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Bank of Japan

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

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Monthly Report of Recent Economic and Financial Developments¹

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The Bank's View²

Japan's economy continues to recover, with the progress of adjustments in IT-related sectors.

Exports are increasing, albeit moderately, and industrial production is also on an uptrend with some fluctuations as inventory adjustments in the IT-related sectors are progressing. Business fixed investment has continued to increase, reflecting high corporate profits. Household income has been rising moderately, as the employment situation has been improving and wages have picked up. 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.

Growth in exports is expected to accelerate gradually, as overseas economies continue to expand. Domestic private demand is likely to continue increasing against the background of high corporate profits and the moderate rise in household income, while structural adjustment pressure stemming from firms' excess capacity and debt has almost dissipated. In light of these increases in demand both at home and abroad, as well as the progress of adjustments in the IT-related sectors, production is also expected to follow an increasing trend. Public investment, meanwhile, is projected to remain on a downtrend.

On the price front, domestic corporate goods prices have increased, mainly reflecting the effects of the rise in crude oil prices. Consumer prices (excluding

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on August 8 and 9, 2005.

² The text of "The Bank's View" was decided by the Policy Board at the Monetary Policy Meeting held on August 8 and 9, 2005.

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 on an increasing trend, but the rate of growth is expected to slow for the time being. On the other hand, consumer prices are projected to continue falling slightly on a year-on-year basis for the time being, partly reflecting the effects from the reduction in electricity and telephone charges, although supply and demand conditions are likely to continue improving gradually.

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, and the amount outstanding of CP and corporate bonds issued has recently been around or slightly above the previous year's level. The year-on-year growth rates of the monetary base and the money stock have been at the 1.0-2.0 percent level. The year-on-year growth rate of banknotes in circulation is at the 3.0-4.0 percent level. As for developments in financial markets, money market conditions continue to be extremely easy, as observed in the undersubscription which occurred repeatedly in funds-supplying operations, as the Bank of Japan continues to provide ample liquidity. In the foreign exchange and capital markets, long-term interest rates have risen compared with last month, while the yen's exchange rate against the U.S. dollar and stock prices have been around the same level as last month.

The Background

1. Japan's Economy

Public investment has basically been on a downtrend, although the decline seemed to have come to a halt temporarily, which reflects the progress in disaster relief construction (Chart 3). The amount of public construction completed—which reflects the actual progress of public works—was relatively subdued in April-May, as a reaction to the increase in March bolstered by some progress in disaster relief construction after the Mid Niigata Prefecture Earthquake. On the other hand, the value of public works contracted—a measure that reflects public orders—has increased somewhat in the second quarter, due to large-scale orders from public corporations, but this is likely to be temporary. Public investment is expected to follow a declining trend, since the initial budget of fiscal 2005 has been reduced.

Real exports are increasing, albeit moderately, against the background of the continued expanding trend of overseas economies, although the momentum of growth in exports to China remains weak (Charts 4[1] and 5); exports rose 0.7 percent in the first quarter and 1.4 percent in the second quarter on a quarter-on-quarter basis.

As for real exports by region (Chart 5[1]), exports to the United States have followed a steady uptrend against the background of the U.S. economic expansion. Exports to the NIEs and ASEAN have also continued to increase, although the recent pace of growth has been moderate. Moreover, exports to other regions (such as the Middle East) have posted high growth in the second quarter. On the other hand, exports to China declined in the second quarter on a quarter-on-quarter basis, mainly because of the continued effects of measures taken by the Chinese government to cool the overheating economy, although those of automobile-related goods have been picking up (Chart 8). By goods (Chart 5[2]), exports of automobile-related goods continued a steady increase, mainly to the United States (Chart 6[3]).³ Exports of consumer goods also posted a solid increase in the second quarter, mainly in digital home appliances. 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 The high growth recorded in the second quarter also reflects the fact that the inventories waiting to be shipped were cleared.

(Chart 6[1]). Meanwhile, exports of IT-related goods have increased only marginally, which partly reflects the relatively weak exports to China, although global adjustments in the IT-related sectors seem to be making considerable progress (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 the emerging market economies, such as China, while domestic demand has been steady (Charts 4[1] and 10). By goods (Chart 10[2]), those of consumer goods (automobiles from the EU and textiles from China) recorded high growth in the second quarter. Imports of IT-related goods (semiconductors and PCs) have also continued a steady increase. Meanwhile, imports of raw materials (crude oil) have been weak since the start of the year, partly as a reaction to the increase recorded during the second half of last year.

The surplus of net exports has recently been more or less flat in terms of the real trade balance (Chart 4[2]). On the other hand, the surplus of the nominal balance on goods and services has narrowed, due to the effects of the rise in import prices of crude oil.

Growth in exports is expected to accelerate gradually, since it is expected that overseas economies will continue to expand, particularly in the United States and East Asia (Chart 9), and also that adjustments in the IT-related sectors will be completed. 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 employment has also been improving. As for the Chinese economy, the high economic growth is expected to continue overall. In this light, 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. However, the exact timing of a more visible increase in exports and the pace of its growth when it occurs are quite uncertain, since the degree of adjustment pressures in China is difficult to

assess.⁴ Also, the pace of increase in global IT-related demand is projected to remain moderate even after adjustments are completed. Exports are therefore unlikely to resume the high growth observed during the first half of last year.

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

Business fixed investment has continued to increase. Shipments of capital goods (excluding transport equipment)—a coincident indicator of machinery investment—increased in the second quarter, mainly in machine tools, boilers for electric power generation, and flat-panel display manufacturing equipment (Chart 11-1 [1]). Machinery orders (private demand, excluding shipbuilding and orders from electric power companies)—a leading indicator of machinery investment—continued their uptrend, mainly in manufacturing (Chart 11-2[1]). In detail, orders from electrical machinery have been more or less flat, but orders from non-IT-related industries, such as automobiles, iron and steel, and chemicals are on a rising trend. Moreover, construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—continued their solid increase overall, and recently the manufacturing sector in particular has shown notable strength (Chart 11-2[2]).

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. With regard to individual indicators (Charts 12-1 and 12-2), the number of new passenger-car registrations declined in July in reaction to the high growth registered in the second quarter, which was fueled by the effects of new model automobiles, mainly of small passenger cars. 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

⁴ The effects of the revaluation of the renminbi are generally considered to be marginal, given the modest appreciation of the renminbi thus far. However, future exchange rate operations by the Chinese authorities and the subsequent developments in imports by China require close attention.

goods (such as washing machines) and air-conditioners. Moreover, sales at department stores increased in the first quarter, and remained relatively strong in the second quarter, mainly due to favorable sales of apparel bolstered by the favorable weather and by the effects of the “cool biz” dress code. Supermarket sales have recently been more or less flat, because sales of apparel have been picking up, while food sales have decreased, partly reflecting the fall in vegetable prices. Meanwhile, sales at convenience stores continued their gradual uptrend, with the fluctuations smoothed out. As for services consumption, sales in the food service industry and outlays for travel remained at a high level in the second quarter, after having posted a distinct increase in the first quarter.

Indices of aggregated sales (in real terms), which are comprised of major sales indicators of these goods and services,⁵ continued to be firm in the second quarter, after having recorded a distinct improvement in the first quarter (Chart 12-3). The aggregate supply of consumer goods—which comprehensively captures producers’ supply of goods—has been on a rising trend, mainly in imported products (Chart 12-4). 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 firm in the second quarter after having increased substantially in the first quarter in reaction to the weak movements in the second half of last year (Chart 12-1[1]).

Indicators for consumer sentiment continued to be favorable on the whole (Chart 13).

Private consumption is projected to continue recovering steadily, against the background of a gradual increase in household income.

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 June 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 June were at the same level as in May.

As for housing investment, housing starts fell back slightly in the second quarter 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 14[1]). Housing investment is projected to be nearly flat.

Industrial production is on an uptrend with some fluctuations, as inventory adjustments in the IT-related sectors are progressing; it rose by 1.7 percent in the first quarter and decreased by 0.4 percent in the second quarter on a quarter-on-quarter basis (Chart 15). Production in the second quarter declined marginally, but this seems to reflect some statistical fluctuations regarding steel ships and drugs (referred to as “others” in the chart), and hence, on average, production is on a moderate uptrend. Looking at the main industries, production of transport equipment (automobiles) continued to increase in the second quarter, supported by favorable sales both at home and abroad. Production of general machinery also rose against the background of the increase in business fixed investment. Meanwhile, production of electronic parts and devices fell marginally in the second quarter, after having increased temporarily in the first quarter. With the fluctuations smoothed out, it remained more or less flat.⁶

Shipments recorded an increase in the second quarter by 0.9 percent compared to the first quarter, after having been virtually flat in the first quarter. By goods (Chart 16), shipments of capital goods have been on an increasing trend, albeit with fluctuations, and those of construction goods rose in the second quarter, reflecting the increase in construction investments. Those of consumer goods are basically on a moderate uptrend, particularly in automobiles and digital home appliances, although they have recently been somewhat weak in non-durable goods (such as drugs). Meanwhile, shipments of producer goods have been more or less flat, although the adjustments in IT-related sectors are making progress.

Meanwhile, inventories have recently been flat at a level slightly higher than that at the end of last year, although they remain low from a long-term perspective

⁶ Production of electronic parts and devices has been improving somewhat since last month; the production in June exceeded the forecast index, and the forecast index suggests an increase in the near future.

(Chart 15[1]). The chart of the inventory cycle shows that the increase in inventories of durable consumer goods and capital goods has slowed compared to the first quarter, because inventories of automobiles waiting to be shipped declined (Chart 17). Also, inventory adjustments in electronic parts and devices are basically considered to be making steady progress, although adjustments advanced only marginally in the second quarter, after having made significant progress in the first quarter. On the other hand, the year-on-year rise in inventories of “producer goods excluding electronic parts and devices” has accelerated slightly, mainly in petroleum, iron and steel, and chemicals. This seems to be partly attributable to the effects of measures taken in China to cool the overheating economy. As such, inventories are currently in a moderate adjustment phase on the whole. However, considering that the supply-demand adjustments in China seem to have peaked, and that U.S. manufacturing—which had been losing impetus for a time—has recently been picking up, the global mini-adjustment is thought to have been approaching the final phase. In this light, the inventory balance in Japan is considered to improve in the near future.

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 likely to increase moderately in the third quarter.⁷ Nevertheless, the pace of increase in final demand of IT-related sectors and the exact timing of a more visible increase in exports are quite uncertain. Hence, these factors require close monitoring.

As for the employment and income situations, household income has been rising moderately, as various indicators for labor market conditions have been improving (Chart 18).

In the labor market, overtime hours worked remained high, although they have recently remained more or less flat (Chart 19-2[3]). The number of new job offers

⁷ Production in the third quarter, based on the production forecast index for July and August (on the assumption that the September figure is unchanged from the previous month), is calculated to be an increase of 1.1 percent on a quarter-on-quarter basis.

continued to increase on a year-on-year basis, particularly in the services industry including temporary employment services and similar businesses, as well as the construction industry, although the growth rate has been on a slowing trend (Charts 19-1[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 19-1[1]).

In terms of employment, the growth in the number of employees in the *Labour Force Survey* picked up in the second quarter, mainly reflecting smaller declines in manufacturing and construction, after having ceased to rise for a time. Also, the number of regular employees in the *Monthly Labour Survey* continued to record a steady increase (Chart 19-2[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 since April, reflecting the rise in recruitment of new graduates. On the other hand, the number of part-time employees has recently been recording slightly negative growth on a year-on-year basis. Consequently, the ratio of part-time workers has been on a gradual downtrend (Chart 19-2[2]).⁸

Regarding wages on a year-on-year basis (Chart 18[2]), regular payments have recently picked up, albeit marginally, mainly because of the gradual downtrend in the ratio of part-time workers. Also, special payments in June (preliminary figures), which comprise more than half of summer bonuses, increased 2.0 percent on a year-on-year basis, against the background of favorable corporate profits.⁹ As a result, wages per worker have been picking up.

As for the outlook, household income is expected to continue increasing gradually, since the perception among firms that they have excess labor has dissipated, and corporate profits remain high.

⁸ While part-time workers have started to decrease, dispatched workers seem to continue increasing. Thus, the expansion of non-regular employment in a broad sense is considered to be ongoing.

⁹ According to the survey released by the *Nihon Keizai Shimbun, Inc.* (915 firms, among which 669 are manufacturing), summer bonuses this year rose 3.3 percent on a year-on-year basis.

2. Prices

Import prices (on a yen basis, same hereafter, compared to levels three months before) have increased sharply, reflecting the rise in international commodity prices (Chart 21).

Domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter, compared to levels three months before)¹⁰ have increased, which mainly reflects the effects of the rise in crude oil prices (Chart 22).¹¹ In detail, prices of petroleum and coal products have continued to increase, reflecting the rise in crude oil prices, and prices of iron and steel related products have also been increasing, assisted mainly by the rise in the cost of materials and by firm demand. By stage of demand, intermediate goods prices have risen sharply, but final goods prices have recently been more or less flat, mainly because of the slower increase in gasoline prices and the fall in machinery 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 23).¹² The year-on-year rate of decline evidently narrowed as a whole in the second quarter. This was mainly because some increases and some slower declines were observed in a relatively wide range of prices of other services (such as civil engineering and architectural services, machinery repair and maintenance) with the revision of prices 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

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

¹¹ They declined slightly both in May and June when compared to the previous month. However, when compared to levels three months before, they also increased in June, reflecting the remaining effects of the increase in April.

¹² “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.

telephone charges (Chart 24). Looking at monthly figures, the year-on-year rate in May marked 0.0 percent temporarily, reflecting the rise in gasoline prices. In June, however, it decreased again by 0.2 percent, mainly in reaction to the significant rise in gasoline prices in the same month last year.

As for the outlook, domestic corporate goods prices are likely to continue on an increasing trend, but the pace of growth is expected to slow for the time being when compared to three months before, as the effect of the significant rise in April will diminish. Meanwhile, consumer prices are projected to continue falling slightly on a year-on-year basis for the time being, partly reflecting the effects from the reduction in electricity and telephone charges, although supply and demand conditions are likely to continue improving gradually.

3. Financial Developments

(1) Financial Markets

The outstanding balance of current accounts at the Bank of Japan has been moving at around 30-34 trillion yen, as the Bank continues to provide ample liquidity. On July 29 and August 3-5, it fell below 30 trillion yen (Chart 27).

As for interest rate developments in the money markets, the overnight call rate (uncollateralized; Chart 25[1]) has been moving at around zero percent. Interest rates on term instruments (Chart 26[1]) have been steady at low levels on the whole. Under these circumstances, interest rates on Euroyen futures (Chart 26[2]) rose slightly, mainly in distant contracts. Meanwhile, undersubscription has occurred repeatedly in funds-supplying operations, which reflects the reduced anxieties about the soundness of Japan's financial system (Chart 28).

Yields on 10-year government bonds (newly issued 10-year JGB; Chart 25 [2]) rose, which reflects the improvement in business sentiment in view of domestic and overseas economic indicators. They have recently been moving at around 1.4 percent.

Yield spreads between private bonds (bank bonds and corporate bonds) and government bonds (Charts 30 and 31) have been more or less flat.

Stock prices (Chart 32) rose, which reflects the stronger-than-forecasted economic indicators both at home and abroad, and the firmness of U.S. stock prices, but have been declining, due mainly to profit-taking sales. The Nikkei 225 Stock Average is moving in the range of 11,500-12,000 yen.

In the foreign exchange market (Chart 33), the yen has fluctuated somewhat against the background of the prospects of a wider interest rate differential between Japan and the U.S., as well as the speculations over the additional revaluation of the renminbi. The yen is being traded in the range of 111-113 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 to recover, 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 34).

Lending rates have recently edged somewhat lower. The average contracted interest rates on new loans and discounts, with the monthly fluctuations averaged, have been declining slightly (Chart 35).

The year-on-year rate of decline in lending by private banks (monthly average outstanding balance basis, after adjustment for extraordinary factors¹³) has been diminishing. (The year-on-year change was -0.5 percent in May, -0.3 percent in June, and -0.1 percent in July; Chart 36.)

¹³ 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.

In the corporate bond and CP markets, the issuing environment continues to be favorable. Corporate bond issuance rates have basically been flat, while issuance spreads remain stable at low levels. CP issuance rates continue to be at low levels. The amount outstanding of CP and corporate bonds issued has recently been around or slightly above the previous year's level. (The year-on-year change was 0.5 percent in May, 1.5 percent in June, and 1.7 percent in July; Chart 38.)

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

The year-on-year growth rate of banknotes in circulation is at the 3.0-4.0 percent level. The year-on-year growth rate of the monetary base (currency in circulation + current account balances at the Bank of Japan) has been at the 1.0-2.0 percent level. (The year-on-year change was 2.2 percent in May, 1.7 percent in June, and 1.5 percent in July; Chart 39.)

The year-on-year growth rate of the money stock (M_2 + CDs) has been at the 1.0-2.0 percent level. (The year-on-year change was 1.5 percent in May, 1.6 percent in June, and 1.7 percent in July; Chart 40.)

The number of corporate bankruptcies increased by 12.0 percent year-on-year in June, to 1,207 cases (Chart 41).

Charts

Chart 1	Main Economic Indicators
Chart 2	Real GDP
Chart 3	Public Investment
Chart 4	External Balance
Chart 5	Real Exports
Chart 6	Real Exports breakdown by goods
Chart 7	Exports and Imports of IT-related goods
Chart 8	Exports and Imports with China
Chart 9	Real Effective Exchange Rate and Overseas Economies
Chart 10	Real Imports
Chart 11	Indicators for Business Fixed Investment
Chart 12	Indicators for Private Consumption
Chart 13	Consumer Confidence
Chart 14	Indicators for Housing Investment
Chart 15	Production, Shipments, and Inventories
Chart 16	Shipments breakdown by type of goods
Chart 17	Inventory Cycle
Chart 18	Compensation of Employees
Chart 19	Labor Market
Chart 20	Prices
Chart 21	Import Prices and International Commodity Prices
Chart 22	Domestic Corporate Goods Price Index
Chart 23	Corporate Service Price Index
Chart 24	Consumer Price Index (excluding fresh food)
Chart 25	Interest Rates
Chart 26	Short-Term Money Market Rates
Chart 27	Current Account Balances at the Bank of Japan
Chart 28	Funds-Supplying Operations
Chart 29	Implied Forward Rates (1-year)
Chart 30	Yields of Bank Bonds
Chart 31	Yields of Corporate Bonds
Chart 32	Stock Prices
Chart 33	Exchange Rates
Chart 34	Corporate Finance-Related Indicators
Chart 35	Lending Rates
Chart 36	Lending by Domestic Commercial Banks
Chart 37	Lending by Other Financial Institutions
Chart 38	Private-Sector Fund-Raising in the Capital Markets
Chart 39	Monetary Base
Chart 40	Money Stock (M1, M2+CDs, Broadly-Defined Liquidity)
Chart 41	Corporate Bankruptcies
Chart 42	Monetary Indicators, Economic Activity and Price Development

Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2004/Q4	2005/Q1	Q2	2005/Apr.	May	Jun.	Jul.
Index of living expenditure level (all households)	-1.8	2.7	0.4	0.9	0.9	-0.9	n.a.
Sales at department stores	-0.6	0.2	p 1.0	1.6	-0.1	p 1.4	n.a.
Sales at supermarkets	-1.1	-0.5	p -1.3	0.3	-0.4	p 0.1	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 344>	< 342>	< 362>	< 377>	< 348>	< 360>	< 329>
Sales of household electrical appliances (real, NEBA)	4.3	3.4	4.9	0.9	2.2	2.4	n.a.
Outlays for travel (50 major travel agencies)	-0.6	3.6	n.a.	0.2	-1.6	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	< 117>	< 121>	< 119>	< 114>	< 121>	< 122>	<n.a.>
Machinery orders (from private sector ⁴)	5.7	0.8	n.a.	-1.0	-6.7	n.a.	n.a.
Manufacturing	5.3	0.8	n.a.	14.4	-20.6	n.a.	n.a.
Nonmanufacturing ⁴	6.5	0.3	n.a.	-6.9	1.5	n.a.	n.a.
Construction Starts (private, nondwelling use)	-5.3	11.4	-0.5	14.3	-0.2	6.5	n.a.
Mining & manufacturing	5.3	8.8	27.8	109.9	-24.5	-16.0	n.a.
Nonmanufacturing ⁵	-9.1	12.6	-8.5	-7.5	7.9	17.5	n.a.
Value of public works contracted	-7.4	0.5	1.9	0.3	5.6	3.0	n.a.
Real exports	0.5	0.7	1.4	0.3	0.8	0.7	n.a.
Real imports	2.1	0.4	2.1	0.5	1.3	0.8	n.a.
Industrial production	-0.9	1.7	p -0.4	1.9	-2.8	p 1.5	n.a.
Shipments	-0.9	0.4	p 0.9	2.7	-3.0	p 2.0	n.a.
Inventories	-2.2	3.1	p -0.1	0.0	0.1	p -0.2	n.a.
Inventory Ratio <s.a., CY 2000=100>	<94.9>	<98.4>	<p 96.4>	<97.3>	<100.2>	<p 96.4>	<n.a.>
Real GDP	0.1	1.2	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	-0.2	1.4	n.a.	1.7	-1.4	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2004/Q4	2005/Q1	Q2	2005/Apr.	May	Jun.	Jul.
Ratio of job offers to applicants <s.a., times>	<0.90>	<0.91>	<0.94>	<0.94>	<0.94>	<0.96>	<n.a.>
Unemployment rate <s.a., %>	<4.6>	<4.6>	<4.3>	<4.4>	<4.4>	<4.2>	<n.a.>
Overtime working hours ⁶	1.6	0.4	p 1.6	1.8	1.0	p 2.1	n.a.
Number of employees	0.1	0.0	0.7	0.4	0.8	0.8	n.a.
Number of regular employees ⁶	0.7	0.6	p 0.5	0.4	0.5	p 0.6	n.a.
Nominal wages per person ⁶	0.0	0.0	p 0.8	0.6	0.6	p 1.1	n.a.
Domestic corporate goods price index ⁷ <q/q % chg.> (3-month growth rate)	2.0 <0.4>	1.4 <-0.1>	p 1.7 <p 0.8>	1.9 <1.1>	1.8 <0.9>	p 1.4 <p 0.5>	n.a. <n.a.>
Consumer price index ⁸	-0.2	-0.4	-0.1	-0.2	0.0	-0.2	n.a.
Corporate service price index	-0.3	-0.7	p -0.5	-0.4	-0.5	p -0.4	n.a.
Money Stock (M ₂ +CDs) <average outstanding, y/y % chg.>	2.0	2.0	1.7	1.9	1.5	1.6	p 1.7
Number of corporate bankruptcies <cases>	<1,099>	<1,059>	<1,075>	< 946>	<1,072>	<1,207>	<n.a.>

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";

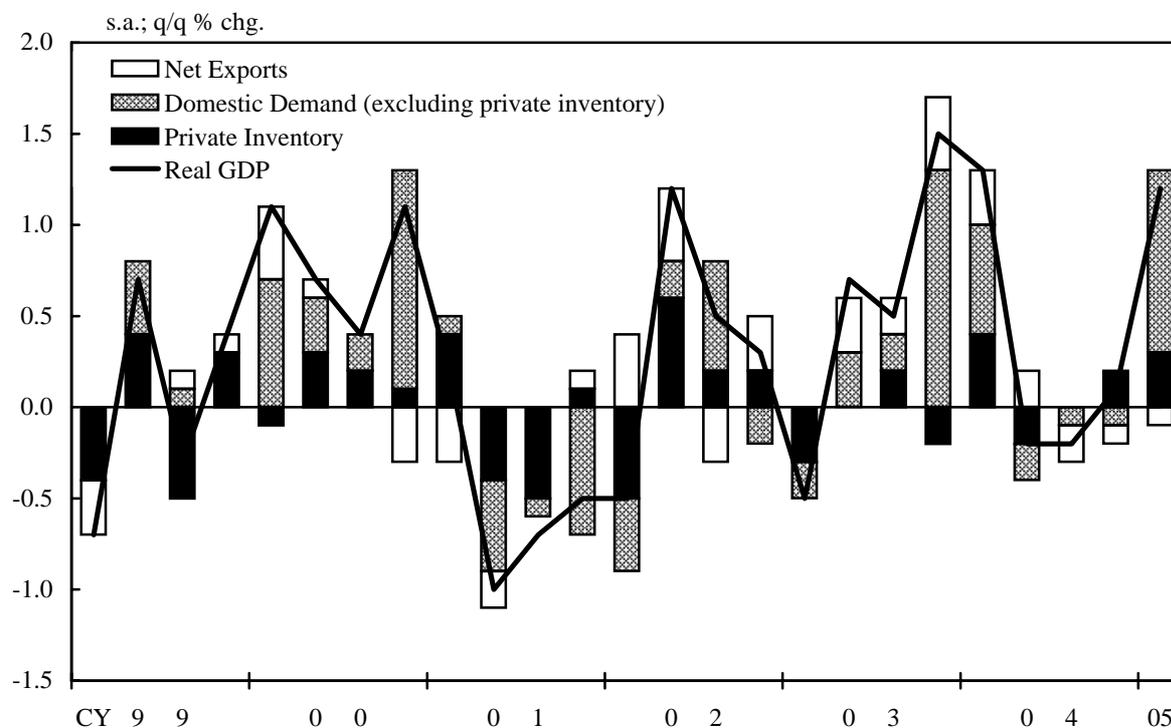
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey";

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.

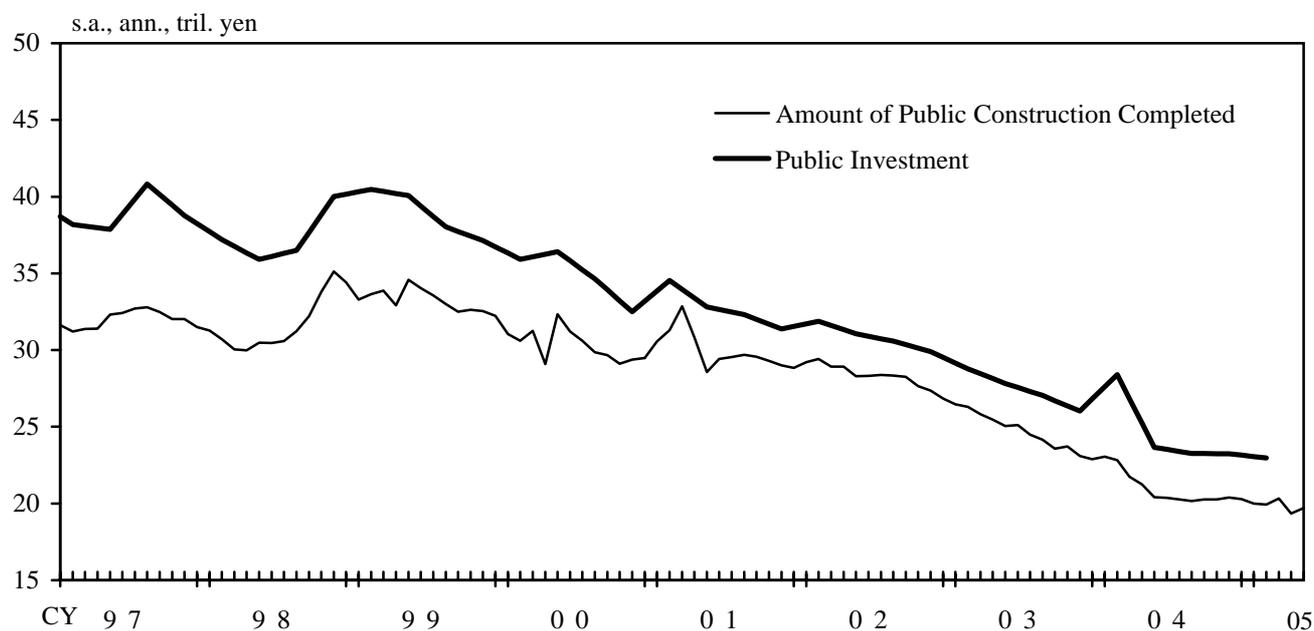
	2004				2005
	Q1	Q2	Q3	Q4	Q1
Real GDP	1.3	-0.2	-0.2	0.1	1.2
Domestic Demand	1.1	-0.4	-0.1	0.1	1.3
Private Consumption	0.7	0.0	-0.1	-0.4	1.1
Non-Resi. Investment	-2.7	3.6	0.1	-0.1	2.4
Residential Investment	0.6	1.3	0.6	0.6	-1.3
Private Inventory	(0.4)	(-0.2)	(-0.0)	(0.2)	(0.3)
Public Demand	3.1	-3.4	-0.1	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.

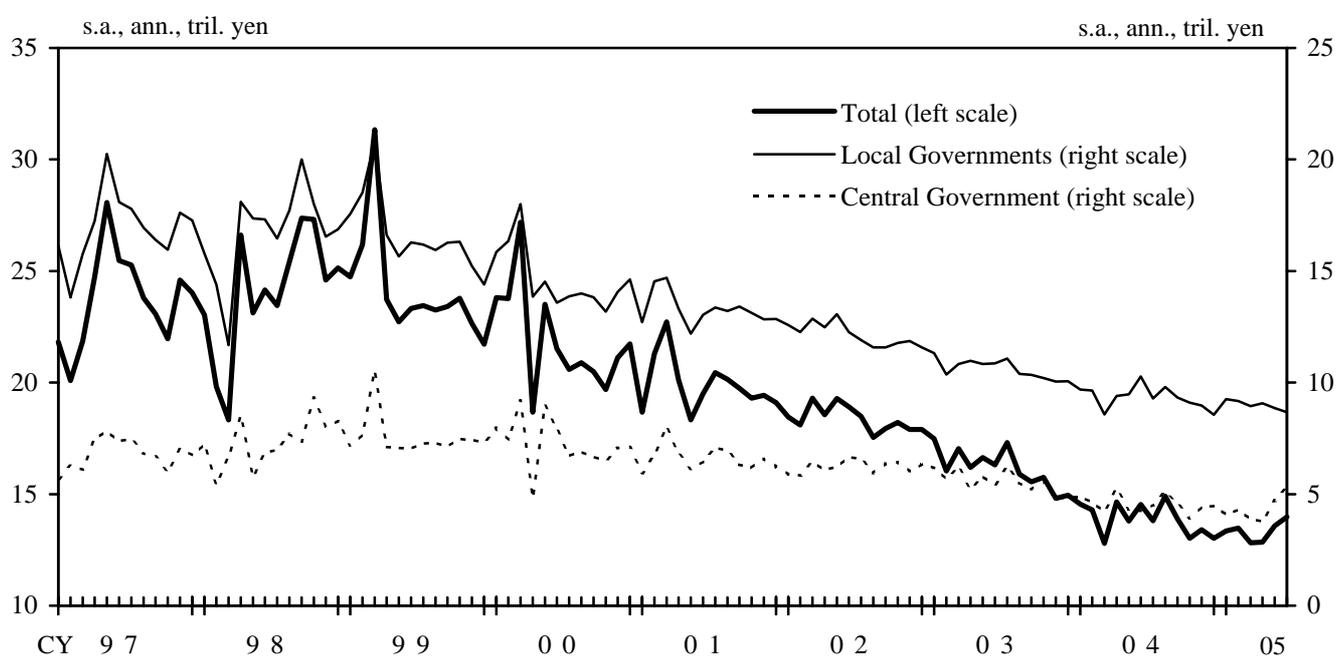
Source: Cabinet Office, "National Accounts."

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 the value of public works contracted and amount of public construction completed are seasonally adjusted by X-12-ARIMA.

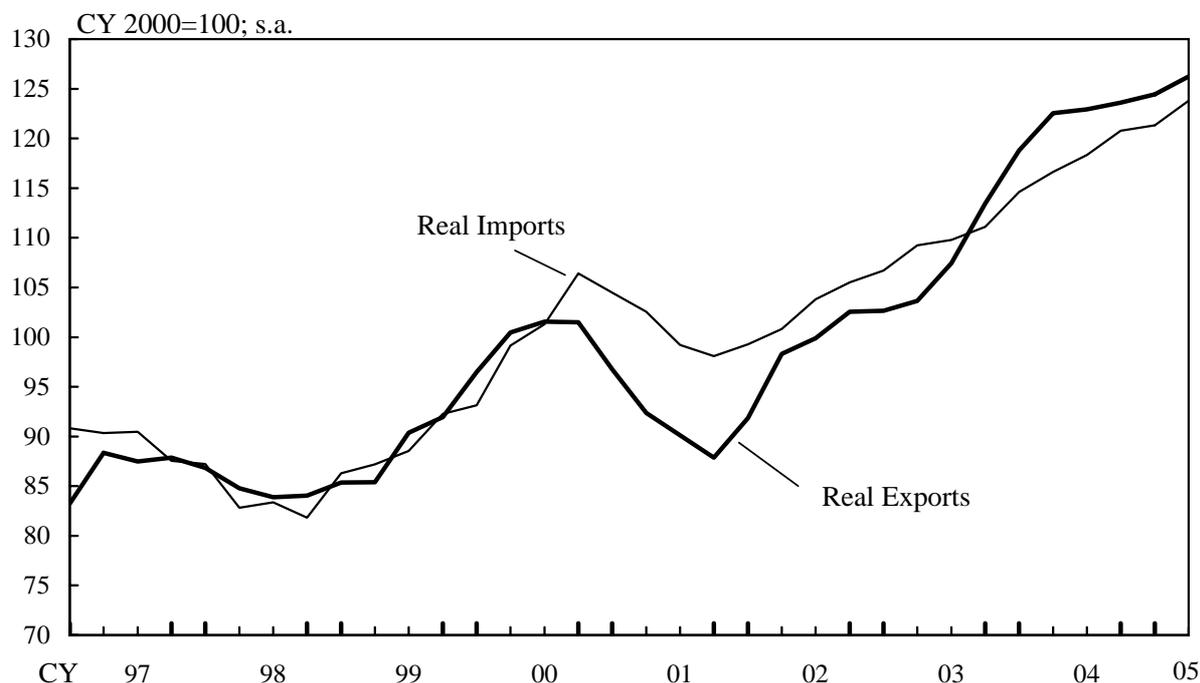
Sources: Cabinet Office, "National Accounts";

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

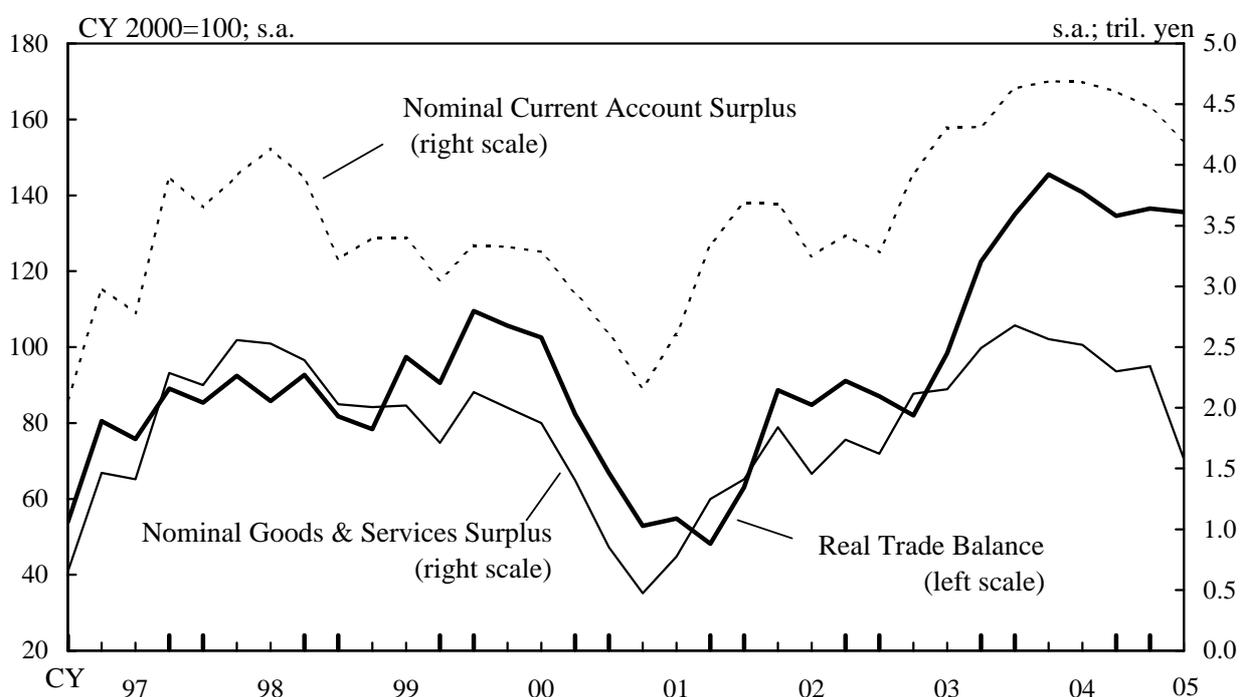
Ministry of Land, Infrastructure and Transport, "Integrated Statistics on Construction Works."

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.
 3. 2005/Q2 figures for Nominal Current Account Surplus and Nominal Goods & Services Surplus are Apr.-May 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 Apr.	May	Jun.
United States	<22.4>	-5.5	6.8	2.9	0.3	2.3	2.0	1.4	-2.8	5.2	-0.9
EU	<15.5>	14.9	18.7	2.3	2.1	2.0	-0.7	0.2	5.6	-3.2	-3.7
East Asia	<46.9>	20.4	19.1	1.4	0.7	-0.5	3.2	-0.1	2.2	0.8	-0.8
China	<13.1>	42.0	22.2	2.1	-0.2	2.8	1.3	-1.6	-0.4	4.9	-0.3
NIEs	<24.7>	16.2	20.4	1.8	0.9	-2.8	4.4	0.5	2.6	0.7	-1.5
Korea	<7.8>	19.2	19.1	0.6	-1.4	-6.9	7.9	-1.4	3.6	0.6	0.2
Taiwan	<7.4>	16.8	26.9	1.9	6.8	-1.7	3.2	3.1	6.0	-0.3	-7.4
ASEAN4 ³	<9.1>	9.6	12.3	-0.4	1.1	1.2	2.8	0.5	4.6	-4.0	0.3
Thailand	<3.6>	19.0	16.8	2.5	0.9	5.6	5.2	-0.5	1.0	-3.7	3.5
Real exports		8.9	14.5	3.2	0.3	0.5	0.7	1.4	0.3	0.8	0.7

(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 Apr.	May	Jun.
Intermediate goods	<16.3>	5.6	5.5	-2.9	-1.6	-0.0	1.5	0.7	0.3	2.9	-0.9
Motor vehicles and their related goods	<22.4>	1.3	8.3	5.3	0.6	1.2	1.7	4.2	0.2	4.9	1.2
Consumer goods ⁴	<6.0>	16.2	14.9	1.3	-3.5	4.5	-2.0	3.2	7.3	-2.5	-4.8
IT-related goods ⁵	<13.7>	13.2	17.3	4.2	-0.4	-0.6	2.2	0.3	-0.2	4.6	-1.4
Capital goods and parts ⁶	<30.0>	18.8	23.5	5.5	1.8	0.3	1.3	1.2	-0.7	0.3	1.6
Real exports		8.9	14.5	3.2	0.3	0.5	0.7	1.4	0.3	0.8	0.7

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

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

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

4. Excludes motor vehicles.

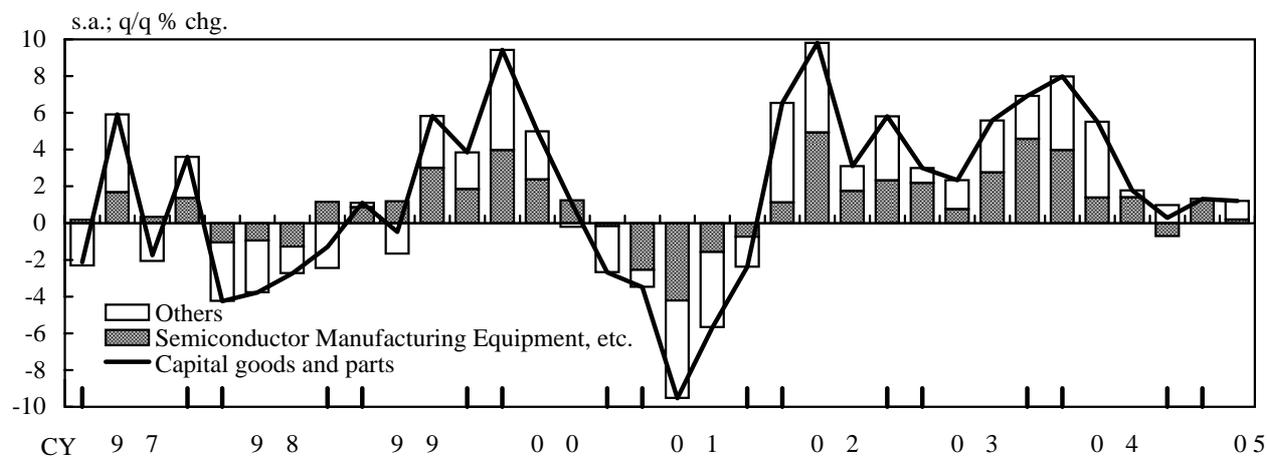
5. IT-related goods are composed of computers and units, telecommunication machinery, ICs and medical and optical instruments.

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

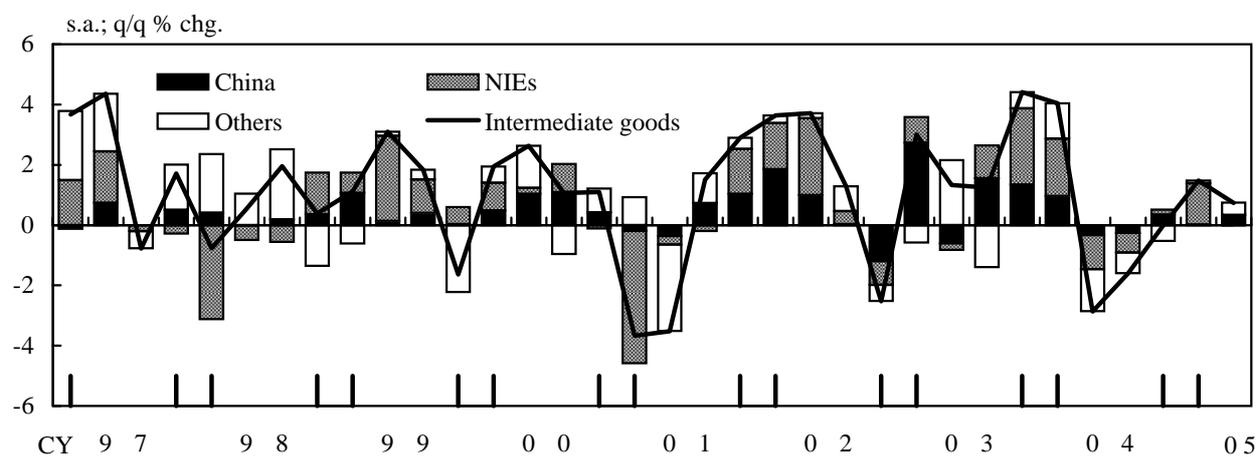
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Real Exports breakdown by goods

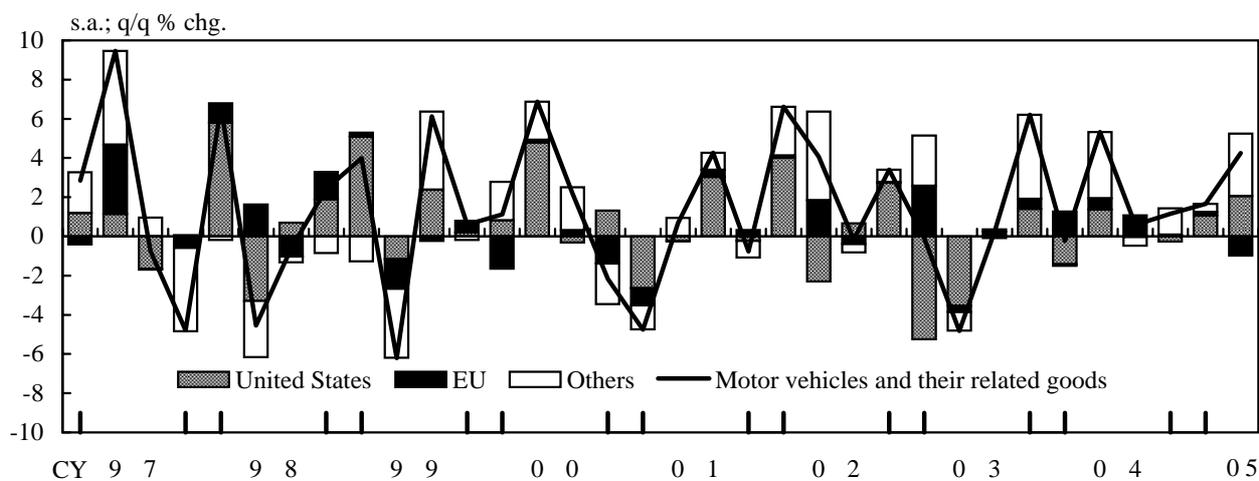
(1) Capital goods and parts (real, breakdown by goods)



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



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

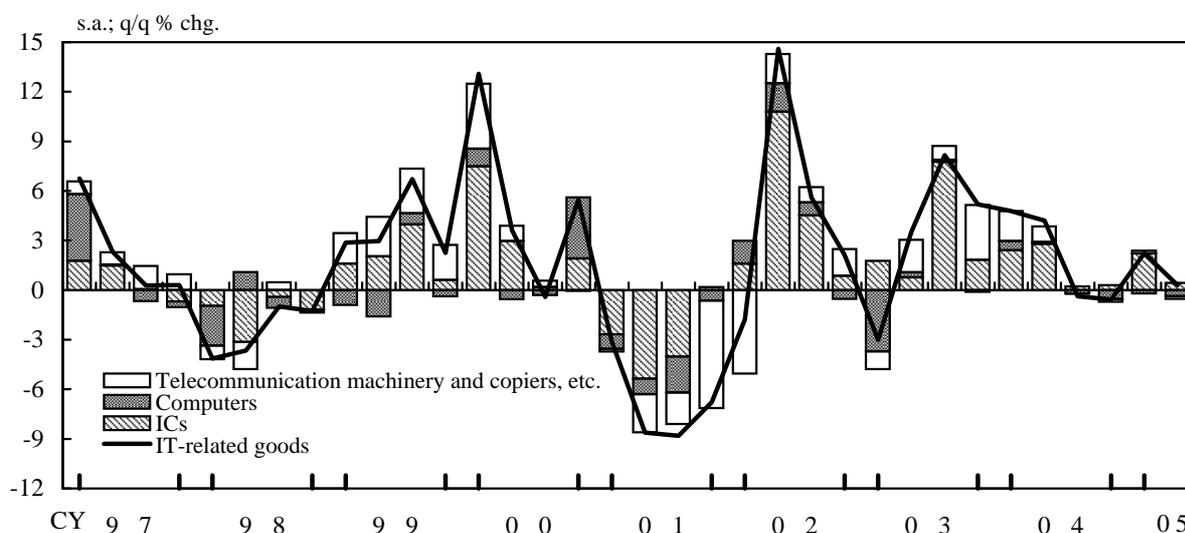


Note: Seasonally adjusted by X-12-ARIMA.

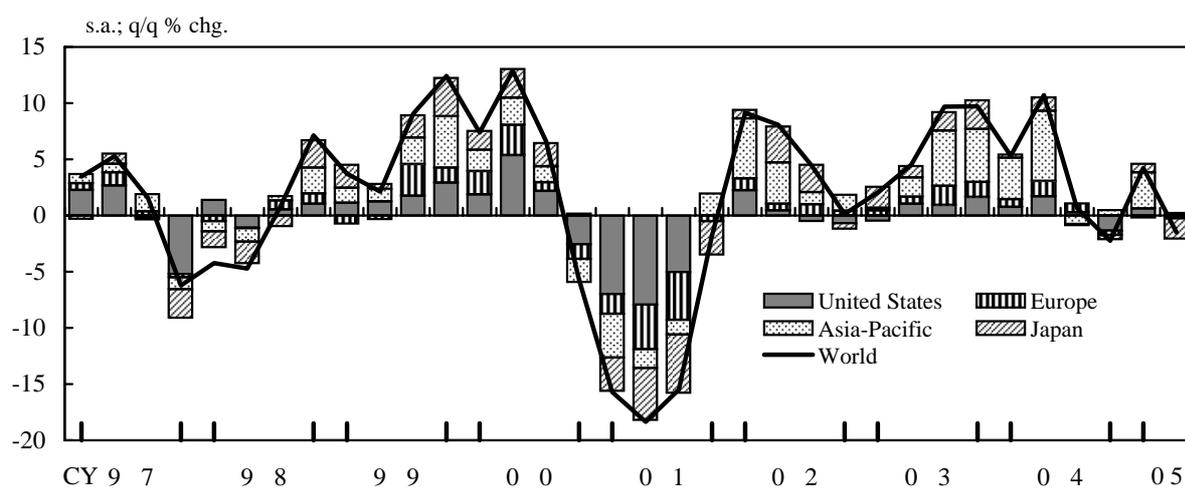
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Exports and Imports of IT-related goods

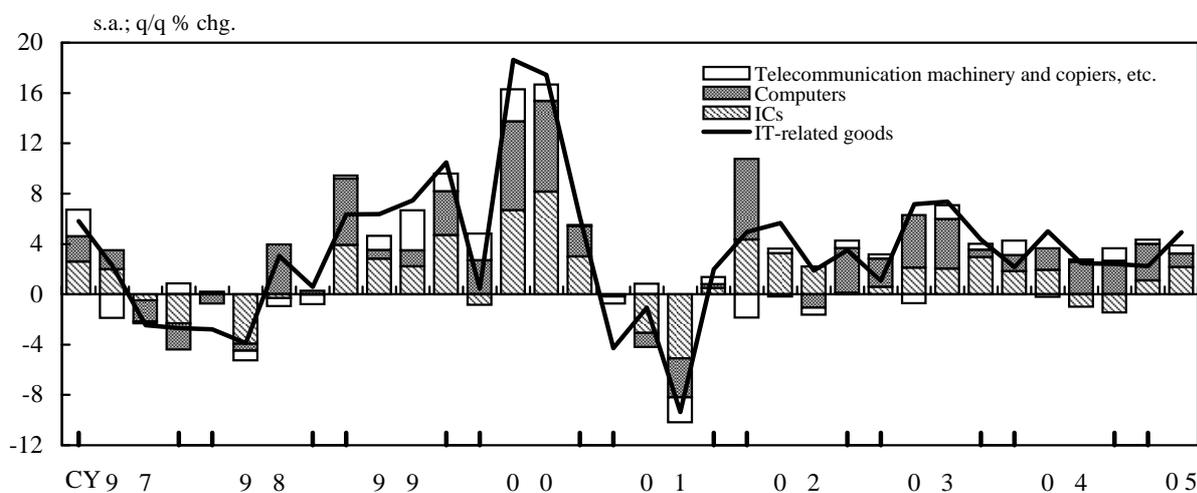
(1) Exports of IT-related goods (real, breakdown by goods)



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



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

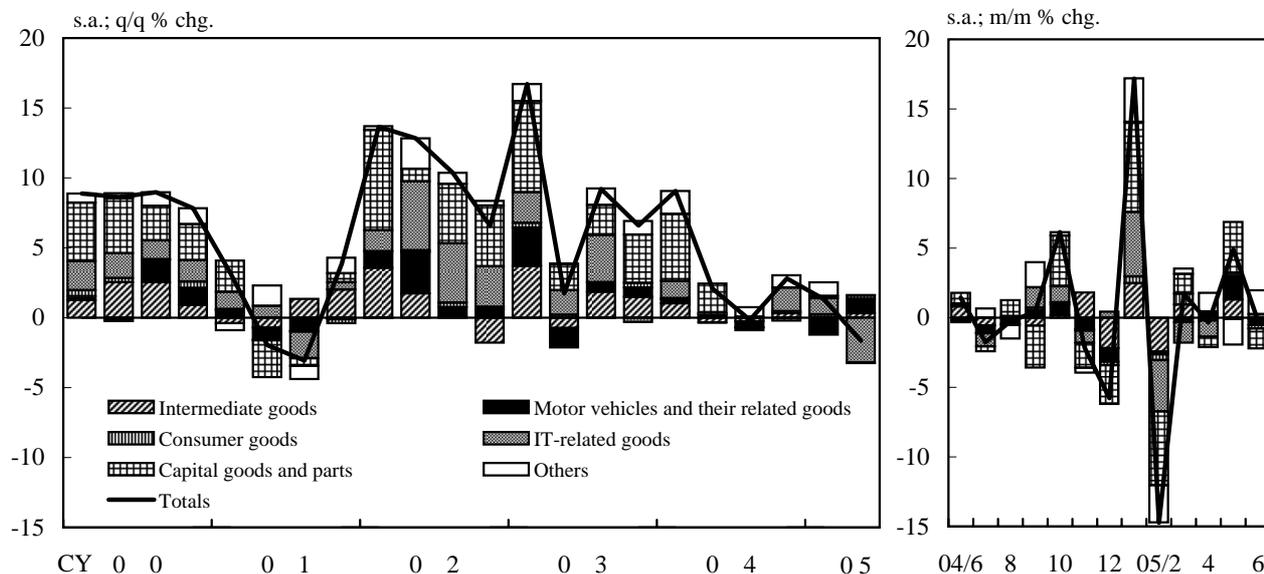


Note: Seasonally adjusted by X-12-ARIMA.

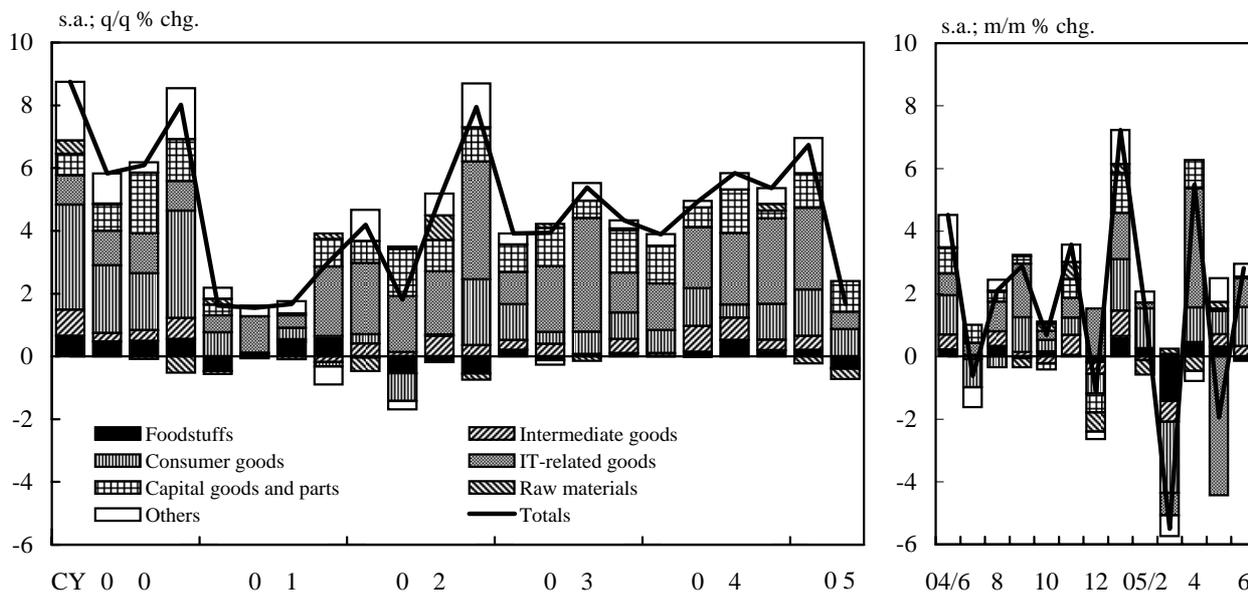
Sources: Ministry of Finance, "The Summary Report on Trade of Japan";
Bank of Japan, "Corporate Goods Price Index"; WSTS (World Semiconductor Trade Statistics.)

Exports and Imports with China

(1) Exports to China (real, breakdown by goods)



(2) Imports from China (real, breakdown by goods)

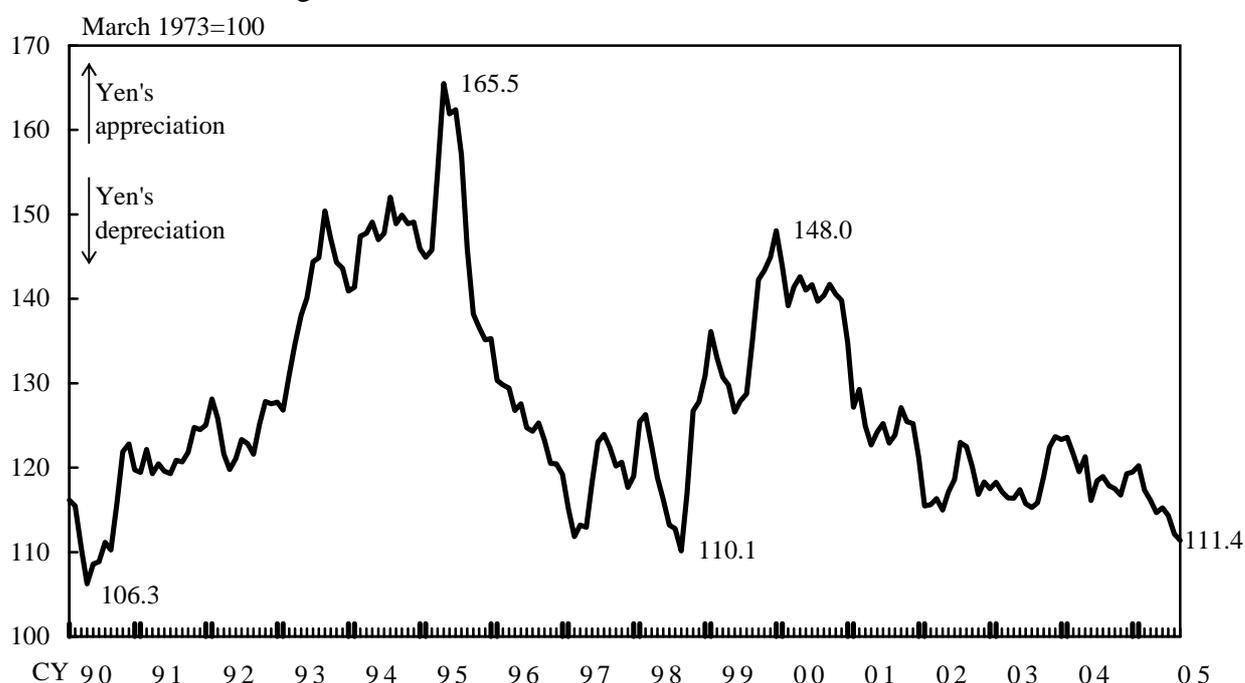


Notes: 1. Regarding classifications of each goods, see notes of chart 5 and 10.
 2. Seasonally adjusted by X-12-ARIMA.

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

Real Effective Exchange Rate and Overseas Economies

(1) Real Effective Exchange Rate



Note: Calculated by the Bank of Japan. Monthly average. Figure for August 2005 is the average up to August 8.

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 Q3	Q4	2005 Q1	Q2	
United States ¹		1.6	2.7	4.2	4.0	3.3	3.8	3.4	
European Union ¹		1.2	1.1	2.1	1.2	1.0	1.9	n.a.	
	Germany	0.2	0.0	1.6	-0.2	-0.5	4.2	n.a.	
	France	1.3	0.9	2.1	0.3	2.7	1.4	n.a.	
	United Kingdom	2.0	2.5	3.2	1.4	2.2	1.5	1.5	
East Asia ²	China	8.3	9.5	9.5	9.1	9.5	9.4	9.5	
	NIEs	Korea	7.0	3.1	4.6	4.7	3.3	2.7	3.3
		Taiwan	3.9	3.3	5.7	5.3	3.3	2.5	n.a.
		Hong Kong	1.9	3.1	8.1	6.6	7.1	6.0	n.a.
		Singapore	3.2	1.4	8.4	7.2	6.5	2.8	3.9
	ASEAN4	Thailand	5.3	6.9	6.1	6.1	5.3	3.3	n.a.
		Indonesia	4.4	4.9	5.1	5.1	6.7	6.3	n.a.
		Malaysia	4.4	5.4	7.1	6.7	5.8	5.7	n.a.
Philippines		4.3	3.6	6.1	6.3	5.4	4.6	n.a.	

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

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

Real Imports 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 Apr.	May	Jun.
United States	<13.7>	-2.4	0.4	4.2	-1.3	2.0	-4.2	5.8	1.8	-4.5	9.1
EU	<12.6>	5.6	9.6	0.2	-0.5	2.1	-1.3	5.3	13.1	-4.1	-6.5
East Asia	<43.1>	14.2	14.7	3.0	4.1	1.7	4.7	0.3	3.5	-0.5	0.8
China	<20.7>	21.3	20.9	4.9	5.8	5.4	6.7	1.7	5.5	-1.9	2.8
NIEs	<10.2>	9.6	12.8	1.5	1.4	-2.1	3.9	1.4	3.2	1.0	-1.2
Korea	<4.8>	13.0	14.5	1.7	-4.0	-2.3	5.1	3.2	2.3	3.9	-1.2
Taiwan	<3.7>	6.9	12.0	0.7	4.5	-1.2	2.7	0.7	5.3	-2.8	0.2
ASEAN4 ³	<12.1>	8.6	7.1	1.2	3.8	-0.9	1.8	-3.0	0.0	0.9	-1.2
Thailand	<3.1>	11.0	14.3	4.4	4.0	3.9	5.1	-0.0	0.9	3.4	-4.4
Real imports		6.8	8.1	1.8	1.5	2.1	0.4	2.1	0.5	1.3	0.8

(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 Apr.	May	Jun.
Raw materials ⁴	<27.9>	5.9	1.3	-0.2	2.5	1.7	-3.4	-3.1	-8.4	9.3	0.5
Intermediate goods	<14.1>	4.6	8.7	2.7	1.2	0.1	2.4	1.8	5.8	-1.0	-2.5
Foodstuffs	<10.8>	-4.2	0.4	0.9	-0.2	0.2	3.3	2.0	5.6	4.5	-5.6
Consumer goods	<10.6>	8.0	12.5	4.1	-1.5	4.4	2.2	8.0	6.3	0.4	0.4
IT-related goods ⁵	<13.6>	17.3	17.6	5.0	2.5	2.4	2.2	4.9	10.8	-8.4	5.9
Capital goods and parts ⁶	<12.6>	14.5	17.4	3.4	2.9	5.6	-1.4	6.2	-4.0	-0.7	3.8
excluding aircraft	<11.7>	14.6	19.2	2.9	4.3	1.1	2.0	6.8	6.0	3.5	-0.0
Real imports		6.8	8.1	1.8	1.5	2.1	0.4	2.1	0.5	1.3	0.8

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

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

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

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

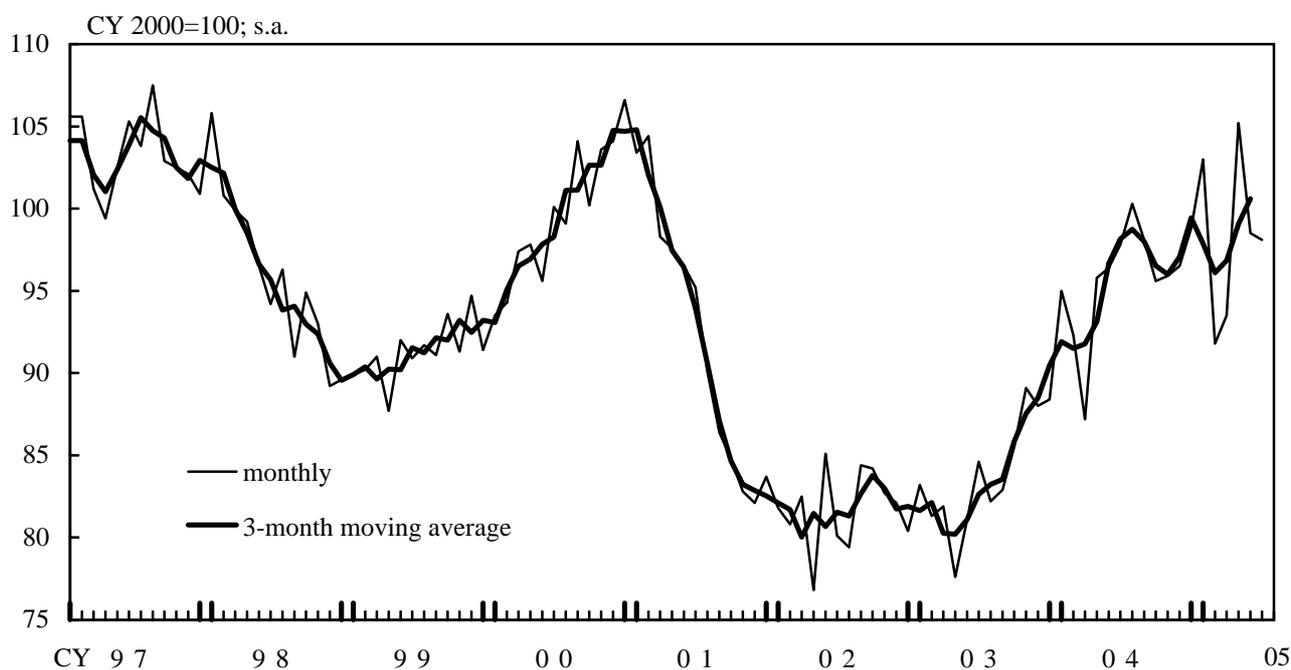
5. IT-related goods are composed of computers and units, parts of computer, telecommunication machinery, ICs, and medical and optical instruments.

6. Excludes IT-related goods.

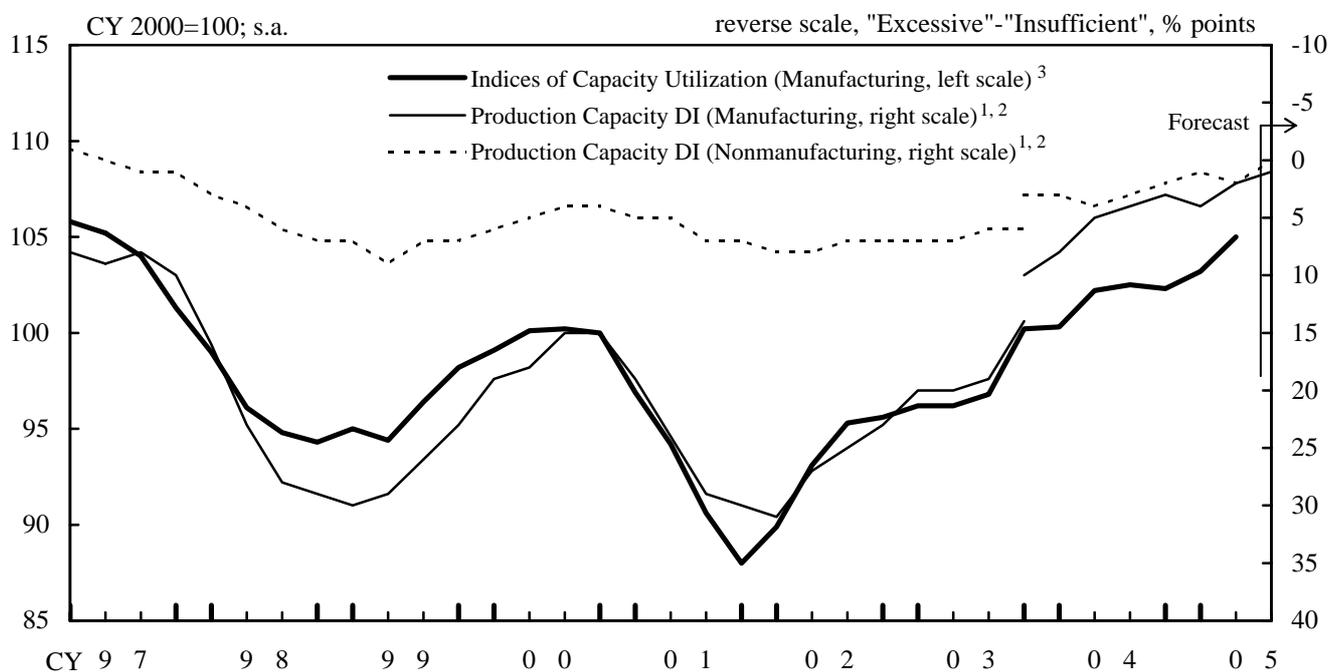
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

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.

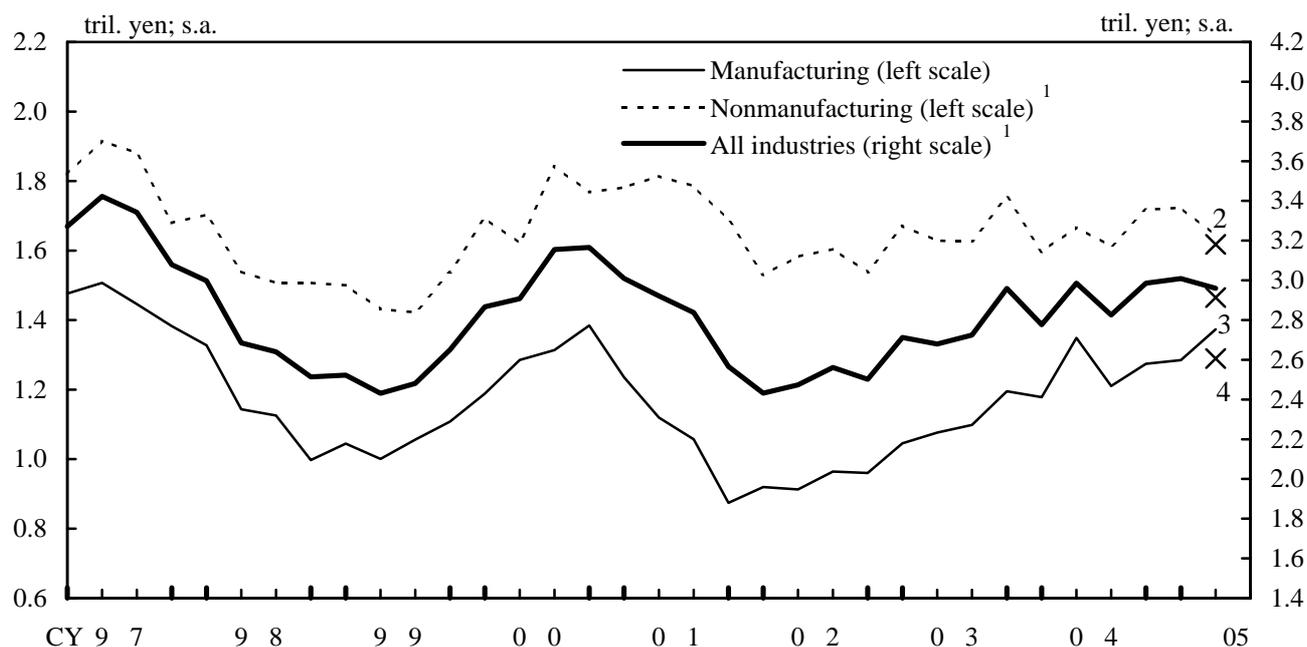
2. The *Tankan* has been revised from the March 2004 Survey. Figures up to the December 2003 Survey are based on the previous data sets. Figures from the December 2003 Survey are on a new basis.

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

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.

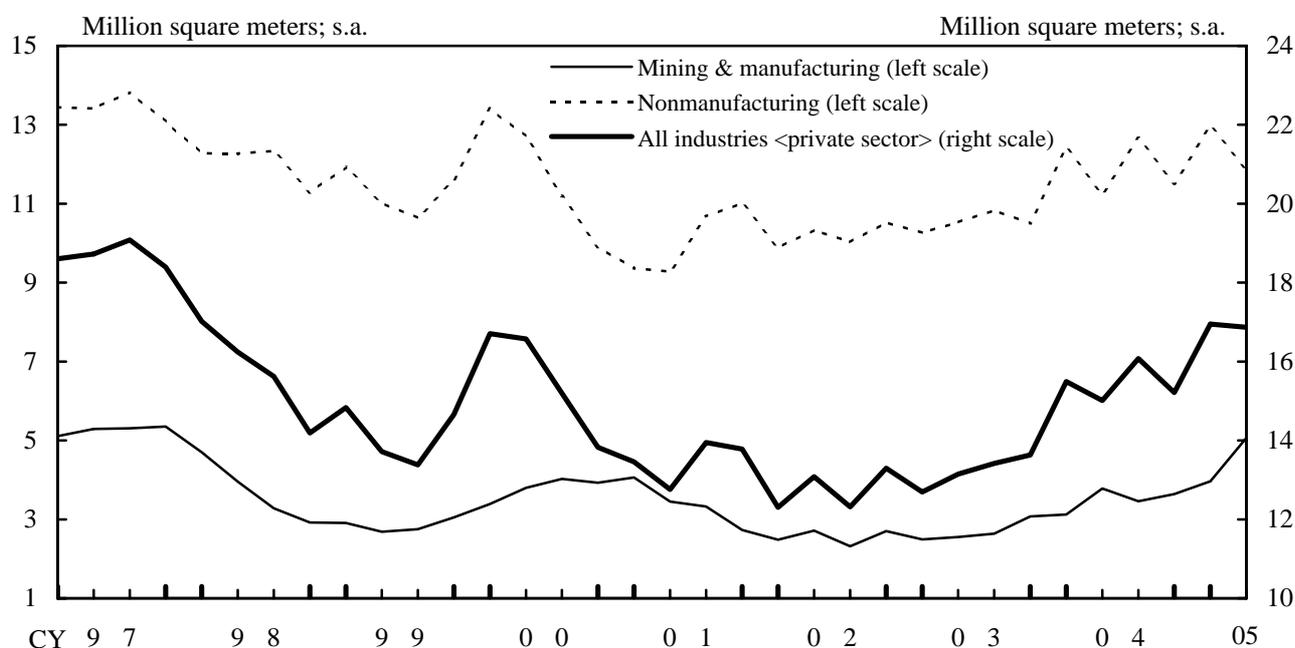
2. Forecast of nonmanufacturing industries for 2005/Q2.

3. Forecast of all industries for 2005/Q2.

4. Forecast of manufacturing industries for 2005/Q2.

5. Figures for 2005/Q2 are averages of April-May in terms of quarterly amount.

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



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

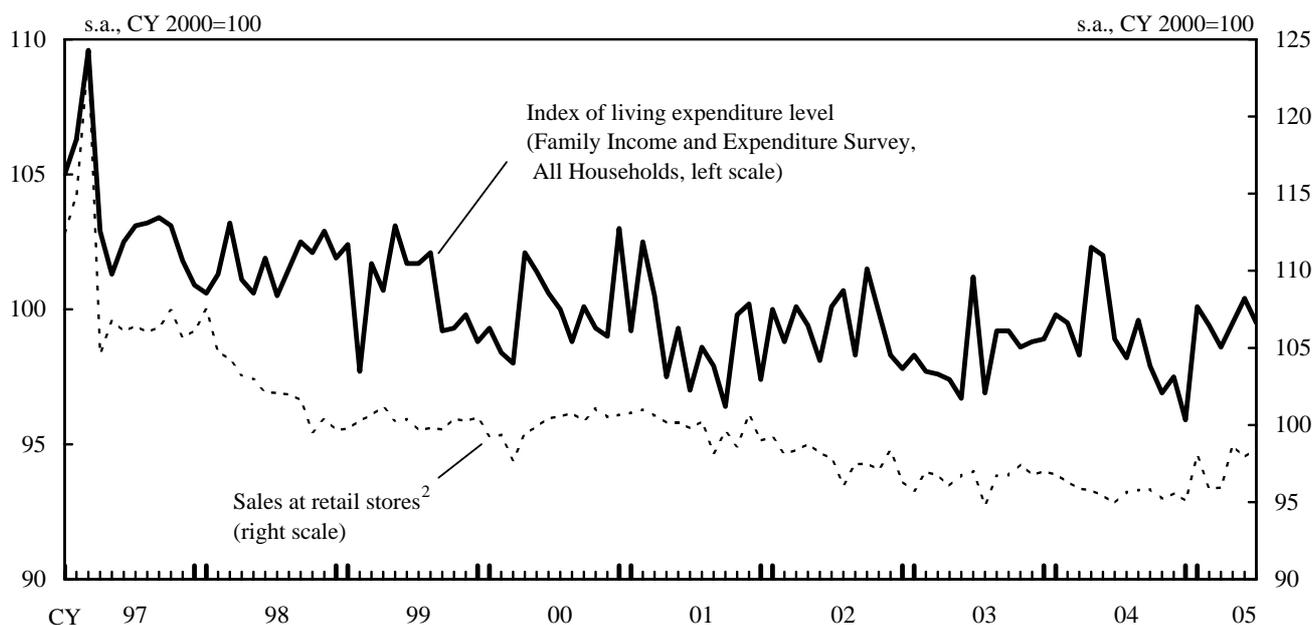
2. Because the Standard Industrial Classification for Japan was revised in March 2002, the industry classification for Newspaper Publishing and Publishing Business was changed from Mining and Manufacturing to Nonmanufacturing. Accordingly, the data up to fiscal year 2002 were adjusted by using a link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

Sources: Cabinet Office, "Machinery Orders Statistics";

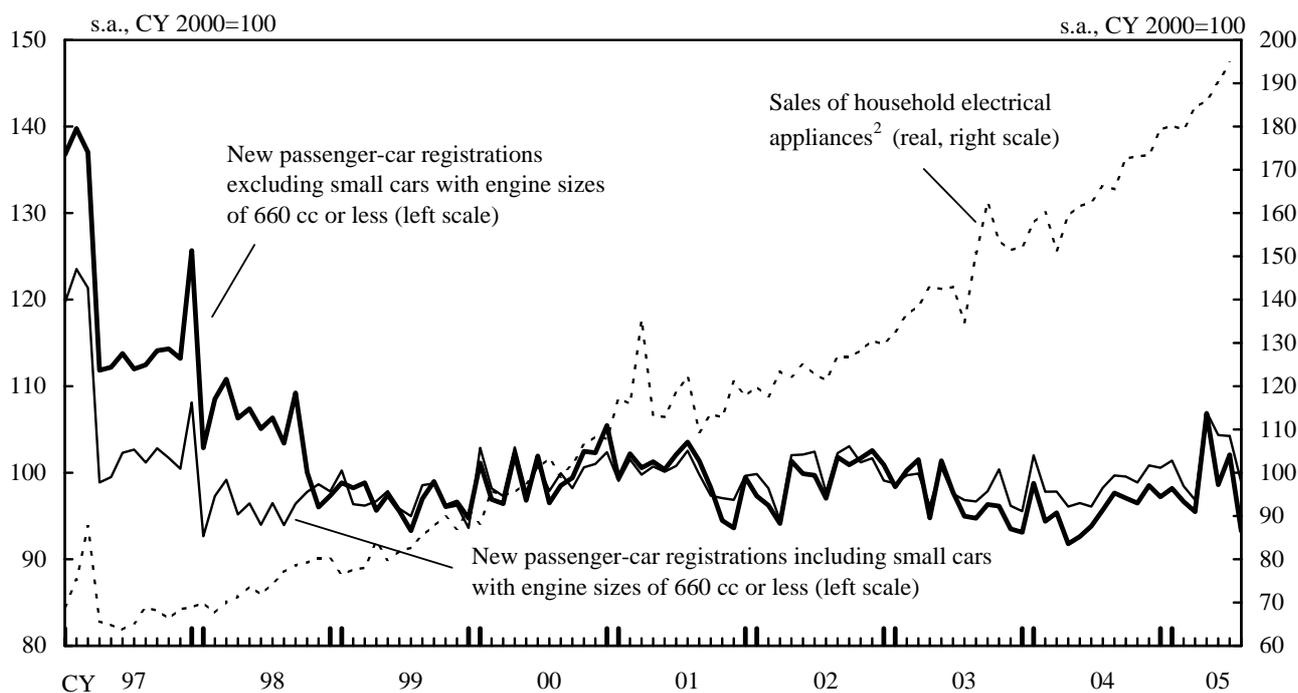
Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts."

Indicators for Private Consumption¹ (1)

(1) Household Spending (real)



(2) Sales of Durable Goods



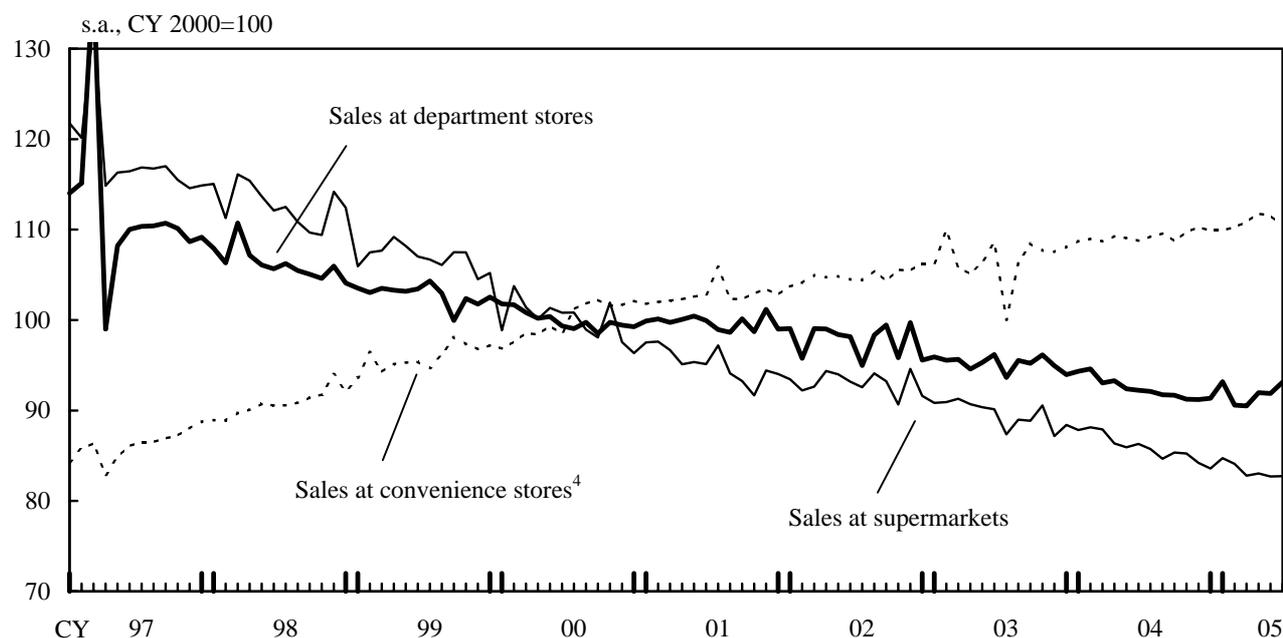
Notes: 1. Seasonally adjusted by X-12-ARIMA. Index of living expenditure level is seasonally adjusted by the Ministry of Internal Affairs and Communications.

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

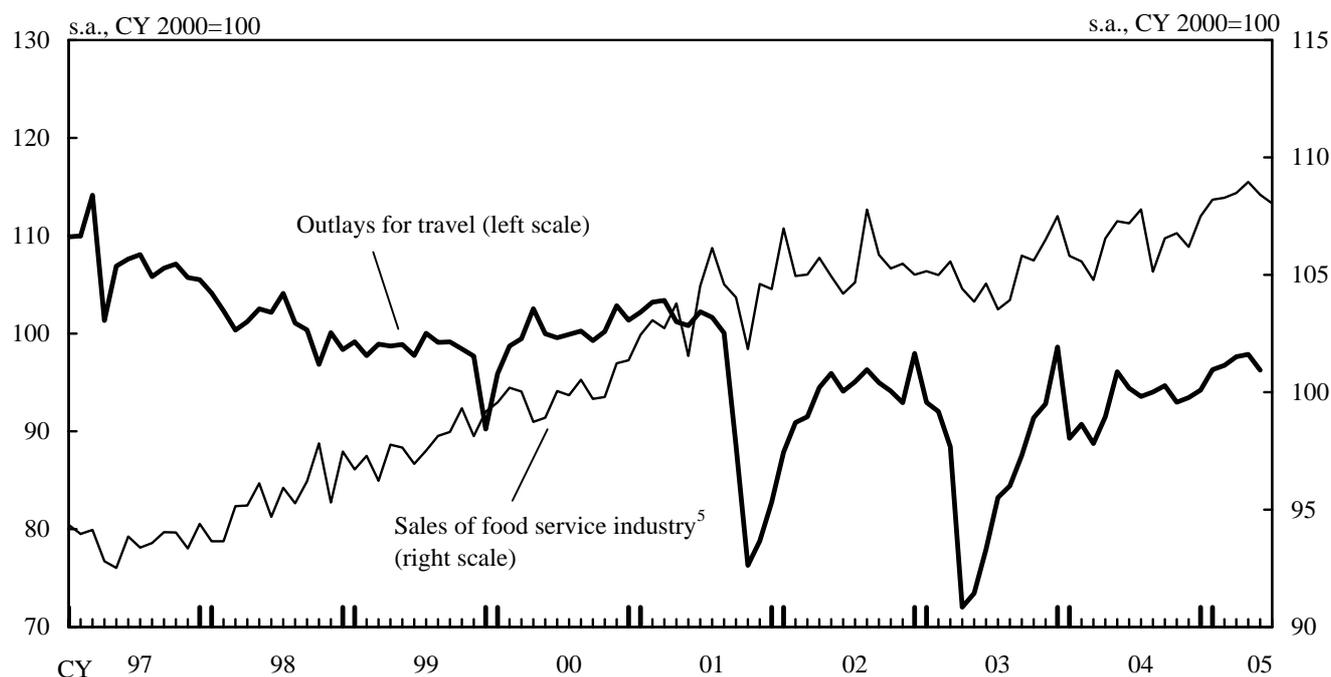
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index," "Monthly Report on the Family Income and Expenditure Survey";
Ministry of Economy, Trade and Industry, "Current Survey of Commerce";
Japan Automobile Dealers Association, "Domestic Sales of Automobiles";
Japan Mini Vehicles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

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

(3) Sales at Retail Stores (nominal)³



(4) Consumption of Services (nominal)



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

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

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

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

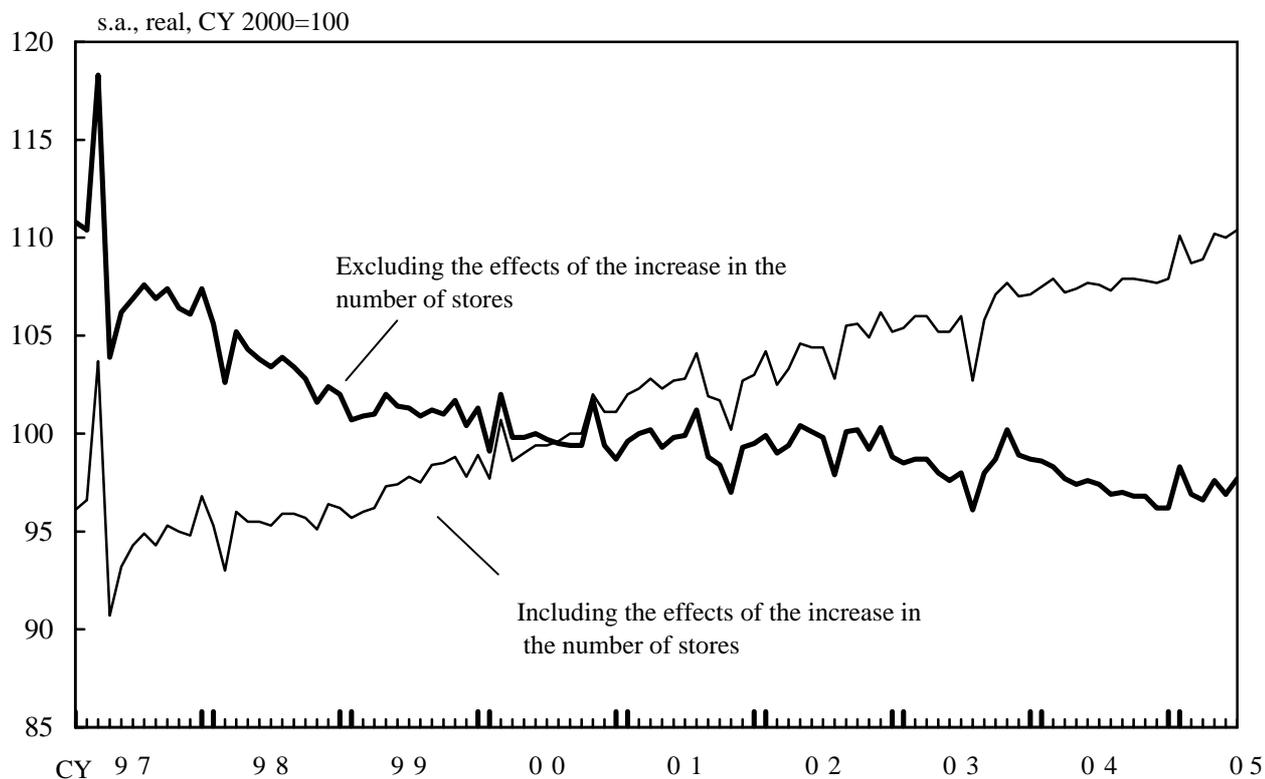
5. Sales of food service industry are calculated using the year-on-year change rates of every month released by the Japan Food Service Association based on monthly sales amounts in 1993 released by the Food Service Industry Survey & Research Center.

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

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

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

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

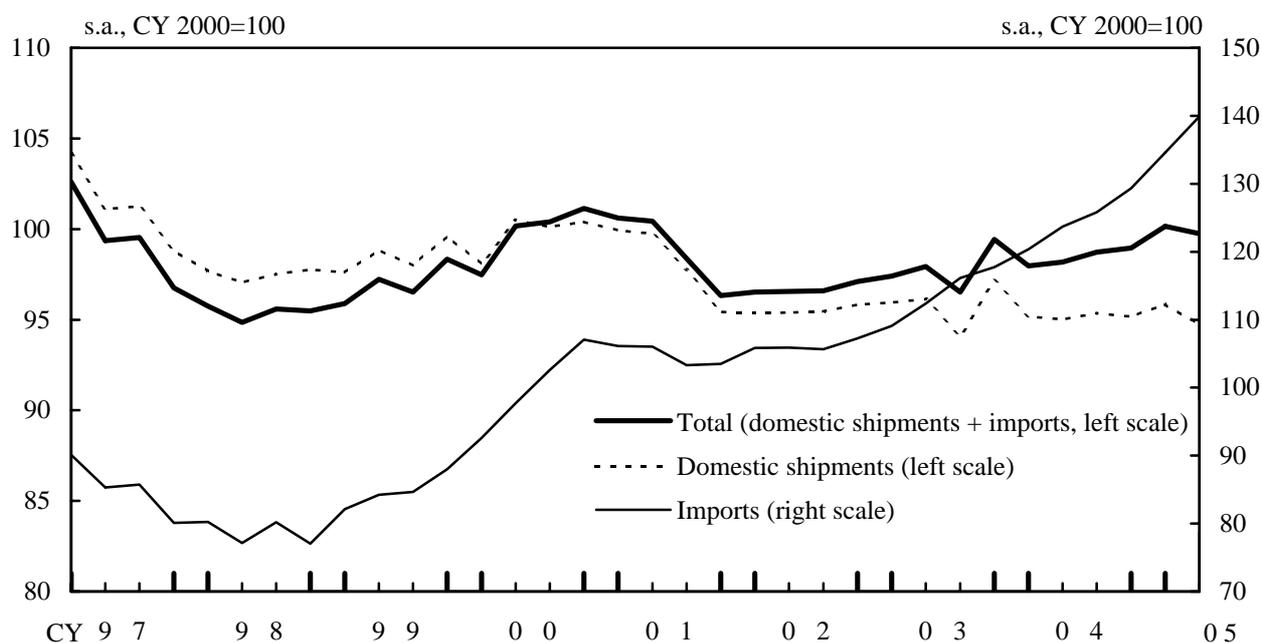


- Notes: 1. Indices of aggregated sales are the weighted sum of *Sales at department stores and supermarkets*; *New passenger-car registrations*; *Sales of household electrical appliances*; *Outlays for travel*; and *Sales of food service industry*, where the weights come from household expenditure in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

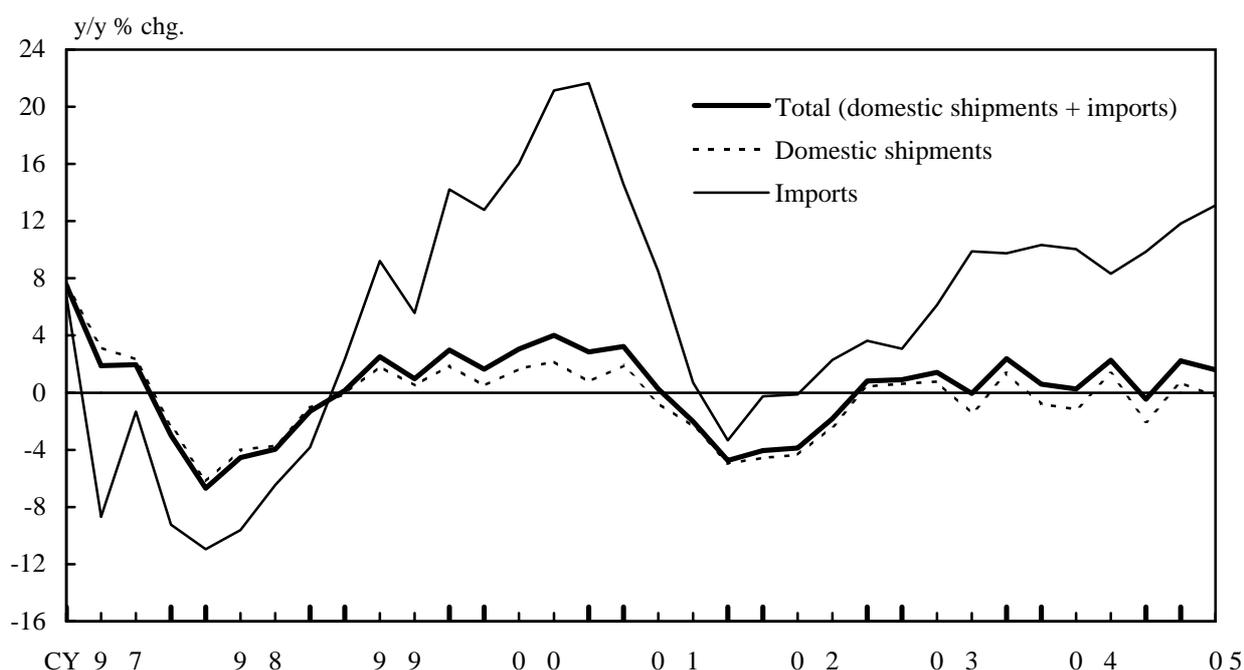
Source: Bank of Japan, "Indices of Aggregated Sales."

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

(1) Level



(2) Changes from a year earlier



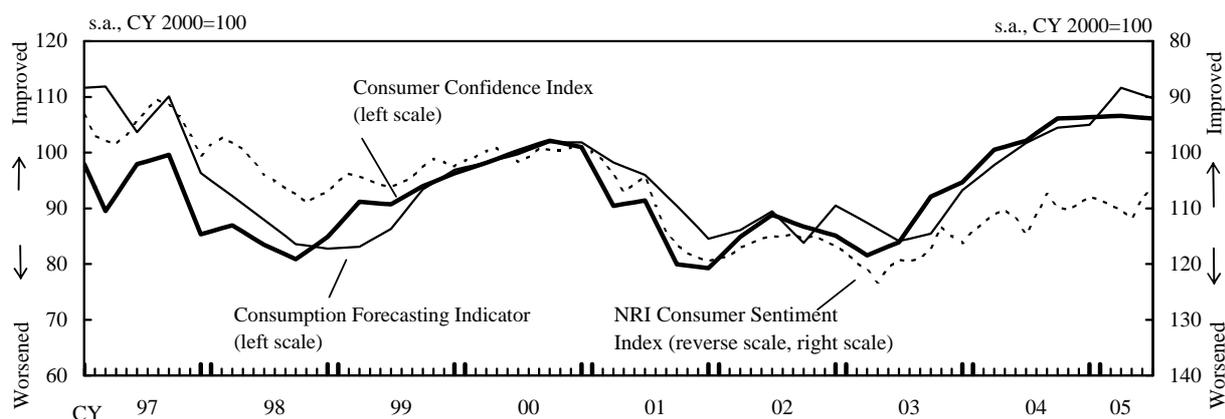
Notes: 1. Aggregate supply of consumer goods is calculated by the Bank of Japan using shipments of consumer goods in *Indices of Industrial Production* and real exports and imports of consumer goods. The weights used for calculation are those of *Indices of Industrial Domestic Shipments and Imports*.

2. Figures of "Imports" are calculated from real imports of consumer goods. Real imports of consumer goods; motor vehicles, computers and the parts, parts of audio and visual apparatus, foodstuffs, textile, and clothing and the accessories.
3. Year-on-year changes are calculated from seasonally adjusted series.

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

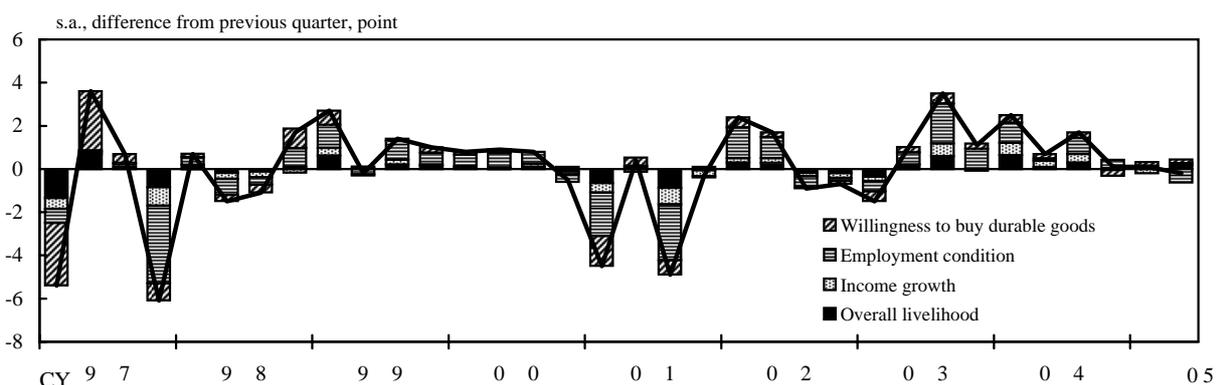
Consumer Confidence

(1) Surveys on Consumer Confidence

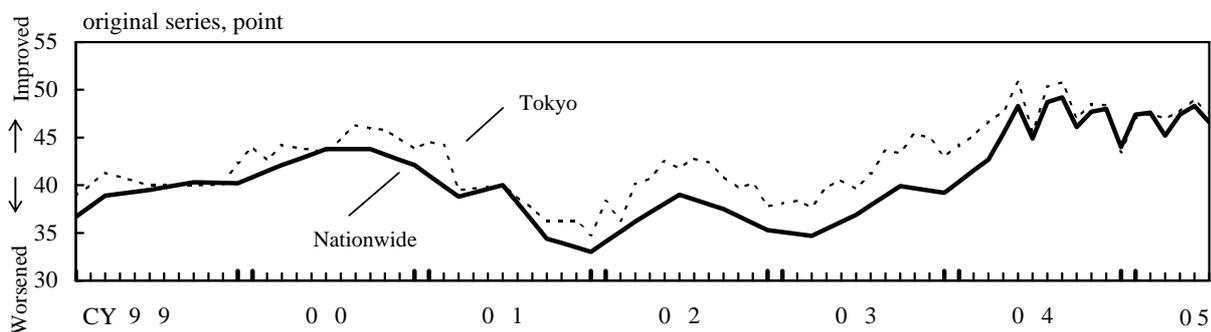


- Notes: 1. Seasonally adjusted by X-11. "Consumer Confidence Index" is seasonally adjusted by the Cabinet Office. "Consumption Forecasting Indicator" is seasonally adjusted using quarterly figures because the survey is quarterly until 2004.
2. Consumer Confidence Index (with 5,040 samples in a nationwide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

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



(3) Consumer Confidence Index (Monthly)



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

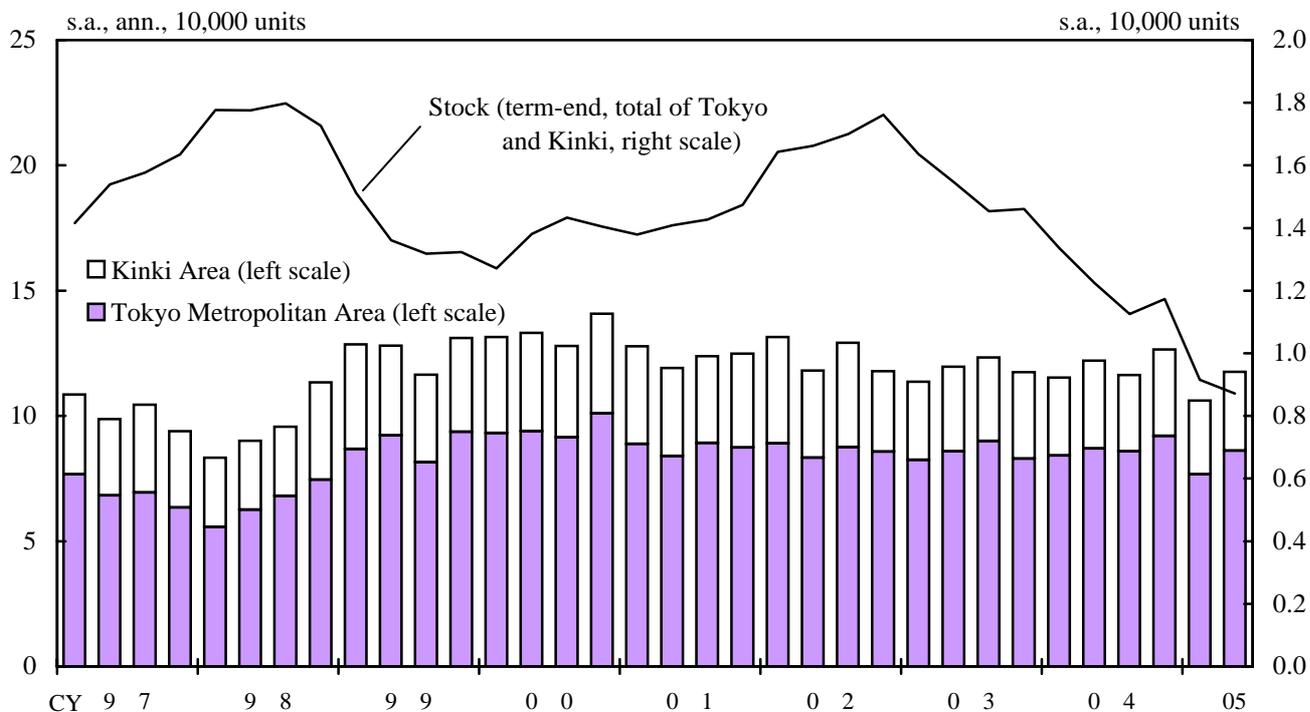
Sources: Cabinet Office, "Consumer Confidence Survey"; Nippon Research Institute (NRI), "Consumer Sentiment Survey"; Nikkei Research Institute of Industry and Markets (NIKKEI RIM), "Consumption Forecasting Indicator."

Indicators for Housing Investment

(1) Housing Starts



(2) Sales of Condominiums

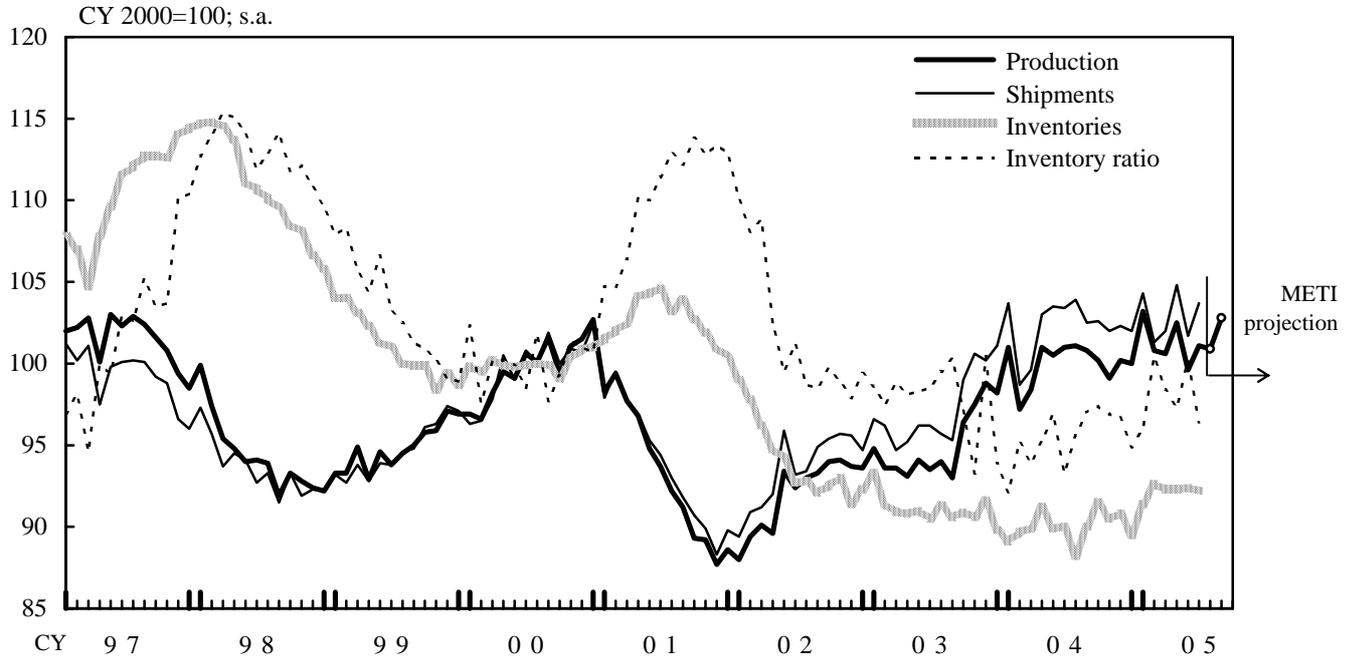


Notes: Seasonally adjusted by X-12-ARIMA.

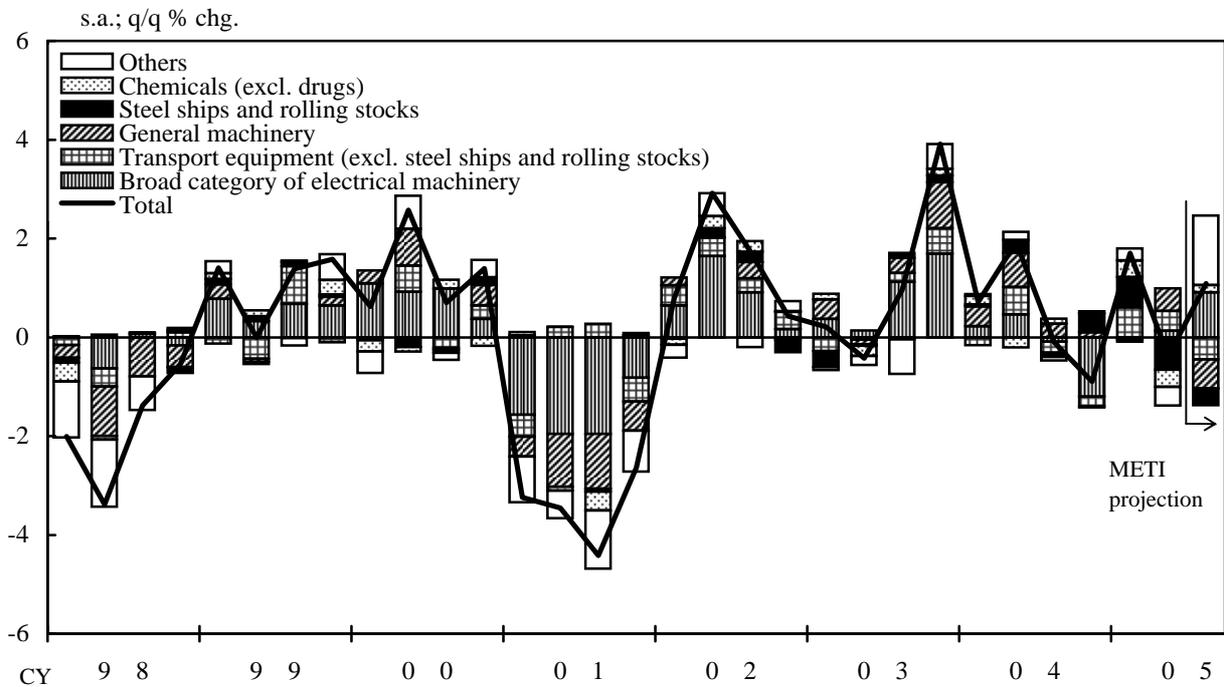
Sources: Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts," etc.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industries



Notes: 1. "Steel ships and rolling stocks" is calculated as the difference between "Transport equipment" and "Transport equipment excluding steel ships and rolling stocks."

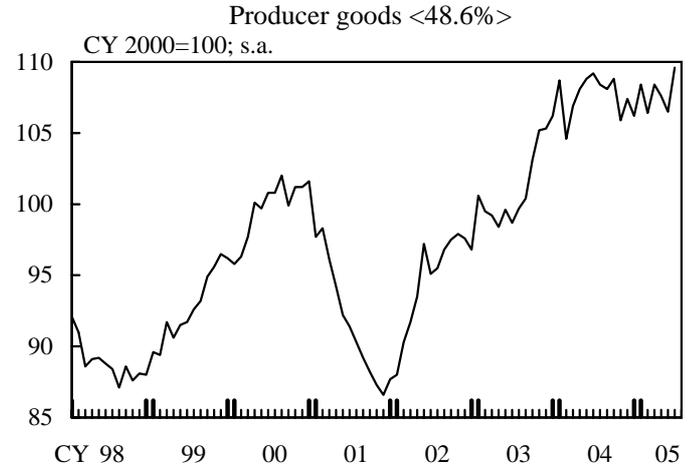
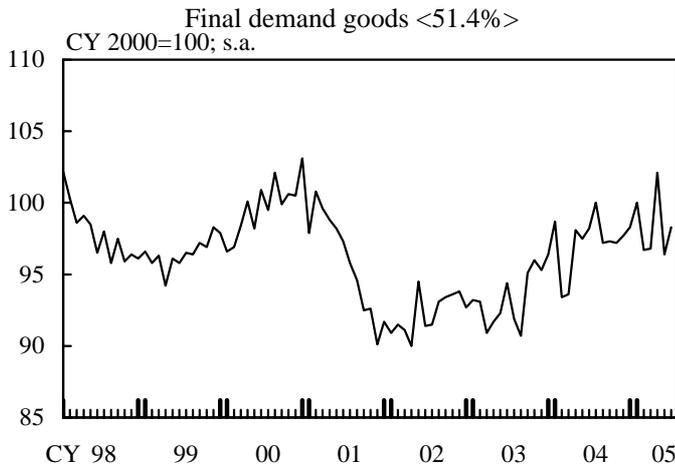
"Broad category of electrical machinery" is the weighted sum of "electrical machinery," "information and communication electronics equipment" and "electronic parts and devices."

2. 2005/Q3 figures are based on the assumption that production level in Sept. is the same as that of Aug.

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

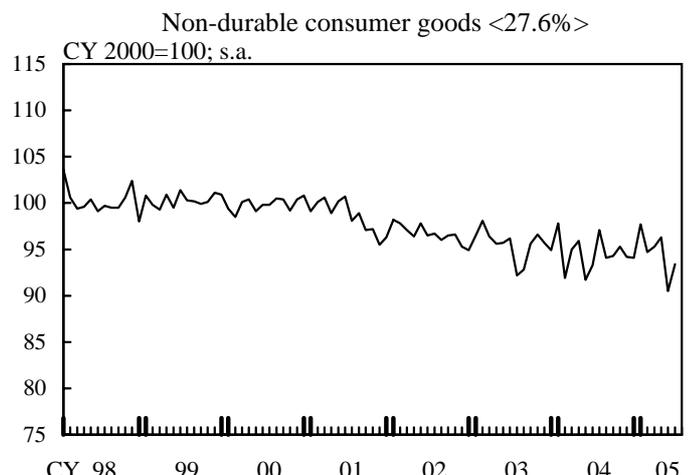
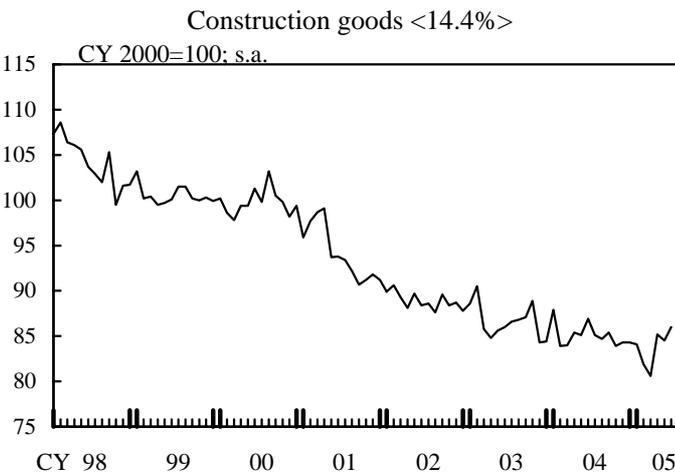
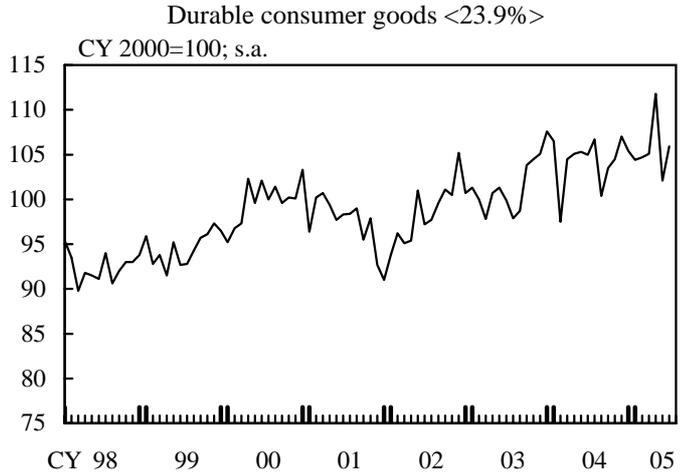
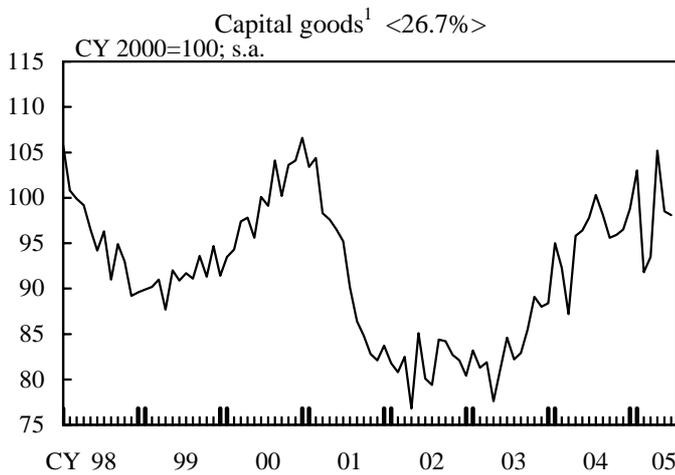
Shipments breakdown by type of goods

(1) Final demand goods and Producer goods



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

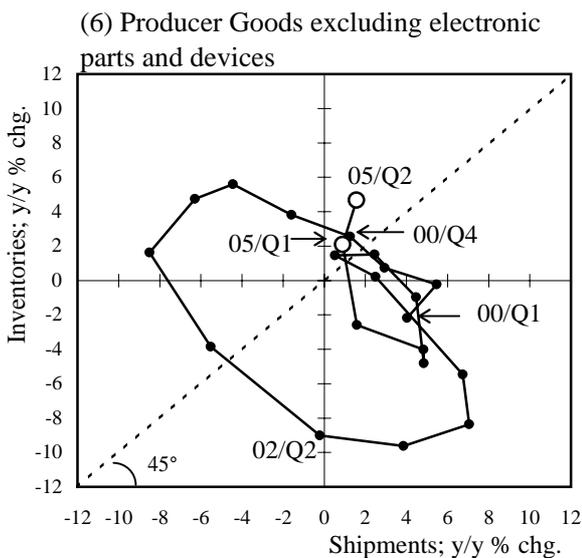
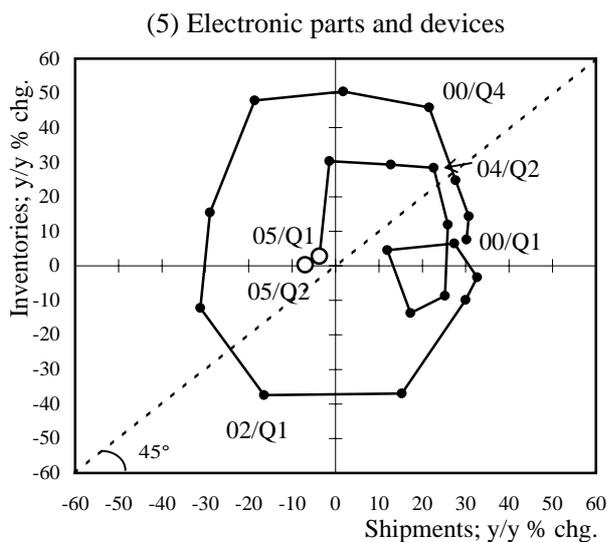
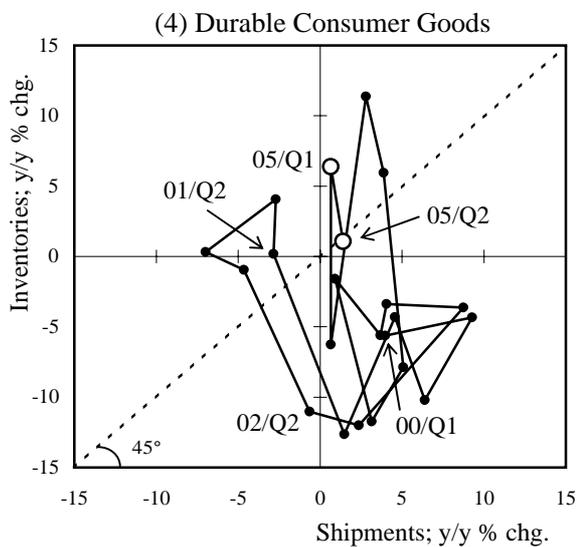
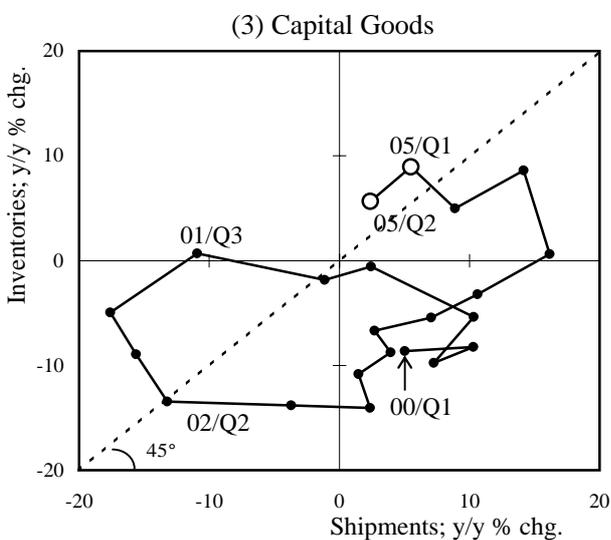
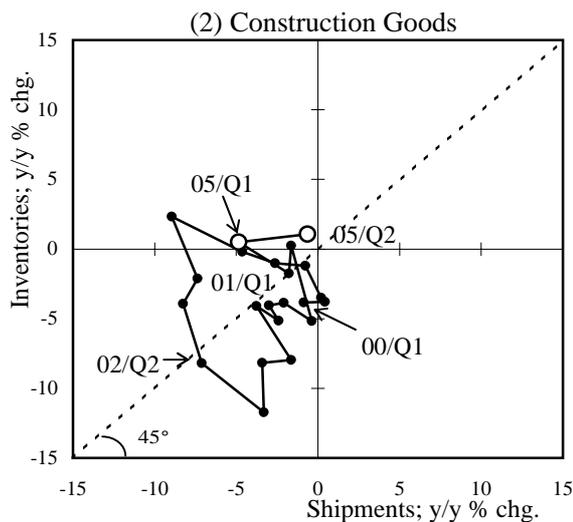
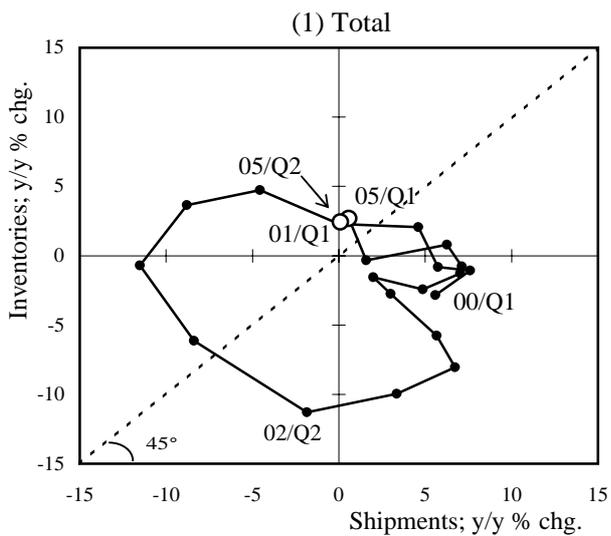
(2) Breakdown of final demand goods



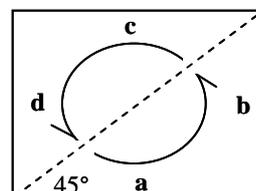
Notes: 1. Excluding transport equipment.
2. Shares of shipments of final demand goods are shown in angle brackets.

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

Inventory Cycle

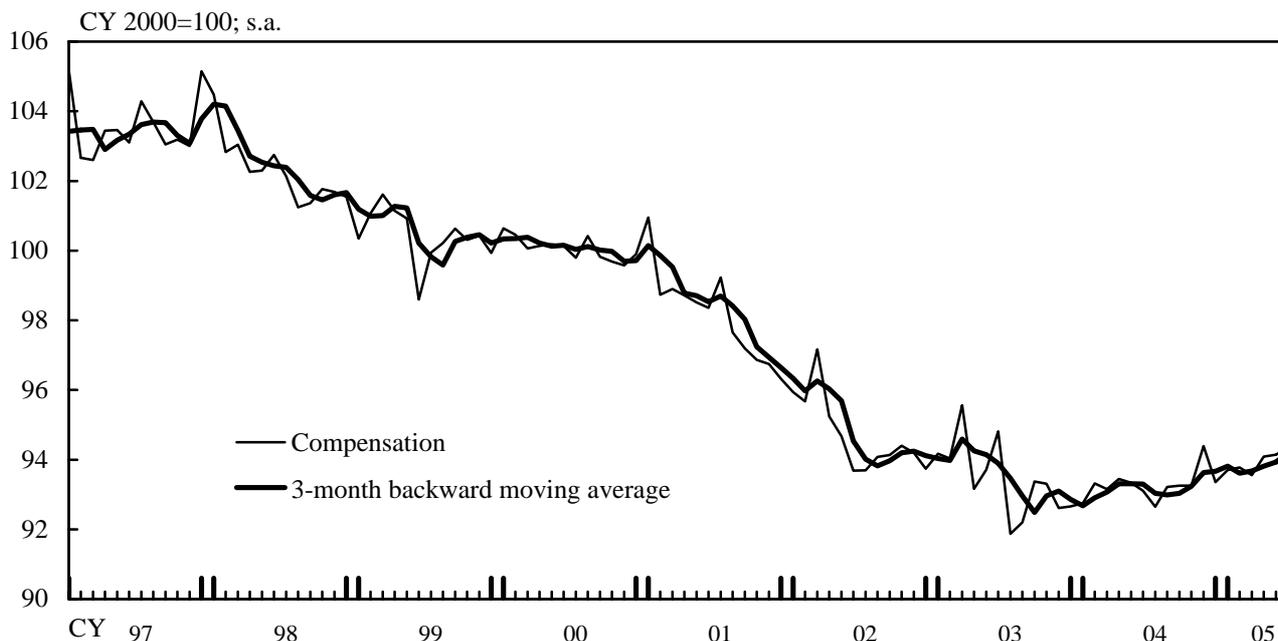


- a Shipment recovery phase
- b Intended inventory accumulation phase
- c Unintended inventory accumulation phase
- d Inventory adjustment phase



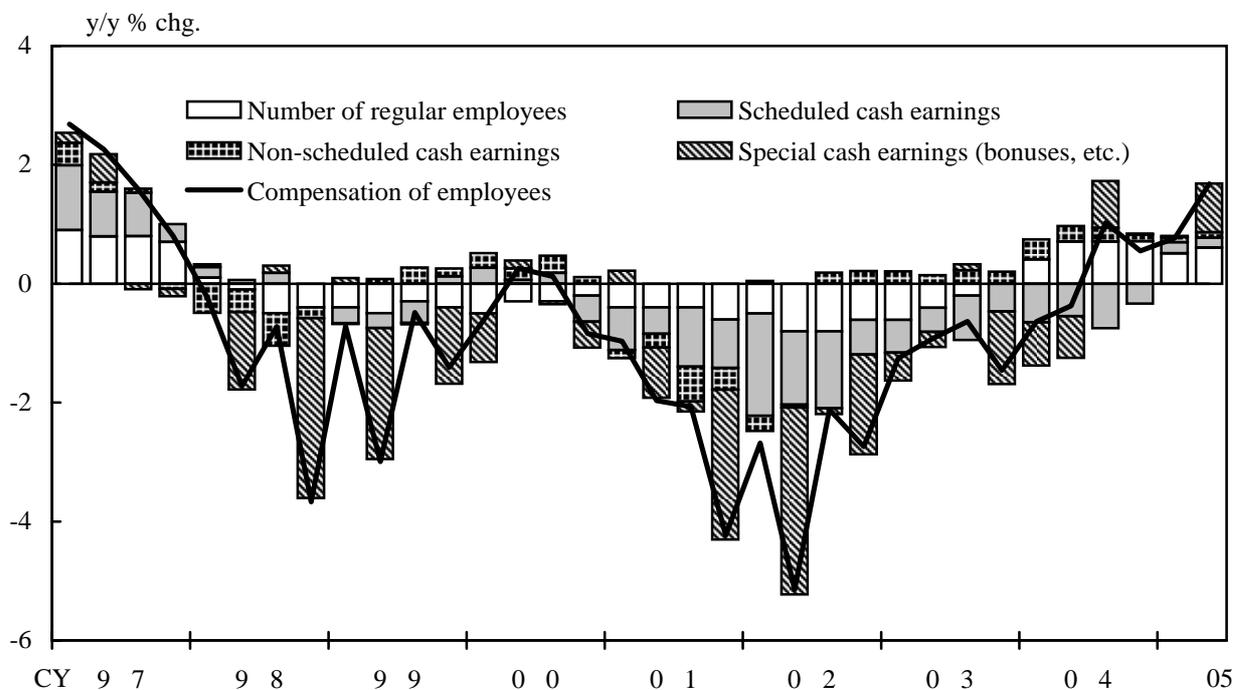
Compensation of Employees

(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.

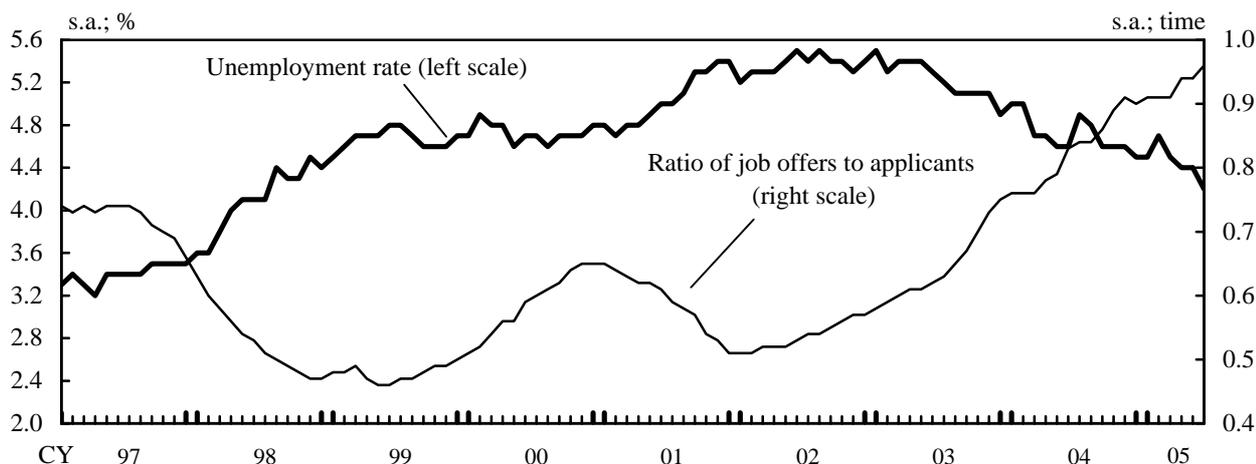
(2) Breakdown of Compensation



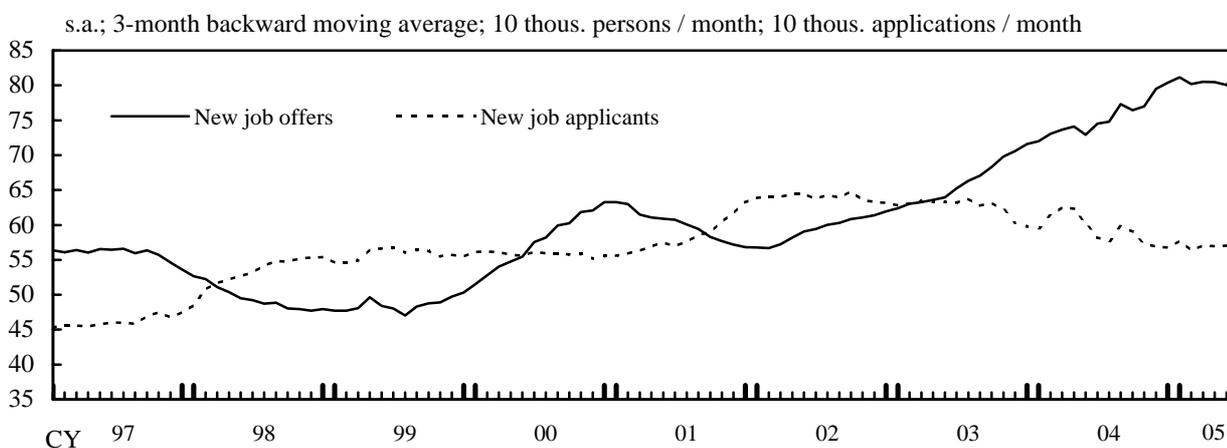
- Notes: 1. Data are for establishments with at least 5 employees.
 2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.
 3. Figures for 2005/Q2 are those of June.

Labor Market (1)

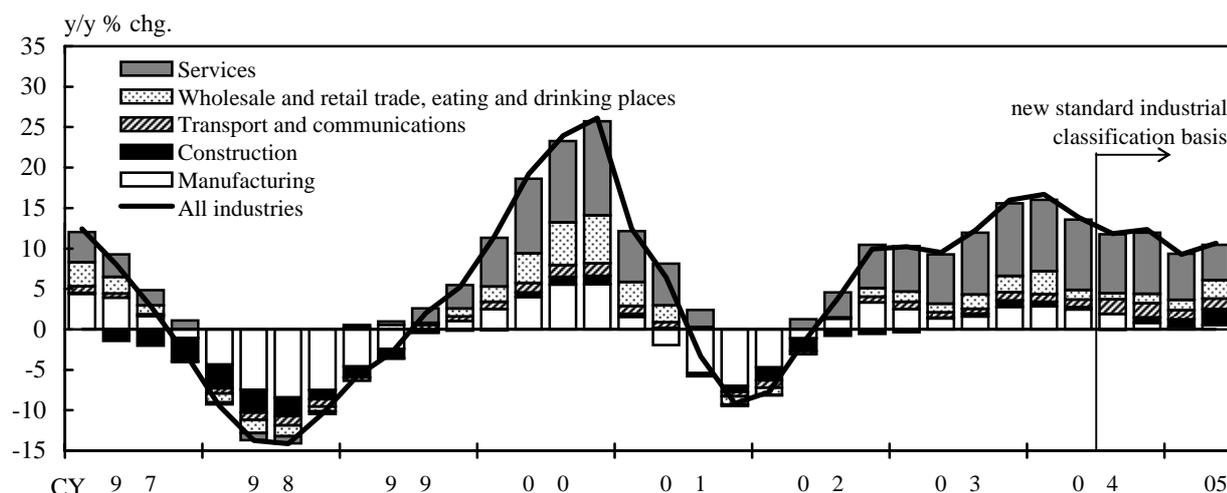
(1) Unemployment Rate and Ratio of Job Offers to Applicants



(2) New job offers and New job applicants¹



(3) Breakdown of New job offers¹

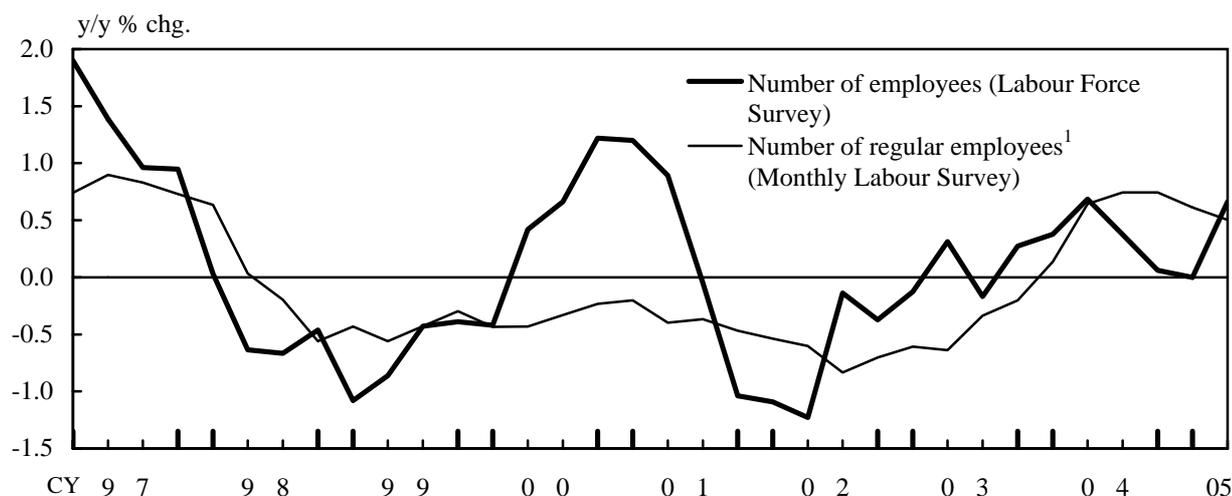


Notes: 1. Figures do not include jobs offered to new graduates, but include those offered to part-time workers.
 2. Figures up to 2004/Q2 are based on the previous Standard Industrial Classification. Figures from 2004/Q3 are based on new Standard Industrial Classification. To keep the continuation of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

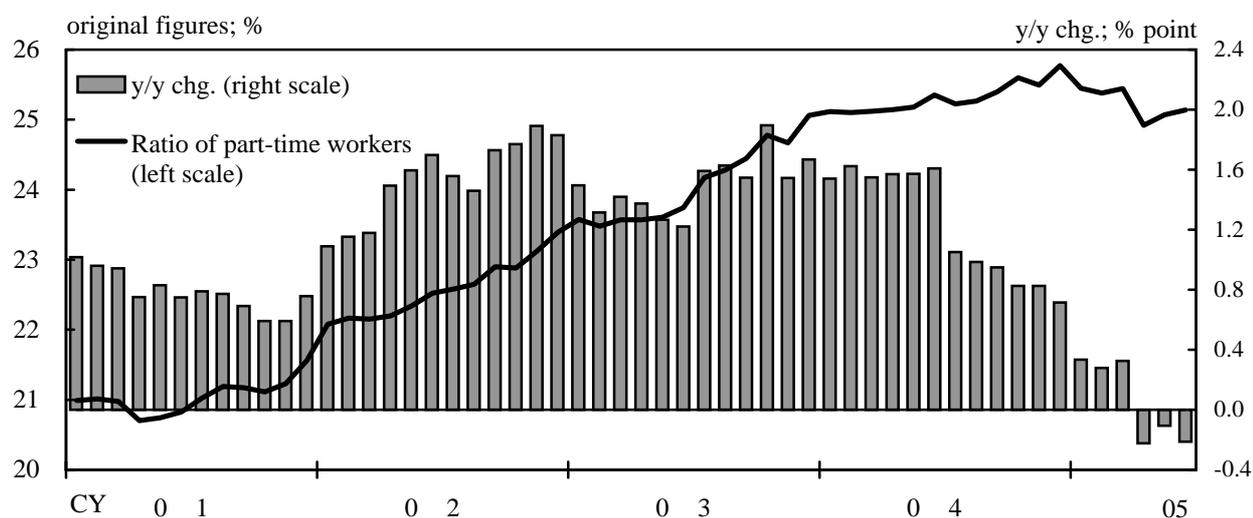
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service";
 Ministry of Internal Affairs and Communications, "Labour Force Survey."

Labor Market (2)

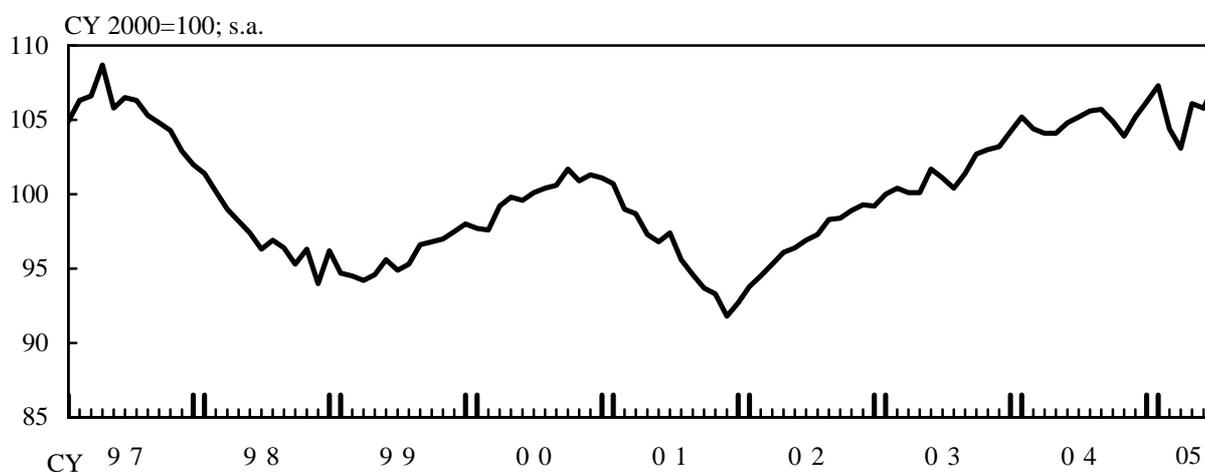
(1) Number of Employees



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



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



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

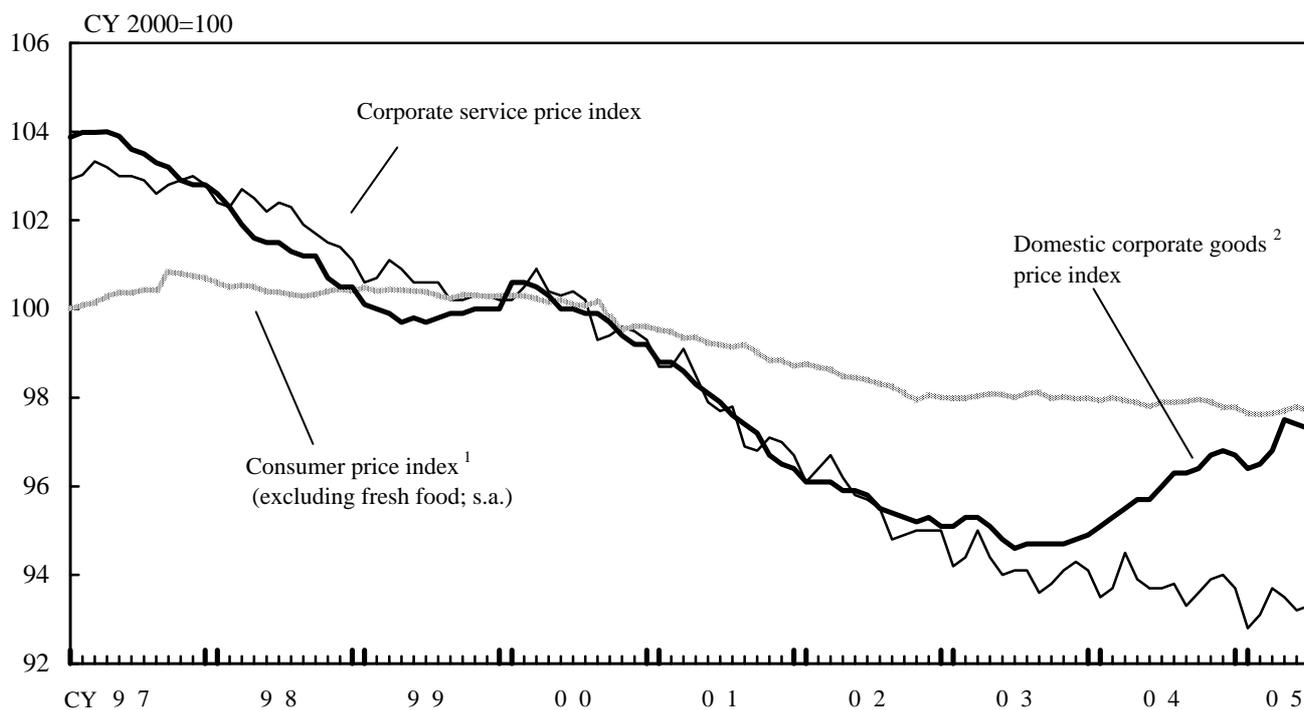
2. Ratio of part-time workers is calculated as number of part-time workers divided by number of regular employees times 100.

Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";

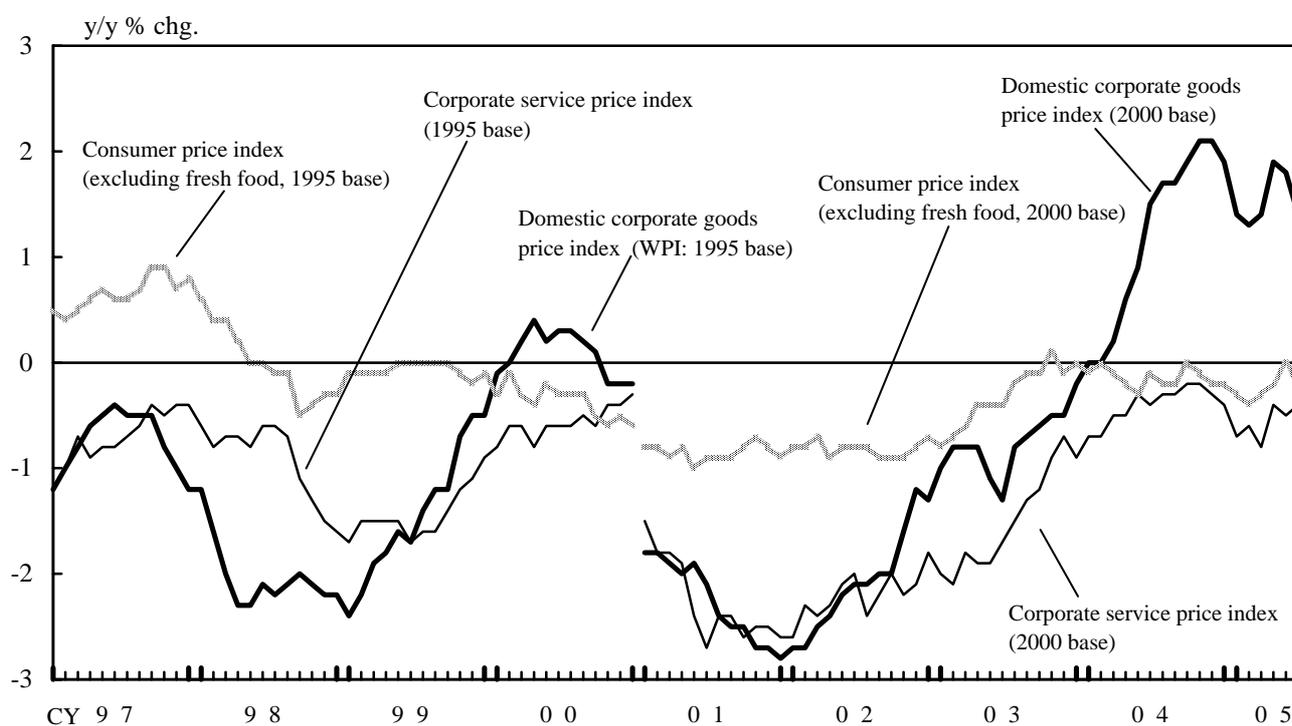
Ministry of Internal Affairs and Communications, "Labour Force Survey."

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.

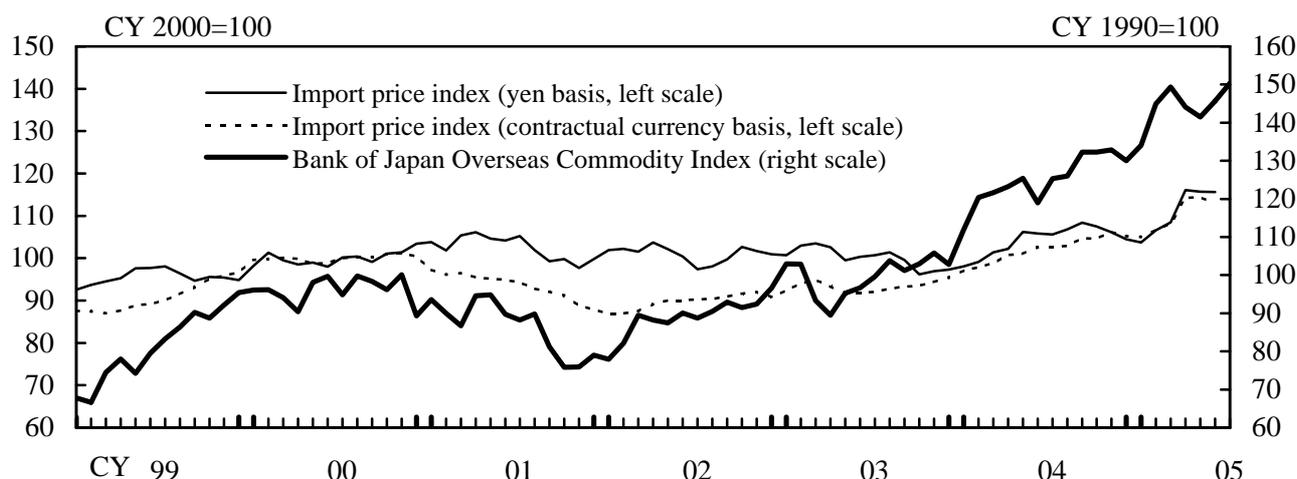
3. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

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

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

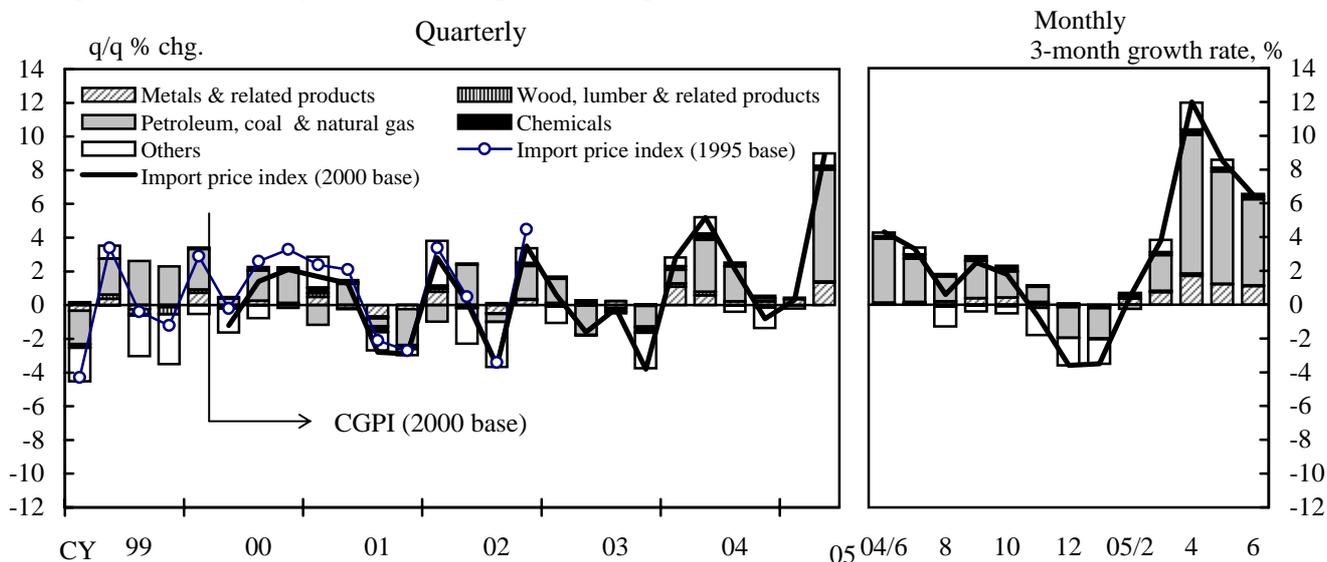
Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



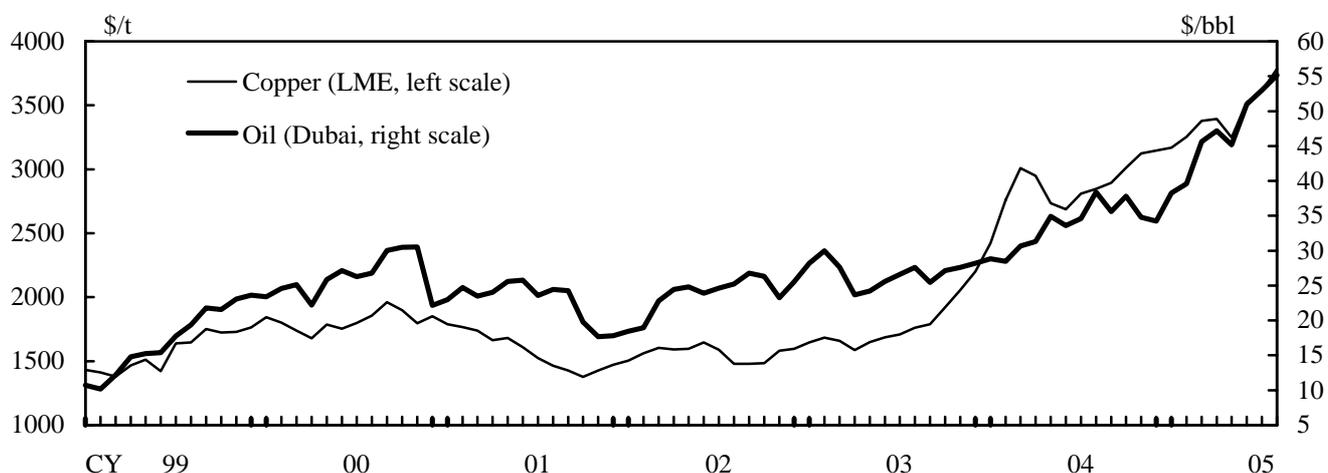
Note: Bank of Japan Overseas Commodity Index is the end of month figure.

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



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

(3) Oil price and Copper price

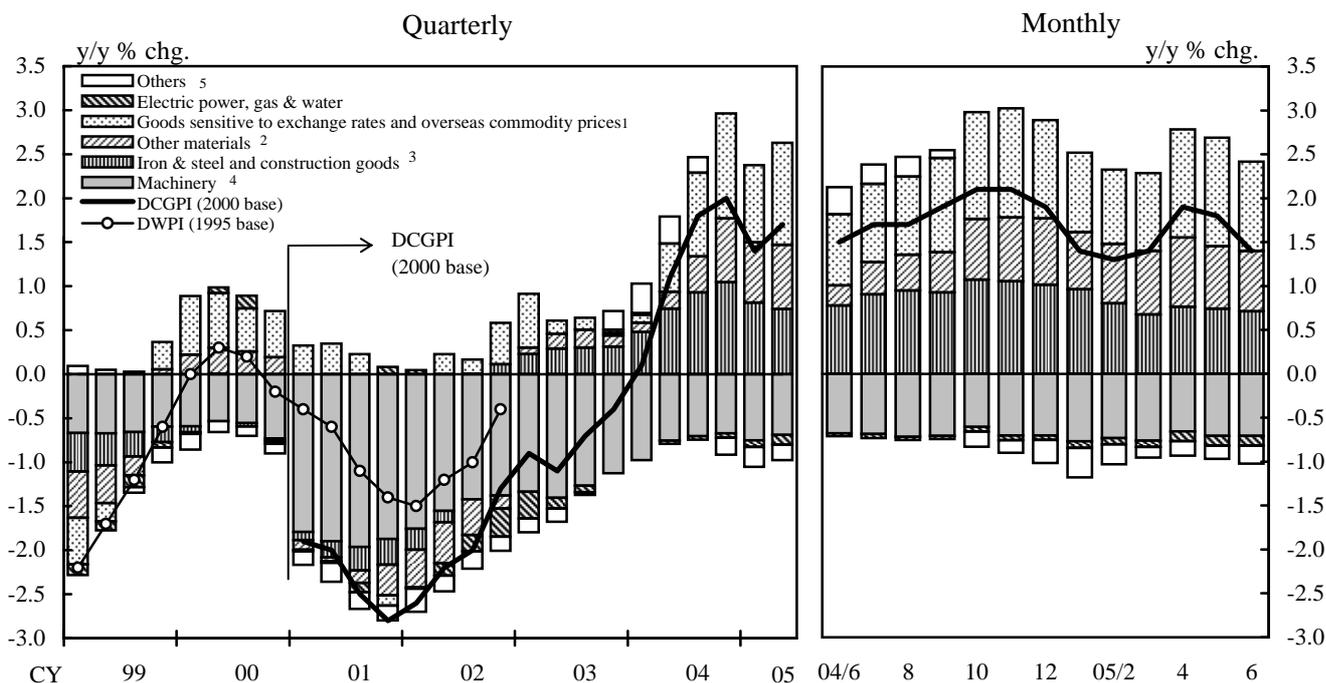
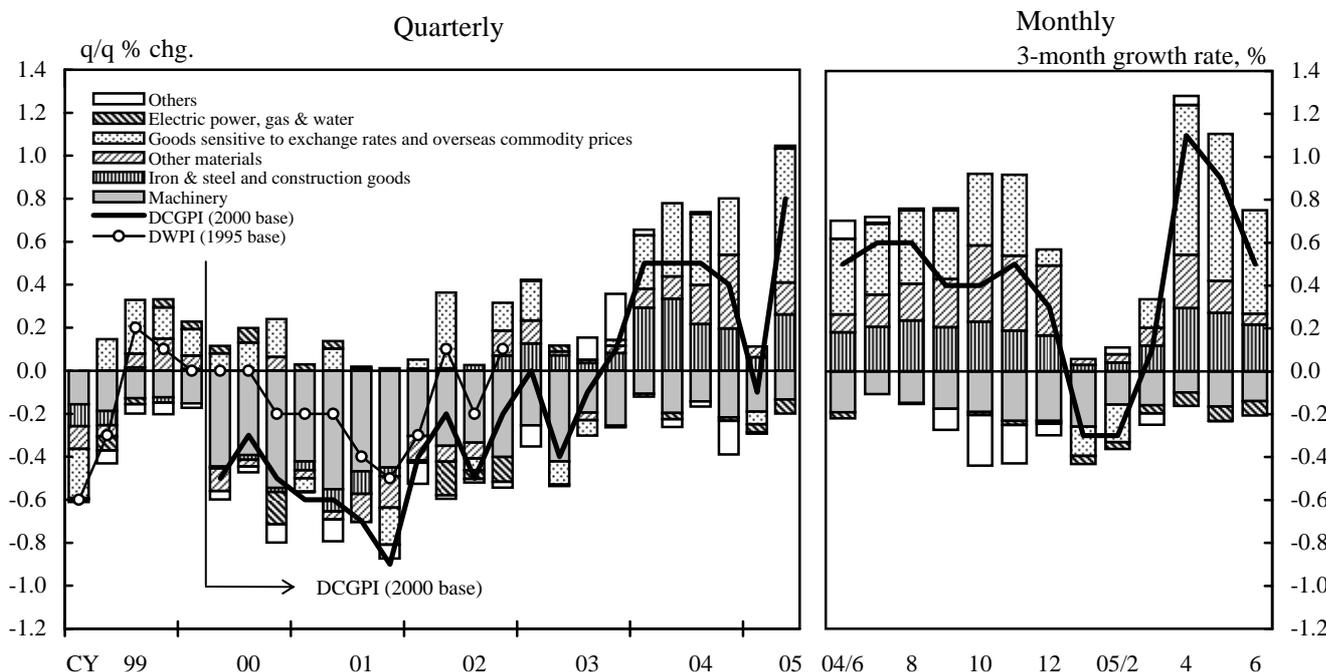


Note: Monthly averages. Figures for August 2005 are the averages up to August 8.

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

Domestic Corporate Goods Price Index⁷

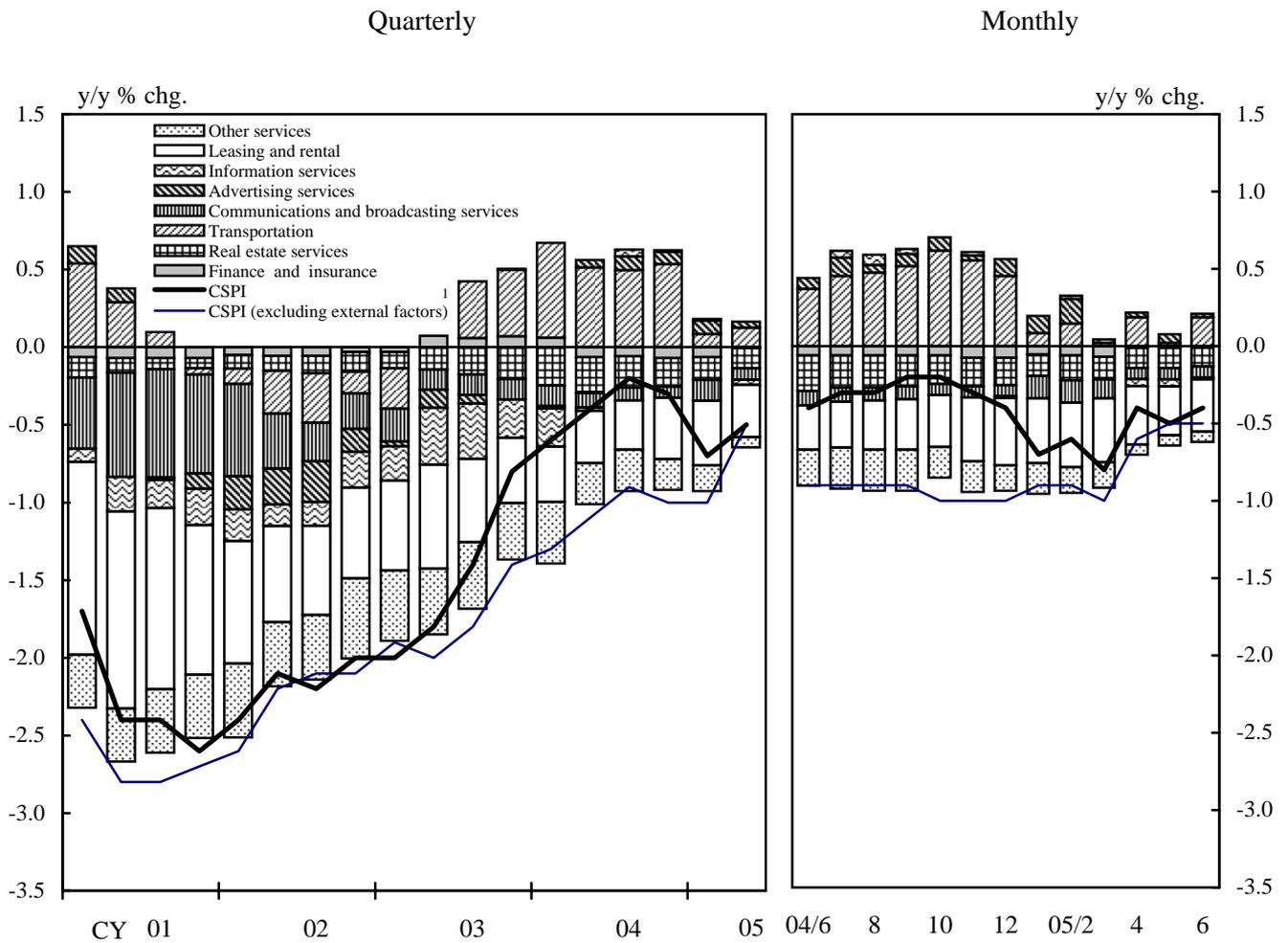
(1) Changes from a year earlier

(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. 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

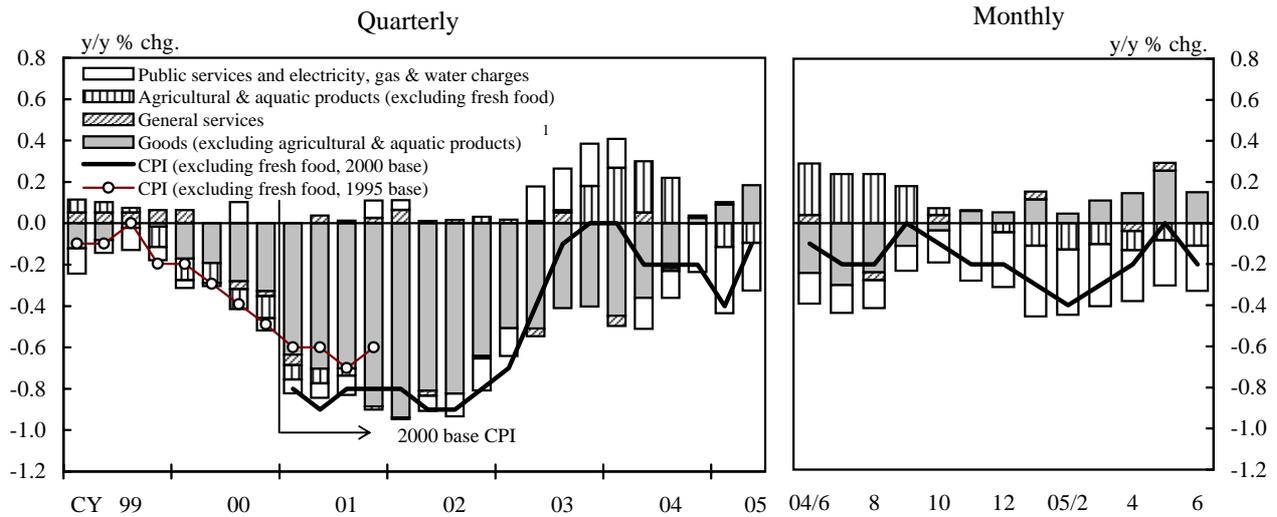


Note: 1. External factors: international air passenger transportation, ocean liner, ocean tramper, ocean tanker, oceangoing ship chartering services, and international air freight.

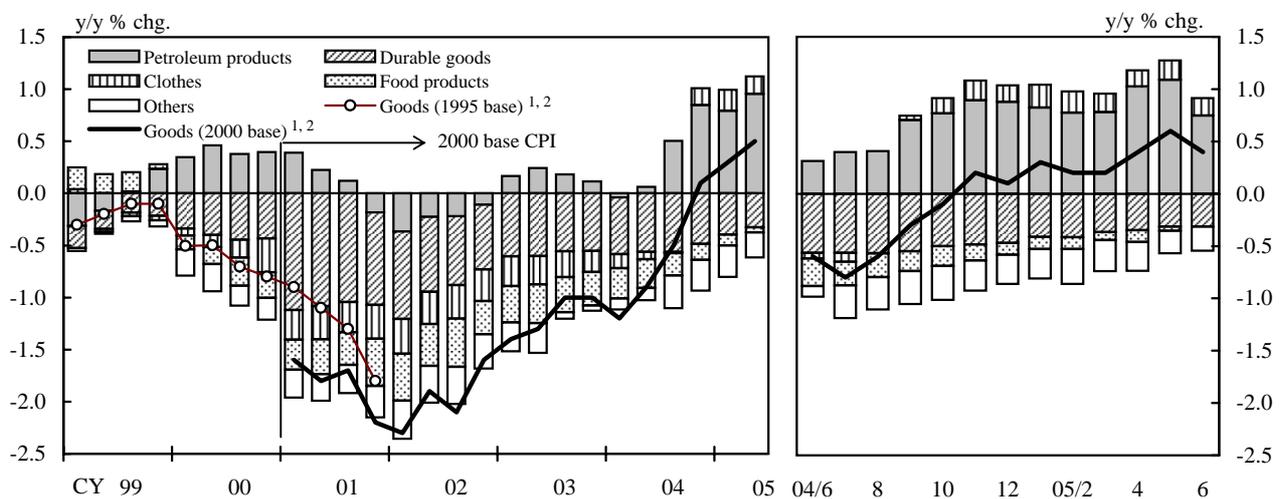
Source: Bank of Japan, "Corporate Service Price Index."

Consumer Price Index (excluding fresh food)

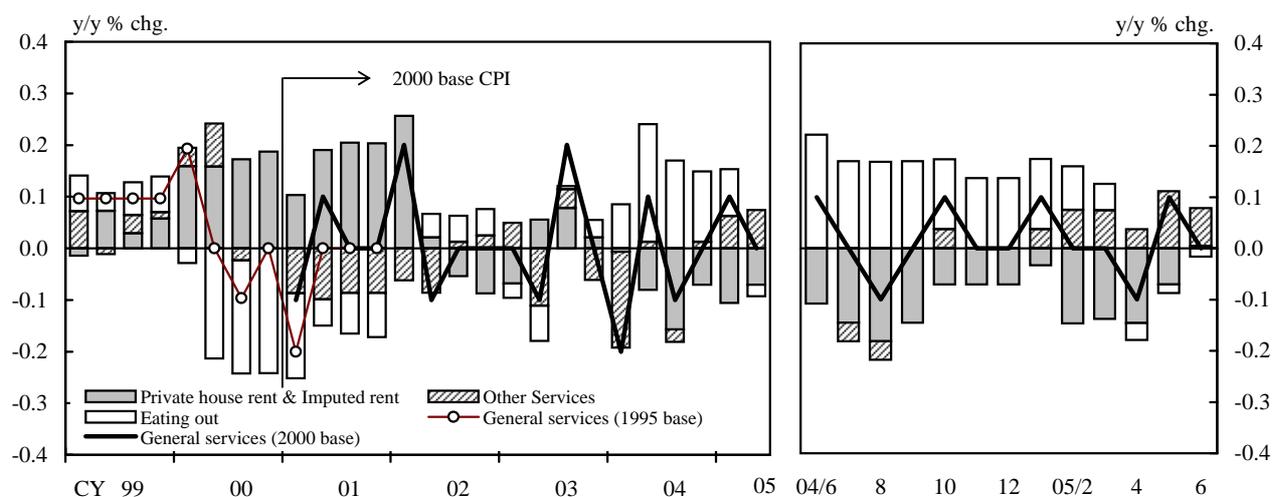
(1) Consumer price index (excluding fresh food)



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



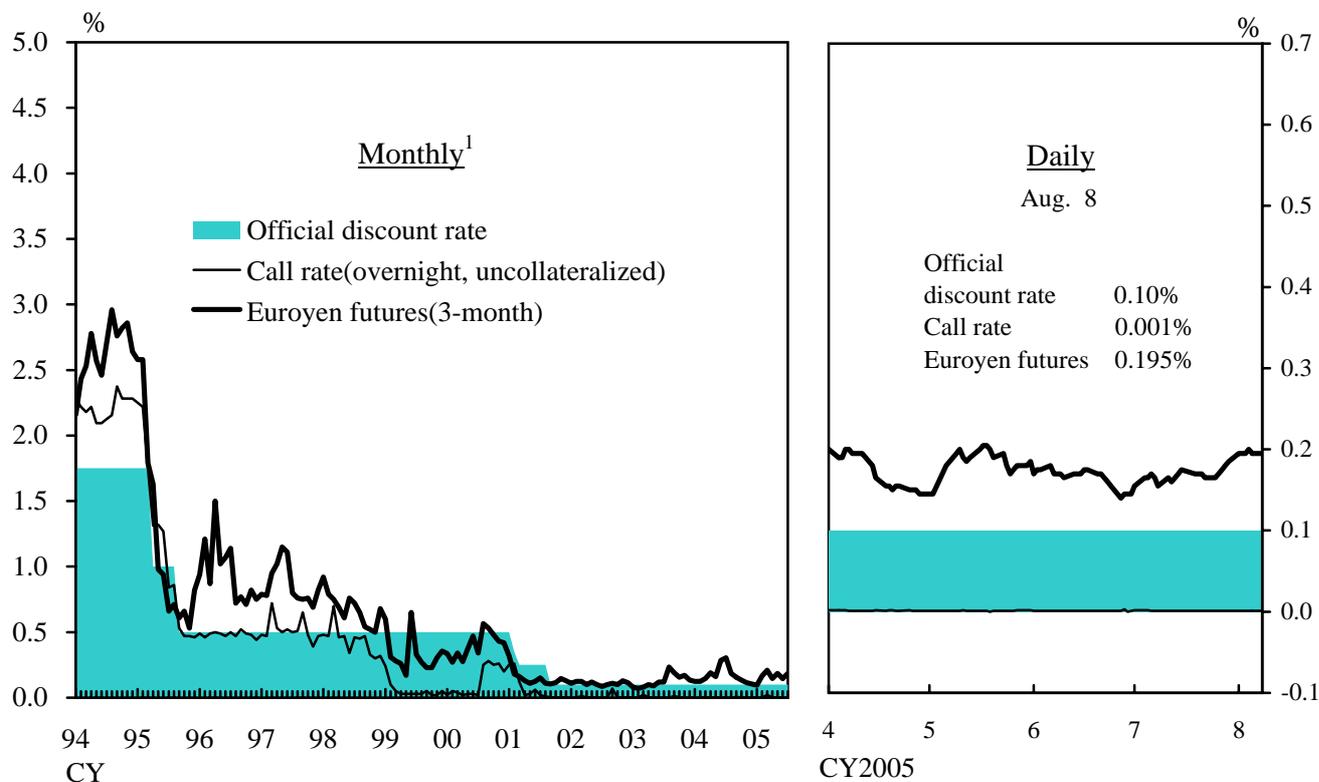
(3) General services



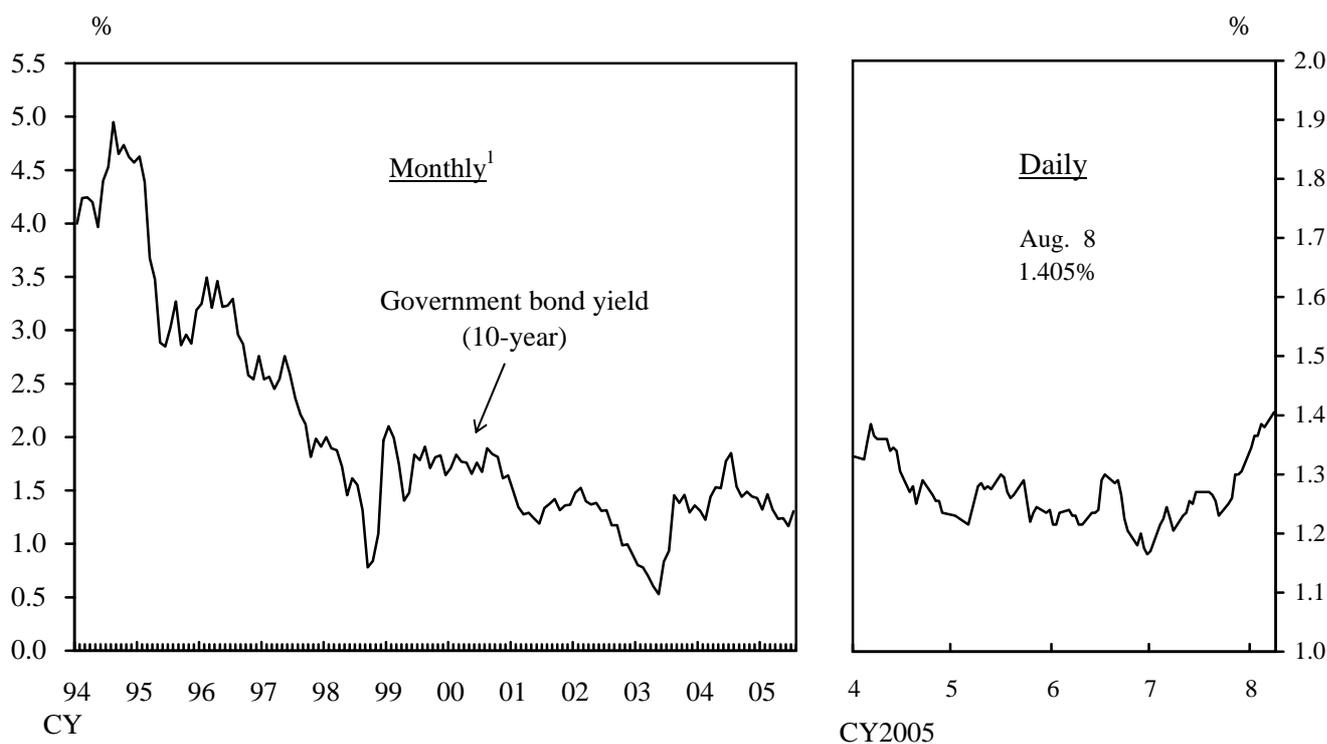
Notes: 1. The Items are basically the same as the definition published by the Ministry of Internal Affairs and Communications, however electricity, gas & water charges is excluded from goods.
 2. Excluding agricultural & aquatic products.

Interest Rates

(1) Short-Term



(2) Long-Term

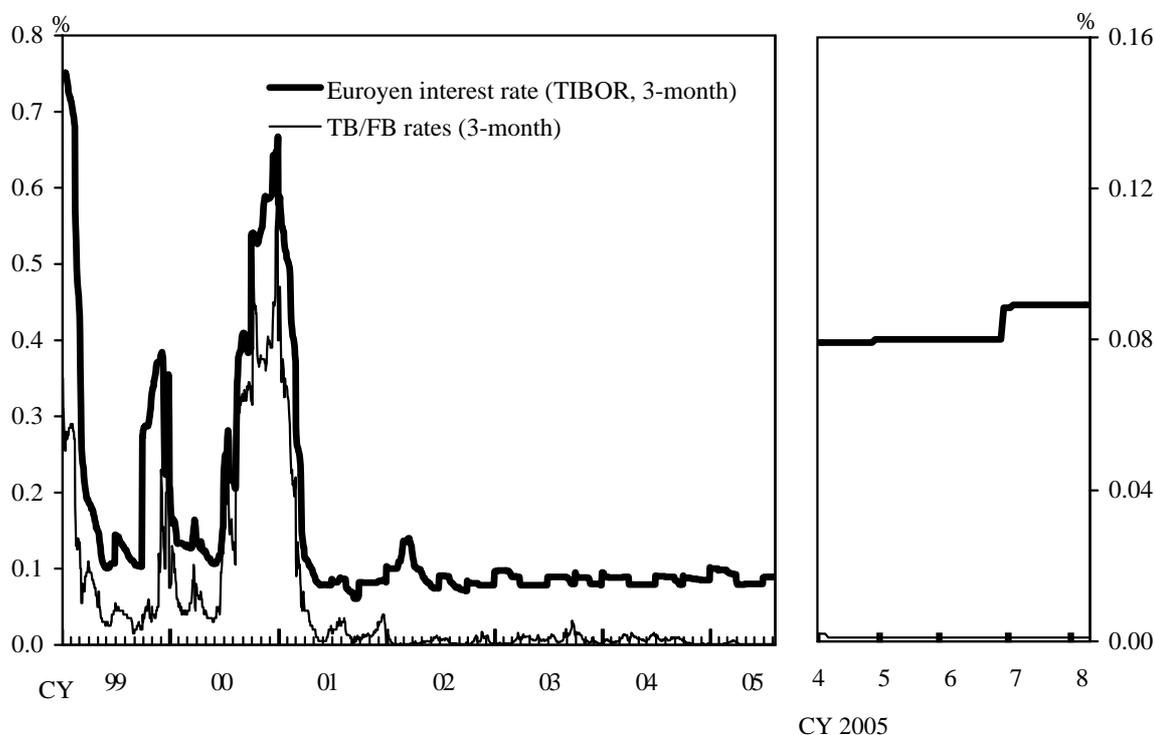


Note: 1. End of month.

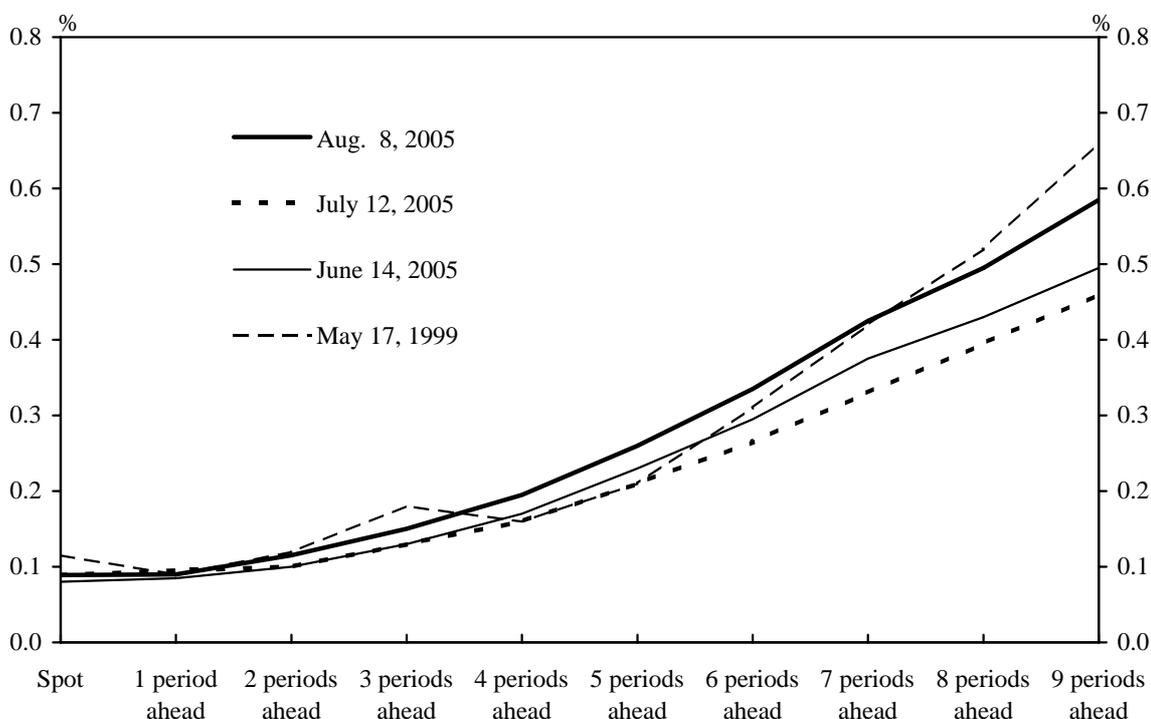
Sources: Bank of Japan; Tokyo Financial Exchange; Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments



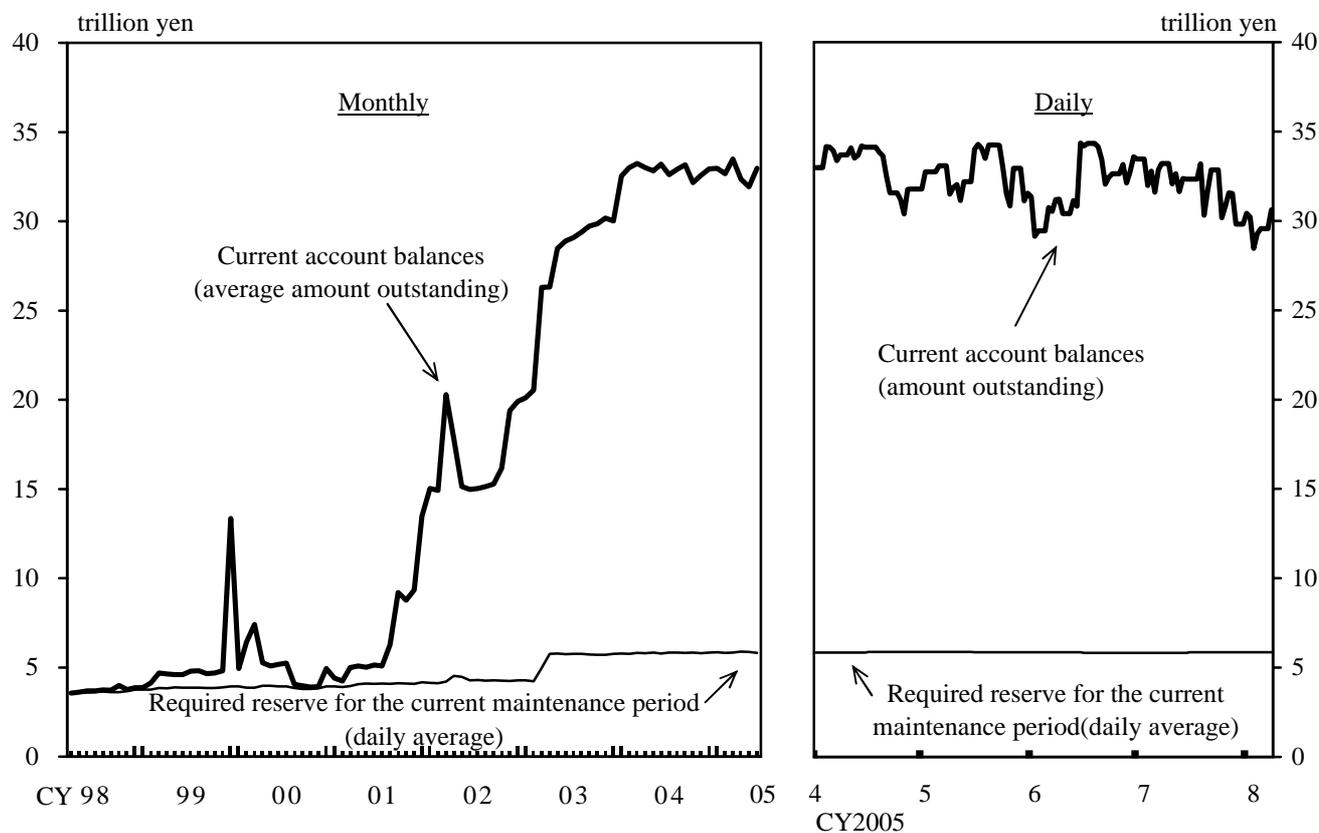
(2) Euroyen Interest Rates Futures (3-Month) ¹



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 Financial Exchange.

Current Account Balances at the Bank of Japan

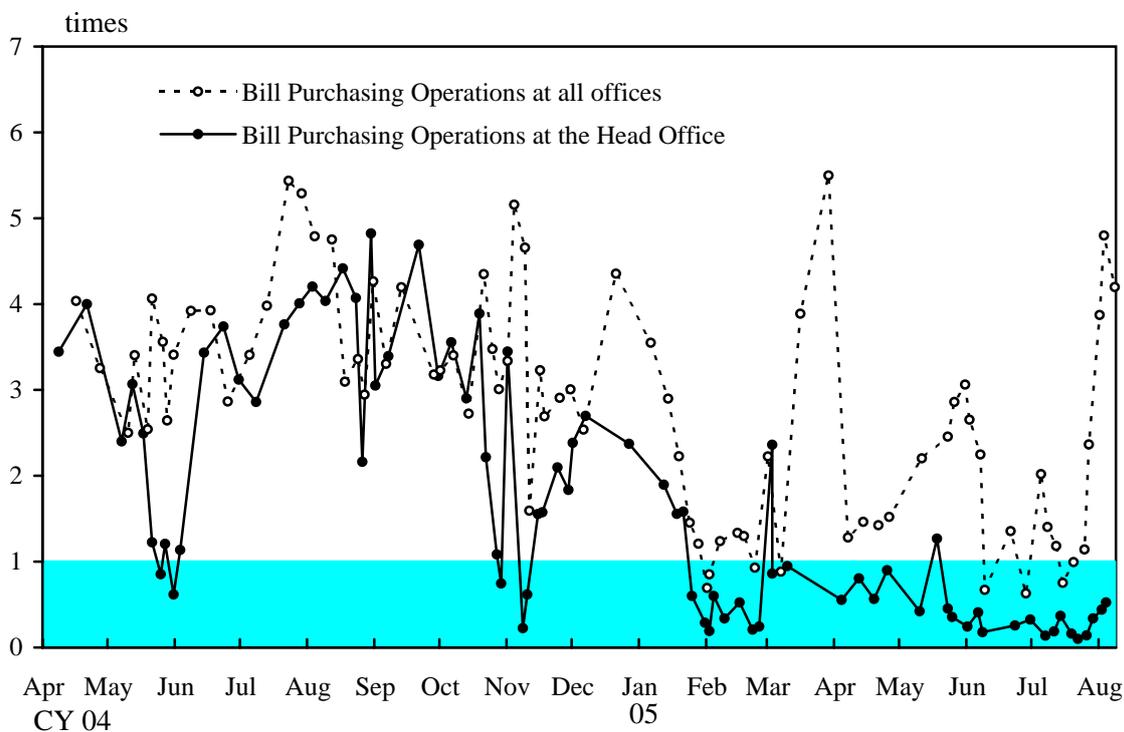


Note: From April 2003, the figures for current account balances and required reserve include the deposit of the Japan Post.

Source: Bank of Japan.

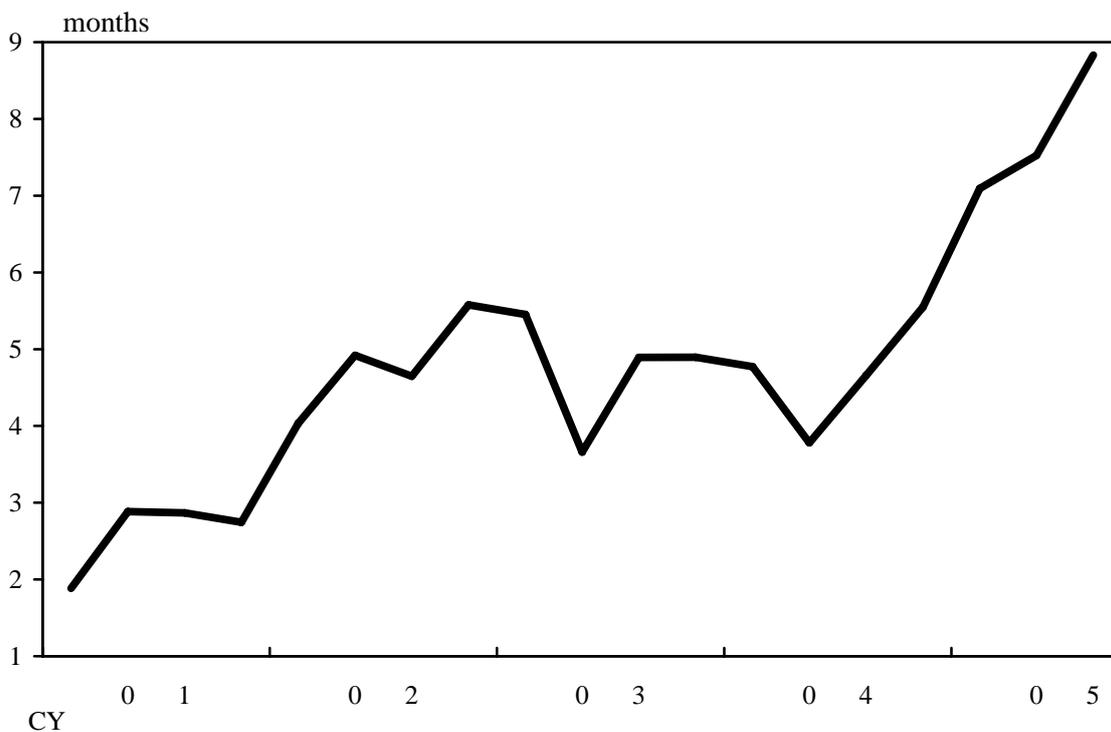
Funds-Supplying Operations

(1) Bid-to-Cover Ratio (Bill-Purchasing Operations)



Note: Based on the dates of offers.

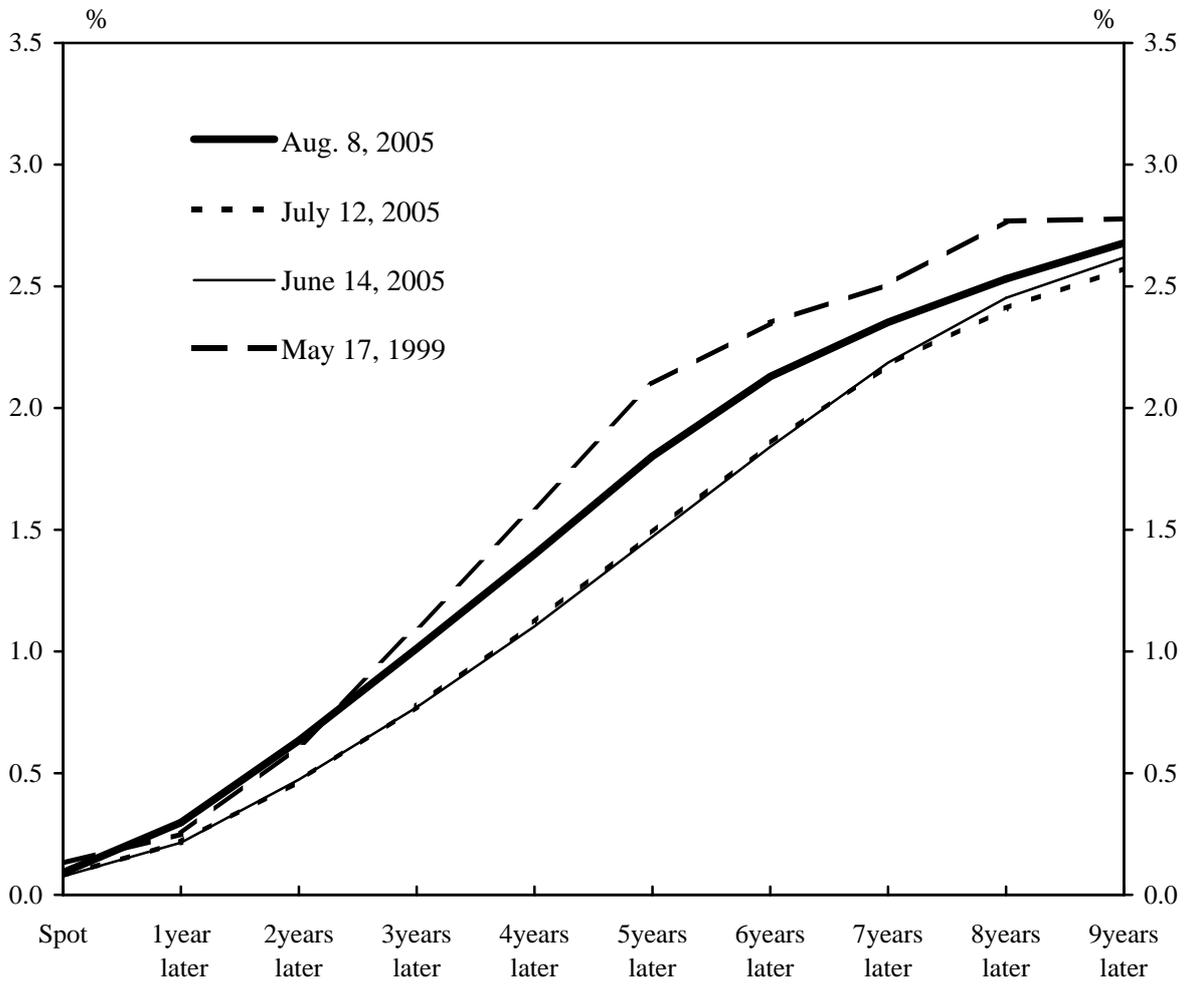
(2) Maturity of Bill-Purchasing Operations



Note: Figures are weighted average maturities of bill-purchasing operations offered during each quarter. The amounts of funds supplied are used as the weight.

Source: Bank of Japan.

Implied Forward Rates (1-year)

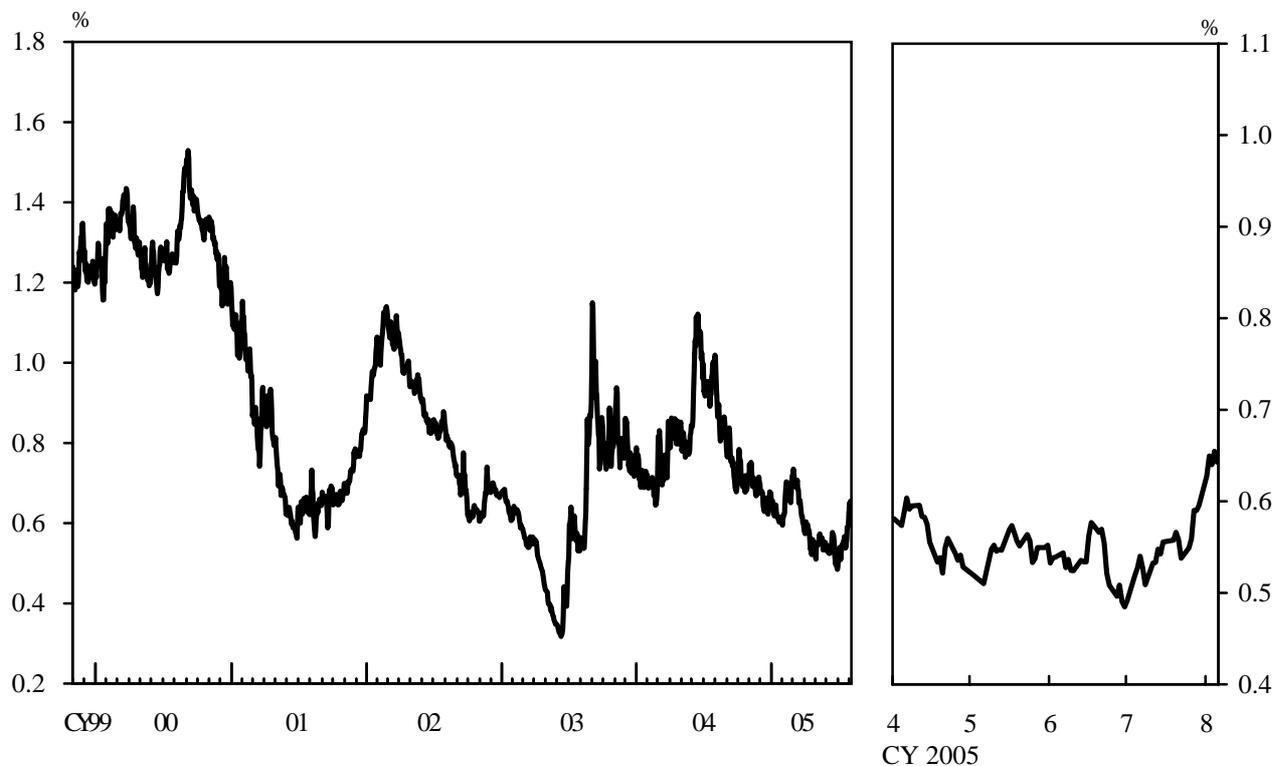


Note: Calculated from yen-yen swap rates.

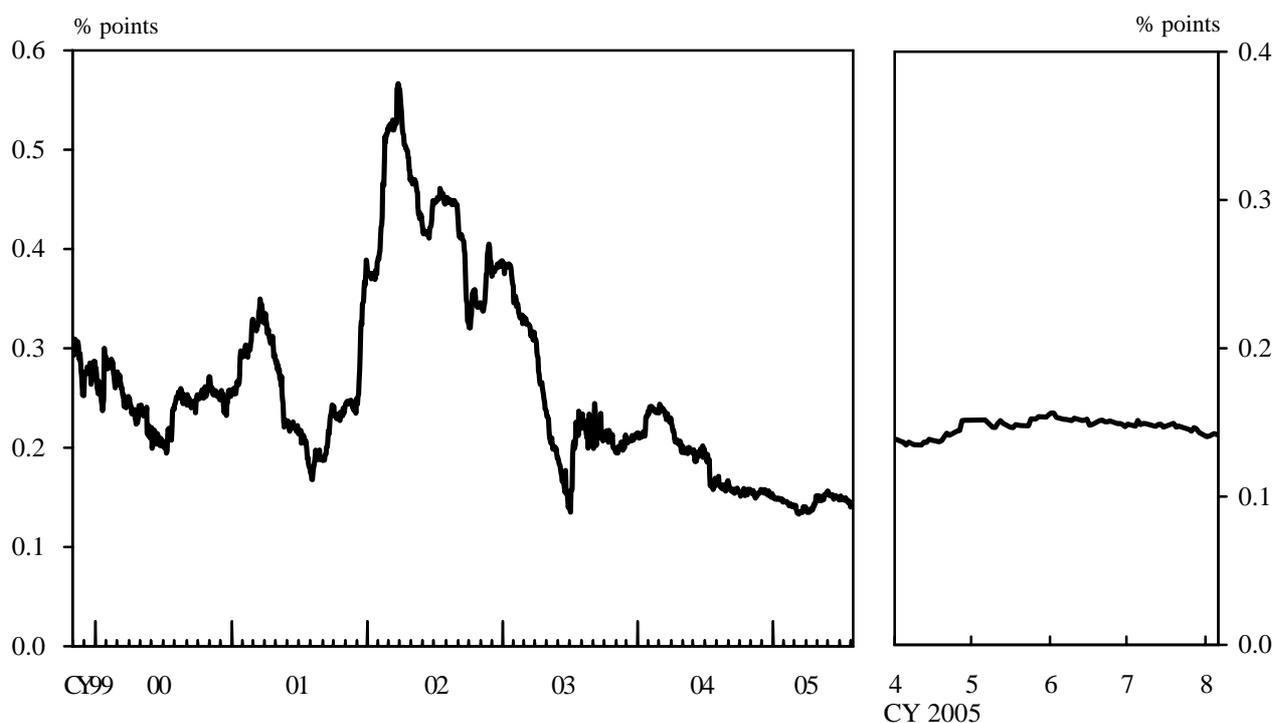
Source: Reuters.

Yields of Bank Bonds

(1) Average Bank Bond Yield



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



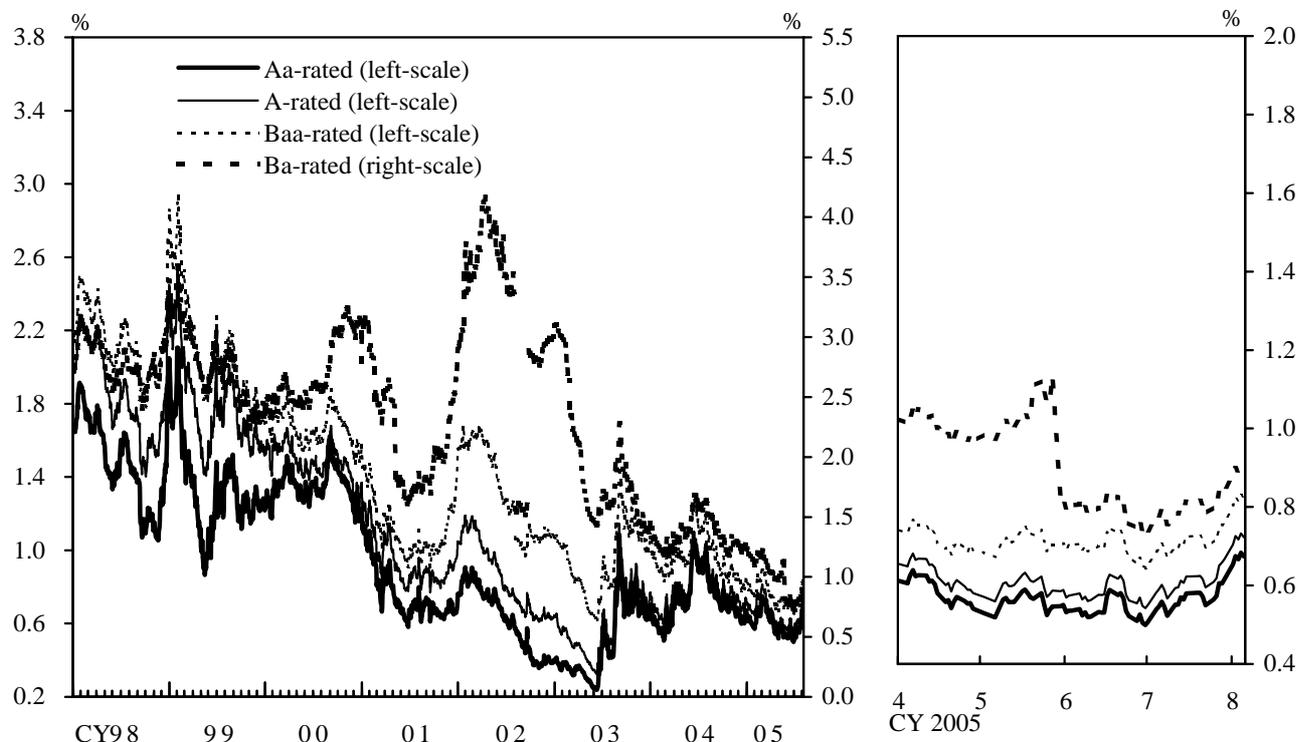
Notes: 1. Yields on bonds with 5-year maturity.

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

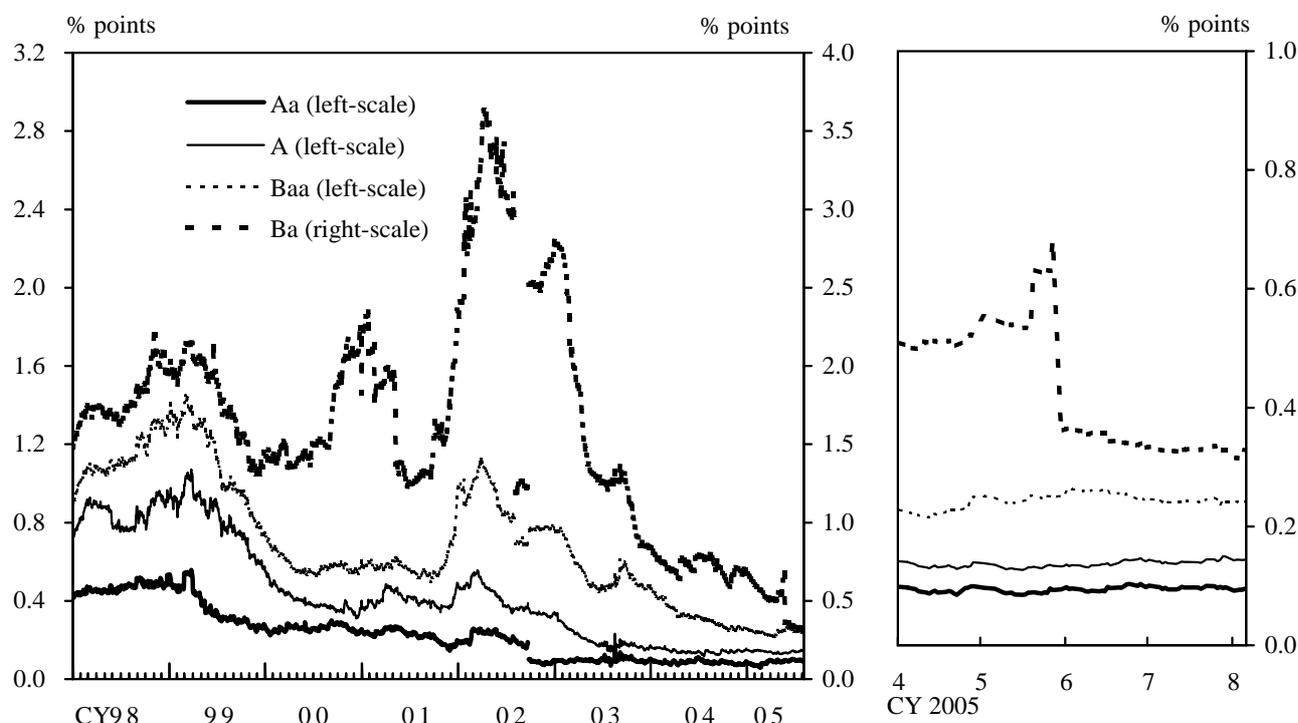
Sources: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."
 "Reference Price(Yields) Table for OTC Bond Transactions."

Yields of Corporate Bonds

(1) Corporate Bond Yields



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



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

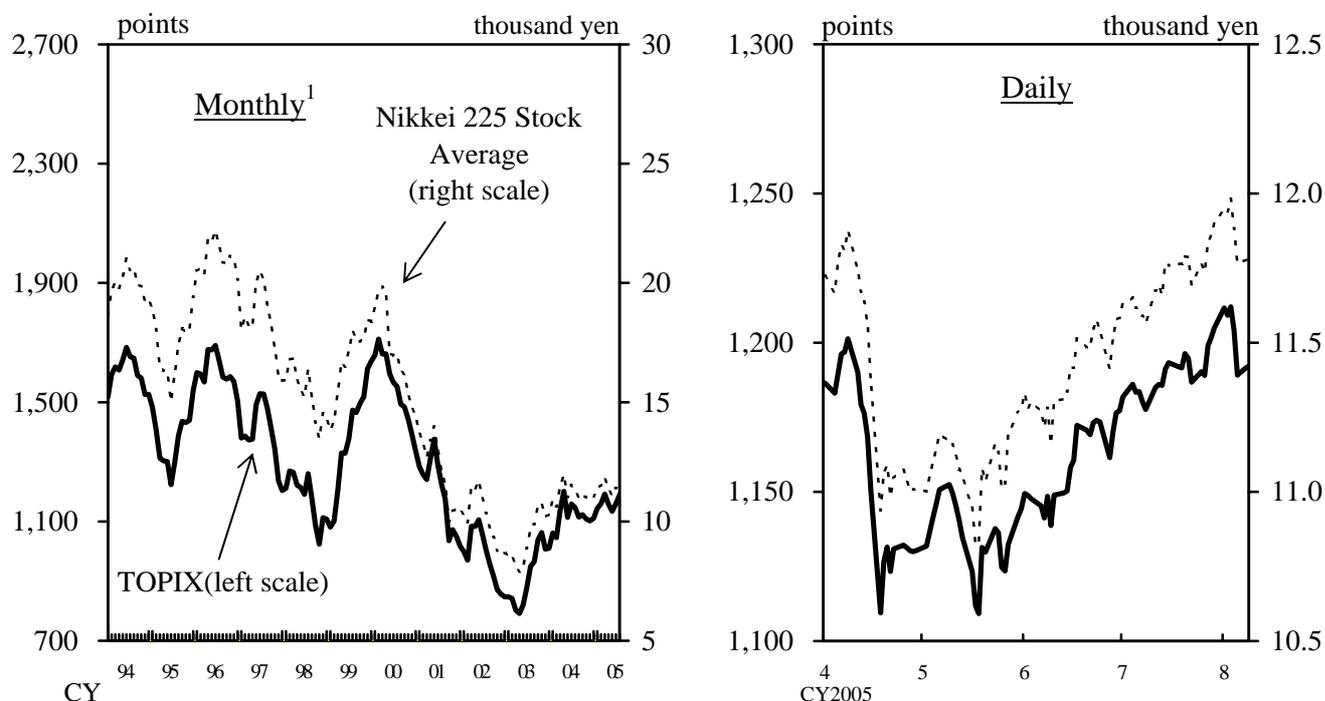
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of 4 to 6 years since Sep. 24, 2002.

2. The indicated ratings are of Moody's.

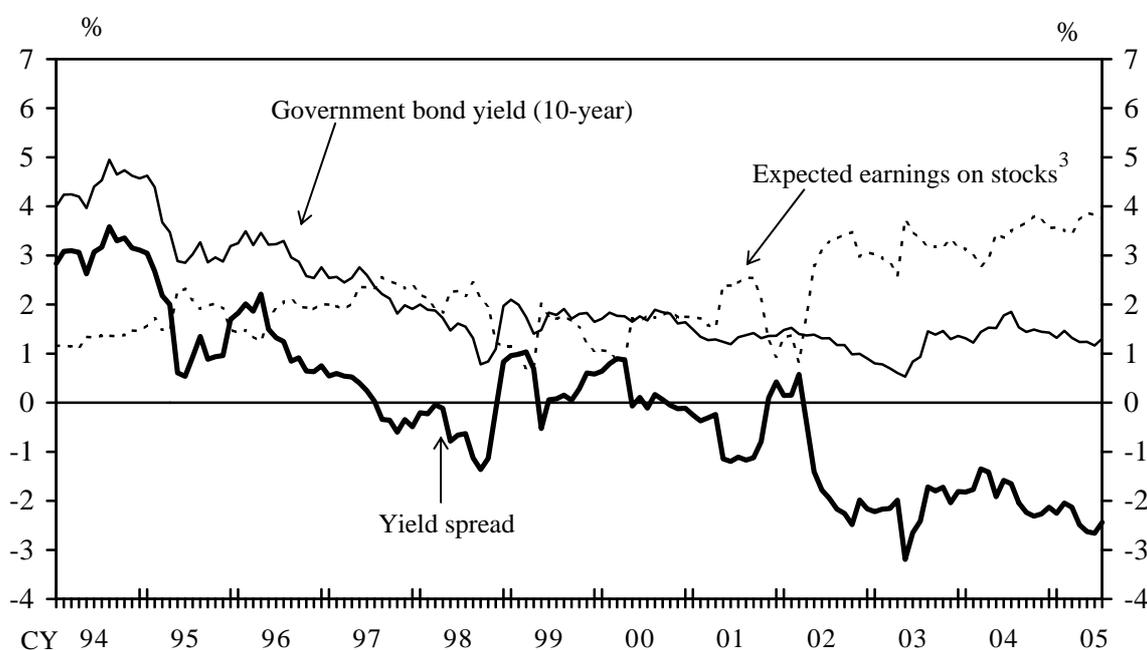
Sources: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations." "Reference Price(Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Stock Prices



(2) Yield Spread²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

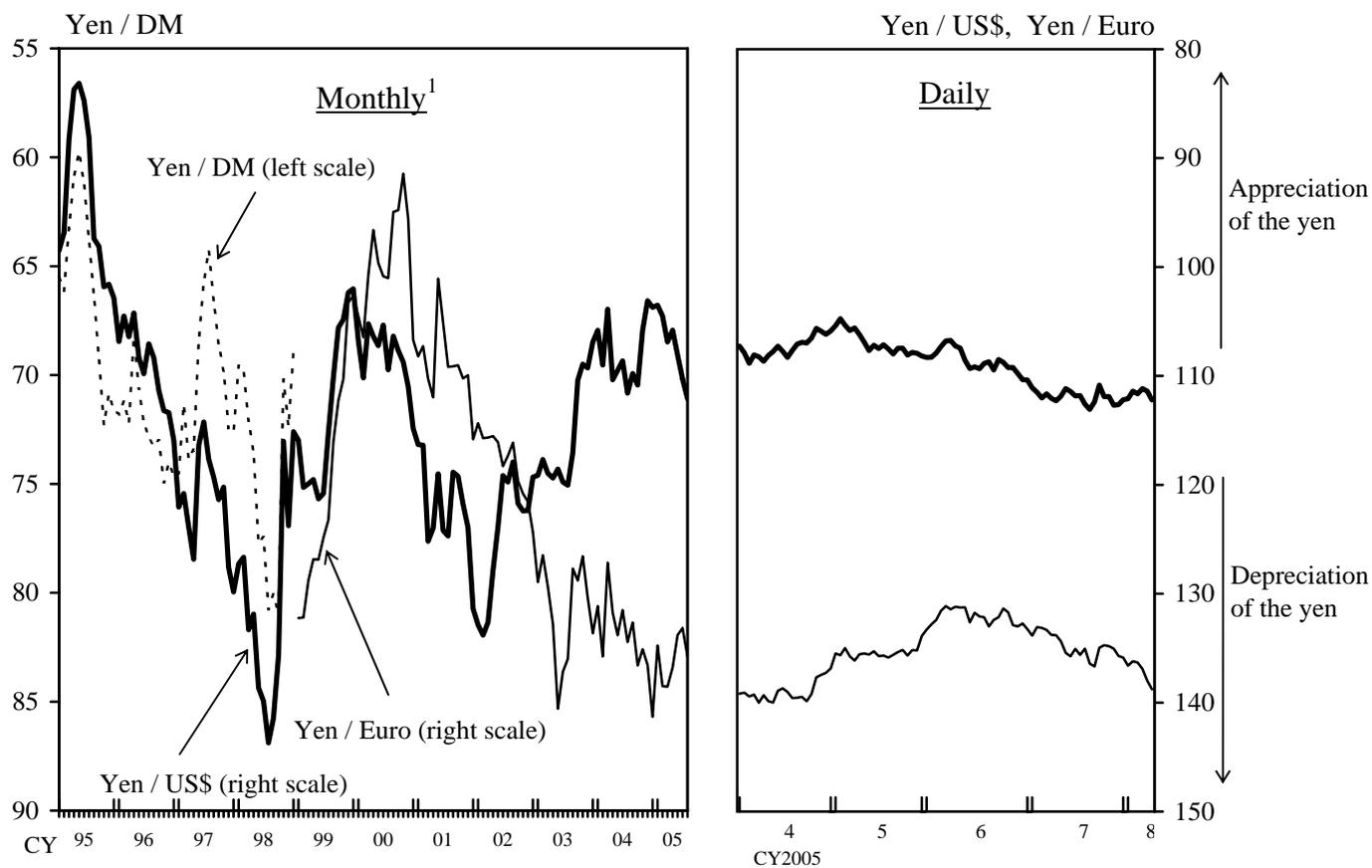
Yield spread = government bond yields - expected earnings on stocks,
 where expected earnings on stocks = 1/expected price earnings ratio.

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)."

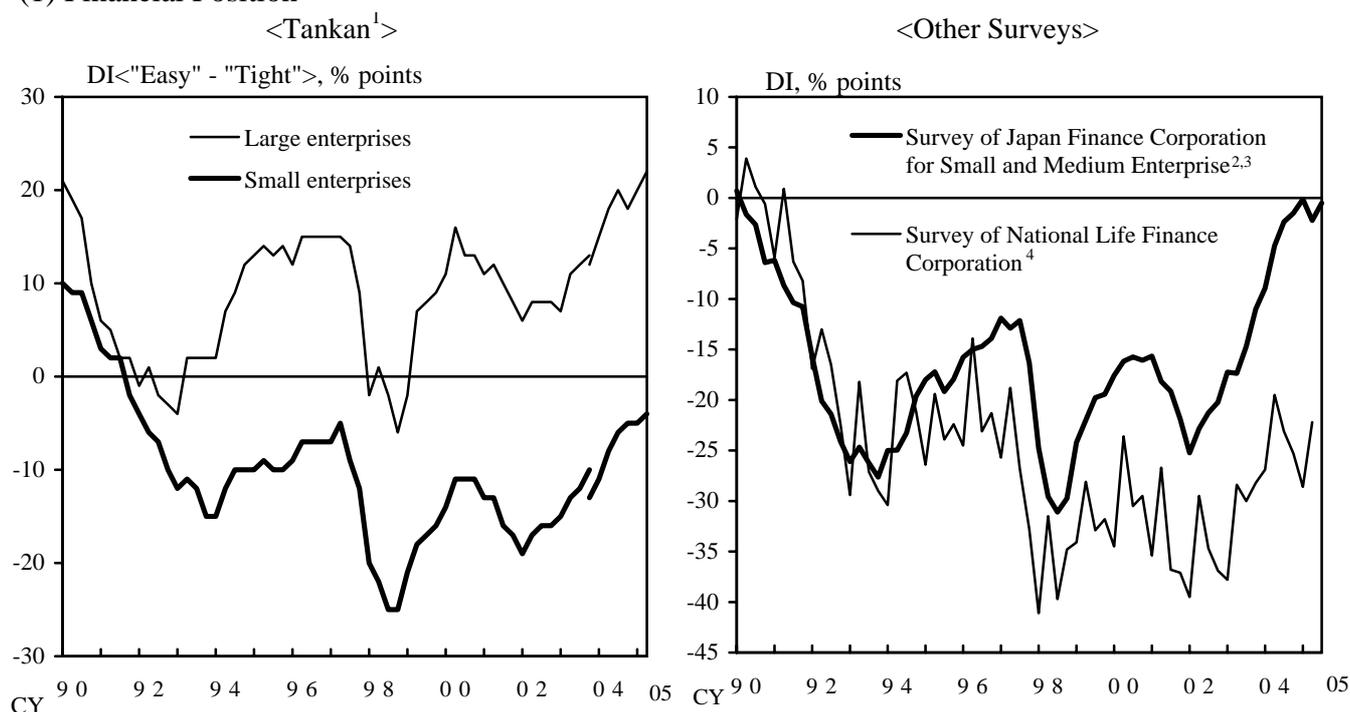
Exchange Rates



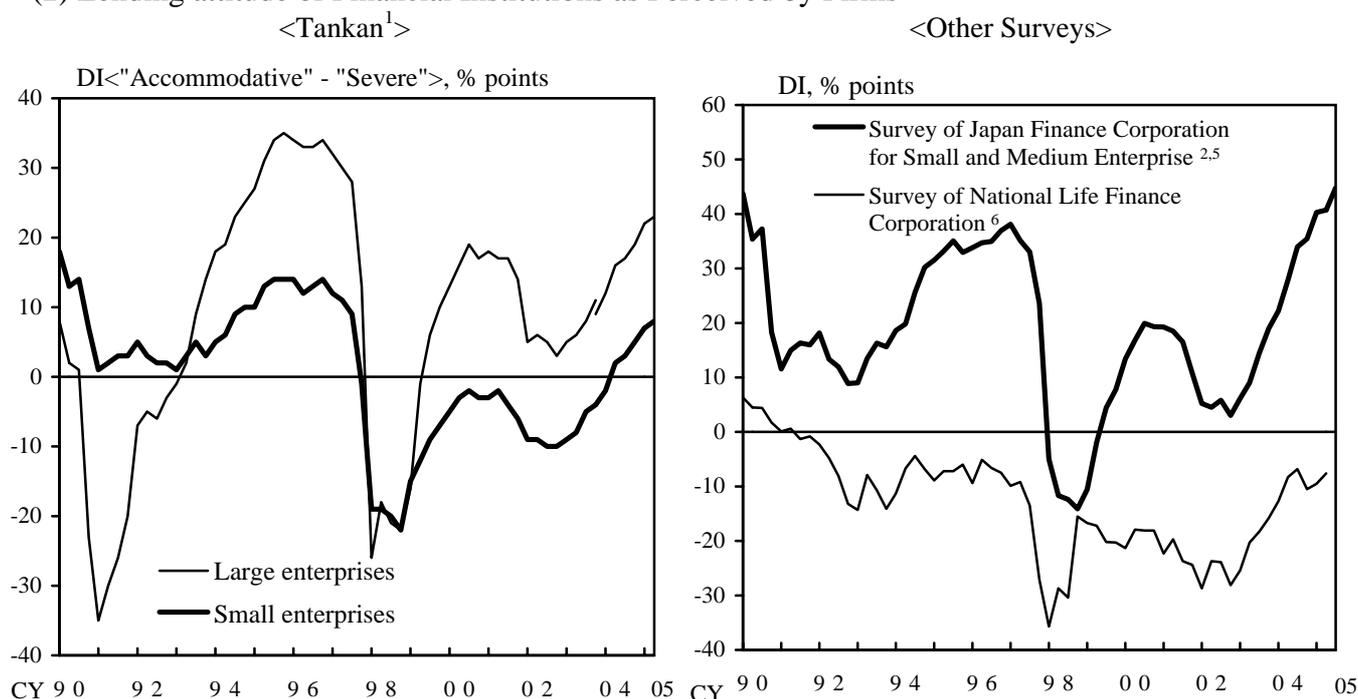
Note: 1. End of month.
 Source: Bank of Japan.

Corporate Finance-Related Indicators

(1) Financial Position



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



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

2. Figures are quarterly averages of monthly data. Figures for 2005/Q3 are those of July.

3. DI of "Easy" - "Tight"

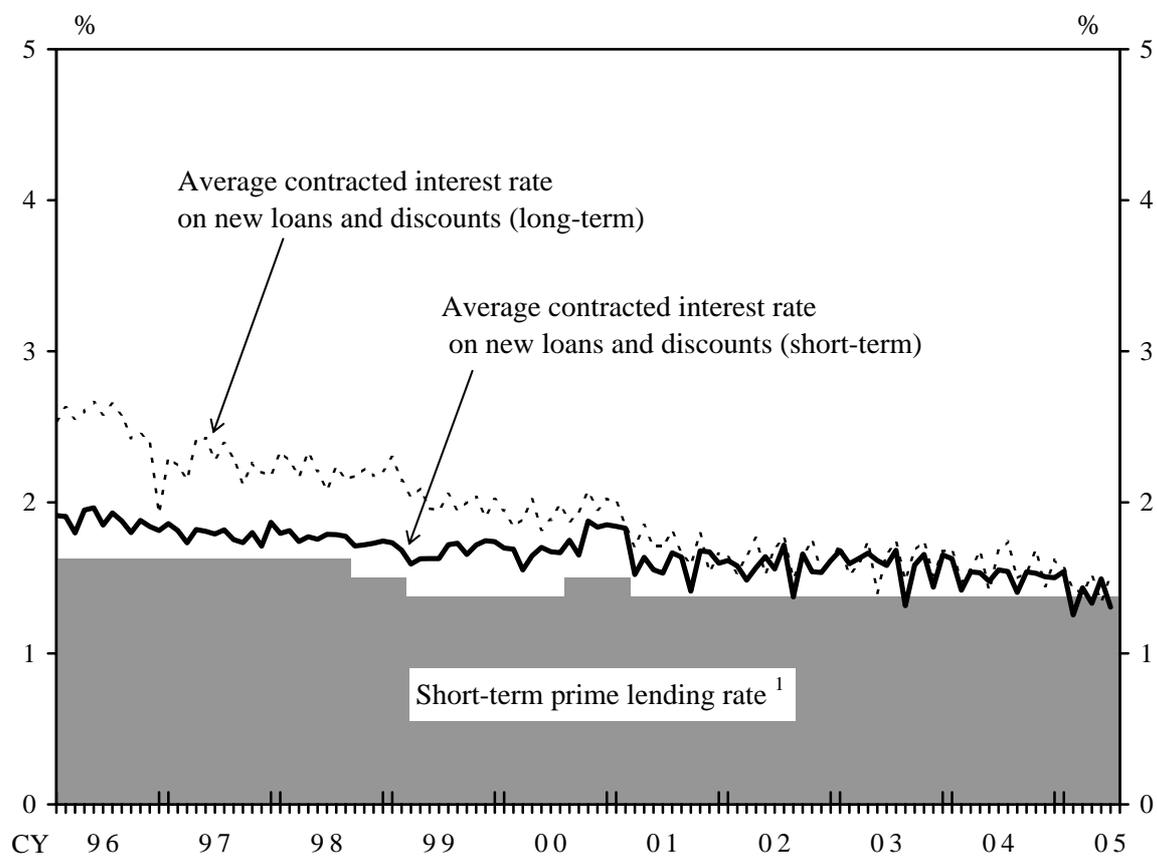
4. DI of "Easier" - "Tighter"

5. DI of "Accommodative" - "Severe"

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

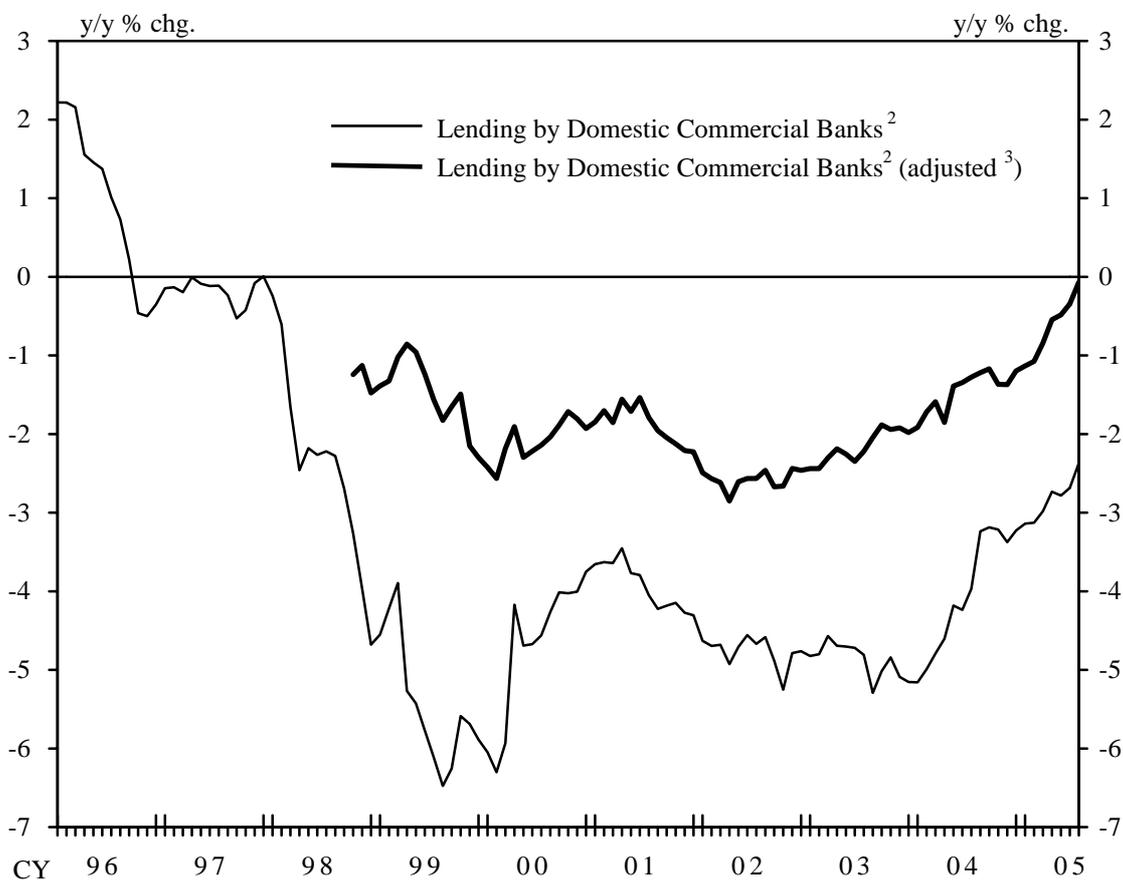
Sources: Bank of Japan, "*Tankan*, Short-term Economic Survey of Enterprises in Japan"; Japan Finance Corporation for Small and Medium Enterprise, "Monthly Survey of Small Businesses in Japan"; National Life Finance Corporation, "Quarterly Survey of Small Businesses in Japan."

Lending Rates



Note: 1. Data are at end of period.

Source: Bank of Japan.

Lending by Domestic Commercial Banks ¹

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

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

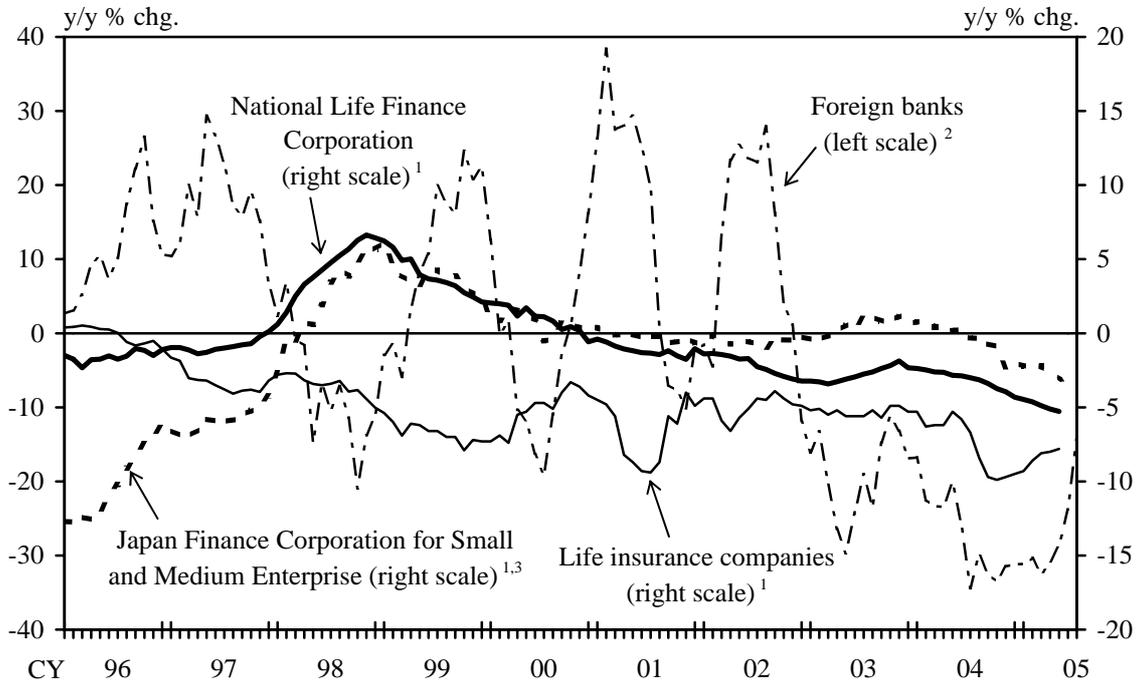
3. Adjusted to exclude

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

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

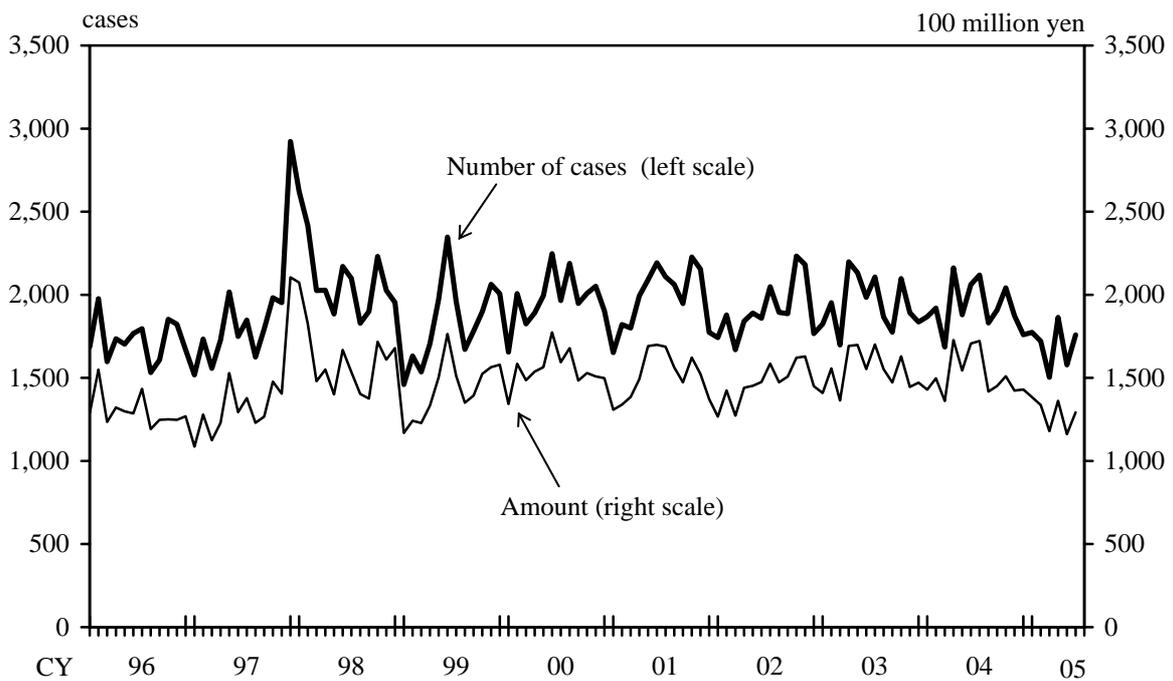
Lending by Other Financial Institutions

(1) Lending Outstanding



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

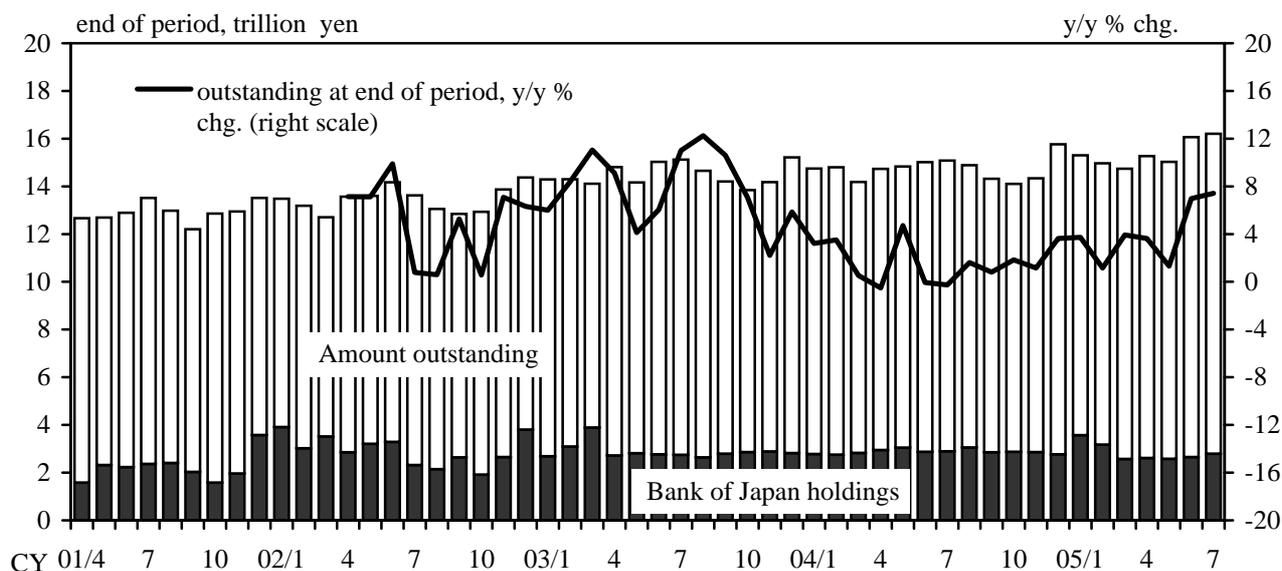
(2) Application for a Loan from Japan Finance Corporation for Small and Medium Enterprise



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

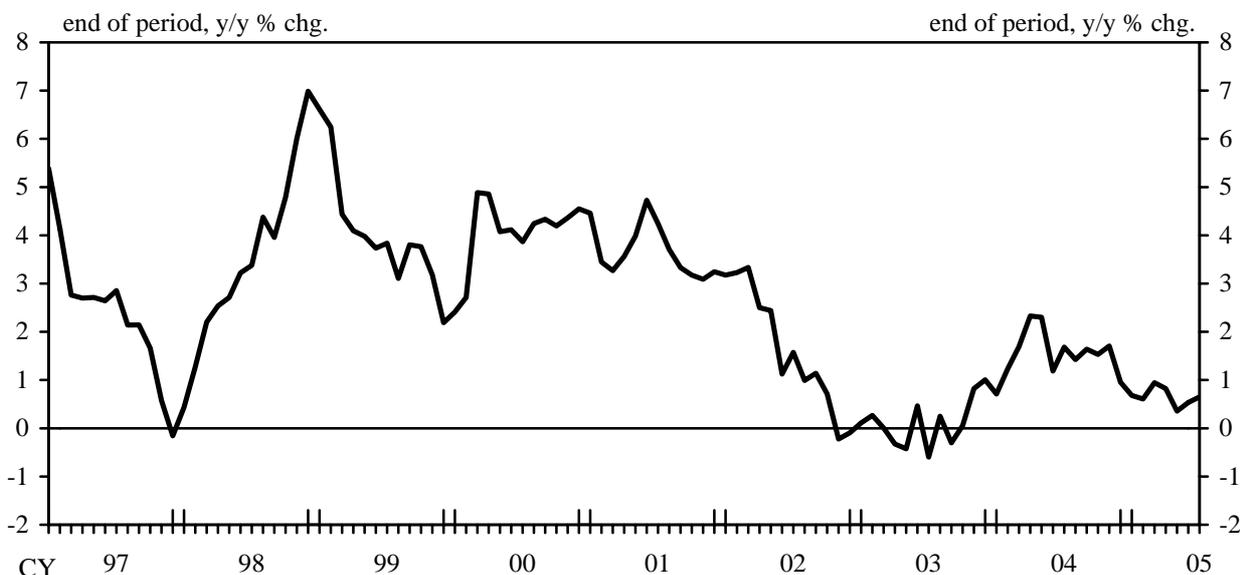
Private-Sector Fund-Raising in the Capital Markets

(1) Amount Outstanding of Commercial Paper



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

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



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

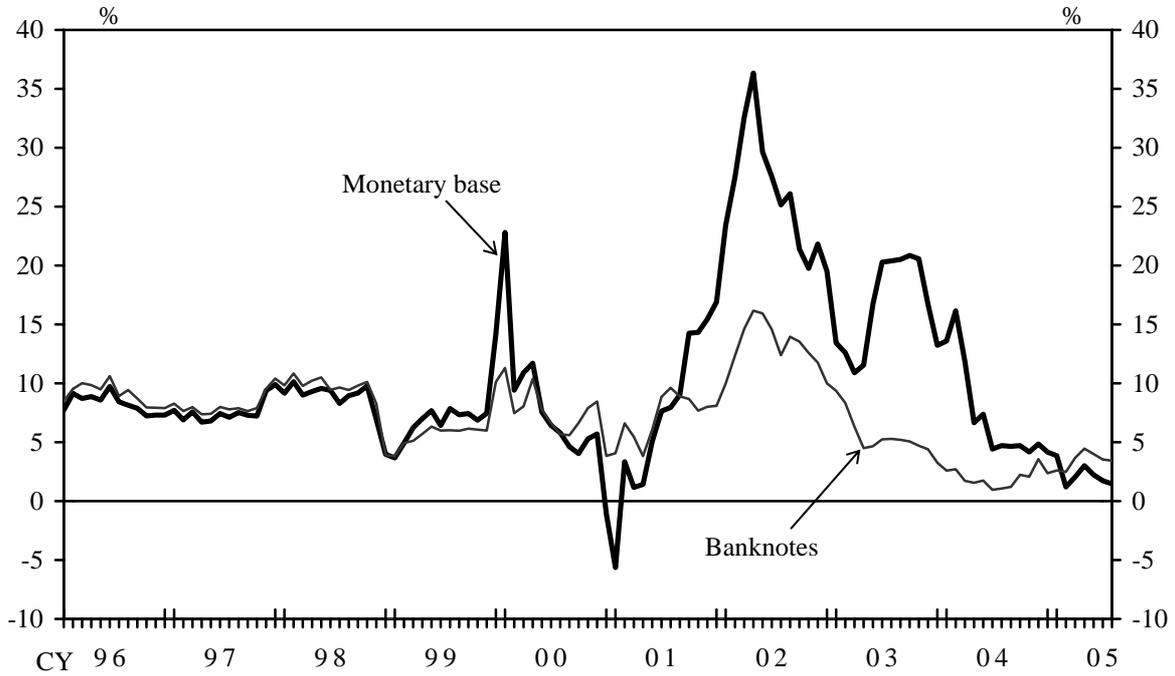
- (1) The sum of straight bonds, convertible bonds, bonds with warrants, and ABSs issued in both domestic and overseas markets is used.
- (2) Bonds issued by banks are included.
- (3) In calculating the percentage changes from the previous year of the amount outstanding of corporate bonds, the following adjustment is made for the treatment of convertible bonds that have been converted into shares.

$$\text{Percentage changes from the previous year of the amount outstanding of corporate bonds} = \frac{\text{The amount outstanding of corporate bonds as of this month} + \text{The sum of conversion amount over the last 12 months}}{\text{The amount outstanding of corporate bonds as of the same month in the previous year}}$$
- (4) The figure as of the latest month is a preliminary one, using estimates for the amount of the domestically issued private placement bonds, etc.

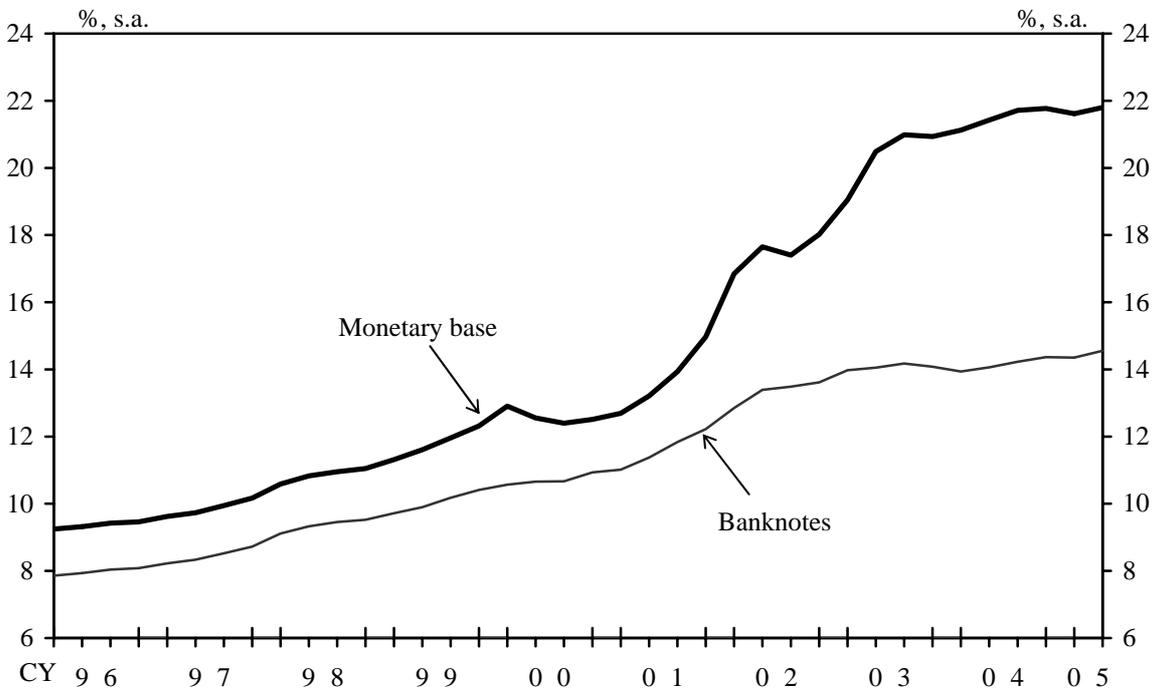
Sources: Bank of Japan, "Principal Figures of Financial Institutions," "Balance of Payments Monthly"; Japan Securities Dealers Association, "New Issue Volume- Redemption of Bonds," "Kisai-Jouhou (Issuance Information)"; I-N Information Systems, "Funding Eye."

Monetary Base

(1) Changes from a Year Earlier



(2) Ratio of Monetary Base to Nominal GDP



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

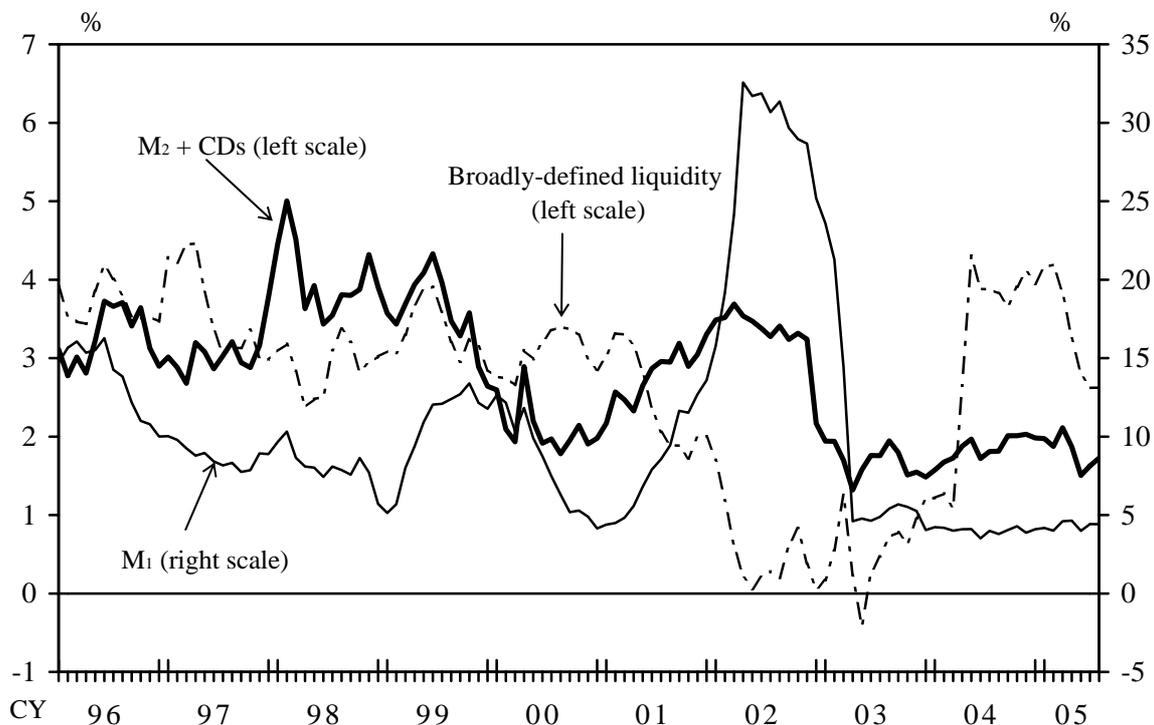
Data for currency in circulation include holdings of financial institutions.

2. Figure for the nominal GDP in 2005/Q2 is assumed to be unchanged from the previous quarter.

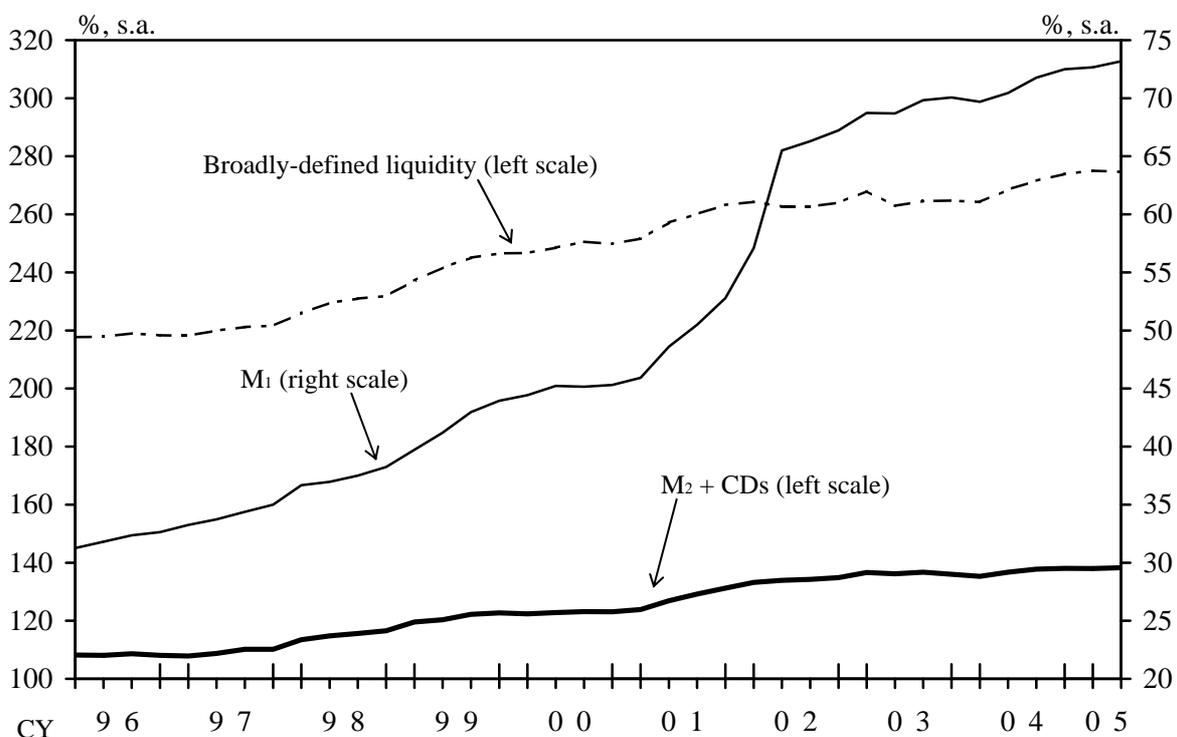
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

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

(1) Changes from a Year Earlier



(2) Ratio of Money Stock to Nominal GDP

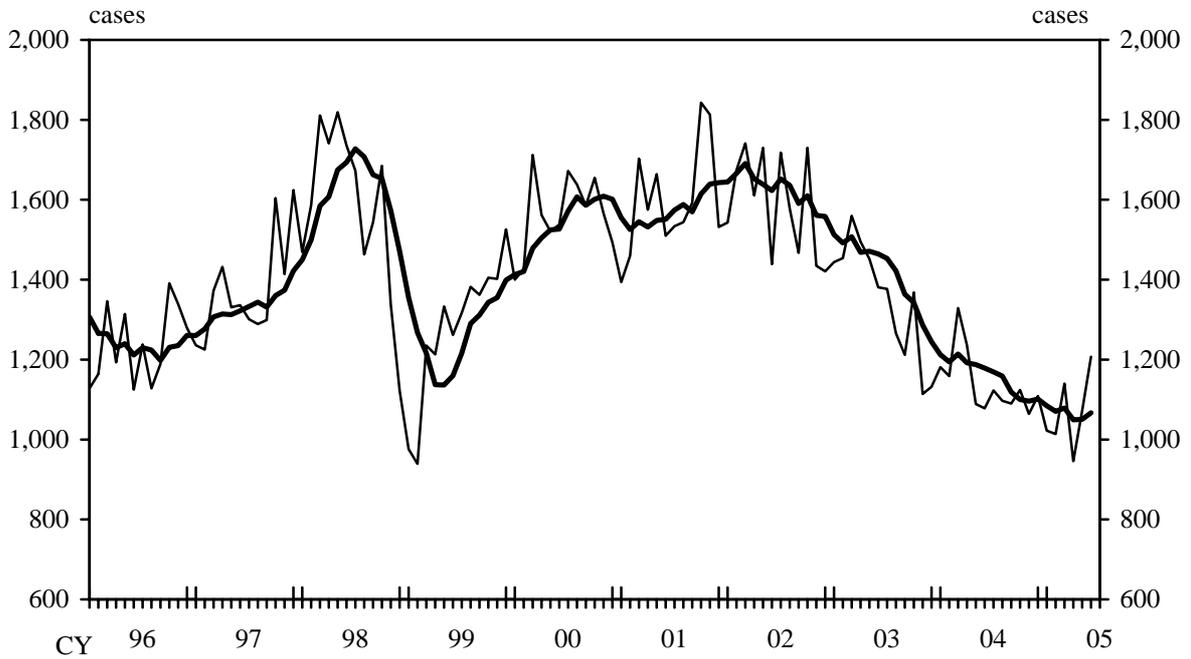


Note: Figure for the nominal GDP in 2005/Q2 is assumed to be unchanged from the previous quarter.

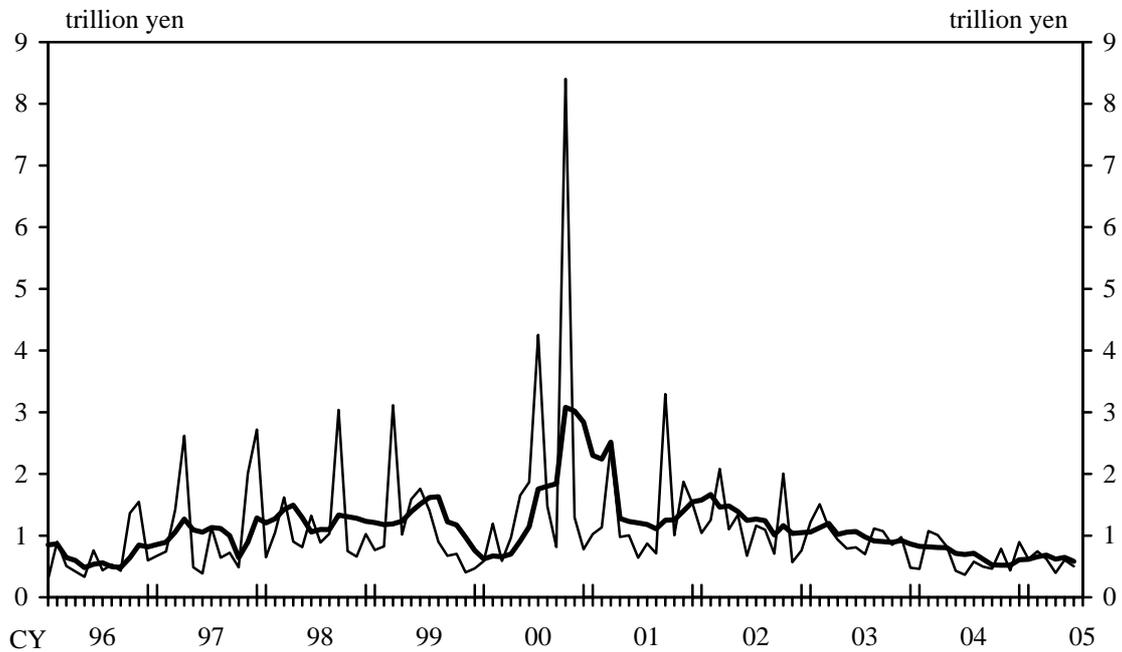
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities

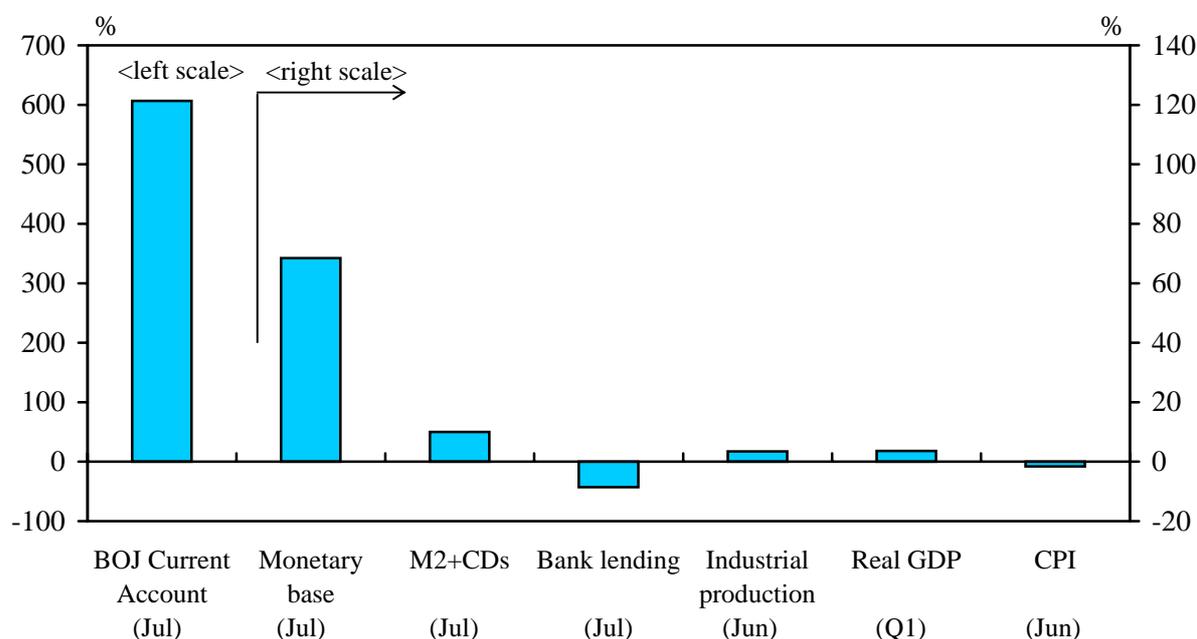


Note: Bold lines are the six-month moving average.

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

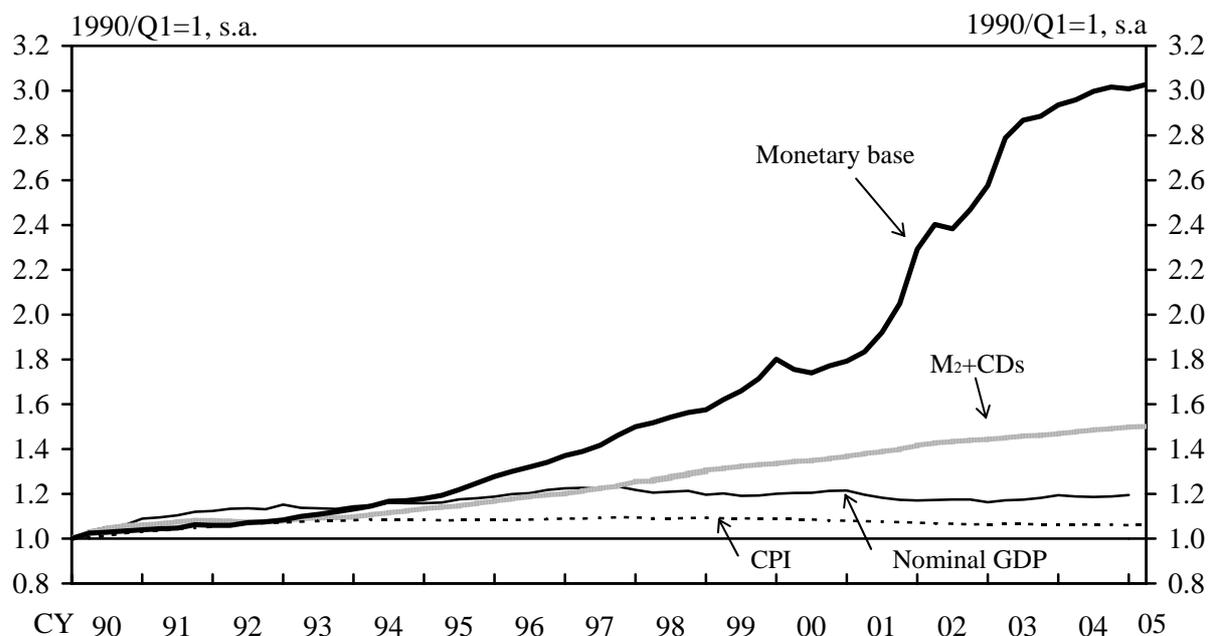
 Monetary Indicators, Economic Activity and Price Development

(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.

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.