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Bank of Japan

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

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Monthly Report of Recent Economic and Financial Developments¹

April 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 and favorable business sentiment. Household income has also continued rising moderately, reflecting the improvement in employment and wages. In this situation, private consumption has been on an increasing trend. Housing investment has shown some strength. Meanwhile, public investment has been on a downtrend.

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

The level of economic activity has risen, as evidenced by the fact that various excesses have virtually been eliminated, and firms are more aware of the shortage of labor. Furthermore, in the period ahead, 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. 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 change in consumer prices (excluding fresh food) has been on a positive trend.

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on April 10 and 11, 2006.

² The text of "The Bank's View" was decided by the Policy Board at the Monetary Policy Meeting held on April 10 and 11, 2006.

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 continue 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 accommodative. The issuing environment for CP and corporate bonds is favorable. Also, the lending attitude of private banks is becoming more accommodative. 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. Funding costs for firms have risen slightly. Meanwhile, the year-on-year growth rate of the money stock has been at the 1.0-2.0 percent level. As for developments in financial markets, in the money markets, the overnight call rate has been effectively zero percent under the Bank of Japan's guideline for money market operations. Interest rates on term instruments, particularly the relatively longer-term rates, have risen compared with last month. In the foreign exchange and capital markets, long-term interest rates and stock prices have risen compared with last month, while the yen's exchange rate against the U.S. dollar has 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—stayed flat in January relative to the fourth quarter, after having decreased in the fourth quarter. The value of public works contracted—a measure that reflects public orders—dropped markedly in January-February 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 2.9 percent in the fourth quarter on a quarter-on-quarter basis and 3.3 percent in January-February relative to the fourth quarter.

As for real exports by destination (Chart 6[1]), exports to the United States have recently posted a sizeable gain, largely in exports of automobile-related goods, capital goods and parts. Exports to the EU have also been trending up moderately, and recorded notable growth in January-February, led by a substantial increase in automobile-related goods. Exports to China lacked momentum through December-January, but soared in February,³ suggesting that on average, they have continued their appreciable increase since the second half of last year (Chart 9). Meanwhile, exports to the NIEs and ASEAN have continued rising at a steady pace. By goods (Chart 6[2]), exports of automobile-related goods have lately posted a significant increase, bolstered by the favorable overseas demand and by the opening of new domestic factories (Chart 7[3]). Exports of capital goods and parts (including semiconductor manufacturing equipment and construction machinery), and of IT-related goods (electronic parts, such as semiconductors) have followed a solid uptrend (Charts 7[1] and 8[1]). Exports of intermediate goods (including chemical products) have recently posted high growth, led by those of automobile-related goods and IT-related goods. Meanwhile, exports of consumer goods edged lower in

³ Such monthly fluctuations appear to reflect the swings in seasonally adjusted figures with the change in the timing of the Lunar New Year each year.

January-February, mainly in motorcycles, but this is considered to be a temporary fluctuation.

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 continued their solid increases. Imports of consumer goods have also continued to increase as a trend, although they were almost flat in January-February, partly as a reaction to the rise in imports of apparel from China in the fourth quarter. Meanwhile, imports of raw materials, which had been unchanged for a time, and those of foodstuffs, which tend to fluctuate widely, both advanced in January-February.

The surplus of net exports in terms of the real trade balance has continued to increase since the second half of last year, which reflected the above-mentioned developments in exports and imports (Chart 5[2]). The surplus of the nominal balance on goods and services, however, has been essentially flat, partly 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 signs of slowing, for example, in the housing market. 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. 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 (Chart 10[1]). These developments in the foreign exchange market are expected to support export growth.

Imports are projected to continue their uptrend, fueled by the increase in domestic demand.

Business fixed investment has continued to increase. Shipments of capital goods (excluding transport equipment)—a coincident indicator of machinery investment—maintained their uptrend with fluctuations smoothed out, although those of semiconductor manufacturing equipment and of flat panel display manufacturing equipment dropped back in January-February (Chart 12[1]). Machinery orders (private demand, excluding shipbuilding and orders from electric power companies)—a leading indicator of machinery investment—also followed a steady uptrend (Chart 13[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-February in particular, those in the wholesale and retail trade, and transport posted rather high increases relative to the fourth quarter (Chart 13[2]).

Looking at the environment surrounding business fixed investment, corporate profits have been high. In the March *Tankan* (Chart 14), current profits are projected to increase in fiscal 2005 for the fourth consecutive year. They are expected to continue increasing marginally at a high level in fiscal 2006. In these circumstances, business sentiment in the March *Tankan* has generally remained favorable (Chart 15).

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. According to the March *Tankan* (Chart 16), business fixed investment plans of large firms for fiscal 2006 have registered a slightly higher growth rate compared to the initial plans of fiscal 2005 both in manufacturing and nonmanufacturing. Those of small firms for fiscal 2006 showed a customary negative growth on a year-on-year basis as of this current time. However, both manufacturing and nonmanufacturing firms have set out with figures close to the initial plans for fiscal 2005, that are expected to eventually post an approximate 10 percentage increase, suggesting a solid investment stance.

Private consumption has been on an increasing trend. Looking at individual indicators on consumption (Charts 17 and 18), the number of new passenger-car registrations has generally 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 uptrend. Sales at department stores have remained firm on average, although they dropped back marginally in January-February after having posted gains in the fourth quarter. By contrast, supermarket sales have been relatively weak again in January-February, after having advanced temporarily in the fourth quarter, chiefly in winter 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 on a steady uptrend, particularly in bars and restaurants. On the other hand, outlays for travel have lately stayed essentially flat.

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-February following the relatively high growth in the fourth quarter (Chart 19). The aggregate supply of consumer goods—which comprehensively captures producers’ supply of goods—stepped up in January-February, led chiefly by automobiles and cosmetics, following the increase in the fourth quarter (Chart 20). 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) dropped in January-February, after having been virtually flat in the fourth quarter. However, this appears to have been largely affected by sample fluctuations (Chart 17).

Indicators for consumer sentiment have been on an improving trend, against the background of the improvement in employment situation and higher stock prices (Chart 21).

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

⁴ The indices of aggregated sales are the weighted average of each sales indicator. Outlays for travel in February 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 February were at the same level as that in January.

As for housing investment, housing starts have shown some strength (Chart 22[1]), rising to approximately 1.3 million units (annual rates) in January-February, after having reached a higher level of above 1.25 million units (annual rates) in the second half of last year. In detail, while starts of owner-occupied housing have been almost flat, starts of housing for rent have shown a noticeable increase. Starts of housing for sale, which had recently been subdued temporarily, posted a substantial increase in February. 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 fell by 1.7 percent in February on a month-on-month basis, but on a quarterly basis, it posted gains in January-February of 0.9 percent compared to the fourth quarter, following a rather high growth of 2.6 percent in the fourth quarter relative to the third quarter (Chart 23).⁵ As for January-February figures by industry, while production of general machinery dropped back, production of electronic parts and devices continued to post brisk gains, and that of chemicals (cosmetics) also stepped up.

Shipments continued their solid increasing trend, despite some fluctuations. By goods (Chart 24), shipments of producer goods have been on an upward trend, 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 and nondurable goods have followed an uptrend on average, although those of air-conditioners and cosmetics have very recently fallen back.

Meanwhile, inventories have been more or less in balance with shipments. The inventory cycle (Chart 25) showed that, in the industrial sector as a whole, growth in inventories fell slightly below that in shipments in January-February. In detail, the year-on-year growth rate of inventories of electronic parts and devices has

⁵ Production in the first quarter, based on the production forecast index of March, is calculated to post an increase of 0.7 percent on a quarter-on-quarter basis.

been rather high, partly as a reaction to the plunge in the same period in the previous year, but has still stayed below the growth rate of shipments. As for producer goods, excluding electronic parts and devices (iron and steel, and chemicals), the inventory-shipment balance has almost recovered, with the favorable conditions of high value-added products, and the progress of inventory adjustments in general purpose products. Moreover, growth in inventories of durable consumer goods and capital goods, which had been substantial for a time, has lately narrowed.

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 second quarter is likely to increase further.⁶

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 26).

In the labor market, overtime hours worked have recently edged higher, after having been more or less flat since the start of last year (Chart 28[3]). The number of new job offers continued its increase on a year-on-year basis (Chart 27[3]). Under these circumstances, the ratio of job offers to applicants has trended up at a moderate pace, reaching 1.04 in February (Chart 27[1]). The unemployment rate had been roughly flat, reflecting the rise in those who quit their jobs voluntarily, but it fell to 4.1 percent in February for the first time since July 1998 (Chart 27[1]). Meanwhile, in the March *Tankan*, the employment conditions DI shows that both large and small firms are more aware of the shortage of labor (Chart 29).

In terms of employment, the increase in the number of employees in the *Labour Force Survey* has lately expanded on a year-on-year basis, partly as a reaction to a rather low reading in the same period last year. On the other hand, growth in the number of regular employees in the *Monthly Labour Survey* continued

⁶ The production forecast index of April—for which allowances ought to be made for the fact that the information is based on a single month alone—is calculated to increase by 2.7 percent compared to the first quarter.

at a steady pace of around 0.5 percent on a year-on-year basis (Chart 28[1]). Since last spring, not only part-time workers but full-time employees have also been increasing, and the change in the ratio of part-time workers on a year-on-year basis has been close to zero (Chart 28[2]).

Regarding wages on a year-on-year basis, regular payments have been on a quite gradual uptrend.⁷ Special payments have maintained an increasing trend supported by favorable corporate profits. In this light, nominal wages per worker have gradually increased further (Chart 26 [2]).

Looking ahead, the gradual increase in household income is likely to continue, because firms are more aware of the shortage of labor, and corporate profits are expected to remain high.⁸

2. Prices

The pace of increase in import prices (on a yen basis, same hereafter, compared to levels three months before) has picked up again, chiefly reflecting the rise in crude oil prices (Chart 31).

Domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter, compared to levels three months before)⁹ have continued to increase, mainly reflecting the rise in international commodity prices (Chart 32). In detail, prices of nonferrous metals climbed further, and prices of petroleum and coal products have increased, boosted by the rise in crude oil prices.

⁷ The recent somewhat subdued figures are possibly a result of sample changes in small establishments (of 5 to 29 employees). In fact, regular payments of establishments with 30 employees or more have continued to increase moderately.

⁸ Although overall results of the wage negotiations between labor and management in Spring 2006 have been moderate, large firms with favorable corporate performances, in particular, have agreed on a raise for the first time in several years.

⁹ The figures are adjusted to exclude a large seasonal fluctuation in electric power charges to observe the underlying changes in domestic corporate goods prices. Industrial and commercial electric power charges are set relatively high during July-September, when consumption increases substantially.

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 generally stayed almost unchanged.

The year-on-year rate of decline in corporate services prices (excluding external factors, same hereafter) has remained on a gradual diminishing trend (Chart 33).¹⁰ The year-on-year rate of decline in January-February 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 change in consumer prices (excluding fresh food, same hereafter) has been on a positive trend (Chart 34). Consumer prices in February rose by 0.5 percent on a year-on-year basis, the same as the previous month.

With regard to domestic supply and demand conditions (Chart 35), the level of activity in the domestic economy—measured by the weighted average of the DI in both production capacity and employment conditions as perceived by firms in the March *Tankan*—has continued to improve steadily, and has recently turned to a surplus of demand, though marginally, buoyed by the labor shortage. The supply and demand conditions DI have also been on a recovering trend both in the manufacturing and nonmanufacturing sectors.

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 continue to follow a positive trend, albeit with some fluctuations, as supply-demand conditions continue improving gradually.

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

With respect to land prices (in terms of published land prices) as of January (Chart 36), commercial land prices turned positive for the first time in 15 years, and the rate of decline in prices of residential land narrowed markedly in the three metropolitan areas. On the other hand, downward pressure has been persistent on land prices in the local areas, although the rate of decline has slowed.

3. Financial Developments

(1) Financial Markets

As for interest rate developments in the money markets, the overnight call rate (uncollateralized; Chart 37[1]) has been moving at around zero percent under the new guideline for monetary market operations decided at the Monetary Policy Meeting on March 9. Regarding interest rates on term instruments (Chart 38[1]), while the Euroyen interest rate (TIBOR, 3-month) has been more or less flat on the whole, FB rates (3-month) declined somewhat over the fiscal year-end. Under these circumstances, interest rates on Euroyen futures rose, mainly in distant contracts (Chart 38[2]).

Yields on 10-year government bonds (newly issued 10-year JGB; Chart 37 [2]) have recently risen to the 1.85-1.90 percent level reflecting the prospects of a change in monetary policy in Japan and a further improvement in business sentiment.

Yield spreads between private bonds (bank bonds and corporate bonds) and government bonds (Charts 41 and 42) have been more or less flat on the whole.

Stock prices (Chart 43) have risen, reflecting firm domestic economic indicators and the rise in U.S. stock prices. The Nikkei 225 Stock Average is moving at around 17,500 yen.

In the foreign exchange market (Chart 44), the yen has fluctuated somewhat against the background of the prospects of a change in monetary policy in Japan and in the U.S. The yen is being traded in the range of 116-119 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 45).

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 46). The long-term prime lending rate was raised by 0.35 percent on April 11 to 2.45 percent.

The rate of increase in the amount outstanding of lending by private banks (monthly average outstanding balance basis, after adjustment for extraordinary factors¹¹) 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 47.)

In the corporate bond and CP markets, the issuing environment continues to be favorable. Corporate bond issuance rates have recently risen somewhat, reflecting the developments in long-term interest rates, 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 been above the previous year's level. (The year-on-year change was 4.4 percent in December, 4.5 percent in January, and 4.2 percent in February; Chart 48.)

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

¹¹ The figures are adjusted for (1) fluctuations due to the liquidation of loans, (2) fluctuations in the yen value of foreign-currency-denominated loans due to changes in exchange rates, and (3) fluctuations due to loan write-offs.

The year-on-year growth rate of the money stock ($M_2 + \text{CDs}$) 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 49.)

The number of corporate bankruptcies increased by 3.0 percent year-on-year in February, to 1,044 cases (Chart 50).

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Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2005/Q3	Q4	2006/Q1	2005/Dec.	2006/Jan.	Feb.	Mar.
Index of living expenditure level (all households)	-0.8	0.5	n.a.	-0.5	-1.4	1.3	n.a.
Sales at department stores	-0.8	0.8	n.a.	-3.1	0.9	p -1.5	n.a.
Sales at supermarkets	-1.2	0.8	n.a.	1.6	-3.3	p -0.5	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 332>	< 320>	< 336>	< 316>	< 340>	< 336>	< 332>
Sales of household electrical appliances (real, Current Survey of Commerce)	2.3	5.8	n.a.	2.9	-1.0	p -1.8	n.a.
Outlays for travel (50 major travel agencies)	-2.1	0.4	n.a.	0.7	-3.9	2.8	n.a.
Housing starts <s.a., ann. 10,000 units>	< 128>	< 125>	<n.a.>	< 117>	< 126>	< 133>	<n.a.>
Machinery orders (from private sector ⁴)	2.1	4.1	n.a.	6.8	-6.2	3.4	n.a.
Manufacturing	0.4	1.5	n.a.	3.0	-5.1	3.1	n.a.
Nonmanufacturing ⁴	1.0	6.1	n.a.	4.2	-8.1	4.5	n.a.
Construction Starts (private, nondwelling use)	-10.3	10.0	n.a.	2.9	7.4	-6.5	n.a.
Mining & manufacturing	-24.2	4.1	n.a.	9.2	11.8	1.6	n.a.
Nonmanufacturing ⁵	-3.9	10.5	n.a.	0.7	6.7	-10.2	n.a.
Value of public works contracted	0.2	-3.1	n.a.	-5.5	-3.9	0.9	n.a.
Real exports	3.3	2.9	n.a.	0.8	1.2	2.5	n.a.
Real imports	2.0	0.2	n.a.	1.8	1.5	-0.8	n.a.
Industrial production	-0.2	2.6	n.a.	1.3	0.4	p -1.7	n.a.
Shipments	0.2	2.9	n.a.	1.1	0.5	p -2.8	n.a.
Inventories	2.5	0.1	n.a.	0.3	0.1	p 0.3	n.a.
Inventory Ratio <s.a., CY 2000=100>	<101.3>	<101.4>	<n.a.>	<101.4>	<98.6>	<p 101.5>	<n.a.>
Real GDP	0.2	1.3	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.2	1.1	n.a.	0.3	1.4	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>	<1.04>
Unemployment rate <s.a., %>	<4.3>	<4.3>	<4.5>	<4.5>	<4.4>	<4.5>	<4.1>
Overtime working hours ⁶	1.6	1.0	1.6	0.0	2.8	1.9	p 2.9
Number of employees	0.7	0.9	1.2	0.9	1.0	1.7	2.4
Number of regular employees ⁶	0.5	0.5	0.5	0.5	0.5	0.4	p 0.5
Nominal wages per person ⁶	1.0	0.4	1.1	0.1	1.6	-0.1	p 0.4
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>	2.6 <0.3>	p 2.9 <p 0.7>
Consumer price index ⁸	-0.1	-0.1	0.1	0.1	0.1	0.5	0.5
Corporate service price index	-0.4	-0.6	-0.4	-0.4	-0.4	-0.1	p -0.1
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>	<1,044>

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";

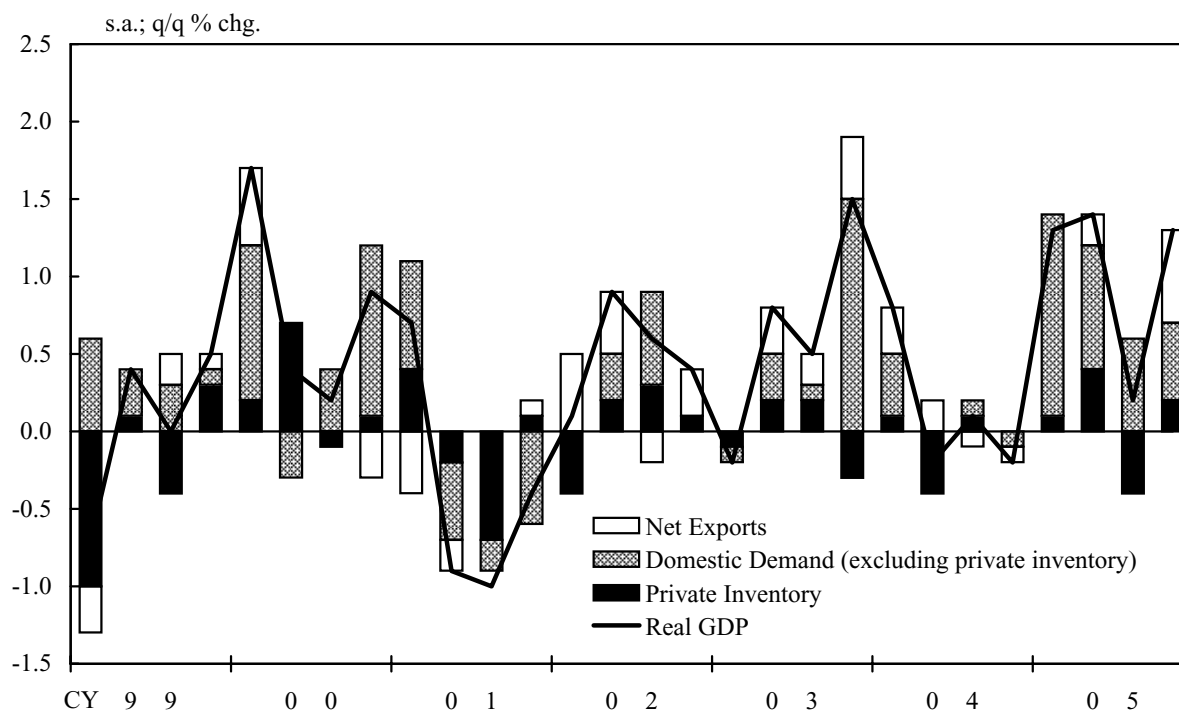
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey";

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.

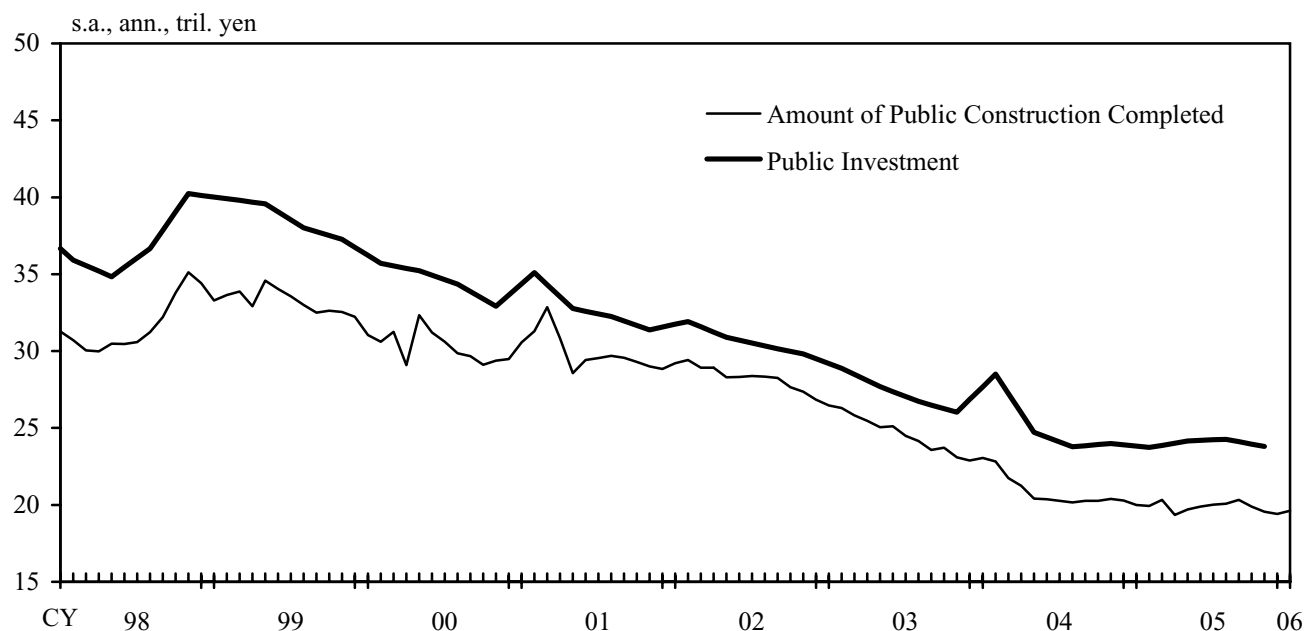
	2004	2005			
	Q4	Q1	Q2	Q3	Q4
Real GDP	-0.2	1.3	1.4	0.2	1.3
Domestic Demand	-0.1	1.4	1.2	0.2	0.7
Private Consumption	-0.6	1.3	0.8	0.4	0.9
Non-Resi. Investment	0.8	3.3	2.3	1.5	0.4
Residential Investment	0.4	-1.3	-1.9	1.6	2.1
Private Inventory	(-0.0)	(0.1)	(0.4)	(-0.4)	(0.2)
Public Demand	0.6	0.4	0.4	0.4	-0.3
Public Investment	0.1	-0.5	1.0	0.3	-2.7
Net Exports of goods and services	(-0.1)	(-0.0)	(0.2)	(0.0)	(0.6)
Exports	1.2	-0.3	3.5	3.1	3.5
Imports	2.3	-0.0	2.2	3.2	-0.9
Nominal GDP	-0.3	0.6	1.2	-0.1	0.8

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

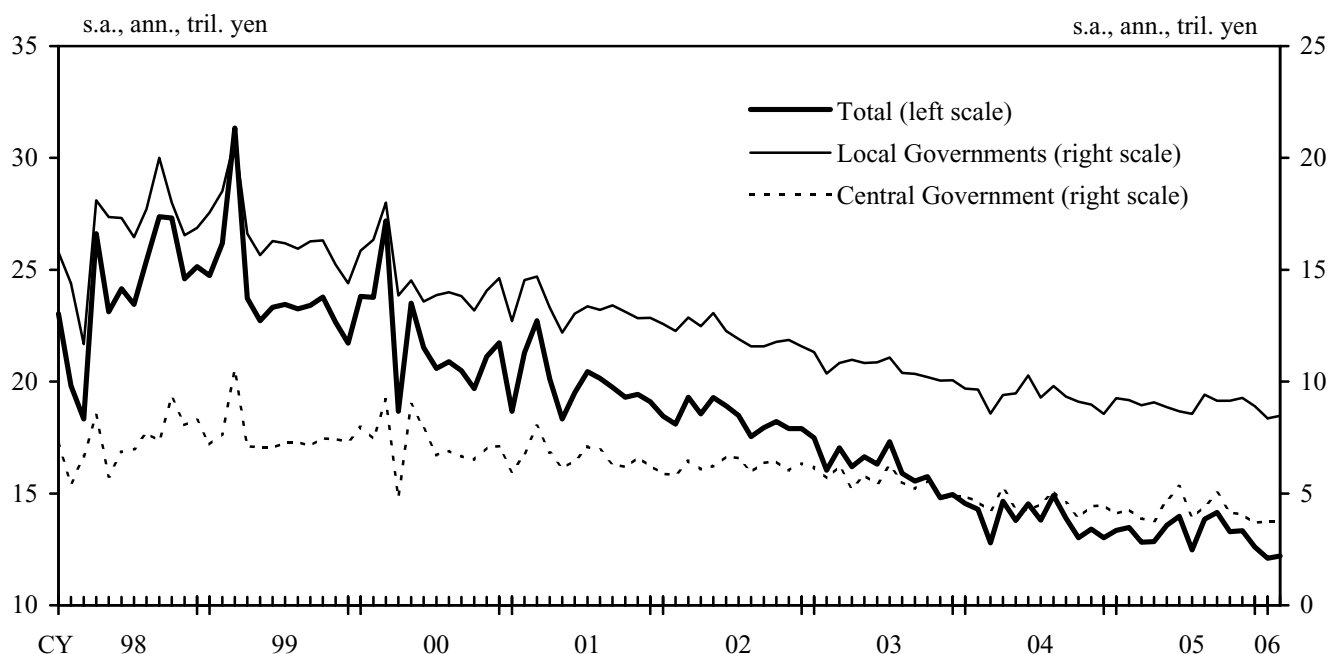
Source: Cabinet Office, "National Accounts."

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.

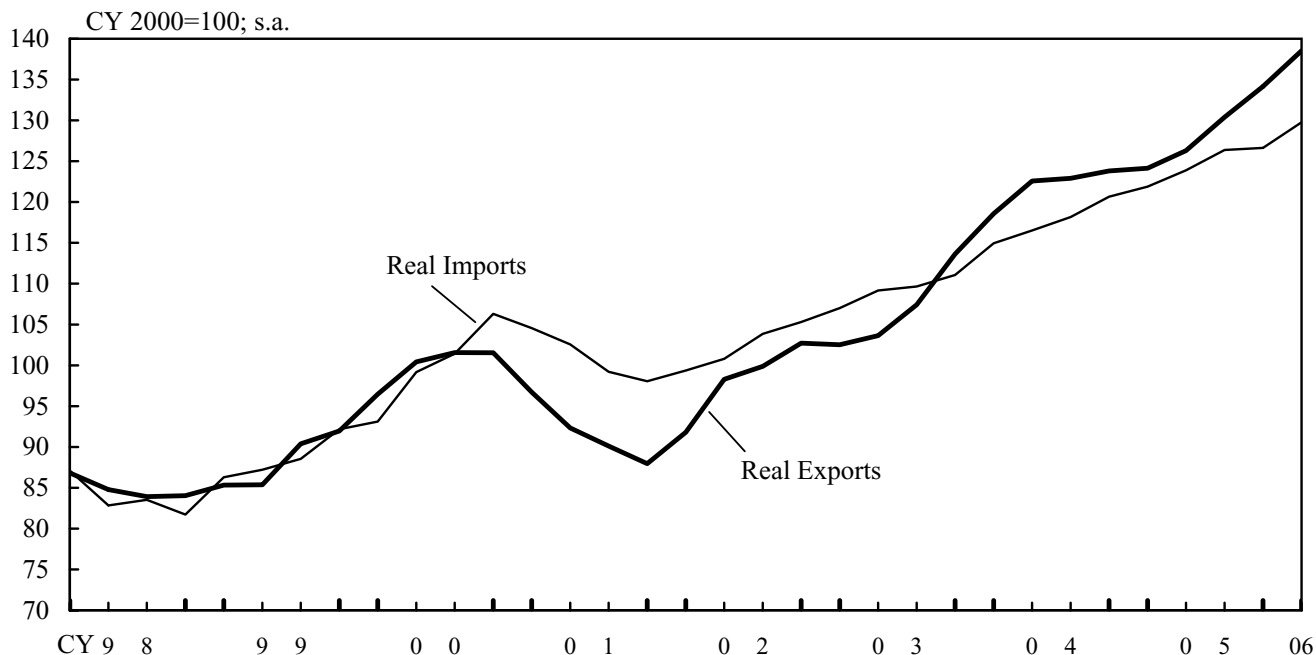
Sources: Cabinet Office, "National Accounts";

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

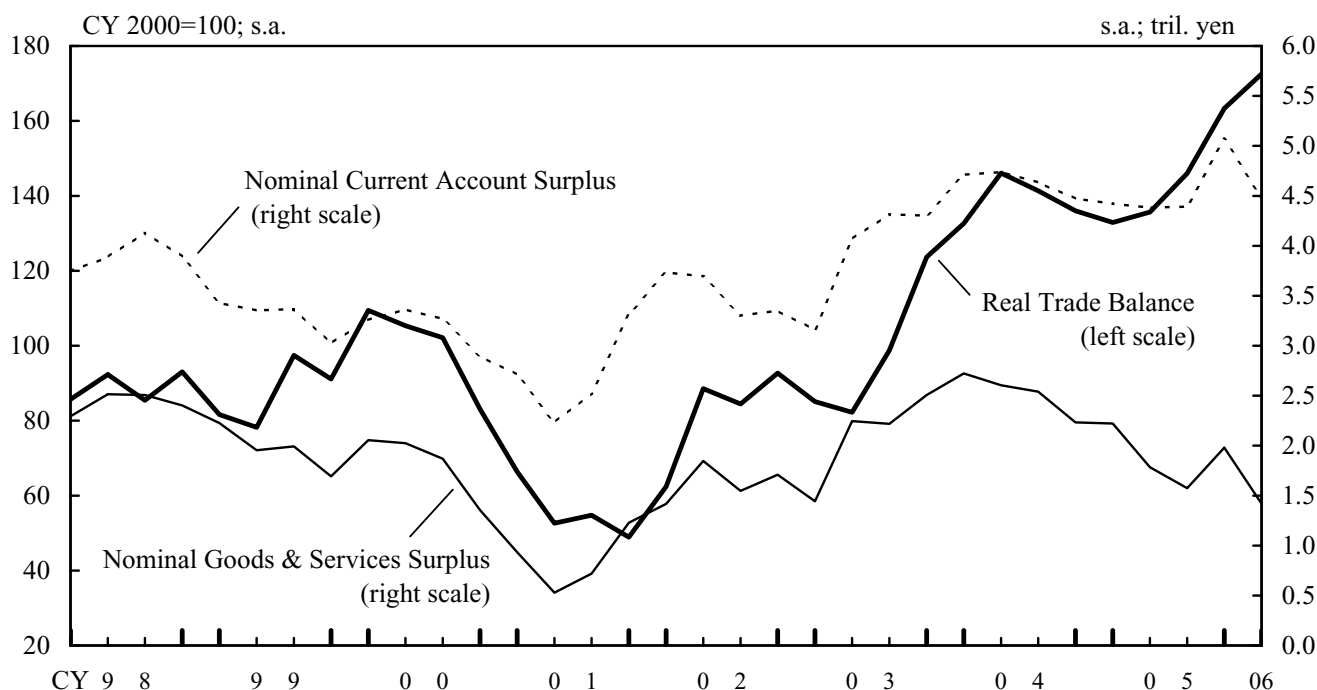
Ministry of Land, Infrastructure and Transport, "Integrated Statistics on Construction Works."

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.-Feb. averages converted into quarterly amount.
 3. 2006/Q1 figures for Nominal Current Account Surplus and Nominal Goods & Services Surplus are Jan. figures converted into quarterly amount.

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

Real Exports ¹

(1) Breakdown by region

		y/y % chg.		s.a.; q/q % chg.				s.a.; m/m % chg.			
		CY 2004	2005	2005 Q1	Q2	Q3	Q4	2006 Q1	2005 Dec.	2006 Jan.	Feb.
United States	<22.6>	6.8	7.3	2.0	1.3	1.0	5.6	4.3	1.8	6.0	-5.3
EU	<14.7>	18.7	3.3	-0.7	0.2	1.5	1.8	6.6	3.9	8.3	-5.7
East Asia	<46.7>	19.1	6.1	3.2	-0.0	4.7	1.6	4.3	-1.8	2.1	6.4
China	<13.5>	22.2	9.6	1.3	-1.6	11.8	4.1	4.8	-3.6	-0.1	12.3
NIEs	<24.3>	20.3	5.0	4.4	0.6	3.3	0.2	4.5	-1.1	3.4	4.8
Korea	<7.8>	19.1	4.4	7.9	-1.4	7.6	2.1	3.2	-6.4	13.6	-6.1
Taiwan	<7.3>	26.9	4.4	3.2	3.1	-3.4	-5.2	13.9	7.1	4.9	13.1
ASEAN4 ³	<9.0>	12.3	4.4	2.8	0.6	-1.0	1.6	3.3	-1.1	2.0	2.3
Thailand	<3.8>	16.8	11.1	5.2	-0.4	-0.9	1.5	6.6	1.6	6.1	0.1
Real exports		14.5	5.3	0.3	1.7	3.3	2.9	3.3	0.8	1.2	2.5

(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 Dec.	2006 Jan.	Feb.
Intermediate goods	<17.3>	5.5	1.8	1.4	0.9	2.5	1.4	6.5	2.2	4.3	2.9
Motor vehicles and their related goods	<22.7>	8.3	8.2	1.7	4.3	-0.5	4.7	5.9	4.2	4.0	0.7
Consumer goods ⁴	<5.6>	14.9	5.3	-2.0	3.0	5.4	3.0	-1.4	0.5	-2.3	2.7
IT-related goods ⁵	<12.5>	17.3	5.6	2.2	0.4	3.9	3.5	2.2	-1.3	1.2	3.4
Capital goods and parts ⁶	<29.5>	23.5	7.1	1.3	1.1	3.6	2.9	4.0	1.3	0.6	3.9
Real exports		14.5	5.3	0.3	1.7	3.3	2.9	3.3	0.8	1.2	2.5

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2006/Q1 figures are Jan.-Feb. averages 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.

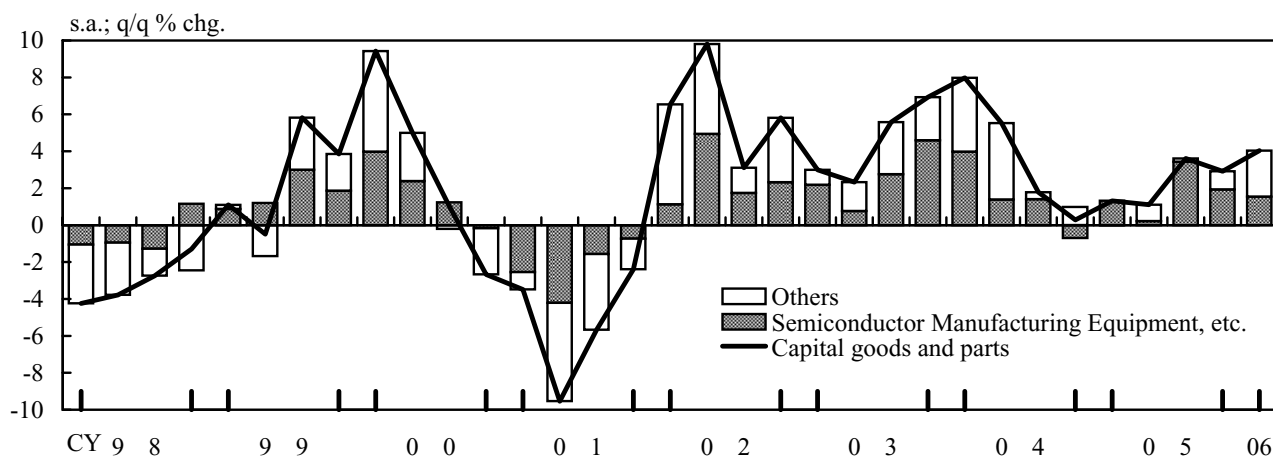
5. IT-related goods are composed of computers and units, telecommunication machinery, ICs and medical and optical instruments.

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

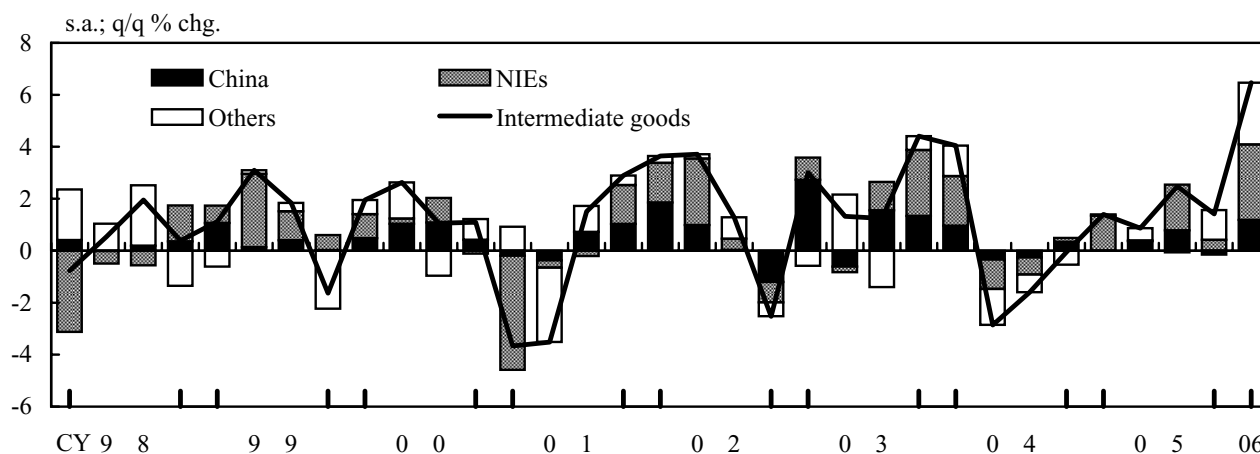
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Real Exports breakdown by goods

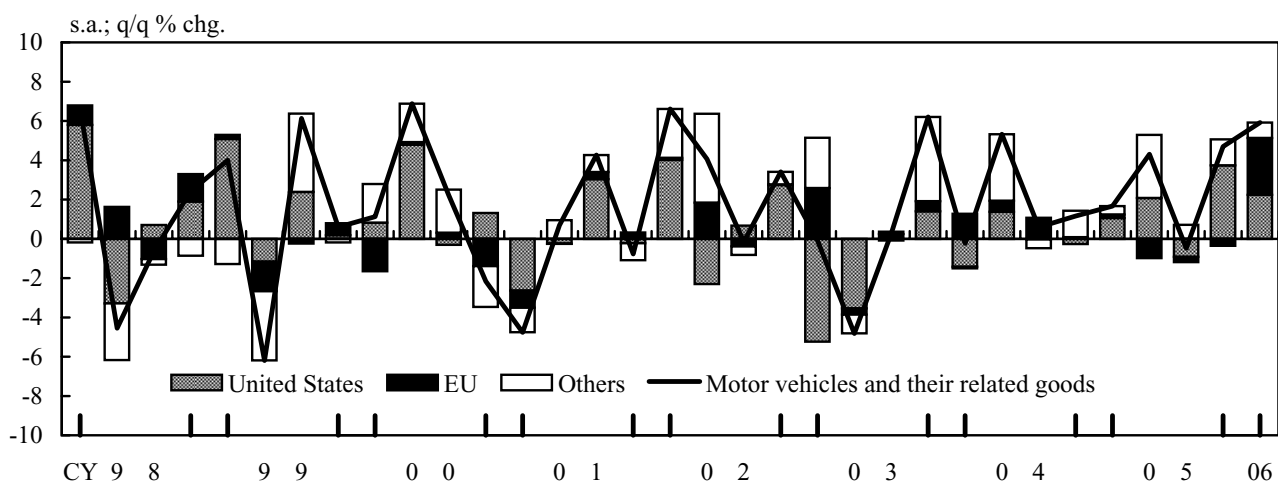
(1) Capital goods and parts (real, breakdown by goods)



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



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



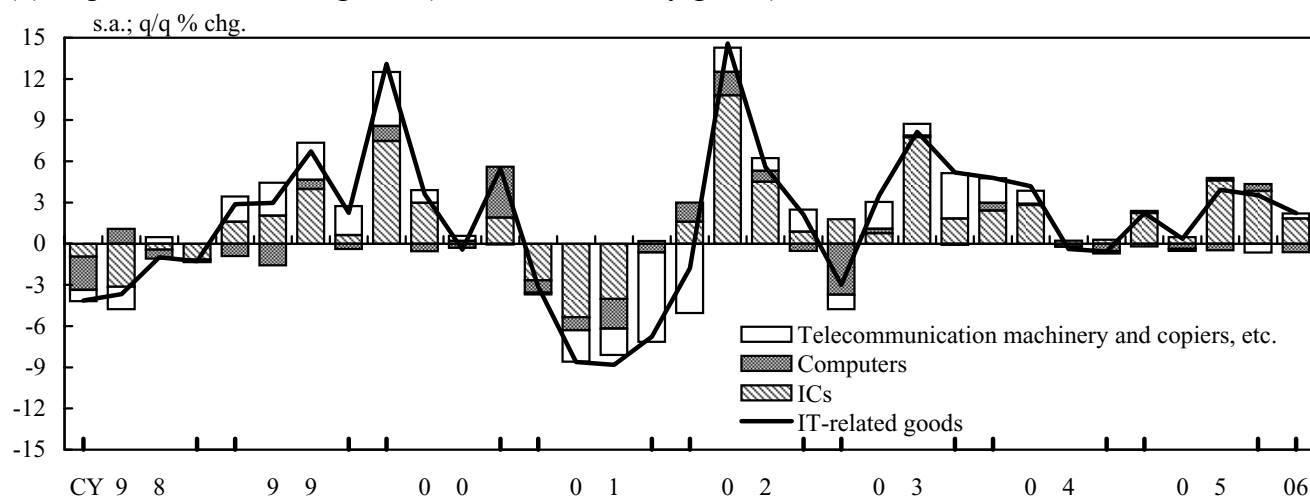
Notes: 1. Seasonally adjusted by X-12-ARIMA.

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

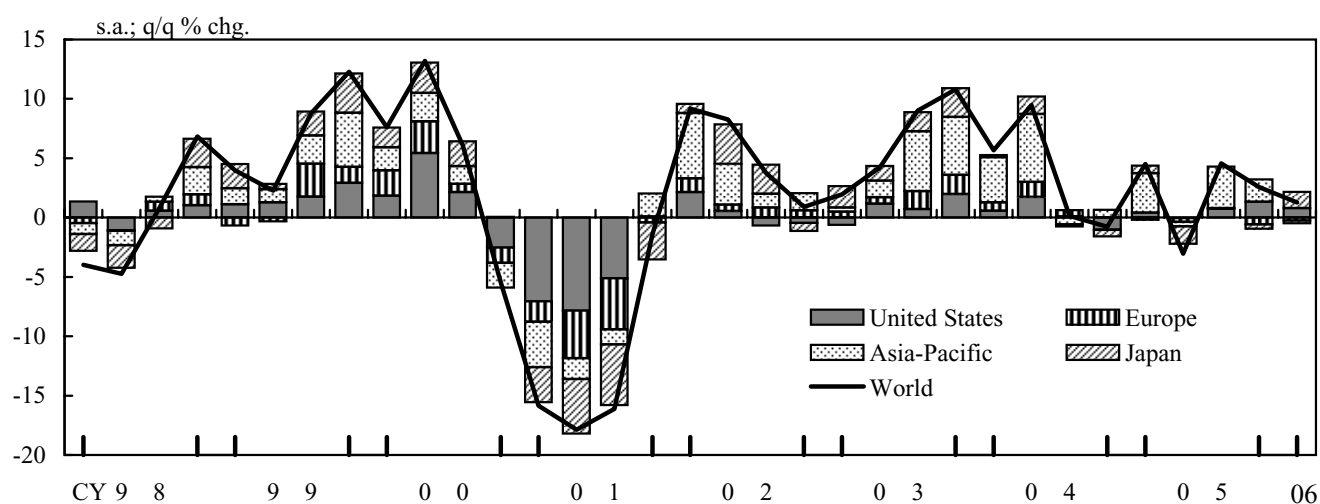
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Exports and Imports of IT-related goods

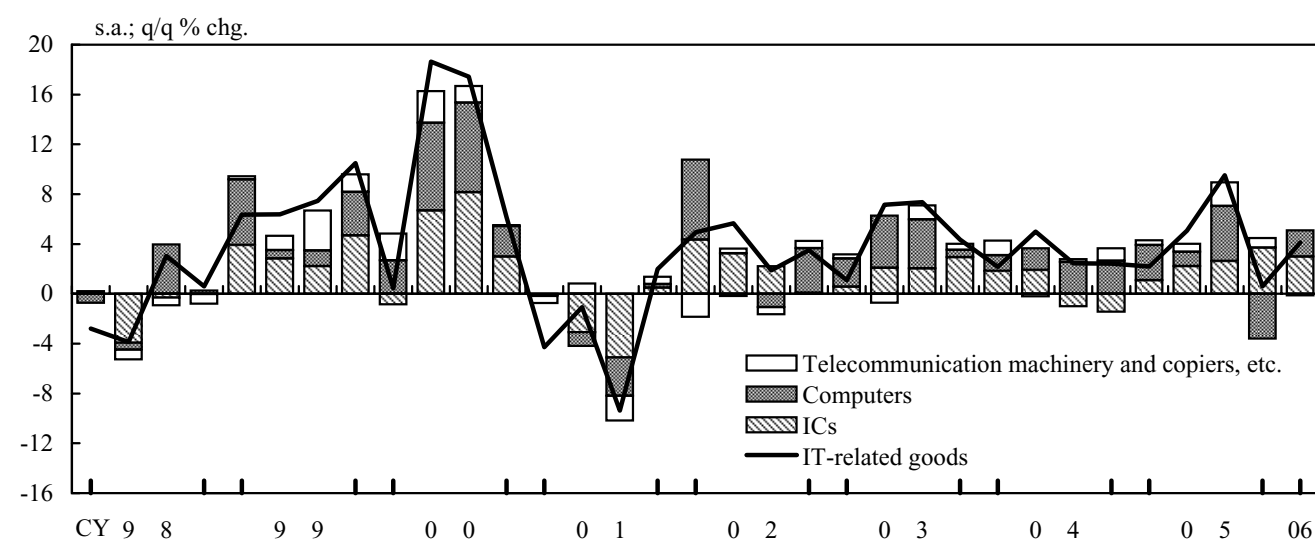
(1) Exports of IT-related goods (real, breakdown by goods)



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



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



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

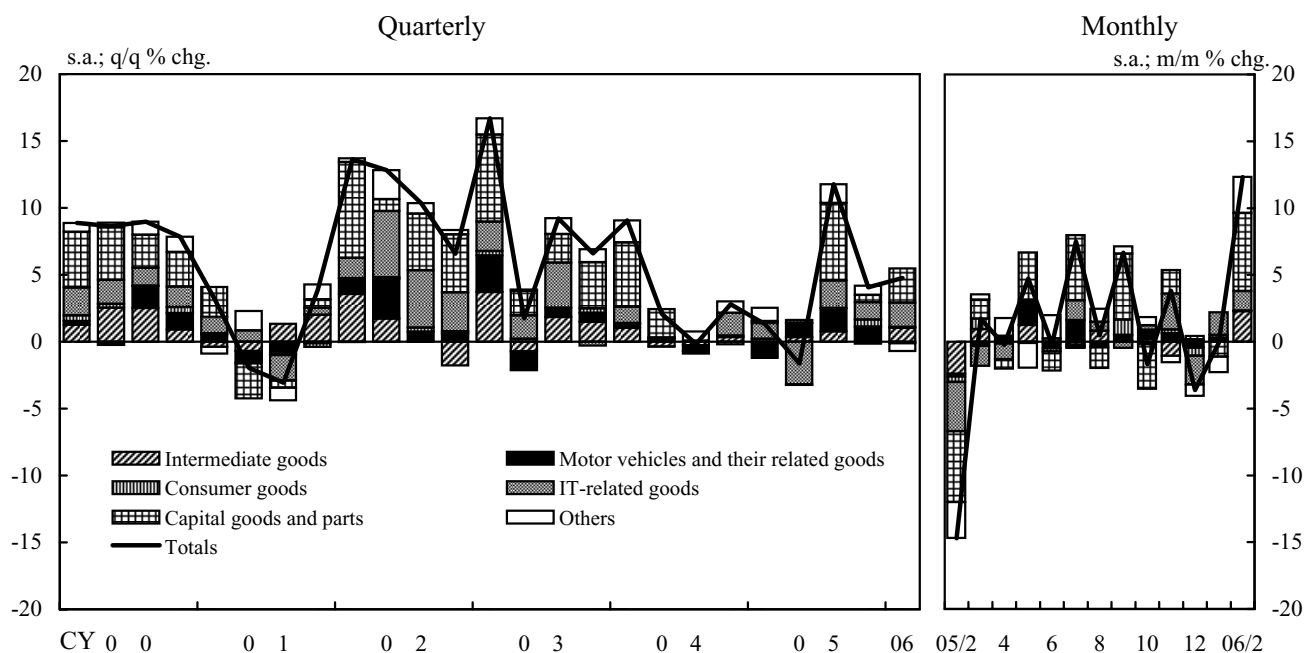
2. 2006/Q1 figures are Jan.-Feb. averages converted into quarterly amount.

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

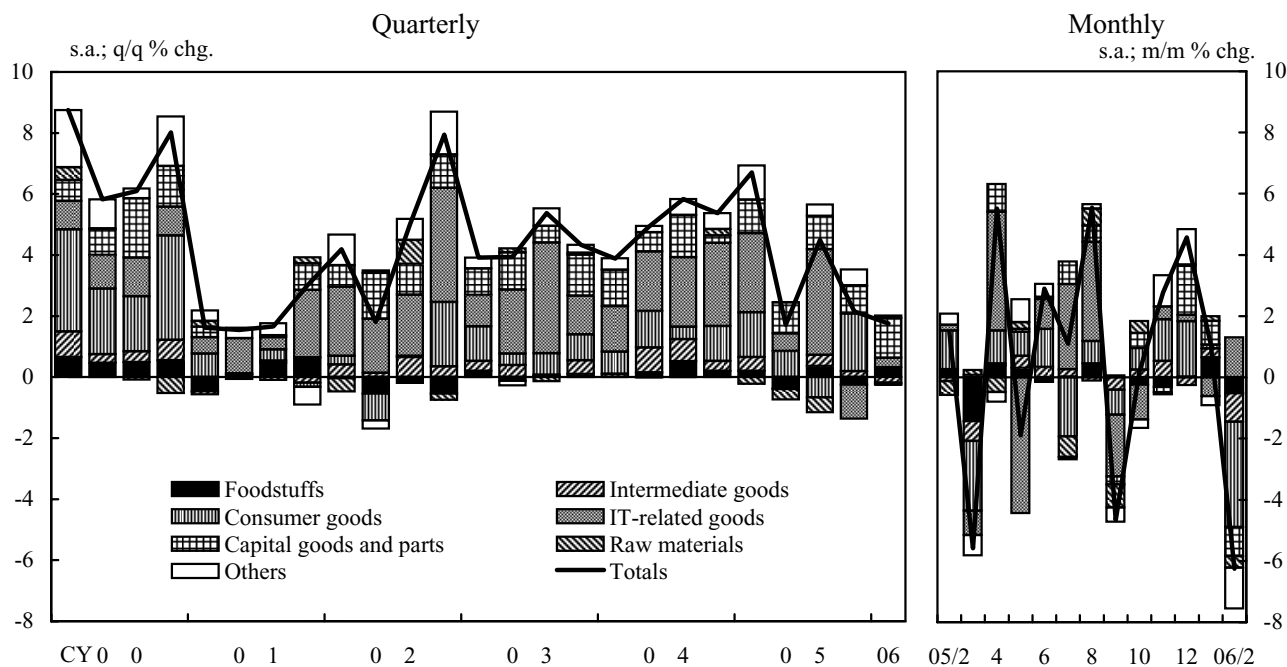
Bank of Japan, "Corporate Goods Price Index"; WSTS (World Semiconductor Trade Statistics.)

Exports and Imports with China

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



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

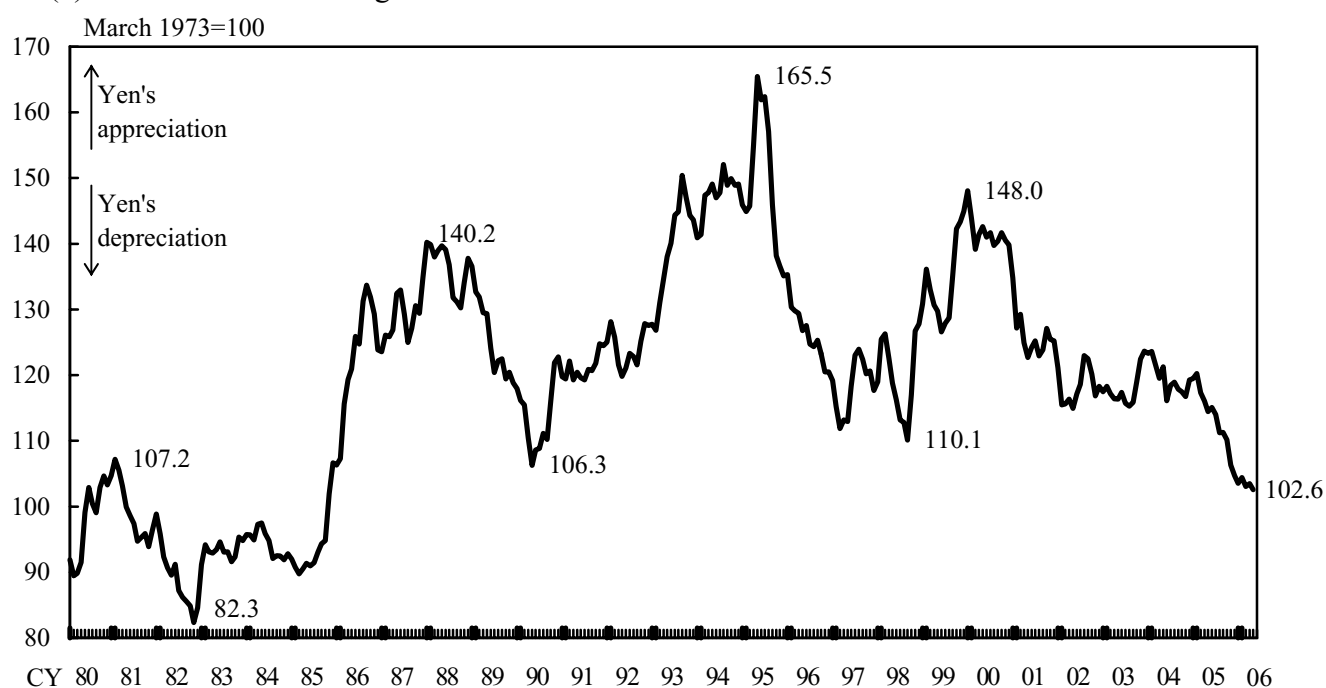


- Notes: 1. Regarding classifications of each goods, see notes of chart 6 and 11.
 2. Seasonally adjusted by X-12-ARIMA.
 3. 2006/Q1 figures are Jan.-Feb. averages converted into quarterly amount.

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 April 2006 is the average up to April 10.

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 Q2	Q3	Q4	2006 Q1	
United States ¹		2.7	4.2	3.5	3.3	4.1	1.7	n.a.	
European Union ¹		1.2	2.2	1.6	2.0	2.8	1.3	n.a.	
	Germany	-0.2	1.6	0.9	1.2	2.5	0.0	n.a.	
	France	0.9	2.1	1.4	0.2	3.0	1.5	n.a.	
	United Kingdom	2.5	3.1	1.8	2.1	2.1	2.3	n.a.	
East Asia ²	China		10.0	10.1	9.9	10.1	9.8	9.9	n.a.
	NIEs	Korea	3.1	4.7	4.0	3.2	4.5	5.3	n.a.
		Taiwan	3.4	6.1	4.1	3.0	4.4	6.4	n.a.
		Hong Kong	3.2	8.6	7.3	7.3	8.3	7.6	n.a.
		Singapore	2.9	8.7	6.4	5.7	7.6	8.7	9.1
	ASEAN4	Thailand	7.0	6.2	4.5	4.6	5.4	4.7	n.a.
		Indonesia	4.8	5.1	5.6	5.6	5.6	4.9	n.a.
		Malaysia	5.4	7.1	5.3	4.4	5.3	5.2	n.a.
Philippines		4.5	6.0	5.1	5.2	4.5	6.1	n.a.	

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

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

Real Imports 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 Dec.	2006 Jan.	Feb.
United States	<12.4>	0.4	3.6	-4.2	5.8	4.3	-0.3	4.0	16.9	-4.0	-1.8
EU	<11.4>	9.6	2.0	-1.3	5.3	-1.4	-2.2	3.4	-5.6	3.2	4.4
East Asia	<42.3>	14.7	11.1	4.7	0.4	4.3	2.1	2.9	5.0	1.5	-4.0
China	<21.0>	20.9	18.7	6.7	1.7	4.5	2.2	1.8	4.6	1.1	-6.2
NIEs	<9.8>	12.8	9.3	3.9	1.4	9.3	3.8	5.3	3.5	5.5	-3.9
Korea	<4.7>	14.5	8.3	5.0	3.2	5.2	8.8	1.7	4.0	1.1	-5.2
Taiwan	<3.5>	12.0	11.1	2.6	0.8	14.8	-1.1	9.5	8.6	5.9	-1.8
ASEAN4 ³	<11.4>	7.1	0.1	1.8	-3.0	-0.5	0.2	2.9	7.5	-1.8	0.8
Thailand	<3.0>	14.3	12.8	5.1	0.0	2.4	2.8	0.9	1.6	-0.9	-0.4
Real imports		8.1	5.4	1.0	1.6	2.0	0.2	2.5	1.8	1.5	-0.8

(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 Dec.	2006 Jan.	Feb.
Raw materials ⁴	<31.7>	1.3	-4.1	-3.4	-3.5	0.8	-0.6	3.0	2.1	0.5	5.3
Intermediate goods	<14.0>	8.7	4.6	2.4	1.9	0.1	0.3	0.4	-3.1	2.1	0.6
Foodstuffs	<9.8>	0.4	2.6	3.3	2.0	-0.8	-4.5	2.5	2.5	3.7	-2.7
Consumer goods ⁵	<9.9>	12.5	8.6	2.2	8.0	-6.7	4.7	-0.2	4.7	2.0	-11.7
IT-related goods ⁶	<12.6>	17.6	15.4	2.2	5.1	9.5	0.6	4.1	7.2	0.6	-0.4
Capital goods and parts ⁷	<12.2>	17.4	13.6	-1.4	6.3	6.8	1.9	2.1	5.6	1.8	-8.0
excluding aircraft	<11.2>	19.2	13.6	2.0	6.9	3.8	4.0	5.2	8.6	-0.2	2.0
Real imports		8.1	5.4	1.0	1.6	2.0	0.2	2.5	1.8	1.5	-0.8

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2006/Q1 figures are Jan.-Feb. averages 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.

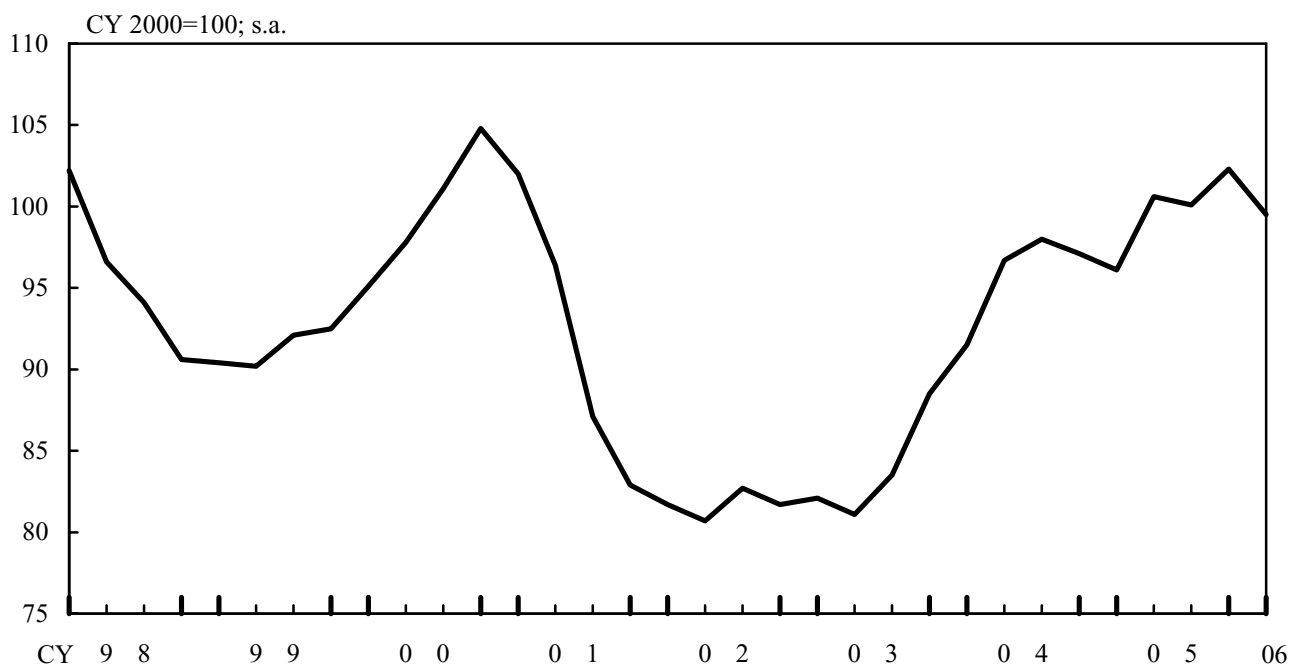
6. IT-related goods are composed of computers and units, parts of computer, telecommunication machinery, ICs, and medical and optical instruments.

7. Excludes IT-related goods.

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

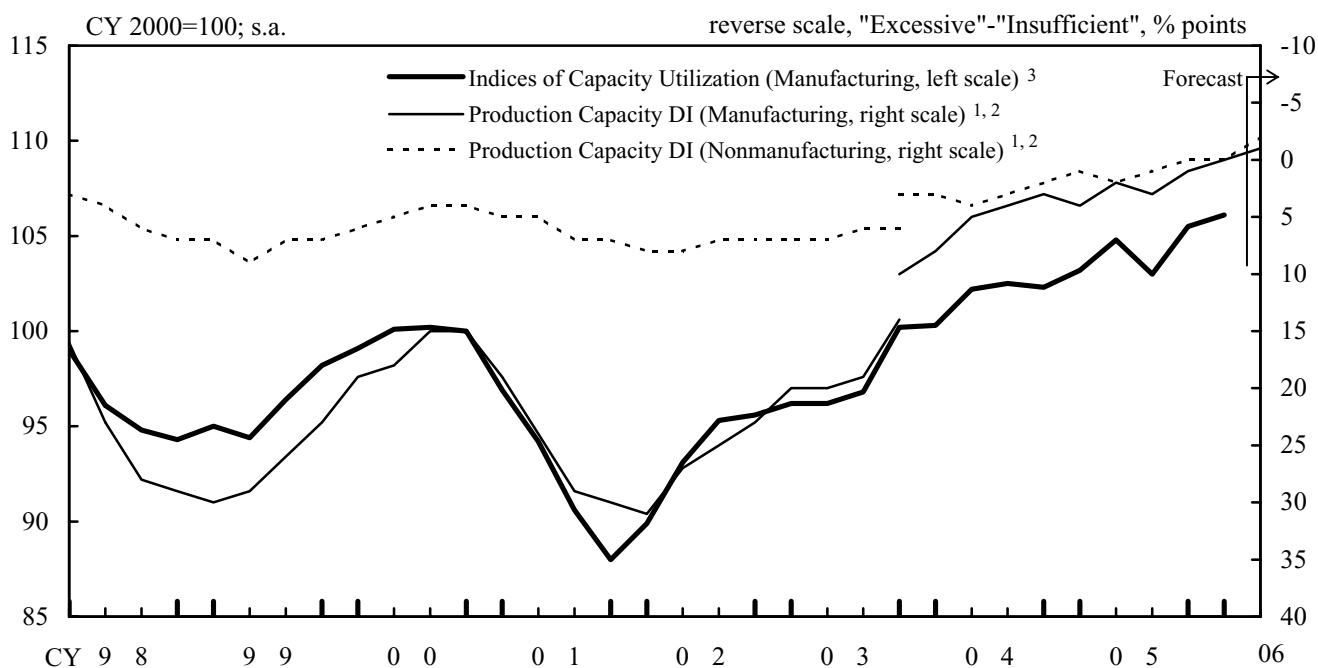
Coincident Indicators for Business Fixed Investment

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



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

(2) Indices of Capacity Utilization and Production Capacity DI



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

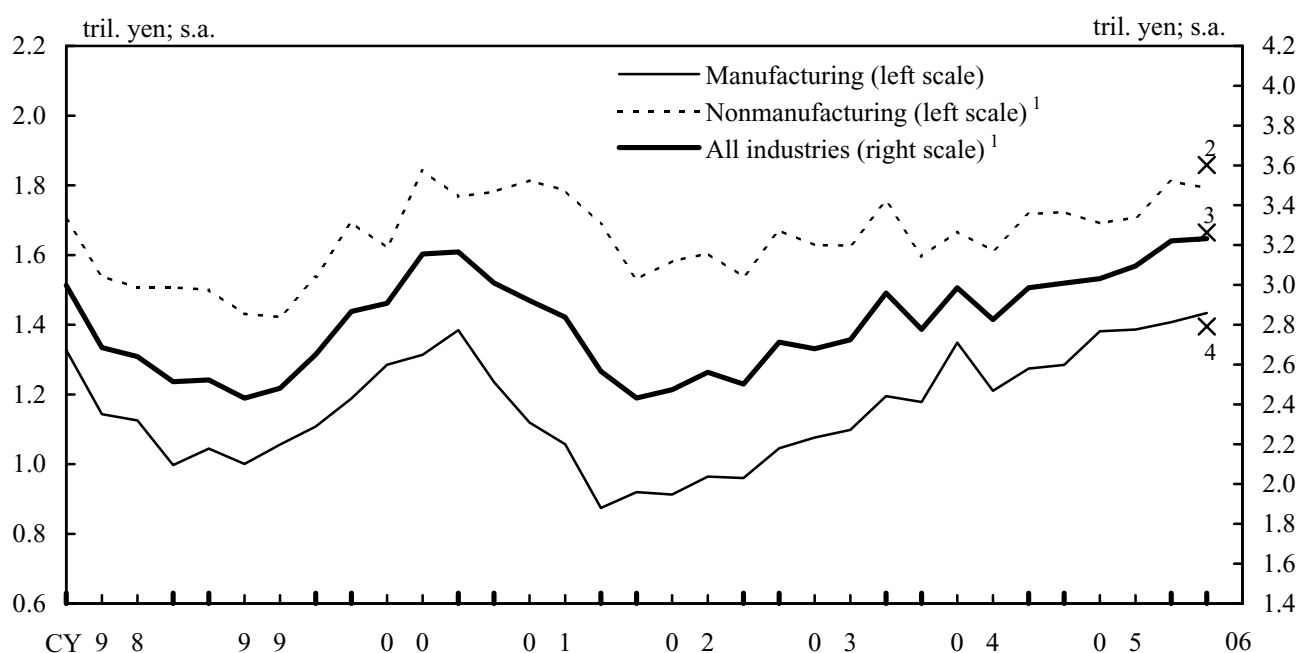
2. The *Tankan* has been revised from the March 2004 Survey. Figures up to the December 2003 Survey are based on the previous data sets. Figures from the December 2003 Survey are on a new basis.

3. The figure for 2006/Q1 is as of January.

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

Leading Indicators for Business Fixed Investment

(1) Machinery Orders



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

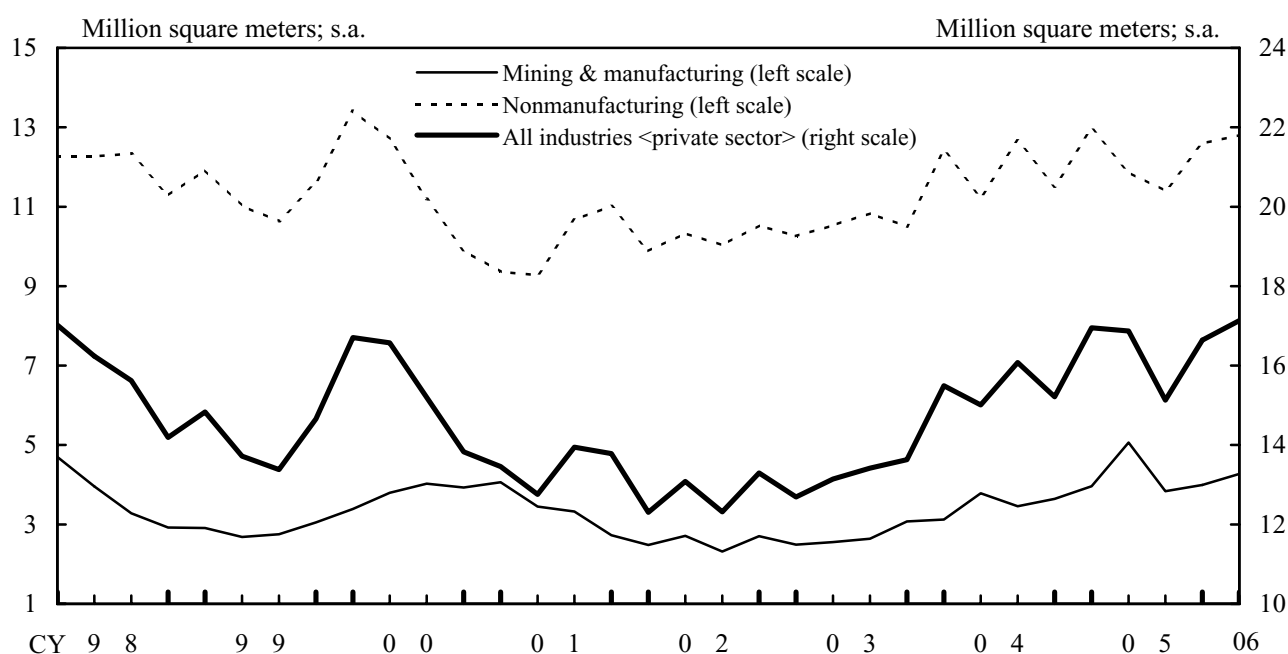
2. Forecast of nonmanufacturing industries for 2006/Q1.

3. Forecast of all industries for 2006/Q1.

4. Forecast of manufacturing industries for 2006/Q1.

5. Figures for 2006/Q1 are averages of January-February 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.

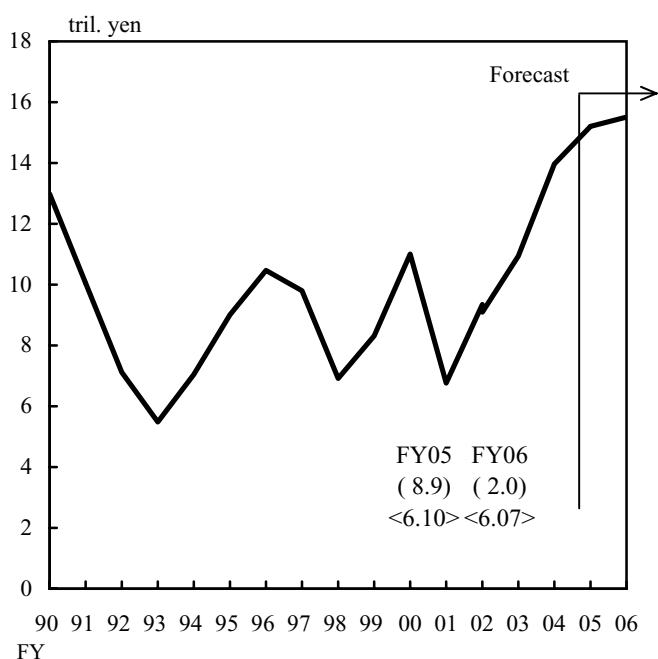
3. Figures for 2006/Q1 are averages of January-February in terms of quarterly amount.

Sources: Cabinet Office, "Machinery Orders Statistics";

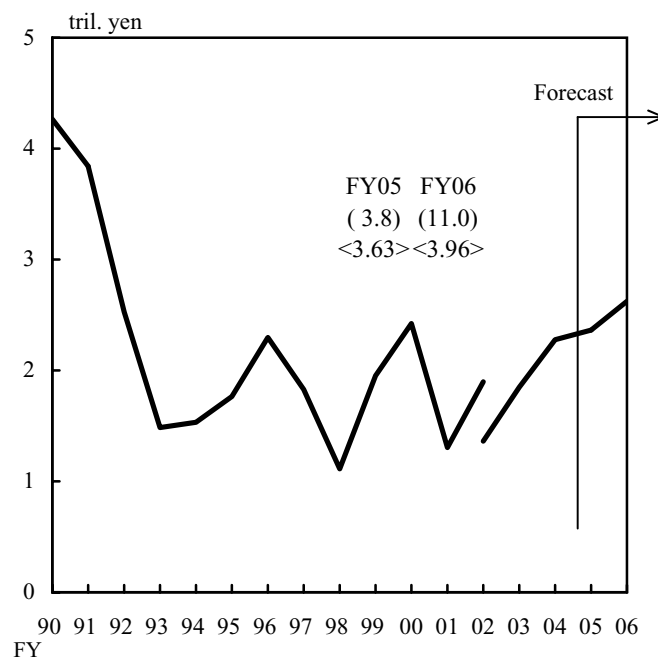
Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts."

Current Profits

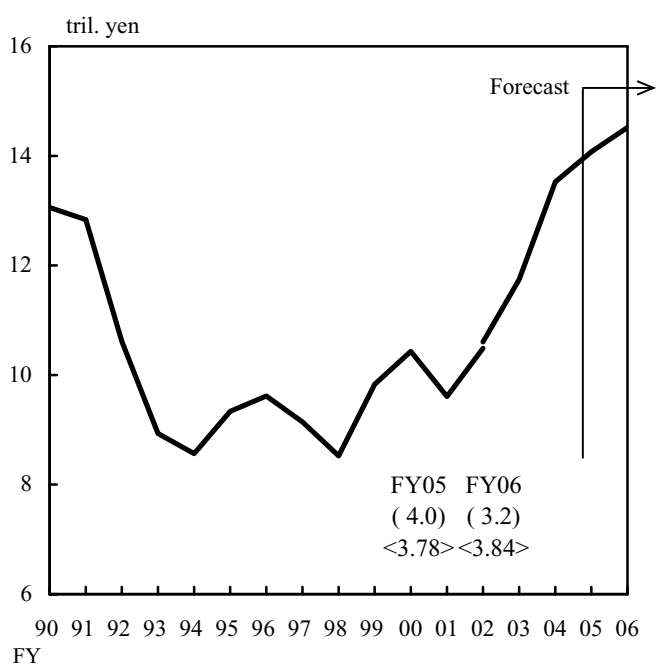
(1) Manufacturing Large Enterprises



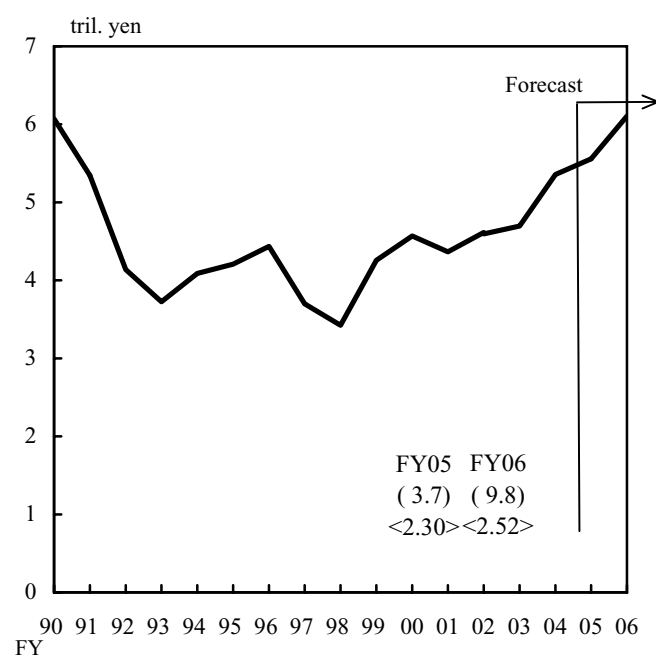
(2) Manufacturing Small Enterprises



(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

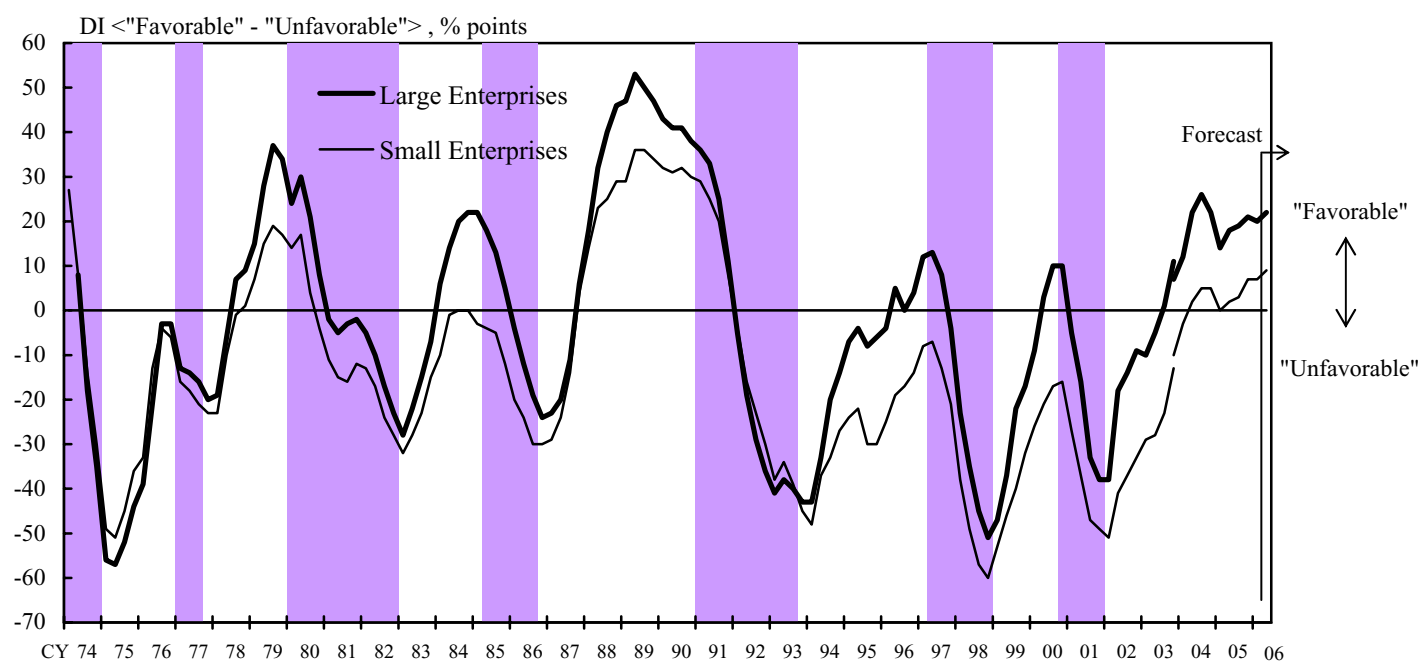
Small enterprises (post-revision): capital with 20 million yen to less than 100 million yen

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

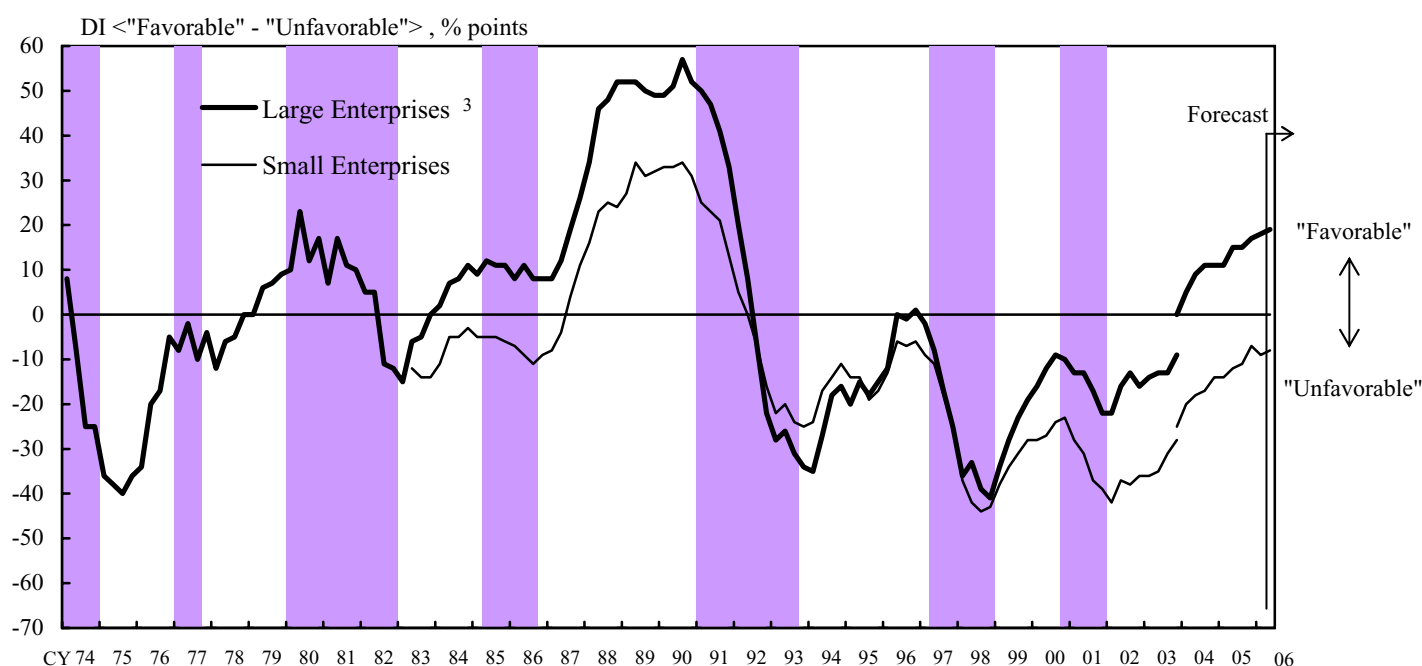
3. The *Tankan* has been revised from the March 2004 Survey. Figures up to FY2002 are based on the previous data sets. Figures from FY2002 are on a new basis.

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

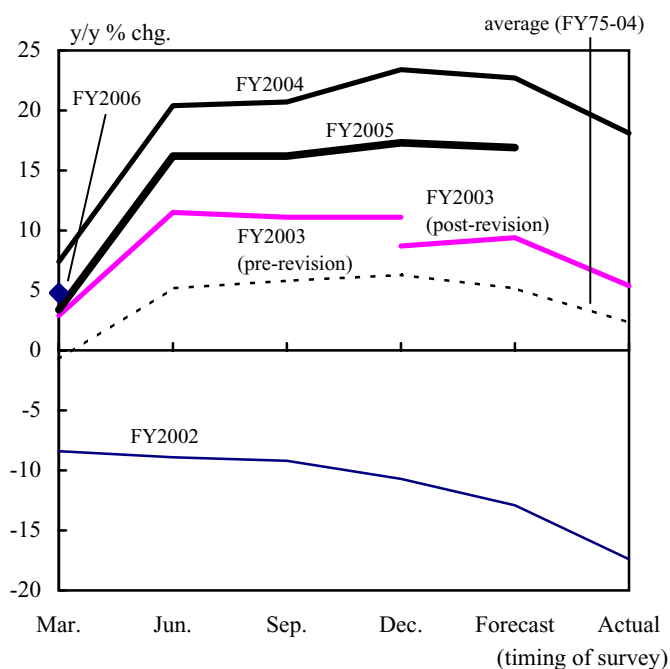
2. The *Tankan* has been revised from the March 2004 Survey. Figures up to the December 2003 Survey are based on the previous data sets. Figures from the December 2003 Survey are on a new basis.

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

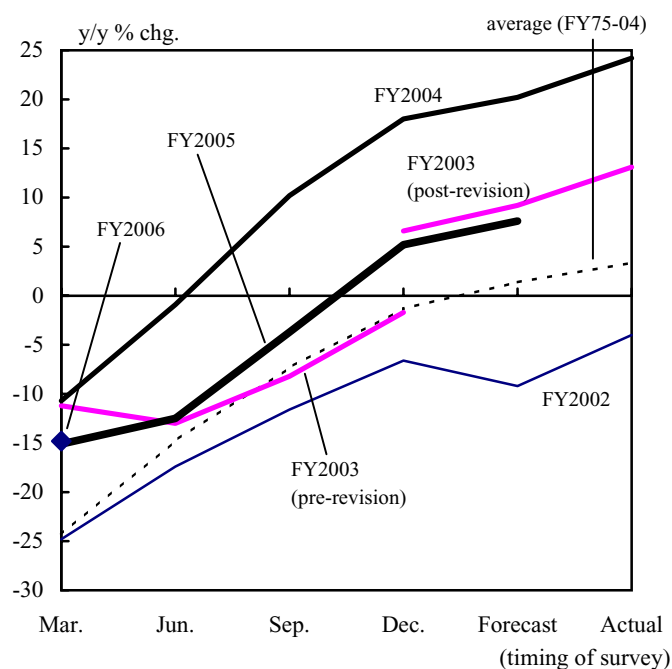
4. Shaded areas indicate recession periods.

Business Fixed Investment Plans as Surveyed

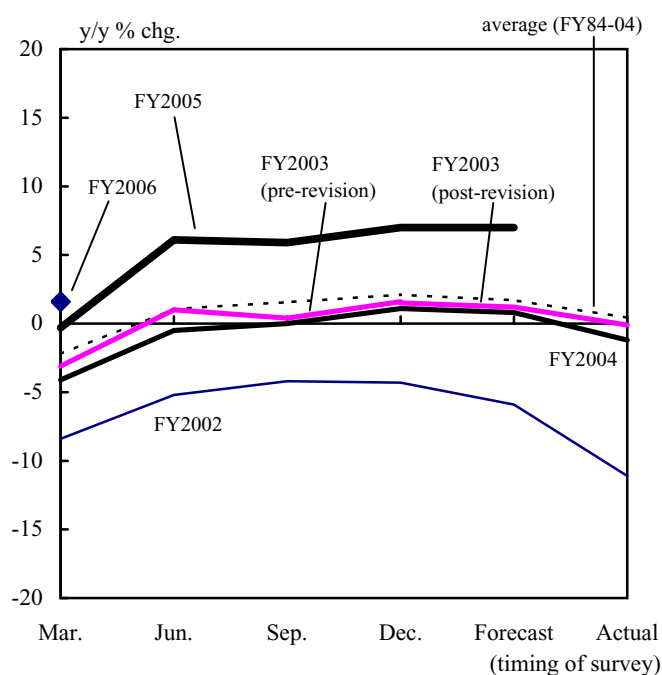
(1) Manufacturing Large Enterprises



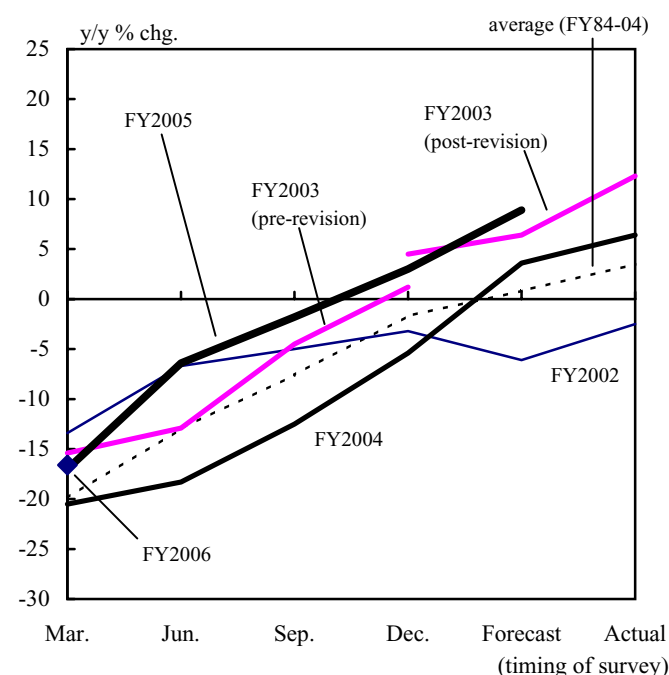
(2) Manufacturing Small Enterprises



(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

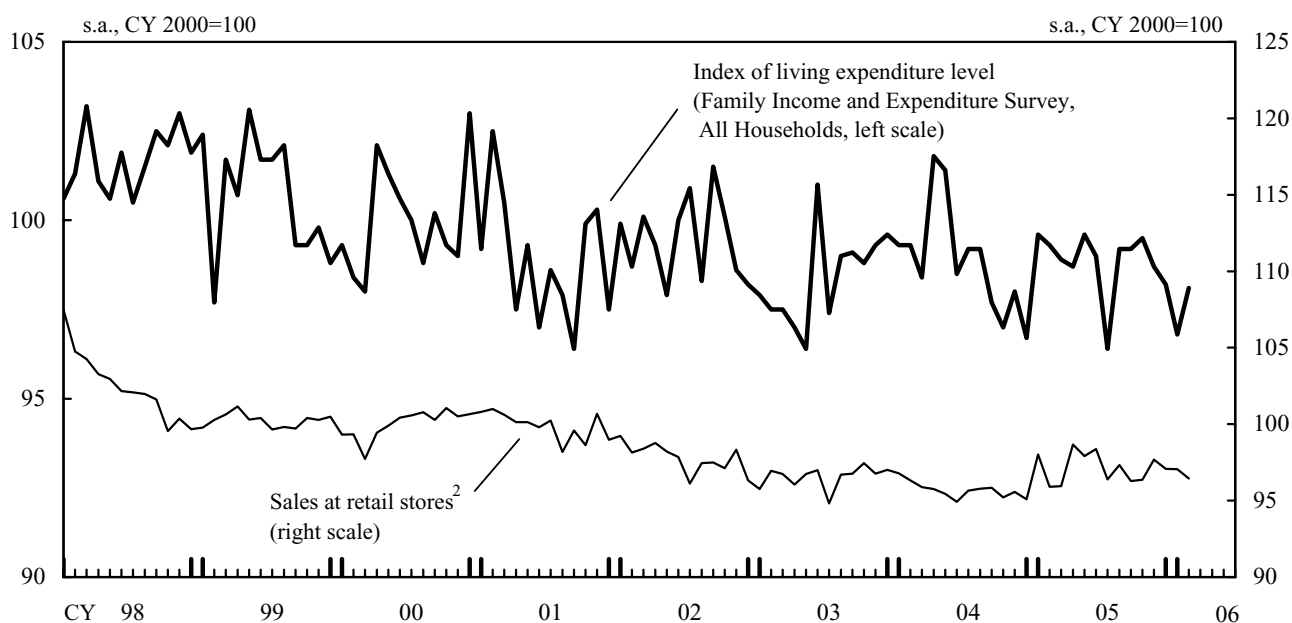
Small enterprises (post-revision): capital with 20 million yen to less than 100 million yen

2. Includes land purchasing expenses and excludes software investment.

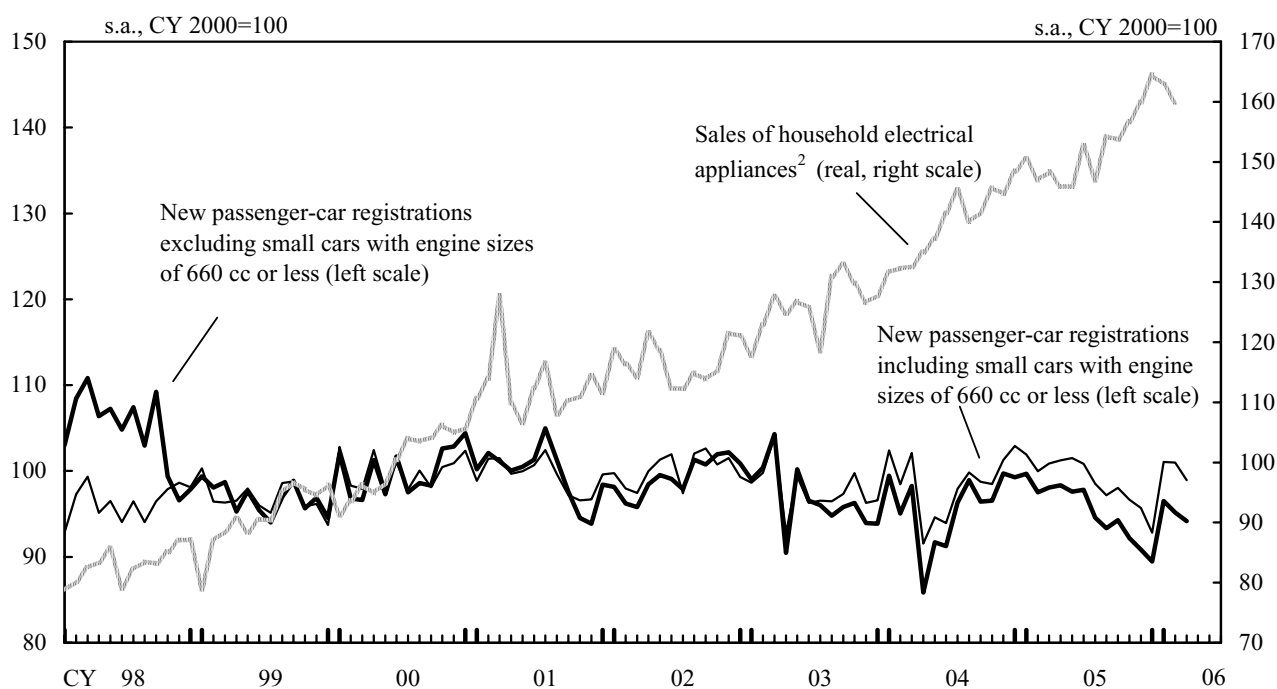
3. The *Tankan* has been revised from the March 2004 Survey. Figures up to the December 2003 Survey are based on the previous data sets. Figures from the December 2003 Survey are on a new basis.

Indicators for Private Consumption¹ (1)

(1) Household Spending (real)



(2) Sales of Durable Goods



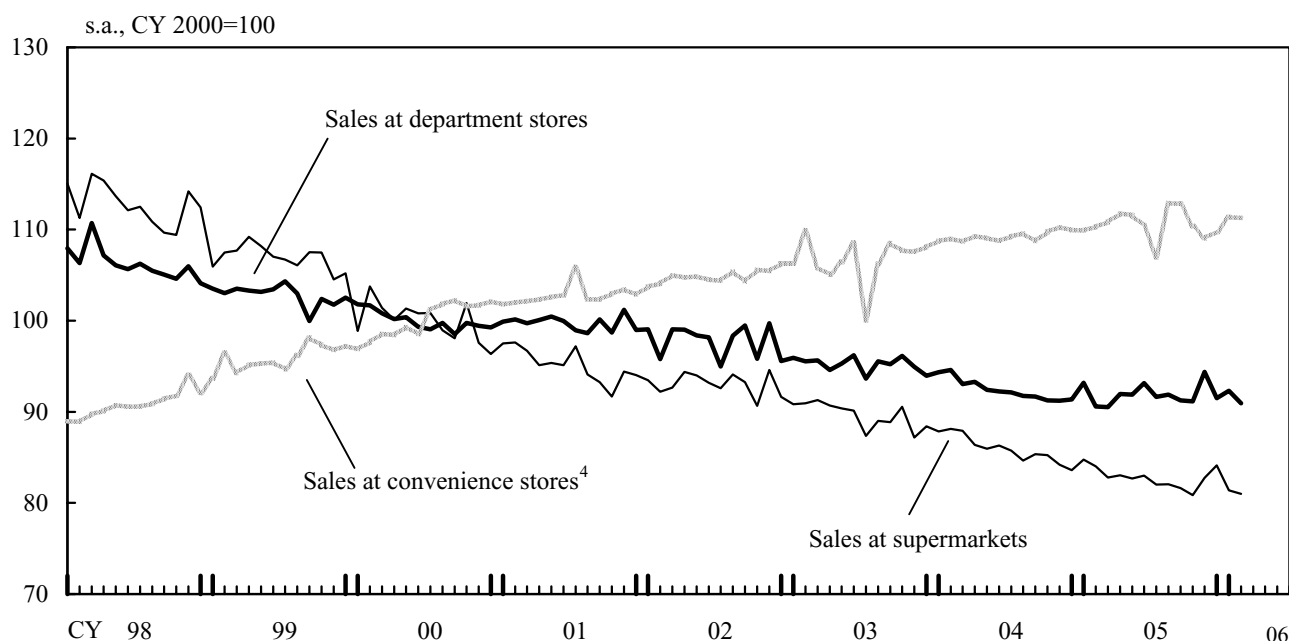
Notes: 1. Seasonally adjusted by X-12-ARIMA. Index of living expenditure level is seasonally adjusted by the Ministry of Internal Affairs and Communications.

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 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).

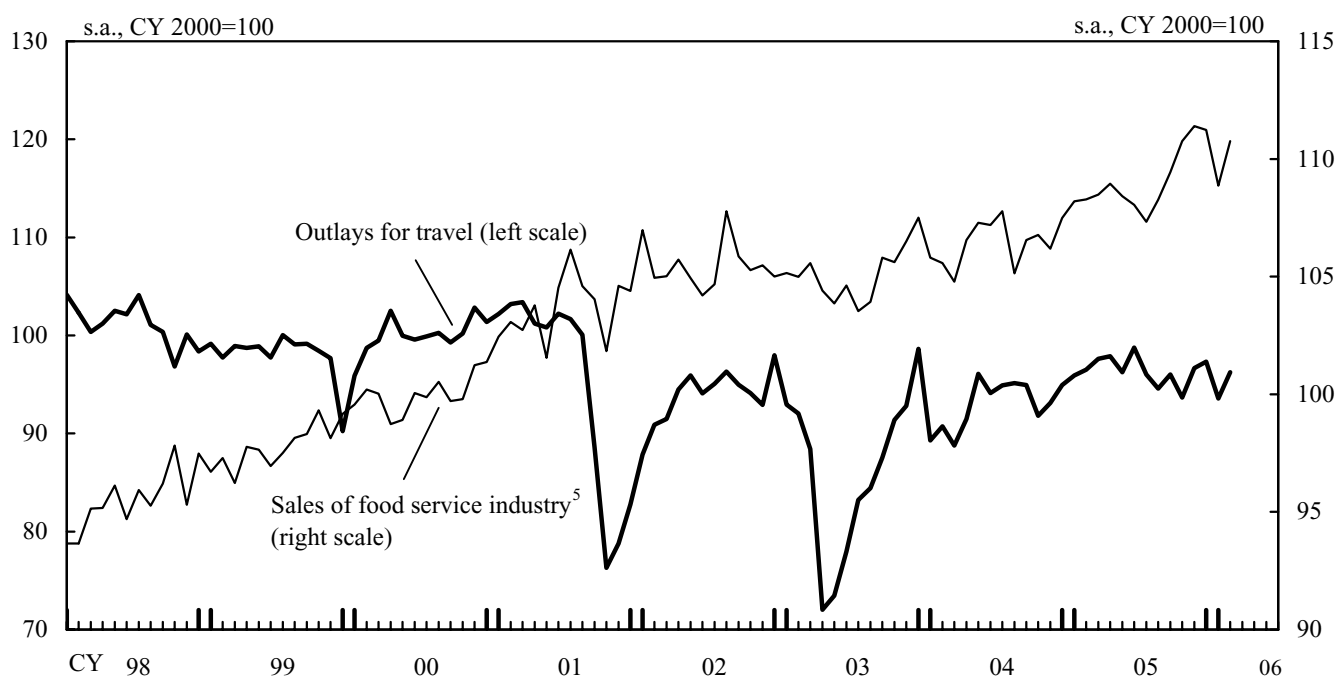
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index," "Monthly Report on the Family Income and Expenditure Survey"; Ministry of Economy, Trade and Industry, "Current Survey of Commerce"; Japan Automobile Dealers Association, "Domestic Sales of Automobiles"; Japan Mini Vehicles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

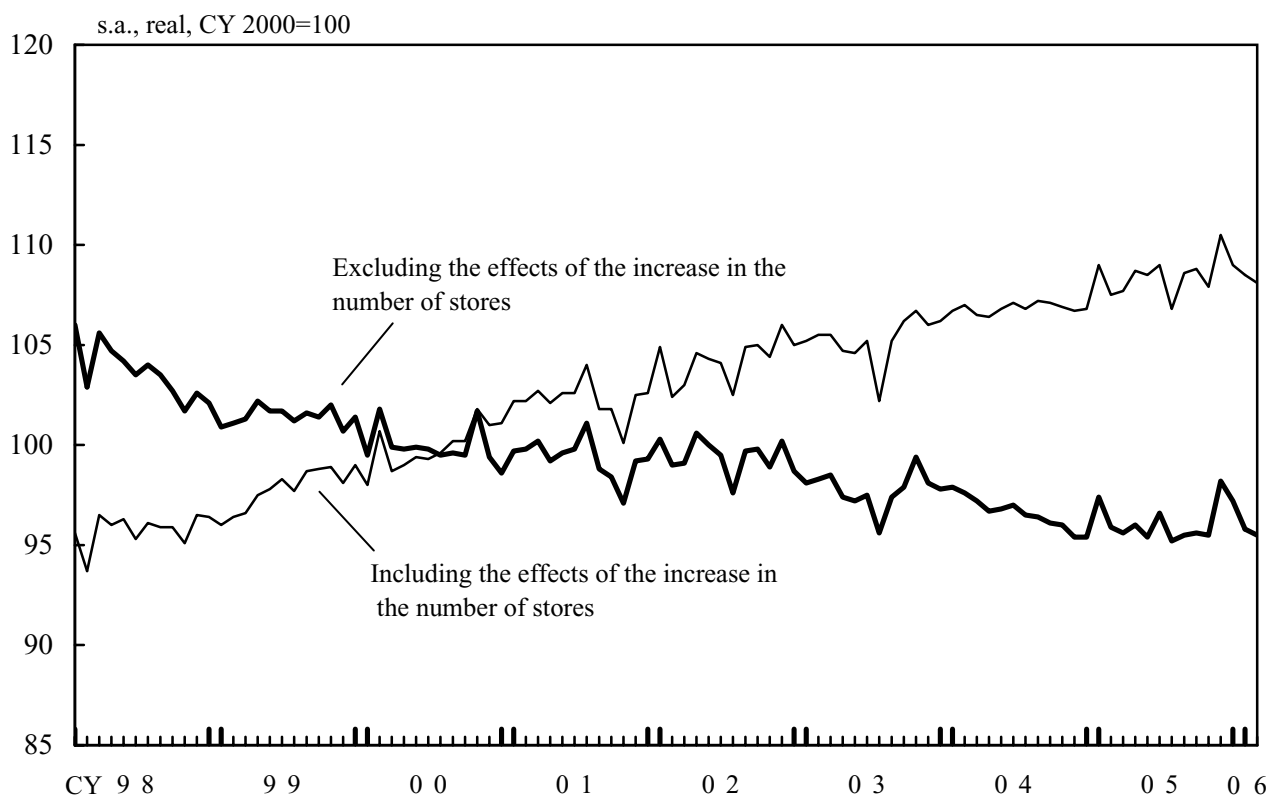
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce";

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

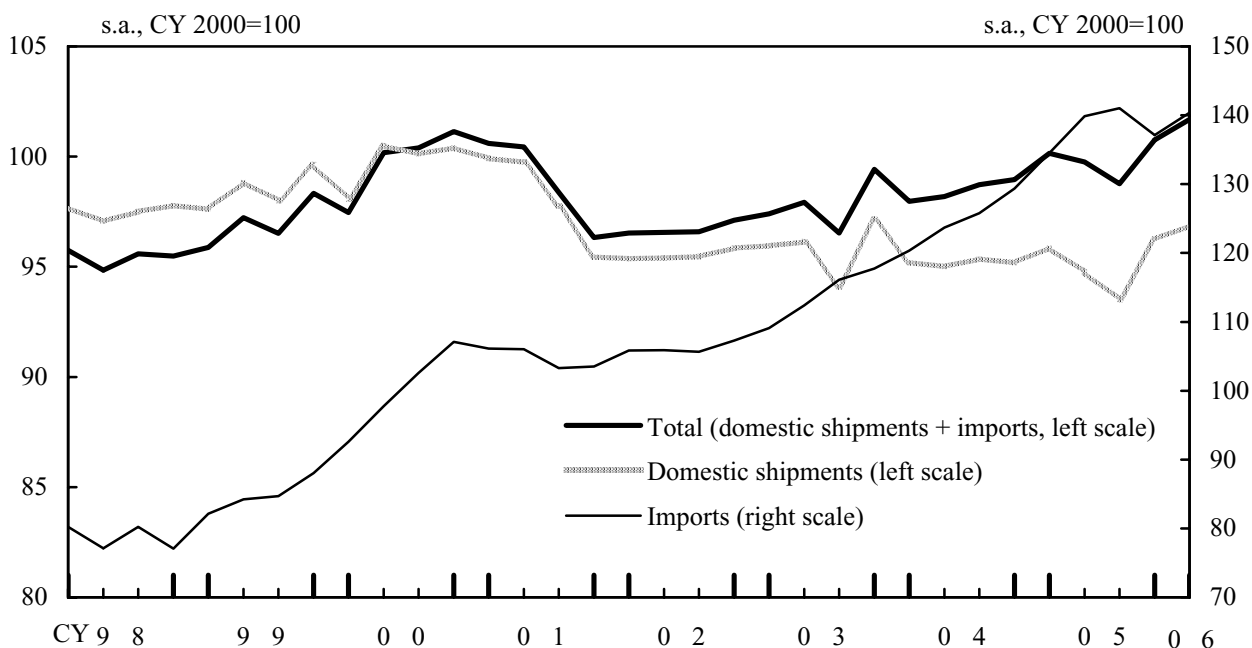


- Notes: 1. Indices of aggregated sales are the weighted sum of *Sales at department stores and supermarkets*; *New passenger-car registrations*; *Sales of household electrical appliances*; *Outlays for travel*; and *Sales of food service industry*, where the weights come from household expenditure in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

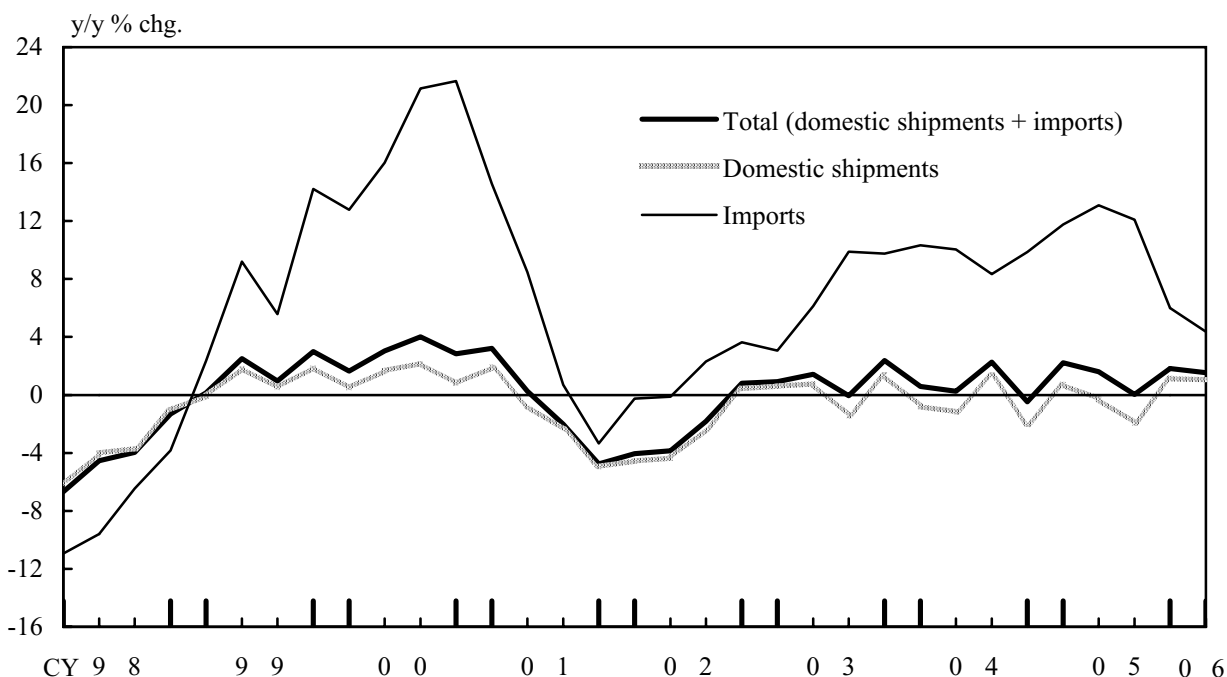
Source: Bank of Japan, "Indices of Aggregated Sales."

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.

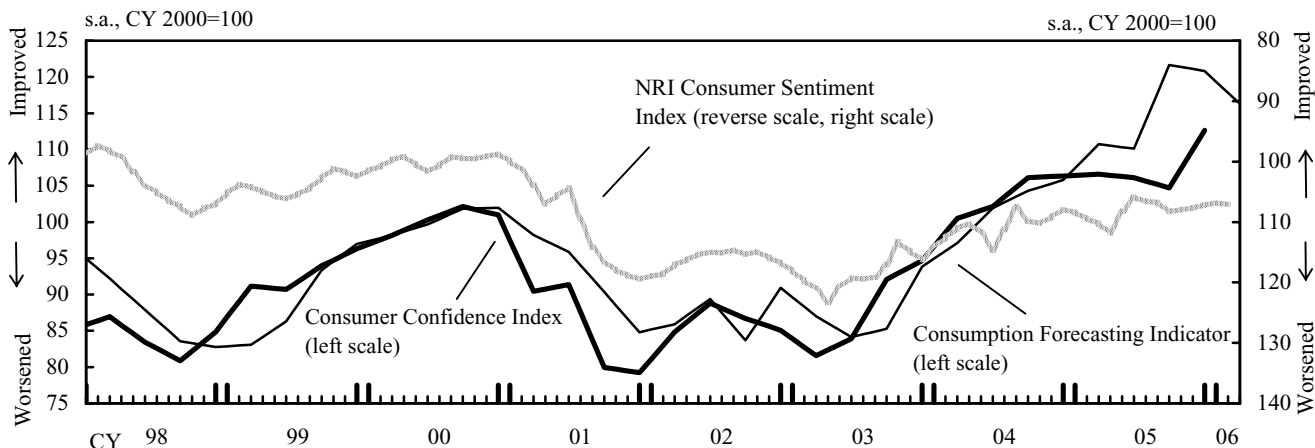
3. Year-on-year rates of change are calculated from seasonally adjusted series.

4. Data for 2006/Q1 figures are those of Jan.-Feb. 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."

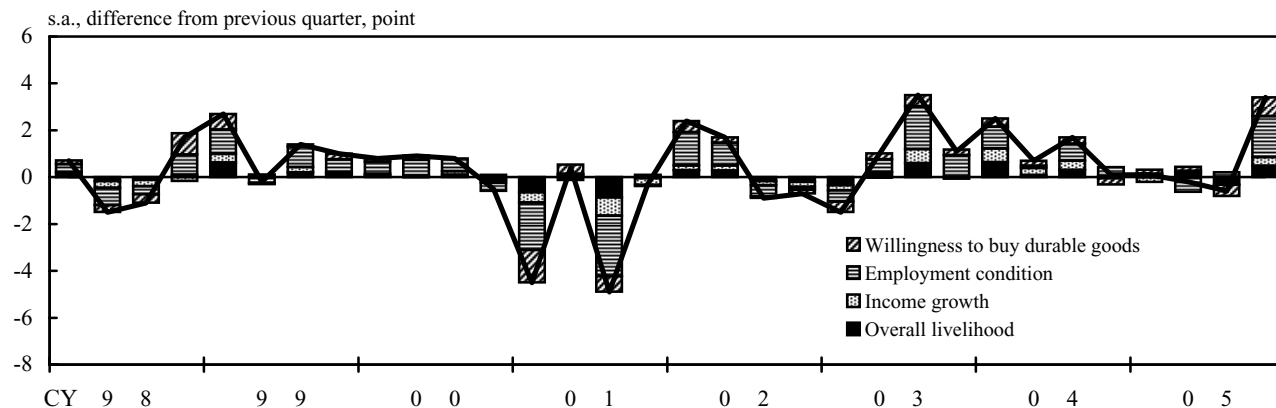
Consumer Confidence

(1) Surveys on Consumer Confidence

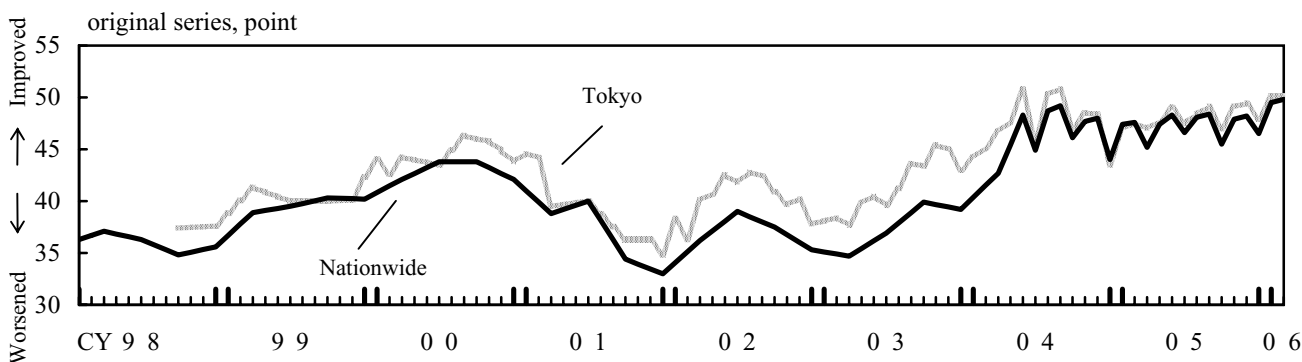


- Notes: 1. Seasonally adjusted by X-11. "Consumer Confidence Index" is seasonally adjusted by the Cabinet Office. "Consumption Forecasting Indicator" is seasonally adjusted using quarterly figures because the survey was quarterly until 2004.
2. Consumer Confidence Index (with 5,040 samples in a nationwide 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: From September 1998 to October 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."

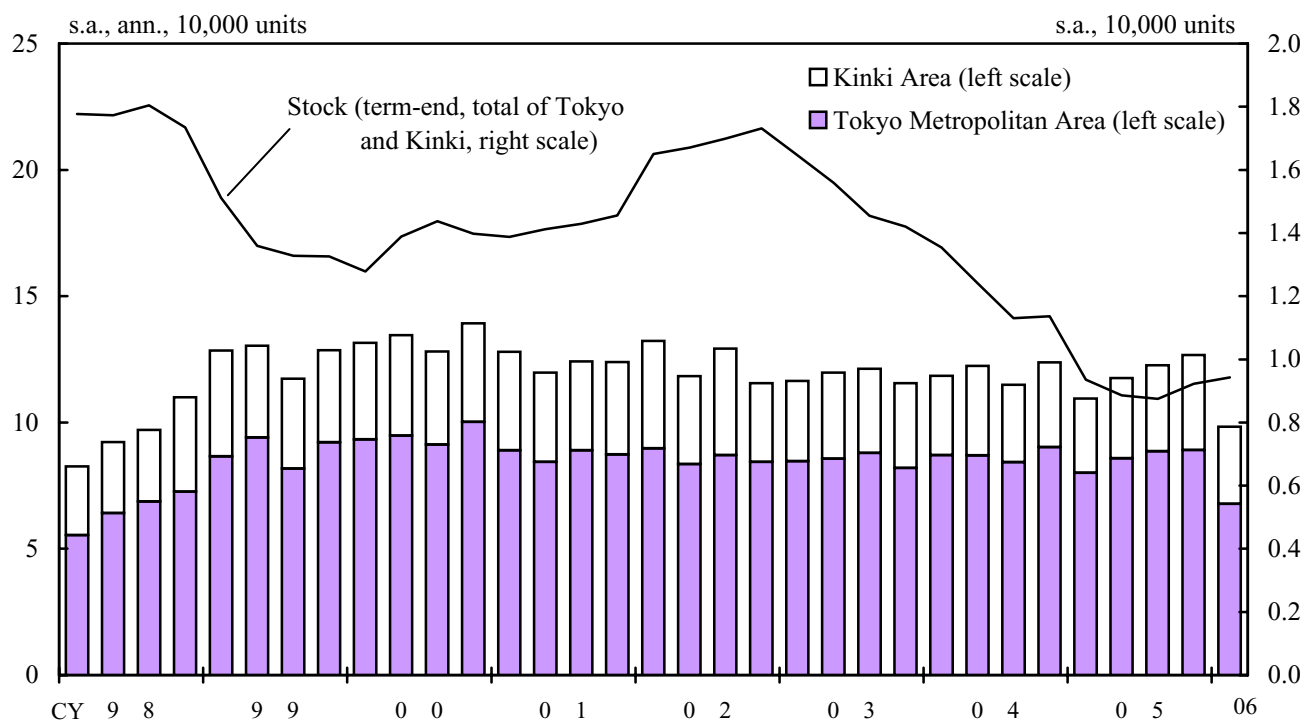
Indicators for Housing Investment

(1) Housing Starts



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

(2) Sales of Apartments



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

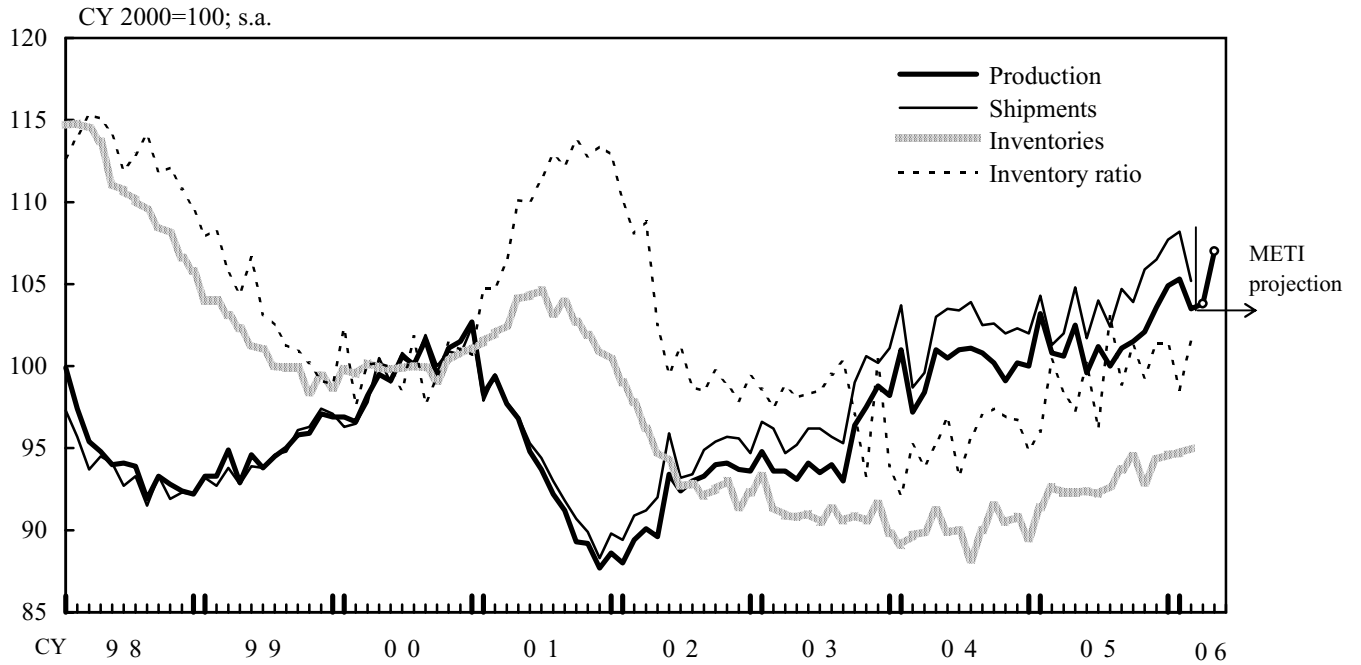
2. Figures of total apartments sales for 2006/Q1 are those of January-February averages.

Term-end stocks for 2006/Q1 are those of February.

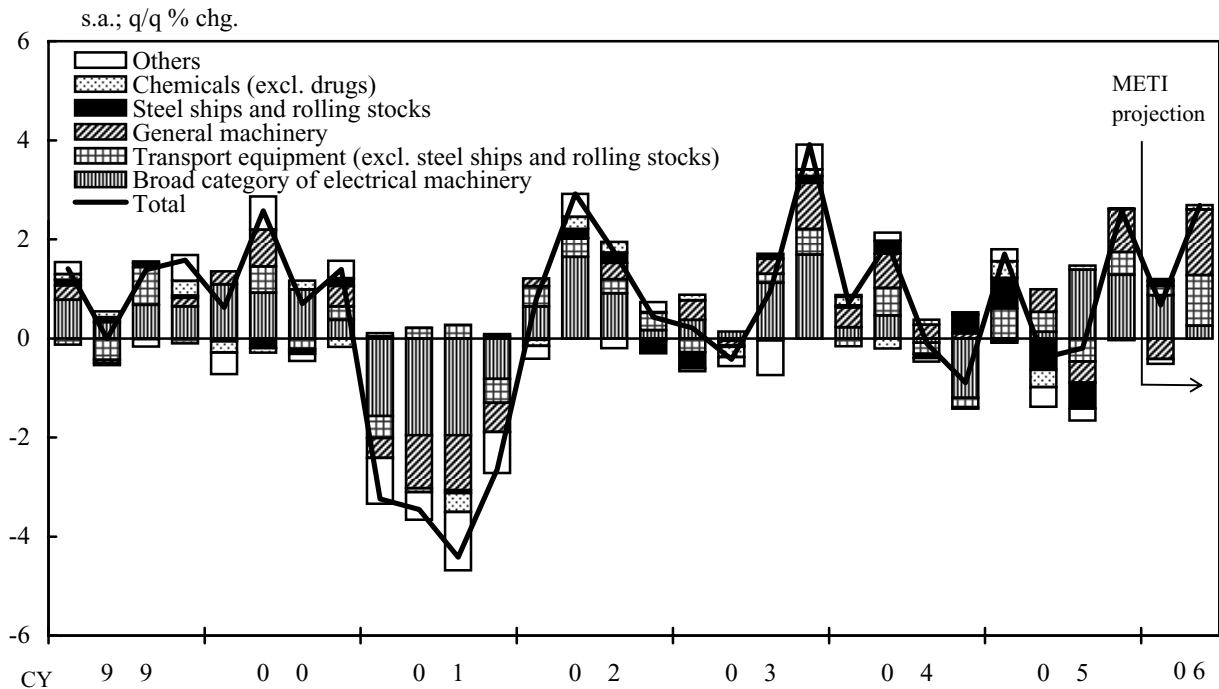
Sources: Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts," etc.

Production, Shipments and Inventories

(1) Production, Shipments and Inventories



(2) Production by Industries

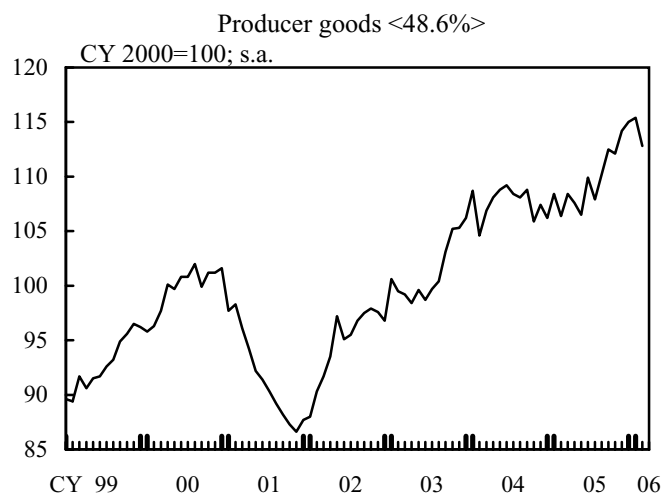
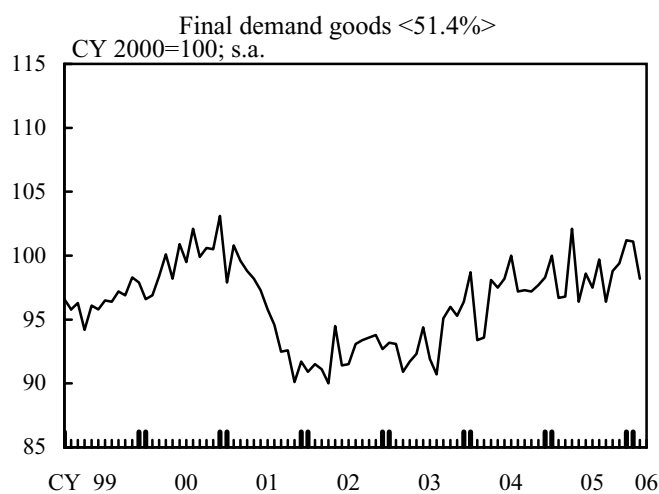


- Notes: 1. "Broad category of electrical machinery" is the weighted sum of "electrical machinery," "information and communication electronics equipment" and "electronic parts and devices."
 2. 2006/Q1 figures are based on the actual levels in Jan. and Feb., and the METI projection level in March. 2006/Q2 figures are based on the assumption that production level in May and June is the same as that of April.

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

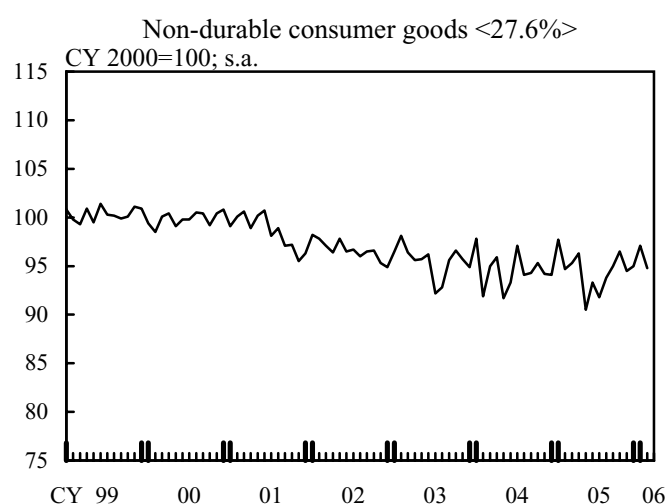
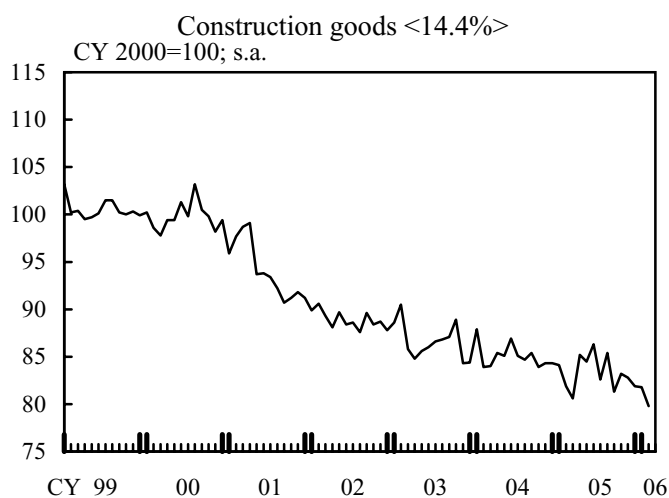
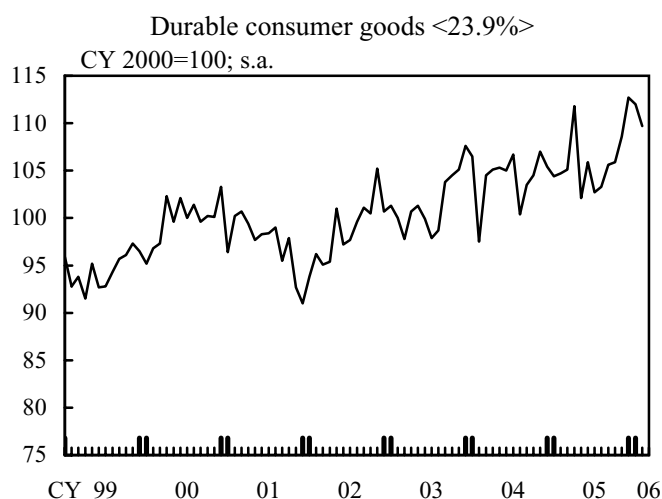
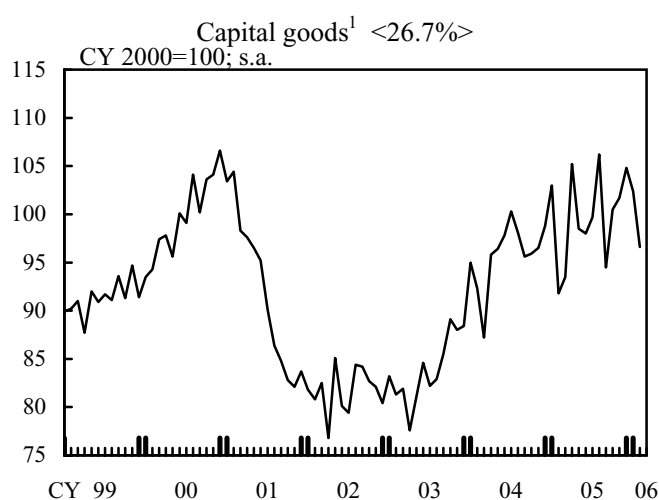
Shipments breakdown by type of goods

(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

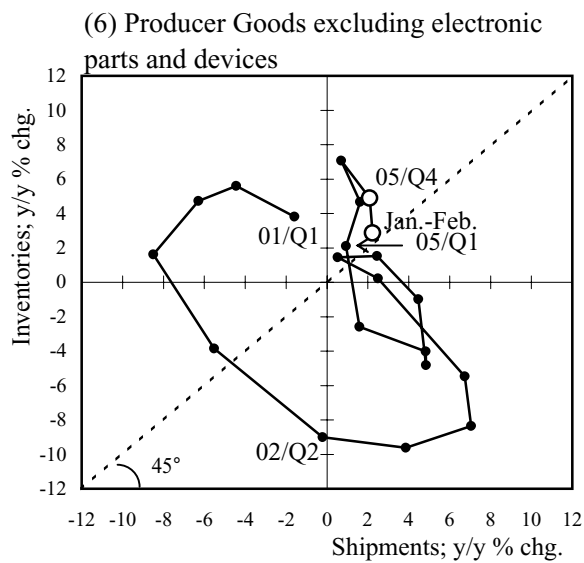
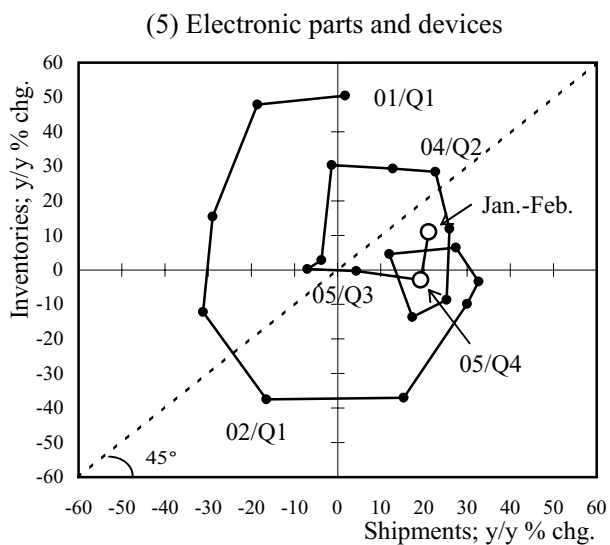
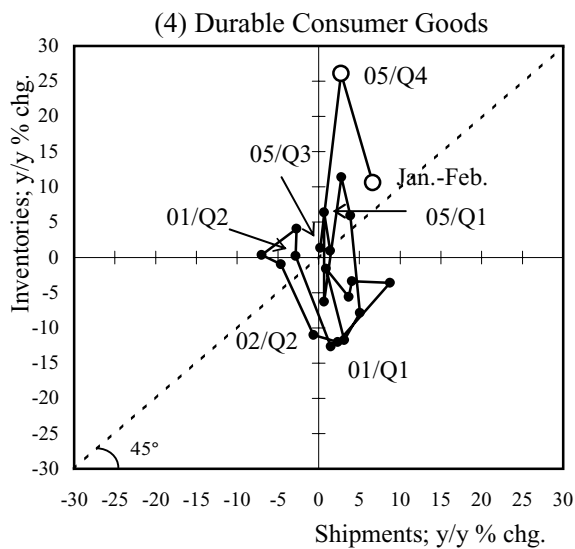
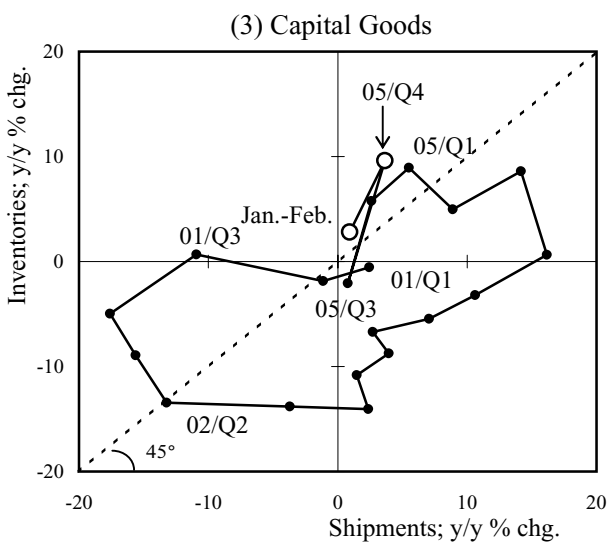
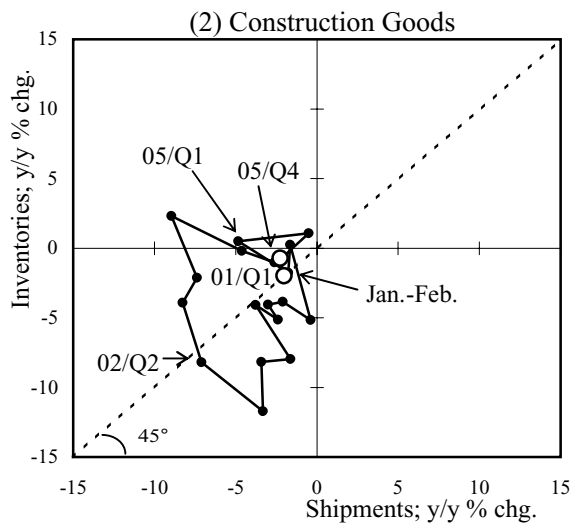
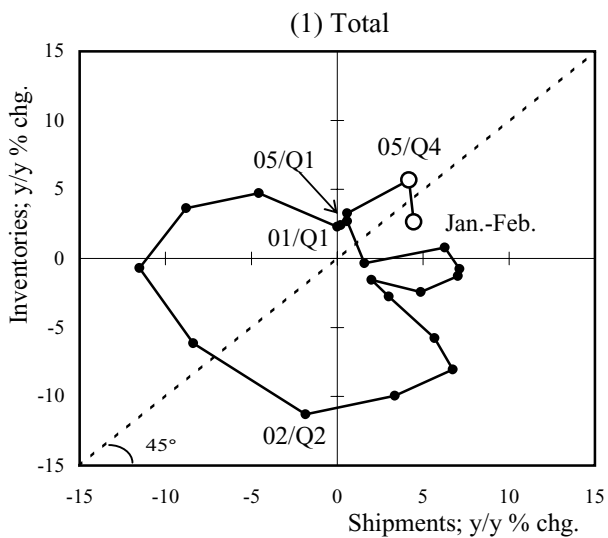


Notes: 1. Excluding transport equipment.

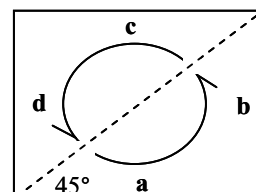
2. Shares of shipments of final demand goods are shown in angle brackets.

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

Inventory Cycle

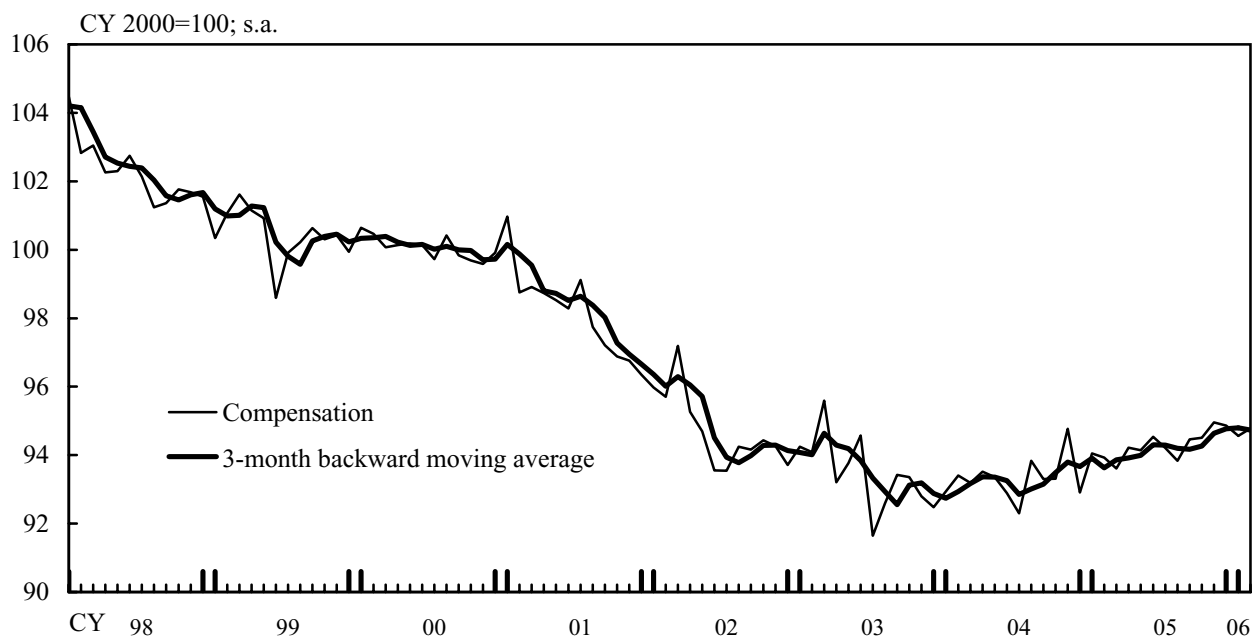


- a Shipment recovery phase
- b Intended inventory accumulation phase
- c Unintended inventory accumulation phase
- d Inventory adjustment phase



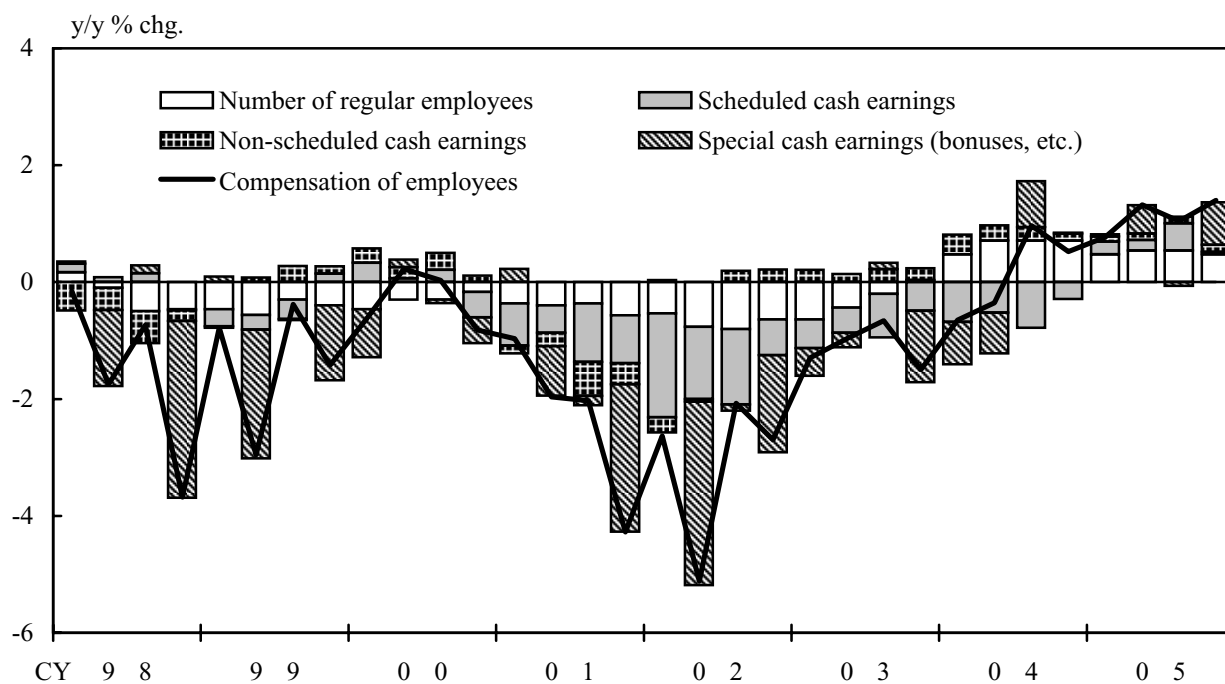
Compensation of Employees

(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.

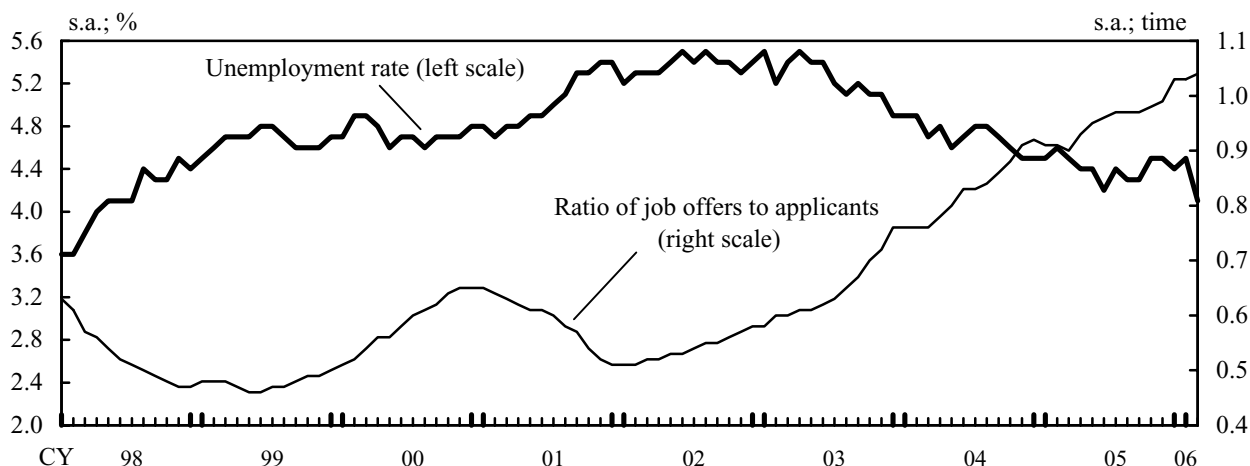
(2) Breakdown of Compensation



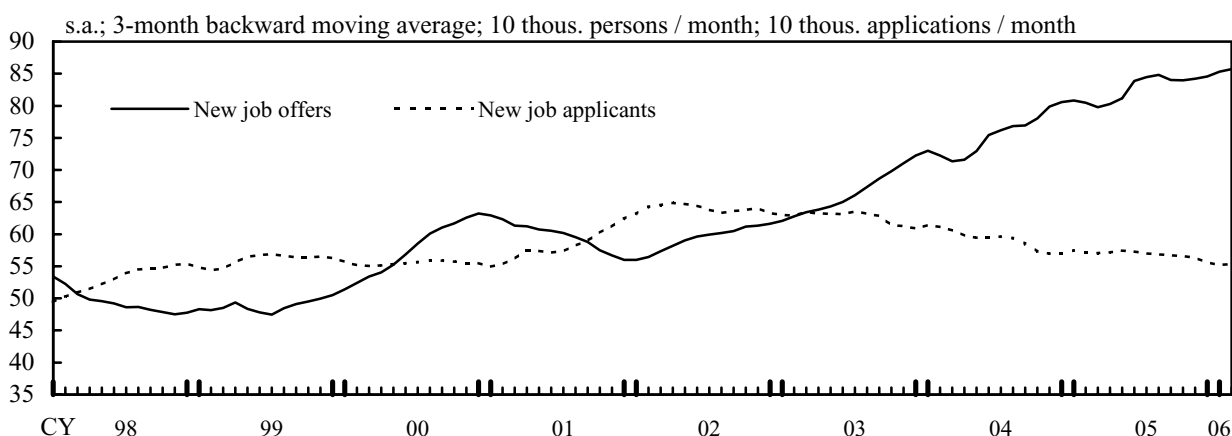
- Notes: 1. Data are for establishments with at least 5 employees.
2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.

Labor Market (1)

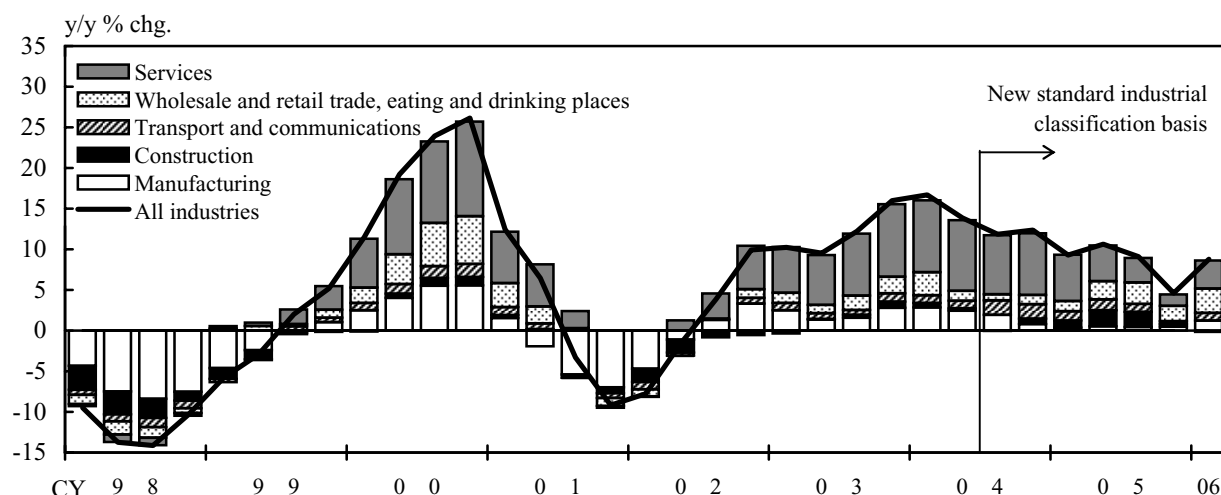
(1) Unemployment Rate and Ratio of Job Offers to Applicants



(2) New job offers and New job applicants¹



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

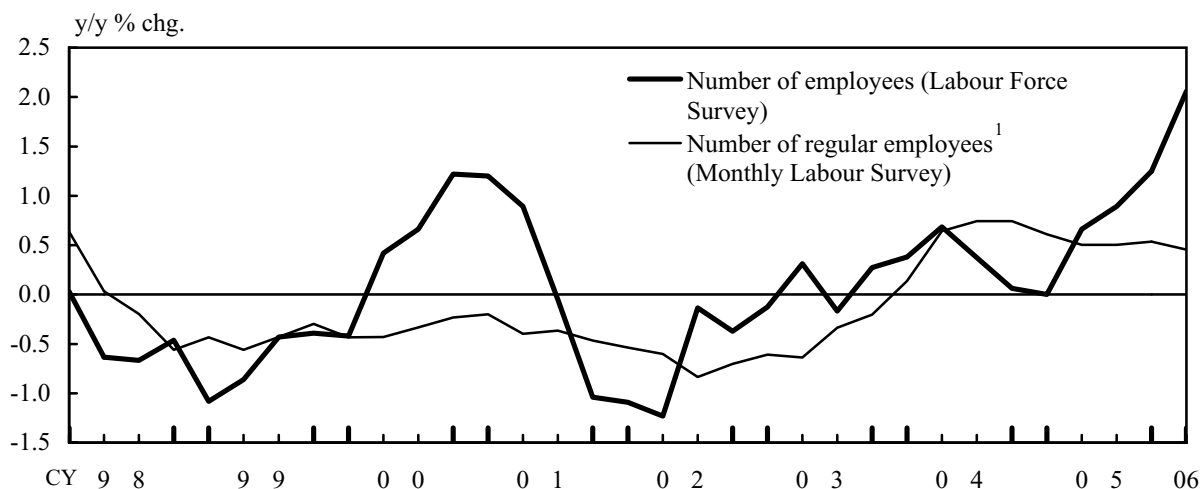


- Notes: 1. Figures do not include jobs offered to new graduates, but include those offered to part-time workers.
 2. Figures up to 2004/Q2 are based on the previous Standard Industrial Classification. Figures from 2004/Q3 are based on new Standard Industrial Classification. To keep the continuation 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-February averages.

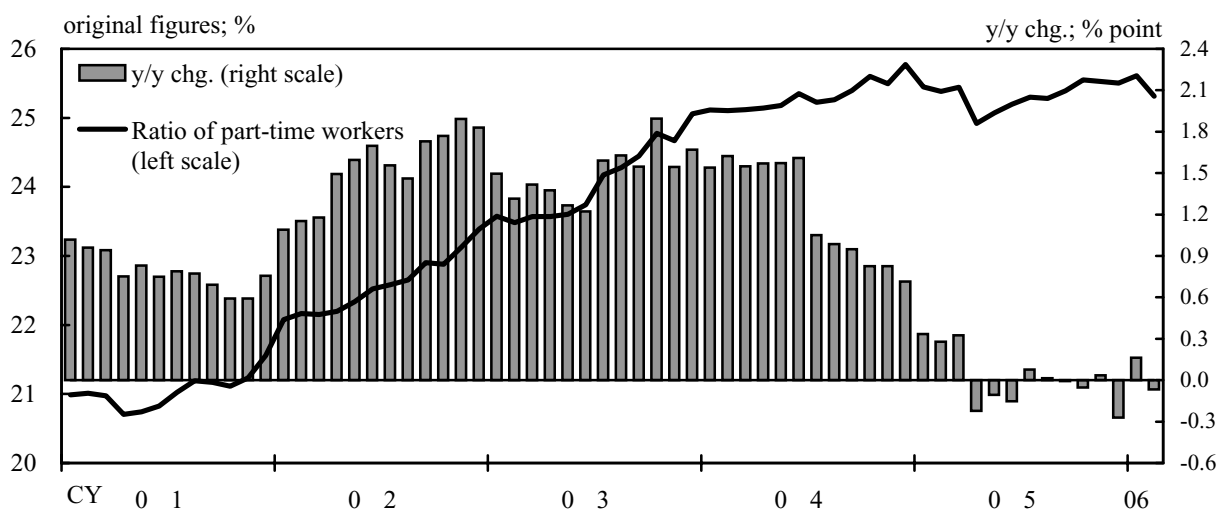
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service"; Ministry of Internal Affairs and Communications, "Labour Force Survey."

Labor Market (2)

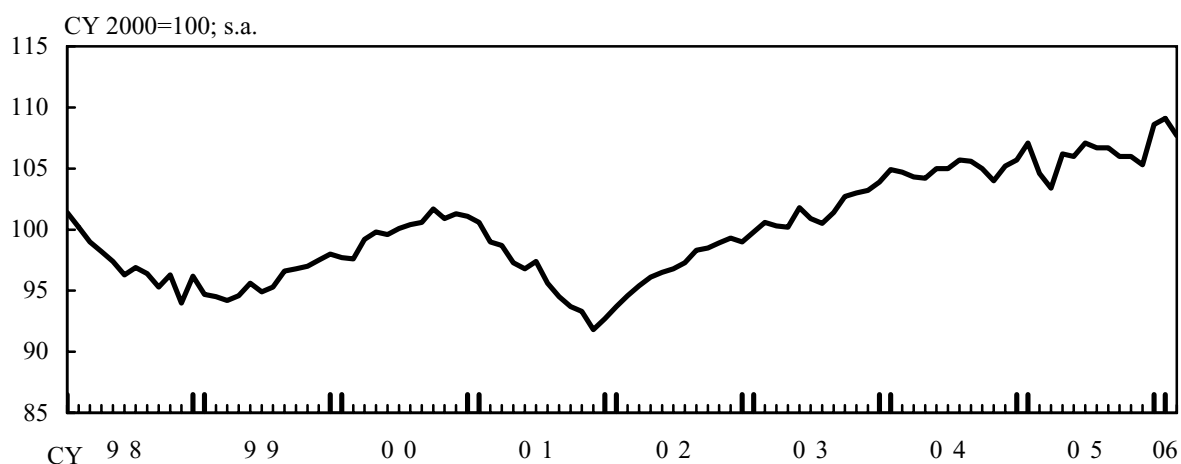
(1) Number of Employees³



(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.

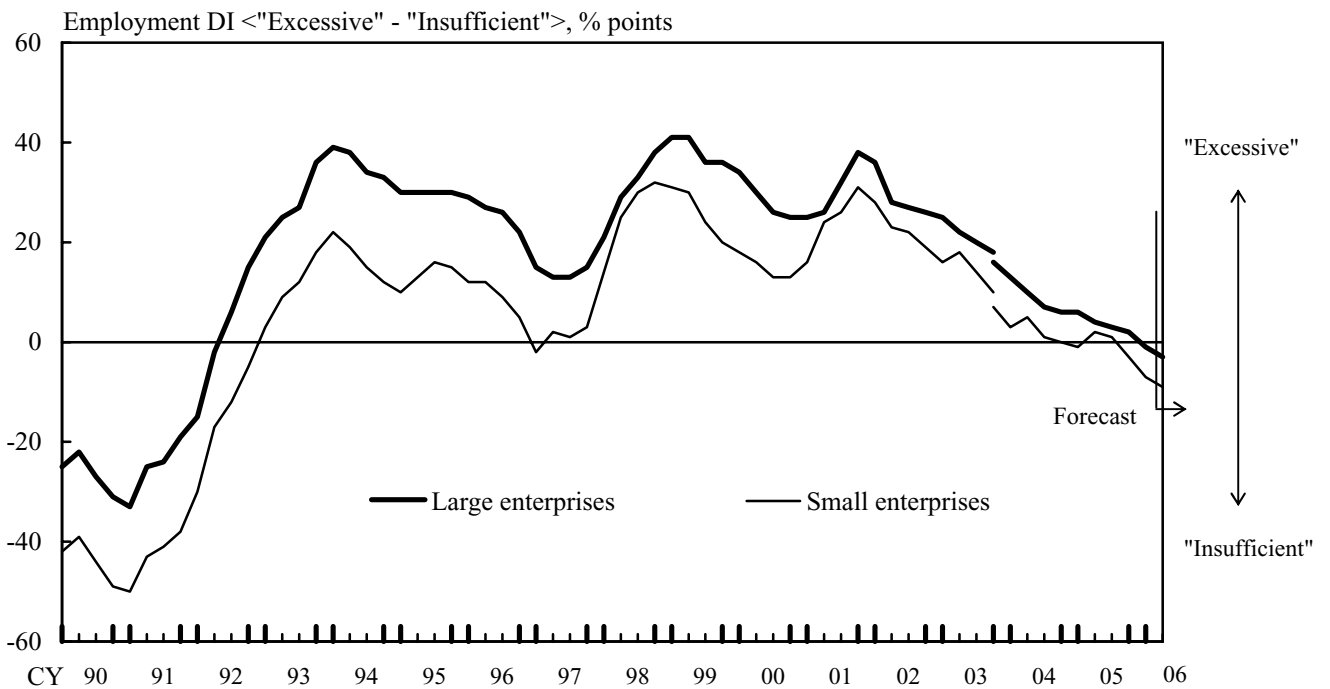
2. Ratio of part-time workers is calculated as number of part-time workers divided by number of regular employees times 100.

3. Figures for 2006/Q1 are those of January-February averages.

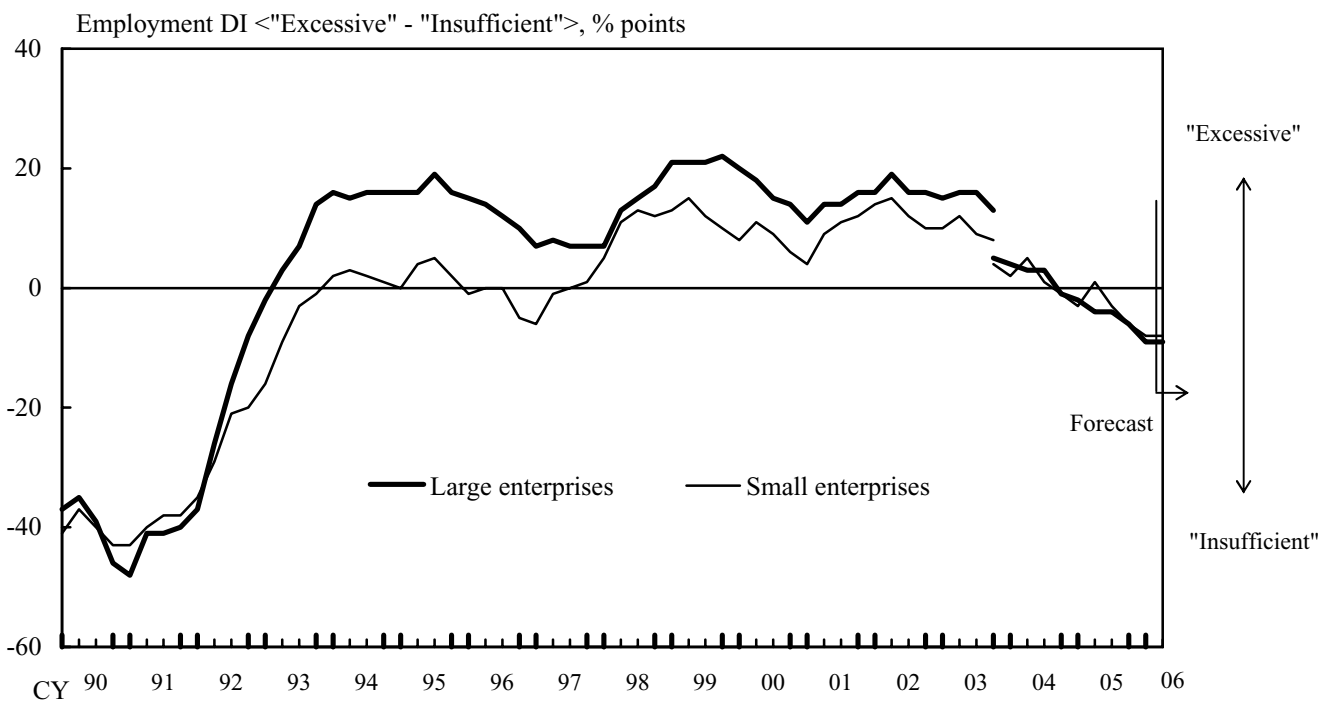
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
Ministry of Internal Affairs and Communications, "Labour Force Survey."

Employment Conditions

(1) Manufacturing



(2) Nonmanufacturing

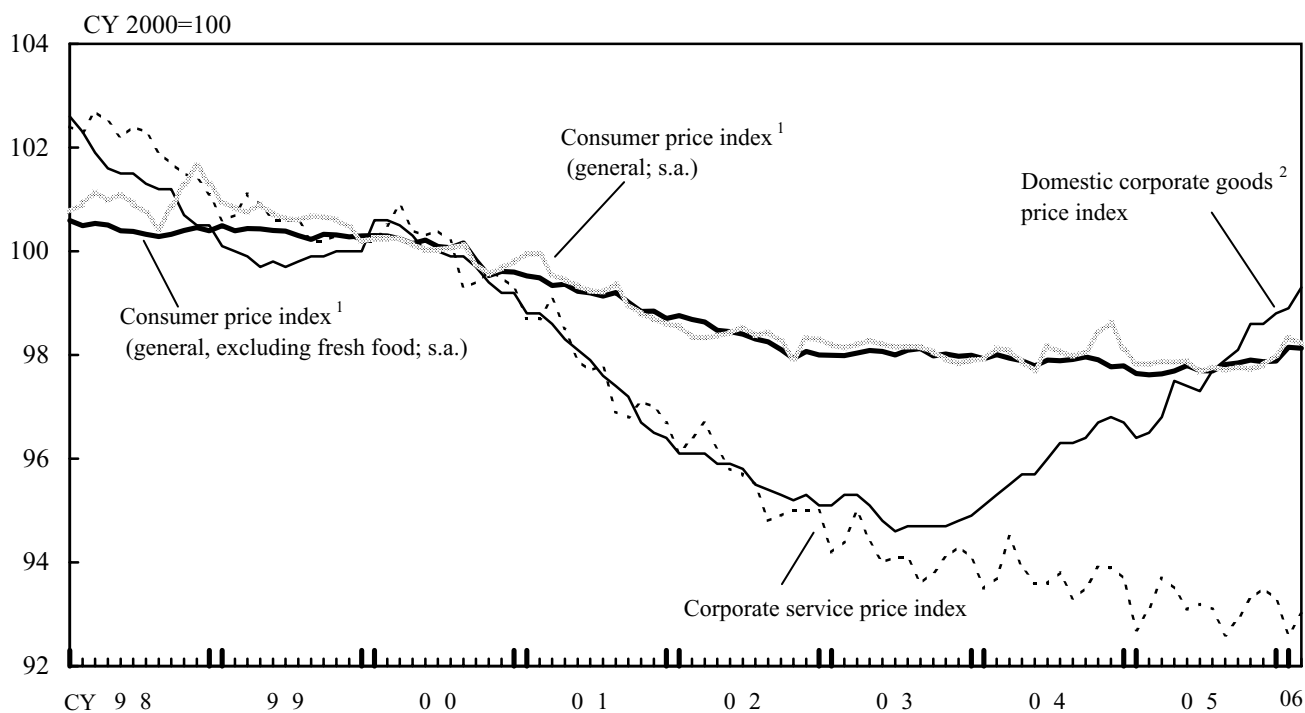


Note: The *Tankan* has been revised from the March 2004 Survey. Figures up to the December 2003 Survey are based on the previous data sets. Figures from the December 2003 Survey are on a new basis.

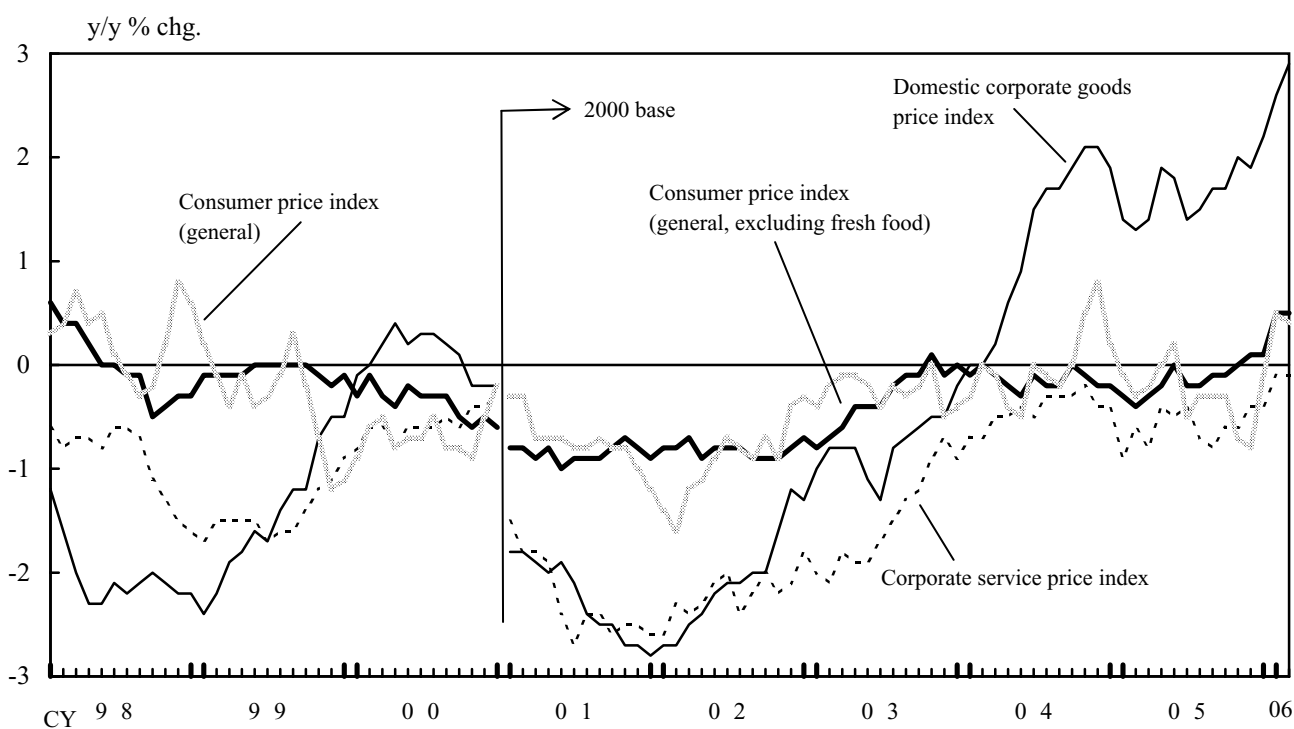
Source: Bank of Japan, "*Tankan* , Short-term Economic Survey of Enterprises in Japan."

Prices³

(1) Level



(2) Changes from a year earlier³



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

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

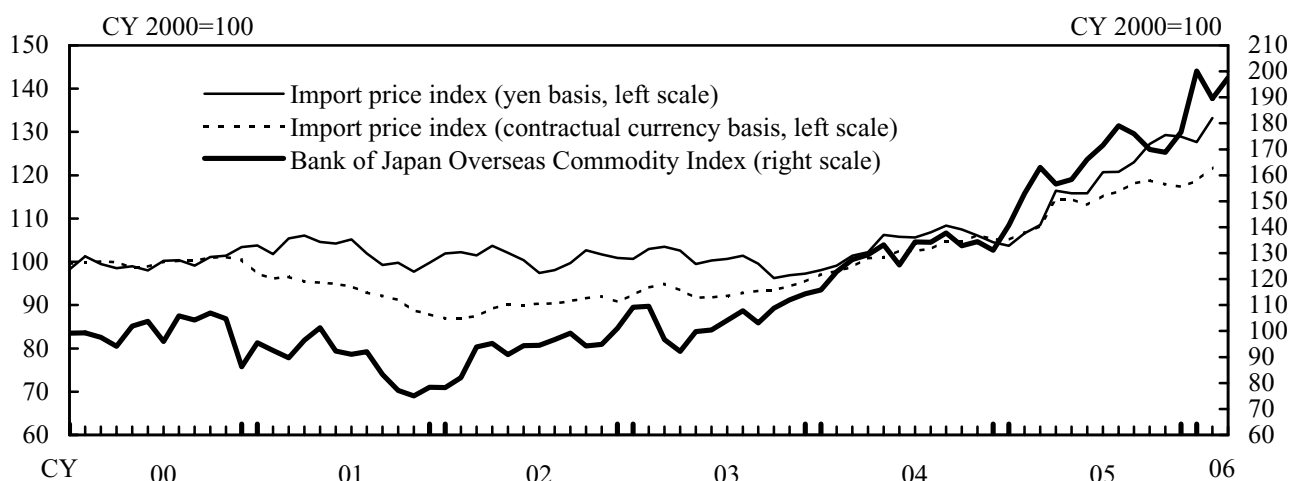
3. Figures until CY 2000 are on the 1995 base. Adjusted to exclude the effects of the consumption tax hike on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

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

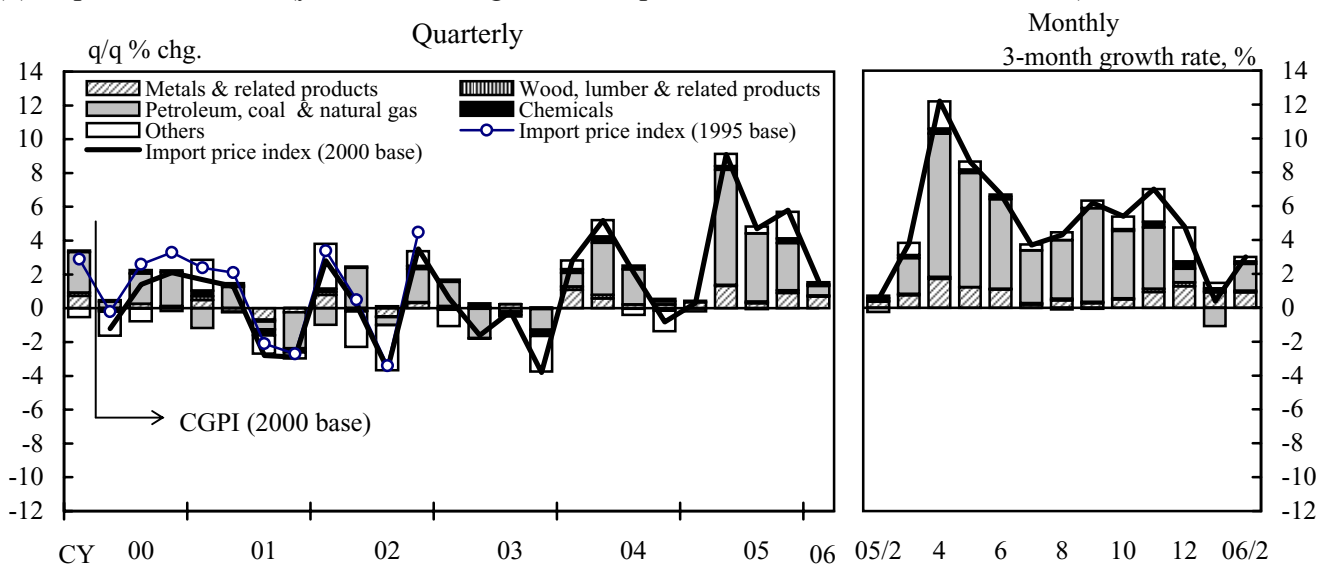
Bank of Japan, "Corporate Goods Price Index," "Wholesale Price Indexes," "Corporate Service Price Index."

Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index

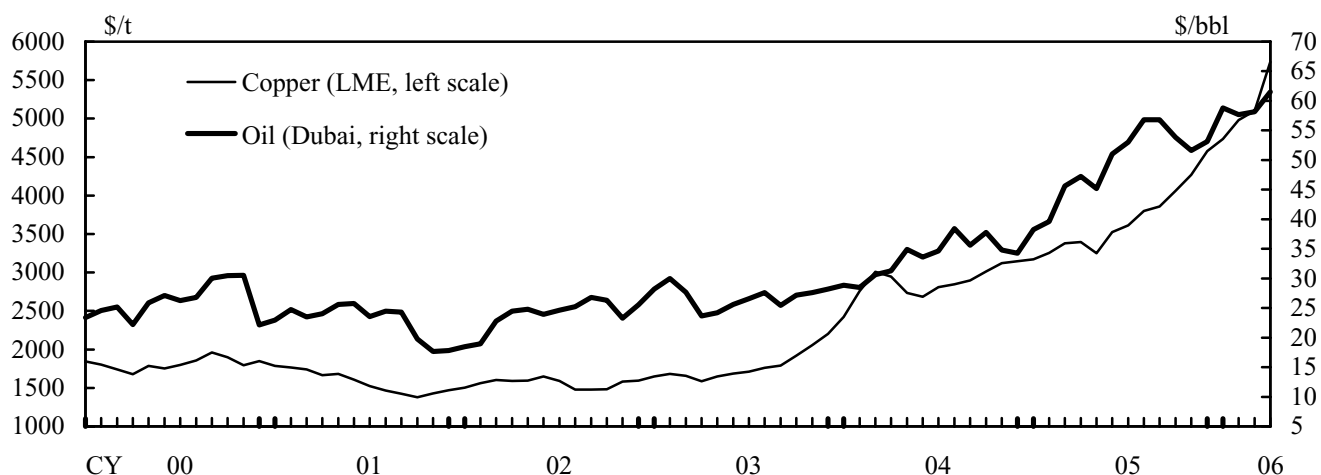


(2) Import Price Index (yen basis, changes from a quarter earlier and 3 months earlier)



Note: Figures for 2006/Q1 are Jan.-Feb. averages.
 1995 base figure for 2002/Q4 is Oct.-Nov. average.

(3) Oil price and Copper price

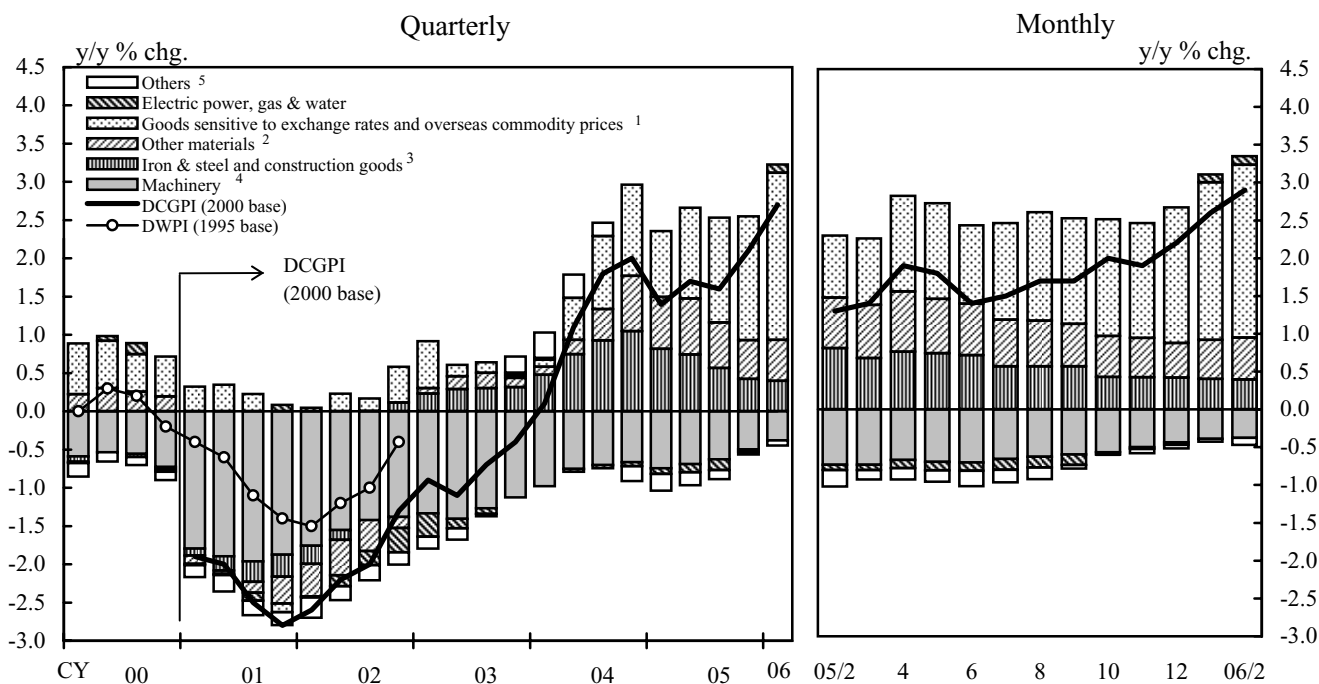
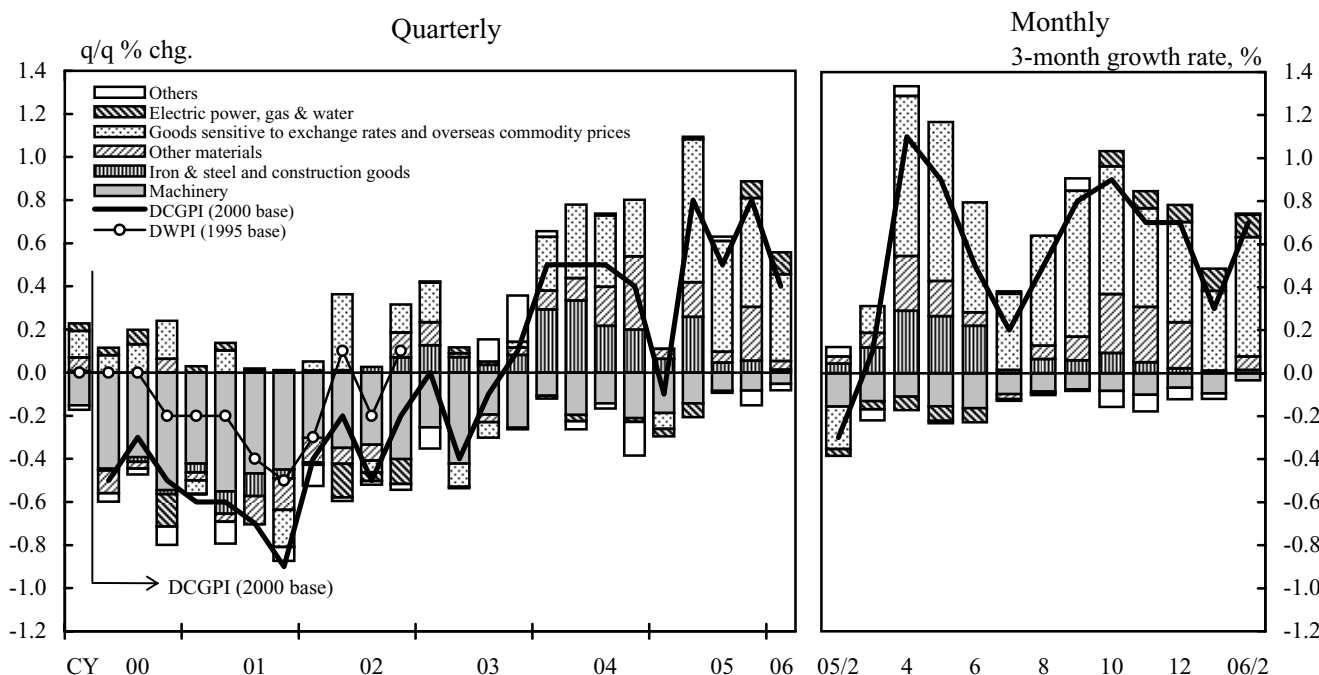


Note: Monthly averages. Figures for April 2006 are the averages up to April 10.

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

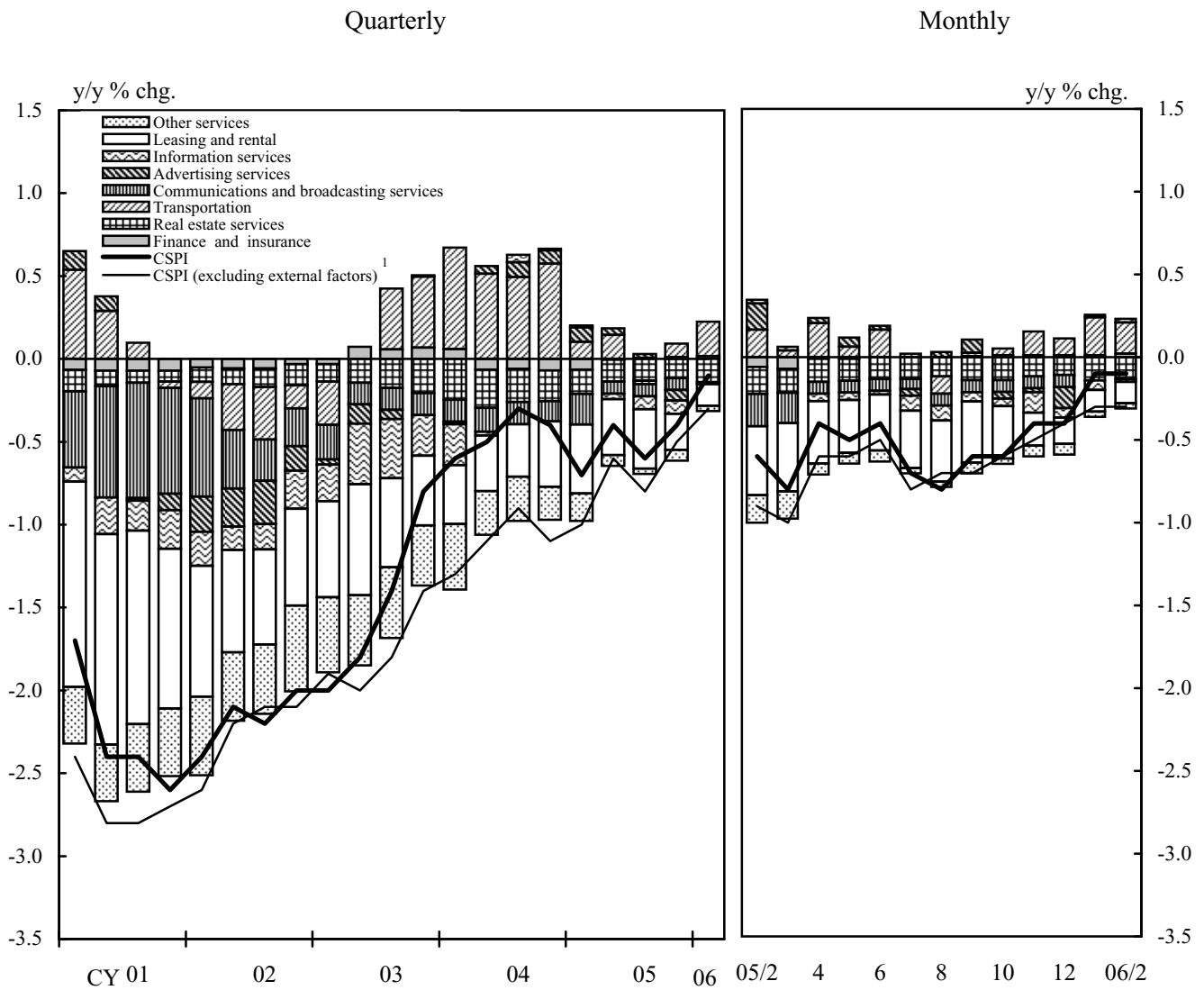
Domestic Corporate Goods Price Index⁷

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

Corporate Service Price Index



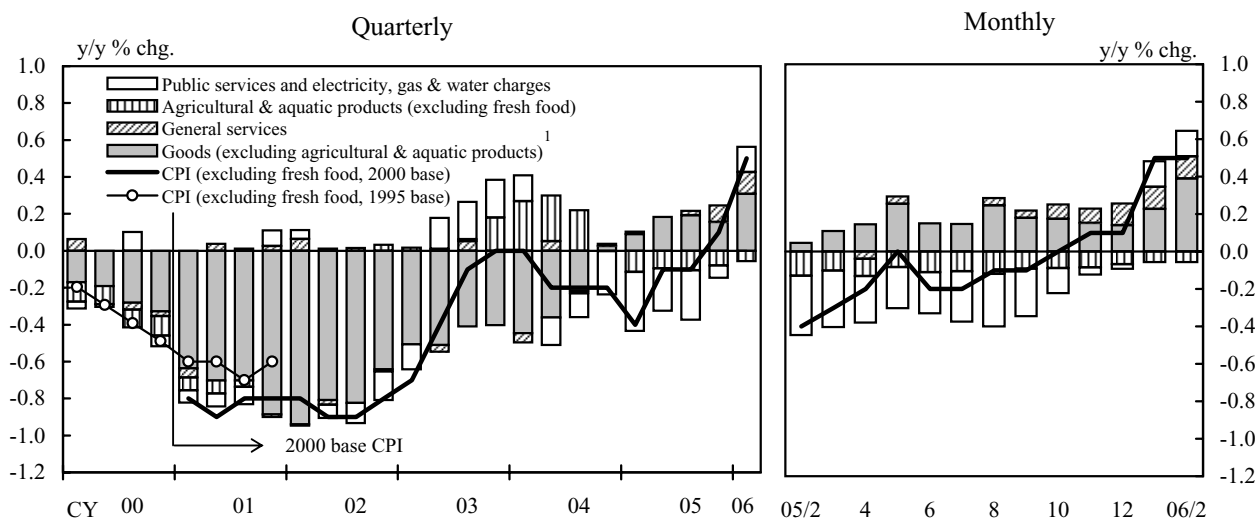
Notes: 1. External factors; international air passenger transportation, ocean liner, ocean tramper, ocean tanker, oceangoing ship chartering services, and international air freight.

2. Figures for 2006/Q1 are Jan.-Feb. averages.

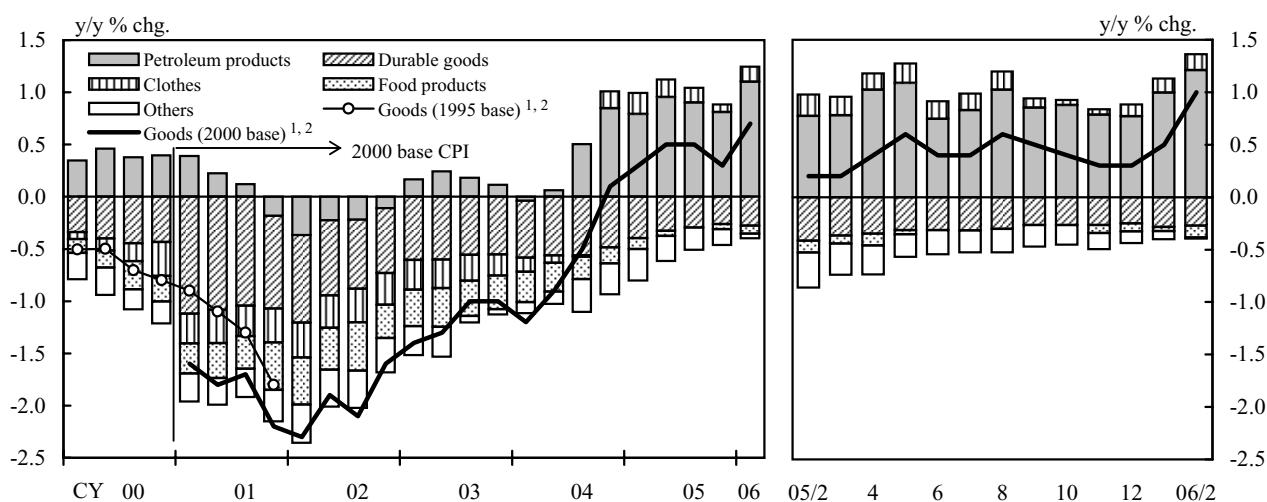
Source: Bank of Japan, "Corporate Service Price Index."

Consumer Price Index (excluding fresh food)

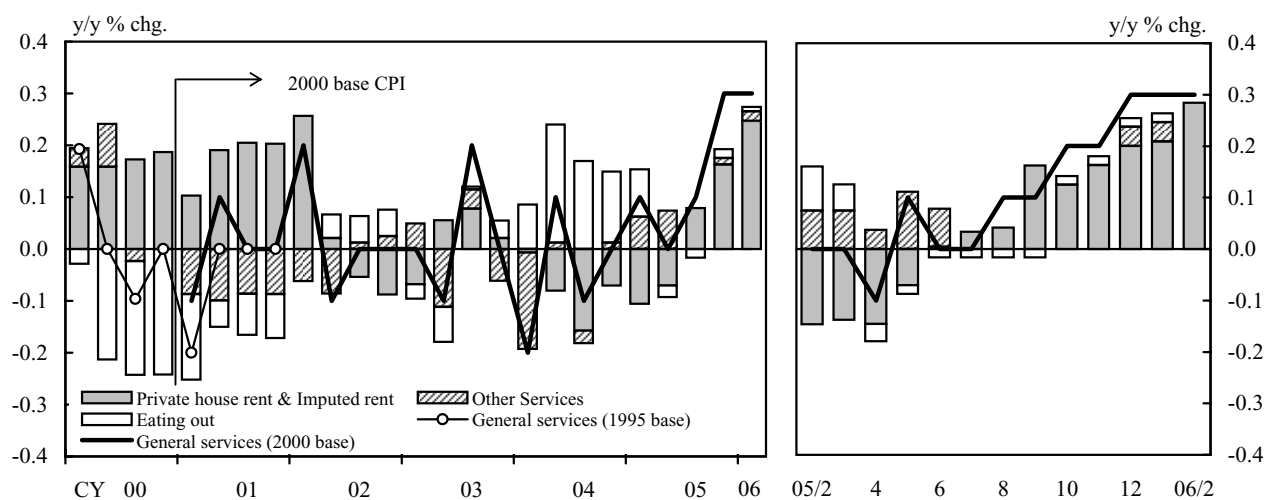
(1) Consumer price index (excluding fresh food)



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



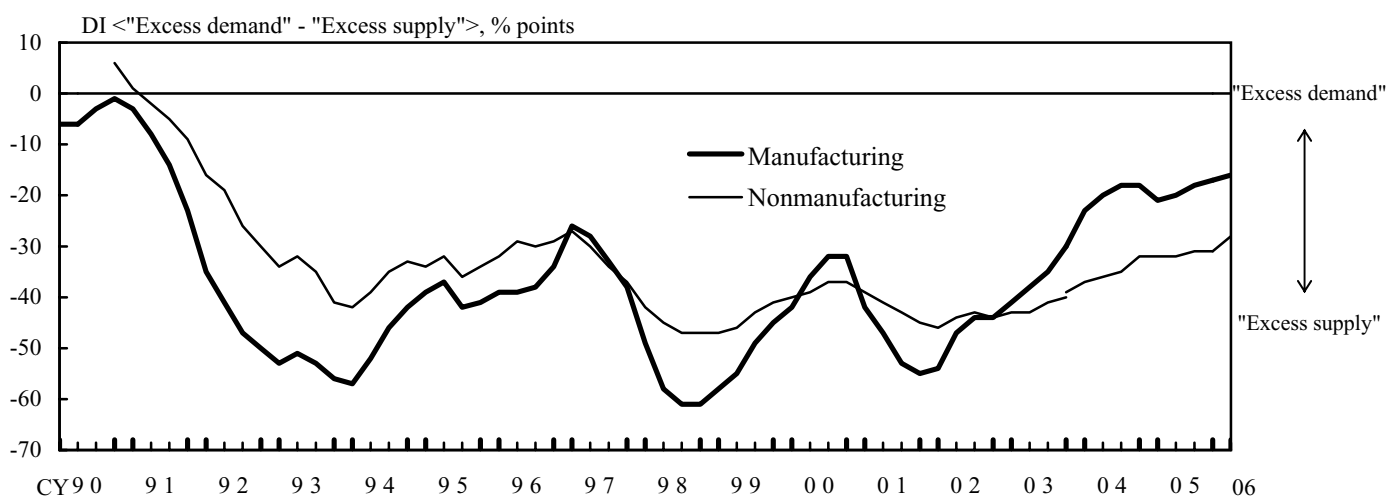
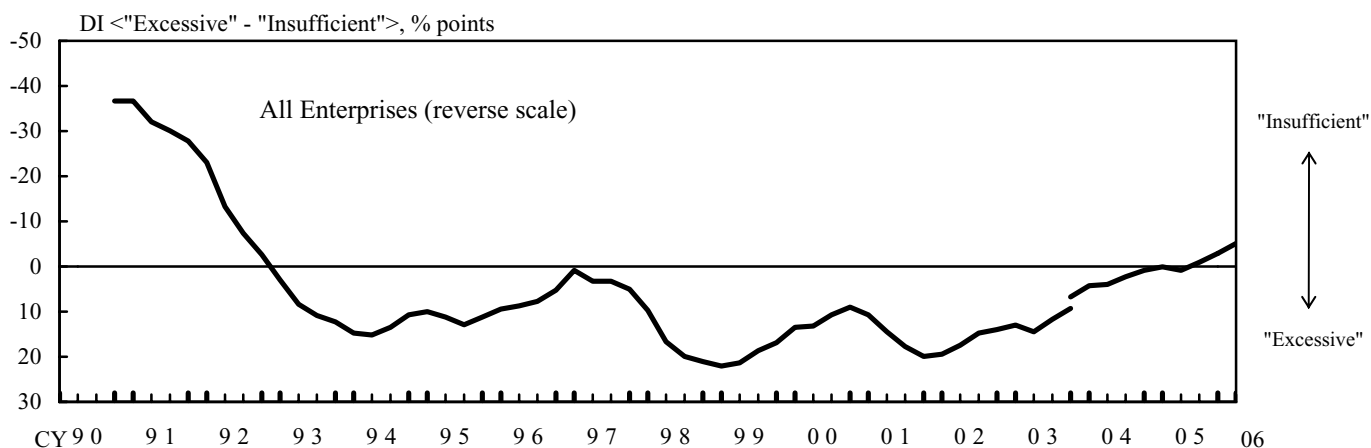
(3) General services



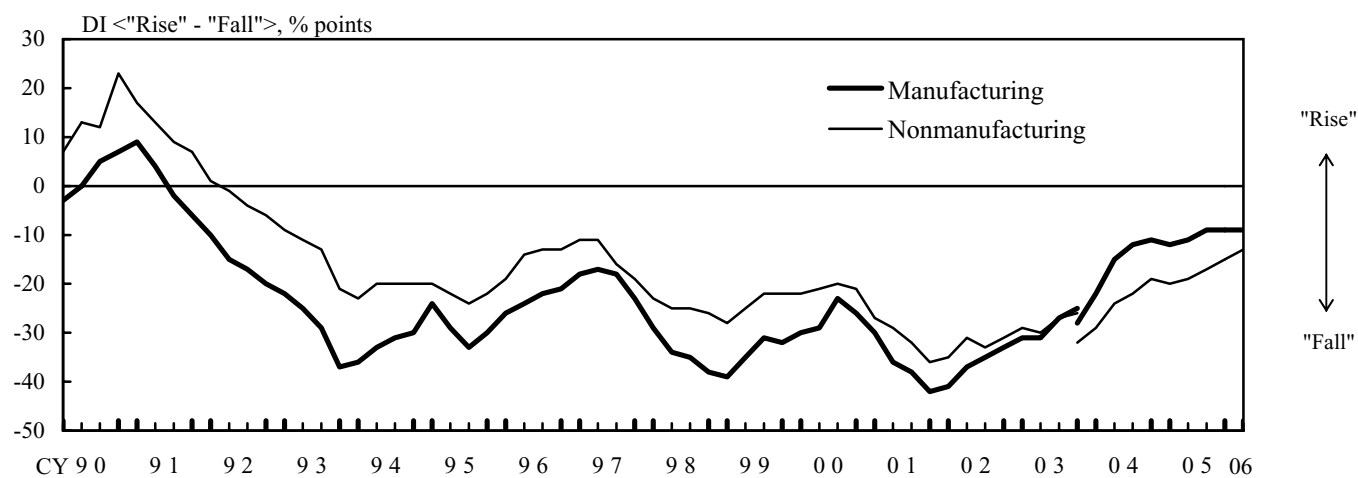
Notes: 1. The Items are basically the same as the definition published by the Ministry of Internal Affairs and Communications. However, electricity, gas & water charges is excluded from goods.
 2. Excluding agricultural & aquatic products.
 3. Figures for 2006/Q1 are Jan.-Feb. averages.

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.

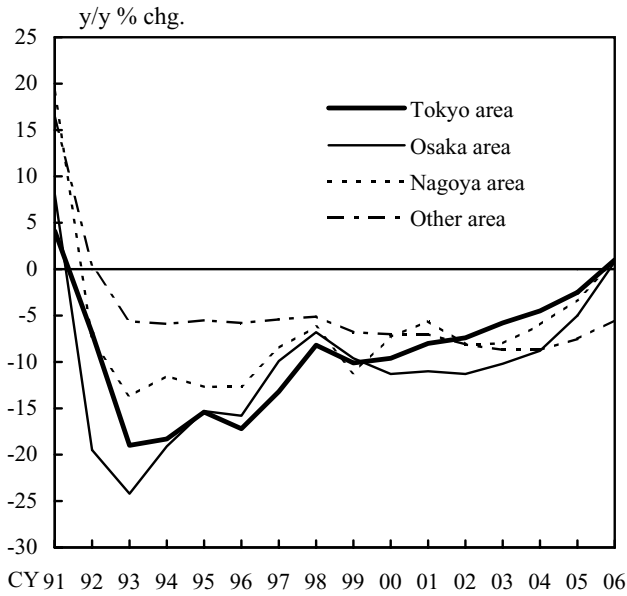
2. Figures are weighted averages of Production Capacity DI and Employment DI which show excessiveness. The FY 1990-2004 averages of capital and labor shares in national accounts are used as the weight.

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

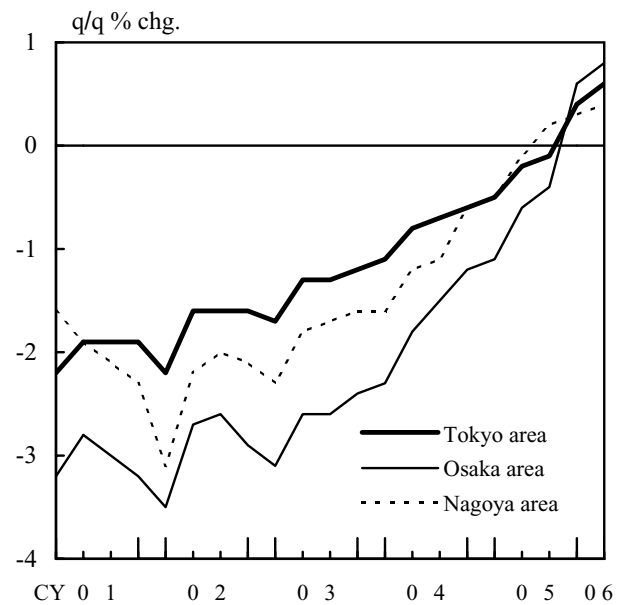
Land Prices

(1) Commercial land

(1-1) Average change (as of January 1st)

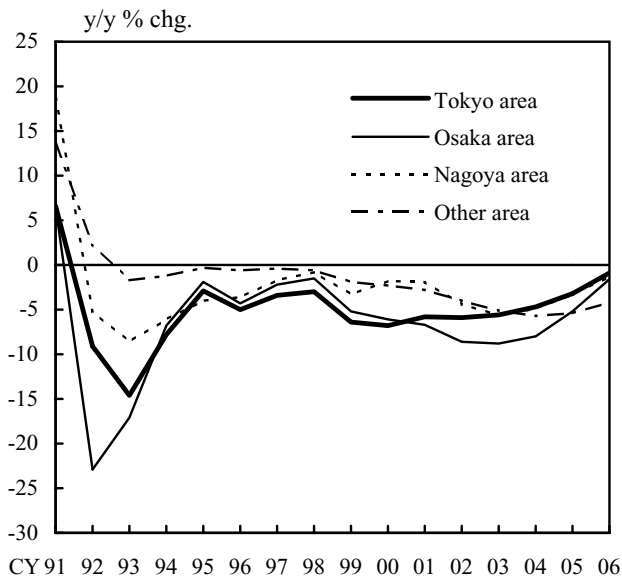


(1-2) Average change at representative locations

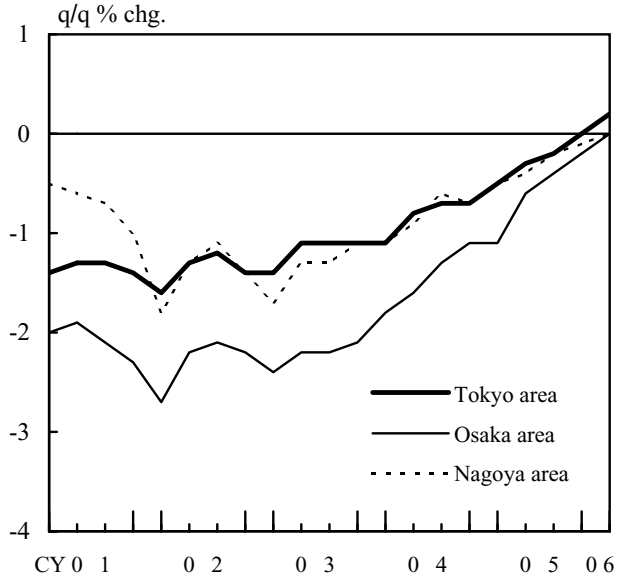


(2) Residential land

(2-1) Average change (as of January 1st)



(2-2) Average change at representative locations

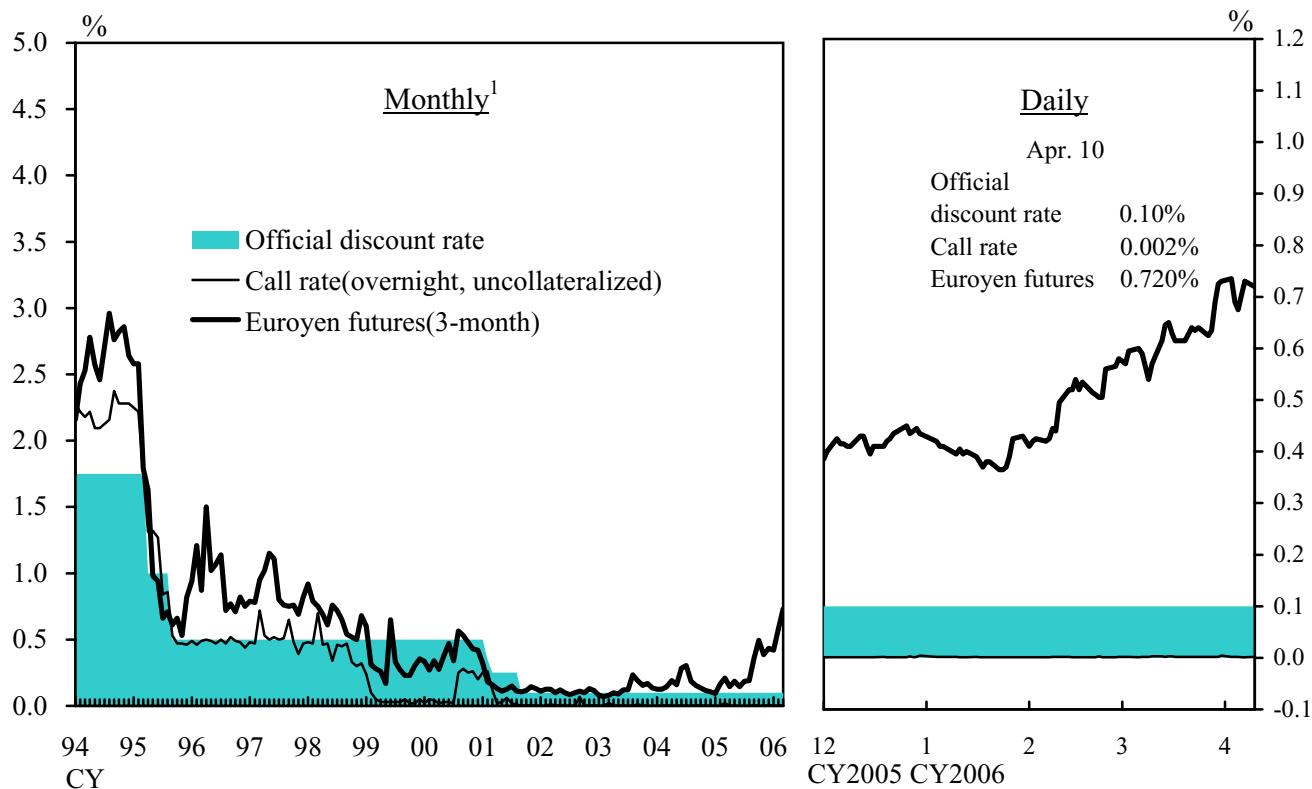


Note: *Publication of Land Price*, surveyed by the Ministry of Land, Infrastructure and Transport, shows the land prices as of January 1st. *Prefectural Land Price Survey*, surveyed by prefecture officials, shows the land prices as of July 1st. Each survey has representative locations which are basically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

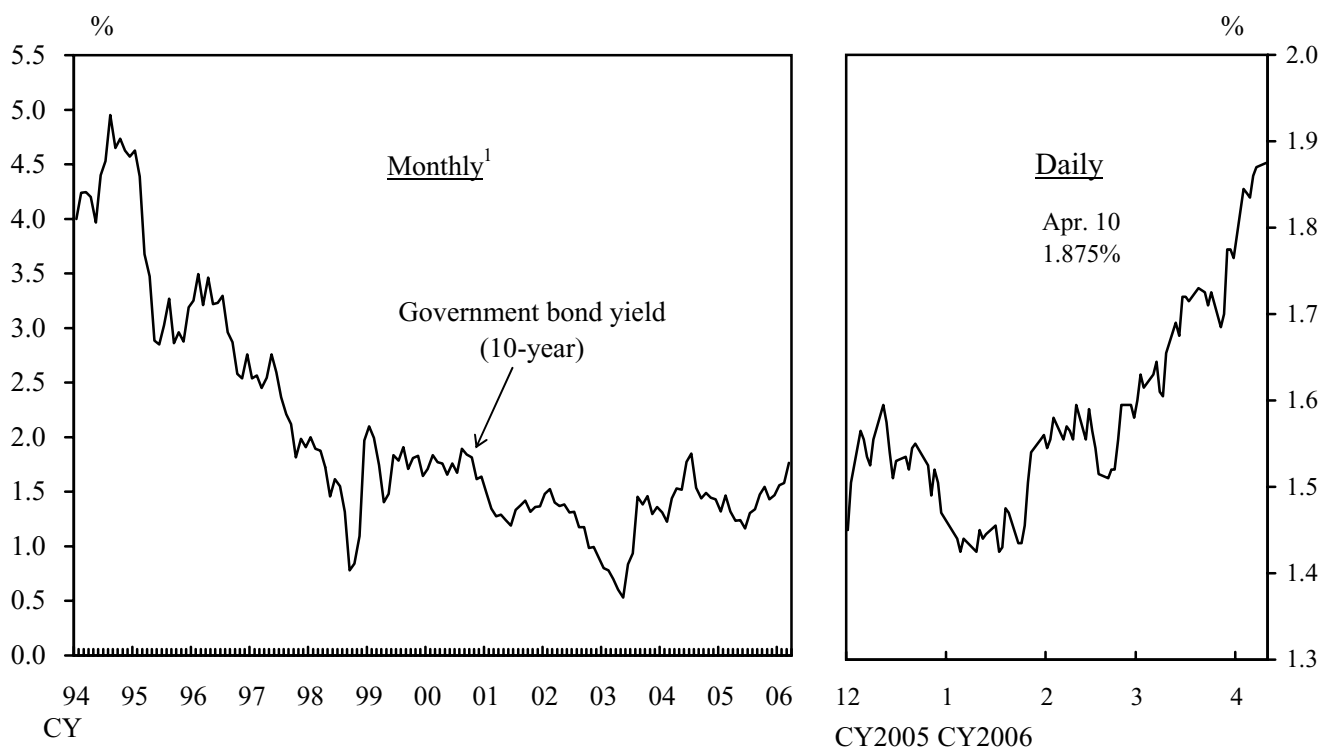
Sources: Ministry of Land, Infrastructure and Transport, "Publication of Land Price," "Prefectural Land Price Survey."

Interest Rates

(1) Short-Term



(2) Long-Term

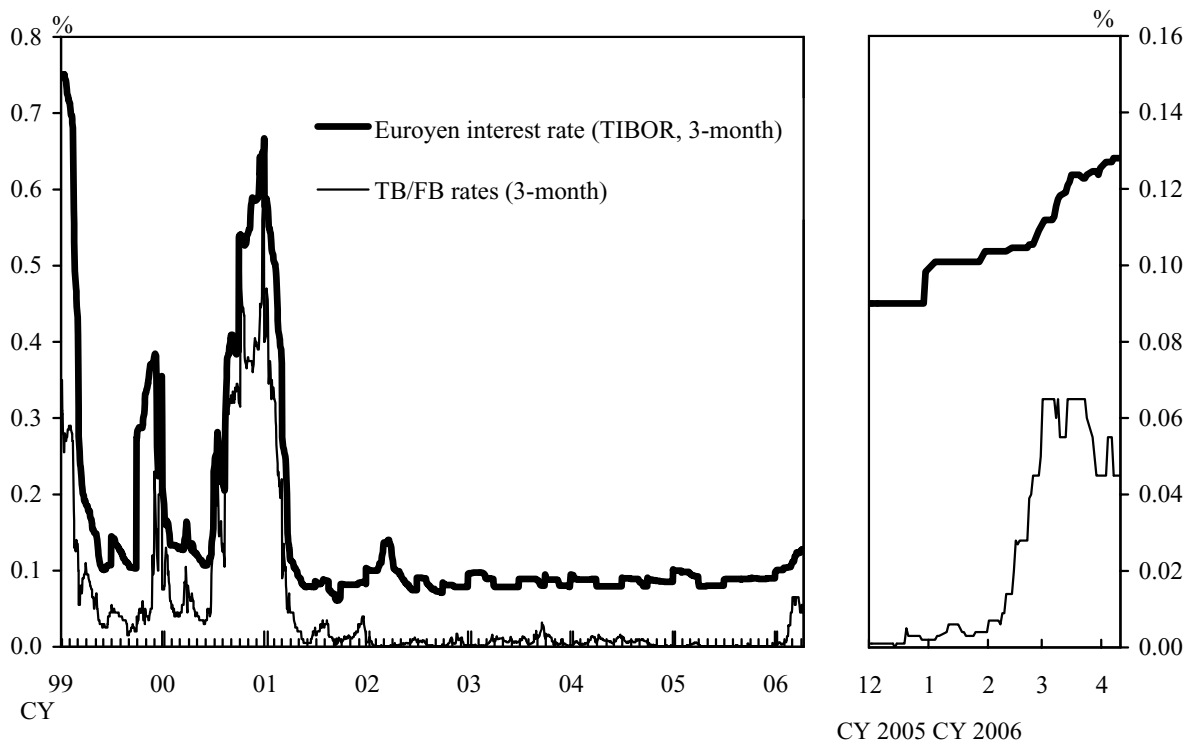


Note: 1. End of month.

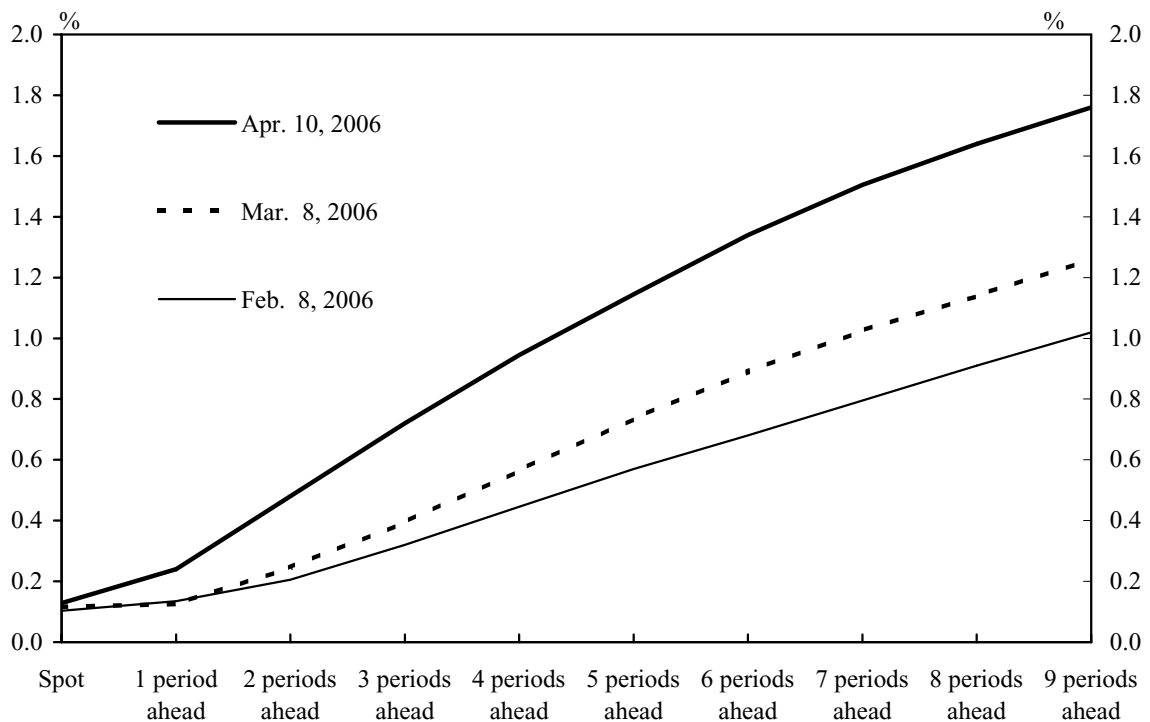
Sources: Bank of Japan; Tokyo Financial Exchange; Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments



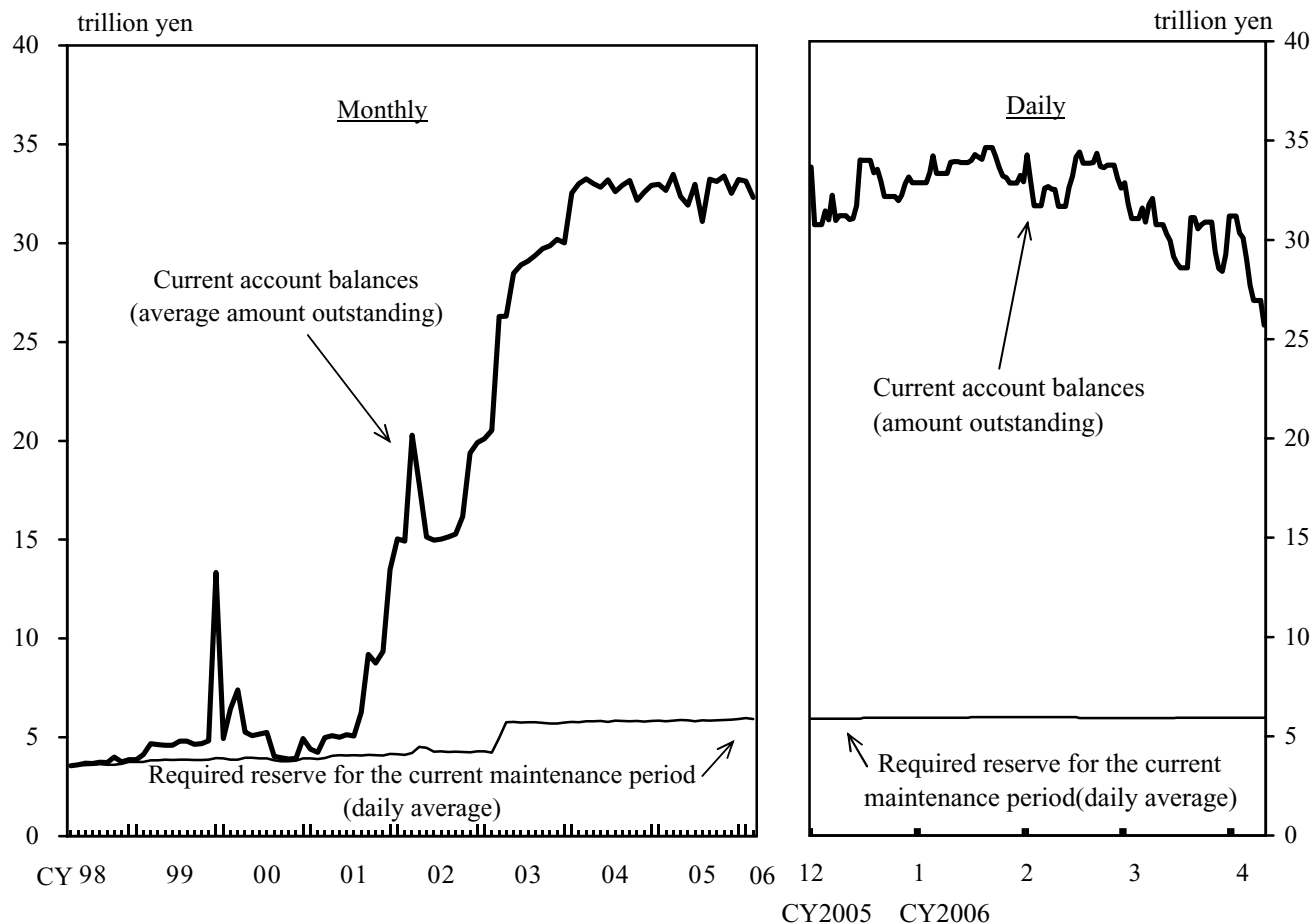
(2) Euroyen Interest Rates Futures (3-Month) ¹



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.

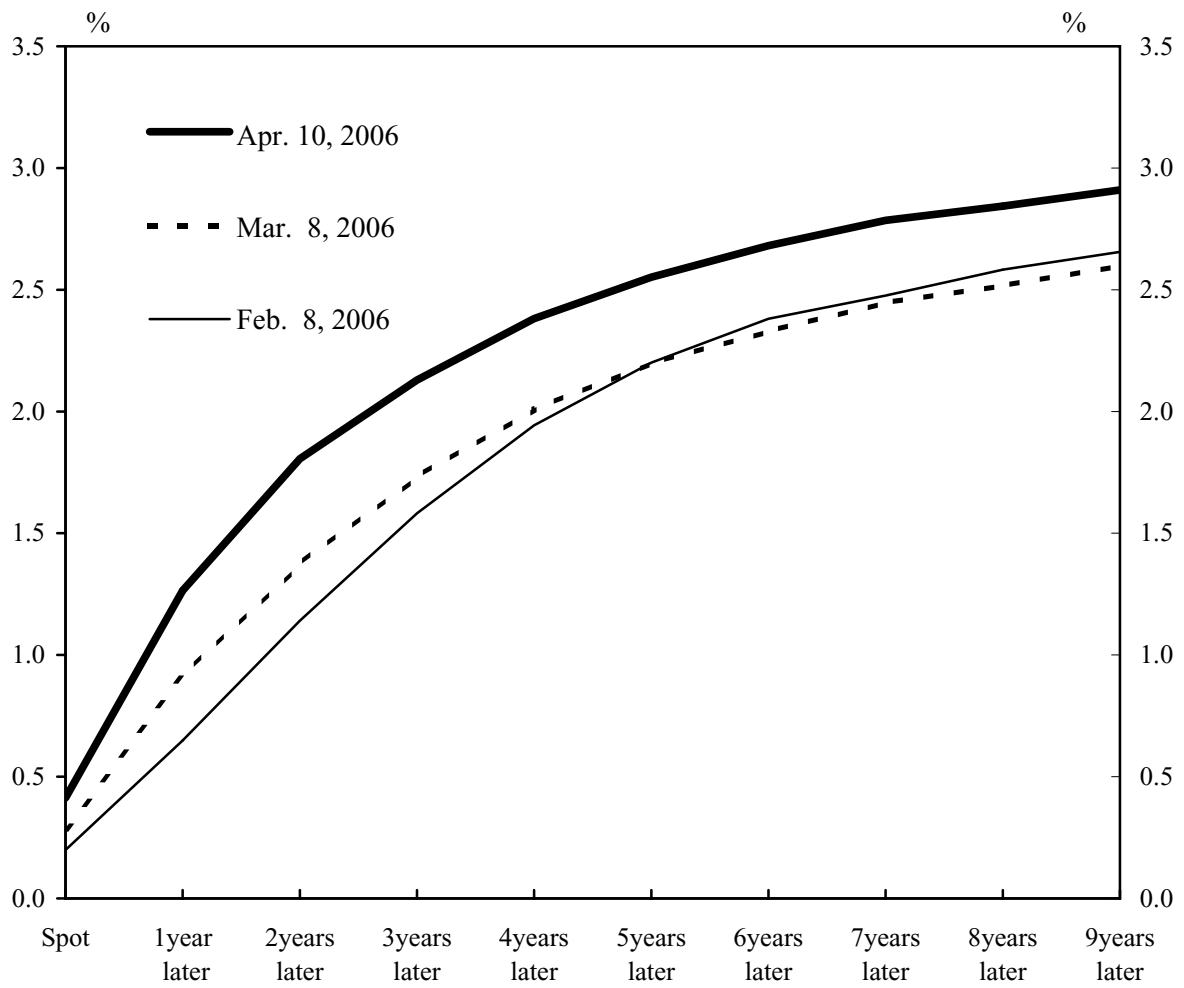
Current Account Balances at the Bank of Japan



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

Source: Bank of Japan.

Implied Forward Rates (1-year)

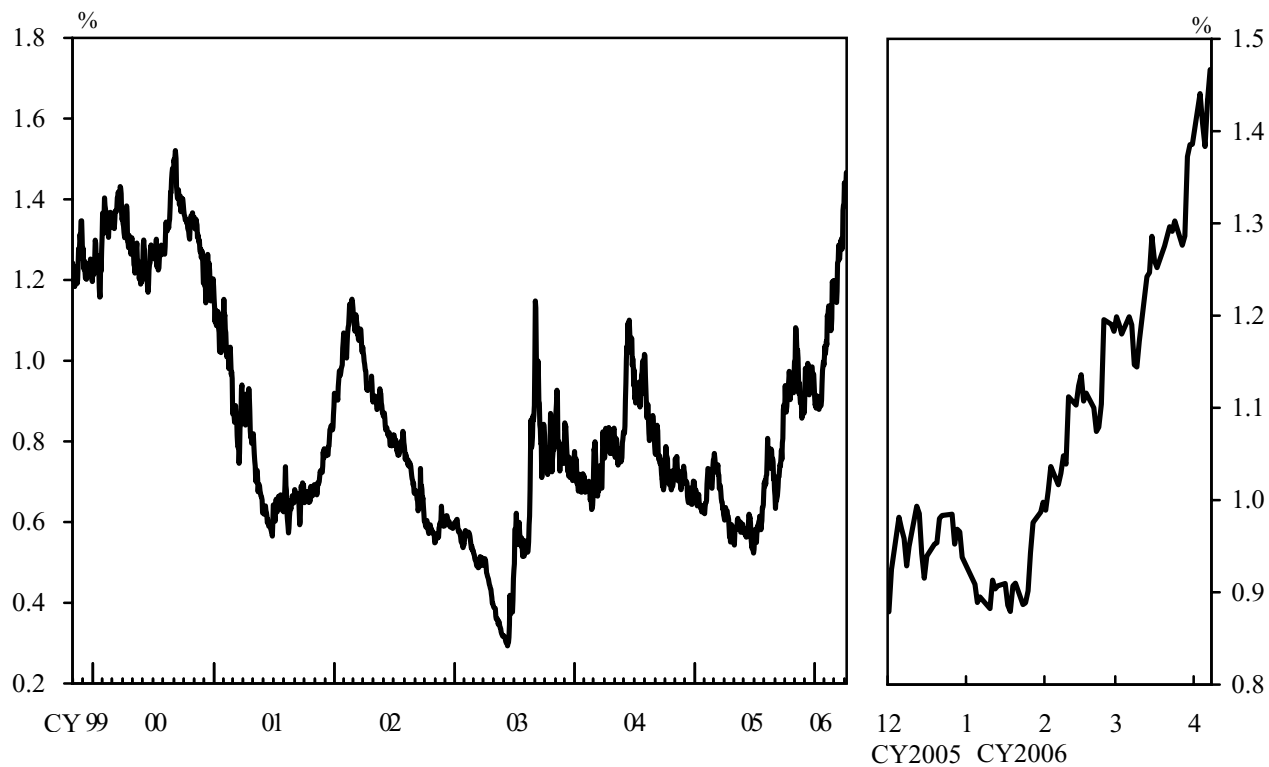


Note: Calculated from yen-yen swap rates.

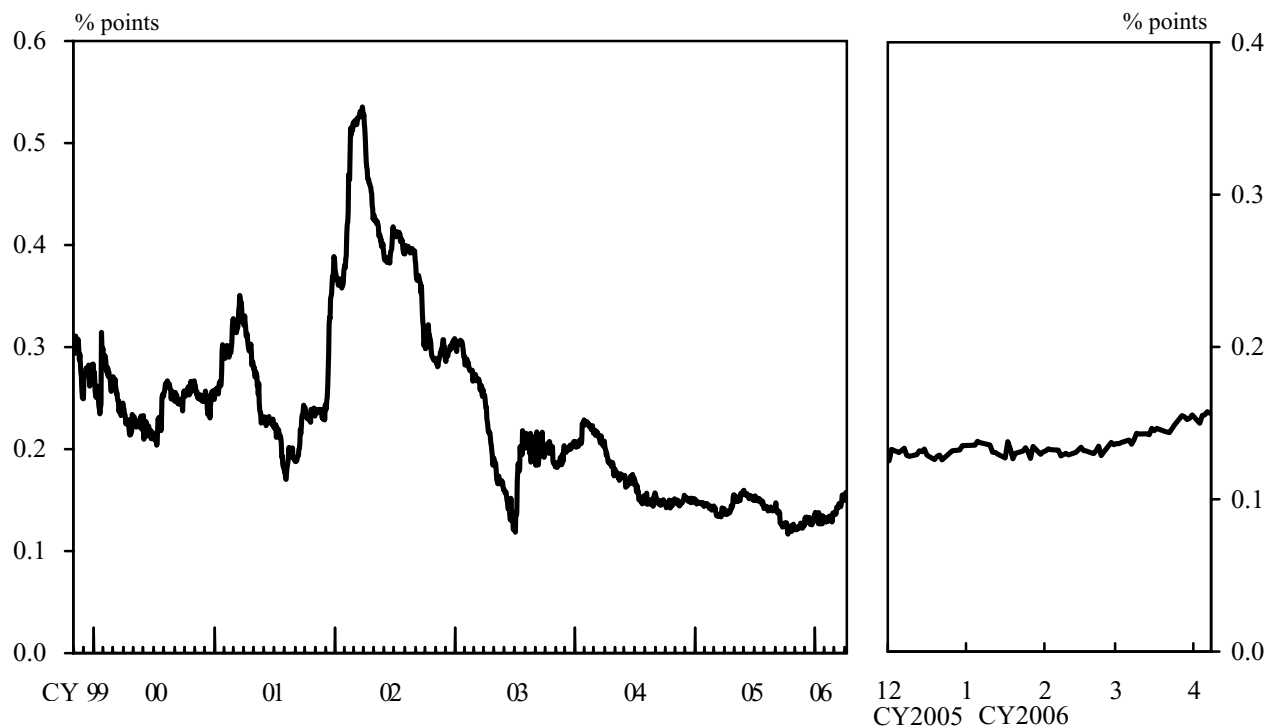
Source: Reuters.

Yields of Bank Bonds

(1) Average Bank Bond Yield



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



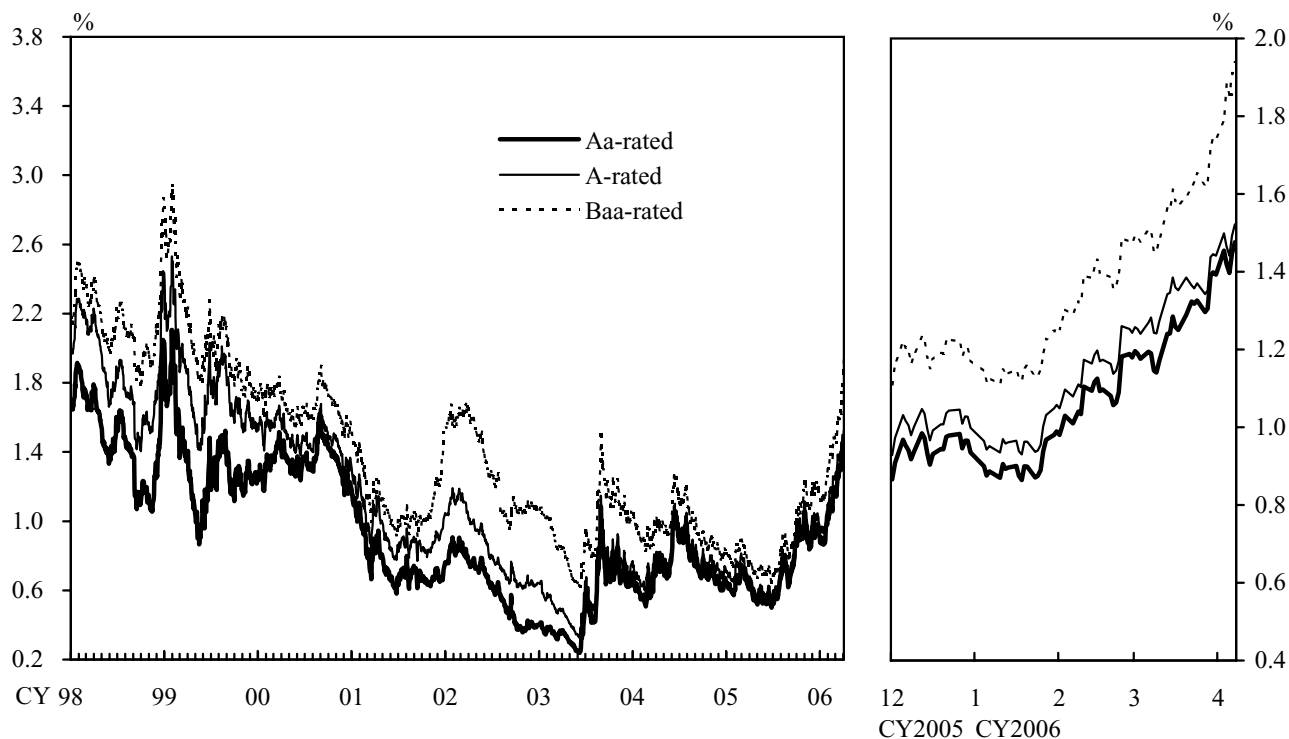
Notes: 1. Yields on bonds with 5-year maturity.

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

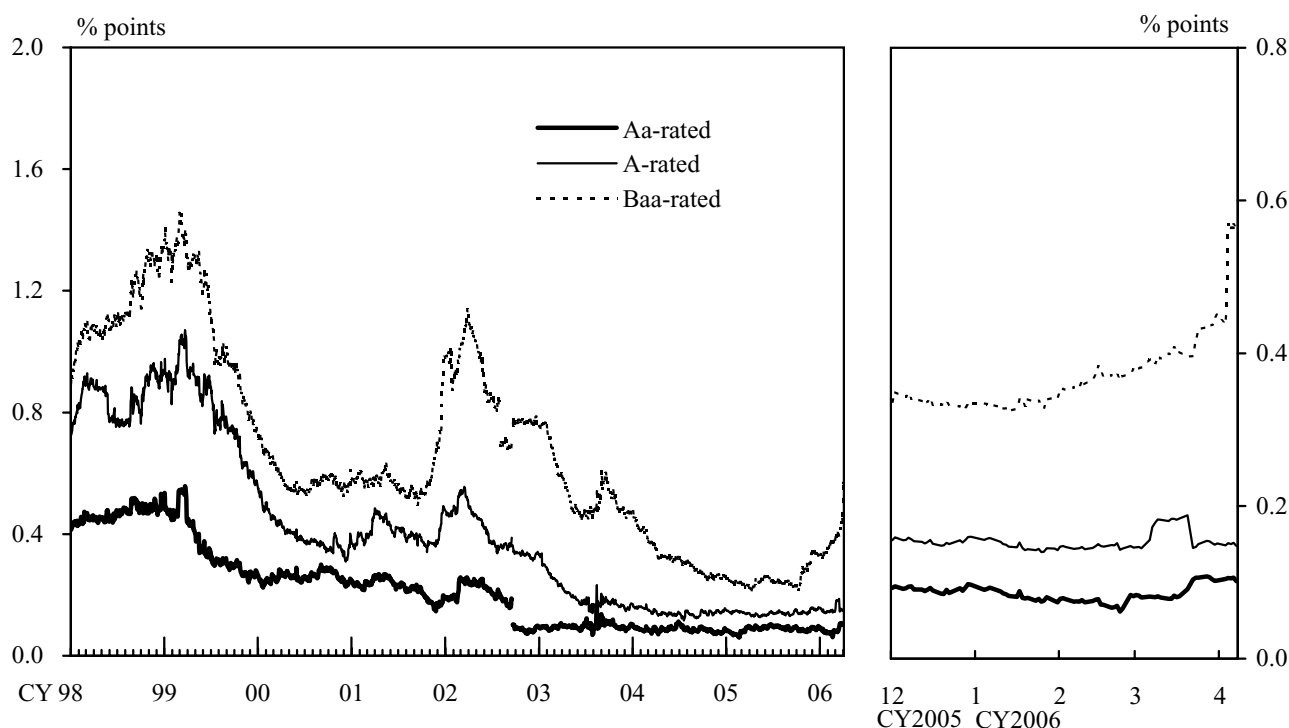
Sources: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."
"Reference Price(Yields) Table for OTC Bond Transactions."

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.

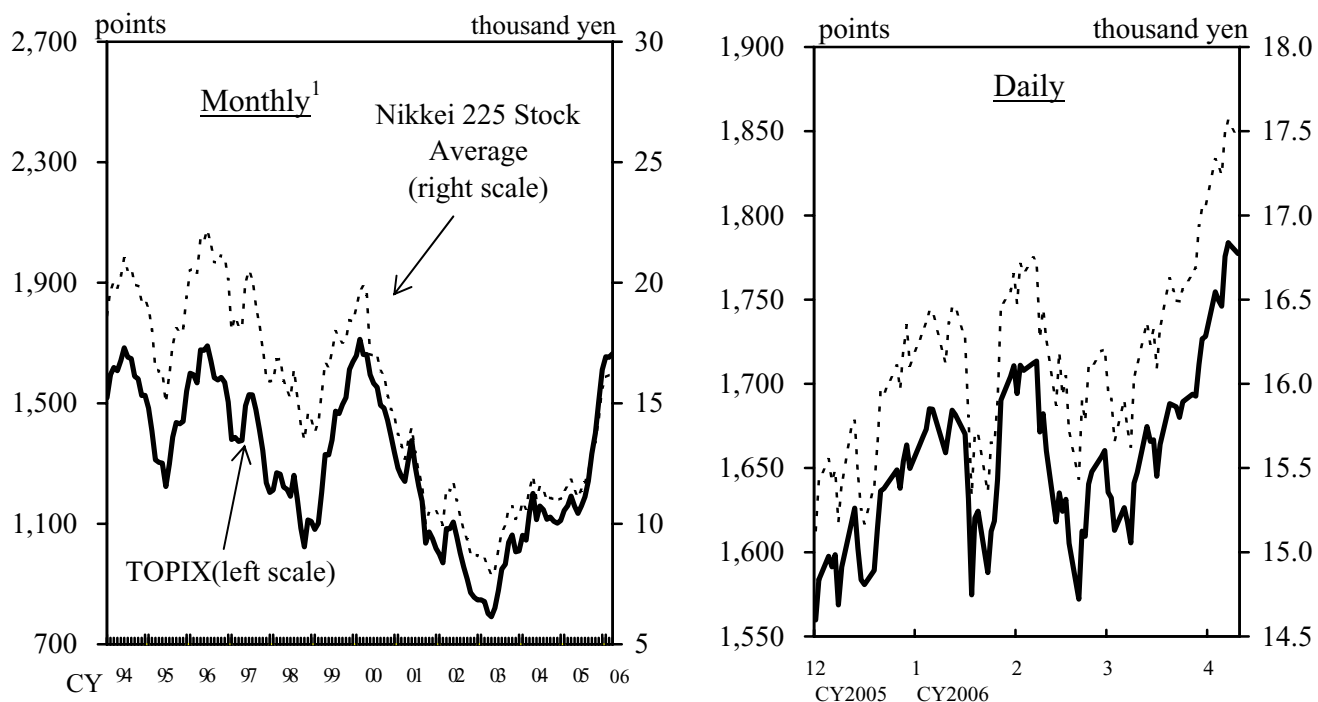
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of 4 to 6 years since Sep. 24, 2002.

2. The indicated ratings are of Moody's.

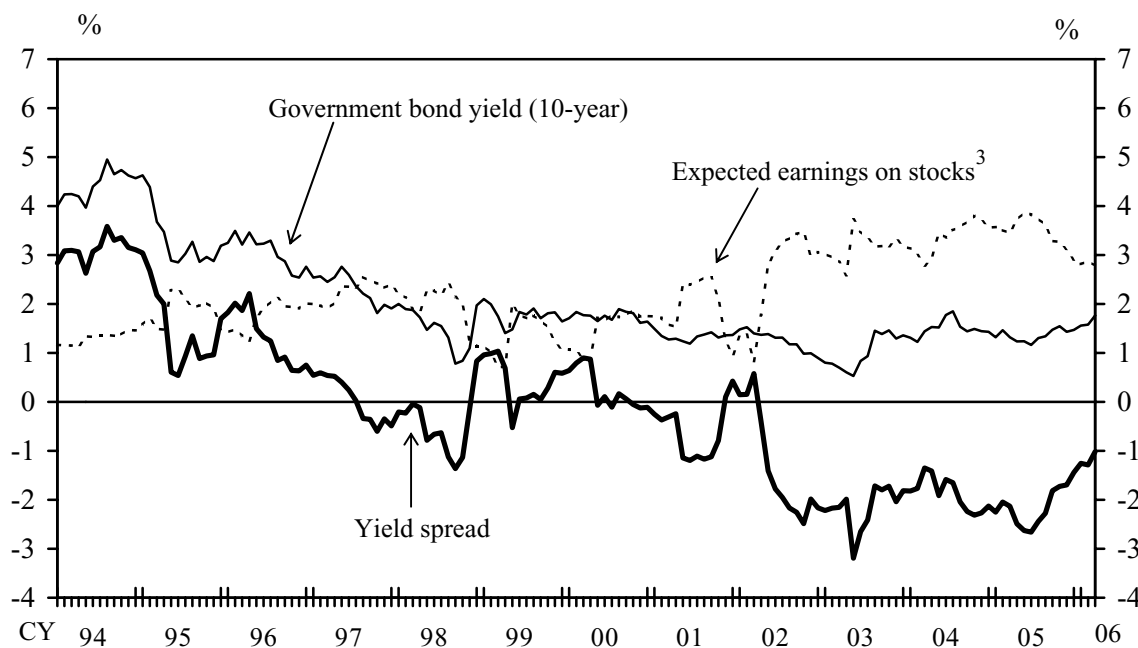
Sources: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations." "Reference Price(Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Stock Prices



(2) Yield Spread²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

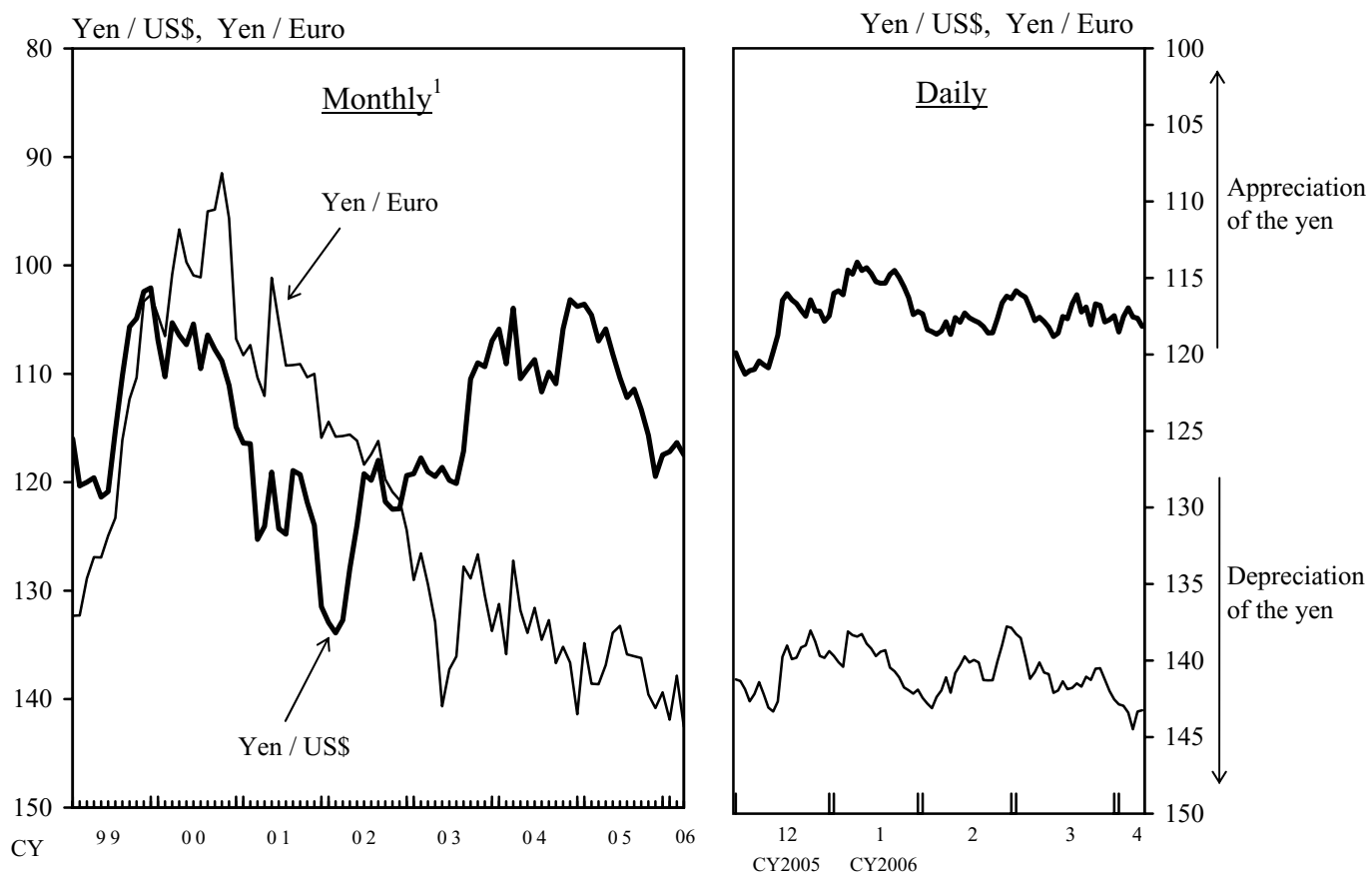
Yield spread = government bond yields - expected earnings on stocks, where expected earnings on stocks = 1/expected price earnings ratio.

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)."

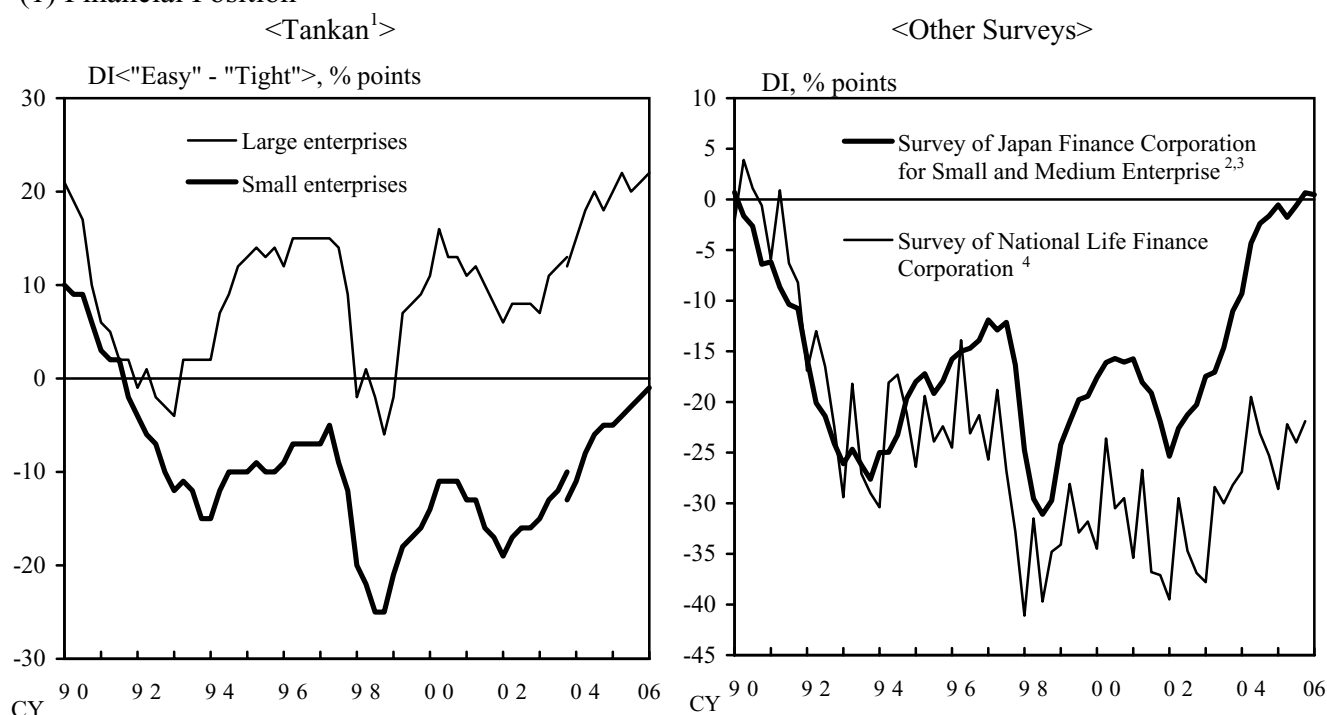
Exchange Rates



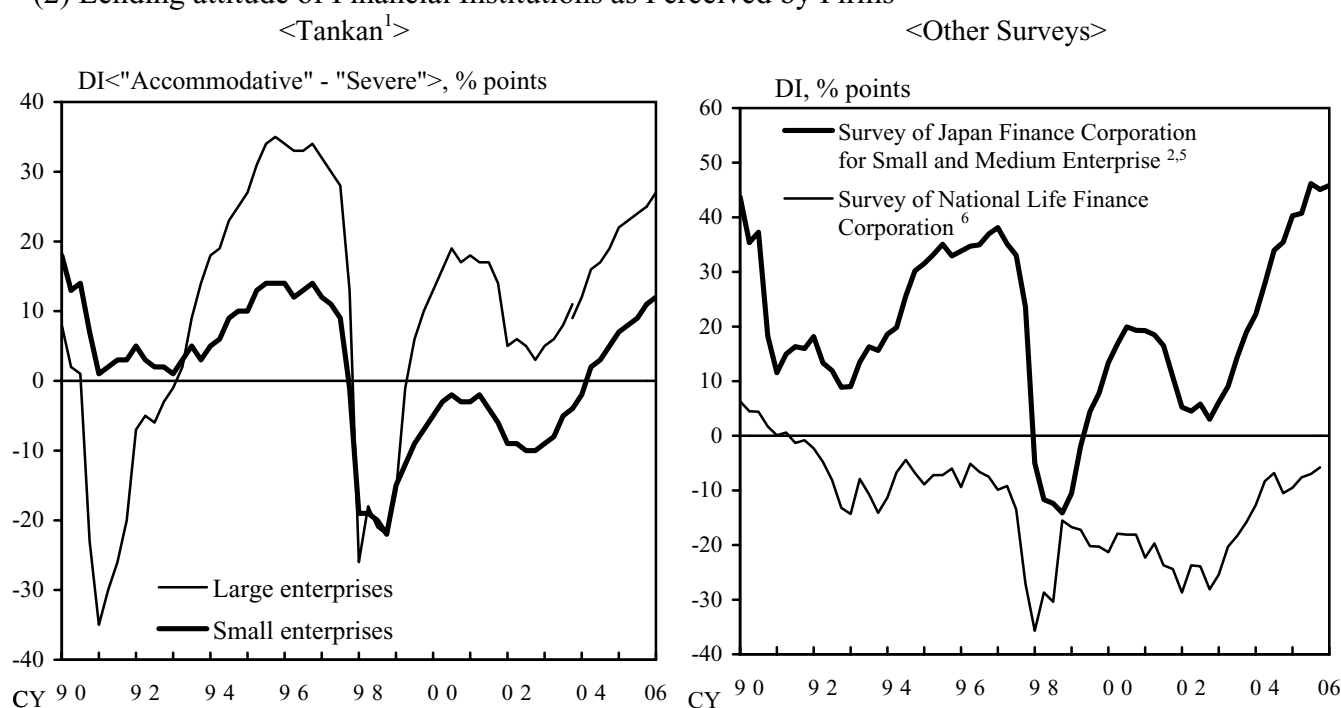
Note: 1. End of month.
 Source: Bank of Japan.

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.

3. DI of "Easy" - "Tight"

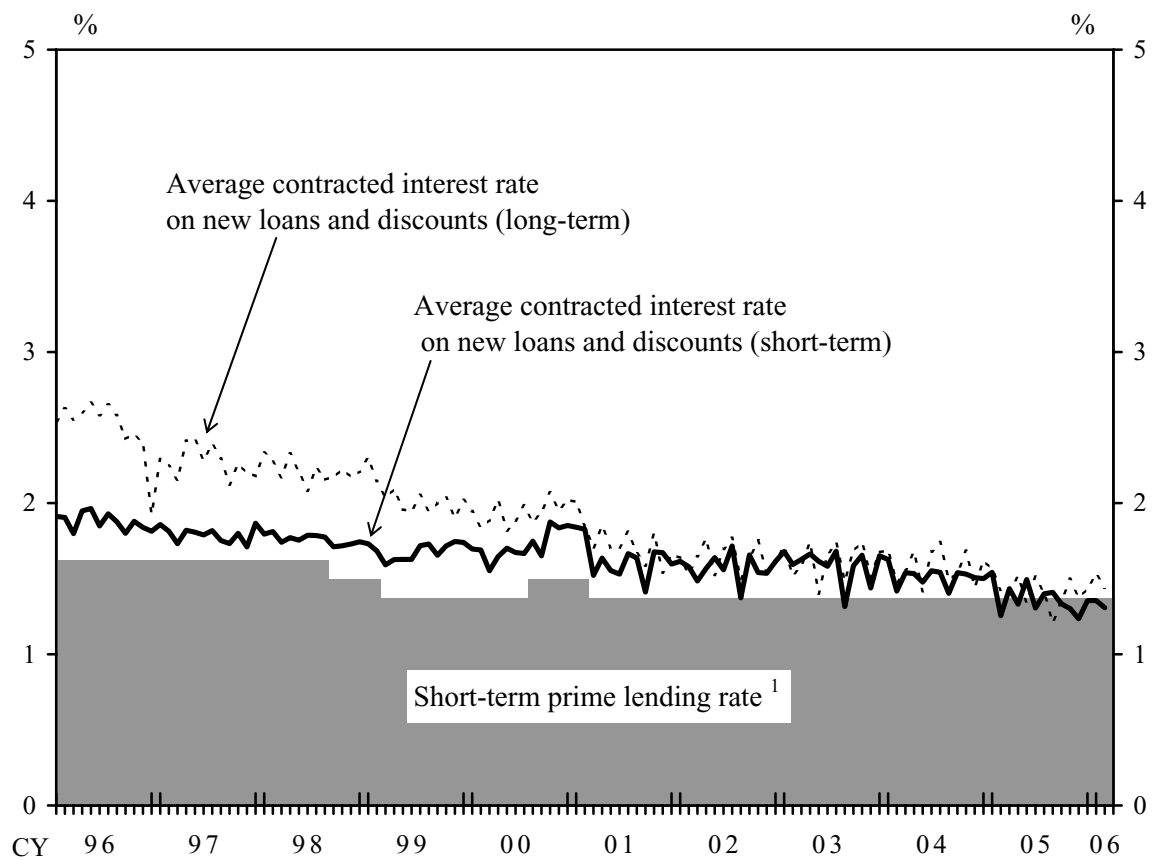
4. DI of "Easier" - "Tighter"

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

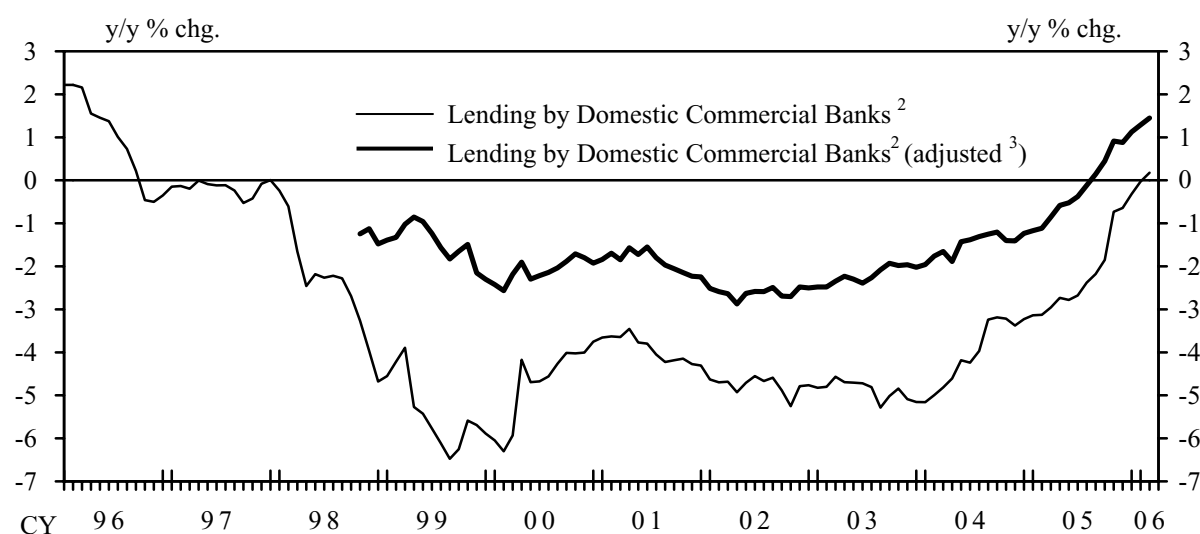


Note: 1. Data are at end of period.

Source: Bank of Japan.

Lending by Financial Institutions

(1) Lending by Domestic Commercial Banks¹



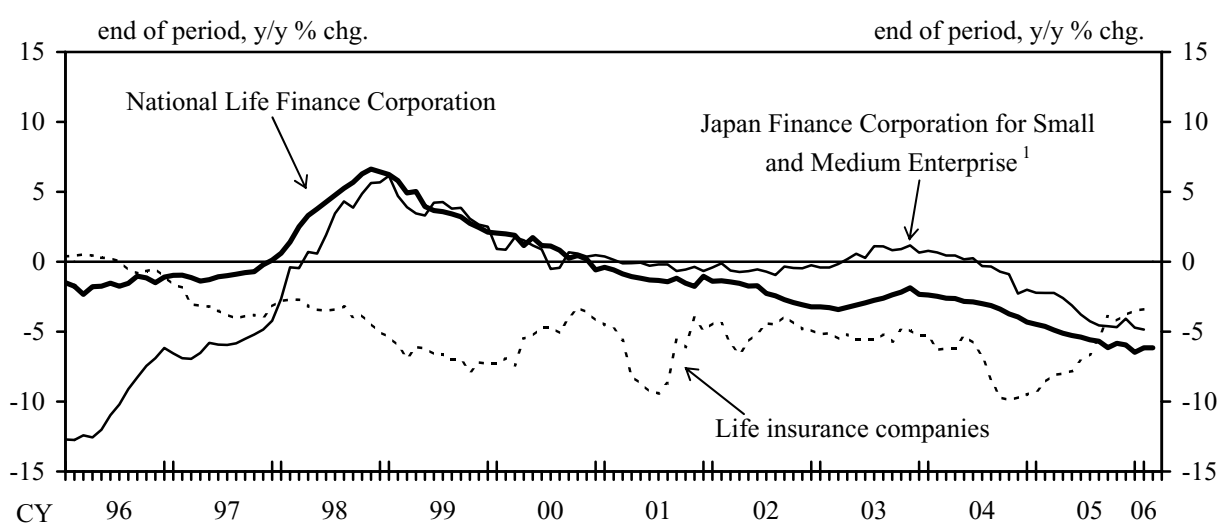
Notes: 1. Percent changes in average amounts outstanding from a year earlier.

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.

(2) Lending by Other Financial Institutions

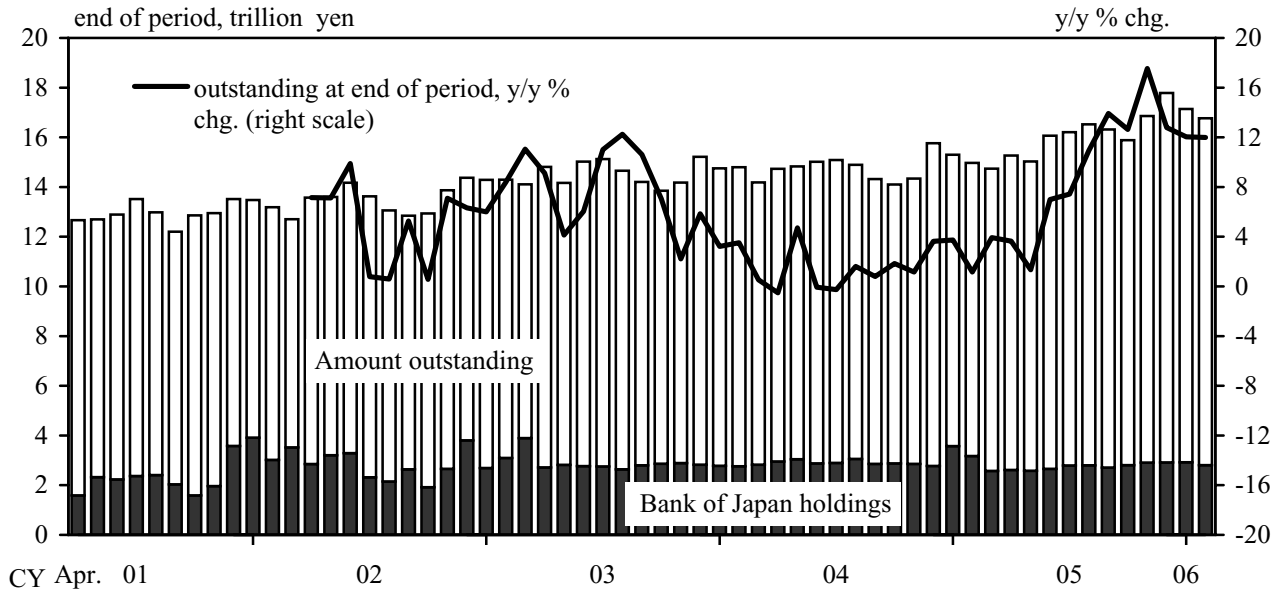


Note: 1. Figures from July 2004 to June 2005 are adjusted to exclude the effects from the succession of the credit insurance accounts of the former Japan Small and Medium Enterprise Corporation.

Sources: Bank of Japan, "Principal Figures of Financial Institutions," "Financial and Economic Statistics Monthly."

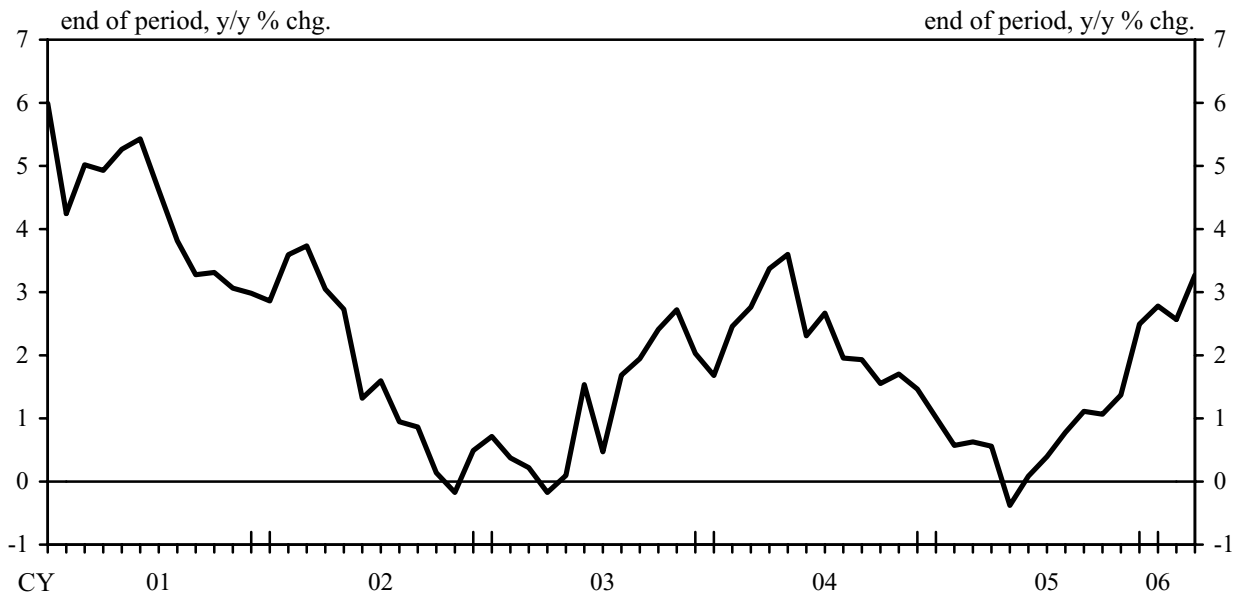
Private-Sector Fund-Raising in the Capital Markets

(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)



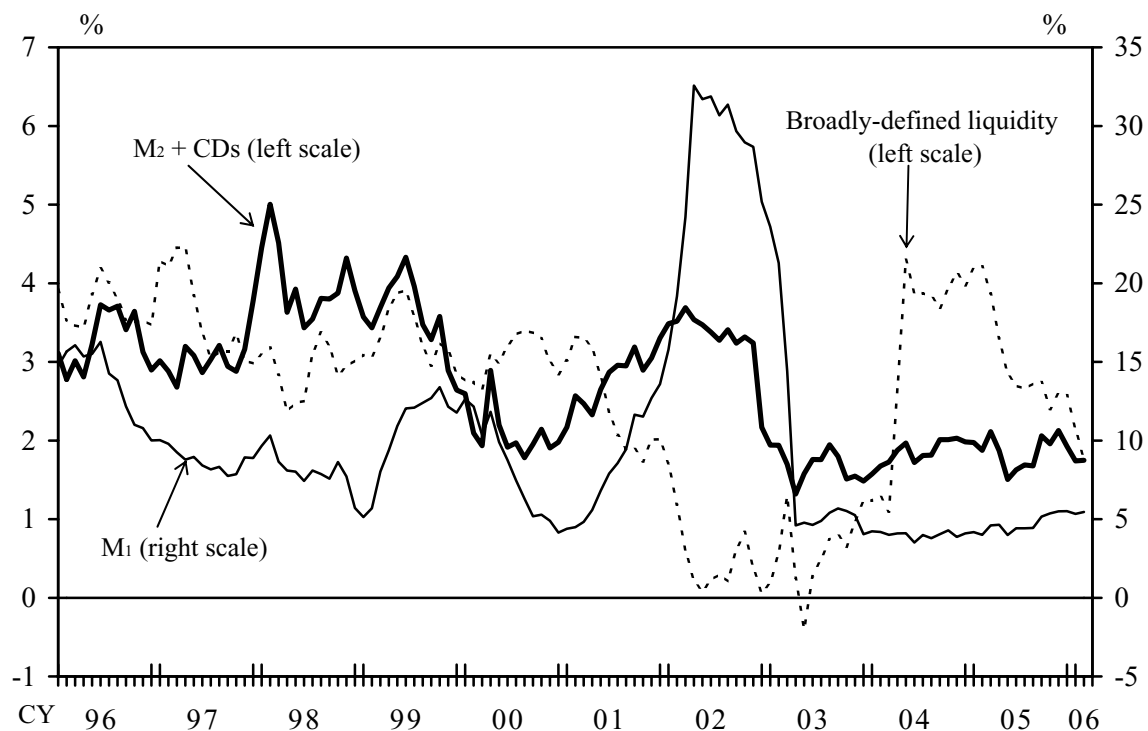
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

- (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.

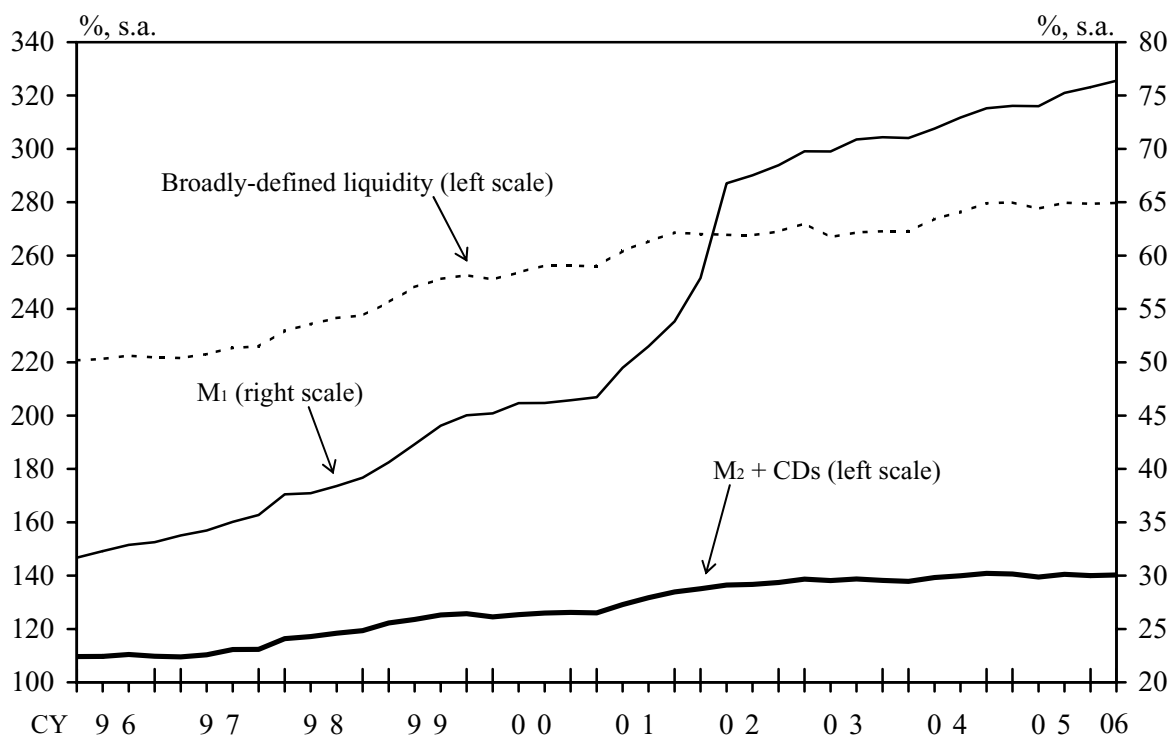
Sources: Bank of Japan, "Principal Figures of Financial Institutions"; Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts of Bonds," *Kisai-Jouhou* (Issuance Information); I-N Information Systems, "Funding Eye."

Money Stock

(1) Changes from a Year Earlier



(2) Ratio of Money Stock to Nominal GDP

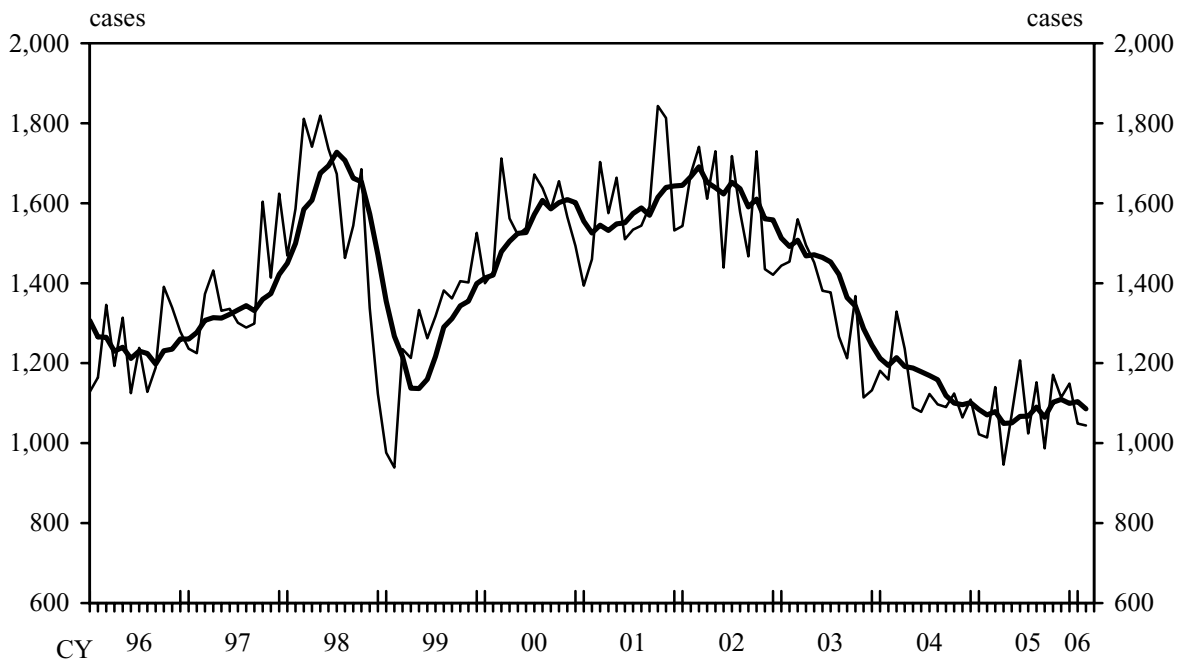


Note: Figures for money stock in 2006/Q1 are those of Jan.-Feb. averages, and the nominal GDP in 2006/Q1 is assumed to be unchanged from the previous quarter.

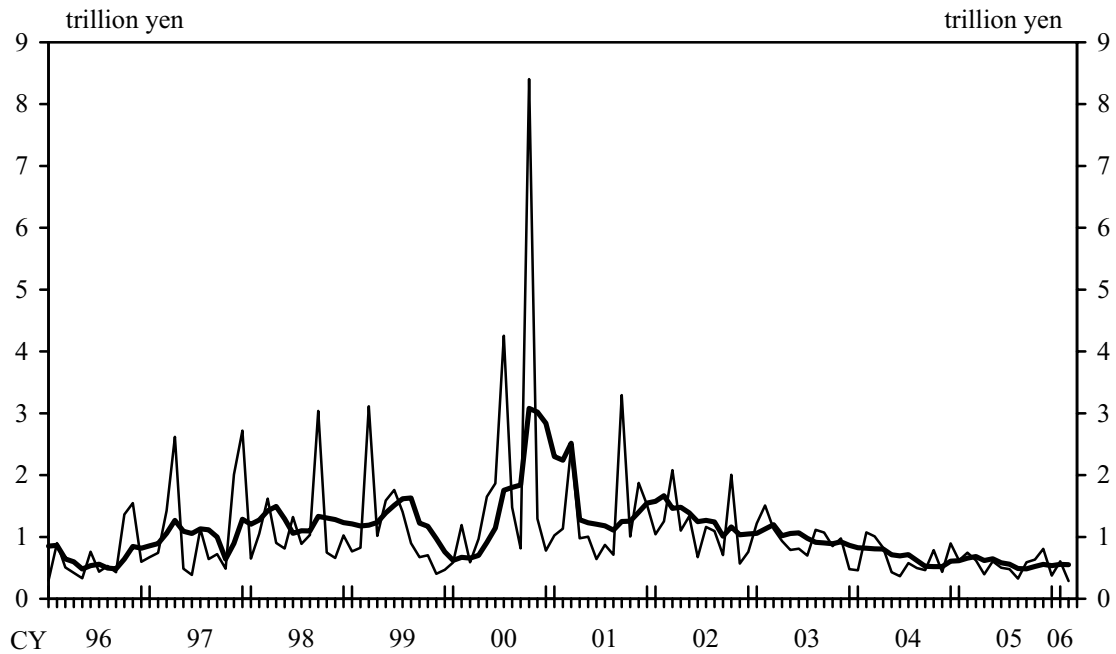
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

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)."