

March 18, 2005
Bank of Japan

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

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Monthly Report of Recent Economic and Financial Developments¹

March 2005

The Bank's View²

Japan's economy continues a recovery trend, albeit with adjustments in IT-related sectors.

Although exports are starting to pick up, industrial production has been more or less flat due to the ongoing inventory adjustments in IT-related sectors. Business fixed investment has been on a rising trend, mainly in manufacturing, as corporate profits have been on an improving trend. The employment situation has also been on an improving trend and household income has clearly 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.

Exports and production are expected to increase as the effects of adjustments in IT-related sectors wane, while overseas economies continue to expand and domestic demand also continues 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 March 15 and 16, 2005.

² The text of "The Bank's View" was decided by the Policy Board at the Monetary Policy Meeting held on March 15 and 16, 2005.

On the price front, domestic corporate goods prices have recently been somewhat weak, mainly because crude oil prices fell back temporarily toward the end of last year. Consumer prices (excluding fresh food) have been declining slightly on a year-on-year basis, partly due to the reduction in electricity and telephone charges.

Domestic corporate goods prices are likely to increase somewhat, reflecting the rise in commodity prices at home and abroad. Meanwhile, 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 the effects from the reduction in electricity and telephone charges will continue.

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 is at the 1.0-2.0 percent level. The year-on-year growth rate of the money stock continues to be around 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, 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 amount of public construction completed—which reflects the actual progress of public works—increased slightly in the fourth quarter, partly due to the progress of some disaster relief constructions in areas suffering from the heavy rain. Moreover, the value of public works contracted—a measure that reflects public orders—increased in January-February, as orders for disaster relief constructions were observed in areas suffering from the heavy rain and the Niigata earthquake. 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.

Real exports are starting to pick up because global adjustments in IT-related sectors have been proceeding gradually, and overseas economies have been on an expanding trend (Charts 4[1] and 5); they rose 1.3 percent in the fourth quarter on a quarter-on-quarter basis and 2.7 percent in January compared to the fourth quarter.

As for real exports by goods (Chart 5[2]), exports of IT-related goods (such as electronic parts and PCs) and those of capital goods and parts (semiconductor manufacturing equipment) started to increase in January, due to the progress of global adjustments in IT-related sectors (Charts 6[1] and 7[1]). By region (Chart 5[1]), exports to East Asia, which tend to be affected by developments in IT-related sectors rose sharply, mainly to China and the NIEs.³ Meanwhile, exports of automobile related goods decreased in January, particularly to the United States and the EU, mainly due to problems regarding the assignment of ships, although overseas demand continued to be favorable (Chart 6[3]).

Real imports continued to increase partly due to the progress in the international division of labor between Japan and China, as domestic demand has

³ However, the upsurge in exports to East Asia in January may be overstated somewhat temporarily, due to China's tariff reduction (the reduction occurs at the beginning of the year) following its accession to the WTO and to the sluggish economic activity during the Lunar New Year holidays (the Lunar New Year is in either January or February, depending on the year; it was in February this year).

been steady (Charts 4[1] and 8). By goods (Chart 8[2]), imports of consumer goods (such as digital home appliances) and those of IT-related goods (such as PCs) continued to increase, mainly from China. Furthermore, imports of intermediate goods and foodstuffs rose considerably in January, although this is likely to be a temporary movement.

Given these developments in exports and imports, net exports have recently declined moderately in terms of the real trade balance (Chart 4[2]). In these circumstances, the surplus of the nominal balance on goods and services has been on a diminishing trend.

Exports are projected to increase, 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 continue to 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. 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, mainly in manufacturing. Based on the *Financial Statements Statistics of Corporations by Industry, Quarterly*, fixed investment in nominal terms declined in the third and fourth quarters, after it increased in the first half of last year (Chart 10[1]). However, this decline was largely affected by the decrease in investment of small and medium-sized firms in nonmanufacturing in reaction to the upsurge during the first half of last year. Investment of manufacturing firms has been on a steady uptrend.

Meanwhile, other indicators related to business fixed investment have generally been on a steady uptrend. Shipments of capital goods (excluding transport equipment)—a coincident indicator of machinery investment—have recently increased sharply, although this has been affected by temporary factors such as large shipments of computers and shipments for exports (Chart 12-1[1]). Machinery orders (private demand, excluding shipbuilding and orders from electric power companies)—a leading indicator of machinery investment—were on an uptrend on average; they inched down in January after increasing in the fourth quarter, but forecasts for the first quarter show that orders are projected to increase (Chart 12-2[1]). Moreover, construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—continued their uptrend on average, albeit with some large fluctuations recently (Chart 12-2[2]). By industry, the increase was recently observed mainly in mining and manufacturing (factories), transportation (distribution and delivery centers), and medical, health care and welfare.

Looking at the environment surrounding business fixed investment, corporate profits continued their uptrend; they are projected to increase steadily for fiscal 2004 as a whole. However, looking at the most recent movements in the *Financial Statements Statistics of Corporations by Industry, Quarterly*, the rise in the ratio of current profits to sales has come to a halt, even though levels remain high, mainly due to adjustments in IT-related sectors and high materials prices (Chart 10[2]).

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 13-1 and 13-2), the number of new passenger-car registrations continued to be solid, mainly in new models of small passenger cars. Sales of household electrical appliances (NEBA statistics, in real terms) continued to trend steadily upward, particularly in flat panel TVs, DVD recorders, and PCs, and sales of heaters were also favorable in January partly due to the cold weather. Sales at department stores and supermarkets rose considerably in January, mainly for winter apparel, due to the cold weather, although they had been somewhat weak since early fall last year.

Meanwhile, sales at convenience stores continued their gradual uptrend, although they dropped in January. As for services consumption, sales in the food service industry had been somewhat weak partly affected by weather factors such as the typhoons since early last fall, but they picked up in January as the effects of these factors dissipated. Outlays for travel also increased in January, although they have been decreasing since the second half of last year, mainly due to the typhoons and the Niigata earthquake.

Indices of aggregated sales (in real terms), which are comprised of major sales indicators of these goods and services,⁴ improved notably in January, as observed in the improvement in many indicators mentioned above, after displaying weak movements in the fourth quarter, partly affected by weather factors (Chart 13-3). Moreover, the aggregate supply of consumer goods—which comprehensively captures producers’ supply of goods—increased in the fourth quarter and in January, mainly in digital home appliances and cosmetics respectively (Chart 13-4). 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) also increased substantially in January after decreasing in the fourth quarter, a pattern observed in sales indicators as well, although it fluctuates considerably because of sampling factors (Chart 13-1[1]).

Indicators for consumer sentiment continued to be on a recovery trend on the whole (Chart 14).

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

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 for travel in January 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 January were at the same level as in December.

As for housing investment, housing starts were basically more or less flat (Chart 15[1]), although they marked a high level of over 1.3 million units (annual rates) in January, particularly in housing for sale and housing for rent, mainly because large-scale projects started in the Tokyo metropolitan area. Housing investment is projected to be nearly flat.

Industrial production has been more or less flat, as inventory adjustments continued in IT-related sectors. Production, which had been somewhat weak during the second half of last year, increased by 2.5 percent in January compared to the fourth quarter, mainly in transportation equipment, chemicals, and a broad category of electrical machinery (Chart 16[1]). By goods (Chart 17), shipments of capital goods have recently increased sharply, partly due to large shipments for electricity, and shipments of producer goods (electronic parts and devices) have gradually stopped declining.

Inventories were more or less flat as a whole (Chart 16[1]), and inventory adjustments of electronic parts and devices have been progressing gradually. The chart of the inventory cycle shows that inventories of materials-related goods such as “producer goods excluding a broad category of electrical machinery” have basically been on a declining trend as spare production capacity is limited, although inventories recovered to around the previous year’s level in January partly because the production level was lifted in chemicals prior to regular repairs (Chart 18). Inventories of durable consumer goods (automobile) also increased, but this seemed to be a temporary phenomenon, since inventories waiting to be shipped overseas happened to increase. On the other hand, inventories of electronic parts and devices continued to be in the inventory adjustment phase, although adjustments have been progressing gradually, with inventories starting to decline on a year-on-year basis.⁵

As for the outlook, 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 increase as the effects of inventory adjustments in IT-related sectors wane. Based on anecdotal information, firms are projected to

⁵ Assuming that the inventory level of electronic parts and devices will remain flat hereafter, inventories are estimated to drop to almost zero in the second quarter on a year-on-year basis.

increase their production slightly in the first quarter.⁶ However, considerable uncertainty remains about the pace of increase in final demand of IT-related sectors. These developments 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 clearly stopped declining (Chart 19).

In the labor market, overtime hours worked remained high, and on a gradual uptrend (Chart 20-2[3]). The number of new job offers continued to increase on a year-on-year basis, particularly in the services industry including temporary employment services and similar businesses, although the growth rate has slowed somewhat (Charts 20-1[2] and [3]). Under these circumstances, the ratio of job offers to applicants has been on a rising trend, and the unemployment rate has followed a gradual downtrend (Chart 20-1[1]).

In terms of employment, the number of employees in the *Labour Force Survey*, which tends to fluctuate substantially, has slowed recently, but the number of regular employees in the *Monthly Labour Survey* continued to increase noticeably on a year-on-year basis (Charts 20-2[1] and [2]).

Regarding wages on a year-on-year basis (Chart 19[2]), the rate of decline in regular payments has recently diminished, mainly because the pace of increase in the ratio of part-time workers has slowed.⁷ Looking at winter bonuses in terms of special payments in November-January, bonuses increased by 1.8 percent on a year-on-year basis, reflecting the increase in corporate profits and the peaking out of firms' restructuring efforts. Based on these developments, wages have gradually stopped declining as a whole.

⁶ Production in the first quarter, simply calculated based on the production forecast indexes for February and March, is estimated to increase by 1.8 percent on a quarter-on-quarter basis.

⁷ The most recent January figures are preliminary. It should be kept in mind that the ratio of part-time workers in the statistics tends to be revised upward at the time the figures are finalized. As a result, regular payments per employee tend to be revised downward in most cases.

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) decreased from the end of last year, but they have recently stopped declining due to the rise in international commodity prices, including crude oil prices (Chart 22).

Domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter, compared to levels three months before)⁸ have recently been somewhat weak, mainly since crude oil prices fell back temporarily toward the end of last year (Chart 23). In detail, prices of petroleum and coal products continued to fall, due to the persisting effects of the decline in crude oil prices at the end of last year. On the other hand, prices of iron and steel related products and of other materials (such as chemicals and related products) continued to increase moderately, reflecting the firm supply and demand conditions. Meanwhile, machinery prices have been declining, particularly in IT-related goods. With respect to the above movements by stage of demand, final goods prices dropped, mainly in machinery, while materials prices and intermediate goods prices were nearly flat.

The year-on-year rate of decline in corporate services prices (excluding external factors; same hereafter) has been on a gradual diminishing trend (Chart 24).⁹ The rate of decline narrowed in January as a whole, since improvements were observed in advertising services, real estate services, and information services, while

⁸ 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.

⁹ “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.

the rate of decline expanded in communications and broadcasting services due to the reduction in telephone charges.

Consumer prices (excluding fresh food, same hereafter) have been declining slightly on a year-on-year basis, partly due to the reduction in electricity and telephone charges (Chart 25). The year-on-year rate of decline expanded slightly in January by posting a decrease of 0.3 percent compared to December (a decline of 0.2 percent on a year-on-year basis), mainly due to the reduction in telephone charges.

As for the outlook, domestic corporate goods prices are likely to increase somewhat, reflecting the rise in commodity prices at home and abroad. With respect to the outlook for consumer prices, supply and 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 electricity and telephone charges are expected to continue for the time being. 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 29).

As for interest rate developments in the money markets, the overnight call rate (uncollateralized; Chart 27[1]) has been moving at around zero percent. Interest rates on term instruments (Chart 28[1]) have been steady at low levels on the whole. Under these circumstances, interest rates on Euroyen futures (Chart 28[2]) remain basically unchanged.

Yields on 10-year government bonds (newly issued 10-year JGB; Chart 27[2]) rose, reflecting the stronger-than-forecasted economic indicators as stock

prices have been firm. They have recently been moving at the 1.45-1.50 percent level.

Yield spreads between private bonds (bank bonds and corporate bonds) and government bonds (Charts 31 and 32) have been more or less flat on the whole.

Stock prices (Chart 33) have been firm, as U.S. stock prices have been firm on the whole and as views about the economic outlook have become less cautious reflecting the stronger-than-forecasted Japanese economic indicators. The Nikkei 225 Stock Average is moving in the range of 11,500-12,000 yen.

In the foreign exchange market (Chart 34), the yen is fluctuating in the range of 103-106 yen to the U.S. dollar, mainly in view of firm Japanese stock prices and domestic and overseas economic indicators.

(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 35).

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 36). The long-term prime lending rate was raised by 0.10 percent, to 1.65 percent, on March 10.

The year-on-year rate of decline in lending by private banks (monthly average outstanding balance basis, after adjustment for extraordinary factors¹⁰) has been

¹⁰ 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.

diminishing moderately. (The year-on-year change was –1.1 percent in December, –1.0 percent in January, and –0.9 percent in February; Chart 37.)

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 at low levels. CP issuance rates, too, 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 1.5 percent in December, 1.2 percent in January, and 0.7 percent in February; Chart 39.)

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) decreased, and is currently at the 1.0-2.0 percent level. (The year-on-year change was 4.2 percent in December, 3.9 percent in January, and 1.2 percent in February; Chart 40.)

The year-on-year growth rate of the money stock (M_2 + CDs) continues to be around 2.0 percent. (The year-on-year change was 2.0 percent in December, 2.0 percent in January, and 1.9 percent in February; Chart 41.)

The number of corporate bankruptcies continues its downtrend; it declined by 12.5 percent year-on-year in February, to 1,014 cases (Chart 42).

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Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2004/Q2	Q3	Q4	2004/Nov.	Dec.	2005/Jan.	Feb.
Index of living expenditure level (all households)	1.9	-2.5	-1.8	0.6	-1.6	4.4	n.a.
Sales at department stores	-1.7	-0.7	-1.3	1.1	1.2	2.3	n.a.
Sales at supermarkets	-2.1	-0.9	-1.4	-0.8	-2.3	2.9	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 327>	< 342>	< 344>	< 348>	< 343>	< 346>	< 341>
Sales of household electrical appliances (real, NEBA)	3.6	3.8	4.1	-1.6	5.5	-0.3	n.a.
Outlays for travel (50 major travel agencies)	13.7	-4.5	-5.6	-0.4	-3.8	8.7	n.a.
Housing starts <s.a., ann. 10,000 units>	< 116>	< 122>	< 117>	< 115>	< 119>	< 130>	<n.a.>
Machinery orders (from private sector ⁴)	10.3	-8.4	6.0	19.9	-8.8	-2.2	n.a.
Manufacturing	18.4	-12.0	6.4	12.5	10.7	-17.3	n.a.
Nonmanufacturing ⁴	5.0	-5.1	6.3	26.9	-20.5	8.8	n.a.
Construction Starts (private, nondwelling use)	-3.9	8.8	-10.0	-9.3	0.6	22.0	n.a.
Mining & manufacturing	21.7	-10.1	5.2	8.8	-8.7	42.0	n.a.
Nonmanufacturing ⁵	-10.2	14.0	-12.9	-17.0	4.7	18.2	n.a.
Value of public works contracted	5.4	-2.7	-10.8	9.4	-6.6	6.5	4.7
Real exports	3.2	0.1	1.3	1.9	-3.6	4.6	n.a.
Real imports	1.3	2.1	2.6	3.5	-7.1	7.8	n.a.
Industrial production	2.6	-0.7	-0.6	1.7	-0.8	2.5	n.a.
Shipments	2.9	-1.1	0.2	1.3	0.9	2.2	n.a.
Inventories	-0.4	2.1	-2.2	0.8	-2.0	1.8	n.a.
Inventory Ratio <s.a., CY 2000=100>	<93.4>	<98.2>	<94.2>	<96.5>	<94.2>	<95.4>	< n.a.>
Real GDP	-0.3	-0.3	0.1	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	1.8	-0.2	-0.2	0.2	-0.3	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2004/Q2	Q3	Q4	2004/Nov.	Dec.	2005/Jan.	Feb.
Ratio of job offers to applicants <s.a., times>	<0.80>	<0.85>	<0.90>	<0.91>	<0.90>	<0.91>	<n.a.>
Unemployment rate <s.a., %>	<4.6>	<4.8>	<4.6>	<4.6>	<4.5>	<4.5>	<n.a.>
Overtime working hours ⁶	3.7	3.7	1.6	2.0	1.8	p 2.1	n.a.
Number of employees	0.7	0.4	0.1	0.1	-0.4	0.0	n.a.
Number of regular employees ⁶	0.6	0.7	0.7	0.7	0.8	p 0.7	n.a.
Nominal wages per person ⁶	-1.0	-0.4	0.0	2.0	-0.6	p 0.4	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>	1.8 <0.2>	1.3 <-0.3>	p 1.3 <p -0.2>
Consumer price index ⁸	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3	n.a.
Corporate service price index	-0.4	-0.2	-0.3	-0.3	-0.4	p -0.5	n.a.
Money Stock (M ₂ +CDs) <average outstanding, y/y % chg.>	1.9	1.9	2.0	2.0	2.0	2.0	1.9
Number of corporate bankruptcies <cases>	<1,134>	<1,103>	<1,099>	<1,064>	<1,109>	<1,022>	<1,014>

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.

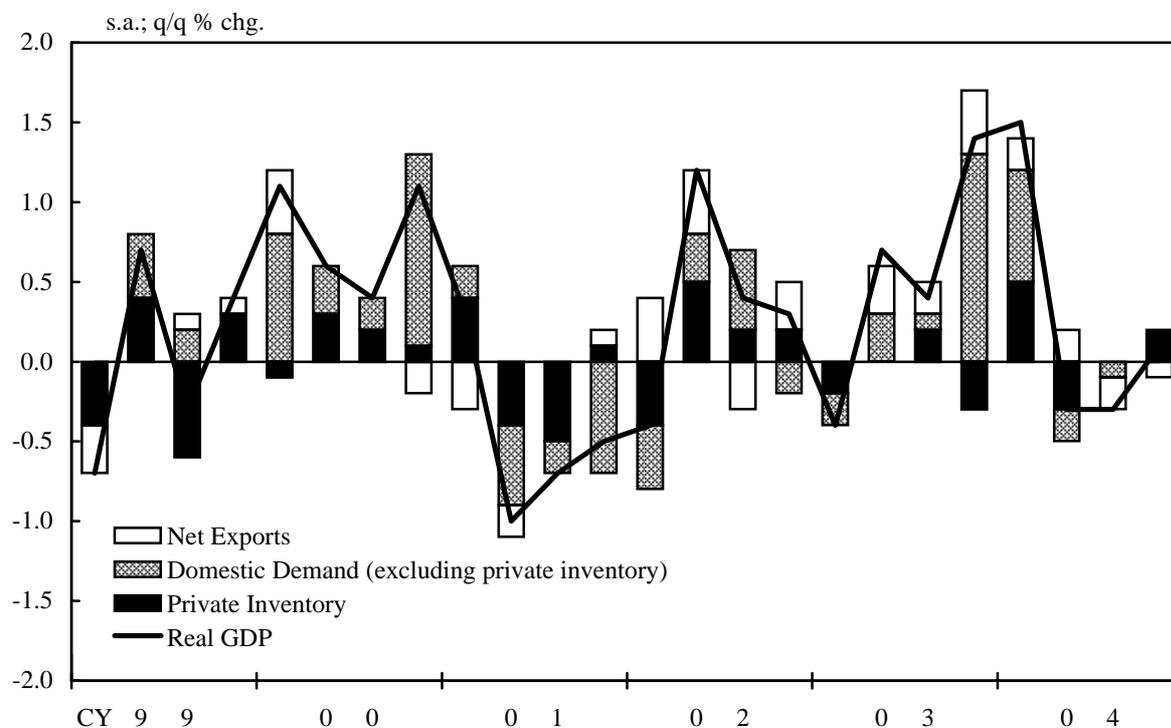
All figures in chart 1-2 except figures in angle brackets are year on year change. For details on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes of respective charts.

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

Real GDP

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



(2) Components

s.a.; q/q % chg.

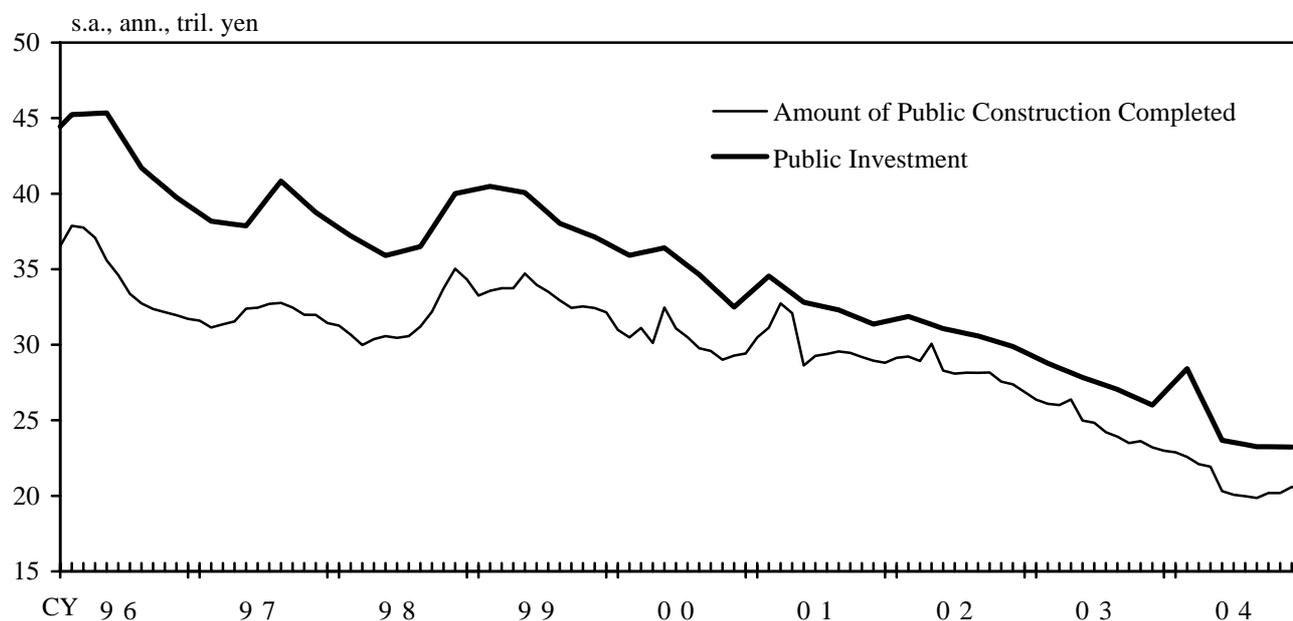
	2003	2004			
	Q4	Q1	Q2	Q3	Q4
Real GDP	1.4	1.5	-0.3	-0.3	0.1
Domestic Demand	1.0	1.3	-0.5	-0.1	0.2
Private Consumption	1.1	0.7	0.1	-0.2	-0.3
Non-Resi. Investment	5.7	-2.3	3.7	-0.1	0.1
Residential Investment	-1.0	0.4	1.1	0.8	0.9
Private Inventory	(-0.3)	(0.5)	(-0.3)	(0.0)	(0.2)
Public Demand	-0.9	3.0	-3.4	-0.1	0.6
Public Investment	-3.6	8.7	-16.9	-1.9	-0.4
Net Exports of goods and services	(0.4)	(0.2)	(0.2)	(-0.2)	(-0.1)
Exports	5.2	4.7	3.5	0.6	1.2
Imports	2.1	3.3	2.0	2.2	2.4
Nominal GDP	0.6	1.2	-0.6	-0.2	0.2

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

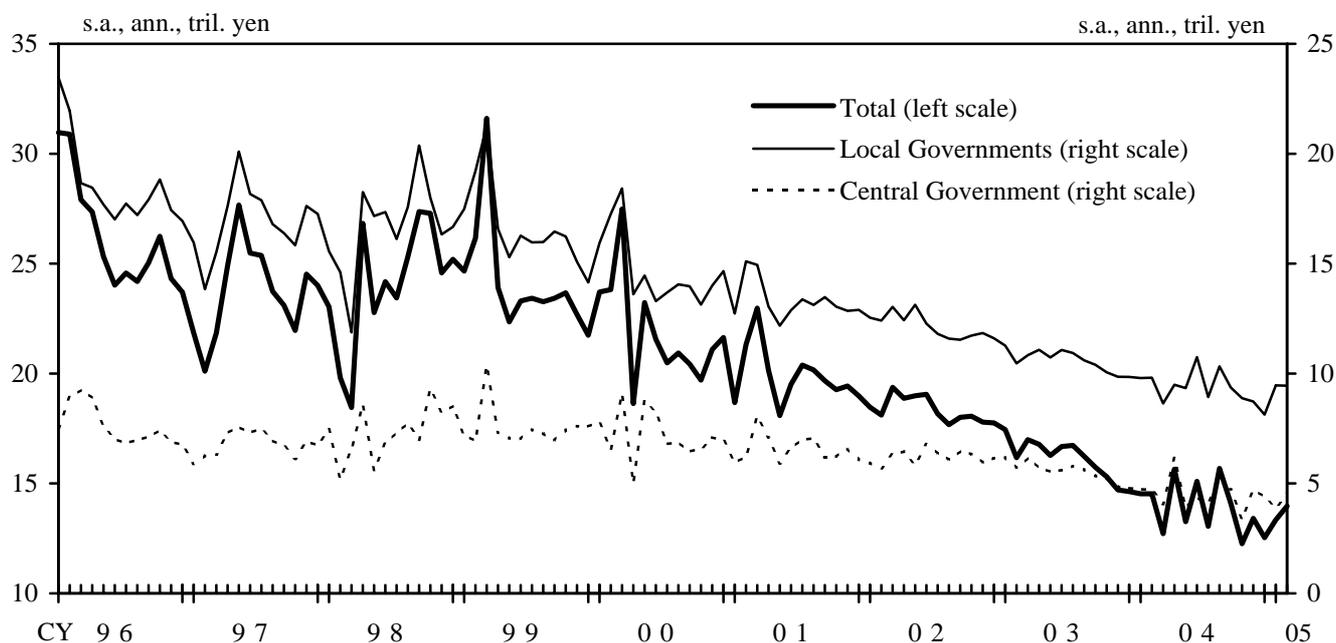
Source: Cabinet Office, "National Accounts."

Public Investment

(1) Amount of Public Construction Completed and Public Investment



(2) Value of Public Works Contracted



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.

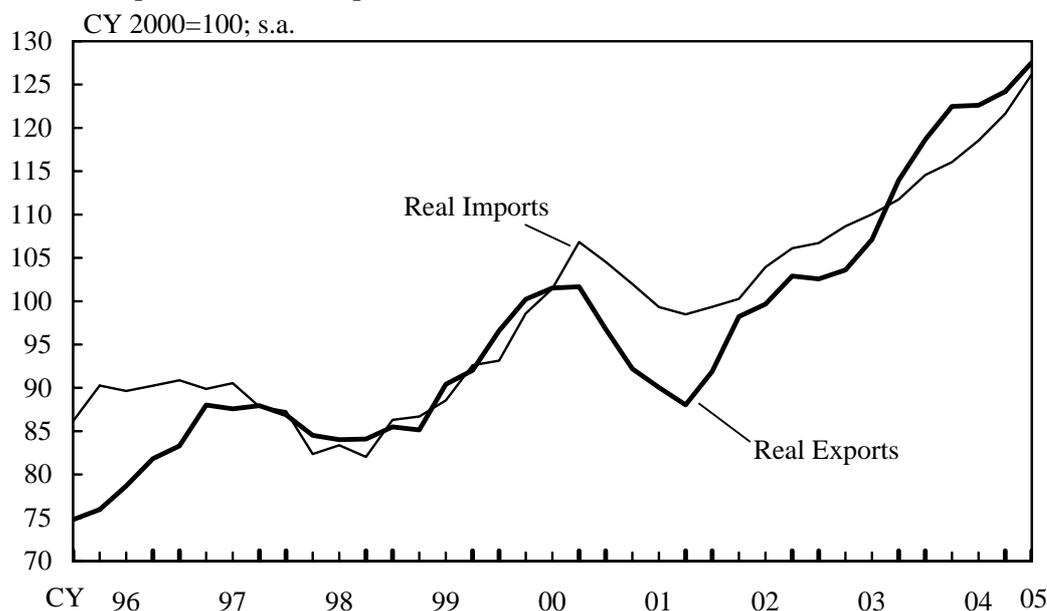
Sources: Cabinet Office, "National Accounts";

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

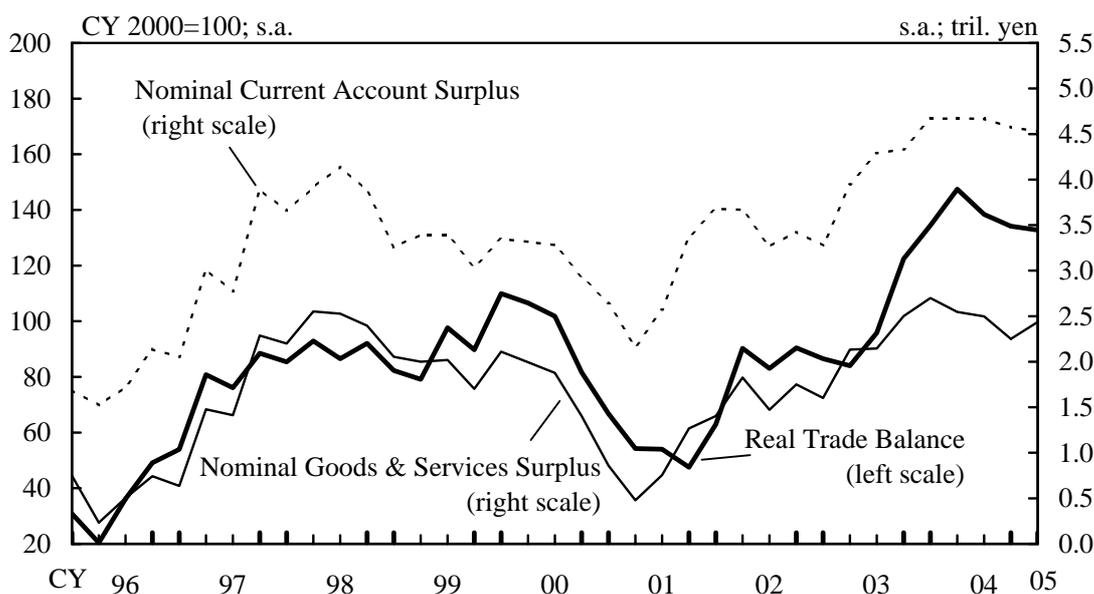
Ministry of Land, Infrastructure and Transport, "Integrated Statistics on Construction Works."

 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. 2005/Q1 figures are Jan. figures converted into quarterly amount.
3. 2005/Q1 figures for Nominal Current Account Surplus and Nominal Goods & Services Surplus are Jan. figures 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 2003	2004	2004 Q1	Q2	Q3	Q4	2005 Q1	2004 Nov.	Dec.	2005 Jan.
United States	<22.4>	-6.2	6.3	2.7	3.0	-0.9	1.2	-4.9	5.1	-5.3	-3.0
EU	<15.5>	13.9	18.4	9.8	1.8	3.6	1.7	-5.6	7.2	-7.3	-3.0
East Asia	<46.9>	19.9	19.0	8.8	0.3	1.0	-2.0	9.4	1.9	-6.1	13.4
China	<13.1>	41.1	21.9	11.0	1.4	0.5	0.4	13.4	-3.3	-6.5	20.0
NIEs	<24.7>	15.7	20.4	8.1	0.2	1.5	-3.8	10.1	3.4	-6.4	13.8
Korea	<7.8>	19.2	19.1	13.2	-1.5	-1.4	-7.7	15.2	8.7	-11.9	22.0
Taiwan	<7.4>	16.1	27.2	5.8	0.7	8.0	-2.0	8.3	5.2	-8.5	13.0
ASEAN4 ³	<9.1>	9.1	12.1	7.7	-0.8	0.3	-0.6	2.1	5.3	-4.9	3.9
Thailand	<3.6>	18.3	18.6	7.4	0.9	0.5	5.7	3.5	3.7	-6.5	6.9
Real exports		8.9	14.5	4.1	3.2	0.1	1.3	2.7	1.9	-3.6	4.6

(2) Breakdown by goods

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 2003	2004	2004 Q1	Q2	Q3	Q4	2005 Q1	2004 Nov.	Dec.	2005 Jan.
Intermediate goods	<16.3>	5.6	5.6	5.9	-3.8	-1.9	-0.3	11.6	6.1	-4.9	13.2
Motor vehicles and their related goods	<22.4>	1.3	8.3	-1.5	7.2	0.5	0.8	-3.9	8.4	-3.7	-4.0
Consumer goods ⁴	<6.5>	14.9	13.9	6.2	1.5	-6.4	5.6	-0.9	-5.5	-6.8	6.0
IT-related goods ⁵	<13.7>	12.9	17.5	5.6	5.0	-1.0	-1.0	9.9	1.0	-3.1	11.9
Capital goods and parts ⁶	<30.0>	17.1	23.3	7.3	6.1	2.6	-0.8	3.7	1.6	-6.1	7.6
Real exports		8.9	14.5	4.1	3.2	0.1	1.3	2.7	1.9	-3.6	4.6

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2005/Q1 figures are Jan. figures converted into quarterly amount.

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.

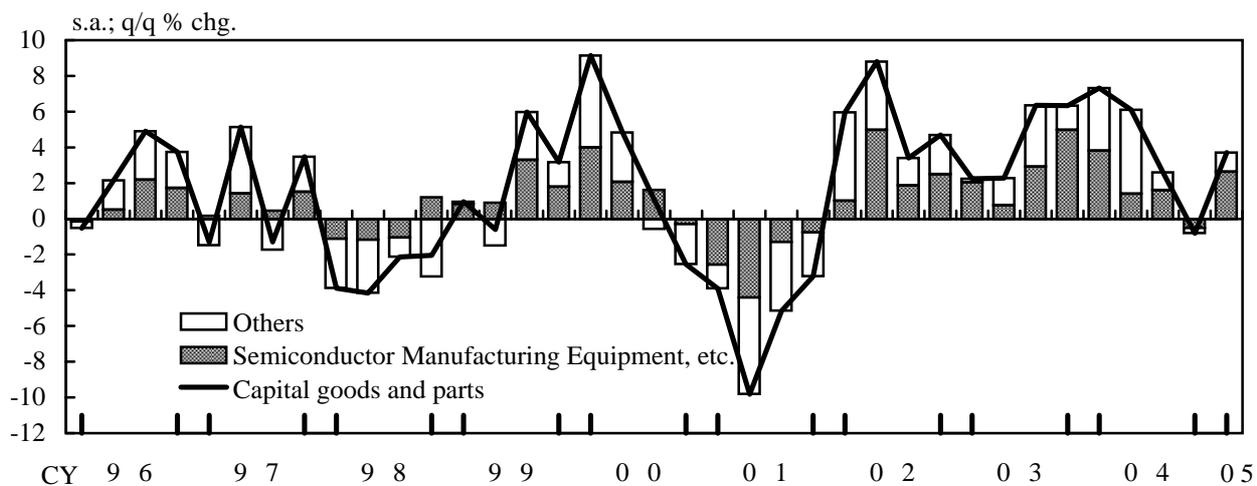
5. IT-related goods are composed of automatic data processing machinery, telecommunication machinery, ICs and medical and optical instruments.

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

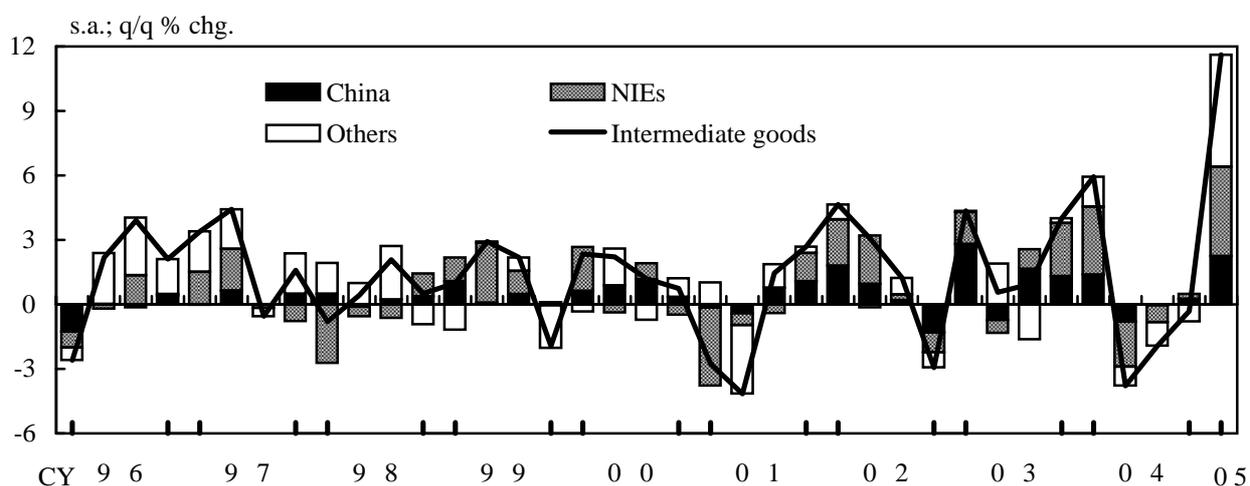
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Real Exports breakdown by goods

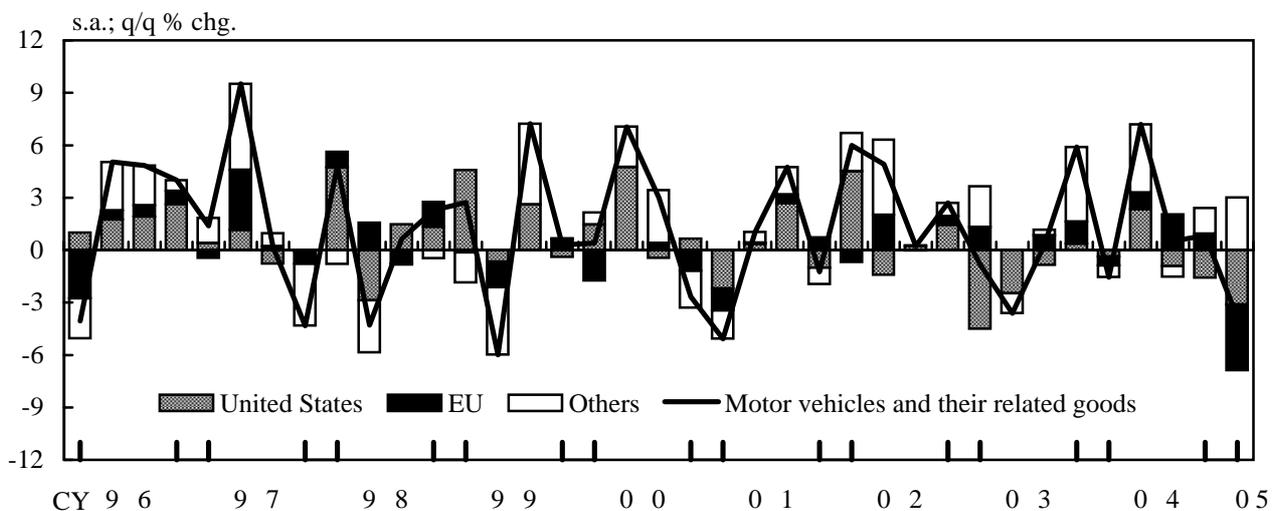
(1) Capital goods and parts (real, breakdown by goods)



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



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



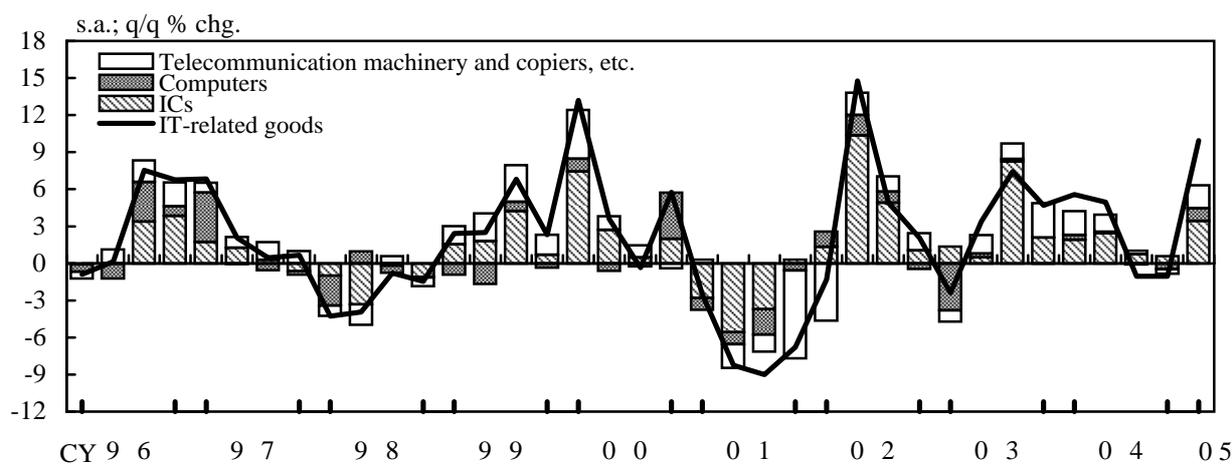
Notes: 1. Seasonally adjusted by X-12-ARIMA.

2. 2005/Q1 figures are Jan. figures converted into quarterly amount.

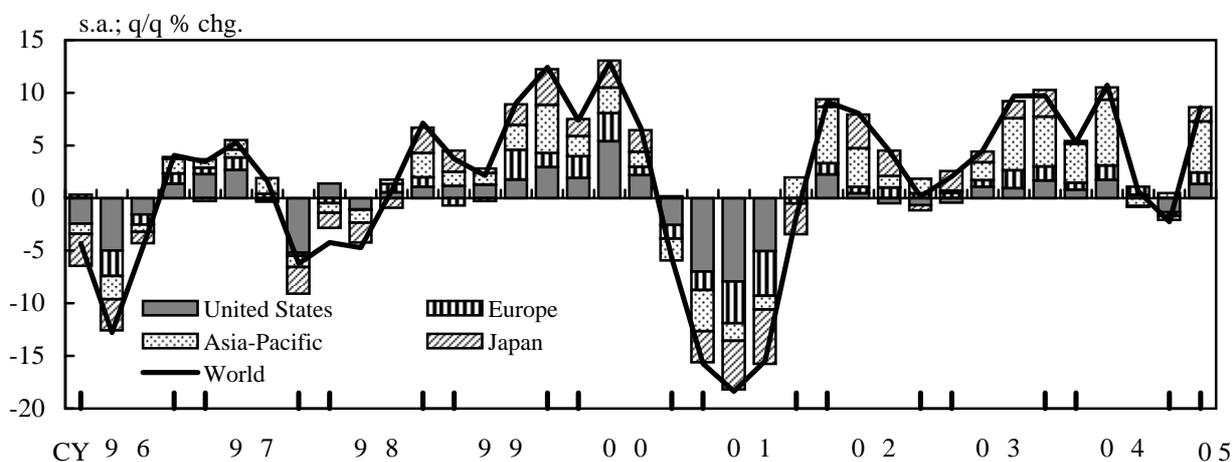
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Exports and Imports of IT-related goods

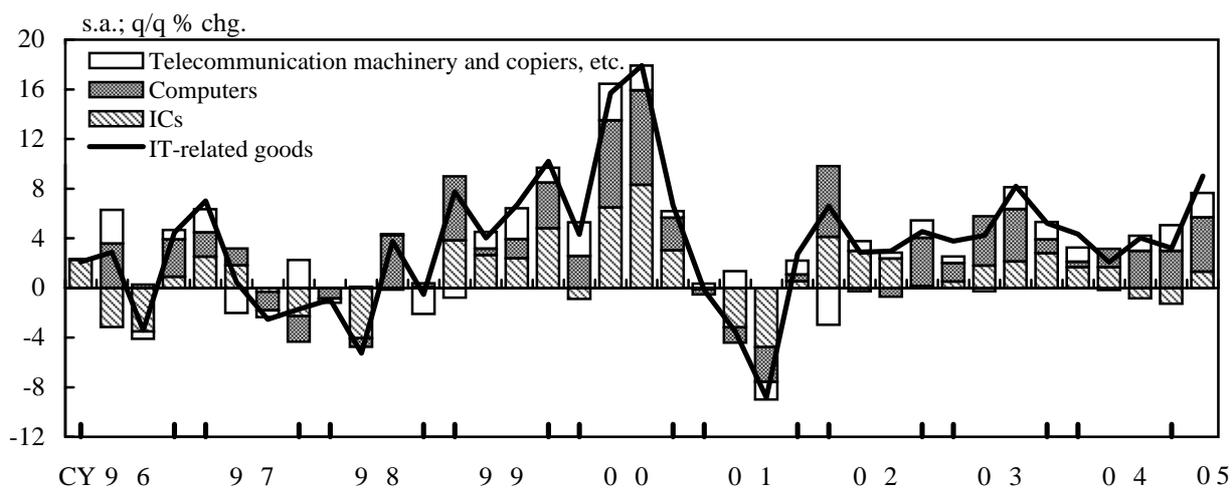
(1) Exports of IT-related goods (real, breakdown by goods)



(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. 2005/Q1 figures are Jan. figures 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 2003	2004	2004 Q1	Q2	Q3	Q4	2005 Q1	2004 Nov.	Dec.	2005 Jan.
United States	<13.7>	-1.6	1.1	-3.6	3.9	-0.1	3.4	-3.2	-7.9	-4.1	2.4
EU	<12.6>	6.4	10.3	6.8	-1.4	-0.3	3.4	6.0	5.3	-7.0	9.4
East Asia	<43.1>	14.6	14.9	4.7	1.6	3.8	1.8	6.1	4.4	-3.4	7.0
China	<20.7>	21.9	21.3	6.7	3.3	4.2	6.5	5.4	6.2	-1.8	4.6
NIEs	<10.3>	9.8	13.0	4.8	-0.1	2.1	-3.6	8.5	2.2	-1.4	8.8
Korea	<4.8>	13.1	14.6	9.4	0.8	-5.3	-3.4	8.2	5.6	1.7	5.1
Taiwan	<3.7>	7.1	12.3	3.3	-0.7	7.3	-4.0	12.5	-4.1	-0.2	14.3
ASEAN4 ³	<12.1>	9.0	7.1	1.5	0.4	4.6	-1.2	5.2	3.2	-7.7	9.8
Thailand	<3.1>	11.5	14.5	2.3	3.9	4.4	4.1	6.6	5.6	-5.2	8.6
Real imports		6.8	8.1	2.5	1.3	2.1	2.6	3.7	3.5	-7.1	7.8

(2) Breakdown by goods

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 2003	2004	2004 Q1	Q2	Q3	Q4	2005 Q1	2004 Nov.	Dec.	2005 Jan.
Raw materials ⁴	<27.9>	6.0	1.2	3.2	-0.7	3.9	1.9	1.6	0.8	-9.1	8.2
Intermediate goods	<14.1>	4.5	8.4	3.3	2.0	2.3	-0.4	8.5	8.6	-9.4	12.9
Foodstuffs	<10.8>	-4.2	0.3	-0.0	-0.0	-0.5	2.7	8.9	5.4	-6.8	12.2
Consumer goods	<10.6>	8.0	12.5	0.7	4.0	-1.6	6.6	2.2	4.3	-6.2	5.2
IT-related goods ⁵	<13.7>	19.3	19.1	4.3	2.1	4.0	3.2	9.0	2.9	4.9	4.7
Capital goods and parts ⁶	<12.9>	14.3	17.2	3.0	4.5	2.3	7.2	-4.6	-2.6	-13.2	5.9
excluding aircraft	<12.0>	14.3	18.9	7.8	1.2	7.0	-0.1	5.6	1.3	-2.7	7.1
Real imports		6.8	8.1	2.5	1.3	2.1	2.6	3.7	3.5	-7.1	7.8

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2005/Q1 figures are Jan. figures converted into quarterly amount.

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.

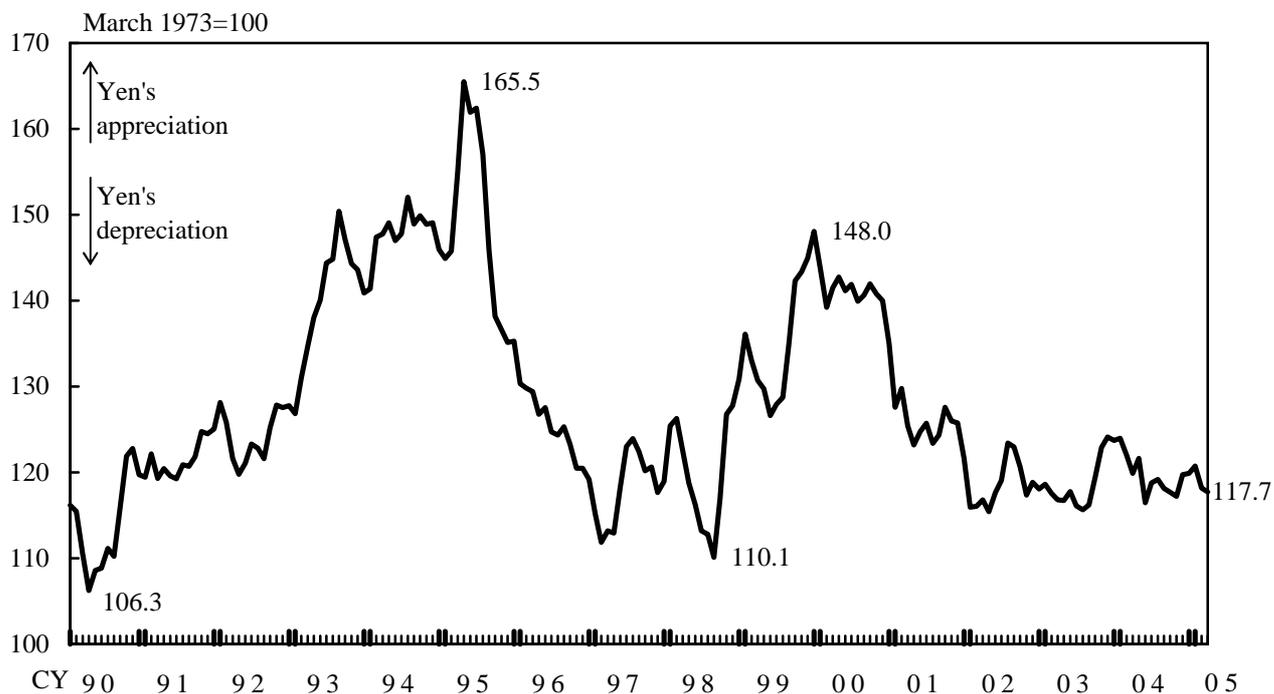
4. Raw materials are mainly composed of woods, ores and mineral fuel.

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

6. Excludes IT-related goods.

Environment for Exports (1)

(1) Real Effective Exchange Rate



Note: Calculated by the Bank of Japan. Monthly average. Figure for March 2005 is the average up to March 15.

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

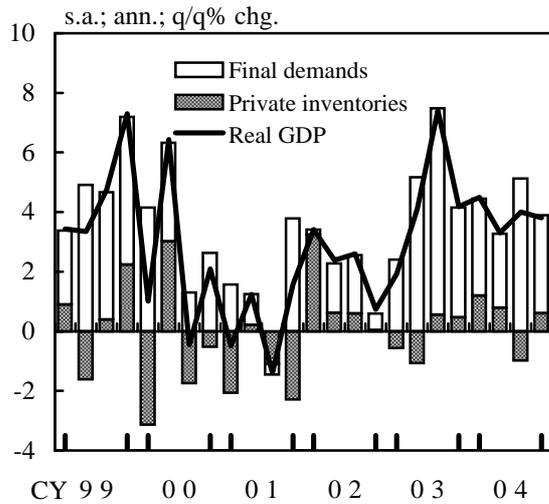
		CY2002	2003	2004	2004 Q1	Q2	Q3	Q4	
United States ¹		1.9	3.0	4.4	4.5	3.3	4.0	3.8	
European Union ¹		1.1	0.9	2.2	3.0	2.4	1.3	1.0	
East Asia ²	Germany	0.1	-0.1	1.6	2.0	1.4	0.1	-0.9	
	France	1.1	0.5	2.3	3.0	2.8	-0.1	3.1	
	United Kingdom	1.8	2.2	3.1	2.4	4.2	2.1	2.9	
	China	8.3	9.3	9.5	9.8	9.6	9.1	9.5	
	NIEs	Korea	7.0	3.1	n.a.	5.3	5.5	4.6	n.a.
		Taiwan	3.9	3.3	5.7	6.7	7.9	5.3	3.3
		Hong Kong	1.9	3.2	n.a.	7.0	12.1	7.2	n.a.
		Singapore	3.2	1.4	8.4	7.9	12.3	7.2	6.5
	ASEAN4	Thailand	5.3	6.9	6.1	6.7	6.4	6.1	5.1
		Indonesia	4.4	4.9	5.1	4.4	4.4	5.1	6.7
Malaysia		4.1	5.3	7.1	7.8	8.2	6.7	5.6	
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.

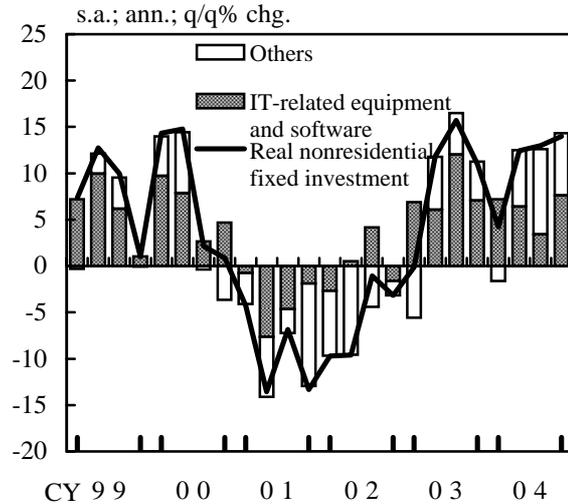
2. Quarterly data of East Asia are percent changes from a year earlier.

Environment for Exports (2)

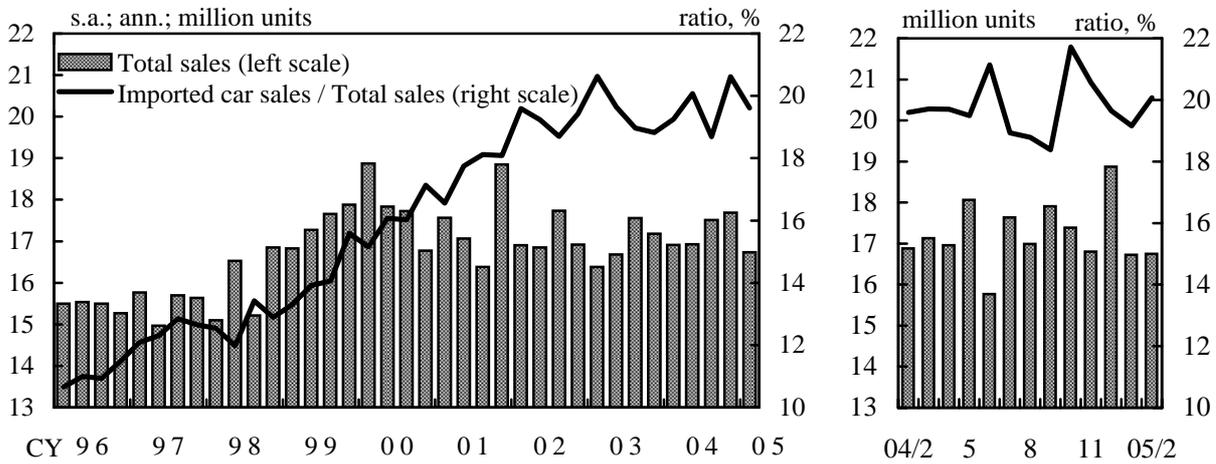
(1) U.S. Real GDP (breakdown by final demands and inventories)



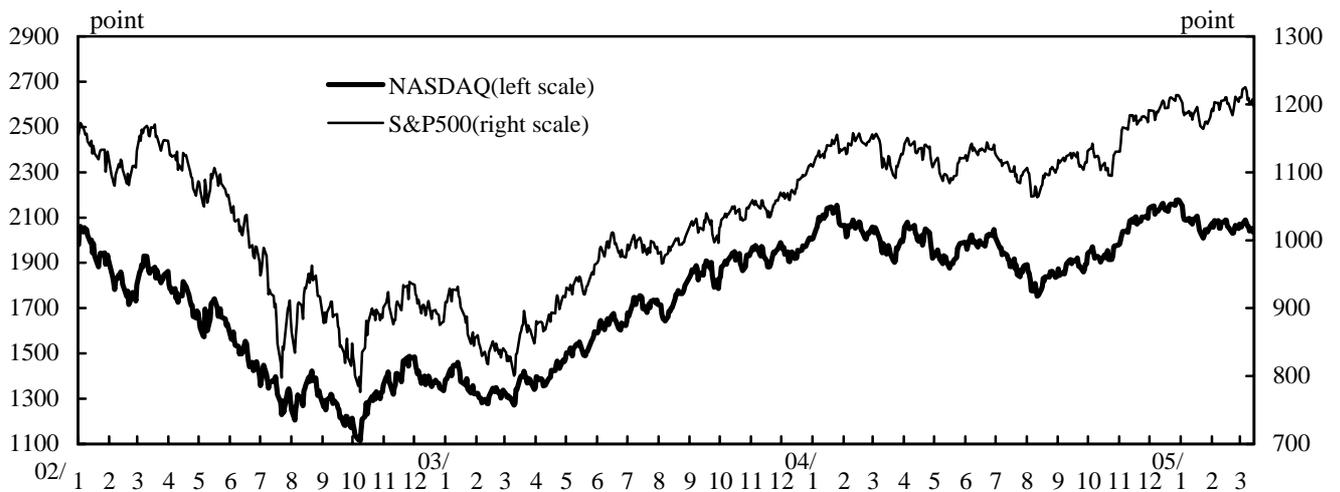
(2) U.S. Real Nonresidential Fixed Investment



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



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

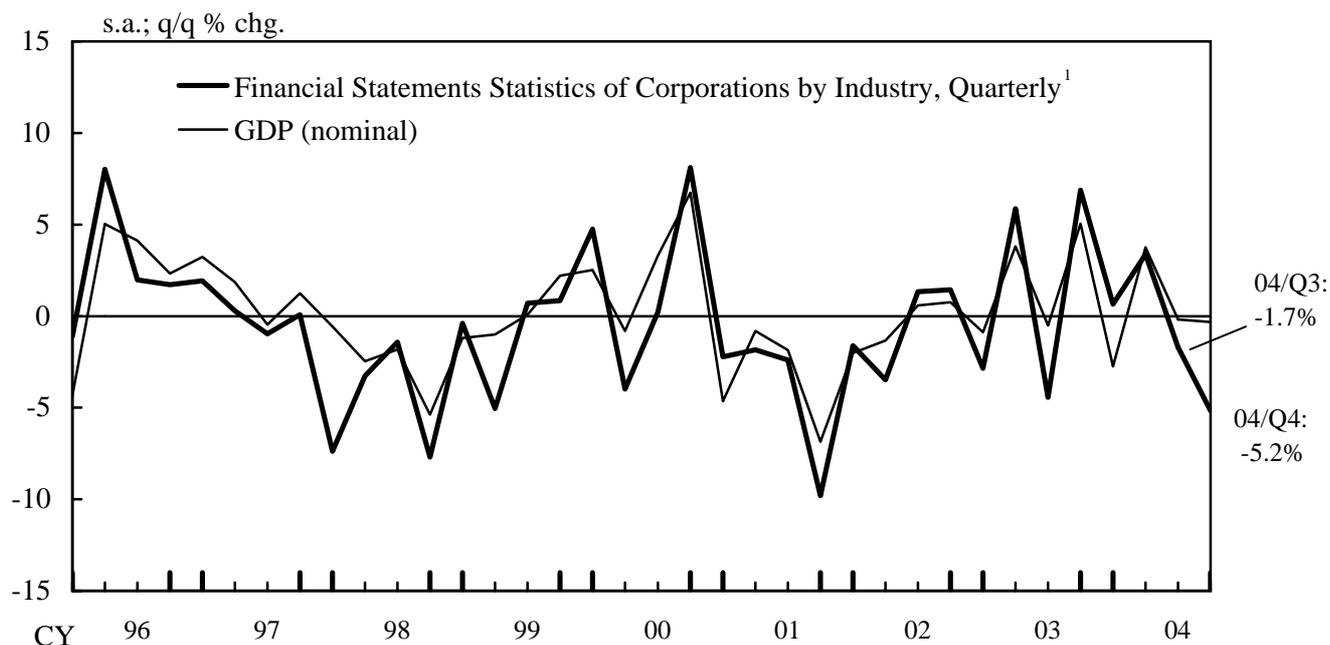


Notes: 1. Figures for 2005/Q1 are based on Jan.-Feb. averages in (3).
2. Figures of U.S. stock prices in (4) are up to March 15.

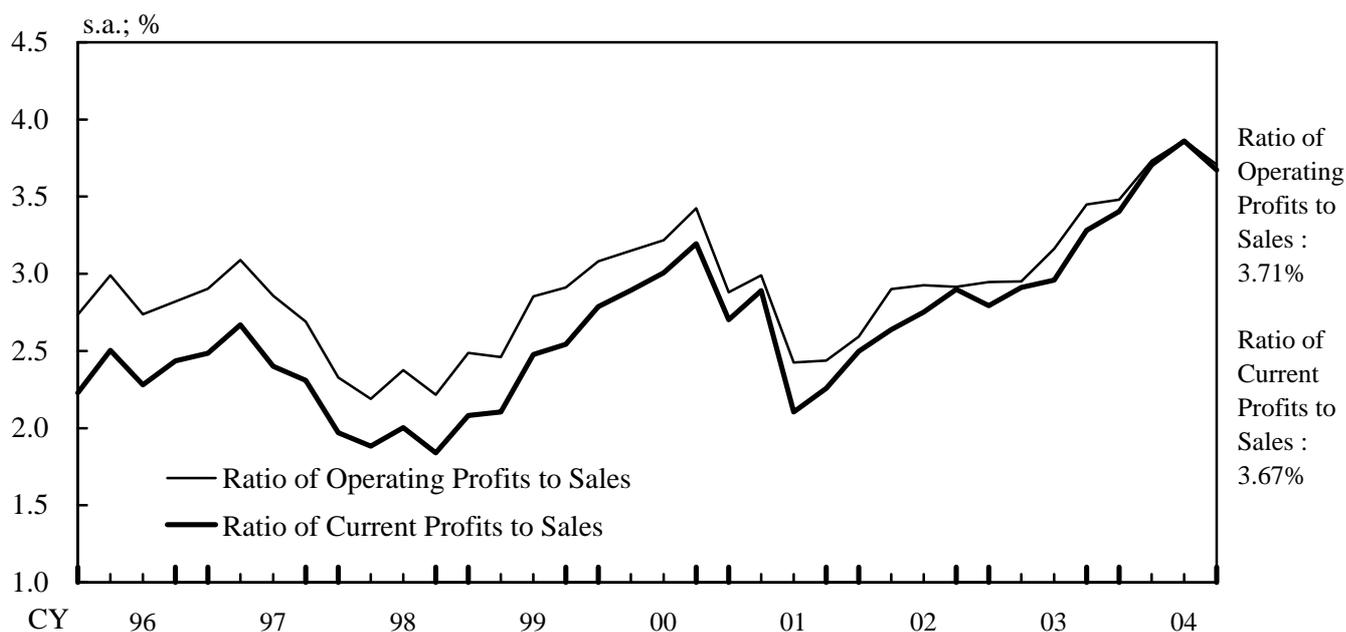
Sources: U.S. Department of Commerce, "National Income and Product Accounts," "Sales, production, imports, exports, and inventories, in units"; Bloomberg.

Business Fixed Investment and Corporate Profits

(1) Fixed Investment



(2) Corporate Profits (Ratio of Profits to Sales)^{1,2}



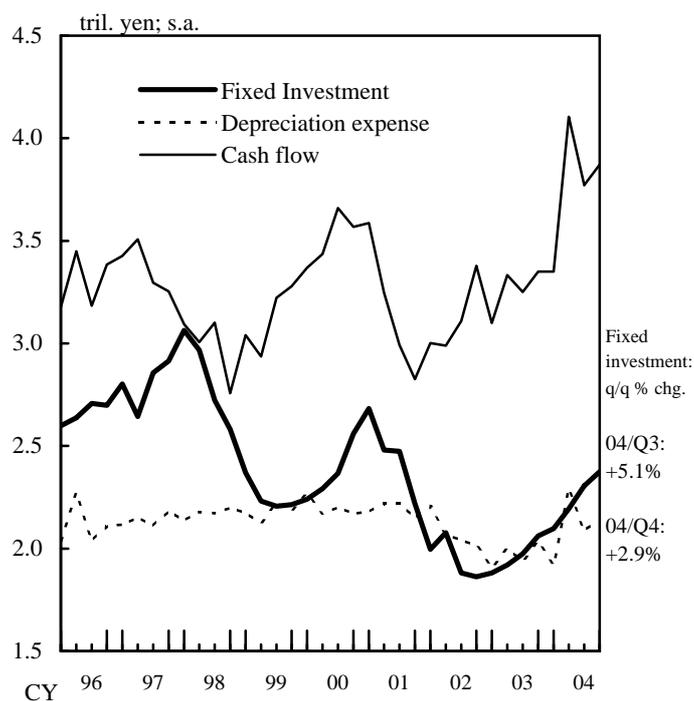
Notes: 1. All enterprises. Figures are adjusted for sample change, and seasonally adjusted by X-11. Adjustment for sample change aims to correct a bias in figures caused by sample change. The method is to adjust the figures proportionally to the shift in the aggregated capital stock and other references. The sample change comes due to (i) a change in sampling firm in each the second quarter survey, and (ii) changes in the respondent firms in every quarter.

2. Financial Statements Statistics of Corporations by Industry, Quarterly basis.

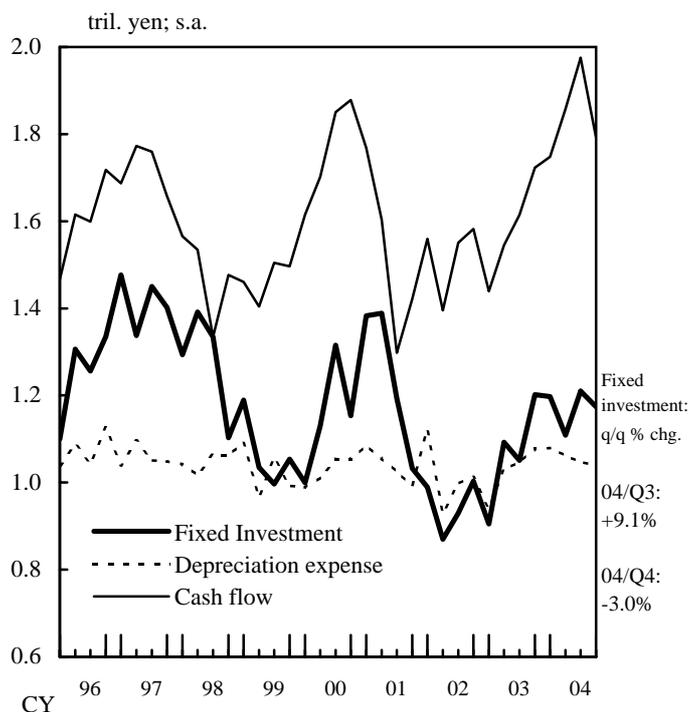
Sources: Cabinet Office, "National Accounts"; Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

Business Fixed Investment

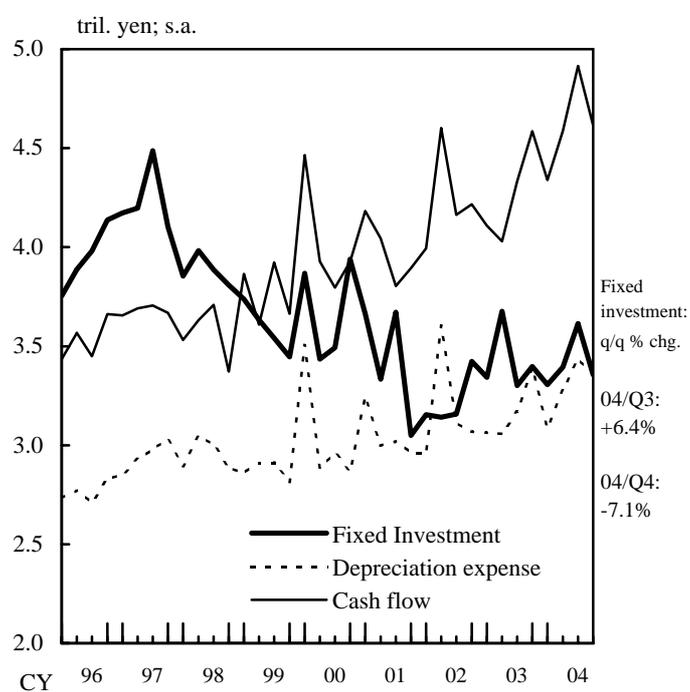
(1) Large manufacturing firms



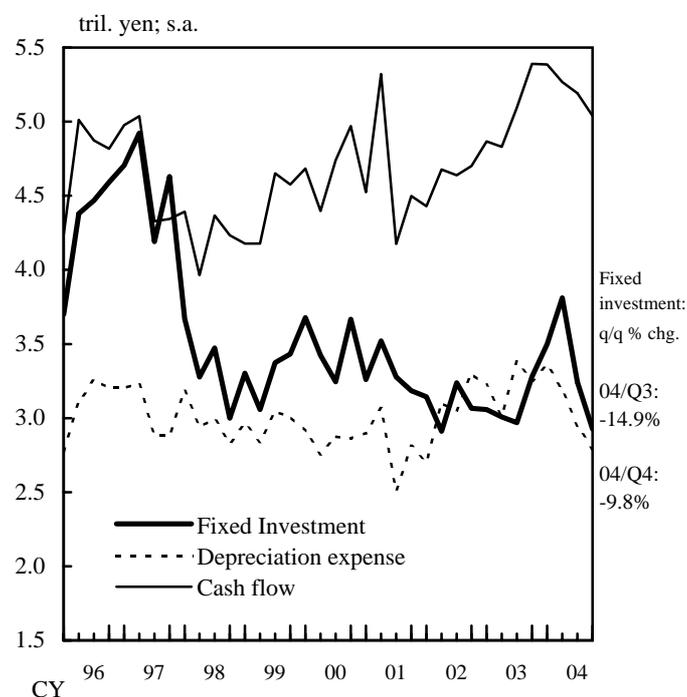
(2) Medium-sized and small manufacturing firms



(3) Large nonmanufacturing firms



(4) Medium-sized and small nonmanufacturing firms



Notes: 1. *Financial Statements Statistics of Corporations by Industry, Quarterly* basis.

2. Sample change adjusted (see in chart 10 Note 1).

3. Electric and gas are excluded from nonmanufacturing large firms.

4. "Large firms" refers to firms with capital stock of 1 billion yen or more, and "medium and small firms" refers to firms with capital stock of 10 million or more but less than 1 billion yen.

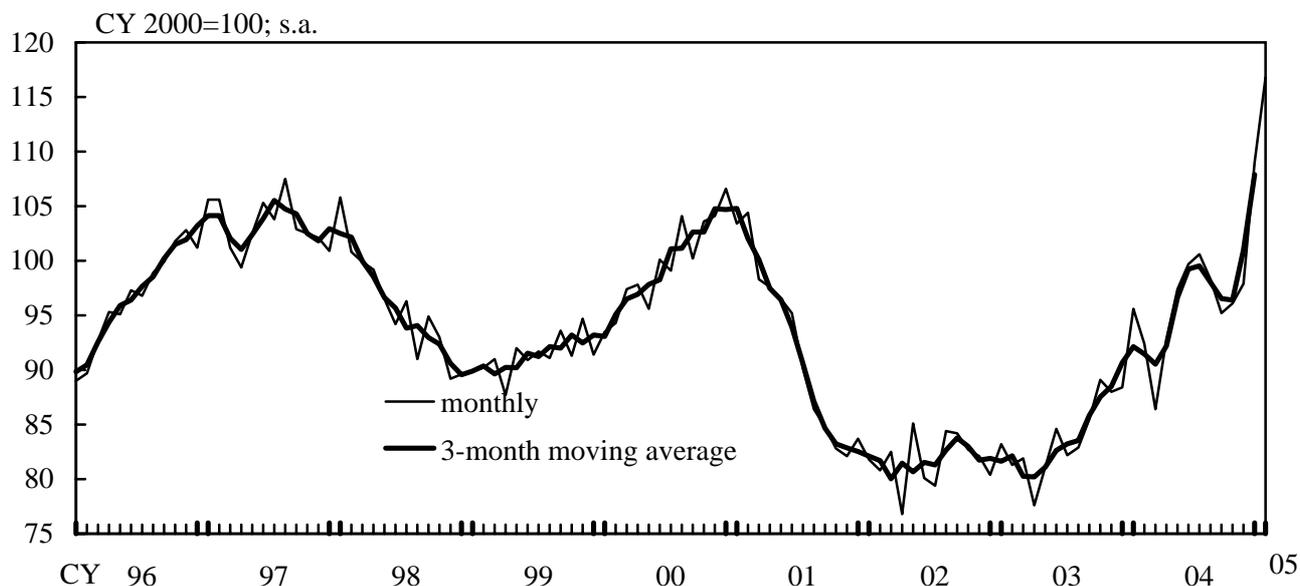
5. Cash Flow = Current profits / 2 + Depreciation expense

6. Seasonally adjusted by X-11.

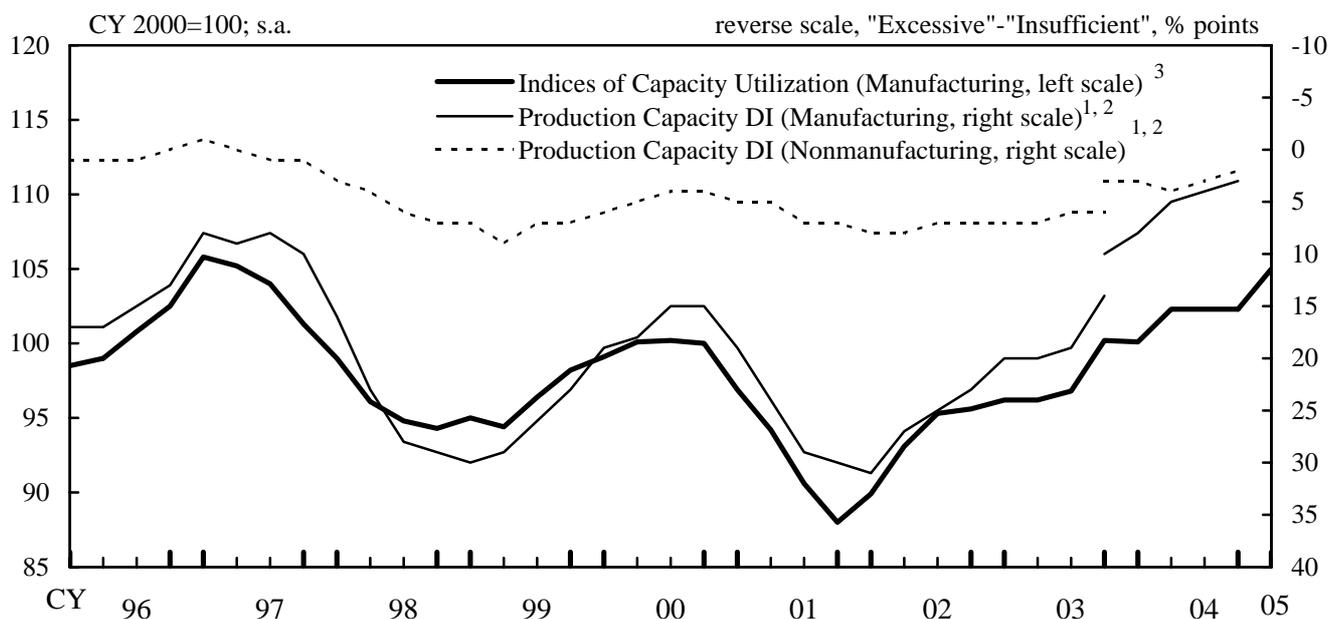
Source: Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

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.

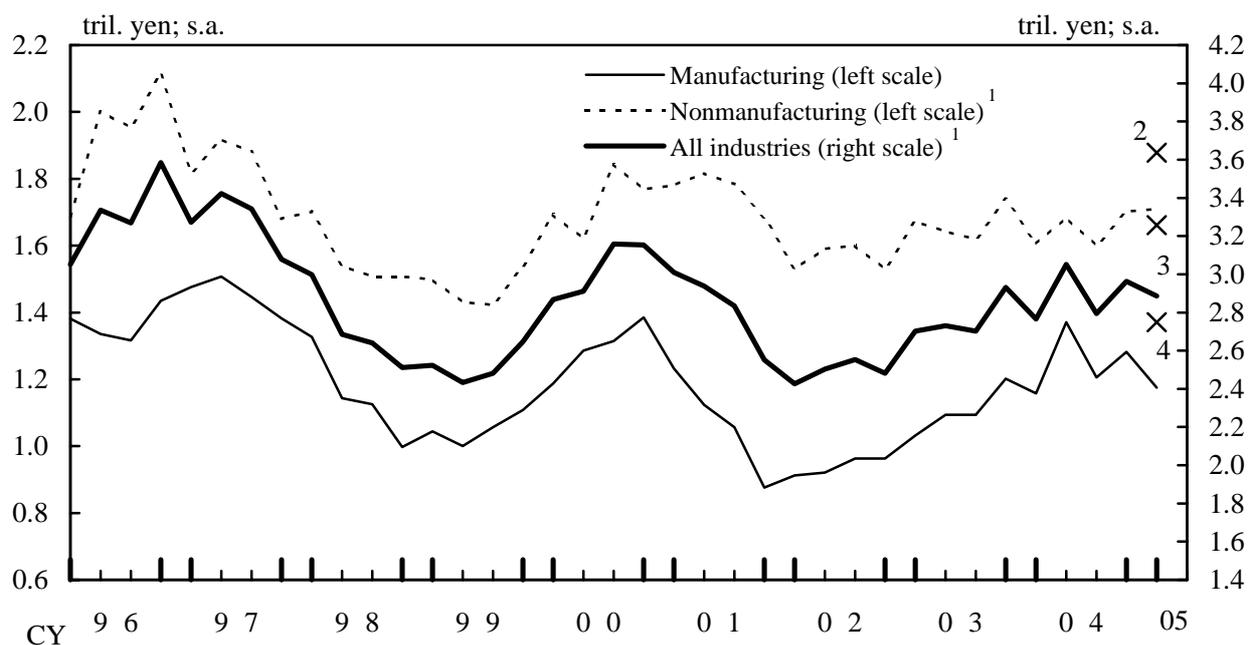
2. The *Tankan* has been revised from the March 2004 Survey. Figures up to the December 2003 Survey are based on the previous data sets. Figures from the December 2003 Survey are on a new basis.

3. The figure for 2005/Q1 is as of January.

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.

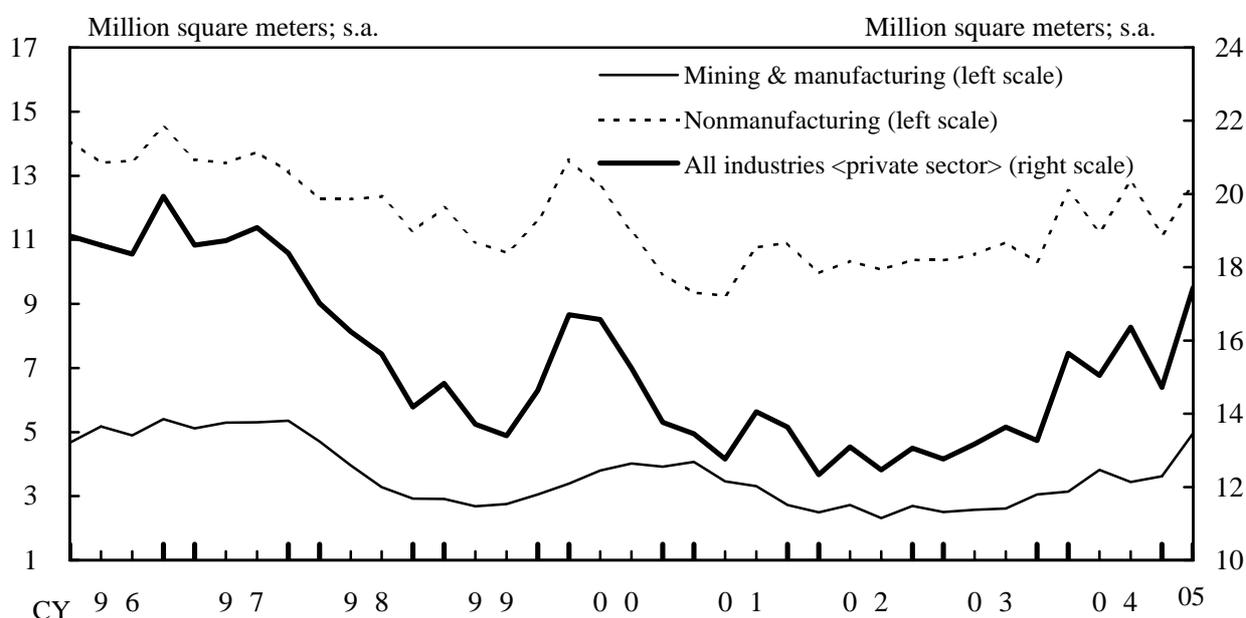
2. Forecast of nonmanufacturing industries for 2005/Q1.

3. Forecast of all industries for 2005/Q1.

4. Forecast of manufacturing industries for 2005/Q1.

5. Figures for 2005/Q1 are those of January 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.

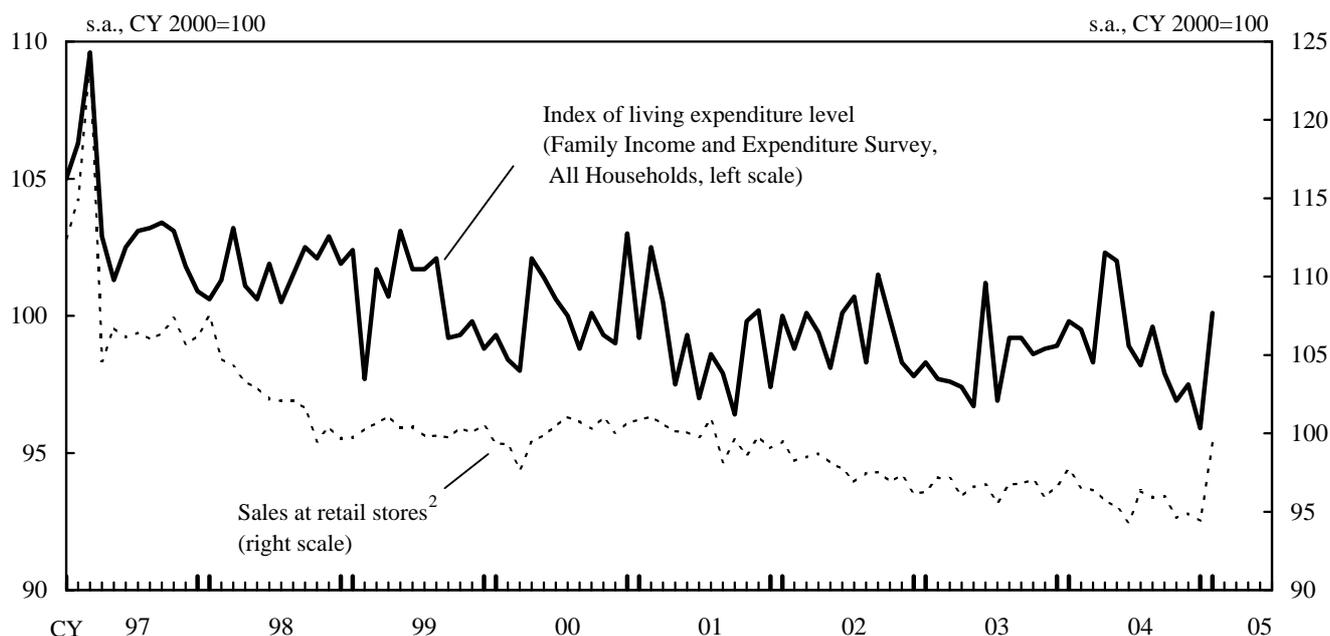
3. Figures for 2005/Q1 are those of January in terms of quarterly amount.

Sources: Cabinet Office, "Machinery Orders Statistics";

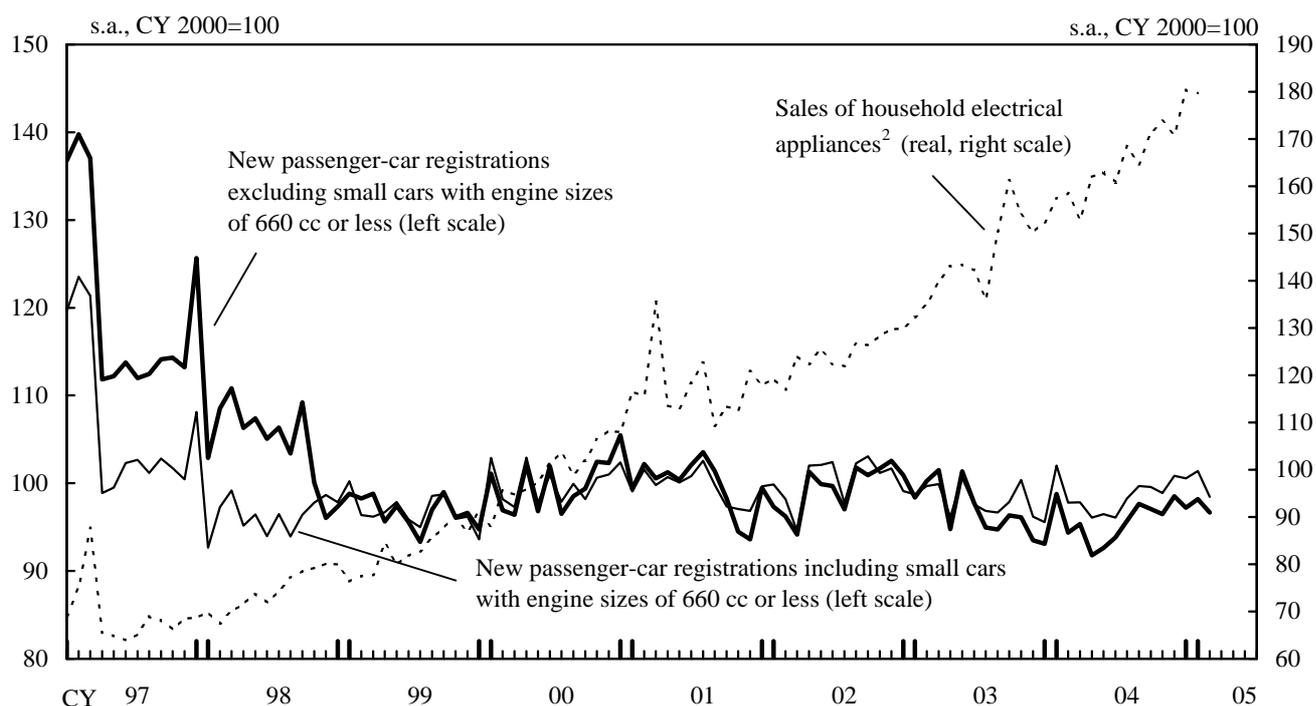
Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts."

Indicators for Private Consumption¹ (1)

(1) Household Spending (real)



(2) Sales of Durable Goods

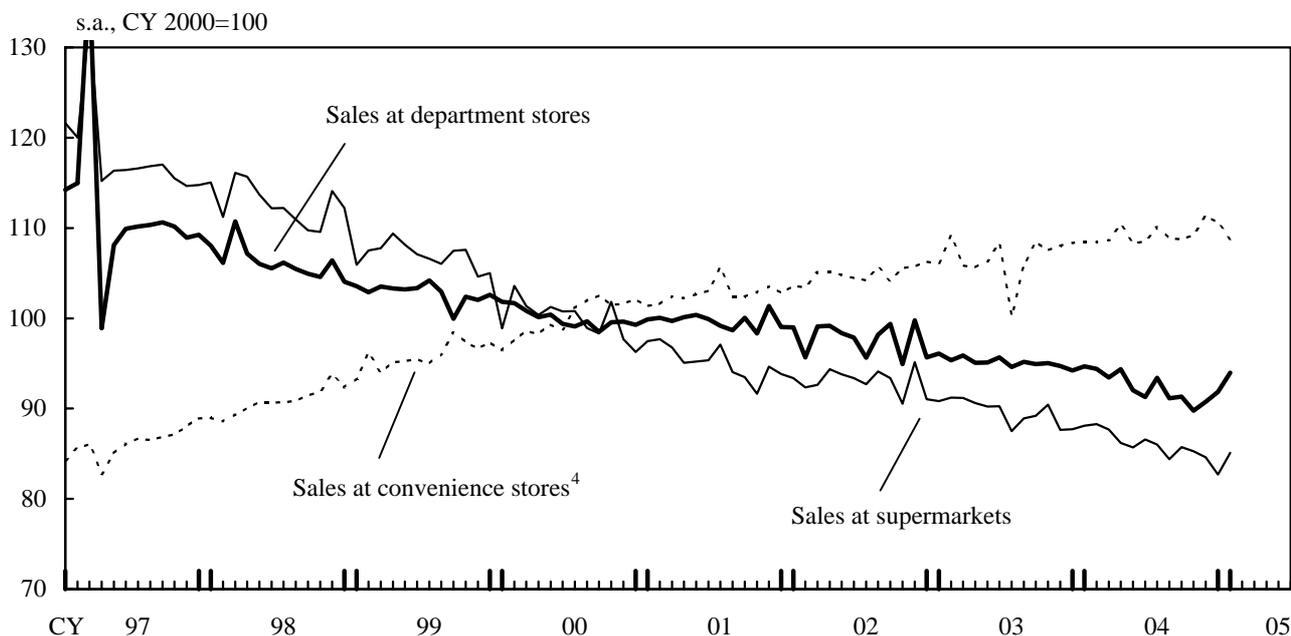


- Notes: 1. Seasonally adjusted by X-12-ARIMA. Index of living expenditure level is seasonally adjusted by the Ministry of Internal Affairs and Communications.
2. Sales at retail stores are deflated by the consumer price index for goods (excluding electricity, gas & water charges). Sales of household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

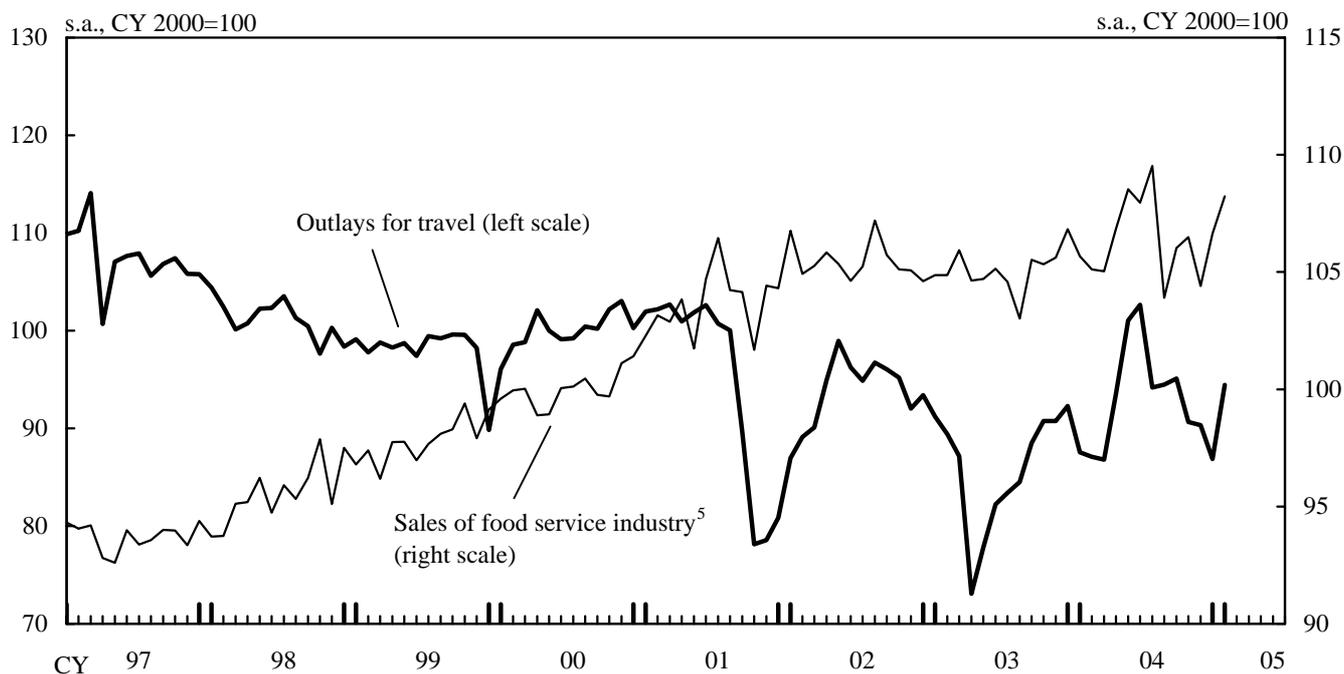
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index," "Monthly Report on the Family Income and Expenditure Survey";
Ministry of Economy, Trade and Industry, "Current Survey of Commerce";
Japan Automobile Dealers Association, "Domestic Sales of Automobiles";
Japan Mini Vehicles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

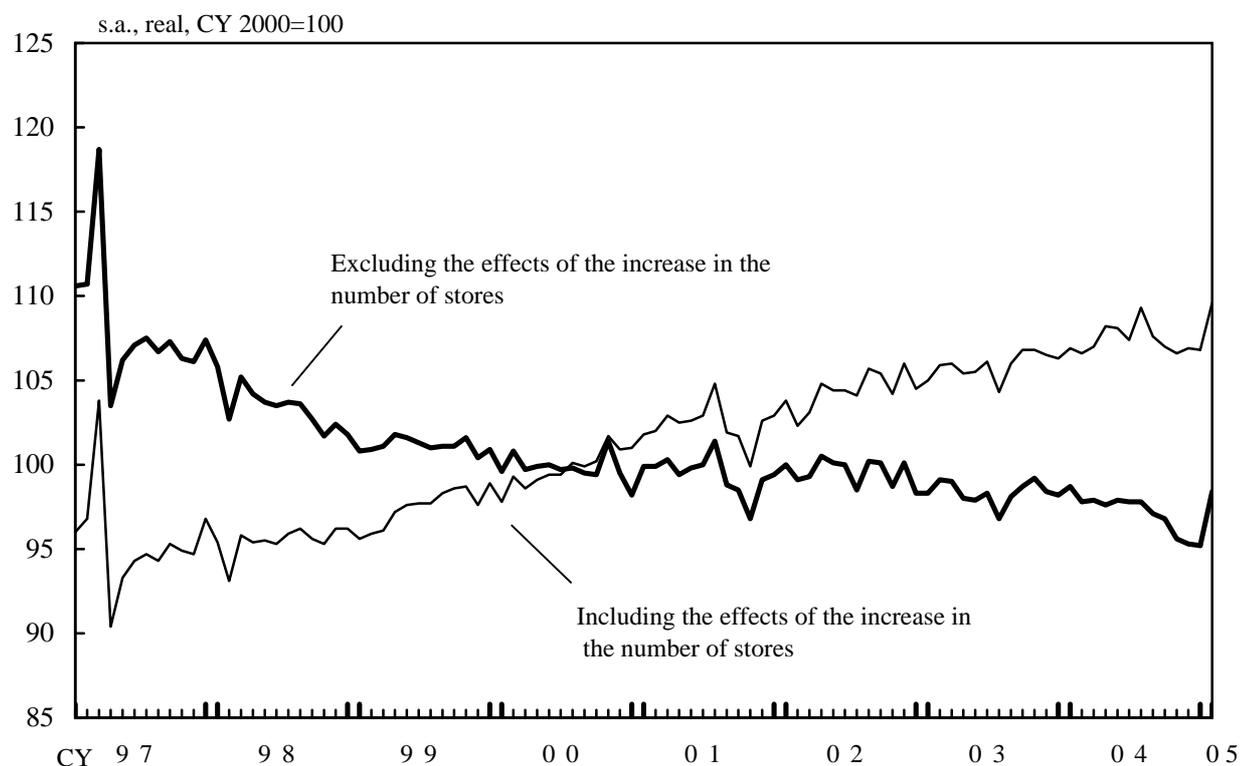
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce";

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

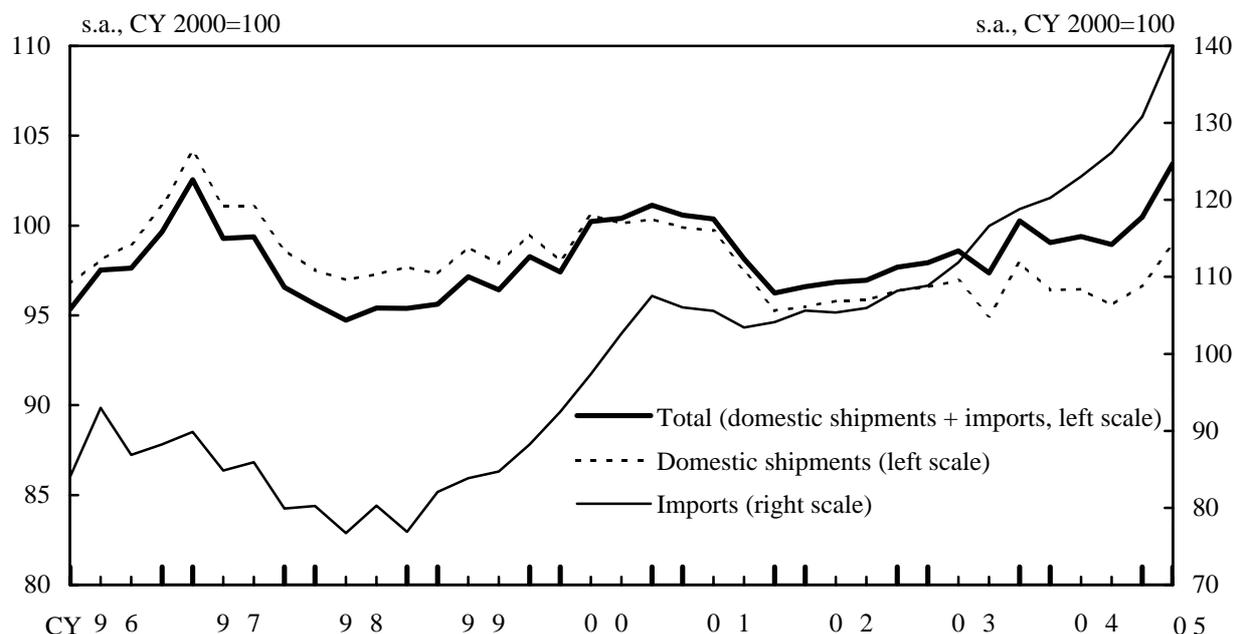


- Notes: 1. Indices of aggregated sales are the weighted sum of *Sales at department stores and supermarkets*; *New passenger-car registrations*; *Sales of household electrical appliances*; *Outlays for travel*; and *Sales of food service industry*, where the weights come from household expenditure in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

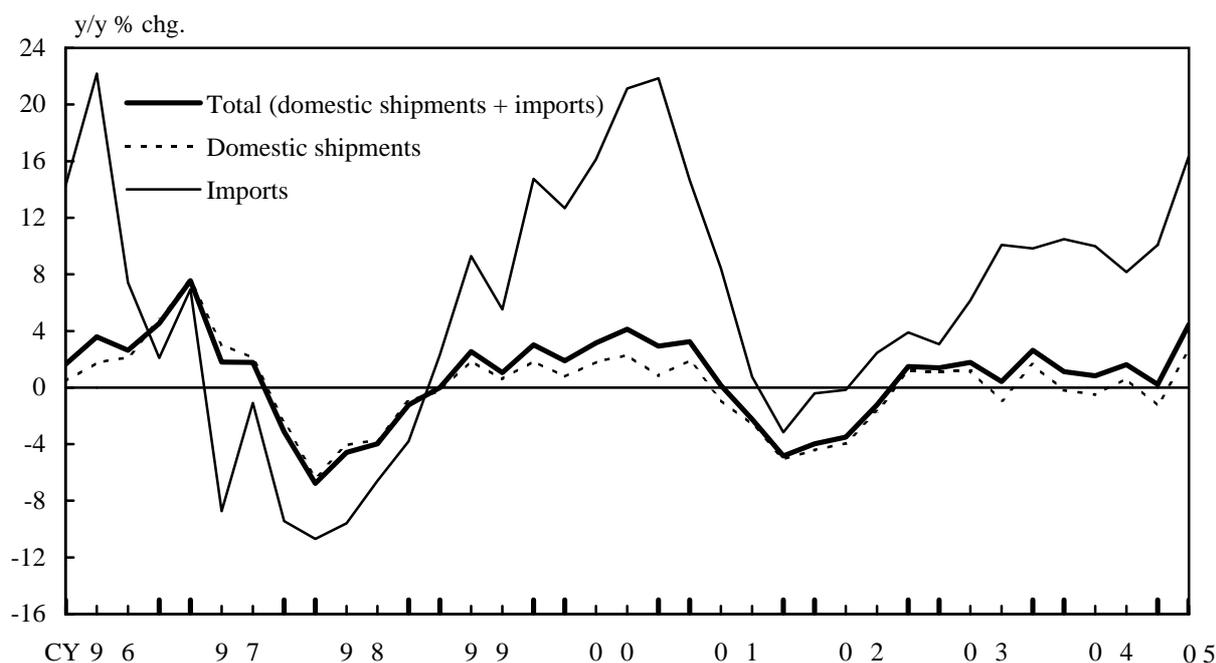
Source: Bank of Japan, "Indices of Aggregated Sales."

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.

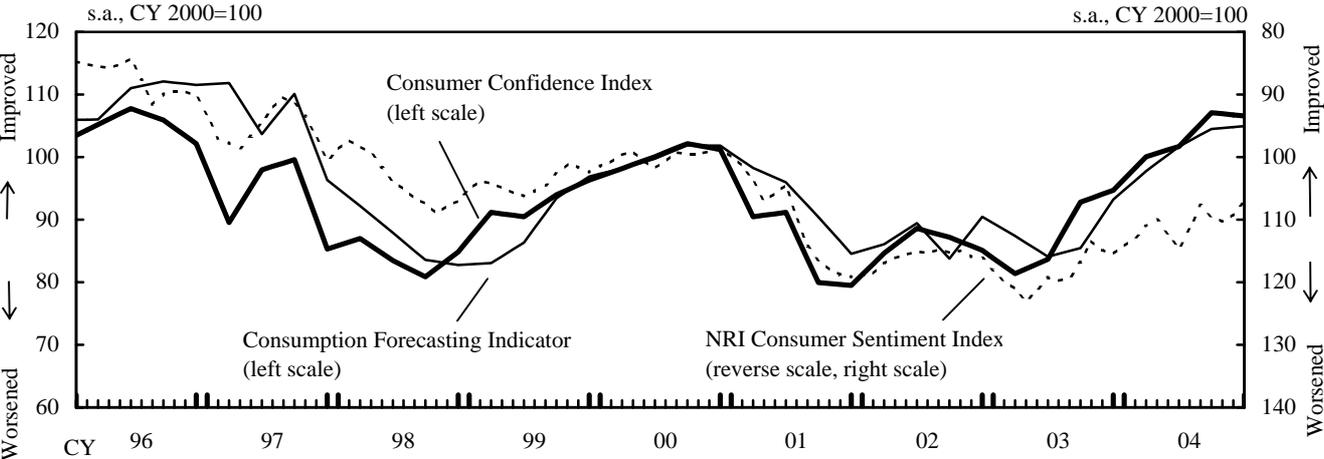
3. Year-on-year changes are calculated from seasonally adjusted series.

4. Data for 2005/Q1 figures are those of January.

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."

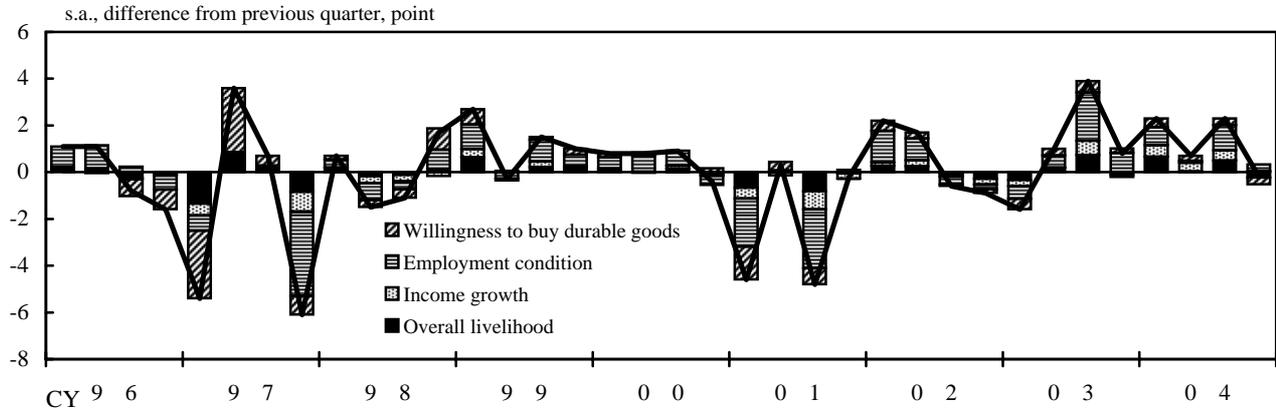
Consumer Confidence

(1) Surveys on Consumer Confidence

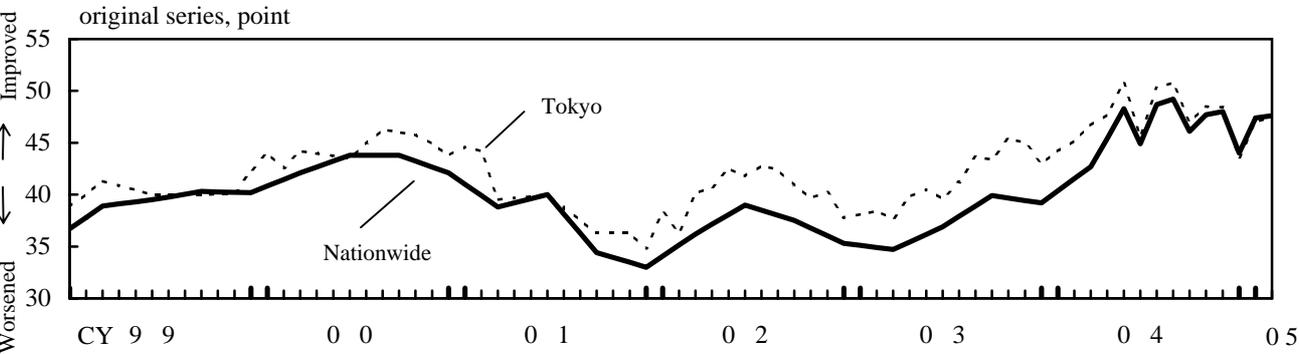


- Notes: 1. Seasonally adjusted by X-11. "Consumer Confidence Index" is seasonally adjusted by the Cabinet Office. "Consumption Forecasting Indicator" is seasonally adjusted using quarterly figures because the survey is quarterly until 2004.
2. Consumer Confidence Index (with 5,040 samples in a nationwide basis), Consumption Forecasting Indicator (with 600 samples in metropolitan area <until Sept. 2004: 1,500 samples, Dec. 2004: 880 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. Figures are retroactively revised due to changes in the survey method of the "Consumption Forecasting Indicator".

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



(3) Consumer Confidence Index (Monthly)

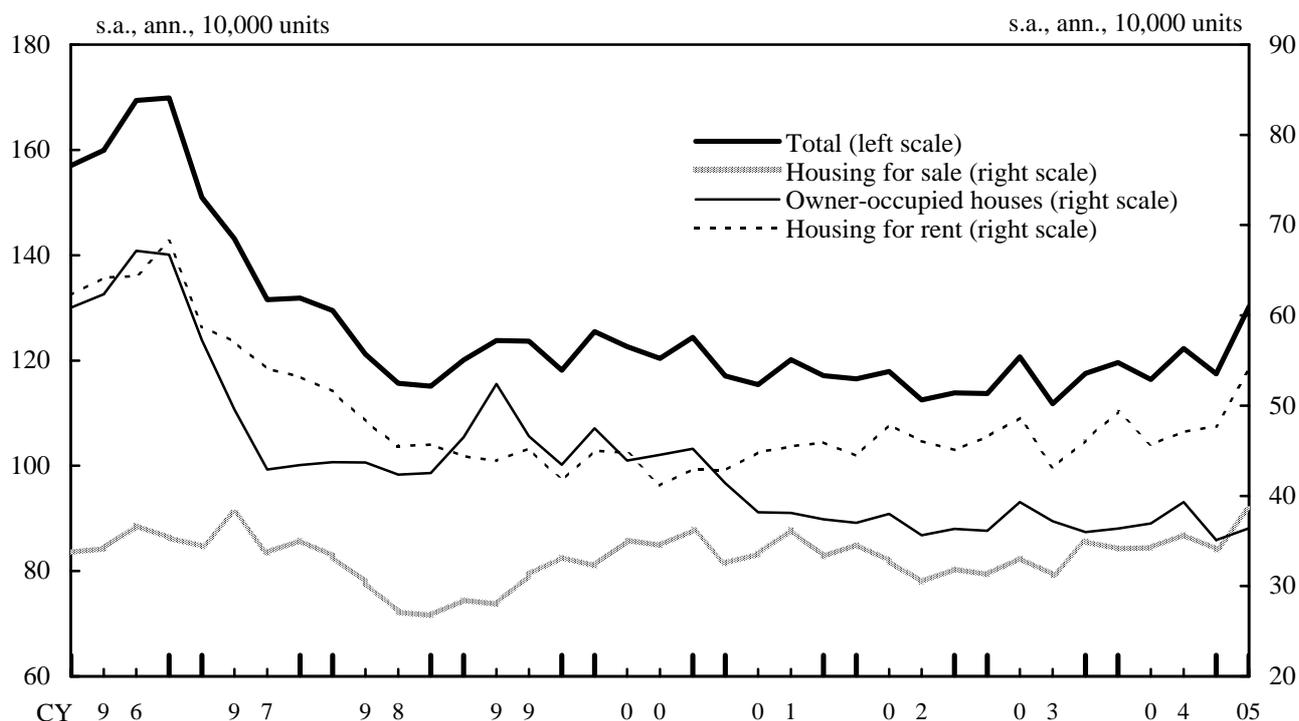


Note: Prior to 2001, figures of "Monthly Consumer Confidence Index of Tokyo" when the survey was not conducted have been supplemented with linear interpolation. Figures of "Monthly Consumer Confidence Index (Nationwide)" have also been plotted at the surveyed months and supplemented with linear interpolation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

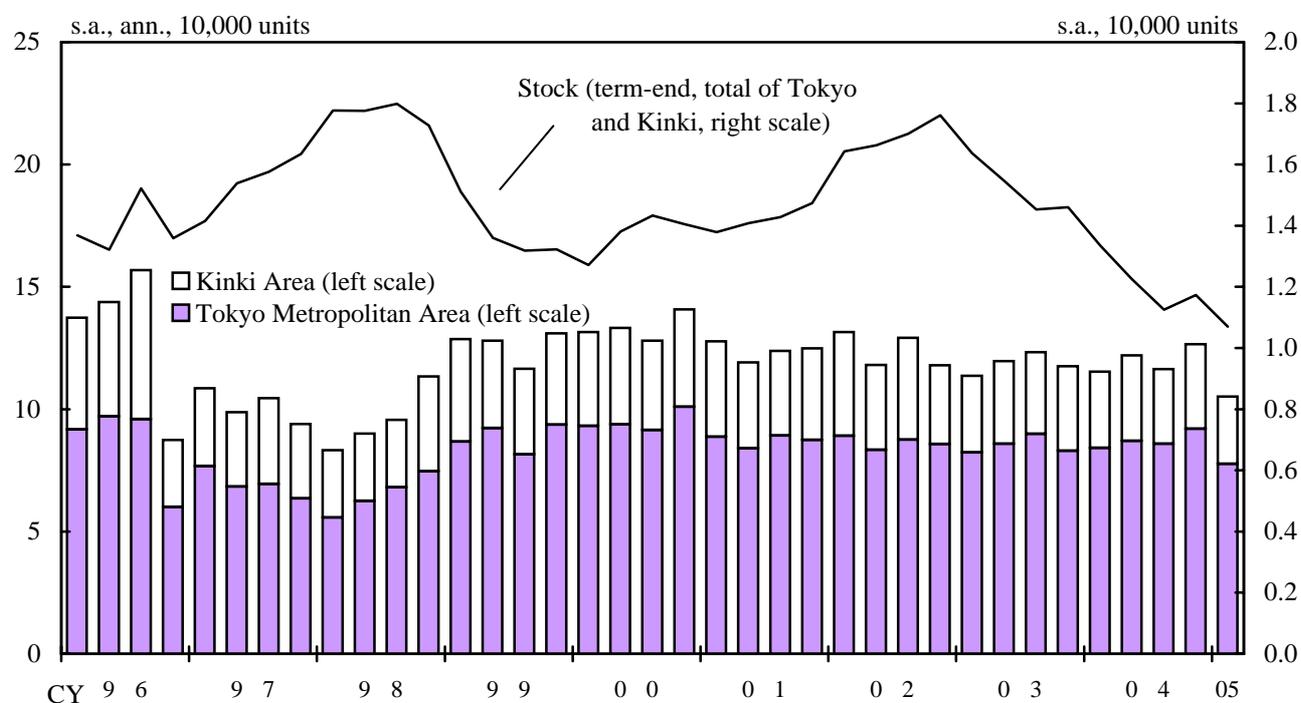
Indicators for Housing Investment

(1) Housing Starts



Note: Figures for 2005/Q1 are those of January.

(2) Sales of Condominiums



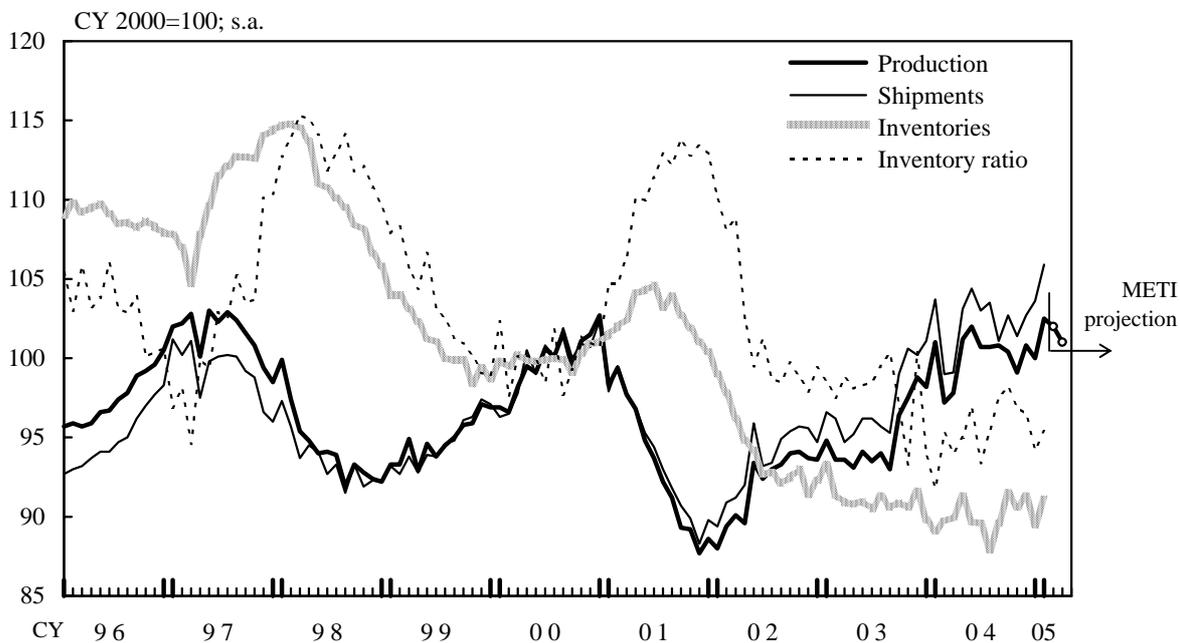
Notes: 1. Seasonally adjusted by X-12-ARIMA.

2. Figures of total condominiums sales for 2005/Q1 are those of January-February averages.
 Term-end stocks for 2005/Q1 are those of February.

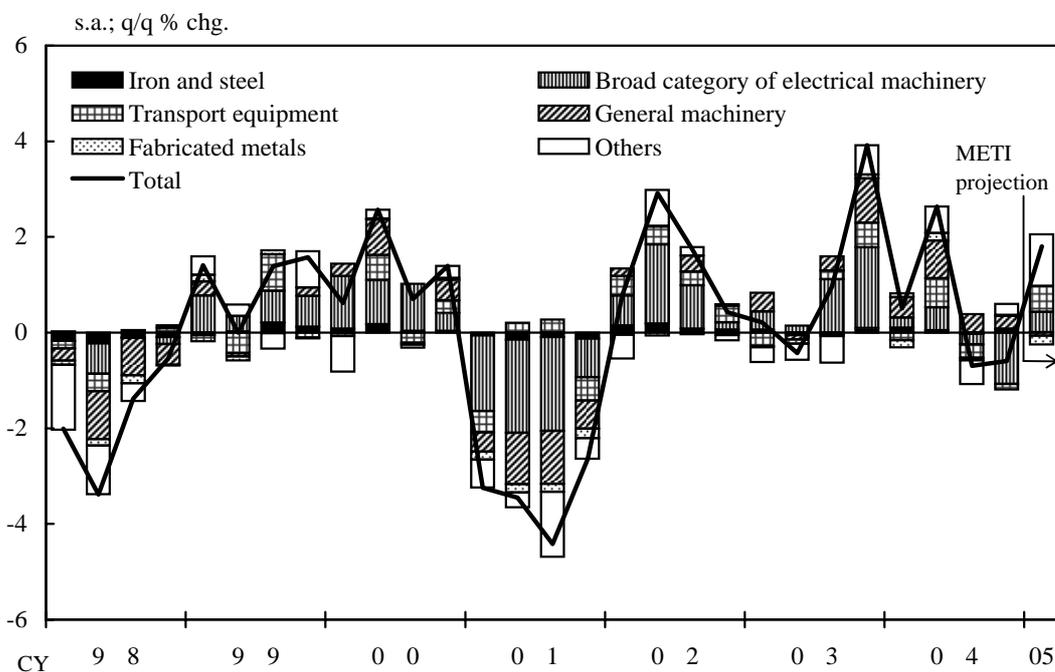
Sources: Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts," etc.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industries

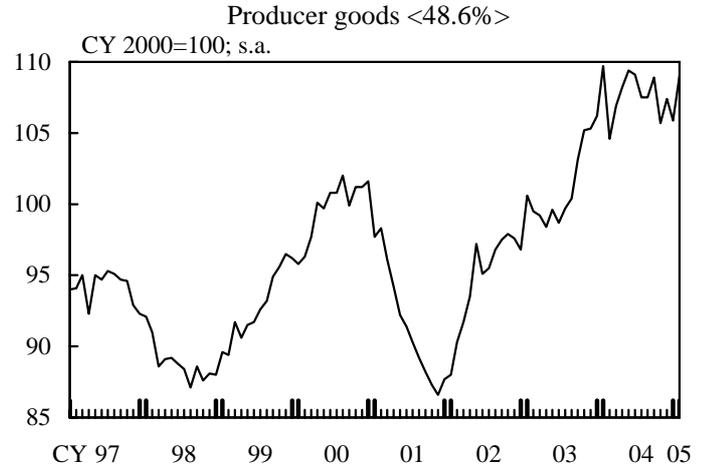
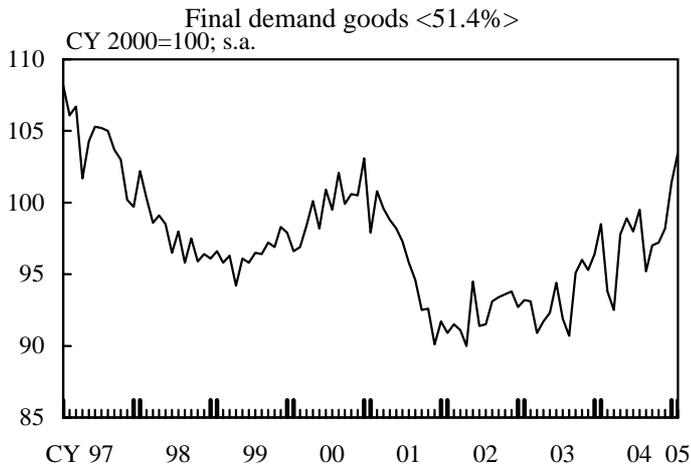


Note: Transport equipment excludes ships and rolling stock.
 "Broad category of electrical machinery" is the weighted sum of "electrical machinery",
 "information and communication electronics equipment" and "electronic parts and devices."

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

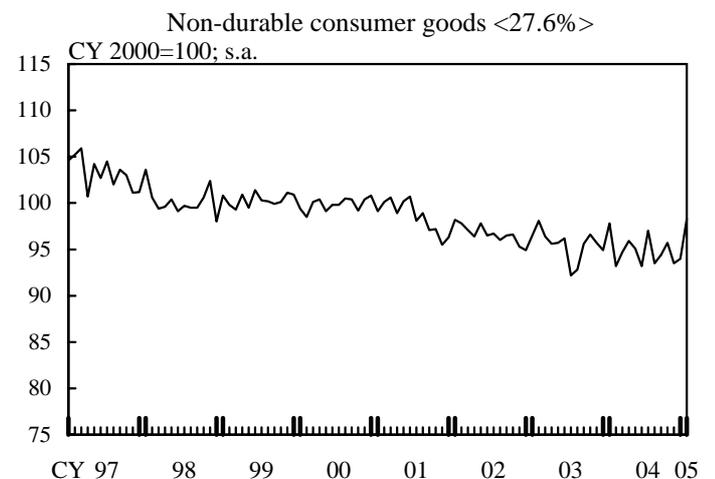
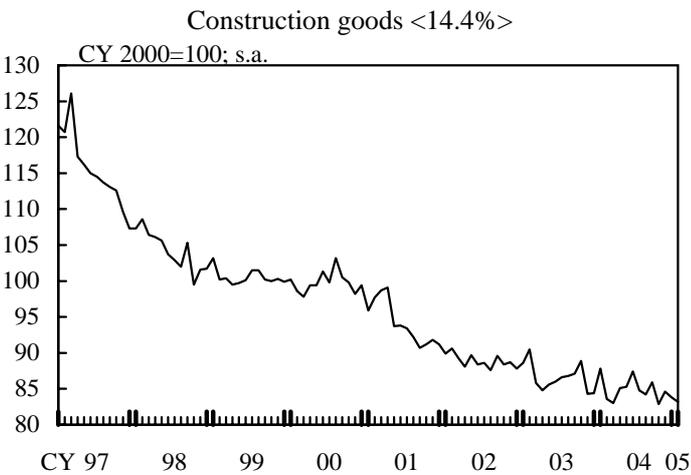
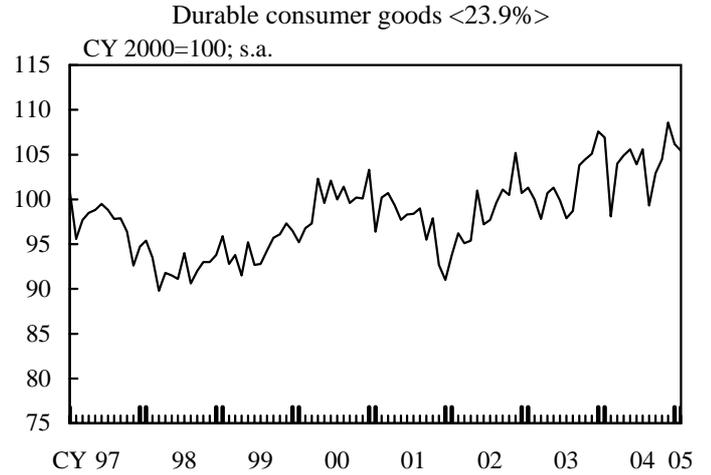
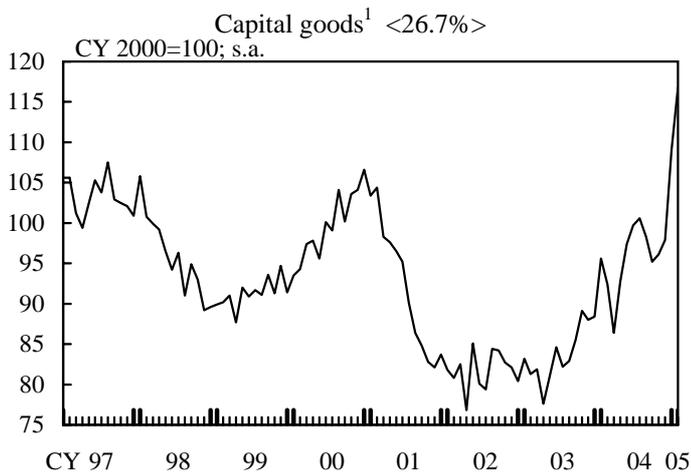
Shipments breakdown by type of goods

(1) Final demand goods and Producer goods



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

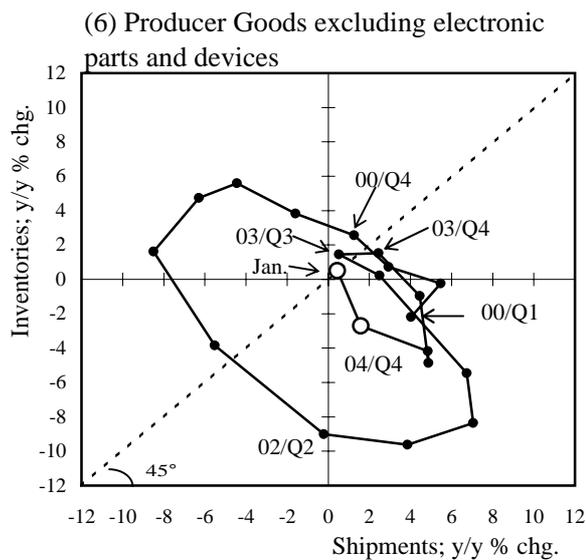
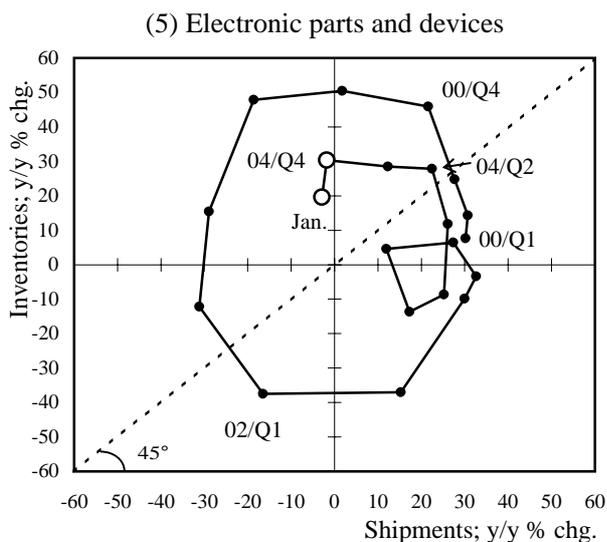
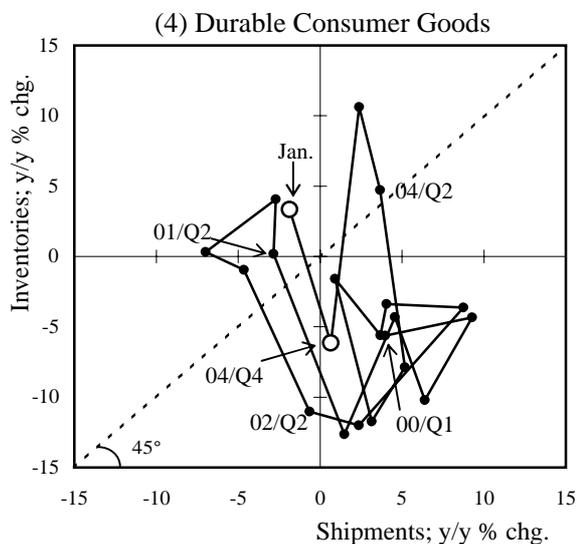
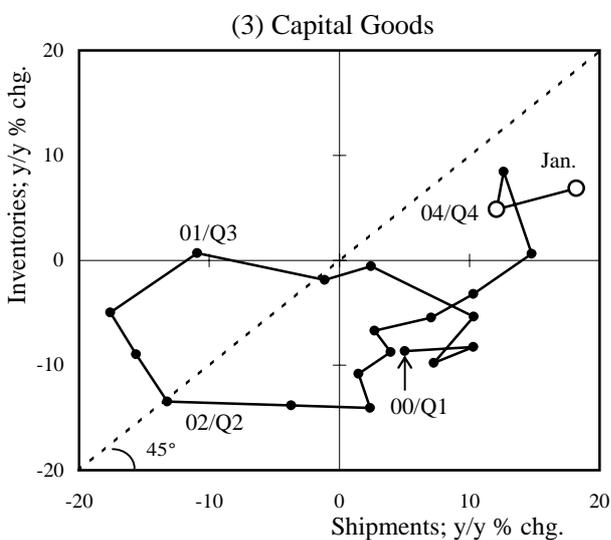
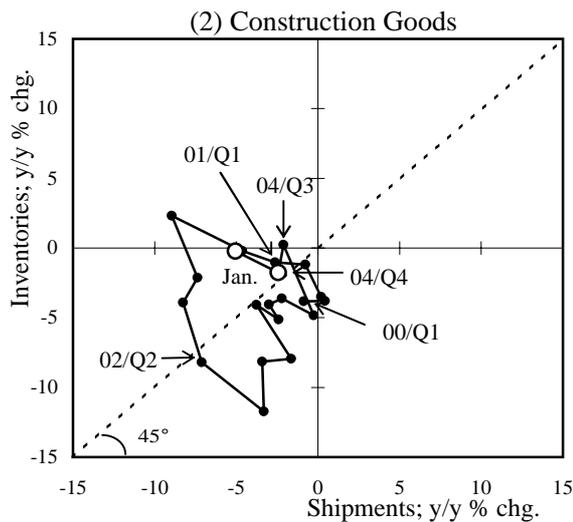
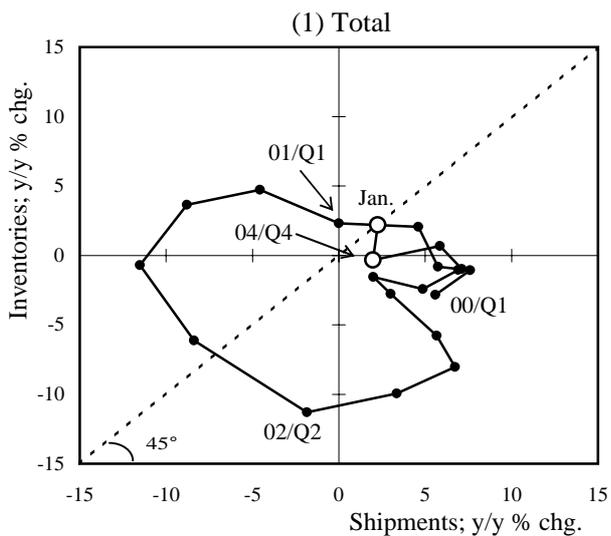
(2) Breakdown of final demand goods



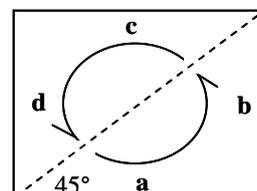
Notes: 1. Excluding transportation equipment.
2. Shares of shipments of final demand goods are shown in angle brackets.

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

Inventory Cycle

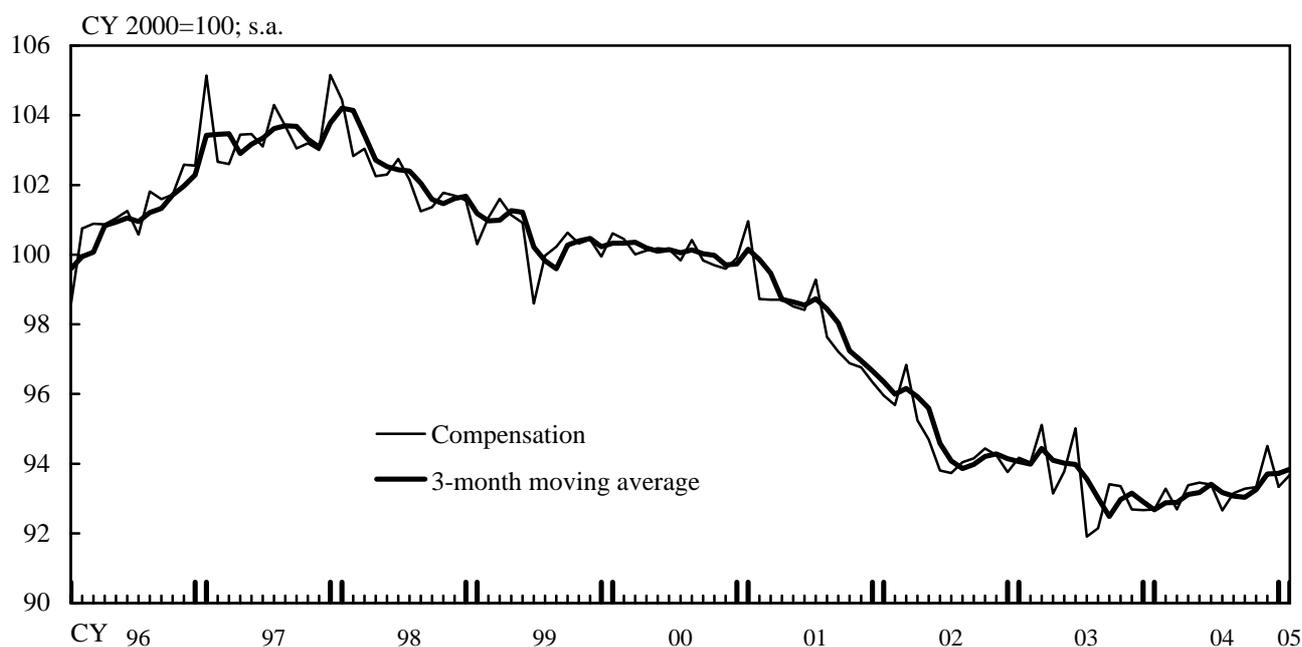


- a Shipment recovery phase
- b Intended inventory accumulation phase
- c Unintended inventory accumulation phase
- d Inventory adjustment phase



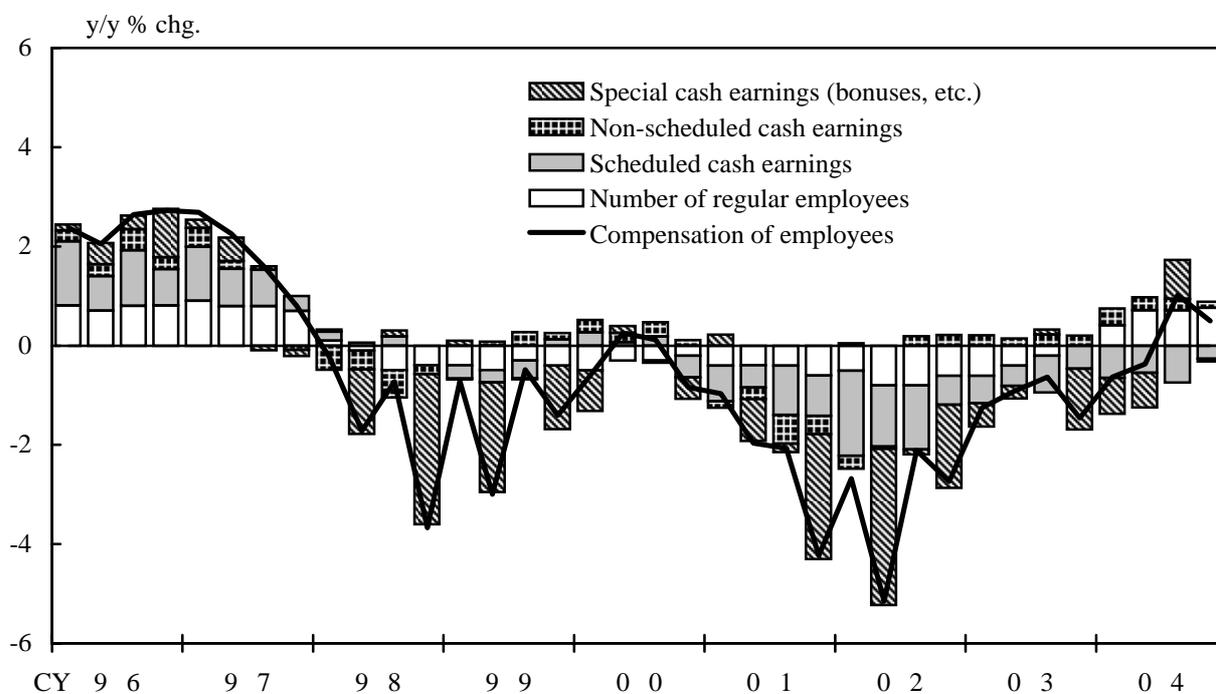
Compensation of Employees

(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.

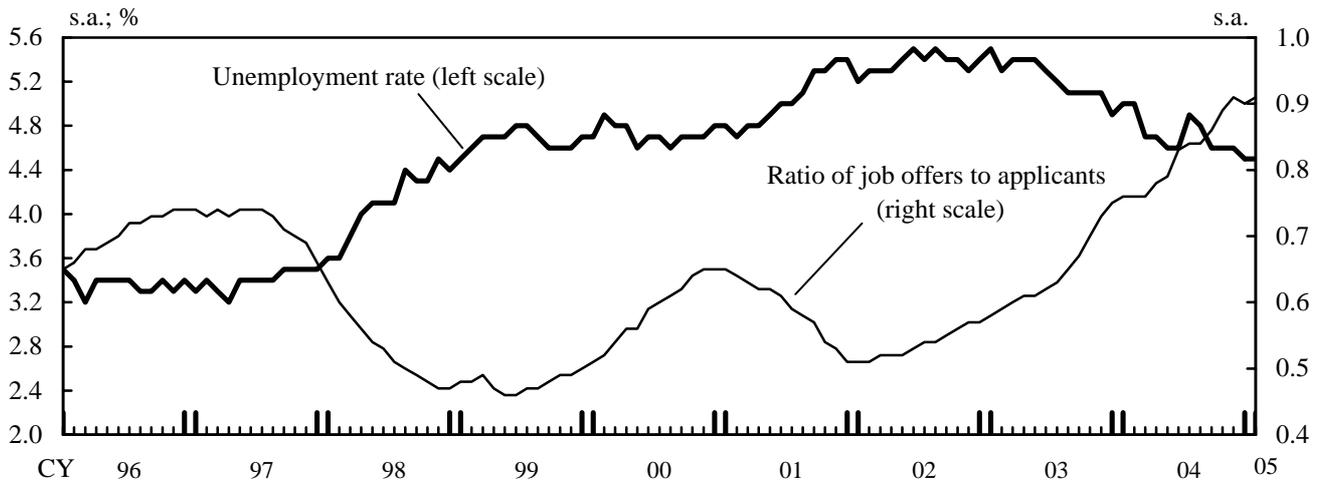
(2) Breakdown of Compensation



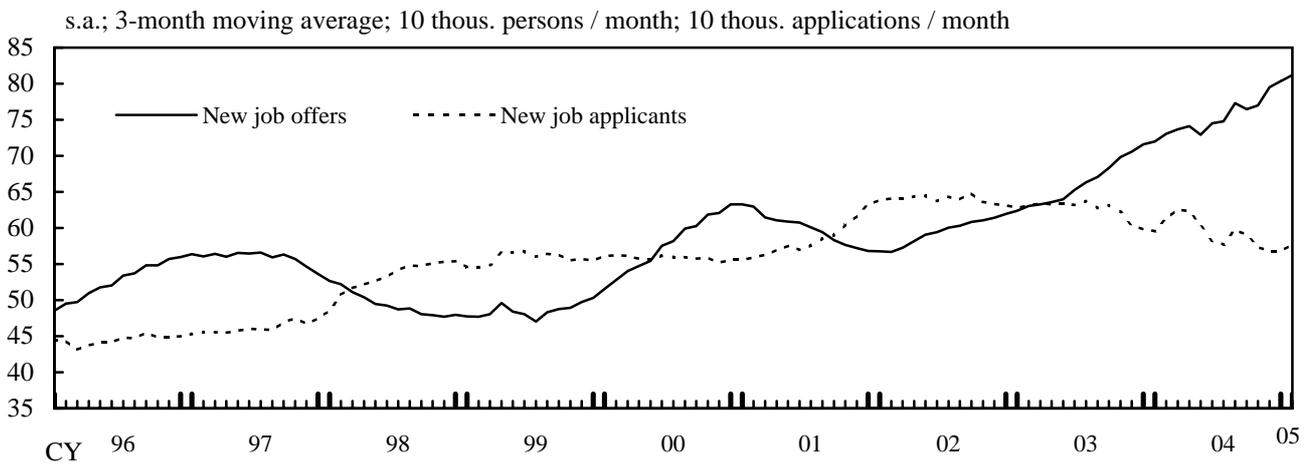
- Notes: 1. Data are for establishments with at least 5 employees.
 2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.
 3. Figures for 2004/Q4 are those of December-January averages.

Labor Market (1)

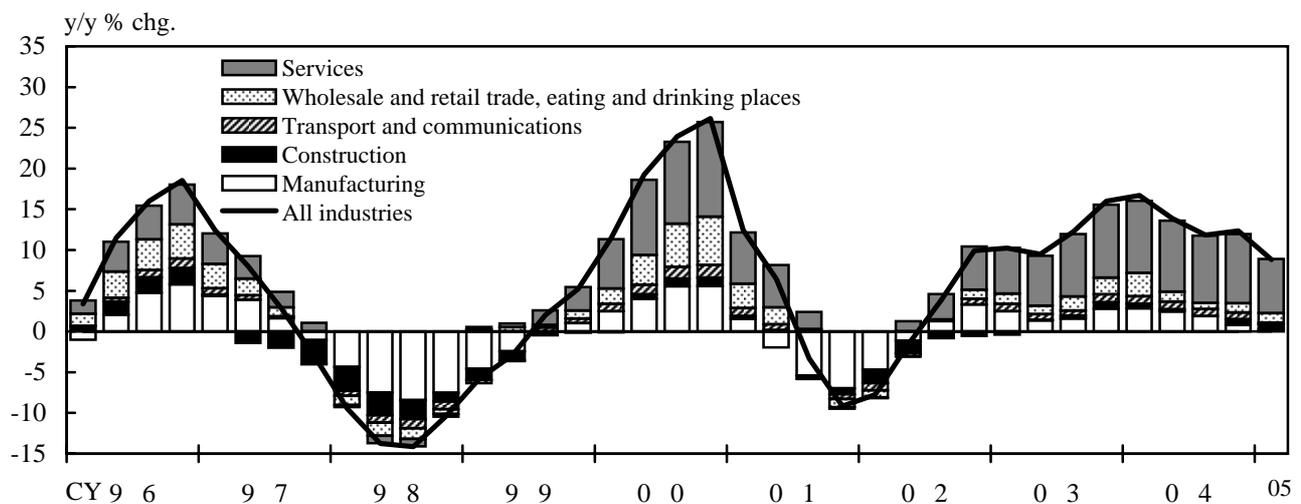
(1) Unemployment Rate and Ratio of Job Offers to Applicants



(2) New job offers and New job applicants¹



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



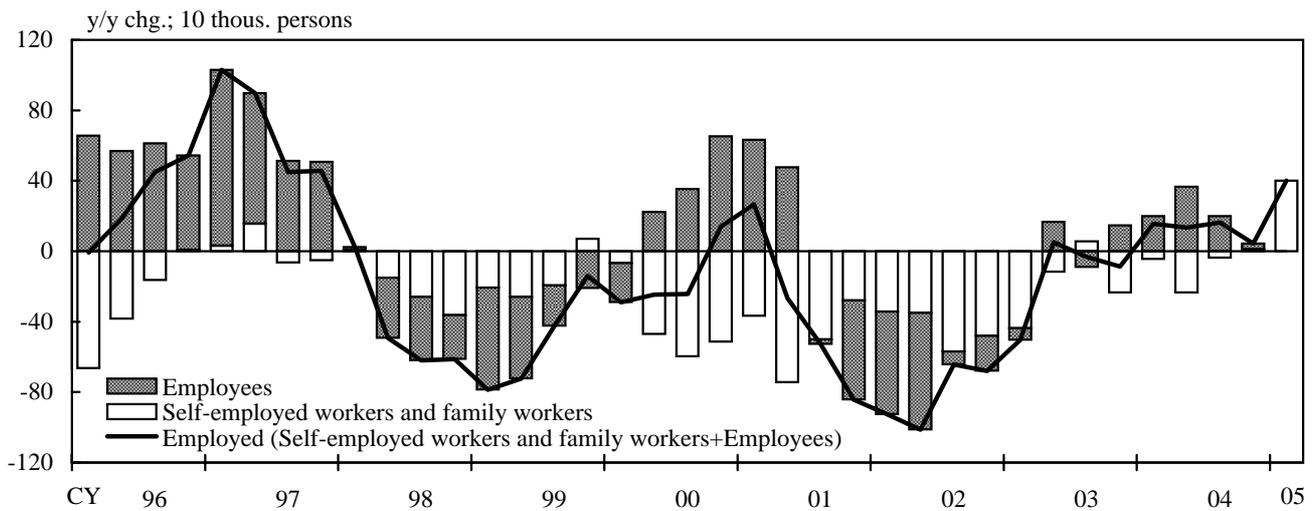
Notes:1. Figures do not include jobs offered to new graduates, but include those offered to part-time workers.

2. Figures for 2005/Q1 are those of January.

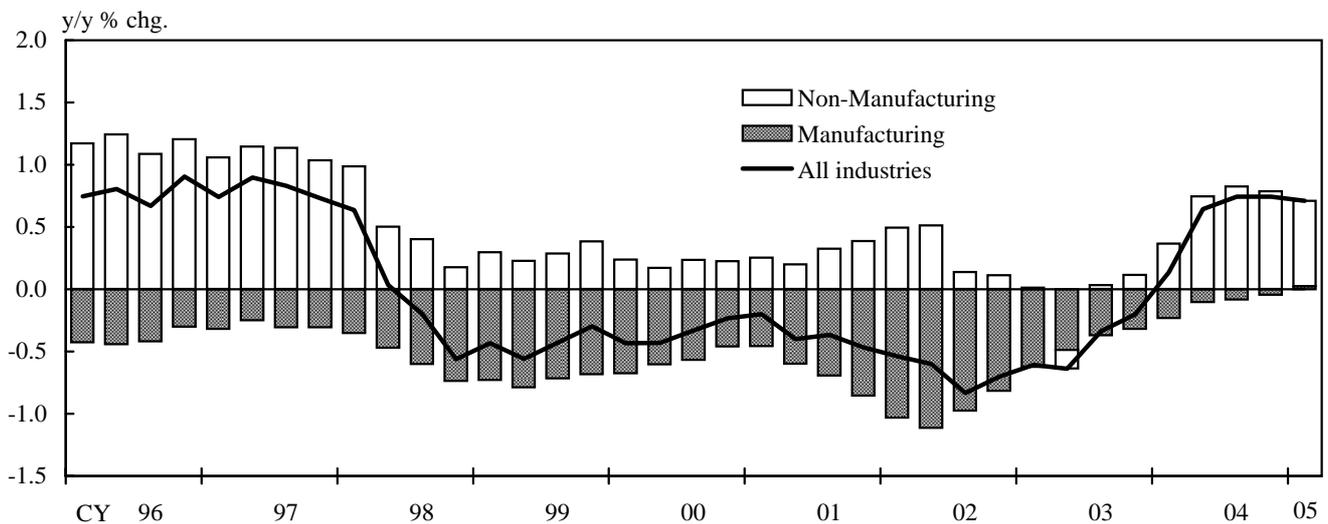
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service";
Ministry of Internal Affairs and Communications, "Labour Force Survey."

Labor Market (2)

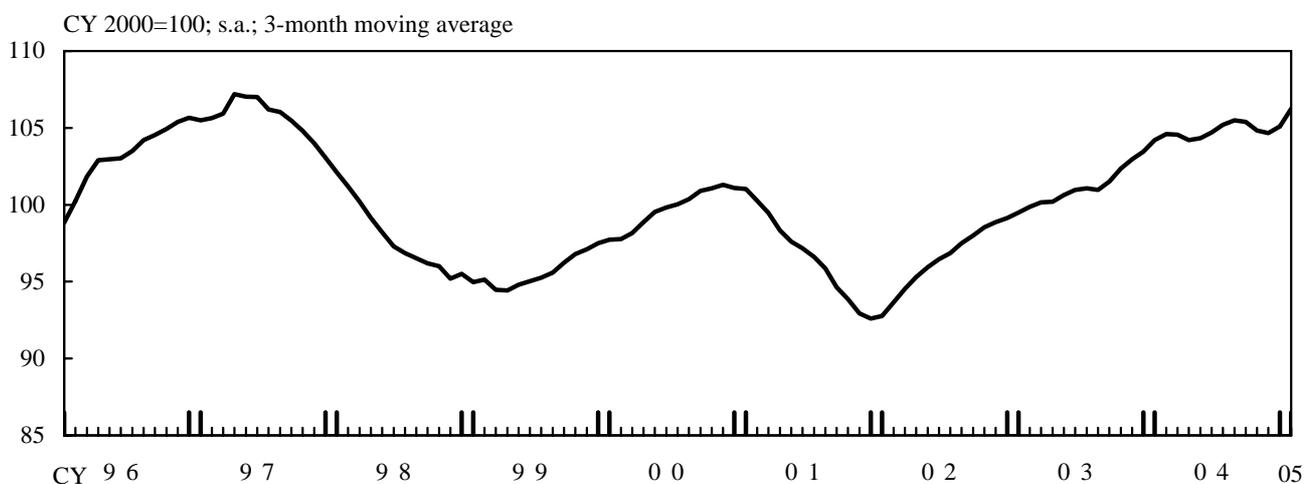
(1) The Employed¹ (Labour Force Survey)



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



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

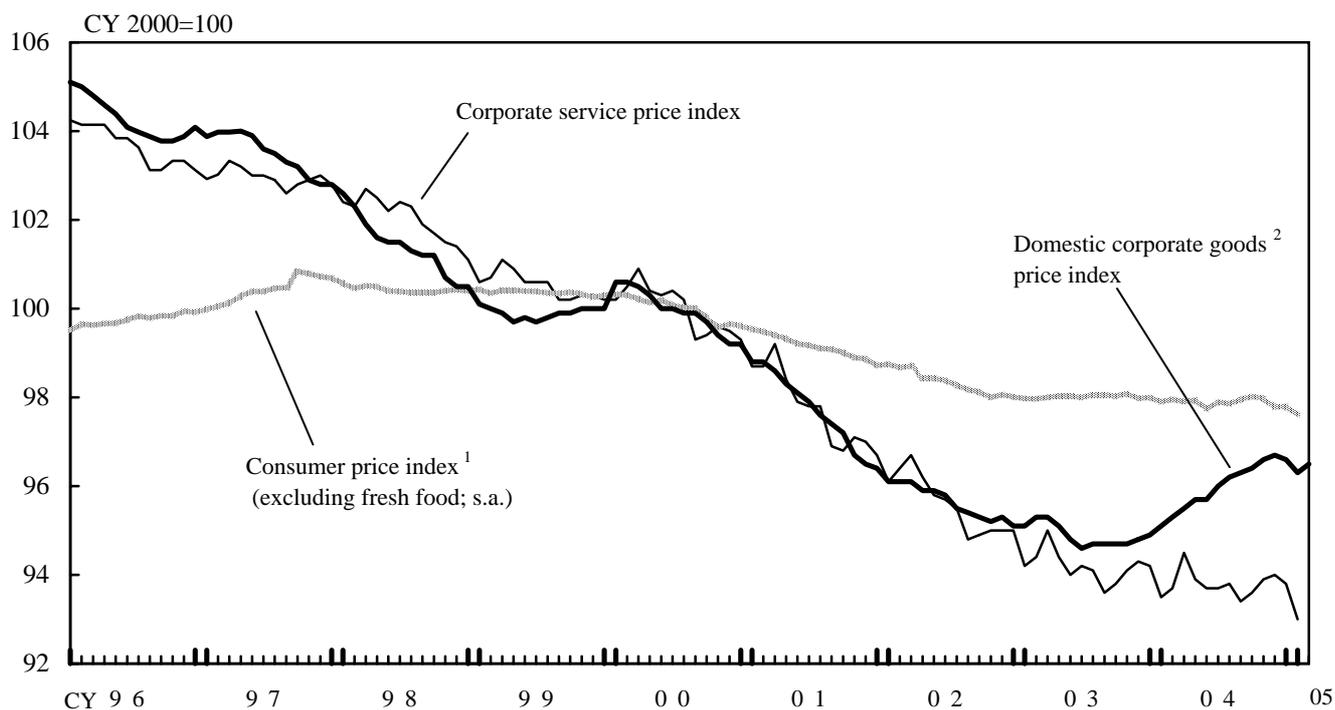


Notes: 1. Figures for 2005/Q1 are those of January.
 2. Data are for establishments with at least 5 employees.

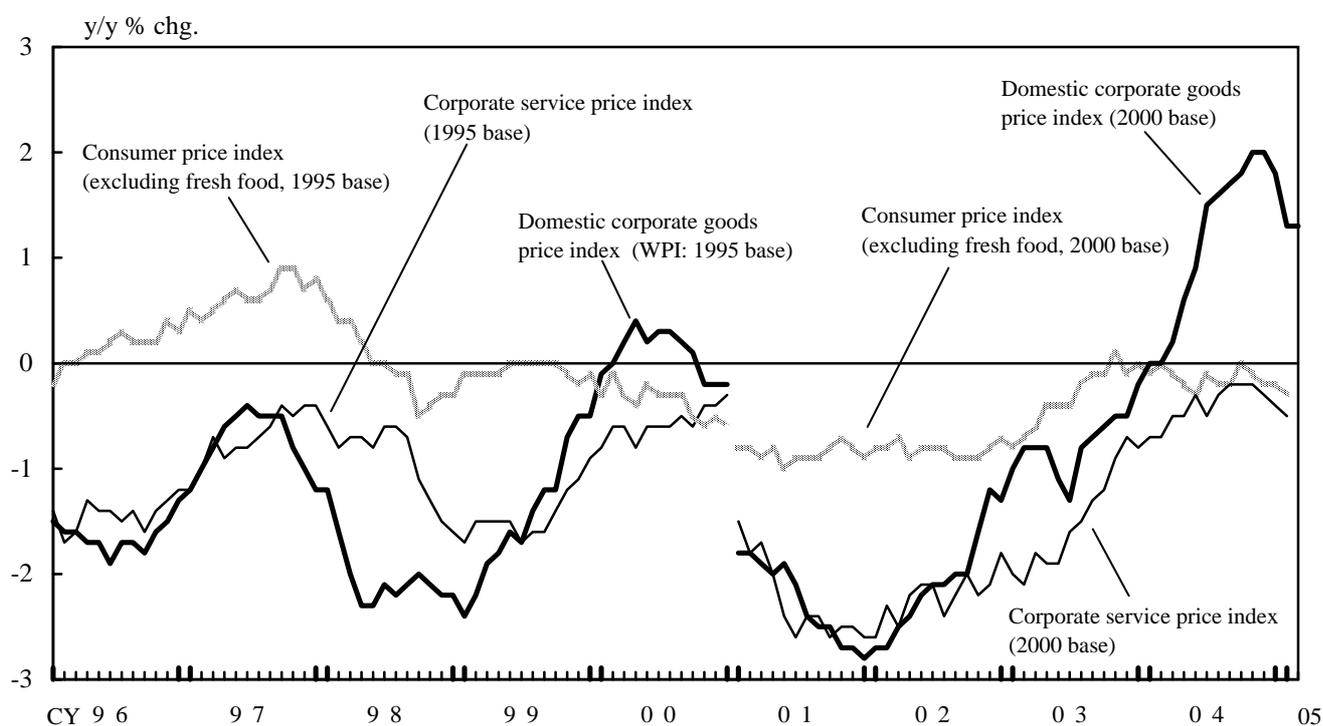
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
 Ministry of Internal Affairs and Communications, "Labour Force Survey."

Prices³

(1) Level



(2) Changes from a year earlier

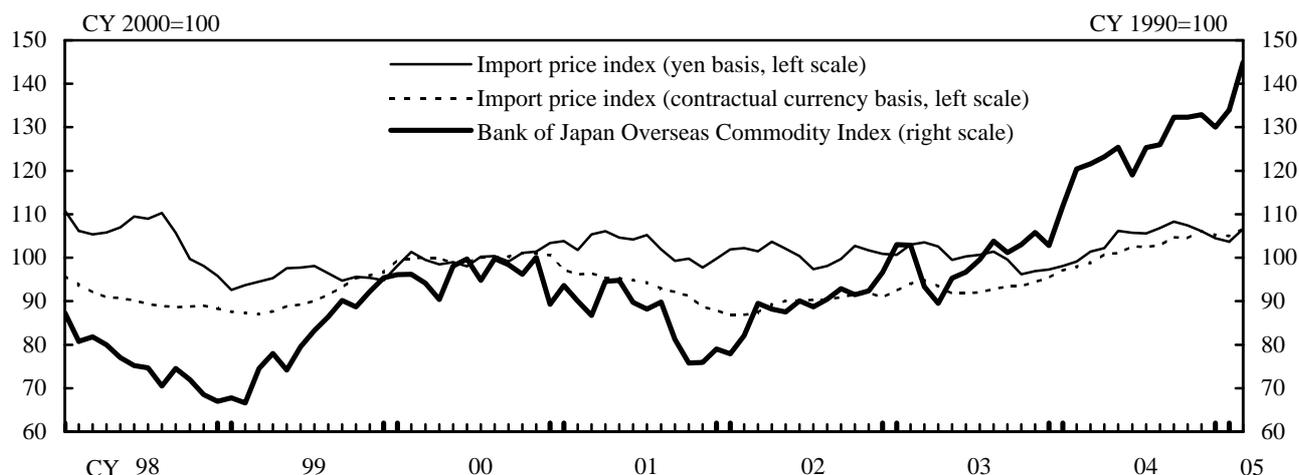


- Notes: 1. Seasonally adjusted by X-12-ARIMA, based on the original series excluding "package tours to overseas" newly adopted from the 2000 base. This is because sample size of this item is insufficient for seasonal adjustment, though it has large seasonal fluctuations.
2. Adjusted to exclude a hike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

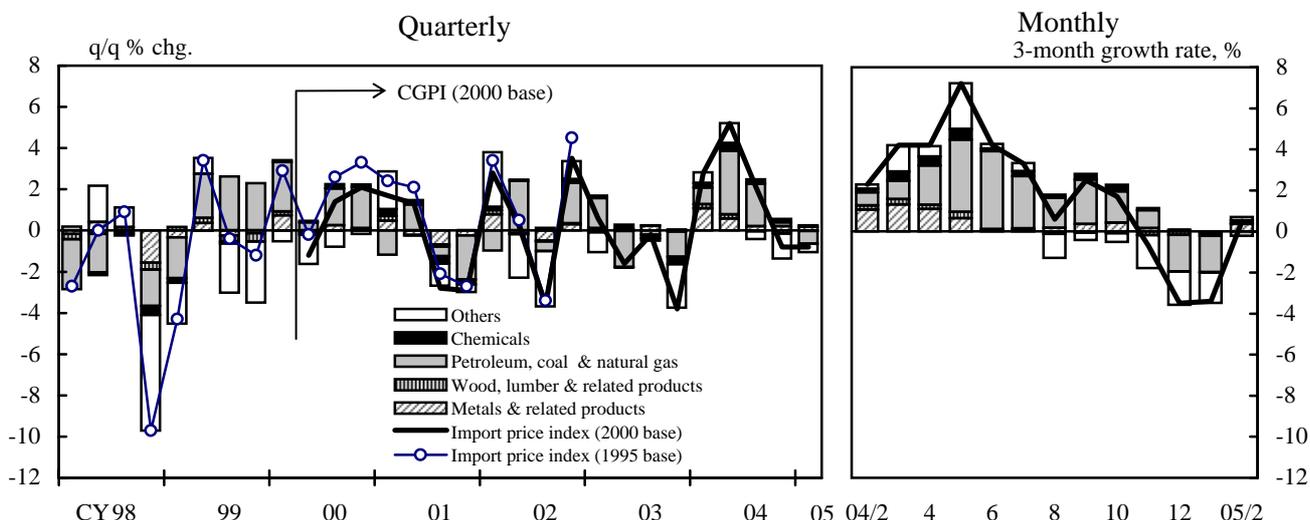
Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



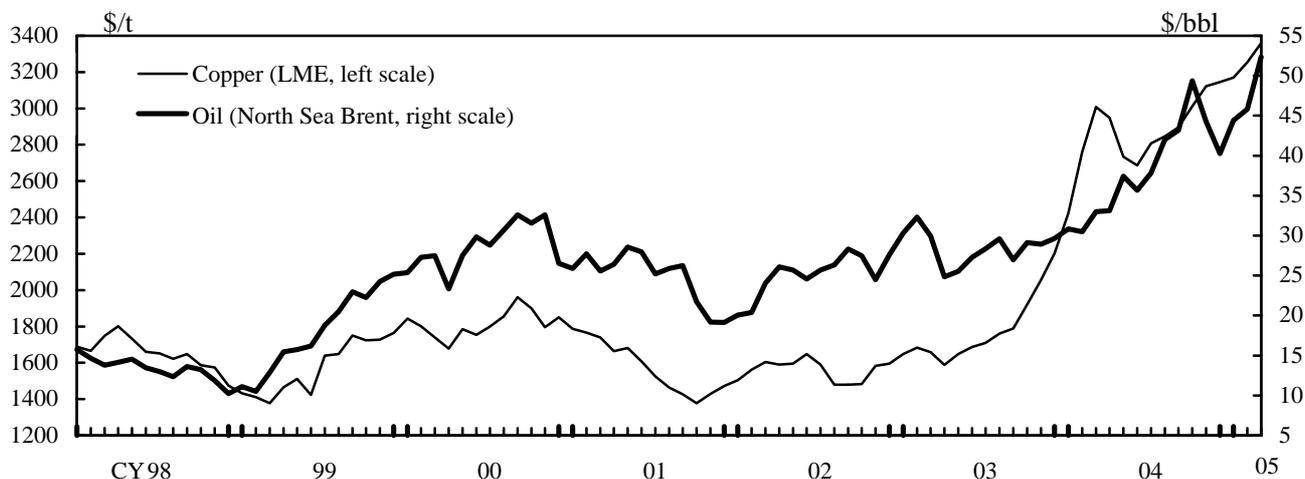
Note: Bank of Japan Overseas Commodity Index is the end of month figure.

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



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

(3) Oil price and Copper price

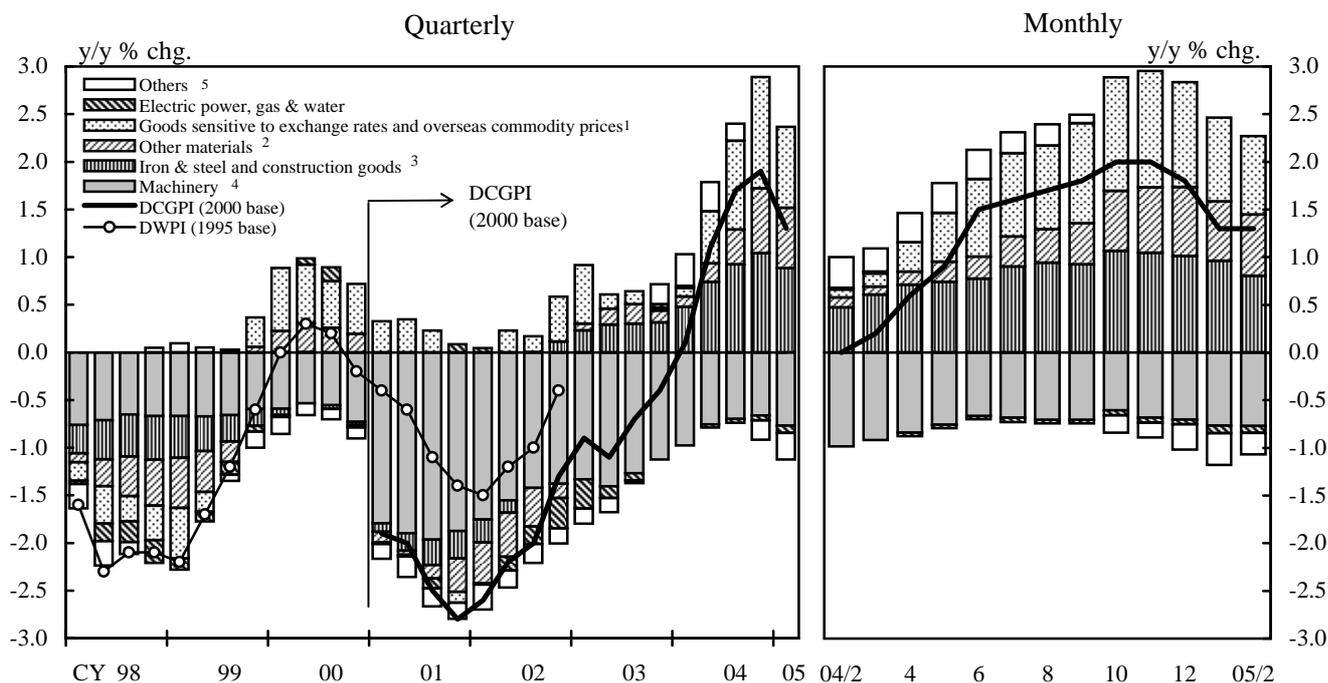
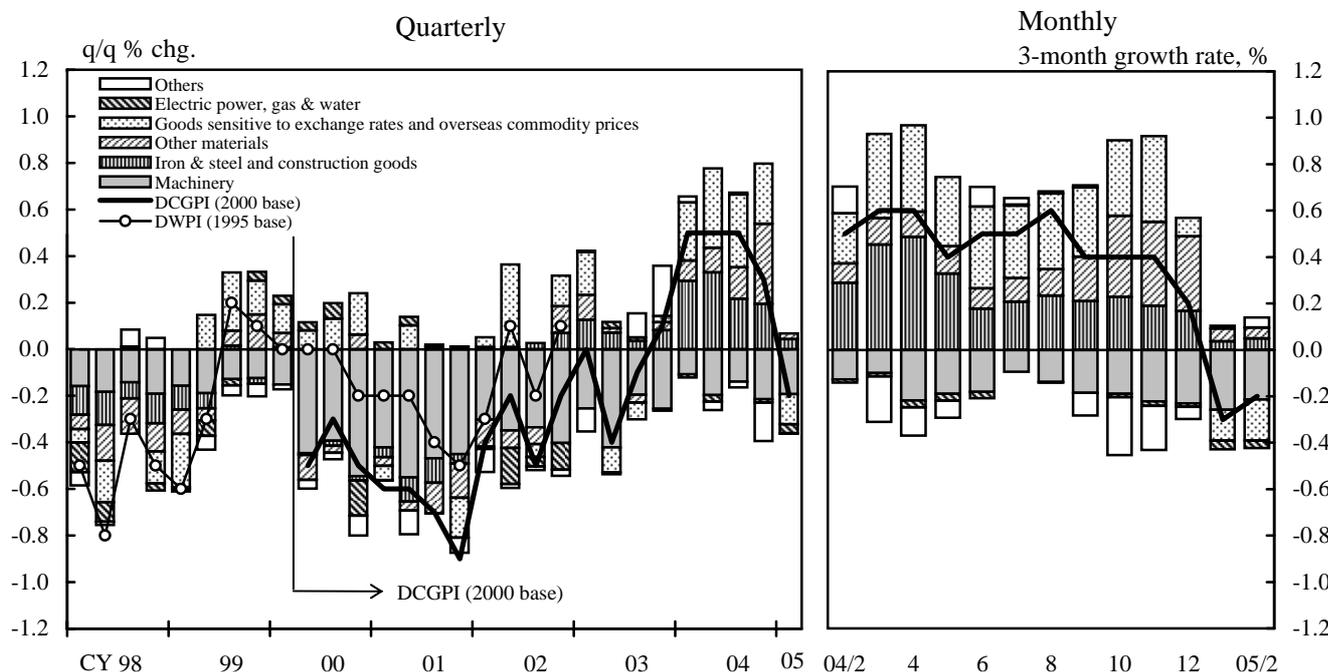


Note: Monthly averages. Figures for March 2005 are the averages up to March 15.

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%.

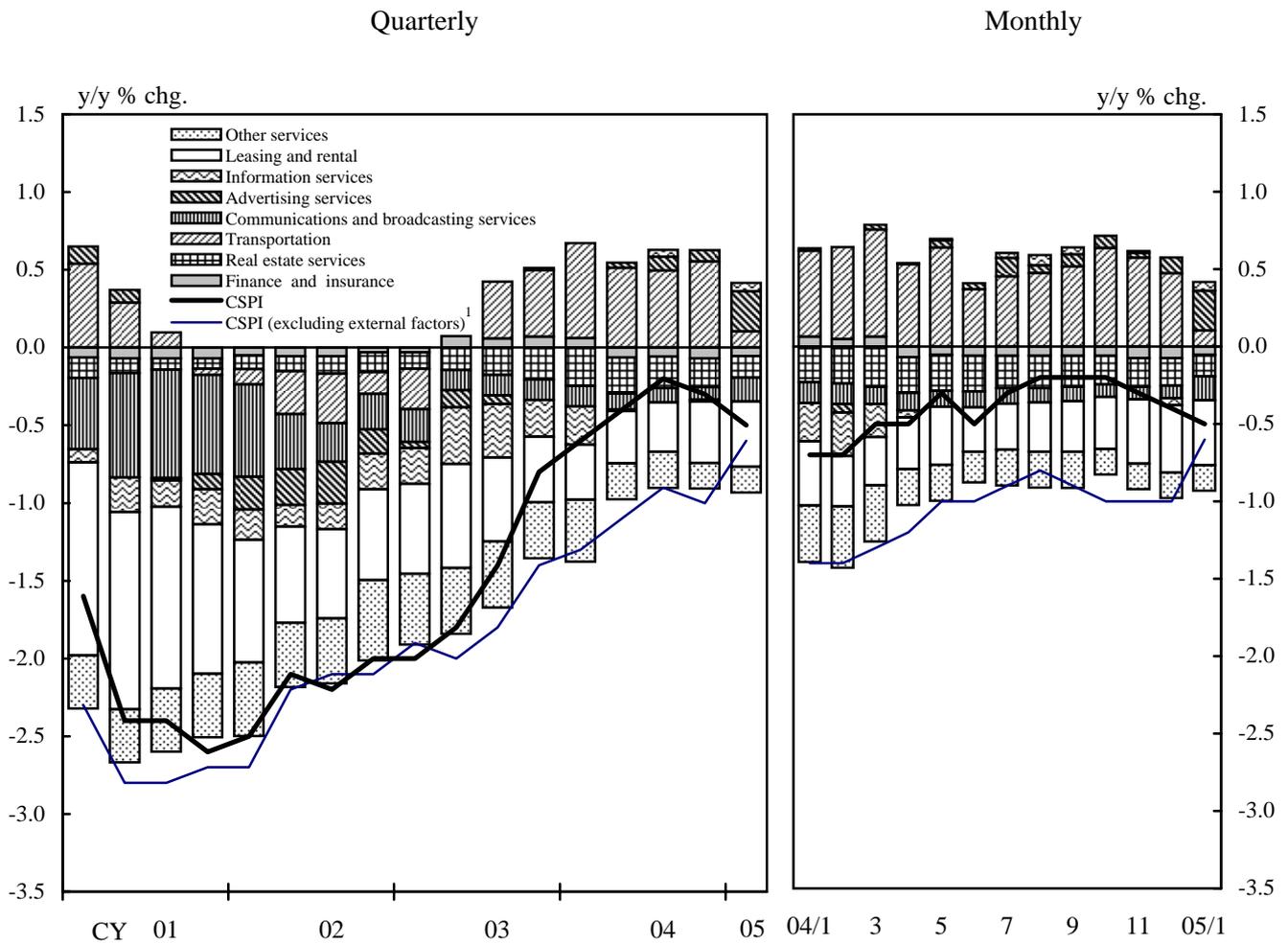
7. Adjusted to exclude the effects of the consumption tax hike on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

8. Figures for 2005/Q1 are those of Jan.-Feb. 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 Index



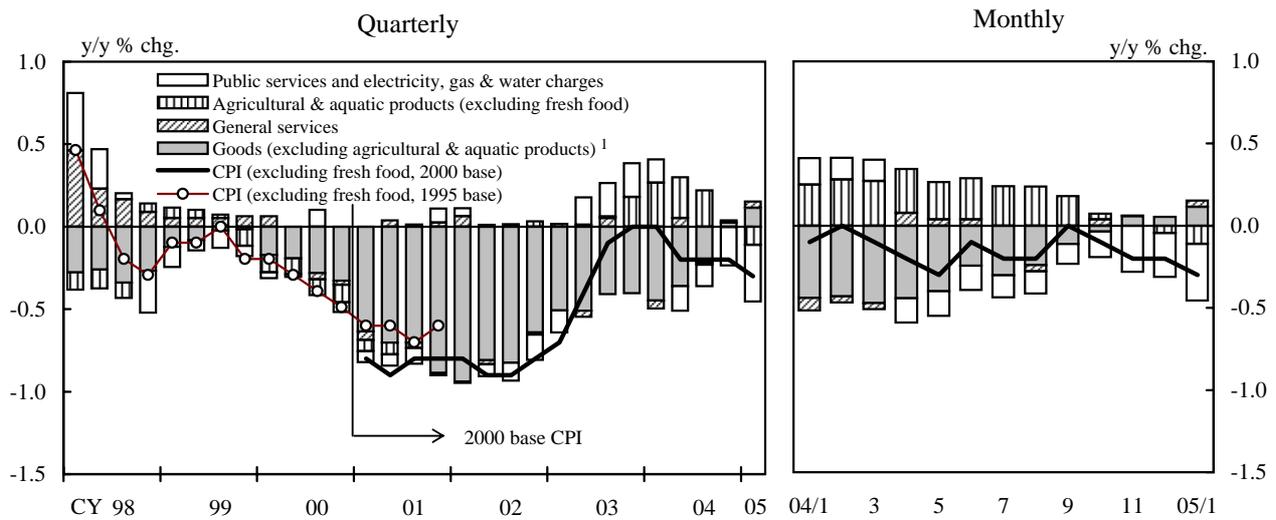
Notes: 1. External factors; international air passenger transportation, ocean liner, ocean tramper, ocean tanker, oceangoing ship chartering services, and international air freight.

2. Figures for 2005/Q1 are those of January.

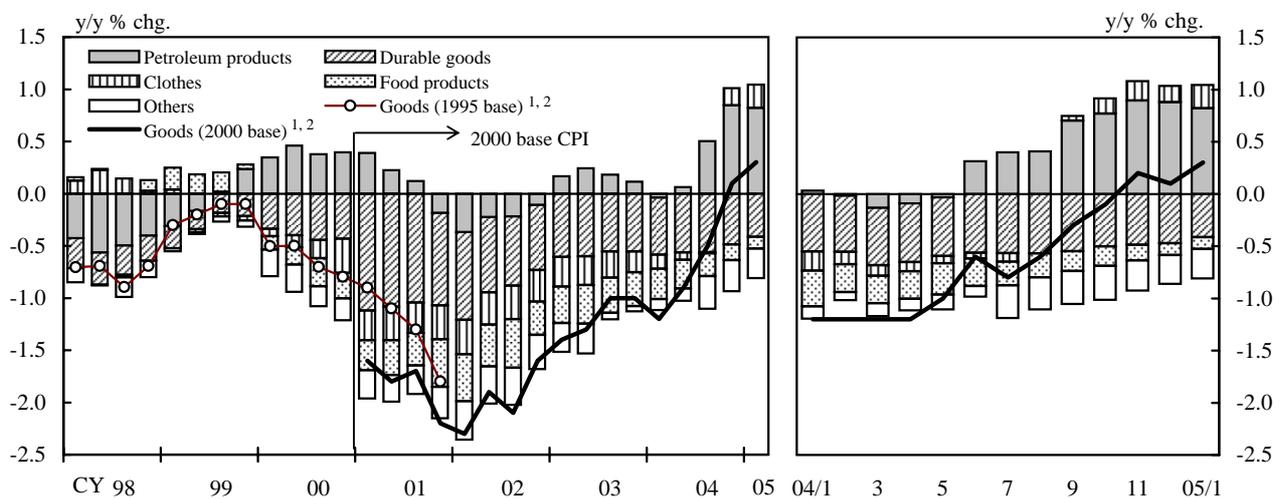
Source: Bank of Japan, "Corporate Service Price Index."

Consumer Price Index (excluding fresh food)³

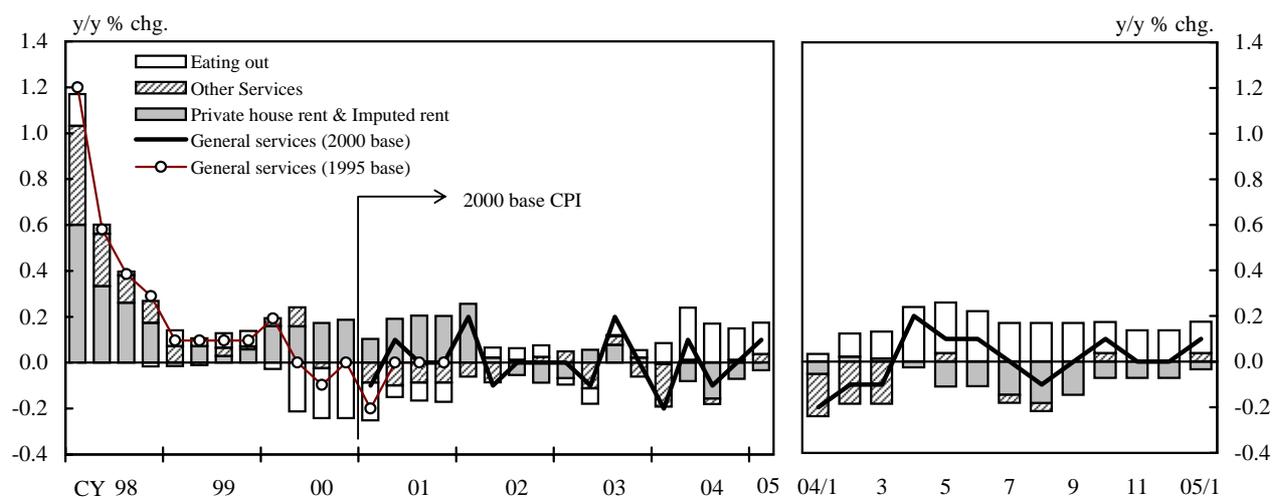
(1) Consumer price index (excluding fresh food)



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



(3) General services

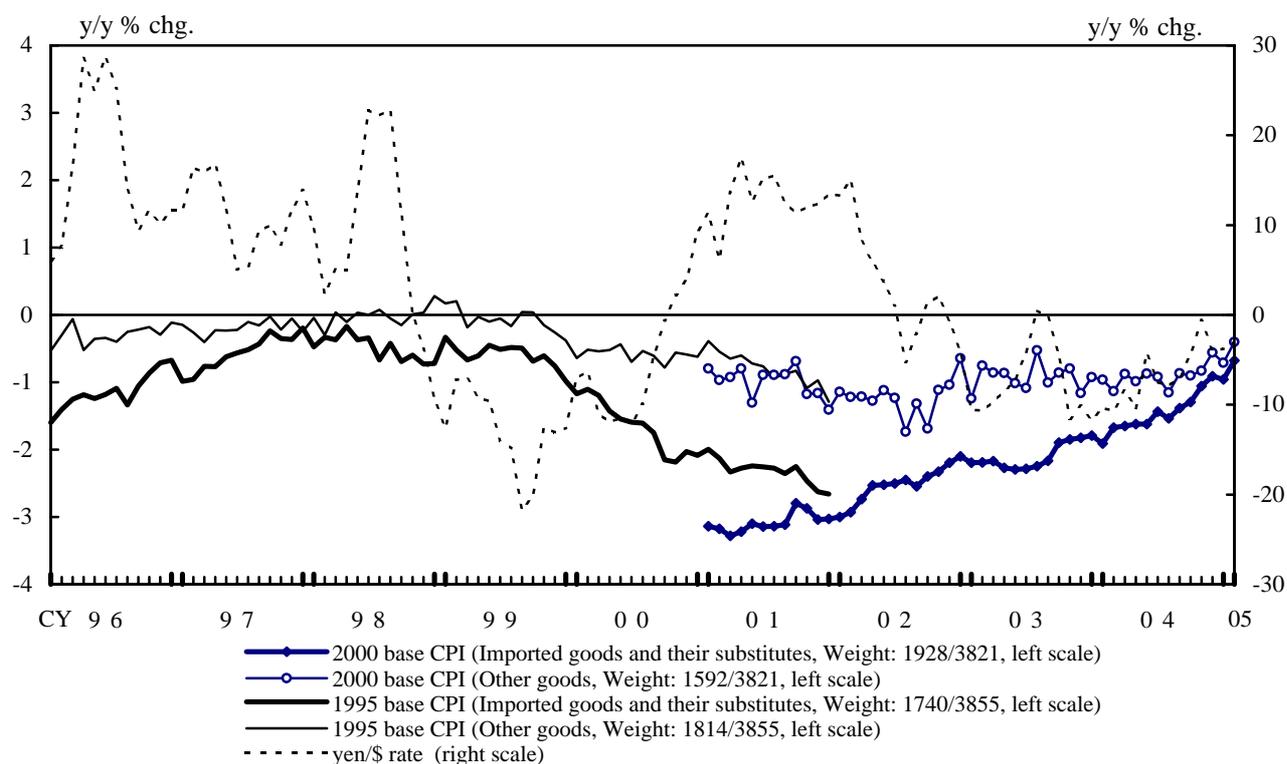


- Notes: 1. The Items are basically the same as the definition published by the Ministry of Internal Affairs and Communications, however electricity, gas & water charges is excluded from goods.
 2. Excluding agricultural & aquatic products.
 3. Adjusted to exclude the effects of the consumption tax hike on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.
 4. Figures for 2005/Q1 are those of January.

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

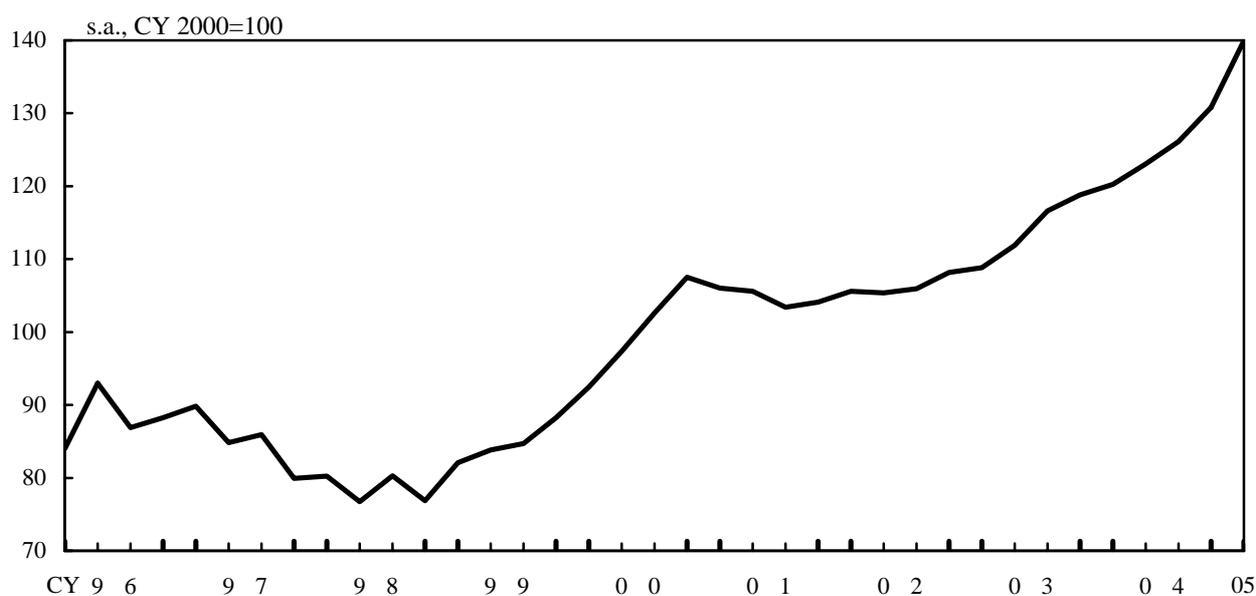
Consumer Prices of imported goods and their substitutes

(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)

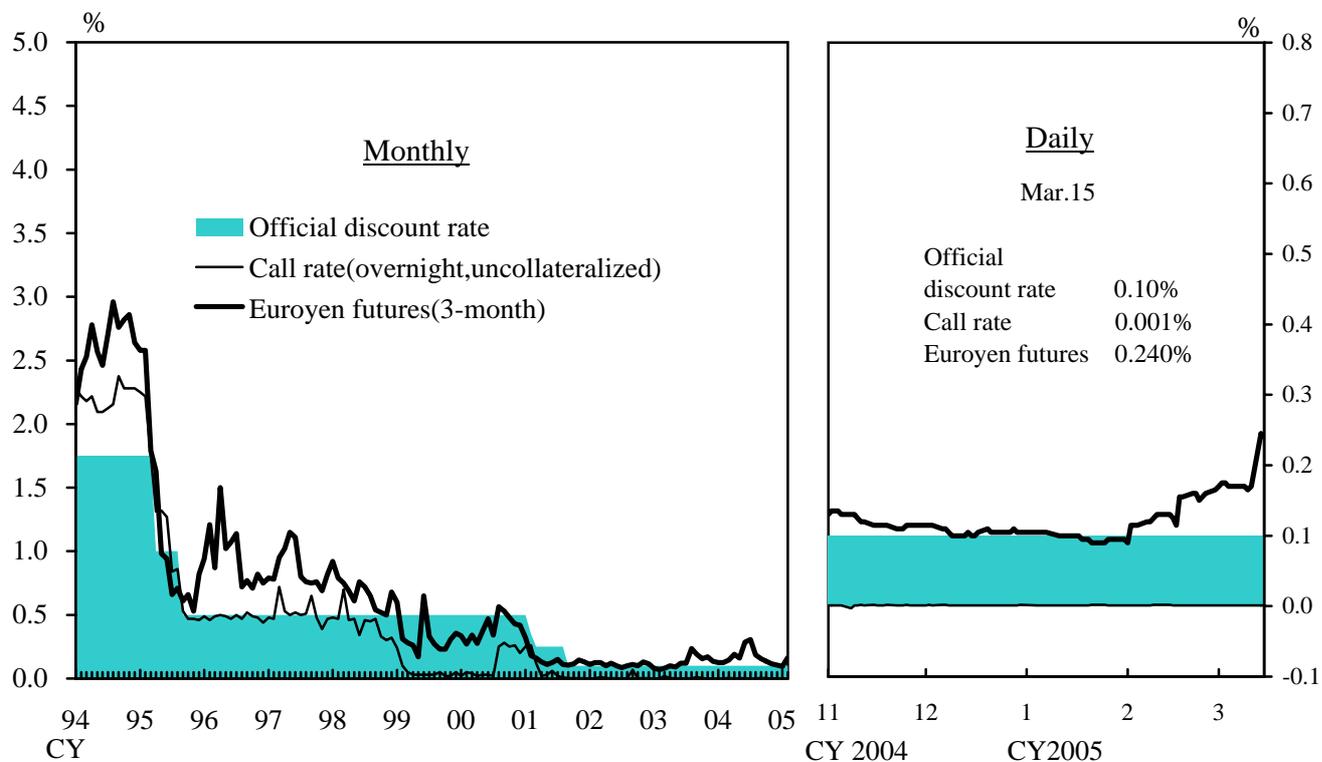


- Note:
1. Real imports (consumer goods), which are composed of motor vehicles, audio and visual apparatus, office machinery, foodstuffs and textiles, are calculated from the Trade Statistics as an index with the 2000 average equal to 100.
 2. 2005/Q1 figure is one in January at a quarterly rate.

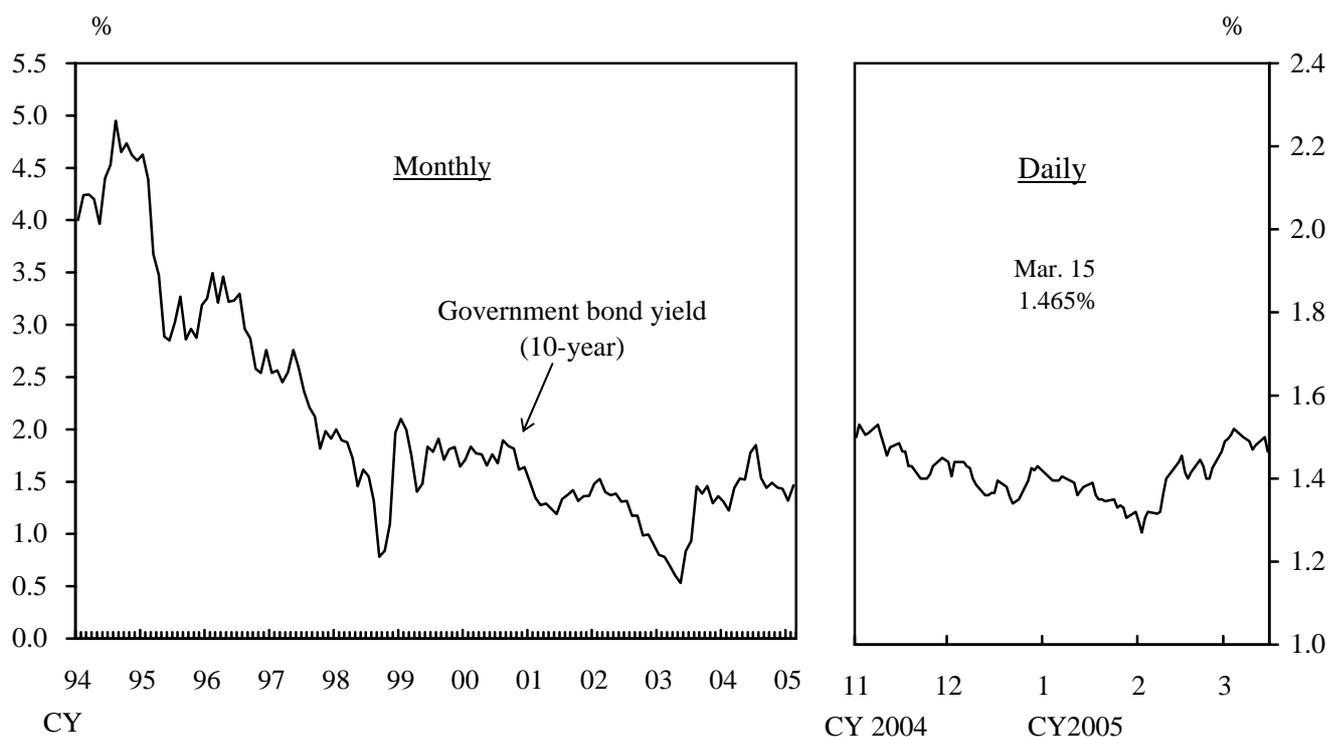
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index";
Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Interest Rates

(1) Short-Term



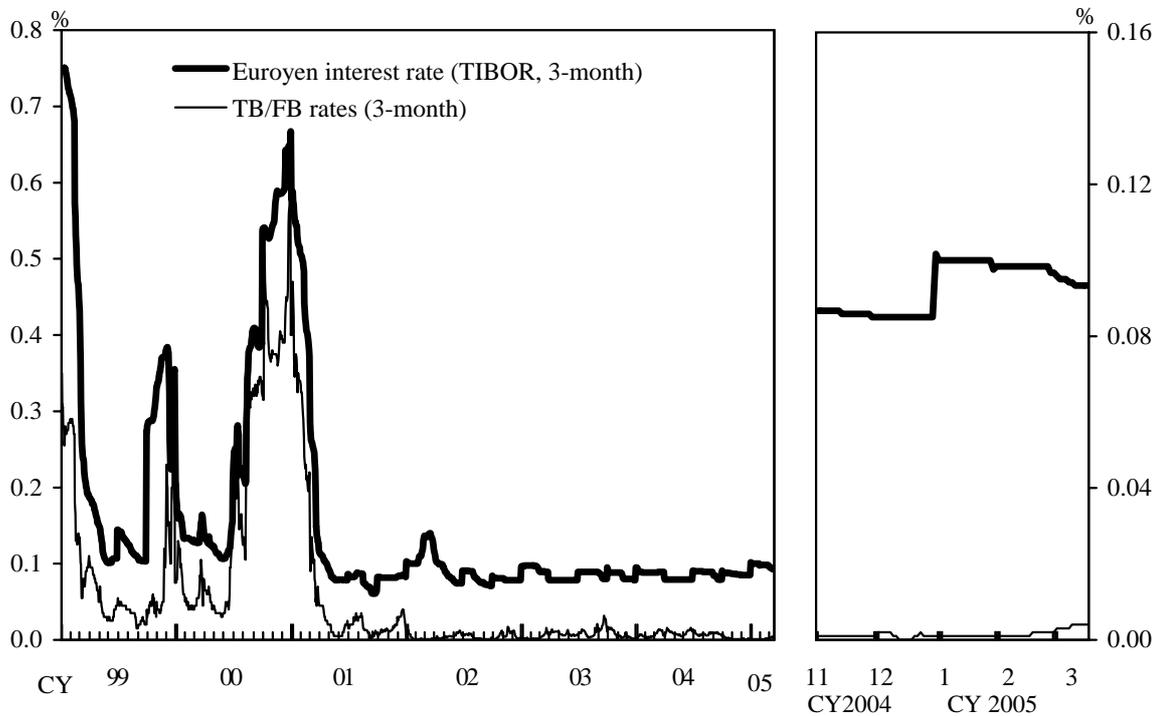
(2) Long-Term



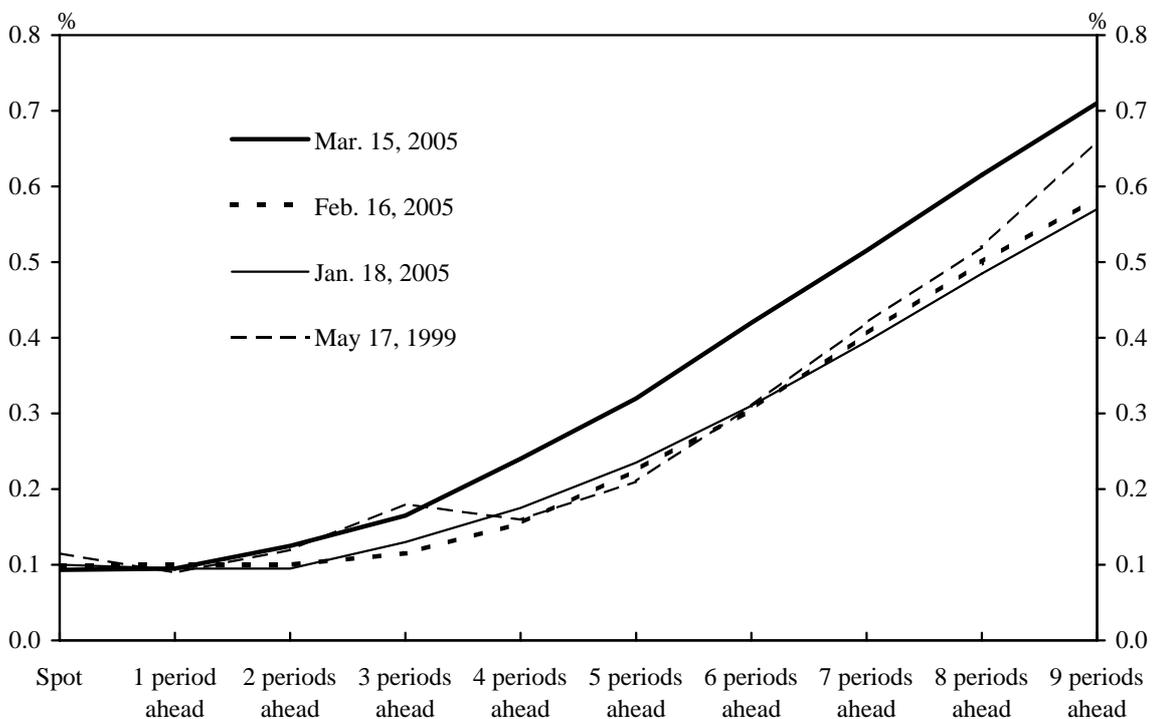
Sources: Bank of Japan; Tokyo International Financial Futures Exchange;
Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments



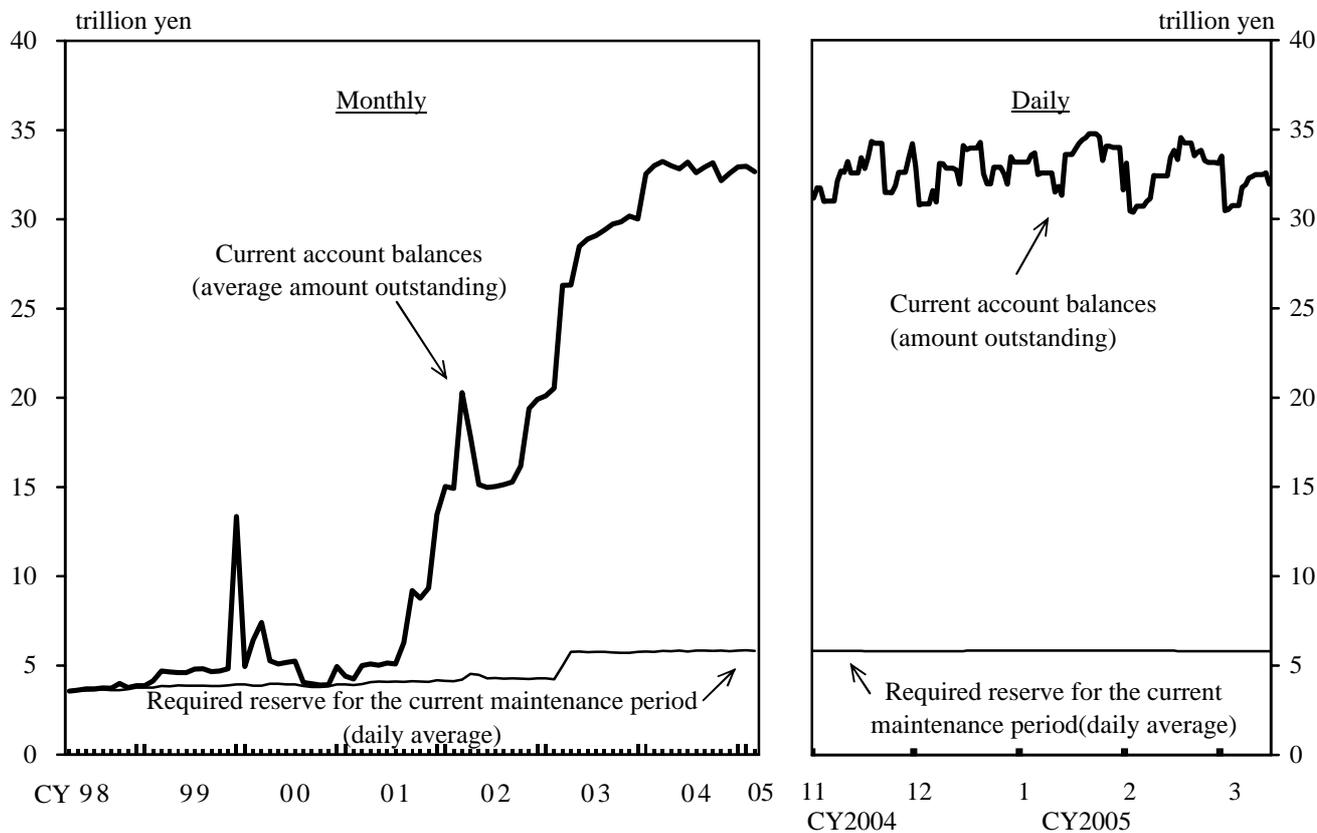
(2) Euroyen Interest Rates Futures (3-Month) ¹



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.

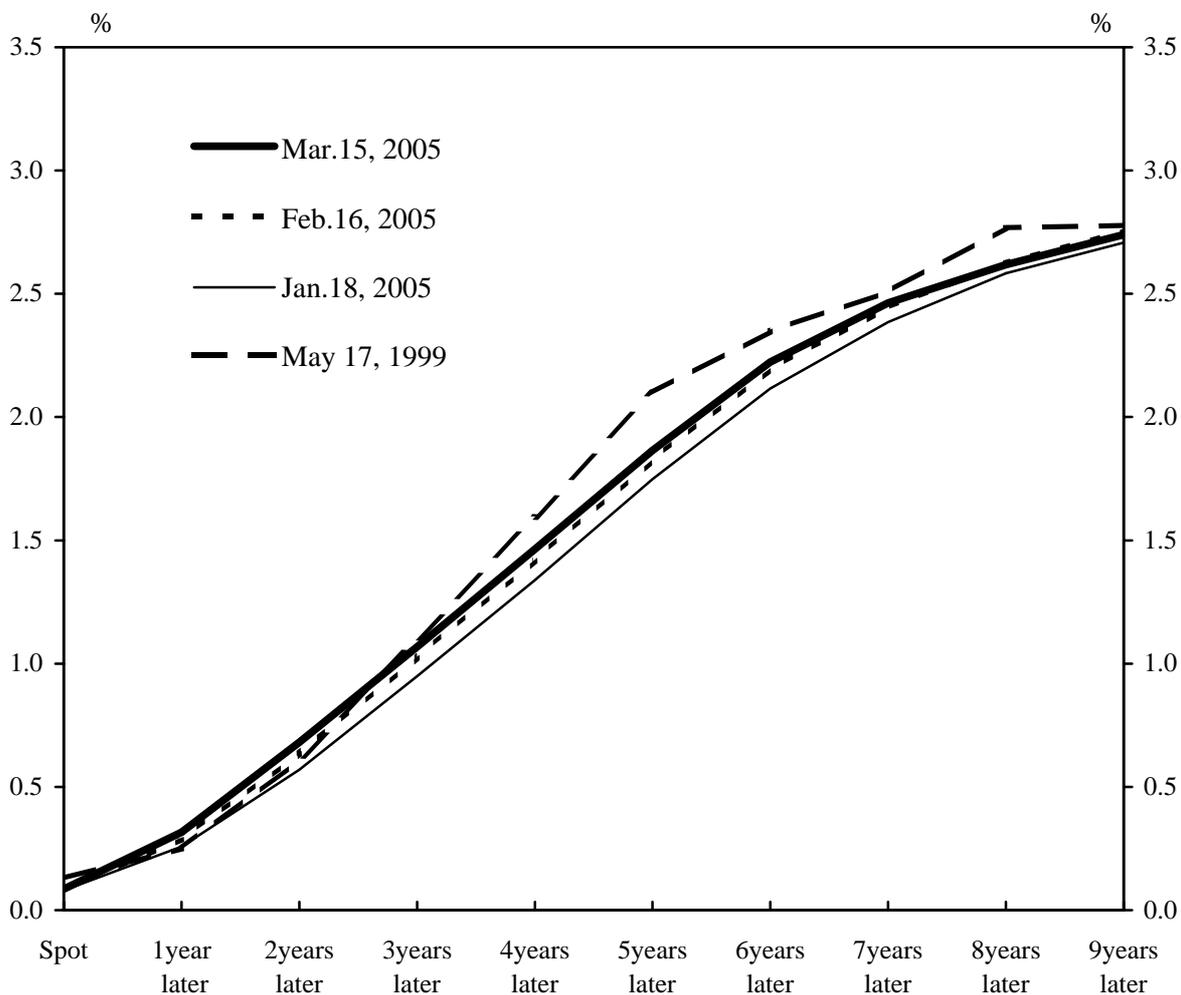
Current Account Balances at the Bank of Japan ¹



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

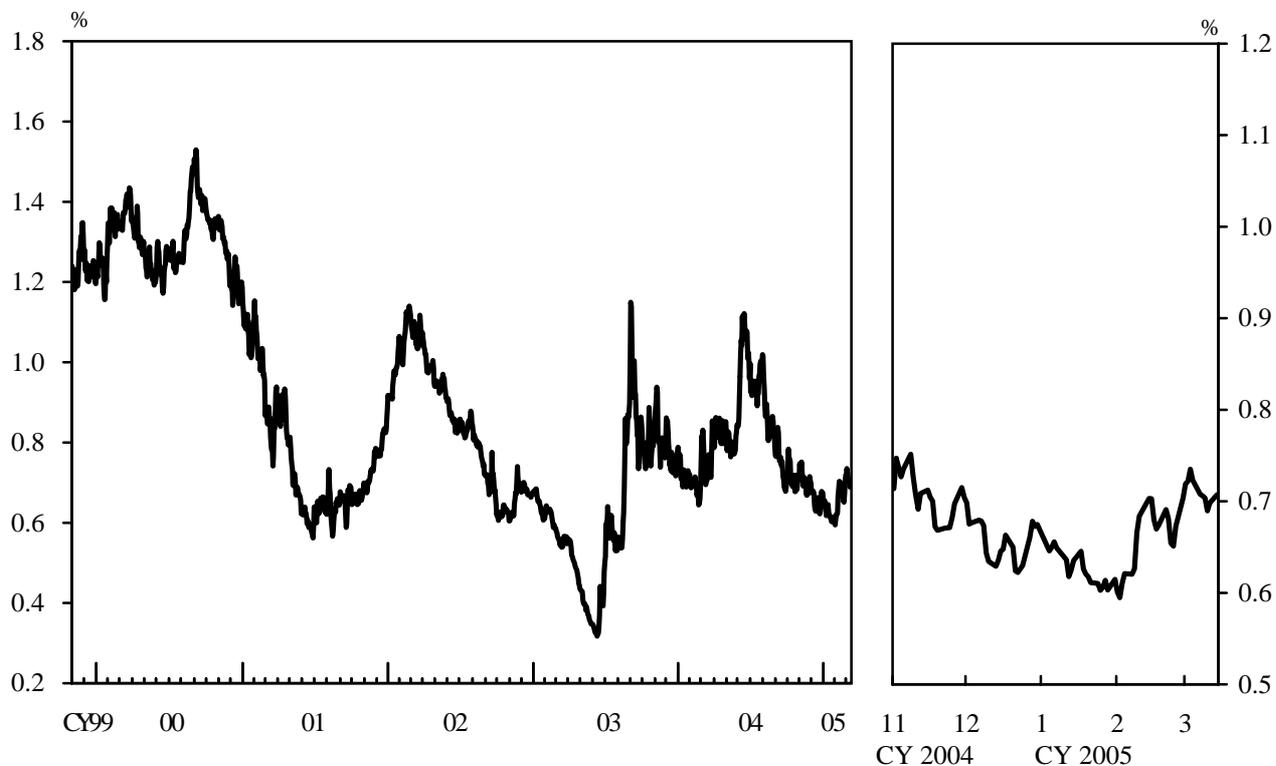


Note: 1. Calculated from yen-yen swap rates.

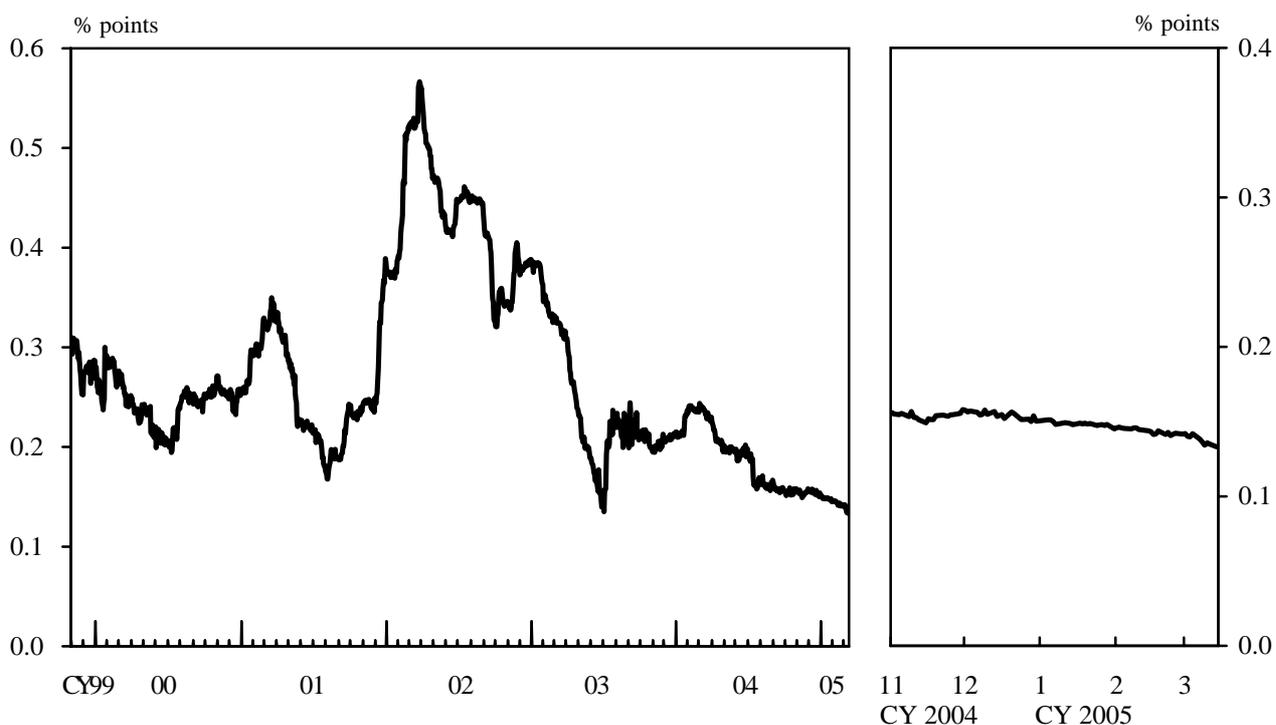
Source: QUICK Moneyline Telerate Corp.

Yields of Bank Bonds

(1) Average Bank Bond Yield



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



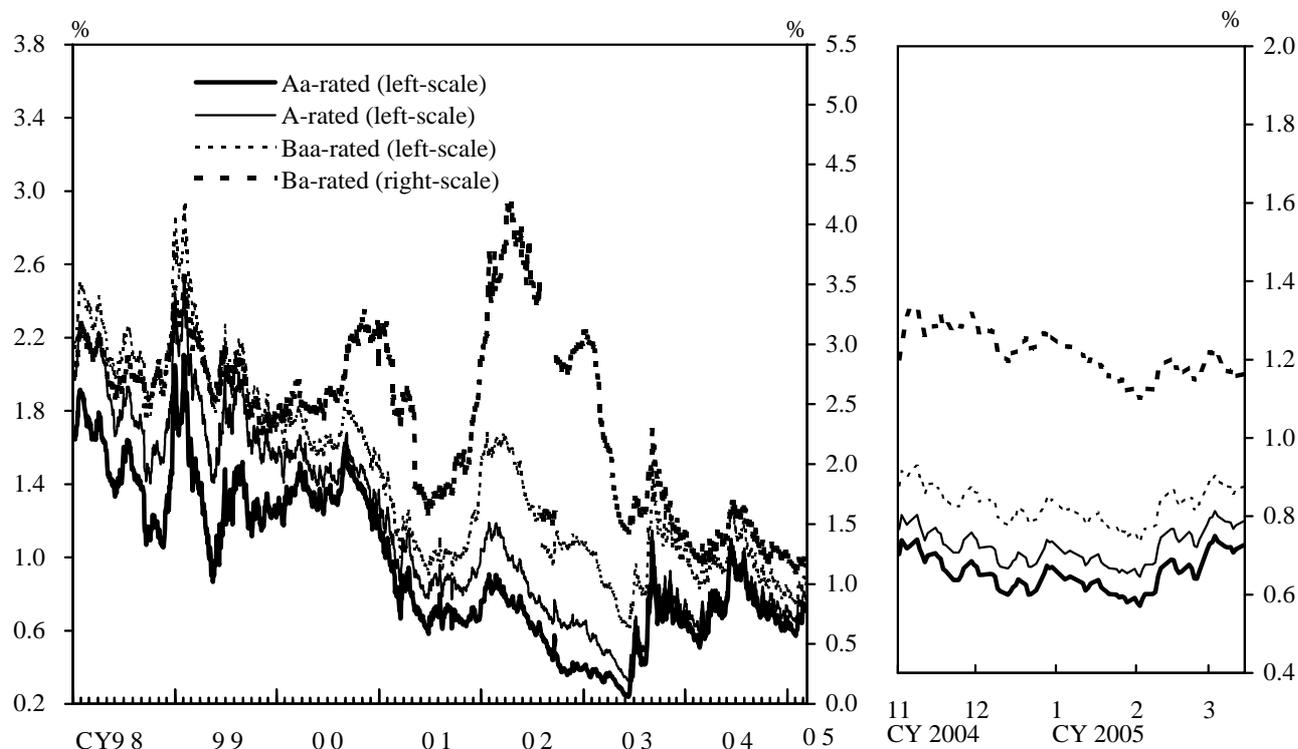
Notes: 1. Yields on bonds with 5-year maturity.

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

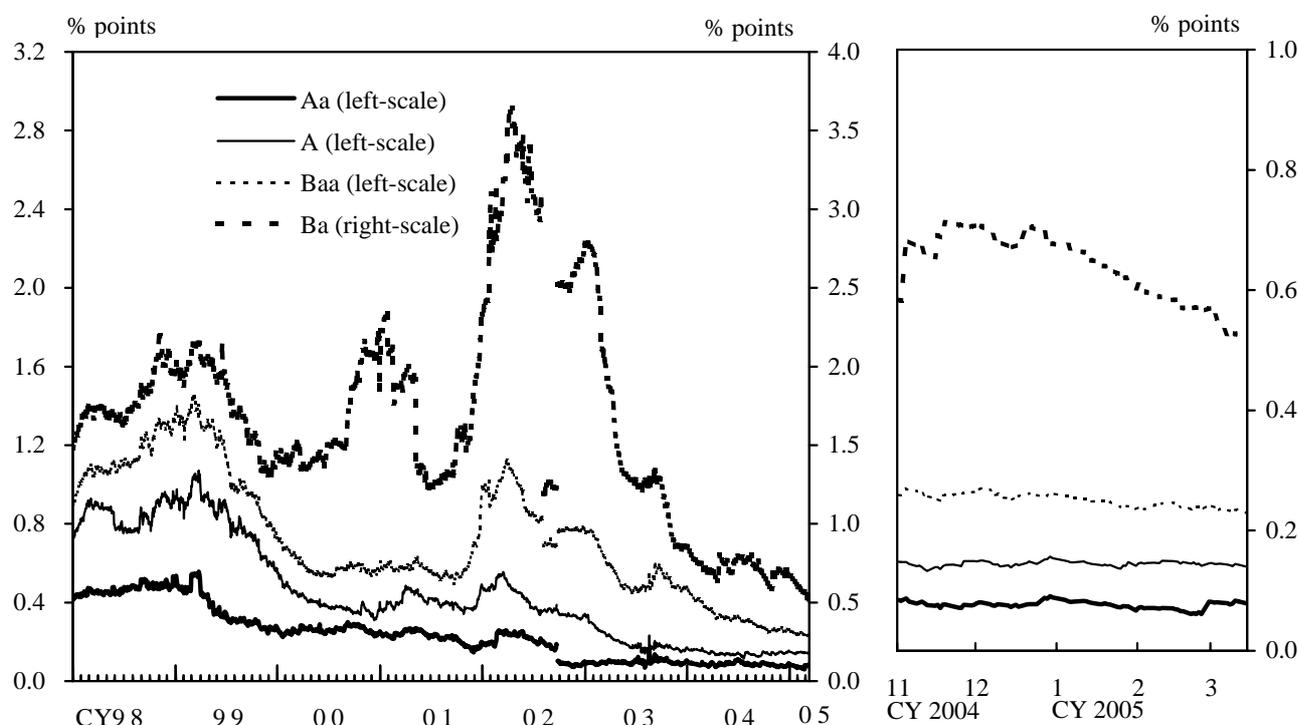
Sources: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."
 "Reference Price(Yields) Table for OTC Bond Transactions."

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.

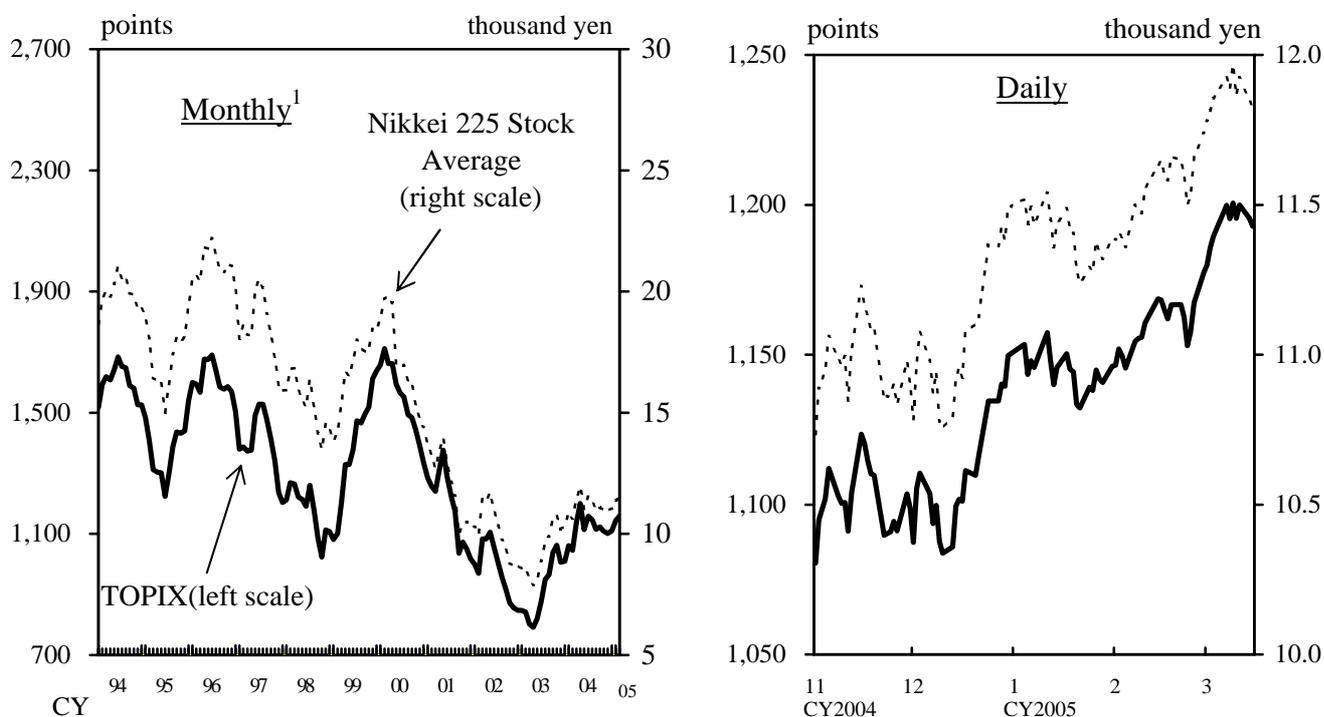
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of 4 to 6 years since Sep. 24, 2002.

2. The indicated ratings are of Moody's.

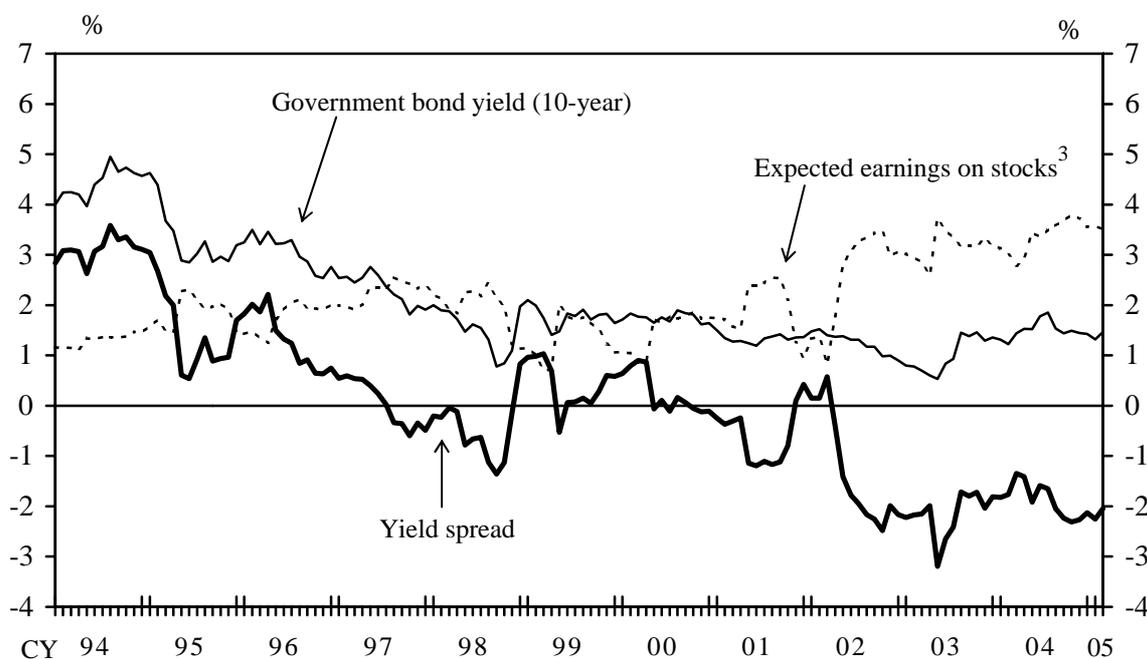
Sources: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."
"Reference Price(Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Stock Prices



(2) Yield Spread²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

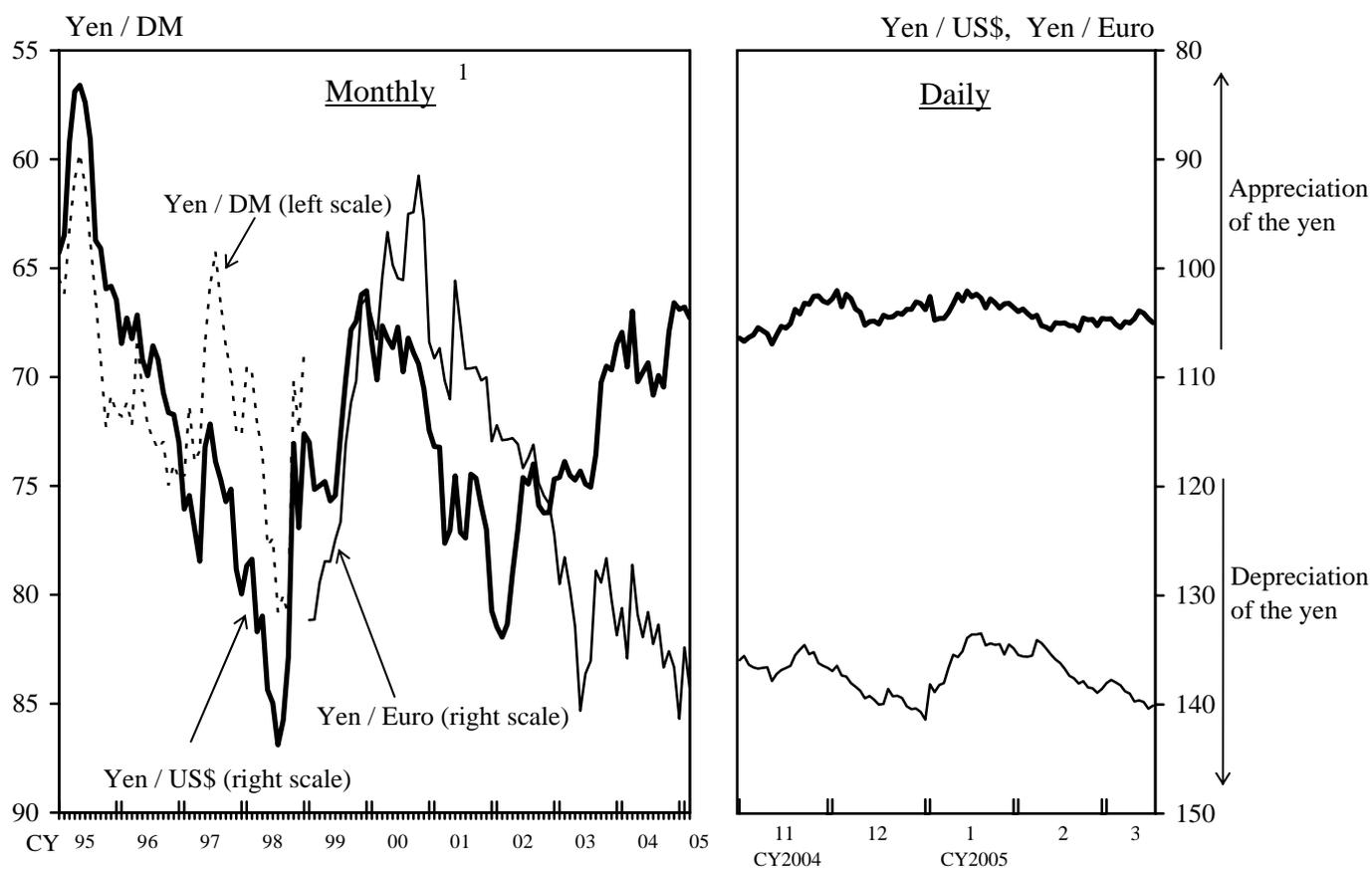
Yield spread = government bond yields - expected earnings on stocks,
 where expected earnings on stocks = 1/expected price earnings ratio.

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)."

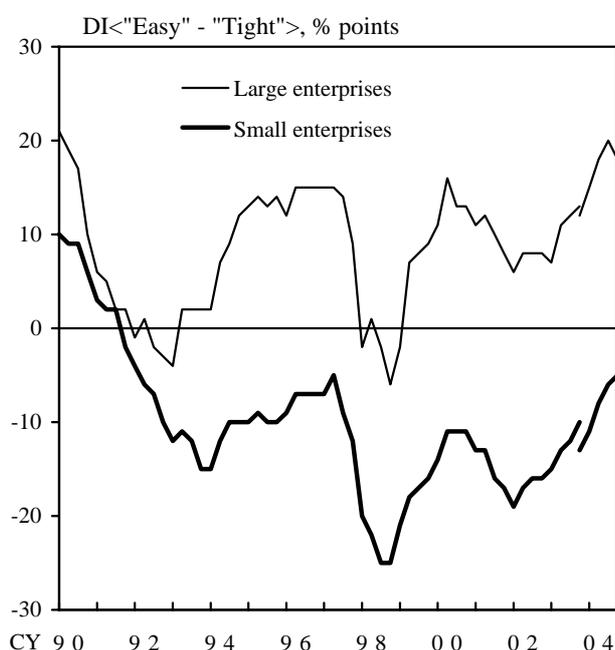
Exchange Rates



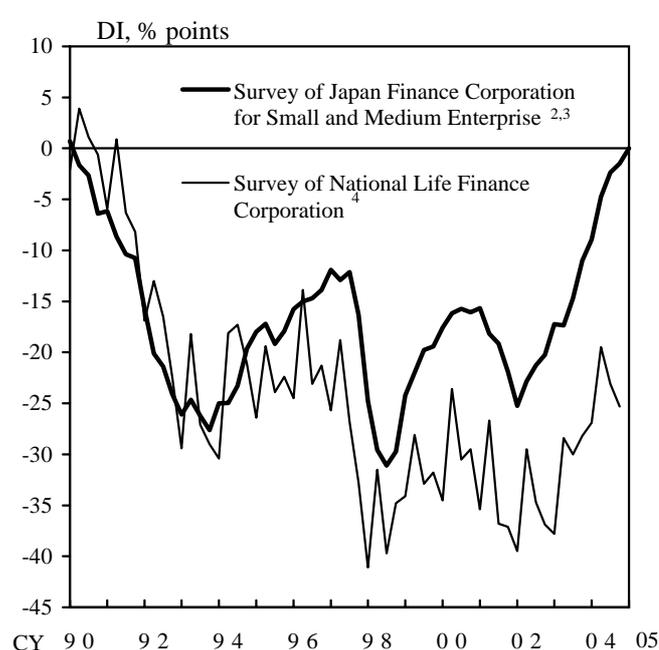
Note: 1. End of month.
 Source: Bank of Japan.

Corporate Finance-Related Indicators

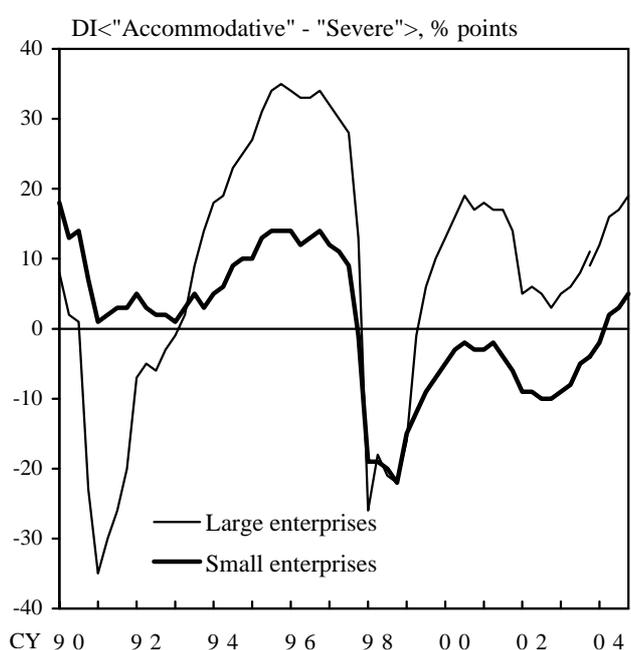
(1) Financial Position

<Tankan¹>

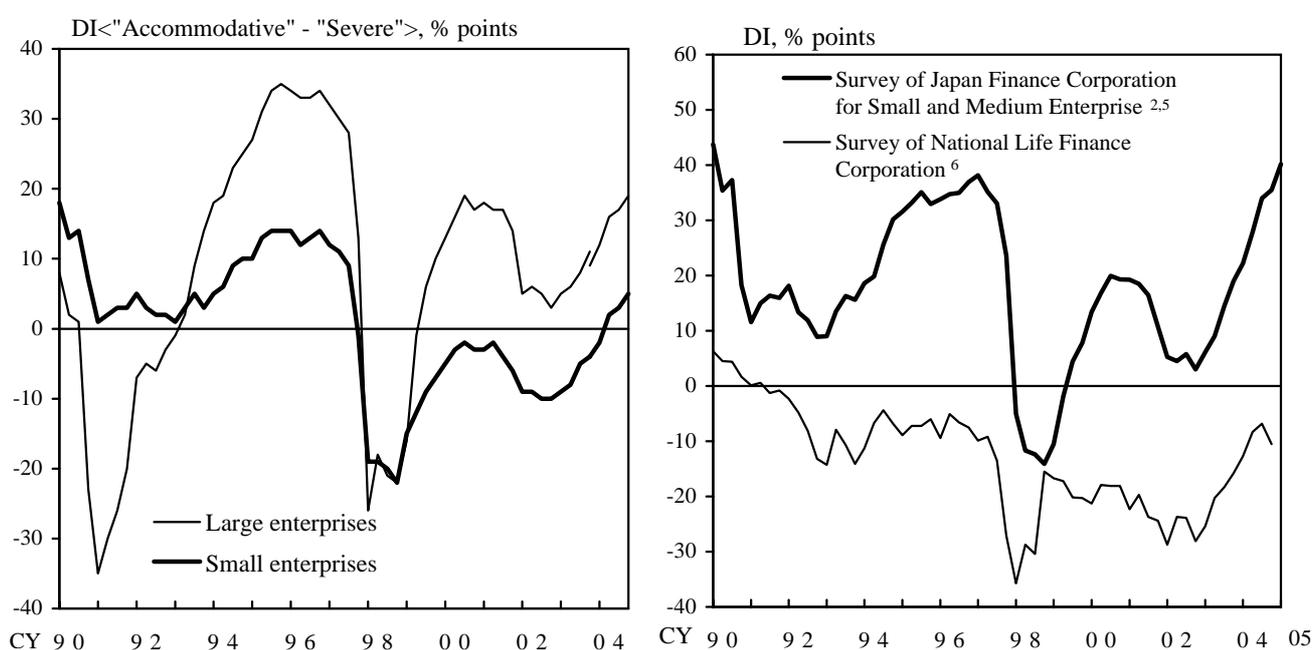
<Other Surveys>



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

<Tankan¹>

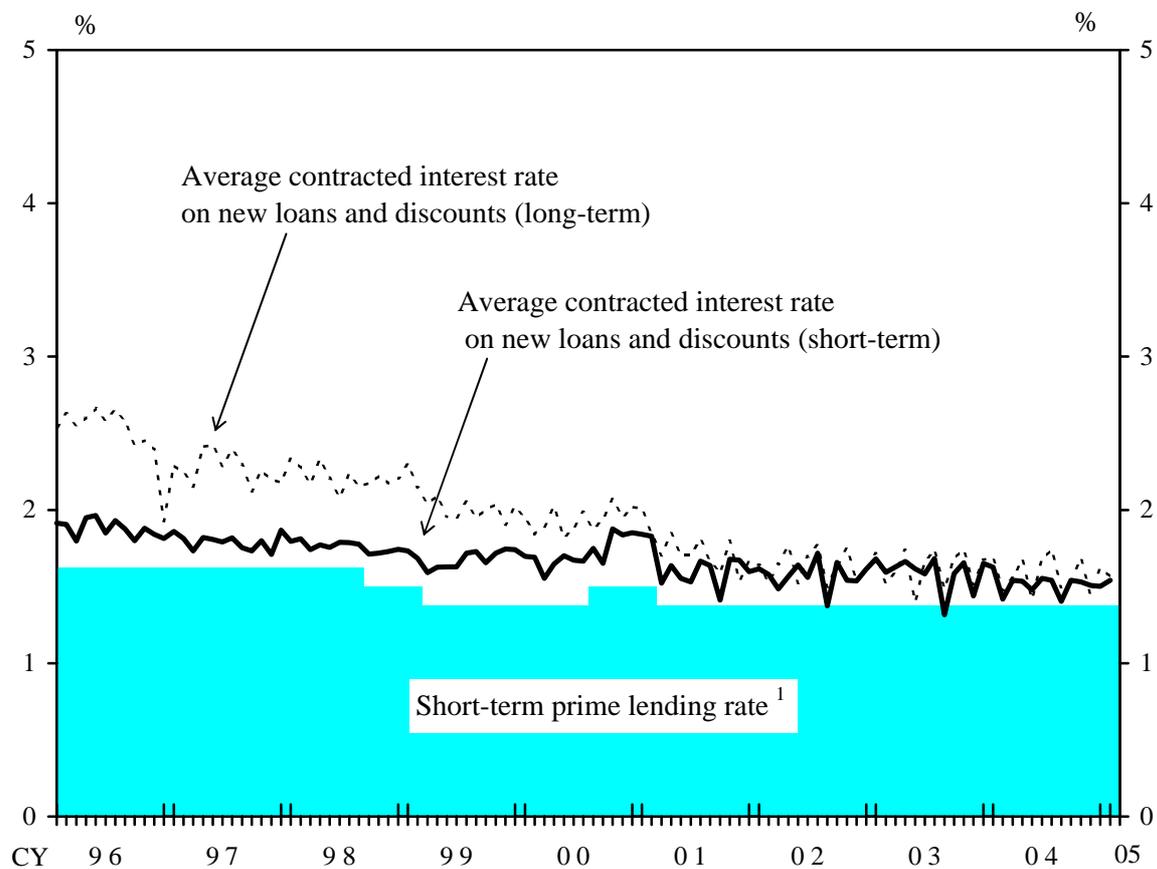
<Other Surveys>



- 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 averages of January and February.
3. DI of "Easy" - "Tight"
4. DI of "Easier" - "Tighter"
5. DI of "Accommodative" - "Severe"
6. DI of "More accommodative" - "More severe"

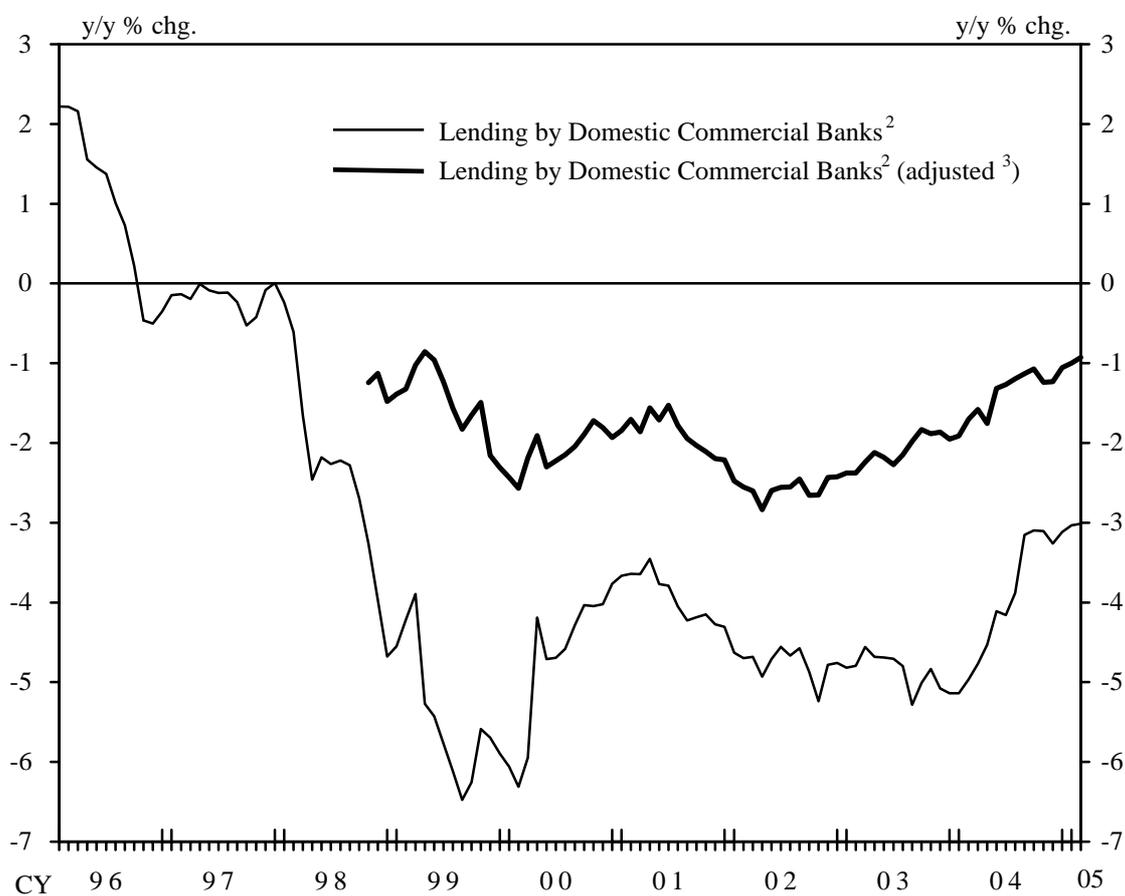
Sources: Bank of Japan, "*Tankan*, Short-term Economic Survey of Enterprises in Japan"; Japan Finance Corporation for Small and Medium Enterprise, "Monthly Survey of Small Businesses in Japan"; National Life Finance Corporation, "Quarterly Survey of Small Businesses in Japan."

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.

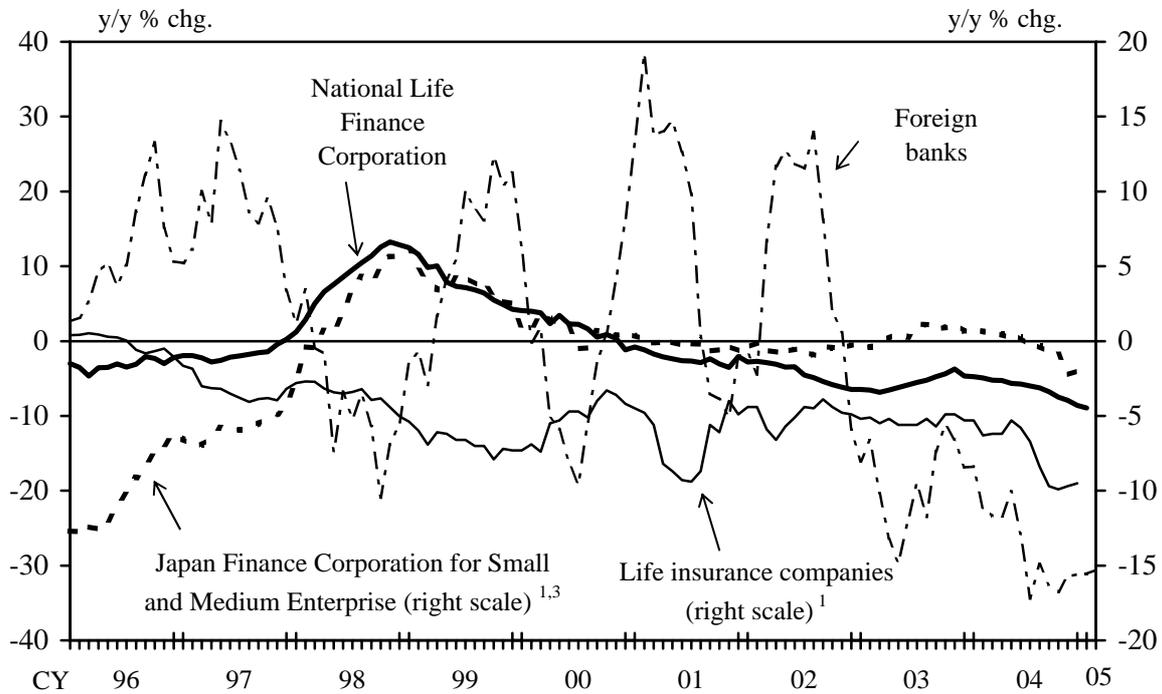
3. Adjusted to exclude

- (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."

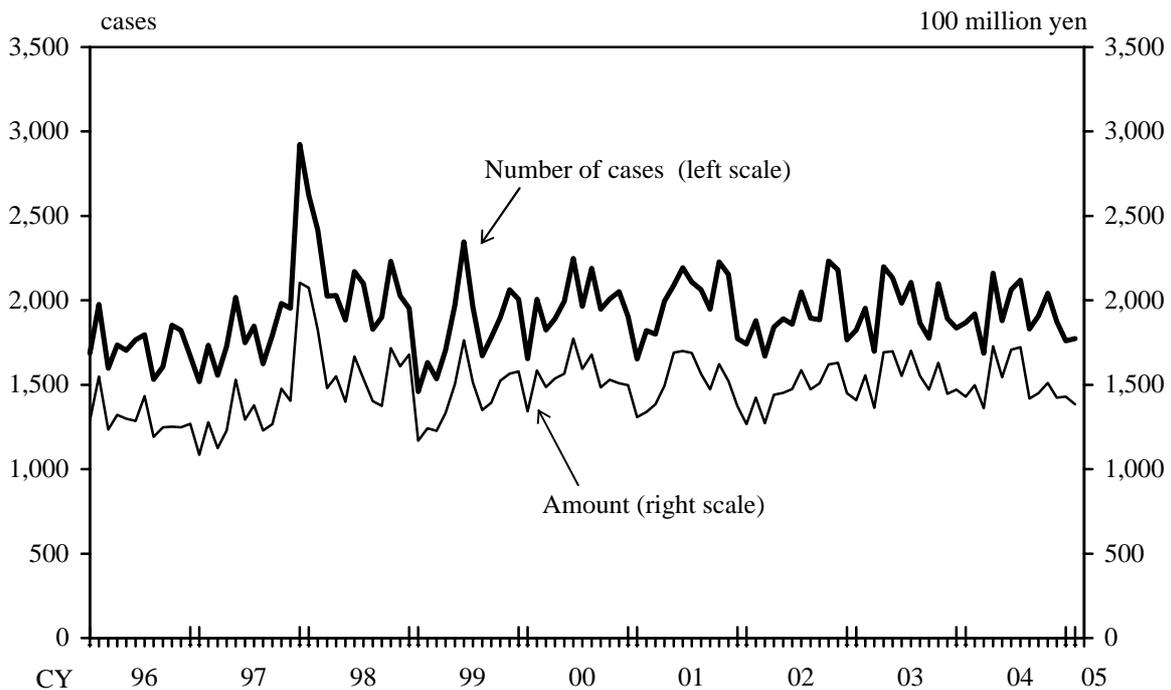
Lending by Other Financial Institutions

(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.

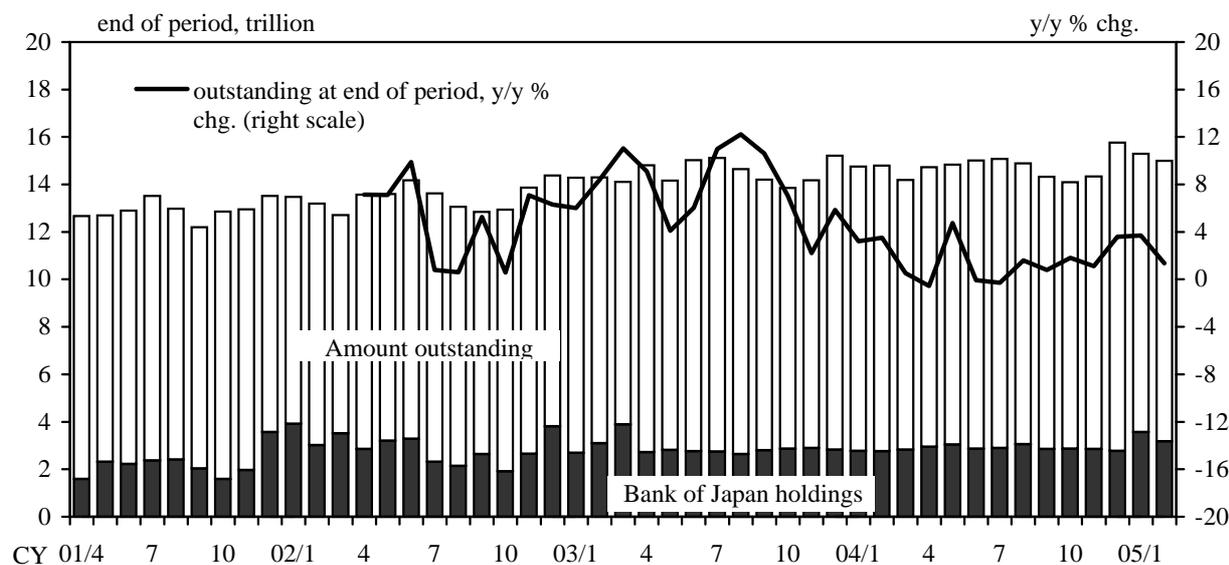
(2) Application for a Loan from Japan Finance Corporation for Small and Medium Enterprise



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

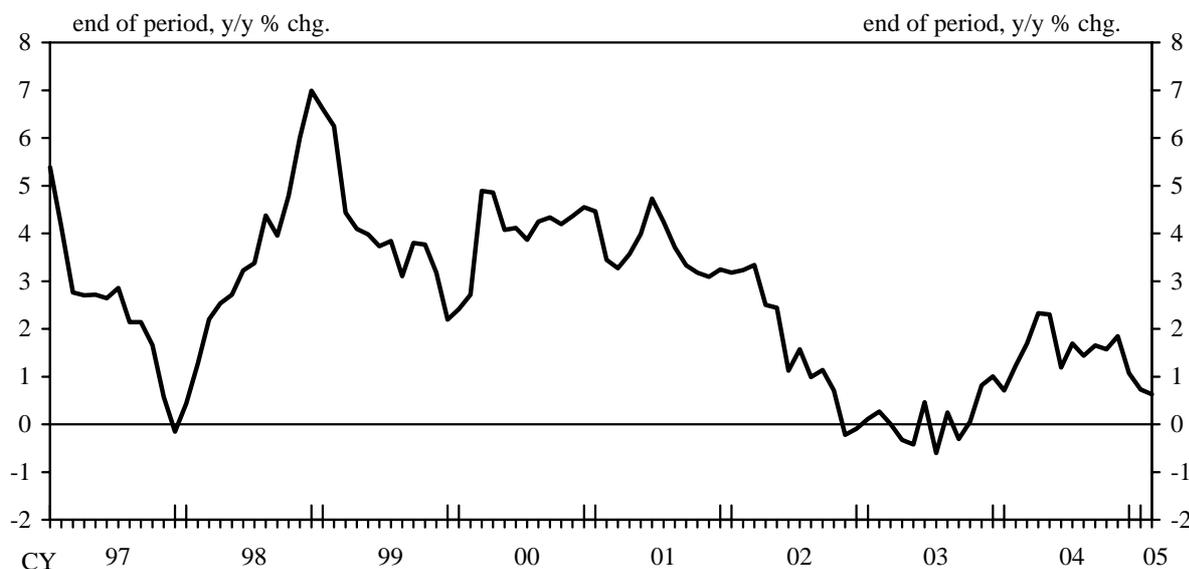
Private-Sector Fund-Raising in the Capital Markets

(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)



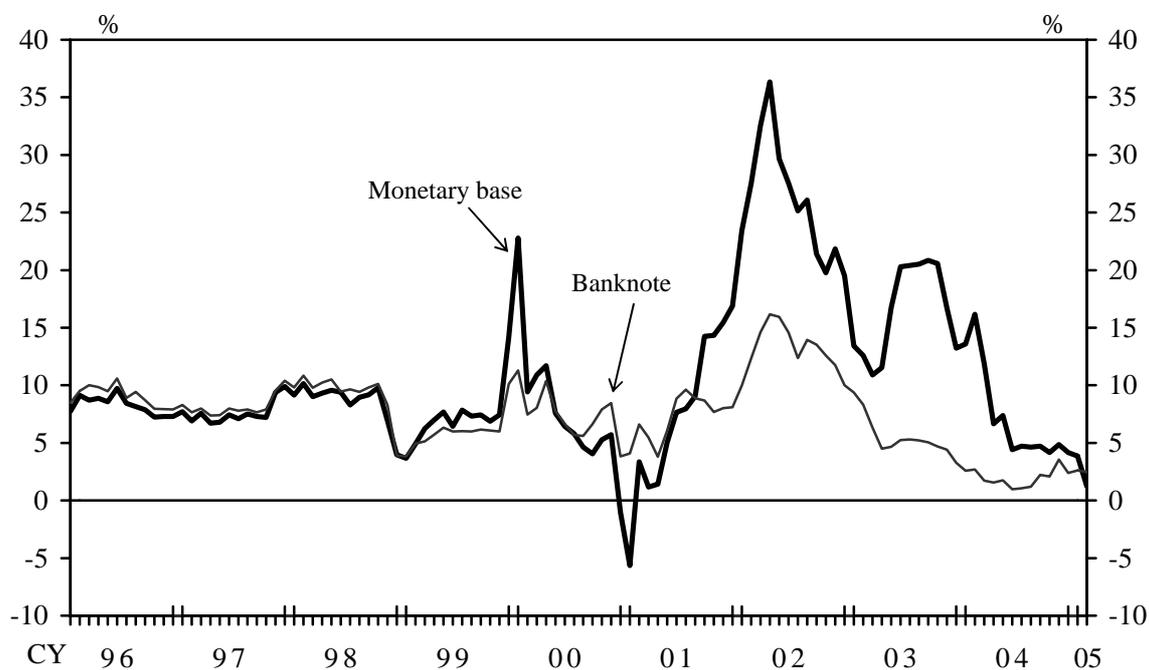
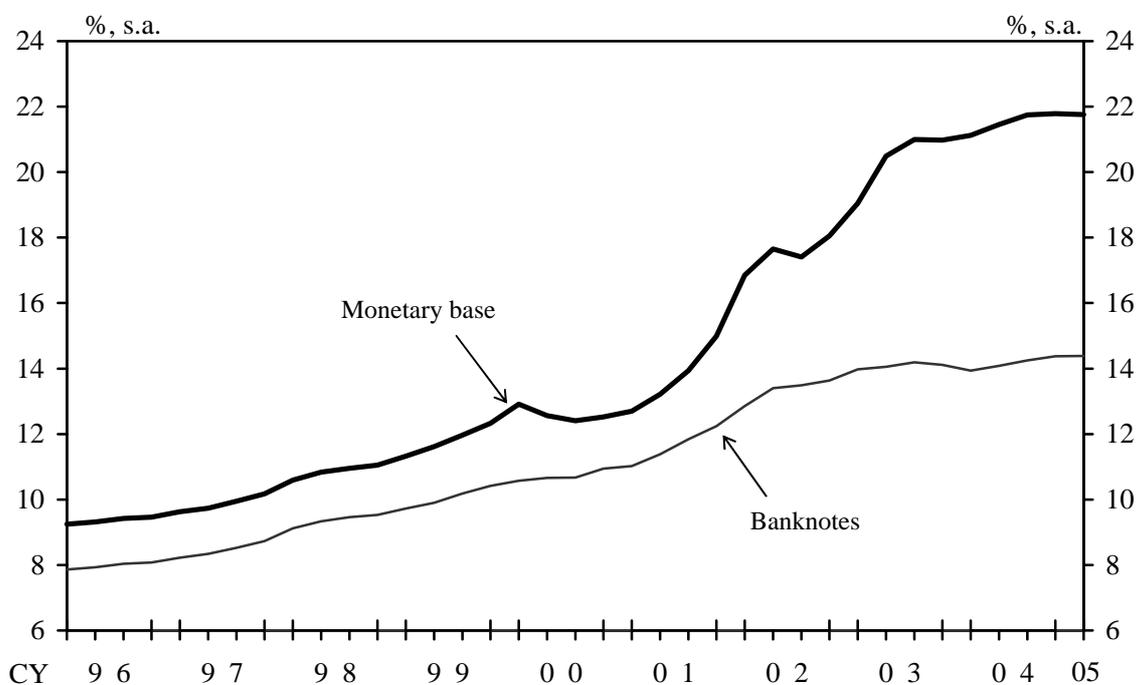
Note: Percentage changes from the previous year of the amount outstanding of corporate bonds are estimated figures. Procedures of the estimation are summarized as follows:

- (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.

$$\text{Percentage changes from the previous year of the amount outstanding of corporate bonds} = \frac{\text{The amount outstanding of corporate bonds as of this month} + \text{The sum of conversion amount over the last 12 months}}{\text{The amount outstanding of corporate bonds as of the same month in the previous year}}$$
- (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**

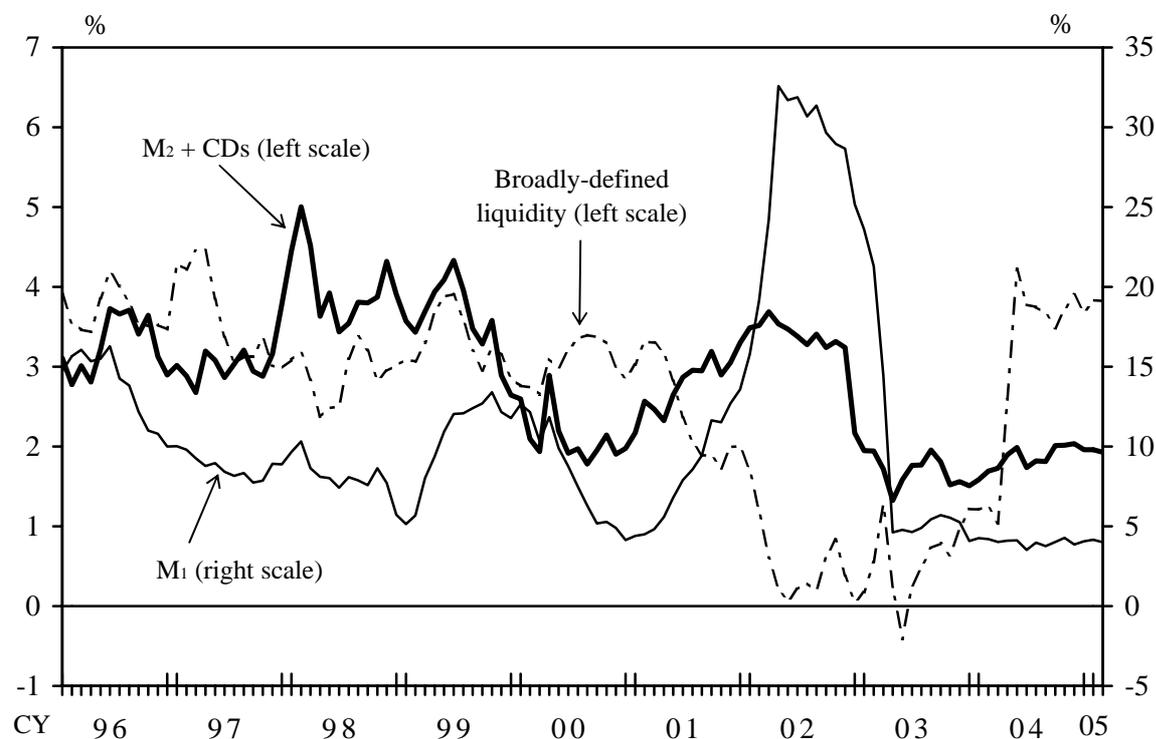
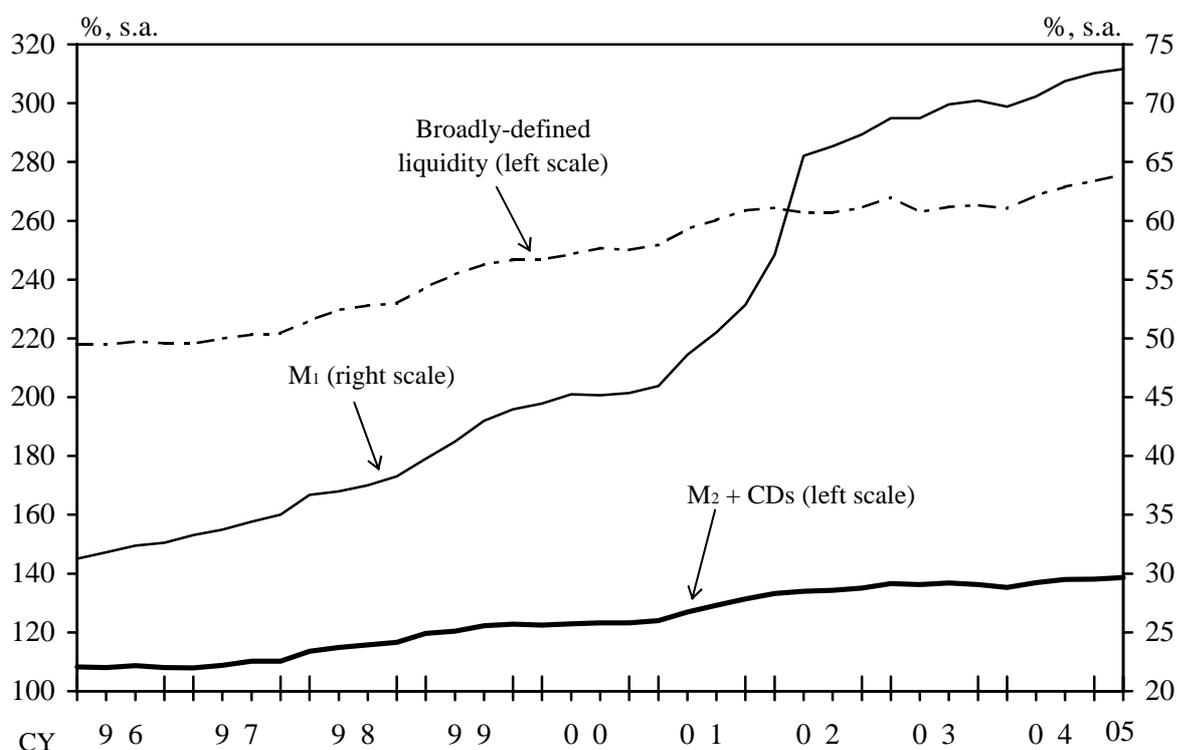
Notes: 1. Monetary base = currency in circulation (banknotes + coins) + current deposits at the Bank of Japan.

Data for currency in circulation include holdings of financial institutions.

2. Figures for the monetary base and banknotes in 2005/Q1 are those of Jan.-Feb. averages, and the nominal GDP in 2005/Q1 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)

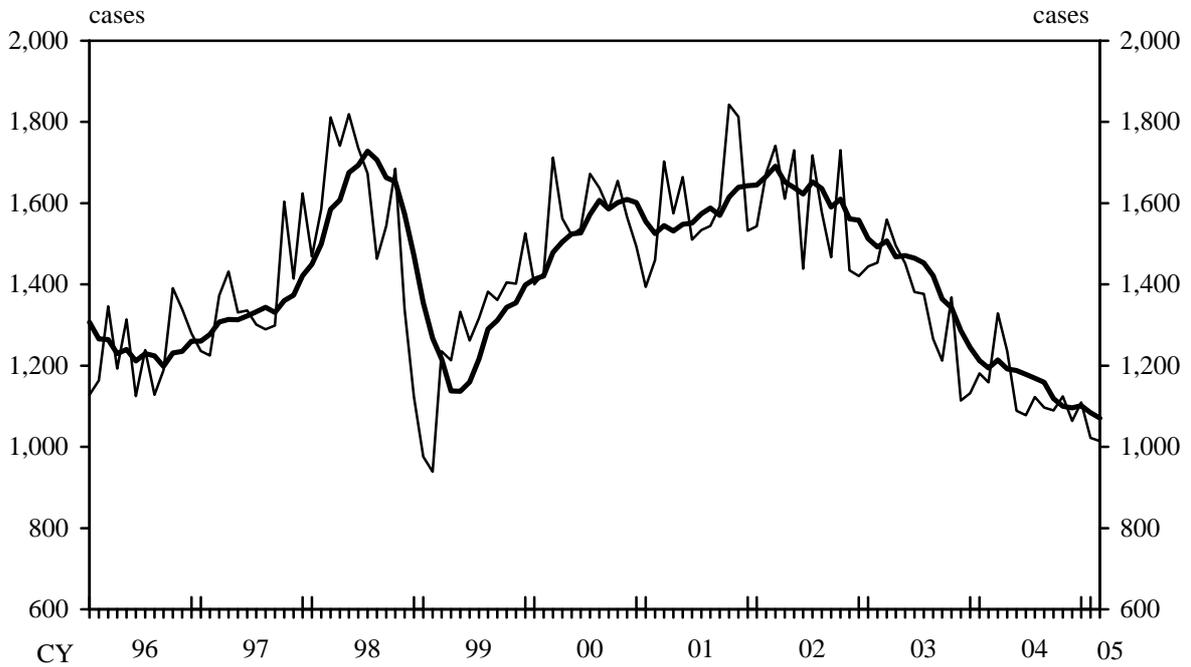
(1) Changes from a Year Earlier**(2) Ratio of Money Stock to Nominal GDP**

Note: Figures for money stock in 2005/Q1 are those of Jan.-Feb. averages, and the nominal GDP in 2005/Q1 is assumed to be unchanged from the previous quarter.

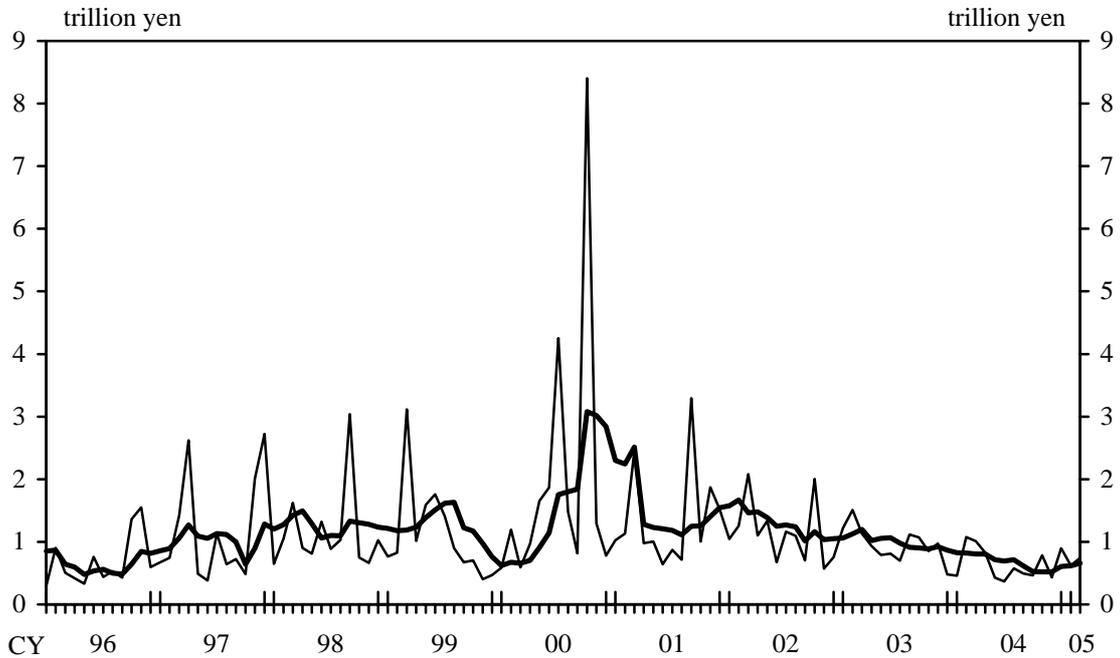
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities

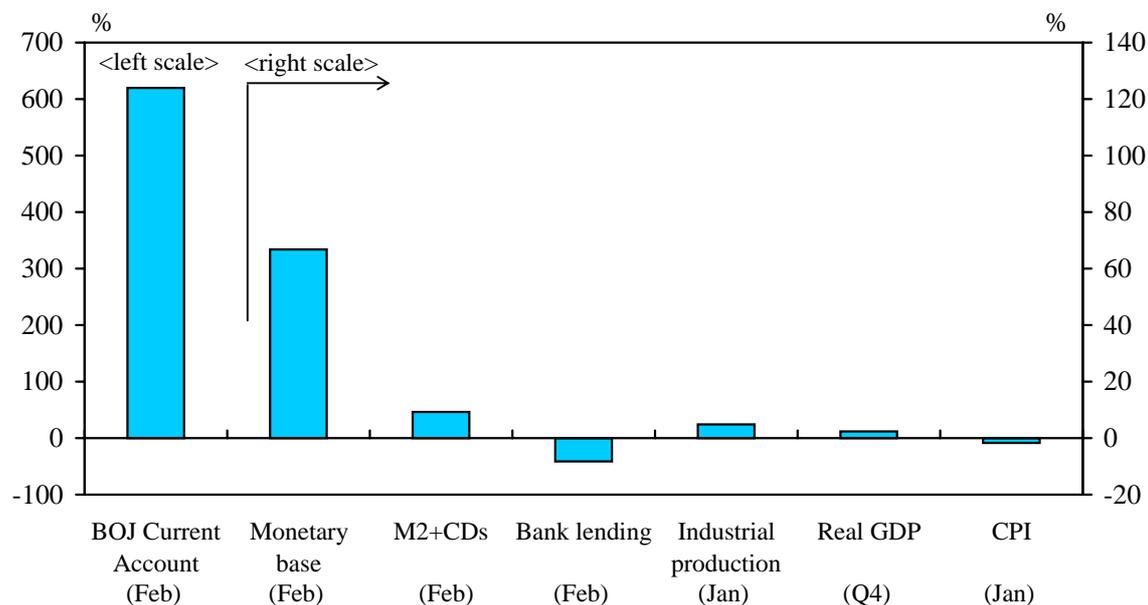


Note: Bold lines are the six-month moving average.

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

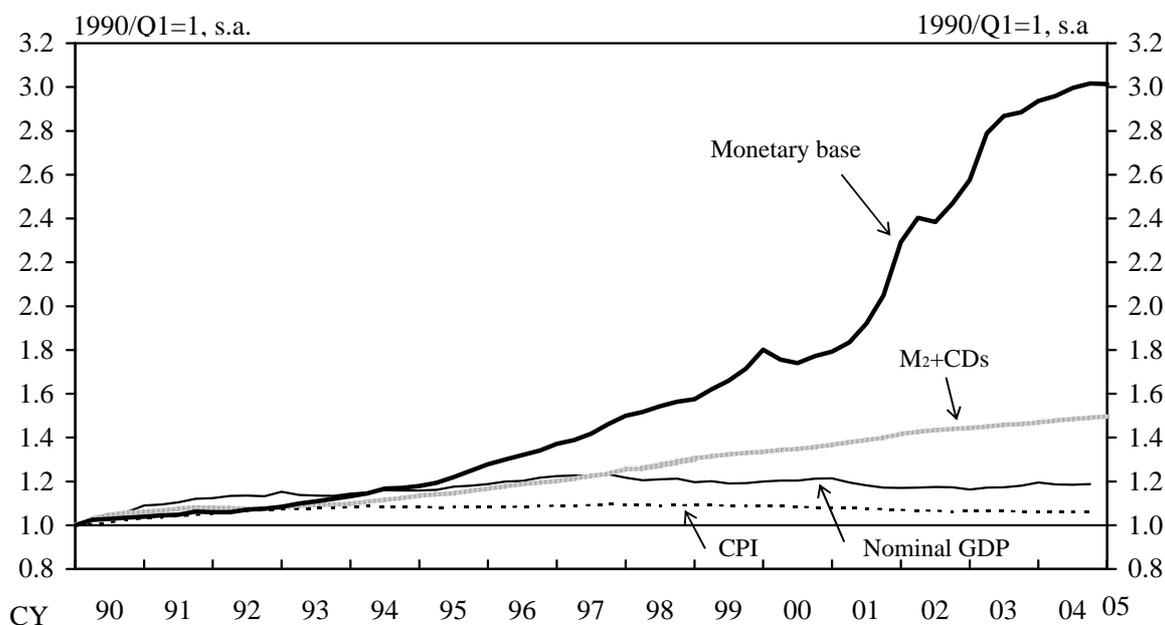
 Monetary Indicators, Economic Activity and Price Development

(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. Figures for Monetary base and M2+CDs in 2005/Q1 are those of Jan.-Feb. averages.

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.