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Bank of Japan

**Monthly Report of
Recent Economic and Financial Developments**
February 2005

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Monthly Report of Recent Economic and Financial Developments¹

February 2005

The Bank's View²

Japan's economy continues a recovery trend, although there seem to be somewhat weak movements mainly in production.

While exports have been more or less flat, industrial production seems to be somewhat weak mainly due to inventory adjustments in IT-related sectors. On the other hand, business fixed investment has been on a rising trend, with corporate profits improving. The employment situation has also been on an improving trend and household income has stopped declining. In this situation, private consumption has been steady. Meanwhile, housing investment has been nearly flat, and public investment has been basically on a downtrend.

Japan's economy is expected to continue to recover.

Although the effects of inventory adjustments in IT-related sectors are projected to remain for some time, exports and production are expected to follow an uptrend, as overseas economies will continue to expand and domestic demand will also continue to increase. Structural adjustment pressure stemming from firms' excess capacity and debt has been easing. While firms are likely to continue restraining labor costs, household income is expected to show signs of a gradual increase since corporate profits are increasing and the extent of excess labor as perceived by firms is continuing to ease. Public investment, meanwhile, is projected to be basically on a downtrend.

Developments in IT-related demand and 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 February 16 and 17, 2005.

² The text of "The Bank's View" was decided by the Policy Board at the Monetary Policy Meeting held on February 16 and 17, 2005.

On the price front, domestic corporate goods prices have recently been somewhat weak, mainly because crude oil prices fell back toward the end of last year. Consumer prices (excluding fresh food) have been declining slightly on a year-on-year basis.

Domestic corporate goods prices are likely to be somewhat weak or flat for some time, although their developments will depend on commodity prices at home and abroad. Consumer prices are projected to continue falling slightly on a year-on-year basis because supply and demand conditions are likely to remain loose for the time being, although they are improving, and partly because public utility charges have been reduced.

As for the financial environment, the environment for corporate finance is becoming more accommodative on the whole. The issuing environment for CP and corporate bonds is favorable. Also, the lending attitude of private banks is becoming more accommodative. The lending attitude of financial institutions as perceived by firms has been improving. Under these circumstances, the rate of decline in lending by private banks has been diminishing moderately, although the improvement in credit demand in the private sector seems to have stopped temporarily. The amount outstanding of CP and corporate bonds issued continues to be above the previous year's level. The year-on-year growth rate of the monetary base has been around 4.0 percent. The year-on-year growth rate of the money stock continues to be 2.0 percent. The year-on-year growth rate of banknotes in circulation has been at the 2.0-3.0 percent level. As for developments in financial markets, money market conditions continue to be extremely easy, as the Bank of Japan continues to provide ample liquidity. In the foreign exchange and capital markets, the yen's exchange rate against the U.S. dollar has fallen compared with last month, while long-term interest rates and stock prices have been around the same level as last month.

The Background

1. Japan's Economy

Public investment has basically been on a downtrend, although recently the decline seems to be coming to a halt (Chart 3). The value of public works contracted—a measure that reflects public orders—continued its downtrend. On the other hand, the amount of public construction completed, which reflects the actual progress of public works, has recently increased slightly, partly due to the progress of some disaster relief constructions in areas suffering from the heavy rain. Public investment is expected to follow a declining trend, although it is projected to increase temporarily due to the progress of disaster relief-related constructions in the wake of several typhoons and the Mid Niigata Prefecture Earthquake.

Real exports continued to be more or less flat due to global supply-demand adjustments in IT-related sectors, although overseas economies have been on an expanding trend (Charts 4[1] and 5); they rose 0.1 percent in the third quarter and 1.3 percent in the fourth quarter on a quarter-on-quarter basis.

As for real exports by goods (Chart 5[2]), exports of consumer goods (such as digital home appliances) rose in the fourth quarter, mainly to the United States, after they dropped in the third quarter. On the other hand, exports of capital goods and parts (semiconductor manufacturing equipment) and those of IT-related goods remained weak due to supply-demand adjustments in IT-related sectors (Charts 6[1] and 7[1]).

By region (Chart 5[1]), exports to the United States rose in the fourth quarter, after declining slightly in the third quarter. Also, those to the EU continued to increase. On the other hand, exports to East Asia declined slightly, mainly to the NIEs, which tend to be affected by developments in IT-related goods.

Real imports continued to increase partly due to the progress in the international division of labor between Japan and China, as domestic demand has been steady (Charts 4[1] and 8). By goods (Chart 8[2]), imports of capital goods and parts (excluding aircraft) were virtually flat in the fourth quarter, partly in reaction to

the high growth in the third quarter. On the other hand, imports of consumer goods (such as digital home appliances) and of IT-related goods (such as PCs) rose, mainly from China.³

Given these developments in exports and imports, net exports have recently declined in terms of the real trade balance (Chart 4[2]). The surplus of the nominal balance on goods and services has been diminishing, partly due to the rise in crude oil prices until around last fall.

Exports are projected to follow an uptrend, since it is expected that overseas economies will continue to expand, particularly in the United States and East Asia (Chart 9-1[2]), and that adjustment pressures in IT-related sectors will ease. Looking at overseas economies—one of the important conditions of exports—the U.S. economy is expected to continue expanding at a pace close to its potential growth rate, as private consumption and business fixed investment continue to increase, and also employment has been on an improving trend (Chart 9-2). Moreover, the Chinese economy has continued its high growth on the whole. Nevertheless, the pace of increase in exports is likely to be moderate, because global IT-related demand is unlikely to regain the high growth observed during the first half of last year.

Imports are expected to continue their uptrend, as the domestic economy is projected to continue recovering.

Business fixed investment has been on a rising trend. On a GDP basis, fixed investment continued to increase moderately in the fourth quarter, following the third quarter (Chart 2). As for monthly indicators, shipments of capital goods (excluding transport equipment)—a coincident indicator of machinery investment—continued to increase as a whole. Although shipments of semiconductor manufacturing equipment have been decreasing due to adjustments in IT-related sectors (Chart 10-1[1]), large shipments of electricity related goods were observed in the fourth quarter. Machinery orders (private demand, excluding

³ However, the recent rise in imports of durable consumer goods needs to be discounted to a certain degree, since the seasonality observed in recent years—they tend to increase sharply in the fourth quarter—may not be fully adjusted.

shipbuilding and orders from electric power companies)—a leading indicator of business fixed investment—were on an uptrend on average; they increased in the fourth quarter after declining in the third quarter (Chart 10-2[1]). Forecasts of the first quarter also show that orders are projected to continue increasing. Moreover, construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—continued their uptrend, albeit with some fluctuations (Chart 10-2[2]). By industry, construction starts have been on an increasing trend in a wide-range of industries: mining and manufacturing (factories), real estate (office buildings), wholesale and retail trade (such as shopping centers), and transportation (distribution and delivery centers).

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

Private consumption has been steady. With regard to individual indicators (Charts 11-1 and 11-2), the number of new passenger-car registrations continued to be firm, mainly in new models of small passenger cars which have been introduced since last fall. Sales of household electrical appliances (NEBA statistics, in real terms) continued to trend steadily upward, particularly in flat panel TVs, DVD recorders, and PCs. Year-end sales were also favorable, mainly for flat panel TVs. On the other hand, sales at department stores and supermarkets continued to be somewhat weak on the whole, partly because sales of apparel had been sluggish due to the warm winter until the first half of December. Meanwhile, sales at convenience stores followed a gradual uptrend, albeit with some fluctuations. As for services consumption, sales in the food service industry have been more or less flat since last fall. The level of outlays for travel has dropped slightly since last fall, affected mainly by the typhoons and the Niigata earthquake, after recording high levels during the summer.

Indices of aggregated sales (in real terms), which are comprised of major sales indicators of these goods and services,⁴ continued to be somewhat weak, partly

⁴ 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. The coverage of services consumption is narrow, however, and the indices do not necessarily incorporate all sales channels of goods. Also, note that outlays

affected by the adverse weather and natural disasters (typhoons, earthquake, and the warm winter) last fall and winter (Chart 11-3). On the other hand, the aggregate supply of consumer goods—which comprehensively captures producers’ supply of goods—increased in the fourth quarter, mainly in digital home appliances (Chart 11-4). 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) continued to decrease in the fourth quarter, mainly since the income of households selected as samples was somewhat weak, after it fell back in the third quarter (Chart 11-1[1]).

Indicators for consumer sentiment continued to be on a recovery trend on the whole (Chart 12).

Private consumption is projected to recover gradually, as household income is expected to show signs of a gradual increase.

As for housing investment, housing starts fell back in the fourth quarter, after marking a high level of over 1.2 million units (annual rates) in the third quarter,⁵ partly due to the demand rush in construction starts of owner-occupied houses spurred by the deadline for receiving tax credits for housing loans (Chart 13[1]). With these fluctuations smoothed out, the underlying trend of housing starts has been nearly flat. Housing investment is projected to be more or less flat.

Industrial production continued to decline by posting a drop of 0.6 percent in the fourth quarter on a quarter-on-quarter basis, mainly in electronic parts and devices, after it inched down in the third quarter (Chart 14[1]).⁶ By goods (Chart

for travel in December were not released at the time when these indices were compiled and hence were incorporated into the indices under the assumption that the seasonally adjusted figures for December were at the same level as in November.

⁵ 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 the year 2004 tax credits for housing loans on the condition that they moved into their new houses by the end of last year. Hence, there was a rush of demand in construction starts of owner-occupied houses around last summer to meet this condition.

⁶ In December, transport equipment (automobile) dropped substantially, mainly due to the lack of steel products.

15), shipments of capital goods and durable consumer goods (digital home appliances and automobile) have recently increased, although producer goods (electronic parts and devices) remained somewhat weak, reflecting inventory adjustments.

Inventories, meanwhile, were more or less flat as a whole (Chart 14[1]), although movements differ according to goods. The chart of the inventory cycle shows that inventories of materials-related goods such as “producer goods excluding a broad category of electrical machinery” continued to decline, partly due to the decrease in spare production capacity (Chart 16). Inventories of durable consumer goods (automobile) also decreased, mainly because inventories waiting to be shipped overseas declined and because part of production has been restrained due to a lack of steel products. In contrast, inventories of electronic parts and devices continued to be noticeably in the inventory adjustment phase.⁷

As for the outlook, although the effects of inventory adjustments in IT-related sectors are expected to remain for some time, overseas economies will continue to grow and the foundation for a recovery in domestic demand will also be solid. Based on these factors, production is expected to gradually regain its uptrend. Based on anecdotal information, firms are projected to increase their production slightly in the first quarter.⁸ Considerable uncertainty remains, however, about the degree of progress in inventory adjustments in IT-related sectors and their final demand thereafter. These developments therefore require close monitoring.

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 household income has stopped declining (Chart 17).

⁷ Inventories of electronic parts and devices on a seasonally adjusted quarter-on-quarter basis were more or less flat in the third and fourth quarters, after they surged in the first half of last year. This shows that inventory adjustments have gradually been taking place throughout the second half of last year.

⁸ Production in the first quarter, calculated based on the production forecast indexes for January and February, is estimated to increase by 2.0 percent on a quarter-on-quarter basis. Attention, however, should be paid to the fact that this estimate is based on the assumption that production in March will be the same level as February's.

In the labor market, overtime hours worked have been moving at levels above the peak of the previous recovery phase (Chart 18-2[3]). The number of new job offers continued to increase, particularly in the services industry, including temporary employment services and similar businesses (Charts 18-1[2] and [3]). Under these circumstances, the ratio of job offers to applicants has been rising, and the unemployment rate has followed a gradual downtrend (Chart 18-1[1]).

In terms of employment, the number of employees in the *Labour Force Survey*, which tends to fluctuate substantially, has slowed recently, although the number of regular employees in the *Monthly Labour Survey* continued to increase on a year-on-year basis (Charts 18-2[1] and [2]).

Regarding wages on a year-on-year basis (Chart 17[2]), regular payments were still on a downtrend in terms of the average per person. On the other hand, special payments in November-December—which represent a majority of winter bonuses—increased by 1.5 percent on a year-on-year basis. Bonuses seem to have basically stopped declining assisted by the increase in corporate profits and the peaking out of firms' restructuring efforts.

Firms are expected to continue restraining their labor costs through the use of part-time workers and outsourcing. Household income, however, is expected to show signs of a gradual increase, since corporate profits are increasing and the extent of excess labor as perceived by firms is continuing to ease.

2. Prices

Import prices (on a yen basis, same hereafter, compared to levels three months before) have recently been decreasing, partly due to the decline in crude oil prices toward the end of last year and to the appreciation of the yen against the U.S. dollar since last fall (Chart 20).

Domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter, compared to levels three months before)⁹ have recently been somewhat weak, mainly since crude oil prices fell back toward the end of last year (Chart 21). In detail, prices of petroleum and coal products have recently started to decline, as crude oil prices fell back. The pace of increase in prices of iron and steel related products and of other materials (such as chemicals and related products) have become considerably moderate, although prices continued to rise, reflecting the firm supply and demand conditions. Meanwhile, the rate of decline in machinery prices has been on a somewhat expanding trend, partly due to the price decline in IT-related parts such as liquid crystal devices. With respect to the above movements by stage of demand, intermediate goods prices have peaked out. The rate of decline in final goods prices has recently expanded, mainly due to the expansion in the rate of decline in machinery prices and to the drop in gasoline prices.

As for corporate services prices (excluding external factors; same hereafter), the rate of decline in leasing and rentals has expanded recently, reflecting the drop in prices of PCs, after the rate of decline in information services and other services narrowed sharply, when many services prices were revised last spring (Chart 22).¹⁰ As a whole, the year-on-year rate of decline continued to be on a gradual diminishing trend, albeit with the above fluctuations.

Consumer prices (excluding fresh food, same hereafter) have been declining slightly on a year-on-year basis (Chart 23). The year-on-year rate of decline in December was 0.2 percent, which was the same as that in November.

As for the outlook, domestic corporate goods prices are likely to be somewhat weak or flat for some time, although they depend on commodity prices at home and abroad. With respect to the outlook for consumer prices, supply and

⁹ 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.

¹⁰ “Excluding external factors” means that international air passenger transportation, ocean liner, ocean tramper, ocean tanker, oceangoing ship chartering services, and international air freight transportation are excluded from all items.

demand conditions in the macroeconomy are likely to remain loose for the time being, although they are improving. Moreover, firms are expected to continue their streamlining efforts such as restraining labor costs. Meanwhile, the effects of the reduction in public utility charges (electricity charges and telephone charges) are expected to grow gradually.¹¹ Based on these considerations, consumer prices are projected to continue falling slightly on a year-on-year basis.

3. Financial Developments

(1) Financial Markets

The outstanding balance of current accounts at the Bank of Japan has been moving at around 30-35 trillion yen, as the Bank continues to provide ample liquidity (Chart 27).

As for interest rate developments in the money markets, the overnight call rate (uncollateralized; Chart 25[1]) has been moving at around zero percent. Interest rates on term instruments (Chart 26[1]) have been steady at low levels on the whole. Under these circumstances, interest rates on Euroyen futures (Chart 26[2]) remain essentially unchanged.

Yields on 10-year government bonds (newly issued 10-year JGB; Chart 25[2]) temporarily dropped to the 1.25-1.3 percent level, mainly due to favorable supply and demand conditions, while views on the economic outlook continue to be cautious. They then rose, reflecting the rise in stock prices and some stronger-than-forecasted economic indicators. They have recently been moving at around 1.4 percent.

Yield spreads between private bonds (bank bonds and corporate bonds) and government bonds (Charts 29 and 30) have been more or less flat on the whole. However, yield spreads between corporate bonds with low credit ratings and

¹¹ Looking at consumer prices of the ku-area of Tokyo (excluding fresh food; preliminary)—released one month earlier than the national figures—the year-on-year rate of decline expanded slightly in January by recording a drop of 0.5 percent compared to December (a drop of 0.4 percent), mainly due to the decline in telephone charges.

government bonds have been diminishing, mainly reflecting strong investment demand.

Stock prices (Chart 31) were somewhat weak, due to the decline in U.S. stock prices and to concern over a decrease in earnings of Japanese IT-related firms, but they then rose, mainly due to the rebound in U.S. stock prices. The Nikkei 225 Stock Average is moving at around 11,500 yen.

In the foreign exchange market (Chart 32), the U.S. dollar was bought heavily against the yen, reflecting decreasing expectations for an early revaluation of the yuan and remarks on the U.S. current account deficit by a member of the U.S. monetary authority. The yen is being traded in the range of 104-106 yen to the U.S. dollar.

(2) Corporate Finance and Monetary Aggregates

The improvement in credit demand in the private sector seems to have stopped temporarily, while firms continue to reduce their debts.

Regarding credit supply, the lending attitude of private banks is becoming more accommodative on the whole. The lending attitude of financial institutions as perceived by firms, including small firms, has also been improving (Chart 33).

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 34).

The year-on-year rate of decline in lending by private banks (monthly average outstanding balance basis, after adjustment for extraordinary factors¹²) has been diminishing moderately. (The year-on-year change was –1.3 percent in November, –1.1 percent in December, and –1.0 percent in January; Chart 35.)

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

In the corporate bond and CP markets, the issuing environment continues to be favorable. Corporate bond issuance rates have basically been flat, while issuance spreads remain stable. CP issuance rates continue to be at low levels. The amount outstanding of CP and corporate bonds issued has been moving above the previous year's level. (The year-on-year change was 1.7 percent in November, 1.5 percent in December, and 1.3 percent in January; Chart 37.)

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

The year-on-year growth rate of banknotes in circulation has been at the 2.0-3.0 percent level, bolstered by the introduction of the new series of banknotes. The year-on-year growth rate of the monetary base (currency in circulation + current account balances at the Bank of Japan) has been around 4.0 percent. (The year-on-year change was 4.9 percent in November, 4.2 percent in December, and 3.9 percent in January; Chart 38.)

The year-on-year growth rate of the money stock ($M_2 + \text{CDs}$) continues to be 2.0 percent. (The year-on-year change was 2.0 percent in November, 2.0 percent in December, and 2.0 percent in January; Chart 39.)

The number of corporate bankruptcies continues its downtrend; it declined by 13.5 percent year-on-year in January, to 1,022 cases (Chart 40).

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Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2004/Q2	Q3	Q4	2004/Oct.	Nov.	Dec.	2005/Jan.
Index of living expenditure level (all households)	2.4	-2.5	-2.6	-1.8	0.9	-2.8	n.a.
Sales at department stores	-1.7	-0.6	-1.3	-1.8	1.2	1.2	n.a.
Sales at supermarkets	-2.1	-1.0	-1.4	-0.5	-0.8	-2.4	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 327>	< 342>	< 344>	< 341>	< 348>	< 343>	< 346>
Sales of household electrical appliances (real, NEBA)	3.6	3.8	4.1	1.4	-1.6	5.5	n.a.
Outlays for travel (50 major travel agencies)	13.2	-4.5	-5.6	-4.7	-0.4	-3.8	n.a.
Housing starts <s.a., ann. 10,000 units>	< 116>	< 122>	< 117>	< 119>	< 115>	< 119>	<n.a.>
Machinery orders (from private sector ⁴)	10.3	-8.4	6.0	-3.1	19.9	-8.8	n.a.
Manufacturing	18.4	-12.0	6.4	-3.6	12.5	10.7	n.a.
Nonmanufacturing ⁴	5.0	-5.1	6.3	-3.9	26.9	-20.5	n.a.
Construction Starts (private, nondwelling use)	-3.9	8.8	-10.0	-5.2	-9.3	0.6	n.a.
Mining & manufacturing	21.7	-10.1	5.2	-14.0	8.8	-8.7	n.a.
Nonmanufacturing ⁵	-10.2	14.0	-12.9	-1.7	-17.0	4.7	n.a.
Value of public works contracted	5.4	-2.7	-10.8	-13.1	9.4	-6.6	6.5
Real exports	3.2	0.1	1.3	2.2	1.9	-3.7	n.a.
Real imports	1.3	2.1	2.6	2.2	3.5	-7.1	n.a.
Industrial production	2.6	-0.7	-0.6	-1.3	1.7	-0.8	n.a.
Shipments	2.9	-1.1	0.2	-1.3	1.3	0.9	n.a.
Inventories	-0.4	2.1	-2.2	-1.0	0.8	-2.0	n.a.
Inventory Ratio <s.a., CY 2000=100>	<93.4>	<98.2>	<94.2>	<96.9>	<96.5>	<94.2>	< n.a.>
Real GDP	-0.2	-0.3	-0.1	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	1.8	-0.2	n.a.	-0.3	0.3	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2004/Q2	Q3	Q4	2004/Oct.	Nov.	Dec.	2005/Jan.
Ratio of job offers to applicants <s.a., times>	<0.80>	<0.83>	<0.91>	<0.88>	<0.92>	<0.94>	<n.a.>
Unemployment rate <s.a., %>	<4.6>	<4.8>	<4.5>	<4.7>	<4.5>	<4.4>	<n.a.>
Overtime working hours ⁶	3.7	2.6	0.9	0.0	1.9	0.9	n.a.
Number of employees	0.7	0.4	0.1	0.6	0.1	-0.4	n.a.
Number of regular employees ⁶	0.4	0.5	0.6	0.5	0.6	0.6	n.a.
Nominal wages per person ⁶	-1.1	-0.2	0.1	-0.5	1.8	-0.5	n.a.
Domestic corporate goods price index ⁷ <q/q % chg.> (3-month growth rate)	1.1 <0.5>	1.7 <0.5>	1.9 <0.3>	2.0 <0.4>	2.0 <0.4>	1.8 <0.2>	p 1.3 <p -0.3>
Consumer price index ⁸	-0.2	-0.2	-0.2	-0.1	-0.2	-0.2	n.a.
Corporate service price index	-0.4	-0.2	p -0.3	-0.2	-0.3	p -0.4	n.a.
Money Stock (M ₂ +CDs) <average outstanding, y/y % chg.>	1.9	1.9	2.0	2.0	2.0	2.0	2.0
Number of suspension of transactions with banks	-29.1	-17.4	-15.8	-27.4	-3.6	-14.4	n.a.

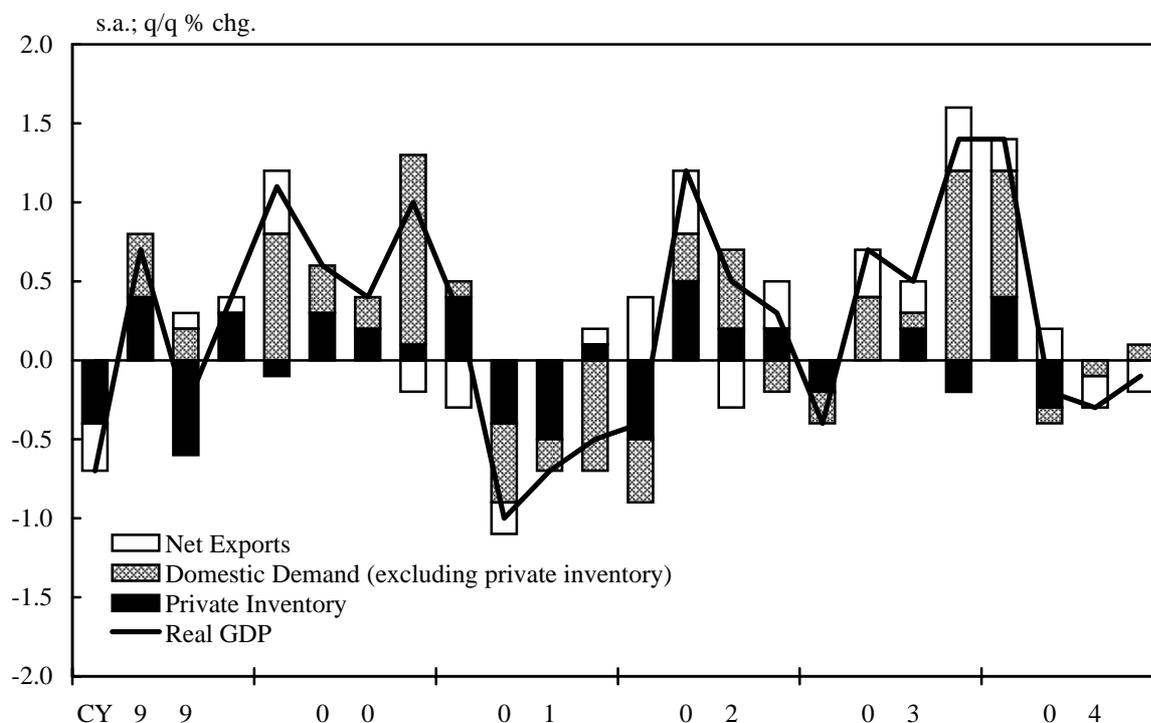
Notes: 1. All figures in chart 1-1 except figures in angle brackets are quarter on quarter (month on month) change of seasonal adjusted data.

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.

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.

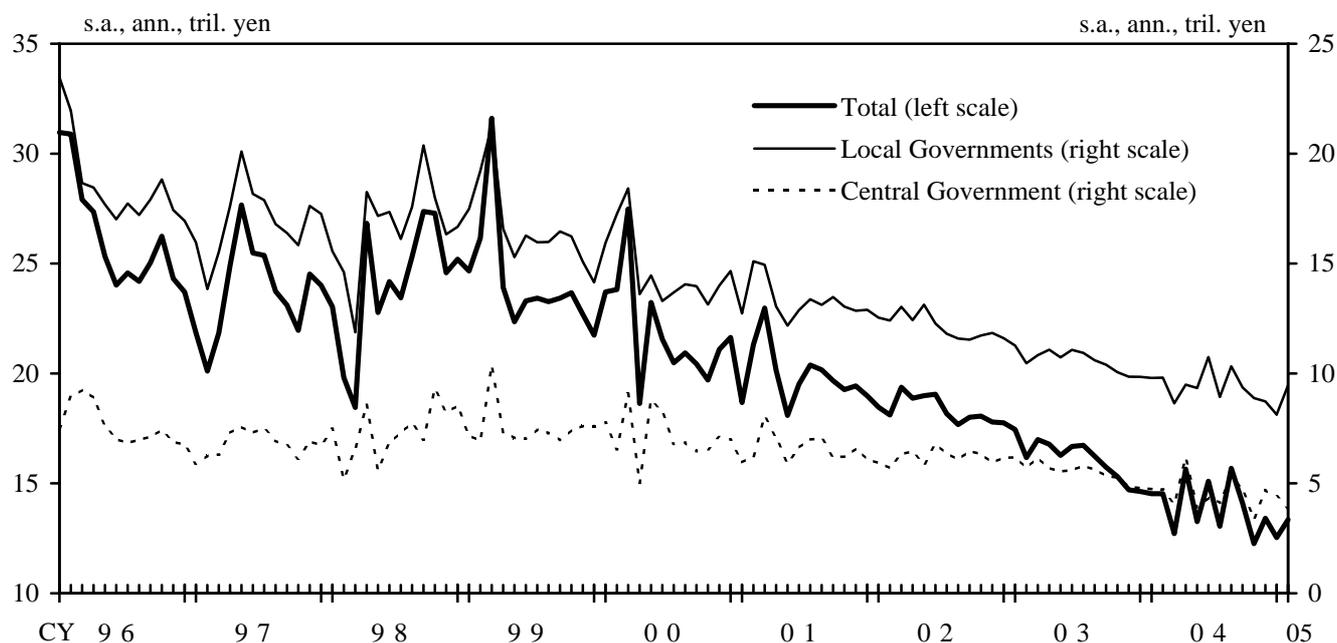
	2003	2004			
	Q4	Q1	Q2	Q3	Q4
Real GDP	1.4	1.4	-0.2	-0.3	-0.1
Domestic Demand	1.0	1.2	-0.5	-0.1	0.1
Private Consumption	1.1	0.8	0.1	-0.2	-0.3
Non-Resi. Investment	4.9	-2.2	3.8	0.4	0.7
Residential Investment	-1.0	0.4	1.1	0.8	0.9
Private Inventory	(-0.2)	(0.4)	(-0.3)	(-0.0)	(0.0)
Public Demand	-0.8	3.0	-3.4	-0.1	0.3
Public Investment	-3.6	8.7	-16.9	-1.8	-0.3
Net Exports of goods and services	(0.4)	(0.2)	(0.2)	(-0.2)	(-0.2)
Exports	5.2	4.7	3.5	0.6	1.3
Imports	2.0	3.4	2.0	2.4	3.1
Nominal GDP	0.6	1.2	-0.6	-0.2	0.0

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

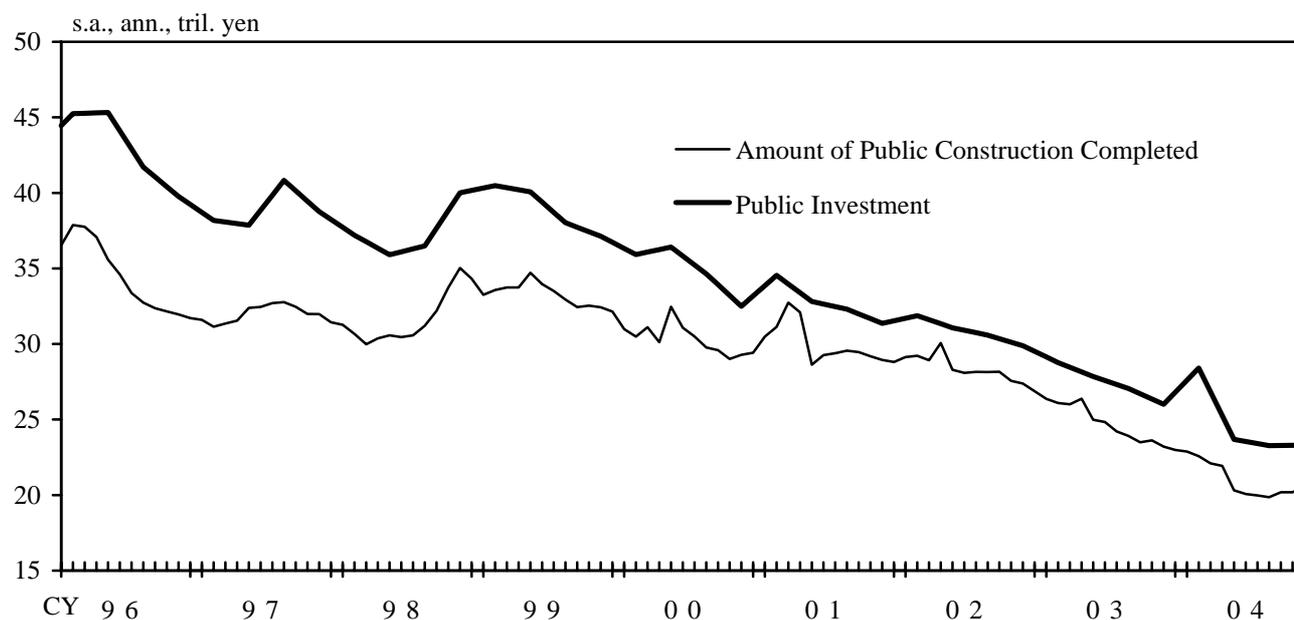
Source: Cabinet Office, "National Accounts."

Public Investment

(1) Value of Public Works Contracted



(2) Amount of Public Construction Completed 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 2000 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.

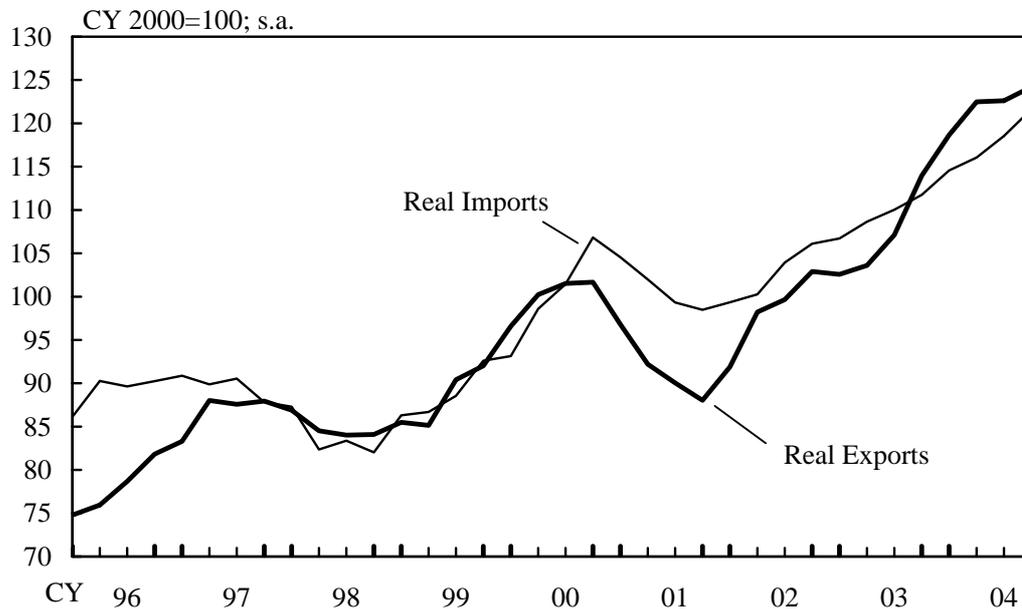
Sources: Cabinet Office, "National Accounts";

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

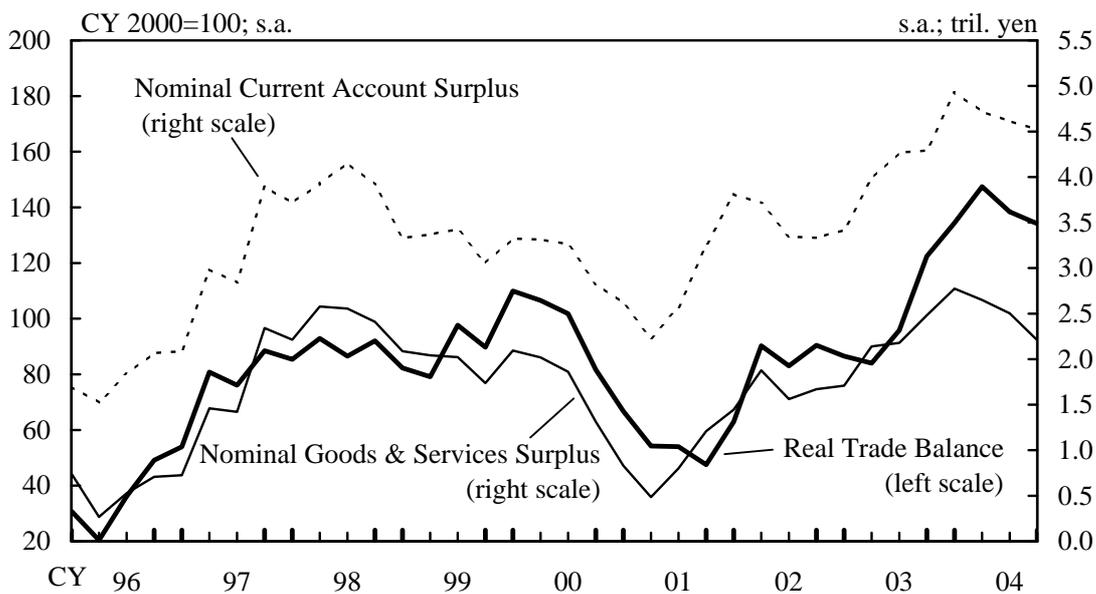
Ministry of Land, Infrastructure and Transport, "Integrated Statistics on Construction Works."

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

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 2003	2004	2003 Q4	2004 Q1	Q2	Q3	Q4	2004 Oct.	Nov.	Dec.
United States	<22.4>	-6.2	6.3	2.6	2.7	3.0	-0.9	1.2	0.7	5.1	-5.4
EU	<15.5>	13.9	18.4	3.9	9.8	1.8	3.6	1.7	2.0	7.2	-7.3
East Asia	<46.9>	19.9	19.0	8.4	8.8	0.3	1.0	-2.0	-0.2	1.9	-6.1
China	<13.1>	41.1	21.9	5.3	11.0	1.4	0.5	0.4	4.2	-3.3	-6.5
NIEs	<24.7>	15.7	20.4	12.2	8.1	0.2	1.5	-3.8	-1.9	3.4	-6.4
Korea	<7.8>	19.2	19.1	9.2	13.2	-1.5	-1.4	-7.7	-6.1	8.7	-11.8
Taiwan	<7.4>	16.1	27.2	17.0	5.8	0.7	8.0	-2.0	0.8	5.2	-8.5
ASEAN4 ³	<9.1>	9.1	12.1	3.5	7.7	-0.8	0.3	-0.6	-1.7	5.3	-4.9
Thailand	<3.6>	18.3	18.6	5.5	7.4	0.9	0.5	5.7	7.3	3.7	-6.5
Real exports		8.9	14.5	6.4	4.1	3.2	0.1	1.3	2.2	1.9	-3.7

(2) Breakdown by goods

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2003	2004	2003 Q4	2004 Q1	Q2	Q3	Q4	2004 Oct.	Nov.	Dec.
Intermediate goods	<16.3>	5.6	5.6	4.0	5.9	-3.8	-1.9	-0.3	0.8	6.1	-4.8
Motor vehicles and their related goods	<22.4>	1.3	8.3	5.9	-1.5	7.2	0.5	0.8	-2.1	8.4	-3.7
Consumer goods ⁴	<6.5>	14.9	13.9	9.4	6.2	1.5	-6.4	5.5	7.8	-5.5	-7.1
IT-related goods ⁵	<13.7>	12.9	17.5	4.7	5.6	5.0	-1.0	-1.0	0.6	1.0	-3.0
Capital goods and parts ⁶	<30.0>	17.1	23.2	6.3	7.3	6.1	2.6	-0.8	3.5	1.6	-6.1
Real exports		8.9	14.5	6.4	4.1	3.2	0.1	1.3	2.2	1.9	-3.7

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

2. Shares of each region and goods in 2004 are shown in angle brackets.

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

4. Excludes motor vehicles.

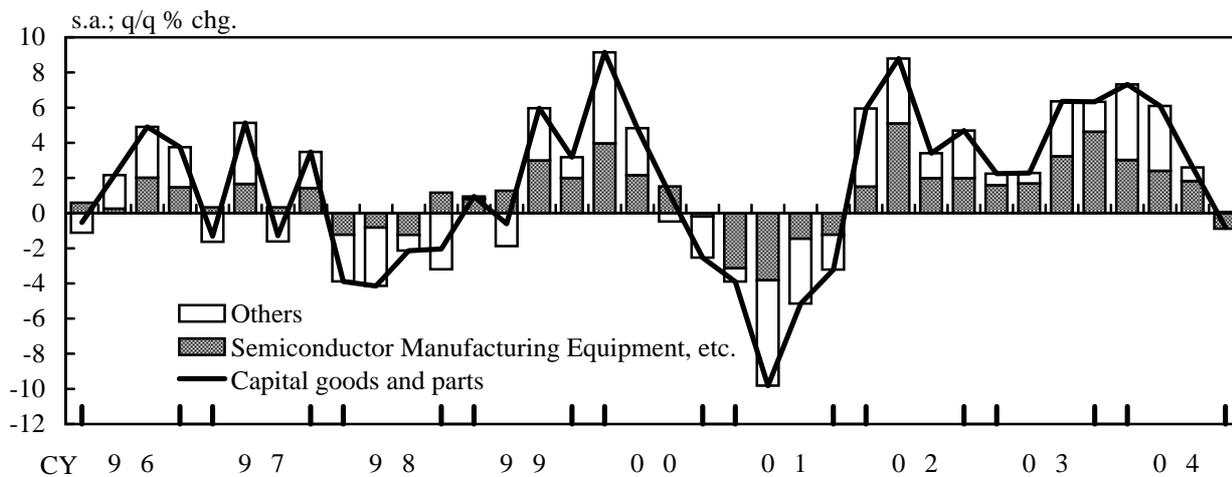
5. IT-related goods are composed of automatic data processing machinery, telecommunication machinery, ICs and medical and optical instruments.

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

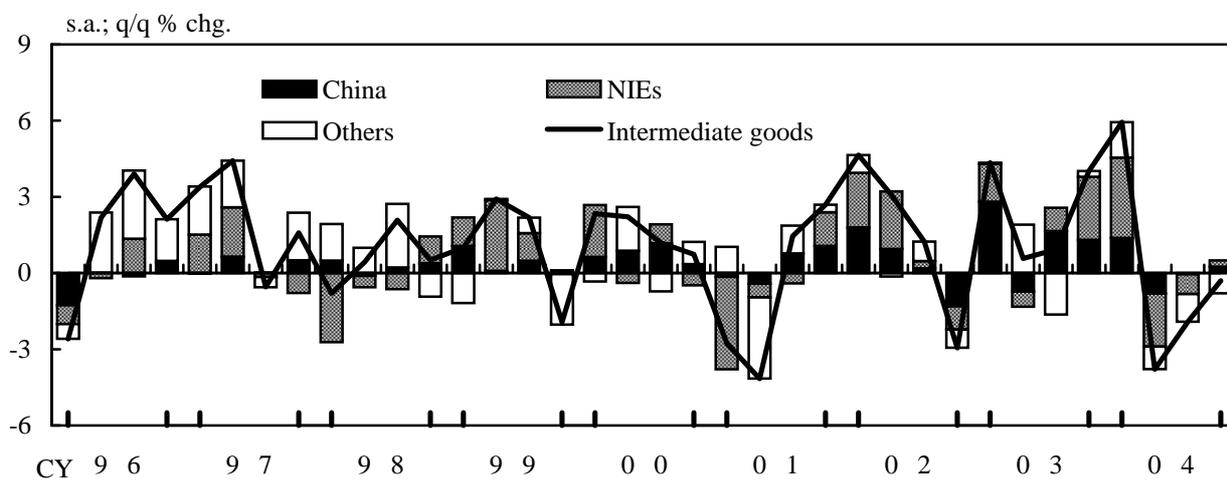
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Real Exports breakdown by goods

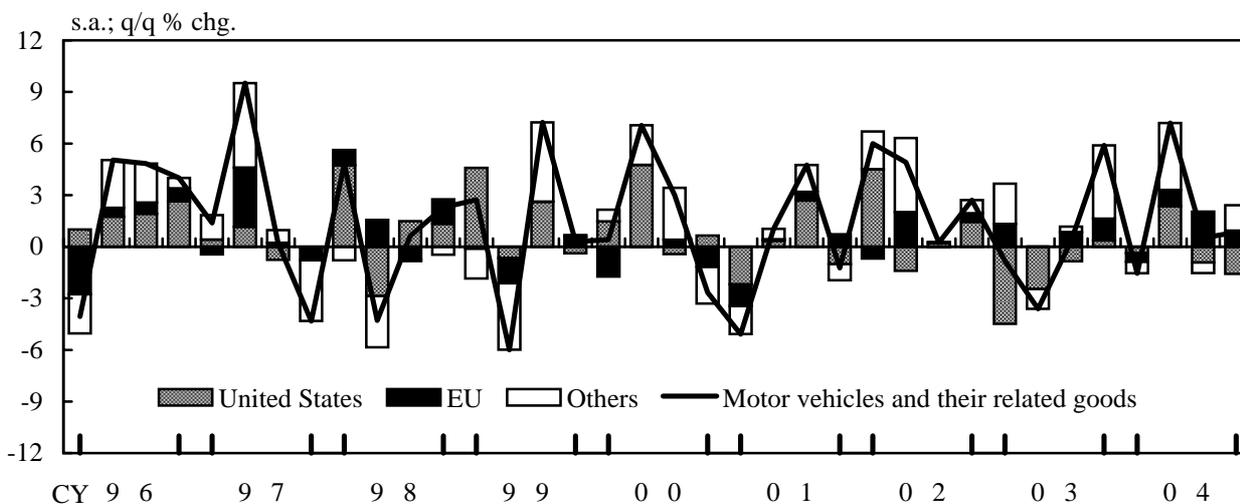
(1) Capital goods and parts (real, breakdown by goods)



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



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

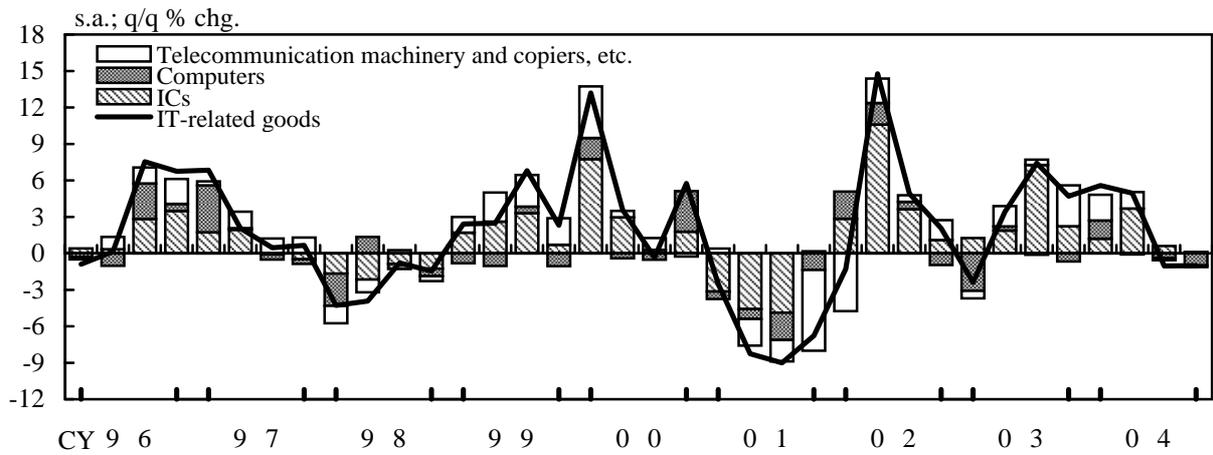


Note: Seasonally adjusted by X-12-ARIMA.

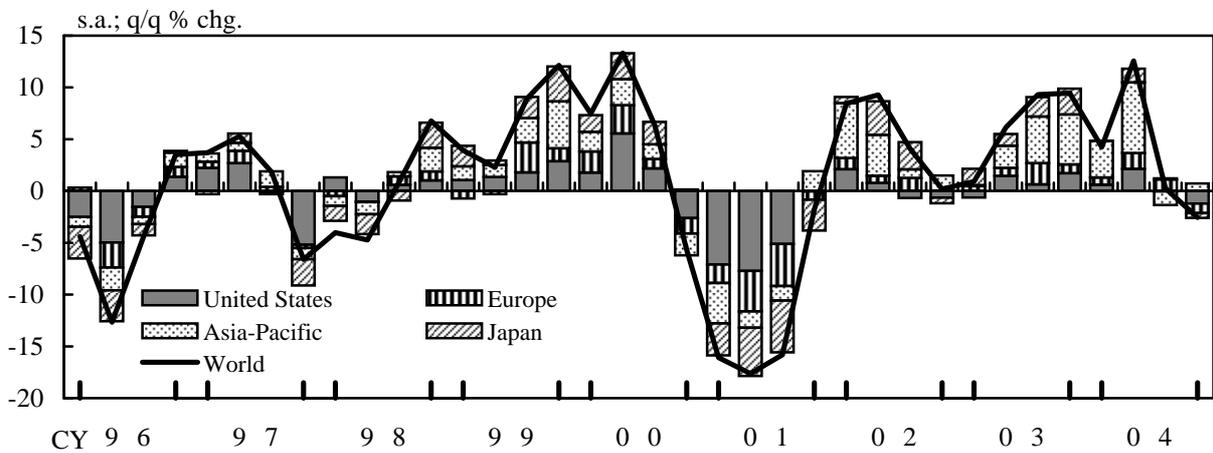
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Exports and Imports of IT-related goods

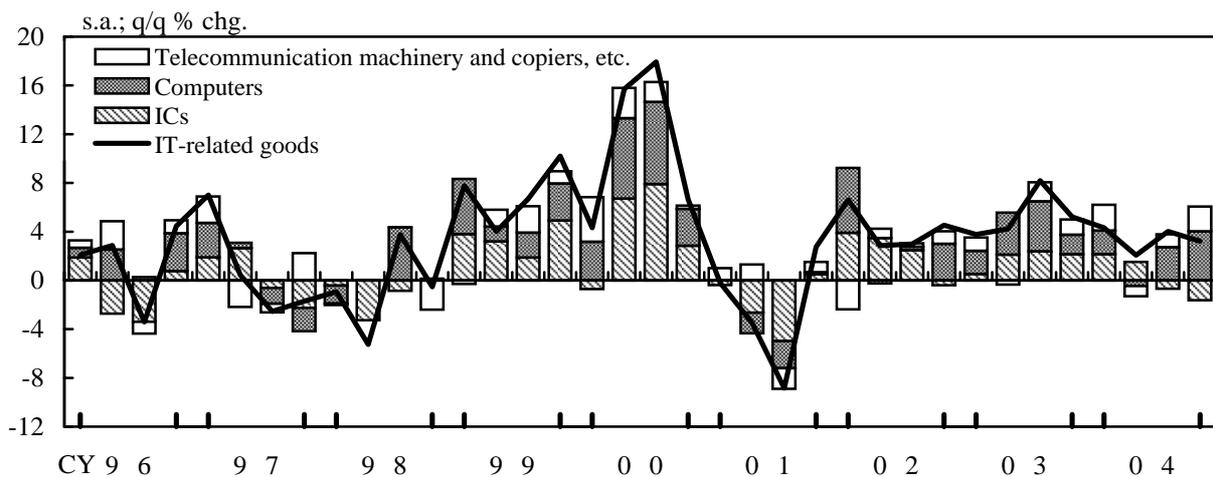
(1) Exports of IT-related goods (real, breakdown by goods)



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



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



Note: Seasonally adjusted by X-12-ARIMA.

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 2003	2004	2003 Q4	2004 Q1	Q2	Q3	Q4	2004 Oct.	Nov.	Dec.
United States	<13.7>	-1.6	1.1	1.3	-3.6	3.9	-0.1	3.4	7.8	-7.9	-4.1
EU	<12.6>	6.4	10.3	3.1	6.8	-1.4	-0.3	3.4	6.8	5.3	-7.1
East Asia	<43.1>	14.6	14.9	3.6	4.7	1.6	3.8	1.8	-1.6	4.4	-3.4
China	<20.7>	21.9	21.3	3.6	6.7	3.3	4.2	6.5	0.3	6.2	-1.8
NIEs	<10.3>	9.8	13.0	5.5	4.8	-0.1	2.1	-3.6	-6.1	2.2	-1.4
Korea	<4.8>	13.1	14.6	7.8	9.4	0.8	-5.3	-3.4	-10.4	5.6	1.7
Taiwan	<3.7>	7.1	12.3	2.2	3.3	-0.7	7.3	-4.0	-1.0	-4.1	-0.2
ASEAN4 ³	<12.1>	9.0	7.1	2.1	1.5	0.4	4.6	-1.2	-0.7	3.2	-7.7
Thailand	<3.1>	11.5	14.5	3.4	2.3	3.9	4.4	4.1	3.5	5.6	-5.2
Real imports		6.8	8.1	1.6	2.5	1.3	2.1	2.6	2.2	3.5	-7.1

(2) Breakdown by goods

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2003	2004	2003 Q4	2004 Q1	Q2	Q3	Q4	2004 Oct.	Nov.	Dec.
Raw materials ⁴	<27.9>	6.0	1.2	-3.4	3.2	-0.7	3.9	1.9	7.7	0.8	-9.2
Intermediate goods	<14.1>	4.5	8.4	1.0	3.3	2.0	2.3	-0.4	-2.3	8.6	-9.5
Foodstuffs	<10.8>	-4.2	0.3	0.2	-0.0	-0.0	-0.5	2.7	4.6	5.4	-6.8
Consumer goods	<10.6>	8.0	12.5	6.3	0.7	4.0	-1.6	6.6	4.6	4.3	-6.2
IT-related goods ⁵	<13.7>	19.3	19.1	5.2	4.3	2.1	4.0	3.2	-3.4	2.9	4.9
Capital goods and parts ⁶	<12.9>	14.3	17.2	6.5	3.0	4.5	2.3	7.2	15.0	-2.6	-13.2
excluding aircraft	<12.0>	14.3	18.9	4.8	7.8	1.2	7.0	-0.1	-1.4	1.3	-2.7
Real imports		6.8	8.1	1.6	2.5	1.3	2.1	2.6	2.2	3.5	-7.1

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

2. Shares of each region and goods in 2004 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.

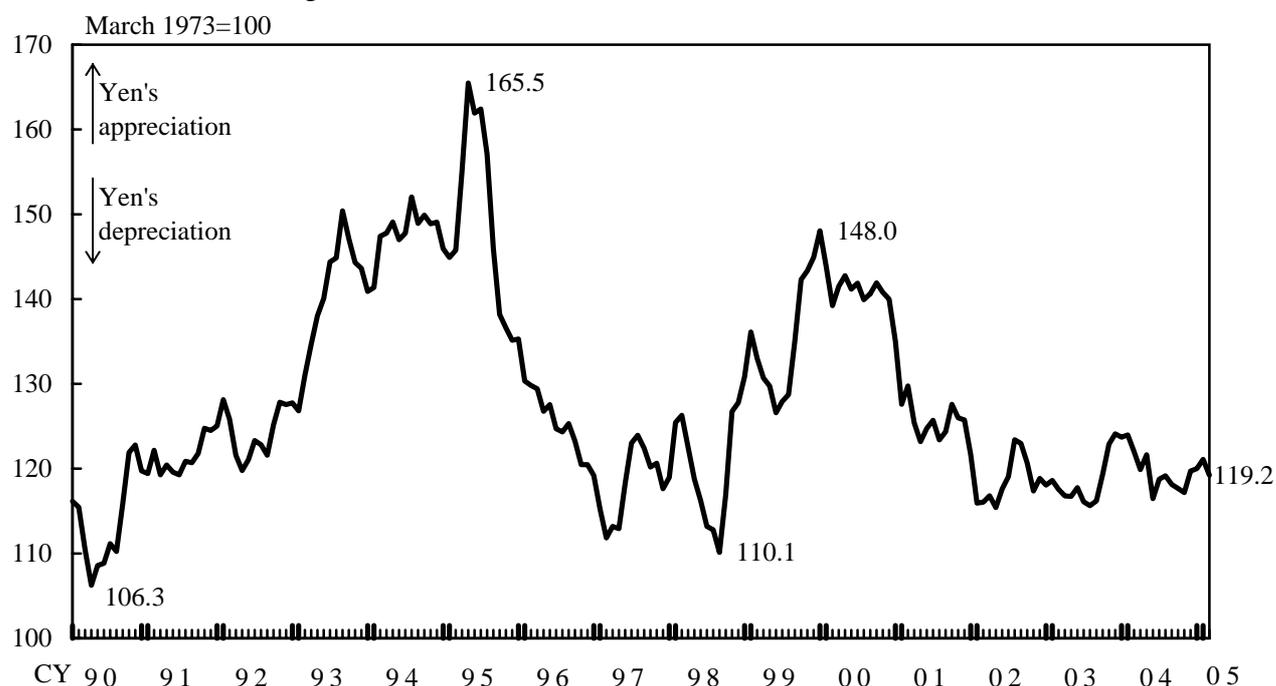
5. IT-related goods are composed of office machinery, telecommunication machinery, ICs, and medical and optical instruments.

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 February 2005 is the average up to February 16.
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

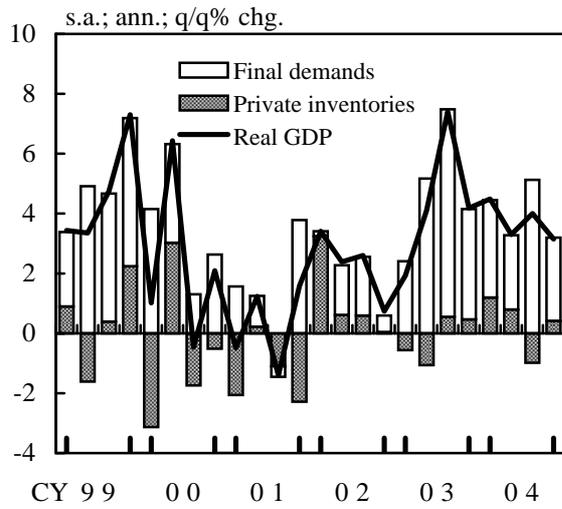
		CY2002	2003	2004	2004 Q1	Q2	Q3	Q4	
United States ¹		1.9	3.0	4.4	4.5	3.3	4.0	3.1	
European Union ¹ (15 countries)		1.0	0.8	2.2	2.8	2.2	1.3	1.0	
East Asia ²	Germany	0.1	-0.1	1.6	2.0	1.4	0.1	-0.9	
	France	1.1	0.5	2.3	2.6	2.6	-0.1	n.a.	
	United Kingdom	1.8	2.2	3.1	3.0	3.5	1.8	3.0	
	China	8.3	9.3	9.5	9.8	9.6	9.1	9.5	
	NIEs	Korea	7.0	3.1	n.a.	5.3	5.5	4.6	n.a.
		Taiwan	3.9	3.3	n.a.	6.7	7.9	5.3	n.a.
		Hong Kong	1.9	3.2	n.a.	7.0	12.1	7.2	n.a.
		Singapore	2.2	1.1	8.1	7.5	12.5	7.5	5.4
ASEAN4	Thailand	5.3	6.9	n.a.	6.7	6.4	6.0	n.a.	
	Indonesia	4.3	4.5	n.a.	5.1	4.5	5.0	n.a.	
	Malaysia	4.1	5.3	n.a.	7.8	8.2	6.8	n.a.	
	Philippines	4.3	4.7	6.1	6.5	6.6	6.3	5.4	

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

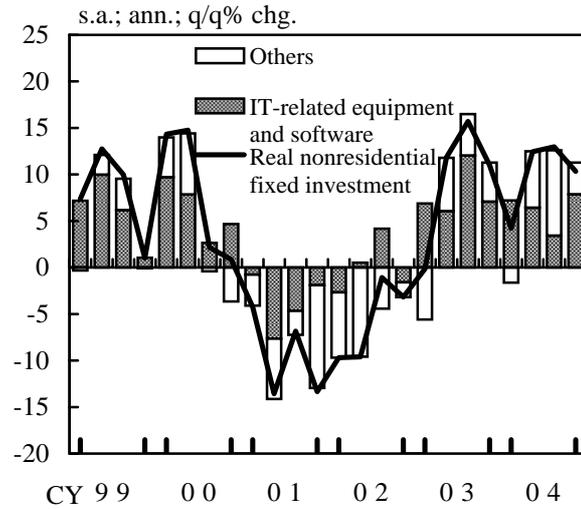
2. Quarterly data of East Asia are percent changes from a year earlier.

Environment for Exports (2)

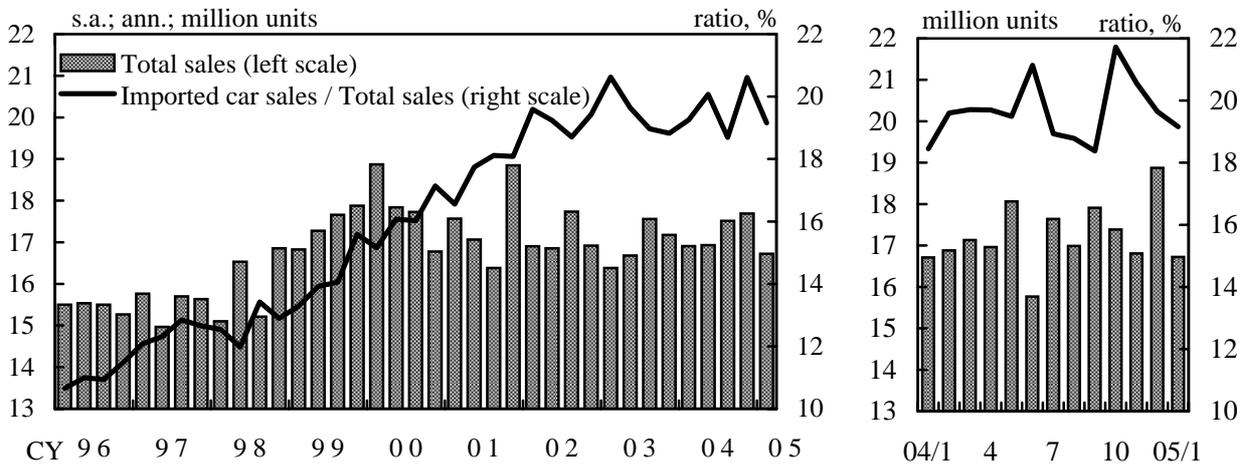
(1) U.S. Real GDP (breakdown by final demands and inventories)



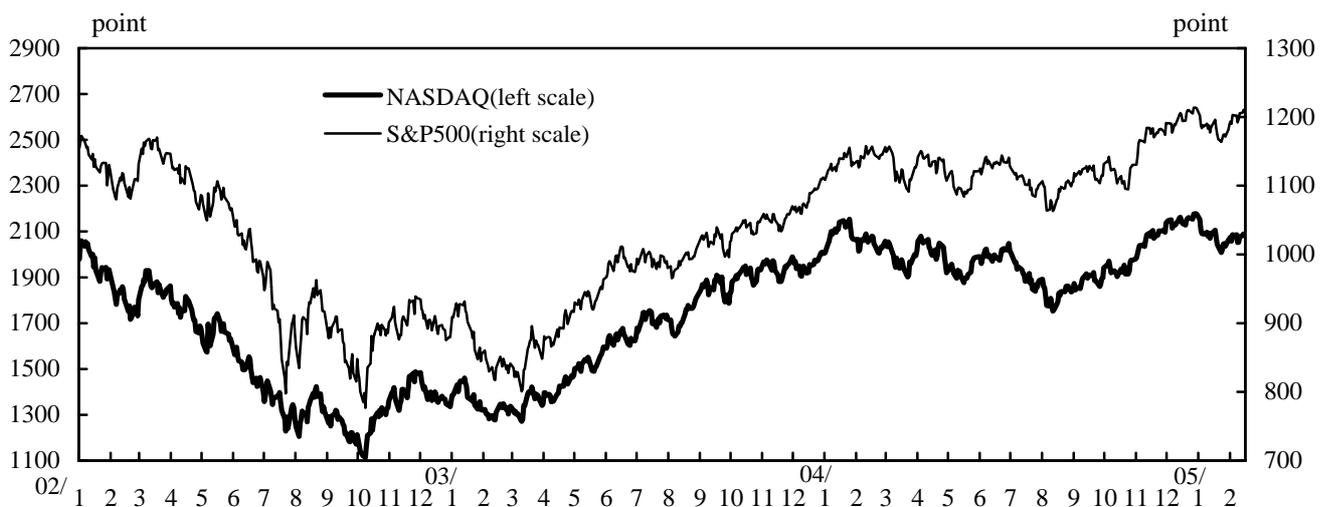
(2) U.S. Real Nonresidential Fixed Investment



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



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

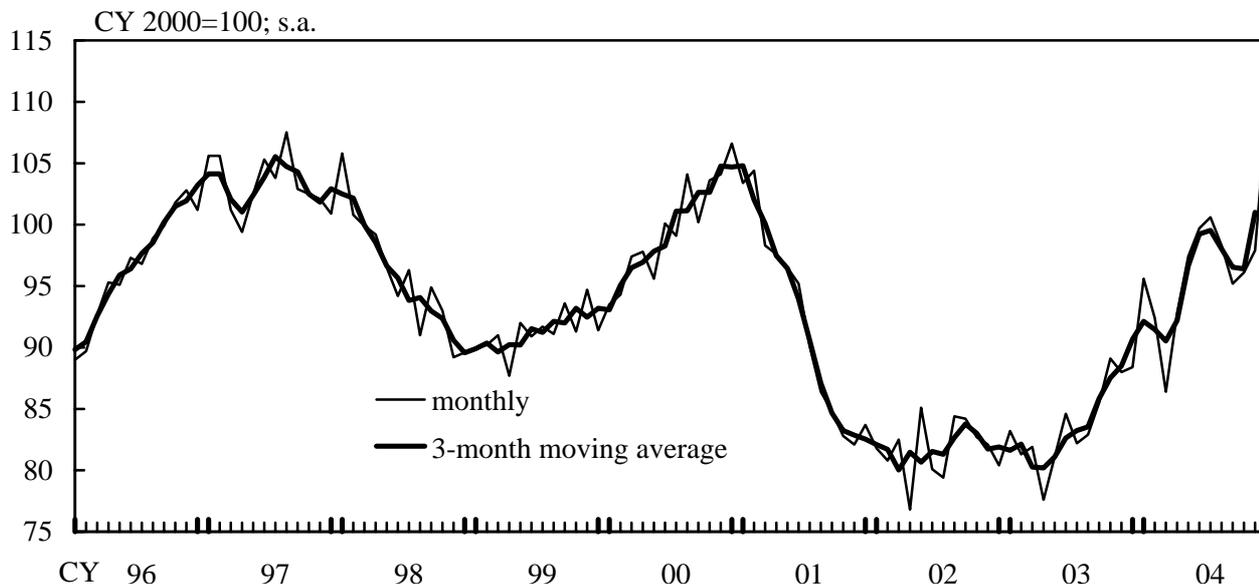


Notes: 1. Figures for 2005/Q1 are based on January figures in (3).
2. Figures of U.S. stock prices in (4) are up to February 16.

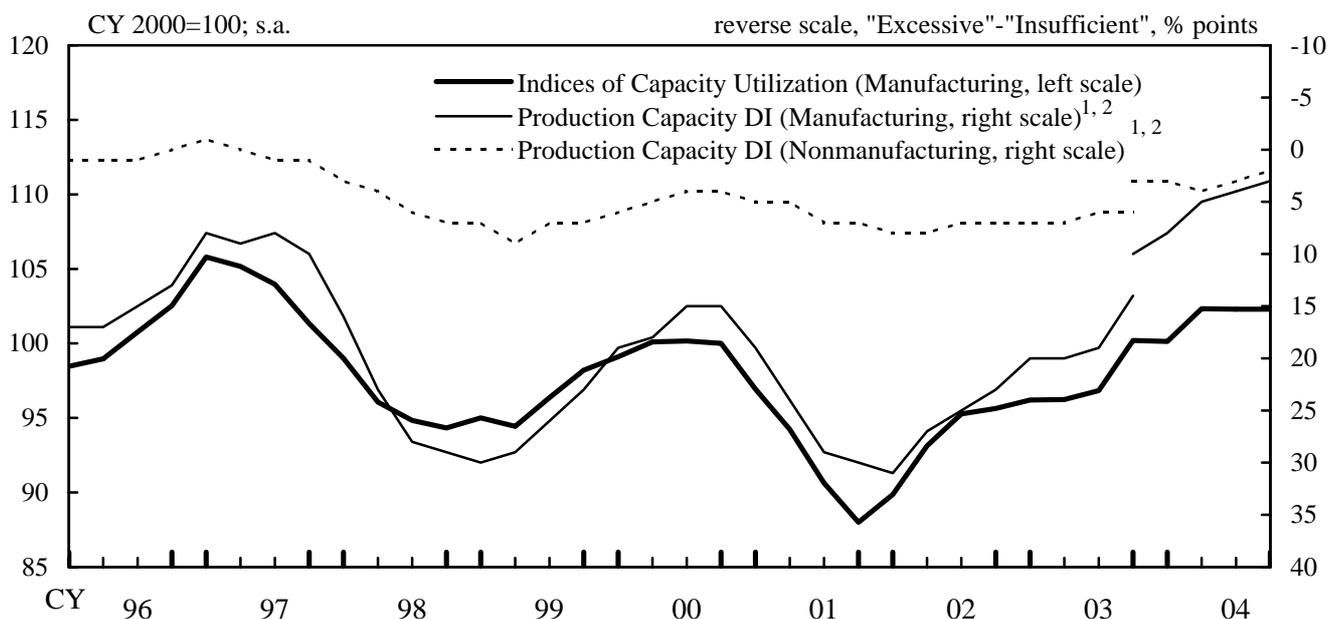
Sources: U.S. Department of Commerce, "National Income and Product Accounts," "Sales, production, imports, exports, and inventories, in units"; Bloomberg.

Indicators for Business Fixed Investment (1)

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



(2) Indices of Capacity Utilization and Production Capacity DI



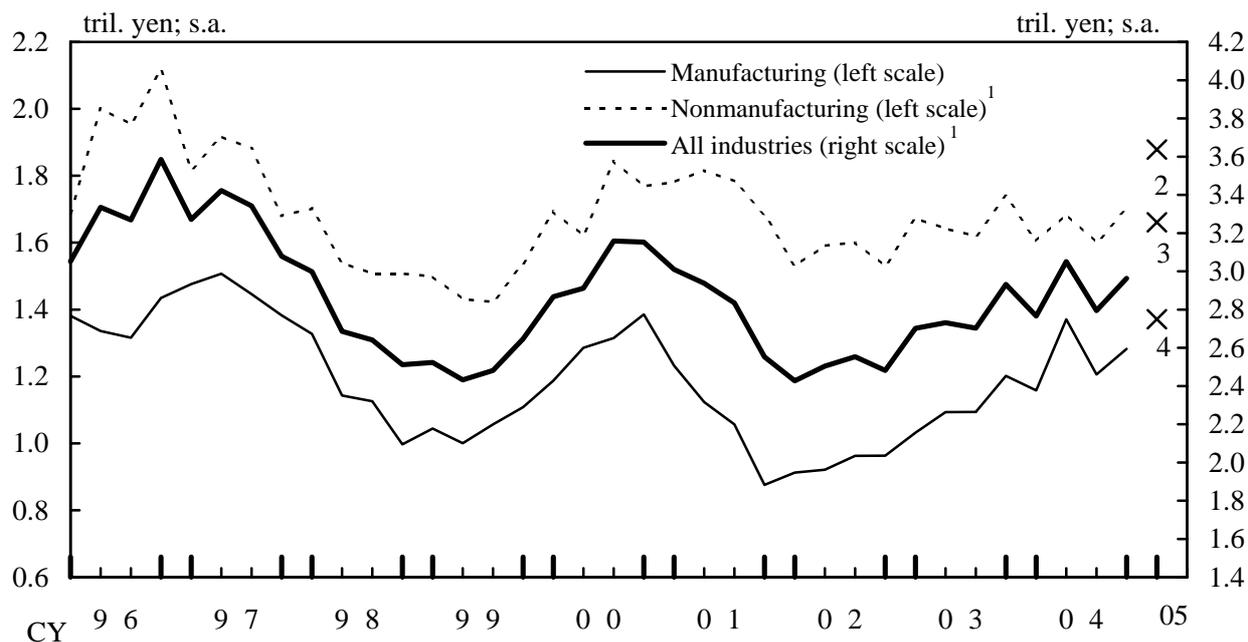
Notes: 1. Production Capacity DIs are those of all enterprises.

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.

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

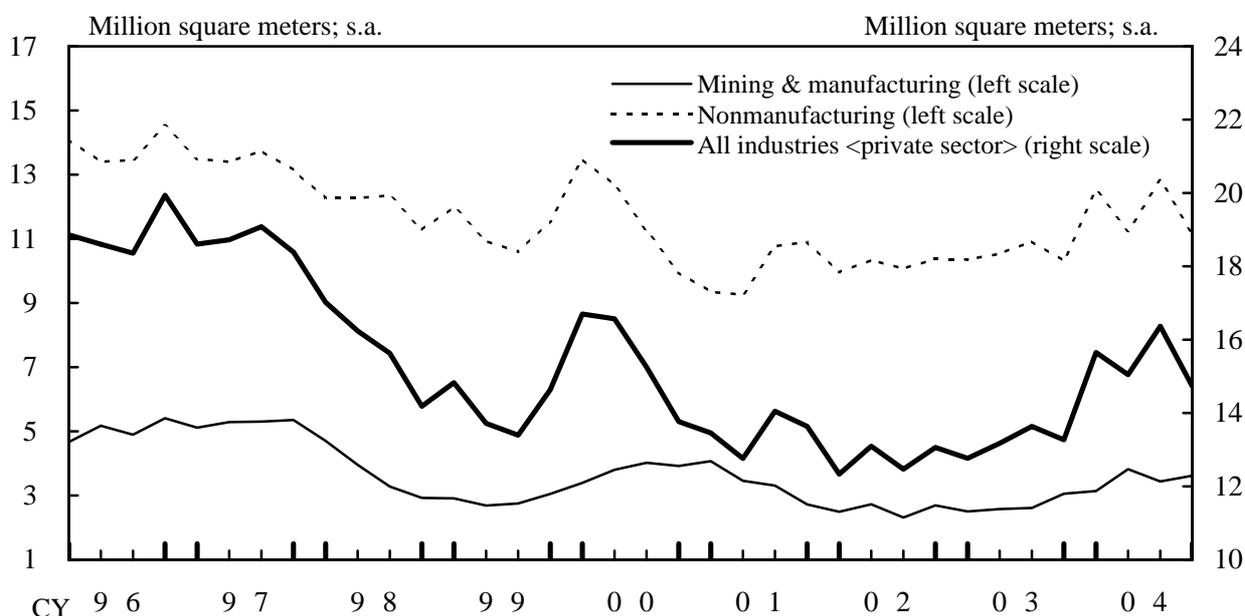
Indicators for Business Fixed Investment (2)

(1) Machinery Orders



- Notes: 1. Excludes orders of shipbuilding and orders from electric power companies.
 2. Forecast of nonmanufacturing industries for 2005/Q1.
 3. Forecast of all industries for 2005/Q1.
 4. Forecast of manufacturing industries for 2005/Q1.

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

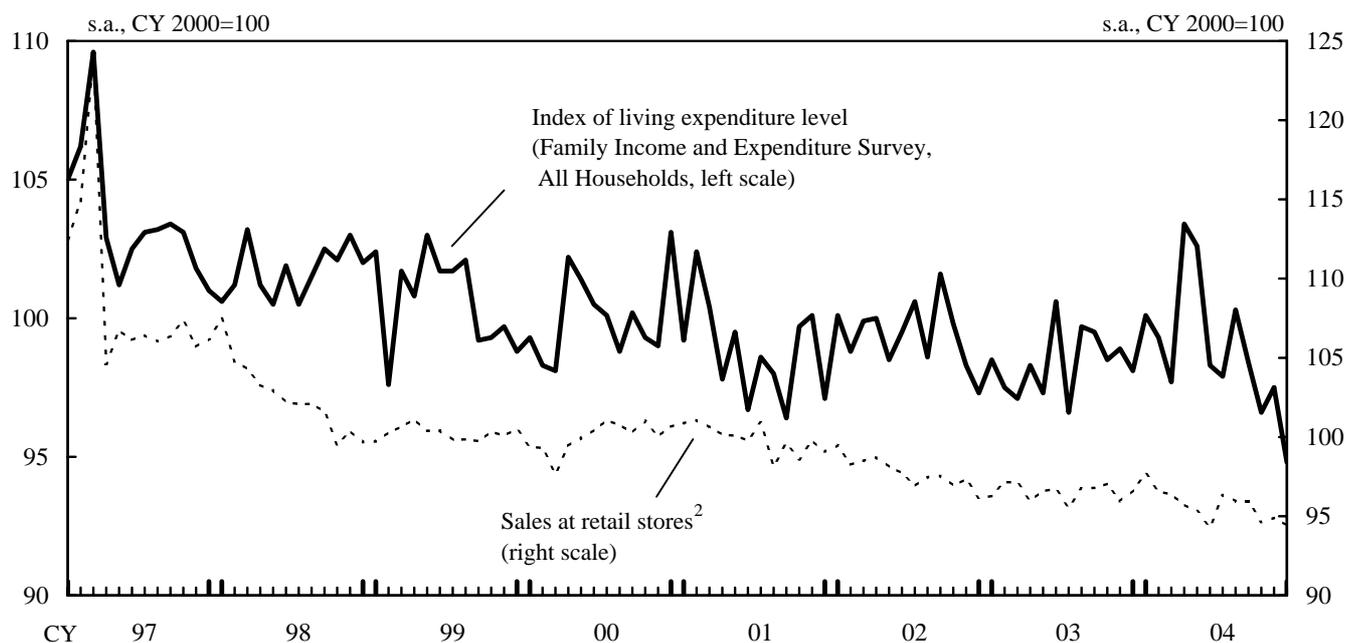


- Notes: 1. Seasonally adjusted by X-12-ARIMA.
 2. Because the Standard Industrial Classification for Japan was revised in March 2002, the industry classification for Newspaper Publishing and Publishing Business was changed from Mining and Manufacturing to Nonmanufacturing. Accordingly, the data up to fiscal year 2002 were adjusted by using a link coefficient.

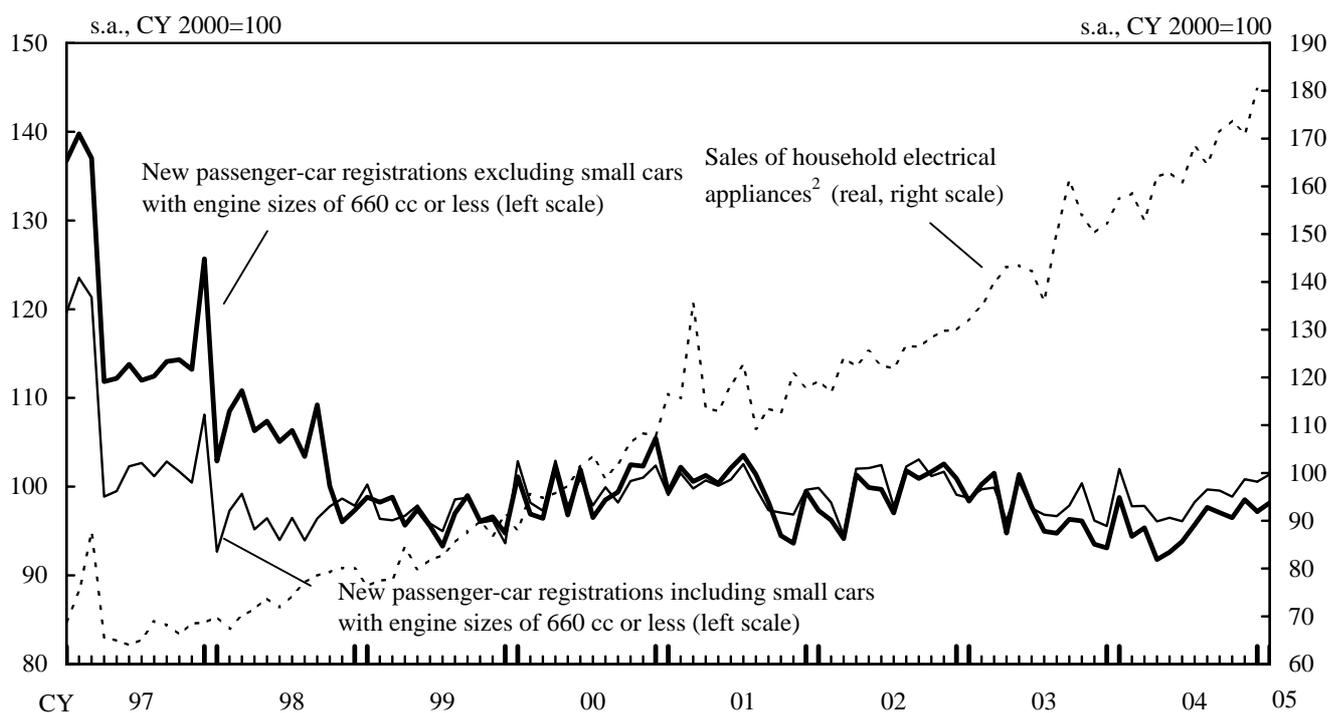
Sources: Cabinet Office, "Machinery Orders Statistics";
 Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts."

Indicators for Private Consumption¹ (1)

(1) Household Spending (real)



(2) Sales of Durable Goods



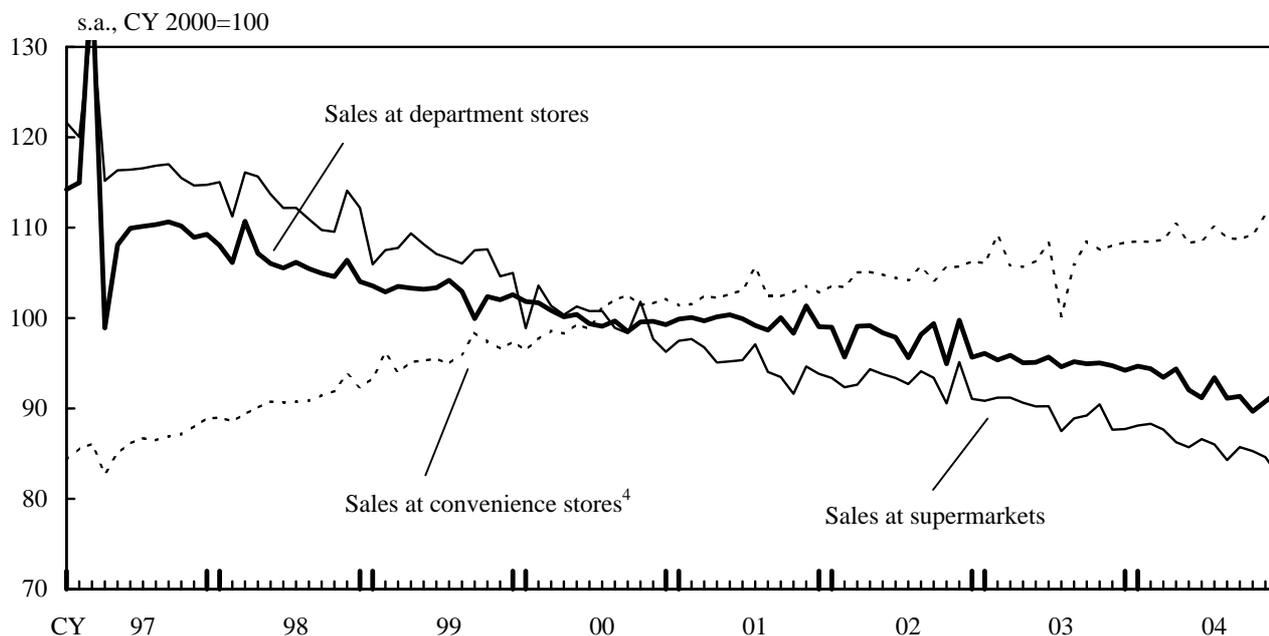
Notes: 1. Seasonally adjusted by X-12-ARIMA. Index of living expenditure level is seasonally adjusted by the Ministry of Internal Affairs and Communications.

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).

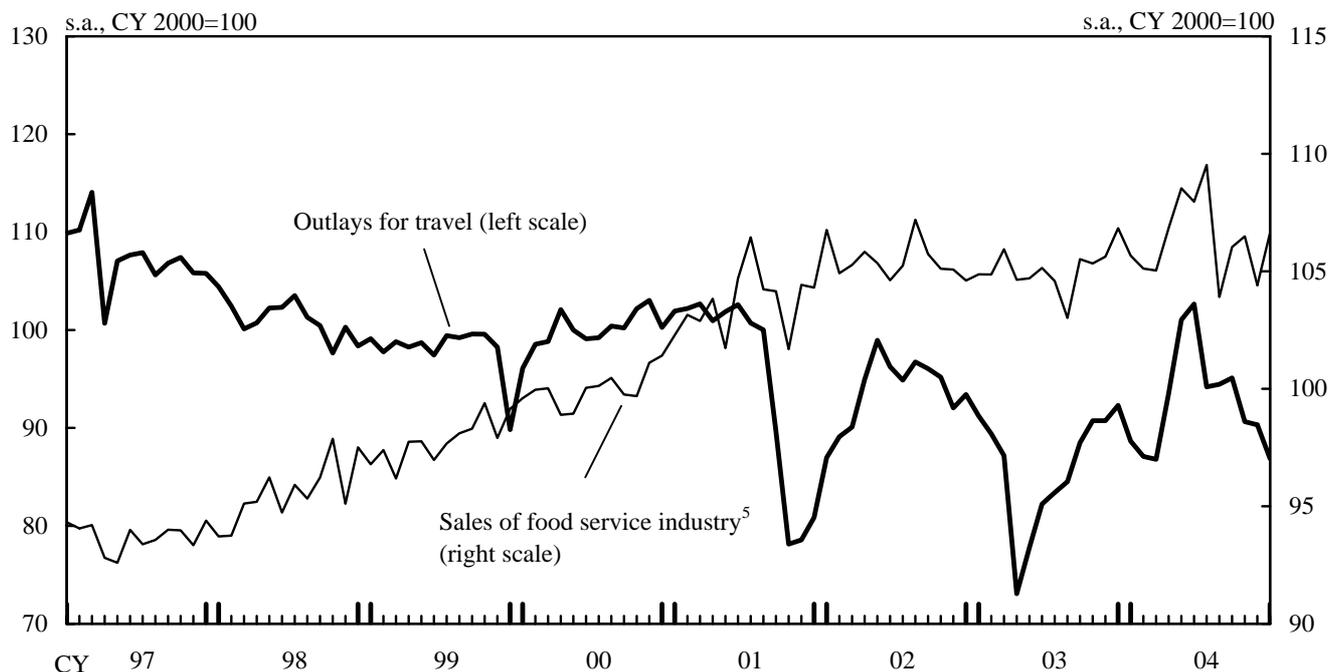
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index," "Monthly Report on the Family Income and Expenditure Survey";
 Ministry of Economy, Trade and Industry, "Current Survey of Commerce";
 Japan Automobile Dealers Association, "Domestic Sales of Automobiles";
 Japan Mini Vehicles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

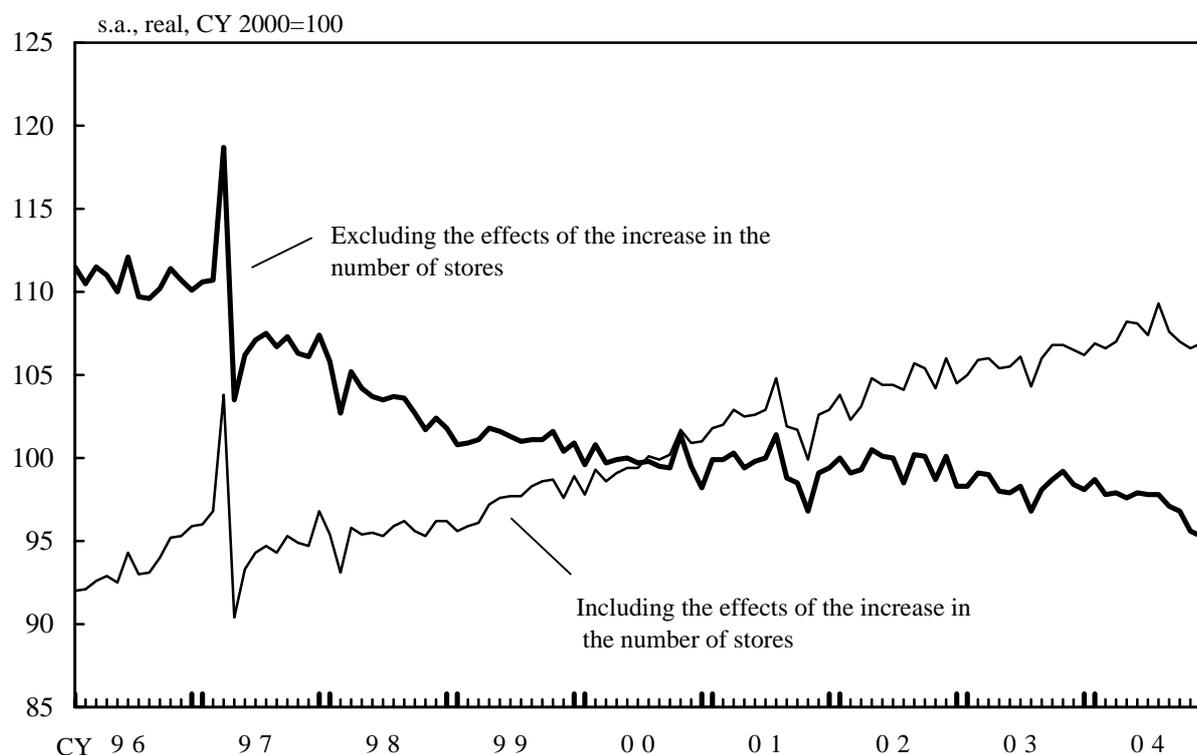
5. Sales of food service industry are calculated using the year-on-year change rates of every month released by the Japan Food Service Association based on monthly sales amounts in 1993 released by the Food Service Industry Survey & Research Center.

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

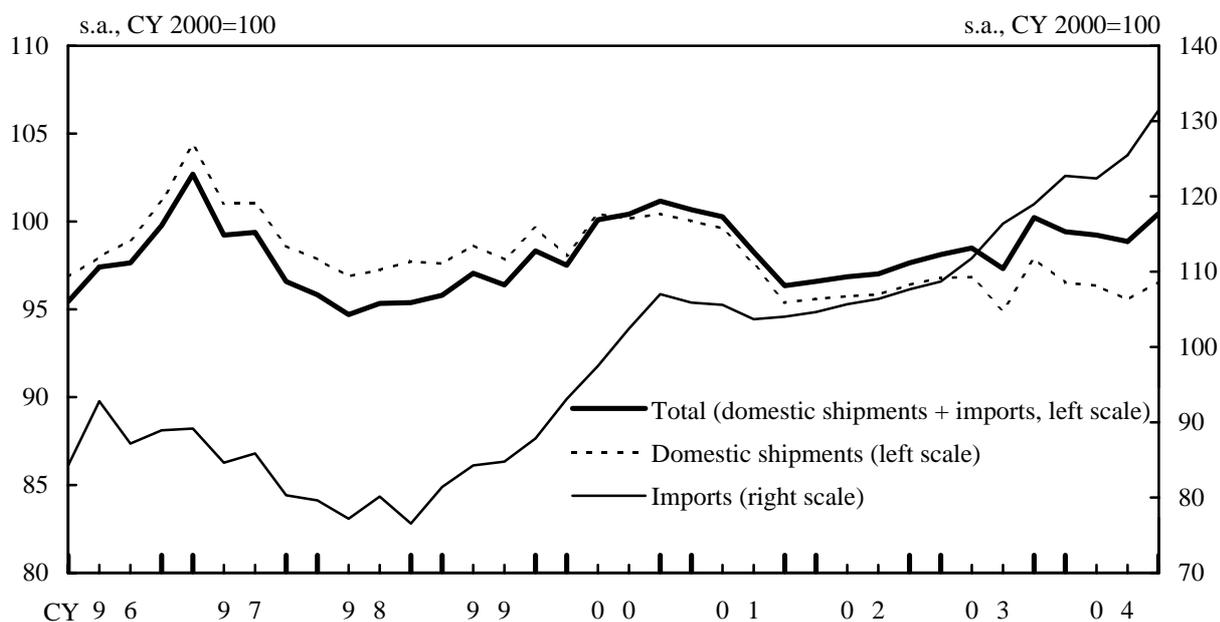


- Notes: 1. Indices of aggregated sales are the weighted sum of *Sales at department stores and supermarkets*; *New passenger-car registrations*; *Sales of household electrical appliances*; *Outlays for travel*; and *Sales of food service industry*, where the weights come from household expenditure in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

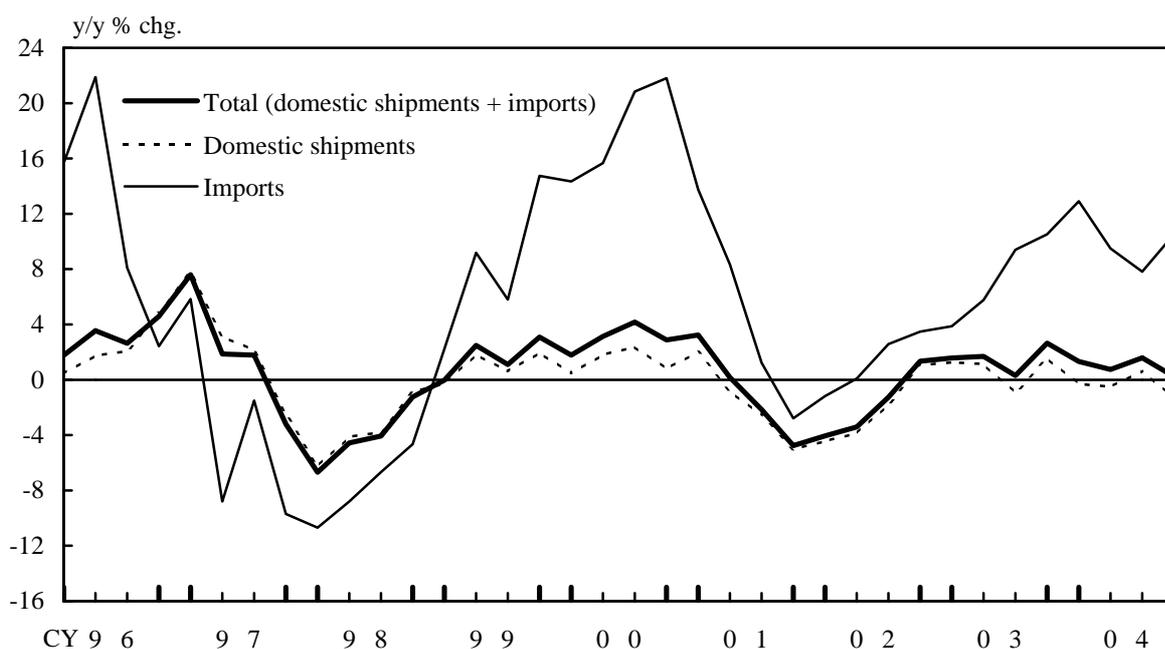
Source: Bank of Japan, "Indices of Aggregated Sales."

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*.

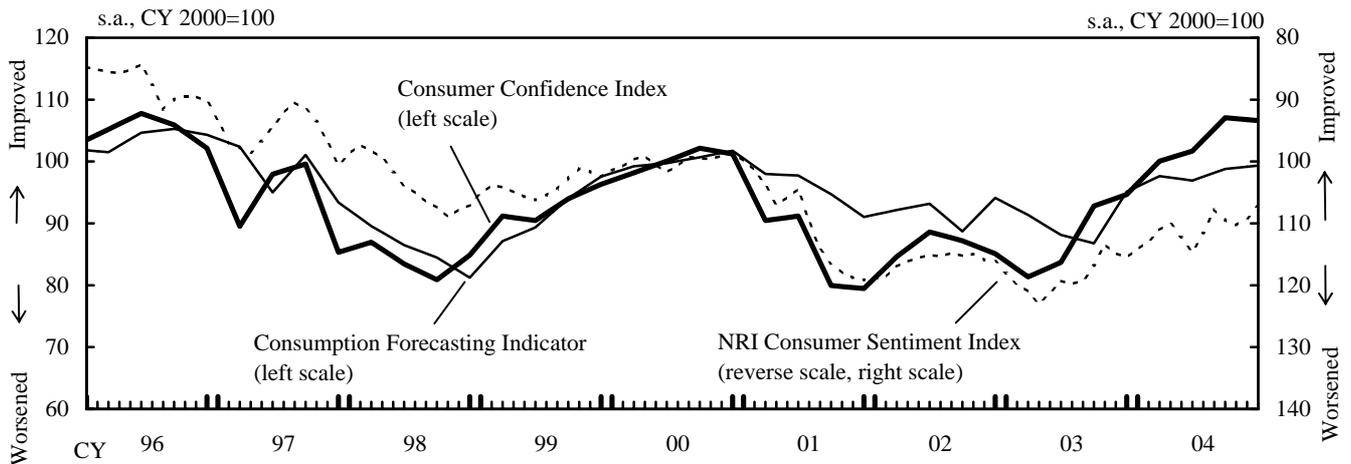
2. Figures of "Imports" are calculated from real imports of consumer goods. Real imports (consumer goods) are composed of motor vehicles, audio and visual apparatus, office machinery, foodstuffs and textiles.

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

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

Consumer Confidence

(1) Surveys on Consumer Confidence

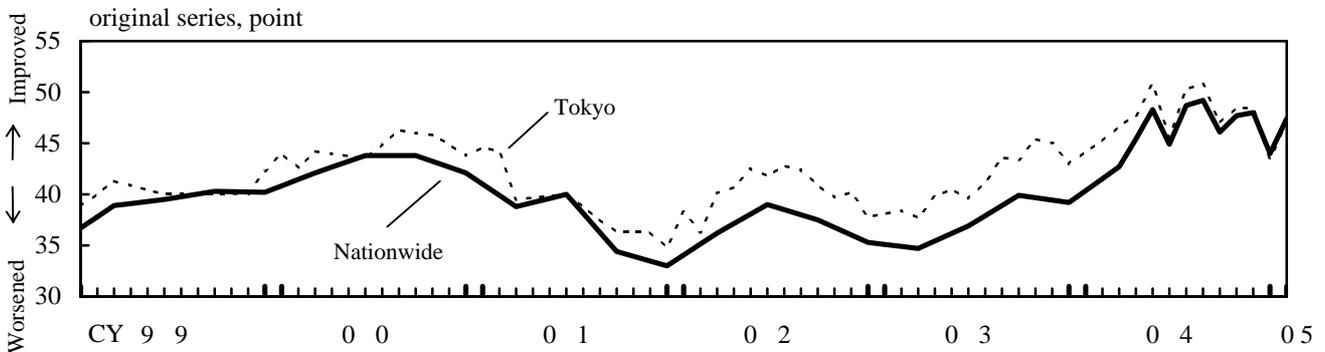


- Notes:
1. Seasonally adjusted by X-11. "Consumer Confidence Index" is seasonally adjusted by the Cabinet Office.
 2. Consumer Confidence Index (with 5,040 samples in a nationwide basis), Consumption Forecasting Indicator (with 880 samples in metropolitan area <till Sept. 2004: 1,500 samples>), and NRI Consumer Sentiment Index (with 2,200 samples in nationwide basis) are based on surveys on consumer confidence.
 3. Data are plotted at the months of each survey.
 4. "Consumer Confidence Index" is surveyed by the Cabinet Office, "Consumption Forecasting Indicator" by NIKKEI RIM, and "NRI Consumer Sentiment Index" by NRI.

(2) Contribution of Each Item in the Consumer Confidence Index



(3) Consumer Confidence Index (Monthly)

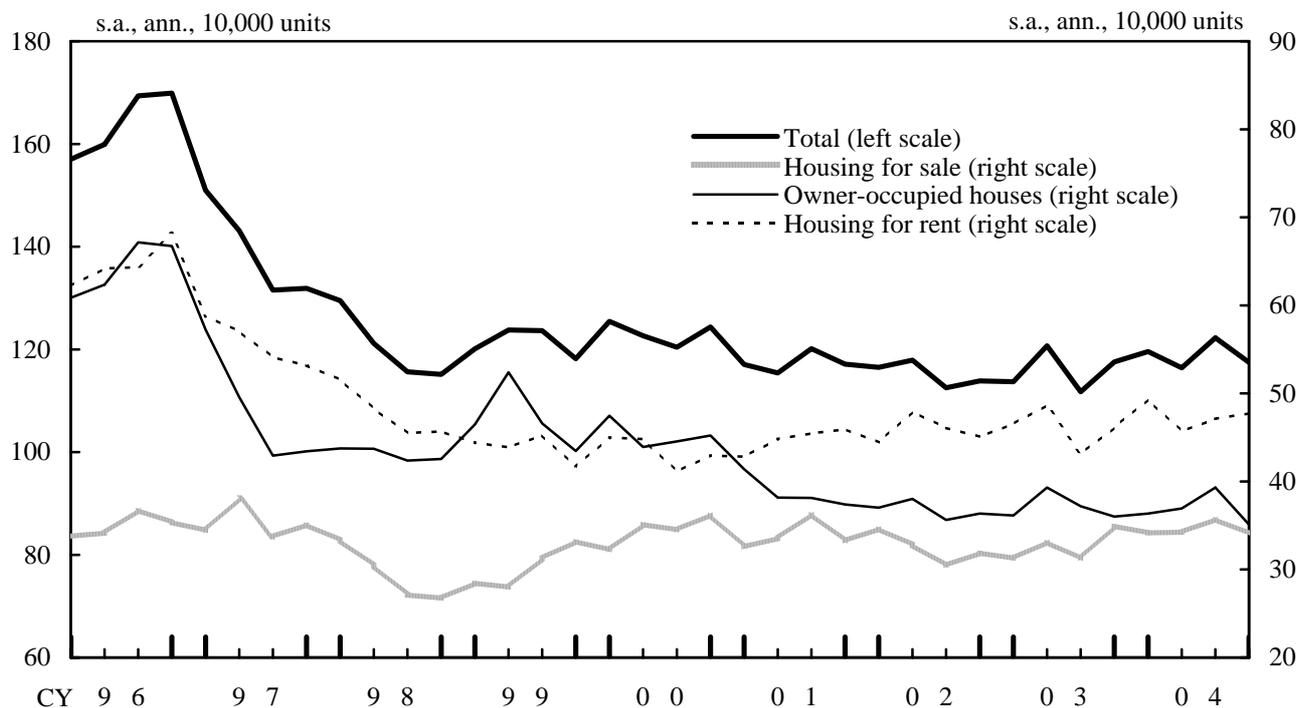


Note: Prior to 2001, figures of "Monthly Consumer Confidence Index of Tokyo" when the survey was not conducted have been supplemented with linear interpolation. Figures of "Monthly Consumer Confidence Index (Nationwide)" have also been plotted at the surveyed months and supplemented with linear interpolation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

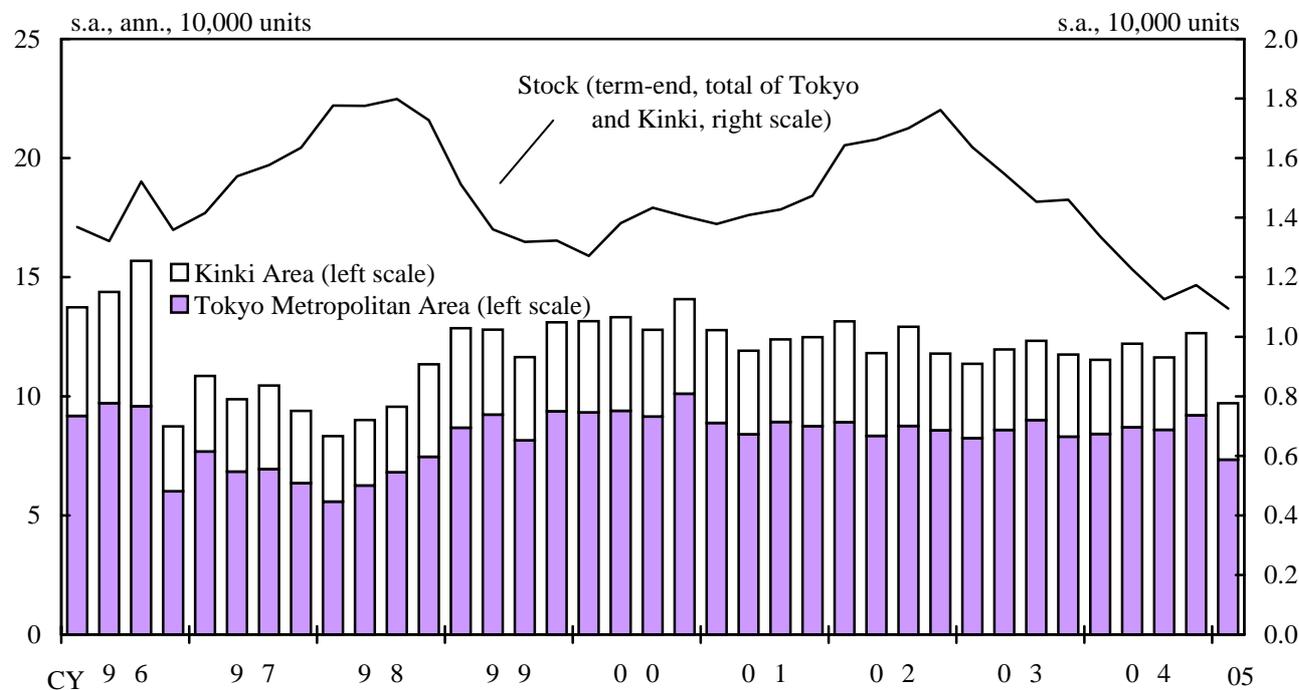
Sources: Cabinet Office, "Consumer Confidence Survey"; Nippon Research Institute (NRI), "Consumer Sentiment Survey"; Nikkei Research Institute of Industry and Markets (NIKKEI RIM), "Consumption Forecasting Indicator."

Indicators for Housing Investment

(1) Housing Starts



(2) Sales of Condominiums

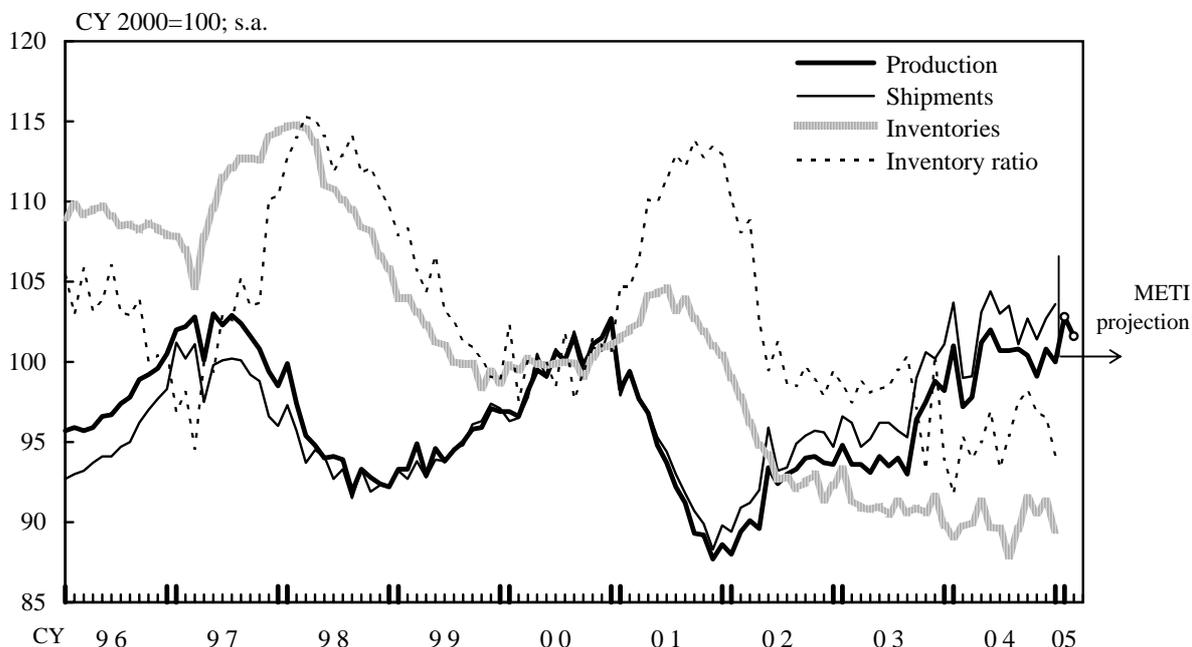


Notes:1. Seasonally adjusted by X-12-ARIMA.
 2. Figures for 2005/Q1 are those of January.

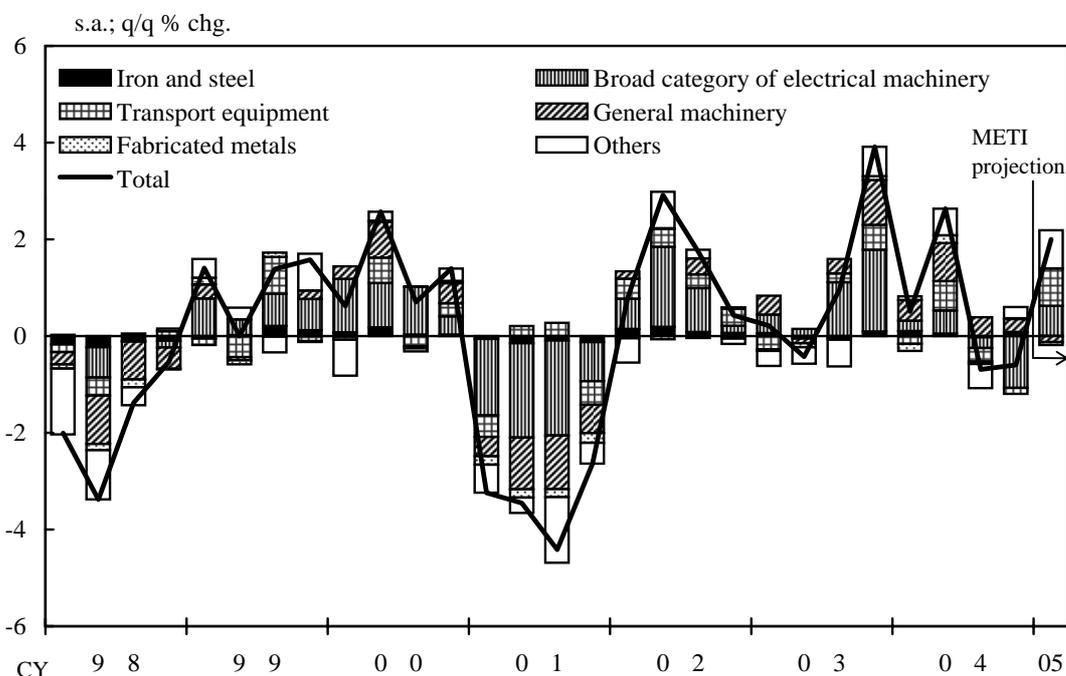
Sources: Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts," etc.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industries

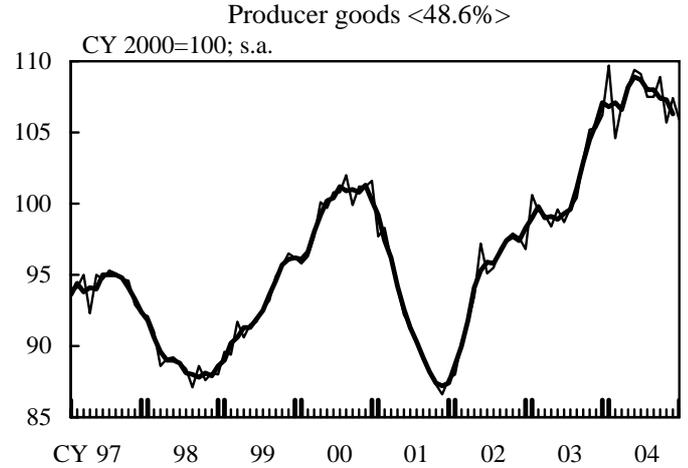
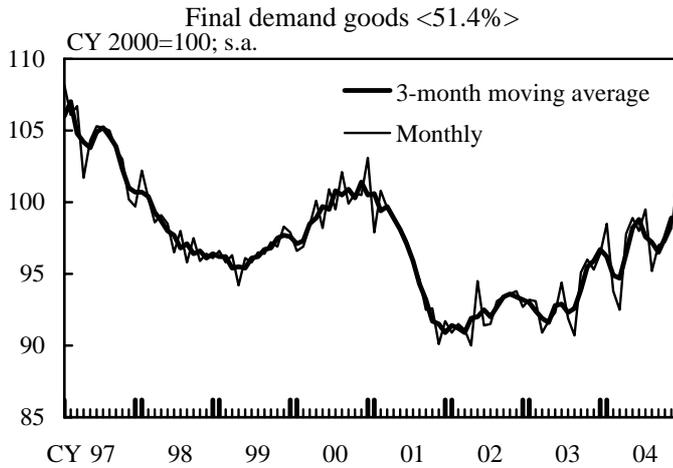


- Notes: 1. Transport equipment excludes ships and rolling stock.
 "Broad category of electrical machinery" is the weighted sum of "electrical machinery", "information and communication electronics equipment" and "electronic parts and devices."
 2. 2005/Q1 figures are based on the assumption that production level in March is the same as that of Feb.

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

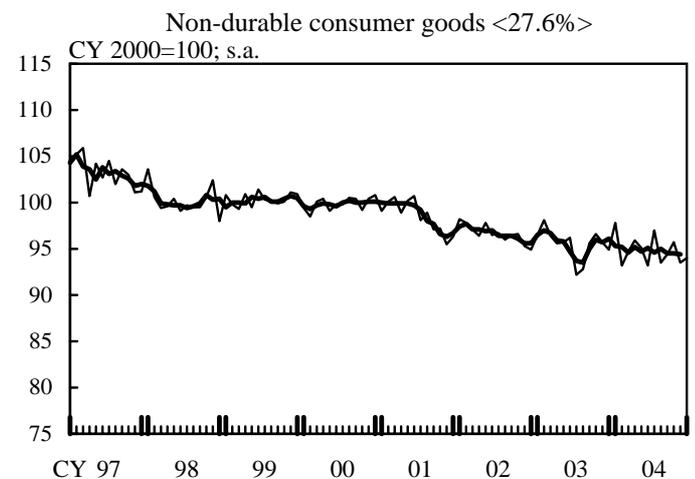
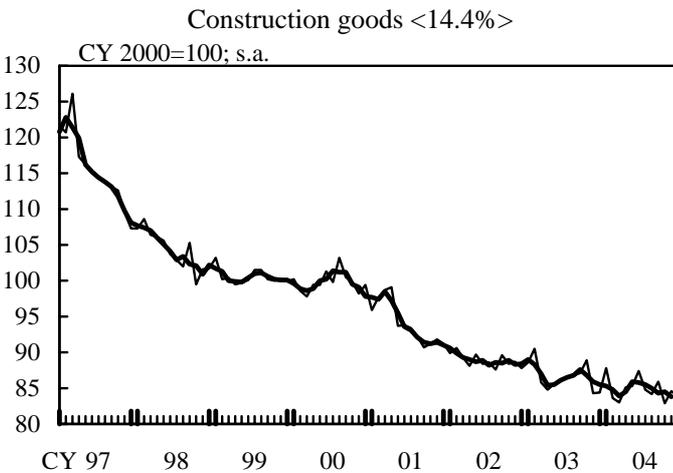
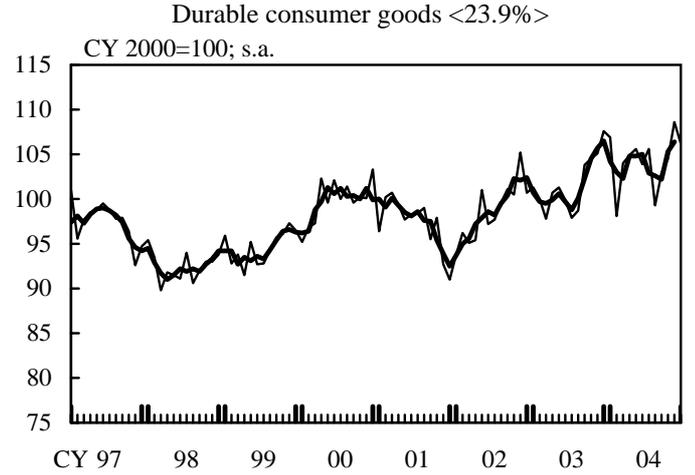
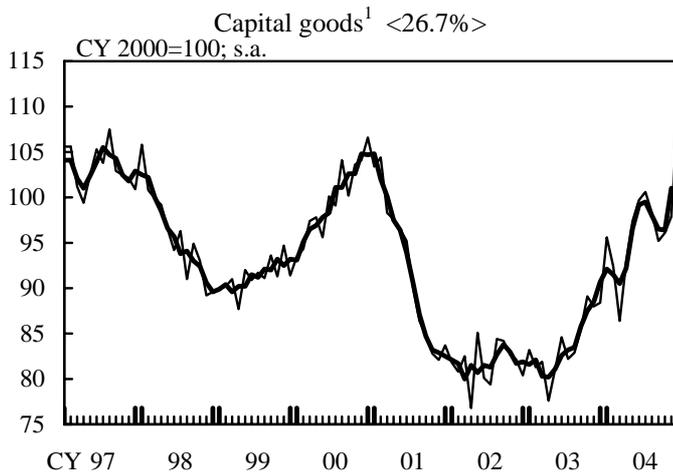
Shipments breakdown by type of goods

(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

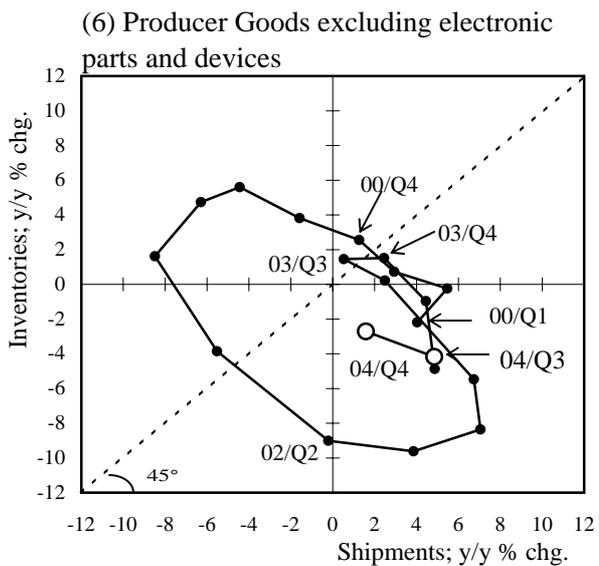
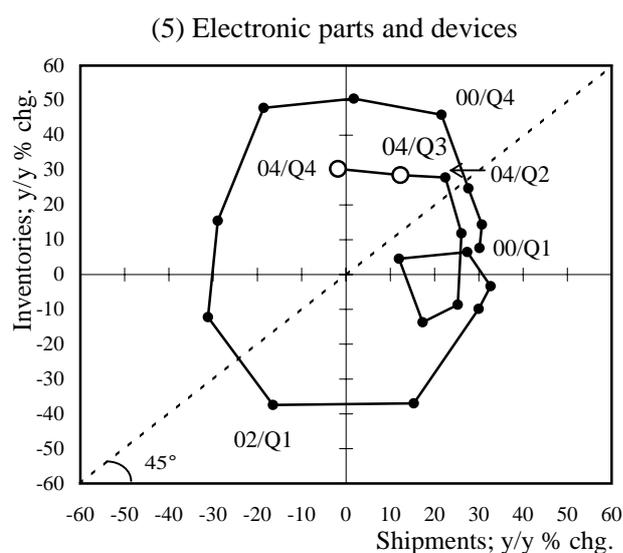
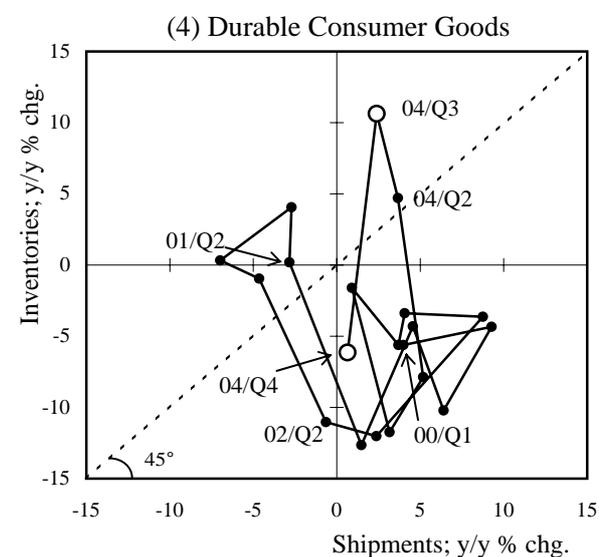
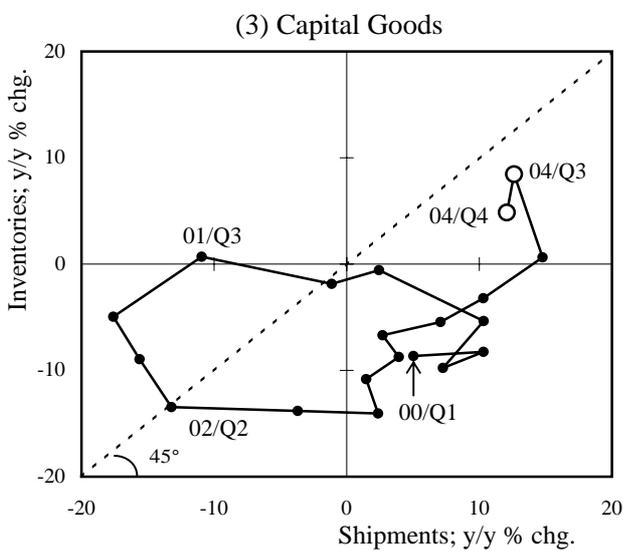
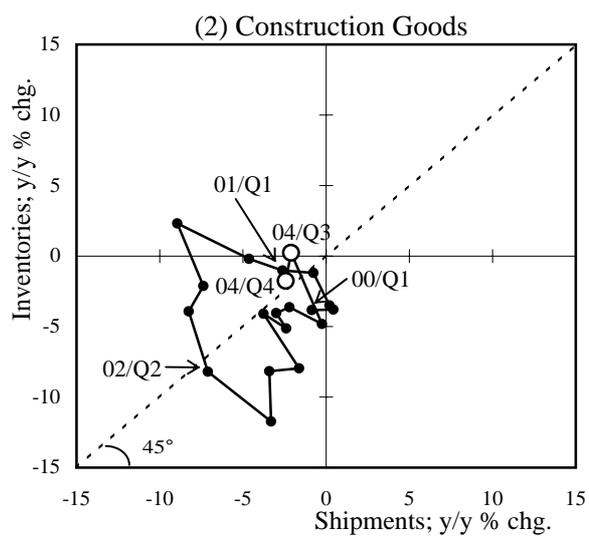
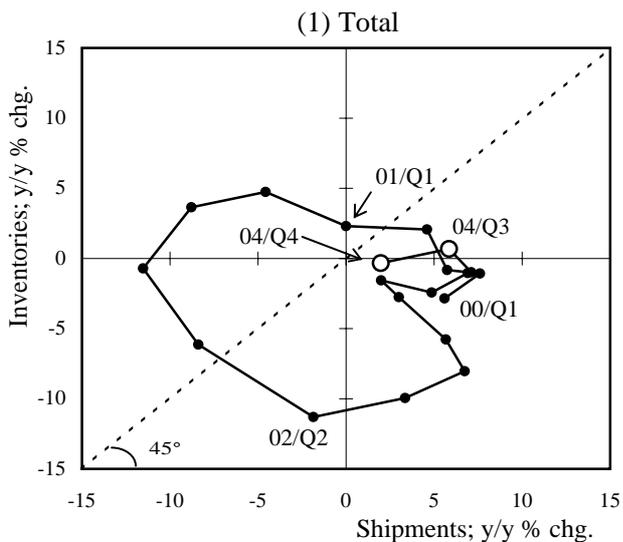


Notes: 1. Excluding transportation equipment.

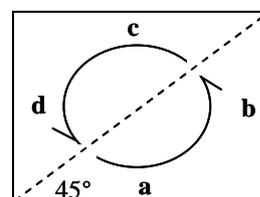
2. Shares of shipments of final demand goods are shown in angle brackets.

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

Inventory Cycle

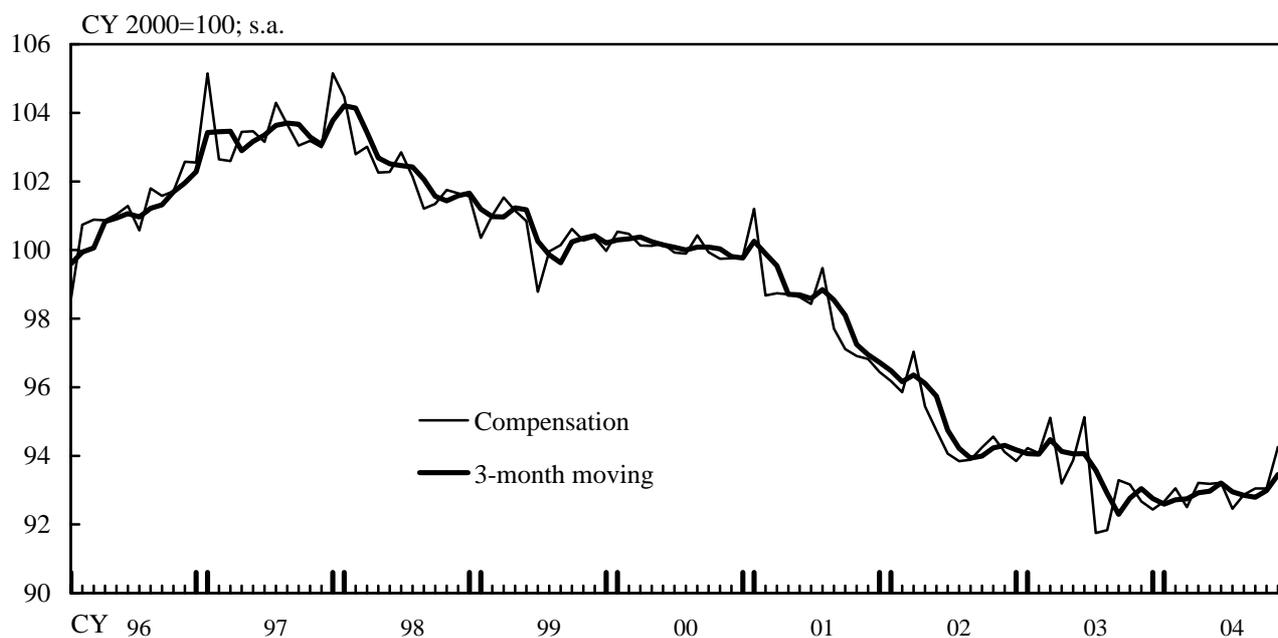


- a Shipment recovery phase
- b Intended inventory accumulation phase
- c Unintended inventory accumulation phase
- d Inventory adjustment phase



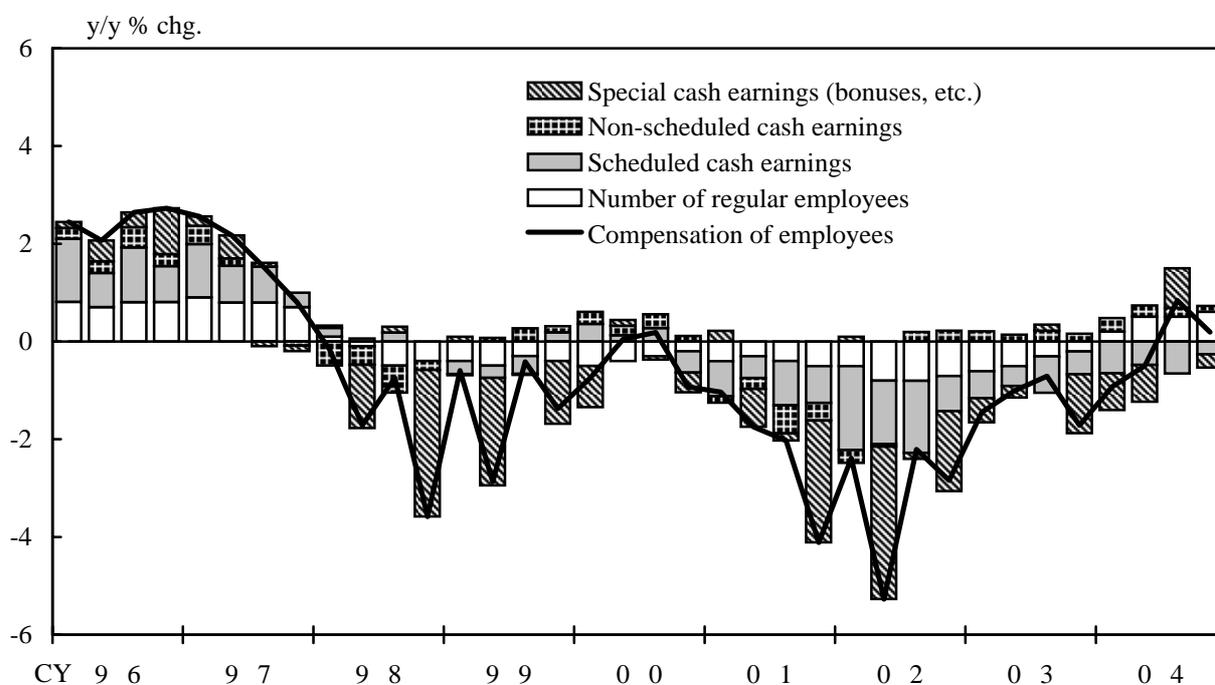
Compensation of Employees

(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

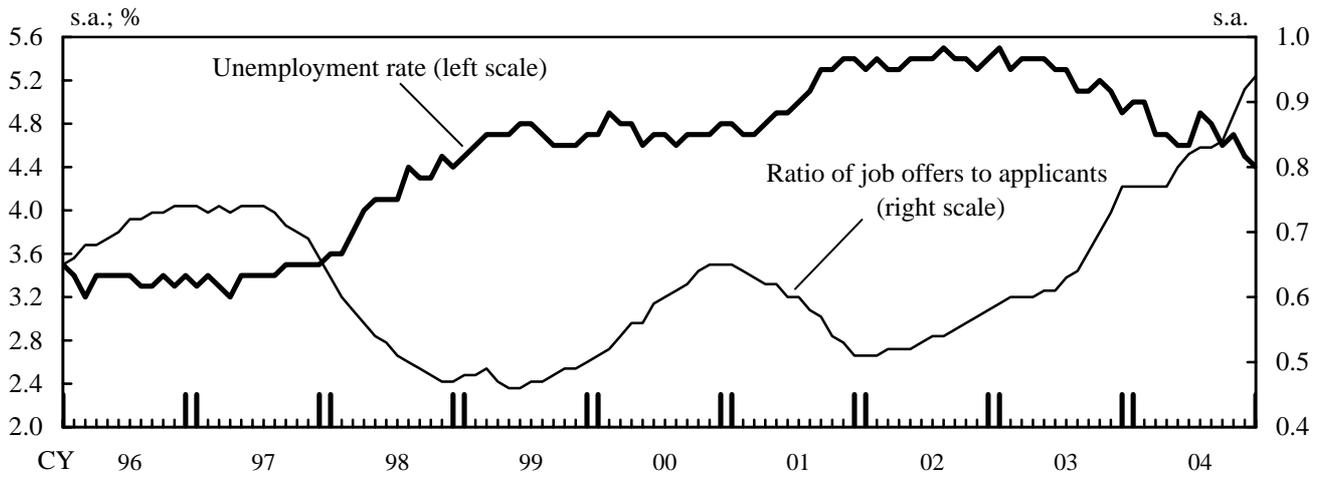


- Notes: 1. Data are for establishments with at least 5 employees.
2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.
3. Figures for 2004/Q4 are those of December.

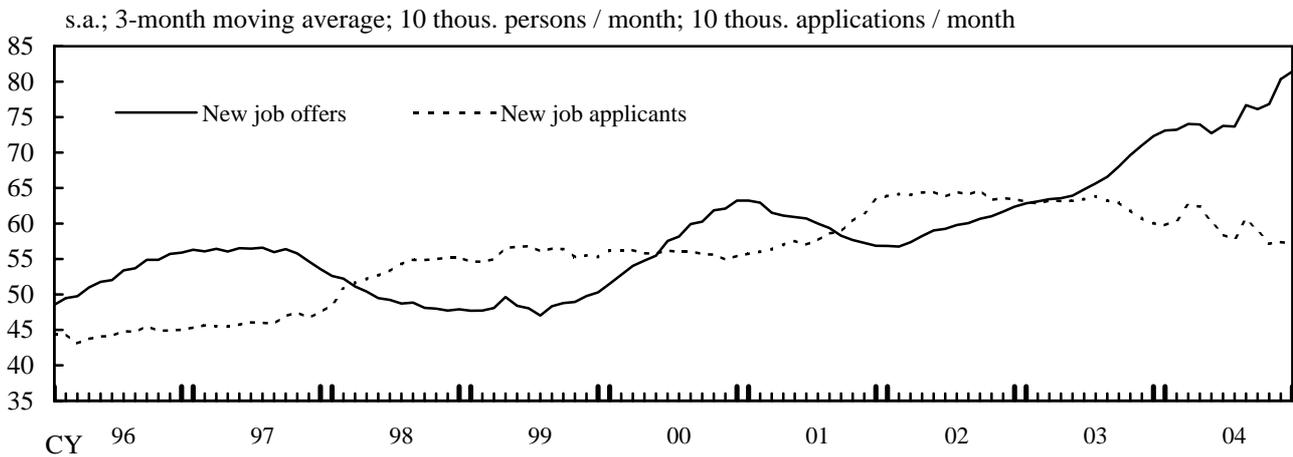
Source: Ministry of Health, Labour and Welfare, "Monthly Labour Survey."

Labor Market (1)

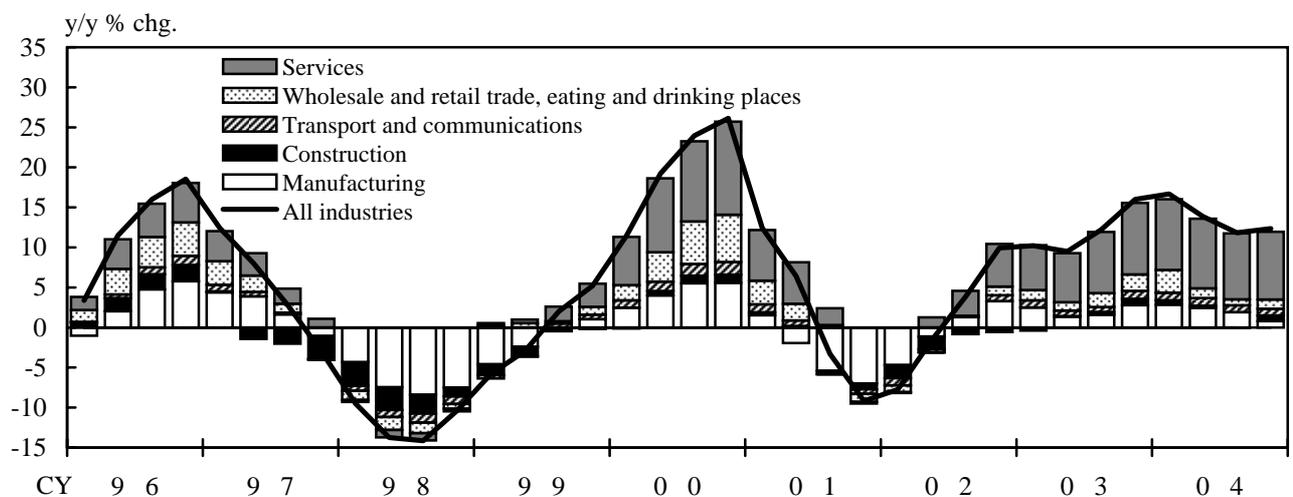
(1) Unemployment Rate and Ratio of Job Offers to Applicants



(2) New job offers and New job applicants¹



(3) Breakdown of New job offers¹

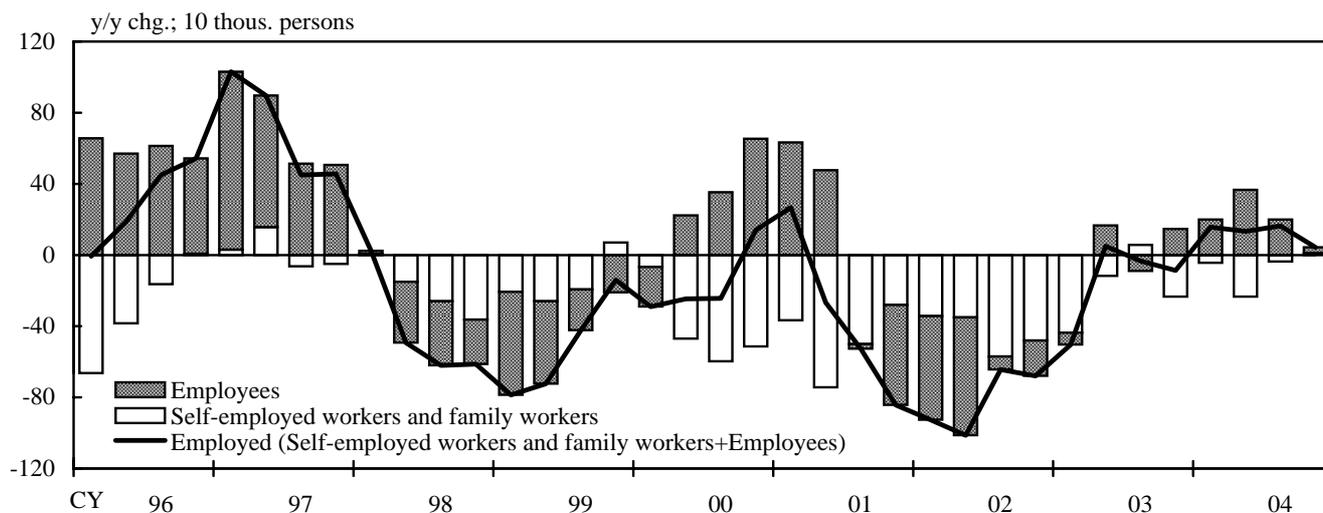


Note:1. Figures do not include jobs offered to new graduates, but include those offered to part-time workers.

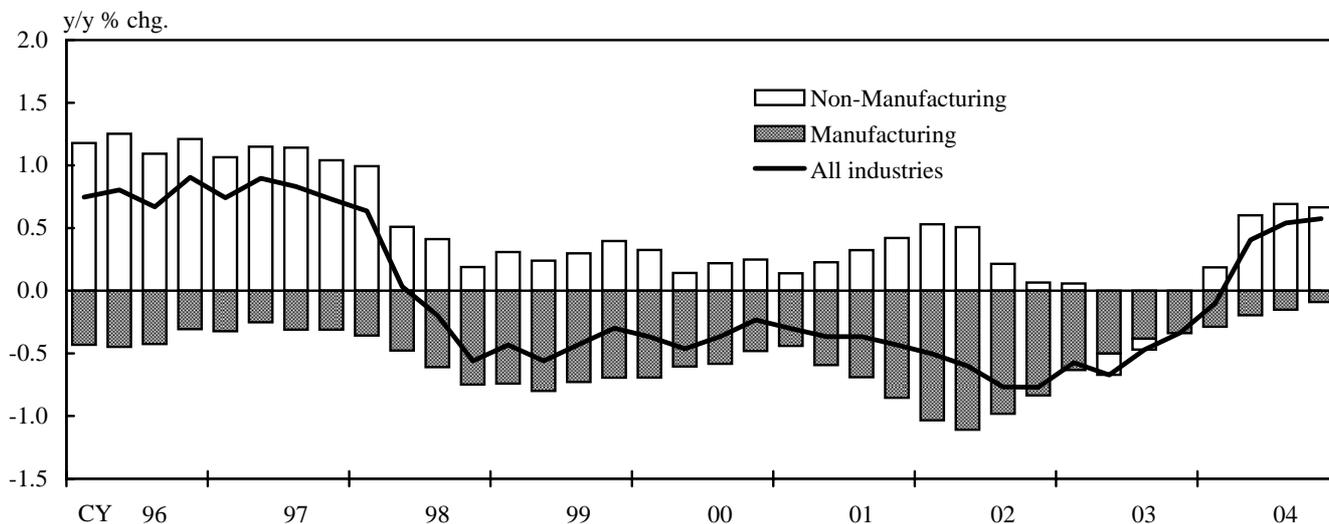
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service";
Ministry of Internal Affairs and Communications, "Labour Force Survey."

Labor Market (2)

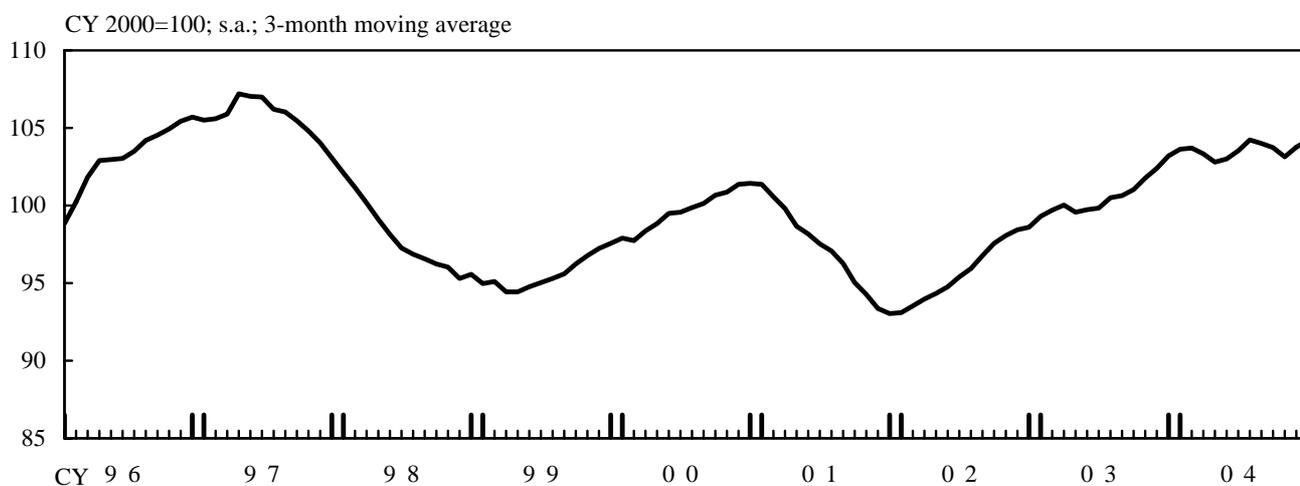
(1) The Employed (Labour Force Survey)



(2) Number of Regular Employees¹ (Monthly Labour Survey)



(3) Non-scheduled Hours Worked¹ (Monthly Labour Survey)

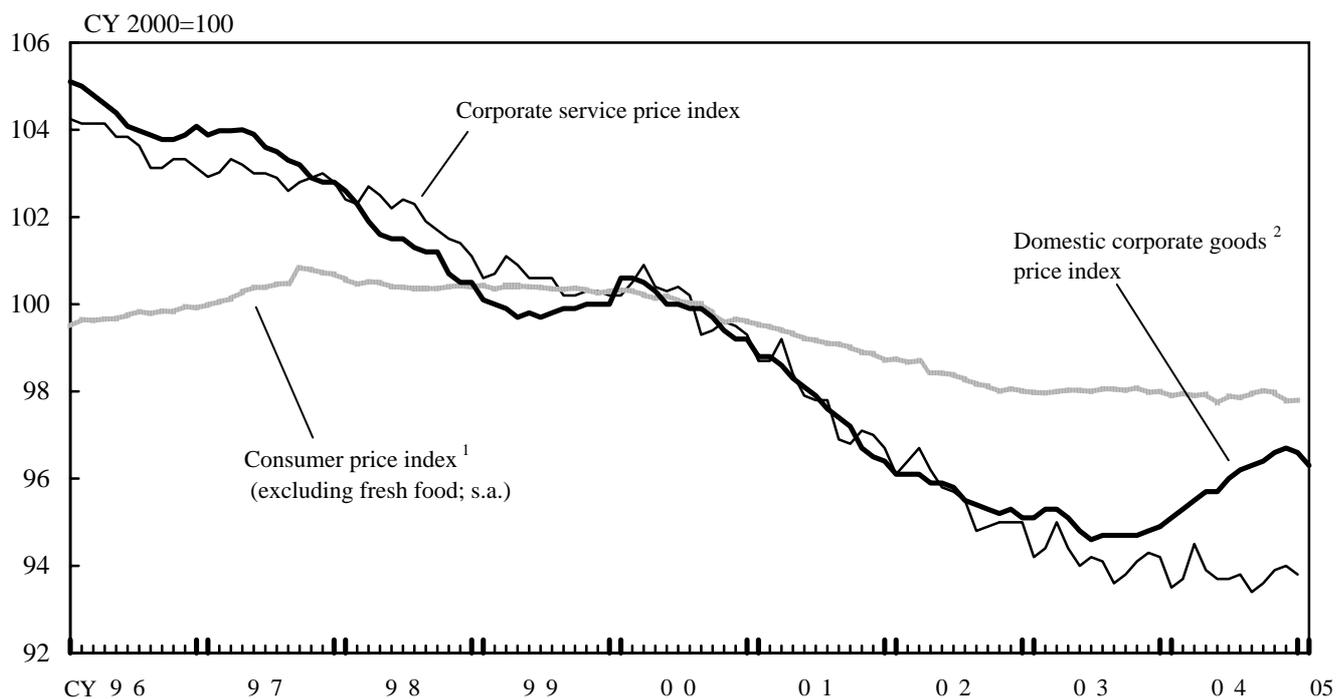


Note: 1. Data are for establishments with at least 5 employees.

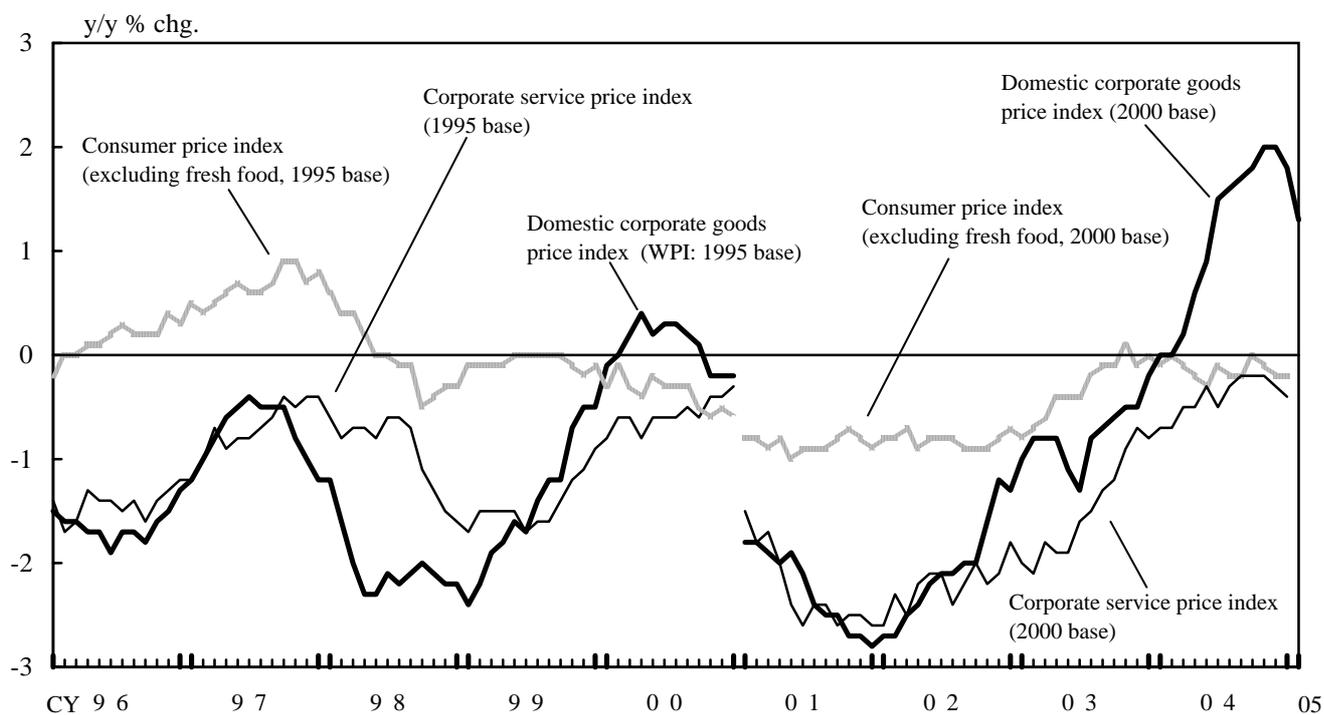
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
 Ministry of Internal Affairs and Communications, "Labour Force Survey."

Prices³

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

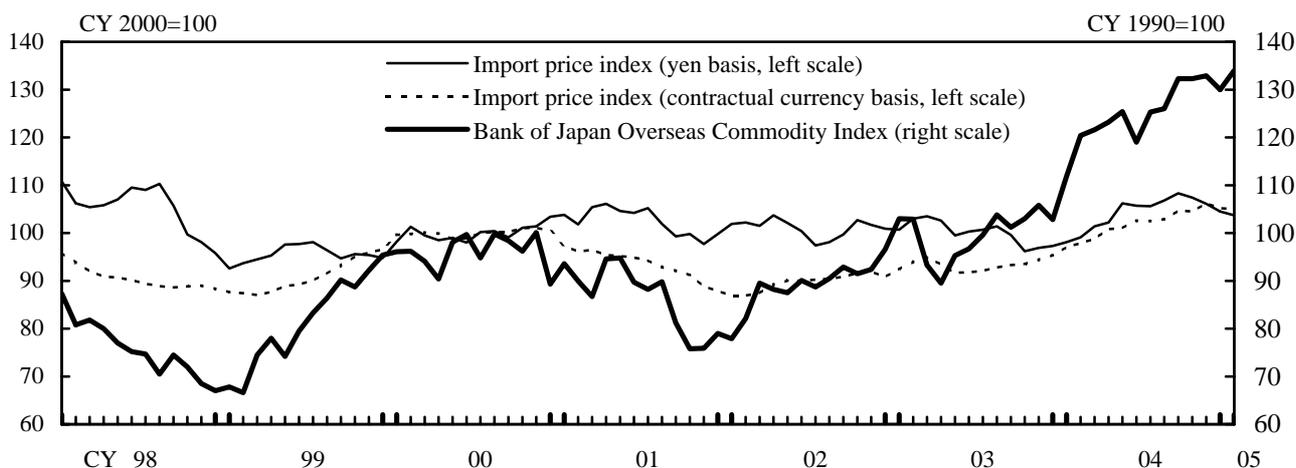
3. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index";

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

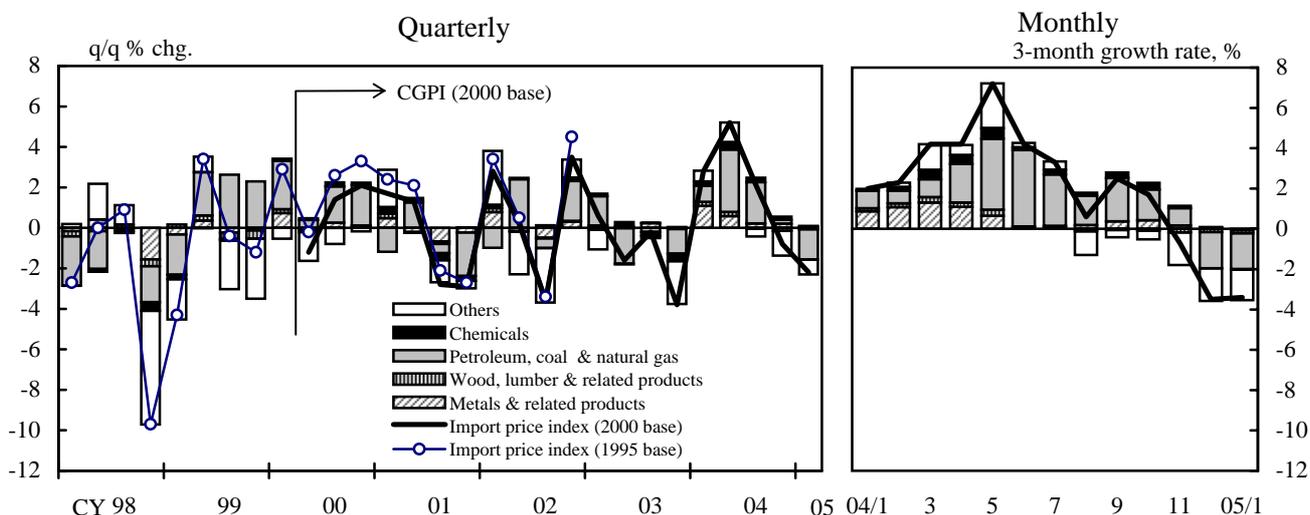
Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



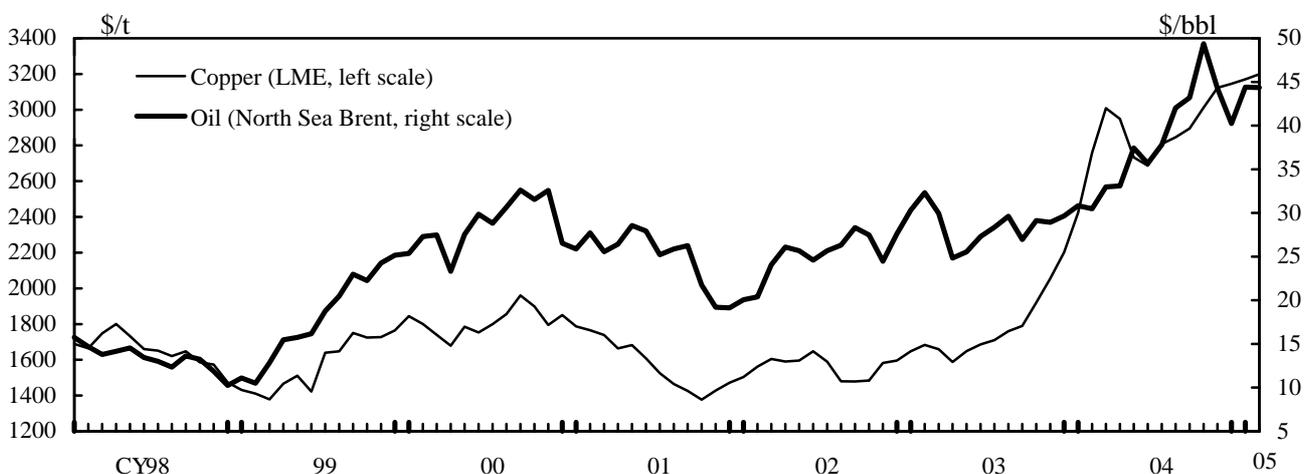
Note: Bank of Japan Overseas Commodity Index is the end of month figure.

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



Note: Figures for 2005/Q1 are those of January.
 1995 base figure for 2002/Q4 is Oct.-Nov. average.

(3) Oil price and Copper price

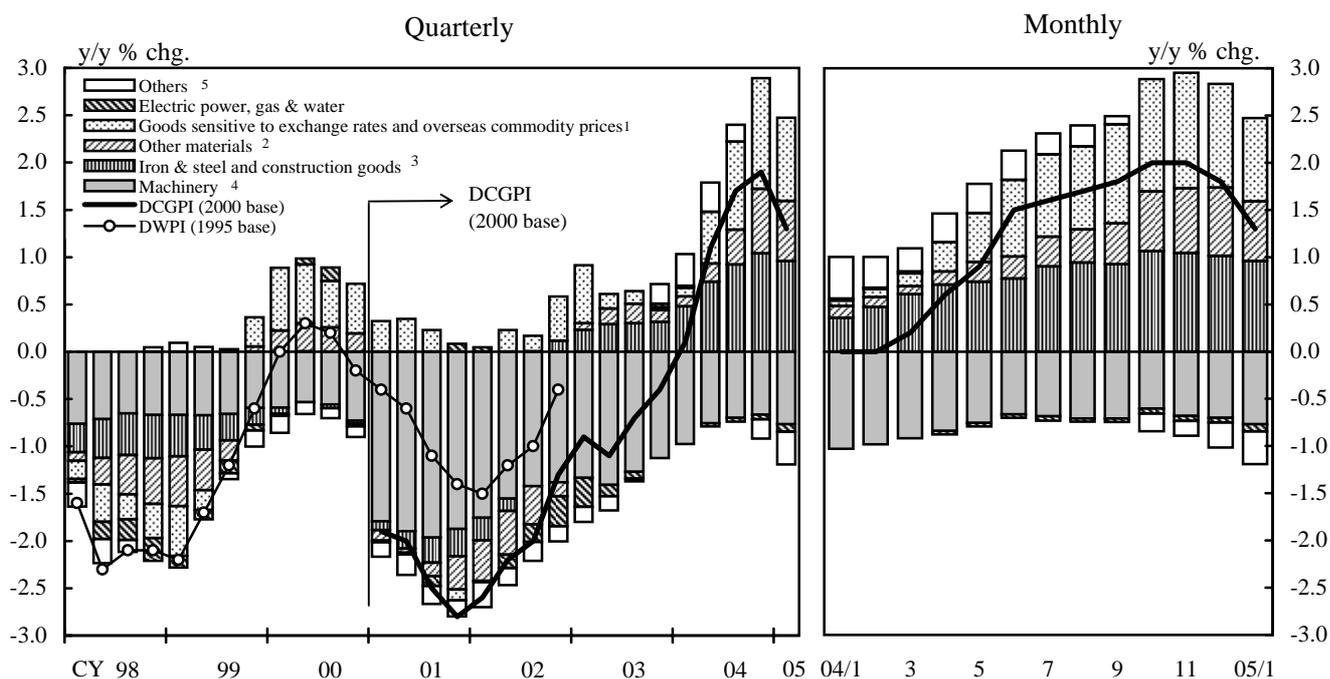
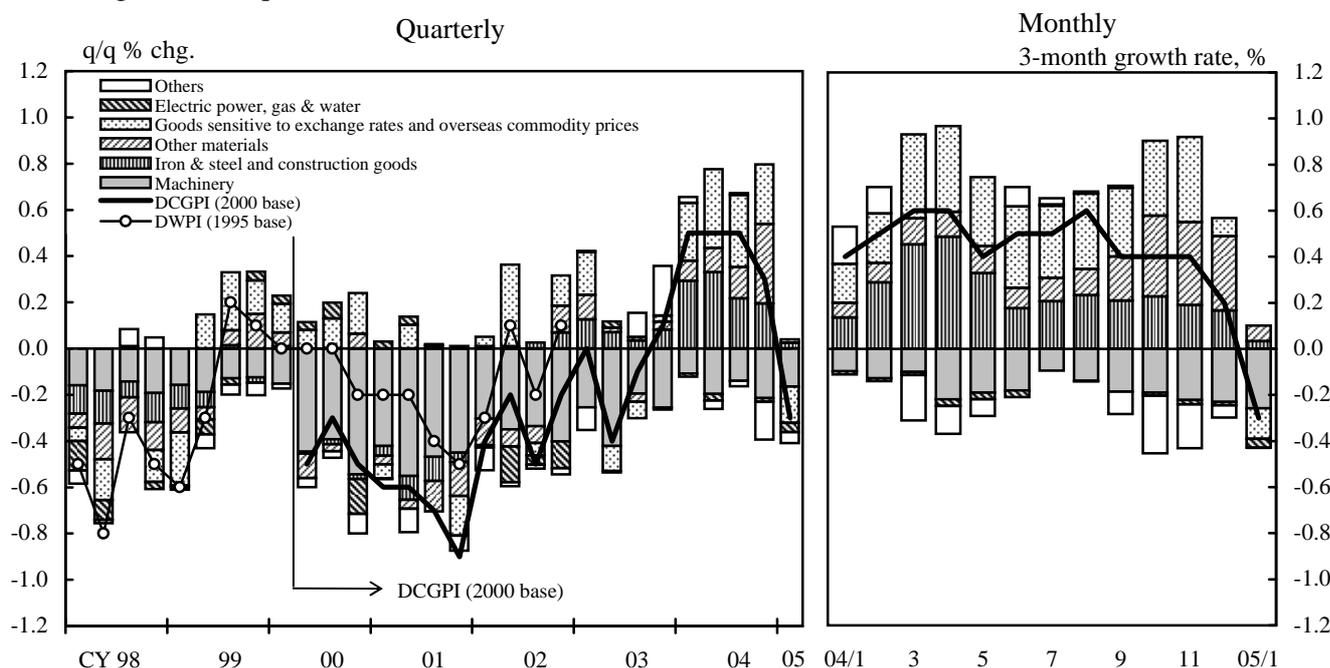


Note: Monthly averages. Figures for February 2005 are the averages up to February 16.

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

Domestic Corporate Goods Price Index⁷

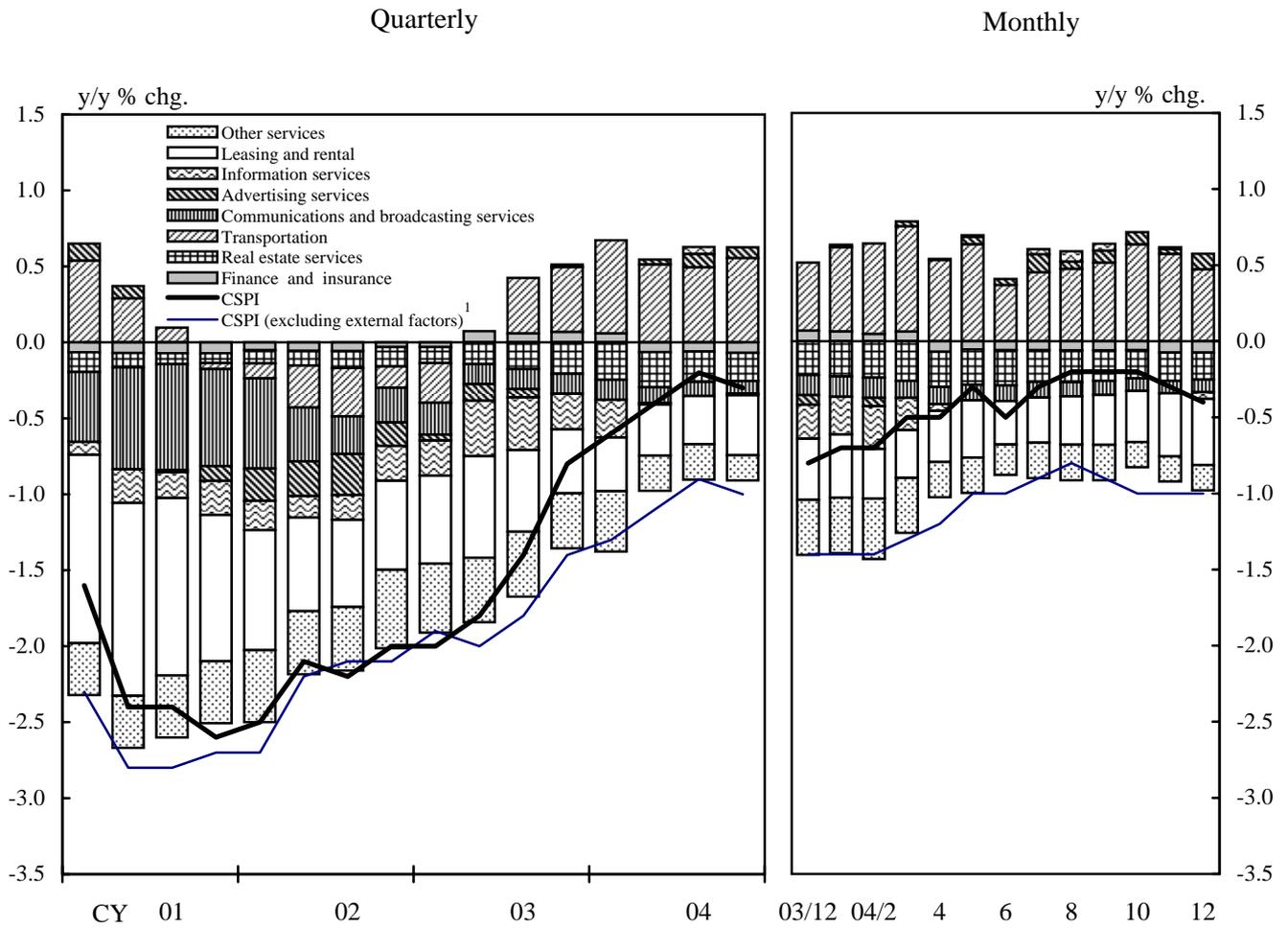
(1) Changes from a year earlier

(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 metal
 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 2005/Q1 are those of January.
 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 Index

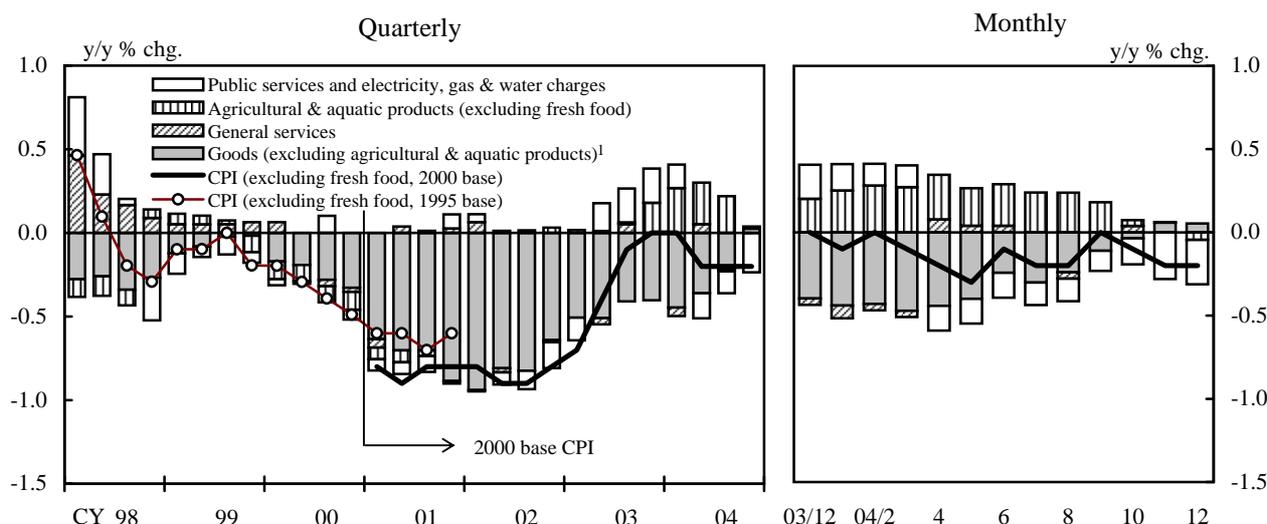


Note: 1. External factors; international air passenger transportation, ocean liner, ocean tramper, ocean tanker, oceangoing ship chartering services, and international air freight.

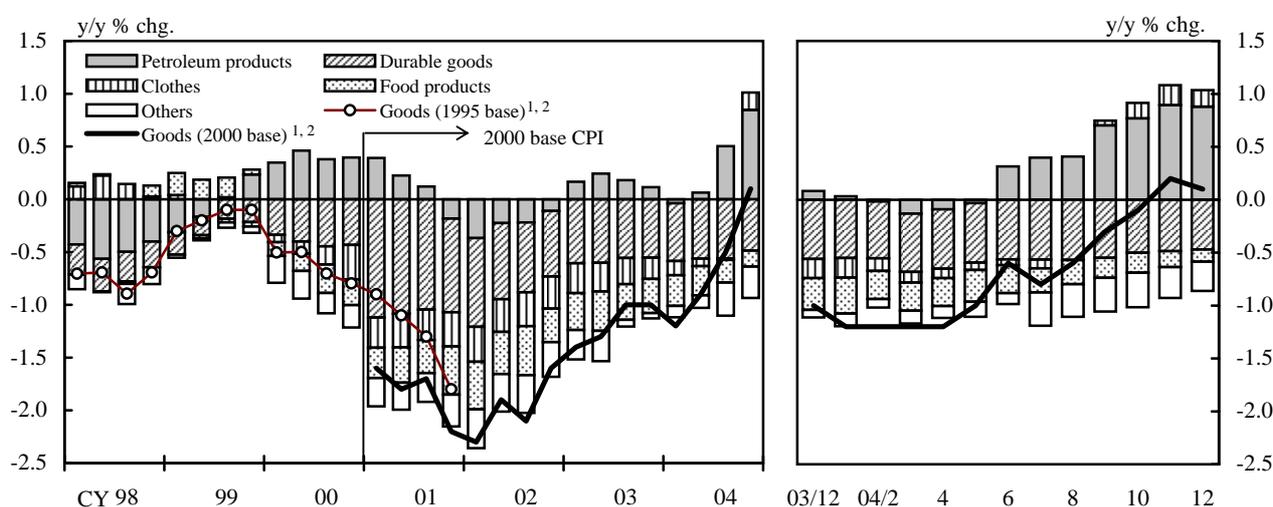
Source: Bank of Japan, "Corporate Service Price Index."

Consumer Price Index (excluding fresh food)³

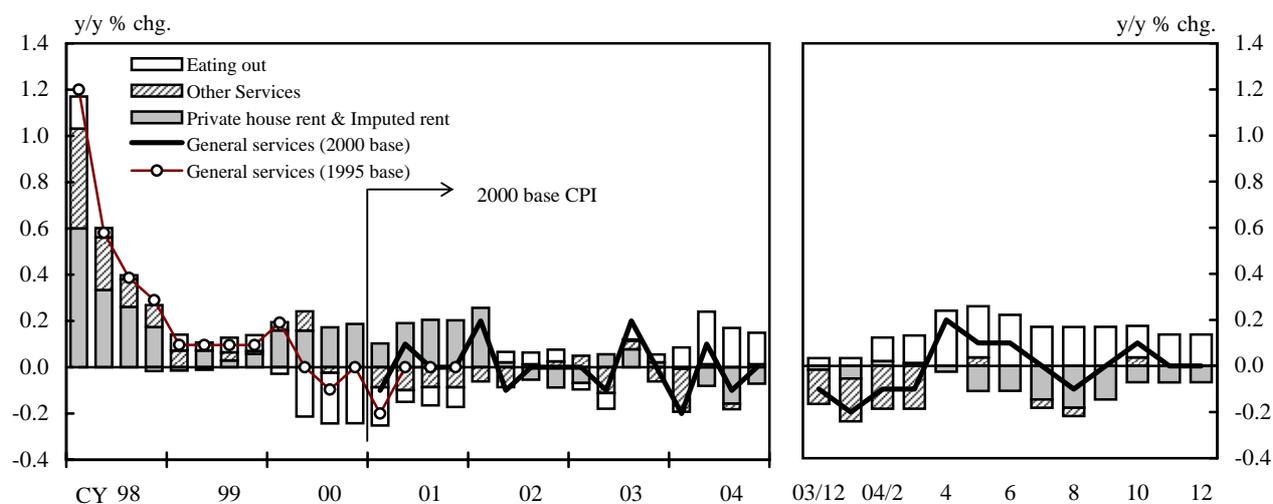
(1) Consumer price index (excluding fresh food)



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



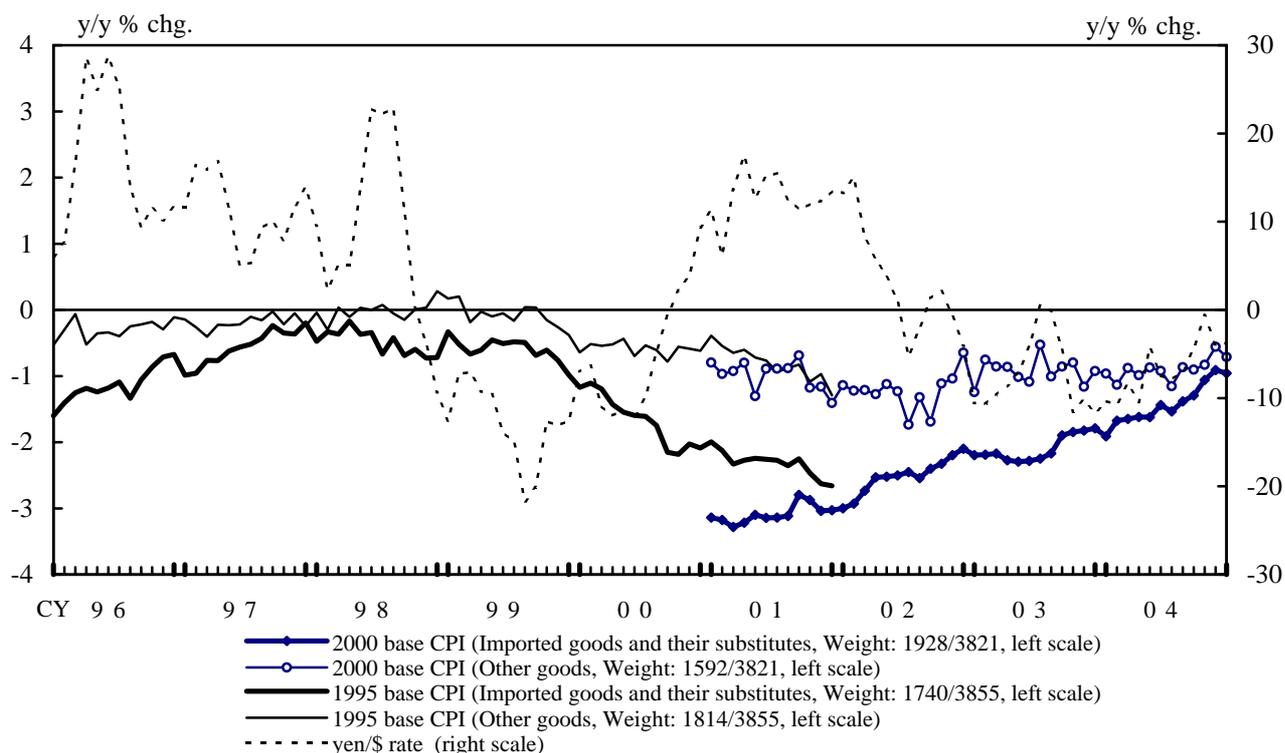
(3) General services



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.

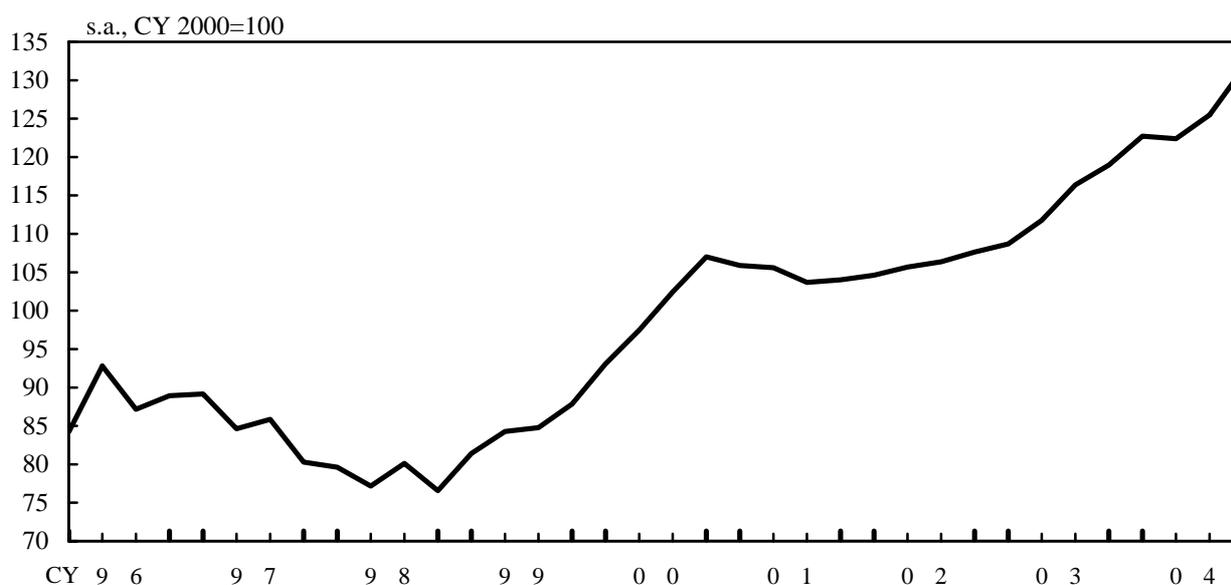
Consumer Prices of imported goods and their substitutes

(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)

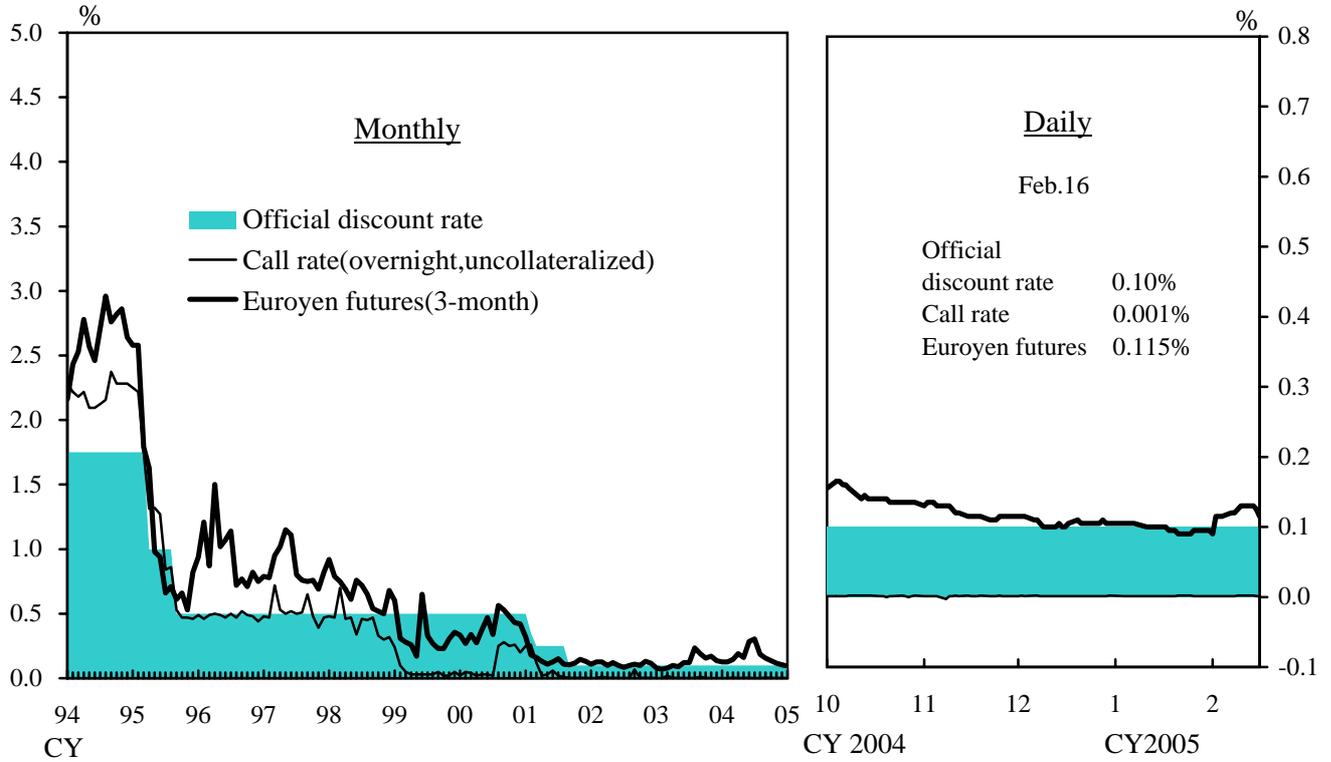


Note: Real imports (consumer goods), which are composed of motor vehicles, audio and visual apparatus, office machinery, foodstuffs and textiles, are calculated from the Trade Statistics as an index with the 2000 average equal to 100.

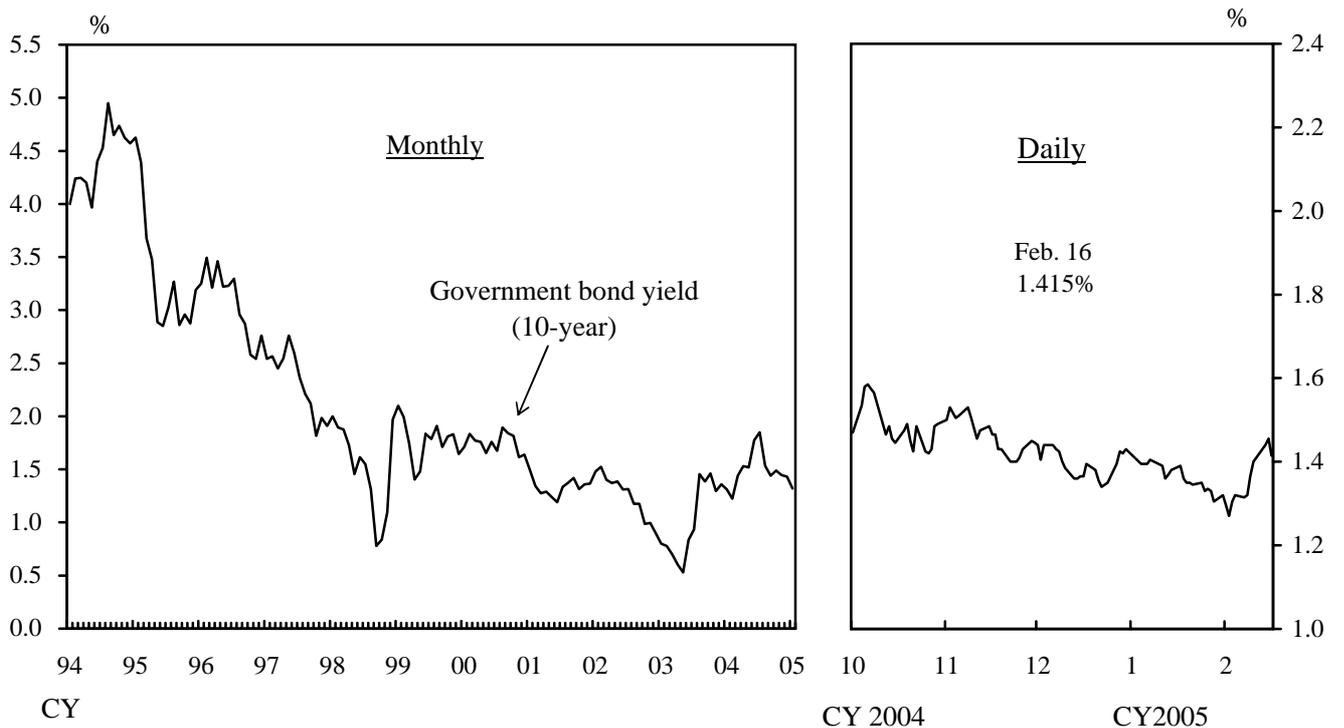
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index";
Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Interest Rates

(1) Short-Term



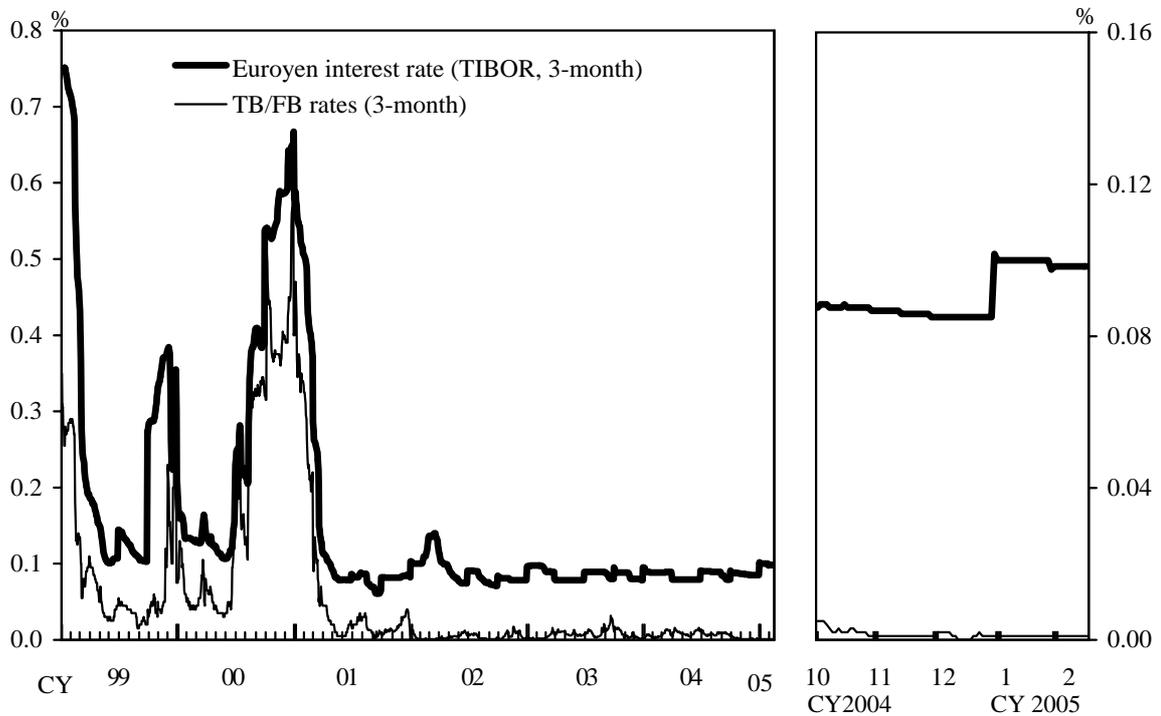
(2) Long-Term



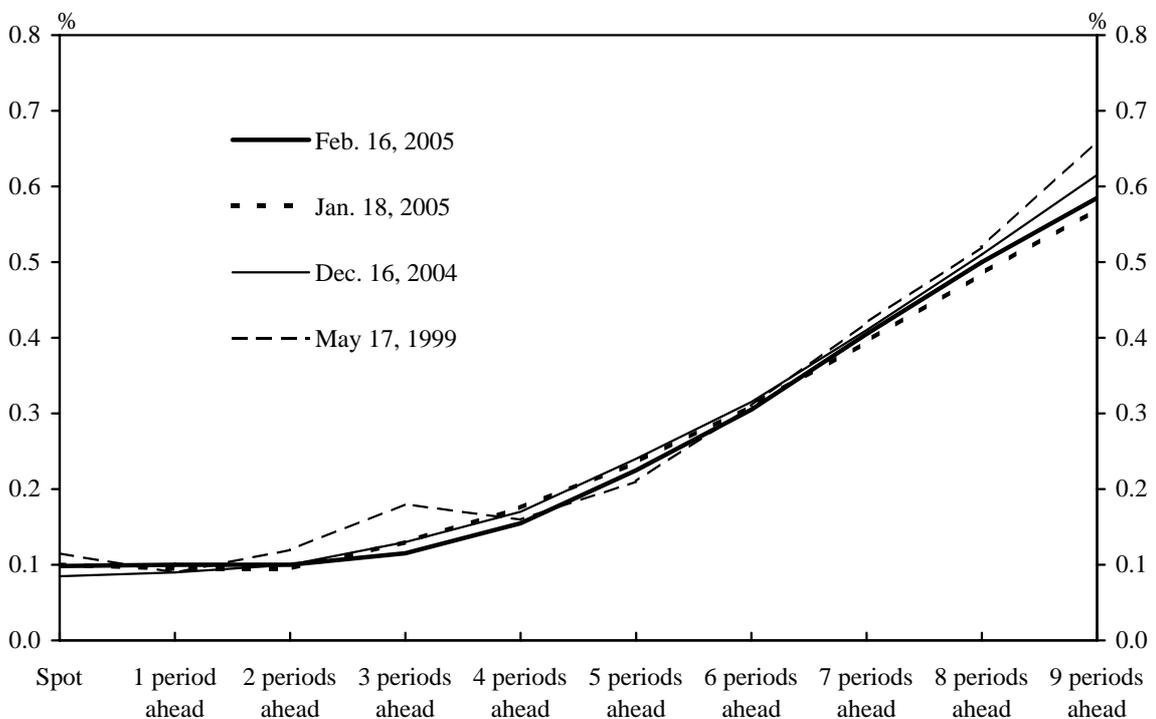
Sources: Bank of Japan; Tokyo International Financial Futures Exchange;
Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments



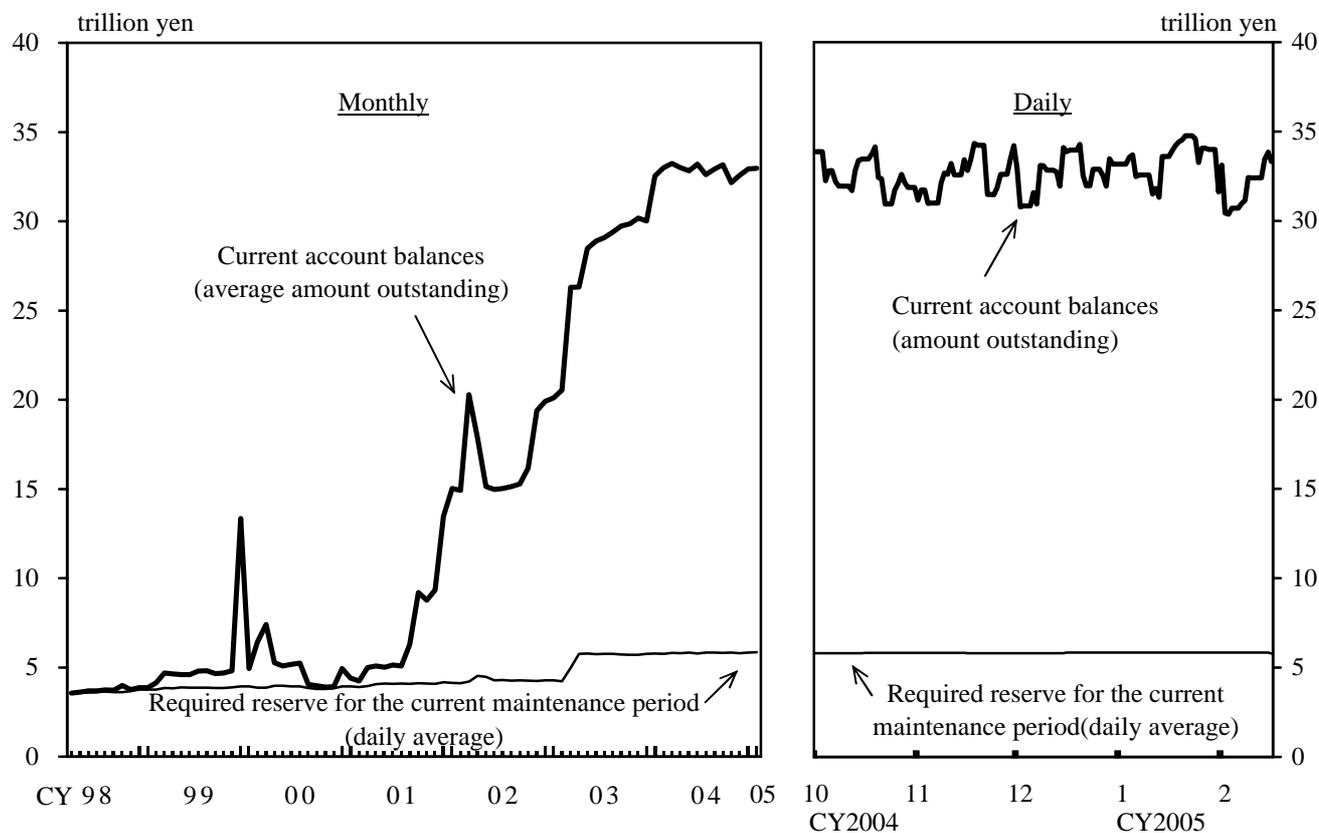
(2) Euroyen Interest Rates Futures (3-Month) ¹



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.

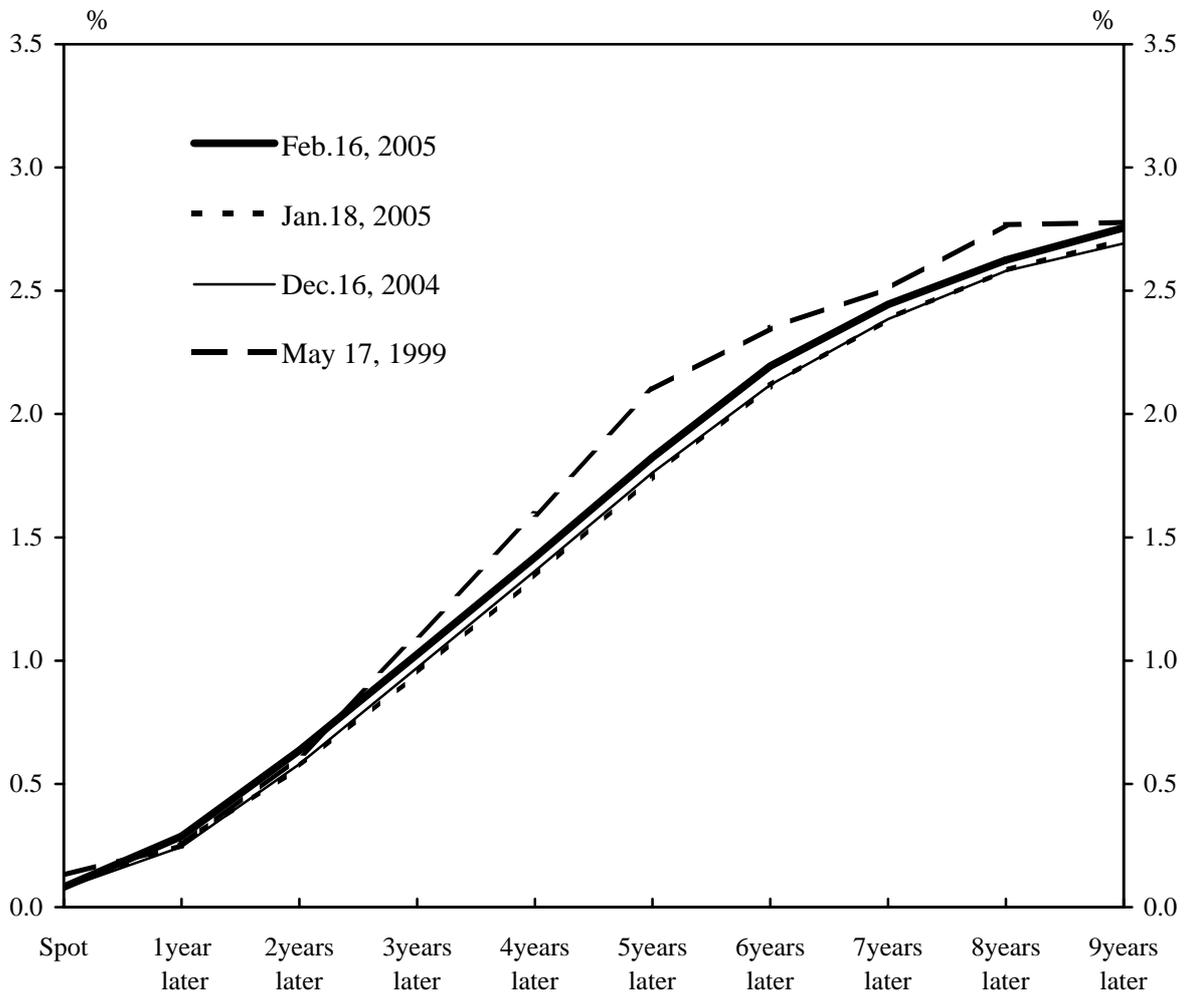
Current Account Balances at the Bank of Japan ¹



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.

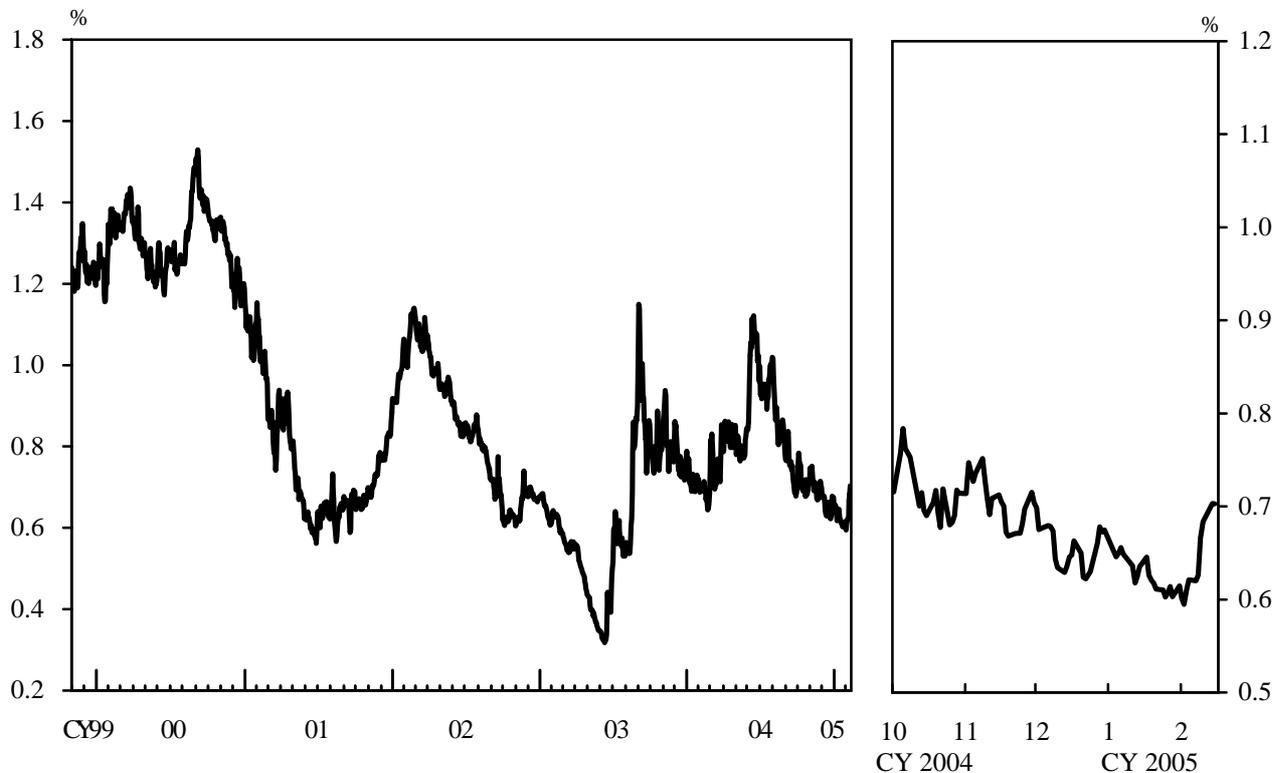
Implied Forward Rates (1-year)¹



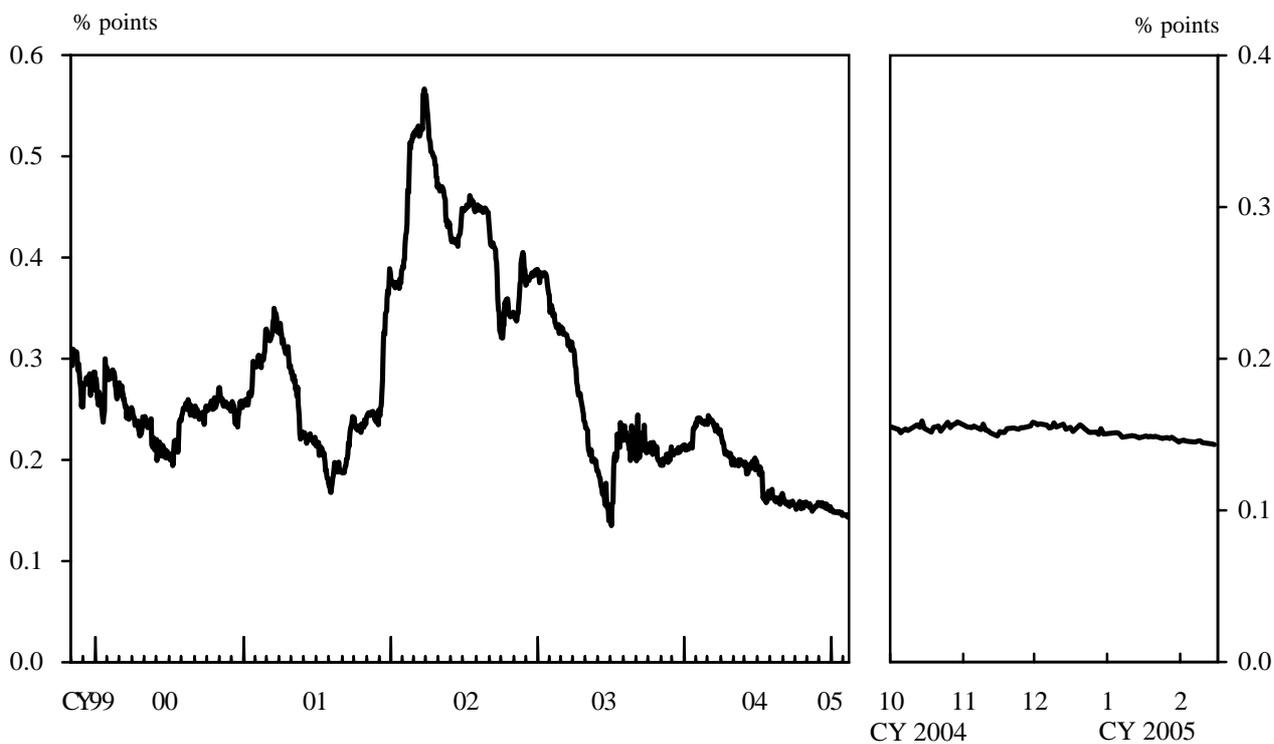
Note: 1. Calculated from yen-yen swap rates.
 Source: QUICK Moneyline Telerate Corp.

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.

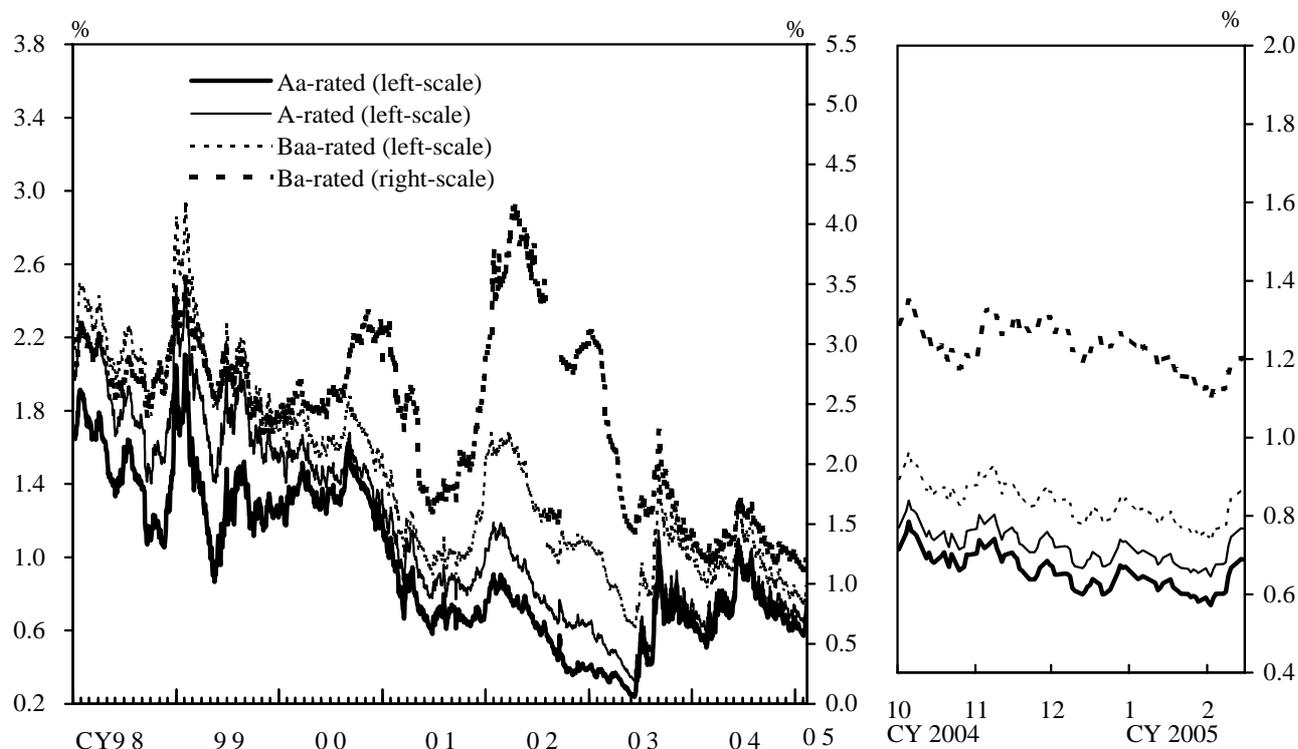
2. Average bank bond yield is the average of four bank bonds.

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

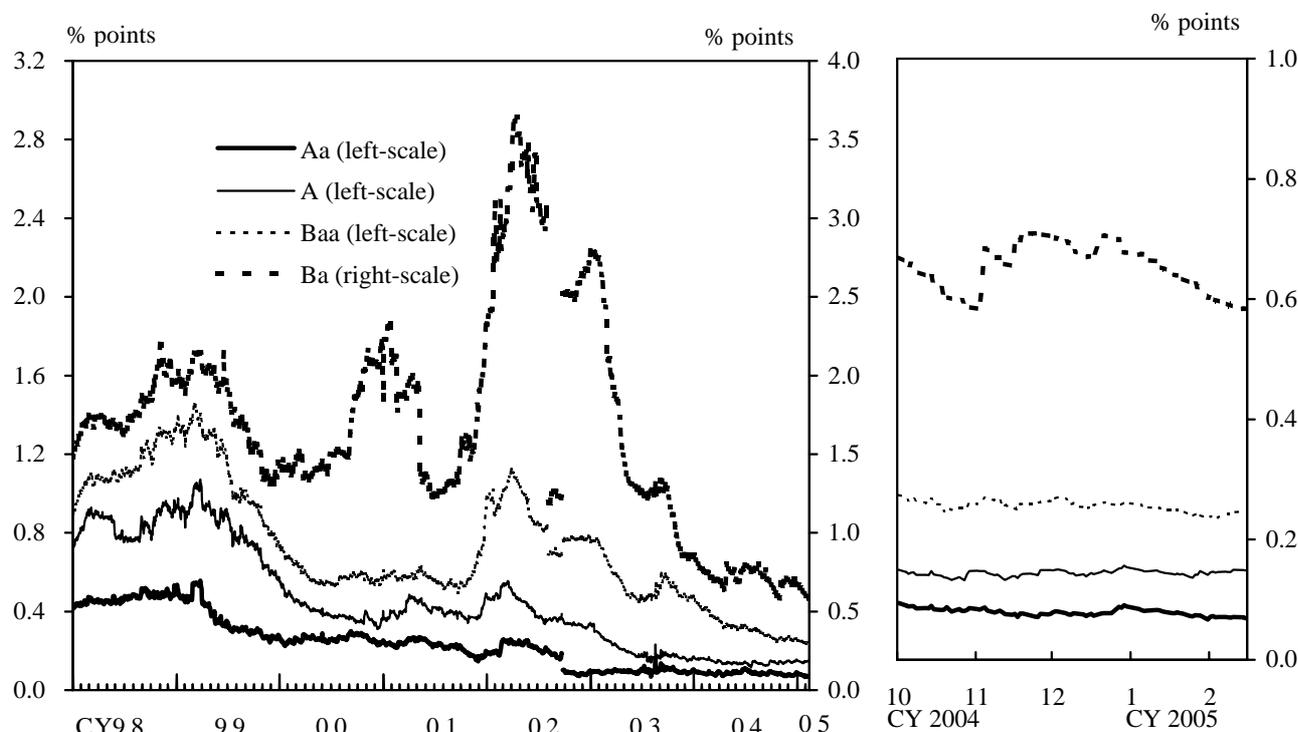
"Reference Price(Yields) Table for OTC Bond Transactions."

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.

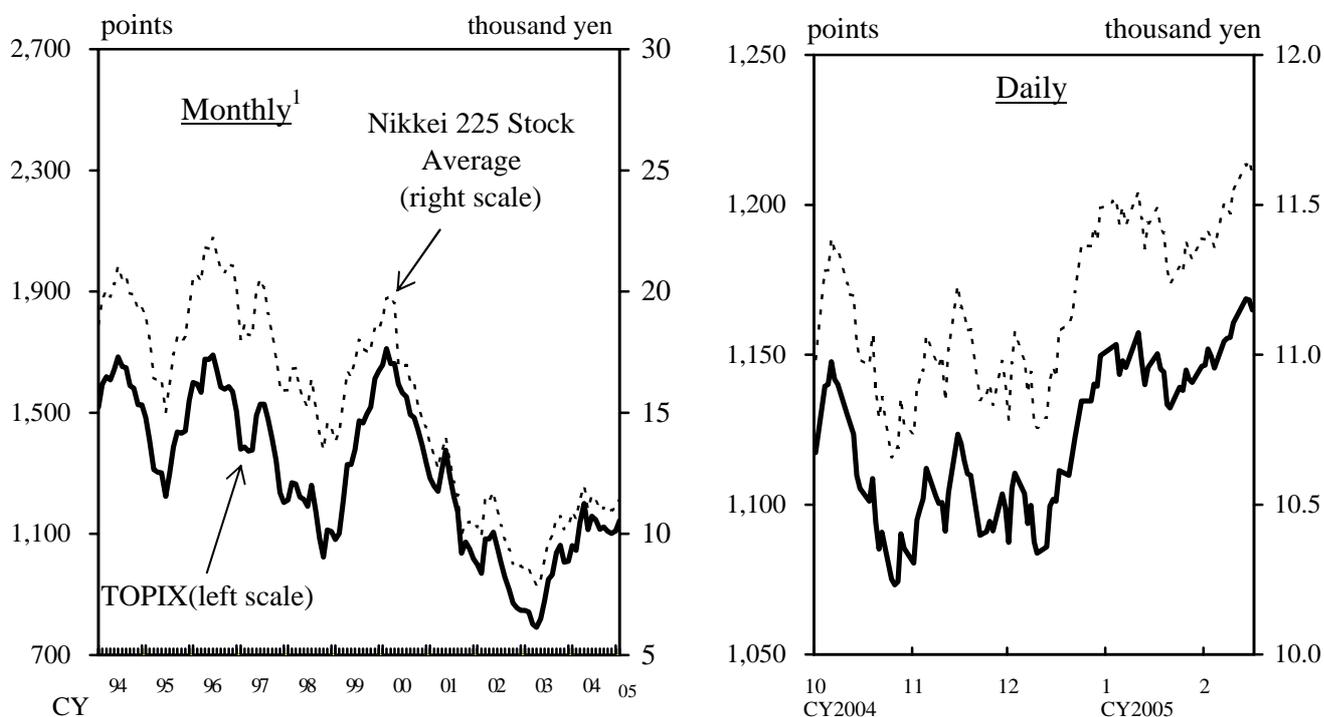
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of 4 to 6 years since Sep. 24, 2002.

2. The indicated ratings are of Moody's.

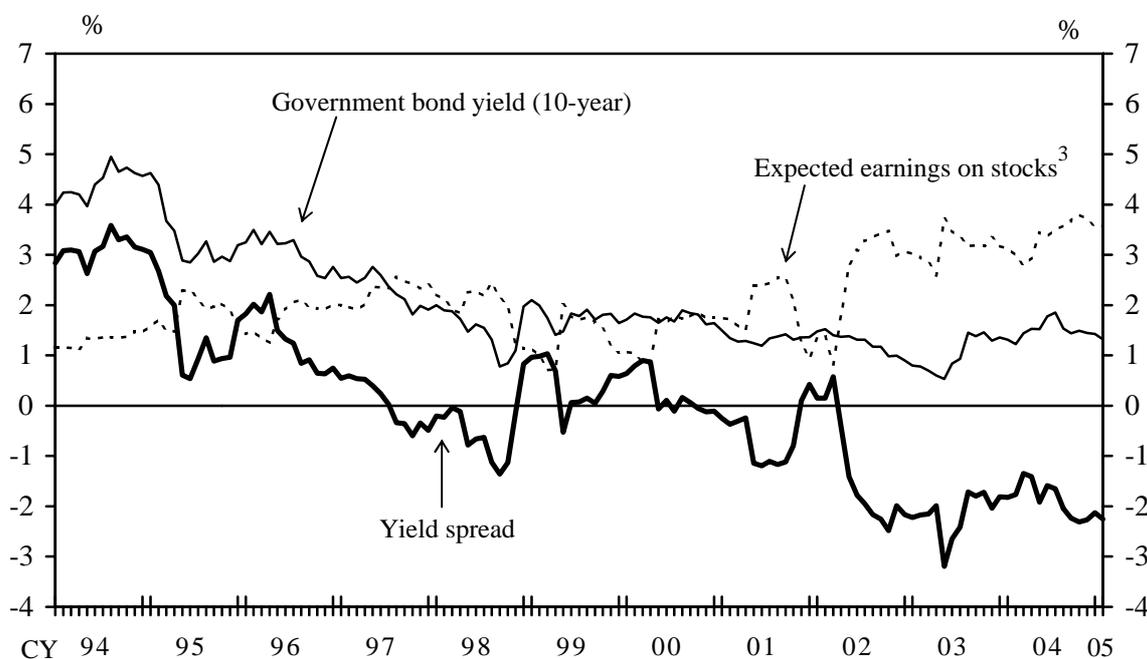
Sources: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations." "Reference Price(Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Stock Prices



(2) Yield Spread²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

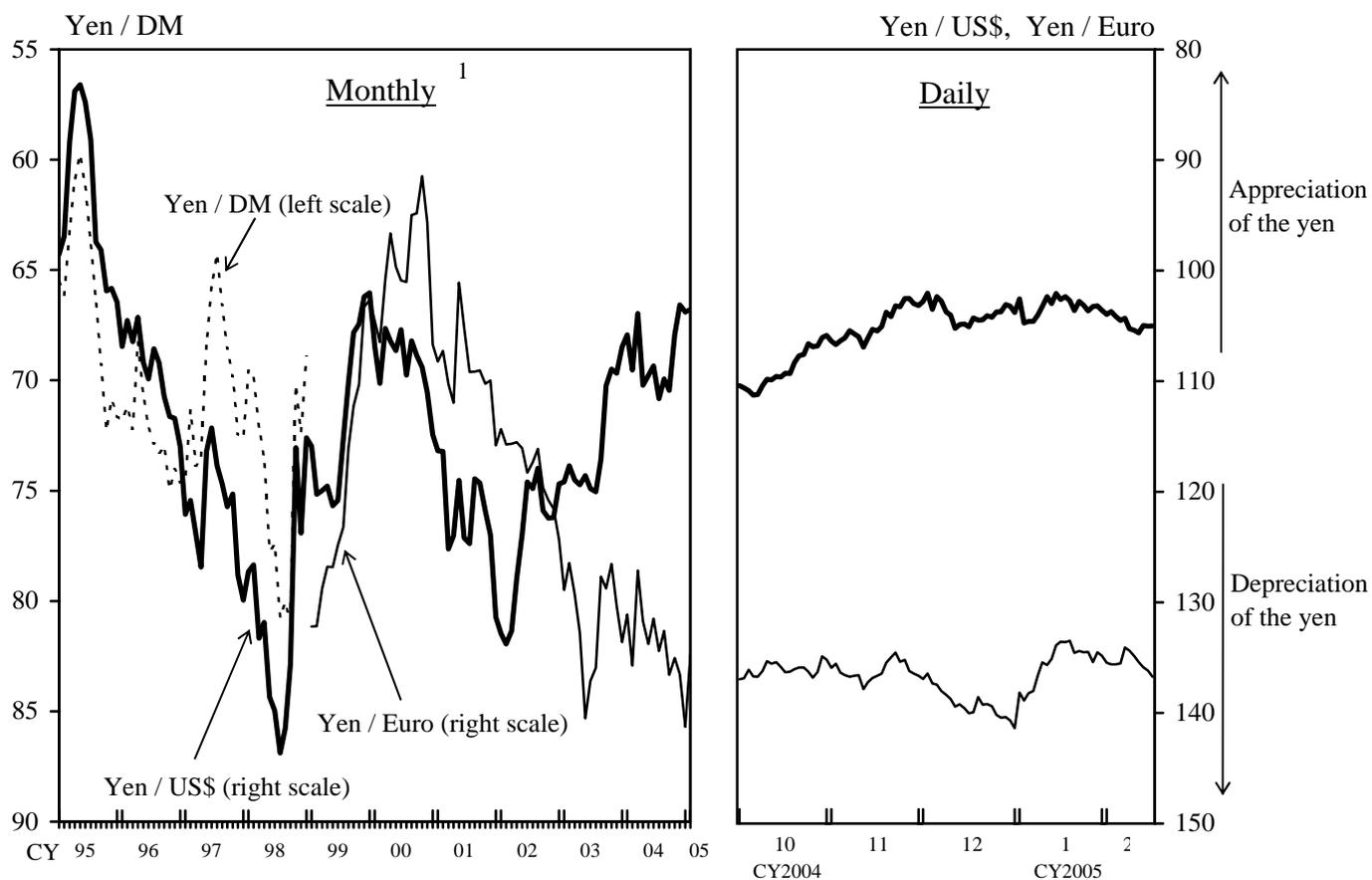
Yield spread = government bond yields - expected earnings on stocks,
 where expected earnings on stocks = 1/expected price earnings ratio.

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 Tousei Shiryou*" (Daiwa Investment Information)."

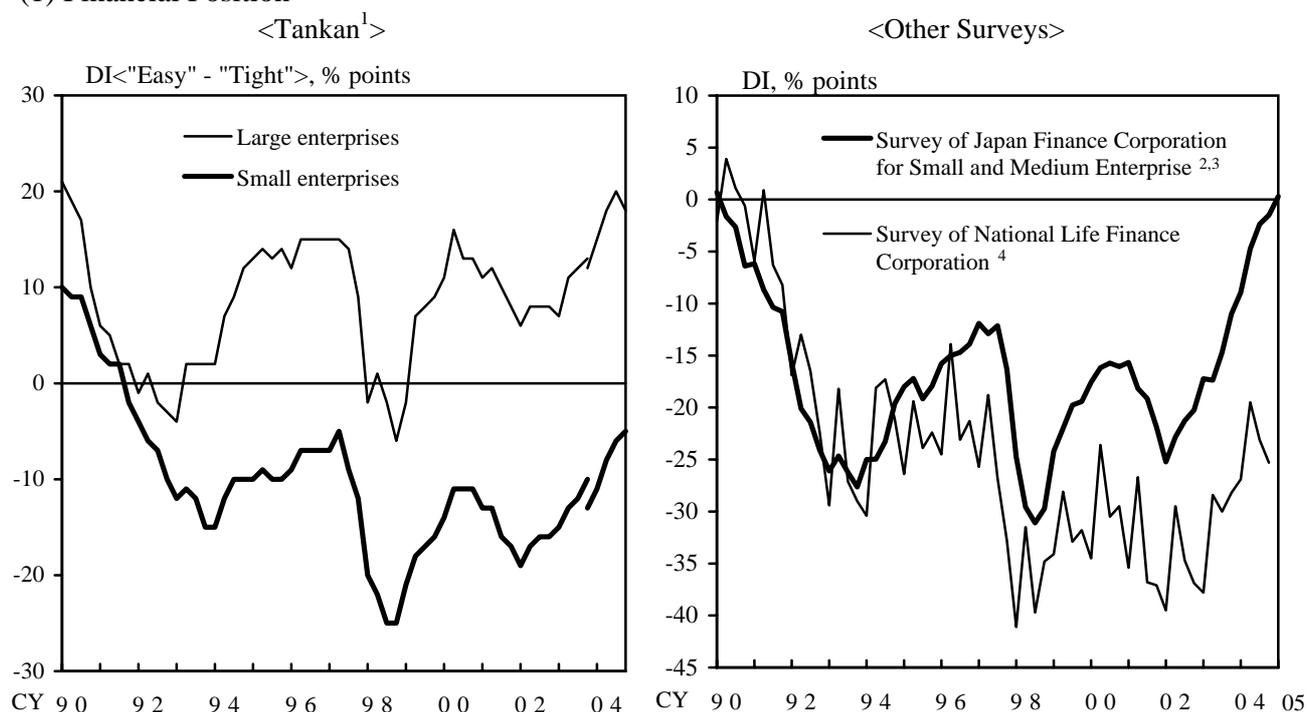
Exchange Rates



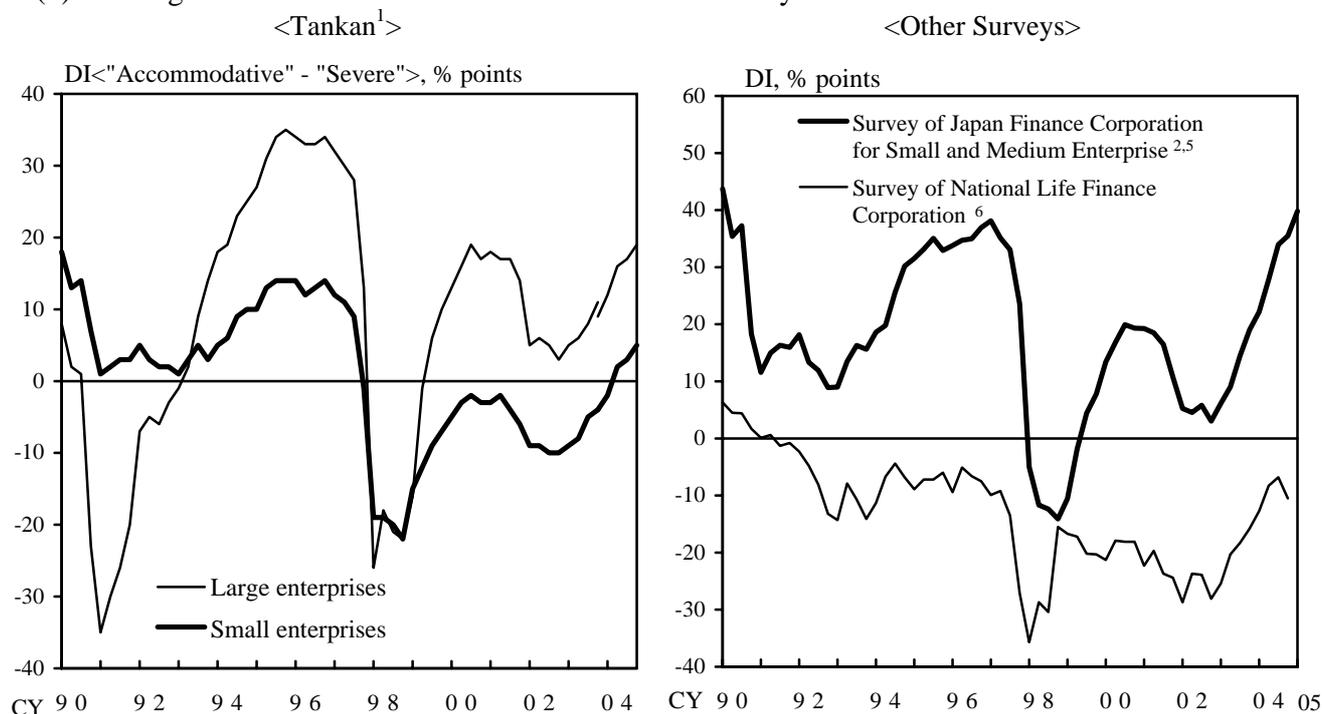
Note: 1. End of month.
 Source: Bank of Japan.

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. Figures for 2005/Q1 are those of January.

3. DI of "Easy" - "Tight"

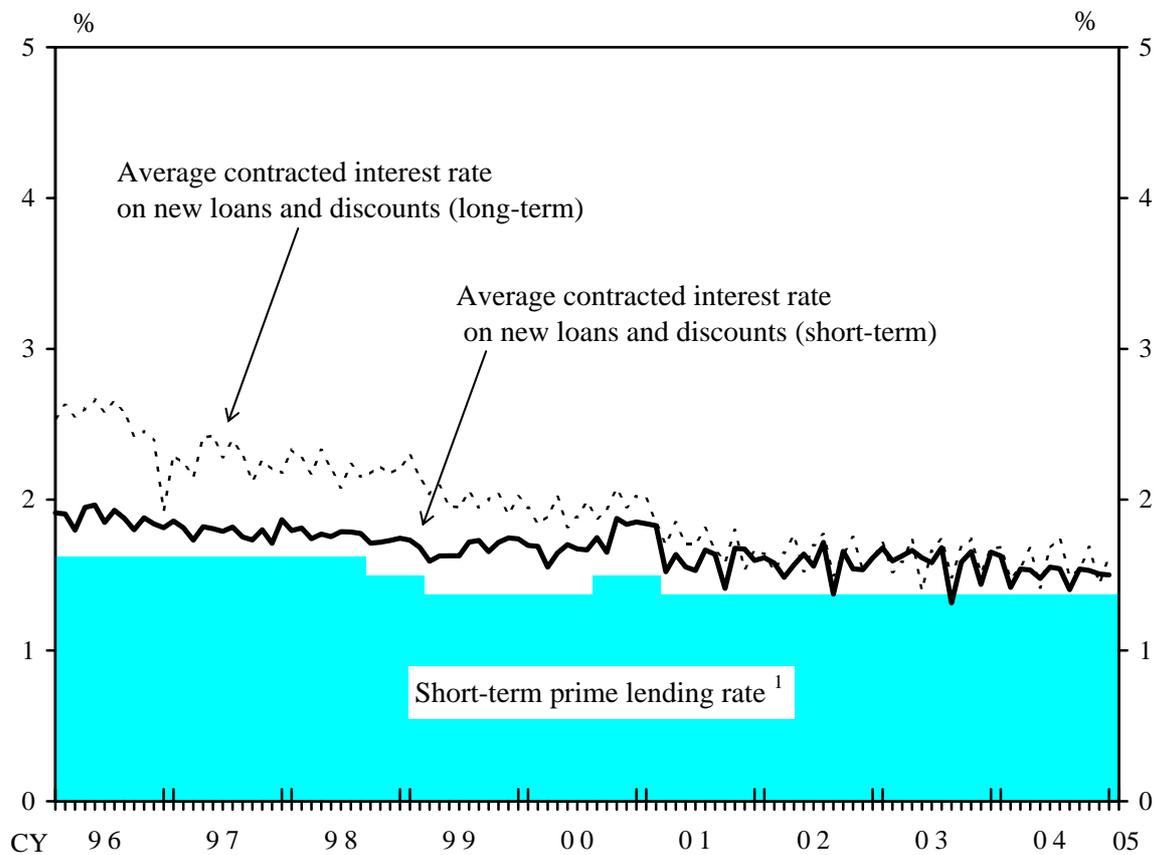
4. DI of "Easier" - "Tighter"

5. DI of "Accommodative" - "Severe"

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

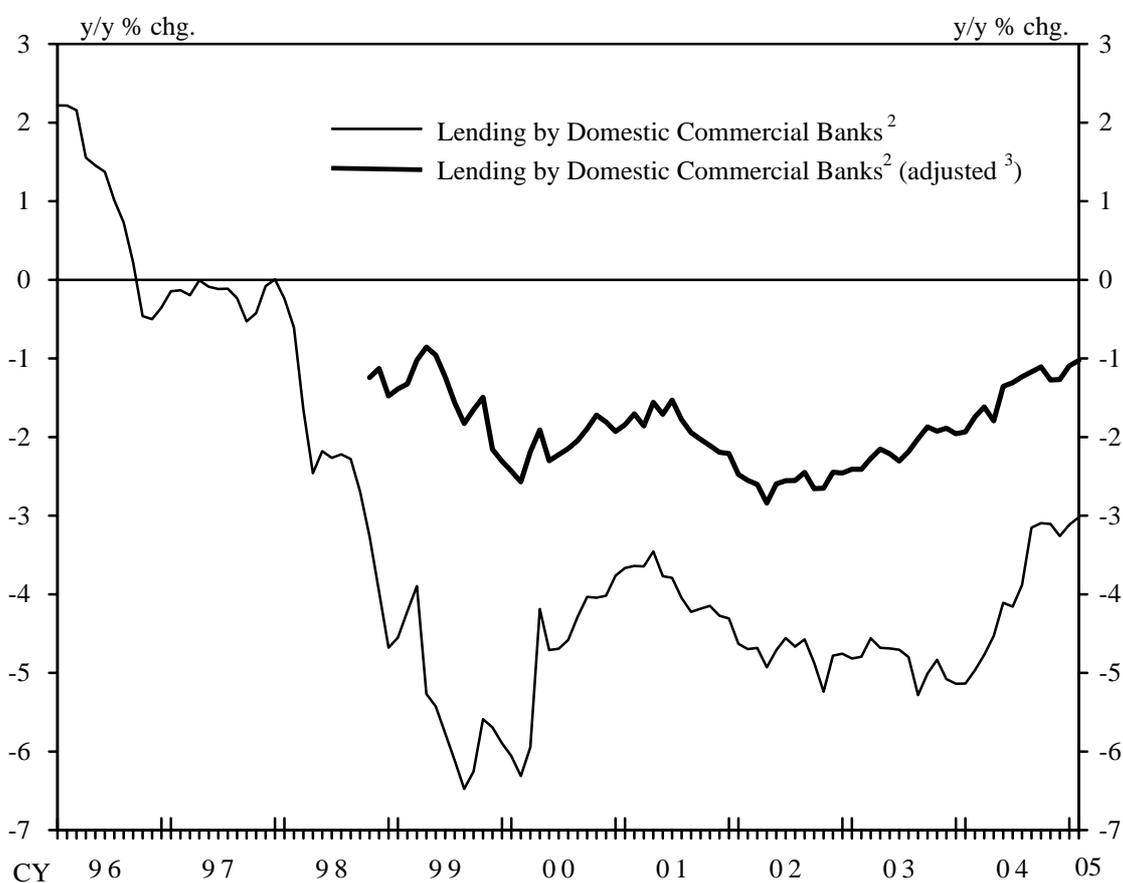
Sources: Bank of Japan, "*Tankan*, Short-term Economic Survey of Enterprises in Japan"; Japan Finance Corporation for Small and Medium Enterprise, "Monthly Survey of Small Businesses in Japan"; National Life Finance Corporation, "Quarterly Survey of Small Businesses in Japan."

Lending Rates



Note: 1. Data are at end of period.

Source: Bank of Japan.

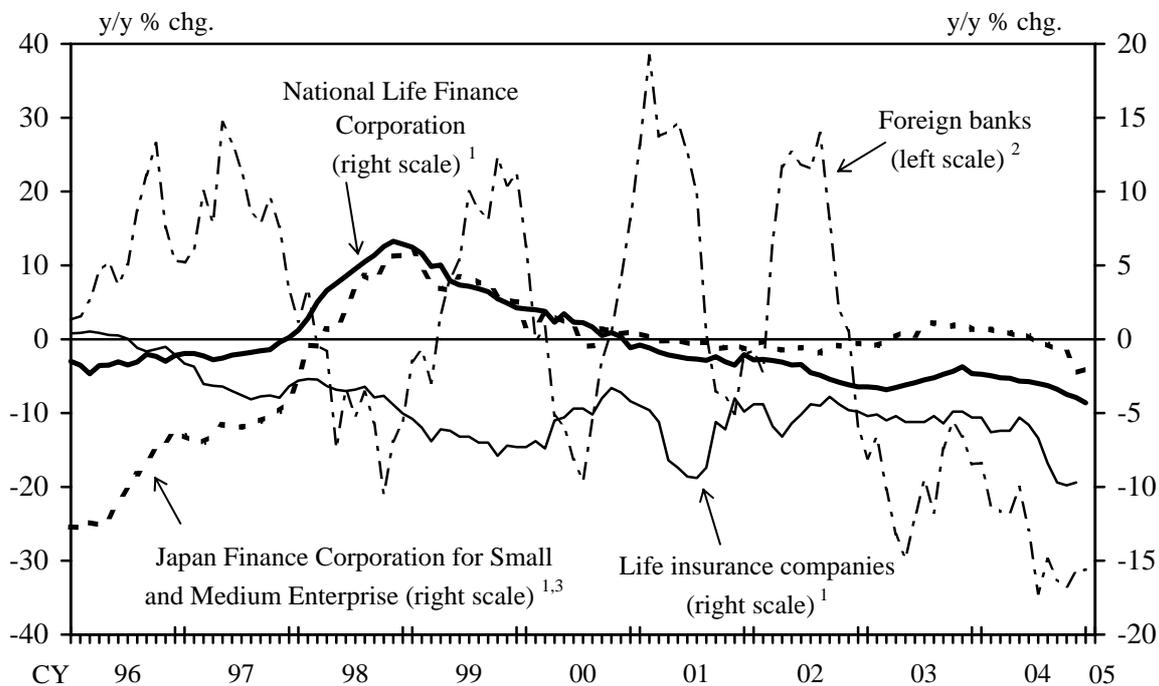
Lending by Domestic Commercial Banks ¹

- 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."

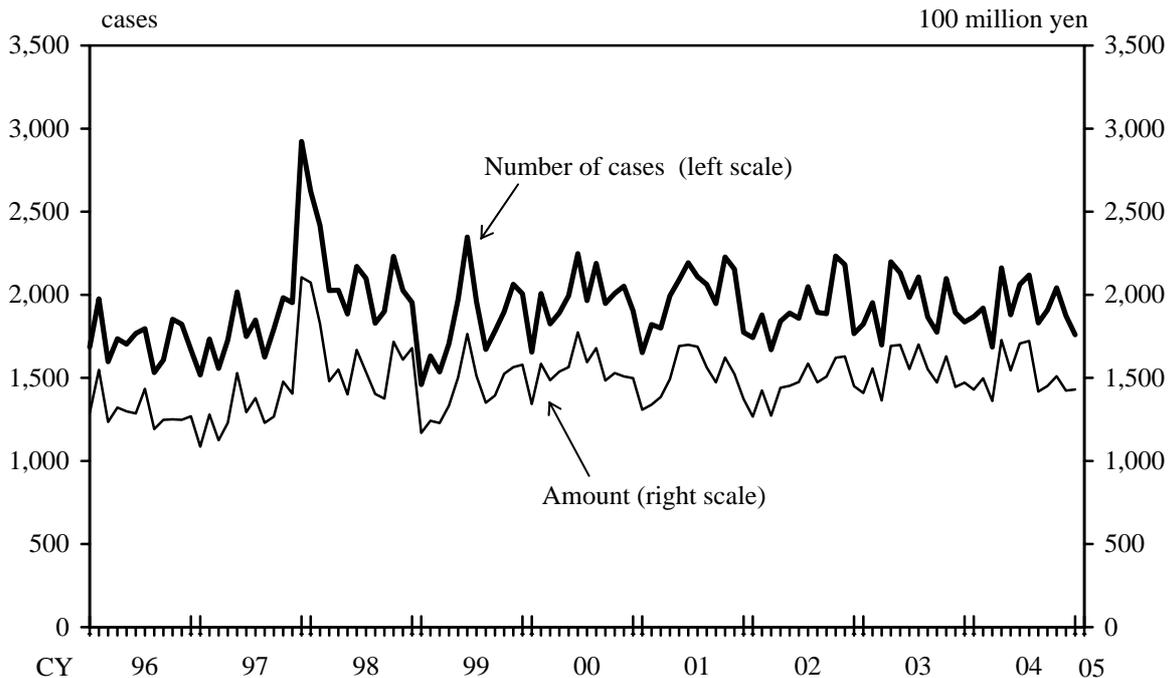
Lending by Other Financial Institutions

(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 from July 2004 are adjusted to exclude the effects from the succession of the credit insurance accounts of the former Japan Small and Medium Enterprise Corporation.

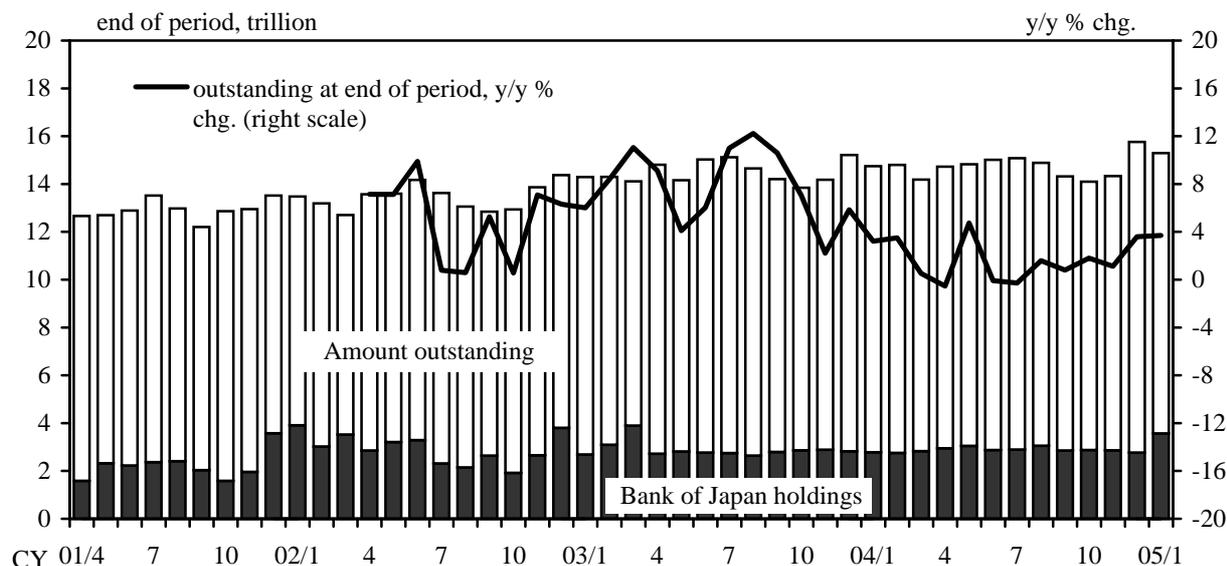
(2) Application for a Loan from Japan Finance Corporation for Small and Medium Enterprise



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

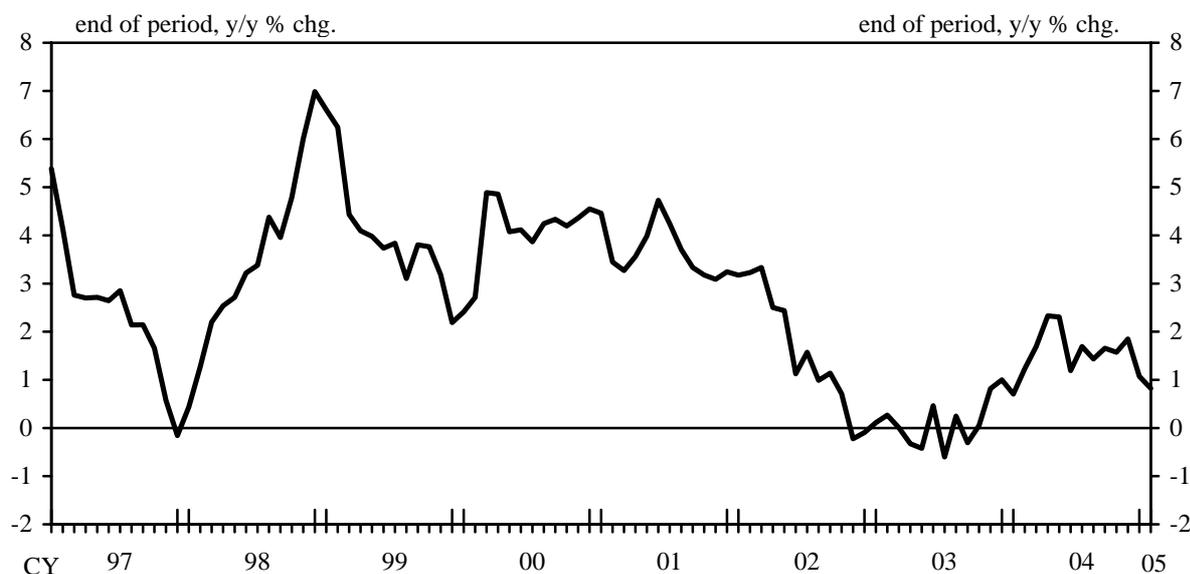
Private-Sector Fund-Raising in the Capital Markets

(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)



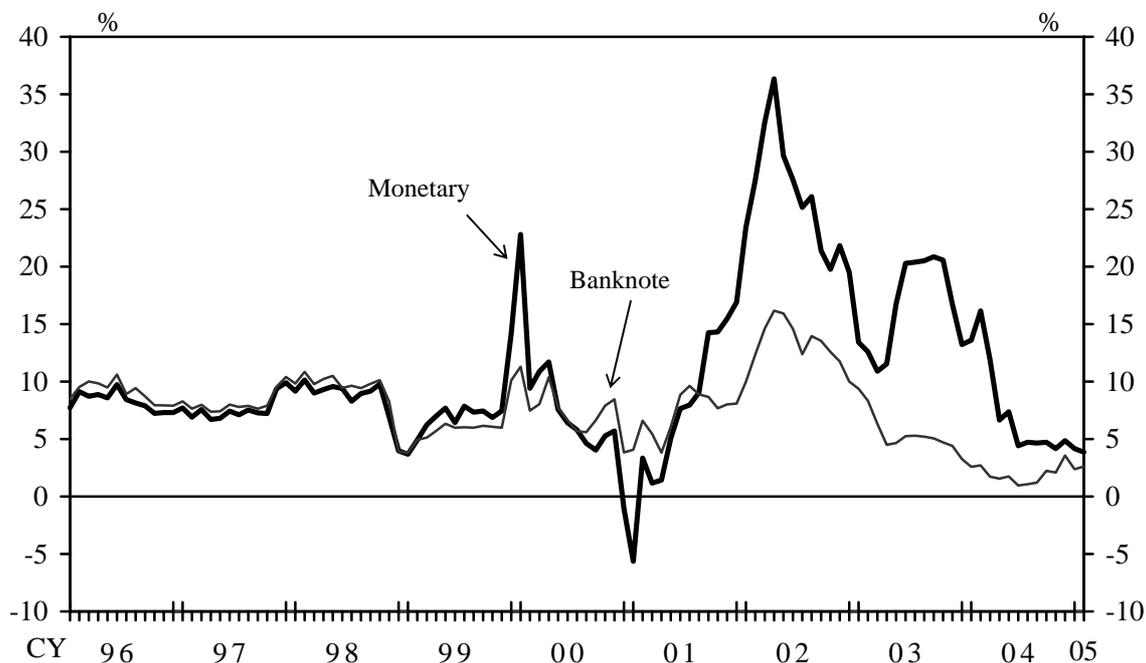
Note: Percentage changes from the previous year of the amount outstanding of corporate bonds are estimated figures. Procedures of the estimation are summarized as follows:

- (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.

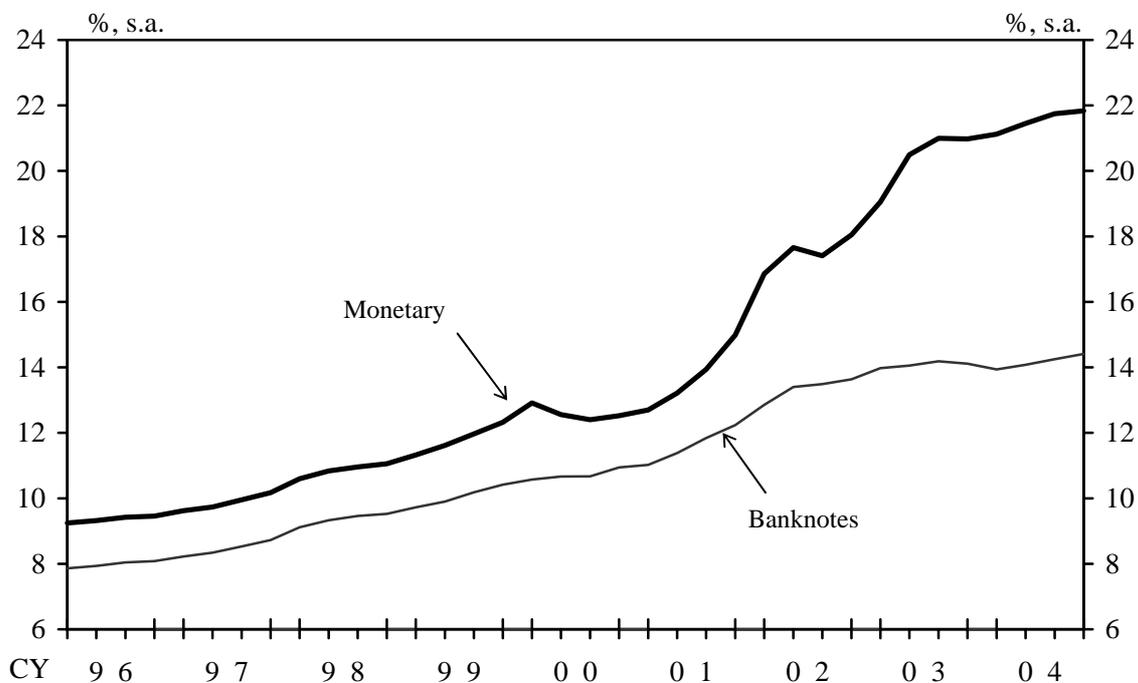
Sources: Bank of Japan, "Principal Figures of Financial Institutions," "Balance of Payments Monthly"; Japan Securities Dealers Association, "New Issue Volume- Redemption of Bonds," "Kisai-Jouhou (Issuance Information)"; I-N Information Systems, "Funding Eye."

Monetary Base

(1) Changes from a Year Earlier



(2) Ratio of Monetary Base to Nominal GDP

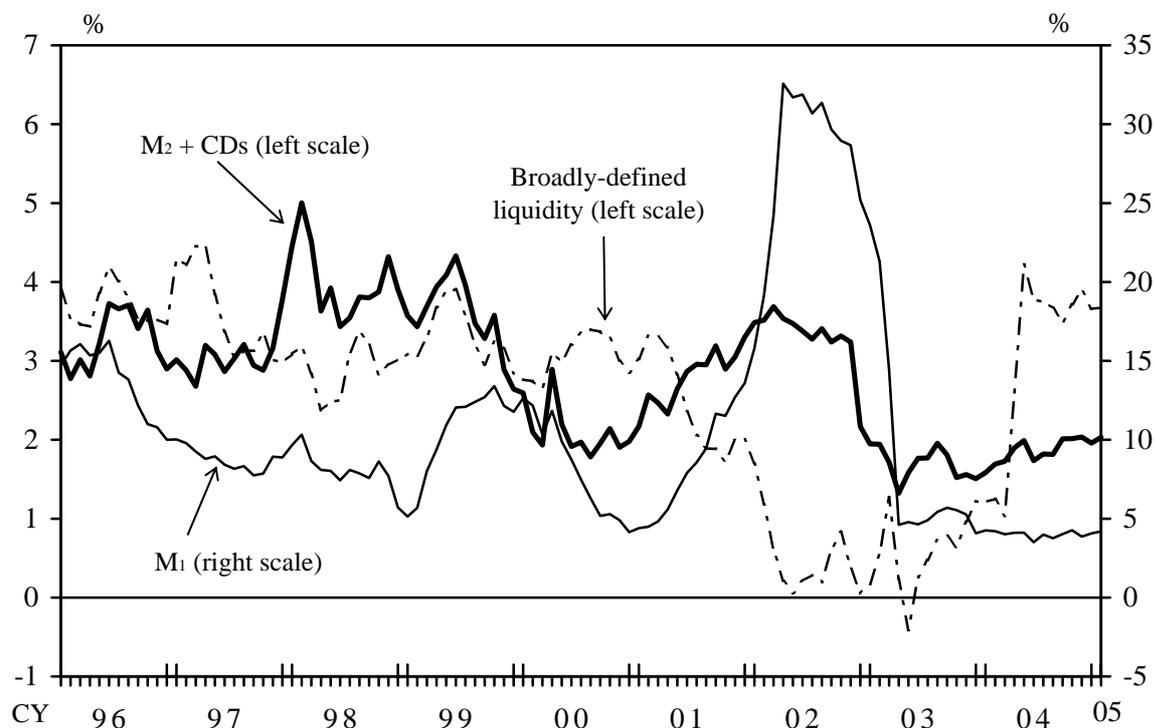


Note: Monetary base = currency in circulation (banknotes + coins) + current deposits at the Bank of Japan.

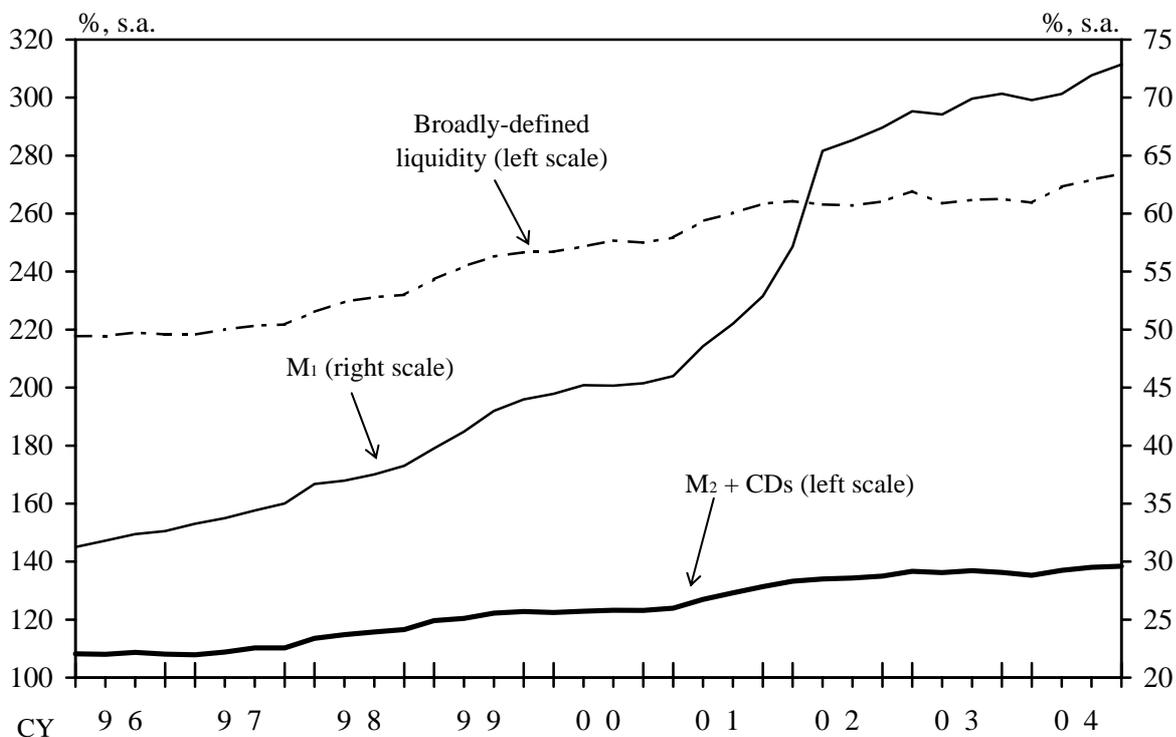
Data for currency in circulation include holdings of financial institutions.

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

(1) Changes from a Year Earlier



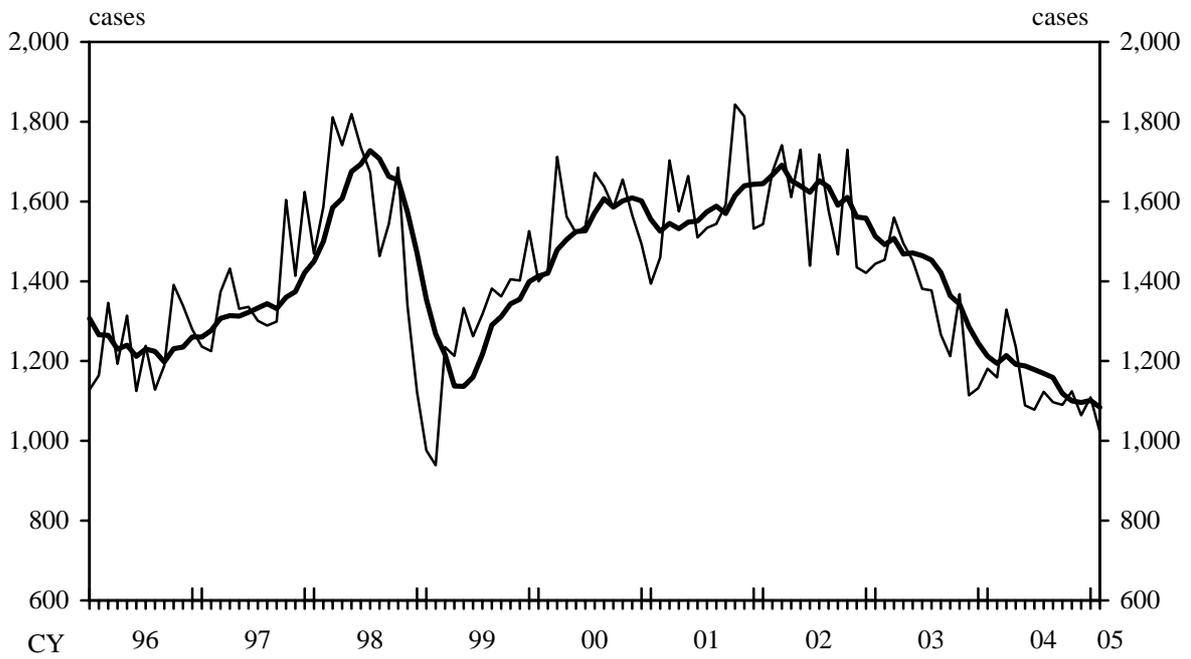
(2) Ratio of Money Stock to Nominal GDP



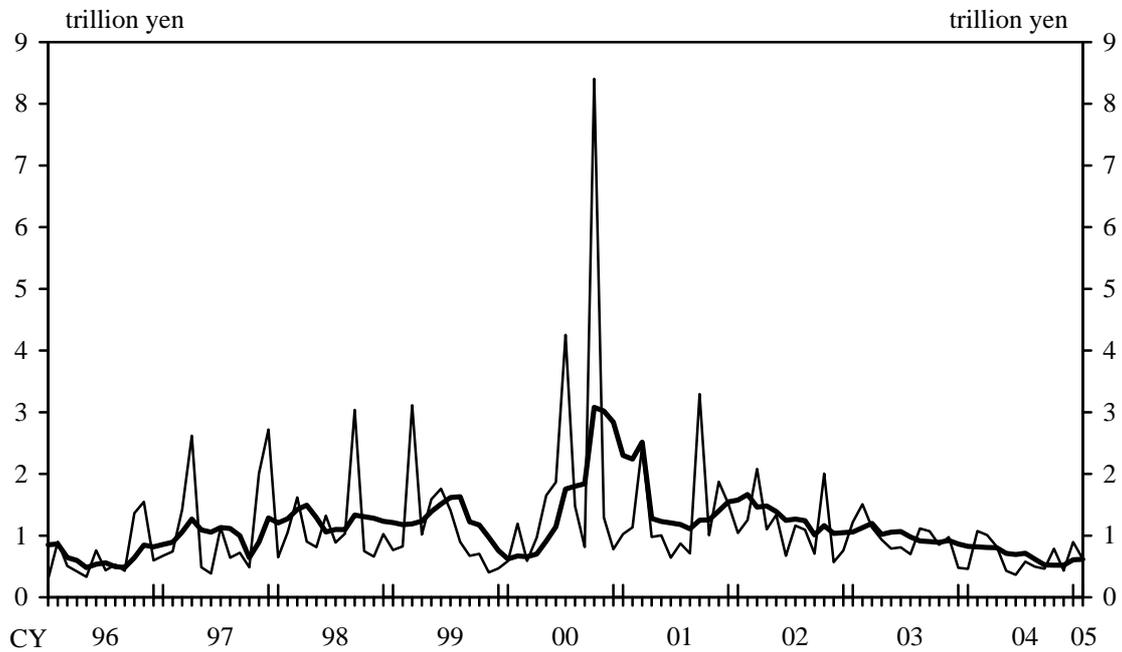
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities

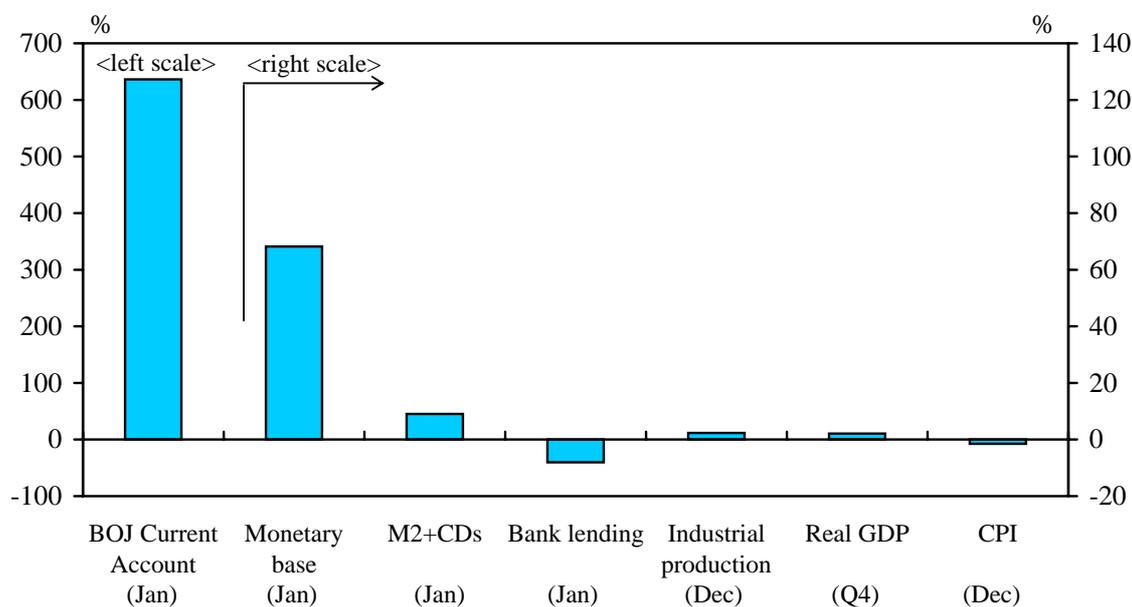


Note: Bold lines are the six-month moving average.

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

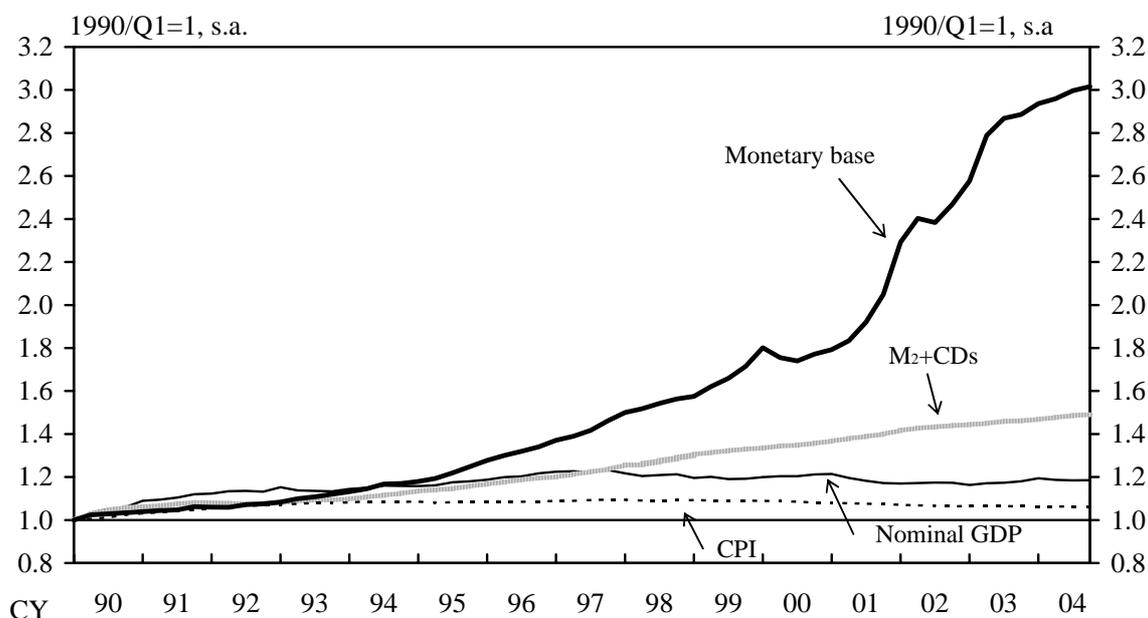
 Monetary Indicators, Economic Activity and Price Development

(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.

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.