

July 15, 2005
Bank of Japan

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

(English translation prepared by the Bank's staff based on the Japanese original released on July 14, 2005)

Monthly Report of Recent Economic and Financial Developments¹

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The Bank's View²

Japan's economy continues to recover, albeit with adjustments in IT-related sectors.

Although the momentum of growth in exports remains weak, industrial production is on a gradual uptrend as inventory adjustments in the IT-related sectors are progressing. Business fixed investment has continued to increase, as corporate profits have remained high and business sentiment has shown improvement again. Household income has been rising, albeit moderately, as the employment situation has been improving and wages have stopped declining. In this situation, private consumption has been steady. Meanwhile, housing investment has been nearly flat, and public investment has basically been on a downtrend.

Japan's economy is expected to continue to recover.

Growth in exports is expected to accelerate gradually, as overseas economies continue to expand. Domestic private demand is likely to continue increasing against the background of high corporate profits and the moderate rise in household income, while structural adjustment pressure stemming from firms' excess capacity and debt has almost dissipated. In light of these increases in demand both at home and abroad, as well as the progress of adjustments in the IT-related sectors, production is also expected to follow an increasing trend. Public investment, meanwhile, is projected to remain basically on a downtrend.

On the price front, domestic corporate goods prices have increased, mainly reflecting the effects of the rise in crude oil prices. Consumer prices (excluding

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on July 12 and 13, 2005.

² The text of "The Bank's View" was decided by the Policy Board at the Monetary Policy Meeting held on July 12 and 13, 2005.

fresh food) have basically 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 continue on an increasing trend, but the rate of growth is expected to slow for the time being. On the other hand, consumer prices are projected to continue falling slightly on a year-on-year basis for the time being, partly reflecting the effects from the reduction in electricity and telephone charges, although supply and demand conditions are likely to continue improving gradually.

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. The pace of decline in credit demand in the private sector is becoming somewhat moderate. Under these circumstances, the rate of decline in lending by private banks has been diminishing at a moderate pace, and the amount outstanding of CP and corporate bonds issued has recently been around or slightly above the previous year's level. The year-on-year growth rate of the monetary base and that of the money stock are at the 1.0-2.0 percent level. The year-on-year growth rate of banknotes in circulation is at the 3.0-4.0 percent level. As for developments in financial markets, money market conditions continue to be extremely easy, as observed in the undersubscription which occurred repeatedly in funds-supplying operations, 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.

Japan's economy has broadly been in line with the outlook presented in the *Outlook for Economic Activity and Prices* (the Outlook Report) released in April; while exports, particularly to China, have deviated slightly below the outlook, domestic private demand has deviated slightly above it. Looking ahead, the economy is expected to be broadly in line with the outlook. Factors for positive and negative deviations continue to be the developments in energy and materials prices,

the developments in the U.S. and Chinese economies, as well as the developments in domestic private demand. As for prices, domestic corporate goods prices in fiscal 2005 are expected to deviate above the outlook reflecting the rise in crude oil prices. The rate of increase in fiscal 2006 is expected to be broadly in line with the outlook, although this depends on commodity prices both at home and abroad. Meanwhile, consumer prices in fiscal 2005 and fiscal 2006 are both expected to be broadly in line with the outlook.

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 reflecting the progress in disaster relief construction (Chart 3). The amount of public construction completed—which reflects the actual progress of public works—fell back in April in reaction to the increase in March. With these fluctuations smoothed out, however, it seems to have stopped decreasing, bolstered by the progress in disaster relief construction after the Mid Niigata Prefecture Earthquake. The value of public works contracted—a measure that reflects public orders—has recently stopped declining, assisted mainly by orders for disaster relief construction after the Niigata earthquake. Public investment is expected to follow a declining trend, although it is likely to increase temporarily in the immediate future due to the progress of disaster relief-related construction.

The momentum of growth in real exports remains weak, despite the expanding trend of overseas economies, mainly reflecting the apparent effects of measures taken in China to cool the overheating economy (Charts 4[1] and 5); they rose 0.7 percent in the first quarter on a quarter-on-quarter basis, and 1.1 percent in April-May compared to the first quarter.

As for real exports by region (Chart 5[1]), exports to the United States have followed a steady uptrend, reflecting the economic expansion in the United States. Exports to the NIEs and ASEAN have also continued to increase. However, growth in exports to China slowed notably—they declined slightly in April-May compared to the first quarter—mainly because of the apparent effects of measures taken by the Chinese government to cool the overheating economy³. Meanwhile, exports to the EU increased moderately in April-May after having declined temporarily in the first quarter. By goods (Chart 5[2]), exports of automobile-related goods continued a

³ The measures taken in China to cool the overheating economy are likely to be dampening exports from Japan to China, particularly in capital goods and parts, and automobiles, through restraining business fixed investment and through reducing inventories in some local industries.

steady increase, mainly to the United States (Chart 6[3]).⁴ Exports of consumer goods also posted a somewhat large increase in April-May, mainly in digital home appliances. On the other hand, the pace of growth in exports of capital goods and parts remained considerably moderate compared to the first half of last year (Chart 6[1]). Meanwhile, exports of IT-related goods have been almost flat overall, partly reflecting the relatively weak exports to China, although global adjustments in the IT-related sector seem to be making steady progress (Chart 7[1]).

Real imports have been on an increasing trend, partly due to the progress in the international division of labor between Japan and China, while domestic demand has been steady (Charts 4[1] and 8). By goods (Chart 8[2]), those of consumer goods recorded high growth in April-May, particularly in automobiles from the EU. Imports of IT-related goods have also continued a steady increase, mainly in PCs. Meanwhile, imports of raw materials (crude oil) have been weak since the start of the year, partly as a reaction to the increase recorded during the second half of last year.

Reflecting the weak momentum of growth in exports, the surplus of net exports has been on a considerably moderate downtrend in terms of the real trade balance (Chart 4[2]). In these circumstances, the surplus of the nominal balance on goods and services has recently narrowed somewhat evidently, due to the additional effects of the rise in import prices of crude oil.

Growth in exports is expected to accelerate gradually, since it is expected that overseas economies will continue to expand, particularly in the United States and East Asia (Chart 9-1[2]), and also that adjustment pressures in the IT-related sectors will continue to ease further. Looking at overseas economies—an important export condition—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 employment has also been improving (Chart 9-2). As for the Chinese economy, the high economic growth is expected to continue overall. In this light, adjustment pressures, such as the reduction in inventory—which seem to be the cause of the recent weak momentum of export growth to China—are expected to

⁴ They recorded high growth particularly in May, mainly because the inventories waiting to be shipped which had been accumulating until last month were exported.

diminish over time. However, the exact timing of a visible increase in exports is quite uncertain, as the degree of adjustment pressures in China is difficult to assess. Also, the pace of increase in global IT-related demand is projected to be moderate even after adjustment pressures diminish. Exports are therefore unlikely to resume 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 continued to increase. According to monthly statistics, shipments of capital goods (excluding transport equipment)—a coincident indicator of machinery investment—increased in April-May, mainly in flat-panel display manufacturing equipment, boilers for electric power generation, and machine tools, after having remained more or less flat for a time (Chart 10-1 [1]). Machinery orders (private demand, excluding shipbuilding and orders from electric power companies)—a leading indicator of machinery investment—continued their uptrend mainly in manufacturing (Chart 10-2[1]). In detail, orders from electrical machinery have been more or less flat, but orders from non-IT-related industries, such as automobiles, iron and steel, and chemicals are on a rising trend. Moreover, construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—continued their solid increase overall; recently, the manufacturing sector in particular has shown notable strength (Chart 10-2[2]).

Looking at the environment surrounding business fixed investment, corporate profits remained high. In the June *Tankan*, current profits are projected to maintain a high level in fiscal 2005 in both manufacturing and nonmanufacturing, after recording a sharp increase in fiscal 2004 (Chart11).⁵ In these circumstances, business sentiment has shown improvement again (Chart 12).

Business fixed investment is expected to continue increasing, since increases in both domestic and external demand, as well as high corporate profits, are projected to continue. According to business fixed investment plans for fiscal 2005 in the June

⁵ In particular, the current profit to sales ratio of large manufacturing firms in fiscal 2004 marked 5.94 percent; it topped the 5.75 percent recorded at the peak of the bubble economy in fiscal 1989.

Tankan (Chart 13), those of large manufacturing firms registered a substantial increase as they did in fiscal 2004. Investment plans of large nonmanufacturing firms were the strongest in recent years, supported by the increased plans in electric and gas utilities which had been on a declining trend over a long period of time. Investment plans of small firms both in manufacturing and nonmanufacturing registered a decrease on year-on-year basis at this stage. However, taking into account the fact that these plans of manufacturing firms are relative to the significant rise registered in the previous fiscal year, and also that those of nonmanufacturing firms were revised significantly upward, both investment plans seem to be rather strong. These positive business investment initiatives have been motivated by high corporate profits, as well as the fact that firms' excess capacity and debt have almost dissipated (Chart 10-1[2]).

Private consumption has been steady. With regard to individual indicators (Charts 14-1 and 14-2), the number of new passenger-car registrations has been high since April, fueled by the effects of new model automobiles, mainly of small passenger cars. Sales of household electrical appliances (NEBA statistics, in real terms) have been increasing steadily, particularly in flat panel TVs and PCs, as well as high-value added white goods (such as washing machines). Moreover, sales at department stores rose in April-May after having increased in the first quarter, mainly due to favorable sales of apparel bolstered by the favorable weather. On the other hand, supermarket sales remained weak, although the pace of decline has slowed, particularly as a result of weak food sales. Meanwhile, sales at convenience stores continued their gradual uptrend. As for services consumption, sales in the food service industry and outlays for travel have been on a recovering trend from the start of this year.

Indices of aggregated sales (in real terms), which are comprised of major sales indicators of these goods and services,⁶ continued to be firm in April-May after

⁶ 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 May were not released at the time when these indices were compiled, and hence were

having recorded a distinct improvement in the first quarter (Chart 14-3). The aggregate supply of consumer goods—which comprehensively captures producers’ supply of goods—has been on a rising trend, mainly in PCs and digital home appliances (Chart 14-4). Meanwhile, according to the *Family Income and Expenditure Survey*—which captures private consumption from the demand side—the index of living expenditure level (all households, in real terms) was firm in April-May after having increased substantially in the first quarter in reaction to the weak movements in the second half of last year (Chart 14-1[1]). In these circumstances, business sentiment in the June *Tankan* showed improvement in industries related to private consumption, such as retailing and services for individuals.

Indicators for consumer sentiment continued to be favorable on the whole (Chart 15).

Private consumption is projected to continue recovering steadily, against the background of a gradual increase in household income.

As for housing investment, housing starts fell back in April-May in reaction to the gains of over 1.2 million units (annual rates) in the first quarter, particularly in housing for sale and housing for rent. With these fluctuations smoothed out, housing starts have been more or less flat (Chart 16[1]). Housing investment is projected to be nearly flat.

Industrial production is on a gradual uptrend, as inventory adjustments in the IT-related sectors are progressing; it rose by 1.7 percent in the first quarter on a quarter-on-quarter basis, and decreased by 0.2 percent in April-May compared to the first quarter (Chart 17).⁷ Technically, production in April-May remained more or less flat on the whole, after having posted high growth in the first quarter. This, however, reflects the drop in reaction to the temporary rise in steel ships and chemicals, and hence, on average, production is on a moderate uptrend. As for

incorporated into the indices under the assumption that the seasonally adjusted figures for May were at the same level as in April.

⁷ Production in the second quarter, simply calculated from the production forecast index in June, was 0.0 percent on a quarter-on-quarter basis.

industries other than steel ships and chemicals in April-May, production of transport equipment (automobiles) has continued to increase, supported by favorable sales both at home and abroad. Production of general machinery has also been rising against the background of the increase in business fixed investment. Meanwhile, production of electronic parts and devices fell marginally in April-May after having increased temporarily in the first quarter. With the fluctuations smoothed out, it remained more or less flat.

Shipments recorded an increase in April-May (they increased by 0.9 percent compared to the first quarter), after having been virtually flat in the first quarter. By goods (Chart 18), shipments of capital goods have been on an increasing trend, albeit with fluctuations, and construction goods have recently picked up somewhat reflecting the increase in construction investments. Those of consumer goods are basically on a moderate uptrend, particularly in automobiles and digital home appliances, although they were relatively weak in May, mainly in non-durable goods (such as gasoline). Meanwhile, shipments of producer goods have been more or less flat, although the adjustments in IT-related sectors seem to be making progress.

Meanwhile, inventories have recently been flat at a level slightly higher than those at the end of last year, although they remain low from a long-term perspective (Chart 17[1]). The chart of the inventory cycle shows that the increase in inventories of durable consumer goods and capital goods has slowed compared to the first quarter, because inventories of automobiles waiting to be shipped declined (Chart 19). On the other hand, the year-on-year rise in inventories of “producer goods excluding electronic parts and devices” has accelerated slightly, mainly in petroleum, iron and steel, and chemicals. This seems to be partly attributable to the supply pressure mainly from China in some sectors of the materials industry. However, considering that the Asian commodity markets for chemicals and related products have rebounded since June after China recommenced purchases, and that the rise in inventories of petroleum products on a year-on-year basis mainly reflects the low level of inventory registered in the same period in the previous year, it is hard to suppose that there is a significant concern for inventory adjustment pressure being exerted on the materials industry as a whole at this stage. Meanwhile, inventory adjustments of electronic parts and devices seemed to have regressed in April-May because of the rise in

inventory mainly in liquid crystal panels, based on the chart of the inventory cycle. However, given the fact that adjustments in the first quarter made significant progress, and that the inventory level DI for electrical machinery in the June *Tankan* showed improvements, inventory adjustments are considered to be basically making steady progress.

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 continue its uptrend. According to anecdotal information, production is likely to increase moderately in the third quarter.⁸ Nevertheless, the pace of increase in final demand of IT-related sectors, and the exact timing of a visible increase in exports are quite uncertain. Hence, these factors require close monitoring.

As for the employment and income situations, household income has been rising, albeit moderately, as various indicators for labor market conditions have been improving (Chart 20).

In the labor market, overtime hours worked remained high, although they have recently remained more or less flat (Chart 21-2[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 been on a slowing trend (Charts 21-1[2] and [3]). Under these circumstances, the ratio of job offers to applicants has been on a moderate uptrend, and the unemployment rate has followed a gradual downtrend (Chart 21-1[1]). Also according to the June *Tankan*, the employment conditions DI shows that firms' perception that they have excess labor has almost dissipated in both large and small firms (Chart 22).⁹

⁸ Production in July, based on the production forecast index, is calculated to be at a decrease of 0.9 percent compared to the second quarter. However, because this data covers just a single month, it may not be considered as sufficient information for the projection of the third quarter.

⁹ The DI for small firms has moved slightly towards excess recently. However, this seems to be a seasonal phenomenon often observed in the June *Tankan*, immediately after the recruitment of new graduates.

In terms of employment, the growth in the number of employees in the *Labour Force Survey* picked up in April-May, mainly reflecting smaller declines in manufacturing and construction, after having ceased to rise for a time. Also, the number of regular employees in the *Monthly Labour Survey* continued to increase by around 0.5 percent on a year-on-year basis (Chart 21-2[1]). Looking at the number of regular employees in detail, full-time employees have been increasing on a year-on-year basis since the start of the year, and the rate of growth accelerated, particularly since April, reflecting the rise in recruitment of new graduates. On the other hand, the number of part-time employees has recently been recording negative growth on a year-on-year basis. Consequently, the ratio of part-time workers has been declining gradually (Chart 21-2[2]).¹⁰

Regarding wages on a year-on-year basis (Chart 20[2]), special payments have been on an uptrend, reflecting high corporate profits.¹¹ Also, regular payments have recently picked up, albeit marginally, mainly because of the gradual decline in the ratio of part-time workers. As a result, the decline in wages per worker seems to have stopped more evidently as a whole.

As for the outlook, firms are likely to maintain a cautious stance so as to keep their labor costs restrained. Household income, however, is expected to continue increasing gradually, since the perception among firms that they have excess labor has almost dissipated, and corporate profits remain high.

2. Prices

Import prices (on a yen basis, same hereafter, compared to levels three months before) have increased sharply, reflecting the rise in international commodity prices (Chart 24).

¹⁰ While part-time workers have started to decrease, dispatched workers seem to continue increasing. Thus, expansion of non-regular employment in a broad sense is considered to be ongoing.

¹¹ According to the interim results of the survey conducted by the Japan Business Federation (as of June 29; answered by 166 out of 288 large firms, among which 146 are manufacturing firms), summer bonuses increased by 3.2 percent on a year-on-year basis.

Domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter, compared to levels three months before)¹² have increased, mainly reflecting the effects of the rise in crude oil prices (Chart 25).¹³ In detail, prices of petroleum and coal products have continued to increase, reflecting the rise in crude oil prices, and prices of iron and steel related products have also been increasing, assisted mainly by the rise in the cost of materials and by firm demand. By stage of demand, intermediate goods prices have risen sharply, but final goods prices have recently been more or less flat, mainly because of the slower increase in gasoline prices, and the fall in machinery prices.

The year-on-year rate of decline in corporate services prices (excluding external factors; same hereafter) has been on a gradual diminishing trend (Chart 26).¹⁴ The year-on-year rate of decline evidently narrowed as a whole in April-May. This was because some increases and some slower declines were observed in a relatively wide range of prices of other services (such as civil engineering and architectural services, machinery repair and maintenance) with the revision of prices around the turn of the fiscal year.

Consumer prices (excluding fresh food, same hereafter) have basically been declining slightly on a year-on-year basis, partly due to the reduction in electricity and telephone charges (Chart 27). However, the year-on-year rate in May marked 0.0 percent, reflecting the rise in gasoline prices and the smaller declines in rents which tend to fluctuate widely.

With regard to the domestic supply and demand conditions according to the June *Tankan* (Chart 29), the operating level in the domestic economy—measured by

¹² The figures are adjusted to exclude a large seasonal fluctuation in electric power charges to observe the underlying changes in domestic corporate goods prices. Industrial and commercial electric power charges are set relatively high during July-September, when consumption increases substantially.

¹³ They declined both in May and June when compared to the previous month. However, when compared to levels three months before, they also increased in June, reflecting the remaining effects of the increase in April.

¹⁴ “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 weighted average of the excessiveness in both production capacity and employment conditions as perceived by firms—continued its improving trend.¹⁵ Meanwhile, supply and demand conditions in manufacturing have remained almost unchanged at the level above those recorded at the past two peaks, after having posted rapid recovery until the first half of last year. Those conditions are also improving steadily in nonmanufacturing, albeit at a slower pace than in manufacturing.

As for the outlook in these circumstances, domestic corporate goods prices are likely to continue on an increasing trend, but the pace of growth is expected to slow for the time being when compared to three months before, as the effect of the significant rise in April will diminish. Meanwhile, consumer prices are projected to continue falling slightly on a year-on-year basis for the time being, partly reflecting the effects from the reduction in electricity and telephone charges, although supply and demand conditions are likely to continue improving gradually.

3. Financial Developments

(1) Financial Markets

The outstanding balance of current accounts at the Bank of Japan has been moving at around 31-35 trillion yen, as the Bank continues to provide ample liquidity (Chart 32).

As for interest rate developments in the money markets, the overnight call rate (uncollateralized; Chart 30[1]) has been moving at around zero percent. Interest rates on term instruments (Chart 31[1]) have been steady at low levels on the whole. Under these circumstances, interest rates on Euroyen futures (Chart 31[2]) remain essentially unchanged. Meanwhile, undersubscription has occurred repeatedly in funds-supplying operations, which reflects the reduced anxieties about the soundness of Japan's financial system (Chart 33).

¹⁵ The improving trend has apparently paused, but this seems to reflect the seasonal phenomenon observed in the aforementioned employment conditions.

Yields on 10-year government bonds (newly issued 10-year JGB; Chart 30 [2]) have declined to the 1.15-1.20 percent level against the background of the declines in U.S. and European interest rates. They later increased, mainly due to the rise in U.S. and European interest rates, and to some stronger-than-forecasted domestic economic indicators. They have recently been moving at the 1.20-1.25 percent level.

Yield spreads between private bonds (bank bonds and corporate bonds) and government bonds (Charts 35 and 36) have been more or less flat.

Stock prices (Chart 37) have been firm, reflecting the yen's depreciation against the U.S. dollar, and some stronger-than-forecasted domestic economic indicators. The Nikkei 225 Stock Average is moving in the range of 11,500-12,000 yen.

In the foreign exchange market (Chart 38), the yen fell, as the dollar was purchased against the background of the prospects of a wider interest rate differential between Japan and the U.S. The yen is being traded in the range of 111-113 yen to the U.S. dollar.

(2) Corporate Finance and Monetary Aggregates

The pace of decline in credit demand in the private sector is becoming somewhat moderate as the economy continues to recover, 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 39).

Lending rates have recently edged somewhat lower. The average contracted interest rates on new loans and discounts, with the monthly fluctuations averaged, have been declining slightly (Chart 40).

The year-on-year rate of decline in lending by private banks (monthly average outstanding balance basis, after adjustment for extraordinary factors¹⁶) has been diminishing at a moderate pace. (The year-on-year change was –0.5 percent in April, –0.5 percent in May, and –0.3 percent in June; Chart 41.)

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 continue to be at low levels. The amount outstanding of CP and corporate bonds issued has recently been around or slightly above the previous year's level. (The year-on-year change was 1.2 percent in April, 0.5 percent in May, and 1.6 percent in June; Chart 43.)

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 is at the 3.0-4.0 percent level. The year-on-year growth rate of the monetary base (currency in circulation + current account balances at the Bank of Japan) declined somewhat; it is currently at the 1.0-2.0 percent level. (The year-on-year change was 3.0 percent in April, 2.2 percent in May, and 1.7 percent in June; Chart 44.)

The year-on-year growth rate of the money stock ($M_2 + \text{CDs}$) is at the 1.0-2.0 percent level. (The year-on-year change was 1.9 percent in April, 1.5 percent in May, and 1.7 percent in June; Chart 45.) The year-on-year growth rate for the third quarter is projected to be at the 1.0-2.0 percent level.

The number of corporate bankruptcies continues its downtrend; it declined by 1.6 percent year-on-year in May, to 1,072 cases (Chart 46).

¹⁶ 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.

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Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2004/Q4	2005/Q1	Q2	2005/Mar.	Apr.	May	Jun.
Index of living expenditure level (all households)	-1.8	2.7	n.a.	-0.8	0.9	0.9	n.a.
Sales at department stores	-0.6	0.2	n.a.	-0.1	1.6	-0.1	n.a.
Sales at supermarkets	-1.1	-0.5	n.a.	-1.6	0.3	-0.4	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	<344>	<342>	<362>	<337>	<377>	<348>	<360>
Sales of household electrical appliances (real, NEBA)	4.3	3.4	n.a.	2.9	0.9	2.2	n.a.
Outlays for travel (50 major travel agencies)	-0.6	3.6	n.a.	0.9	0.2	-1.6	n.a.
Housing starts <s.a., ann. 10,000 units>	<117>	<121>	<n.a.>	<117>	<114>	<121>	<n.a.>
Machinery orders (from private sector ⁴)	5.7	0.8	n.a.	1.9	-1.0	-6.7	n.a.
Manufacturing	5.3	0.8	n.a.	2.1	14.4	-20.6	n.a.
Nonmanufacturing ⁴	6.5	0.3	n.a.	1.3	-6.9	1.5	n.a.
Construction Starts (private, nondwelling use)	-5.3	11.4	n.a.	-24.6	14.3	-0.2	n.a.
Mining & manufacturing	5.3	8.8	n.a.	-24.7	109.9	-24.5	n.a.
Nonmanufacturing ⁵	-9.1	12.6	n.a.	-23.8	-7.5	7.9	n.a.
Value of public works contracted	-7.4	0.5	n.a.	-4.8	0.3	5.6	n.a.
Real exports	0.5	0.7	n.a.	2.0	0.3	0.8	n.a.
Real imports	2.1	0.4	n.a.	3.6	0.5	1.4	n.a.
Industrial production	-0.9	1.7	n.a.	-0.2	1.9	p -2.3	n.a.
Shipments	-0.9	0.4	n.a.	0.7	2.7	p -2.7	n.a.
Inventories	-2.2	3.1	n.a.	-0.3	0.0	p 0.0	n.a.
Inventory Ratio <s.a., CY 2000=100>	<94.9>	<98.4>	<n.a.>	<98.4>	<97.3>	<p 99.9>	<n.a.>
Real GDP	0.1	1.2	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	-0.2	1.4	n.a.	-0.5	1.7	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2004/Q4	2005/Q1	Q2	2005/Mar.	Apr.	May	Jun.
Ratio of job offers to applicants <s.a., times>	<0.90>	<0.91>	<n.a.>	<0.91>	<0.94>	<0.94>	<n.a.>
Unemployment rate <s.a., %>	<4.6>	<4.6>	<n.a.>	<4.5>	<4.4>	<4.4>	<n.a.>
Overtime working hours ⁶	1.6	0.4	n.a.	-0.9	1.8	p 2.1	n.a.
Number of employees	0.1	0.0	n.a.	0.0	0.4	0.8	n.a.
Number of regular employees ⁶	0.7	0.6	n.a.	0.5	0.4	p 0.5	n.a.
Nominal wages per person ⁶	0.0	0.0	n.a.	-0.4	0.6	p 0.4	n.a.
Domestic corporate goods price index ⁷ <q/q % chg.> (3-month growth rate)	2.0 <0.4>	1.4 <-0.1>	p 1.7 <p 0.8>	1.4 <0.1>	1.9 <1.1>	1.8 <0.9>	p 1.4 <p 0.5>
Consumer price index ⁸	-0.2	-0.4	n.a.	-0.3	-0.2	0.0	n.a.
Corporate service price index	-0.3	-0.7	n.a.	-0.8	-0.4	p -0.5	n.a.
Money Stock (M ₂ +CDs) <average outstanding, y/y % chg.>	2.0	2.0	1.7	2.1	1.9	1.5	1.7
Number of corporate bankruptcies <cases>	<1,099>	<1,059>	<n.a.>	<1,140>	< 946>	<1,072>	<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.

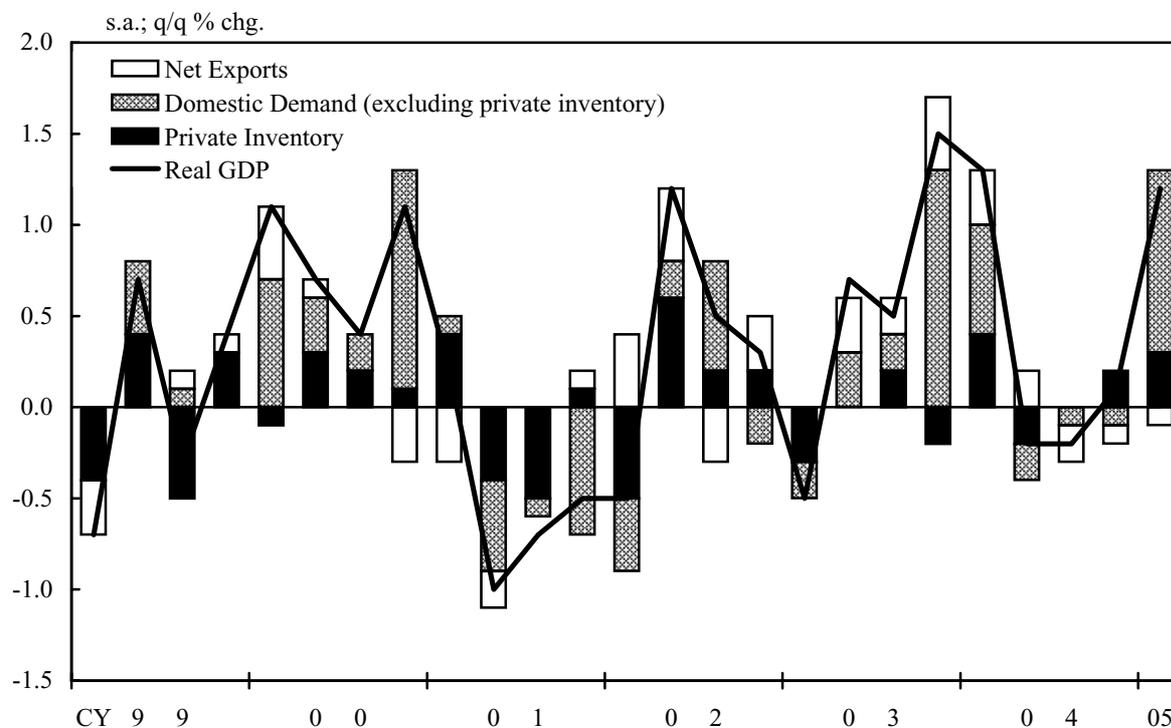
All figures in chart 1-2 except figures in angle brackets are year on year change. For details on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes of respective charts.

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";
 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.

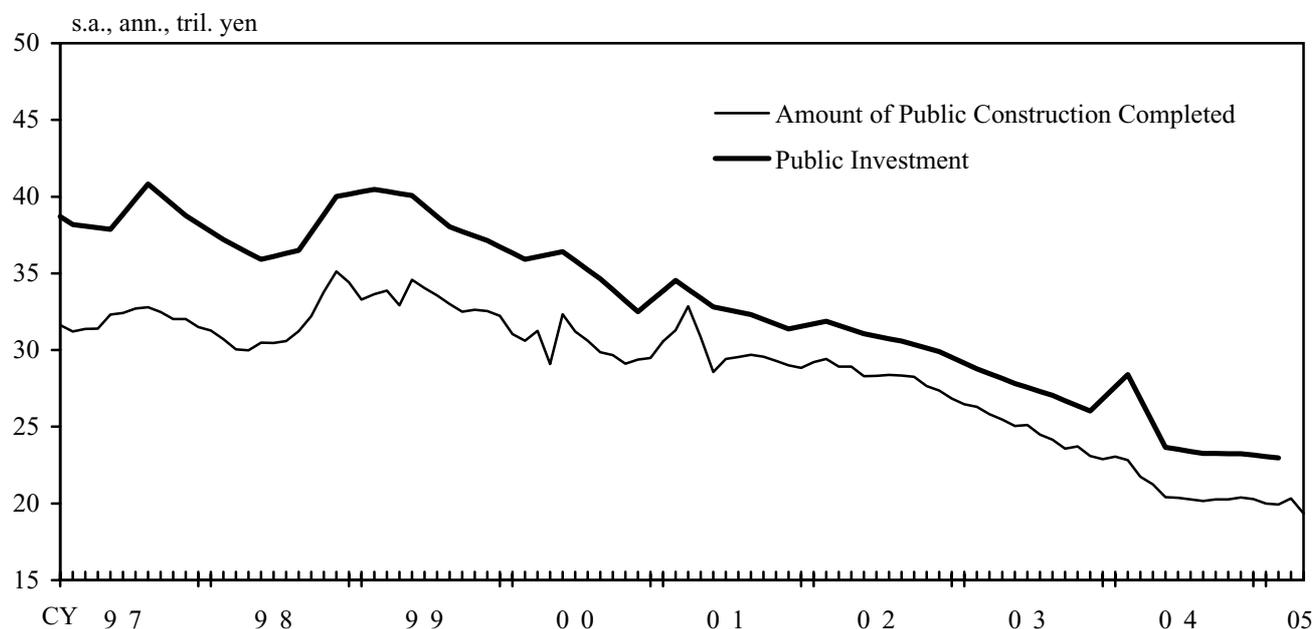
	2004				2005
	Q1	Q2	Q3	Q4	Q1
Real GDP	1.3	-0.2	-0.2	0.1	1.2
Domestic Demand	1.1	-0.4	-0.1	0.1	1.3
Private Consumption	0.7	0.0	-0.1	-0.4	1.1
Non-Resi. Investment	-2.7	3.6	0.1	-0.1	2.4
Residential Investment	0.6	1.3	0.6	0.6	-1.3
Private Inventory	(0.4)	(-0.2)	(-0.0)	(0.2)	(0.3)
Public Demand	3.1	-3.4	-0.1	0.5	0.3
Public Investment	8.5	-16.9	-1.8	-0.3	-0.6
Net Exports of goods and services	(0.3)	(0.2)	(-0.2)	(-0.1)	(-0.1)
Exports	5.1	3.4	0.5	1.3	-0.4
Imports	3.7	1.9	2.3	2.1	0.5
Nominal GDP	1.0	-0.5	-0.2	0.2	0.6

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

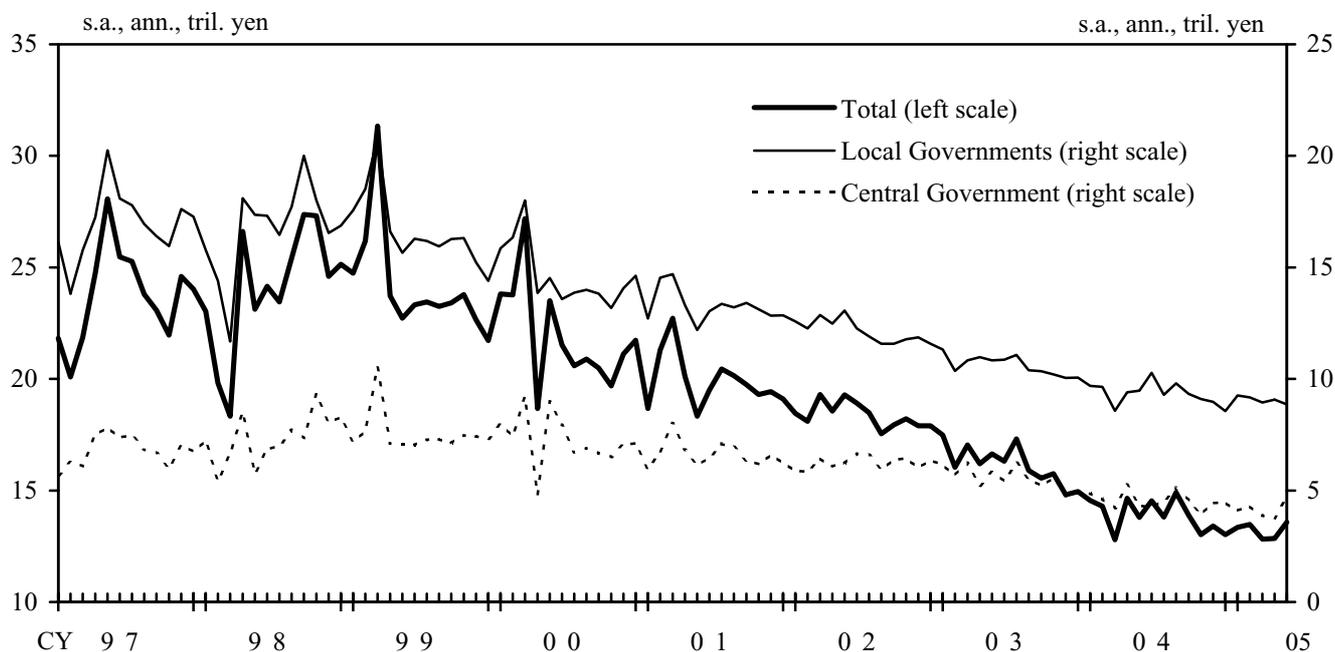
Source: Cabinet Office, "National Accounts."

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.

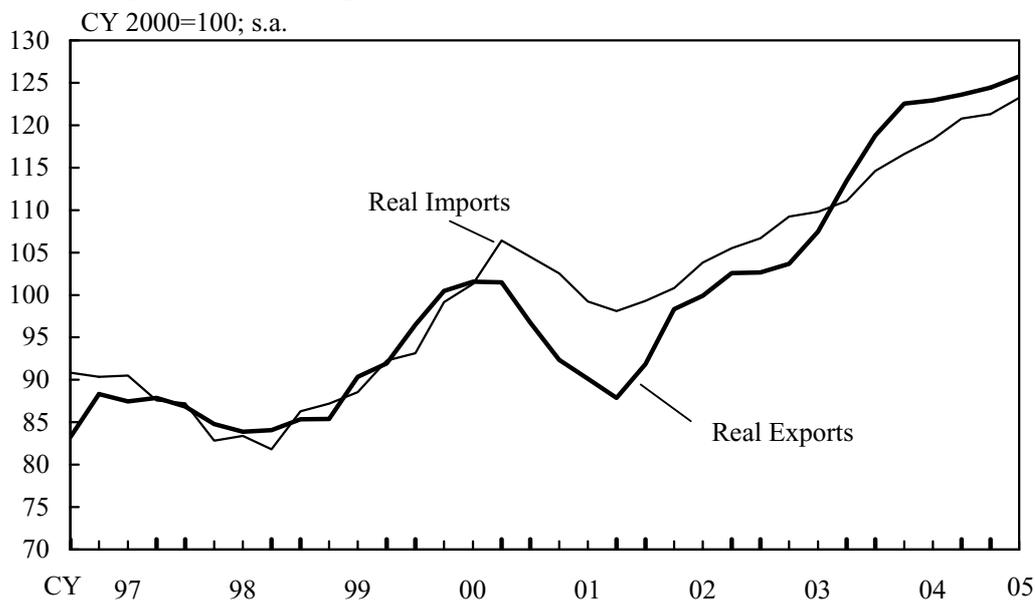
Sources: Cabinet Office, "National Accounts";

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

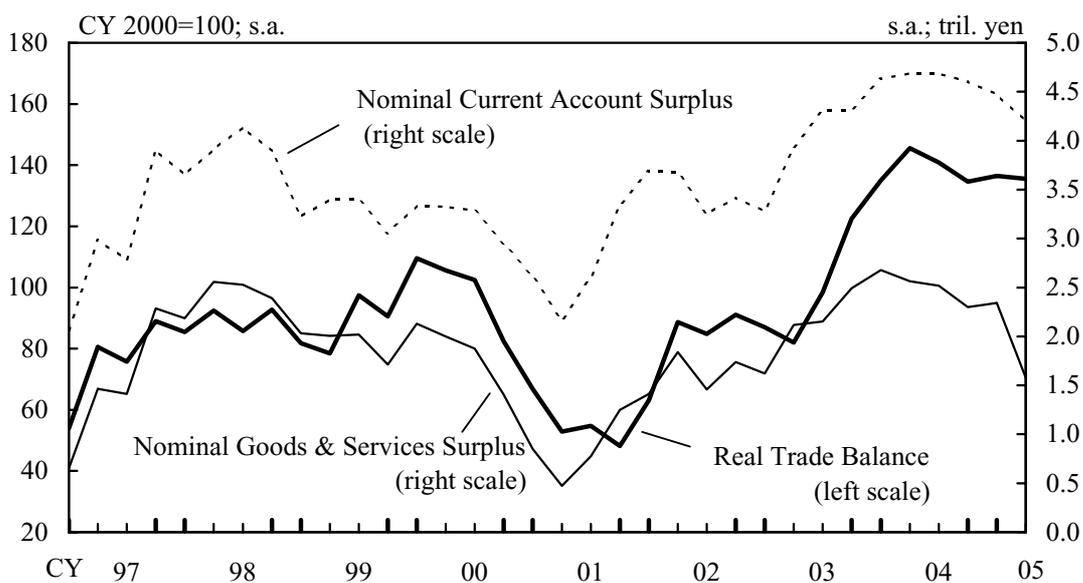
Ministry of Land, Infrastructure and Transport, "Integrated Statistics on Construction Works."

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

3. 2005/Q2 figures for Nominal Current Account Surplus and Nominal Goods & Services Surplus are Apr.-May averages converted into quarterly amount.

Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index," "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 Q2	Q3	Q4	2005 Q1	Q2	2005 Mar.	Apr.	May
United States	<22.4>	-5.5	6.8	2.9	0.3	2.3	2.0	0.8	2.1	-2.8	5.2
EU	<15.5>	14.9	18.7	2.3	2.1	2.0	-0.7	2.0	-1.1	5.6	-3.3
East Asia	<46.9>	20.4	19.1	1.4	0.7	-0.5	3.2	0.1	1.1	2.2	0.8
China	<13.1>	42.0	22.2	2.1	-0.2	2.8	1.3	-2.4	1.7	-0.4	4.9
NIEs	<24.7>	16.2	20.4	1.8	0.9	-2.8	4.4	0.9	2.5	2.6	0.6
Korea	<7.8>	19.2	19.1	0.6	-1.4	-6.9	7.9	-1.6	-2.8	3.6	0.6
Taiwan	<7.4>	16.8	26.9	1.9	6.8	-1.7	3.2	5.7	7.6	6.0	-0.3
ASEAN4 ³	<9.1>	9.6	12.3	-0.4	1.1	1.2	2.8	1.1	-2.9	4.6	-4.0
Thailand	<3.6>	19.0	16.8	2.5	0.9	5.6	5.2	-1.0	-0.1	1.0	-3.7
Real exports		8.9	14.5	3.2	0.3	0.5	0.7	1.1	2.0	0.3	0.8

(2) Breakdown by goods

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 2003	2004	2004 Q2	Q3	Q4	2005 Q1	Q2	2005 Mar.	Apr.	May
Intermediate goods	<16.3>	5.6	5.5	-2.9	-1.6	-0.0	1.5	0.5	2.3	0.3	2.8
Motor vehicles and their related goods	<22.4>	1.3	8.3	5.3	0.6	1.2	1.7	3.0	-1.6	0.2	4.9
Consumer goods ⁴	<6.0>	16.2	14.9	1.3	-3.5	4.5	-2.0	5.2	-0.5	7.3	-2.7
IT-related goods ⁵	<13.7>	13.2	17.3	4.2	-0.4	-0.6	2.2	0.0	1.1	-0.2	4.6
Capital goods and parts ⁶	<30.0>	18.8	23.5	5.5	1.8	0.3	1.3	0.6	4.6	-0.7	0.3
Real exports		8.9	14.5	3.2	0.3	0.5	0.7	1.1	2.0	0.3	0.8

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2005/Q2 figures are Apr.-May averages 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.

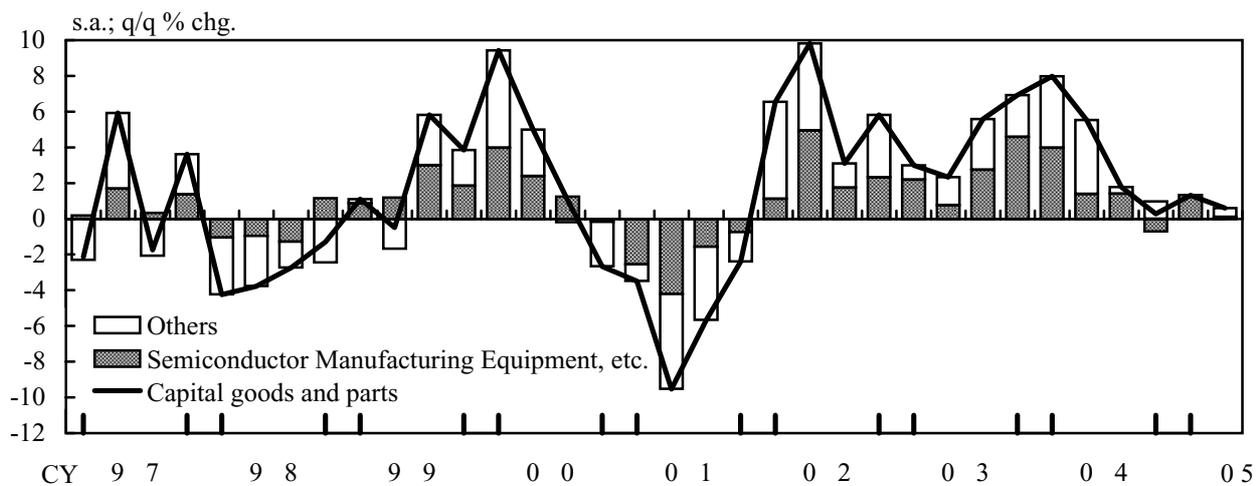
5. IT-related goods are composed of computers and units, telecommunication machinery, ICs and medical and optical instruments.

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

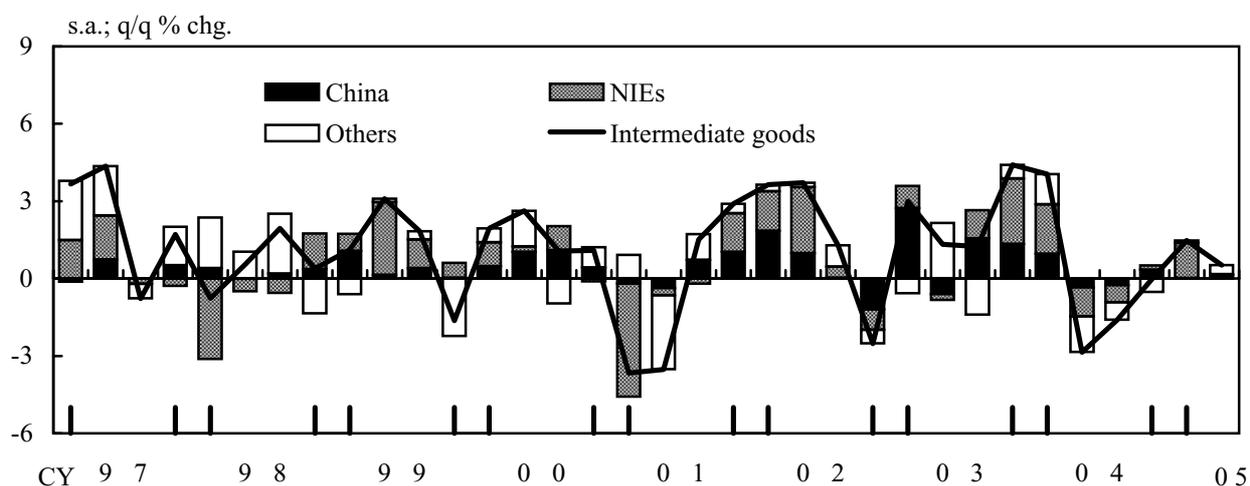
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Real Exports breakdown by goods

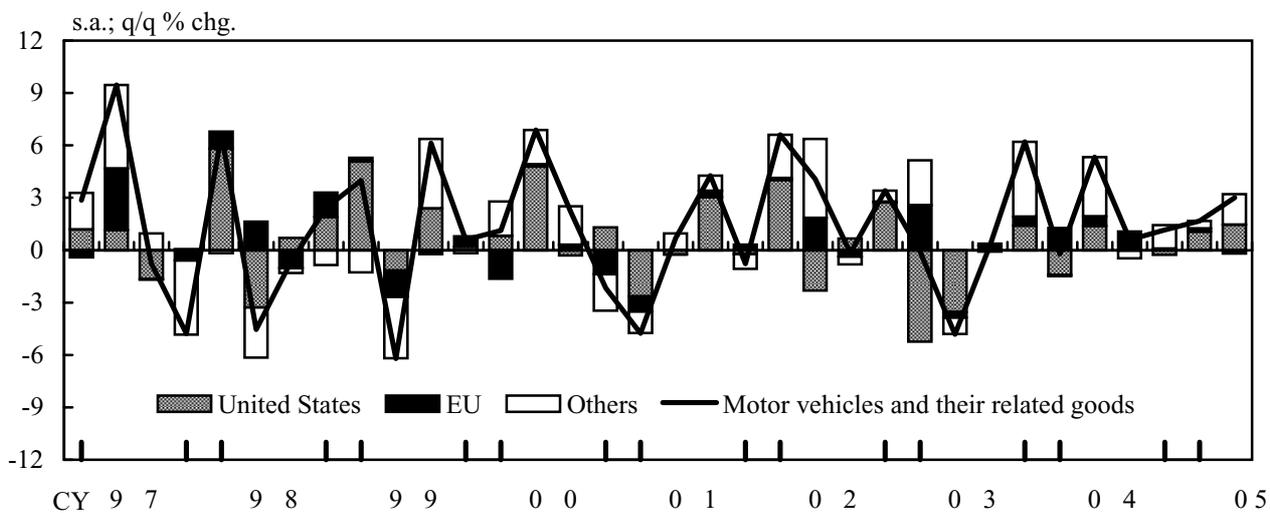
(1) Capital goods and parts (real, breakdown by goods)



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



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



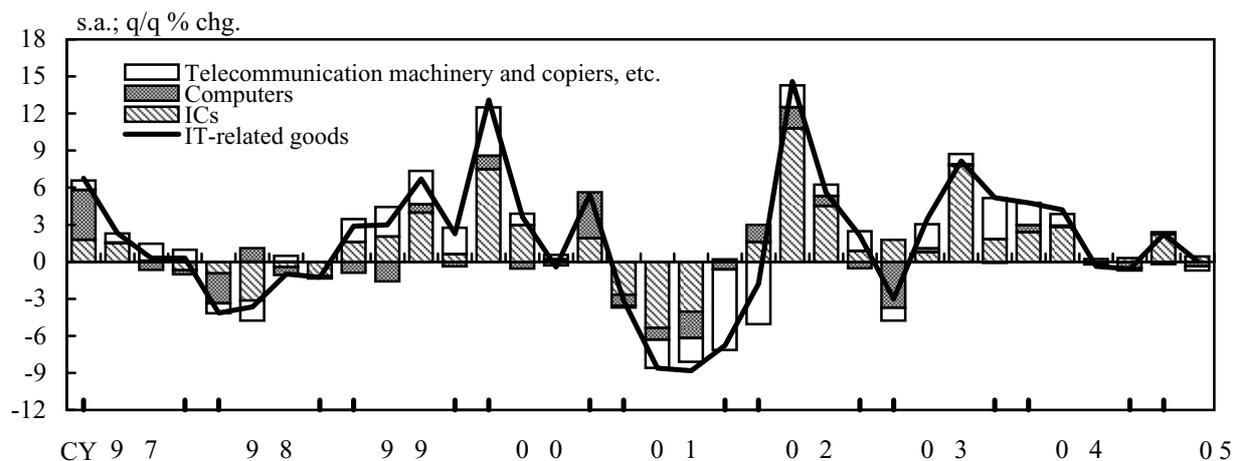
Notes: 1. Seasonally adjusted by X-12-ARIMA.

2. 2005/Q2 figures are Apr.-May figures converted into quarterly amount.

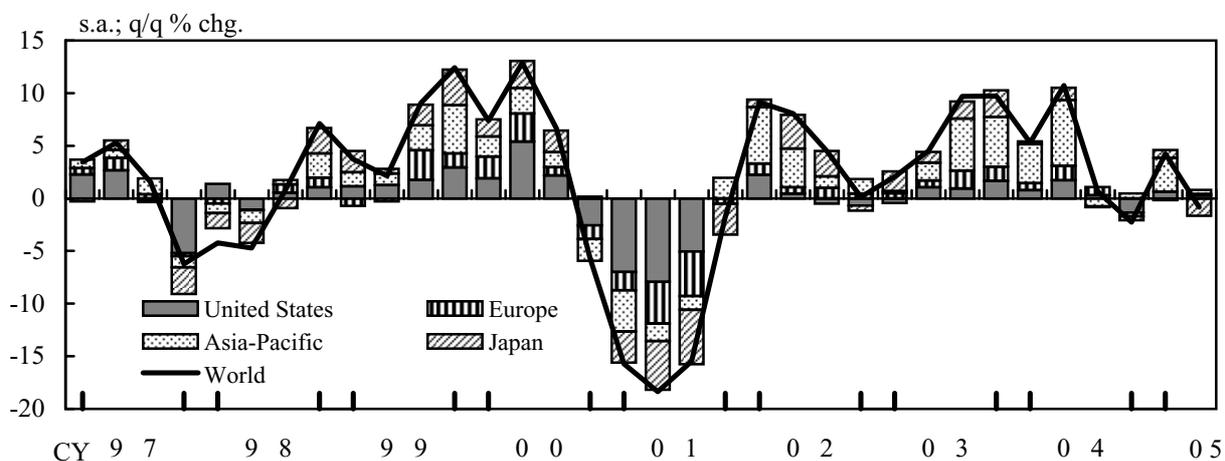
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Exports and Imports of IT-related goods

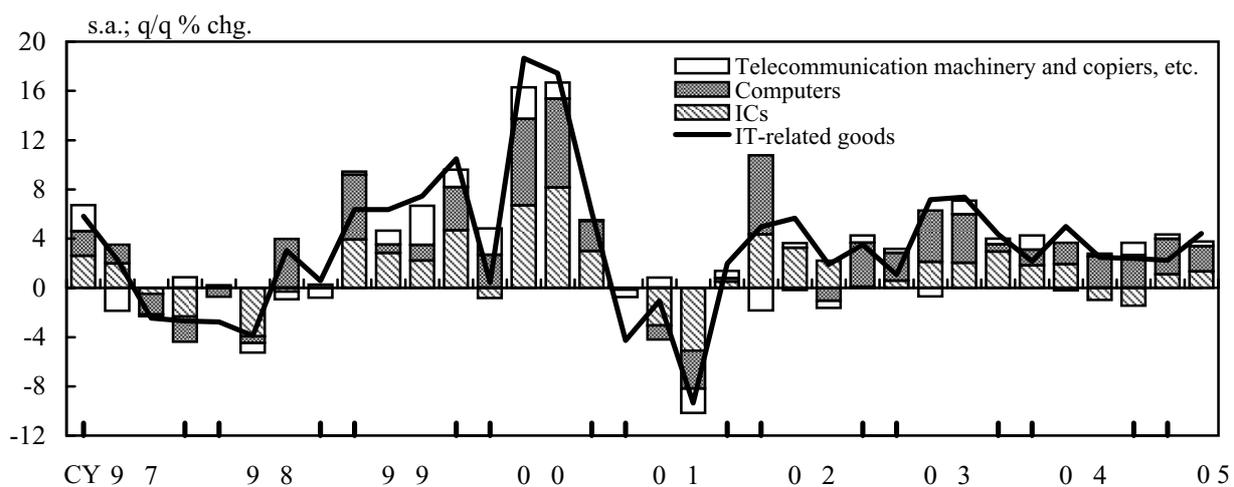
(1) Exports of IT-related goods (real, breakdown by goods)



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

Sources: Ministry of Finance, "The Summary Report on Trade of Japan";

Bank of Japan, "Corporate Goods Price Index"; WSTS (World Semiconductor Trade Statistics.)

Real Imports ¹

(1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2003	2004	2004 Q2	Q3	Q4	2005 Q1	Q2	2005 Mar.	Apr.	May
United States	<13.7>	-2.4	0.4	4.2	-1.3	2.0	-4.2	3.5	8.8	1.8	-4.5
EU	<12.6>	5.6	9.6	0.2	-0.5	2.1	-1.3	8.3	2.2	13.1	-4.2
East Asia	<43.1>	14.2	14.7	3.0	4.1	1.7	4.7	0.1	-3.7	3.5	-0.6
China	<20.7>	21.3	20.9	4.9	5.8	5.4	6.7	1.0	-5.5	5.5	-2.0
NIEs	<10.2>	9.6	12.8	1.5	1.4	-2.1	3.9	1.6	-0.3	3.2	1.0
Korea	<4.8>	13.0	14.5	1.7	-4.0	-2.3	5.1	3.0	0.0	2.3	3.9
Taiwan	<3.7>	6.9	12.0	0.7	4.5	-1.2	2.7	1.1	0.5	5.3	-2.8
ASEAN4 ³	<12.1>	8.6	7.1	1.2	3.8	-0.9	1.8	-2.8	-3.2	0.0	0.9
Thailand	<3.1>	11.0	14.3	4.4	4.0	3.9	5.1	0.9	-1.7	0.9	3.2
Real imports		6.8	8.1	1.8	1.5	2.1	0.4	1.6	3.6	0.5	1.4

(2) Breakdown by goods

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2003	2004	2004 Q2	Q3	Q4	2005 Q1	Q2	2005 Mar.	Apr.	May
Raw materials ⁴	<27.9>	5.9	1.3	-0.2	2.5	1.7	-3.4	-4.5	2.2	-8.4	9.7
Intermediate goods	<14.1>	4.6	8.7	2.7	1.2	0.1	2.4	2.8	-1.3	5.8	-1.1
Foodstuffs	<10.8>	-4.2	0.4	0.9	-0.2	0.2	3.3	3.2	-3.5	5.6	4.6
Consumer goods	<10.6>	8.0	12.5	4.1	-1.5	4.4	2.2	7.8	3.2	6.3	0.4
IT-related goods ⁵	<13.6>	17.3	17.6	5.0	2.5	2.4	2.2	4.4	0.6	10.8	-8.6
Capital goods and parts ⁶	<12.6>	14.5	17.4	3.4	2.9	5.6	-1.4	5.0	19.1	-4.0	-0.8
excluding aircraft	<11.7>	14.6	19.2	2.9	4.3	1.1	2.0	6.1	-1.7	6.0	3.4
Real imports		6.8	8.1	1.8	1.5	2.1	0.4	1.6	3.6	0.5	1.4

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2005/Q2 figures are Apr.-May averages 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.

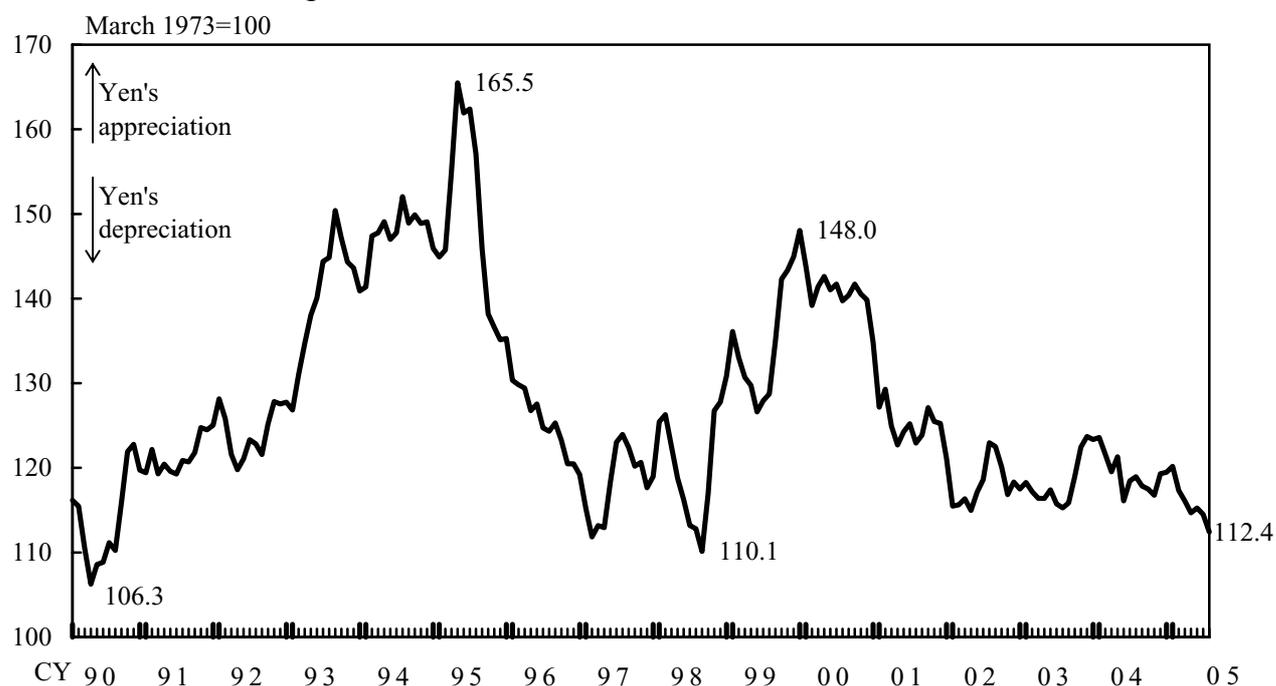
4. Raw materials are mainly composed of woods, ores and mineral fuel.

5. IT-related goods are composed of computers and units, parts of computer, 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 July 2005 is the average up to July 12.
Figures are the index of weighted average of the yen's real exchange rates versus 15 major currencies (26 countries) which are calculated from nominal exchange rates and price indexes of the respective countries.

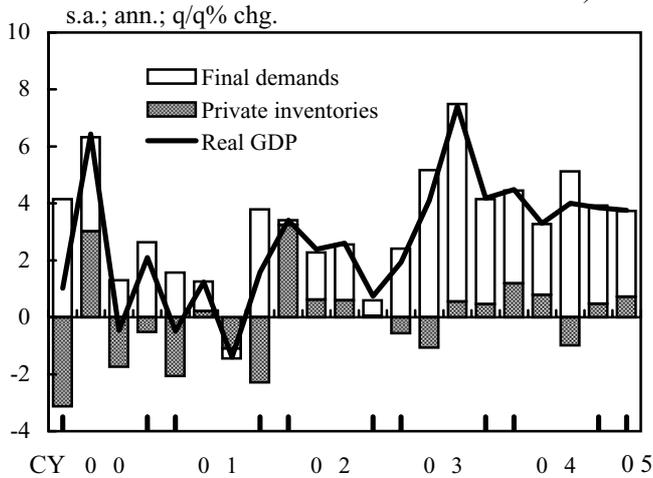
(2) Real GDP Growth Rates in Overseas Economies

		CY2002	2003	2004	2004 Q2	Q3	Q4	2005 Q1	
United States ¹		1.9	3.0	4.4	3.3	4.0	3.8	3.8	
European Union ¹		1.1	1.0	2.1	2.2	1.4	1.0	2.0	
	Germany	0.2	0.0	1.6	0.8	-0.2	-0.5	4.2	
	France	1.3	0.9	2.1	2.8	0.3	2.7	1.4	
	United Kingdom	2.0	2.5	3.2	3.4	1.4	2.2	1.5	
East Asia ²	China	8.3	9.5	9.5	9.6	9.1	9.5	9.4	
	NIEs	Korea	7.0	3.1	4.6	5.5	4.7	3.3	2.7
		Taiwan	3.9	3.3	5.7	7.9	5.3	3.3	2.5
		Hong Kong	1.9	3.1	8.1	12.0	6.6	7.1	6.0
		Singapore	3.2	1.4	8.4	12.3	7.2	6.5	2.5
	ASEAN4	Thailand	5.3	6.9	6.1	6.4	6.1	5.3	3.3
		Indonesia	4.4	4.9	5.1	4.4	5.1	6.7	6.3
Malaysia		4.4	5.4	7.1	8.4	6.7	5.8	5.7	
Philippines		4.3	3.6	6.1	6.4	6.3	5.4	4.6	

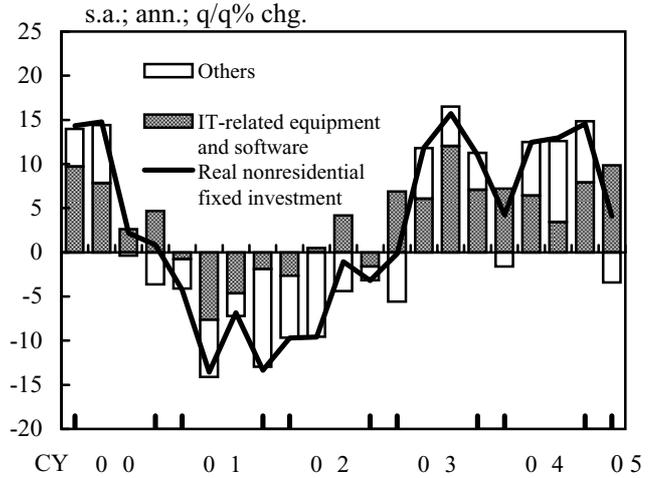
Notes: 1. Quarterly data of U.S. and EU are quarter-to-quarter percent changes at annual rate.
2. Quarterly data of East Asia are percent changes from a year earlier.

Environment for Exports (2)

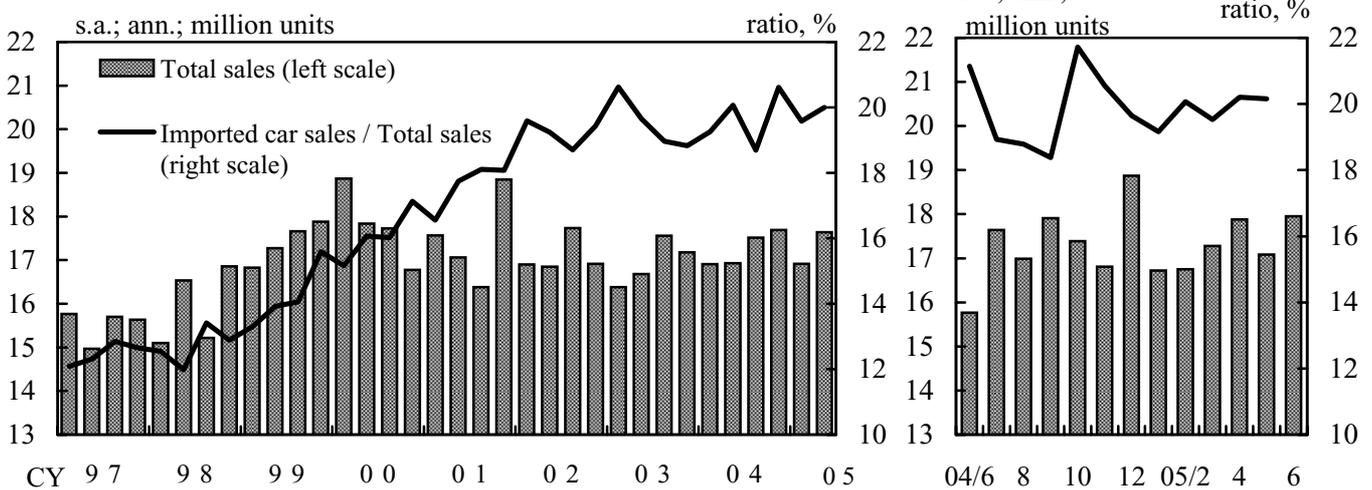
(1) U.S. Real GDP (breakdown by final demands and inventories)



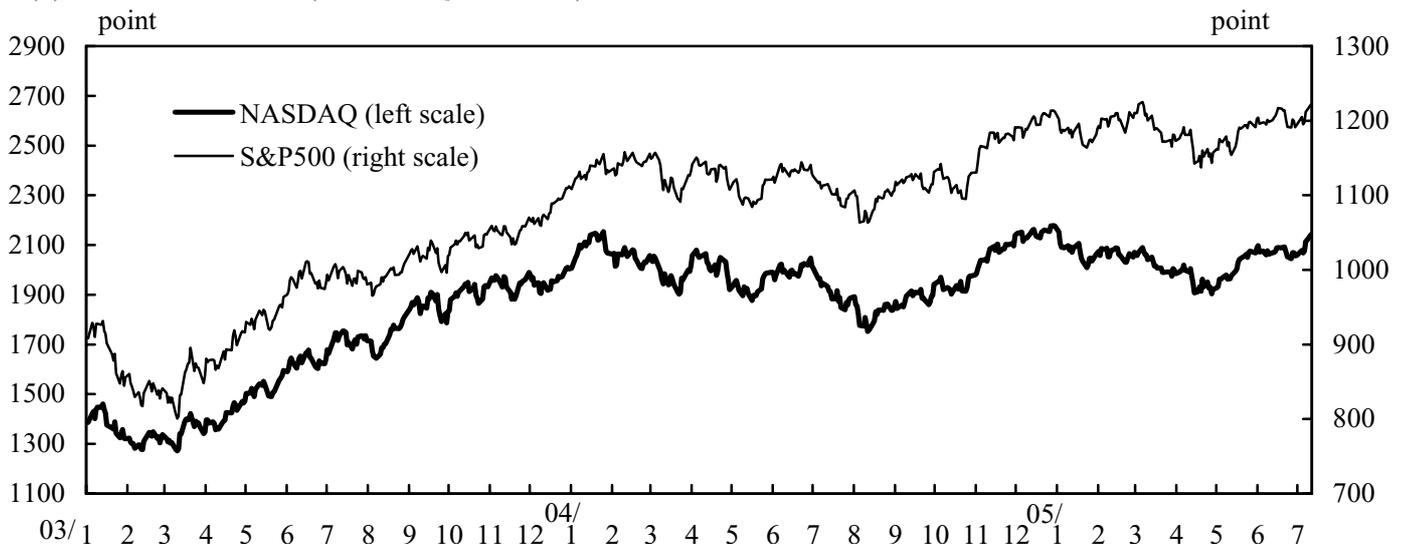
(2) U.S. Real Nonresidential Fixed Investment



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



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

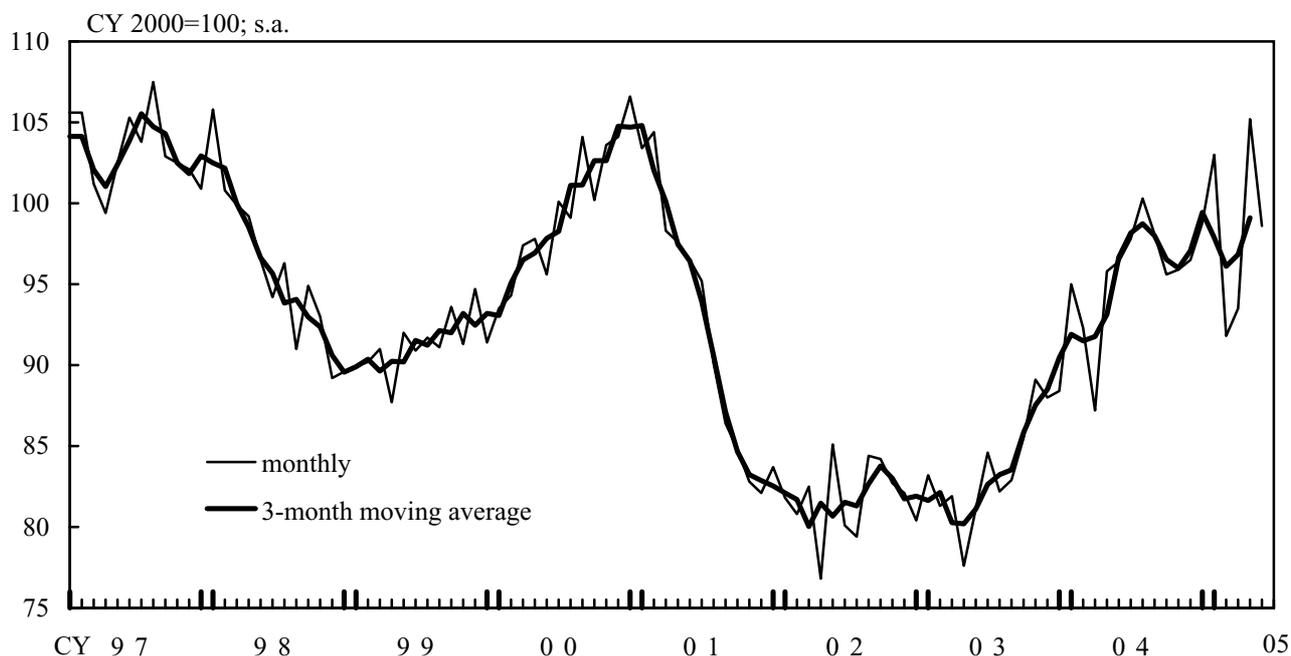


Notes: 1. "Imported car sales / Total sales of automobile" in 2005/Q2 is based on Apr.-May averages in (3). June Automobile sales is calculated by adding average of heavy trucks in CY 2004 (0.43mil.) to preliminary figure released by an industry association (s.a., ann., 17.52 mil.) which does not include heavy trucks.
2. Figures of U.S. stock prices in (4) are up to July 12.

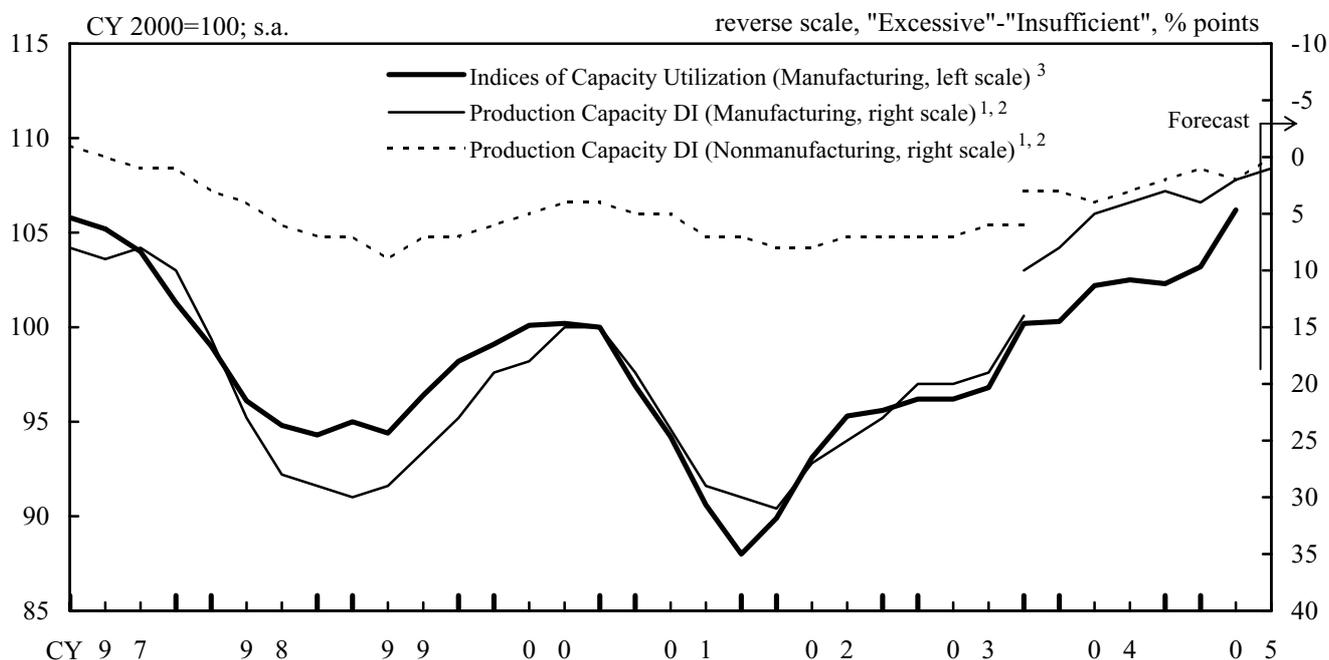
Sources: U.S. Department of Commerce, "National Income and Product Accounts," "Sales, production, imports, exports, and inventories, in units"; Reuters News Service; Bloomberg.

Indicators for Business Fixed Investment (1)

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



(2) Indices of Capacity Utilization and Production Capacity DI



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

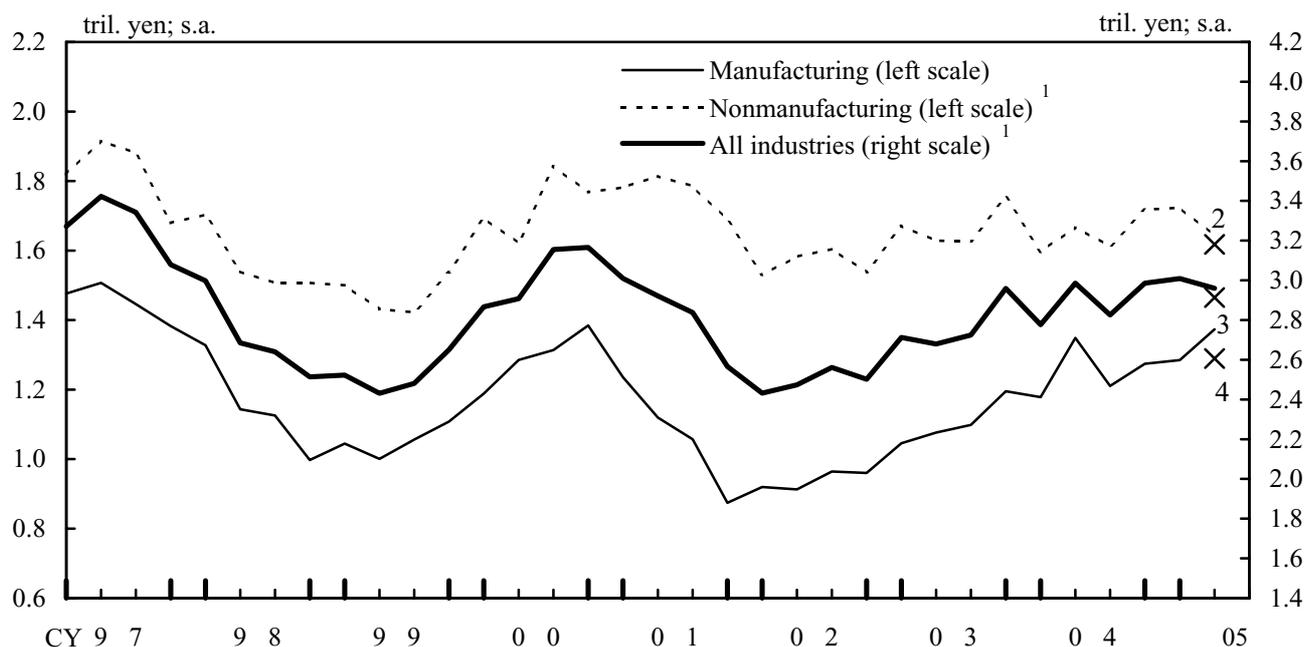
2. The *Tankan* has been revised from the March 2004 Survey. Figures up to the December 2003 Survey are based on the previous data sets. Figures from the December 2003 Survey are on a new basis.

3. The figure for 2005/Q2 is as of April.

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

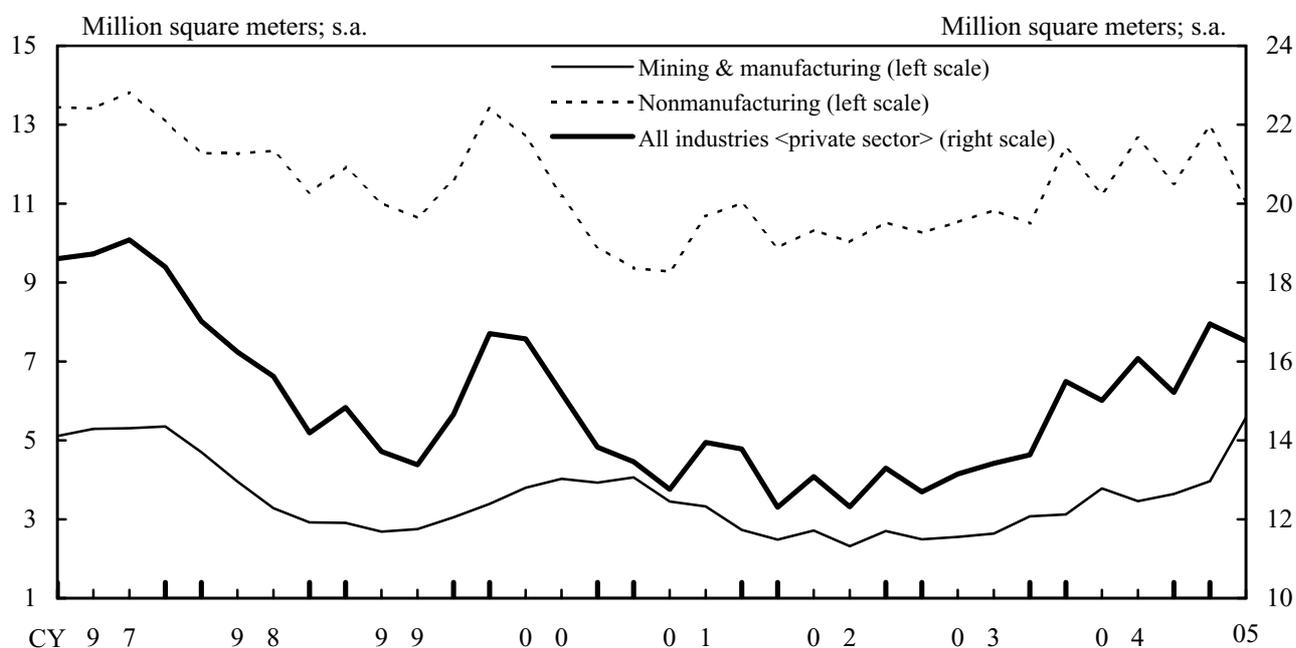
Indicators for Business Fixed Investment (2)

(1) Machinery Orders



- Notes: 1. Excludes orders of shipbuilding and orders from electric power companies.
 2. Forecast of nonmanufacturing industries for 2005/Q2.
 3. Forecast of all industries for 2005/Q2.
 4. Forecast of manufacturing industries for 2005/Q2.
 5. Figures for 2005/Q2 are averages of April-May in terms of quarterly amount.

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

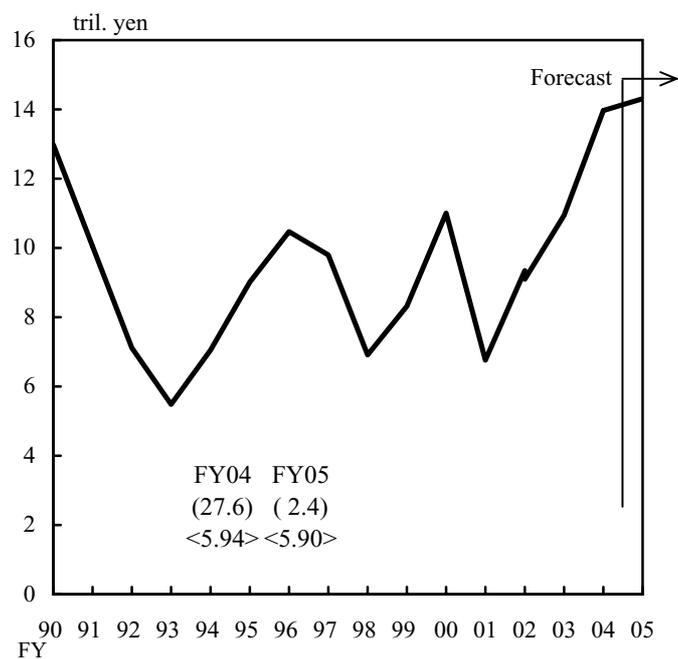


- Notes: 1. Seasonally adjusted by X-12-ARIMA.
 2. Because the Standard Industrial Classification for Japan was revised in March 2002, the industry classification for Newspaper Publishing and Publishing Business was changed from Mining and Manufacturing to Nonmanufacturing. Accordingly, the data up to fiscal year 2002 were adjusted by using a link coefficient.
 3. Figures for 2005/Q2 are averages of April-May in terms of quarterly amount.

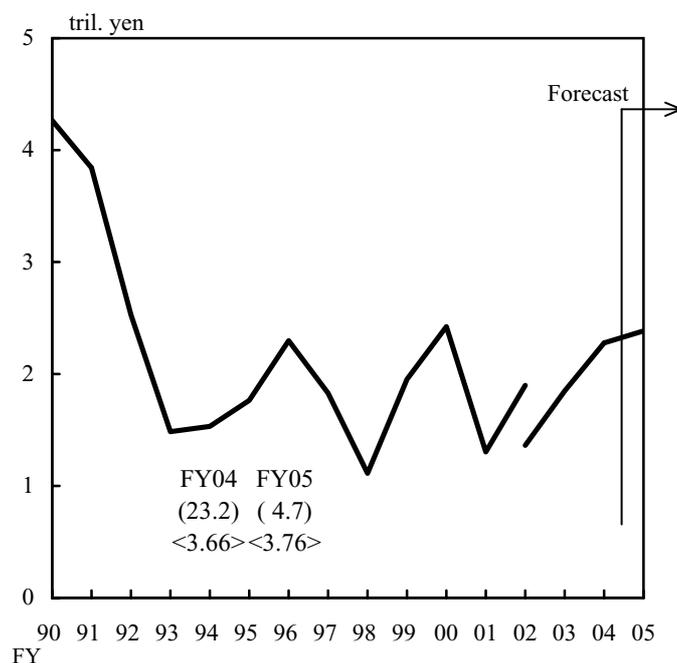
Sources: Cabinet Office, "Machinery Orders Statistics";
 Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts."

Current Profits

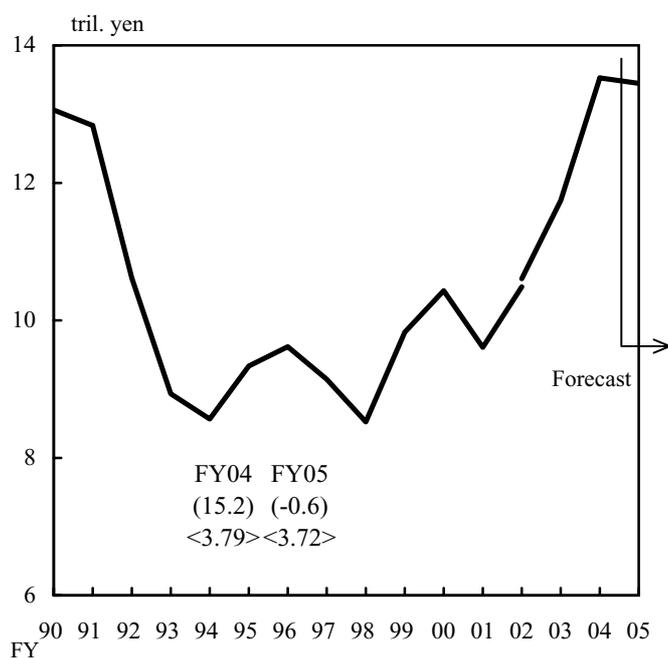
(1) Manufacturing Large Enterprises



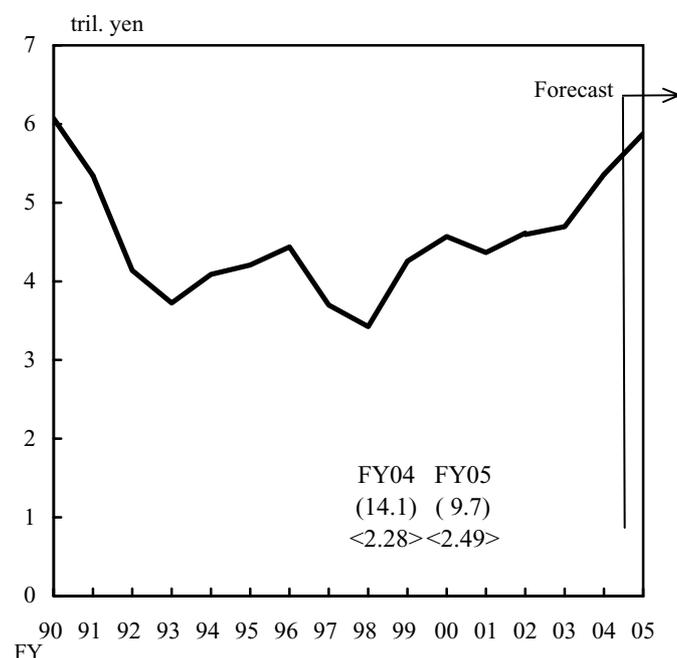
(2) Manufacturing Small Enterprises



(3) Nonmanufacturing Large Enterprises



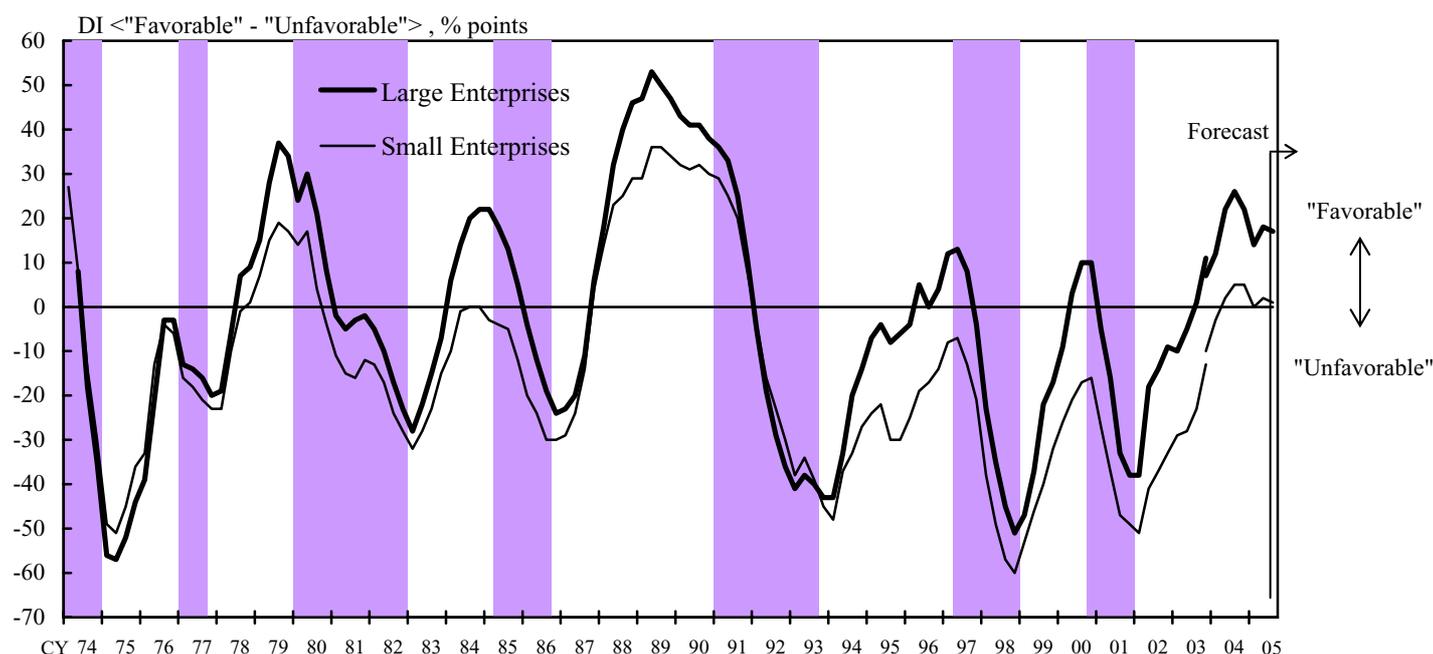
(4) Nonmanufacturing Small Enterprises



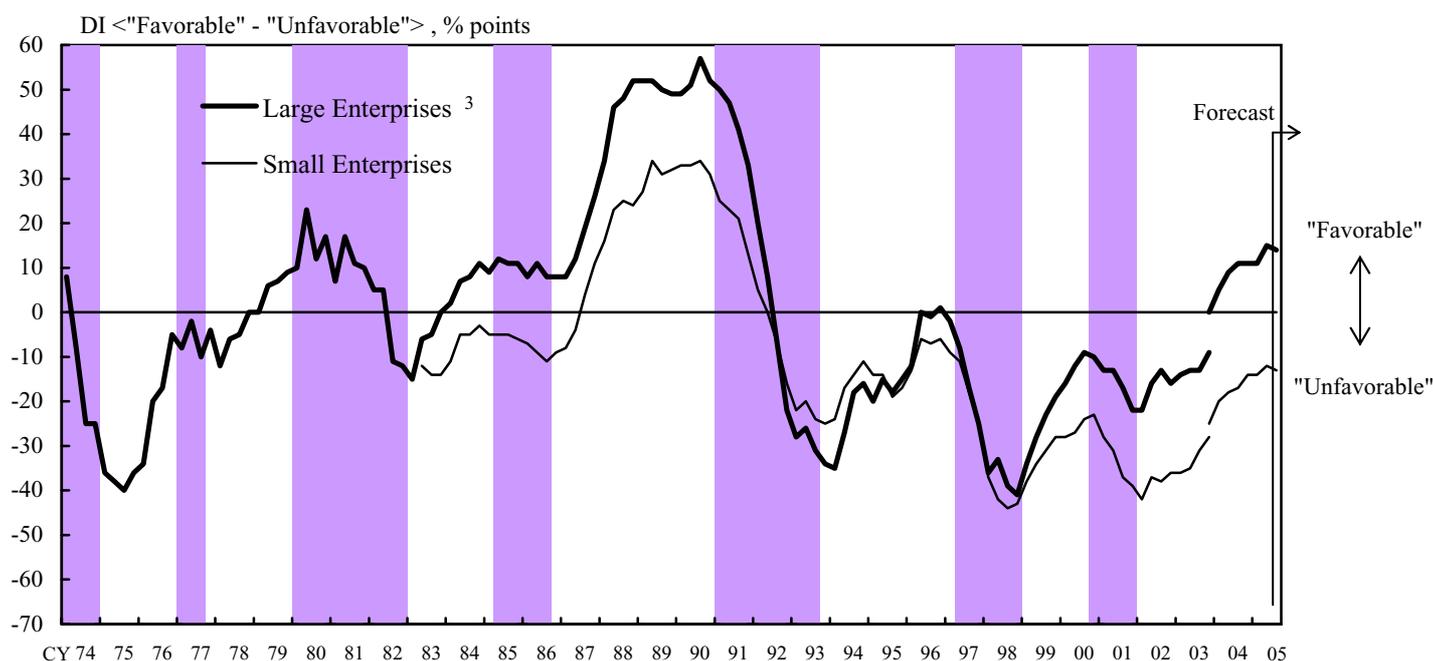
- Notes: 1. Large enterprises (pre-revision): 1,000 employees or more
 Small enterprises (pre-revision): 50-299 employees (for Manufacturing), 20-99 employees (for Wholesaling), 20-49 employees (for Retailing, services, and leasing), 50-299 employees (for Other industries)
 Large enterprises (post-revision): capital with 1 billion yen and more
 Small enterprises (post-revision): capital with 20 million yen to less than 100 million yen
2. (): Current Profits (y/y% chg.), < >: Ratio of current profit to sales (%).
3. The *Tankan* has been revised from the March 2004 Survey. Figures up to FY2002 are based on the previous data sets. Figures from FY2002 are on a new basis.

Business Conditions

(1) Manufacturing



(2) Nonmanufacturing



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

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

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

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

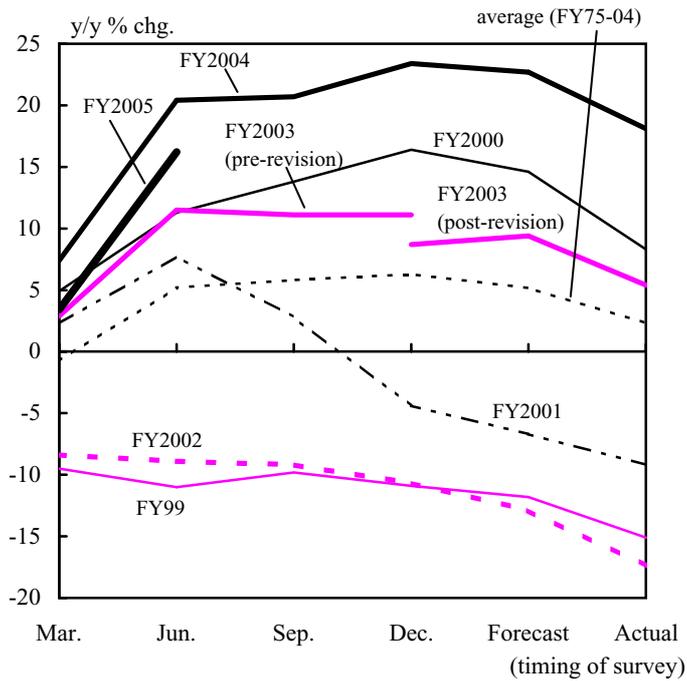
2. The *Tankan* has been revised from the March 2004 Survey. Figures up to the December 2003 Survey are based on the previous data sets. Figures from the December 2003 Survey are on a new basis.

3. Date prior to Feb. 1983 are those of Principal Enterprises.

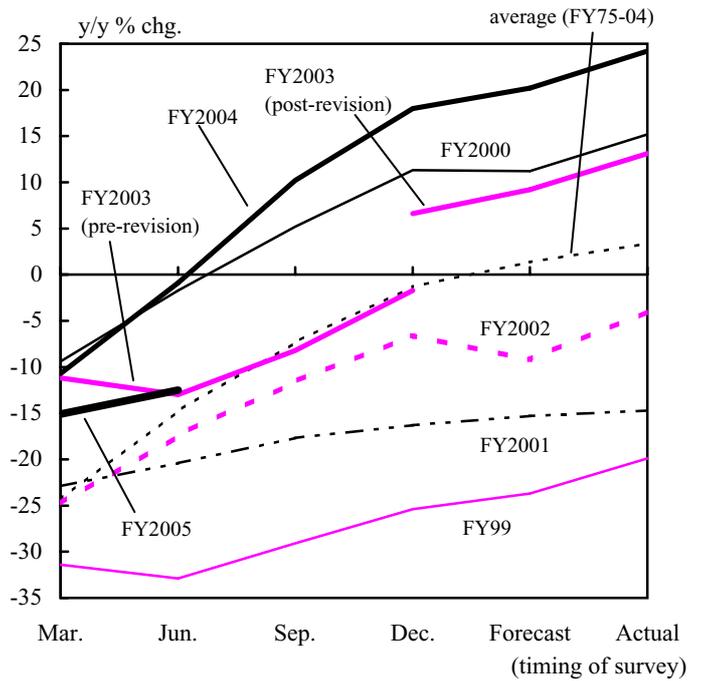
4. Shaded areas indicate recession periods.

Business Fixed Investment Plans as Surveyed

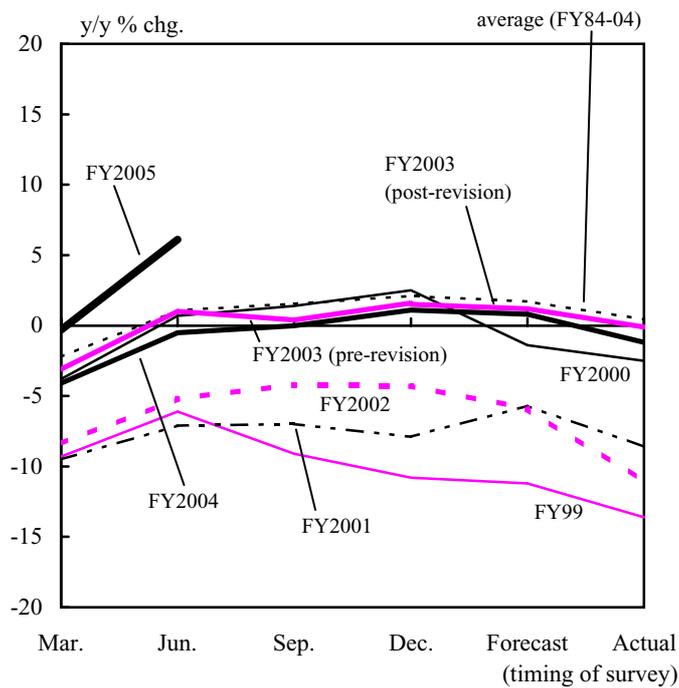
(1) Manufacturing Large Enterprises



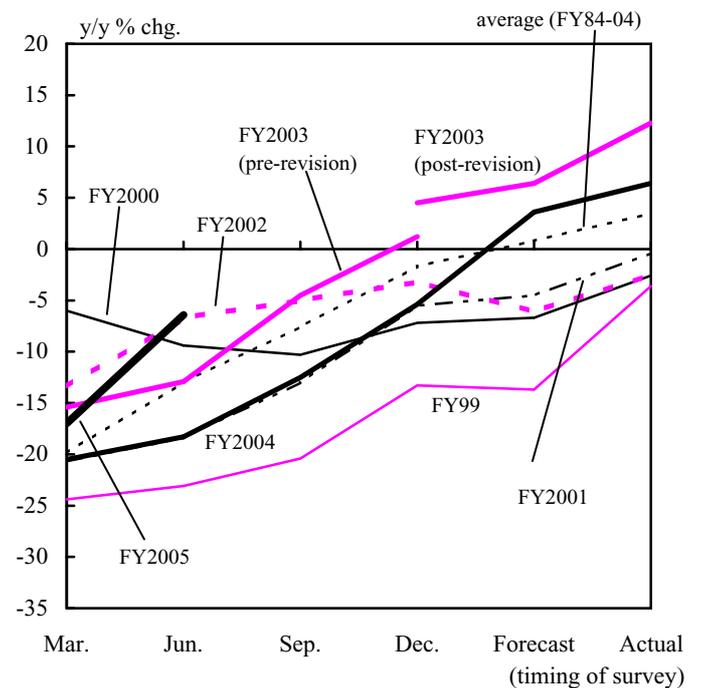
(2) Manufacturing Small Enterprises



(3) Nonmanufacturing Large Enterprises



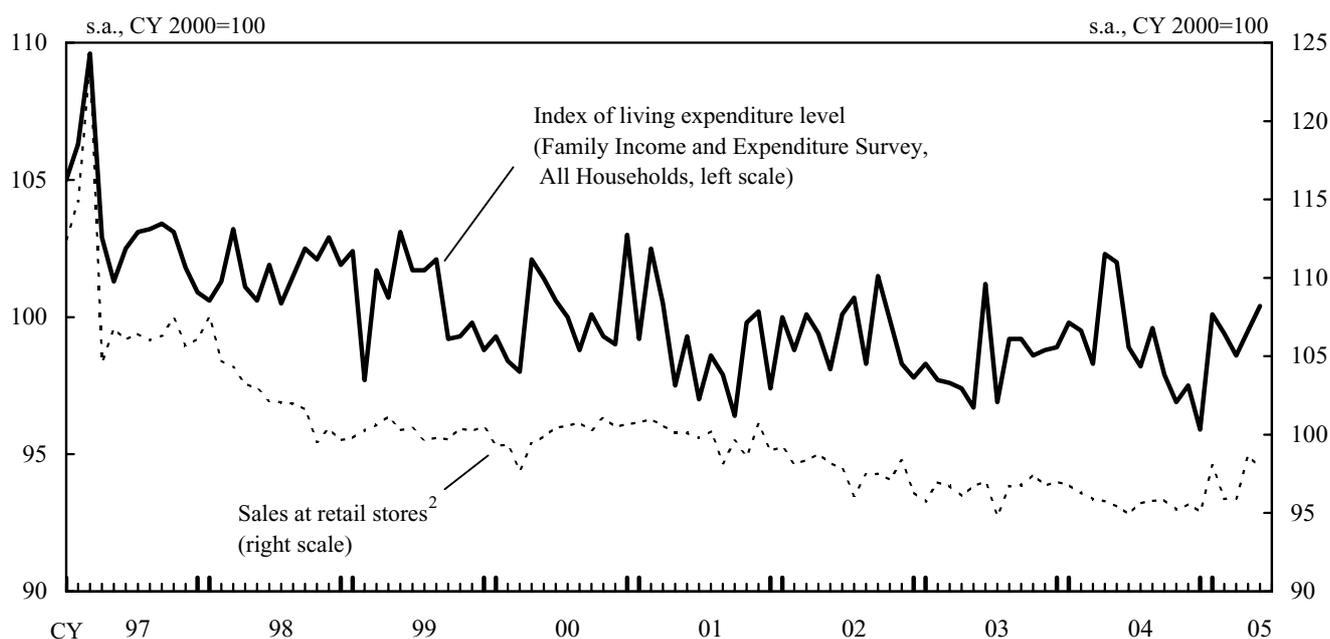
(4) Nonmanufacturing Small Enterprises



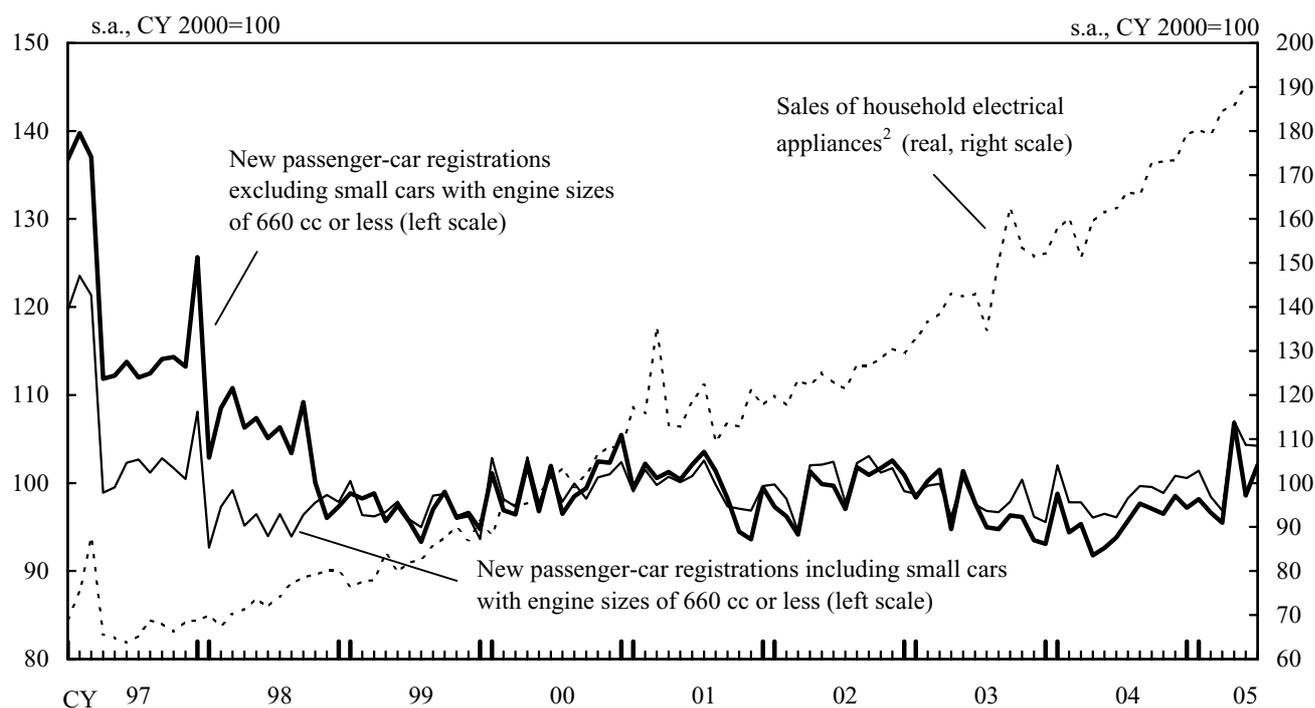
Notes: 1. Large enterprises (pre-revision): 1,000 employees or more
 Small enterprises (pre-revision): 50-299 employees (for Manufacturing), 20-99 employees (for Wholesaling),
 20-49 employees (for Retailing, services, and leasing),
 50-299 employees (for Other industries)
 Large enterprises (post-revision): capital with 1 billion yen and more
 Small enterprises (post-revision): capital with 20 million yen to less than 100 million yen
 2. Includes land purchasing expenses and excludes software investment.
 3. The *Tankan* has been revised from the March 2004 Survey. Figures up to the December 2003 Survey are based on the previous data sets. Figures from the December 2003 Survey are on a new basis.

Indicators for Private Consumption¹ (1)

(1) Household Spending (real)

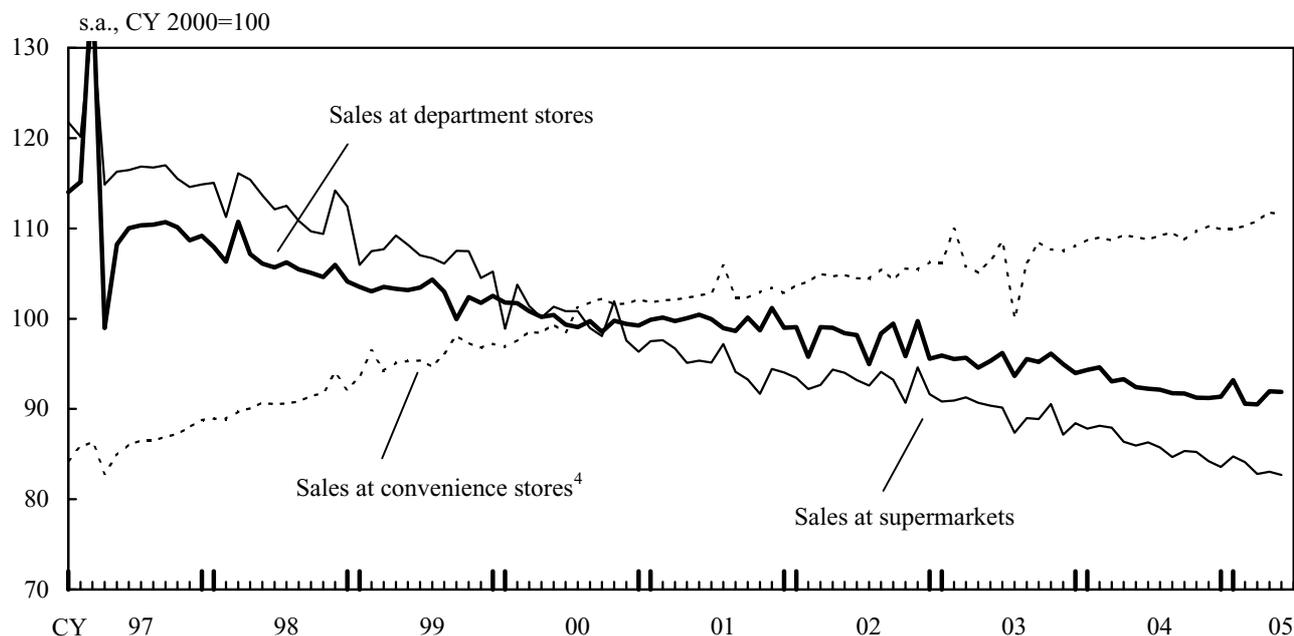


(2) Sales of Durable Goods

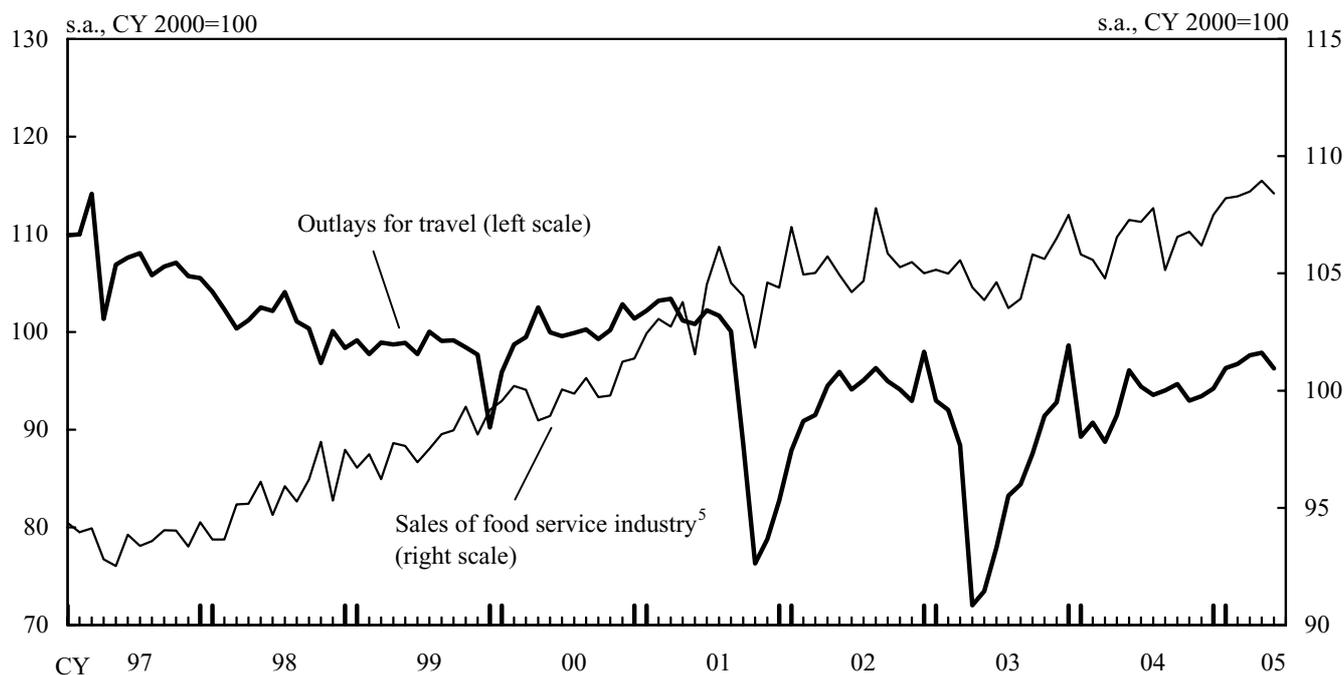


- Notes: 1. Seasonally adjusted by X-12-ARIMA. Index of living expenditure level is seasonally adjusted by the Ministry of Internal Affairs and Communications.
2. Sales at retail stores are deflated by the consumer price index for goods (excluding electricity, gas & water charges). Sales of household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

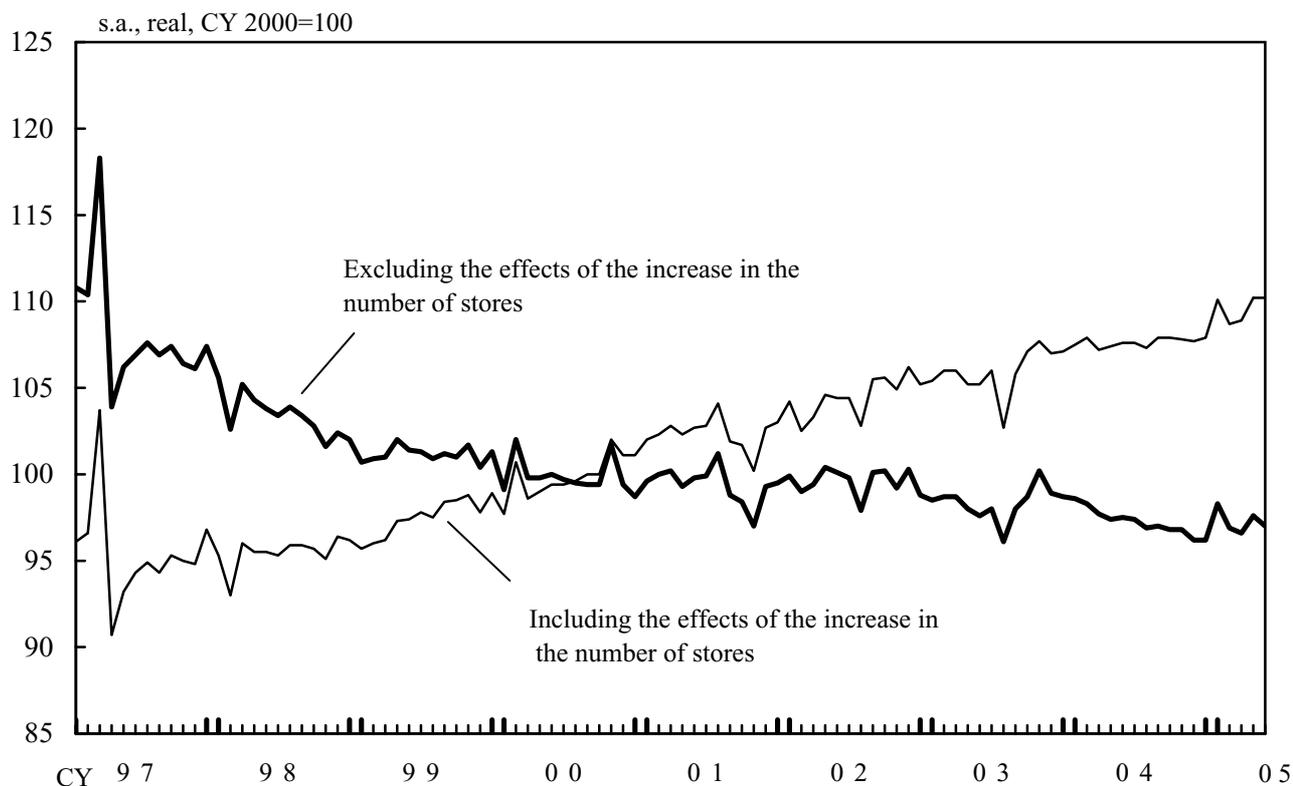
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce";

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

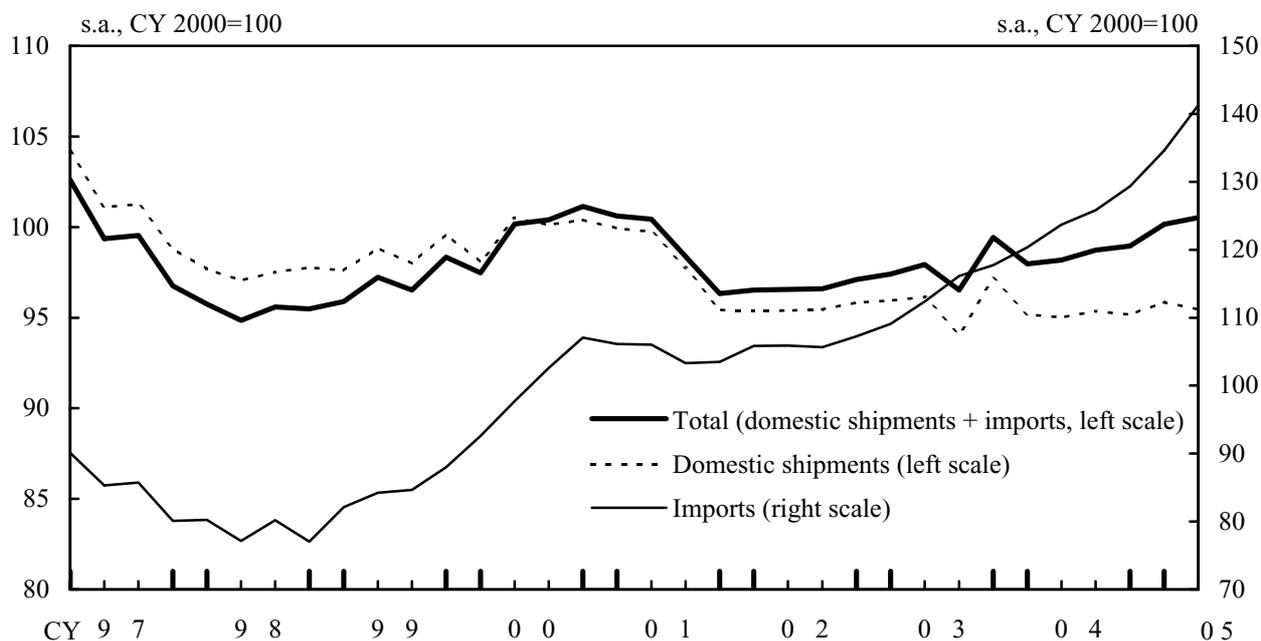


- Notes: 1. Indices of aggregated sales are the weighted sum of *Sales at department stores and supermarkets* ; *New passenger-car registrations* ; *Sales of household electrical appliances* ; *Outlays for travel* ; and *Sales of food service industry* , where the weights come from household expenditure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

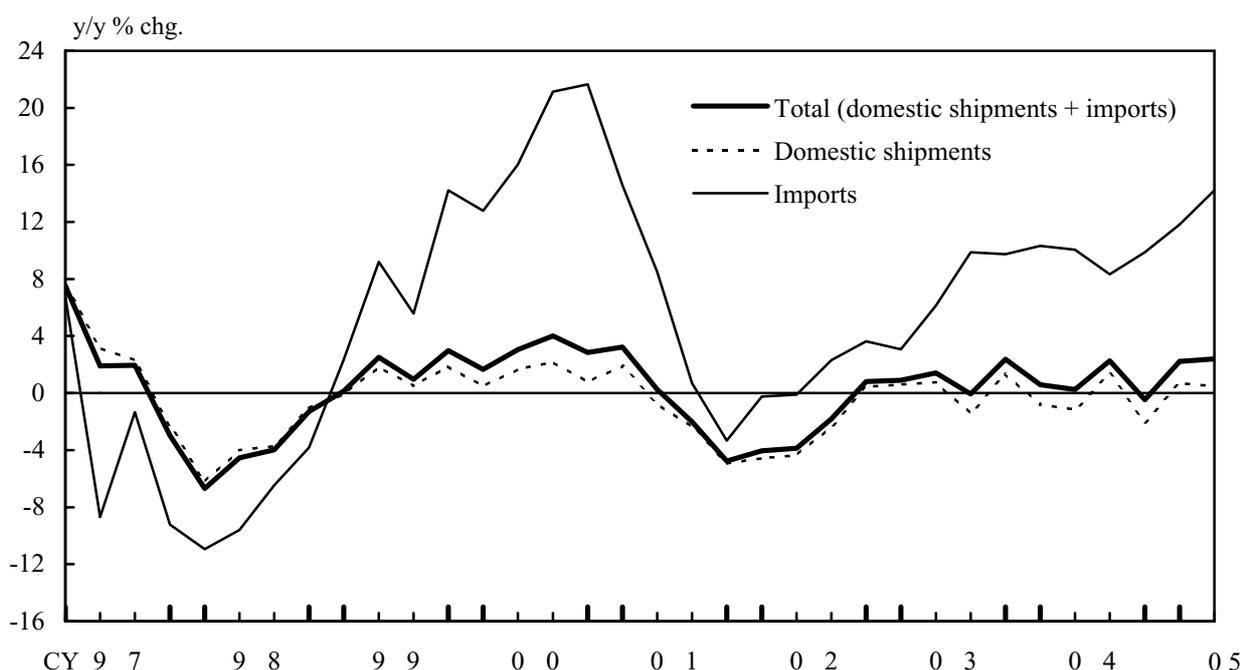
Source: Bank of Japan, "Indices of Aggregated Sales."

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 of consumer goods; motor vehicles, parts of audio and visual apparatus, computers and the parts, foodstuffs, textile and clothing and the accessories.

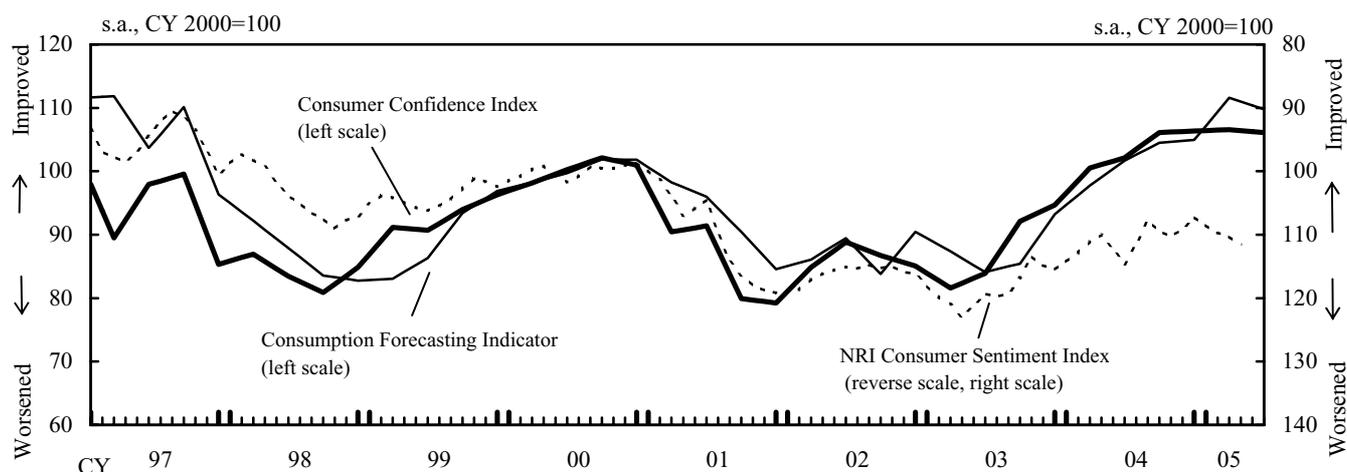
3. Year-on-year changes are calculated from seasonally adjusted series.

4. Data for 2005/Q2 figures are those of Apr.-May averages in terms of quarterly amount.

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

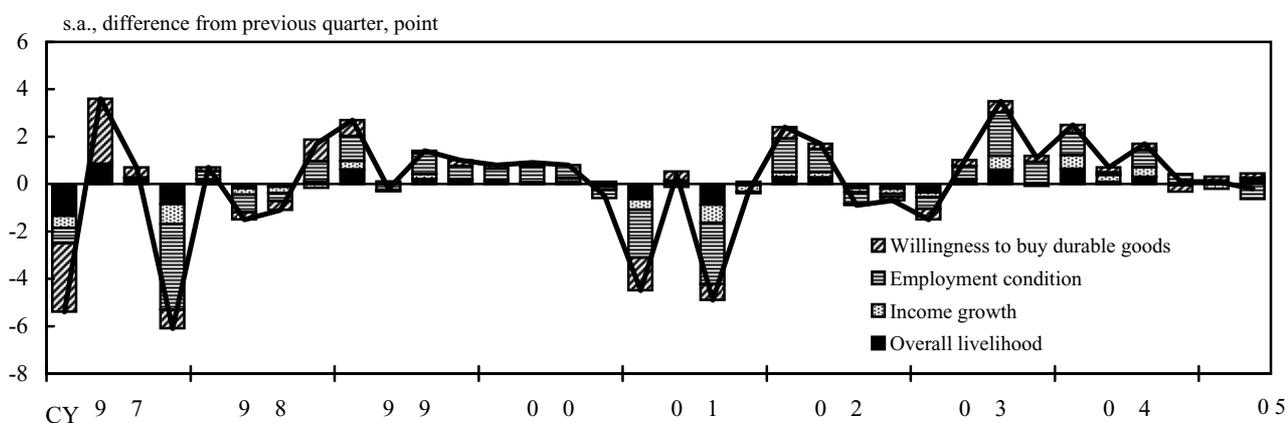
Consumer Confidence

(1) Surveys on Consumer Confidence

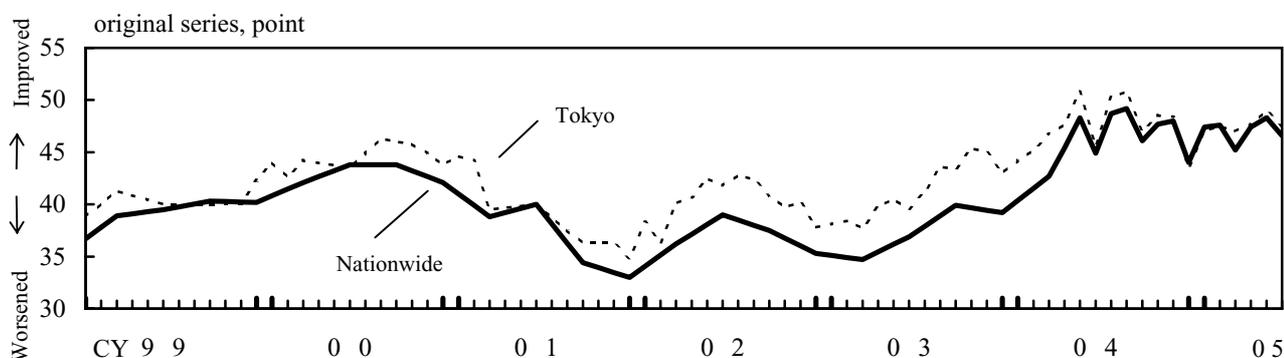


- Notes: 1. Seasonally adjusted by X-11. "Consumer Confidence Index" is seasonally adjusted by the Cabinet Office. "Consumption Forecasting Indicator" is seasonally adjusted using quarterly figures because the survey is quarterly until 2004.
2. Consumer Confidence Index (with 5,040 samples in a nationwide 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 a nationwide basis) are based on surveys on consumer confidence.
3. Data are plotted at the months of each survey.

(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."

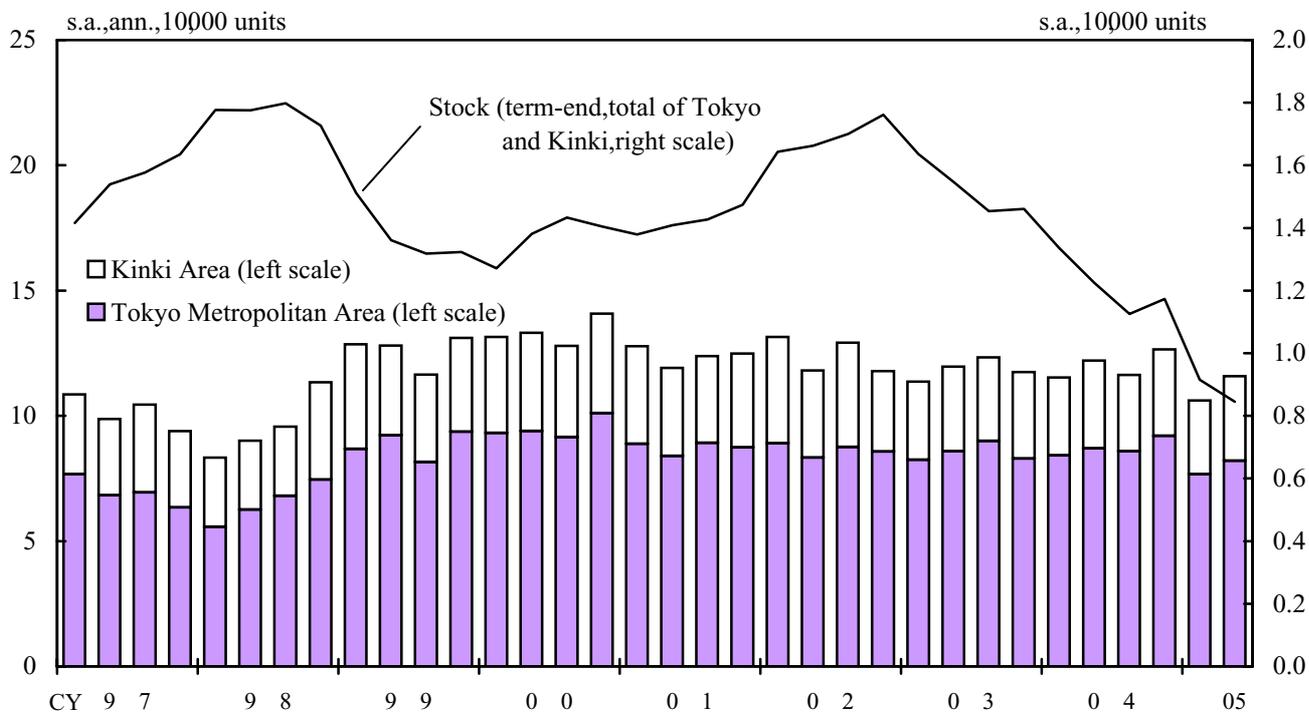
Indicators for Housing Investment

(1) Housing Starts



Note: Figures for 2005Q2 are those of April-May averages.

(2) Sales of Condominiums



Notes: 1. Seasonally adjusted by X2-ARIMA.

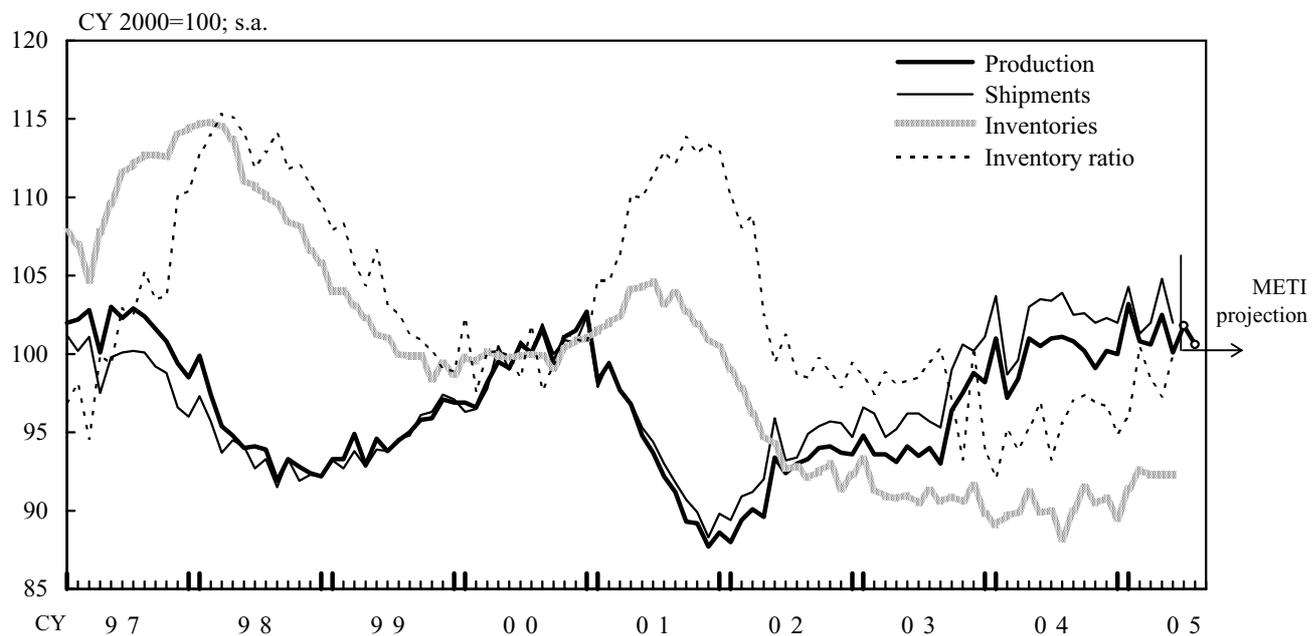
2. Figures of total condominiums sales for 2005Q2 are those of April-May averages.

Term-end stocks for 2005Q2 are those of May.

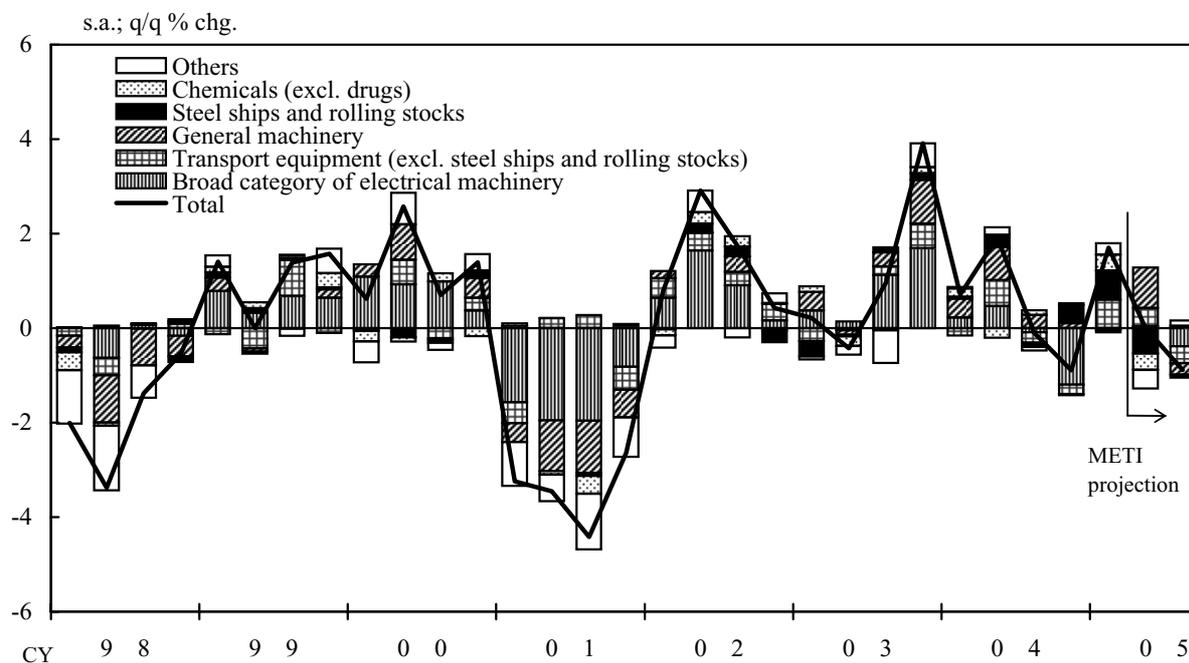
Sources: Ministry of Land, Infrastructure and Transport, Statistics on Building Construction Starts, etc.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industries

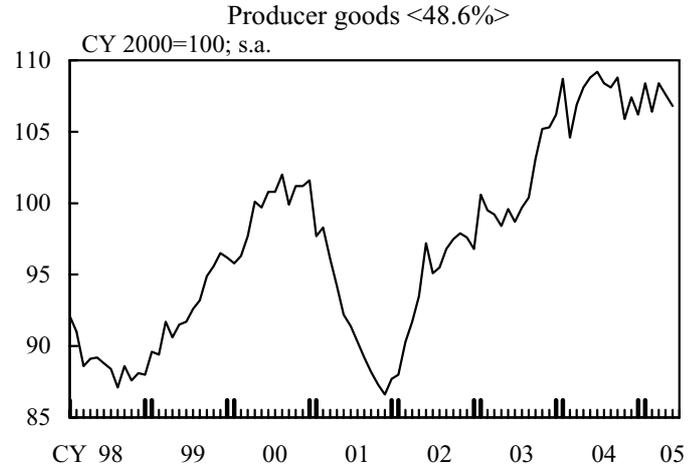
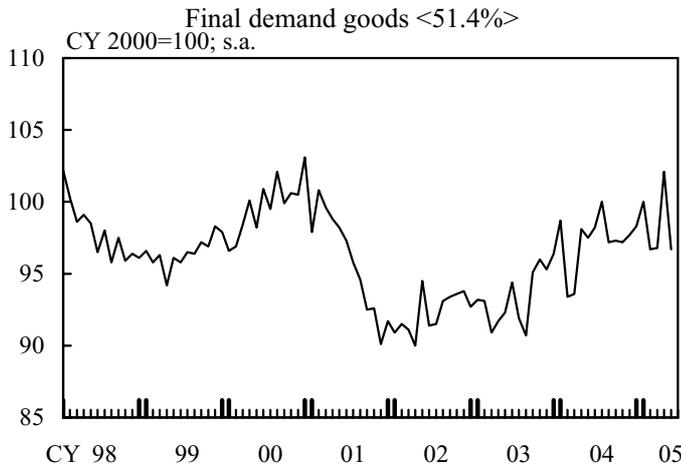


- Notes: 1. "Steel ships and rolling stocks" is calculated as the difference between "Transport equipment" and "Transport equipment excluding steel ships and rolling stocks."
 "Broad category of electrical machinery" is the weighted sum of "electrical machinery," "information and communication electronics equipment" and "electronic parts and devices."
2. 2005/Q2 figures are based on the actual levels in Apr. and May, and the METI projection level in June. 2005/Q3 figures are based on the assumption that production level in Aug. and Sept. is the same as that of July.

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

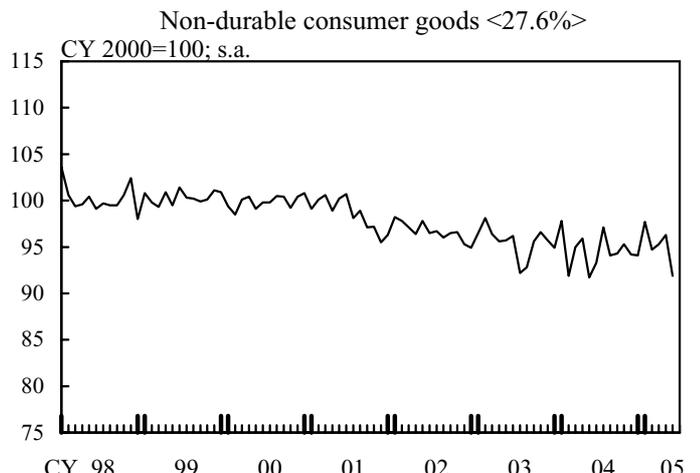
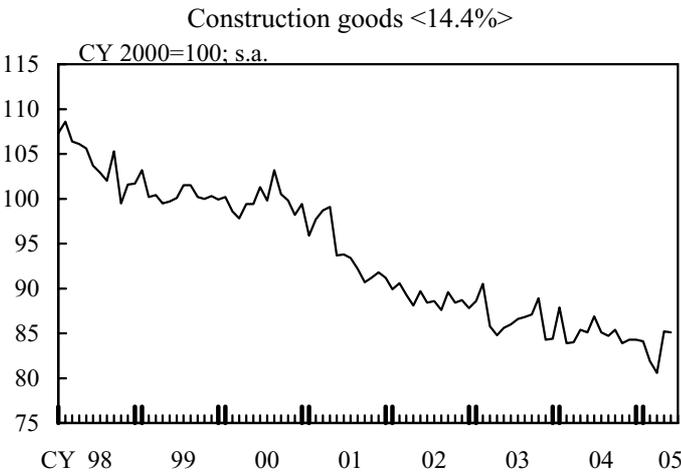
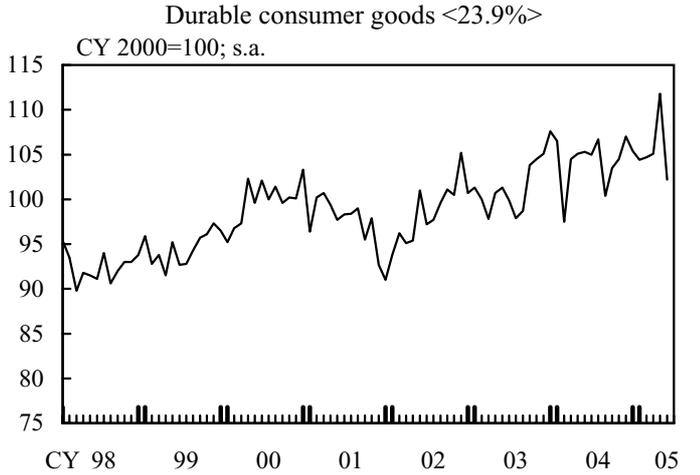
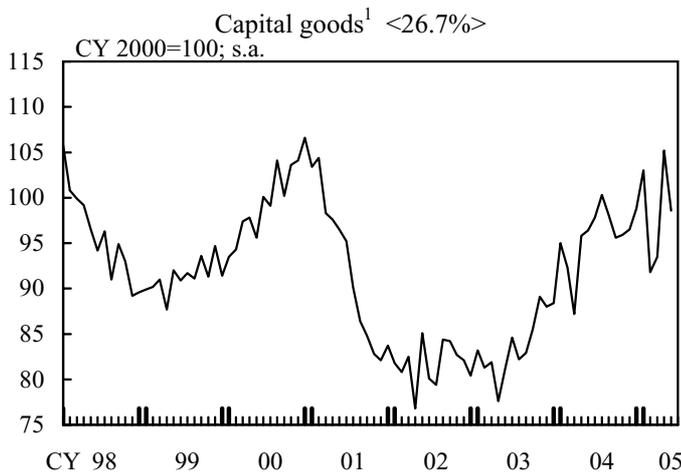
Shipments breakdown by type of goods

(1) Final demand goods and Producer goods



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

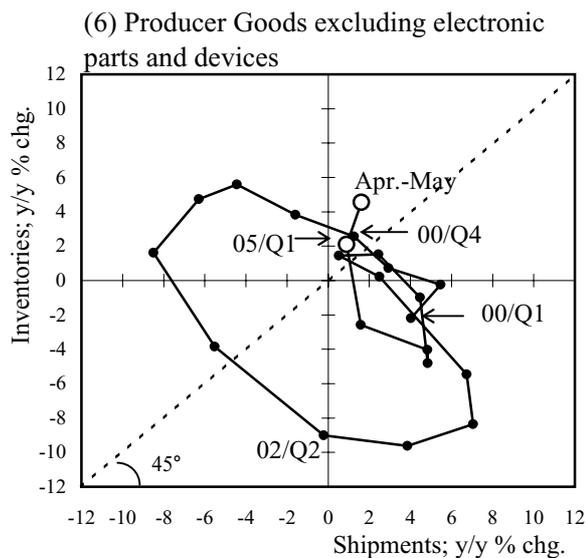
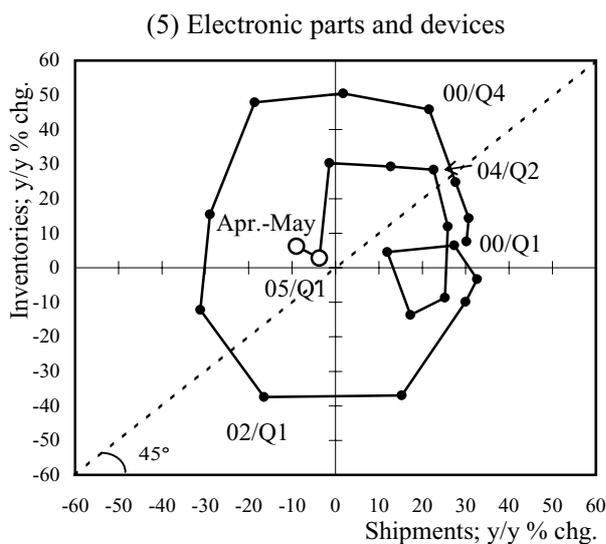
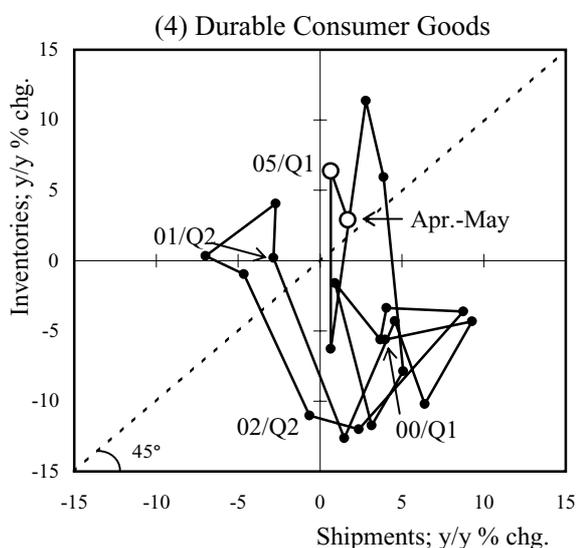
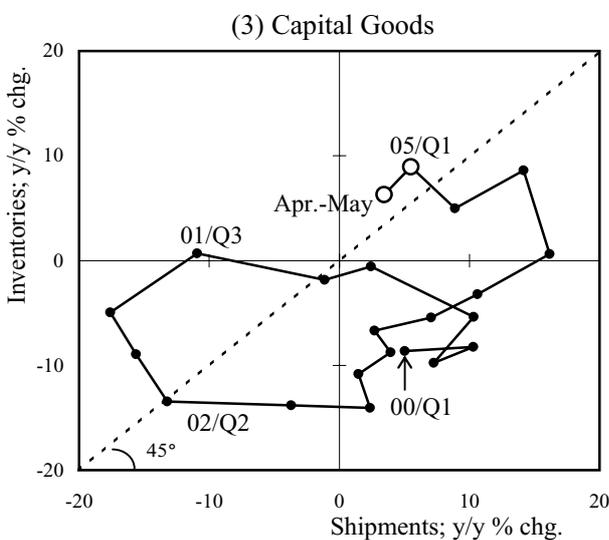
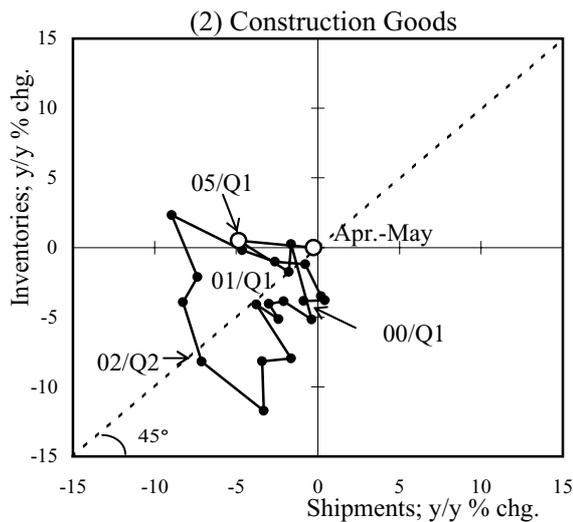
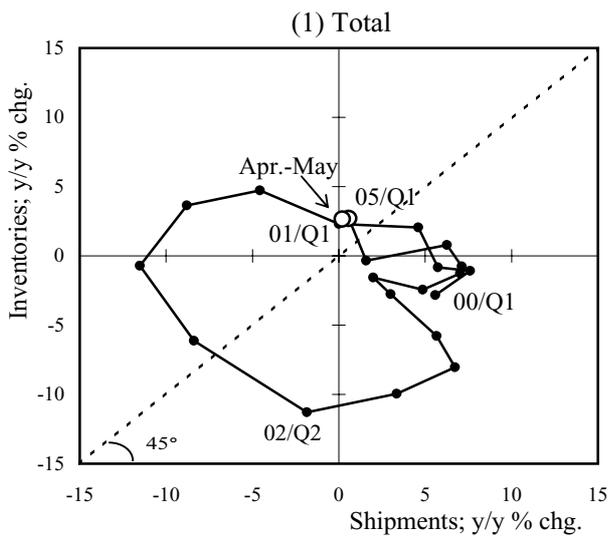
(2) Breakdown of final demand goods



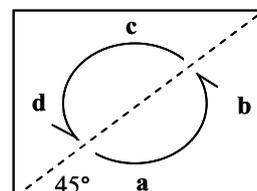
Notes: 1. Excluding transportation equipment.
2. Shares of shipments of final demand goods are shown in angle brackets.

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

Inventory Cycle

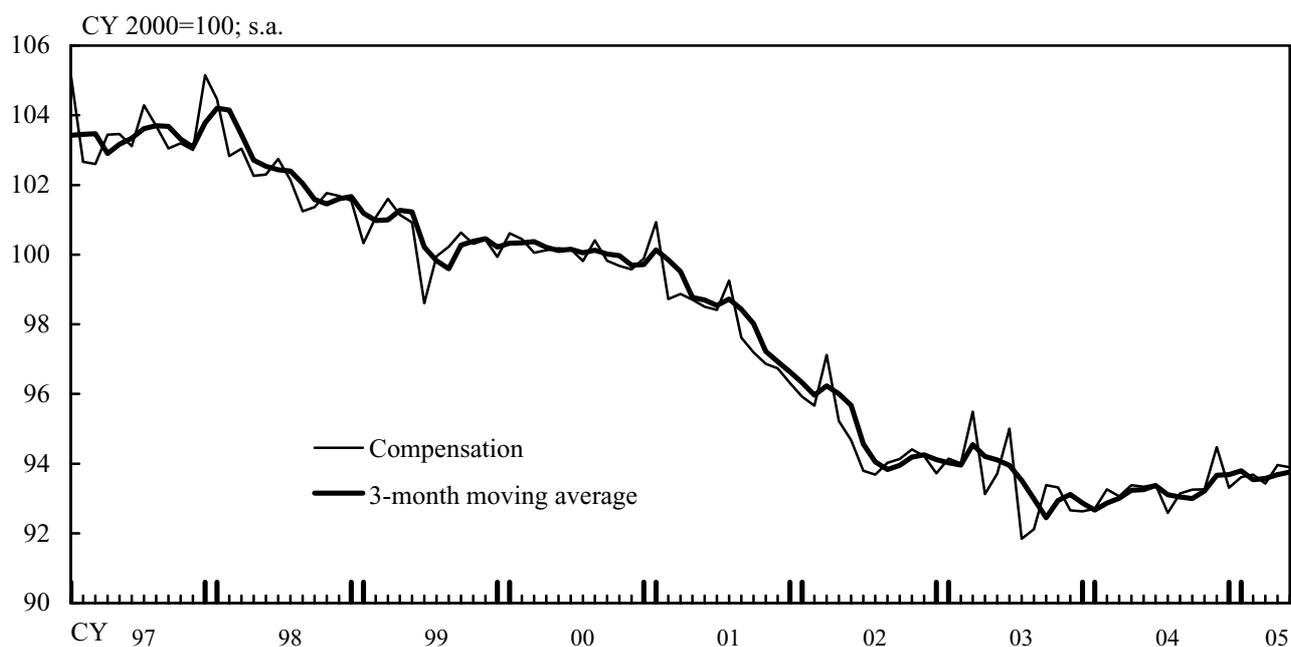


- a Shipment recovery phase
- b Intended inventory accumulation phase
- c Unintended inventory accumulation phase
- d Inventory adjustment phase



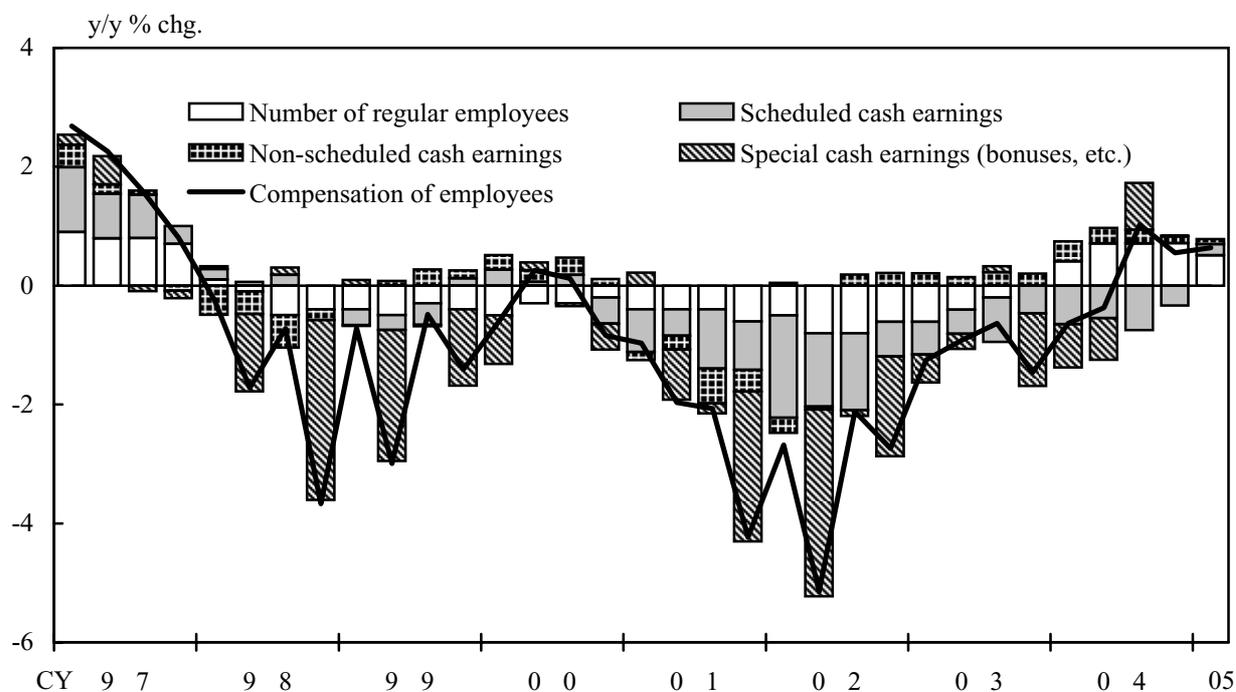
Compensation of Employees

(1) Compensation



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

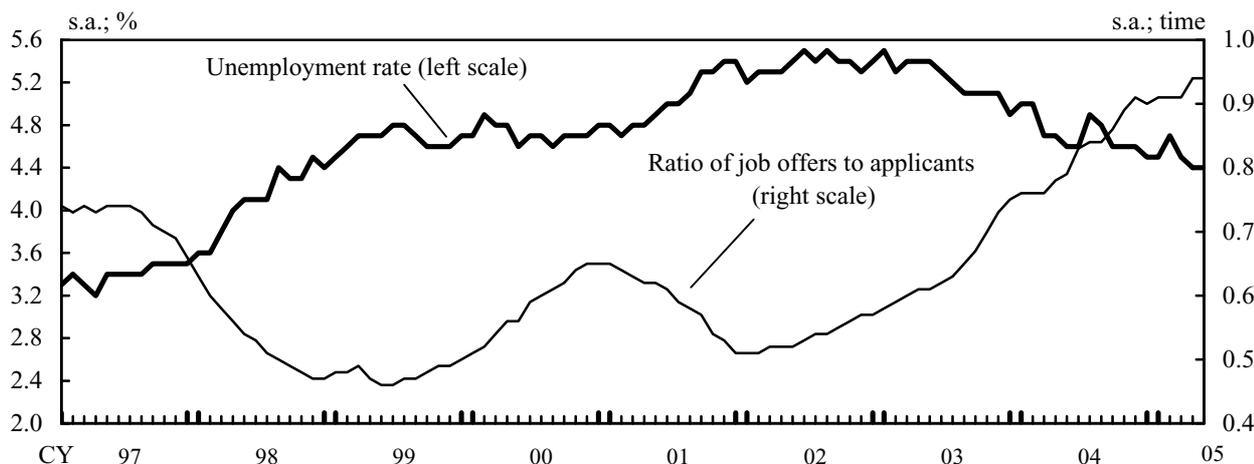
(2) Breakdown of Compensation



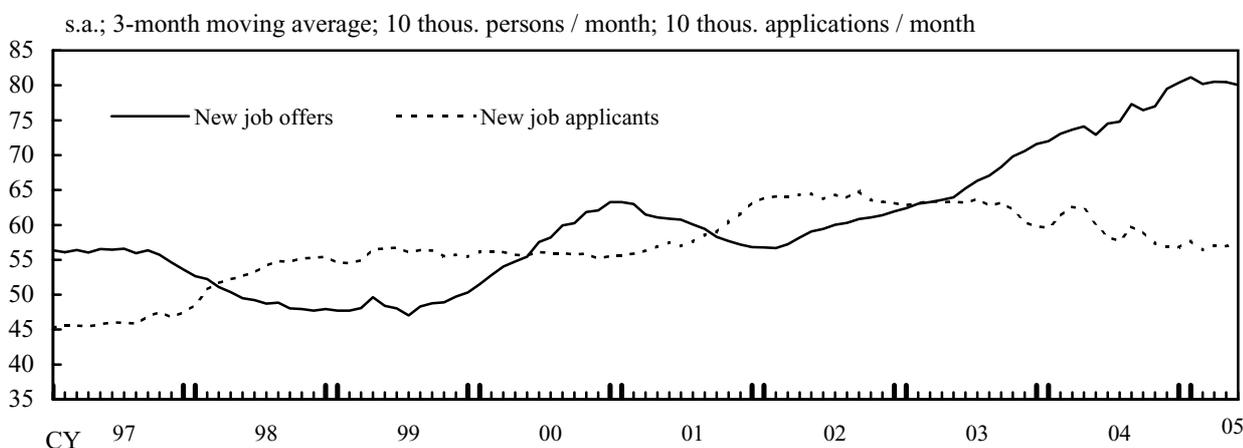
- Notes: 1. Data are for establishments with at least 5 employees.
2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.

Labor Market (1)

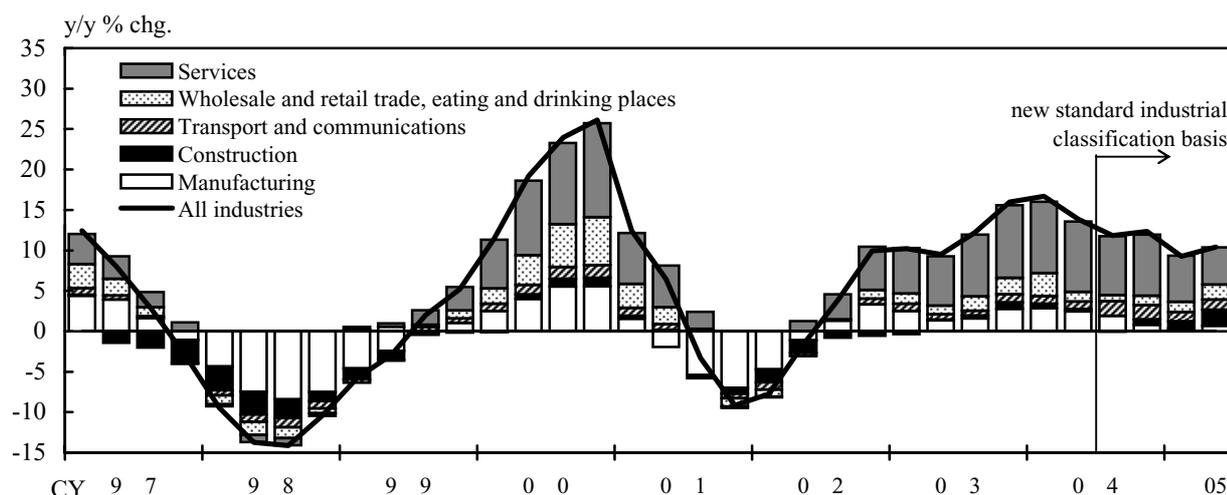
(1) Unemployment Rate and Ratio of Job Offers to Applicants



(2) New job offers and New job applicants¹



(3) Breakdown of New job offers¹

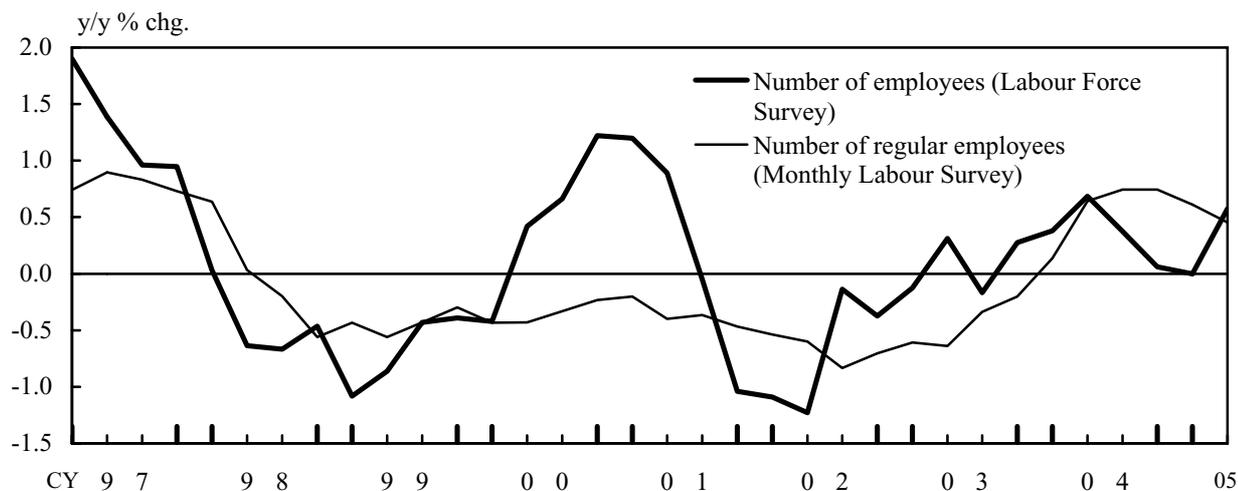


- Notes: 1. Figures do not include jobs offered to new graduates, but include those offered to part-time workers.
 2. Figures up to 2004/Q2 are based on the previous Standard Industrial Classification. Figures from 2004/Q3 are based on new Standard Industrial Classification. To keep the continuation of the data, some industries from 2004 are rearranged as follows. "Transport and communications" are the sum of "electricity and gas," "information and communications" and "transport." "Wholesale and retail trade, eating and drinking places" are the sum of "wholesale and retail trade" and eating and drinking places, accommodations." "Services" are the sum of "medical, health care and welfare," "education, learning support," "compound services" and "services (not elsewhere classified)."
 3. Figures for 2005/Q2 are those of April-May averages.

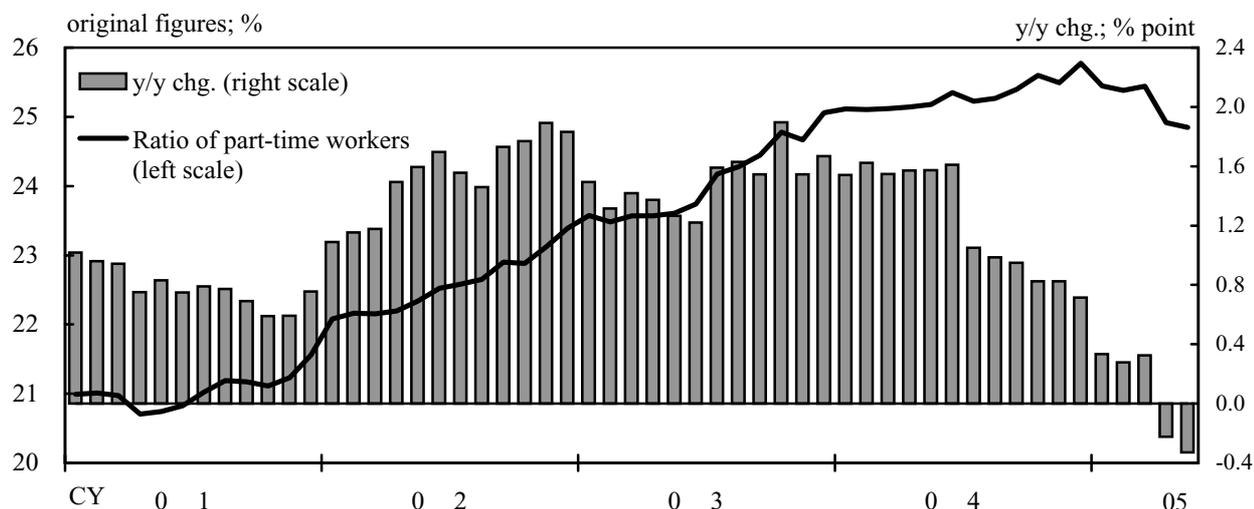
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service";
 Ministry of Internal Affairs and Communications, "Labour Force Survey."

Labor Market (2)

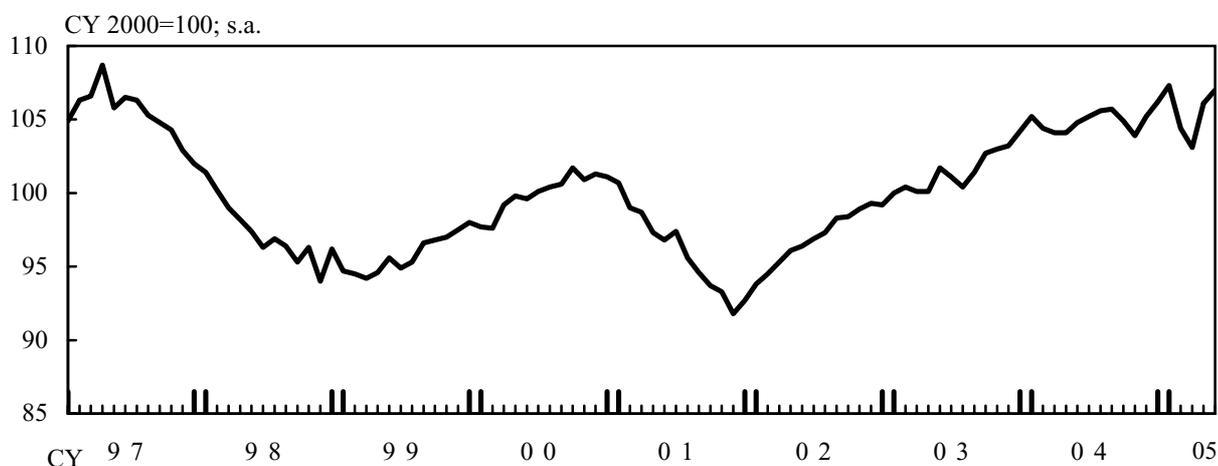
(1) Number of Employees^{1,3}



(2) Ratio of part-time workers^{1,2} (Monthly Labour Survey)



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



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

2. Ratio of part-time workers = number of part-time workers/number of regular employees.

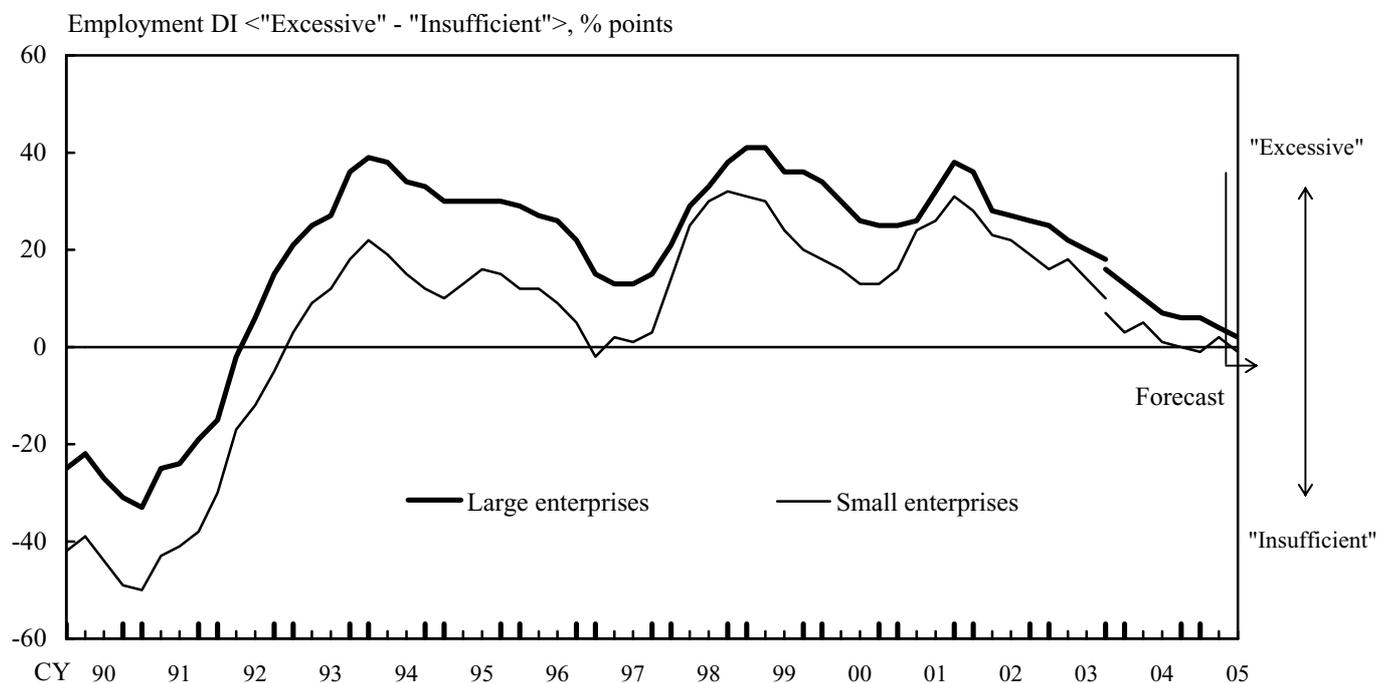
3. Figures for 2005/Q2 are those of April-May averages.

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

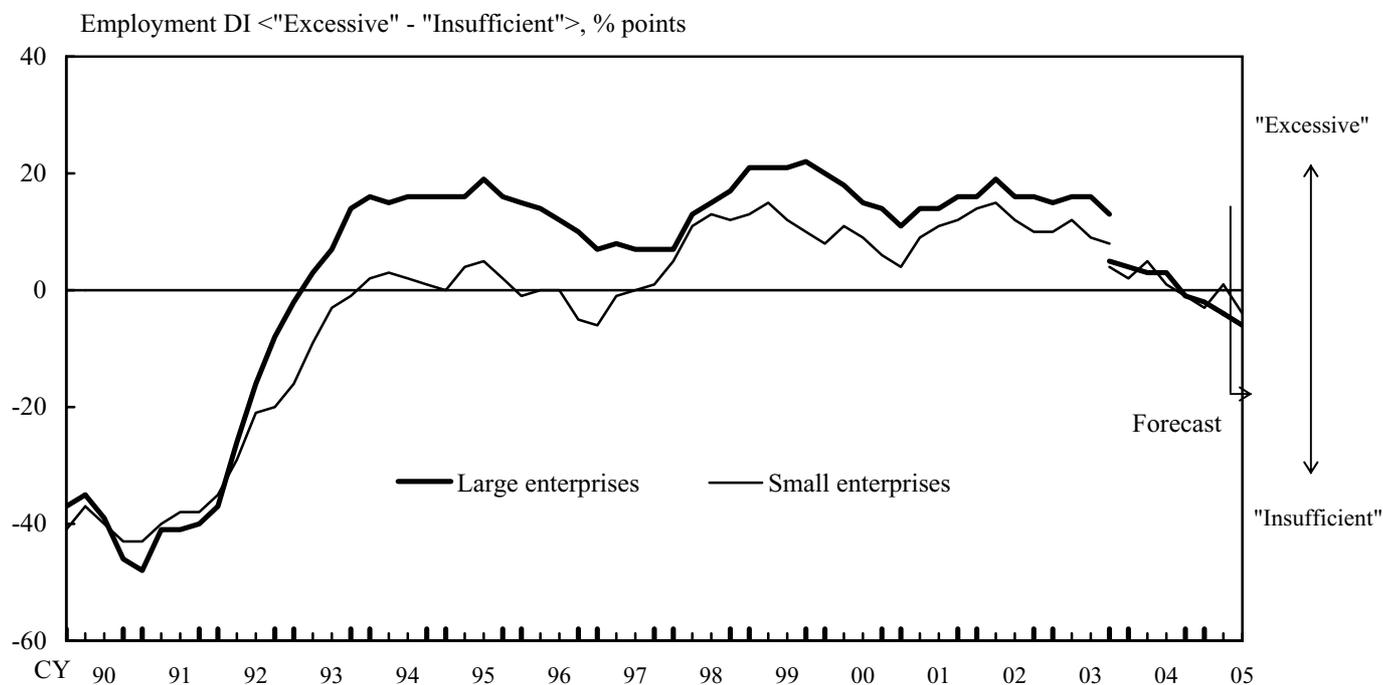
Ministry of Internal Affairs and Communications, "Labour Force Survey."

Employment Conditions

(1) Manufacturing



(2) Nonmanufacturing

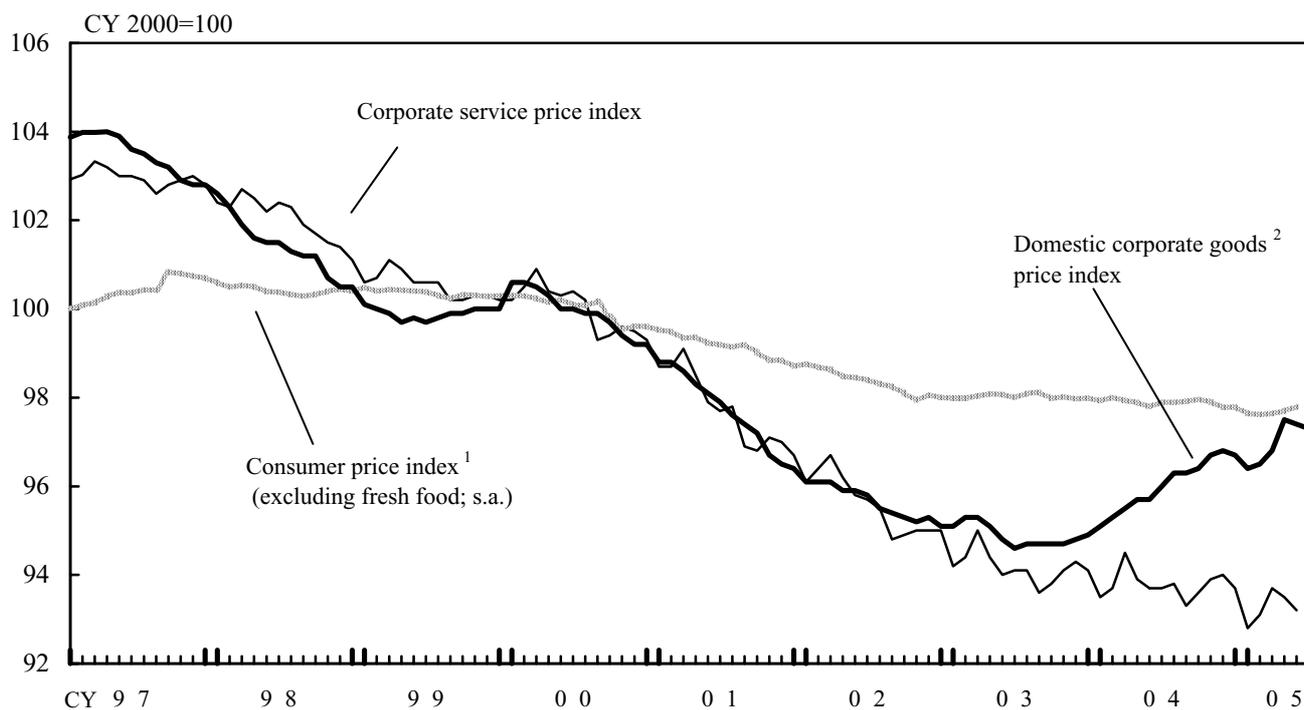


Note: The *Tankan* has been revised from the March 2004 Survey. Figures up to the December 2003 Survey are based on the previous data sets. Figures from the December 2003 Survey are on a new basis.

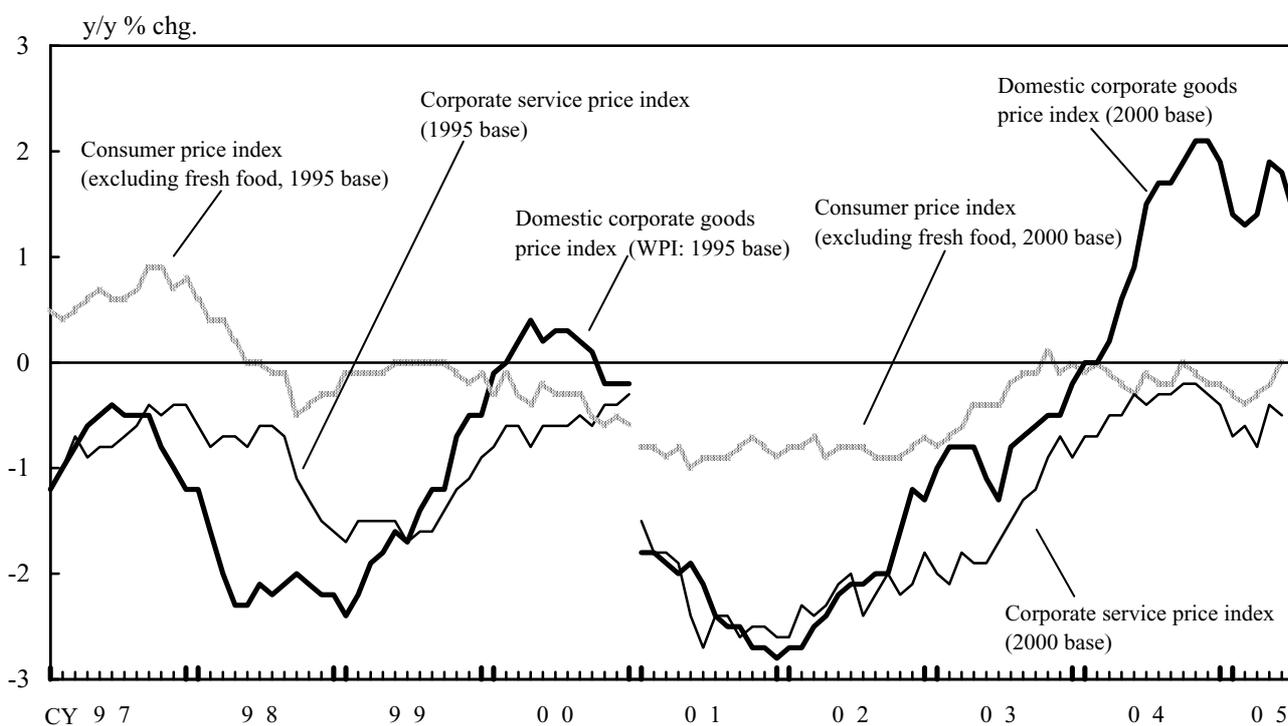
Source: Bank of Japan, "*Tankan* , Short-term Economic Survey of Enterprises in Japan."

Prices³

(1) Level



(2) Changes from a year earlier



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

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

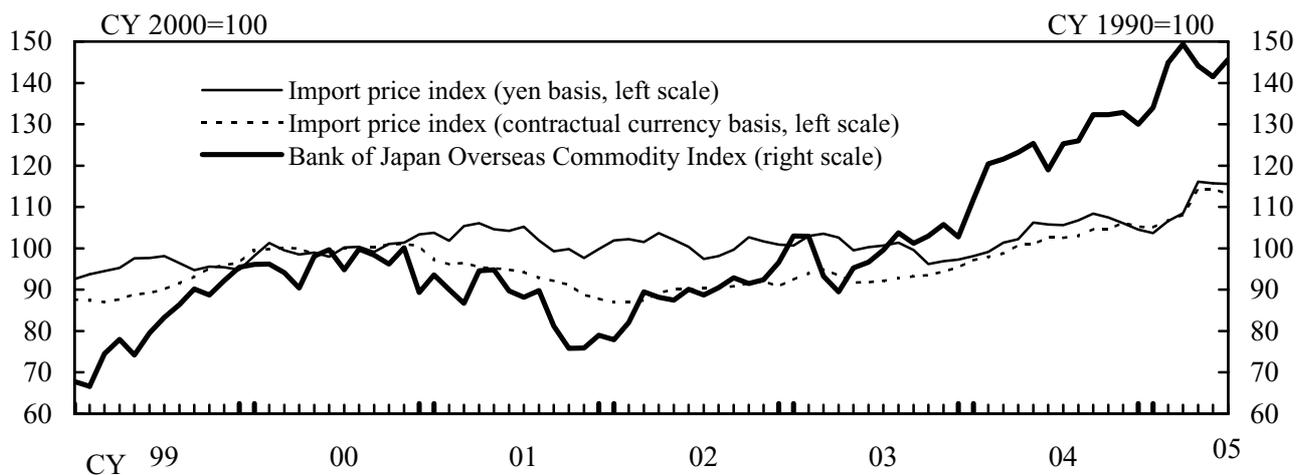
3. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

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

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

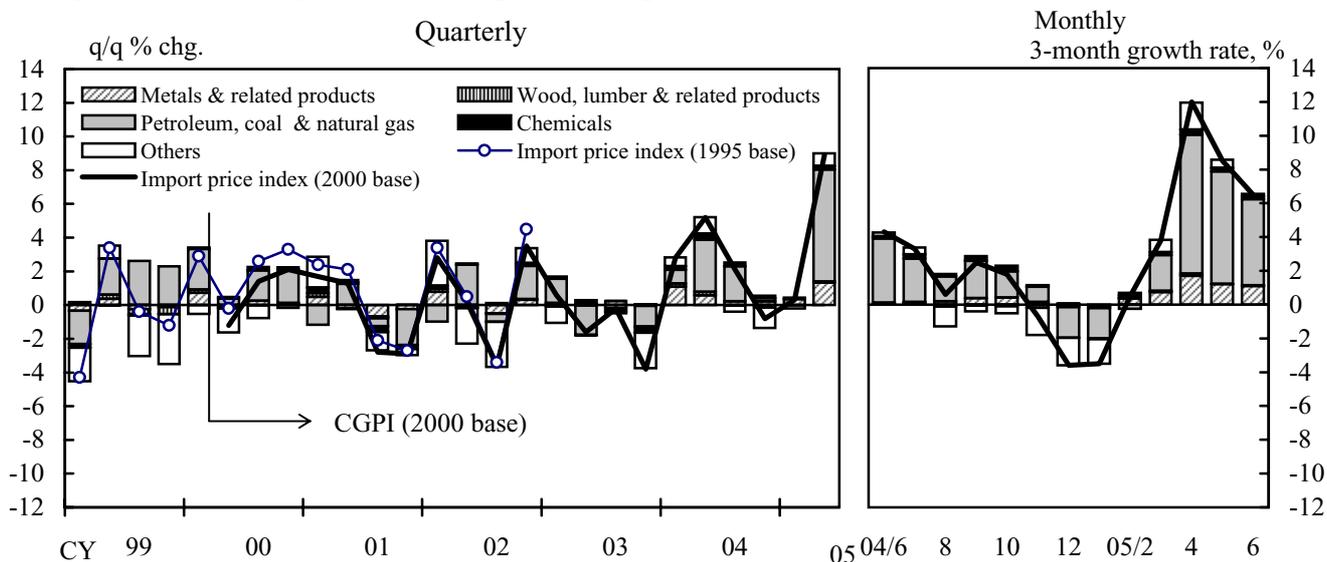
Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



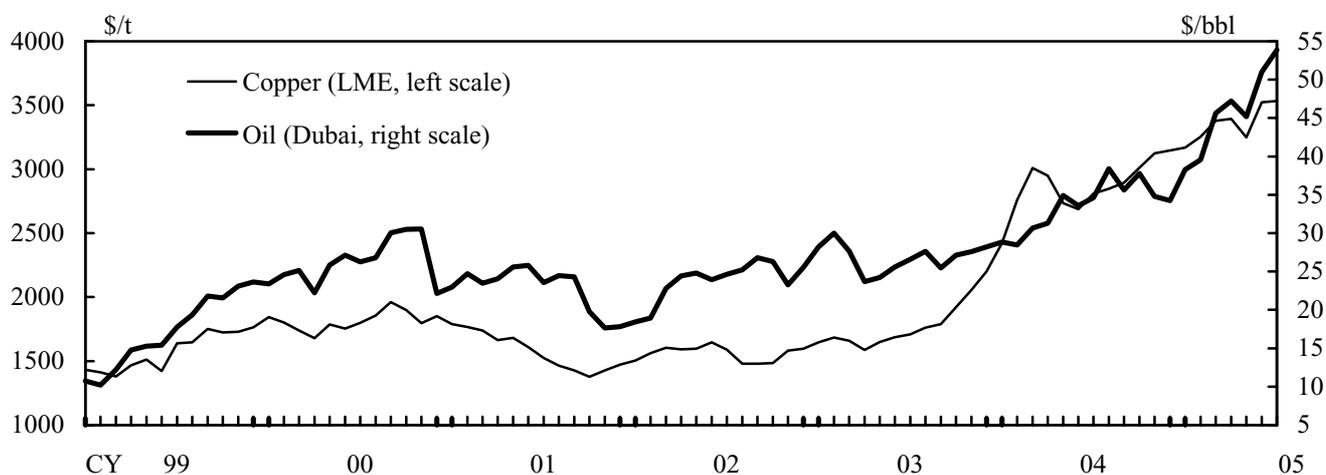
Note: Bank of Japan Overseas Commodity Index is the end of month figure.

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



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

(3) Oil price and Copper price

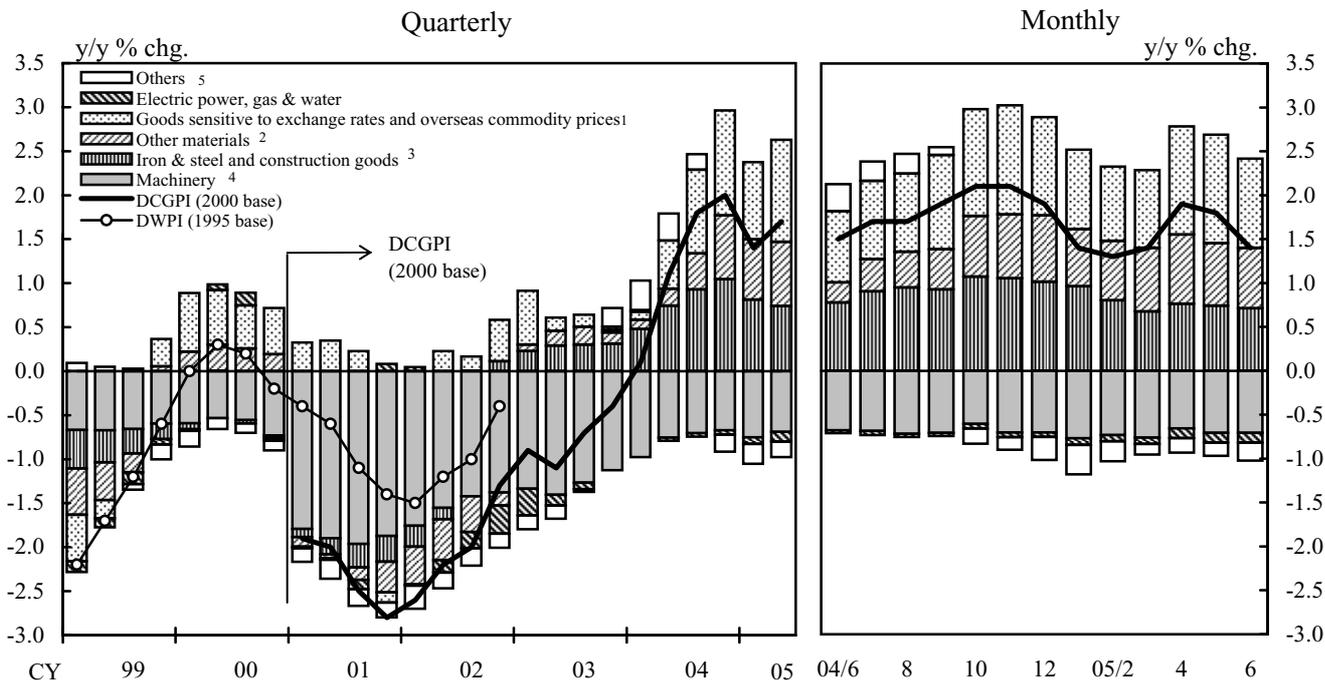


Note: Monthly averages. Figures for July 2005 are the averages up to July 12.

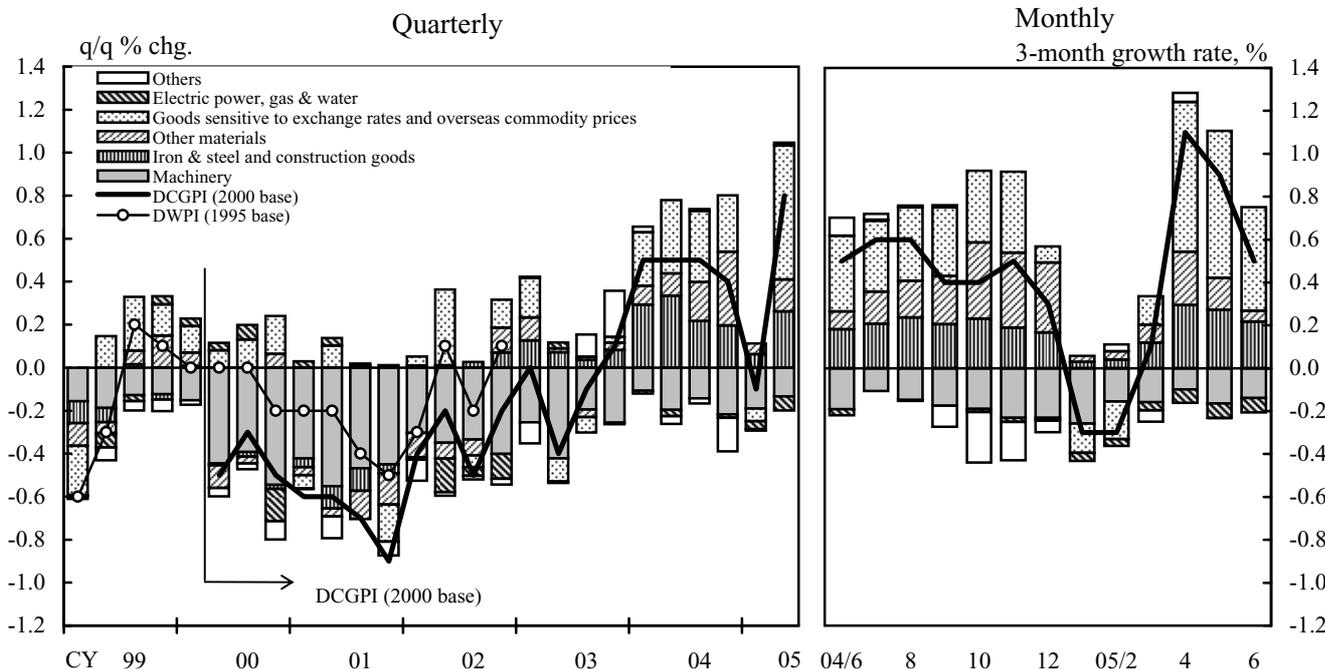
Sources: Bank of Japan, "Corporate Goods Price Index," "Wholesale Price Indexes," "Bank of Japan Overseas Commodity Index," etc.

Domestic Corporate Goods Price Index⁷

(1) Changes from a year earlier

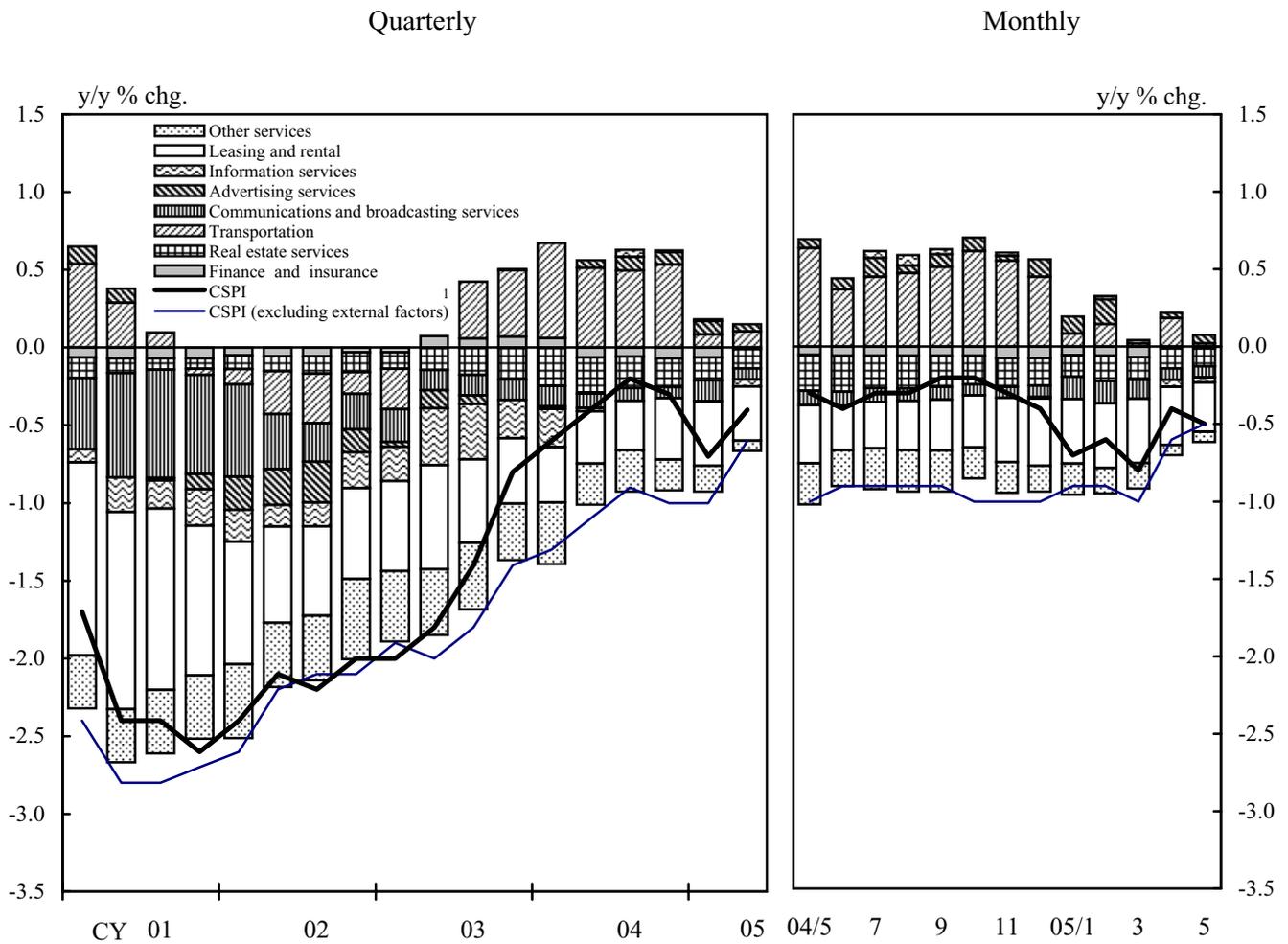


(2) Changes from a quarter earlier and 3 months earlier⁶



- 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. 1995 base figures for 2002/Q4 are Oct.-Nov. averages.

Corporate Service Price Index

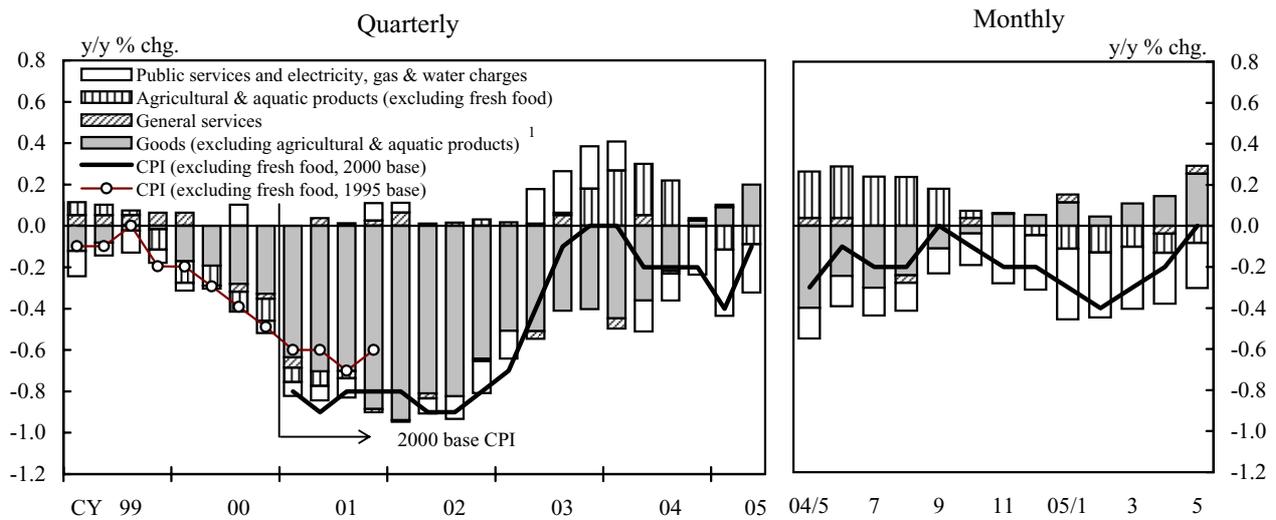


Notes: 1. External factors; international air passenger transportation, ocean liner, ocean tramper, ocean tanker, oceangoing ship chartering services, and international air freight.
 2. Figures for 2005/Q2 are Apr.-May averages.

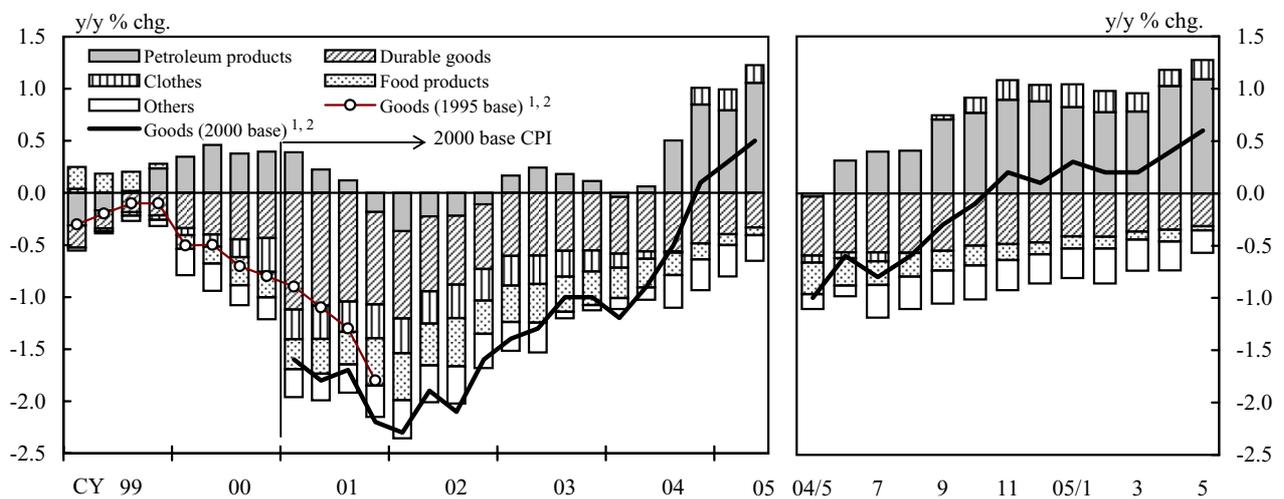
Source: Bank of Japan, "Corporate Service Price Index."

Consumer Price Index (excluding fresh food)³

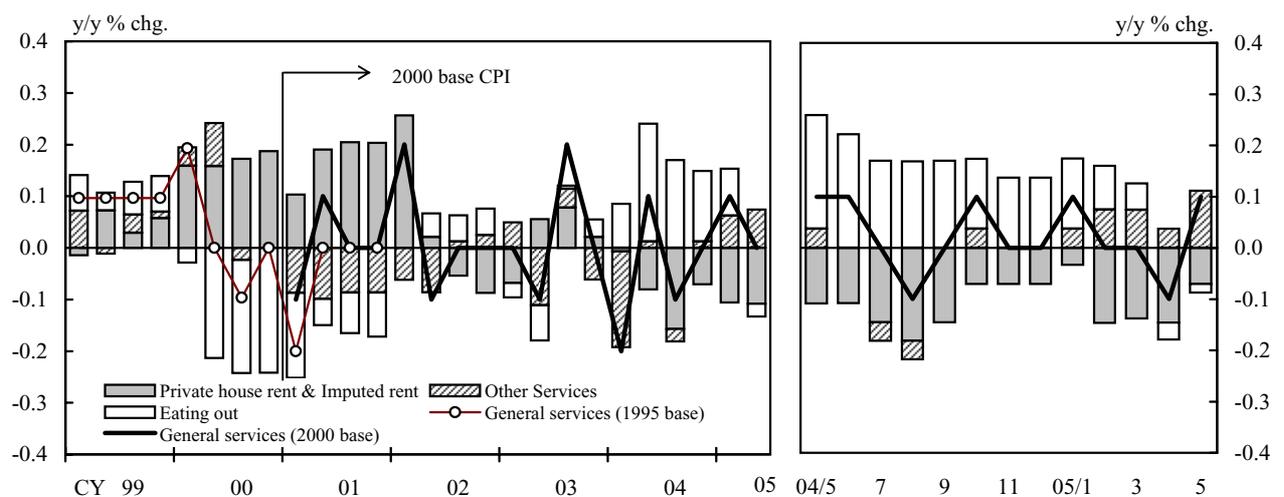
(1) Consumer price index (excluding fresh food)



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



(3) General services



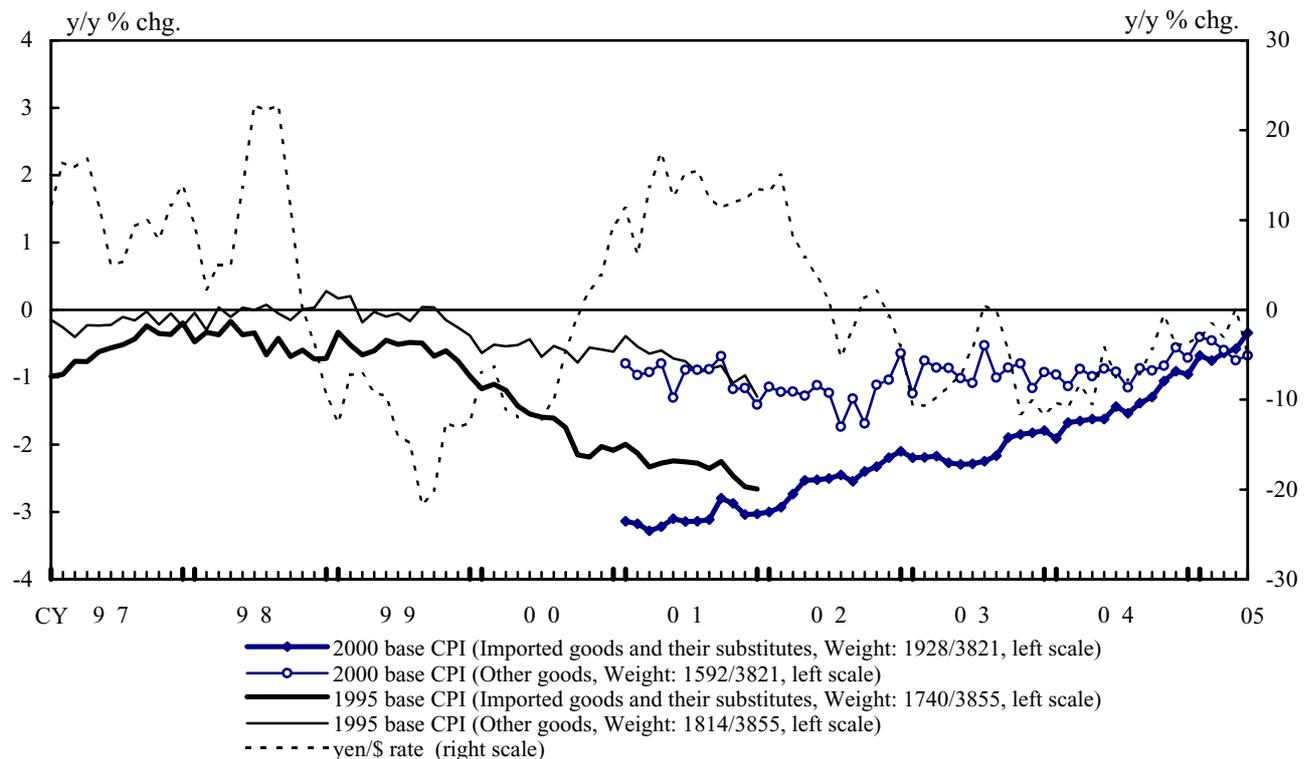
Notes: 1. The items are basically the same as the definition published by the Ministry of Internal Affairs and Communications, however electricity, gas & water charges is excluded from goods.

2. Excluding agricultural & aquatic products.

3. Figures for 2005/Q2 are Apr.-May averages.

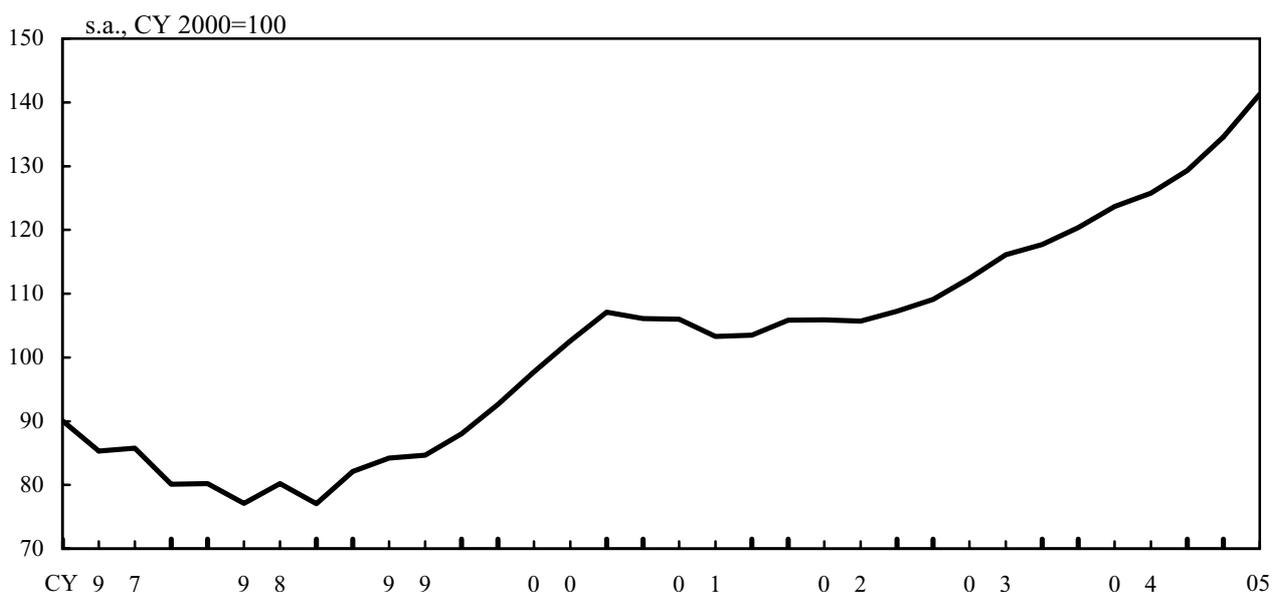
Consumer Prices of imported goods and their substitutes

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



- Notes: 1. Imported goods consist of items common to both the Import Price Index and the Consumer Price Index, and their substitutes consist of items considered to be substitutable for import products but not covered by the Import Price Index.
2. Goods covered here exclude petroleum products and agricultural & aquatic products. Weight is shares in Goods (excluding agricultural & aquatic products).
3. Adjusted to exclude the effects of the tobacco tax increases in Dec. 1998 and Jul. 2003, and biscuits, prices of which were heavily affected by changes in monitored brands.
4. Adjusted to exclude the effects of the consumption tax hike on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

(2) Real imports (consumer goods)

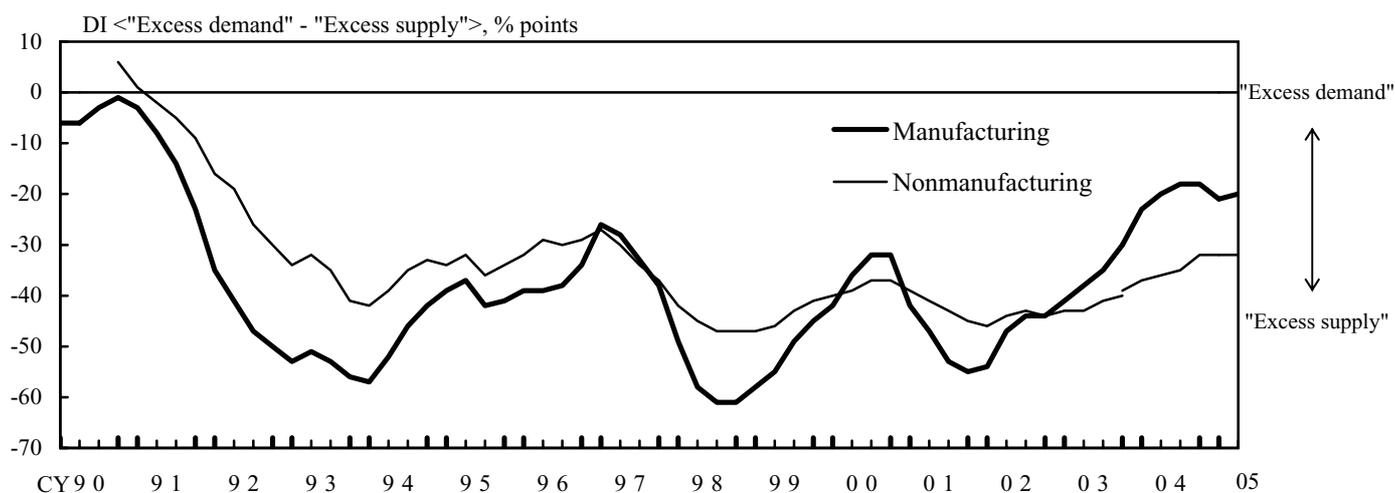
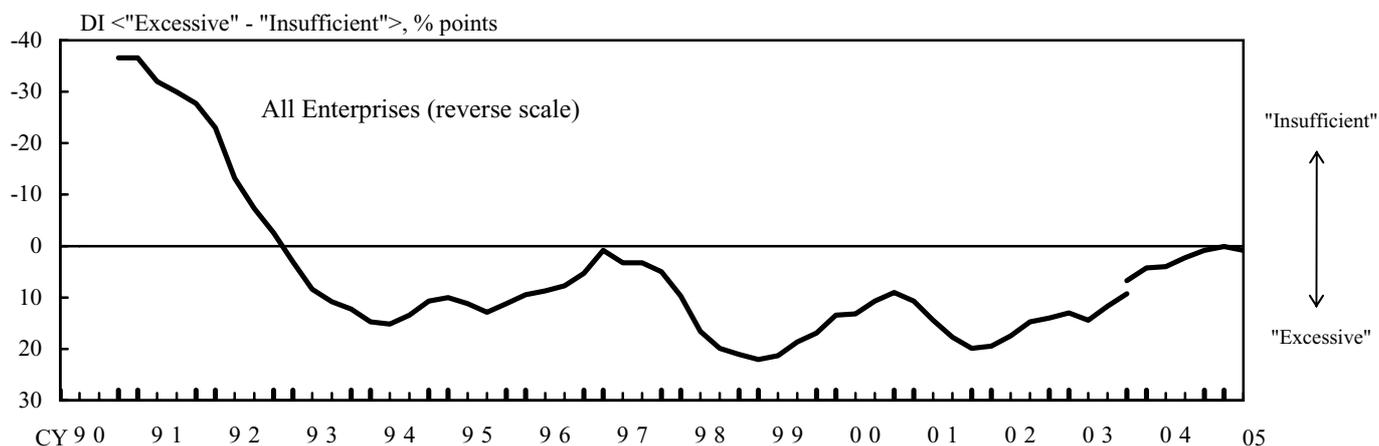


- Notes: 1. Real imports (consumer goods), which are composed of motor vehicles, parts of audio and visual apparatus, computers and the parts, foodstuffs, textiles and clothing and the accessories, are calculated from the Trade Statistics as an index with the 2000 average equal to 100.
2. 2005/Q2 figure is the Apr.-May average at a quarterly rate.

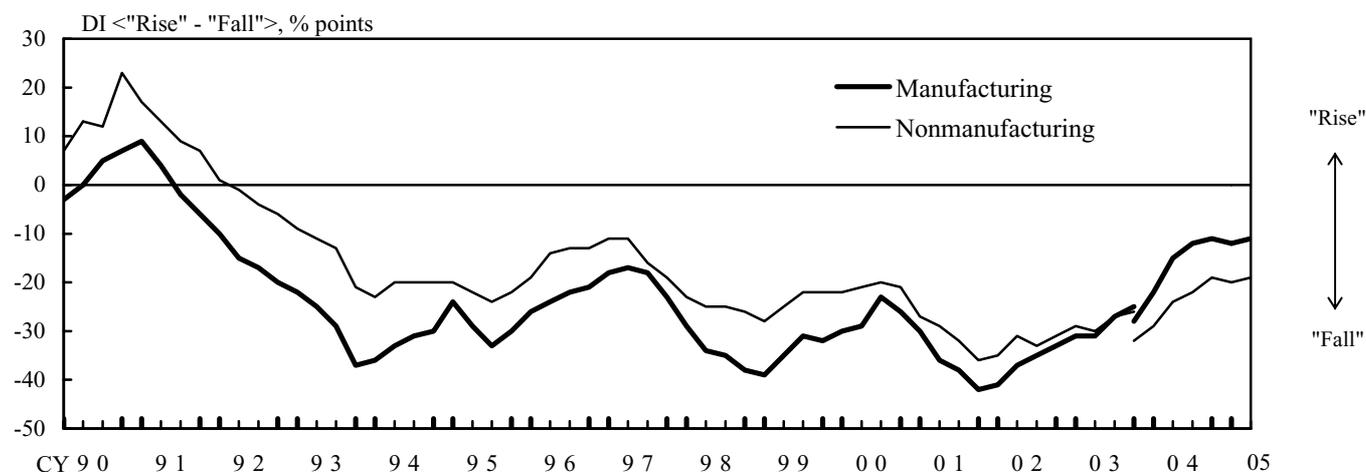
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index";
Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Domestic Supply and Demand Conditions¹

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

(2) Utilization of Capital and Labor²

(3) Change in Output Prices (All Enterprises)



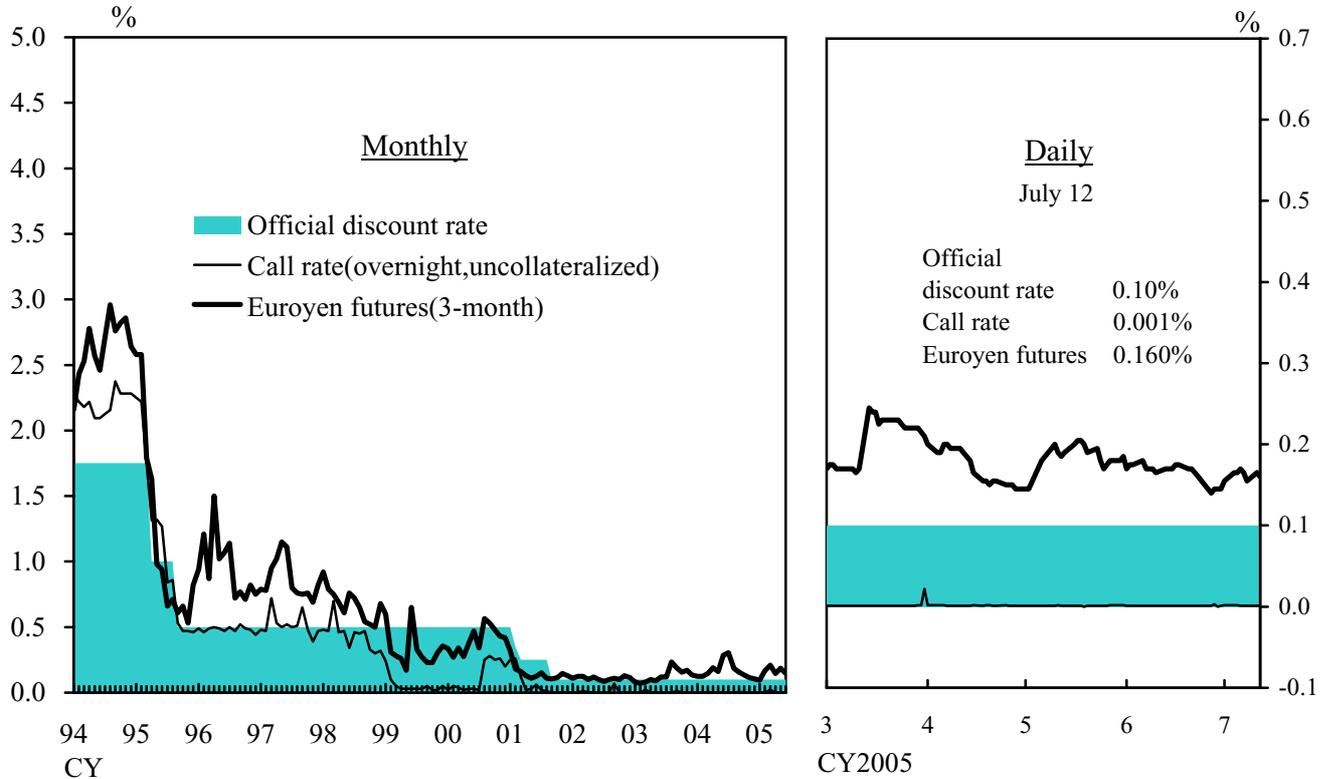
Notes: 1. The *Tankan* has been revised from the March 2004 Survey. Figures up to the December 2003 Survey are based on the previous data sets. Figures from the December 2003 Survey are on a new basis.

2. Figures are weighted averages of Production Capacity DI and Employment DI which show excessiveness. The FY 1990-2003 averages of capital and labor shares in national accounts are used as the weight.

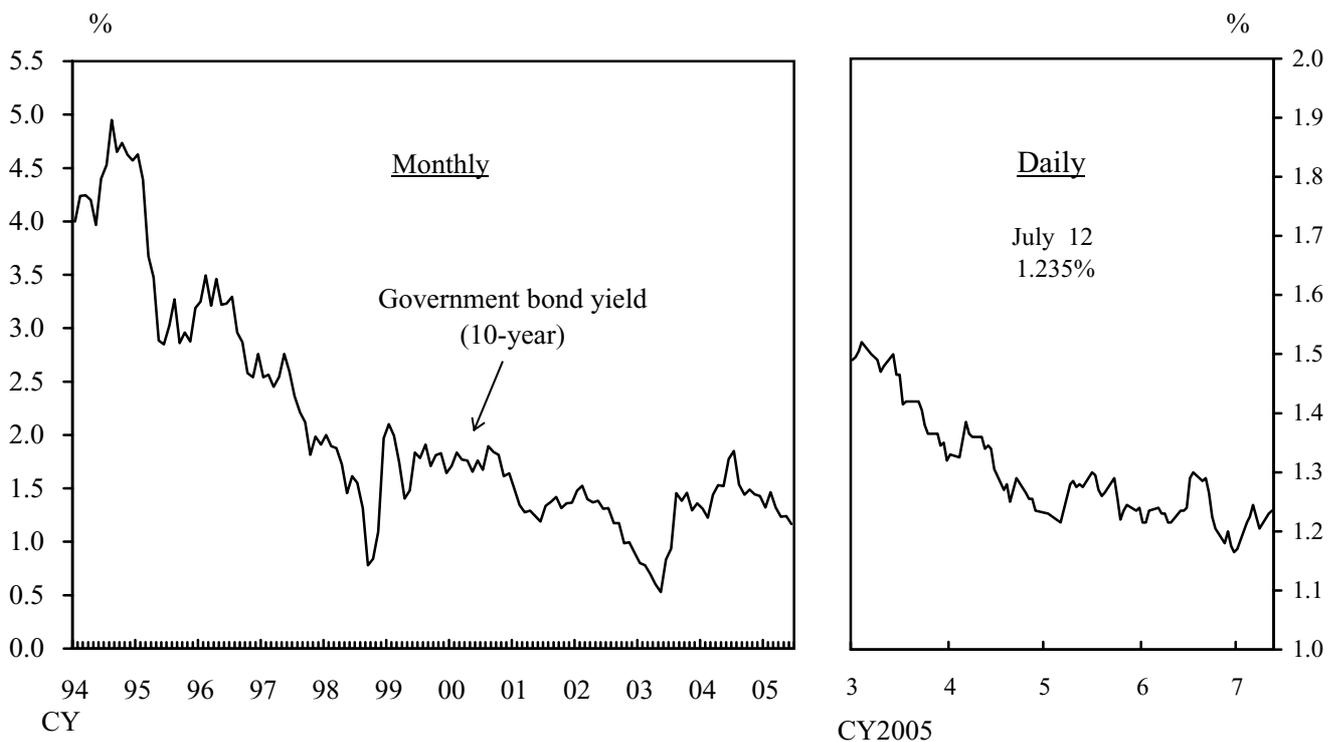
Sources: Cabinet Office, "National Accounts";
Bank of Japan, "*Tankan*, Short-term Economic Survey of Enterprises in Japan."

Interest Rates

(1) Short-Term



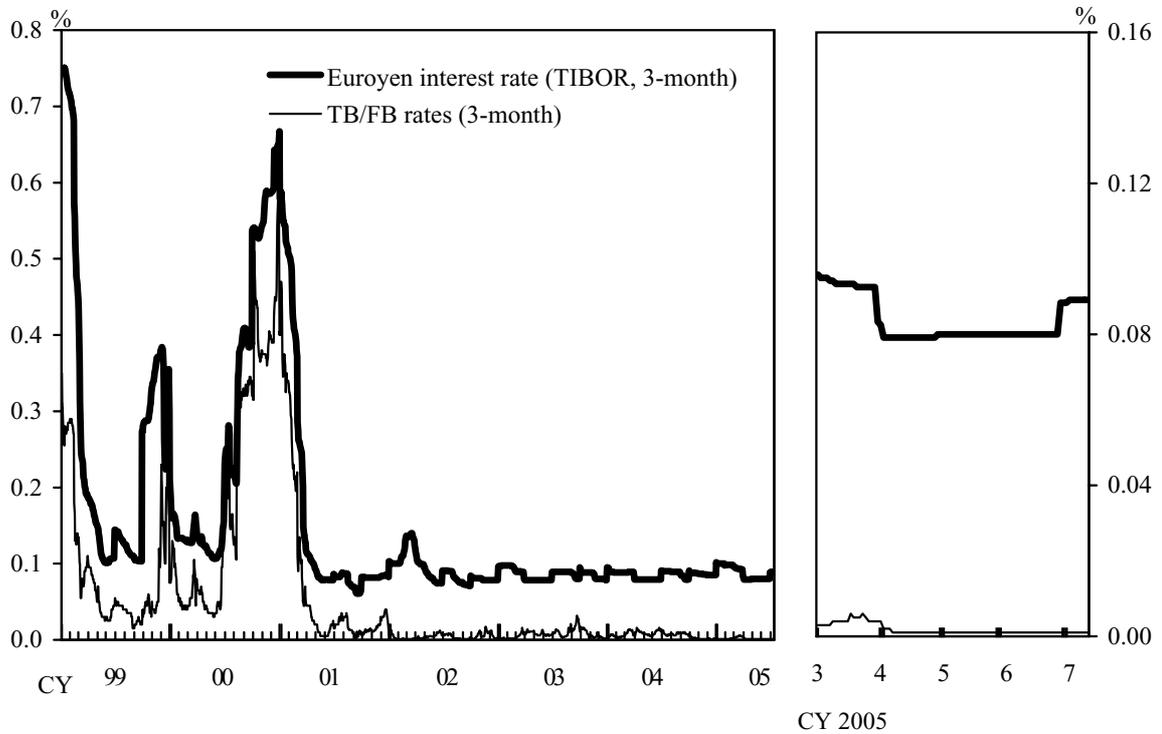
(2) Long-Term



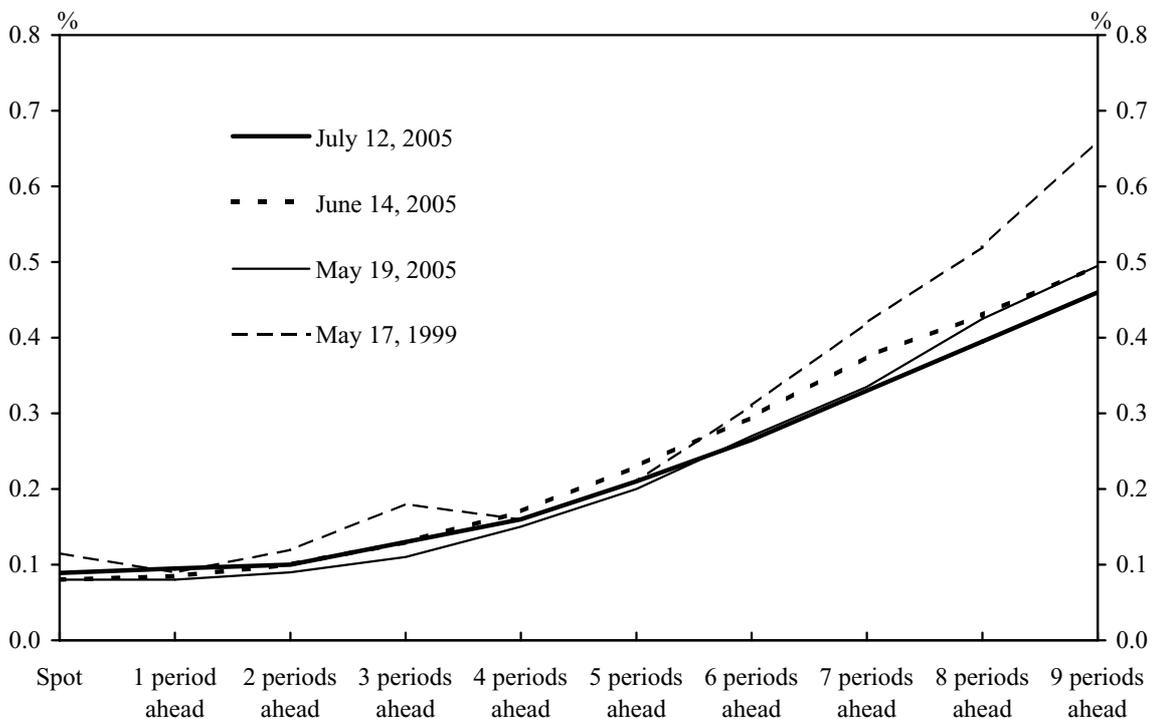
Sources: Bank of Japan; Tokyo International Financial Futures Exchange;
 Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments



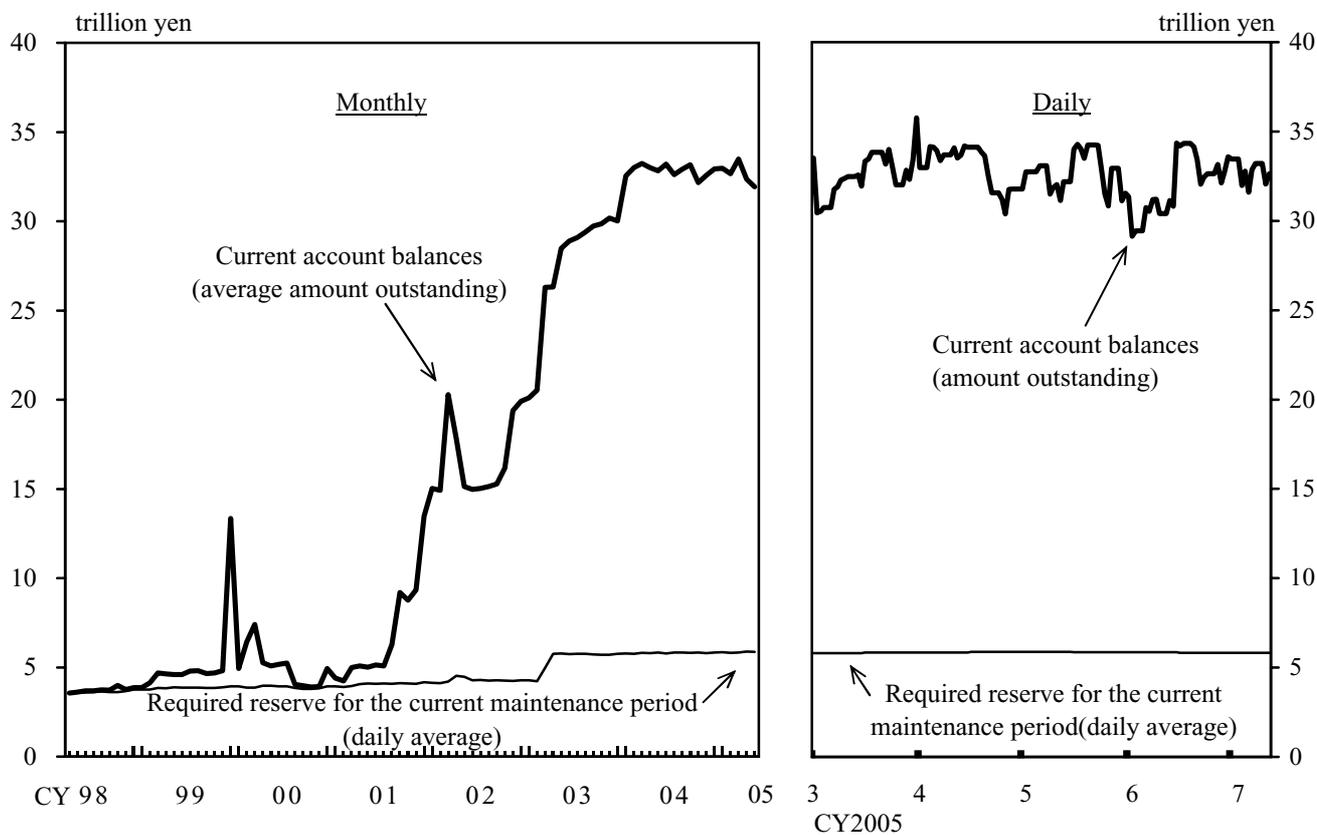
(2) Euroyen Interest Rates Futures (3-Month) ¹



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

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

Current Account Balances at the Bank of Japan ¹

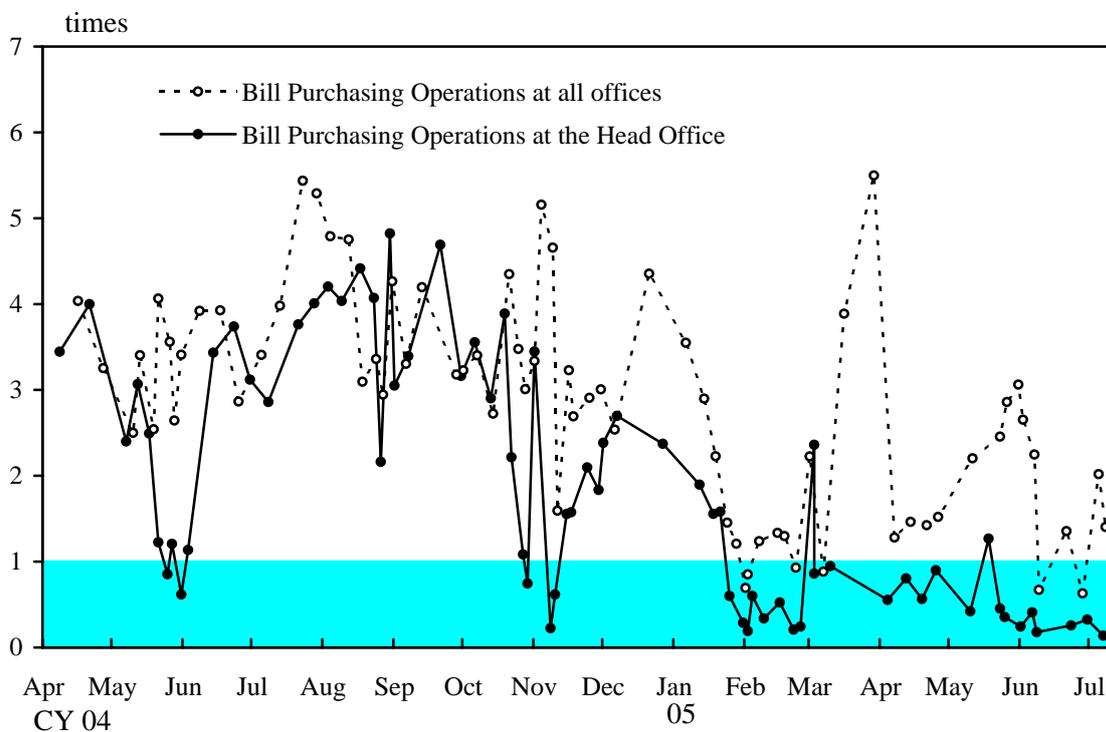


Note: 1. From April 2003, the figures for current account balances and required reserve include the deposit of the Japan Post.

Source: Bank of Japan.

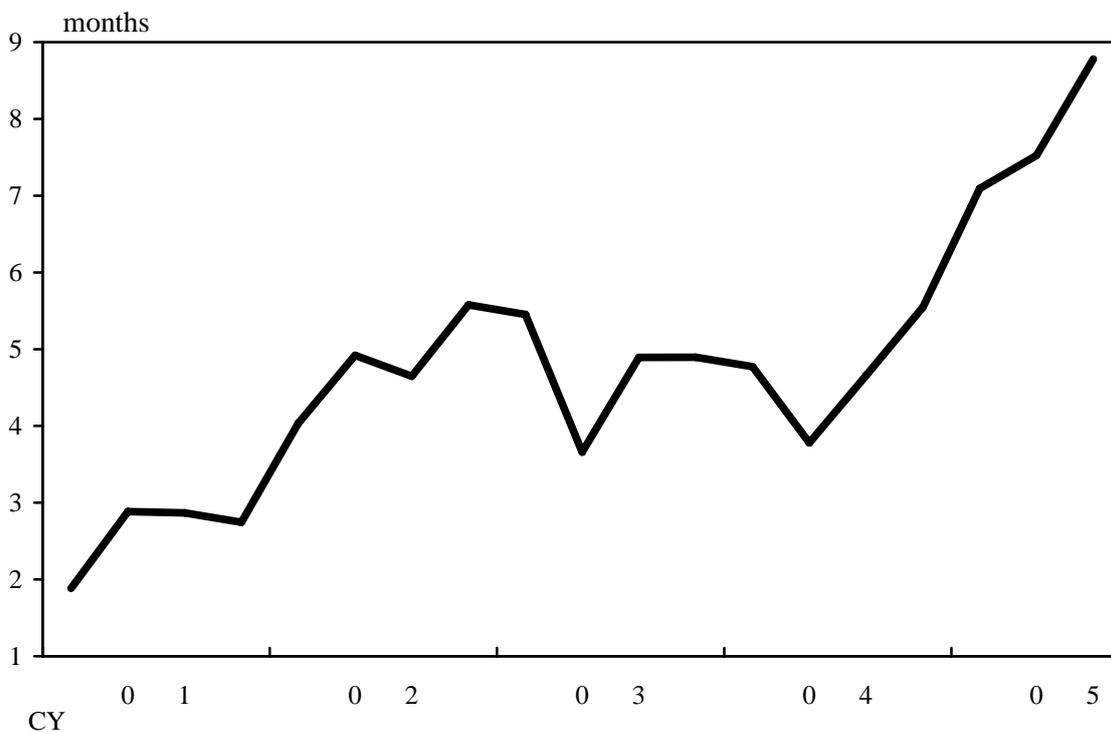
Funds-Supplying Operations

(1) Bid-to-Cover Ratio (Bill-Purchasing Operations)



Note: Based on the dates of offers.

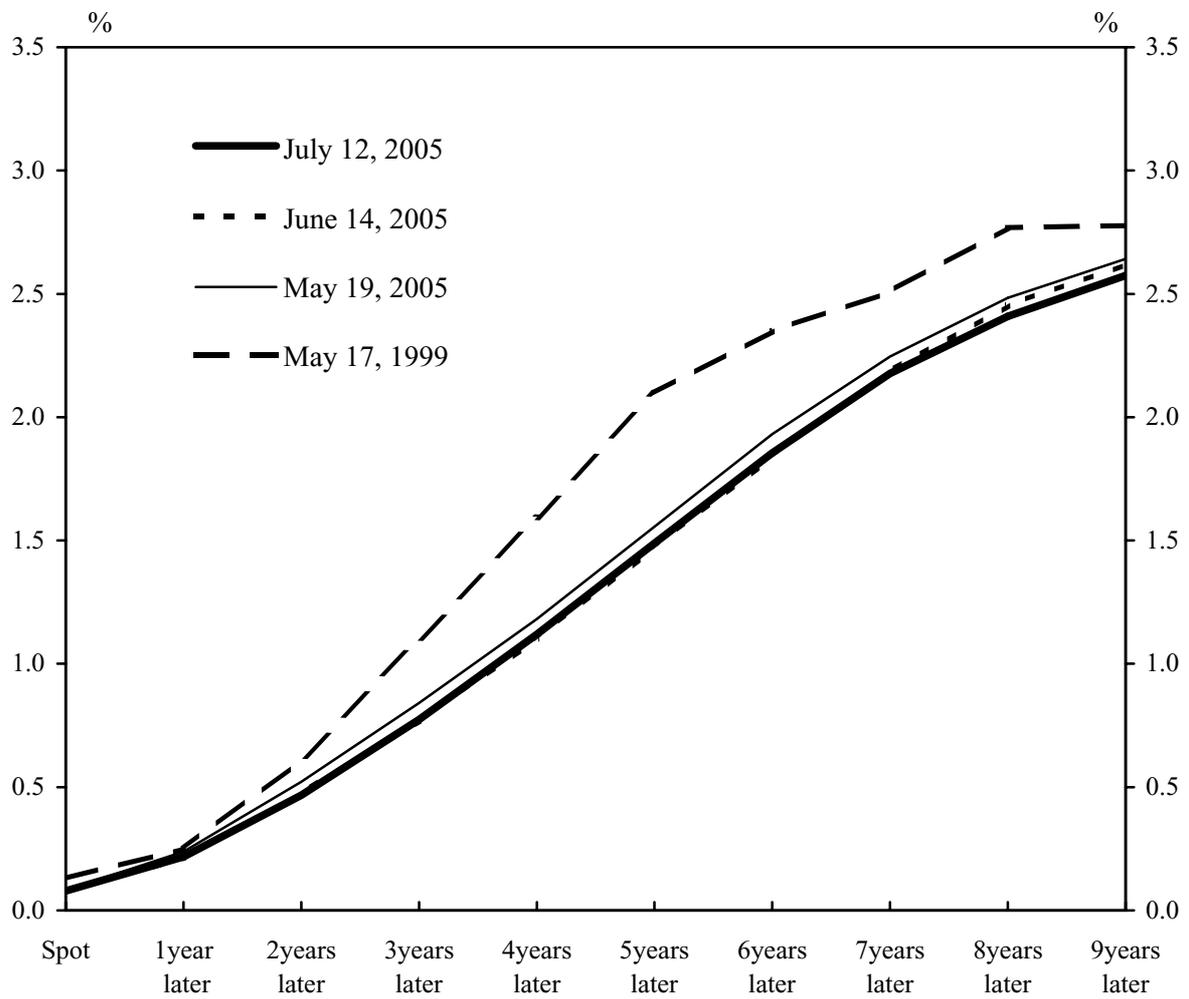
(2) Maturity of Bill-Purchasing Operations



Note: Figures are the amount-weighted average of the maturities of bill-purchasing operations offered during each quarter.

Source: Bank of Japan.

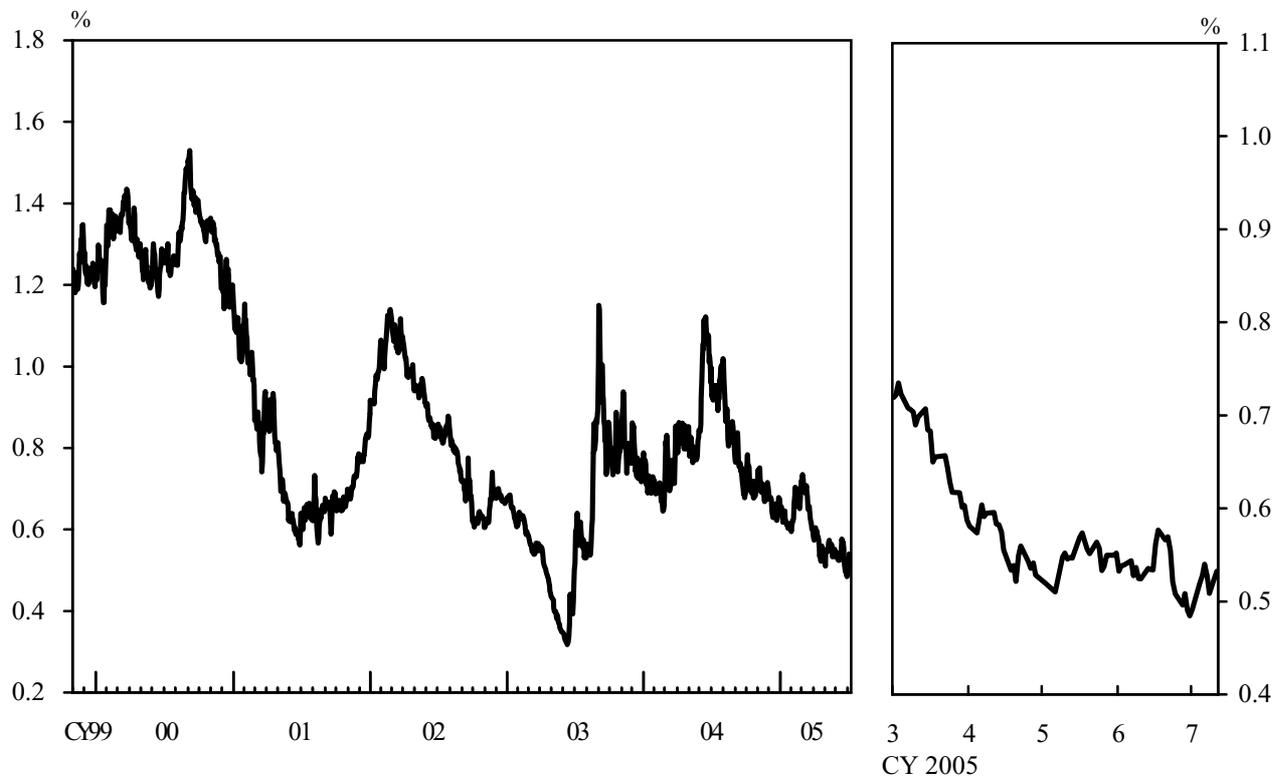
Implied Forward Rates (1-year)¹



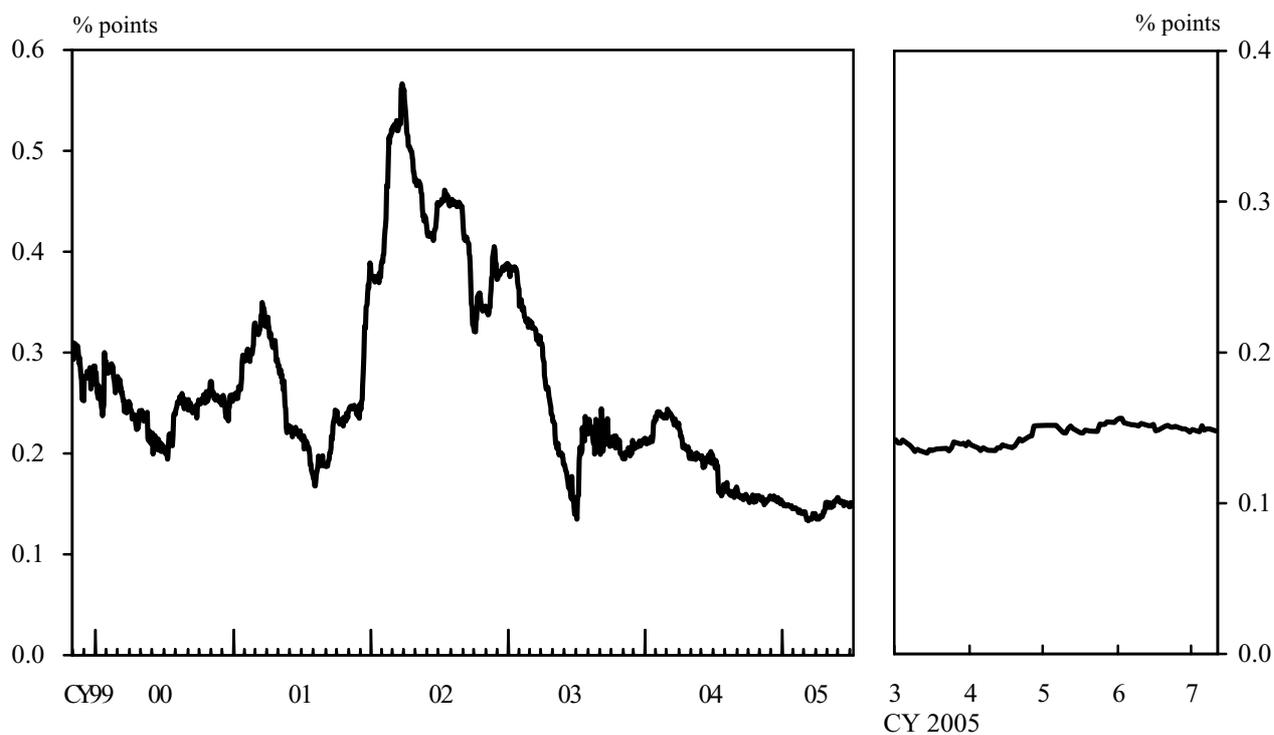
Note: 1. Calculated from yen-yen swap rates.
 Source: Reuters.

Yields of Bank Bonds

(1) Average Bank Bond Yield



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



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

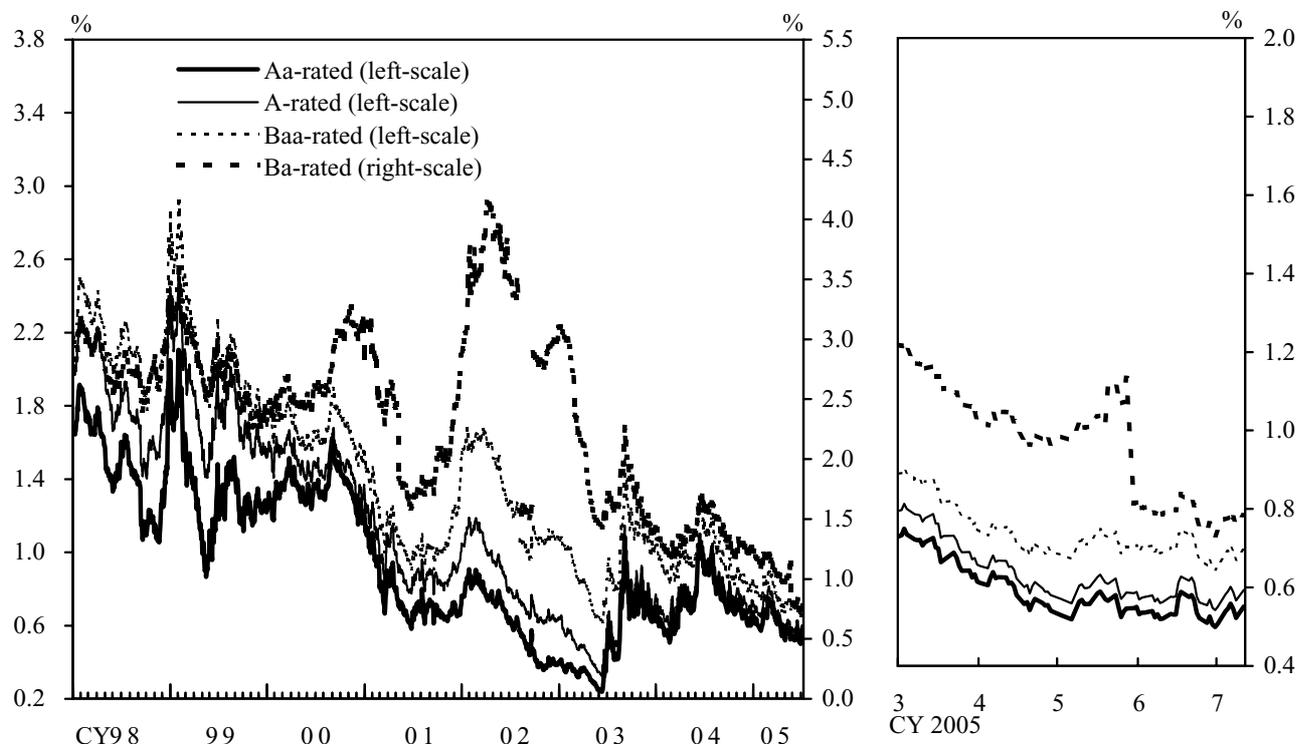
2. Average bank bond yield is the average of four bank bonds.

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

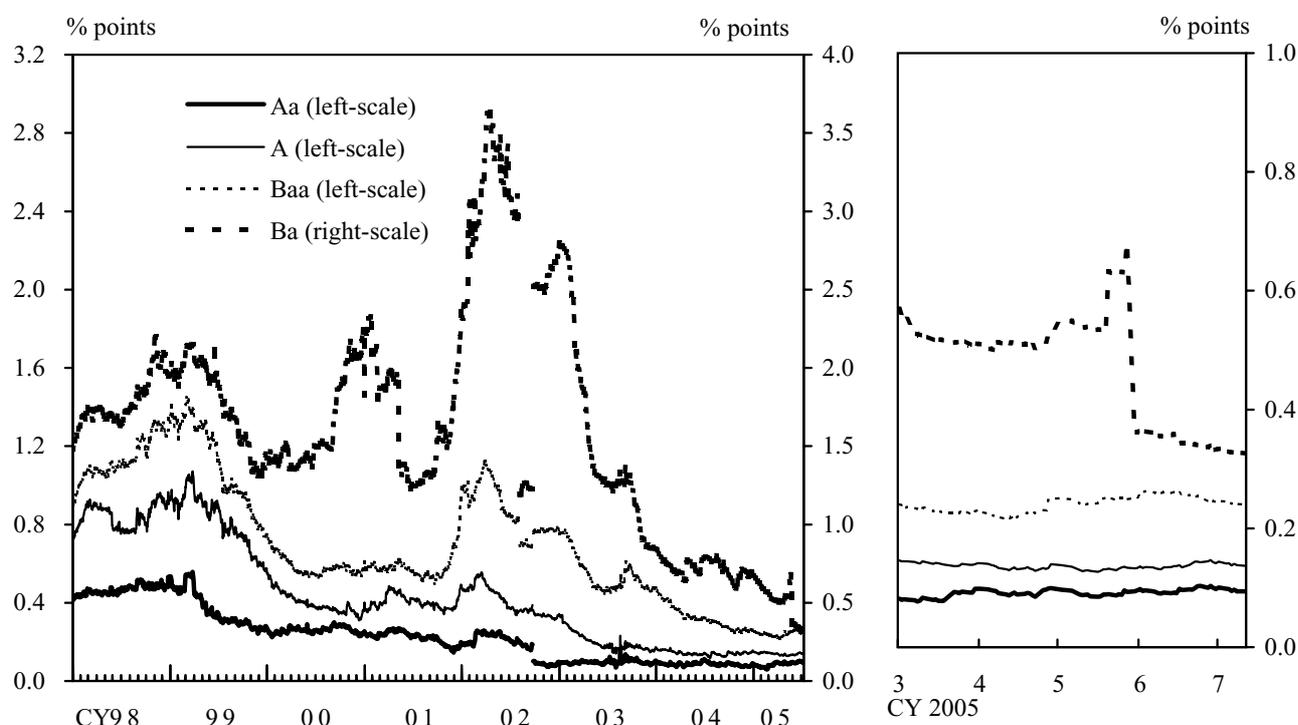
"Reference Price(Yields) Table for OTC Bond Transactions."

Yields of Corporate Bonds ¹

(1) Corporate Bond Yields



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



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

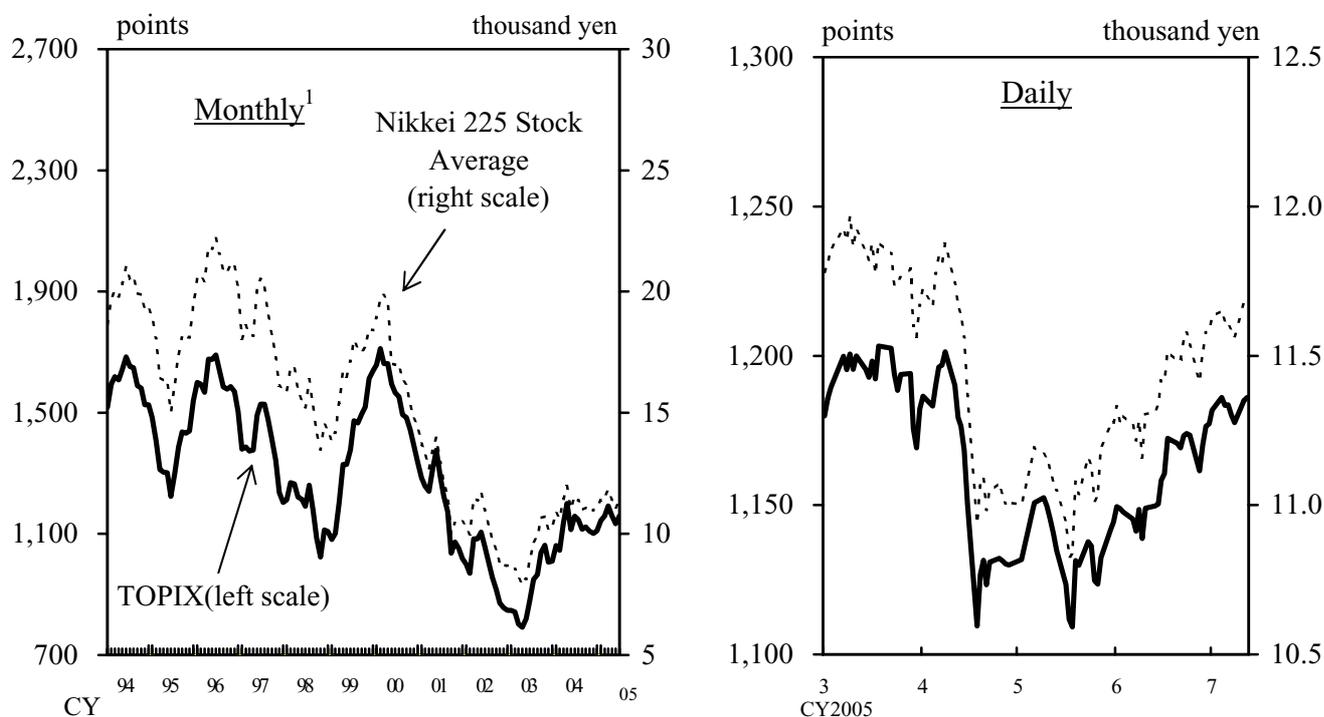
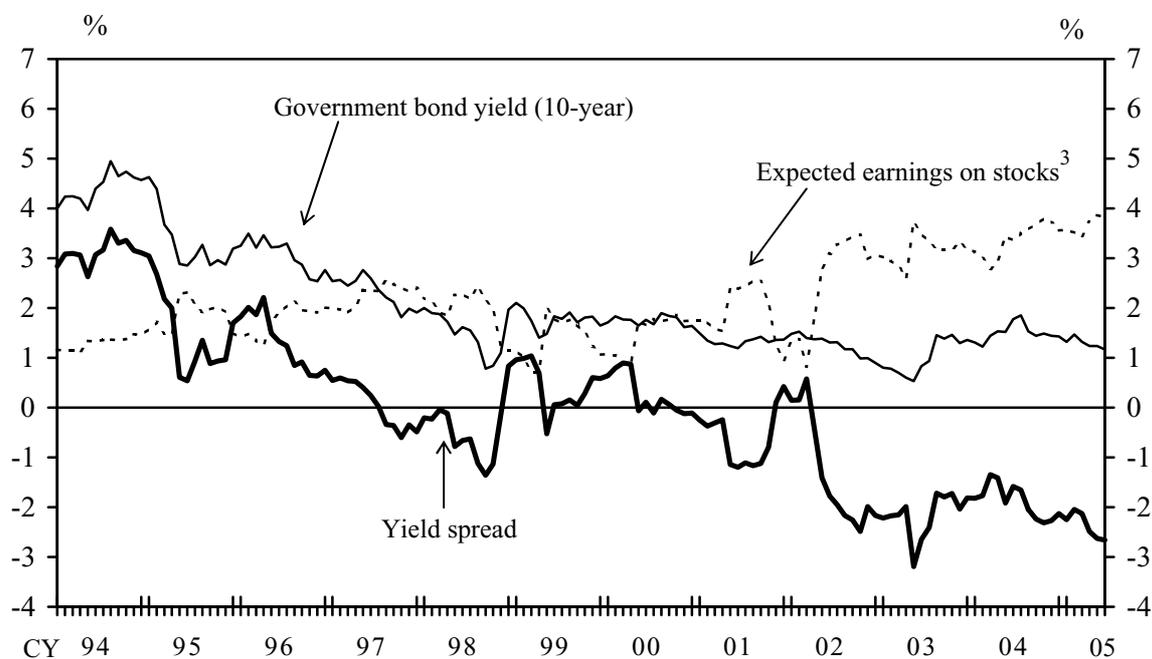
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of 4 to 6 years since Sep. 24, 2002.

2. The indicated ratings are of Moody's.

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

Stock Prices

(1) Stock Prices

(2) Yield Spread²

Notes: 1. Data are monthly averages.

2. Data are at end of period.

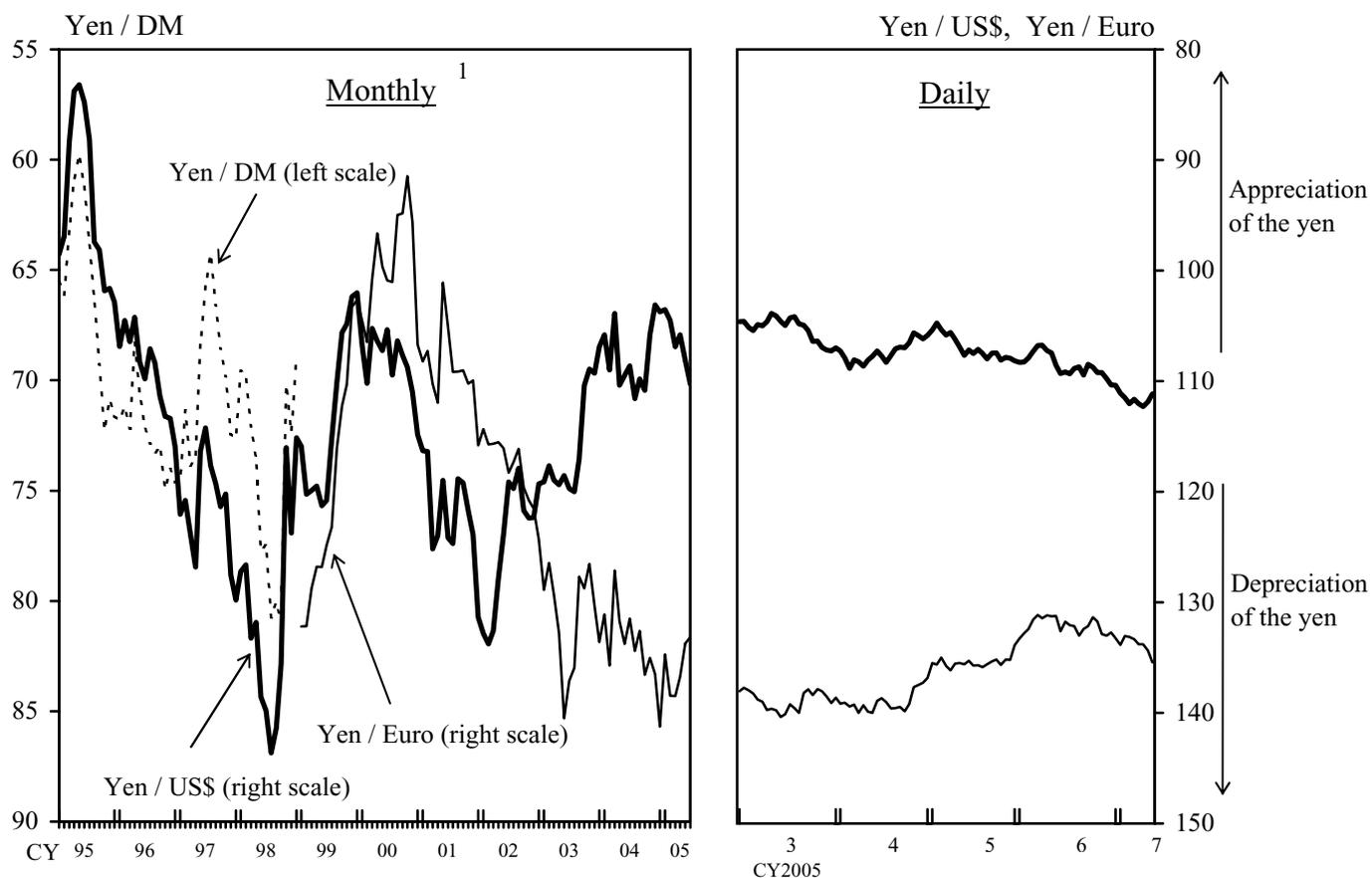
Yield spread = government bond yields - expected earnings on stocks,
where expected earnings on stocks = 1/expected price earnings ratio.

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

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

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

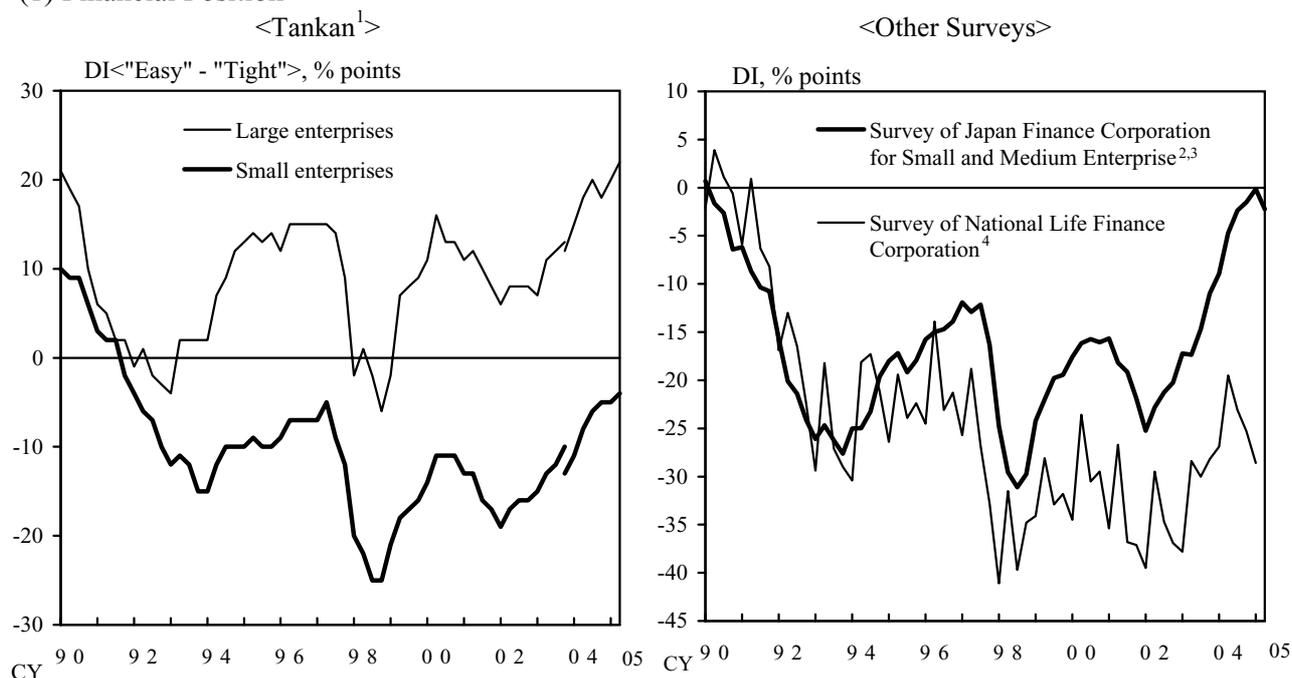
Exchange Rates



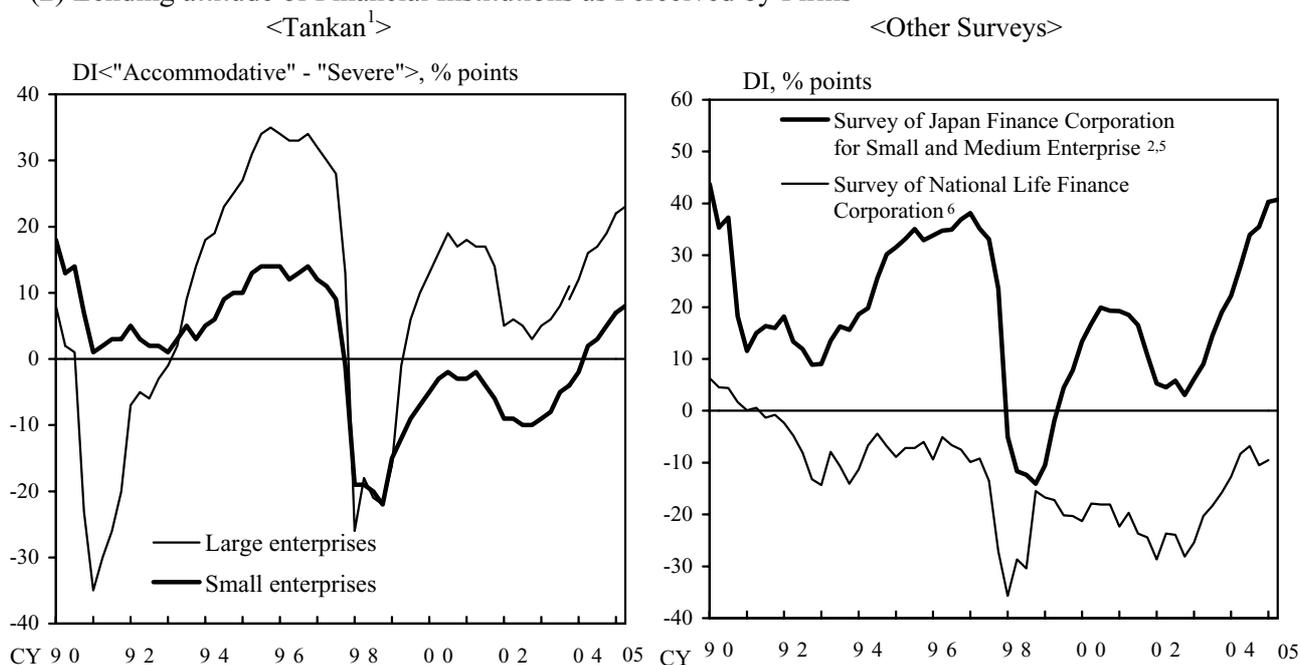
Note: 1. End of month.
 Source: Bank of Japan.

Corporate Finance-Related Indicators

(1) Financial Position



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



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

2. Figures are quarterly averages of monthly data.

3. DI of "Easy" - "Tight"

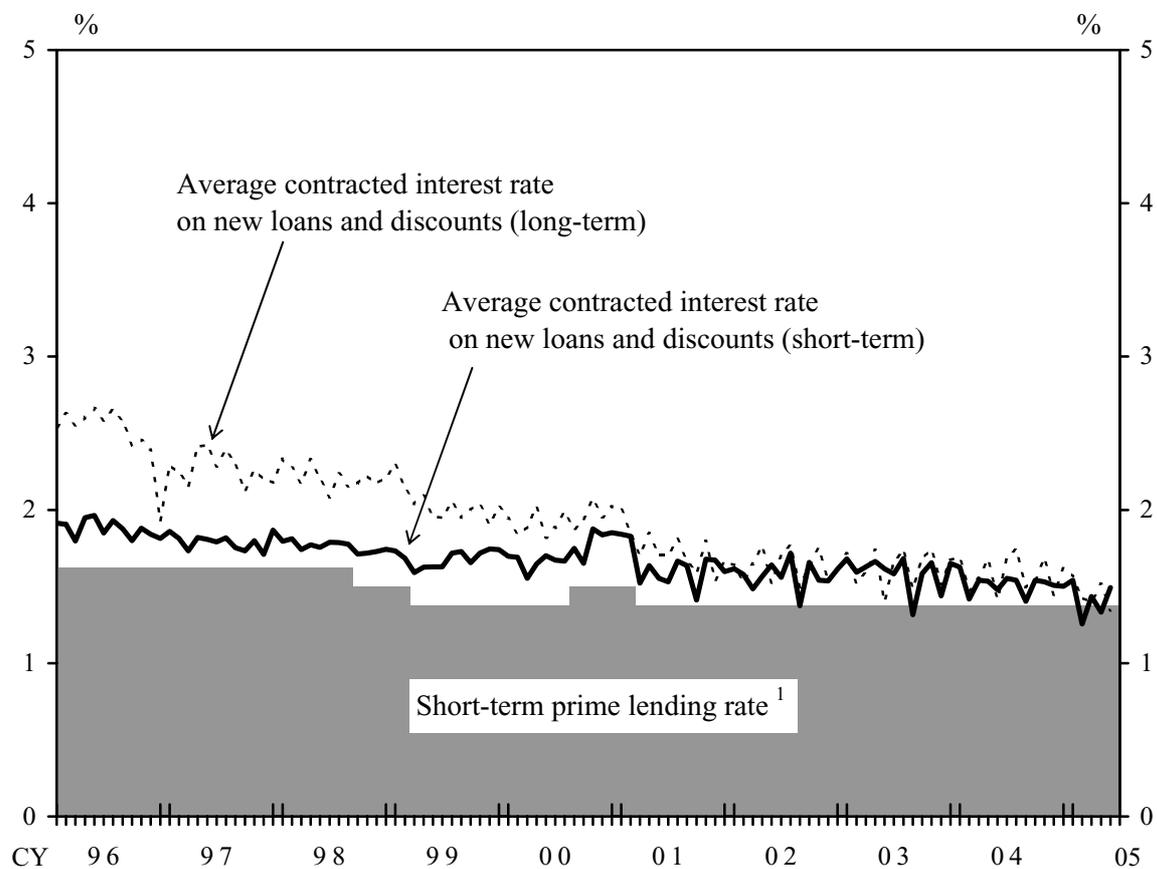
4. DI of "Easier" - "Tighter"

5. DI of "Accommodative" - "Severe"

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

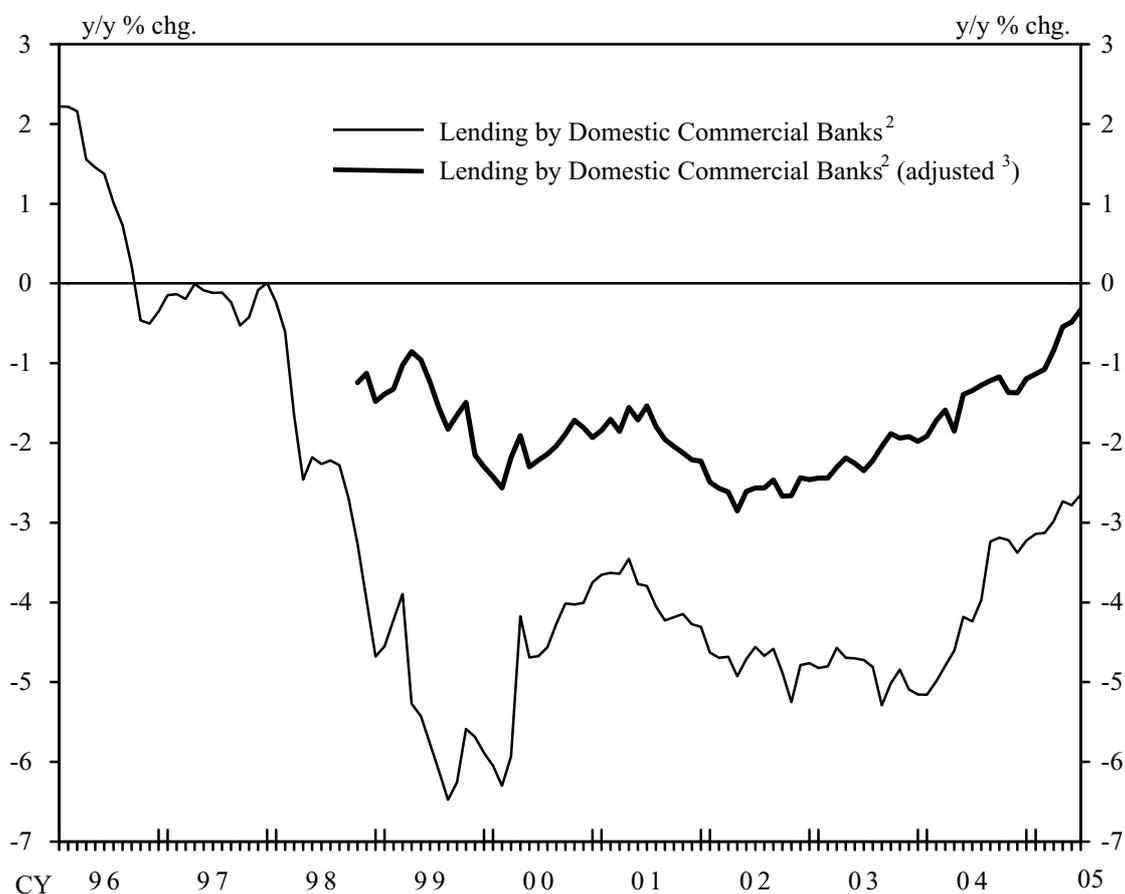
Sources: Bank of Japan, "*Tankan*, Short-term Economic Survey of Enterprises in Japan"; Japan Finance Corporation for Small and Medium Enterprise, "Monthly Survey of Small Businesses in Japan"; National Life Finance Corporation, "Quarterly Survey of Small Businesses in Japan."

Lending Rates



Note: 1. Data are at end of period.

Source: Bank of Japan.

Lending by Domestic Commercial Banks¹

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.

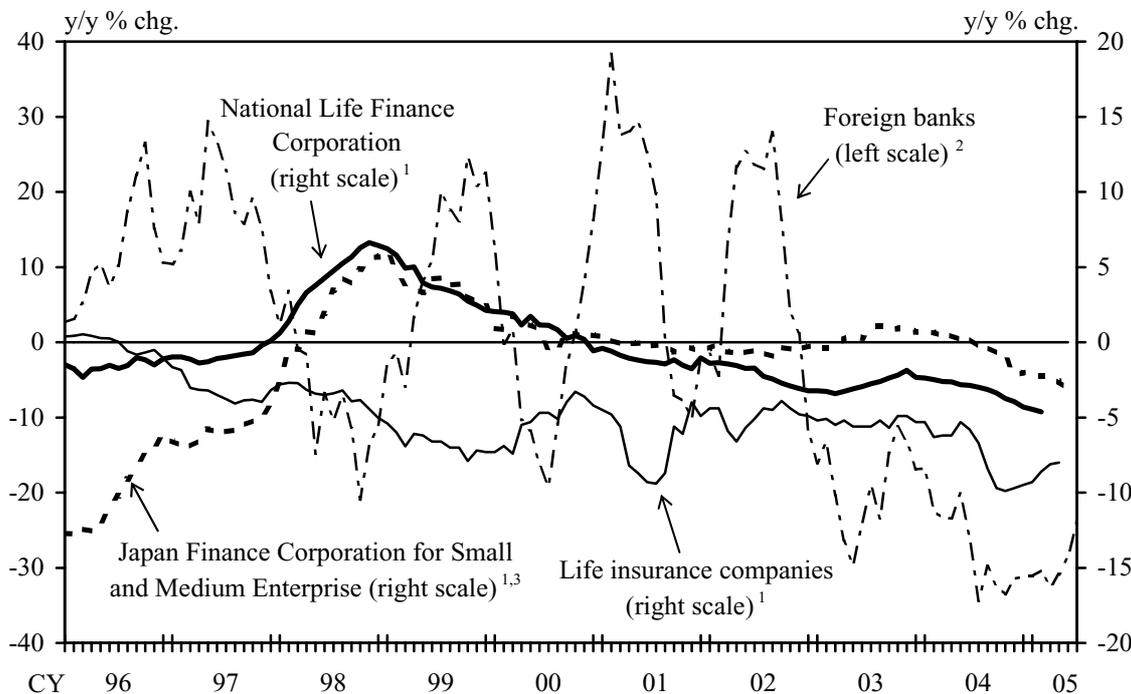
3. Adjusted to exclude

- (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."

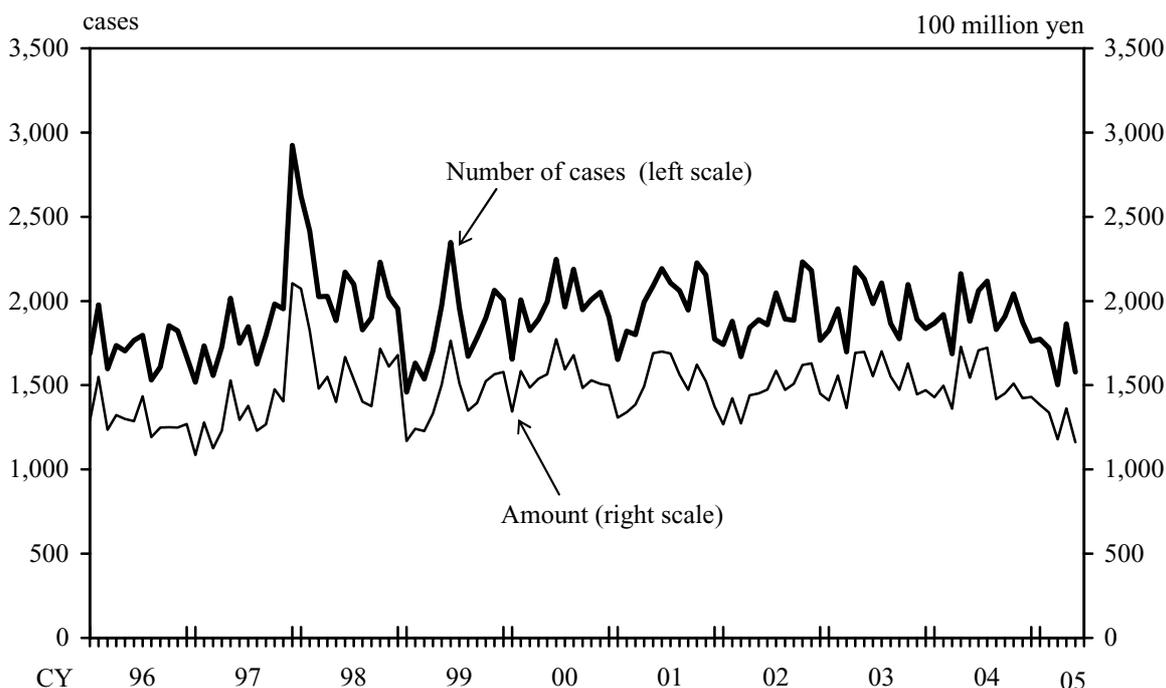
Lending by Other Financial Institutions

(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.

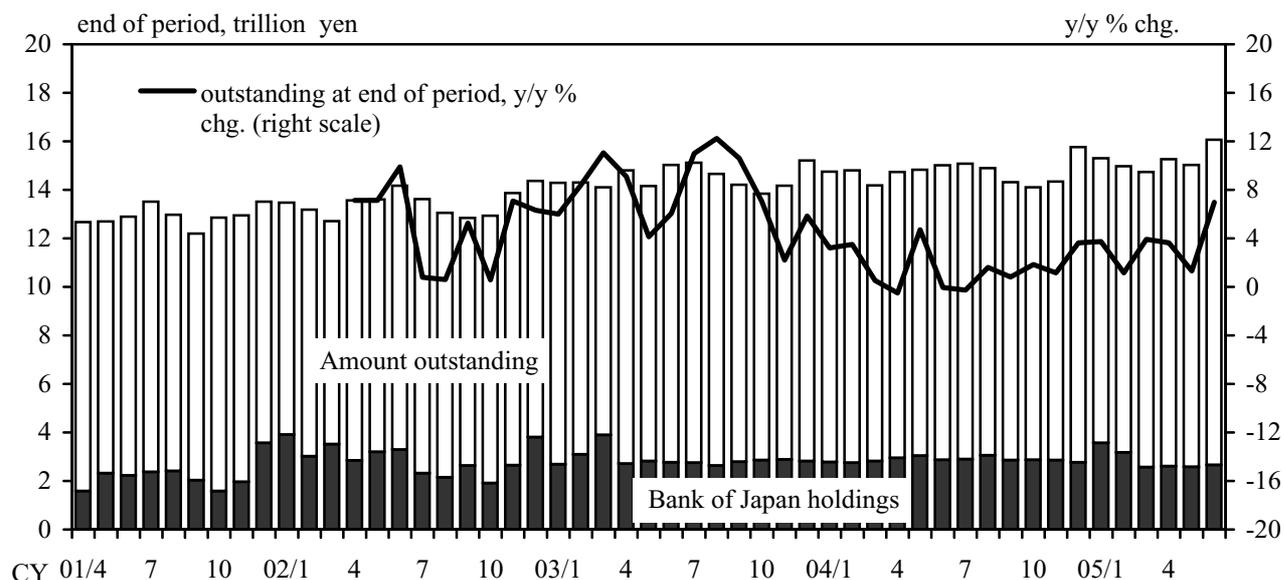
(2) Application for a Loan from Japan Finance Corporation for Small and Medium Enterprise



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

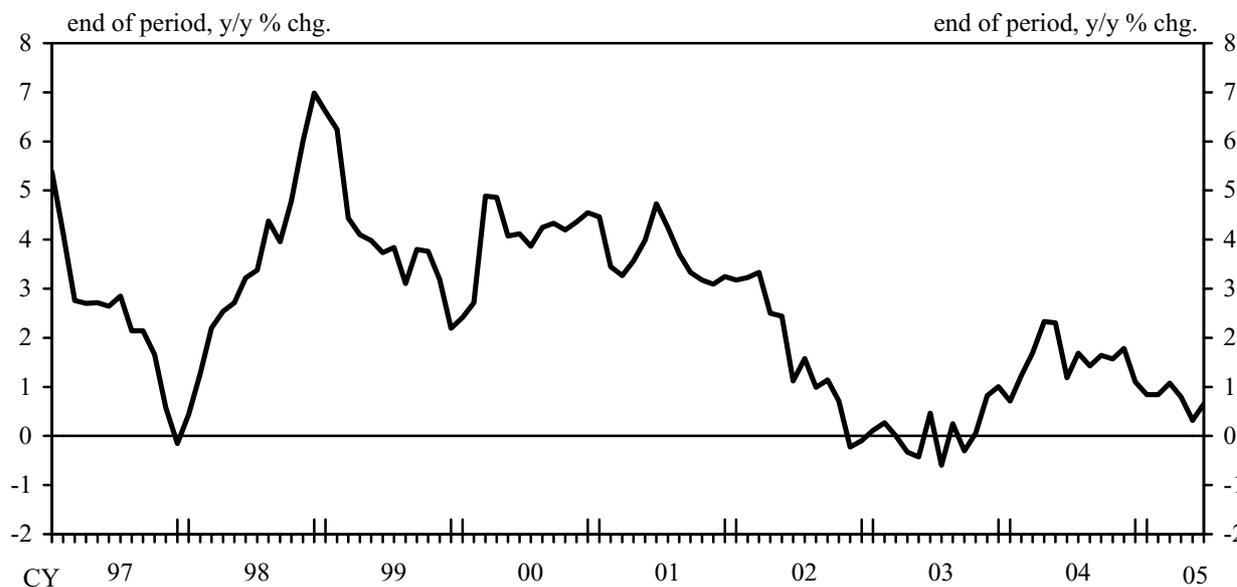
Private-Sector Fund-Raising in the Capital Markets

(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.

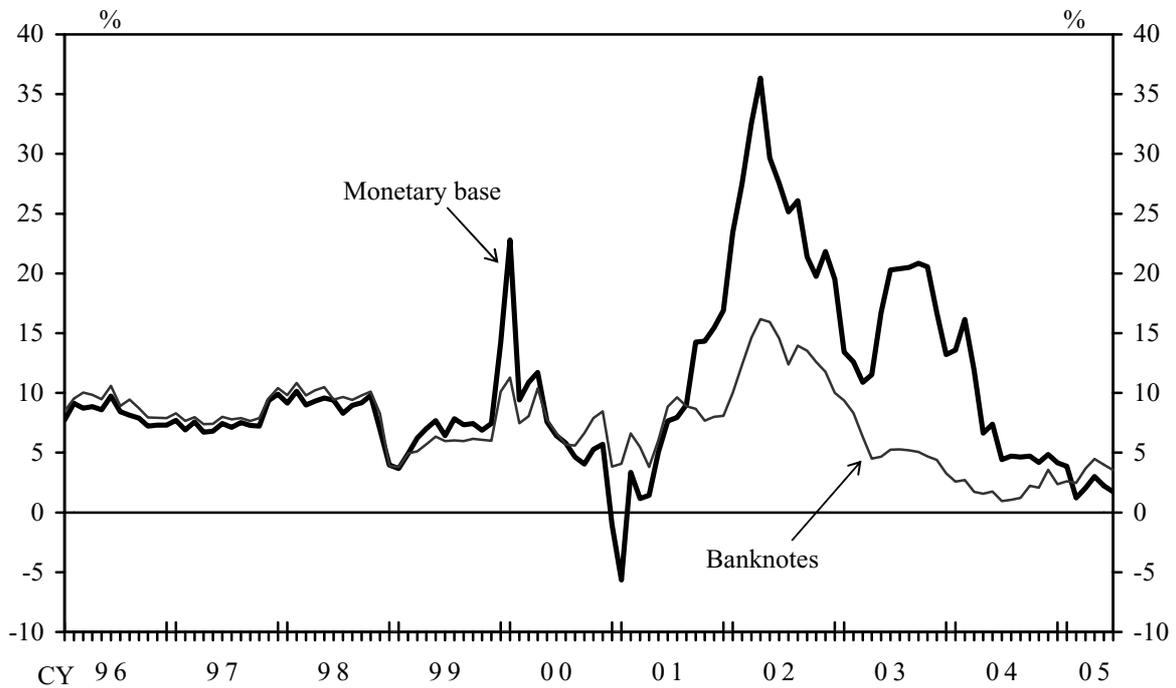
Procedures of the estimation are summarized as follows:

- (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.

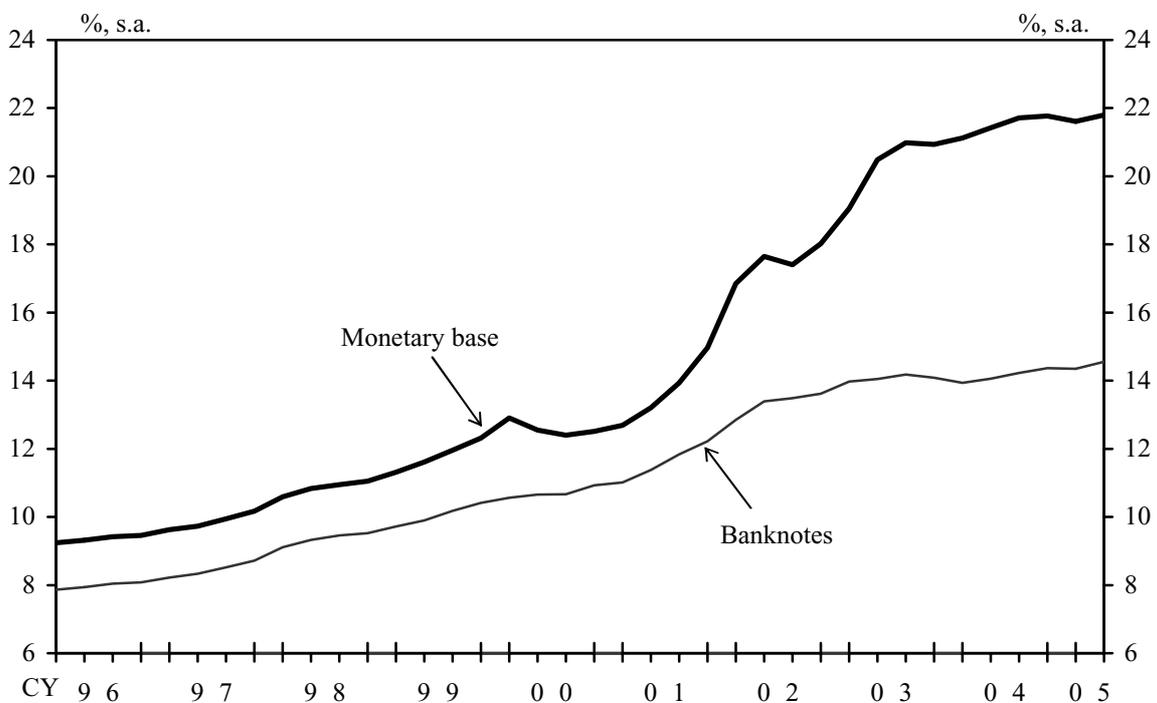
Sources: Bank of Japan, "Principal Figures of Financial Institutions," "Balance of Payments Monthly"; Japan Securities Dealers Association, "New Issue Volume- Redemption of Bonds," "Kisai-Jouhou (Issuance Information)"; I-N Information Systems, "Funding Eye."

Monetary Base

(1) Changes from a Year Earlier



(2) Ratio of Monetary Base to Nominal GDP



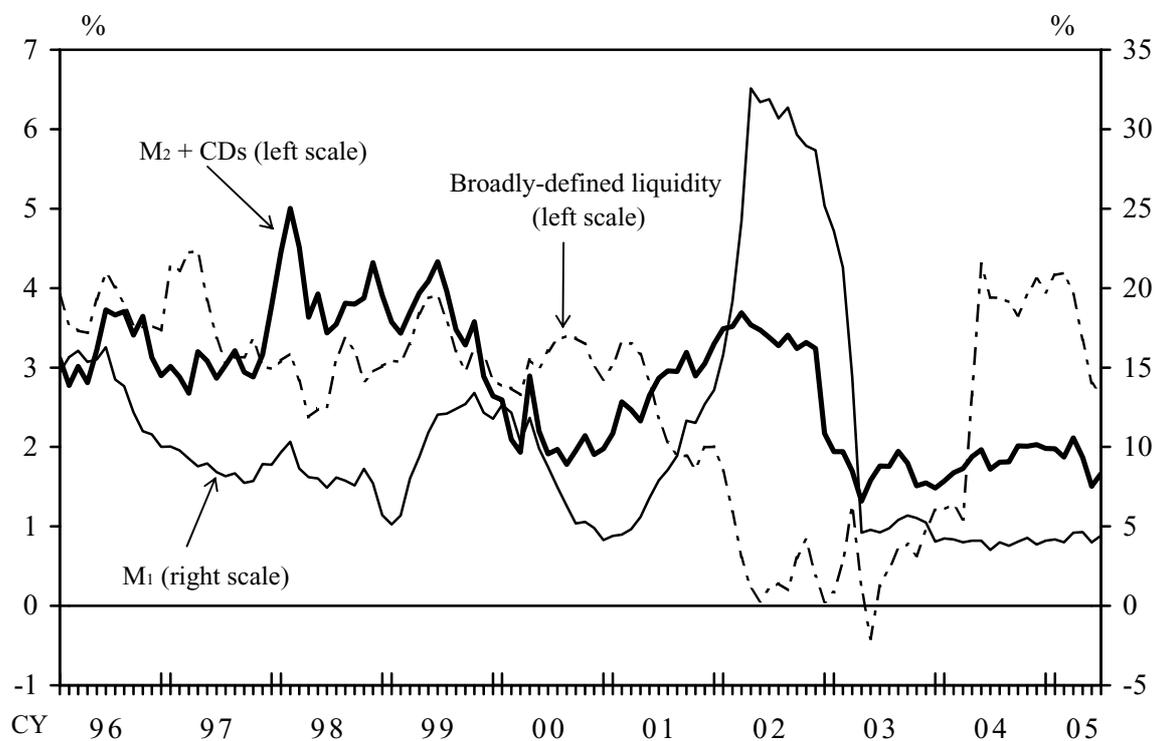
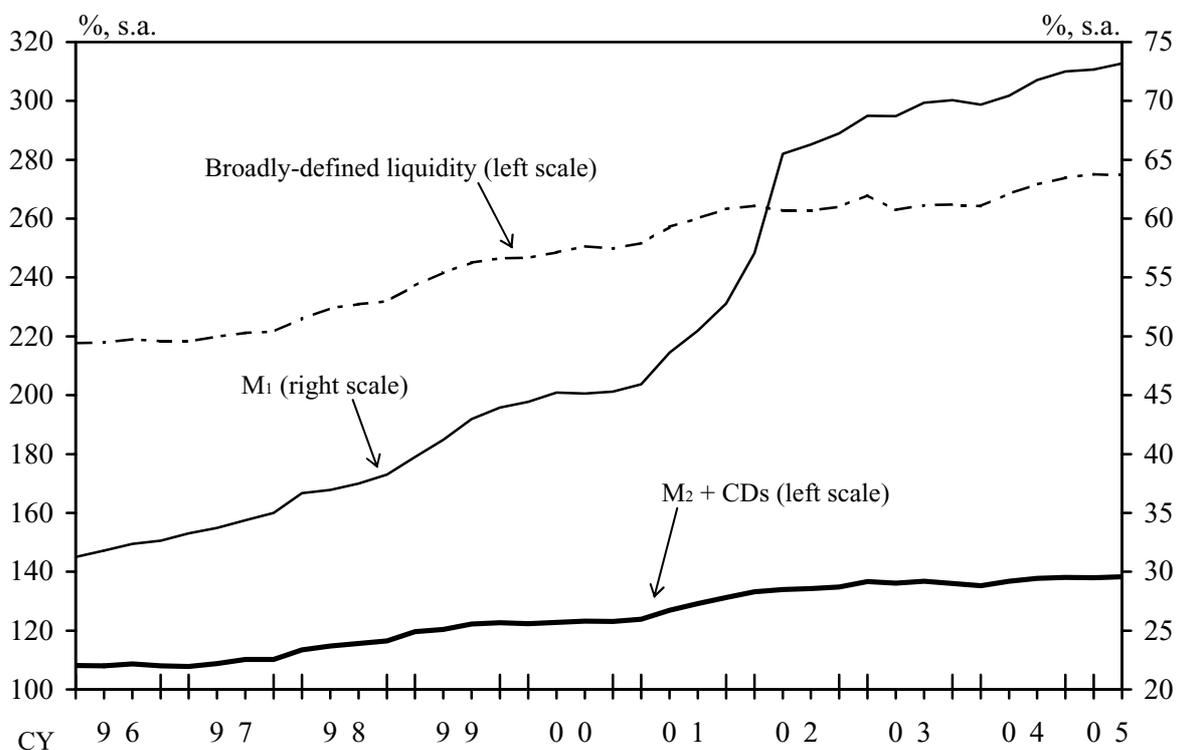
Notes: 1. Monetary base = currency in circulation (banknotes + coins) + current deposits at the Bank of Japan.

Data for currency in circulation include holdings of financial institutions.

2. Figure for the nominal GDP in 2005/Q2 is assumed to be unchanged from the previous quarter.

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

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

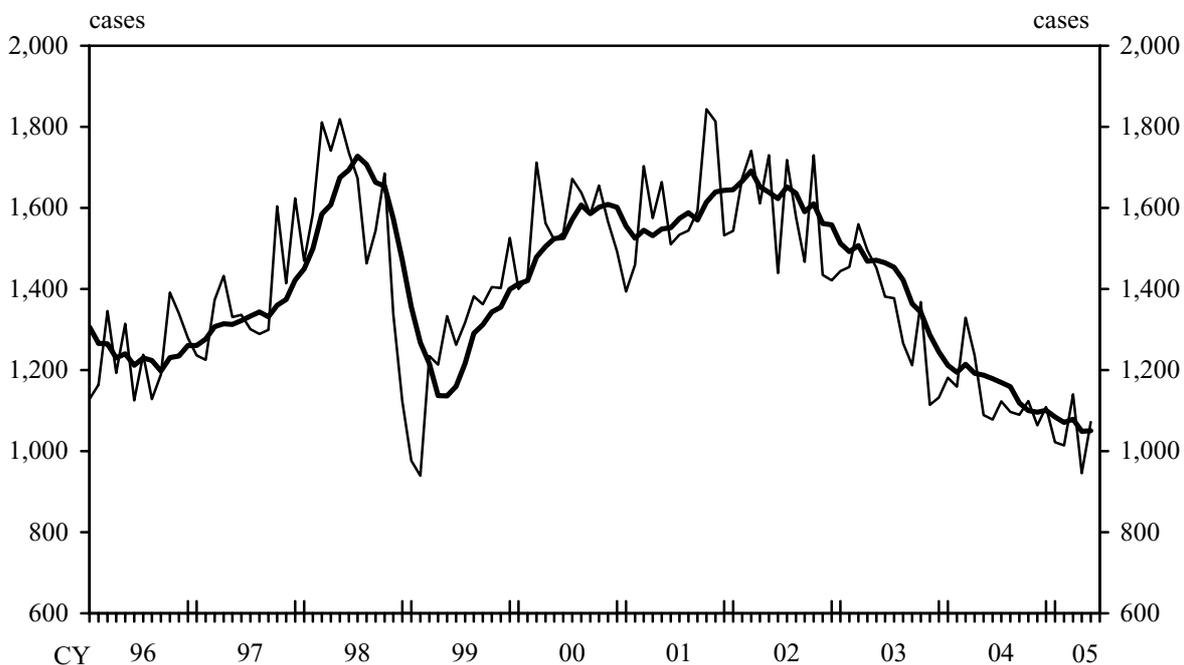
(1) Changes from a Year Earlier**(2) Ratio of Money Stock to Nominal GDP**

Note: Figure for the nominal GDP in 2005/Q2 is assumed to be unchanged from the previous quarter.

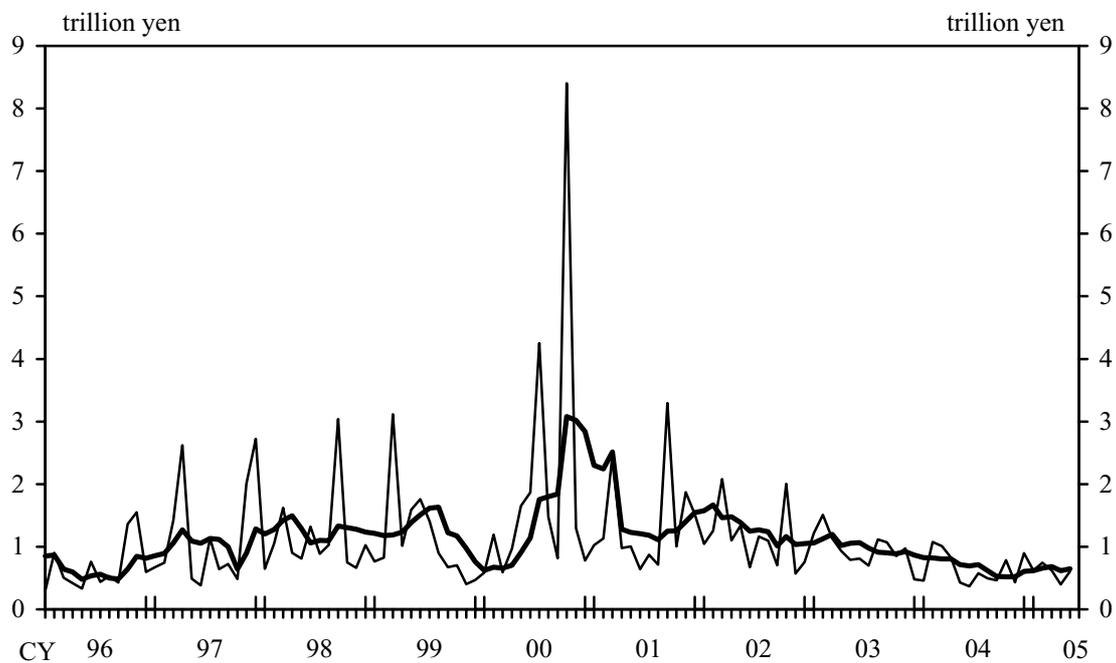
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities

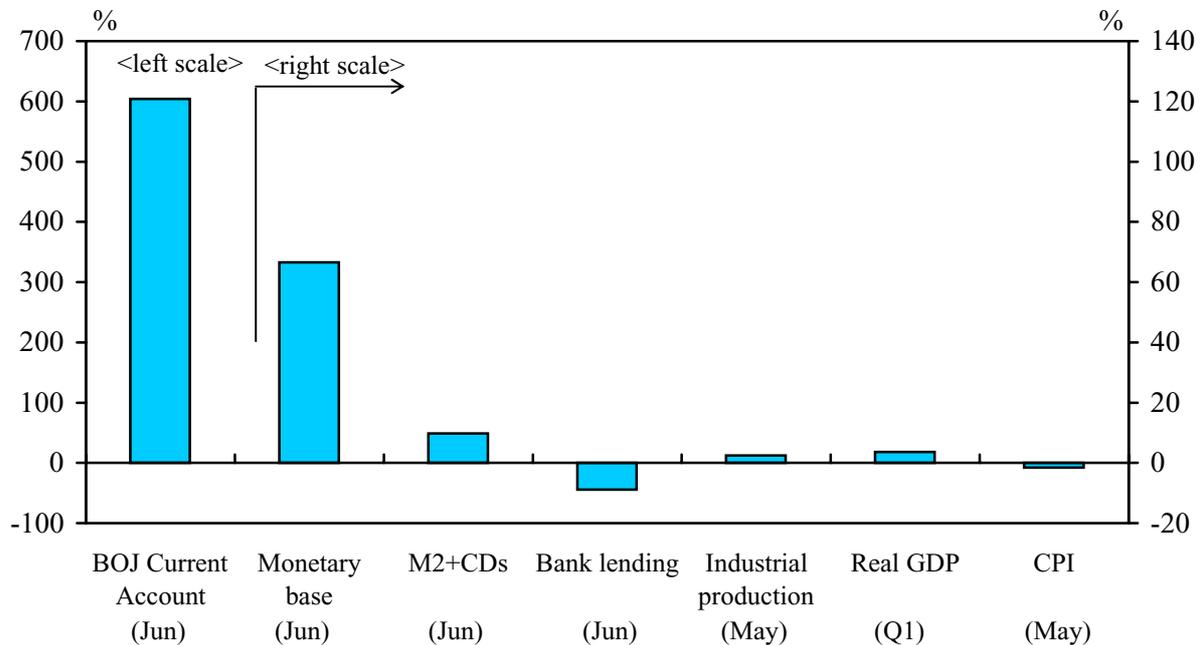


Note: Bold lines are the six-month moving average.

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

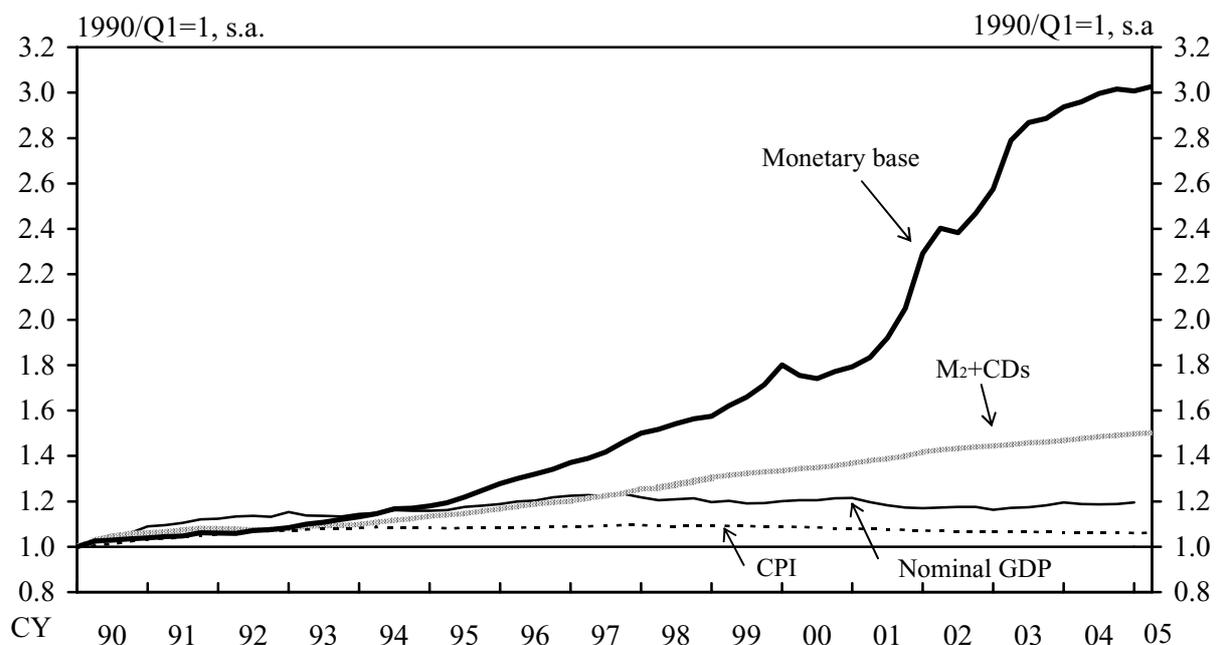
 Monetary Indicators, Economic Activity and Price Development

(1) Changes from March 2001



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

(2) Developments since 1990



- Notes: 1. Figures for monetary base are adjusted for changes in reserve requirement rates.
 2. Figures for CPI exclude fresh food and effects of the change in the consumption tax rate.
 3. Figure for CPI in 2005/Q2 is that of Apr.-May average.

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

Forecasts in the *Outlook for Economic Activity and Prices* released in April 2005**Forecasts of the Majority of Policy Board Members^{1,2} for Fiscal 2005 and Fiscal 2006**

(y/y % chg.)

	Real GDP	Domestic CGPI	CPI (excluding fresh food)
Fiscal 2005	+1.2 to +1.6 [+1.3]	+0.8 to +1.0 [+0.8]	-0.1 to +0.1 [-0.1]
Forecasts made in October 2004	+2.2 to +2.6 [+2.5]	+0.2 to +0.5 [+0.3]	-0.1 to +0.2 [+0.1]
Fiscal 2006	+1.3 to +1.7 [+1.6]	+0.2 to +0.5 [+0.3]	+0.2 to +0.4 [+0.3]

Notes: 1. Brackets indicate the median of the forecasts.

2. Policy Board members made forecasts for real GDP growth rates in the October Outlook Report using the fixed base-year method. At the time, they estimated that real GDP growth rates calculated using the fixed base-year method were slightly over 1 percent higher than if the current chain-linking method had been used. Hence, Policy Board members' median forecasts of real GDP growth rates would be equivalent to around 1.5 percent for fiscal 2005 in terms of the chain-linking method.
3. The forecasts of Policy Board members are based on the assumption that there will be no change in monetary policy.

¹ Forecasts of the majority of Policy Board members are the figures to which the individual members attach the highest probability and they are shown as a range, with the highest and lowest figures excluded. It should be noted that the range does not indicate the forecast errors.

² The forecasts of all Policy Board members are as follows.

(y/y % chg.)

	Real GDP	Domestic CGPI	CPI (excluding fresh food)
Fiscal 2005	+1.1 to +1.8	+0.7 to +1.0	-0.1 to +0.1
Forecasts made in October 2004	+2.0 to +2.6	+0.1 to +1.3	-0.1 to +0.3
Fiscal 2006	+1.2 to +2.2	+0.1 to +0.5	+0.1 to +0.5