

July 15, 2004
Bank of Japan

**Monthly Report of
Recent Economic and Financial Developments**

July 2004

(English translation prepared by the Bank's staff based on the Japanese original released on July 14, 2004)

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The Bank's View²

Japan's economy continues to recover, with the increases in production and corporate profits exerting positive effects on employment.

Exports and business fixed investment continue to increase, and industrial production has also been increasing consistently. Corporate profits and business sentiment also continue to improve in a broad range of industries. Under these circumstances, the employment situation has been improving, and the decline in household income is coming to a halt. Private consumption continues to show some positive movements. Meanwhile, housing investment has been nearly flat, and public investment has been declining.

Japan's economy is expected to continue to recover, gathering stronger momentum.

Overseas economies are projected to continue growing relatively fast. Based on this projection, it is likely that final demand, particularly exports and business fixed investment, will continue to recover, and that production will also continue to increase. The impact of excessive debt in the corporate sector and other structural factors on corporate activity is weakening. Although firms are still restraining their labor costs, the positive effects of the increases in production and corporate profits on household income are expected to become visible. Public investment, meanwhile, is projected to be on a downtrend.

On the price front, domestic corporate goods prices have been rising, due to the strengthening of commodity prices at home and abroad and to the improvement in

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on July 12 and 13, 2004.

² The Bank's view was determined by the Policy Board at the Monetary Policy Meeting held on July 12 and 13, 2004.

supply and demand conditions. Consumer prices (excluding fresh food) have been declining slightly on a year-on-year basis.

Domestic corporate goods prices are expected to continue increasing for some time, partly due to the rise in crude oil prices. On the other hand, supply and demand conditions are likely to remain loose for the time being, although they are improving. Under these circumstances, consumer prices are projected to basically continue falling slightly on a year-on-year basis.

As for the financial environment, the environment for corporate finance is becoming more accommodative on the whole, although it remains severe for firms with high credit risks. The issuing environment for CP and corporate bonds is favorable on the whole. Also, the lending attitude of private banks is becoming more accommodative. The lending attitude of financial institutions as perceived by firms has improved more noticeably. The pace of decline in credit demand in the private sector is becoming somewhat moderate. Under these circumstances, the amount outstanding of CP and corporate bonds issued continues to be above the previous year's level, and the rate of decline in lending by private banks has basically been diminishing. As growth of banknotes in circulation is on a downtrend mainly due to decreasing anxieties about the financial system, the year-on-year growth rate of the monetary base is at the 4.0-5.0 percent level. The year-on-year growth rate of the money stock is around 2.0 percent. As for developments in financial markets, money market conditions continue to be extremely easy, as the Bank of Japan continues to provide ample liquidity. In the foreign exchange and capital markets, the yen's exchange rate against the U.S. dollar has risen compared with last month, and long-term interest rates and stock prices have been around the same level as last month.

Japan's economy is expected to deviate above the forecasts for fiscal 2004 presented in the "Outlook for Economic Activity and Prices" (the Outlook Report) released in April 2004. Final demand, particularly exports and business fixed investment, has been recovering, and the increase in production is exerting positive effects on employment. Hence, Japan's economy is expected to gather stronger momentum. As for prices, domestic corporate goods prices are expected to deviate

above the forecasts for fiscal 2004 of April, reflecting the strengthening of commodity prices, such as crude oil prices, at home and abroad and the improvement in supply and demand conditions. The impact of the rise in domestic corporate goods prices, which needs close monitoring, is likely to be largely absorbed by factors such as higher productivity in the corporate sector, as the price rise is passed on to the prices of intermediate goods and final goods. Hence, consumer prices are projected to basically continue a slight decline, broadly in line with the forecasts for fiscal 2004 of April.

The Background

1. Japan's Economy

Public investment continued to decline (Chart 3). The value of public works contracted—a measure that reflects public orders—was on a downtrend. The amount of public construction completed, which reflects the actual progress of public works, was also trending downward. Public investment is projected to continue declining, since the initial budget for fiscal 2004 has been reduced considerably.

Real exports continued to increase, reflecting the expansion of overseas economies, particularly in the United States and East Asia (Charts 4[1] and 5); they rose 4.1 percent in the first quarter on a quarter-on-quarter basis and 1.9 percent in April-May from the first quarter.

By region (Chart 5[1]), exports to the United States continued to increase moderately in April-May, while those to East Asia and to the EU were almost flat in reaction to the upsurge in the previous periods. Among exports to East Asia, those to China were more or less flat, after they rose sharply in the first quarter. This was largely attributable to the rapid increase in exports due to the lowering of tariffs there at the beginning of the year, and to the reactionary decline thereafter.³ Also, measures taken to cool the overheating economy in China were possibly starting to have some sort of effect on exports. Moreover, exports to the NIEs and to ASEAN fell back, after they had surged in the previous periods.

By goods (Chart 5[2]), exports of capital goods and parts (including semiconductor fabrication machines and equipment), those of IT-related goods, and those of consumer goods (such as digital home appliances) continued to increase steadily, although the pace somewhat slowed compared to the first quarter (Charts 6[1] and 7[1]). Also, exports of automobile-related goods rose again in April-May, after they inched down in the first quarter (Chart 6[3]). On the other hand, exports

³ Exports to China tend to exhibit high growth at the beginning of the year. This is because China is in the process of step-by-step tariff reductions in the wake of its accession to the WTO at the end of 2001; each stage of reduction occurs at the beginning of the year.

of intermediate goods (chemicals and iron and steel) dropped in April-May, partly in reaction to the considerable increase until the first quarter (Chart 6[2]).

Real imports continued to trend upward, albeit with some fluctuations, with the recovery in the domestic economy (Charts 4[1] and 8). By goods (Chart 8[2]), imports of IT-related goods and those of capital goods and parts (excluding aircraft) continued a steady uptrend, reflecting the rise in production and the international division of labor between Japan and East Asia. On the other hand, imports of raw materials and those of foodstuffs have declined just recently.

Given these developments in exports and imports, net exports have been increasing substantially in terms of the real trade balance (Chart 4[2]). Under these circumstances, the surplus of the nominal balance on goods and services has also expanded.

Exports are expected to continue increasing, since overseas economies are projected to continue growing relatively fast, particularly in the United States and East Asia (Chart 9-1[2]). As for the U.S. economy (Chart 9-2), private consumption and business fixed investment continued to be solid, and employment also continued to increase. China's economy has been registering high growth on the whole, although fixed capital formation, which had been increasing too rapidly, has decelerated due to measures taken to cool the overheating economy. Based on these developments, uncertainty surrounding the global economy has decreased somewhat. However, future crude oil prices and the effects of the measures taken to cool the overheating economy in China continue to require close scrutiny.

As the domestic economy is projected to continue recovering, imports are expected to trend upward, mainly in IT-related goods, capital goods and parts, and consumer goods.

Business fixed investment continued to increase. Shipments of capital goods (excluding transport equipment) have been increasing, particularly in semiconductor fabrication machines and equipment (Chart 10-1[1]). Machinery orders (private demand, excluding shipbuilding and orders from electric power

companies)—a leading indicator of business fixed investment—surged in April-May, after they dropped in the first quarter (Chart 10-2[1]). Orders from manufacturing firms increased significantly, partly due to large orders of industrial machinery and heavy electrical machinery, while those from nonmanufacturing firms were flat. Construction starts (floor area, private, nondwelling use)—another leading indicator—fell in April-May, after they rose sharply in the first quarter, bolstered by the increased starts of some redevelopment projects (Chart 10-2[2]). Nevertheless, construction starts have basically been trending up, mainly in mining and manufacturing (factories), wholesale and retail trade (opening of new stores), and transportation (distribution and delivery centers).

Looking at the environment surrounding business fixed investment, corporate profits continued to increase. According to the June *Tankan* (Chart 11),⁴ current profits were projected to increase considerably in fiscal 2004, following fiscal 2003. By industry and size of firms, projected current profits have been revised upward from the March *Tankan* for all firms except small nonmanufacturing firms. As for the manufacturing sector in particular, current profits of both large and small firms were projected to continue double-digit increases. Also, profits of small nonmanufacturing firms were projected to increase by almost 10 percent, even though they have been revised downward.

Under these circumstances, business sentiment of both large and small manufacturing firms surpassed the past two peaks since 1990 (in 1997 and 2000), and were at almost the same level as the peak of 1984-85 (Chart 12). Moreover, sentiment of small nonmanufacturing firms, which has been improving relatively slowly, was clearly above the peak in 2000. DI levels have thus been raised in all sectors.

The recovery in business fixed investment is expected to continue, particularly for manufacturing firms, since domestic as well as external demand and corporate profits are projected to increase. According to business fixed investment plans for fiscal 2004 in the June *Tankan* (Chart 13), investment by large

⁴ *Short-term Economic Survey of Enterprises of June 2004.*

manufacturing firms was projected to be very strong, with an increase of 20 percent from the previous year, as some of the investment plans were carried over from the previous year. Investment plans of small manufacturing firms for fiscal 2004 were also considerably strong for this time of the year, after their investment marked a double-digit increase in the previous year. On the other hand, investment plans of large nonmanufacturing firms were nearly flat. Meanwhile, investment by small nonmanufacturing firms for fiscal 2004 was projected to decline substantially from the previous year. However, it was not necessarily weak, judged from the double-digit increase in fiscal 2003.

Private consumption continued to show some positive movements. With regard to individual indicators (Charts 14-1 and 14-2), the number of new passenger-car registrations was more or less flat; it exhibited high growth in the first quarter, but dropped in the second quarter since there were few new models introduced in the period. Sales of household electrical appliances (NEBA statistics; in real terms) continued their steady uptrend, particularly in digital home appliances (flat panel TVs, DVD recorders, and digital cameras). Sales at department stores and supermarkets dropped in May, partly due to adverse weather. Meanwhile, sales at convenience stores have been on a gradual uptrend. As for services consumption, outlays for travel decreased in the first quarter, but then increased sharply in April and May, boosted partly by calendar factors during Japan's annual holidays from late April to early May (the so-called Golden Week holidays). Sales in the food services industry also rose in April and May.

Looking at indices of aggregated sales (in real terms), which are comprised of major sales indicators of these goods and services,⁵ the indices including the effects of the increase in the number of stores (including sales at convenience stores) were on a gradual uptrend, while those excluding the effects of the increase in the number of stores (excluding sales at convenience stores) continued to be more or less flat (Chart

⁵ The indices of aggregated sales are the weighted average of major sales indicators, with the weights based on the consumption spending of households. Each sales indicator is deflated by consumer prices. The indices are convenient in the sense that the trend of these sales indicators can be observed in a single series. However, the coverage of services consumption is narrow, and the indices do not necessarily incorporate all sales channels of goods. Also, note that outlays for travel in May were not released at the time when these indices were compiled, and hence were incorporated in the indices with their seasonally adjusted figures being the same level as April.

14-3). Moreover, aggregate supply of consumer goods (Chart 14-4), which comprehensively captures producers' supply of goods, inched up in April-May, after it decreased slightly in the first quarter. Furthermore, according to the *Family Income and Expenditure Survey*, which captures private consumption from the demand side, the index of living expenditure level (all households; in real terms) rose sharply in April-May, although these figures may be somewhat overestimated due to sampling factors (Chart 14-1[1]).

Indicators for consumer sentiment continued to be on a recovery trend (Chart 15).

As the positive effects of the increases in production and corporate profits on household income are expected to become visible, private consumption is projected to recover gradually, supported by the improvement in consumer sentiment.

As for housing investment, housing starts have been nearly flat with the fluctuations smoothed out; they marked a relatively high level of around 1.2 million units at annual rates in the first quarter, mainly in housing for rent and for sale in the Tokyo metropolitan area, but fell back in April-May (Chart 16[1]). Housing investment is projected to remain more or less flat.

Industrial production slowed its pace of increase in the first quarter, but accelerated again in April-May (Chart 17[1]). Calculated from the production forecast index for June (a decrease of 0.1 percent from the previous month), production in the second quarter was projected to increase by as much as 2.8 percent from the previous quarter (Chart 17[2]). Shipments of a wide range of goods, such as producer goods (electronic parts), capital goods (including semiconductor fabrication machines and equipment), and durable consumer goods (automobiles and digital home appliances) have been on an uptrend (Chart 18).

Meanwhile, inventories have been nearly flat as a whole, although various goods are showing different movements (Chart 17[1]). The chart of the inventory cycle shows that production in materials industries such as “producer goods excluding a broad category of electrical machinery” and “construction goods” was somewhat

restrained, and that inventories were still declining (Chart 19). On the other hand, the intended accumulation of inventories for “producer goods in a broad category of electrical machinery” (electronic parts) has become clear, and the inventory cycle has moved to near the 45-degree line in the chart, which is the border of the intended inventory accumulation and unintended inventory accumulation phases. In these areas, adjustment pressures on inventories are unlikely to intensify immediately, judged from strong domestic and external demand. Nevertheless, the supply and demand conditions in electrical machinery-related goods require close monitoring for the time being. Sales of some products such as cellular phones and camcorders have fallen below the ex ante strong forecasts, while their production capacity has been increasing. Inventories of “capital goods” and “durable consumer goods,” which had increased in April since they were waiting to be shipped overseas, decreased in May.

Production is expected to continue increasing, reflecting the recovery in domestic and external demand. Also, based on anecdotal information, firms are projected to increase their production, particularly in general machinery, electrical machinery, and electronic parts.

As for the employment and income situations, various indicators reflecting labor market conditions have been on an uptrend. Under this situation, the uptrend in the number of employees is gradually becoming visible, and the decline in household income is coming to a halt (Chart 20[1]).

In the labor market, overtime hours worked have been above the peak of the previous recovery periods (Chart 21-2[3]). The number of new job offers continued to increase, particularly in the services industry, including temporary employment services and similar businesses (Charts 21-1[2] and [3]). The ratio of job offers to applicants had been flat for a while after the sharp rise toward the end of last year, but rose to 0.80 in May (Chart 21-1[1]). Moreover, the unemployment rate has been on a gradual downtrend. The June *Tankan* showed that excessive employment as perceived by firms has been decreasing gradually (Chart 22).⁶

⁶ Excessive employment as perceived by small firms has somewhat increased just recently. This is probably caused by seasonal factors; the survey was conducted right after the recruitment of

The number of employees in the *Labour Force Survey* registered a somewhat large increase in April-May on a year-on-year basis (Chart 21-2[1]). Although those figures tend to fluctuate significantly, the uptrend was gradually becoming clear. Also, the number of regular employees in the *Monthly Labour Survey* has started to increase on a year-on-year basis (Chart 21-2[2]).

Regarding wages on a year-on-year basis (Chart 20[2]), overtime payments continued to increase. On the other hand, regular payments were still on a downtrend in terms of the average per person, mainly due to the rise in the ratio of part-time workers. However, a somewhat large drop in regular payments in May was caused by calendar factors,⁷ and the rate of decline was basically considered to be diminishing gradually. Meanwhile, special cash earnings increased in April and May, after they decreased substantially in March due to the reduction in fiscal-year end bonuses of public employees. Summer bonuses at large manufacturing firms, which increased last year, were likely to continue increasing this year as well.⁸ However, it is still difficult to predict whether overall summer bonuses, including those of nonmanufacturing firms and small firms, and also including those paid to part-time workers, will start to increase noticeably.

Firms are expected to continue restraining their labor costs through the extensive use of part-time workers and outsourcing. However, further increases in production and corporate profits, whose levels have already been high, are gradually expected to exert positive effects more visibly on household income.

new graduates and also when the construction sector was undergoing a period in which there were few public works.

⁷ Since there were three more holidays in May this year compared to last year, regular working hours for the month were shorter.

⁸ According to the interim results of the survey conducted by the Japan Business Federation (as of July 7; answered by 176 out of large 288 firms, among which 152 are manufacturing firms), summer bonuses increased by 3.5 percent on a year-on-year basis.

2. Prices

Import prices (on a yen basis; same hereafter) continued to increase compared to levels three months before, reflecting the rise in international commodity prices, including crude oil prices (Chart 24).

Domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates; same hereafter)⁹ have been rising compared to levels three months before¹⁰ (Chart 25). In detail, prices of petroleum products and those of iron and steel related products rose markedly, reflecting the strengthening of commodity prices at home and abroad. In those areas, the effects from the rise in materials prices on intermediate goods prices continued to progress, assisted by the improvement in supply and demand conditions. Meanwhile, the impact from materials prices on final goods prices has still been limited, except for some goods such as gasoline. However, as for capital goods, in which demand such as exports and business fixed investment has been recovering, the rate of decline in prices has been diminishing from some time ago. Moreover, the rate of decline in rice prices has been diminishing, and also prices of meat (pork and chicken) and chicken eggs have risen due to the BSE and avian influenza problems.¹¹

Corporate services prices (domestic supply-demand factors; same hereafter) continued their year-on-year decline of around 1 percent, mainly in leasing and renting, real estate services, and general services such as car maintenance and building maintenance (Chart 26). The rate of decline has been diminishing slightly since April, largely due to factors in the previous year. Software development (included in “general services”) dropped sharply last April, partly from sampling

⁹ The figures are adjusted to exclude a large seasonal fluctuation in electric power charges in order to observe the underlying changes in domestic corporate goods prices. Industrial and commercial electric power consumption charges are set relatively high during July-September, when consumption increases substantially.

¹⁰ Domestic corporate goods prices registered an increase of 1.4 percent in June on a year-on-year basis, the highest growth since June 1991 with the effects of the consumption tax hike excluded (Chart 23[2]). In recent periods, the pace of increase compared to levels three months before has started to decelerate somewhat, while the pace of the year-on-year increase has accelerated further. This is because the year-on-year rates of decline were expanding for the same periods last year.

¹¹ Rice and meat are categorized as “Others” in Chart 25.

factors. Nevertheless, the improvement in supply and demand conditions was reflected in prices of some services such as machinery maintenance.

Consumer prices (excluding fresh food; same hereafter) have been declining slightly on a year-on-year basis, registering declines of 0.1 percent in March, 0.2 percent in April, and 0.3 percent in May (Chart 27). The rate of decline expanded marginally in April and again in May. In April, medical costs, which had risen last April, stopped exerting upward pressure on a year-on-year basis. In May, imputed house rent declined.

According to the June *Tankan* (Chart 29), the domestic supply and demand conditions for products and services as perceived by firms improved for manufacturing firms, surpassing the 1997 peak. On the other hand, those for nonmanufacturing firms improved only gradually. Also, the change in output prices as perceived by firms improved more significantly for manufacturing firms than for nonmanufacturing firms. The operating level in the domestic economy—measured by the weighted average of the excessiveness in both production capacity and employment as perceived by firms—continued to improve, but still it has not reached the 1997 peak.

Under this situation, domestic corporate goods prices are likely to continue increasing for some time, partly due to the rise in crude oil prices. With respect to consumer prices, prices of petroleum-related products such as gasoline are expected to start increasing in June on a year-on-year basis, reflecting the rise in crude oil prices. On the other hand, cigarettes prices, which rose last July, will stop exerting upward pressure on a year-on-year basis this July. Meanwhile, supply and demand conditions in the macroeconomy are likely to remain loose for the time being, although they are improving. Under these circumstances, firms are expected to offset the increased cost of materials by increasing their productivity and by restraining their labor costs. Hence, the impact of the rise in international commodity prices on consumer goods as a whole is expected to be relatively small. Based on these considerations, consumer prices are basically projected to continue falling slightly on a year-on-year basis.

3. Financial Developments

(1) Financial Markets

The outstanding balance of current accounts at the Bank of Japan has been moving at around 32-35 trillion yen, as the Bank continues to provide ample liquidity (Chart 32).

As for interest rate developments in the money markets, the overnight call rate (uncollateralized; Chart 30[1]) has been moving at around zero percent. Interest rates on term instruments (Chart 31[1]) have been steady at low levels on the whole. Under these circumstances, interest rates on Euroyen futures (Chart 31[2]) have been declining on the whole.

In the government bond market, yields on 10-year government bonds (newly issued 10-year JGB; Chart 30[2]) climbed to around 1.9 percent toward late June, reflecting the recovery in Japan's economy. They then dropped, partly because stock prices have showed less ability to move above those levels in the last several weeks. They have recently been moving in the range of 1.75-1.8 percent.

Yield spreads between private bonds (bank bonds and corporate bonds) and government bonds (Charts 34 and 35) continue to be essentially unchanged.

Stock prices (Chart 36) rose toward late June, reflecting an improved outlook for Japan's economy, but have been declining from the beginning of July, due mainly to profit-taking sales and to the lower-than-forecasted U.S. non-farm payroll. The Nikkei 225 Stock Average is moving around 11,500 yen, which is almost the same level as the previous month.

In the foreign exchange market (Chart 37), the yen rose slightly, reflecting investment in Japanese stocks by foreign investors. The yen is being traded in the range of 107-110 yen to the U.S. dollar.

(2) Corporate Finance and Monetary Aggregates

As for credit demand in the private sector, the pace of decline is becoming somewhat moderate, since corporate activity has recovered, as seen in the ongoing increase in business fixed investment, while firms continue to reduce their debts.

Regarding credit supply, the lending attitude of private banks is becoming more accommodative on the whole, although they remain cautious about extending loans to firms with high credit risks. The lending attitude of financial institutions as perceived by firms, including small firms, has improved more noticeably (Chart 38).

Lending rates have recently dropped somewhat; they continue to be at extremely low levels on the whole. The average contracted interest rates on new loans and discounts, with the monthly fluctuations averaged, has been falling slightly (Chart 39). The long-term prime lending rate was lowered by 0.10 percent to 1.80 percent on July 9.

The rate of decline in lending by private banks (monthly average outstanding balance basis, after adjustment for extraordinary factors¹²), consisting of city banks, long-term credit banks, trust banks, regional banks, and regional banks II, has basically been diminishing. (The year-on-year change was –1.8 percent in April, –1.4 percent in May, and –1.3 percent in June; Chart 40.)

In the corporate bond and CP markets, the issuing environment continues to be favorable on the whole. Although corporate bond issuance rates rose somewhat, reflecting developments in long-term interest rates, issuance spreads remain steady. CP issuance rates continue to be at low levels. The amount outstanding of CP and corporate bonds issued has been moving above the previous year's level. (The year-on-year change was 1.9 percent in April, 2.7 percent in May, and 1.1 percent in June; Chart 42.)

¹² The figures are adjusted for (1) fluctuations due to the liquidation of loans, (2) fluctuations in the yen value of foreign-currency-denominated loans due to changes in exchange rates, and (3) fluctuations due to loan write-offs.

According to business surveys, the financial positions of firms have improved more noticeably.

The growth of banknotes in circulation is on a downtrend, due mainly to decreasing anxieties about the financial system. The year-on-year growth rate of the monetary base (currency in circulation + current account balances at the Bank of Japan) decreased, and is currently at the 4.0-5.0 percent level. (The year-on-year change was 6.6 percent in April, 7.4 percent in May, and 4.4 percent in June; Chart 43.)

The year-on-year growth rate of the money stock (M_2 + CDs) was around 2.0 percent. (The year-on-year change was 1.9 percent in April, 2.0 percent in May, and 1.8 percent in June; Chart 44.) The year-on-year growth rate for the third quarter is projected to be around 2 percent.

The number of corporate bankruptcies continues its downtrend; it declined by 25.0 percent year-on-year in May, to 1,089 cases (Chart 45).

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Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2003/Q4	2004/Q1	Q2	2004/Mar.	Apr.	May	Jun.
Index of living expenditure level (all households)	-0.1	0.5	n.a.	-1.6	5.8	-0.8	n.a.
Sales at department stores	-0.3	-0.5	n.a.	-1.0	1.0	-2.5	n.a.
Sales at supermarkets	0.1	-0.7	n.a.	-0.7	-1.6	-0.7	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	<332>	<347>	<321>	<331>	<319>	<320>	<323>
Sales of household electrical appliances (real, NEBA)	2.0	2.7	n.a.	-3.5	5.9	0.5	n.a.
Outlays for travel (50 major travel agencies)	4.7	-2.8	n.a.	-0.3	7.8	8.0	n.a.
Housing starts <s.a., ann. 10,000 units>	<117>	<121>	<n.a.>	<120>	<112>	<117>	<n.a.>
Machinery orders (from private sector ⁴)	8.5	-5.6	n.a.	-3.2	11.8	-2.1	n.a.
Manufacturing	9.8	-3.6	n.a.	-4.5	30.6	-9.1	n.a.
Nonmanufacturing ⁴	7.4	-7.7	n.a.	-3.2	0.2	3.0	n.a.
Construction Starts (private, nondwelling use)	-2.7	17.9	n.a.	12.9	-11.4	-8.6	n.a.
Mining & manufacturing	17.0	2.7	n.a.	-6.3	38.4	-19.2	n.a.
Nonmanufacturing ⁵	-5.6	21.5	n.a.	17.0	-22.4	-4.0	n.a.
Value of public works contracted	-8.3	-6.4	n.a.	-12.5	23.1	-15.3	n.a.
Real exports	6.4	4.1	n.a.	0.5	2.4	-0.3	n.a.
Real imports	1.6	2.6	n.a.	7.9	-2.9	-2.9	n.a.
Industrial production	3.9	0.5	n.a.	0.6	3.5	p 0.5	n.a.
Shipments	4.0	0.0	n.a.	0.1	4.0	p 1.4	n.a.
Inventories	-1.2	0.2	n.a.	0.3	1.4	p -2.0	n.a.
Inventory Ratio <s.a., CY 2000=100>	<93.9>	<94.0>	<n.a.>	<94.0>	<95.0>	<p 96.5>	<n.a.>
Real GDP	1.8	1.5	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	1.2	-0.1	n.a.	1.6	2.3	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2003/Q4	2004/Q1	Q2	2004/Mar.	Apr.	May	Jun.
Ratio of job offers to applicants <s.a., times>	<0.73>	<0.77>	<n.a.>	<0.77>	<0.77>	<0.80>	<n.a.>
Unemployment rate <s.a., %>	<5.1>	<4.9>	<n.a.>	<4.7>	<4.7>	<4.6>	<n.a.>
Overtime working hours ⁶	4.7	3.3	n.a.	2.9	4.0	p 2.1	n.a.
Number of employees	0.3	0.4	n.a.	0.3	1.1	1.0	n.a.
Number of regular employees ⁶	-0.3	-0.1	n.a.	-0.1	0.5	p 0.3	n.a.
Nominal wages per person ⁶	-1.3	-1.7	n.a.	-2.9	0.1	p -0.8	n.a.
Domestic corporate goods price index ⁷ <q/q % chg.> (3-month growth rate)	-0.4 <0.1>	0.1 <0.5>	p 0.9 <p 0.5>	0.2 <0.6>	0.6 <0.7>	0.9 <0.4>	p 1.4 <p 0.5>
Consumer price index ⁸ <s.a., q/q % chg.> (3-month growth rate)	0.0 <-0.0>	0.0 <-0.1>	n.a. <n.a.>	-0.1 <-0.1>	-0.2 <0.0>	-0.3 <-0.2>	n.a. <n.a.>
Corporate service price index ⁹ <s.a., q/q % chg.> (3-month growth rate)	-1.2 <-0.2>	-1.2 <-0.2>	n.a. <n.a.>	-1.2 <-0.1>	-0.9 <-0.2>	-0.9 <-0.2>	n.a. <n.a.>
Money Stock (M ₂ +CDs) <average outstanding, y/y % chg.>	1.5	1.7	1.9	1.7	1.9	2.0	1.8
Number of suspension of transactions with banks	-29.0	-24.4	n.a.	-26.7	-24.5	-33.0	n.a.

Notes: 1. All figures in chart 1-1 except figures in angle brackets are quarter on quarter (month on month) change of seasonal adjusted data.

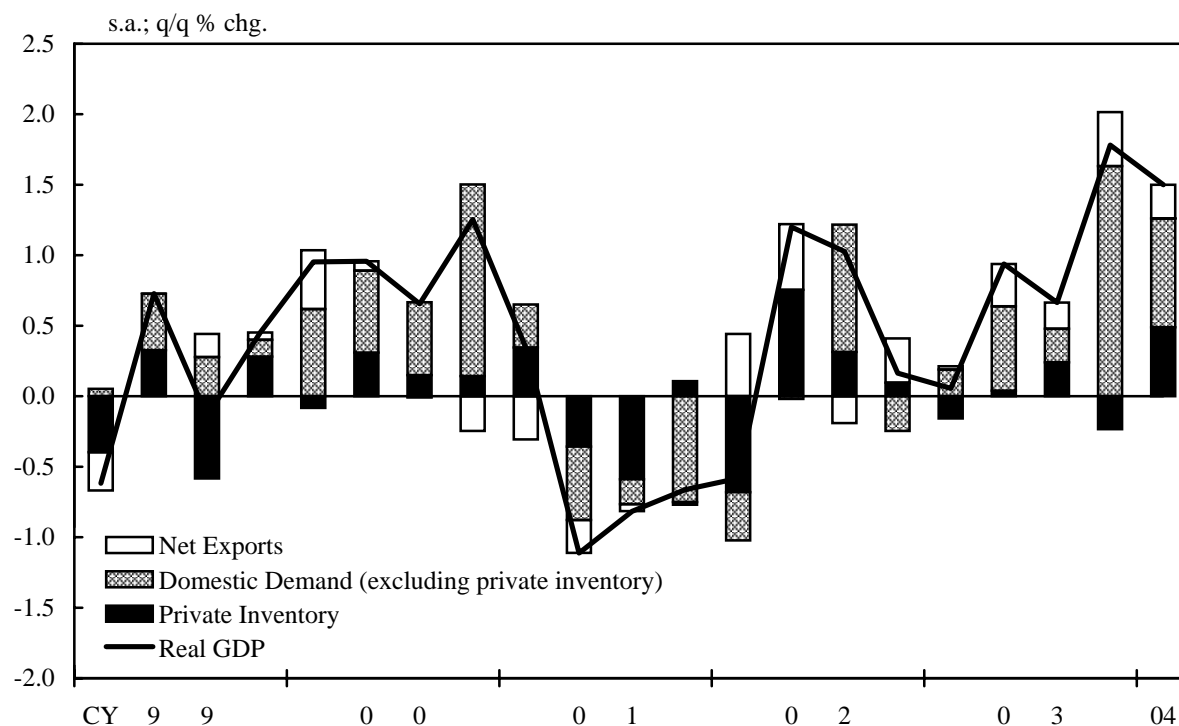
All figures in chart 1-2 except figures in angle brackets are year on year change. For details on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes of respective charts.

2. Figure with "p" indicates preliminary one.
3. Excludes small cars with engine sizes of 660cc or less.
4. Excludes orders of shipbuilding and orders from electric power companies.
5. Nonmanufacturing is mainly composed of commerce, services, agriculture & fisheries and public utilities industries.
6. Data for establishments with at least 5 regular employees.
7. Adjusts to exclude a hike of electric power charges in summer season.
8. Excludes fresh food.
9. Domestic supply-demand factors.

Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey," "Monthly Report on the Family Income and Expenditure Survey," "Consumer Price Index"; Ministry of Economy, Trade and Industry, "Current Survey of Commerce," "Indices of Industrial Production," "Indices of Tertiary Industry Activity"; Japan Automobile Dealers Association, "Domestic Sales of Automobiles"; Nippon Electric Big-Stores Association (NEBA), "Sales of Electrical Appliances"; Ministry of Land, Infrastructure and Transport, "Major Travel Agents' Revenue," "Statistics on Building Construction Starts"; Ministry of Finance, "The Summary Report on Trade of Japan"; Cabinet Office, "Machinery Orders Statistics," "National Accounts"; East Japan Construction Surety etc., "Public Works Prepayment Surety Statistics"; Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey"; Bank of Japan, "Corporate Goods Price Index," "Corporate Service Price Index," "Financial and Economic Statistics Monthly"; Japanese Bankers Associations, "Suspension of Transaction with Banks."

Real GDP

(1) Changes from the previous quarter (seasonally adjusted series)



(2) Components

s.a.; q/q % chg.

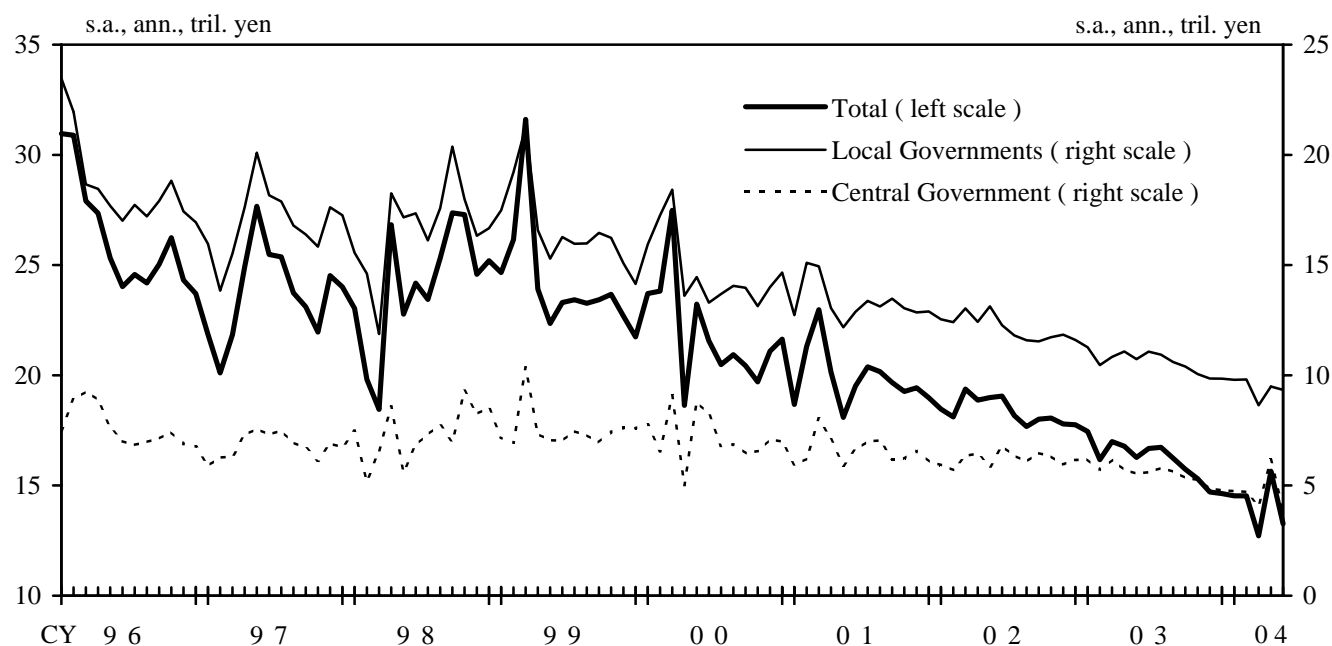
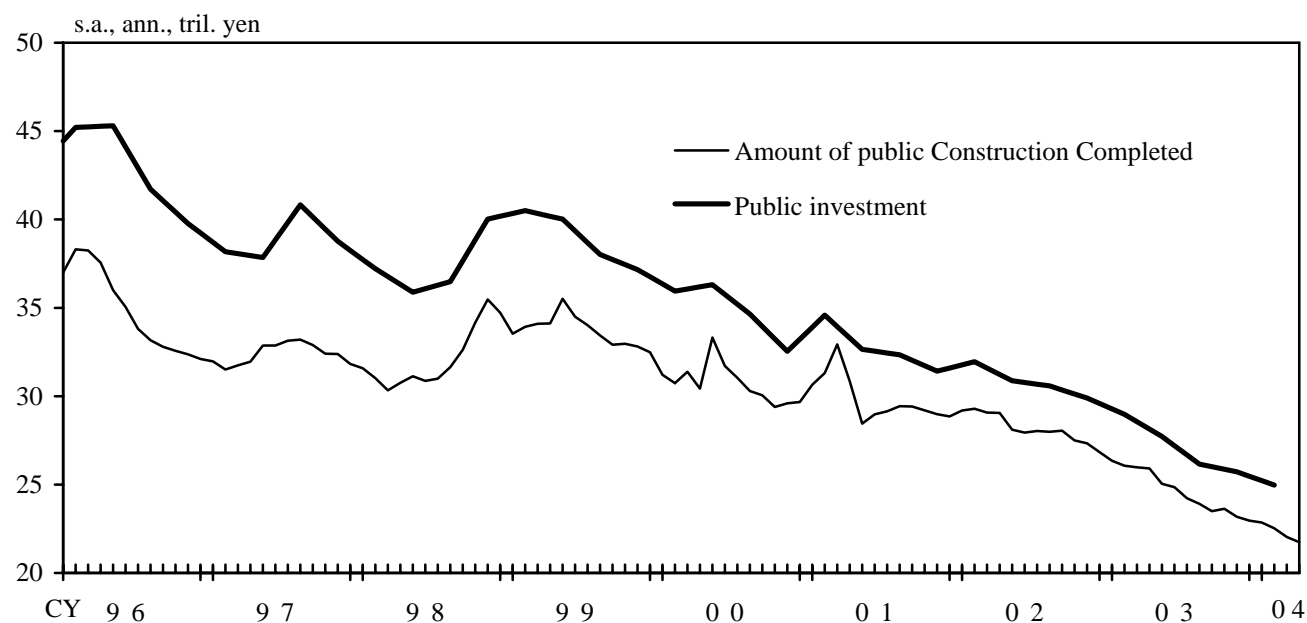
	2003				2004
	Q1	Q2	Q3	Q4	Q1
Real GDP	0.1	0.9	0.7	1.8	1.5
Domestic Demand	0.0	0.7	0.5	1.4	1.3
Private Consumption	-0.1	0.2	0.6	1.0	1.0
Non-Resi. Investment	2.3	4.7	0.0	6.7	1.7
Residential Investment	-1.2	-0.2	3.2	-0.9	0.6
Private Inventory	(-0.2)	(0.0)	(0.2)	(-0.2)	(0.5)
Public Demand	-0.4	-1.2	-1.0	-0.1	-0.4
Public Investment	-2.3	-4.0	-5.4	-1.3	-2.9
Net Exports of goods and services	(0.0)	(0.3)	(0.2)	(0.4)	(0.2)
Exports	0.7	1.8	3.5	5.1	3.9
Imports	0.6	-1.0	2.6	2.6	2.8
Nominal GDP	-0.7	0.5	0.2	0.7	1.0

Note: Figures shown in parentheses indicate the contributions to changes in GDP.

Source: Cabinet Office, "National Accounts."

Public Investment

(1) Value of Public Works Contracted

(2) Amount of Public Construction Completed^{2,3} and Public Investment

Notes: 1. Quarterly figures of public investment are plotted at the middle month of each quarter.

2. Amount of public construction completed is based on the general tables in the "Integrated Statistics on Construction Works." The figures until March 2002 are retroactively calculated with year-to-year growth rates on the former basis.

3. The figures of value of public works contracted and amount of public construction completed are seasonally adjusted by X-12-ARIMA.

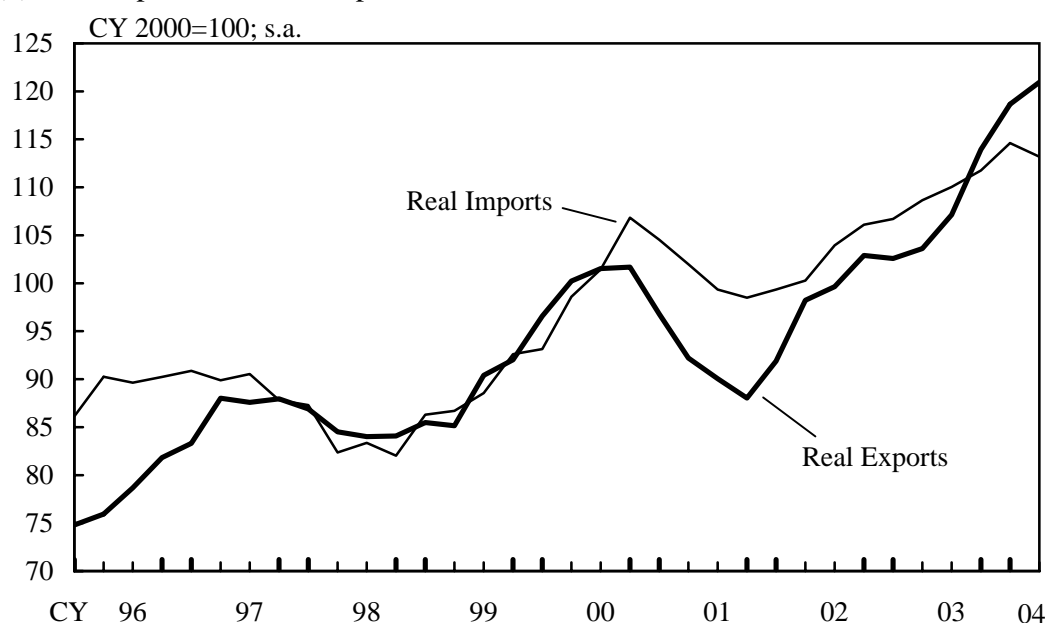
Sources: Cabinet Office, "National Accounts";

East Japan Construction Surety etc., "Public Works Prepayment Surety Statistics";

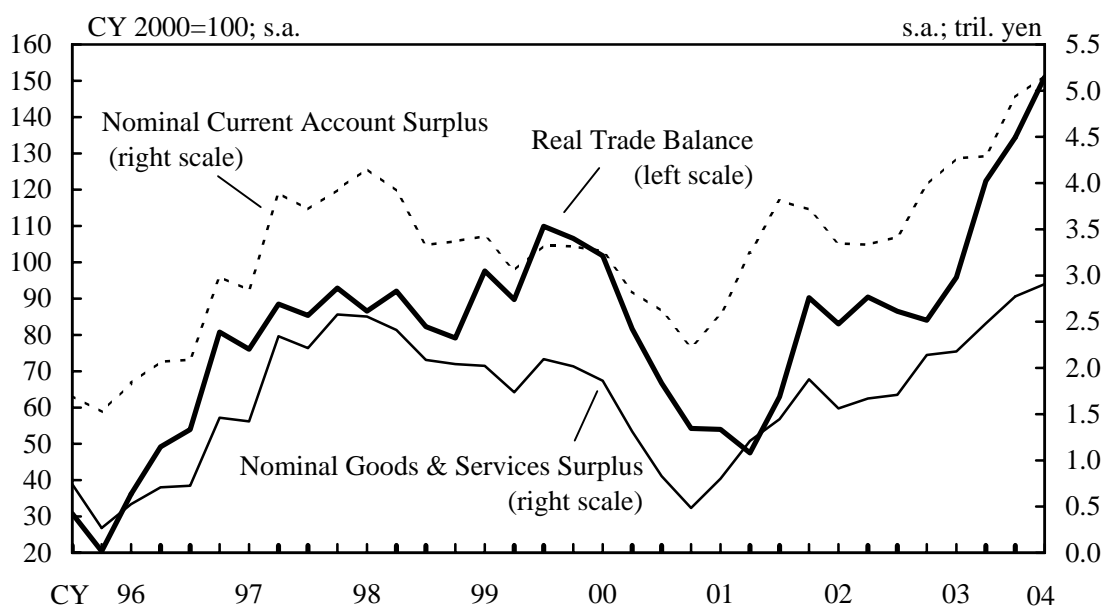
Ministry of Land, Infrastructure and Transport, "Integrated Statistics on Construction Works."

External Balance

(1) Real Exports and Real Imports



(2) Real Trade Balance and Nominal Current Account Surplus



Notes: 1. Real trade balance is defined as real exports minus real imports, indexed with base year of 2000. Real exports/imports are "The Value of Exports and Imports in Trade Statistics" deflated by the "Export and Import Price Index." 2004/Q2 figures are Apr.-May averages converted into quarterly amount.

2. Real exports/imports and the real trade balance are seasonally adjusted by X-12-ARIMA. 2004/Q2 figures are Apr.-May averages converted into quarterly amount.

Sources: Ministry of Finance, "The Summary Report on Trade of Japan";
Bank of Japan, "Balance of Payments Monthly," "Corporate Goods Price Index."

Real Exports ¹

(1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2002	2003	2003 Q2	Q3	Q4	2004 Q1	Q2	2004 Mar.	Apr.	May
United States	<24.6>	1.4	-6.2	0.5	-1.4	2.6	2.7	1.1	2.6	-2.7	2.9
EU	<15.3>	-0.0	13.9	1.6	1.7	3.9	9.8	-0.5	3.4	-5.8	9.0
East Asia	<44.9>	17.5	19.9	-1.0	7.1	8.4	8.8	0.2	-4.8	4.4	-1.3
China	<12.2>	35.5	41.1	2.3	9.2	5.3	11.0	0.1	-10.3	7.2	0.9
NIEs	<23.5>	14.4	15.7	-3.3	7.4	12.1	8.1	0.8	-3.9	4.0	-2.6
Korea	<7.4>	19.1	19.2	-5.3	8.5	9.2	13.2	-0.5	-2.2	-0.1	2.6
Taiwan	<6.6>	14.6	16.1	-3.4	9.3	17.0	5.8	-0.4	-4.9	3.3	-5.9
ASEAN4 ³	<9.2>	10.2	9.1	0.7	4.1	3.5	7.7	-1.2	0.3	1.7	-0.8
Thailand	<3.4>	16.5	18.3	3.0	6.5	5.5	7.4	2.4	-3.5	6.0	-0.7
Real exports		7.2	8.9	1.0	3.4	6.4	4.1	1.9	0.5	2.4	-0.3

(2) Breakdown by goods

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2002	2003	2003 Q2	Q3	Q4	2004 Q1	Q2	2004 Mar.	Apr.	May
Intermediate goods	<15.6>	8.8	5.6	0.6	0.9	4.0	6.0	-4.8	0.8	1.3	-3.9
Motor vehicles and their related goods	<23.7>	12.7	1.3	-3.6	0.3	5.9	-1.5	5.7	5.4	-1.4	8.3
Consumer goods ⁴	<7.0>	7.9	14.9	2.7	0.7	9.4	6.2	2.4	4.2	2.7	-6.5
IT-related goods ⁵	<14.1>	0.3	12.9	3.4	7.4	4.7	5.6	3.9	1.5	2.9	1.9
Capital goods and parts ⁶	<28.6>	7.8	17.1	2.3	6.4	6.3	7.3	6.0	-2.9	7.0	0.6
Real exports		7.2	8.9	1.0	3.4	6.4	4.1	1.9	0.5	2.4	-0.3

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2004/Q2 figures are Apr.-May averages converted into quarterly amount.

2. Shares of each region and goods in 2003 are shown in angle brackets.

3. Data for four members: Thailand, Malaysia, the Philippines, and Indonesia.

4. Excludes motor vehicles.

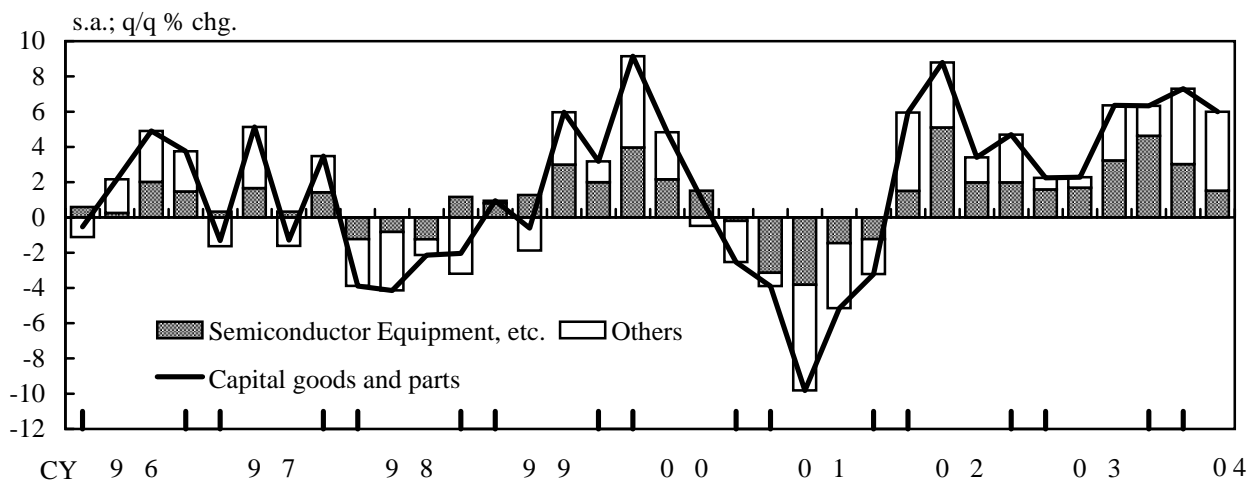
5. IT-related goods are composed of automatic data processing machinery, telecommunication machinery, ICs and medical and optical instruments.

6. Excludes IT-related goods, power generating machinery and parts of motor vehicles.

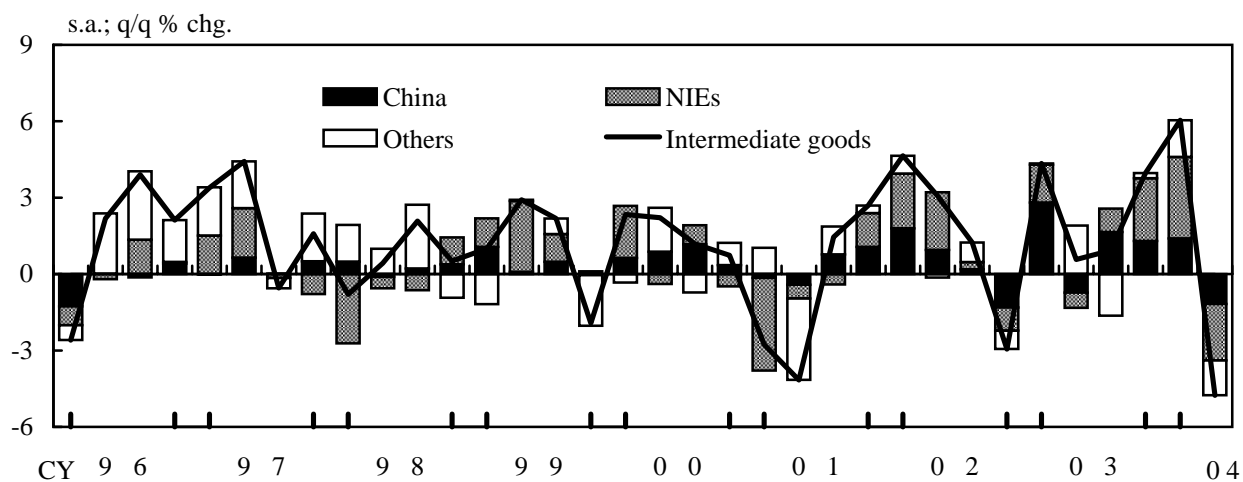
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Real Exports breakdown by goods

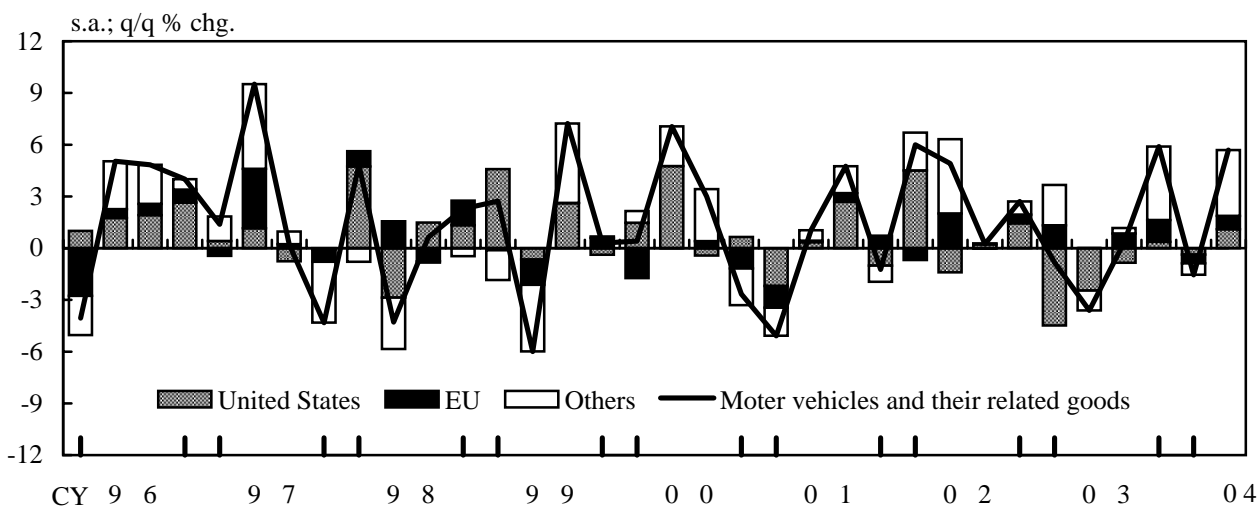
(1) Capital goods and parts (real, breakdown by goods)



(2) Intermediate goods (real, breakdown by region)



(3) Motor vehicles and their related goods (real, breakdown by region)



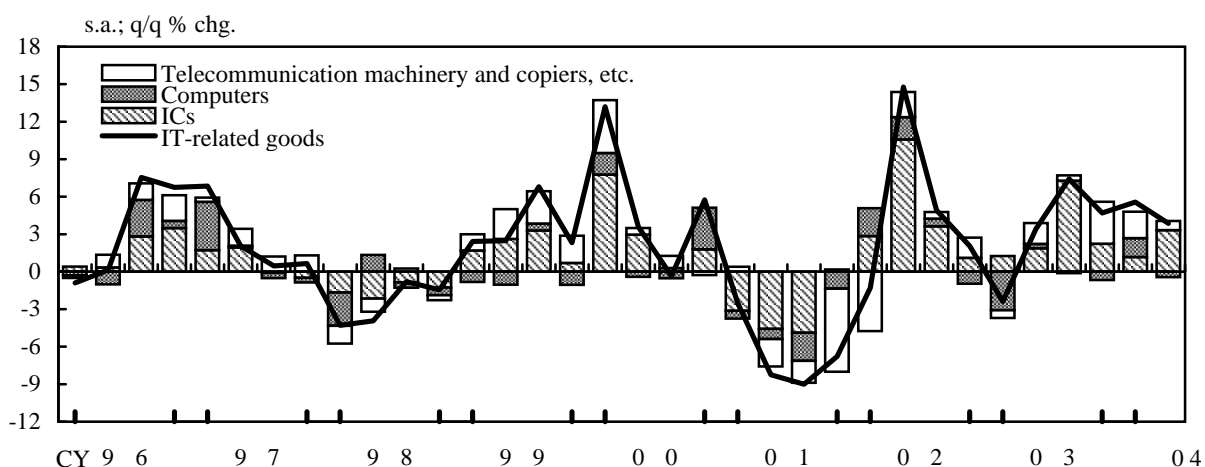
Notes: 1. Seasonally adjusted by X-12-ARIMA.

2. 2004/Q2 figures are Apr.-May averages converted into quarterly amount.

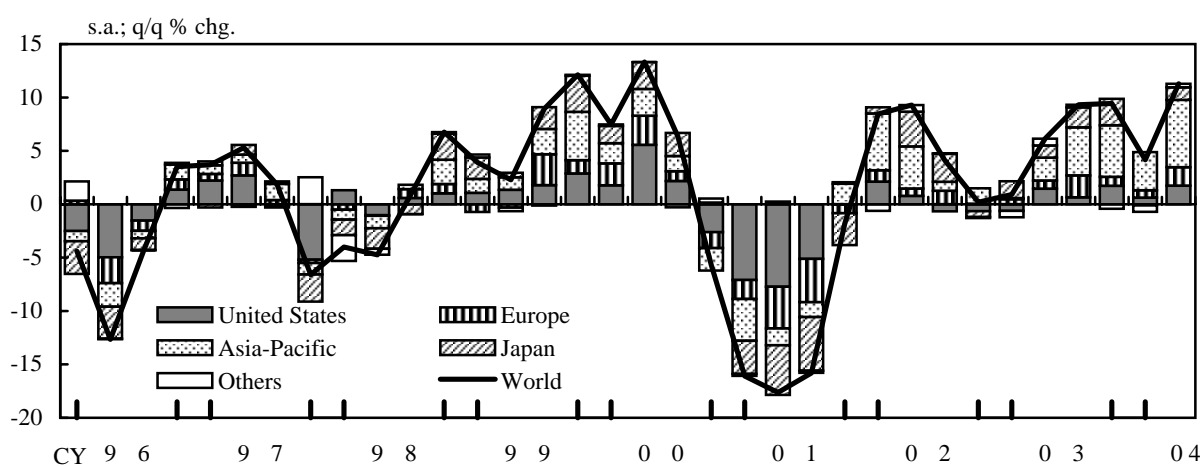
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Exports and Imports of IT-related goods

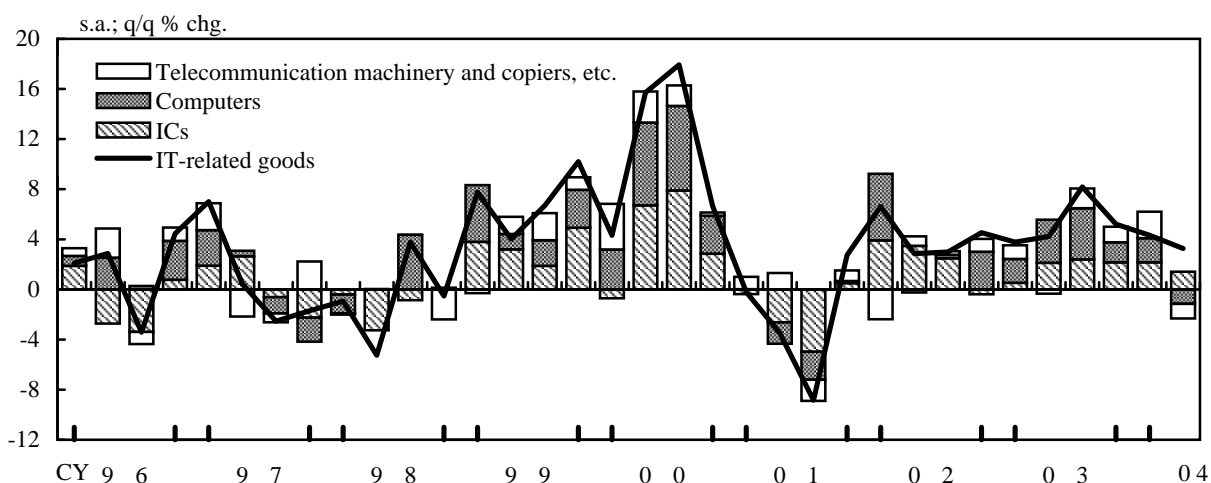
(1) Exports of IT-related goods (real, breakdown by goods)



(2) World Semiconductor Shipments (nominal, breakdown by region)



(3) Imports of IT-related goods (real, breakdown by goods)



Notes: 1. Seasonally adjusted by X-12-ARIMA.

2. 2004/Q2 figures are Apr.-May averages converted into quarterly amount.

Sources: Ministry of Finance, "The Summary Report on Trade of Japan";
Bank of Japan, "Corporate Goods Price Index"; WSTS (World Semiconductor Trade Statistics.)

Real Imports ¹

(1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2002	2003	2003 Q2	Q3	Q4	2004 Q1	Q2	2004 Mar.	Apr.	May
United States	<15.4>	-3.9	-1.6	4.5	-1.4	1.3	-3.6	0.8	4.5	3.8	-9.7
EU	<12.8>	2.3	6.4	2.6	1.3	3.1	6.8	-3.1	-0.0	-5.5	4.7
East Asia	<42.4>	6.4	14.6	4.5	3.9	3.6	4.7	-0.5	4.3	-2.9	-0.3
China	<19.7>	13.8	21.9	5.1	5.2	3.5	6.7	-0.8	13.9	-8.7	1.4
NIEs	<10.2>	1.8	9.8	3.2	6.0	5.5	4.8	-0.8	-4.0	2.0	-3.9
Korea	<4.7>	-1.5	13.1	4.2	3.1	7.8	9.4	-0.8	-3.5	-1.5	-1.0
Taiwan	<3.7>	5.4	7.1	2.7	8.4	2.2	3.3	0.3	-5.8	7.4	-6.1
ASEAN4 ³	<12.5>	1.5	9.0	4.9	0.5	2.1	1.5	0.0	-2.5	2.9	0.2
Thailand	<3.1>	7.6	11.5	2.2	4.6	3.4	2.3	2.8	-1.9	4.3	2.9
Real imports		1.1	6.8	1.8	1.3	1.6	2.6	-1.2	7.9	-2.9	-2.9

(2) Breakdown by goods

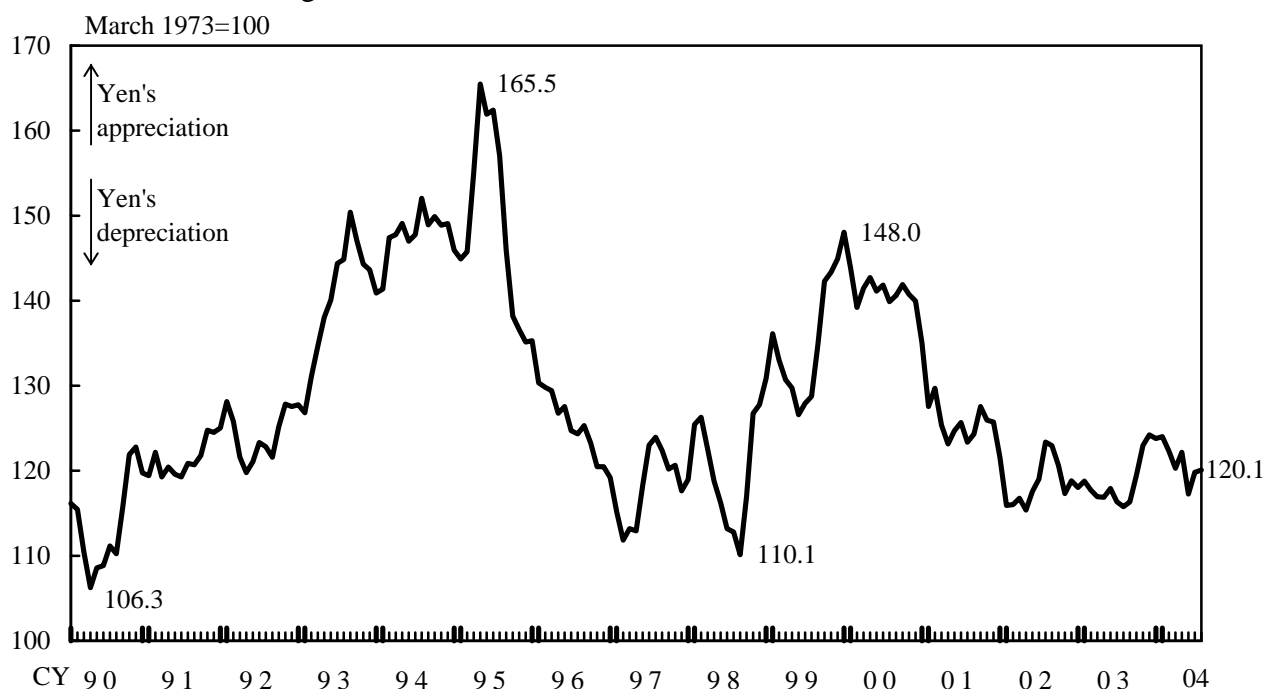
		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2002	2003	2003 Q2	Q3	Q4	2004 Q1	Q2	2004 Mar.	Apr.	May
Raw materials ⁴	<27.1>	-2.7	6.0	-0.5	-3.0	-3.4	3.3	-2.0	2.7	1.0	-5.4
Intermediate goods	<13.4>	1.4	4.5	-0.1	2.5	1.0	3.3	-0.3	7.1	-7.1	6.7
Foodstuffs	<11.5>	-2.5	-4.2	-1.4	-0.6	0.2	-0.0	-1.5	3.5	-1.4	-4.8
Consumer goods	<10.8>	-0.9	8.0	2.6	3.7	6.3	0.7	0.4	14.1	-8.9	8.9
IT-related goods ⁵	<14.0>	7.8	19.3	4.2	8.2	5.2	4.3	3.3	0.7	5.6	-4.8
Capital goods and parts ⁶	<13.0>	11.5	14.3	10.8	-1.7	6.5	3.0	-0.3	26.7	-5.6	-11.3
excluding aircraft	<11.9>	8.3	14.3	3.7	1.5	4.8	7.8	0.3	2.1	2.9	-5.6
Real imports		1.1	6.8	1.8	1.3	1.6	2.6	-1.2	7.9	-2.9	-2.9

- Notes: 1. Seasonally adjusted by X-12-ARIMA. 2004/Q2 figures are Apr.-May averages converted into quarterly amount.
2. Shares of each region and goods in 2003 are shown in angle brackets.
3. Data for four members: Thailand, Malaysia, the Philippines, and Indonesia.
4. Raw materials are mainly composed of woods, ores and mineral fuel.
5. IT-related goods are composed of office machinery, telecommunication machinery, ICs, and medical and optical instruments.
6. Excludes IT-related goods.

Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Environment for Exports (1)

(1) Real Effective Exchange Rate



Note: Calculated by the Bank of Japan. Monthly average. Figure for July 2004 is the average up to July 12.

Figures are the index of weighted average of the yen's real exchange rates versus 15 major currencies (26 countries) which are calculated from nominal exchange rates and price indexes of the respective countries.

(2) Real GDP Growth Rates in Overseas Economies

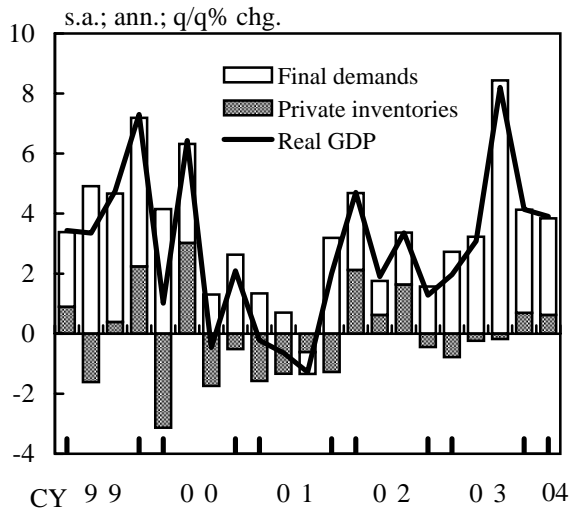
		CY2001	2002	2003	2003 Q3	Q4	2004 Q1	Q2	
United States ¹		0.5	2.2	3.1	8.2	4.1	3.9	n.a.	
European Union ¹ (15 countries)		1.6	1.0	0.7	1.9	1.9	2.3	n.a.	
East Asia ²	Germany	0.8	0.2	-0.1	0.8	1.1	1.8	n.a.	
	France	2.1	1.1	0.5	2.5	2.5	3.0	n.a.	
	United Kingdom	2.3	1.8	2.2	3.8	4.2	2.9	n.a.	
	China	7.5	8.0	9.1	9.6	9.9	9.8	n.a.	
	NIEs	Korea	3.8	7.0	3.1	2.4	3.9	5.3	n.a.
		Taiwan	-2.2	3.6	3.2	4.2	5.2	6.3	n.a.
		Hong Kong	0.5	1.9	3.2	4.0	4.9	6.8	n.a.
		Singapore	-1.9	2.2	1.1	1.7	4.9	7.4	11.7
	ASEAN4	Thailand	2.1	5.4	6.8	6.6	7.8	6.5	n.a.
		Indonesia	3.8	4.3	4.5	3.7	4.1	4.5	n.a.
Malaysia		0.3	4.1	5.3	5.3	6.6	7.6	n.a.	
Philippines		3.0	3.1	4.7	4.8	5.0	6.4	n.a.	

Notes: 1. Quarterly data of U.S. and EU are quarter-to-quarter percent changes at annual rate.

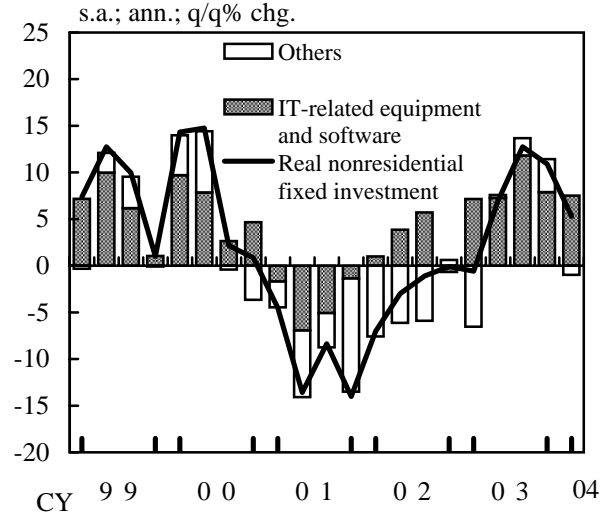
2. Quarterly data of East Asia are percent changes from a year earlier.

Environment for Exports (2)

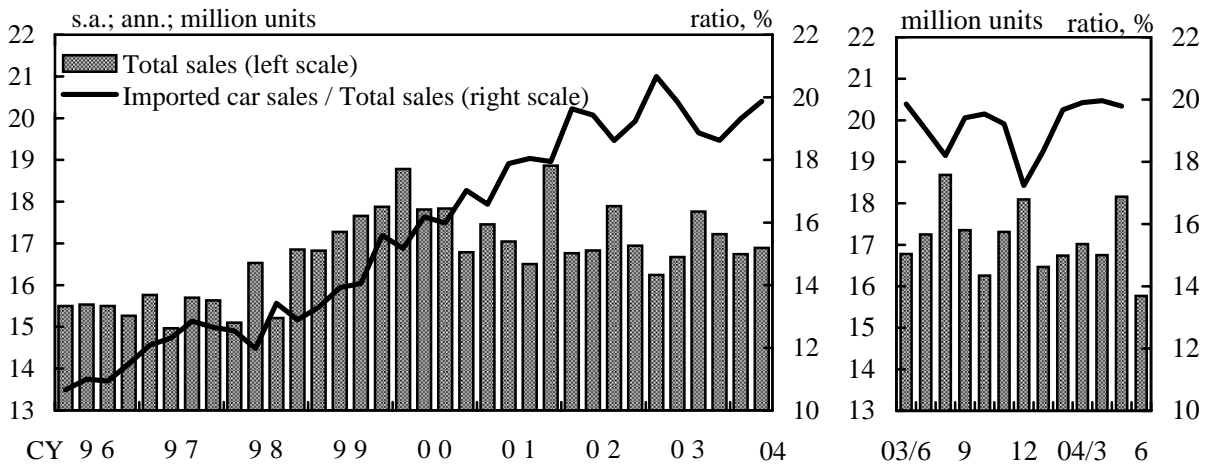
(1) U.S. Real GDP (breakdown by final demands and inventories)



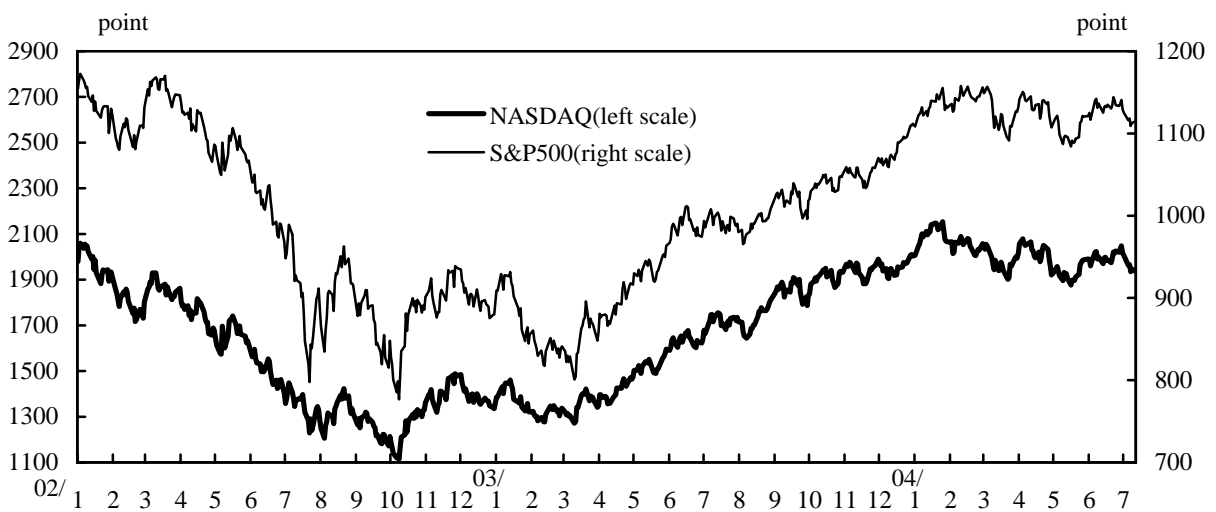
(2) U.S. Real Nonresidential Fixed Investment



(3) Sales of Automobiles in the U.S.



(4) U.S. Stock Prices (NASDAQ, S&P500)



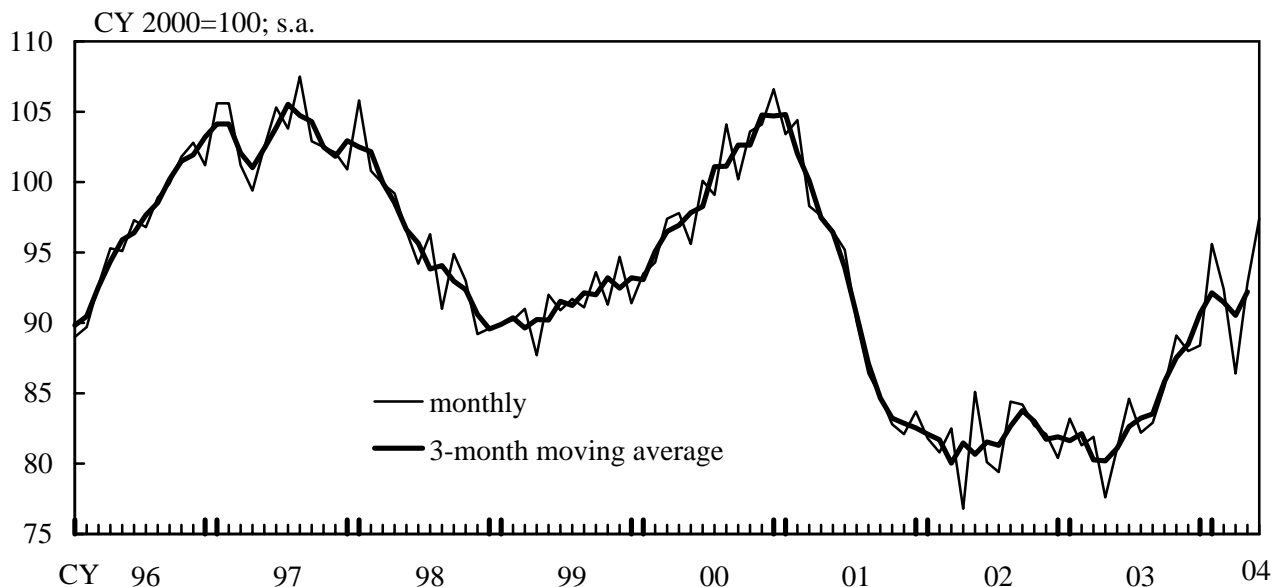
Notes: 1. "Imported car sales / Total sales of automobile" in 2004/Q2 are based on Apr.-May averages in (3). June figures of Automobile Sales are calculated by adding average of heavy trucks in CY 2003 (0.33mil.) to preliminary figure released by an industry association (s.a., ann., 15.44 mil.) which does not include heavy trucks.

2. Figures of U.S. stock prices in (4) are up to July 12 .

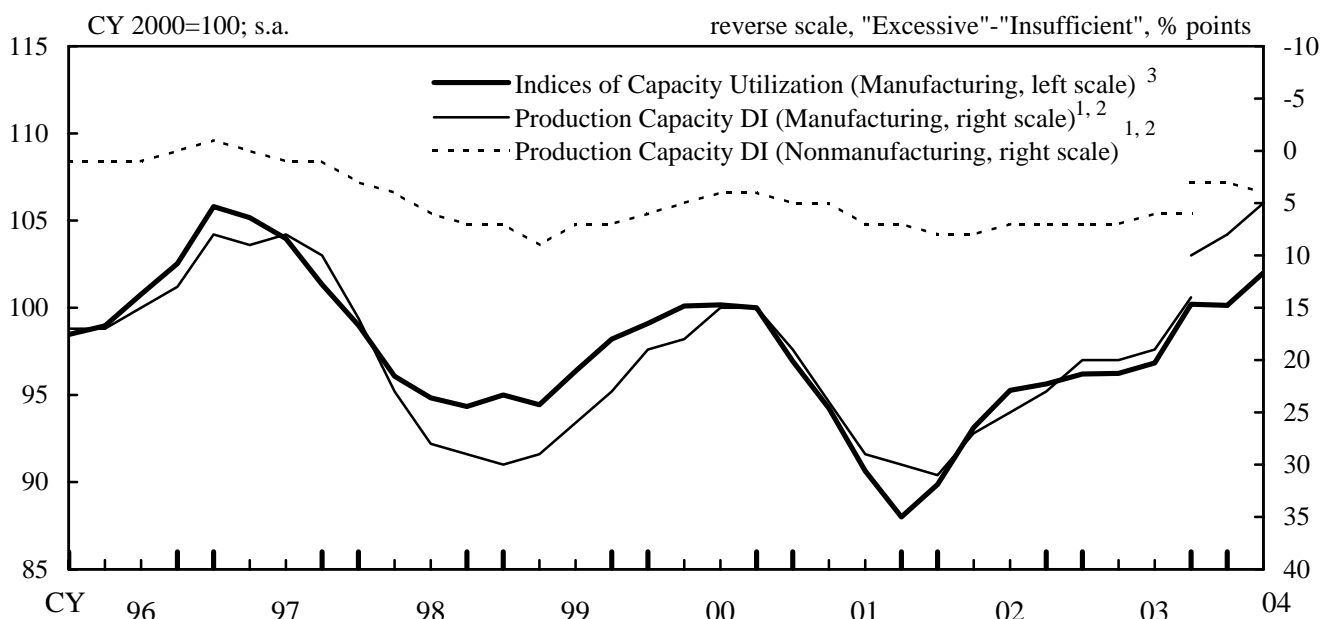
Sources: U.S. Department of Commerce, "National Income and Product Accounts," "Sales, production, imports, exports, and inventories, in units"; Reuters News Service; Bloomberg.

Indicators for Business Fixed Investment (1)

(1) Shipments of capital goods (excluding transport equipment)



(2) Indices of Capacity Utilization and Production Capacity DI



Notes: 1. Production Capacity DIs are those of all enterprises.

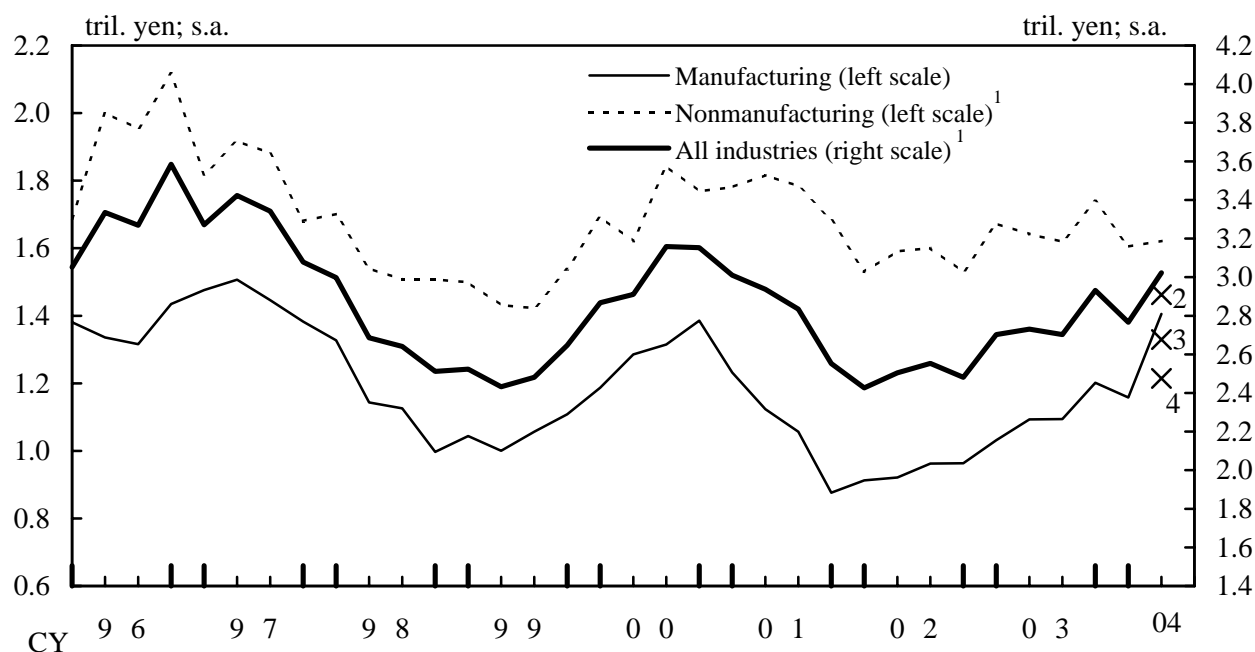
2. The *Tankan* has been revised from the March 2004 Survey. Figures up to the December 2003 Survey are based on the previous data sets. Figures from the December 2003 Survey are on a new basis.

3. The figure for 2004/Q2 is as of April.

Sources: Ministry of Economy, Trade and Industry, "Indices of Industrial Production";
Bank of Japan, "*Tankan*, Short-term Economic Survey of Enterprises in Japan."

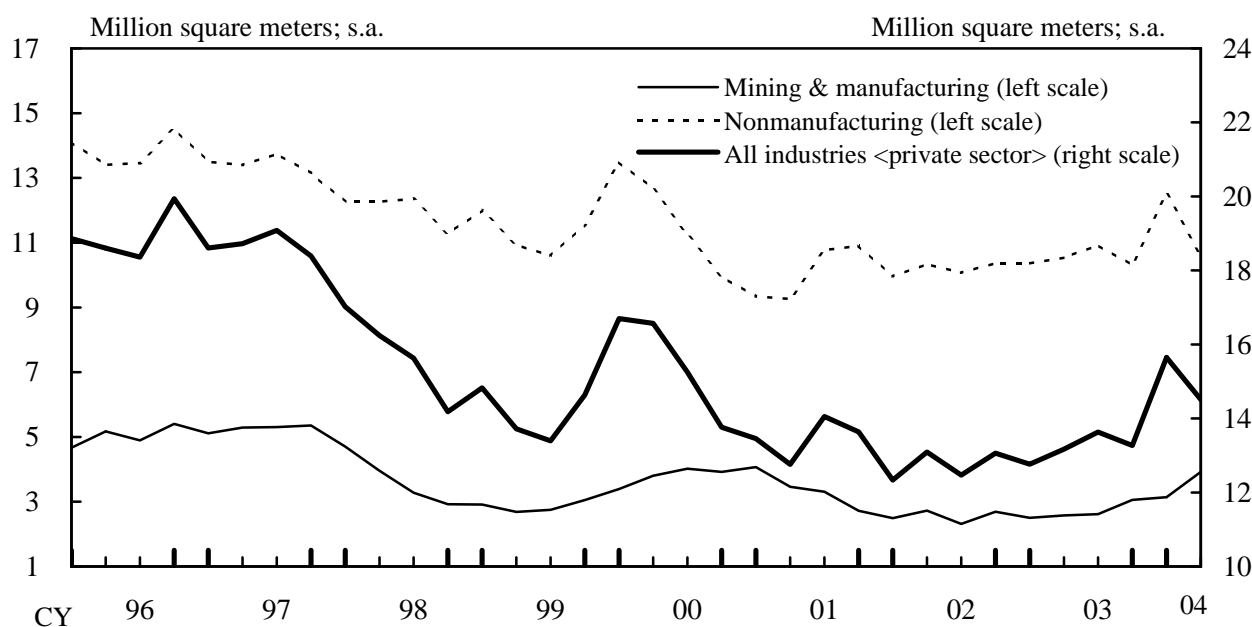
Indicators for Business Fixed Investment (2)

(1) Machinery Orders



- Notes: 1. Excludes orders of shipbuilding and orders from electric power companies.
 2. Forecast of nonmanufacturing industries for 2004/Q2.
 3. Forecast of all industries for 2004/Q2.
 4. Forecast of manufacturing industries for 2004/Q2.
 5. Figures for 2004/Q2 are averages of April and May in terms of quarterly amount.

(2) Construction Starts (floor area, private, nondwelling use)

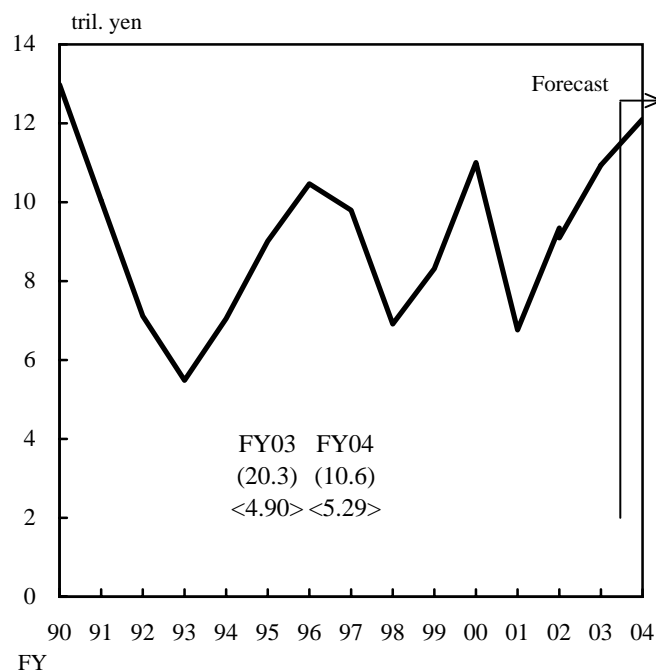


- Notes: 1. Seasonally adjusted by X-12-ARIMA.
 2. Figures for 2004/Q2 are averages of April and May in terms of quarterly amount.
 3. Because the Standard Industrial Classification for Japan was revised in March 2002, the industry classification for Newspaper Publishing and Publishing Business was changed from Mining and Manufacturing to Nonmanufacturing. Accordingly, the data up to fiscal year 2002 were adjusted by using a link coefficient.

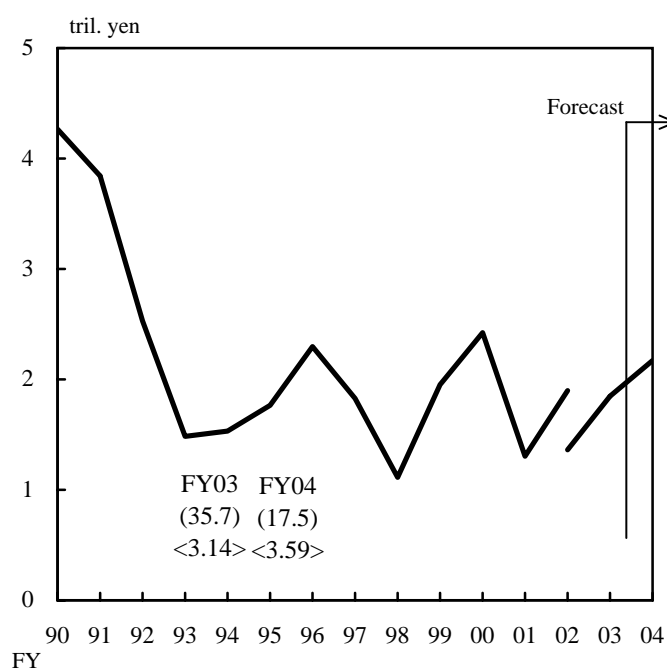
Sources: Cabinet Office, "Machinery Orders Statistics";
 Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts."

Current Profits

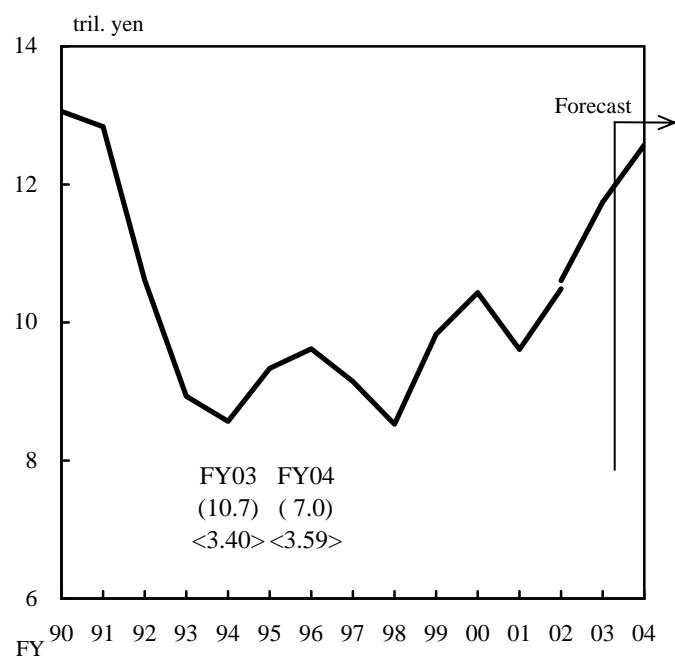
(1) Manufacturing Large Enterprises



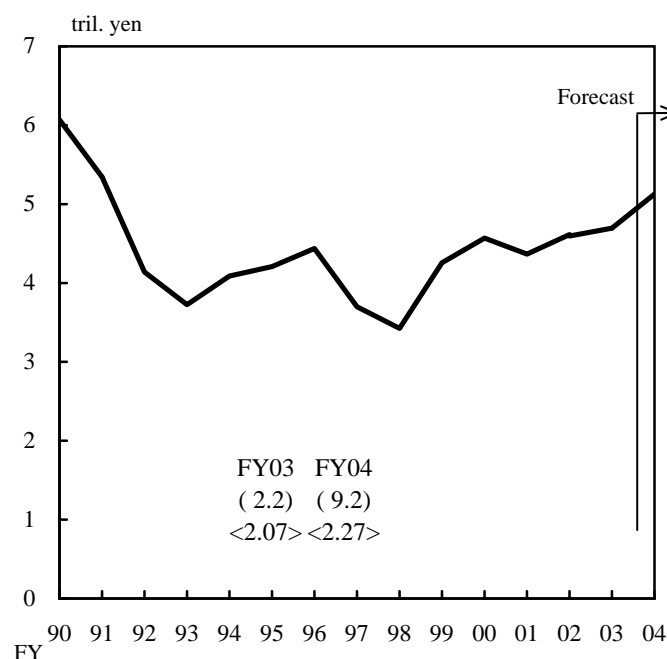
(2) Manufacturing Small Enterprises



(3) Nonmanufacturing Large Enterprises



(4) Nonmanufacturing Small Enterprises



Notes: 1. Large enterprises (pre-revision): 1,000 employees or more

Small enterprises (pre-revision): 50-299 employees (for Manufacturing), 20-99 employees (for Wholesaling),
20-49 employees (for Retailing, services, and leasing),
50-299 employees (for Other industries)

Large enterprises (post-revision): capital with 1 billion yen and more

Small enterprises (post-revision): capital with 20 million yen to less than 100 million yen

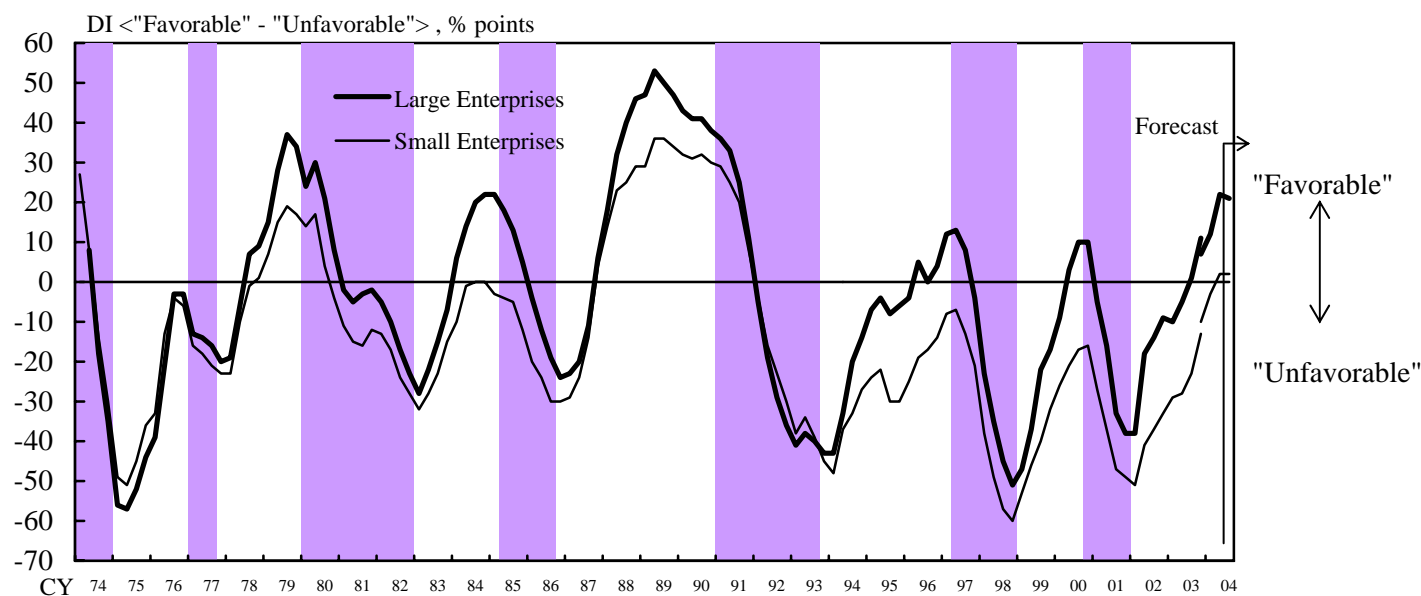
2. (): Current Profits (y/y% chg.), <>: Ratio of current profit to sales (%). post-revision.

3. The *Tankan* has been revised from the March 2004 Survey. Figures up to FY2002 are based on the previous data sets. Figures from FY2002 are on a new basis.

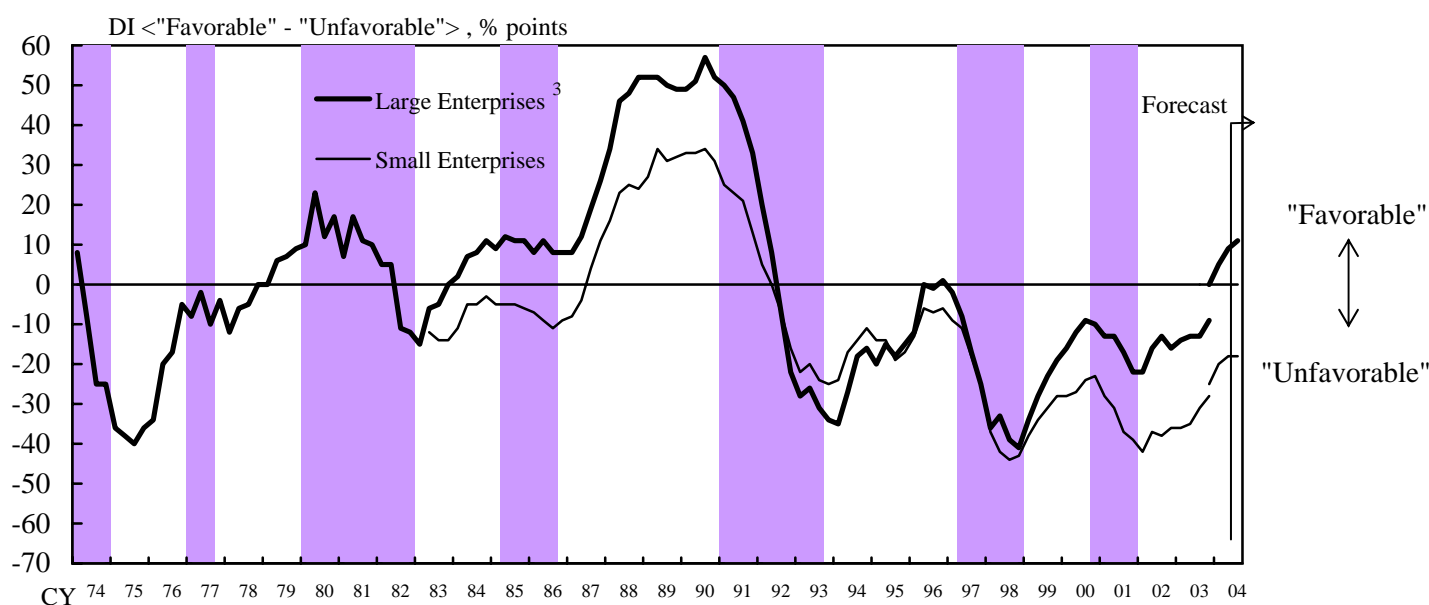
Source: Bank of Japan, "*Tankan*, Short-term Economic Survey of Enterprises in Japan."

Business Conditions

(1) Manufacturing



(2) Nonmanufacturing



Notes: 1. Large enterprises (pre-revision): 1,000 employees or more

Small enterprises (pre-revision): 50-299 employees (for Manufacturing), 20-99 employees (for Wholesaling),
20-49 employees (for Retailing, services, and leasing),
50-299 employees (for Other industries)

Large enterprises (post-revision): capital with 1 billion yen and more

Small enterprises (post-revision): capital with 20 million yen to less than 100 million yen

2. The *Tankan* has been revised from the March 2004 Survey. Figures up to the December 2003 Survey are based on the previous data sets. Figures from the December 2003 Survey are on a new basis.

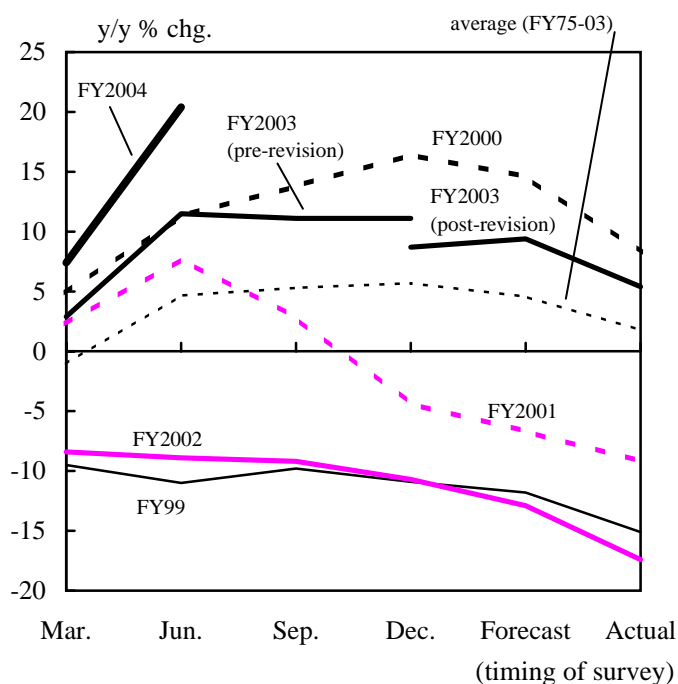
3. Figures up to Feb. 1983 are those of Principal Enterprises.

4. Shaded areas indicate recession periods.

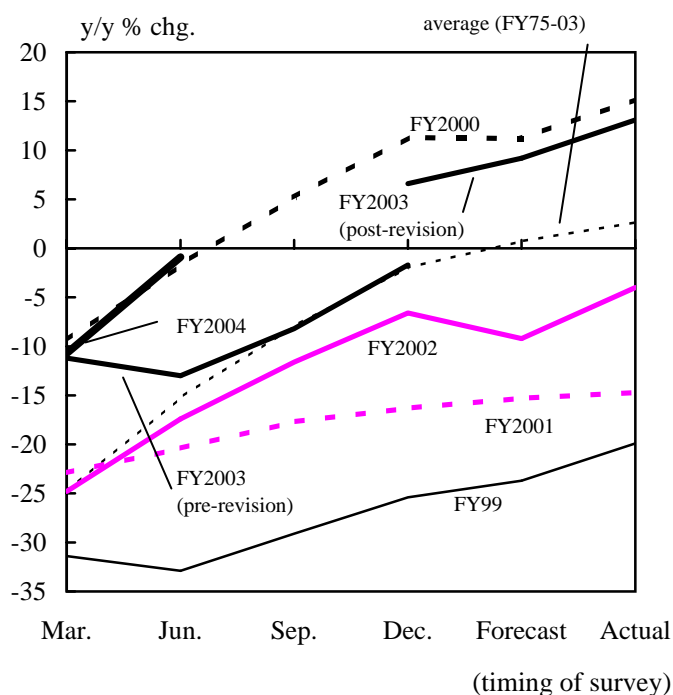
Source: Bank of Japan, "*Tankan*, Short-term Economic Survey of Enterprises in Japan."

Business Fixed Investment Plans as Surveyed

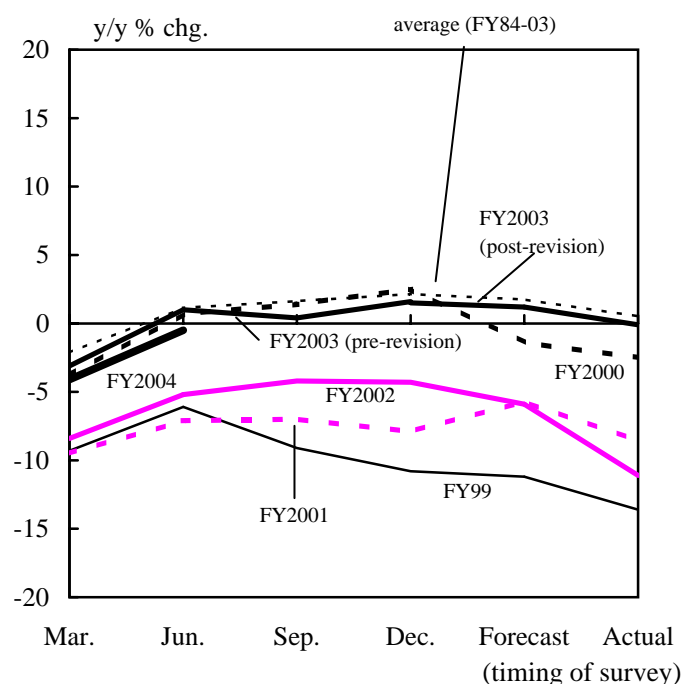
(1) Manufacturing Large Enterprises



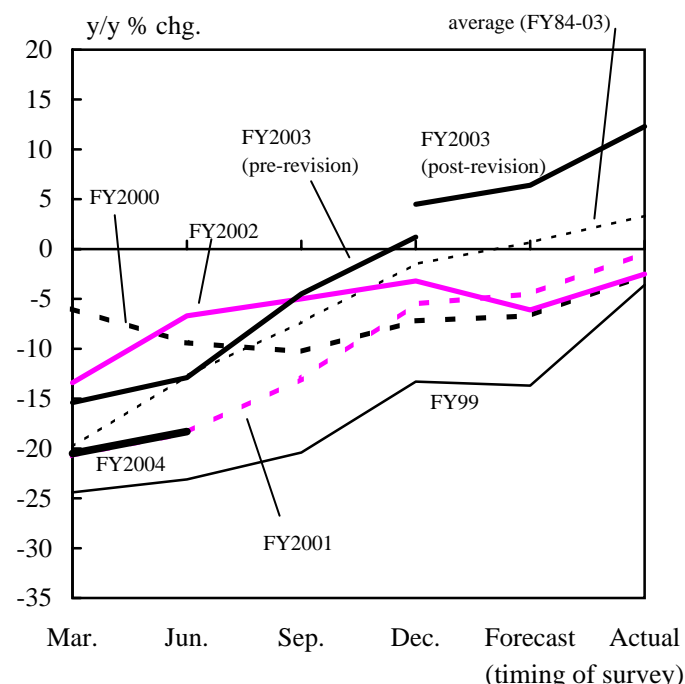
(2) Manufacturing Small Enterprises



(3) Nonmanufacturing Large Enterprises



(4) Nonmanufacturing Small Enterprises



Notes: 1. Large enterprises (pre-revision): 1,000 employees or more

Small enterprises (pre-revision): 50-299 employees (for Manufacturing), 20-99 employees (for Wholesaling),
20-49 employees (for Retailing, services, and leasing),
50-299 employees (for Other industries)

Large enterprises (post-revision): capital with 1 billion yen and more

Small enterprises (post-revision): capital with 20 million yen to less than 100 million yen

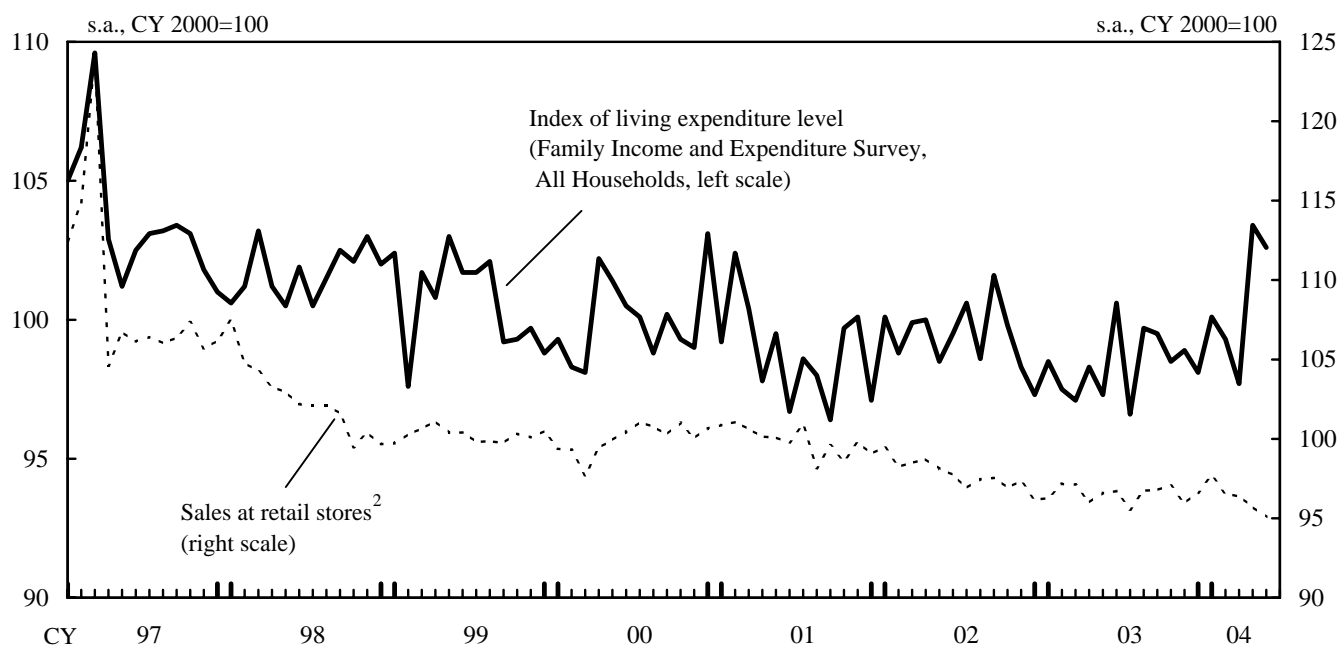
2. Includes land purchasing expenses.

3. The *Tankan* has been revised from the March 2004 Survey. Figures up to the December 2003 Survey are based on the previous data sets. Figures from the December 2003 Survey are on a new basis.

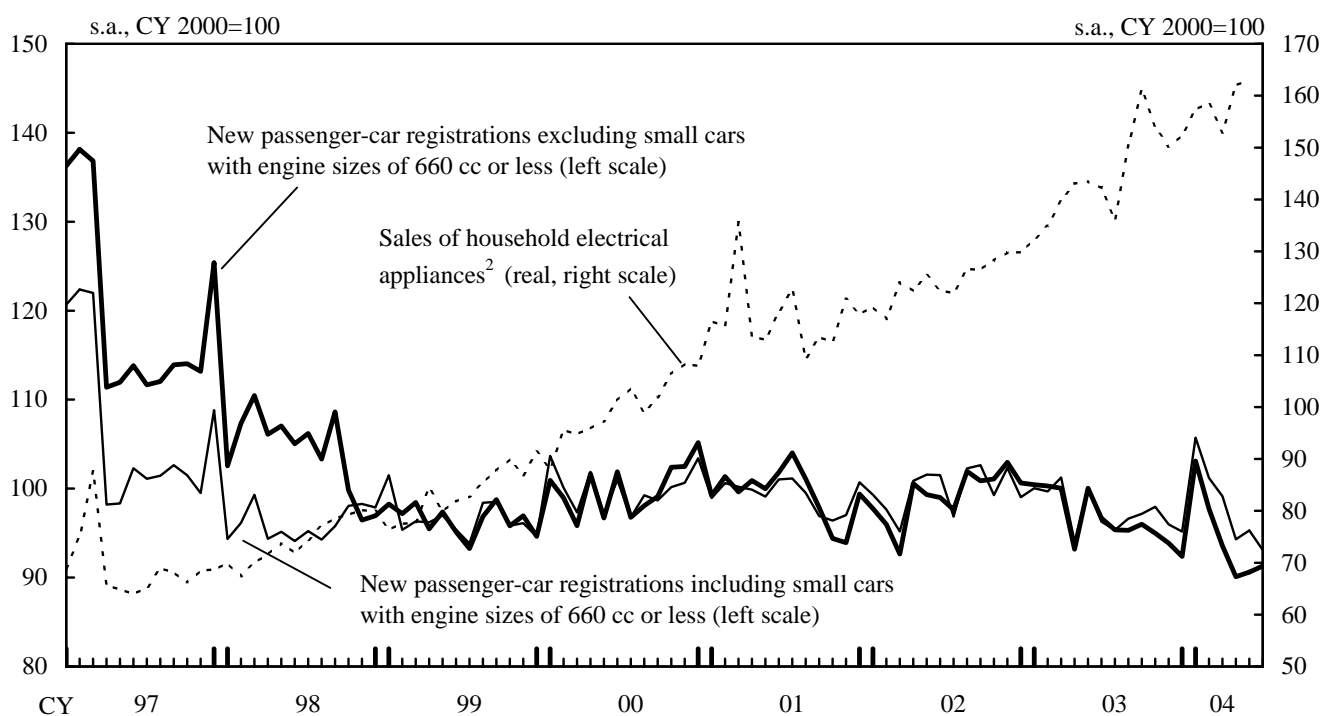
Source: Bank of Japan, "Tankan, Short-term Economic Survey of Enterprises in Japan."

Indicators for Private Consumption¹ (1)

(1) Household Spending (real)



(2) Sales of Durable Goods

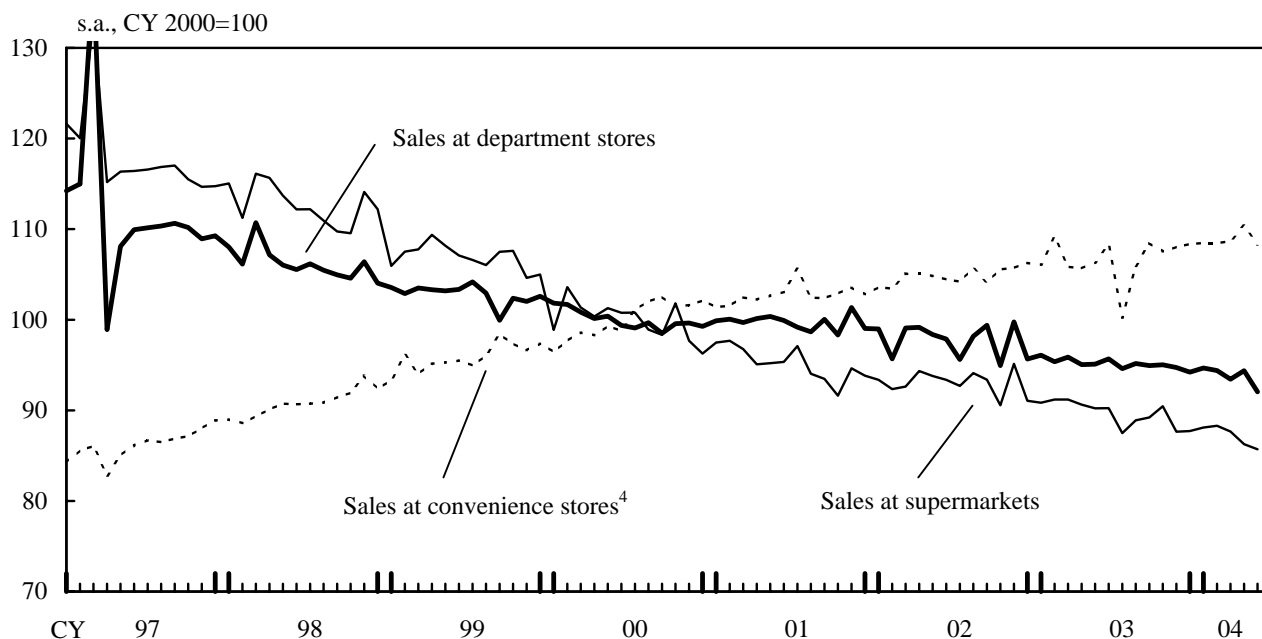


- Notes: 1. Seasonally adjusted by X-12-ARIMA. Index of living expenditure level is seasonally adjusted by the Ministry of Public Management, Home Affairs, Posts and Telecommunications.
2. Sales at retail stores are deflated by the consumer price index for goods (excluding electricity, gas & water charges). Sales of household electrical appliances are the sum of their components deflated by the consumer price index (or the wholesale price index for personal computers before 1999).

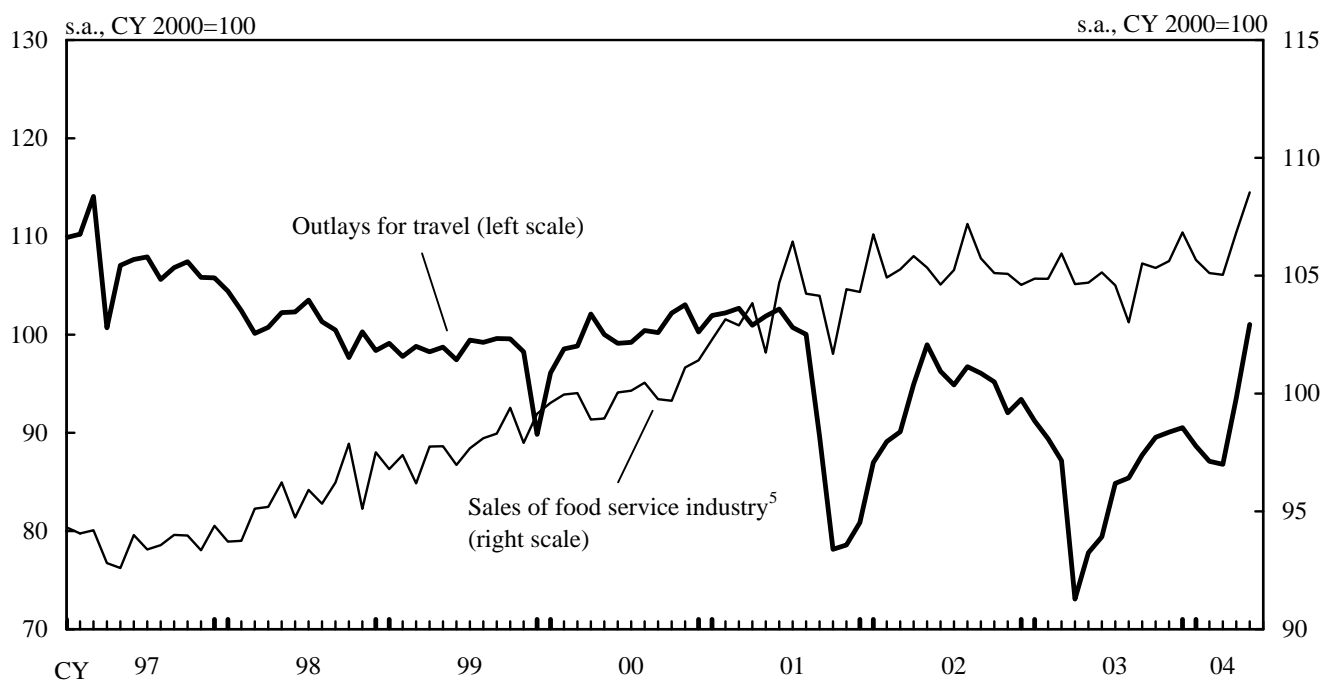
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Monthly Report on the Family Income and Expenditure Survey," "Consumer Price Index"; Ministry of Economy, Trade and Industry, "Current Survey of Commerce"; Japan Automobile Dealers Association, "Domestic Sales of Automobiles"; Japan Mini Vehicles Association, "Sales of Mini Vehicles"; Nippon Electric Big-Stores Association (NEBA), "Sales of Electrical Appliances"; Bank of Japan, "Wholesale Price Indexes."

Indicators for Private Consumption^{1, 2} (2)

(3) Sales at Retail Stores (nominal)³



(4) Consumption of Services (nominal)



Notes: 1. Seasonally adjusted by X-12-ARIMA.

2. Adjusted to exclude the effect of the rise in the consumption tax rate.

3. Adjusted to exclude the effect of the increase in the number of stores (except convenience stores).

4. Sales at convenience stores until March 1997 are based on the survey conducted by the Bank of Japan. From April 1997 they are based on the data published by the Ministry of Economy, Trade and Industry.

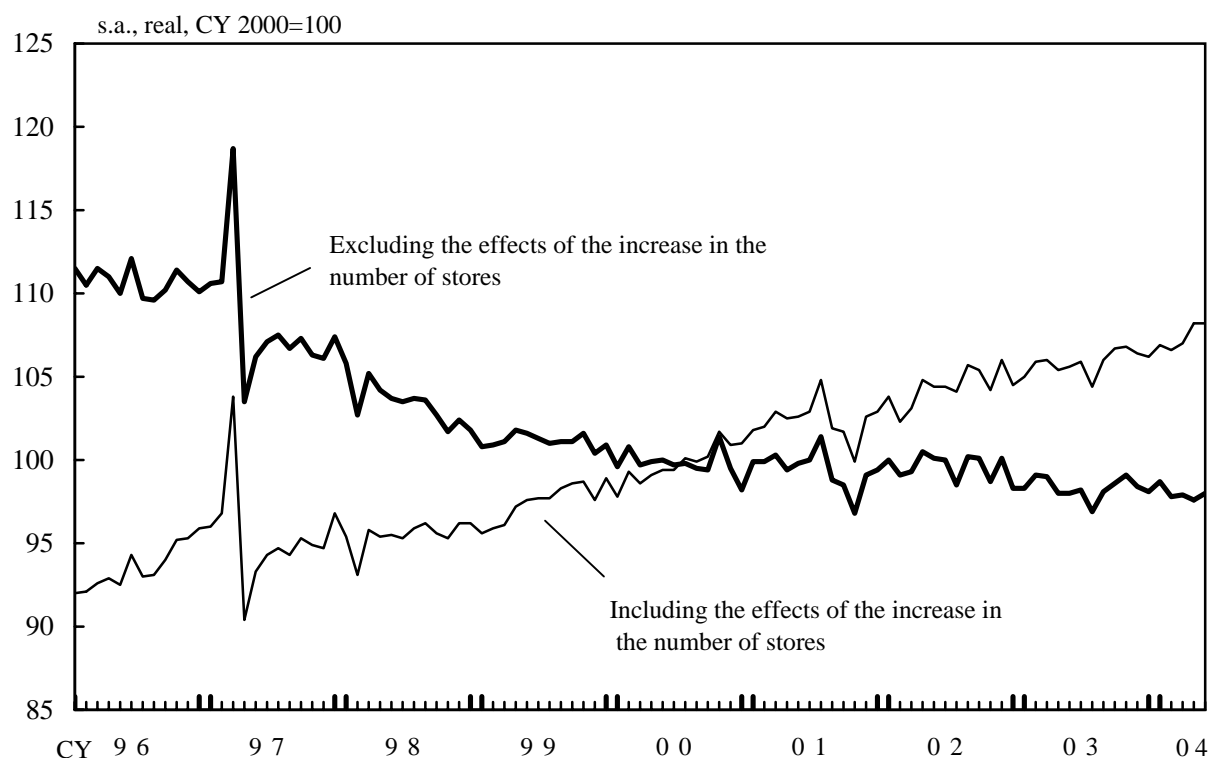
5. Sales of food service industry are calculated using the year to year change rates of every month released by the Japan Food Service Association based on monthly sales amounts in 1993 released by the Food Service Industry Survey & Research Center.

Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce";

Ministry of Land, Infrastructure and Transport, "Major Travel Agents' Revenue";

Food Service Industry Survey & Research Center, "Getsuji Uriage Doukou Chousa (Monthly Survey of Food Service Sales)"; Japan Food Service Association, "Gaishoku Sangyou Shijou Doukou Chousa (The Research of Food Service Industry)."

Indicators for Private Consumption (3) - Indices of aggregated sales

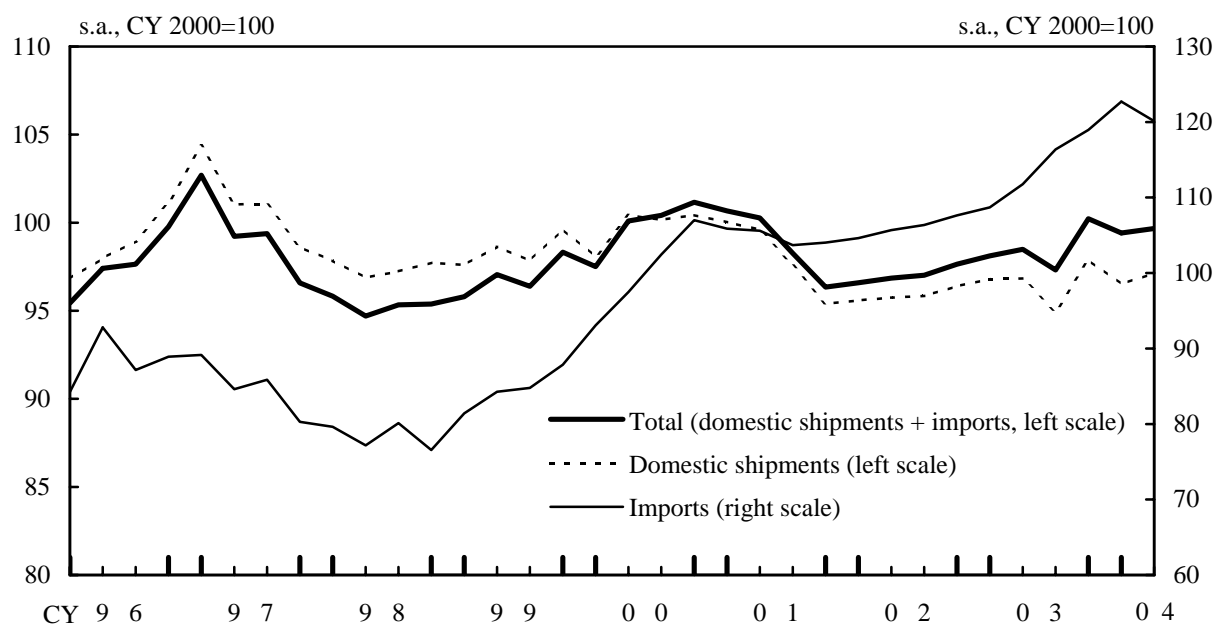


- Notes: 1. Indices of aggregated sales are the weighted sum of *Sales at department stores and supermarkets*; *New passenger-car registrations*; *Sales of household electrical appliances*; *Outlays for travel*; and *Sales of food service industry*, where the weights come from household expenditure in the *Family Income and Expenditure Survey*. These indices of aggregated sales consist of the series including and excluding the effects of the increase in the number of stores. Indices "including the effects of the increase in the number of stores" reflect the fluctuations in sales due to changes in the number of stores caused by the opening and closing down of businesses. (Indices "including the effects of the increase in the number of stores" include sales at convenience stores.) On the other hand, those "excluding the effects of the increase in the number of stores" aim to capture consumption trends only from stores of which sales data can be obtained continuously.
2. Sales indicators in nominal terms are deflated by the corresponding items of the price indices.
3. Seasonally adjusted by X-12-ARIMA.

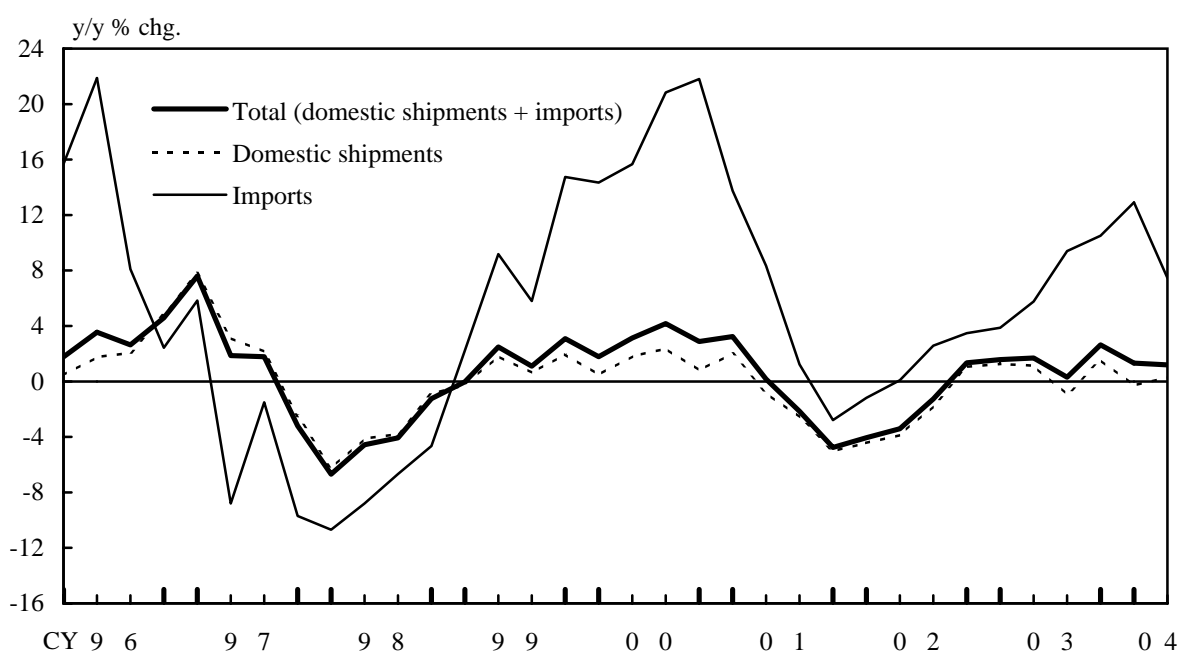
Source: Bank of Japan, "Indices of Aggregated Sales."

Indicators for Private Consumption (4) - Aggregate supply of consumer goods

(1) Level



(2) Changes from a year earlier



Notes: 1. Aggregate supply of consumer goods is calculated by the Bank of Japan using shipments of consumer goods in *Indices of Industrial Production* and real exports and imports of consumer goods. The weights used for calculation are those of *Indices of Industrial Domestic Shipments and Imports*.

2. Figures of "Imports" are calculated from real imports of consumer goods. Real imports (consumer goods) are composed of motor vehicles, audio and visual apparatus, office machinery, foodstuffs and textiles.

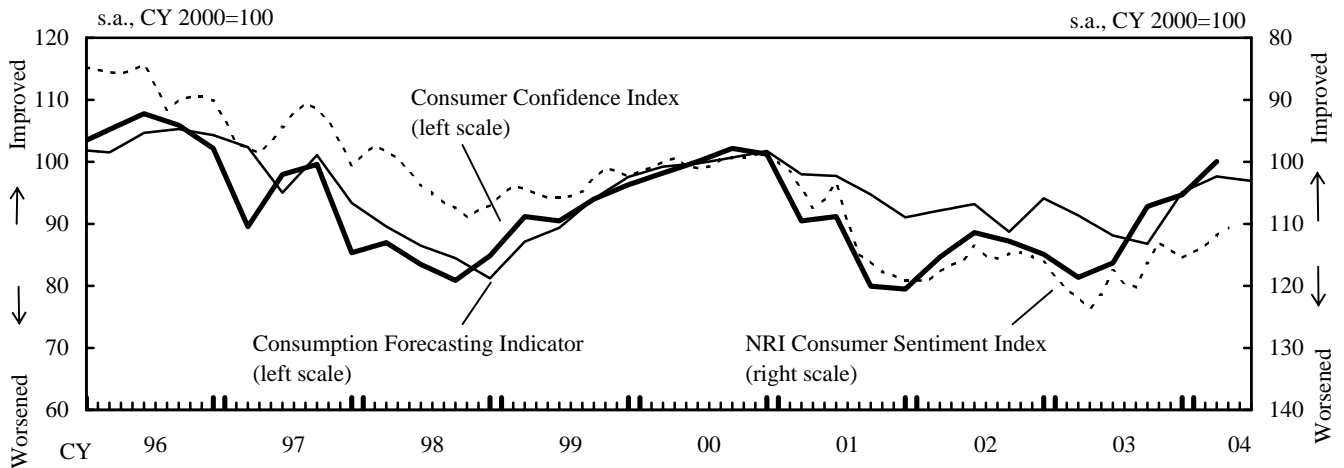
3. Year-on-year changes are calculated from seasonally adjusted series.

4. 2004/Q2 figures are those of April - May averages in terms of quarterly amount.

Sources: Ministry of Economy, Trade and Industry, "Indices of Industrial Production," "Indices of Industrial Domestic Shipments and Imports"; Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

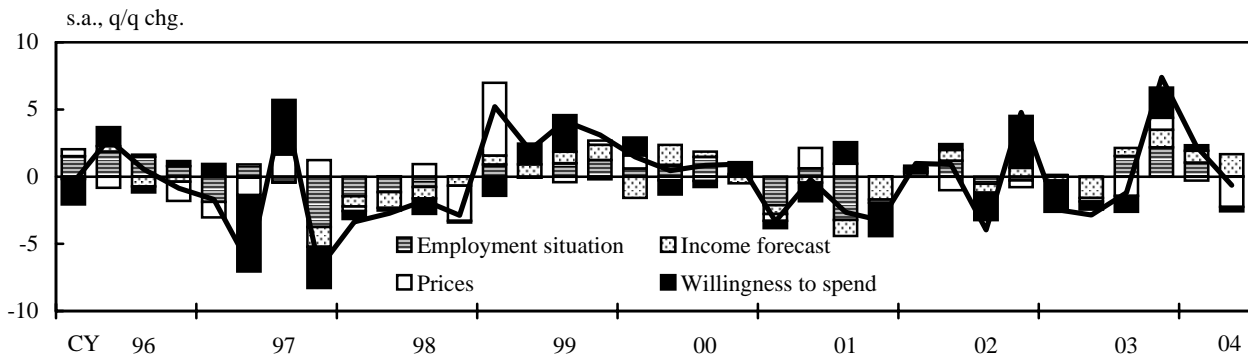
Consumer Confidence

(1) Surveys on Consumer Confidence



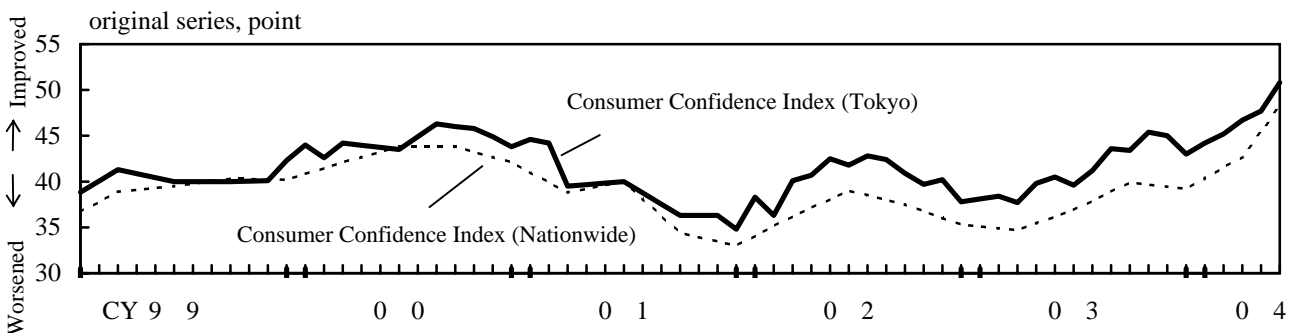
- Notes:
1. Seasonally adjusted by X-11. "Consumer Confidence Index" is seasonally adjusted by the Cabinet Office.
 2. Consumer Confidence Index (with 5,040 samples in a nationwide basis), Consumption Forecasting Indicator (with 1,500 samples in metropolitan area), and NRI Consumer Sentiment Index (with 2,200 samples in a nationwide basis) are based on surveys on consumer confidence.
 3. Data are plotted at the months of each survey.
 4. "Consumer Confidence Index" is surveyed by the Cabinet Office, "Consumption Forecasting Indicator" by NIKKEI RIM, and "NRI Consumer Sentiment Index" by NRI.

(2) Contribution of Each Item in the Consumption Forecasting Indicator



- Note: The items are rearranged as below :
- Employment situation : "Easy to find jobs"
 - Prices : "Latest prices"
 - Income forecast : "Profit forecast of current company" + "Increase in income"
 - Willingness to spend : "Willingness to spend for durable goods, leisure, travel, and education"

(Reference) Consumer Confidence Survey (Monthly)

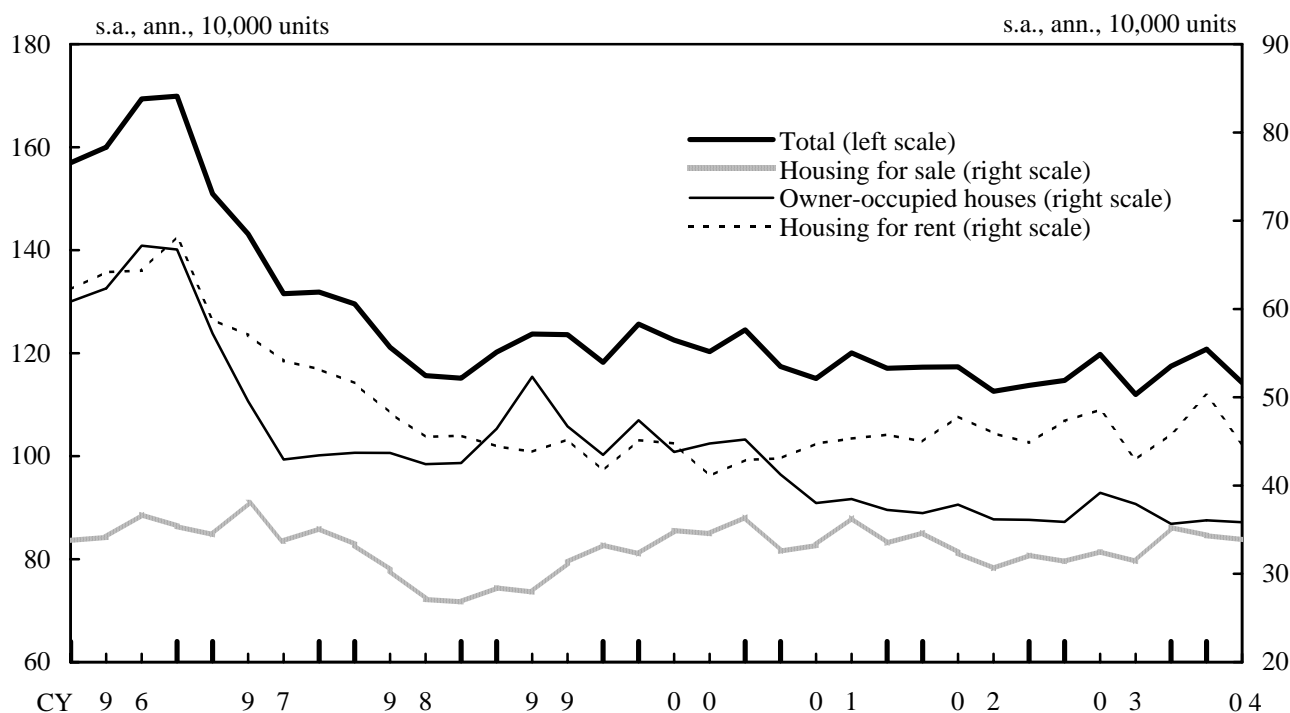


Note: Prior to 2001, figures of "Monthly Consumer Confidence Index of Tokyo" when the survey was not conducted have been supplemented with linear interpolation. Figures of "Monthly Consumer Confidence Index (Nationwide)" have also been plotted at the surveyed months and supplemented with linear interpolation prior to March 2004.

Sources: Cabinet Office, "Consumer Confidence Survey"; Nippon Research Institute (NRI), "Consumer Sentiment Survey"; Nikkei Research Institute of Industry and Markets (NIKKEI RIM), "Consumption Forecasting Indicator."

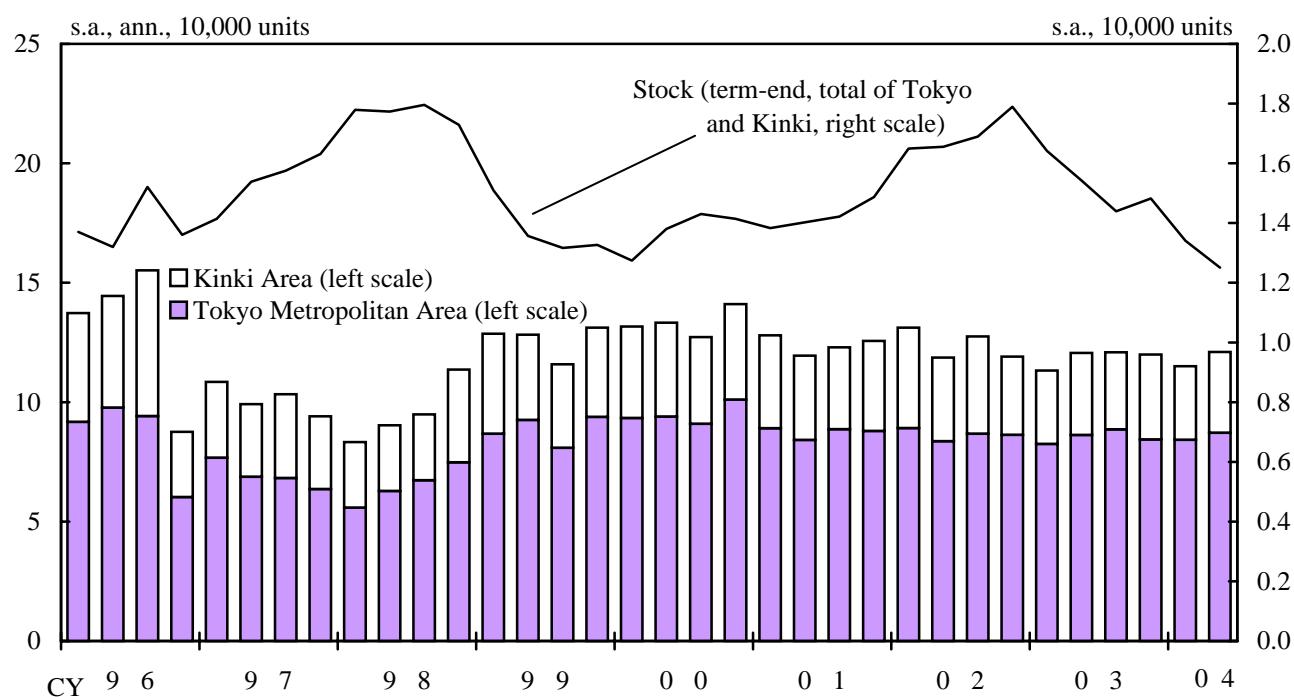
Indicators for Housing Investment

(1) Housing Starts



Note: Figures for 2004/Q2 are those of April-May averages.

(2) Sales of Condominiums



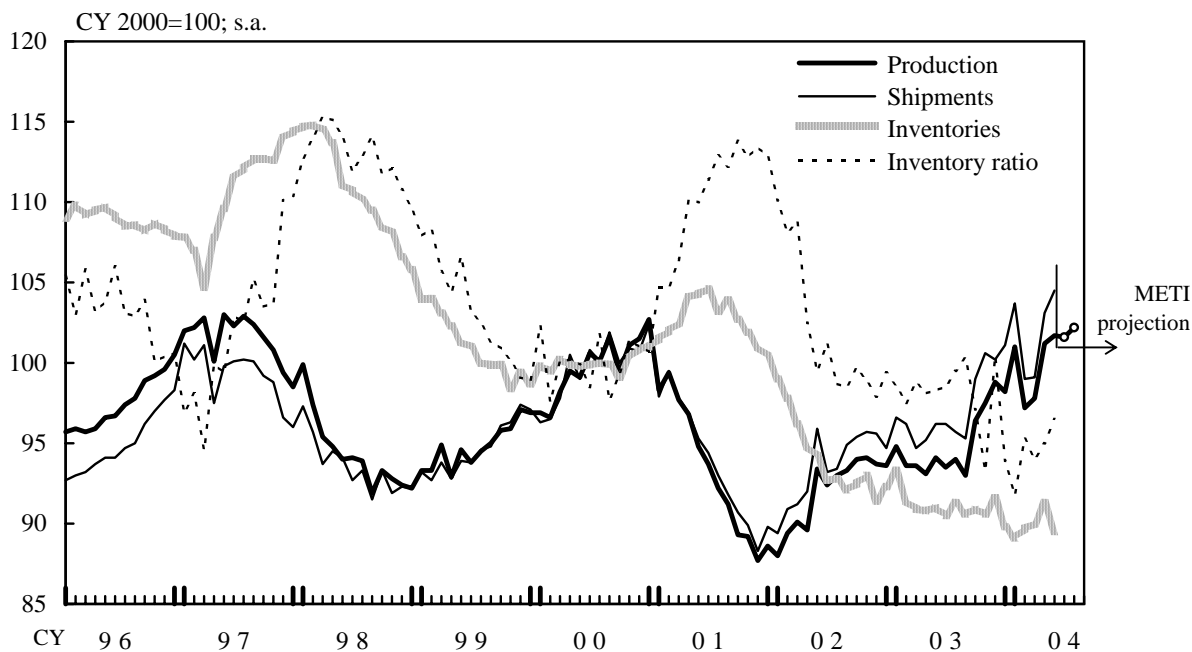
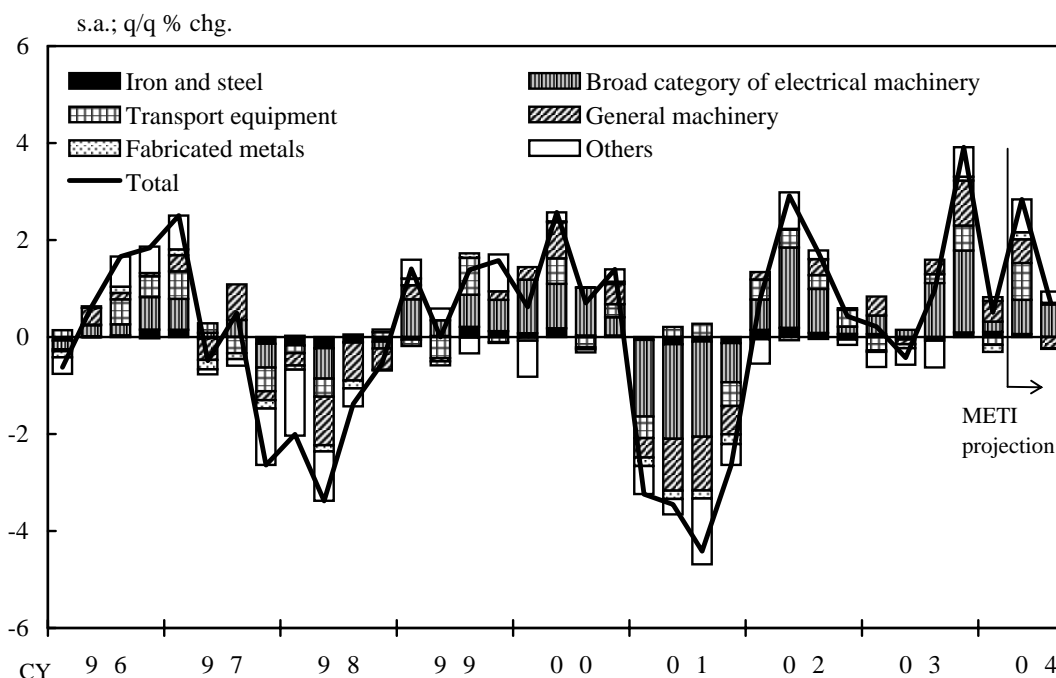
Notes: 1. Seasonally adjusted by X-12-ARIMA.

2. Figures of total condominiums sales for 2004/Q2 are those of April-May averages.

Term-end stocks for 2004/Q2 are those of May.

Sources: Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts," etc.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories**(2) Production by Industries**

Notes:1. Transport equipment excludes ships and rolling stock.

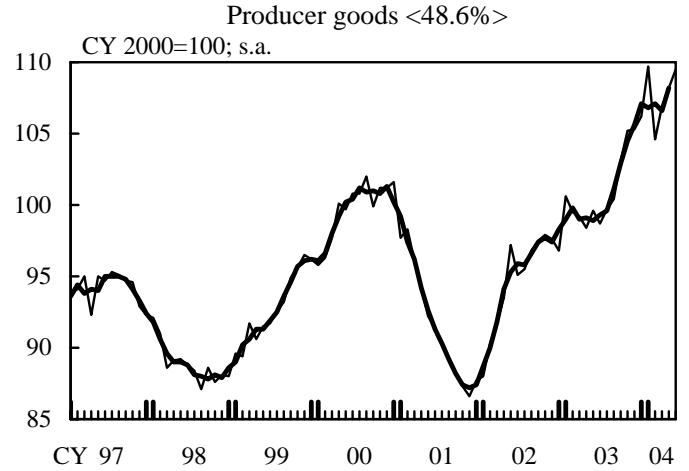
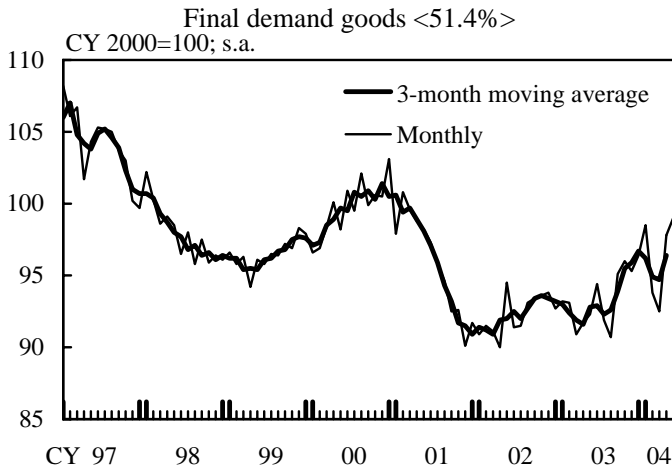
"Broad category of electrical machinery" is the weighted sum of "electrical machinery", "information and communication electronics equipment" and "electronic parts and devices."

2. 2004/Q2 figures are based on the actual levels in Apr. and May, and the METI projection level in June. 2004/Q3 figures are based on the assumption that production level in Aug. and Sept. is the same as that of July.

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

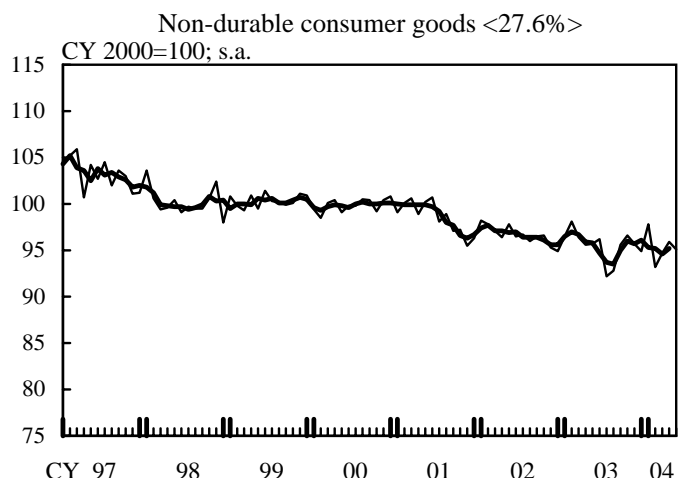
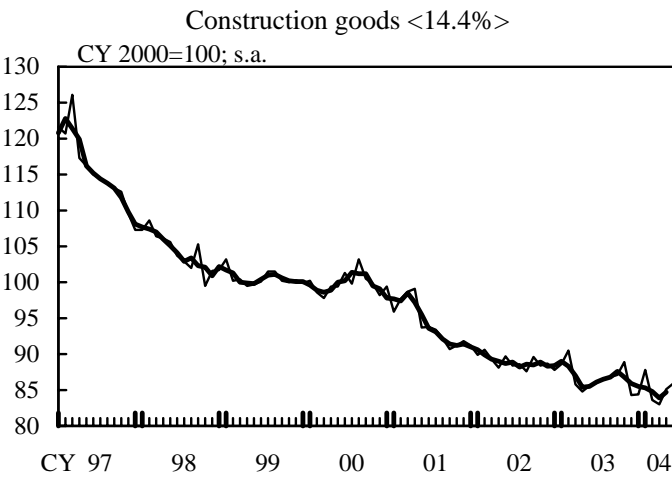
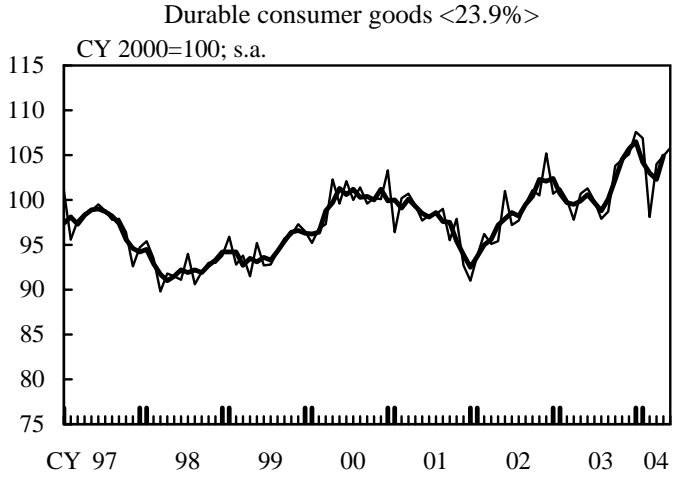
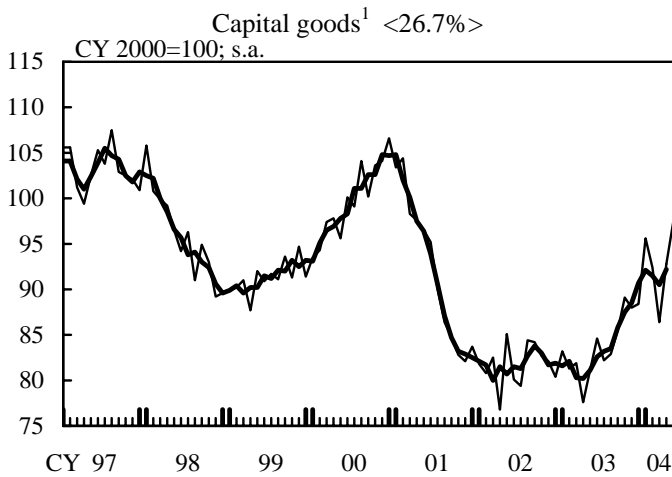
Shipments breakdown by type of goods

(1) Final demand goods and Producer goods



Note: Shares of shipments of mining and manufacturing are shown in angle brackets.

(2) Breakdown of final demand goods

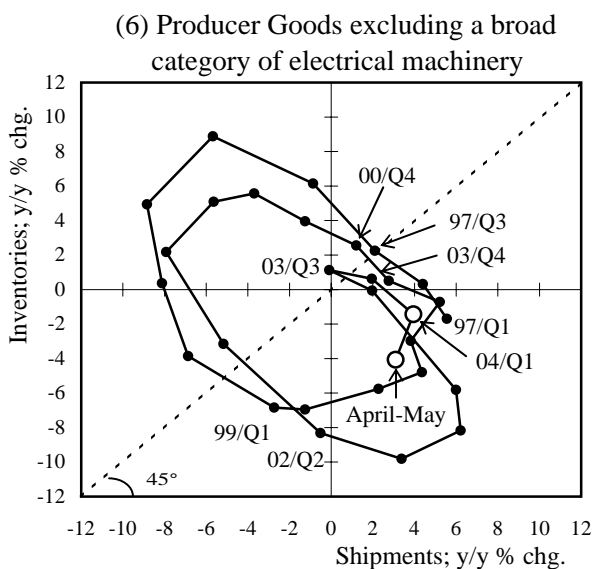
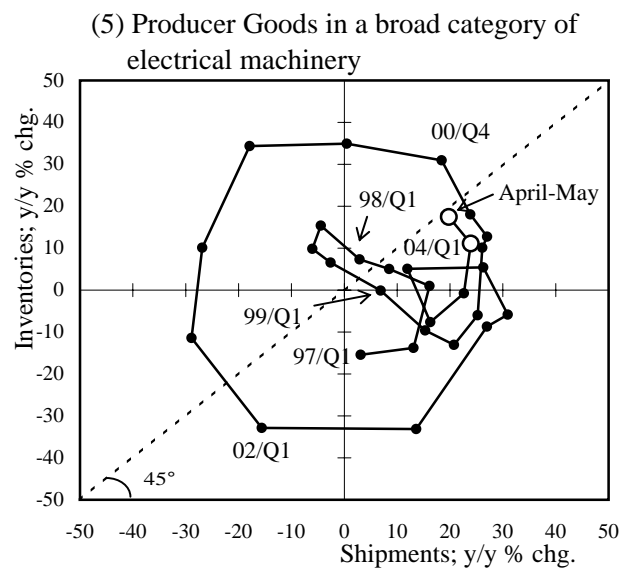
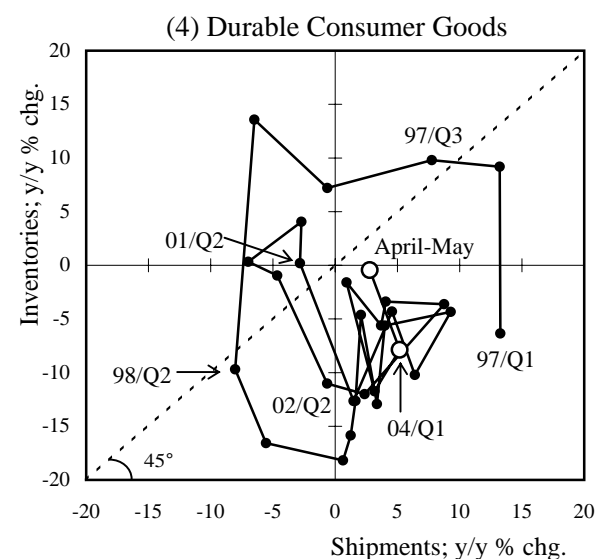
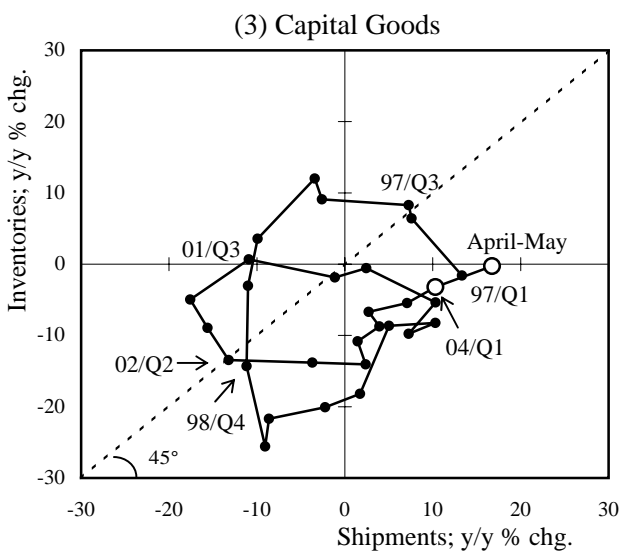
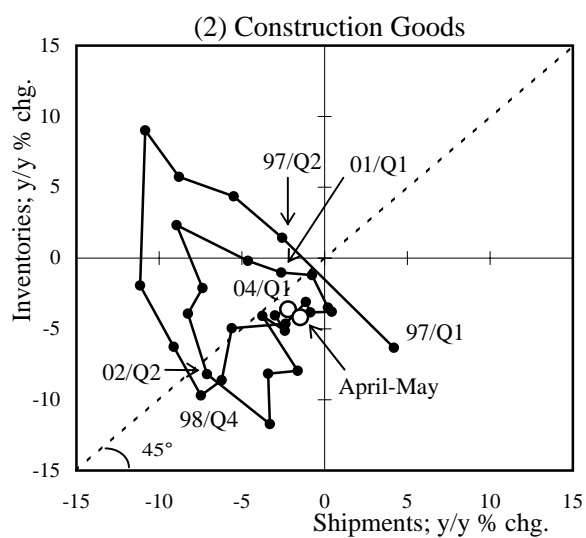
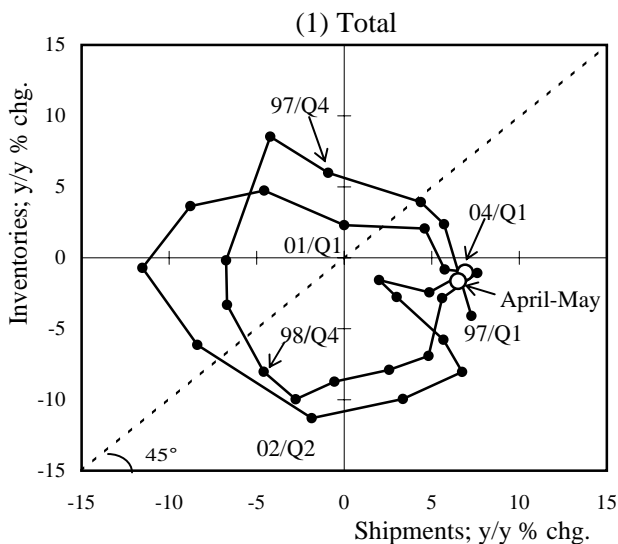


Notes: 1. Excluding transportation equipment.

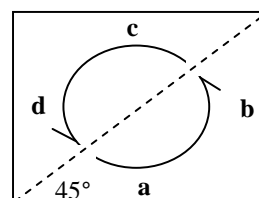
2. Shares of shipments of final demand goods are shown in angle brackets.

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

Inventory Cycle

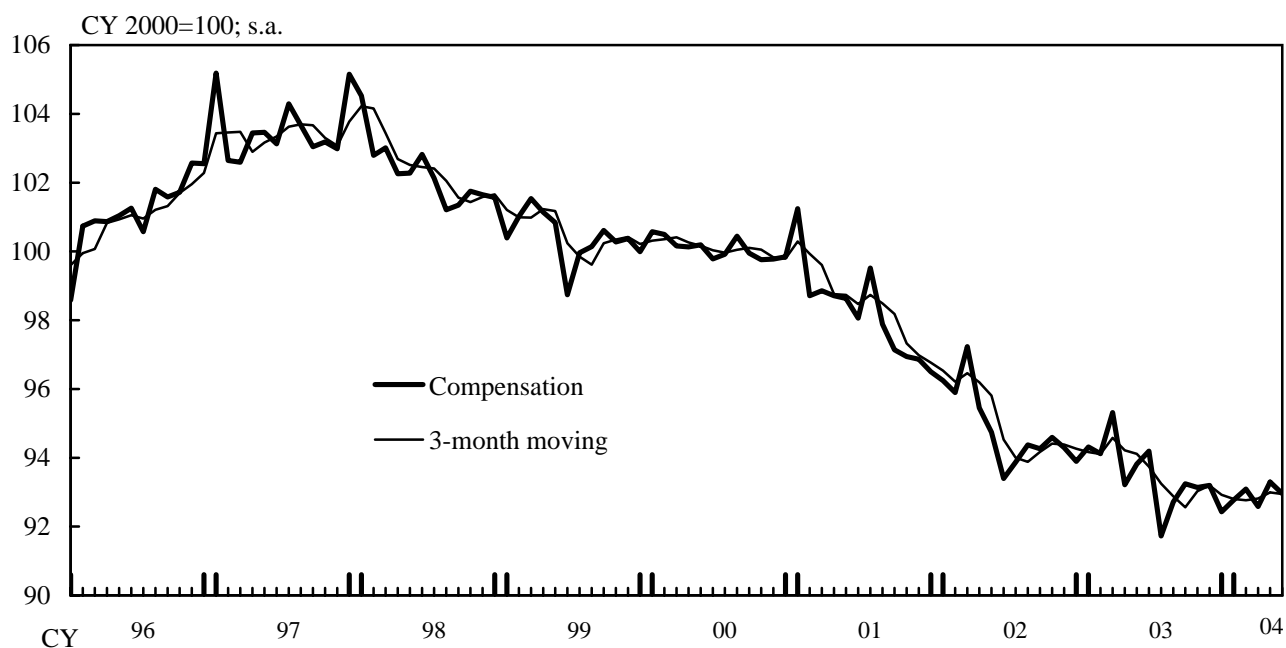


- a Shipment recovery phase
- b Intended inventory accumulation phase
- c Unintended inventory accumulation phase
- d Inventory adjustment phase



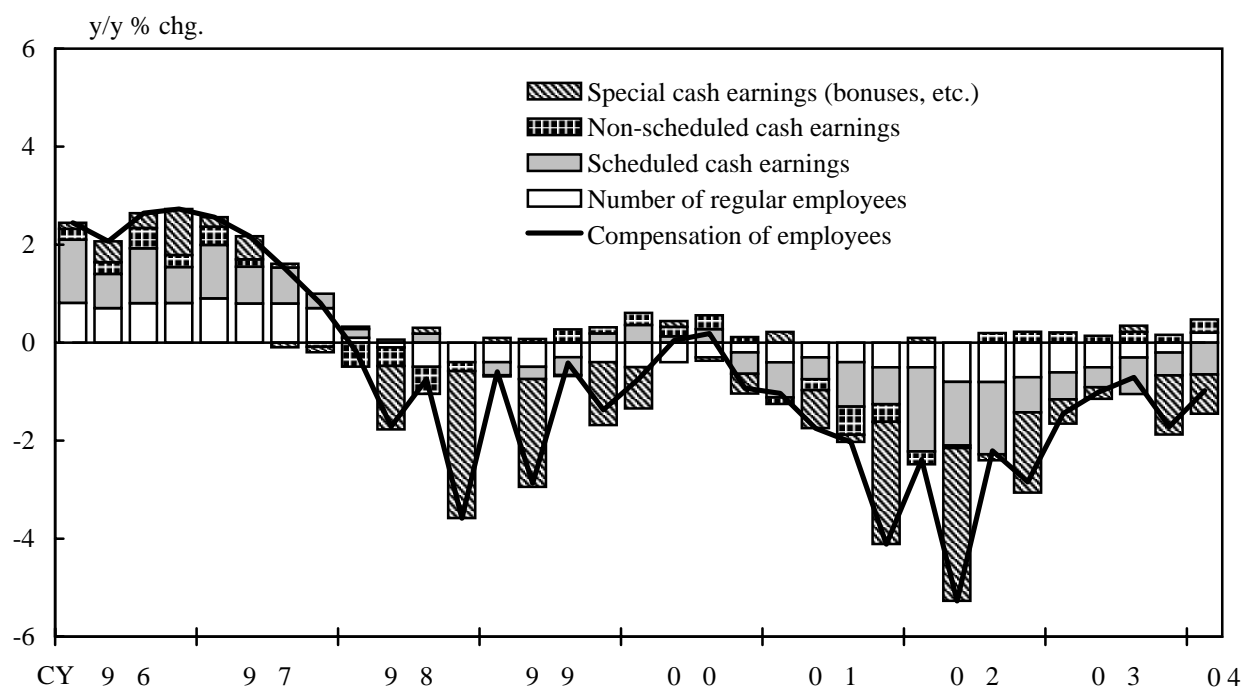
Compensation of Employees

(1) Compensation



- Notes: 1. Compensation figure is calculated by the Bank of Japan as the index of total cash earnings times the index of regular employees divided by 100.
2. Figures are seasonally adjusted by X-12-ARIMA on a monthly basis, and so those are retroactively revised each month.
3. Data are for establishments with at least 5 employees. Those for May 2004 are preliminary figures.

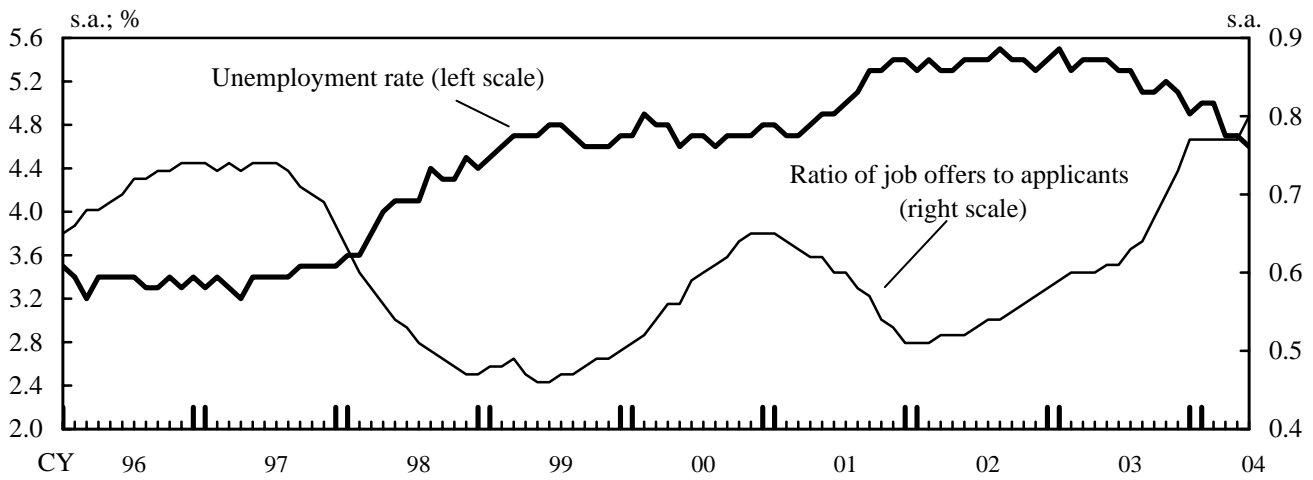
(2) Breakdown of Compensation



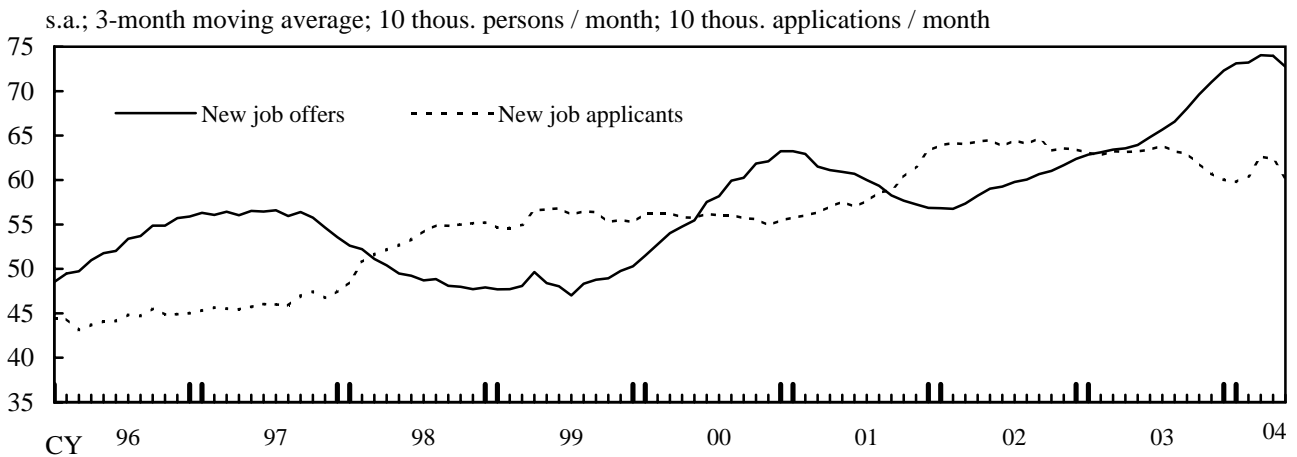
- Notes: 1. Data are for establishments with at least 5 employees. Those for May 2004 are preliminary figures.
2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.

Labor Market (1)

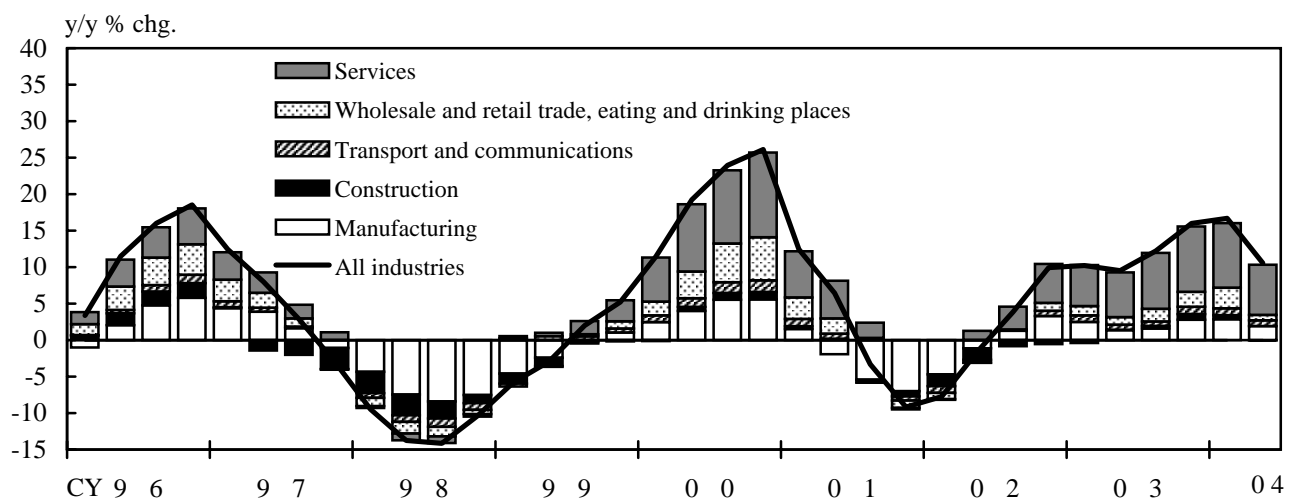
(1) Unemployment Rate and Ratio of Job Offers to Applicants



(2) New job offers and New job applicants¹



(3) Breakdown of New job offers^{1,2}

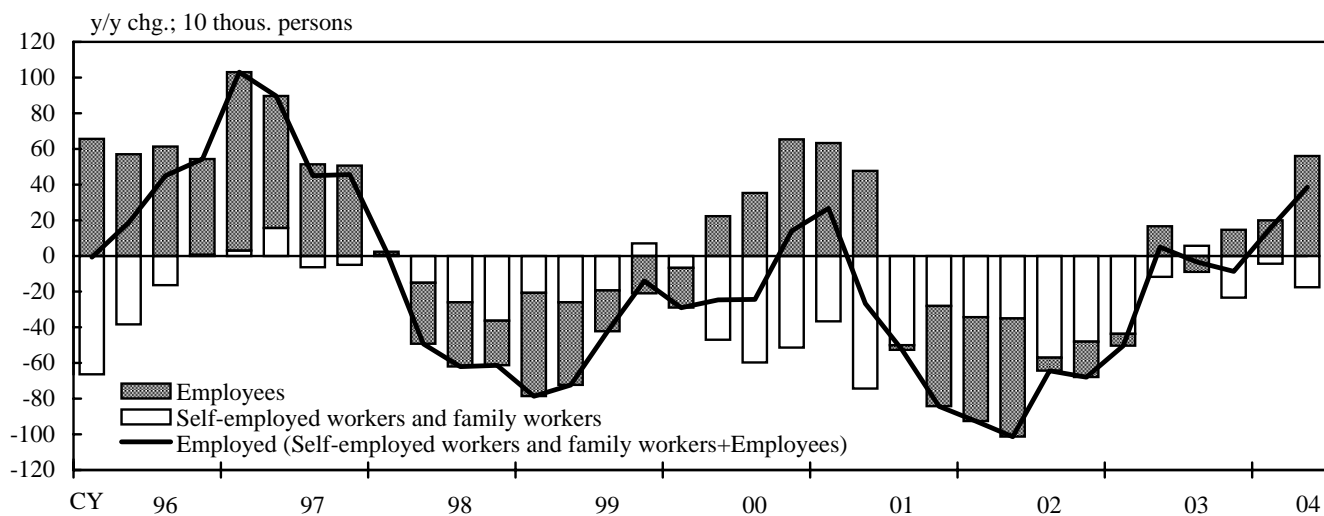
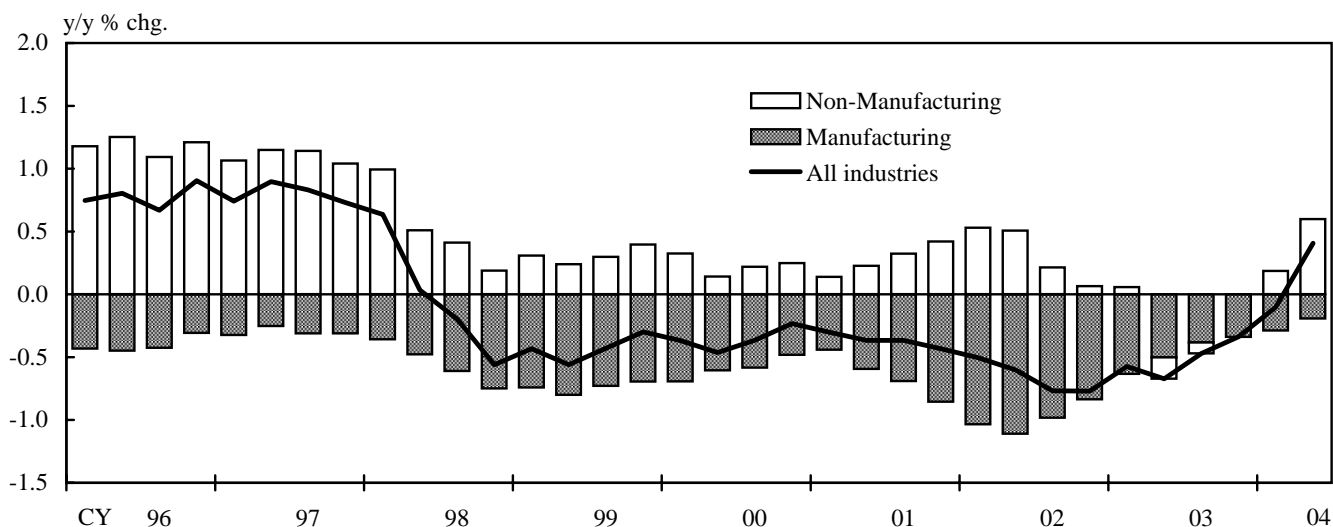
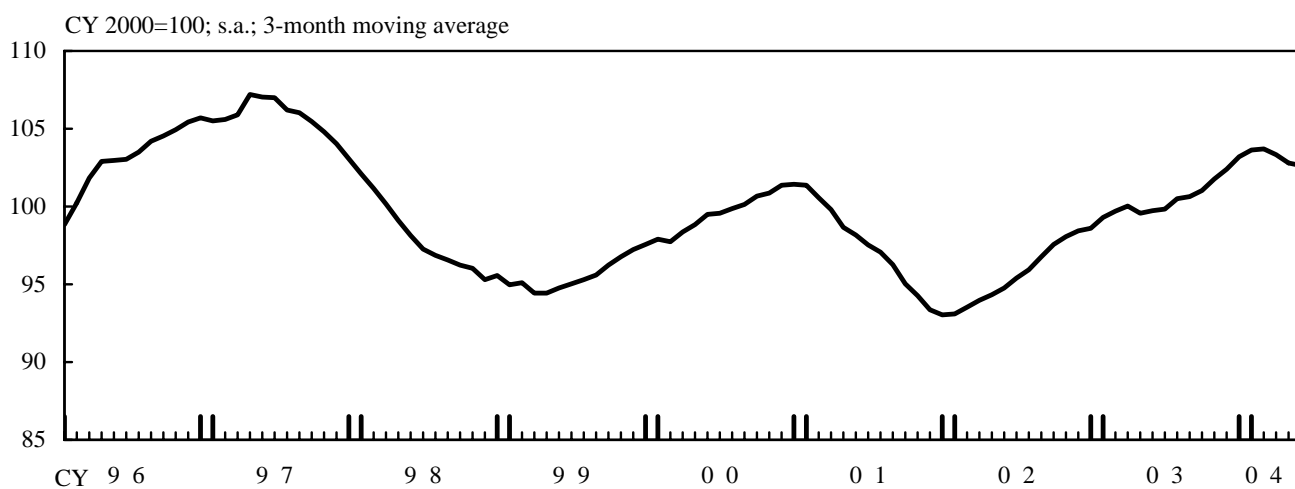


Notes: 1. Figures do not include jobs offered to new graduates, but include those offered to part-time workers.

2. Figures for 2004/Q2 are those of April-May averages.

Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service,"
Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey."

Labor Market (2)

(1) The Employed¹ (Labour Force Survey)(2) Number of Regular Employees^{1,2} (Monthly Labour Survey)(3) Non-scheduled Hours Worked² (Monthly Labour Survey)

Notes: 1. Figures for 2004/Q2 are those of April-May averages.

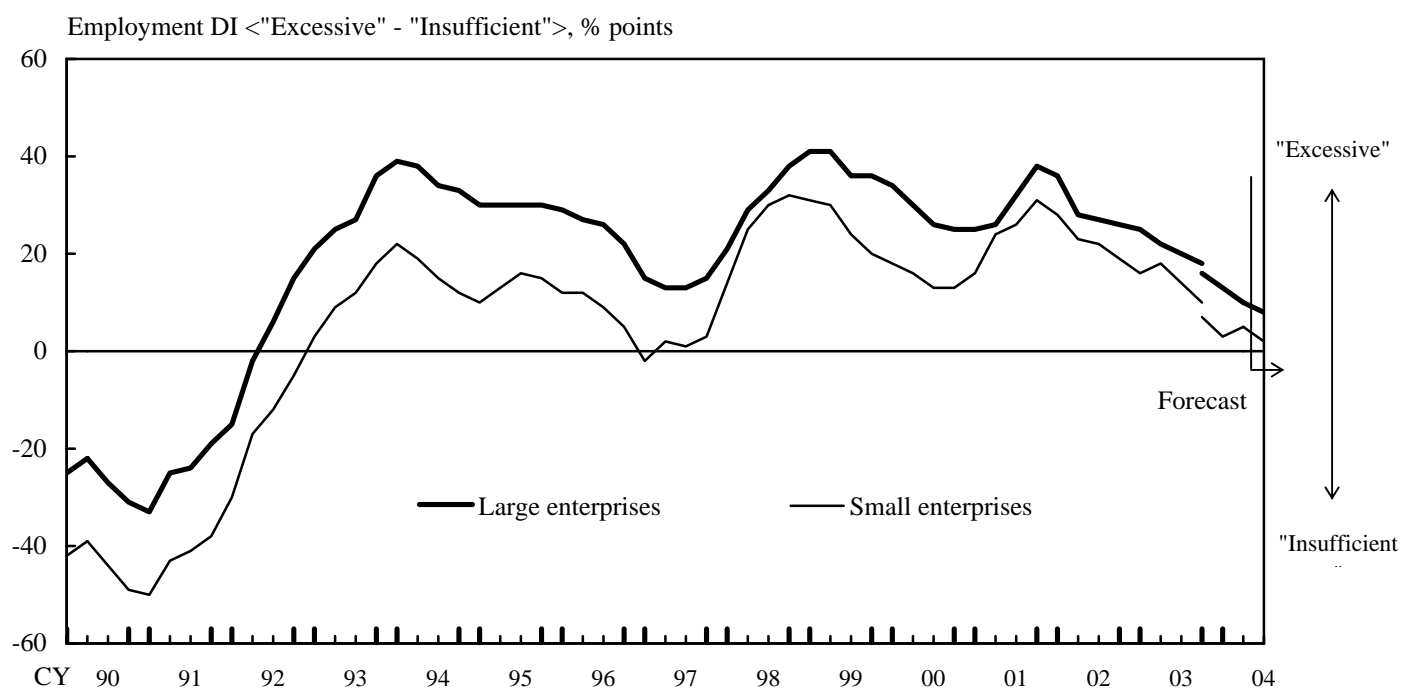
2. Data are for establishments with at least 5 employees. Those for May 2004 are preliminary figures.

Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";

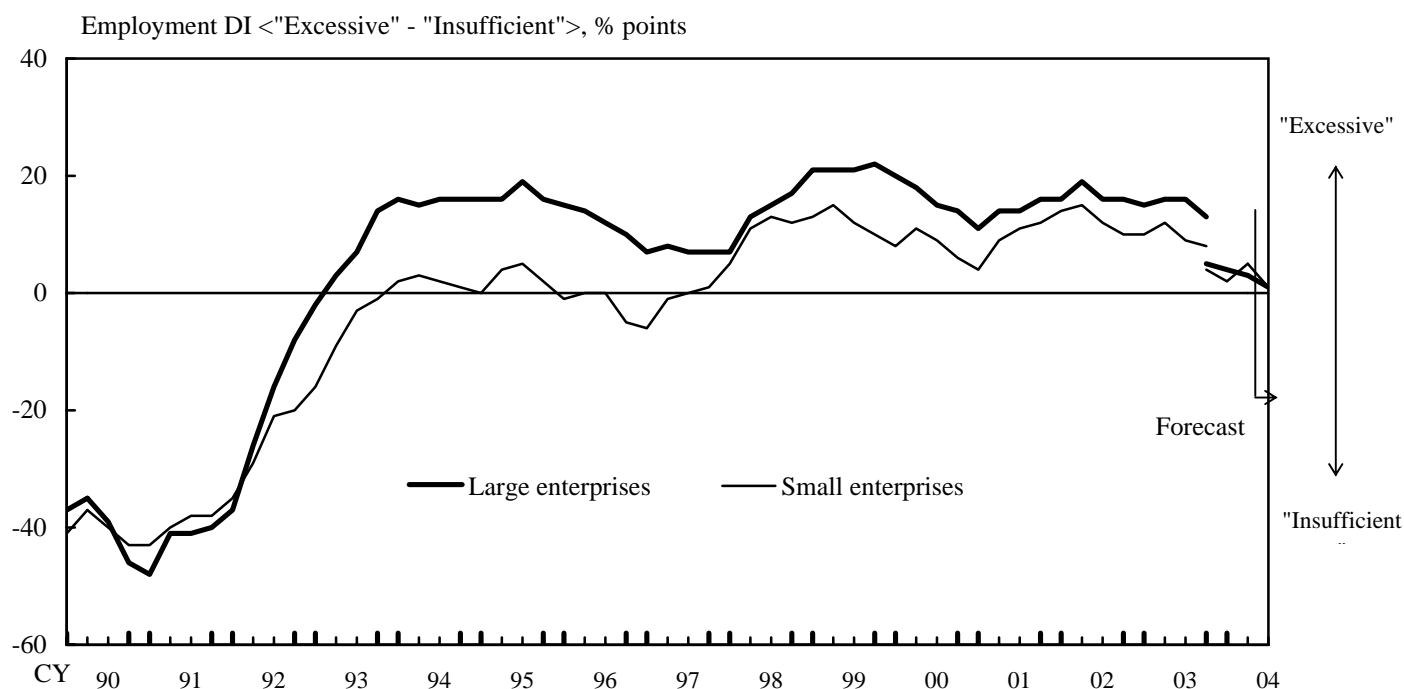
Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey."

Employment Conditions

(1) Manufacturing



(2) Nonmanufacturing

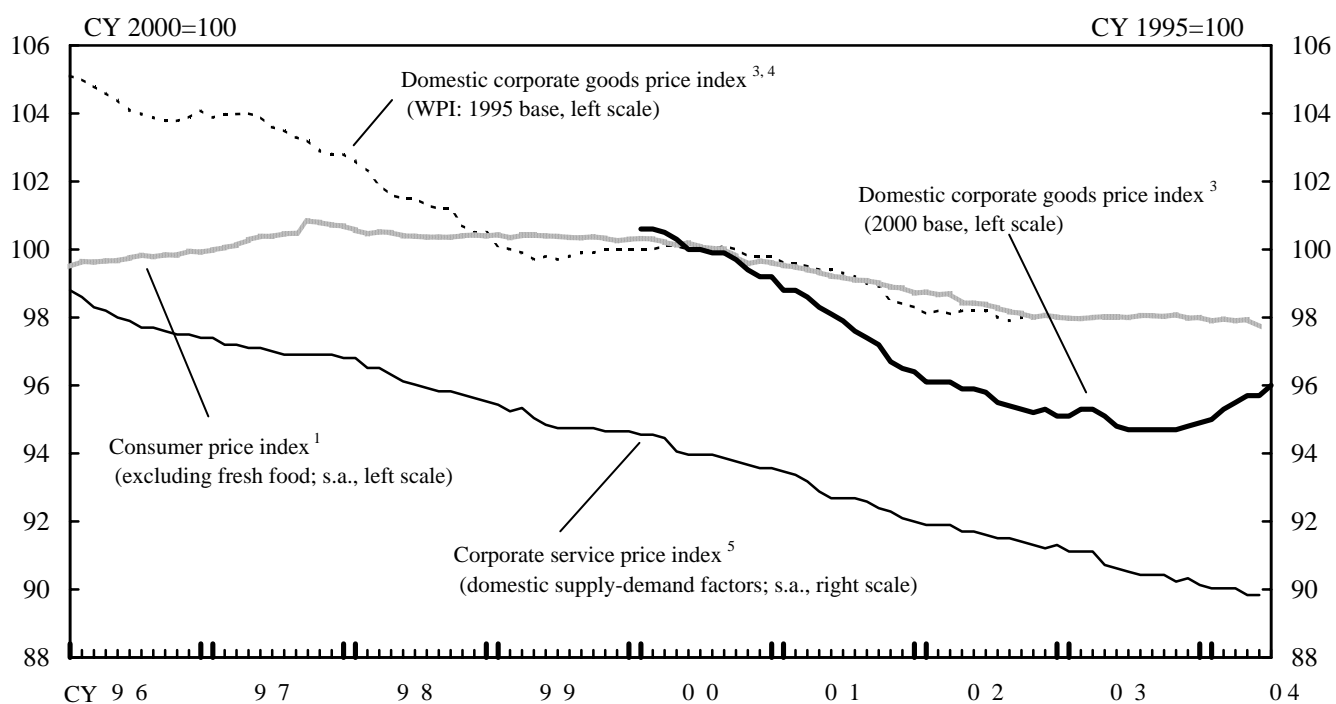


Note: The *Tankan* has been revised from the March 2004 Survey. Figures up to the December 2003 Survey are based on the previous data sets. Figures from the December 2003 Survey are on a new basis.

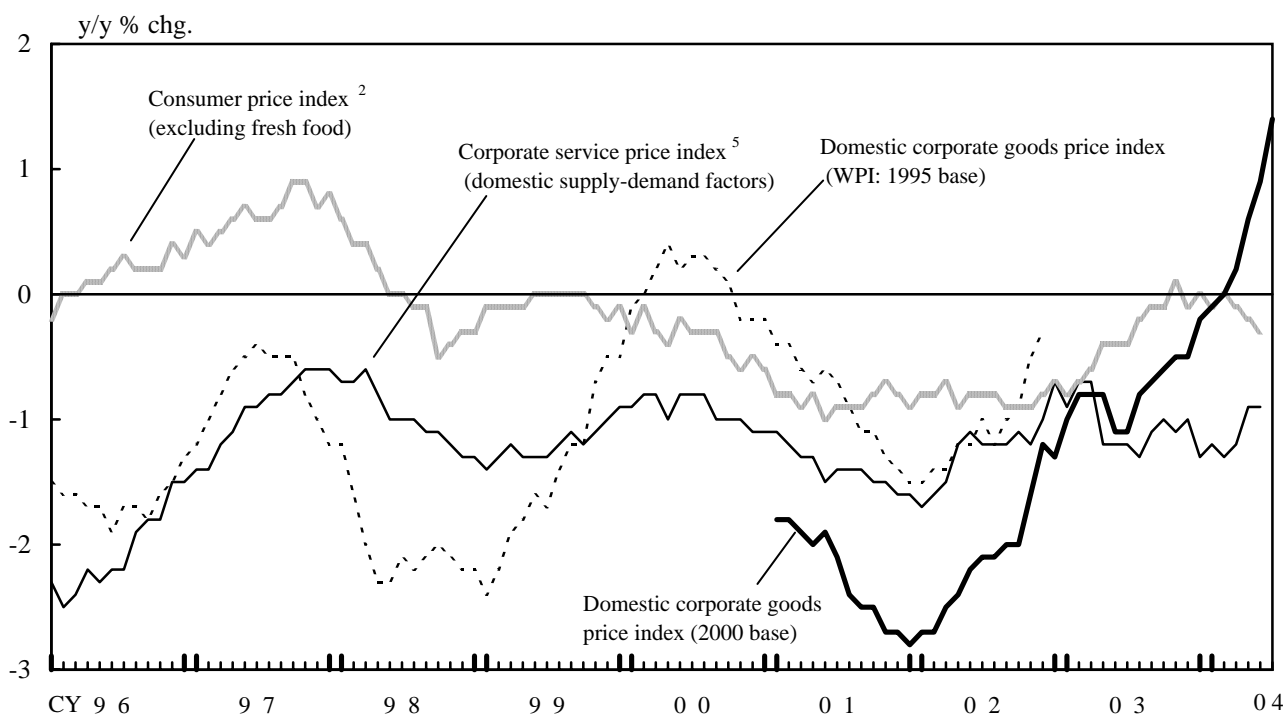
Source: Bank of Japan, "*Tankan*, Short-term Economic Survey of Enterprises in Japan."

Prices⁶

(1) Level



(2) Changes from a year earlier



Notes: 1. Seasonally adjusted by X-12-ARIMA, based on the original series excluding "package tours to overseas" newly adopted from the 2000 base. This is because sample size of this item is insufficient for seasonal adjustment, though it has large seasonal fluctuations.

2. Data up to Dec. 2000 are on the 1995 base CPI.

3. Adjusted to exclude a hike of electric power charges in summer season.

4. The 1995 base WPI shown in the level graph has been adjusted so that its 2000 average may equal 100.

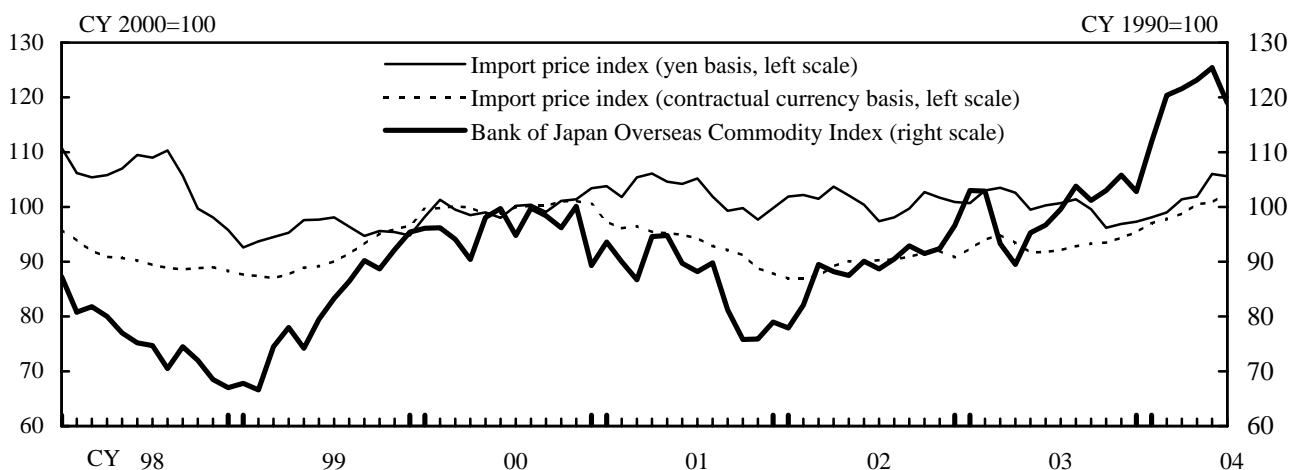
5. See footnote 1 in Chart 26, for definition of the Corporate Service Price Index (domestic supply-demand factors).

6. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index"; Bank of Japan, "Corporate Goods Price Index," "Wholesale Price Indexes," "Corporate Service Price Index."

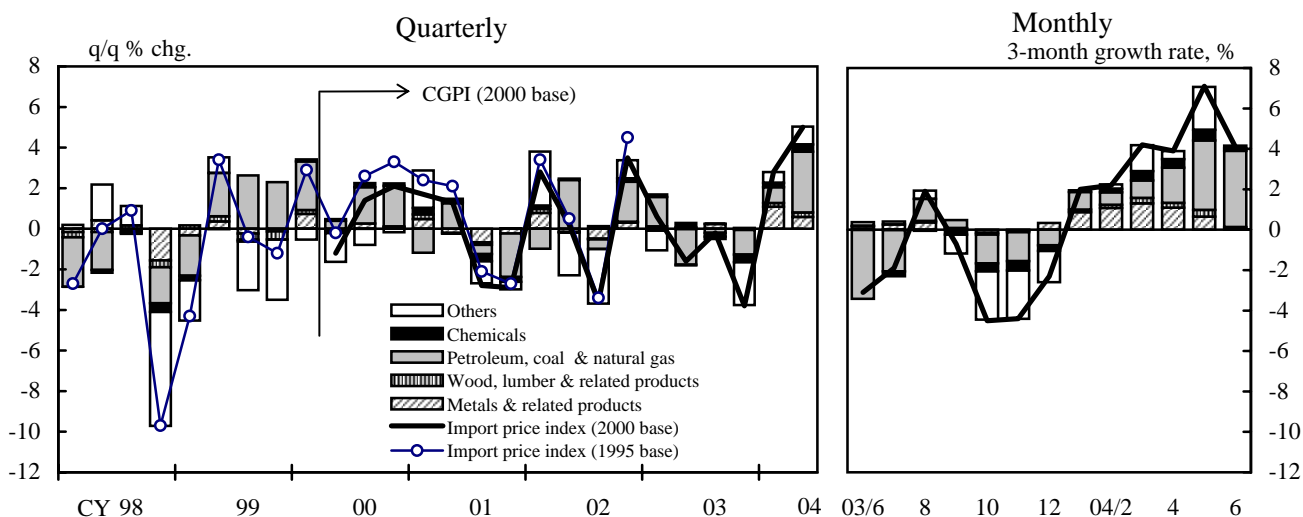
Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



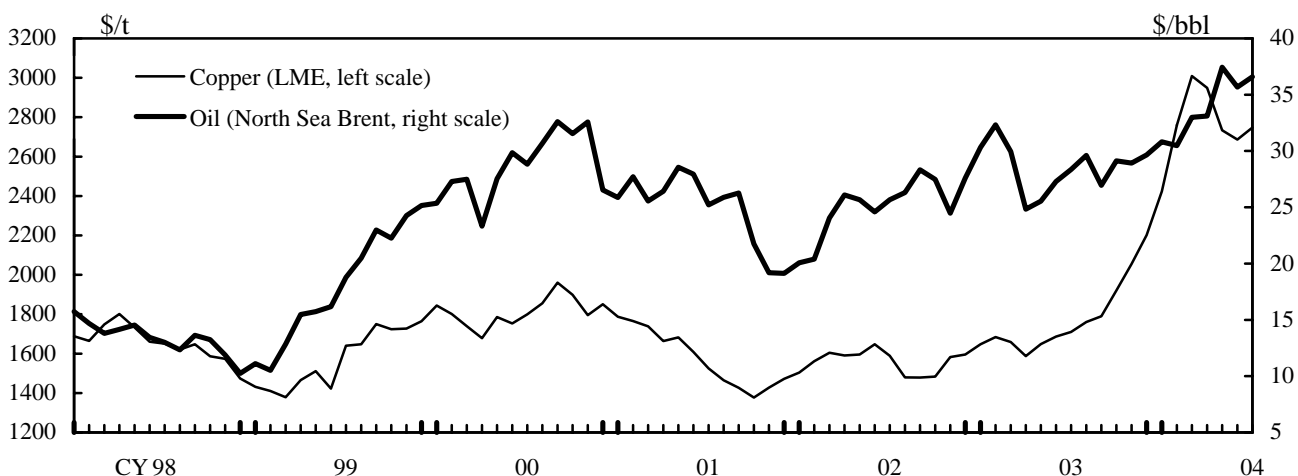
Note: Bank of Japan Overseas Commodity Index is the end of month figure.

(2) Import Price Index (yen basis, changes from a quarter earlier and 3 months earlier)



Note: 1995 base figure for 2002/Q4 is Oct.-Nov. average.

(3) Oil price (spot) and Copper price (futures)

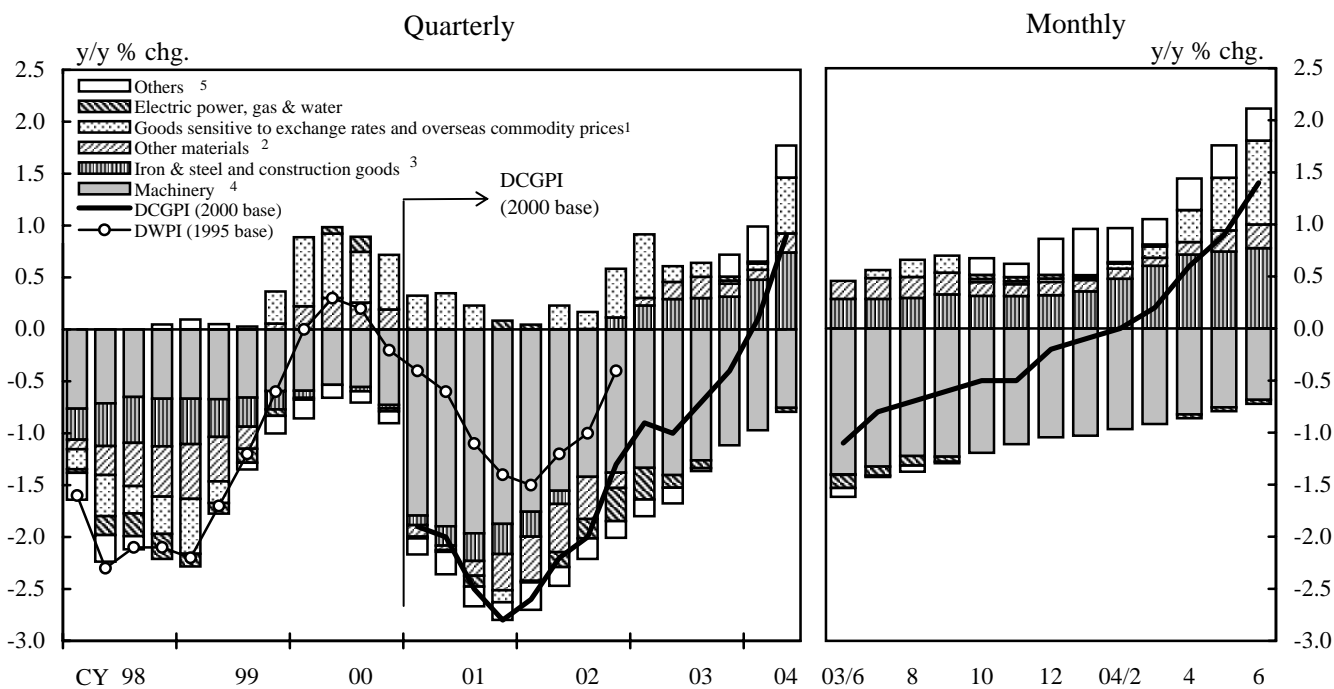


Note: Monthly averages. Figures for July 2004 are the averages up to July 9.

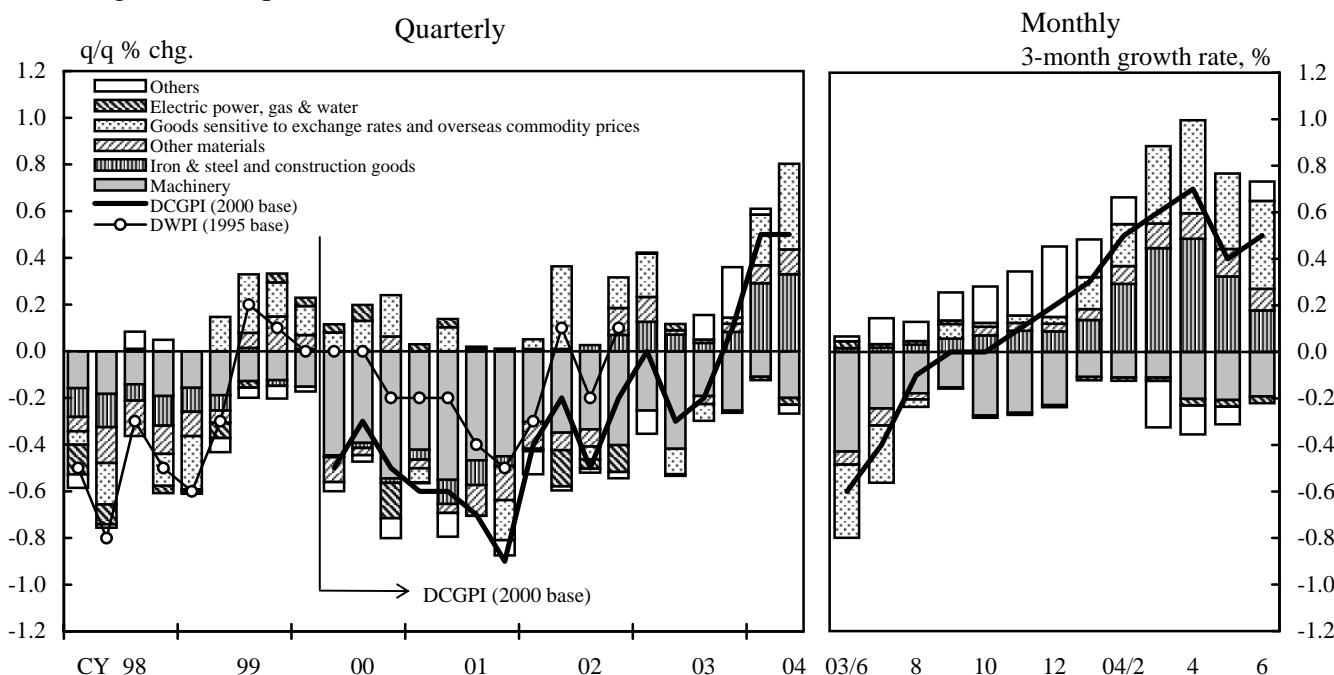
Sources: Bank of Japan, "Corporate Goods Price Index," "Wholesale Price Indexes," "Bank of Japan Overseas Commodity Index," etc.

Domestic Corporate Goods Price Index⁷

(1) Changes from a year earlier



(2) Changes from a quarter earlier and 3 months earlier⁶

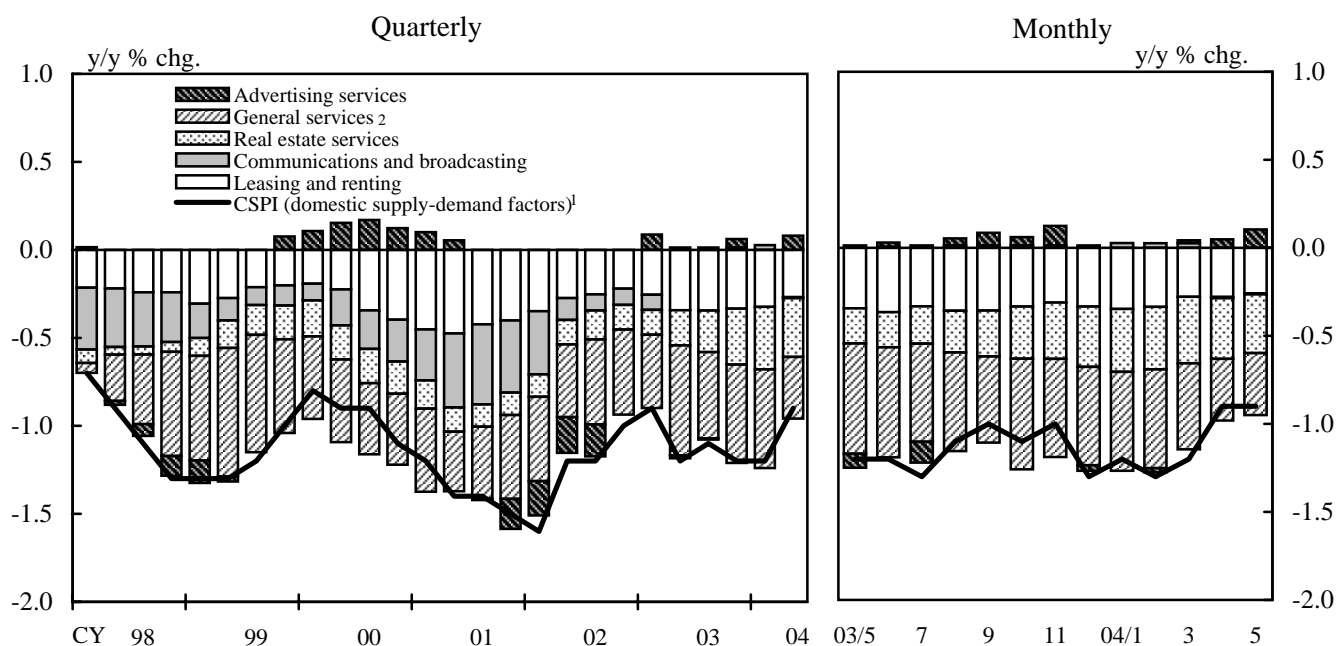
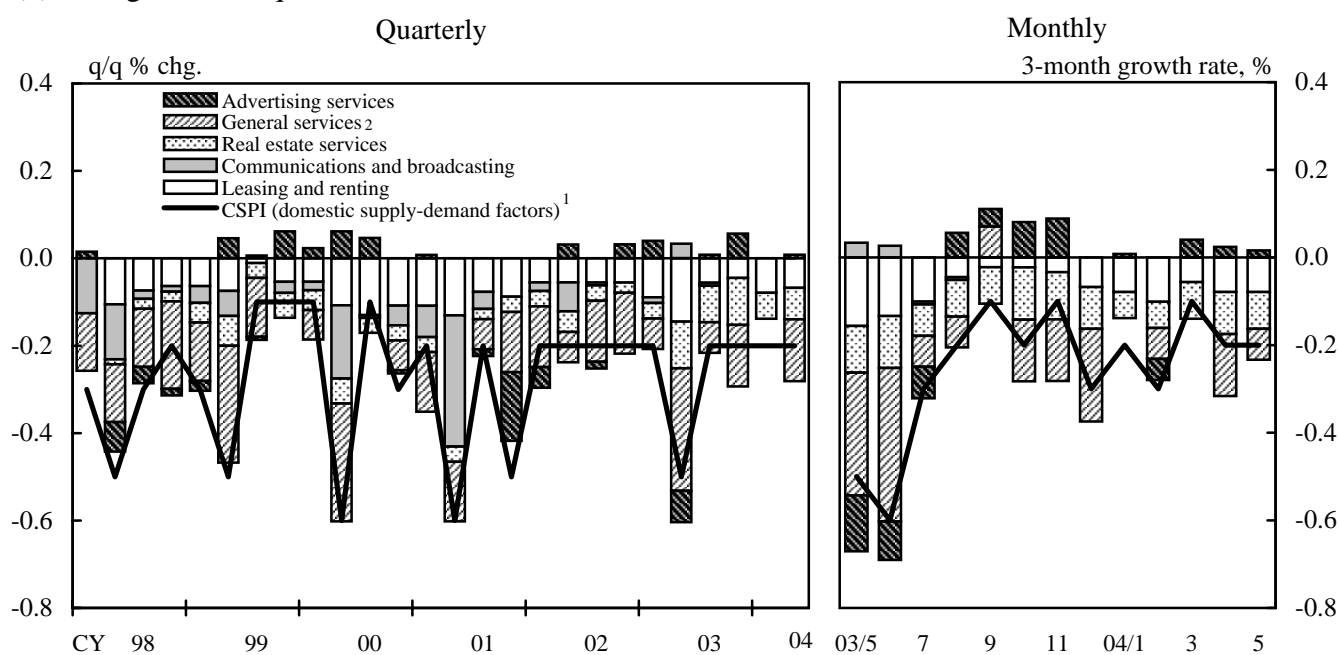


- Notes: 1. Goods sensitive to exchange rates and overseas commodity prices; petroleum & coal products, nonferrous metals.
 2. Other materials; chemicals, plastic products, textile products, pulp, paper & related products.
 3. Iron & steel and construction goods; iron & steel, metal products, ceramics, stone & clay products, lumber & wood products, scrap & waste.
 4. Machinery; electrical machinery, general machinery, transportation equipment, precision instruments.
 5. Others; processed foodstuffs, other manufacturing industry products, agricultural, forestry & fishery products, mining products.
 6. Adjusted to exclude a hike of electric power charges in summer season from July to September. This effect makes the Domestic Corporate Goods Price Index rise by about 0.2%.
 7. Adjusted to exclude the effects of the consumption tax hike on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.
 8. 1995 base figures for 2002/Q4 are those of Oct.-Nov. averages.

Sources: Bank of Japan, "Corporate Goods Price Index," "Wholesale Price Indexes."

Corporate Service Price Index⁴

(1) Changes from a year earlier

(2) Changes from a quarter earlier and 3 months earlier³

Notes: 1. CSPI (domestic supply-demand factors) includes all items except the following: (1) Regulated prices (Compulsory motor vehicle insurance, Railroad passenger transportation, Buses, Taxis, Domestic air passenger transportation, Toll roads, Postal services, Sewage disposal), (2) Overseas supply-demand factors (Ocean freight transportation, International air freight, International air passenger transportation), and (3) Securities issuance and related services (banks' procurement service for issuing debentures <excluding underwriting services>).

(3) is excluded due to its large monthly fluctuation. Thus, CSPI (domestic supply-demand factors) mainly reflects the supply and demand conditions in the domestic private sector.

2. General services include all services in Domestic supply-demand factors except Leasing and rental, Communications and broadcasting, Real estate services, and Advertising services.

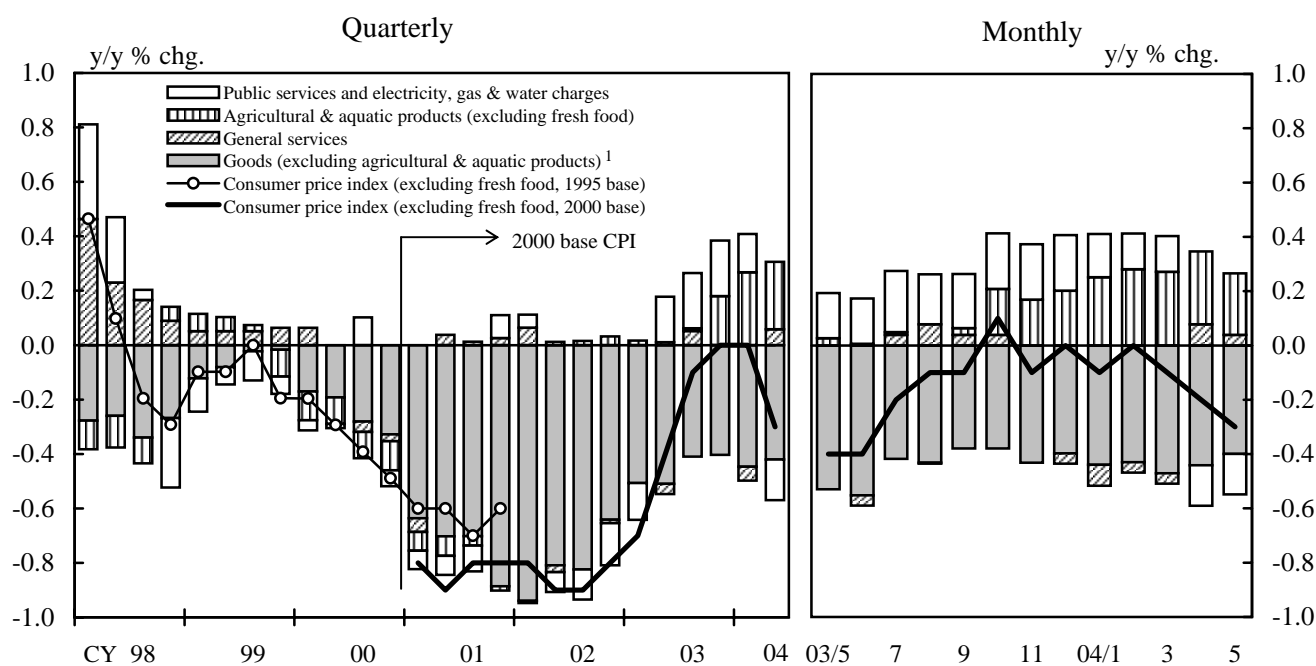
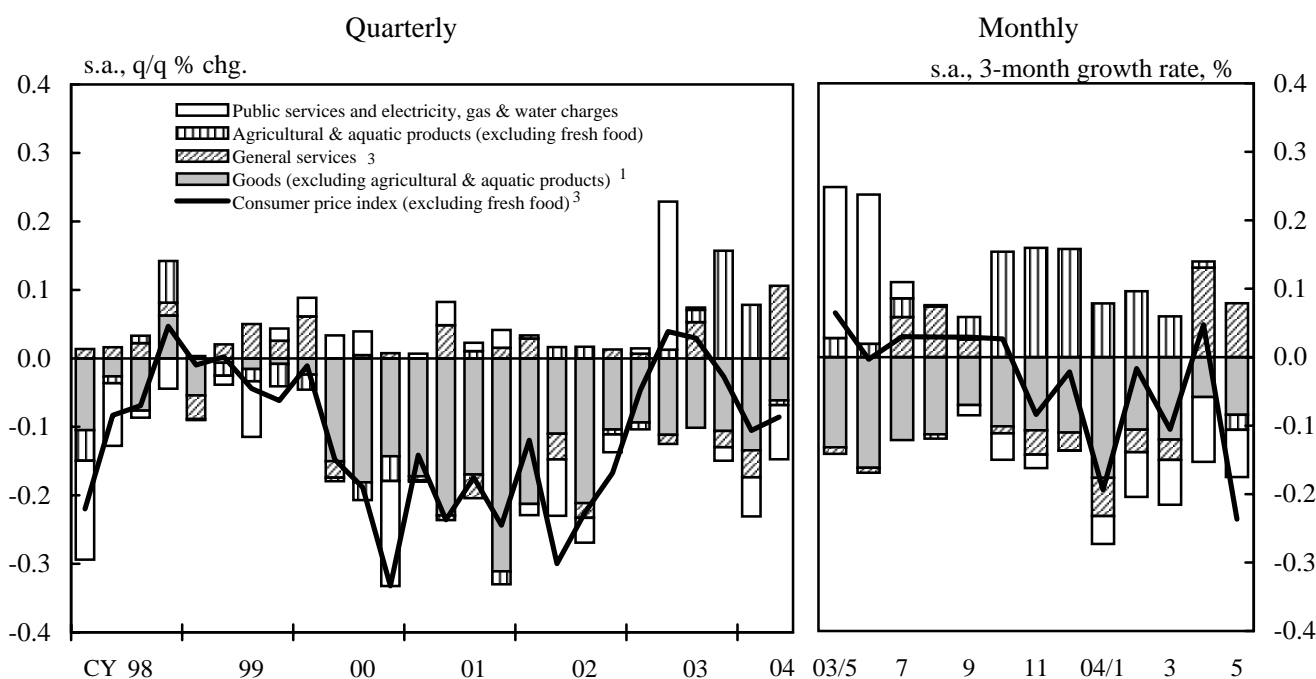
3. Television commercials in Advertising services, Sales space rental in Real estate services, and General warehousing and storage in General services are seasonally adjusted by X-12-ARIMA. As the seasonally adjusted figures are recalculated each month, the series are revised retroactively every month.

4. Adjusted to exclude the effects of the consumption tax hike on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

5. Figures for 2004/Q2 are those of April-May averages.

Consumer Price Index (excluding fresh food)⁴

(1) Changes from a year earlier

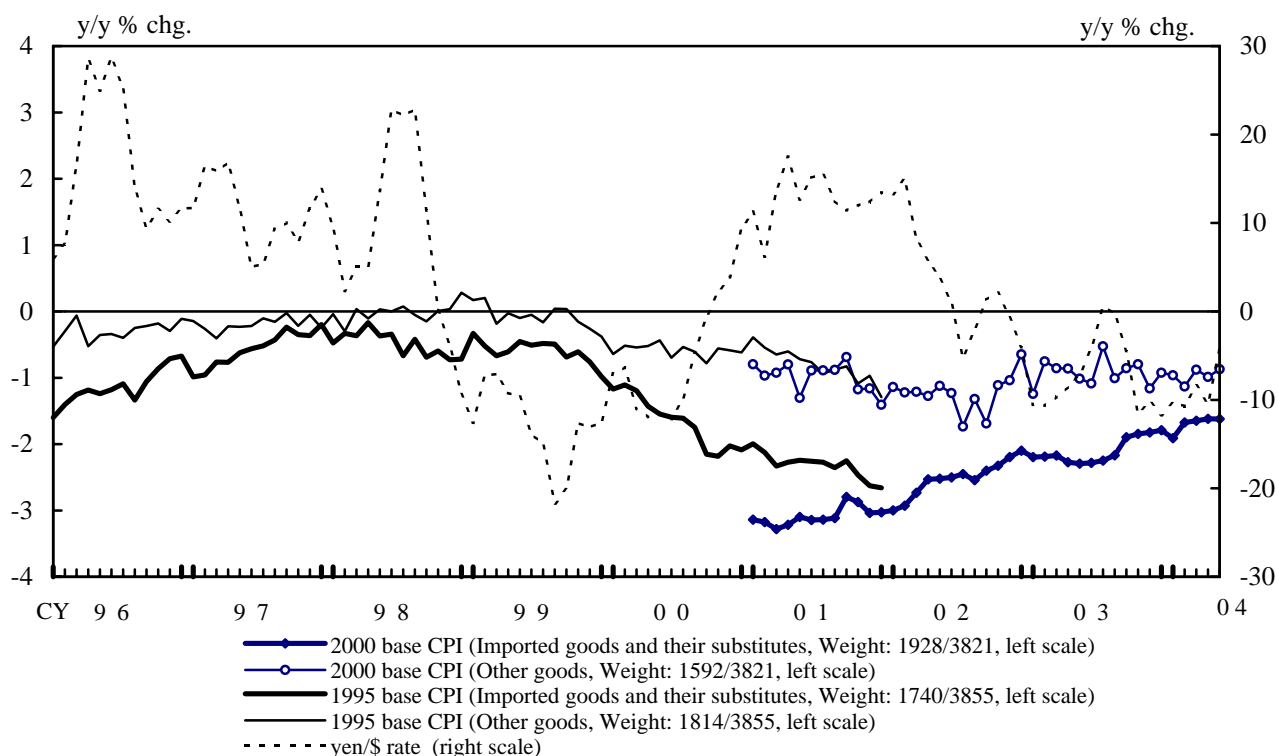
(2) Changes from a quarter earlier and 3 months earlier (2000 base CPI)²

- Notes: 1. The Items are basically the same as the definition published by the Ministry of Public Management, Home Affairs, Posts and Telecommunications, however electricity, gas & water charges is excluded from goods.
 2. Seasonally adjusted by X-12-ARIMA. Because of the seasonal adjustment error, there are discrepancies between the CPI and the sum of its components.
 3. Excluding "package tours to overseas" newly adopted from the 2000 base. This is because sample size of this item is insufficient for seasonal adjustment, though it has large seasonal fluctuations.
 4. Adjusted to exclude the effects of the consumption tax hike on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.
 5. Figures for 2004/Q2 are those of April-May averages.

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

Consumer Prices of imported goods and their substitutes

(1) Comparison of imported goods and other goods in terms of CPI



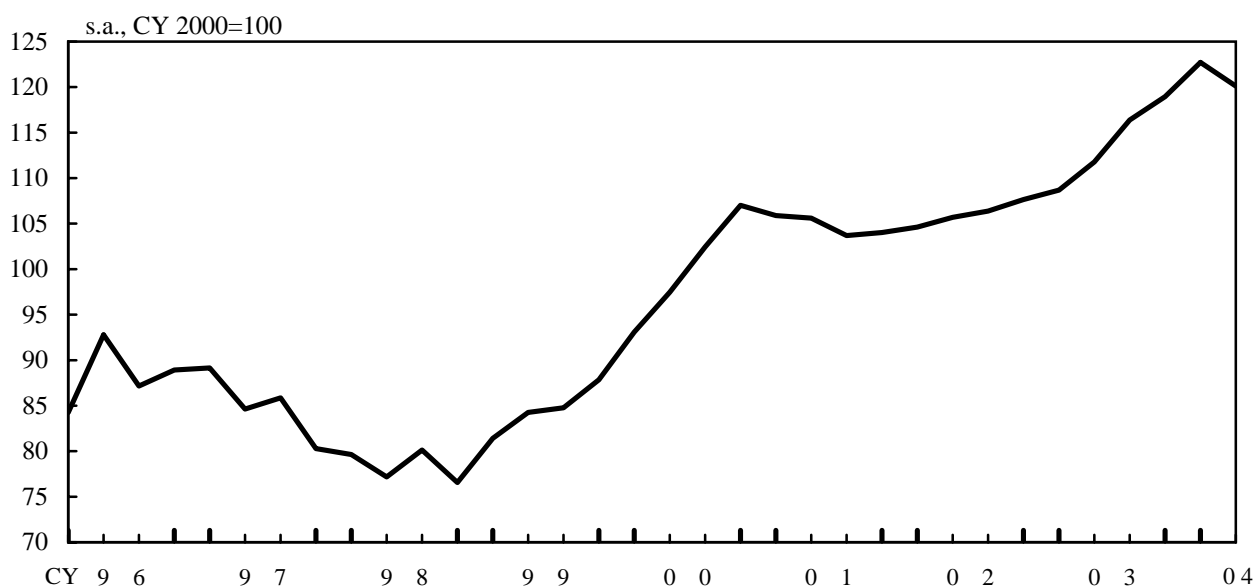
Notes: 1. Goods covered here exclude petroleum products and agricultural & aquatic products.

2. Imported goods consist of items common to both the Import Price Index and the Consumer Price Index, and their substitutes consist of items considered to be substitutable for import products but not covered by the Import Price Index.

3. Adjusted to exclude the effects of the tobacco tax increases in Dec. 1998 and Jul. 2003, and biscuits, prices of which were heavily affected by changes in monitored brands. Weight is shares in Goods (excluding agricultural & aquatic products).

4. Adjusted to exclude the effects of the consumption tax hike on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

(2) Real imports (consumer goods)



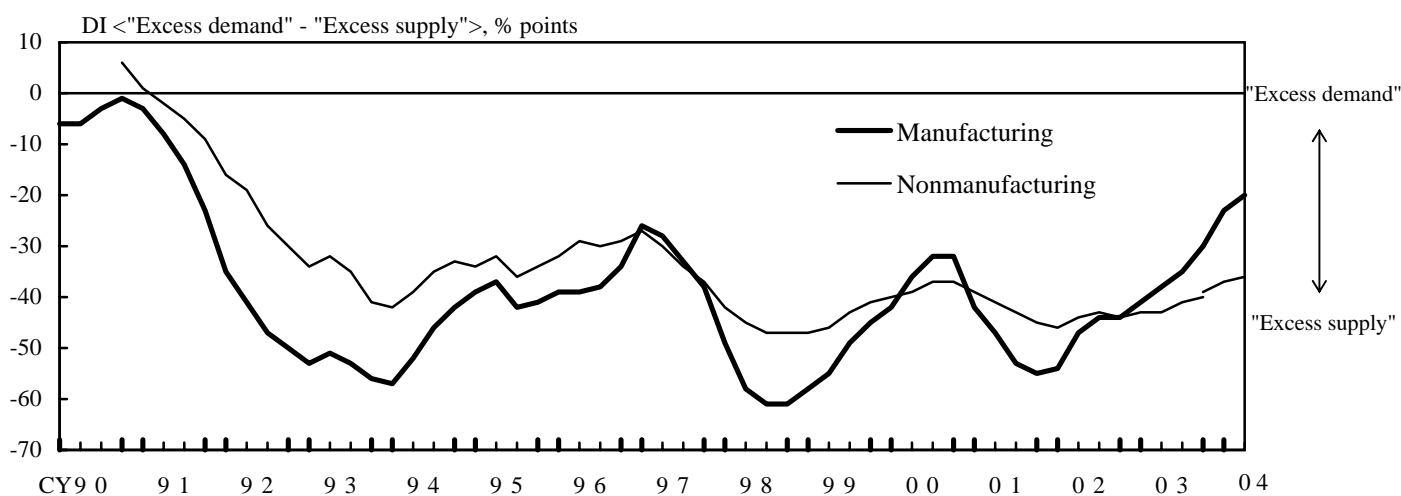
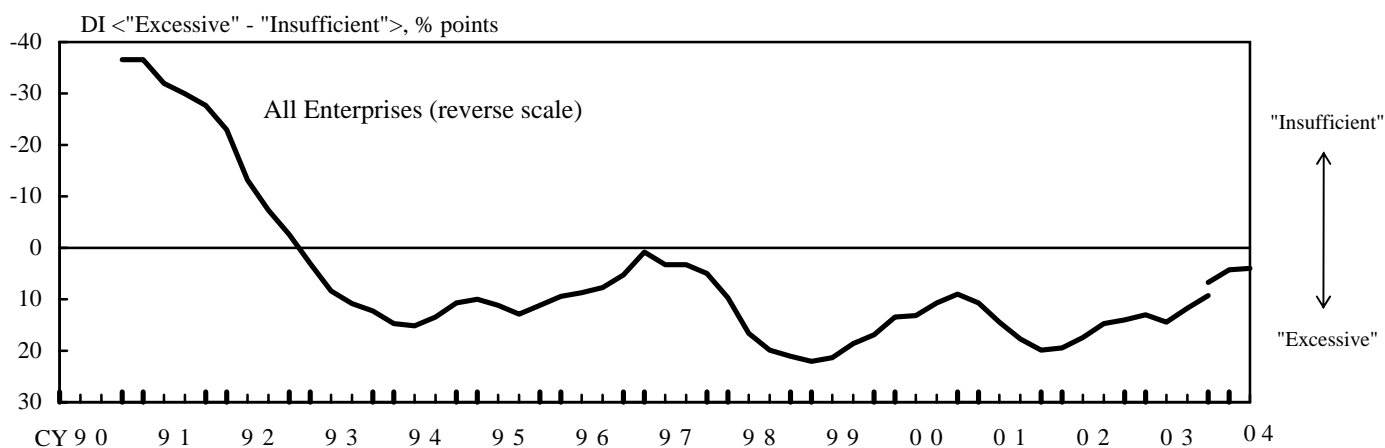
Notes: 1. Real imports (consumer goods), which are composed of motor vehicles, audio and visual apparatus, office machinery, foodstuffs and textiles, are calculated from the Trade Statistics as an index with the 2000 average equal to 100.

2. 2004/Q2 figure is April-May average at a quarterly rate.

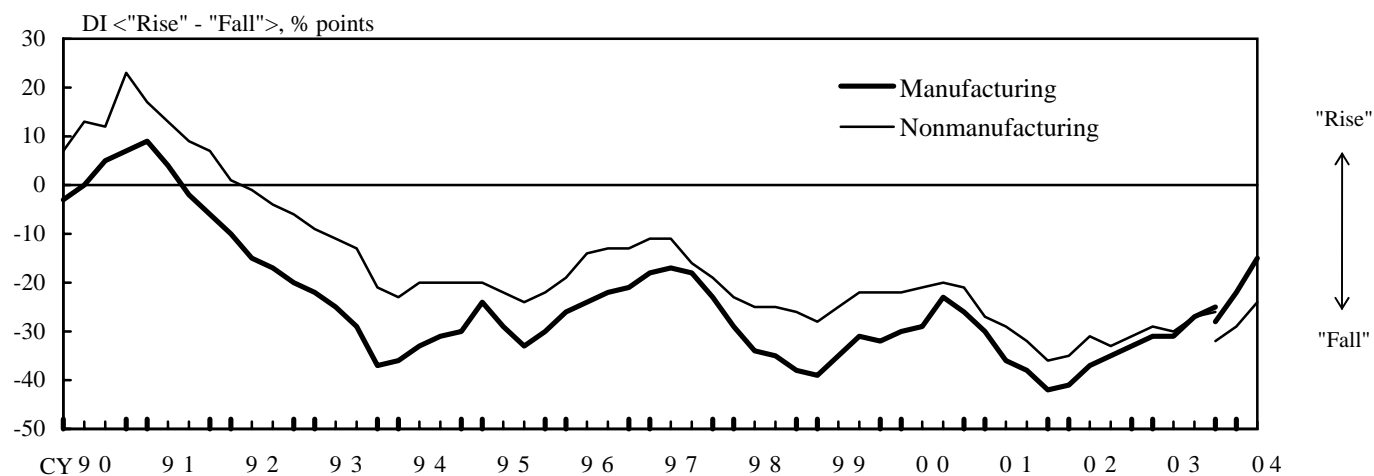
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index"; Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Domestic Supply and Demand Conditions¹

(1) Domestic Supply and Demand Conditions for Products and Services (All Enterprises)

(2) Utilization of Capital and Labor²

(3) Change in Output Prices (All Enterprises)



Notes: 1. The *Tankan* has been revised from the March 2004 Survey. Figures up to the December 2003 Survey are based on the previous data sets. Figures from the December 2003 Survey are on a new basis.

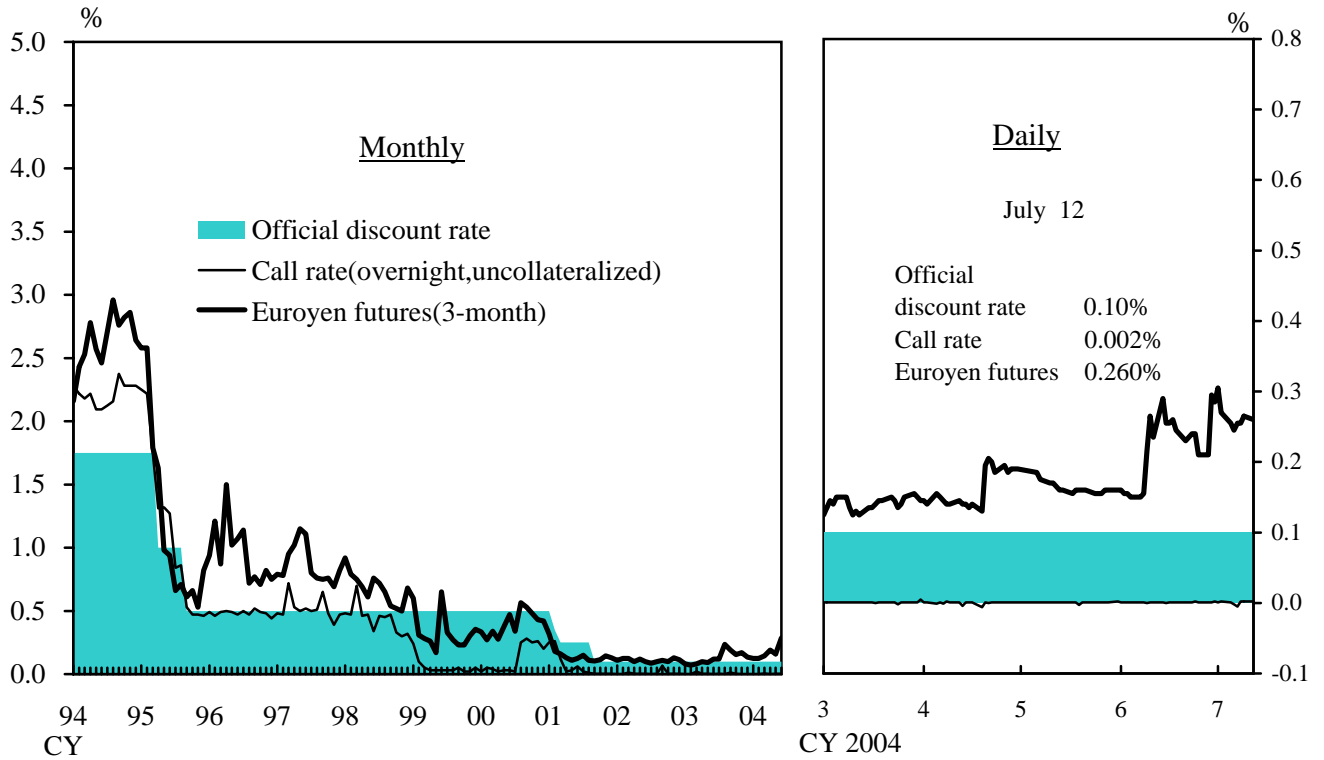
2. Figures are weighted averages of Production Capacity DI and Employment DI which show excessiveness. Labor share in national account, 1990-2002 average, is used as the weight.

Sources: Cabinet Office, "National Accounts";

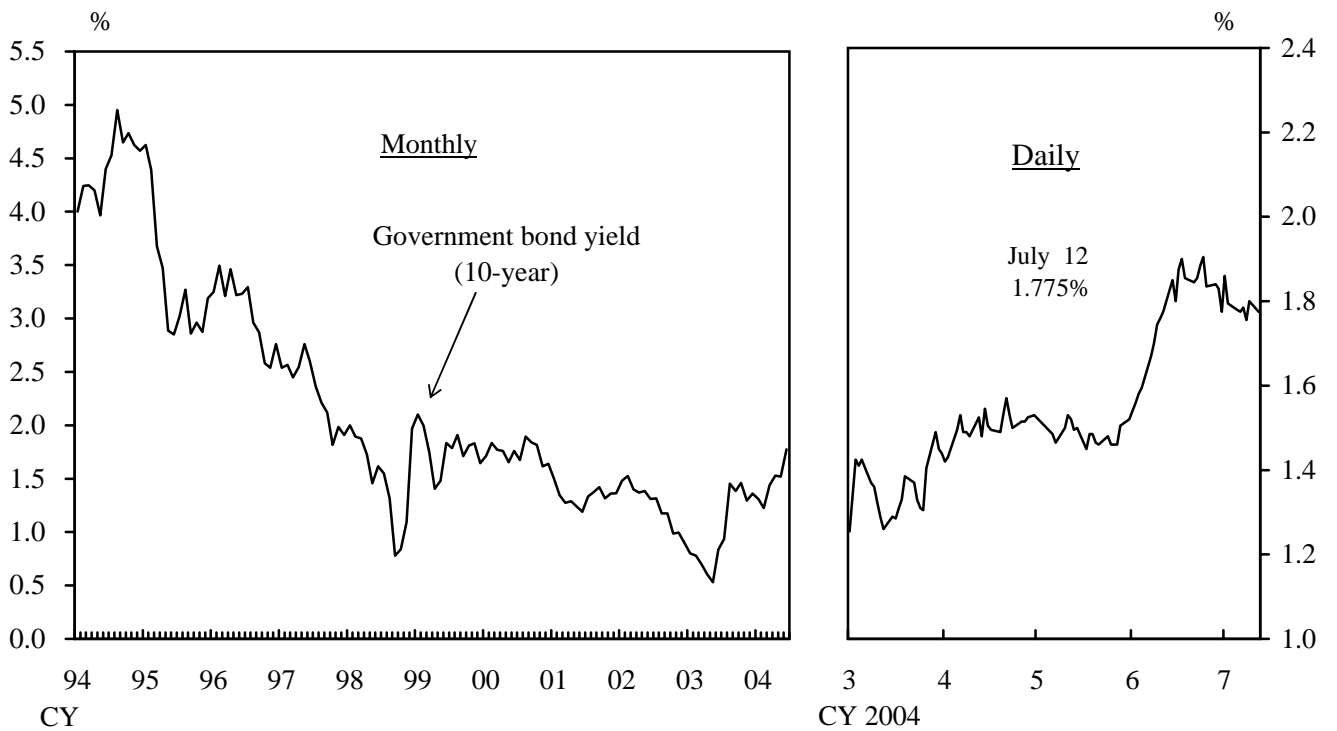
Bank of Japan, "*Tankan*, Short-term Economic Survey of Enterprises in Japan."

Interest Rates

(1) Short-Term



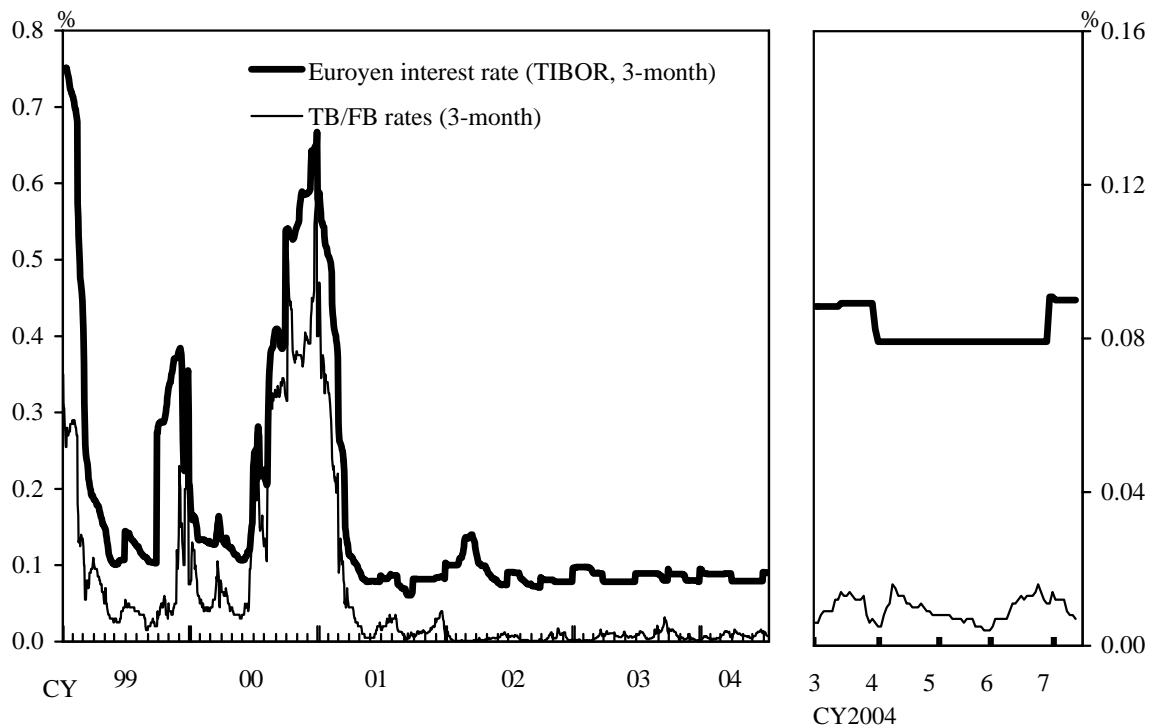
(2) Long-Term



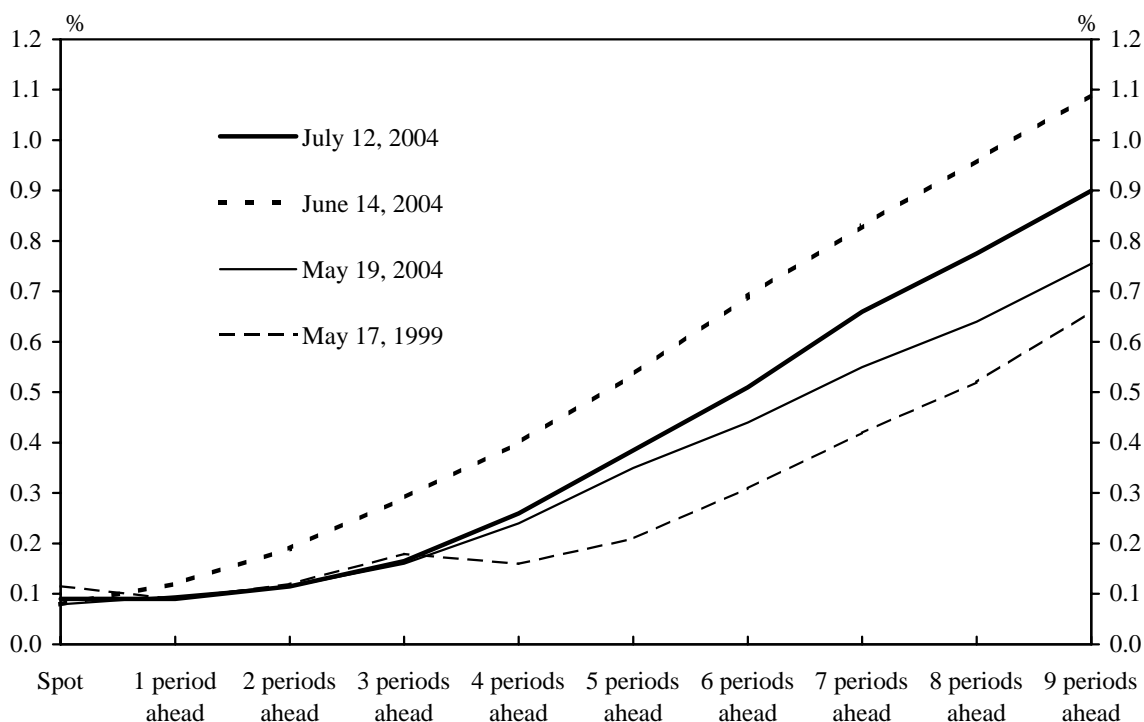
Sources: Bank of Japan; Tokyo International Financial Futures Exchange;
 Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments



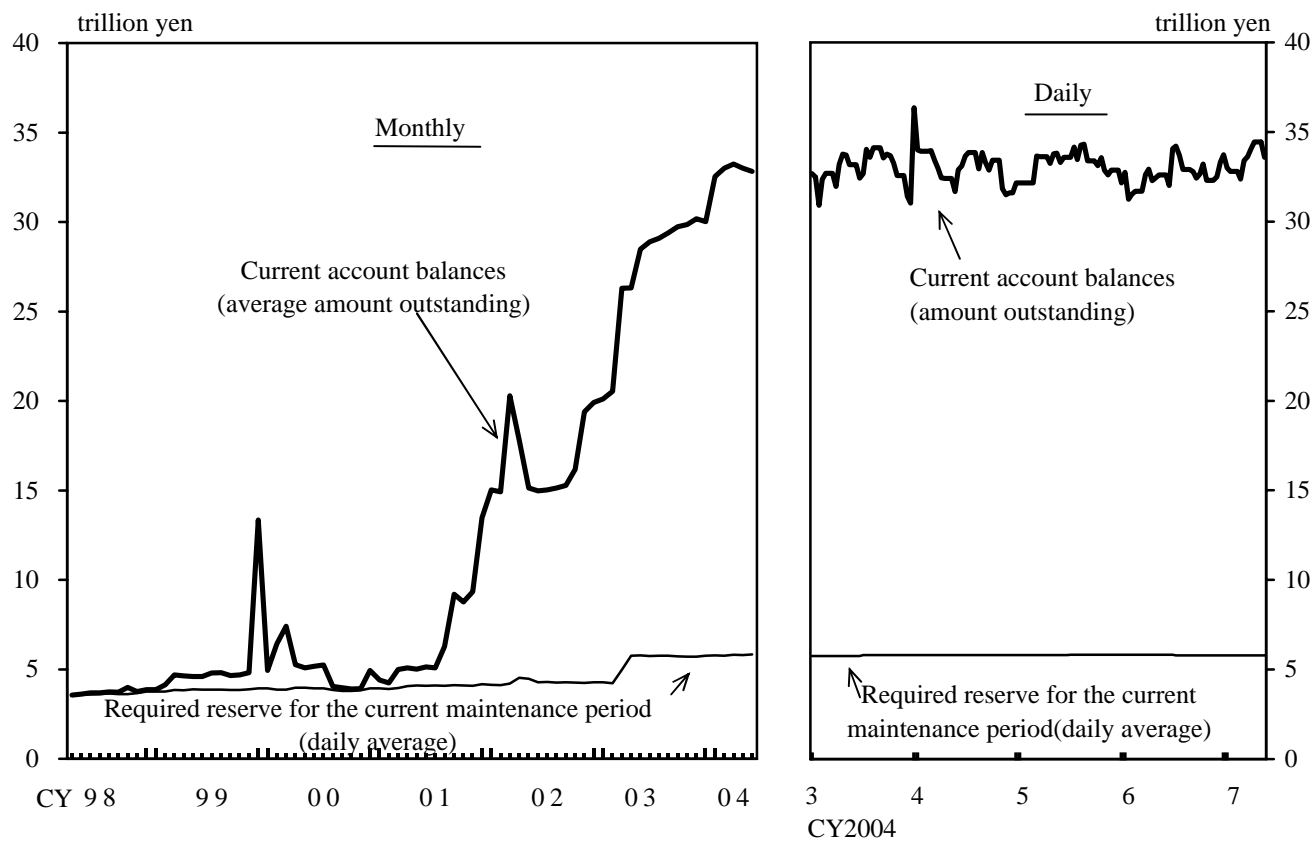
(2) Euroyen Interest Rates Futures (3-Month) ¹



Note: 1. Contract months in the figure (2) exclude "serial months," the months other than March, June, September and December.

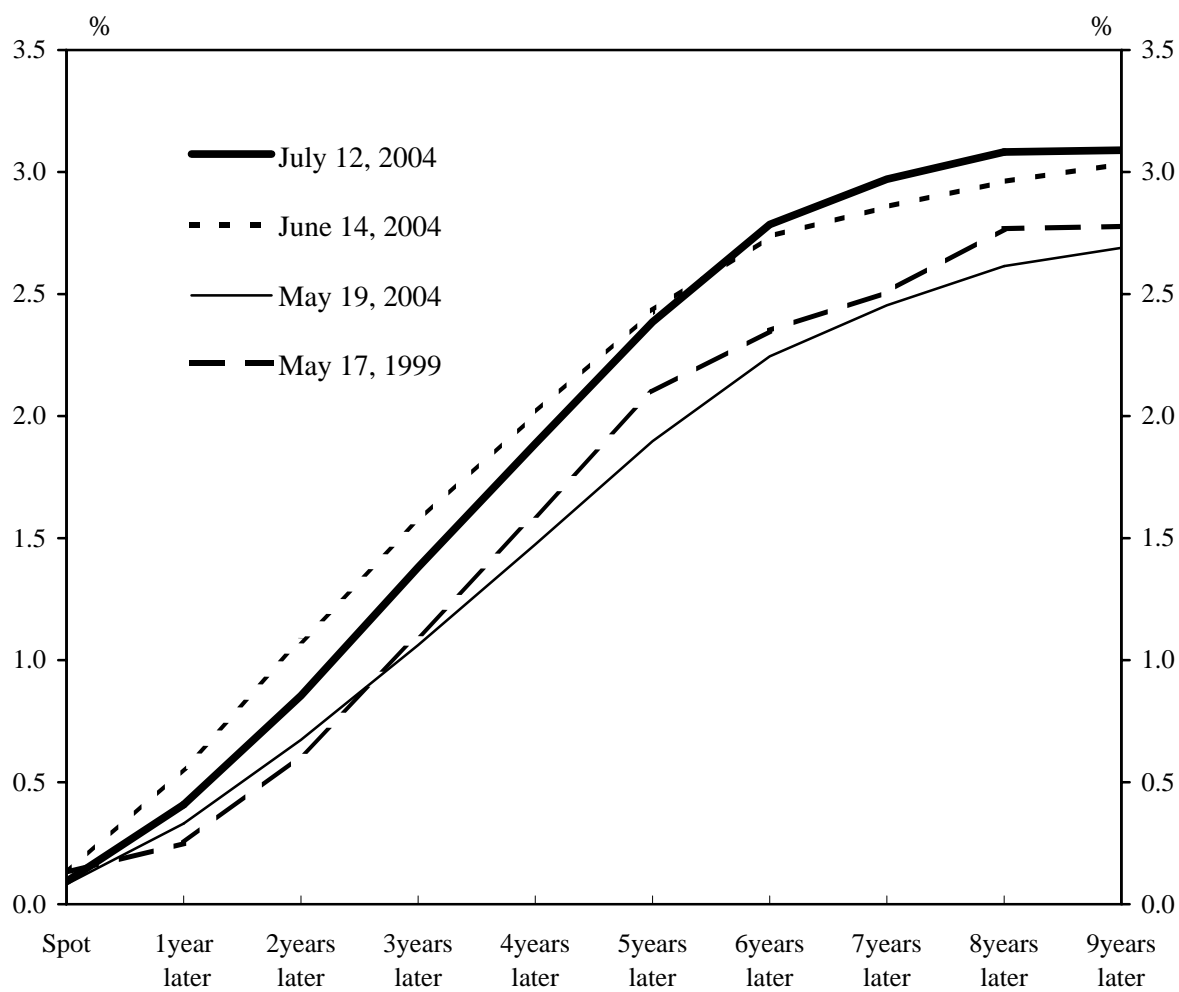
Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.; Tokyo International Financial Futures Exchange.

Current Account Balances at the Bank of Japan ¹



Note: 1. From April 2003, the figures for current account balances and required reserve include the deposit of the Japan Post.

Source: Bank of Japan.

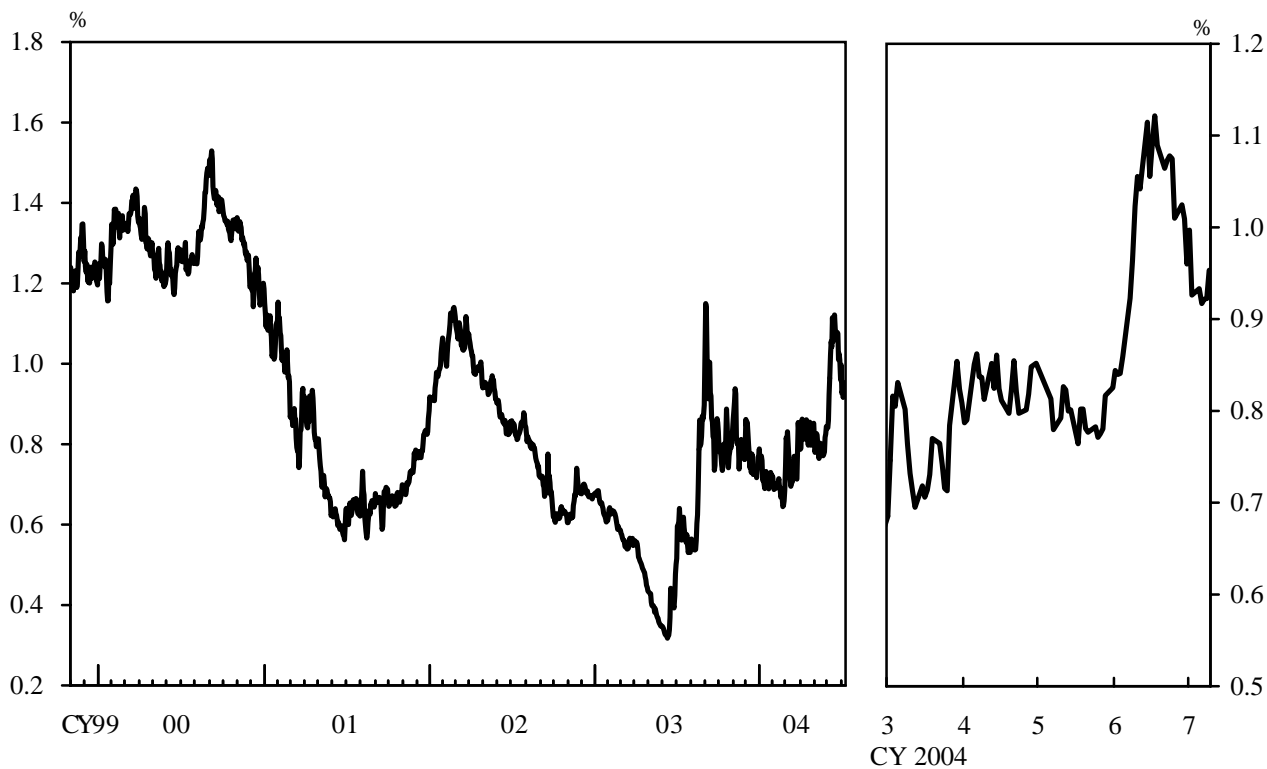
Implied Forward Rates (1-year) ¹

Note: 1. Calculated from yen-yen swap rates.

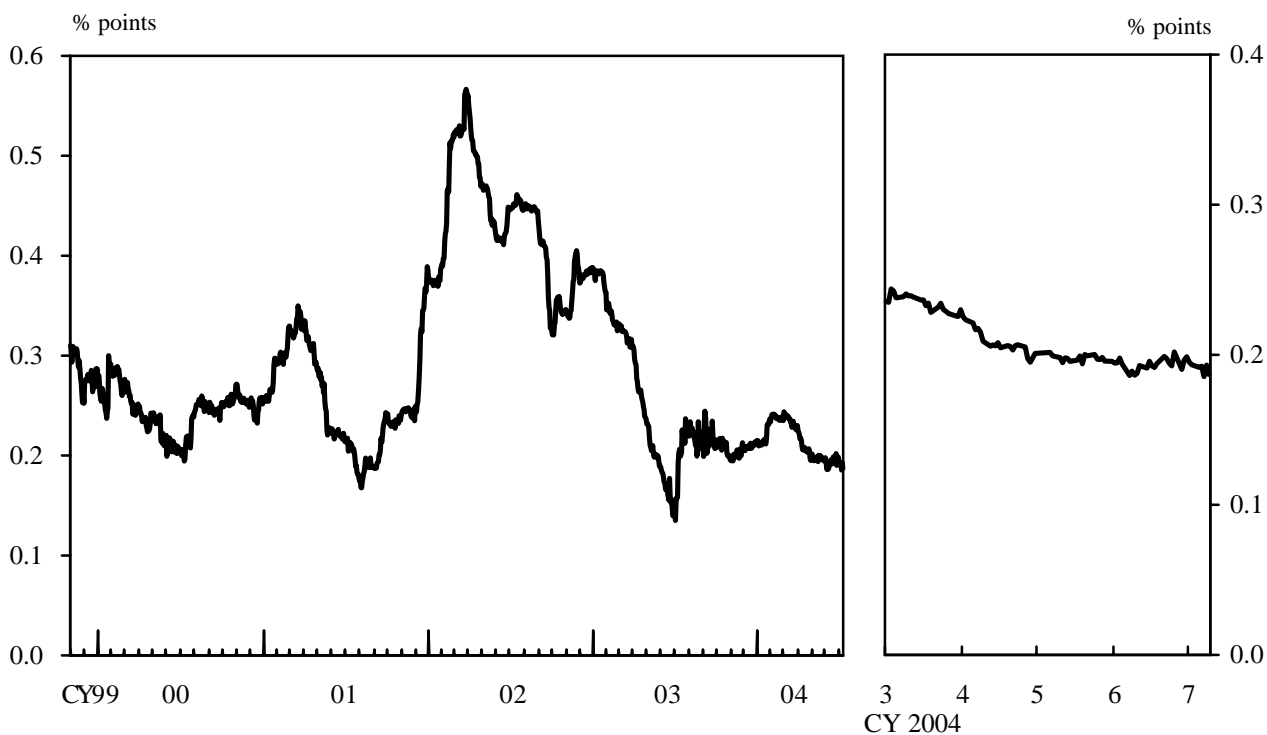
Source: Kyodo News.

Yields of Bank Bonds

(1) Average Bank Bond Yield



(2) Spread of Average Bank Bond Yield and Government Bond Yield



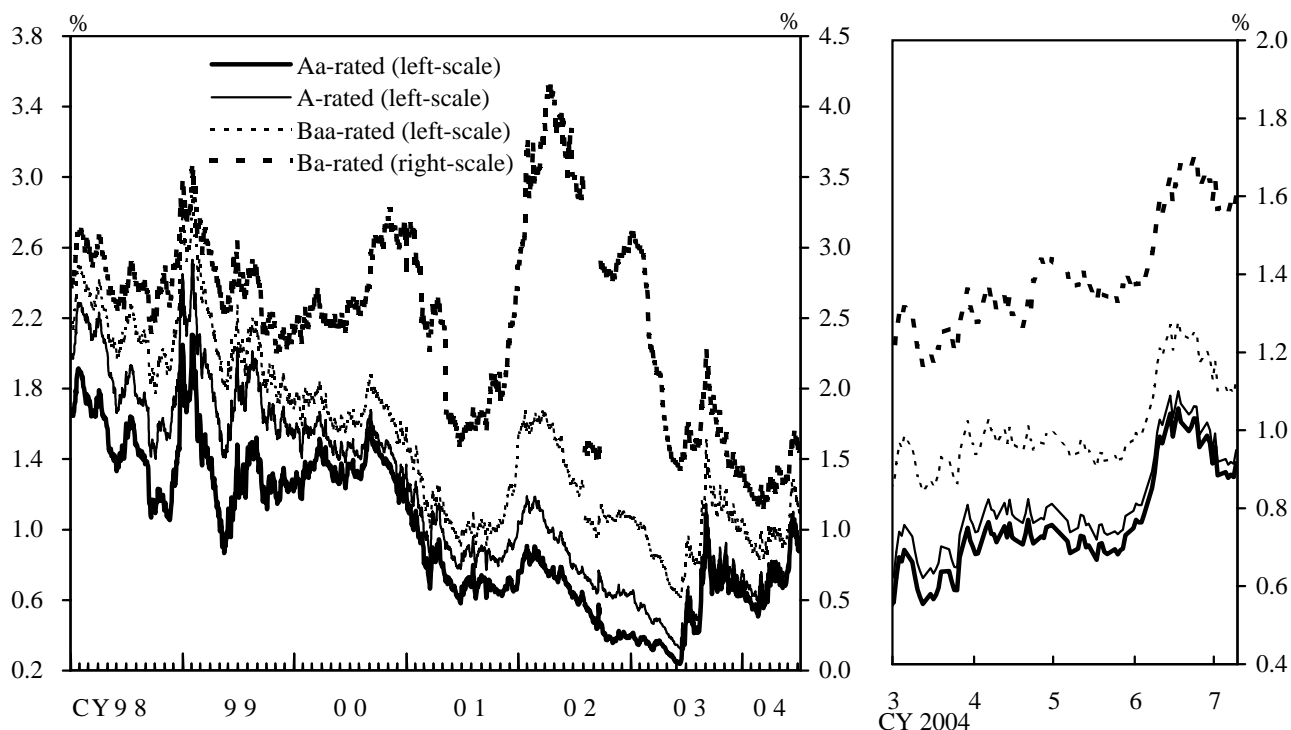
Notes: 1. Yields on bonds with 5-year maturity.

2. Average bank bond yield is the average of four bank bonds.

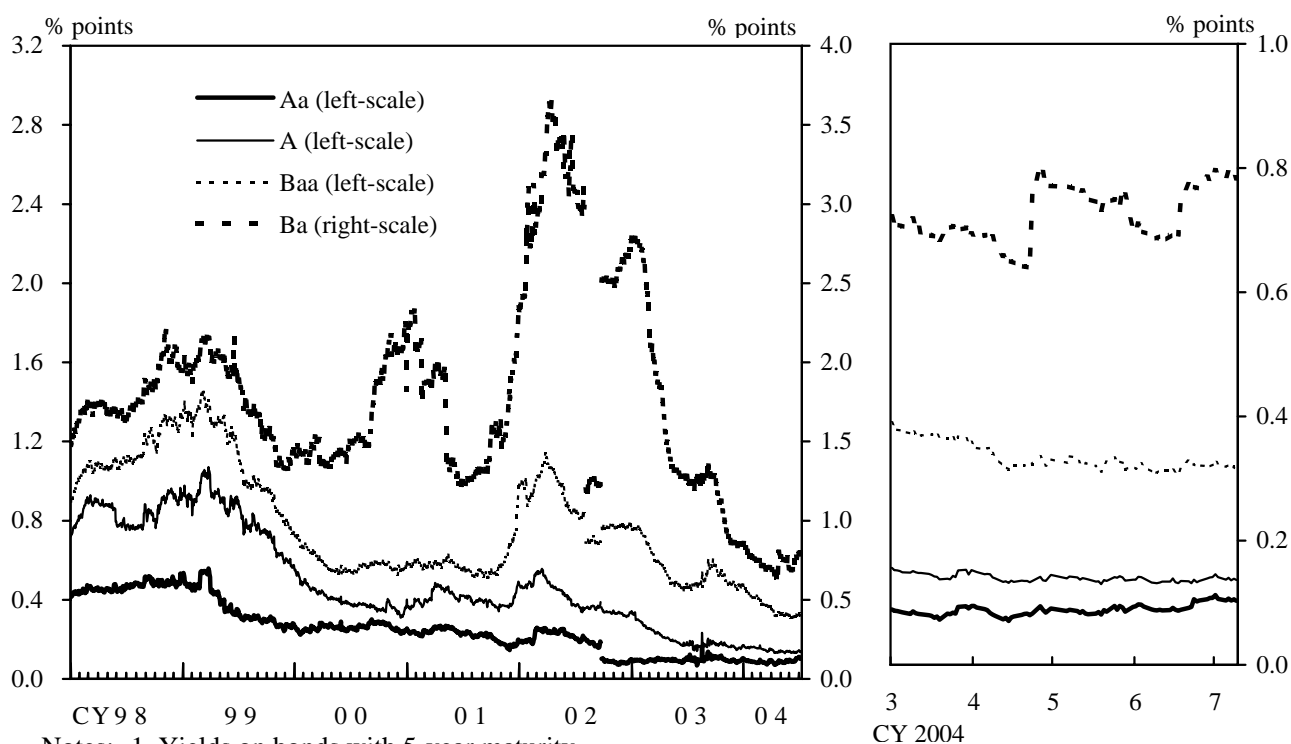
Sources: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."
"Reference Price(Yields) Table for OTC Bond Transactions."

Yields of Corporate Bonds ¹

(1) Corporate Bond Yields



(2) Spread of Corporate Bond Yield and Government Bond Yield



Notes: 1. Yields on bonds with 5-year maturity.

Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of 4 to 6 years since this month. Data have been revised backward to Sep. 24, 2002.

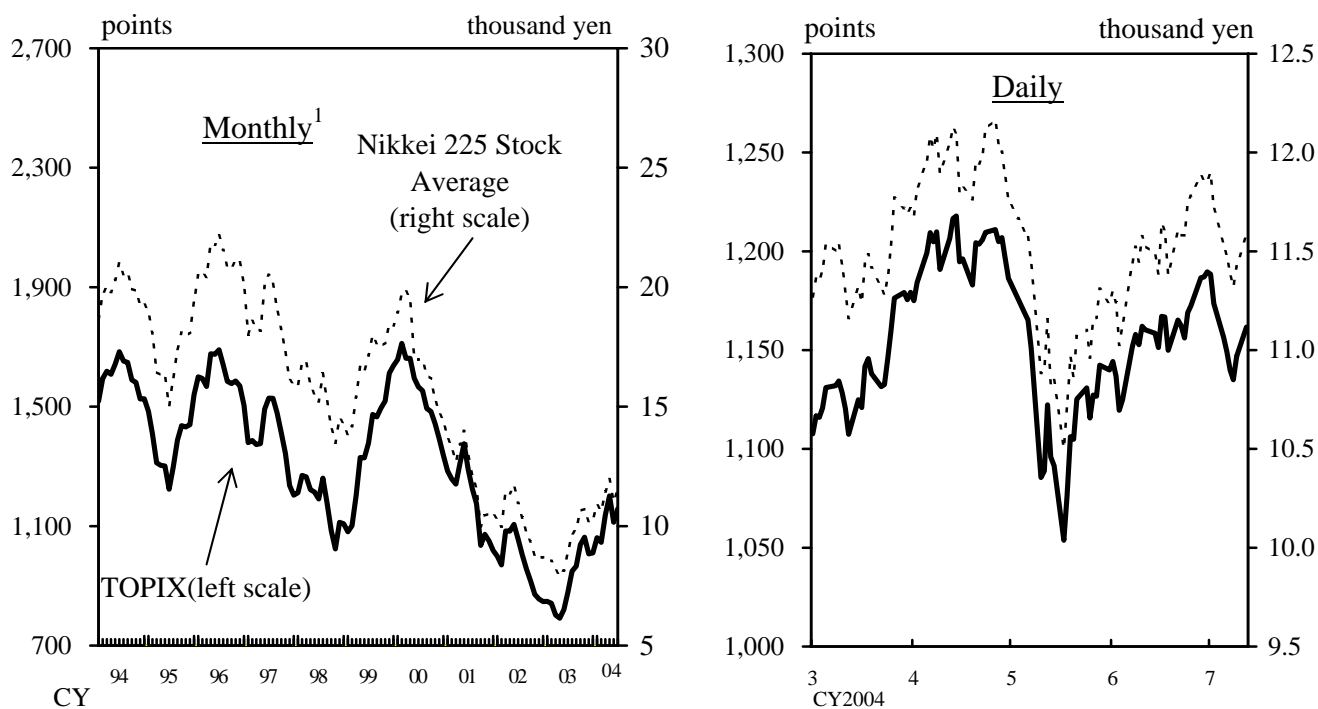
2. The indicated ratings are of Moody's.

Sources: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

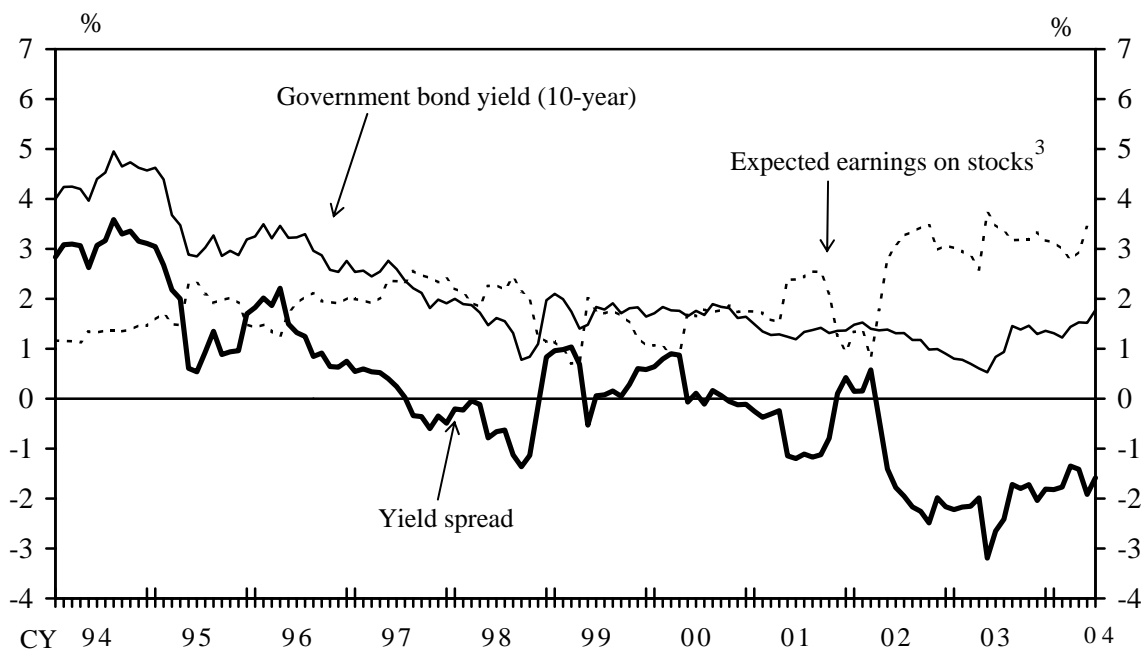
"Reference Price(Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Stock Prices



(2) Yield Spread²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

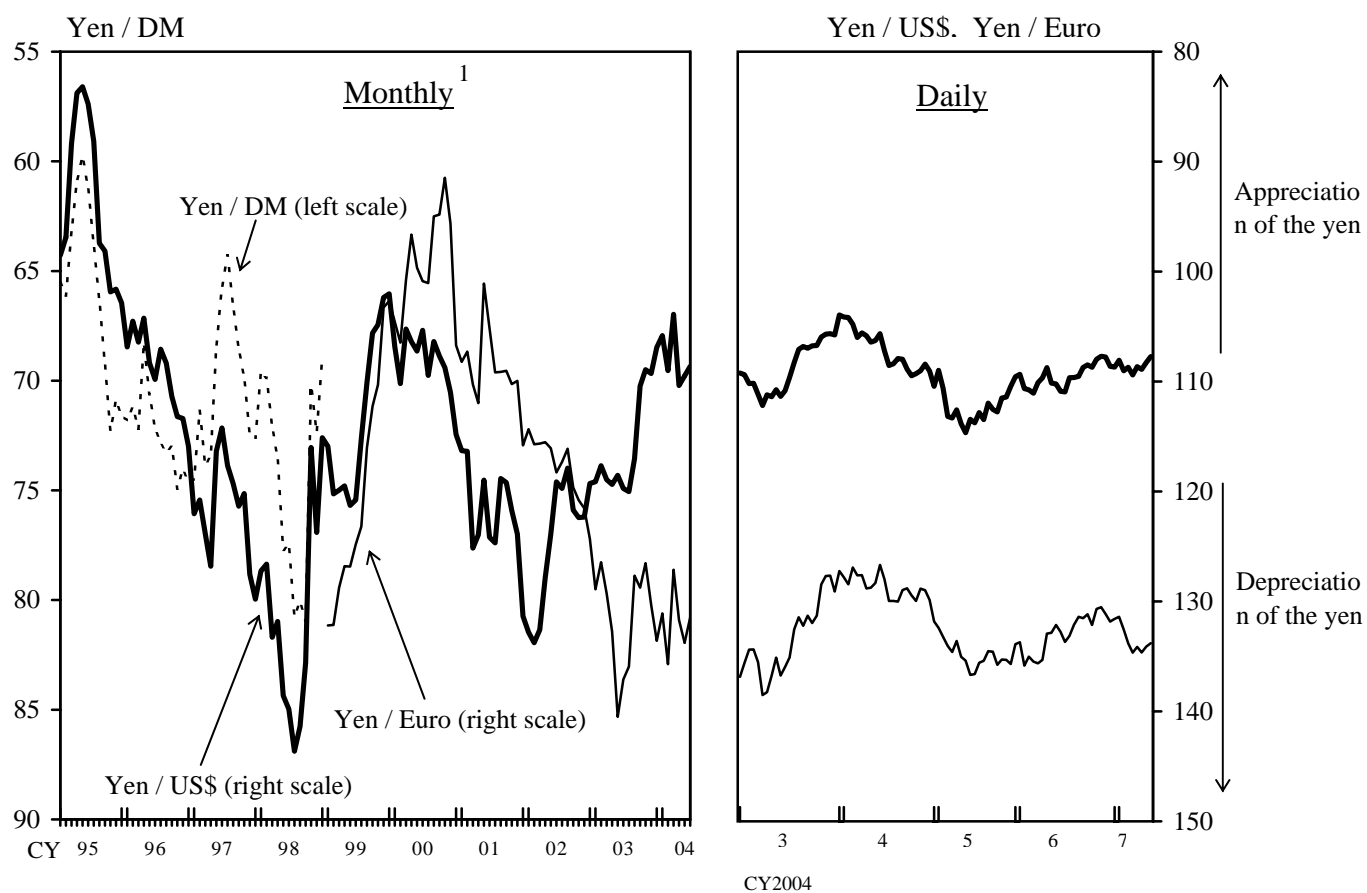
Yield spread = government bond yields - expected earnings on stocks,
 where expected earnings on stocks = 1/expected price earnings ratio.

3. Based on stocks listed on the TSE First Section. Excludes bank stocks.

Data (unconsolidated) are calculated by the Daiwa Research Institute.

Sources: *The Nihon Keizai Shimbun*; Daiwa Research Institute, "*Daiwa Toushi Shiryou*" (Daiwa Investment Information)."

Exchange Rates

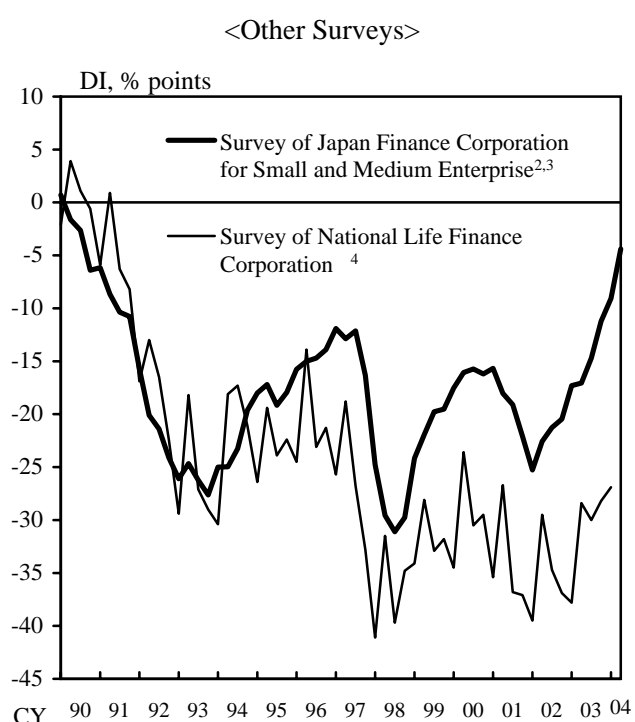
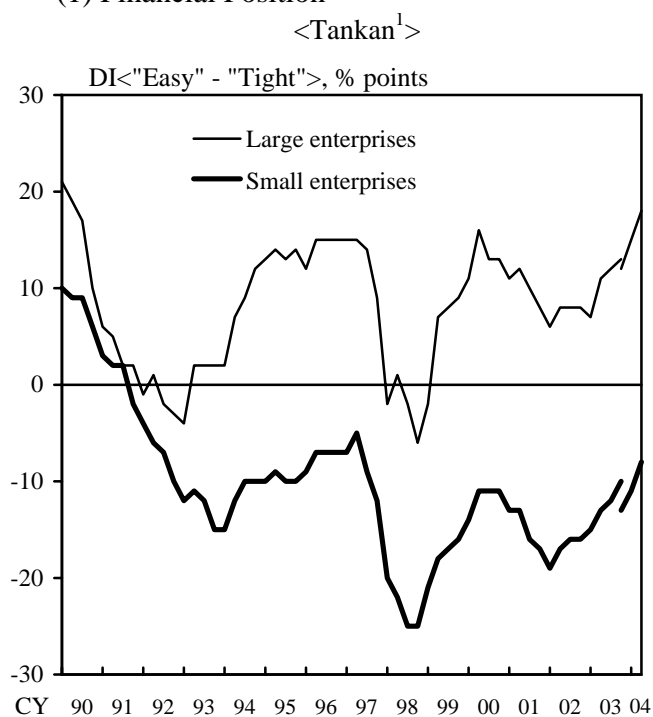


Note: 1. End of month.

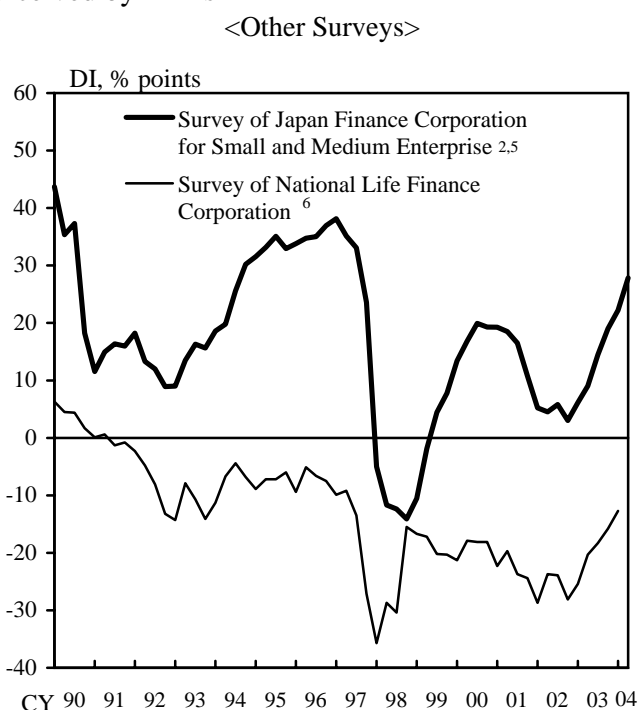
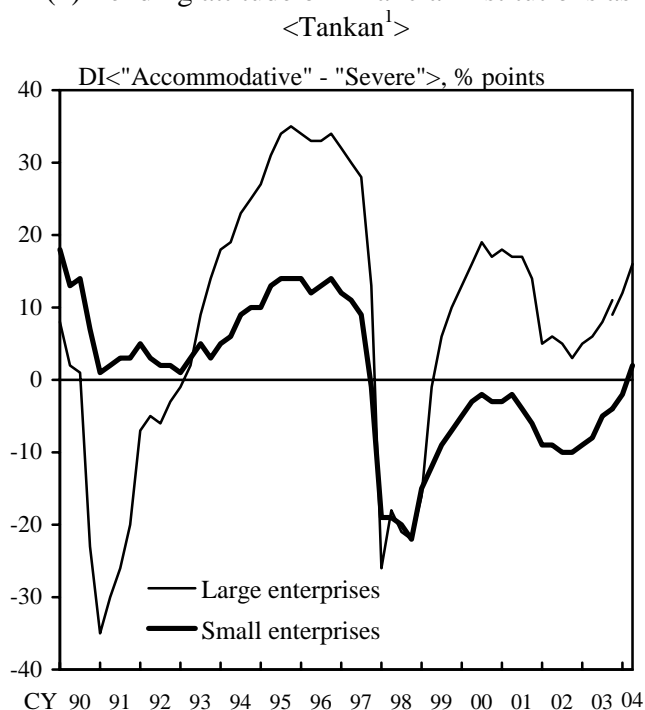
Source: Bank of Japan.

Corporate Finance-Related Indicators

(1) Financial Position



(2) Lending attitude of Financial Institutions as Perceived by Firms



Notes: 1. Data of the *Tankan* are based on all industries. The *Tankan* has been revised from the March 2004 Survey. Figures up to the December 2003 Survey are based on the previous data sets. Figures from the December 2003 Survey are on a new basis.

2. Figures are quarterly averages of monthly data.

3. DI of "Easy" - "Tight"

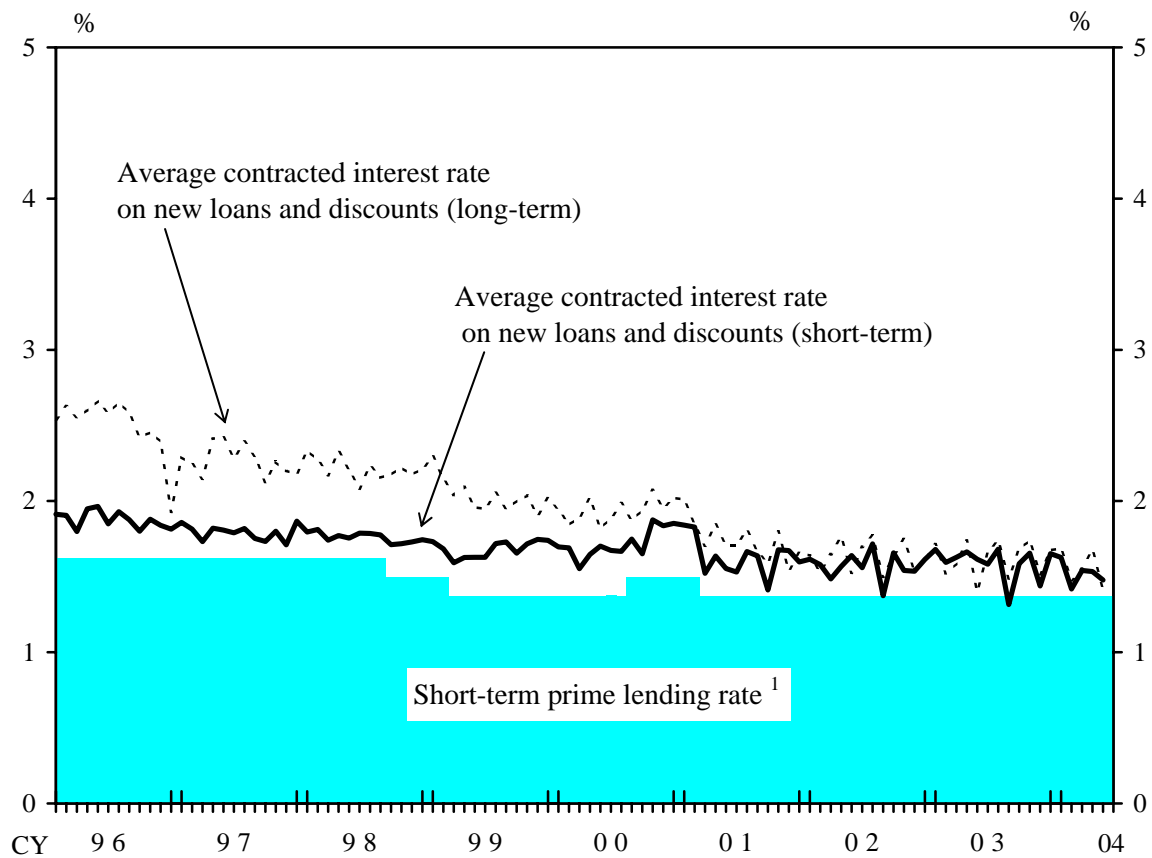
4. DI of "Easier" - "Tighter"

5. DI of "Accommodative" - "Severe"

6. DI of "More accommodative" - "More severe"

Sources: Bank of Japan, "*Tankan*, Short-term Economic Survey of Enterprises in Japan"; Japan Finance Corporation for Small and Medium Enterprise, "Monthly Survey of Small Businesses in Japan"; National Life Finance Corporation, "Quarterly Survey of Small Businesses in Japan."

Lending Rates



Note: 1. Data are at end of period.

Source: Bank of Japan.

Lending by Domestic Commercial Banks¹

Notes: 1. Percent changes in average amounts outstanding from a year earlier.

2. "Domestic commercial banks" refers to member banks of the Japanese Bankers Association, which consists of city banks, long-term credit banks, trust banks (excluding foreign-owned trust banks and trust banks that started business after October 1993), the member banks of the Regional Banks Association of Japan (regional banks) and the member banks of the Second Association of Regional Banks (regional banks II).

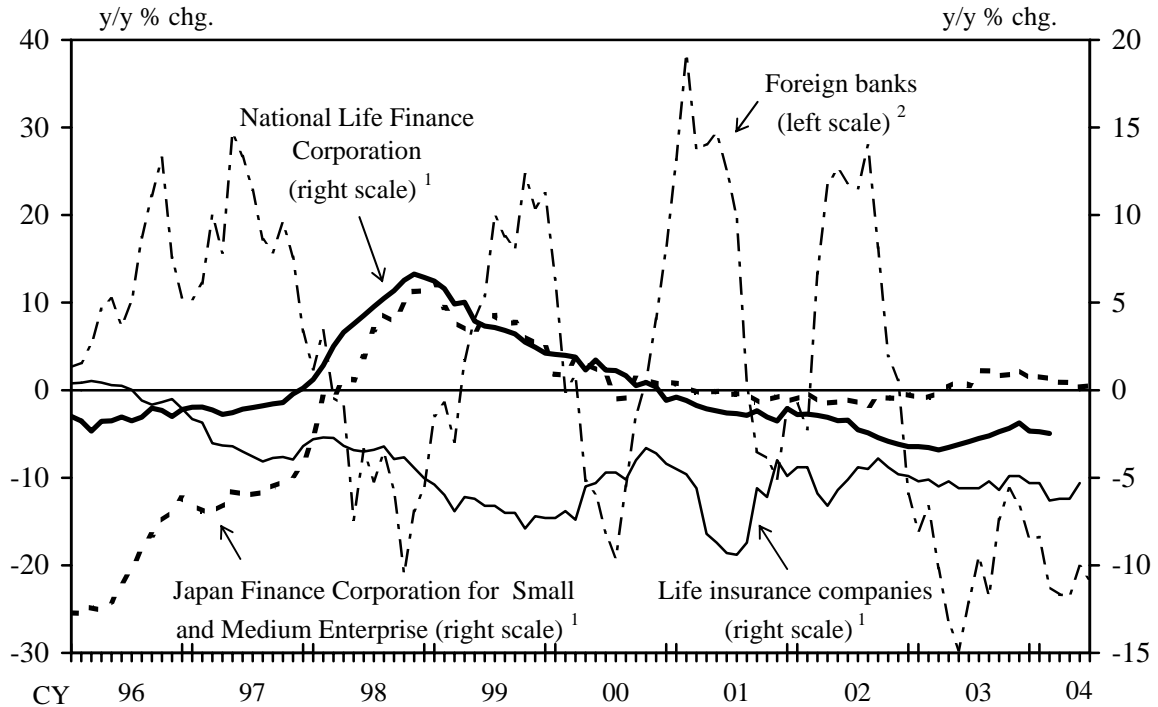
3. Adjusted to exclude

- (1) fluctuations due to the liquidation of loans,
- (2) fluctuations in the yen value of foreign currency-denominated loans due to changes in exchange rates,
- (3) fluctuations due to loan write-offs,
- (4) the transfer of loans to the former Japan National Railways Settlement Corporation to the General Account, and
- (5) the transfer of loans to the former Housing Loan Administration Corporation to the Resolution and Collection Corporation.

Source: Bank of Japan, "Principal Figures of Financial Institutions."

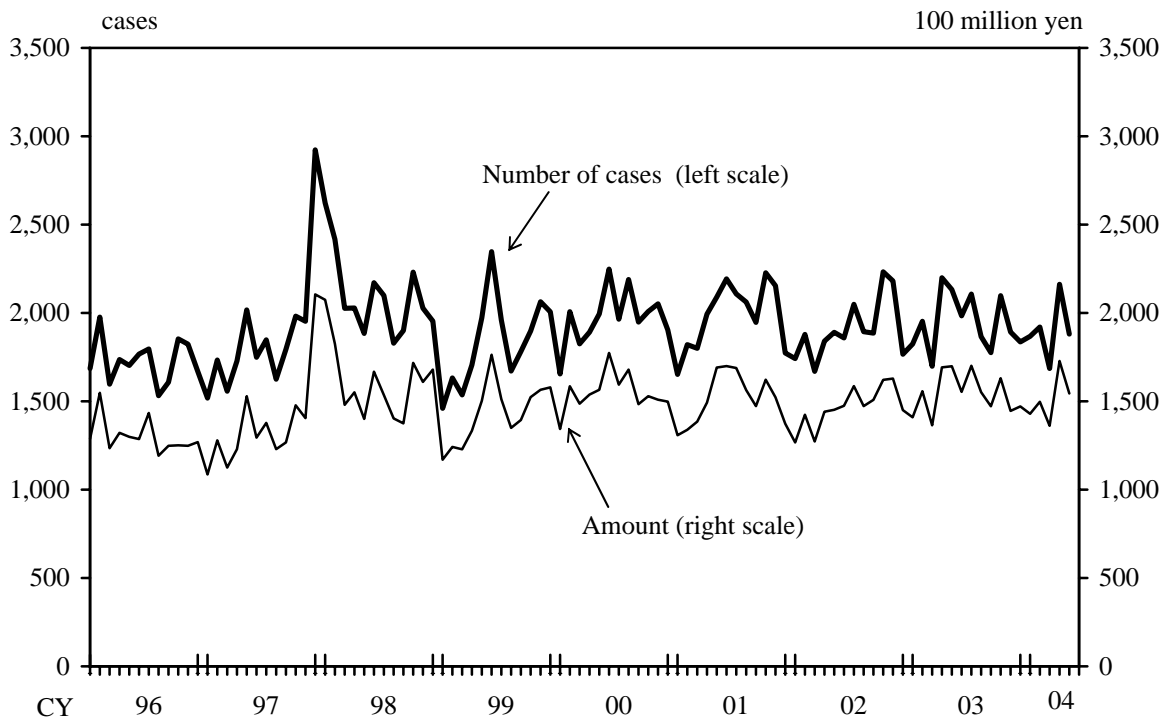
Lending by Other Financial Institutions

(1) Lending Outstanding



Notes: 1. Data are based on amounts outstanding at end of period.
 2. Data are based on average amounts outstanding.

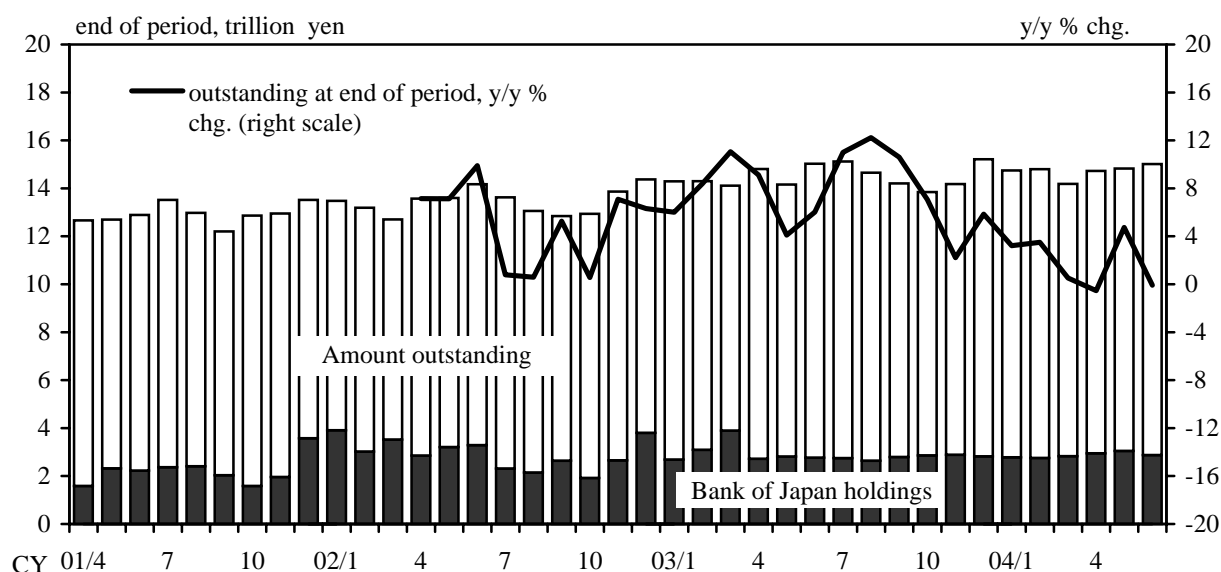
(2) Application for a Loan from Japan Finance Corporation for Small and Medium Enterprise



Sources: Bank of Japan, "Financial and Economic Statistics Monthly"; Japan Finance Corporation for Small and Medium Enterprise, "Gyoumu Gaikyo (Business Outline)."

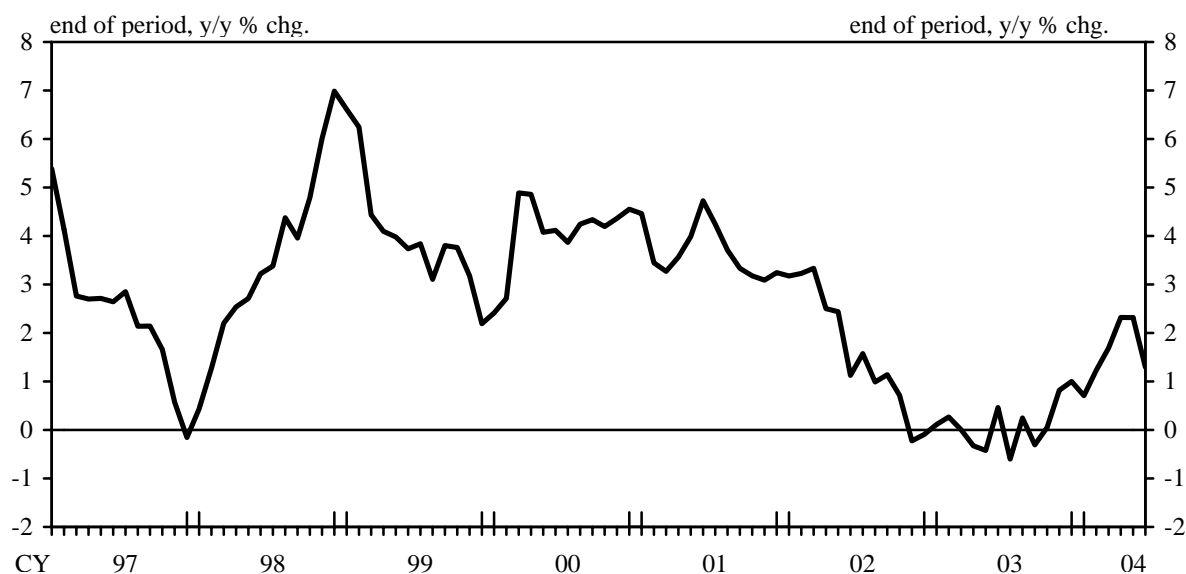
Private-Sector Fund-Raising in the Capital Markets

(1) Amount Outstanding of Commercial Paper



- Notes: 1. Figures are those of the client financial institutions of the Bank of Japan.
2. Excludes those issued by banks.

(2) Amount Outstanding of Corporate Bonds (Changes from a Year Earlier)

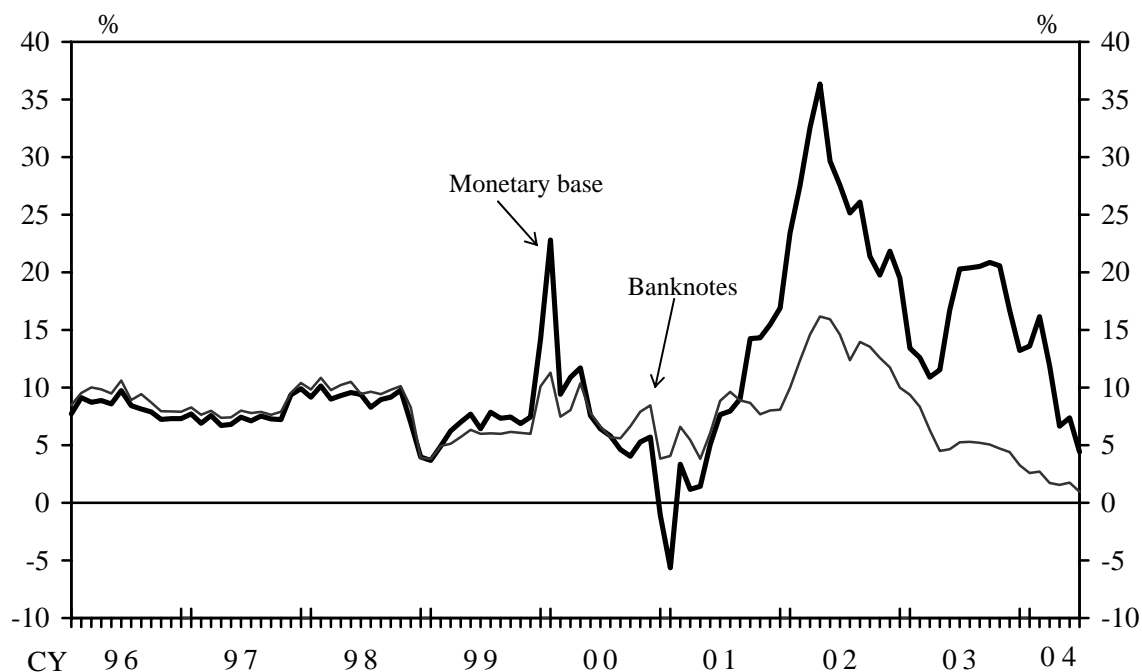
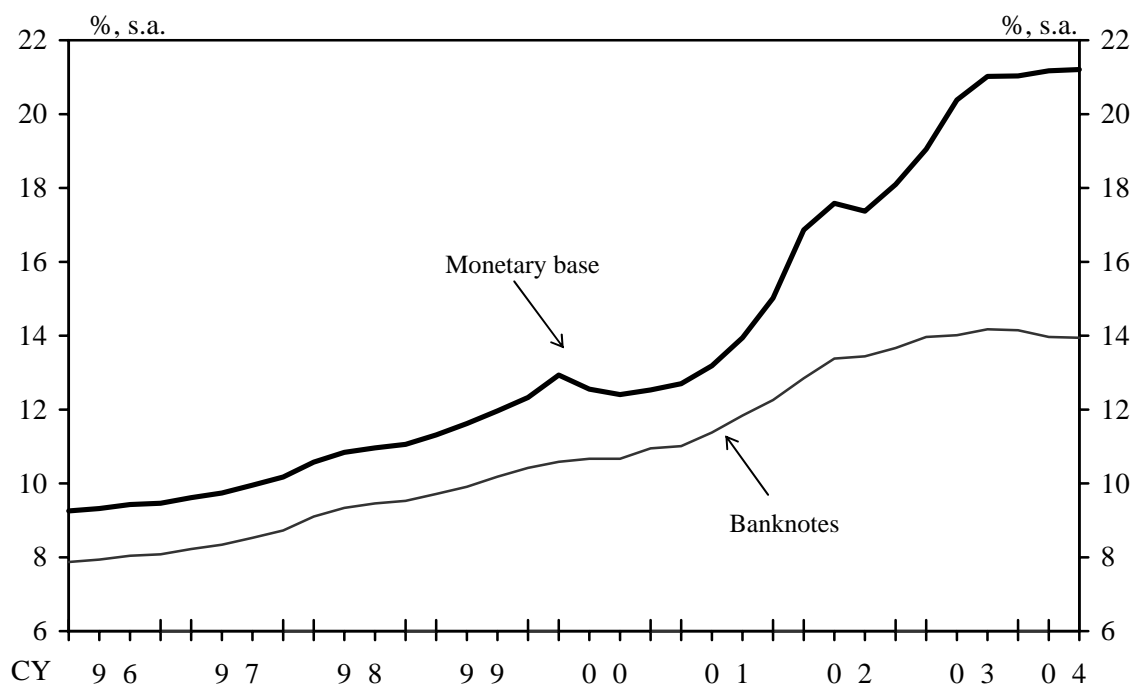


Note: Percentage changes from the previous year of the amount outstanding of corporate bonds are estimated figures. Procedures of the estimation are summarized as follows:

- (1) The sum of straight bonds, convertible bonds, bonds with warrants, and ABSs issued in both domestic and overseas markets is used.
- (2) Bonds issued by banks are included.
- (3) In calculating the percentage changes from the previous year of the amount outstanding of corporate bonds, the following adjustment is made for the treatment of convertible bonds that have been converted into shares.
Percentage changes from the previous year of the amount outstanding of corporate bonds
= (The amount outstanding of corporate bonds as of this month + The sum of conversion amount over the last 12 months) / The amount outstanding of corporate bonds as of the same month in the previous year
- (4) The figure as of the latest month is a preliminary one, using estimates for the amount of the domestically issued private placement bonds, etc.

Sources: Bank of Japan, "Principal Figures of Financial Institutions," "Balance of Payments Monthly"; Japan Securities Dealers Association, "New Issue Volume- Redemption of Bonds," "Kisai-Jouhou (Issuance Information)"; I-N Information Systems, "Funding Eye."

Monetary Base

(1) Changes from a Year Earlier**(2) Ratio of Monetary Base to Nominal GDP**

Notes: 1. Monetary base = currency in circulation (banknotes + coins) + current deposits at the Bank of Japan.

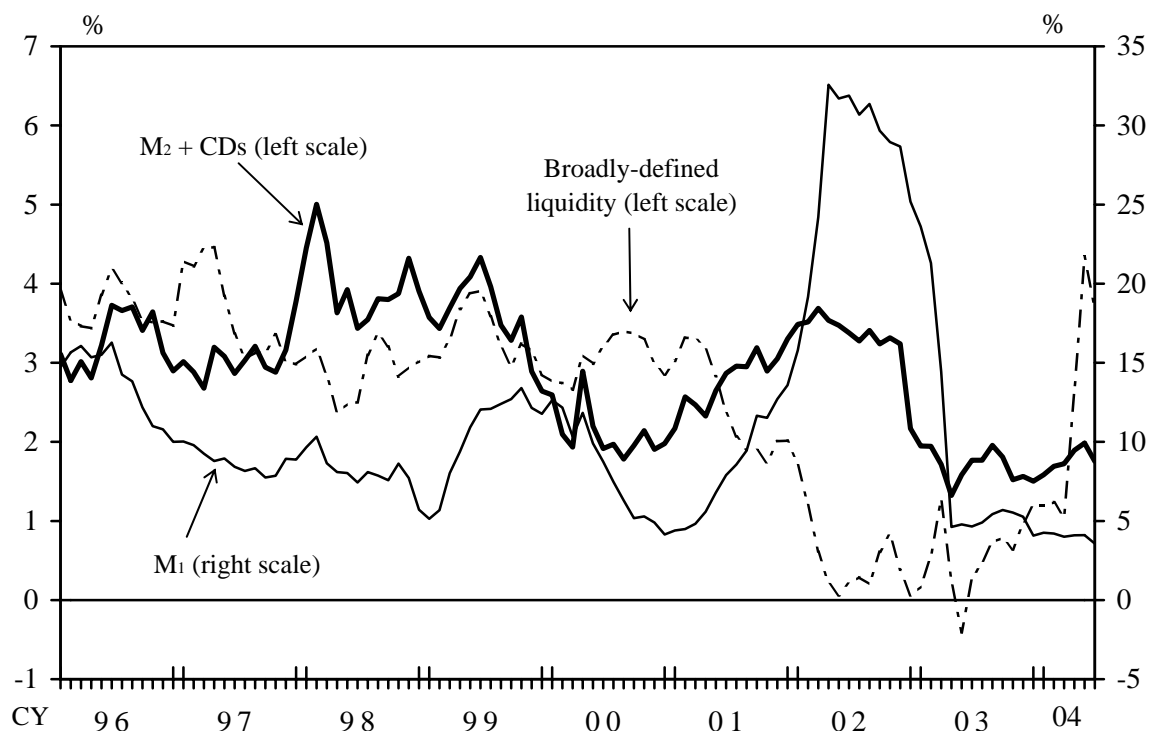
Data for currency in circulation include holdings of financial institutions.

2. Figure for the nominal GDP in 2004/Q2 is assumed to be unchanged from the previous quarter.

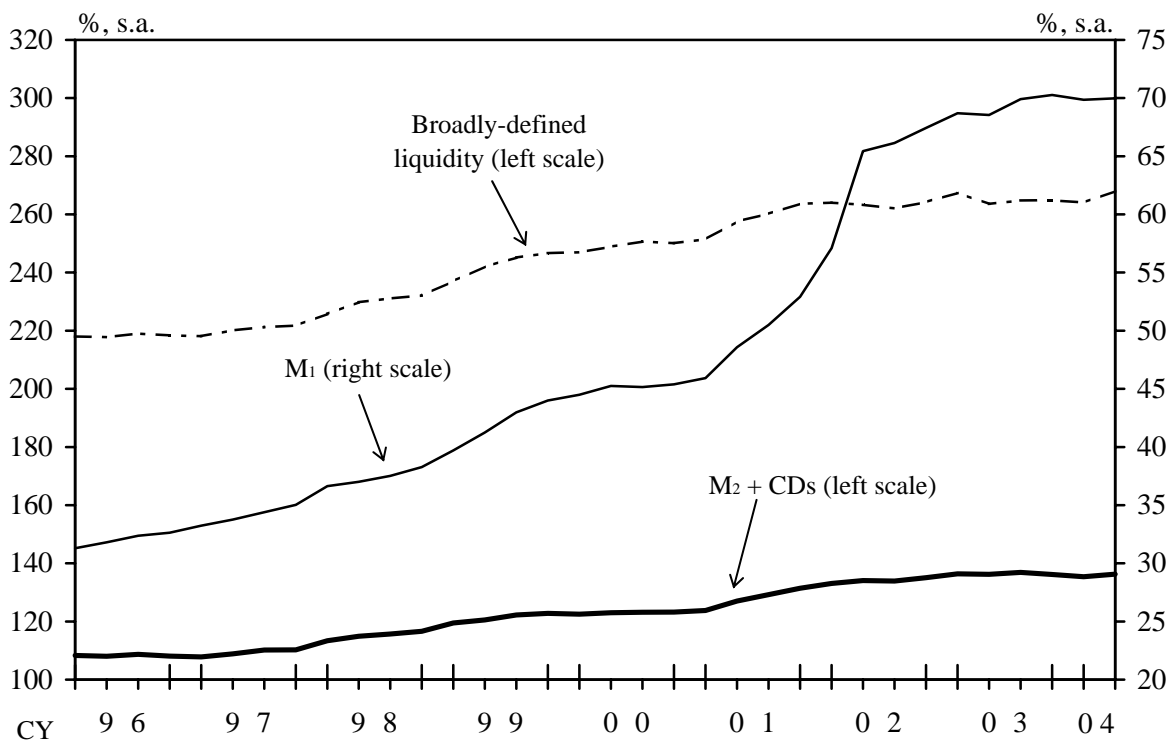
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

Money Stock (M₁, M₂+CDs, Broadly-Defined Liquidity)

(1) Changes from a Year Earlier



(2) Ratio of Money Stock to Nominal GDP

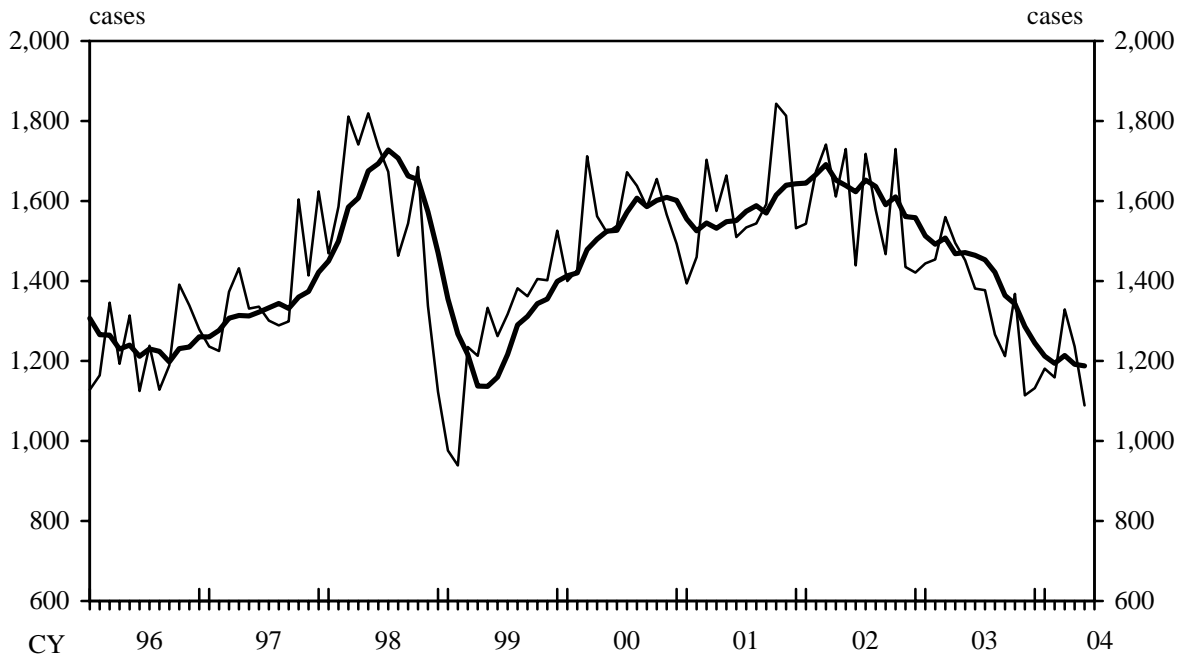


Note: Figure for the nominal GDP in 2004/Q2 is assumed to be unchanged from the previous quarter.

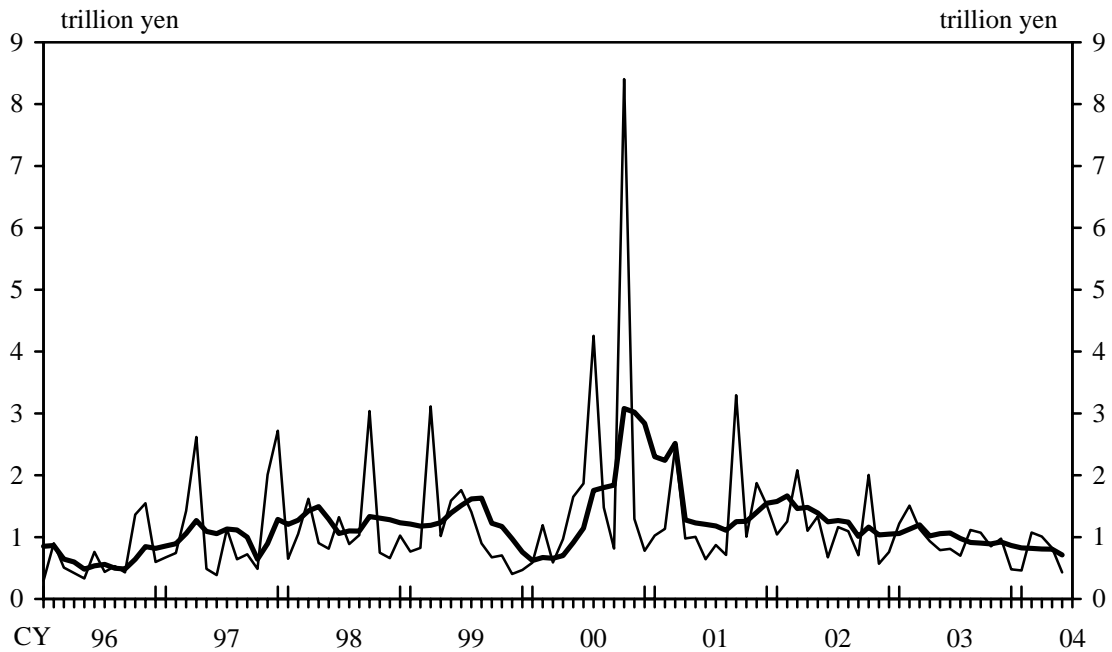
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities

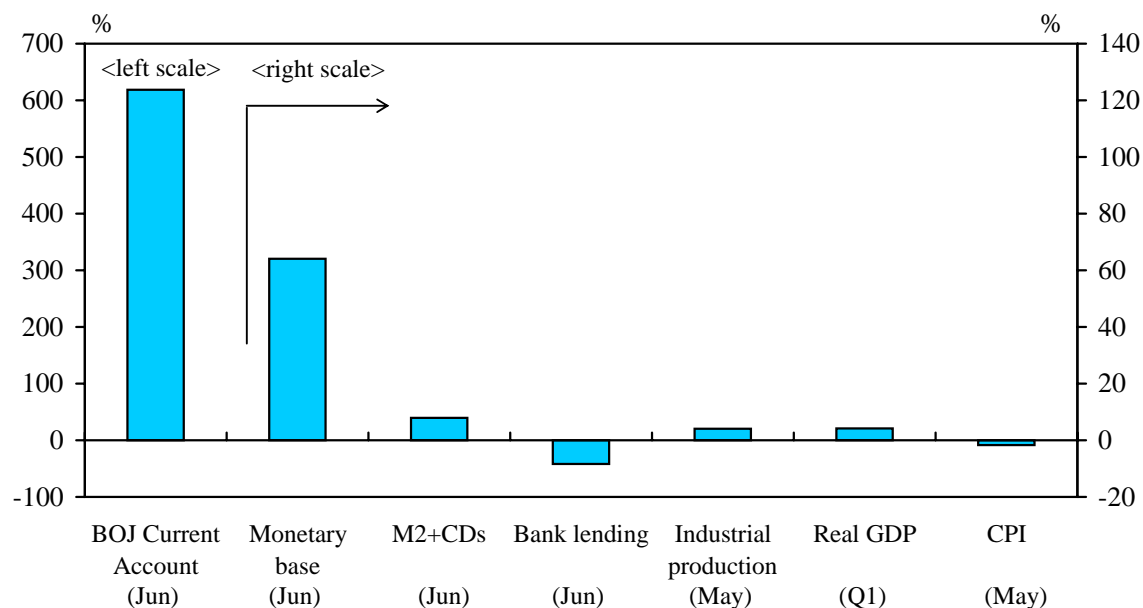


Note: Bold lines are the six-month moving average.

Source: Tokyo Shoko Research Ltd., "Tosan Geppo (Monthly Review of Corporate Bankruptcies)."

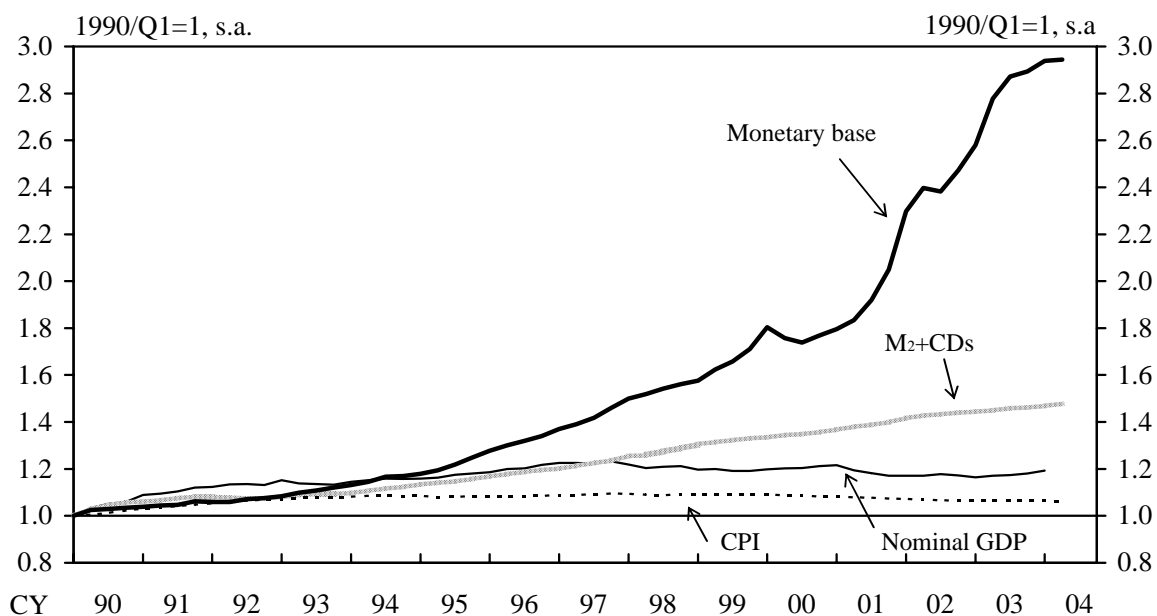
 Monetary Indicators, Economic Activity and Price Development

(1) Changes from March 2001



- Notes: 1. Figures, excluding BOJ current account balance and bank lending, are seasonally adjusted.
 2. Figure for the real GDP is compared to that in 2001/Q1.
 3. Figure for the bank lending is adjusted to exclude factors such as the liquidation of loans.
 4. Figure for the CPI excludes fresh food.

(2) Developments since 1990



- Notes: 1. Figures for monetary base are adjusted for changes in reserve requirement rates.
 2. Figures for CPI exclude fresh food and effects of the change in the consumption tax rate.
 3. Figure for CPI in 2004/Q2 is that of Apr.-May average.

Sources: Cabinet Office, "National Accounts"; Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index"; Ministry of Economy, Trade and Industry, "Indices of Industrial Production"; Bank of Japan.