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Bank of Japan

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

(English translation prepared by the Bank's staff based on the Japanese original  
released on May 22, 2006)

# Monthly Report of Recent Economic and Financial Developments<sup>1</sup>

## May 2006

### The Bank's View<sup>2</sup>

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 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 expand moderately.

The conditions of persistent excess supply have been dispersed, and the output gap now seems to be close to zero. 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.

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<sup>1</sup> This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on May 18 and 19, 2006.

<sup>2</sup> The text of "The Bank's View" was decided by the Policy Board at the Monetary Policy Meeting held on May 18 and 19, 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, as the output gap is likely to gradually become positive.

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 has continued to be accommodative. The decline in credit demand in the private sector has come 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 have risen compared with last month. In the foreign exchange and capital markets, the yen's exchange rate against the U.S. dollar has risen compared with last month, while stock prices have fallen compared with last month. Meanwhile, 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—stayed almost flat in the first quarter, after having decreased in the fourth quarter. On the other hand, the value of public works contracted—a measure that reflects public orders—dropped further in April compared to the first quarter, following noticeable declines in the fourth and first quarters. 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 and 3.4 percent in the first quarter on a quarter-on-quarter basis.

As for real exports by destination (Chart 6[1]),<sup>3</sup> exports to the United States have continued their solid increase, primarily in exports of automobile-related goods, capital goods and parts. As for exports to East Asia, those to China have maintained their relatively high growth since mid-last year (Chart 9), and exports to the NIEs and ASEAN have advanced at a steady pace. Exports to the EU have also increased moderately. Meanwhile, exports to other regions (including the Middle East, Mexico, and Russia) have been recording notable growth, supported by those of capital goods and parts, and automobile-related goods. By goods (Chart 6[2]), exports of automobile-related goods posted fairly high increases in the fourth and the first quarters, 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 have recently posted high growth (Chart 7[2]), led by those of automobile-related goods and IT-related goods. Meanwhile, exports of consumer goods edged lower in the first quarter, mainly in motorcycles, but this is considered to be a temporary fluctuation.

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<sup>3</sup> Seasonally adjusted figures of total real exports and imports were updated last month, in line with the retroactive revisions of the previous year's figures in the *Trade Statistics*. This month, seasonally adjusted figures by region and by goods were also updated.

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 been on an upward trend, boosted particularly by automobiles and apparel from China. While imports of foodstuffs bounced back in the first quarter following the dip in the latter half of last year, those of raw materials have remained roughly unchanged.

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 has been essentially flat, dampened by the fall in the surplus of the balance on goods reflecting higher import prices of raw materials, while the balance on services has been on an improving trend. 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 to rise, 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 remained at significantly low levels 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]).

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

Business fixed investment has continued to increase. On a GDP basis, fixed investment increased again in the first quarter, after having temporarily been almost flat in the fourth quarter (Chart 3). 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 the first quarter (Chart 12[1]). Machinery orders (private demand, excluding shipbuilding and orders from electric power companies)—a leading indicator of machinery investment—also followed a moderate uptrend (Chart 13[1]).<sup>4</sup> Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—have stayed on an upward trend with some fluctuations. In the first quarter in particular, those in the industrial, wholesale and retail trade, and transport posted rather high increases (Chart 13[2]).

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.<sup>5</sup>

Private consumption has been on an increasing trend. On a GDP basis, private consumption continued its steady increase (Chart 3). Looking at monthly indicators on consumption (Charts 14 and 15), the number of new passenger-car registrations, excluding mini-vehicles, has recently weakened again, after having picked up temporarily at the start of the year, supported by the introduction of new model automobiles.<sup>6</sup> Sales of household electrical appliances have continued their steady uptrend. Sales at department stores have remained firm on average, although they dropped back in the first quarter, after having posted gains in the fourth quarter influenced by lower temperatures. By contrast, supermarket sales were subdued

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<sup>4</sup> Forecasts for the second quarter show that orders are projected to edge down, particularly in manufacturing.

<sup>5</sup> Considering that the predicted exchange rate of firms for fiscal 2006 at the time of the March *Tankan* was set at around 110 yen to the US dollar, the recent appreciation of the yen thus far seems unlikely to have any serious impact on corporate profits. However, further developments in the exchange rates and their subsequent effects on domestic and overseas economies require careful attention.

<sup>6</sup> The number of registrations of mini-vehicles has recently been firm, boosted by their high cost-performance and fuel efficiency.

again in the first quarter, 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 picked up in March mainly in graduation-related overseas travel, after having stayed essentially flat.

Indices of aggregated sales (in real terms), which are comprised of major sales indicators of these goods and services,<sup>7</sup> remained firm on average, although they dropped back marginally in the first quarter following the relatively high growth in the fourth quarter (Chart 16). The aggregate supply of consumer goods—which comprehensively captures producers’ supply of goods—stepped up in the first quarter, led largely by automobiles, following the increase in the fourth quarter (Chart 17). 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 rather substantially in the first quarter, after having been virtually flat in the fourth quarter. However, recently in the *Family Income and Expenditure Survey*, household income has shown weakness as a result of sample fluctuations, suggesting that the private consumption figures in this survey may have been pushed lower than actual figures (Chart 14).

Indicators for consumer sentiment have been on an improving trend, against the background of the improvement in the employment situation and higher stock prices (Chart 18).

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

As for housing investment, housing starts have shown some strength (Chart 19[1]); they have remained at the rather high level of above 1.25 million units (annual

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<sup>7</sup> The indices of aggregated sales are the weighted average of each sales indicator. Outlays for travel in March 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 March were at the same level as that in February.

rates) since the second half of last year. They recorded 1.276 million in the third quarter, 1.251 million in the fourth quarter, and 1.270 million in the first quarter (annual rates). In detail, while starts of owner-occupied housing have been almost flat, starts of housing for rent have been on a noticeable increasing trend, and starts of housing for sale have also shown moderate gains with some fluctuations. 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 further by 0.6 percent in the first quarter on a quarter-on-quarter basis, though only modestly, following a fairly appreciable growth of 2.8 percent in the fourth quarter compared to the previous quarter (Chart 20). As for the first quarter figures by industry, while production of general machinery dropped back, production of electronic parts and devices continued to post brisk gains, and that of transport equipment (automobiles) also stepped up.

Shipments continued their solid increasing trend, despite some fluctuations. By goods (Chart 21), shipments of producer goods have been on an upward trend, particularly in electronic parts and devices. Shipments of capital goods have been on an increasing trend on average, although they have recently been somewhat subdued. Shipments of consumer goods have followed an uptrend, led mainly by durable goods, including automobiles and mobile phones.

Inventories have been more or less in balance with shipments. The inventory cycle (Chart 22) showed that, in the industrial sector as a whole, the year-on-year growth in inventories fell slightly below that in shipments in the first quarter. In detail, the year-on-year growth in inventories of durable consumer goods and capital goods—which had been rising for a time reflecting those waiting for shipment—has recently dropped. As for producer goods excluding electronic parts and devices (such as iron and steel, and chemicals), the inventory-shipment balance has almost recovered, against the background of the progress of inventory adjustments in general-purpose products. As for electronic parts and devices, on the other hand, the



year-on-year growth rate of inventories has recently been gathering speed, boosted by firms' aggressive stances on production with steady increase in shipments.

As for the outlook, production is expected to follow an increasing trend, with continued growth in overseas economies and a solid foundation for a recovery in domestic demand. According to anecdotal information, production in the second quarter is likely to increase further.<sup>8</sup>

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 23).

In the labor market, overtime hours worked have remained on a moderate upward trend at a high level (Chart 25[3]), and the number of new job offers continued its year-on-year increase (Chart 24[3]). Under these circumstances, the ratio of job offers to applicants has trended up at a moderate pace, recently staying slightly above 1.00 (Chart 24[1]). The unemployment rate was temporarily almost flat in the second half of last year, reflecting the rise in those who quit their jobs voluntarily, but it fell to 4.1 percent in February and March, the lowest level recorded since July 1998 (Chart 24[1]).

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 at a steady pace of around 0.5 percent on a year-on-year basis (Chart 25[1]).<sup>9</sup> Since last spring, not only part-time workers but full-time employees have also been increasing, and the

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<sup>8</sup> Production in the second quarter, based on the production forecast index of April and May (on the assumption that the index for June is unchanged on a month-on-month basis), is calculated to post a high growth of 3.2 percent on a quarter-on-quarter basis. According to anecdotal information, however, the growth in production may be more moderate.

<sup>9</sup> The discrepancy between data in the *Monthly Labour Survey* and those in the *Labour Force Survey* possibly reflects the following factors: in the *Labour Force Survey*, figures are likely to have been pushed up by a recent sample factor, coupled with the aforementioned reaction to the weak reading in the same period last year. Meanwhile, data in the *Monthly Labour Survey* may have a downward bias, resulting from the fact that the survey does not cover the employment situations of newly opened establishments.

change in the ratio of part-time workers on a year-on-year basis has been close to zero (Chart 25[2]).

Regarding wages on a year-on-year basis, regular payments have been rising gradually as a trend,<sup>10</sup> although they have recently been somewhat subdued, possibly reflecting sample factors.<sup>11</sup> Special payments have maintained an increasing trend supported by favorable corporate profits. In this light, nominal wages per worker have gradually increased further (Chart 23 [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.

## 2. Prices

Import prices (on a yen basis, same hereafter, compared to levels three months before) have increased further, chiefly reflecting the rise in international commodity prices (Chart 27).

Domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter, compared to levels three months before)<sup>12</sup> have continued to increase, mainly reflecting the rise in international commodity prices (Chart 28). In detail, prices of nonferrous metals have soared, and prices of petroleum and coal products have continued to climb, boosted by the rise in crude oil

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<sup>10</sup> According to a survey released by the Nihon Keizai Shimbun, Inc. (final results as of April 27; 443 firms responded), wages at major firms were raised by 1.66 percent this spring, slightly higher than last year's 1.58 percent. According to the survey results released by the Japan Business Federation (third result as of April 19; 95 firms responded), wages were raised by 1.69 percent, somewhat higher than the 1.55 percent raise of last year.

<sup>11</sup> In the *Monthly Labour Survey*, one-third of the total survey samples of small establishments (of 5 to 29 employees) are changed every January and July. Since January this year, some discontinuous declines have been observed in the regular payments of small establishments, suggesting some possible effects of sample factors.

<sup>12</sup> 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. Meanwhile, prices of iron and steel-related products and construction-related products have increased moderately, mainly in scrap and copper products. On the other hand, prices of other materials (including chemical products) have been essentially flat overall, because prices of prescription drugs declined, while those of plastic products rose due to higher crude oil prices. Meanwhile, the rate of decline in machinery prices has continued to narrow moderately. 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 29).<sup>13</sup> The year-on-year rate of decline in the first quarter moderated compared to the fourth quarter, buoyed mainly by prices of leasing and rental (reflecting the rise in leasing rates in line with higher long-term interest rates), communications and broadcasting services (fixed telephone charges), and advertising services (television commercials).

The year-on-year rate of change in consumer prices (excluding fresh food, same hereafter) has been on a positive trend (Chart 30). Consumer prices in March rose by 0.5 percent on a year-on-year basis, the same as in January and February. Looking at the first quarter in more detail, prices of goods (such as petroleum products), services (such as rent), and public utility charges (such as electricity charges) have all risen on a year-on-year basis.

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, as the output gap is likely to gradually become positive.<sup>14</sup>

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<sup>13</sup> “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.

<sup>14</sup> Consumer prices in the metropolitan area of Tokyo (general, excluding fresh food) rose by 0.3 percent in April on a year-on-year basis, slightly higher compared to those in the previous month (which rose by 0.2 percent), influenced by higher growth in service prices, such as rent, overseas

### **3. Financial Developments**

#### **(1) Financial Markets**

As for interest rate developments in the money markets, the overnight call rate (uncollateralized; Chart 31[1]) has continued to be at around zero percent. Regarding interest rates on term instruments (Chart 32[1]), FB rates (3-month) and the Euroyen interest rate (TIBOR, 3-month) had been more or less flat on the whole, but later rose, reflecting anticipations over the timing of the change in monetary policy. Under these circumstances, interest rates on Euroyen futures remain basically unchanged (Chart 32[2]).

Yields on 10-year government bonds (newly issued 10-year JGB; Chart 31 [2]) have been fluctuating, mainly in view of interest rate movements in the U.S. They have recently been moving at around 1.90 percent.

Yield spreads between private bonds (bank bonds and corporate bonds) and government bonds (Charts 35 and 36) have been more or less flat on the whole, excluding the widening of spreads for some industries.

Stock prices (Chart 37) have fallen, reflecting the appreciation of the yen against the U.S. dollar. The Nikkei 225 Stock Average is moving at around 16,000 yen.

In the foreign exchange market (Chart 38), the yen rose in view of a change in U.S. monetary policy and of the statement by G7 Finance Ministers and Central Bank Governors. The yen is being traded at around 110 yen to the U.S. dollar.

#### **(2) Corporate Finance and Monetary Aggregates**

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

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package tours and tutorial fees. As for consumer prices of April for Japan, nationwide, the rate of increase may not accelerate as that in Tokyo, since the weight of petroleum product prices—of which the positive contribution year-on-year is expected to diminish in reaction to last year's surge—is much greater than that in the Tokyo area.

Regarding credit supply, the lending attitude of private banks has continued to be accommodative. The lending attitude of financial institutions as perceived by firms, including small firms, has been improving (Chart 39).

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 40). The long-term prime lending rate was raised by 0.05 percent on May 10 to 2.50 percent.

The rate of increase in the amount outstanding of lending by private banks (monthly average outstanding balance basis, after adjustment for extraordinary factors<sup>15</sup>) is accelerating. (The year-on-year change was 1.5 percent in February, 1.4 percent in March, and 2.1 percent in April; Chart 41.)

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. Meanwhile, issuance spreads remain at low levels, although they have risen somewhat. 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 4.3 percent in February, 1.8 percent in March, and 1.7 percent in April; Chart 42.)

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

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 1.8 percent in February, 1.5 percent in March, and 1.7 percent in April; Chart 43.)

The number of corporate bankruptcies increased by 14.9 percent year-on-year in April, to 1,087 cases (Chart 44).

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<sup>15</sup> 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.

## Charts

Chart 1	Main Economic Indicators (1)	Chart 26	Prices
Chart 2	Main Economic Indicators (2)	Chart 27	Import Prices and International Commodity Prices
Chart 3	Real GDP	Chart 28	Domestic Corporate Goods Price Index
Chart 4	Public Investment	Chart 29	Corporate Service Price Index
Chart 5	External Balance	Chart 30	Consumer Price Index (Excluding Fresh Food)
Chart 6	Real Exports	Chart 31	Interest Rates
Chart 7	Real Exports Breakdown by Goods	Chart 32	Short-Term Money Market Rates
Chart 8	Exports and Imports of IT-Related Goods	Chart 33	Current Account Balances at the Bank of Japan
Chart 9	Exports and Imports with China	Chart 34	Implied Forward Rates (1-Year)
Chart 10	Real Effective Exchange Rate and Overseas Economies	Chart 35	Yields of Bank Bonds
Chart 11	Real Imports	Chart 36	Yields of Corporate Bonds
Chart 12	Coincident Indicators for Business Fixed Investment	Chart 37	Stock Prices
Chart 13	Leading Indicators for Business Fixed Investment	Chart 38	Exchange Rates
Chart 14	Indicators for Private Consumption (1)	Chart 39	Corporate Finance-Related Indicators
Chart 15	Indicators for Private Consumption (2)	Chart 40	Lending Rates
Chart 16	Indices of Aggregated Sales	Chart 41	Lending by Financial Institutions
Chart 17	Aggregate Supply of Consumer Goods	Chart 42	Private-Sector Fund-Raising in the Capital Markets
Chart 18	Consumer Confidence	Chart 43	Money Stock
Chart 19	Indicators for Housing Investment	Chart 44	Corporate Bankruptcies
Chart 20	Production, Shipments, and Inventories		
Chart 21	Shipments Breakdown by Type of Goods		
Chart 22	Inventory Cycle		
Chart 23	Employee Income		
Chart 24	Labor Market (1)		
Chart 25	Labor Market (2)		

## Main Economic Indicators (1)

s.a., q/q (m/m) % chg.<sup>1</sup>

	2005/Q3	Q4	2006/Q1	2006/Jan.	Feb.	Mar.	Apr.
Index of living expenditure level (all households)	-0.8	0.5	-1.5	-1.4	1.3	-1.2	n.a.
Sales at department stores	-0.8	0.8	-0.7	0.9	-1.5	1.0	n.a.
Sales at supermarkets	-1.2	0.8	-1.7	-3.3	-0.4	0.2	n.a.
New passenger-car registrations <sup>3</sup> <s.a., ann. 10,000 units>	< 332>	< 320>	< 336>	< 340>	< 336>	< 332>	< 321>
Sales of household electrical appliances (real, Current Survey of Commerce)	2.3	5.8	1.9	-1.0	-1.1	3.0	n.a.
Outlays for travel (50 major travel agencies)	-2.1	0.4	0.6	-3.9	2.8	3.3	n.a.
Housing starts <s.a., ann. 10,000 units>	< 128>	< 125>	< 127>	< 126>	< 133>	< 122>	<n.a.>
Machinery orders (from private sector <sup>4</sup> )	3.2	2.8	-0.4	-2.8	1.5	-5.2	n.a.
Manufacturing	4.3	0.6	0.9	-1.6	1.8	-5.9	n.a.
Nonmanufacturing <sup>4</sup>	1.9	4.5	-1.8	-4.4	2.7	-4.6	n.a.
Construction Starts (private, nondwelling use)	-10.3	10.0	1.8	7.4	-6.5	-0.0	n.a.
Mining & manufacturing	-24.2	4.1	7.3	11.8	1.6	0.2	n.a.
Nonmanufacturing <sup>5</sup>	-3.9	10.5	0.2	6.7	-10.2	1.0	n.a.
Value of public works contracted	-0.5	-4.5	-6.2	-1.4	0.6	-8.7	3.9
Real exports	3.3	2.9	3.4	1.2	2.3	-0.5	n.a.
Real imports	2.0	0.2	2.4	1.4	-0.8	0.3	n.a.
Industrial production	-0.5	2.8	0.6	-0.1	-1.2	0.2	n.a.
Shipments	0.6	2.3	0.1	0.2	-2.0	0.9	n.a.
Inventories	2.0	0.2	0.7	0.3	0.2	0.2	n.a.
Inventory Ratio <s.a., CY 2000 = 100>	<100.2>	<101.4>	<100.6>	<99.2>	<101.0>	<100.6>	<n.a.>
Real GDP	0.1	1.1	0.5	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.2	1.1	n.a.	0.9	-0.9	n.a.	n.a.

## Main Economic Indicators (2)

	y/y % chg. <sup>1</sup>						
	2005/Q3	Q4	2006/Q1	2006/Jan.	Feb.	Mar.	Apr.
Ratio of job offers to applicants <s.a., times>	<0.97>	<1.00>	<1.03>	<1.03>	<1.04>	<1.01>	<n.a.>
Unemployment rate <s.a., %>	<4.3>	<4.5>	<4.2>	<4.5>	<4.1>	<4.1>	<n.a.>
Overtime working hours <sup>6</sup>	1.0	1.6	2.2	1.9	1.9	2.8	n.a.
Number of employees	0.9	1.2	2.1	1.7	2.4	2.1	n.a.
Number of regular employees <sup>6</sup>	0.5	0.5	0.5	0.4	0.5	0.7	n.a.
Nominal wages per person <sup>6</sup>	0.4	1.1	0.3	-0.1	0.4	0.4	n.a.
Domestic corporate goods price index <sup>7</sup> <q/q % chg.> (3-month growth rate)	1.7 <0.6>	2.2 <0.8>	2.8 <0.5>	2.7 <0.3>	3.0 <0.7>	2.7 <0.5>	p 2.5 <p 0.9>
Consumer price index <sup>8</sup>	-0.1	0.1	0.5	0.5	0.5	0.5	n.a.
Corporate service price index	-0.7	-0.4	p -0.2	-0.1	-0.1	p -0.2	n.a.
Money Stock (M <sub>2</sub> +CDs) <average outstanding, y/y % chg.>	1.8	2.0	1.7	1.7	1.8	1.5	p 1.7
Number of corporate bankruptcies <cases>	<1,054>	<1,145>	<1,116>	<1,049>	<1,044>	<1,255>	<1,087>

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 to the respective charts.

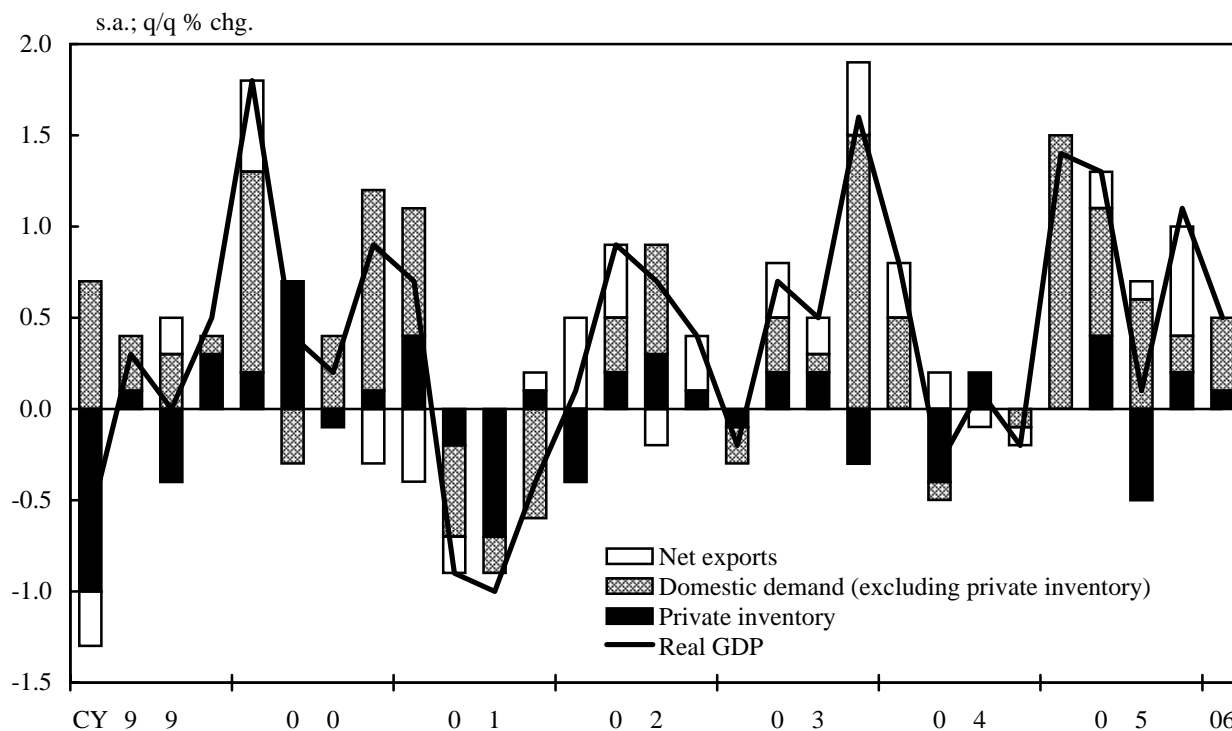
2. Figure with "p" indicates preliminary data.
3. Excludes small cars with engine sizes of 660 cc or less.
4. Excludes orders of shipbuilding and orders from electric power companies.
5. Nonmanufacturing is mainly composed of commerce, services, agriculture & fisheries and public utilities industries.
6. Data for establishments with at least five 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.

	2005				2006
	Q1	Q2	Q3	Q4	Q1
Real GDP	1.4	1.3	0.1	1.1	0.5
Domestic demand	1.5	1.1	0.1	0.5	0.5
Private consumption	1.4	0.8	0.4	0.6	0.4
Non-Resi. investment	3.4	2.0	1.3	-0.2	1.4
Residential investment	-1.3	-1.9	1.7	2.1	1.1
Private inventory	( 0.0)	( 0.4)	(-0.5)	( 0.2)	( 0.1)
Public demand	0.7	0.2	0.4	-0.5	-0.7
Public investment	-0.1	0.8	0.2	-2.9	-3.5
Net exports of goods and services	(-0.0)	( 0.2)	( 0.1)	( 0.6)	( 0.0)
Exports	-0.2	3.5	3.1	3.8	2.7
Imports	-0.1	2.2	3.2	-0.6	3.0
Nominal GDP	0.7	1.0	-0.2	0.7	0.0

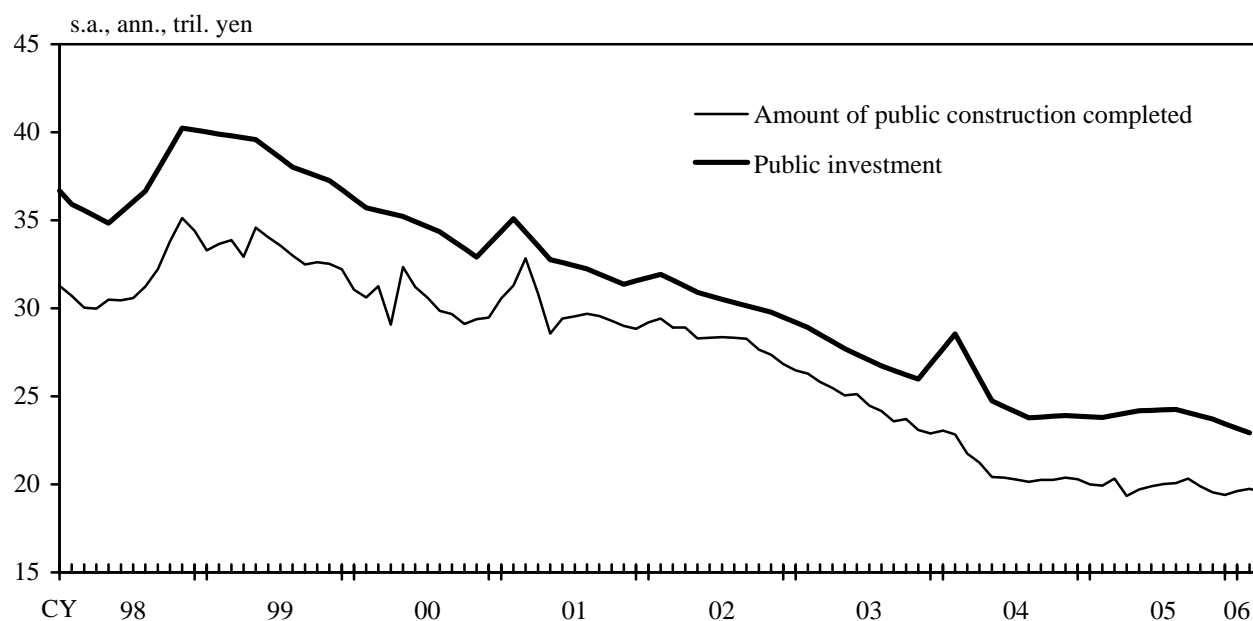
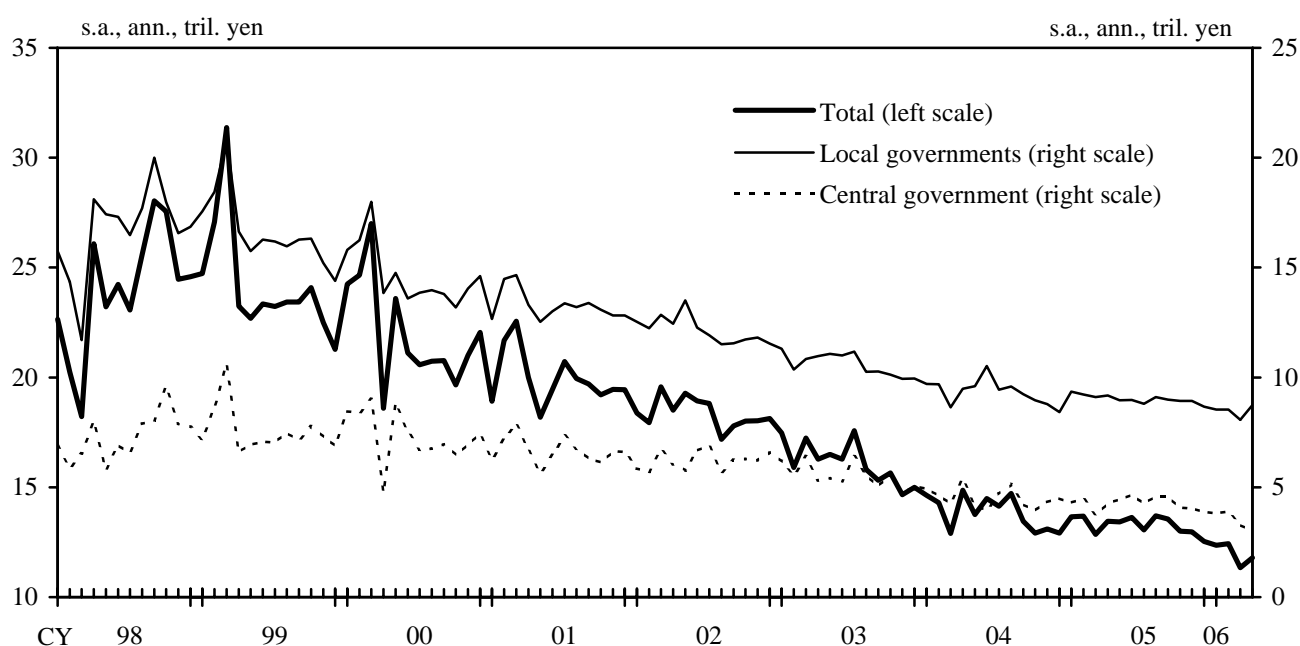
Note: Figures shown in parentheses indicate the contributions to changes in GDP.

Source: Cabinet Office, "National Accounts."

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**Public Investment**


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**(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.

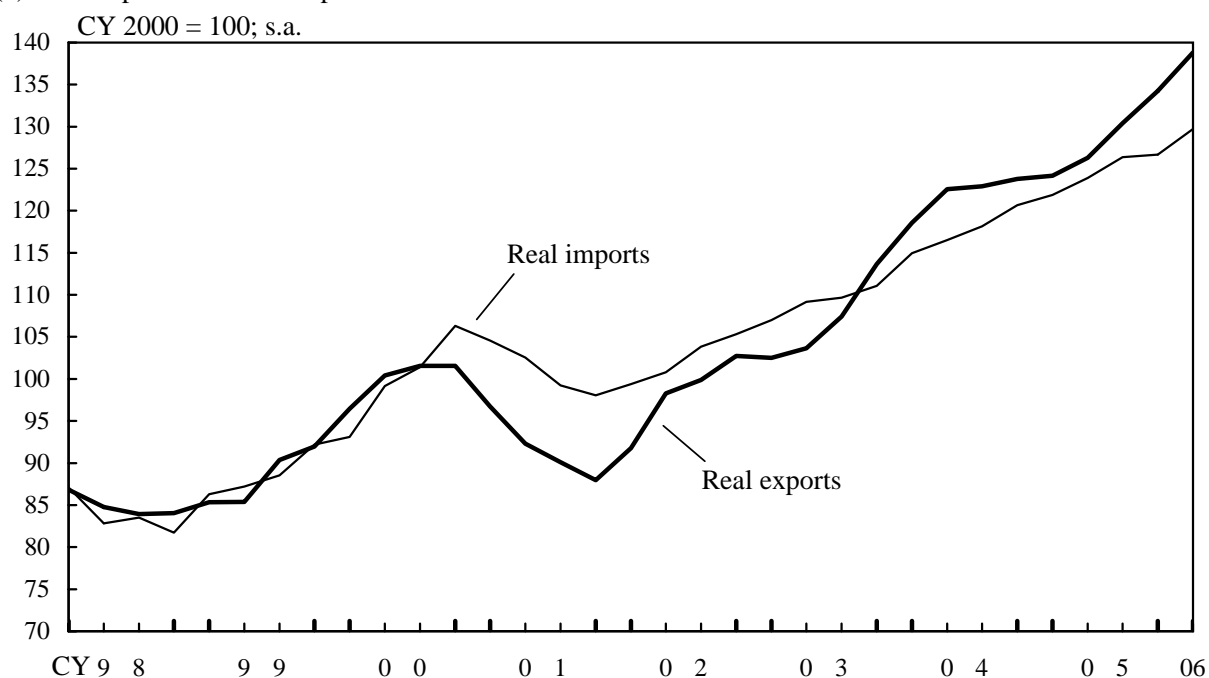
Sources: Cabinet Office, "National Accounts";

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

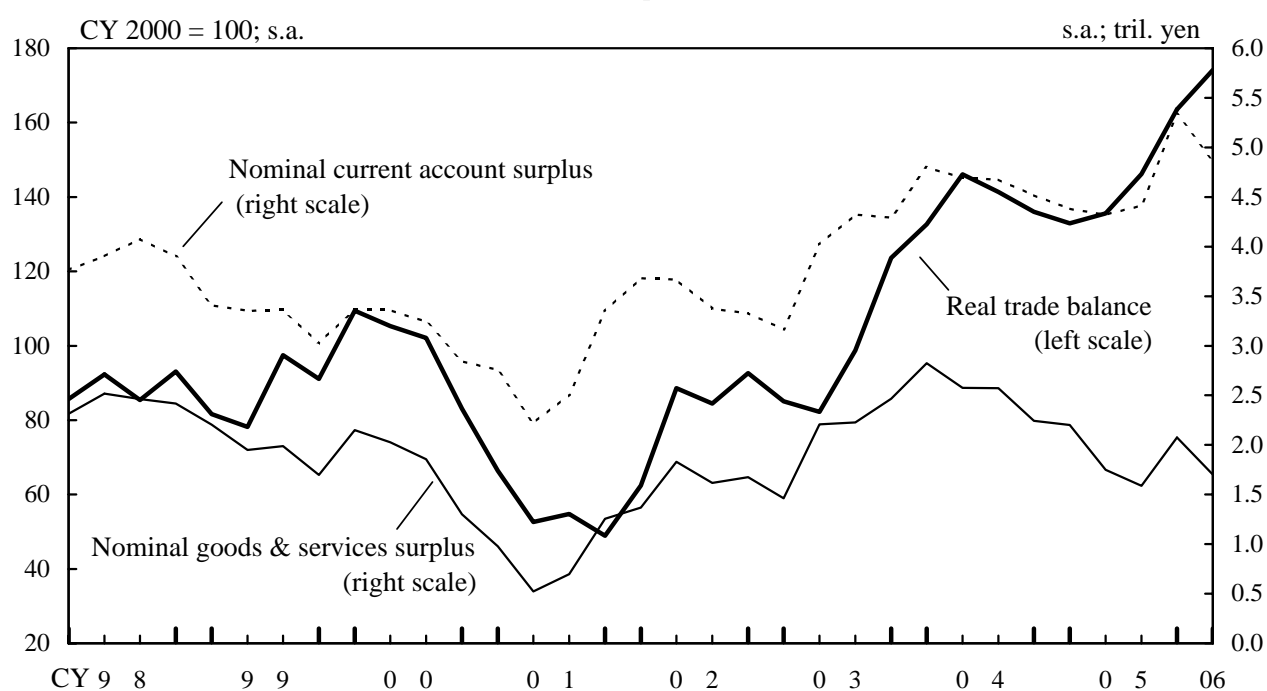
Ministry of Land, Infrastructure and Transport, "Integrated Statistics on Construction Works."

## 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.

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

Real Exports <sup>1</sup>

## (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	2006 Jan.	Feb.	Mar.
United States	<22.5>	6.8	7.3	2.8	2.0	0.8	4.4	3.4	2.7	0.1	-1.8
EU	<14.7>	18.7	3.4	-3.2	1.2	2.2	2.5	1.2	3.1	-1.8	-3.6
East Asia	<46.7>	19.1	6.2	2.7	0.7	4.4	1.8	3.5	0.4	5.2	-0.7
China	<13.5>	22.2	9.7	0.9	0.4	10.1	4.7	4.7	-1.7	8.7	2.6
NIEs	<24.3>	20.3	5.0	3.8	0.7	3.4	0.6	3.4	1.3	4.6	-2.2
Korea	<7.8>	19.1	4.5	6.3	1.0	5.7	3.1	1.4	4.3	-3.2	6.5
Taiwan	<7.3>	26.9	4.4	0.3	2.6	-2.2	-3.3	9.5	4.3	9.6	-8.3
ASEAN4 <sup>3</sup>	<9.0>	12.3	4.4	2.4	0.8	-0.4	1.0	1.9	1.1	1.4	-2.1
Thailand	<3.8>	18.7	10.0	3.0	0.3	0.9	1.3	2.1	1.2	1.4	-2.4
Others	<16.0>	14.4	11.6	-0.1	4.6	5.6	4.7	7.7	5.2	1.0	4.6
Real exports		14.5	5.4	0.3	1.7	3.3	2.9	3.4	1.2	2.3	-0.5

## (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	2006 Jan.	Feb.	Mar.
Intermediate goods	<17.3>	5.5	1.8	0.2	1.7	2.6	1.9	4.7	2.8	2.5	-0.5
Motor vehicles and their related goods	<22.7>	8.3	8.2	0.9	4.3	0.8	4.1	5.4	2.6	1.7	1.1
Consumer goods <sup>4</sup>	<5.6>	14.9	5.5	0.4	2.4	4.7	2.6	-2.3	-0.5	1.9	-9.7
IT-related goods <sup>5</sup>	<12.5>	17.3	5.4	2.8	-0.1	3.8	3.4	1.1	1.2	2.1	-4.8
Capital goods and parts <sup>6</sup>	<29.5>	23.5	7.2	0.7	1.8	3.4	3.1	4.7	1.5	2.5	1.3
Real exports		14.5	5.4	0.3	1.7	3.3	2.9	3.4	1.2	2.3	-0.5

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

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.

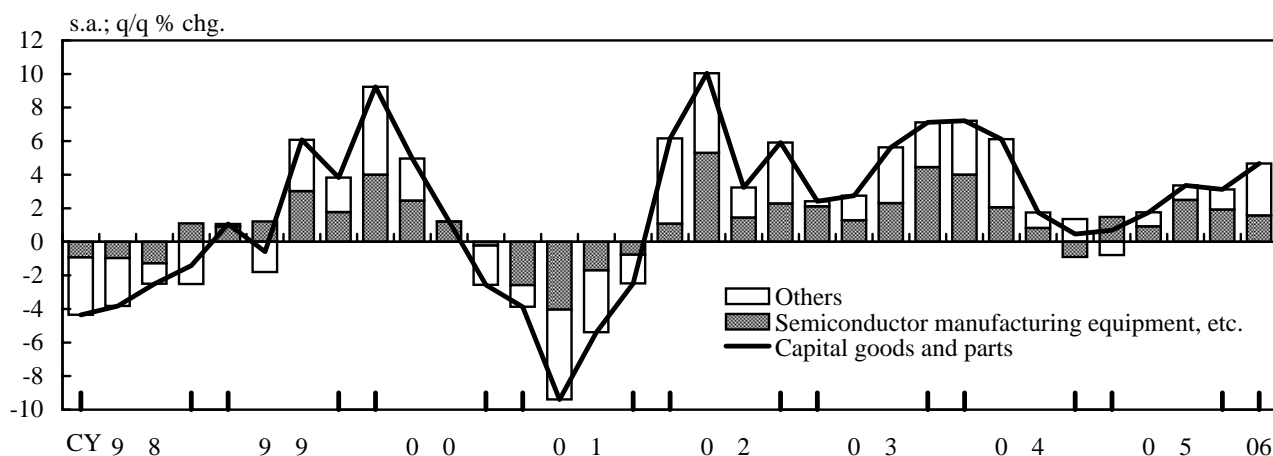
5. IT-related goods are composed of computers and units, telecommunication machinery, ICs and medical and optical instruments.

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

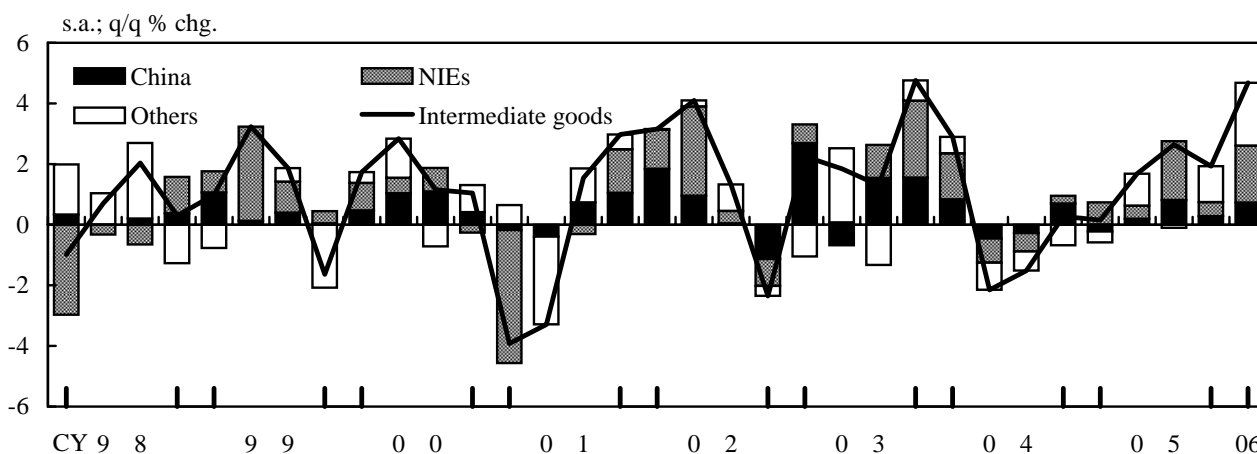
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

## Real Exports Breakdown by Goods

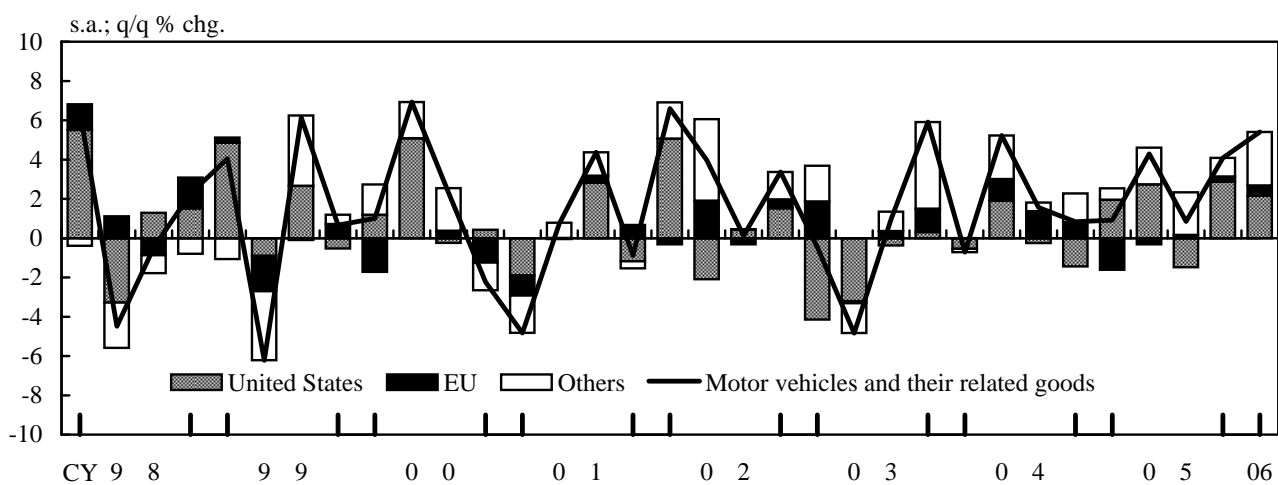
### (1) Capital Goods and Parts (Real, Breakdown by Goods)



### (2) Intermediate Goods (Real, Breakdown by Region)



### (3) Motor Vehicles and Their Related Goods (Real, Breakdown by Region)

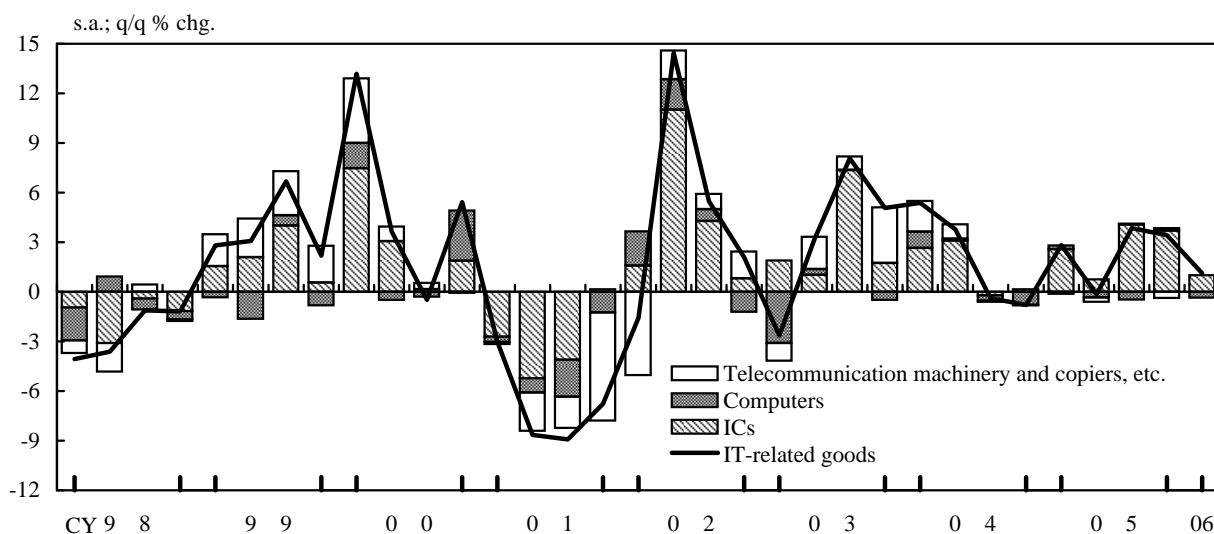


Note: Seasonally adjusted by X-12-ARIMA.

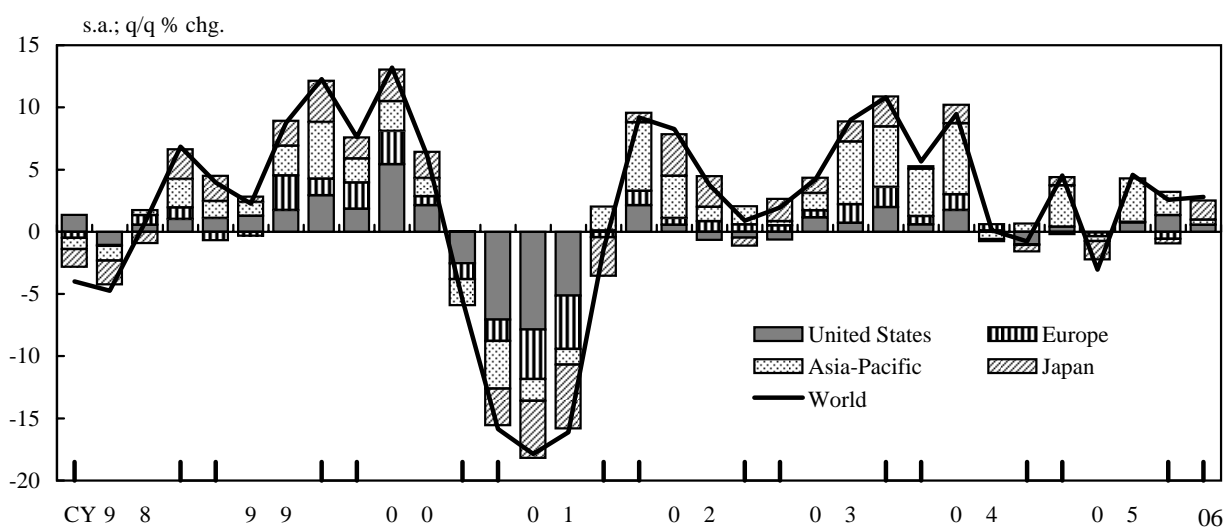
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Exports and Imports of IT-Related Goods

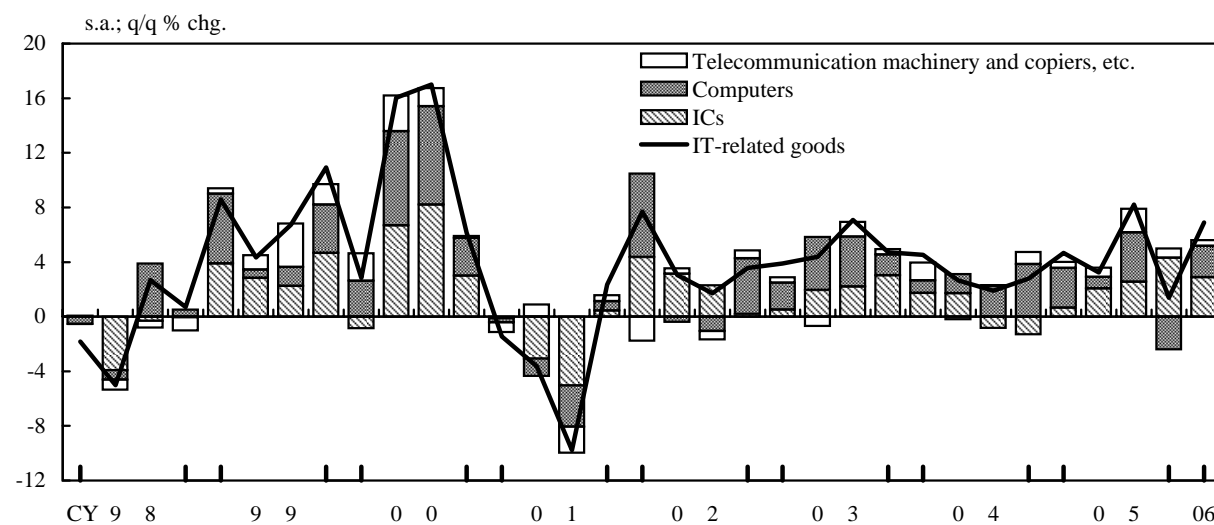
(1) Exports of IT-Related Goods (Real, Breakdown by Goods)



(2) World Semiconductor Shipments (Nominal, Breakdown by Region)



(3) Imports of IT-Related Goods (Real, Breakdown by Goods)

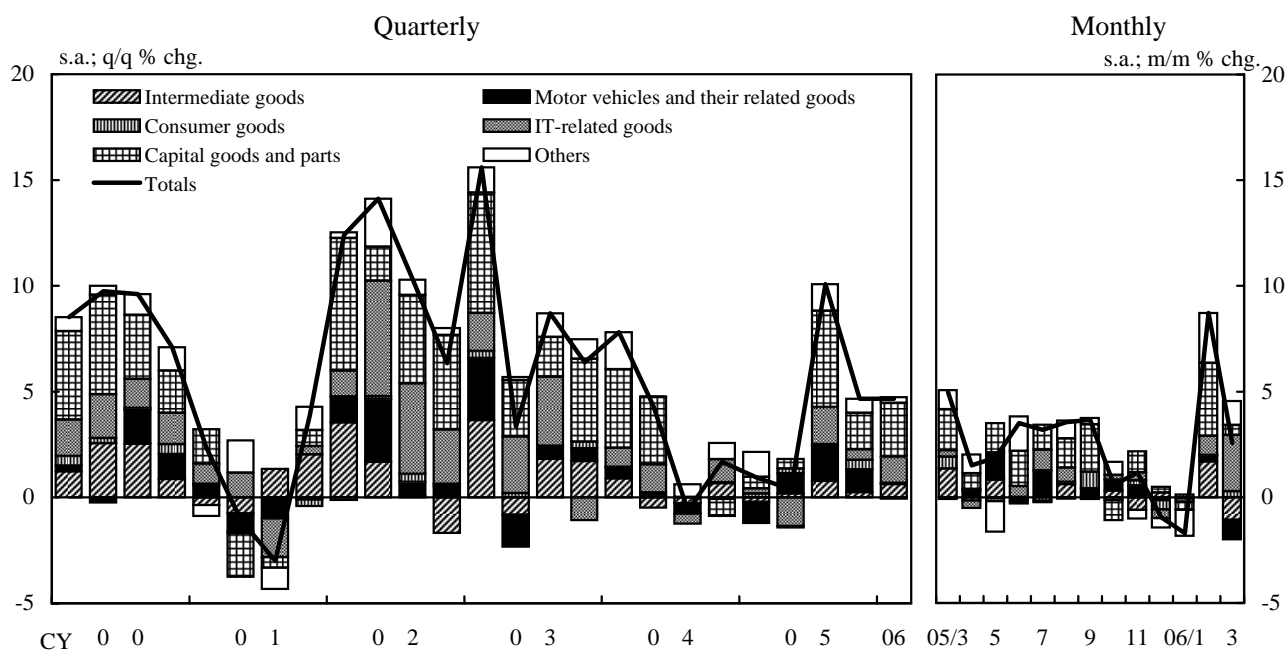


Note: Seasonally adjusted by X-12-ARIMA.

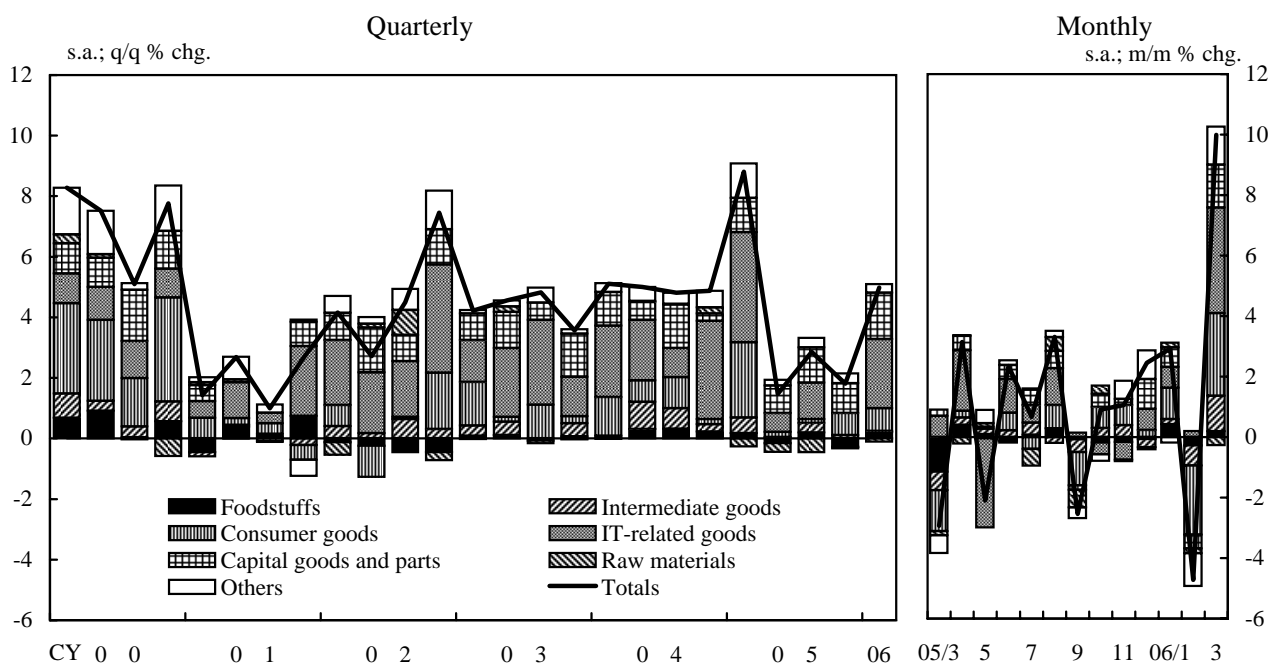
Sources: Ministry of Finance, "The Summary Report on Trade of Japan";  
Bank of Japan, "Corporate Goods Price Index"; WSTS (World Semiconductor Trade Statistics).

Exports and Imports with China

(1) Exports to China (Real, Breakdown by Goods)



(2) Imports from China (Real, Breakdown by Goods)

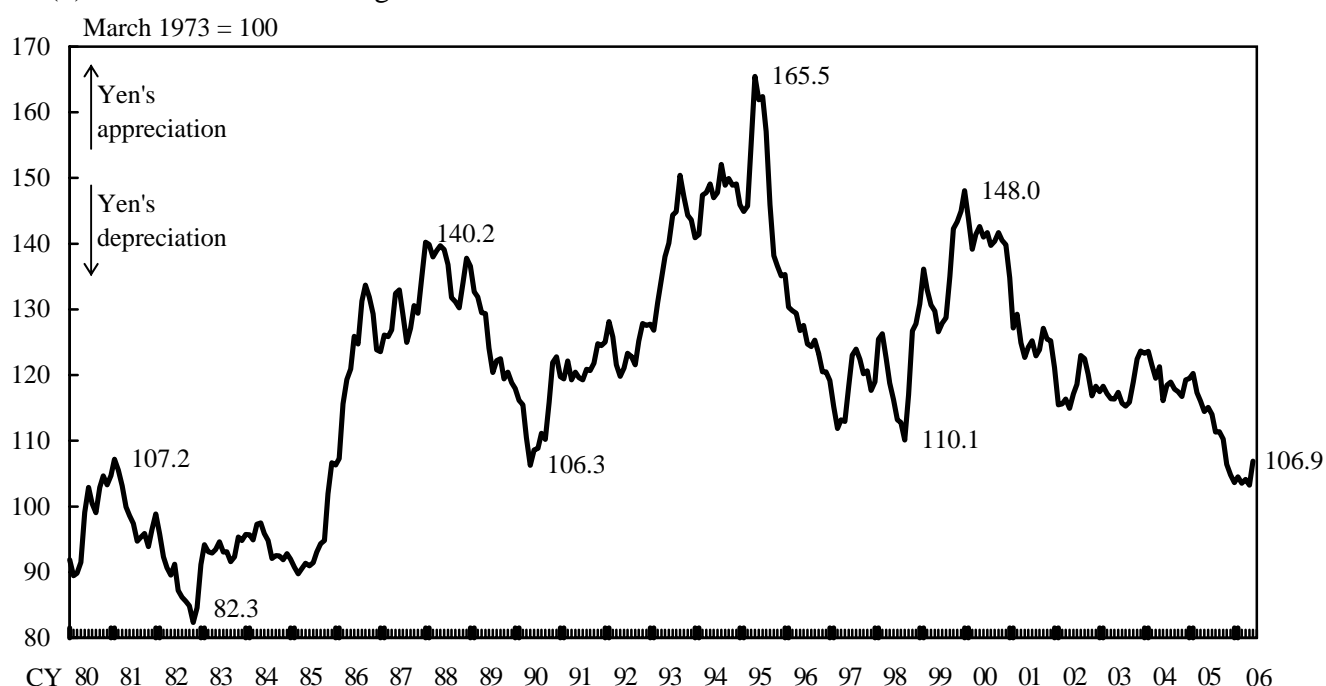


Notes: 1. Regarding classifications of each goods, see notes to charts 6 and 11.  
 2. Seasonally adjusted by X-12-ARIMA.

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 May 2006 is the average up to May 18.

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 <sup>1</sup>	2.7	4.2	3.5	3.3	4.1	1.7	4.8		
European Union <sup>1</sup>	1.2	2.2	1.7	2.1	2.8	1.6	2.5		
Germany	-0.2	1.6	1.0	1.7	2.5	0.0	1.5		
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	2.6		
East Asia <sup>2</sup>	China	10.0	10.1	9.9	10.1	9.8	9.9	10.2	
	NIEs	Korea	3.1	4.7	4.0	3.2	4.5	5.3	6.2
		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	4.6
		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 <sup>1</sup>

## (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	2006 Jan.	Feb.	Mar.
United States	<12.4>	0.4	3.6	-3.9	4.4	4.7	-0.1	4.2	-1.6	-0.6	-1.3
EU	<11.4>	9.6	2.1	-1.3	3.8	-1.1	-0.7	1.7	1.4	2.9	-1.5
East Asia	<42.3>	14.7	11.2	5.6	0.8	3.0	1.8	4.2	1.9	-2.6	5.1
China	<21.0>	20.9	18.8	8.8	1.5	2.9	1.8	5.0	2.9	-4.7	10.0
NIEs	<9.8>	12.8	9.3	3.9	2.8	7.1	4.1	4.1	3.6	-1.8	-0.1
Korea	<4.7>	14.5	8.3	3.9	4.6	5.9	7.5	-1.2	1.7	-6.2	-0.3
Taiwan	<3.5>	12.0	11.0	1.8	1.9	12.4	0.4	8.3	5.3	-0.6	-0.9
ASEAN4 <sup>3</sup>	<11.4>	7.1	0.2	1.5	-2.3	-0.5	-0.4	2.7	-1.8	1.1	1.0
Thailand	<3.0>	14.3	12.8	6.0	0.3	2.0	2.0	1.1	-0.7	1.9	-1.4
Others	<34.0>	4.7	1.8	-2.3	1.6	1.2	2.1	-2.0	-3.4	-0.9	1.1
Real imports		8.1	5.4	1.0	1.6	2.0	0.2	2.4	1.4	-0.8	0.3

## (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	2006 Jan.	Feb.	Mar.
Raw materials <sup>4</sup>	<31.7>	1.3	-3.9	-3.7	-3.5	1.4	-0.6	0.5	0.0	3.3	-5.9
Intermediate goods	<14.0>	8.7	4.6	3.0	1.0	0.3	0.6	0.4	1.2	0.2	0.0
Foodstuffs	<9.8>	0.4	2.6	2.7	1.1	-0.9	-3.1	2.4	3.6	-2.2	1.4
Consumer goods <sup>5</sup>	<9.9>	12.5	8.7	3.0	4.6	-3.0	3.0	1.4	0.6	-6.2	4.3
IT-related goods <sup>6</sup>	<12.5>	17.6	15.4	4.7	3.2	8.2	1.4	6.9	2.5	0.4	3.3
Capital goods and parts <sup>7</sup>	<12.1>	17.4	13.6	-0.4	4.6	7.2	2.0	7.3	2.6	1.8	-2.6
Excluding aircraft	<11.2>	19.2	13.7	2.3	5.4	5.0	3.8	5.7	0.4	2.5	0.5
Real imports		8.1	5.4	1.0	1.6	2.0	0.2	2.4	1.4	-0.8	0.3

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

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.

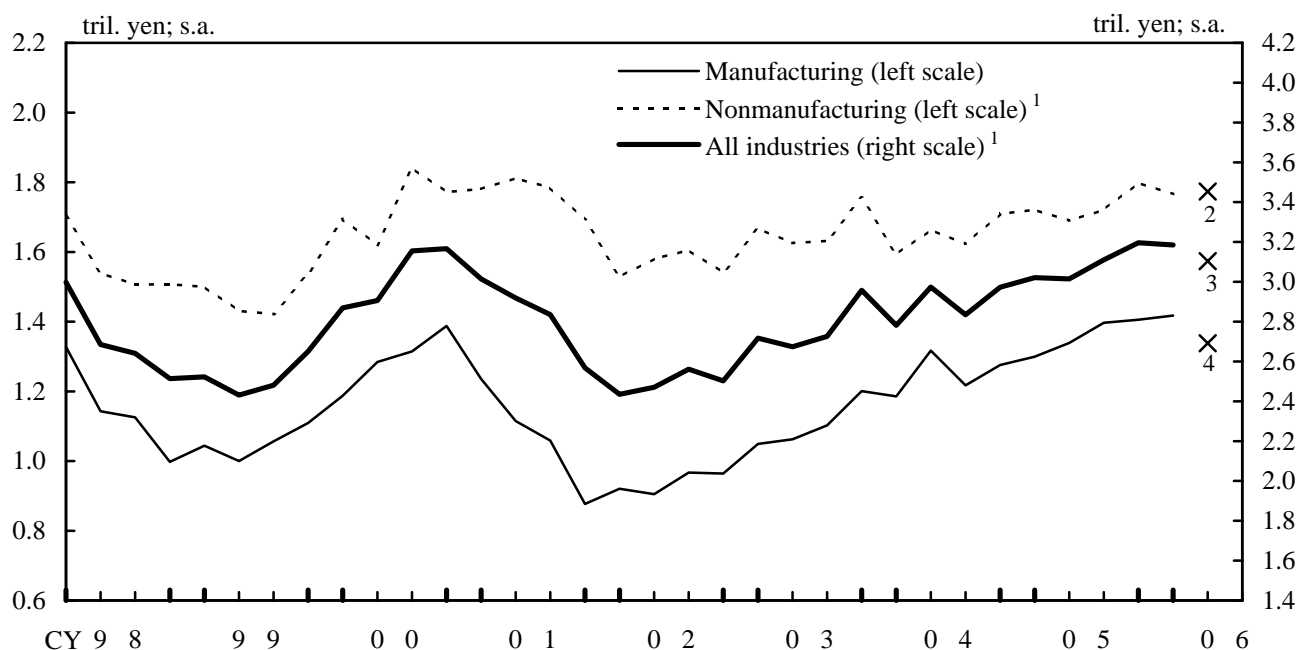
6. IT-related goods are composed of computers and units, parts of computer, telecommunication machinery, ICs, and medical and optical instruments.

7. Excludes IT-related goods.



## Leading Indicators for Business Fixed Investment

## (1) Machinery Orders



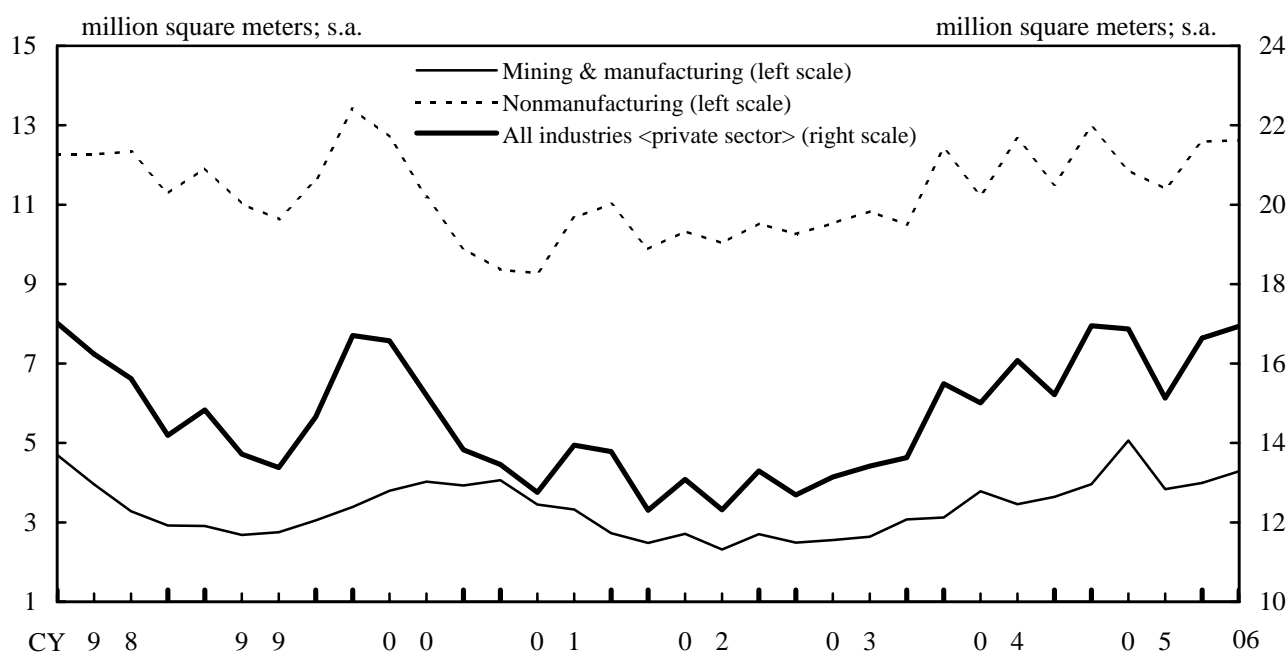
Notes: 1. Excludes orders of shipbuilding and orders from electric power companies.

2. Forecast of nonmanufacturing industries for 2006/Q2.

3. Forecast of all industries for 2006/Q2.

4. Forecast of manufacturing industries for 2006/Q2.

## (2) Construction Starts (Floor Area, Private, Nondwelling Use)



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

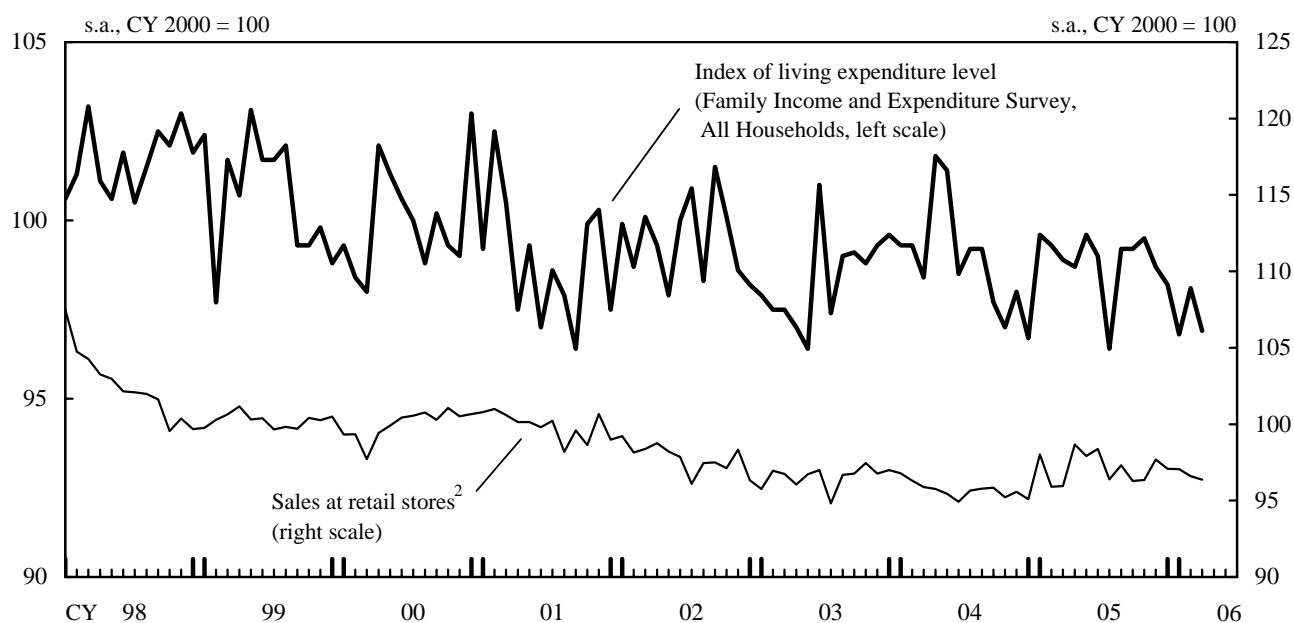
2. Because the Standard Industrial Classification for Japan was revised in March 2002, the industry classification for newspaper publishing and publishing business was changed from mining and manufacturing to nonmanufacturing. Accordingly, the data up to FY 2002 were adjusted by using a link coefficient.

Sources: Cabinet Office, "Machinery Orders Statistics";

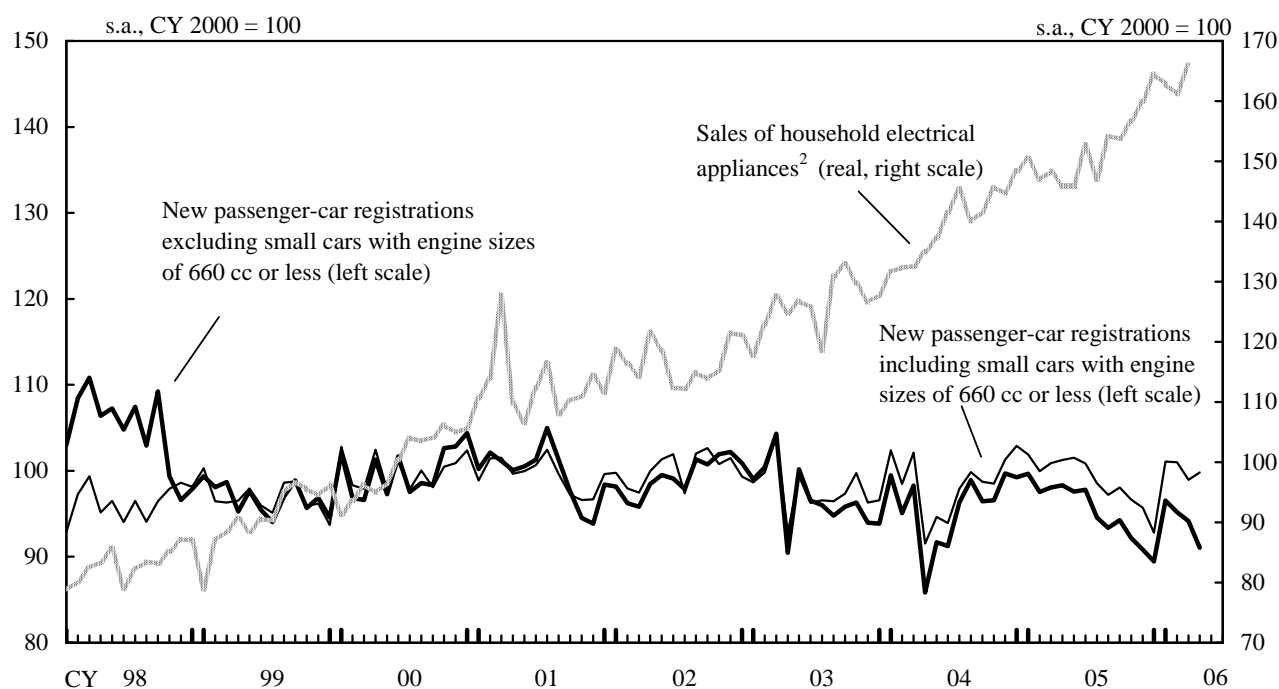
Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts."

## Indicators for Private Consumption<sup>1</sup> (1)

### (1) Household Spending (Real)



### (2) Sales of Durable Goods



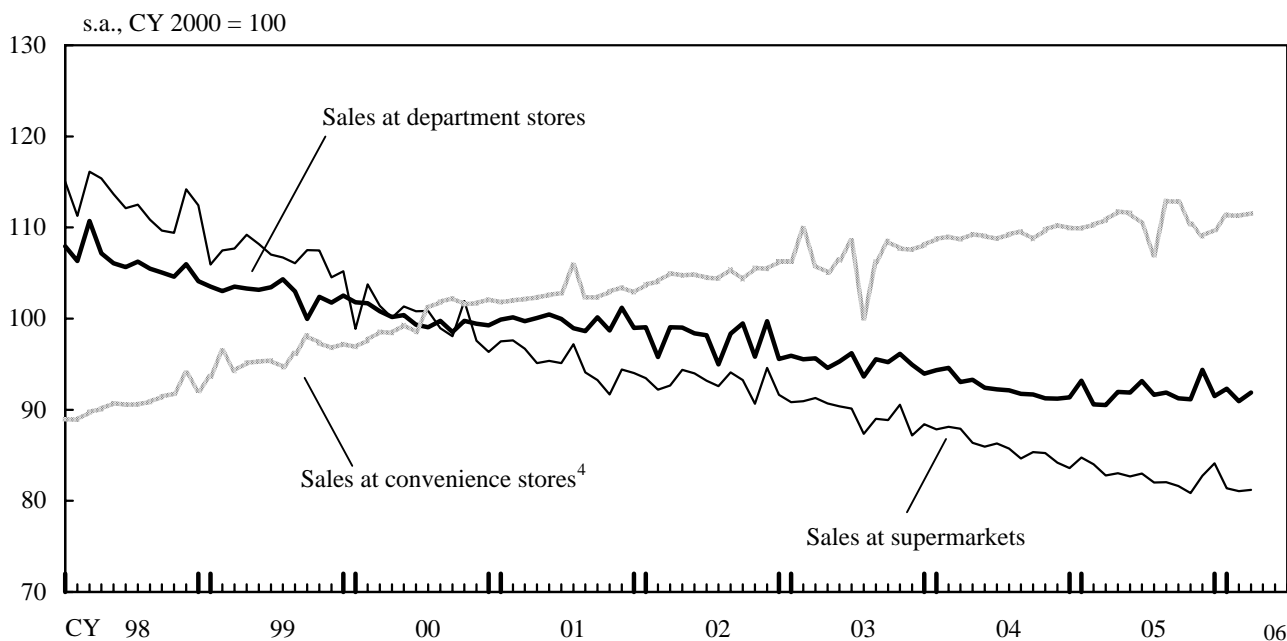
Notes: 1. Seasonally adjusted by X-12-ARIMA. Index of living expenditure level is seasonally adjusted by the Ministry of Internal Affairs and Communications.

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).

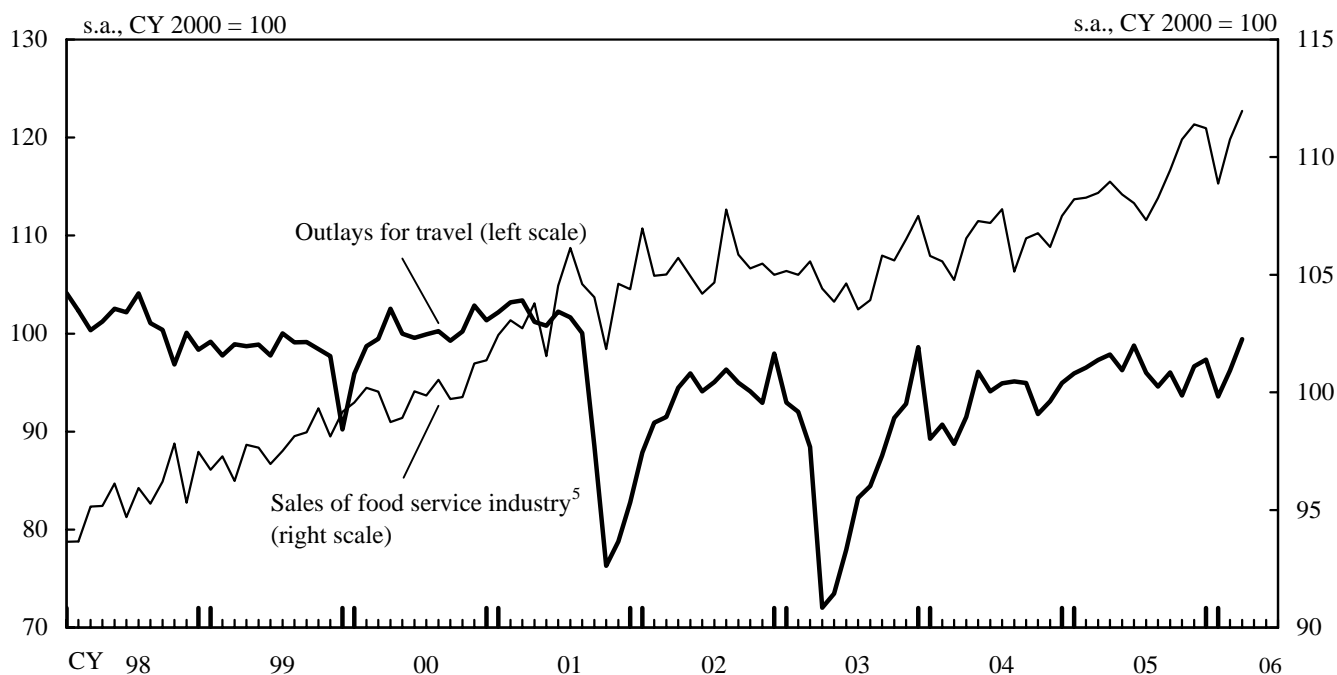
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index," "Monthly Report on the Family Income and Expenditure Survey"; Ministry of Economy, Trade and Industry, "Current Survey of Commerce"; Japan Automobile Dealers Association, "Domestic Sales of Automobiles"; Japan Mini Vehicles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

## Indicators for Private Consumption<sup>1, 2</sup> (2)

### (3) Sales at Retail Stores (Nominal)<sup>3</sup>



### (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.

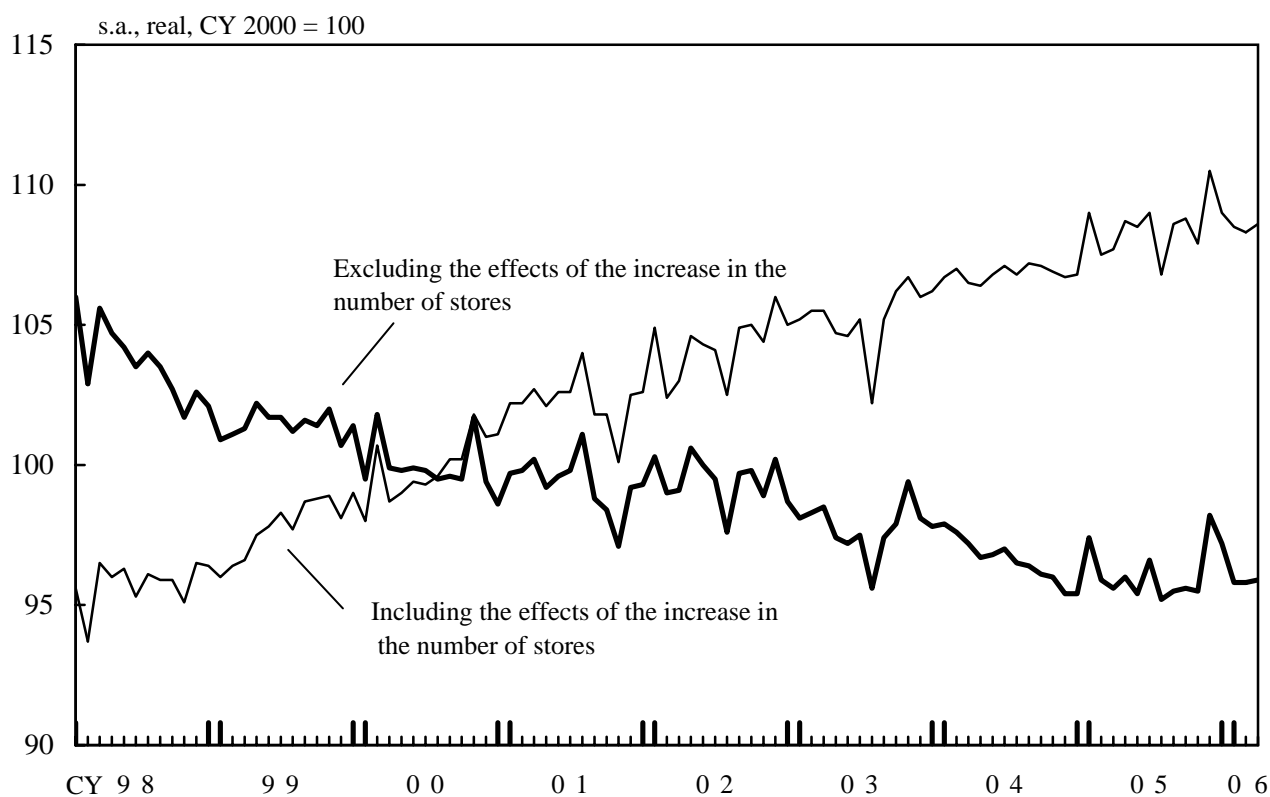
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce";

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

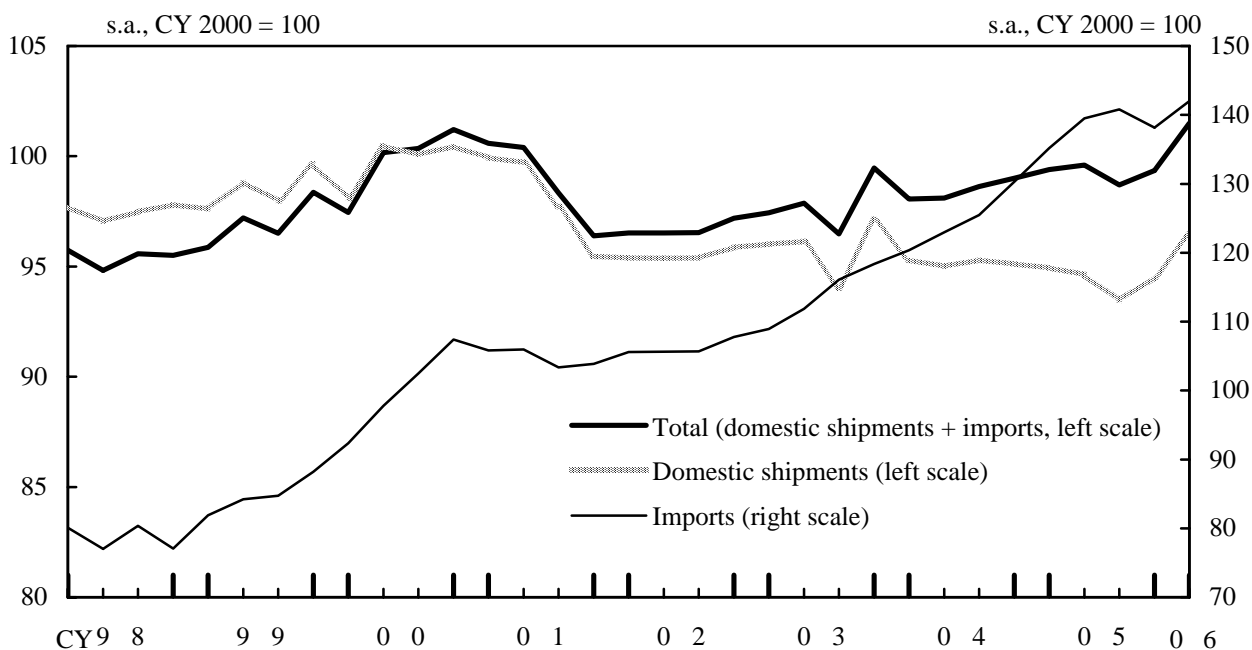


- Notes: 1. Indices of aggregated sales are the weighted sum of "sales at department stores and supermarkets," "new passenger-car registrations," "sales of household electrical appliances," "outlays for travel," and "sales of food service industry," where the weights come from household expenditure in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

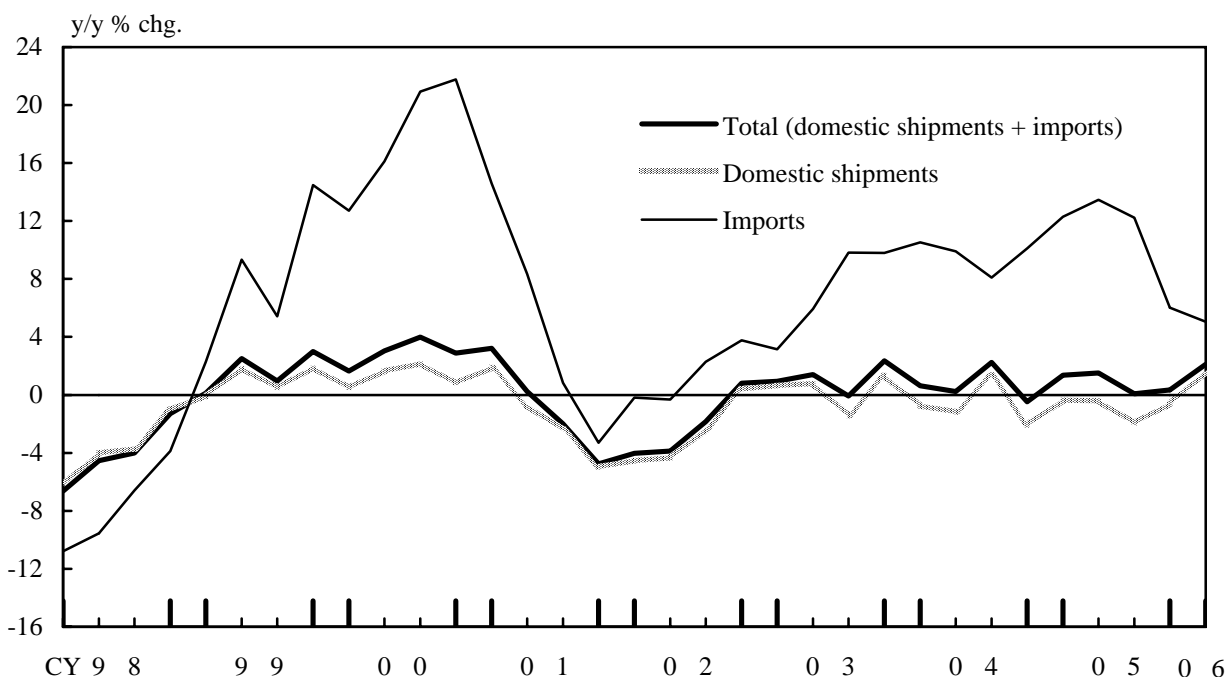
Source: Bank of Japan, "Indices of Aggregated Sales."

## 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.

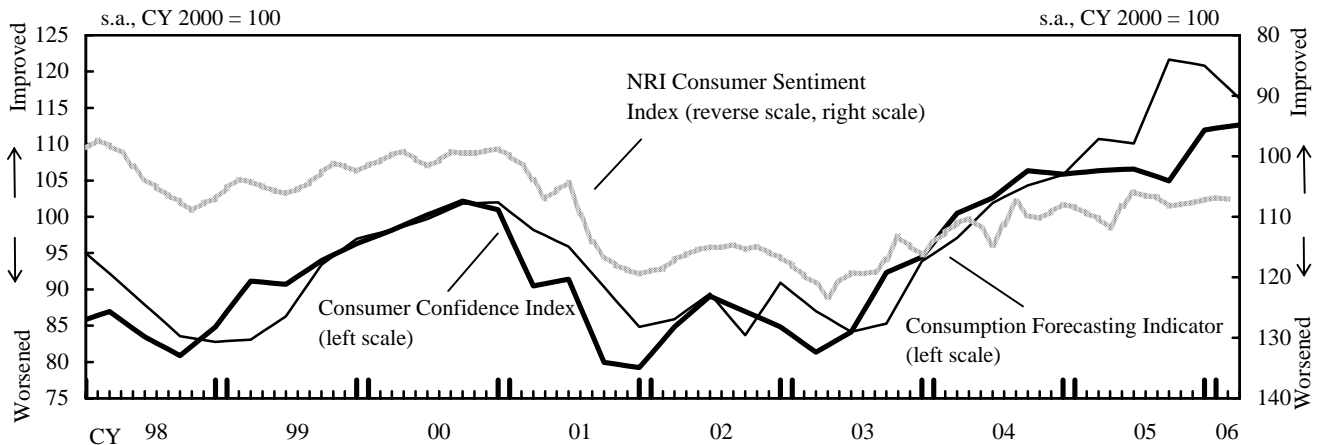
Real imports of consumer goods; motor vehicles, computers and the parts, parts of audio and visual apparatus, foodstuffs, textile, and clothing and accessories.

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

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

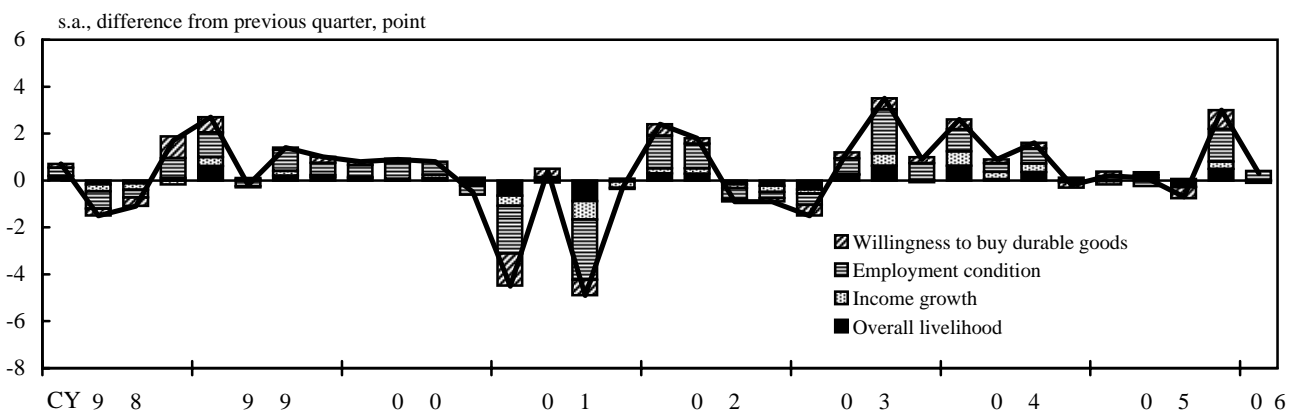
# Consumer Confidence

## (1) Surveys on Consumer Confidence

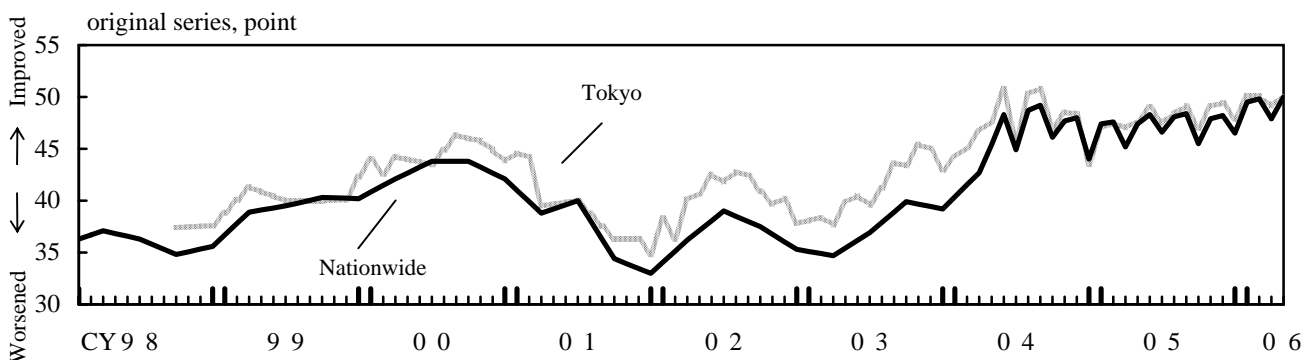


- Notes: 1. Seasonally adjusted by X-11. "Consumer Confidence Index" is seasonally adjusted by the Cabinet Office. "Consumption Forecasting Indicator" is seasonally adjusted using quarterly figures because the survey was quarterly until 2004.
2. Consumer Confidence Index (with 5,040 samples in a nationwide basis), Consumption Forecasting Indicator (with 600 samples in the metropolitan area [until September 2004: 1,500 samples, December 2004: 880 samples]), and NRI Consumer Sentiment Index (with 2,400 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)



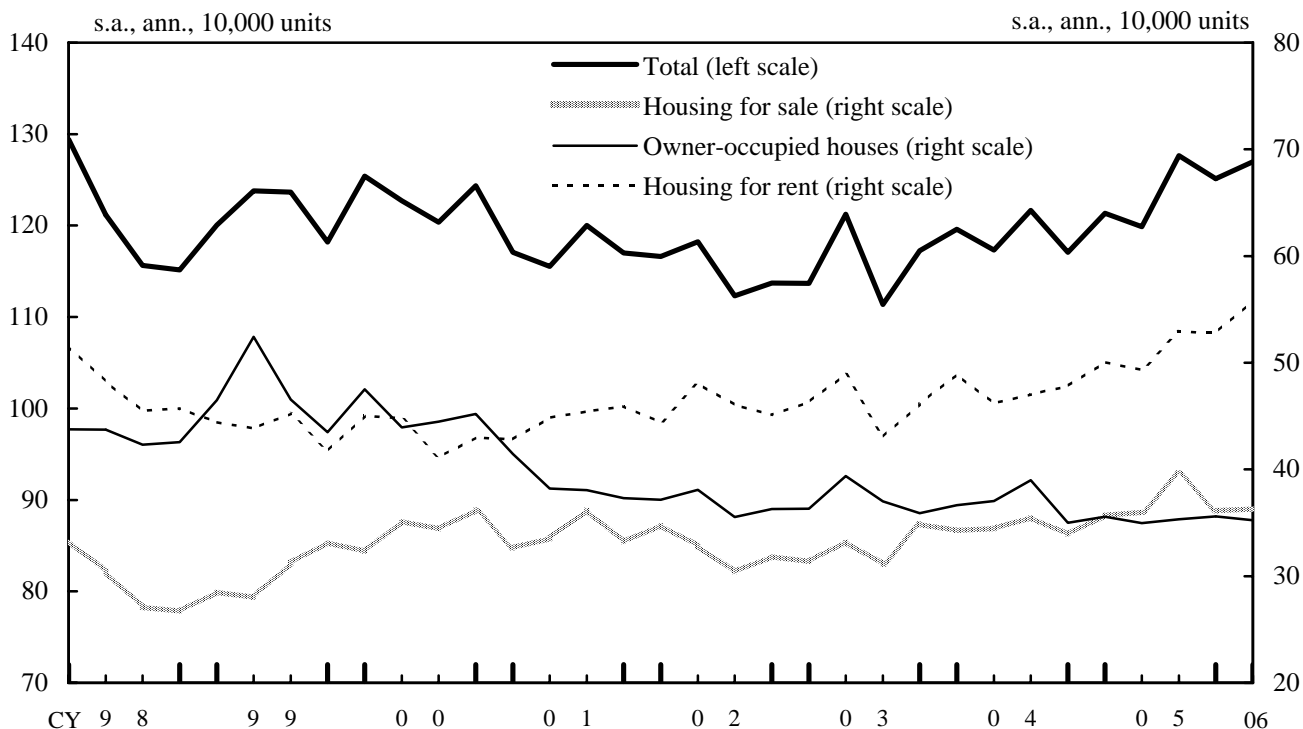
Note: From September 1998 to October 2001, figures of "Monthly Consumer Confidence Index (Tokyo)" when the survey was not conducted were supplemented with linear interpolation. Figures of "Monthly Consumer Confidence Index (Nationwide)" were also plotted at the surveyed months and supplemented with linear interpolation prior to March 2004.

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

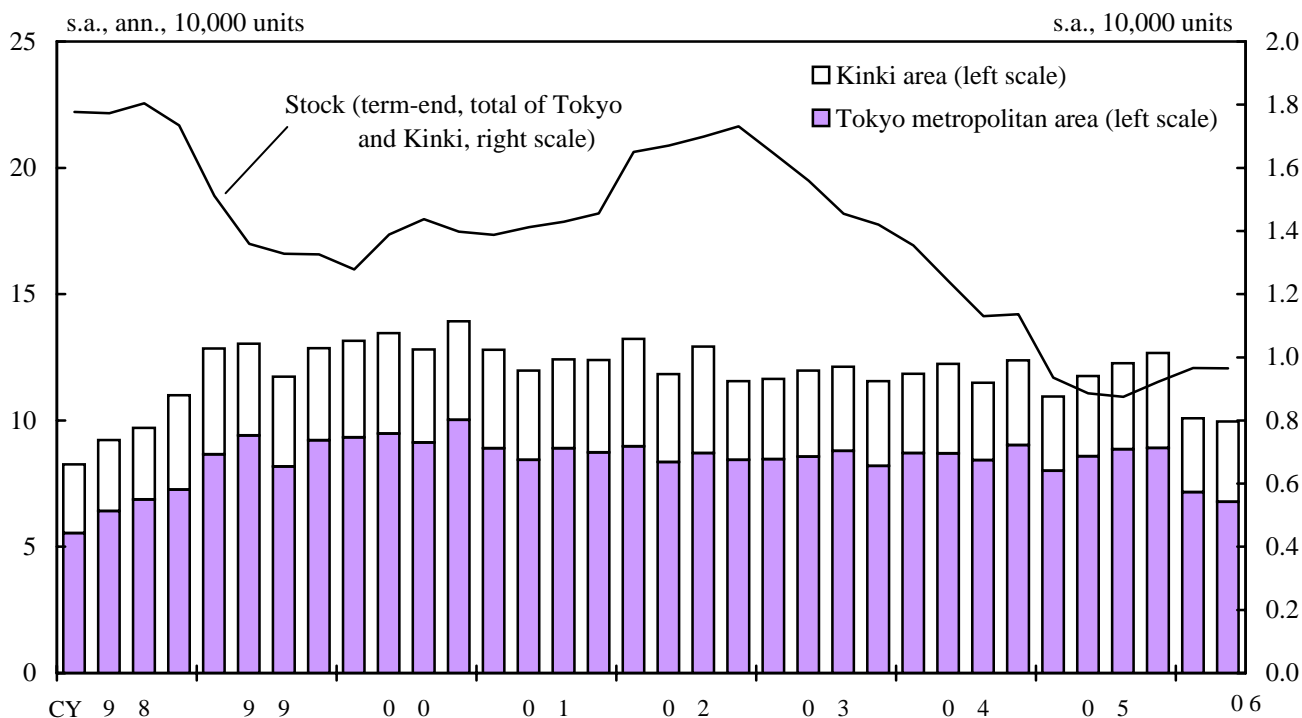


Indicators for Housing Investment

(1) Housing Starts



(2) Sales of Apartments

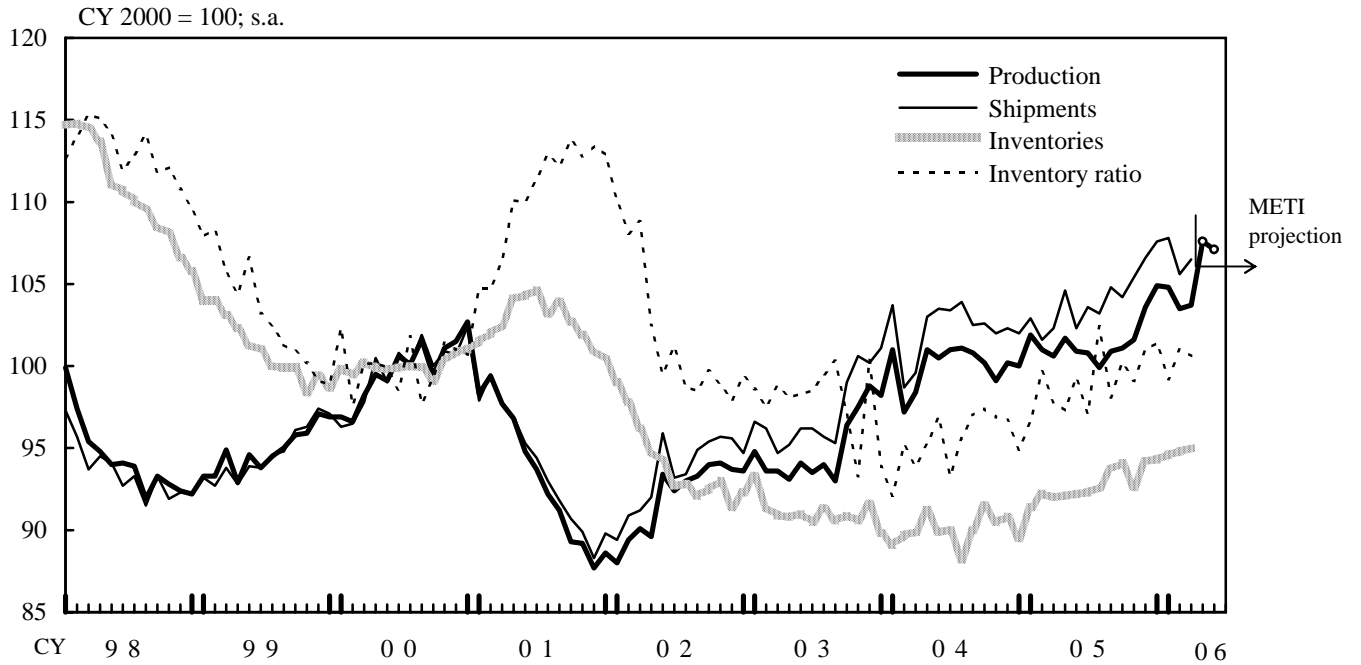


Notes: 1. Seasonally adjusted by X-12-ARIMA.  
 2. Figures for 2006/Q2 are those of April.

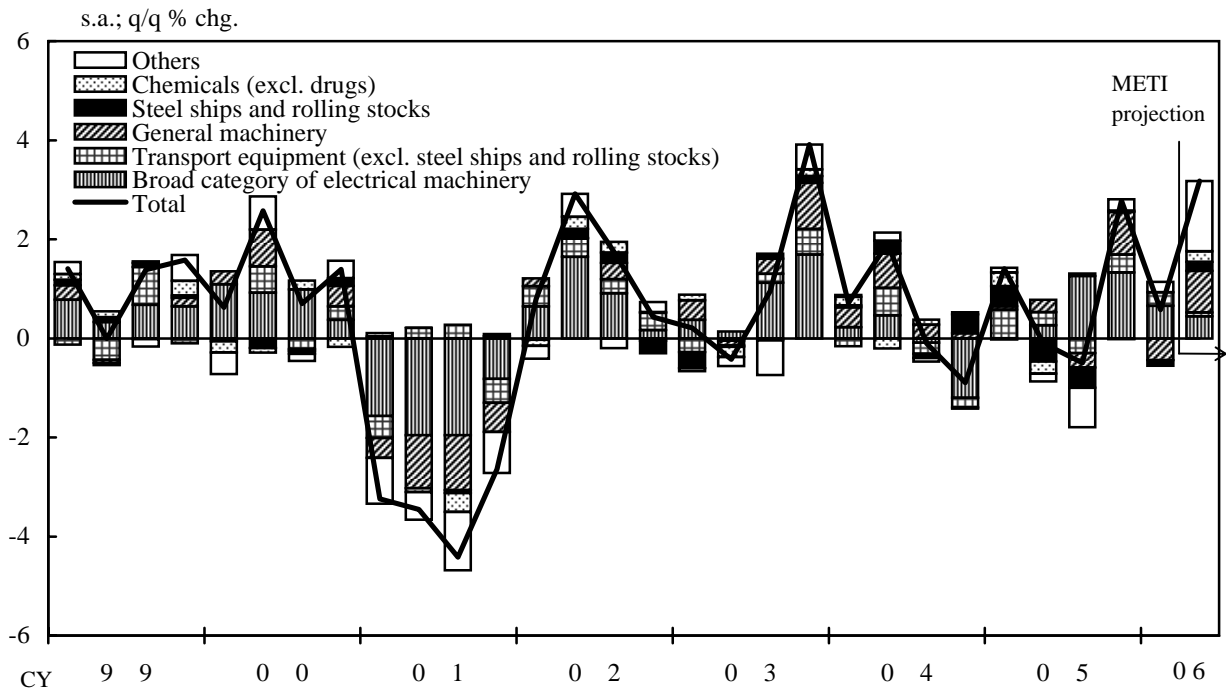
Source: Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts," etc.

Production, Shipments and Inventories

(1) Production, Shipments and Inventories



(2) Production by Industries

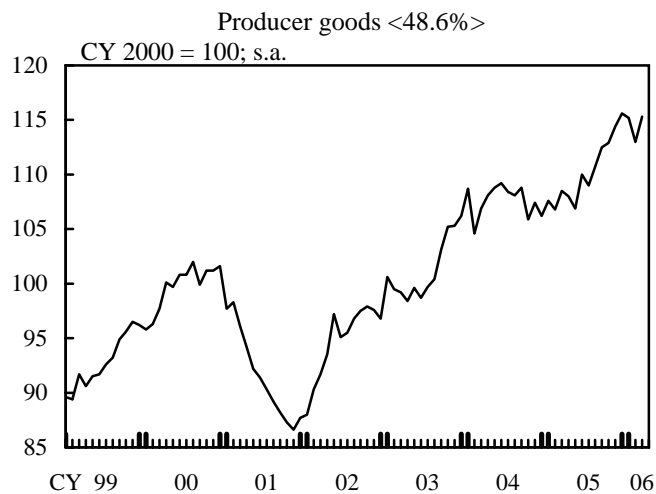
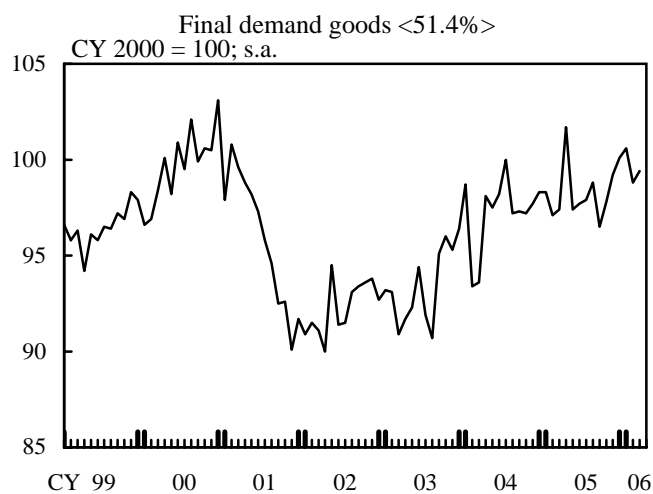


- Notes: 1. "Broad category of electrical machinery" is the weighted sum of "electrical machinery," "information and communication electronics equipment" and "electronic parts and devices."  
 2. 2006/Q2 figures are based on the assumption that production level in June is the same as that of May.

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

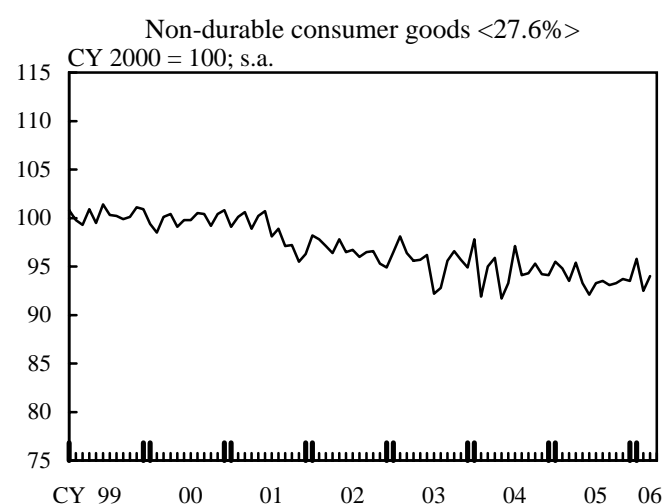
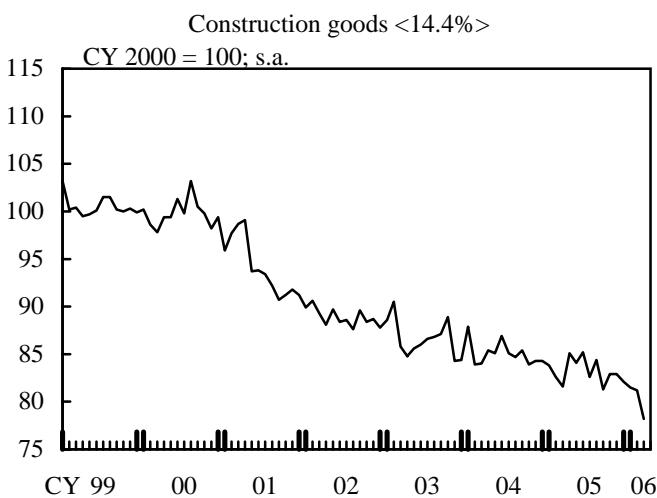
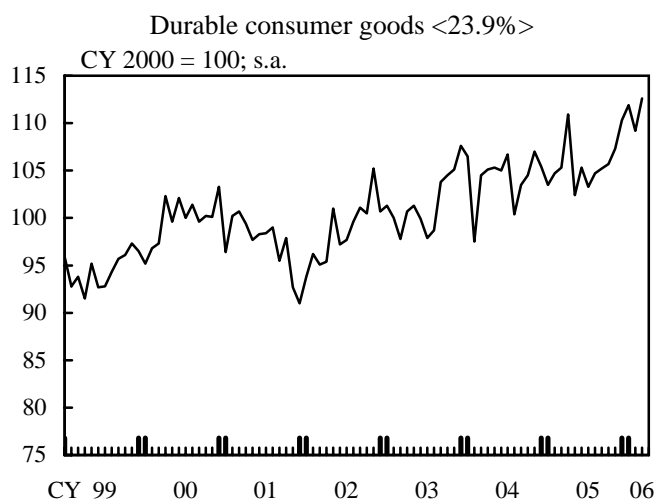
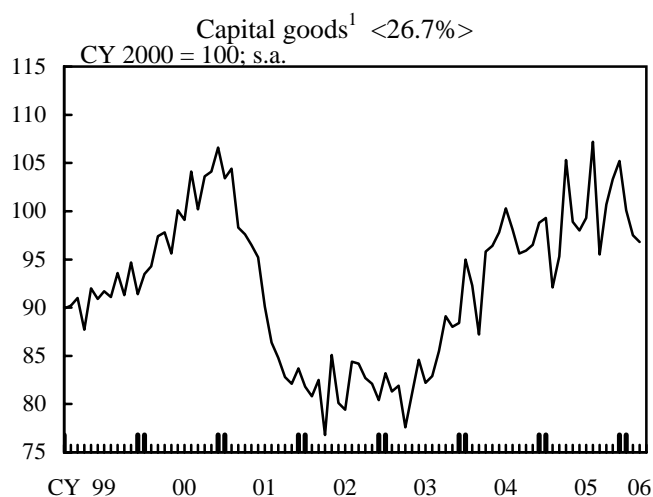
## Shipments Breakdown by Type of Goods

### (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

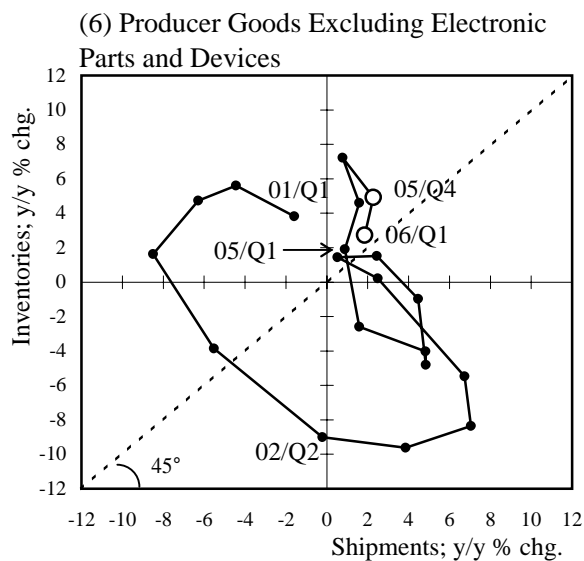
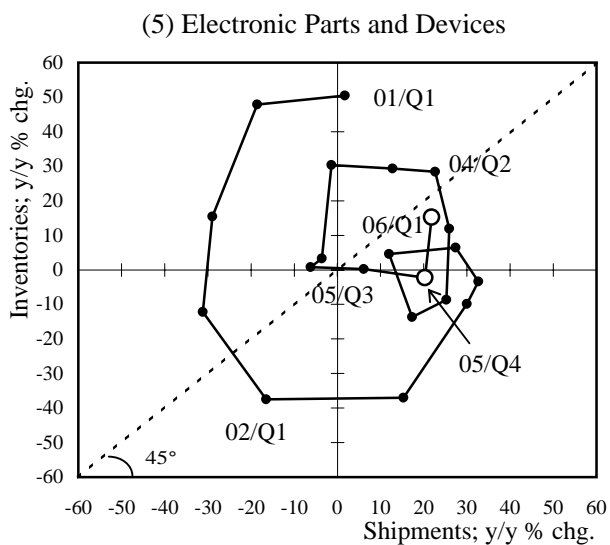
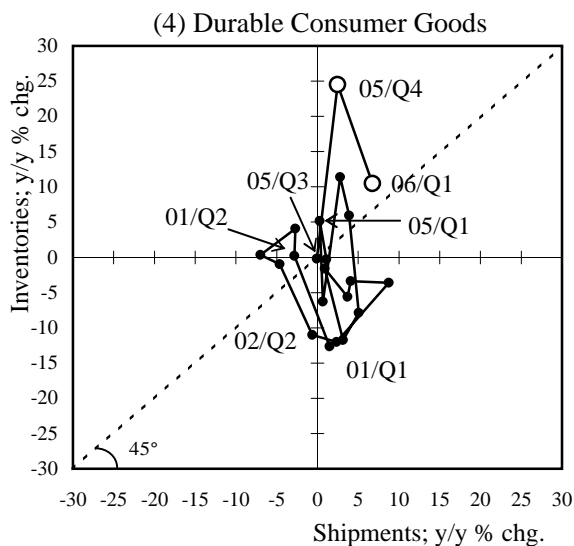
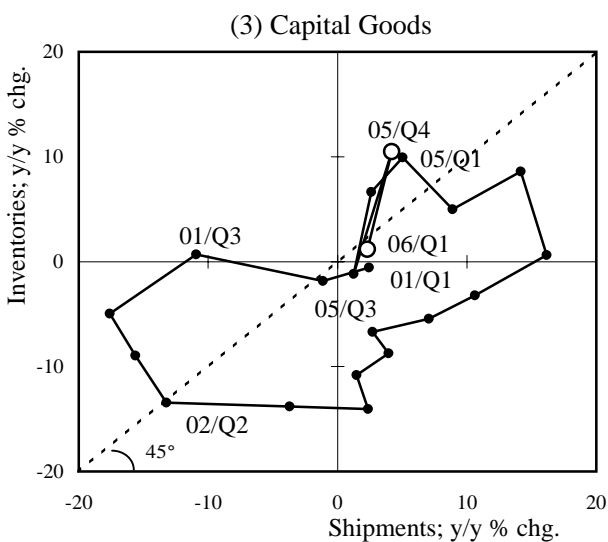
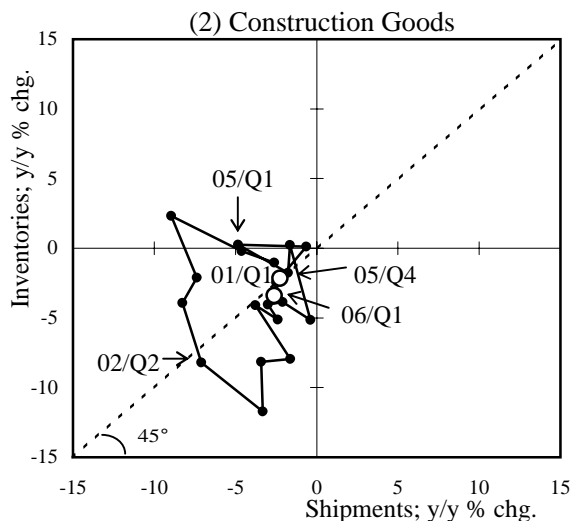
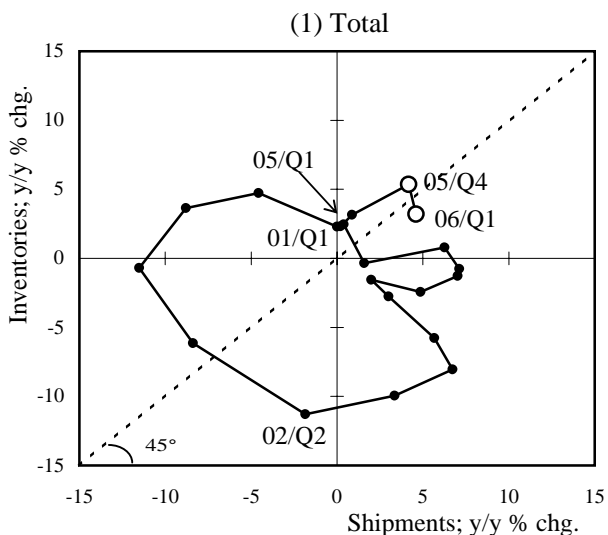


Notes: 1. Excluding transport equipment.

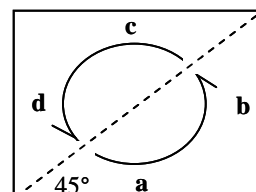
2. Shares of shipments of final demand goods are shown in angle brackets.

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

# Inventory Cycle

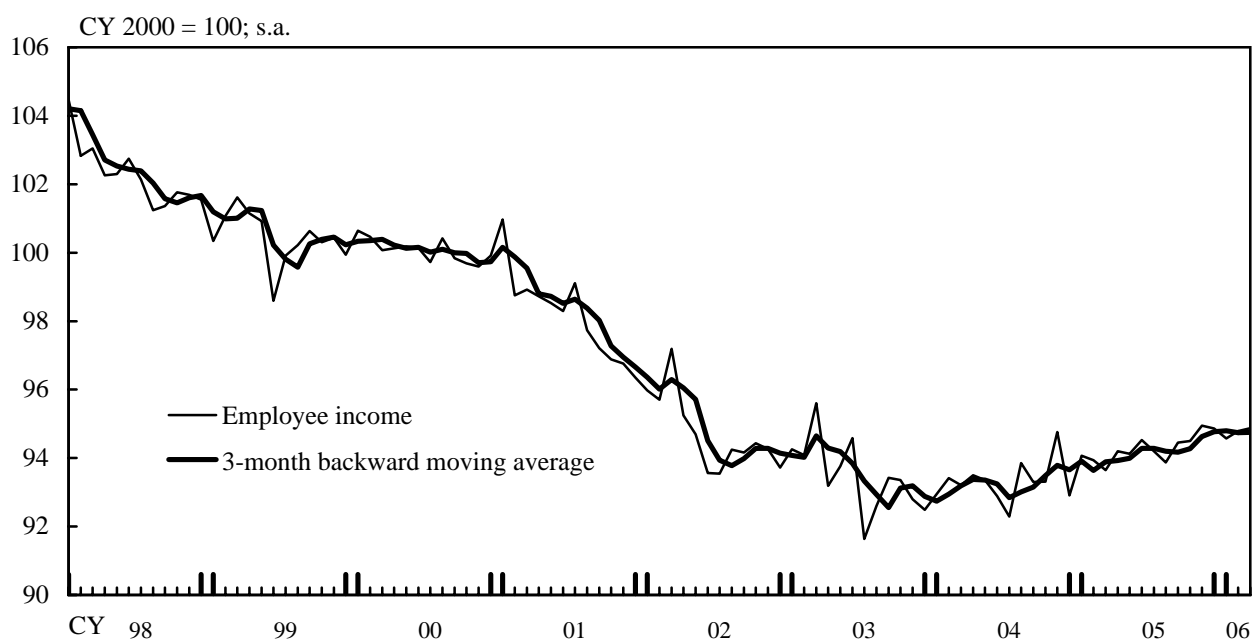


- a Shipment recovery phase
- b Intended inventory accumulation phase
- c Unintended inventory accumulation phase
- d Inventory adjustment phase



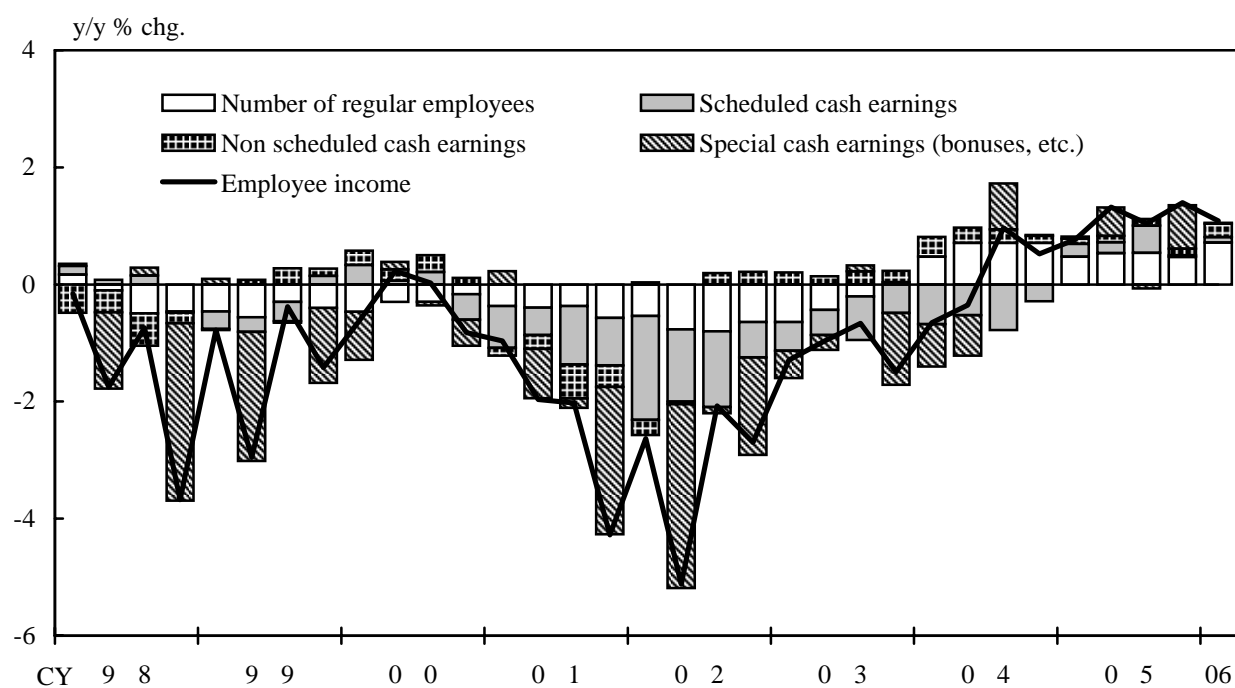
## Employee Income

## (1) Employee Income



- Notes: 1. Employee income's 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 five employees.

## (2) Breakdown of Employee Income

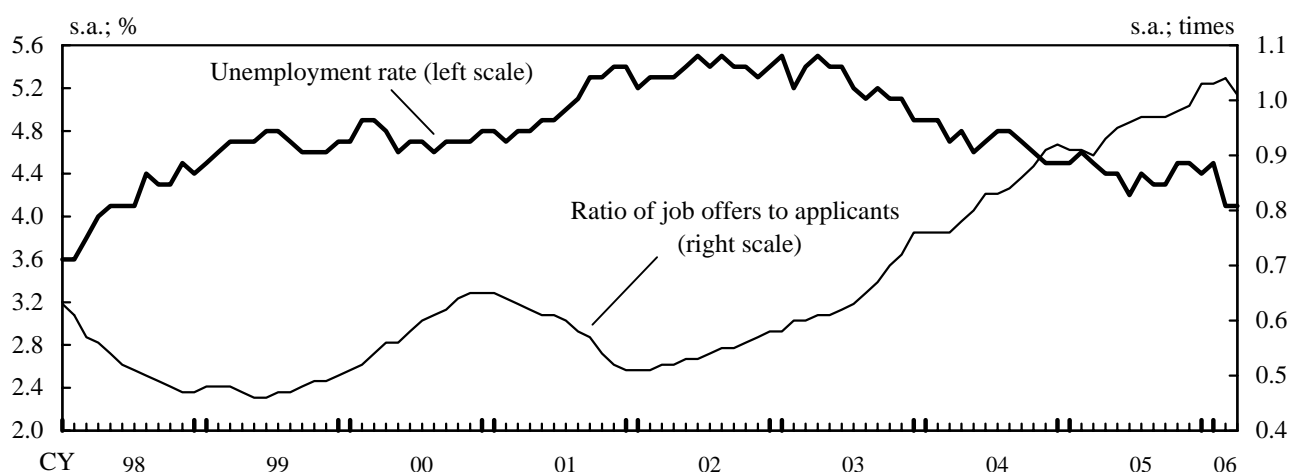
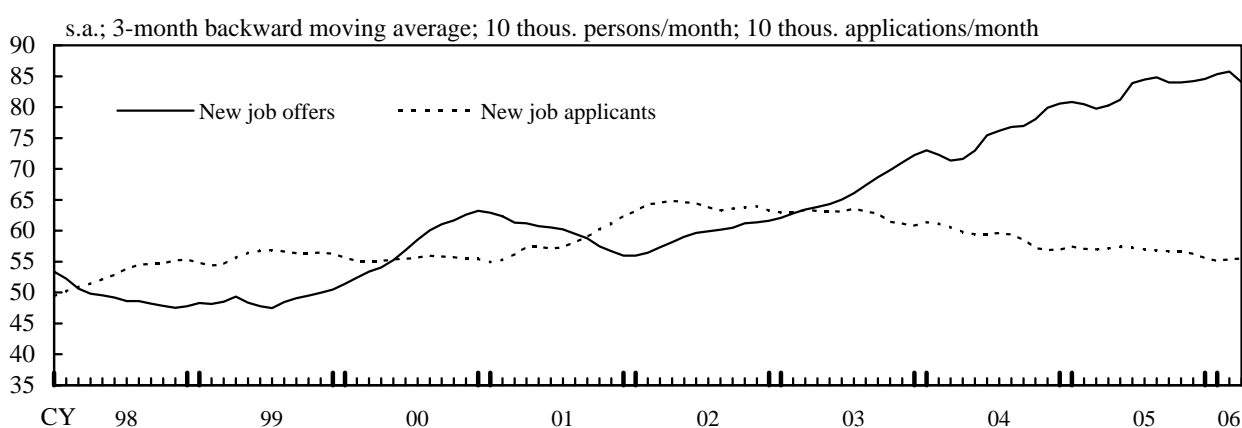
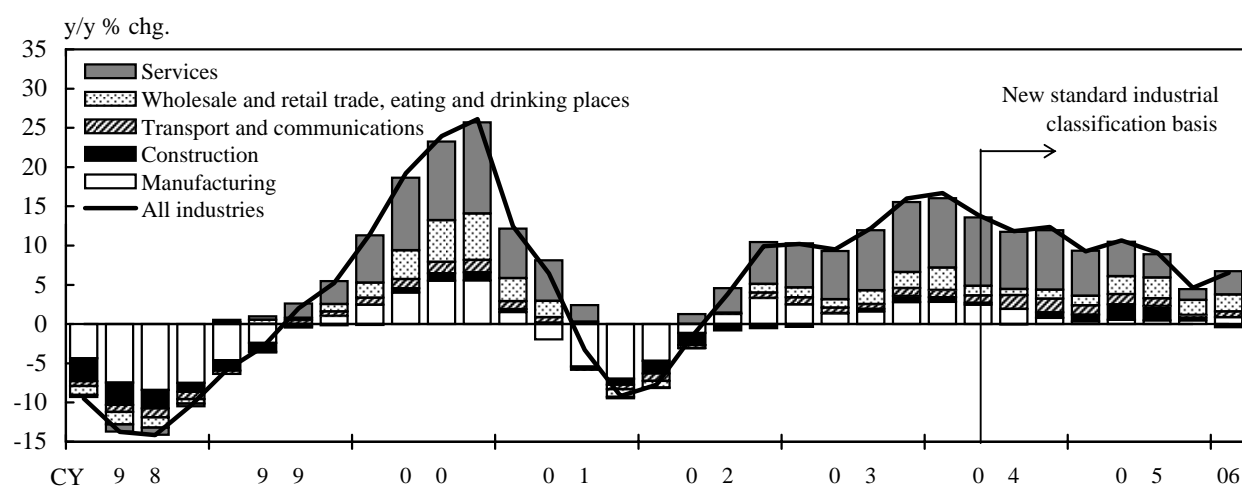


- Notes: 1. Data are for establishments with at least five employees.  
2. Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.  
3. Figures for 2006/Q1 are those of March.

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 Applicants<sup>1</sup>(3) Breakdown of New Job Offers<sup>1,2</sup>

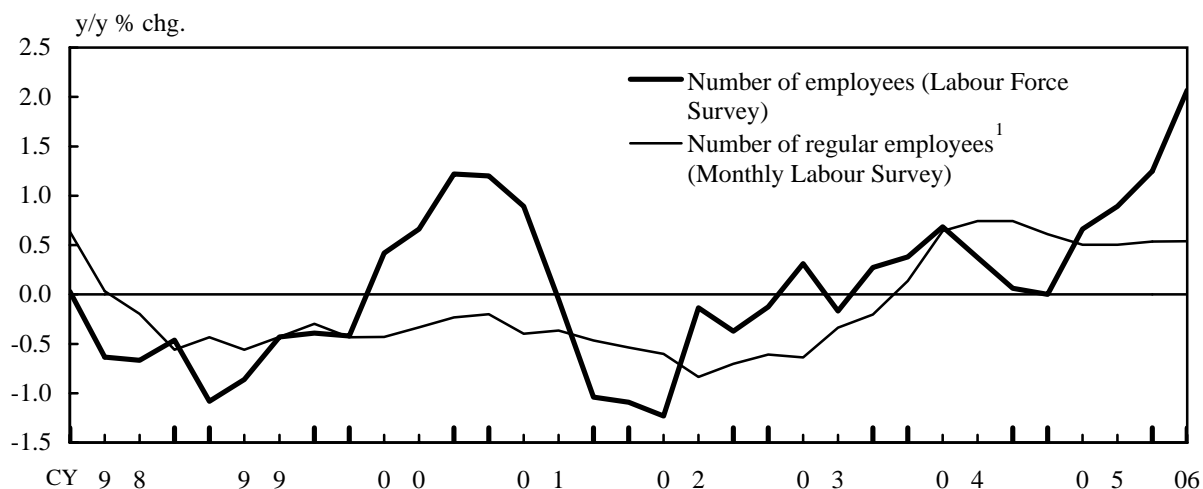
Notes: 1. Figures do not include jobs offered to new graduates, but include those offered to part-time workers.

2. Figures up to 2004/Q2 are based on the previous Standard Industrial Classification. Figures from 2004/Q3 are based on the 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)."

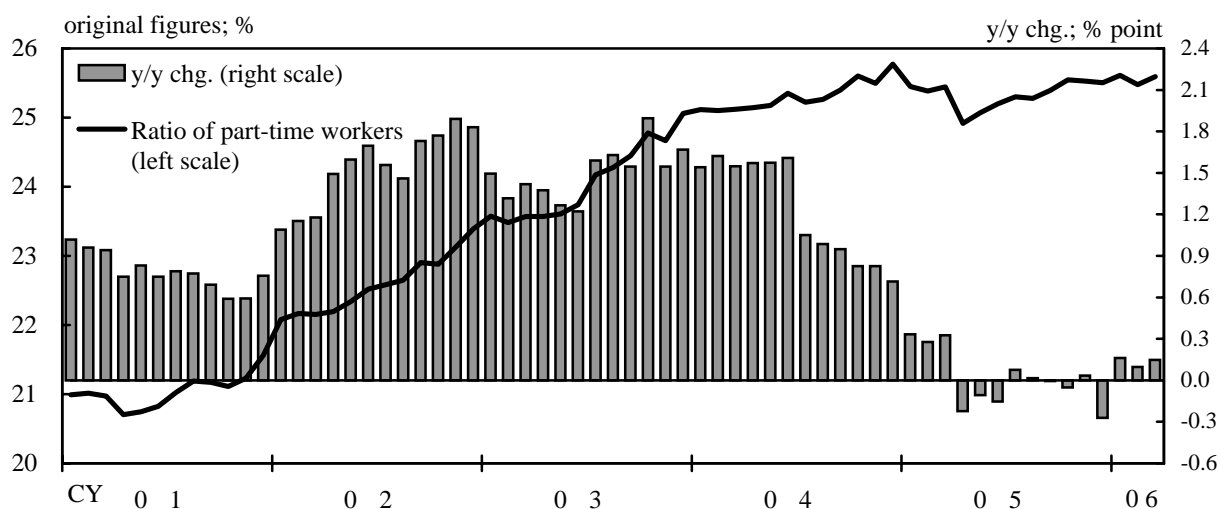
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service";  
Ministry of Internal Affairs and Communications, "Labour Force Survey."

Labor Market (2)

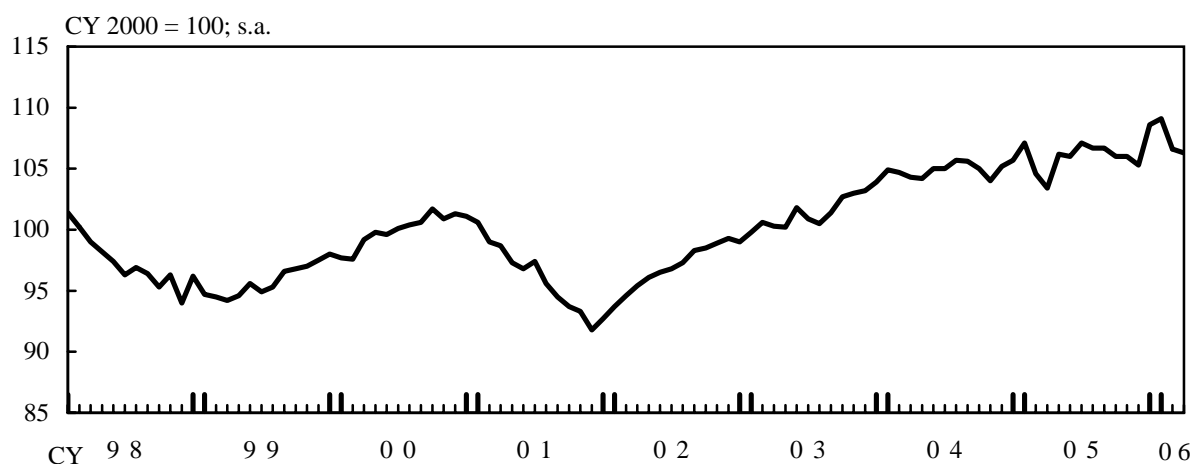
(1) Number of Employees



(2) Ratio of Part-Time Workers<sup>1,2</sup> (Monthly Labour Survey)



(3) Non Scheduled Hours Worked<sup>1</sup> (Monthly Labour Survey)



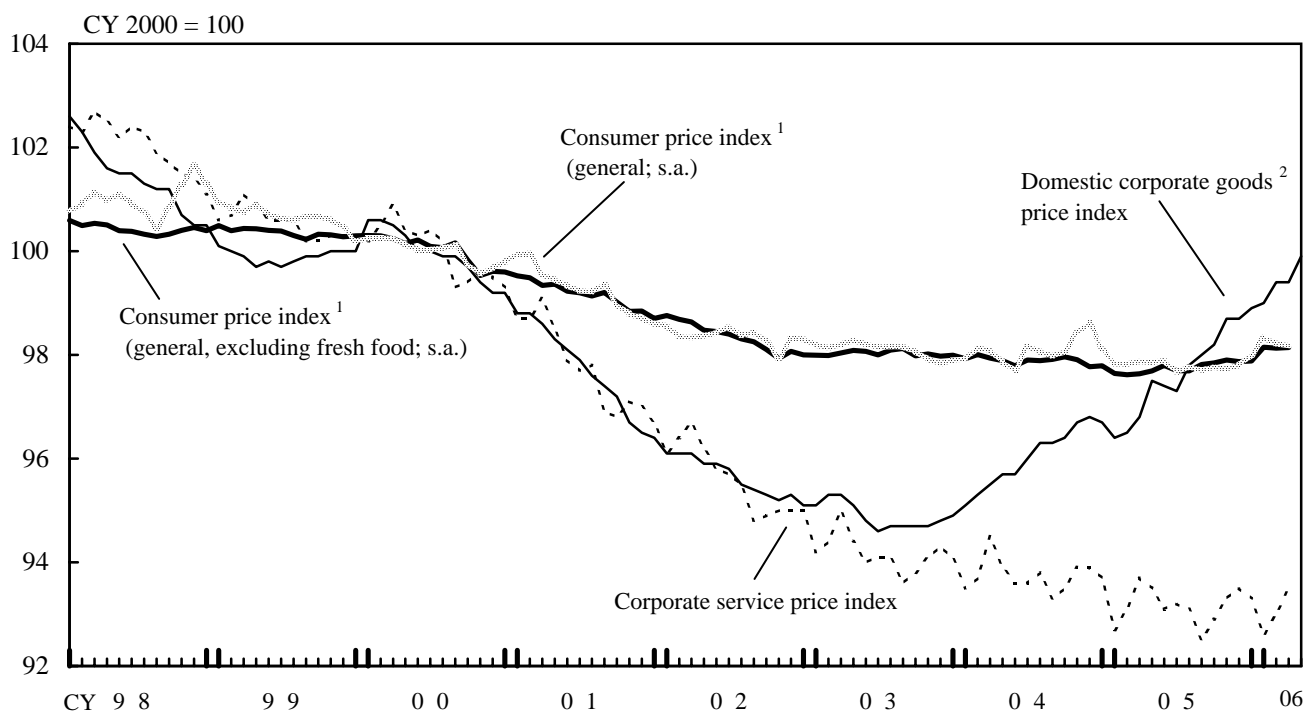
Notes: 1. Data are for establishments with at least five employees.

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

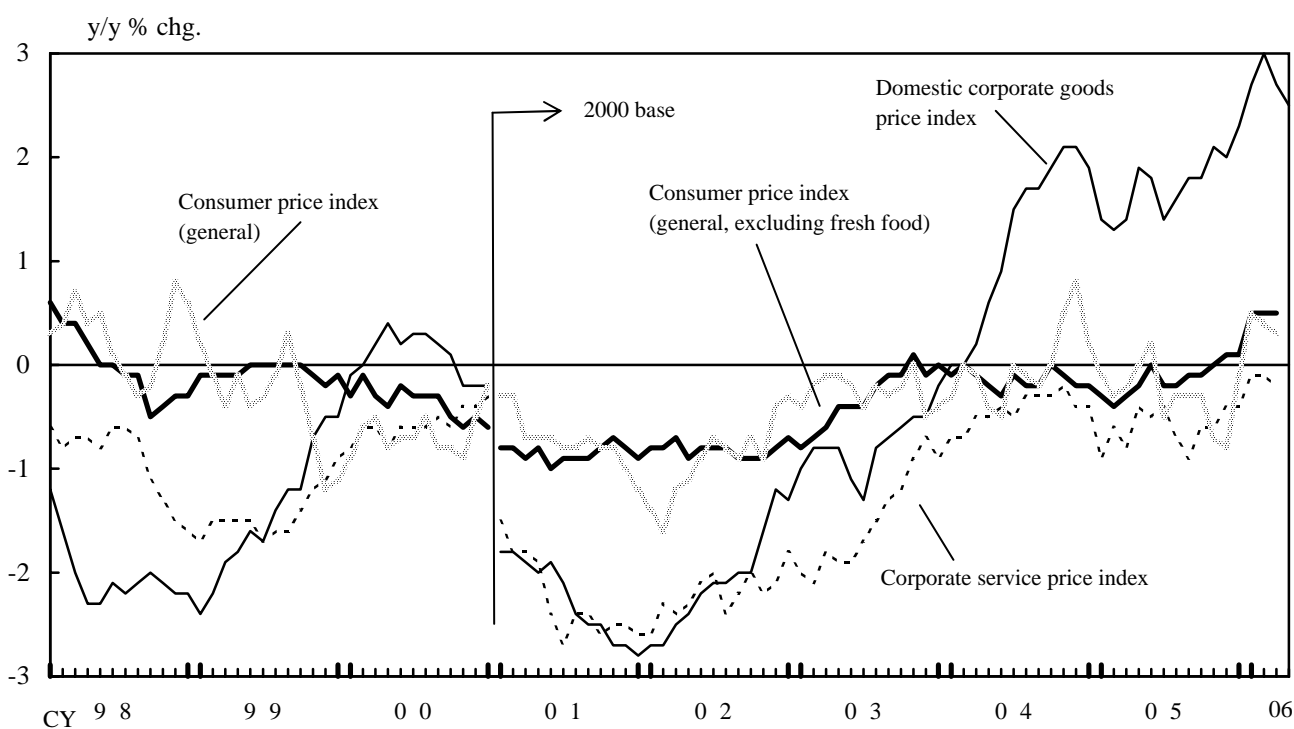
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";  
Ministry of Internal Affairs and Communications, "Labour Force Survey."

Prices<sup>3</sup>

(1) Level



(2) Changes from a Year Earlier<sup>3</sup>



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.

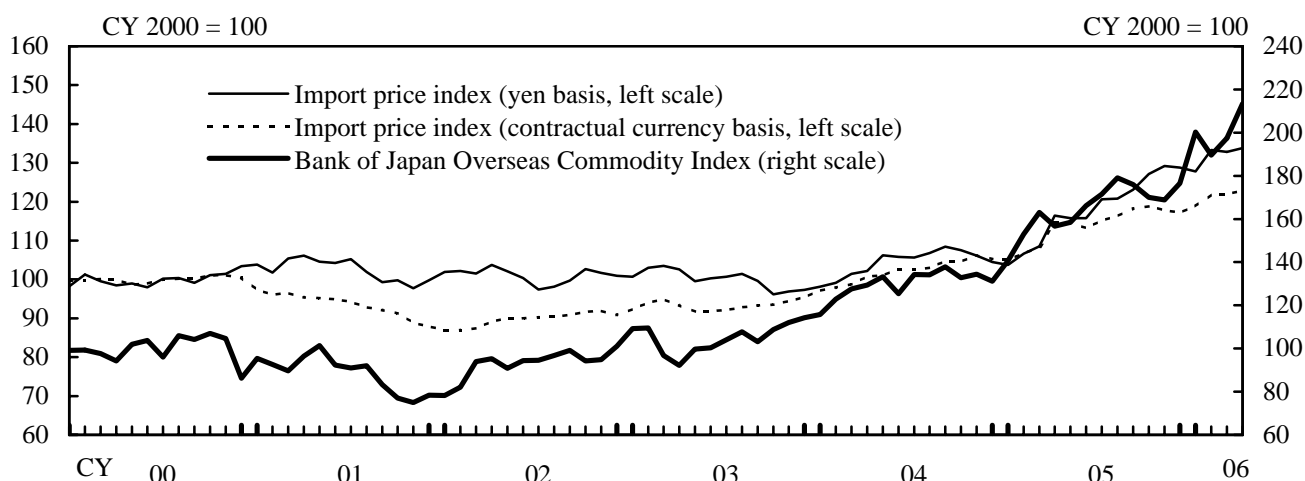
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index";

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



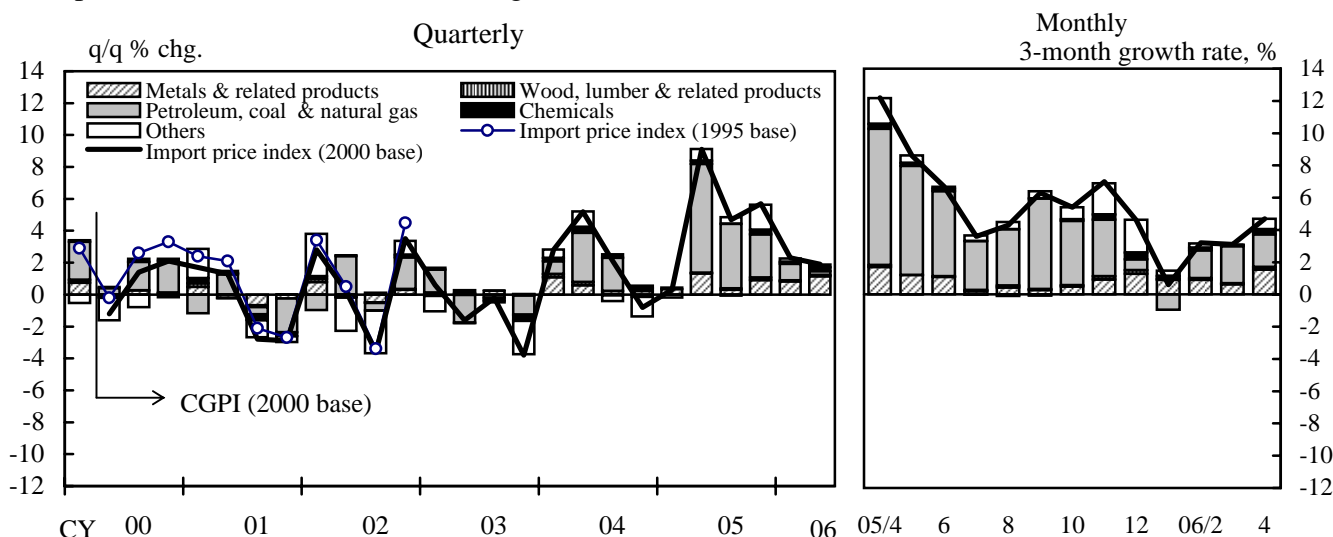
## Import Prices and International Commodity Prices

### (1) Import Price Index and Overseas Commodity Index



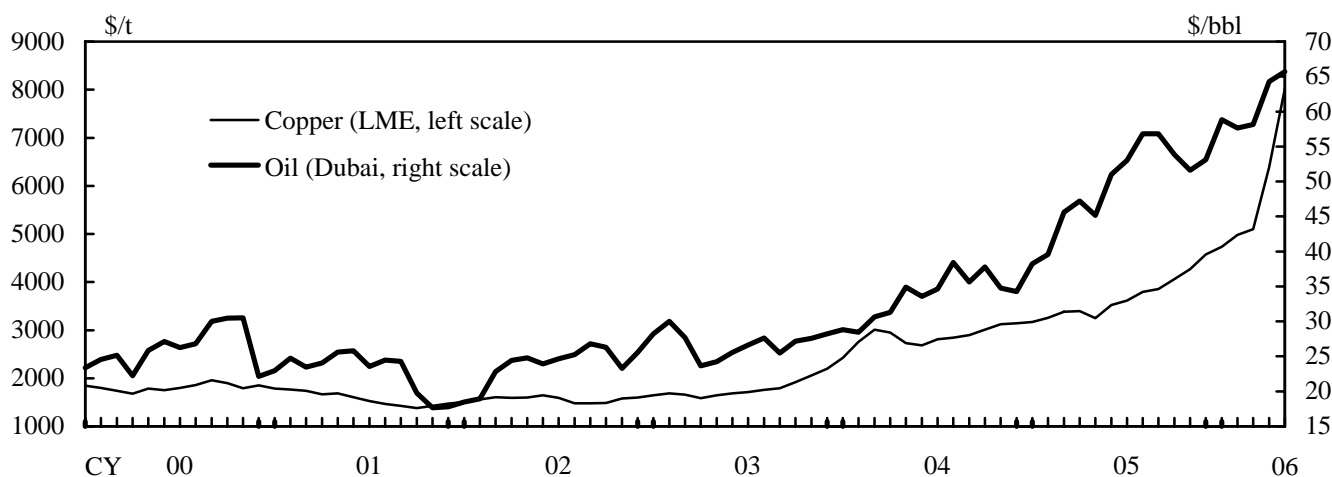
Note: Bank of Japan Overseas Commodity Index is the end-of-month figure.

### (2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



Note: Figures for 2006/Q2 are those of April. 1995 base figure for 2002/Q4 is October-November average.

### (3) Oil Price and Copper Price

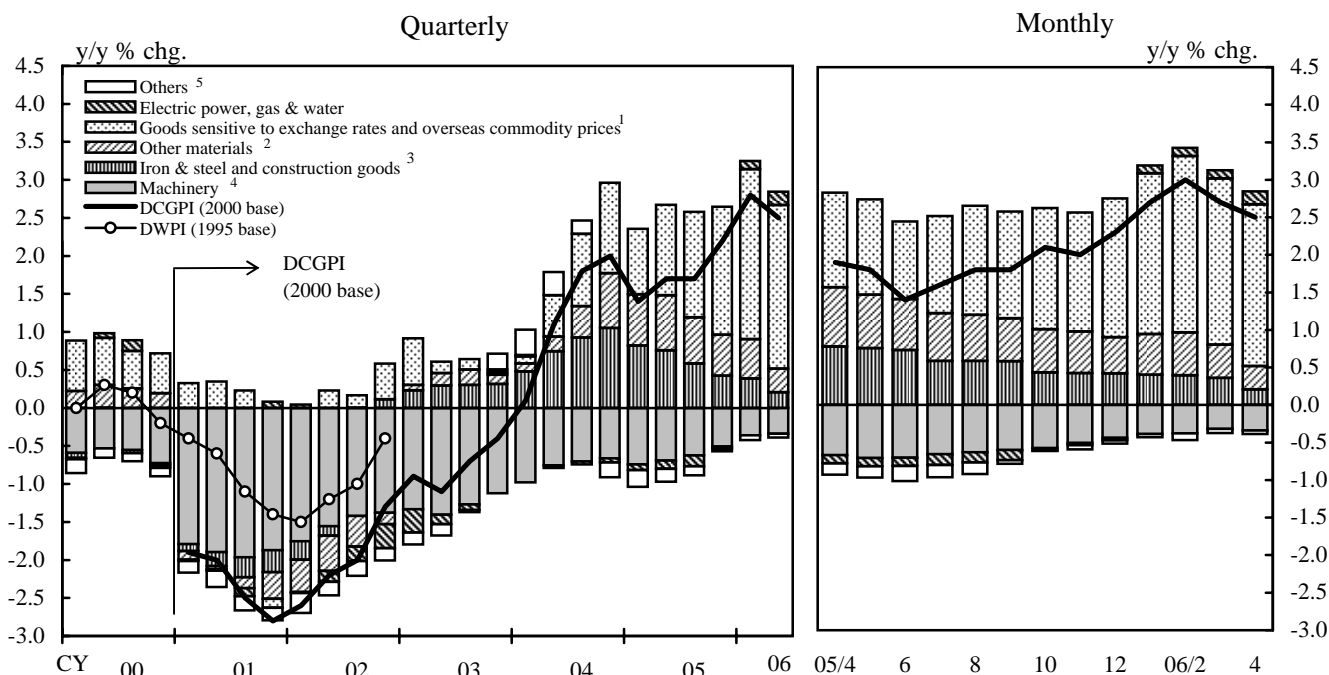


Note: Monthly averages. Figures for May 2006 are the averages up to May 18.

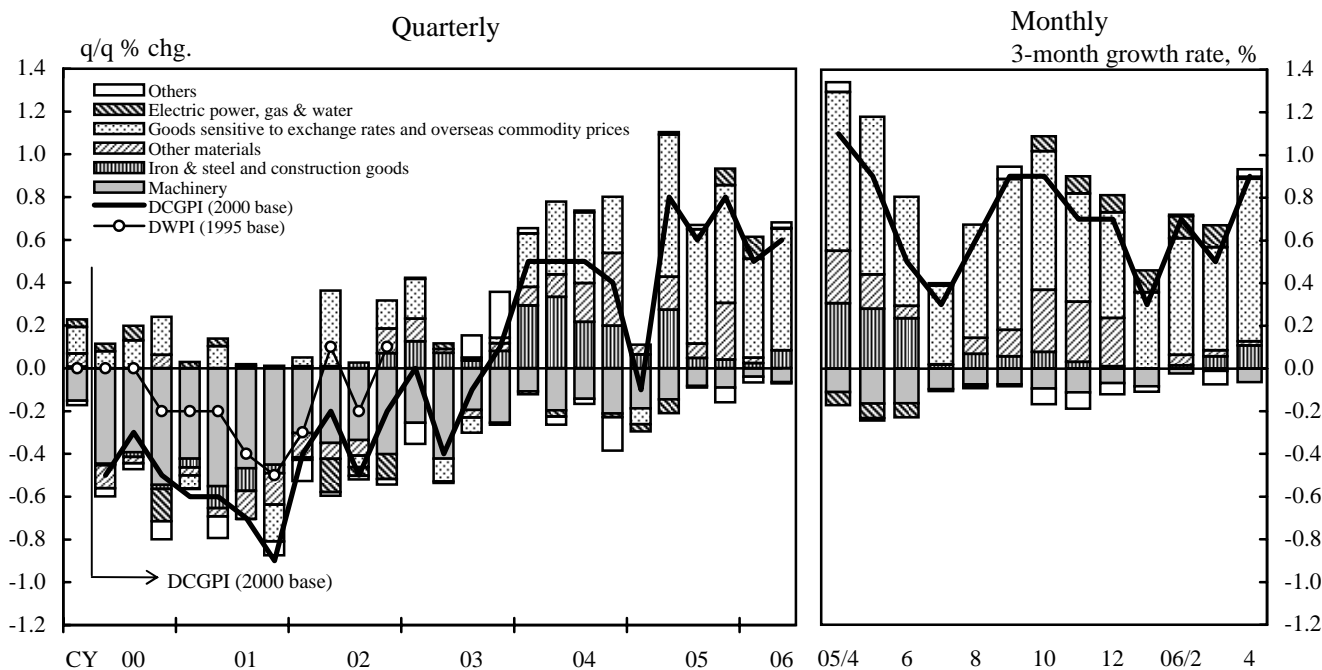
Source: Bank of Japan, "Corporate Goods Price Index," "Wholesale Price Indexes," "Bank of Japan Overseas Commodity Index," etc.

# Domestic Corporate Goods Price Index<sup>7</sup>

(1) Changes from a Year Earlier



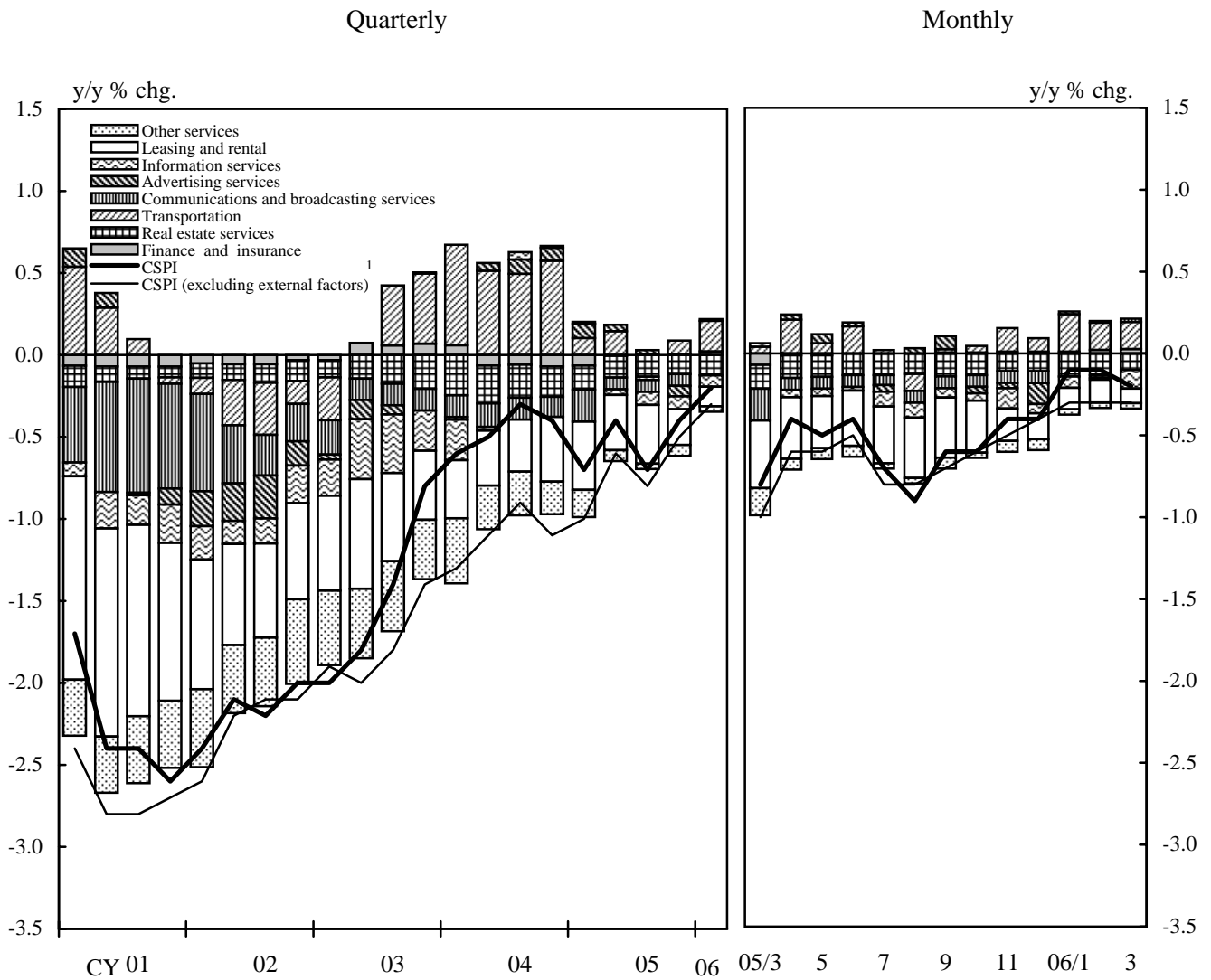
(2) Changes from a Quarter Earlier and 3 Months Earlier<sup>6</sup>



- 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/Q2 are those of April. 1995 base figures for 2002/Q4 are October-November averages.

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

Corporate Service Price Index

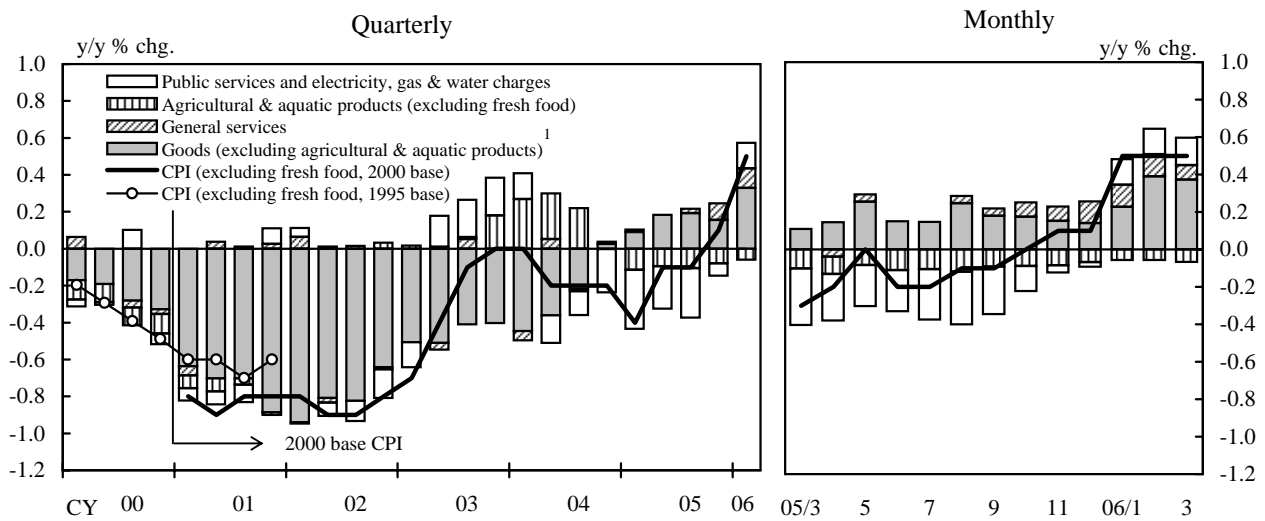


Note: 1. External factors: international air passenger transportation, ocean liner, ocean tramper, ocean tanker, oceangoing ship chartering services, and international air freight.

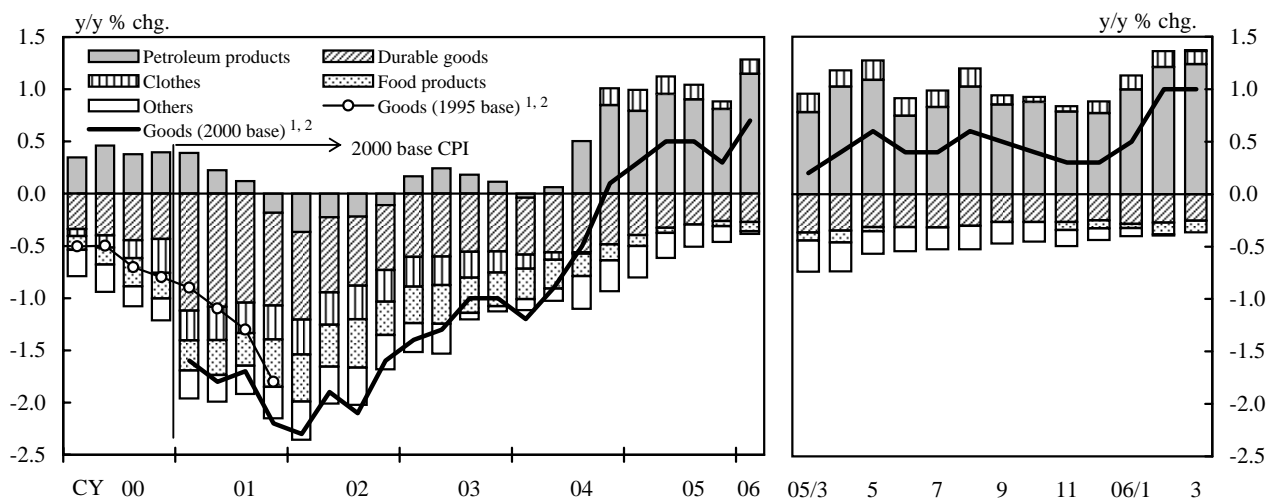
Source: Bank of Japan, "Corporate Service Price Index."

Consumer Price Index (Excluding Fresh Food)

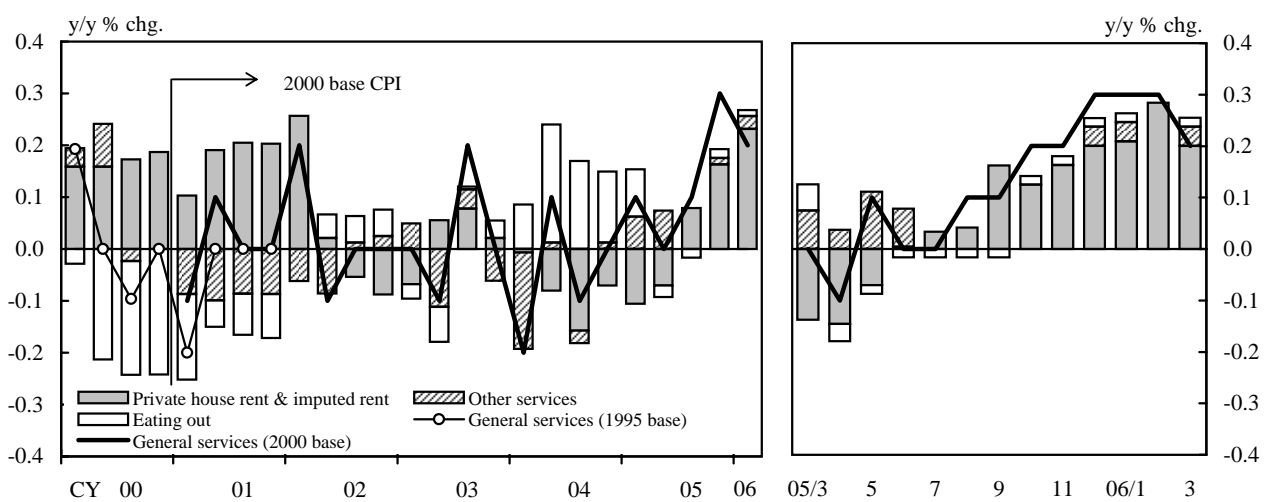
(1) Consumer Price Index (Excluding Fresh Food)



(2) Goods (Excluding Agricultural & Aquatic Products)¹



(3) General Services

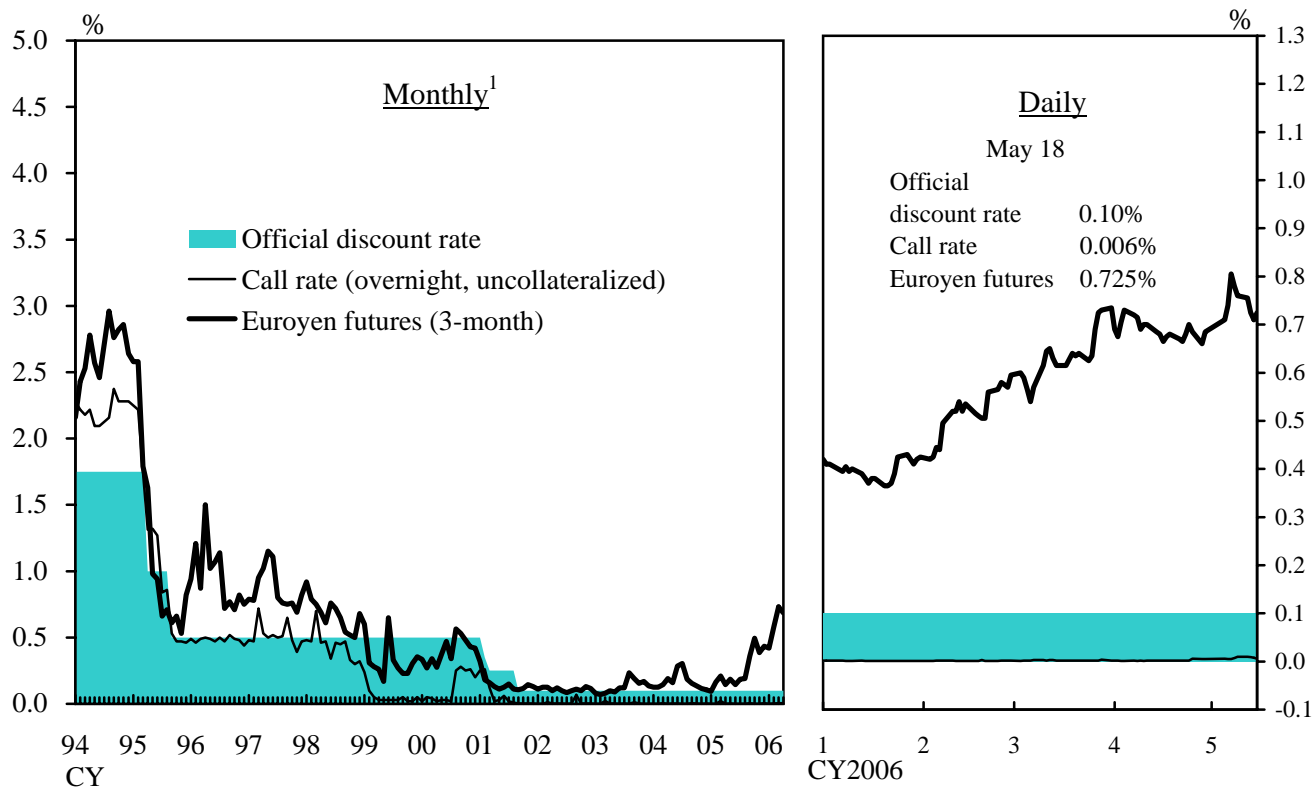


Notes: 1. The items are basically the same as the definition published by the Ministry of Internal Affairs and Communications. However, electricity, gas & water charges are excluded from goods.

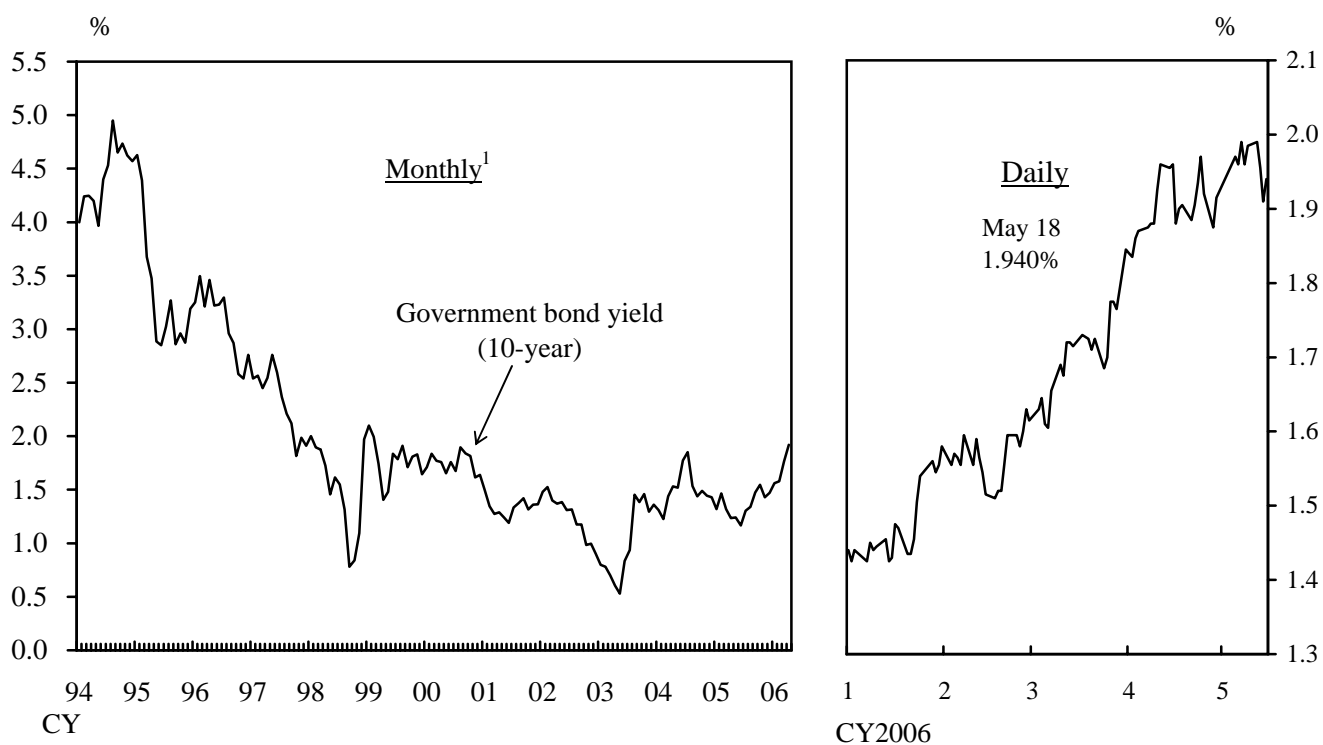
2. Excluding agricultural & aquatic products.

Interest Rates

(1) Short-Term



(2) Long-Term

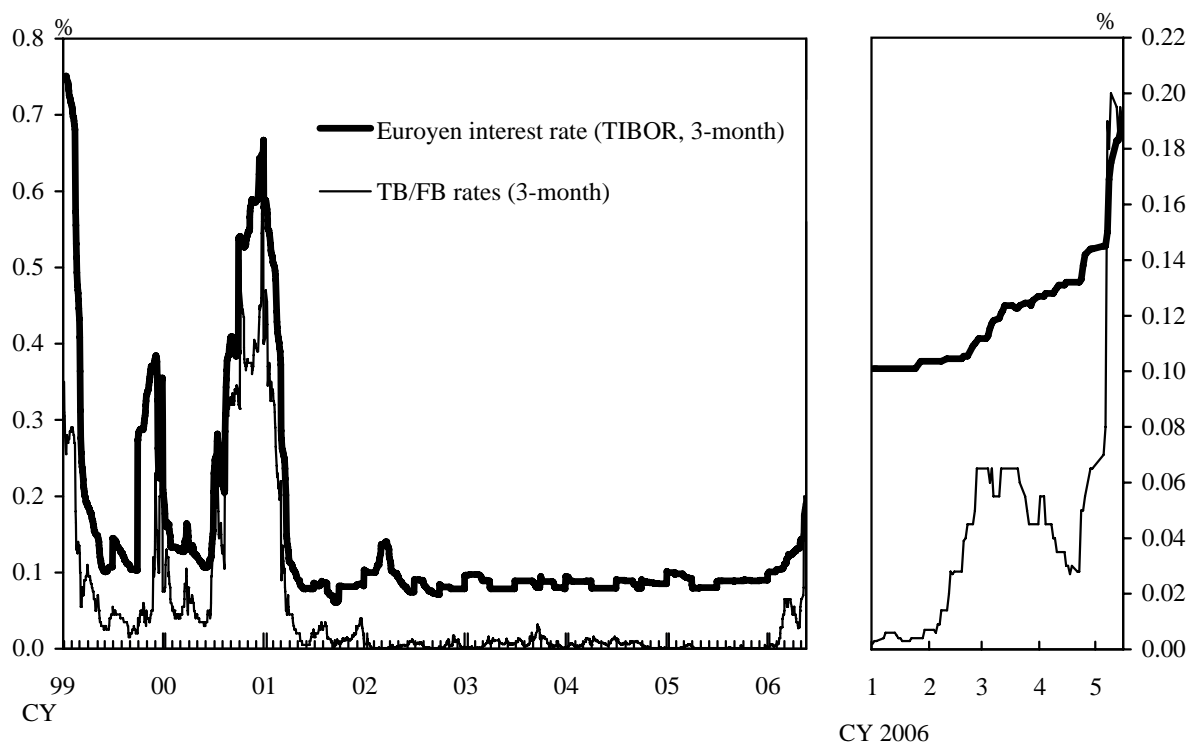


Note: 1. End of month.

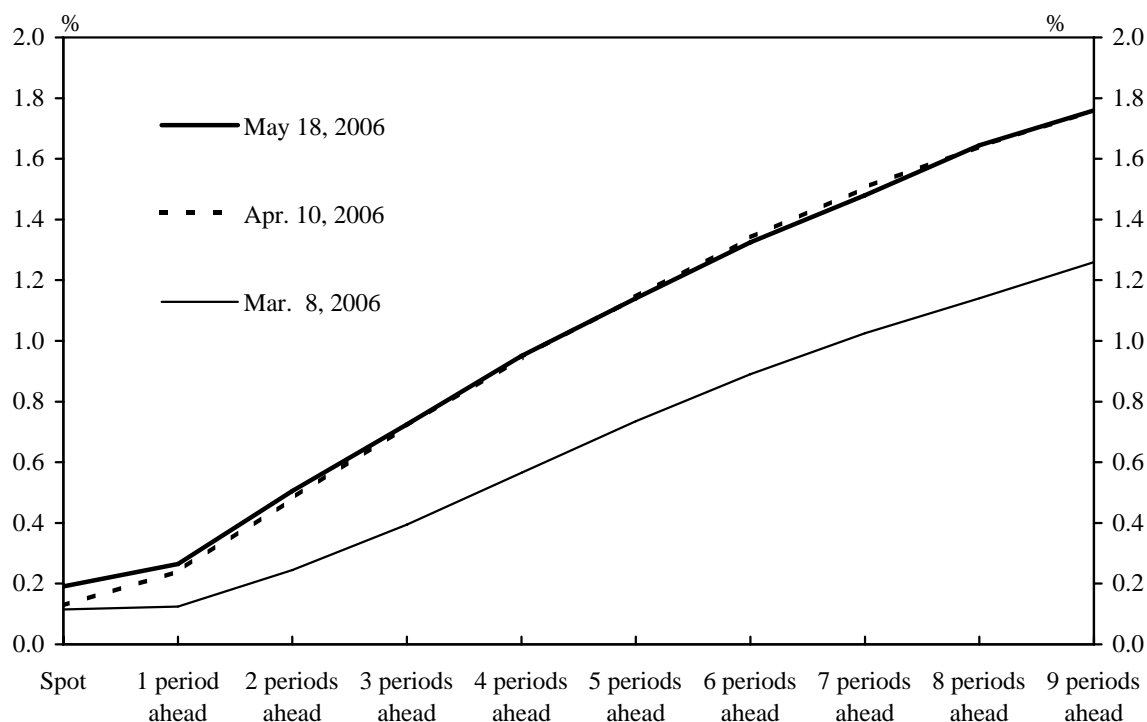
Sources: Bank of Japan; Tokyo Financial Exchange; Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments



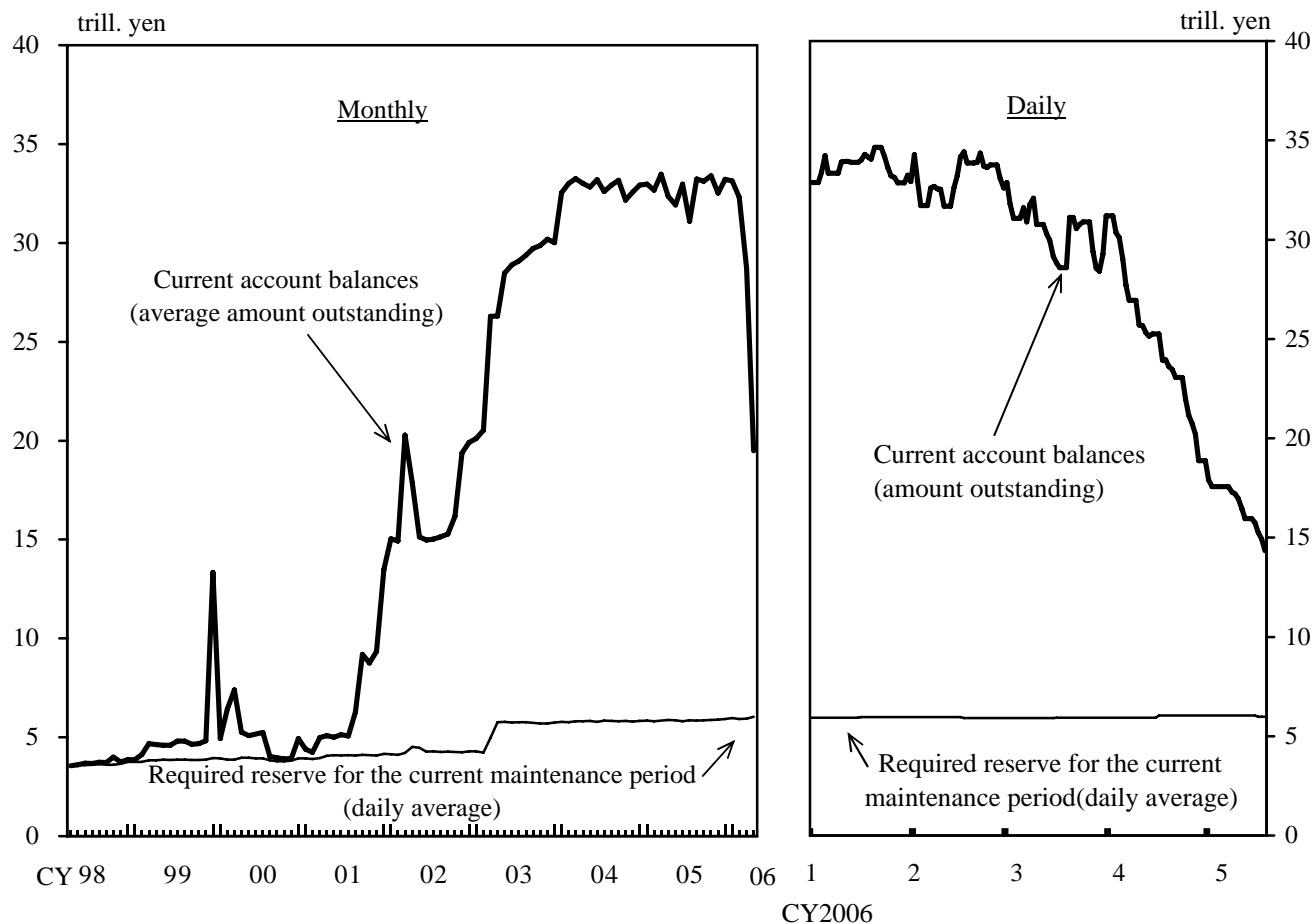
(2) Euroyen Interest Rates Futures (3-Month) <sup>1</sup>



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.

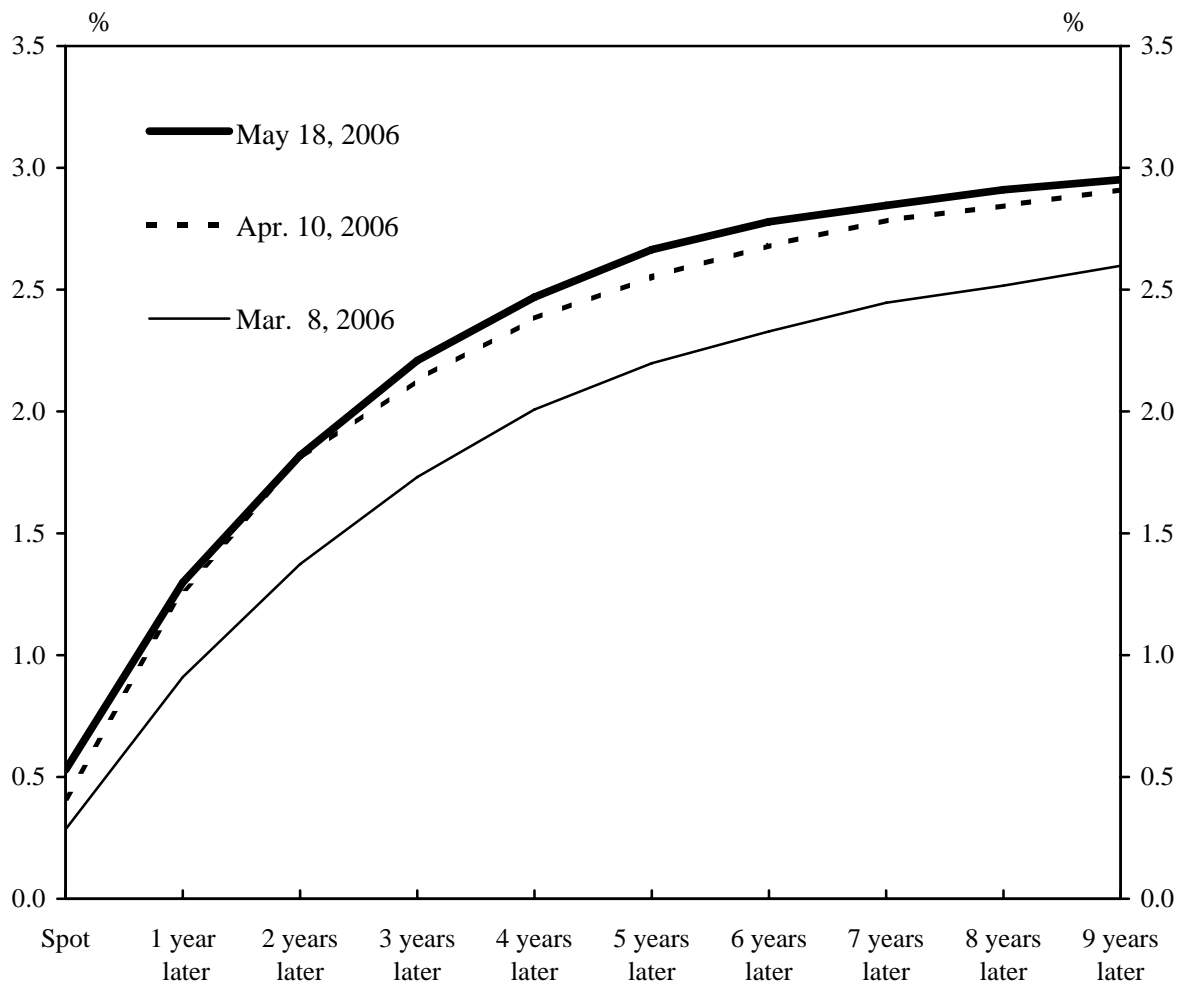
Current Account Balances at the Bank of Japan



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

Source: Bank of Japan.

Implied Forward Rates (1-Year)



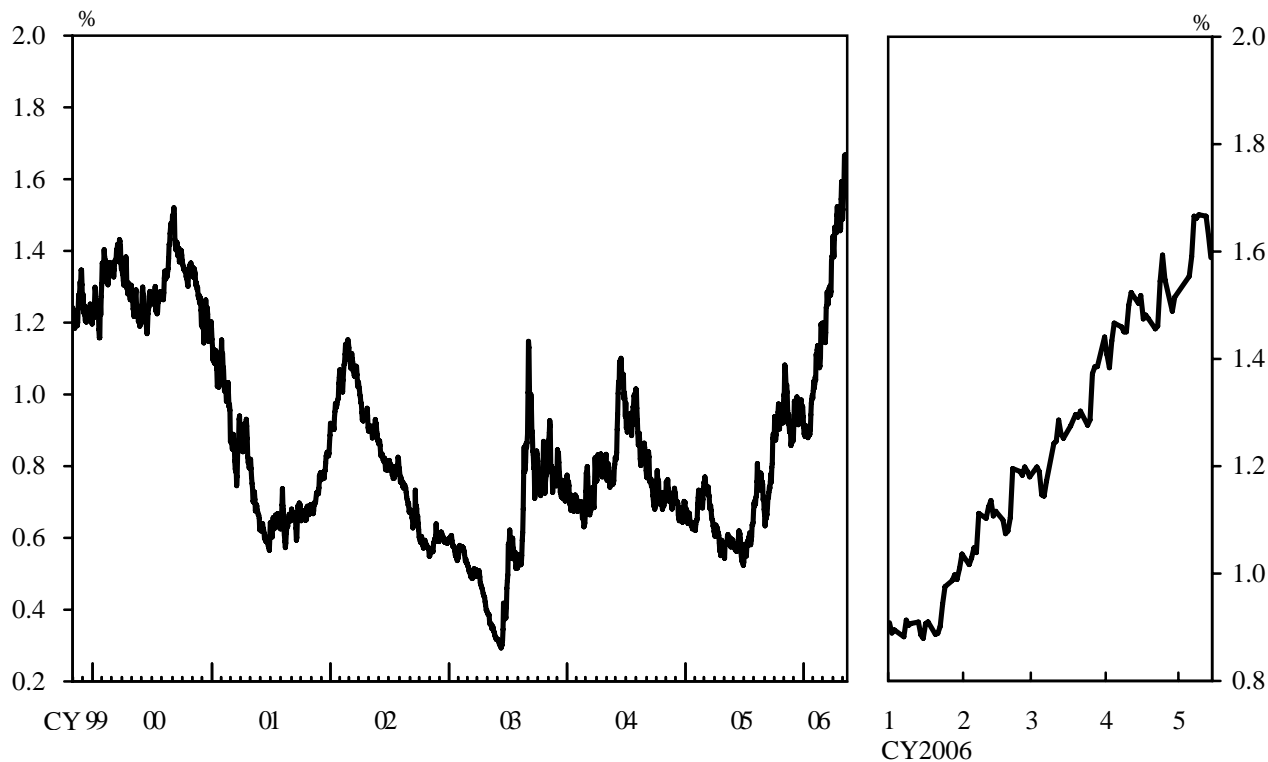
Note: Calculated from yen-yen swap rates.

Source: Reuters.

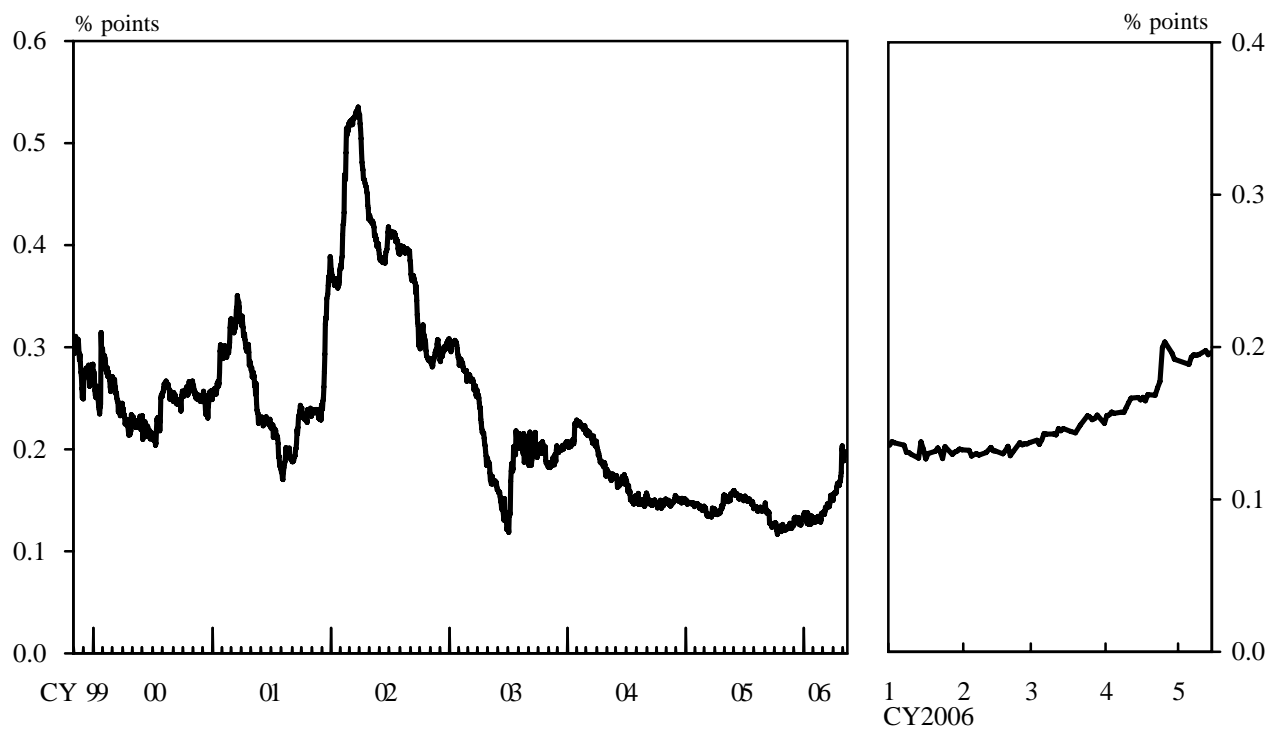


Yields of Bank Bonds

(1) Average Bank Bond Yield



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



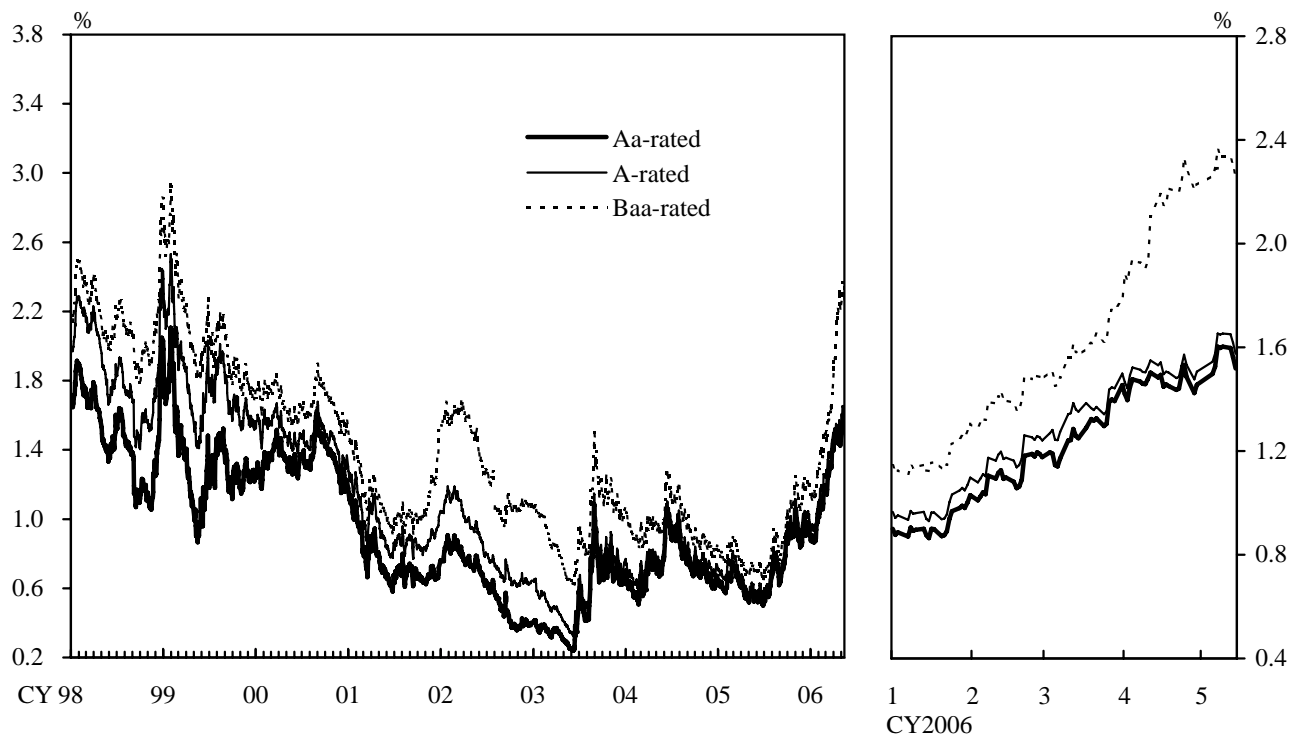
Notes: 1. Yields on bonds with 5-year maturity.

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

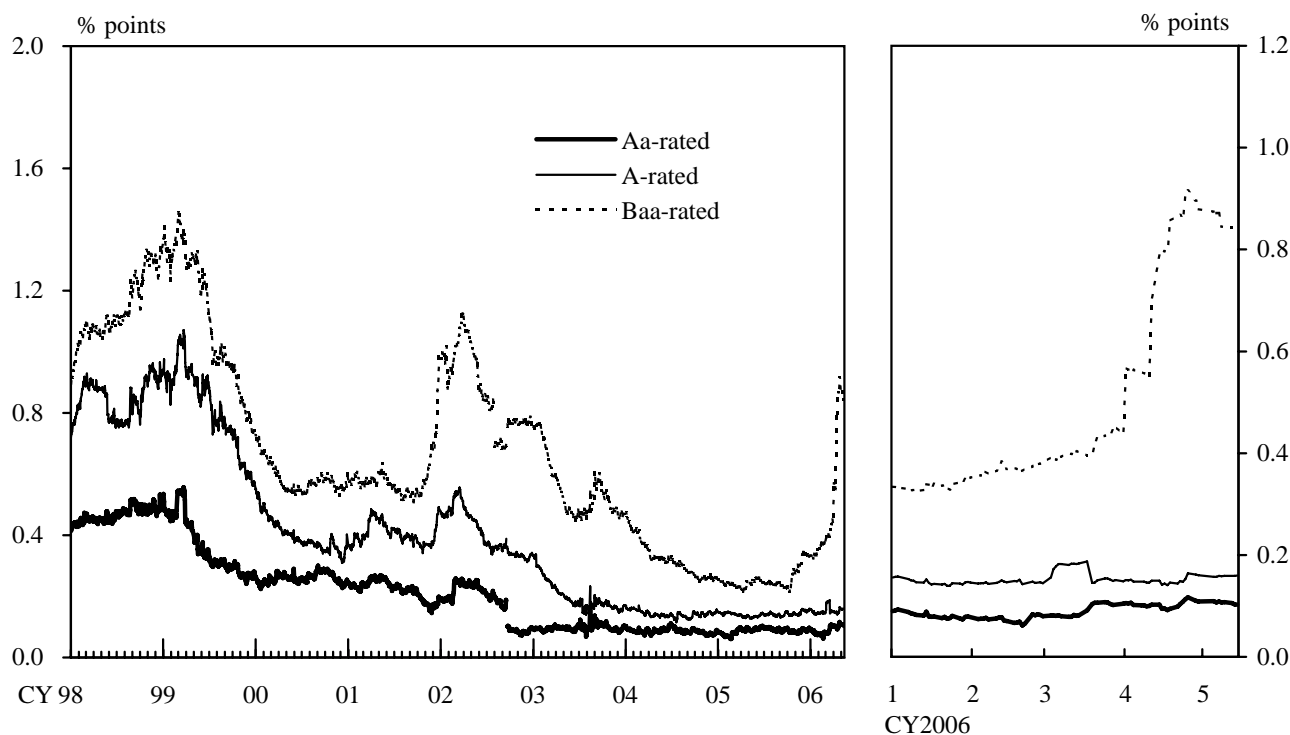
Sources: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."  
"Reference Price (Yields) Table for OTC Bond Transactions."

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.

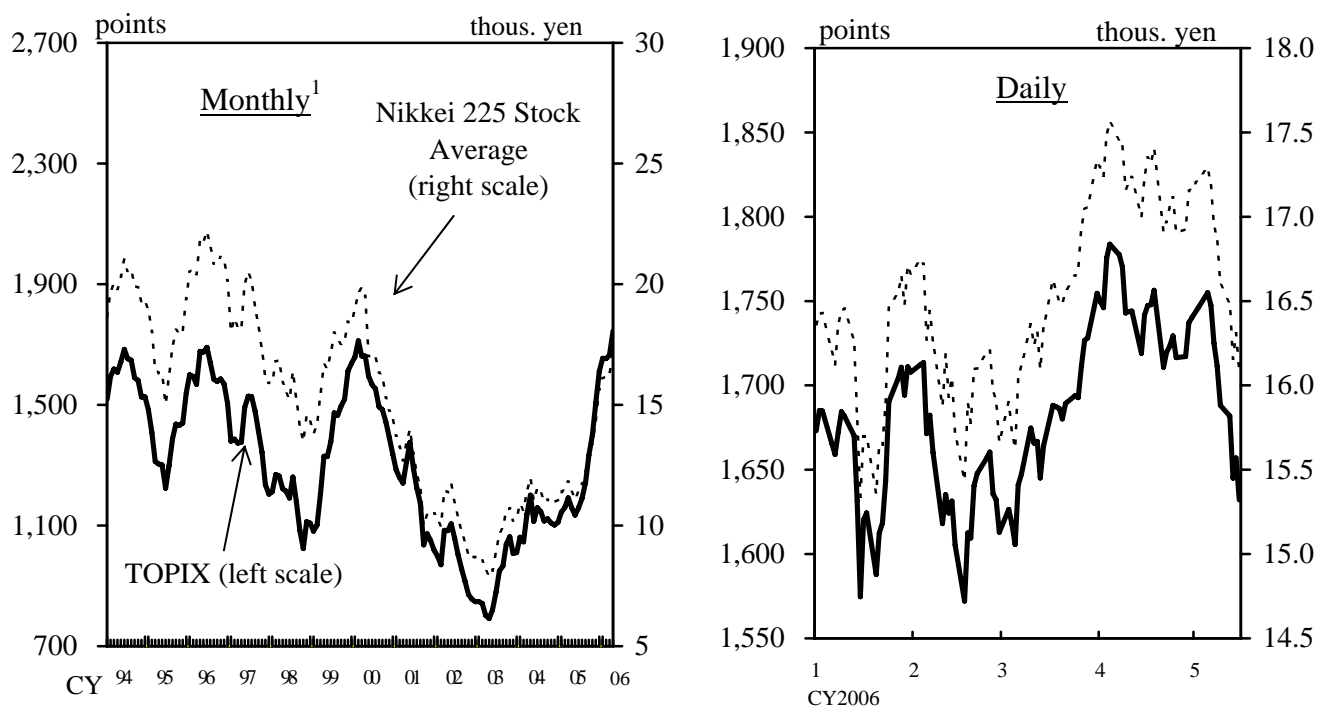
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of four to six years since Sep. 24, 2002.

2. The indicated ratings are of Moody's.

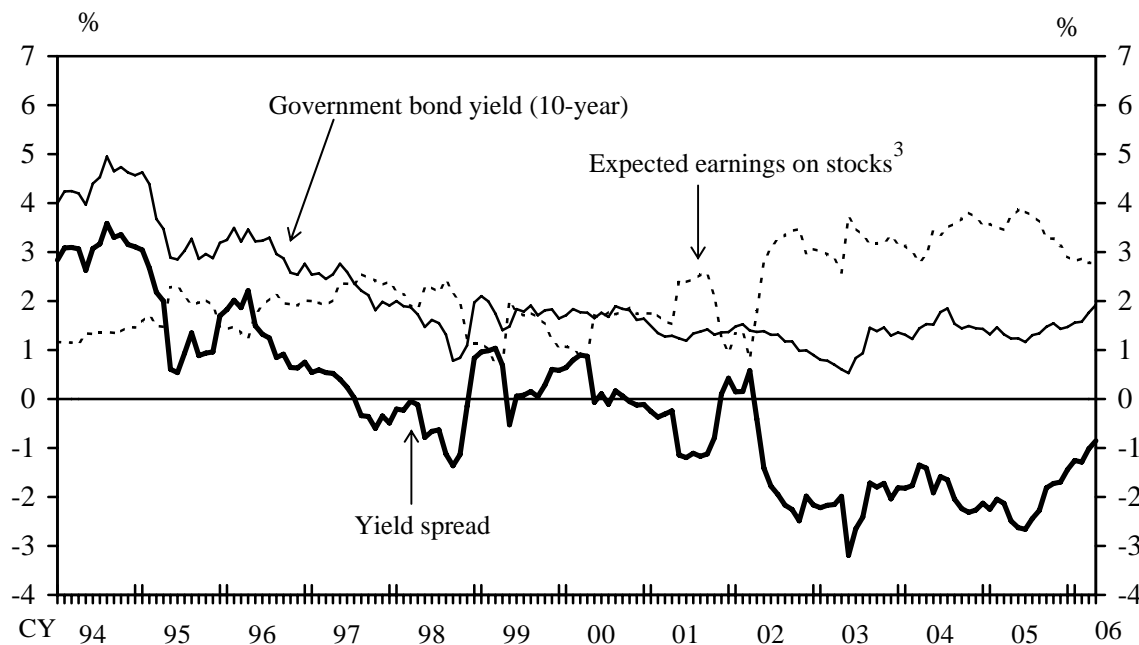
Sources: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations." "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Stock Prices



(2) Yield Spread<sup>2</sup>



Notes: 1. Data are monthly averages.

2. Data are at end of period.

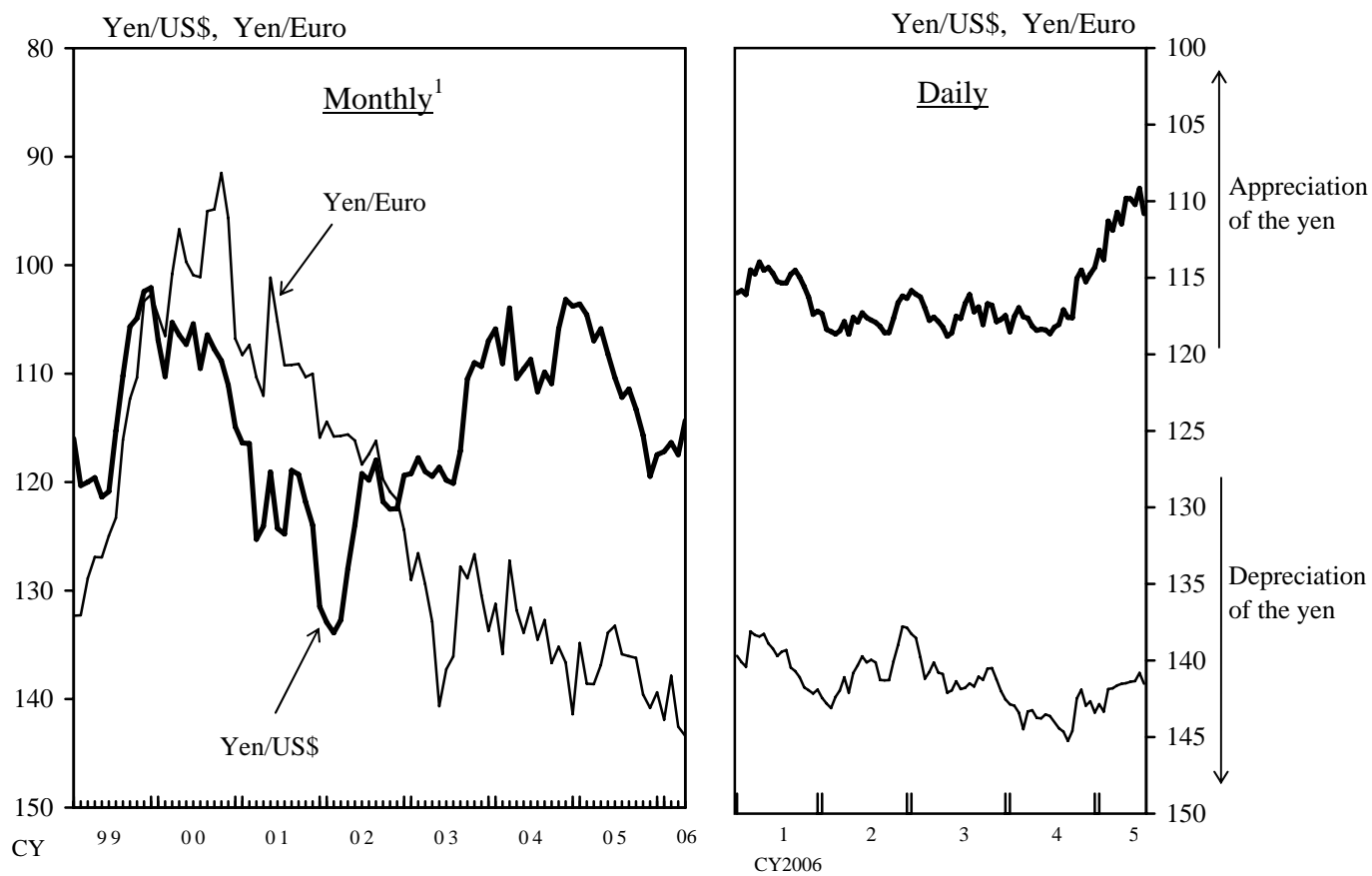
Yield spread = government bond yields - expected earnings on stocks,  
 where expected earnings on stocks = 1/expected price earnings ratio.

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

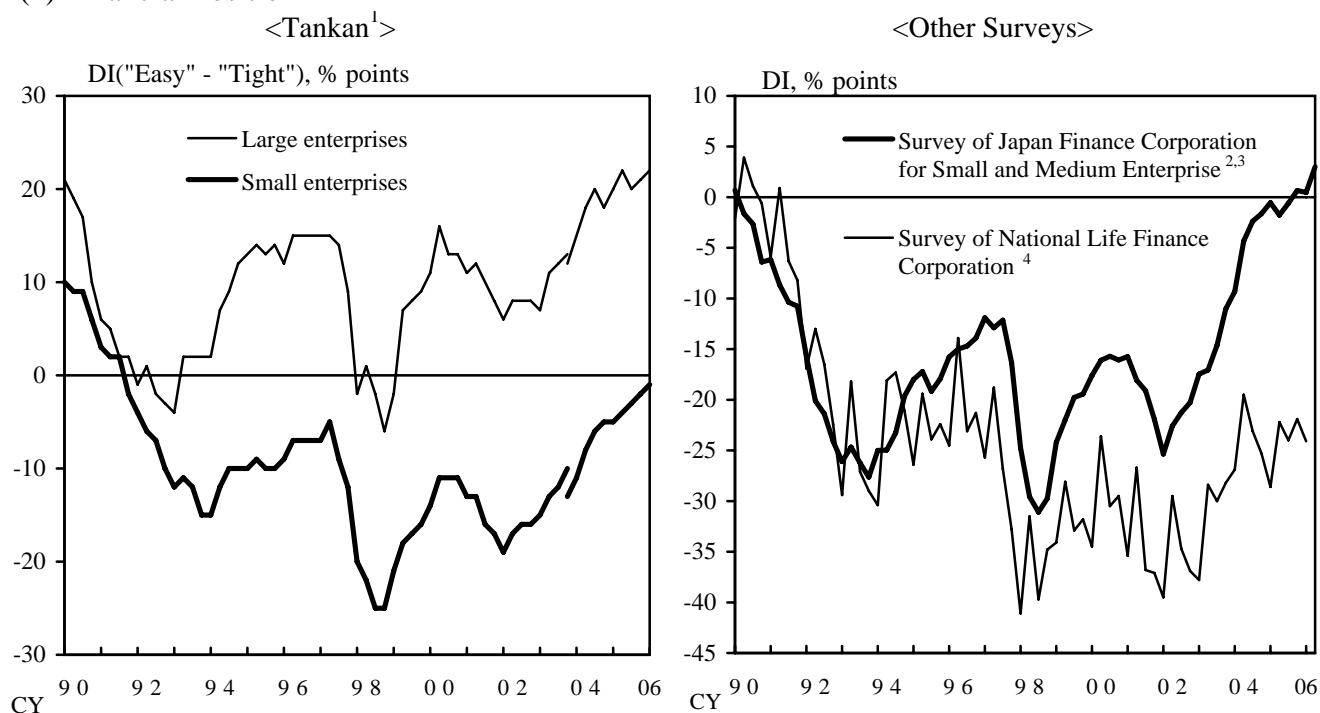


Note: 1. End of month.

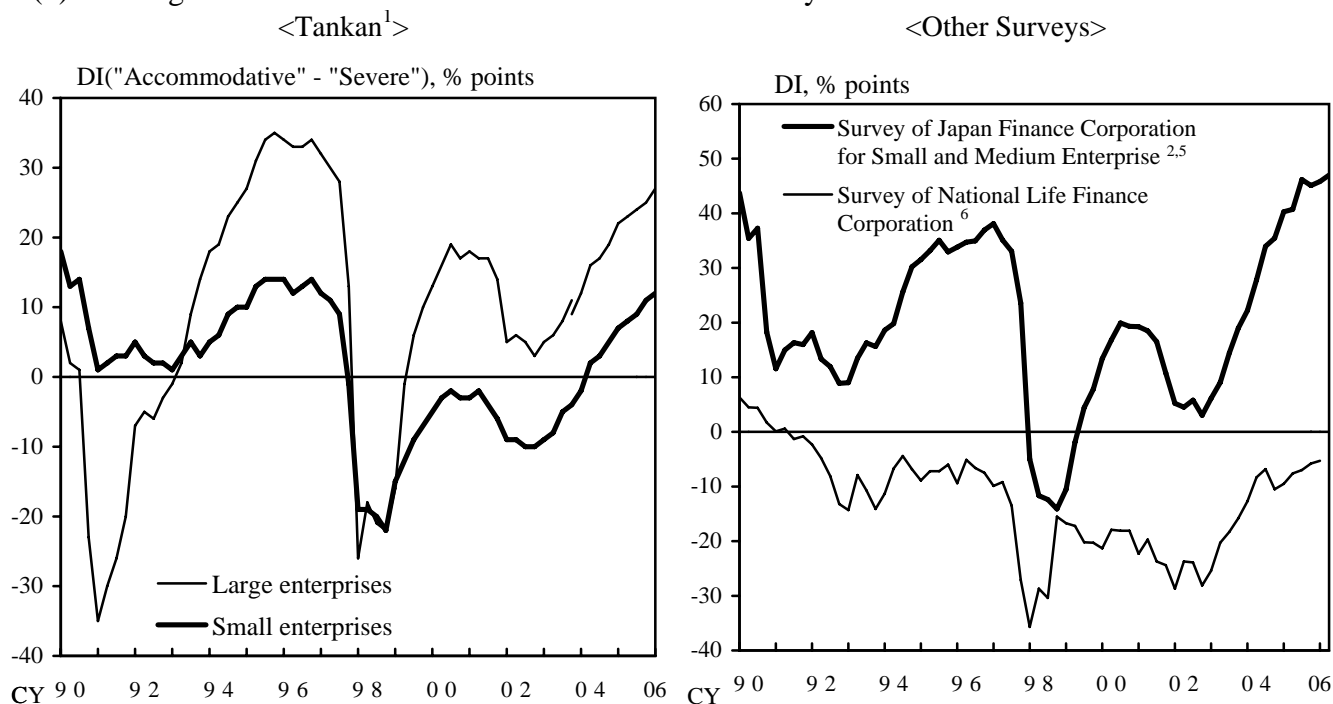
Source: Bank of Japan.

## 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/Q2 are those of April.

3. DI of "Easy" - "Tight."

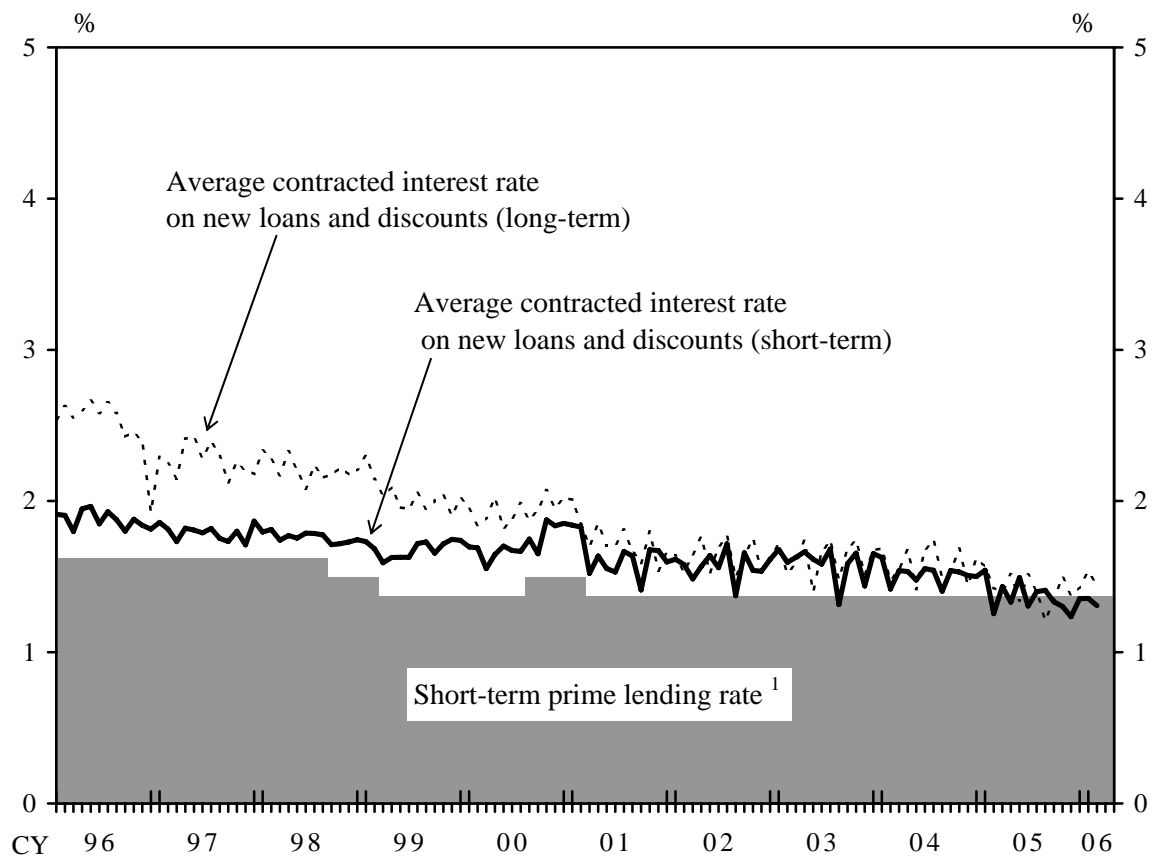
4. DI of "Easier" - "Tighter."

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

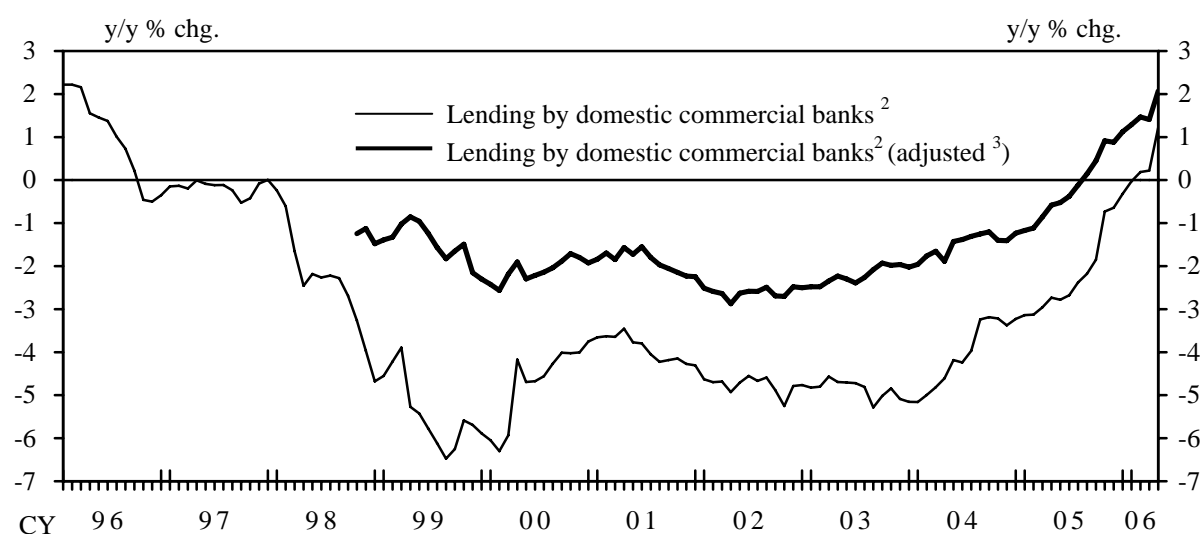


Note: 1. Data are at end of period.

Source: Bank of Japan.

## Lending by Financial Institutions

### (1) Lending by Domestic Commercial Banks<sup>1</sup>



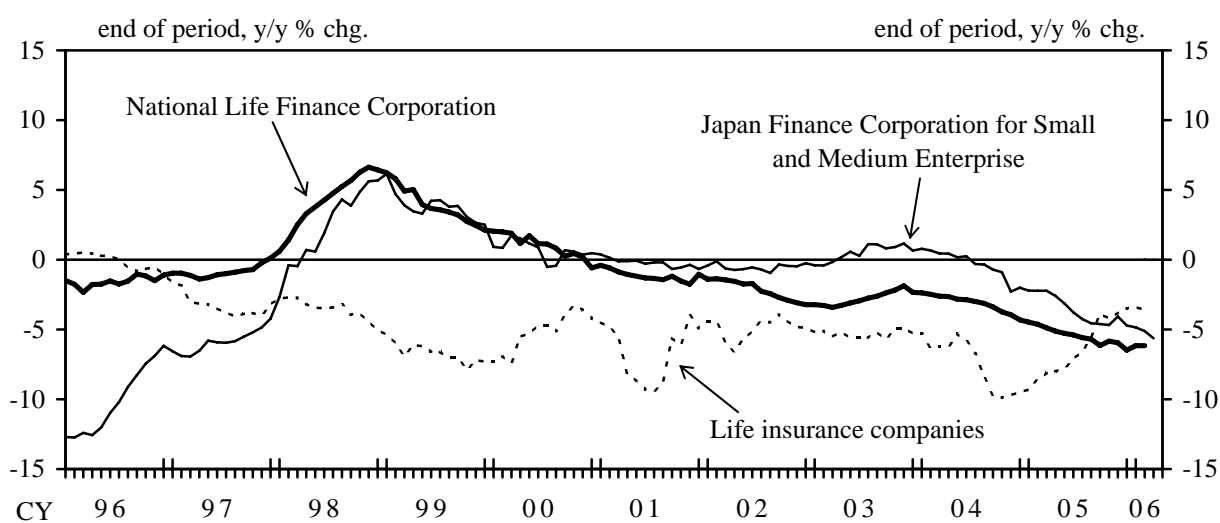
Notes: 1. Percent changes in average amounts outstanding from a year earlier.

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

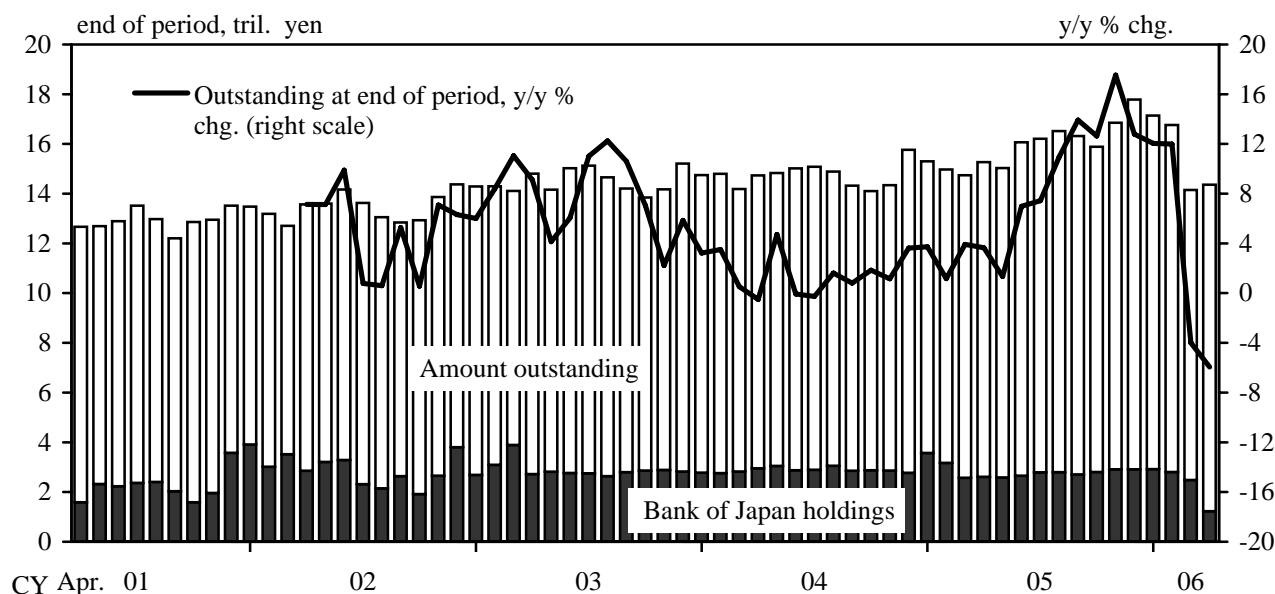
### (2) Lending by Other Financial Institutions



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

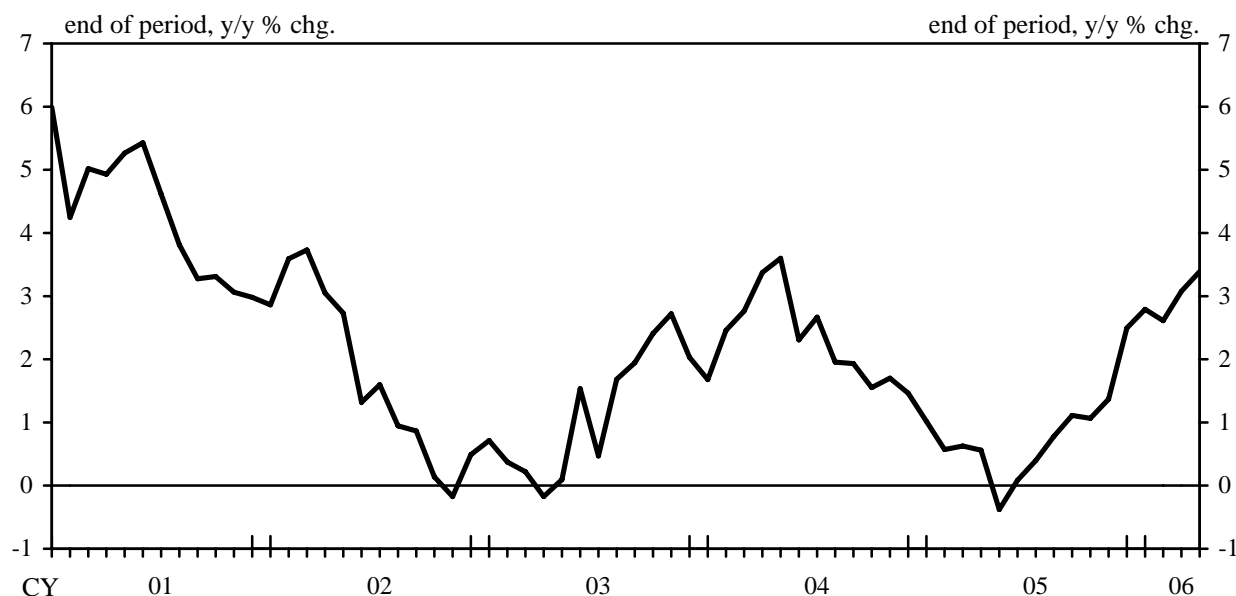
## Private-Sector Fund-Raising in the Capital Markets

## (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:

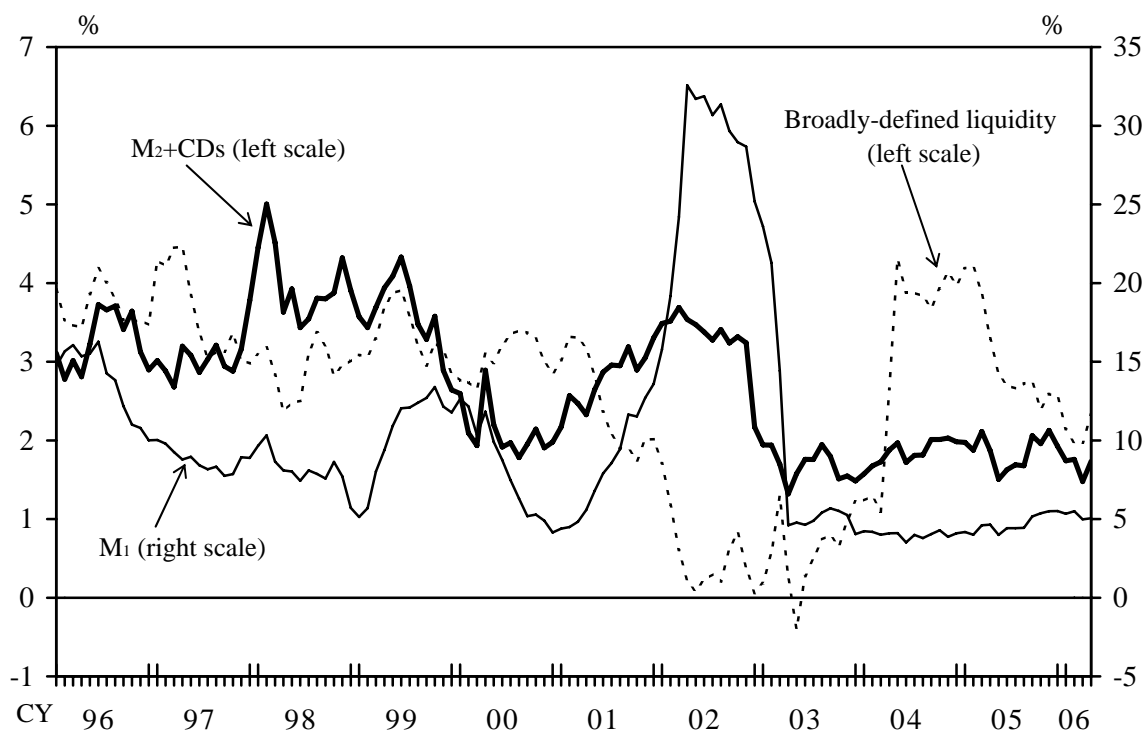
- (1) The sum of straight bonds issued in both domestic and overseas markets is used.
- (2) Bonds issued by banks are included.
- (3) The figure as of the latest month is a preliminary one, using estimates for the amount of the domestically issued private placement bonds, etc.

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."

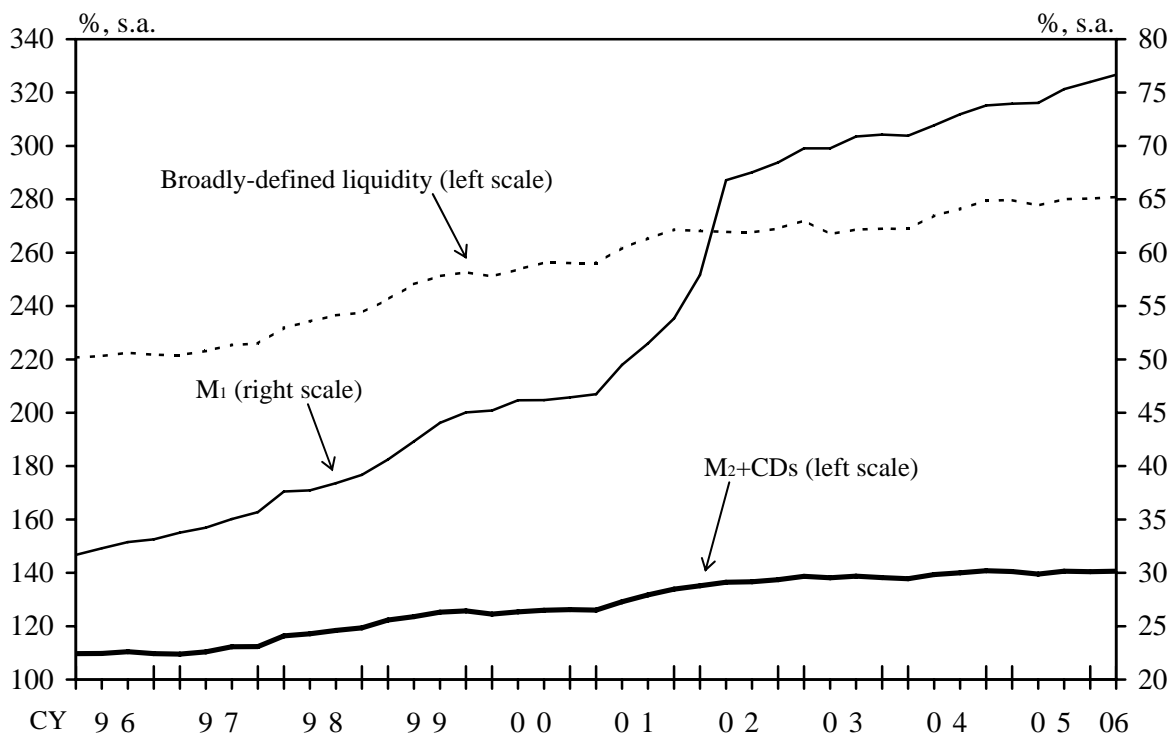


Money Stock

(1) Changes from a Year Earlier



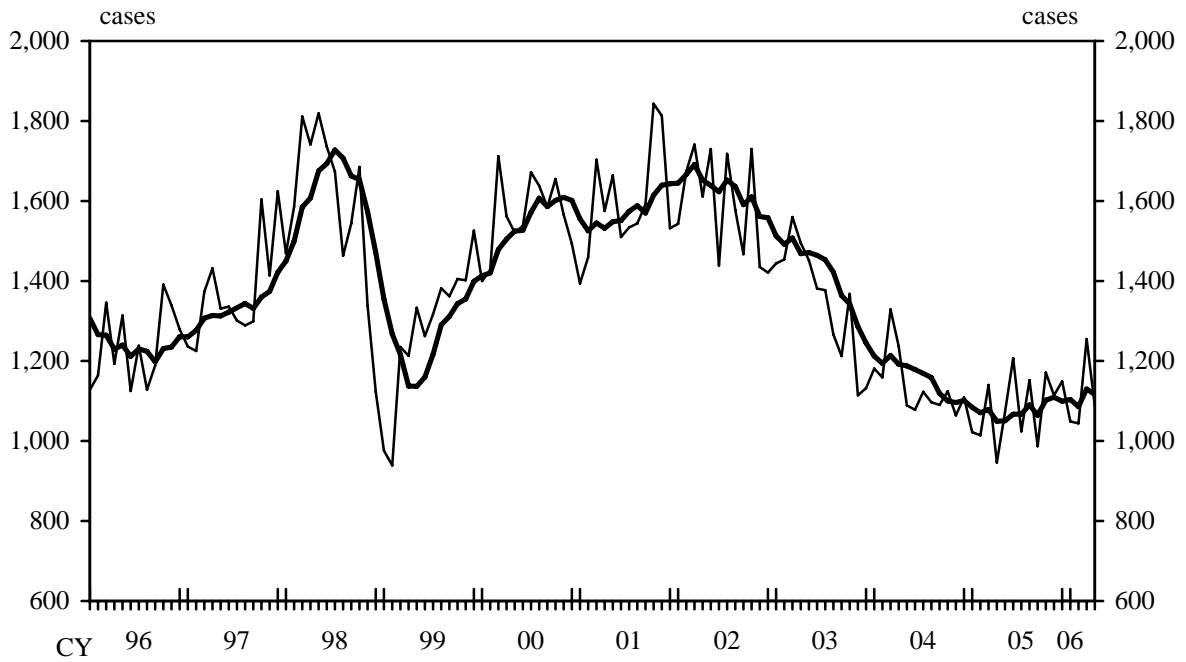
(2) Ratio of Money Stock to Nominal GDP



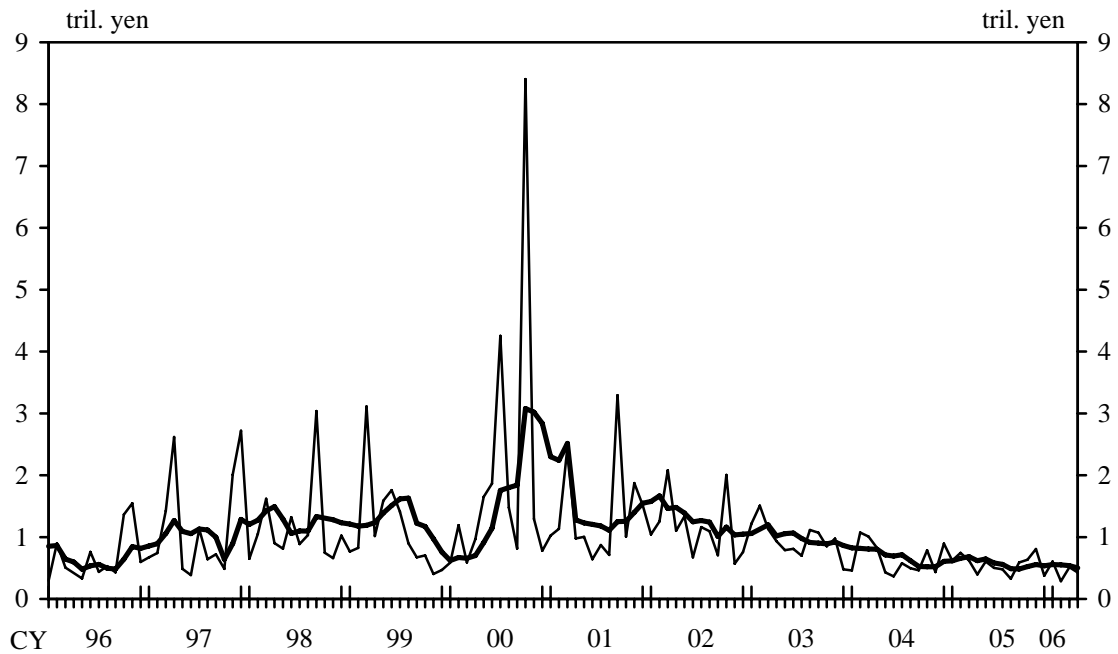
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

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)."