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Bank of Japan

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

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Monthly Report of Recent Economic and Financial Developments¹

June 2005

The Bank's View²

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

Although the momentum of growth in exports remains weak, industrial production is increasing gradually as inventory adjustments in the IT-related sectors are progressing. Business fixed investment has been increasing, reflecting high corporate profits. Household income is rising, albeit moderately, as the employment situation has been improving and wages have stopped declining. In this situation, private consumption has been steady. Meanwhile, housing investment has been nearly flat, and public investment has basically been 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. Although firms are likely to maintain a cautious stance so as to keep their labor costs restrained, household income is expected to continue increasing 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 June 14 and 15, 2005.

On the price front, domestic corporate goods prices have increased substantially, mainly reflecting the effects of 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, but the rate of growth is expected to slow. On the other hand, 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 is around the previous year's level. The year-on-year growth rate of the monetary base is around 2.0 percent, and that of the money stock is at the 1.0-2.0 percent level. The year-on-year growth rate of banknotes in circulation is 4.0 percent. 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 fallen 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 June 14 and 15, 2005.

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—increased in March, as disaster relief constructions after the Mid Niigata Prefecture Earthquake have started making progress. The value of public works contracted—a measure that reflects public orders—has recently stopped declining, assisted mainly by orders for disaster relief constructions after 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.

The momentum of growth in real exports remains weak despite the expanding trend of overseas economies, mainly reflecting the apparent effects of measures taken in China to cool the overheating economy (Charts 4[1] and 5); they rose 0.7 percent in the first quarter on a quarter-on-quarter basis, and 0.7 percent in April compared to the first quarter.

As for real exports by region (Chart 5[1]), exports to the United States are following a moderate uptrend on average, reflecting the economic expansion in the United States, although they declined slightly in April. Exports to the NIEs—which tend to be affected by developments in IT-related sectors—are also on an increasing trend, albeit moderate. However, growth in exports to China slowed notably—they declined in April compared to the first quarter—mainly because of the apparent effects of measures taken by the Chinese government to cool the overheating economy³. Meanwhile, exports to the EU posted high growth in April in reaction to the decline in the first quarter. By goods (Chart 5[2]), exports of consumer goods rose substantially in April, mainly in those of digital home appliances to Europe and the United States. On the other hand, the pace of growth in exports of capital goods and parts remained considerably moderate compared to the first half of last year

³ Although the reasons behind the weak momentum of growth in exports to China are not exactly clear, the measures taken in China to cool the overheating economy are considered to have dampened the pace of exports from Japan to China, particularly in capital goods and parts, and automobiles, through restraining business fixed investment and through reducing inventories in some local industries.

(Chart 6[1]). Meanwhile, exports of IT-related goods declined in April, mainly in those to China, after having increased in the first quarter (Chart 7[1]).

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). By goods, those of consumer goods recorded higher growth in April, particularly in automobiles from the EU. Imports of IT-related goods have also continued a steady increase, mainly in PCs from China. Meanwhile, imports of raw materials declined in the first quarter and in April, particularly in crude oil.

Reflecting the weak momentum of growth in exports, the surplus of net exports has been on a considerably moderate downtrend 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 on a moderate downtrend.

Growth in exports are projected to accelerate gradually, 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). As for the Chinese economy, adjustment pressures such as the reduction in inventory—which seem to be the cause of the recent weak momentum of export growth to China—are expected to diminish over time, given the high economic growth overall. However, the exact timing of a visible increase in exports is quite uncertain, as the degree of adjustment pressures in China is difficult to assess. Also, assuming that the pace of growth recovers, exports are unlikely to exhibit the high growth observed during the first half of last year, mainly because the pace of increase 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 increasing. On a GDP basis, fixed investment was more or less flat in the second half of last year, but it increased distinctly in the first quarter (Chart 2). Based on the *Financial Statements Statistics of Corporations by Industry, Quarterly*, business fixed investment in nominal terms picked up in the first quarter after having recorded somewhat weak developments in the second half of last year (Chart 10 [1]). By industry and size (Chart 11), investment by large manufacturing firms has continued a steady increase, and investment by large nonmanufacturing firms is also following a moderate uptrend. Meanwhile, investment of small and medium-sized firms in manufacturing has been nearly flat at a high level. Investment by small and medium-sized firms in nonmanufacturing was subdued after having recorded a temporary increase in the first half of last year. According to monthly statistics, shipments of capital goods (excluding transport equipment)—a coincident indicator of machinery investment—posted a substantial rise in April, mainly in flat-panel display manufacturing equipment, boilers for electric power generation, and computers, after having remained more or less flat since the second half of last year (Chart 12-1 [1]). 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 12-2[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.⁴ Moreover, construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—continued their steady increase on average, albeit with some recent large fluctuations when manufacturing and nonmanufacturing industries are observed separately (Chart 12-2[2]).

Looking at the environment surrounding business fixed investment in the *Financial Statements Statistics of Corporations by Industry, Quarterly* (Chart 10[2]), corporate profits remained high regardless of industry (manufacturing or nonmanufacturing) or size, although the increase in corporate profits has paused since

⁴ Meanwhile, forecasts for the second quarter show that orders are projected to drop slightly, mainly in nonmanufacturing.

the second half of last year, mainly due to adjustments in IT-related sectors and to high materials prices.

Business fixed investment is expected to continue increasing, 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 13-1 and 13-2), the number of new passenger-car registrations has recently been relatively strong on average; it surged in April reflecting the rush of registration of new model automobiles, and the drop as a reaction to this rise was only marginal in May. Sales of household electrical appliances (NEBA statistics, in real terms) have been increasing steadily, particularly in flat panel TVs and PCs, as well as high-value added white goods (such as washing machines). Moreover, sales at department stores rose in April, following the first quarter, mainly due to favorable sales of spring apparel bolstered by the favorable weather. On the other hand, supermarket sales remained weak, although the pace of decline has slowed. 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 on a recovering trend from the start of this year.

Indices of aggregated sales (in real terms), which are comprised of major sales indicators of these goods and services,⁵ increased moderately in April after having recorded a distinct improvement in the first quarter (Chart 13-3). Meanwhile, the aggregate supply of consumer goods—which comprehensively captures producers' supply of goods—has been on a rising trend. It surged especially in April, mainly in

⁵ 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 April 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 April were at the same level as in March.

automobiles and household digital appliances, although it may be a temporary phenomenon (Chart 13-4). 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) was more or less flat in April after having increased substantially in the first quarter in reaction to the weak movements in the second half of last year (Chart 13-1[1]).

Indicators for consumer sentiment continued to be favorable on the whole (Chart 14).

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

As for housing investment, housing starts fell back in April in reaction to the gains of over 1.2 million units (annual rates) in the first quarter, particularly in housing for sale and housing for rent. With these fluctuations smoothed out, housing starts have been more or less flat (Chart 15[1]). Housing investment is projected to be nearly flat.

Industrial production is increasing gradually, as inventory adjustments in the IT-related sectors are progressing; it rose by 1.7 percent in the first quarter on a quarter-on-quarter basis, and by 1.0 percent in April compared to the first quarter (Chart 16). By industry, the growth in April was attributable to industries such as transport equipment (automobiles), general machinery (flat-panel display manufacturing equipment), and electrical machinery (air-conditioners, refrigerators). Meanwhile, production of electronic parts and devices remained more or less flat on average; it fell marginally in April compared to the first quarter after having increased in the first quarter.

Shipments recorded a solid increase in April (rose 2.2 percent compared to the first quarter), although they remained virtually flat in the first quarter. By goods (Chart 17), shipments of capital goods have recently been increasing substantially, albeit with fluctuations, and those of consumer goods are also rising, particularly in durable goods, such as automobiles. On the other hand, shipments of producer

goods remained more or less flat, despite the gradual progress of adjustments in IT-related sectors.

Meanwhile, inventories rose as a whole due to factors regarded as temporary, although those of electronic parts and devices have been decreasing steadily (Chart 16 [1]). The chart of the inventory cycle shows that inventories in electronic parts and devices have reached slightly below the level recorded in the previous year, as inventory adjustments have been progressing steadily (Chart 18). On the other hand, inventories of durable consumer goods remained high particularly due to those of automobiles waiting to be shipped overseas, although the pace of increase slowed on a year-on-year basis reflecting the surge in inventories in the same month last year. The increase in inventories of capital goods is also attributable to the fact that inventories of automobiles increased, as they are in part categorized as capital goods, and that inventories, particularly of machine tools, seemed to have accumulated before their delivery to car manufacturers. Moreover, the rise in inventories of “producer goods excluding electronic parts and devices” was largely caused by the increase in production 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.⁶ 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 being shipped steadily. Also, considerable uncertainty remains about the pace of increase in final demand of IT-related sectors and the timing of a visible rise in exports. Hence, these factors require close monitoring.

⁶ Production in the second quarter, based on the production forecast index for May and June, is calculated to be more or less unchanged at a decrease of 0.1 percent compared to the first quarter.

As for the employment and income situations, household income has been rising, albeit moderately, as various indicators for labor market conditions have been improving (Chart 19).

In the labor market, overtime hours worked remained high, although they have recently remained more or less flat (Chart 20-2[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 20-1[2] and [3]). Under these circumstances, the ratio of job offers to applicants has been on a moderate uptrend, and the unemployment rate has followed a gradual downtrend (Chart 20-1[1]).

In terms of employment, the number of employees in the *Labour Force Survey* increased in April, particularly in finance and insurance, and services after having ceased to rise for a time. 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 20-2[1]). Looking at the number of regular employees in detail, full-time employees have been increasing on a year-on-year basis since the start of the year, and the rate of growth accelerated, particularly in April, reflecting the rise in recruitment of new graduates. Meanwhile, the increase in the number of part-time employees has been slowing, and recorded negative growth in April on a year-on-year basis. Consequently, the peaking-out of the ratio of part-time workers has become more distinct (Chart 20-2[2]).⁷

Regarding wages on a year-on-year basis (Chart 19[2]), special payments have been on an uptrend, reflecting high corporate profits. Also, regular payments have more or less stopped declining, mainly because the ratio of part-time workers has peaked out. As a result, the decline in wages per worker seems to have stopped more evidently as a whole.

As for the outlook, firms are likely to maintain a cautious stance so as to keep their labor costs restrained. Household income, however, is expected to continue

⁷ While the rise in part-time workers has peaked out, dispatched workers continue to increase. Thus, expansion of non-regular employment in a broad sense is considered to be ongoing.

increasing gradually 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 22).

Domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter, compared to levels three months before)⁸ have increased substantially, mainly reflecting the effects of the rise in crude oil prices (Chart 23).⁹ In detail, prices of petroleum and coal products have surged, reflecting the rise in crude oil prices. Moreover, prices of iron and steel related products and of other materials (such as chemicals and related products) have also continued to increase, assisted mainly by the rise in the cost of materials and by firm demand. By stage of demand, intermediate goods prices have risen sharply, and final goods prices have also increased, 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 (Chart 24).¹⁰ The year-on-year rate of decline evidently narrowed as a whole in April. This was because the rate of year-on-year increase in prices of transportation (coastal and inland waterway freight transportation) expanded. Also, some increases and some slower declines were observed in prices of other services (such as civil engineering

⁸ 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.

⁹ The substantial increase compared to levels three months before mainly reflects the increase in April.

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.

and architectural services, machinery repair and maintenance) when the prices were revised around the turn of the fiscal year.

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 25). The year-on-year rate of decline narrowed slightly in April by posting a decrease of 0.2 percent compared to the previous month (a decline of 0.3 percent), reflecting the rise in gasoline prices.

With respect to developments in land prices (in terms of the Urban Land Price Index), the rate of decline diminished evidently in both residential and commercial land prices in the six large city areas (Chart 27). Commercial land prices, in particular, have recently posted positive growth, albeit marginally, compared to the index of six months ago, for the first time since September 1990. Meanwhile, the decline in land prices in areas other than the six large city areas has narrowed, but only at a moderate pace.

As for the outlook, domestic corporate goods prices are likely to continue increasing for the time being, but the pace of growth is expected to slow. 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 various streamlining efforts such as restraining labor costs. Meanwhile, the effects of the reduction in electricity and telephone charges are expected to continue for the 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. On June 2 and 3, it marked the 29-30 trillion yen level (Chart 30).

As for interest rate developments in the money markets, the overnight call rate (uncollateralized; Chart 28[1]) has been moving at around zero percent. Interest rates on term instruments (Chart 29[1]) have been steady at low levels on the whole. Under these circumstances, interest rates on Euroyen futures (Chart 29[2]) remain basically unchanged.

Yields on 10-year government bonds (newly issued 10-year JGB; Chart 28[2]) have been moving within a relatively narrow range, and have recently been at the 1.20-1.25 percent level.

Yield spreads between private bonds (bank bonds and corporate bonds) and government bonds (Charts 32 and 33) have been more or less flat on the whole.

Stock prices (Chart 34) rose toward the end of May, reflecting the firmness of U.S. stock prices, but have since lacked energy. The Nikkei 225 Stock Average is moving in the range of 11,000- 11,500 yen.

In the foreign exchange market (Chart 35), the yen fell, as expectations for a revaluation of the renminbi receded and the U.S. trade deficit was lower than forecasted. The yen is being traded in the range of 107-110 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 36).

Lending rates have been moving at extremely low levels on the whole, and have recently edged lower somewhat. The average contracted interest rates on new loans and discounts, with the monthly fluctuations averaged, have been declining

slightly (Chart 37). The long-term prime lending rate was lowered by 0.05 percent on June 10 to 1.45 percent.

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 –0.8 percent in March, –0.5 percent in April, –0.4 percent in May; Chart 38.)

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 is around the previous year's level. (The year-on-year change was 1.5 percent in March, 1.2 percent in April, and 0.4 percent in May; Chart 40.)

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

The year-on-year growth rate of banknotes is currently 4.0 percent. The year-on-year growth rate of the monetary base (currency in circulation + current account balances at the Bank of Japan) declined somewhat; it is currently around 2.0 percent. (The year-on-year change was 2.0 percent in March, 3.0 percent in April, and 2.2 percent in May; Chart 41.)

The year-on-year growth rate of the money stock (M_2 + CDs) declined somewhat; it is currently at the 1.0-2.0 percent level. (The year-on-year change was 2.1 percent in March, 1.9 percent in April, and 1.5 percent in May; Chart 42.)

The number of corporate bankruptcies continues its downtrend; it declined by 1.6 percent year-on-year in May, to 1,072 cases (Chart 43).

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.

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Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2004/Q3	Q4	2005/Q1	2005/Feb.	Mar.	Apr.	May
Index of living expenditure level (all households)	-2.5	-1.8	2.7	-0.7	-0.8	0.9	n.a.
Sales at department stores	-0.8	-0.6	0.2	-2.8	-0.1	1.6	n.a.
Sales at supermarkets	-1.1	-1.1	-0.5	-0.7	-1.6	0.3	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 342>	< 344>	< 342>	< 341>	< 337>	< 377>	<348>
Sales of household electrical appliances (real, NEBA)	4.3	4.3	3.4	-0.5	2.9	0.9	n.a.
Outlays for travel (50 major travel agencies)	1.0	-0.6	3.6	0.5	0.9	0.2	n.a.
Housing starts <s.a., ann. 10,000 units>	< 122>	< 117>	< 121>	< 117>	< 117>	< 114>	<n.a.>
Machinery orders (from private sector ⁴)	-5.4	5.7	0.7	4.9	1.9	n.a.	n.a.
Manufacturing	-10.3	5.3	0.9	8.7	2.1	n.a.	n.a.
Nonmanufacturing ⁴	-3.3	6.5	0.4	2.6	1.3	n.a.	n.a.
Construction Starts (private, nondwelling use)	7.1	-5.3	11.4	11.5	-24.6	14.3	n.a.
Mining & manufacturing	-8.6	5.3	8.8	-16.8	-24.7	109.9	n.a.
Nonmanufacturing ⁵	12.7	-9.1	12.6	22.7	-23.8	-7.5	n.a.
Value of public works contracted	-0.8	-7.4	0.5	1.0	-4.8	0.3	n.a.
Real exports	0.3	0.5	0.7	-2.9	2.0	0.4	n.a.
Real imports	1.5	2.1	0.4	-5.6	3.6	1.1	n.a.
Industrial production	-0.1	-0.9	1.7	-2.3	-0.2	1.9	n.a.
Shipments	-0.3	-0.9	0.4	-2.9	0.7	2.7	n.a.
Inventories	1.7	-2.2	3.1	1.3	-0.3	0.0	n.a.
Inventory Ratio <s.a., CY 2000=100>	<97.4>	<94.9>	<98.4>	<100.4>	<98.4>	<97.3>	<n.a.>
Real GDP	-0.2	0.1	1.2	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.0	-0.2	1.4	-1.2	-0.5	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2004/Q3	Q4	2005/Q1	2005/Feb.	Mar.	Apr.	May
Ratio of job offers to applicants <s.a., times>	<0.85>	<0.90>	<0.91>	<0.91>	<0.91>	<0.94>	<n.a.>
Unemployment rate <s.a., %>	<4.8>	<4.6>	<4.6>	<4.7>	<4.5>	<4.4>	<n.a.>
Overtime working hours ⁶	3.7	1.6	0.4	0.0	-0.9	p 1.8	n.a.
Number of employees	0.4	0.1	0.0	-0.0	0.0	0.4	n.a.
Number of regular employees ⁶	0.7	0.7	0.6	0.6	0.5	p 0.5	n.a.
Nominal wages per person ⁶	-0.4	0.0	0.0	0.1	-0.4	p 0.6	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>	1.3 <-0.3>	1.4 <0.1>	1.9 <1.1>	p 1.8 <p 0.9>
Consumer price index ⁸	-0.2	-0.2	-0.4	-0.4	-0.3	-0.2	n.a.
Corporate service price index	-0.2	-0.3	-0.7	-0.6	-0.8	p -0.4	n.a.
Money Stock (M ₂ +CDs) <average outstanding, y/y % chg.>	1.9	2.0	2.0	1.9	2.1	1.9	1.5
Number of corporate bankruptcies <cases>	<1,103>	<1,099>	<1,059>	<1,014>	<1,140>	< 946>	<1,072>

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.

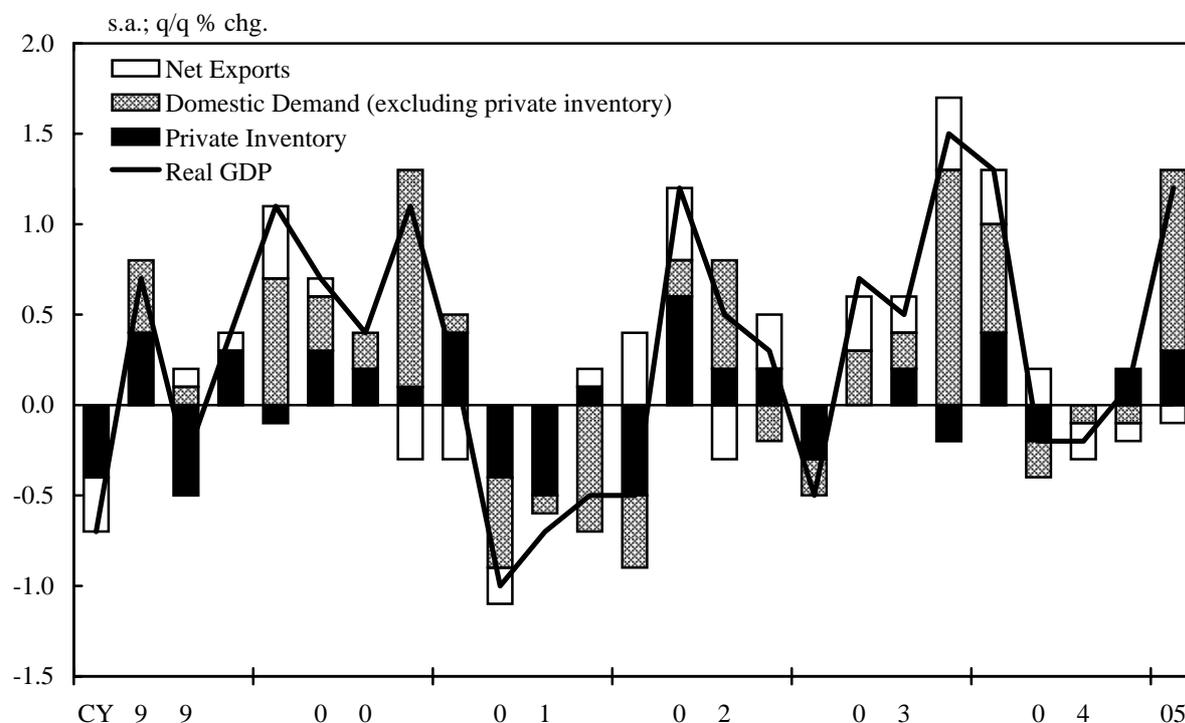
All figures in chart 1-2 except figures in angle brackets are year on year change. For details on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes of respective charts.

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.

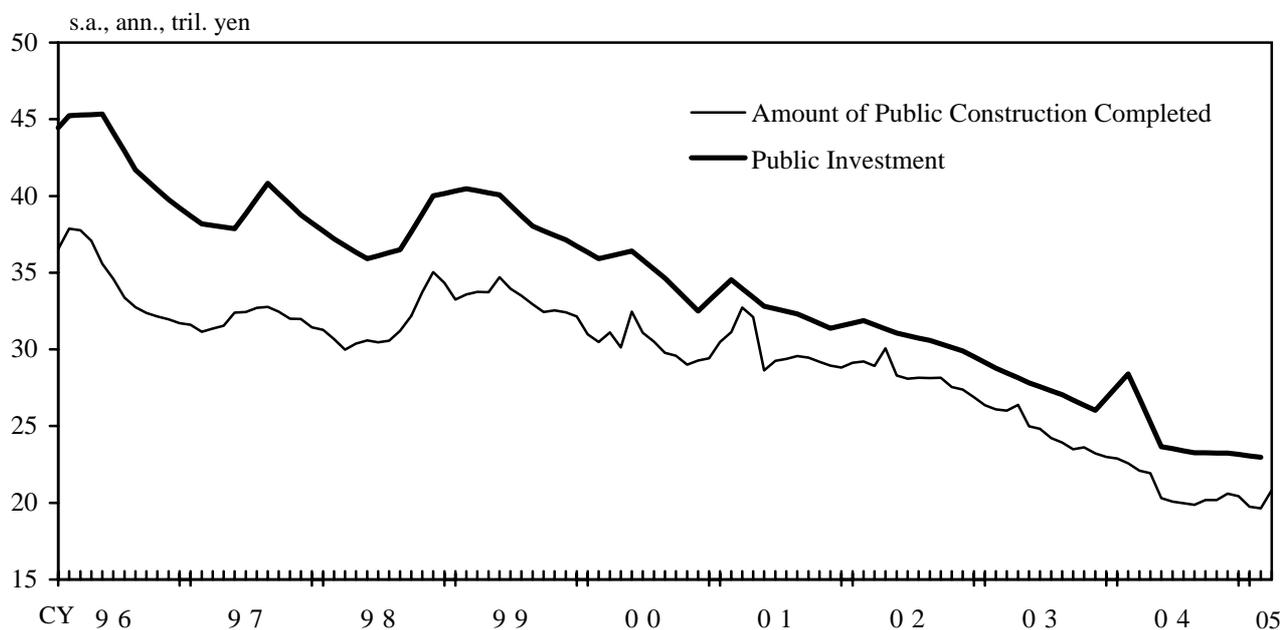
	2004				2005
	Q1	Q2	Q3	Q4	Q1
Real GDP	1.3	-0.2	-0.2	0.1	1.2
Domestic Demand	1.1	-0.4	-0.1	0.1	1.3
Private Consumption	0.7	0.0	-0.1	-0.4	1.1
Non-Resi. Investment	-2.7	3.6	0.1	-0.1	2.4
Residential Investment	0.6	1.3	0.6	0.6	-1.3
Private Inventory	(0.4)	(-0.2)	(-0.0)	(0.2)	(0.3)
Public Demand	3.1	-3.4	-0.1	0.5	0.3
Public Investment	8.5	-16.9	-1.8	-0.3	-0.6
Net Exports of goods and services	(0.3)	(0.2)	(-0.2)	(-0.1)	(-0.1)
Exports	5.1	3.4	0.5	1.3	-0.4
Imports	3.7	1.9	2.3	2.1	0.5
Nominal GDP	1.0	-0.5	-0.2	0.2	0.6

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

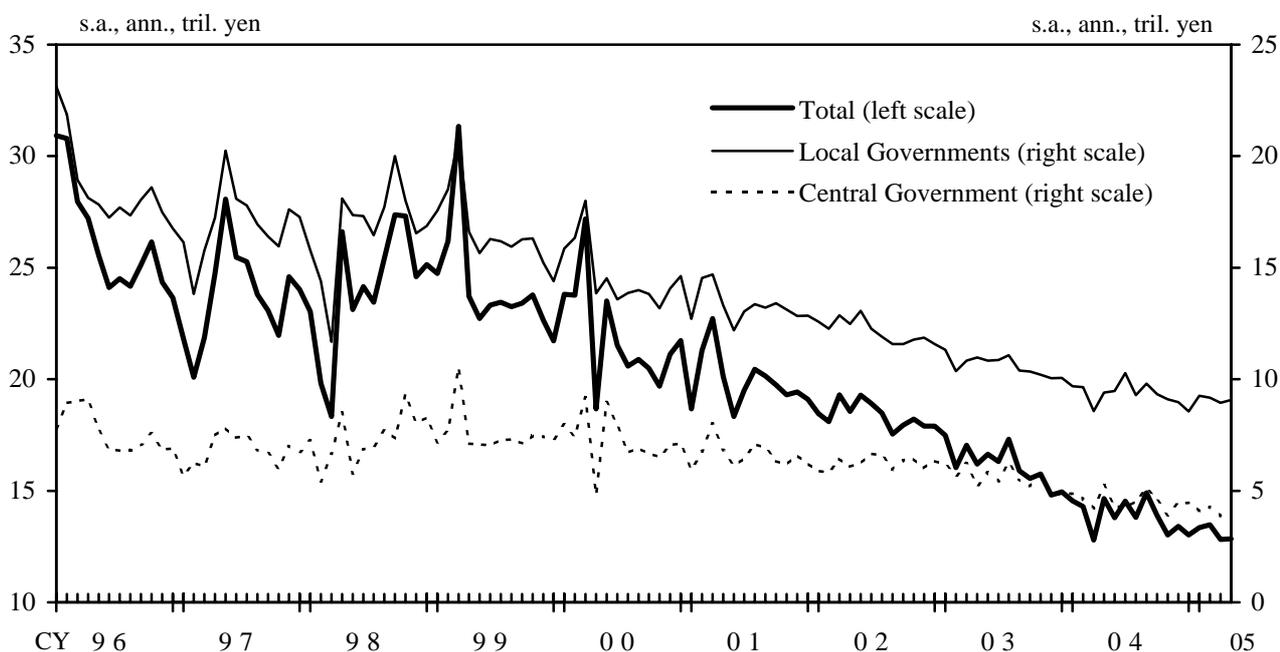
Source: Cabinet Office, "National Accounts."

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.

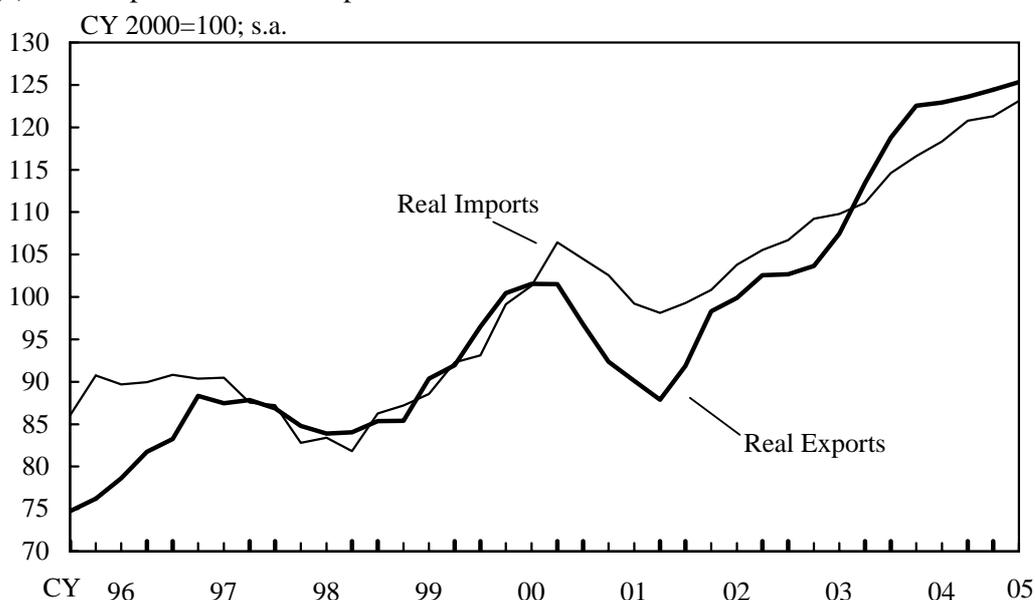
Sources: Cabinet Office, "National Accounts";

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

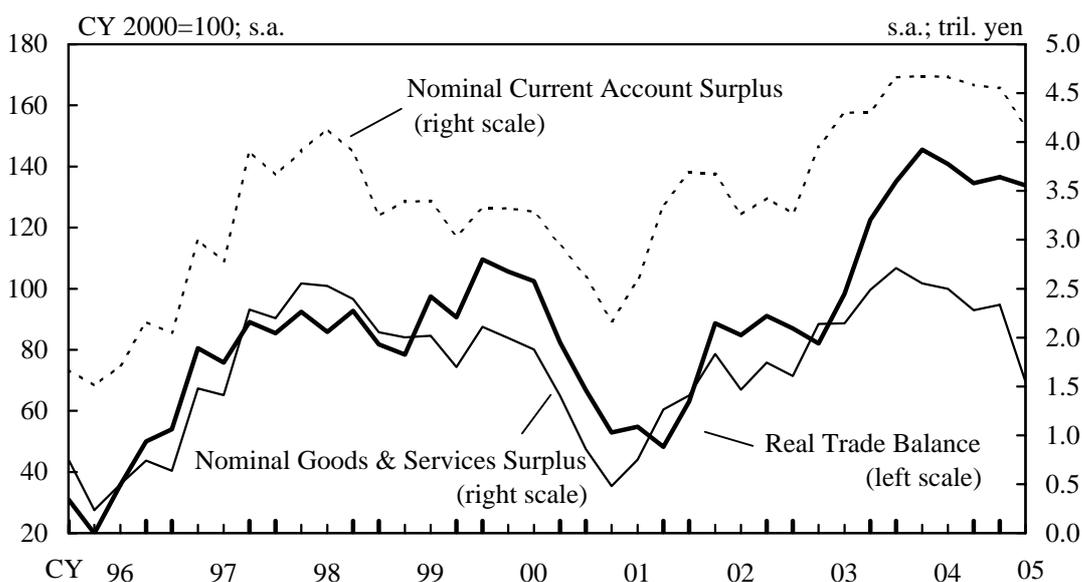
Ministry of Land, Infrastructure and Transport, "Integrated Statistics on Construction Works."

 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. 2005/Q2 figures are Apr. averages converted into quarterly amount.

3. 2005/Q2 figures for Nominal Current Account Surplus and Nominal Goods & Services Surplus are Apr. averages converted into quarterly amount.

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

Bank of Japan, "Corporate Goods Price Index," "Balance of Payments Monthly."

Real Exports ¹

(1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 2003	2004	2004 Q2	Q3	Q4	2005 Q1	Q2	2005 Feb	Mar	Apr
United States	<22.4>	-5.5	6.8	2.9	0.3	2.3	2.0	-1.8	-1.1	2.1	-2.8
EU	<15.5>	14.9	18.7	2.3	2.1	2.0	-0.7	3.7	-3.1	-1.1	5.6
East Asia	<46.9>	20.4	19.1	1.4	0.7	-0.5	3.2	-0.3	-9.1	1.1	2.2
China	<13.1>	42.0	22.2	2.1	-0.2	2.8	1.3	-4.7	-14.7	1.7	-0.3
NIEs	<24.7>	16.2	20.4	1.8	0.9	-2.8	4.4	0.6	-10.0	2.5	2.6
Korea	<7.8>	19.2	19.1	0.6	-1.4	-6.9	7.9	-1.9	-9.5	-2.8	3.6
Taiwan	<7.4>	16.8	26.9	1.9	6.8	-1.7	3.2	6.0	-13.3	7.6	6.0
ASEAN4 ³	<9.1>	9.6	12.3	-0.4	1.1	1.2	2.8	3.1	1.9	-2.9	4.5
Thailand	<3.6>	19.0	16.8	2.5	0.9	5.6	5.2	0.9	-0.2	-0.1	1.0
Real exports		8.9	14.5	3.2	0.3	0.5	0.7	0.7	-2.9	2.0	0.4

(2) Breakdown by goods

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 2003	2004	2004 Q2	Q3	Q4	2005 Q1	Q2	2005 Feb	Mar	Apr
Intermediate goods	<16.3>	5.6	5.5	-2.9	-1.6	-0.0	1.5	-0.8	-7.6	2.3	0.3
Motor vehicles and their related goods	<22.4>	1.3	8.3	5.3	0.6	1.2	1.7	0.4	4.4	-1.6	-0.0
Consumer goods ⁴	<6.0>	16.2	14.9	1.3	-3.5	4.5	-2.0	6.7	-0.9	-0.5	7.4
IT-related goods ⁵	<13.7>	13.2	17.3	4.2	-0.4	-0.6	2.2	-2.6	-7.8	1.1	-0.5
Capital goods and parts ⁶	<30.0>	18.8	23.5	5.5	1.8	0.3	1.3	0.7	-5.3	4.6	-0.5
Real exports		8.9	14.5	3.2	0.3	0.5	0.7	0.7	-2.9	2.0	0.4

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2005/Q2 figures are Apr. averages converted into quarterly amount.

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.

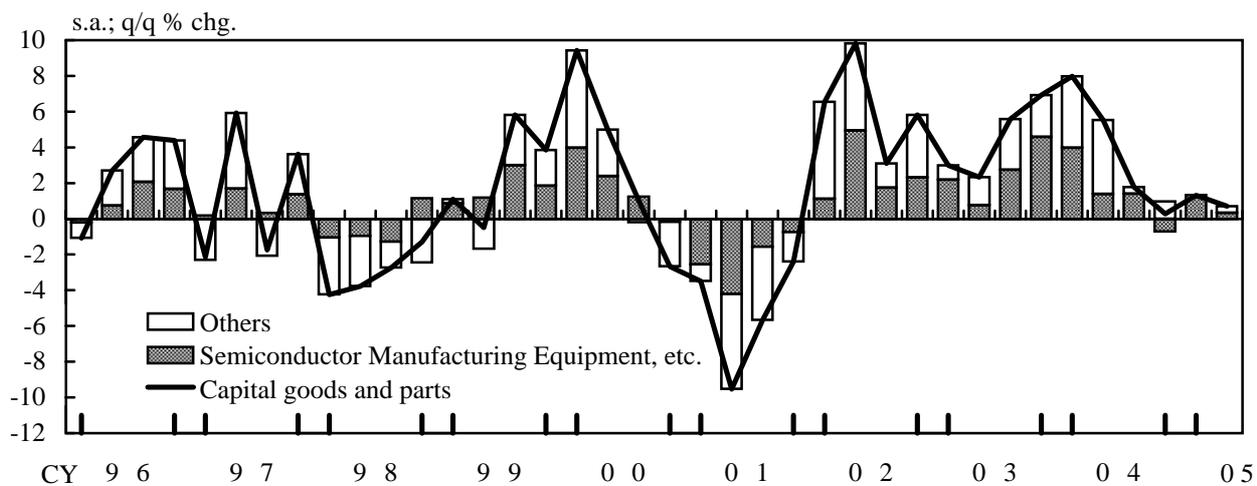
5. IT-related goods are composed of computers and units, telecommunication machinery, ICs and medical and optical instruments.

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

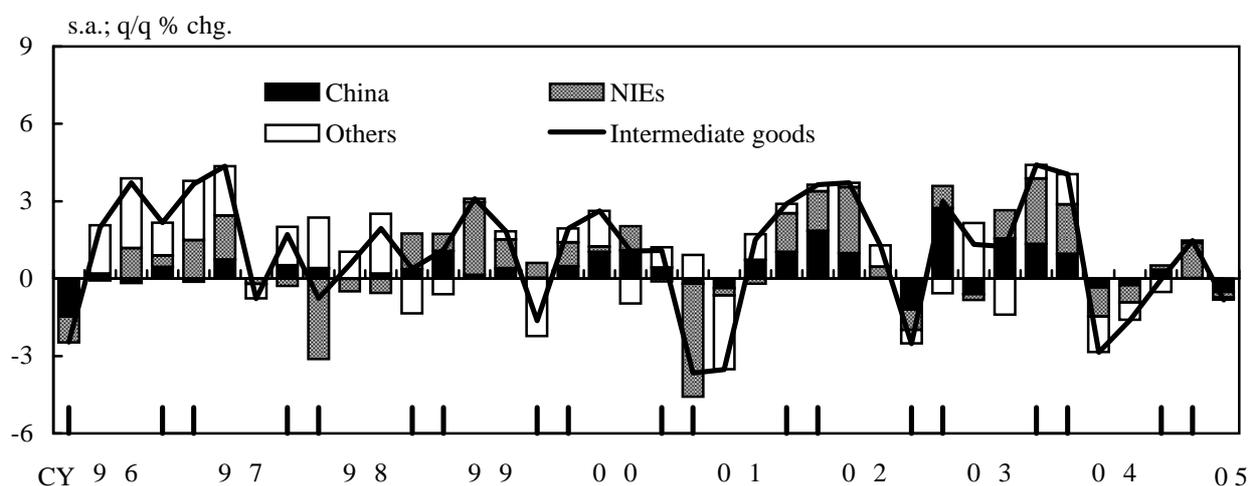
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Real Exports breakdown by goods

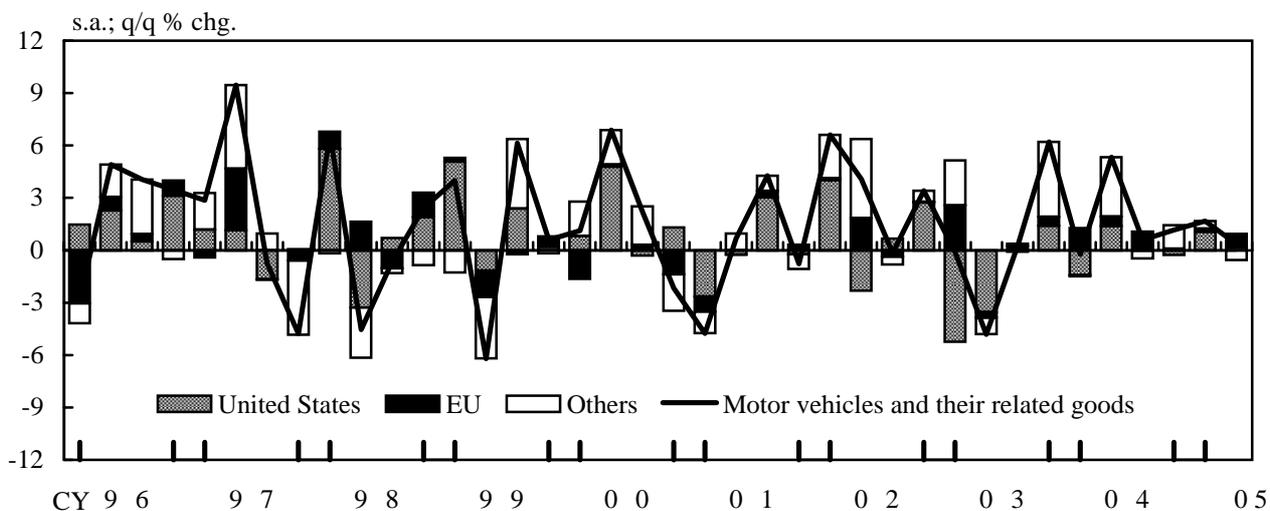
(1) Capital goods and parts (real, breakdown by goods)



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



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



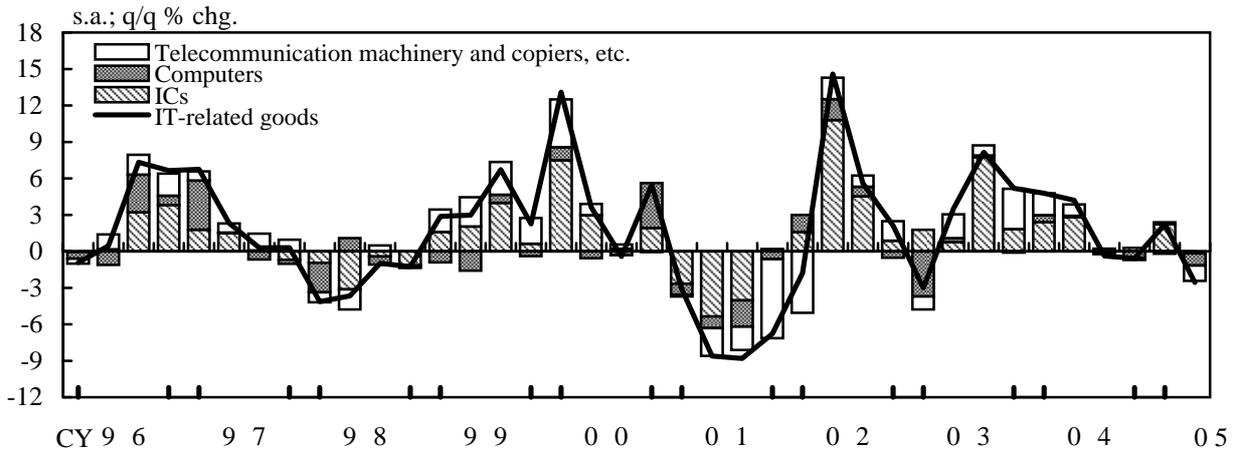
Notes: 1. Seasonally adjusted by X-12-ARIMA.

2. 2005/Q2 figures are April figures converted into quarterly amount.

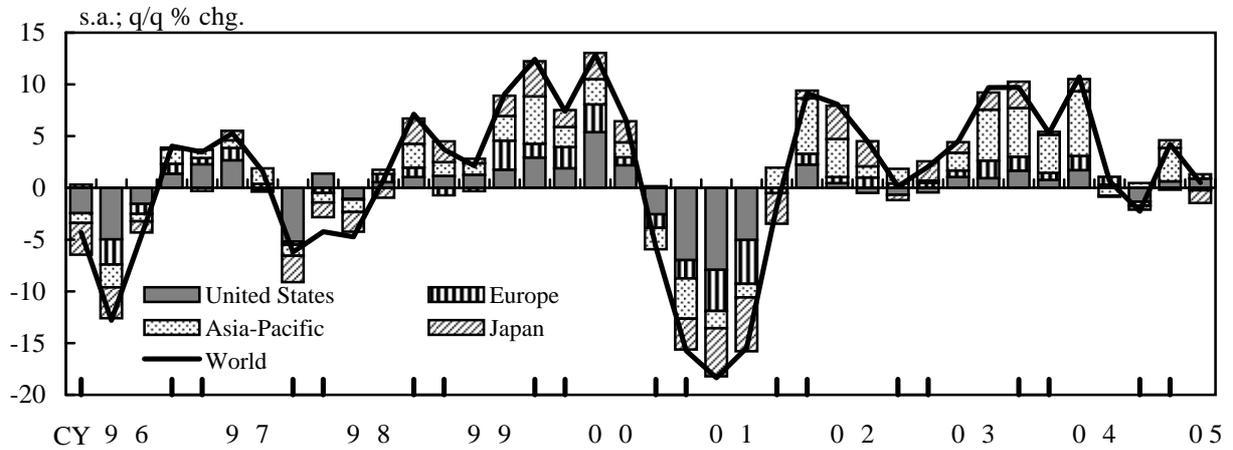
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Exports and Imports of IT-related goods

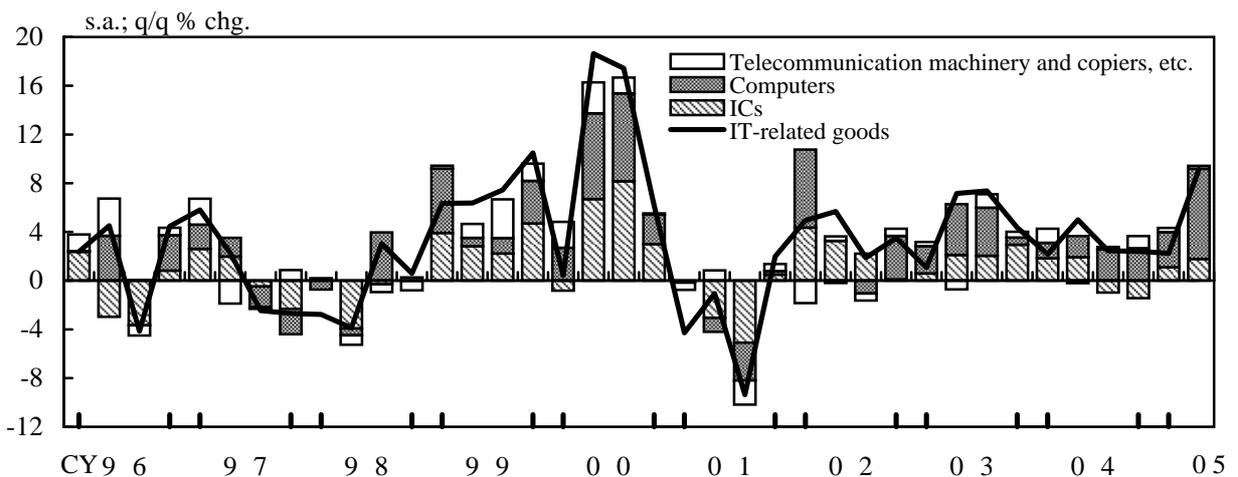
(1) Exports of IT-related goods (real, breakdown by goods)



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



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



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

2. 2005/Q2 figures are Apr. averages converted into quarterly amount.

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

Real Imports ¹

(1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2003	2004	2004 Q2	Q3	Q4	2005 Q1	Q2	2005 Feb	Mar	Apr
United States	<13.7>	-2.4	0.4	4.2	-1.3	2.0	-4.2	5.9	-4.8	8.8	1.8
EU	<12.6>	5.6	9.6	0.2	-0.5	2.1	-1.3	10.6	-10.1	2.2	13.1
East Asia	<43.1>	14.2	14.7	3.0	4.1	1.7	4.7	0.5	-1.3	-3.7	3.6
China	<20.7>	21.3	20.9	4.9	5.8	5.4	6.7	2.1	1.5	-5.5	5.6
NIEs	<10.2>	9.6	12.8	1.5	1.4	-2.1	3.9	1.2	-5.2	-0.3	3.2
Korea	<4.8>	13.0	14.5	1.7	-4.0	-2.3	5.1	1.1	-3.8	0.0	2.4
Taiwan	<3.7>	6.9	12.0	0.7	4.5	-1.2	2.7	2.5	-8.4	0.5	5.2
ASEAN4 ³	<12.1>	8.6	7.1	1.2	3.8	-0.9	1.8	-2.9	-3.0	-3.2	0.3
Thailand	<3.1>	11.0	14.3	4.4	4.0	3.9	5.1	-0.7	-1.4	-1.7	0.9
Real imports		6.8	8.1	1.8	1.5	2.1	0.4	1.5	-5.6	3.6	1.1

(2) Breakdown by goods

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2003	2004	2004 Q2	Q3	Q4	2005 Q1	Q2	2005 Feb	Mar	Apr
Raw materials ⁴	<27.9>	5.9	1.3	-0.2	2.5	1.7	-3.4	-7.0	-5.8	2.2	-6.4
Intermediate goods	<14.1>	4.6	8.7	2.7	1.2	0.1	2.4	3.3	-4.3	-1.3	5.8
Foodstuffs	<10.8>	-4.2	0.4	0.9	-0.2	0.2	3.3	0.9	-6.1	-3.5	5.6
Consumer goods	<10.6>	8.0	12.5	4.1	-1.5	4.4	2.2	7.6	-2.7	3.2	6.3
IT-related goods ⁵	<13.6>	17.3	17.6	5.0	2.5	2.4	2.2	9.1	-5.5	0.6	10.8
Capital goods and parts ⁶	<12.6>	14.5	17.4	3.4	2.9	5.6	-1.4	5.2	-6.1	19.1	-4.2
excluding aircraft	<11.7>	14.6	19.2	2.9	4.3	1.1	2.0	4.2	-1.1	-1.7	5.7
Real imports		6.8	8.1	1.8	1.5	2.1	0.4	1.5	-5.6	3.6	1.1

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2005/Q2 figures are Apr. averages converted into quarterly amount.

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.

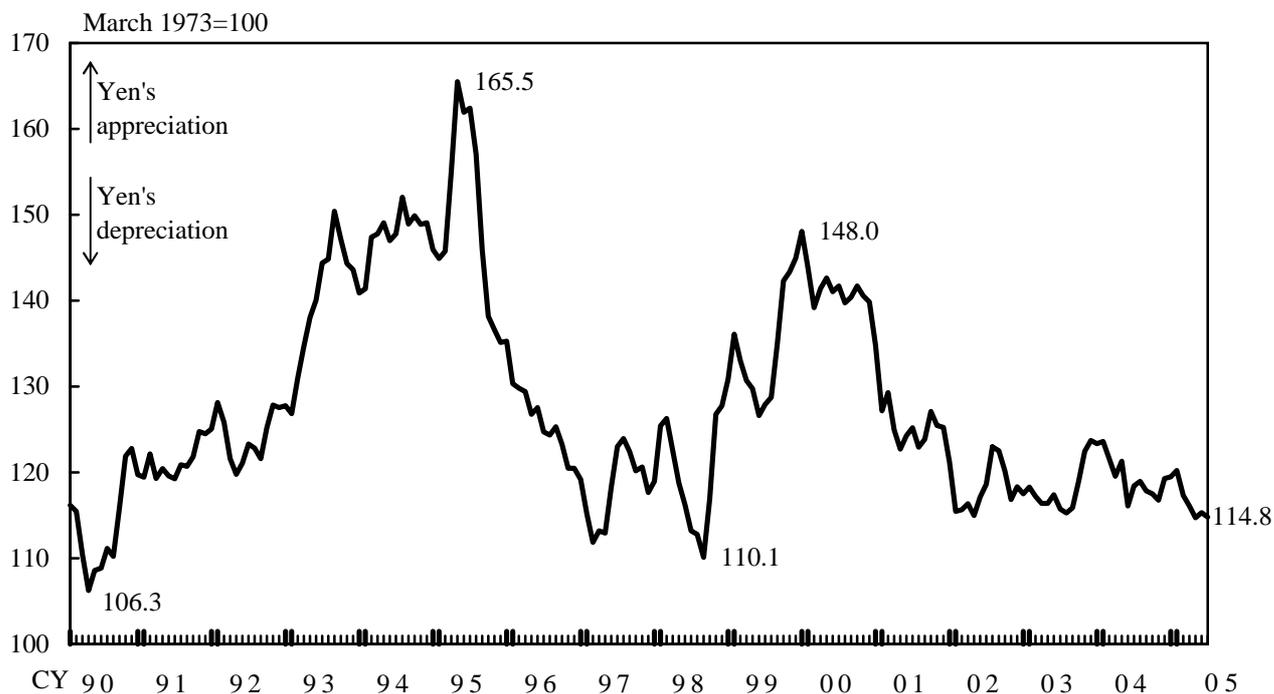
4. Raw materials are mainly composed of woods, ores and mineral fuel.

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 June 2005 is the average up to June 14.

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

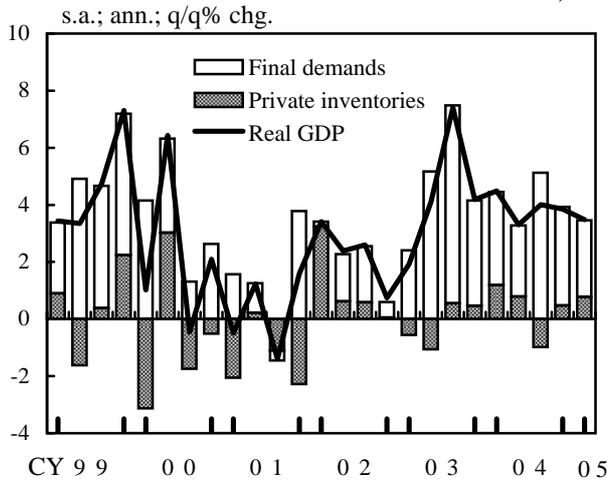
		CY2002	2003	2004	2004 Q2	Q3	Q4	2005 Q1	
United States ¹		1.9	3.0	4.4	3.3	4.0	3.8	3.5	
European Union ¹		1.1	1.0	2.1	2.2	1.4	1.0	2.0	
East Asia ²	Germany	0.2	0.0	1.6	0.8	-0.2	-0.5	4.2	
	France	1.3	0.9	2.1	2.4	0.8	2.7	0.8	
	United Kingdom	1.8	2.2	3.1	3.9	2.2	2.8	2.0	
	China	8.3	9.5	9.5	9.6	9.1	9.5	9.4	
	NIEs	Korea	7.0	3.1	4.6	5.5	4.7	3.3	2.7
		Taiwan	3.9	3.3	5.7	7.9	5.3	3.3	2.5
		Hong Kong	1.9	3.1	8.1	12.0	6.6	7.1	6.0
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	5.3	3.3	
	Indonesia	4.4	4.9	5.1	4.4	5.1	6.7	6.3	
	Malaysia	4.4	5.4	7.1	8.4	6.7	5.8	5.7	
	Philippines	4.3	3.6	6.1	6.4	6.3	5.4	4.6	

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

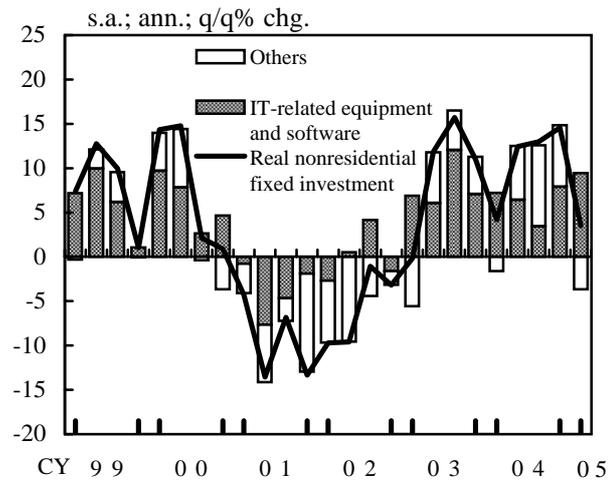
2. Quarterly data of East Asia are percent changes from a year earlier.

Environment for Exports (2)

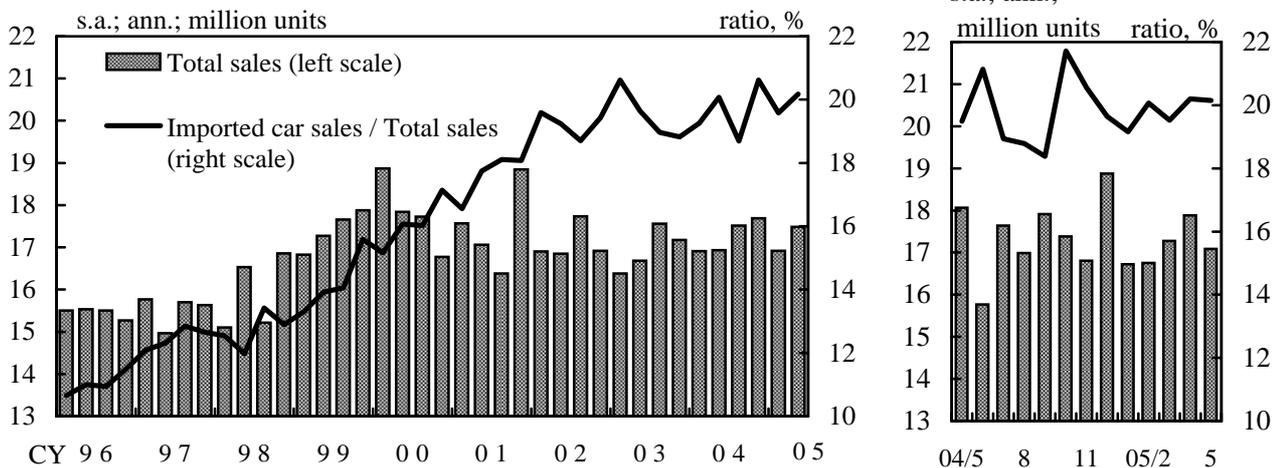
(1) U.S. Real GDP (breakdown by final demands and inventories)



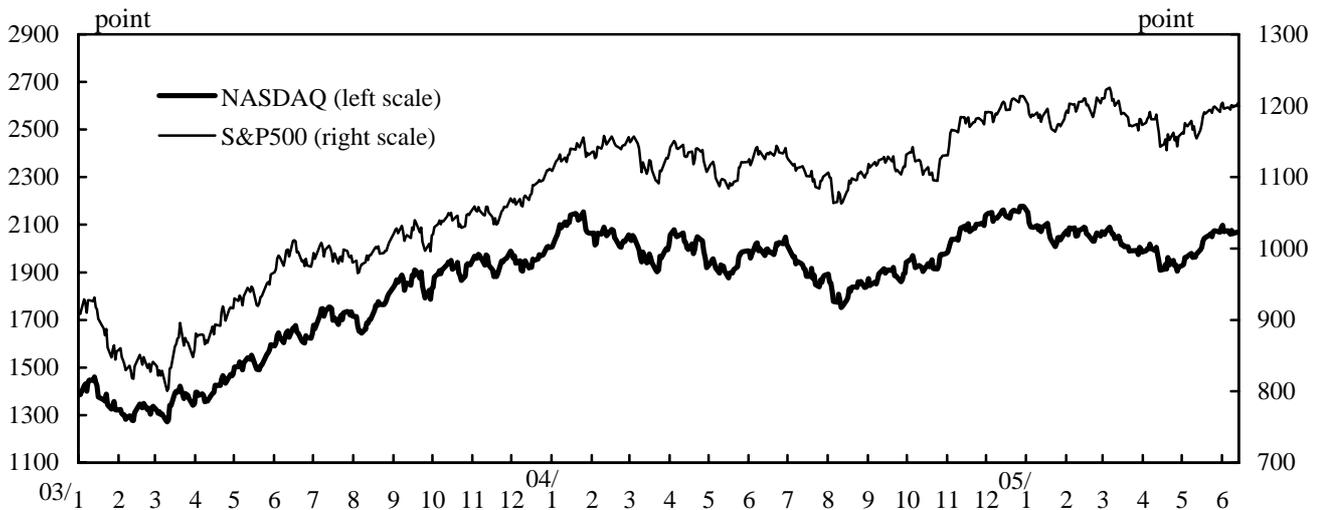
(2) U.S. Real Nonresidential Fixed Investment



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



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

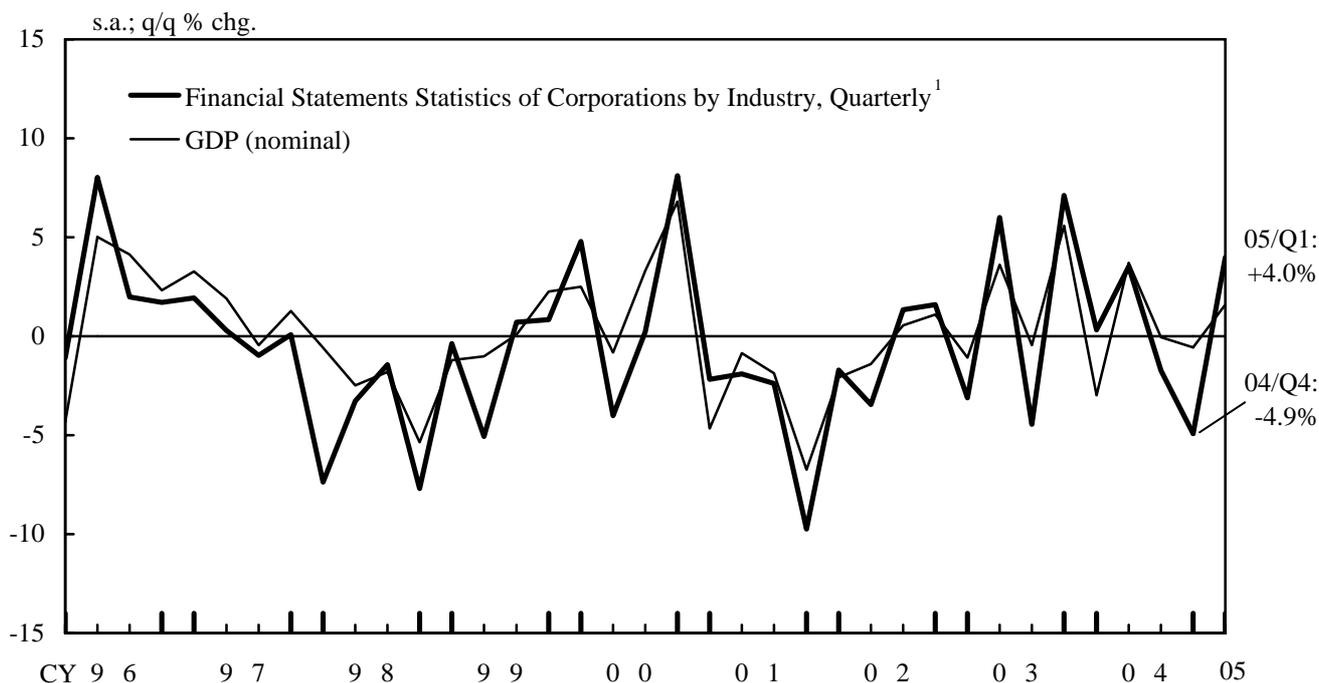
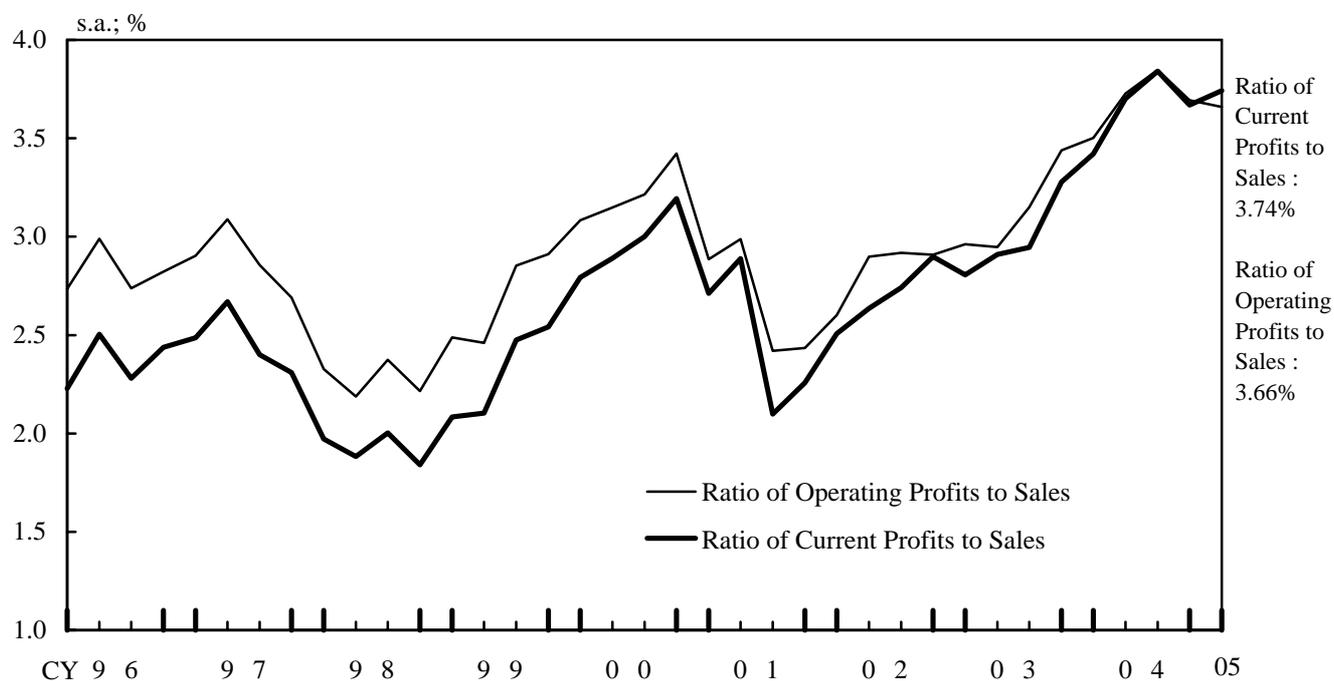


Notes: 1. Figures for 2005/Q2 are based on Apr.-May averages in (3).
2. Figures of U.S. stock prices in (4) are up to June 14.

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

Business Fixed Investment and Corporate Profits

(1) Fixed Investment

(2) Corporate Profits (Ratio of Profits to Sales)^{1,2}

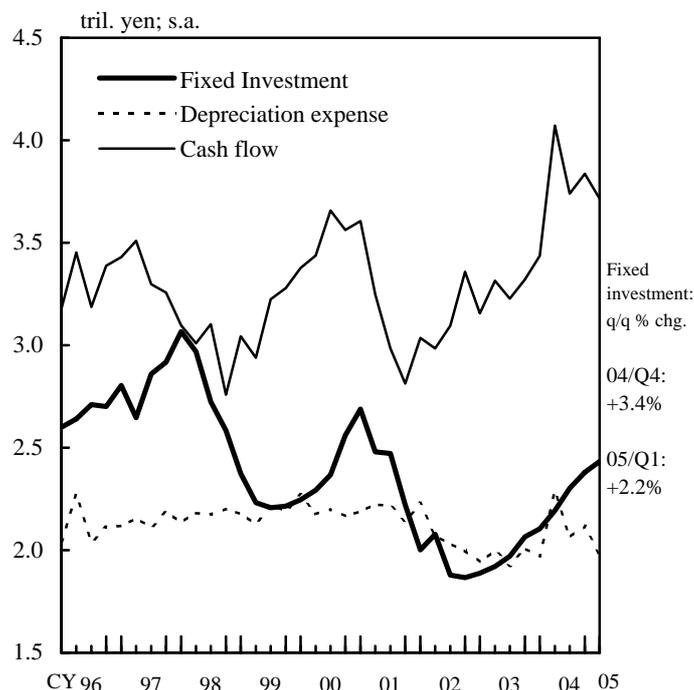
Notes: 1. All enterprises. Figures are adjusted for sample change, and seasonally adjusted by X-11. Adjustment for sample change aims to correct a bias in figures caused by sample change. The method is to adjust the figures proportionally to the shift in the aggregated capital stock and other references. The sample change comes due to (i) a change in sampling firm in each the second quarter survey, and (ii) changes in the respondent firms in every quarter.

2. *Financial Statements Statistics of Corporations by Industry, Quarterly* basis.

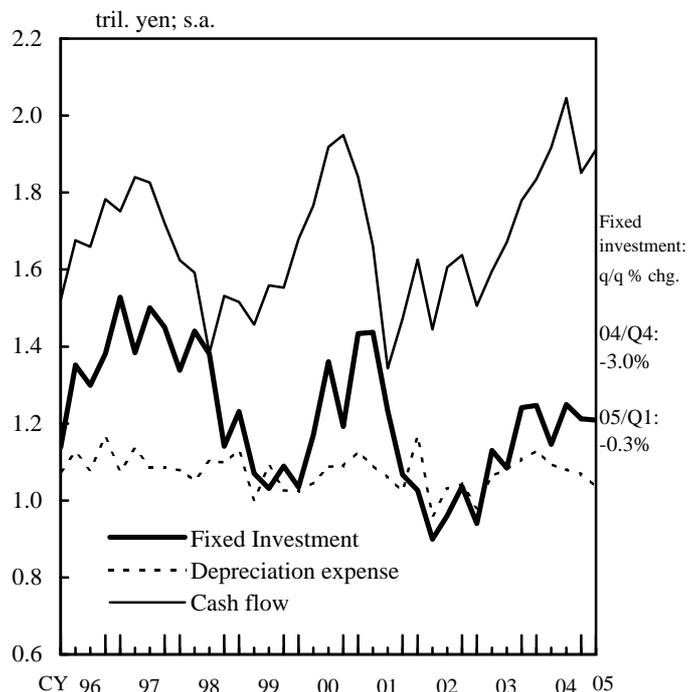
Sources: Cabinet Office, "National Accounts"; Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

Business Fixed Investment

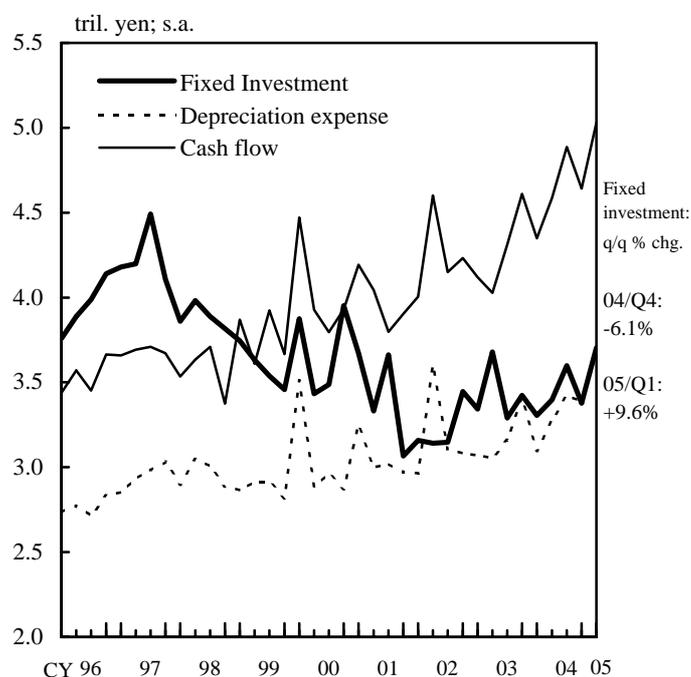
(1) Large manufacturing firms



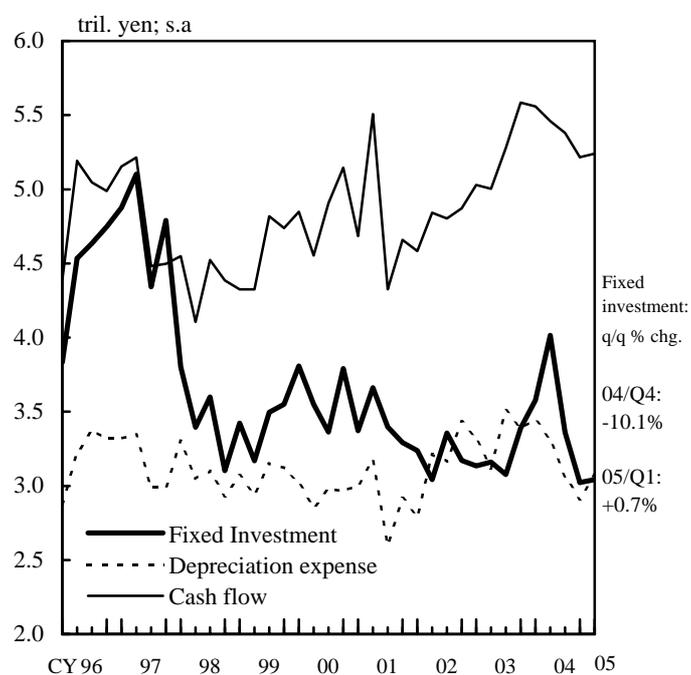
(2) Medium-sized and small manufacturing firms



(3) Large nonmanufacturing firms



(4) Medium-sized and small nonmanufacturing firms



Notes: 1. *Financial Statements Statistics of Corporations by Industry, Quarterly* basis.

2. Sample change adjusted (see in chart 10 Note 1).

3. Electric and gas are excluded from nonmanufacturing large firms.

4. "Large firms" refers to firms with capital stock of 1 billion yen or more, and "medium and small firms" refers to firms with capital stock of 10 million or more but less than 1 billion yen.

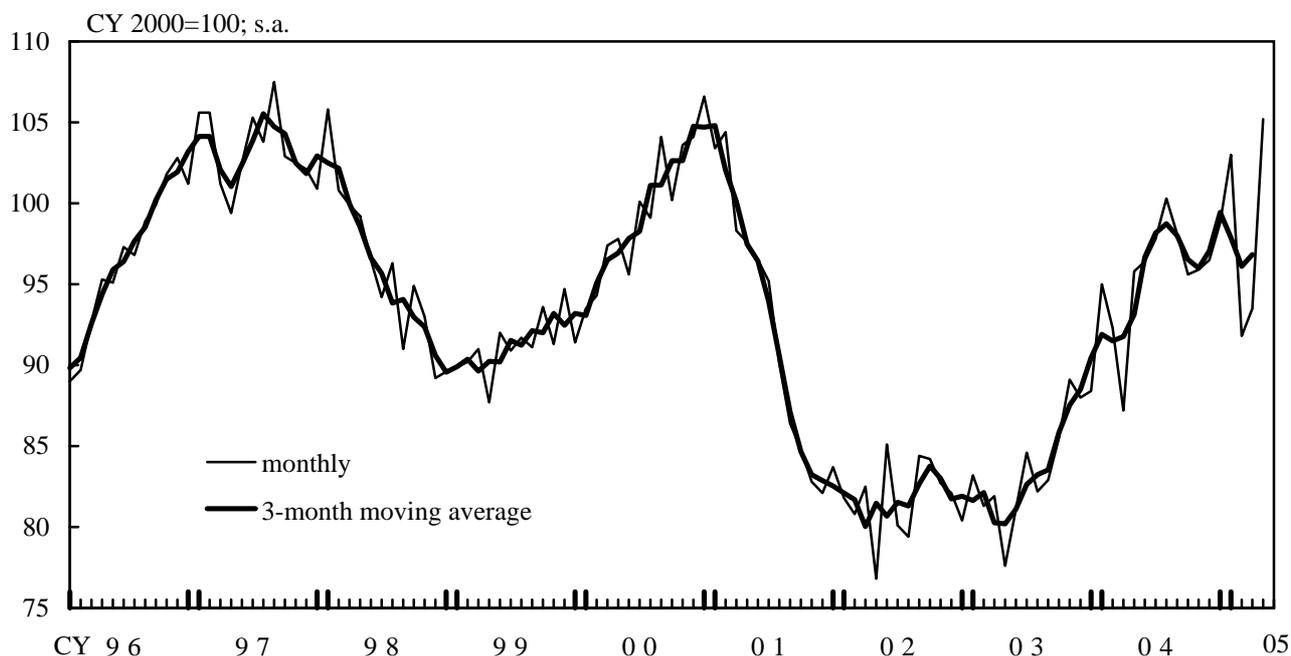
5. Cash Flow = Current profits / 2 + Depreciation expense

6. Seasonally adjusted by X-11.

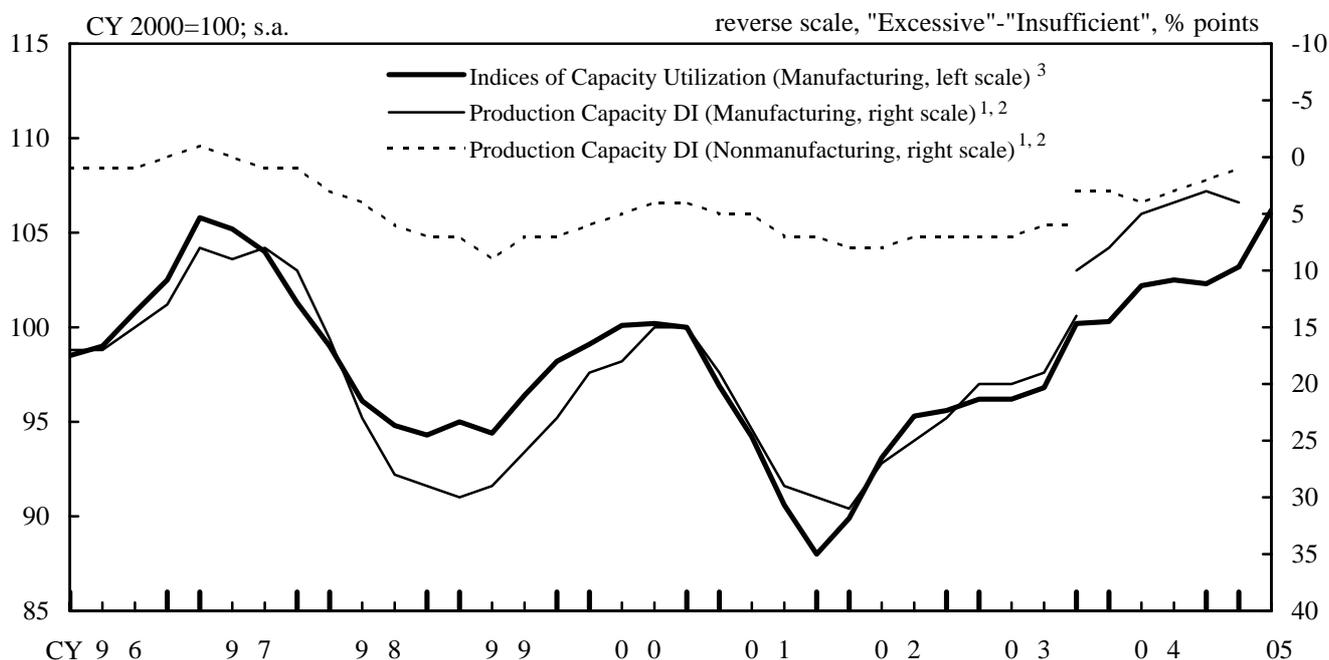
Source: Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

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.

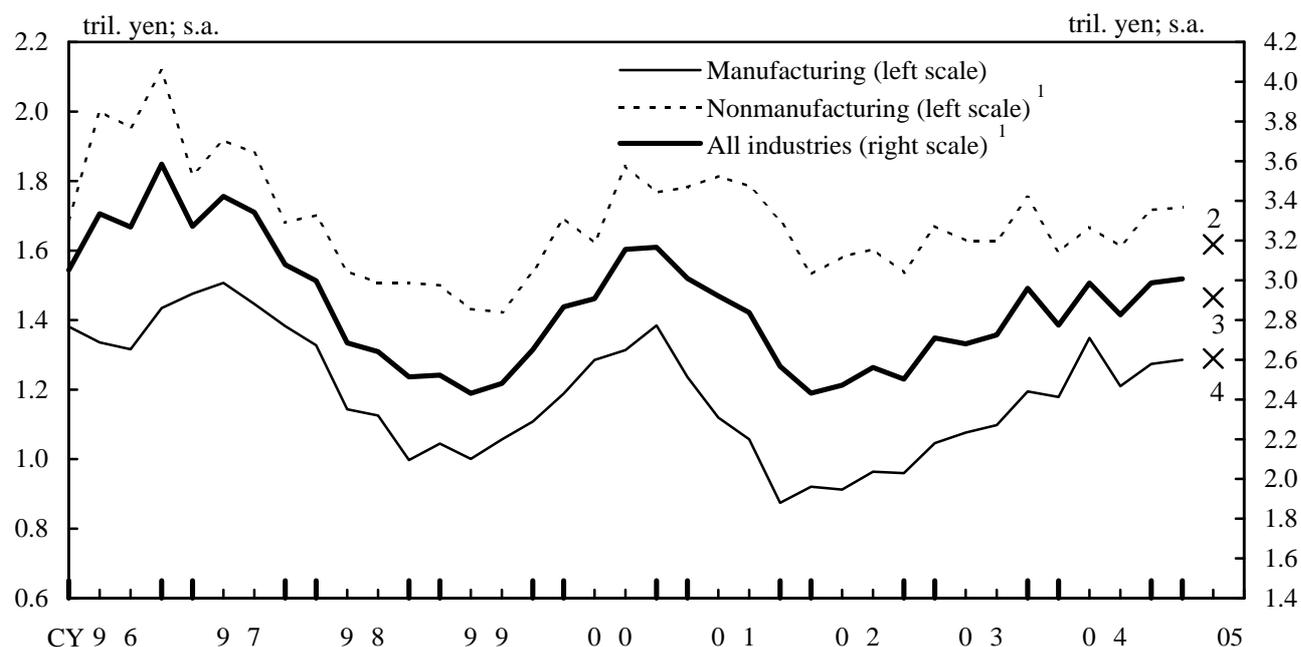
2. The *Tankan* has been revised from the March 2004 Survey. Figures up to the December 2003 Survey are based on the previous data sets. Figures from the December 2003 Survey are on a new basis.

3. The figure for 2005/Q2 is as of April.

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



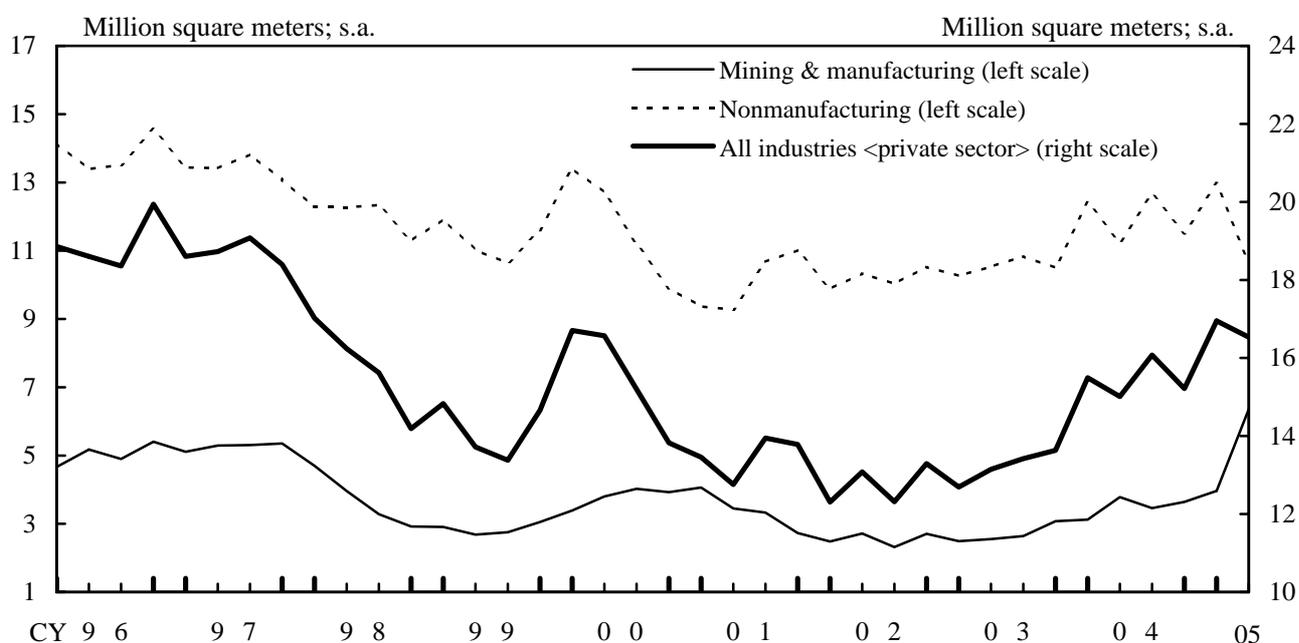
Notes: 1. Excludes orders of shipbuilding and orders from electric power companies.

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.

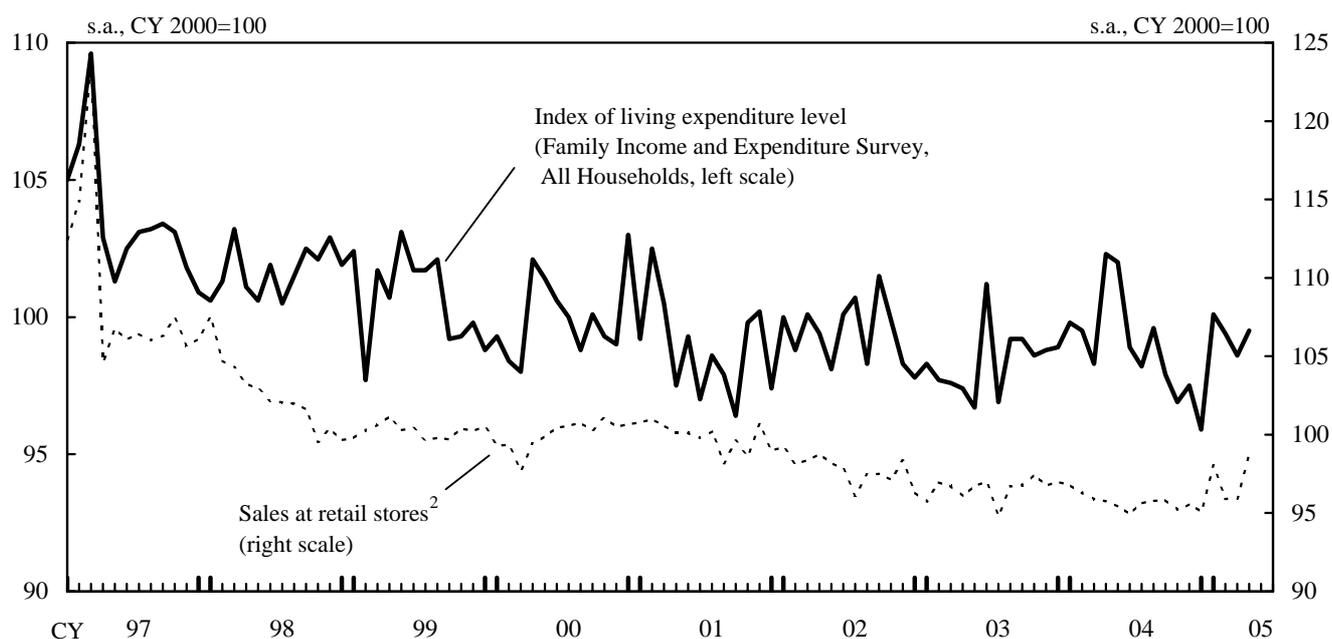
3. Figures for 2005/Q2 are those of April in terms of quarterly amount.

Sources: Cabinet Office, "Machinery Orders Statistics";

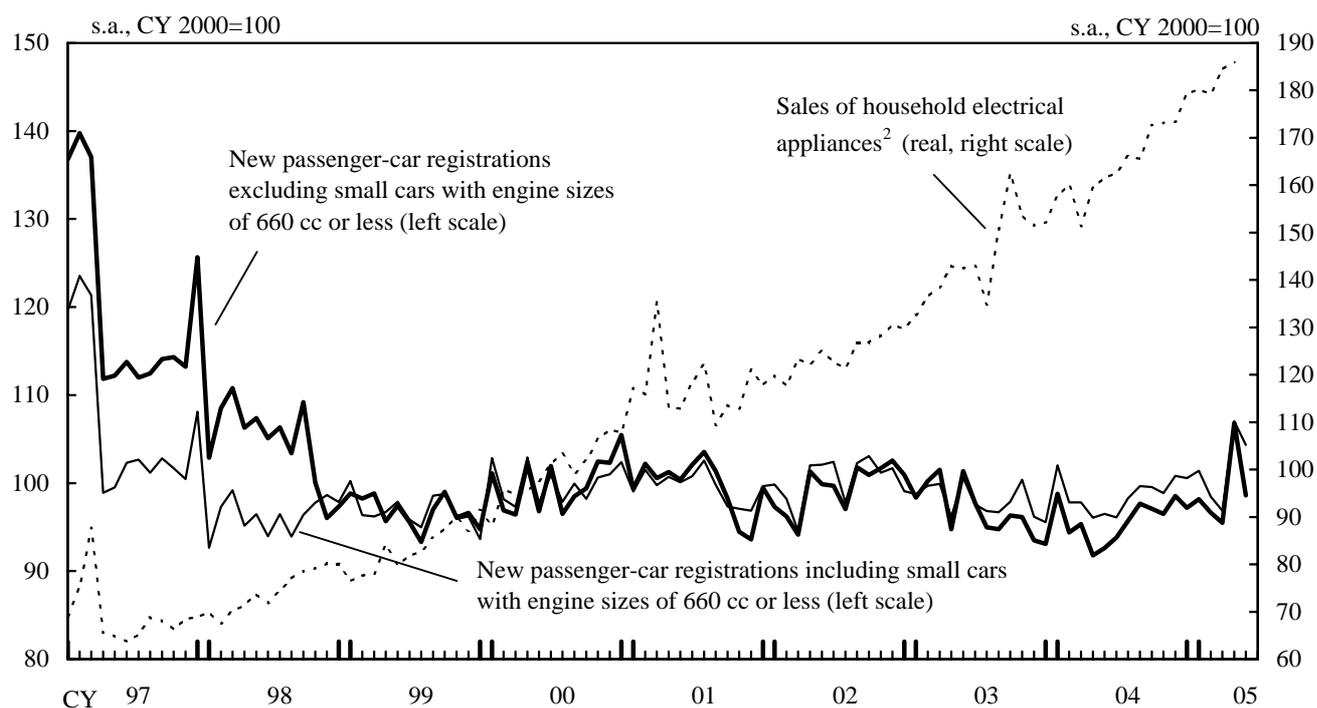
Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts."

Indicators for Private Consumption¹ (1)

(1) Household Spending (real)



(2) Sales of Durable Goods

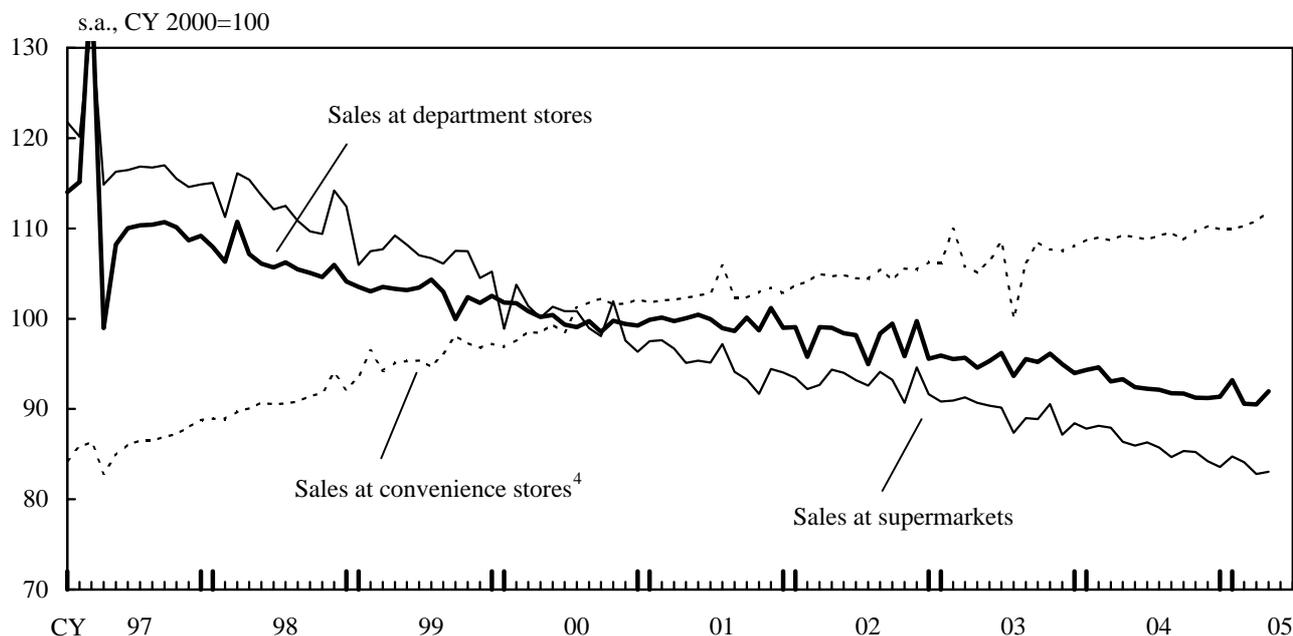


- Notes: 1. Seasonally adjusted by X-12-ARIMA. Index of living expenditure level is seasonally adjusted by the Ministry of Internal Affairs and Communications.
2. Sales at retail stores are deflated by the consumer price index for goods (excluding electricity, gas & water charges). Sales of household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

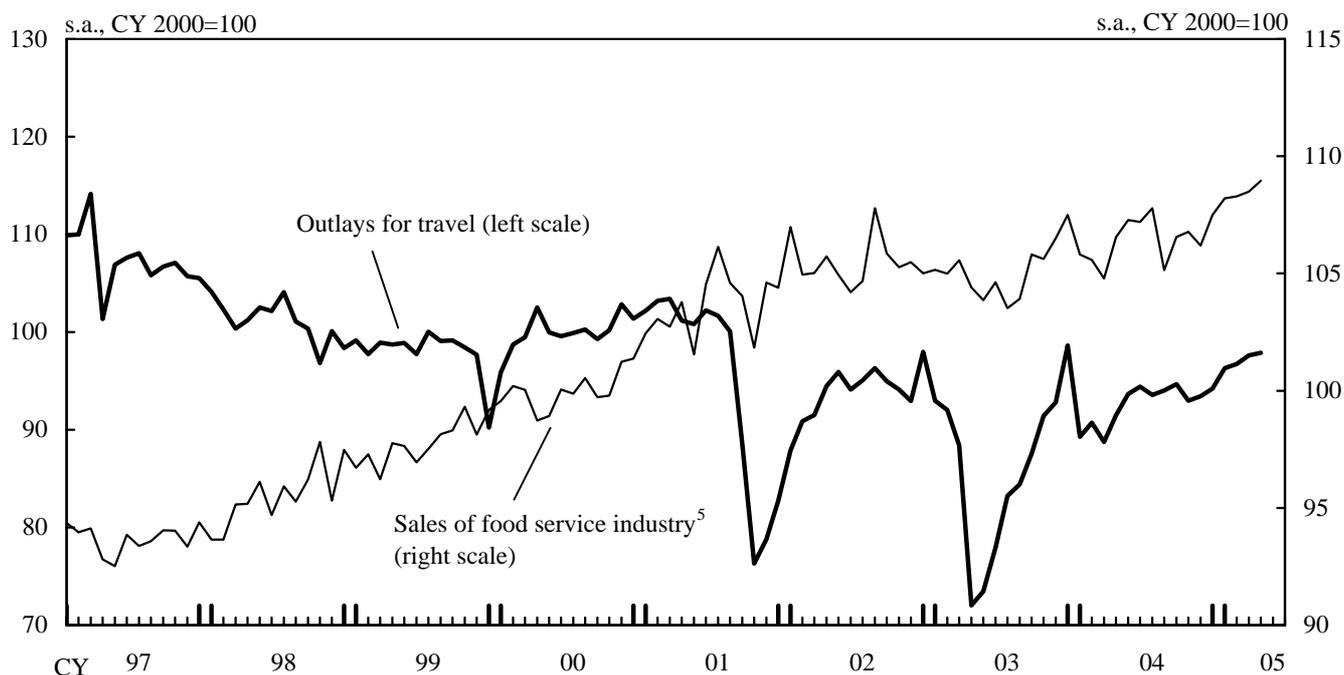
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index," "Monthly Report on the Family Income and Expenditure Survey";
Ministry of Economy, Trade and Industry, "Current Survey of Commerce";
Japan Automobile Dealers Association, "Domestic Sales of Automobiles";
Japan Mini Vehicles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

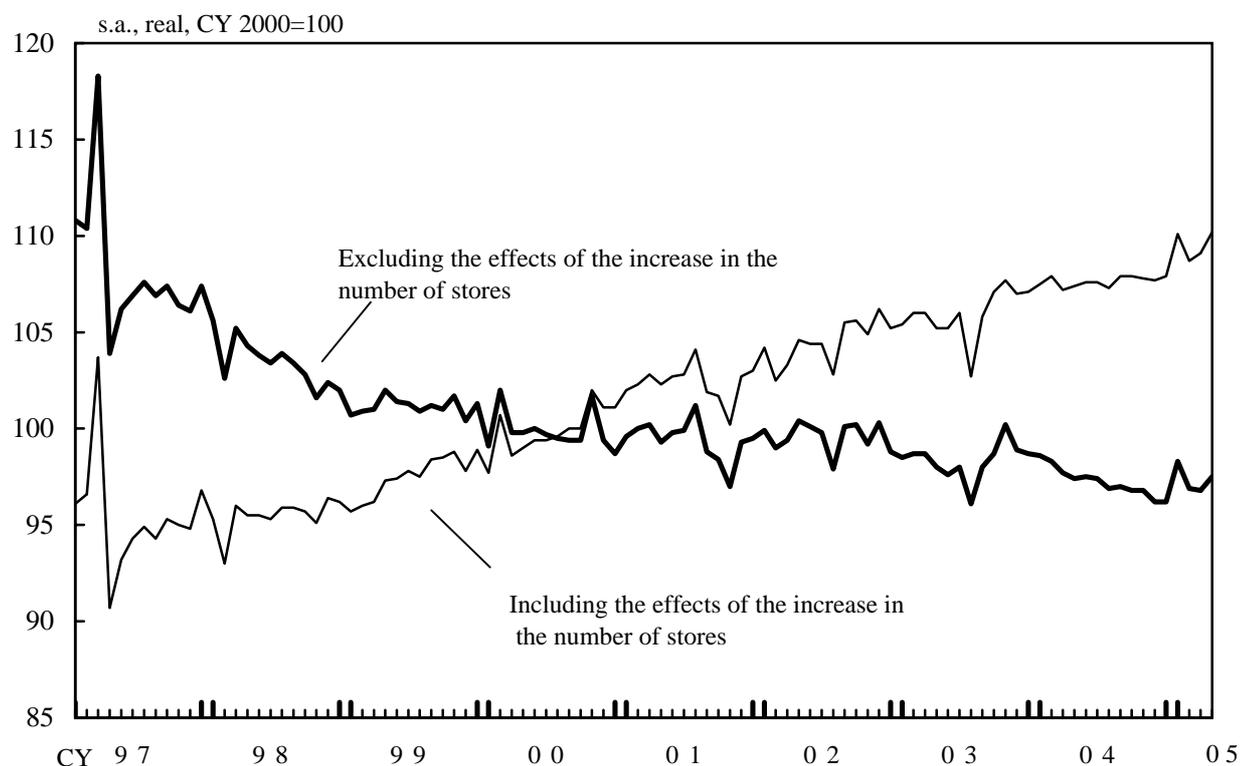
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce";

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

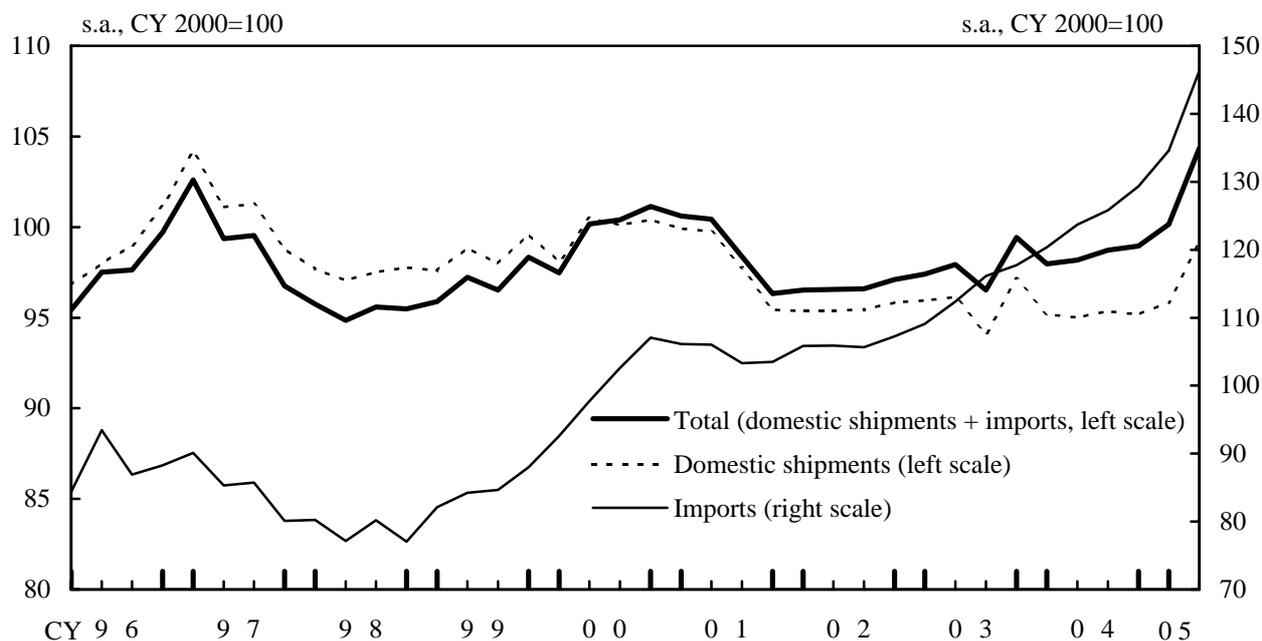


- Notes: 1. Indices of aggregated sales are the weighted sum of *Sales at department stores and supermarkets*; *New passenger-car registrations*; *Sales of household electrical appliances*; *Outlays for travel*; and *Sales of food service industry*, where the weights come from household expenditure in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

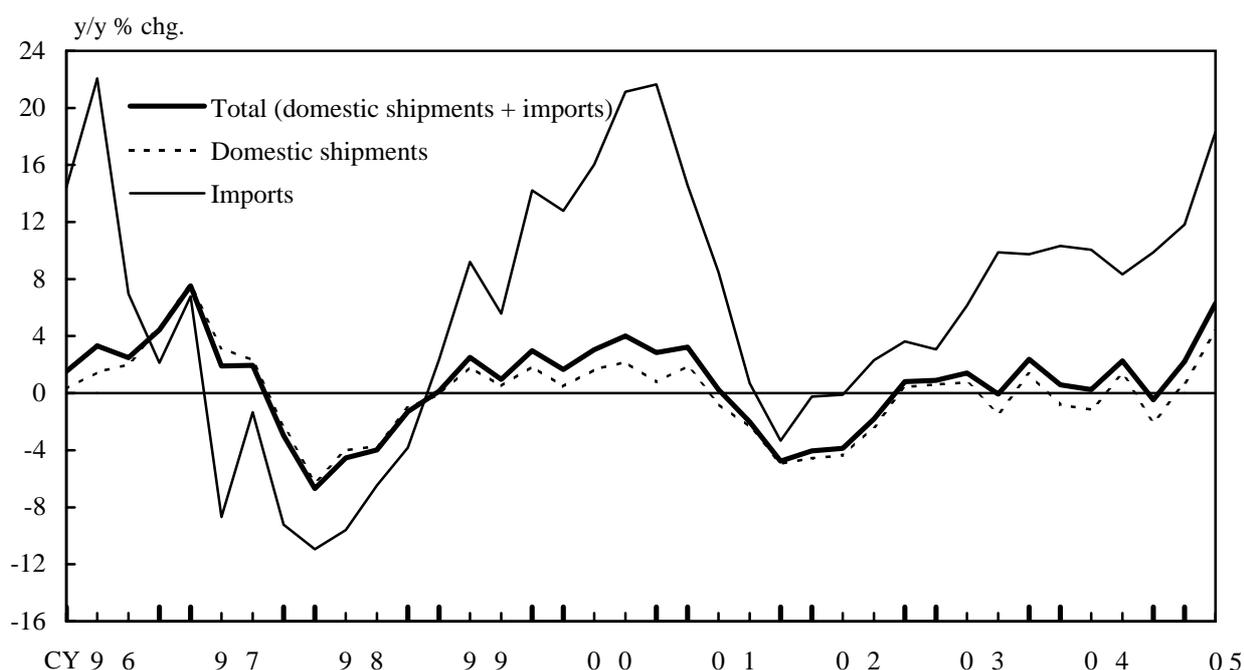
Source: Bank of Japan, "Indices of Aggregated Sales."

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.

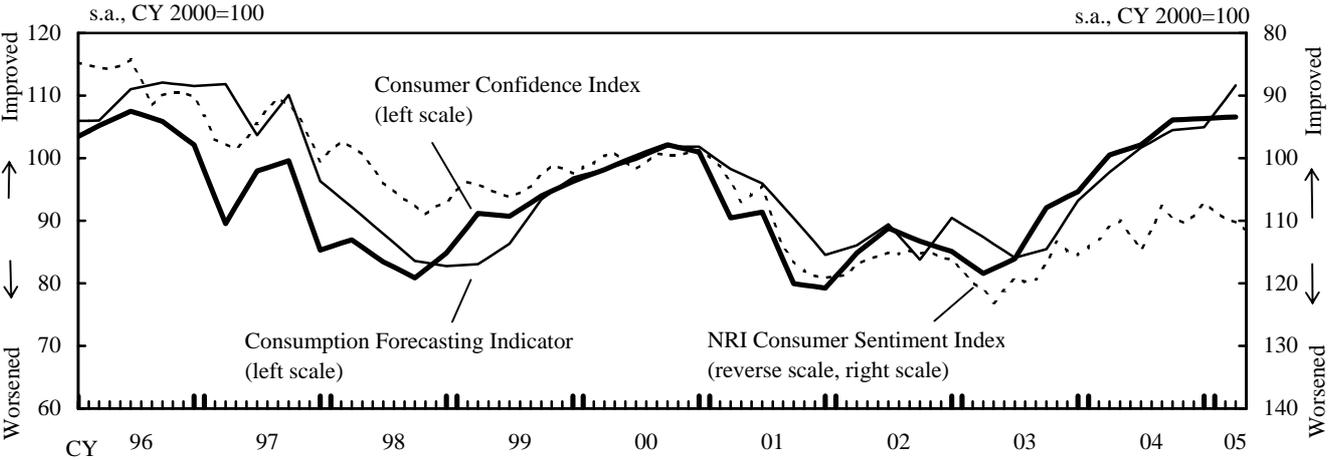
3. Year-on-year changes are calculated from seasonally adjusted series.

4. Figures for 2005/Q2 are those of April in terms of quarterly amount.

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

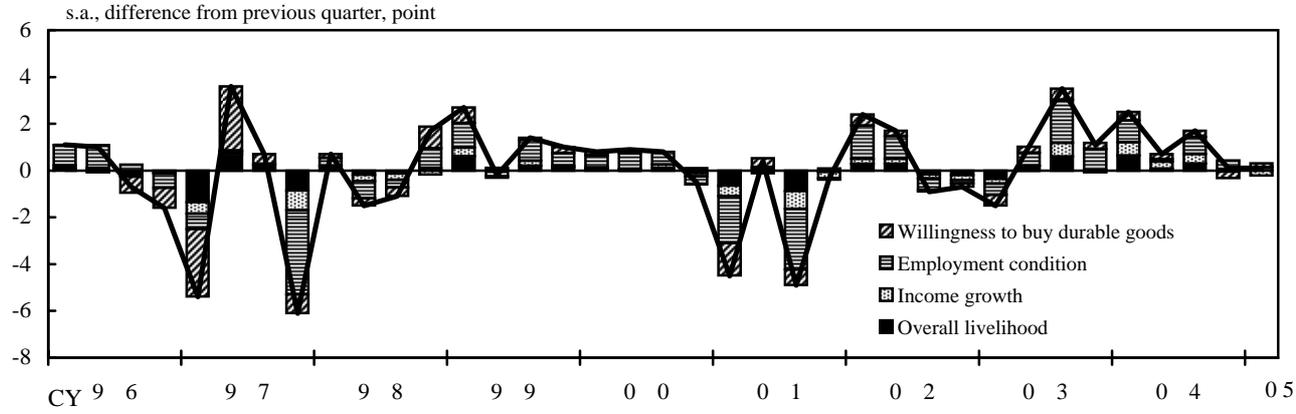
Consumer Confidence

(1) Surveys on Consumer Confidence

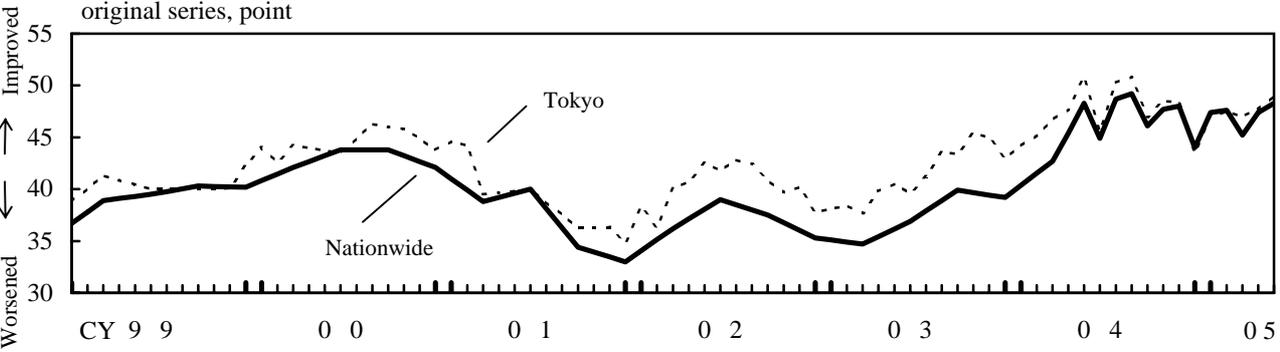


- Notes: 1. Seasonally adjusted by X-11. "Consumer Confidence Index" is seasonally adjusted by the Cabinet Office. "Consumption Forecasting Indicator" is seasonally adjusted using quarterly figures because the survey is quarterly until 2004.
2. Consumer Confidence Index (with 5,040 samples in a nationwide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

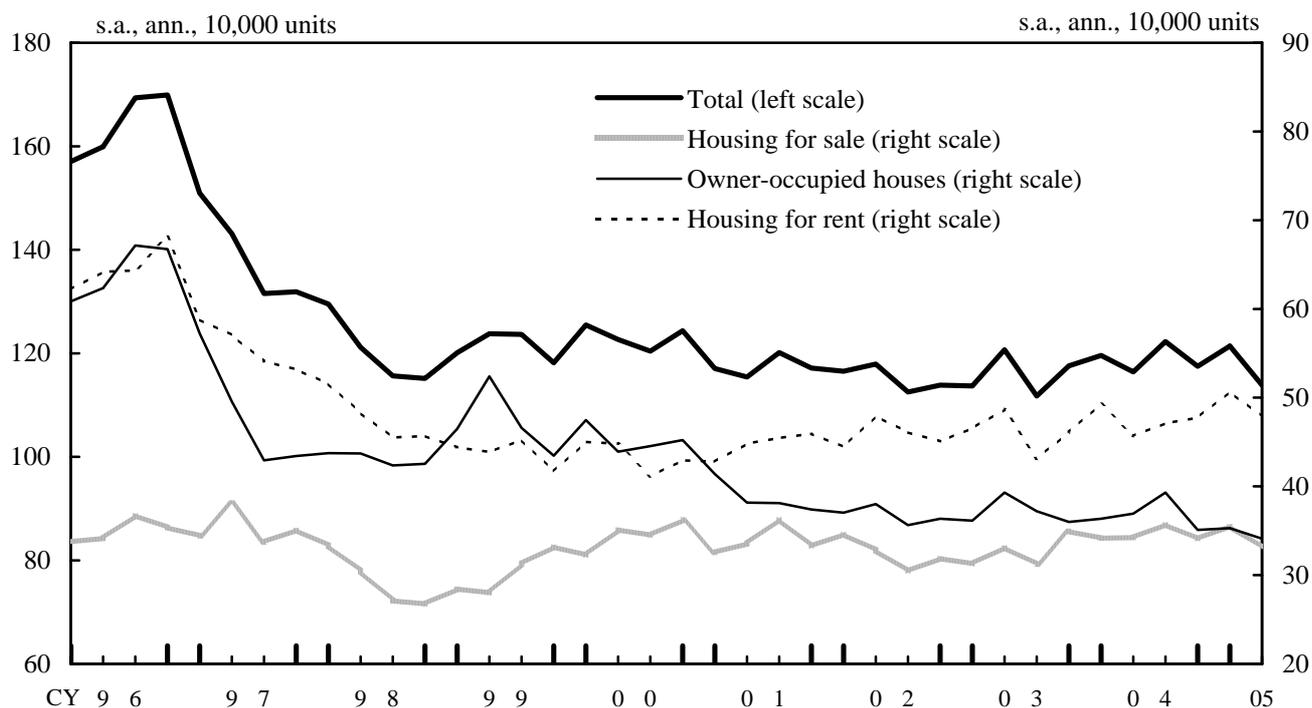


Note: Prior to 2001, figures of "Monthly Consumer Confidence Index of Tokyo" when the survey was not conducted have been supplemented with linear interpolation. Figures of "Monthly Consumer Confidence Index (Nationwide)" have also been plotted at the surveyed months and supplemented with linear interpolation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

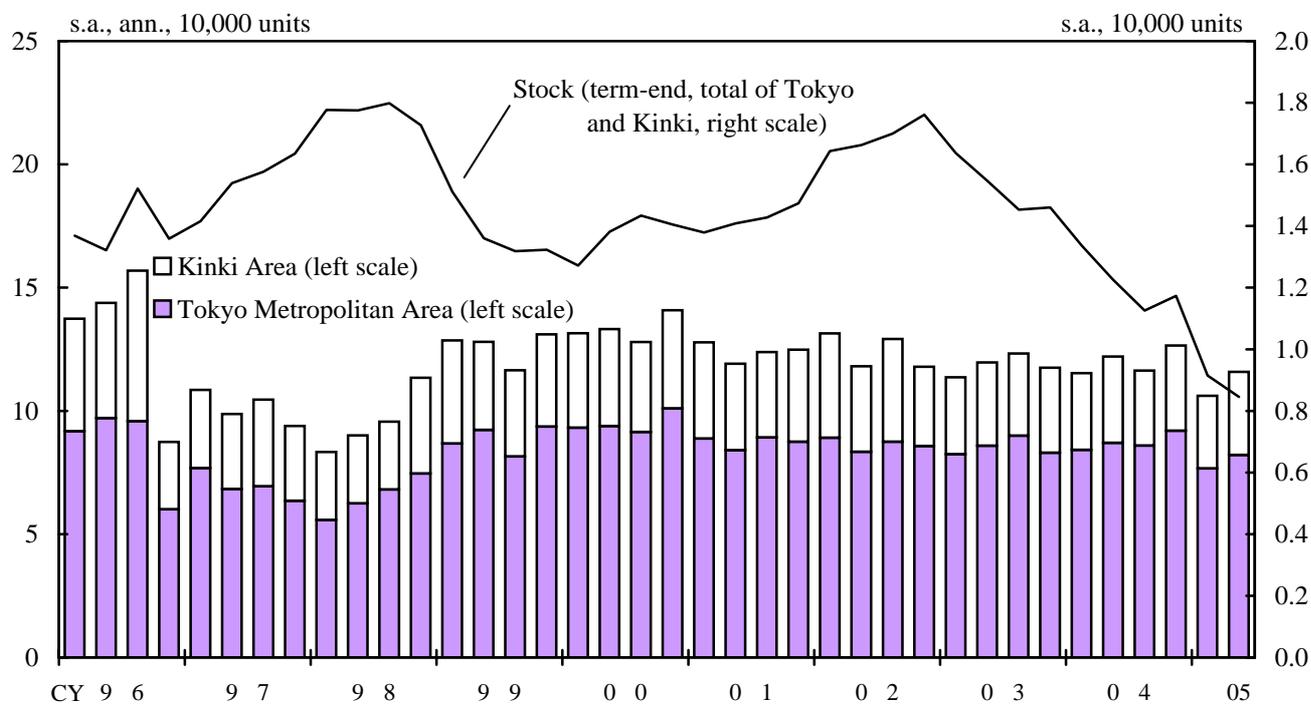
Indicators for Housing Investment

(1) Housing Starts



Note: Figures for 2005/Q2 are those of April.

(2) Sales of Condominiums



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

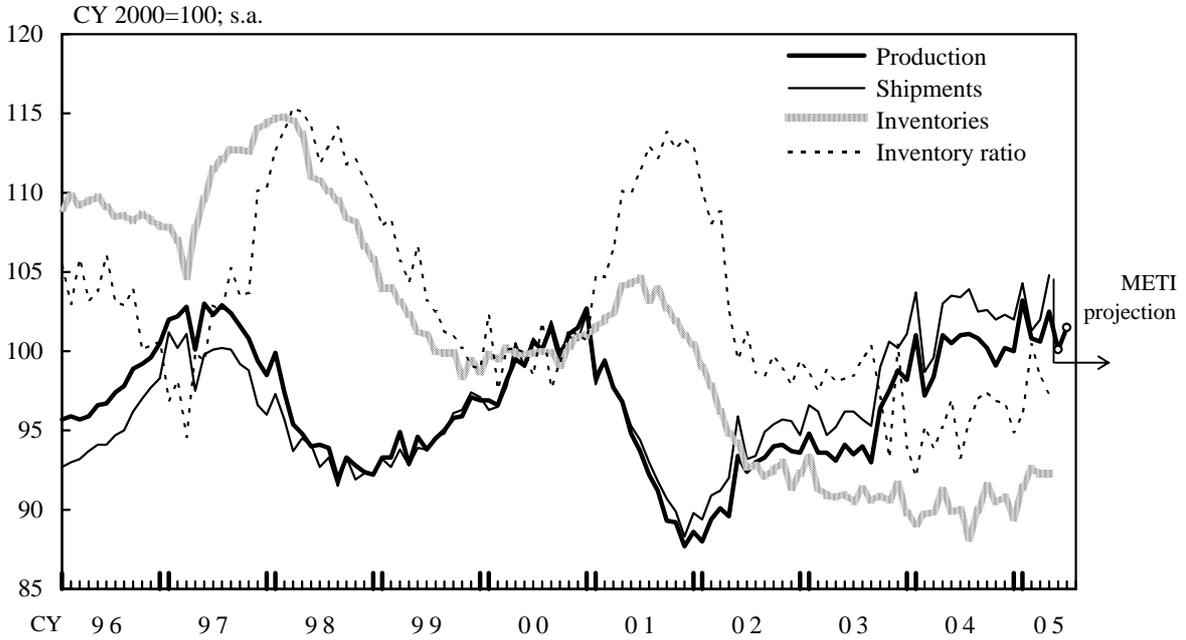
2. Figures of total condominiums sales for 2005/Q2 are those of April-May averages.

Term-end stocks for 2005/Q2 are those of May.

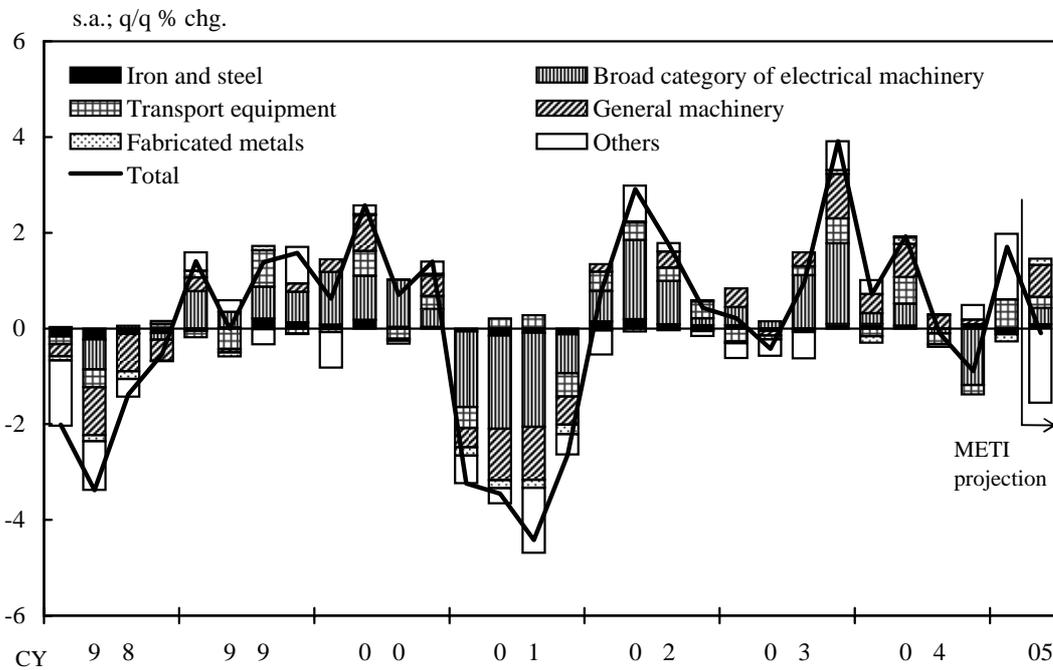
Sources: Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts," etc.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industries

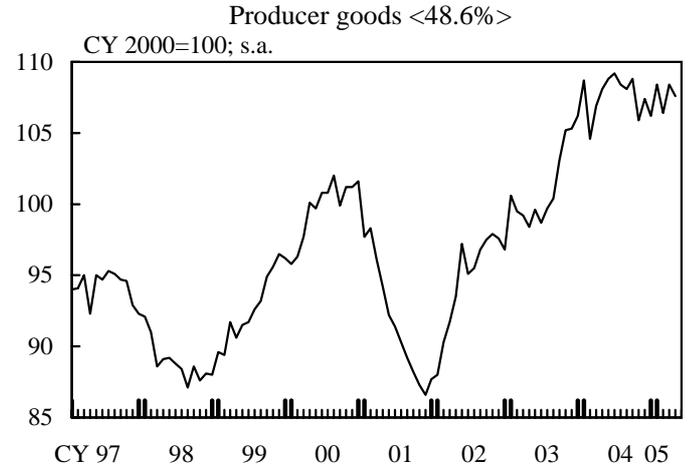
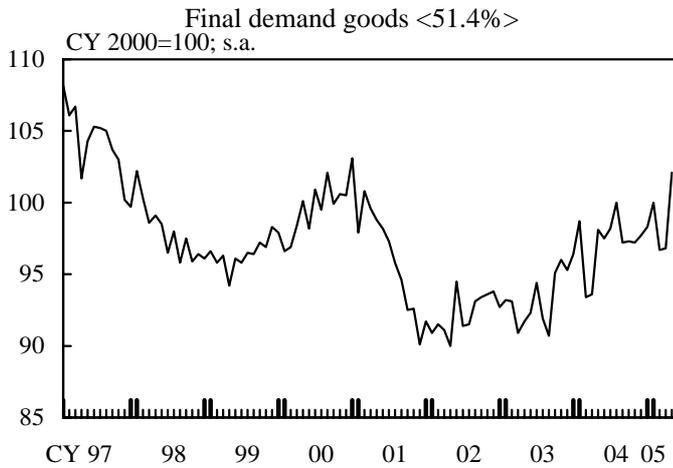


Note: Transport equipment excludes steel ships and rolling stocks.
 "Broad category of electrical machinery" is the weighted sum of "electrical machinery,"
 "information and communication electronics equipment" and "electronic parts and devices."

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

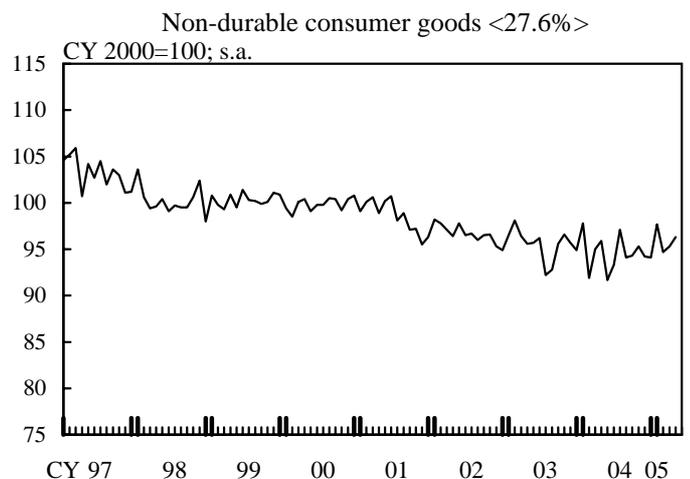
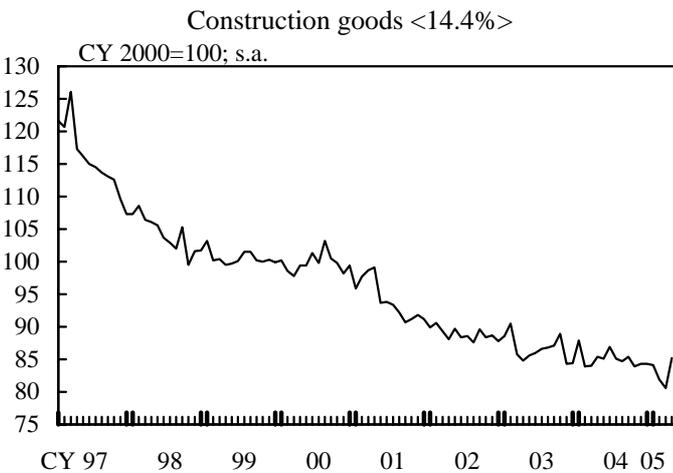
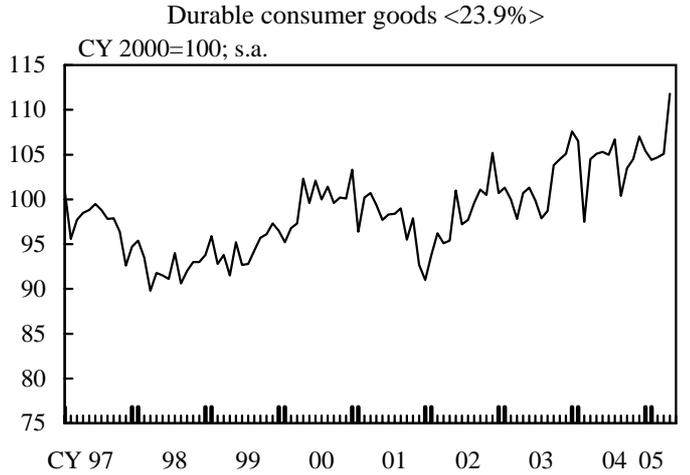
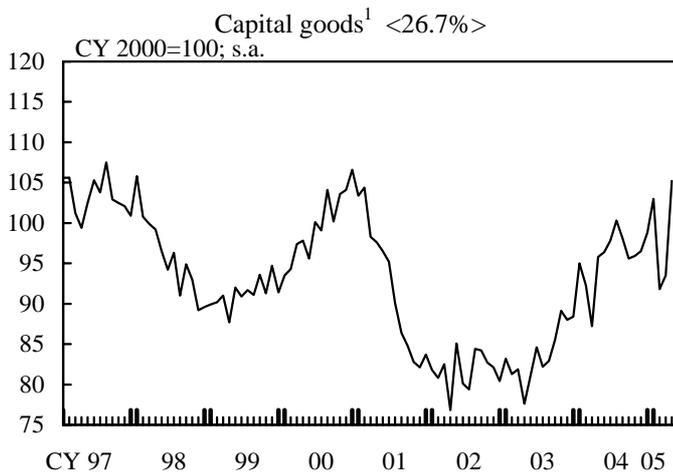
Shipments breakdown by type of goods

(1) Final demand goods and Producer goods



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

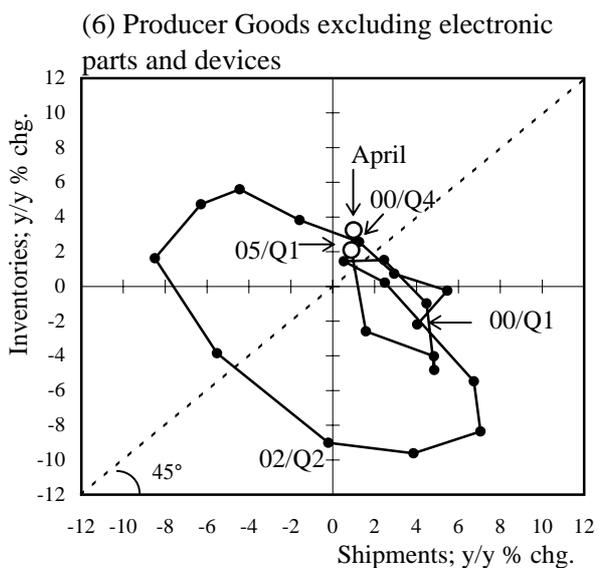
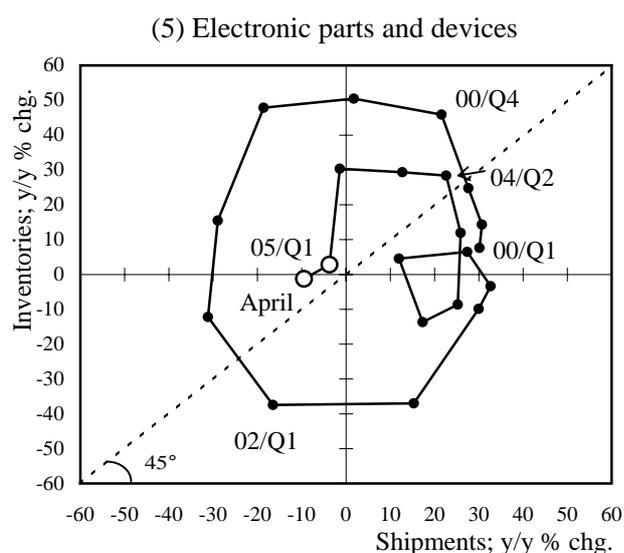
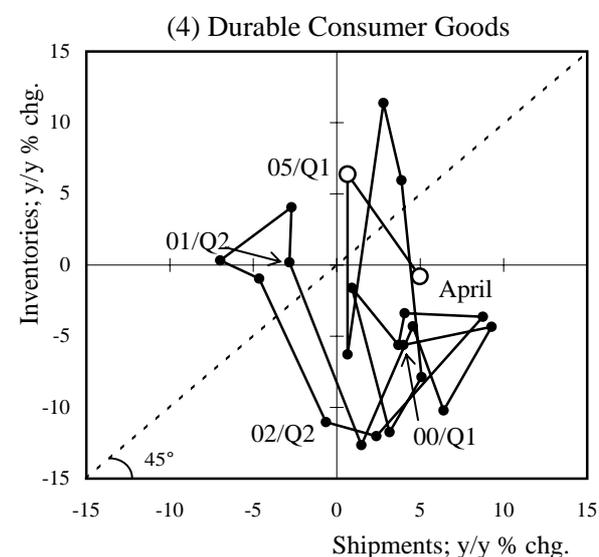
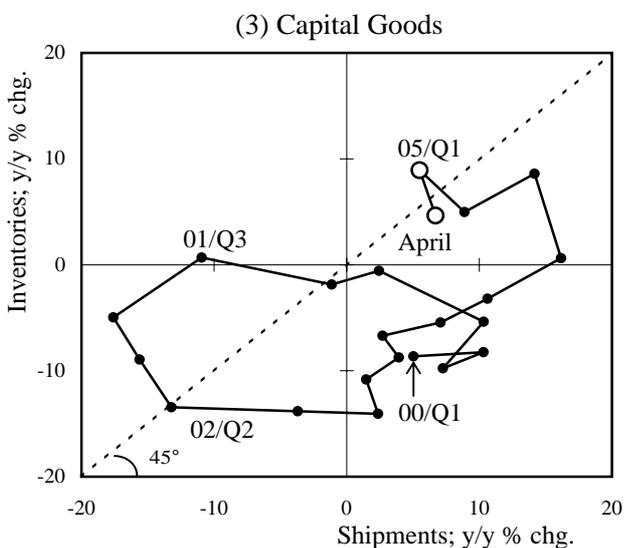
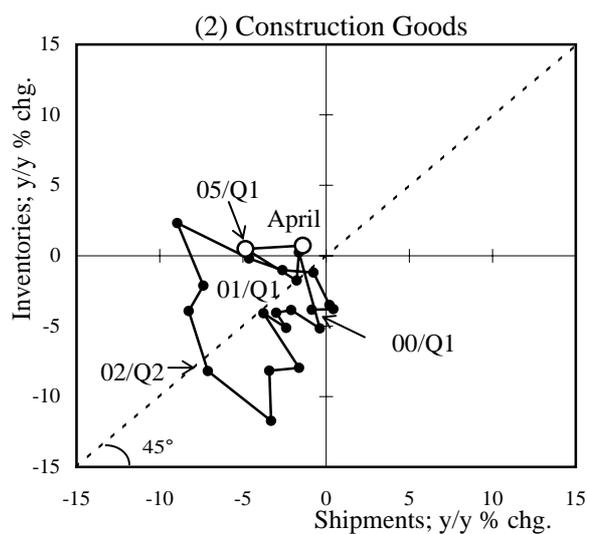
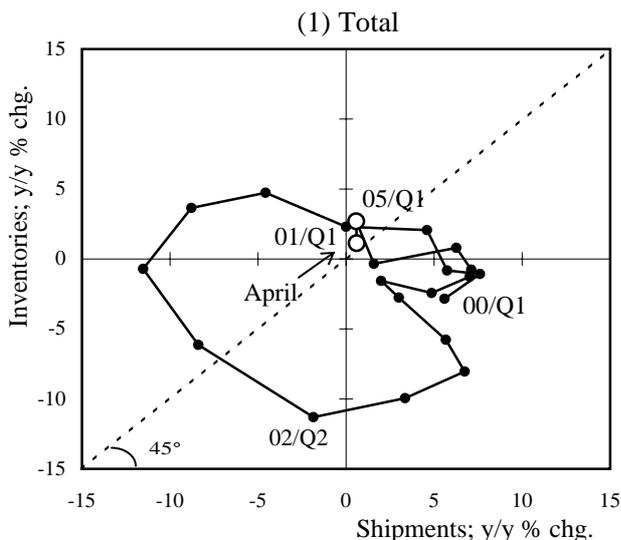
(2) Breakdown of final demand goods



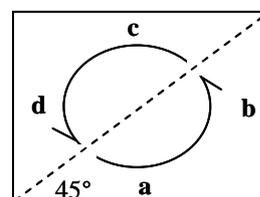
Notes: 1. Excluding transportation equipment.
2. Shares of shipments of final demand goods are shown in angle brackets.

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

Inventory Cycle

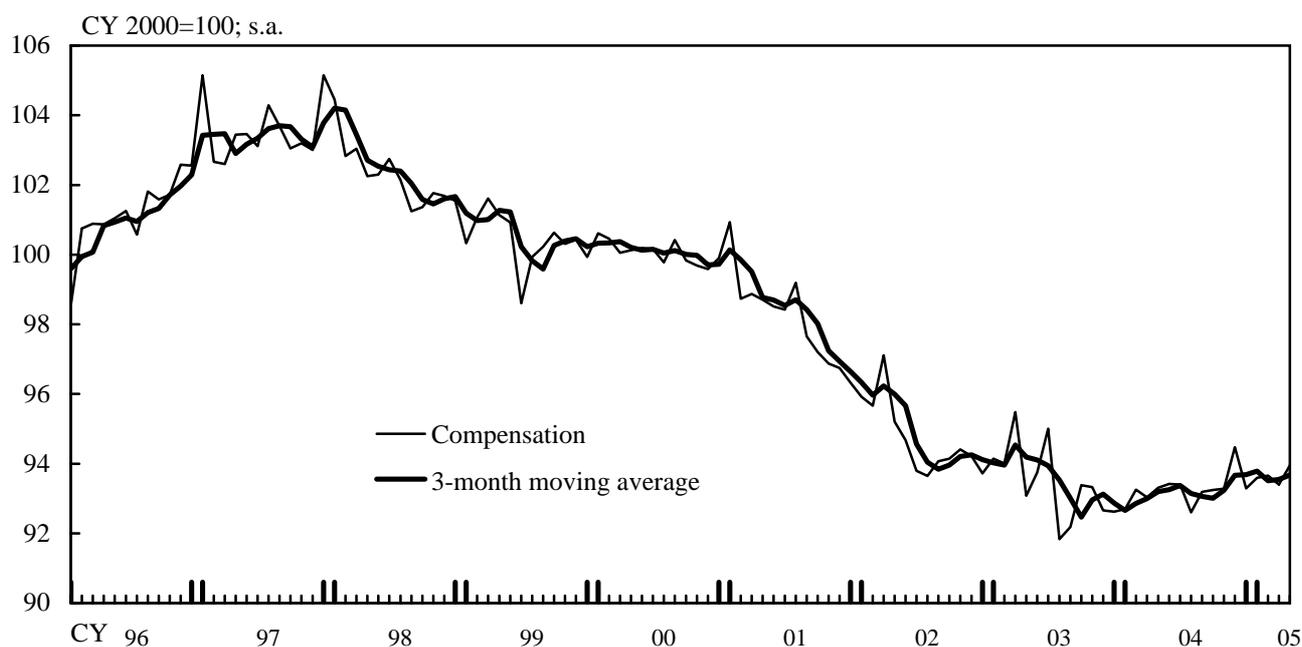


- a Shipment recovery phase
- b Intended inventory accumulation phase
- c Unintended inventory accumulation phase
- d Inventory adjustment phase



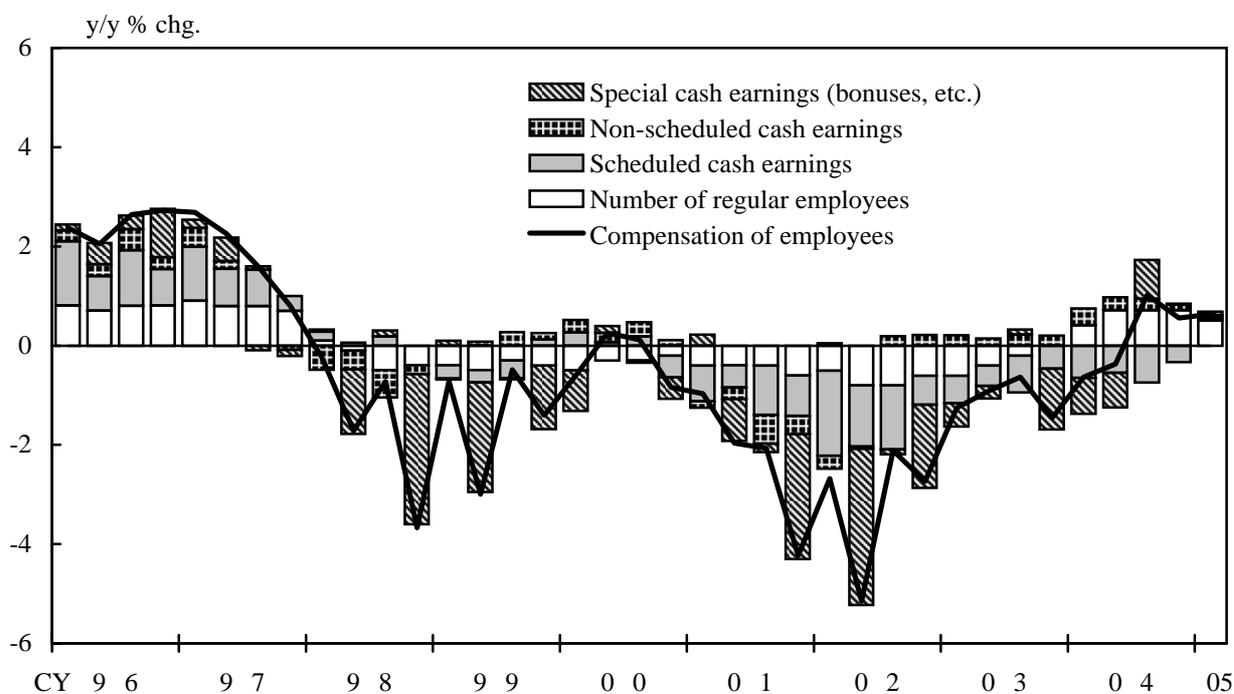
Compensation of Employees

(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.

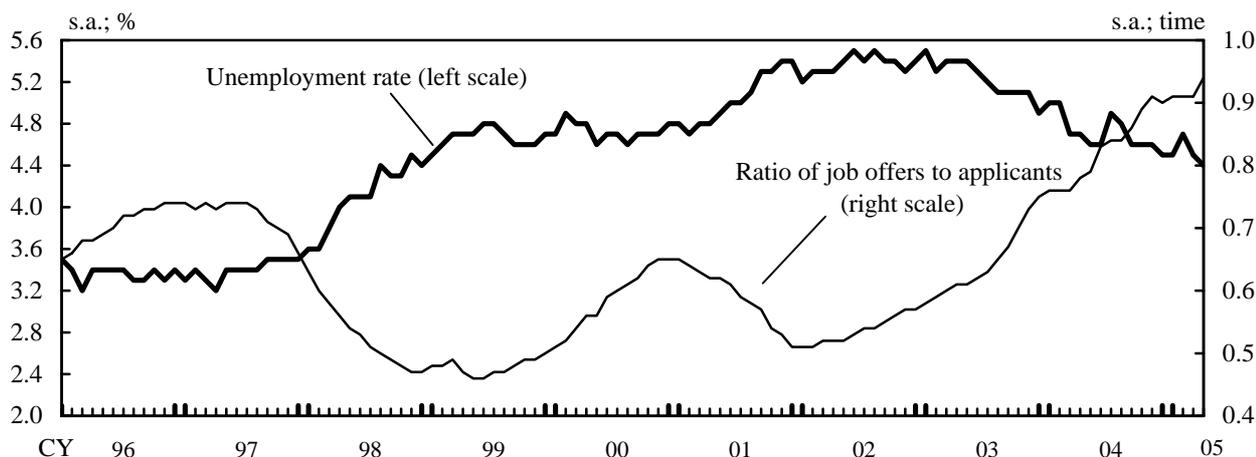
(2) Breakdown of Compensation



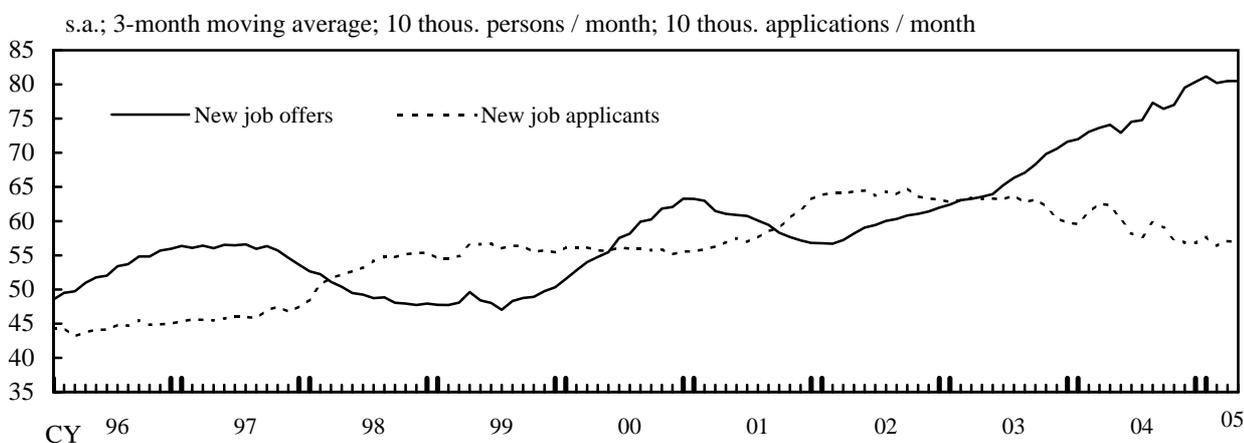
- Notes: 1. Data are for establishments with at least 5 employees.
2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.
3. Figures for 2005/Q1 are those of March-April averages.

Labor Market (1)

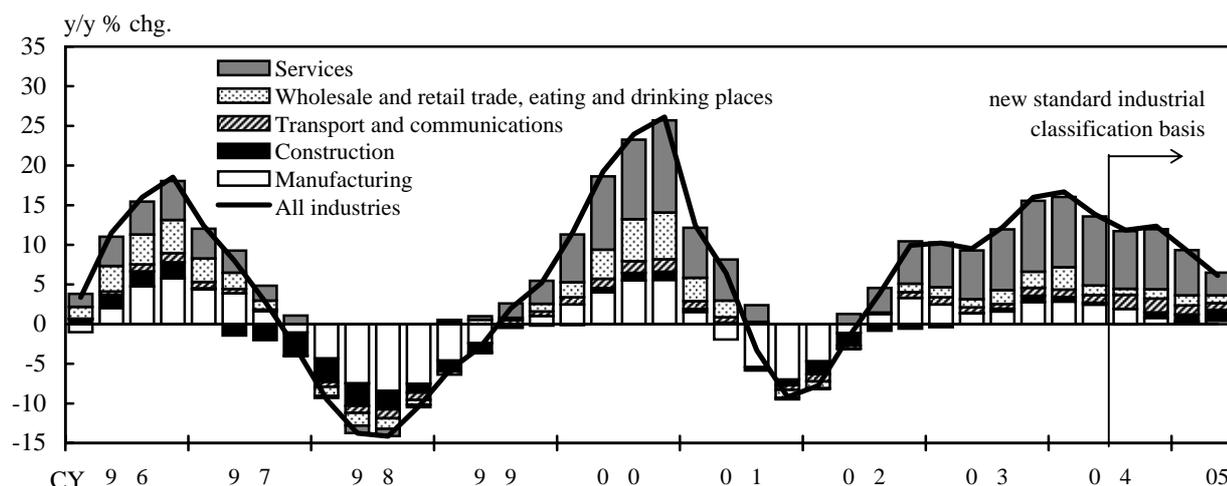
(1) Unemployment Rate and Ratio of Job Offers to Applicants



(2) New job offers and New job applicants¹



(3) Breakdown of New job offers¹

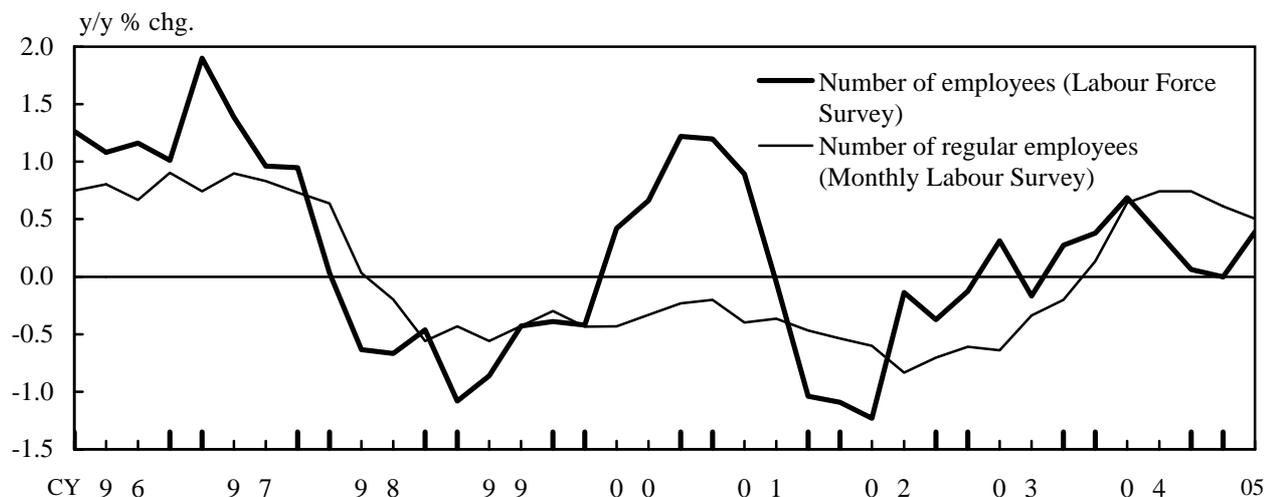


- Notes: 1. Figures do not include jobs offered to new graduates, but include those offered to part-time workers.
 2. Figures up to 2004/Q2 are based on the previous Standard Industrial Classification. Figures from 2004/Q3 are based on new Standard Industrial Classification. To keep the continuation of the data, some industries from 2004 are rearranged as follows. "Transport and communications" are the sum of "electricity and gas," "information and communications" and "transport." "Wholesale and retail trade, eating and drinking places" are the sum of "wholesale and retail trade" and eating and drinking places, accommodations." "Services" are the sum of "medical, health care and welfare," "education, learning support," "compound services" and "services (not elsewhere classified)."
 3. Figures for 2005/Q2 are those of April.

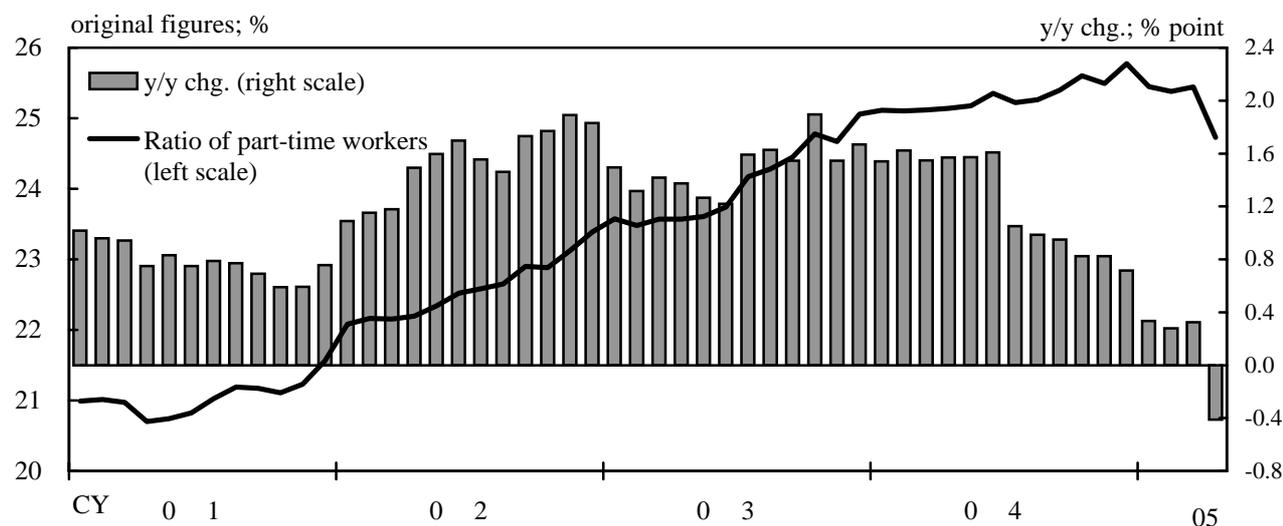
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service"; Ministry of Internal Affairs and Communications, "Labour Force Survey."

Labor Market (2)

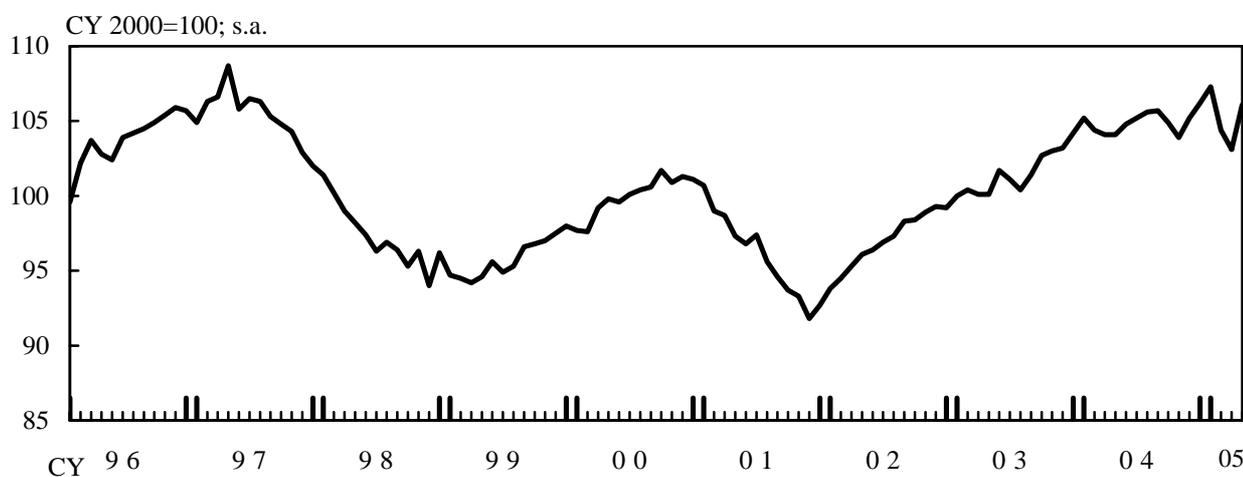
(1) Number of Employees^{1,3}



(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.

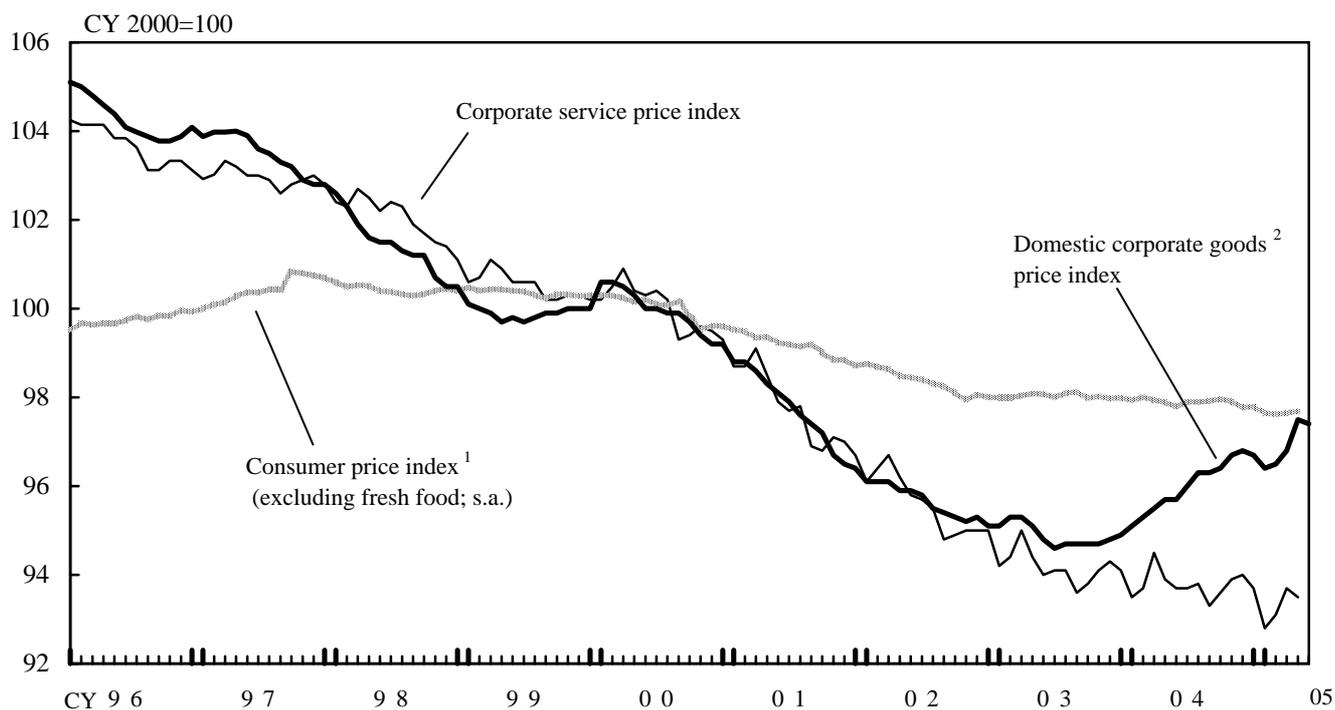
2. Ratio of part-time workers = number of part-time workers/number of regular employees.

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

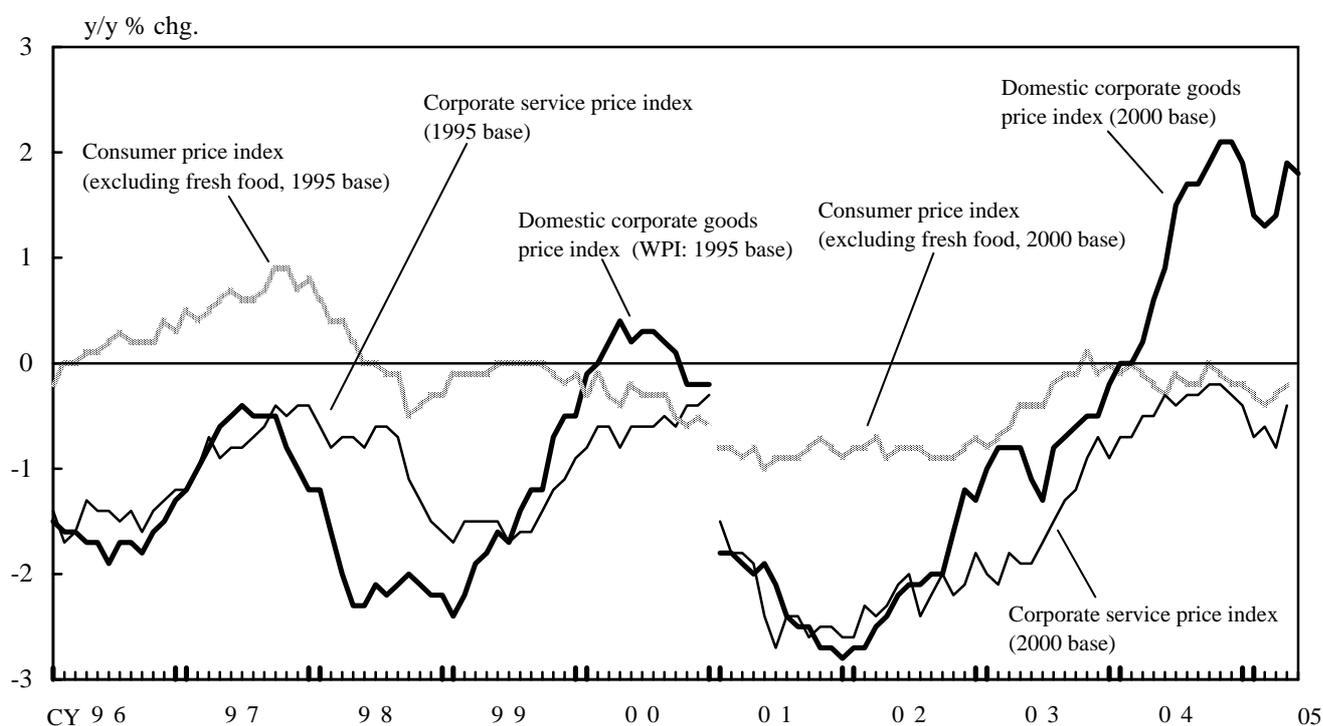
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
Ministry of Internal Affairs and Communications, "Labour Force Survey."

Prices³

(1) Level



(2) Changes from a year earlier



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

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

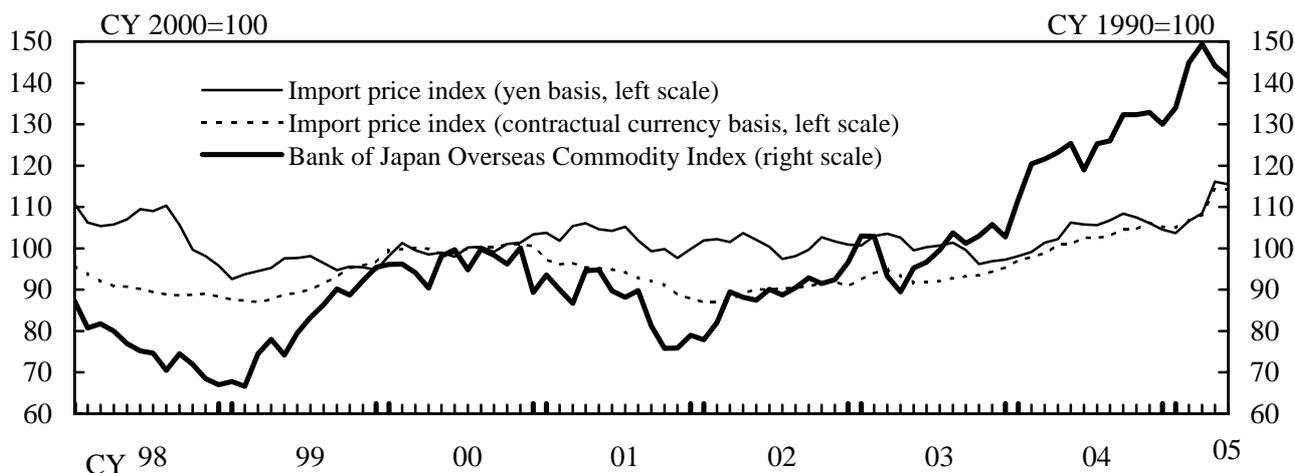
3. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

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

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

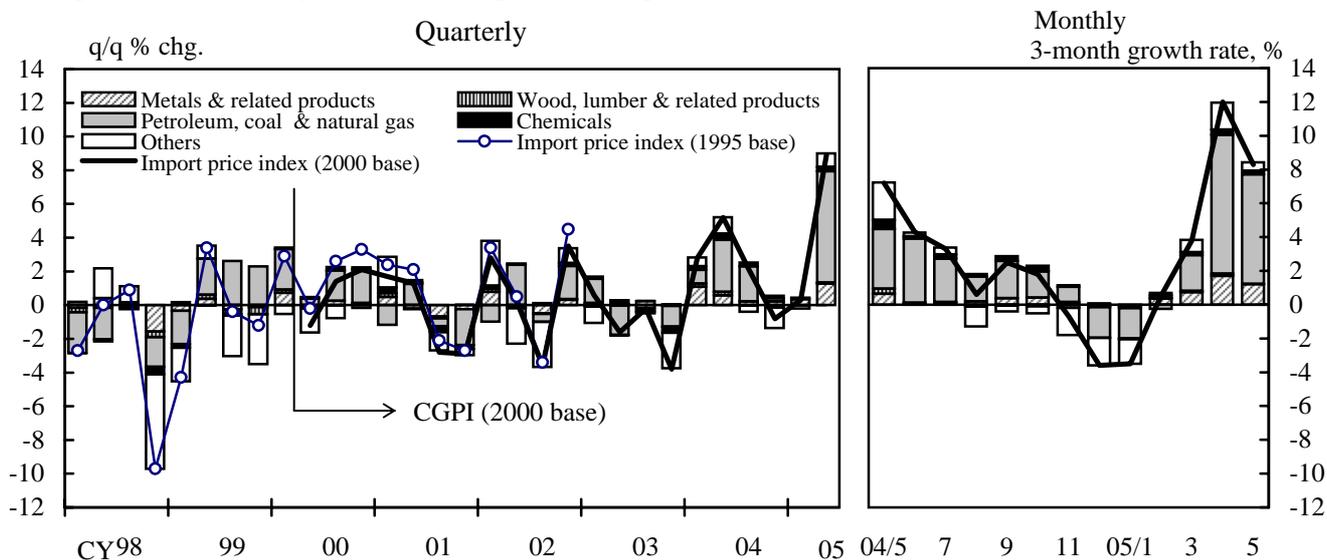
Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



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

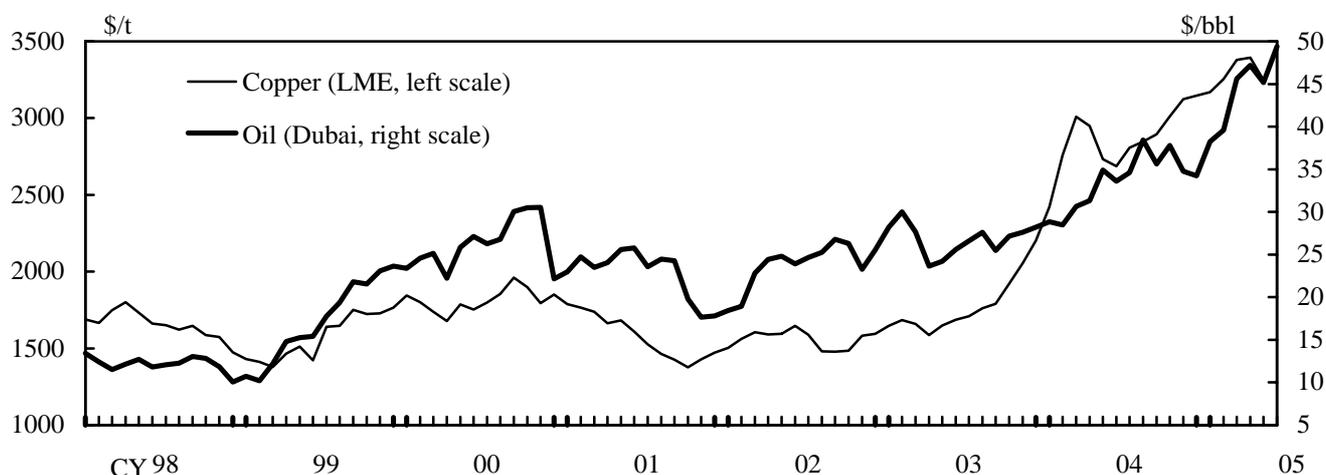
(2) Import Price Index (yen basis, changes from a quarter earlier and 3 months earlier)



Note: Figures for 2005/Q2 are April-May averages.

1995 base figure for 2002/Q4 is Oct.-Nov. average.

(3) Oil price and Copper price

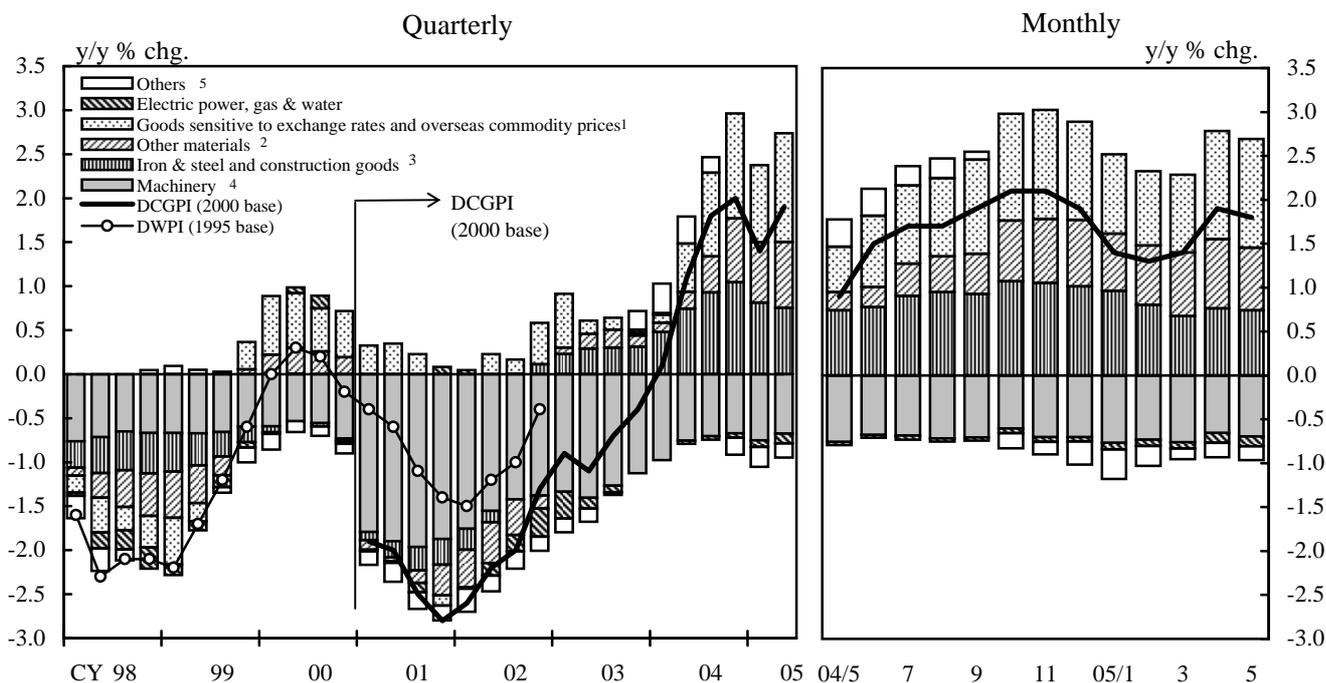
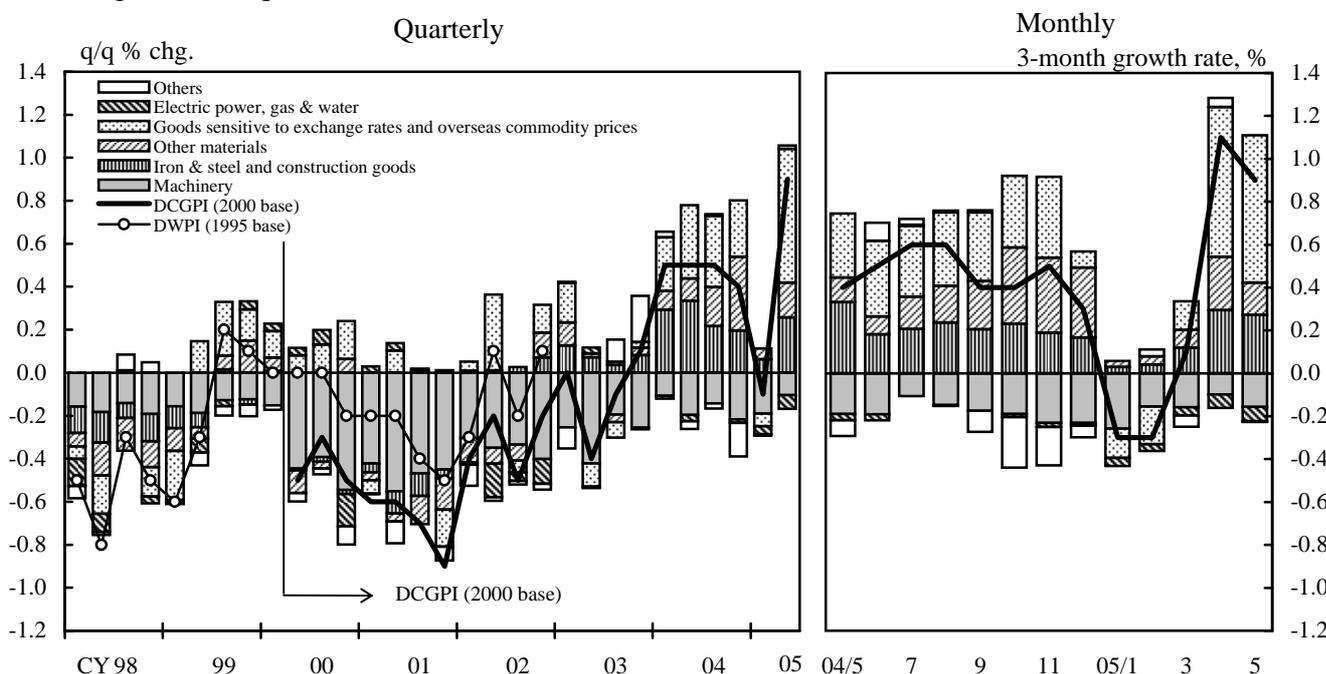


Note: Monthly averages. Figures for May 2005 are the averages up to June 14.

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%.

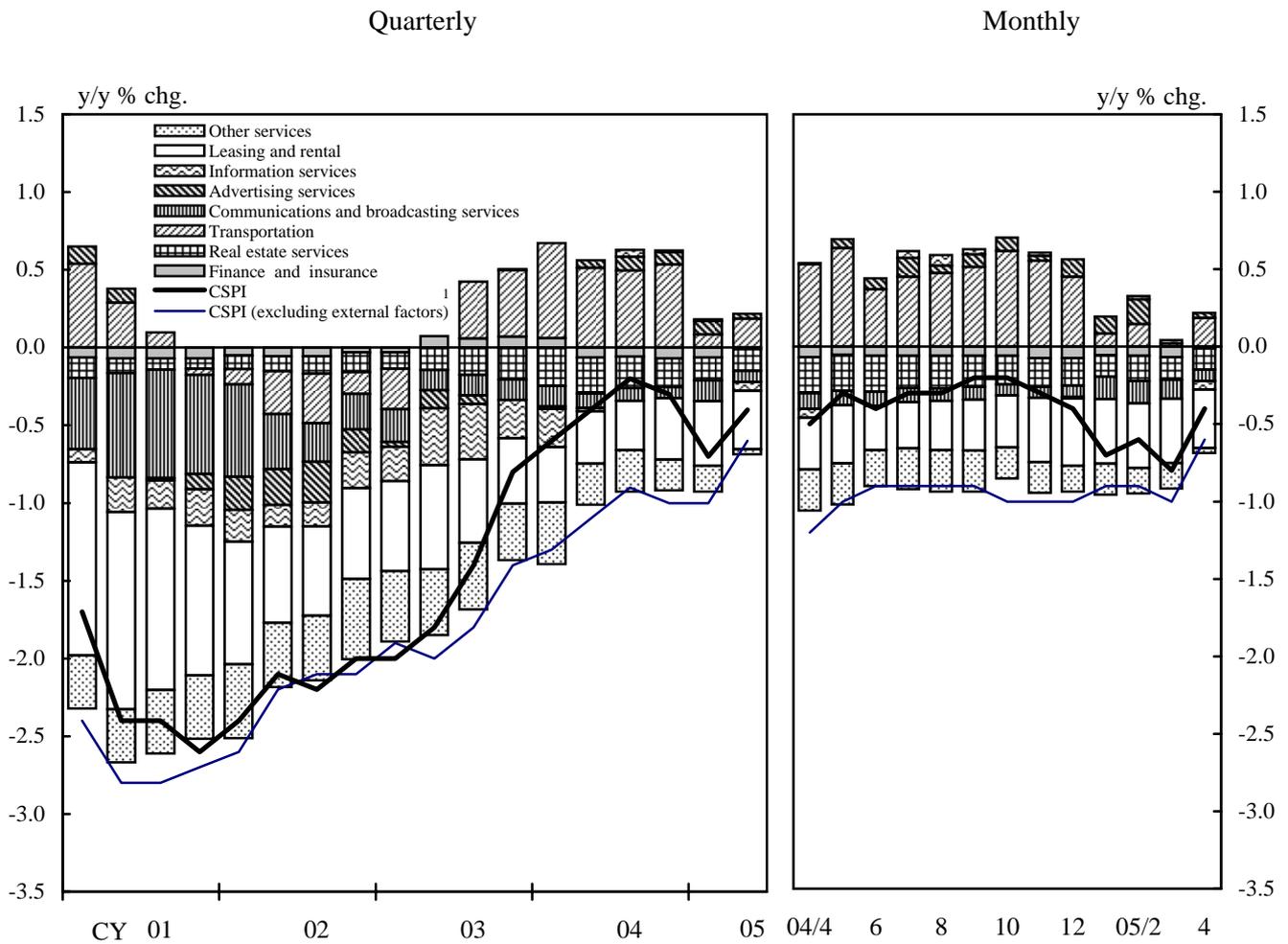
7. Adjusted to exclude the effects of the consumption tax hike on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

8. Figures for 2005/Q2 are April-May averages.

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

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

Corporate Service Price Index



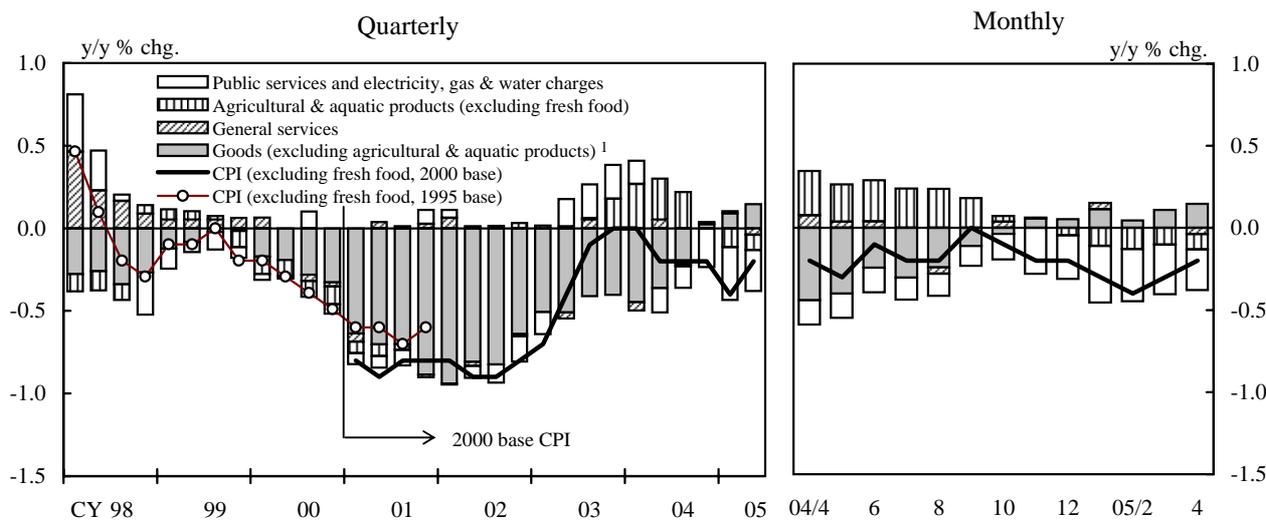
Notes: 1. External factors; international air passenger transportation, ocean liner, ocean tramper, ocean tanker, oceangoing ship chartering services, and international air freight.

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

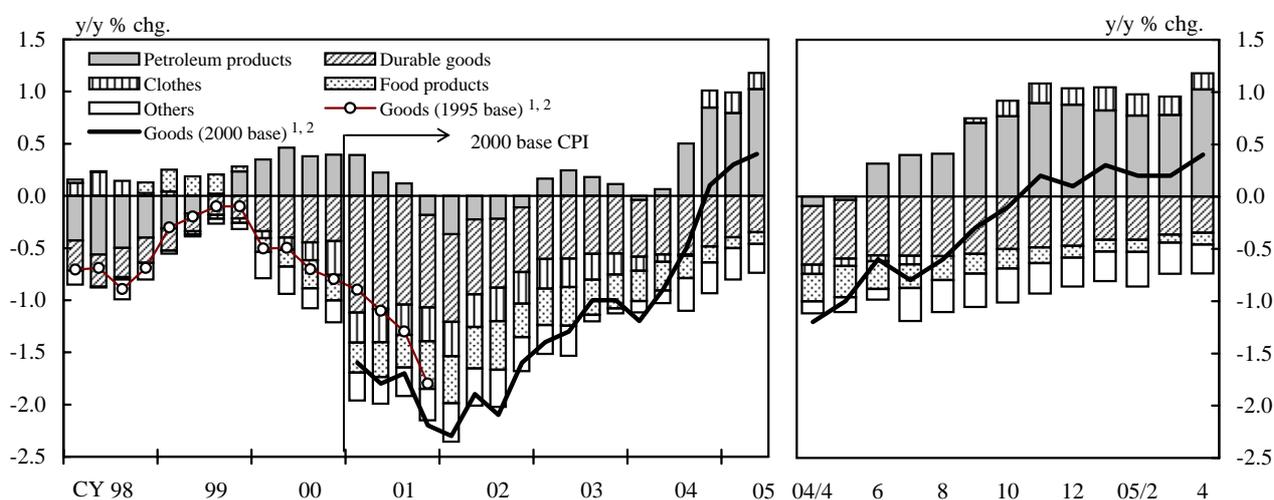
Source: Bank of Japan, "Corporate Service Price Index."

Consumer Price Index (excluding fresh food)³

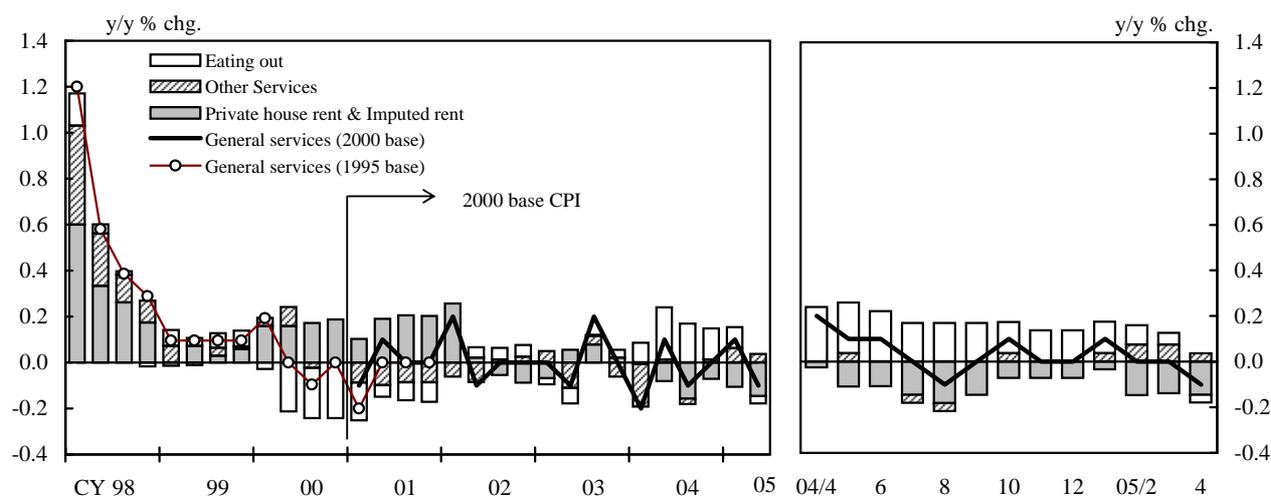
(1) Consumer price index (excluding fresh food)



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



(3) General services

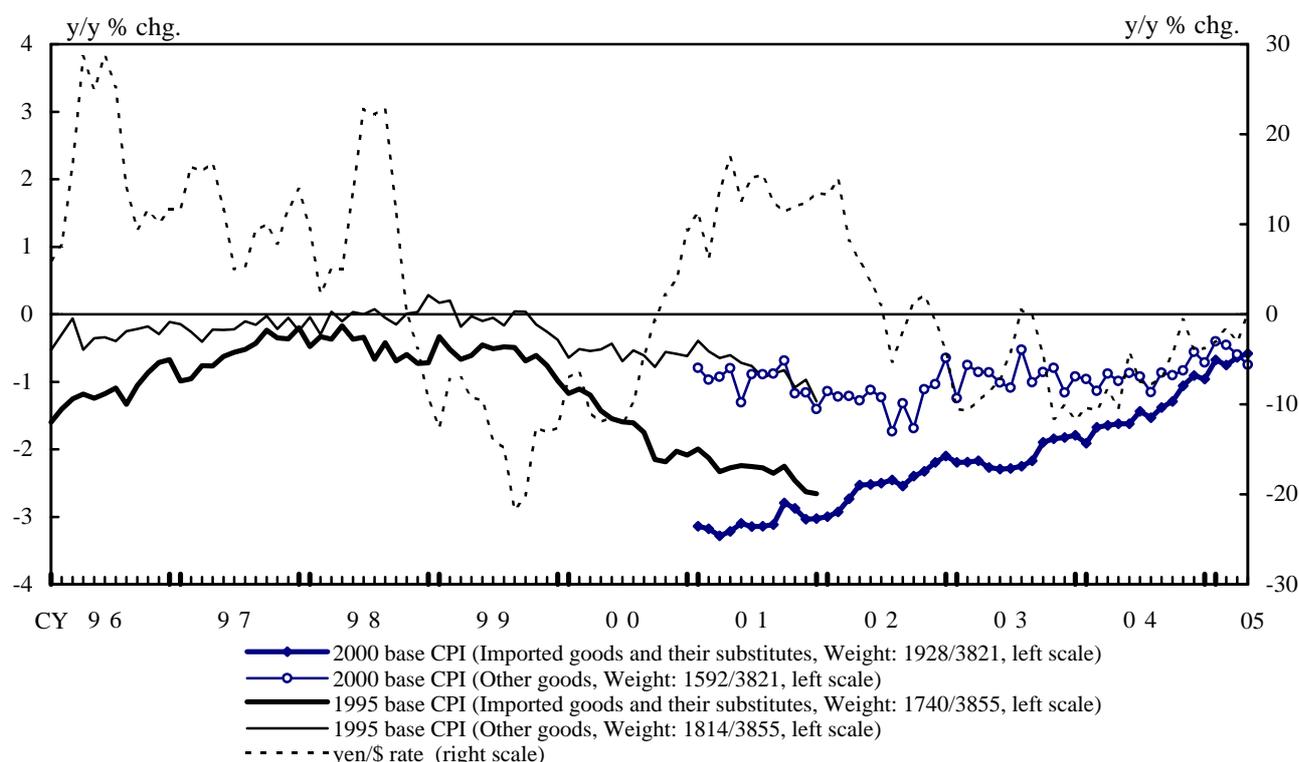


- Notes: 1. The Items are basically the same as the definition published by the Ministry of Internal Affairs and Communications, however electricity, gas & water charges is excluded from goods.
 2. Excluding agricultural & aquatic products.
 3. Adjusted to exclude the effects of the consumption tax hike on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.
 4. Figures for 2005/Q2 are those of April.

Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

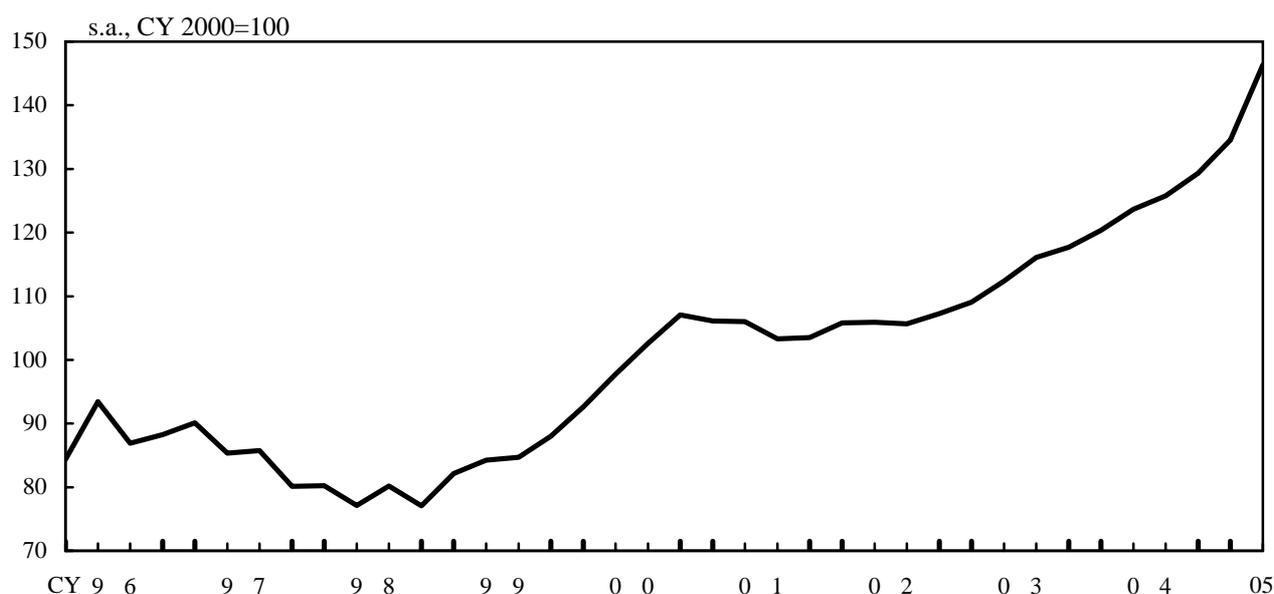
Consumer Prices of imported goods and their substitutes

(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)

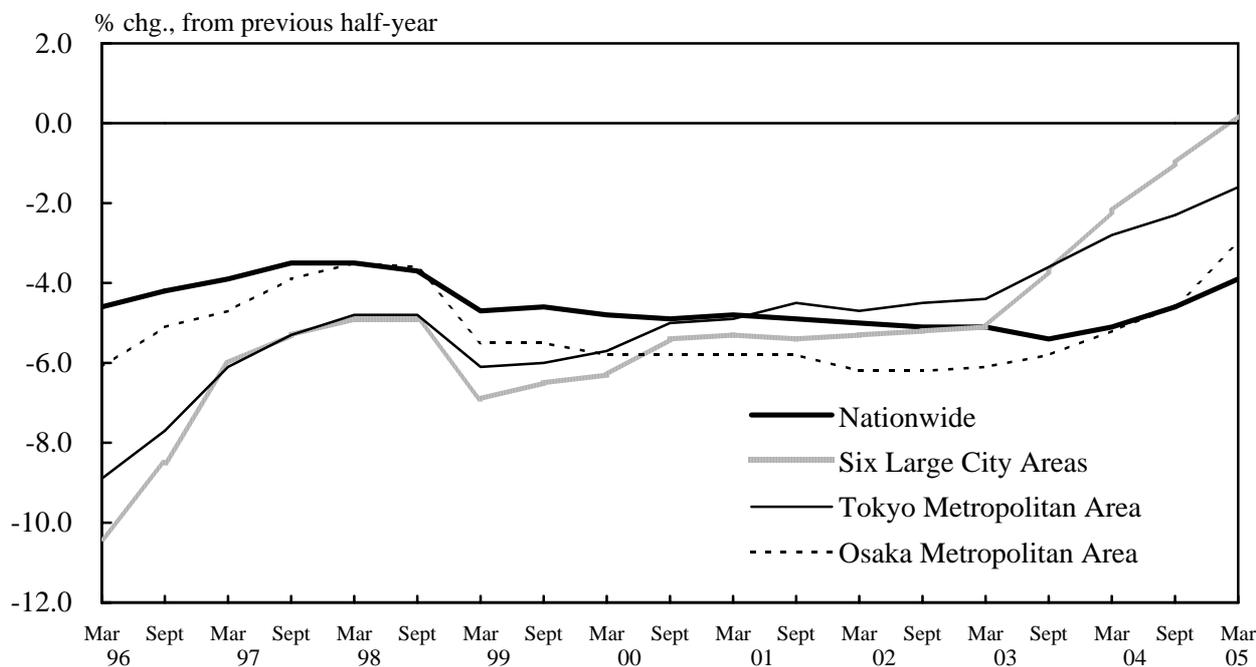


- Notes: 1. Real imports (consumer goods), which are composed of motor vehicles, parts of audio and visual apparatus, computers and the parts, foodstuffs, textiles and clothing and the accessories, are calculated from the Trade Statistics as an index with the 2000 average equal to 100.
2. 2005/Q2 figure is one of April at a quarterly rate.

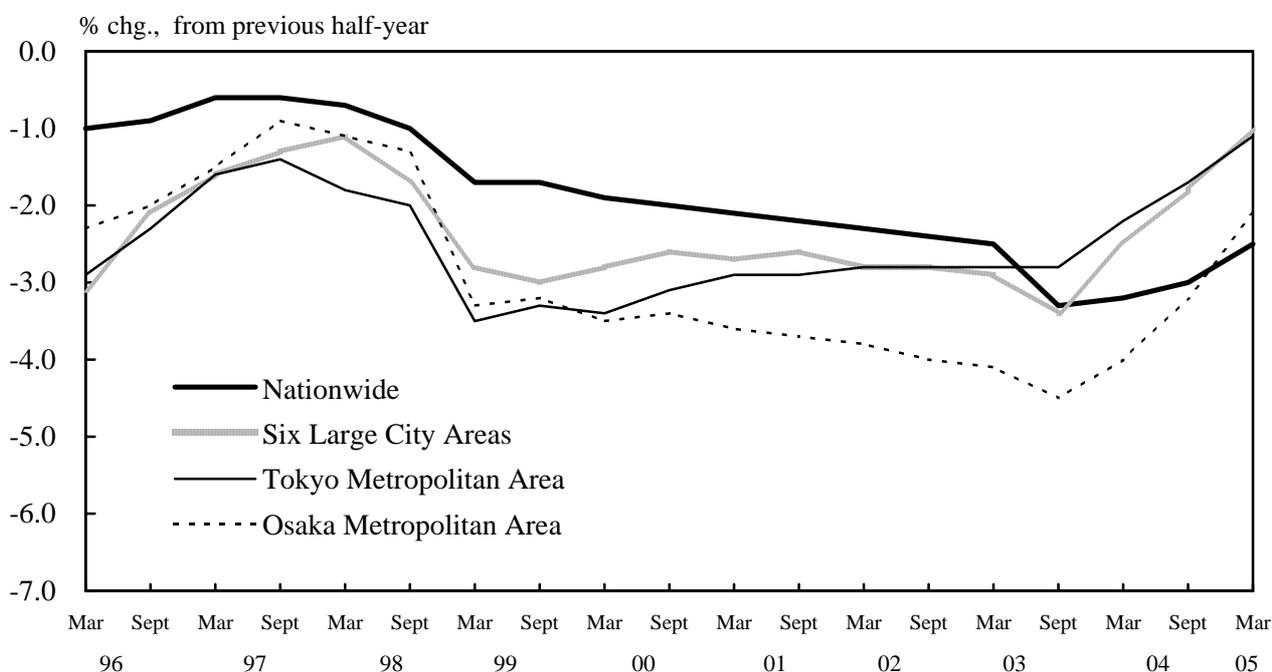
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index";
Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

 Urban Land Price Index

(1) Commercial land



(2) Residential land



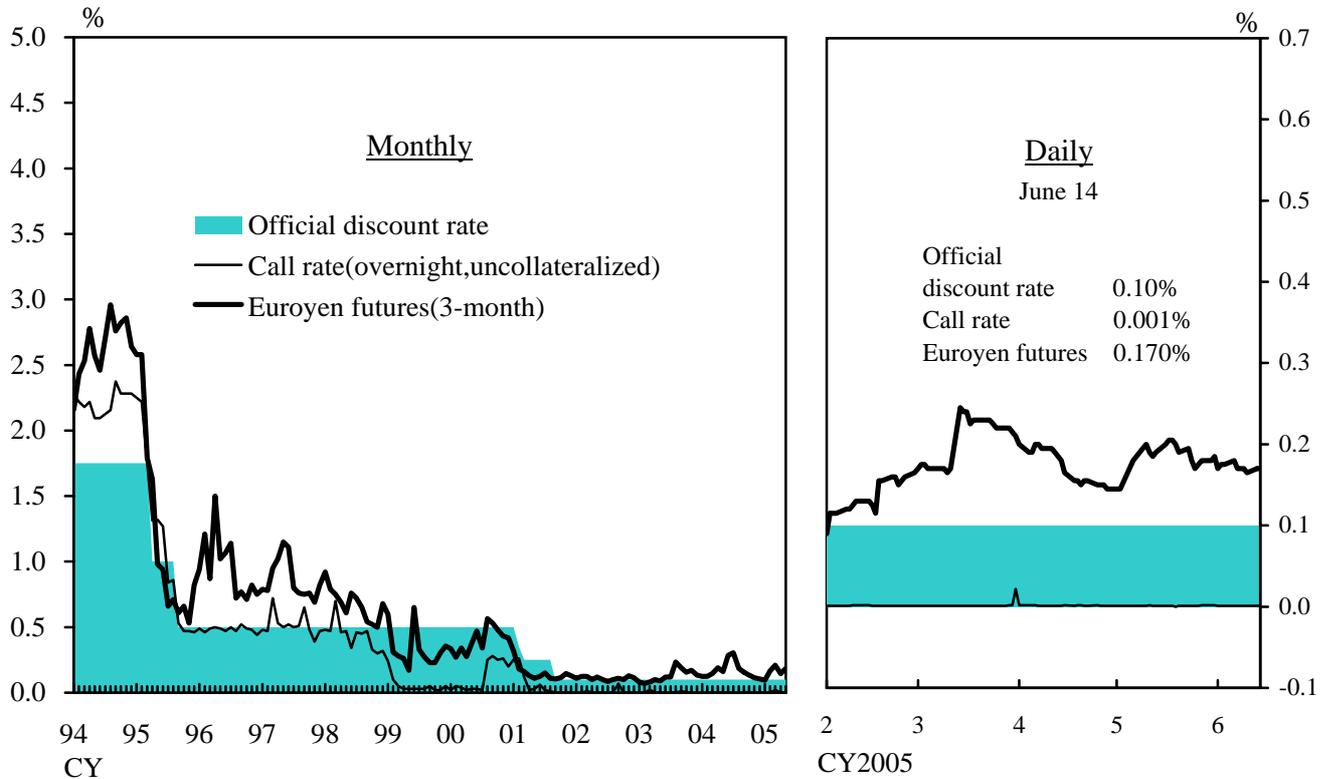
Notes: 1. The Urban Land Price Index is based on surveys conducted at the end of March and September each year.

2. Six Large City Areas are Tokyo Metropolitan wards, Yokohama, Nagoya, Kyoto, Osaka, and Kobe.

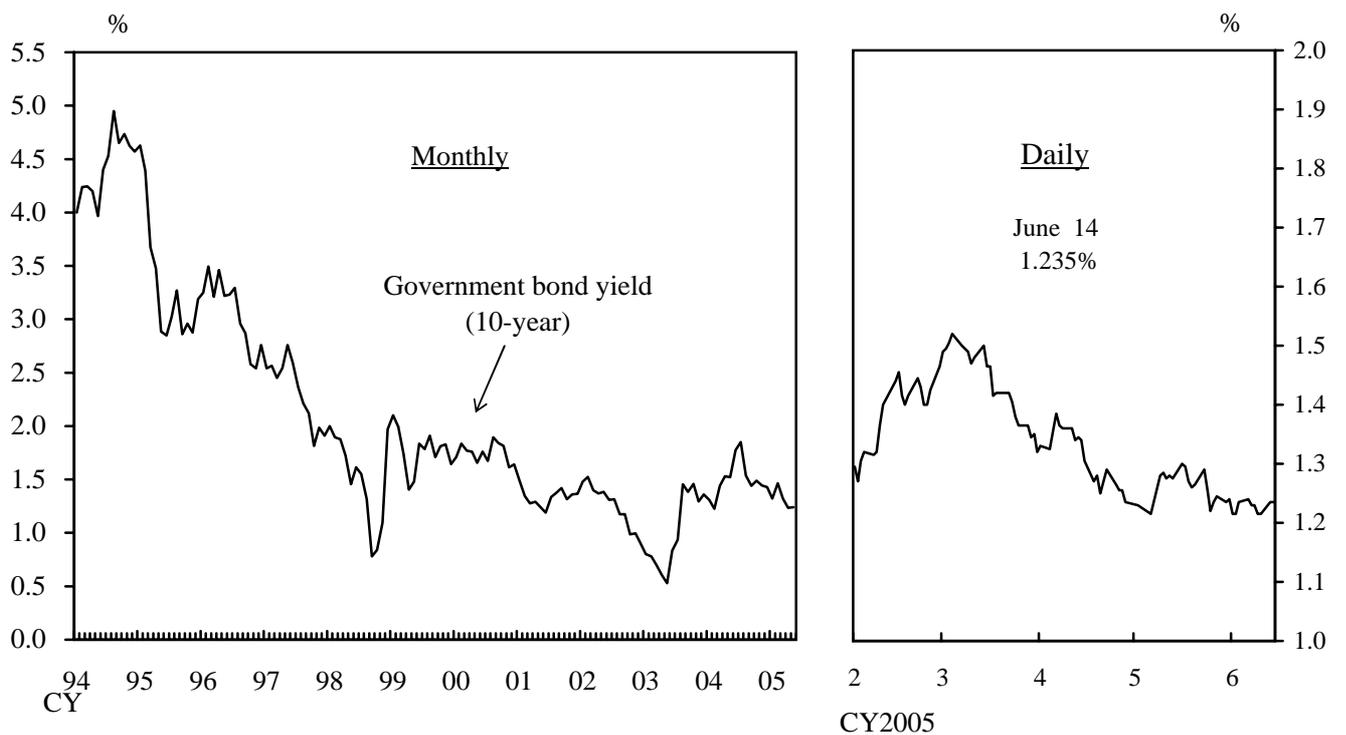
Source: Japan Real Estate Institute, "Urban Land Price Index."

Interest Rates

(1) Short-Term



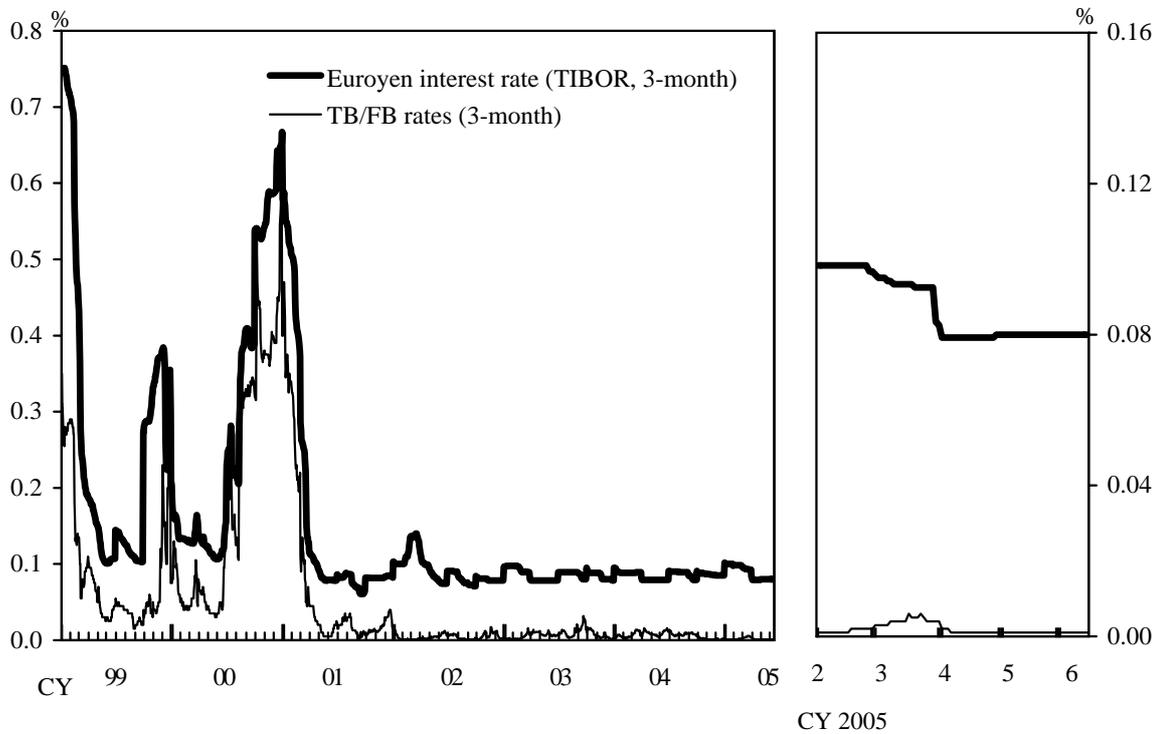
(2) Long-Term



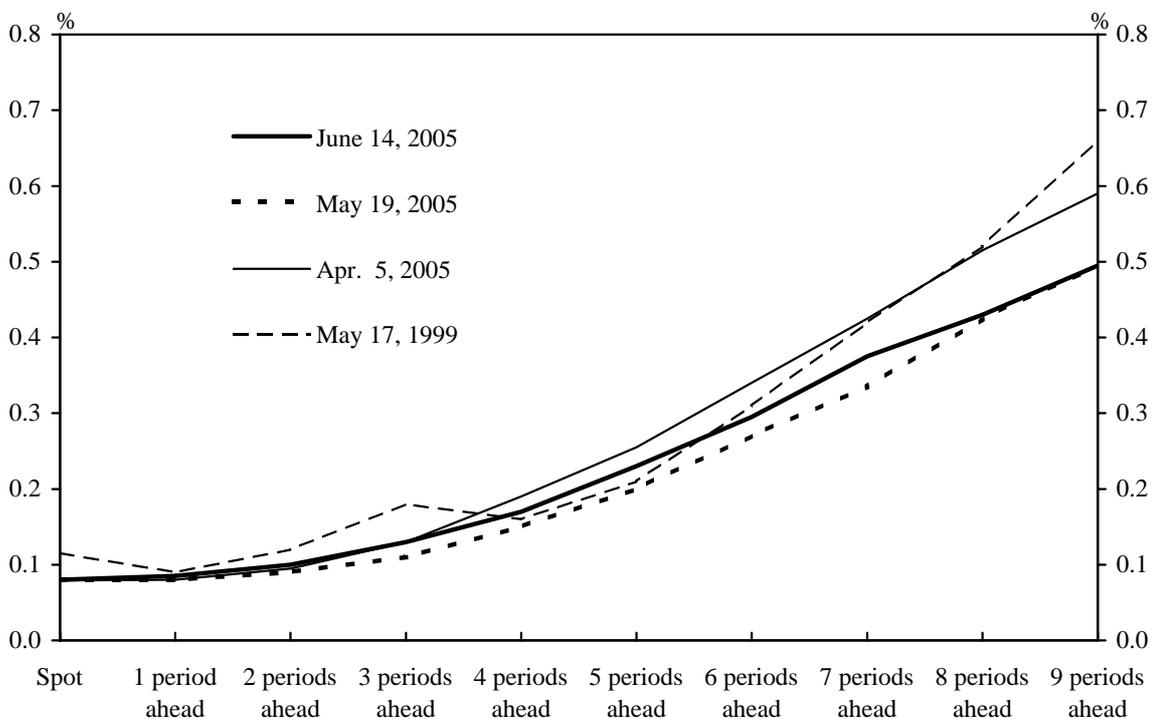
Sources: Bank of Japan; Tokyo International Financial Futures Exchange;
Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments



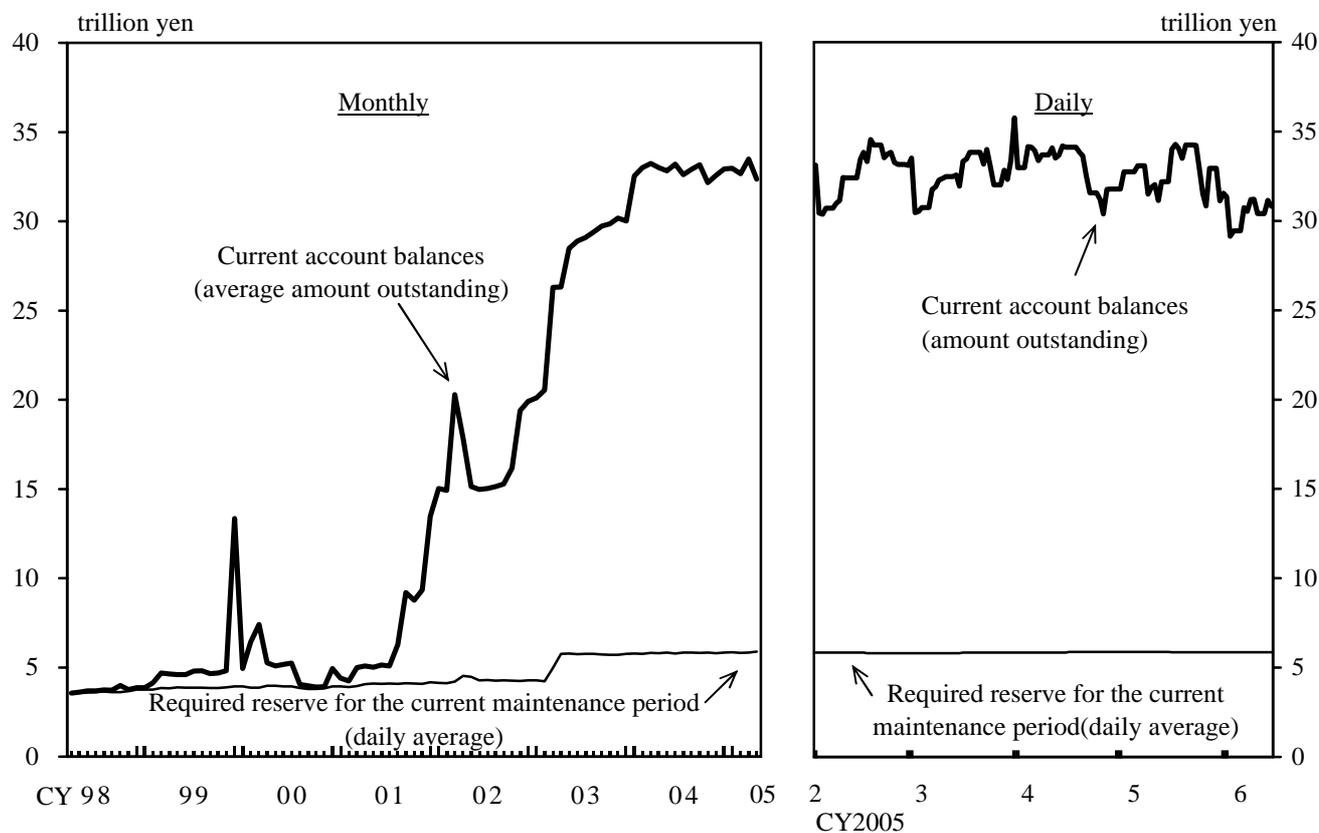
(2) Euroyen Interest Rates Futures (3-Month) ¹



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.

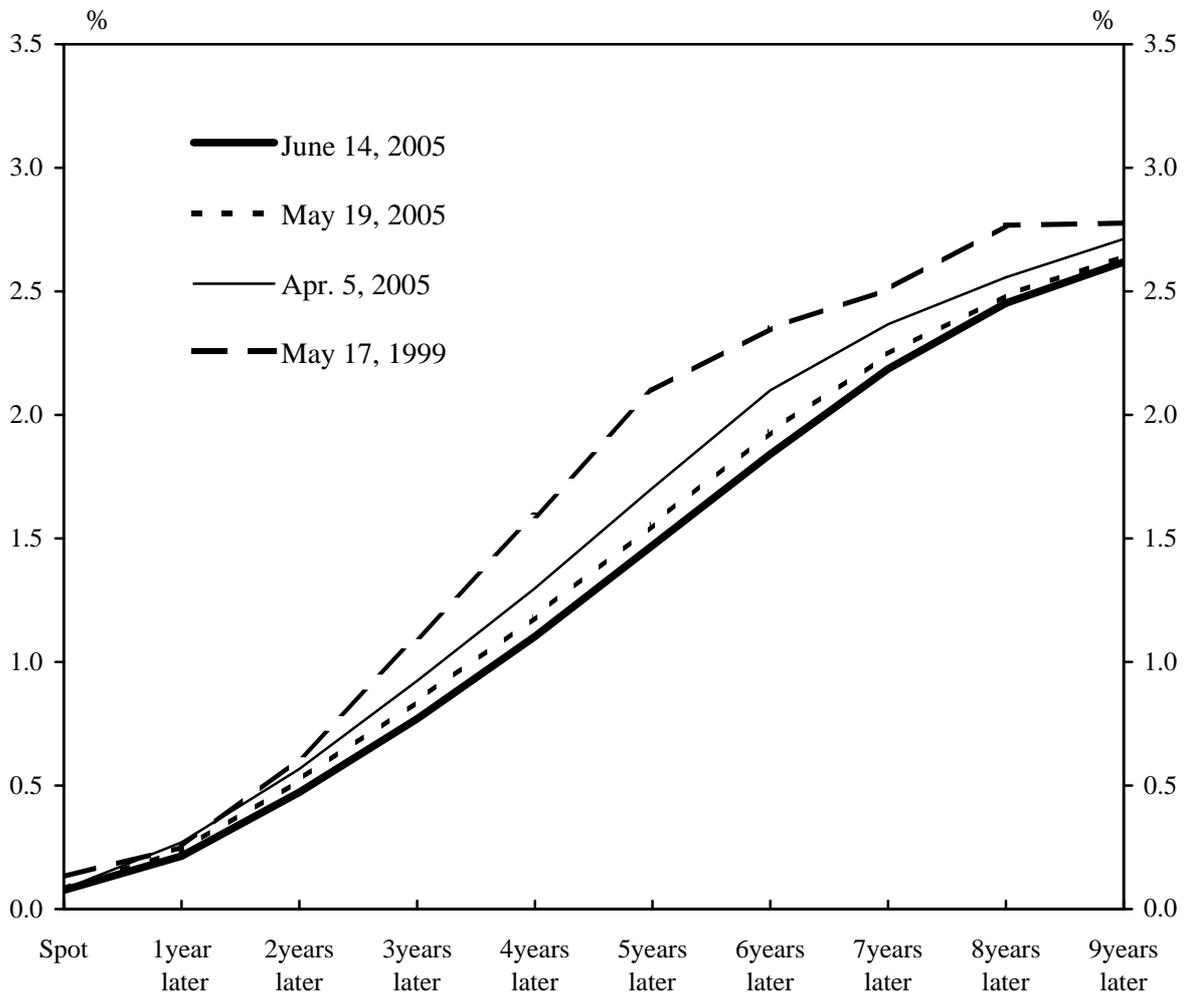
Current Account Balances at the Bank of Japan ¹



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

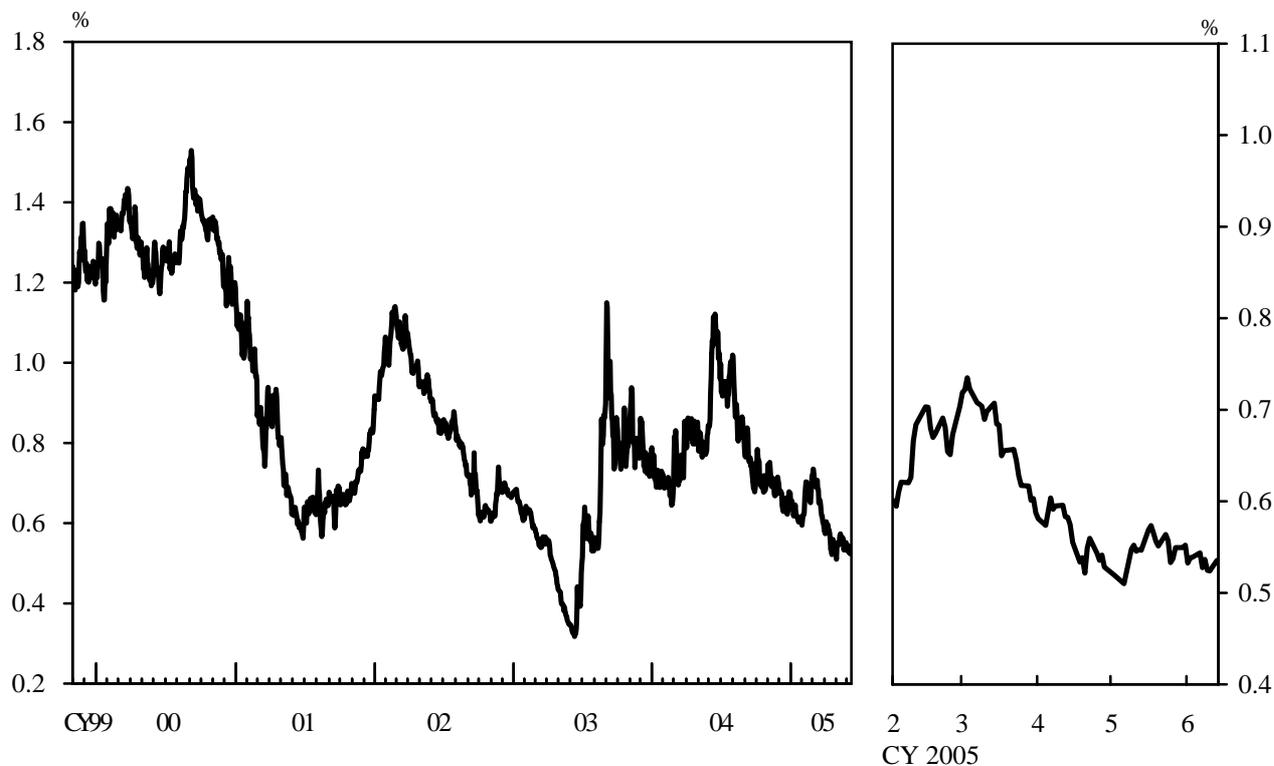


Note: 1. Calculated from yen-yen swap rates.

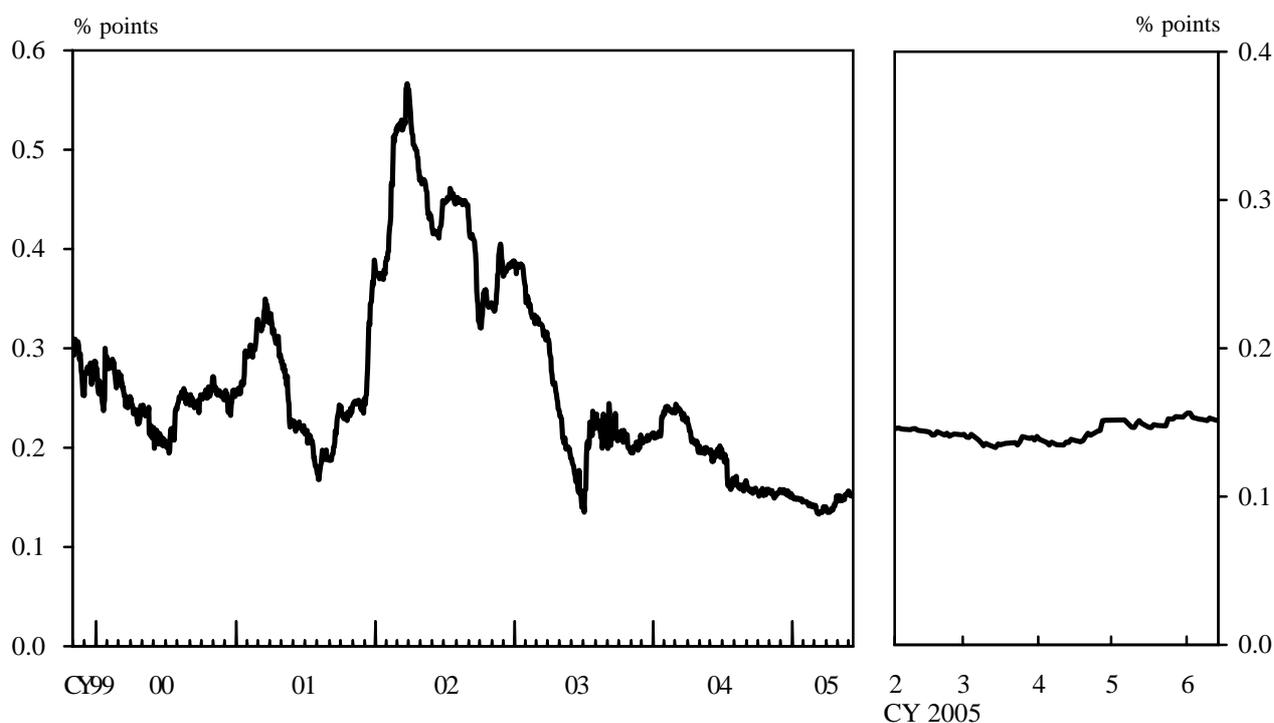
Source: Reuters.

Yields of Bank Bonds

(1) Average Bank Bond Yield



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



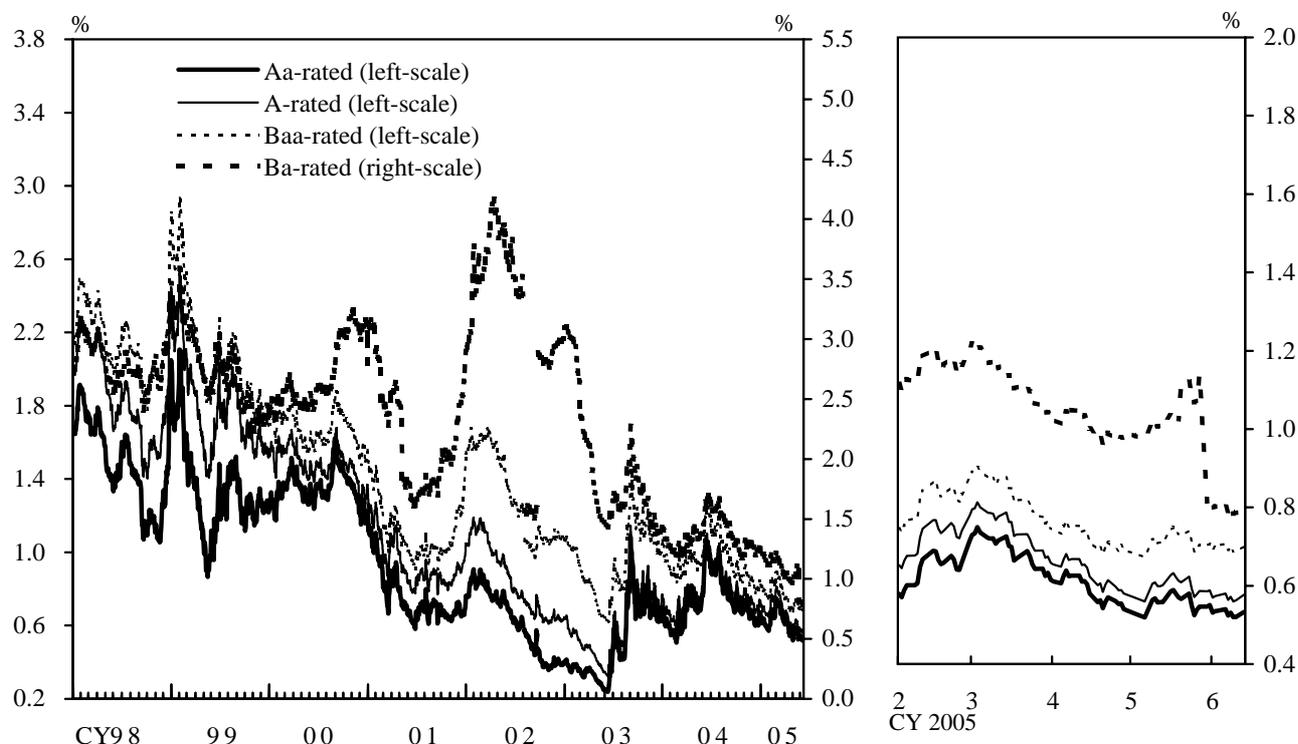
Notes: 1. Yields on bonds with 5-year maturity.

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

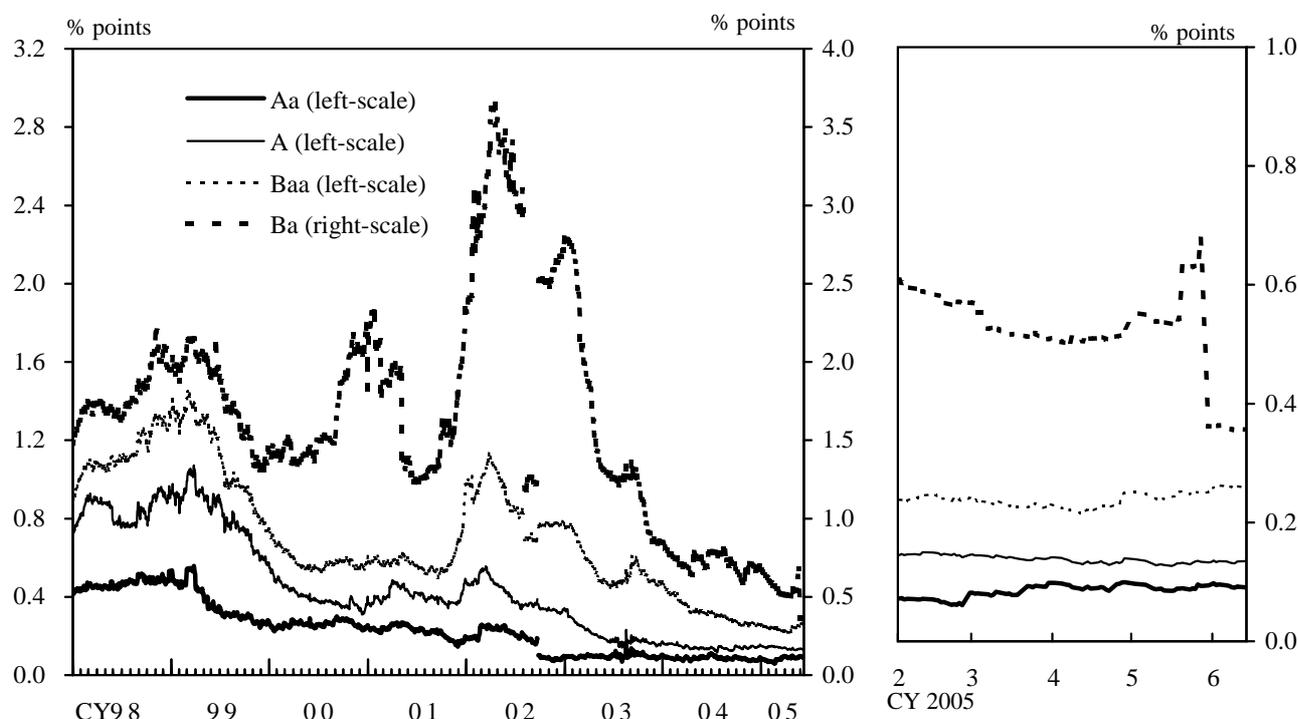
Sources: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."
"Reference Price(Yields) Table for OTC Bond Transactions."

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.

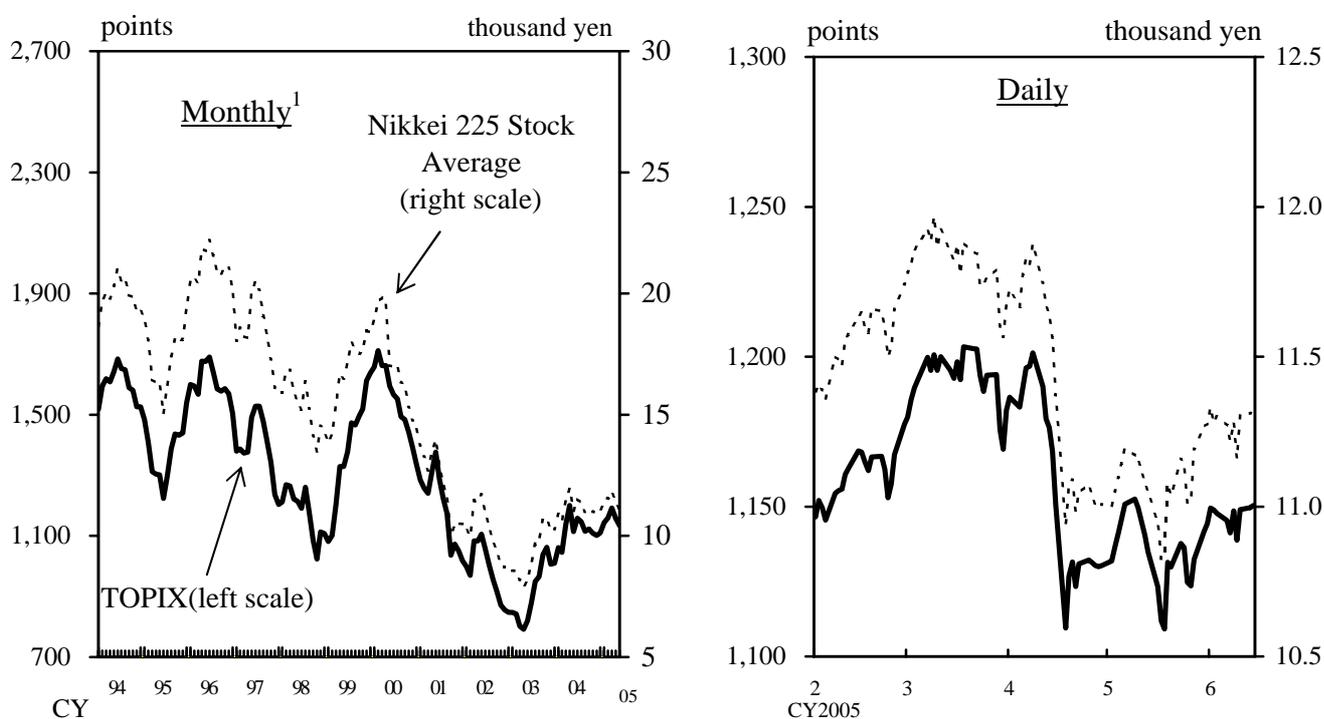
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of 4 to 6 years since Sep. 24, 2002.

2. The indicated ratings are of Moody's.

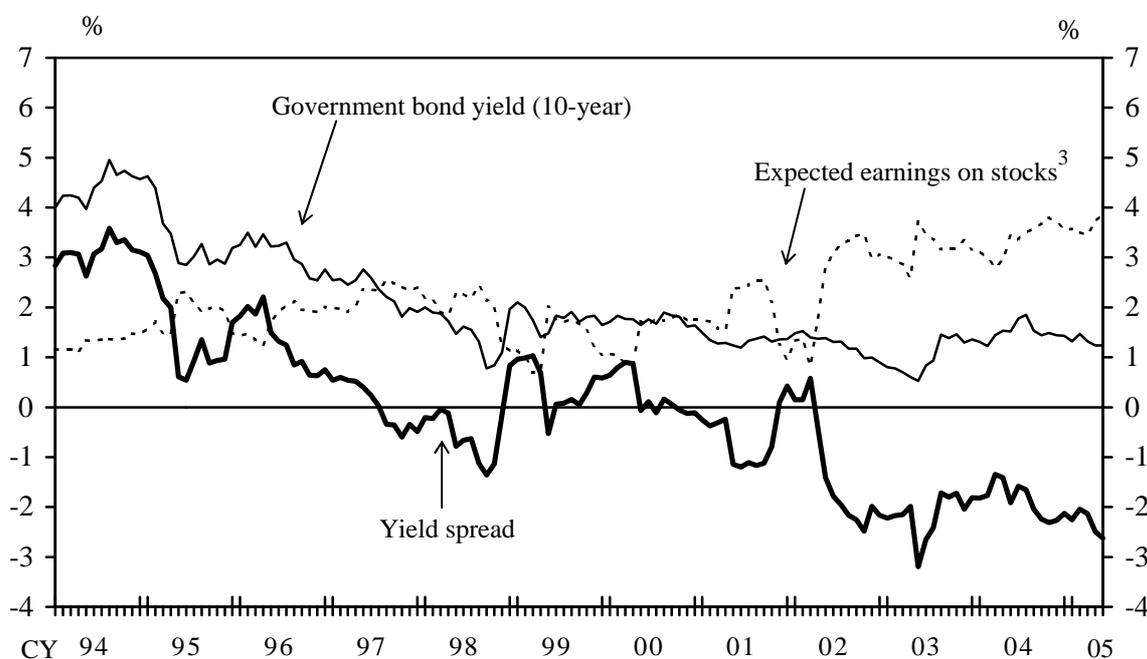
Sources: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations." "Reference Price(Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Stock Prices



(2) Yield Spread²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

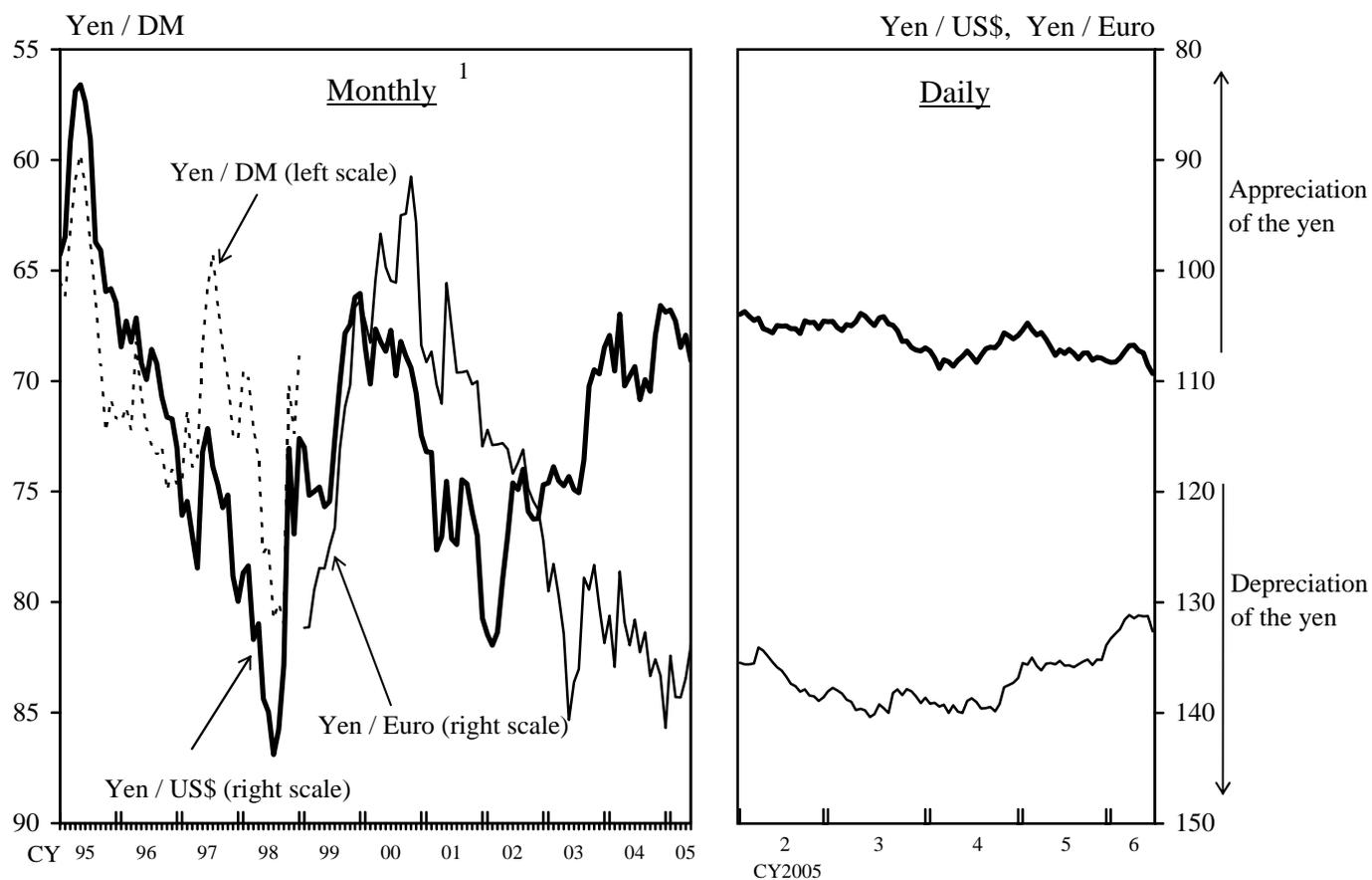
Yield spread = government bond yields - expected earnings on stocks,
 where expected earnings on stocks = 1/expected price earnings ratio.

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

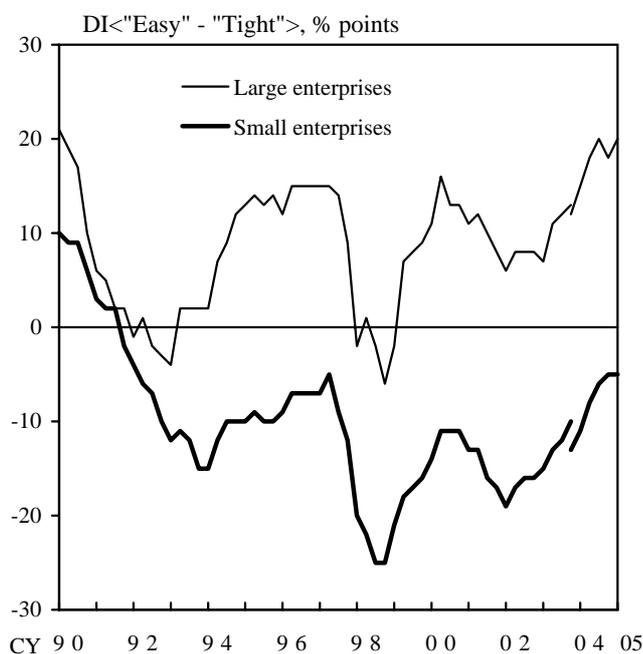


Note: 1. End of month.

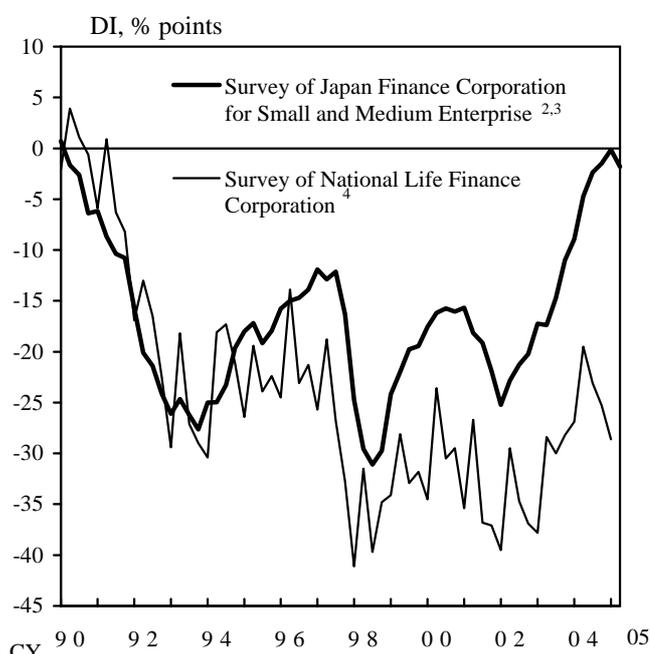
Source: Bank of Japan.

Corporate Finance-Related Indicators

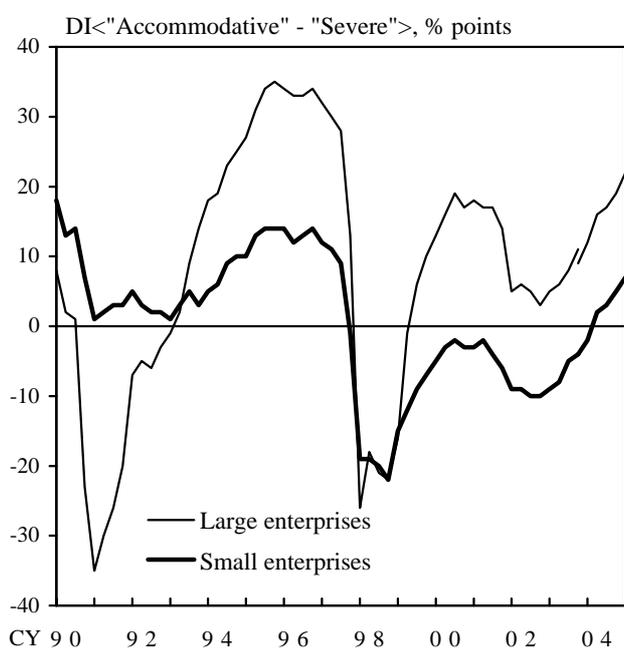
(1) Financial Position

<Tankan¹>

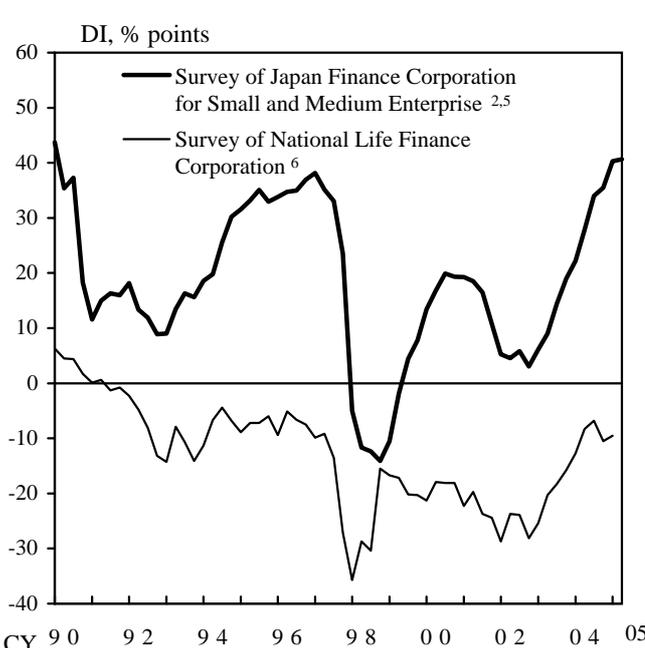
<Other Surveys>



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

<Tankan¹>

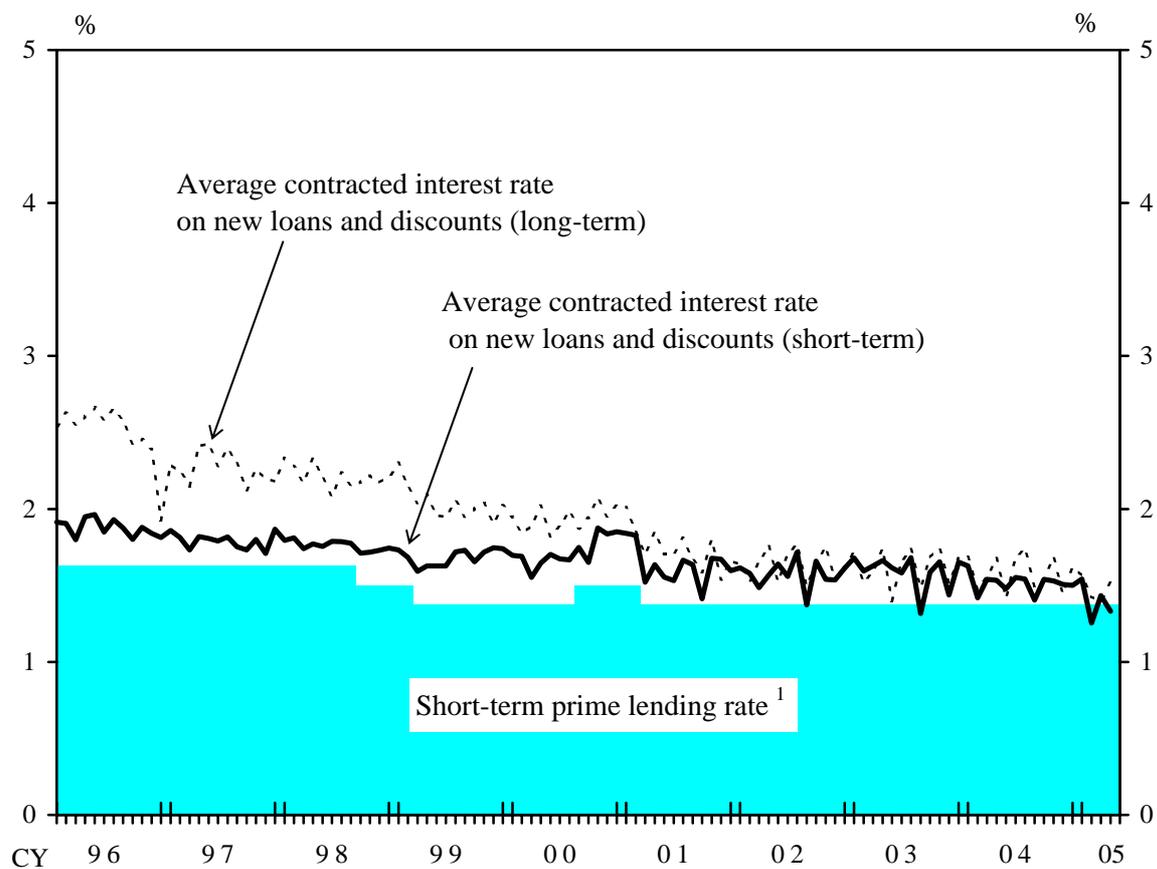
<Other Surveys>



- 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 Apr.-May averages.
3. DI of "Easy" - "Tight"
4. DI of "Easier" - "Tighter"
5. DI of "Accommodative" - "Severe"
6. DI of "More accommodative" - "More severe"

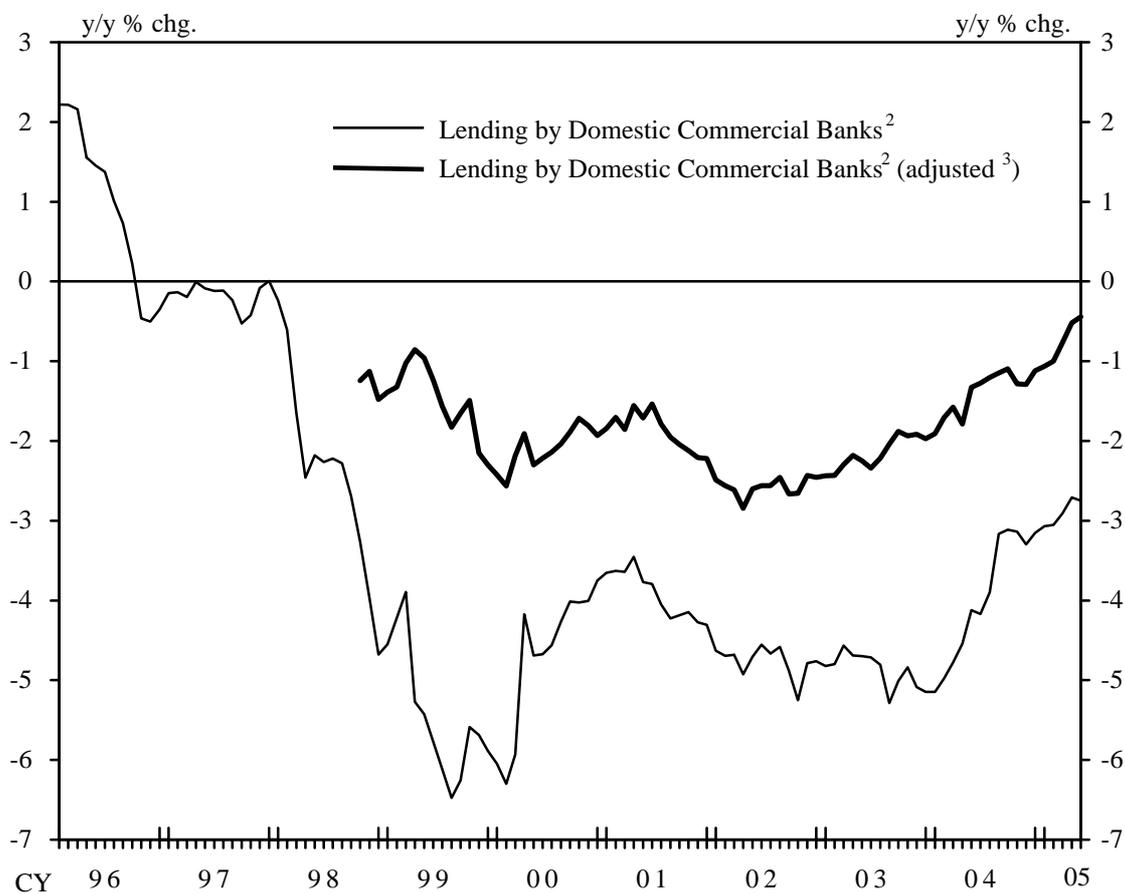
Sources: Bank of Japan, "*Tankan*, Short-term Economic Survey of Enterprises in Japan"; Japan Finance Corporation for Small and Medium Enterprise, "Monthly Survey of Small Businesses in Japan"; National Life Finance Corporation, "Quarterly Survey of Small Businesses in Japan."

Lending Rates



Note: 1. Data are at end of period.

Source: Bank of Japan.

Lending by Domestic Commercial Banks¹

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

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

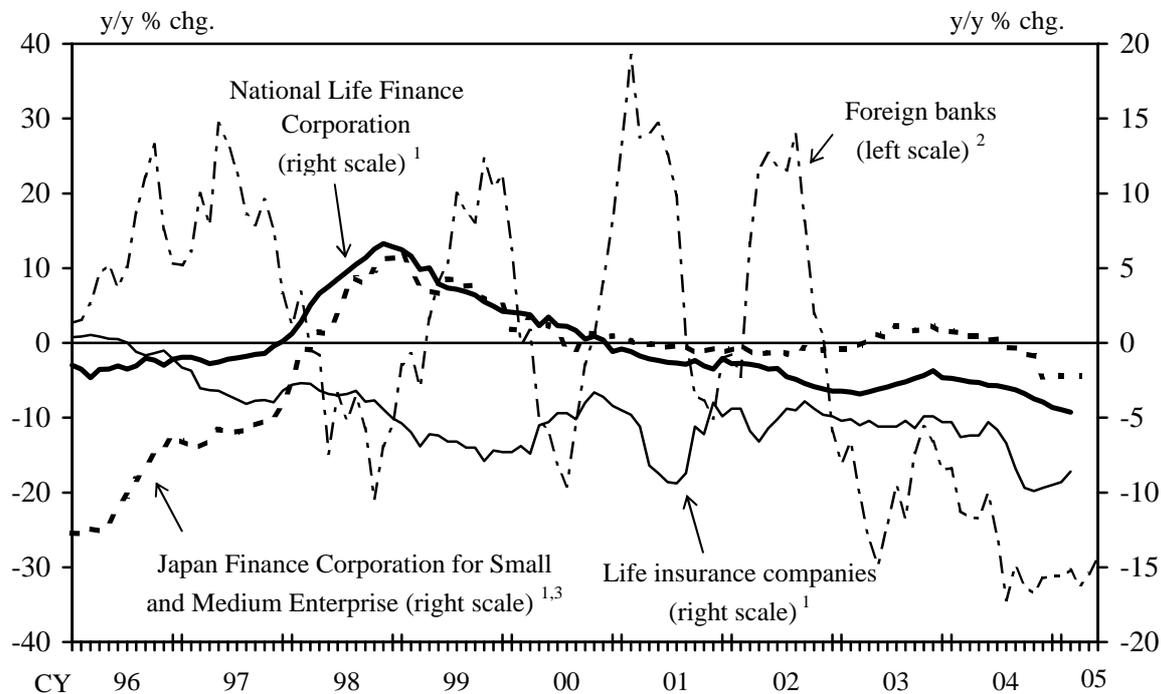
3. Adjusted to exclude

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

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

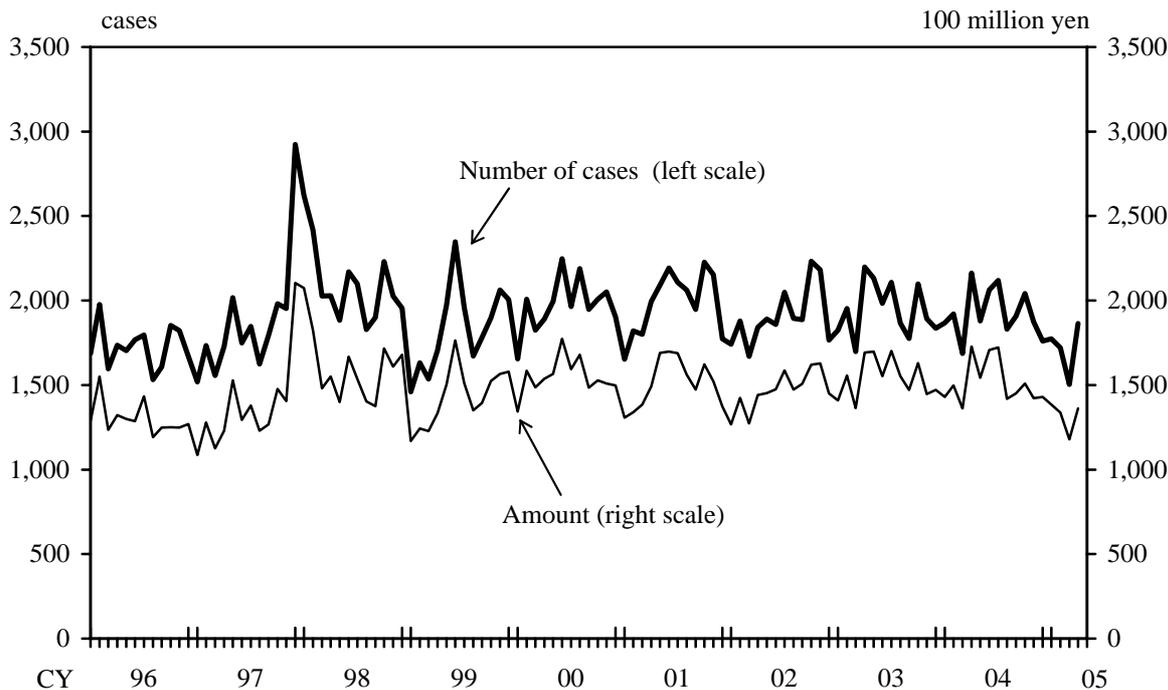
Lending by Other Financial Institutions

(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.

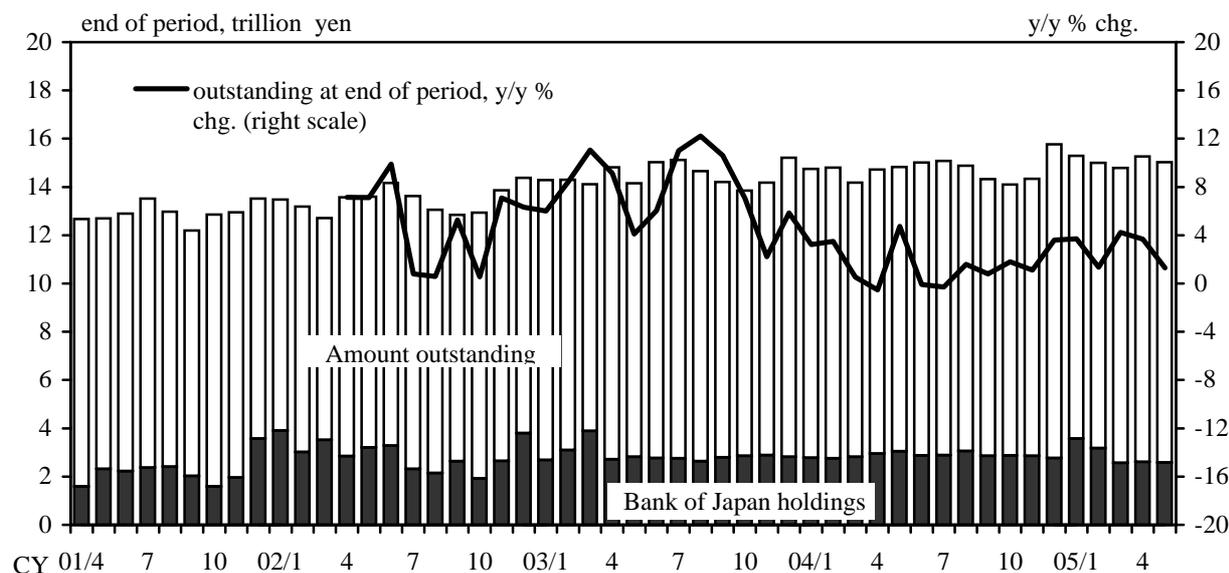
(2) Application for a Loan from Japan Finance Corporation for Small and Medium Enterprise



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

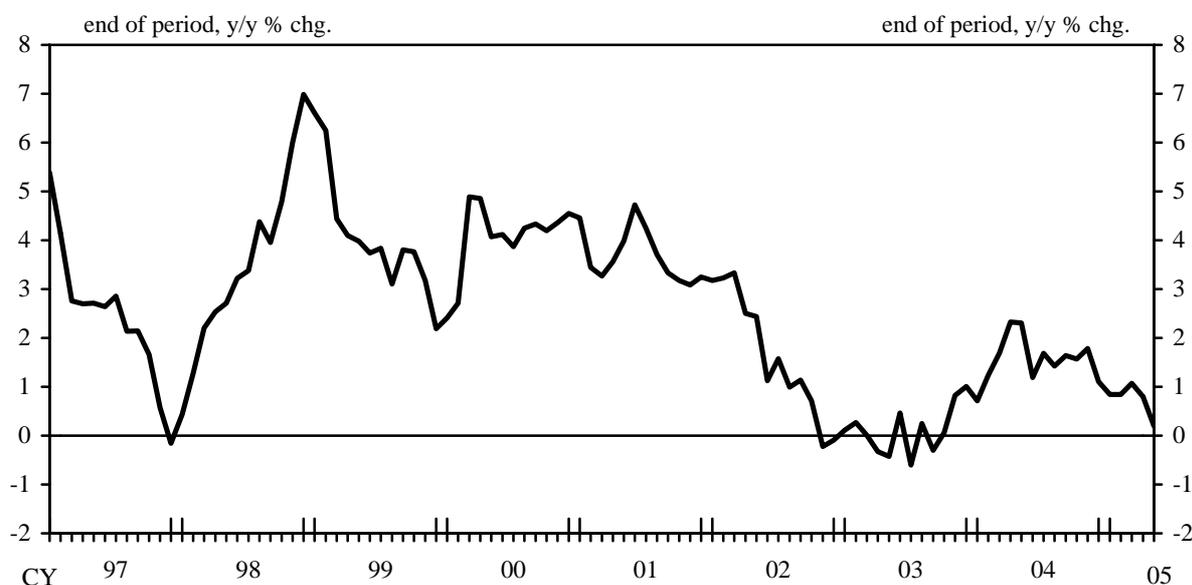
Private-Sector Fund-Raising in the Capital Markets

(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)

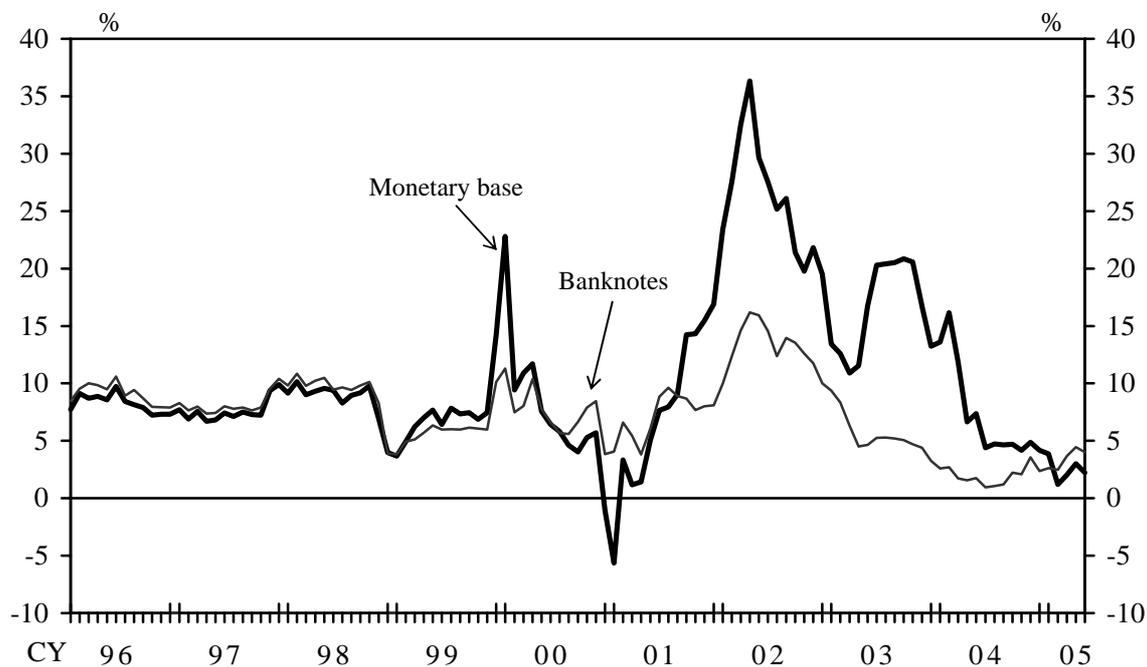
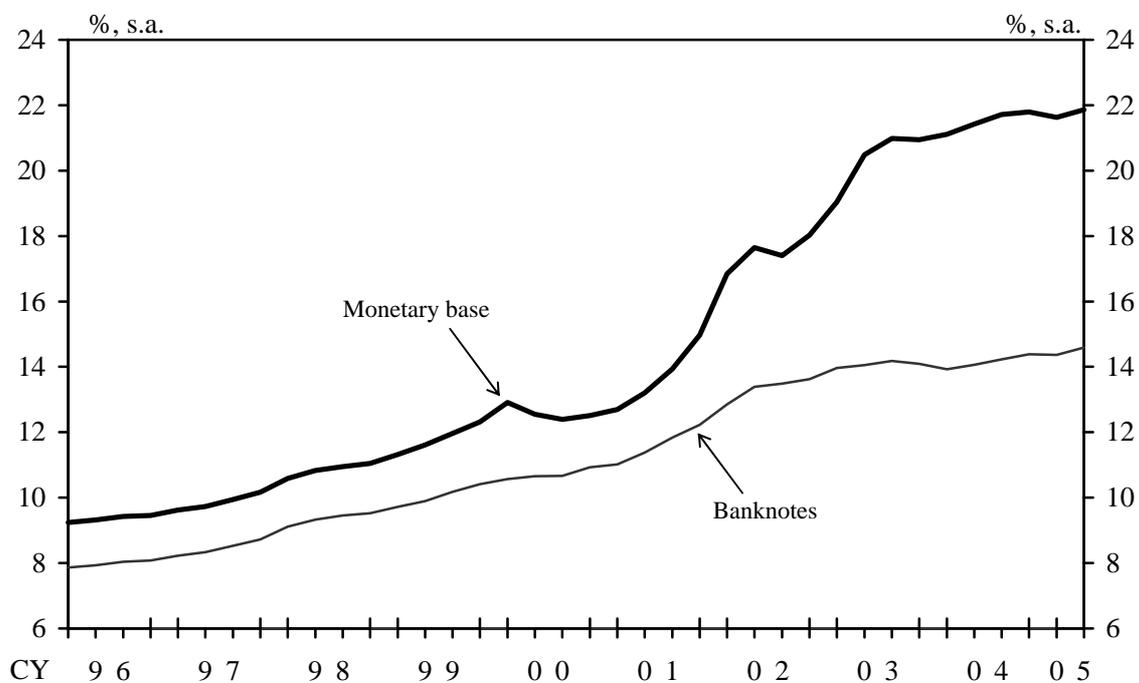


Note: Percentage changes from the previous year of the amount outstanding of corporate bonds are estimated figures. Procedures of the estimation are summarized as follows:

- (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**

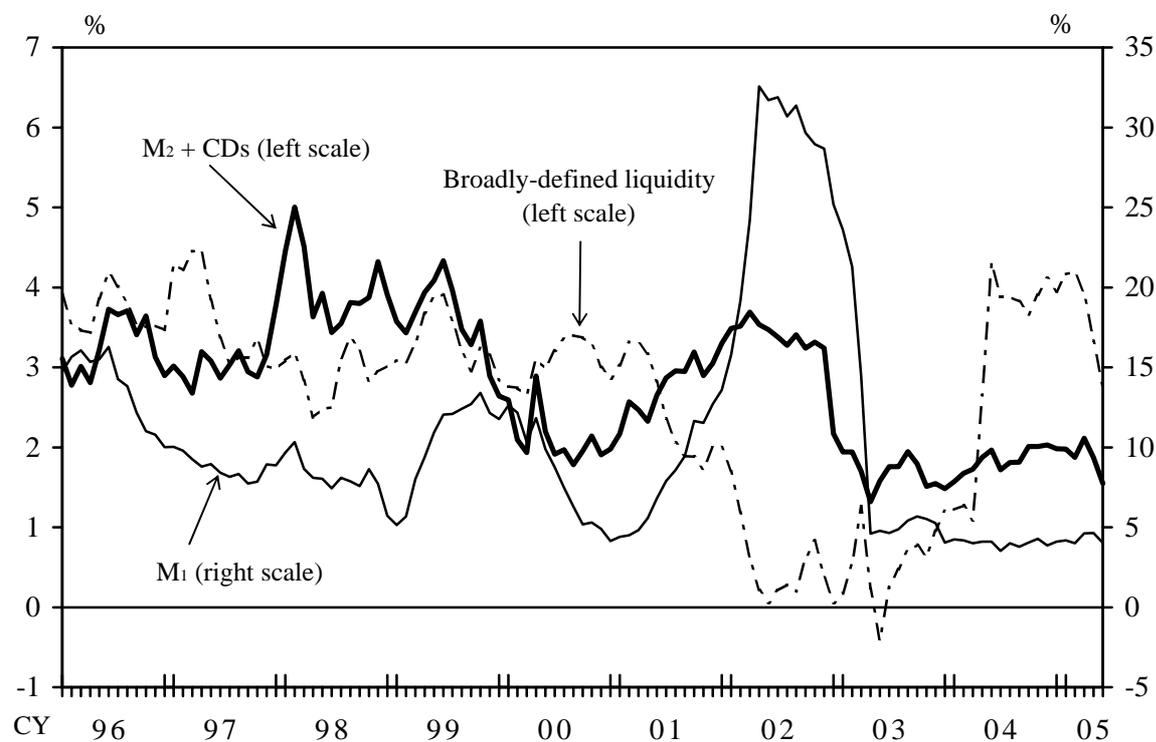
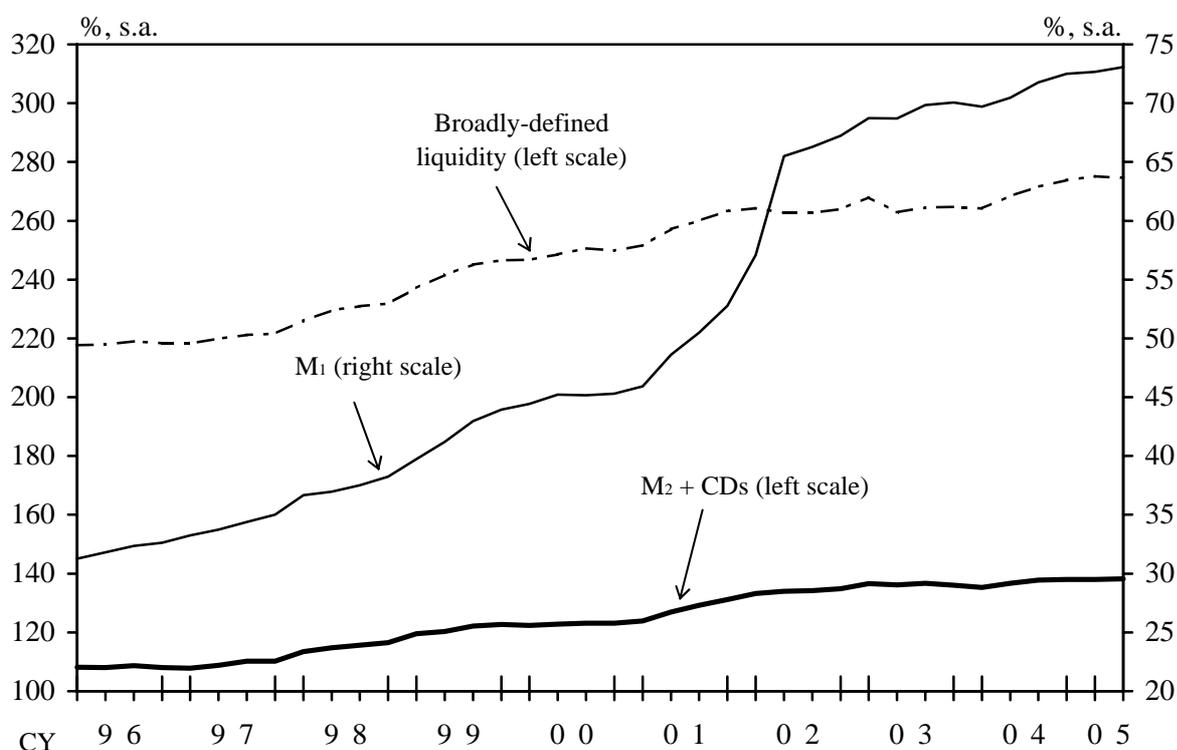
Notes: 1. Monetary base = currency in circulation (banknotes + coins) + current deposits at the Bank of Japan.

Data for currency in circulation include holdings of financial institutions.

2. Figures for the monetary base and banknotes in 2005/Q2 are those of Apr.-May averages, and the nominal GDP in 2005/Q2 is assumed to be unchanged from the previous quarter.

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

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

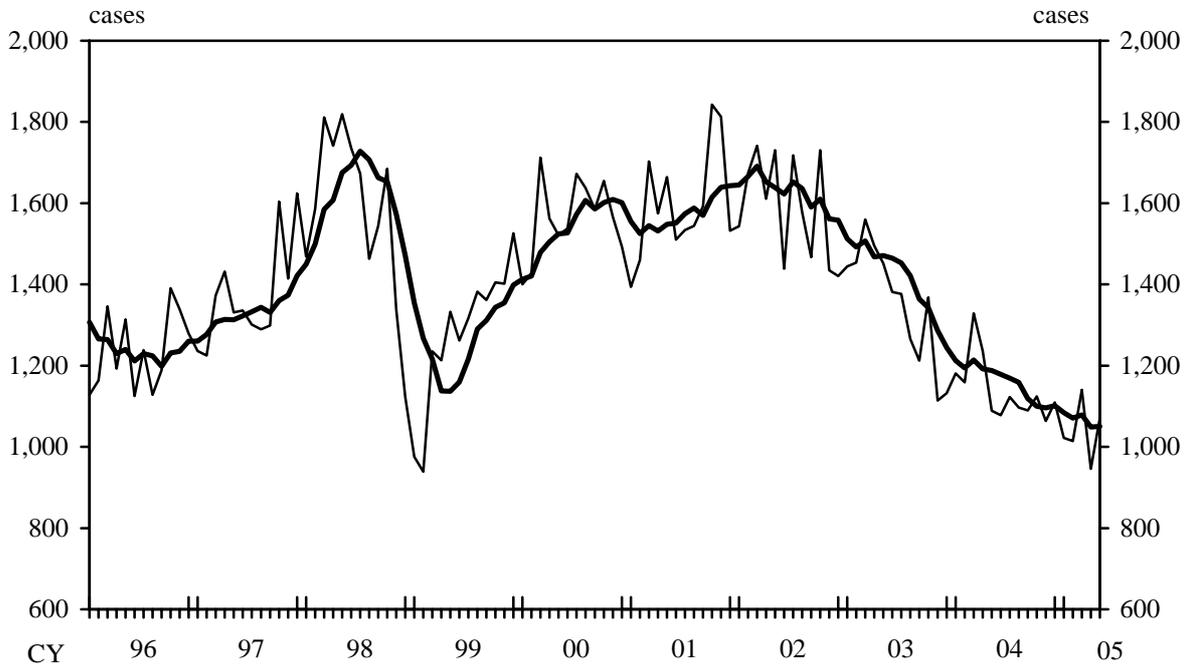
(1) Changes from a Year Earlier**(2) Ratio of Money Stock to Nominal GDP**

Note: Figures for money stock in 2005/Q2 are those of Apr.-May averages, and the nominal GDP in 2005/Q2 is assumed to be unchanged from the previous quarter.

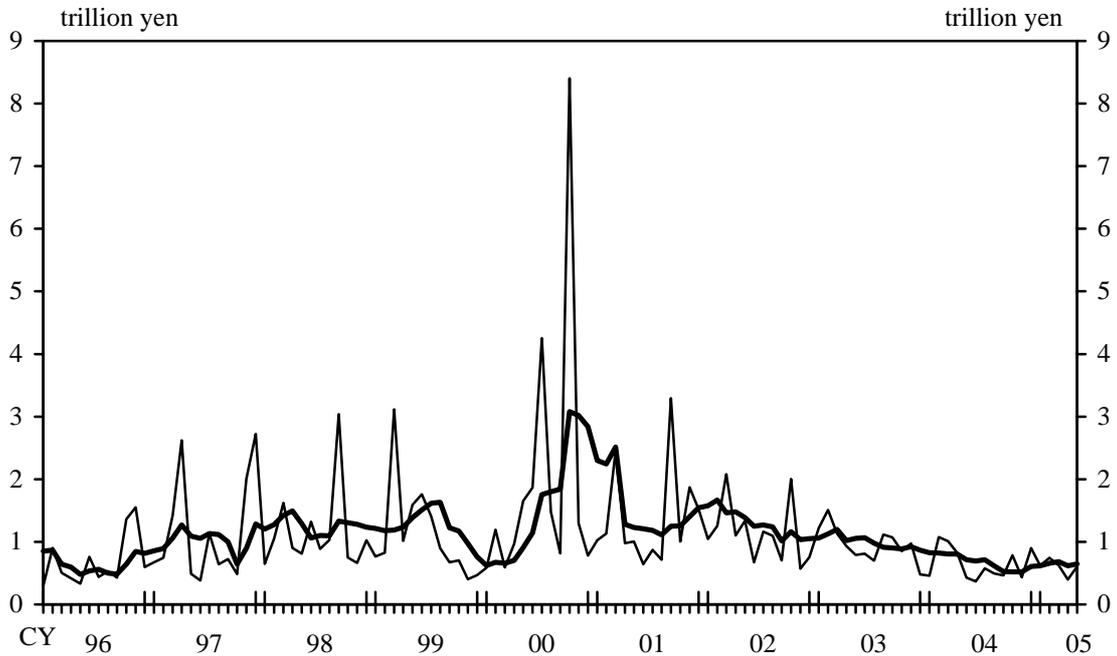
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities

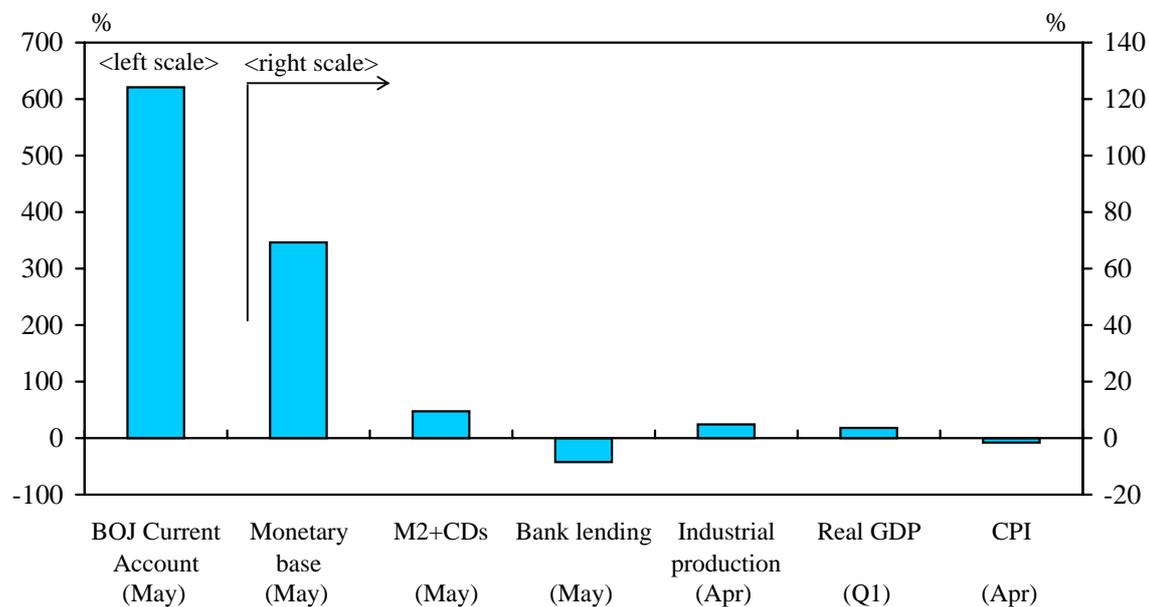


Note: Bold lines are the six-month moving average.

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

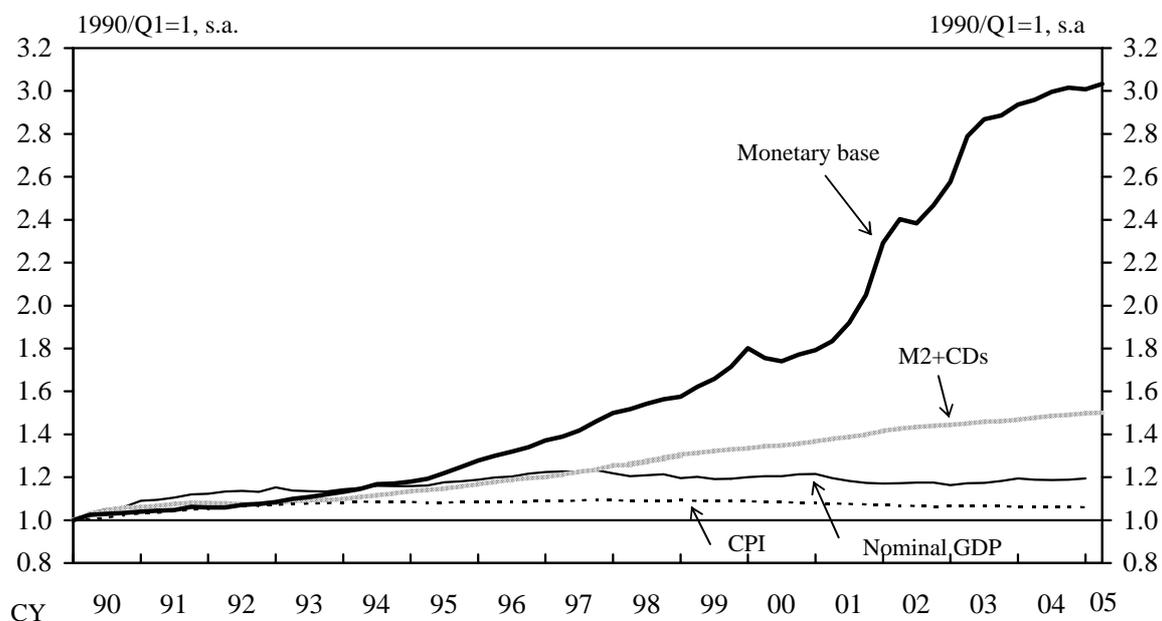
 Monetary Indicators, Economic Activity and Price Development

(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.
 3. Figures for Monetary base and M2+CDs in 2005/Q2 are those of Apr.-May averages.

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.