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Bank of Japan

**Monthly Report of
Recent Economic and Financial Developments**
March 2006

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Monthly Report of Recent Economic and Financial Developments¹

March 2006

The Bank's View²

Japan's economy continues to recover steadily.

Exports and industrial production have continued to increase. Business fixed investment has continued to increase against the background of high corporate profits. Household income has also continued rising moderately, reflecting the improvement in employment and wages. In this situation, private consumption has become solid. Housing investment has shown some strength. Meanwhile, public investment has been on a downtrend.

Japan's economy is expected to continue to recover steadily.

Exports are expected to continue rising against the background of the expansion of overseas economies. 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, such as the excess debt of firms, has almost dissipated. In light of these increases in demand both at home and abroad, production is also expected to follow an increasing trend. Public investment, meanwhile, is projected to remain on a downtrend.

On the price front, domestic corporate goods prices have continued to increase, mainly reflecting the rise in international commodity prices. The year-on-year rate of increase in consumer prices (excluding fresh food) rose in January.

Domestic corporate goods prices are expected to continue increasing for the time being, mainly due to the effects of the rise in international commodity prices.

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on March 8 and 9, 2006.

² The text of "The Bank's View" was decided by the Policy Board at the Monetary Policy Meeting held on March 8 and 9, 2006.

The year-on-year rate of change in consumer prices is projected to follow a positive trend, albeit with some fluctuations, as supply-demand conditions 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 decline in credit demand in the private sector is coming to a halt. Under these circumstances, the rate of increase in the amount outstanding of lending by private banks is accelerating, and the amount outstanding of CP and corporate bonds issued has been above the previous year's level. The year-on-year growth rate of the monetary base is around 2.0 percent, and that of the money stock has been at the 1.0-2.0 percent level. As for developments in financial markets, money market conditions continue to be extremely easy, as the Bank of Japan continues to provide ample liquidity. In the foreign exchange and capital markets, stock prices have fallen compared with last month, while the yen's exchange rate against the U.S. dollar and long-term interest rates have been around the same level as last month.

The Background

1. Japan's Economy

Public investment has been on a downtrend (Chart 4). The amount of public construction completed—which reflects the progress of public works—fell again in the fourth quarter, after the slight increase in the third quarter. The value of public works contracted—a measure that reflects public orders—also dropped markedly in January compared to the fourth quarter, following a decline in the fourth quarter. Public investment is expected to remain on a downtrend due to tight national and local fiscal conditions.

Real exports have continued to increase against the background of the expansion of overseas economies (Charts 5[1] and 6); exports rose 2.8 percent in the fourth quarter on a quarter-on-quarter basis and 2.1 percent in January relative to the fourth quarter.

As for real exports by destination (Chart 6[1]), exports to the United States have continued to increase steadily, with exports of automobile-related goods recently posting a sizeable gain. Exports to the EU have also been trending up moderately, and recorded a substantial increase in January, led by automobile-related goods. On the other hand, exports to China declined by a small margin in January relative to the fourth quarter, as a reaction to the notable rise in the second half of last year (Chart 9).³ Meanwhile, exports to the NIEs and ASEAN have continued rising at a moderate pace. By goods (Chart 6[2]), exports of automobile-related goods have lately posted a significant increase, bolstered by the favorable overseas demand and the opening of new domestic factories (Chart 7[3]). Exports of capital goods and parts (semiconductor manufacturing equipment and construction machinery), and of IT-related goods (electronic parts, such as semiconductors) have followed a solid uptrend with fluctuations smoothed out (Charts 7[1] and 8[1]). On the other hand, exports of consumer goods edged lower in January, mainly in motorcycles, but this is considered to be a temporary fluctuation.

³ Seasonably adjusted figures for exports to China at this time of the year generally tend to fluctuate, due to the fact that the timing of the Lunar New Year varies each year. The decline recorded in January is possibly a result of such fluctuations.

Real imports have trended up against the background of the rise in domestic demand (Charts 5[1] and 11). By goods, imports of capital goods and parts, and of IT-related goods have followed a solid upward trend on average. Imports of consumer goods have also been on a firm uptrend and, recently in particular, those of apparel from China have posted high growth, reflecting increased demand induced by the low temperatures. Imports of foodstuffs, which tend to fluctuate widely, bounced back in January as a reaction to the slight softening in the latter half of last year.

The surplus of net exports in terms of the real trade balance fell back in January, after an appreciable increase in the fourth quarter, which reflected the above-mentioned developments in exports and imports (Chart 5[2]). The surplus of the nominal balance on goods and services widened noticeably in the fourth quarter in light of the above-mentioned developments in the real trade balance, although it had been declining due to the rise in import prices of raw materials. Meanwhile, the current account balance has been relatively stronger as a trend compared to the balance on goods and services, supported by the continued improving trend in the income balance.

Exports are expected to continue rising, as overseas economies expand further, particularly in the United States and East Asia (Chart 10[2]). Looking at the environment surrounding exports, the U.S. economy has continued to expand at a steady pace, driven by domestic private demand, although it has shown some signs of slowing. In this situation, the U.S. economy is expected to continue expanding at a pace close to its potential growth rate. As for the Chinese economy, high economic growth has continued on the whole, although the imbalance in the supply-demand conditions of some sectors has remained. Meanwhile, in the foreign exchange market, the yen has been at its lowest level since 1985 in terms of the real effective exchange rate, which incorporates differentials in the inflation rates between home and abroad, although some appreciation has recently been observed (Chart 10[1]). These developments in the foreign exchange market are expected to support export growth.

Imports are projected to continue their uptrend, since the recovery in the domestic economy is likely to be sustained.

Business fixed investment has continued to increase. On a GDP basis (preliminary figures), real fixed investment continued its solid increase in the third and fourth quarters after posting notable growth in the first half of last year (Chart 3). Based on the *Financial Statements Statistics of Corporations by Industry, Quarterly*, business fixed investment in nominal terms dropped in the fourth quarter following the considerable increases in the second and third quarters last year (Chart 12[1]). However, this decrease largely reflects a fall back in investment of small and medium-sized firms, which tends to fluctuate widely, in reaction to the significant increase to date. Investment of large firms has followed a steady uptrend both in the manufacturing and nonmanufacturing sectors. Looking at monthly figures, shipments of capital goods (excluding transport equipment)—a coincident indicator of machinery investment—maintained their uptrend despite some fluctuations (Chart 14[1]). Machinery orders (private demand, excluding shipbuilding and orders from electric power companies)—a leading indicator of machinery investment—also followed a steady uptrend. Moreover, forecasts for the first quarter show that orders are projected to continue rising, though at a marginal pace (Chart 15[1]). Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—have stayed on an upward trend with some fluctuations. In January in particular, those in the wholesale and retail trade, and transport posted noticeable increases relative to the fourth quarter (Chart 15[2]).

Looking at the environment surrounding business fixed investment, corporate profits have been high. According to the *Financial Statements Statistics of Corporations by Industry, Quarterly* (Chart 12[2]), the ratio of current profits to sales in the fourth quarter maintained its high level on the whole.

Business fixed investment is expected to continue increasing, since the expansion in domestic and external demand, and the high level of corporate profits are likely to be maintained.

Private consumption has become solid. On a GDP basis, private consumption posted a relatively large increase again in the fourth quarter, after having moderated temporarily in the third quarter (Chart 3). Looking at individual indicators on consumption (Charts 16 and 17), the number of new passenger-car registrations has been picking up since the start of the year, supported by the introduction of new model automobiles, after a period of weakness in the second half of the previous year. Sales of household electrical appliances have continued their steady increase. Sales at department stores have remained firm, particularly in apparel and accessories (such as handbags). By contrast, supermarket sales fell back in January after having advanced temporarily in the fourth quarter, mainly in apparel. Meanwhile, sales at convenience stores have lately been almost flat on average. As for services consumption, sales in the food service industry have been increasing steadily as a trend, although they dropped in January, dampened partly by the effects of the snowfall. On the other hand, outlays for both domestic and overseas travel have lately turned up somewhat.

Indices of aggregated sales (in real terms), which are comprised of major sales indicators of these goods and services,⁴ remained firm on average, although they dropped back marginally in January following the relatively high growth in the fourth quarter (Chart 18). The aggregate supply of consumer goods—which comprehensively captures producers’ supply of goods—stepped up in January, led chiefly by automobiles and cosmetics, following the increase in the fourth quarter (Chart 19). 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) has been almost flat in the fourth quarter, after having declined in the third quarter (Chart 16).⁵

⁴ The indices of aggregated sales are the weighted average of each sales indicator. Outlays for travel in January were not released at the time when these indices were compiled, and hence were incorporated into the indices under the assumption that the seasonally adjusted figures for January were at the same level as that in December.

⁵ With regard to workers’ households, the January figures already released show that the index decreased by 1.6 percent relative to the fourth quarter. However, this drop appears to be attributable to sample fluctuations.

Indicators for consumer sentiment have been on an improving trend, against the background of the improvement in employment situation and higher stock prices (Chart 20).

Private consumption is likely to continue increasing steadily, with the gradual increase in household income.

As for housing investment, housing starts have shown some strength (Chart 21[1]), recording a fairly high level of around 1.25 million units (annual rates) since the second half of last year.⁶ Active supply-side initiatives with favorable financial conditions seem to have stimulated potential housing demand, especially among second-generation baby boomers and senior citizens. In this situation, housing investment is likely to remain firm.

Industrial production has continued to increase against the background of the growth in domestic and external demand. Production rose for a sixth consecutive month in January, and posted a continued firm increase of 1.6 percent compared to the fourth quarter (Chart 22). As for January figures by industry, while production of general machinery and transport machinery dropped back in reaction to the high growth experienced until the previous month, production of electronic parts and devices continued to post brisk gains, and that of chemicals (cosmetics) also stepped up.

Shipments continued their solid increase. By goods (Chart 23), the rise in shipments of producer goods has become well-defined, particularly in electronic parts and devices. Shipments of capital goods have generally increased further, although they have recently fluctuated widely. Regarding shipments of consumer goods, both durable goods (automobiles for export, digital home appliances) and nondurable goods (cosmetics) have stepped up markedly in the fourth quarter and in January.

Meanwhile, inventories have been more or less in balance with shipments. The inventory cycle (Chart 24) showed that, in the industrial sector as a whole,

⁶ In detail, starts of housing for sale (particularly apartments) have recently edged lower. It is uncertain whether this is a result of the subsequent effects of the falsified earthquake resistance data scandal.

growth in shipments is roughly comparable to that in inventories. In detail, electronic parts and devices have evidently been in the recovery phase, with shipments rising substantially and inventories remaining almost at the previous year's level. Inventories of producer goods, excluding electronic parts and devices, have remained in a moderate adjustment phase, particularly in iron and steel, chemicals, and paper, but the inventory-shipment balance is improving slowly, partly supported by the favorable conditions of high value-added goods. Meanwhile, growth in inventories of durable consumer goods in January remained relatively high on a year-on-year basis, because of the low inventory level in the previous year. On a seasonally adjusted month-on-month basis, however, it declined significantly, primarily as a result of the depletion of automobiles waiting for shipment.

As for the outlook, production is expected to follow an increasing trend, with continued growth in overseas economies and the solid foundation for a recovery in domestic demand. According to anecdotal information, production in the first quarter is likely to increase further.⁷

As for the employment and income situations, household income has continued rising moderately, supported by improvements in employment and wages, as various indicators for labor market conditions have been improving (Chart 25).

In the labor market, overtime hours worked have recently edged higher, after having been more or less flat (Chart 27[3]). The number of new job offers continued its increase on a year-on-year basis, although the pace of growth moderated slightly (Chart 26[3]). Under these circumstances, the ratio of job offers to applicants has trended up at a moderate pace, reaching 1.03 in January. The unemployment rate, on the other hand, has recently stayed almost unchanged. This is because those who quit their jobs voluntarily to seek jobs with better conditions have increased, in a situation where the employment climate has been improving (Chart 26[1]).⁸

⁷ Production in the first quarter, based on the production forecast index of February and March, is calculated to post an increase of 1.7 percent on a quarter-on-quarter basis.

⁸ The labor force ratio has lately been picking up gradually.

In terms of employment, the number of employees in the *Labour Force Survey* has lately been showing a comparatively large increase on a year-on-year basis, lifted by a rather low reading in the same period last year. Growth in the number of regular employees in the *Monthly Labour Survey* continued at a steady pace of around 0.5 percent on a year-on-year basis (Chart 27[1]). In detail, not only part-time workers but full-time employees have also been increasing since last spring. Consequently, the change in the ratio of part-time workers on a year-on-year basis has been close to zero (Chart 27[2]).

Regarding wages on a year-on-year basis, regular payments have been increasing quite gradually. Winter bonuses, in terms of special payments of November-January, recorded an increase of 1.6 percent on a year-on-year basis, close to the growth of summer and winter bonuses in the previous year.⁹ In this light, nominal wages per worker have gradually increased further (Chart 25 [2]).

Looking ahead, the gradual increase in household income is likely to continue, given that firms have begun to perceive their labor as insufficient, and corporate profits are expected to remain high.

2. Prices

Import prices (on a yen basis, same hereafter, compared to levels three months before) have recently peaked out against the background of the temporary softening of crude oil prices toward the end of last year (Chart 29).

Domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter, compared to levels three months before)¹⁰ have continued to increase, mainly reflecting the rise in international commodity

⁹ Winter bonuses in the previous year (aggregate of special payments in November-January) increased by 1.8 percent, and summer bonuses in the previous year (aggregate of special payments in June-August) by 1.7 percent on a year-on-year basis.

¹⁰ 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.

prices (Chart 30). In detail, while the pace of increase in prices of petroleum and coal products has slowed, dampened by the softening of crude oil prices toward the end of last year, prices of nonferrous metals soared. The rate of decline in machinery prices has been narrowing moderately. Meanwhile, prices of other materials (chemicals), iron and steel-related products and construction-related products, which had been rising for a time, have lately been almost flat. By stages of demand, intermediate goods prices have risen further, while final goods prices have stayed almost unchanged, reflecting the slower pace of increase in prices of petroleum goods.

The year-on-year rate of decline in corporate services prices (excluding external factors, same hereafter) has stayed on a gradual diminishing trend (Chart 31).¹¹ The year-on-year rate of decline in January moderated compared to the fourth quarter, buoyed mainly by prices of advertising services (television commercials), communications and broadcasting services (fixed telephone charges), and leasing and rental (equipment prices).

The year-on-year rate of increase in consumer prices (excluding fresh food, same hereafter) rose in January (Chart 32). Consumer prices in January rose by 0.5 percent on a year-on-year basis, after having risen 0.1 percent in the previous month. This reflects the dissipation of the effects from the reduction in telephone charges, a positive growth in electricity charges, and a larger increase in prices of petroleum products.

In these circumstances, domestic corporate goods prices are expected to continue increasing for the time being, mainly due to the effects of the rise in international commodity prices. The year-on-year rate of change in consumer prices is projected to follow a positive trend, albeit with some fluctuations, as supply-demand conditions continue improving gradually.

¹¹ “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.

3. Financial Developments

(1) Financial Markets

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

As for interest rate developments in the money markets, the overnight call rate (uncollateralized; Chart 33[1]) has been moving at around zero percent. Regarding interest rates on term instruments (Chart 34[1]), in anticipation of a possible ending of the quantitative easing policy, the FB rate (3-month) has risen, and the Euroyen interest rate (TIBOR, 3-month) has also increased somewhat. Under these circumstances, interest rates on Euroyen futures rose, mainly in distant contracts (Chart 34[2]).

With respect to yields on government bonds, yields on short and medium-term government bonds (newly issued 2-year, 5-year JGB) have risen due to the prospects of a change in monetary policy, while yields on super long-term government bonds (newly issued 20-year JGB) edged lower, mainly reflecting favorable supply-demand conditions. Under these circumstances, yields on 10-year government bonds (newly issued 10-year JGB; Chart 33 [2]) have been more or less flat on the whole. They have recently been moving at the 1.60-1.65 percent level.

Yield spreads between private bonds (bank bonds and corporate bonds) and government bonds (Charts 38 and 39) have been more or less flat on the whole.

Stock prices (Chart 40) have fallen, reflecting the prospects of a change in monetary policy. The Nikkei 225 Stock Average is moving in the range of 15,500-16,000 yen.

In the foreign exchange market (Chart 41), the yen rose as the yen was purchased against the background of the prospects of a change in monetary policy in Japan. They later fell as some foreign investors purchased the dollar. The yen is being traded in the range of 116-118 yen to the U.S. dollar.

(2) Corporate Finance and Monetary Aggregates

The decline in credit demand in the private sector is coming to a halt, since business outlays such as business fixed investment continue to increase, while the economy continues to recover steadily.

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 42).

Lending rates have been moving at extremely low levels on the whole. The average contracted interest rates on new loans and discounts, with the monthly fluctuations averaged, have been more or less flat (Chart 43).

The rate of increase in the amount outstanding of lending by private banks (monthly average outstanding balance basis, after adjustment for extraordinary factors¹²) is accelerating. (The year-on-year change was 1.1 percent in December, 1.3 percent in January, and 1.4 percent in February; Chart 44.)

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 are at low levels, although they have risen compared with last month. The amount outstanding of CP and corporate bonds issued has been above the previous year's level. (The year-on-year change was 4.4 percent in December, 4.5 percent in January, and 4.3 percent in February; Chart 46.)

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 currently at the 2.0-3.0 percent level. The year-on-year growth rate of the monetary base (currency

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

in circulation + current account balances at the Bank of Japan) is around 2.0 percent. (The year-on-year change was 1.0 percent in December, 1.4 percent in January, and 1.9 percent in February; Chart 47.)

The year-on-year growth rate of the money stock (M_2 + CDs) has been at the 1.0-2.0 percent level. (The year-on-year change was 1.9 percent in December, 1.7 percent in January, and 1.7 percent in February; Chart 48.)

The number of corporate bankruptcies increased by 2.6 percent year-on-year in January, to 1,049 cases (Chart 49).

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Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2005/Q2	Q3	Q4	2005/Nov.	Dec.	2006/Jan.	Feb.
Index of living expenditure level (all households)	0.4	-1.7	0.1	-1.2	-0.6	n.a.	n.a.
Sales at department stores	1.0	-0.7	0.8	3.6	-3.1	p 0.9	n.a.
Sales at supermarkets	-1.2	-1.2	0.8	2.3	1.6	p -2.7	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 345>	< 332>	< 320>	< 320>	< 316>	< 340>	< 336>
Sales of household electrical appliances (real, Current Survey of Commerce)	-0.3	2.3	5.8	2.0	2.9	p -1.8	n.a.
Outlays for travel (50 major travel agencies)	0.8	-2.1	0.4	3.2	0.7	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	< 120>	< 128>	< 125>	< 130>	< 117>	< 126>	<n.a.>
Machinery orders (from private sector ⁴)	0.8	2.1	4.1	2.3	6.8	n.a.	n.a.
Manufacturing	7.5	0.4	1.5	11.7	3.0	n.a.	n.a.
Nonmanufacturing ⁴	-1.9	1.0	6.1	7.7	4.2	n.a.	n.a.
Construction Starts (private, nondwelling use)	-0.5	-10.3	10.0	-7.9	2.9	7.4	n.a.
Mining & manufacturing	27.8	-24.2	4.1	-26.4	9.2	11.8	n.a.
Nonmanufacturing ⁵	-8.5	-3.9	10.5	0.1	0.7	6.7	n.a.
Value of public works contracted	1.9	0.2	-3.1	0.3	-5.5	-3.9	n.a.
Real exports	1.5	3.3	2.8	-0.1	1.7	1.0	n.a.
Real imports	2.0	2.2	0.1	0.9	3.1	1.9	n.a.
Industrial production	-0.4	-0.2	2.6	1.5	1.3	p 0.3	n.a.
Shipments	1.0	0.2	2.9	0.6	1.1	p 0.2	n.a.
Inventories	-0.1	2.5	0.1	1.5	0.3	p -0.1	n.a.
Inventory Ratio <s.a., CY 2000=100>	<96.2>	<101.3>	<101.4>	<101.4>	<101.4>	<p 98.2>	<n.a.>
Real GDP	1.3	0.3	1.4	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.2	0.2	1.1	0.0	0.4	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2005/Q2	Q3	Q4	2005/Nov.	Dec.	2006/Jan.	Feb.
Ratio of job offers to applicants <s.a., times>	<0.94>	<0.97>	<1.00>	<0.99>	<1.03>	<1.03>	<n.a.>
Unemployment rate <s.a., %>	<4.3>	<4.3>	<4.5>	<4.5>	<4.4>	<4.5>	<n.a.>
Overtime working hours ⁶	1.6	1.0	1.6	0.0	2.8	p 1.9	n.a.
Number of employees	0.7	0.9	1.2	0.9	1.0	1.7	n.a.
Number of regular employees ⁶	0.5	0.5	0.5	0.5	0.5	p 0.4	n.a.
Nominal wages per person ⁶	1.0	0.4	1.1	0.1	1.6	p 0.1	n.a.
Domestic corporate goods price index ⁷ <q/q % chg.> (3-month growth rate)	1.7 <0.8>	1.6 <0.5>	2.1 <0.8>	1.9 <0.7>	2.2 <0.7>	p 2.7 <p 0.4>	n.a. <n.a.>
Consumer price index ⁸	-0.1	-0.1	0.1	0.1	0.1	0.5	n.a.
Corporate service price index	-0.4	-0.6	-0.4	-0.4	-0.4	p -0.1	n.a.
Money Stock (M ₂ +CDs) <average outstanding, y/y % chg.>	1.7	1.8	2.0	2.1	1.9	1.7	p 1.7
Number of corporate bankruptcies <cases>	<1,075>	<1,054>	<1,145>	<1,114>	<1,149>	<1,049>	<n.a.>

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

All figures in chart 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";

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";

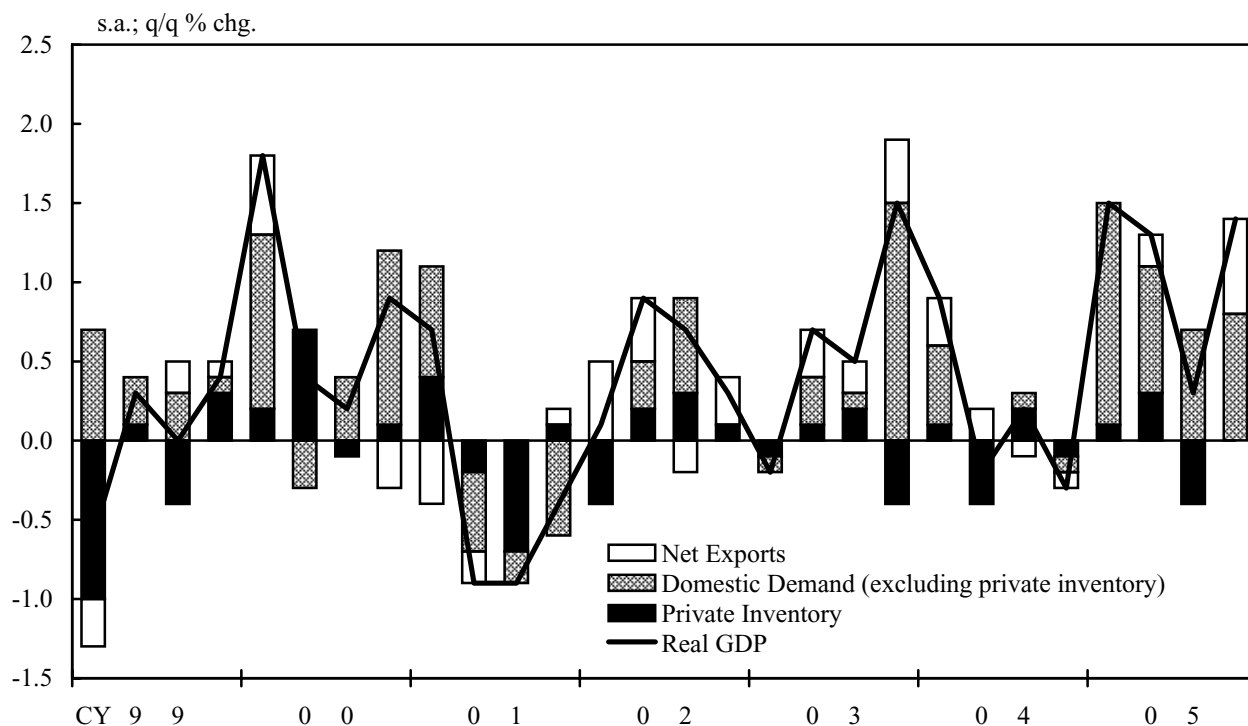
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey";

Bank of Japan, "Corporate Goods Price Index," "Corporate Service Price Index," "Money Stock";

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.

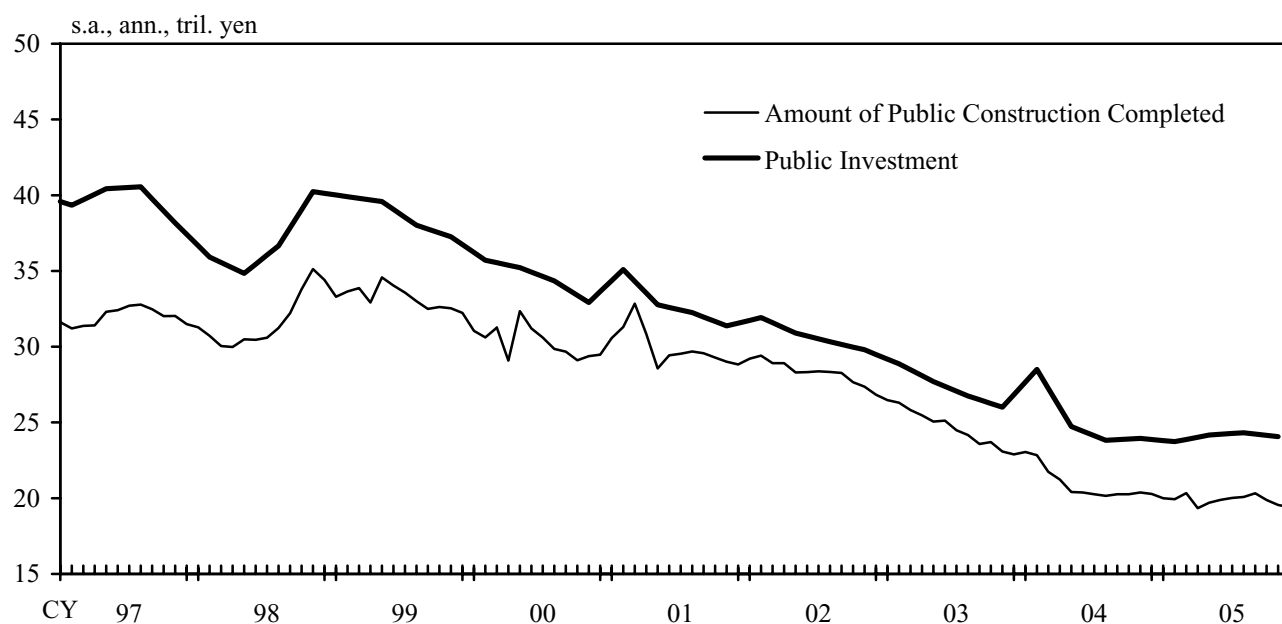
	2004	2005			
	Q4	Q1	Q2	Q3	Q4
Real GDP	-0.3	1.5	1.3	0.3	1.4
Domestic Demand	-0.2	1.5	1.1	0.3	0.8
Private Consumption	-0.6	1.3	0.8	0.4	0.8
Non-Resi. Investment	0.0	3.9	2.4	1.8	1.7
Residential Investment	0.4	-1.3	-1.9	1.6	1.9
Private Inventory	(-0.1)	(0.1)	(0.3)	(-0.4)	(0.0)
Public Demand	0.5	0.4	0.4	0.4	-0.2
Public Investment	-0.1	-0.4	1.1	0.4	-1.7
Net Exports of goods and services	(-0.1)	(-0.0)	(0.2)	(0.0)	(0.6)
Exports	1.2	-0.3	3.5	3.0	3.1
Imports	2.3	0.0	2.2	3.2	-1.3
Nominal GDP	-0.4	0.7	1.1	-0.0	0.9

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

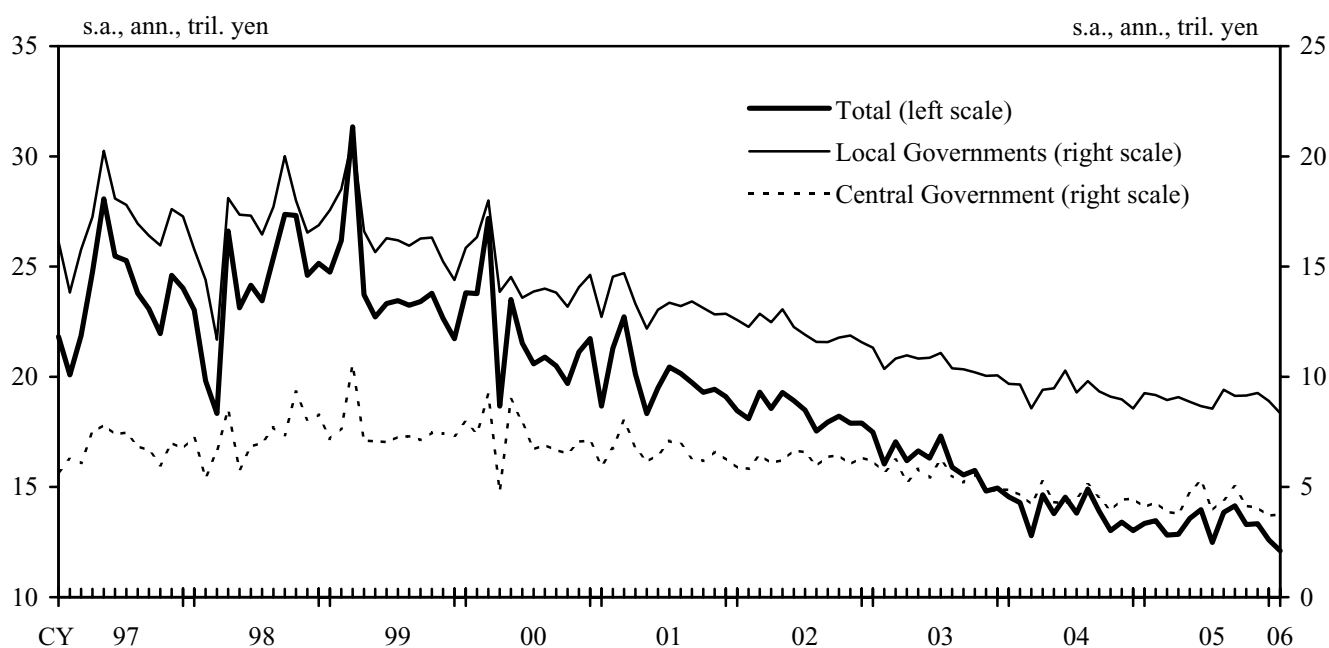
Source: Cabinet Office, "National Accounts."

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.

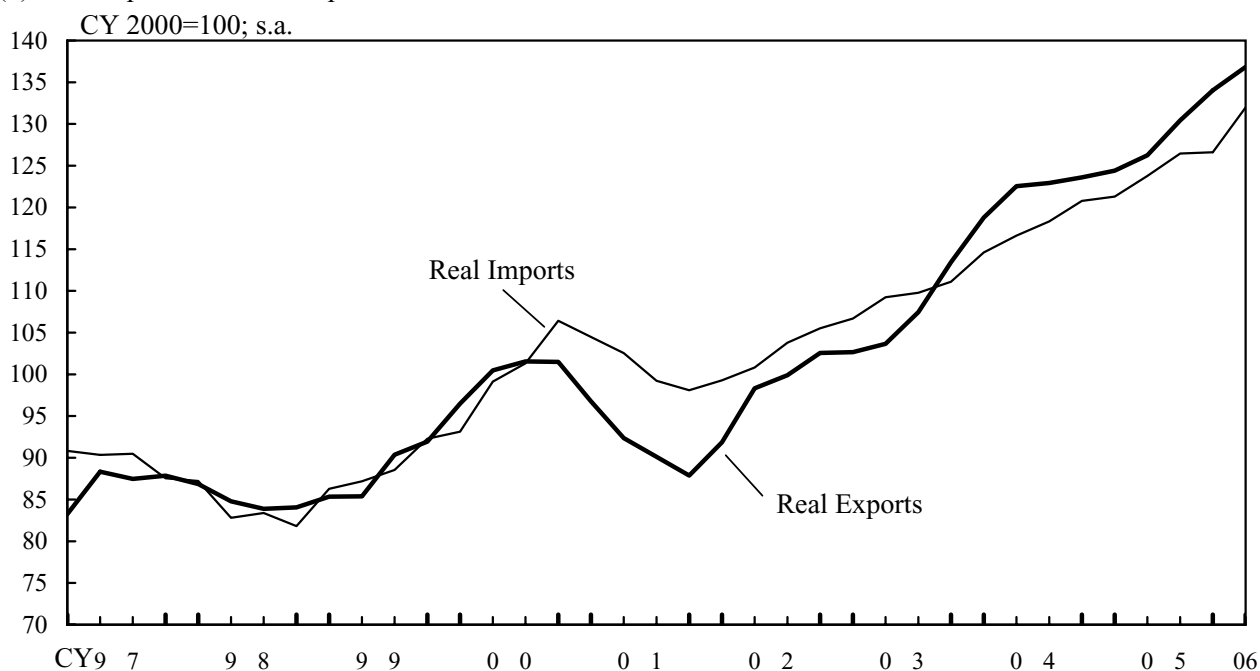
Sources: Cabinet Office, "National Accounts";

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

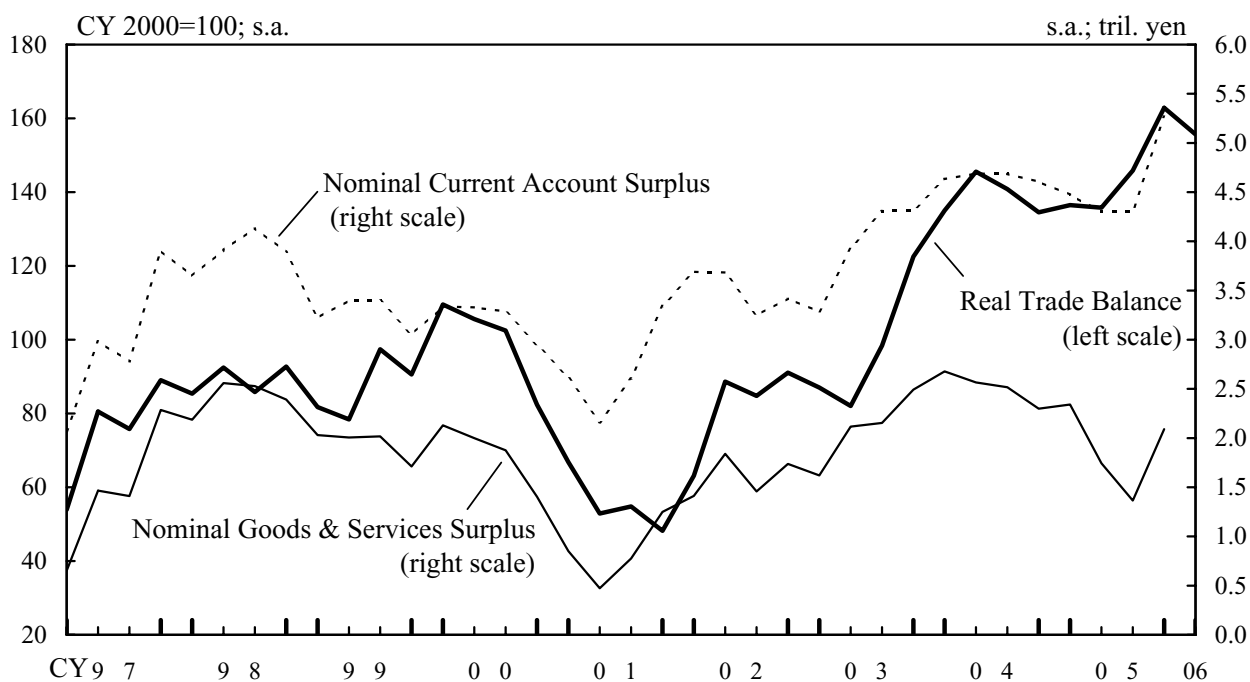
Ministry of Land, Infrastructure and Transport, "Integrated Statistics on Construction Works."

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. 2006/Q1 figures are Jan. figures converted into quarterly amount.

Sources: Ministry of Finance, "The Summary Report on Trade of Japan";
 Bank of Japan, "Corporate Goods Price Index," "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 2004	2005	2005 Q1	Q2	Q3	Q4	2006 Q1	2005 Nov.	2006 Dec.	2006 Jan.
United States	<22.6>	6.8	7.3	2.0	1.3	1.0	5.6	7.1	-0.4	1.8	6.0
EU	<14.7>	18.7	3.3	-0.7	0.2	1.5	1.8	9.7	-3.7	3.9	8.3
East Asia	<46.7>	19.1	6.1	3.2	-0.0	4.7	1.6	1.1	0.8	-1.8	2.1
China	<13.5>	22.2	9.6	1.3	-1.6	11.8	4.1	-1.3	3.8	-3.6	-0.1
NIEs	<24.3>	20.3	5.0	4.4	0.6	3.3	0.2	2.0	-1.6	-1.1	3.4
Korea	<7.8>	19.1	4.4	7.9	-1.4	7.6	2.1	6.4	-5.5	-6.4	13.5
Taiwan	<7.3>	26.9	4.4	3.2	3.1	-3.4	-5.2	6.9	-7.7	7.1	4.9
ASEAN4 ³	<9.0>	12.3	4.4	2.8	0.6	-1.0	1.6	2.1	2.7	-1.1	2.0
Thailand	<3.8>	16.8	11.1	5.2	-0.4	-0.9	1.5	6.5	-1.8	1.6	6.0
Real exports		14.5	5.4	0.7	1.5	3.3	2.8	2.1	-0.1	1.7	1.0

(2) Breakdown by goods

		y/y % chg.		s.a.; q/q % chg.				s.a.; m/m % chg.			
		CY 2004	2005	2005 Q1	Q2	Q3	Q4	2006 Q1	2005 Nov.	2006 Dec.	2006 Jan.
Intermediate goods	<17.3>	5.5	1.8	1.4	0.9	2.5	1.4	4.9	-2.4	2.2	4.2
Motor vehicles and their related goods	<22.7>	8.3	8.2	1.7	4.3	-0.5	4.7	5.5	-3.6	4.2	3.9
Consumer goods ⁴	<5.6>	14.9	5.3	-2.0	3.0	5.4	3.0	-2.7	-2.4	0.5	-2.3
IT-related goods ⁵	<12.5>	17.3	5.6	2.2	0.4	3.9	3.5	0.5	0.9	-1.3	1.2
Capital goods and parts ⁶	<29.5>	23.5	7.1	1.3	1.1	3.6	2.9	2.0	1.5	1.3	0.6
Real exports		14.5	5.4	0.7	1.5	3.3	2.8	2.1	-0.1	1.7	1.0

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2006/Q1 figures are Jan. figures converted into quarterly amount.

2. Shares of each region and goods in 2005 are shown in angle brackets.

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

4. Excludes motor vehicles.

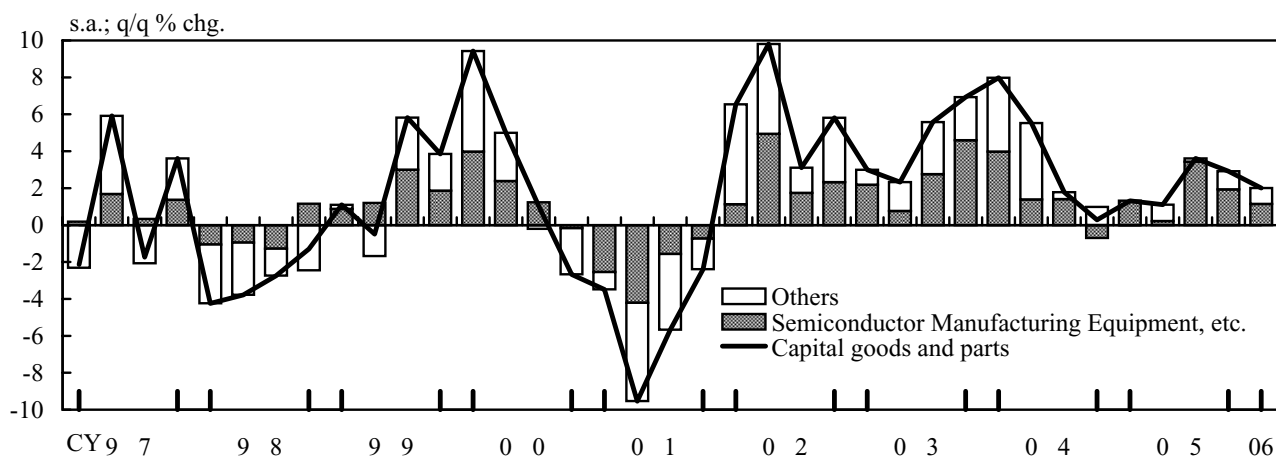
5. IT-related goods are composed of computers and units, telecommunication machinery, ICs and medical and optical instruments.

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

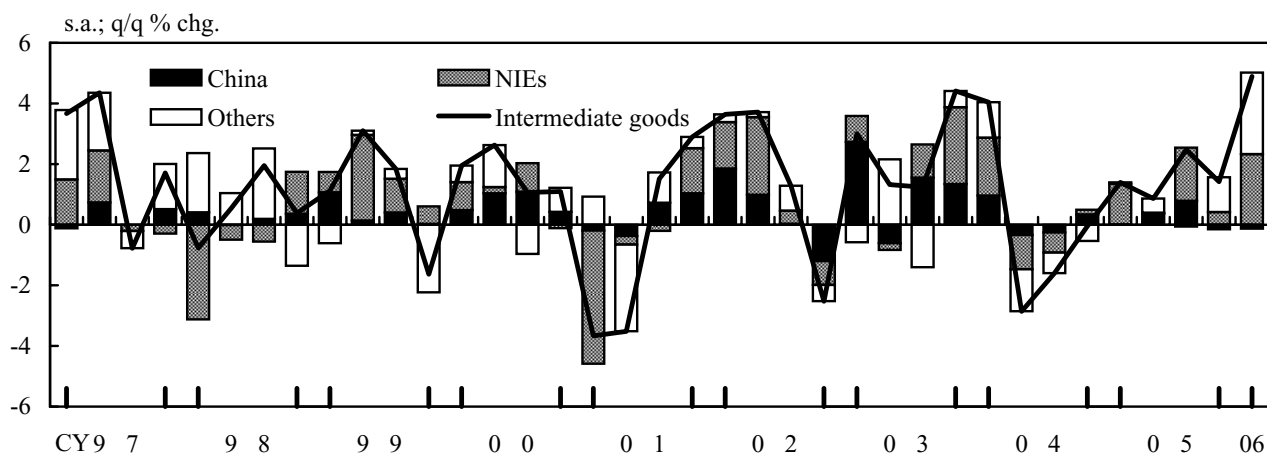
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Real Exports breakdown by goods

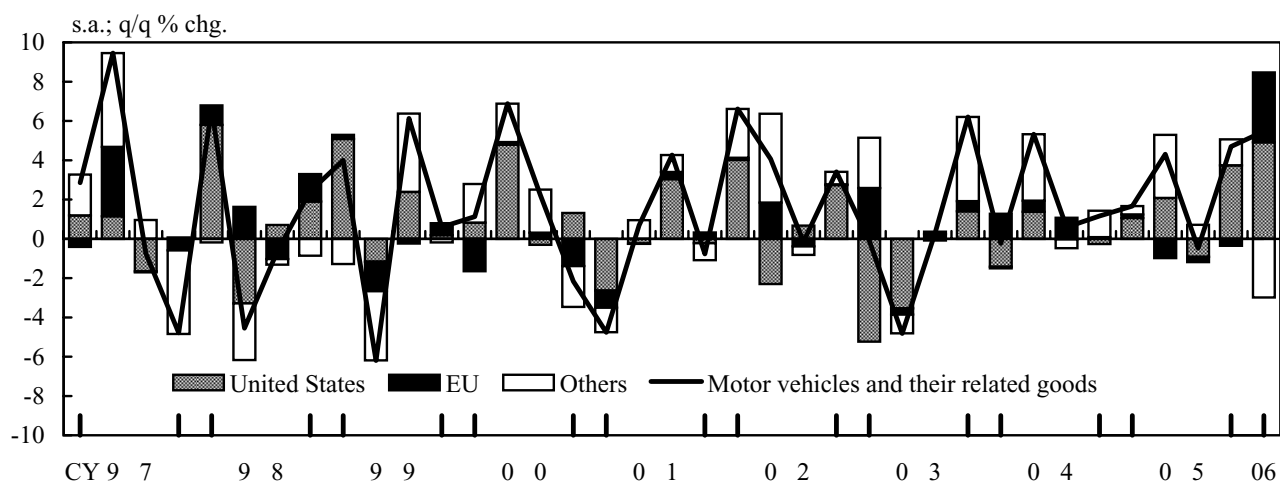
(1) Capital goods and parts (real, breakdown by goods)



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



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



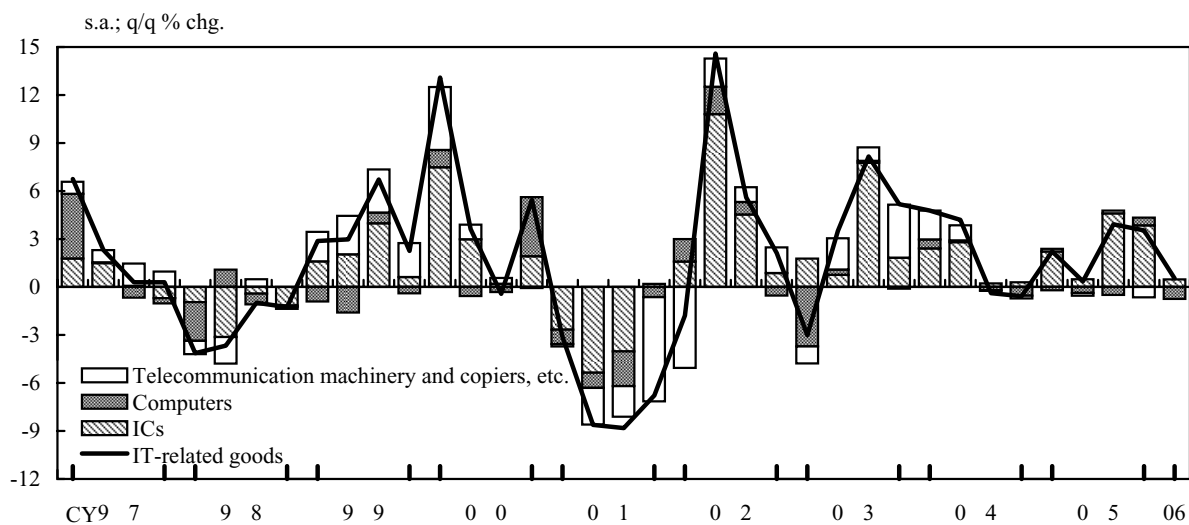
Notes: 1. Seasonally adjusted by X-12-ARIMA.

2. 2006/Q1 figures are Jan. figures converted into quarterly amount.

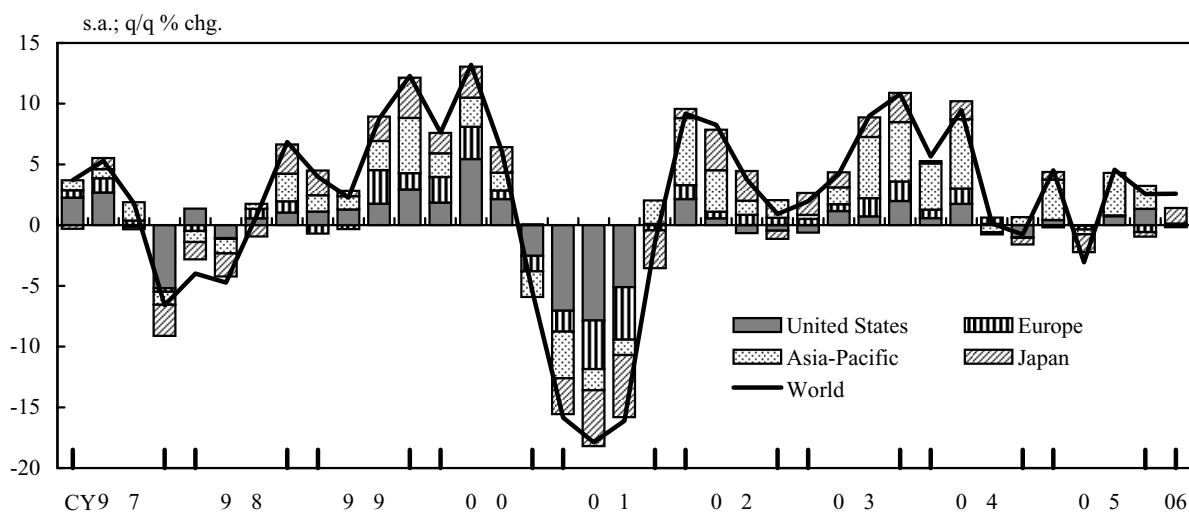
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Exports and Imports of IT-related goods

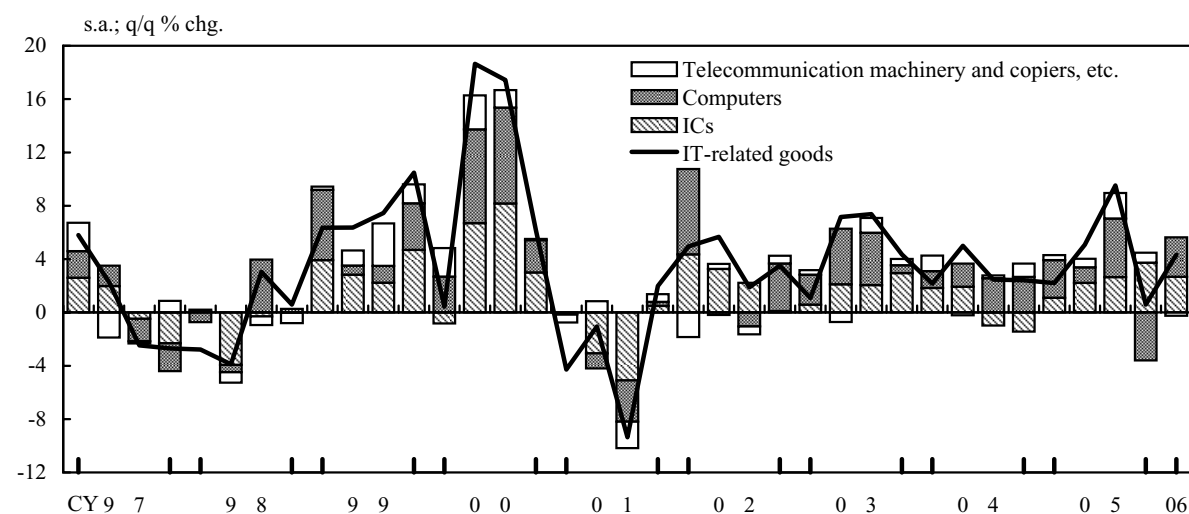
(1) Exports of IT-related goods (real, breakdown by goods)



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



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



Notes: 1. Seasonally adjusted by X-12-ARIMA in (1) and (3).

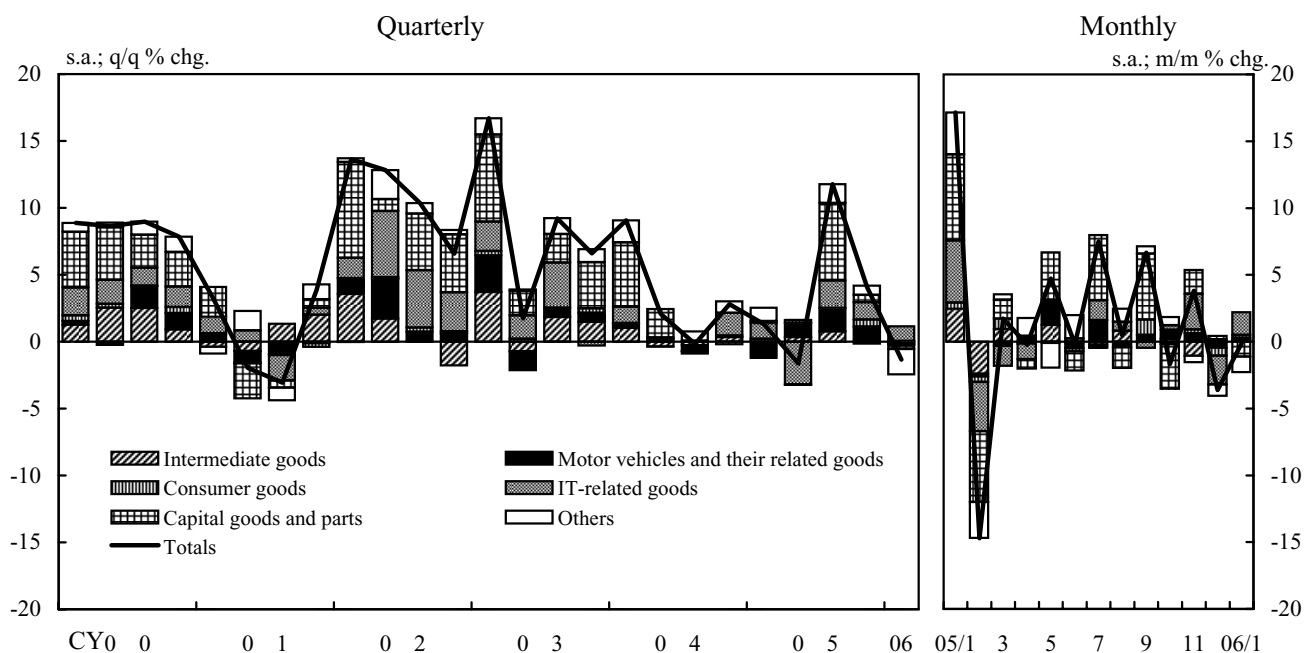
2. Seasonally adjusted by X-11 in (2).

3. 2006/Q1 figures are Jan. figures converted into quarterly amount.

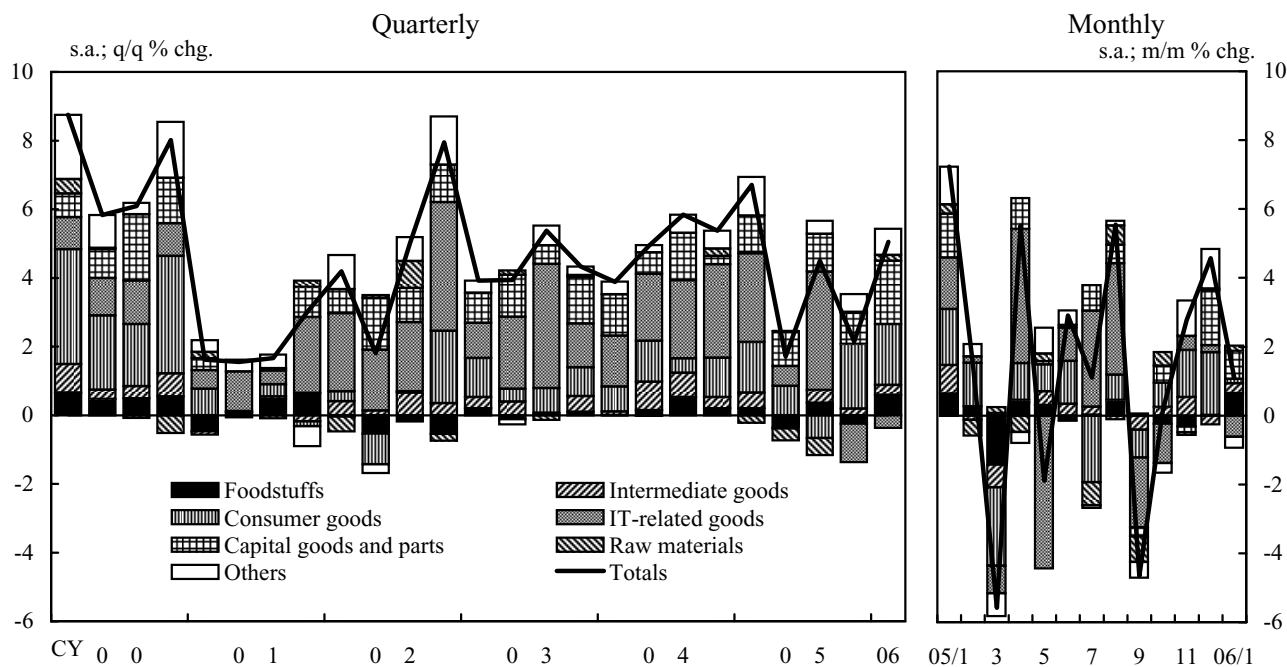
Sources: Ministry of Finance, "The Summary Report on Trade of Japan";
Bank of Japan, "Corporate Goods Price Index"; WSTS (World Semiconductor Trade Statistics.)

Exports and Imports with China

(1) Exports to China (real, breakdown by goods)



(2) Imports from China (real, breakdown by goods)

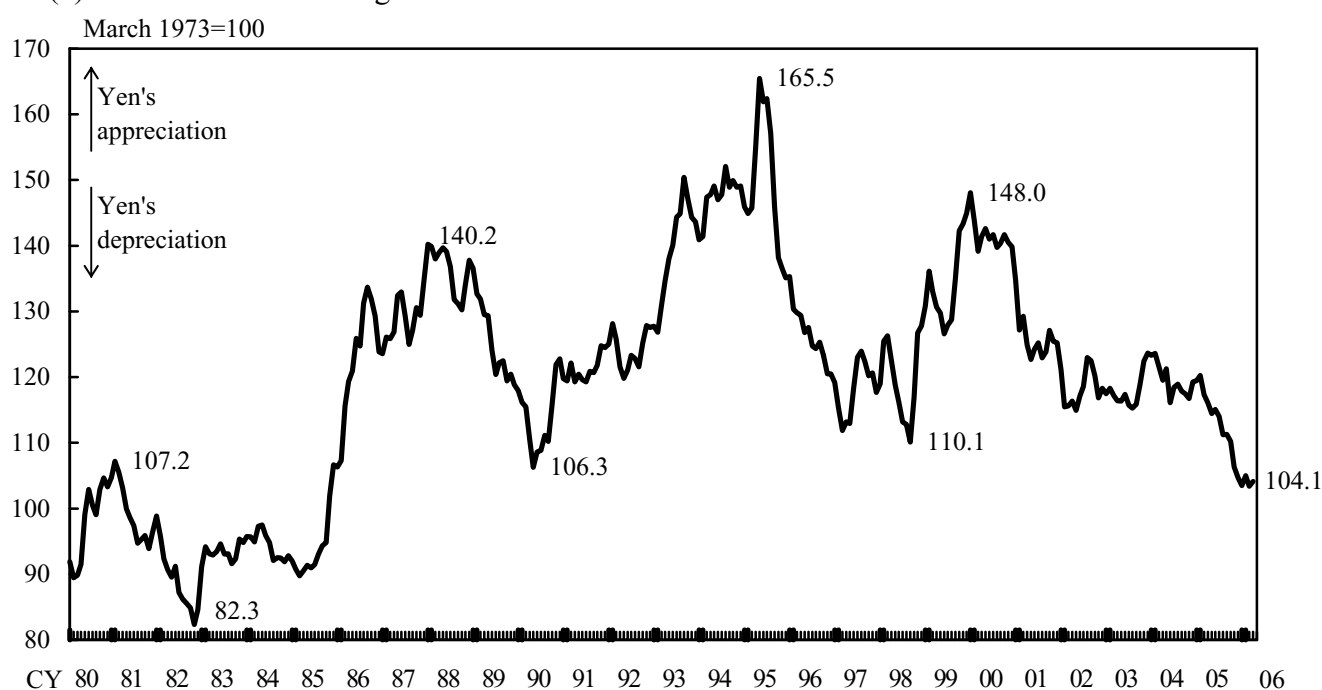


- Notes: 1. Regarding classifications of each goods, see notes of chart 6 and 11.
 2. Seasonally adjusted by X-12-ARIMA.
 3. 2006/Q1 figures are Jan. figures converted into quarterly amount.

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

Real Effective Exchange Rate and Overseas Economies

(1) Real Effective Exchange Rate



Note: Calculated by the Bank of Japan. Monthly average. Figure for March 2006 is the average up to March 8.

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

		CY2003	2004	2005	2005 Q1	Q2	Q3	Q4	
United States ¹		2.7	4.2	3.5	3.8	3.3	4.1	1.6	
European Union ¹		1.2	2.2	1.6	1.2	2.0	2.8	1.3	
	Germany	-0.2	1.6	0.9	2.4	1.2	2.5	0.0	
	France	0.9	2.1	1.4	1.0	0.2	2.8	0.9	
	United Kingdom	2.5	3.2	1.8	1.0	1.8	2.1	2.3	
East Asia ²	China	10.0	10.1	9.9	9.9	10.1	9.8	9.9	
	NIEs	Korea	3.1	4.6	4.0	2.7	3.3	4.5	5.2
		Taiwan	3.4	6.1	4.1	2.5	3.0	4.4	6.4
		Hong Kong	3.2	8.6	7.3	6.0	7.3	8.3	7.6
		Singapore	2.9	8.7	6.4	3.4	5.7	7.6	8.7
	ASEAN ⁴	Thailand	7.0	6.2	4.5	3.2	4.6	5.4	4.7
		Indonesia	4.7	5.1	5.6	6.3	5.6	5.6	4.9
Malaysia		5.4	7.1	5.3	6.2	4.4	5.3	5.2	
Philippines		4.5	6.0	5.1	4.6	5.2	4.5	6.1	

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.

Real Imports ¹

(1) Breakdown by region

		y/y % chg.		s.a.; q/q % chg.				s.a.; m/m % chg.			
		CY 2004	2005	2005		2006		2005		2006	
				Q1	Q2	Q3	Q4	Q1	Nov.	Dec.	Jan.
United States	<12.4>	0.4	3.6	-4.2	5.8	4.3	-0.3	5.0	-3.6	16.9	-4.0
EU	<11.4>	9.6	2.0	-1.3	5.3	-1.4	-2.2	1.2	5.8	-5.6	3.2
East Asia	<42.3>	14.7	11.1	4.7	0.4	4.3	2.1	5.0	0.6	5.0	1.5
China	<21.0>	20.9	18.7	6.7	1.7	4.5	2.2	5.0	2.8	4.6	1.1
NIEs	<9.8>	12.8	9.3	3.9	1.4	9.3	3.8	7.4	-1.5	3.5	5.5
Korea	<4.7>	14.5	8.3	5.0	3.2	5.2	8.8	4.4	1.7	4.0	1.2
Taiwan	<3.5>	12.0	11.1	2.6	0.8	14.8	-1.1	10.5	-3.4	8.6	5.9
ASEAN4 ³	<11.4>	7.1	0.1	1.8	-3.0	-0.5	0.2	2.4	-1.6	7.5	-1.9
Thailand	<3.0>	14.3	12.8	5.1	0.0	2.4	2.8	1.1	3.0	1.6	-1.0
Real imports		8.1	5.3	0.4	2.0	2.2	0.1	4.2	0.9	3.1	1.9

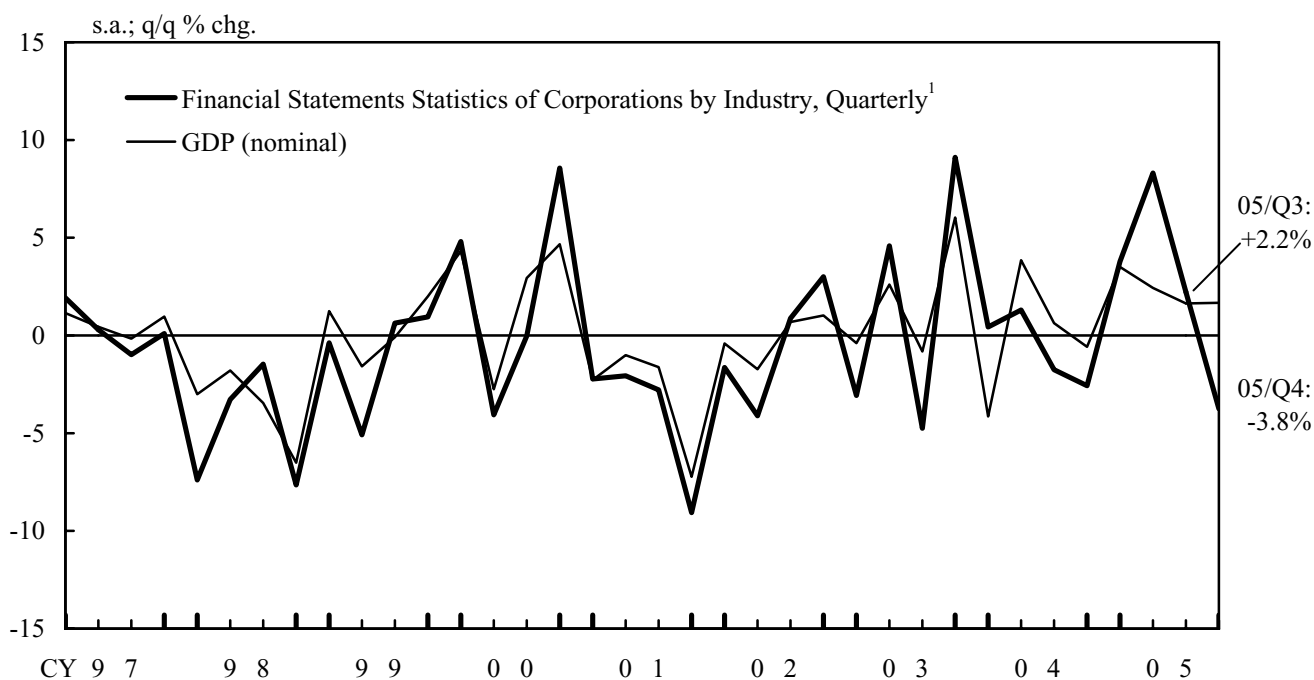
(2) Breakdown by goods

		y/y % chg.		s.a.; q/q % chg.				s.a.; m/m % chg.			
		CY 2004	2005	2005		2006		2005		2006	
				Q1	Q2	Q3	Q4	Q1	Nov.	Dec.	Jan.
Raw materials ⁴	<31.7>	1.3	-4.1	-3.4	-3.5	0.8	-0.6	0.2	-4.4	2.1	0.3
Intermediate goods	<14.0>	8.7	4.6	2.4	1.9	0.1	0.3	0.1	0.7	-3.1	2.0
Foodstuffs	<9.8>	0.4	2.6	3.3	2.0	-0.8	-4.5	3.8	-4.4	2.5	3.7
Consumer goods ⁵	<9.9>	12.5	8.6	2.2	8.0	-6.7	4.7	6.0	2.7	4.7	1.9
IT-related goods ⁶	<12.6>	17.6	15.4	2.2	5.1	9.5	0.6	4.3	-2.9	7.2	0.6
Capital goods and parts ⁷	<12.2>	17.4	13.6	-1.4	6.3	6.8	1.9	6.6	2.4	5.6	2.0
excluding aircraft	<11.2>	19.2	13.6	2.0	6.9	3.8	4.0	4.3	-3.4	8.6	-0.1
Real imports		8.1	5.3	0.4	2.0	2.2	0.1	4.2	0.9	3.1	1.9

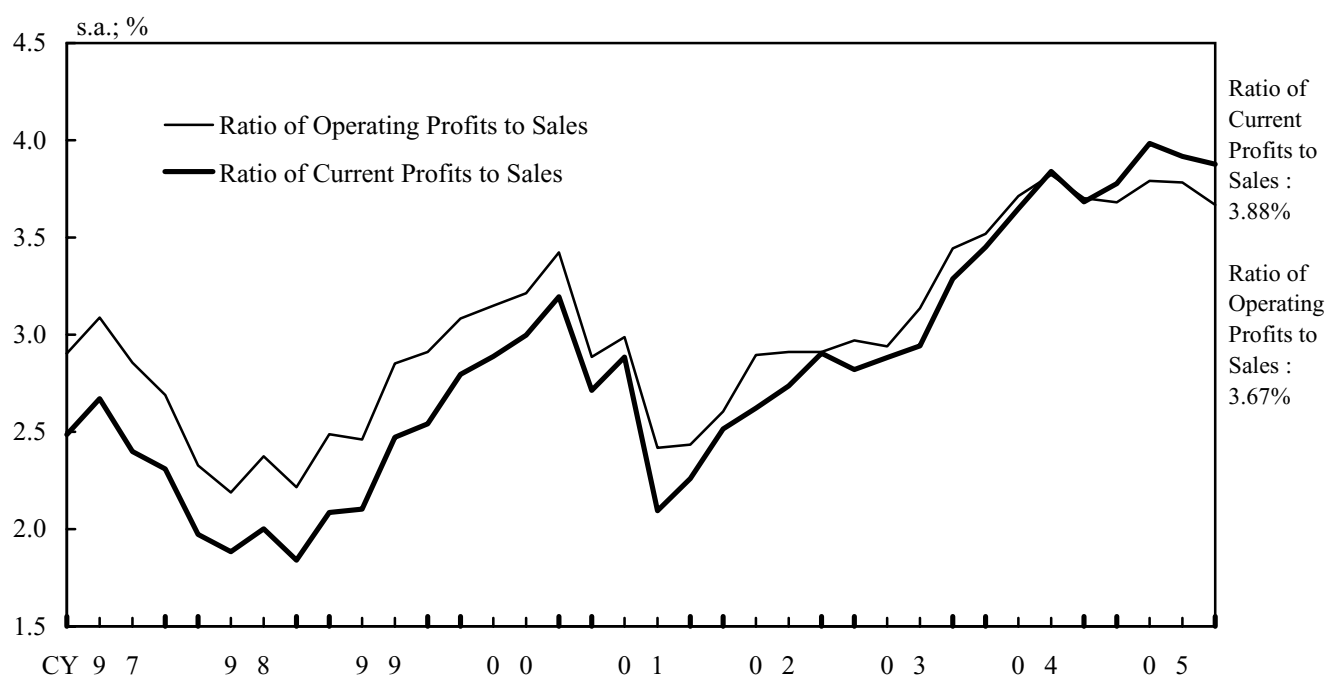
- Notes: 1. Seasonally adjusted by X-12-ARIMA. 2006/Q1 figures are Jan. figures converted into quarterly amount.
2. Shares of each region and goods in 2005 are shown in angle brackets.
3. Data for four members: Thailand, Malaysia, the Philippines, and Indonesia.
4. Raw materials are mainly composed of woods, ores and mineral fuel.
5. Excludes foodstuffs.
6. IT-related goods are composed of computers and units, parts of computer, telecommunication machinery, ICs, and medical and optical instruments.
7. Excludes IT-related goods.

Business Fixed Investment and Corporate Profits

(1) Fixed Investment



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



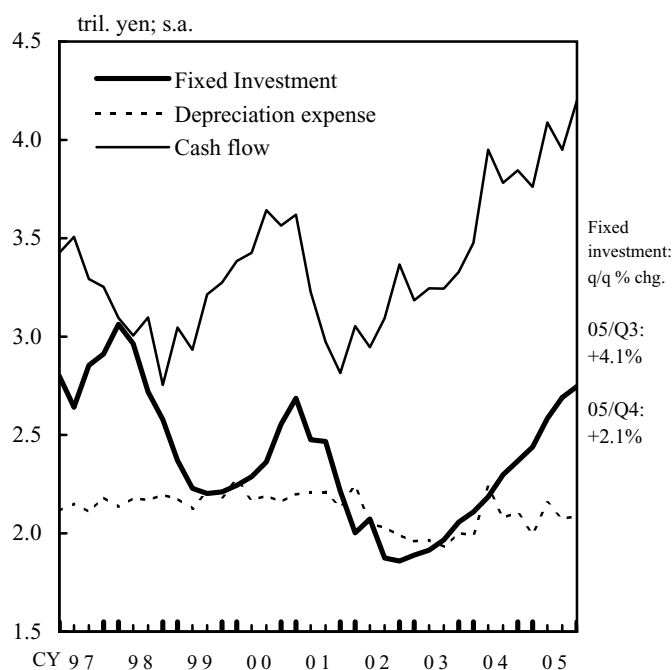
Notes: 1. All enterprises. Figures are adjusted for sample change, and seasonally adjusted by X-11. Adjustment for sample change aims to correct a bias in figures caused by sample change. The method is to adjust the figures proportionally to the shift in the aggregated capital stock and other references.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

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

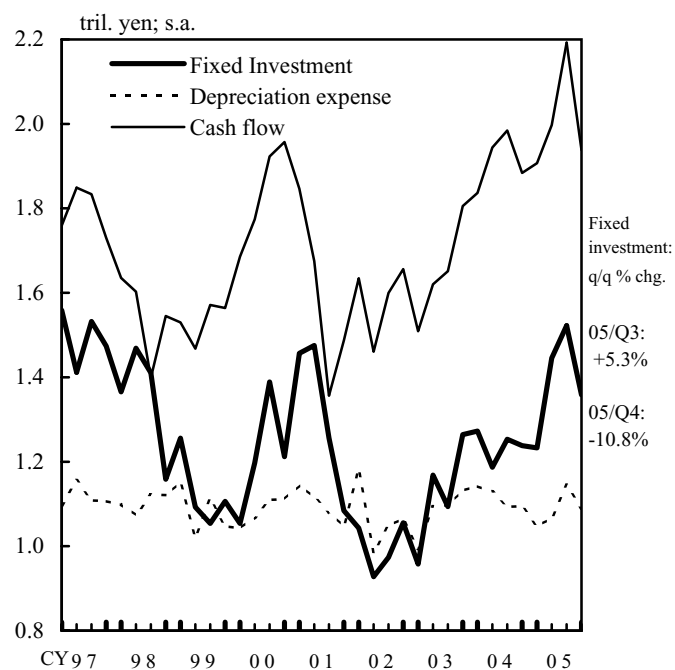
Sources: Cabinet Office, "National Accounts"; Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

Business Fixed Investment by industry and size

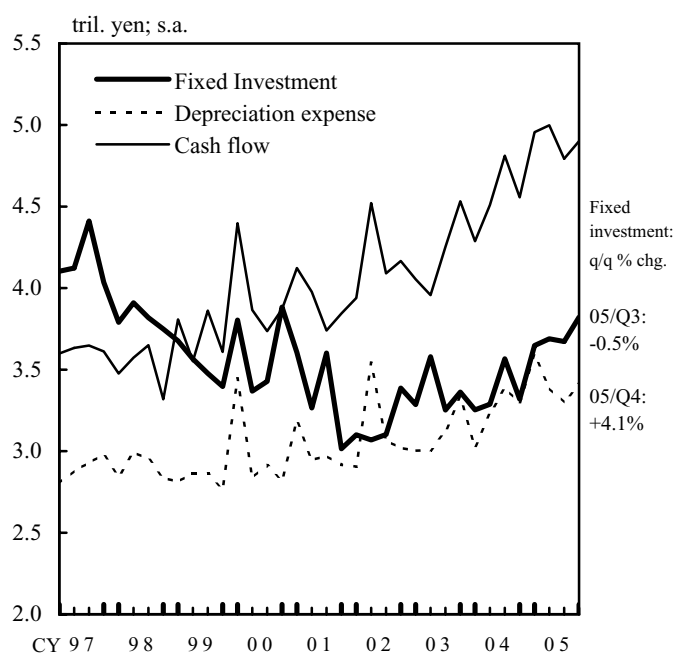
(1) Large manufacturing firms



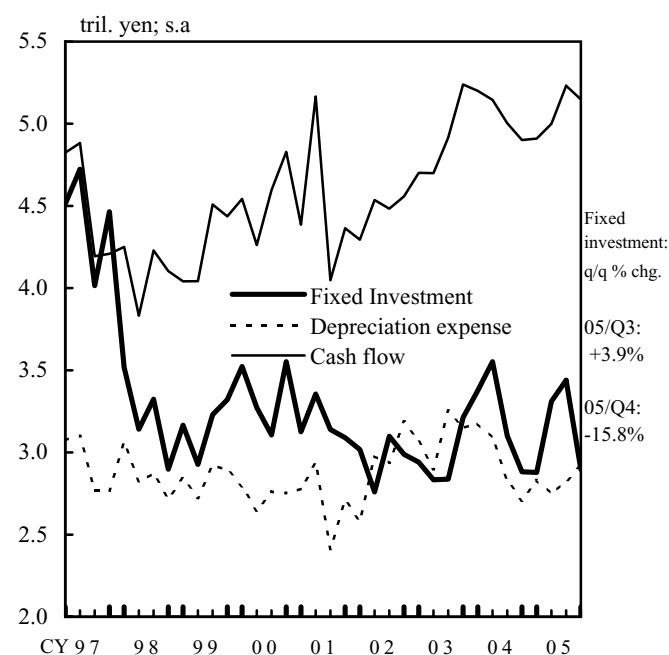
(2) Medium-sized and small manufacturing firms



(3) Large nonmanufacturing firms



(4) Medium-sized and small nonmanufacturing firms



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

2. Sample change adjusted (see note of chart 12).

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

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

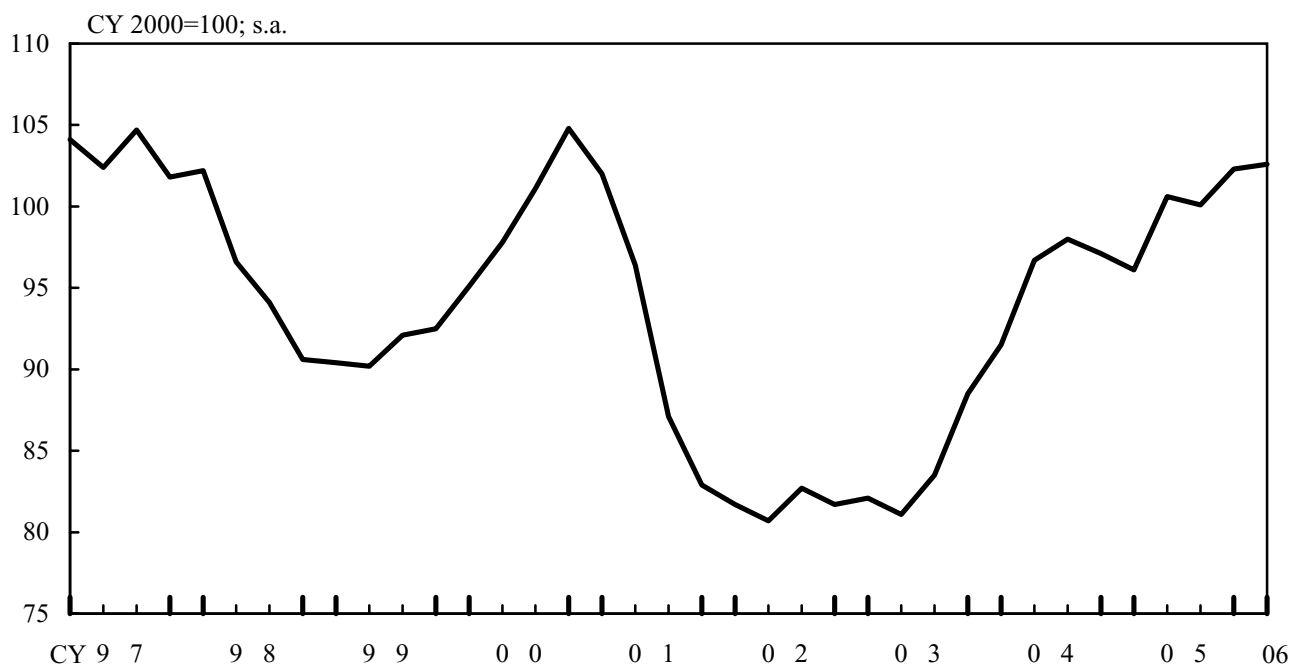
5. Cash Flow = Current profits / 2 + Depreciation expense

6. Seasonally adjusted by X-11.

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

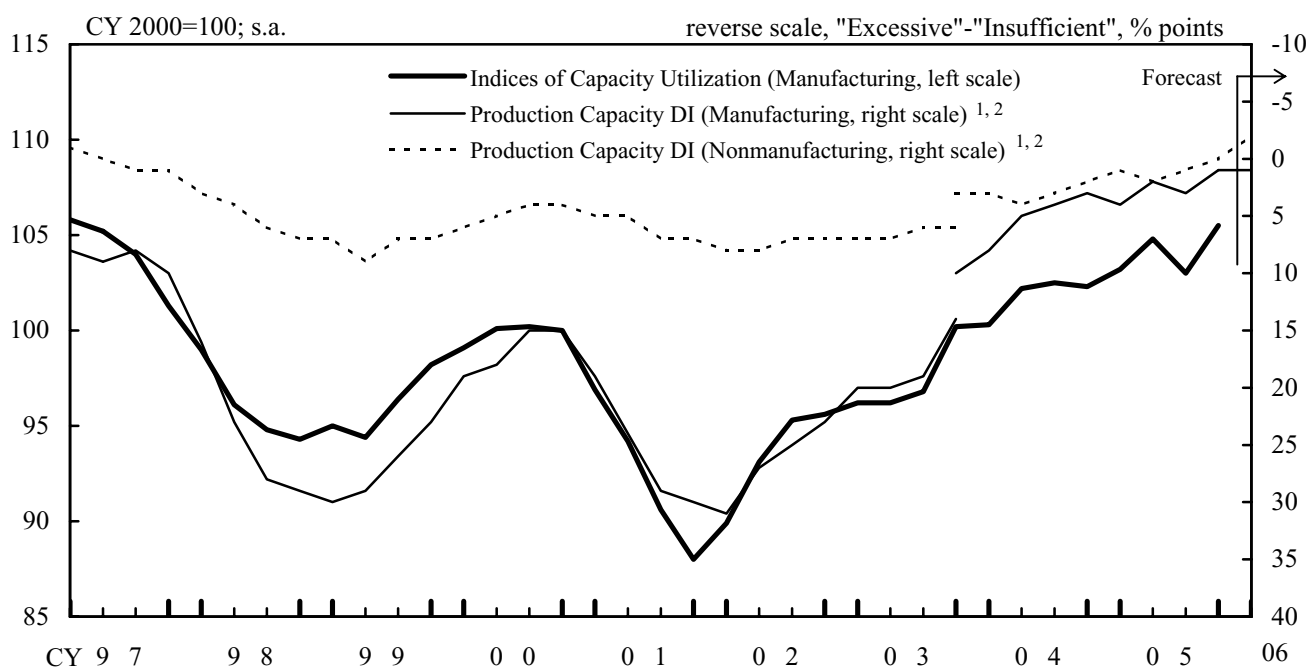
Coincident Indicators for Business Fixed Investment

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



Note: The figure for 2006/Q1 is as of January.

(2) Indices of Capacity Utilization and Production Capacity DI



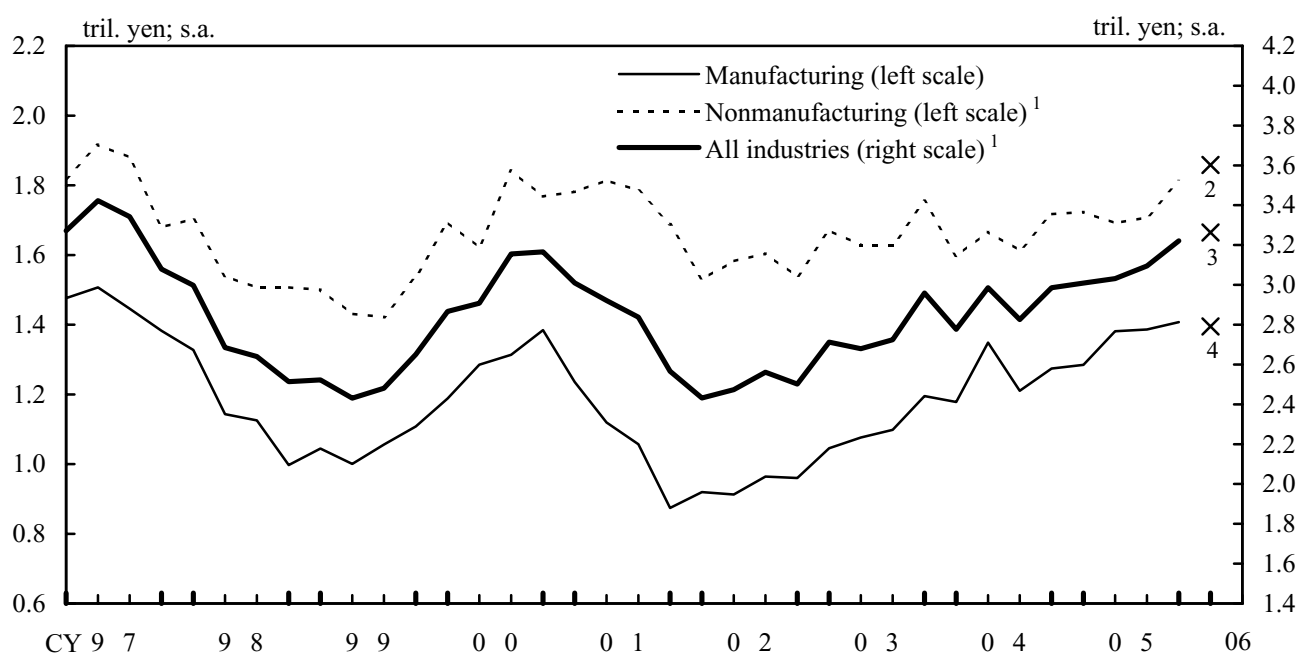
Notes: 1. Production Capacity DIs are those of all enterprises.

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

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

Leading Indicators for Business Fixed Investment

(1) Machinery Orders



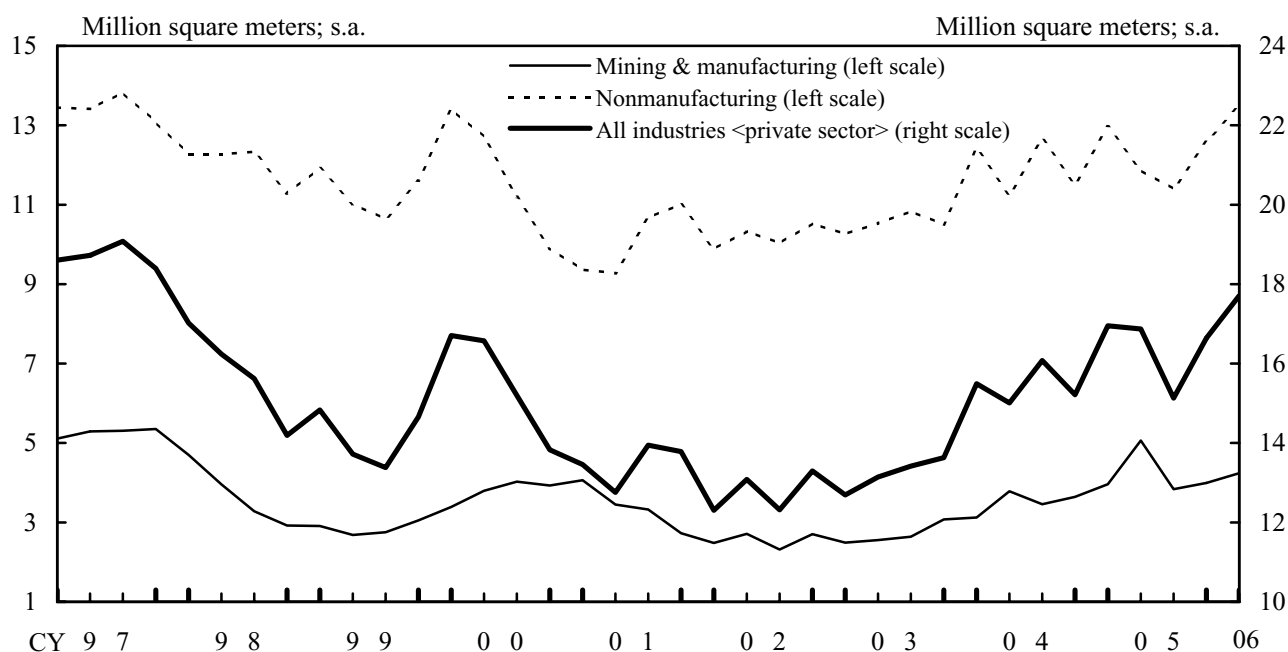
Notes: 1. Excludes orders of shipbuilding and orders from electric power companies.

2. Forecast of nonmanufacturing industries for 2006/Q1.

3. Forecast of all industries for 2006/Q1.

4. Forecast of manufacturing industries for 2006/Q1.

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



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

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

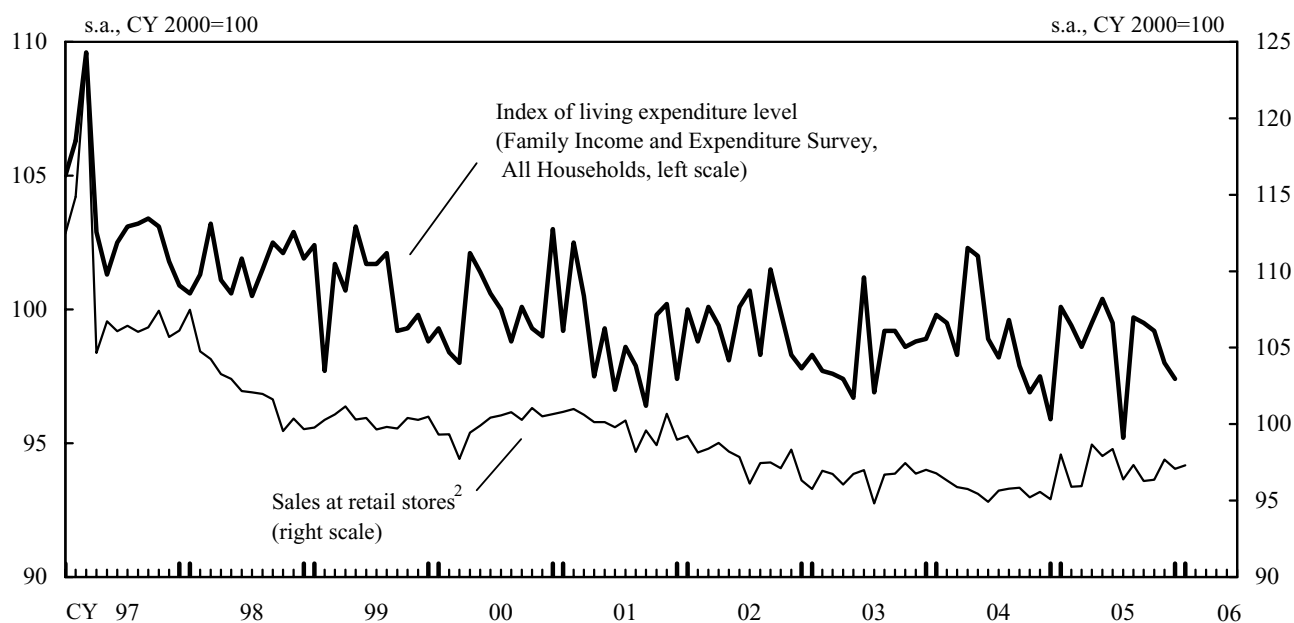
3. Figures for 2006/Q1 are those of January in terms of quarterly amount.

Sources: Cabinet Office, "Machinery Orders Statistics";

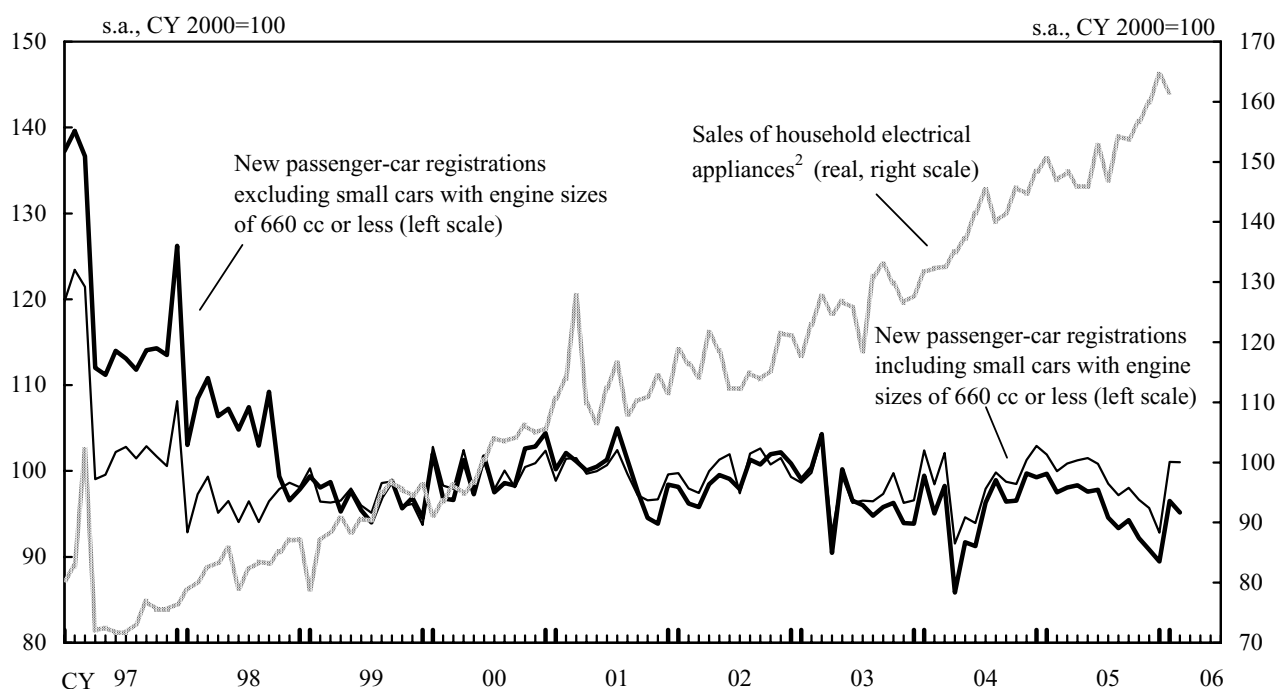
Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts."

Indicators for Private Consumption¹ (1)

(1) Household Spending (real)



(2) Sales of Durable Goods



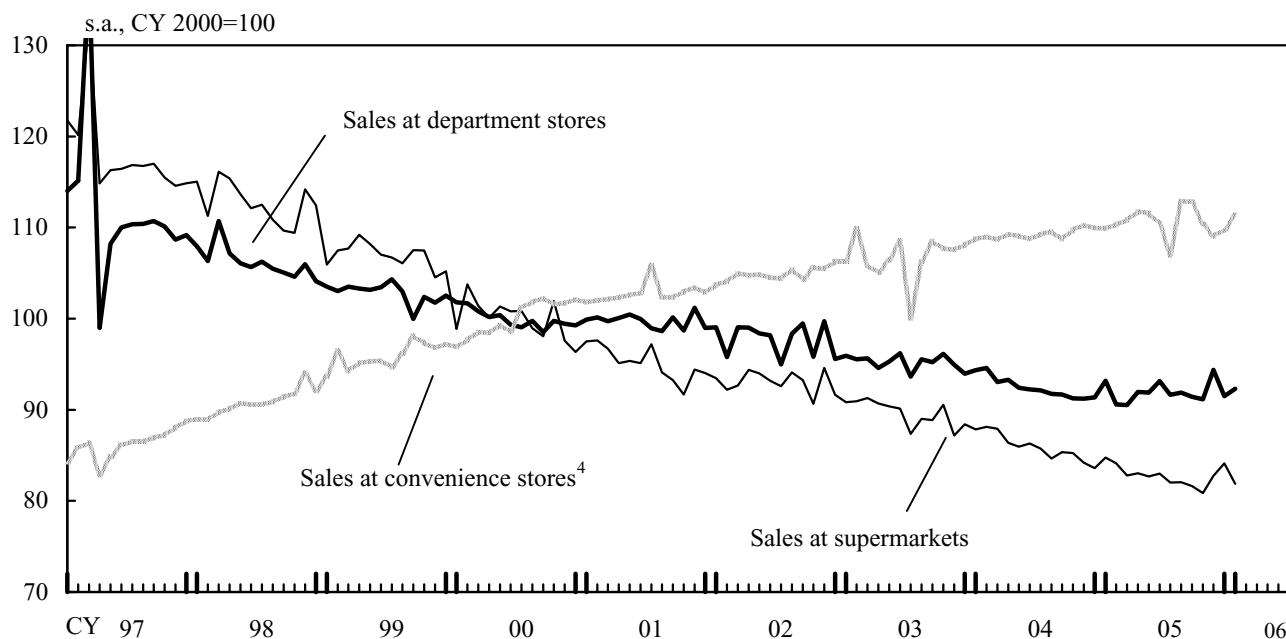
Notes: 1. Seasonally adjusted by X-12-ARIMA. Index of living expenditure level is seasonally adjusted by the Ministry of Internal Affairs and Communications.

2. Sales at retail stores are deflated by the consumer price index for goods (excluding electricity, gas & water charges). Sales of household electrical appliances are calculated as follows; the sales of household machinery retail stores in the Current Survey of Commerce are deflated by the geometric means of the corresponding consumer price indexes (or by the wholesale price index for personal computers before 1999 and for communication equipments up to 1994).

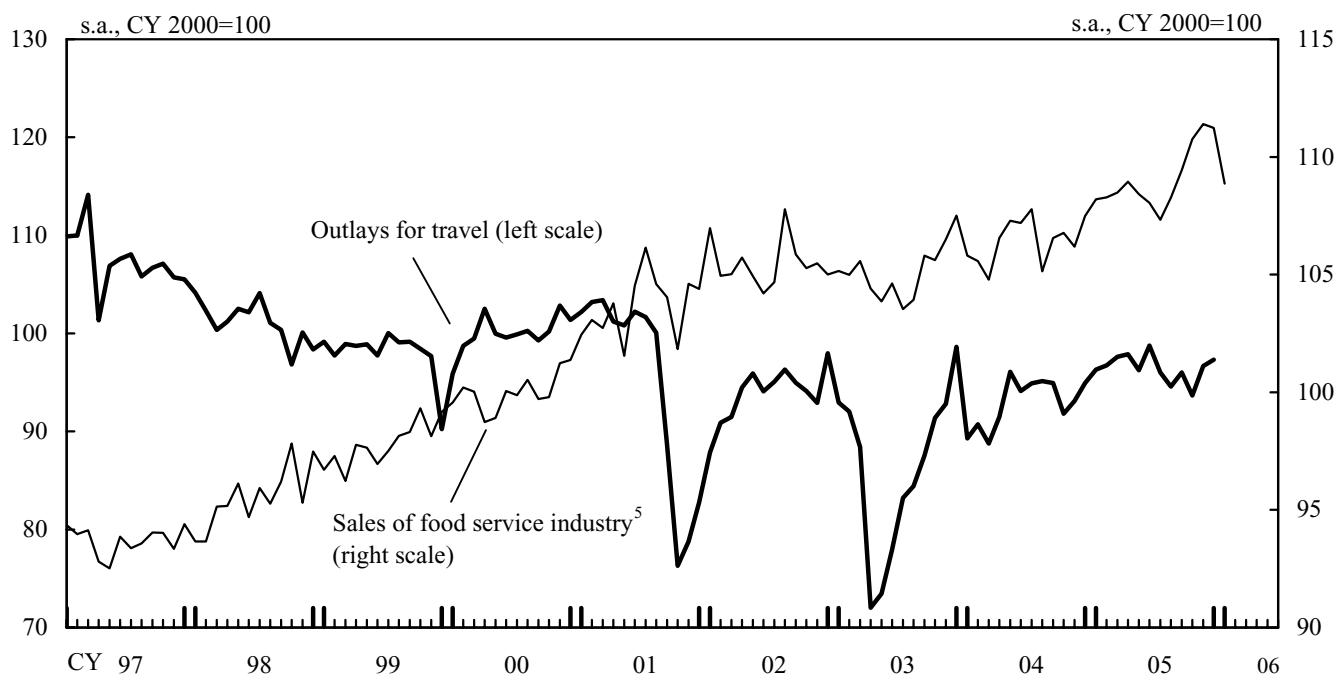
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index," "Monthly Report on the Family Income and Expenditure Survey"; Ministry of Economy, Trade and Industry, "Current Survey of Commerce"; Japan Automobile Dealers Association, "Domestic Sales of Automobiles"; Japan Mini Vehicles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

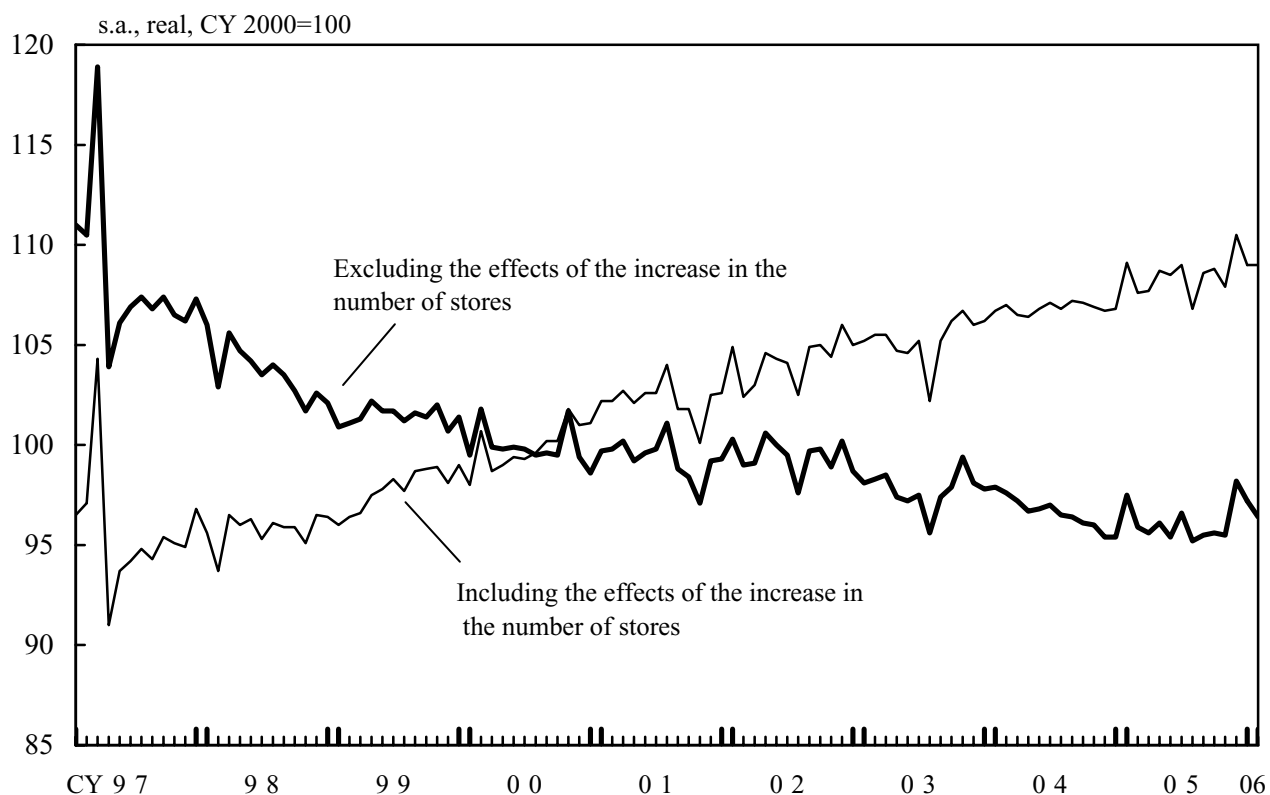
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce";

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)."

Indices of Aggregated Sales

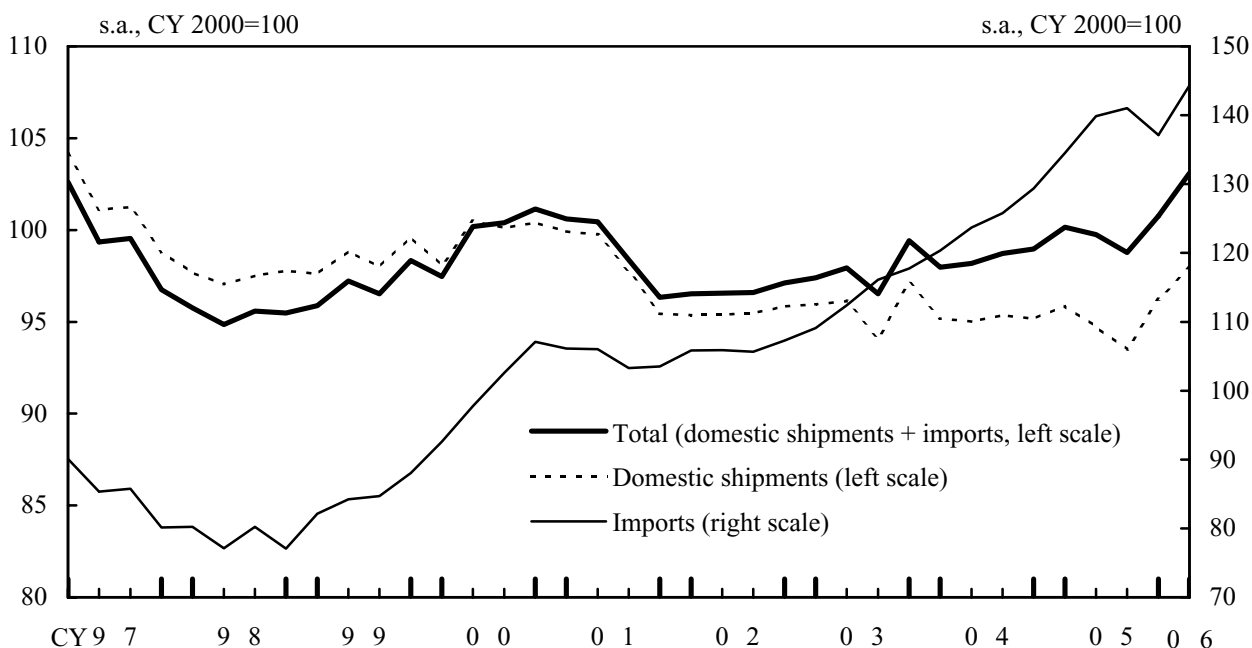


- Notes: 1. Indices of aggregated sales are the weighted sum of *Sales at department stores and supermarkets* ; *New passenger-car registrations* ; *Sales of household electrical appliances* ; *Outlays for travel* ; and *Sales of food service industry* , where the weights come from household expenditure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

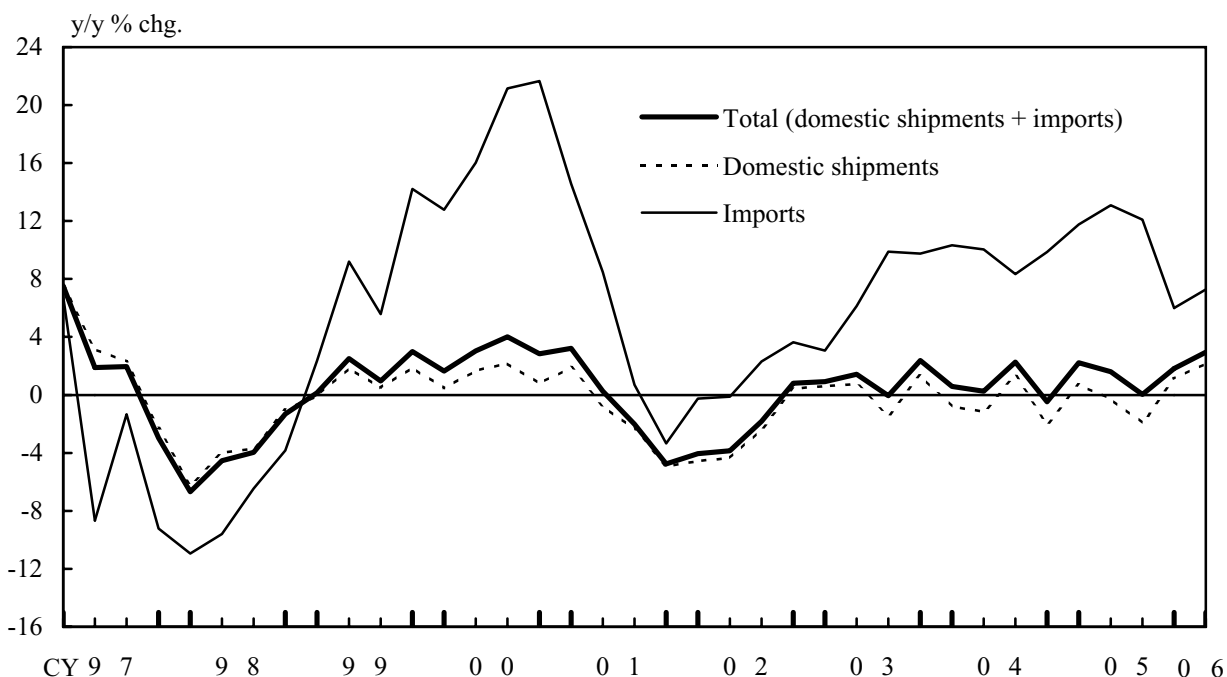
Source: Bank of Japan, "Indices of Aggregated Sales."

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, computers and the parts, parts of audio and visual apparatus, foodstuffs, textile, and clothing and the accessories.

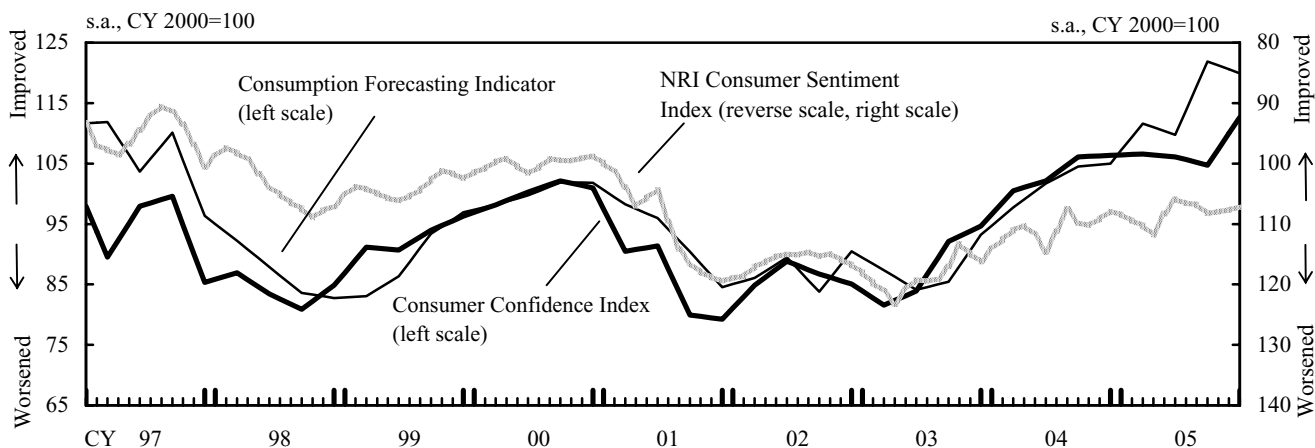
3. Year-on-year rates of change are calculated from seasonally adjusted series.

4. Data for 2006/Q1 figures are those of January 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."

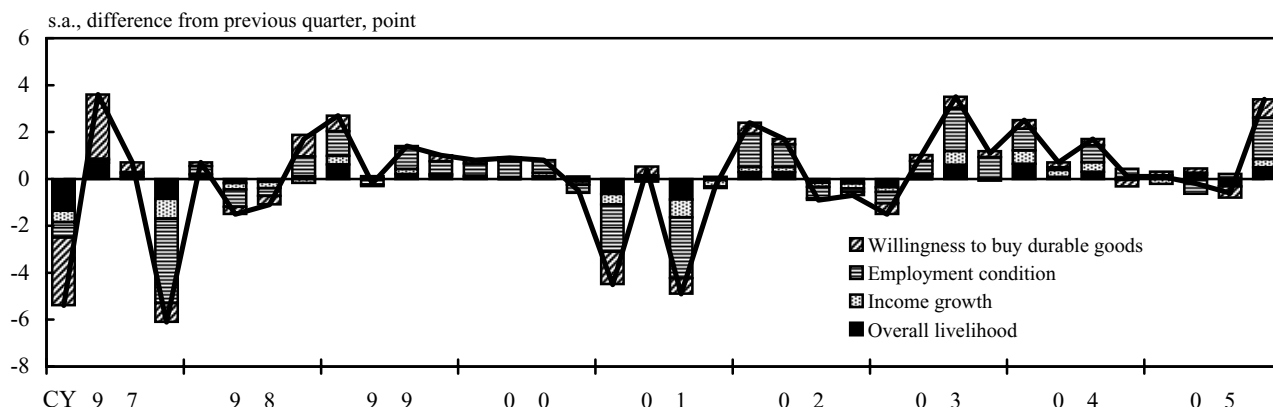
Consumer Confidence

(1) Surveys on Consumer Confidence

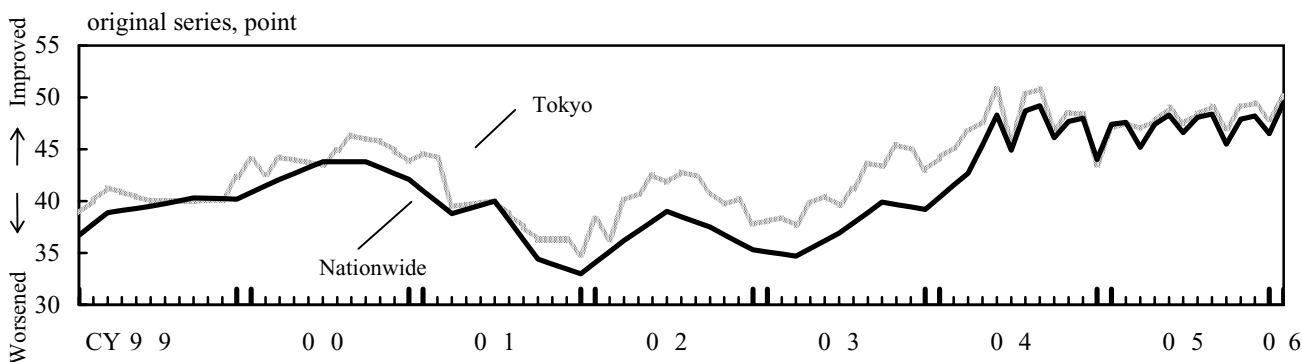


- Notes: 1. Seasonally adjusted by X-11. "Consumer Confidence Index" is seasonally adjusted by the Cabinet Office. "Consumption Forecasting Indicator" is seasonally adjusted using quarterly figures because the survey was quarterly until 2004.
2. Consumer Confidence Index (with 5,040 samples in a nationwide basis), Consumption Forecasting Indicator (with 600 samples in the 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)

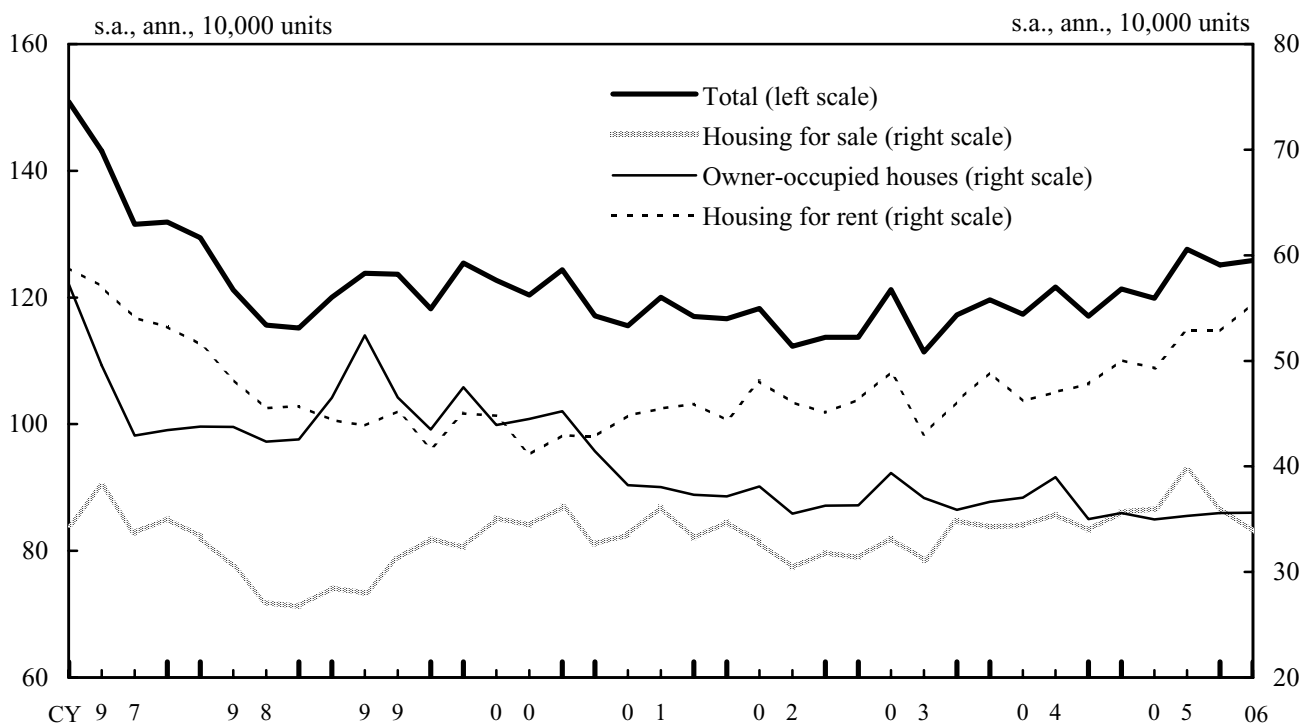


Note: Prior to 2001, figures of "Monthly Consumer Confidence Index (Tokyo)" when the survey was not conducted have been supplemented with linear interpolation. Figures of "Monthly Consumer Confidence Index (Nationwide)" have also been plotted at the surveyed months and supplemented with linear interpolation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

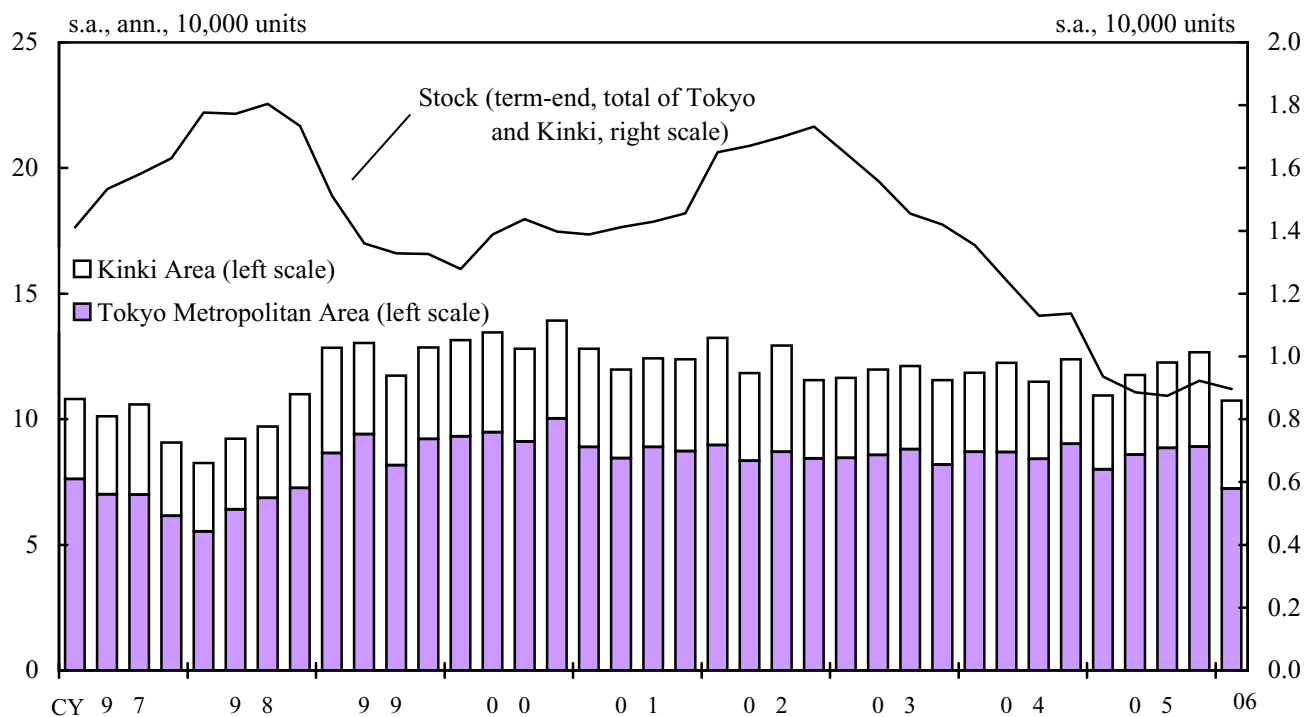
Indicators for Housing Investment

(1) Housing Starts



Note: Figures for 2006/Q1 are those of January.

(2) Sales of Apartments

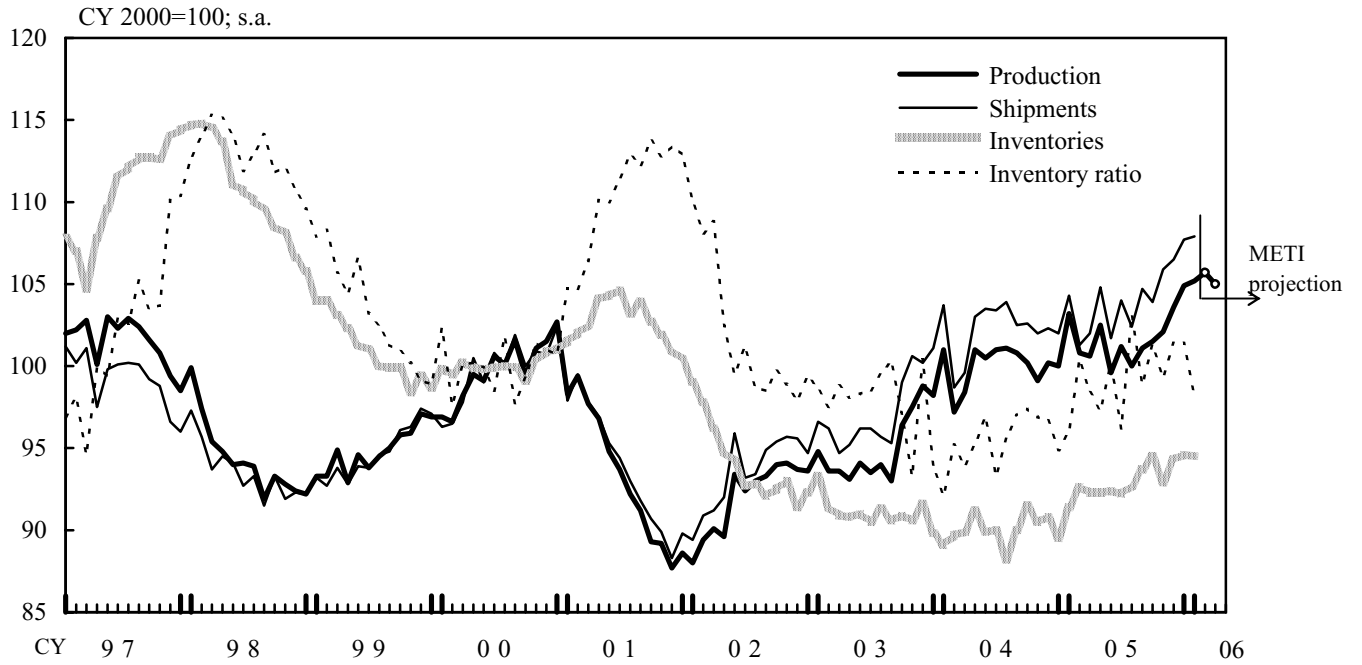


Notes: 1. Seasonally adjusted by X-12-ARIMA.
 2. Figures for 2006/Q1 are those of January.

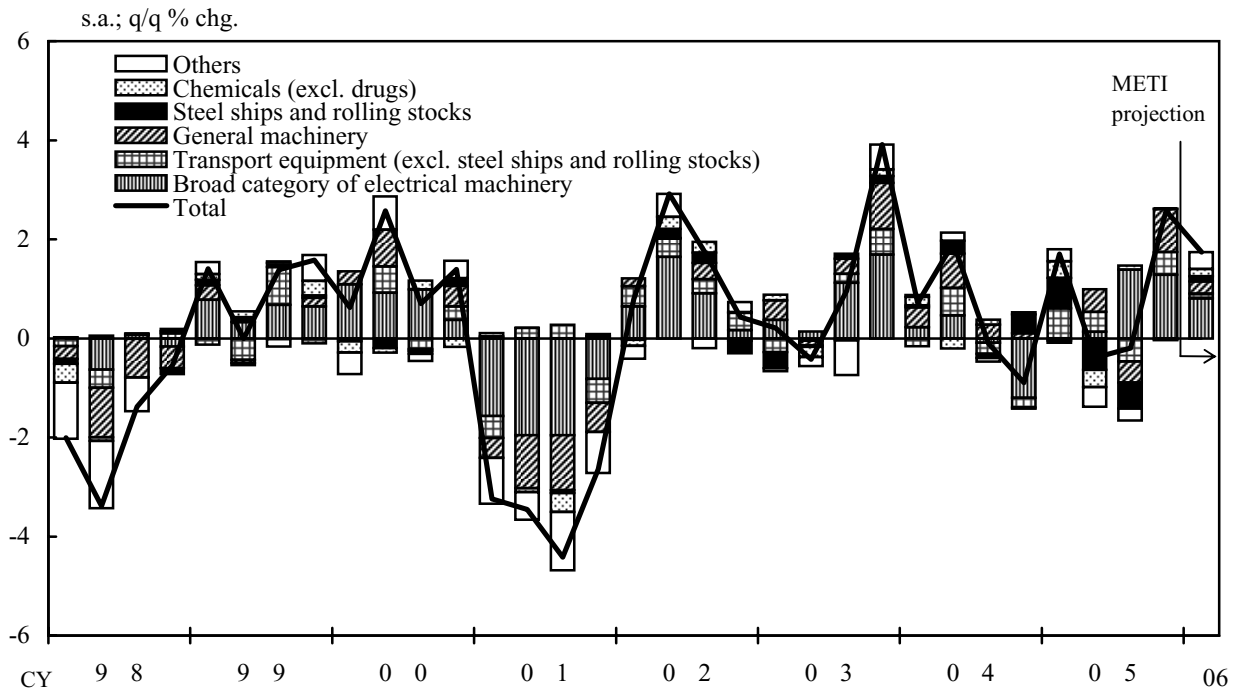
Sources: Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts," etc.

Production, Shipments and Inventories

(1) Production, Shipments and Inventories



(2) Production by Industries

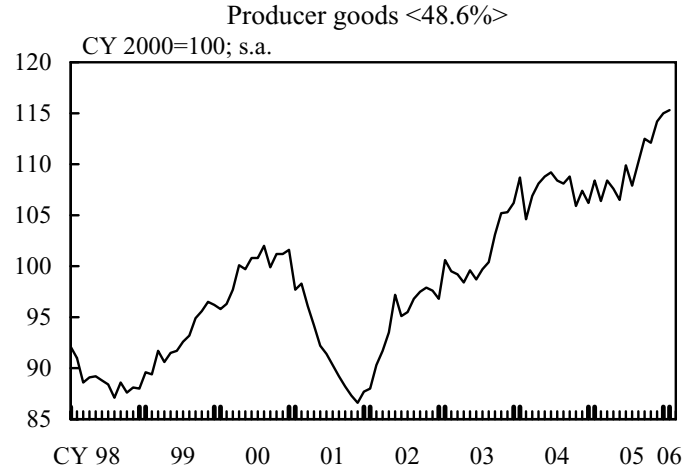
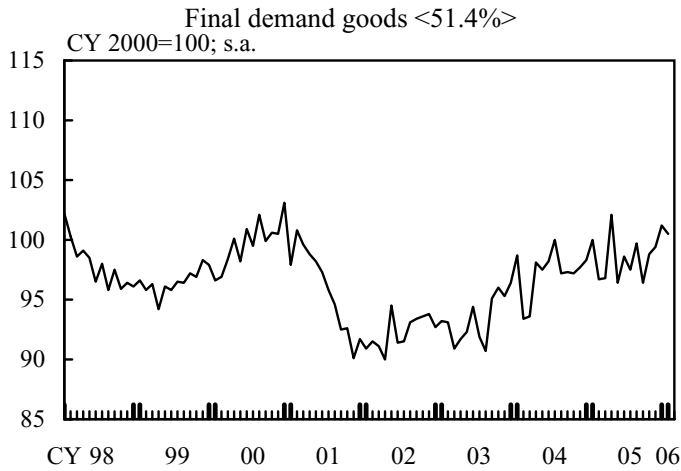


Note: "Broad category of electrical machinery" is the weighted sum of "electrical machinery," "information and communication electronics equipment" and "electronic parts and devices."

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

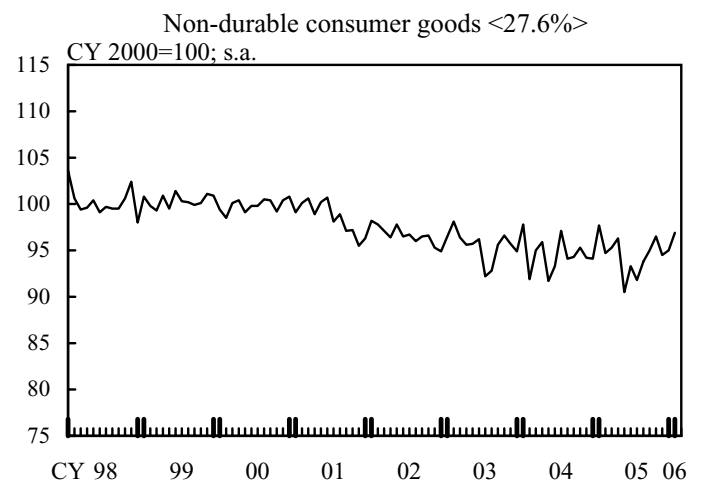
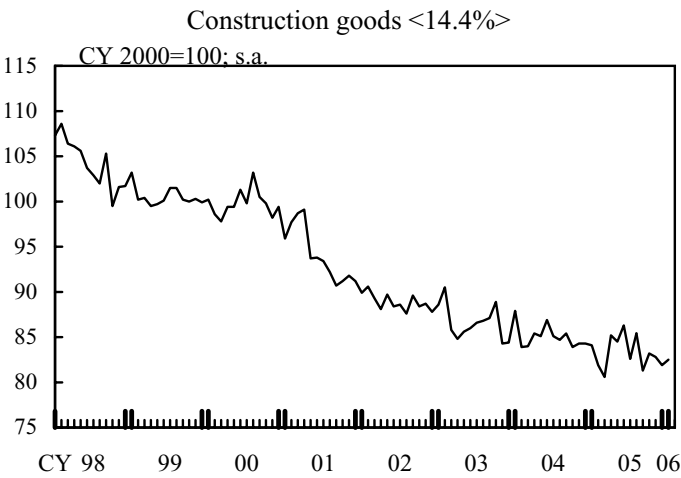
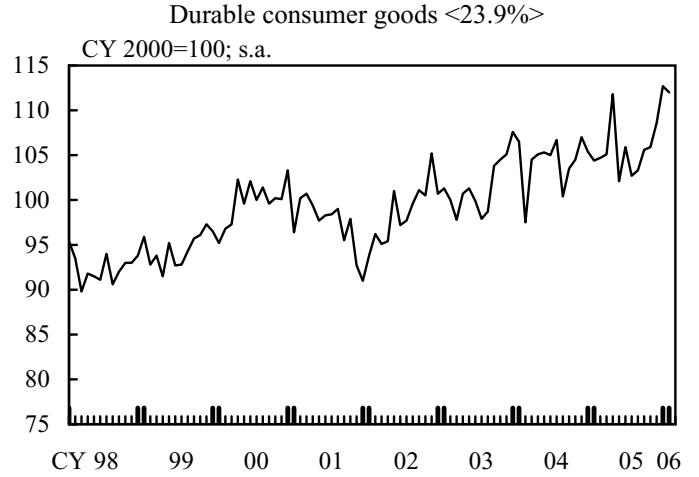
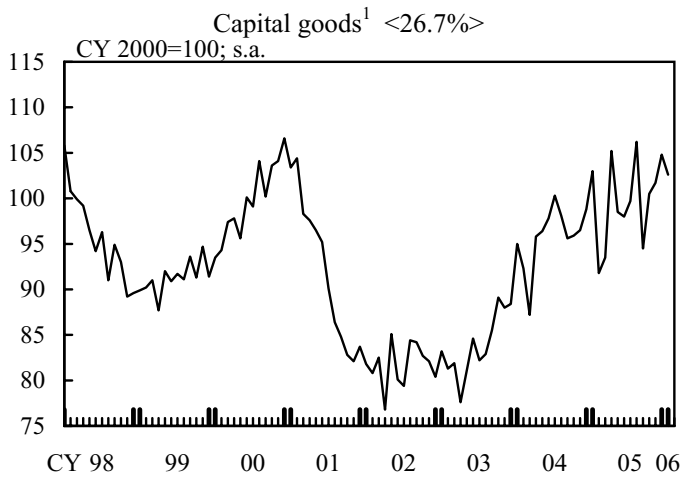
Shipments breakdown by type of goods

(1) Final demand goods and Producer goods



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

(2) Breakdown of final demand goods

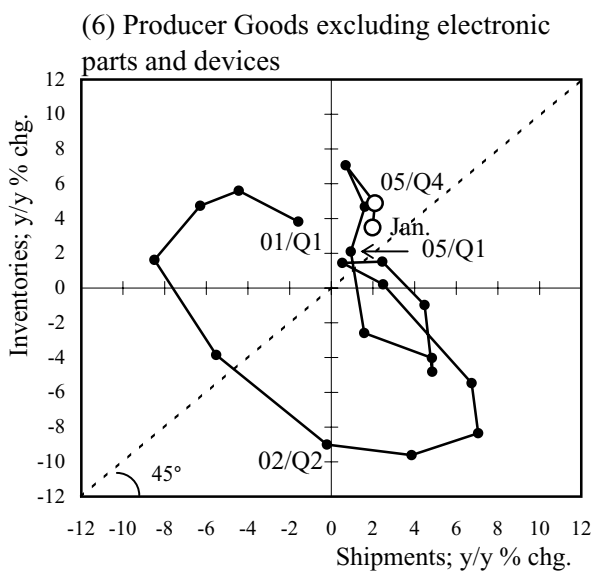
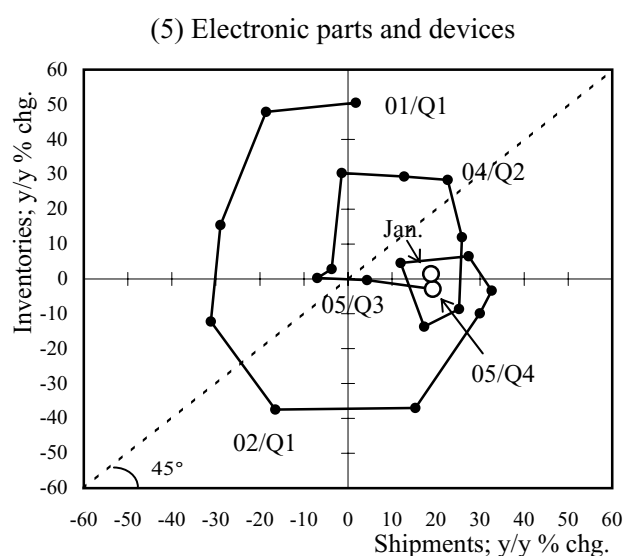
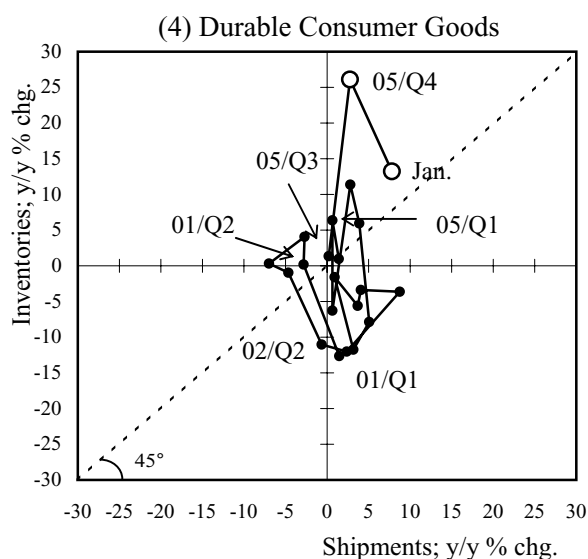
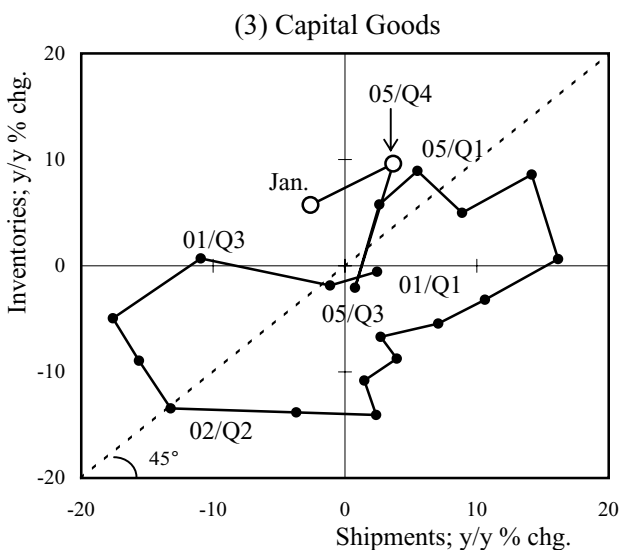
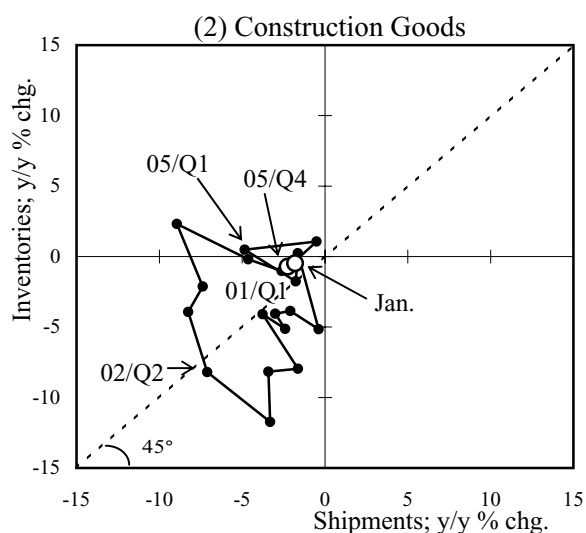
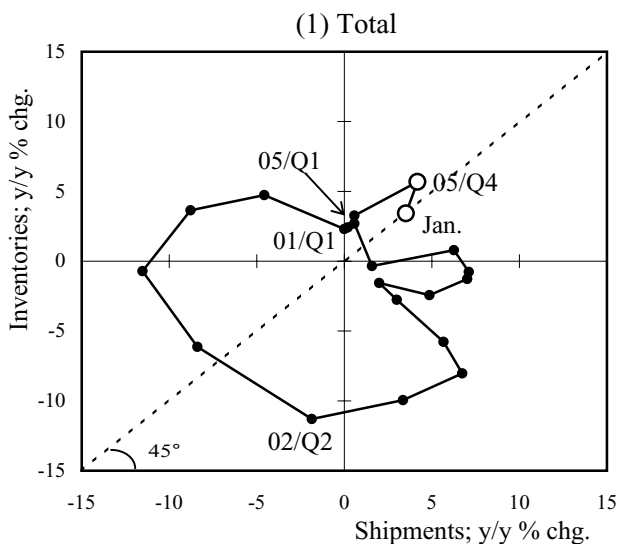


Notes: 1. Excluding transport equipment.

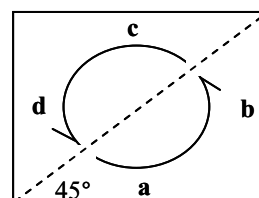
2. Shares of shipments of final demand goods are shown in angle brackets.

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

Inventory Cycle

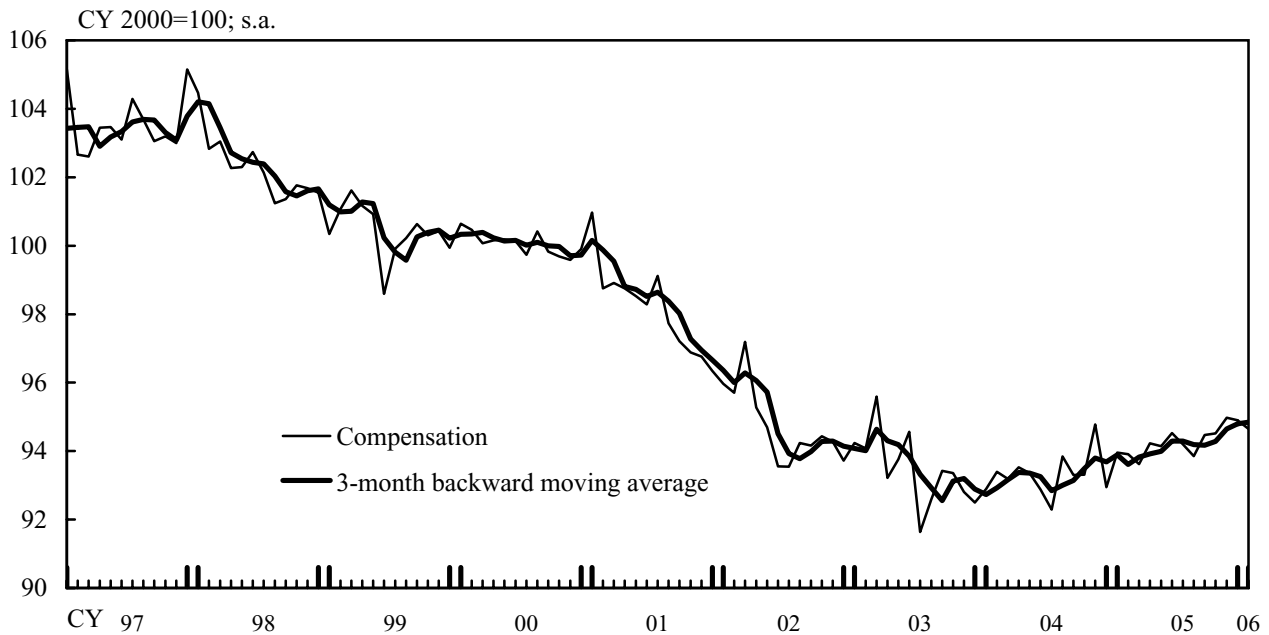


- a Shipment recovery phase
- b Intended inventory accumulation phase
- c Unintended inventory accumulation phase
- d Inventory adjustment phase



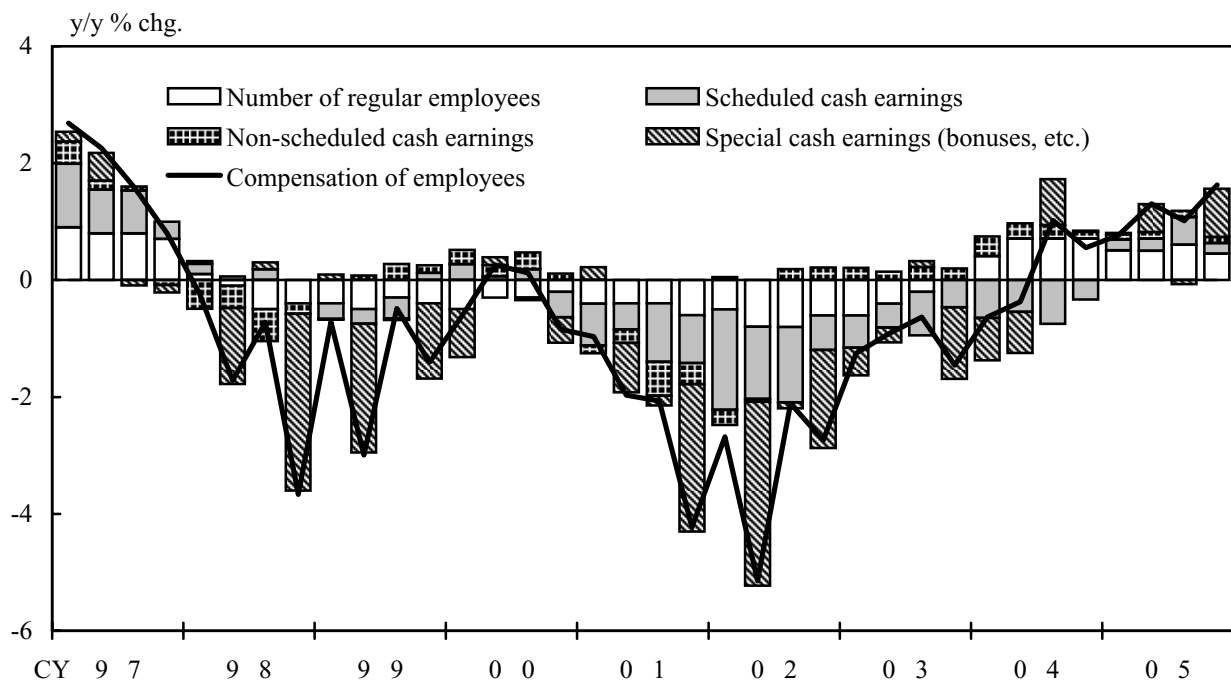
Compensation of Employees

(1) Compensation



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

(2) Breakdown of Compensation

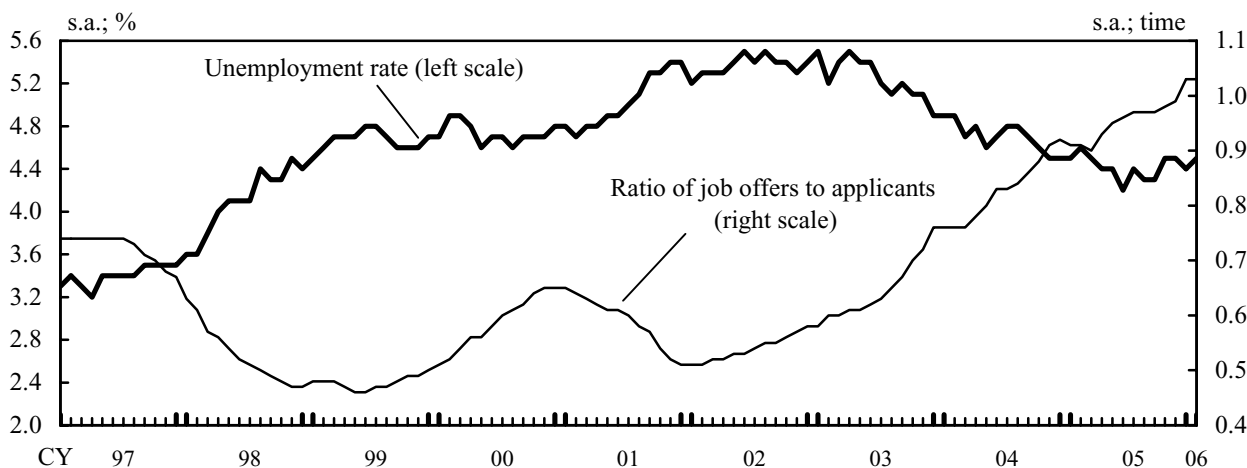


- Notes: 1. Data are for establishments with at least 5 employees.
 2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.
 3. Figures for 2005/Q4 are those of the Dec. 2005 - Jan. 2006 averages.

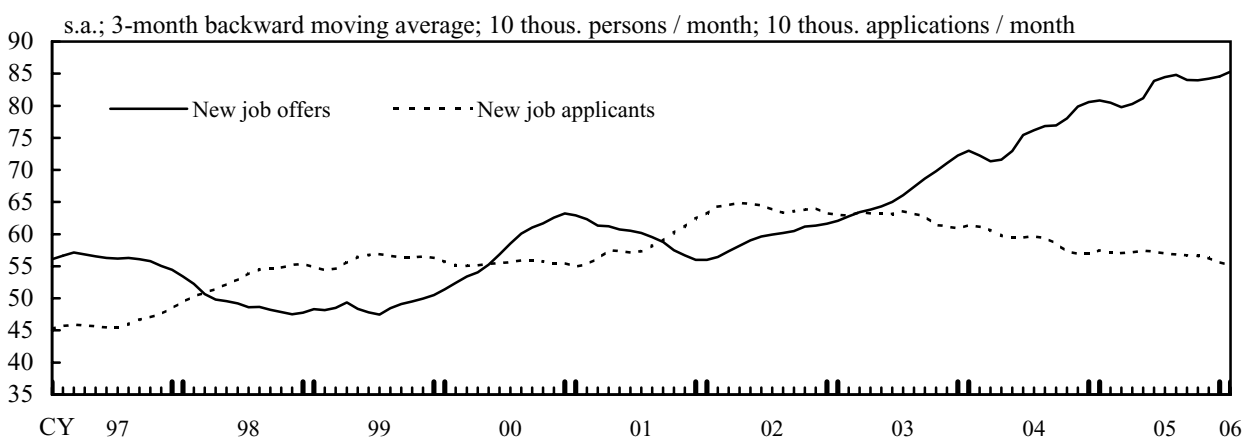
Source: Ministry of Health, Labour and Welfare, "Monthly Labour Survey."

Labor Market (1)

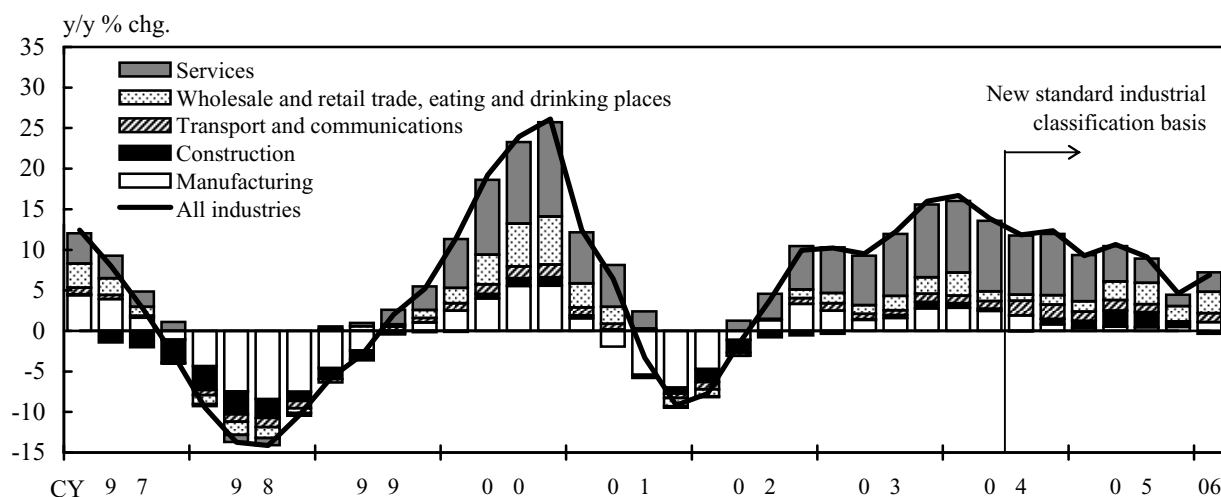
(1) Unemployment Rate and Ratio of Job Offers to Applicants



(2) New job offers and New job applicants¹



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



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

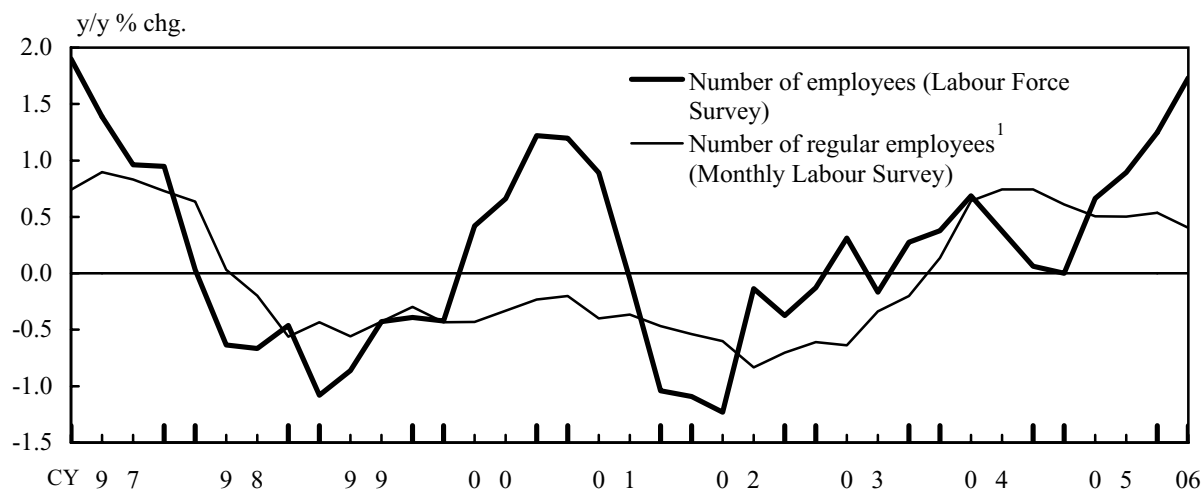
2. Figures up to 2004/Q2 are based on the previous Standard Industrial Classification. Figures from 2004/Q3 are based on new Standard Industrial Classification. To keep the continuation of the data, some industries from 2004/Q3 are rearranged as follows. "Transport and communications" are the sum of "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 2006/Q1 are those of January.

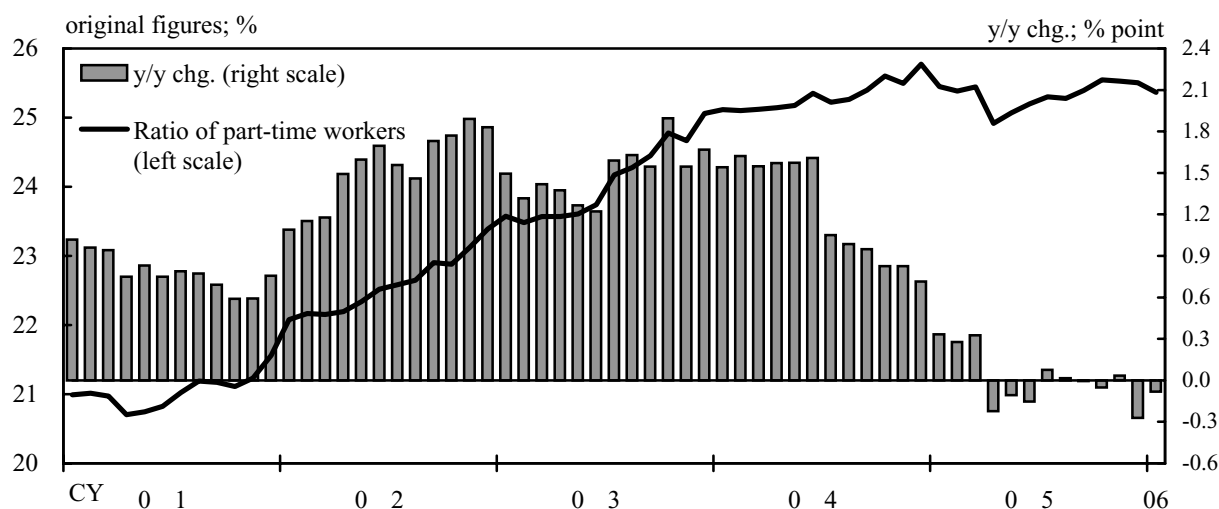
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service"; Ministry of Internal Affairs and Communications, "Labour Force Survey."

Labor Market (2)

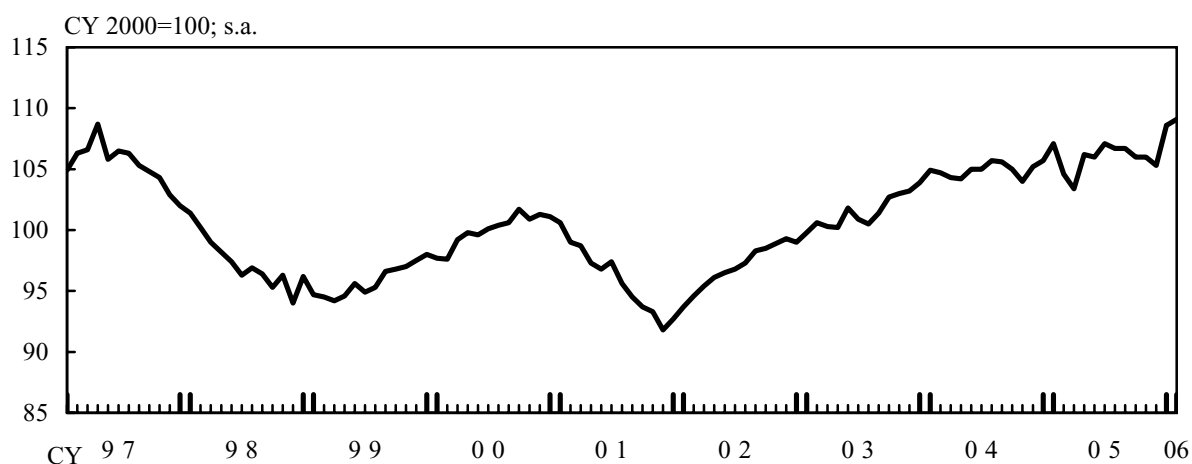
(1) Number of Employees³



(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.

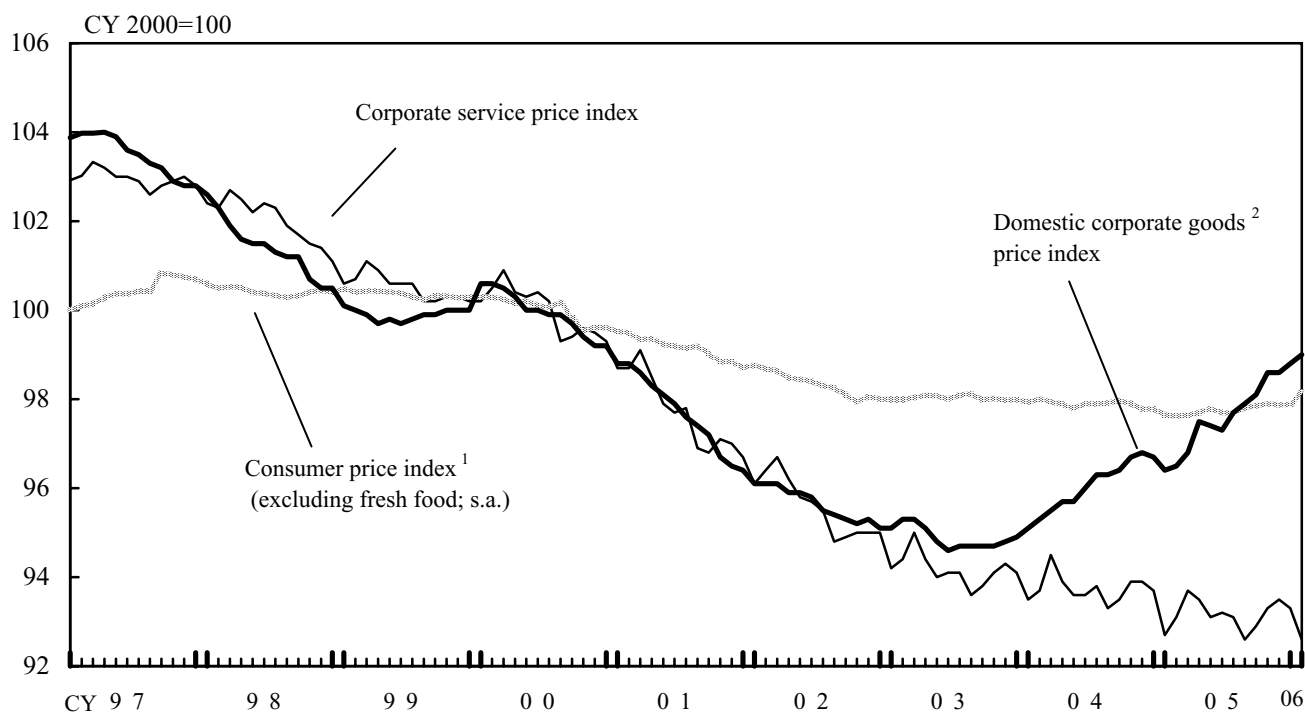
2. Ratio of part-time workers is calculated as number of part-time workers divided by number of regular employees times 100.

3. Figures for 2006/Q1 are those of January.

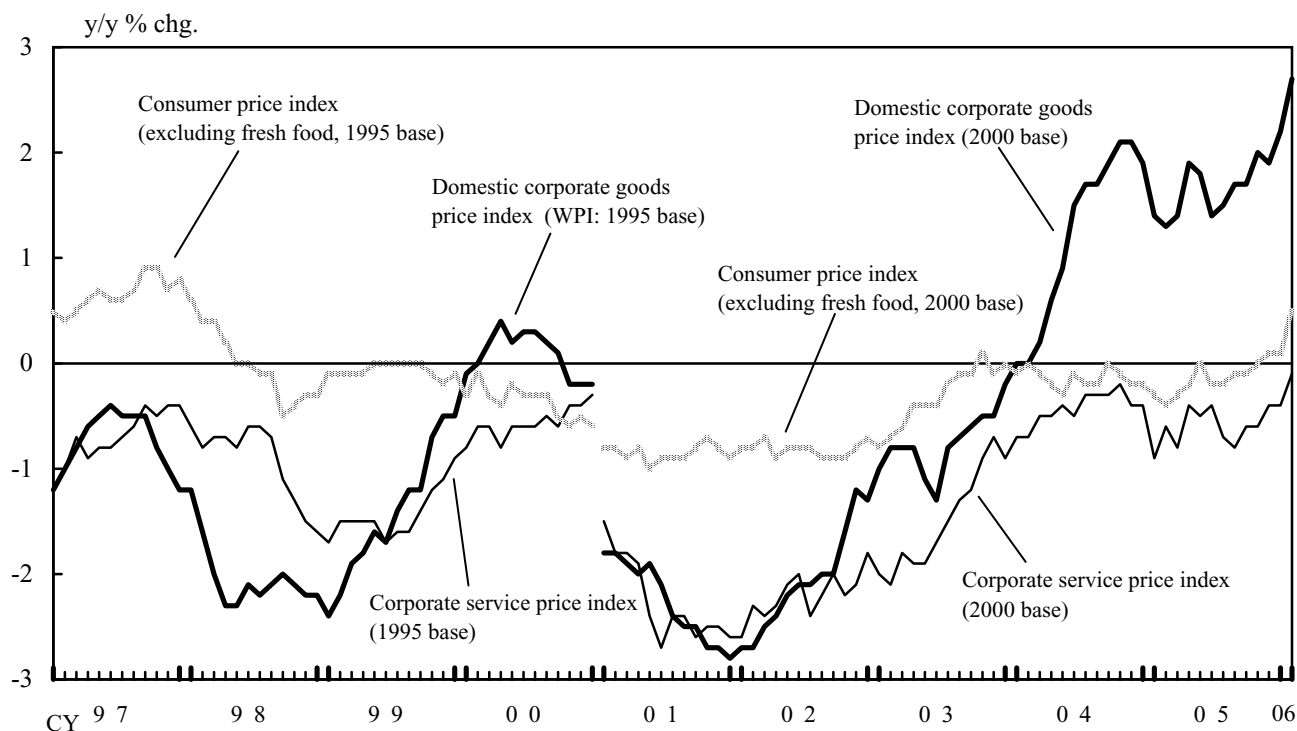
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
Ministry of Internal Affairs and Communications, "Labour Force Survey."

Prices³

(1) Level



(2) Changes from a year earlier



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

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

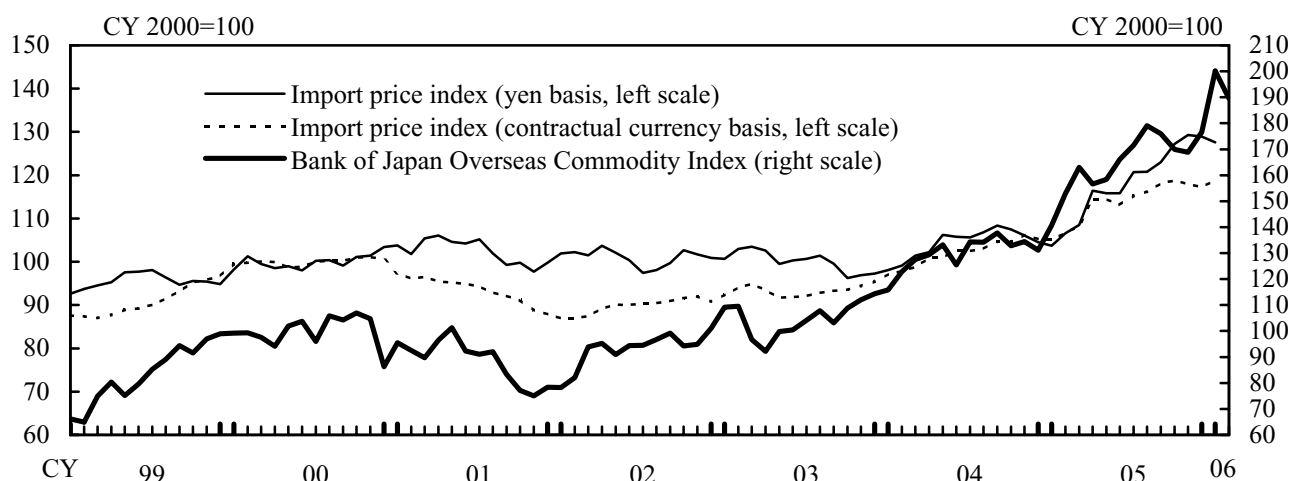
3. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

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

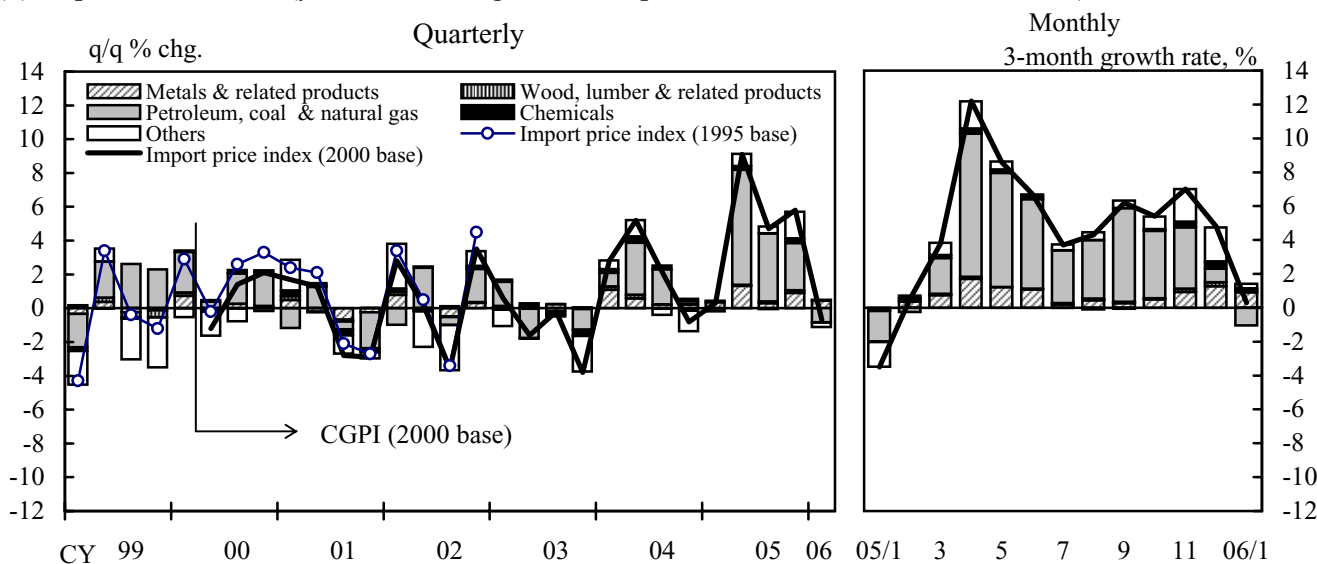
Bank of Japan, "Corporate Goods Price Index," "Wholesale Price Indexes," "Corporate Service Price Index."

Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index

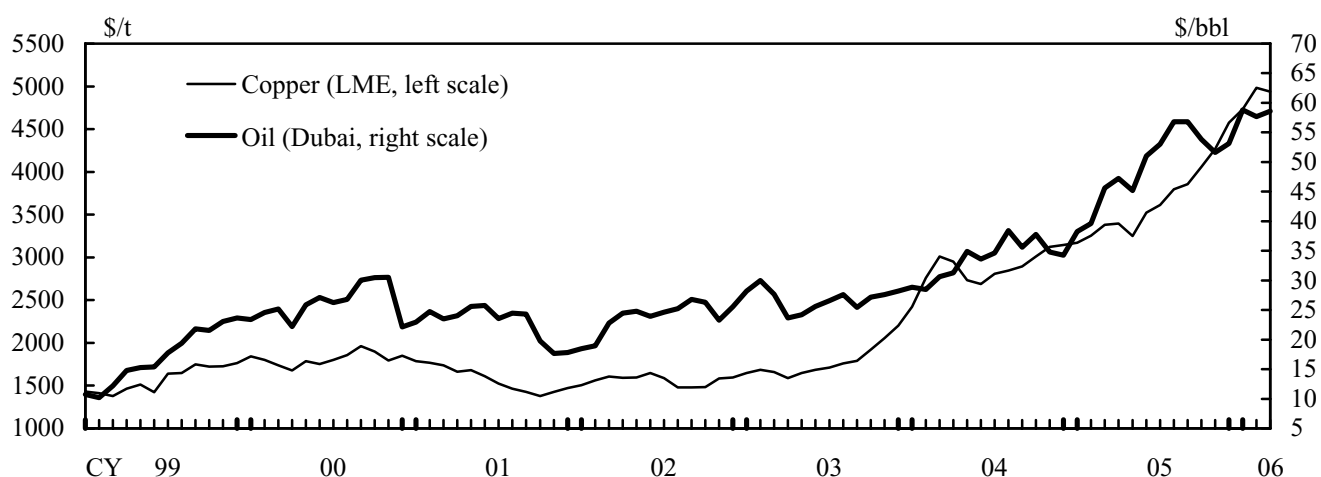


(2) Import Price Index (yen basis, changes from a quarter earlier and 3 months earlier)



Note: Figures for 2006/Q1 are those of January.
 1995 base figure for 2002/Q4 is Oct.-Nov. average.

(3) Oil price and Copper price

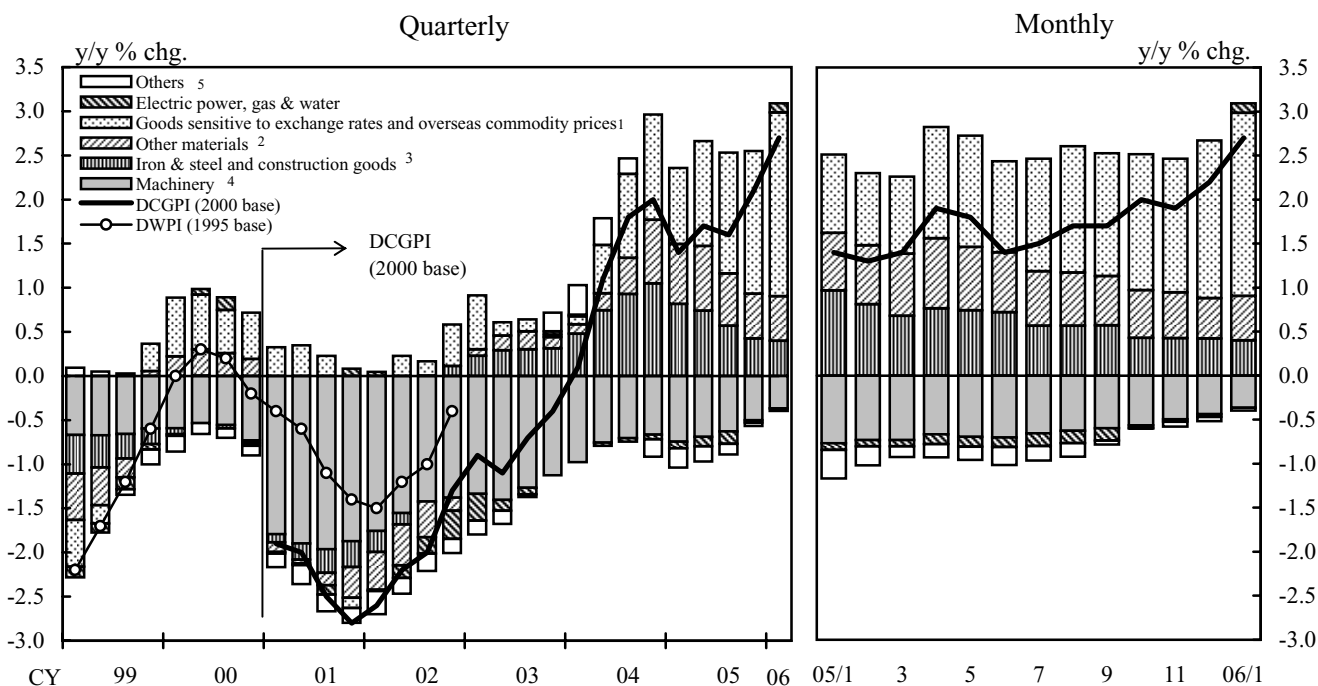


Note: Monthly averages. Figures for March 2006 are the averages up to March 8.

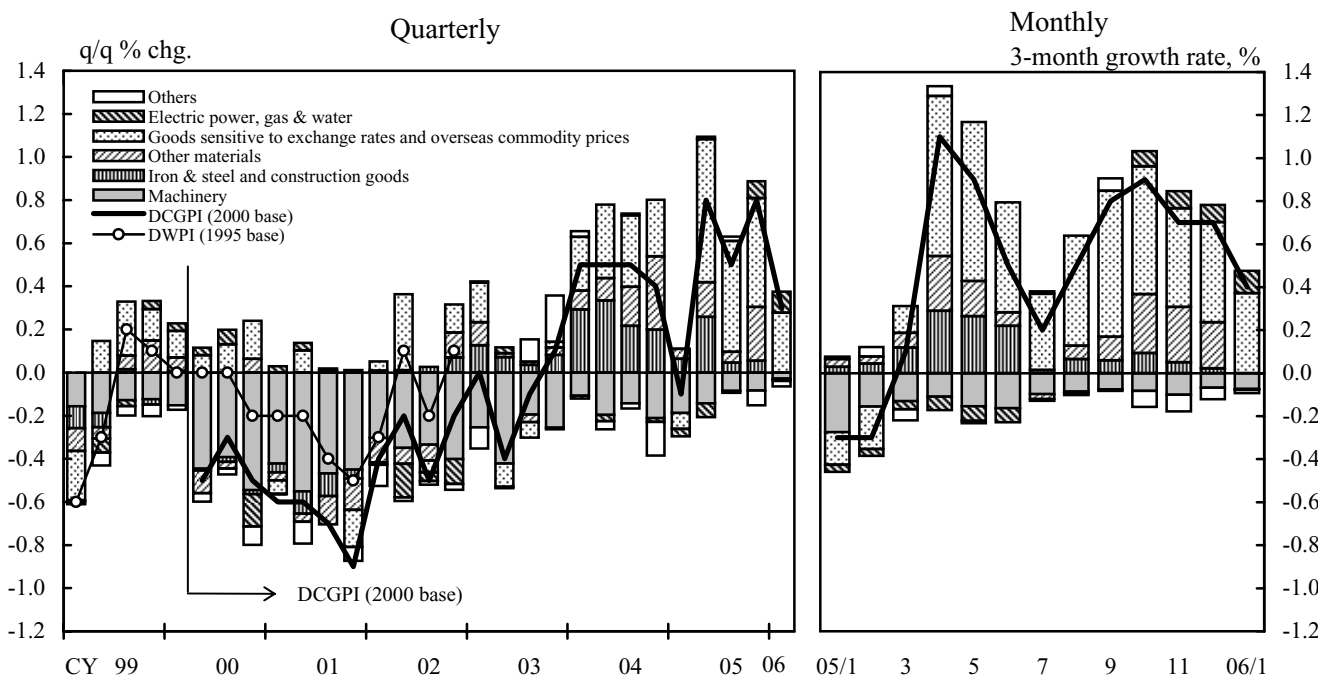
Sources: Bank of Japan, "Corporate Goods Price Index," "Wholesale Price Indexes,"
 "Bank of Japan Overseas Commodity Index," etc.

Domestic Corporate Goods Price Index⁷

(1) Changes from a year earlier

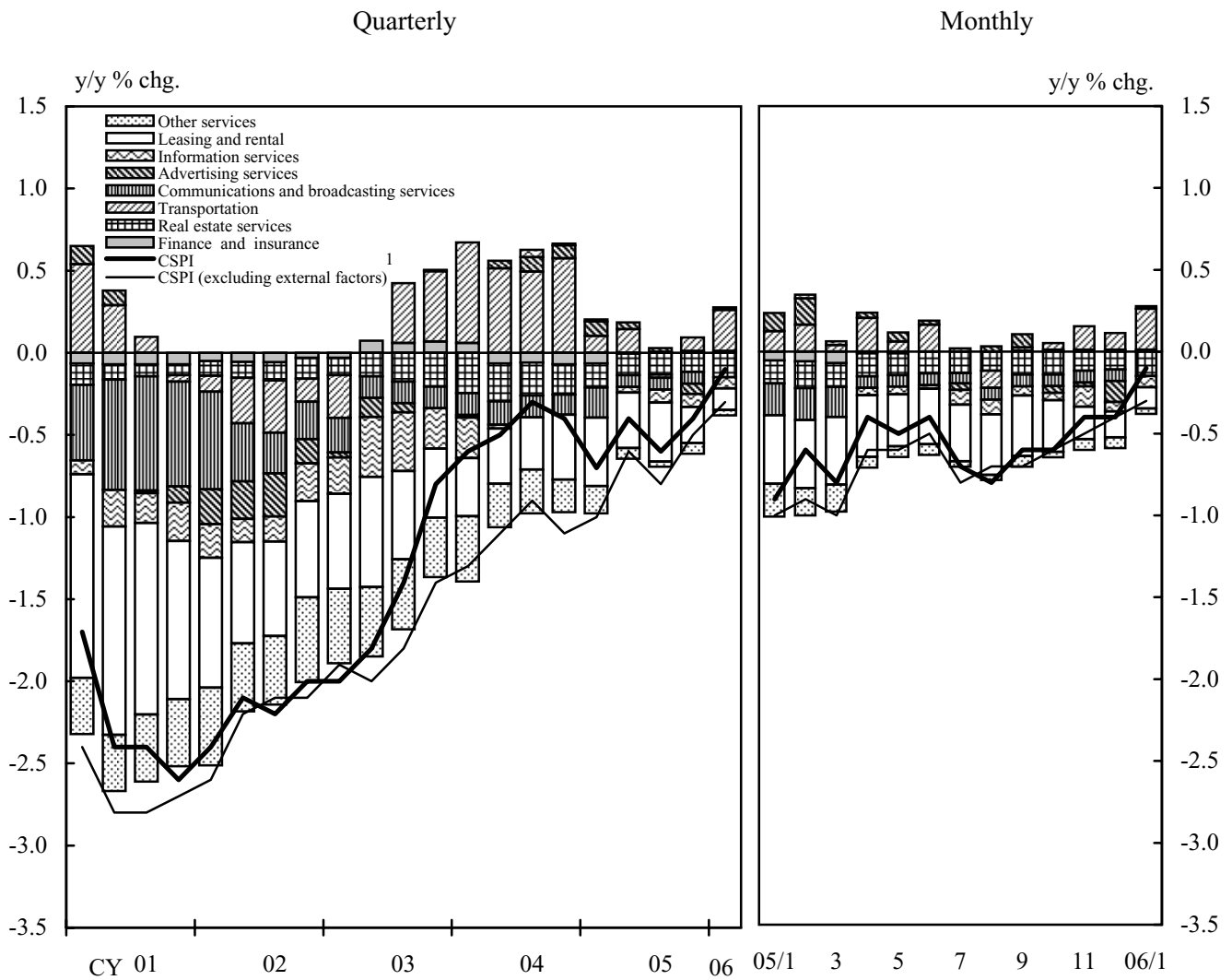


(2) Changes from a quarter earlier and 3 months earlier⁶



- 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. Figures for 2006/Q1 are those of January. 1995 base figures for 2002/Q4 are Oct.-Nov. averages.

Corporate Service Price Index



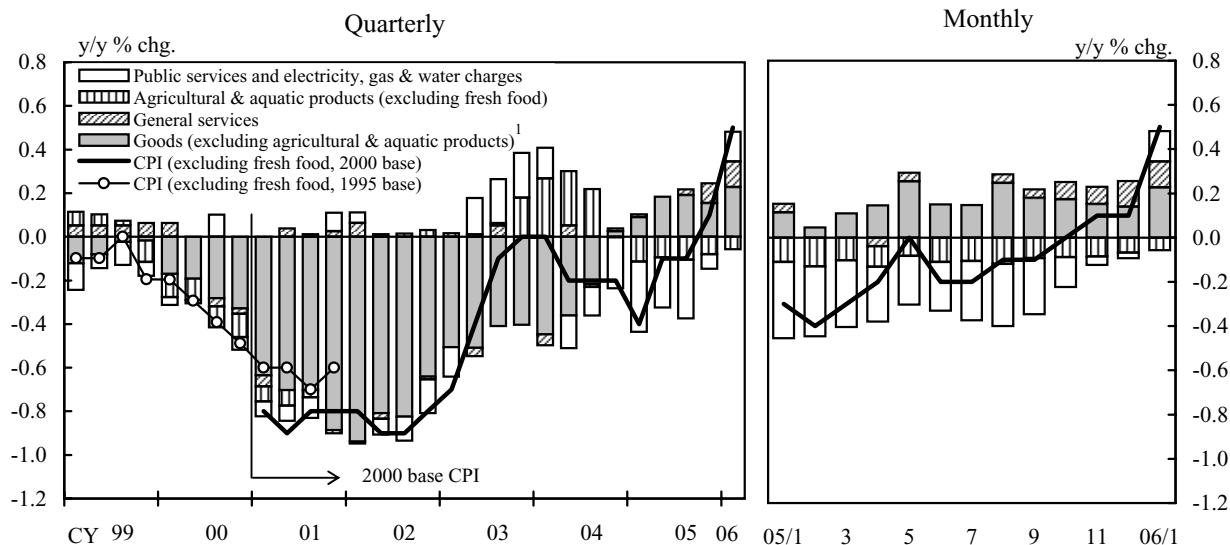
Notes: 1. External factors; international air passenger transportation, ocean liner, ocean tramper, ocean tanker, oceangoing ship chartering services, and international air freight.

2. Figures for 2006/Q1 are those of January.

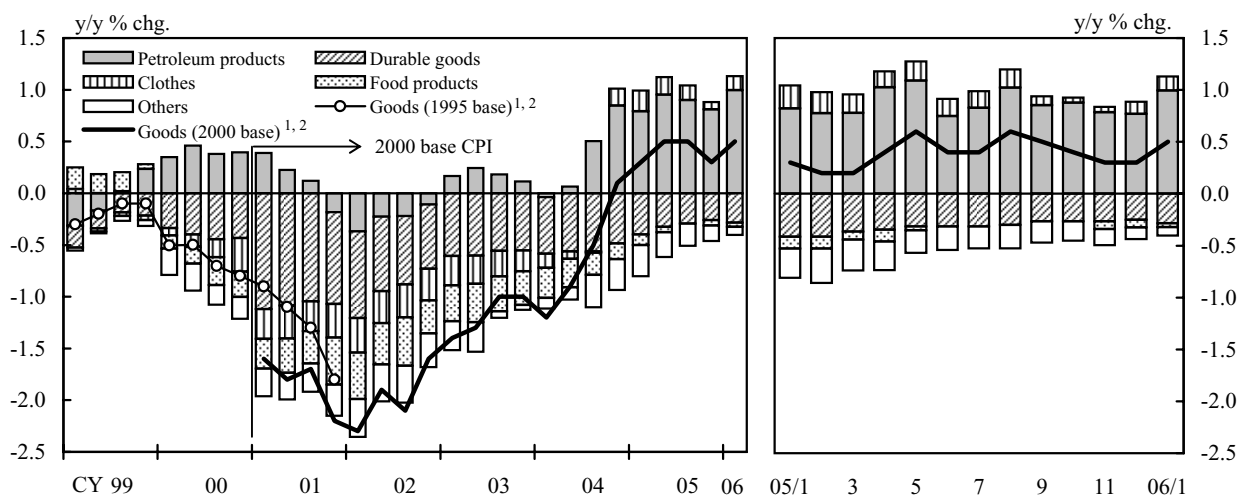
Source: Bank of Japan, "Corporate Service Price Index."

Consumer Price Index (excluding fresh food)

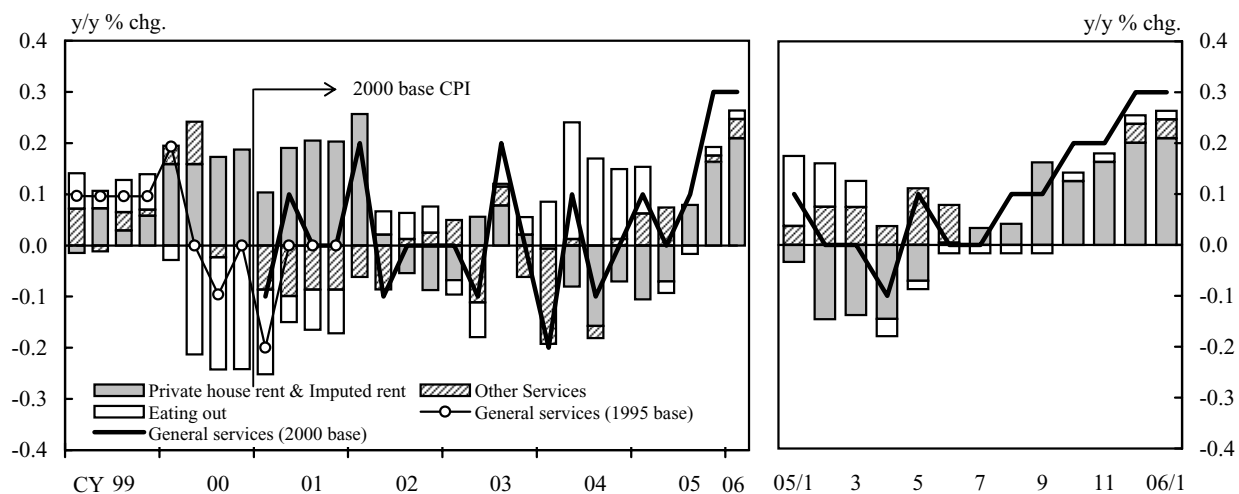
(1) Consumer price index (excluding fresh food)



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



(3) General services

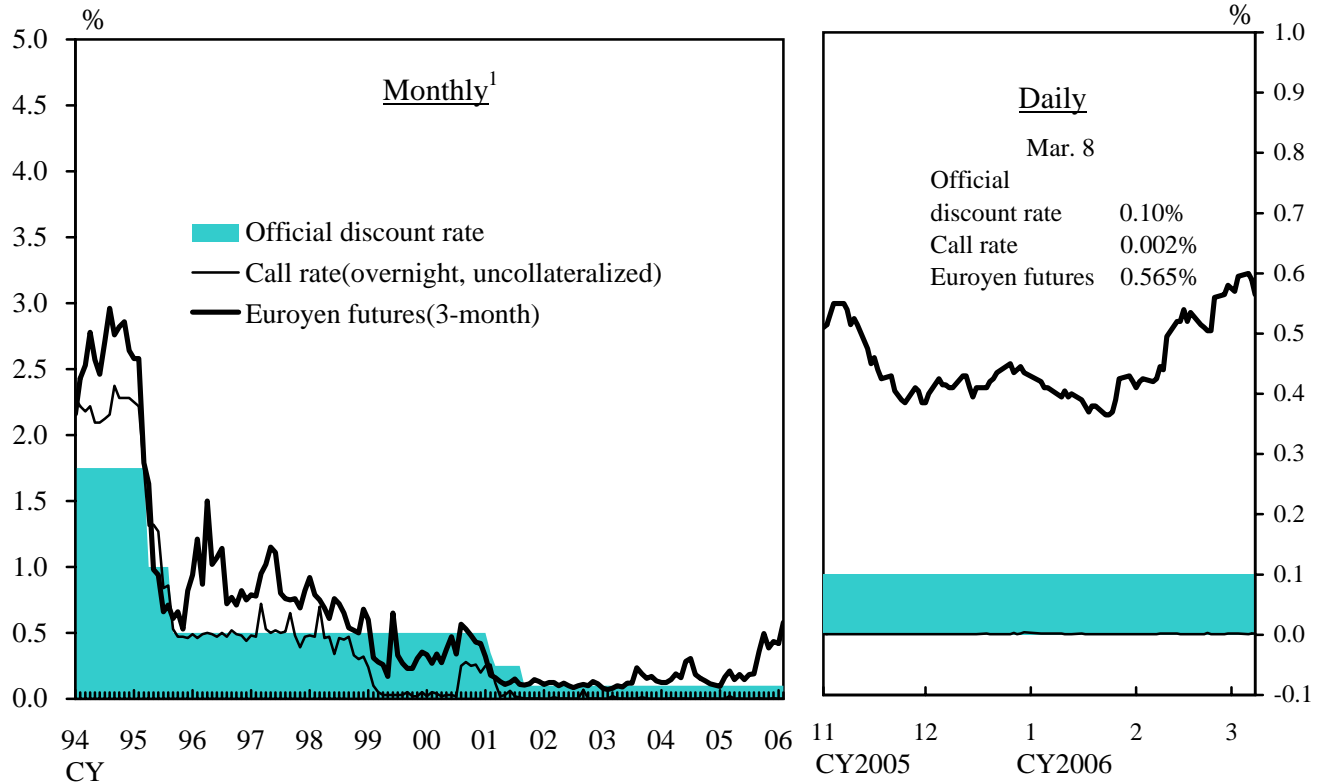


Notes: 1. The Items are basically the same as the definition published by the Ministry of Internal Affairs and Communications. However, electricity, gas & water charges is excluded from goods.
 2. Excluding agricultural & aquatic products.
 3. Figures for 2006/Q1 are those of January.

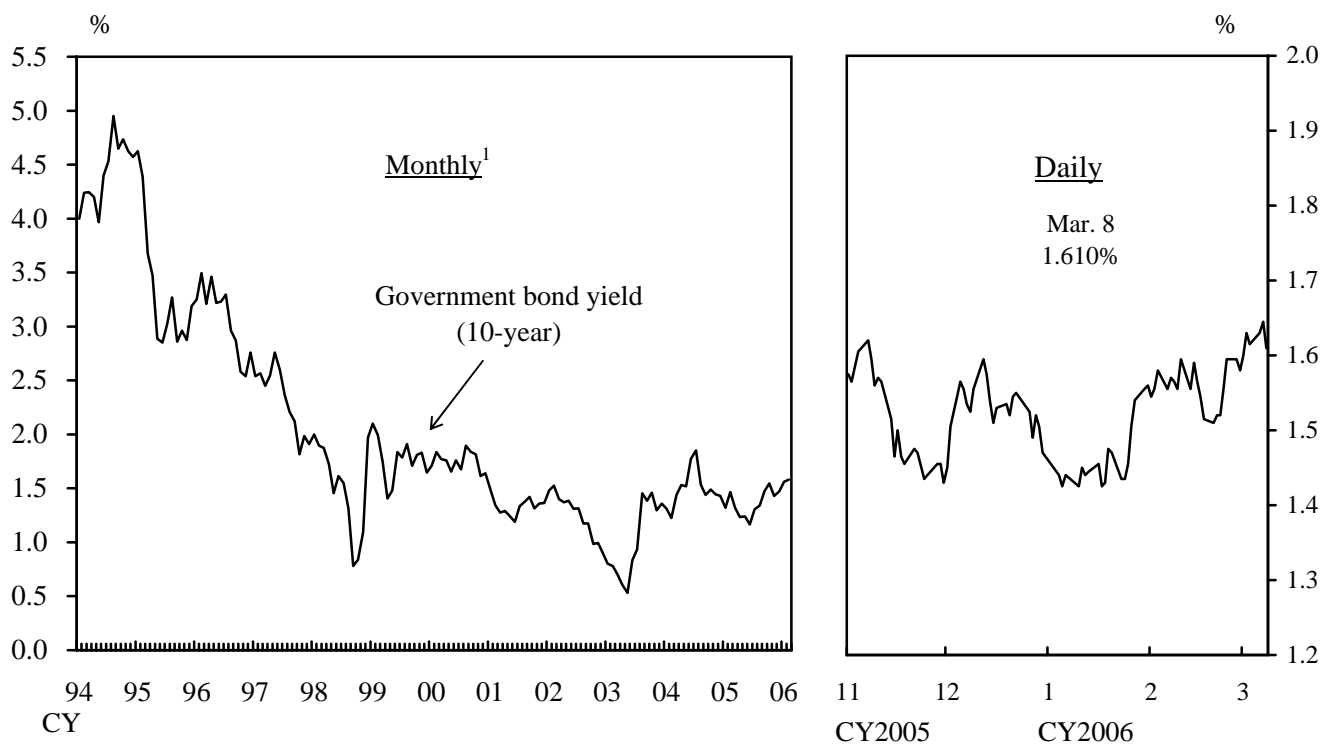
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Interest Rates

(1) Short-Term



(2) Long-Term

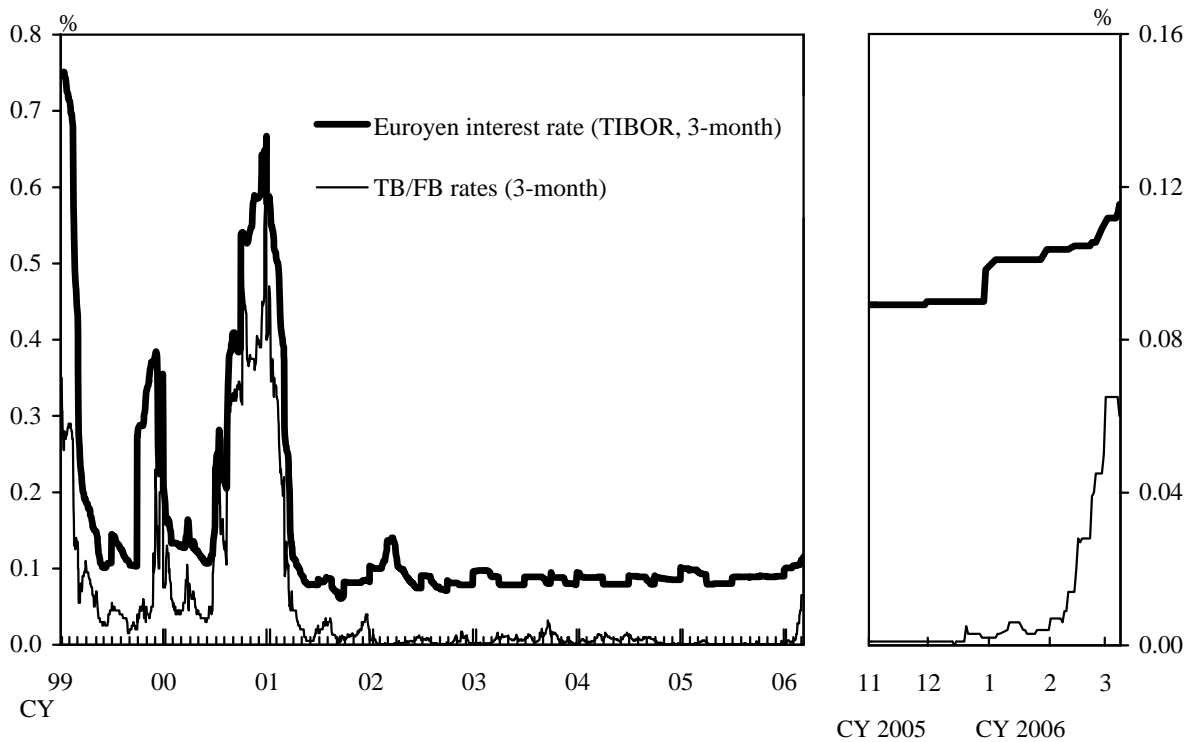


Note: 1. End of month.

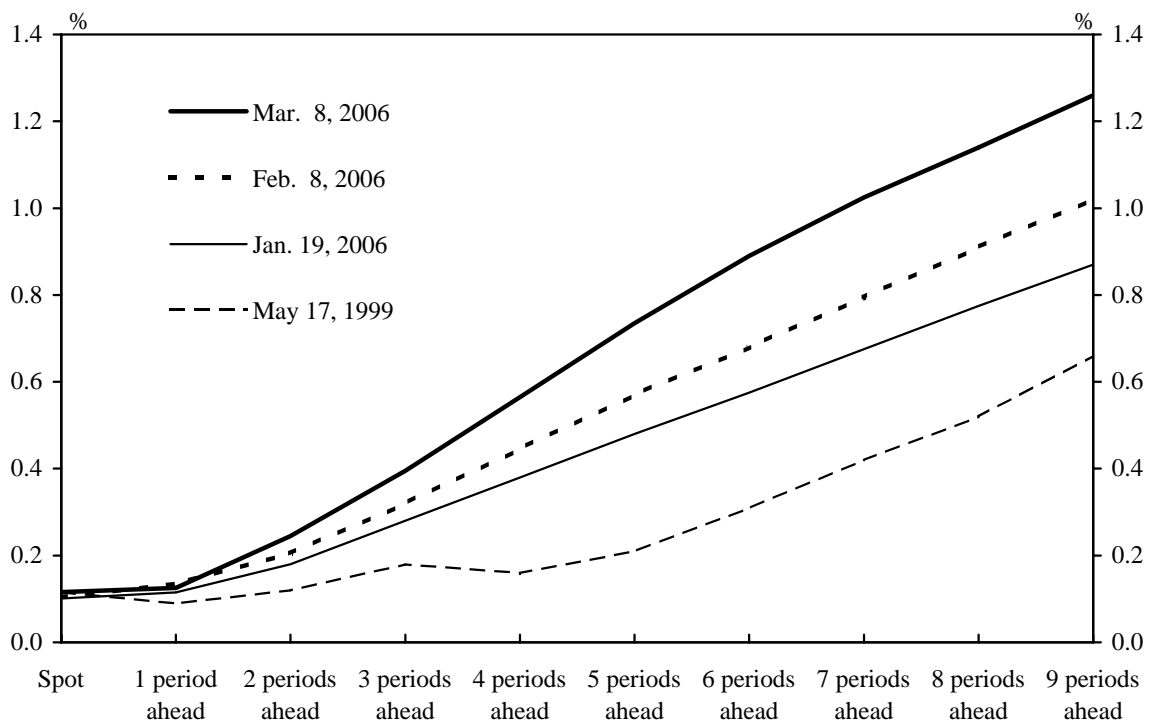
Sources: Bank of Japan; Tokyo Financial Exchange; Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments



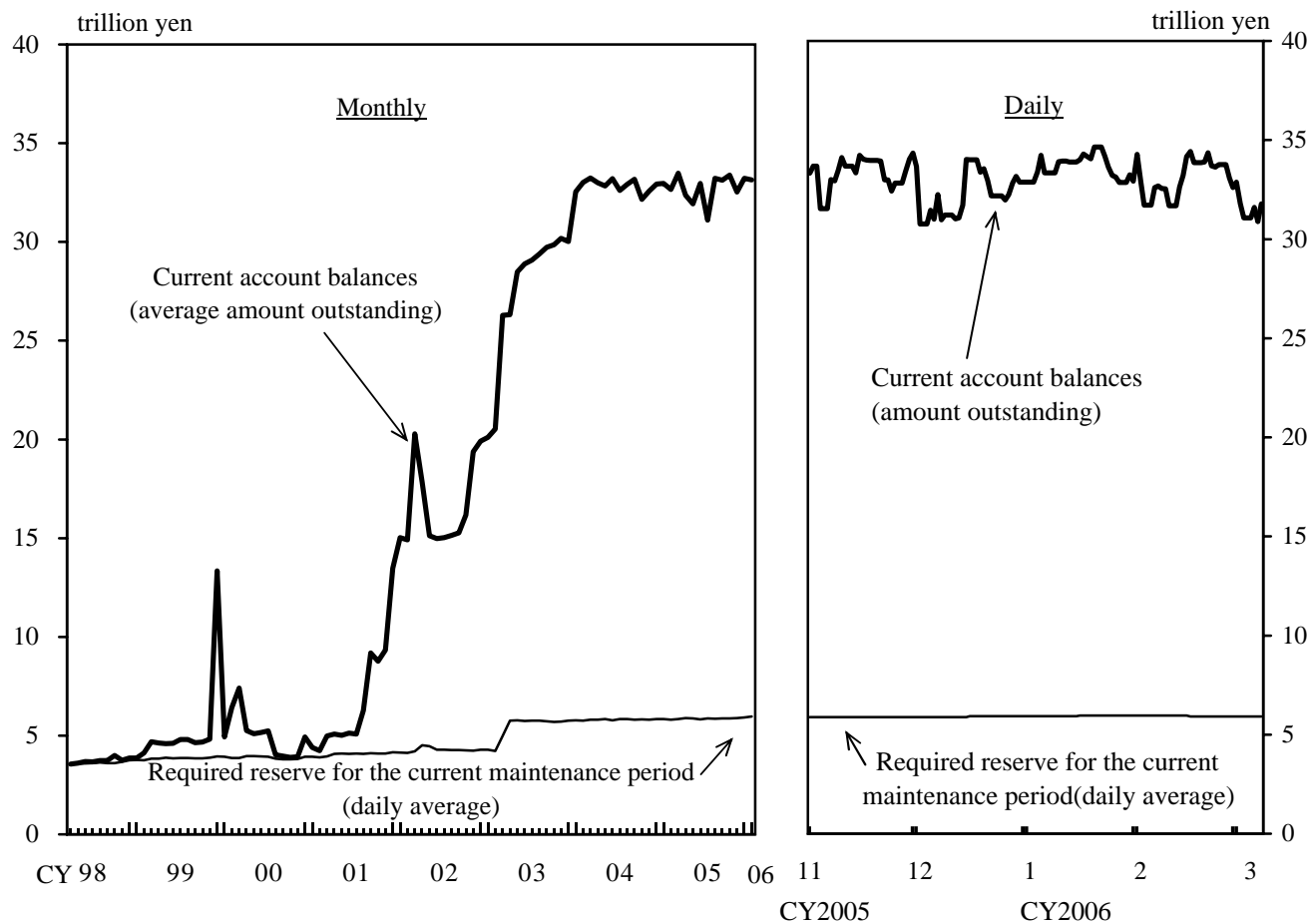
(2) Euroyen Interest Rates Futures (3-Month) ¹



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 Financial Exchange.

Current Account Balances at the Bank of Japan

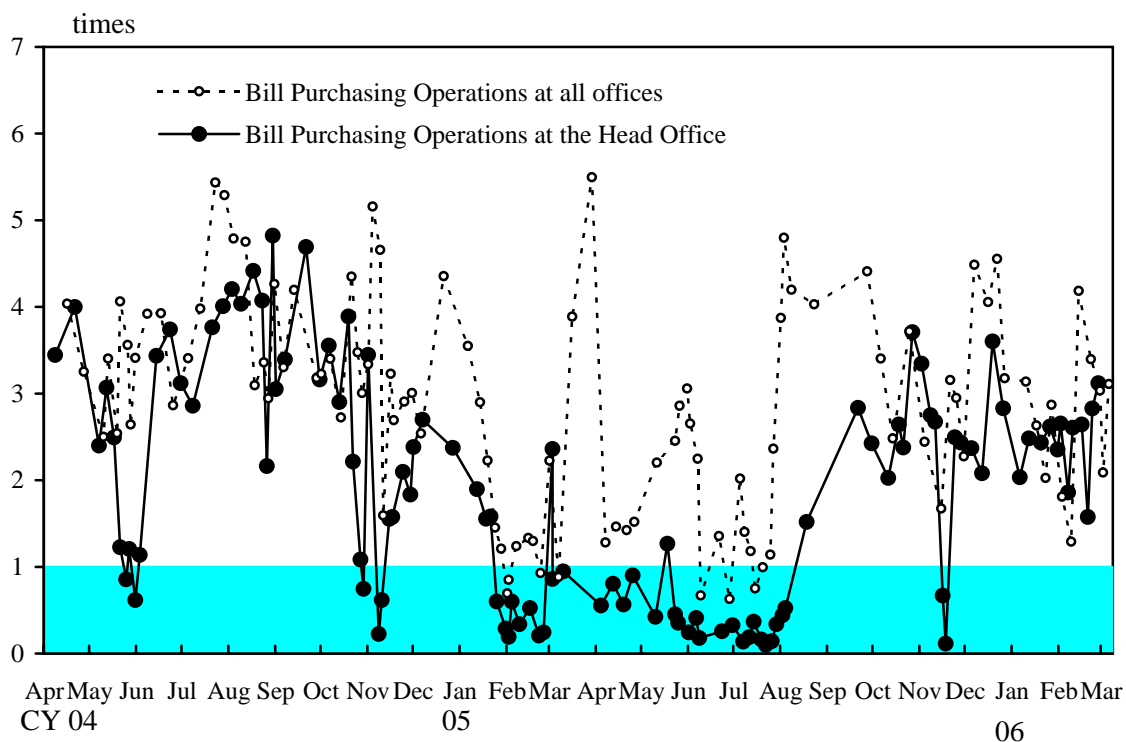


Note: From April 2003, the figures for current account balances and required reserve include the deposit of the Japan Post.

Source: Bank of Japan.

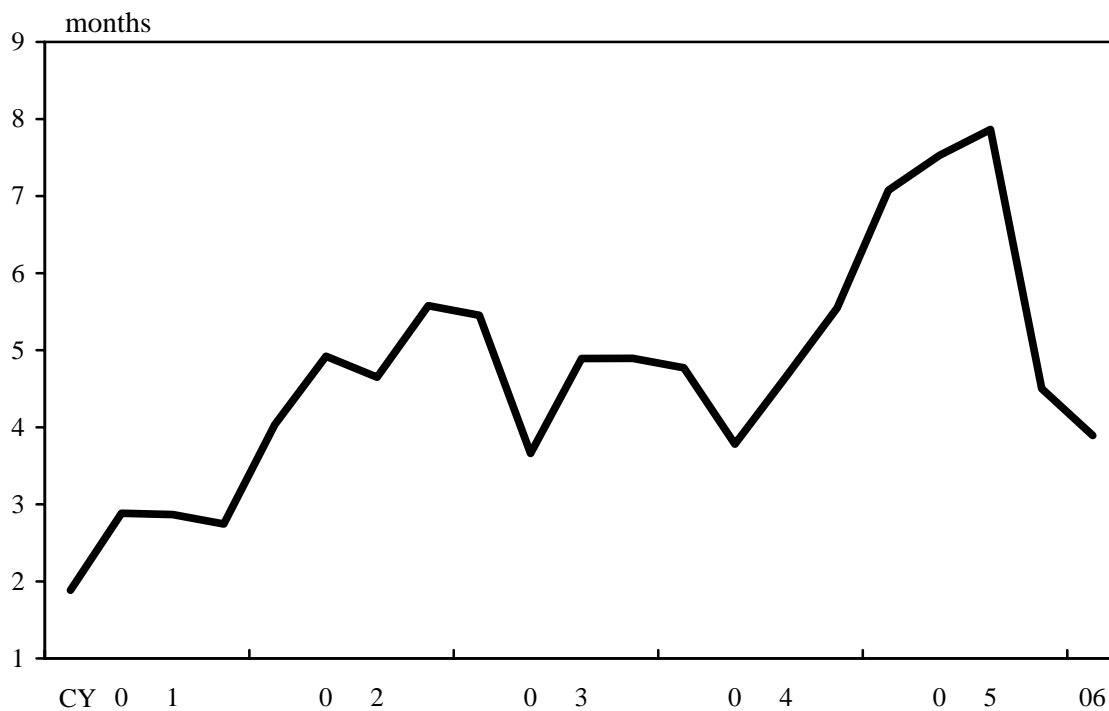
Funds-Supplying Operations

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



Note: Based on the dates of offers.

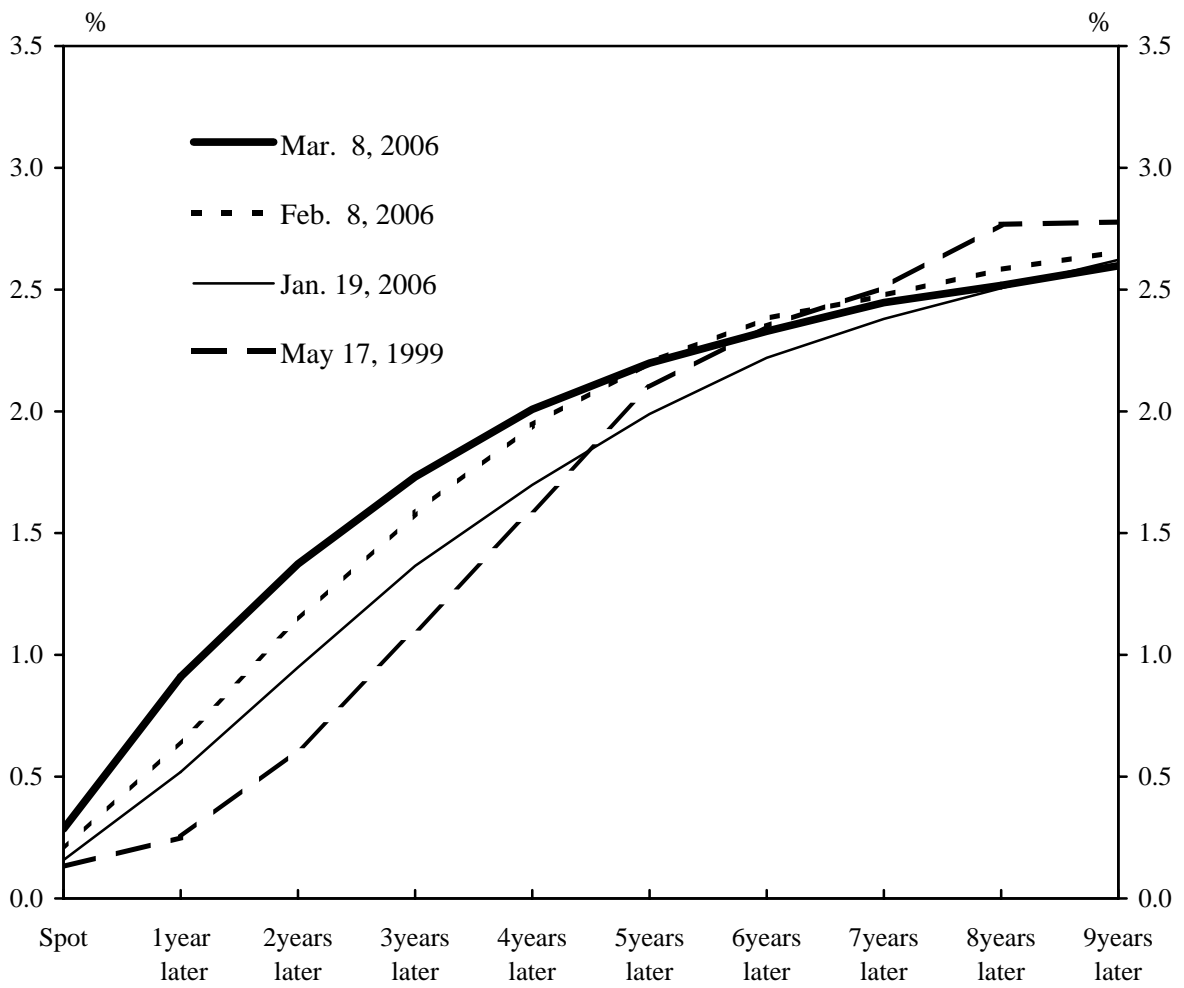
(2) Maturity of Bill-Purchasing Operations



Note: Figures are weighted average maturities of bill-purchasing operations offered during each quarter. The amounts of funds supplied are used as the weight.

Source: Bank of Japan.

Implied Forward Rates (1-year)

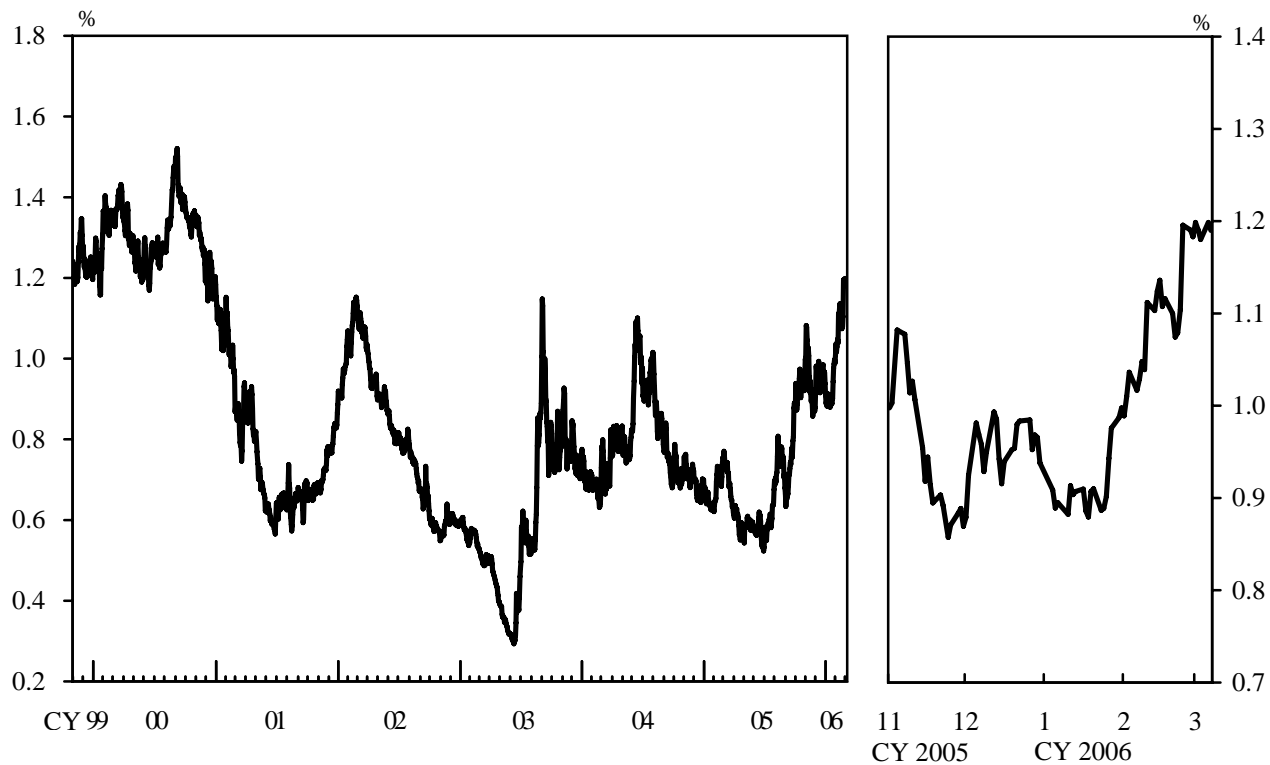


Note: Calculated from yen-yen swap rates.

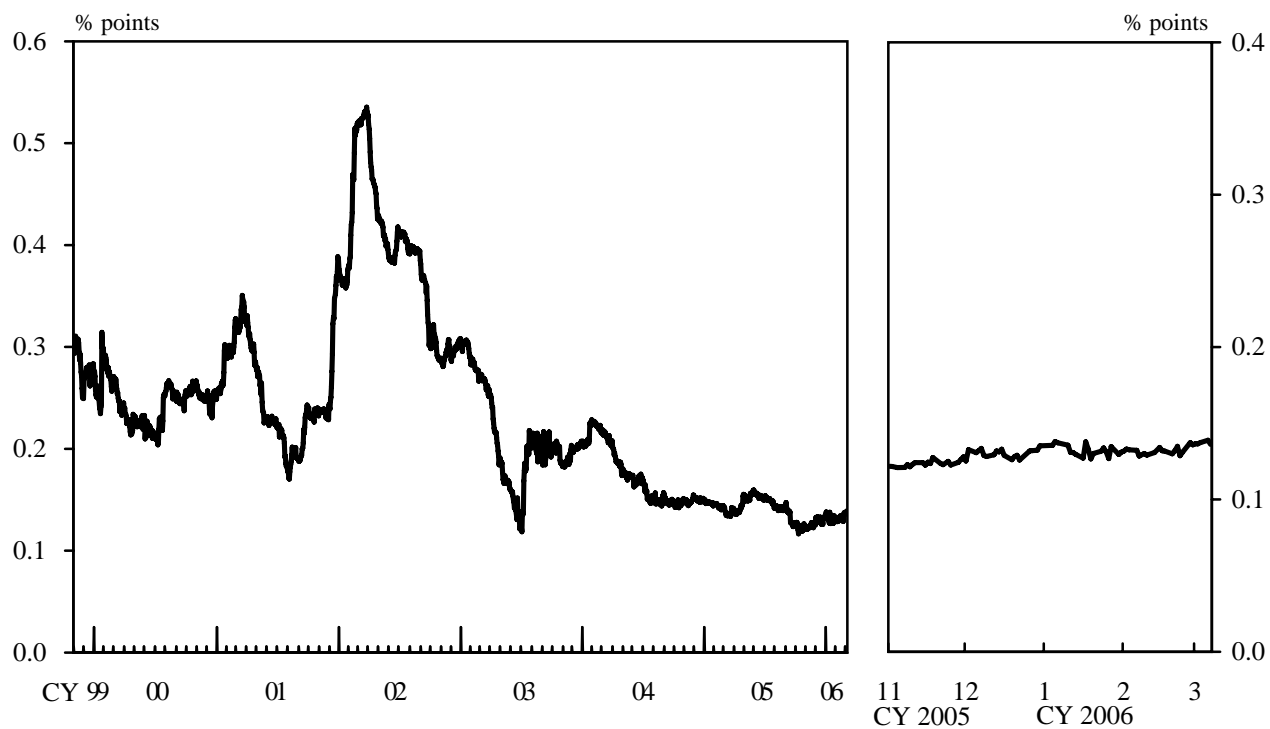
Source: Reuters.

Yields of Bank Bonds

(1) Average Bank Bond Yield



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



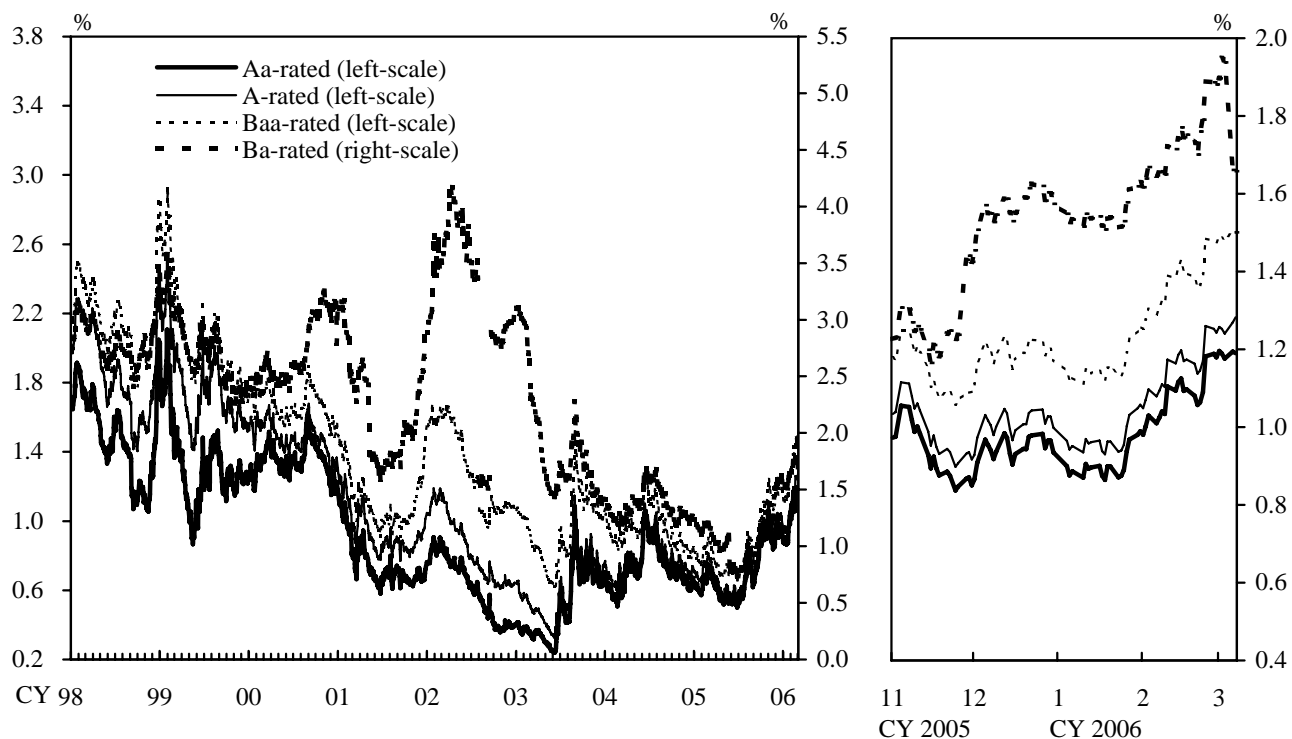
Notes: 1. Yields on bonds with 5-year maturity.

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

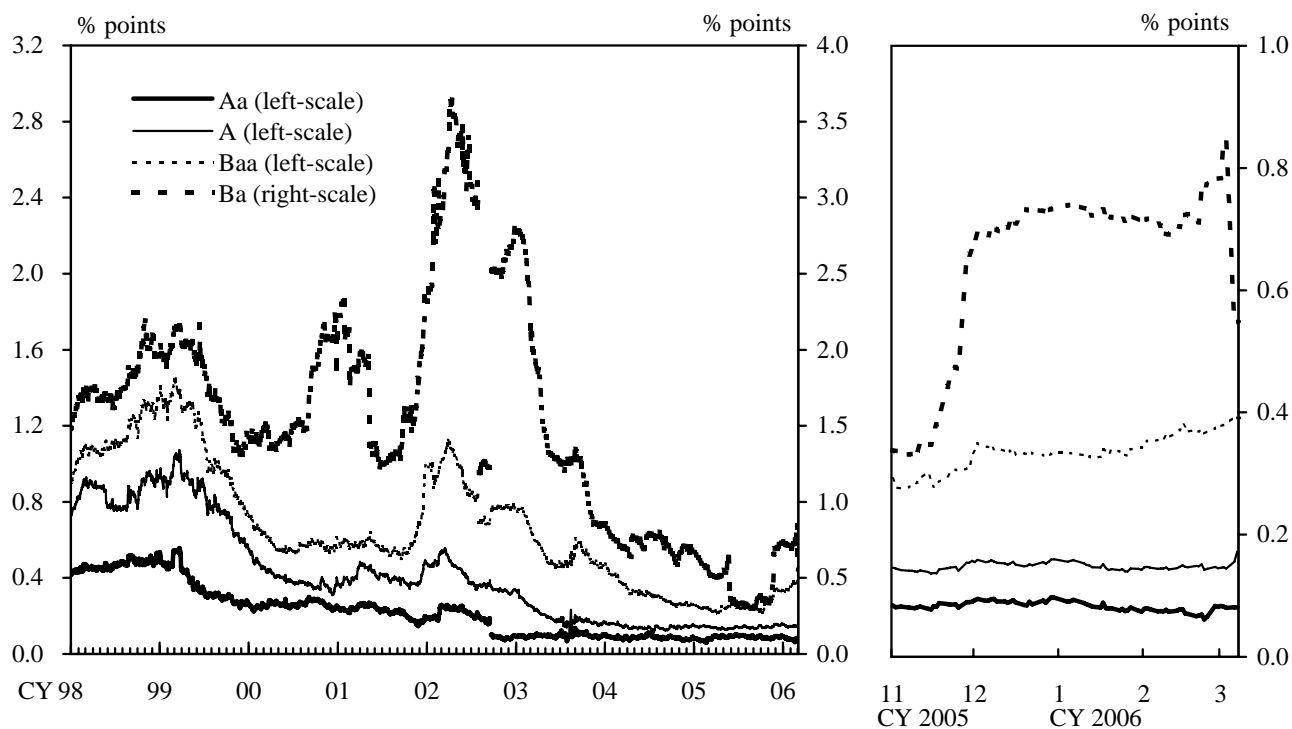
Sources: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."
"Reference Price(Yields) Table for OTC Bond Transactions."

Yields of Corporate Bonds

(1) Corporate Bond Yields



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



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

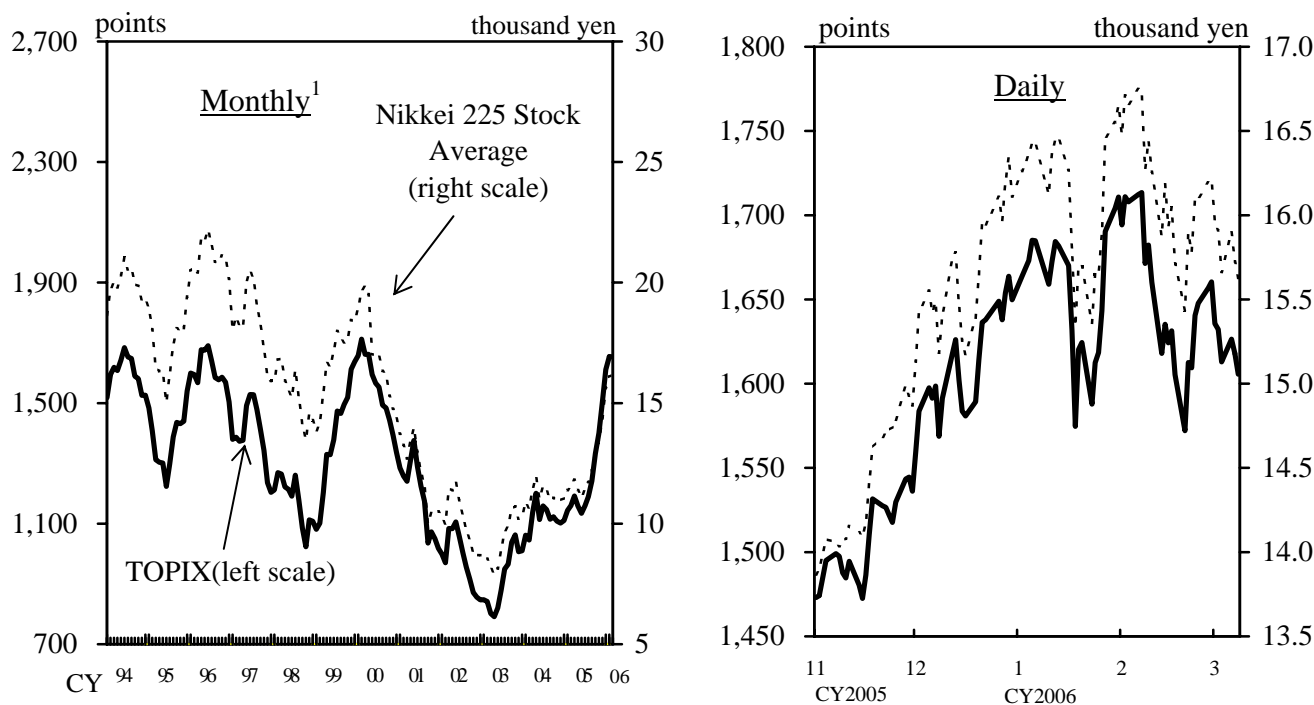
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of 4 to 6 years since Sep. 24, 2002.

2. The indicated ratings are of Moody's.

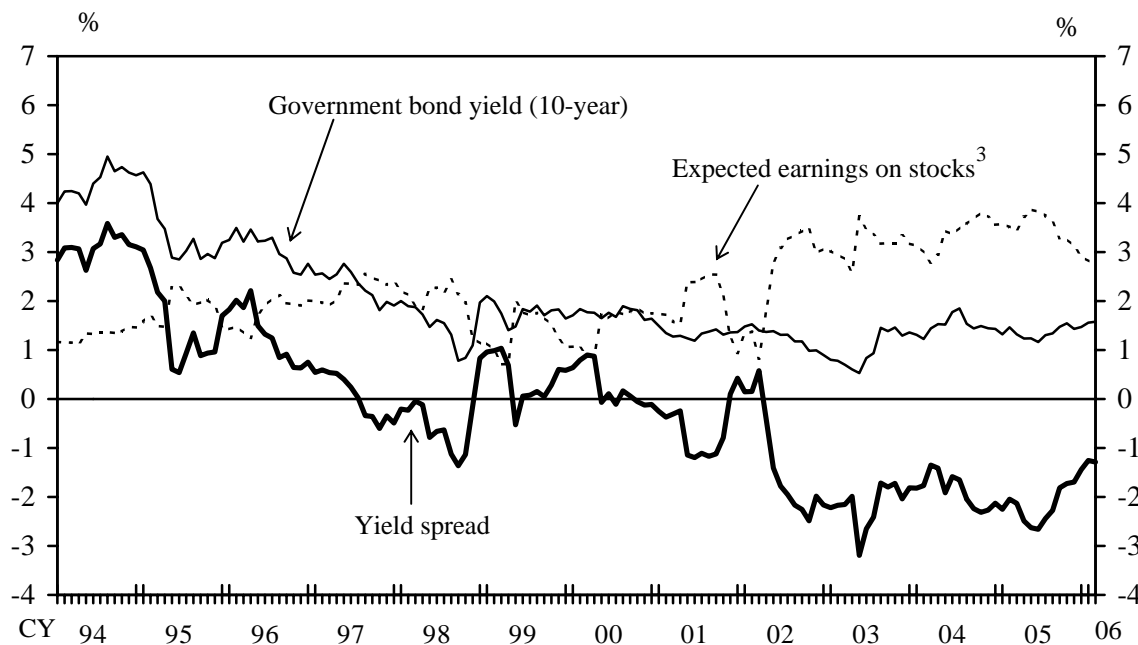
Sources: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations." "Reference Price(Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Stock Prices



(2) Yield Spread²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

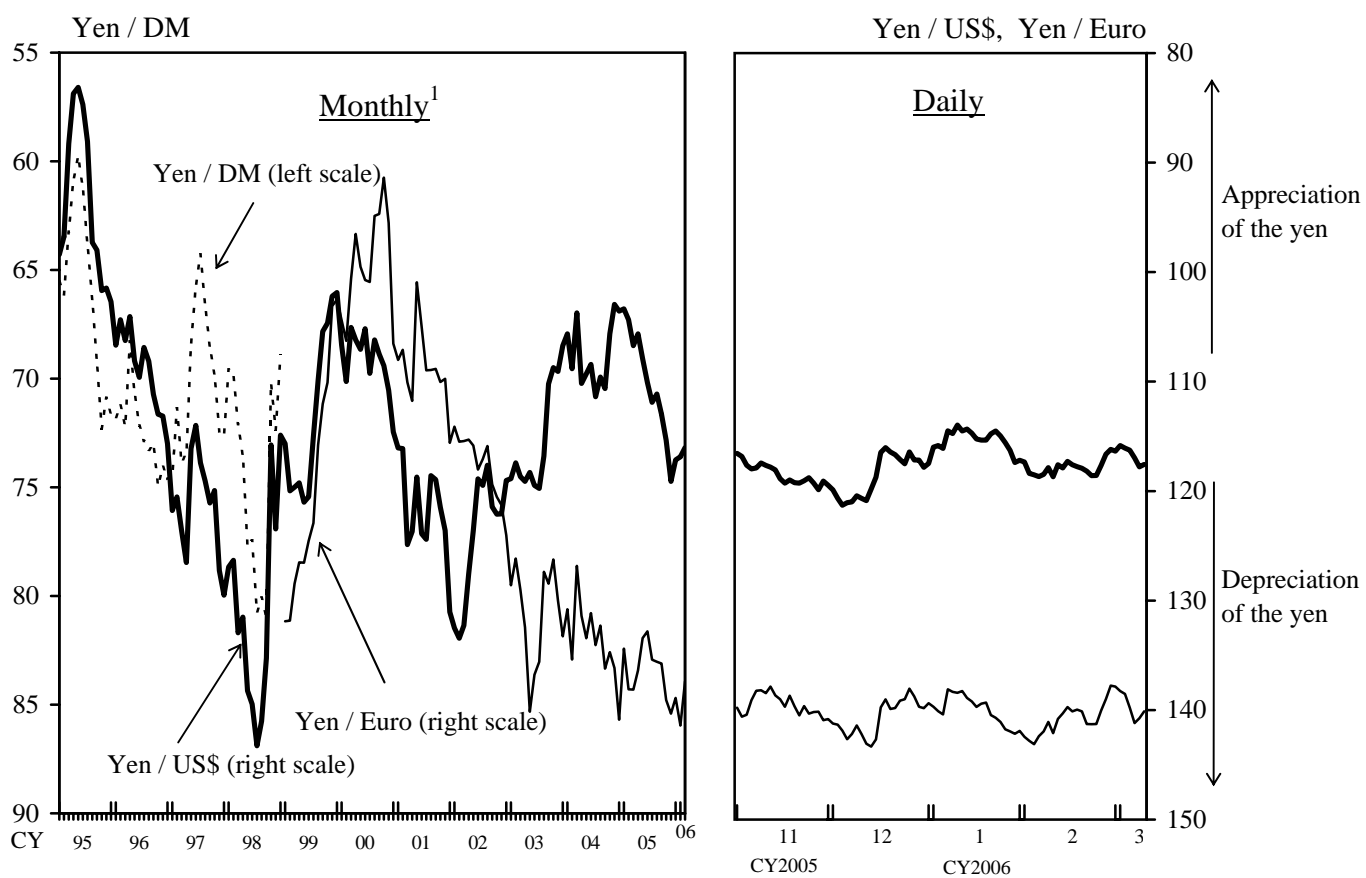
Yield spread = government bond yields - expected earnings on stocks, where expected earnings on stocks = 1/expected price earnings ratio.

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

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

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

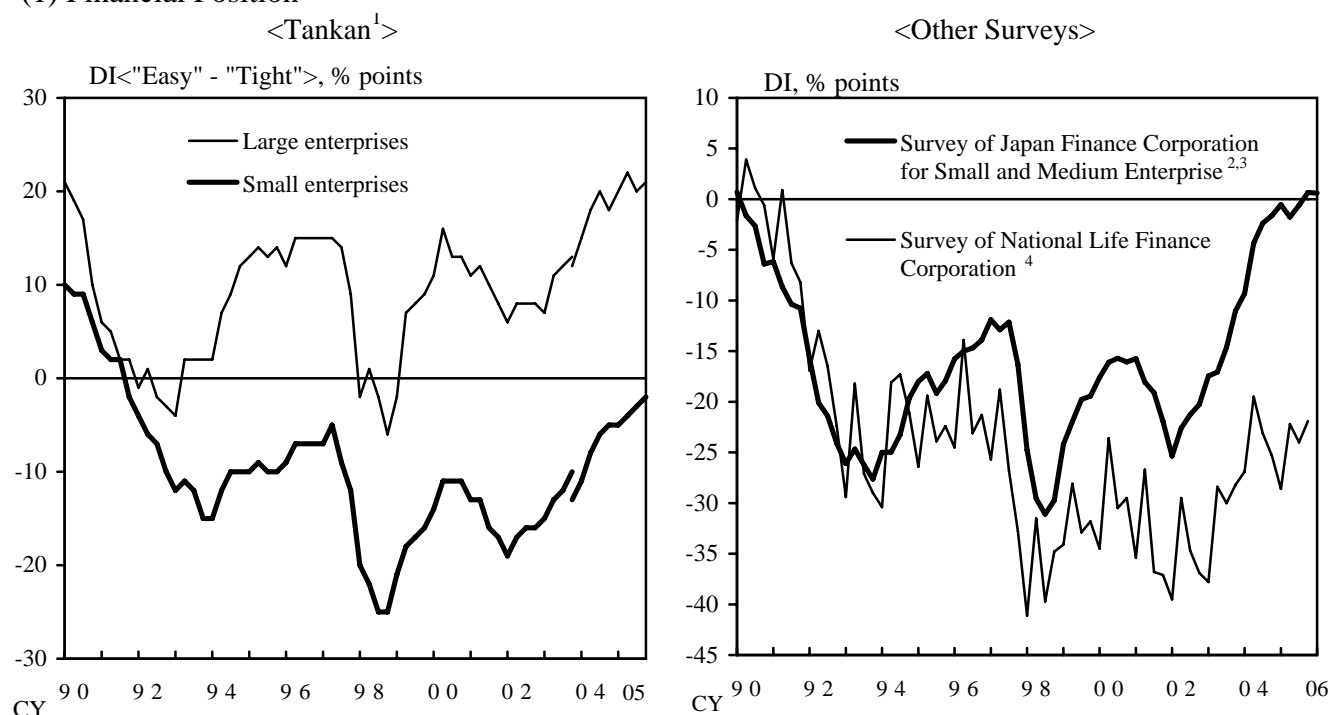
Exchange Rates



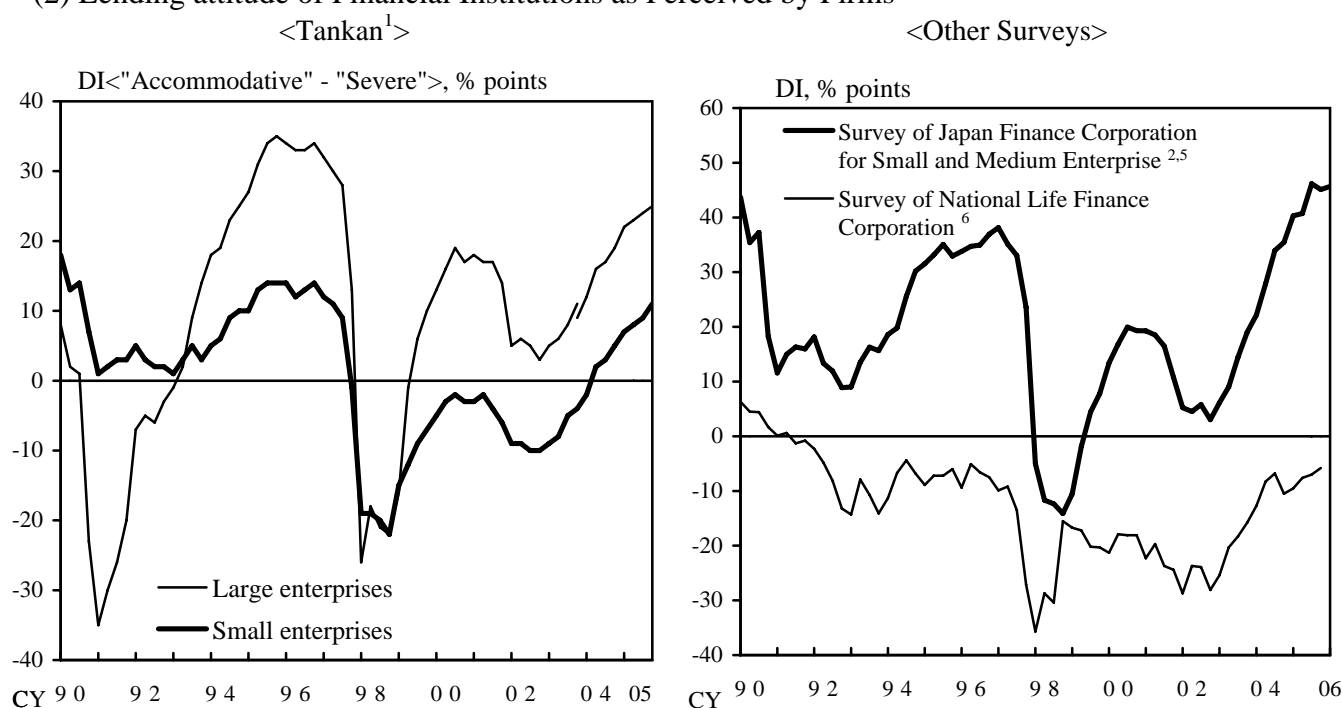
Note: 1. End of month.
 Source: Bank of Japan.

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. Figures for 2006/Q1 are those of Jan.-Feb. averages.

3. DI of "Easy" - "Tight"

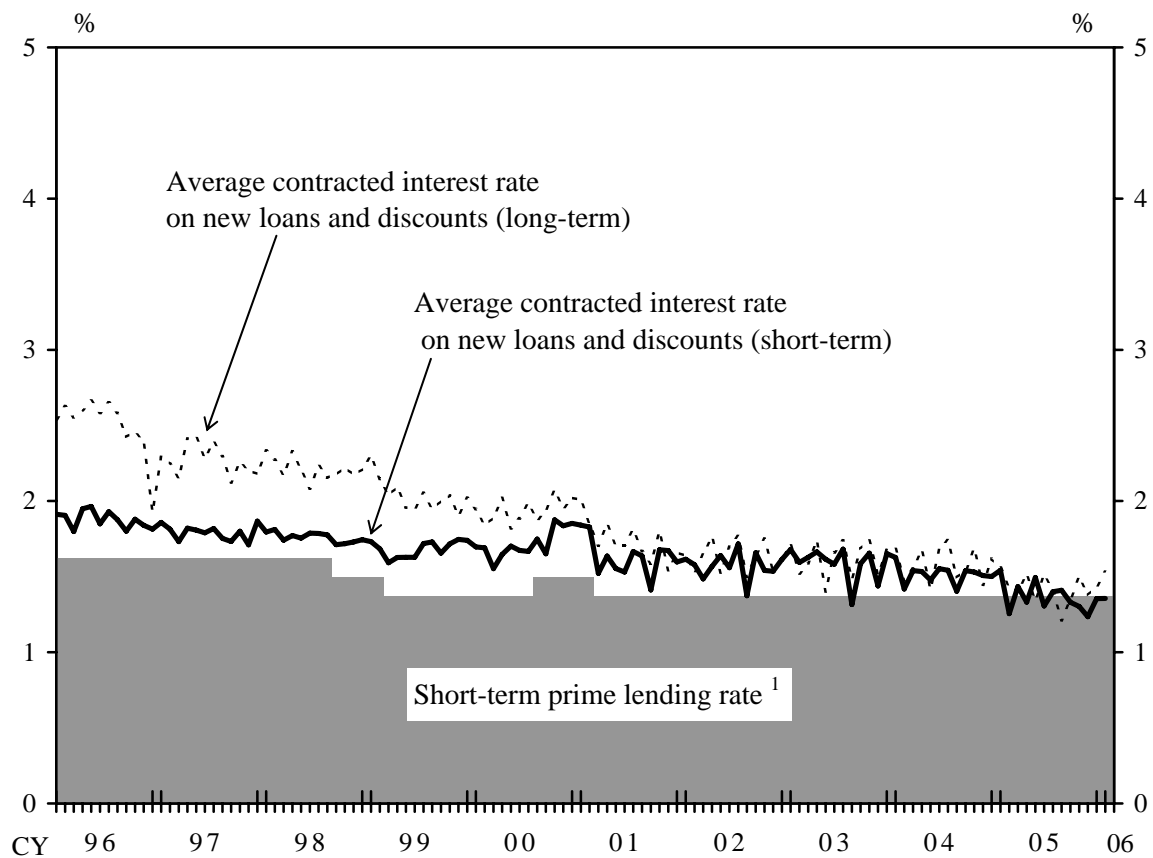
4. DI of "Easier" - "Tighter"

5. DI of "Accommodative" - "Severe"

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

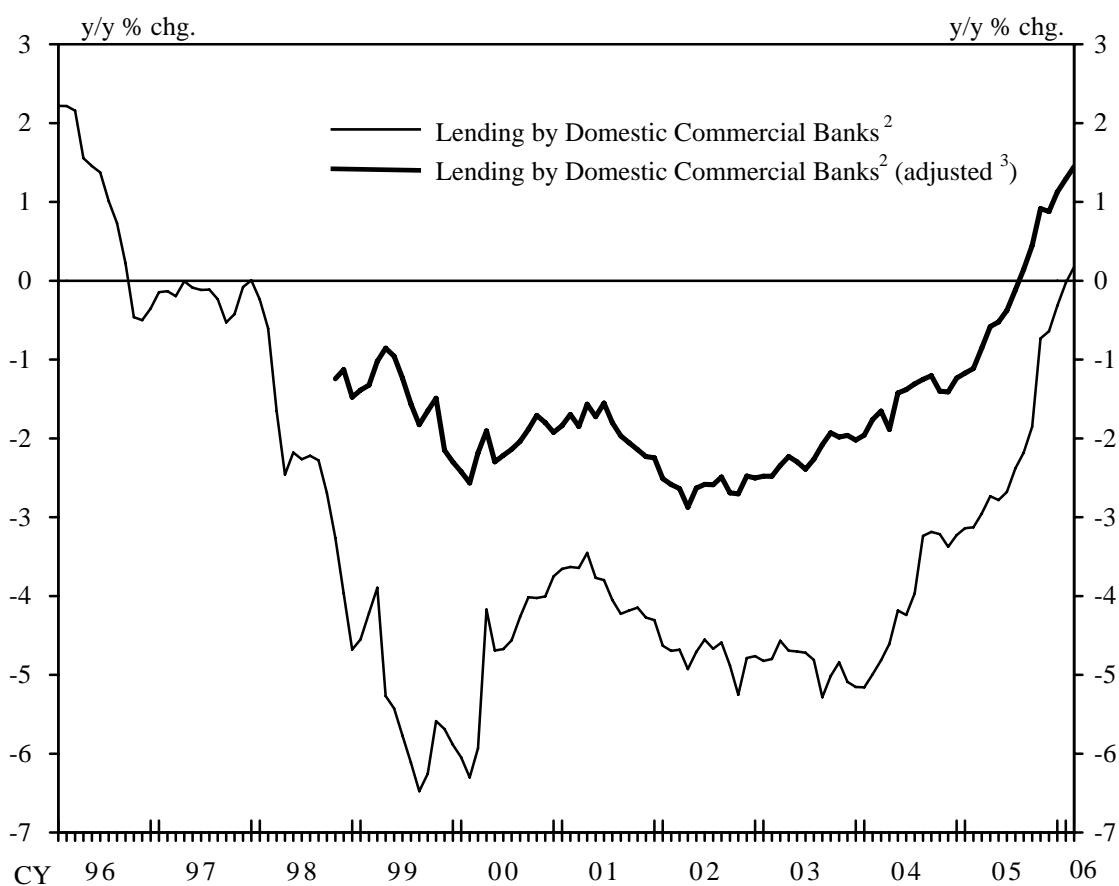
Sources: Bank of Japan, "*Tankan*, Short-term Economic Survey of Enterprises in Japan"; Japan Finance Corporation for Small and Medium Enterprise, "Monthly Survey of Small Businesses in Japan"; National Life Finance Corporation, "Quarterly Survey of Small Businesses in Japan."

Lending Rates



Note: 1. Data are at end of period.

Source: Bank of Japan.

Lending by Domestic Commercial Banks ¹

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

2. "Domestic commercial banks" refers to city banks, regional banks, regional banks II.

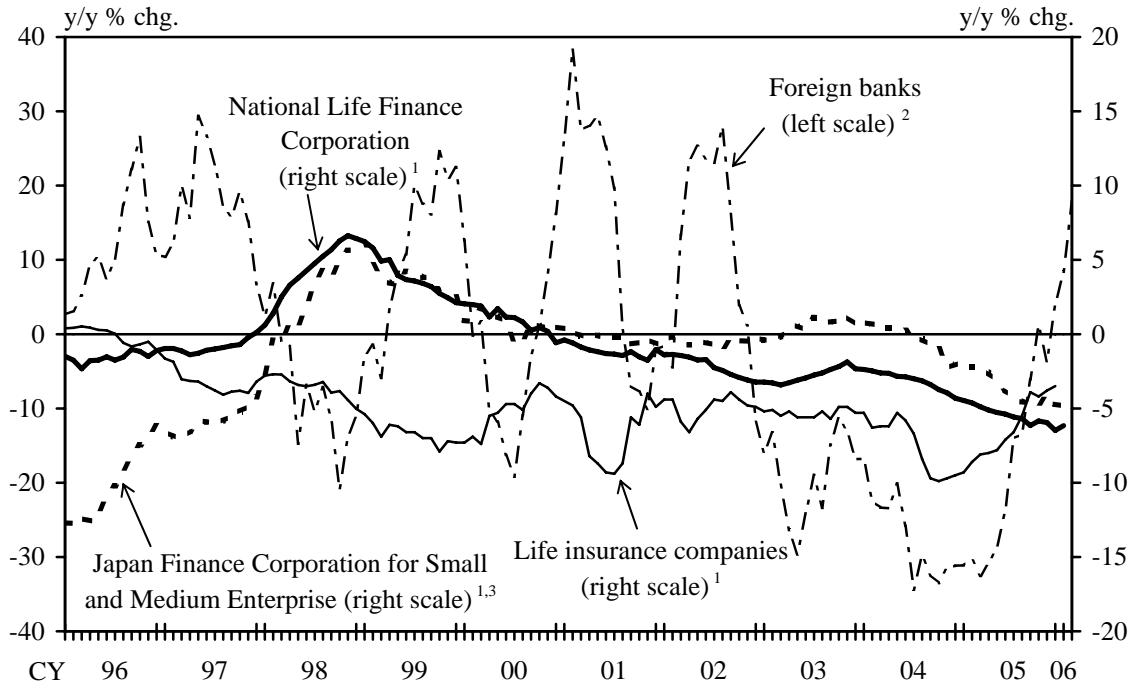
3. Adjusted to exclude

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

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

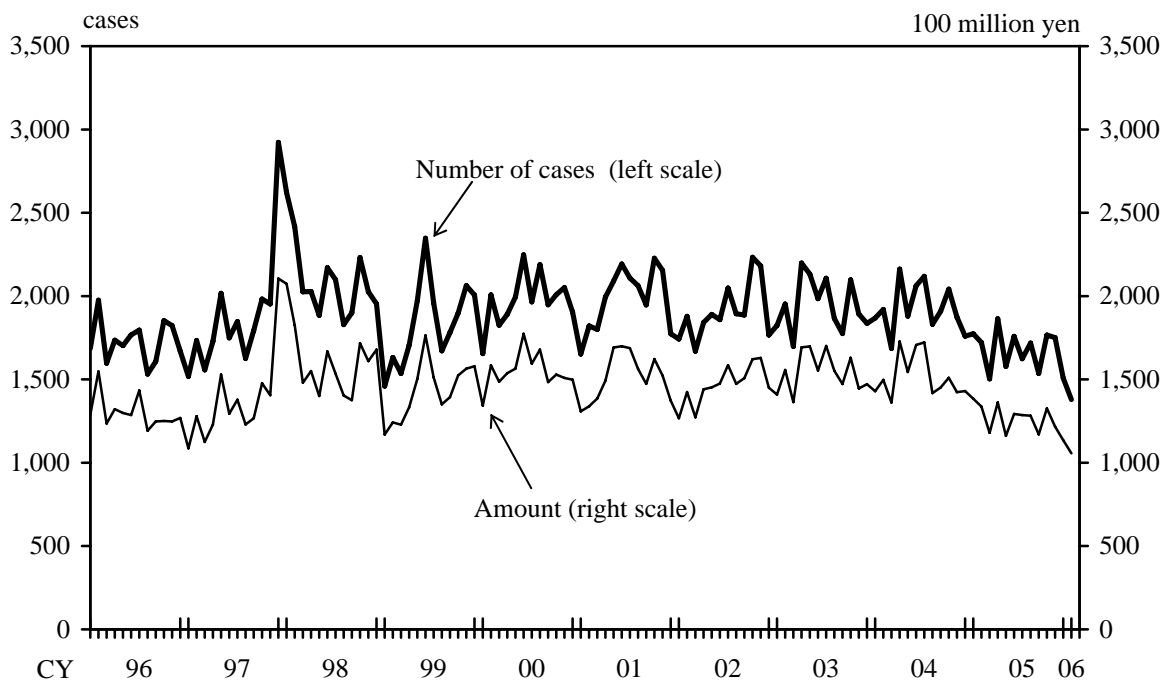
Lending by Other Financial Institutions

(1) Lending Outstanding



- Notes: 1. Data are based on amounts outstanding at end of period.
- 2. Data are based on average amounts outstanding.
- 3. Figures from July 2004 to June 2005 are adjusted to exclude the effects from the succession of the credit insurance accounts of the former Japan Small and Medium Enterprise Corporation.

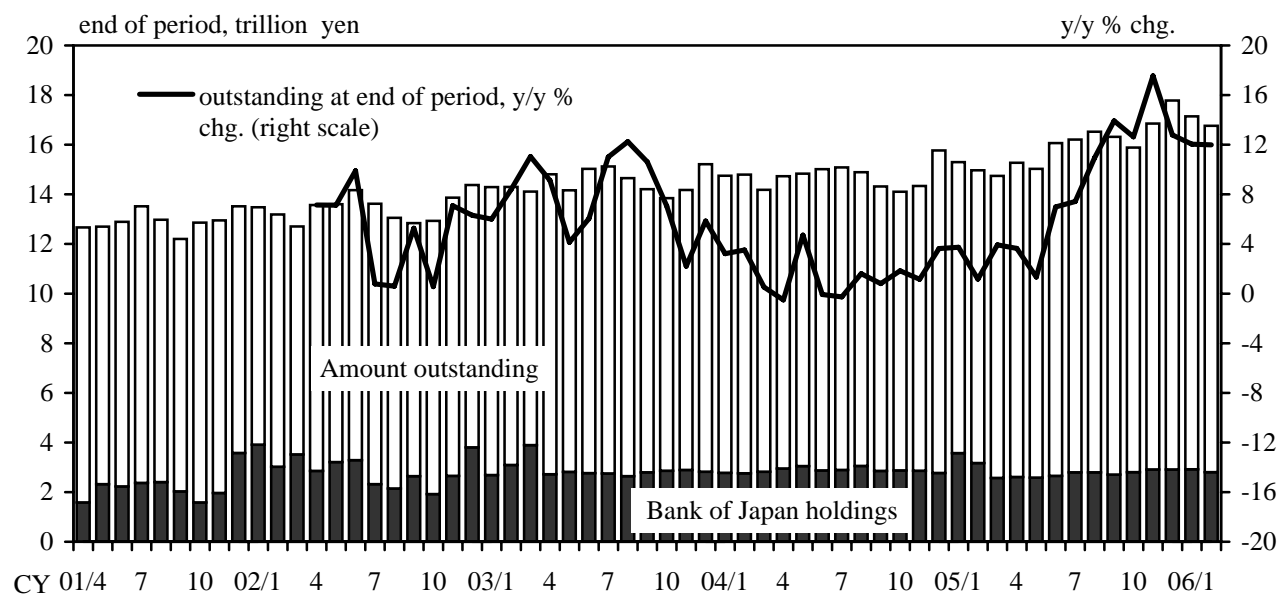
(2) Application for a Loan from Japan Finance Corporation for Small and Medium Enterprise



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

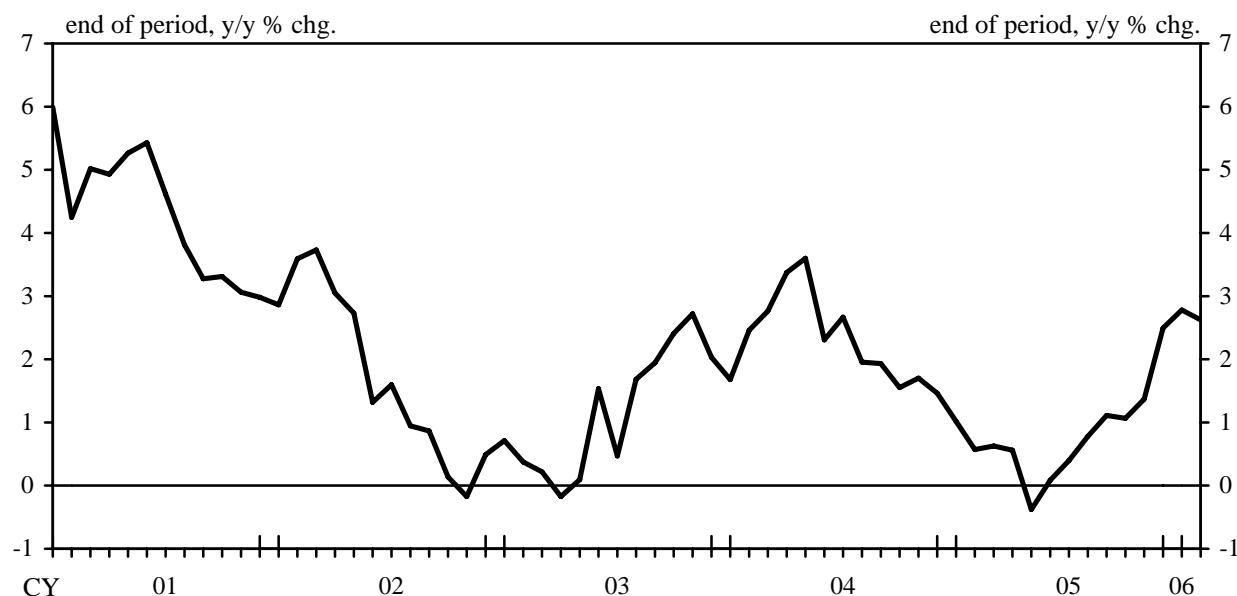
Private-Sector Fund-Raising in the Capital Markets

(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)

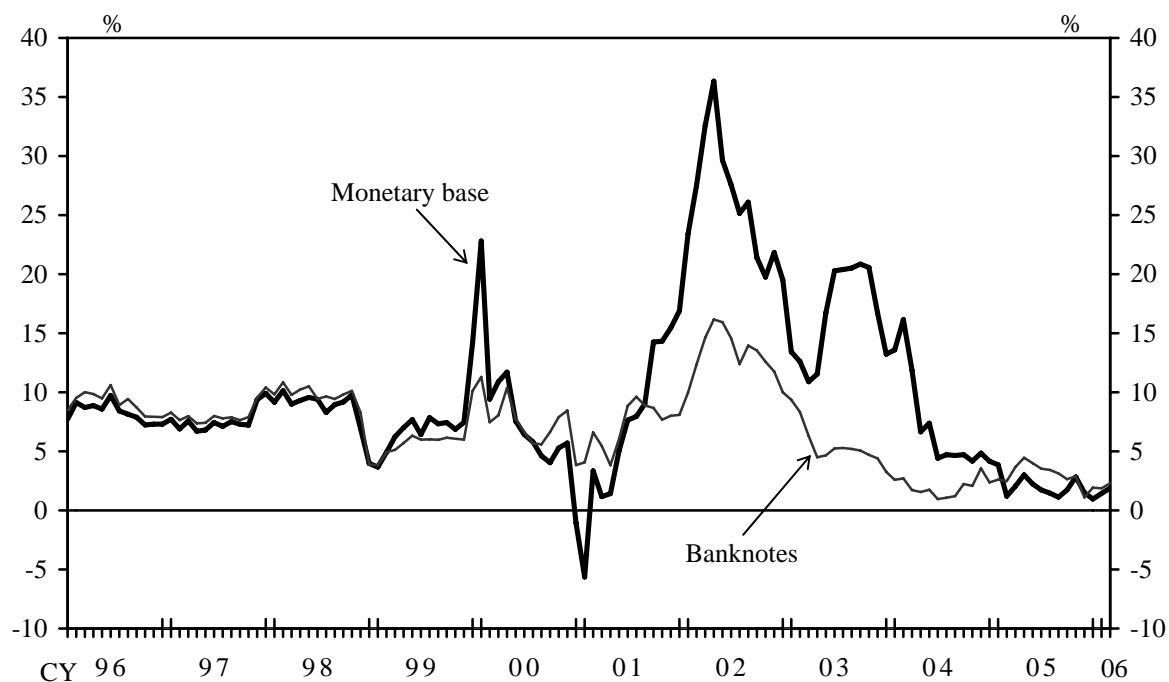
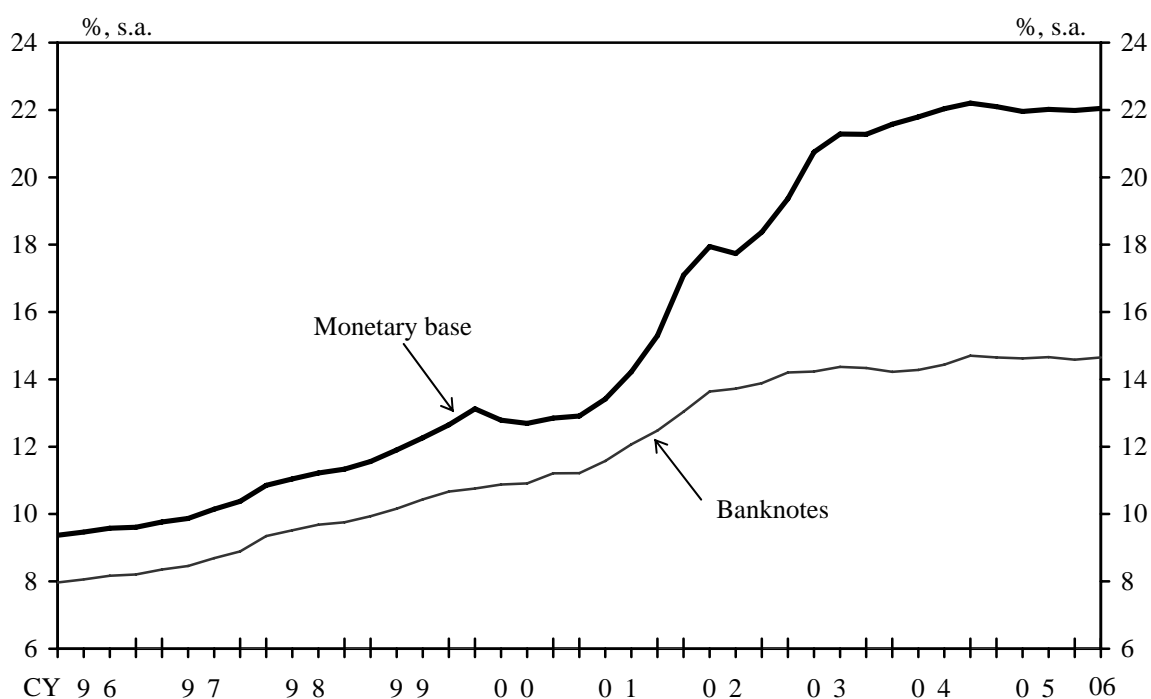


Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

- (1) The sum of straight bonds issued in both domestic and overseas markets is used.
- (2) Bonds issued by banks are included.
- (3) 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"; Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts of Bonds," *Kisai-Jouhou* (Issuance Information); I-N Information Systems, "Funding Eye."

Monetary Base

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

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

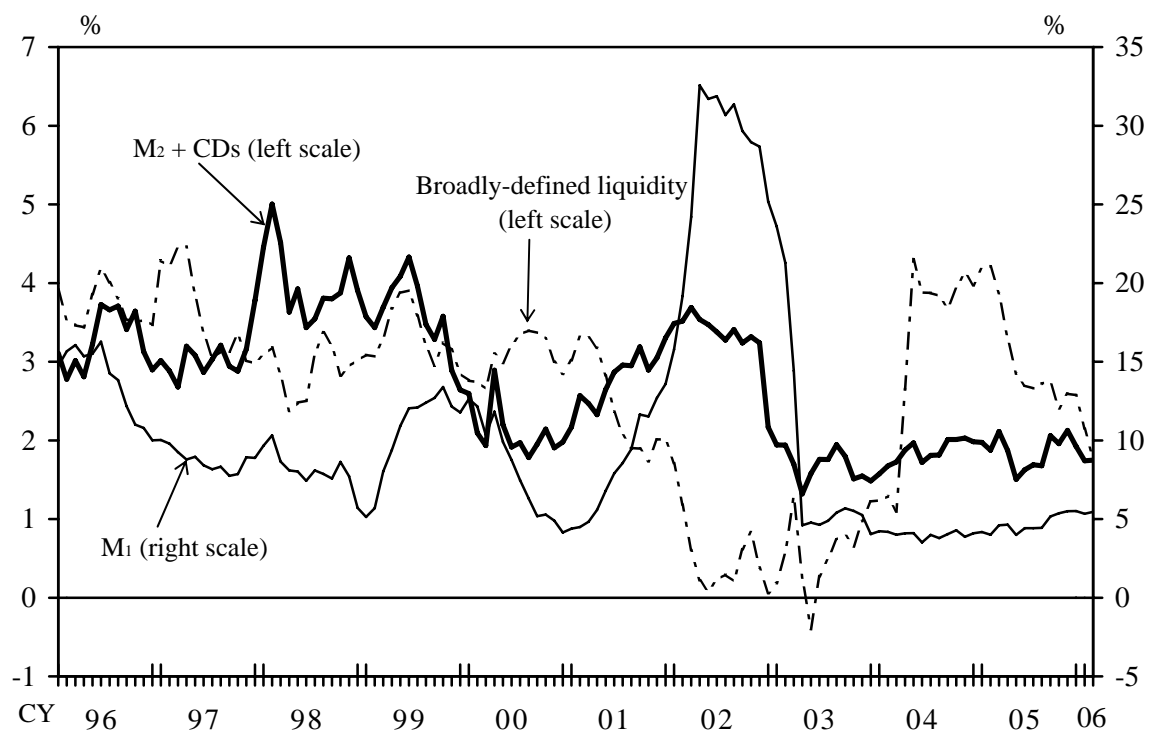
Data for currency in circulation include holdings of financial institutions.

2. Figures for the monetary base and banknotes in 2006/Q1 are those of Jan.-Feb. averages, and the nominal GDP in 2006/Q1 is assumed to be unchanged from the previous quarter.

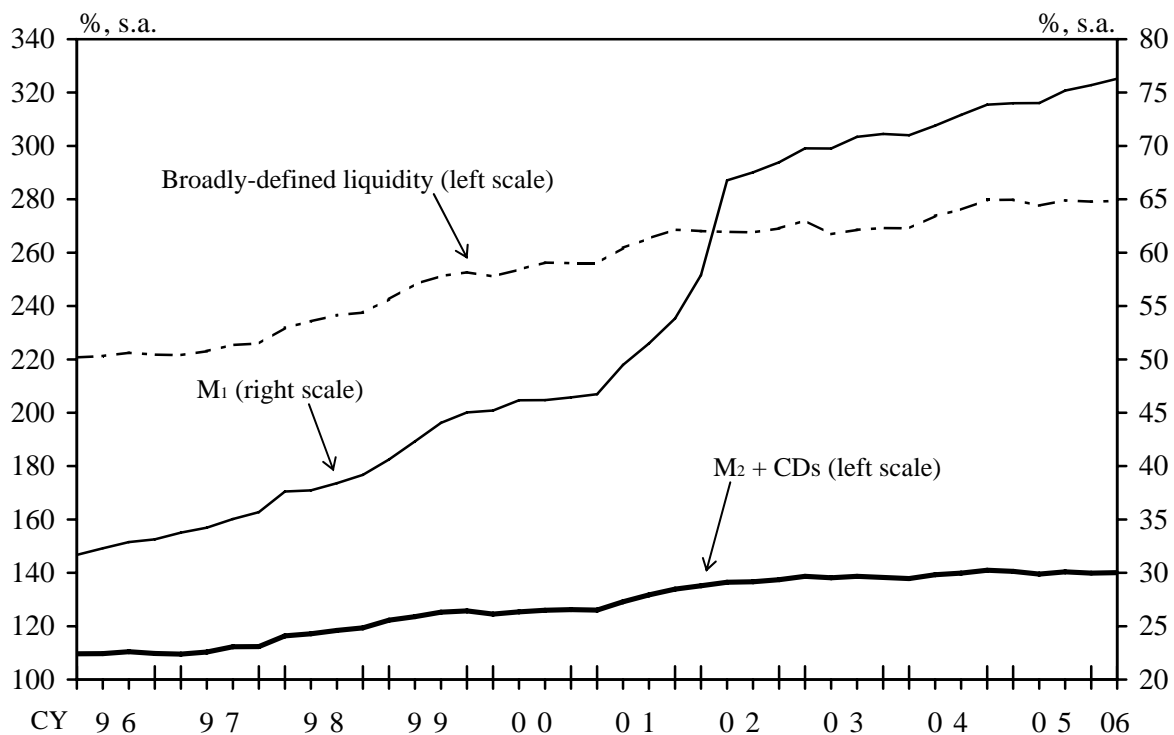
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

Money Stock

(1) Changes from a Year Earlier



(2) Ratio of Money Stock to Nominal GDP

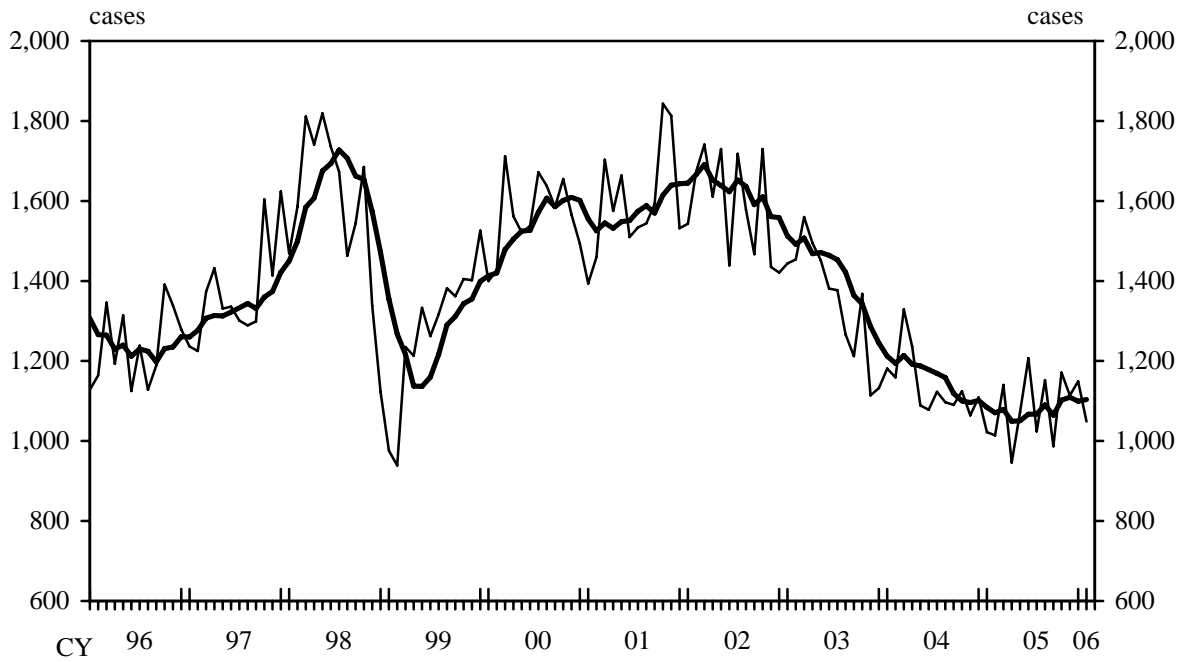


Note: Figures for money stock in 2006/Q1 are those of Jan.-Feb. averages, and the nominal GDP in 2006/Q1 is assumed to be unchanged from the previous quarter.

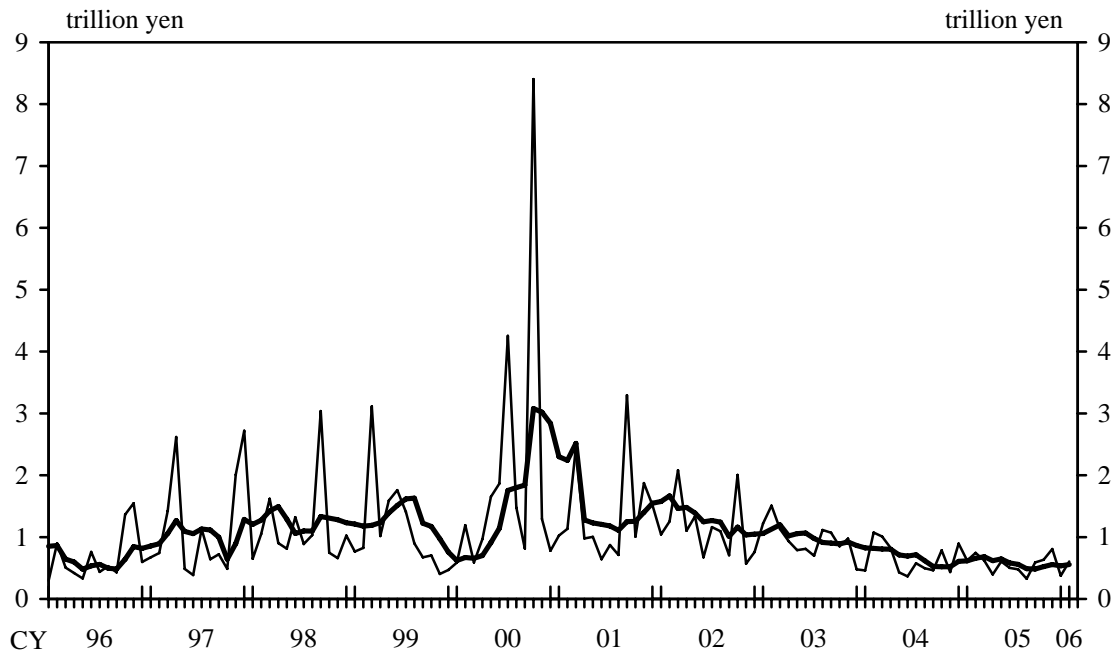
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities

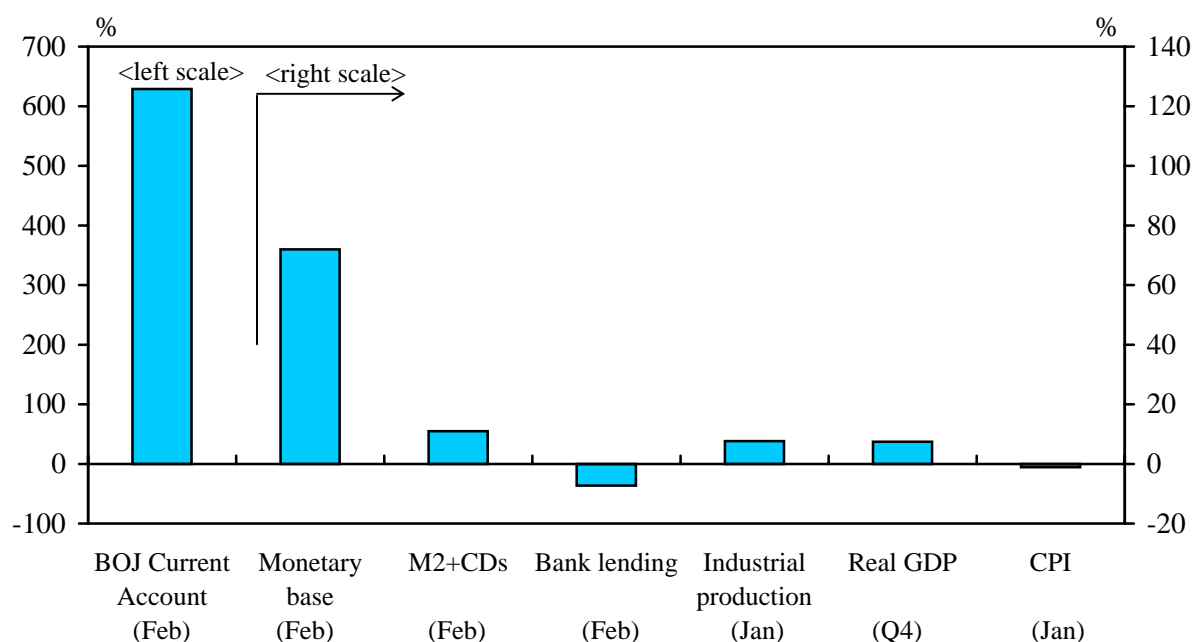


Note: Bold lines are the six-month moving average.

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

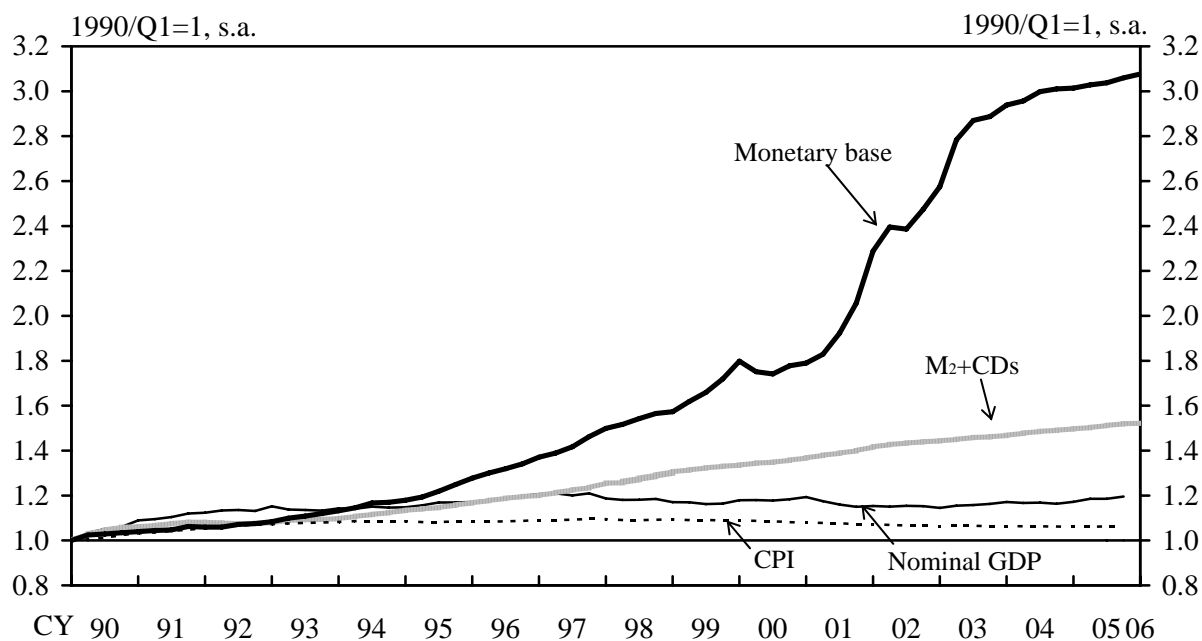
 Monetary Indicators, Economic Activity and Price Development

(1) Changes from March 2001



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

(2) Developments since 1990



- Notes: 1. Figures for monetary base are adjusted for changes in reserve requirement rates.
 2. Figures for CPI exclude fresh food and effects of the change in the consumption tax rate.
 3. Figures for Monetary base and M2+CDs in 2006/Q1 are those of Jan.-Feb. averages.

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