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Bank of Japan

**Monthly Report of
Recent Economic and Financial Developments**
November 2004

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Monthly Report of Recent Economic and Financial Developments¹

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The Bank's View²

Japan's economy continues to recover as a whole, although the increase in exports and production seems to be coming to a pause.

While the increase in exports and industrial production seems to be coming to a pause, business fixed investment has been increasing, albeit recently at a mild pace, with corporate profits improving. The employment situation has been on an improving trend and household income has stopped declining. In this situation, private consumption has been steady. Meanwhile, housing investment has been nearly flat, and public investment has been declining.

Japan's economy is expected to continue to recover.

Exports and production are expected to follow an uptrend, as it is projected that overseas economies will continue to expand and domestic demand will also continue to increase. Structural adjustment pressure stemming from firms' excess capacity and debt has been easing. While firms are likely to continue restraining labor costs, household income is expected to show signs of a gradual increase since corporate profits are increasing and the extent of excess labor perceived by firms is continuing to ease. Public investment, meanwhile, is projected to be on a downtrend.

Developments in IT-related demand and crude oil prices, and their impact on the domestic as well as overseas economies should continue to be noted.

On the price front, domestic corporate goods prices have been rising, due to the strengthening of commodity prices at home and abroad and to the improvement in

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on November 17 and 18, 2004.

supply and demand conditions. Consumer prices (excluding fresh food) have been on a slightly declining trend on a year-on-year basis.

Domestic corporate goods prices are expected to continue increasing for some time, partly due to the rise in crude oil prices. On the other hand, supply and demand conditions are likely to remain loose for the time being, although they are improving. Under these circumstances, consumer prices are projected to basically continue falling slightly on a year-on-year basis.

As for the financial environment, the environment for corporate finance is becoming more accommodative on the whole, although it remains severe for firms with high credit risks. The issuing environment for CP and corporate bonds is favorable on the whole. Also, the lending attitude of private banks is becoming more accommodative. The lending attitude of financial institutions as perceived by firms has been improving. The pace of decline in credit demand in the private sector is becoming somewhat moderate. Under these circumstances, the amount outstanding of CP and corporate bonds issued continues to be above the previous year's level, and the rate of decline in lending by private banks has basically been diminishing. Meanwhile, the year-on-year growth rate of the monetary base has been at the 4.0-5.0 percent level. The year-on-year growth rate of the money stock is around 2.0 percent. The growth of banknotes in circulation had remained low compared to some time ago, mainly due to decreasing anxieties about the financial system, but it has been increasing slightly since the beginning of November due to the introduction of the new series of banknotes. As for developments in financial markets, money market conditions continue to be extremely easy, as the Bank of Japan continues to provide ample liquidity. In the foreign exchange and capital markets, the yen's exchange rate against the U.S. dollar has risen compared with last month, while long-term interest rates and stock prices have been around the same level as last month.

² The text of "The Bank's View" was decided by the Policy Board at the Monetary Policy Meeting held on November 17 and 18, 2004.

The Background

1. Japan's Economy

Public investment continued to decline (Chart 3). The value of public works contracted—a measure that reflects public orders—was trending gradually downward on average, although it has recently been fluctuating substantially. The amount of public construction completed, which reflects the actual progress of public works, continued to decrease. Public investment is expected to follow a declining trend, since the initial budget for fiscal 2004 has been reduced considerably.³

Real exports have recently been more or less flat (Charts 4[1] and 5); they rose 0.1 percent in the third quarter on a quarter-on-quarter basis.

As for the developments in the third quarter by region (Chart 5[1]), exports to the United States dropped slightly, after growing steadily until the second quarter. Exports to East Asia inched up following the second quarter. Among exports to East Asia, those to China decelerated, affected temporarily by measures taken to cool the overheating economy in China. Exports to the NIEs and ASEAN increased only slightly. Meanwhile, exports to the EU showed relatively high growth in the third quarter, after decelerating in the second quarter.⁴

By goods (Chart 5[2]), exports of consumer goods (such as digital home appliances), mainly to the United States and EU, dropped considerably in the third quarter. Those of IT-related goods, which had been rising substantially until the second quarter, inched downward in the third quarter (Chart 7[1]). Those of intermediate goods (chemicals, and iron and steel) also declined in the third quarter following the second quarter, partly because manufacturers gave priority to supplying these goods to domestic customers, since spare production capacity has been decreasing (Chart 6[2]). Meanwhile, exports of capital goods and parts (including semiconductor manufacturing equipment) and those of automobile-related goods

³ Expenditures for disaster relief are projected to increase due to the typhoons and The Mid Niigata prefecture Earthquake. It is expected, however, that most of the actual progress of works will be carried over to the next fiscal year.

⁴ Exports to the EU have been steady on the whole. This is partly because member states of the EU expanded from 15 to 25 in May 2004 and exports to these new members were favorable.

continued to increase in the third quarter, although the growth rate slowed compared to the second quarter (Charts 6[1] and [3]).

Real imports continued to trend upward with the recovery in the domestic economy (Charts 4[1] and 8). By goods (Chart 8[2]), imports of most goods continued to increase, reflecting the recovery in the domestic economy. In particular, imports of IT-related goods and those of capital goods and parts (excluding aircraft)—in which the international division of labor between Japan and East Asia has been progressing—showed steady growth.

Given these developments in exports and imports, net exports, which had been on a rising trend, have recently peaked out in terms of the real trade balance (Chart 4[2]). The surplus of the nominal balance on goods and services has been diminishing slightly, mainly due to the increase in overseas travel and the rise in crude oil prices.

Exports are projected to follow an uptrend, since overseas economies are expected to continue to expand, particularly in the United States and East Asia (Chart 9-1[2]). Looking at overseas economies—one of the important conditions of exports—the U.S. economy is expected to continue expanding at a pace close to its potential growth rate, as indicators related to business fixed investment and employment have recently displayed some firmness (Chart 9-2). The Chinese economy has continued its high growth on the whole, although measures taken to cool the overheating economy have become apparent in some sectors. Nevertheless, the pace of increase in exports is likely to remain moderate, mainly because global IT-related demand is unlikely to expand as rapidly as it did until the first half of this year. Under these circumstances, developments in IT-related demand and crude oil prices, and their impact on the domestic as well as overseas economies should continue to be noted.

As the domestic economy is projected to continue recovering, imports are expected to continue their uptrend, mainly in IT-related goods, and capital goods and parts.

Business fixed investment continued to increase, albeit recently at a mild pace. On a GDP basis, fixed investment was essentially flat in the third quarter, partly in reaction to the high growth in the previous quarters (Chart 2). Meanwhile, shipments of capital goods (excluding transport equipment) continued to increase albeit slightly in the third quarter following the sharp rise in the second quarter (Chart 10-1[1]). Machinery orders (private demand, excluding shipbuilding and orders from electric power companies)—a leading indicator of business fixed investment—dropped in the third quarter, after they surged in the second quarter (Chart 10-2[1]). As for orders from manufacturing firms, orders of industrial machinery and heavy electrical machinery fell back. Those from electrical machinery, mainly semiconductor manufacturing equipment, also dropped sharply. On the other hand, orders from nonmanufacturing firms remained almost flat. As for the forecasts of the fourth quarter, orders, mainly from manufacturing firms, are projected to increase slightly. Construction starts (floor area, private, nondwelling use)—another leading indicator—have been on an uptrend and have approached the peak levels of 2000 (Chart 10-2[2]). By industry, increases were observed in a wide-range of industries, notwithstanding quarterly fluctuations: mining and manufacturing (factories), real estate (office buildings), wholesale and retail trade (such as shopping centers), and transportation (distribution and delivery centers).

The increase in business fixed investment is expected to continue, since domestic and external demand, as well as corporate profits, are projected to increase.

Private consumption has been steady. On a GDP basis, private consumption continued to increase steadily in the third quarter (Chart 2). With regard to various sales indicators (Charts 11-1 and 11-2), the number of new passenger-car registrations has not exhibited any noticeable increases or decreases recently; registrations dropped in October, after they rose in the third quarter mainly in new models of small passenger cars.⁵ Sales of household electrical appliances (NEBA statistics, in real terms) continued to trend steadily upward, particularly in flat panel TVs and DVD recorders. In September, sales of digital cameras were brisk, bolstered by the

⁵ In October, orders of new models were strong, although it seems that this did not attribute to the increase in the number of monthly new passenger-car registrations, since these models were released in the middle of the month.

introduction of new models. Meanwhile, sales at department stores, supermarkets, and convenience stores in August-September seemed to be affected by adverse weather such as the typhoons. Among services consumption, the level of sales in the food service industry dropped slightly in August-September partly affected by the typhoons, after recording strong sales in June-July, mainly due to fine weather and the heat wave. Outlays for travel were at high levels on the whole, although they have recently been fluctuating substantially.

Indices of aggregated sales (in real terms), which are comprised of major sales indicators of these goods and services,⁶ dropped slightly in August-September, as many indices were affected by adverse weather, as mentioned above (Chart 11-3). On the other hand, aggregate supply of consumer goods—which comprehensively captures producers' supply of goods—remained at high levels (Chart 11-4). Meanwhile, according to the *Family Income and Expenditure Survey*, which captures private consumption from the demand side, the index of living expenditure level (all households, in real terms) showed large fluctuations mainly due to sampling factors; it rose by 2.4 percent in the second quarter on a quarter-on-quarter basis, but declined by 2.5 percent in the third quarter (Chart 11-1[1]).

Indicators for consumer sentiment continued to be on a recovery trend on the whole (Chart 12).

As household income is expected to show signs of a gradual increase, private consumption is projected to recover gradually, supported by the improvement in consumer sentiment.

As for housing investment, housing starts marked a high level of over 1.2 million units (annual rates) in the third quarter. Nevertheless, the underlying trend of

⁶ The indices of aggregated sales are the weighted average of major sales indicators, with the weights based on the consumption spending of households. Each sales indicator is deflated by consumer prices. The indices are convenient in the sense that the trend of these sales indicators can be observed in a single series. However, the coverage of services consumption is narrow, and the indices do not necessarily incorporate all sales channels of goods. Also, note that outlays for travel in September were not released at the time when these indices were compiled, and hence were incorporated into the indices under the assumption that their seasonally adjusted figures in September were the same level as in August.

housing starts have been nearly flat, taking into account the demand rush in construction starts of owner-occupied houses and the temporary increase in construction starts of large housing-for-sale projects (Chart 13[1]).⁷ Housing investment is projected to be more or less flat.

Industrial production inched down or was almost flat in the third quarter; it marked a 0.7 percent decline on a quarter-on-quarter basis, after increasing sharply by 2.6 percent in the second quarter (Chart 14[1]). By goods (Chart 15), the pace of increase in shipments has moderated considerably overall. In particular, shipments of capital goods and durable consumer goods (both automobiles) have recently dropped slightly due partly to a special factor: overseas shipments of some of these goods were hampered by the typhoons.

Inventories, meanwhile, were more or less flat as a whole, although movements differ according to goods (Charts 14[1] and 16). The chart of the inventory cycle shows that inventories of materials related goods such as “producer goods excluding a broad category of electrical machinery” were still declining, mainly due to the surge in raw materials prices and the decrease in spare production capacity. On the other hand, inventories of capital goods and durable consumer goods (both automobiles) rose considerably for a moment. This was because overseas shipments of these goods were hampered by the typhoons mentioned above, and production of automobiles was increased in preparation for the introduction of new models.

Meanwhile, inventories of electronic parts and devices were in the inventory adjustment phase. With respect to this movement in inventory adjustment, electronic parts and devices have been used for more goods, such as digital home appliances and automobiles, than before, and firms are starting to restrain their production before inventories become significantly excessive. Under this environment, it is likely that inventories will basically be adjusted only slightly. Nevertheless, since the degree

⁷ As for tax credits for housing loans, the maximum credit amount is scheduled to be reduced gradually each year until 2008. Home-buyers are eligible for this year’s tax credits for housing loans on the condition that they move into their new houses by the end of this year. For owner-occupied houses, it is said that construction needs to begin around summer at the latest to meet this condition.

and period of adjustment largely depend on year-end sales at home and abroad, these developments require close monitoring.

Production is expected to trend upward with the recovery in domestic as well as external demand. Nevertheless, inventory adjustment in IT-related goods is expected to continue for the immediate future. Also, IT-related demand is unlikely to expand as rapidly as it did until the first half of this year. In this environment, the pace of increase in production is expected to be moderate.⁸

As for the employment and income situations, various indicators reflecting labor market conditions have been on an uptrend, albeit with some fluctuations. In this environment, the number of employees has been on an uptrend and household income has stopped declining (Chart 17[1]).

In the labor market, overtime hours worked have been above the peak of the previous recovery phase (Chart 18-2[3]). The number of new job offers continued to display double-digit increases on a year-on-year basis, particularly in the services industry, including temporary employment services and similar businesses, although it has slowed from some time ago (Charts 18-1[2] and [3]). Moreover, the ratio of job offers to applicants has been on a rising trend (Chart 18-1[1]), and the unemployment rate has been on a gradual downtrend.

Both the number of employees in the *Labour Force Survey* and the number of regular employees in the *Monthly Labour Survey* continued to increase on a year-on-year basis (Charts 18-2[1] and [2]).

Regarding wages on a year-on-year basis (Chart 17[2]), regular payments were still on a downtrend in terms of the average per person, mainly due to the rise in the

⁸ The forecast for production in the fourth quarter, calculated based on the production forecast indexes for October and November (assuming that the production level for December is the same as November) shows an increase of 1.8 percent compared to the third quarter. Recently, however, the actual results, especially of electronic parts and devices and of general machinery, tend to be below the forecast index. Based on this situation, production in the fourth quarter needs to be observed with more caution than the production forecast index. In fact, based on anecdotal information, firms are projecting their production to be virtually flat in the fourth quarter.

ratio of part-time workers. On the other hand, overtime payments continued to increase, and the rate of decline in special payments has been diminishing assisted by the increase in corporate profits and the peaking out of firms' restructuring efforts.⁹

Firms are expected to continue restraining their labor costs through the use of part-time workers and outsourcing. However, household income is expected to show signs of a gradual increase since corporate profits are increasing and the extent of excess labor perceived by firms is continuing to ease.

2. Prices

Import prices (on a yen basis; same hereafter) continued to increase compared to levels three months before, reflecting the rise in international commodity prices, such as crude oil prices (Chart 20).

Domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates; same hereafter)¹⁰ have been rising compared to levels three months before¹¹ (Chart 21). In detail, prices of petroleum products, those of iron and steel related products, and those of chemical-related products continued to increase, reflecting the rise in crude oil prices and the improvement trend in supply and demand conditions. On the other hand, the rate of decline in rice prices has expanded, and machinery prices have recently been somewhat weak. With respect to the above movements by stage of demand, the rise in materials prices has been passed on to intermediate goods prices. The rate of decline in final goods prices has narrowed from some time ago, but among final goods, the impact of the cost increase

⁹ According to the survey results released by the Japan Business Federation (interim results as of October 27; the number of responding firms was 115 in manufacturing and 18 in nonmanufacturing), winter bonuses of large firms were reported to increase by 2.6 percent on a year-on-year basis.

¹⁰ The figures are adjusted to exclude a large seasonal fluctuation in electric power charges to observe the underlying changes in domestic corporate goods prices. Industrial and commercial electric power consumption charges are set relatively high during July-September, when consumption increases substantially.

¹¹ Domestic corporate goods prices registered an increase of 1.9 percent in October on a year-on-year basis, the highest growth since December 1990 (Chart 19[2]).

on prices of consumer goods has remained limited, except for some items such as gasoline.

Corporate services prices (domestic supply-demand factors; same hereafter) continued their year-on-year decline of somewhat less than 1 percent, mainly in leasing and renting, real estate services, and general services such as car maintenance and building maintenance (Chart 22).

Consumer prices (excluding fresh food; same hereafter) have been on a slightly declining trend on a year-on-year basis (Chart 23). The year-on-year rate of decline narrowed in September by registering 0.0 percent, mainly due to the rise in gasoline prices.

Domestic corporate goods prices are likely to continue increasing for some time, partly due to the rise in crude oil prices. With respect to the outlook for consumer prices, supply and demand conditions in the macroeconomy are likely to remain loose for the time being, although they are improving. Under these circumstances, firms are expected to offset the increased cost of materials through streamlining measures such as restraining labor costs. Hence, the impact of the rise in international commodity prices on consumer goods prices as a whole is expected to be relatively small. Meanwhile, it is projected that rice prices will start declining on a year-on-year basis in October and that the rate of decline will expand toward the end of the year. Based on these considerations, consumer prices are projected to basically continue falling slightly on a year-on-year basis.

3. Financial Developments

(1) Financial Markets

The outstanding balance of current accounts at the Bank of Japan has been moving at around 30-35 trillion yen, as the Bank continues to provide ample liquidity (Chart 27).

As for interest rate developments in the money markets, the overnight call rate (uncollateralized; Chart 25[1]) has been moving at around zero percent. Interest

rates on term instruments (Chart 26[1]) have been steady at low levels on the whole. Under these circumstances, interest rates on Euroyen futures (Chart 26[2]) have been virtually flat.

Yields on 10-year government bonds (newly issued 10-year JGB; Chart 25[2]) have been more or less flat, albeit with some fluctuations, as views about the economic outlook continue to be cautious. They are recently moving at around 1.5 percent.

Yield spreads between private bonds (bank bonds and corporate bonds) and government bonds (Charts 29 and 30) continue to be at low levels, with yield spreads between government bonds and corporate bonds with low credit ratings narrowing further.

Stock prices (Chart 31) were weak, mainly due to concerns about the Chinese economic outlook. They have been fluctuating slightly thereafter, mainly due to the fall in crude oil prices and the appreciation of the yen against the U.S. dollar. The Nikkei 225 Stock Average is moving at around 11,000 yen.

In the foreign exchange market (Chart 32), the yen has been rising, mainly due to the selling of the U.S. dollar, reflecting concerns over the U.S. “twin deficit” problem. The yen is being traded in the range of 104-107 yen to the U.S. dollar.

(2) Corporate Finance and Monetary Aggregates

As for credit demand in the private sector, the pace of decline is becoming somewhat moderate since corporate activity has recovered—as seen in the ongoing increase in business fixed investment—while firms continue to reduce their debts.

Regarding credit supply, the lending attitude of private banks is becoming more accommodative on the whole, although they remain cautious about extending loans to firms with high credit risks. The lending attitude of financial institutions as perceived by firms, including small firms, has been improving (Chart 33).

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 34).

The rate of decline in lending by private banks (monthly average outstanding balance basis, after adjustment for extraordinary factors¹²) has basically been diminishing. (The year-on-year change was –1.2 percent in August, and – 1.1 percent in September, and –1.3 percent in October; Chart 35.)

In the corporate bond and CP markets, the issuing environment continues to be favorable on the whole. Corporate bond issuance rates have basically been flat, while issuance spreads remain steady. CP issuance rates continue to be at low levels. The amount outstanding of CP and corporate bonds issued has been moving above the previous year's level. (The year-on-year change was 1.5 percent in August, 1.6 percent in September, and 1.6 percent in October; Chart 37.)

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

The growth of banknotes in circulation had remained low compared to some time ago due mainly to decreasing anxieties about the financial system, but it has been increasing slightly since the beginning of November due to the introduction of the new series of banknotes. The year-on-year growth rate of the monetary base (currency in circulation + current account balances at the Bank of Japan) continued to be at the 4.0-5.0 percent level in October. (The year-on-year change was 4.6 percent in August, 4.7 percent in September, and 4.2 percent in October; Chart 38.)

The year-on-year growth rate of the money stock ($M_2 + \text{CDs}$) was around 2.0 percent. (The year-on-year change was 1.8 percent in August, and 2.0 percent in September, and 2.1 percent in October; Chart 39.)

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

The number of corporate bankruptcies continues its downtrend; it declined by 17.8 percent year-on-year in October, to 1,124 cases (Chart 40).

Box: Recent Developments in Money Stock

In recent years, the relationship between money stock and the economy or prices has become unstable, as the movement of money stock has been affected largely by factors such as the efforts of firms to reduce their excessive debt and the changes in views about the financial system.

Since the second half of the 1990s, the economic growth rate has been low on the whole, and the inflation rate has been on a decelerating trend. In this situation, $M_2 + \text{CDs}$ generally continued to rise at a faster pace than these indicators. As a result, the ratio of $M_2 + \text{CDs}$ to nominal GDP (Marshallian k) rose noticeably.

Looking at this development in more detail, preference for safe and high liquid assets intensified as anxieties about the financial system emerged from the end of 1997 to 1998, while credit demand in the private sector continued to decline. As a result, there was a shift of funds from financial assets unsurveyed in $M_2 + \text{CDs}$ to deposits, and in turn, the growth rate of $M_2 + \text{CDs}$ accelerated. Also, in 2001 to early 2002 with the partial removal of blanket deposit insurance approaching (in April 2002), the growth rate of $M_2 + \text{CDs}$ accelerated, mainly due to a shift of funds from financial assets unsurveyed in $M_2 + \text{CDs}$ such as investment trusts to liquid deposits which were still fully protected by deposit insurance. Consequently, a rise in the growth rate of $M_2 + \text{CDs}$ was observed during these periods of economic deterioration.

Recently, with decreasing anxieties about the financial system, the shift of funds mentioned above has basically subsided. While corporate profits have been improving, reflecting the economic recovery, the business fixed investment of firms has remained within their increased cash flow, and they have been making efforts to improve their financial balance by allocating their cash flow to repay debts. Under these circumstances, the environment surrounding corporate finance and the lending attitudes of banks have become accommodative—as observed in the improvements in Diffusion Indexes (DIs) such as financial position DI—while credit demand in the private sector and lending by banks still continue to decrease. Nevertheless, the rate of decline in lending has been diminishing, albeit moderately. Reflecting these movements, the growth rate of $M_2 + \text{CDs}$ has been increasing slightly since the end of last year.

Meanwhile, broadly-defined liquidity—which includes a wider range of financial assets than $M_2 + \text{CDs}$ —basically continued to rise at about 3-4 percent on a year-on-year basis until around 2000. From 2001, its growth rate dropped temporarily amid economic deterioration, but accelerated again from 2003. It is currently moving in the range of 3-4 percent.

Since the relationship between money stock and economic activity remains unstable, various information should be taken into account when evaluating the financial environment. That information would include movements of various money stock statistics in line with indicators regarding the availability and costs of funding for firms and households.

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Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2004/Q1	Q2	Q3	2004/Jul.	Aug.	Sep.	Oct.
Index of living expenditure level (all households)	0.5	2.4	-2.5	-0.4	2.5	-1.9	n.a.
Sales at department stores	-0.5	-1.7	-0.6	2.4	-2.4	0.2	n.a.
Sales at supermarkets	-0.7	-2.1	-1.0	-0.7	-2.0	1.7	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	<347>	<321>	<346>	<342>	<353>	<342>	<335>
Sales of household electrical appliances (real, NEBA)	2.7	3.6	3.8	4.7	-2.2	4.0	n.a.
Outlays for travel (50 major travel agencies)	-2.8	13.2	-4.5	-8.2	0.3	0.7	n.a.
Housing starts <s.a., ann. 10,000 units>	<121>	<115>	<123>	<124>	<117>	<126>	<n.a.>
Machinery orders (from private sector ⁴)	-5.6	10.3	-8.4	-11.3	3.1	-1.9	n.a.
Manufacturing	-3.6	18.4	-12.0	-10.8	9.6	-7.0	n.a.
Nonmanufacturing ⁴	-7.7	5.0	-5.1	-12.3	0.1	1.8	n.a.
Construction Starts (private, nondwelling use)	17.9	-3.9	8.8	-4.2	11.0	-3.5	n.a.
Mining & manufacturing	2.7	21.7	-10.1	-10.8	-8.0	37.4	n.a.
Nonmanufacturing ⁵	21.5	-10.2	14.0	-4.9	16.9	-9.3	n.a.
Value of public works contracted	-6.4	5.4	-2.7	-13.6	20.2	-10.1	-13.1
Real exports	4.1	3.2	0.1	-2.4	0.8	-1.7	n.a.
Real imports	2.5	1.3	2.1	-4.5	2.4	-0.4	n.a.
Industrial production	0.5	2.6	-0.7	0.0	0.1	-0.4	n.a.
Shipments	0.0	2.9	-1.1	0.5	-2.3	1.6	n.a.
Inventories	0.2	-0.4	2.1	-1.9	1.9	2.1	n.a.
Inventory Ratio <s.a., CY 2000=100>	<94.0>	<93.4>	<98.2>	<95.4>	<97.5>	<98.2>	<n.a.>
Real GDP	1.5	0.3	0.1	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	-0.1	1.8	n.a.	-0.6	0.2	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2004/Q1	Q2	Q3	2004/Jul.	Aug.	Sep.	Oct.
Ratio of job offers to applicants <s.a., times>	<0.77>	<0.80>	<0.83>	<0.83>	<0.83>	<0.84>	<n.a.>
Unemployment rate <s.a., %>	<4.9>	<4.6>	<4.8>	<4.9>	<4.8>	<4.6>	<n.a.>
Overtime working hours ⁶	3.3	3.7	2.6	4.0	2.1	2.0	n.a.
Number of employees	0.4	0.7	0.4	-0.0	0.7	0.5	n.a.
Number of regular employees ⁶	-0.1	0.4	0.5	0.5	0.6	0.5	n.a.
Nominal wages per person ⁶	-1.7	-1.1	-0.2	-0.4	0.2	-0.5	n.a.
Domestic corporate goods price index ⁷ <q/q % chg.> (3-month growth rate)	0.1 <0.5>	1.1 <0.5>	1.7 <0.5>	1.6 <0.5>	1.7 <0.6>	1.8 <0.4>	p 1.9 <p 0.3>
Consumer price index ⁸	0.0	-0.2	-0.2	-0.2	-0.2	0.0	n.a.
Corporate service price index ⁹	-1.2	-0.9	-0.8	-0.8	-0.9	-0.8	n.a.
Money Stock (M ₂ +CDs) <average outstanding, y/y % chg.>	1.7	1.9	1.9	1.8	1.8	2.0	2.1
Number of suspension of transactions with banks	-24.4	-29.1	-17.4	-19.3	-17.6	-15.0	-27.4

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

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

2. Figure with "p" indicates preliminary one.
3. Excludes small cars with engine sizes of 660cc or less.
4. Excludes orders of shipbuilding and orders from electric power companies.
5. Nonmanufacturing is mainly composed of commerce, services, agriculture & fisheries and public utilities industries.
6. Data for establishments with at least 5 regular employees.
7. Adjusts to exclude a hike of electric power charges in summer season.
8. Excludes fresh food.
9. Domestic supply-demand factors.

Sources: Ministry of Internal Affairs and Communications, "Labour Force Survey,"

"Monthly Report on the Family Income and Expenditure Survey," "Consumer Price Index";

Ministry of Economy, Trade and Industry, "Current Survey of Commerce," "Indices of Industrial Production,"

"Indices of Tertiary Industry Activity";

Japan Automobile Dealers Association, "Domestic Sales of Automobiles";

Nippon Electric Big-Stores Association (NEBA), "Sales of Electrical Appliances";

Ministry of Land, Infrastructure and Transport, "Major Travel Agents' Revenue," "Statistics on Building Construction Starts";

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

Cabinet Office, "Machinery Orders Statistics," "National Accounts";

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

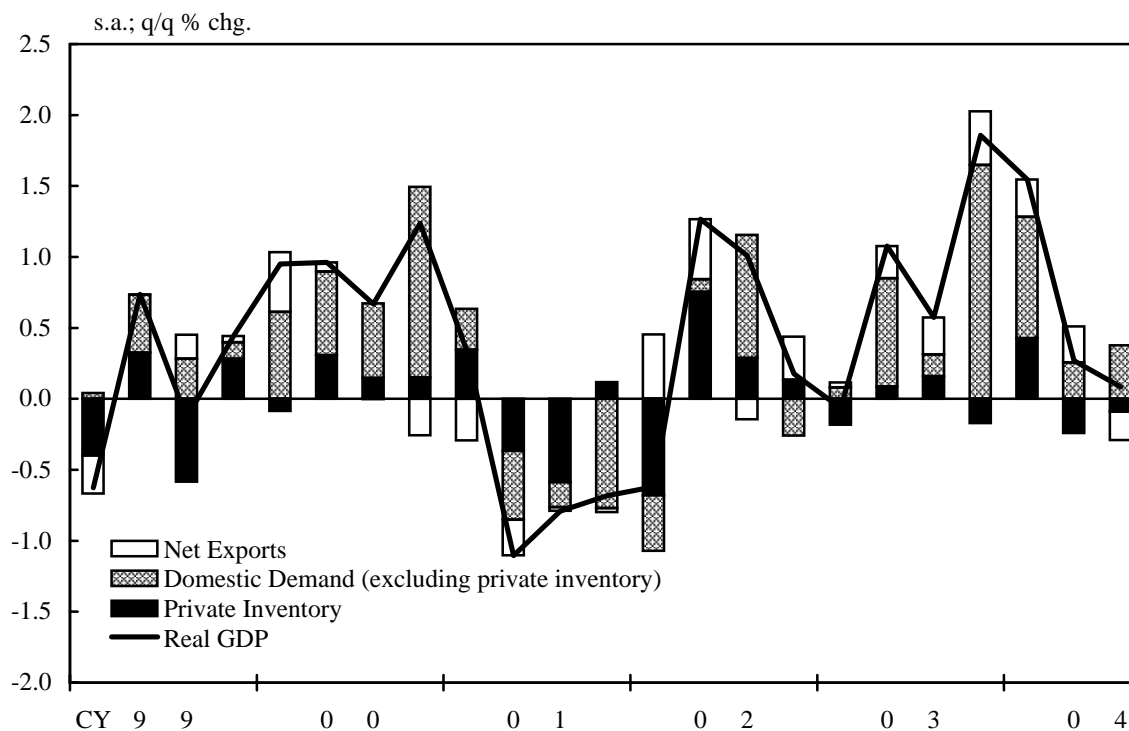
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey";

Bank of Japan, "Corporate Goods Price Index," "Corporate Service Price Index," "Financial and Economic Statistics Monthly";

Japanese Bankers Associations, "Suspension of Transaction with Banks."

Real GDP

(1) Changes from the previous quarter (seasonally adjusted series)



(2) Components

s.a.; q/q % chg.

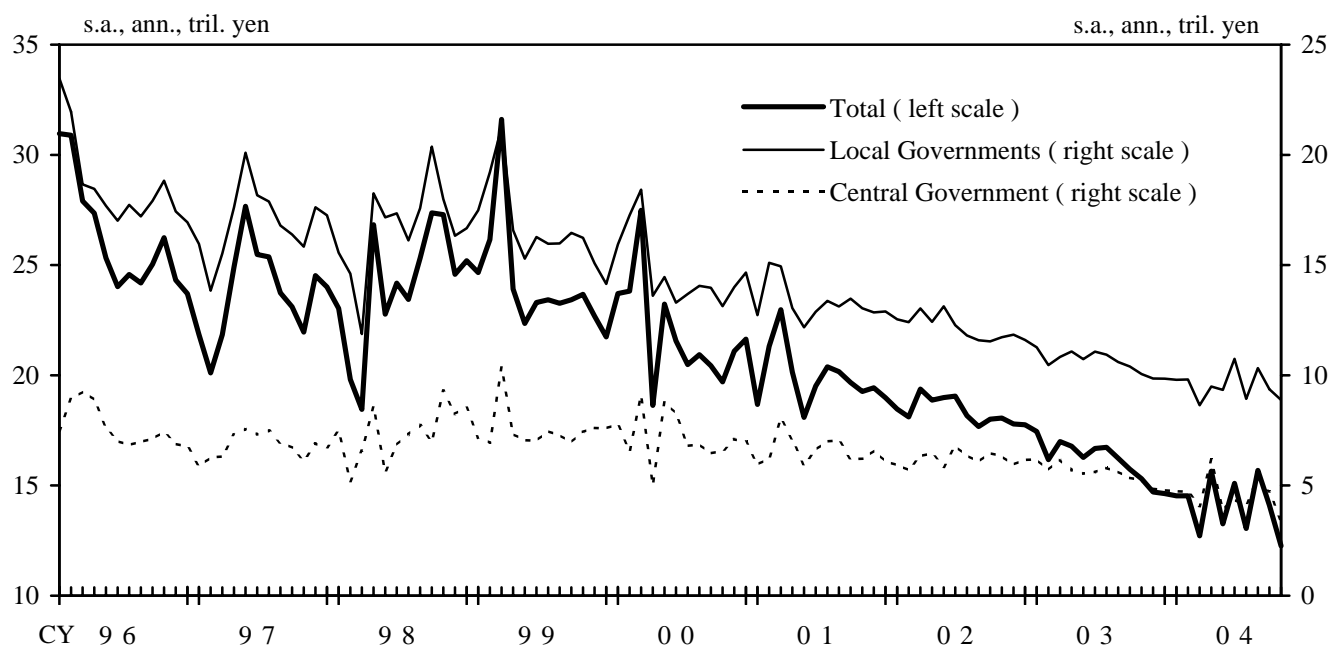
	2003		2004		
	Q3	Q4	Q1	Q2	Q3
Real GDP	0.6	1.9	1.5	0.3	0.1
Domestic Demand	0.3	1.5	1.3	0.0	0.3
Private Consumption	0.5	1.1	1.1	0.8	0.9
Non-Resi. Investment	-0.1	6.6	2.0	0.6	-0.2
Residential Investment	3.0	-1.0	0.7	0.6	0.2
Private Inventory	(0.2)	(-0.2)	(0.4)	(-0.2)	(-0.1)
Public Demand	-1.0	-0.2	-0.5	-1.4	-0.4
Public Investment	-5.2	-2.0	-3.8	-7.4	-4.2
Net Exports of goods and services	(0.3)	(0.4)	(0.3)	(0.3)	(-0.2)
Exports	4.0	5.1	4.4	3.6	0.4
Imports	2.4	2.7	3.2	2.3	2.7
Nominal GDP	-0.0	0.8	1.0	-0.4	0.0

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

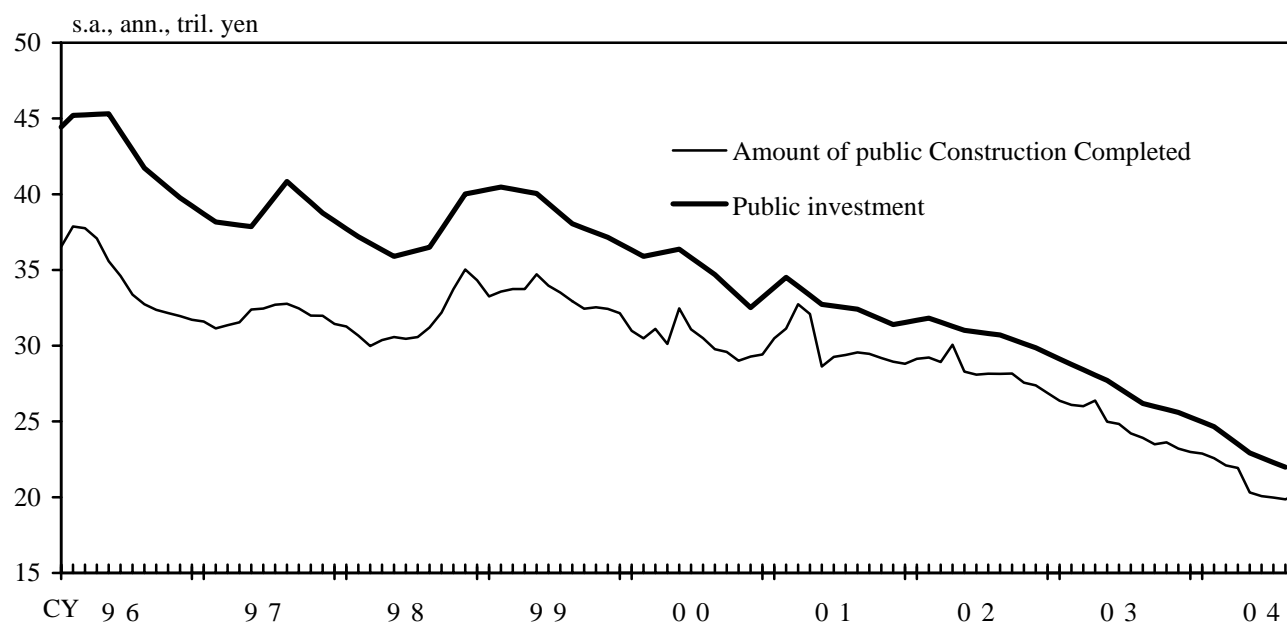
Source: Cabinet Office, "National Accounts."

Public Investment

(1) Value of Public Works Contracted



(2) Amount of Public Construction Completed and Public Investment



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.

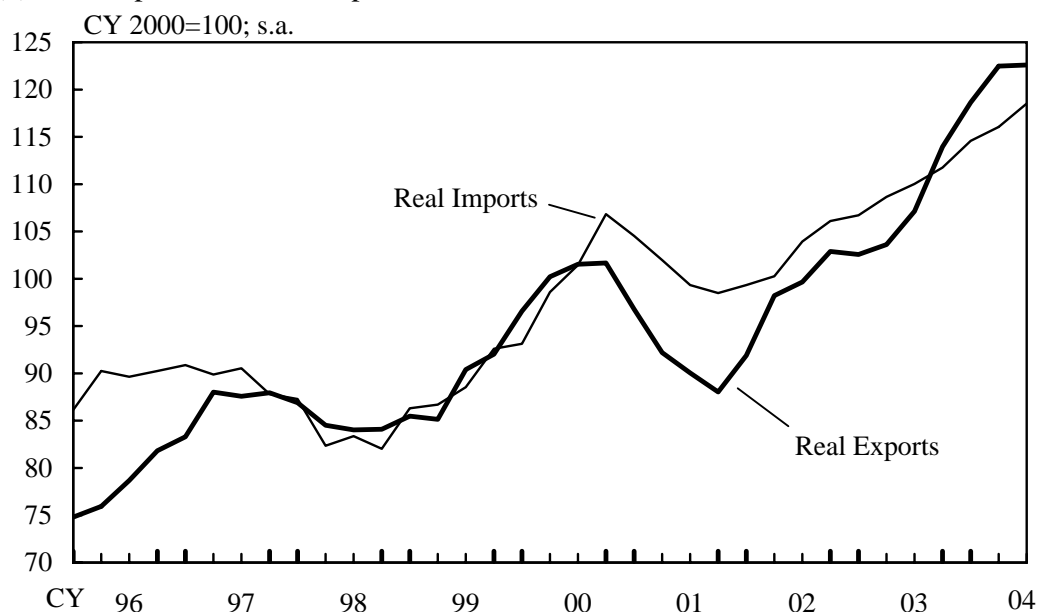
Sources: Cabinet Office, "National Accounts";

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

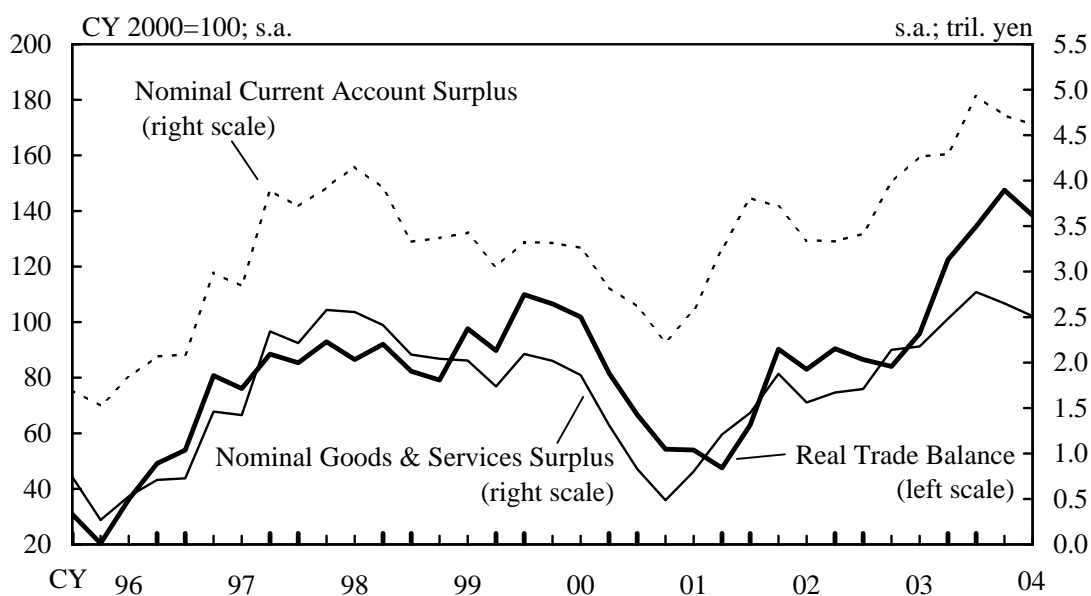
Ministry of Land, Infrastructure and Transport, "Integrated Statistics on Construction Works."

 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 ¹

(1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2002	2003	2003 Q3	2004 Q4	2004 Q1	Q2	Q3	2004 Jul.	Aug.	Sep.
United States	<24.6>	1.4	-6.2	-1.4	2.6	2.7	3.0	-0.9	-6.7	5.4	-4.1
EU	<15.3>	-0.0	13.9	1.7	3.9	9.8	1.8	3.6	-4.3	9.2	-7.7
East Asia	<44.9>	17.5	19.9	7.1	8.4	8.8	0.3	1.0	1.3	-0.1	-1.5
China	<12.2>	35.5	41.1	9.2	5.3	11.0	1.4	0.4	-2.1	-1.0	1.4
NIEs	<23.5>	14.4	15.7	7.4	12.2	8.1	0.2	1.5	3.5	0.7	-3.4
Korea	<7.4>	19.1	19.2	8.5	9.2	13.2	-1.5	-1.5	4.6	-4.8	-2.4
Taiwan	<6.6>	14.6	16.1	9.3	17.0	5.8	0.7	8.0	6.0	2.3	-5.9
ASEAN4 ³	<9.2>	10.2	9.1	4.1	3.5	7.7	-0.8	0.3	0.3	-1.0	-0.4
Thailand	<3.4>	16.5	18.3	6.5	5.5	7.4	0.9	0.5	4.4	0.1	-2.6
Real exports		7.2	8.9	3.4	6.4	4.1	3.2	0.1	-2.4	0.8	-1.7

(2) Breakdown by goods

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2002	2003	2003 Q3	2004 Q4	2004 Q1	Q2	Q3	2004 Jul.	Aug.	Sep.
Intermediate goods	<15.6>	8.8	5.6	0.9	4.0	5.9	-3.8	-1.9	-1.2	-1.9	-4.1
Motor vehicles and their related goods	<23.7>	12.7	1.3	0.3	5.9	-1.5	7.2	0.5	-1.4	-0.5	-1.5
Consumer goods ⁴	<7.0>	7.9	14.9	0.7	9.4	6.2	1.5	-6.5	-8.9	4.1	3.6
IT-related goods ⁵	<14.1>	0.3	12.9	7.4	4.7	5.6	5.0	-1.0	-3.6	2.0	-2.8
Capital goods and parts ⁶	<28.6>	7.8	17.1	6.4	6.3	7.3	6.1	2.6	1.1	5.6	-7.3
Real exports		7.2	8.9	3.4	6.4	4.1	3.2	0.1	-2.4	0.8	-1.7

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

2. Shares of each region and goods in 2003 are shown in angle brackets.

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

4. Excludes motor vehicles.

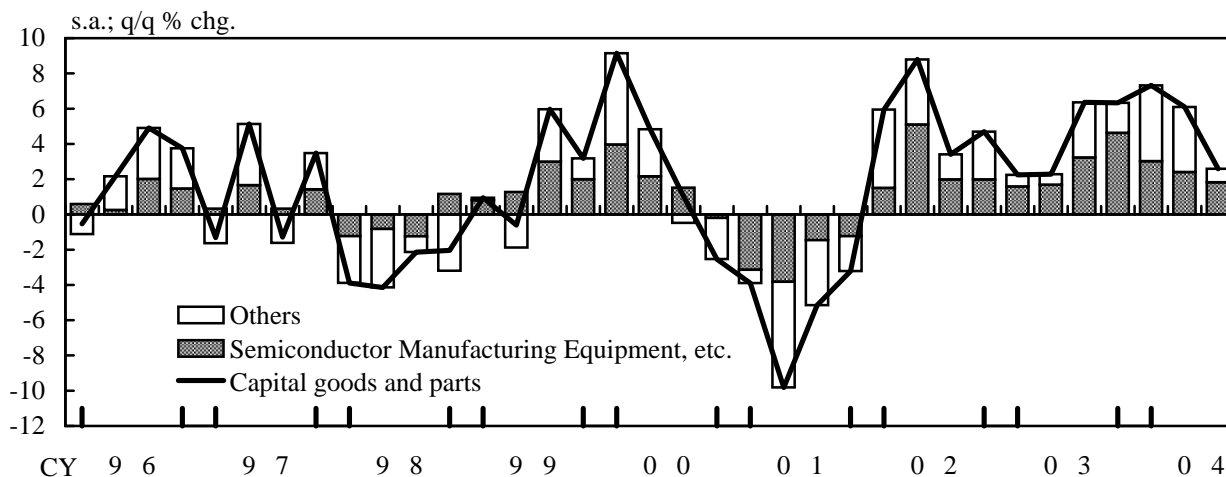
5. IT-related goods are composed of automatic data processing machinery, telecommunication machinery, ICs and medical and optical instruments.

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

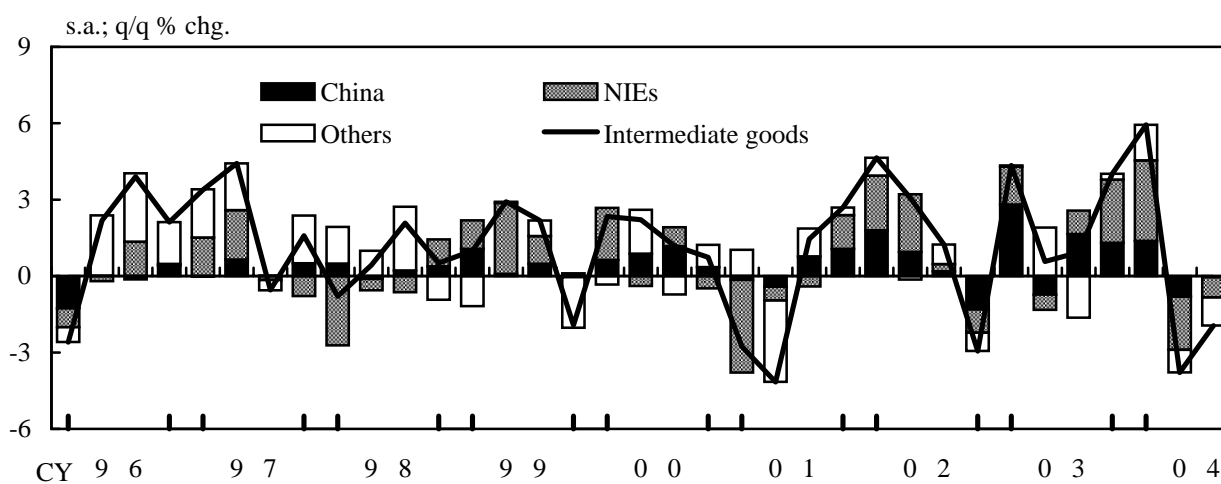
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Real Exports breakdown by goods

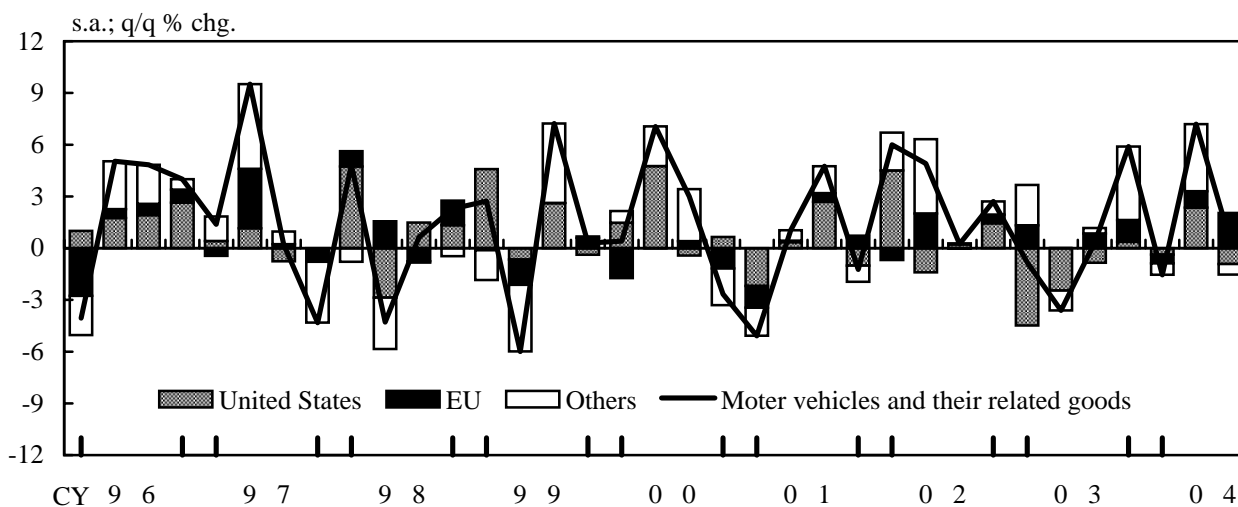
(1) Capital goods and parts (real, breakdown by goods)



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



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

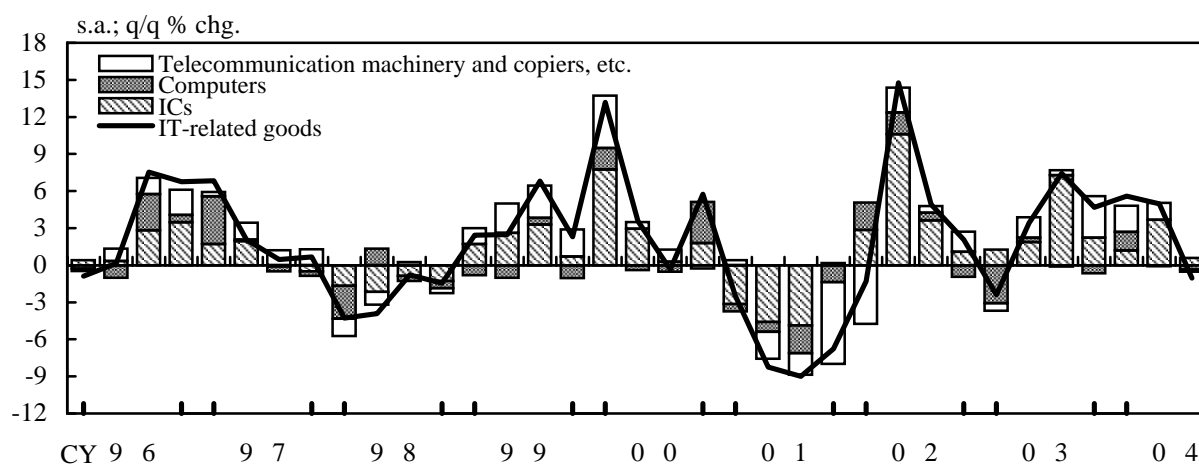


Note: Seasonally adjusted by X-12-ARIMA.

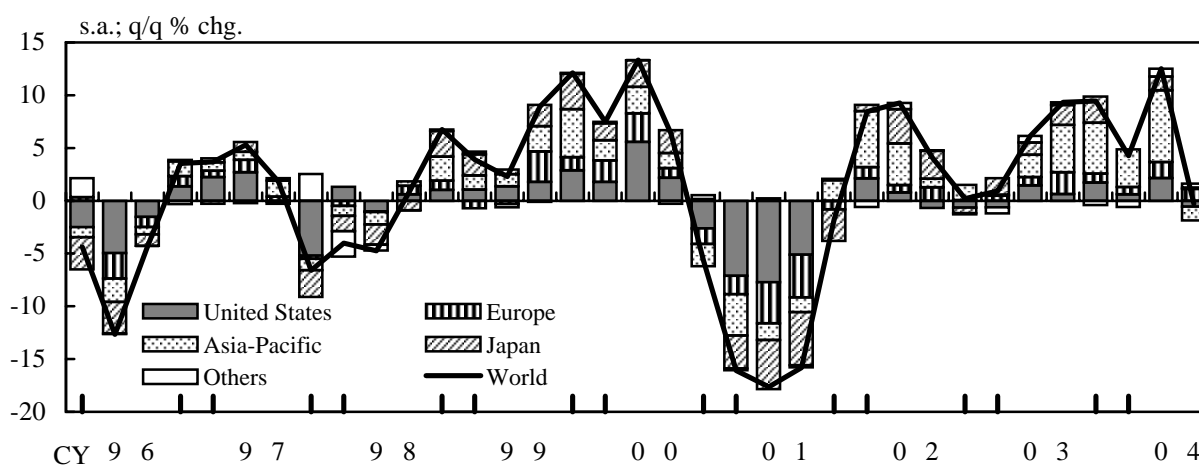
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Exports and Imports of IT-related goods

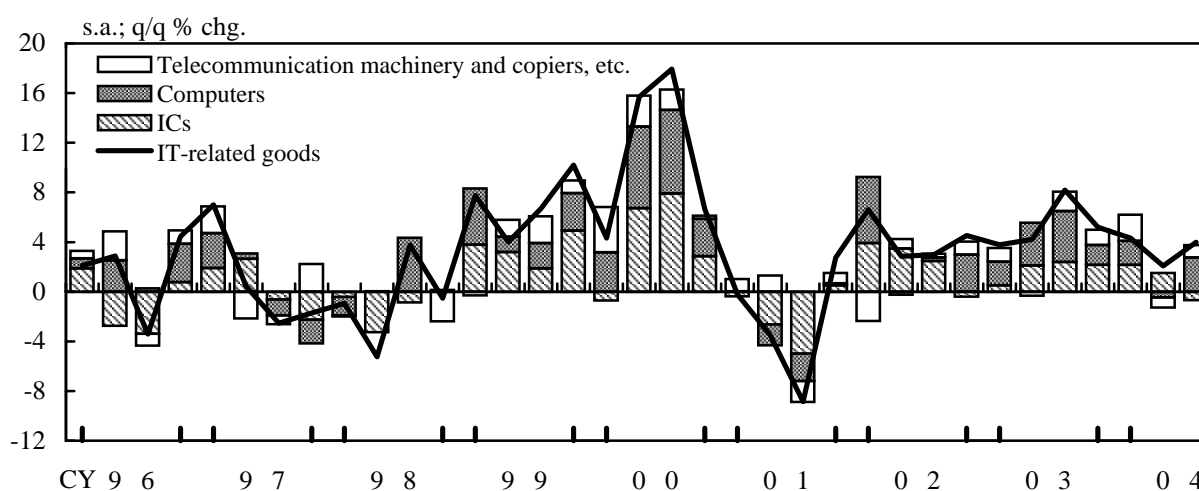
(1) Exports of IT-related goods (real, breakdown by goods)



(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.)

Real Imports ¹

(1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2002	2003	2003 Q3	2003 Q4	2004 Q1	2004 Q2	2004 Q3	2004 Jul.	2004 Aug.	2004 Sep.
United States	<15.4>	-3.9	-1.6	-1.4	1.3	-3.6	3.9	-0.2	-7.9	1.9	3.0
EU	<12.8>	2.3	6.4	1.3	3.1	6.8	-1.4	-0.3	-2.8	2.2	-7.2
East Asia	<42.4>	6.4	14.6	3.9	3.6	4.7	1.6	3.8	-2.3	1.8	1.5
China	<19.7>	13.8	21.9	5.2	3.6	6.7	3.3	4.2	-5.9	2.3	2.7
NIEs	<10.2>	1.8	9.8	6.0	5.5	4.8	-0.1	2.1	0.4	-1.1	3.1
Korea	<4.7>	-1.5	13.1	3.1	7.8	9.4	0.8	-5.3	-9.7	-0.0	4.9
Taiwan	<3.7>	5.4	7.1	8.4	2.2	3.3	-0.7	7.3	10.0	-0.7	-0.1
ASEAN4 ³	<12.5>	1.5	9.0	0.5	2.1	1.5	0.4	4.6	1.7	3.6	-1.8
Thailand	<3.1>	7.6	11.5	4.6	3.4	2.3	3.9	4.4	2.3	0.6	-2.2
Real imports		1.1	6.8	1.3	1.6	2.5	1.3	2.1	-4.5	2.4	-0.4

(2) Breakdown by goods

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2002	2003	2003 Q3	2003 Q4	2004 Q1	2004 Q2	2004 Q3	2004 Jul.	2004 Aug.	2004 Sep.
Raw materials ⁴	<27.1>	-2.7	6.0	-3.0	-3.4	3.2	-0.7	3.9	0.8	2.3	-5.5
Intermediate goods	<13.4>	1.4	4.5	2.5	1.0	3.3	2.0	2.3	-2.1	0.5	-0.9
Foodstuffs	<11.5>	-2.5	-4.2	-0.6	0.2	-0.0	-0.0	-0.5	-4.7	5.9	-7.1
Consumer goods	<10.8>	-0.9	8.0	3.7	6.3	0.7	4.0	-1.7	-8.6	0.1	1.7
IT-related goods ⁵	<14.0>	7.8	19.3	8.2	5.2	4.3	2.1	4.0	4.9	-0.1	4.8
Capital goods and parts ⁶	<13.0>	11.5	14.3	-1.7	6.5	3.0	4.5	2.3	-6.3	-0.4	-1.1
excluding aircraft	<11.9>	8.3	14.3	1.5	4.8	7.8	1.2	7.0	1.2	5.0	-0.4
Real imports		1.1	6.8	1.3	1.6	2.5	1.3	2.1	-4.5	2.4	-0.4

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

2. Shares of each region and goods in 2003 are shown in angle brackets.

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

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

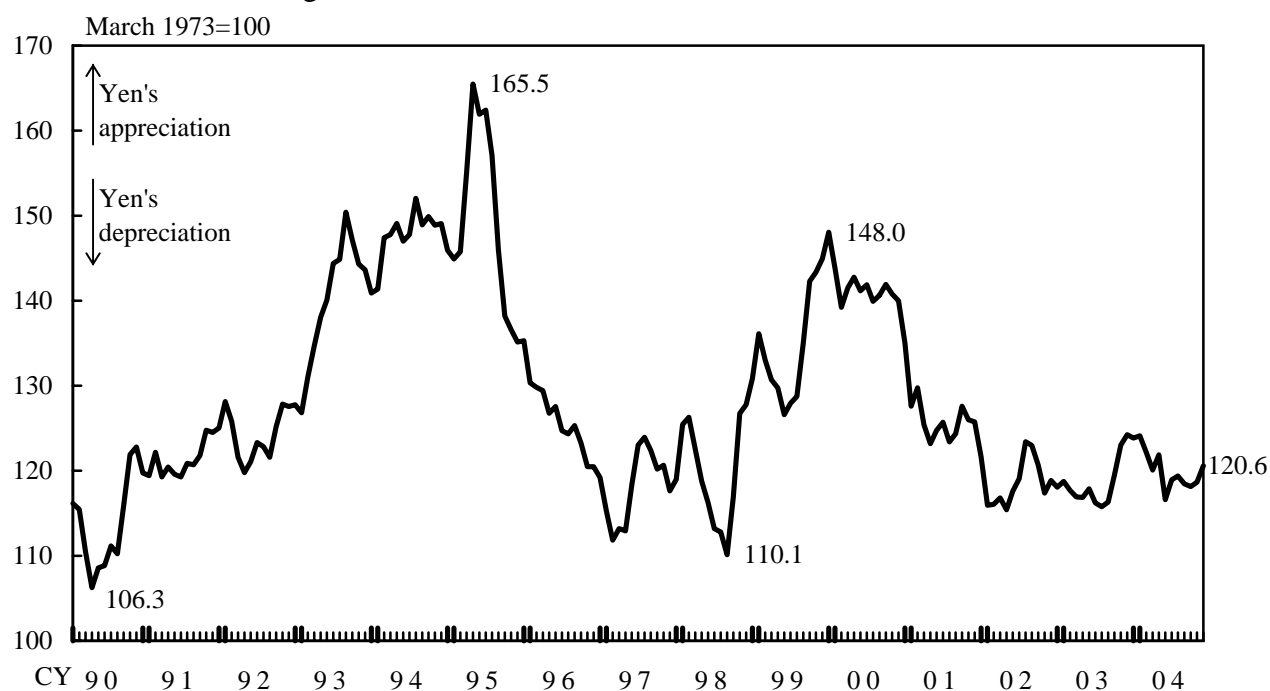
5. IT-related goods are composed of office machinery, telecommunication machinery, ICs, and medical and optical instruments.

6. Excludes IT-related goods.

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

Environment for Exports (1)

(1) Real Effective Exchange Rate



Note: Calculated by the Bank of Japan. Monthly average. Figure for November 2004 is the average up to November 17.
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

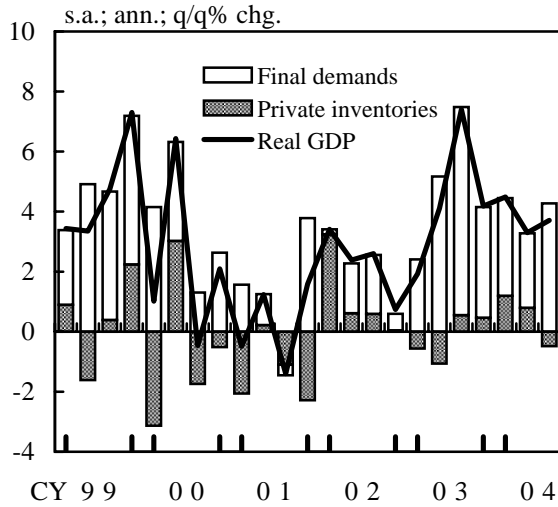
		CY2001	2002	2003	2003 Q4	2004 Q1	Q2	Q3	
United States ¹		0.8	1.9	3.0	4.2	4.5	3.3	3.7	
European Union ¹ (15 countries)		1.7	1.0	0.8	2.0	2.8	2.3	1.3	
	Germany	0.8	0.1	-0.1	1.2	1.7	1.7	0.4	
	France	2.1	1.1	0.6	2.1	3.2	2.8	n.a.	
	United Kingdom	2.3	1.8	2.2	4.2	2.7	3.6	1.5	
East Asia ²	China	7.5	8.3	9.3	9.9	9.8	9.6	9.1	
	NIEs	Korea	3.8	7.0	3.1	3.9	5.3	5.5	n.a.
		Taiwan	-2.2	3.6	3.3	5.7	6.7	7.7	n.a.
		Hong Kong	0.5	1.9	3.2	4.9	7.0	12.1	n.a.
		Singapore	-1.9	2.2	1.1	4.9	7.5	12.5	7.5
	ASEAN4	Thailand	2.1	5.4	6.8	7.8	6.6	6.3	n.a.
		Indonesia	3.8	4.3	4.5	4.1	5.0	4.3	n.a.
Malaysia		0.3	4.1	5.3	6.6	7.6	8.0	n.a.	
Philippines		1.8	4.3	4.7	5.0	6.5	6.2	n.a.	

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

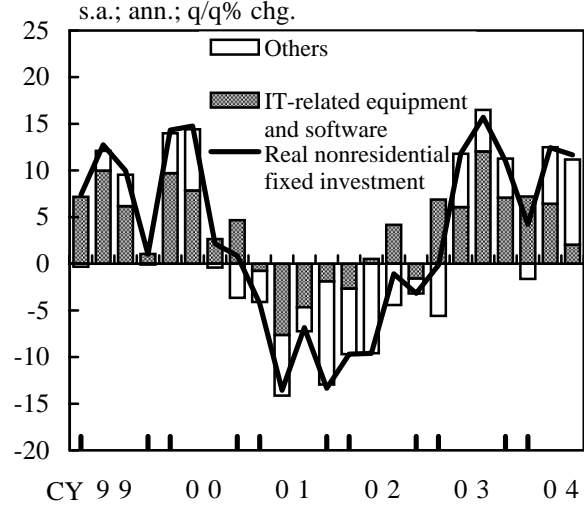
2. Quarterly data of East Asia are percent changes from a year earlier.

Environment for Exports (2)

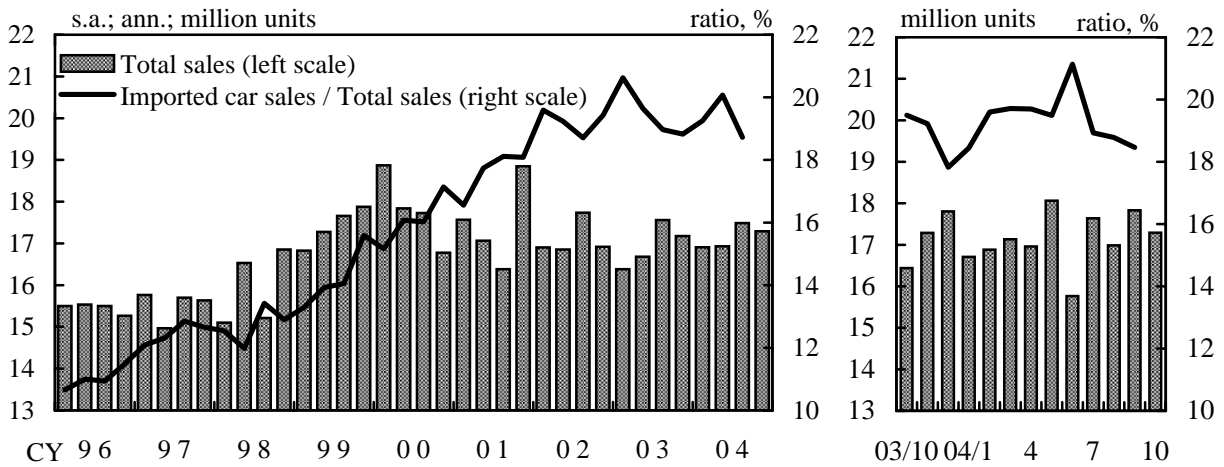
(1) U.S. Real GDP (breakdown by final demands and inventories)



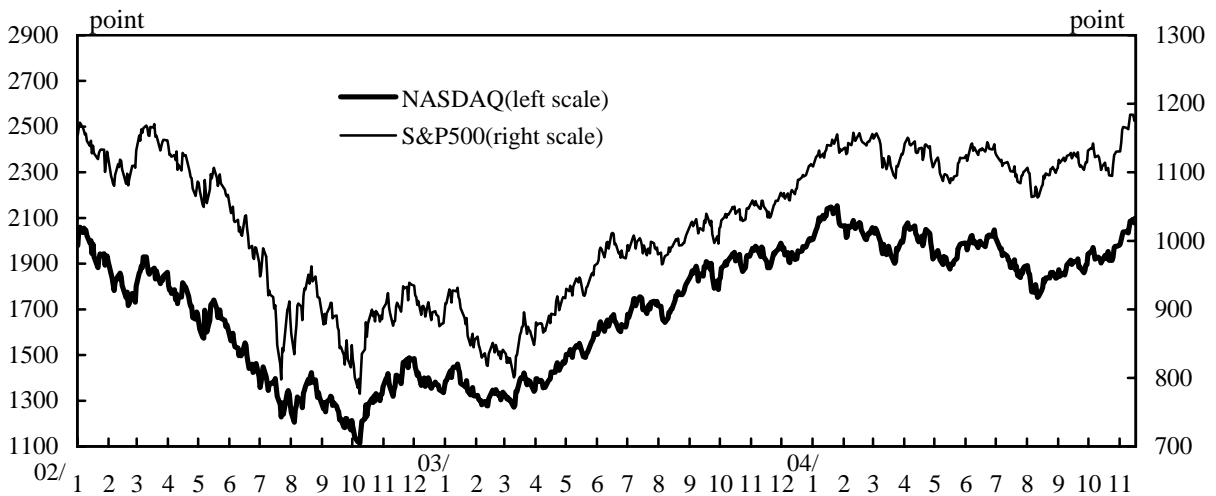
(2) U.S. Real Nonresidential Fixed Investment



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



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

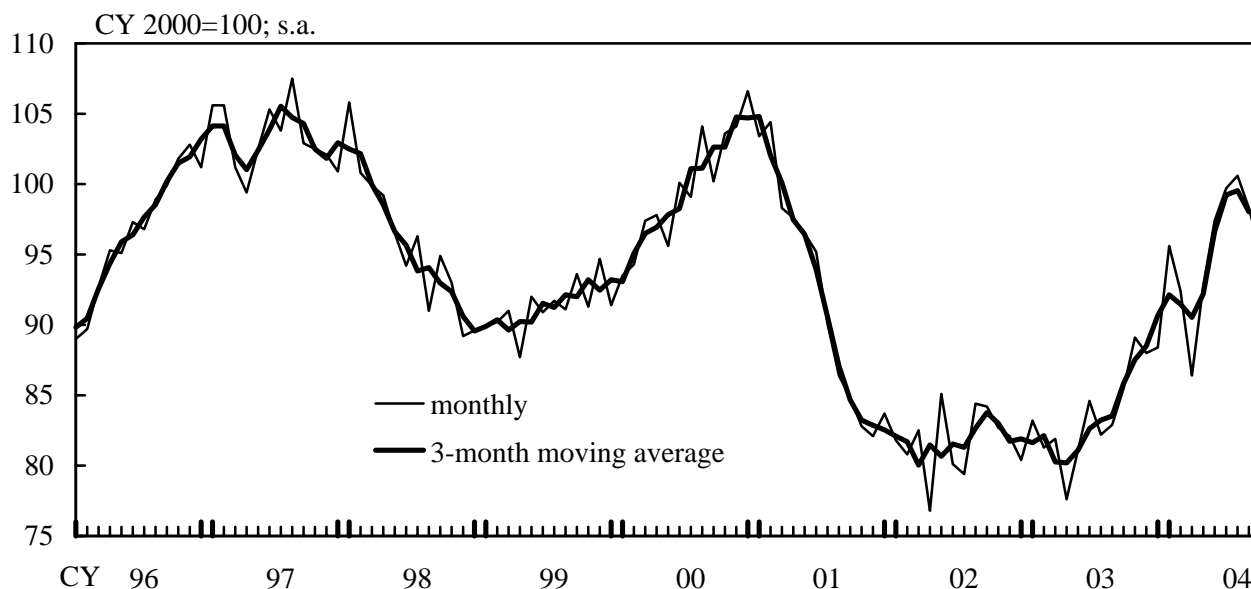


- Notes: 1. "Total sales" of automobile in 2004/Q4 is based on one month sales in October in (3). October Automobile Sales is calculated by adding CY 2003 sales of heavy trucks (0.33mil.) to preliminary figure released by an industry association (s.a., ann., 16.96 mil.) which does not include heavy trucks.
2. Figures of U.S. stock prices in (4) are up to November 17.

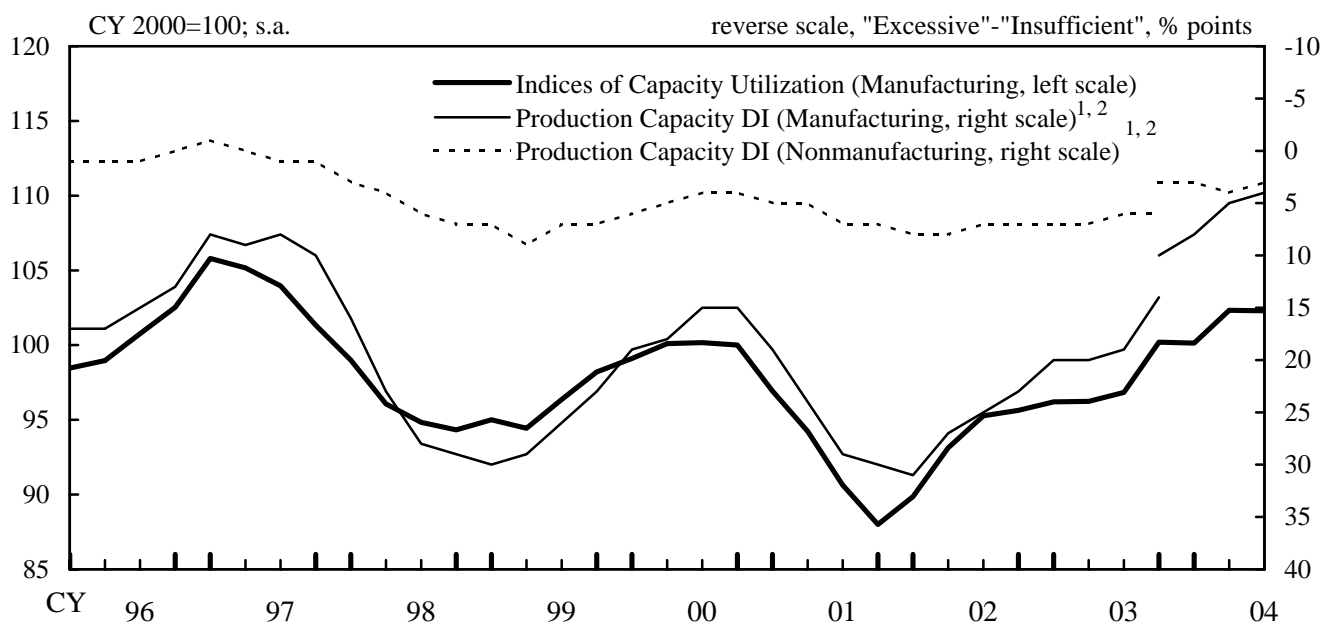
Sources: U.S. Department of Commerce, "National Income and Product Accounts," "Sales, production, imports, exports, and inventories, in units"; Reuters News Service; Bloomberg.

Indicators for Business Fixed Investment (1)

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



(2) Indices of Capacity Utilization and Production Capacity DI



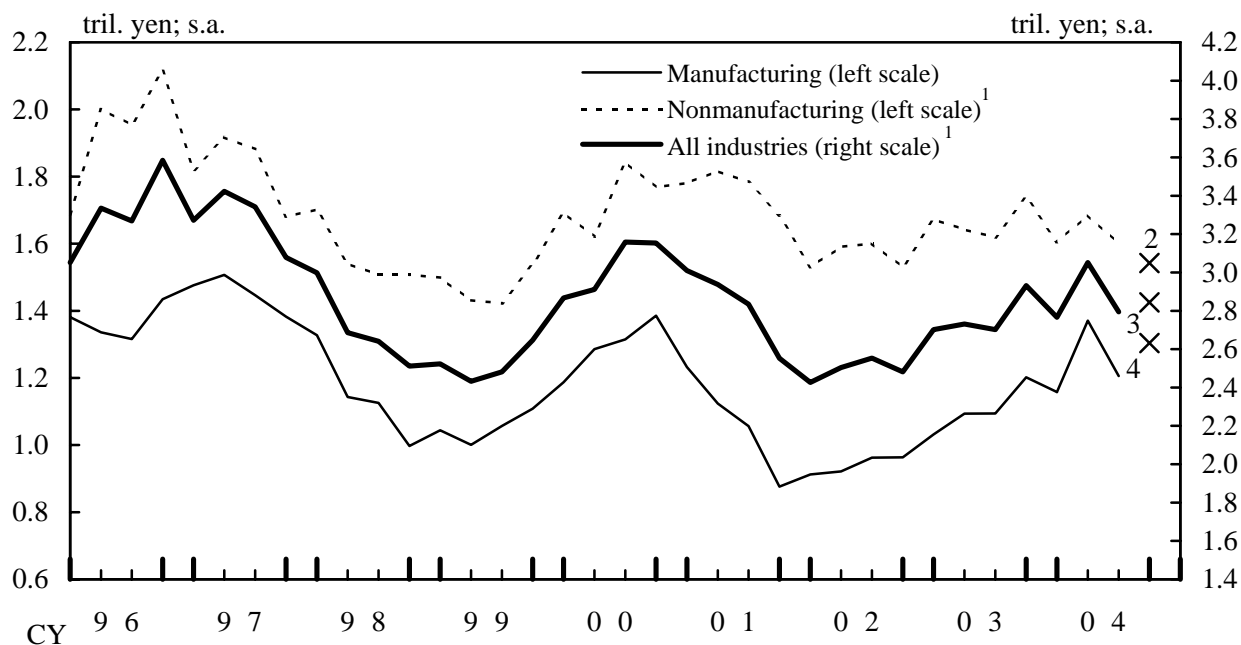
Notes: 1. Production Capacity DIs are those of all enterprises.

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

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

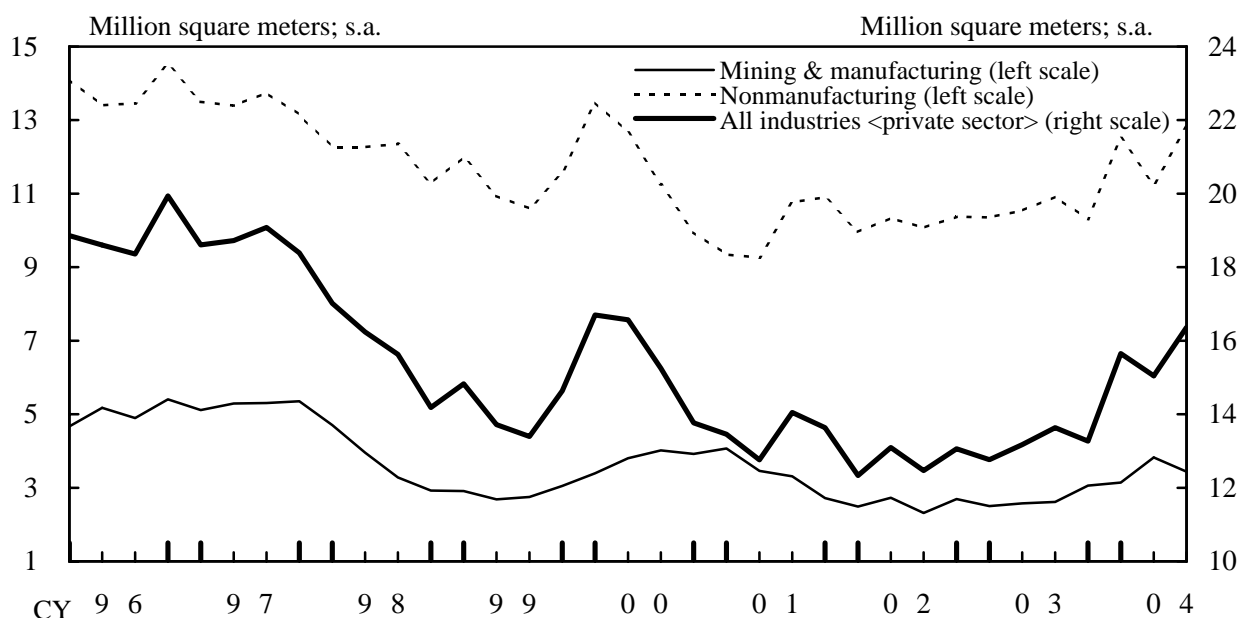
Indicators for Business Fixed Investment (2)

(1) Machinery Orders



- Notes: 1. Excludes orders of shipbuilding and orders from electric power companies.
 2. Forecast of nonmanufacturing industries for 2004/Q4.
 3. Forecast of all industries for 2004/Q4.
 4. Forecast of manufacturing industries for 2004/Q4.

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

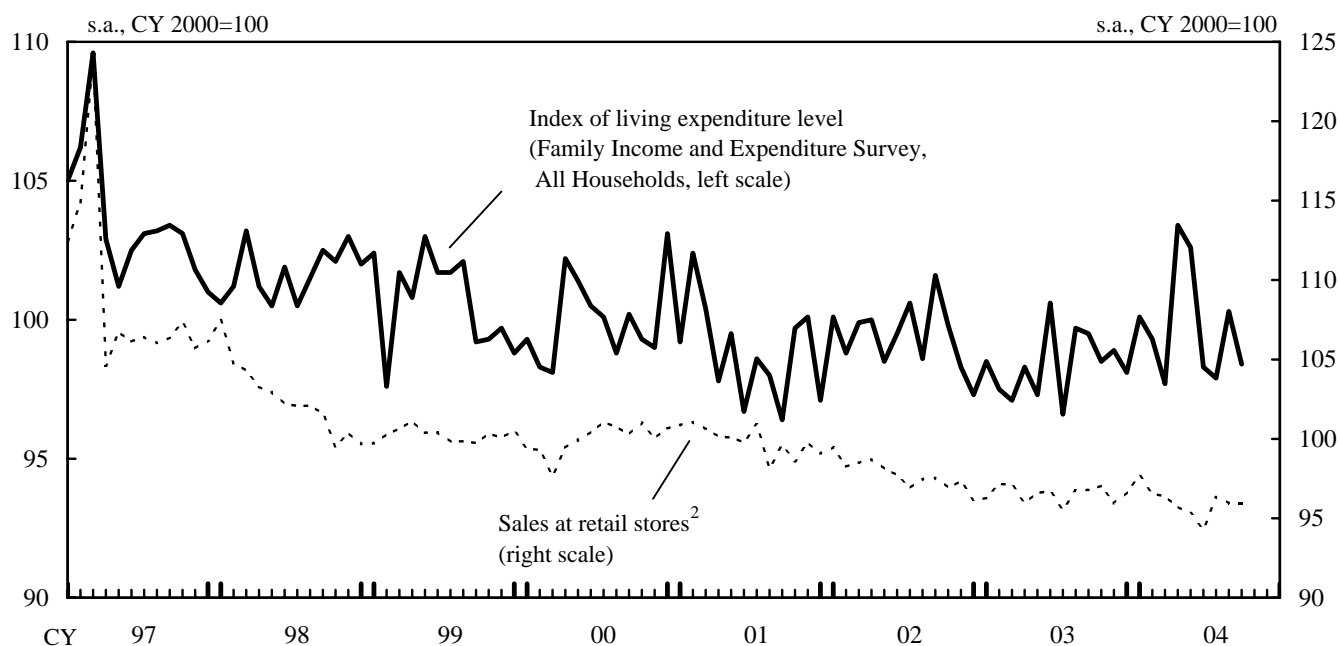


- Notes: 1. Seasonally adjusted by X-12-ARIMA.
 2. Because the Standard Industrial Classification for Japan was revised in March 2002, the industry classification for Newspaper Publishing and Publishing Business was changed from Mining and Manufacturing to Nonmanufacturing. Accordingly, the data up to fiscal year 2002 were adjusted by using a link coefficient.

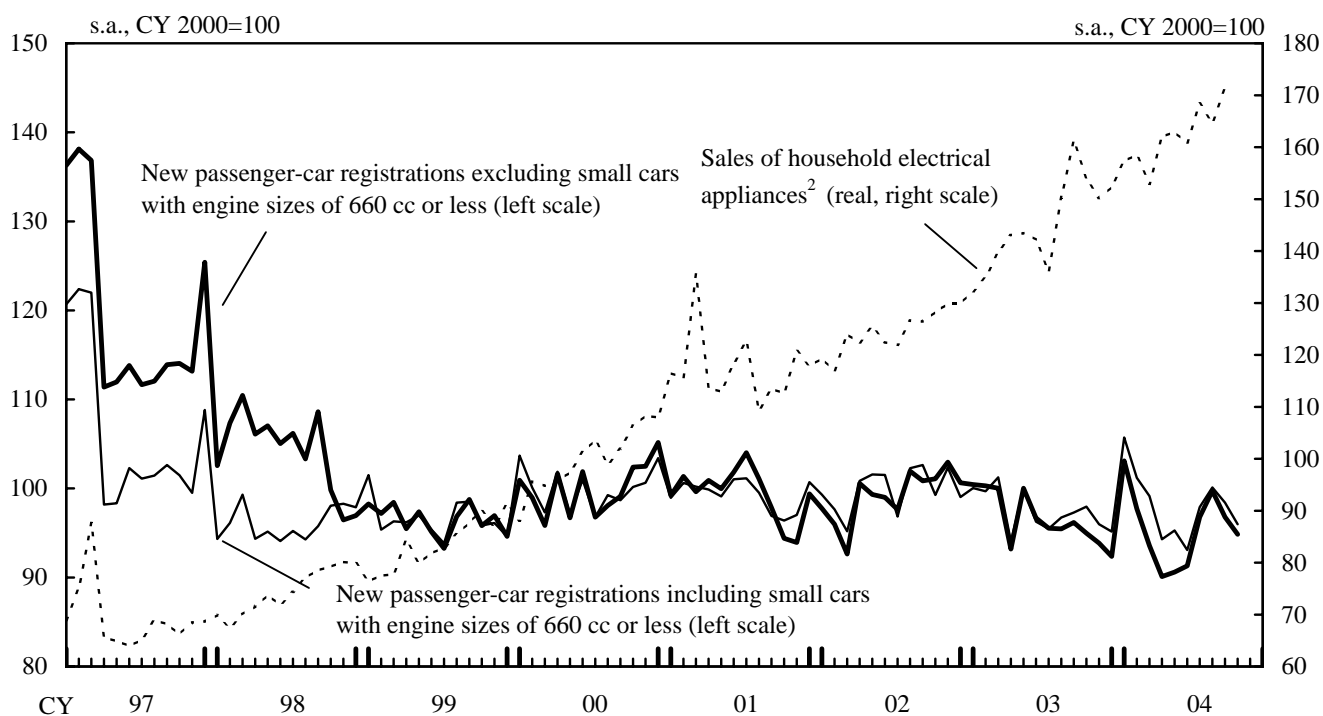
Sources: Cabinet Office, "Machinery Orders Statistics";
 Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts."

Indicators for Private Consumption¹ (1)

(1) Household Spending (real)



(2) Sales of Durable Goods



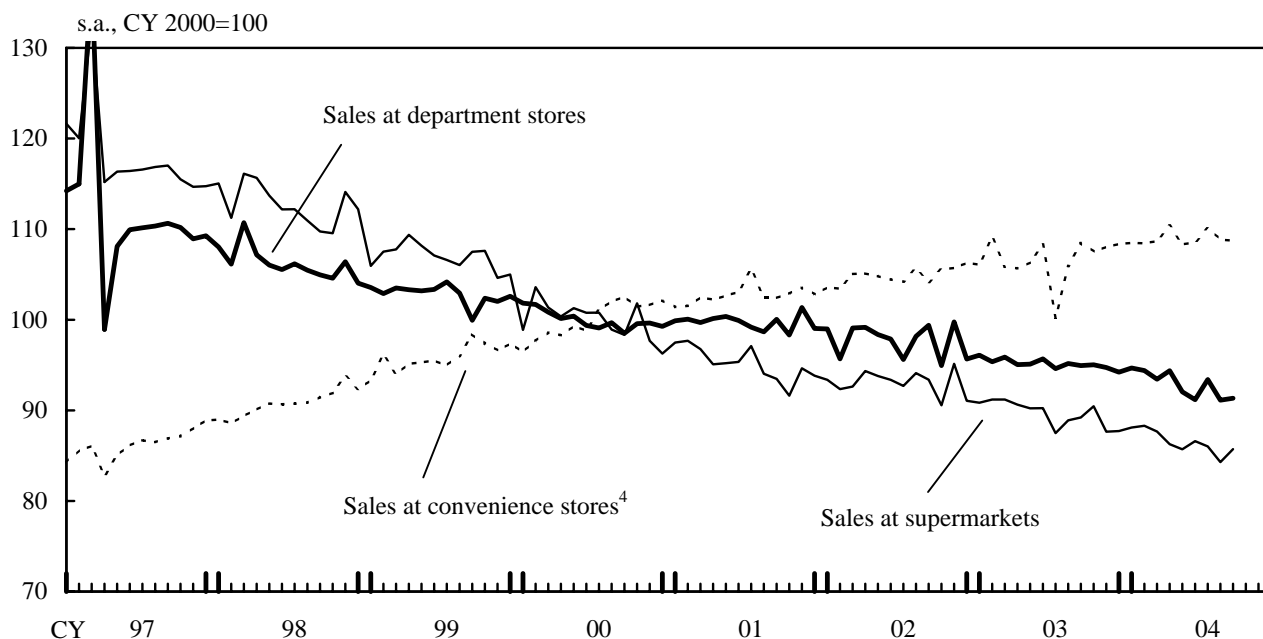
Notes: 1. Seasonally adjusted by X-12-ARIMA. Index of living expenditure level is seasonally adjusted by the Ministry of Internal Affairs and Communications.

2. Sales at retail stores are deflated by the consumer price index for goods (excluding electricity, gas & water charges). Sales of household electrical appliances are the sum of their components deflated by the consumer price index (or the wholesale price index for personal computers before 1999).

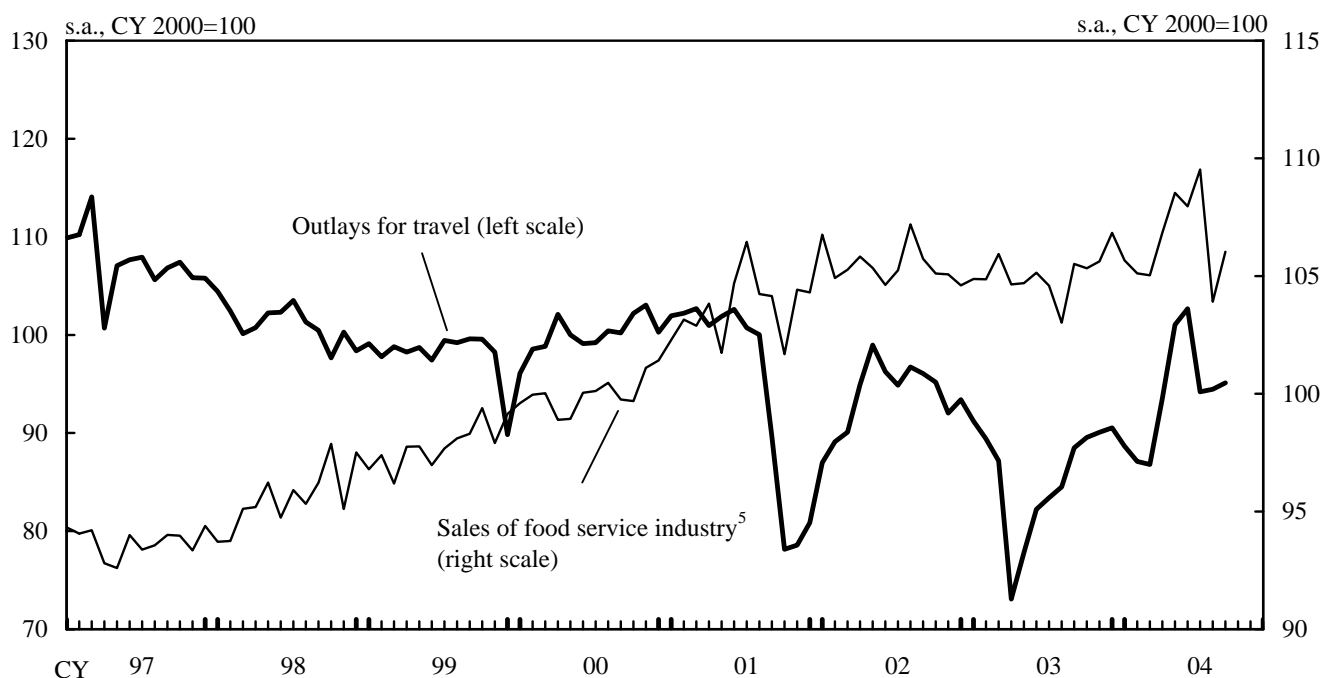
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index," "Monthly Report on the Family Income and Expenditure Survey";
Ministry of Economy, Trade and Industry, "Current Survey of Commerce";
Japan Automobile Dealers Association, "Domestic Sales of Automobiles";
Japan Mini Vehicles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

Indicators for Private Consumption^{1, 2} (2)

(3) Sales at Retail Stores (nominal)³



(4) Consumption of Services (nominal)



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

2. Adjusted to exclude the effect of the rise in the consumption tax rate.

3. Adjusted to exclude the effect of the increase in the number of stores (except convenience stores).

4. Sales at convenience stores until March 1997 are based on the survey conducted by the Bank of Japan. From April 1997 they are based on the data published by the Ministry of Economy, Trade and Industry.

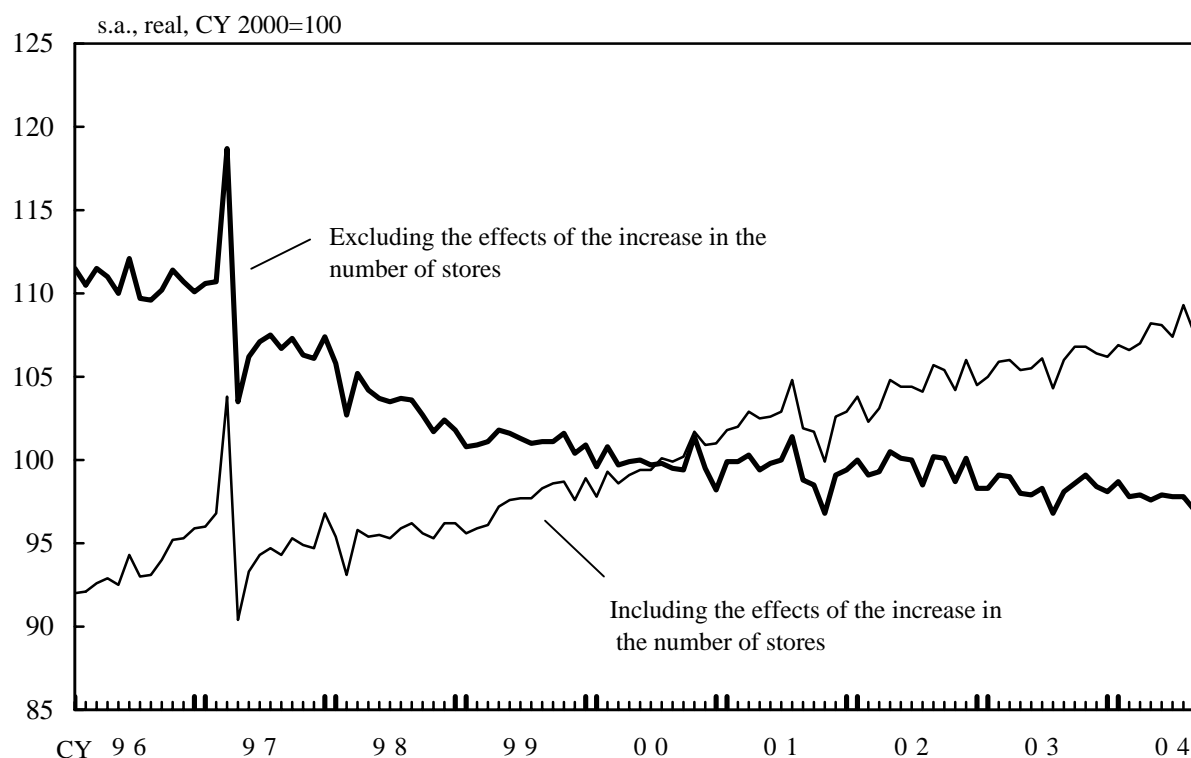
5. Sales of food service industry are calculated using the year to year change rates of every month released by the Japan Food Service Association based on monthly sales amounts in 1993 released by the Food Service Industry Survey & Research Center.

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

Ministry of Land, Infrastructure and Transport, "Major Travel Agents' Revenue";

Food Service Industry Survey & Research Center, "Getsuji Uriage Doukou Chousa (Monthly Survey of Food Service Sales)"; Japan Food Service Association, "Gaishoku Sangyou Shijou Doukou Chousa (The Research of Food Service Industry)."

Indicators for Private Consumption (3) - Indices of aggregated sales

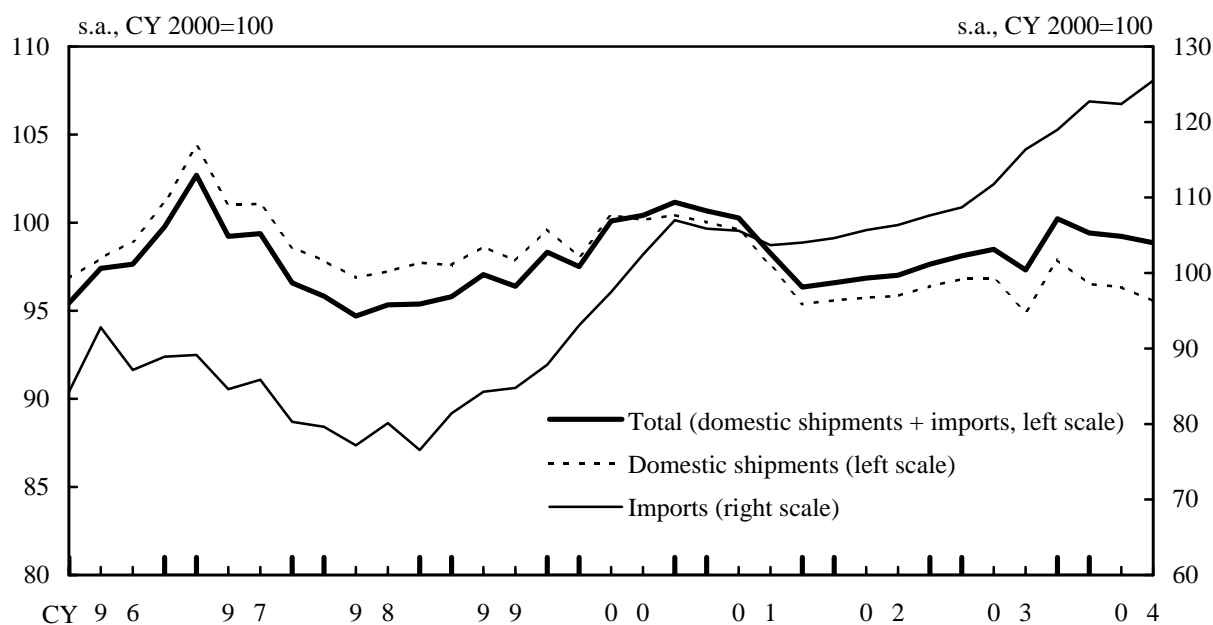


- Notes: 1. Indices of aggregated sales are the weighted sum of *Sales at department stores and supermarkets*; *New passenger-car registrations*; *Sales of household electrical appliances*; *Outlays for travel*; and *Sales of food service industry*, where the weights come from household expenditure in the *Family Income and Expenditure Survey*. These indices of aggregated sales consist of the series including and excluding the effects of the increase in the number of stores. Indices "including the effects of the increase in the number of stores" reflect the fluctuations in sales due to changes in the number of stores caused by the opening and closing down of businesses. (Indices "including the effects of the increase in the number of stores" include sales at convenience stores.) On the other hand, those "excluding the effects of the increase in the number of stores" aim to capture consumption trends only from stores of which sales data can be obtained continuously.
2. Sales indicators in nominal terms are deflated by the corresponding items of the price indices.
3. Seasonally adjusted by X-12-ARIMA.

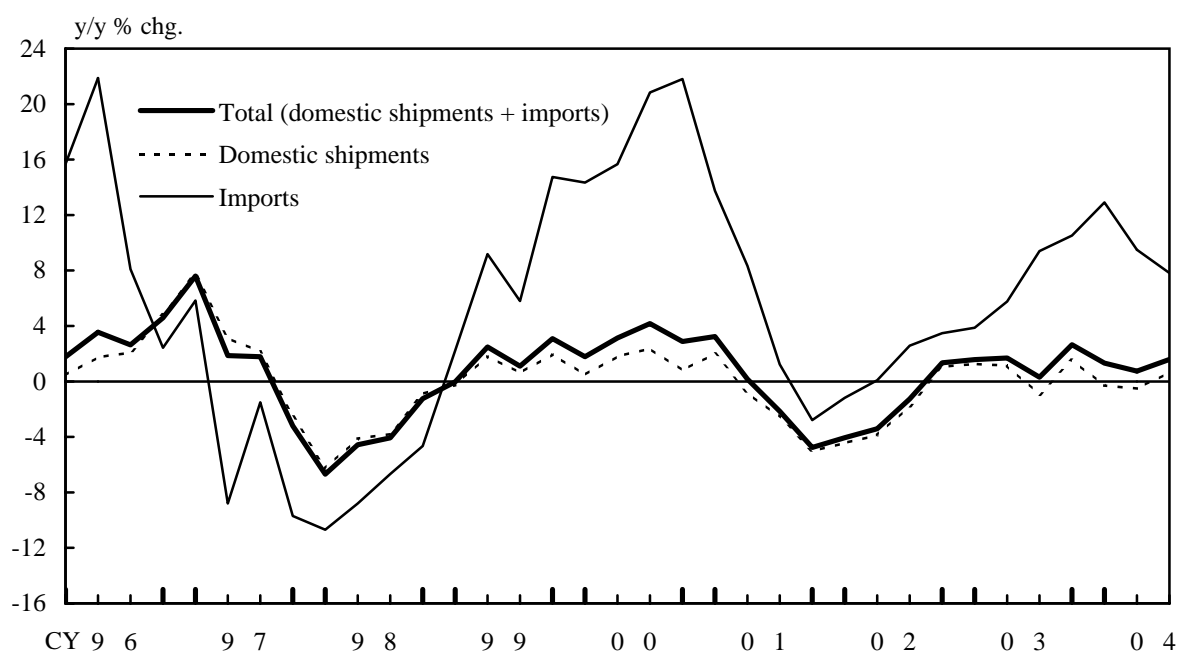
Source: Bank of Japan, "Indices of Aggregated Sales."

Indicators for Private Consumption (4) - Aggregate supply of consumer goods

(1) Level



(2) Changes from a year earlier



Notes: 1. Aggregate supply of consumer goods is calculated by the Bank of Japan using shipments of consumer goods in *Indices of Industrial Production* and real exports and imports of consumer goods. The weights used for calculation are those of *Indices of Industrial Domestic Shipments and Imports*.

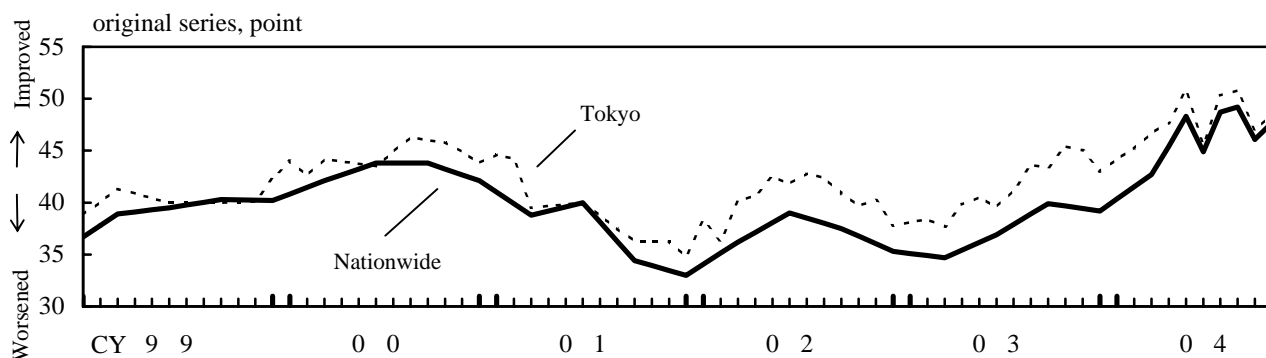
2. Figures of "Imports" are calculated from real imports of consumer goods. Real imports (consumer goods) are composed of motor vehicles, audio and visual apparatus, office machinery, foodstuffs and textiles.

3. Year-on-year changes 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."

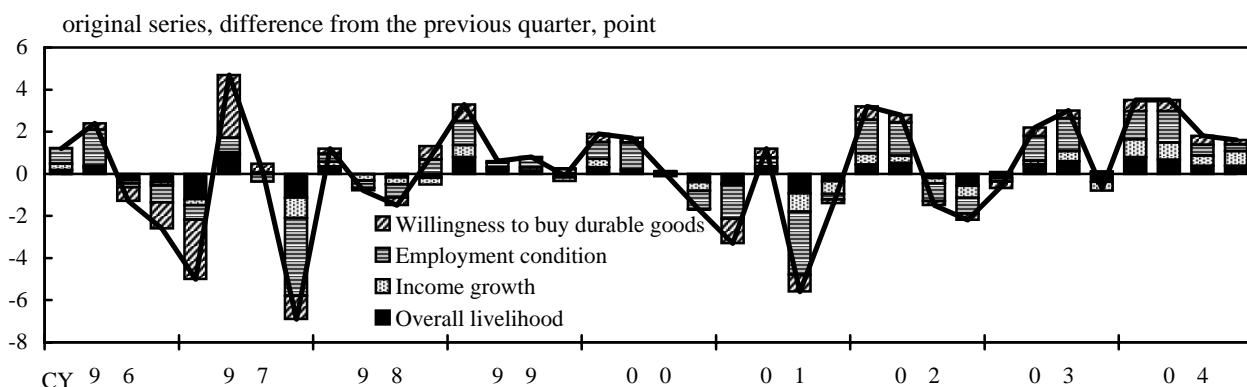
Consumer Confidence

(1) Consumer Confidence Index (Monthly)



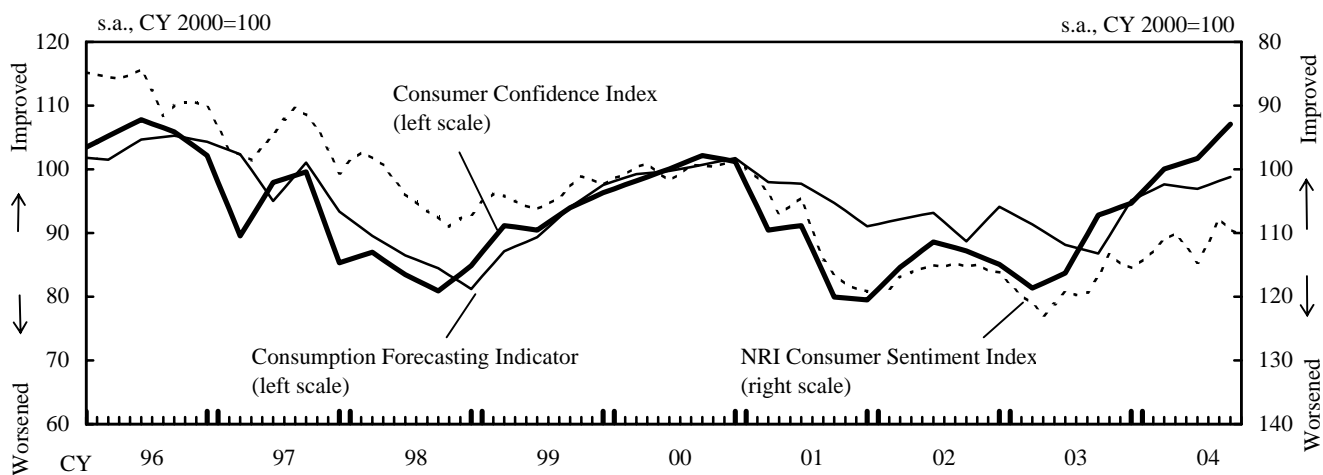
Note: Prior to 2001, figures of "Monthly Consumer Confidence Index of Tokyo" when the survey was not conducted have been supplemented with linear interpolation. Figures of "Monthly Consumer Confidence Index (Nationwide)" have also been plotted at the surveyed months and supplemented with linear interpolation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

(2) Contribution of Each Item in the Consumer Confidence Index



Note : Data for 2004/Q4 figures are those of October in terms of quarterly amount.

(3) Surveys on Consumer Confidence

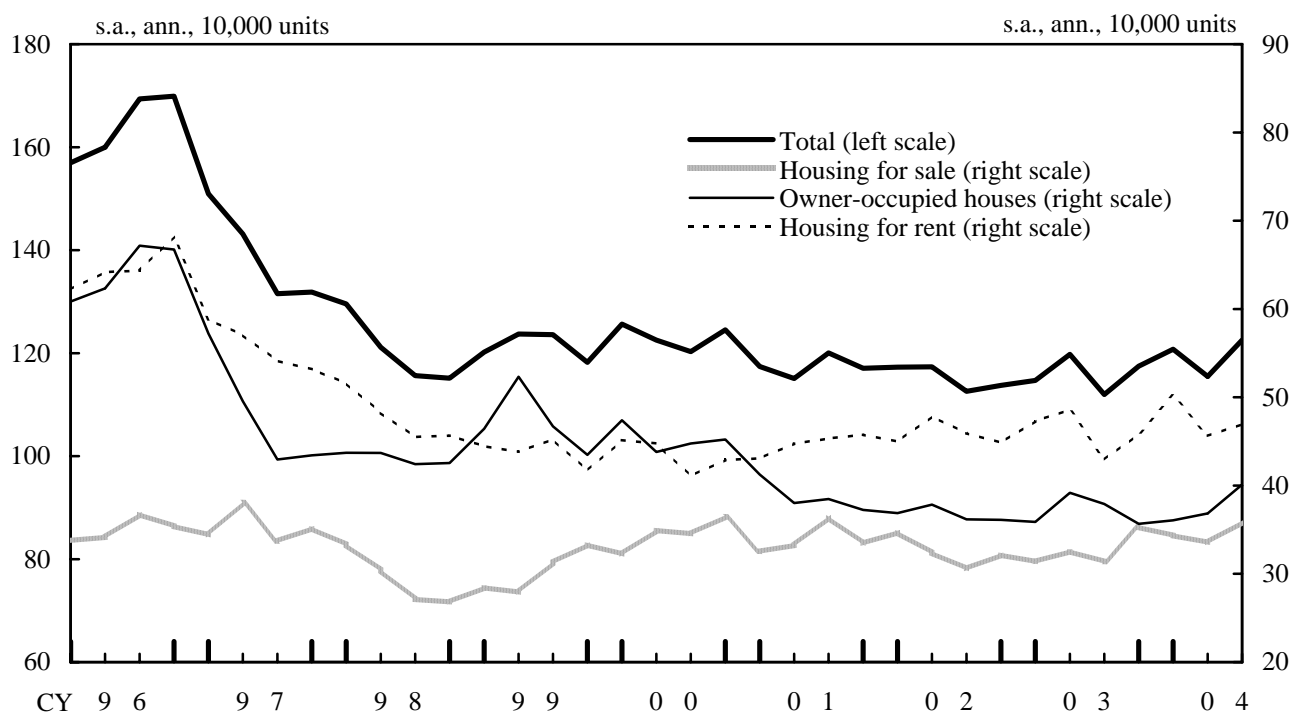


- Notes:
1. Seasonally adjusted by X-11. "Consumer Confidence Index" is seasonally adjusted by the Cabinet Office.
 2. Consumer Confidence Index (with 5,040 samples in a nationwide basis), Consumption Forecasting Indicator (with 1,500 samples in metropolitan area), and NRI Consumer Sentiment Index (with 2,200 samples in a nationwide basis) are based on surveys on consumer confidence.
 3. Data are plotted at the months of each survey.
 4. "Consumer Confidence Index" is surveyed by the Cabinet Office, "Consumption Forecasting Indicator" by NIKKEI RIM, and "NRI Consumer Sentiment Index" by NRI.

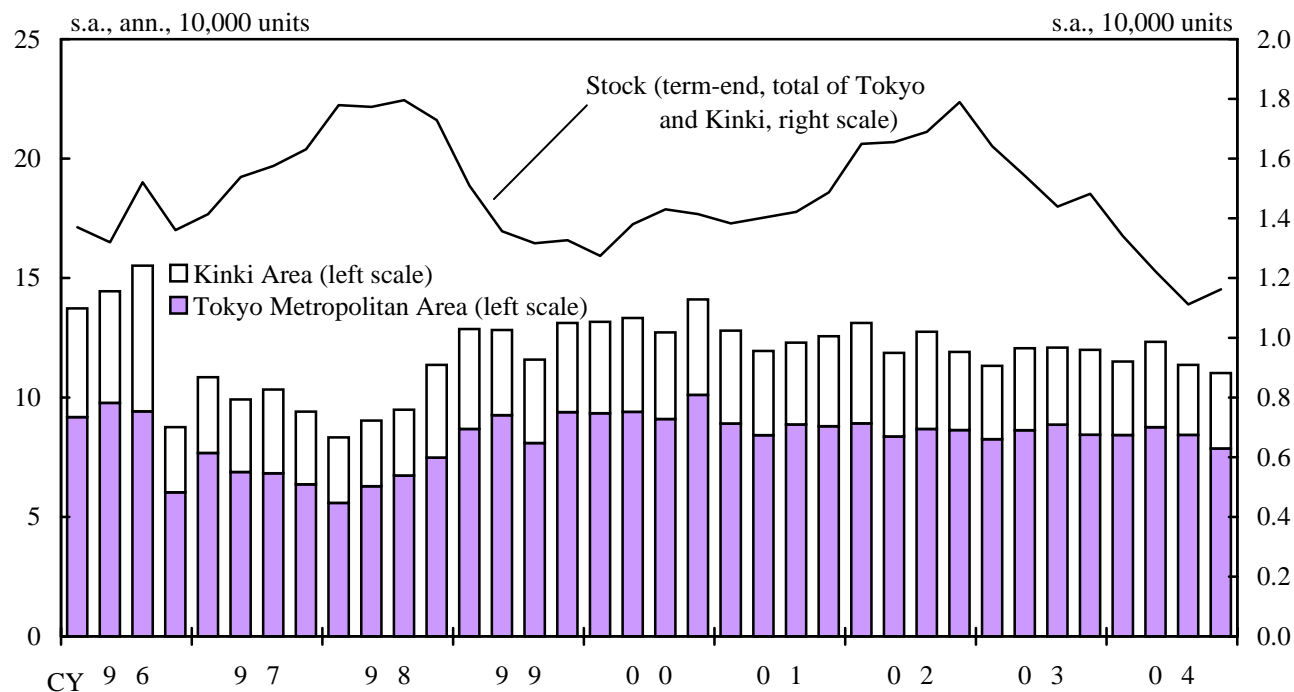
Sources: Cabinet Office, "Consumer Confidence Survey"; Nippon Research Institute (NRI), "Consumer Sentiment Survey"; Nikkei Research Institute of Industry and Markets (NIKKEI RIM), "Consumption Forecasting Indicator."

Indicators for Housing Investment

(1) Housing Starts



(2) Sales of Condominiums

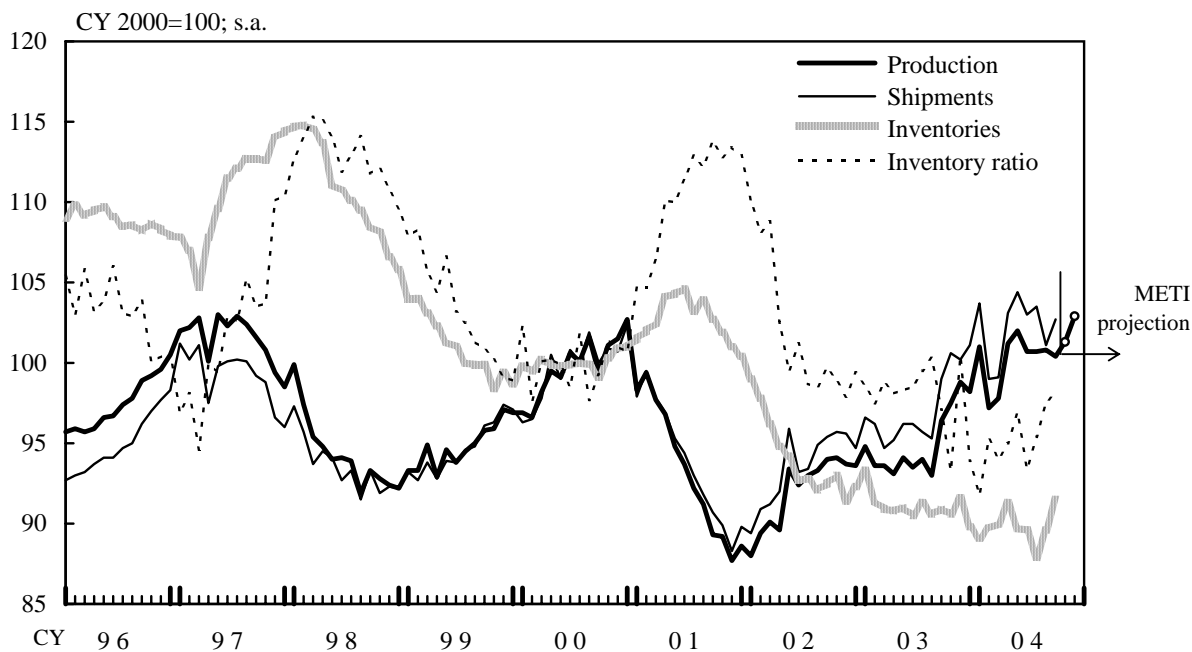


Notes: 1. Seasonally adjusted by X-12-ARIMA.
 2. Figures for 2004/Q4 are those of October.

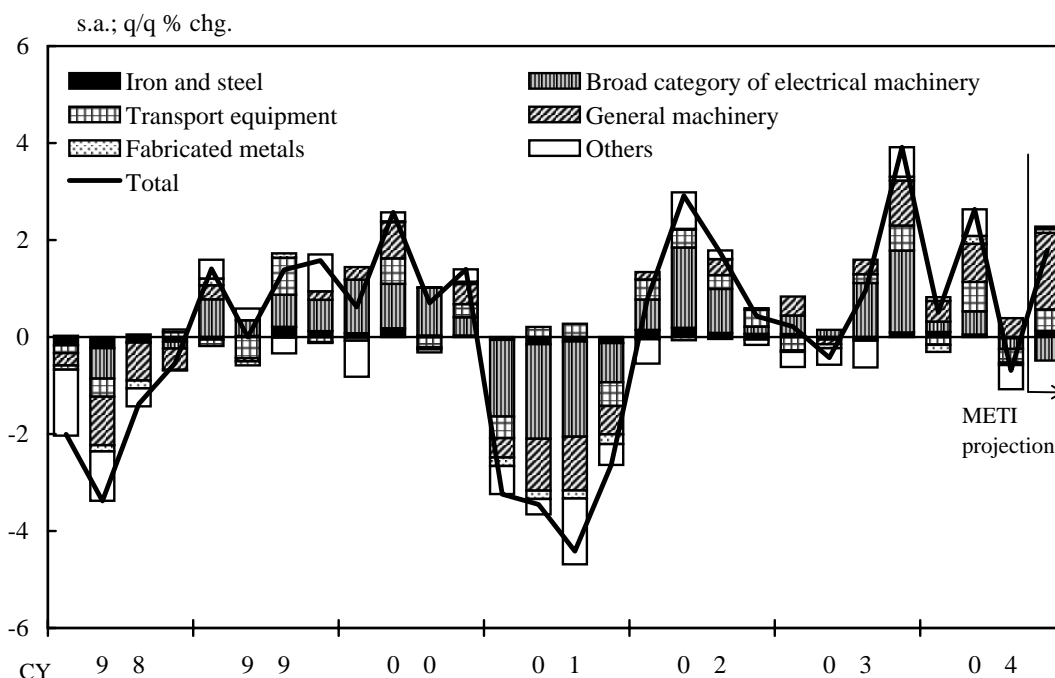
Sources: Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts," etc.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industries

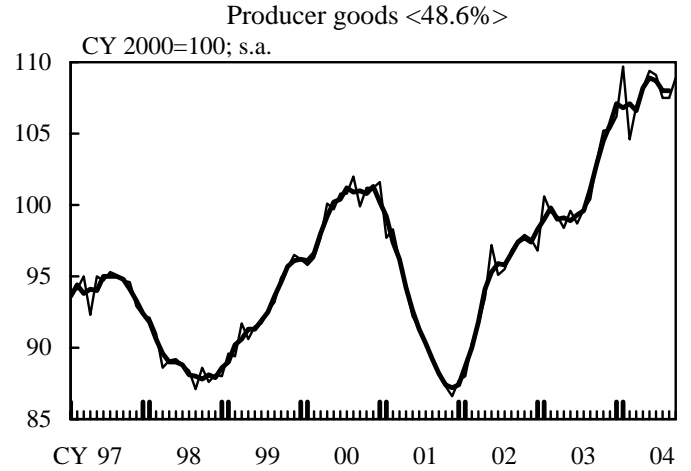
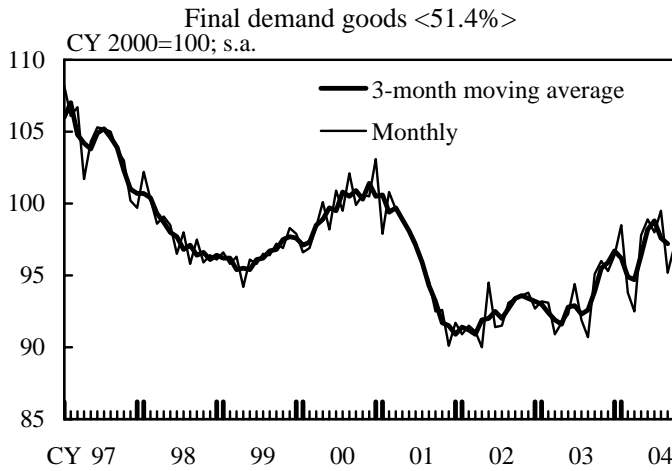


- Notes: 1. Transport equipment excludes ships and rolling stock.
 "Broad category of electrical machinery" is the weighted sum of "electrical machinery", "information and communication electronics equipment" and "electronic parts and devices."
 2. 2004/Q4 figures are based on the assumption that production level in Dec. is the same as that of Nov.

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

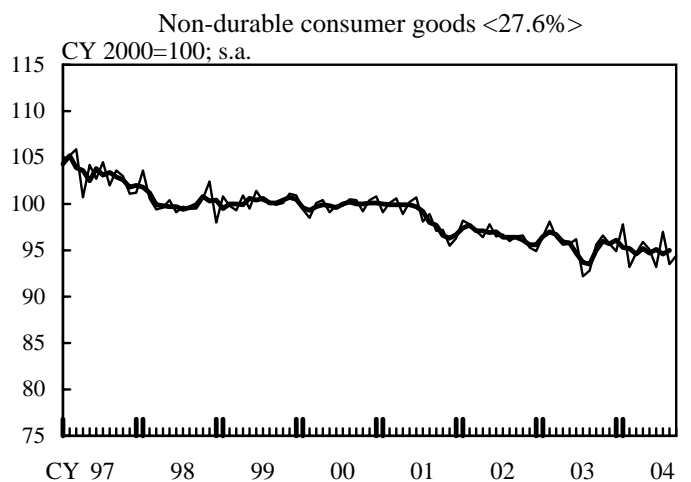
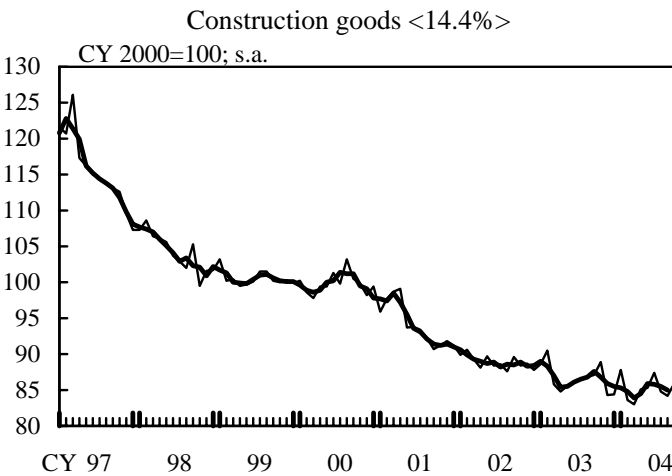
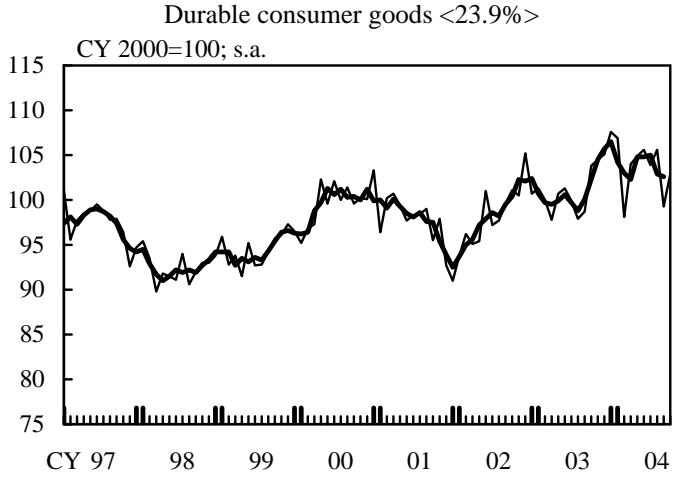
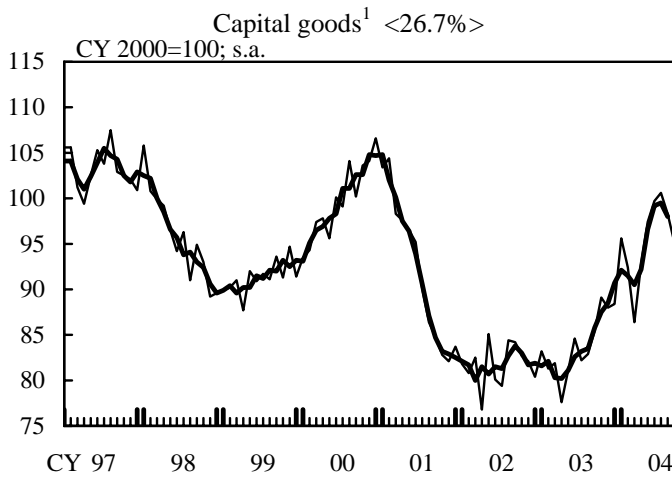
Shipments breakdown by type of goods

(1) Final demand goods and Producer goods



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

(2) Breakdown of final demand goods

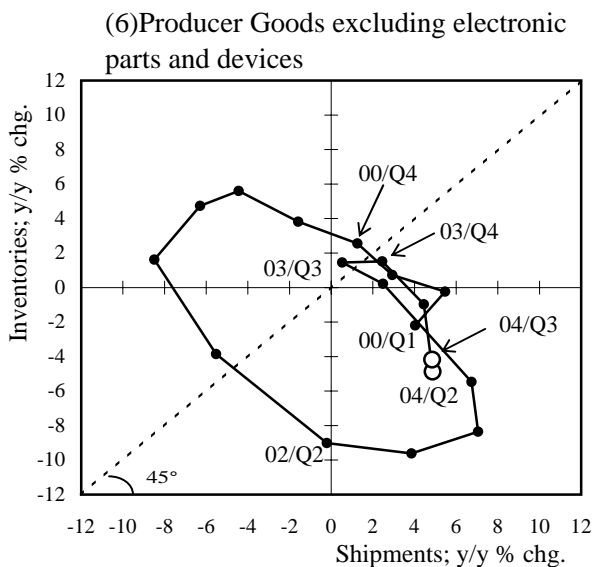
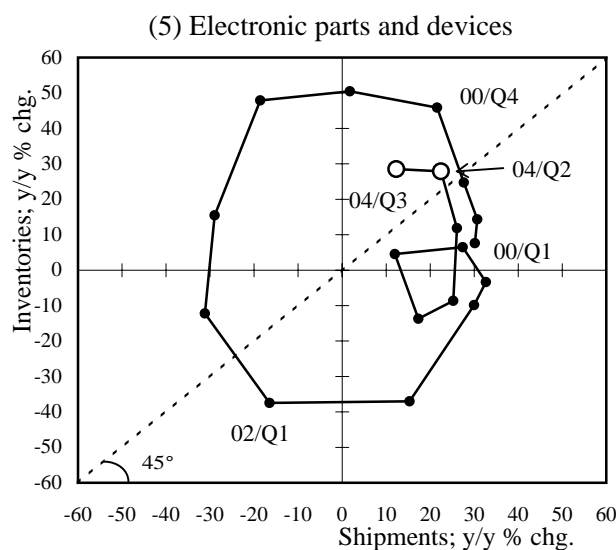
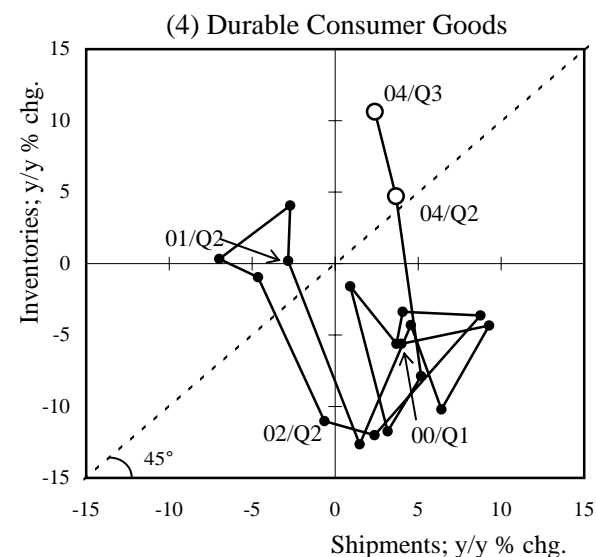
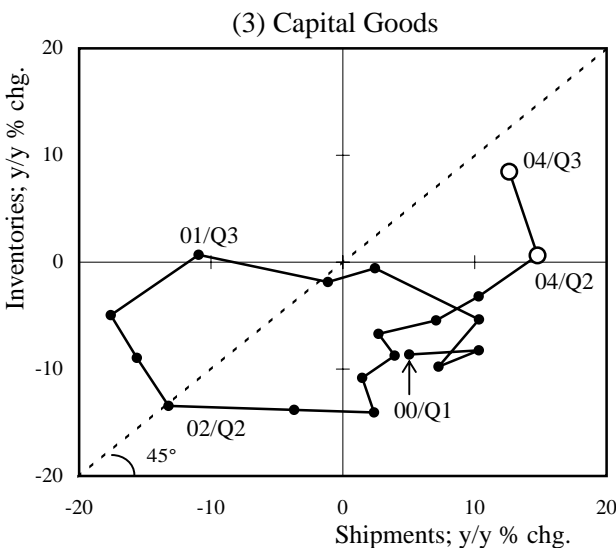
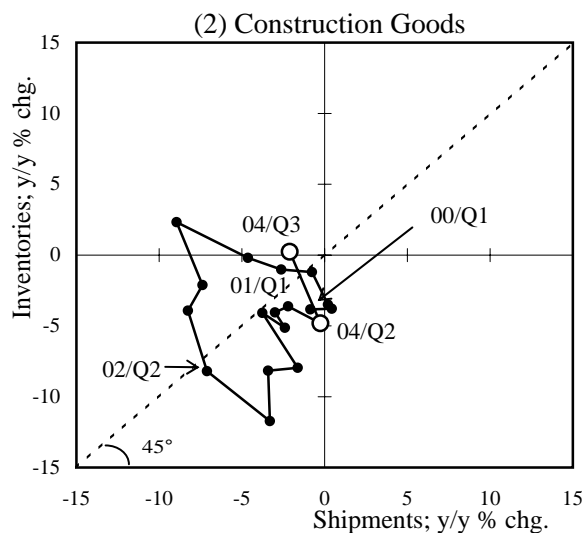
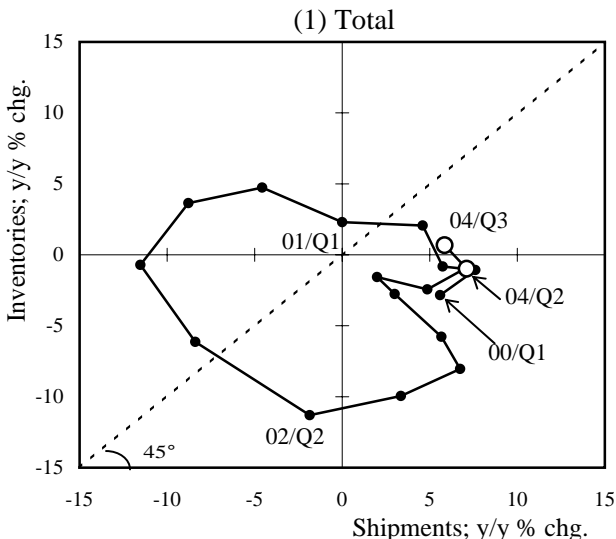


Notes: 1. Excluding transportation equipment.

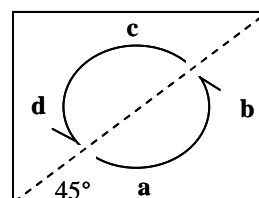
2. Shares of shipments of final demand goods are shown in angle brackets.

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

Inventory Cycle

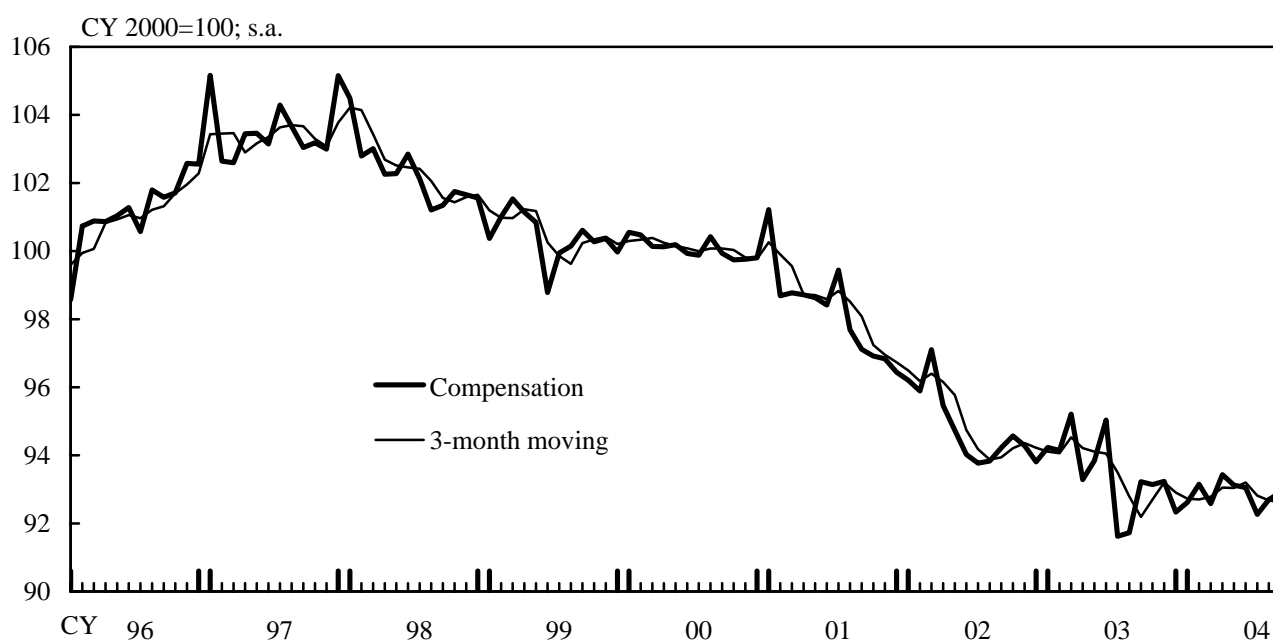


- a Shipment recovery phase
- b Intended inventory accumulation phase
- c Unintended inventory accumulation phase
- d Inventory adjustment phase



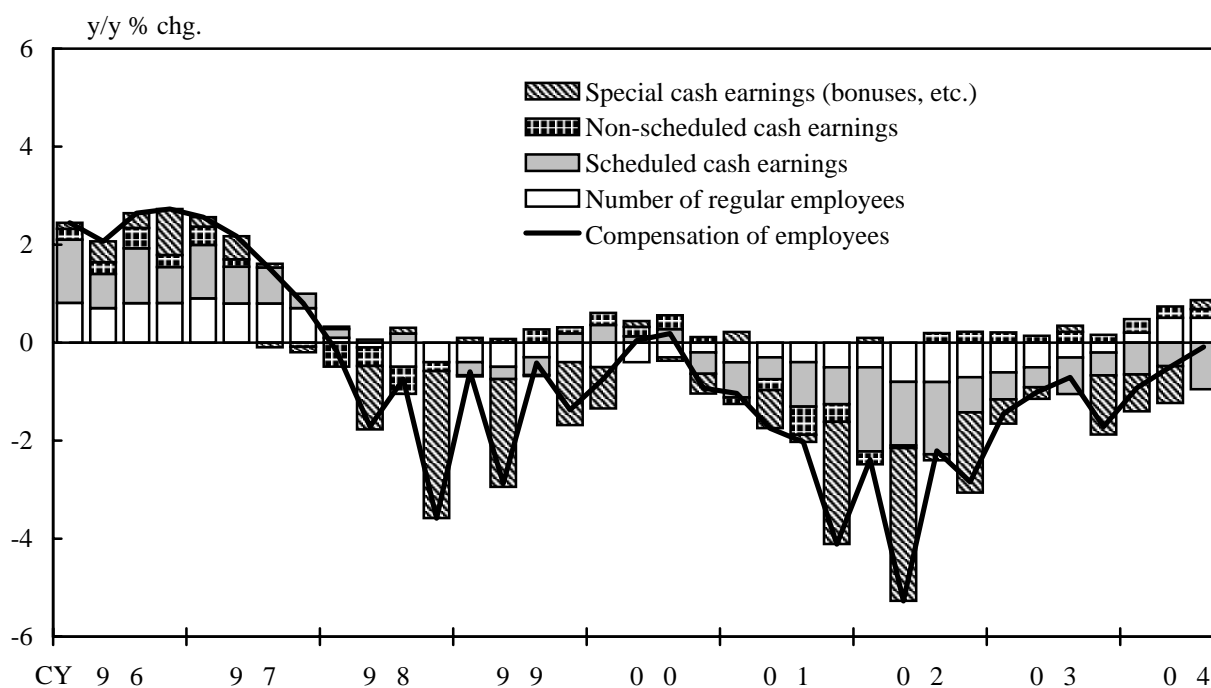
Compensation of Employees

(1) Compensation



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

(2) Breakdown of Compensation

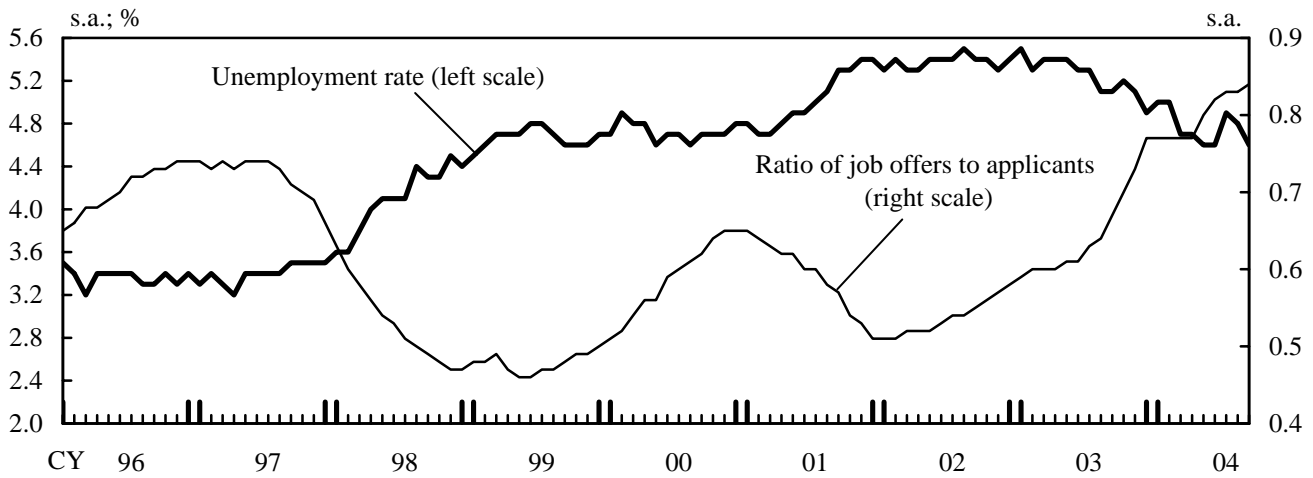


- Notes: 1. Data are for establishments with at least 5 employees.
2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.
3. Figures for 2004/Q3 are those of September.

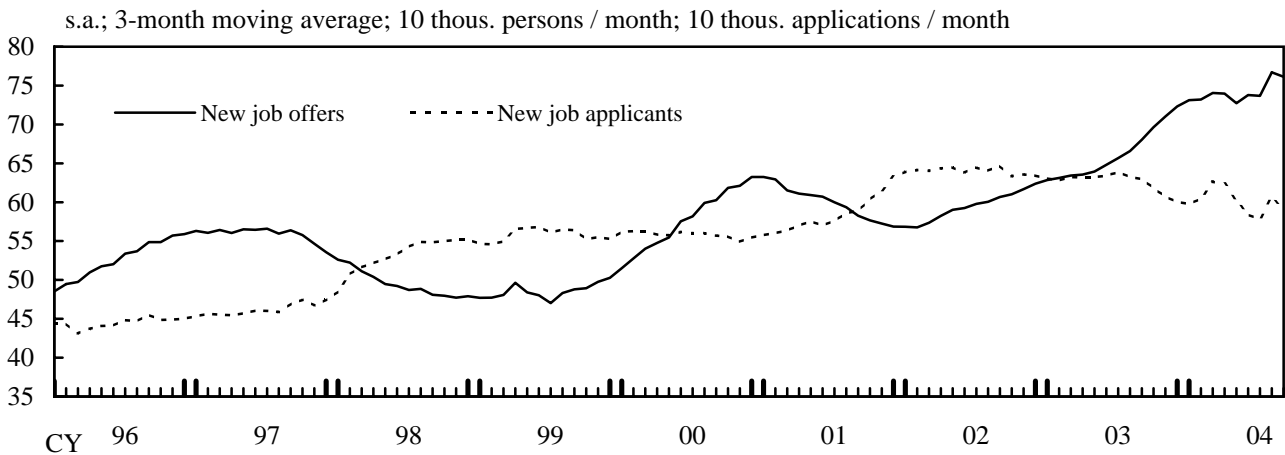
Source: Ministry of Health, Labour and Welfare, "Monthly Labour Survey."

Labor Market (1)

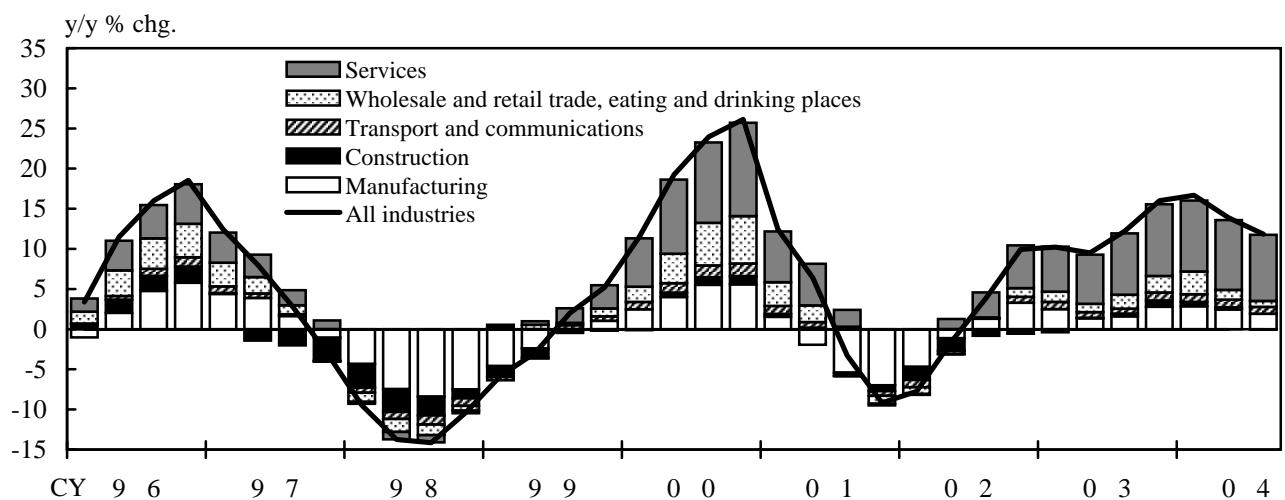
(1) Unemployment Rate and Ratio of Job Offers to Applicants



(2) New job offers and New job applicants¹



(3) Breakdown of New job offers¹

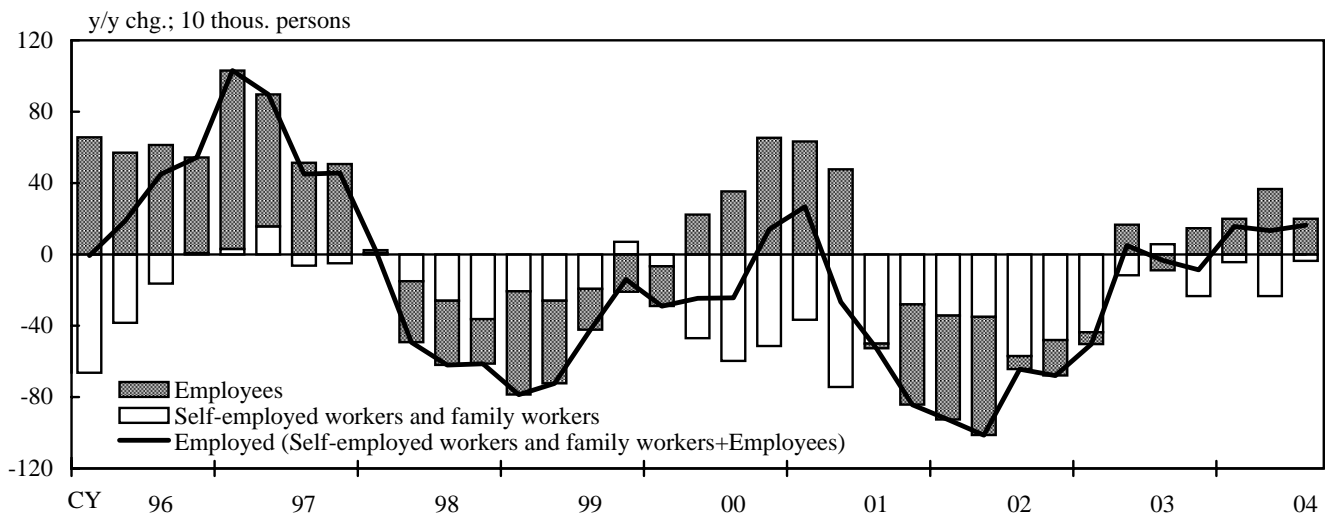


Note:1. Figures do not include jobs offered to new graduates, but include those offered to part-time workers.

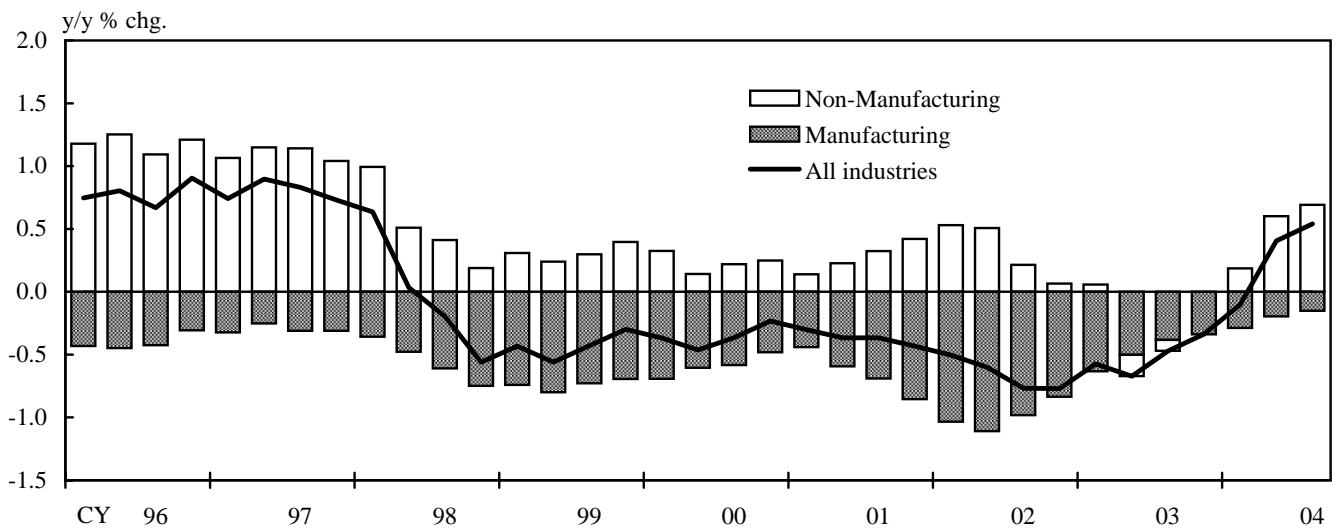
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service,"
Ministry of Internal Affairs and Communications, "Labour Force Survey."

Labor Market (2)

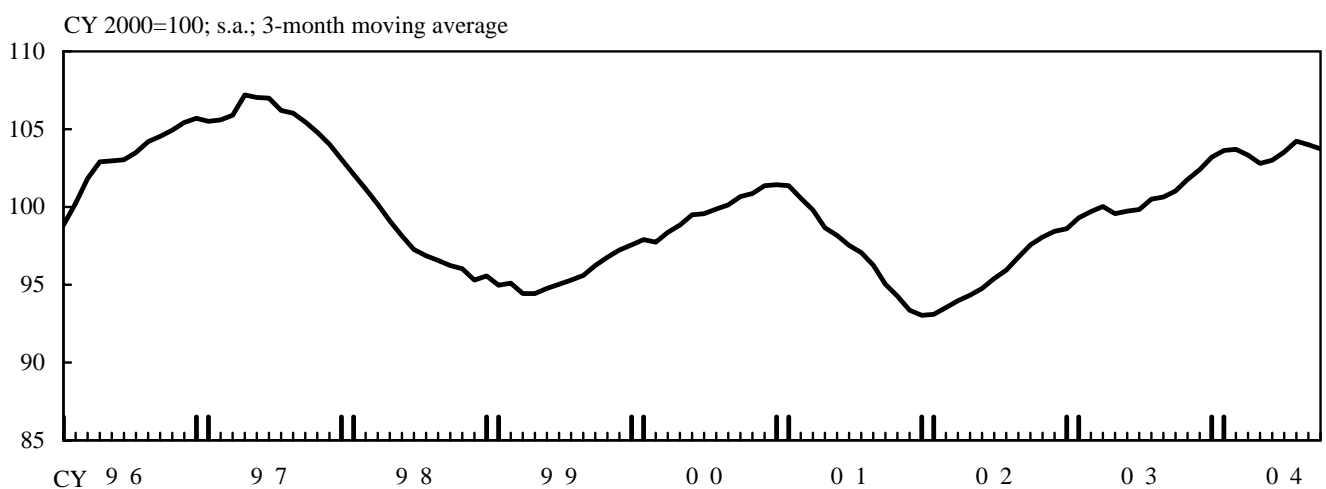
(1) The Employed (Labour Force Survey)



(2) Number of Regular Employees¹ (Monthly Labour Survey)



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

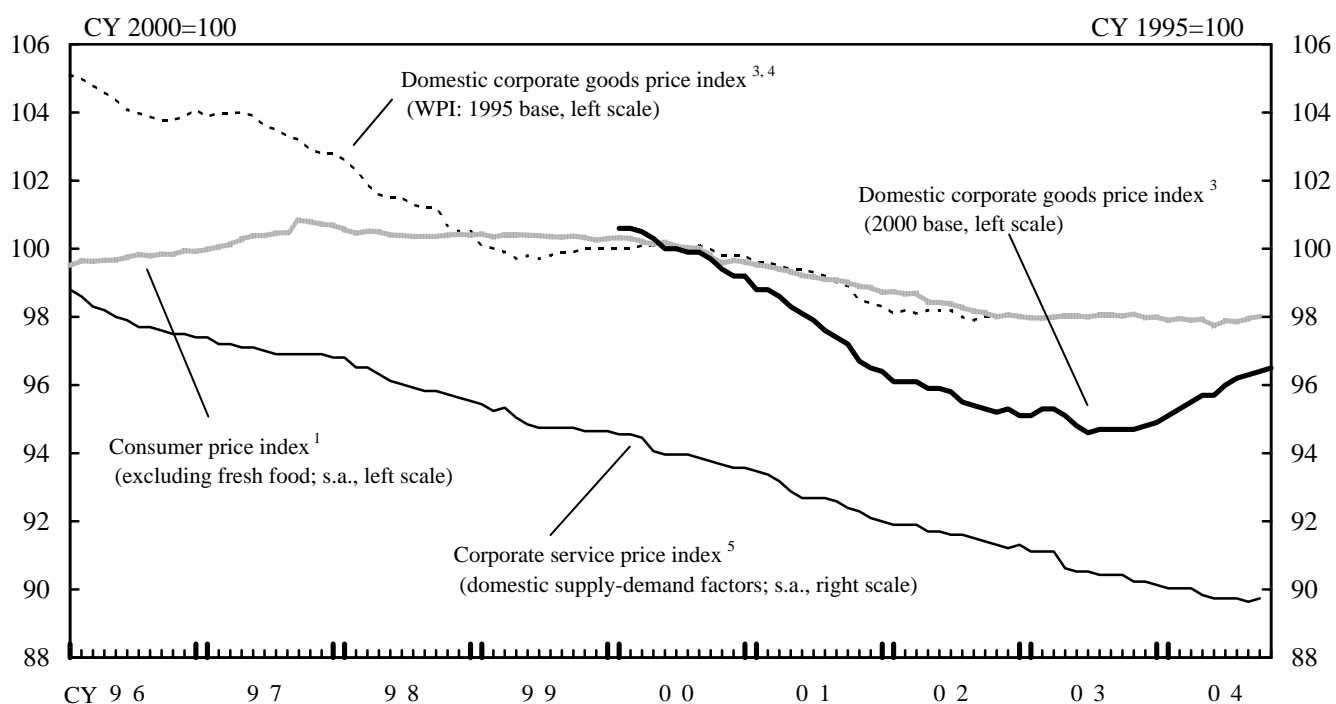


Note: 1. Data are for establishments with at least 5 employees.

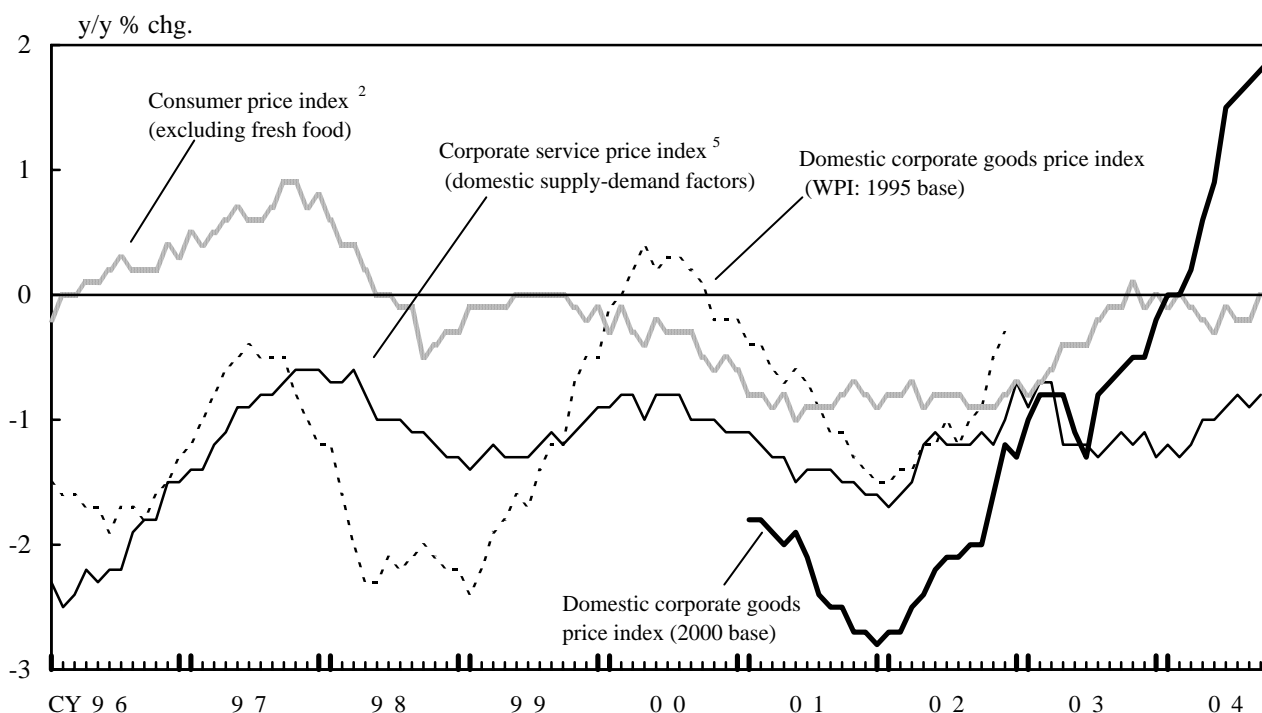
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
 Ministry of Internal Affairs and Communications, "Labour Force Survey."

Prices⁶

(1) Level



(2) Changes from a year earlier



Notes: 1. Seasonally adjusted by X-12-ARIMA, based on the original series excluding "package tours to overseas" newly adopted from the 2000 base. This is because sample size of this item is insufficient for seasonal adjustment, though it has large seasonal fluctuations.

2. Data up to Dec. 2000 are on the 1995 base CPI.

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

4. The 1995 base WPI shown in the level graph has been adjusted so that its 2000 average may equal 100.

5. See footnote 1 in Chart 22, for definition of the Corporate Service Price Index (domestic supply-demand factors).

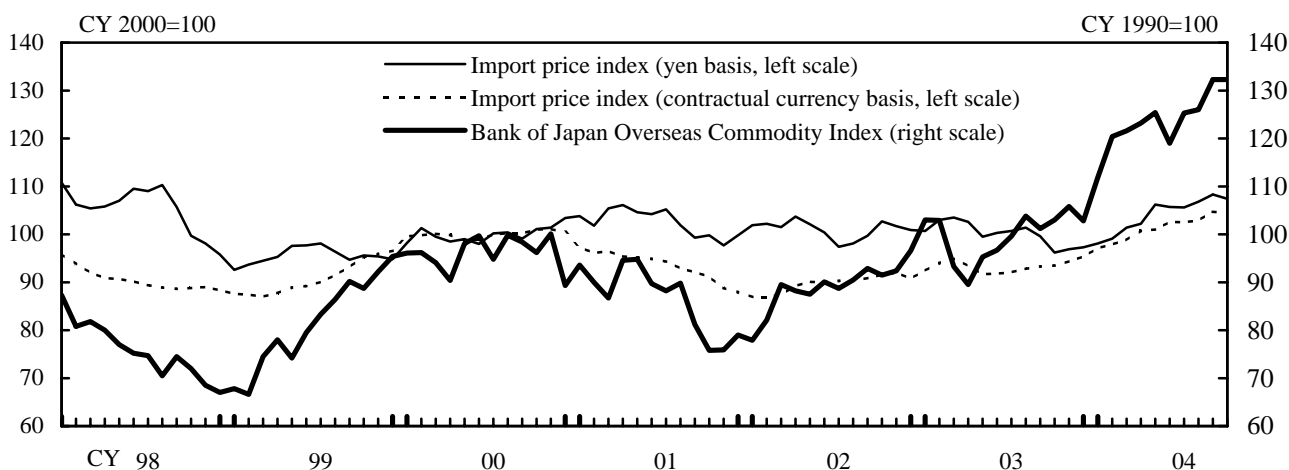
6. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

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

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

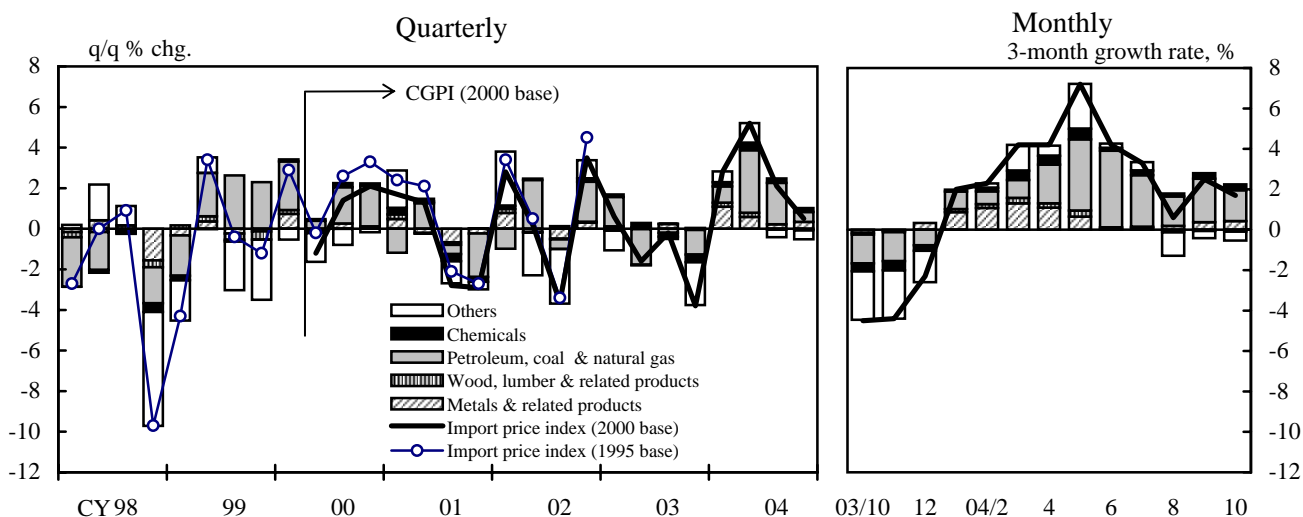
Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



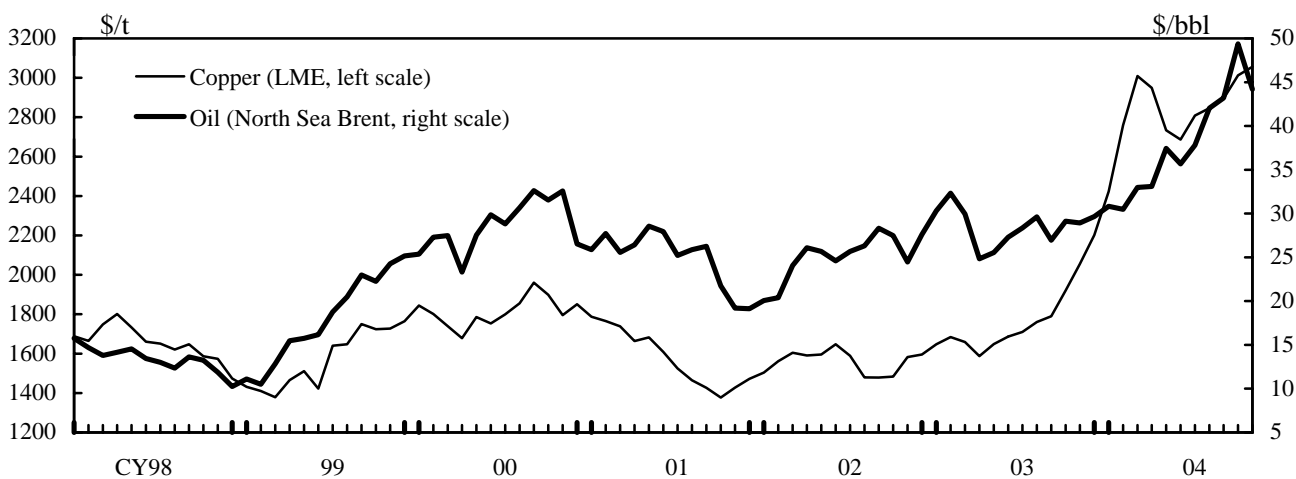
Note: Bank of Japan Overseas Commodity Index is the end of month figure.

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



Note: Figures for 2004/Q4 are those of October.
1995 base figure for 2002/Q4 is Oct.-Nov. average.

(3) Oil price and Copper price

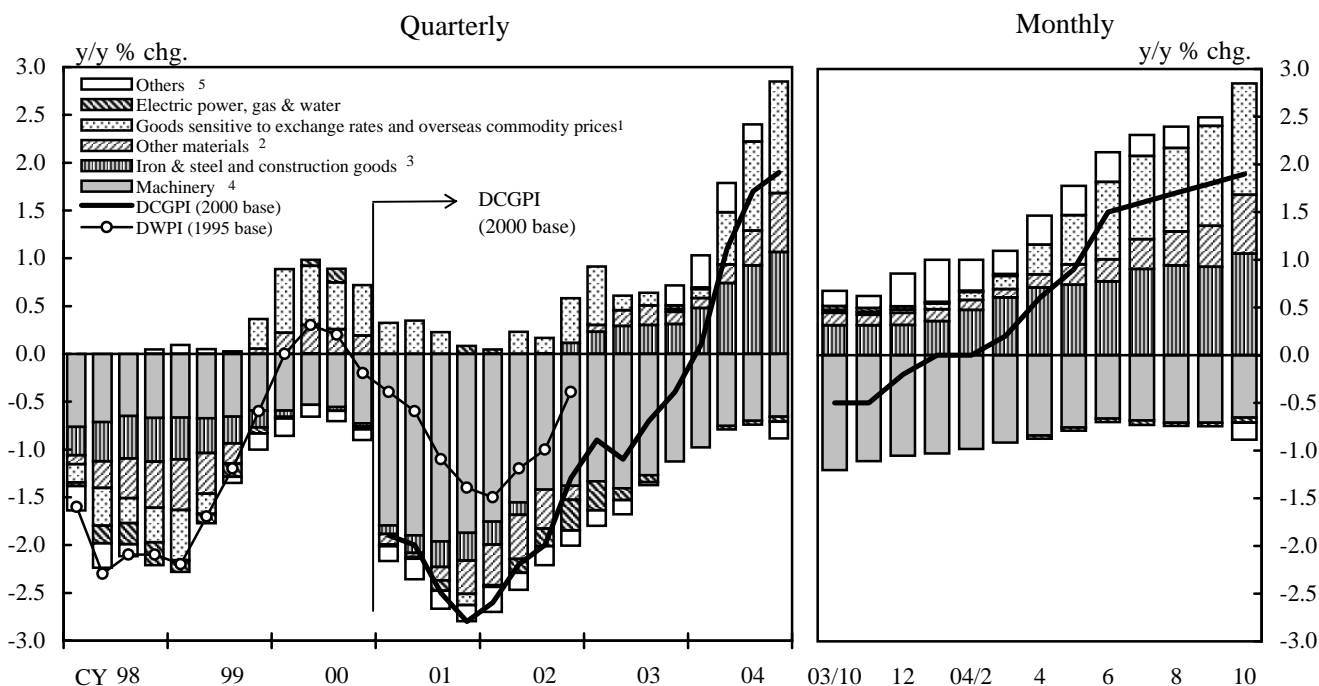


Note: Monthly averages. Figures for November 2004 are the averages up to November 17.

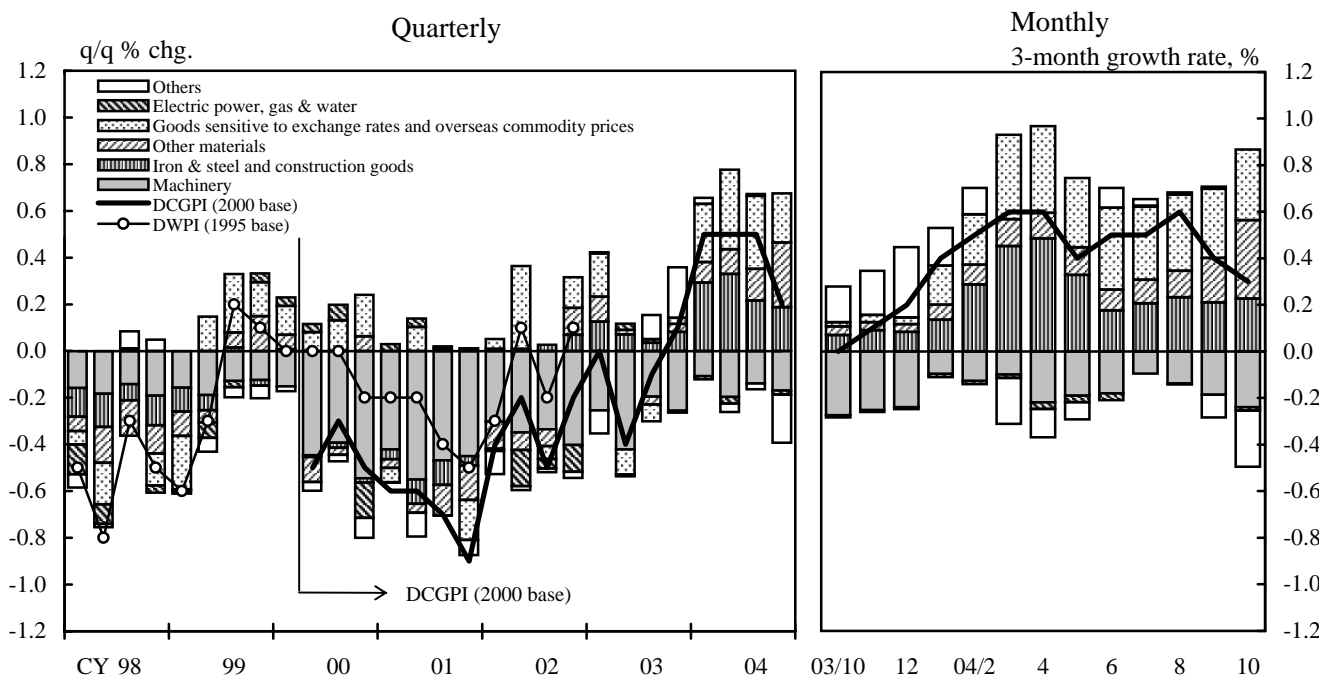
Sources: Bank of Japan, "Corporate Goods Price Index," "Wholesale Price Indexes," "Bank of Japan Overseas Commodity Index," etc.

Domestic Corporate Goods Price Index⁷

(1) Changes from a year earlier



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

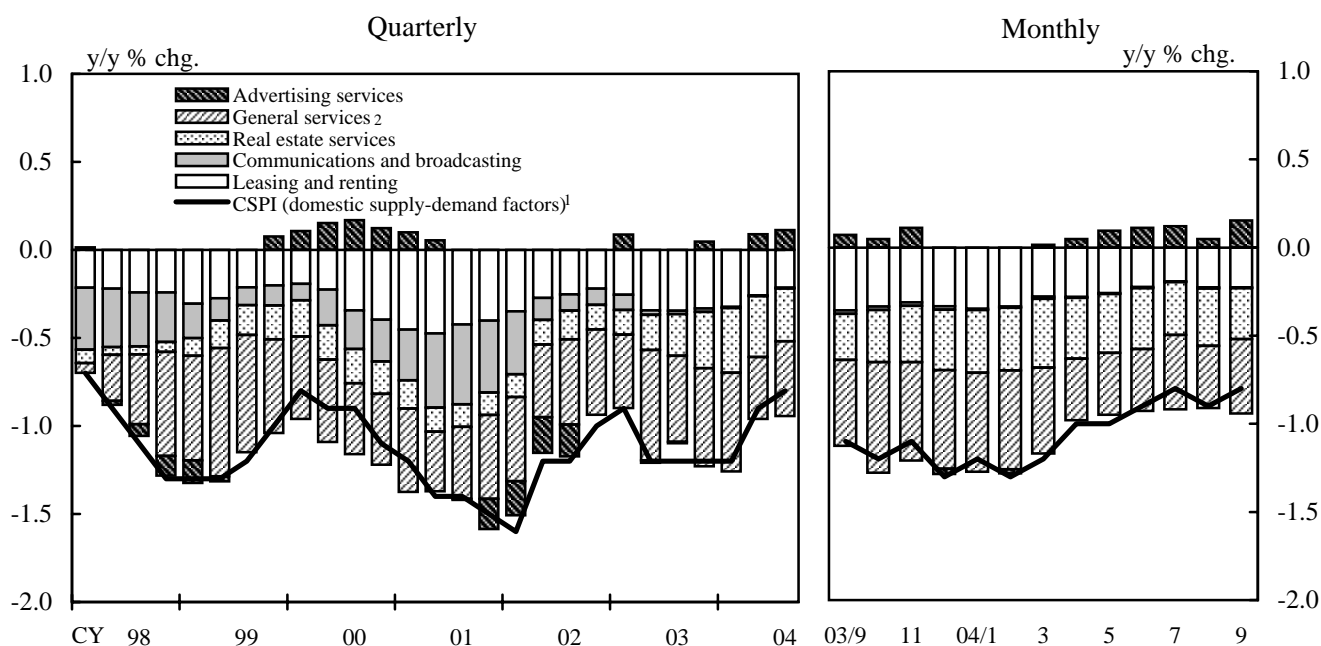
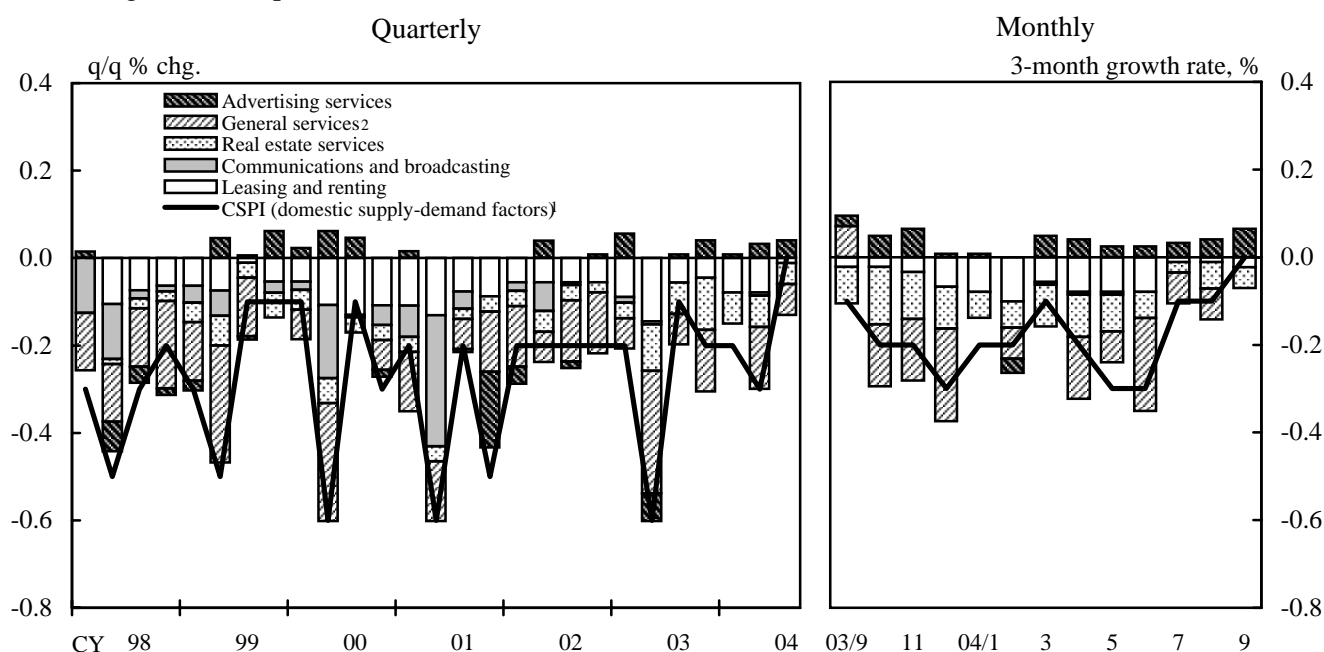


- Notes: 1. Goods sensitive to exchange rates and overseas commodity prices; petroleum & coal products, nonferrous metals.
 2. Other materials; chemicals, plastic products, textile products, pulp, paper & related products.
 3. Iron & steel and construction goods; iron & steel, metal products, ceramics, 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. 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.
 8. Figures for 2004/Q4 are those of October.
 1995 base figures for 2002/Q4 are those of Oct.-Nov. averages.

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

Corporate Service Price Index⁴

(1) Changes from a year earlier

(2) Changes from a quarter earlier and 3 months earlier³

Notes: 1. CSPI (domestic supply-demand factors) includes all items except the following: (1) Regulated prices (Compulsory motor vehicle insurance, Railroad passenger transportation, Buses, Taxis, Domestic air passenger transportation, Toll roads, Postal services, Sewage disposal), (2) Overseas supply-demand factors (Ocean freight transportation, International air freight, International air passenger transportation), and (3) Securities issuance and related services (banks' procurement service for issuing debentures <excluding underwriting services>).

(3) is excluded due to its large monthly fluctuation. Thus, CSPI (domestic supply-demand factors) mainly reflects the supply and demand conditions in the domestic private sector.

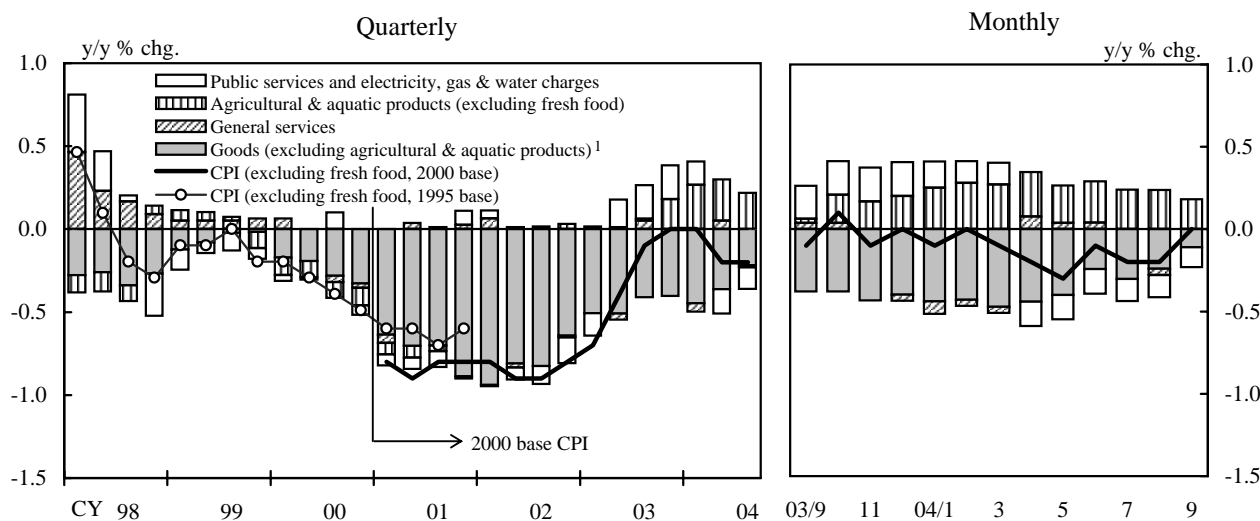
2. General services include all services in Domestic supply-demand factors except Leasing and rental, Communications and broadcasting, Real estate services, and Advertising services.

3. Television commercials in Advertising services, Sales space rental in Real estate services, and General warehousing and storage in General services are seasonally adjusted by X-12-ARIMA. As the seasonally adjusted figures are recalculated each month, the series are revised retroactively every month.

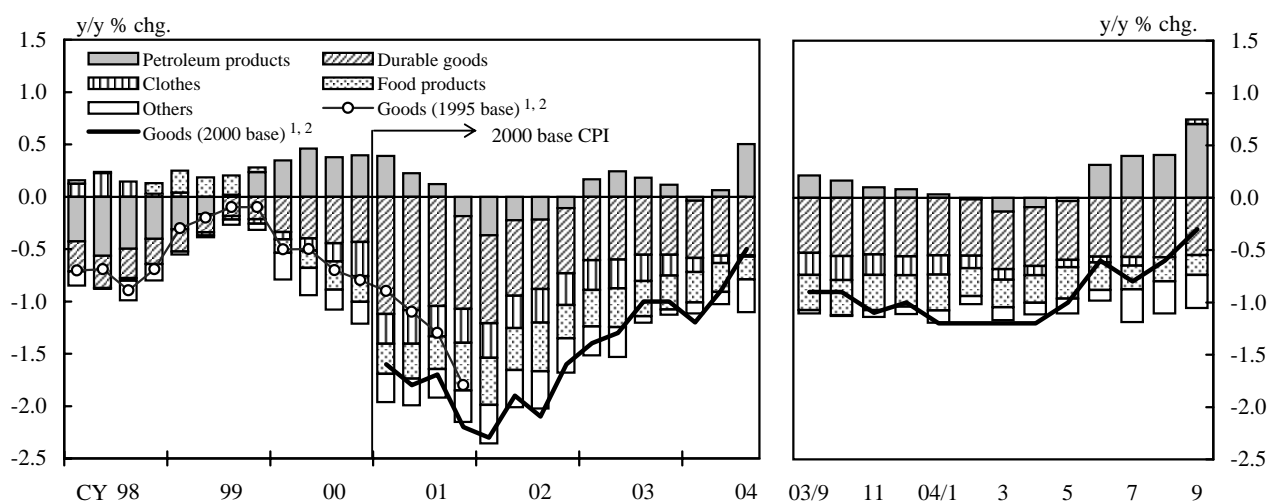
4. Adjusted to exclude the effects of the consumption tax hike on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

Consumer Price Index (excluding fresh food)³

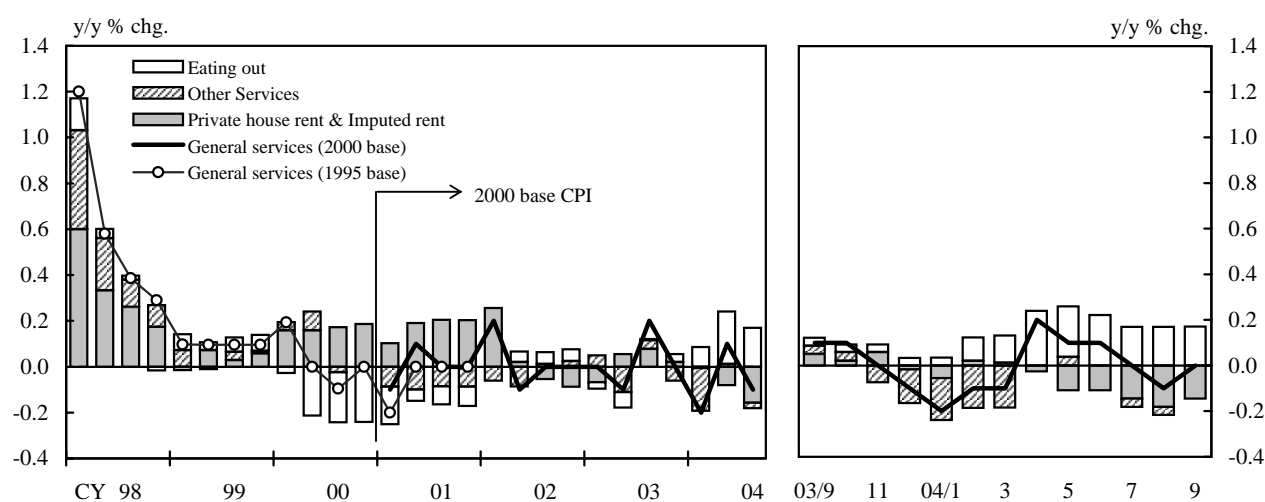
(1) Consumer price index (excluding fresh food)



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



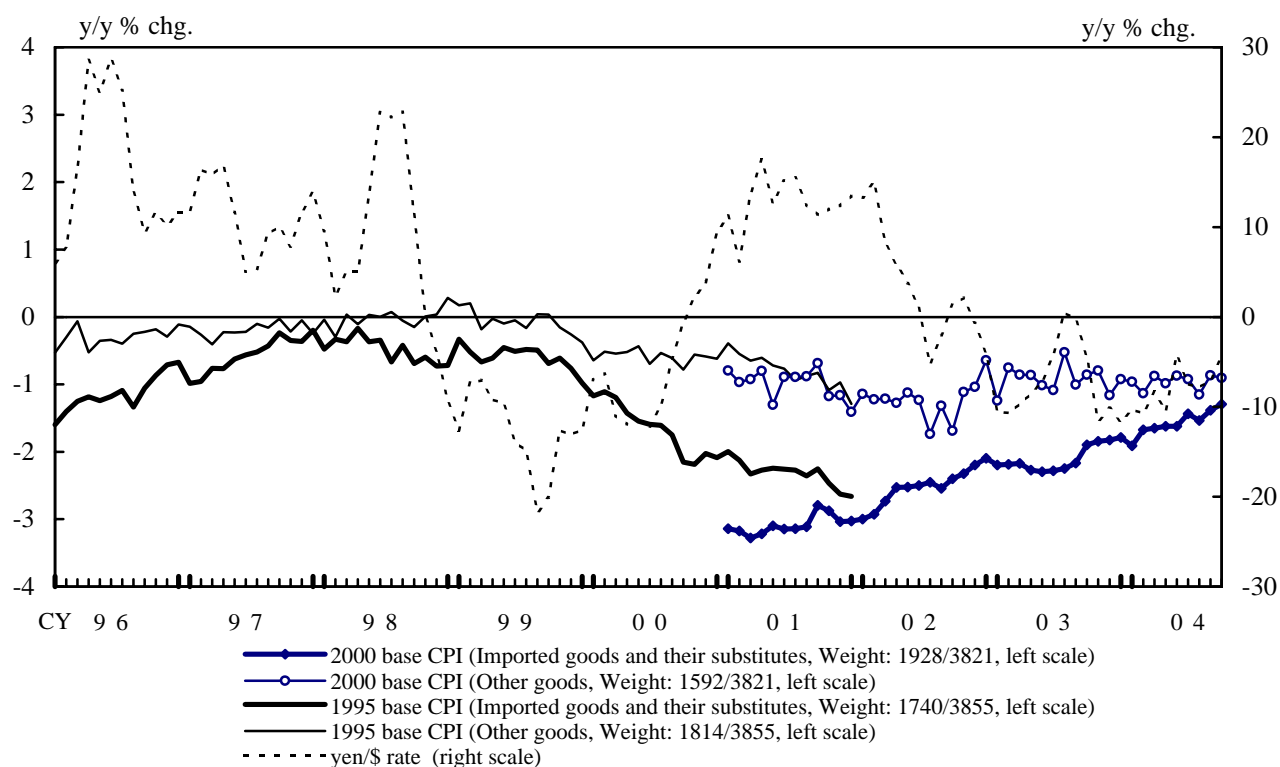
(3) General services



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

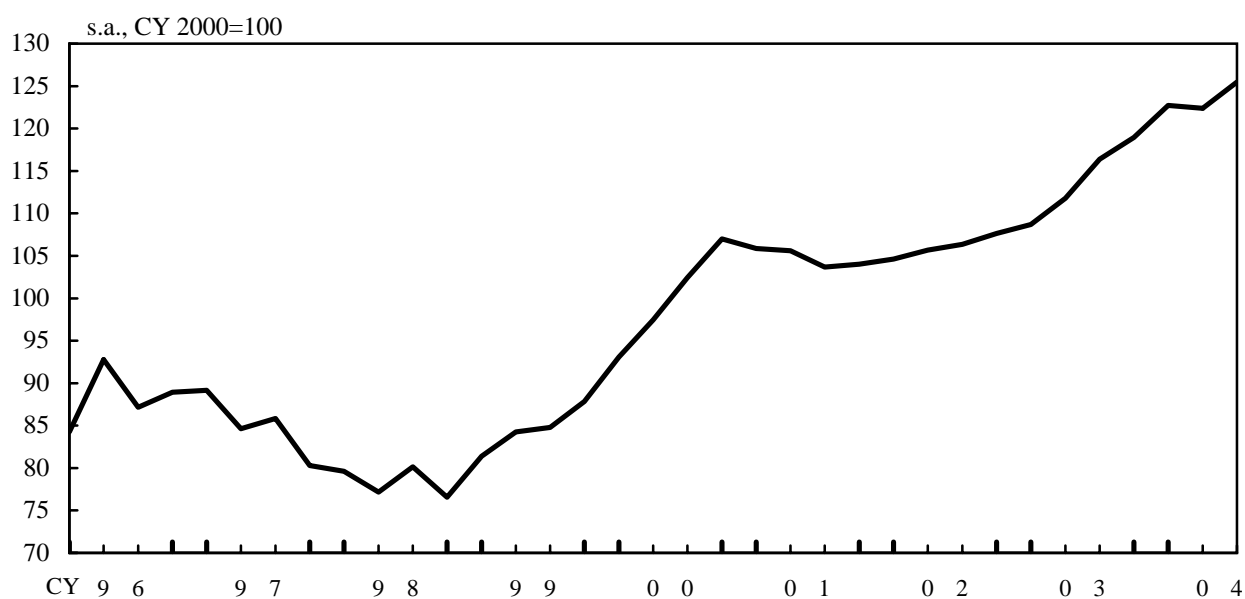
Consumer Prices of imported goods and their substitutes

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



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

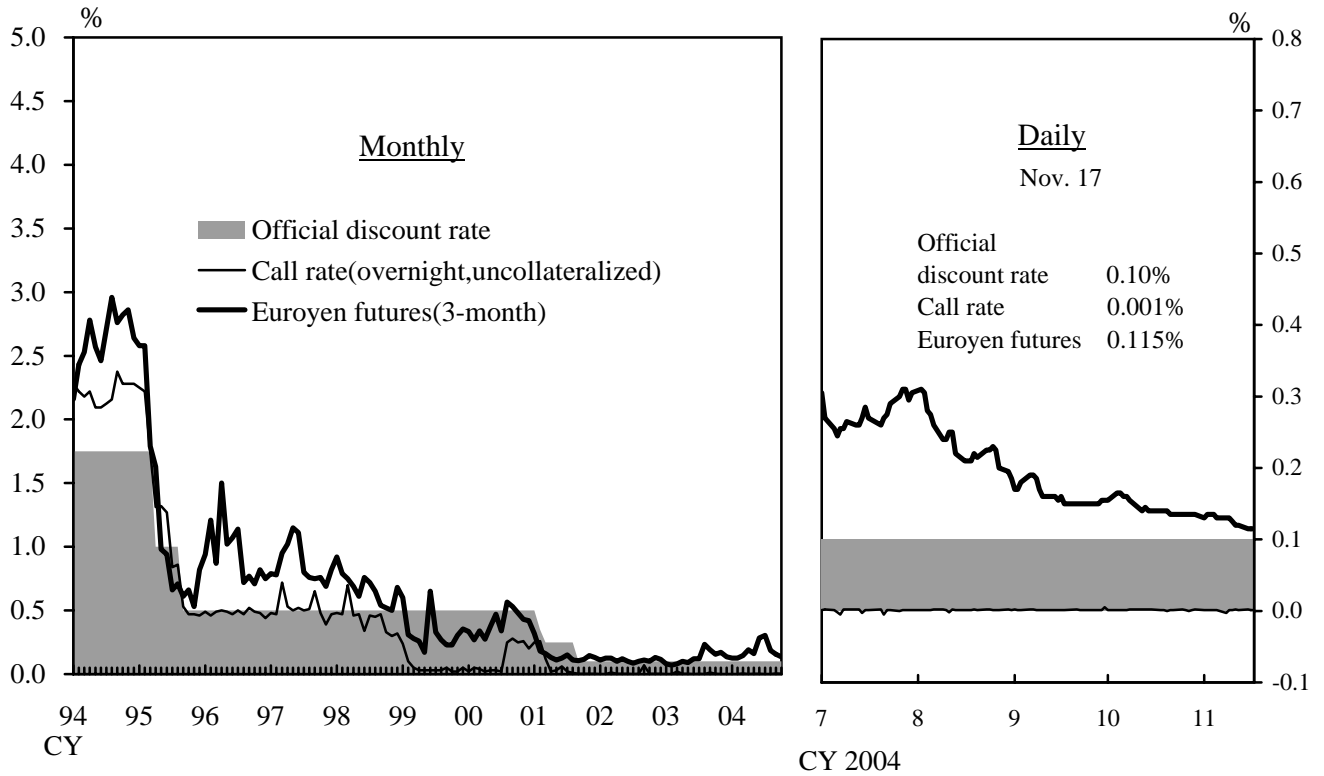
(2) Real imports (consumer goods)



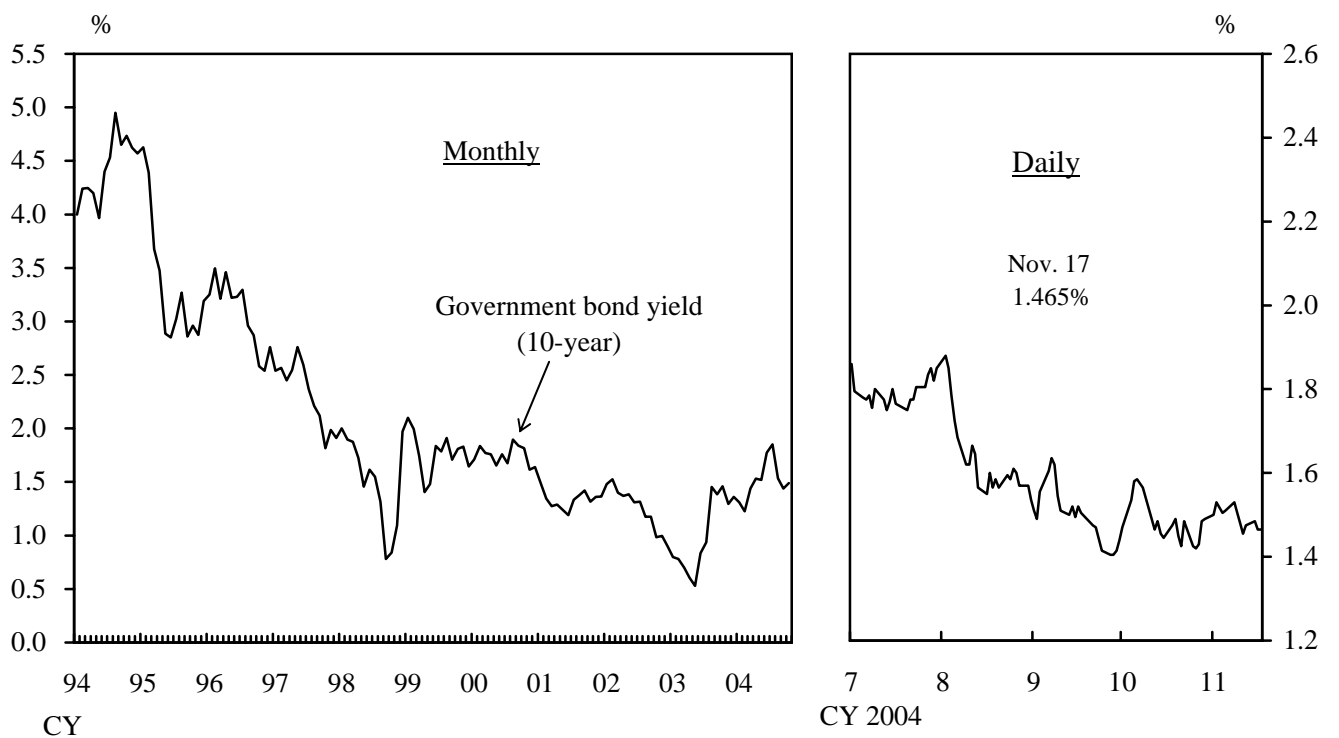
Note: Real imports (consumer goods), which are composed of motor vehicles, audio and visual apparatus, office machinery, foodstuffs and textiles, are calculated from the Trade Statistics as an index with the 2000 average equal to 100.

Interest Rates

(1) Short-Term



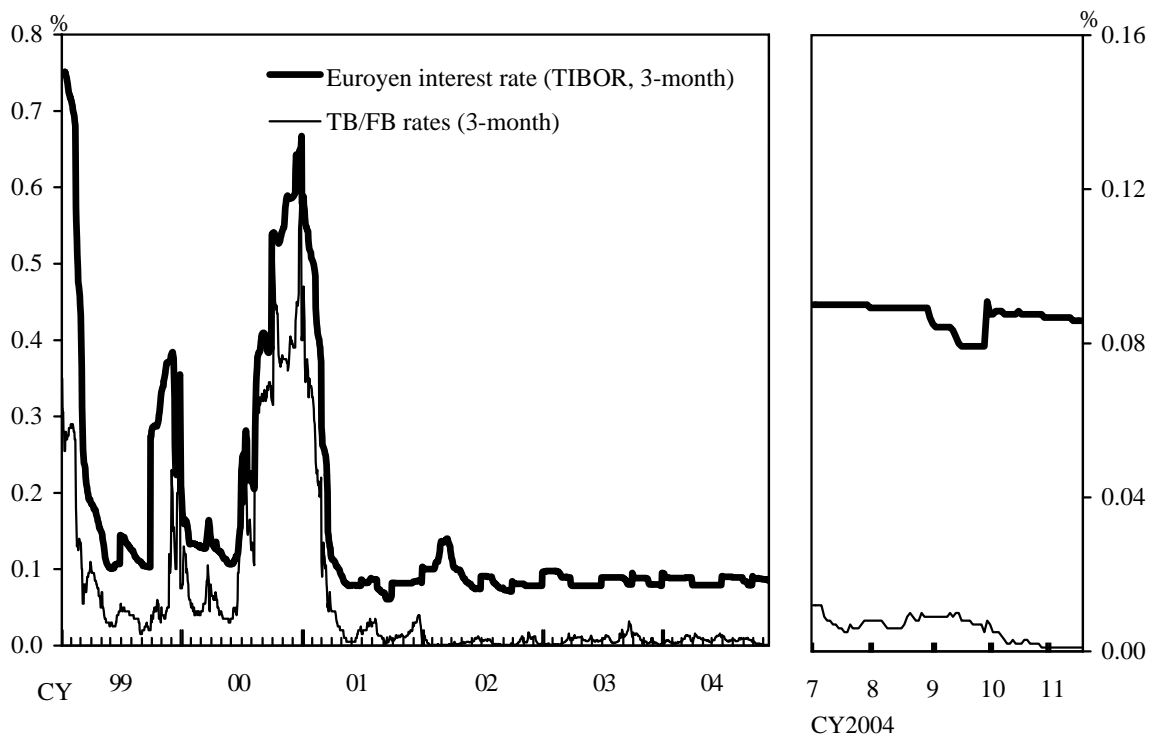
(2) Long-Term



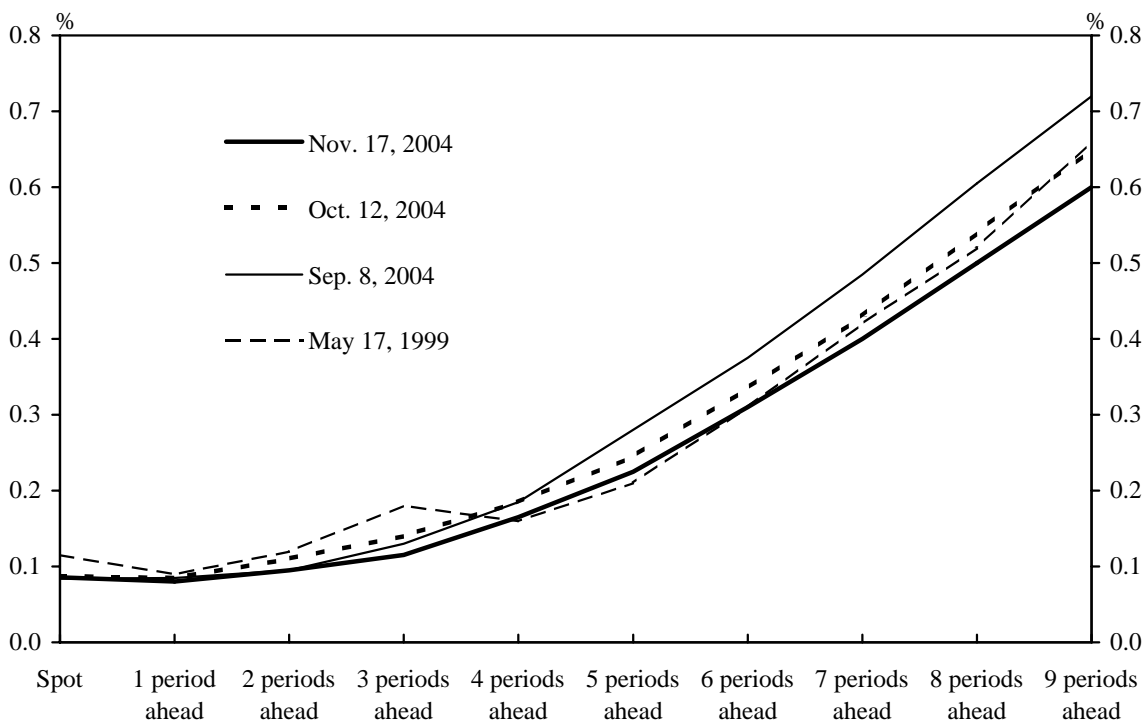
Sources: Bank of Japan; Tokyo International Financial Futures Exchange;
 Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments



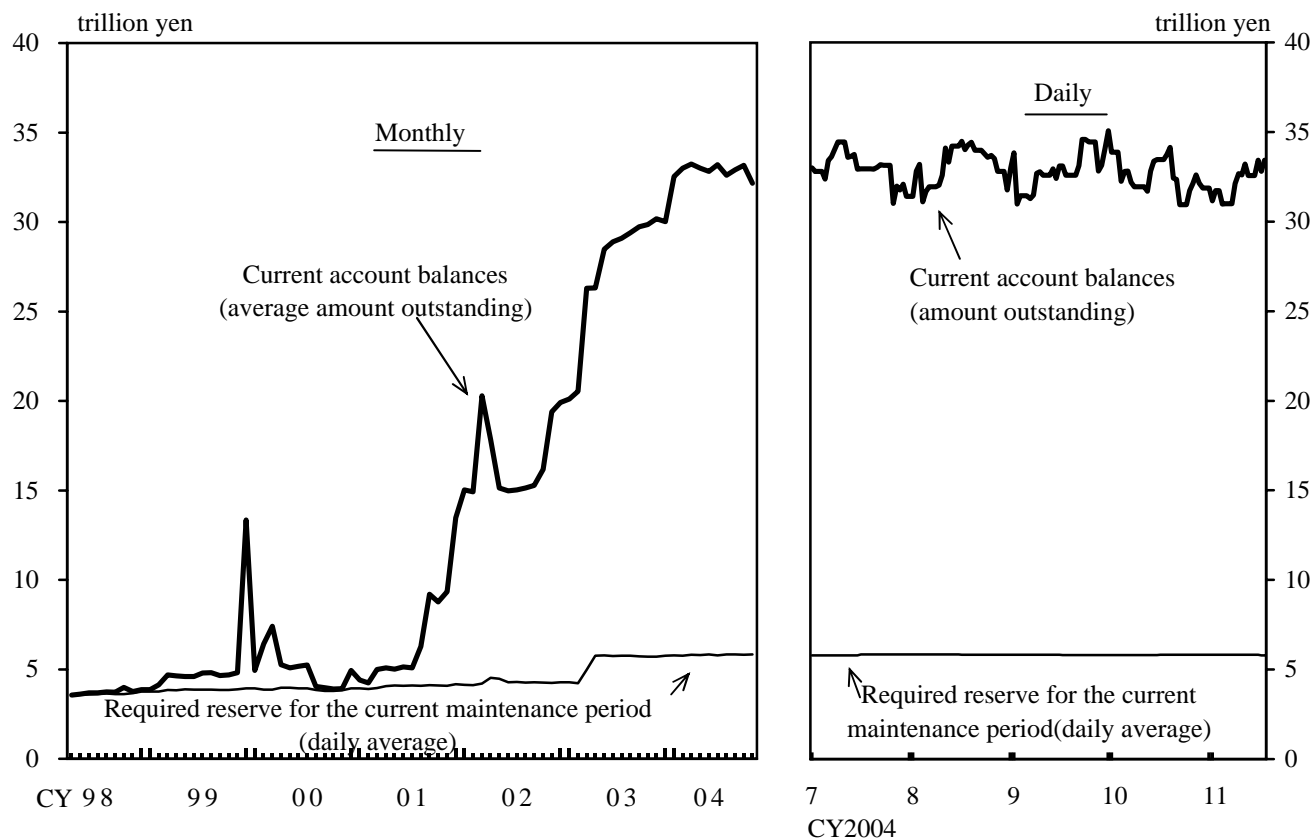
(2) Euroyen Interest Rates Futures (3-Month) ¹



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

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

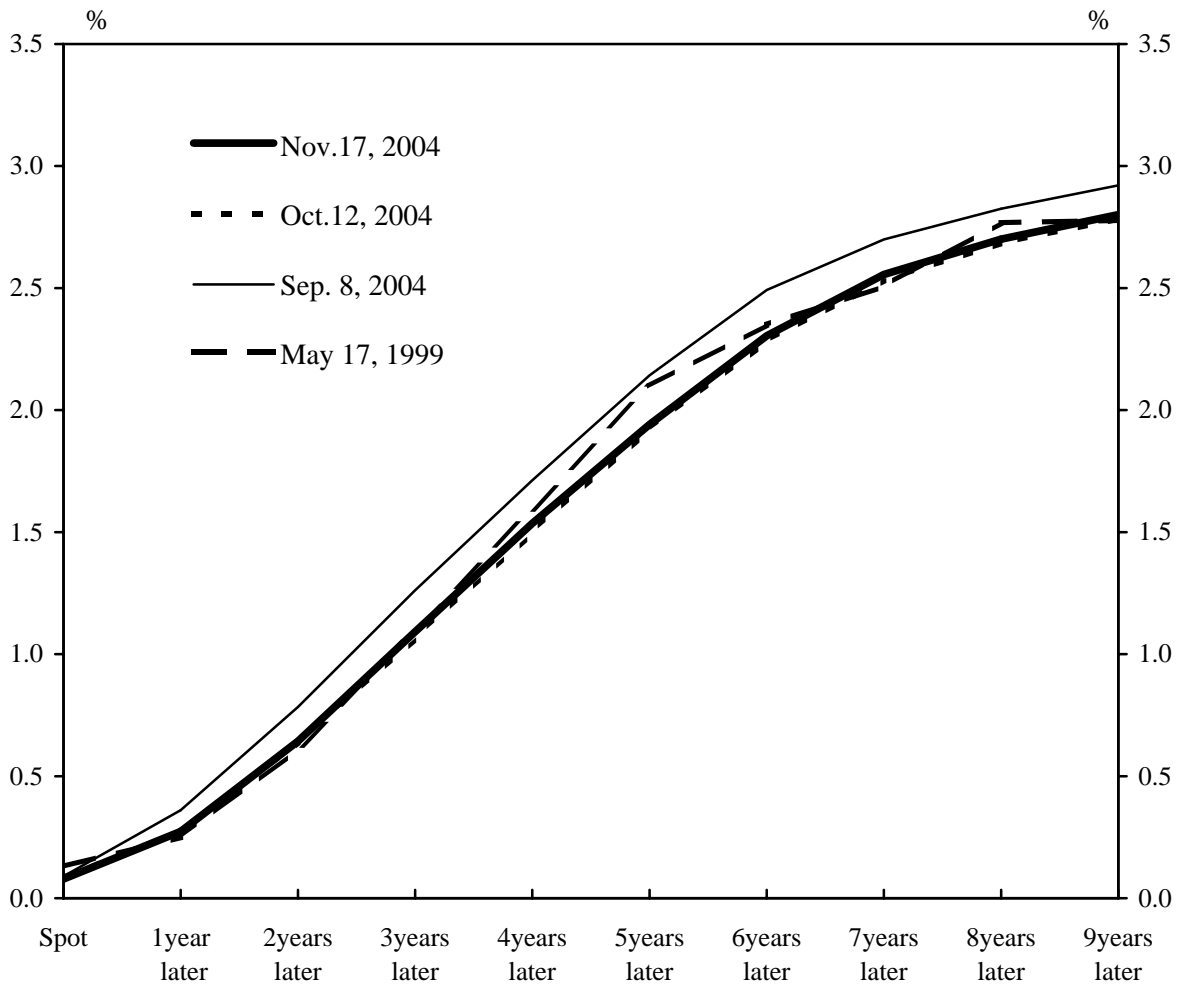
Current Account Balances at the Bank of Japan ¹



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

Source: Bank of Japan.

Implied Forward Rates (1-year)¹

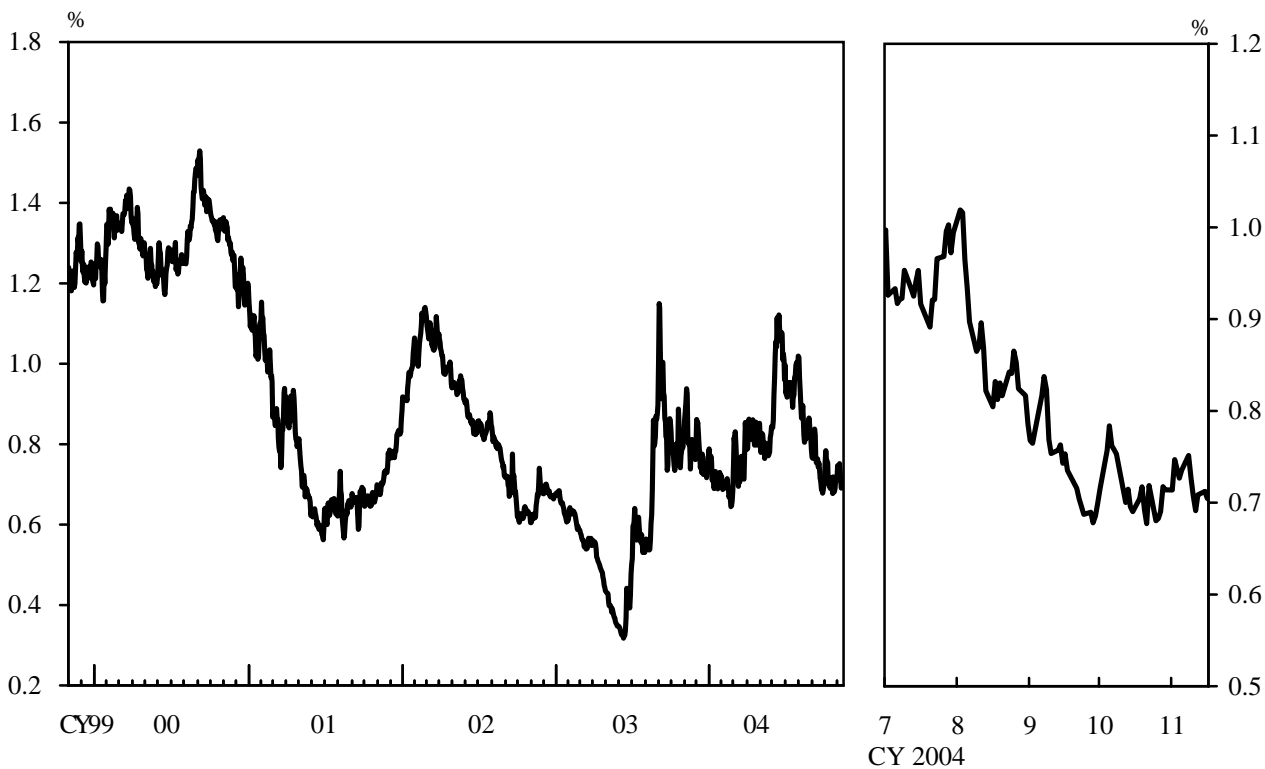


Note: 1. Calculated from yen-yen swap rates.

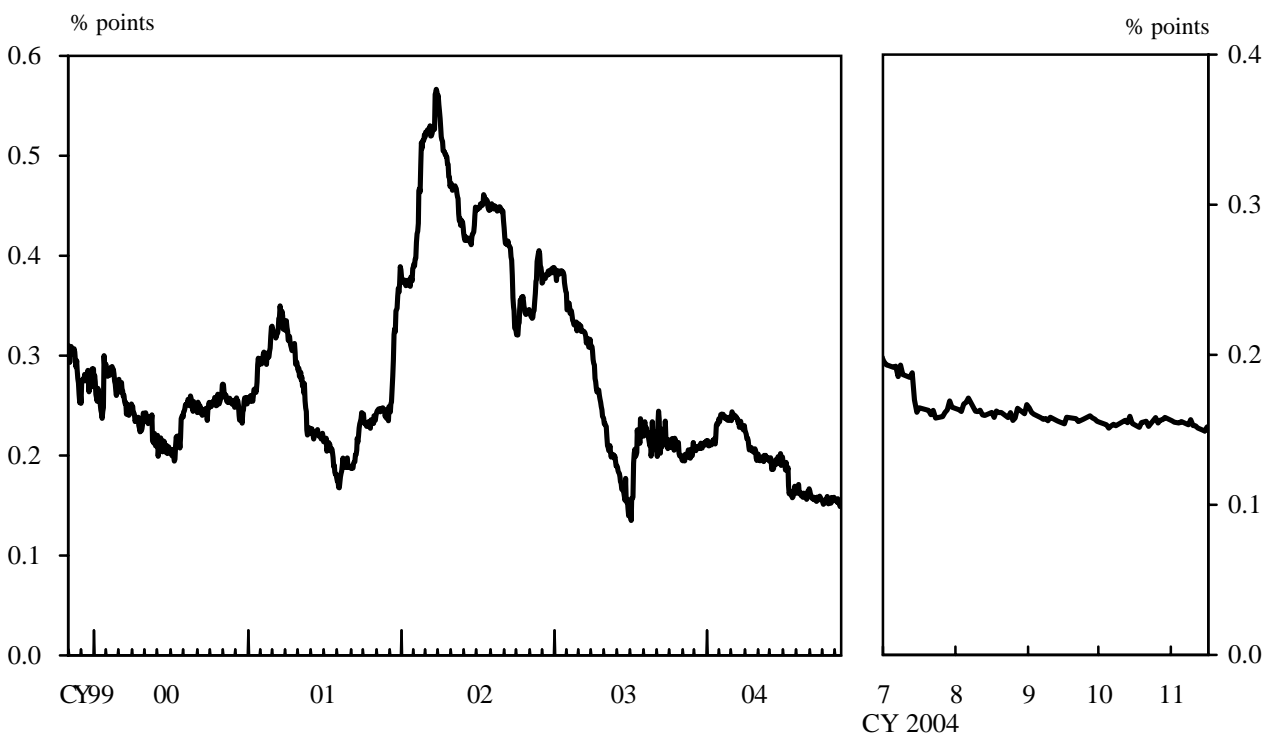
Source: QUICK Moneyline Telerate Corp.

Yields of Bank Bonds

(1) Average Bank Bond Yield



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



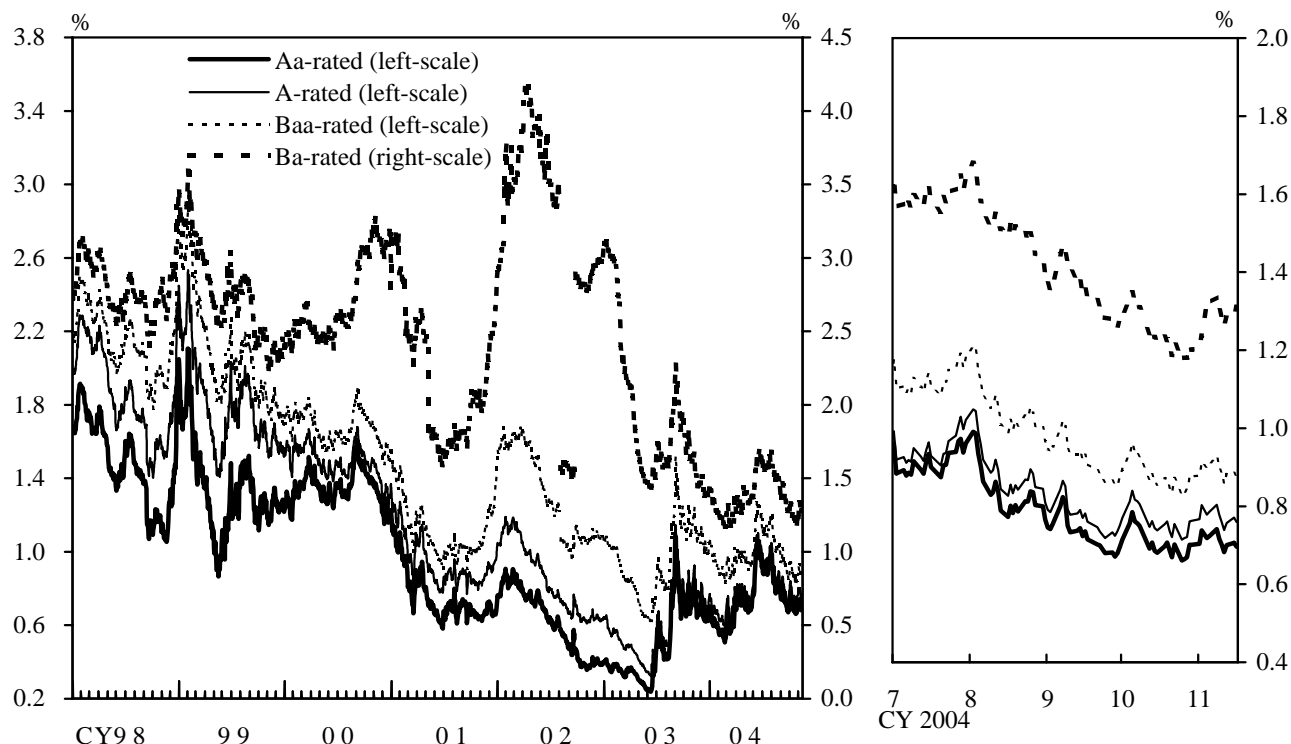
Notes: 1. Yields on bonds with 5-year maturity.

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

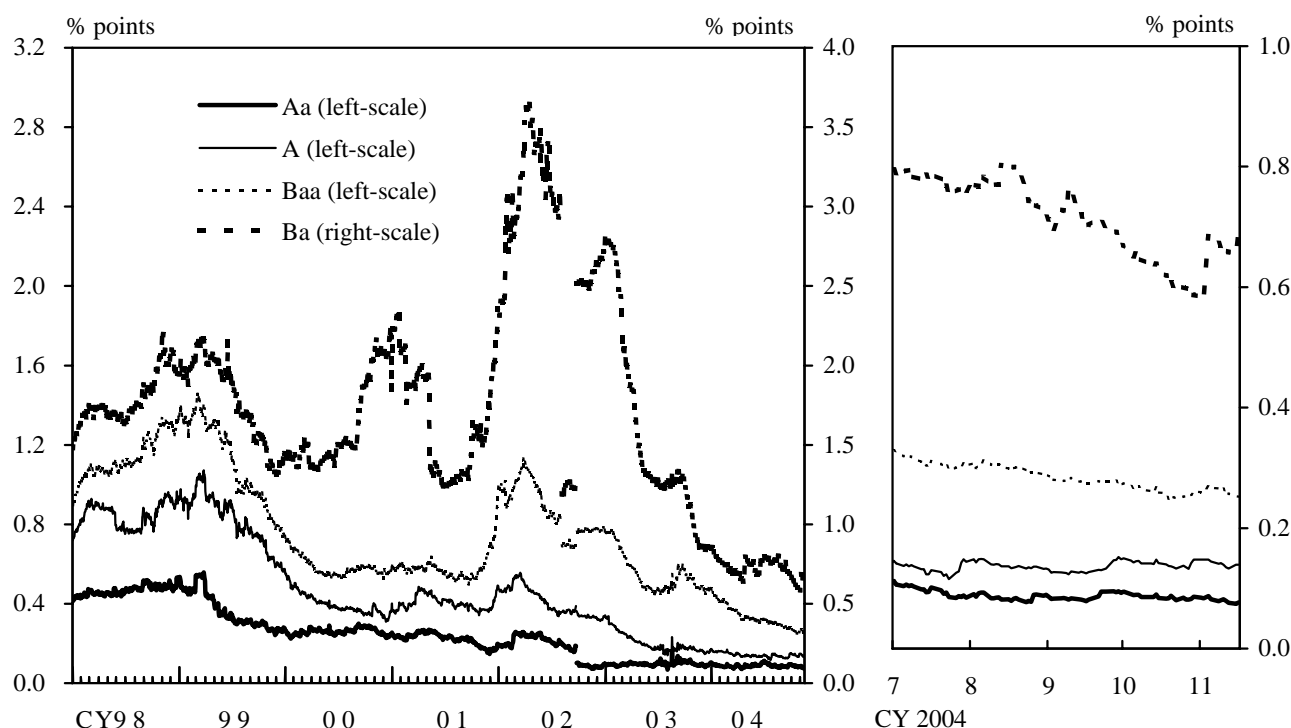
Sources: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."
 "Reference Price(Yields) Table for OTC Bond Transactions."

Yields of Corporate Bonds ¹

(1) Corporate Bond Yields



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



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

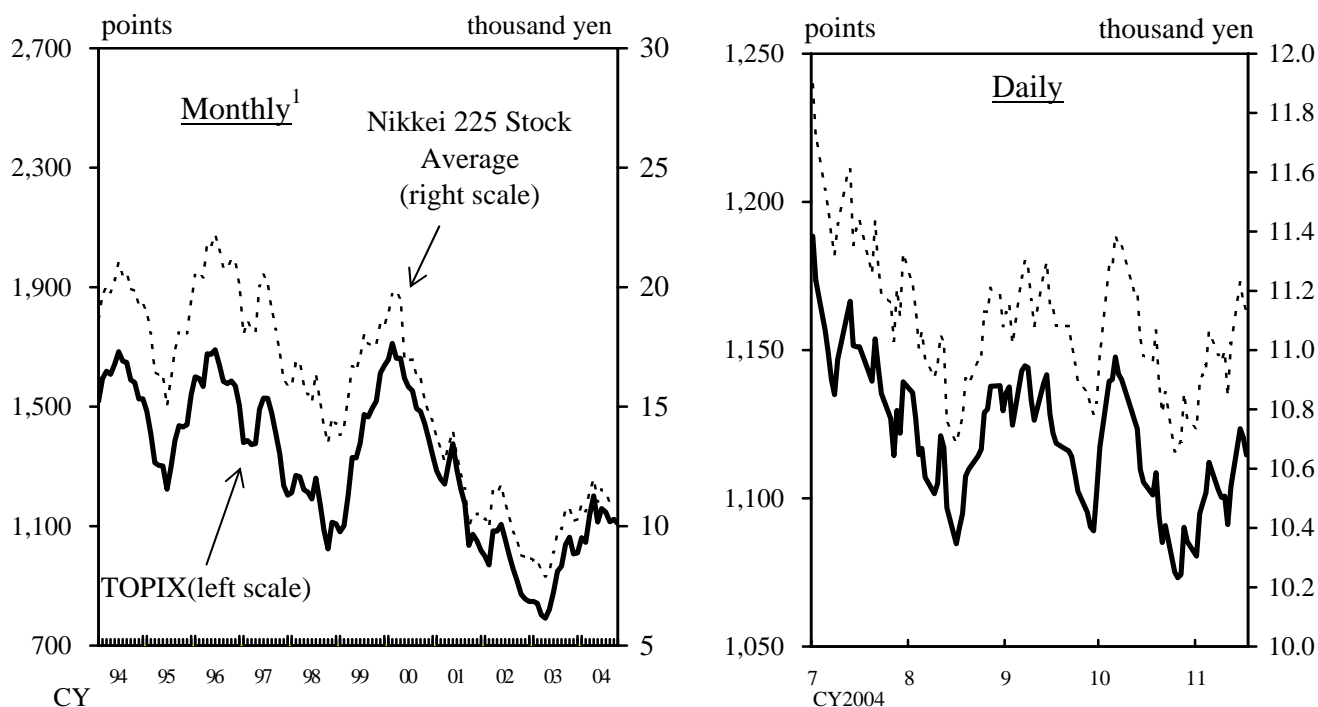
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of 4 to 6 years since Sep. 24, 2002.

2. The indicated ratings are of Moody's.

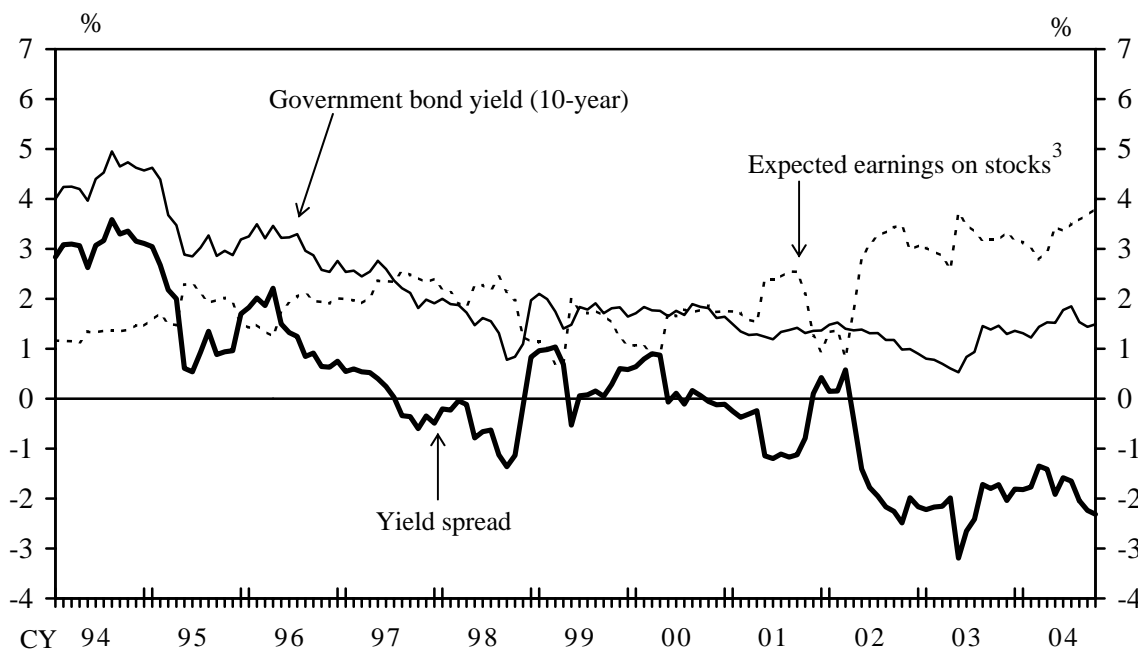
Sources: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."
"Reference Price(Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Stock Prices



(2) Yield Spread²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

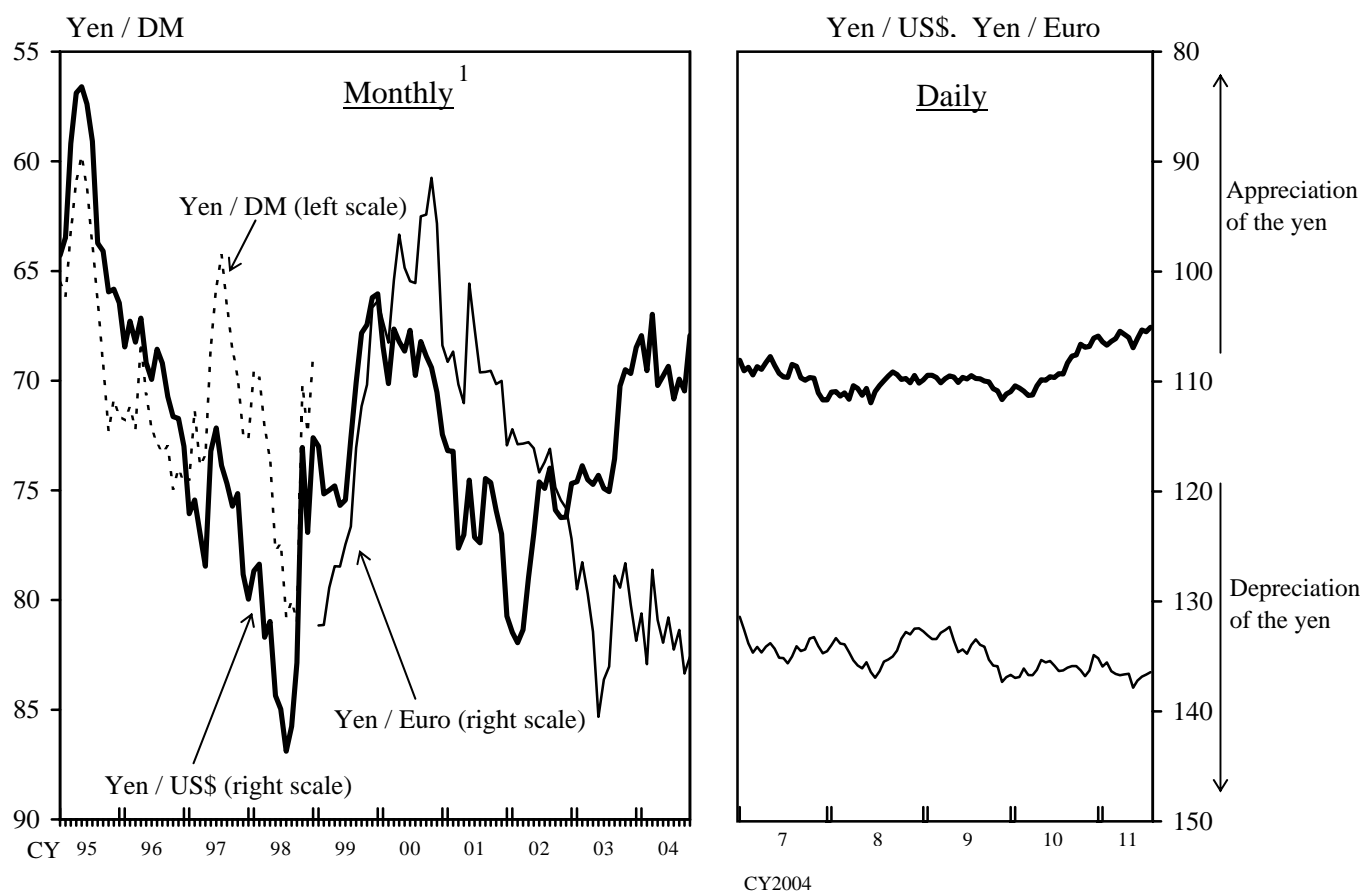
Yield spread = government bond yields - expected earnings on stocks,
 where expected earnings on stocks = 1/expected price earnings ratio.

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

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

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

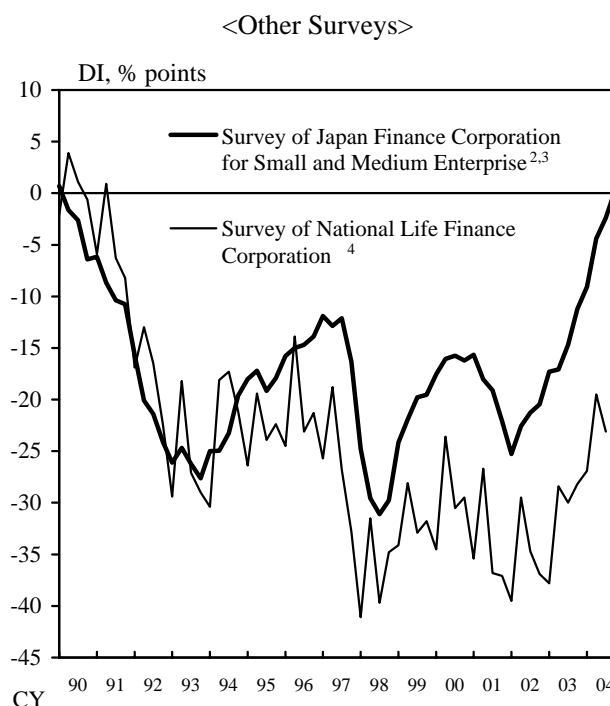
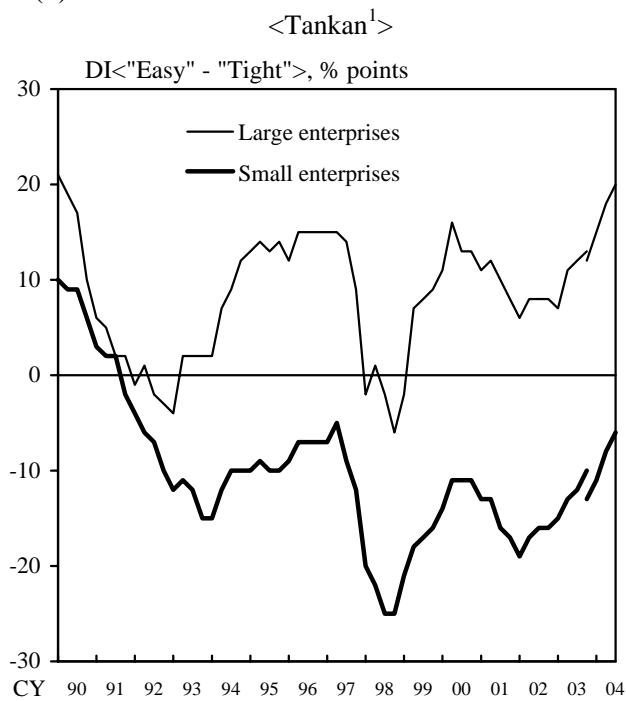
Exchange Rates



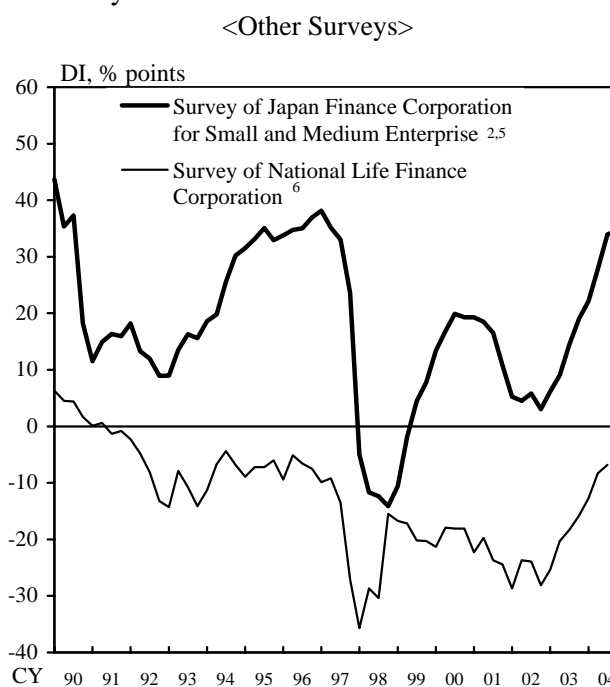
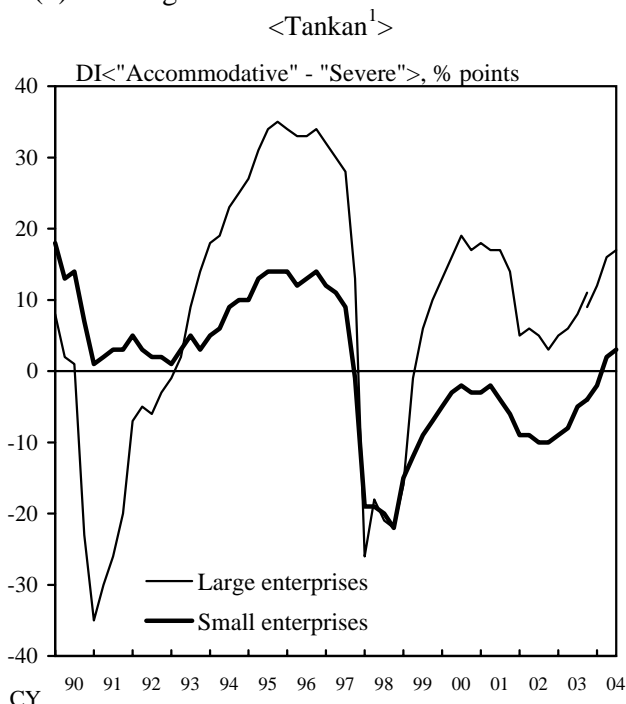
Note: 1. End of month.
 Source: Bank of Japan.

Corporate Finance-Related Indicators

(1) Financial Position



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



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

2. Figures are quarterly averages of monthly data. Figures for 2004/Q4 are those of October.

3. DI of "Easy" - "Tight"

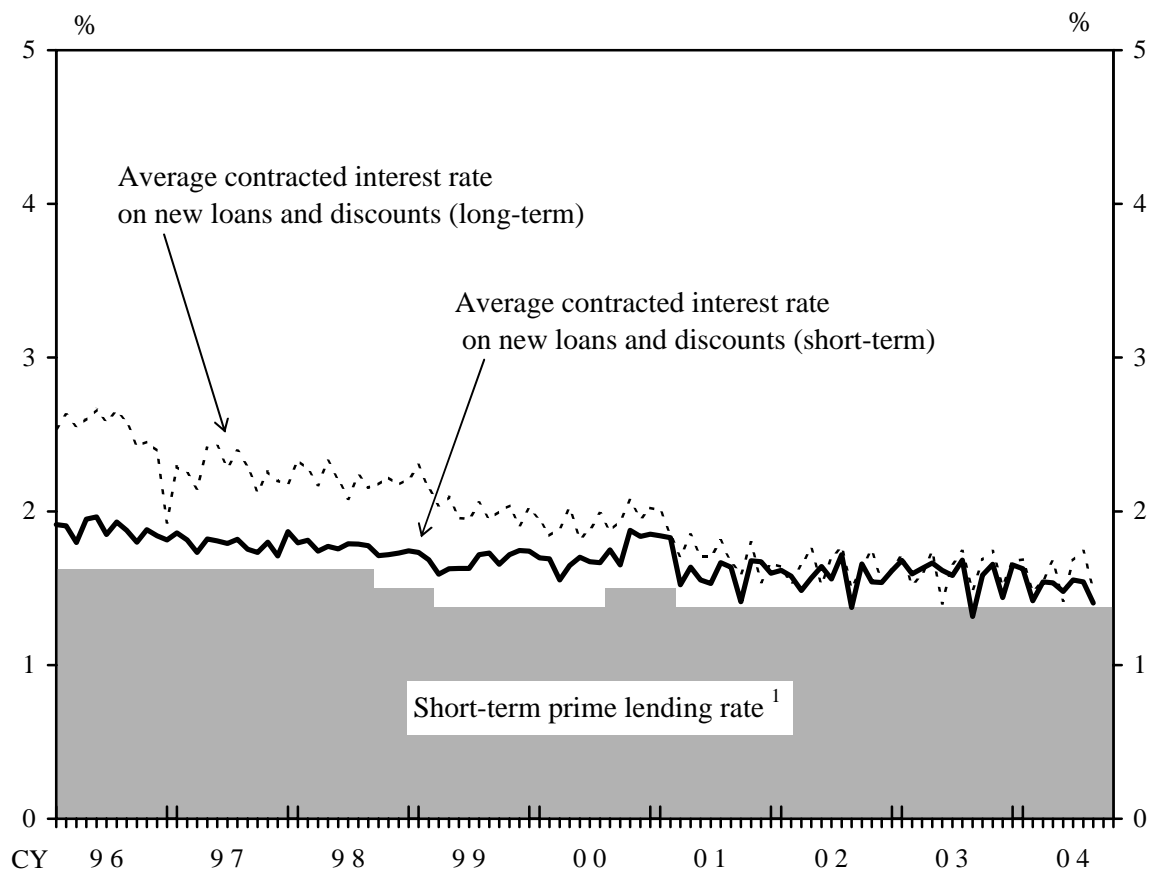
4. DI of "Easier" - "Tighter"

5. DI of "Accommodative" - "Severe"

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

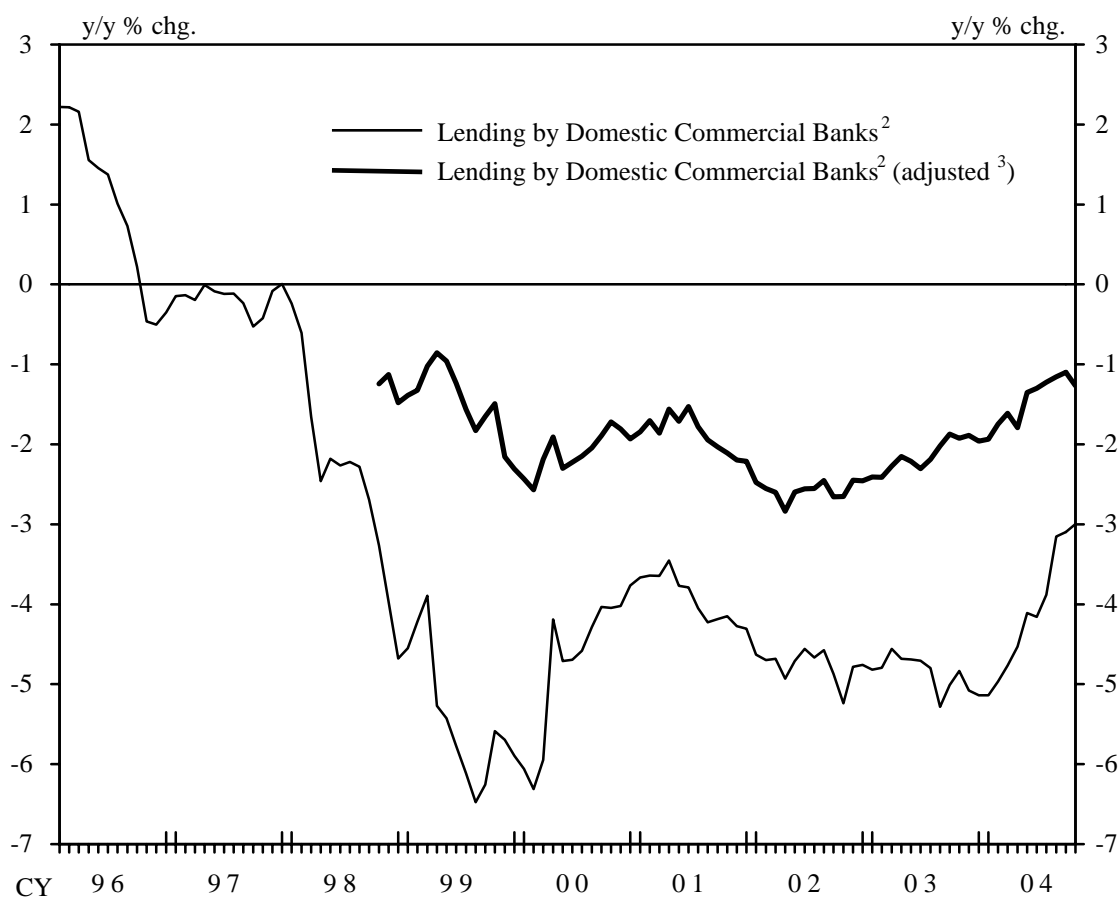
Sources: Bank of Japan, "*Tankan*, Short-term Economic Survey of Enterprises in Japan"; Japan Finance Corporation for Small and Medium Enterprise, "Monthly Survey of Small Businesses in Japan"; National Life Finance Corporation, "Quarterly Survey of Small Businesses in Japan."

Lending Rates



Note: 1. Data are at end of period.

Source: Bank of Japan.

Lending by Domestic Commercial Banks ¹

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

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

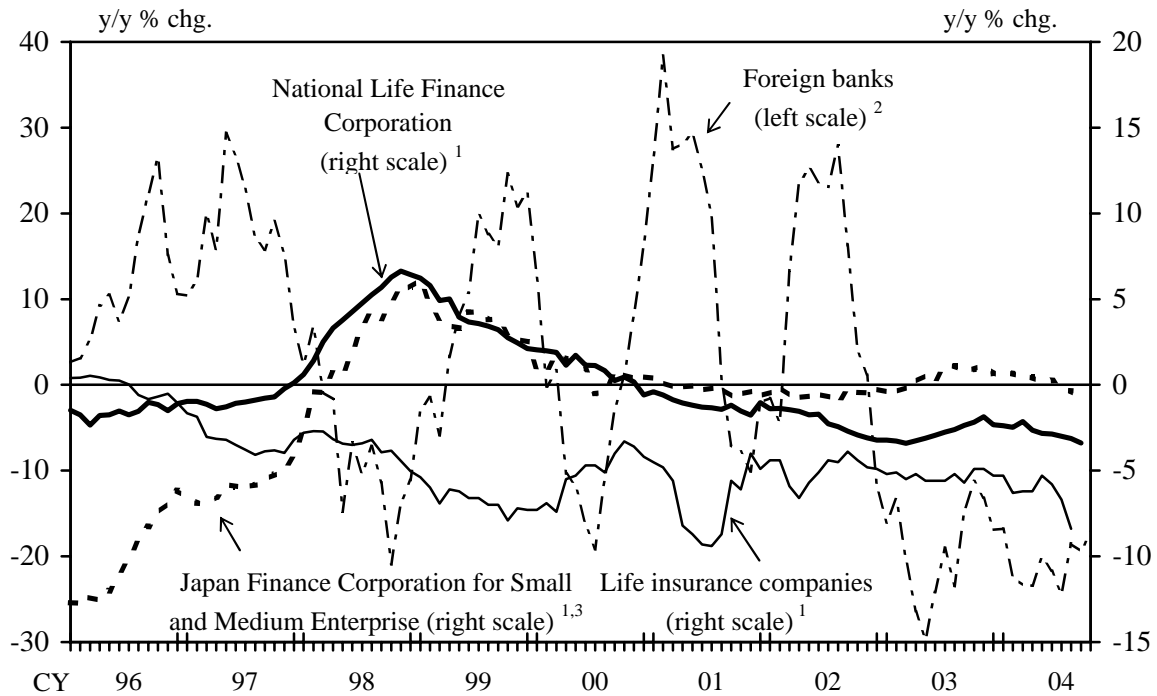
3. Adjusted to exclude

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

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

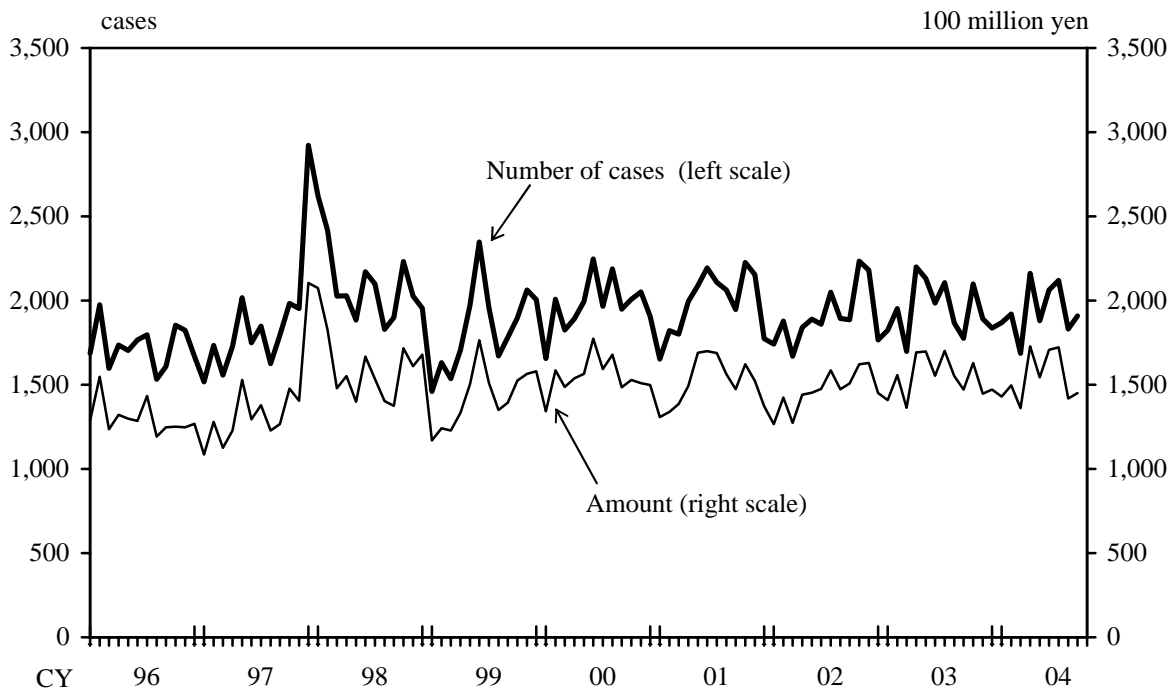
Lending by Other Financial Institutions

(1) Lending Outstanding



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

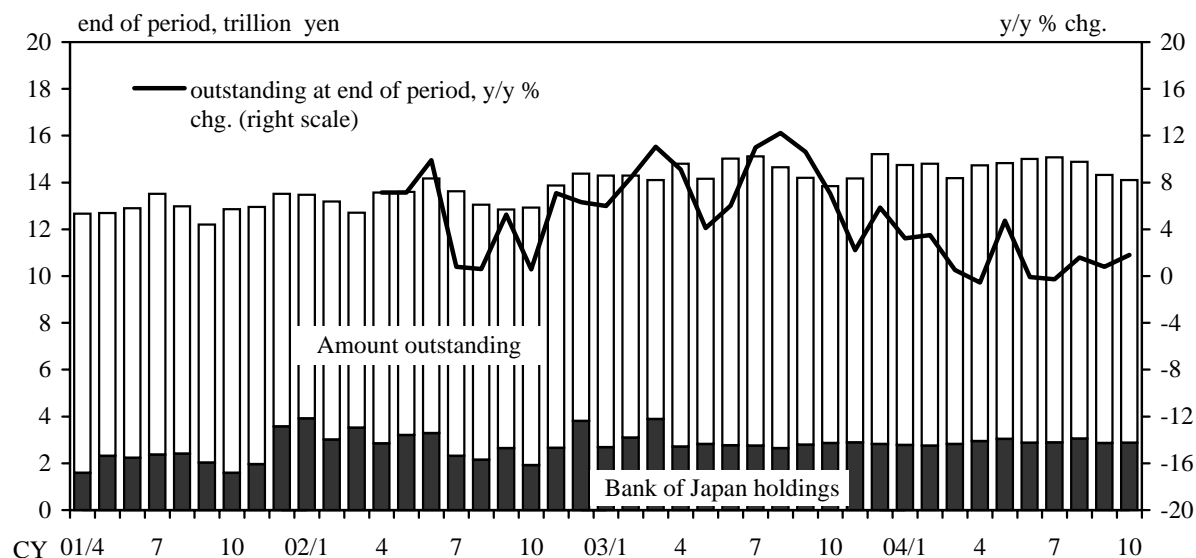
(2) Application for a Loan from Japan Finance Corporation for Small and Medium Enterprise



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

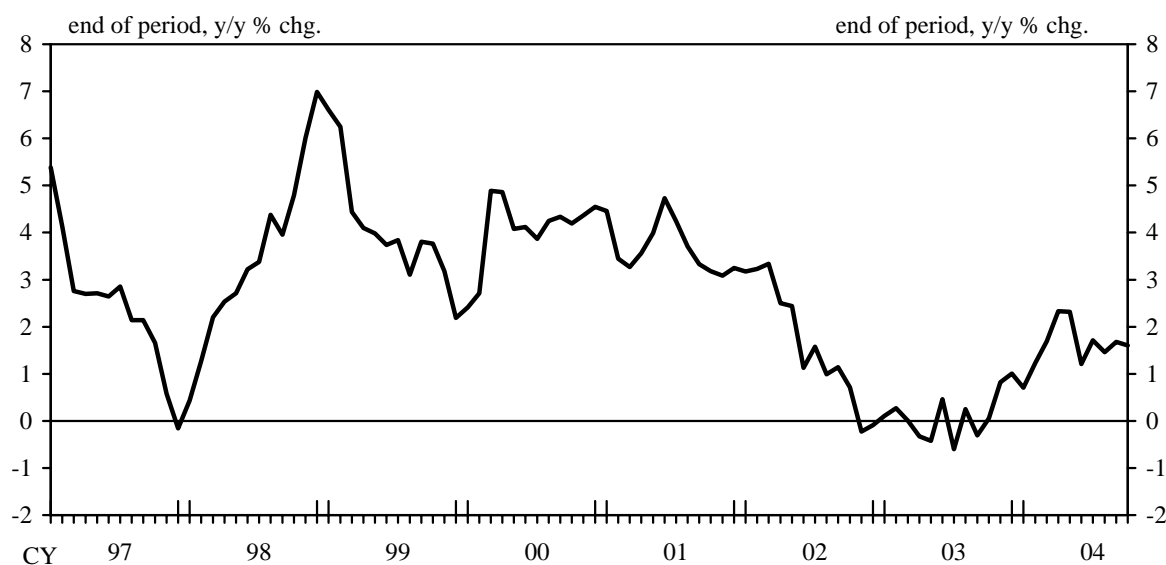
Private-Sector Fund-Raising in the Capital Markets

(1) Amount Outstanding of Commercial Paper



- Notes: 1. Figures are those of the client financial institutions of the Bank of Japan.
2. Excludes those issued by banks.

(2) Amount Outstanding of Corporate Bonds (Changes from a Year Earlier)

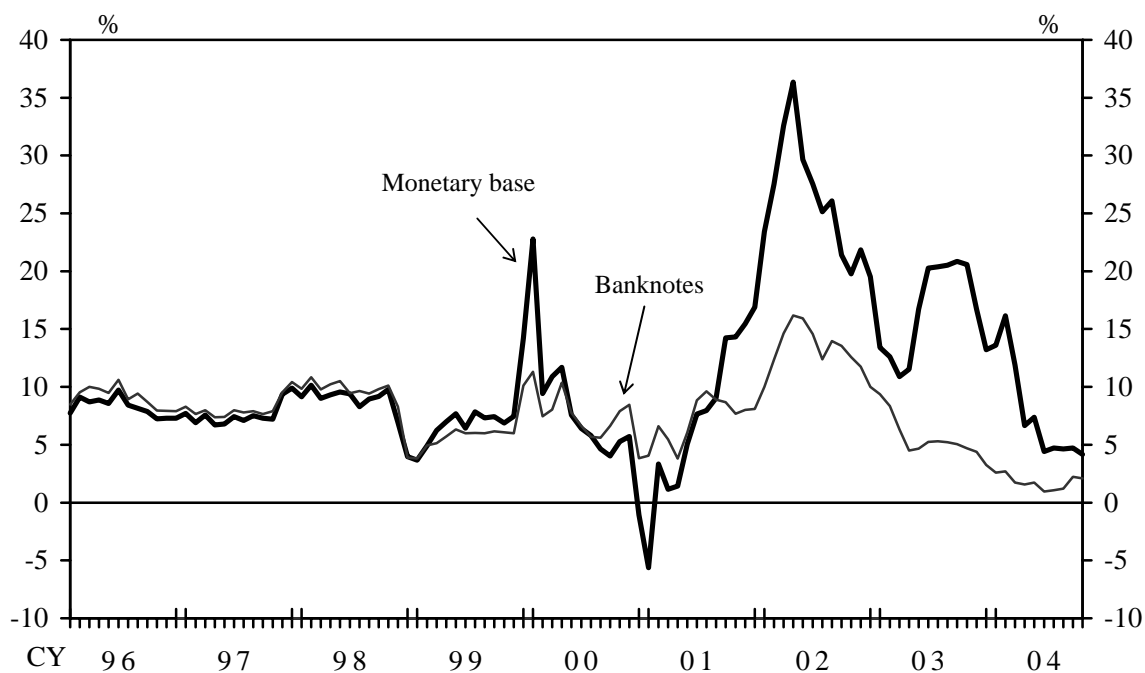
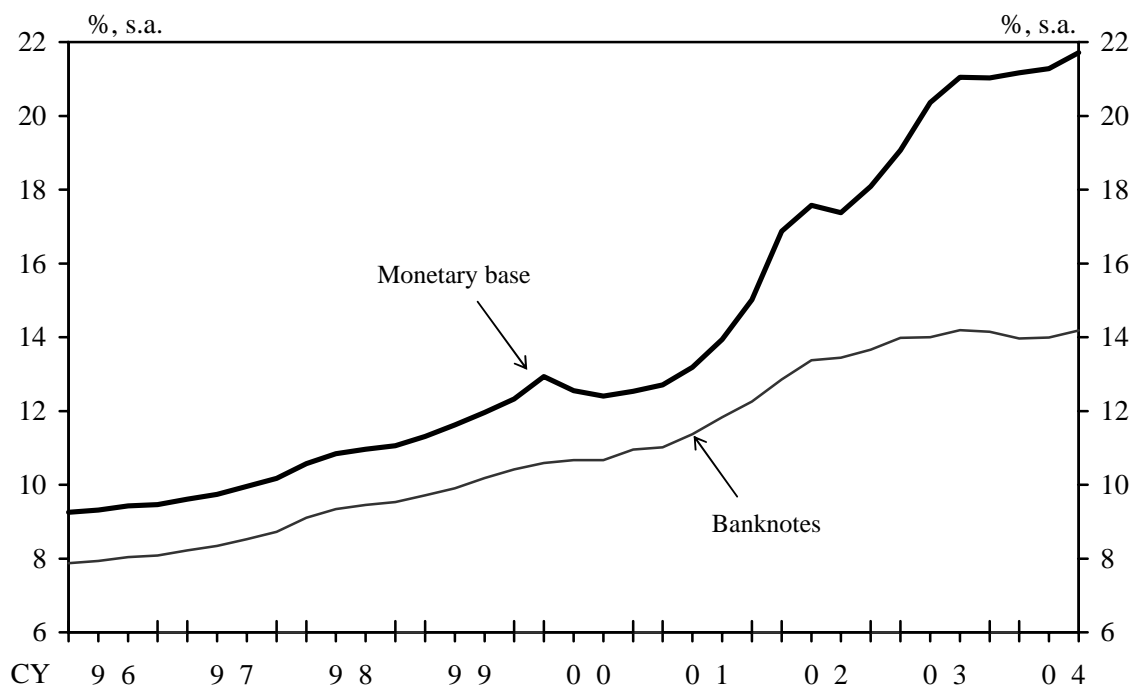


Note: Percentage changes from the previous year of the amount outstanding of corporate bonds are estimated figures. Procedures of the estimation are summarized as follows:

- (1) The sum of straight bonds, convertible bonds, bonds with warrants, and ABSs issued in both domestic and overseas markets is used.
- (2) Bonds issued by banks are included.
- (3) In calculating the percentage changes from the previous year of the amount outstanding of corporate bonds, the following adjustment is made for the treatment of convertible bonds that have been converted into shares.
Percentage changes from the previous year of the amount outstanding of corporate bonds
= (The amount outstanding of corporate bonds as of this month + The sum of conversion amount over the last 12 months) / The amount outstanding of corporate bonds as of the same month in the previous year
- (4) The figure as of the latest month is a preliminary one, using estimates for the amount of the domestically issued private placement bonds, etc.

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

Monetary Base

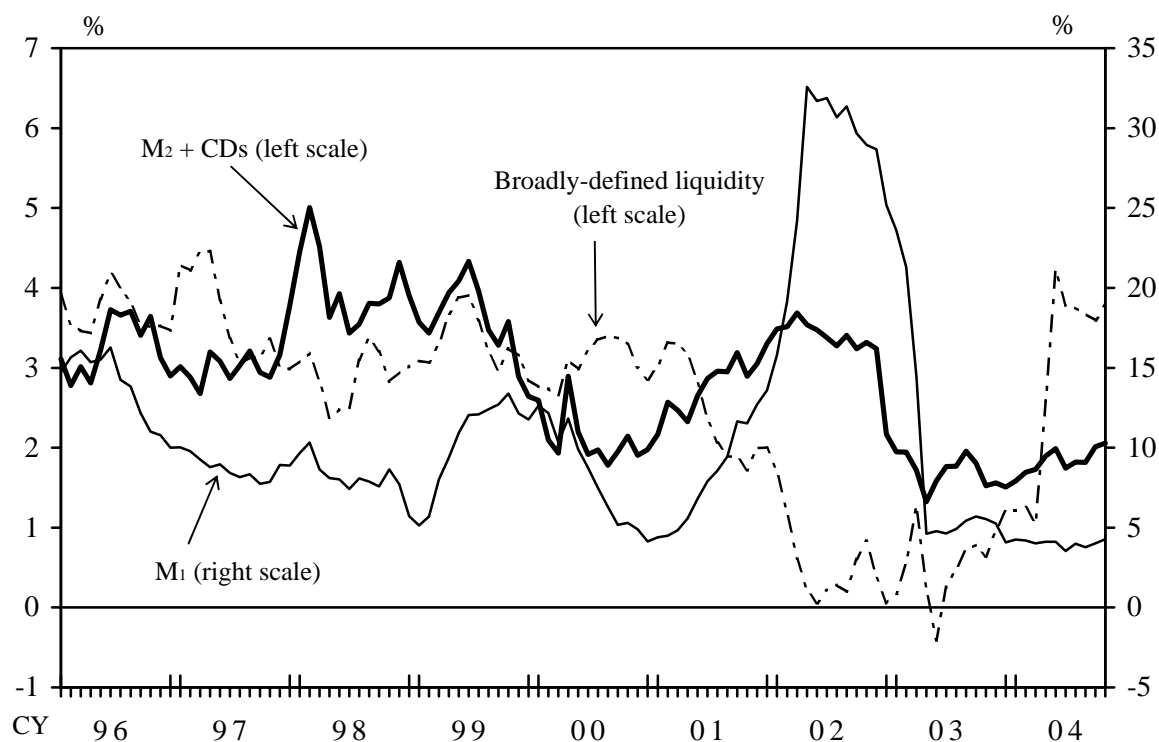
(1) Changes from a Year Earlier**(2) Ratio of Monetary Base to Nominal GDP**

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

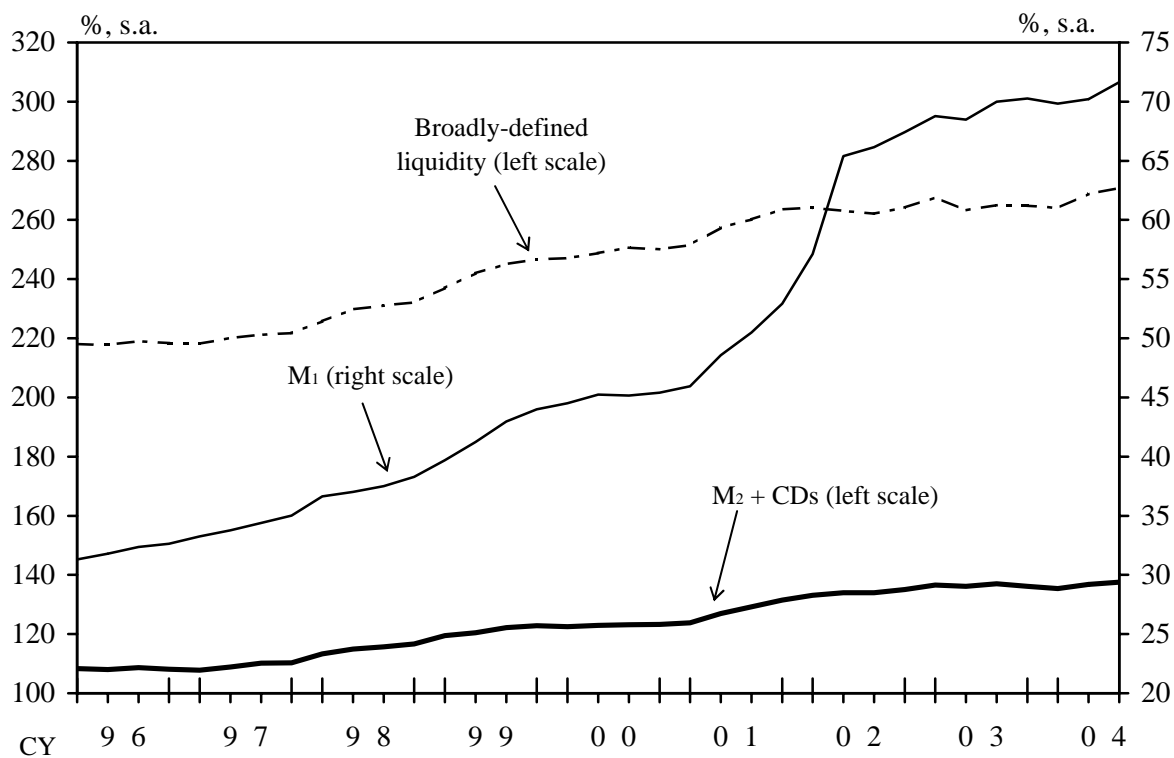
Data for currency in circulation include holdings of financial institutions.

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

(1) Changes from a Year Earlier



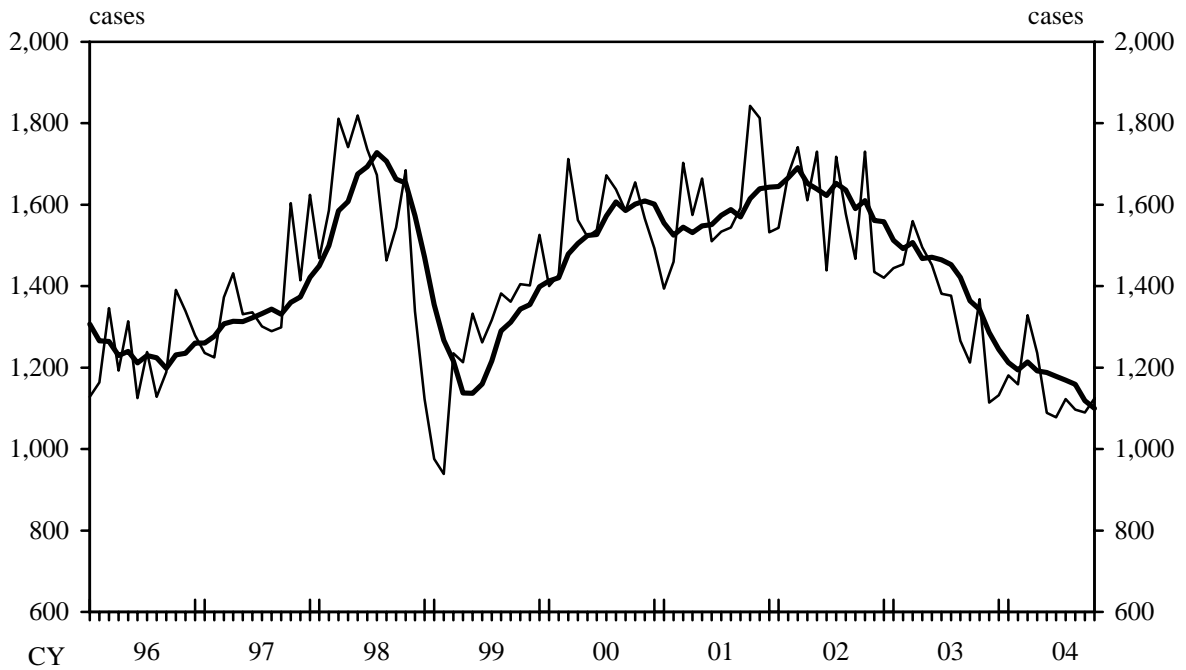
(2) Ratio of Money Stock to Nominal GDP



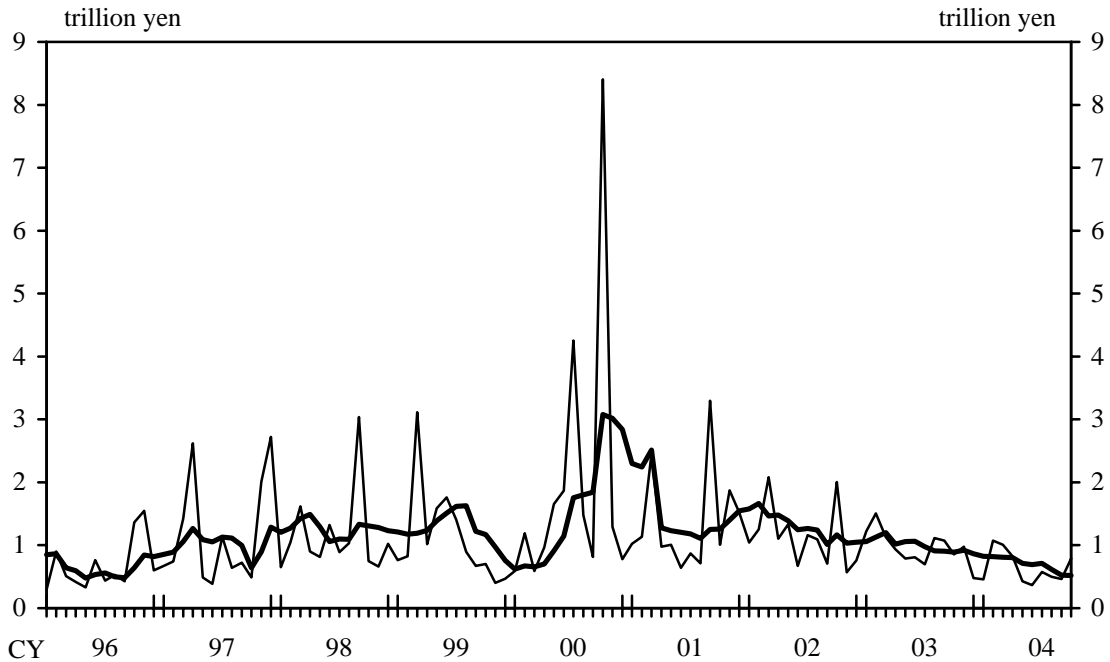
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities

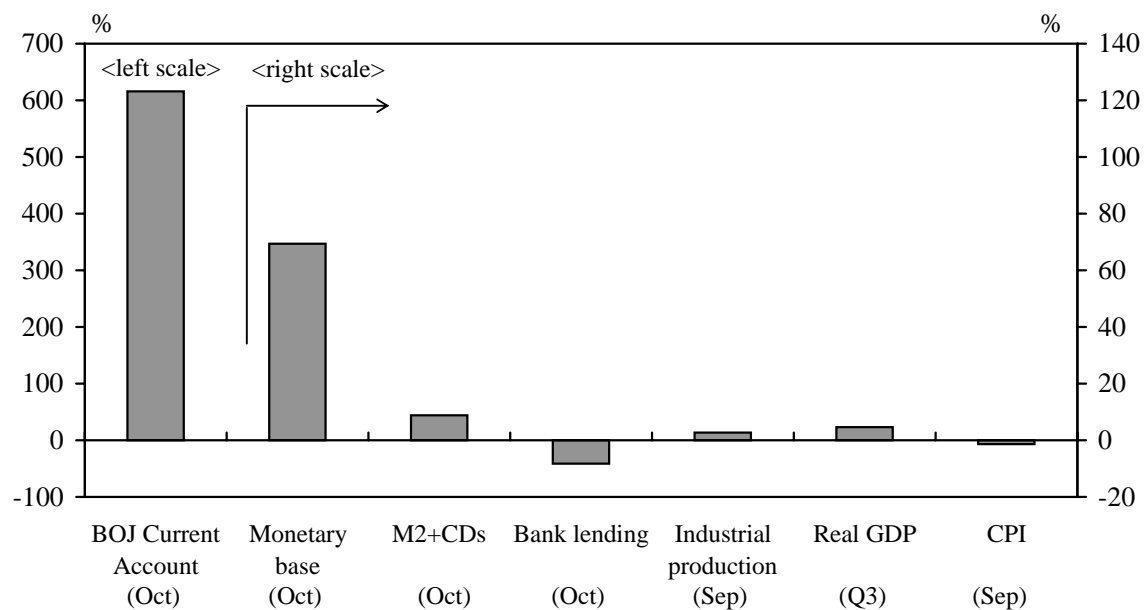


Note: Bold lines are the six-month moving average.

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

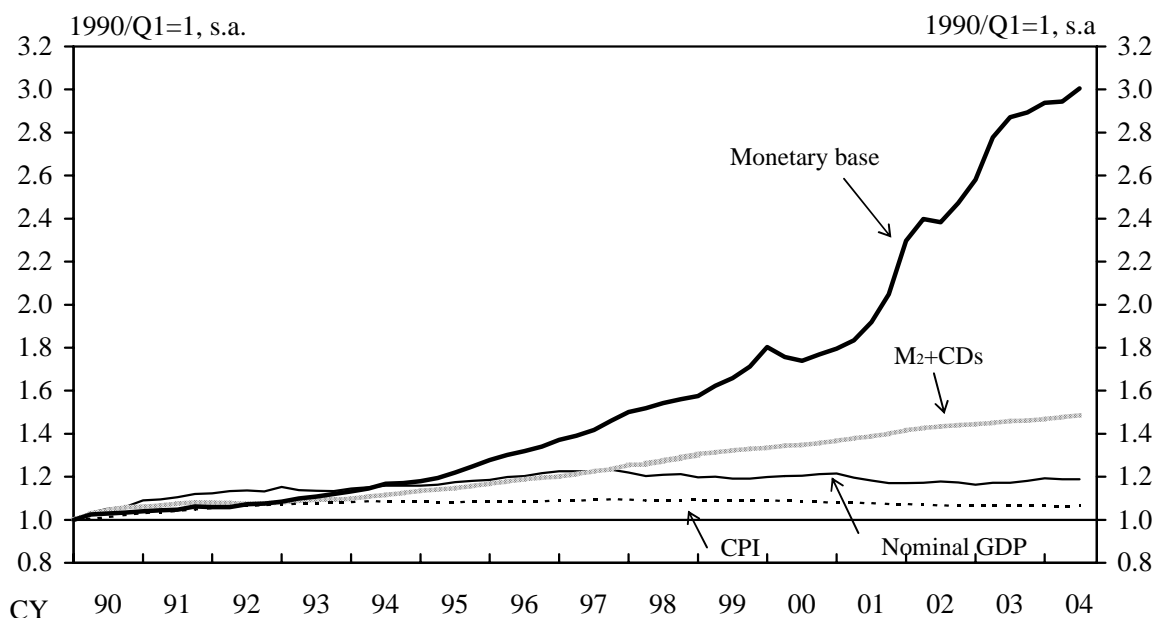
 Monetary Indicators, Economic Activity and Price Development

(1) Changes from March 2001



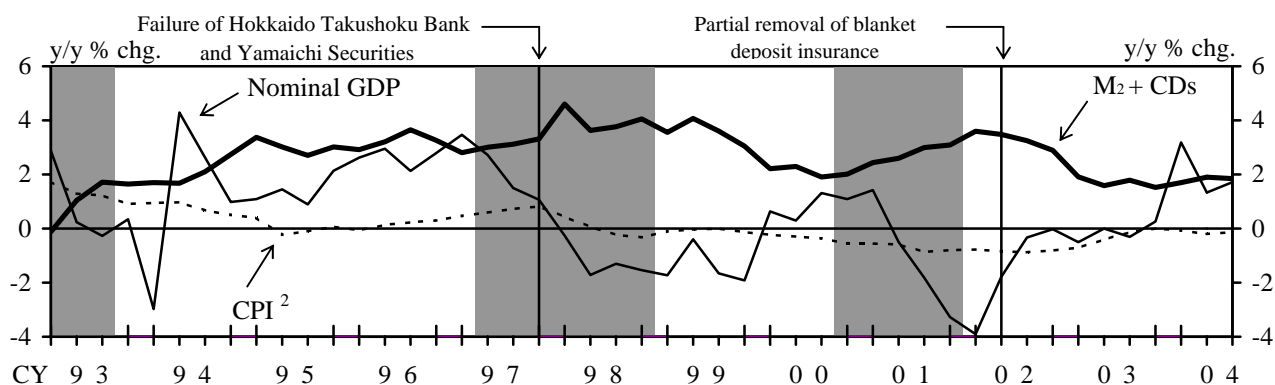
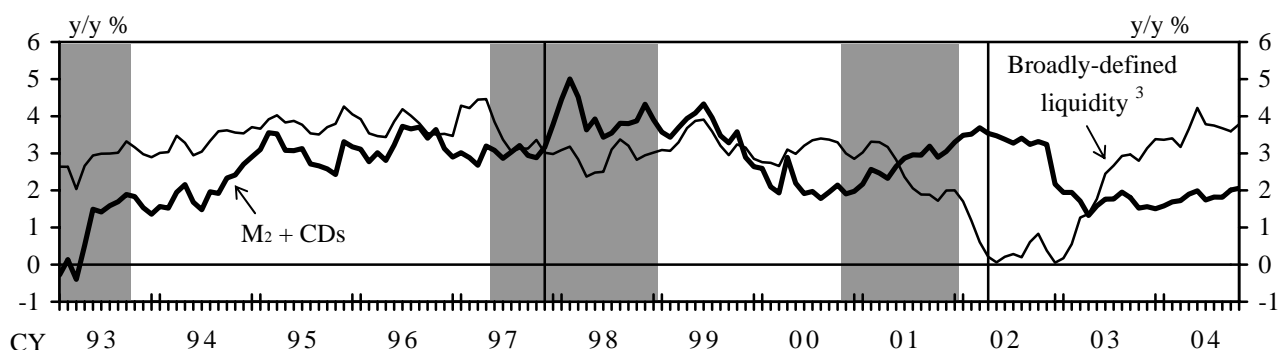
- Notes: 1. Figures, excluding BOJ current account balance and bank lending, are seasonally adjusted.
 2. Figure for the real GDP is compared to that in 2001/Q1.
 3. Figure for the bank lending is adjusted to exclude factors such as the liquidation of loans.
 4. Figure for the CPI excludes fresh food.

(2) Developments since 1990

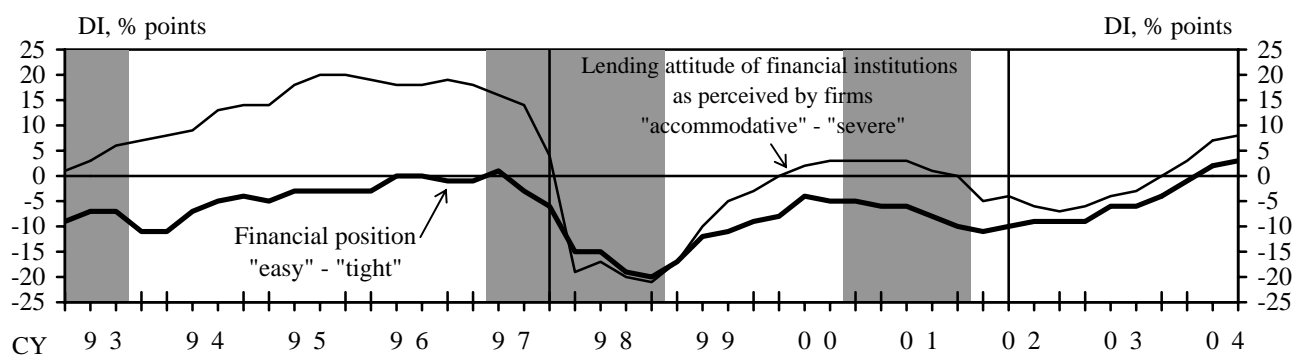


- Notes: 1. Figures for monetary base are adjusted for changes in reserve requirement rates.
 2. Figures for CPI exclude fresh food and effects of the change in the consumption tax rate.

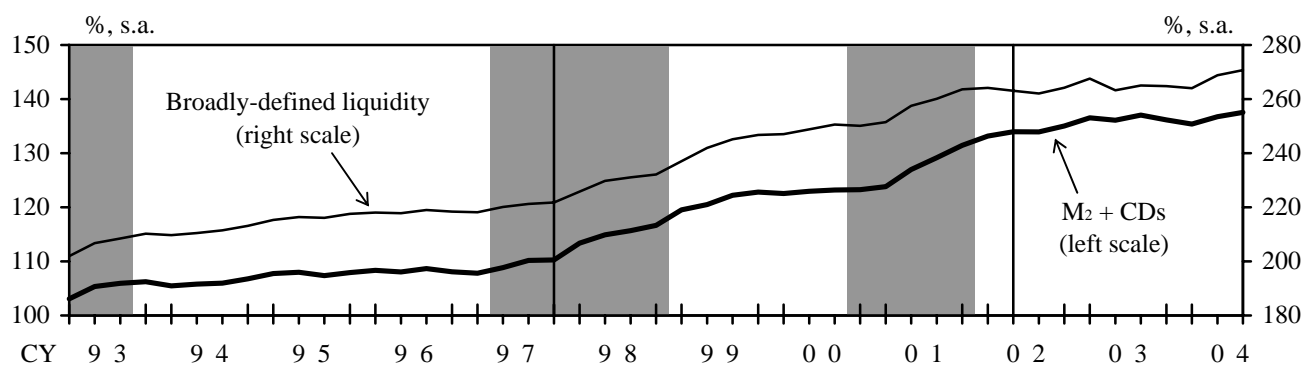
Sources: Cabinet Office, "National Accounts"; Ministry of Internal Affairs and Communications, "Consumer Price Index"; Ministry of Economy, Trade and Industry, "Indices of Industrial Production"; Bank of Japan.

Indicators Related to Money Stock¹(1) M₂+CDs, Nominal GDP and Consumer Price Index (CPI; excluding fresh food)(2) M₂+CDs, Broadly-Defined Liquidity

(3) Financial Position of Firms and Lending Attitude of Financial Institutions (All Enterprises)



(4) Ratio of Money Stock to Nominal GDP



Notes: 1. Shaded areas indicate recession periods.

2. Figures are adjusted to exclude the effects of the consumption tax hike in April 1997.

3. Figures are adjusted to exclude the effects of the dissolution of the Postal Life Welfare Corporation in April 2003.

Sources: Cabinet Office, "National Accounts"; Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bank of Japan.