shiono each certify, with respect to the companies or securities that the individual analyzes, that (1) the views expressed in this report accurately reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

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