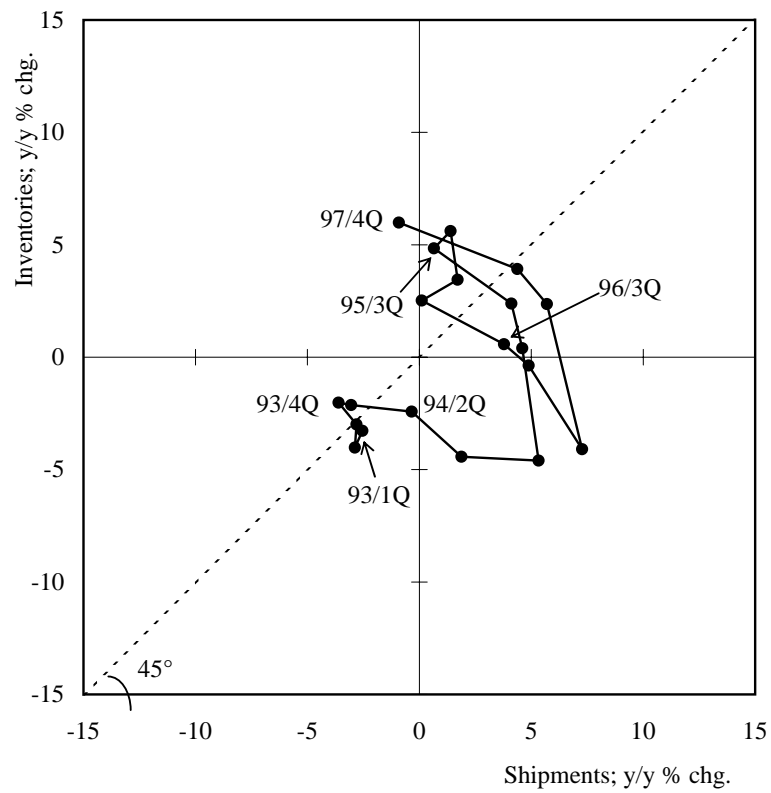
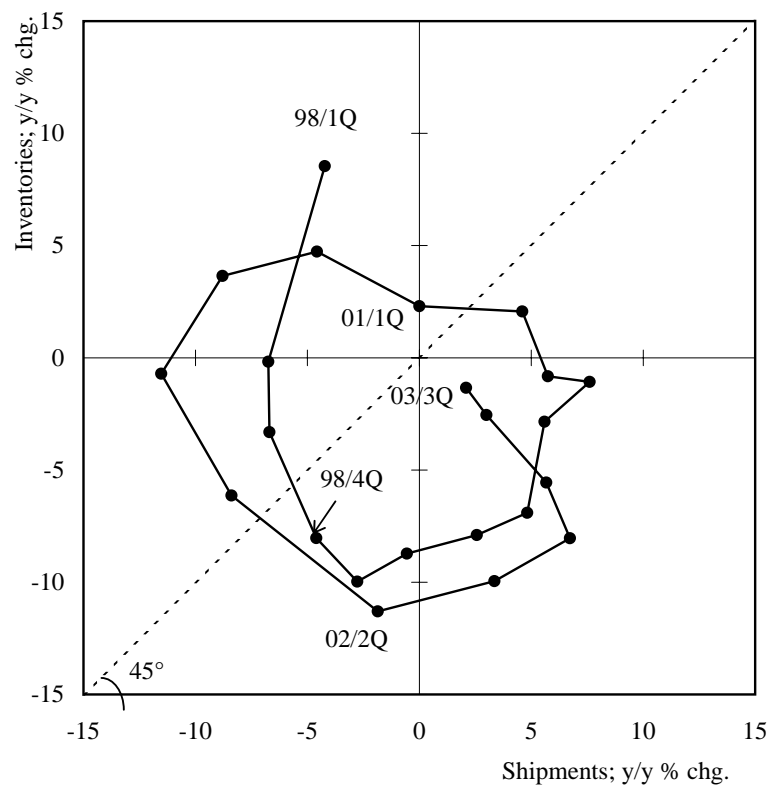


Inventory Cycle

(1) 1993/1Q ~ 1997/4Q

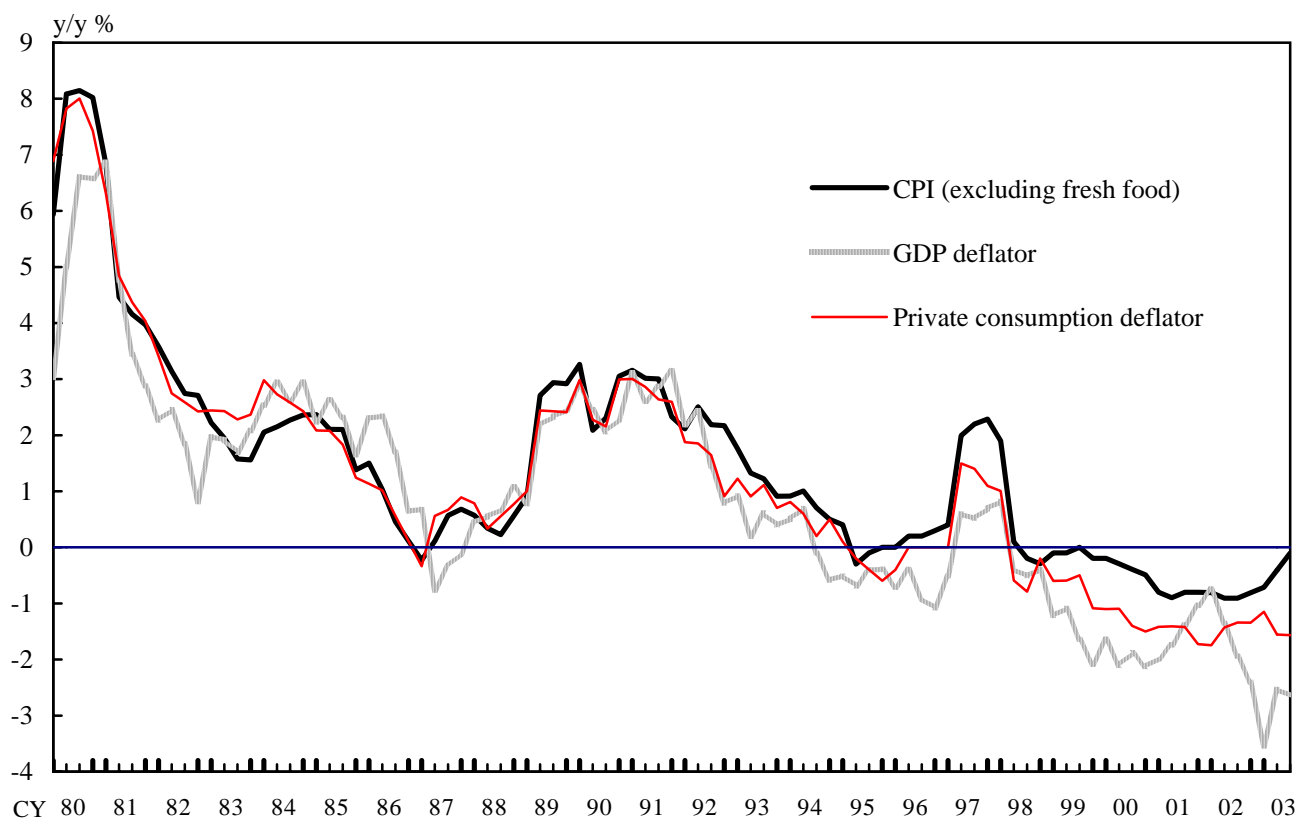


(2) 1998/1Q ~ 2003/3Q



Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

CPI and GDP Deflator



Notes: 1. CPI before 2001 are calculated using 1995 base figure. No adjustments have been made for the effects of the rise in consumption tax.

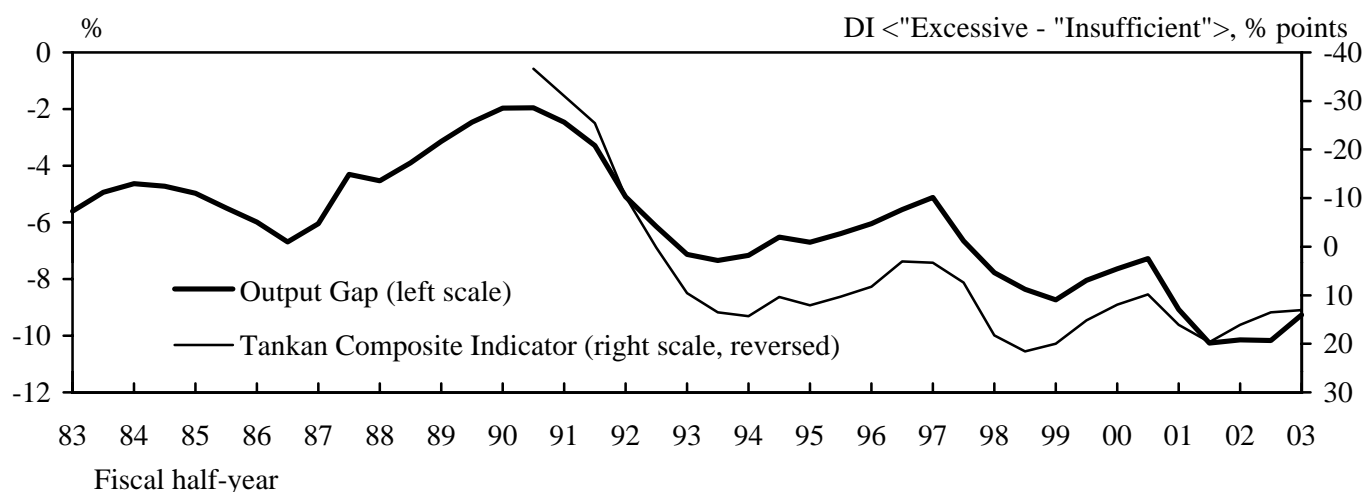
2. Deflators for January-March 1994 and October-December 1999 are calculated using "reference series."

Source: Cabinet Office, "National Accounts";

Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index."

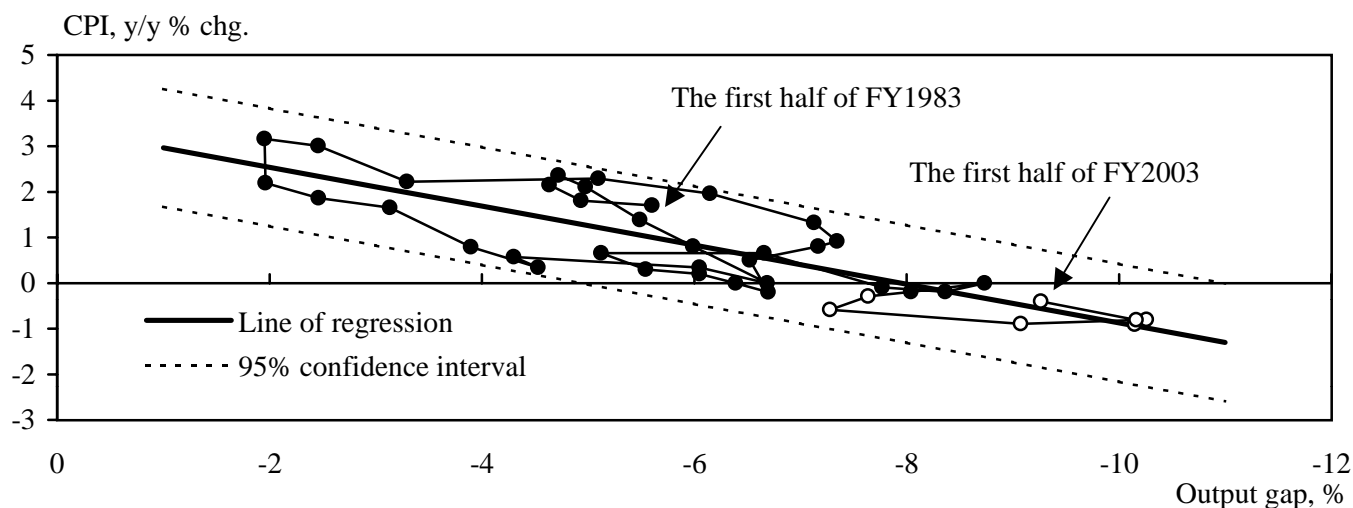
Output Gap and Price

(1) Output Gap and Tankan Composite Indicator



- Notes: 1. The Tankan Composite Indicator is the average of the diffusion indices of production capacity and employment conditions, weighted by capital and labor shares in national account (FY1990-FY 2001 averages). The survey target for the production capacity DI was limited to the manufacturing industry before 1990/Q3. For this reason, the figures are calculated for the period from 1990/Q4, when the survey target was extended to cover the nonmanufacturing industry.
2. Output gap for the first half of FY2003 is based on the April-June period.
3. Output gap is calculated as the wedge between actual and maximum outputs (BoJ staff estimation).

(2) Output Gap and Consumer Price Index



- Notes: 1. Estimation result: $CPI = 3.39 + 0.43 \times \text{Output gap}$
(11.16) (8.96)

Sample = 1983 to 2002 (fiscal half-years), $R^2 = 0.68$, Standard error = 0.65, t-value in parentheses.

2. CPI (excluding fresh food) is consumption-tax adjusted. Figures until 2000 are on the 1995 base.
3. Sample period of the diagram runs from the first half of FY 1983 to that of FY 2003. The figures for 2003 are based on the April-June period.
4. Points from 2000 onwards are shown in white dots.

Sources: Cabinet Office, "National Accounts," "Capital Stock of Private Enterprises Statistics"; Ministry of Economy, Trade and Industry, "Indices of Industrial Production"; Ministry of Health, Labour and Welfare, "Monthly Labour Survey"; Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index," Bank of Japan "Tankan, Short-term Economic Survey of Enterprises in Japan" etc.