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**Monthly Report of
Recent Economic and Financial Developments**
May 2005

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Monthly Report of Recent Economic and Financial Developments¹

May 2005

The Bank's View²

Japan's economy continues a recovery trend, albeit with adjustments in IT-related sectors.

Exports are starting to pick up, and industrial production is increasing gradually as inventory adjustments are progressing in IT-related sectors. Business fixed investment has been on a rising trend, mainly in manufacturing, reflecting high corporate profits. The employment situation has also been on an improving trend and household income has clearly stopped declining. In this situation, private consumption has been steady. Meanwhile, housing investment has been nearly flat, and public investment has been basically on a downtrend.

Japan's economy is expected to continue to recover.

Exports and production are expected to be on a rising trend, as overseas economies continue to expand and domestic demand continues to increase, and the effects of adjustments in IT-related sectors diminish. 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 increase gradually as firms' perception that they have excess labor has almost dissipated and corporate profits continue to be high. Public investment, meanwhile, is projected to be basically 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.

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on May 19 and 20, 2005.

² The text of "The Bank's View" was decided by the Policy Board at the Monetary Policy Meeting held on May 19 and 20, 2005.

On the price front, domestic corporate goods prices have recently increased substantially, mainly due to the rise in crude oil prices. Consumer prices (excluding fresh food) have been declining slightly on a year-on-year basis, partly due to the reduction in electricity and telephone charges.

Domestic corporate goods prices are likely to continue increasing for the time being, although at a slower pace. Meanwhile, consumer prices are projected to continue falling slightly on a year-on-year basis because supply and demand conditions are likely to remain loose for the time being, although they are improving, and partly because the effects from the reduction in electricity and telephone charges will continue.

As for the financial environment, the environment for corporate finance is becoming more accommodative on the whole. The issuing environment for CP and corporate bonds is favorable. Also, the lending attitude of private banks is becoming more accommodative. The lending attitude of financial institutions as perceived by firms has been improving. The pace of decline in credit demand in the private sector is becoming somewhat moderate. Under these circumstances, the rate of decline in lending by private banks has been diminishing at a moderate pace, and the amount outstanding of CP and corporate bonds issued continues to be above the previous year's level. The year-on-year growth rate of the monetary base is 3.0 percent. The year-on-year growth rate of the money stock continues to be around 2.0 percent. The year-on-year growth rate of banknotes in circulation is at the 4.0-5.0 percent level. As for developments in financial markets, money market conditions continue to be extremely easy, as the Bank of Japan continues to provide ample liquidity. In the foreign exchange and capital markets, long-term interest rates and stock prices have fallen compared with last month. Meanwhile, the yen's exchange rate against the U.S. dollar has been around the same level as last month.

The Background

1. Japan's Economy

Public investment has basically been on a downtrend, although recently the decline seems to be coming to a halt (Chart 3). The amount of public construction completed—which reflects the actual progress of public works—was somewhat weak in the first quarter, in reaction to the slight increase in the fourth quarter, mainly due to the progress of disaster relief constructions in areas suffering from heavy rains. On the other hand, the value of public works contracted—a measure that reflects public orders—has recently stopped declining, assisted mainly by orders for disaster relief constructions in areas suffering from the Niigata earthquake. Public investment is expected to follow a declining trend, although it is likely to increase temporarily due to the progress of disaster relief-related constructions.

Real exports are starting to pick up because global adjustments in IT-related sectors have been proceeding gradually, and because overseas economies have been on an expanding trend (Charts 4[1] and 5). However, exports increased only marginally in the first quarter, partly due to the sluggish growth in exports to China; exports rose 0.5 percent in the fourth quarter on a quarter-on-quarter basis, and 0.6 percent in the first quarter.

As for real exports by region in the first quarter (Chart 5[1]),³ exports to the United States—whose economy continues to expand—have been increasing moderately, and also those to the NIEs—which tend to be affected by developments in IT-related sectors—have started to rise. However, exports to China increased only marginally, mainly because of measures taken by the Chinese government to cool the overheating economy (goods such as capital goods and parts were affected by these measures) and the effects of inventory adjustments in China (automobiles were influenced by these adjustments). Meanwhile, exports to the EU were almost flat. By goods (Chart 5[2]), exports of IT-related goods (such as electronic parts and liquid crystal panels) have started to pick up, reflecting the progress of global adjustments in IT-related sectors, and also those of capital goods and parts increased, mainly in

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

semiconductor manufacturing equipment. Moreover, exports of automobile-related goods continued to rise moderately.

Real imports have been on an increasing trend, partly due to the progress in the international division of labor between Japan and China, while domestic demand has been steady (Charts 4[1] and 8). They rose only slightly in the first quarter, although this was mainly because imports of aircraft dropped in reaction to the upsurge in the fourth quarter and those of raw materials—which had been somewhat stronger than production during the second half of last year—fell back. Meanwhile, imports of IT-related goods (such as PCs) and consumer goods (digital home appliances), mainly from China, continued to rise steadily.

With the gradual increase in both exports and imports, net exports have been more or less flat in terms of the real trade balance (Chart 4[2]). In these circumstances, the surplus of the nominal balance on goods and services has also been virtually flat.

Exports are projected to increase, since it is expected that overseas economies will continue to expand, particularly in the United States and East Asia (Chart 9-1[2]), and also that adjustment pressures in IT-related sectors will continue to ease further. Looking at overseas economies—an important export condition—the U.S. economy is expected to continue expanding at a pace close to its potential growth rate, as private consumption and business fixed investment continue to increase, and also employment has been improving (Chart 9-2). Moreover, the Chinese economy has continued its high growth. Nevertheless, exports are unlikely to exhibit the high growth observed during the first half of last year, because the pace of recovery in global IT-related demand is projected to be moderate.

Imports are expected to continue their uptrend, as the domestic economy is projected to continue recovering.

Business fixed investment has been on a rising trend, mainly in manufacturing. On a GDP basis, fixed investment was more or less flat in the second half of last year, but it increased in the first quarter (Chart 2). Shipments of

capital goods (excluding transport equipment)—a coincident indicator of machinery investment—exhibited high growth during the first half of last year, but have been more or less flat since the second half of last year, reflecting the sluggish growth in IT-related goods such as semiconductor manufacturing equipment and flat-panel display manufacturing equipment (Chart 10-1[1]).⁴ On the other hand, machinery orders (private demand, excluding shipbuilding and orders from electric power companies)—a leading indicator of machinery investment—continued their gradual uptrend with the fluctuations smoothed out; they increased in the fourth quarter but were virtually flat in the first quarter (Chart 10-2[1]). In detail, orders from electrical machinery—which comprise a large weight—have been more or less flat, but orders from automobiles have accelerated recently.⁵ Moreover, construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—continued their uptrend on average, albeit with some large recent fluctuations (Chart 10-2[2]). By industry, the increase was recently observed mainly in mining and manufacturing (factories), real estate (office buildings), and medical, health care and welfare.

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

Private consumption has been steady. On a GDP basis, private consumption increased notably in the first quarter, after having been somewhat weak in the second half of last year (Chart 2). With regard to individual indicators (Charts 11-1 and 11-2), the number of new passenger-car registrations was somewhat weak in February and March, but they rose sharply in April mainly supported by the upsurge in registrations of new models whose orders have been increasing steadily during February-March. Sales of household electrical appliances (NEBA statistics, in real terms) have been increasing steadily, particularly in flat panel TVs and PCs. Moreover, sales at department stores and supermarkets picked up in the first quarter

⁴ Until last month, shipments of capital goods exhibited a substantial increase, but their figures were significantly revised thereafter in line with the release of the revised figures and the annual revision for 2004 of the *Indices of Industrial Production*.

⁵ Meanwhile, forecasts for the second quarter show that orders are projected to drop slightly, mainly in nonmanufacturing.

as a whole, mainly in apparel, although they fell back in February and March after the upsurge in January, mainly due to favorable sales of winter apparel bolstered by the cold weather. Meanwhile, sales at convenience stores continued their gradual uptrend. As for services consumption, sales in the food service industry and outlays for travel have been recovering from the start of this year, after declining during the second half of last year, mainly due to the weather and natural disasters. Travel during Japan's annual holidays from late April to early May (the so-called Golden Week holidays) seems to have been strong, mainly in overseas travel to Europe and the United States, boosted partly by calendar factors.

Indices of aggregated sales (in real terms), which are comprised of major sales indicators of these goods and services,⁶ improved notably in the first quarter, as observed in the improvement in many indicators mentioned above, after displaying weak movements in the fourth quarter, partly affected by weather factors (Chart 11-3). On the other hand, the aggregate supply of consumer goods—which comprehensively captures producers' supply of goods—was on a rising trend. The increase in the first quarter was mainly attributable to nondurable consumer goods such as foodstuffs and beverages (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) also increased firmly in the first quarter after having decreased in the fourth quarter, a pattern observed in sales indicators as well, although it fluctuates considerably because of sampling factors (Chart 11-1[1]).

Indicators for consumer sentiment continued to be favorable on the whole (Chart 12).

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. The coverage of services consumption is narrow, however, and the indices do not necessarily incorporate all sales channels of goods. Also, note that outlays for travel in March were not released at the time when these indices were compiled, and hence were incorporated into the indices under the assumption that the seasonally adjusted figures for March were at the same level as in February.

Private consumption is projected to continue recovering steadily, with a gradual increase in household income.

As for housing investment, housing starts were basically more or less flat (Chart 13[1]), although they marked a level of over 1.2 million units (annual rates) in the first quarter, particularly in housing for sale and housing for rent. Housing investment is projected to be nearly flat.

Industrial production is increasing gradually, as inventory adjustments are progressing in IT-related sectors (Chart 14). Production grew steadily in the first quarter by increasing 1.7 percent on a quarter-on-quarter basis. This was partly due to temporary factors such as the increase in chemicals (the production level was lifted prior to regular repairs), and in steel ships (there was an upsurge in construction starts of steel ships at the end of last year and the building of these ships were in progress). Nevertheless, looking at other industries, automobiles—whose demand is favorable—increased, and electronic parts and devices stopped declining, reflecting the progress in inventory adjustments.

Meanwhile, shipments rose only marginally in the first quarter by increasing 0.4 percent on a quarter-on-quarter basis, despite the increase in production mentioned above. This was because: (1) shipments of steel ships are not counted as shipments in the statistics until completed, even though the building of these ships is in progress; and (2) among the increase in production of automobiles and chemicals, a significant part of them was temporarily stored as inventories.

Actually, inventories rose as a whole due to factors regarded as temporary, although those of electronic parts and devices have been decreasing steadily (Chart 14[1]). The chart of the inventory cycle shows that inventory adjustments have been progressing steadily in electronic parts and devices (Chart 16); growth rates of inventories and shipments were almost balanced. Meanwhile, inventories of durable consumer goods increased sharply, but this seems to be a temporary phenomenon because inventories, mainly of automobiles, waiting to be shipped overseas happened

to increase.⁷ Moreover, the rise in inventories of “producer goods excluding electronic parts and devices” was affected by the increase in the production level prior to regular repairs in chemicals.

As for the outlook, overseas economies will continue to grow, and the foundation for a recovery in domestic demand will also be solid. Based on these factors, production is expected to continue its uptrend. According to anecdotal information, production is unlikely to increase notably in the second quarter, since production of steel ships and chemicals is expected to fall back.⁸ On average, however, taking into account the high growth in the first quarter, a rising trend in production will be confirmed. Nevertheless, it is to be confirmed that the increased inventories in the first quarter are shipped steadily. Also, considerable uncertainty remains about the pace of increase in final demand of IT-related sectors. Hence, these factors require close monitoring.

As for the employment and income situations, various indicators reflecting labor market conditions have been on an uptrend, albeit with some fluctuations, and household income has clearly stopped declining (Chart 17).

In the labor market, overtime hours worked remained high, although it seems to have peaked out recently (Chart 18-2[3]). The number of new job offers continued to increase on a year-on-year basis, particularly in the services industry including temporary employment services and similar businesses, although the growth rate has slowed somewhat (Charts 18-1[2] and [3]). Under these circumstances, the ratio of job offers to applicants has been high, and the unemployment rate has followed a gradual downtrend with the fluctuations smoothed out (Chart 18-1[1]).

⁷ The increased inventories of capital goods are also affected by the rise in inventories of automobiles waiting to be shipped overseas, some of which are categorized as capital goods, in addition to the intended accumulation of inventories such as that of machine tools.

⁸ In contrast, the forecast for production in the second quarter, calculated based on the production forecast index for April and May, exhibited somewhat high growth following the first quarter; it marked an increase of 1.6 percent compared to the first quarter mainly in general machinery. However, it should be kept in mind that the forecast does not take into account the fall in steel ships. Also, it is calculated based on the assumption that production in June will not fall back (it will be flat in June compared to May), notwithstanding high production levels in April and May.

In terms of employment, the number of employees in the *Labour Force Survey* has recently stopped rising, mainly due to the decline in female temporary employees. On the other hand, the number of regular employees in the *Monthly Labour Survey* continued to increase noticeably on a year-on-year basis (Charts 18-2[1]). Looking at the number of regular employees in detail, full-time employees started to rise on a year-on-year basis from the start of the year, while the increase in the number of part-time employees slowed. Consequently, the increase in the ratio of part-time workers has started to peak out (Chart 18-2[2]).

Regarding wages on a year-on-year basis (Chart 17[2]), special payments have been on an uptrend, reflecting high corporate profits. Also, the rate of decline in regular payments has been on a diminishing trend, mainly because the ratio of part-time workers has started to peak out. As a result, wages per worker have almost stopped declining as a whole.

As for the outlook, firms are expected to continue restraining their labor costs. Household income, however, is expected to increase gradually, since firms will increase not only part-time workers but also full-time workers as firms' perception that they have excess labor has almost dissipated and corporate profits continue to be high.

2. Prices

Import prices (on a yen basis, same hereafter, compared to levels three months before) have recently increased sharply, reflecting the rise in international commodity prices (Chart 20).

Domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter, compared to levels three months before)⁹ have recently increased substantially, mainly due to the rise in crude oil prices (Chart

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

21). In detail, prices of petroleum and coal products have surged, reflecting the rise in crude oil prices. Moreover, the rate of increase in prices of iron and steel related products and of other materials (such as chemicals and related products) expanded, assisted mainly by the rise in the cost of materials and firm demand. With respect to the above movements by stage of demand, intermediate goods prices have risen sharply, and final goods prices have recently started to increase, mainly because of the rise in gasoline prices.

The year-on-year rate of decline in corporate services prices (excluding external factors; same hereafter) has been on a gradual diminishing trend over a somewhat long-term perspective (Chart 22).¹⁰ However, the year-on-year rate of decline remained unchanged as a whole in the first quarter. This was because while the rate of decline in prices of real estate services (such as rents of highly marketable properties) and other services (such as temporary employment agency services) diminished, that of leasing and rental (prices of properties) and communications and broadcasting services (fixed telephone services) expanded.

Consumer prices (excluding fresh food, same hereafter) have been declining slightly on a year-on-year basis, partly due to the reduction in electricity and telephone charges (Chart 23). The year-on-year rate of decline narrowed slightly in March by posting a decrease of 0.3 percent compared to February (a decline of 0.4 percent).

As for the outlook, domestic corporate goods prices are likely to continue increasing for the time being, although at a slower pace, reflecting the rise in commodity prices at home and abroad to date. 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. Moreover, firms are likely to continue their streamlining efforts such as restraining labor costs, even though the ratio of part-time workers has started to peak out. Meanwhile, the effects of the reduction in electricity and telephone charges are expected to continue for the

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

time being. Based on these considerations, consumer prices are projected to 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 declining on the whole.

Yields on 10-year government bonds (newly issued 10-year JGB; Chart 25[2]) decreased, reflecting the decline in Japanese stock prices, but increased thereafter, mainly due to the stronger-than-forecasted U.S. economic indicators. They have recently been moving at the 1.25-1.30 percent level.

Yield spreads between private bonds (bank bonds and corporate bonds) and government bonds (Charts 29 and 30) have been expanding slightly, mainly between government bonds and private bonds with low credit ratings, reflecting the widening spreads in the U.S. credit market.

Stock prices (Chart 31) fell, compounded by the anti-Japanese demonstrations in China, in addition to weak U.S. stock prices. The Nikkei 225 Stock Average is moving at around 11,000 yen.

In the foreign exchange market (Chart 32), the yen rose as views that the Fed could accelerate the pace of rate increases shrunk and as expectations for a revaluation of the renminbi heightened. It then dropped toward mid-May, reflecting the

stronger-than-forecasted U.S. economic indicators. The yen is being traded in the range of 106-108 yen to the U.S. dollar.

(2) Corporate Finance and Monetary Aggregates

The pace of decline in credit demand in the private sector is becoming somewhat moderate as the economy continues a recovery trend, while firms continue to reduce their debts.

Regarding credit supply, the lending attitude of private banks is becoming more accommodative on the whole. The lending attitude of financial institutions as perceived by firms, including small firms, has also been improving (Chart 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 year-on-year rate of decline in lending by private banks (monthly average outstanding balance basis, after adjustment for extraordinary factors¹¹) has been diminishing at a moderate pace. (The year-on-year change was -1.0 percent in February, -0.7 percent in March, -0.5 percent in April; Chart 35.)

In the corporate bond and CP markets, the issuing environment continues to be favorable. Corporate bond issuance rates have basically been flat, while issuance spreads remain stable at low levels. CP issuance rates 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 0.9 percent in February, 1.5 percent in March, and 1.2 percent in April; Chart 37.)

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

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

The year-on-year growth rate of banknotes in circulation increased slightly; it is currently at the 4.0-5.0 percent level. The year-on-year growth rate of the monetary base (currency in circulation + current account balances at the Bank of Japan) rose somewhat; it is currently at 3.0 percent. (The year-on-year change was 1.2 percent in February, 2.0 percent in March, and 3.0 percent in April; Chart 38.)

The year-on-year growth rate of the money stock (M_2 + CDs) continues to be around 2.0 percent. (The year-on-year change was 1.9 percent in February, 2.1 percent in March, and 1.9 percent in April; Chart 39.)

The number of corporate bankruptcies continues its downtrend; it declined by 23.5 percent year-on-year in April, to 946 cases (Chart 40).

**Box: Monetary Indicators—
Before and After the Removal of Blanket Deposit Insurance**

Looking at developments in monetary indicators such as money stock at the time of the partial removal of blanket deposit insurance in April 2002, the growth rate of “M1”—in which ordinary deposits comprise a large weight—rose sharply, reflecting a shift of funds on a large scale from time deposits to ordinary deposits which continued to be protected in full, while the growth rate of “M2+CDs” was almost flat. Meanwhile, the growth rate of banknotes increased notably. Funds were also shifted considerably from regional financial institutions to city banks.

On the other hand, the growth rates of ordinary deposits and “M1” were steady at the time of full removal of the blanket deposit insurance in April this year (note). Although some types of financial products, such as some investment trusts, seem to be selling well, a large shift of funds from ordinary deposits to time deposits and financial assets not included in “M2+CDs” has not been observed as a whole. Moreover, a large shift of funds among different bank categories observed at the time of the partial removal of blanket deposit insurance in April 2002 did not occur.

In light of this background, first of all, a shift of funds among financial institutions was not observed, since anxieties about the financial system decreased substantially from a while ago. Also, a shift of funds from ordinary deposits to time deposits and other financial assets was insignificant due to the following two factors: (1) under the low-interest rate environment, the spread between interest rates on ordinary deposits and those on time deposits is considerably narrow at present, and hence this has been unlikely to facilitate the shift of funds to time deposits; and (2) households and firms still tend to have a preference for principal-guaranteed financial products, and hence the shift of funds to financial assets other than deposits has been unlikely to occur.

At present, considerably large amounts of funds, in comparison to the GDP, are held in readily liquid forms such as ordinary deposits and banknotes. Under these circumstances, a shift of funds among financial assets might take place in the future if there are changes in the risk preference of households and firms and in the environment surrounding asset management. Taking these factors into consideration, movements in the monetary indicators continue to require close monitoring.

Note: Payment and settlement deposits—which were newly introduced as deposits given full protection under the deposit insurance system— are included in “M1” in the money stock statistics along with ordinary deposits. Hence, a shift of funds from ordinary deposits to payment and settlement deposits is not reflected in the statistics.

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Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2004/Q3	Q4	2005/Q1	2005/Jan.	Feb.	Mar.	Apr.
Index of living expenditure level (all households)	-2.5	-1.8	2.7	4.4	-0.7	-0.8	n.a.
Sales at department stores	-0.7	-1.3	0.9	2.3	-4.3	1.2	n.a.
Sales at supermarkets	-0.9	-1.4	-0.2	2.9	-0.6	-2.6	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 342>	< 344>	< 342>	< 346>	< 341>	< 337>	< 377>
Sales of household electrical appliances (real, NEBA)	4.2	4.1	3.3	-0.3	-2.3	6.7	n.a.
Outlays for travel (50 major travel agencies)	-4.5	-5.6	6.2	8.7	-0.7	2.6	n.a.
Housing starts <s.a., ann. 10,000 units>	< 122>	< 117>	< 121>	< 130>	< 117>	< 117>	<n.a.>
Machinery orders (from private sector ⁴)	-5.4	5.7	0.7	-1.6	4.9	1.9	n.a.
Manufacturing	-10.3	5.3	0.9	-12.3	8.7	2.1	n.a.
Nonmanufacturing ⁴	-3.3	6.5	0.4	6.8	2.6	1.3	n.a.
Construction Starts (private, nondwelling use)	8.8	-10.0	17.1	22.0	13.5	-26.9	n.a.
Mining & manufacturing	-10.1	5.2	10.9	42.0	-17.3	-28.2	n.a.
Nonmanufacturing ⁵	14.0	-12.9	18.7	18.2	22.3	-26.7	n.a.
Value of public works contracted	-0.8	-7.4	0.5	2.5	1.0	-4.8	0.3
Real exports	0.3	0.5	0.6	3.7	-2.9	1.9	n.a.
Real imports	1.5	2.1	0.4	6.5	-5.6	3.7	n.a.
Industrial production	-0.1	-0.9	1.7	3.2	-2.3	-0.2	n.a.
Shipments	-0.3	-0.9	0.4	2.3	-2.9	0.7	n.a.
Inventories	1.7	-2.2	3.1	2.1	1.3	-0.3	n.a.
Inventory Ratio <s.a., CY 2000=100>	<97.4>	<94.9>	<98.4>	<96.0>	<100.4>	<98.4>	<n.a.>
Real GDP	-0.3	0.0	1.3	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.0	-0.2	n.a.	2.3	-1.1	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2004/Q3	Q4	2005/Q1	2005/Jan.	Feb.	Mar.	Apr.
Ratio of job offers to applicants <s.a., times>	<0.85>	<0.90>	<0.91>	<0.91>	<0.91>	<0.91>	<n.a.>
Unemployment rate <s.a., %>	<4.8>	<4.6>	<4.6>	<4.5>	<4.7>	<4.5>	<n.a.>
Overtime working hours ⁶	3.7	1.6	0.4	2.1	0.0	-0.9	n.a.
Number of employees	0.4	0.1	0.0	0.0	-0.0	0.0	n.a.
Number of regular employees ⁶	0.7	0.7	0.6	0.7	0.6	0.5	n.a.
Nominal wages per person ⁶	-0.4	0.0	0.0	0.2	0.1	-0.4	n.a.
Domestic corporate goods price index ⁷ <q/q % chg.> (3-month growth rate)	1.8 <0.5>	2.0 <0.4>	1.4 <-0.1>	1.4 <-0.3>	1.3 <-0.3>	1.4 <0.1>	p 1.8 <p 1.0>
Consumer price index ⁸	-0.2	-0.2	-0.4	-0.3	-0.4	-0.3	n.a.
Corporate service price index	-0.2	-0.3	p -0.7	-0.7	-0.6	p -0.8	n.a.
Money Stock (M ₂ +CDs) <average outstanding, y/y % chg.>	1.9	2.0	2.0	2.0	1.9	2.1	1.9
Number of corporate bankruptcies <cases>	<1,103>	<1,099>	<1,059>	<1,022>	<1,014>	<1,140>	< 946>

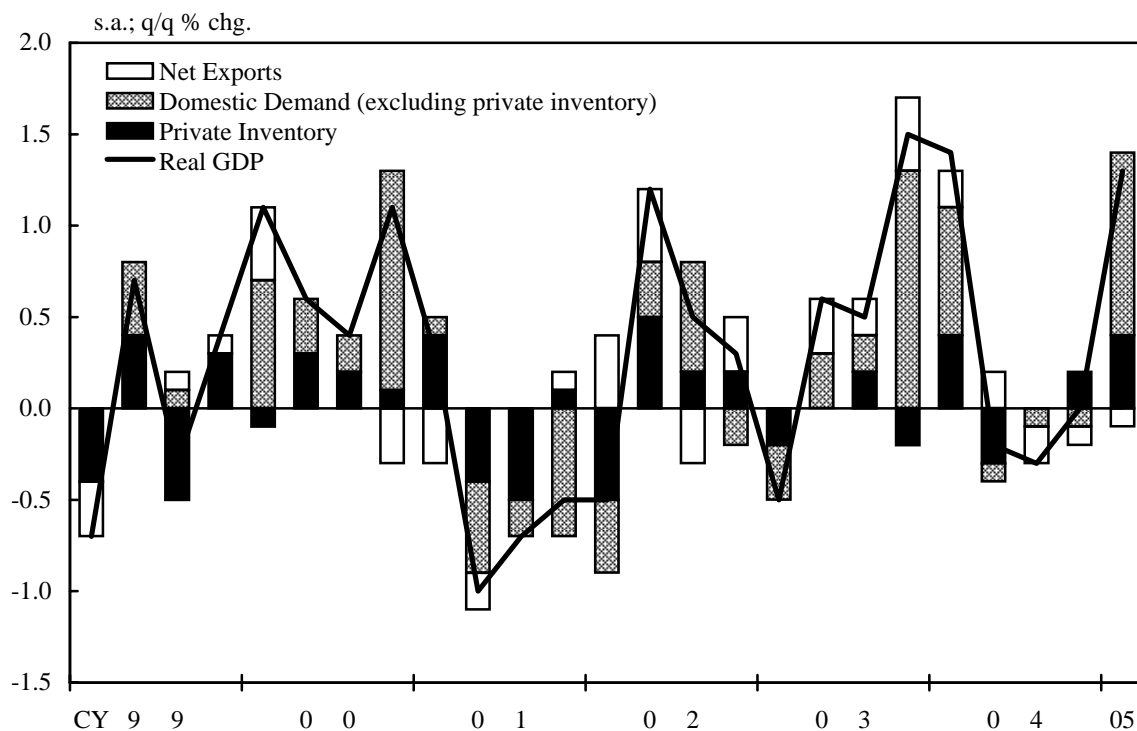
Notes: 1. All figures in chart 1-1 except figures in angle brackets are quarter on quarter (month on month) change of seasonal adjusted data.

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.

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

Real GDP

(1) Changes from the previous quarter (seasonally adjusted series)**(2) Components**

s.a.; q/q % chg.

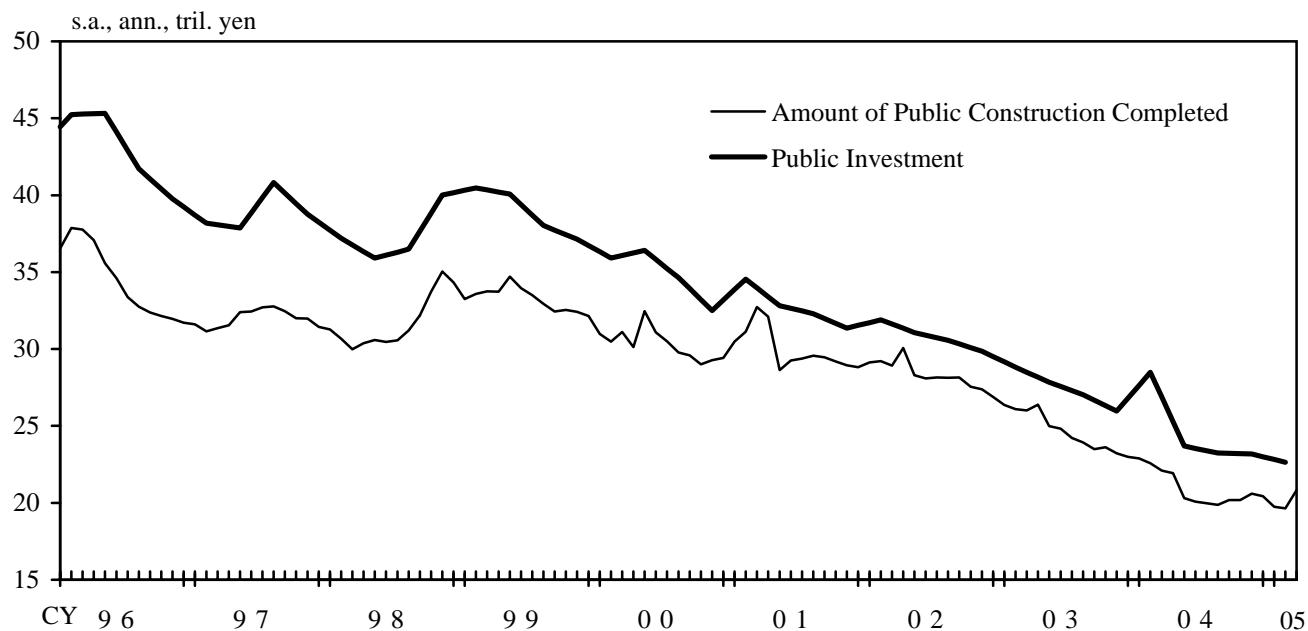
	2004				2005
	Q1	Q2	Q3	Q4	Q1
Real GDP	1.4	-0.2	-0.3	0.0	1.3
Domestic Demand	1.2	-0.5	-0.1	0.1	1.4
Private Consumption	0.7	0.0	-0.1	-0.4	1.2
Non-Resi. Investment	-2.5	3.6	-0.0	-0.2	2.0
Residential Investment	0.7	1.3	0.6	0.6	-1.4
Private Inventory	(0.4)	(-0.3)	(-0.0)	(0.2)	(0.4)
Public Demand	3.2	-3.4	-0.1	0.4	0.2
Public Investment	9.0	-17.0	-2.1	-0.6	-1.7
Net Exports of goods and services	(0.2)	(0.2)	(-0.2)	(-0.1)	(-0.1)
Exports	5.1	3.4	0.5	1.4	-0.2
Imports	3.7	1.9	2.3	2.1	0.5
Nominal GDP	1.2	-0.6	-0.2	0.1	0.6

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

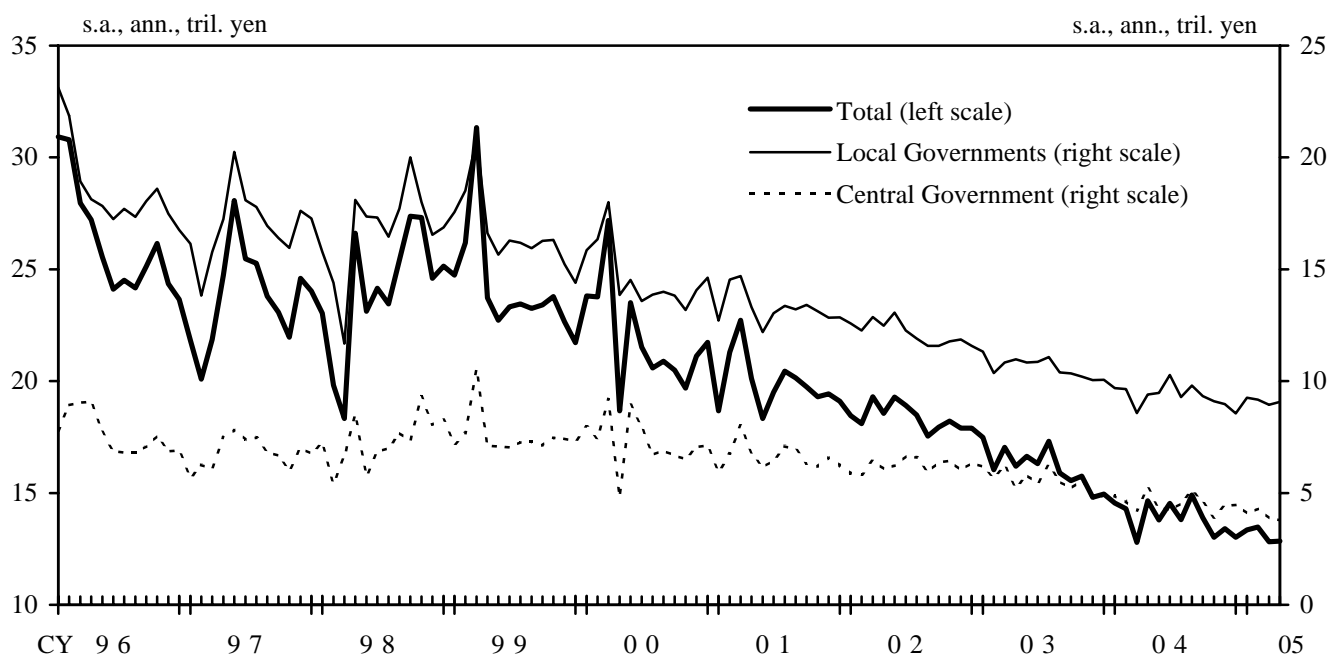
Source: Cabinet Office, "National Accounts."

Public Investment

(1) Amount of Public Construction Completed and Public Investment



(2) Value of Public Works Contracted

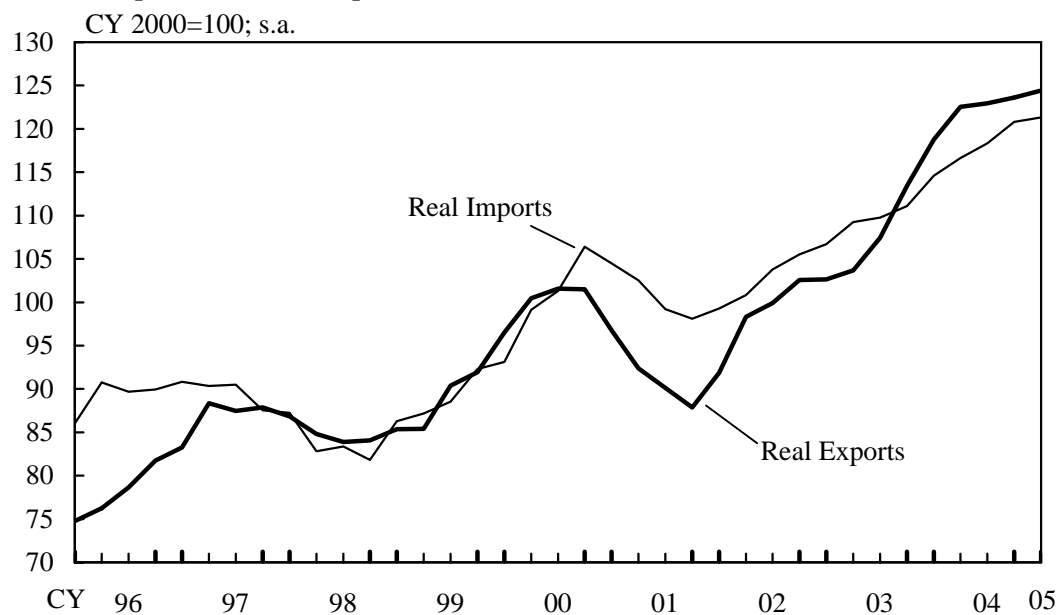


- Notes: 1. Quarterly figures of public investment are plotted at the middle month of each quarter.
2. Amount of public construction completed is based on the general tables in the "Integrated Statistics on Construction Works." The figures until March 2000 are retroactively calculated with year-to-year growth rates on the former basis.
3. The figures of value of public works contracted and amount of public construction completed are seasonally adjusted by X-12-ARIMA.

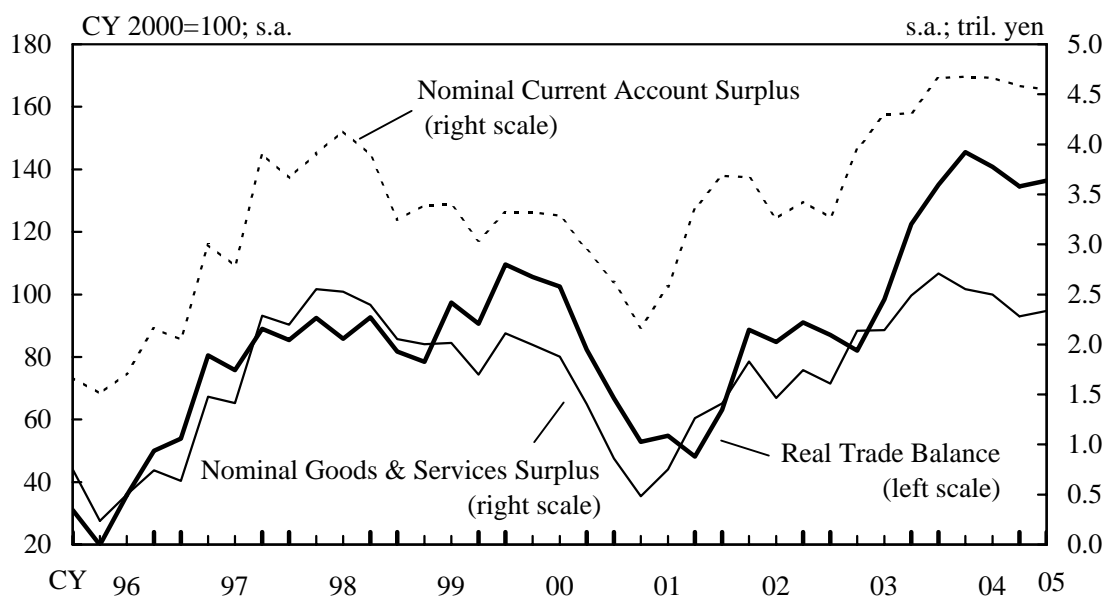
Sources: Cabinet Office, "National Accounts";
East Japan Construction Surety etc., "Public Works Prepayment Surety Statistics";
Ministry of Land, Infrastructure and Transport, "Integrated Statistics on Construction Works."

 External Balance

(1) Real Exports and Real Imports



(2) Real Trade Balance and Nominal Current Account Surplus



Notes: 1. Real trade balance is defined as real exports minus real imports, indexed with base year of 2000. Real exports/imports are "The Value of Exports and Imports in Trade Statistics" deflated by the "Export and Import Price Index."

2. Real exports/imports and the real trade balance are seasonally adjusted by X-12-ARIMA.

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 2003	2004	2004 Q1	Q2	Q3	Q4	2005 Q1	2005 Jan.	Feb.	Mar.
United States	<22.4>	-5.5	6.8	1.2	2.9	0.3	2.3	2.0	4.1	-1.1	2.1
EU	<15.5>	14.9	18.7	10.3	2.3	2.1	2.0	-0.7	3.5	-3.1	-1.1
East Asia	<46.9>	20.4	19.1	6.5	1.4	0.7	-0.5	3.2	13.0	-9.1	1.1
China	<13.1>	42.0	22.2	9.1	2.1	-0.2	2.8	1.3	17.2	-14.7	1.7
NIEs	<24.7>	16.2	20.4	6.0	1.8	0.9	-2.8	4.4	14.3	-10.0	2.5
Korea	<7.8>	19.2	19.1	9.9	0.6	-1.4	-6.9	7.9	25.1	-9.5	-2.8
Taiwan	<7.4>	16.8	26.9	4.4	1.9	6.8	-1.7	3.1	13.8	-13.3	7.6
ASEAN4 ³	<9.1>	9.6	12.3	4.6	-0.4	1.1	1.2	2.8	4.2	1.9	-2.9
Thailand	<3.6>	19.0	16.8	5.6	2.5	0.9	5.6	5.2	8.4	-0.2	-0.1
Real exports		8.9	14.5	4.7	3.2	0.3	0.5	0.6	3.7	-2.9	1.9

(2) Breakdown by goods

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 2003	2004	2004 Q1	Q2	Q3	Q4	2005 Q1	2005 Jan.	Feb.	Mar.
Intermediate goods	<16.3>	5.6	5.5	4.0	-2.9	-1.6	-0.0	1.5	7.5	-7.6	2.3
Motor vehicles and their related goods	<22.4>	1.3	8.3	-0.2	5.3	0.6	1.2	1.7	-0.2	4.4	-1.6
Consumer goods ⁴	<6.0>	16.2	14.9	4.3	1.3	-3.5	4.5	-2.0	3.6	-0.9	-0.5
IT-related goods ⁵	<13.7>	13.2	17.3	4.8	4.2	-0.4	-0.6	2.2	8.9	-7.8	1.1
Capital goods and parts ⁶	<30.0>	18.8	23.5	8.0	5.5	1.8	0.3	1.3	6.6	-5.3	4.6
Real exports		8.9	14.5	4.7	3.2	0.3	0.5	0.6	3.7	-2.9	1.9

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

2. Shares of each region and goods in 2004 are shown in angle brackets.

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

4. Excludes motor vehicles.

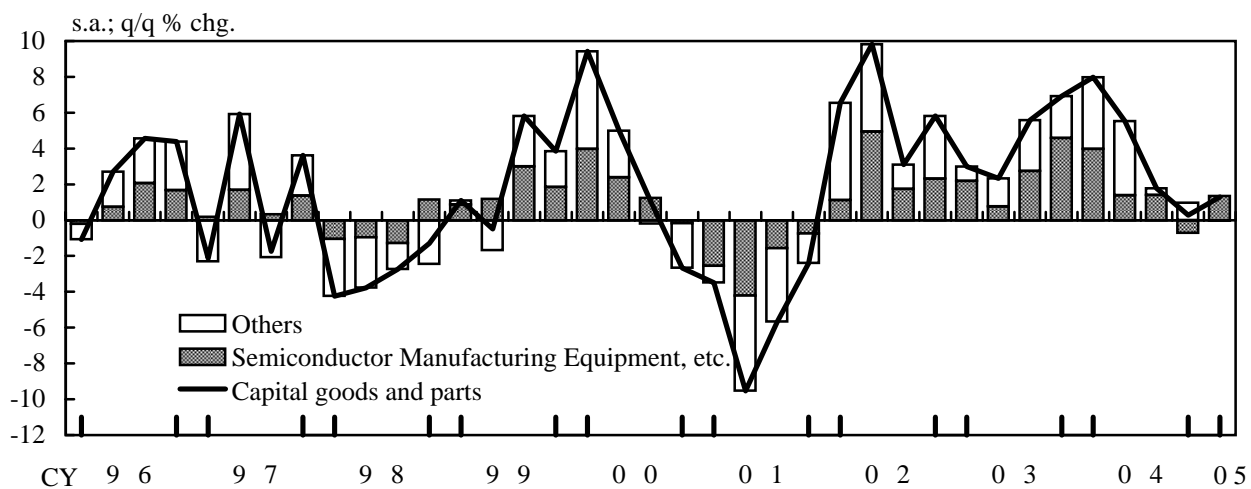
5. IT-related goods are composed of computers and units, telecommunication machinery, ICs and medical and optical instruments.

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

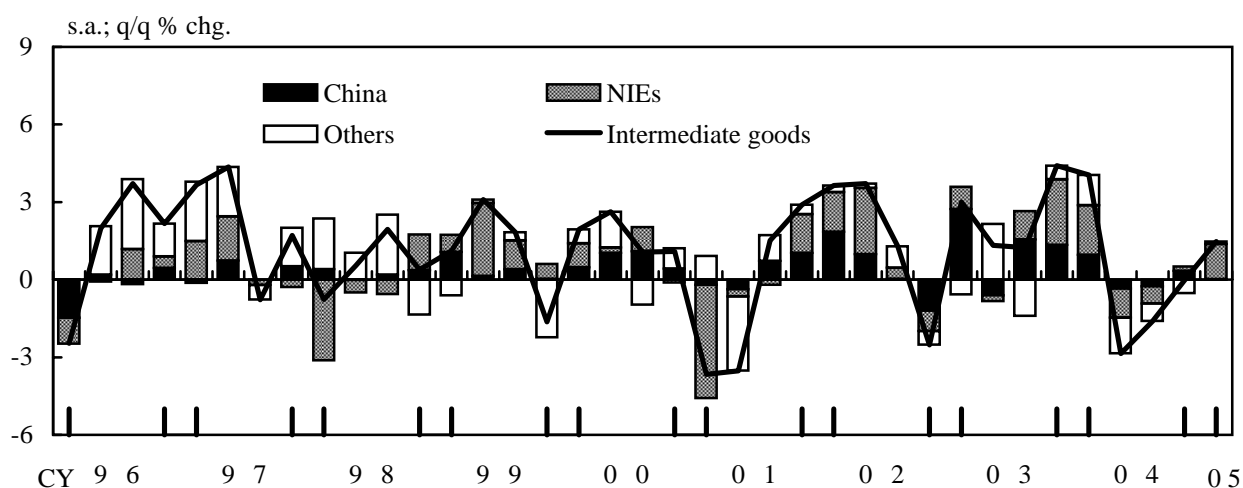
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Real Exports breakdown by goods

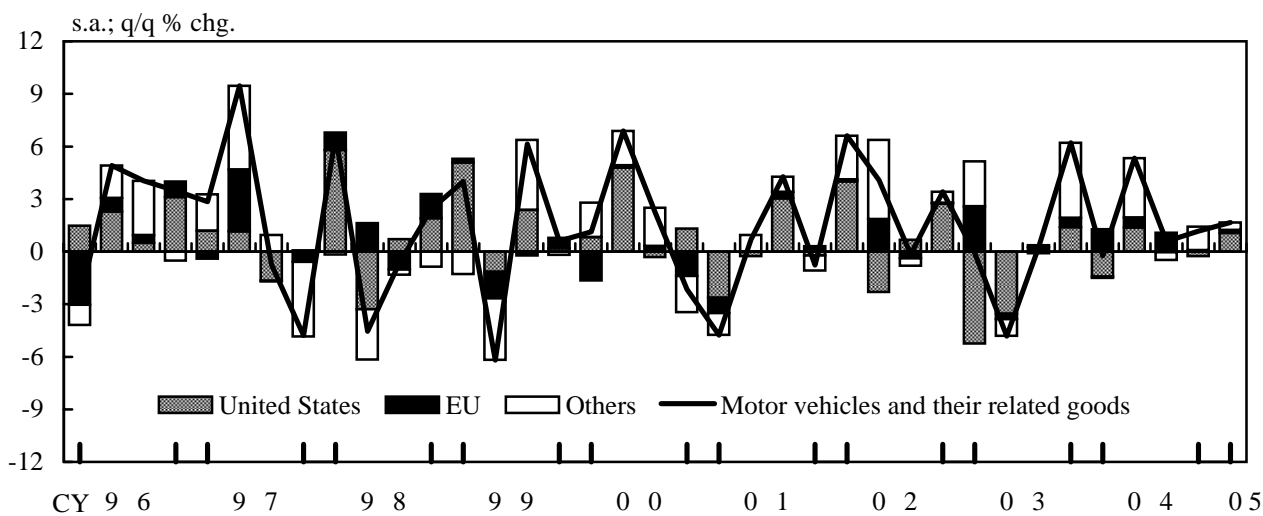
(1) Capital goods and parts (real, breakdown by goods)



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



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

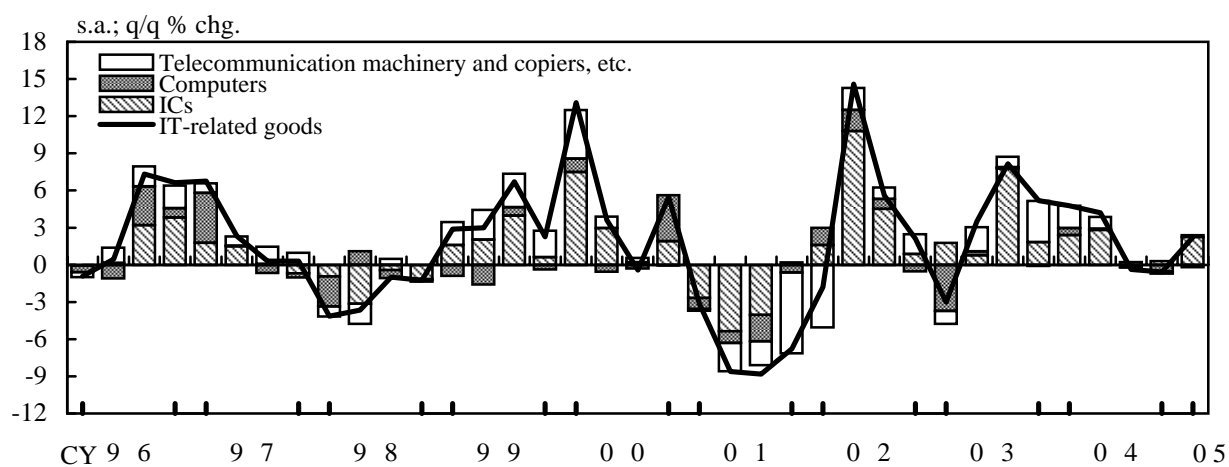


Note: Seasonally adjusted by X-12-ARIMA.

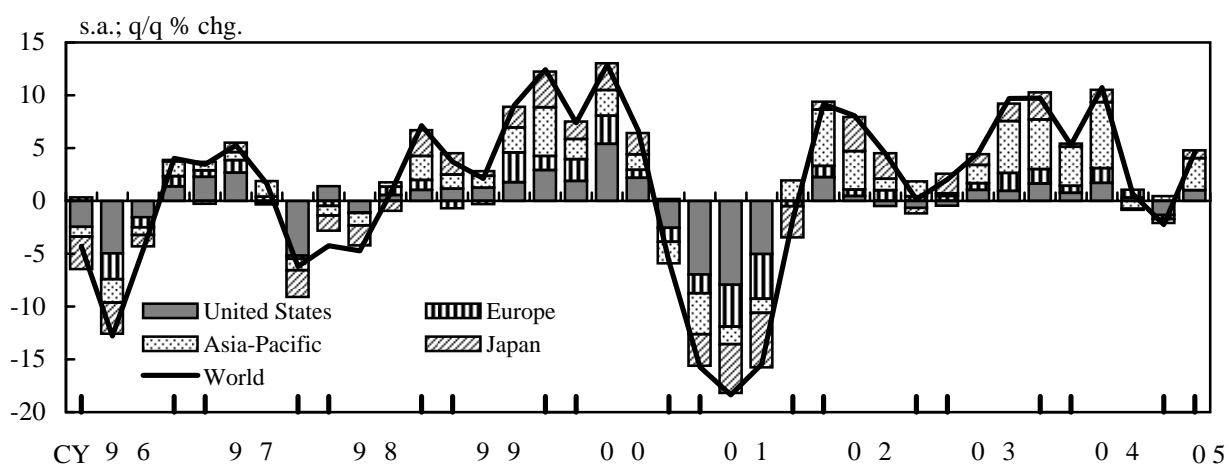
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Exports and Imports of IT-related goods

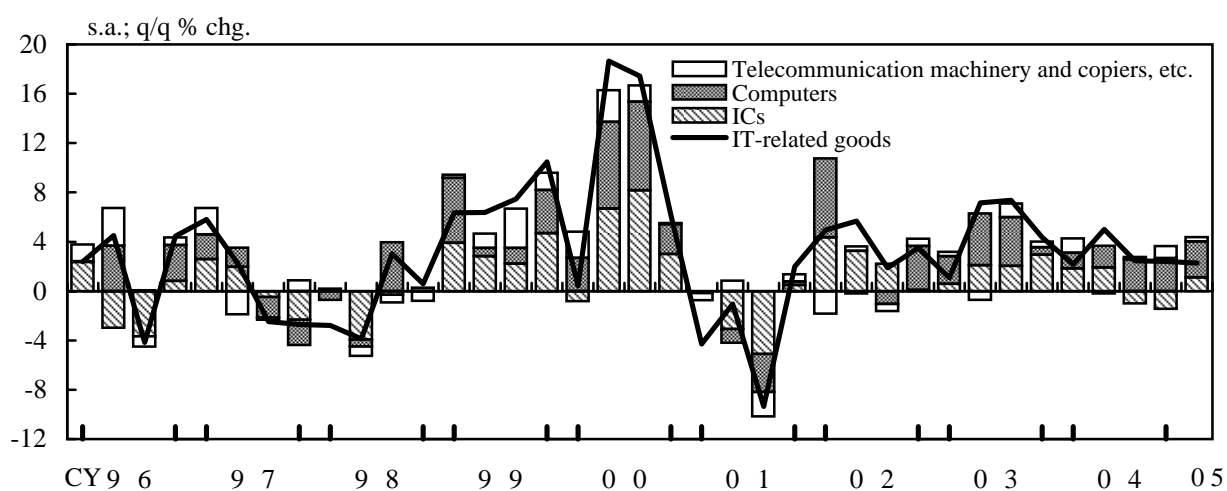
(1) Exports of IT-related goods (real, breakdown by goods)



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



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



Note: Seasonally adjusted by X-12-ARIMA.

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

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

Real Imports ¹

(1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 2003	2004	2004 Q1	Q2	Q3	Q4	2005 Q1	2005 Jan.	Feb.	Mar.
United States	<13.7>	-2.4	0.4	-2.8	4.2	-1.3	2.0	-4.1	3.7	-4.8	8.8
EU	<12.6>	5.6	9.6	5.5	0.2	-0.5	2.1	-1.3	9.1	-10.1	2.3
East Asia	<43.1>	14.2	14.7	2.7	3.0	4.1	1.7	4.7	8.4	-1.3	-3.7
China	<20.7>	21.3	20.9	3.9	4.9	5.8	5.4	6.8	7.2	1.5	-5.5
NIEs	<10.2>	9.6	12.8	2.4	1.5	1.4	-2.1	3.9	8.9	-5.2	-0.3
Korea	<4.8>	13.0	14.5	5.9	1.7	-4.0	-2.3	5.1	5.8	-3.8	0.0
Taiwan	<3.7>	6.9	12.0	1.8	0.7	4.5	-1.2	2.7	9.6	-8.4	0.6
ASEAN4 ³	<12.1>	8.6	7.1	1.2	1.2	3.8	-0.9	1.8	10.1	-3.0	-3.3
Thailand	<3.1>	11.0	14.3	1.9	4.4	4.0	3.9	5.1	9.3	-1.4	-1.7
Real imports		6.8	8.1	3.2	1.8	1.5	2.1	0.4	6.5	-5.6	3.7

(2) Breakdown by goods

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 2003	2004	2004 Q1	Q2	Q3	Q4	2005 Q1	2005 Jan.	Feb.	Mar.
Raw materials ⁴	<27.9>	5.9	1.3	3.7	-0.2	2.5	1.7	-3.4	6.1	-5.8	2.1
Intermediate goods	<14.1>	4.6	8.7	3.2	2.7	1.2	0.1	2.4	10.5	-4.3	-1.3
Foodstuffs	<10.8>	-4.2	0.4	0.8	0.9	-0.2	0.2	3.3	11.7	-6.1	-3.5
Consumer goods	<10.6>	8.0	12.5	2.5	4.1	-1.5	4.4	2.1	5.3	-2.7	3.1
IT-related goods ⁵	<13.6>	17.3	17.6	2.2	5.0	2.5	2.4	2.3	3.4	-5.5	0.7
Capital goods and parts ⁶	<12.6>	14.5	17.4	5.2	3.4	2.9	5.6	-1.4	5.1	-6.1	19.2
excluding aircraft	<11.7>	14.6	19.2	7.6	2.9	4.3	1.1	2.0	4.6	-1.1	-1.6
Real imports		6.8	8.1	3.2	1.8	1.5	2.1	0.4	6.5	-5.6	3.7

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

2. Shares of each region and goods in 2004 are shown in angle brackets.

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

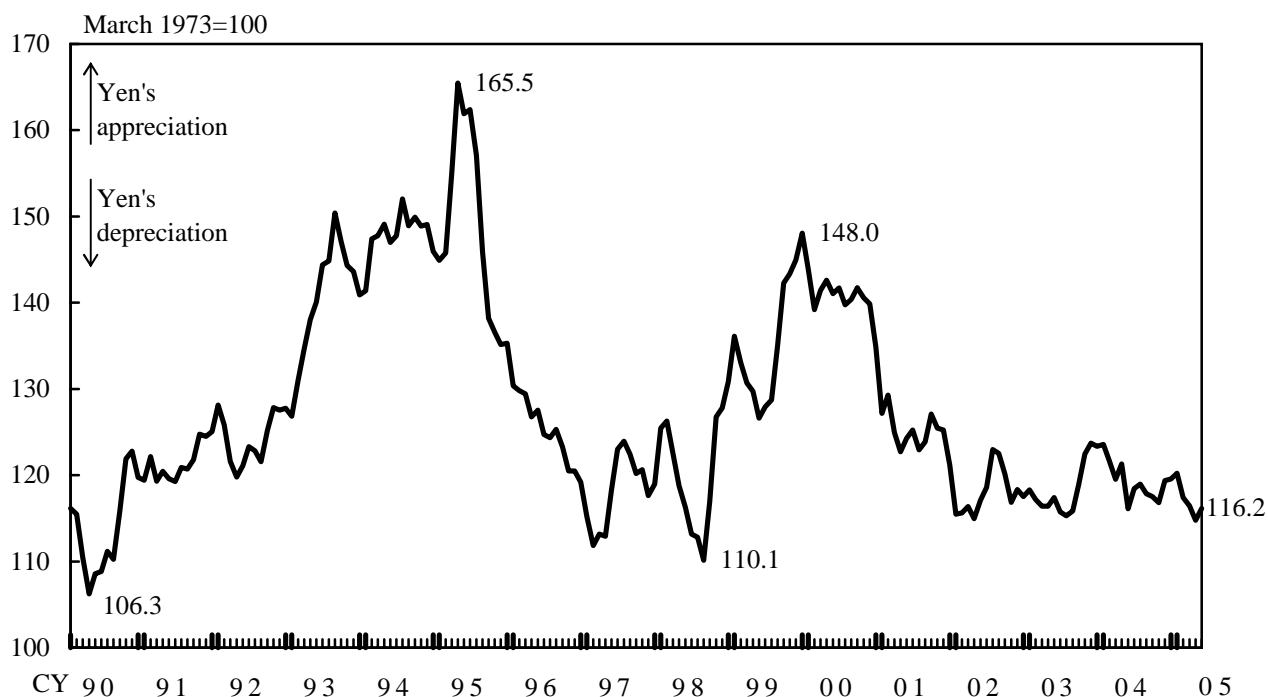
4. Raw materials are mainly composed of woods, ores and mineral fuel.

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

6. Excludes IT-related goods.

Environment for Exports (1)

(1) Real Effective Exchange Rate



Note: Calculated by the Bank of Japan. Monthly average. Figure for May 2005 is the average up to May 19.

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

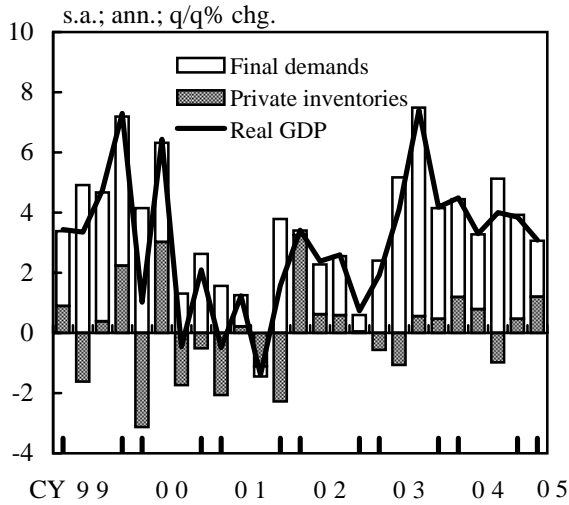
		CY2002	2003	2004	2004 Q2	Q3	Q4	2005 Q1	
United States ¹		1.9	3.0	4.4	3.3	4.0	3.8	3.1	
European Union ¹		1.1	0.9	2.1	2.3	1.3	1.1	2.1	
East Asia ²	Germany	0.2	0.0	1.6	0.8	-0.2	-0.5	4.2	
	France	1.1	0.5	2.4	2.8	0.0	3.5	n.a.	
	United Kingdom	1.8	2.2	3.1	3.9	2.2	2.8	2.2	
	China	8.3	9.3	9.5	9.6	9.1	9.5	9.5	
	NIEs	Korea	7.0	3.1	4.6	5.5	4.7	3.3	n.a.
		Taiwan	3.9	3.3	5.7	7.9	5.3	3.3	2.5
		Hong Kong	1.9	3.2	8.1	12.1	6.8	7.1	n.a.
Singapore		3.2	1.4	8.4	12.3	7.2	6.5	2.5	
ASEAN4	Thailand	5.3	6.9	6.1	6.4	6.1	5.1	n.a.	
	Indonesia	4.4	4.9	5.1	4.4	5.1	6.7	6.3	
	Malaysia	4.1	5.3	7.1	8.2	6.7	5.6	n.a.	
	Philippines	4.3	4.7	6.1	6.6	6.3	5.4	n.a.	

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

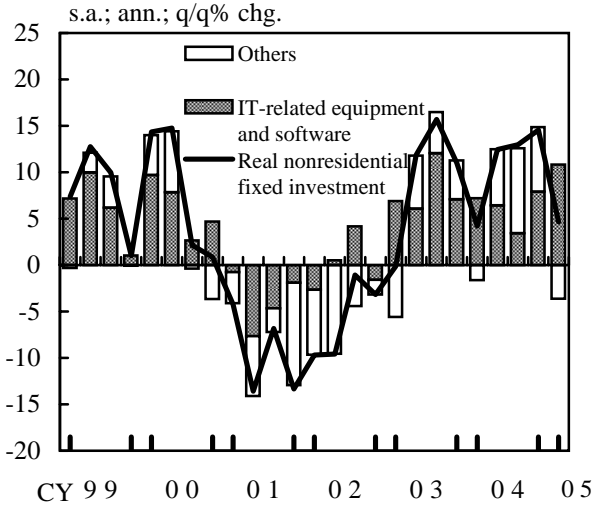
2. Quarterly data of East Asia are percent changes from a year earlier.

Environment for Exports (2)

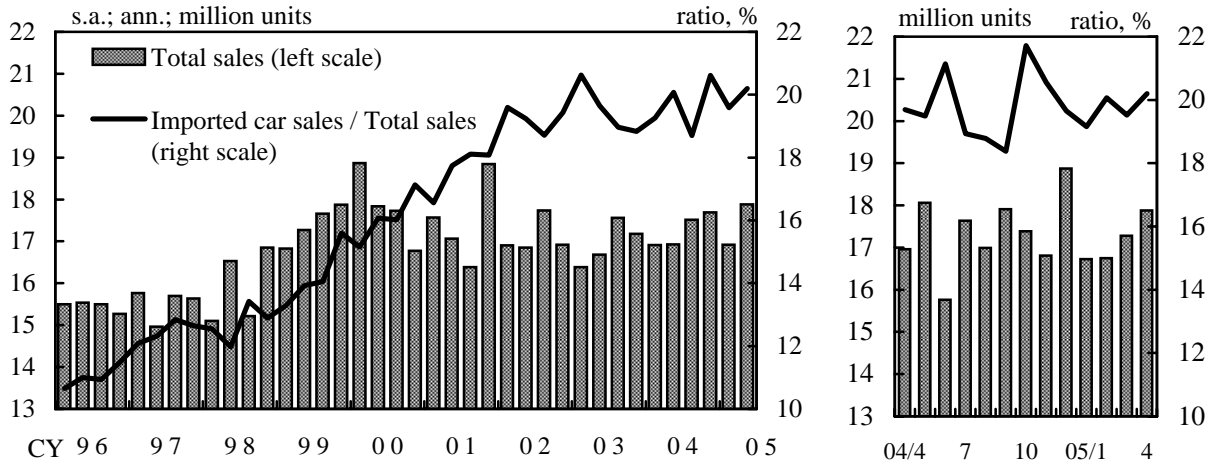
(1) U.S. Real GDP (breakdown by final demands and inventories)



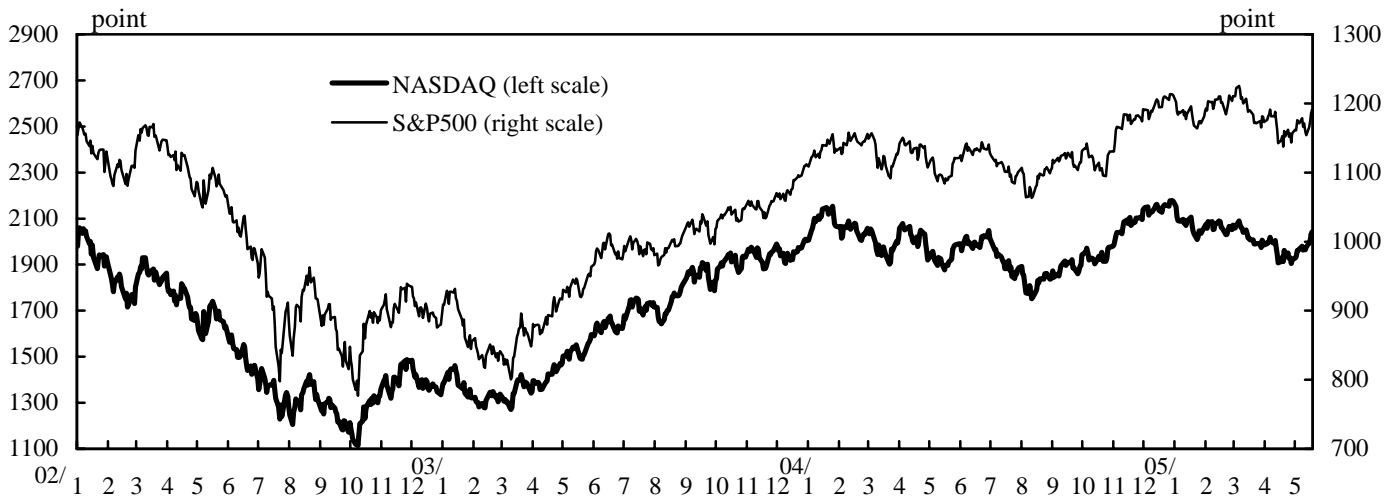
(2) U.S. Real Nonresidential Fixed Investment



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



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

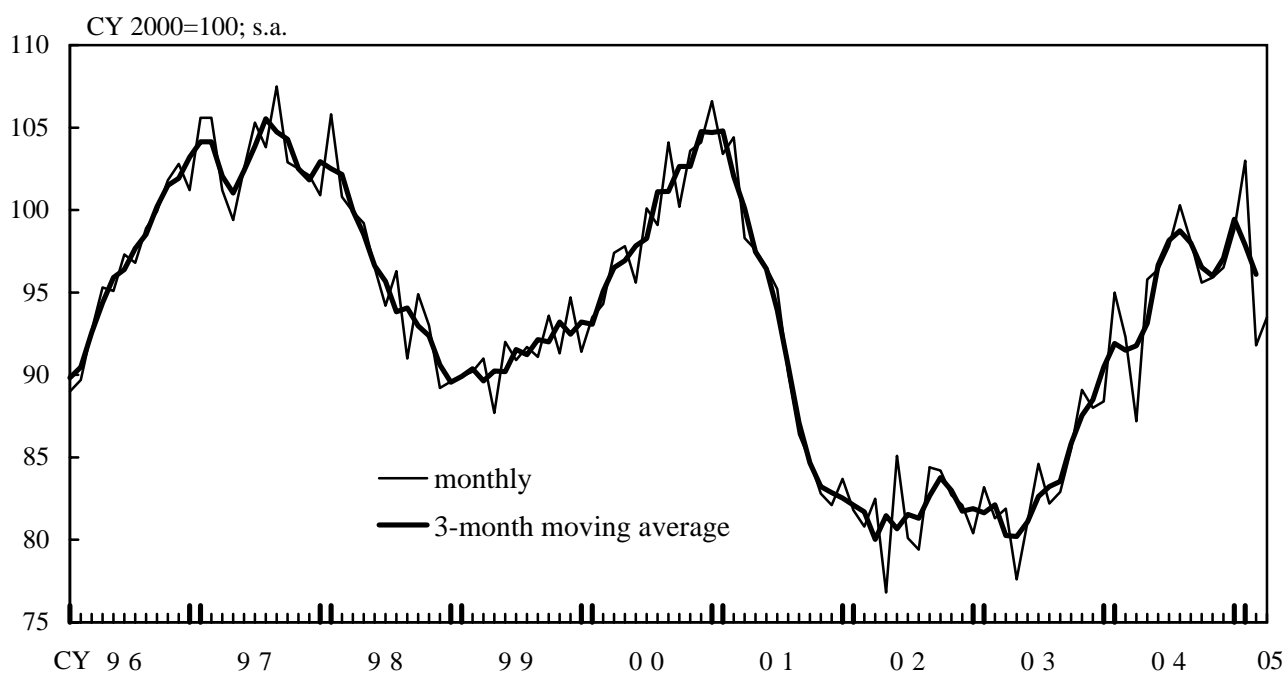


Notes: 1. Figures for 2005/Q2 is based on one month sales in April.
2. Figures of U.S. stock prices in (4) are up to May 19.

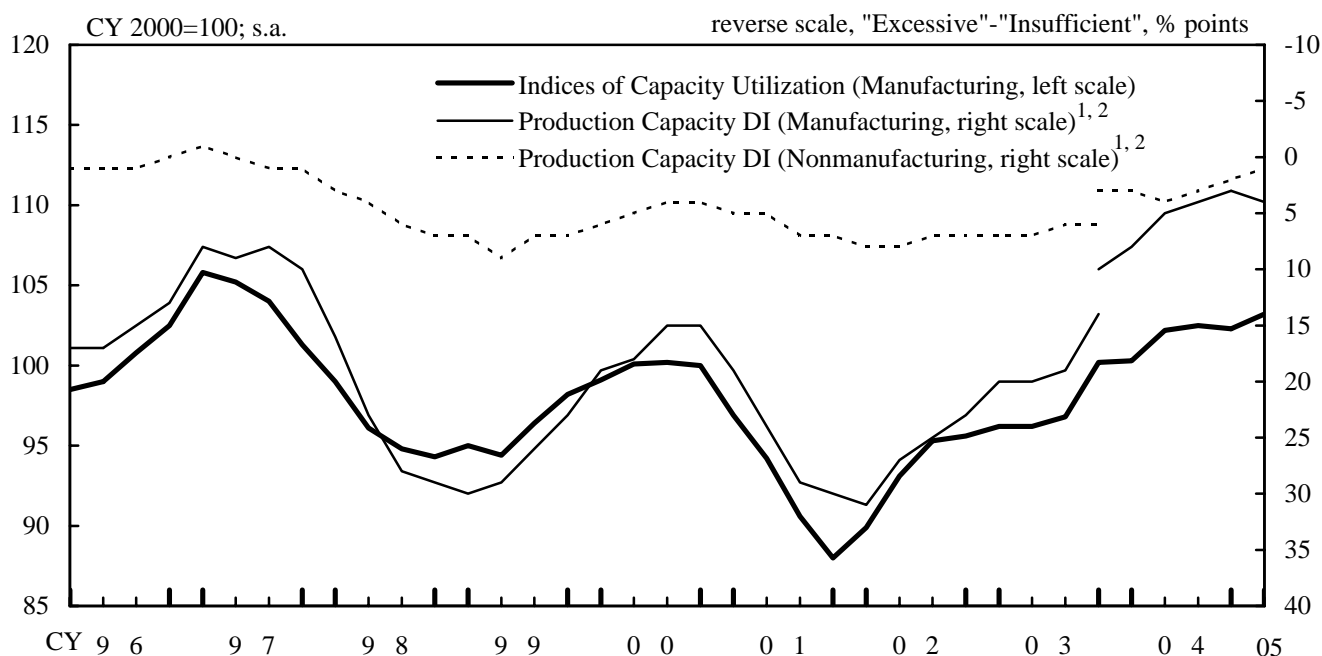
Sources: U.S. Department of Commerce, "National Income and Product Accounts," "Sales, production, imports, exports, and inventories, in units"; Bloomberg.

Indicators for Business Fixed Investment (1)

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



(2) Indices of Capacity Utilization and Production Capacity DI



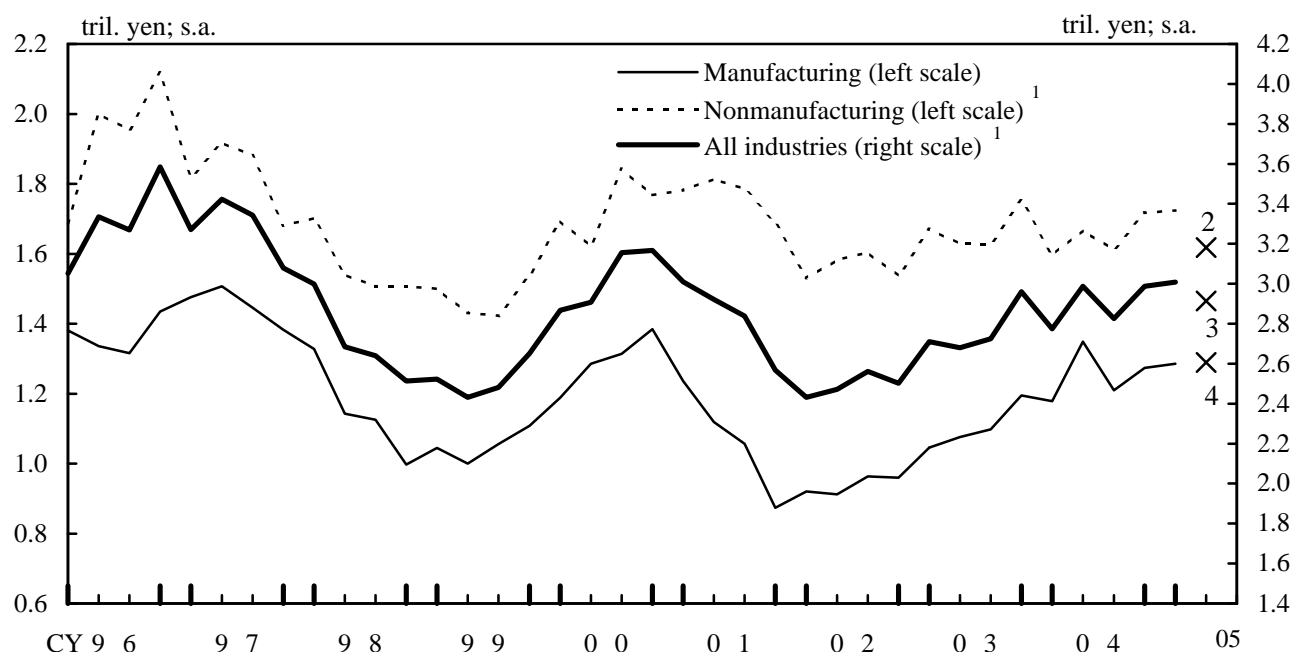
Notes: 1. Production Capacity DIs are those of all enterprises.

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



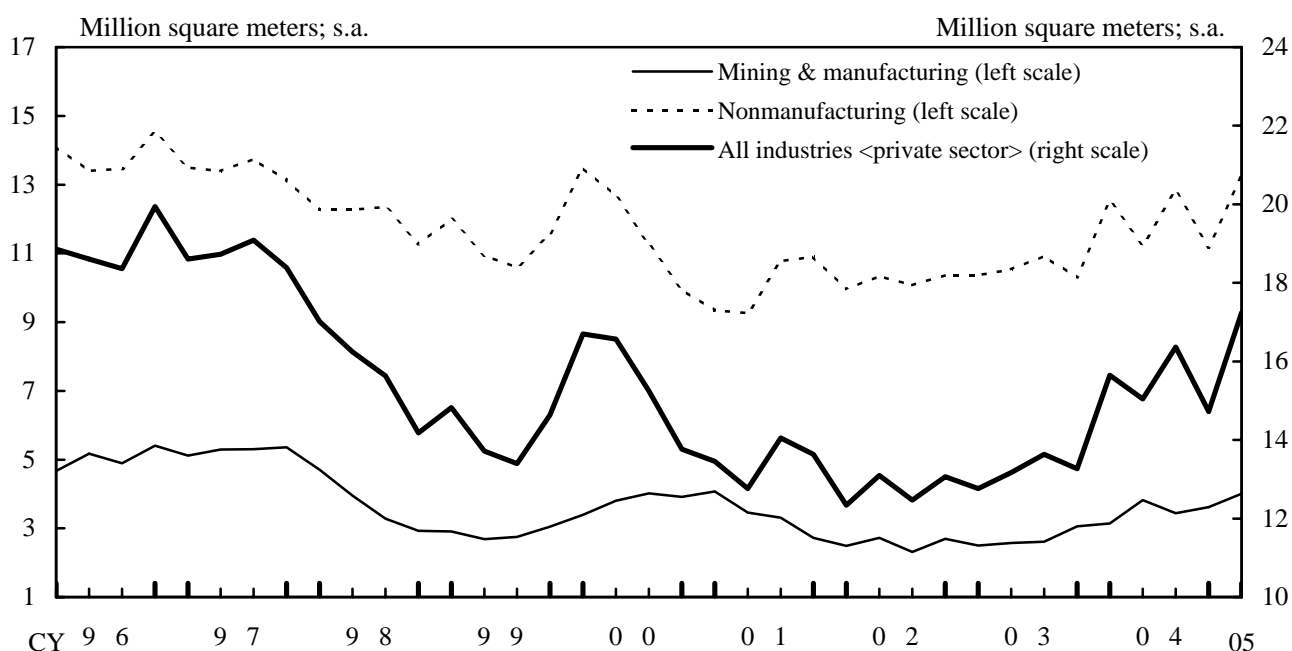
Notes: 1. Excludes orders of shipbuilding and orders from electric power companies.

2. Forecast of nonmanufacturing industries for 2005/Q2.

3. Forecast of all industries for 2005/Q2.

4. Forecast of manufacturing industries for 2005/Q2.

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



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

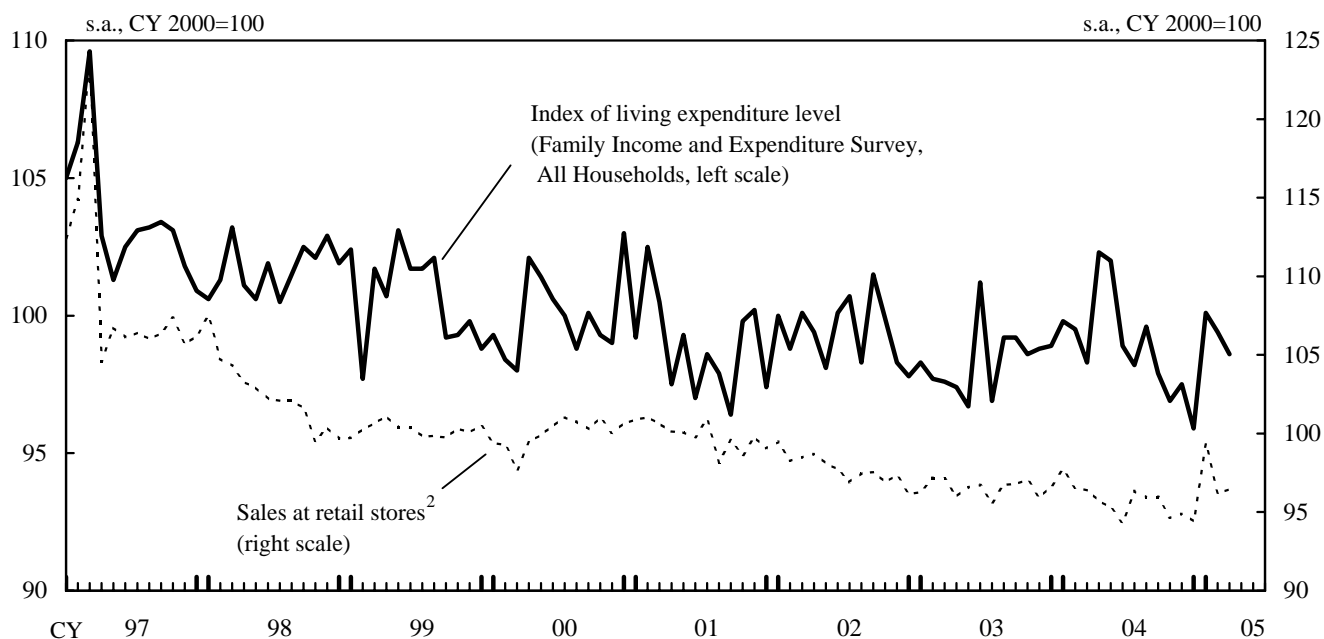
2. Because the Standard Industrial Classification for Japan was revised in March 2002, the industry classification for Newspaper Publishing and Publishing Business was changed from Mining and Manufacturing to Nonmanufacturing. Accordingly, the data up to fiscal year 2002 were adjusted by using a link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

Sources: Cabinet Office, "Machinery Orders Statistics";

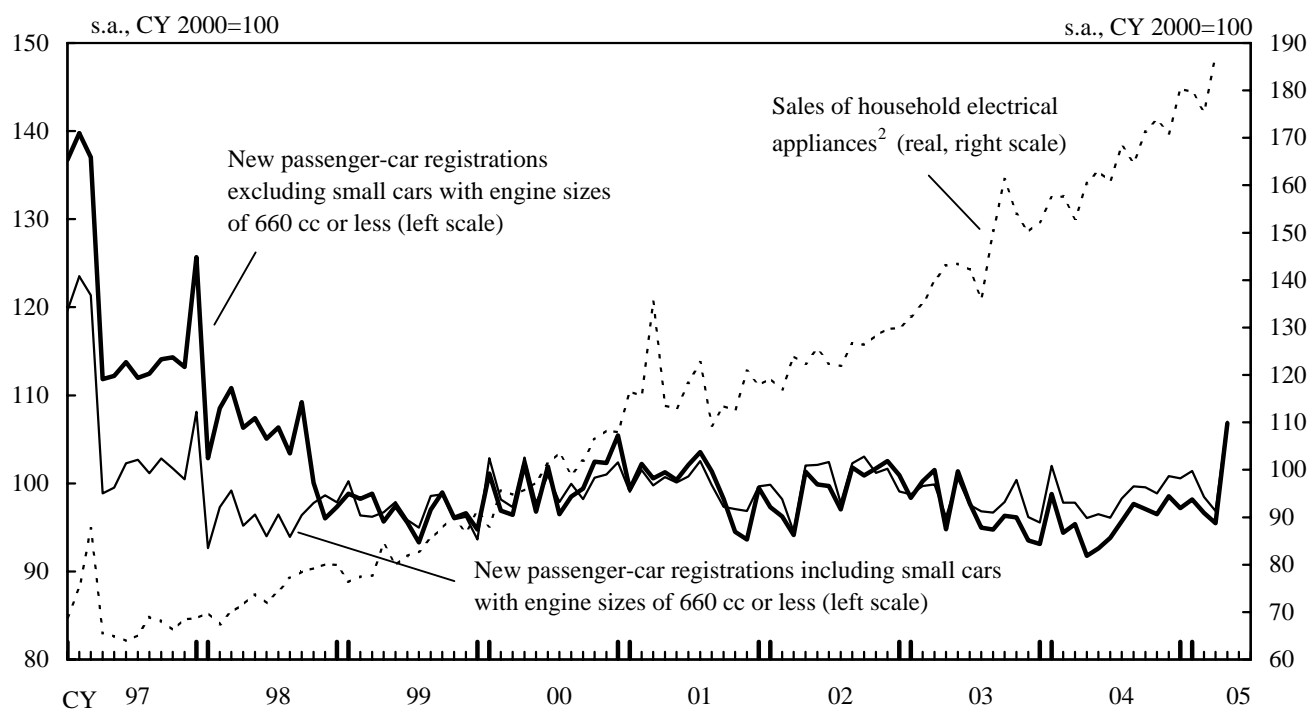
Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts."

Indicators for Private Consumption¹ (1)

(1) Household Spending (real)



(2) Sales of Durable Goods

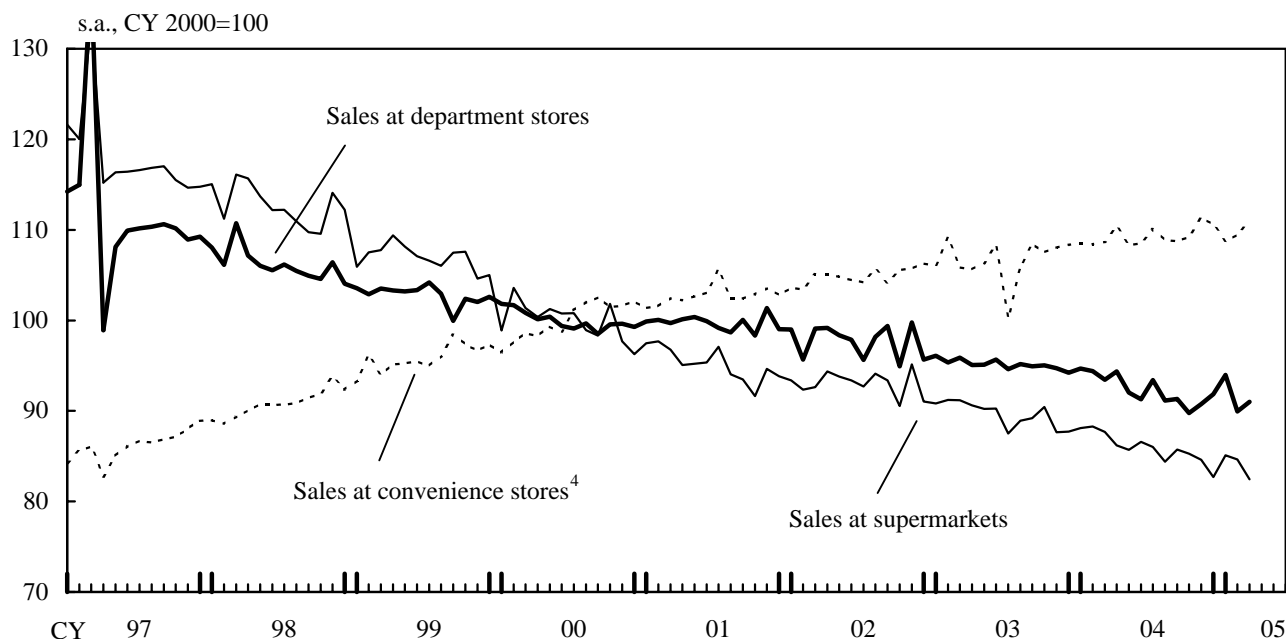


- Notes: 1. Seasonally adjusted by X-12-ARIMA. Index of living expenditure level is seasonally adjusted by the Ministry of Internal Affairs and Communications.
2. Sales at retail stores are deflated by the consumer price index for goods (excluding electricity, gas & water charges). Sales of household electrical appliances are the sum of their components deflated by the consumer price index (or the wholesale price index for personal computers before 1999).

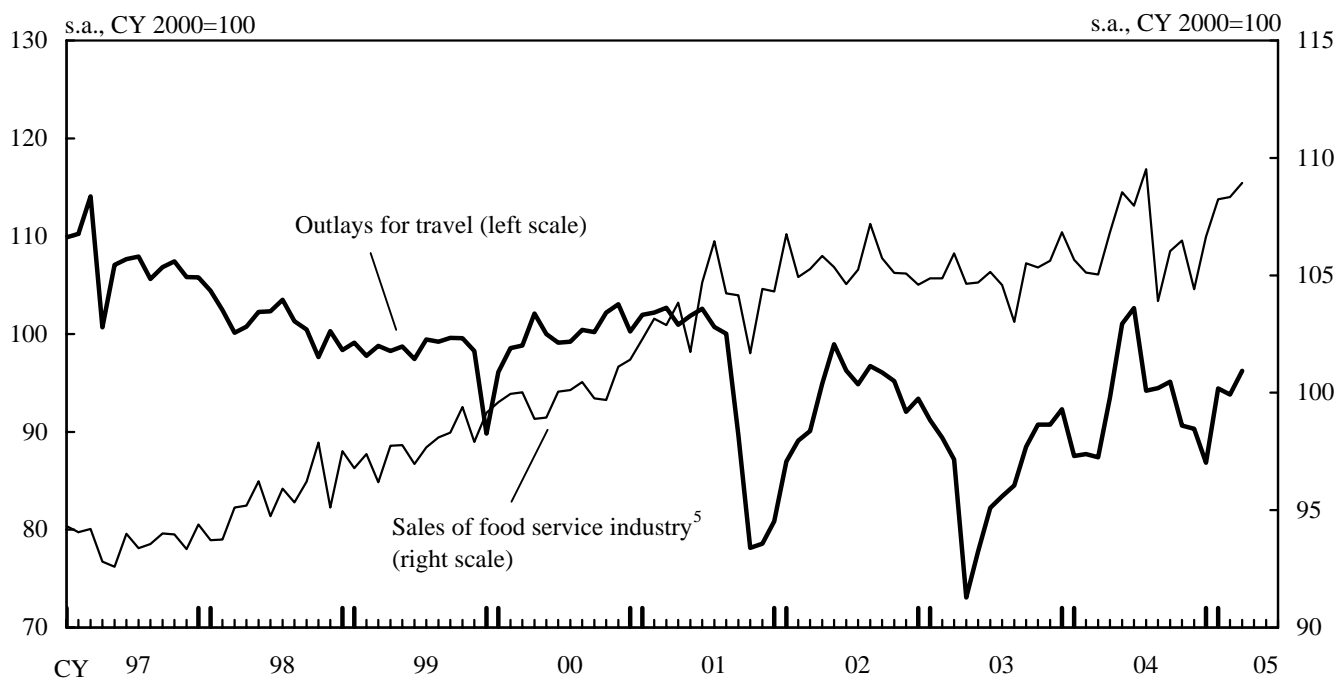
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index," "Monthly Report on the Family Income and Expenditure Survey";
Ministry of Economy, Trade and Industry, "Current Survey of Commerce";
Japan Automobile Dealers Association, "Domestic Sales of Automobiles";
Japan Mini Vehicles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

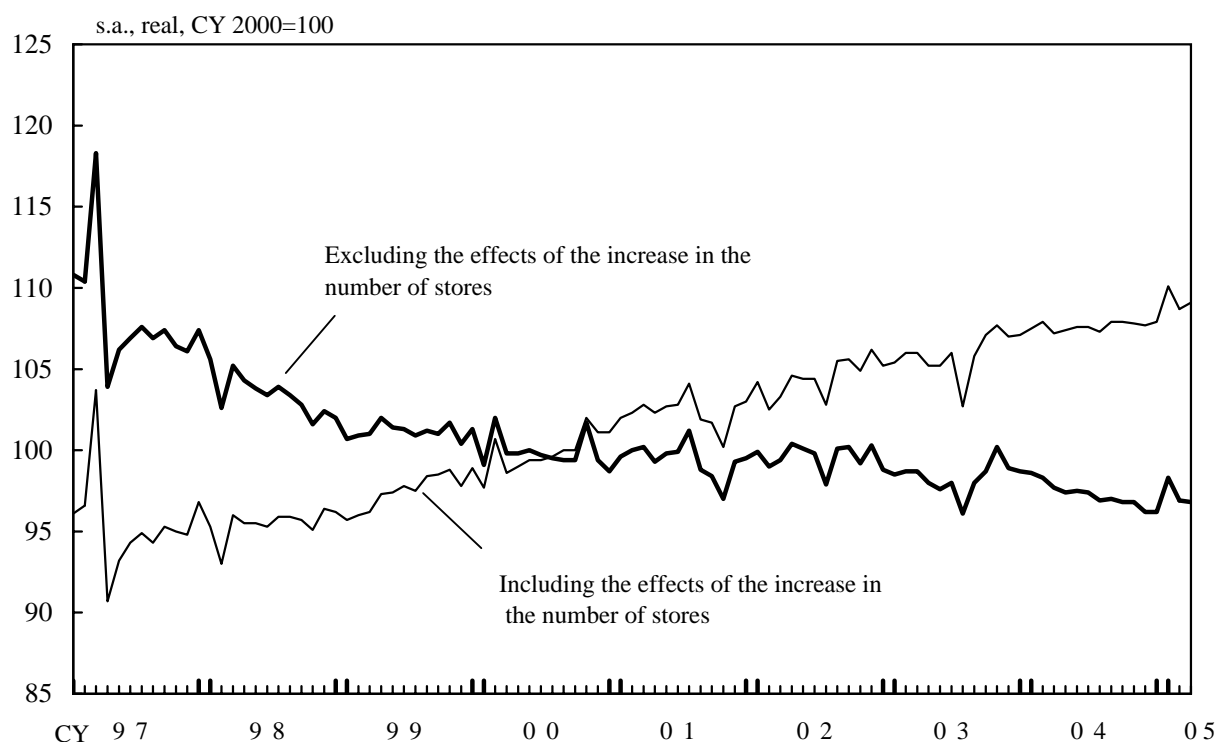
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce";

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

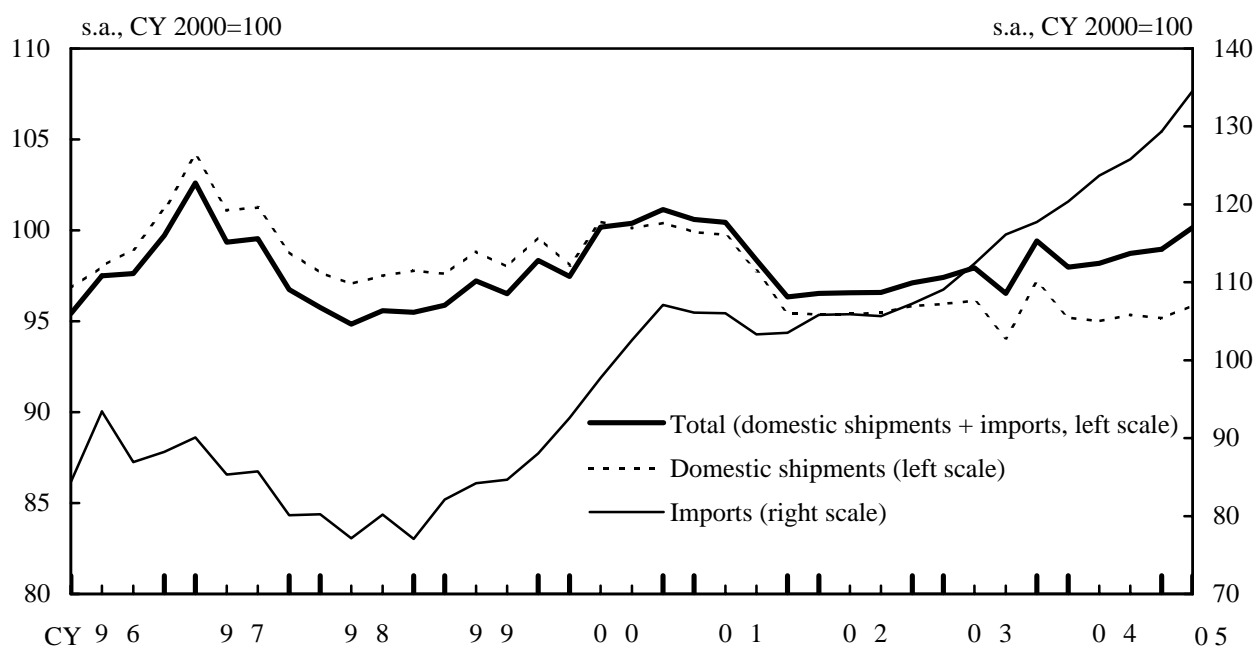


- Notes: 1. Indices of aggregated sales are the weighted sum of *Sales at department stores and supermarkets*; *New passenger-car registrations*; *Sales of household electrical appliances*; *Outlays for travel*; and *Sales of food service industry*, where the weights come from household expenditure in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

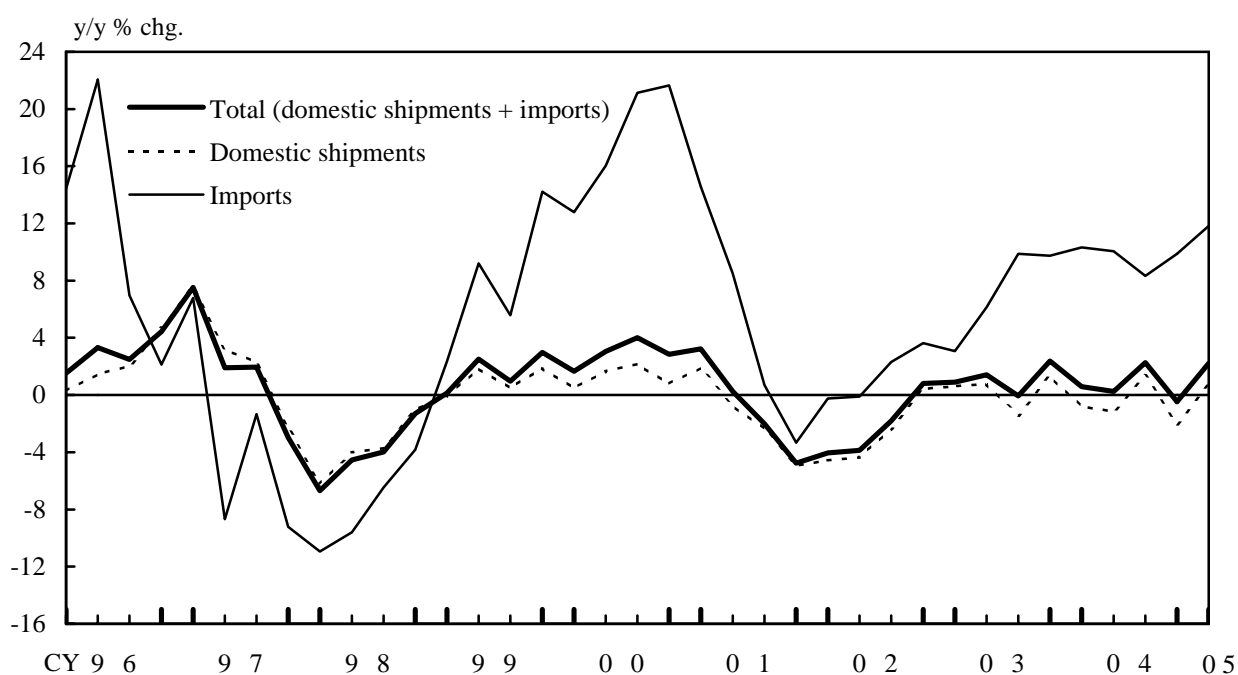
Source: Bank of Japan, "Indices of Aggregated Sales."

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*.

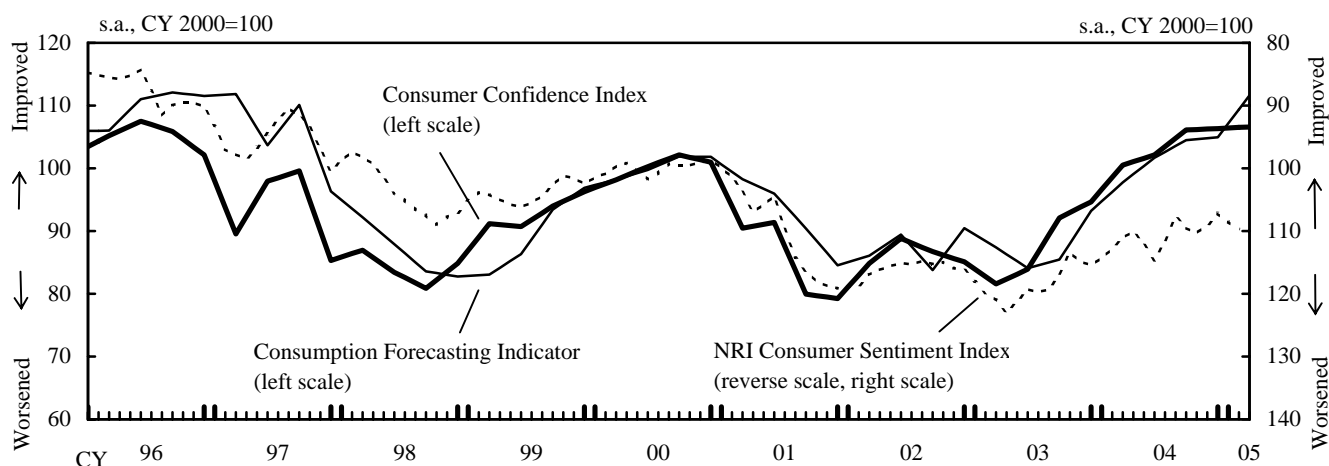
2. Figures of "Imports" are calculated from real imports of consumer goods.
Real imports of consumer goods; motor vehicles, parts of audio and visual apparatus, computers and the parts, foodstuffs, textile and clothing and the accessories.

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."

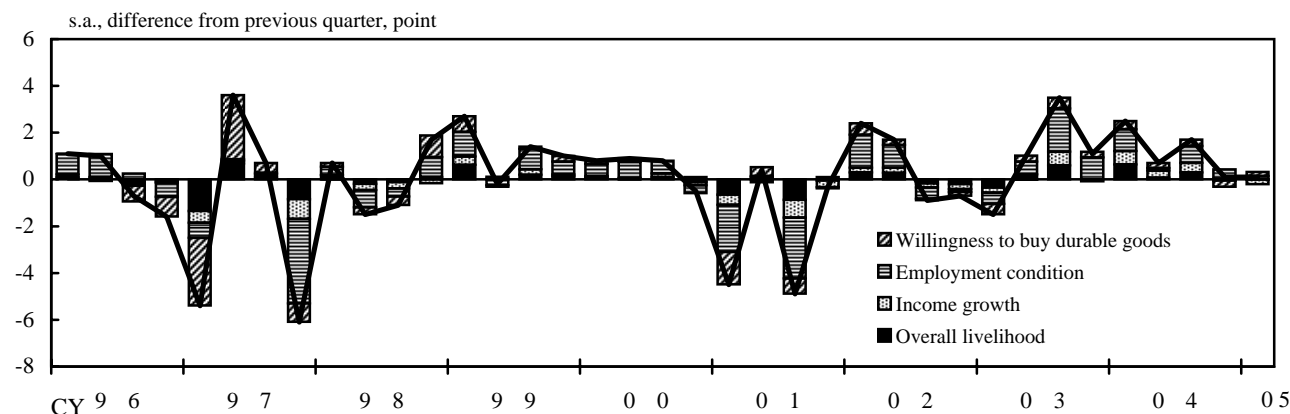
Consumer Confidence

(1) Surveys on Consumer Confidence

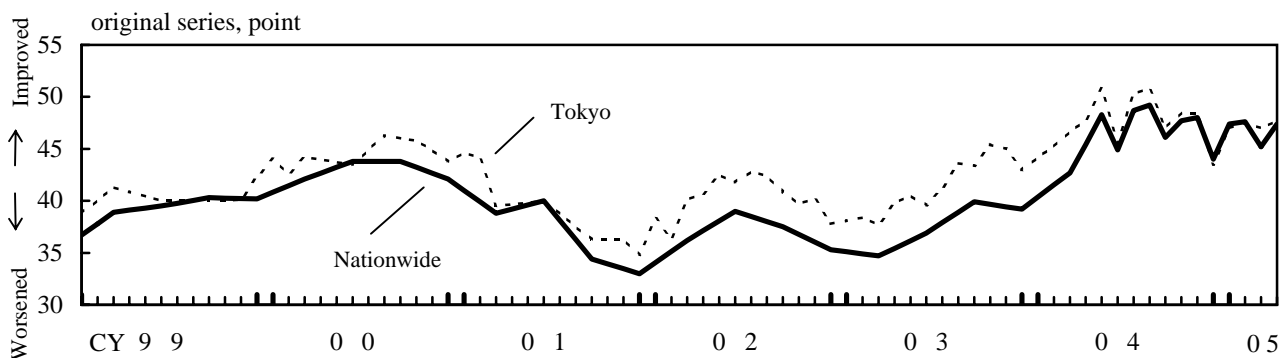


- Notes: 1. Seasonally adjusted by X-11. "Consumer Confidence Index" is seasonally adjusted by the Cabinet Office. "Consumption Forecasting Indicator" is seasonally adjusted using quarterly figures because the survey is quarterly until 2004.
2. Consumer Confidence Index (with 5,040 samples in a nationwide basis), Consumption Forecasting Indicator (with 600 samples in metropolitan area <until Sept. 2004: 1,500 samples, Dec. 2004: 880 samples >), and NRI Consumer Sentiment Index (with 2,200 samples in nationwide basis) are based on surveys on consumer confidence.
3. Data are plotted at the months of each survey.

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



(3) Consumer Confidence Index (Monthly)

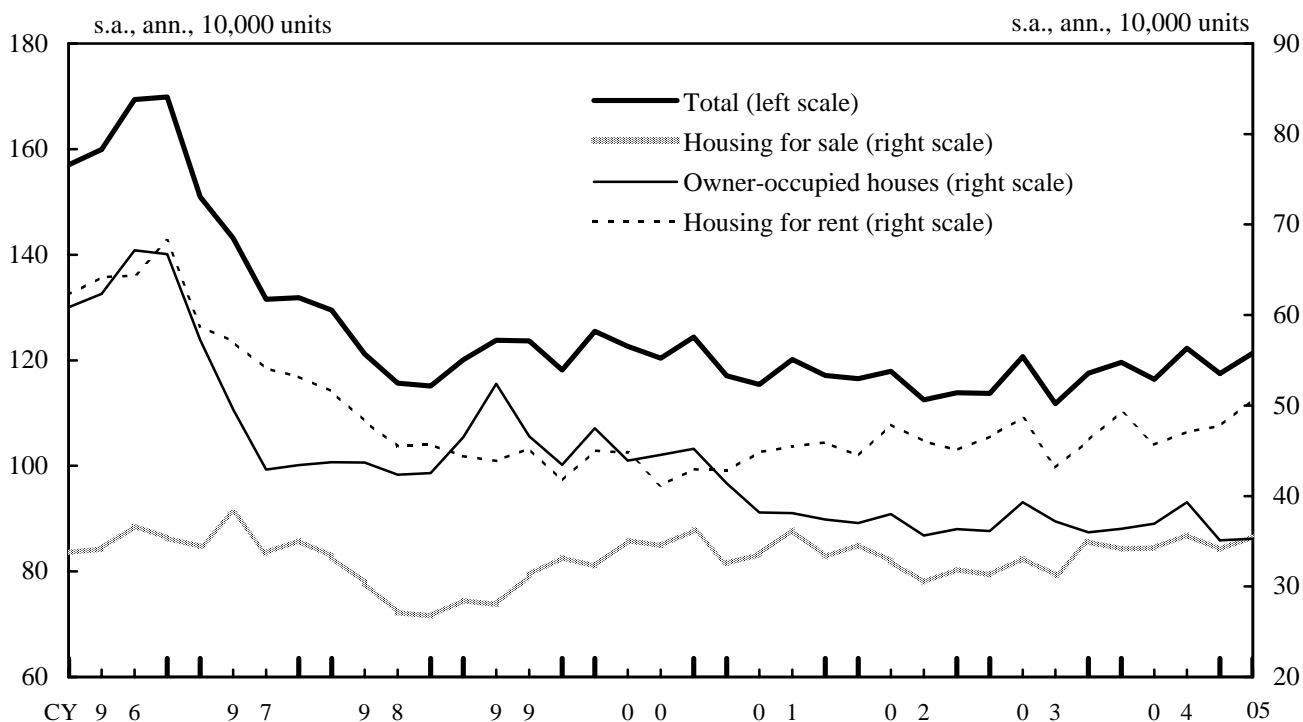


Note: Prior to 2001, figures of "Monthly Consumer Confidence Index of Tokyo" when the survey was not conducted have been supplemented with linear interpolation. Figures of "Monthly Consumer Confidence Index (Nationwide)" have also been plotted at the surveyed months and supplemented with linear interpolation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

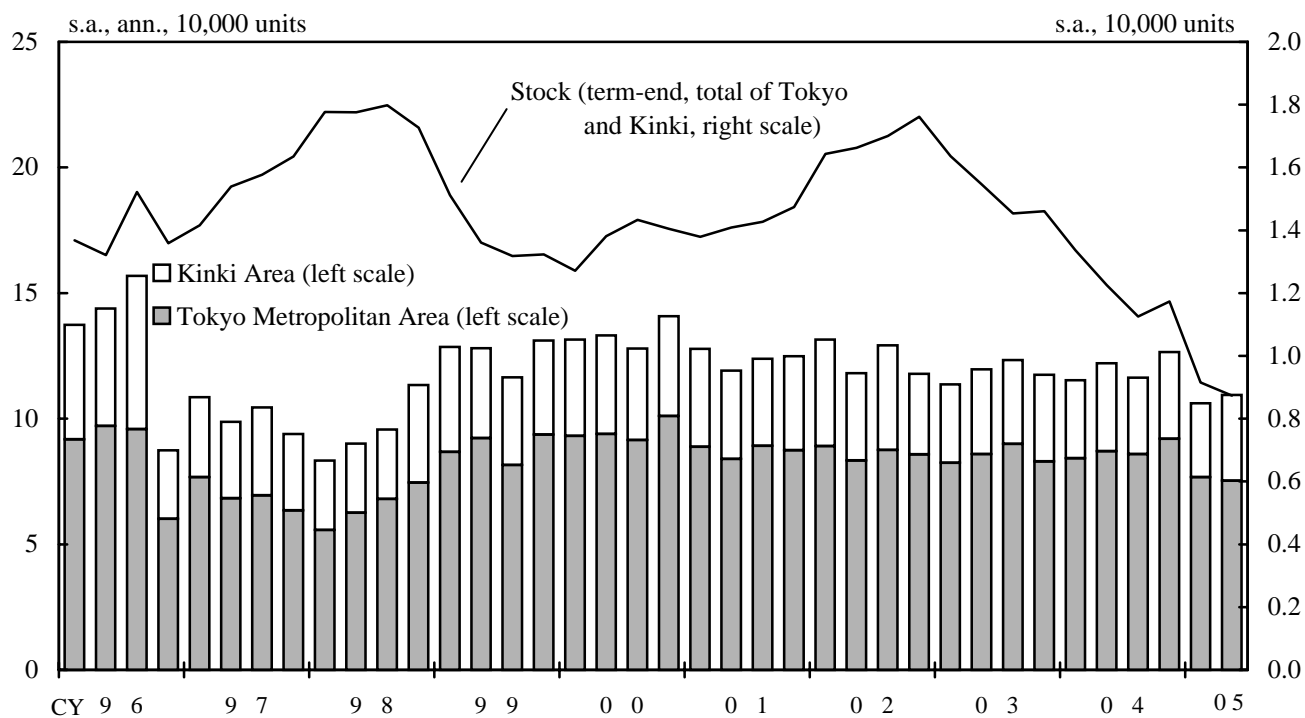
Sources: Cabinet Office, "Consumer Confidence Survey"; Nippon Research Institute (NRI), "Consumer Sentiment Survey"; Nikkei Research Institute of Industry and Markets (NIKKEI RIM), "Consumption Forecasting Indicator."

Indicators for Housing Investment

(1) Housing Starts



(2) Sales of Condominiums

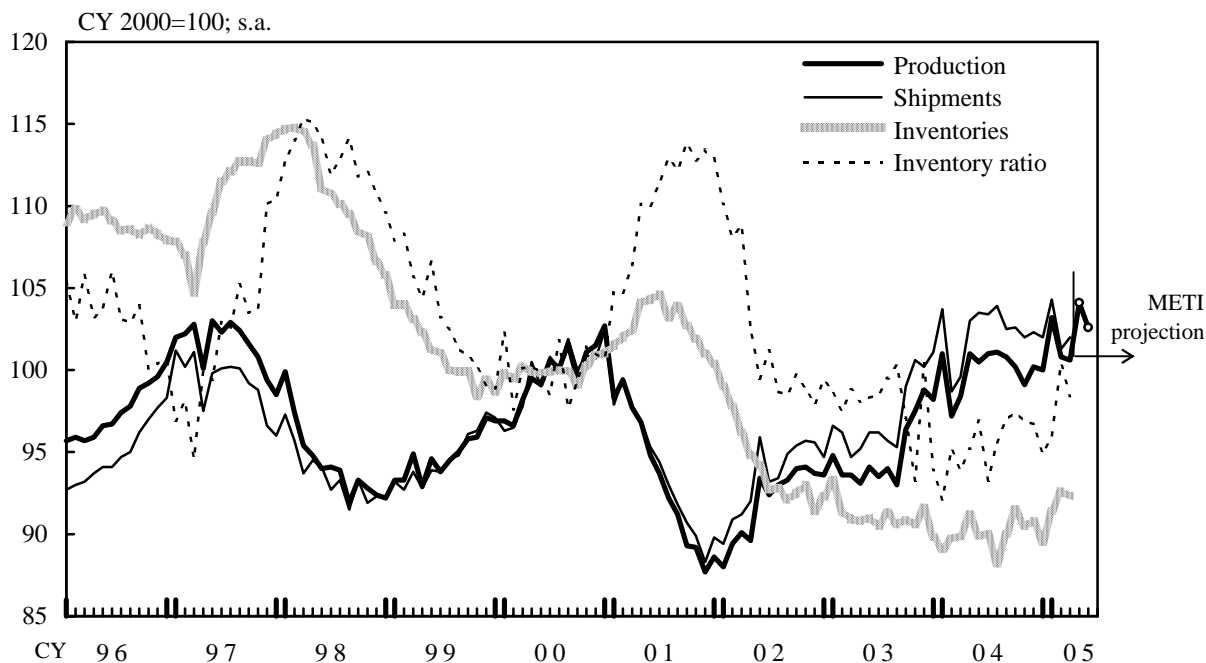


Notes: 1. Seasonally adjusted by X-12-ARIMA.
 2. Figures for 2005/Q2 are those of April.

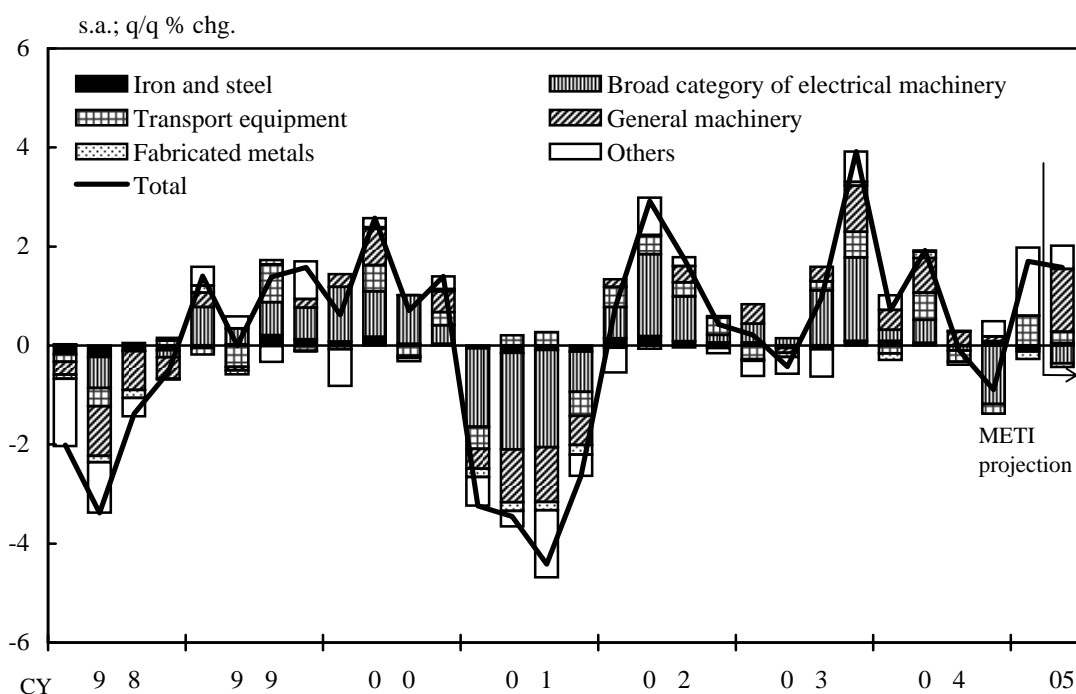
Sources: Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts," etc.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industries

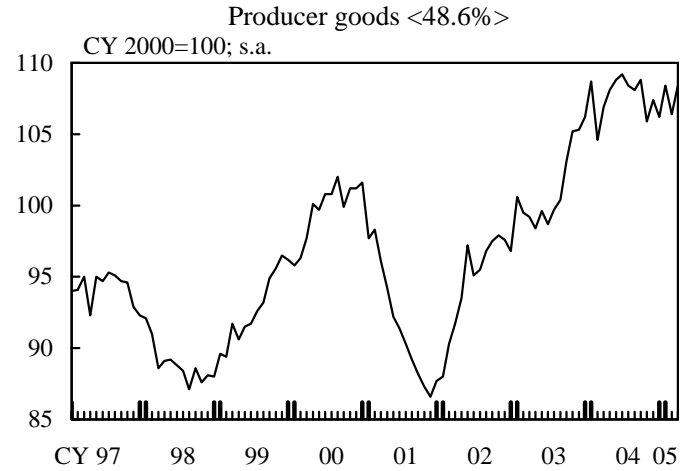
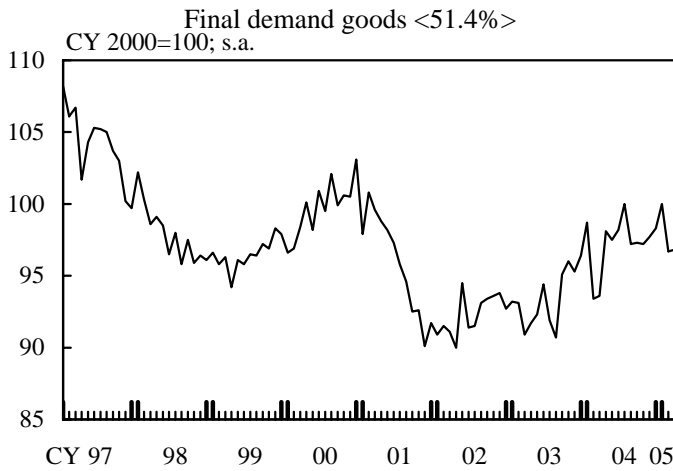


- Notes:1. Transport equipment excludes steel ships and rolling stocks.
 "Broad category of electrical machinery" is the weighted sum of "electrical machinery," "information and communication electronics equipment" and "electronic parts and devices."
 2. 2005/Q2 figures are based on the assumption that production level in June is the same as that of May.

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

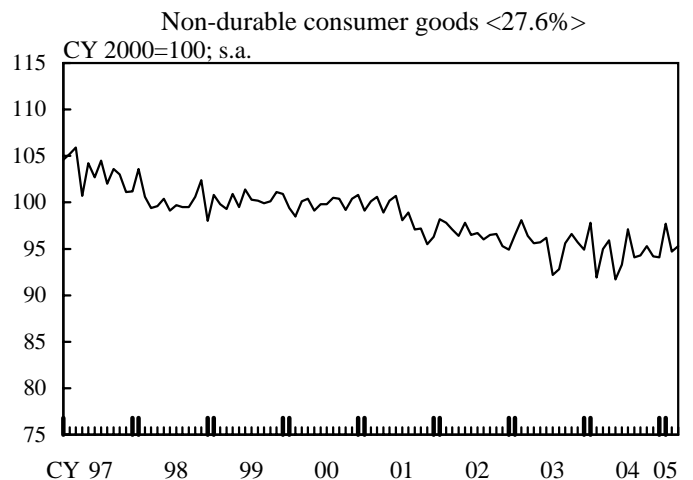
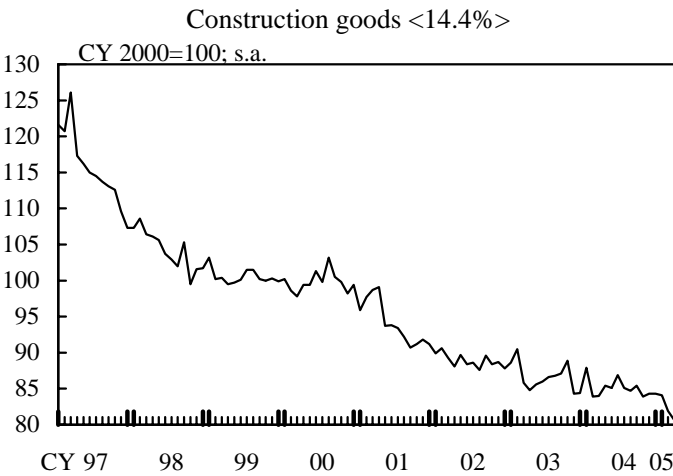
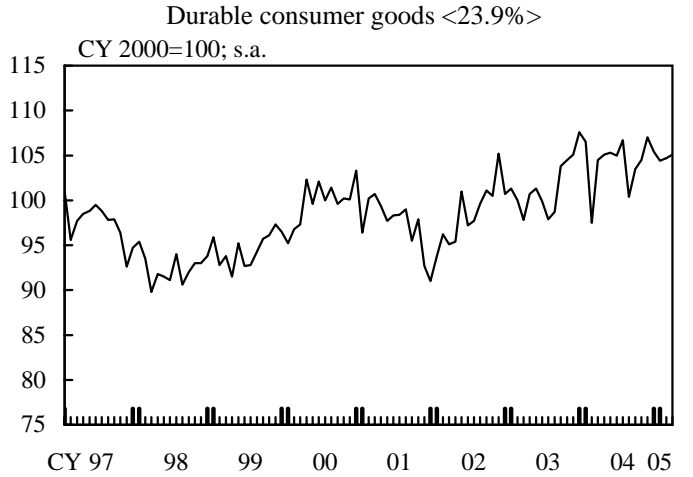
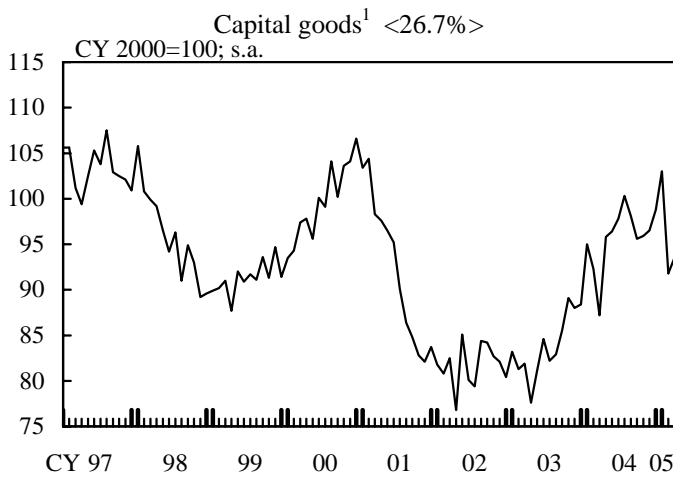
Shipments breakdown by type of goods

(1) Final demand goods and Producer goods



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

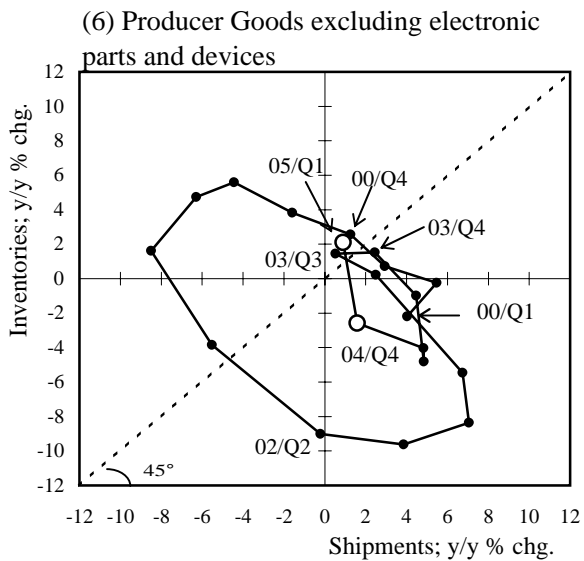
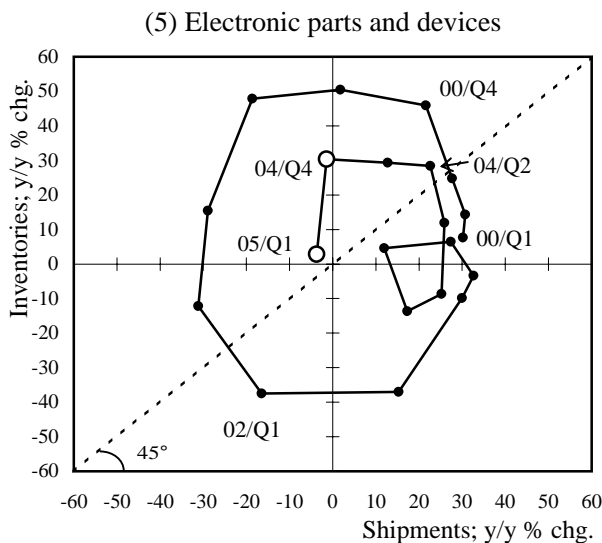
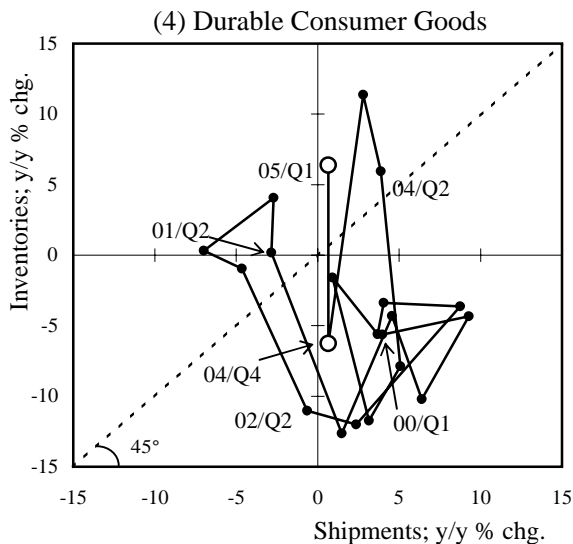
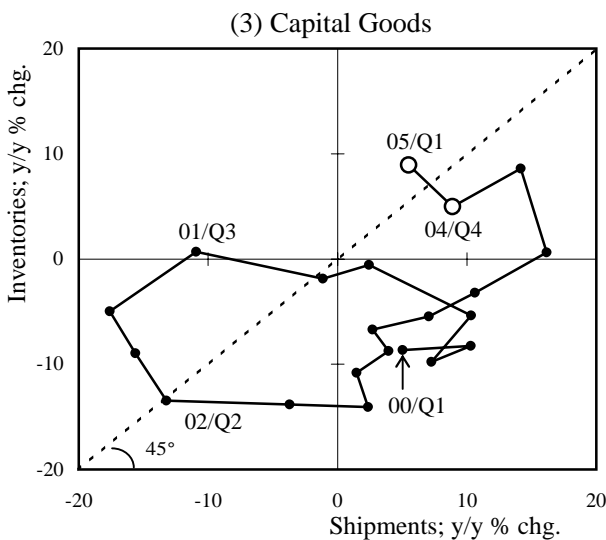
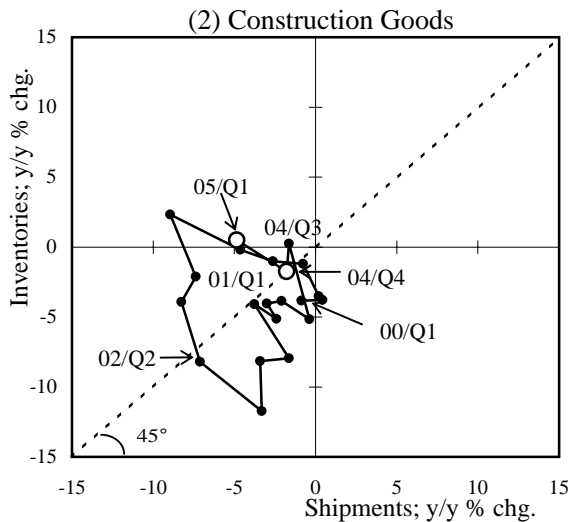
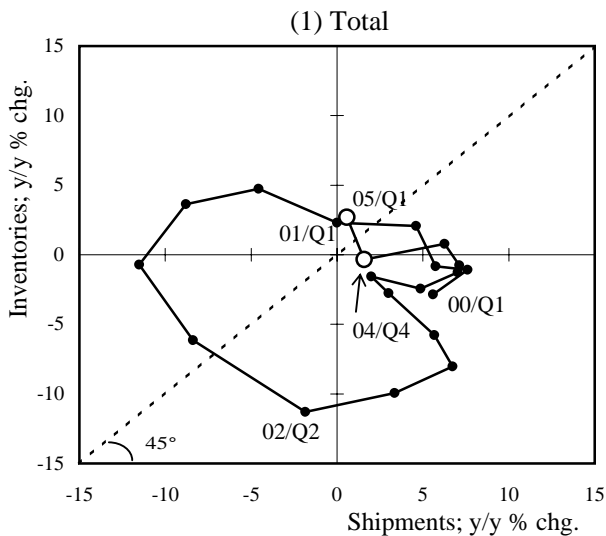
(2) Breakdown of final demand goods



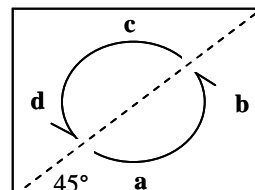
Notes: 1. Excluding transportation equipment.
2. Shares of shipments of final demand goods are shown in angle brackets.

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

Inventory Cycle

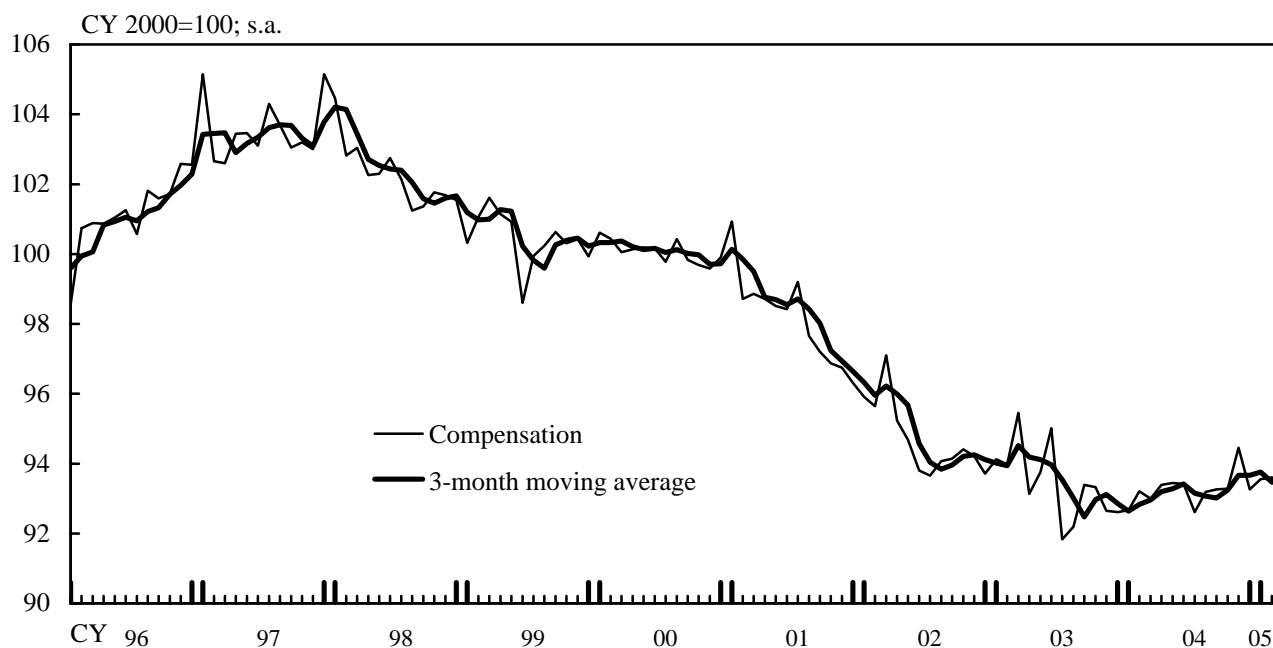


- a Shipment recovery phase
- b Intended inventory accumulation phase
- c Unintended inventory accumulation phase
- d Inventory adjustment phase



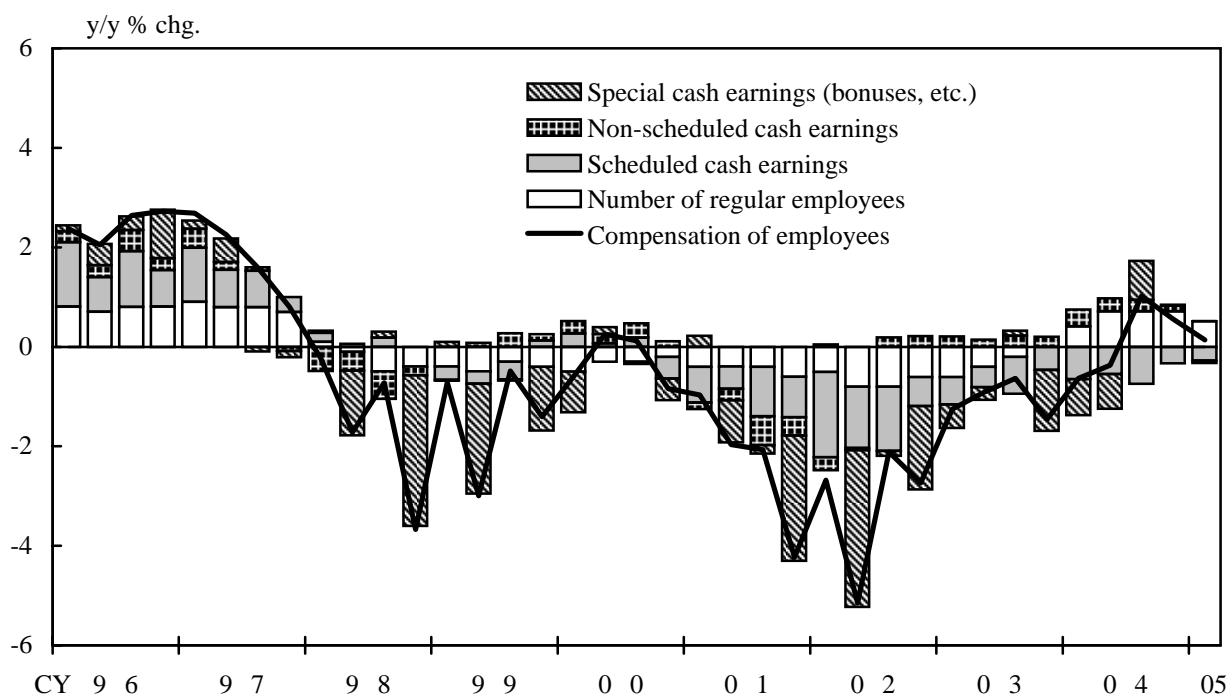
Compensation of Employees

(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.

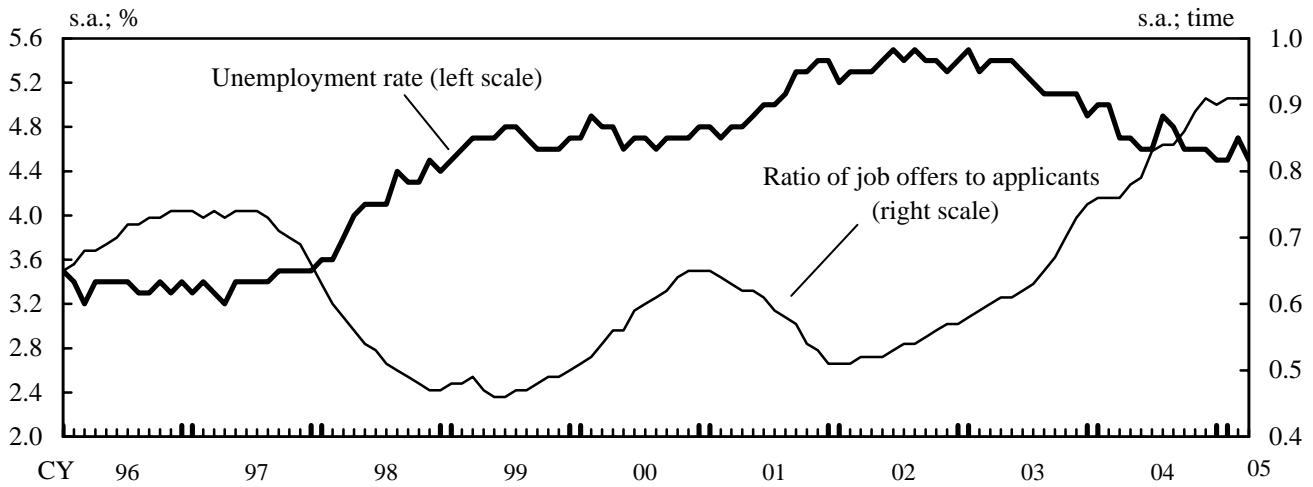
(2) Breakdown of Compensation



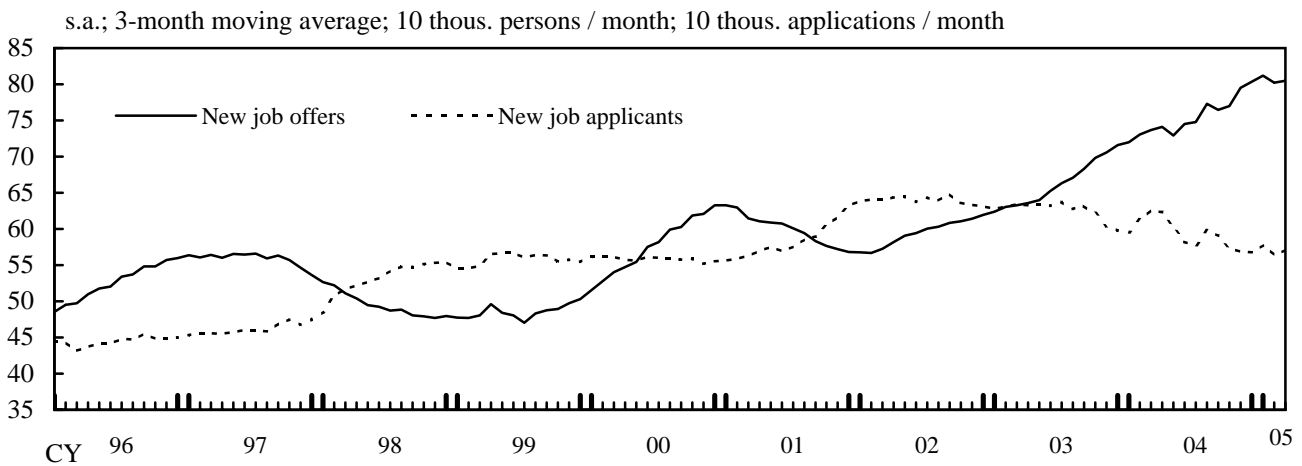
- Notes: 1. Data are for establishments with at least 5 employees.
 2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.
 3. Figures for 2005/Q1 are those of March.

Labor Market (1)

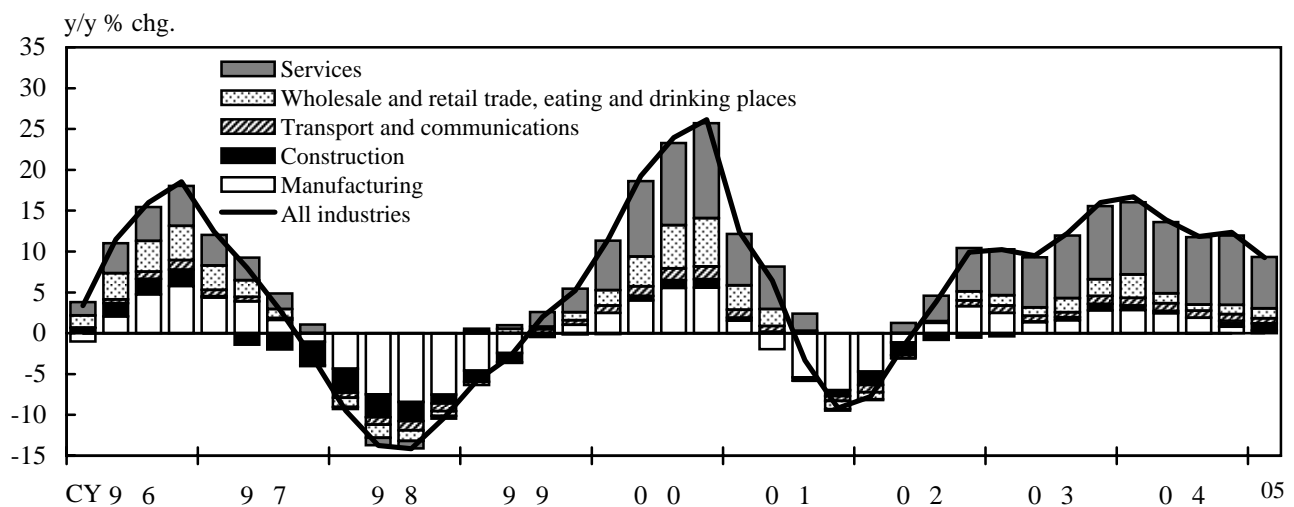
(1) Unemployment Rate and Ratio of Job Offers to Applicants



(2) New job offers and New job applicants¹



(3) Breakdown of New job offers¹

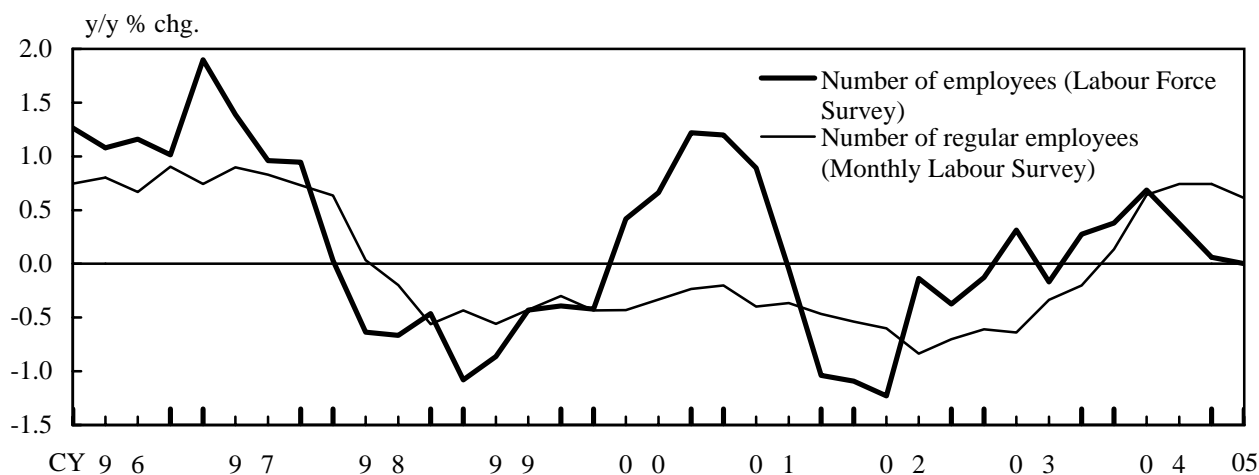


Note:1. Figures do not include jobs offered to new graduates, but include those offered to part-time workers.

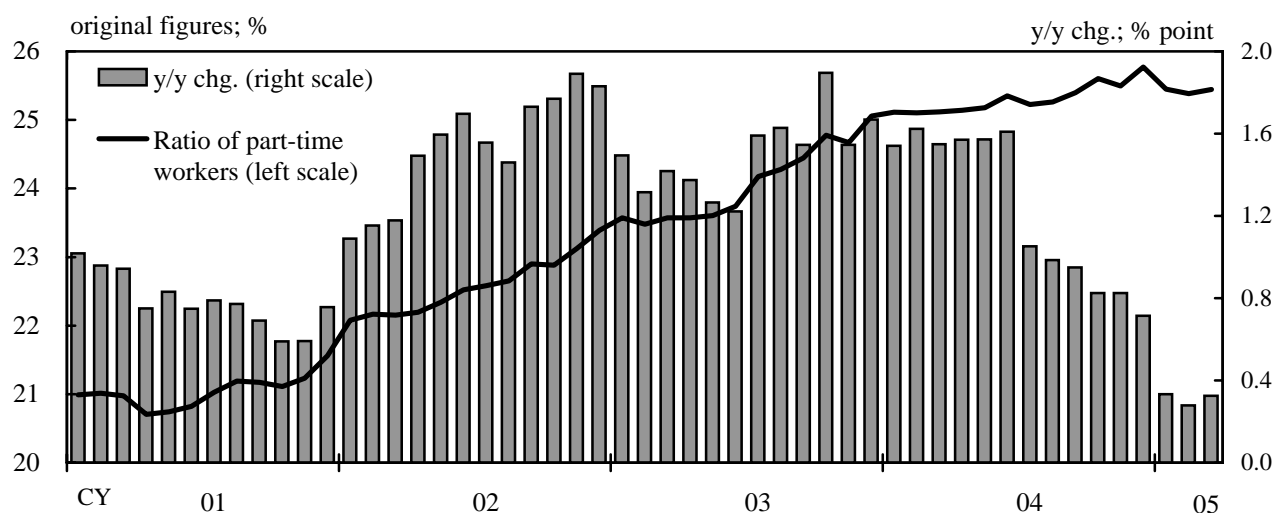
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service";
Ministry of Internal Affairs and Communications, "Labour Force Survey."

Labor Market (2)

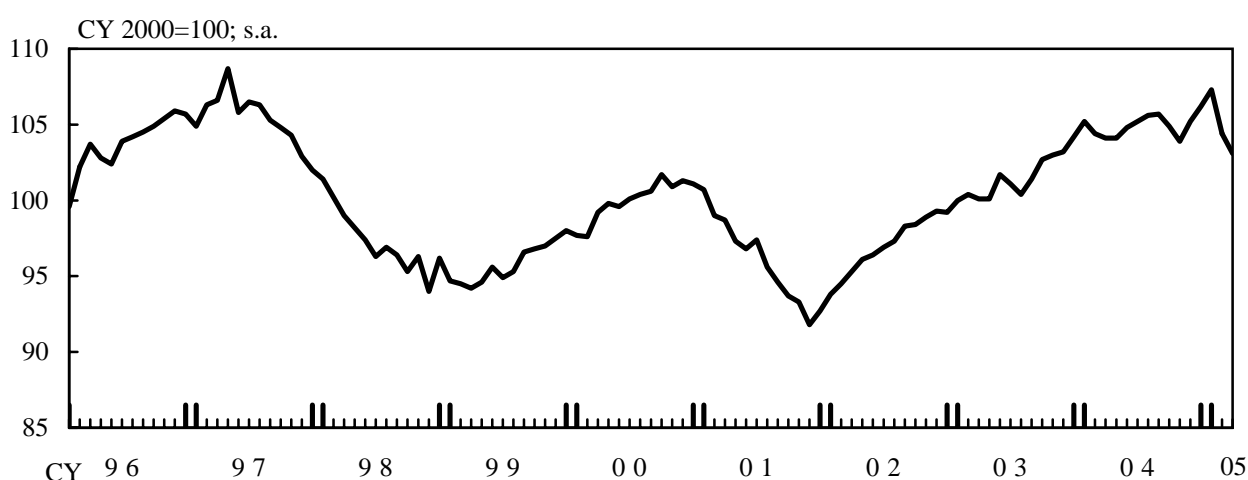
(1) Number of Employees¹



(2) Ratio of part-time workers^{1,2} (Monthly Labour Survey)



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



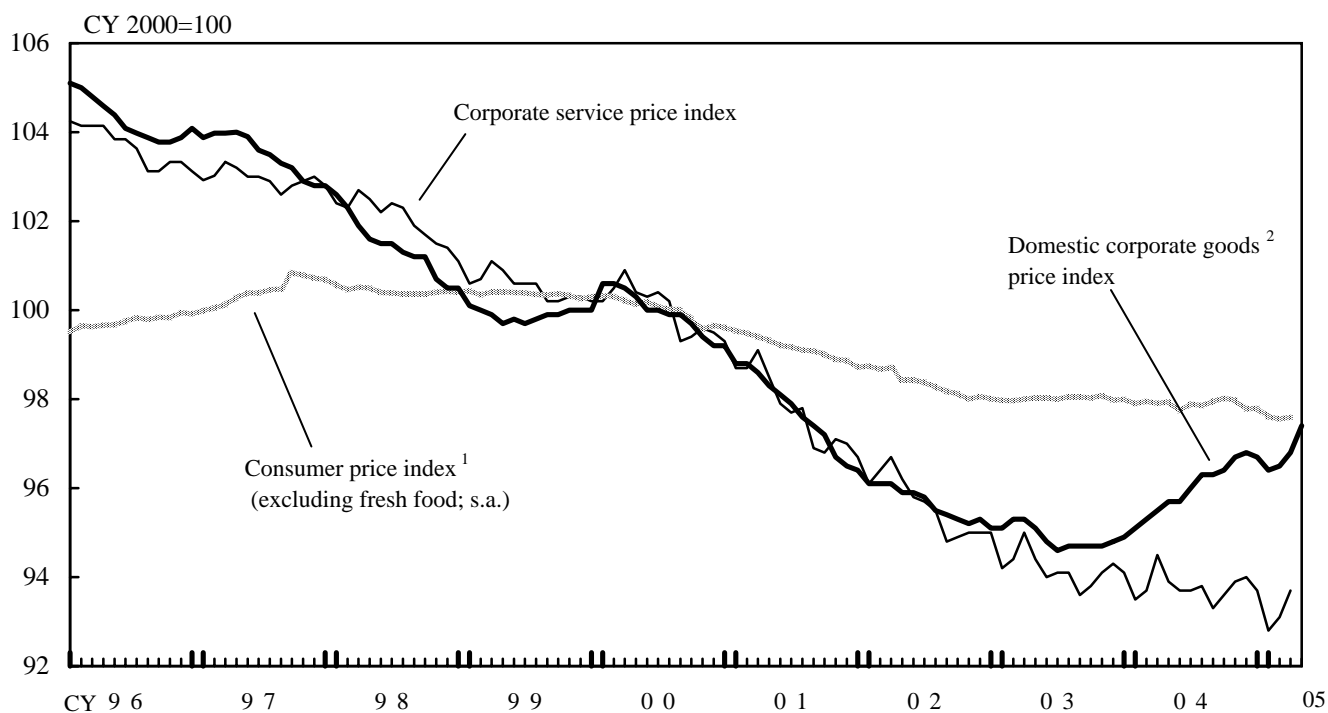
Notes: 1. Data are for establishments with at least 5 employees.

2. Ratio of part-time workers = number of part-time workers/number of regular employees.

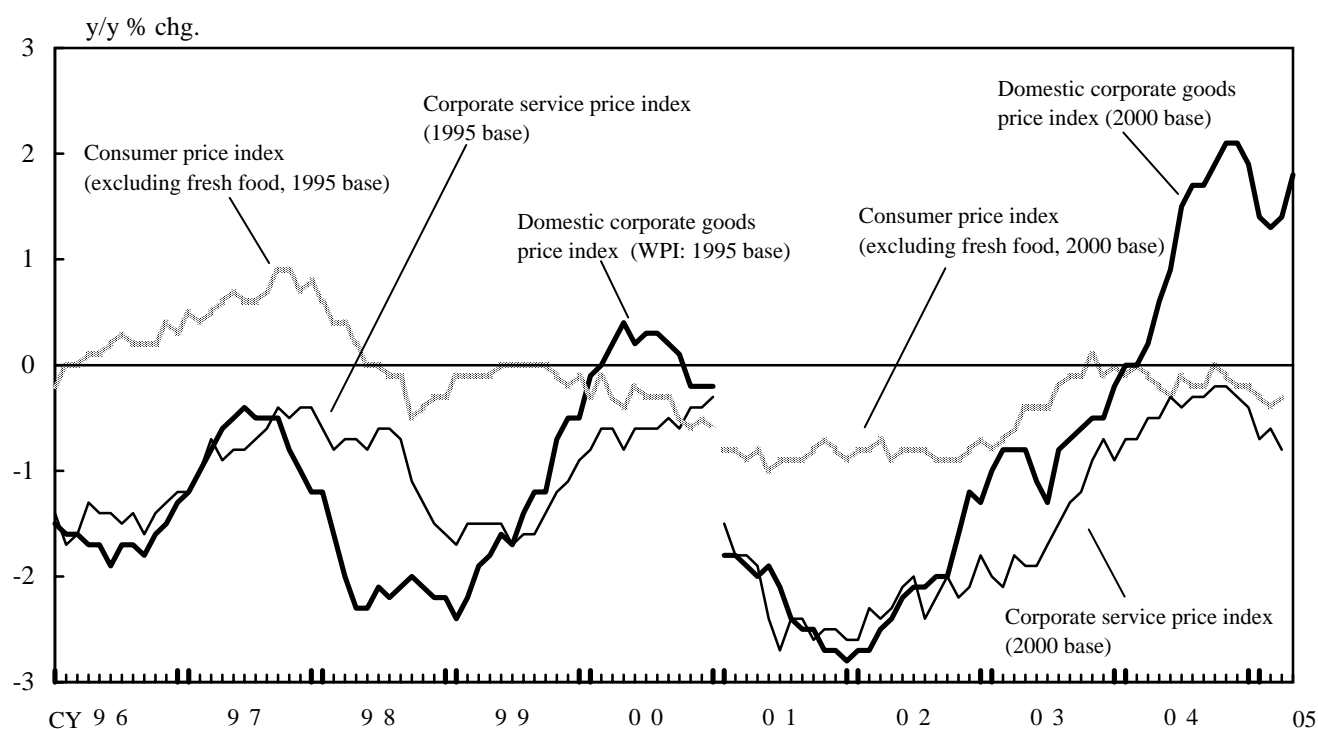
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
Ministry of Internal Affairs and Communications, "Labour Force Survey."

Prices³

(1) Level



(2) Changes from a year earlier



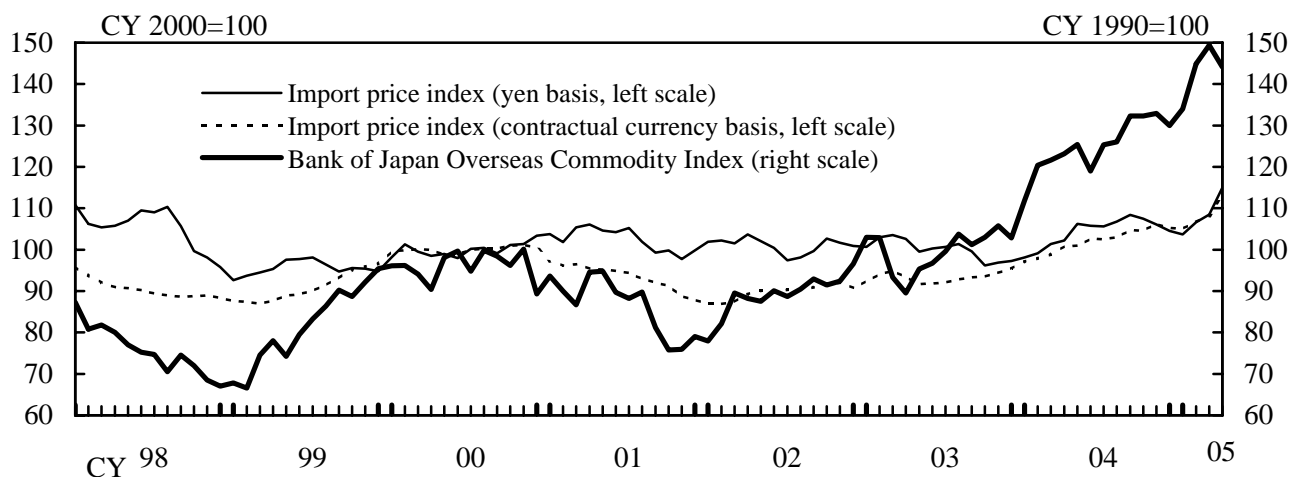
- Notes: 1. Seasonally adjusted by X-12-ARIMA, based on the original series excluding "package tours to overseas" newly adopted from the 2000 base. This is because sample size of this item is insufficient for seasonal adjustment, though it has large seasonal fluctuations.
2. Adjusted to exclude a hike of electric power charges in summer season.
3. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

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

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

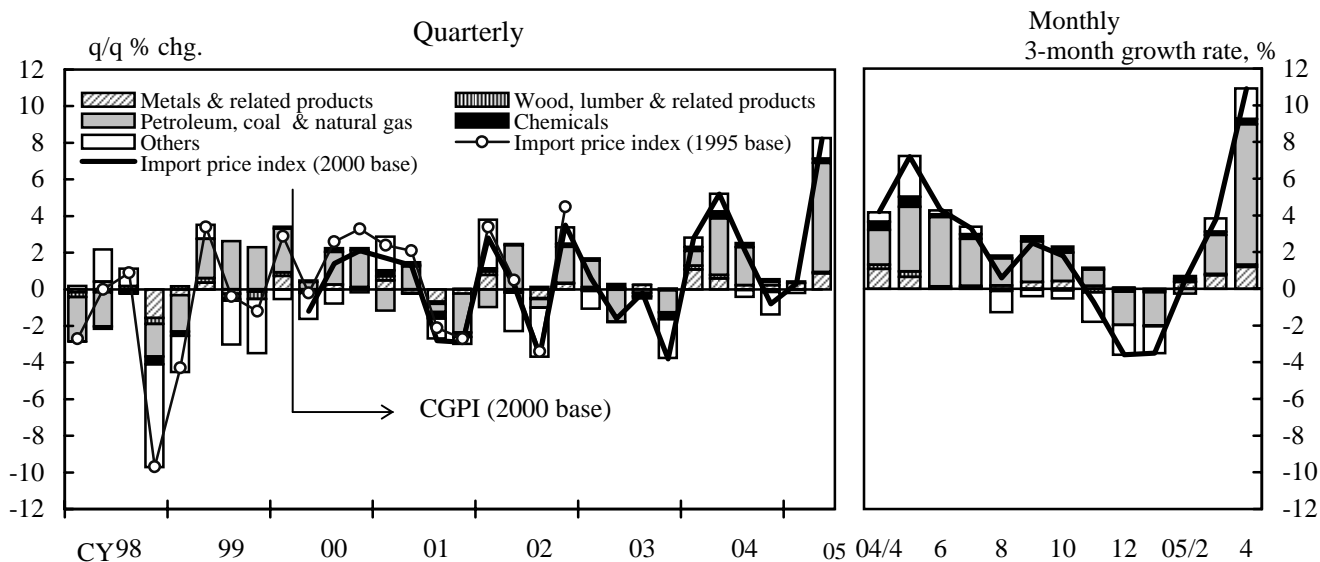
Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



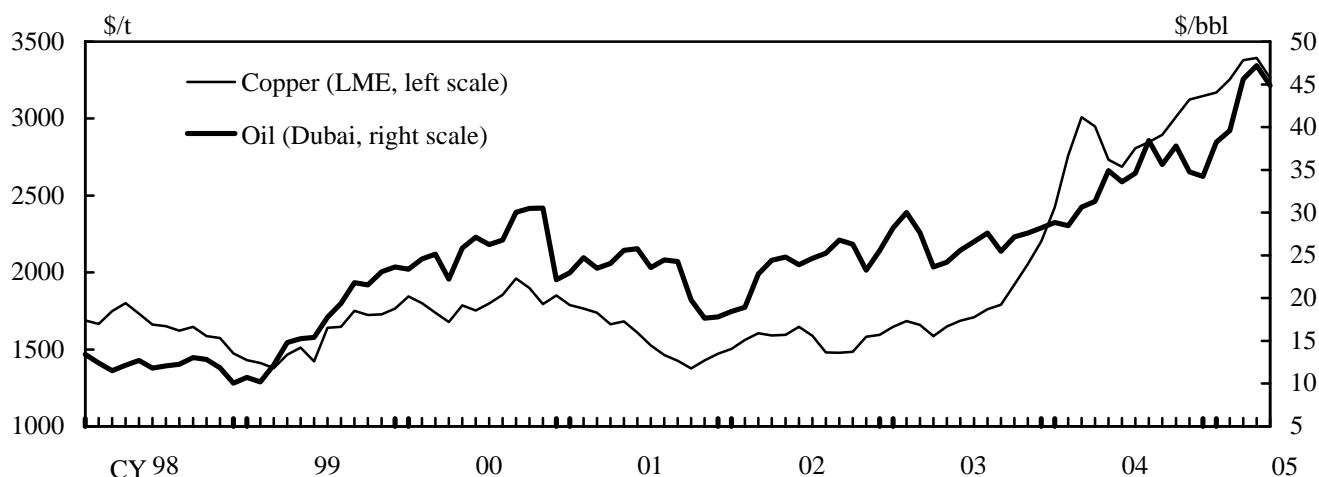
Note: Bank of Japan Overseas Commodity Index is the end of month figure.

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



Note: Figures for 2005/Q2 are those of April.
1995 base figure for 2002/Q4 is Oct.-Nov. average.

(3) Oil price and Copper price

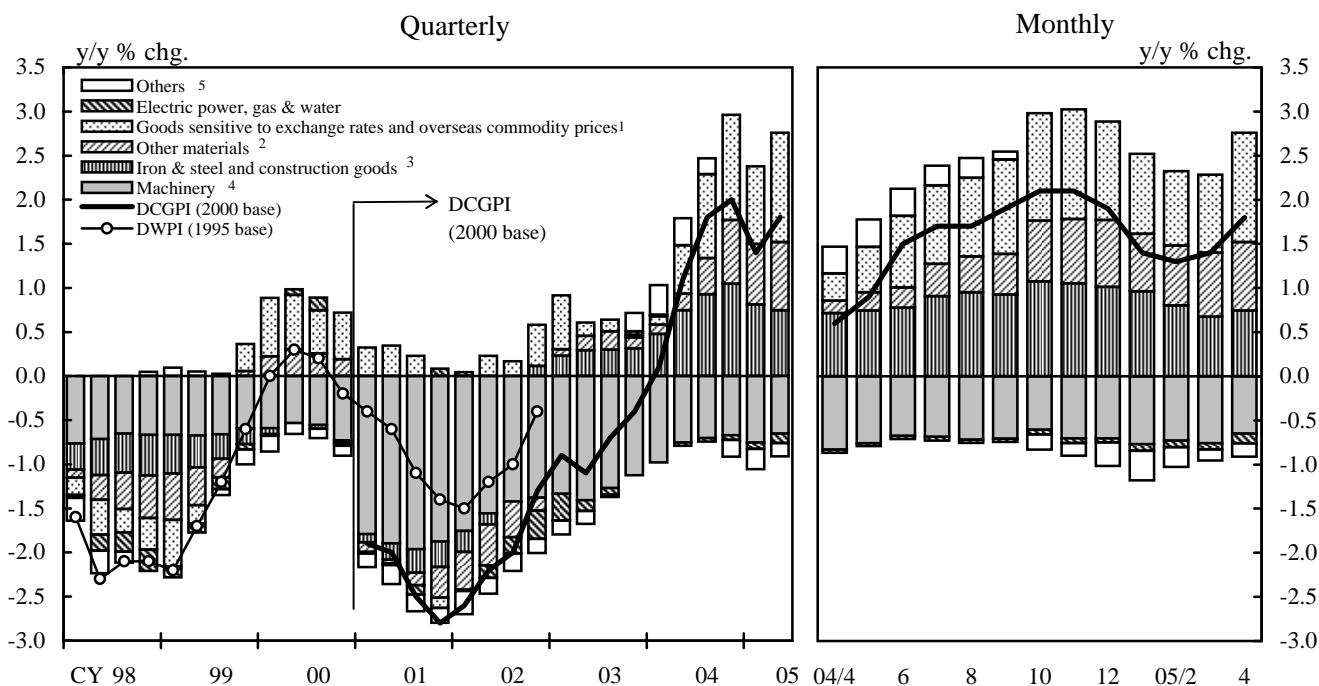
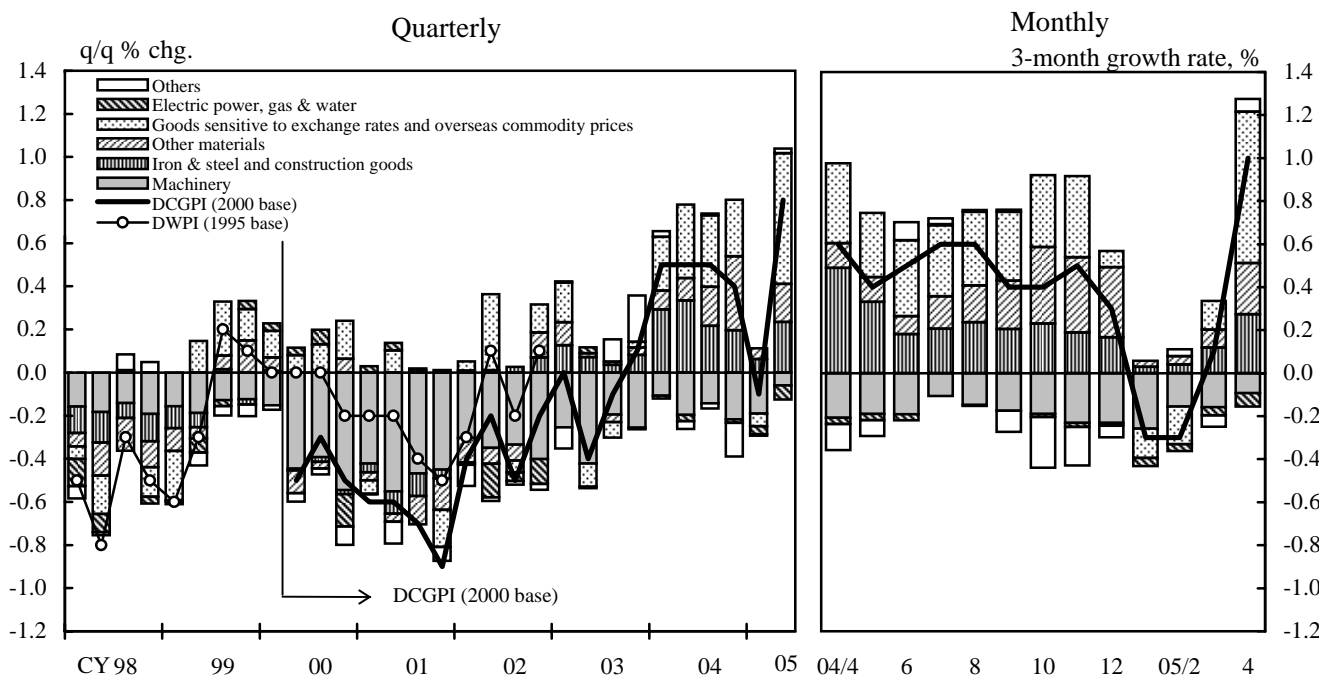


Note: Monthly averages. Figures for May 2005 are the averages up to May 19.

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%.

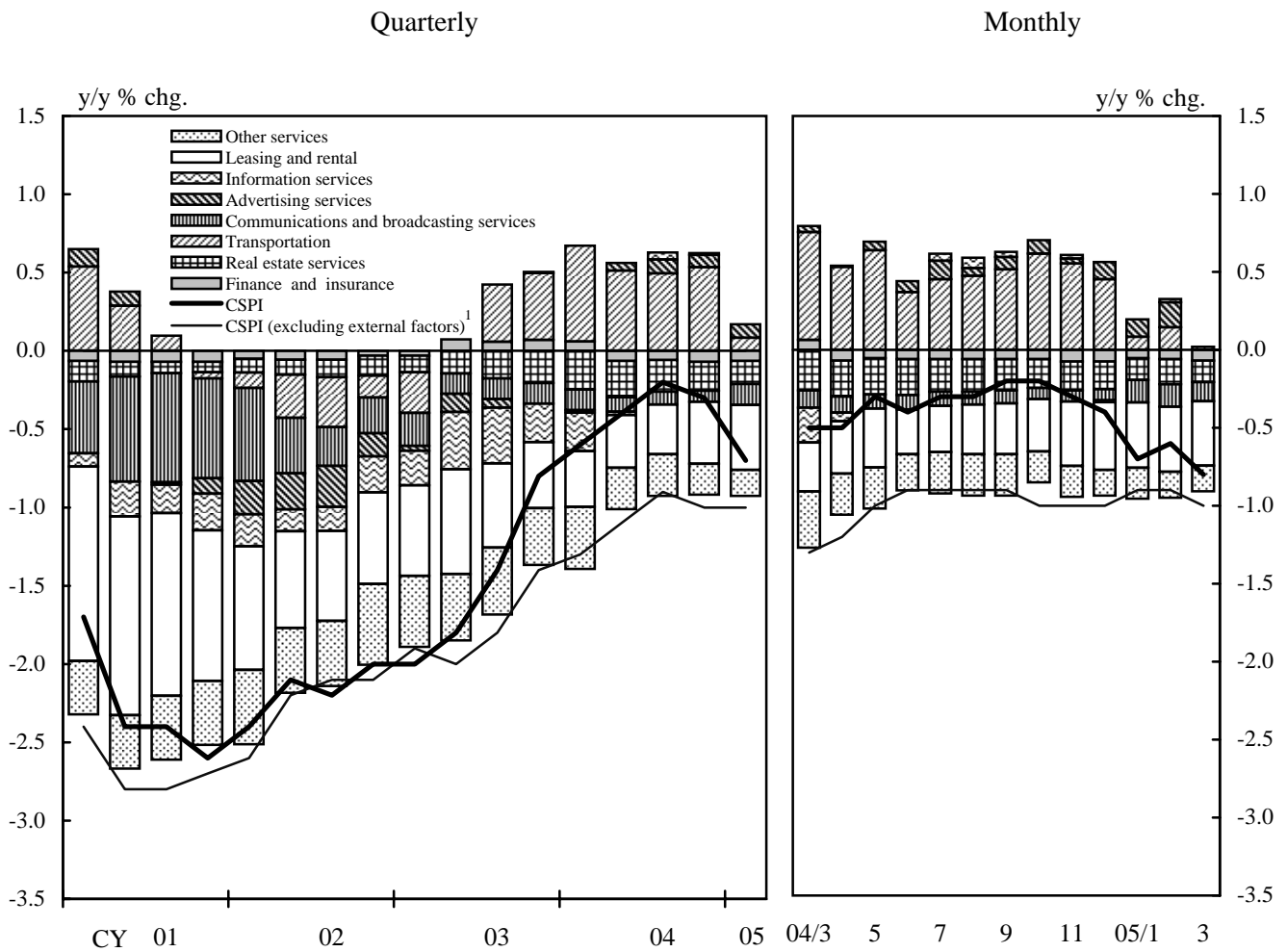
7. Adjusted to exclude the effects of the consumption tax hike on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

8. Figures for 2005/Q2 are those of April.

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 Index

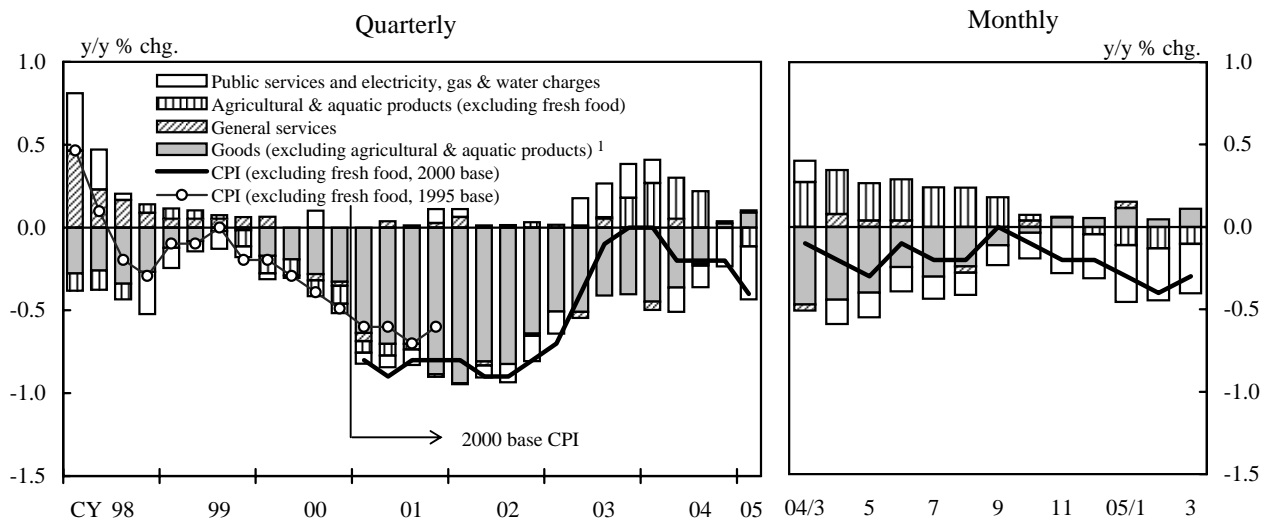


Note: 1.External factors: international air passenger transportation, ocean liner, ocean tramper, ocean tanker, oceangoing ship chartering services, and international air freight.

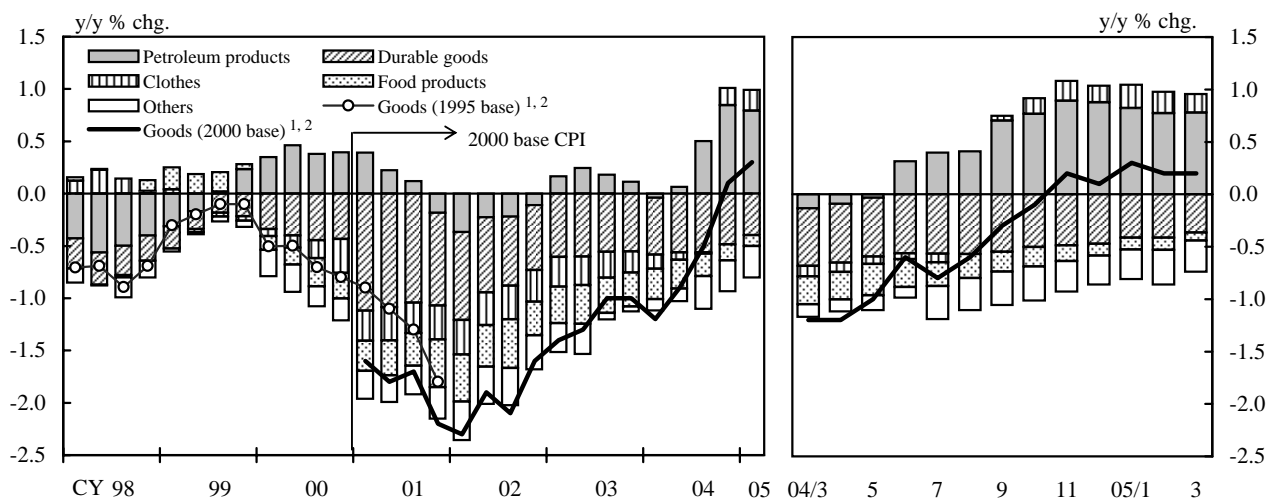
Source: Bank of Japan, "Corporate Service Price Index."

Consumer Price Index (excluding fresh food)³

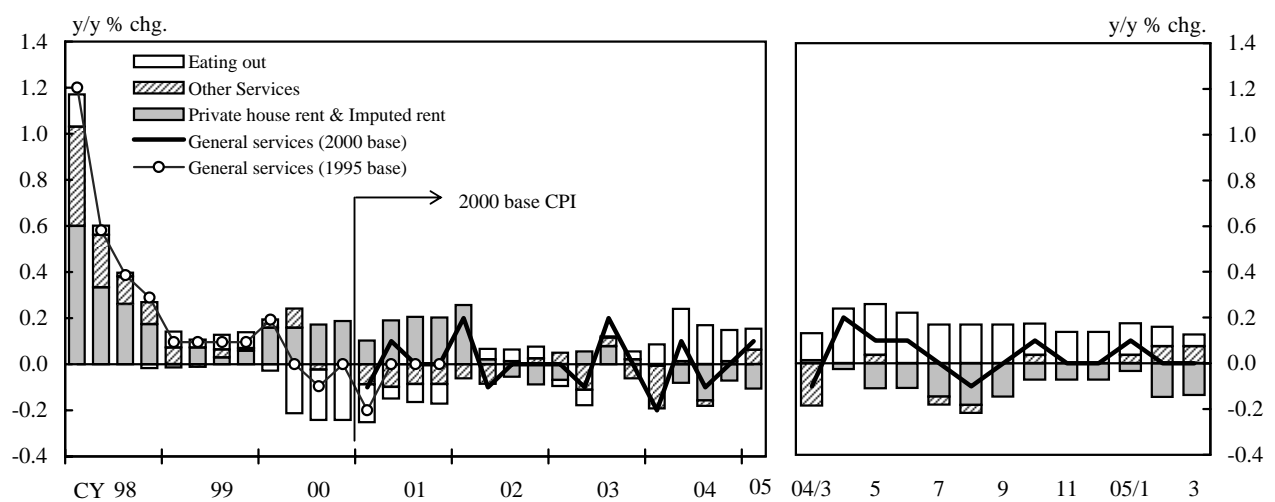
(1) Consumer price index (excluding fresh food)



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



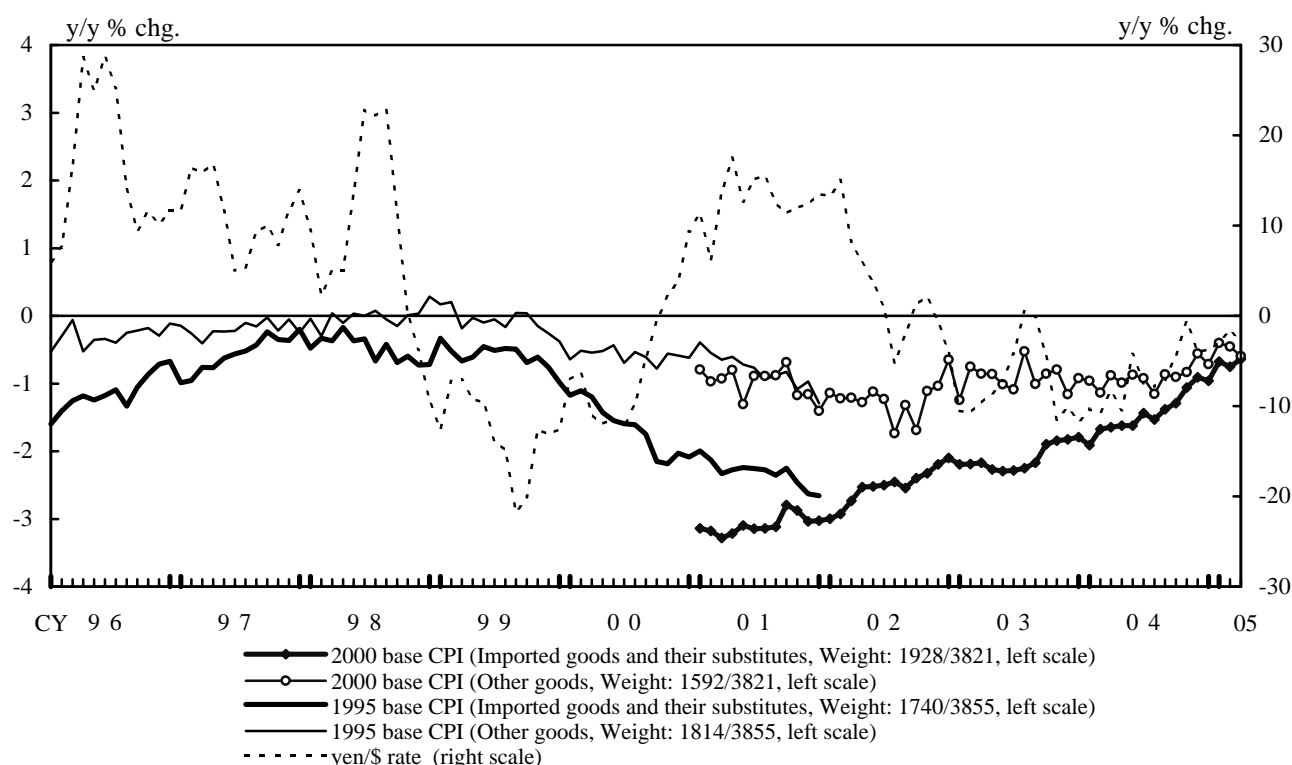
(3) General services



- 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.

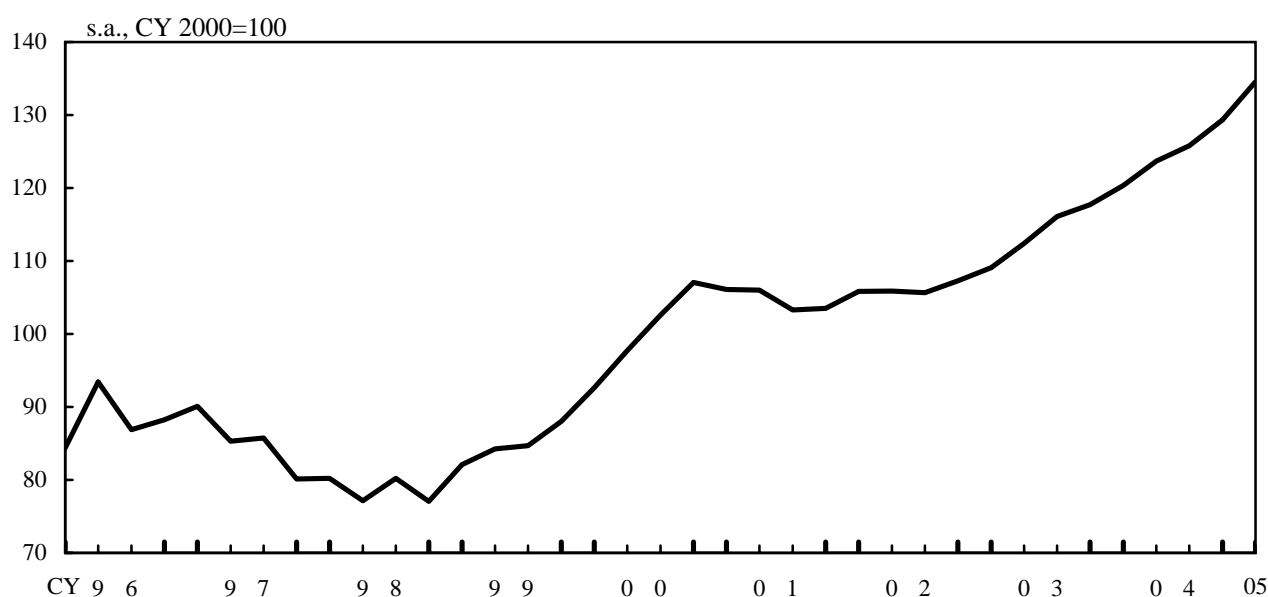
Consumer Prices of imported goods and their substitutes

(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)

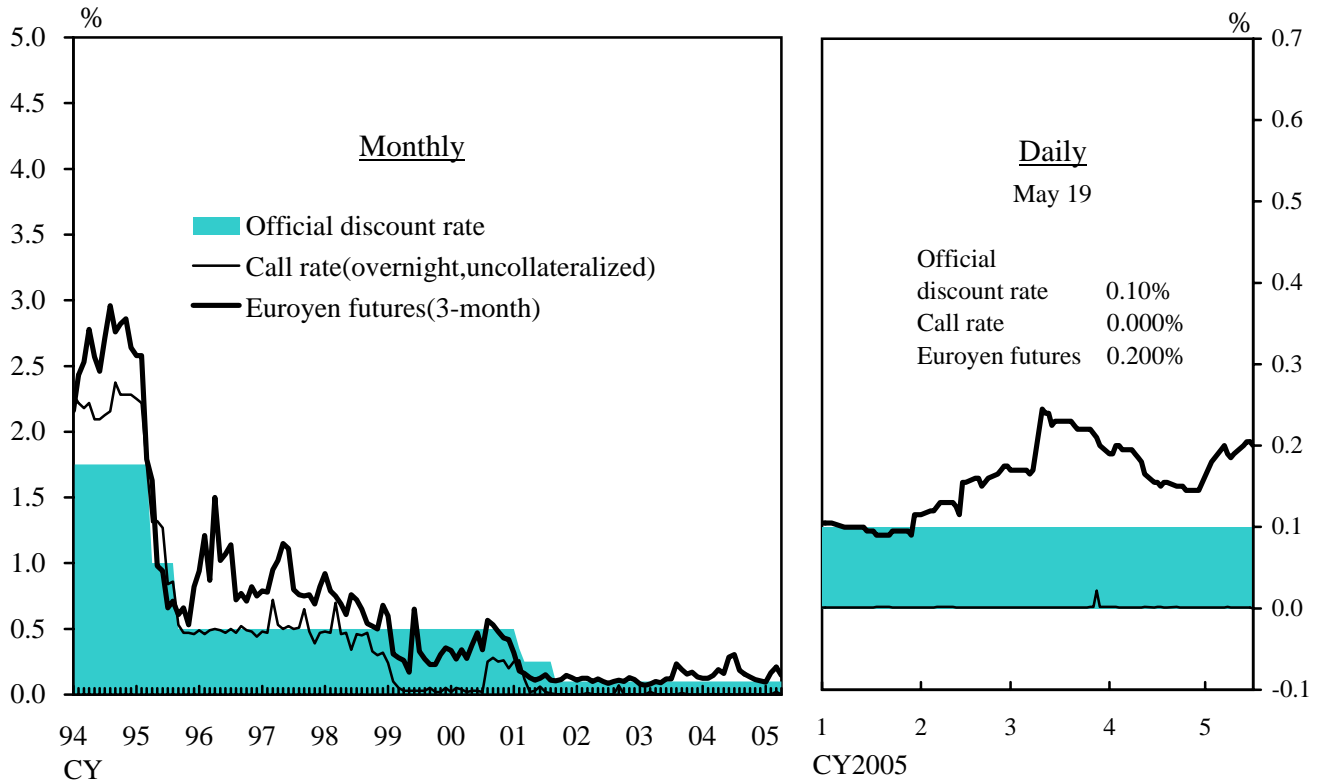


Note: Real imports (consumer goods), which are composed of motor vehicles, parts of audio and visual apparatus, computers and the parts, foodstuffs, textiles and clothing and the accessories, are calculated from the Trade Statistics as an index with the 2000 average equal to 100.

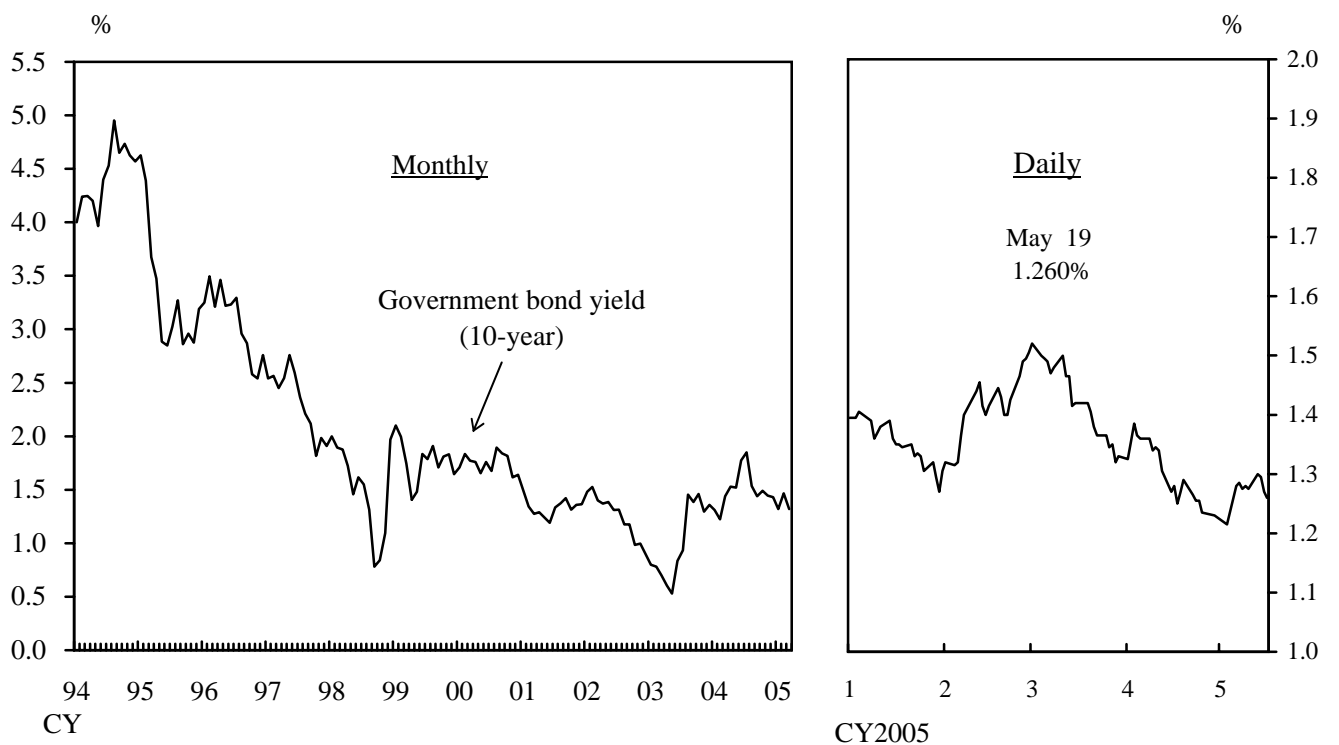
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index";
Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Interest Rates

(1) Short-Term



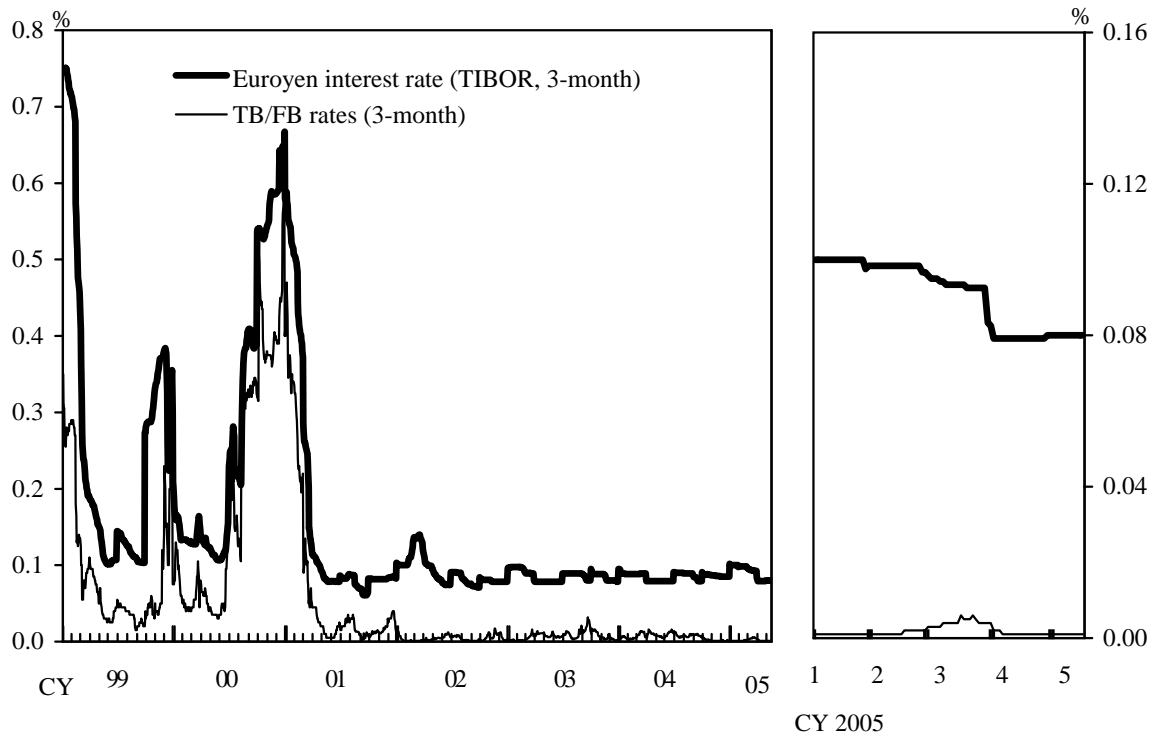
(2) Long-Term



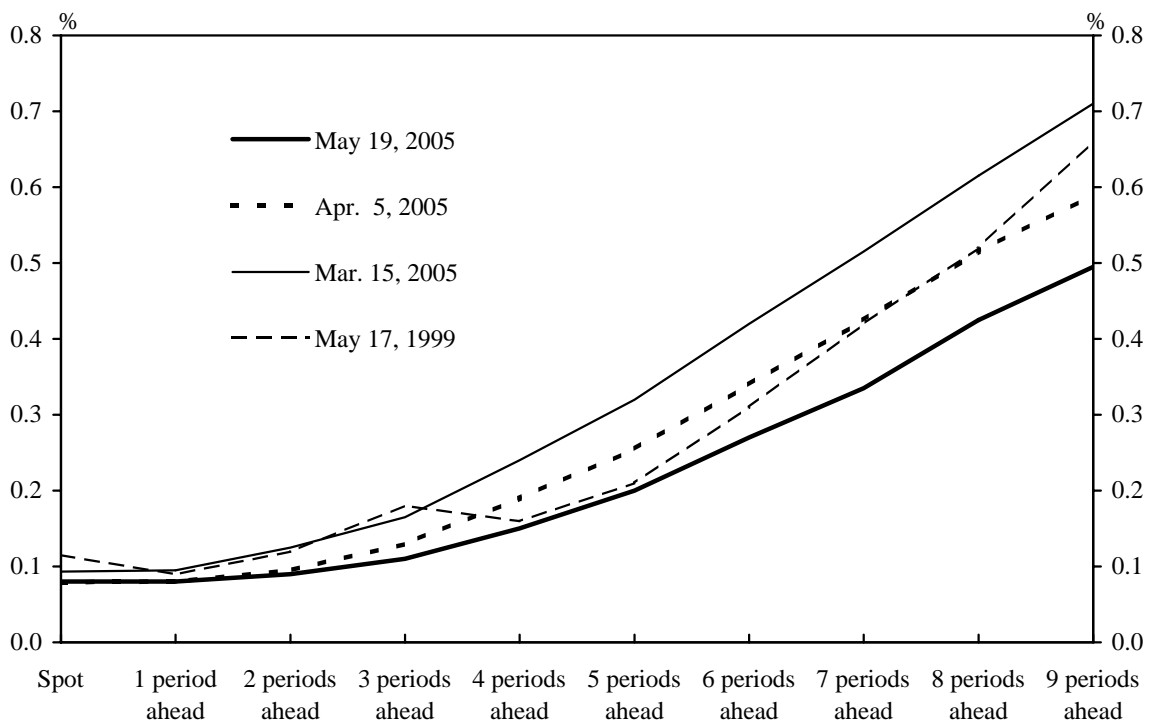
Sources: Bank of Japan; Tokyo International Financial Futures Exchange;
 Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments



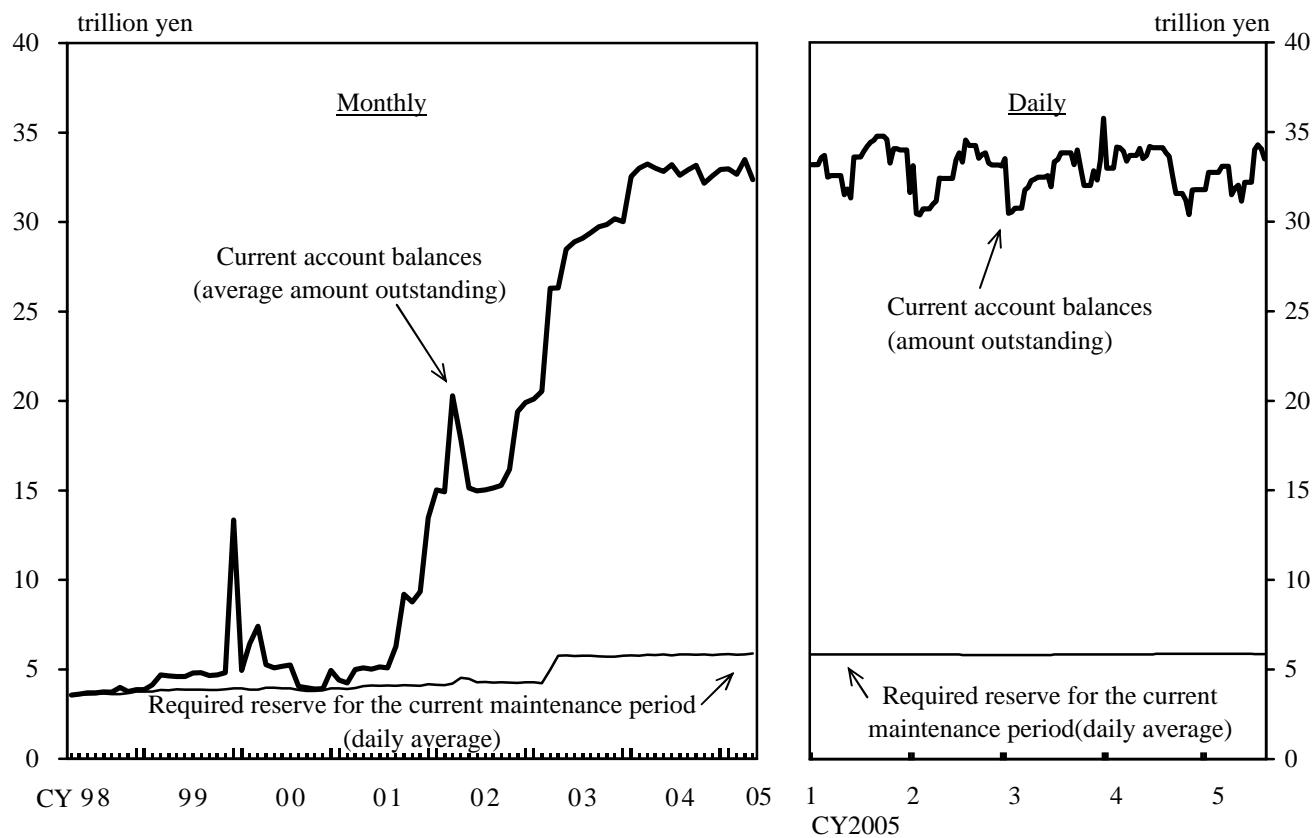
(2) Euroyen Interest Rates Futures (3-Month) ¹



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.

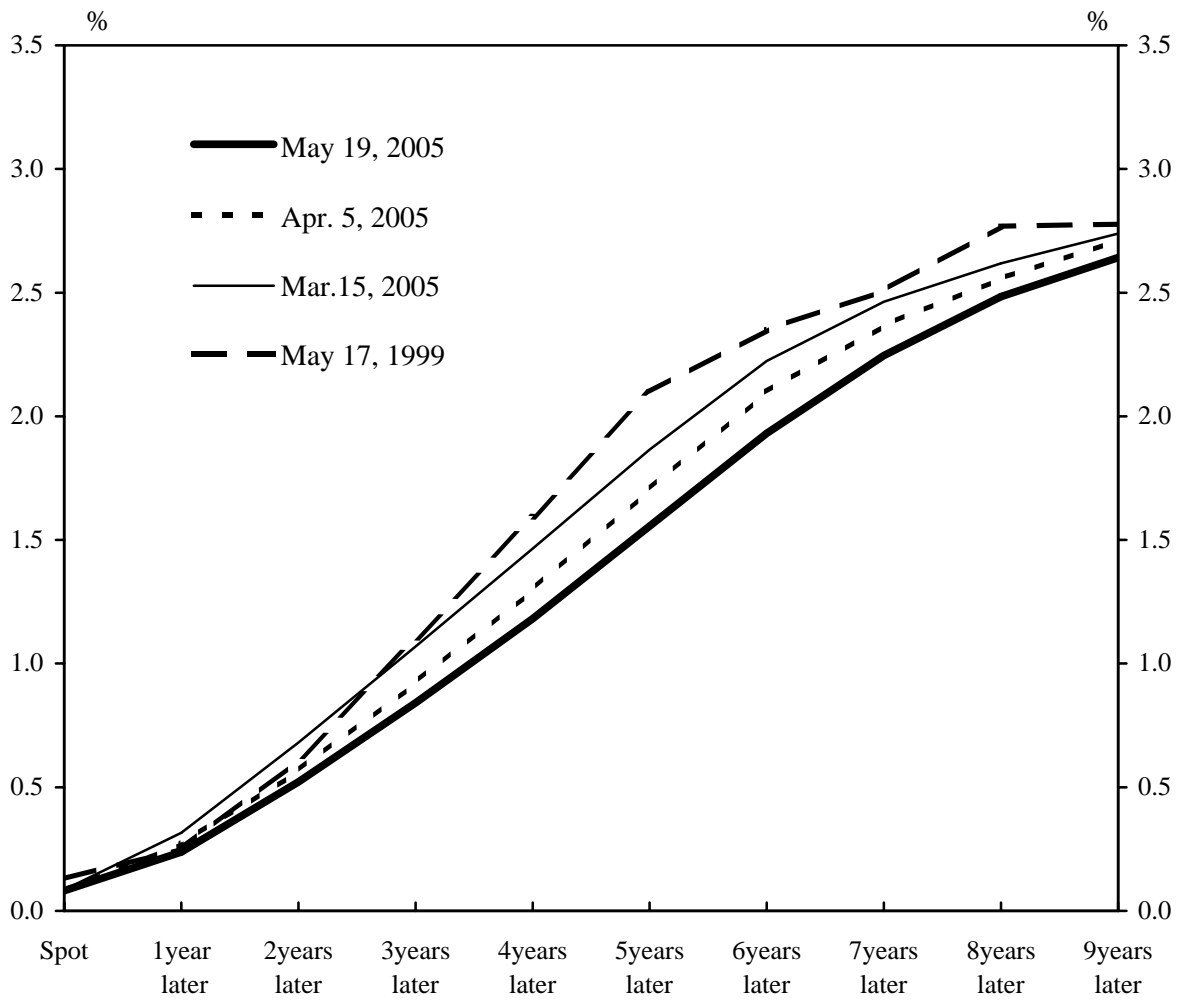
Current Account Balances at the Bank of Japan ¹



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.

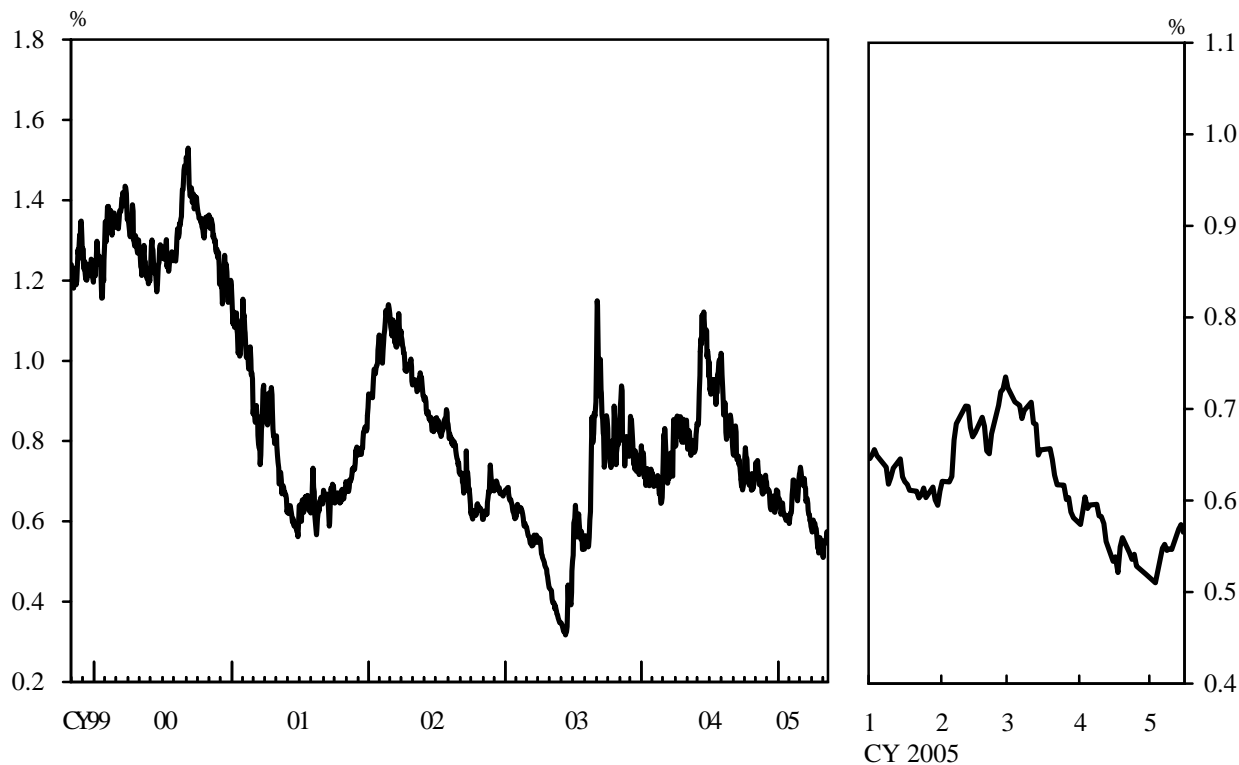
Implied Forward Rates (1-year)¹



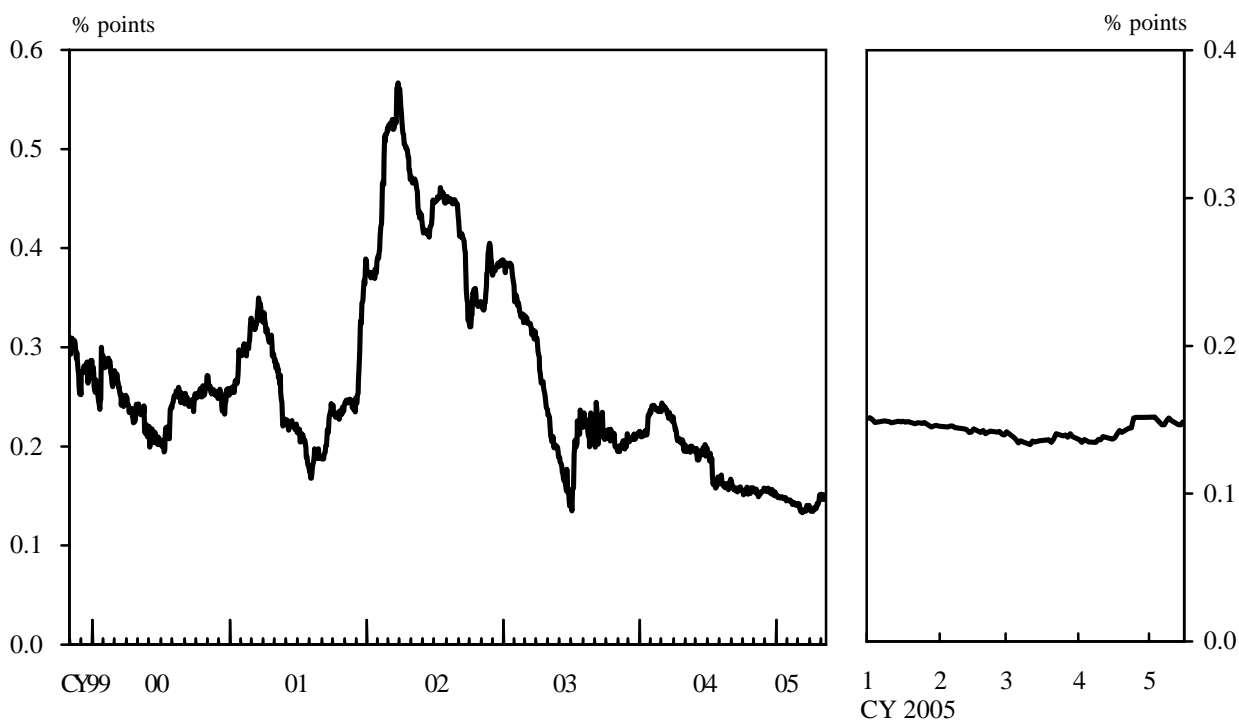
Note: 1. Calculated from yen-yen swap rates.
 Source: QUICK Moneyline Telerate Corp.

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.

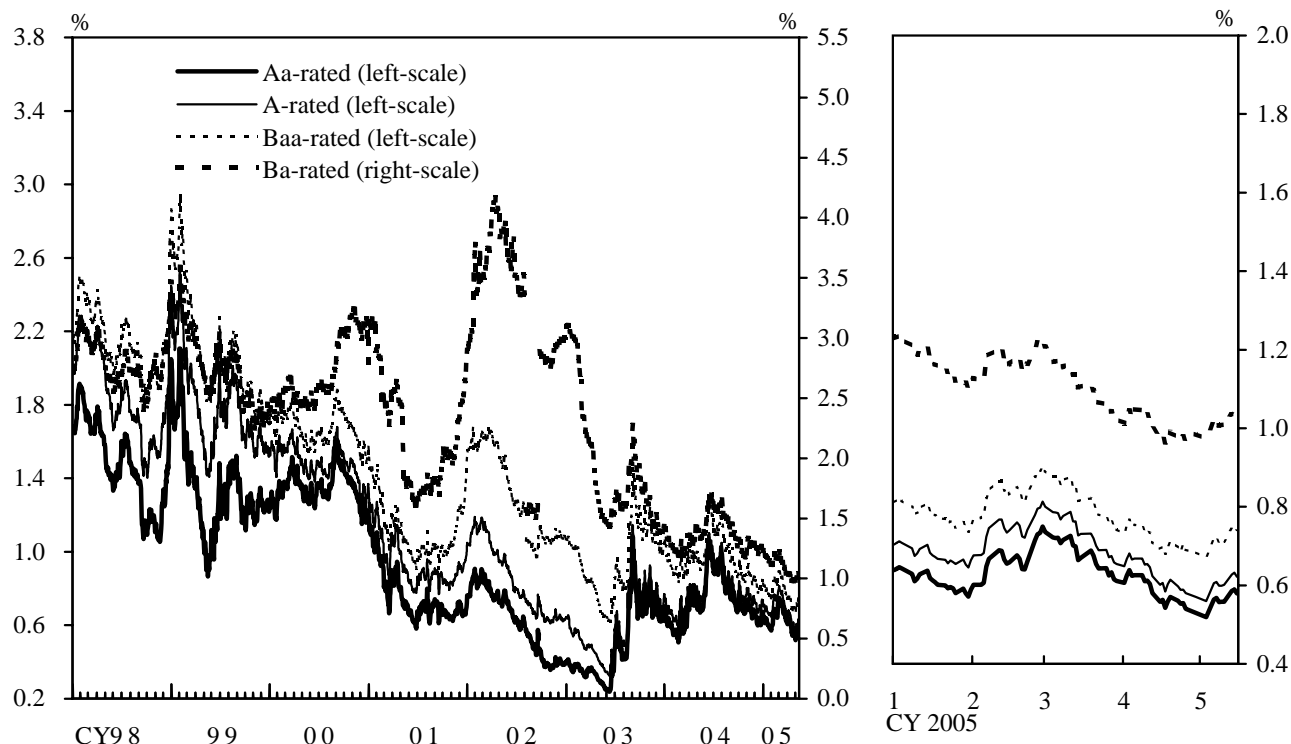
2. Average bank bond yield is the average of four bank bonds.

Sources: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

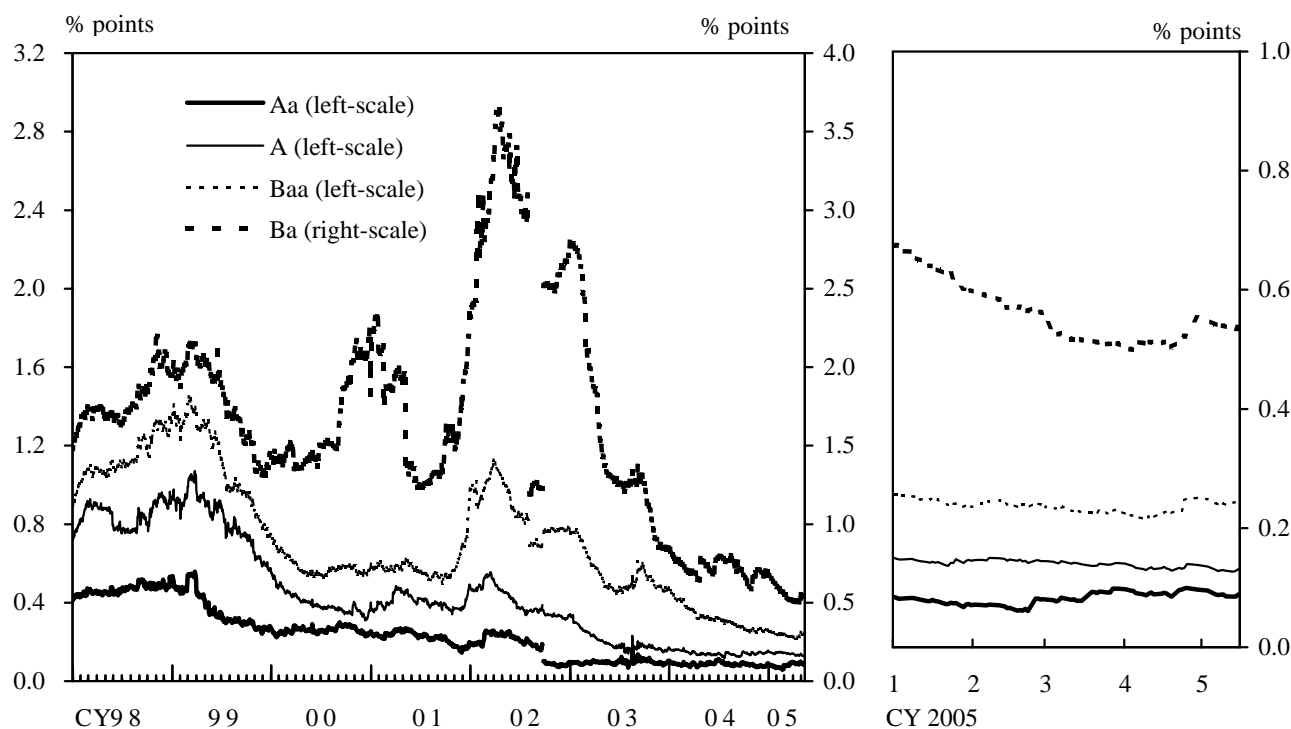
"Reference Price(Yields) Table for OTC Bond Transactions."

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.

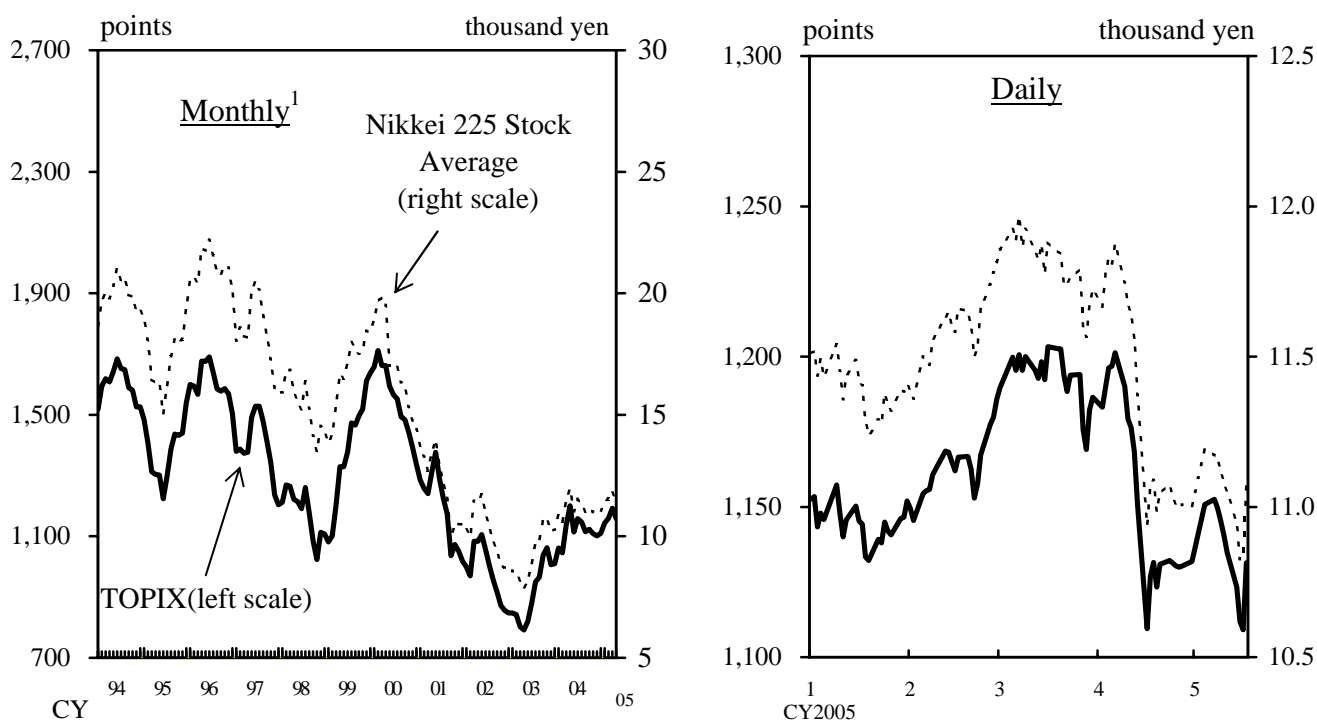
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of 4 to 6 years since Sep. 24, 2002.

2. The indicated ratings are of Moody's.

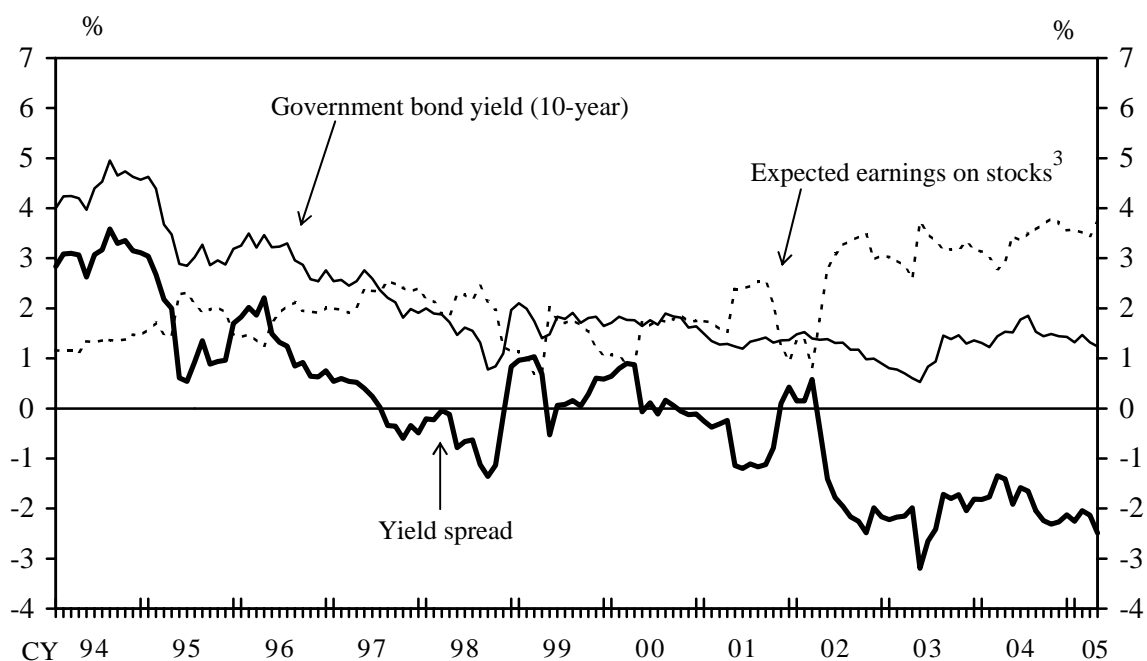
Sources: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations." "Reference Price(Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Stock Prices



(2) Yield Spread²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

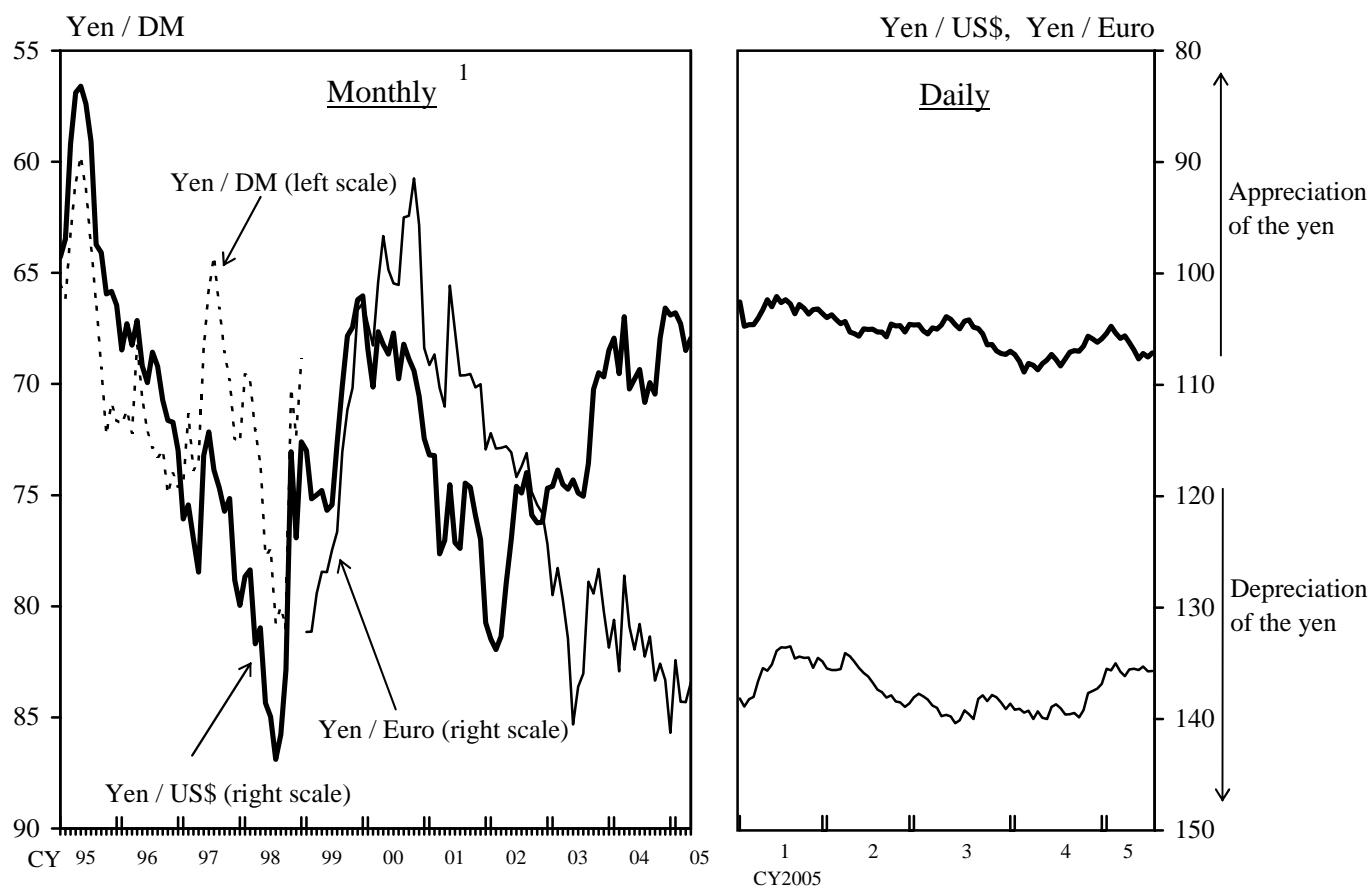
Yield spread = government bond yields - expected earnings on stocks,
 where expected earnings on stocks = 1/expected price earnings ratio.

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 Tousei Shiryou* (Daiwa Investment Information)."

Exchange Rates

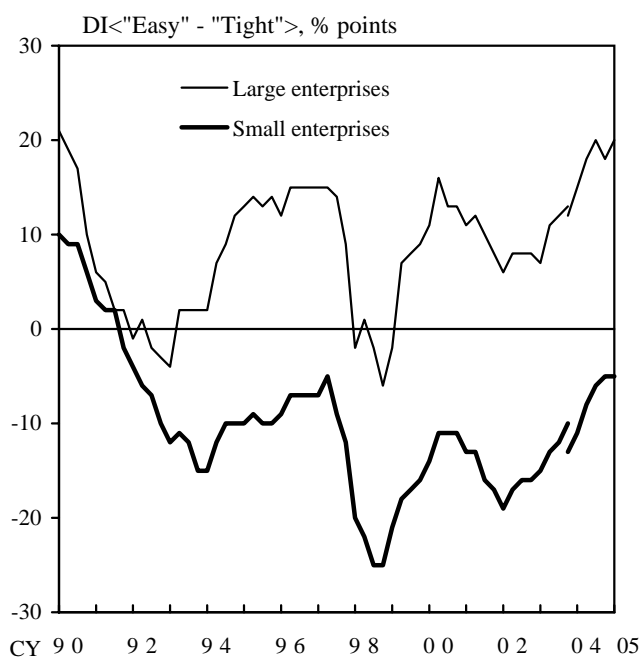


Note: 1. End of month.

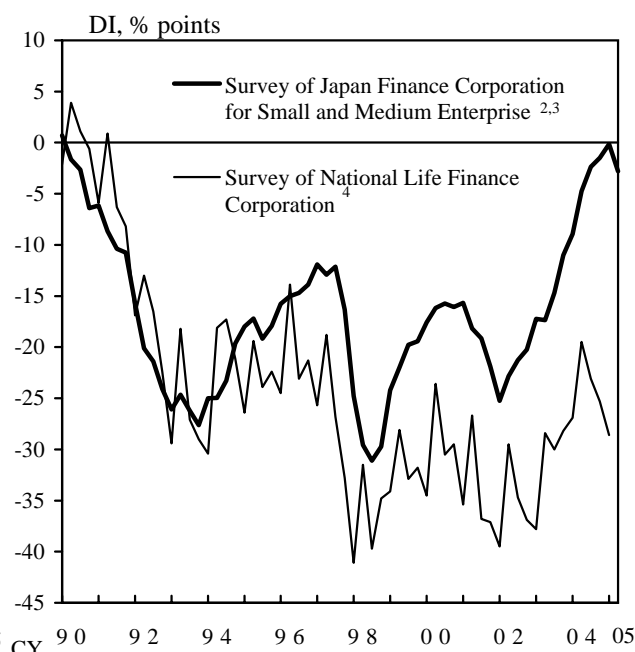
Source: Bank of Japan.

Corporate Finance-Related Indicators

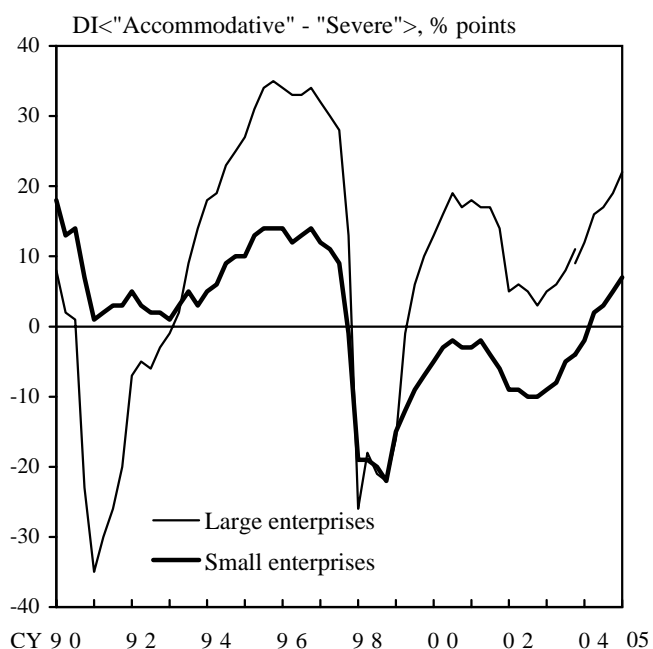
(1) Financial Position

<Tankan¹>

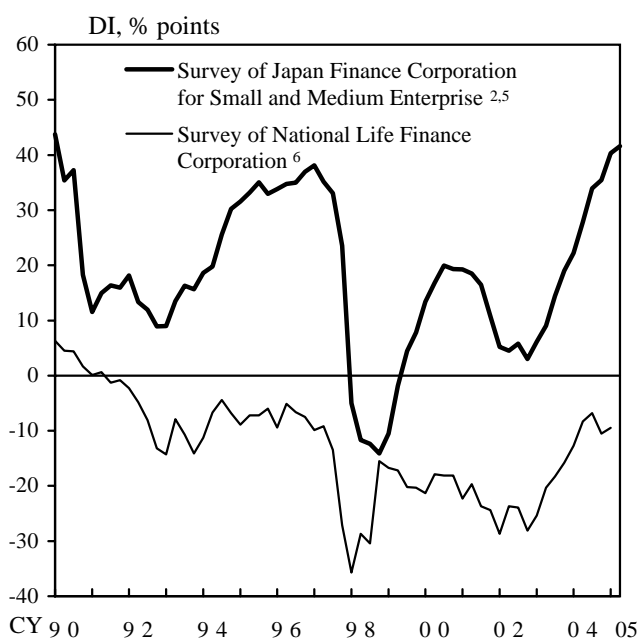
<Other Surveys>



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

<Tankan¹>

<Other Surveys>



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 2005/Q2 are those of April.

3. DI of "Easy" - "Tight"

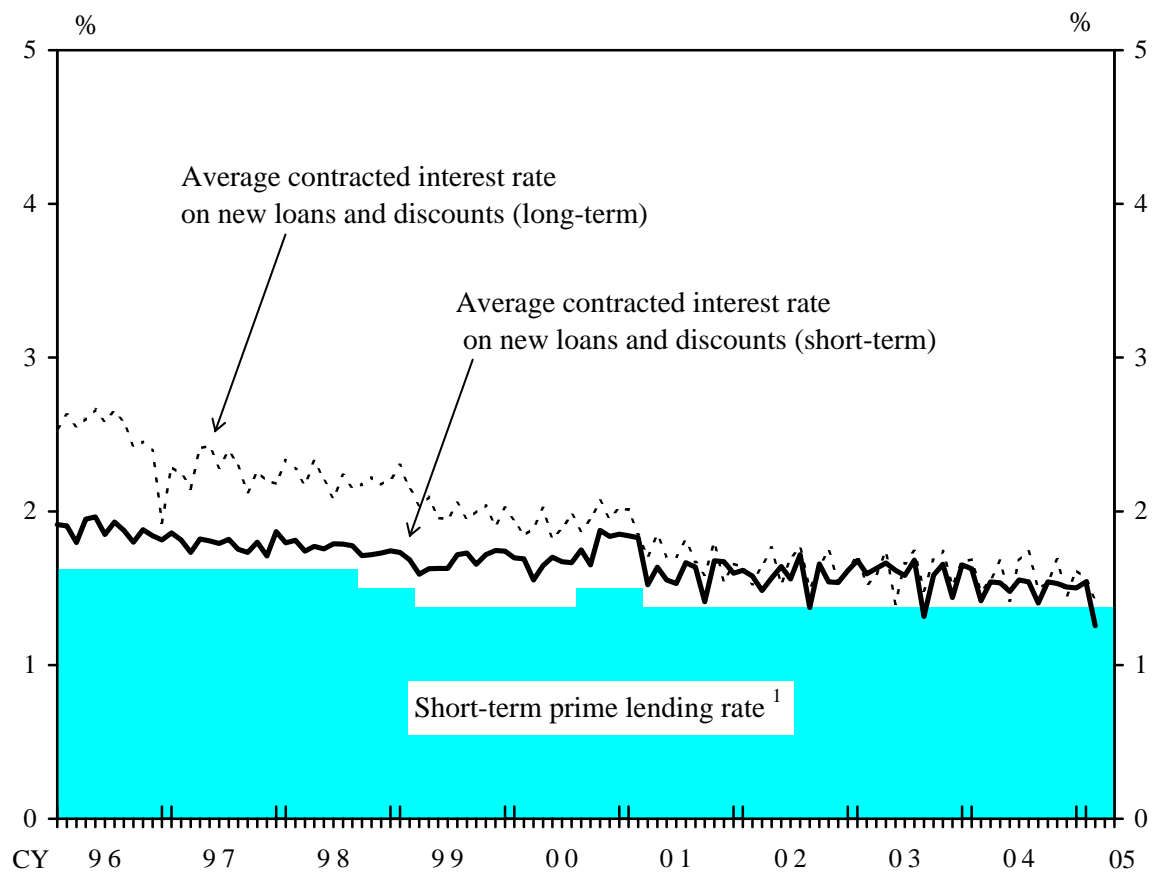
4. DI of "Easier" - "Tighter"

5. DI of "Accommodative" - "Severe"

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

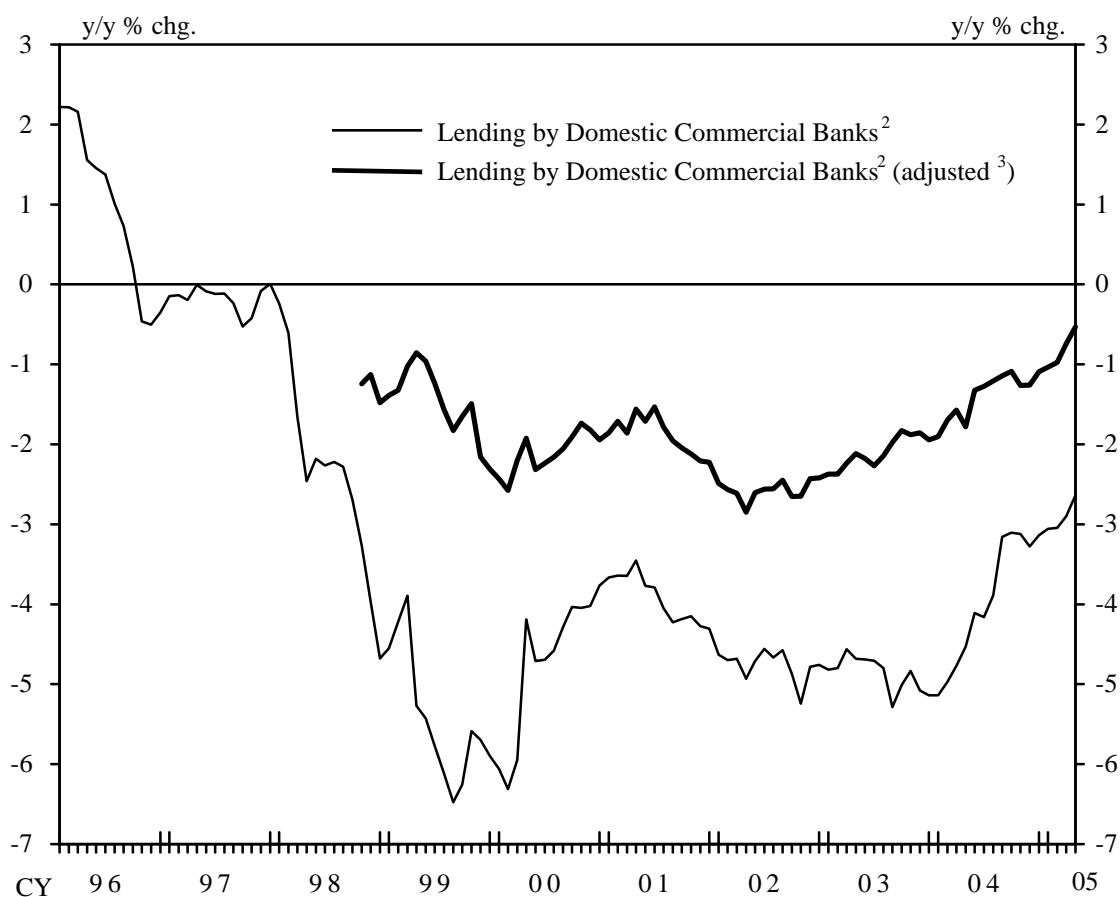
Sources: Bank of Japan, "*Tankan*, Short-term Economic Survey of Enterprises in Japan"; Japan Finance Corporation for Small and Medium Enterprise, "Monthly Survey of Small Businesses in Japan"; National Life Finance Corporation, "Quarterly Survey of Small Businesses in Japan."

Lending Rates



Note: 1. Data are at end of period.

Source: Bank of Japan.

Lending by 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.

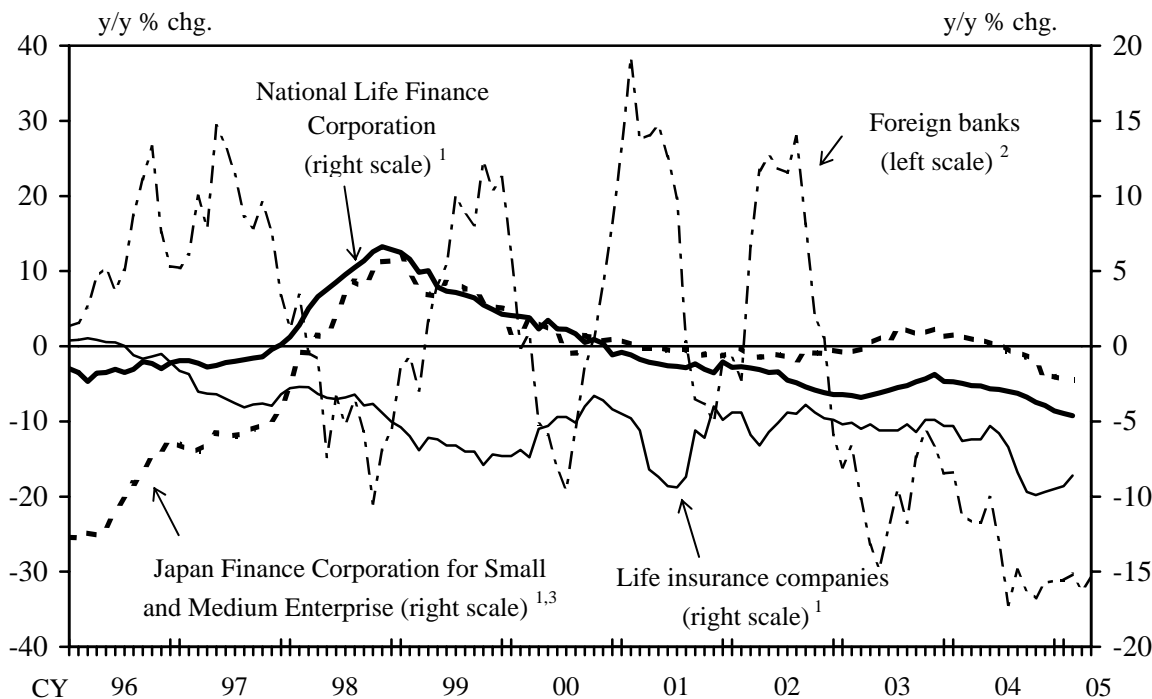
3. Adjusted to exclude

- (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."

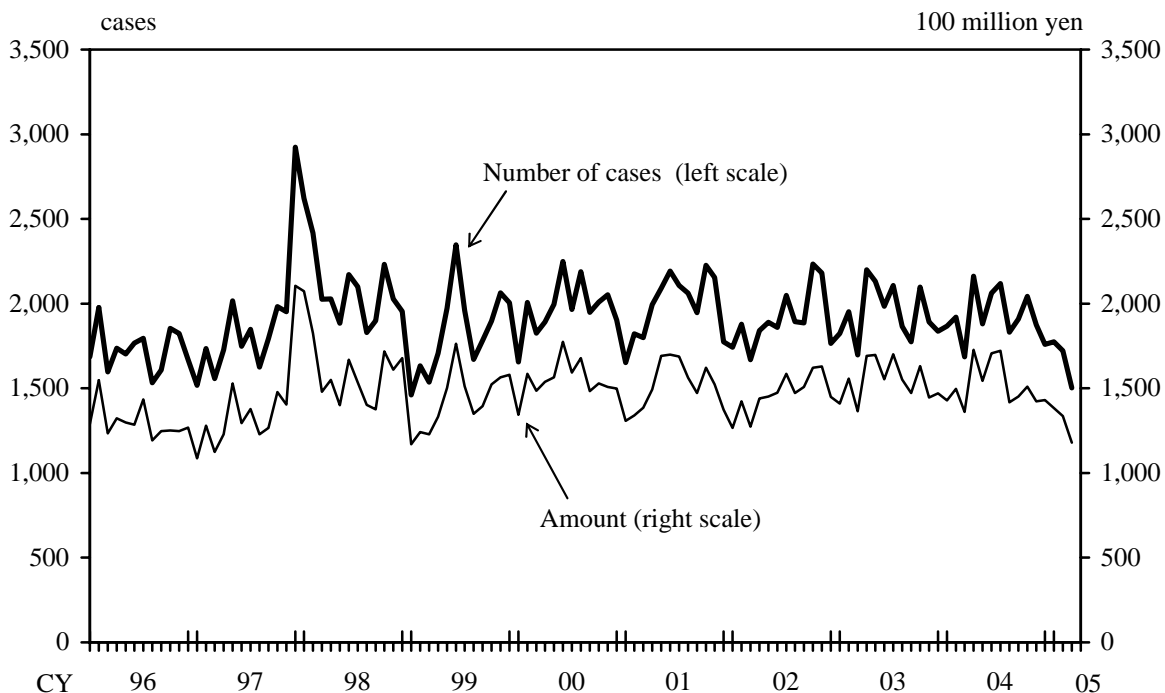
Lending by Other Financial Institutions

(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.

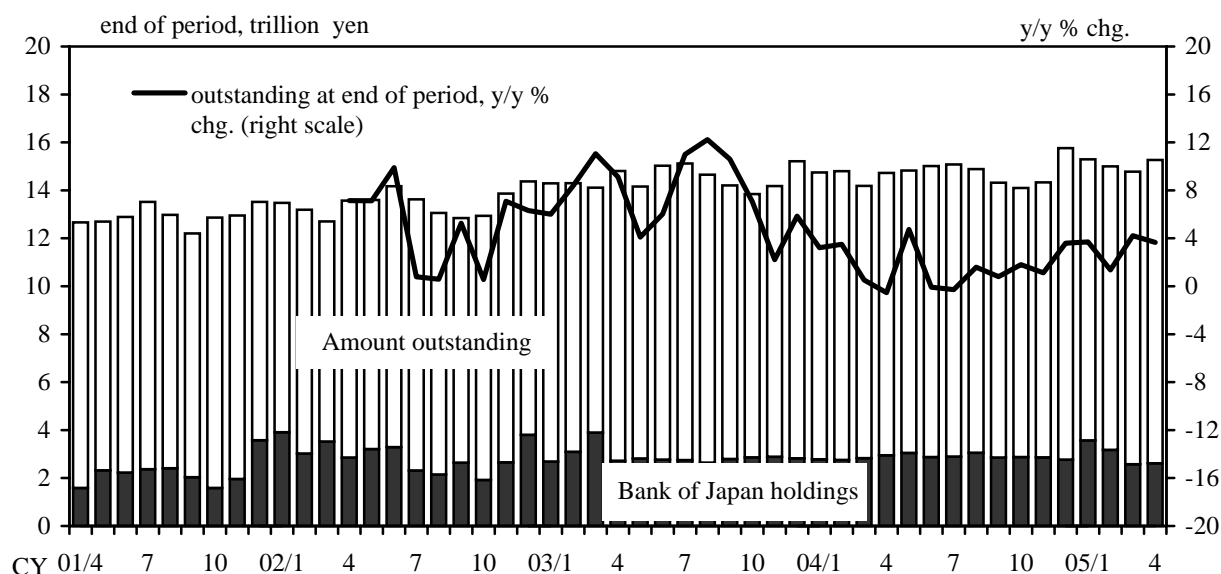
(2) Application for a Loan from Japan Finance Corporation for Small and Medium Enterprise



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

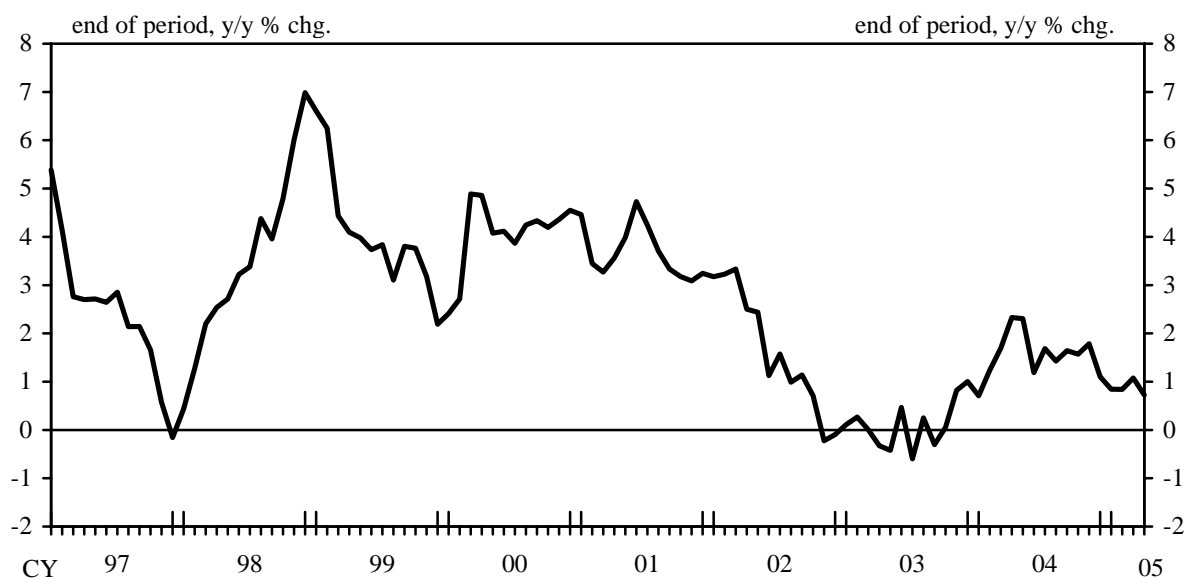
Private-Sector Fund-Raising in the Capital Markets

(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)



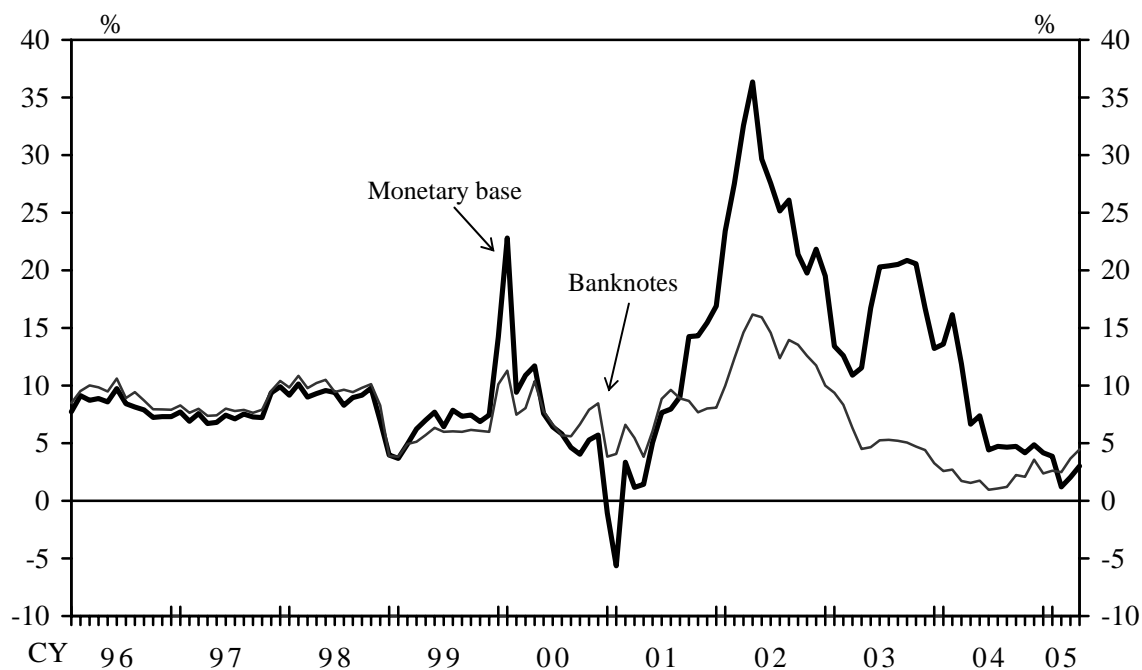
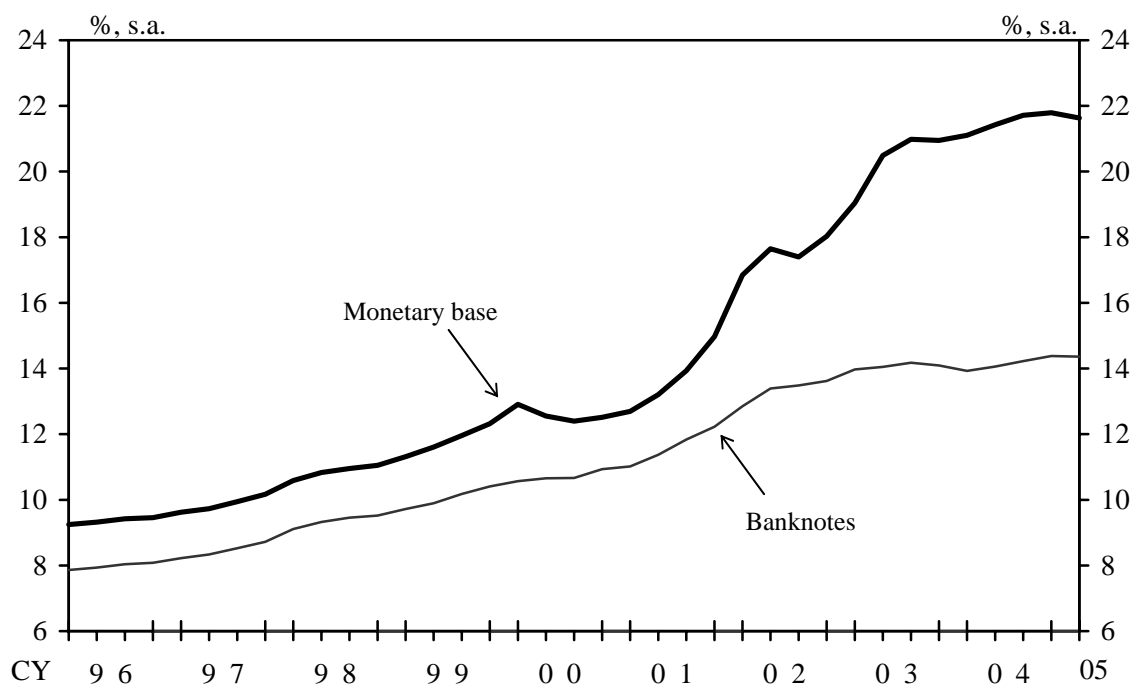
Note: Percentage changes from the previous year of the amount outstanding of corporate bonds are estimated figures. Procedures of the estimation are summarized as follows:

- (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.

$$\text{Percentage changes from the previous year of the amount outstanding of corporate bonds} = \frac{\text{The amount outstanding of corporate bonds as of this month} + \text{The sum of conversion amount over the last 12 months}}{\text{The amount outstanding of corporate bonds as of the same month in the previous year}}$$
- (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

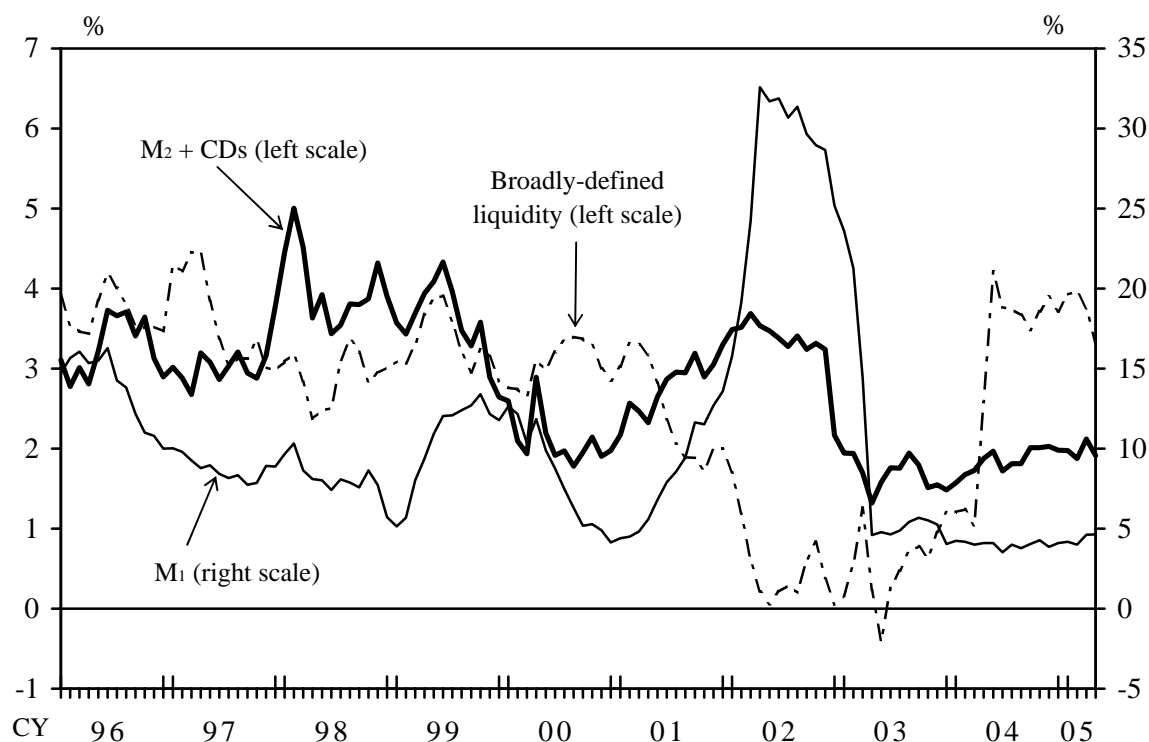
(1) Changes from a Year Earlier**(2) Ratio of Monetary Base to Nominal GDP**

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

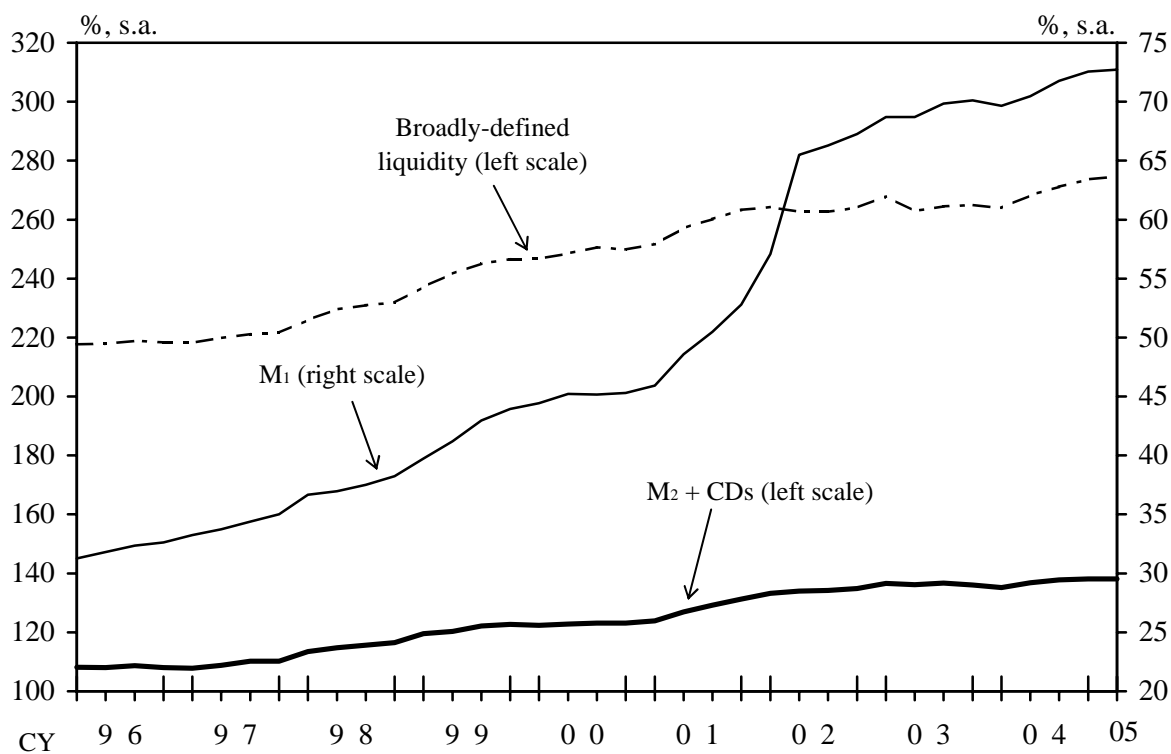
Data for currency in circulation include holdings of financial institutions.

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

(1) Changes from a Year Earlier



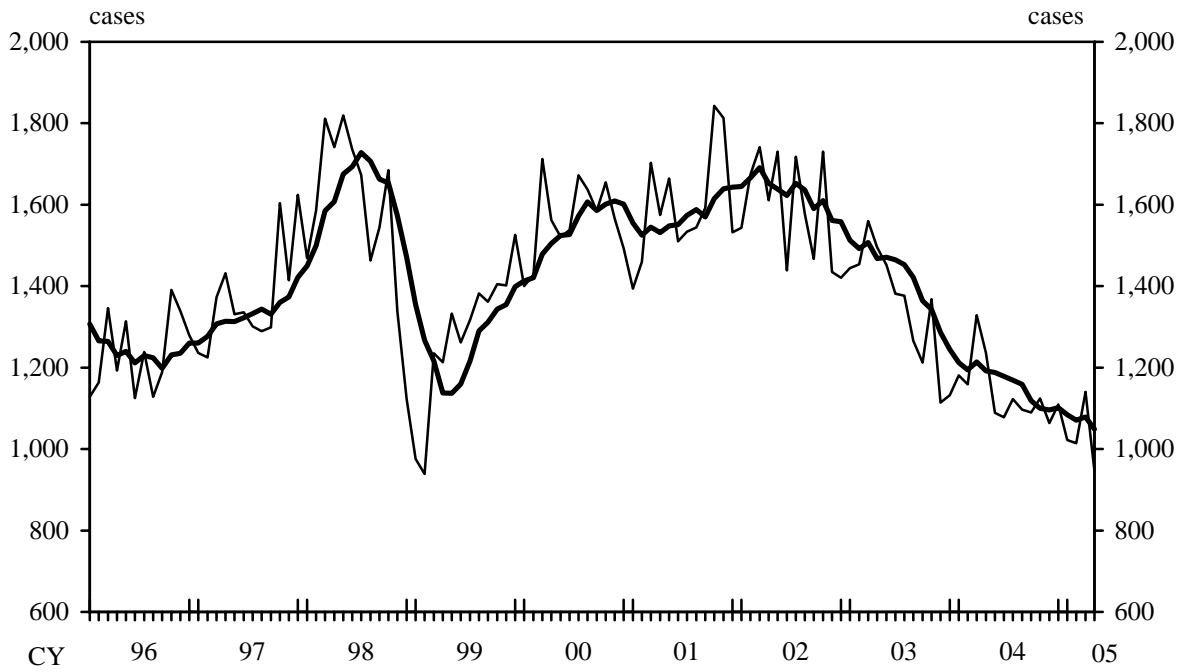
(2) Ratio of Money Stock to Nominal GDP



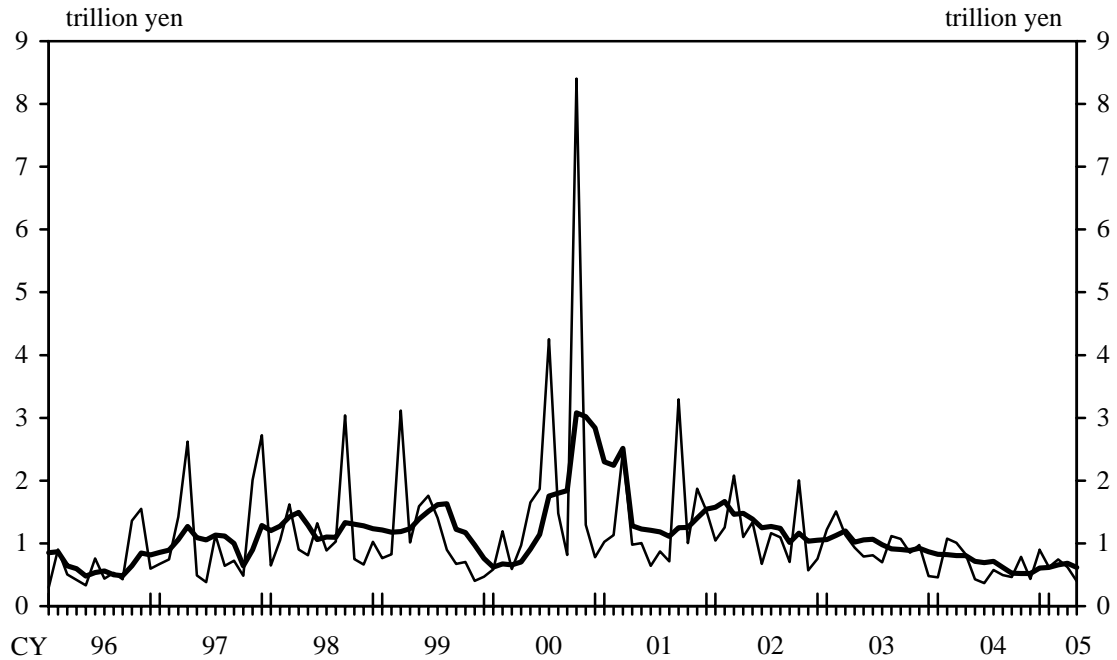
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities

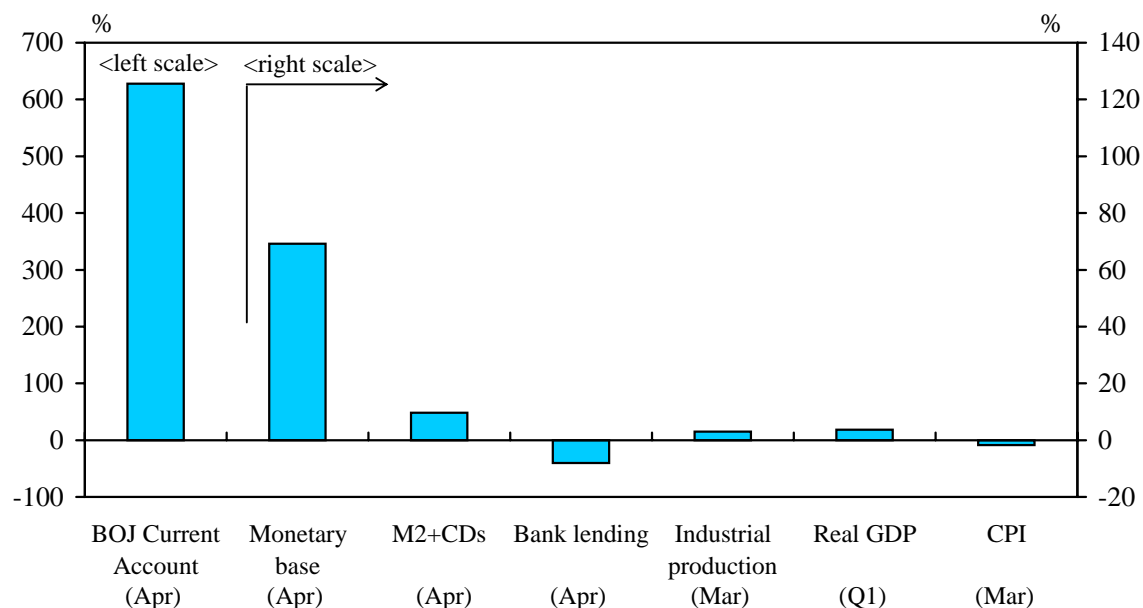


Note: Bold lines are the six-month moving average.

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

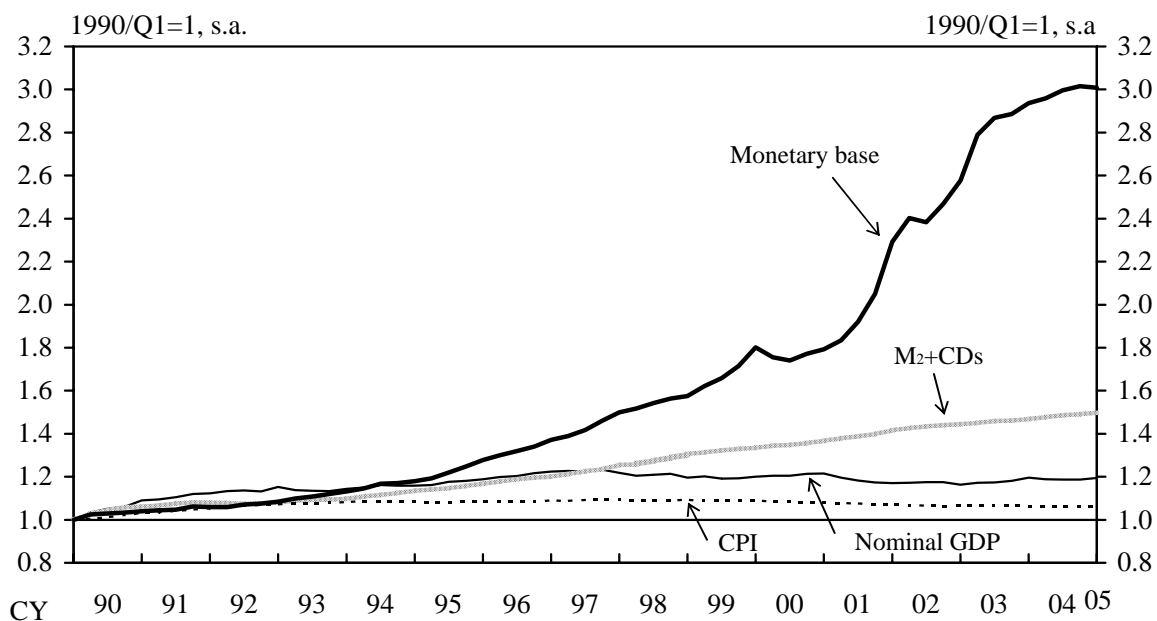
 Monetary Indicators, Economic Activity and Price Development

(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

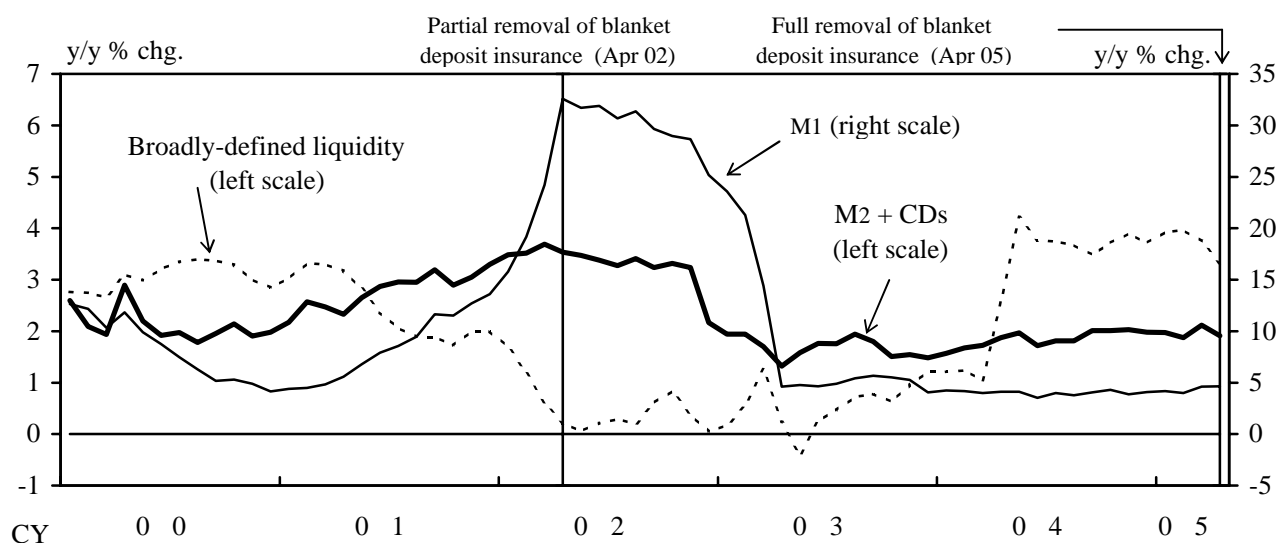


- Notes: 1. Figures for monetary base are adjusted for changes in reserve requirement rates.
 2. Figures for CPI exclude fresh food and effects of the change in the consumption tax rate.

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.

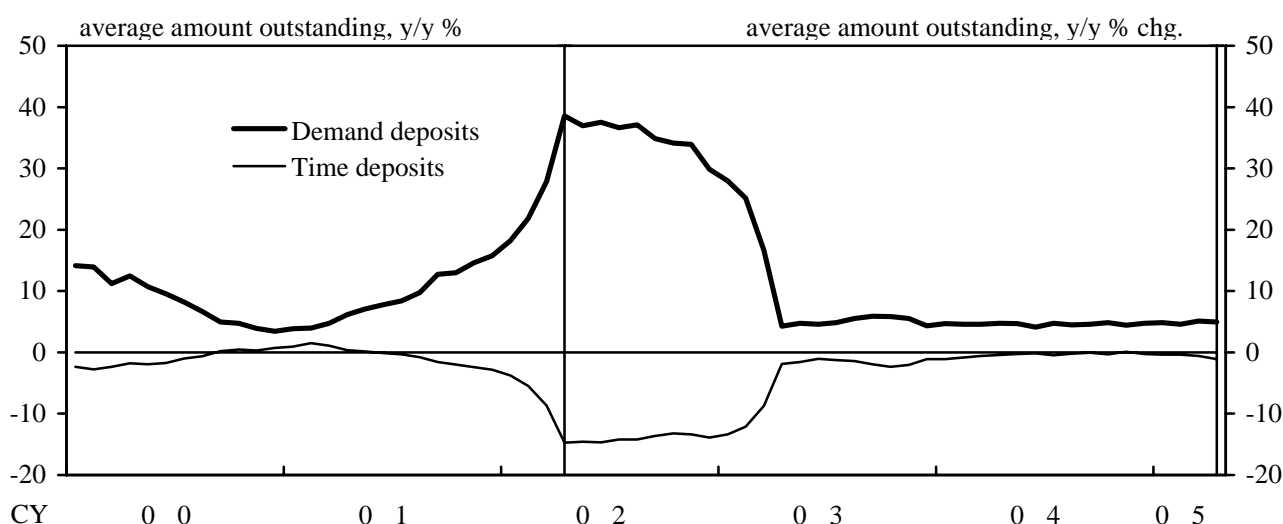
Monetary Indicators: before and after the Removal of Blanket Deposit Insurance

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



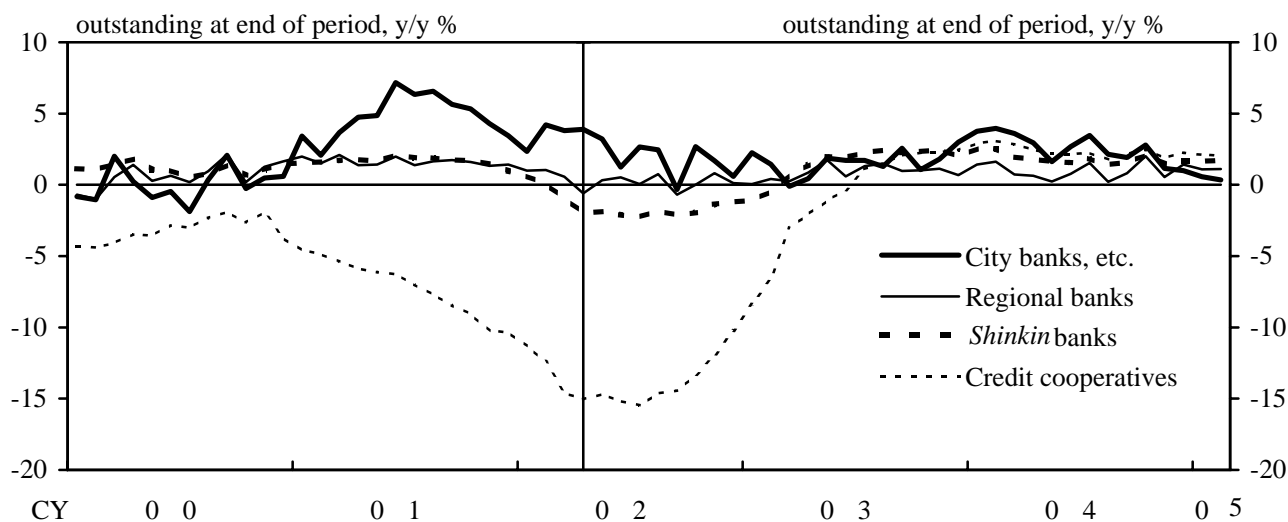
Note: Data are based on average amount outstanding.

(2) Amount Outstanding of Deposits by Type



Note: "Demand deposits" includes current deposits and ordinary deposits.

(3) Amount Outstanding of Deposits by Sector



Note: "City banks, etc" refers to domestically licensed banks excluding regional banks.

Source: Bank of Japan.