

Monthly Economic Report

Executive Summary

(April 2011)

(Assessment of the current state of the Japanese economy)

Although the Japanese economy was picking up, it shows weakness recently, due to the influence of the Great East Japan Earthquake. Also, it remains in a difficult situation such as a high unemployment rate.

- Although exports were showing movements of picking up, a decline is concerned to be caused by the earthquake disaster. Industrial production was picking up, but the earthquake disaster is making production activities stagnant recently.
- Corporate profits are improving; however, of concern is the influence of the earthquake disaster. Business investment is picking up.
- Firms' judgment on current business conditions shows a sign of caution.
- While the employment situation remains severe, movements of an incipient recovery can be seen. However, the influence of the earthquake disaster is concerned.
- Although private consumption was showing movements of picking up, some weakness are seen recently, due to the influence of the earthquake disaster.
- Recent price developments show that the Japanese economy is in a mild deflationary phase

As for short-term prospects, weakness will continue for a while, due to the influence of the Great East Japan Earthquake. Afterwards, however, as production activities will be recovering, the economy is expected to resume picking up, reflecting improvement in overseas economies and the effects of various policy measures. There are downside risks that could stem from constraints of electric power supply, a slow recovery of the supply chain and the influence of a rise in oil prices. It should also be noted that there is still a risk of the influence of deflation on the economy and a concern about a possible deterioration of the employment situation.

(Policy stance)

The Government, in consideration of the effects of the great East Japan Earthquake, will make every possible effort to stabilize people's daily lives and economic activity.

Therefore, the government will promptly formulate the supplementary fiscal budget to support the affected regions.

The Government expects that the Bank of Japan will support the economy by appropriate and flexible measures while working closely with the Government.

The Bank of Japan decided to examine the specifics of a funds-supplying operation in order to support financial institutions in disaster areas on April 7th.