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Forecast Calendar

June 10, 2011

Japan

Economic Indicators—Schedule and Forecasts

Ellis/Wroblewski

June 13 – June 24, 2011 (Local Times)

13

BOJ Monetary Policy Meeting

Machinery Orders, Core (SA) (14:00)

Nov	0.1%	Feb	-1.9%
Dec	-0.2%	Mar	2.9%
Jan	3.9%	**Apr (f)**	**unch**

14

BOJ Monetary Policy Meeting

MOF Business Outlook Survey (8:50) (Second Quarter)

Industrial Production (Revised) (SA) (M/M) (13:30)

Dec	-2.4%	Mar	-15.5%
Jan	unch	Apr (p)	1.0%
Feb	1.8%	**Apr (f)**	**1.0%**

BOJ Shirakawa Press Conference (15:30)

15

BOJ Monthly Report (14:00) (June)

16

17

BOJ Monetary Policy Meeting Minutes (8:50) (May 19-20)

20

Merchandise Trade Balance (¥Billion, NSA) (8:50)

	2011	2010
Mar	186.4	931.9
Apr	-464.8	729.2
May (f)	**-650.0**	309.1

21

All Industry Activity (SA) (M/M) (13:30)

Nov	0.3%	Feb	0.7%
Dec	0.1%	Mar	-6.3%
Jan	-0.5%	**Apr (f)**	**2.5%**

22

23

24

Corporate Service Prices (Y/Y) (8:50)

Dec	-1.4%	Mar	-1.2%
Jan	-1.2%	Apr	-0.8%
Feb	-1.1%	**May (f)**	**-0.8%**

M/M=month-over-month f= forecast
Y/Y=year-over-year c=consensus

Recent History-Latest Results

6

7

Official Reserves ($Billion, NSA) (8:50)

Dec	1096.2	Mar	1116.0
Jan	1093.0	Apr	1135.5
Feb	1091.5	May	1139.5

Business Conditions Composite Indexes (Prelim.) (14:00)

	Leading	Coincident
Feb	104.0	106.8
Mar	100.1	103.5
Apr	96.4	103.8

8

Bank Lending (Y/Y) (8:50)

Dec	-2.0%	Mar	-1.7%
Jan	-1.8%	Apr	-0.9%
Feb	-1.9%	May	-0.7%

Money Supply (M2) (Y/Y) (8:50)

Dec	2.3%	Mar	2.6%
Jan	2.3%	Apr	2.7%
Feb	2.4%	May	2.7%

Current Account Balance (¥Billion, NSA) (8:50)

	2011	2010
Feb	1641.0	1593.3
Mar	1679.1	2556.4
Apr	405.6	1331.2

Current Account Visible Trade (¥Billion, NSA) (8:50)

	2011	2010
Feb	723.3	785.3
Mar	240.3	1089.0
Apr	-417.5	871.1

9

Real GDP (Revised) (SA) (Q/Q) (8:50)

10:Q1	2.3%	10:Q4	-0.7%
10:Q2	unch	11:Q1 (p)	-0.9%
10:Q3	0.9%	11:Q1	-0.9%

10

Corporate Goods Price Index (Y/Y) (8:50)

Dec	1.2%	Mar	2.0%
Jan	1.5%	Apr	2.5%
Feb	1.7%	May	2.2%

Tertiary Industry Activity (SA) (M/M) (8:50)

Nov	0.6%	Feb	0.8%
Dec	-0.2%	Mar	-5.9%
Jan	-0.1%	Apr	2.6%

Indicator Highlights

Key potential market-moving indicators and events include: Machinery Orders, Core (Mon., Jun. 13, 14:00); the Bank of Japan Monetary Policy Meeting (Mon.-Tues., Jun 13, 14); the Merchandise Trade Balance (Mon., Jun. 20, 8:50); and All Industry Activity (Tue., Jun; 21, 13:30).

Machinery orders give a reading on business investment intentions over a relatively short-term horizon; they should show an early positive impact from earthquake rebuilding and relocation outlays. The key issue for the BOJ meeting will be whether to expand its special lending program for targeted industries, now that the initial finds allotment has been fully subscribed.

Merchandise trade figures will be watched for any hint of export stabilization—or of more restrained growth in imports. All-industry activity results could give first inklings of a bottoming in production-side activity.

Indicator	Forecast	Consensus	Analysis
Machinery Orders, Core (SA)	unch		Holding ground; soon to rise.
Industrial Production (Revised) (SA) (M/M)	+1.0%		No significant revision
Merchandise Trade Balance (NSA)	-¥650.0 Billion		Exports still impaired, imports solid.
All Industry Activity (SA) (M/M)	+2.5%		Partial recovery from March plunge.
Corporate Service Prices (Y/Y)	-0.8%		Deflation easing over time, but unlikely this month.

Post Mortem—Recent Data Results

Leading index slumps further. The preliminary leading index for April, as computed by the Cabinet Office, slumped 3.7 points to 96.4, similar to the 3.9 point fall of the previous month. However, the coincident index edged higher this time around, rising 0.3 point (to 103.8) albeit after the record 3.3 point slump in March. These results obviously reflect the impact of the recent earthquake and still allowed the Cabinet Office (on the basis of the coincident index) to allege that Japan's economy is improving.

Stable monetary dynamics. Coming in largely in line with expectations, May M2 money stock growth was stable at 2.7% Y/Y from the preceding month, still the highest since October 2010. Meanwhile, growth in the broader M3 measure also remained at 2.1% Y/Y in May. Elsewhere, data for bank lending showed total bank loans growth falling by 0.7% Y/Y in May, improving slightly from the steeper 0.9% drop seen in April.

Current account surplus narrows. The (unadjusted) current account balance for April showed a surplus of ¥ 405.6 bln, down clearly from the ¥ 1331.2 bln surplus in the same period of last year. On a seasonally adjusted basis, the current account surplus narrowed less marked to ¥ 546.3 bln in April from ¥ 752.7 bln in the previous month.

GDP hardly revised? Surprising to the downside, the updated Q1 GDP numbers failed to show much of an upward revision. GDP contracted for the second successive quarter, dropping and unrevised 0.9% Q/Q (albeit by 3.5% on an annualized as opposed to a fall of 3.7% previously estimated). The numbers revealed less of an inventory knock being offset by a steeper capex fall, albeit still showing broad-based weakness (save for government spending. Meanwhile, the Q4 GDP deflator fell by 1.9% Y/Y, ie a slightly steeper drop than in the previous quarter, but unrevised from the preliminary numbers.

Corporate goods prices dip. Coming in below expectations for once, May corporate good prices fell by 0.1% M/M, the first fall since last September and a contrast to the 0.9% April rise. Y/Y growth fell 0.3 percentage point to 2.2%. The data showed export price pressures falling at broadly the same pace as before (-2.9% Y/Y), alongside stable import price inflation (at 9.5%).

Tertiary index rises back. As expected, the tertiary index jumped 2.6% in April, repairing less than half of the record drop of 5.9% seen in April when the impact of the earthquake hit services. The Y/Y rate, meanwhile, turned less negative at -2.4%.

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