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Bank of Japan

**Monthly Report of
Recent Economic and Financial Developments**
October 2004

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Monthly Report of Recent Economic and Financial Developments¹

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The Bank's View²

Japan's economy continues to recover.

Exports and industrial production have been on a rising trend, albeit at a slightly slower pace. Corporate profits and business sentiment continue to improve. Under these circumstances, business fixed investment has also been increasing. The employment situation has been on an improving trend, 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 to expand. Based on this projection, it is likely that exports and domestic demand will continue to increase, and that production will also continue to be on an uptrend. 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, in a situation where the extent of excess labor as perceived by firms has been easing. Public investment, meanwhile, is projected to be on a downtrend.

Developments in crude oil prices and their impact on the domestic as well as overseas economies should continue to be noted.

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

² The text of "The Bank's View" was decided by the Policy Board at the Monetary Policy Meeting held on October 12 and 13, 2004.

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 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 been improving. 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 remains low compared to some time ago mainly due to decreasing anxieties about the financial system, the year-on-year growth rate of the monetary base has been 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, long-term interest rates, and stock prices have been around the same level as last month.

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 trending gradually downward on average, although it has recently been fluctuating substantially. The amount of public construction completed, which reflects the actual progress of public works, continued to decrease. Public investment is projected to continue declining, since the initial budget for fiscal 2004 has been reduced considerably.

Real exports continued to increase with the expansion of overseas economies, albeit at a slightly slower pace (Charts 4[1] and 5); they rose 3.2 percent in the second quarter on a quarter-on-quarter basis and 0.6 percent in July-August from the second quarter.

As for the developments in July-August by region (Chart 5[1]), exports to the United States dropped slightly, after growing steadily until the second quarter. Exports to East Asia increased only marginally following the second quarter. Among exports to East Asia, those to China decelerated, affected temporarily by measures taken to cool the overheating economy in China. The growth rate of exports to the NIEs and ASEAN has slowed from some time ago, although they have been on a rising trend. Meanwhile, exports to the EU showed relatively high growth in July-August, after decelerating in the second quarter.

By goods (Chart 5[2]), exports of consumer goods (such as digital home appliances), mainly to the United States and EU, dropped considerably in July-August.³ Those of IT-related goods, which had been rising substantially until the second quarter, inched down in July-August (Chart 7[1]). Moreover, those of intermediate goods also declined in July-August, following the second quarter (Chart 6[2]). Meanwhile, exports of capital goods and parts (including semiconductor manufacturing equipment) and those of automobile-related goods continued to

³ Anecdotes about the U.S. and European markets suggest that sales of digital cameras, in particular, were sluggish. As for flat panel TVs, exports seemed to have been restrained partly because domestic supply for Olympic demand was prioritized.

increase, although the growth rate slowed compared to the second quarter (Charts 6[1] and [3]).

Real imports continued to trend upward 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 to increase, reflecting the rise in production and the international division of labor between Japan and East Asia. Moreover, imports of raw materials and intermediate goods rose, reflecting developments in domestic production.

Given these developments in exports and imports, net exports, which had been on a rising trend, have recently peaked out in terms of the real trade balance (Chart 4[2]). The surplus of the nominal balance on goods and services has been diminishing slightly, mainly due to the increase in overseas travel and the rise in crude oil prices.

Exports are expected to continue increasing, since overseas economies are projected to continue to expand, particularly in the United States and East Asia (Chart 9-1[2]). Nevertheless, the pace of increase in exports is likely to remain moderate for the time being, mainly due to inventory adjustments in IT-related goods and the slowdown in growth rates of overseas economies. The U.S. economy is considered to be on an expansionary trend, but its growth rate has become moderate, particularly in private consumption, mainly due to the rise in gasoline prices (Chart 9-2). The Chinese economy, on the other hand, has continued its high growth on the whole, although measures taken to cool the overheating economy have become apparent in some sectors. Meanwhile, developments in crude oil prices and their impact on the domestic as well as overseas economies should continue to be noted.

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

Business fixed investment continued to increase. Shipments of capital goods (excluding transport equipment) continued to increase firmly in July-August

following the second quarter (Chart 10-1[1]). Machinery orders (private demand, excluding shipbuilding and orders from electric power companies)—a leading indicator of business fixed investment—dropped in July-August, after they surged in the second quarter (Chart 10-2[1]). As for orders from manufacturing firms, orders of industrial machinery and heavy electrical machinery fell back, and also those from electrical machinery, mainly semiconductor manufacturing equipment, dropped sharply. On the other hand, orders from nonmanufacturing firms remained almost flat. Construction starts (floor area, private, nondwelling use)—another leading indicator—have recently been on a clear uptrend, and have approached the peak level of 2000 (Chart 10-2[2]). By industry, increases were observed in a wide-range of industries, notwithstanding quarterly fluctuations: mining and manufacturing (factories), real estate (office buildings), wholesale and retail trade (such as shopping centers), and transportation (distribution and delivery centers).

Looking at the environment surrounding business fixed investment, corporate profits continued to increase. According to the September *Tankan* (Chart 11),⁴ current profits for fiscal 2004 were revised upward for both large and small manufacturing firms, and were projected to record a substantial increase of almost 20 percent. As for nonmanufacturing firms, current profits of both large and small firms were projected to increase firmly, although those of small firms were revised downward.

Under these circumstances, business sentiment of large manufacturing firms continued to improve steadily, particularly in the basic materials industry, although the pace of improvement slowed compared to the previous survey which displayed significant improvement (Chart 12). Meanwhile, sentiment of small manufacturing firms, and large and small nonmanufacturing firms continued to improve gradually, although the effects from the surge in raw materials prices were observed in some industries.

The recovery in business fixed investment is expected to continue, since domestic and external demand, as well as corporate profits, are projected to increase.

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

According to business fixed investment plans for fiscal 2004 in the September *Tankan* (Chart 13), investment by large manufacturing firms was projected to remain strong, with an increase of 20 percent from the previous year. Investment plans of small manufacturing firms for fiscal 2004 were revised substantially upward compared to the previous survey with double-digit increases from the previous year; these plans were considerably strong for this time of the year. Investment plans of large nonmanufacturing firms, on the other hand, were nearly flat. Meanwhile, investment by small nonmanufacturing firms for fiscal 2004 was revised firmly upward, although this year's plans were well below the actual figures of the previous year at this point. Hence, their plans were solid, taking also into account the fact that the actual result in fiscal 2003 was a double-digit increase.⁵

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 picked up in the third quarter, mainly in new models of small passenger cars, after declining in the second quarter. Sales of household electrical appliances (NEBA statistics; in real terms) continued to trend steadily upward, particularly in flat panel TVs and DVD recorders. Meanwhile, sales at department stores and supermarkets were on a gradual downtrend. On the other hand, sales at convenience stores were on a gradual uptrend. Nevertheless, sales at all of these stores were slightly weak in August, mainly due to the typhoons and in reaction to the somewhat strong sales recorded in July.⁶ As for services consumption, outlays for travel were at high levels on the whole, although they have recently been fluctuating substantially. Sales in the food services industry dropped in August, affected partly by the typhoons, although they have been steady from May to July partly due to fine weather and the heat wave.

⁵ Fixed investment plans for fiscal 2004 in “including software but excluding land purchasing expenses”—a concept similar to business fixed investment on a GDP basis—showed an increase of 6.9 percent for all industries and size. This was well above the actual results of fiscal 2003 (+1.9 percent).

⁶ Sales were somewhat strong in July due to summer sales for department stores and also from fine weather and the heat wave for convenience stores.

Looking at indices of aggregated sales (in real terms), which are comprised of major sales indicators of these goods and services,⁷ the indices including the effects of the increase in the number of stores (including sales at convenience stores) were on a gradual uptrend in July-August, 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 14-3). Moreover, aggregate supply of consumer goods—which comprehensively captures producers’ supply of goods—has remained almost flat after it increased in the fourth quarter last year (Chart 14-4). Meanwhile, 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) fell sharply by 2.3 percent in July-August from the second quarter, after posting an upsurge of 2.4 percent in the second quarter on a quarter-on-quarter basis (Chart 14-1[1]). Judging from various indicators capturing the sales and the supply sides mentioned above, the large fluctuations recently observed in the *Family Income and Expenditure Survey* are considered to be mainly caused by sampling factors.

Indicators for consumer sentiment continued to be on a recovery trend on the whole (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 basically have been nearly flat (Chart 16[1]), although they marked a high level of over 1.2 million units (annual

⁷ 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 August were not released at the time when these indices were compiled, and hence were incorporated into the indices under the assumption that their seasonally adjusted figures in August were the same level as in July.

rates) in July-August partly due to the demand rush in construction starts of owner-occupied houses.⁸ Housing investment is projected to be more or less flat.

Industrial production increased 2.6 percent in the second quarter on a quarter-on-quarter basis, but then was almost flat in July and August, marking a 0.4 percent decline in July-August from the second quarter (Chart 17[1]). By goods (Chart 18), the pace of increase in shipments has moderated considerably overall. In particular, shipments of producer goods and durable consumer goods have recently dropped slightly due to a special factor: overseas shipments of some of these goods were hampered by the typhoons.

Inventories, meanwhile, were more or less flat as a whole, although movements differ according to goods (Charts 17[1] and 19).⁹ The chart of the inventory cycle shows that inventories of materials related goods such as “producer goods excluding a broad category of electrical machinery” and “construction goods” were still declining because production in those goods was somewhat restrained partly due to the surge in raw materials prices.

On the other hand, inventories for “producer goods in a broad category of electrical machinery” (electronic parts) are in the inventory adjustment phase, as their inventory cycle has entered the left side of the 45-degree line in the chart. With respect to these movements in inventory adjustment, the market for digital home appliances is projected to continue growing. Furthermore, firms are starting to restrain their production before inventories become significantly excessive. Under this situation, it is likely that inventories will basically be adjusted only slightly. Nevertheless, since the degree and period of adjustment largely depend on year-end sales at home and abroad, these developments require close monitoring.

⁸ As for tax credits for housing loans, the maximum credit amount is scheduled to be reduced gradually each year until 2008. Home-buyers are eligible for this year’s tax credits for housing loans on the condition that they move into their new houses by the end of this year. For owner-occupied houses, it is said that construction needs to begin around summer at the latest to meet this condition.

⁹ In August, inventories increased by 2.0 percent from the previous month. This is largely because inventories of transport equipment and iron and steel—goods waiting to be shipped overseas—were piled up mainly due to the typhoons.

Production is expected to continue its rising trend, albeit a moderate pace for the time being, based on the recovery in domestic as well as external demand and the well-balanced inventories as a whole. Also, based on anecdotal information, firms are projected to increase their production gradually in the fourth quarter, although it will become more or less flat in the third quarter.¹⁰

As for the employment and income situations, various indicators reflecting labor market conditions have been on an uptrend, albeit with some fluctuations. In this environment, the number of employees has been on an uptrend, 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 phase (Chart 21-2[3]). The number of new job offers continued to display double-digit increases on a year-on-year basis, particularly in the services industry, including temporary employment services and similar businesses, although it has slowed from some time ago (Charts 21-1[2] and [3]). Moreover, the ratio of job offers to applicants has been on a rising trend (Chart 21-1[1]), and the unemployment rate has been on a gradual downtrend, albeit with some fluctuations. Meanwhile, the September *Tankan* showed that the extent of excess labor as perceived by firms has been easing steadily (Chart 22).

The number of employees in the *Labour Force Survey* has been increasing compared to the previous year on a quarterly basis, albeit with monthly fluctuations (Chart 21-2[1]).¹¹ Moreover, the number of regular employees in the *Monthly Labour Survey* has been increasing on a year-on-year basis since April, and the rate of increase expanded to 0.6 percent in August (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

¹⁰ The forecast for the third quarter, calculated based on the production forecast index for September, is estimated to be flat on a quarter-on-quarter basis. Also, the forecast index for October shows an increase of 0.5 percent compared to the third quarter.

¹¹ On a monthly basis, the number of employees was flat in June-July on a year-on-year basis, but rose again in August by 0.7 percent on a year-on-year basis.

downtrend in terms of the average per person, mainly due to the rise in the ratio of part-time workers. The rate of decline, however, has been diminishing gradually. Under these circumstances, special payments in June-August (summer bonuses) dropped 3.2 percent on a year-on-year basis mainly because the rise in the ratio of part-time workers exerted downward pressure on average bonuses. These movements indicate that firms are still restraining their labor costs amid favorable corporate profits. Nevertheless, they have also been largely affected by special factors such as the weakness in government services, reflecting the decline in bonuses of public employees and the sharp increase in previous-year bonuses of wholesaling caused by sampling factors (both movements of June).

Firms are expected to continue restraining their labor costs through the use of part-time workers and outsourcing. However, increases in corporate profits, levels of which have already been high, are expected to exert positive effects more visibly on household income, in a situation where the extent of excess labor as perceived by firms has been easing.

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)¹² have been rising compared to levels three months before¹³ (Chart 25). In detail, prices of petroleum products, those of iron and steel related products, and those of chemical-related products increased noticeably, reflecting the rise in crude oil prices and the improvement trend in supply and demand conditions. Also, the pace of decline in machinery prices has slowed

¹² The figures are adjusted to exclude a large seasonal fluctuation in electric power charges 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.

¹³ Domestic corporate goods prices registered an increase of 1.7 percent in August on a year-on-year basis, the highest growth since February 1991 (Chart 23[2]).

considerably from a while ago. With respect to the above movements by stage of demand, the rise in materials prices has been passed on to intermediate goods prices. The rate of decline in final goods prices has narrowed considerably, but among final goods, the impact of the cost increase on prices of consumer goods has remained limited, except for some items such as gasoline.

Corporate services prices (domestic supply-demand factors; same hereafter) continued their year-on-year decline of somewhat less than 1 percent, mainly in leasing and renting, real estate services, and general services such as car maintenance and building maintenance (Chart 26).

Consumer prices (excluding fresh food; same hereafter) have been declining slightly on a year-on-year basis (Chart 27). The year-on-year rate of decline in August was 0.2 percent, which was the same as July.

With respect to developments in land prices (in terms of the *Prefectural Land Price Survey*; Chart 30), both commercial and residential land prices have been on a declining trend, although the rate of decline in the metropolitan areas (Tokyo, Osaka, and Nagoya) has been diminishing.

According to the September *Tankan* (Chart 29), the domestic supply and demand conditions for products and services as perceived by firms improved mainly in manufacturing firms. The change in output prices as perceived by firms also continued to improve. Furthermore, the operating level in the domestic economy—measured by the weighted average of the excess in both production capacity and labor as perceived by firms—was on a gradual improving trend: it nearly reached the peak level of 1996-97.

Under these circumstances, 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 projected to push consumer prices upward from September, reflecting the rise in crude oil prices in July-August. However, rice prices are projected to start declining on a year-on-year basis from October. 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 through streamlining measures such as restraining labor costs. Hence, the impact of the rise in international commodity prices on consumer goods prices as a whole is expected to be relatively small. Based on these considerations, consumer prices are projected to basically 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 31-35 trillion yen including September 30, as the Bank continues to provide ample liquidity (Chart 33).

As for interest rate developments in the money markets, the overnight call rate (uncollateralized; Chart 31[1]) has been moving at around zero percent. Interest rates on term instruments (Chart 32[1]) have been steady at low levels on the whole. Under these circumstances, interest rates on Euroyen futures (Chart 32[2]) have been slightly falling, mainly in distant contracts.

Yields on 10-year government bonds (newly issued 10-year JGB; Chart 31[2]) dropped temporarily to around 1.4 percent, reflecting more cautious views about the economic outlook, and then fluctuated in reaction to releases of domestic and overseas economic indicators. They are recently moving in the range of 1.45-1.5 percent.

Yield spreads between private bonds (bank bonds and corporate bonds) and government bonds (Charts 35 and 36) remain essentially unchanged on the whole.

Stock prices (Chart 37) fell toward late September, mainly due to the weaker-than-forecasted domestic economic indicators. They started to climb thereafter, reflecting factors such as the rebound in U.S. stock prices and the

September *Tankan*. The Nikkei 225 Stock Average is moving in the range of 11,000-12,000 yen.

In the foreign exchange market (Chart 38), the yen has been fluctuating, reflecting Japanese and U.S. economic indicators and the rise in crude oil prices. The yen is being traded in the range of 109-112 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 been improving (Chart 39).

Lending rates have been moving at extremely low levels on the whole. The average contracted interest rates on new loans and discounts, with the monthly fluctuations averaged, have been more or less flat (Chart 40).

The rate of decline in lending by private banks (monthly average outstanding balance basis, after adjustment for extraordinary factors¹⁴) has basically been diminishing. (The year-on-year change was -1.2 percent in July, -1.1 percent in August, and -1.2 percent in September; Chart 41.)

In the corporate bond and CP markets, the issuing environment continues to be favorable on the whole. Corporate bond issuance rates have dropped slightly, reflecting developments in long-term interest rates, while 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.

¹⁴ 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.

(The year-on-year change was 1.4 percent in July, 1.5 percent in August, and 1.7 percent in September; Chart 43.)

According to business surveys, the financial positions of firms have been improving.

The growth of banknotes in circulation remains low compared to some time ago, 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) has been at the 4.0-5.0 percent level. (The year-on-year change was 4.7 percent in July, 4.6 percent in August, and 4.7 percent in September; Chart 44.)

The year-on-year growth rate of the money stock (M_2 + CDs) was around 2.0 percent. (The year-on-year change was 1.8 percent in July, 1.8 percent in August, and 2.1 percent in September; Chart 45.) The year-on-year growth rate for the fourth quarter is projected to be around 2 percent.

The number of corporate bankruptcies continues its downtrend; it declined by 13.3 percent year-on-year in August, to 1,097 cases (Chart 46).

Charts

Chart 1	Main Economic Indicators
Chart 2	Real GDP
Chart 3	Public Investment
Chart 4	External Balance
Chart 5	Real Exports
Chart 6	Real Exports breakdown by goods
Chart 7	Exports and Imports of IT-related goods
Chart 8	Real Imports
Chart 9	Environment for Exports
Chart 10	Business Fixed Investment and Corporate Profits
Chart 11	Current Profits
Chart 12	Business Conditions
Chart 13	Business Fixed Investment Plans as Surveyed
Chart 14	Indicators for Private Consumption
Chart 15	Consumer Confidence
Chart 16	Indicators for Housing Investment
Chart 17	Production, Shipments, and Inventories
Chart 18	Shipments breakdown by type of goods
Chart 19	Inventory Cycle
Chart 20	Compensation of Employees
Chart 21	Labor Market
Chart 22	Employment Conditions
Chart 23	Prices
Chart 24	Import Prices and International Commodity Prices
Chart 25	Domestic Corporate Goods Price Index
Chart 26	Corporate Service Price Index
Chart 27	Consumer Price Index (excluding fresh food)
Chart 28	Consumer Prices of imported goods and their substitutes
Chart 29	Domestic Supply and Demand Conditions
Chart 30	Land Prices
Chart 31	Interest Rates
Chart 32	Short-Term Money Market Rates
Chart 33	Current Account Balances at the Bank of Japan
Chart 34	Implied Forward Rates (1-year)
Chart 35	Yields of Bank Bonds
Chart 36	Yields of Corporate Bonds
Chart 37	Stock Prices
Chart 38	Exchange Rates
Chart 39	Corporate Finance-Related Indicators
Chart 40	Lending Rates
Chart 41	Lending by Domestic Commercial Banks
Chart 42	Lending by Other Financial Institutions
Chart 43	Private-Sector Fund-Raising in the Capital Markets
Chart 44	Monetary Base
Chart 45	Money Stock (M1, M2+CDs, Broadly-Defined Liquidity)
Chart 46	Corporate Bankruptcies
Chart 47	Monetary Indicators, Economic Activity and Price Development

Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2004/Q1	Q2	Q3	2004/Jun.	Jul.	Aug.	Sep.
Index of living expenditure level (all households)	0.5	2.4	n.a.	-4.2	-0.4	2.5	n.a.
Sales at department stores	-0.5	-1.7	n.a.	-0.9	2.4	-2.4	n.a.
Sales at supermarkets	-0.7	-2.1	n.a.	1.0	-0.7	-2.0	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	<347>	<321>	<346>	<323>	<342>	<353>	<342>
Sales of household electrical appliances (real, NEBA)	2.7	3.6	n.a.	-1.2	4.7	-2.2	n.a.
Outlays for travel (50 major travel agencies)	-2.8	13.2	n.a.	1.6	-8.2	0.3	n.a.
Housing starts <s.a., ann. 10,000 units>	<121>	<115>	<n.a.>	<118>	<124>	<117>	<n.a.>
Machinery orders (from private sector ⁴)	-5.6	10.3	n.a.	3.9	-11.3	3.1	n.a.
Manufacturing	-3.6	18.4	n.a.	-2.8	-10.8	9.6	n.a.
Nonmanufacturing ⁴	-7.7	5.0	n.a.	10.1	-12.3	0.1	n.a.
Construction Starts (private, nondwelling use)	17.9	-3.9	n.a.	16.3	-4.2	11.0	n.a.
Mining & manufacturing	2.7	21.7	n.a.	3.7	-10.8	-8.0	n.a.
Nonmanufacturing ⁵	21.5	-10.2	n.a.	20.6	-4.9	16.9	n.a.
Value of public works contracted	-6.4	5.4	n.a.	13.8	-13.6	20.2	n.a.
Real exports	4.1	3.2	n.a.	4.1	-2.4	0.8	n.a.
Real imports	2.6	1.5	n.a.	9.8	-4.5	2.3	n.a.
Industrial production	0.5	2.6	n.a.	-1.3	0.0	p 0.3	n.a.
Shipments	0.0	2.9	n.a.	-1.3	0.5	p -2.1	n.a.
Inventories	0.2	-0.4	n.a.	-0.1	-1.9	p 2.0	n.a.
Inventory Ratio <s.a., CY 2000=100>	<94.0>	<93.4>	<n.a.>	<93.4>	<95.4>	<p 97.7>	<n.a.>
Real GDP	1.6	0.3	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	-0.1	1.8	n.a.	0.7	-0.6	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2004/Q1	Q2	Q3	2004/Jun.	Jul.	Aug.	Sep.
Ratio of job offers to applicants <s.a., times>	<0.77>	<0.80>	<n.a.>	<0.82>	<0.83>	<0.83>	<n.a.>
Unemployment rate <s.a., %>	<4.9>	<4.6>	<n.a.>	<4.6>	<4.9>	<4.8>	<n.a.>
Overtime working hours ⁶	3.3	3.7	n.a.	4.1	4.0	p 2.1	n.a.
Number of employees	0.4	0.7	n.a.	-0.0	-0.0	0.7	n.a.
Number of regular employees ⁶	-0.1	0.4	n.a.	0.4	0.5	p 0.6	n.a.
Nominal wages per person ⁶	-1.7	-1.1	n.a.	-2.2	-0.4	p -0.2	n.a.
Domestic corporate goods price index ⁷ <q/q % chg.> (3-month growth rate)	0.1 <0.5>	0.9 <0.5>	n.a. <n.a.>	1.4 <0.5>	1.6 <0.5>	p 1.7 <p 0.6>	n.a. <n.a.>
Consumer price index ⁸	0.0	-0.2	n.a.	-0.1	-0.2	-0.2	n.a.
Corporate service price index ⁹	-1.2	-0.9	n.a.	-0.9	-0.8	-0.9	n.a.
Money Stock (M ₂ +CDs) <average outstanding, y/y % chg.>	1.7	1.9	1.9	1.7	1.8	1.8	2.1
Number of suspension of transactions with banks	-24.4	-29.1	n.a.	-29.8	-19.3	-17.6	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 Internal Affairs and Communications, "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";

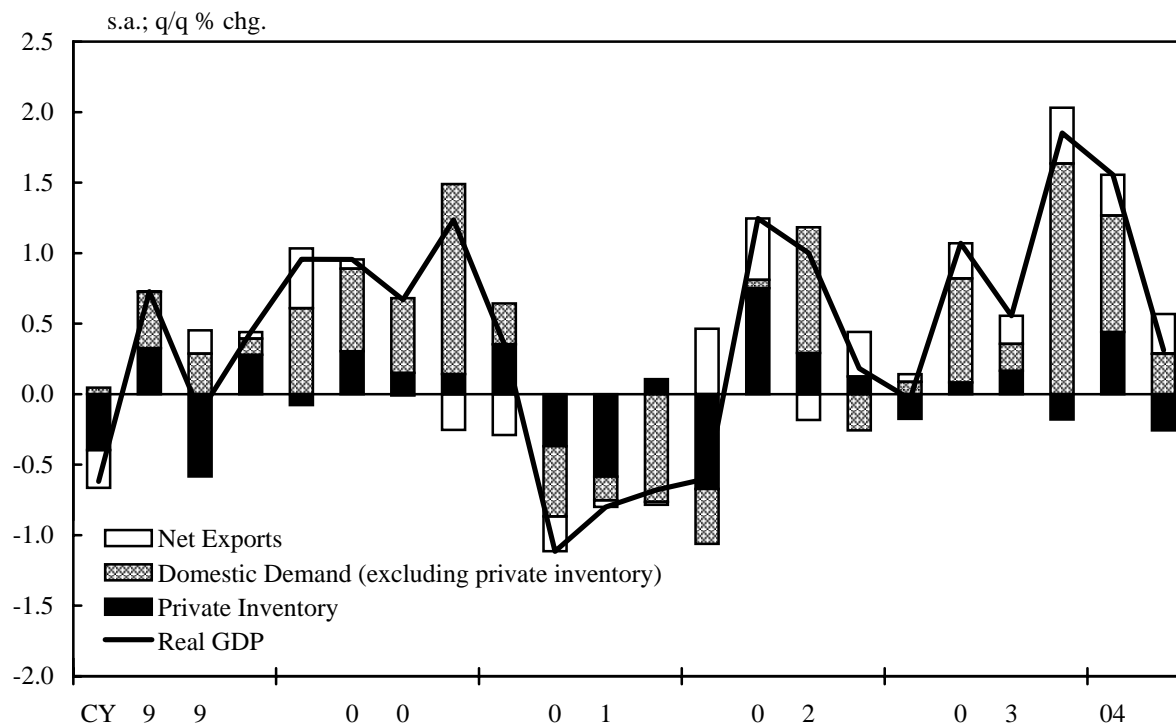
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey";

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.

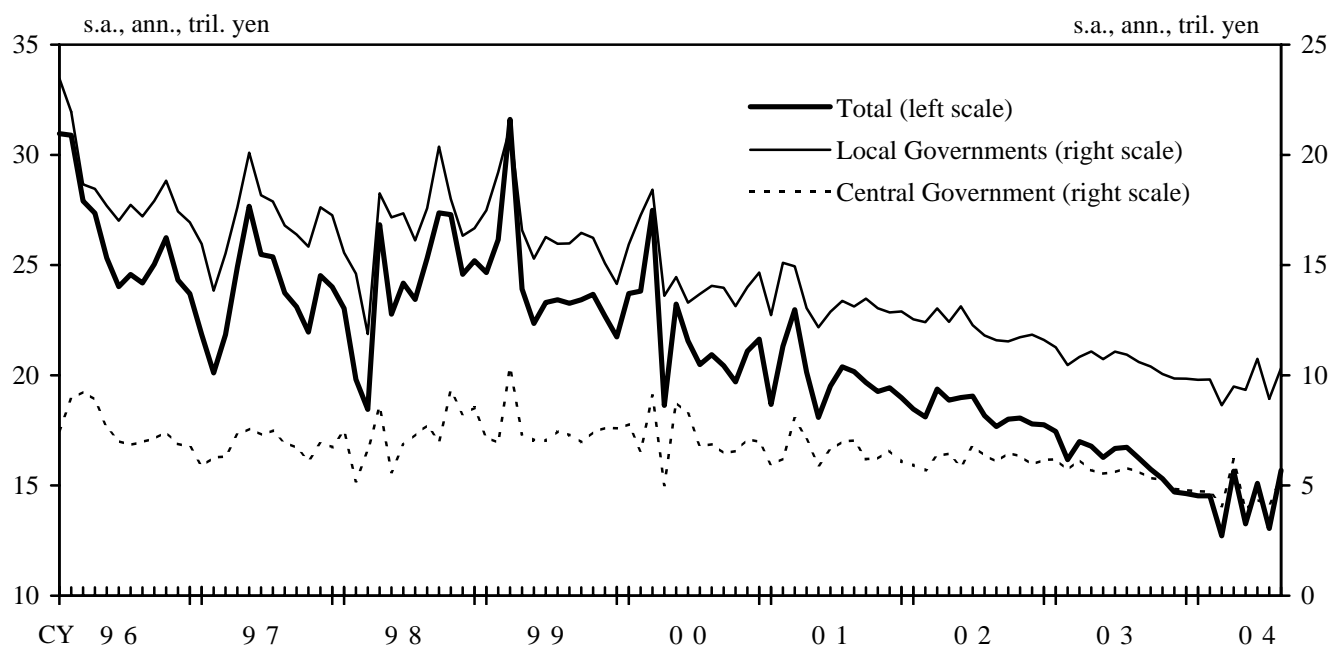
	2003			2004	
	Q2	Q3	Q4	Q1	Q2
Real GDP	1.1	0.6	1.9	1.6	0.3
Domestic Demand	0.8	0.4	1.5	1.3	0.0
Private Consumption	0.2	0.6	1.1	1.0	0.6
Non-Resi. Investment	5.2	-0.1	6.7	2.0	1.2
Residential Investment	-0.2	3.1	-0.9	0.6	0.4
Private Inventory	(0.1)	(0.2)	(-0.2)	(0.4)	(-0.3)
Public Demand	-0.8	-1.1	-0.2	-0.4	-1.3
Public Investment	-2.7	-5.9	-1.8	-3.6	-7.0
Net Exports of goods and services	(0.2)	(0.2)	(0.4)	(0.3)	(0.3)
Exports	1.3	3.6	5.2	4.5	3.5
Imports	-1.0	2.6	2.7	3.0	1.9
Nominal GDP	0.6	0.2	0.7	1.0	-0.5

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

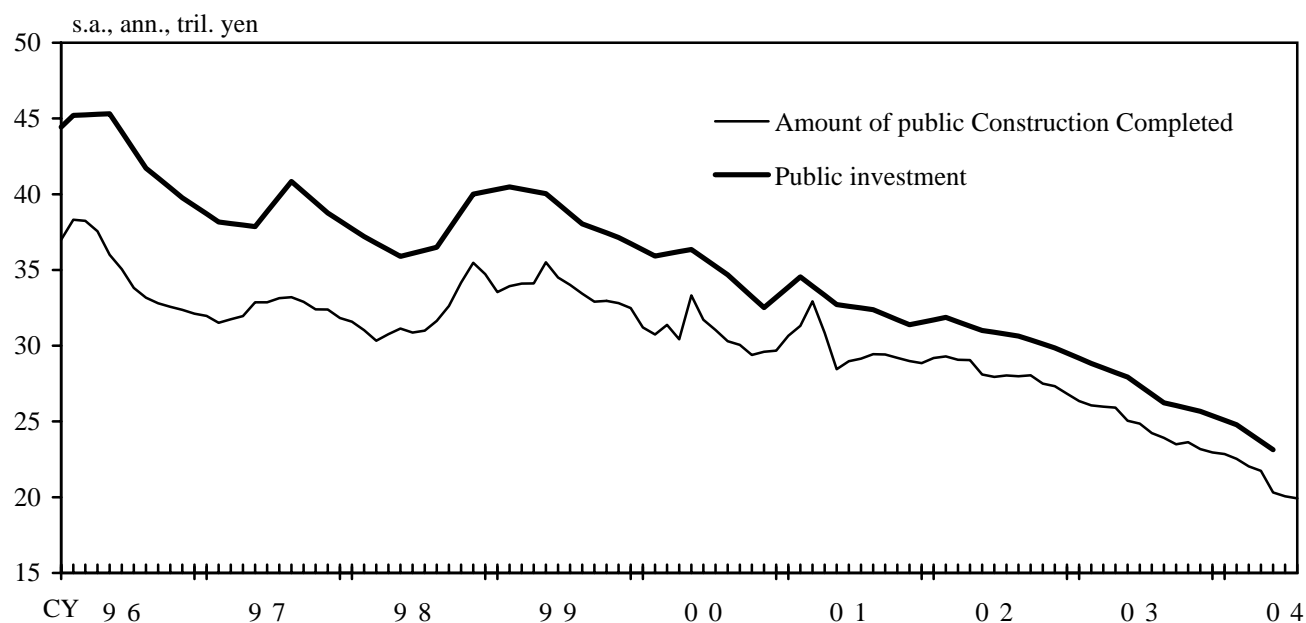
Source: Cabinet Office, "National Accounts."

Public Investment

(1) Value of Public Works Contracted



(2) Amount of Public Construction Completed 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.

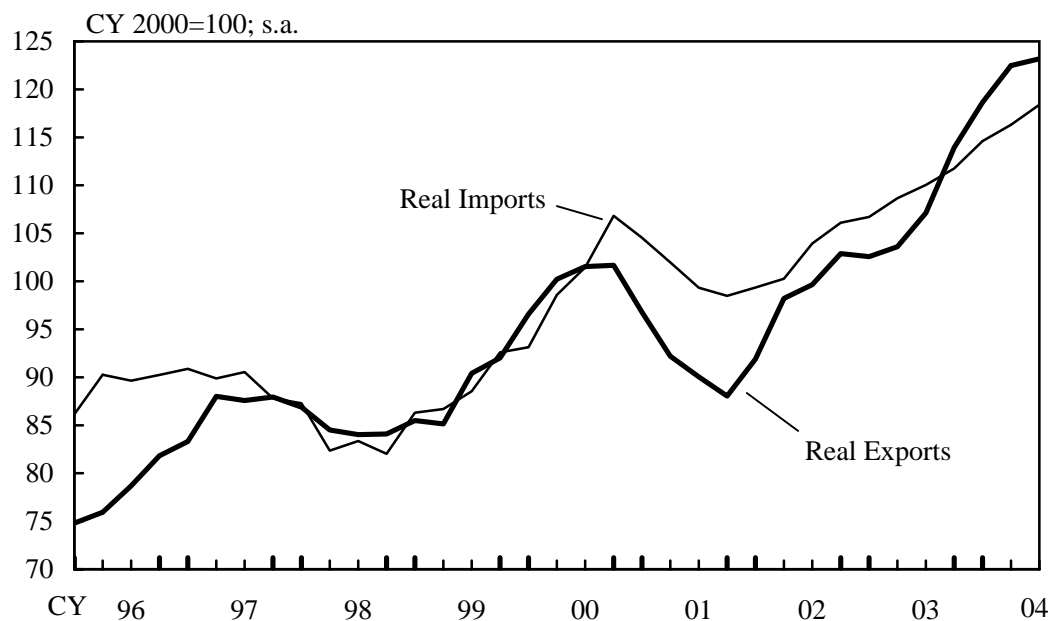
Sources: Cabinet Office, "National Accounts";

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

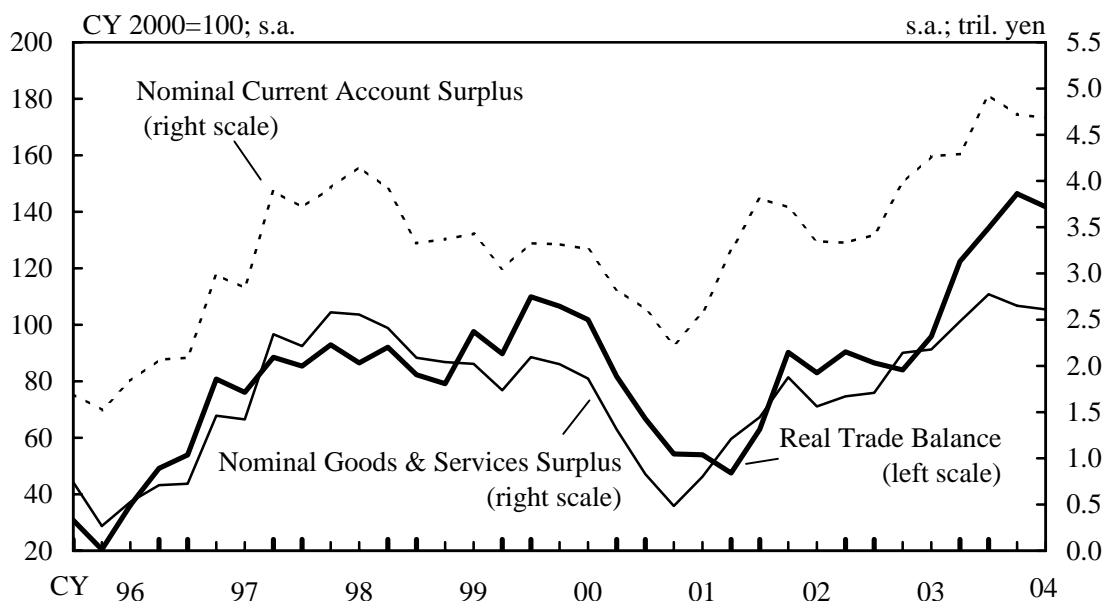
Ministry of Land, Infrastructure and Transport, "Integrated Statistics on Construction Works."

 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/Q3 figures are Jul.-Aug. averages converted into quarterly amount.

2. Real exports/imports and the real trade balance are seasonally adjusted by X-12-ARIMA.

3. 2004/Q3 figures for Nominal Current Account Surplus and Nominal Goods & Services Surplus are Jul.-Aug. averages converted into quarterly amount.

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

Real Exports ¹

(1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2002	2003	2003 Q3	2004 Q4	2004 Q1	Q2	Q3	2004 Jun.	Jul.	Aug.
United States	<24.6>	1.4	-6.2	-1.4	2.6	2.7	3.0	-0.4	4.5	-6.7	5.4
EU	<15.3>	-0.0	13.9	1.7	3.9	9.8	1.8	4.8	2.7	-4.2	9.1
East Asia	<44.9>	17.5	19.9	7.1	8.4	8.8	0.3	1.5	1.1	1.3	-0.1
China	<12.2>	35.5	41.1	9.2	5.3	11.0	1.4	0.2	3.7	-2.0	-1.0
NIEs	<23.5>	14.4	15.7	7.4	12.1	8.1	0.2	2.6	-0.6	3.5	0.7
Korea	<7.4>	19.1	19.2	8.5	9.2	13.2	-1.5	0.2	-4.0	4.6	-4.9
Taiwan	<6.6>	14.6	16.1	9.3	17.0	5.8	0.7	9.8	6.7	6.1	2.3
ASEAN4 ³	<9.2>	10.2	9.1	4.1	3.5	7.7	-0.8	0.7	1.8	0.3	-1.1
Thailand	<3.4>	16.5	18.3	6.5	5.5	7.4	0.9	1.4	-4.0	4.5	0.0
Real exports		7.2	8.9	3.4	6.4	4.1	3.2	0.6	4.1	-2.4	0.8

(2) Breakdown by goods

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2002	2003	2003 Q3	2004 Q4	2004 Q1	Q2	Q3	2004 Jun.	Jul.	Aug.
Intermediate goods	<15.6>	8.8	5.6	0.9	4.0	6.0	-3.8	-0.2	4.9	-1.1	-1.9
Motor vehicles and their related goods	<23.7>	12.7	1.3	0.3	5.9	-1.5	7.2	1.1	0.2	-1.4	-0.5
Consumer goods ⁴	<7.0>	7.9	14.9	0.7	9.4	6.2	1.6	-8.5	1.1	-8.8	3.9
IT-related goods ⁵	<14.1>	0.3	12.9	7.4	4.7	5.6	5.0	-0.4	2.5	-3.6	2.0
Capital goods and parts ⁶	<28.6>	7.8	17.1	6.4	6.3	7.3	6.1	4.3	0.2	1.2	5.6
Real exports		7.2	8.9	3.4	6.4	4.1	3.2	0.6	4.1	-2.4	0.8

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2004/Q3 figures are Jul.-Aug. 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.

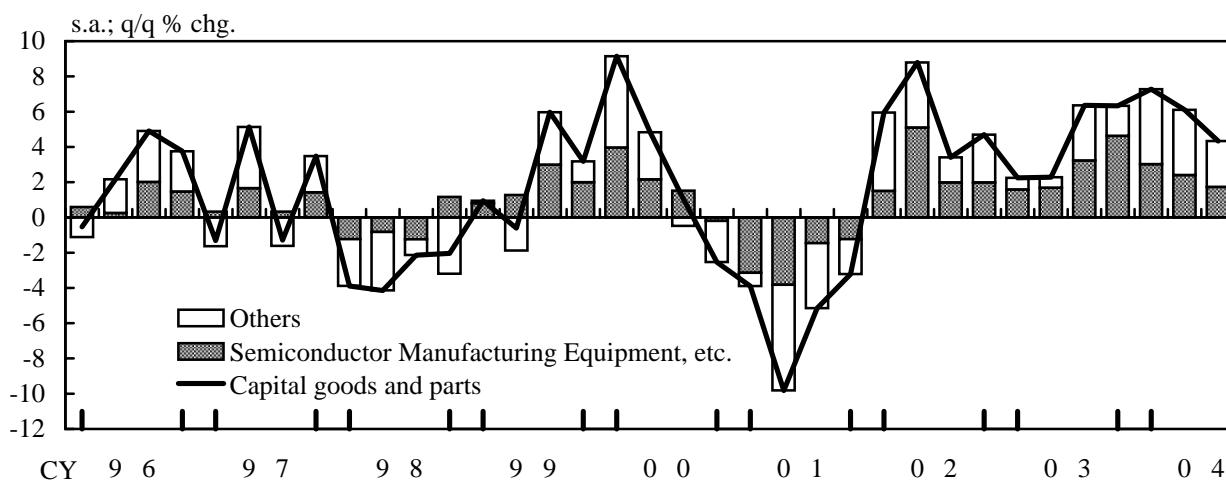
5. IT-related goods are composed of automatic data processing machinery, telecommunication machinery, ICs and medical and optical instruments.

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

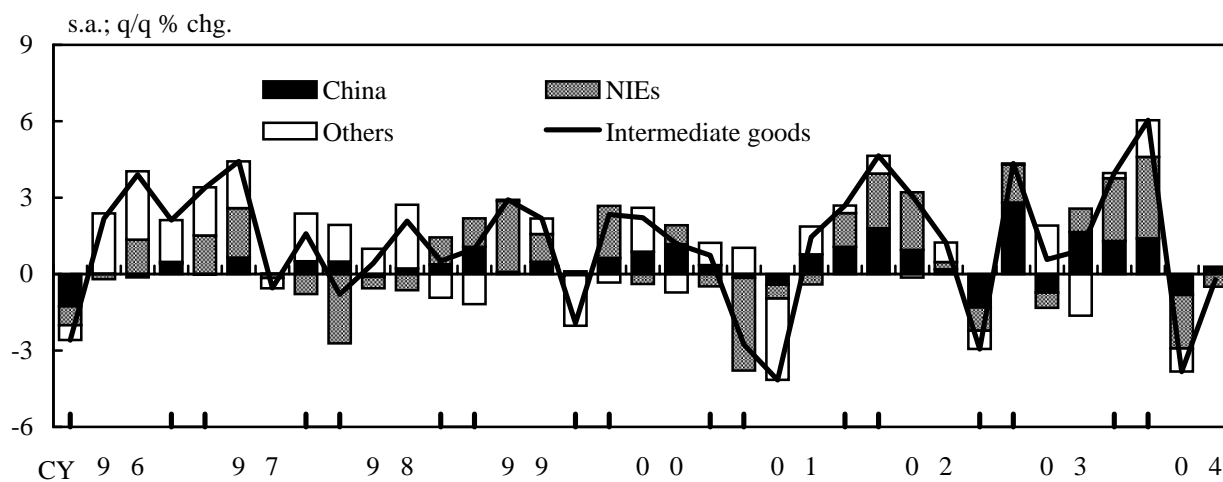
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Real Exports breakdown by goods

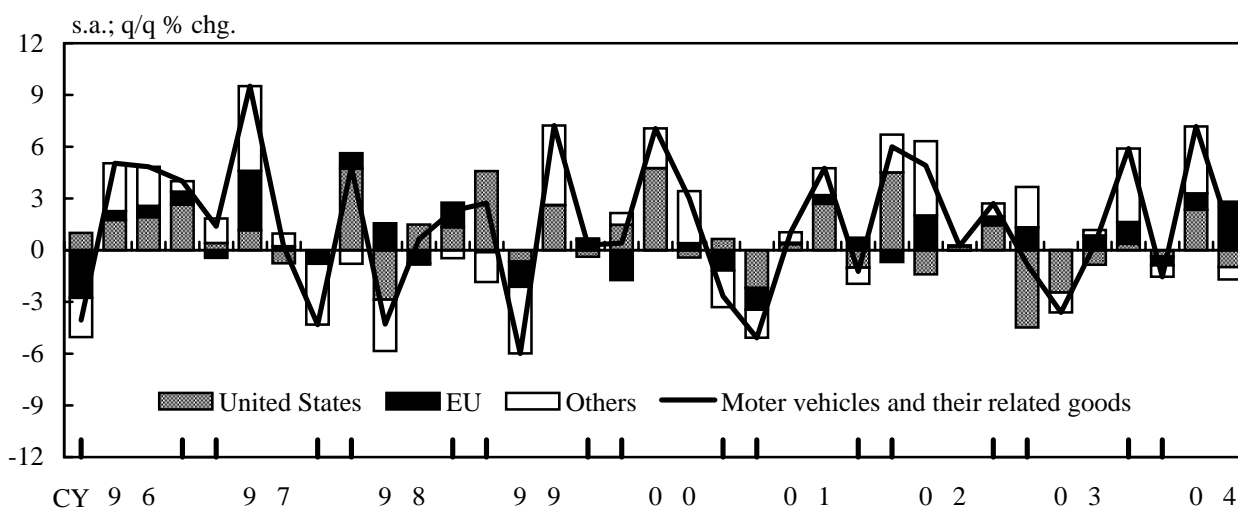
(1) Capital goods and parts (real, breakdown by goods)



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



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



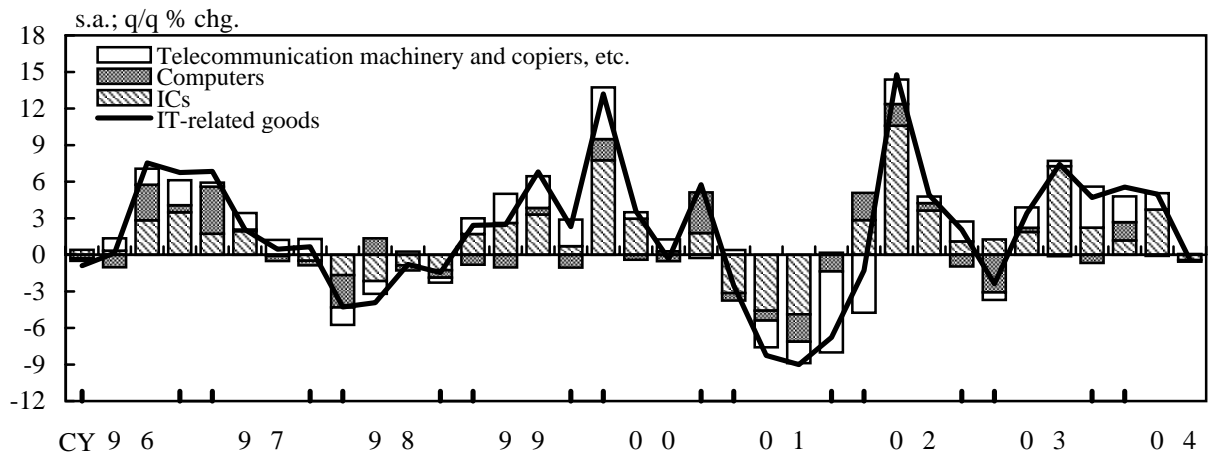
Notes: 1. Seasonally adjusted by X-12-ARIMA.

2. 2004/Q3 figures are Jul.-Aug. averages converted into quarterly amount.

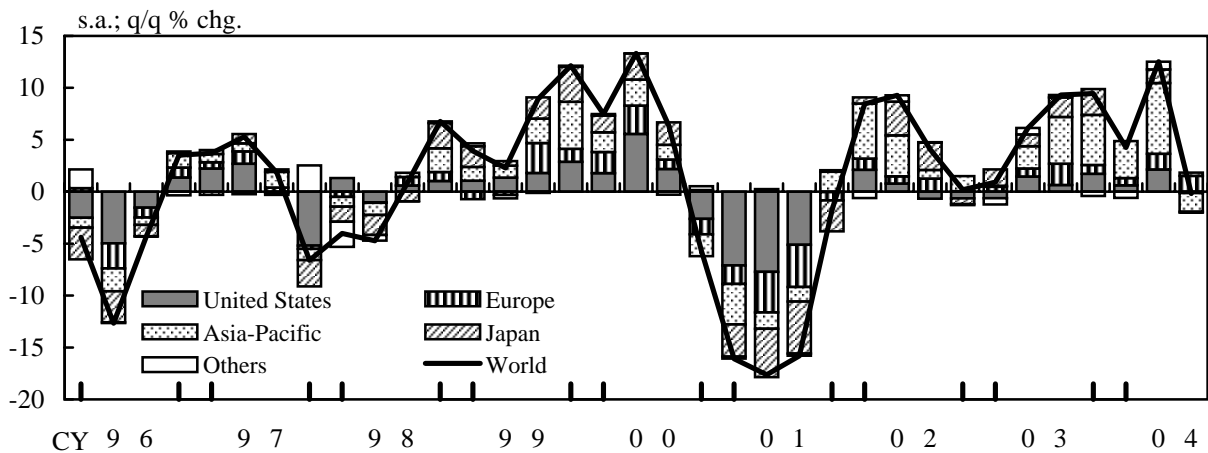
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Exports and Imports of IT-related goods

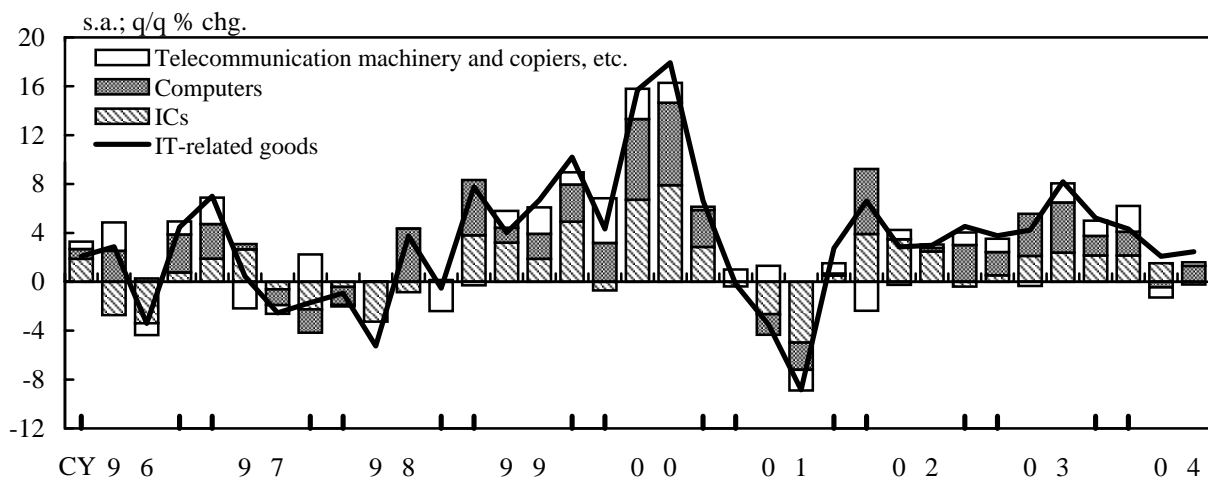
(1) Exports of IT-related goods (real, breakdown by goods)



(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/Q3 figures are Jul.-Aug. 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 Q3	2004 Q4	2004 Q1	2004 Q2	2004 Q3	2004 Jun.	2004 Jul.	2004 Aug.
United States	<15.4>	-3.9	-1.6	-1.4	1.3	-3.6	4.0	-1.5	15.2	-7.9	1.9
EU	<12.8>	2.3	6.4	1.3	3.1	6.8	-1.3	1.8	3.1	-2.8	2.2
East Asia	<42.4>	6.4	14.6	3.9	3.6	4.7	1.7	2.9	6.8	-2.3	1.8
China	<19.7>	13.8	21.9	5.2	3.5	6.7	3.4	2.9	11.8	-5.9	2.3
NIEs	<10.2>	1.8	9.8	6.0	5.5	4.8	0.0	1.3	4.3	0.3	-1.1
Korea	<4.7>	-1.5	13.1	3.1	7.8	9.4	0.9	-6.8	5.4	-9.7	0.0
Taiwan	<3.7>	5.4	7.1	8.4	2.2	3.3	-0.6	7.5	0.3	9.9	-0.7
ASEAN4 ³	<12.5>	1.5	9.0	0.5	2.1	1.5	0.5	4.4	1.2	1.7	3.5
Thailand	<3.1>	7.6	11.5	4.6	3.4	2.3	4.0	5.0	2.0	2.3	0.5
Real imports		1.1	6.8	1.3	1.6	2.6	1.5	1.8	9.8	-4.5	2.3

(2) Breakdown by goods

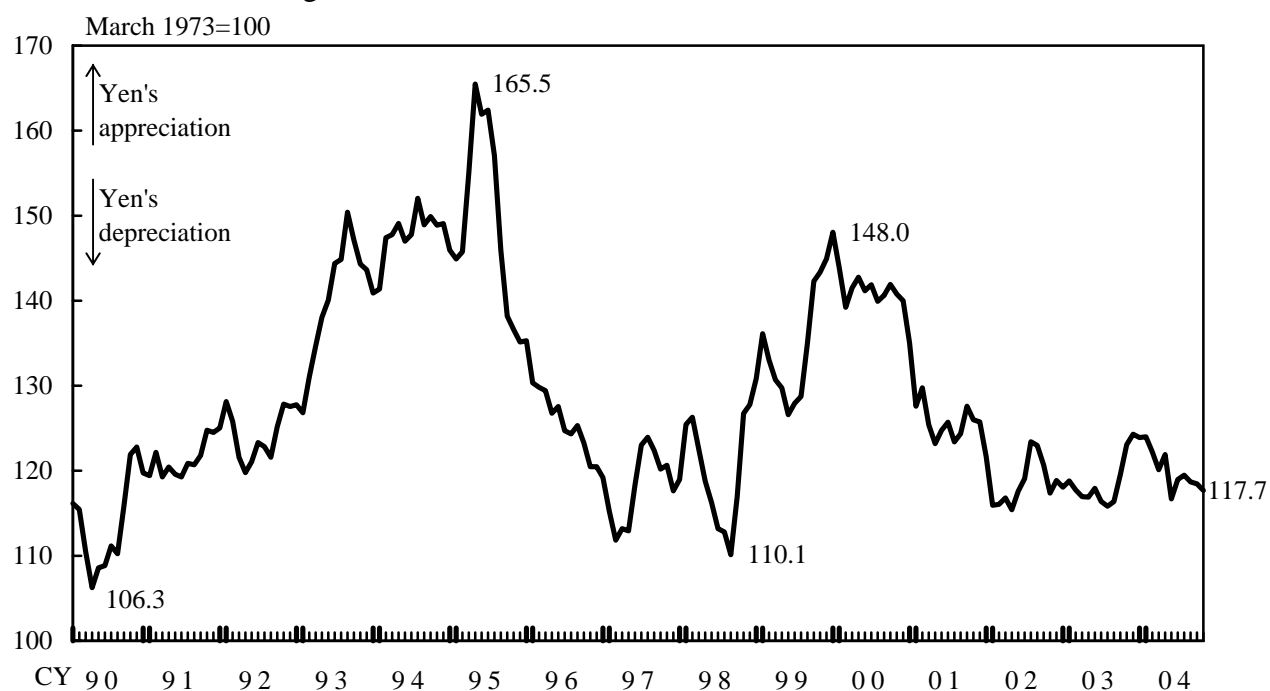
		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2002	2003	2003 Q3	2004 Q4	2004 Q1	2004 Q2	2004 Q3	2004 Jun.	2004 Jul.	2004 Aug.
Raw materials ⁴	<27.1>	-2.7	6.0	-3.0	-3.4	3.3	-0.4	5.1	7.8	0.8	2.1
Intermediate goods	<13.4>	1.4	4.5	2.5	1.0	3.3	2.0	2.6	3.4	-2.1	0.6
Foodstuffs	<11.5>	-2.5	-4.2	-0.6	0.2	-0.0	-0.0	0.9	7.3	-4.8	5.7
Consumer goods	<10.8>	-0.9	8.0	3.7	6.3	0.7	4.0	-2.2	6.3	-8.6	0.1
IT-related goods ⁵	<14.0>	7.8	19.3	8.2	5.2	4.3	2.1	2.5	-1.2	4.9	0.0
Capital goods and parts ⁶	<13.0>	11.5	14.3	-1.7	6.5	3.0	4.9	2.7	22.9	-6.3	-0.4
excluding aircraft	<11.9>	8.3	14.3	1.5	4.8	7.8	1.6	6.2	6.7	1.2	4.9
Real imports		1.1	6.8	1.3	1.6	2.6	1.5	1.8	9.8	-4.5	2.3

- Notes: 1. Seasonally adjusted by X-12-ARIMA. 2004/Q3 figures are Jul.-Aug. 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 October 2004 is the average up to October 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.

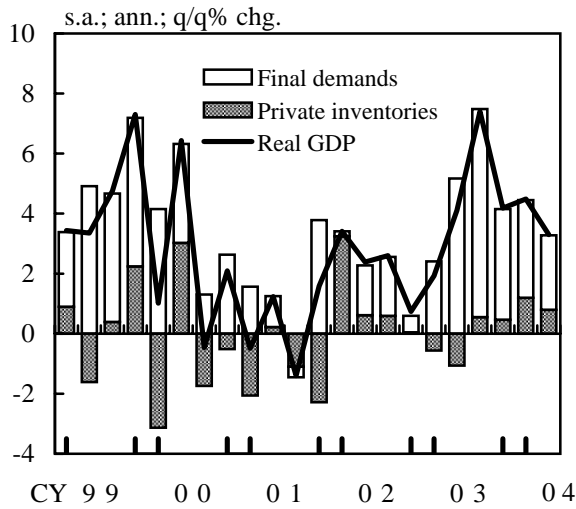
(2) Real GDP Growth Rates in Overseas Economies

		CY2001	2002	2003	2003 Q4	2004 Q1	Q2	Q3	
United States ¹		0.8	1.9	3.0	4.2	4.5	3.3	n.a.	
European Union ¹ (15 countries)		1.7	1.0	0.7	1.9	2.7	2.4	n.a.	
Germany		0.8	0.1	-0.1	1.2	1.7	1.9	n.a.	
France		2.1	1.1	0.5	2.1	3.2	2.8	n.a.	
United Kingdom		2.3	1.8	2.2	4.2	2.7	3.6	n.a.	
East Asia ²	China	7.5	8.3	9.3	9.9	9.8	9.6	n.a.	
	NIEs	Korea	3.8	7.0	3.1	3.9	5.3	5.5	n.a.
		Taiwan	-2.2	3.6	3.3	5.7	6.7	7.7	n.a.
		Hong Kong	0.5	1.9	3.2	4.9	7.0	12.1	n.a.
		Singapore	-1.9	2.2	1.1	4.9	7.5	12.5	7.7
	ASEAN4	Thailand	2.1	5.4	6.8	7.8	6.6	6.3	n.a.
		Indonesia	3.8	4.3	4.5	4.1	5.0	4.3	n.a.
Malaysia		0.3	4.1	5.3	6.6	7.6	8.0	n.a.	
Philippines		1.8	4.3	4.7	5.0	6.5	6.2	n.a.	

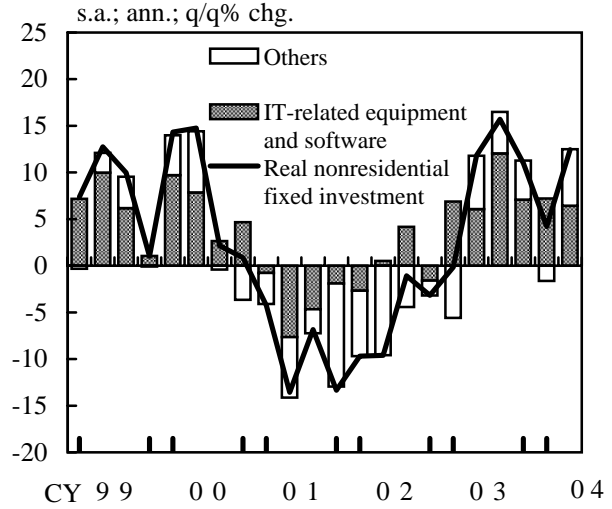
Notes: 1. Quarterly data of U.S. and EU are quarter-to-quarter percent changes at annual rate.
2. Quarterly data of East Asia are percent changes from a year earlier.

Environment for Exports (2)

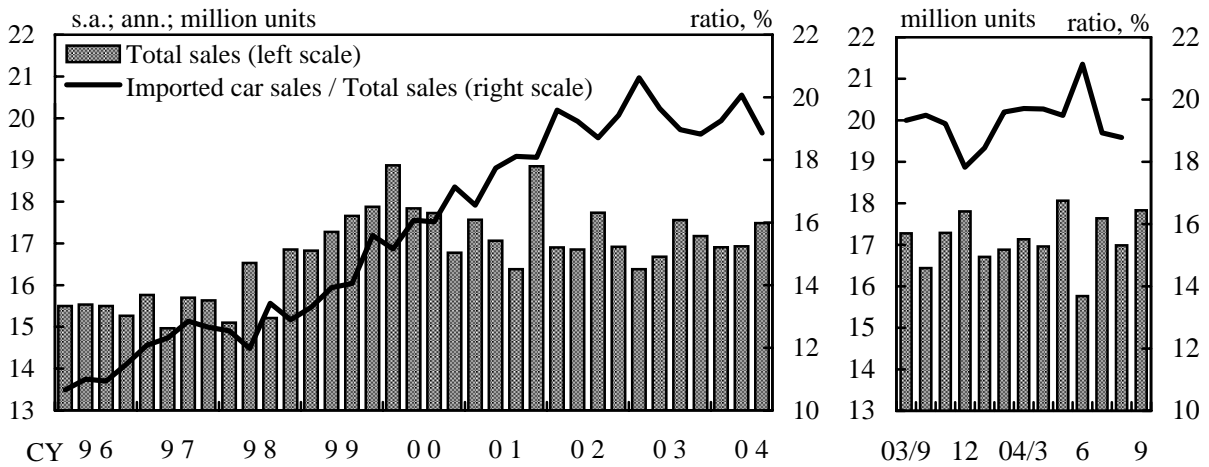
(1) U.S. Real GDP (breakdown by final demands and inventories)



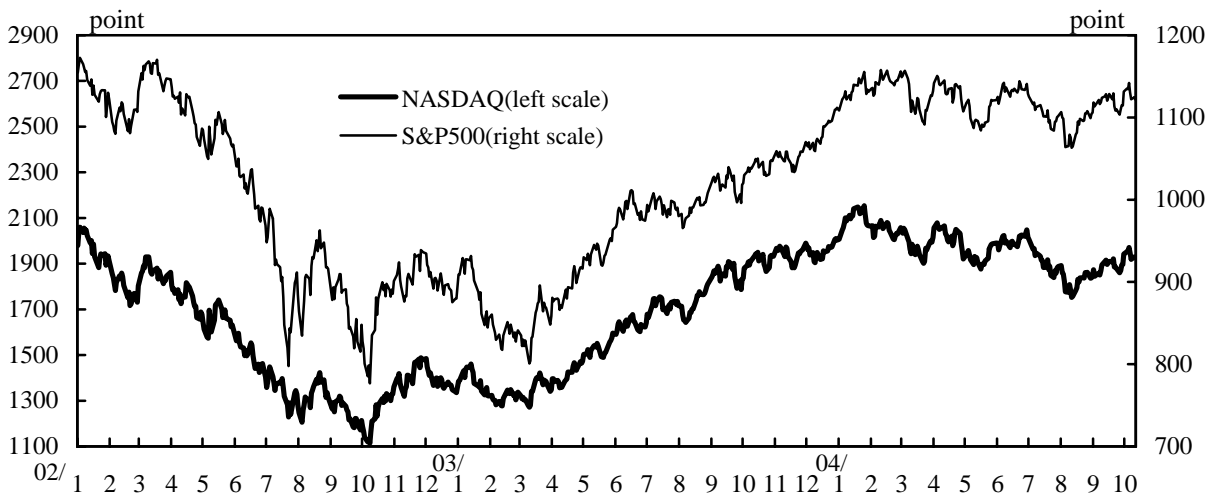
(2) U.S. Real Nonresidential Fixed Investment



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



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



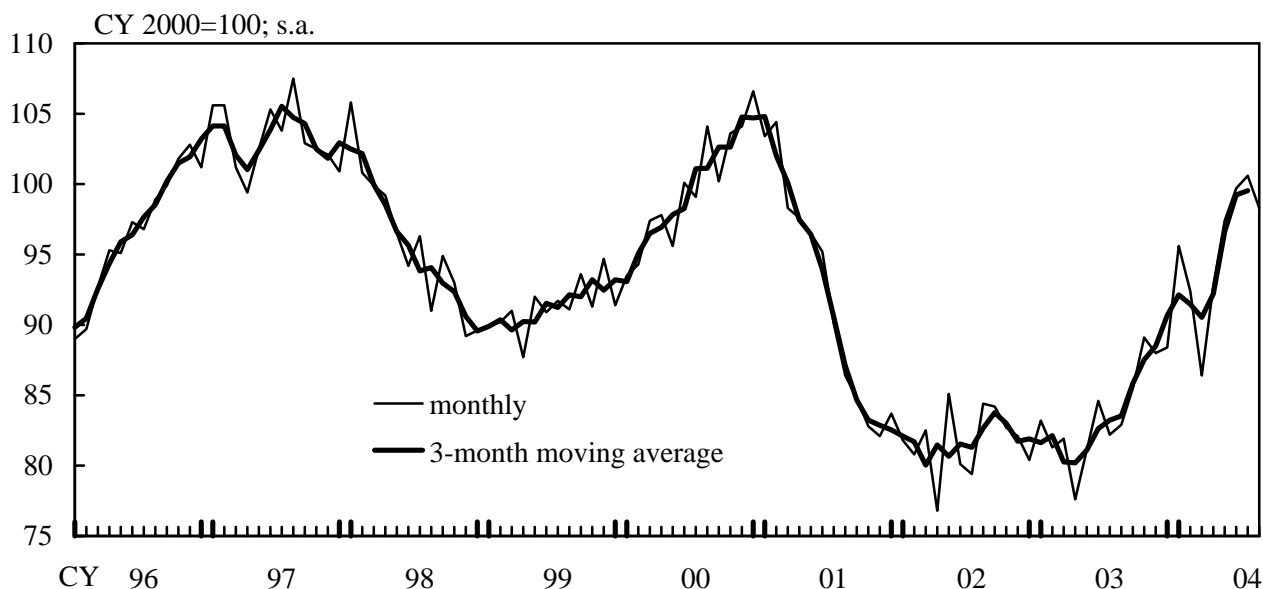
Notes: 1. "Imported car sales / Total sales of automobile" in 2004/Q3 is based on Jul.-Aug. average in (3).
 September Automobile Sales is calculated by adding CY 2003 sales of heavy trucks (0.33mil.) to preliminary figure released by an industry association (s.a., ann., 17.50 mil.) which does not include heavy trucks.

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

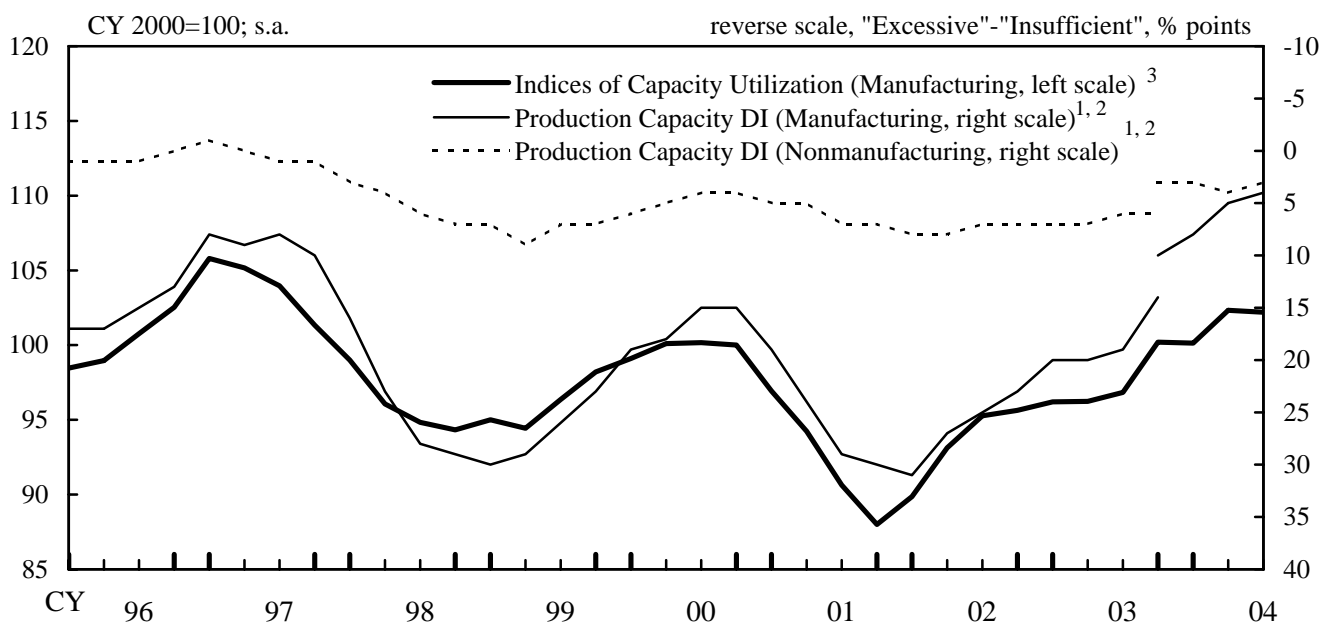
Sources: U.S. Department of Commerce, "National Income and Product Accounts," "Sales, production, imports, exports, and inventories, in units"; Reuters News Service; Bloomberg.

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.

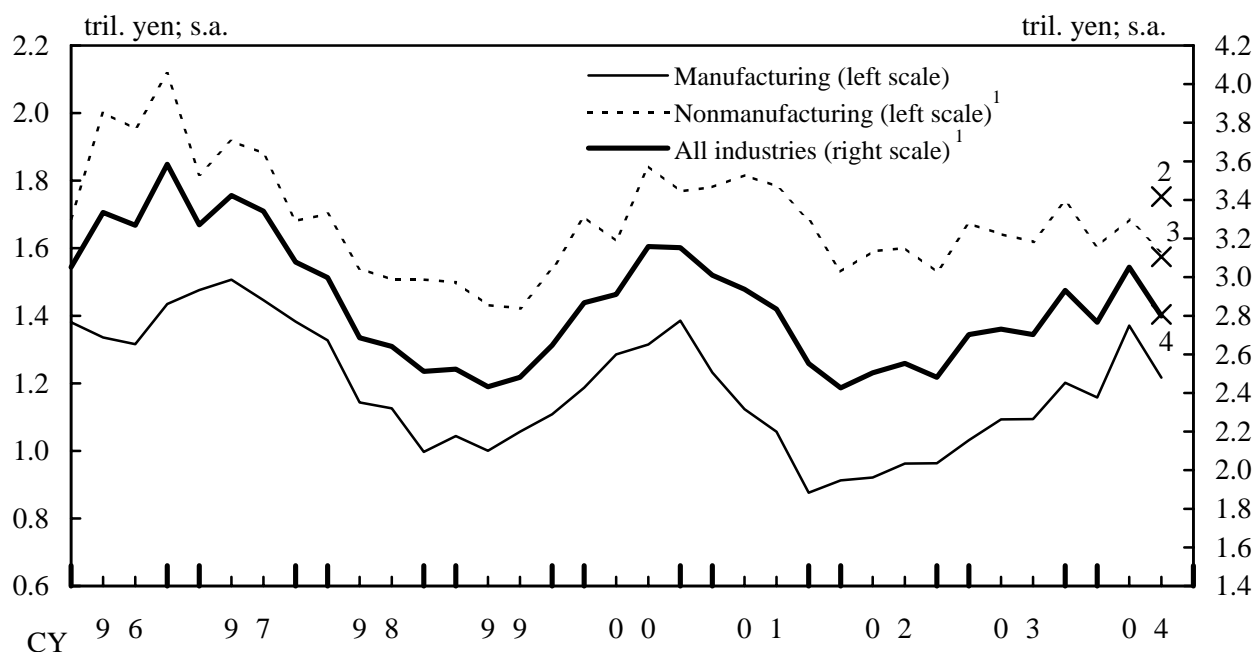
2. The *Tankan* has been revised from the March 2004 Survey. Figures up to the December 2003 Survey are based on the previous data sets. Figures from the December 2003 Survey are on a new basis.

3. The figure for 2004/Q3 is as of July.

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

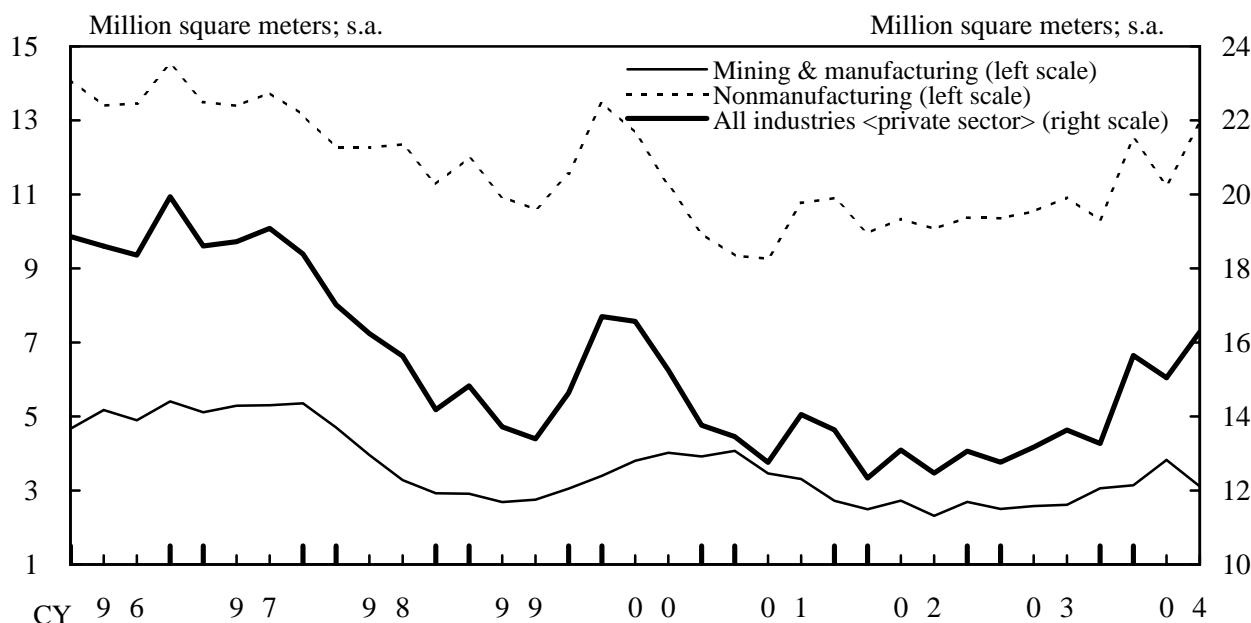
Indicators for Business Fixed Investment (2)

(1) Machinery Orders



- Notes: 1. Excludes orders of shipbuilding and orders from electric power companies.
 2. Forecast of nonmanufacturing industries for 2004/Q3.
 3. Forecast of all industries for 2004/Q3.
 4. Forecast of manufacturing industries for 2004/Q3.
 5. Figures for 2004/Q3 are averages of July and August in terms of quarterly amount.

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

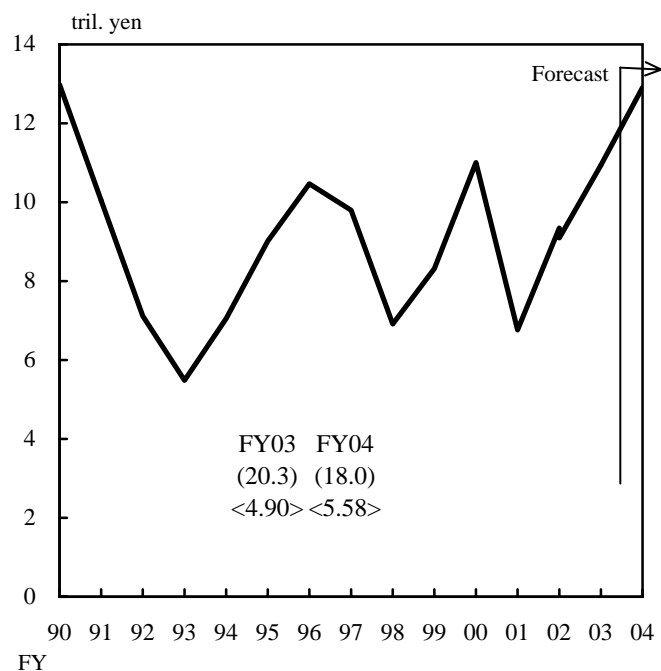


- Notes: 1. Seasonally adjusted by X-12-ARIMA.
 2. Because the Standard Industrial Classification for Japan was revised in March 2002, the industry classification for Newspaper Publishing and Publishing Business was changed from Mining and Manufacturing to Nonmanufacturing. Accordingly, the data up to fiscal year 2002 were adjusted by using a link coefficient.
 3. Figures for 2004/Q3 are averages of July and August in terms of quarterly amount.

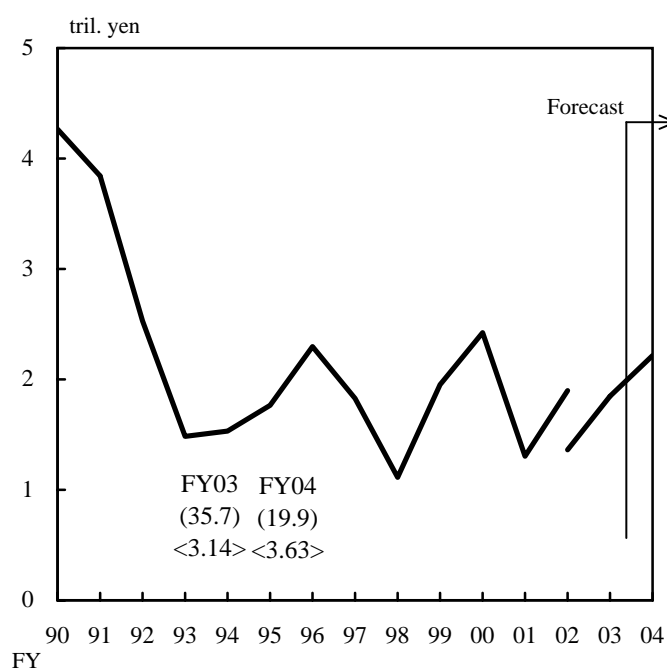
Sources: Cabinet Office, "Machinery Orders Statistics";
 Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts."

Current Profits

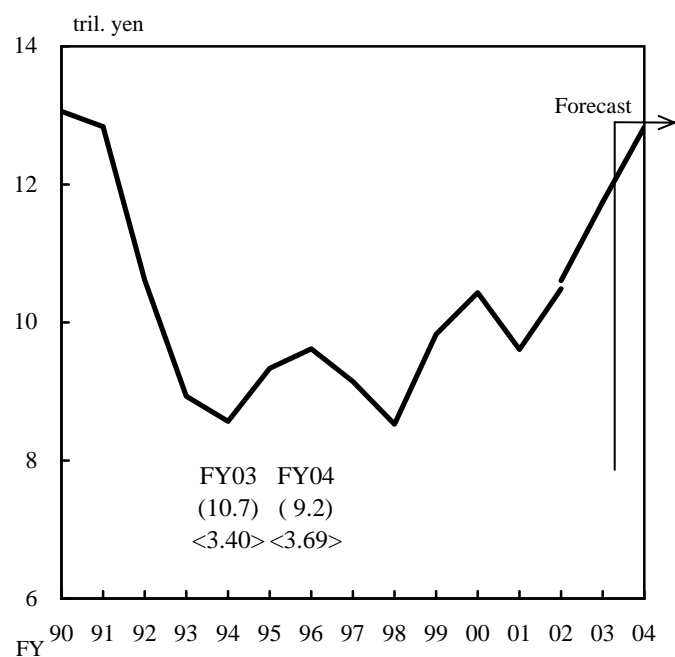
(1) Manufacturing Large Enterprises



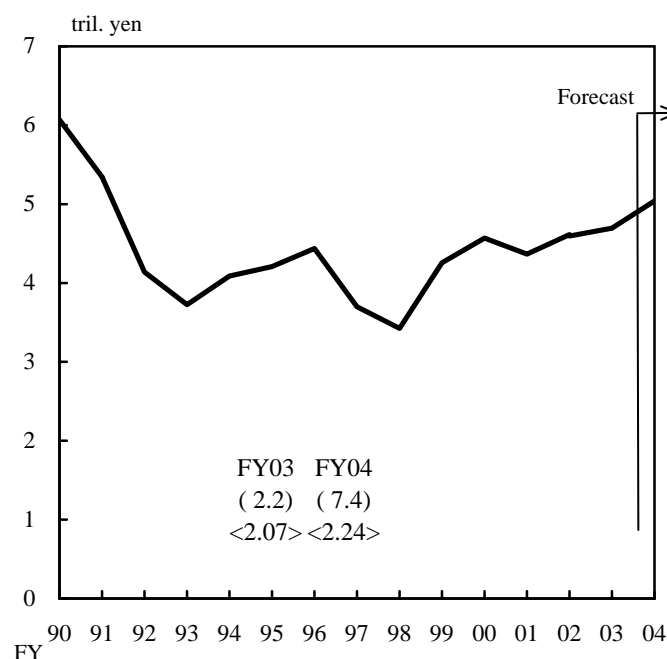
(2) Manufacturing Small Enterprises



(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

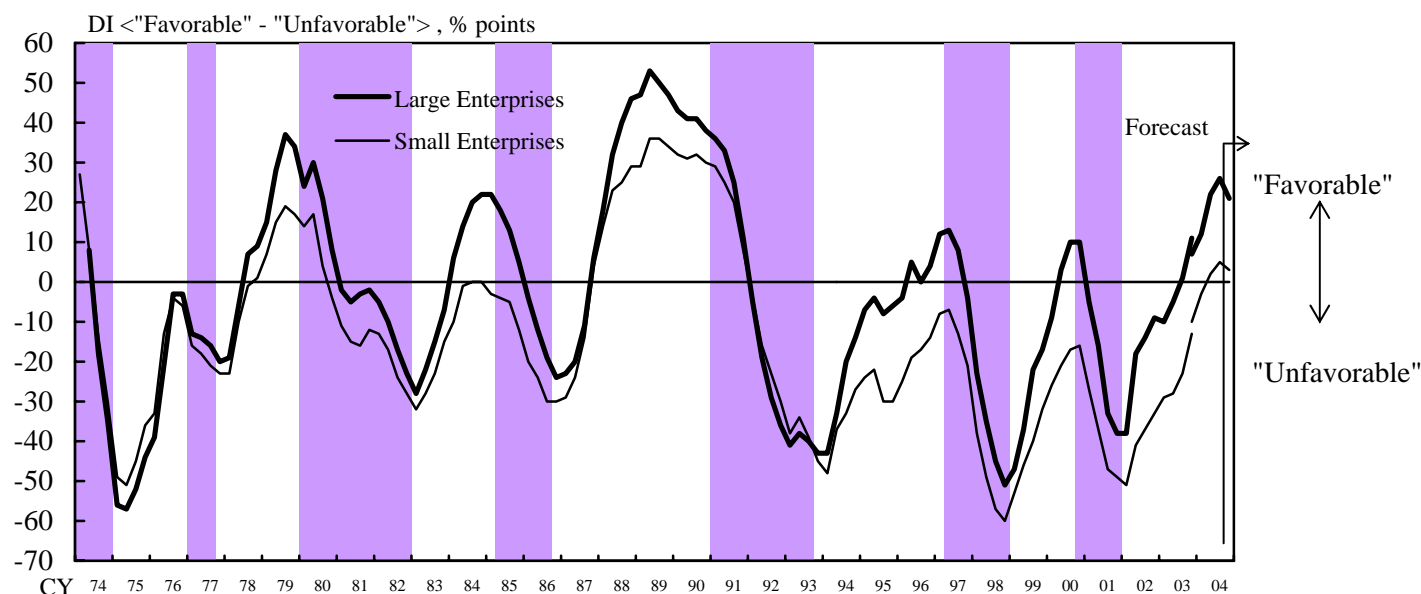
2. (): Current Profits (y/y% chg.), <>: Ratio of current profit to sales (%). post-revision.

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.

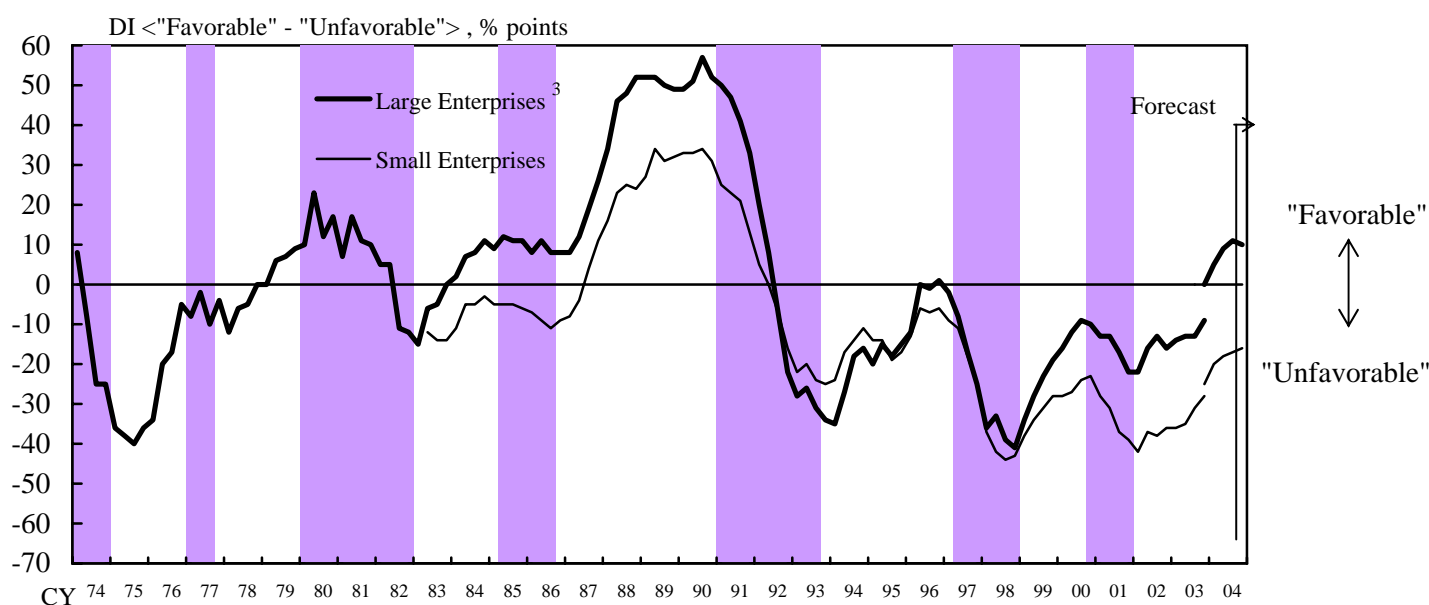
Source: Bank of Japan, "*Tankan*, Short-term Economic Survey of Enterprises in Japan."

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.

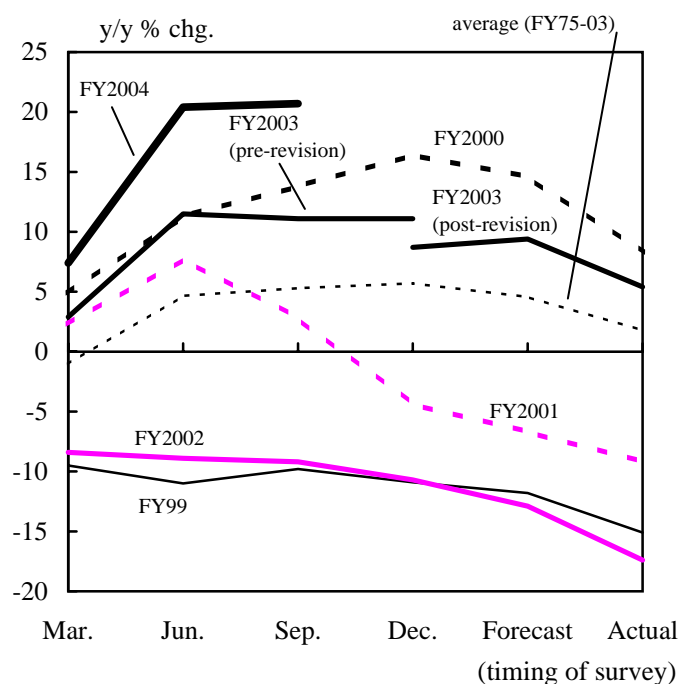
3. Figures up to to Feb. 1983 are those of Principal Enterprises.

4. Shaded areas indicate recession periods.

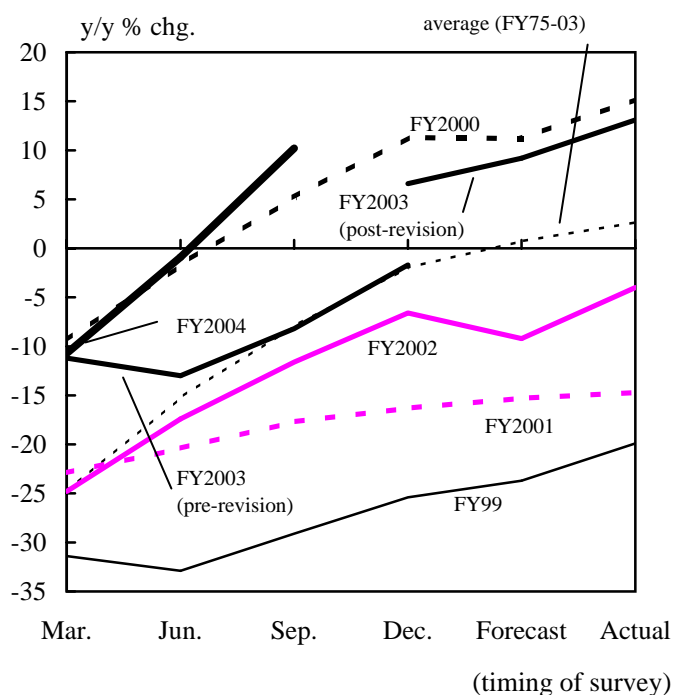
Source: Bank of Japan, "*Tankan*, Short-term Economic Survey of Enterprises in Japan."

Business Fixed Investment Plans as Surveyed

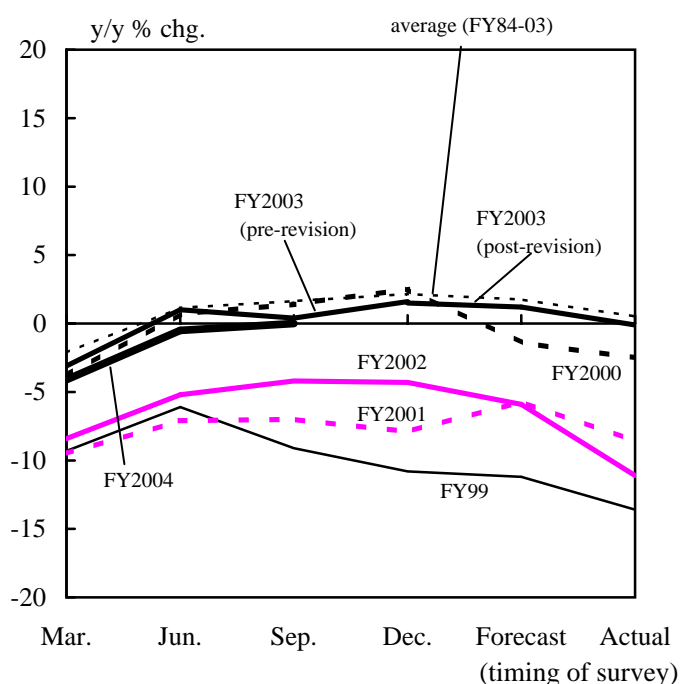
(1) Manufacturing Large Enterprises



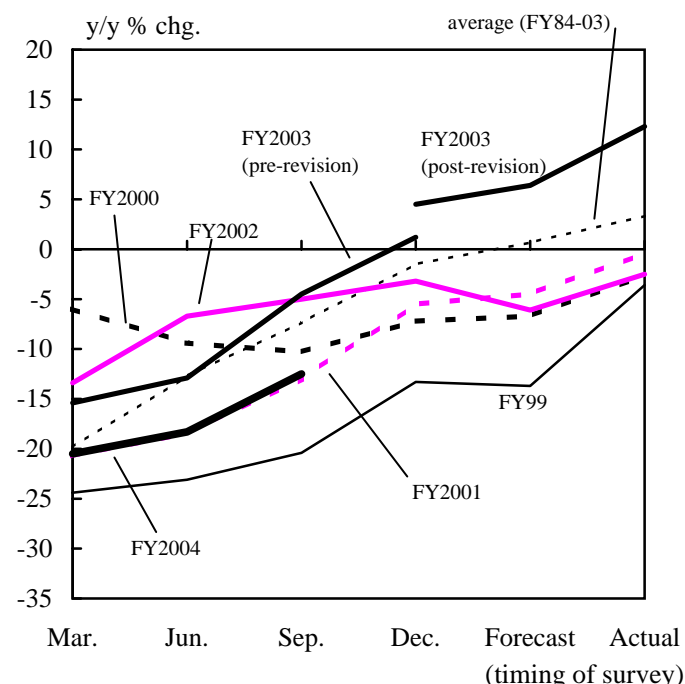
(2) Manufacturing Small Enterprises



(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

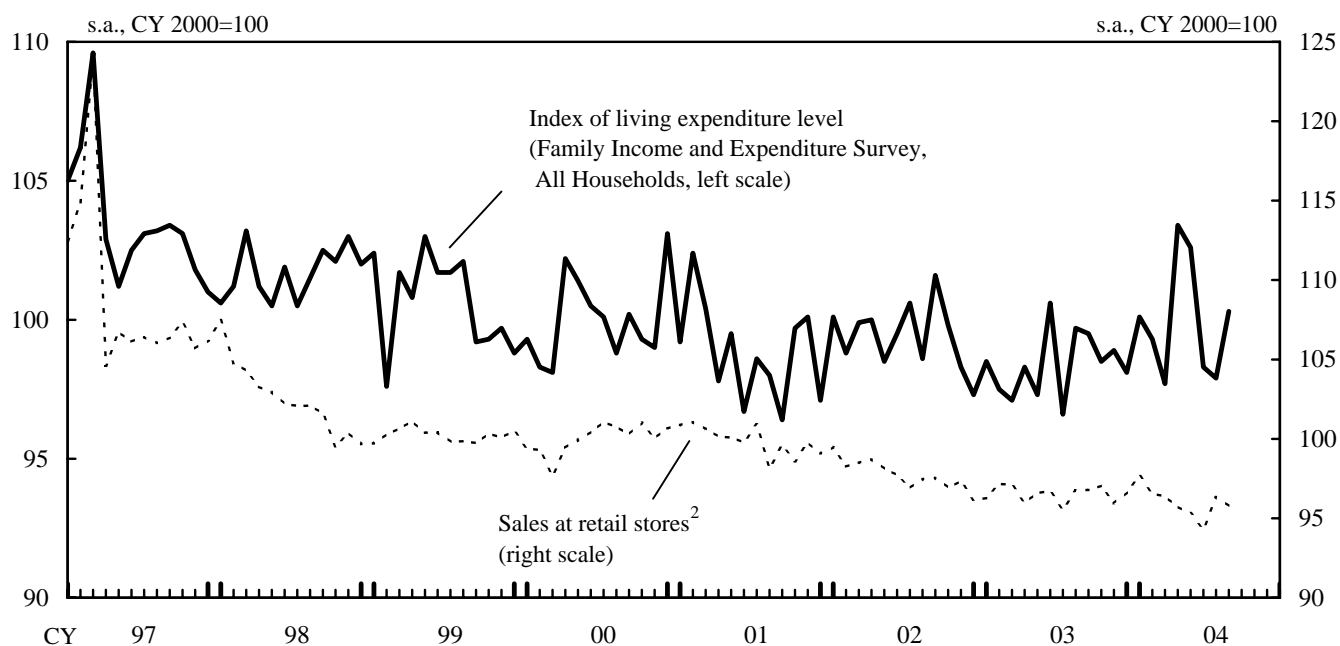
2. Includes land purchasing expenses.

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.

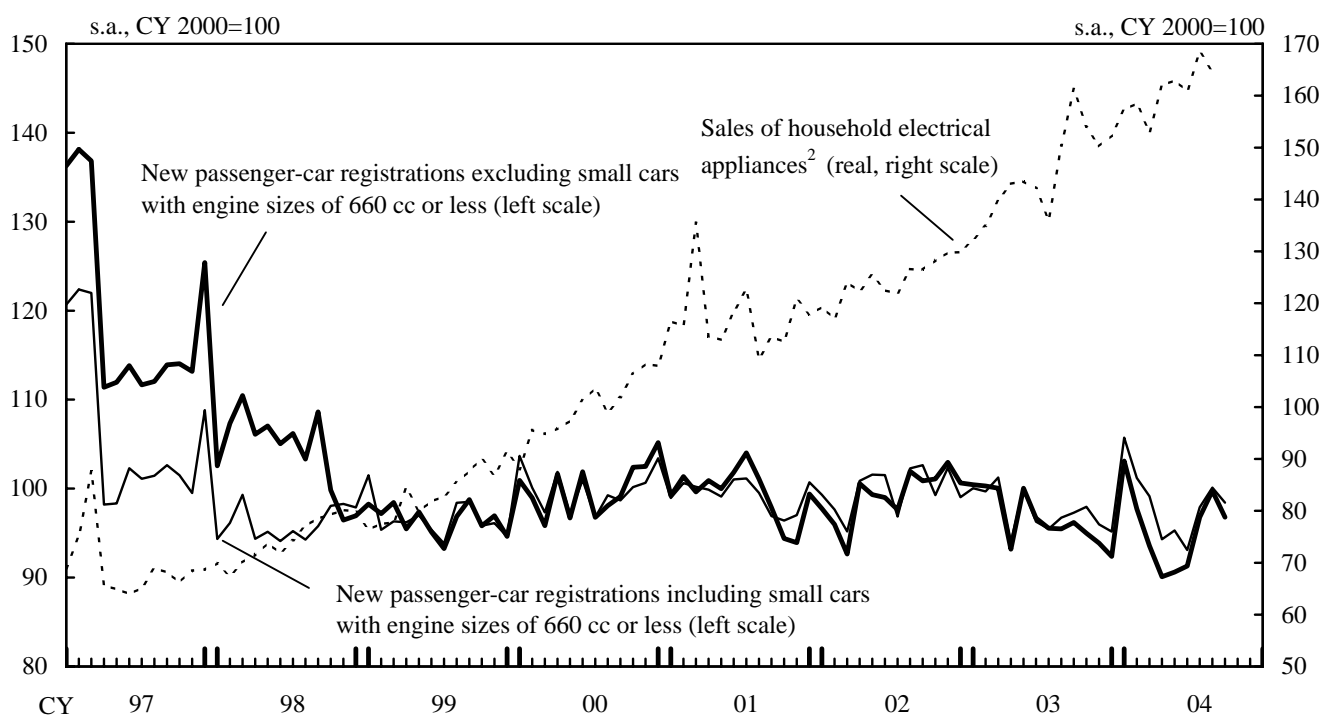
Source: Bank of Japan, "Tankan, Short-term Economic Survey of Enterprises in Japan."

Indicators for Private Consumption¹ (1)

(1) Household Spending (real)



(2) Sales of Durable Goods



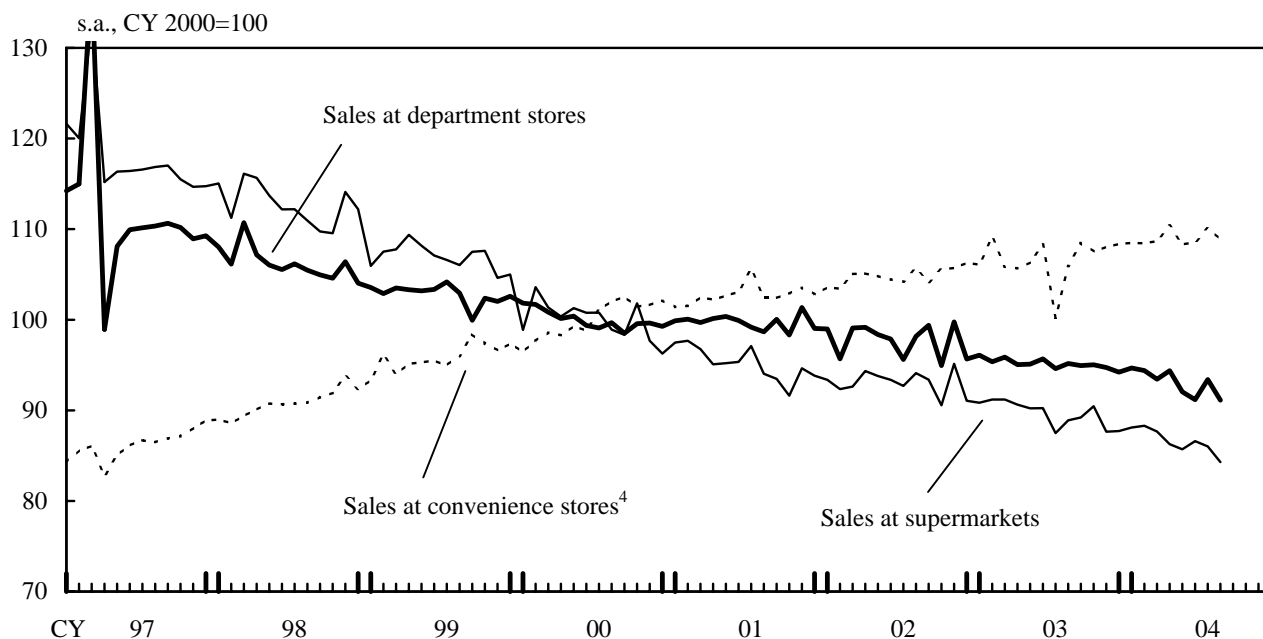
Notes: 1. Seasonally adjusted by X-12-ARIMA. Index of living expenditure level is seasonally adjusted by the Ministry of Internal Affairs and Communications.

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).

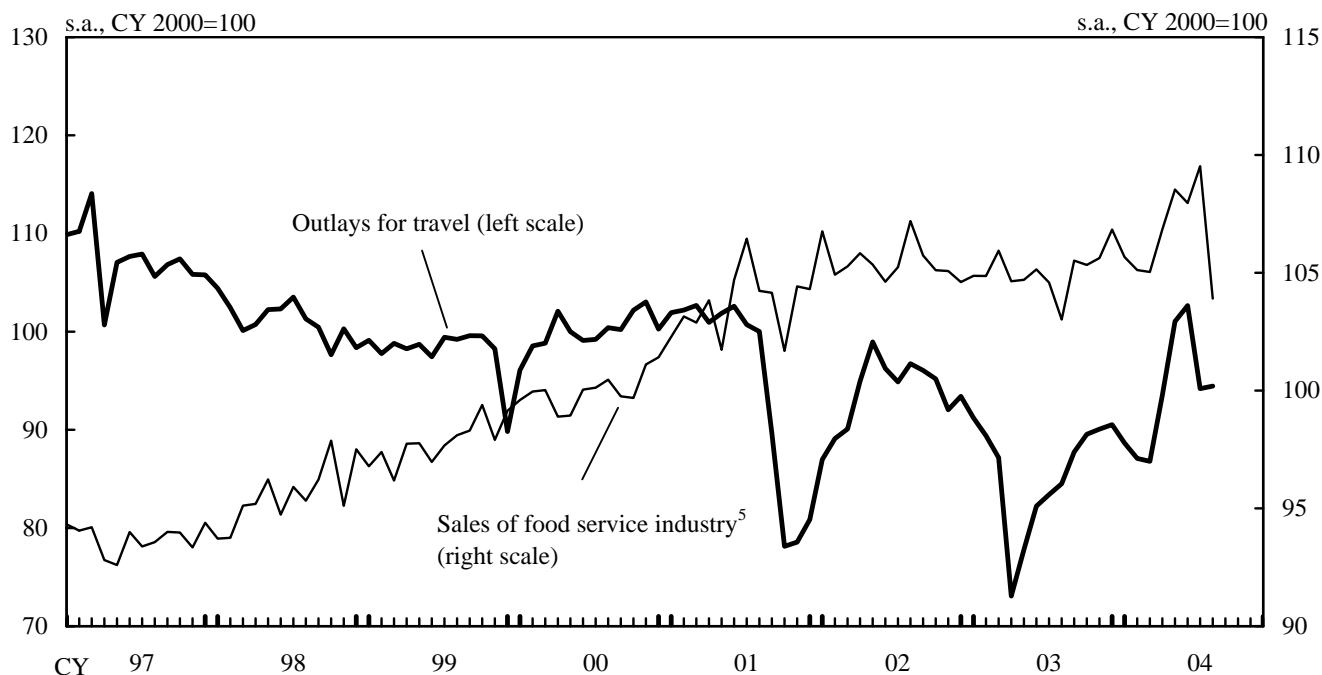
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index," "Monthly Report on the Family Income and Expenditure Survey";
 Ministry of Economy, Trade and Industry, "Current Survey of Commerce";
 Japan Automobile Dealers Association, "Domestic Sales of Automobiles";
 Japan Mini Vehicles 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.

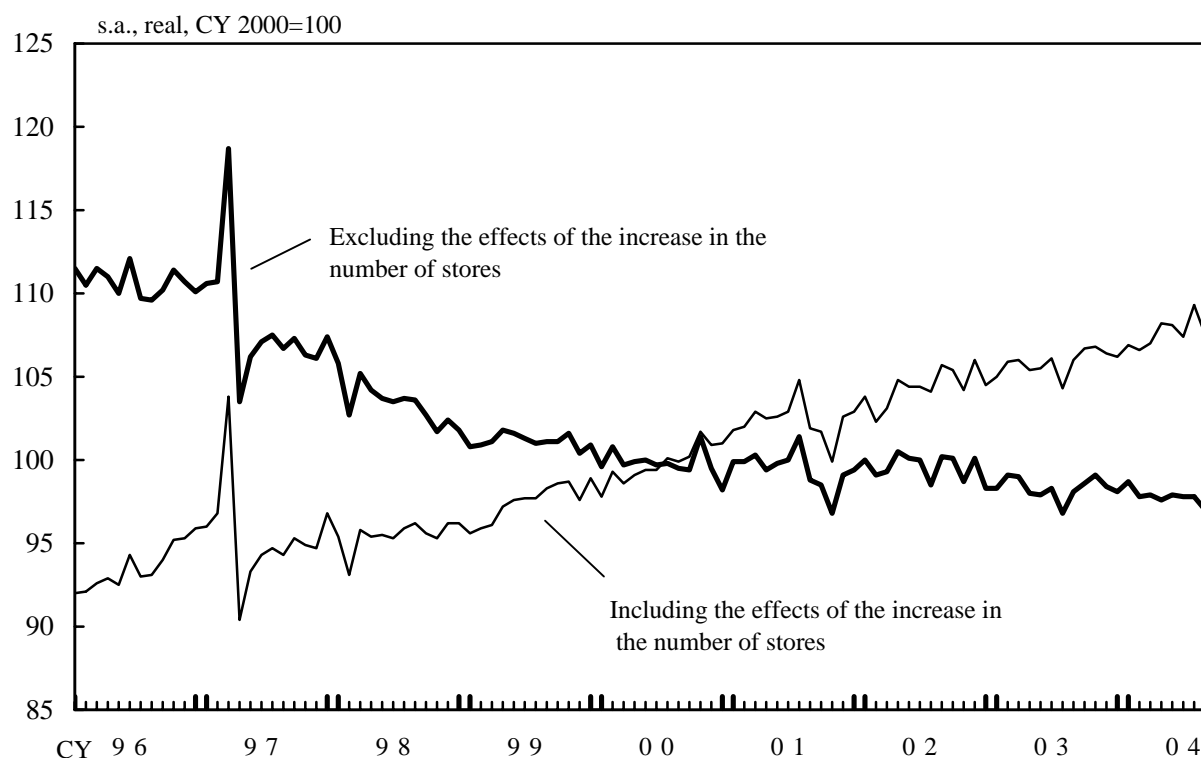
5. Sales of food service industry are calculated using the year to year change rates of every month released by the Japan Food Service Association based on monthly sales amounts in 1993 released by the Food Service Industry Survey & Research Center.

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

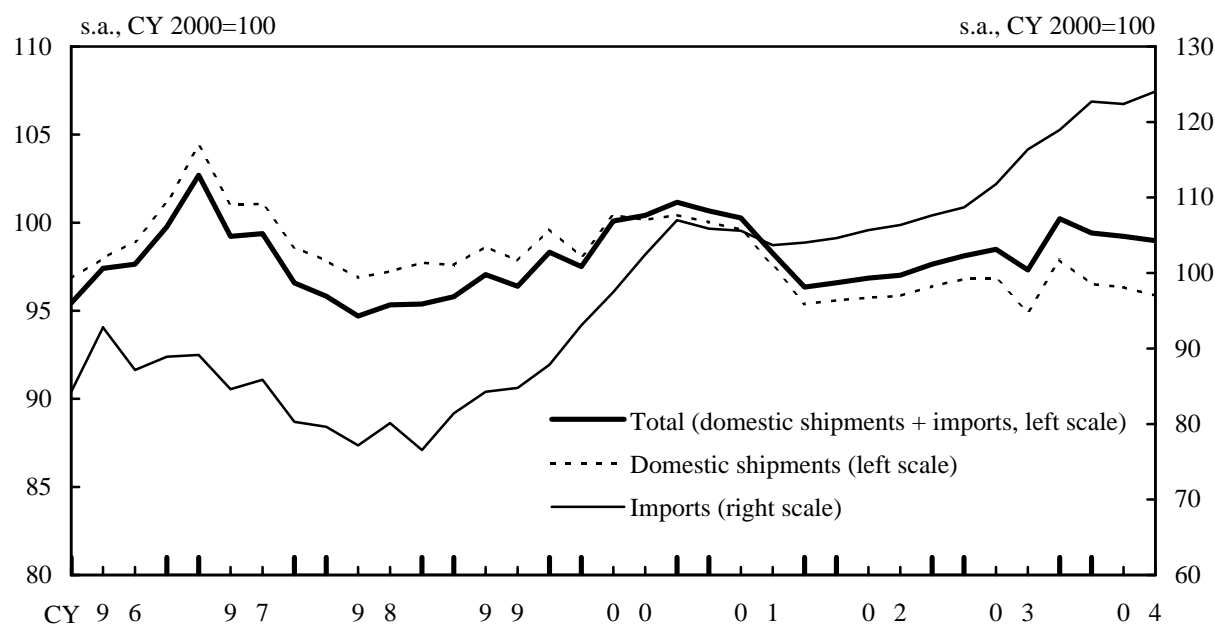


- Notes: 1. Indices of aggregated sales are the weighted sum of *Sales at department stores and supermarkets*; *New passenger-car registrations*; *Sales of household electrical appliances*; *Outlays for travel*; and *Sales of food service industry*, where the weights come from household expenditure in 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.

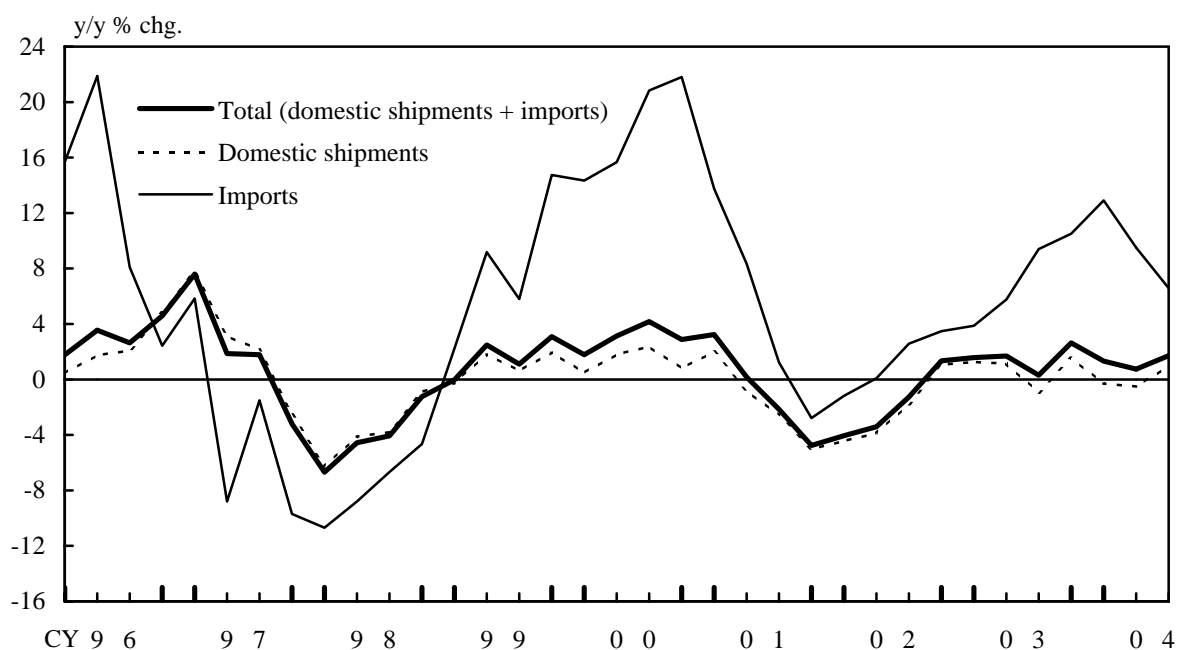
Source: Bank of Japan, "Indices of Aggregated Sales."

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.

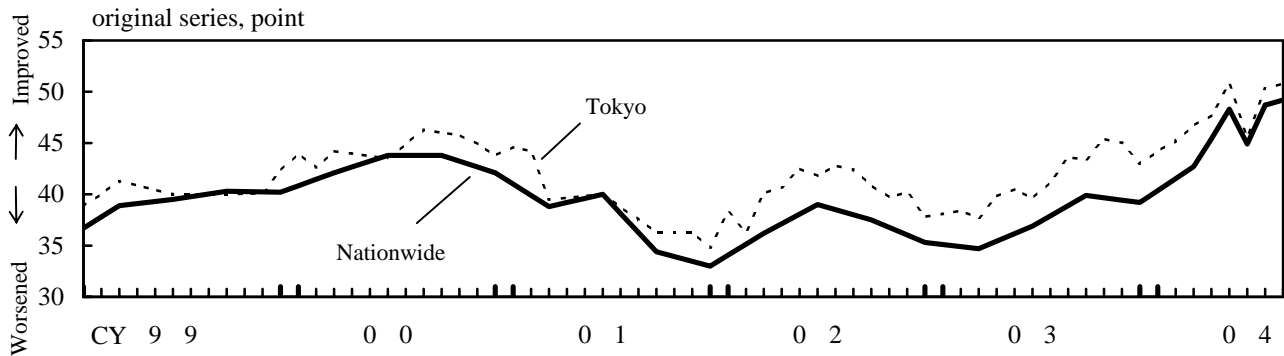
3. Year-on-year changes are calculated from seasonally adjusted series.

4. Data for 2004/Q3 figures are those of July-August 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."

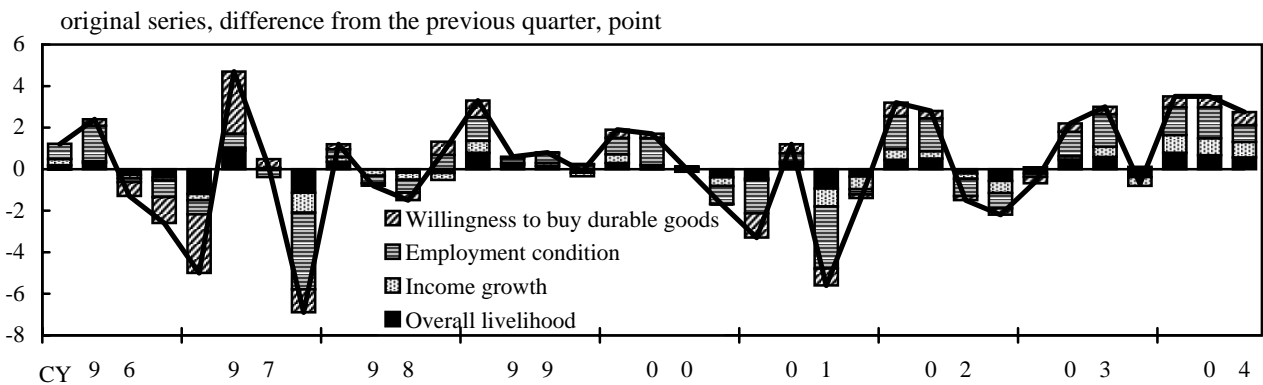
Consumer Confidence

(1) Consumer Confidence Index (Monthly)



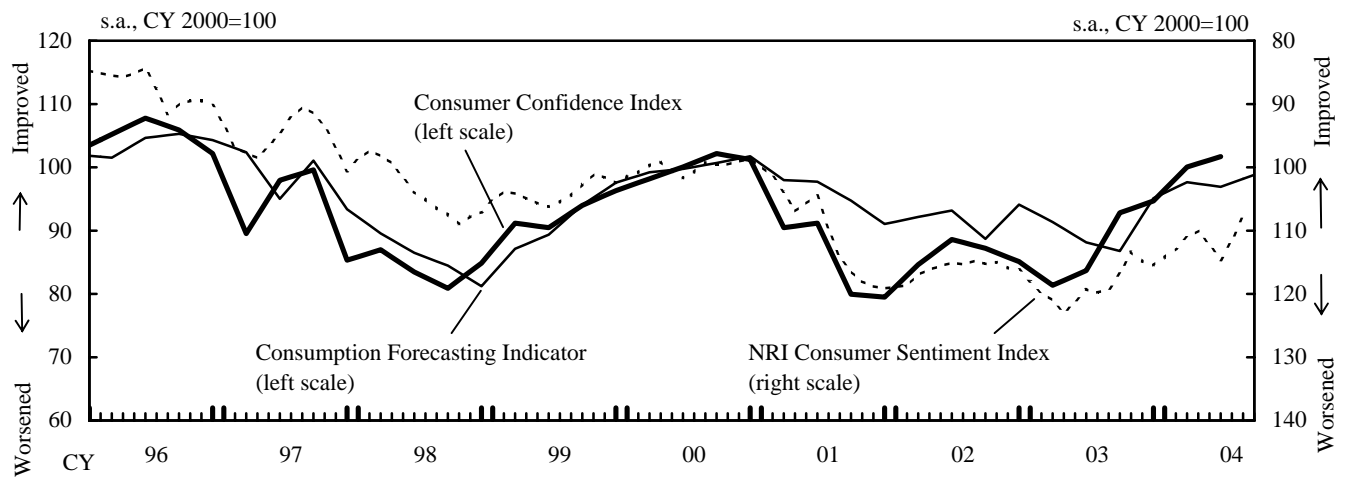
Note: Prior to 2001, figures of "Monthly Consumer Confidence Index of Tokyo" when the survey was not conducted have been supplemented with linear interpolation. Figures of "Monthly Consumer Confidence Index (Nationwide)" have also been plotted at the surveyed months and supplemented with linear interpolation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

(2) Contribution of Each Item in the Consumer Sentiment Indexes



Note : Data for 2004/Q3 figures are those of July-August averages in terms of quarterly amount.

(3) Surveys on Consumer Confidence

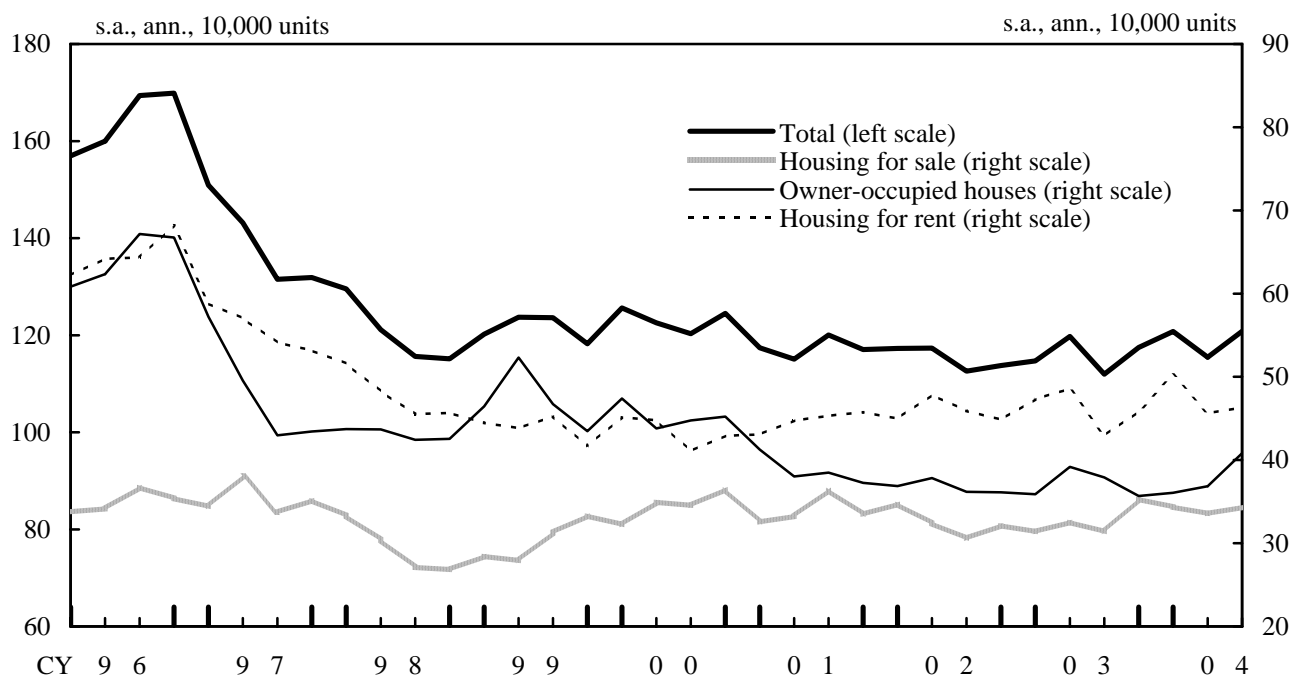


- Notes: 1. Seasonally adjusted by X-11. "Consumer Confidence Index" is seasonally adjusted by the Cabinet Office.
- 2. Consumer Confidence Index (with 5,040 samples in a nationwide basis), Consumption Forecasting Indicator (with 1,500 samples in metropolitan area), and NRI Consumer Sentiment Index (with 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.

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."

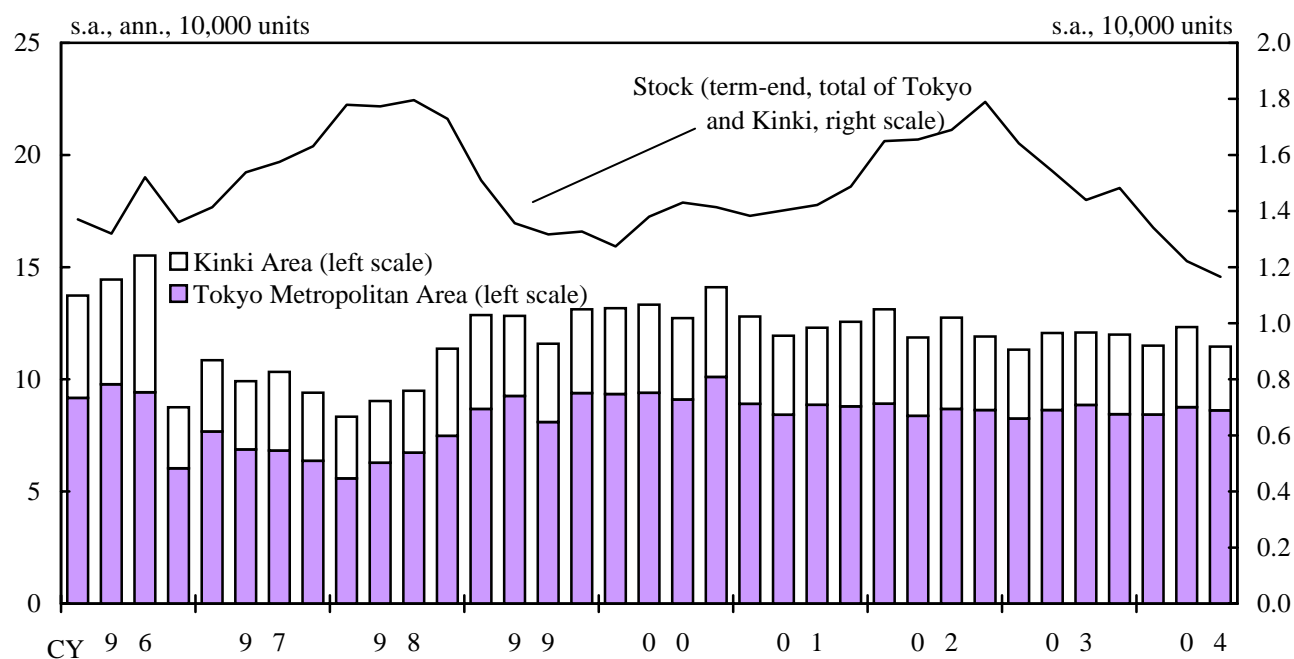
Indicators for Housing Investment

(1) Housing Starts



Note: Figures for 2004/Q3 are those of July-August averages.

(2) Sales of Condominiums



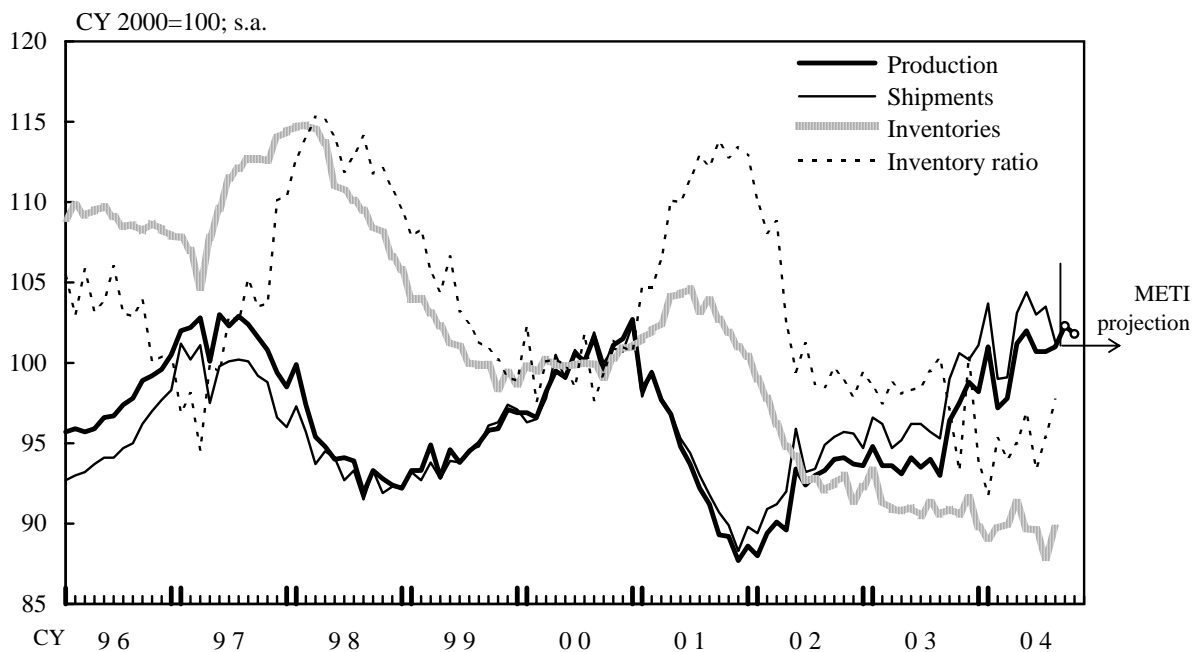
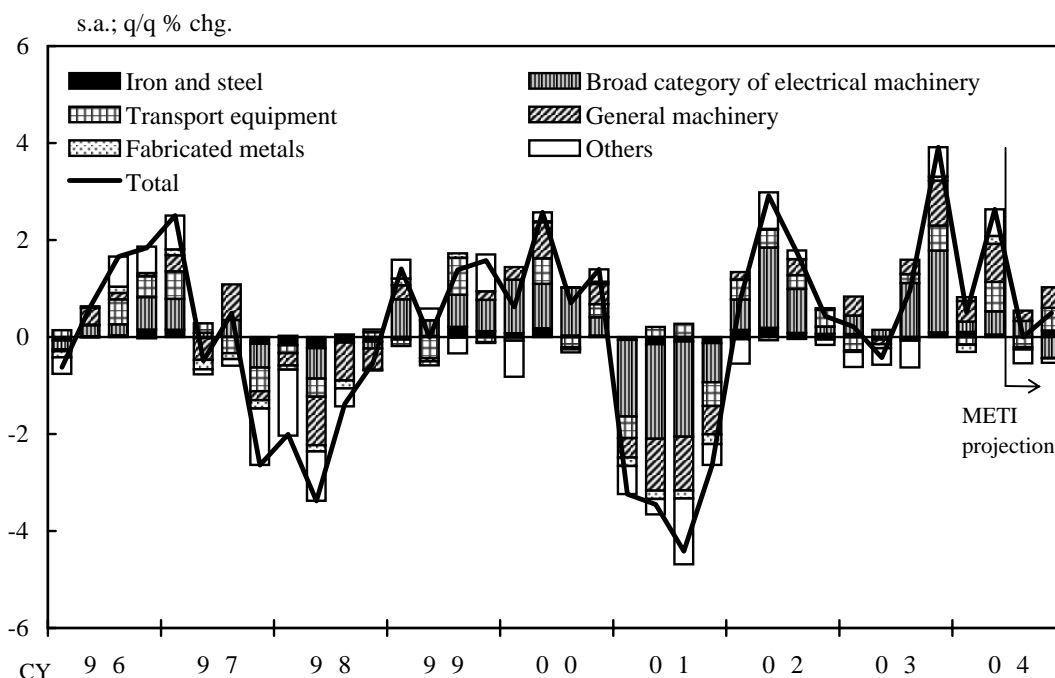
Notes: 1. Seasonally adjusted by X-12-ARIMA.

2. Figures of total condominiums sales for 2004/Q3 are those of July-August averages.

Term-end stocks for 2004/Q3 are those of August.

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.

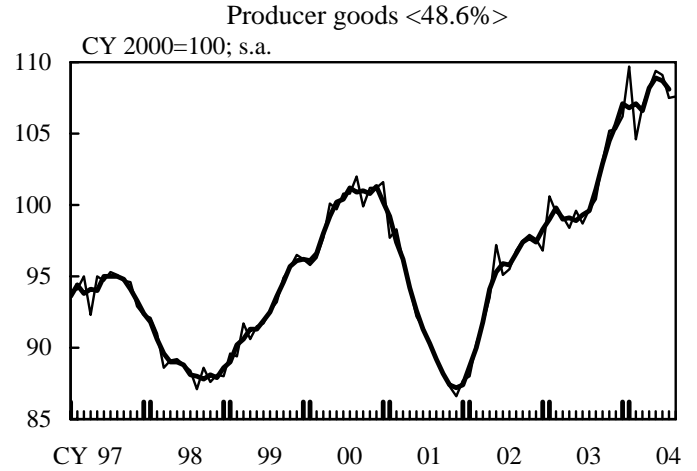
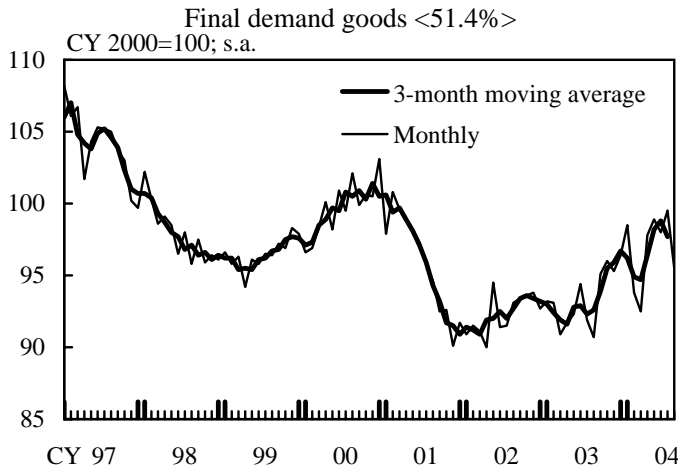
"Broad category of electrical machinery" is the weighted sum of "electrical machinery", "information and communication electronics equipment" and "electronic parts and devices."

2. 2004/Q3 figures are based on the actual levels in July and Aug., and the METI projection level in Sept. 2004/Q4 figures are based on the assumption that production level in Nov. and Dec. is the same as that of Oct.

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

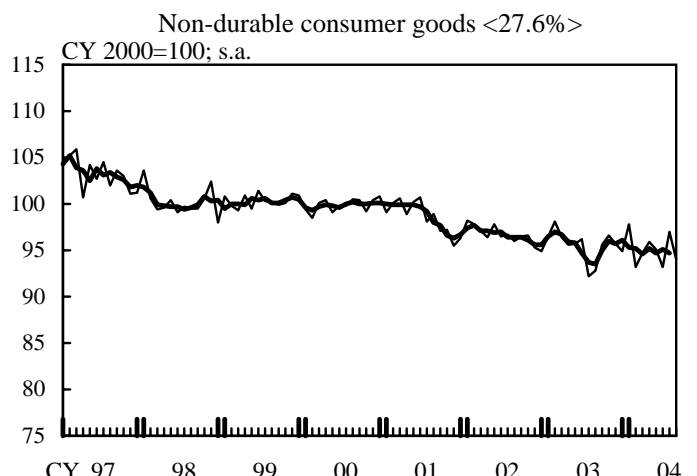
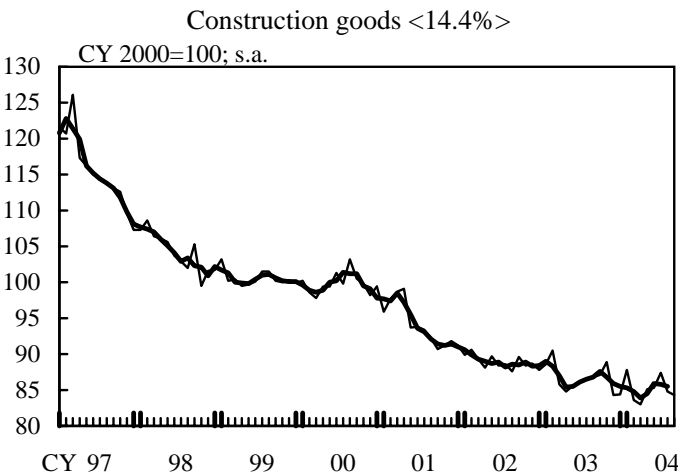
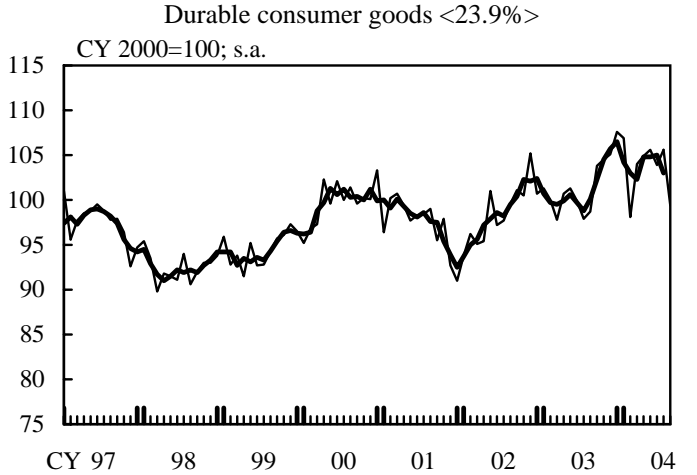
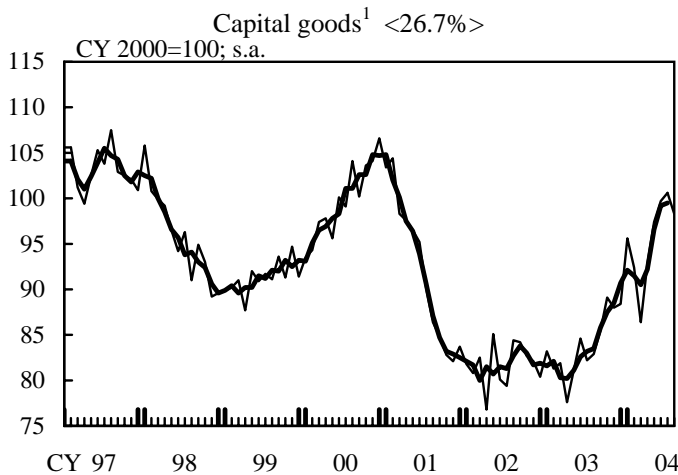
Shipments breakdown by type of goods

(1) Final demand goods and Producer goods



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

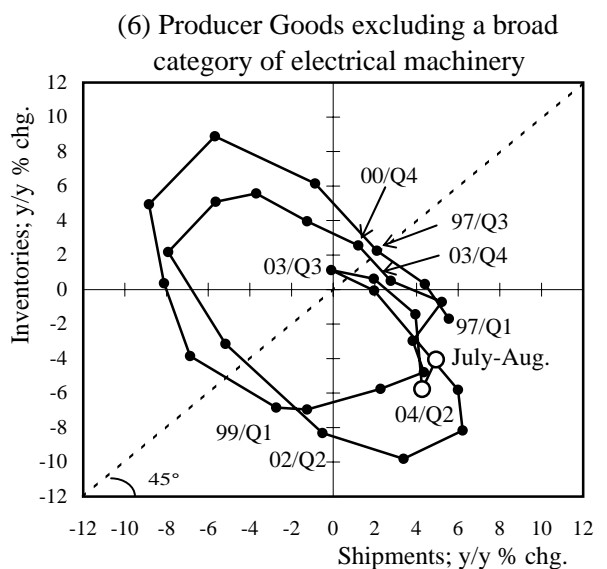
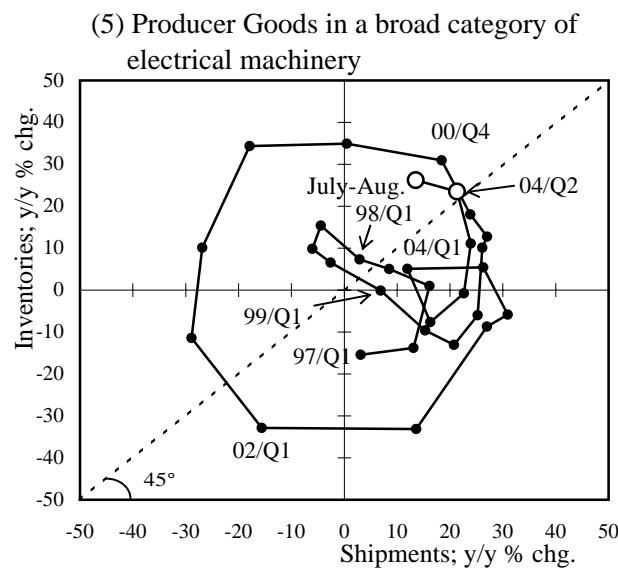
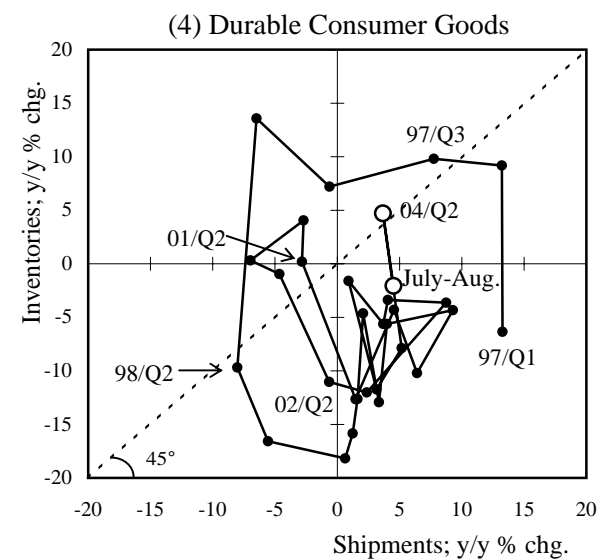
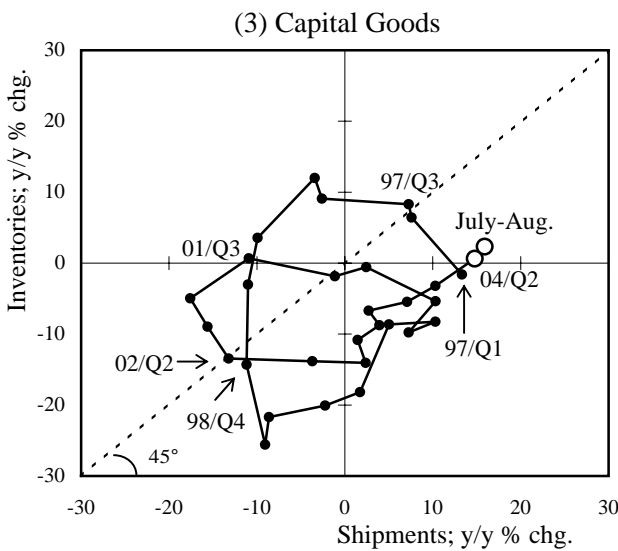
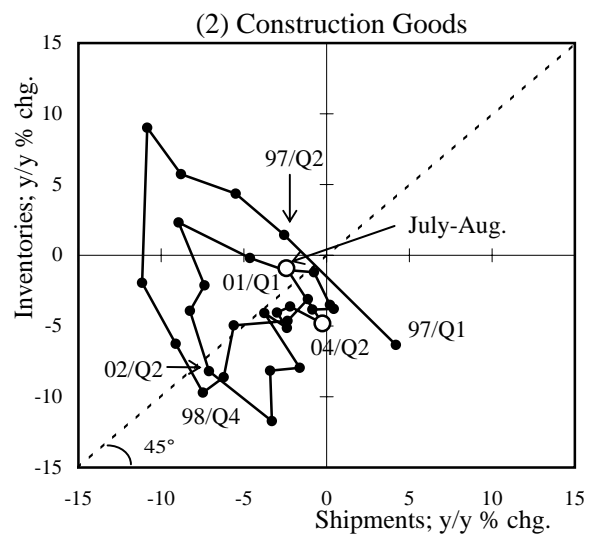
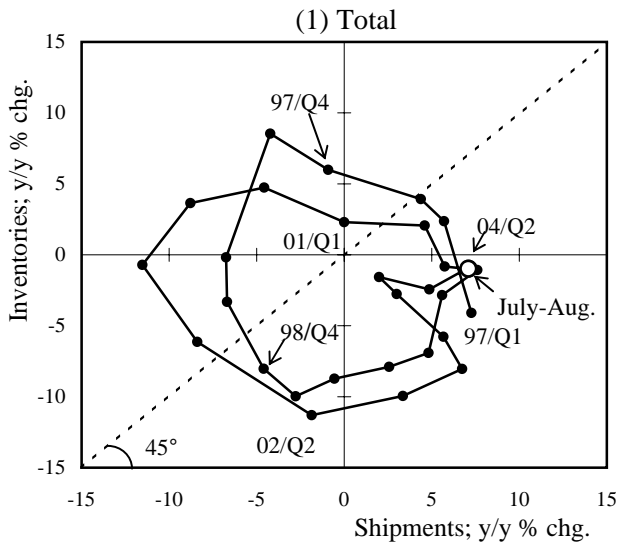
(2) Breakdown of final demand goods



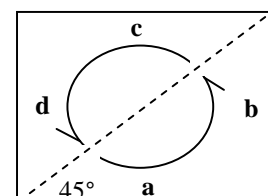
Notes: 1. Excluding transportation equipment.
2. Shares of shipments of final demand goods are shown in angle brackets.

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

Inventory Cycle

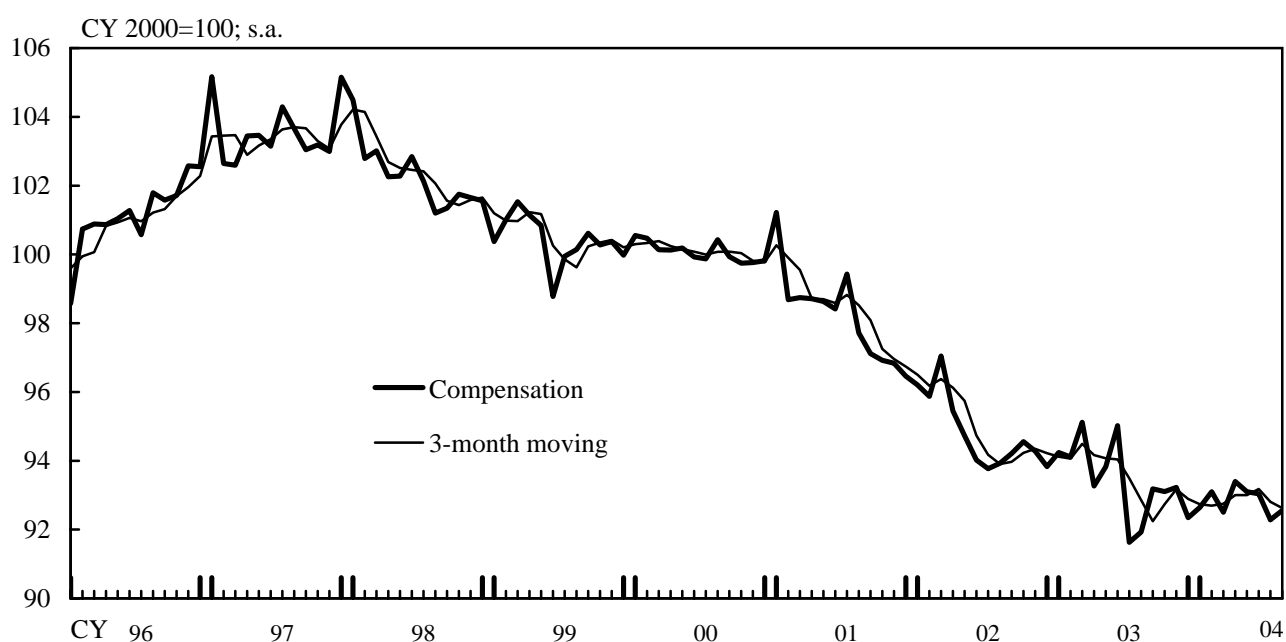


- a Shipment recovery phase
- b Intended inventory accumulation phase
- c Unintended inventory accumulation phase
- d Inventory adjustment phase



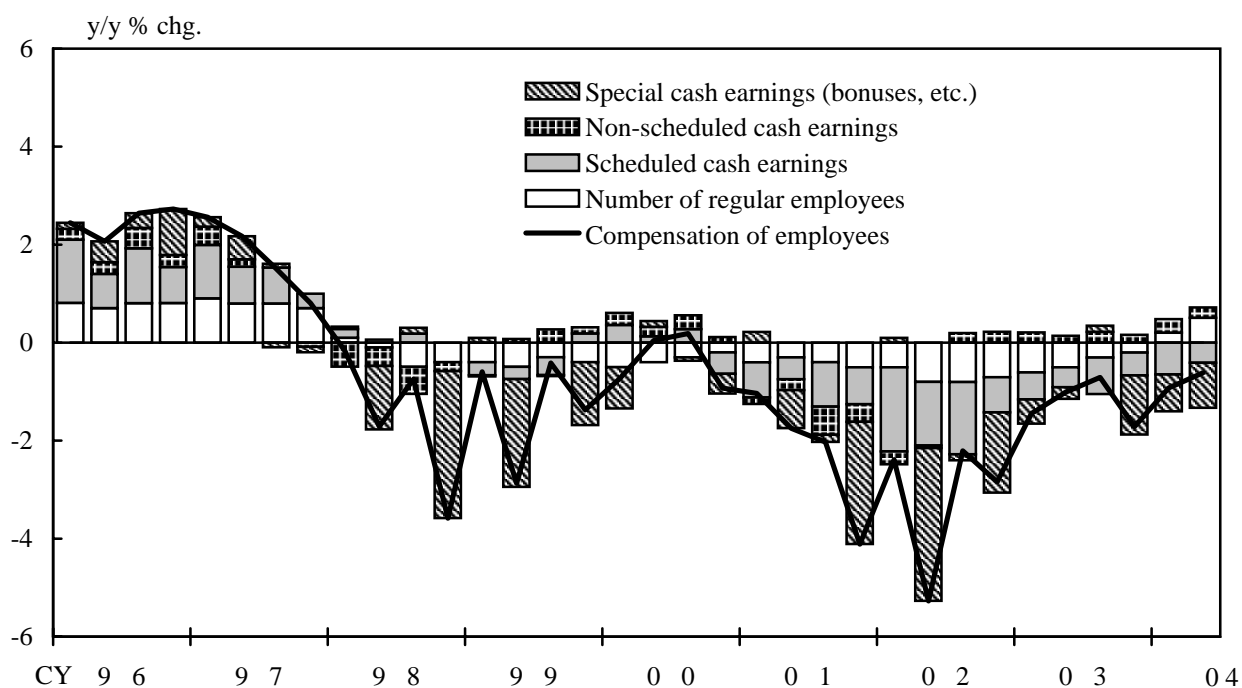
Compensation of Employees

(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.

(2) Breakdown of Compensation

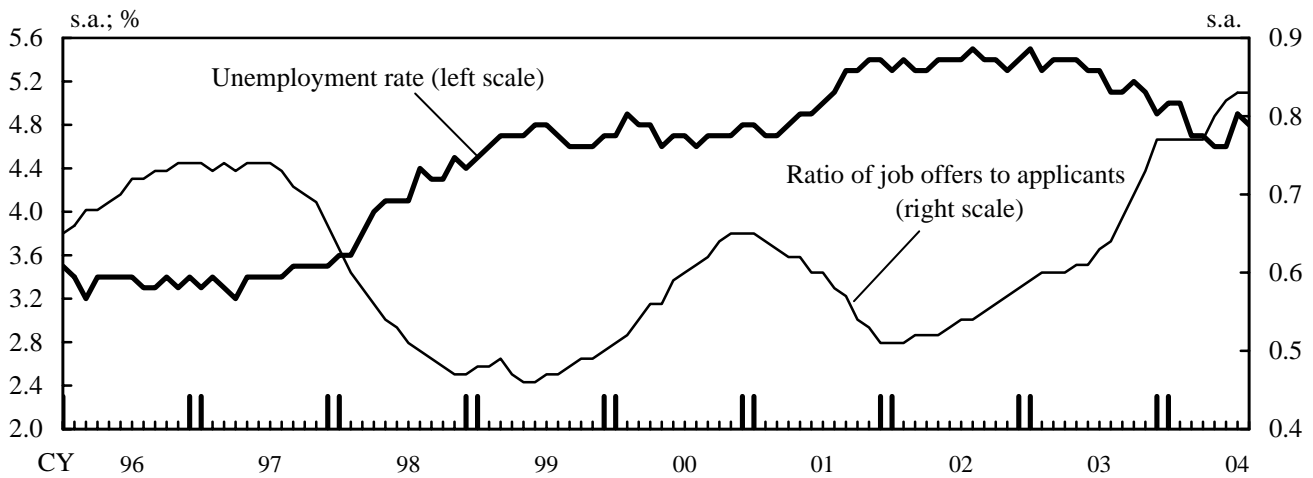


- Notes: 1. Data are for establishments with at least 5 employees.
2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.

Source: Ministry of Health, Labour and Welfare, "Monthly Labour Survey."

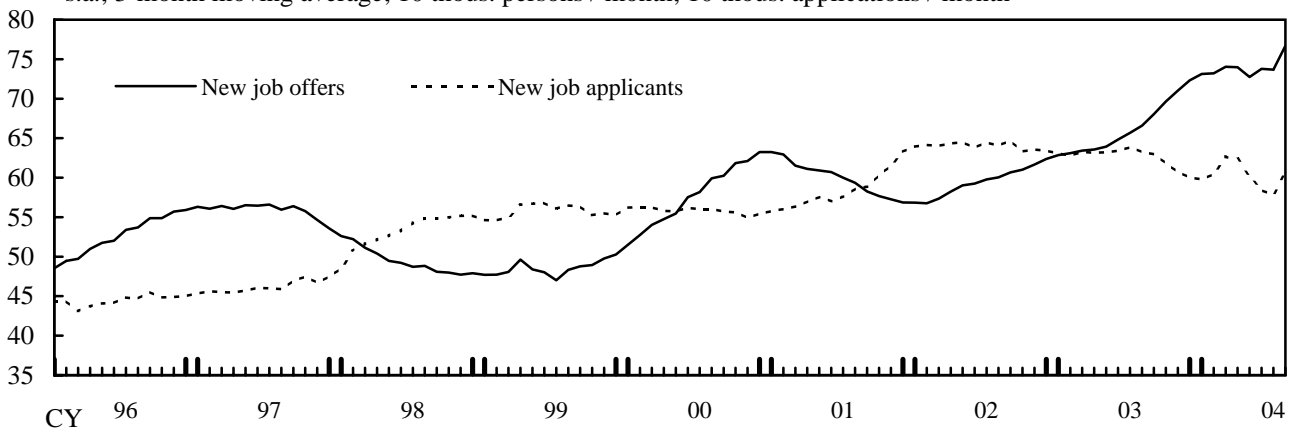
Labor Market (1)

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



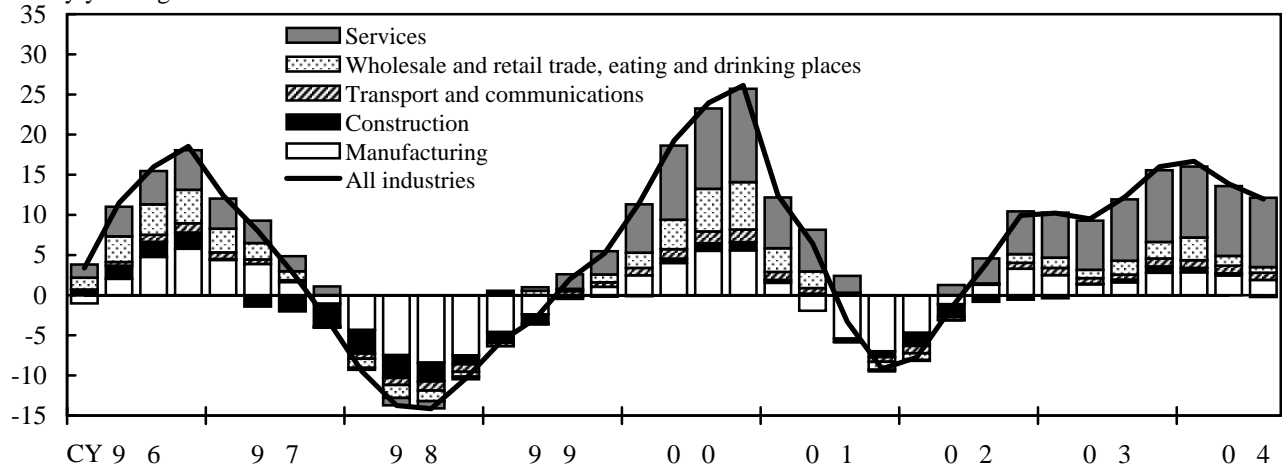
(2) New job offers and New job applicants¹

s.a.; 3-month moving average; 10 thous. persons / month; 10 thous. applications / month



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

y/y % chg.



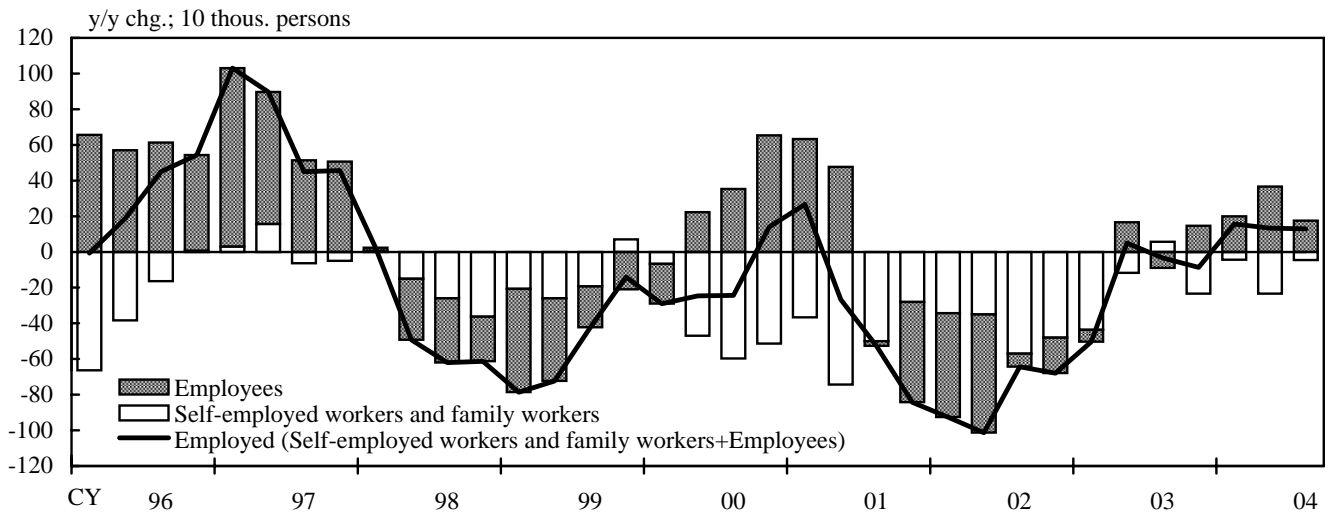
Notes:1. Figures do not include jobs offered to new graduates, but include those offered to part-time workers.

2. Figures for 2004/Q3 are those of July-August averages.

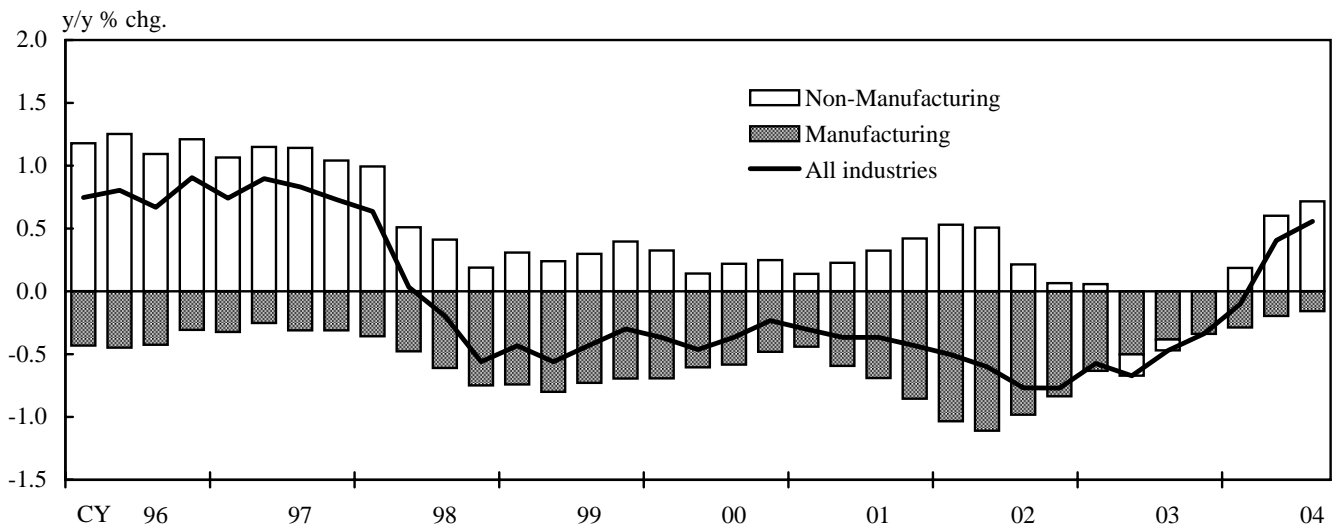
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service,"
Ministry of Internal Affairs and Communications, "Labour Force Survey."

Labor Market (2)

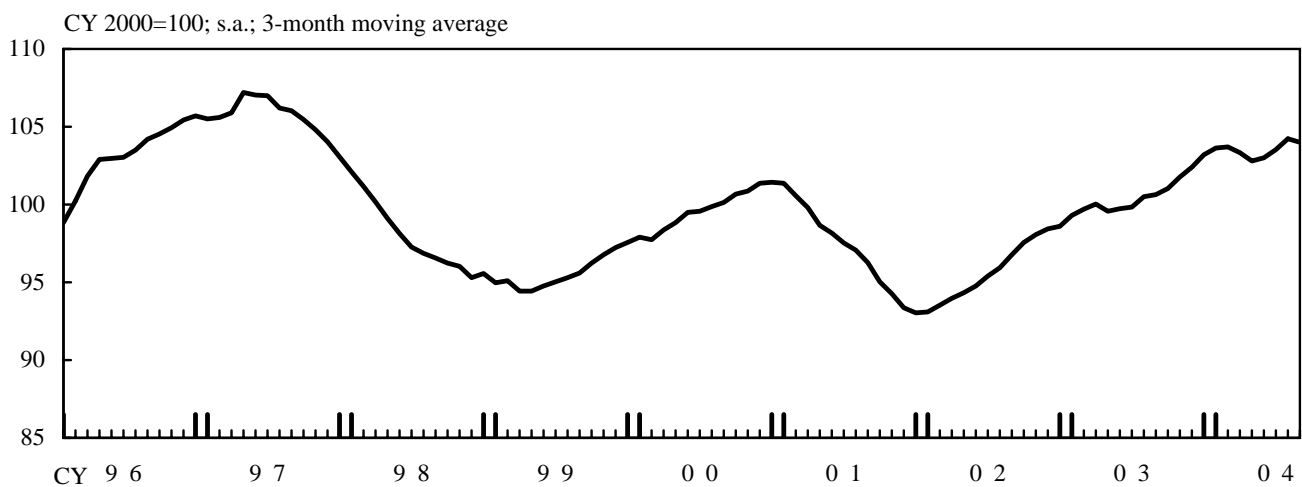
(1) The Employed¹ (Labour Force Survey)



(2) Number of Regular Employees^{1,2} (Monthly Labour Survey)



(3) Non-scheduled Hours Worked² (Monthly Labour Survey)



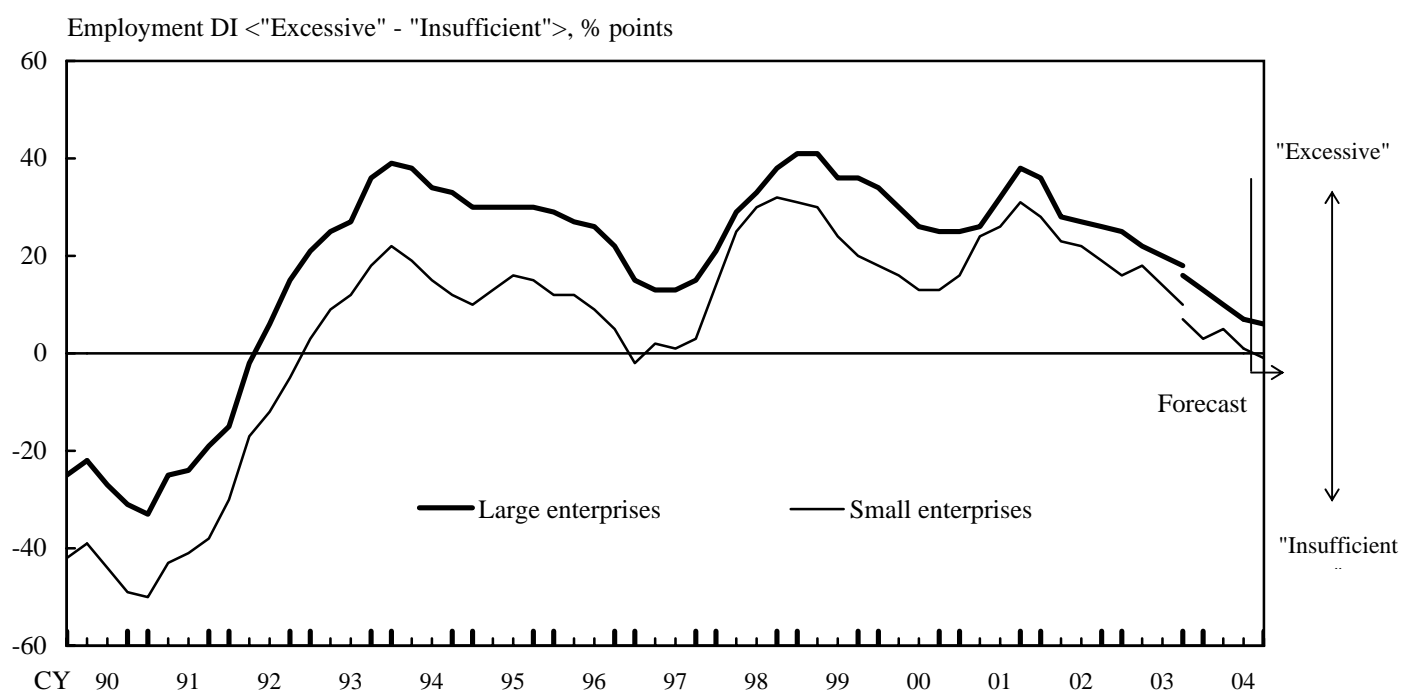
Notes: 1. Figures for 2004/Q3 are those of July-August averages.

2. Data are for establishments with at least 5 employees.

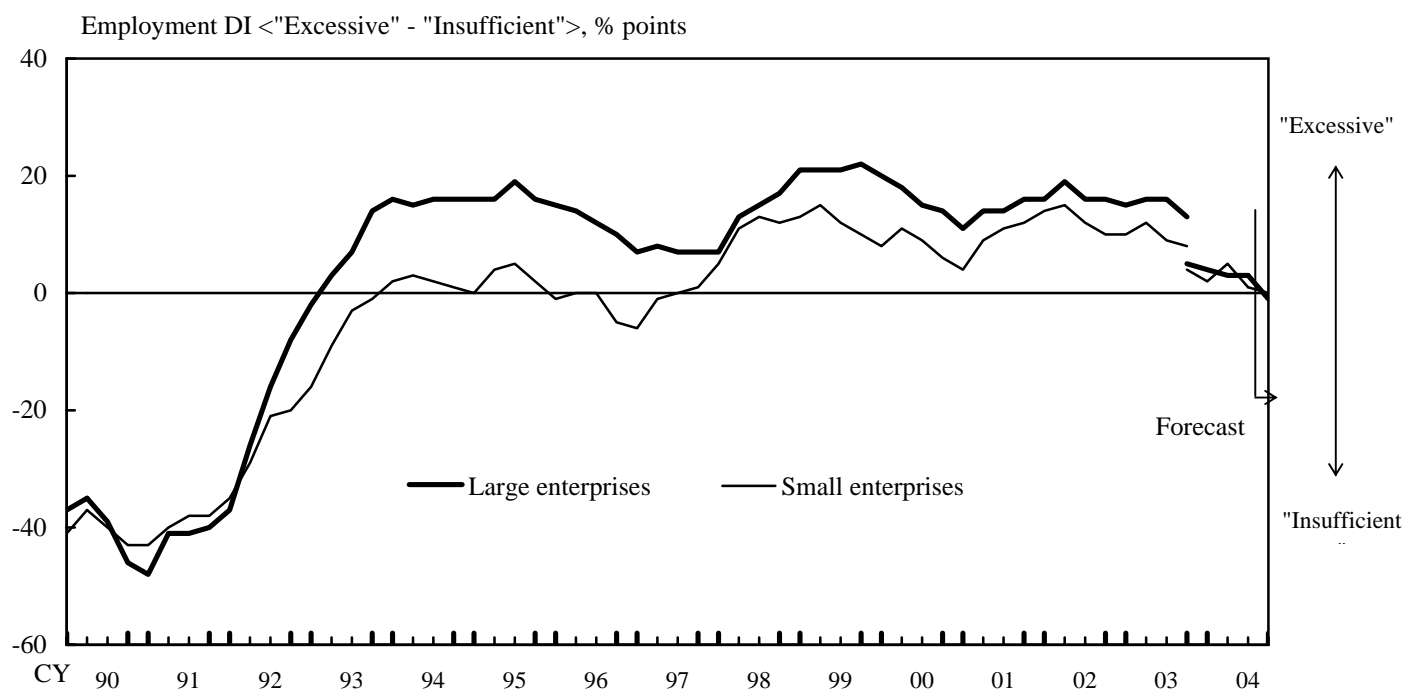
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
Ministry of Internal Affairs and Communications, "Labour Force Survey."

Employment Conditions

(1) Manufacturing



(2) Nonmanufacturing

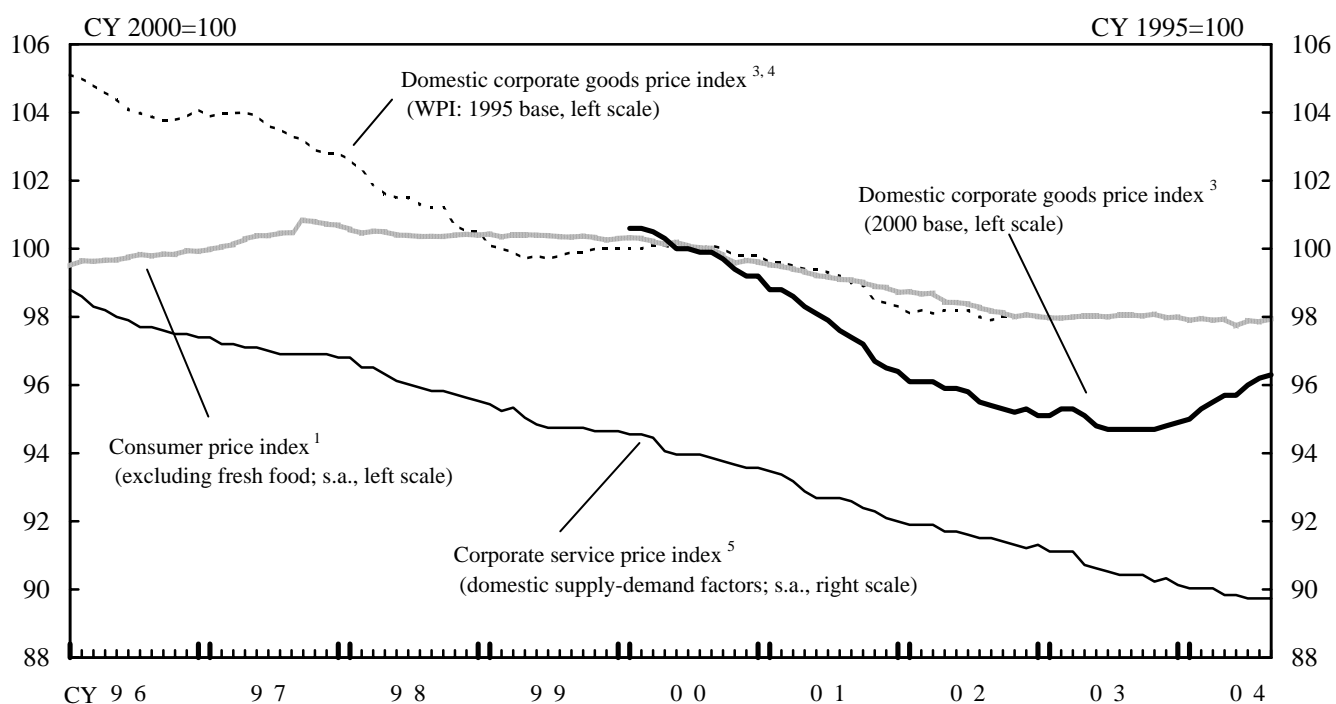


Note: The *Tankan* has been revised from the March 2004 Survey. Figures up to the December 2003 Survey are based on the previous data sets. Figures from the December 2003 Survey are on a new basis.

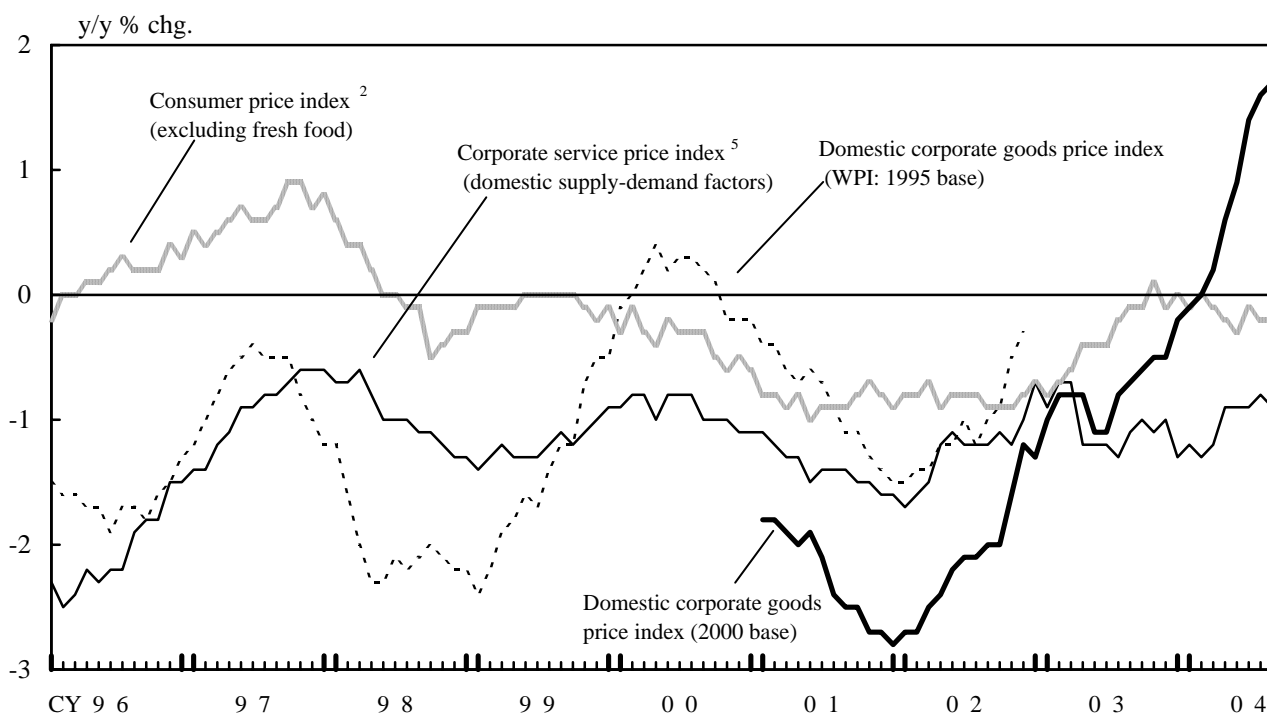
Source: Bank of Japan, "*Tankan*, Short-term Economic Survey of Enterprises in Japan."

Prices⁶

(1) Level



(2) Changes from a year earlier

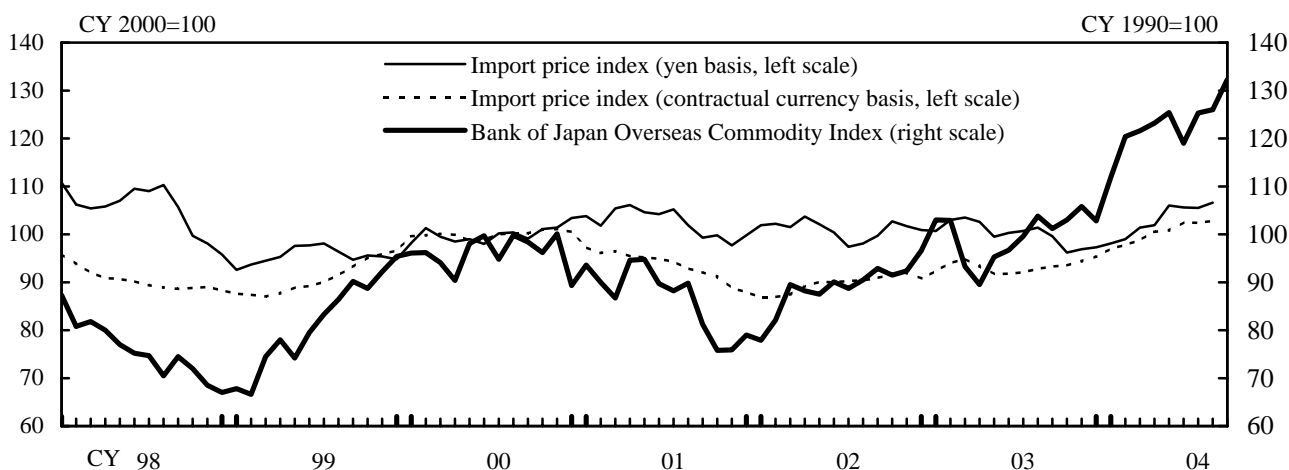


- Notes: 1. Seasonally adjusted by X-12-ARIMA, based on the original series excluding "package tours to overseas" newly adopted from the 2000 base. This is because sample size of this item is insufficient for seasonal adjustment, though it has large seasonal fluctuations.
2. Data up to Dec. 2000 are 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 Internal Affairs and Communications, "Consumer Price Index";
Bank of Japan, "Corporate Goods Price Index," "Wholesale Price Indexes," "Corporate Service Price Index."

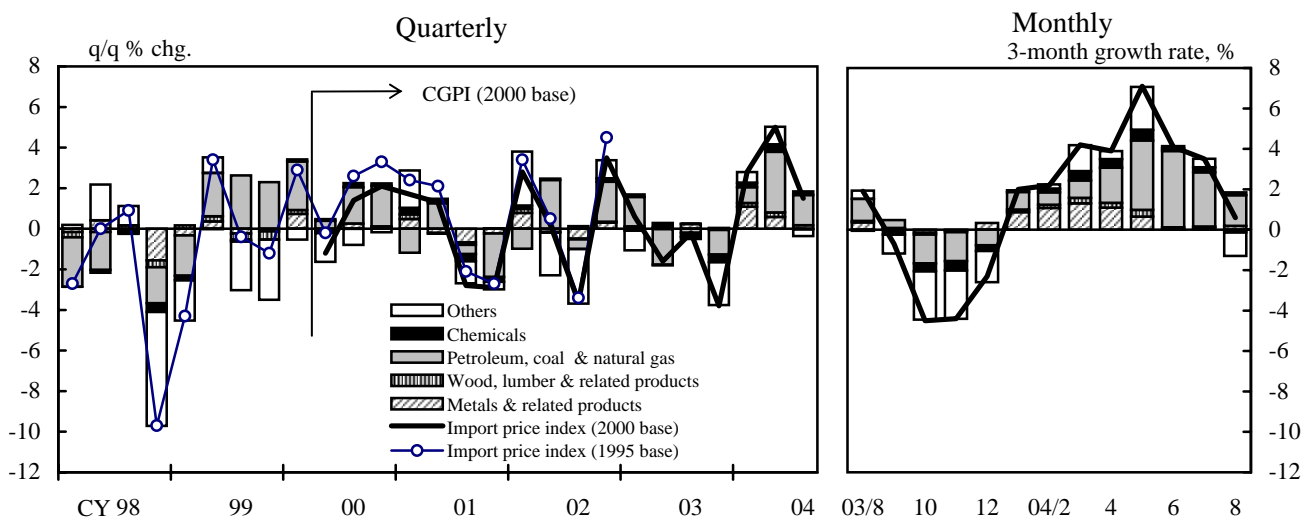
Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



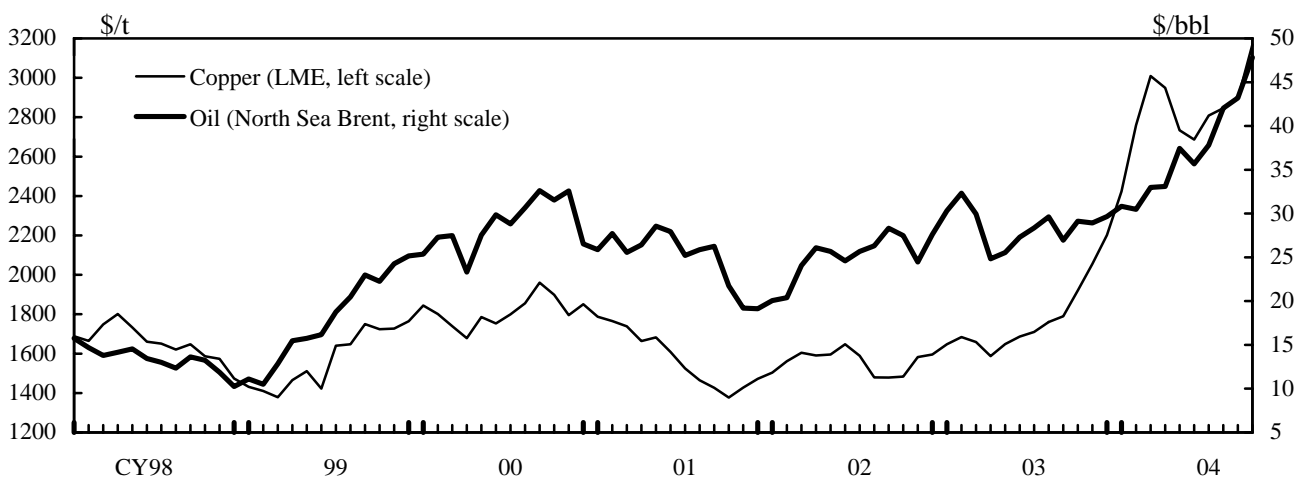
Note: Bank of Japan Overseas Commodity Index is the end of month figure.

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



Note: Figures for 2004/Q3 are those of July-August averages.
1995 base figure for 2002/Q4 is Oct.-Nov. average.

(3) Oil price and Copper price

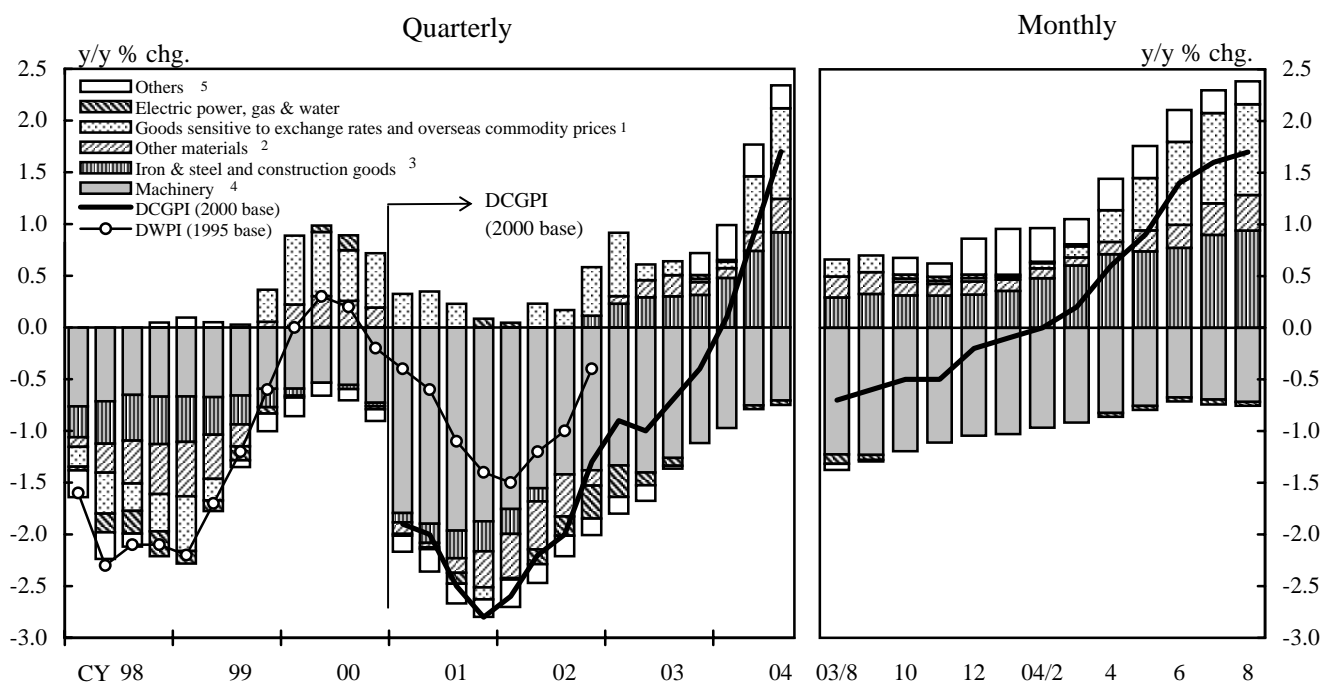
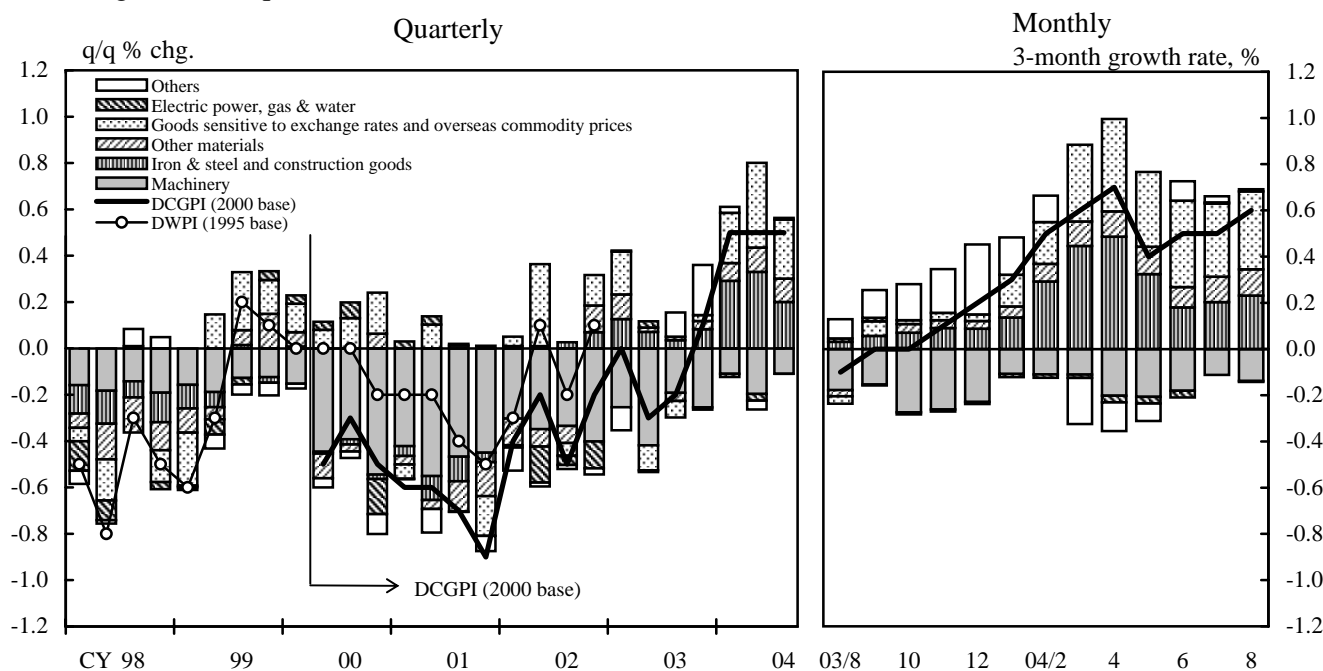


Note: Monthly averages. Figures for October 2004 are the averages up to October 11.

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.

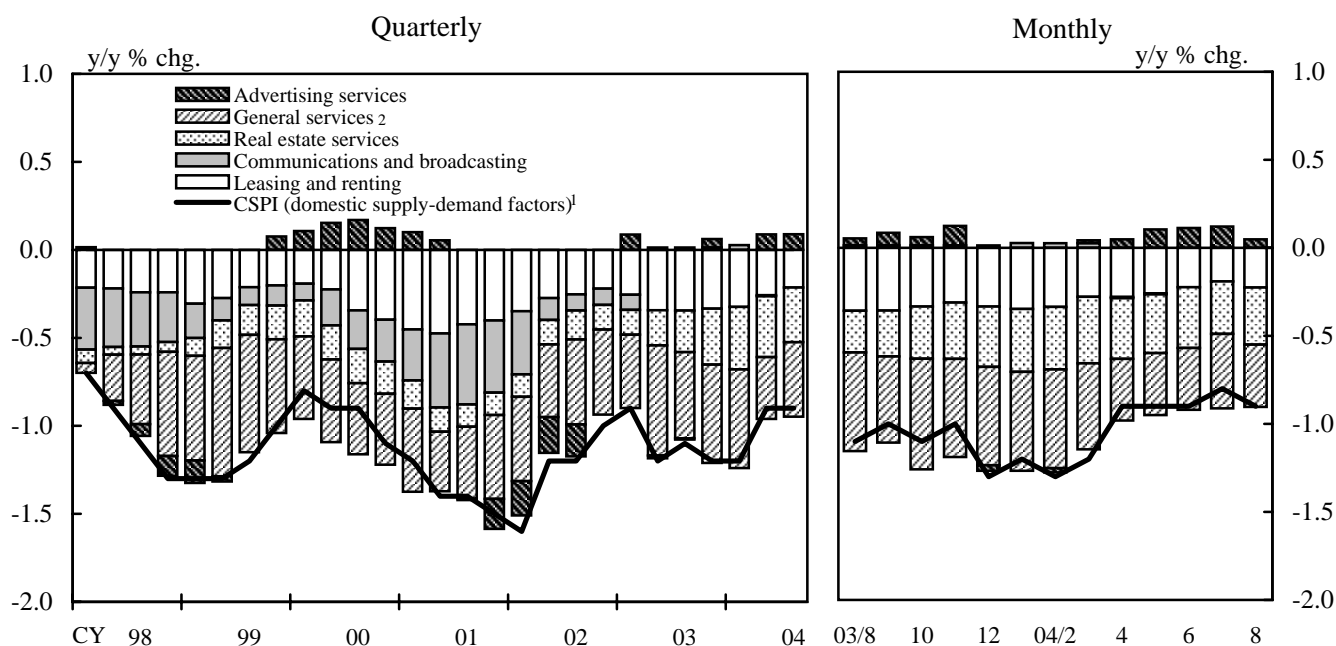
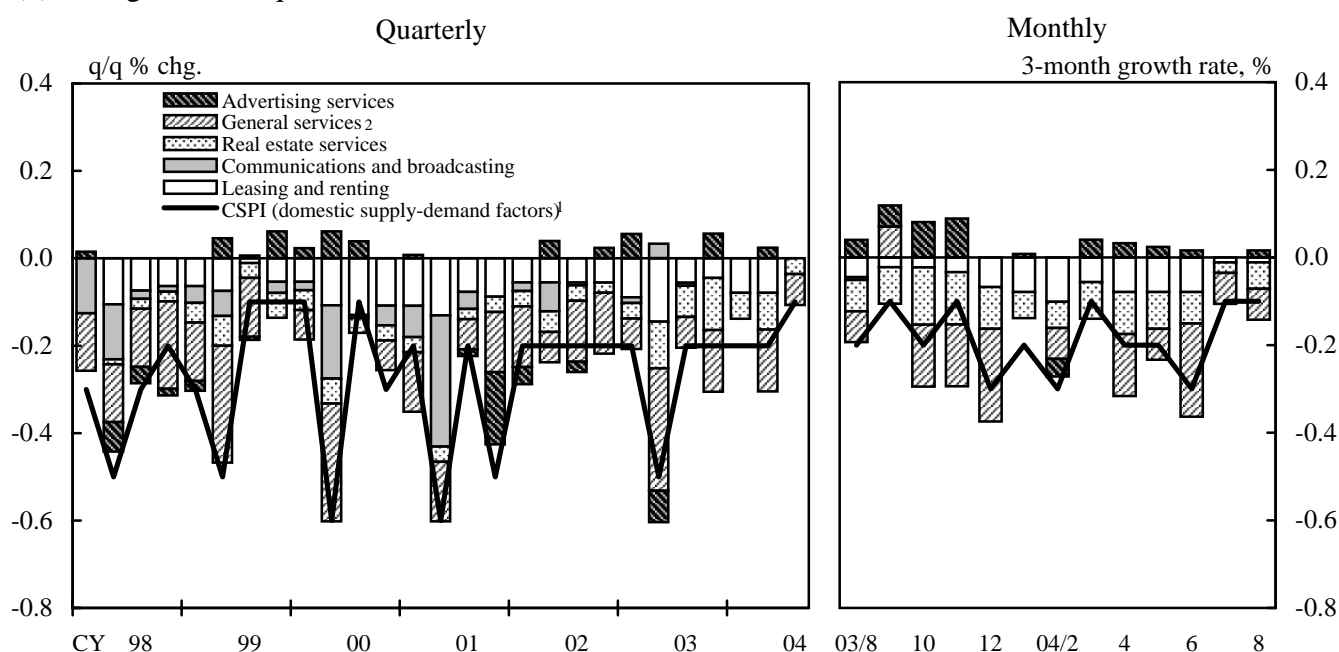
8. Figures for 2004/Q3 are those of July-August averages.

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.

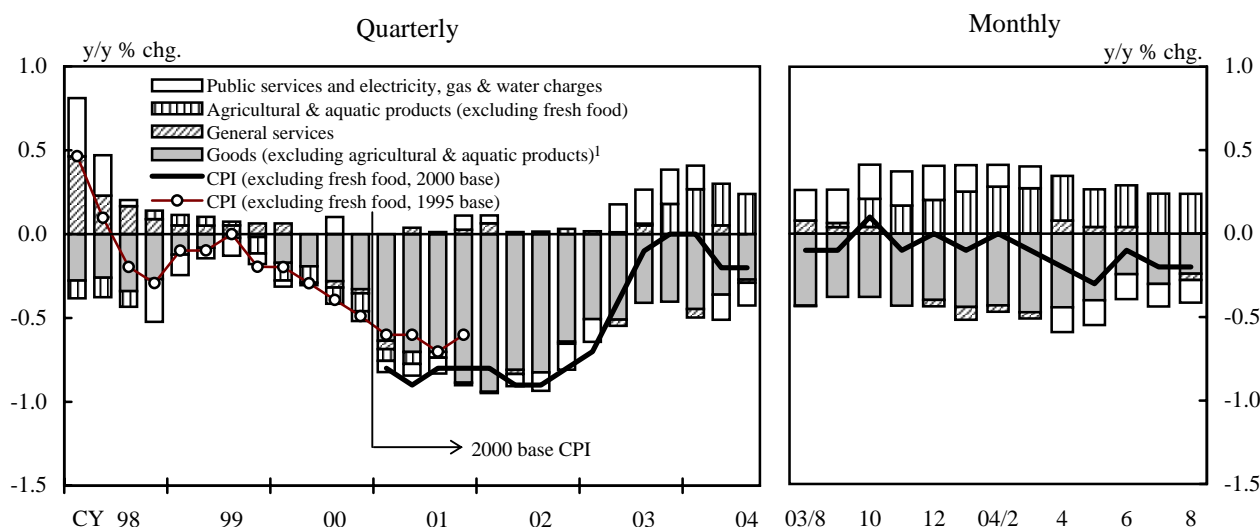
4. Adjusted to exclude the effects of the consumption tax hike on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

5. Figures for 2004/Q3 are those of July-August averages.

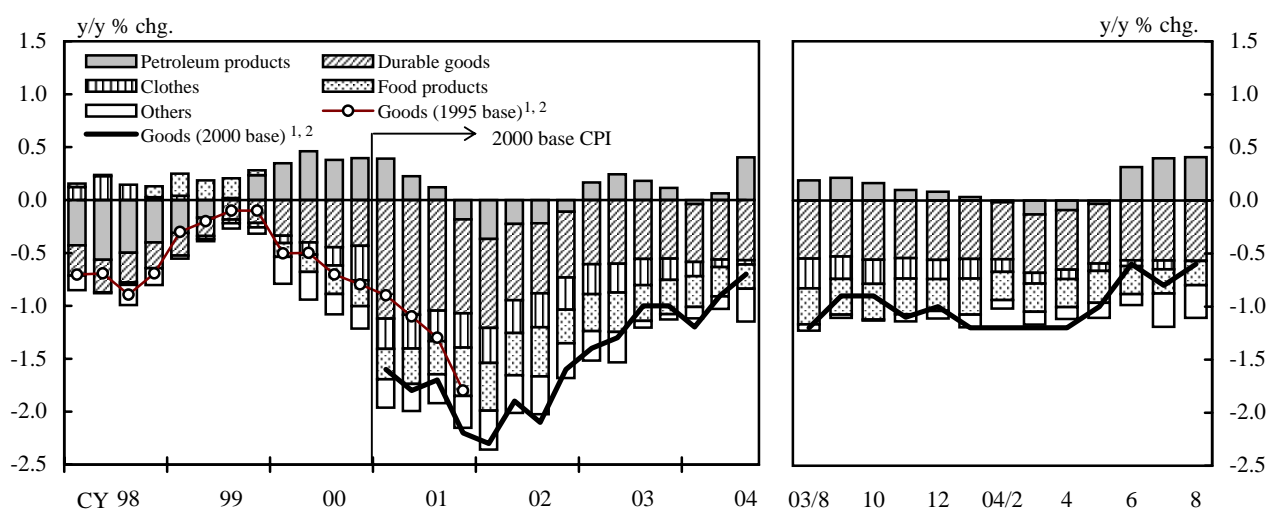
Source: Bank of Japan, "Corporate Service Price Index."

Consumer Price Index (excluding fresh food)³

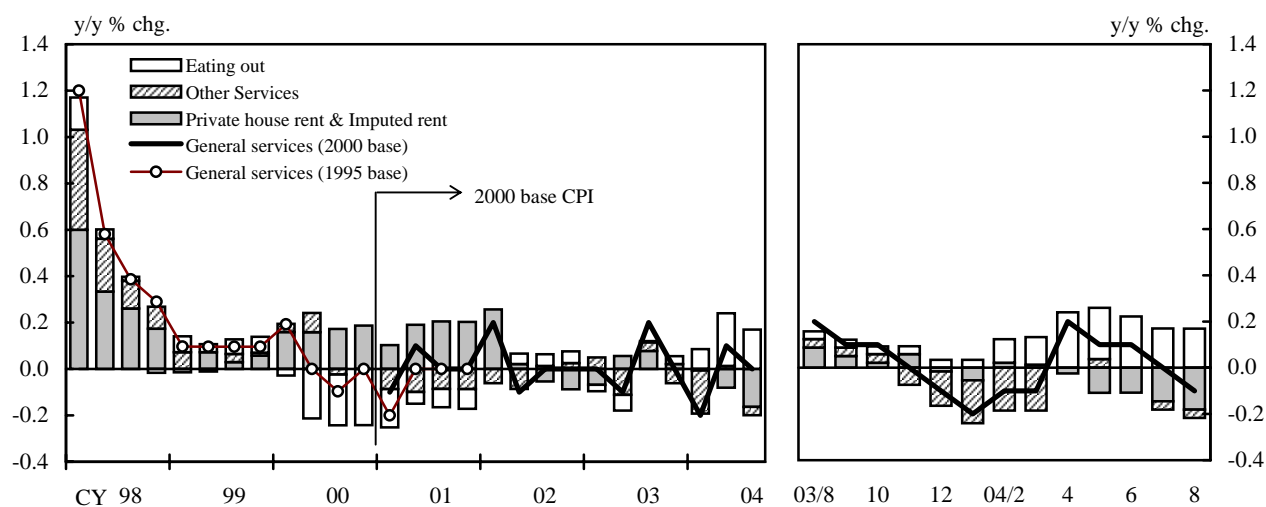
(1) Consumer price index (excluding fresh food)



(2) Goods (excluding agricultural & aquatic products)¹



(3) General services

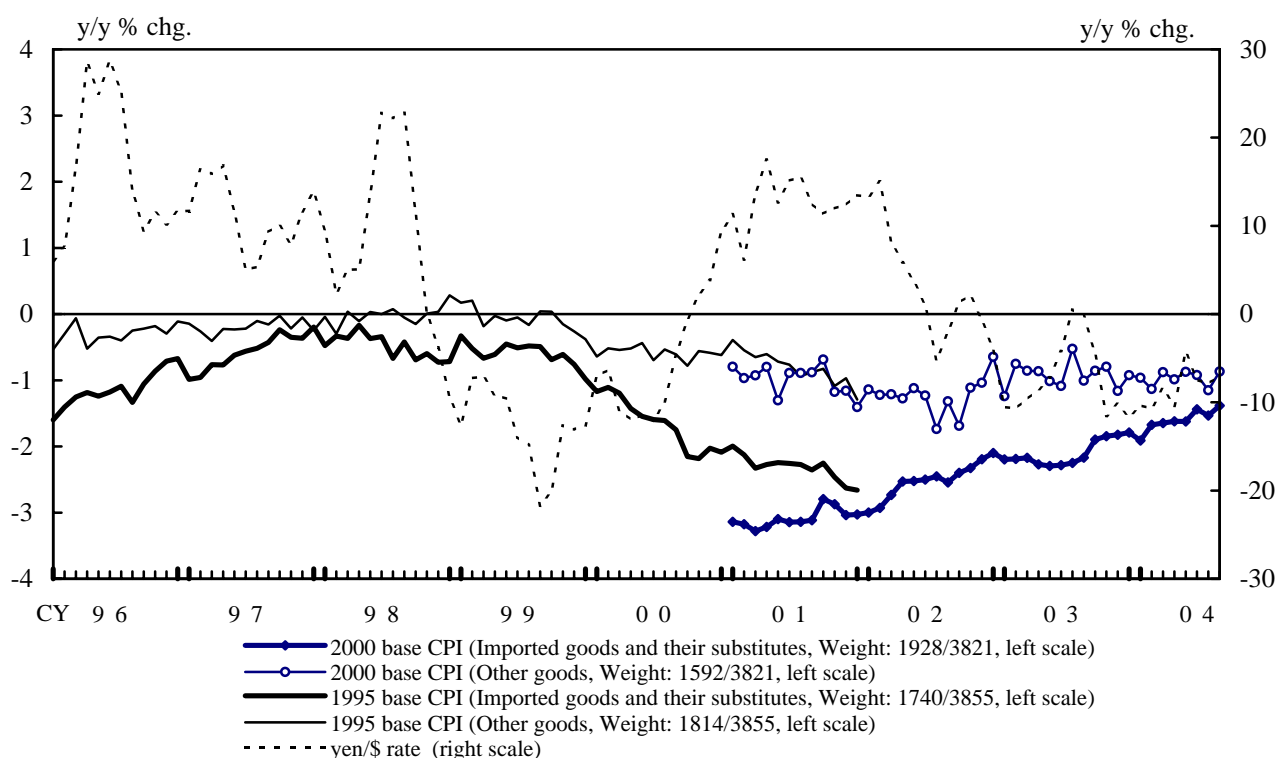


- Notes: 1. The Items are basically the same as the definition published by the Ministry of Internal Affairs and Communications, however electricity, gas & water charges is excluded from goods.
 2. Excluding agricultural & aquatic products.
 3. Adjusted to exclude the effects of the consumption tax hike on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.
 4. Figures for 2004/Q3 are those of July-August averages.

Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

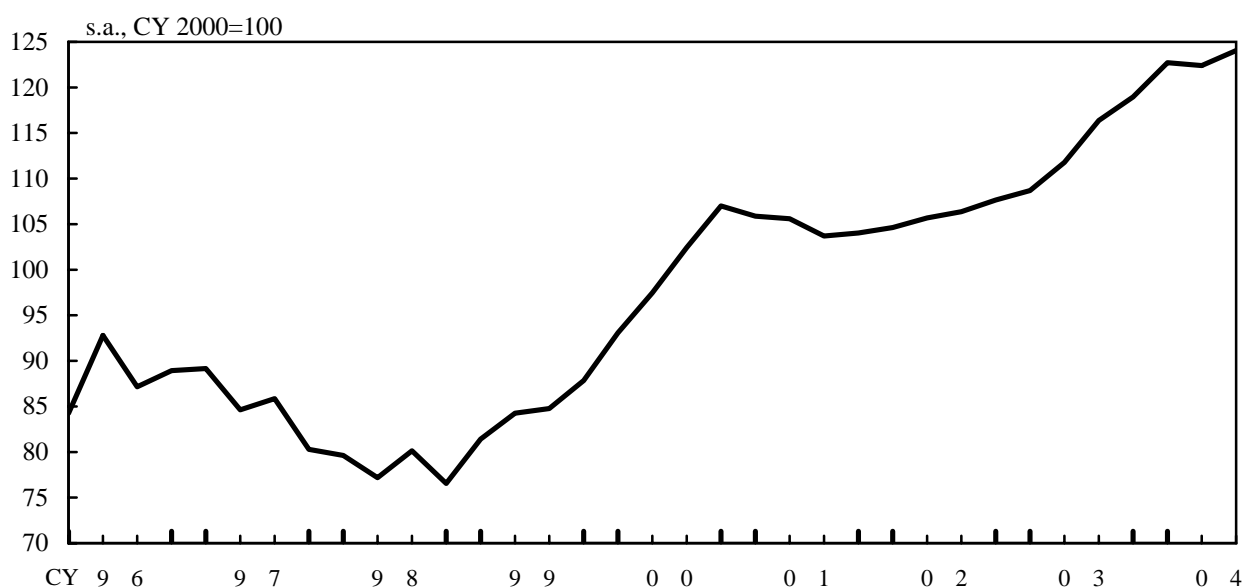
Consumer Prices of imported goods and their substitutes

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



- Notes:
1. 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.
 2. Goods covered here exclude petroleum products and agricultural & aquatic products.
Weight is shares in Goods (excluding agricultural & aquatic products).
 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.
 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)

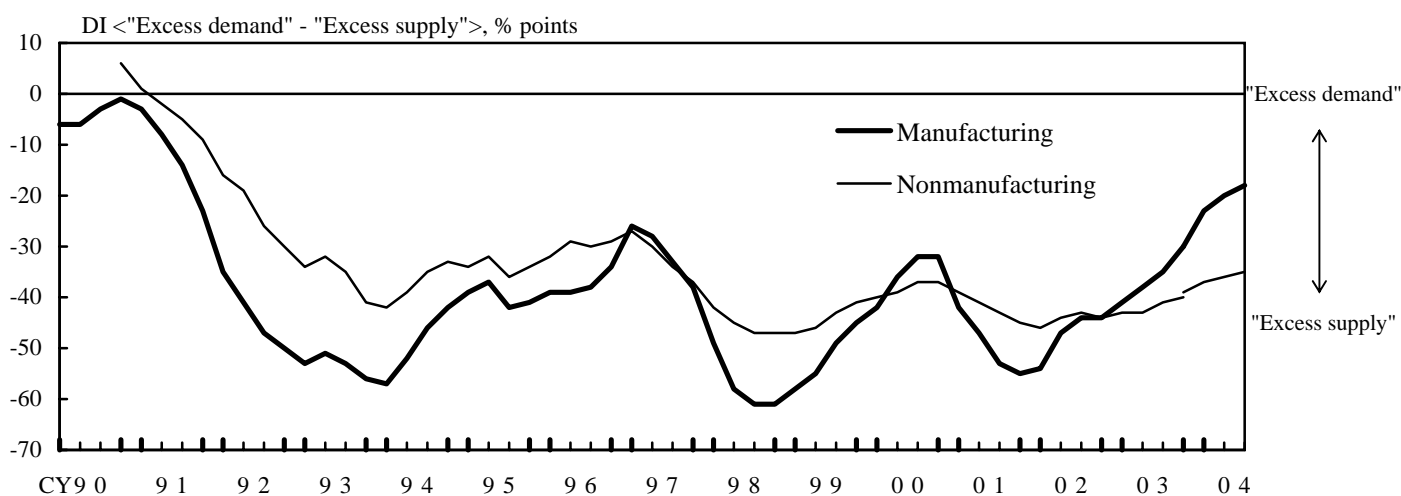
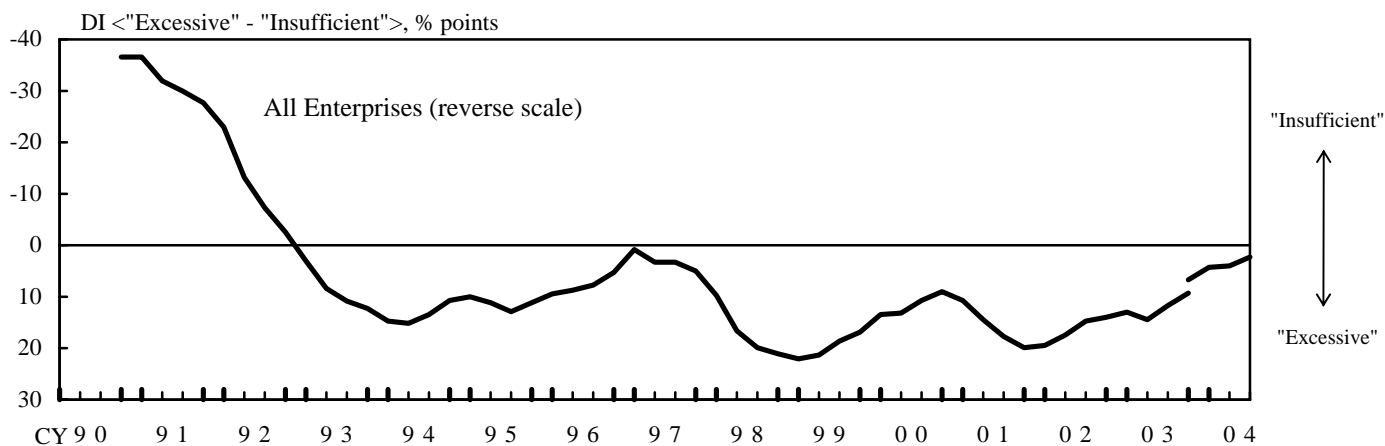


- Notes:
1. Real imports (consumer goods), which are composed of motor vehicles, audio and visual apparatus, office machinery, foodstuffs and textiles, are calculated from the Trade Statistics as an index with the 2000 average equal to 100.
 2. 2004/Q3 figure is July-August at a quarterly rate.

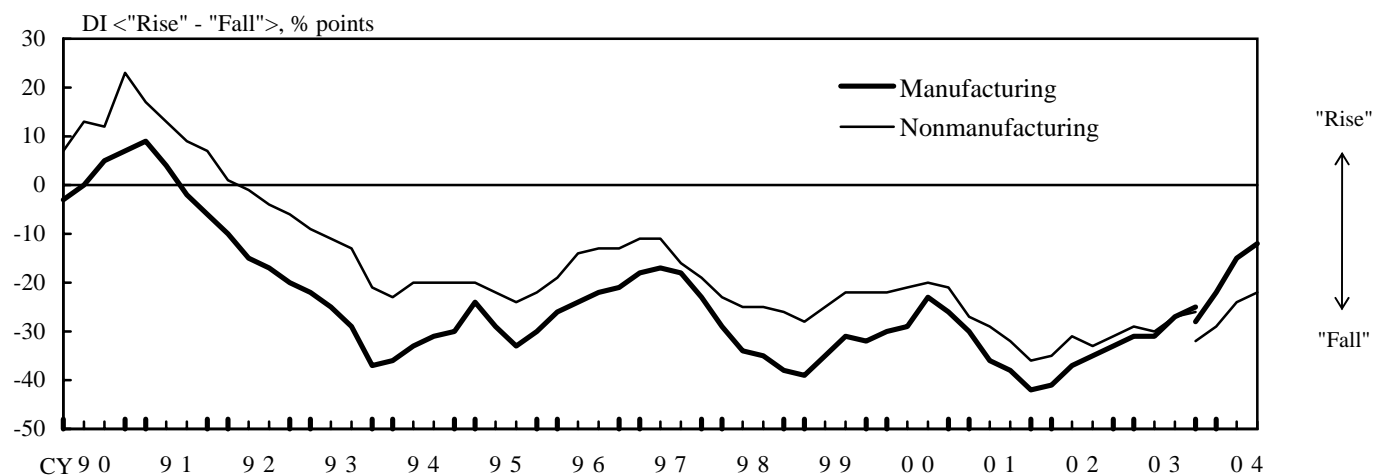
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index";
Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

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.

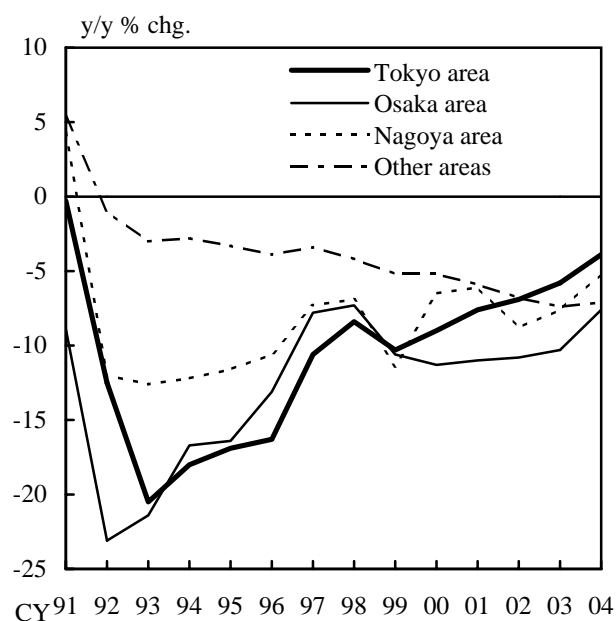
Sources: Cabinet Office, "National Accounts";

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

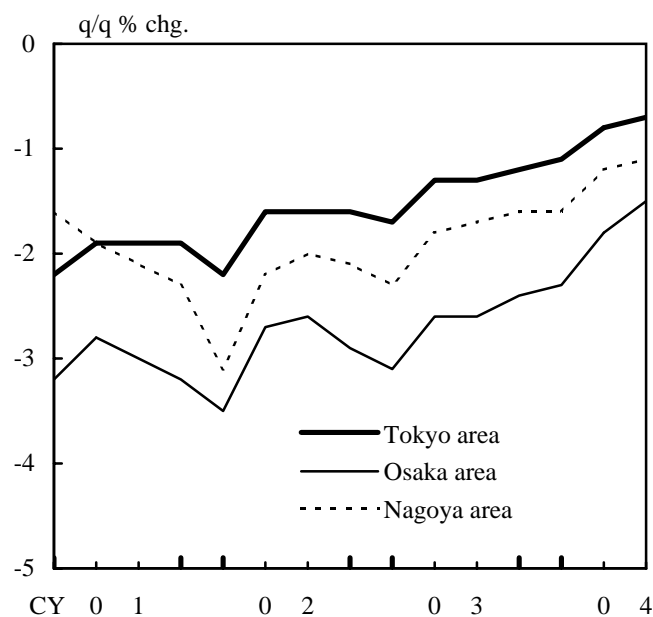
Land Prices

(1) Commercial land

(1-1) Prefectural Land Prices (as of July 1st)

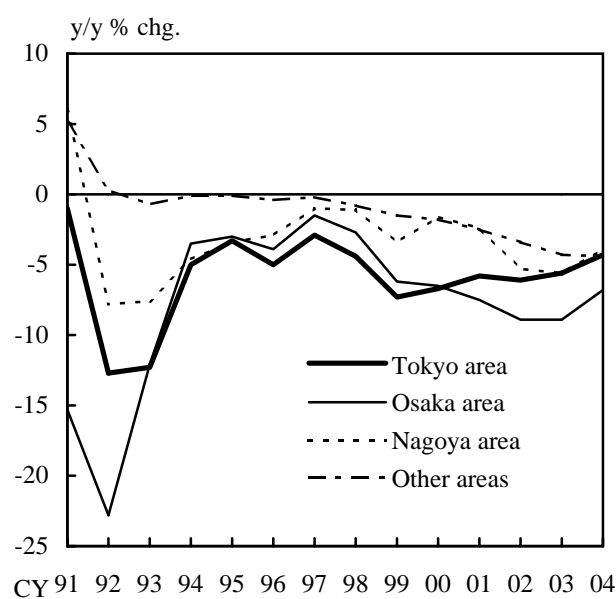


(1-2) Land prices at representative locations

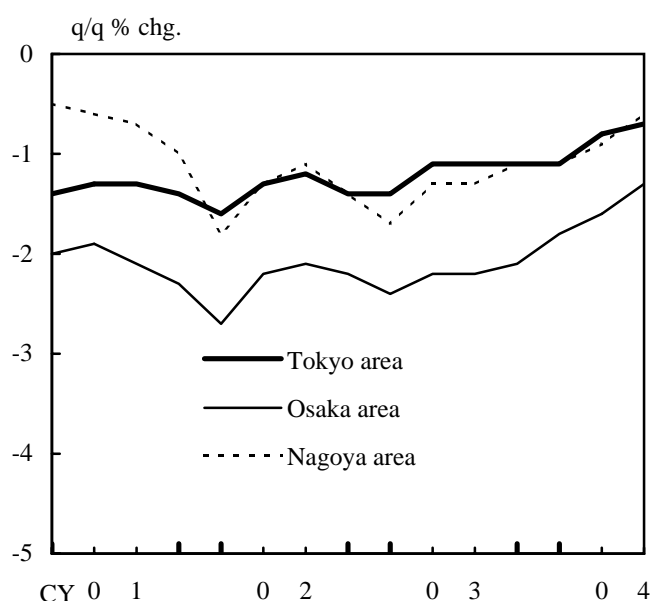


(2) Residential land

(2-1) Prefectural Land Prices (as of July 1st)



(2-2) Land prices at representative locations

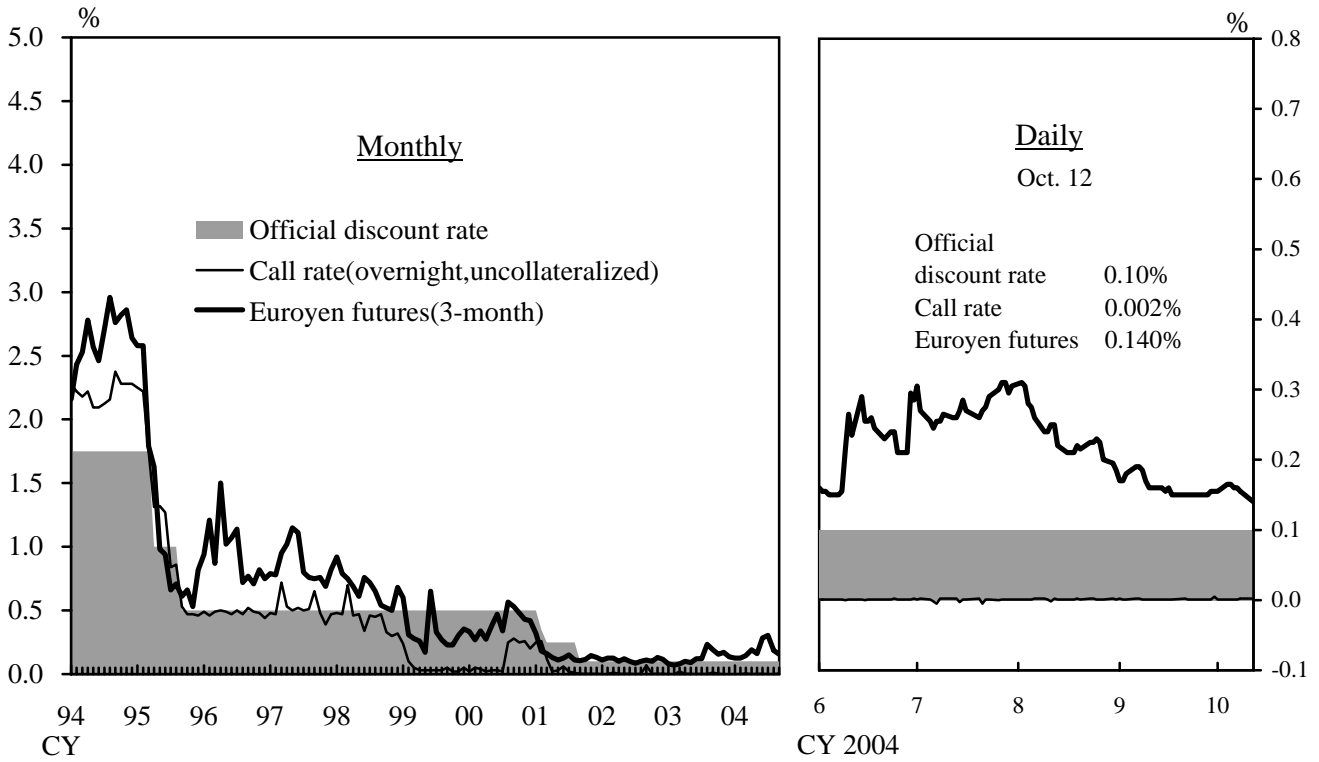


Note: *Publication of Land Price*, surveyed by the Ministry of Land, Infrastructure and Transport, shows the land prices as of January 1st. *Prefectural Land Price Survey*, surveyed by prefecture officials, shows the land prices as of July 1st. Each survey has representative locations called which are basically regarded as the same locations between the two statistics. The prices of these representative locations are also surveyed on April 1st and October 1st, so the series of the quarterly price changes for those locations can be obtained.

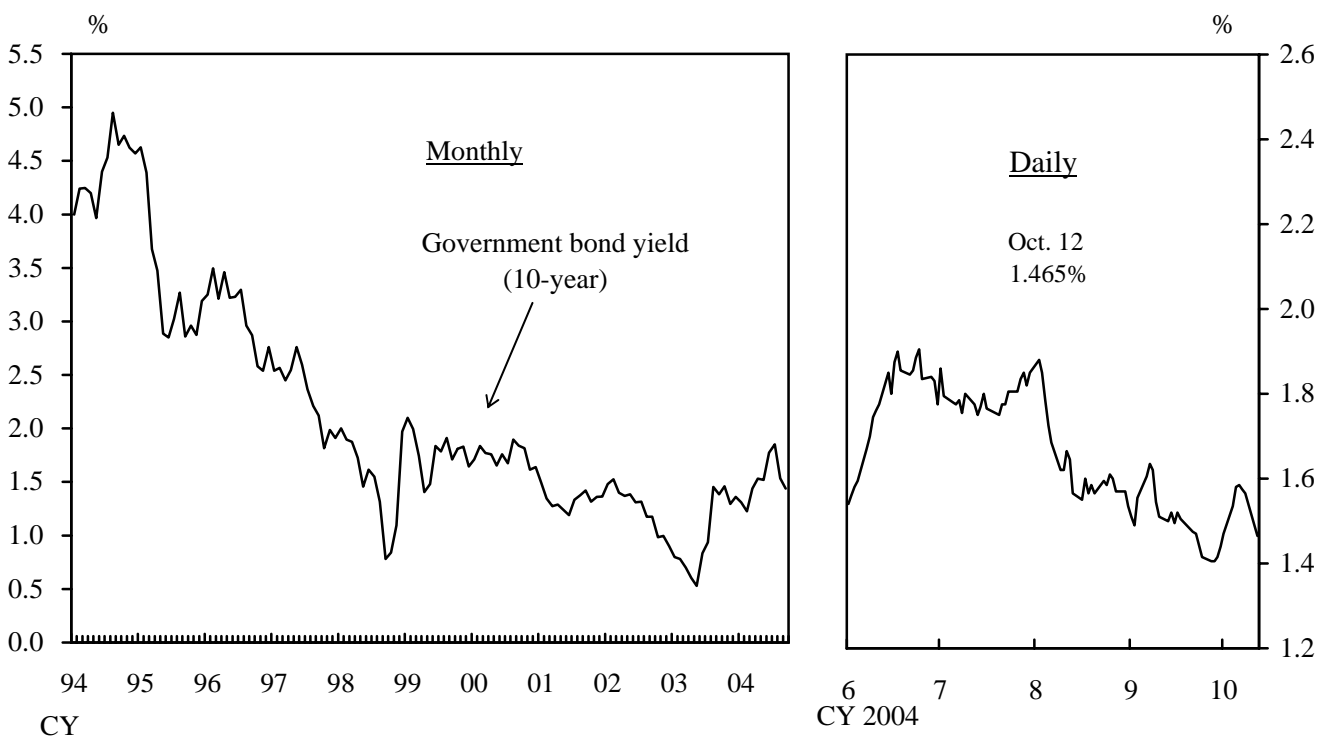
Sources: Ministry of Land, Infrastructure and Transport, "Publication of Land Price,"
"Prefectural Land Price Survey."

Interest Rates

(1) Short-Term



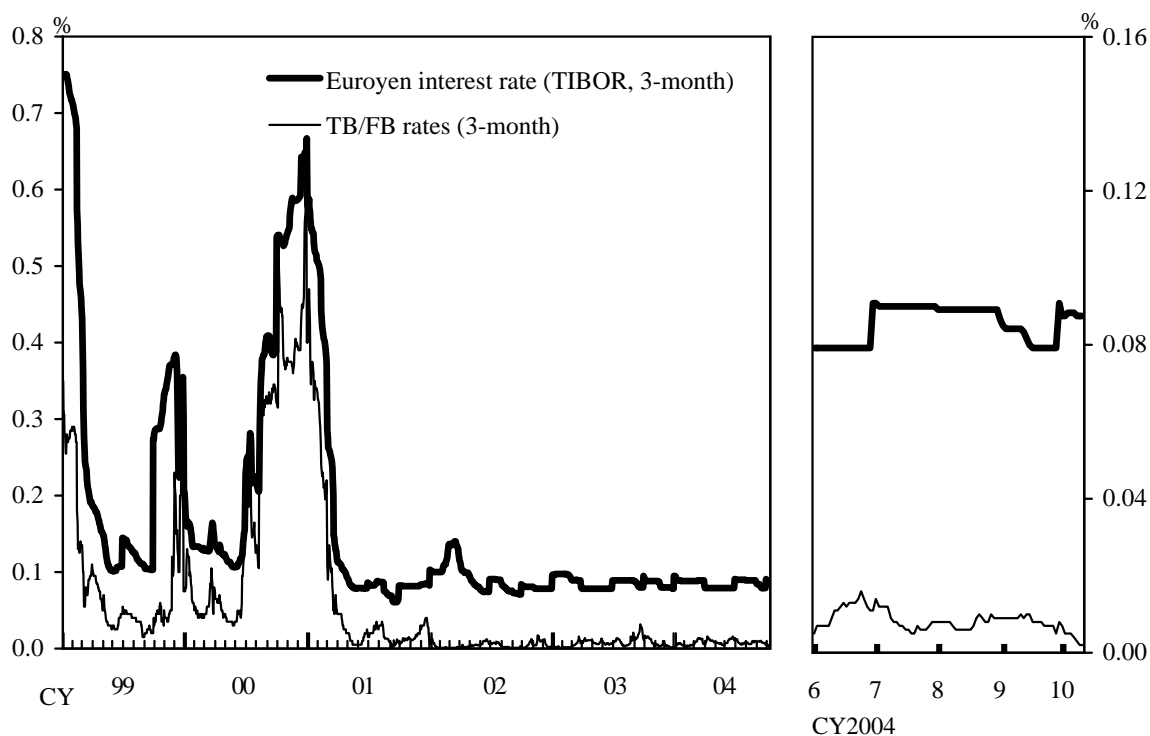
(2) Long-Term



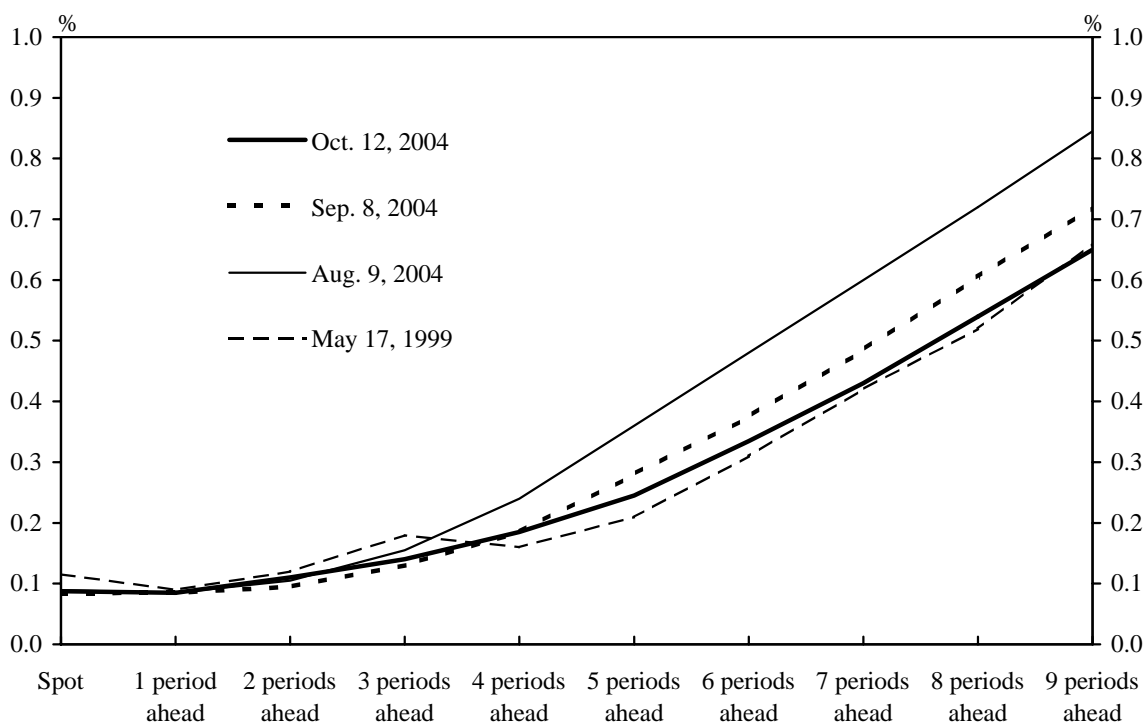
Sources: Bank of Japan; Tokyo International Financial Futures Exchange;
Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments



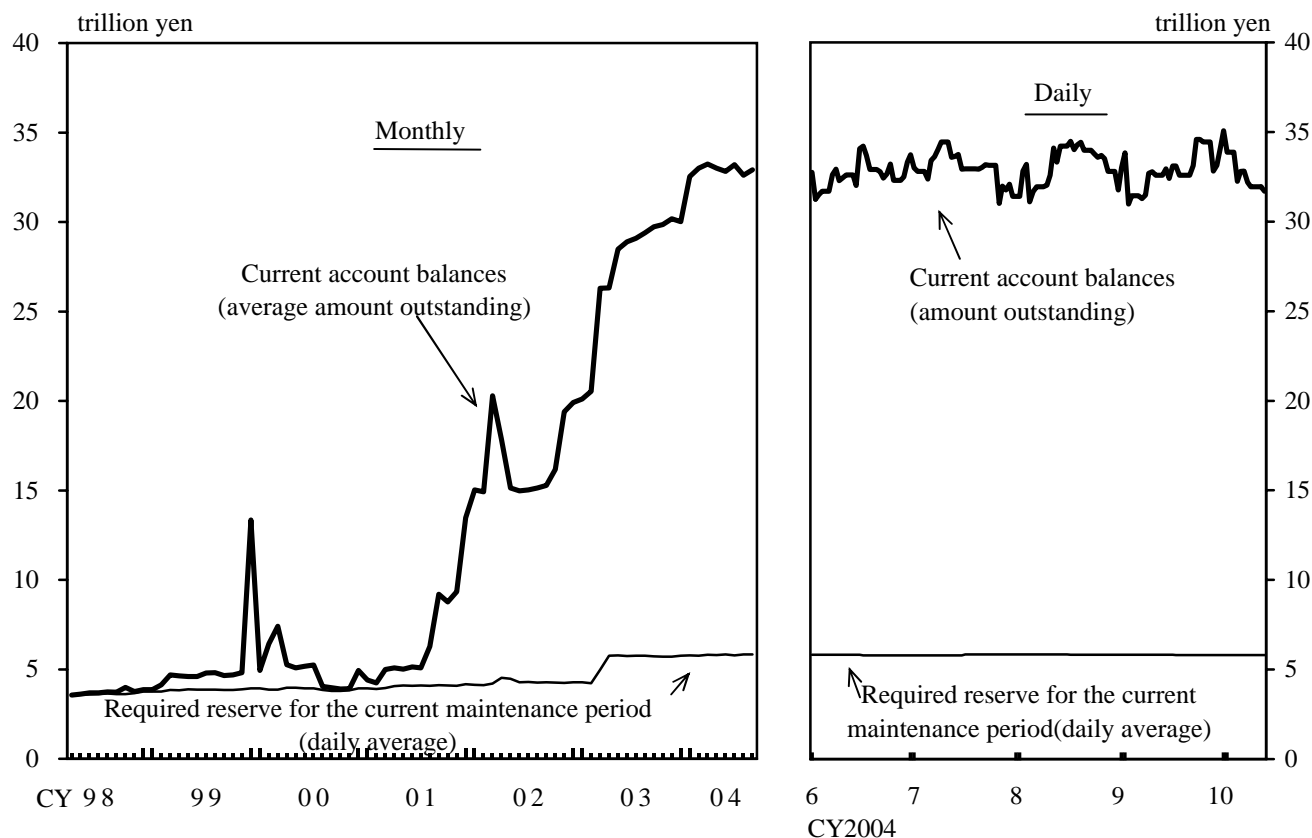
(2) Euroyen Interest Rates Futures (3-Month) ¹



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

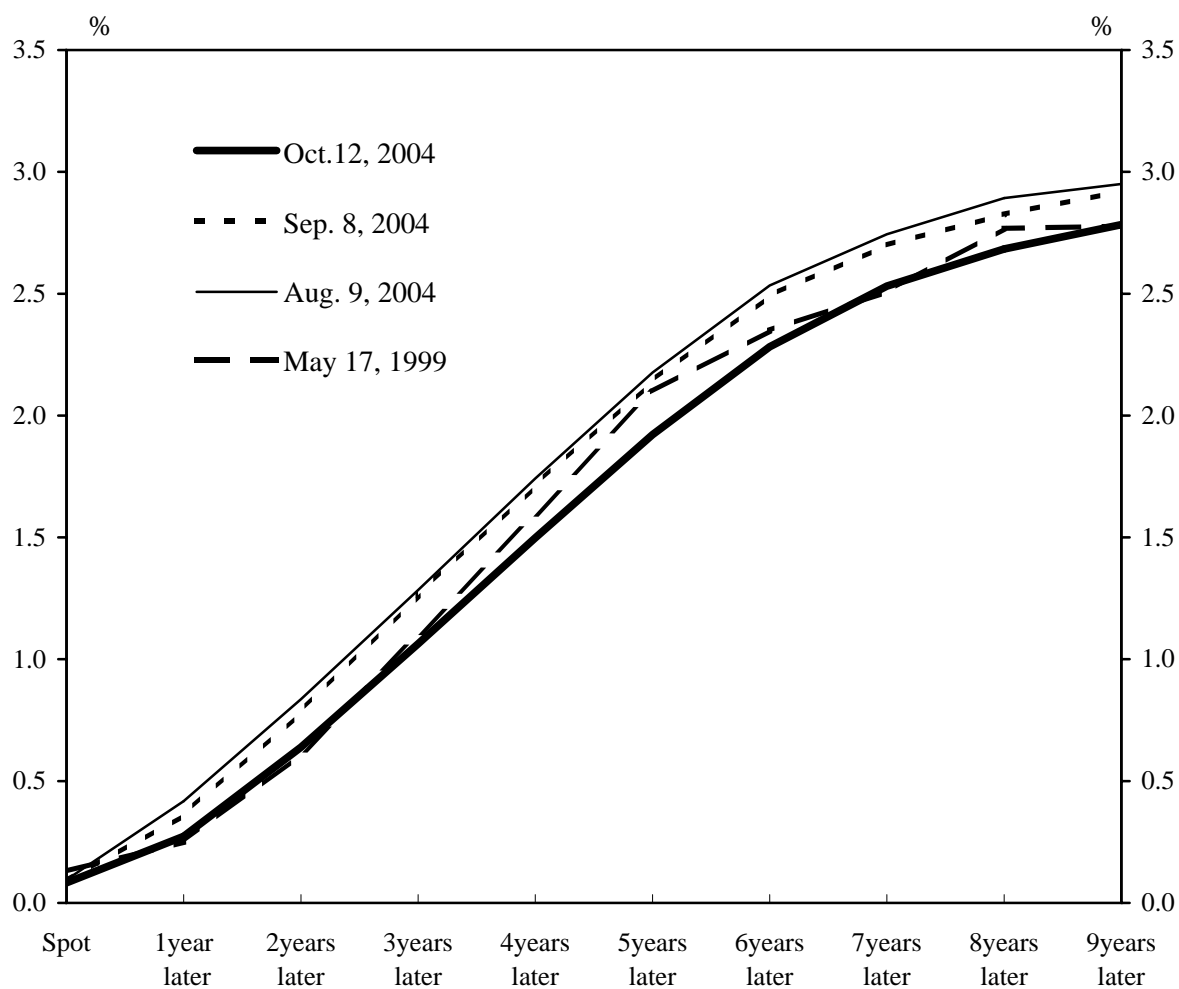
Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.; Tokyo International Financial Futures Exchange.

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.

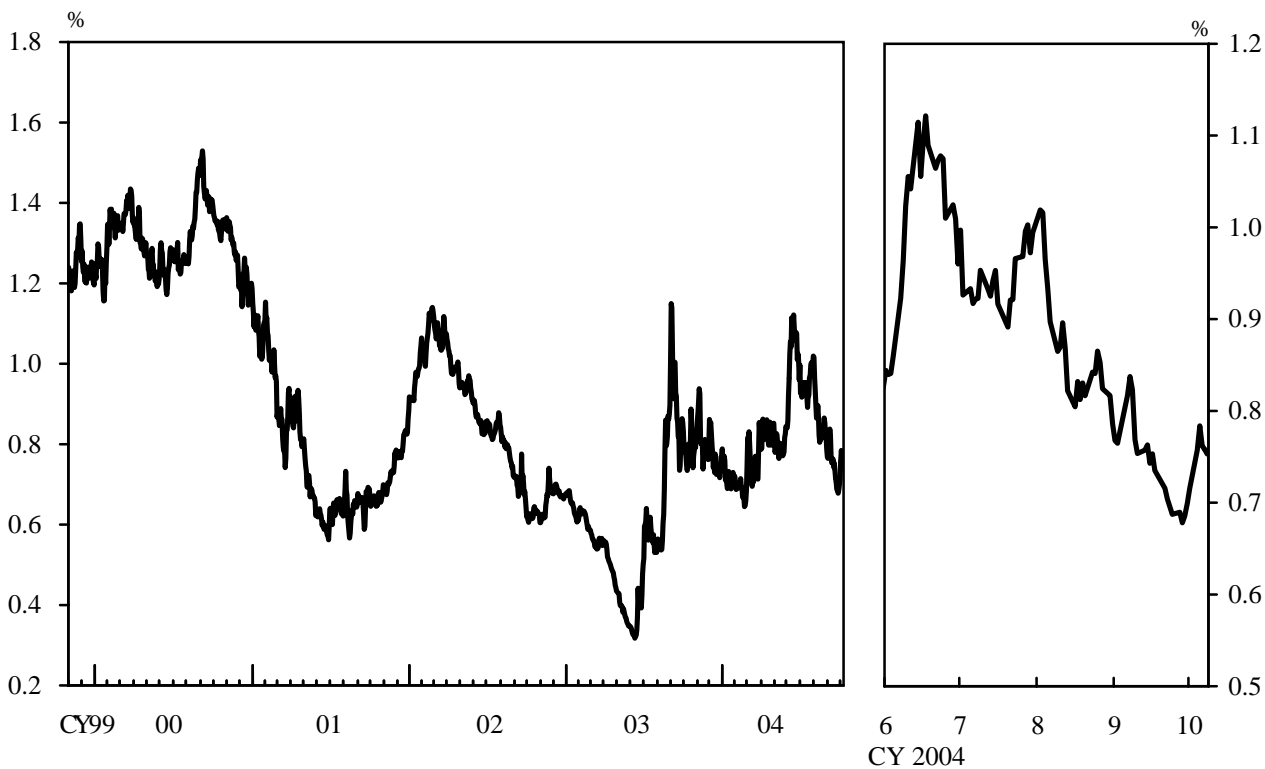
Implied Forward Rates (1-year)¹

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

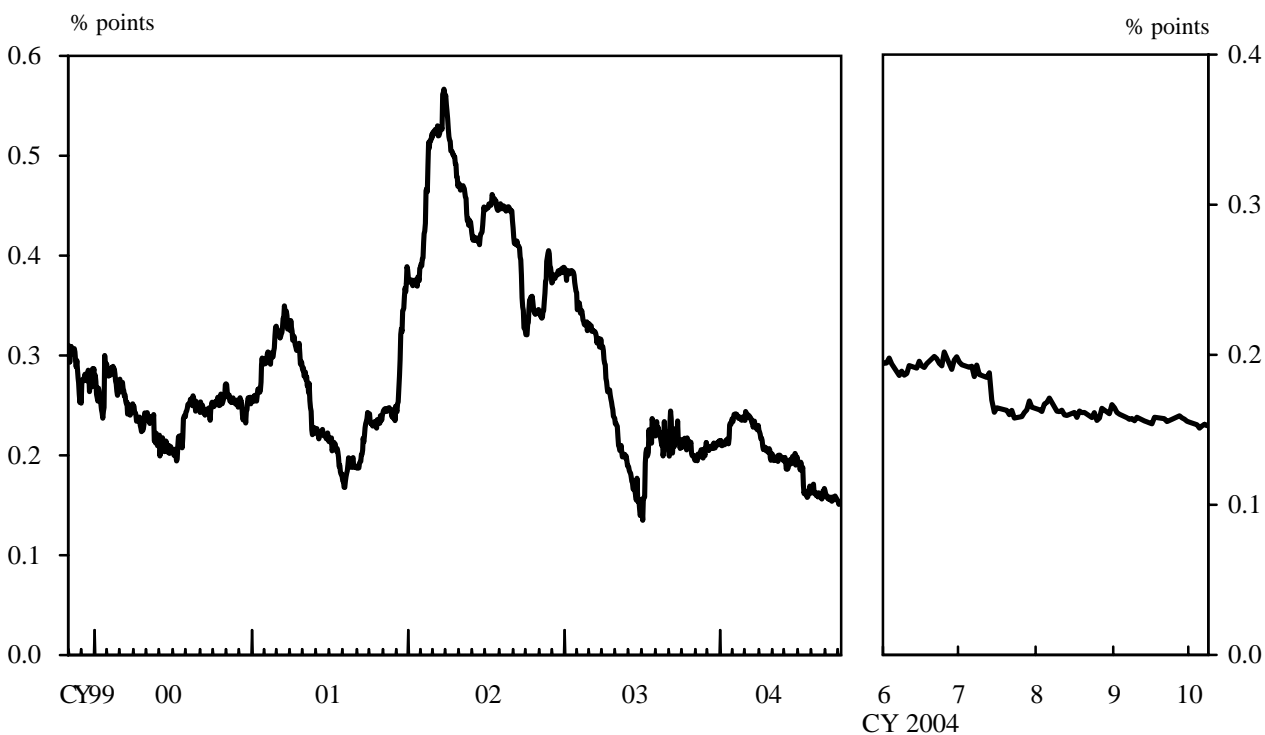
Source: QUICK Moneyline Telerate Corp.

Yields of Bank Bonds

(1) Average Bank Bond Yield



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



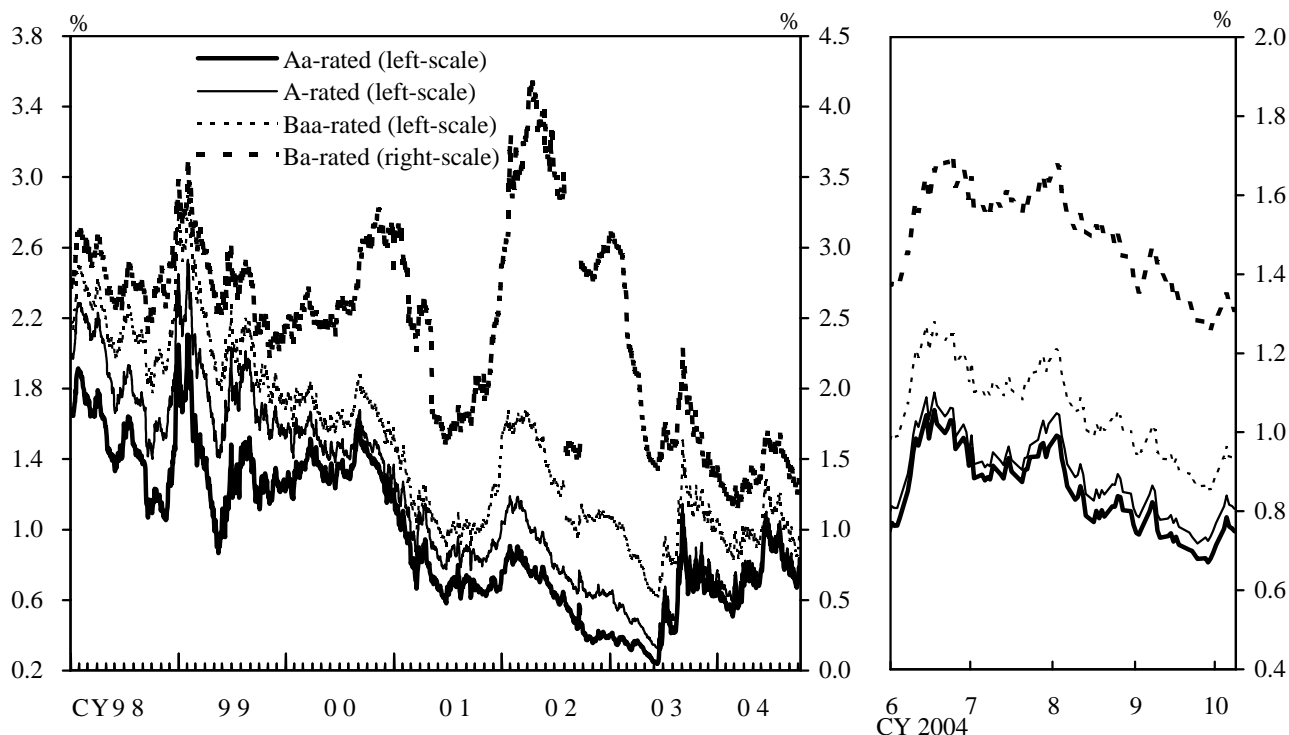
Notes: 1. Yields on bonds with 5-year maturity.

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

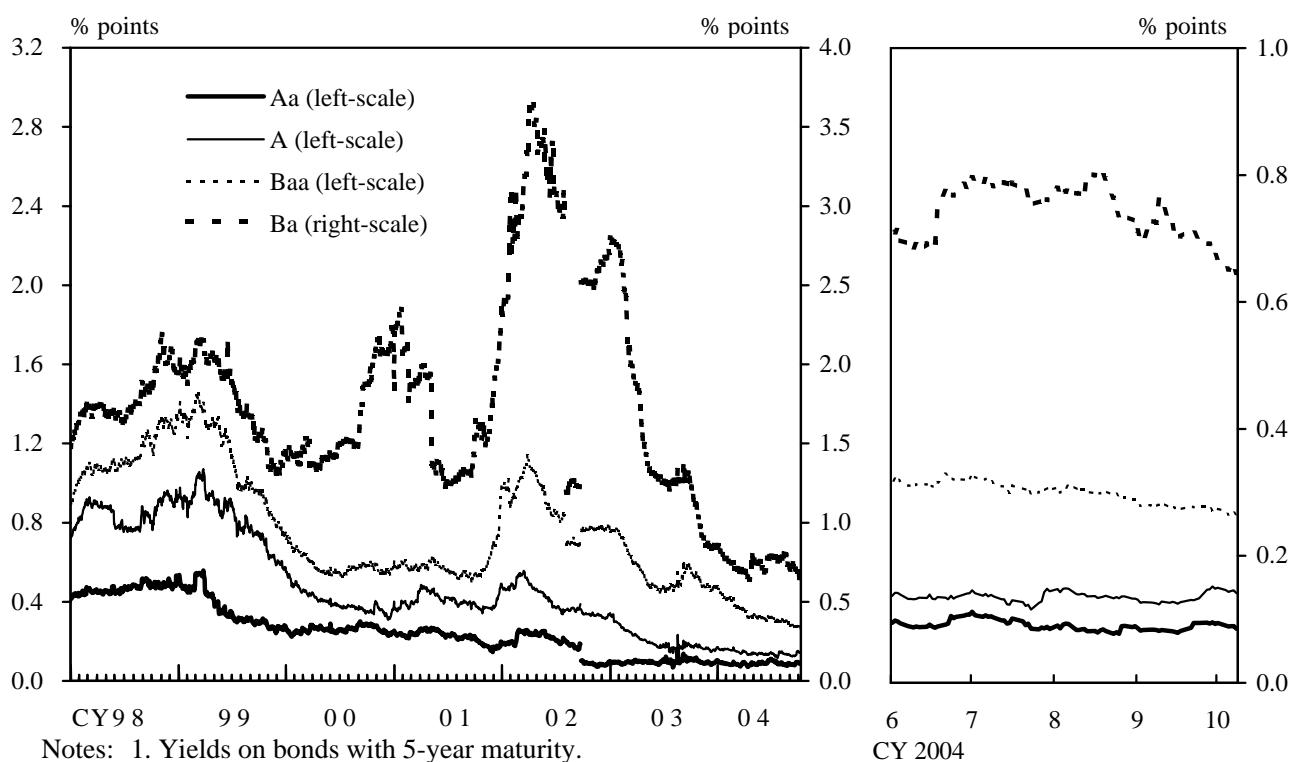
Sources: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."
 "Reference Price(Yields) Table for OTC Bond Transactions."

Yields of Corporate Bonds ¹

(1) Corporate Bond Yields



(2) Spreads of Corporate Bond Yields over Government Bond Yields



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

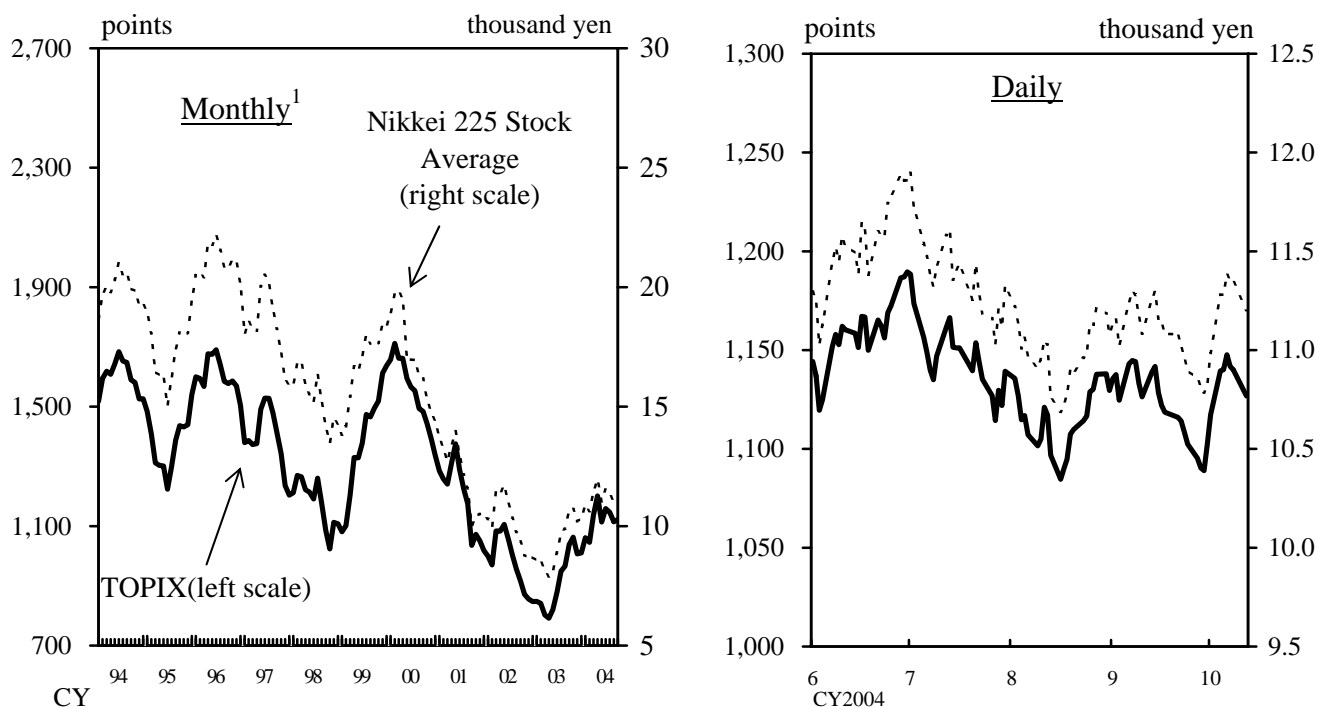
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of 4 to 6 years since Sep. 24, 2002.

2. The indicated ratings are of Moody's.

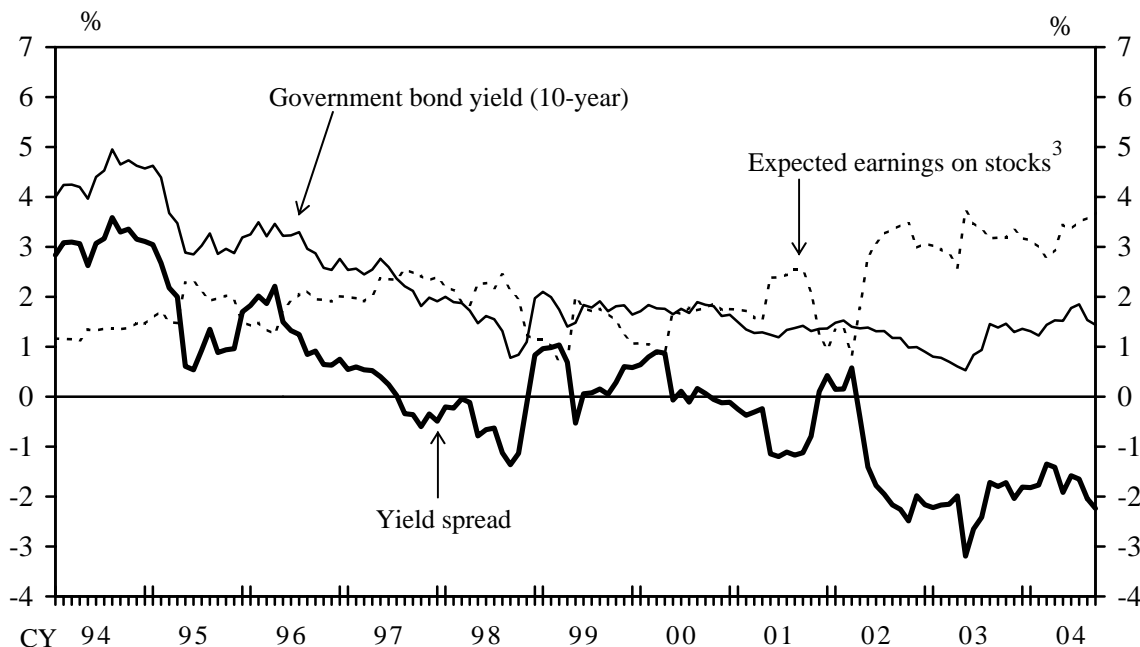
Sources: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations." "Reference Price(Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Stock Prices



(2) Yield Spread²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

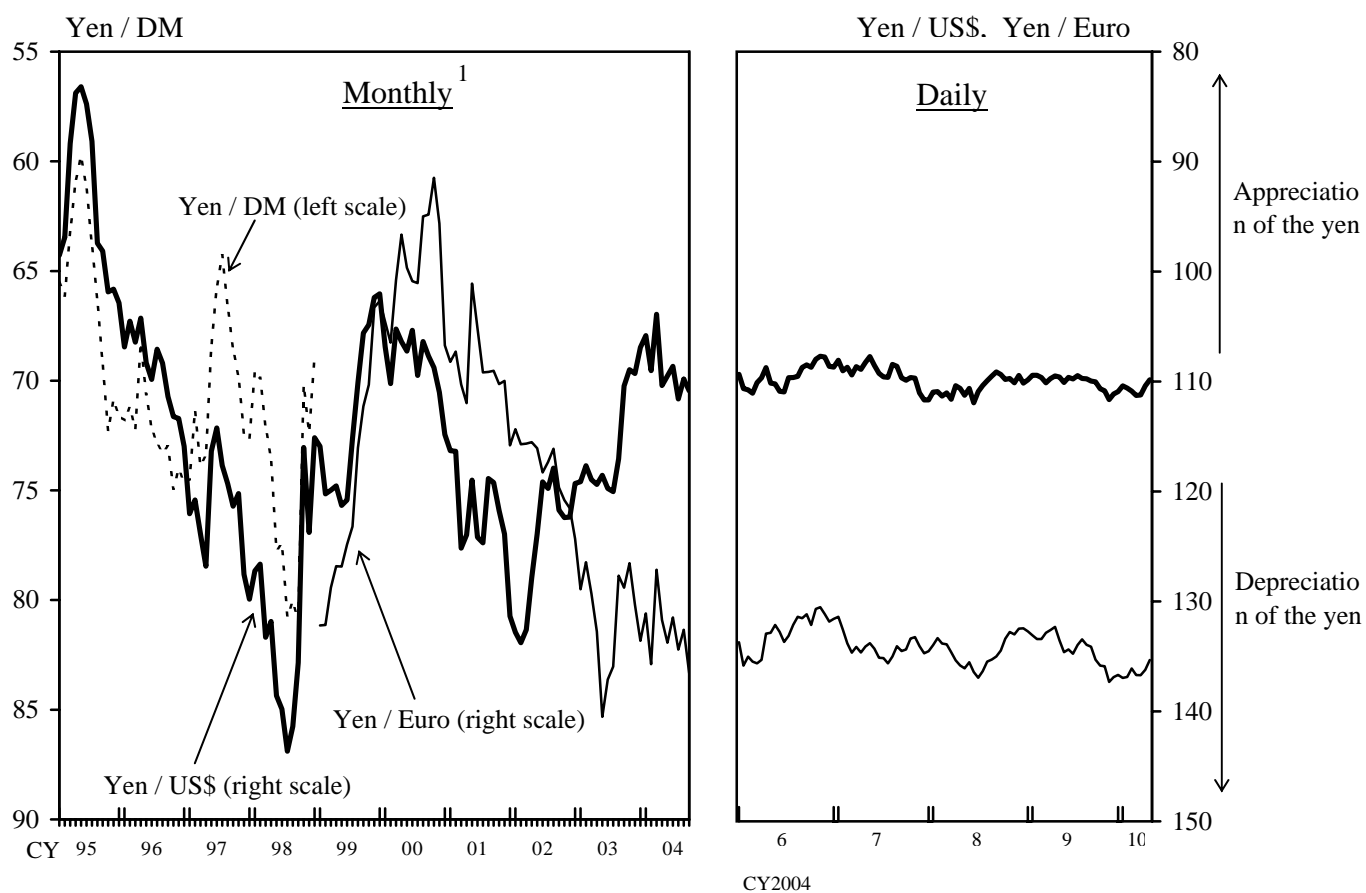
Yield spread = government bond yields - expected earnings on stocks,
 where expected earnings on stocks = 1/expected price earnings ratio.

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)."

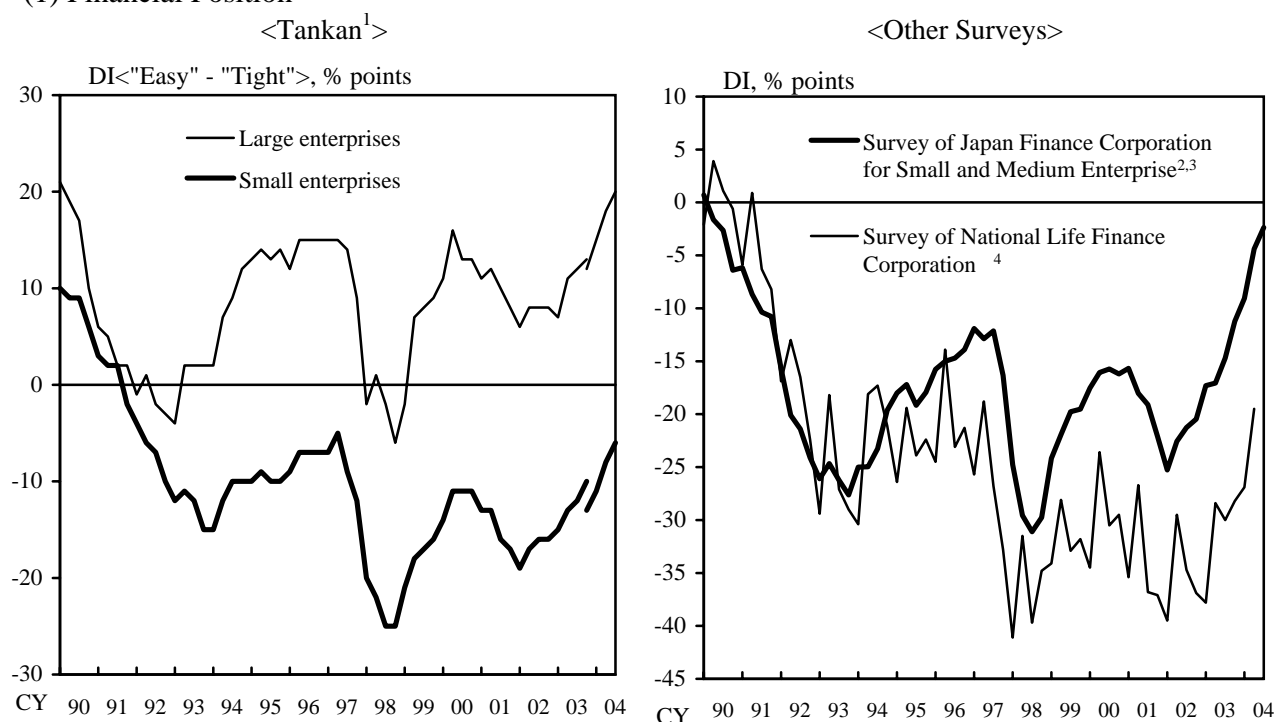
Exchange Rates



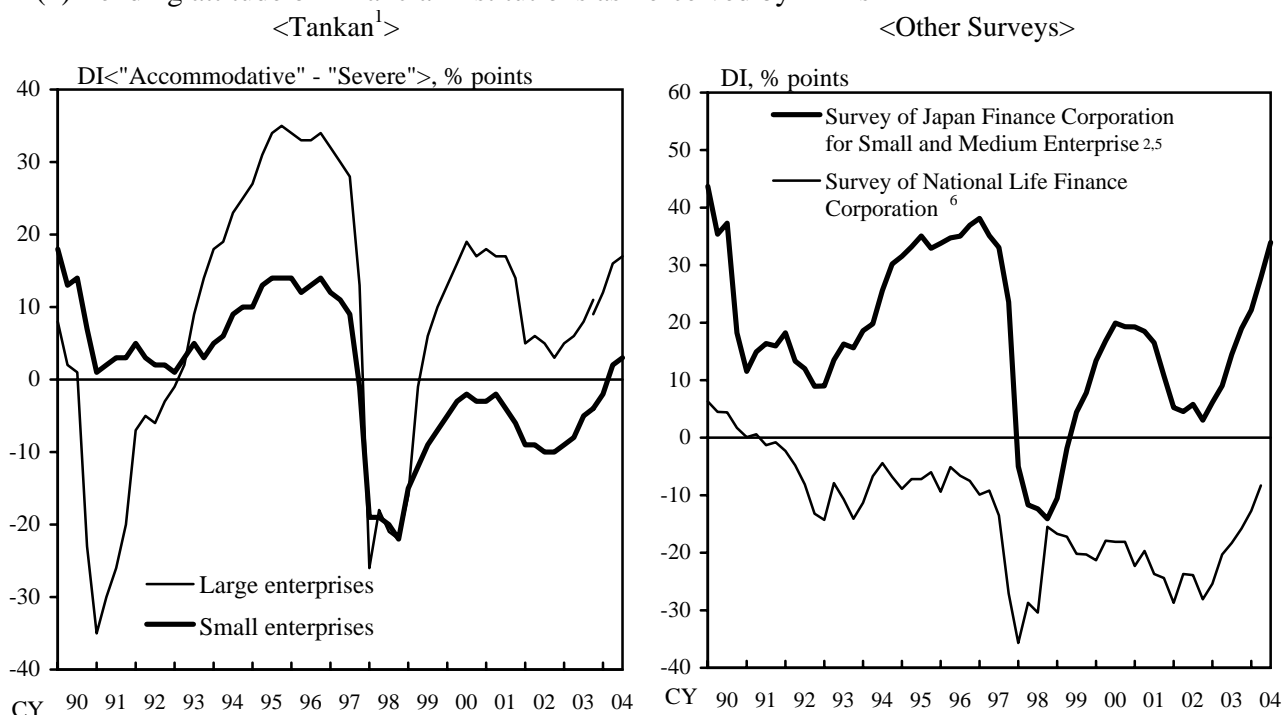
Note: 1. End of month.
 Source: Bank of Japan.

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"

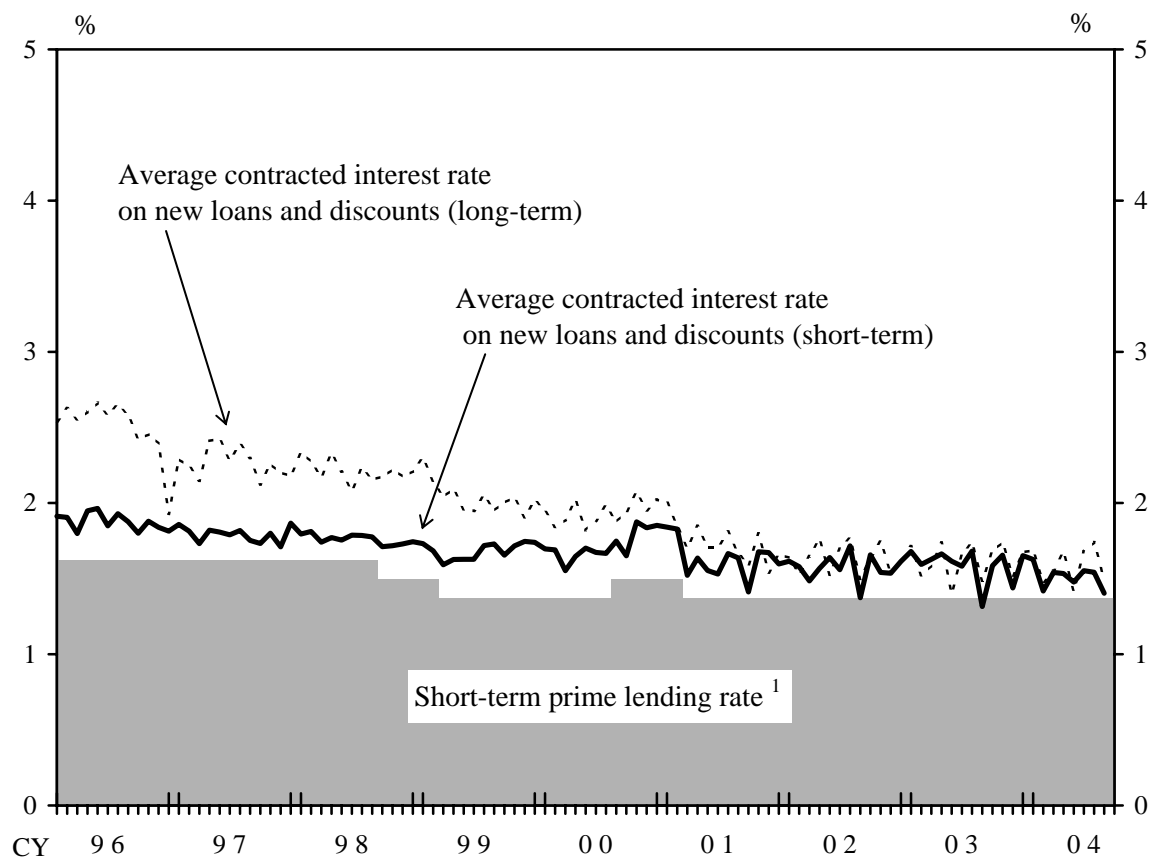
4. DI of "Easier" - "Tighter"

5. DI of "Accommodative" - "Severe"

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

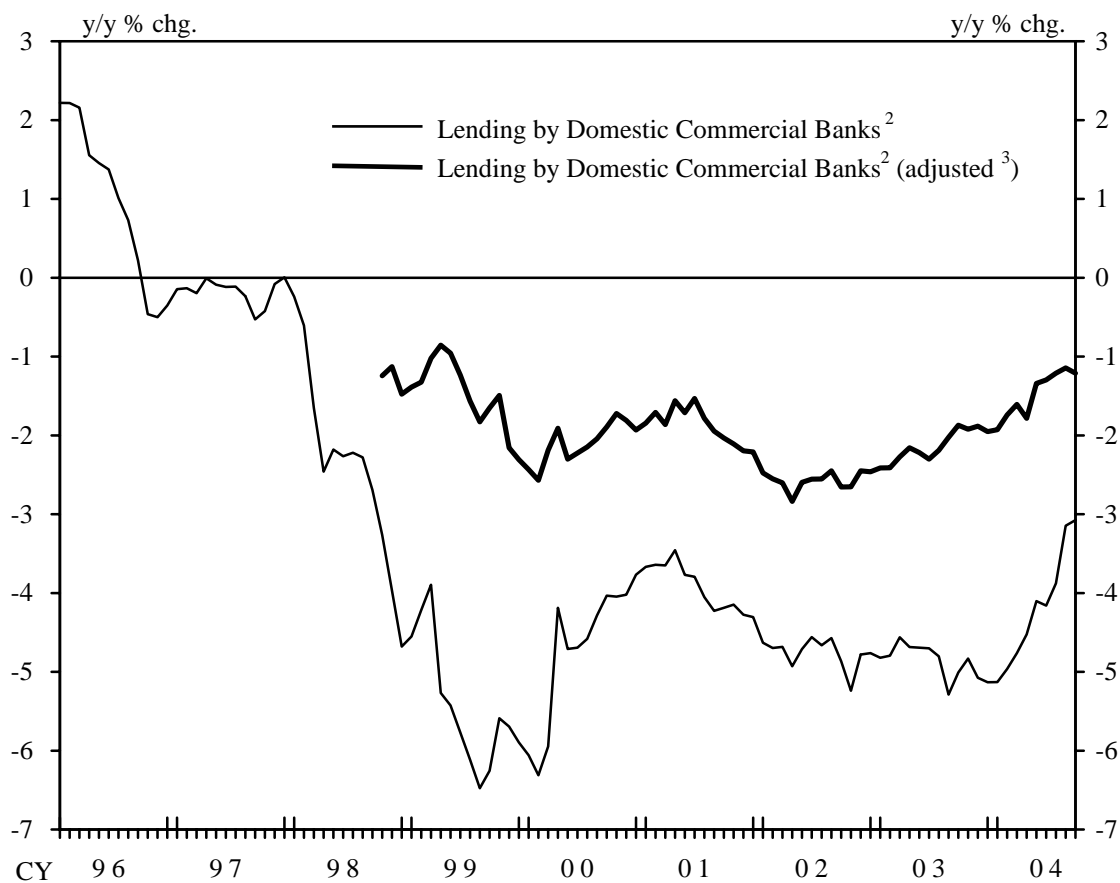
Sources: Bank of Japan, "*Tankan*, Short-term Economic Survey of Enterprises in Japan"; Japan Finance Corporation for Small and Medium Enterprise, "Monthly Survey of Small Businesses in Japan"; National Life Finance Corporation, "Quarterly Survey of Small Businesses in Japan."

Lending Rates



Note: 1. Data are at end of period.

Source: Bank of Japan.

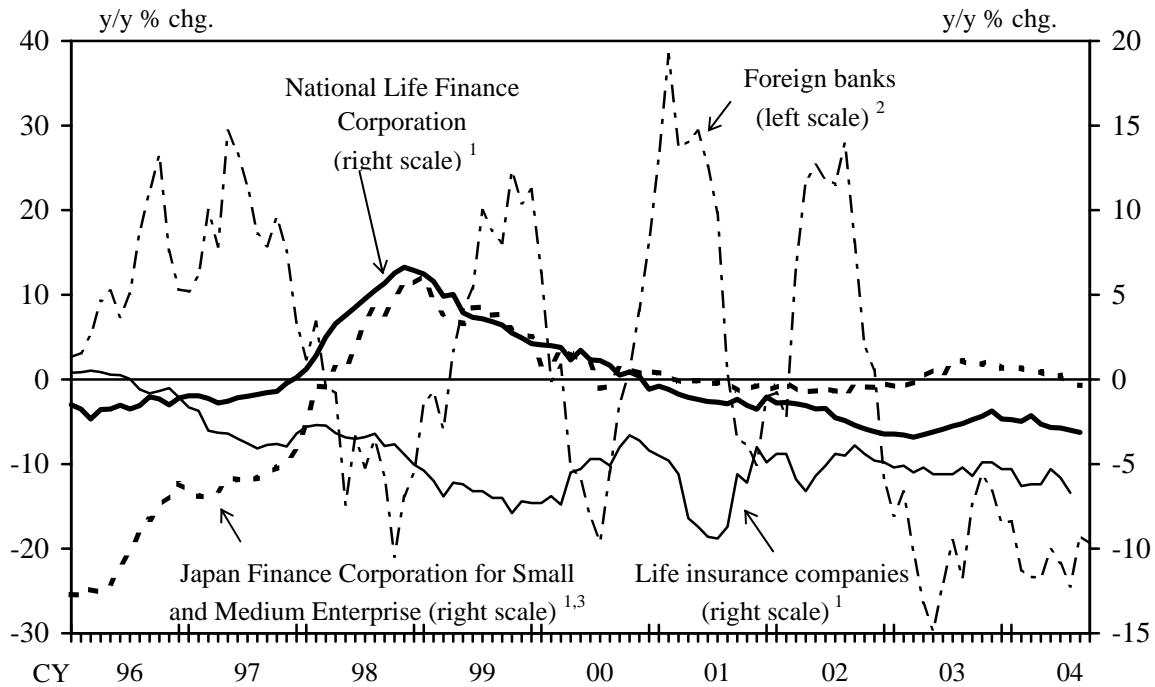
Lending by Domestic Commercial Banks ¹

- Notes: 1. Percent changes in average amounts outstanding from a year earlier.
 2. "Domestic commercial banks" refers to city banks, 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."

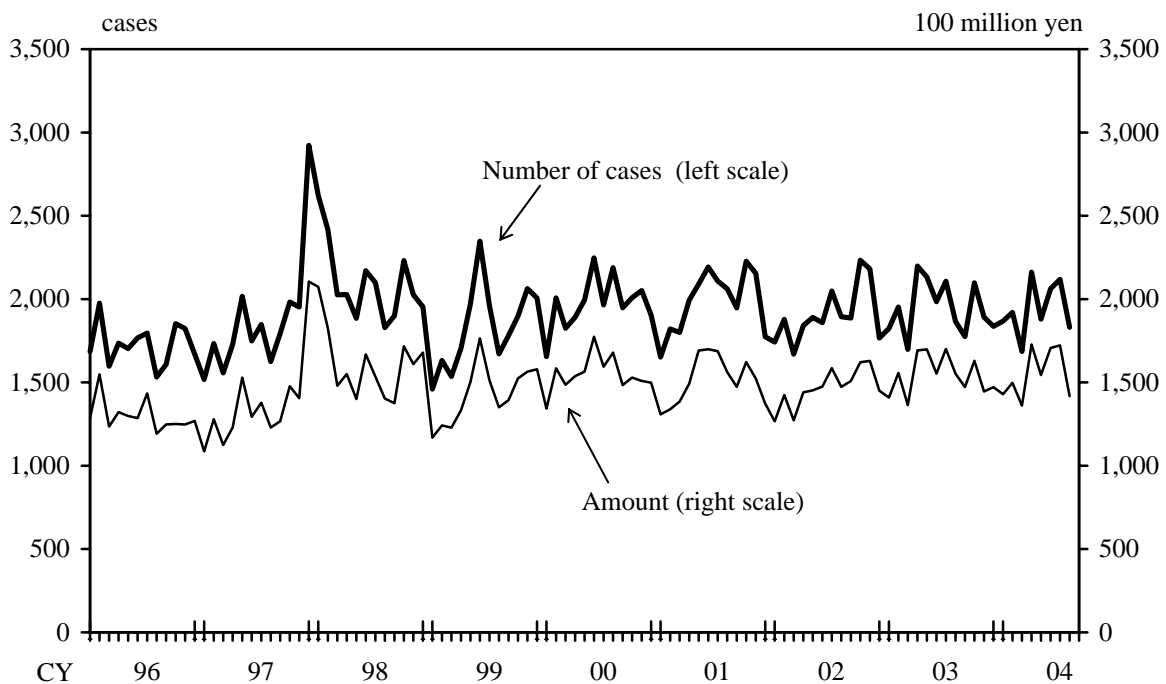
Lending by Other Financial Institutions

(1) Lending Outstanding



- Notes: 1. Data are based on amounts outstanding at end of period.
- 2. Data are based on average amounts outstanding.
- 3. Figures for July and August 2004 are adjusted to exclude the effects from the succession of the credit insurance accounts of the former Japan Small and Medium Enterprise Corporation.

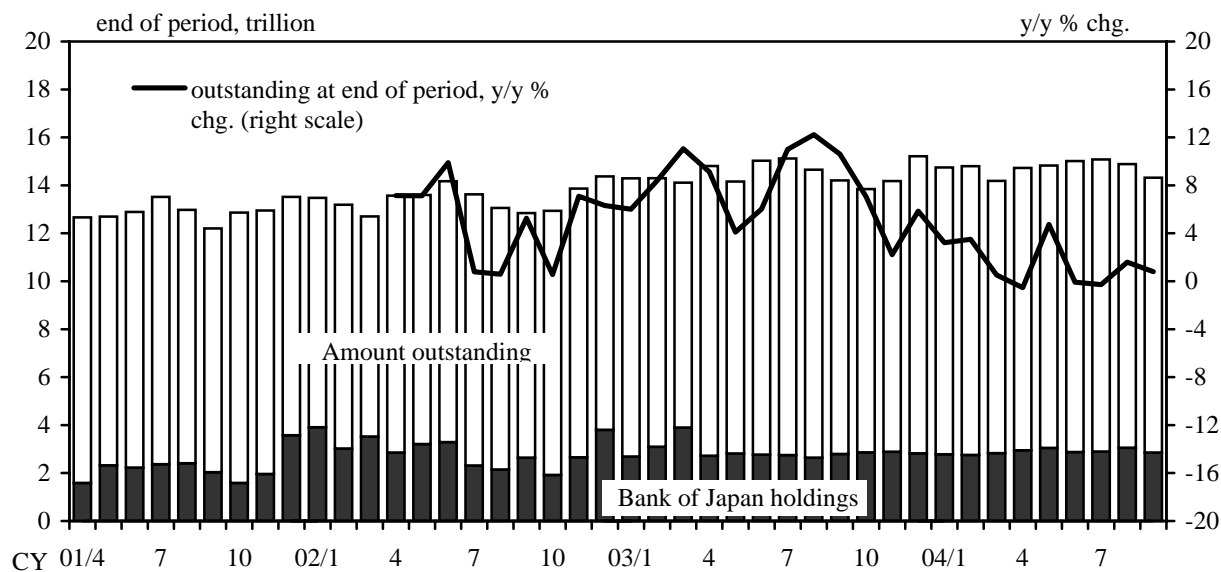
(2) Application for a Loan from Japan Finance Corporation for Small and Medium Enterprise



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

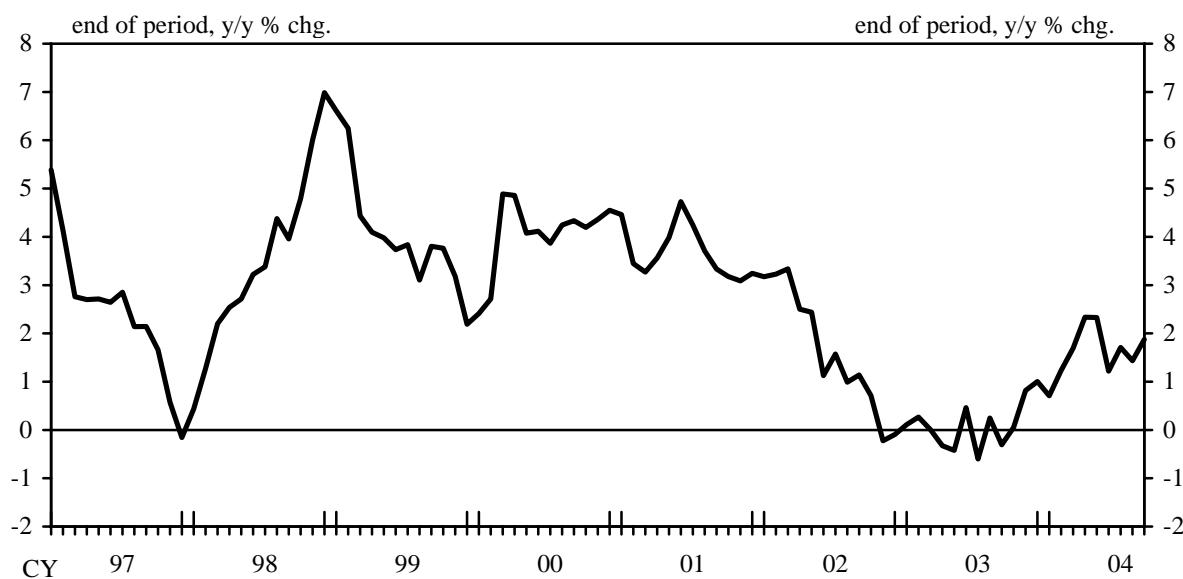
Private-Sector Fund-Raising in the Capital Markets

(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)

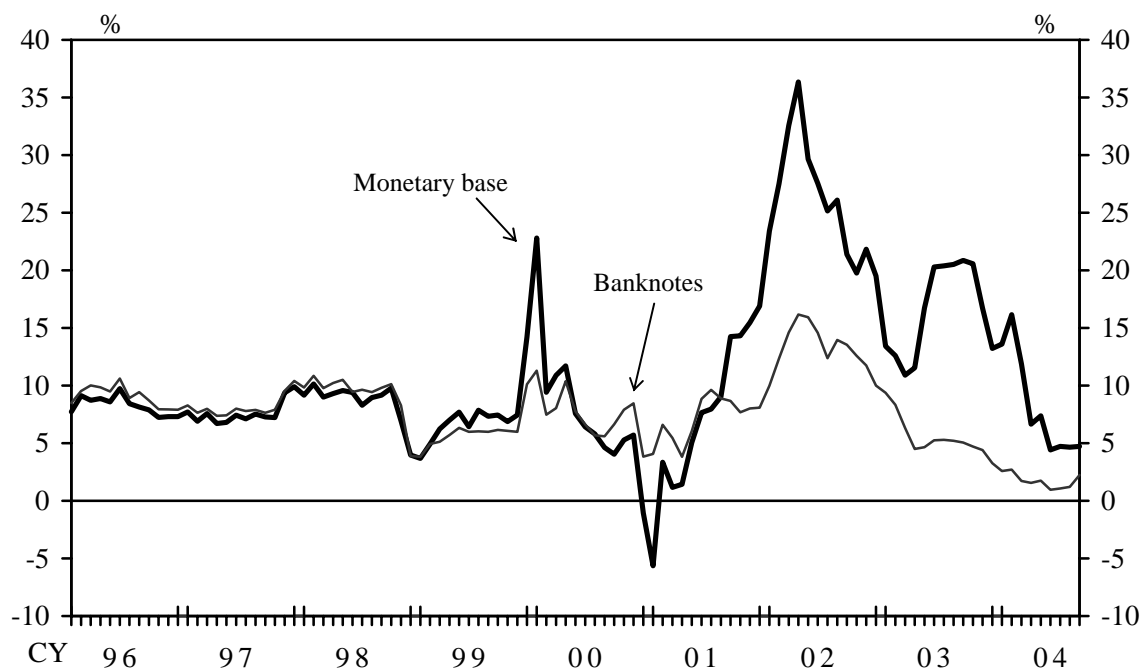
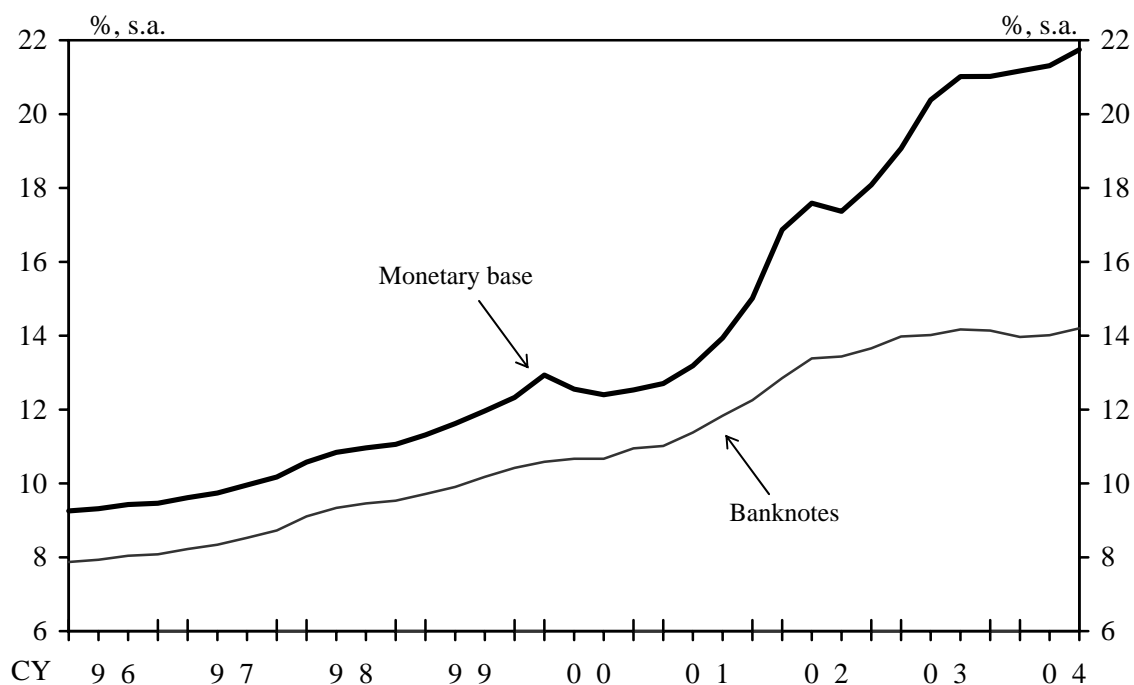


Note: Percentage changes from the previous year of the amount outstanding of corporate bonds are estimated figures. Procedures of the estimation are summarized as follows:

- (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.

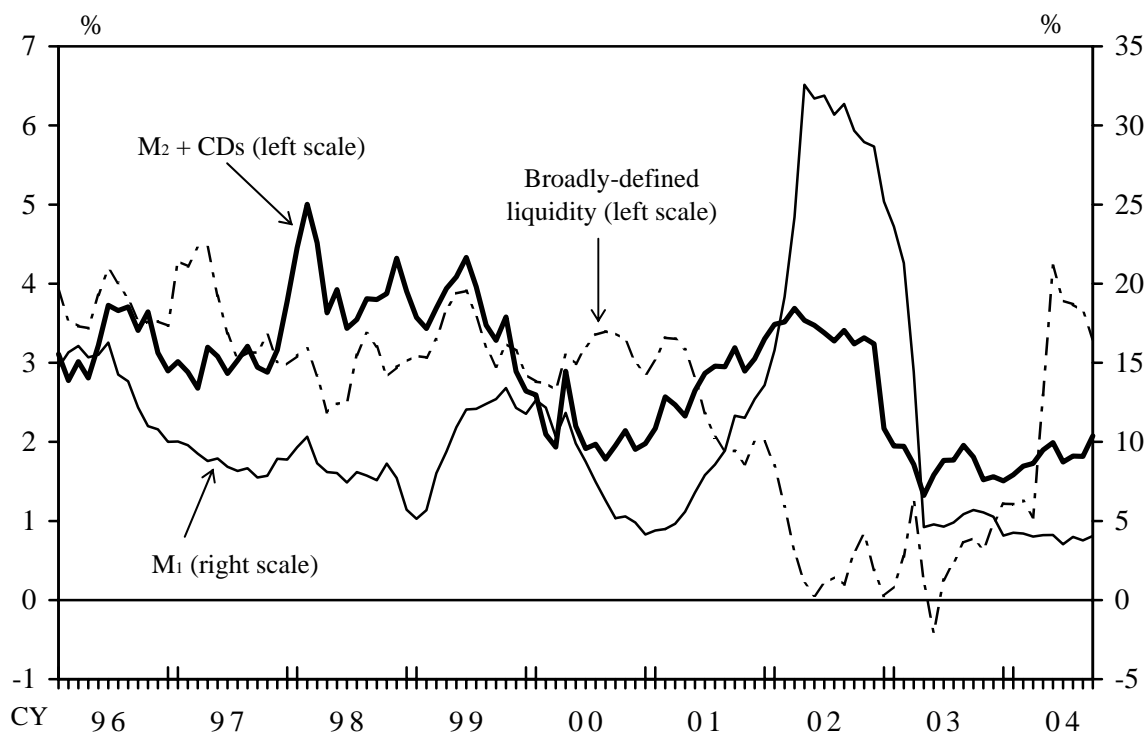
Data for currency in circulation include holdings of financial institutions.

2. Figure for the nominal GDP in 2004/Q3 is assumed to be unchanged from the previous quarter.

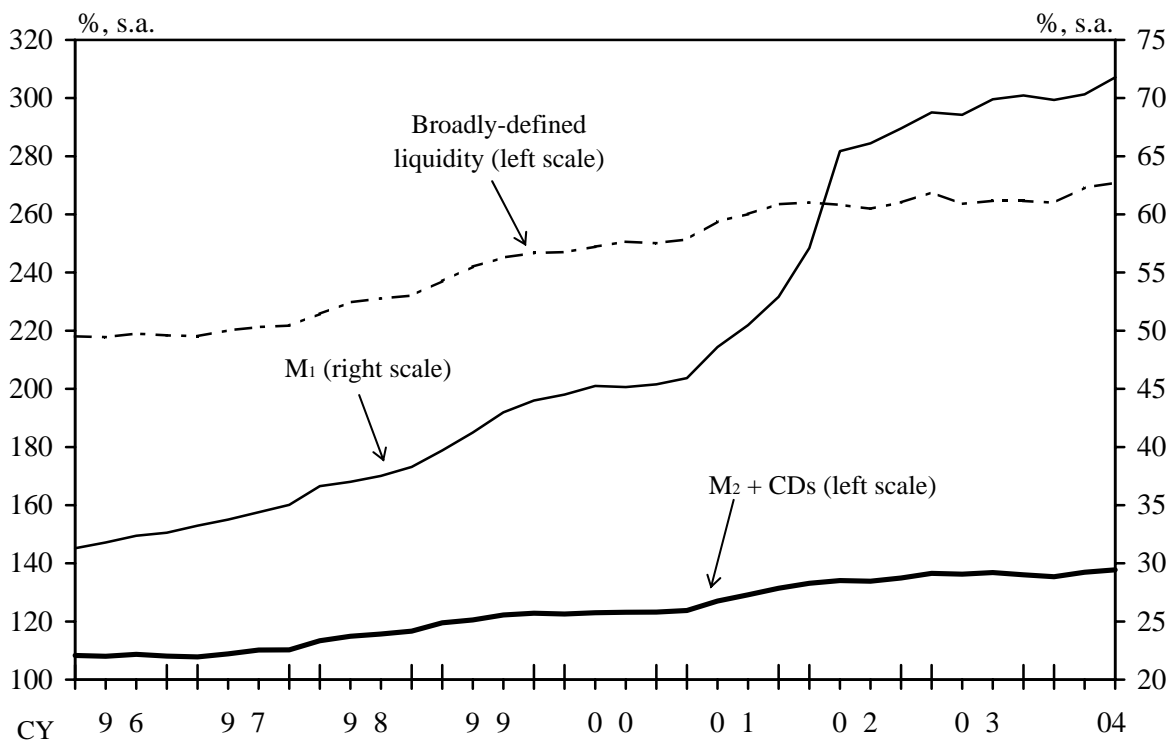
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

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

(1) Changes from a Year Earlier



(2) Ratio of Money Stock to Nominal GDP

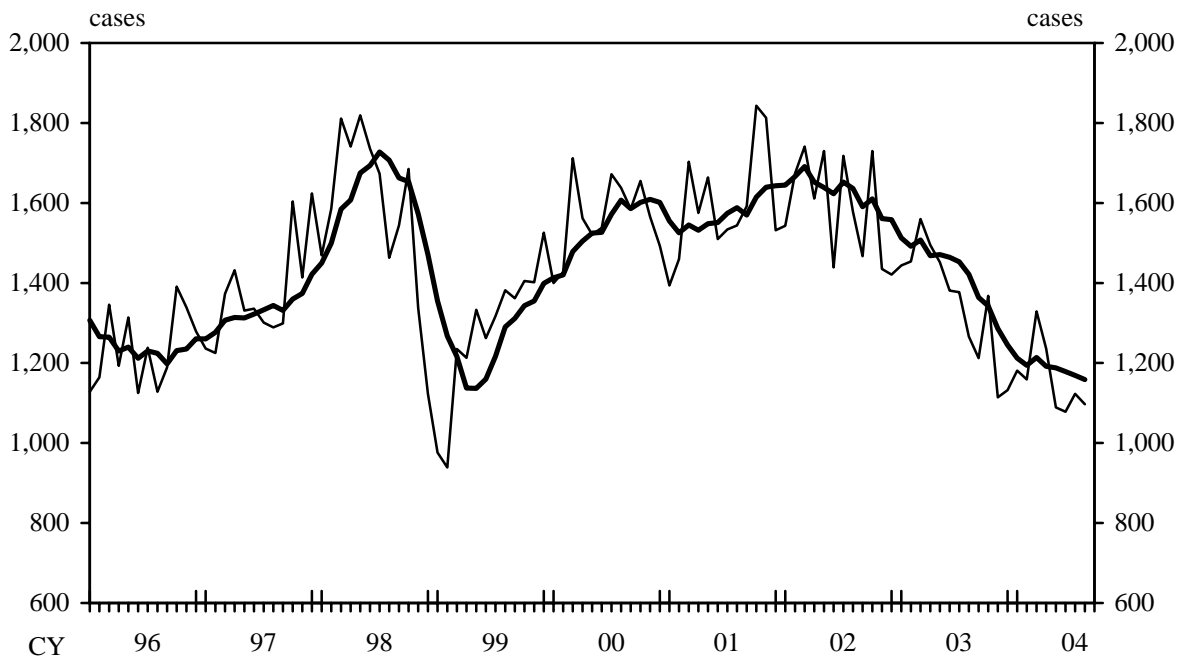


Note: Figure for the nominal GDP in 2004/Q3 is assumed to be unchanged from the previous quarter.

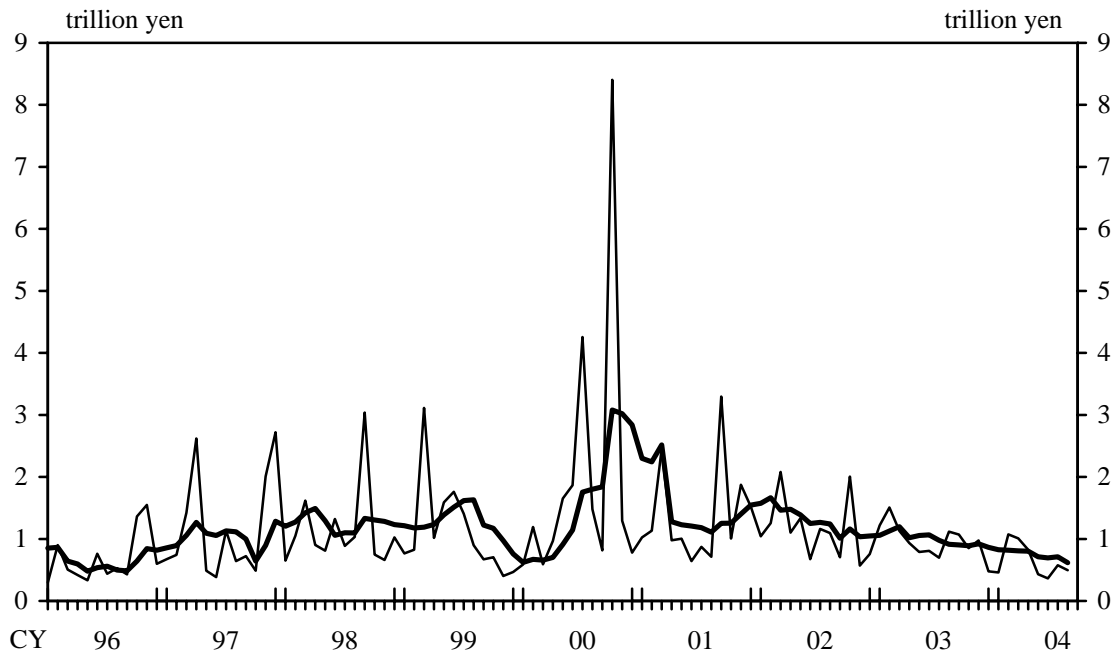
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities

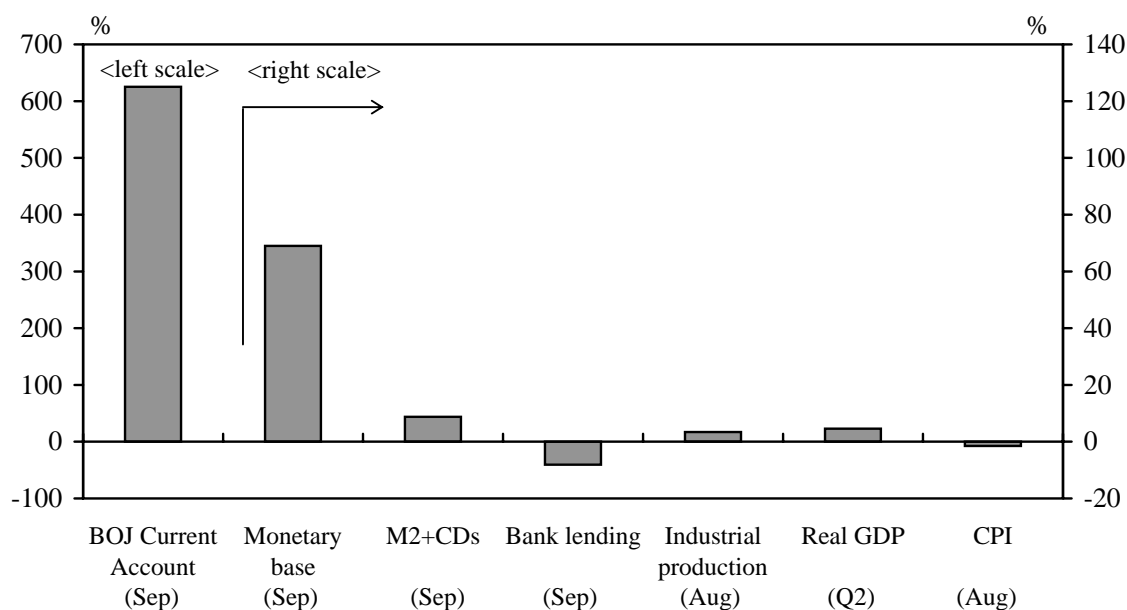


Note: Bold lines are the six-month moving average.

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

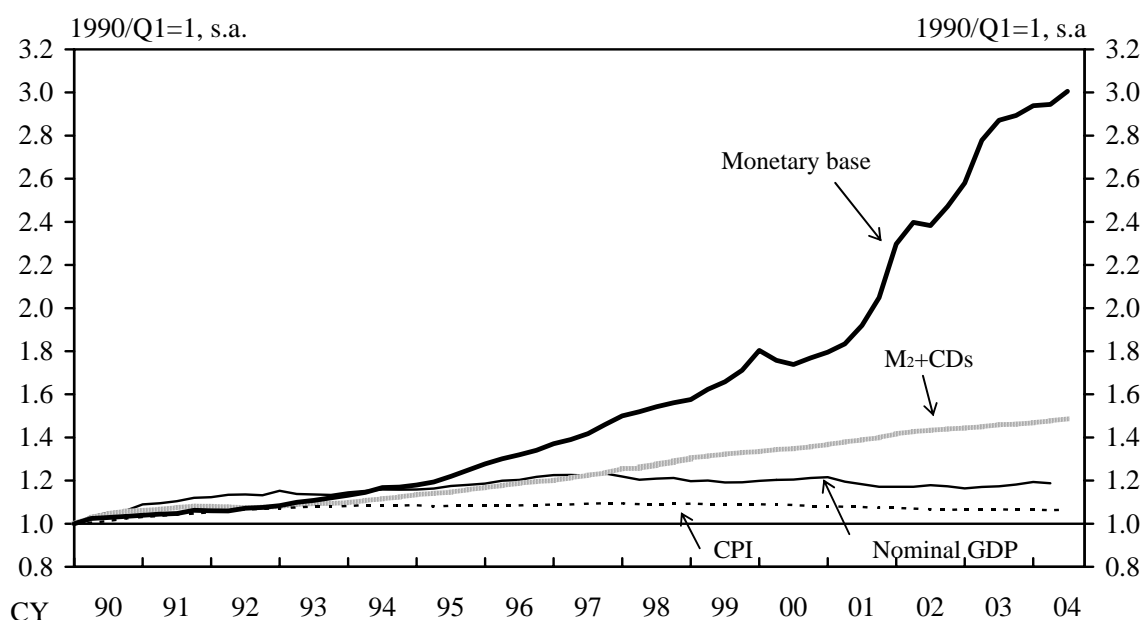
 Monetary Indicators, Economic Activity and Price Development

(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/Q3 is that of Jul.-Aug. average.

Sources: Cabinet Office, "National Accounts"; Ministry of Internal Affairs and Communications, "Consumer Price Index"; Ministry of Economy, Trade and Industry, "Indices of Industrial Production"; Bank of Japan.