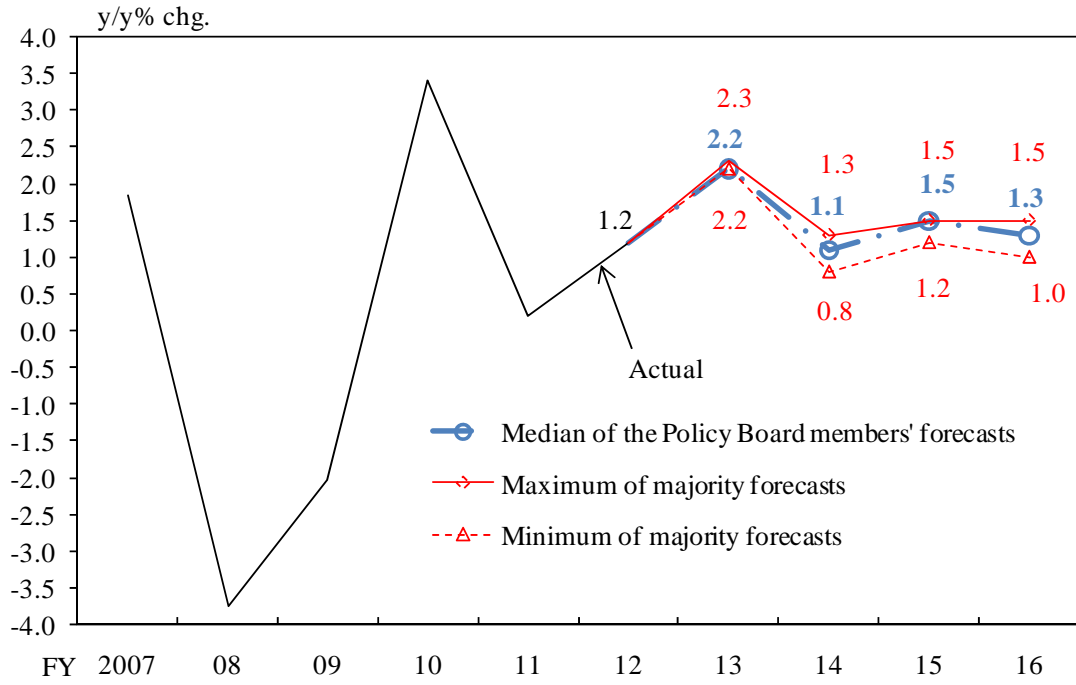


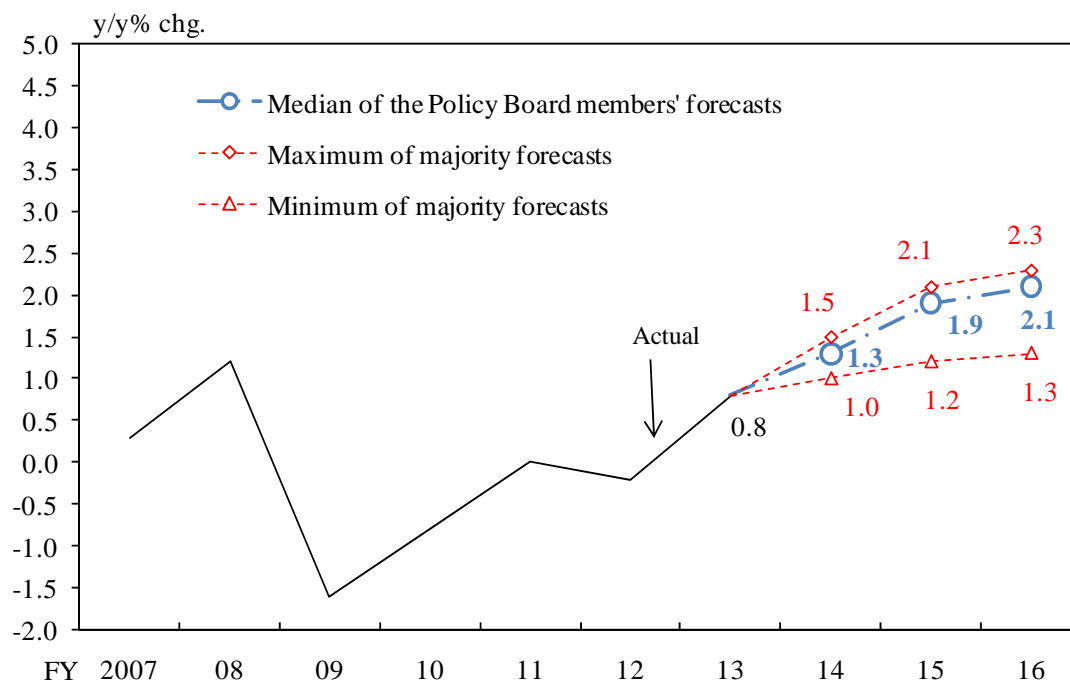
The Bank's Outlook for Economic Activity (Real GDP)



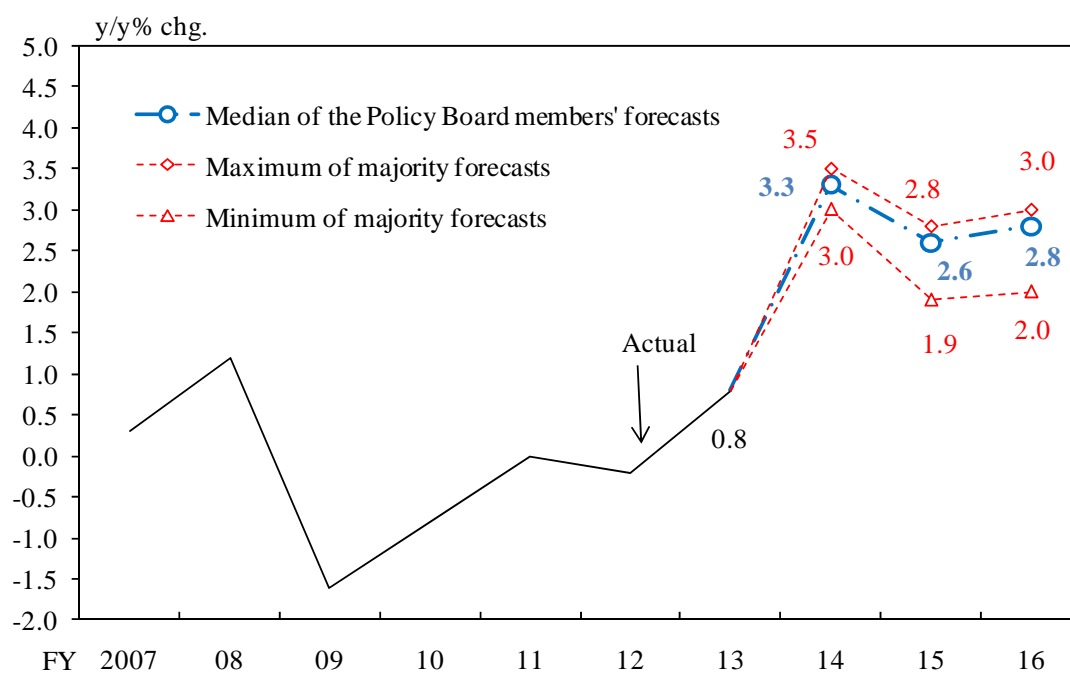
Source: Bank of Japan.

The Bank's Outlook for Prices (CPI)

(1) Excluding the Effects of the Consumption Tax Hikes



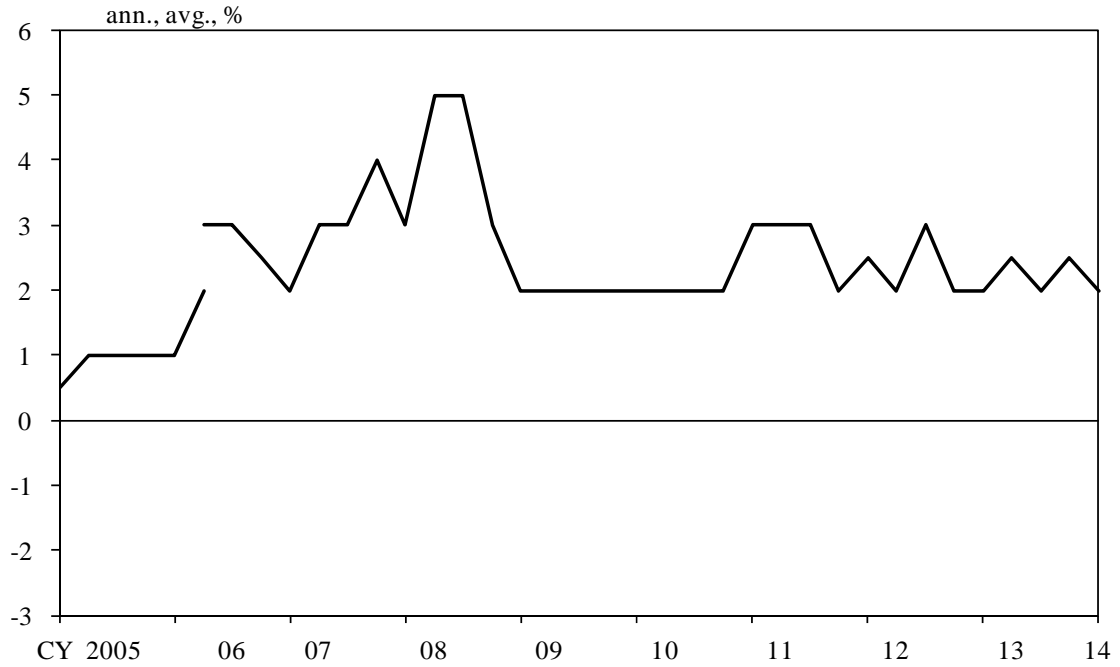
(2) Including the Effects of the Consumption Tax Hikes



Source: Bank of Japan.

Chart 3

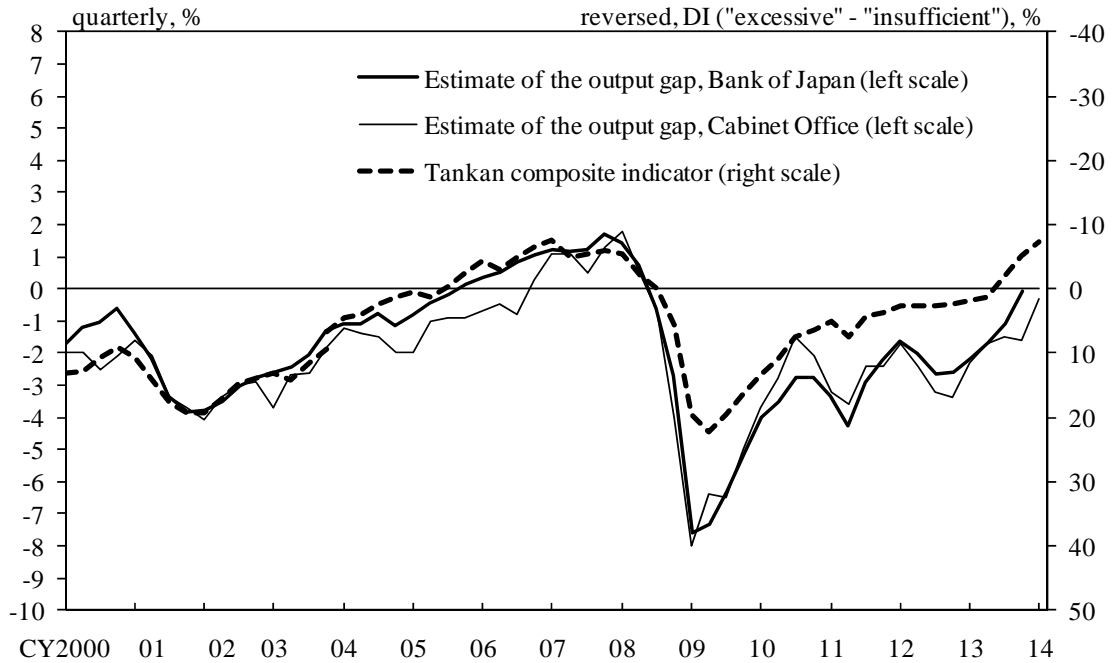
Households' Inflation Expectations over the Next Five Years



Source: Bank of Japan.

Chart 4

Estimates of the Output Gap

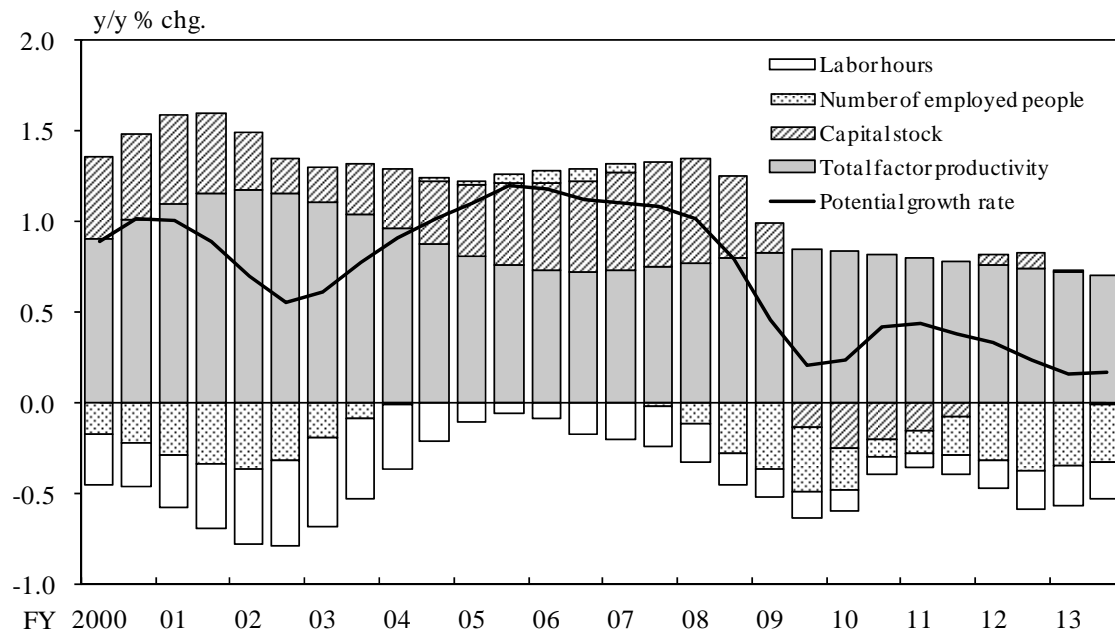


Note: For the estimation procedures of the output gap estimated by the Bank of Japan, see "The New Estimates of Output Gap and Potential Growth Rate," Bank of Japan Review Series, 2006-E-3.

Sources: Cabinet Office; Bank of Japan.

Chart 5

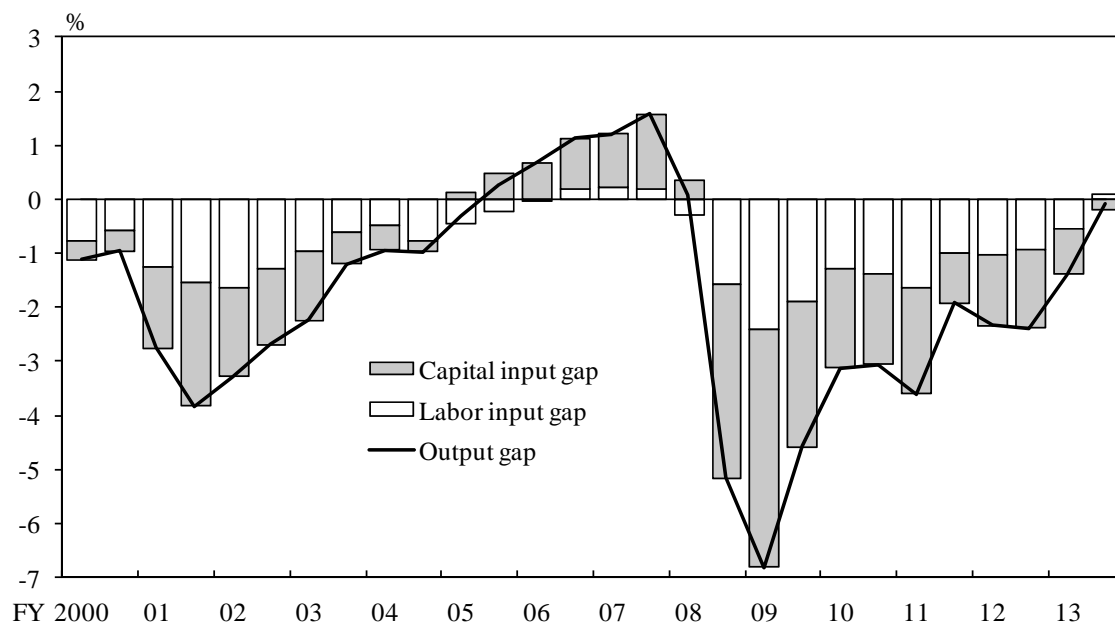
Potential Growth Rate (the Bank's Estimate)



Sources: Cabinet Office; Ministry of Internal Affairs and Communications; Ministry of Economy, Trade and Industry; Ministry of Health, Labour and Welfare; Bank of Japan.

Chart 6

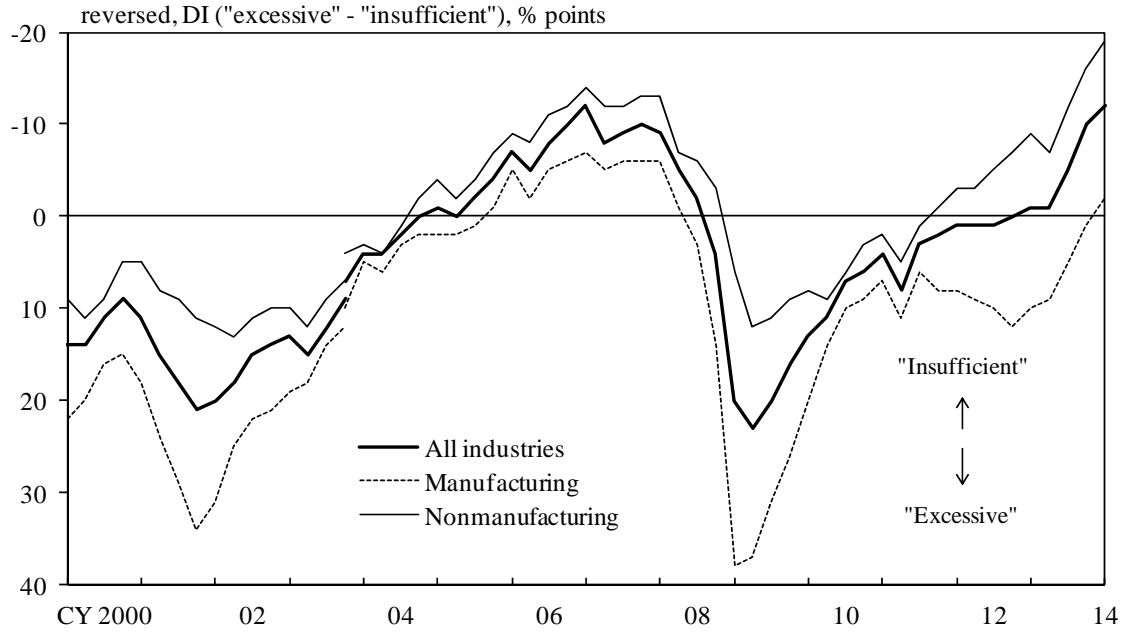
Decomposition of the Output Gap (the Bank's Estimate)



Sources: Cabinet Office; Ministry of Internal Affairs and Communications; Ministry of Economy, Trade and Industry; Ministry of Health, Labour and Welfare; Bank of Japan.

Chart 7

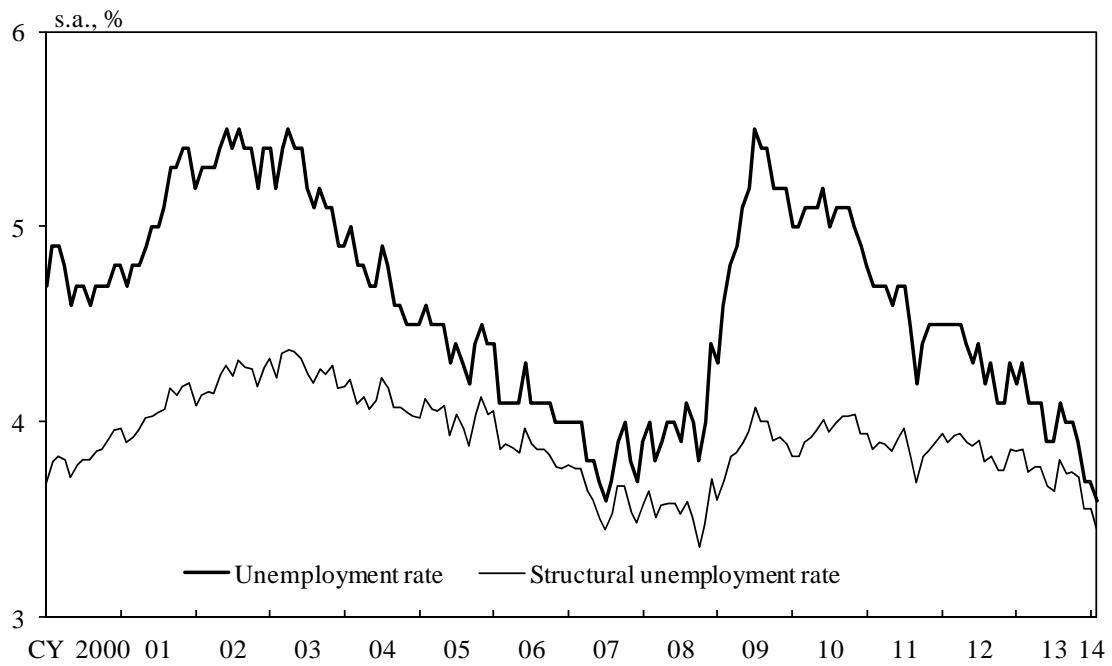
Employment Condition DI (Tankan)



Source: Bank of Japan.

Chart 8

Unemployment Rate and Structural Unemployment Rate

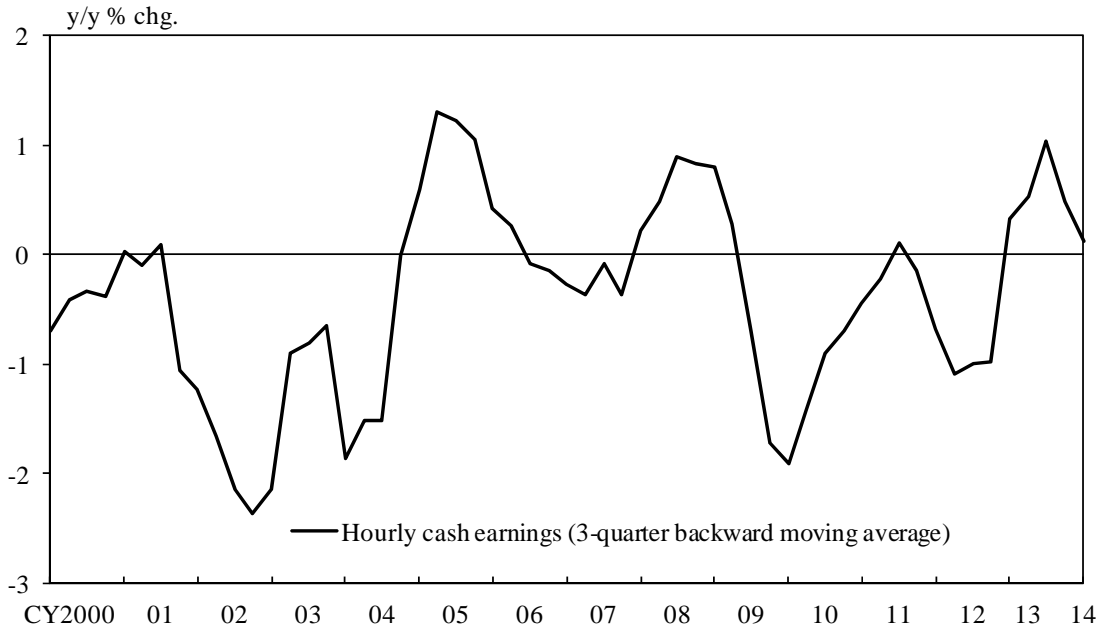


Note: The structural unemployment rate is estimated by the Bank of Japan.

Sources: Ministry of Internal Affairs and Communications; Bank of Japan.

Chart 9

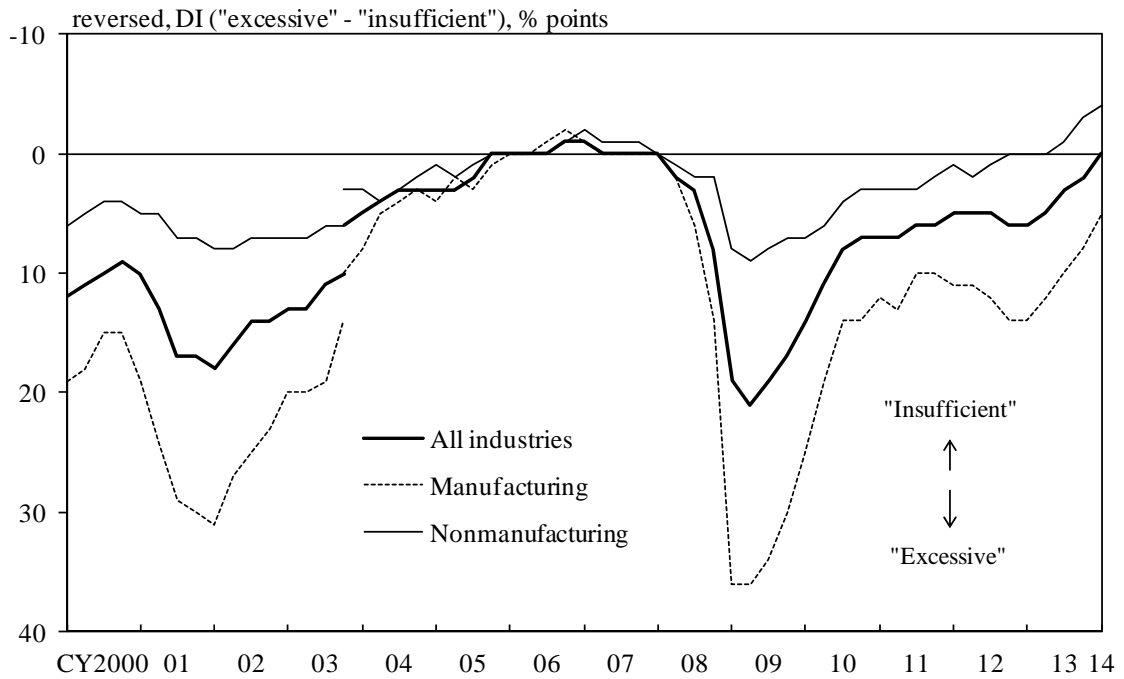
Hourly Cash Earnings (All Workers)



Note: "All workers" includes full-time workers and part-time workers.
 Source: Ministry of Health, Labour and Welfare.

Chart 10

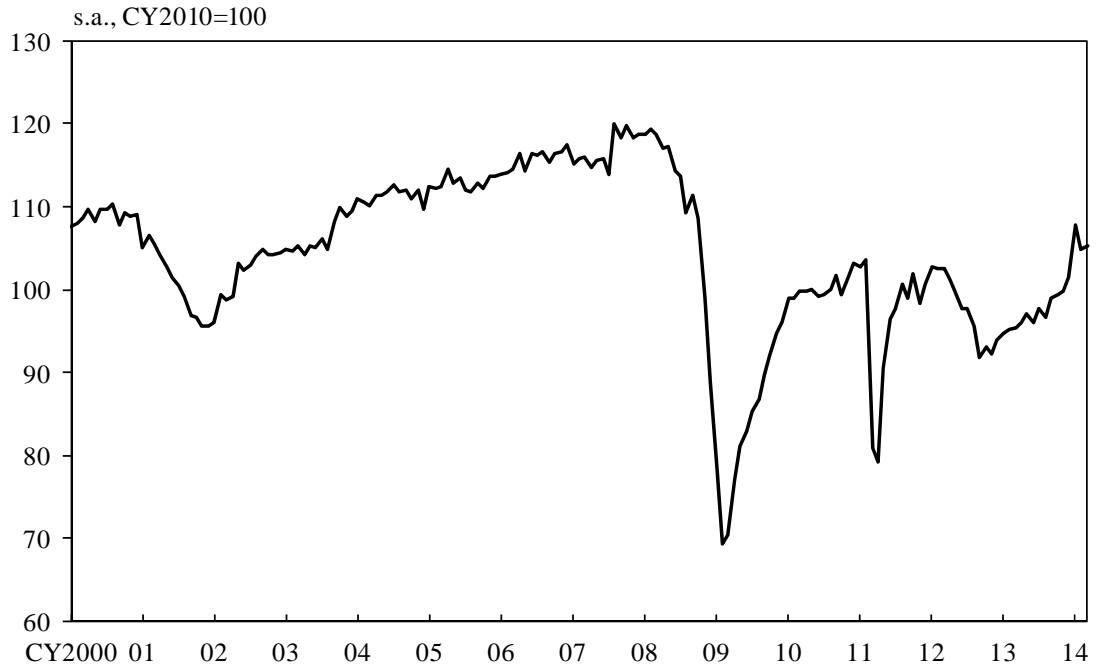
Production Capacity DI (*Tankan*)



Source: Bank of Japan.

Chart 11

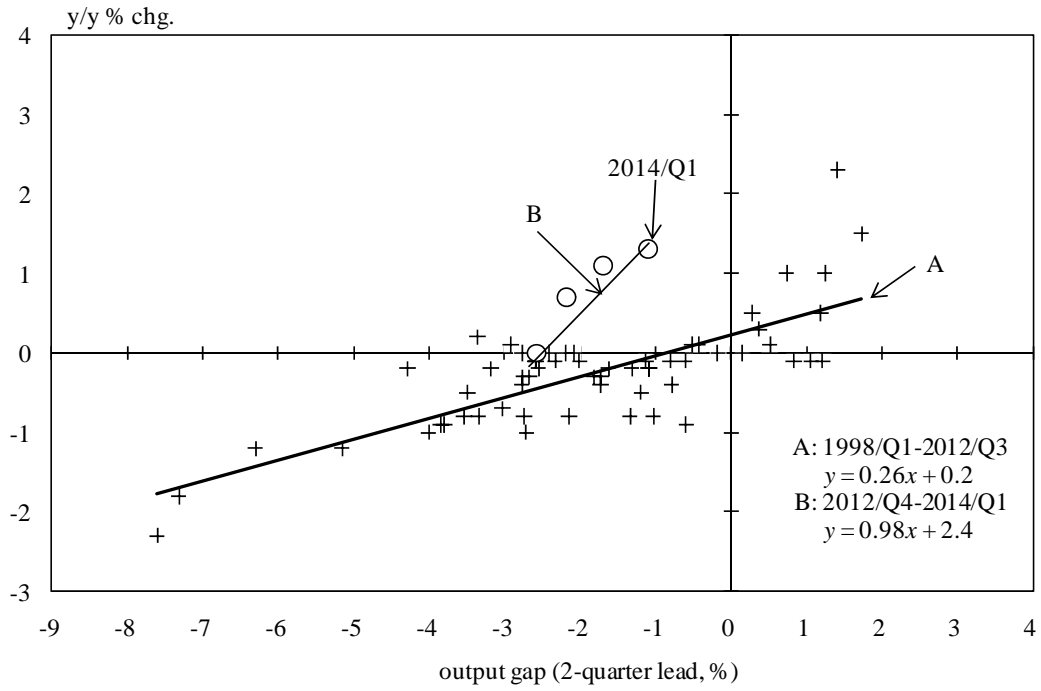
Capital Utilization Ratio (Manufacturing)



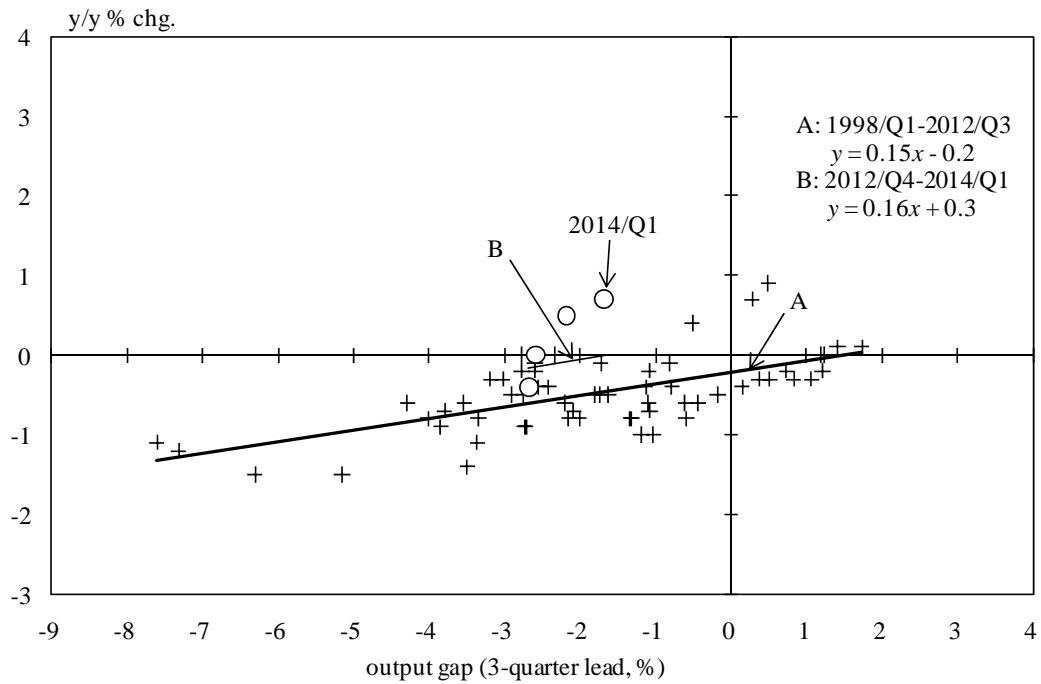
Source: Ministry of Economy, Trade and Industry.

Estimated Phillips Curve

(1) Phillips Curve (CPI All Items Less Fresh Food)



(2) Phillips Curve (CPI All Items Less Food and Energy)

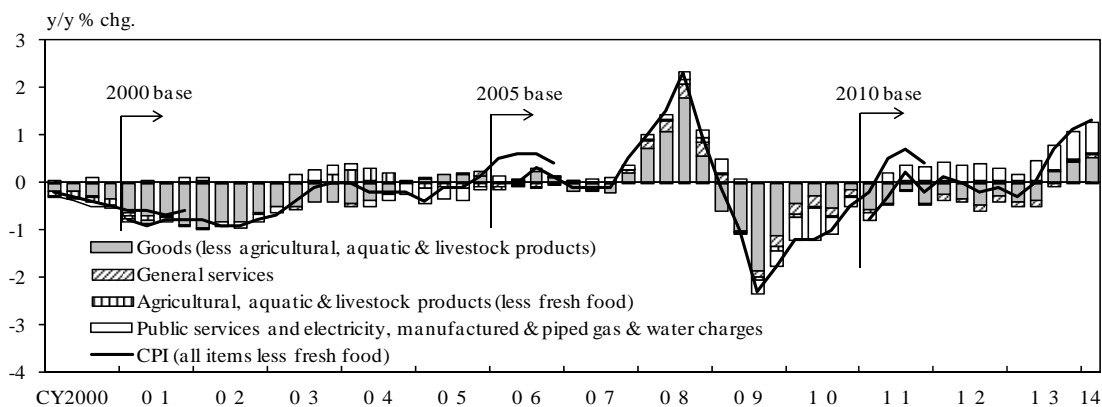


Note: The output gap is estimated by the Bank of Japan.

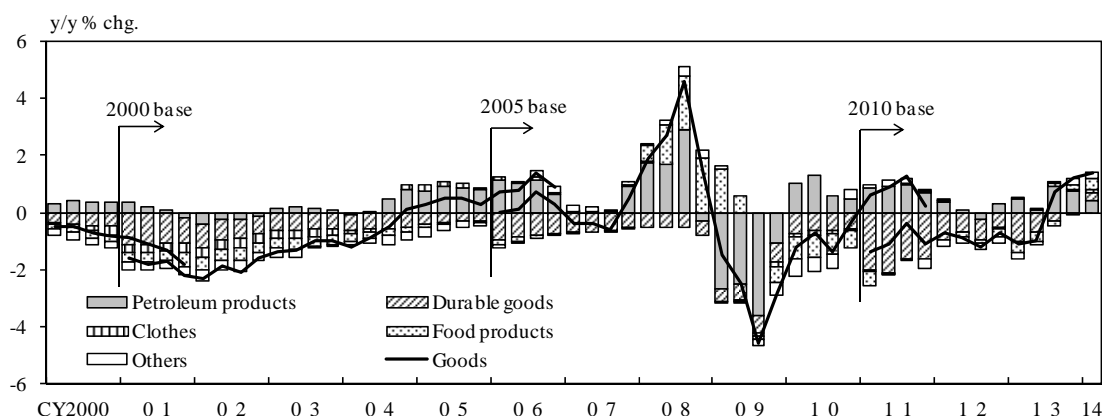
Sources: Ministry of Internal Affairs and Communications; Cabinet Office; Bank of Japan.

Consumer Price Index

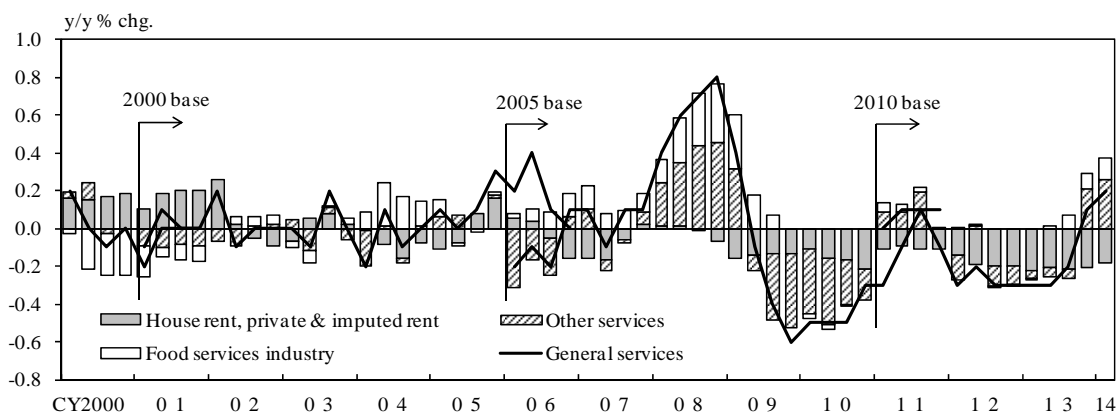
(1) Consumer Price Index (All Items Less Fresh Food)



(2) Goods (Less Agricultural, Aquatic & Livestock Products)



(3) General Services

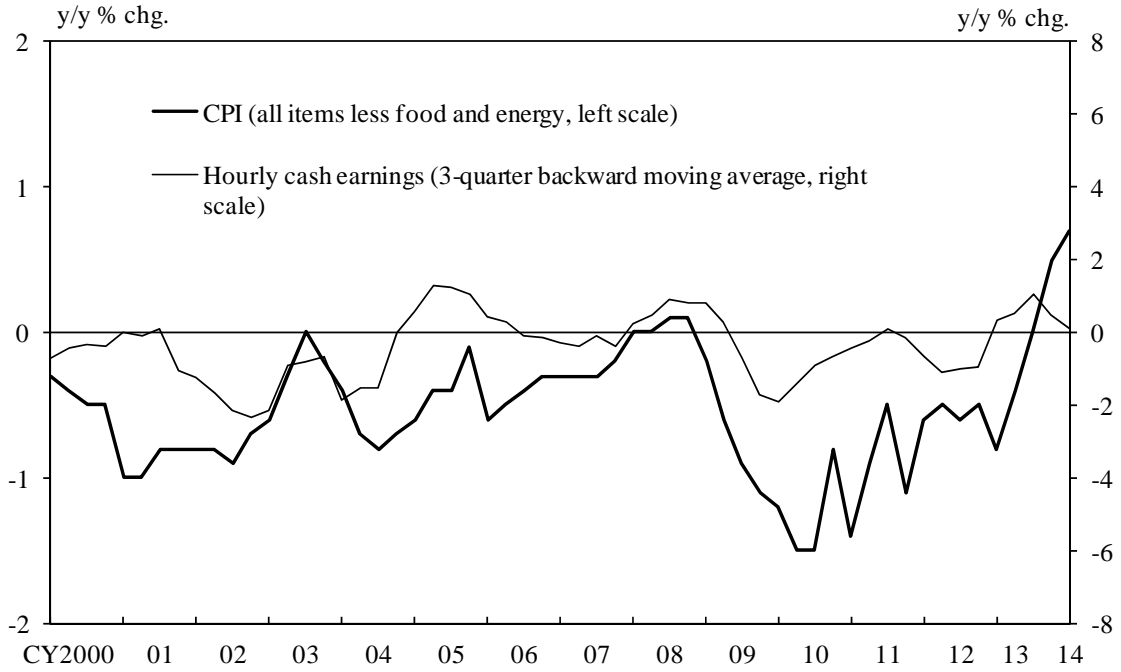


Notes: 1. The items are basically the same as those defined by the Ministry of Internal Affairs and Communications. However, electricity, manufactured & piped gas & water charges are excluded from goods. Clothes include shirts, sweaters & underwear.

2. Alcoholic beverages are excluded from food.

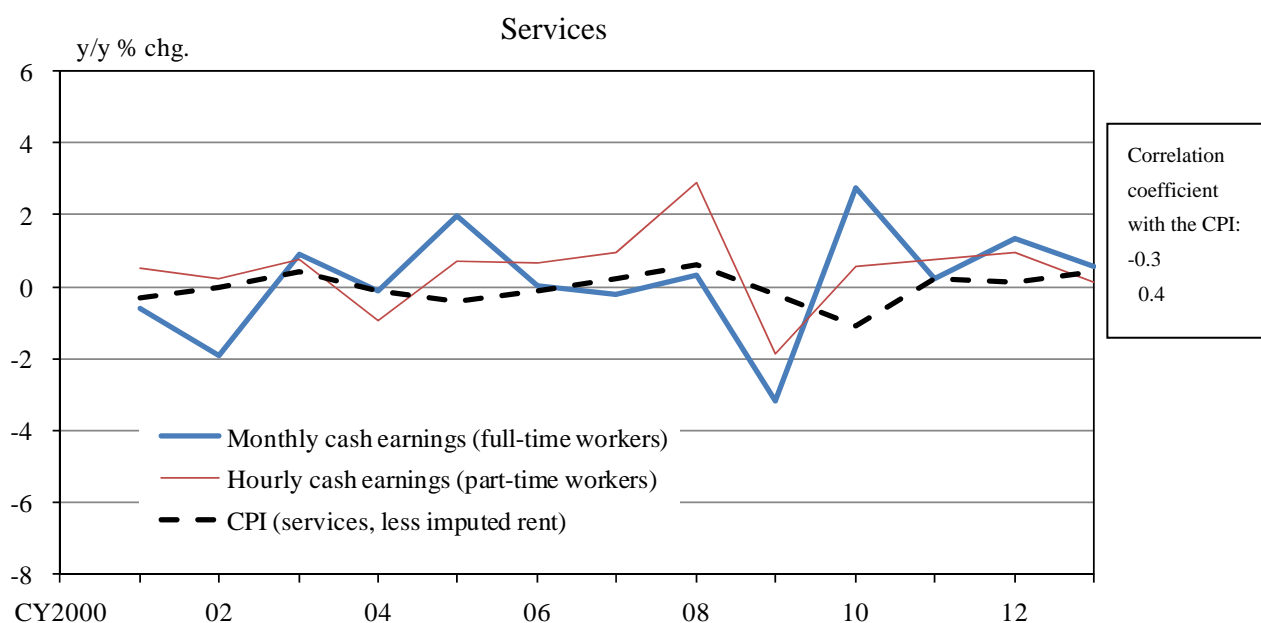
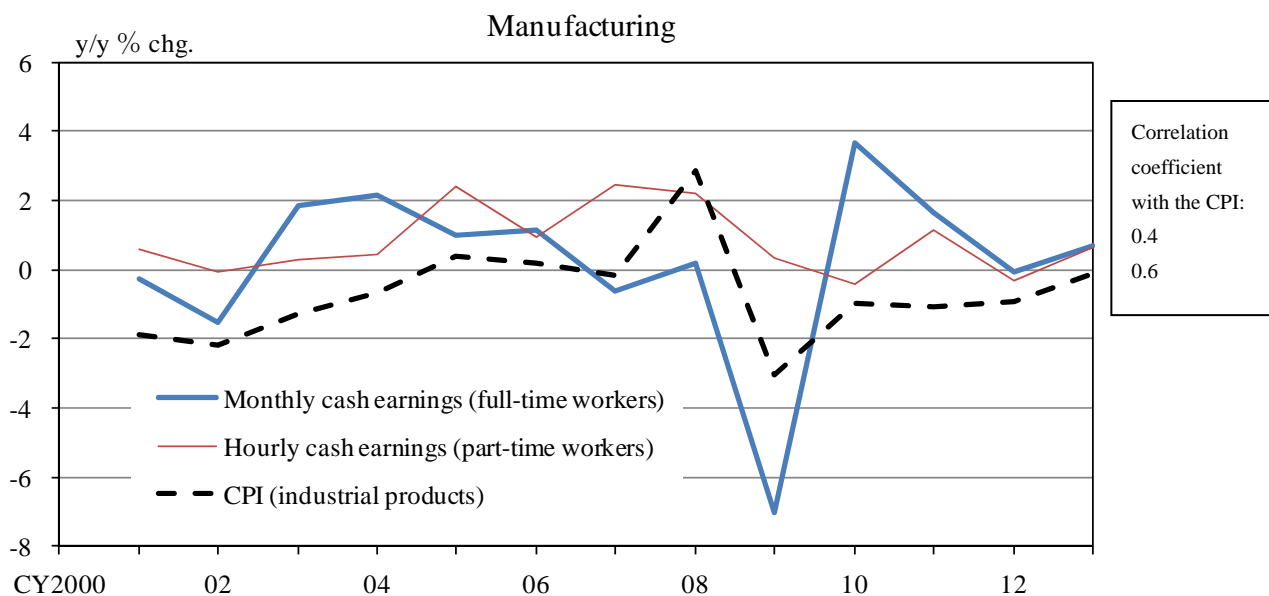
Sources: Ministry of Internal Affairs and Communications; Bank of Japan.

Wages and Prices (Changes from the Previous Year)



Note: Hourly cash earnings are for "all workers" which includes full-time workers and part-time workers.
 Sources: Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare.

Wages and Prices by Industry (Changes from the Previous Year)

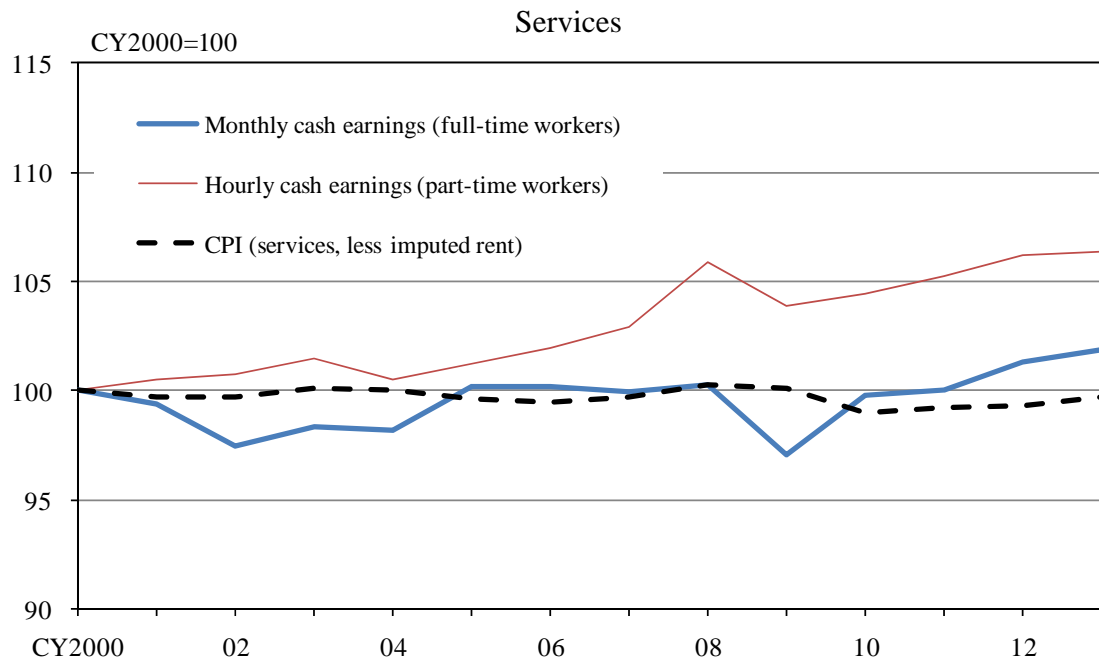
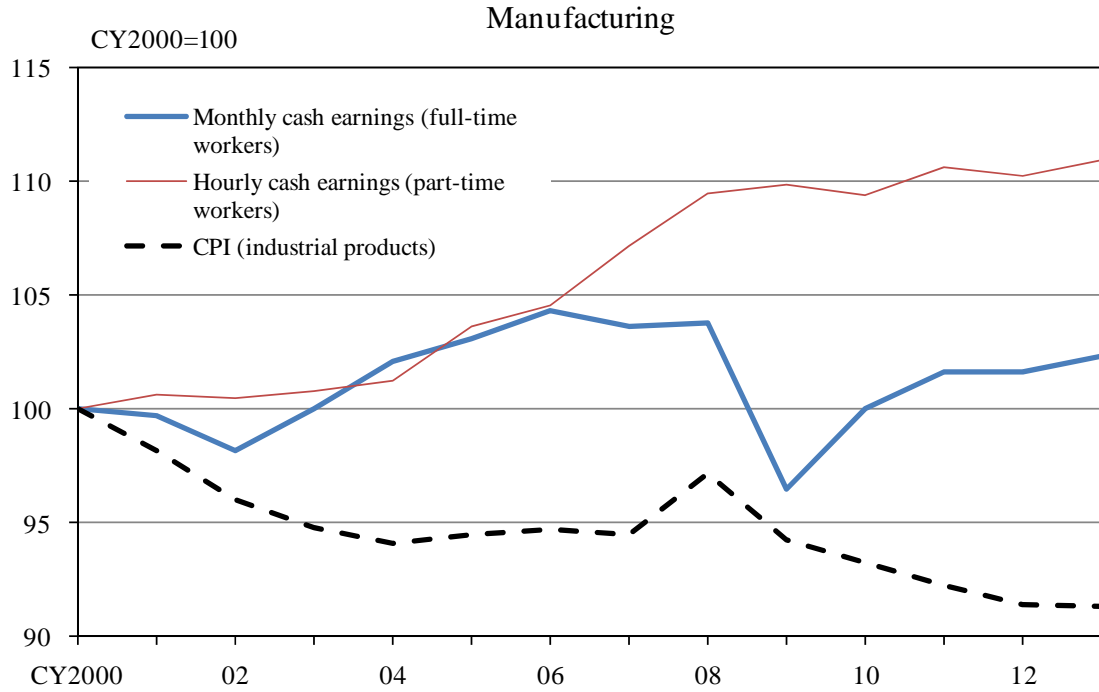


Notes: 1. When examining wage developments, it is useful to separate cash earnings data into those for *full-time* workers and those for *part-time* workers, and look at the year-on-year rate of change in *monthly* cash earnings for full-time workers and that in *hourly* cash earnings for part-time workers. This is because (1) this could remove the effects of the decline in average wages caused by the uptrend in the proportion of part-time workers; and (2) *hourly* cash earnings better capture wages of part-time workers, whose working hours tend to be unstable.

2. Owing to data constraints and for simplicity the figures for "wholesale and retail trade" are used as a proxy for the services sector, from the "Monthly Labour Survey," published by the Ministry of Health, Labour and Welfare.

Sources: Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare.

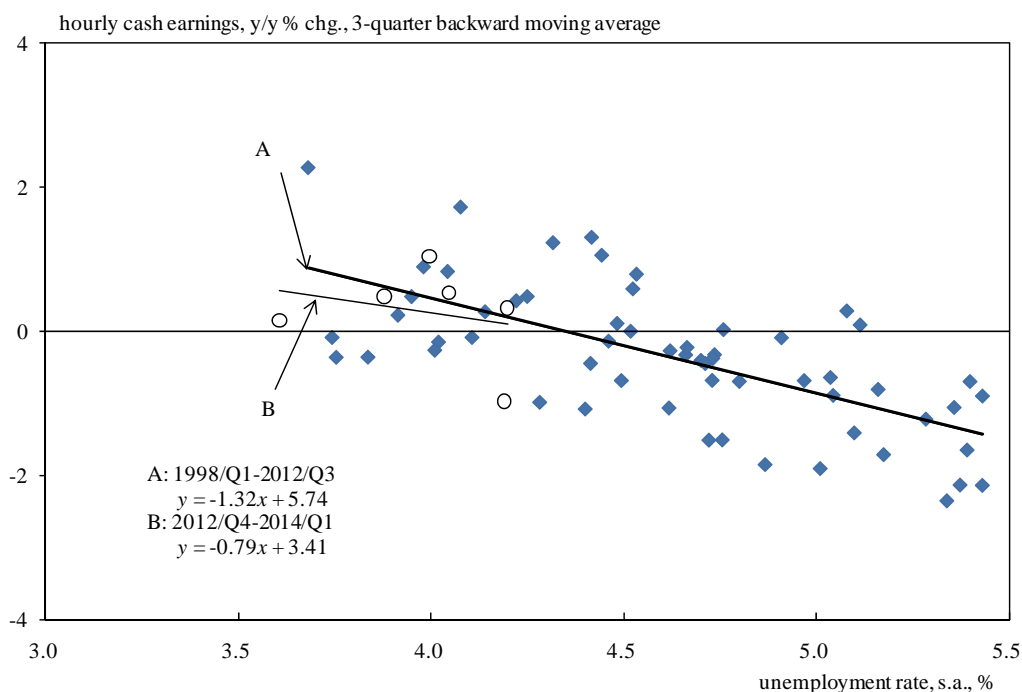
Wages and Prices by Industry (Level)



Sources: Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare.

Chart 17

Estimated Phillips Curve
(Based on the Unemployment Rate and Hourly Cash Earnings)



Sources: Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare; Bank of Japan.

Chart 18

Firms' Inflation Expectations

(1) Outlook for General Prices

	y/y % chg.		
	1 year ahead	3 years ahead	5 years ahead
All firms	1.5	1.7	1.7
Large firms	1.1	1.3	1.3
Small firms	1.7	1.9	1.9

(2) Outlook for Sales Prices

	% chg. relative to the current level		
	1 year ahead	3 years ahead	5 years ahead
All firms	1.1	1.8	2.1
Large firms	0.6	0.6	0.7
Small firms	1.5	2.4	2.9
(Note)			
All firms	1 year ahead	1 to 3 years ahead	3 to 5 years ahead
	1.1	0.7	0.3

Source: Bank of Japan.