

November 22, 2005
Bank of Japan

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

(English translation prepared by the Bank's staff based on the Japanese original released on November 21, 2005)

Monthly Report of Recent Economic and Financial Developments¹

November 2005

The Bank's View²

Japan's economy continues to recover.

Exports have continued to increase moderately, and industrial production has also been on an uptrend with some fluctuations. Business fixed investment has continued to increase against the background of high corporate profits. Household income has also continued rising moderately, reflecting the improvement in employment and wages. In this situation, private consumption has been steady. Housing investment has shown some strength. Meanwhile, public investment has basically been on a downtrend.

Japan's economy is expected to continue to recover.

Exports are expected to continue rising against the background of the expansion of overseas economies. 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 the excess capacity and debt of firms has almost dissipated. In light of these increases in demand both at home and abroad, 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 continued to increase, mainly reflecting the rise in international commodity prices and the depreciation of the yen. 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.

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on November 17 and 18, 2005.

² The text of "The Bank's View" was decided by the Policy Board at the Monetary Policy Meeting held on November 17 and 18, 2005.

Domestic corporate goods prices are expected to continue increasing for the time being, mainly due to the effects of the rise in international commodity prices and the depreciation of the yen. Meanwhile, the year-on-year rate of change in consumer prices is projected to be 0.0 percent or a slight increase toward the end of the year. This is because the negative contribution of rice prices is likely to dissipate and the effects from the reduction in electricity and telephone charges are expected to ease, in a situation where supply and demand conditions 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 very moderate. Under these circumstances, the amount outstanding of lending by private banks has become above the previous year's level, and that of CP and corporate bonds issued has been above the previous year's level. The year-on-year growth rate of the monetary base is around 3.0 percent, and that of the money stock has been around 2.0 percent. The year-on-year growth rate of banknotes in circulation was around 3.0 percent in October, but it has been decreasing since the beginning of November due to the introduction of the new series of banknotes in the same month last year. 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, stock prices have risen compared with last month, while the yen's exchange rate against the U.S. dollar has fallen compared with last month. Meanwhile, long-term interest rates have been around the same level as last month.

The Background

1. Japan's Economy

Public investment has basically been on a downtrend (Chart 3). The amount of public construction completed—which reflects the actual progress of public works—has recently been increasing slightly. The value of public works contracted—a measure that reflects public orders—has also been relatively high due to large-scale orders from public corporations. With fluctuations smoothed out, however, they are on a moderate downtrend. Public investment is expected to remain on a downtrend, since the initial budget of fiscal 2005 has been reduced.

Real exports have continued to increase moderately against the background of the expansion of overseas economies (Charts 4[1] and 5); exports rose 1.5 percent in the second quarter and rose 3.3 percent in the third quarter on a quarter-on-quarter basis.

As for real exports in the third quarter by region (Chart 5[1]), exports to the United States have continued increasing moderately against the background of the U.S. economic expansion, although automobile-related goods fell back slightly as a reaction. Exports to the NIEs have also been increasing, mainly in IT-related goods. Meanwhile, exports to China—which had been lacking momentum until the second quarter—posted a significant increase in the third quarter, and exports of many goods have shown increases, including capital goods and parts, automobile-related goods and IT-related goods (Chart 8). By goods (Chart 5[2]), exports of consumer goods have continued a solid increase, driven by digital home appliances. Exports of IT-related goods (electronic parts, such as semiconductors) increased noticeably in the third quarter against the background of the completion of global adjustments in the IT-related sectors, and exports of capital goods and parts (such as semiconductor manufacturing equipment) have also posted a slightly higher growth (Charts 6[1] and 7[1]). Meanwhile, exports of automobile-related goods have basically continued a steady increase, although they declined marginally in the third quarter as a reaction to the previous increase (Chart 6[3]).

Real imports have been on an increasing trend, due to the rise in domestic demand, and to the progress in the international division of labor between Japan and

China (Charts 4[1] and 10). Looking at the third quarter figures by goods, imports of consumer goods (automobiles from the EU and textiles from China) declined as a reaction to the surge in the previous quarter, but those of IT-related goods (PCs and electronic parts, such as semiconductors) and those of capital goods and parts (machinery and aircrafts) have posted high growth. Meanwhile, imports of raw materials, which had remained subdued since the start of the year, have started to increase moderately.

The surplus of net exports in terms of the real trade balance has recently picked up somewhat, reflecting the above-mentioned developments in exports and imports (Chart 4[2]). On the other hand, the surplus of the nominal balance on goods and services has narrowed, due to the rise in the import prices of oil. Meanwhile, the current account surplus has declined only moderately, supported by the continued improving trend in the income balance, such as the increase in dividend receipts from overseas subsidiaries.

Exports are expected to continue rising, as overseas economies continue expanding, particularly in the United States and East Asia (Chart 9[2]). Exports from the IT-related sectors and those towards China are also expected to continue increasing, although they are unlikely to resume the high growth observed until the first half of last year. Looking at the environment surrounding exports, the U.S. economy is expected to continue expanding at a pace close to its potential growth rate, since private consumption and business fixed investment will increase steadily. The impact of the hurricanes may dampen the economy temporarily, but reconstruction-related demand is also expected. As for the Chinese economy, adjustment pressures, such as the restraint on inventories, have been diminishing against the background of the continued high economic growth. However, future developments in exports to China require close attention, as the supply-demand balance of materials in China still lacks firmness. Meanwhile, the yen has continued to depreciate in the foreign exchange market. In terms of the real effective exchange rate—which incorporates the differentials in the inflation rates between home and abroad—the yen reached its lowest level since 1990 (Chart 9[1]). These developments in the foreign exchange market are expected to exert some upward pressure on exports.

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

Business fixed investment has continued to increase. On a GDP basis, fixed investment increased in the third quarter, after having posted high increases in both the first and second quarters (Chart 2).³ Looking at the monthly figures, shipments of capital goods (excluding transport equipment)—a coincident indicator of machinery investment—posted a significant rise in the second quarter, but declined slightly in the third quarter, which mainly reflects the drop in shipments of flat panel display manufacturing equipment as a reaction (Chart 11-1[1]). Meanwhile, machinery orders (private demand, excluding shipbuilding and orders from electric power companies)—a leading indicator of machinery investment—continued an uptrend both in the manufacturing and nonmanufacturing industries (Chart 11-2[1]). Forecast figures for the fourth quarter show that orders are projected to increase noticeably, although most of the increase is attributable to those mainly in nonmanufacturing, which tend to fluctuate widely. Moreover, construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—continued their solid increase on average, although they recently declined, mainly in the industrial sectors, as a reaction to the previous increase (Chart 11-2[2]).

Business fixed investment is expected to continue increasing, since domestic and external demand is expected to continue increasing, and corporate profits are likely to remain high.

Private consumption has been steady. On a GDP basis, private consumption continued to increase in the third quarter, albeit marginally, after having recorded a high growth in the first half of the year (Chart 2).⁴ With regard to individual indicators on consumption (Charts 12-1 and 12-2), the number of new passenger-car

³ However, preliminary figures do not reflect the Current Survey of Production of September. Given the significant drop in September shipments of capital goods—which are closely related to the Current Survey of Production—current figures for the third quarter are likely to have been calculated as slightly higher than the actual developments.

⁴ In the third quarter, the rise in consumption of financial services, reflecting vigorous stock trading, seems to have pushed up consumption, while consumption of goods seems to have decreased slightly as a reaction to the first half of the year.

registrations has remained low since July as a reaction to the significant growth registered in the second quarter, which was fueled by the introduction of new model automobiles, mainly of small passenger cars. Sales at department stores have remained solid since the start of this year, although they fell slightly in the third quarter as a reaction, mainly in apparel. Supermarket sales continued to be relatively weak, particularly in foodstuffs. Sales at convenience stores have been on a moderate uptrend. Meanwhile, sales of household electrical appliances have continued a steady increase. As for services consumption, sales in the food service industry have followed an increasing trend, while outlays for travel have almost peaked on the whole, as overseas travel has been relatively weak, due mainly to concerns regarding terrorism.

Indices of aggregated sales (in real terms), which are comprised of major sales indicators of these goods and services,⁵ were somewhat subdued in the third quarter as a reaction to the relatively strong sales in the first half of the year (Chart 12-3). The aggregate supply of consumer goods—which comprehensively captures producers' supply of goods—declined marginally in the third quarter, mainly in automobiles (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) declined in the third quarter as a reaction. Looking at monthly figures, however, it almost recovered to the steady level recorded in the first half of the year in August-September, after having dropped substantially in July (Chart 12-1[1]).

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

Private consumption is likely 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 each sales indicator. Outlays for travel in September were not released at the time when these indices were compiled, and hence were incorporated into the indices under the assumption that the seasonally adjusted figures for September were at the same level as that in August.

As for housing investment, housing starts have shown some strength (Chart 14[1]). In detail, while starts of owner-occupied housing have been relatively weak, those of housing for sale and housing for rent have been on a moderate increasing trend. Active supply-side initiatives seem to have stimulated potential housing demand against the background of favorable financial conditions. In these circumstances, housing investment is likely to remain firm in the near future.

Industrial production has been on an uptrend with some fluctuations (Chart 15). Production in the third quarter declined marginally on a quarter-on-quarter basis, following the second quarter, mainly because production of general machinery, automobiles, iron and steel fell, although that of electronic parts and devices increased. This is mainly because business fixed investment and goods consumption were weak as a reaction to the increase in the previous quarter, and also because production was reduced due to inventory adjustments in the materials industry. Moreover, it largely reflects the decline in production of steel ships, due to some apparent statistical fluctuations, and production in the fourth quarter is projected to rise, as mentioned below. These considered, production has continued a moderate increasing trend.

Shipments increased only marginally in the third quarter, after having increased significantly in the second quarter. By goods (Chart 16), shipments of capital goods have continued to be on an increasing trend, albeit with recent large fluctuations. On the other hand, shipments of consumer goods have been relatively weak recently, mainly in durable goods, such as automobiles. Meanwhile, those of producer goods have begun to increase on the whole, because those of electronic parts and devices have increased substantially, although those of iron and steel, and chemicals have been relatively weak.

Meanwhile, inventories have increased somewhat, mainly in the materials industries (Chart 15[1]). Looking at the inventory cycle (Chart 17), growth in shipments of electronic parts and devices has slightly exceeded that in inventories, confirming that inventories have emerged from the adjustment phase. Inventories of capital goods, which had accumulated before, have recently reached slightly below the previous year's level. However, the year-on-year growth rate in inventories of

producer goods, excluding electronic parts and devices, has increased, particularly in iron and steel, chemicals, paper and pulp. As a result, inventories in the industrial sector as a whole are currently in a moderate adjustment phase. The somewhat excess inventory in the materials industries is considered to be attributable to the supply-demand imbalance in domestic and Asian markets, including China. However, among materials, high value-added products for IT-related goods and automobiles remain in a favorable supply-demand condition. Thus, the effects of inventory adjustments in the materials industries on corporate profits of related industries, and consequently on the economy as a whole, seem to be limited.

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, although inventory adjustments of materials are likely to dampen production somewhat. According to anecdotal information, production in the fourth quarter is likely to continue increasing.⁶ Nevertheless, the strength of final demand in the IT-related sectors, including the developments in the U.S. holiday sales, requires close monitoring.

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

In the labor market, overtime hours worked remained high, although they have recently been more or less flat (Chart 19-2[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, the construction industry, the wholesale and retail industries, and the restaurant industry (Charts 19-1[2] and [3]). Under these circumstances, the ratio of job offers to applicants has

⁶ Production in the fourth quarter, based on the production forecast indexes of October and November (on the assumption that the December figure is unchanged from the previous month), is calculated to be a significant increase of 4.3 percent compared to the third quarter. However, a large part of the contribution to this increase has been made by industries in which the forecast index and the actual results tend to deviate widely (such as electronic parts and devices, as well as general machinery). It is thus appropriate to discount this increase to some degree.

been on a moderate uptrend, and the unemployment rate has followed a gradual downtrend, with some fluctuations (Chart 19-1[1]).

In terms of employment, the number of employees in the *Labour Force Survey* has followed an increasing trend on a year-on-year basis, despite some monthly fluctuations. Also, the number of regular employees in the *Monthly Labour Survey* continued to increase at a steady pace of around 0.5 percent on a year-on-year basis (Chart 19-2[1]). Looking at the number of regular employees in detail, full-time employees have been recording positive figures on a year-on-year basis since the start of this year, while part-time employees have recently been close to the previous year's level. Consequently, the ratio of part-time workers has recently been almost flat (Chart 19-2[2]).⁷

Regarding wages on a year-on-year basis, regular payments have been increasing quite gradually, driven by payments to full-time employees. Special payments have also been on an uptrend, against the background of high corporate profits.⁸ As a result, nominal wages per worker have been increasing moderately since the start of this year (Chart 18[2]).

As for the outlook, household income is likely to continue increasing gradually, since the perception among firms of having excess labor has dissipated, and corporate profits are likely to remain high.

2. Prices

Import prices (on a yen basis, same hereafter, compared to levels three months before) have continued to increase against the background of the rise in international commodity prices and the depreciation of the yen (Chart 21).

⁷ While part-time workers have peaked, dispatched workers have continued increasing. Thus, the expansion of non-regular employment in a broad sense is considered to be ongoing.

⁸ According to the survey results released by the Japan Business Federation (interim results as of October 26; the number of responding firms was 117 in manufacturing and 19 in nonmanufacturing), winter bonuses of large firms were currently reported to have recorded a large increase of 5.1 percent on a year-on-year basis, exceeding the increase of summer bonuses recorded this year (3.6 percent).

Domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter, compared to levels three months before)⁹ have continued to increase, mainly reflecting the rise in international commodity prices and the depreciation of the yen (Chart 22). In detail, prices of petroleum and coal products have surged, reflecting the rise in crude oil prices, and prices of nonferrous metals have also increased. Prices of other materials (chemicals) have risen with the passing-on of high costs. The rise in prices of iron and steel-related products and construction-related products has remained only marginal, because prices of steel materials have remained almost flat, while those of scrap have risen. Meanwhile, the rate of decline in prices of machinery has been narrowing moderately on the whole, mainly reflecting the smaller declines in prices of IT-related products. By stage of demand, intermediate goods prices have continued to rise. Final goods prices have also increased marginally, because prices of non-durable consumer goods (gasoline) rose, while prices of capital goods and durable consumer goods have continued their moderate declines.

The year-on-year rate of decline in corporate services prices (excluding external factors, same hereafter) has been on a gradual diminishing trend when seen from a somewhat long-term perspective (Chart 23).¹⁰ In the third quarter, however, the rate of decline accelerated slightly, reflecting developments in prices of advertising services (a reaction to the Athens Olympics-driven factor last year) and prices of information services (a reaction to the temporary rise recorded last year), although the decline in prices of other services narrowed.

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 24). In September, the year-on-year rate of decline was 0.1 percent, unchanged from that registered in August.

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

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.

Domestic corporate goods prices are expected to continue increasing for the time being, mainly due to the effects of the rise in international commodity prices and the depreciation of the yen. Meanwhile, the year-on-year rate of change in consumer prices is projected to be 0.0 percent or a slight increase toward the end of the year. This is because the negative contribution of rice prices is likely to dissipate and the effects from the reduction in electricity and telephone charges are expected to ease, in a situation where supply and demand conditions 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 31-35 trillion yen, as the Bank continues to provide ample liquidity (Chart 27).

As for interest rate developments in the money markets, the overnight call rate (uncollateralized; Chart 25[1]) has been moving at around zero percent. Interest rates on term instruments (Chart 26[1]) have been steady at low levels on the whole. Interest rates on Euroyen futures remain basically unchanged (Chart 26[2]).

Yields on 10-year government bonds (newly issued 10-year JGB; Chart 25 [2]) have risen, reflecting the rise in U.S. interest rates and Japan's stock prices. They later decreased to the 1.45-1.5 percent level, mainly reflecting favorable supply-demand conditions.

Yield spreads between private bonds (bank bonds and corporate bonds) and government bonds (Charts 30 and 31) have been more or less flat on the whole, excluding the widening of spreads for some firms with low credit ratings.

Stock prices (Chart 32) have fallen against the background of the decline in U.S. stock prices and of profit-taking sales. They later rose, influenced mainly by the rebound of U.S. stock prices and the earnings announcements by Japanese firms. The Nikkei 225 Stock Average is moving in the range of 14,000-15,000 yen.

In the foreign exchange market (Chart 33), the yen has fallen reflecting some stronger-than-forecasted U.S. economic indicators and the prospects of a wider interest rate differential between Japan and the U.S. The yen is being traded in the range of 117-120 yen to the U.S. dollar.

(2) Corporate Finance and Monetary Aggregates

The pace of decline in credit demand in the private sector is very 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 long-term prime lending rate was raised by 0.10 percent on November 10 to 1.90 percent.

The amount outstanding of lending by private banks (monthly average outstanding balance basis, after adjustment for extraordinary factors¹¹) has become above the previous year's level. (The year-on-year change was 0.1 percent in August, 0.4 percent in September, and 0.9 percent in October; Chart 36.)

In the corporate bond and CP markets, the issuing environment continues to be favorable. Corporate bond issuance rates have risen slightly reflecting developments in the long-term interest rates, while issuance spreads remain stable at low levels. CP issuance rates continue to be at low levels. The amount outstanding of CP and corporate bonds issued has been above the previous year's level. (The year-on-year change was 2.7 percent in August, 4.1 percent in September, and 3.6 percent in October; Chart 38.)

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.

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 was around 3.0 percent in October, but it has been decreasing since the beginning of November due to the introduction of the new series of banknotes in the same month last year. The year-on-year growth rate of the monetary base (currency in circulation + current account balances at the Bank of Japan) rose somewhat in October; it is currently around 3.0 percent. (The year-on-year change was 1.1 percent in August, 1.7 percent in September, and 2.8 percent in October; Chart 39.)

The year-on-year growth rate of the money stock (M_2 + CDs) has been around 2.0 percent. (The year-on-year change was 1.7 percent in August, 2.1 percent in September, and 2.0 percent in October; Chart 40.)

The number of corporate bankruptcies increased by 4.2 percent year-on-year in October, to 1,171 cases (Chart 41).

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Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2005/Q1	Q2	Q3	2005/Jul.	Aug.	Sep.	Oct.
Index of living expenditure level (all households)	2.7	0.4	-1.7	-4.3	4.7	-0.2	n.a.
Sales at department stores	0.2	1.0	-0.7	-1.6	0.3	-0.5	n.a.
Sales at supermarkets	-0.5	-1.2	-1.2	-1.2	0.1	-0.5	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	<342>	<362>	<330>	<329>	<323>	<338>	<324>
Sales of household electrical appliances (real, Current Survey of Commerce)	1.6	-0.3	2.3	-3.8	4.9	-0.3	n.a.
Outlays for travel (50 major travel agencies)	3.6	0.8	-2.1	-2.8	-1.5	1.5	n.a.
Housing starts <s.a., ann. 10,000 units>	<121>	<119>	<128>	<133>	<127>	<124>	<n.a.>
Machinery orders (from private sector ⁴)	0.8	0.8	2.1	-4.3	8.2	-10.0	n.a.
Manufacturing	0.8	7.5	0.4	-4.5	9.5	-6.4	n.a.
Nonmanufacturing ⁴	0.3	-1.9	1.0	-5.1	7.6	-12.1	n.a.
Construction Starts (private, nondwelling use)	11.4	-0.5	-10.3	-11.1	1.0	-11.4	n.a.
Mining & manufacturing	8.8	27.8	-24.2	-4.2	19.4	-34.0	n.a.
Nonmanufacturing ⁵	12.6	-8.5	-3.9	-14.0	-0.0	-5.0	n.a.
Value of public works contracted	0.5	1.9	0.2	-10.7	11.0	2.1	-6.0
Real exports	0.7	1.5	3.3	0.1	3.3	0.7	n.a.
Real imports	0.4	2.0	2.2	-1.4	4.5	-1.4	n.a.
Industrial production	1.7	-0.4	-0.2	-1.2	1.1	0.4	n.a.
Shipments	0.4	1.0	0.2	-1.5	2.2	-0.8	n.a.
Inventories	3.1	-0.1	2.5	0.5	1.1	0.9	n.a.
Inventory Ratio <s.a., CY 2000=100>	<98.4>	<96.2>	<101.3>	<103.1>	<98.9>	<101.3>	<n.a.>
Real GDP	1.5	0.8	0.4	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	1.4	0.2	n.a.	-0.7	1.1	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2005/Q1	Q2	Q3	2005/Jul.	Aug.	Sep.	Oct.
Ratio of job offers to applicants <s.a., times>	<0.91>	<0.94>	<0.97>	<0.97>	<0.97>	<0.97>	<n.a.>
Unemployment rate <s.a., %>	<4.6>	<4.3>	<4.3>	<4.4>	<4.3>	<4.2>	<n.a.>
Overtime working hours ⁶	0.4	1.6	1.0	1.0	1.0	1.0	n.a.
Number of employees	0.0	0.7	0.9	0.5	0.3	1.9	n.a.
Number of regular employees ⁶	0.6	0.5	0.5	0.5	0.5	0.5	n.a.
Nominal wages per person ⁶	0.0	1.0	0.4	1.3	-1.1	0.8	n.a.
Domestic corporate goods price index ⁷ <q/q % chg.> (3-month growth rate)	1.4 <-0.1>	1.7 <0.8>	1.6 <0.5>	1.5 <0.2>	1.7 <0.5>	1.7 <0.8>	p 1.9 <p 0.8>
Consumer price index ⁸	-0.4	-0.1	-0.1	-0.2	-0.1	-0.1	n.a.
Corporate service price index	-0.7	-0.4	p -0.6	-0.7	-0.8	p -0.6	n.a.
Money Stock (M ₂ +CDs) <average outstanding, y/y % chg.>	2.0	1.7	1.8	1.7	1.7	2.1	p 2.0
Number of corporate bankruptcies <cases>	<1,059>	<1,075>	<1,054>	<1,024>	<1,152>	< 987>	<1,171>

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.

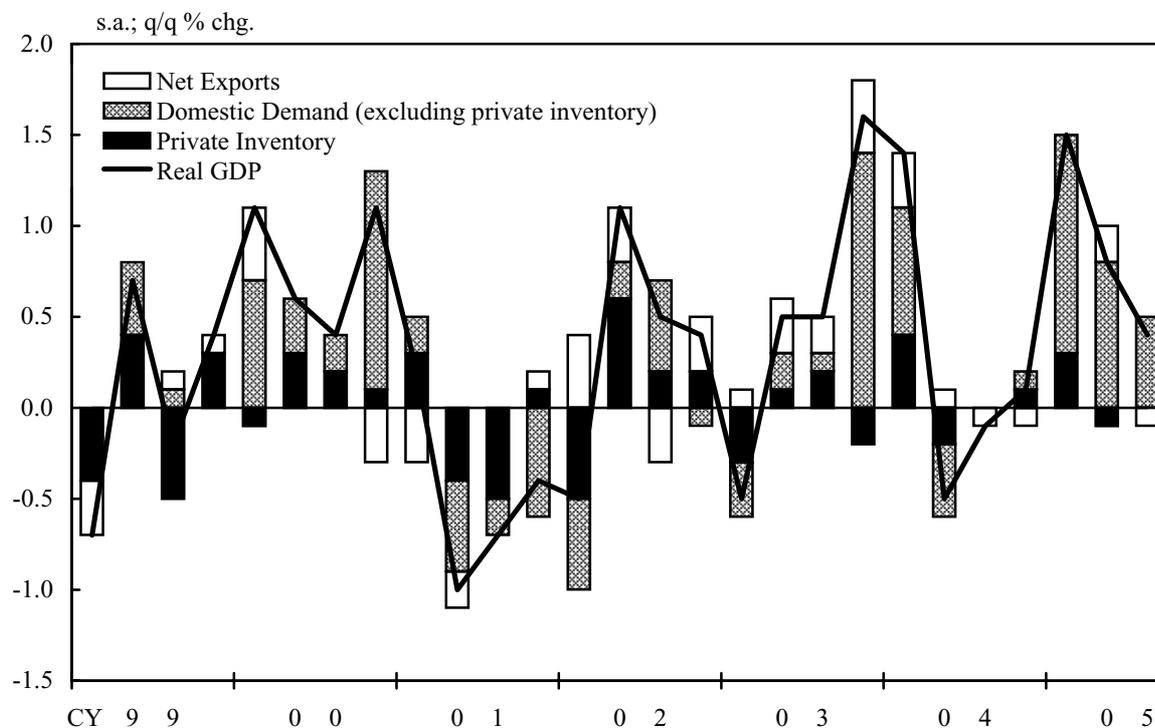
All figures in chart 1-2 except figures in angle brackets are year on year change. For details on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes of respective charts.

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";
 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," "Money Stock";
 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.

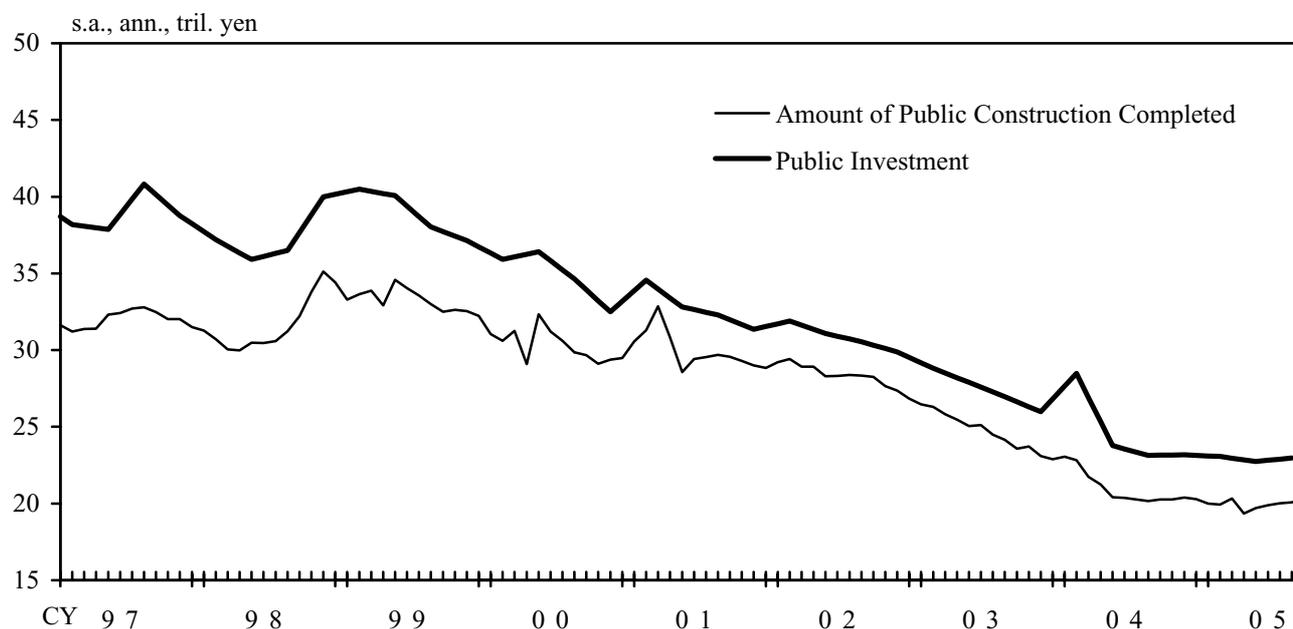
	2004		2005		
	Q3	Q4	Q1	Q2	Q3
Real GDP	-0.1	0.1	1.5	0.8	0.4
Domestic Demand	0.0	0.2	1.6	0.7	0.5
Private Consumption	-0.1	-0.3	1.2	0.7	0.3
Non-Resi. Investment	0.8	0.3	3.0	3.4	0.7
Residential Investment	0.5	0.3	-1.0	-2.1	1.5
Private Inventory	(-0.0)	(0.1)	(0.3)	(-0.1)	(0.0)
Public Demand	-0.3	0.5	0.5	-0.1	0.5
Public Investment	-2.9	-0.3	-0.3	-1.9	1.0
Net Exports of goods and services	(-0.1)	(-0.1)	(-0.0)	(0.2)	(-0.1)
Exports	0.5	1.6	-0.0	3.1	2.7
Imports	1.7	2.5	0.1	2.3	3.9
Nominal GDP	-0.1	0.2	0.8	0.5	0.2

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

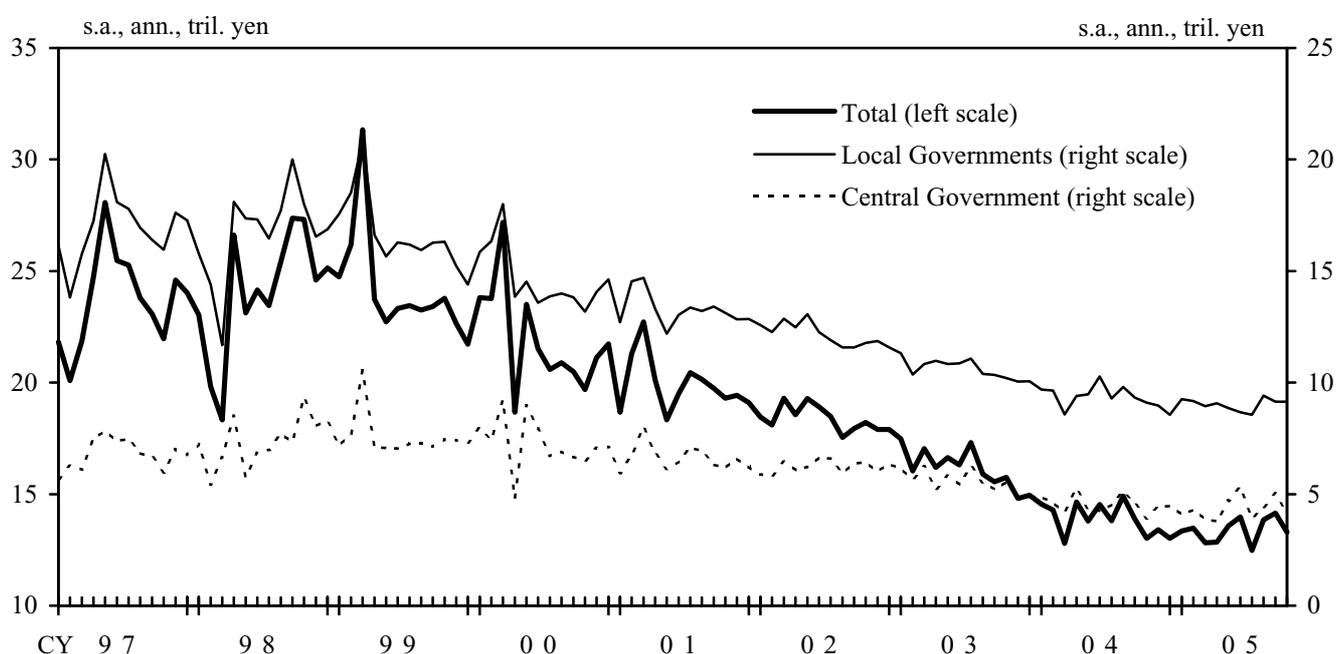
Source: Cabinet Office, "National Accounts."

Public Investment

(1) Amount of Public Construction Completed and Public Investment



(2) Value of Public Works Contracted



Notes: 1. Quarterly figures of public investment are plotted at the middle month of each quarter.

2. Amount of public construction completed is based on the general tables in the "Integrated Statistics on Construction Works." The figures until March 2000 are retroactively calculated with year-to-year growth rates on the former basis.

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

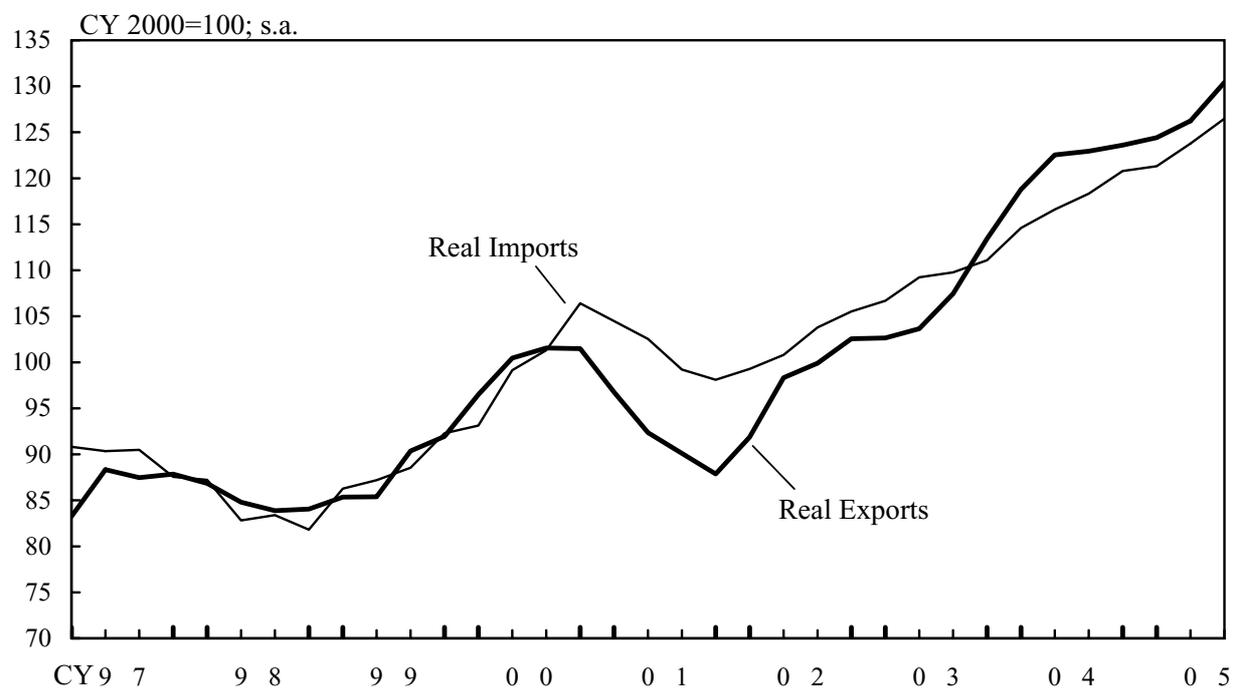
Sources: Cabinet Office, "National Accounts";

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

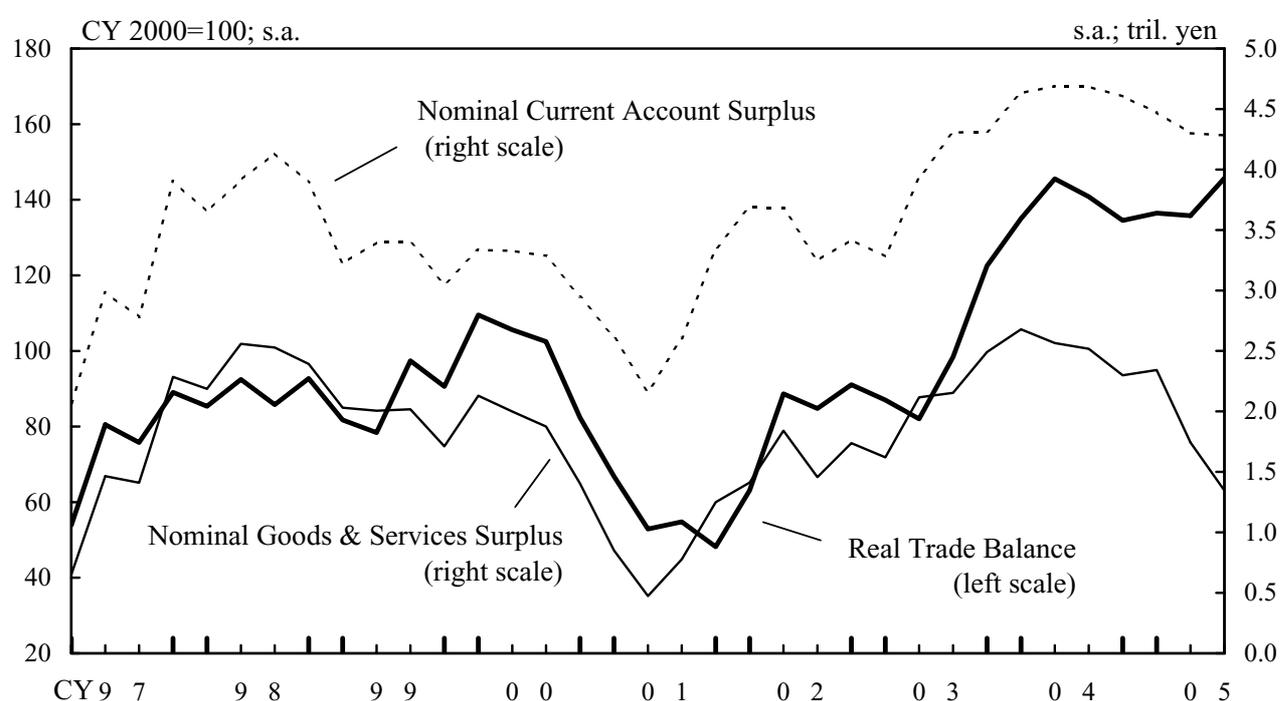
Ministry of Land, Infrastructure and Transport, "Integrated Statistics on Construction Works."

External Balance

(1) Real Exports and Real Imports



(2) Real Trade Balance and Nominal Current Account Surplus



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

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

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

Real Exports ¹

(1) Breakdown by region

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2003	2004	2004 Q3	2004 Q4	2005			2005		
						Q1	Q2	Q3	Jul.	Aug.	Sep.
United States	<22.4>	-5.5	6.8	0.3	2.3	2.0	1.3	1.0	-2.2	4.8	-3.1
EU	<15.5>	14.9	18.7	2.1	2.0	-0.7	0.2	1.5	3.4	2.4	0.4
East Asia	<46.9>	20.4	19.1	0.7	-0.5	3.2	-0.0	4.7	2.3	2.1	3.7
China	<13.1>	42.0	22.2	-0.2	2.8	1.3	-1.6	11.8	7.5	0.5	6.7
NIEs	<24.7>	16.2	20.3	0.9	-2.8	4.4	0.6	3.3	-0.7	5.3	4.0
Korea	<7.8>	19.2	19.1	-1.4	-6.9	7.9	-1.4	7.6	1.2	7.8	2.1
Taiwan	<7.4>	16.8	26.9	6.8	-1.7	3.2	3.1	-3.4	-0.2	1.2	4.0
ASEAN4 ³	<9.1>	9.6	12.3	1.1	1.2	2.8	0.6	-1.0	3.1	-3.4	-1.6
Thailand	<3.6>	19.0	16.8	0.9	5.6	5.2	-0.4	-0.9	-2.6	1.3	-0.7
Real exports		8.9	14.5	0.3	0.5	0.7	1.5	3.3	0.1	3.3	0.7

(2) Breakdown by goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2003	2004	2004 Q3	2004 Q4	2005			2005		
						Q1	Q2	Q3	Jul.	Aug.	Sep.
Intermediate goods	<16.3>	5.6	5.5	-1.6	-0.0	1.4	0.9	2.5	-0.7	3.0	2.7
Motor vehicles and their related goods	<22.4>	1.3	8.3	0.6	1.2	1.7	4.3	-0.5	-5.3	5.3	-2.8
Consumer goods ⁴	<6.0>	16.2	14.9	-3.5	4.5	-2.0	3.0	5.4	7.4	2.1	2.5
IT-related goods ⁵	<13.7>	13.2	17.3	-0.4	-0.6	2.2	0.4	3.9	-0.1	6.4	-2.3
Capital goods and parts ⁶	<30.0>	18.8	23.5	1.8	0.3	1.3	1.1	3.6	-0.3	4.5	-0.4
Real exports		8.9	14.5	0.3	0.5	0.7	1.5	3.3	0.1	3.3	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.

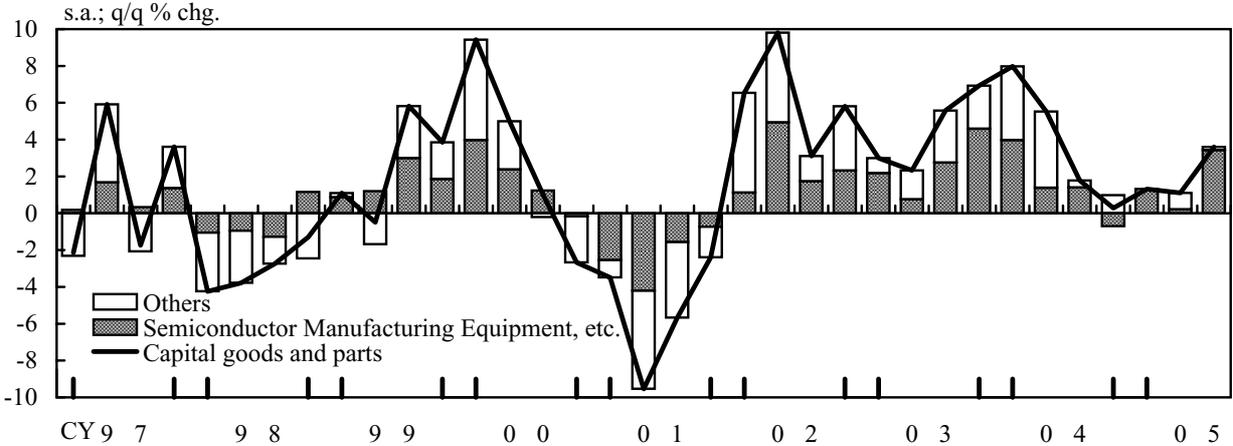
5. IT-related goods are composed of computers and units, telecommunication machinery, ICs and medical and optical instruments.

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

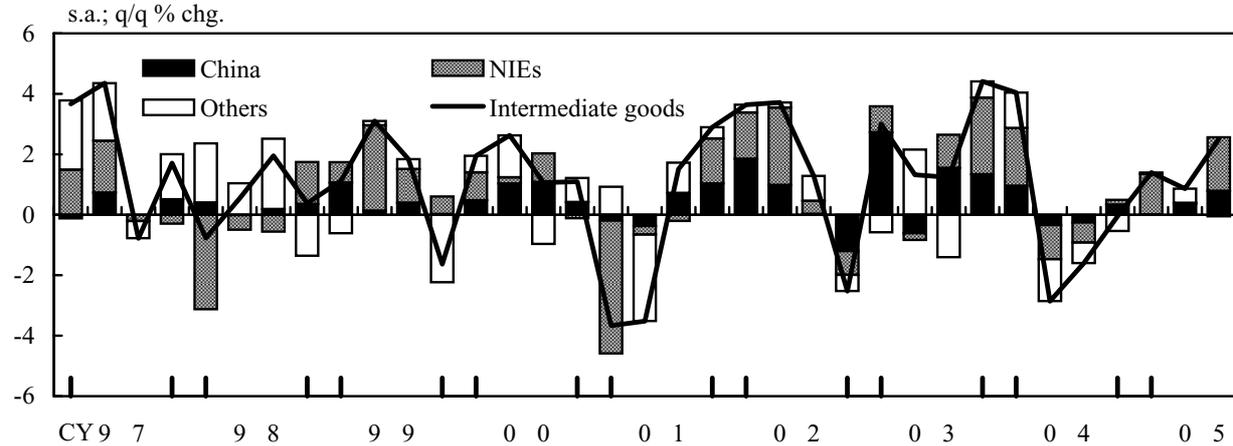
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Real Exports breakdown by goods

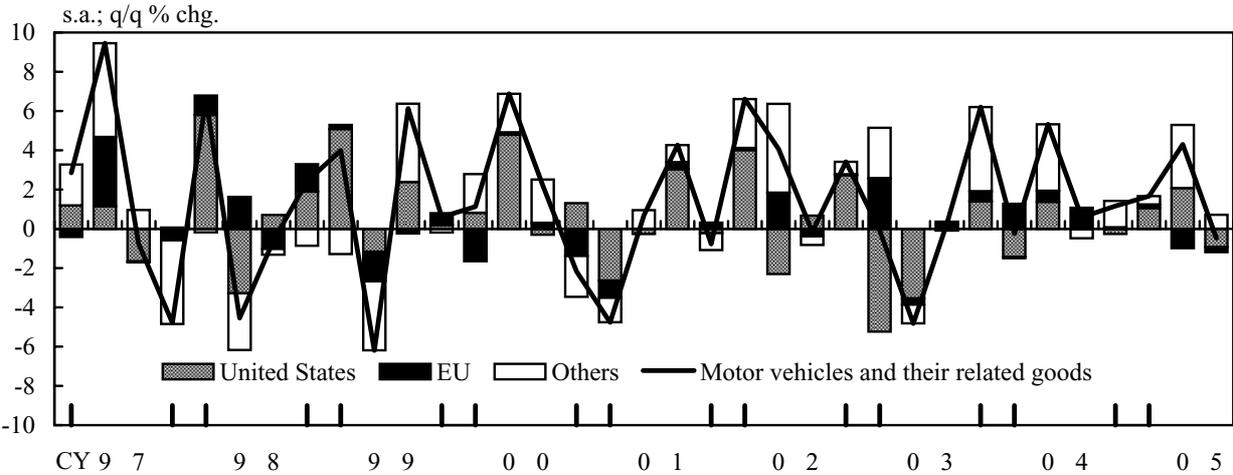
(1) Capital goods and parts (real, breakdown by goods)



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



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

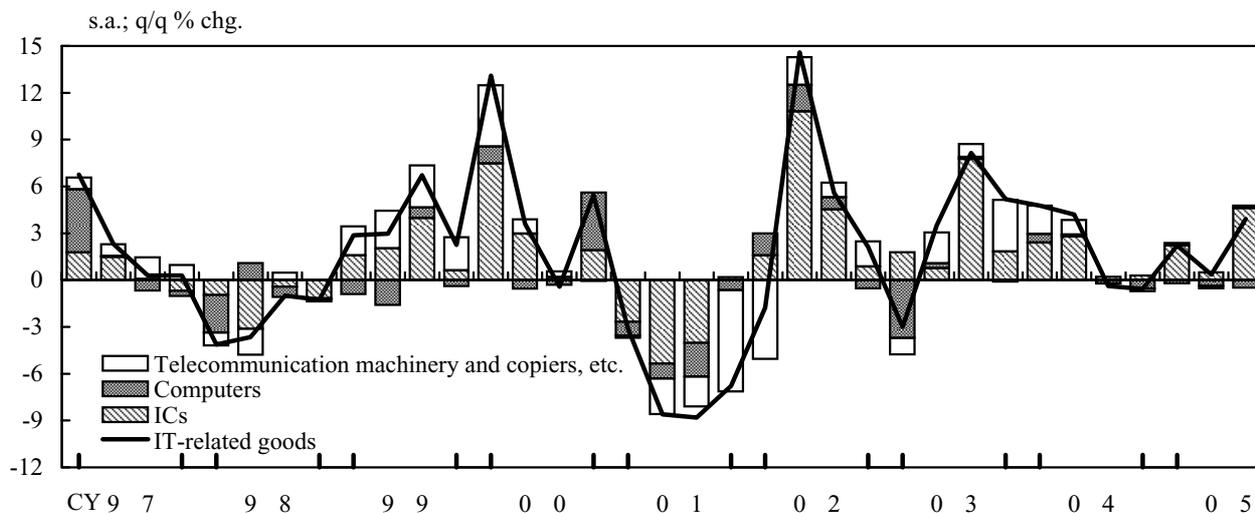


Note: Seasonally adjusted by X-12-ARIMA.

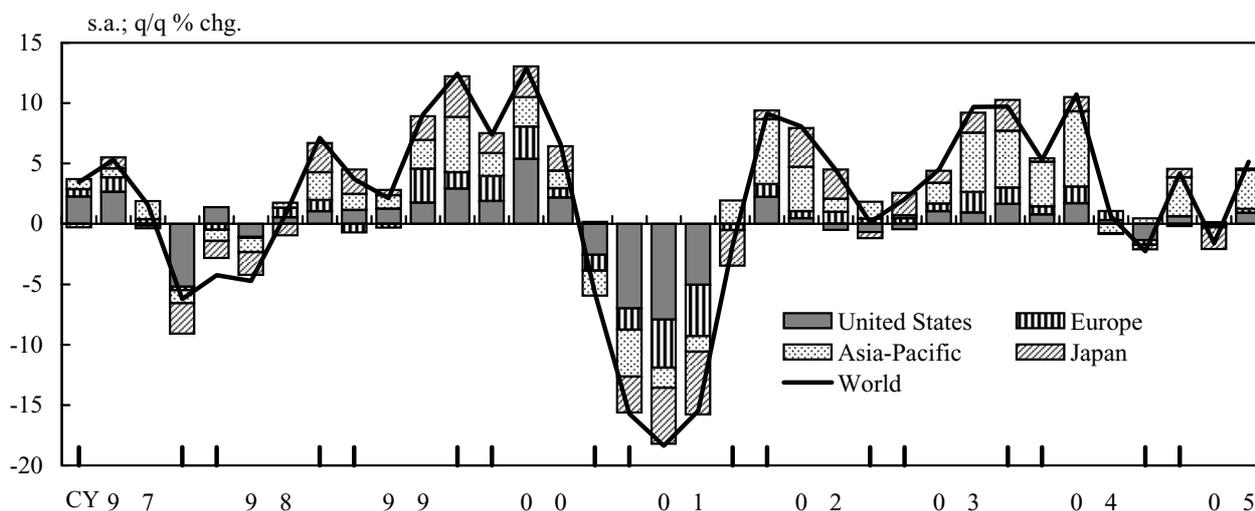
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Exports and Imports of IT-related goods

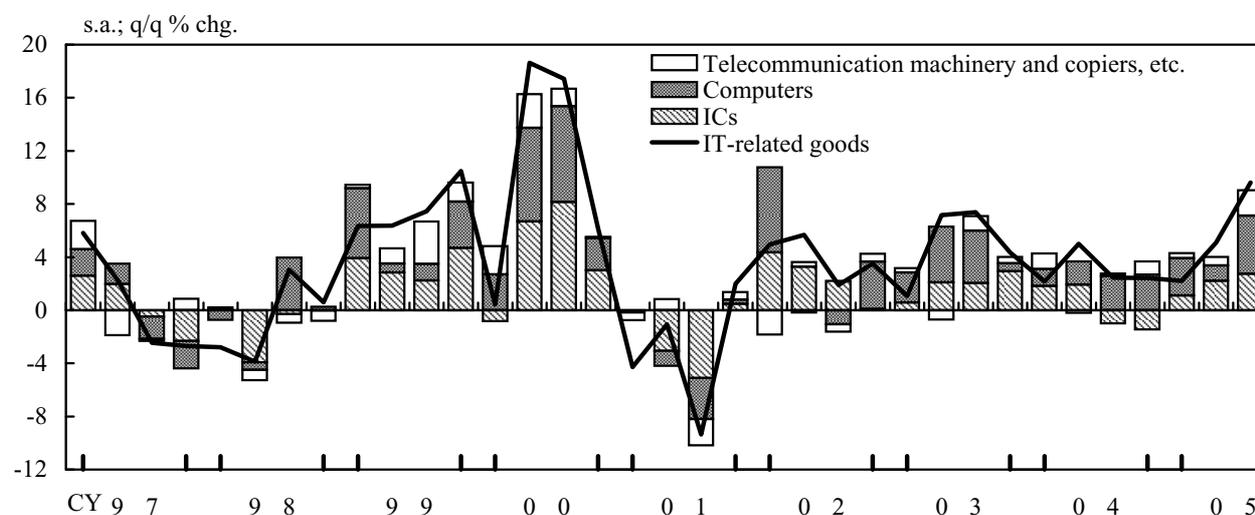
(1) Exports of IT-related goods (real, breakdown by goods)



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



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

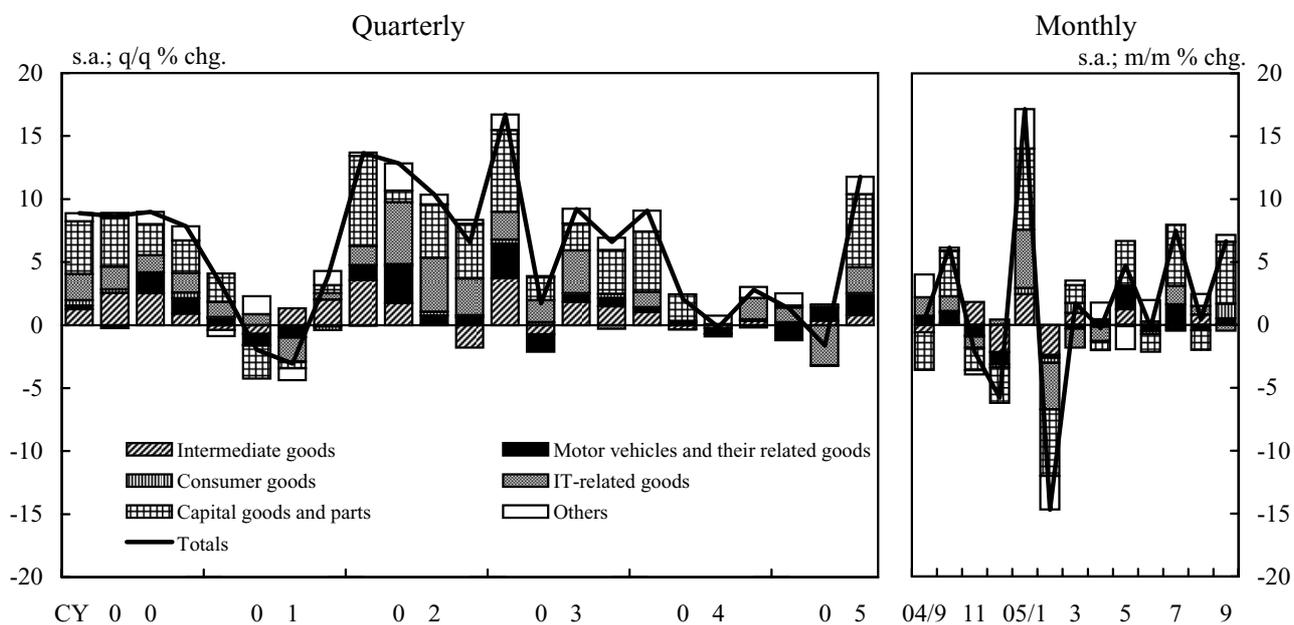


Notes: 1. Seasonally adjusted by X-12-ARIMA in (1) and (3).
 2. Seasonally adjusted by X-11 in (2).

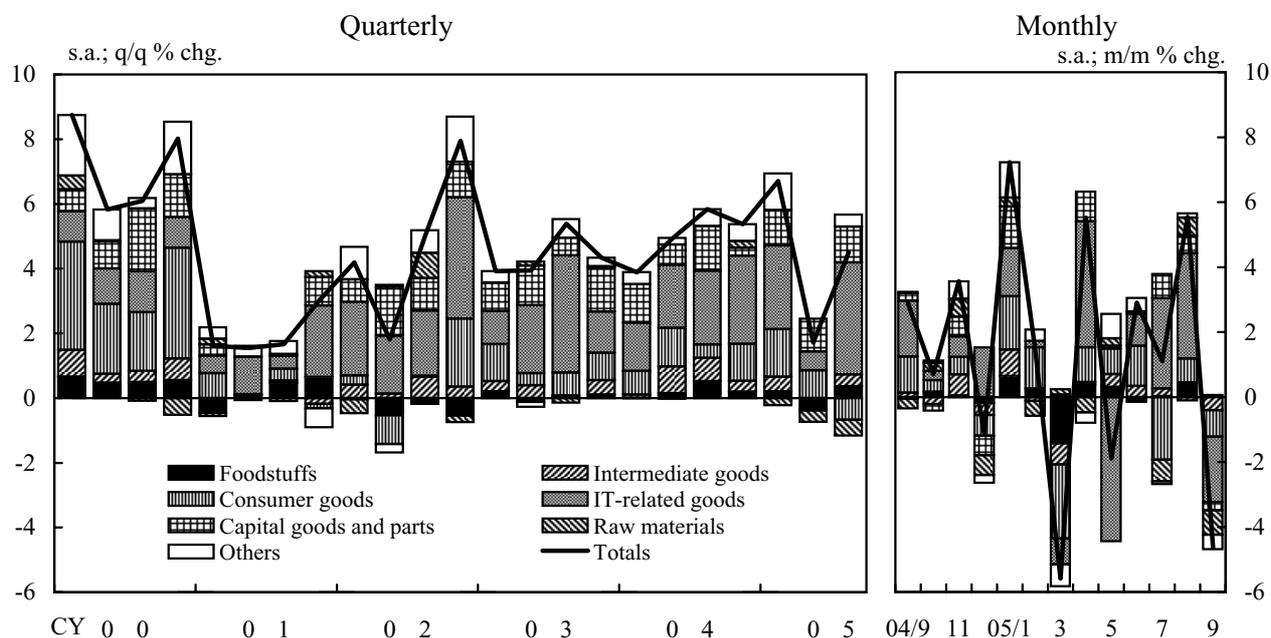
Sources: Ministry of Finance, "The Summary Report on Trade of Japan";
 Bank of Japan, "Corporate Goods Price Index"; WSTS (World Semiconductor Trade Statistics.)

Exports and Imports with China

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



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



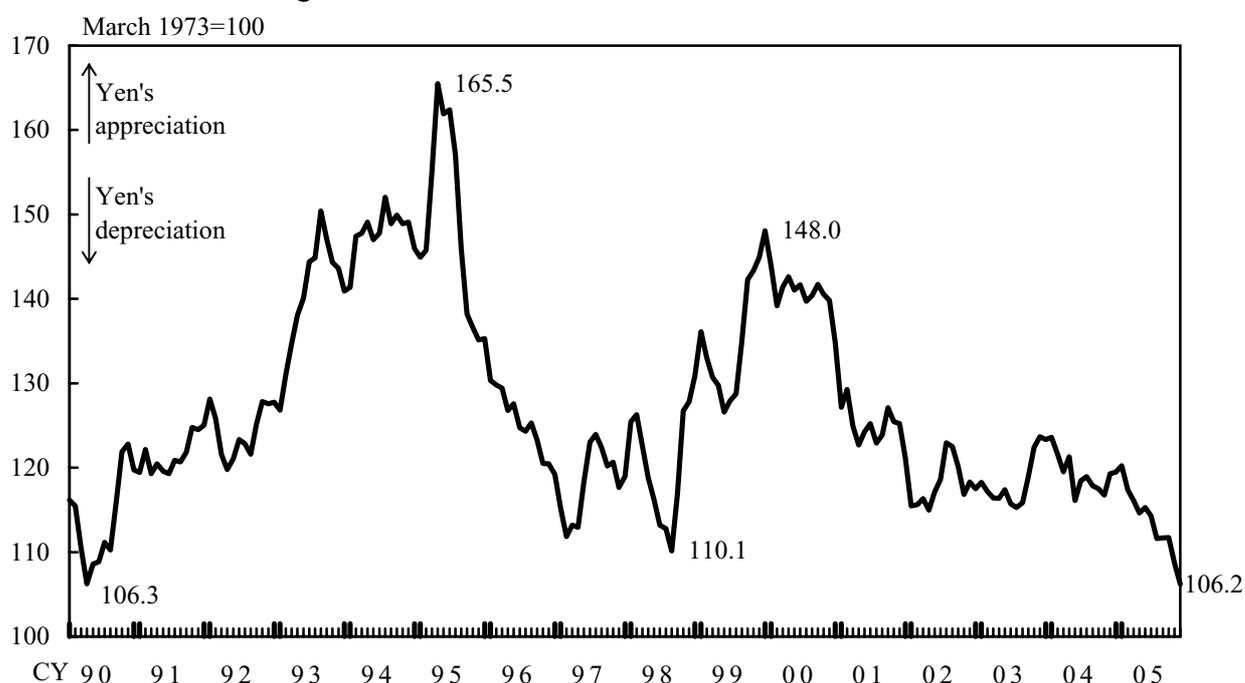
Notes: 1. Regarding classifications of each goods, see notes of chart 5 and 10.

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 November 2005 is the average up to November 17.
 Figures are the index of weighted average of the yen's real exchange rates versus 15 major currencies (26 countries) which are calculated from nominal exchange rates and price indexes of the respective countries.

(2) Real GDP Growth Rates in Overseas Economies

		CY2002	2003	2004	2004 Q4	2005 Q1	Q2	Q3	
United States ¹		1.6	2.7	4.2	3.3	3.8	3.3	3.8	
European Union ¹		1.1	1.1	2.1	1.0	1.5	1.5	n.a.	
	Germany	0.1	-0.2	1.6	-0.3	2.4	0.9	2.5	
	France	1.3	0.9	2.1	2.6	1.5	0.6	n.a.	
	United Kingdom	2.0	2.5	3.2	1.9	1.0	2.0	1.5	
East Asia ²	China	8.3	9.5	9.5	9.5	9.4	9.5	9.4	
	NIEs	Korea	7.0	3.1	4.6	3.3	2.7	3.3	4.4
		Taiwan	3.9	3.3	5.7	3.3	2.5	3.0	n.a.
		Hong Kong	1.8	3.1	8.2	7.2	6.2	6.8	n.a.
		Singapore	3.2	1.4	8.4	6.5	2.7	5.4	7.0
	ASEAN4	Thailand	5.3	6.9	6.1	5.3	3.3	4.4	n.a.
		Indonesia	4.4	4.9	5.1	6.7	6.2	5.5	n.a.
		Malaysia	4.4	5.4	7.1	5.8	5.8	4.1	n.a.
Philippines		4.4	4.5	6.0	5.3	4.6	4.8	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 Q3	2004 Q4	2005 Q1	2005 Q2	2005 Q3	2005 Jul.	2005 Aug.	2005 Sep.
United States	<13.7>	-2.4	0.4	-1.3	2.0	-4.2	5.8	4.3	-1.6	0.7	3.3
EU	<12.6>	5.6	9.6	-0.5	2.1	-1.3	5.3	-1.4	2.1	6.0	-4.0
East Asia	<43.1>	14.2	14.7	4.1	1.8	4.7	0.4	4.4	1.2	6.1	-3.9
China	<20.7>	21.3	20.9	5.8	5.4	6.7	1.7	4.5	1.1	5.5	-4.6
NIEs	<10.2>	9.6	12.8	1.4	-2.1	3.9	1.4	9.4	3.9	10.2	-3.3
Korea	<4.8>	13.0	14.5	-4.0	-2.3	5.0	3.2	5.3	-2.8	15.8	-7.2
Taiwan	<3.7>	6.9	12.0	4.5	-1.2	2.6	0.8	15.0	11.0	7.8	-2.7
ASEAN4 ³	<12.1>	8.6	7.1	3.8	-0.9	1.8	-3.0	-0.5	-1.3	3.3	-3.0
Thailand	<3.1>	11.0	14.3	4.0	3.9	5.1	0.0	2.4	2.5	2.7	-0.2
Real imports		6.8	8.1	1.5	2.1	0.4	2.0	2.2	-1.4	4.5	-1.4

(2) Breakdown by goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2003	2004	2004 Q3	2004 Q4	2005 Q1	2005 Q2	2005 Q3	2005 Jul.	2005 Aug.	2005 Sep.
Raw materials ⁴	<27.9>	5.9	1.3	2.5	1.7	-3.4	-3.5	0.8	-6.1	4.5	2.7
Intermediate goods	<14.1>	4.6	8.7	1.2	0.1	2.4	1.9	0.1	0.8	2.0	-0.0
Foodstuffs	<10.8>	-4.2	0.4	-0.2	0.2	3.3	2.0	-0.8	-2.1	7.7	-3.6
Consumer goods ⁵	<10.6>	8.0	12.5	-1.5	4.4	2.2	8.0	-6.7	-8.0	5.6	-7.9
IT-related goods ⁶	<13.6>	17.3	17.6	2.5	2.4	2.2	5.1	9.6	4.5	5.4	0.7
Capital goods and parts ⁷	<12.6>	14.5	17.4	2.9	5.6	-1.4	6.3	6.8	8.7	-6.4	1.0
excluding aircraft	<11.7>	14.6	19.2	4.3	1.1	2.0	6.9	3.8	2.8	-0.4	0.4
Real imports		6.8	8.1	1.5	2.1	0.4	2.0	2.2	-1.4	4.5	-1.4

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. Excludes foodstuffs.

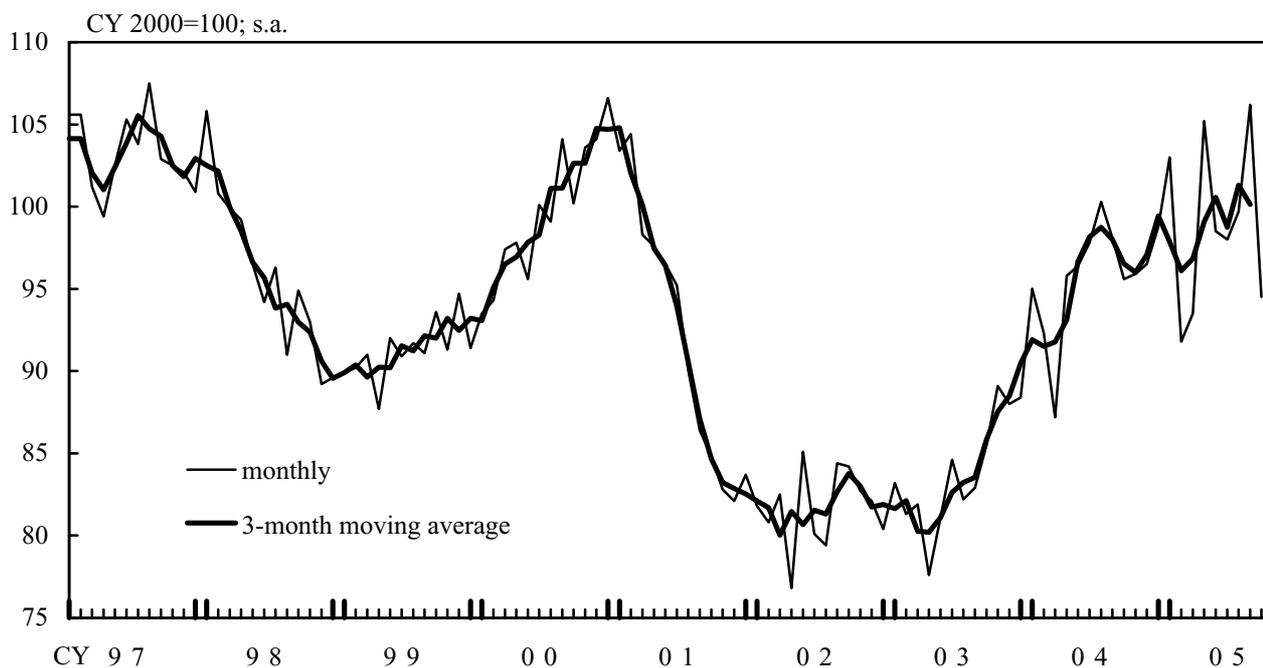
6. IT-related goods are composed of computers and units, parts of computer, telecommunication machinery, ICs, and medical and optical instruments.

7. Excludes IT-related goods.

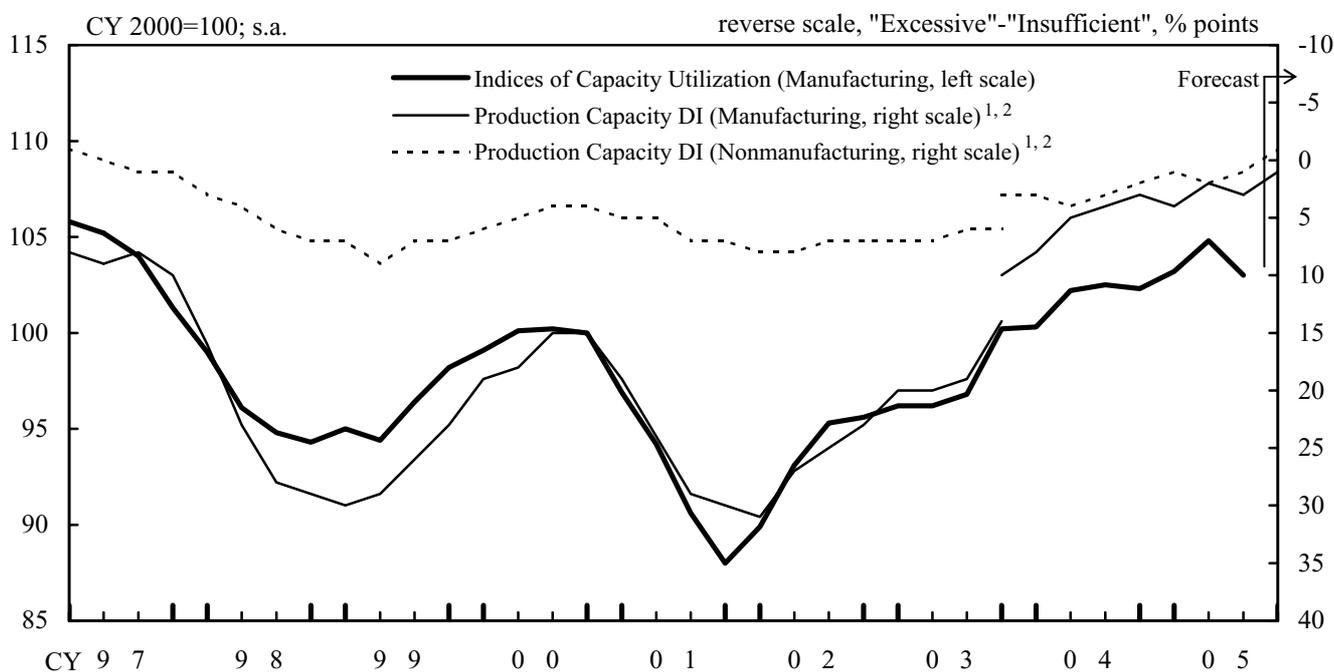
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Indicators for Business Fixed Investment (1)

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



(2) Indices of Capacity Utilization and Production Capacity DI



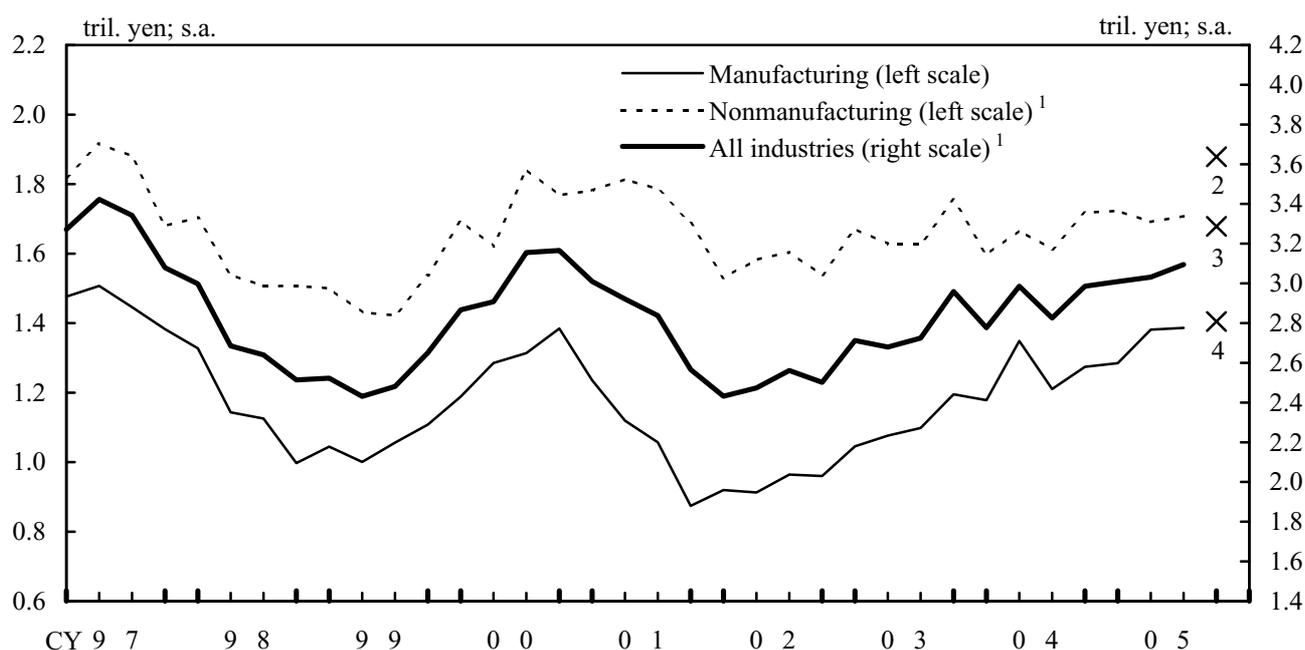
Notes: 1. Production Capacity DIs are those of all enterprises.

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.

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



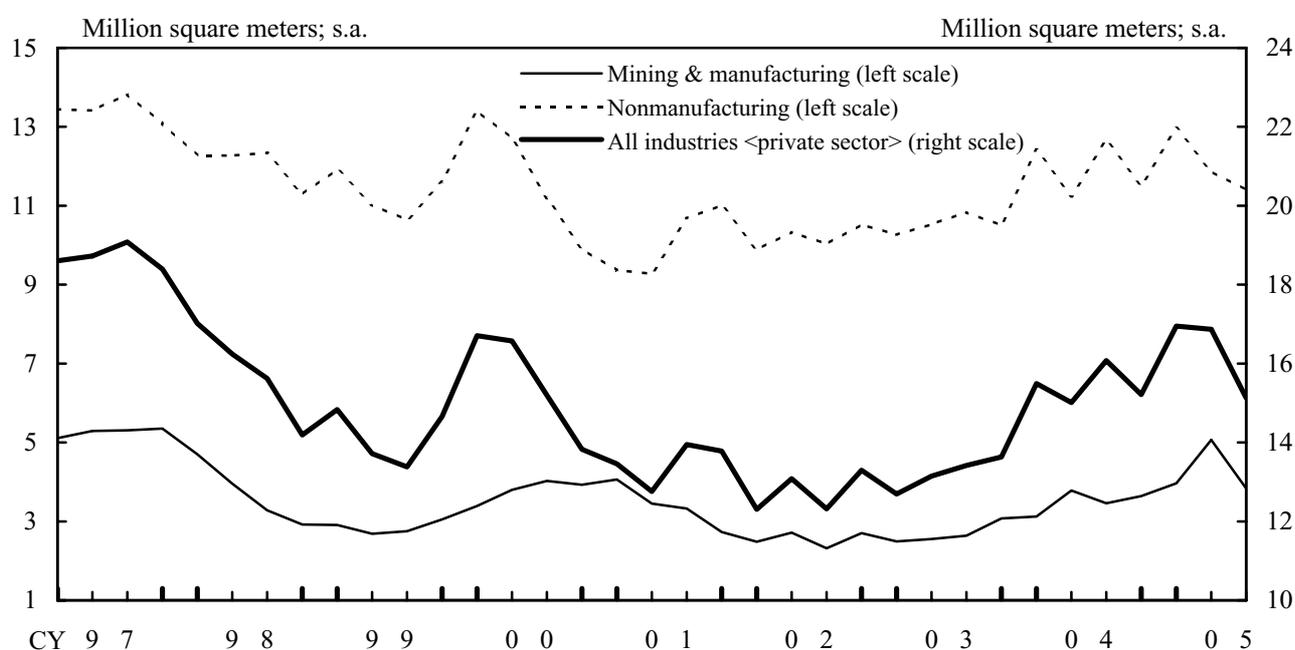
Notes: 1. Excludes orders of shipbuilding and orders from electric power companies.

2. Forecast of nonmanufacturing industries for 2005/Q4.

3. Forecast of all industries for 2005/Q4.

4. Forecast of manufacturing industries for 2005/Q4.

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



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

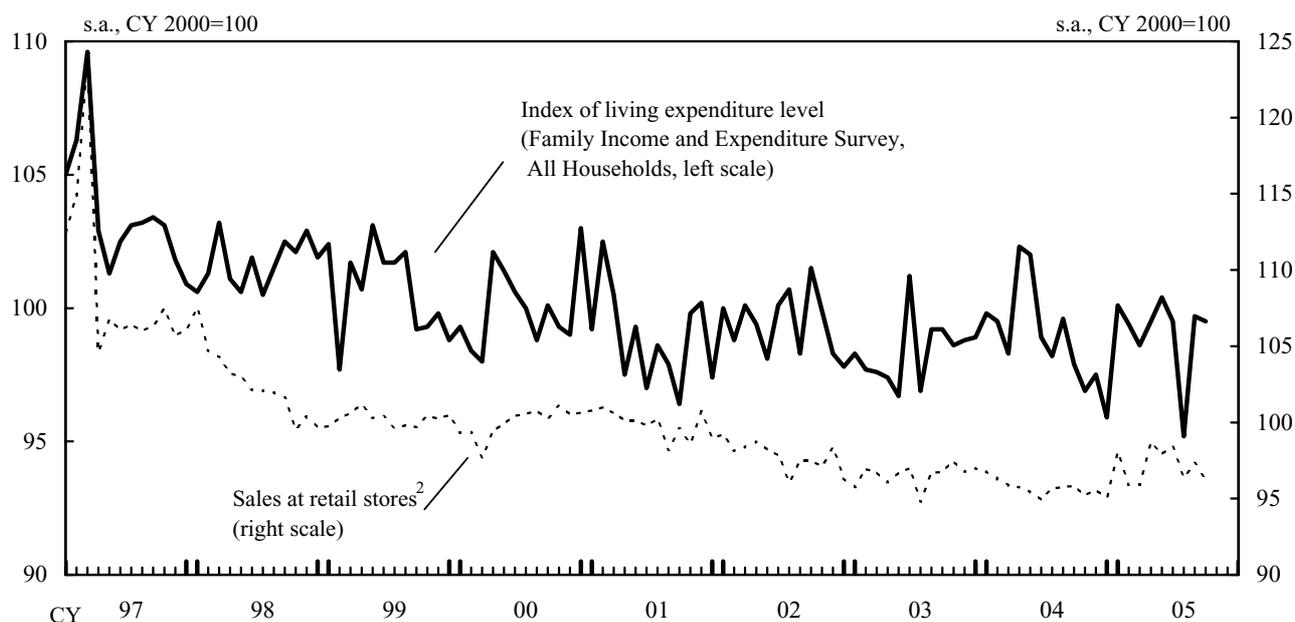
2. Because the Standard Industrial Classification for Japan was revised in March 2002, the industry classification for Newspaper Publishing and Publishing Business was changed from Mining and Manufacturing to Nonmanufacturing. Accordingly, the data up to fiscal year 2002 were adjusted by using a link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

Sources: Cabinet Office, "Machinery Orders Statistics";

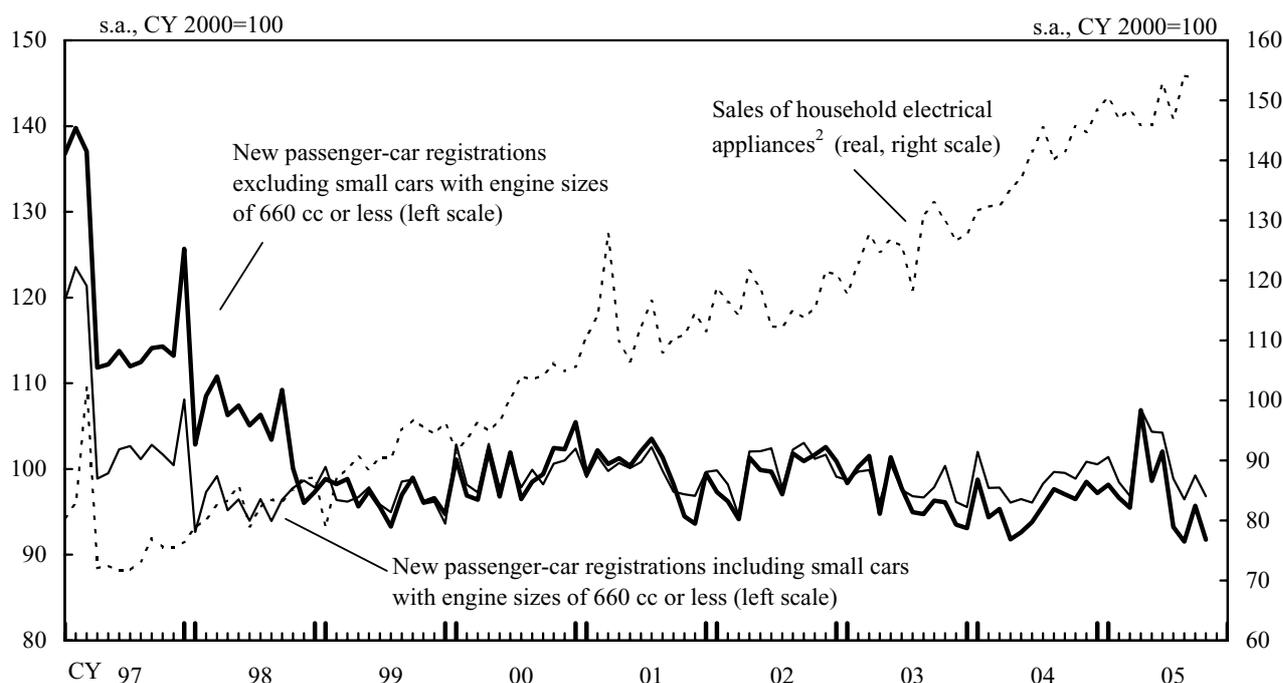
Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts."

Indicators for Private Consumption¹ (1)

(1) Household Spending (real)



(2) Sales of Durable Goods



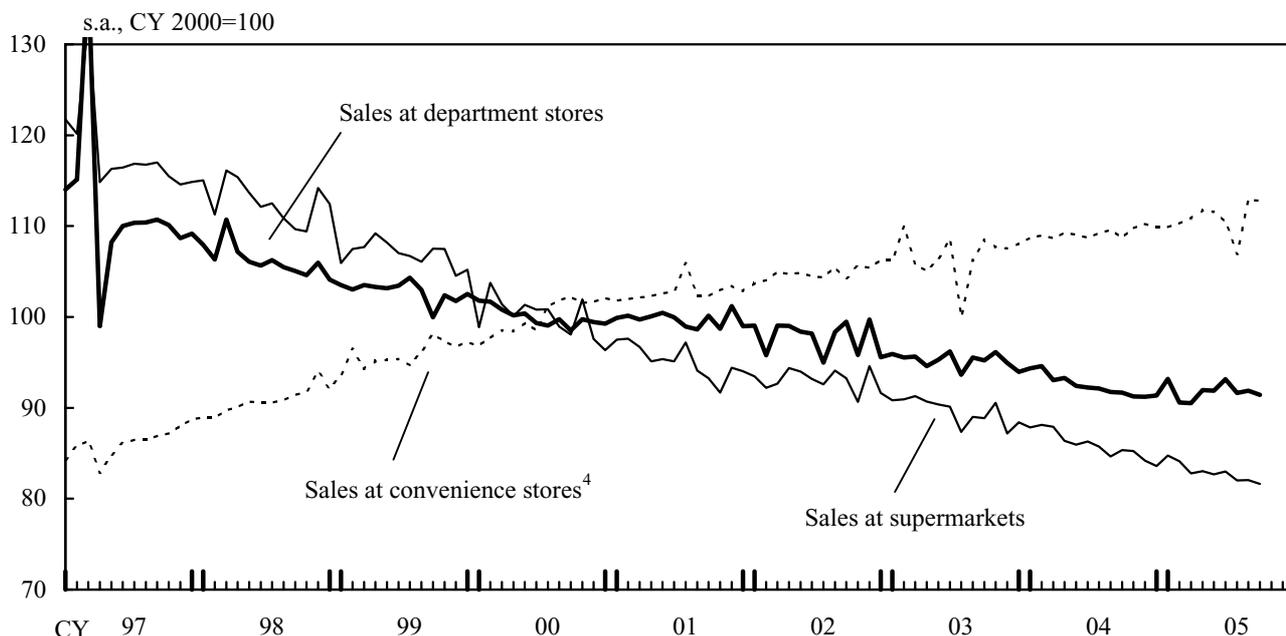
Notes: 1. Seasonally adjusted by X-12-ARIMA. Index of living expenditure level is seasonally adjusted by the Ministry of Internal Affairs and Communications.

2. Sales at retail stores are deflated by the consumer price index for goods (excluding electricity, gas & water charges). Sales of household electrical appliances are calculated as follows; the sales of household machinery retail stores in the Current Survey of Commerce are deflated by the geometric means of the corresponding consumer price indexes (or by the wholesale price index for personal computers before 1999 and for communication equipments up to 1994).

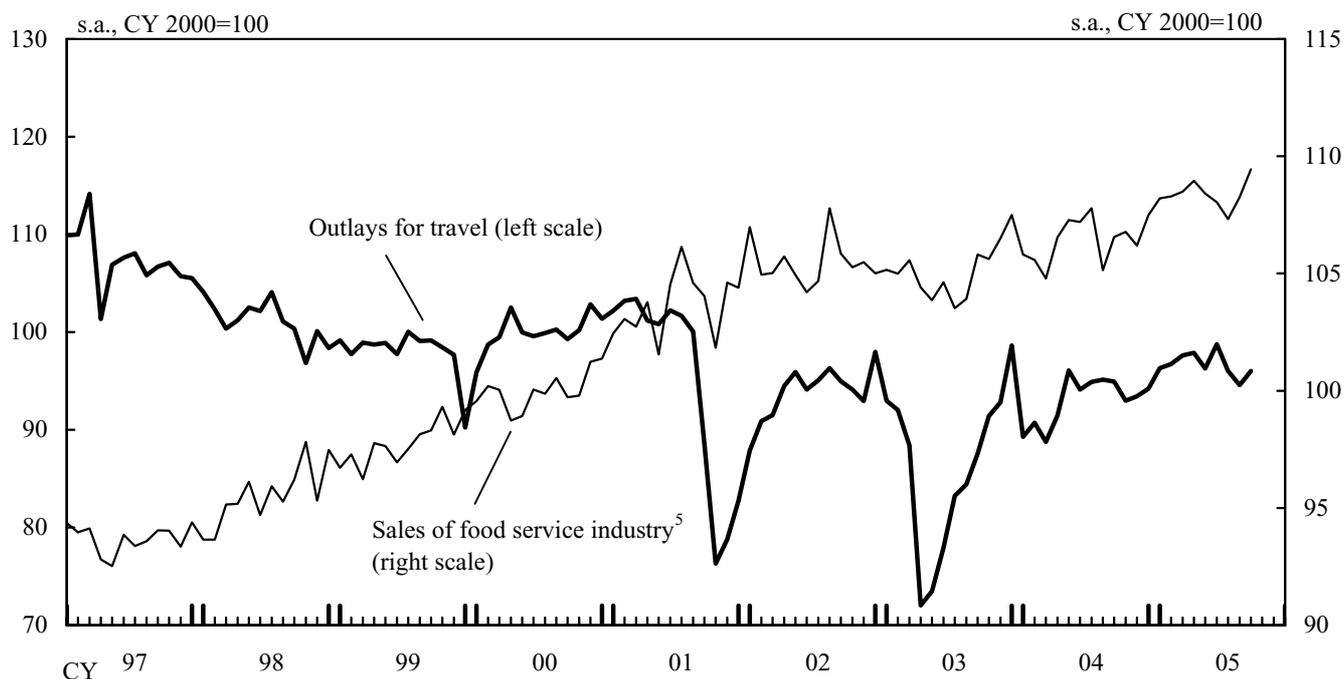
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index," "Monthly Report on the Family Income and Expenditure Survey"; Ministry of Economy, Trade and Industry, "Current Survey of Commerce"; Japan Automobile Dealers Association, "Domestic Sales of Automobiles"; Japan Mini Vehicles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

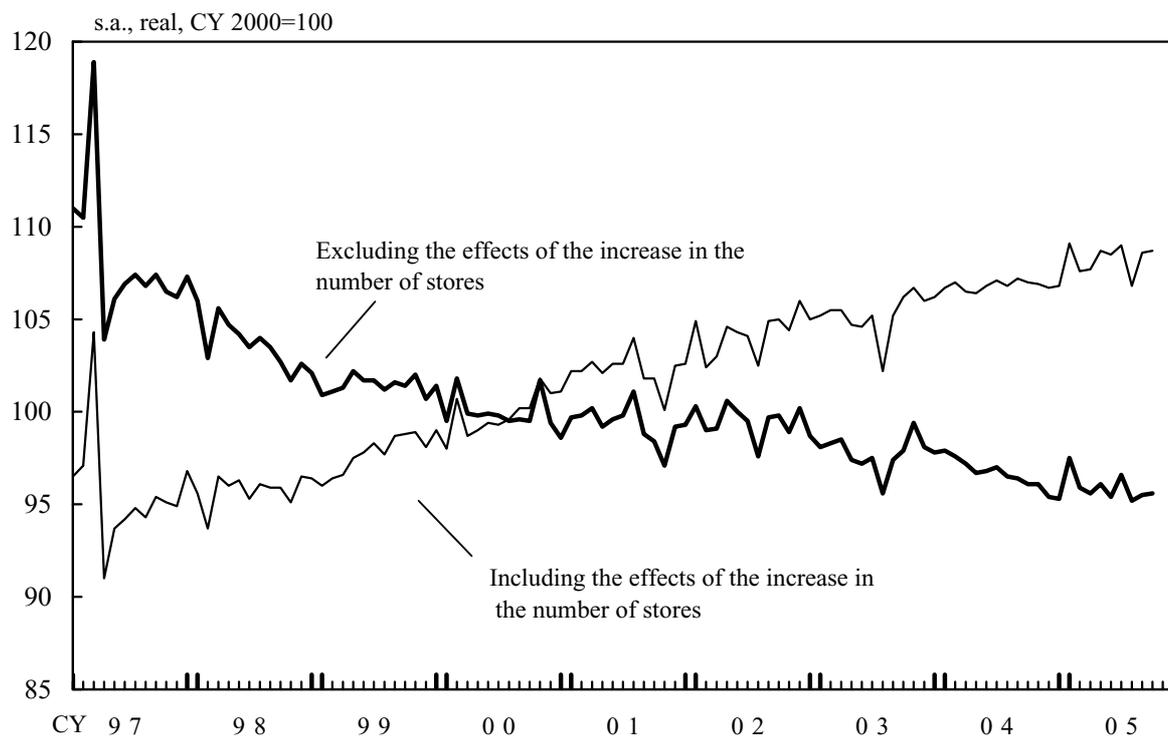
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce";

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

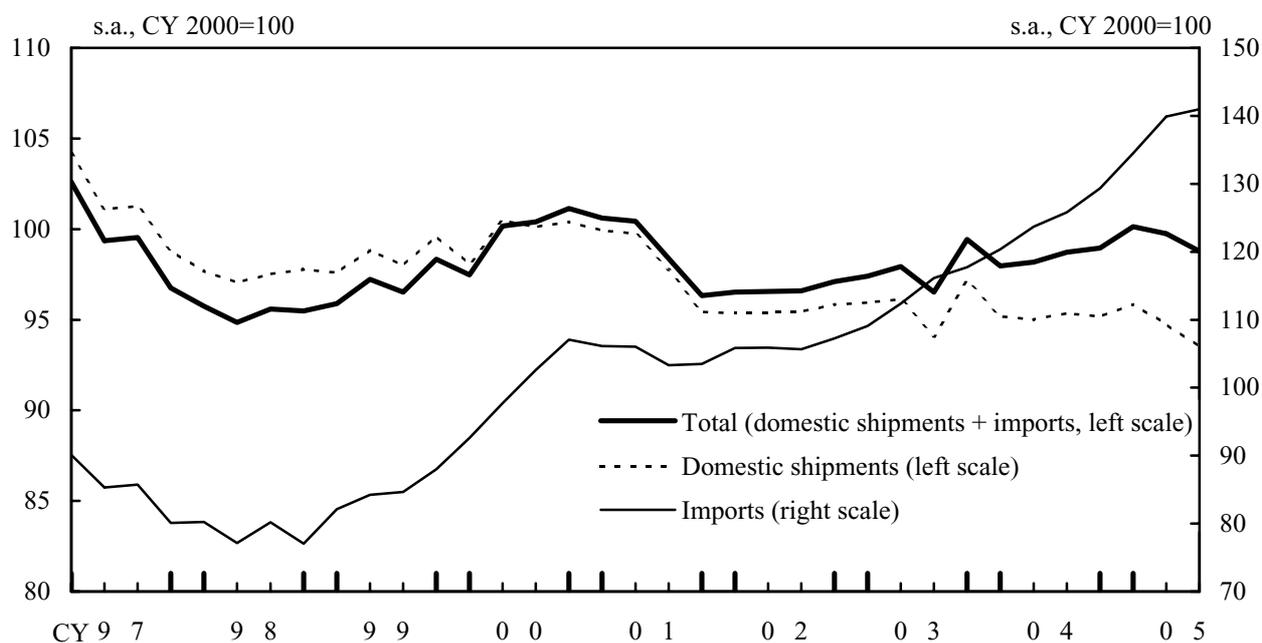


- Notes: 1. Indices of aggregated sales are the weighted sum of *Sales at department stores and supermarkets*; *New passenger-car registrations*; *Sales of household electrical appliances*; *Outlays for travel*; and *Sales of food service industry*, where the weights come from household expenditure in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

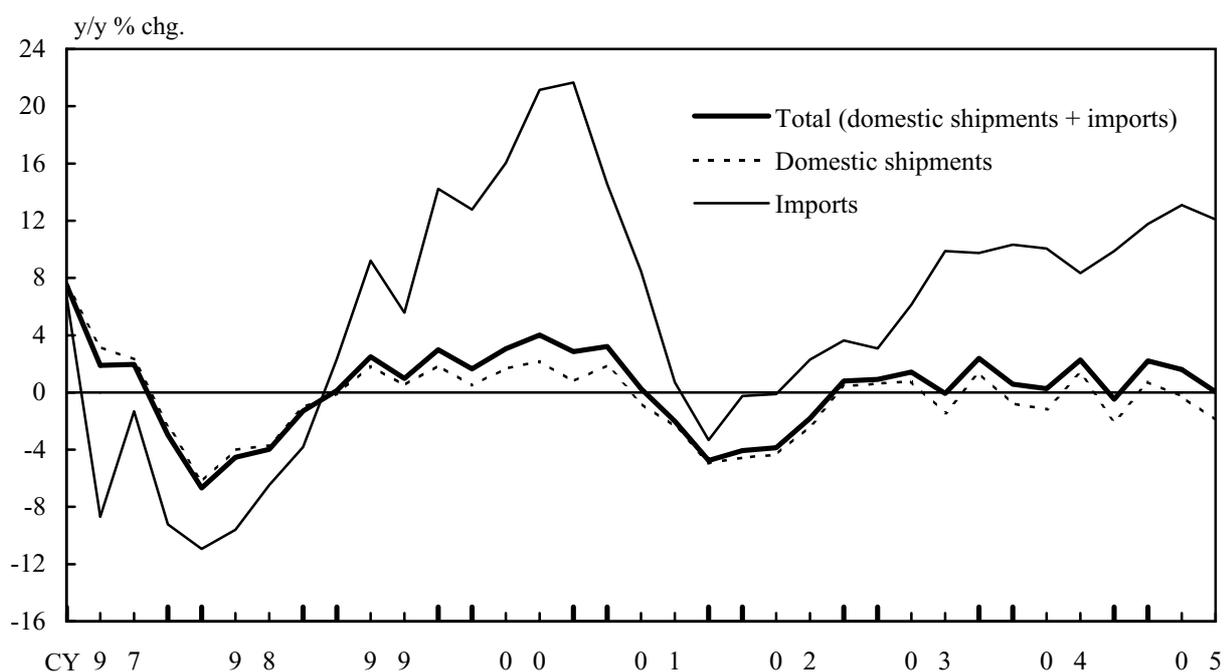
Source: Bank of Japan, "Indices of Aggregated Sales."

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

(1) Level



(2) Changes from a year earlier



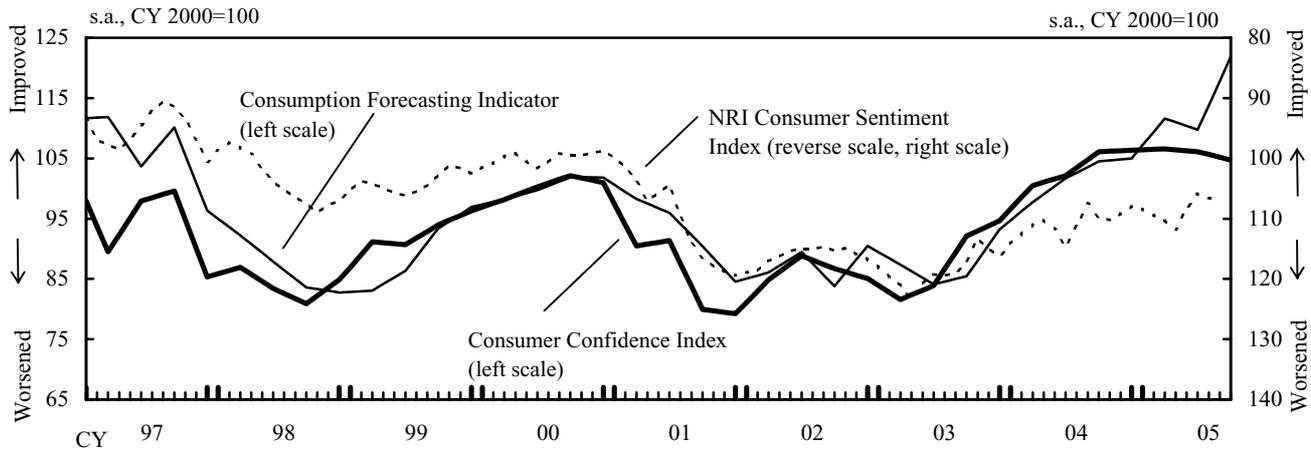
Notes: 1. Aggregate supply of consumer goods is calculated by the Bank of Japan using shipments of consumer goods in *Indices of Industrial Production* and real exports and imports of consumer goods. The weights used for calculation are those of *Indices of Industrial Domestic Shipments and Imports*.

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."

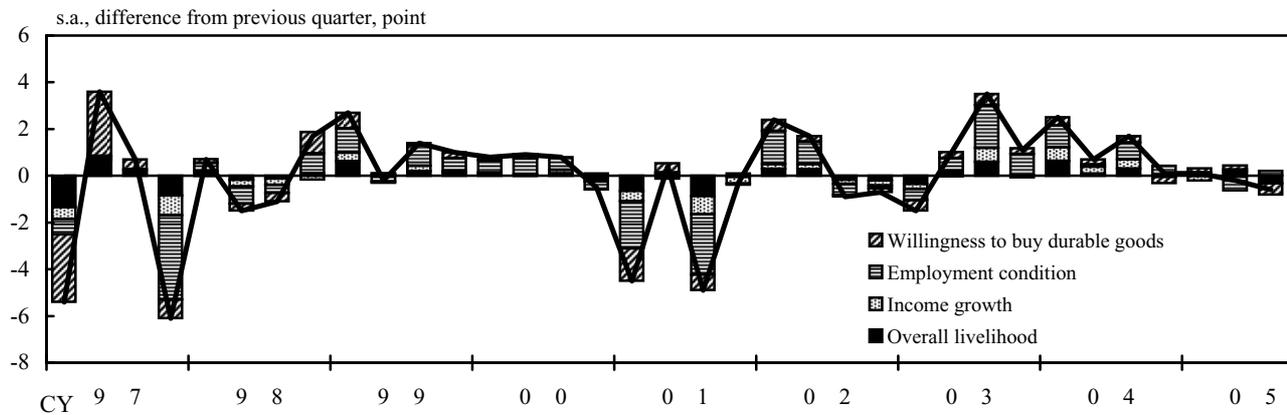
Consumer Confidence

(1) Surveys on Consumer Confidence

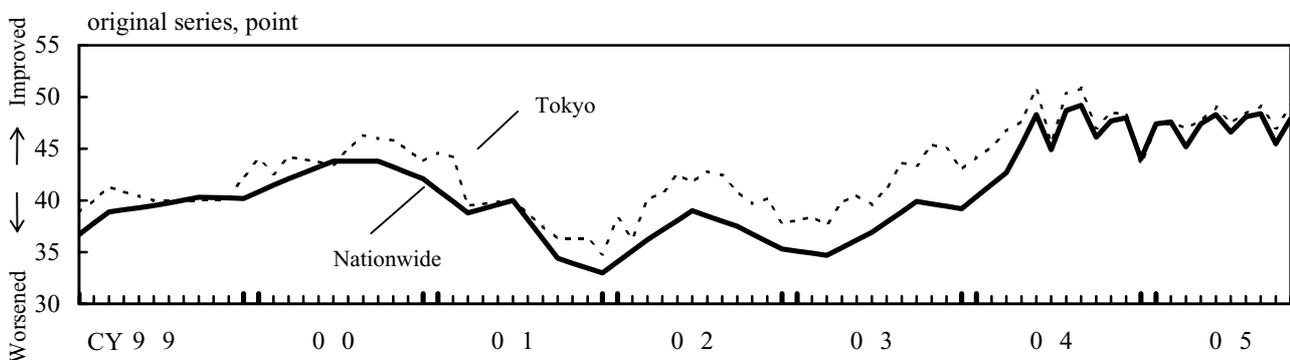


- Notes: 1. Seasonally adjusted by X-11. "Consumer Confidence Index" is seasonally adjusted by the Cabinet Office. "Consumption Forecasting Indicator" is seasonally adjusted using quarterly figures because the survey was quarterly until 2004.
2. Consumer Confidence Index (with 5,040 samples in a nationwide basis), Consumption Forecasting Indicator (with 600 samples in the 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)

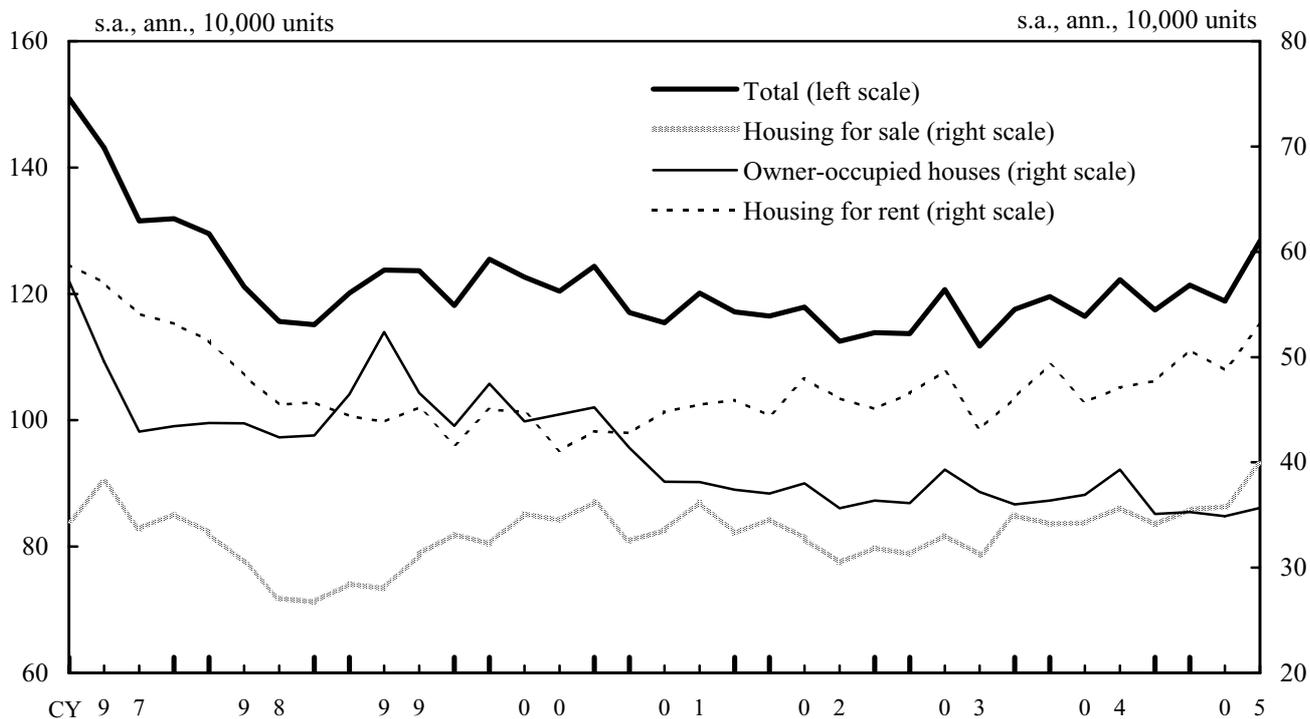


Note: Prior to 2001, figures of "Monthly Consumer Confidence Index of Tokyo" when the survey was not conducted have been supplemented with linear interpolation. Figures of "Monthly Consumer Confidence Index (Nationwide)" have also been plotted at the surveyed months and supplemented with linear interpolation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

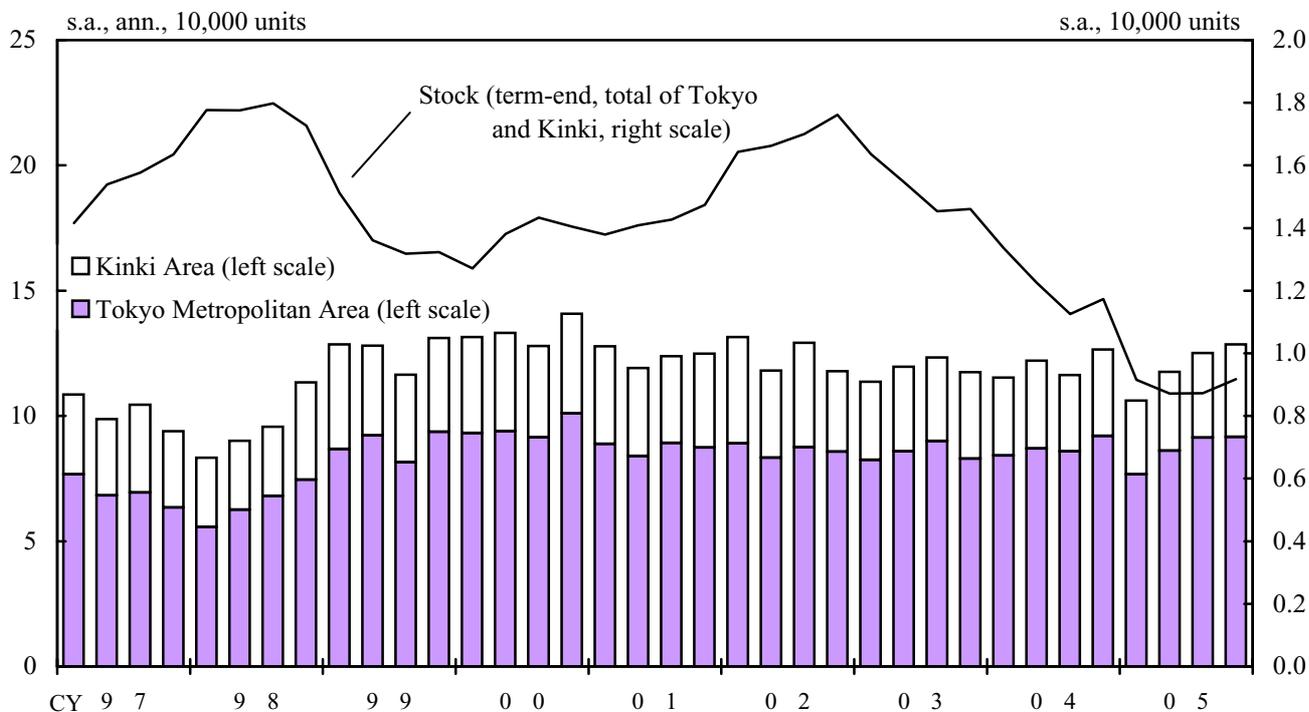
Sources: Cabinet Office, "Consumer Confidence Survey"; Nippon Research Institute (NRI), "Consumer Sentiment Survey"; Nikkei Research Institute of Industry and Markets (NIKKEI RIM), "Consumption Forecasting Indicator."

Indicators for Housing Investment

(1) Housing Starts



(2) Sales of Condominiums

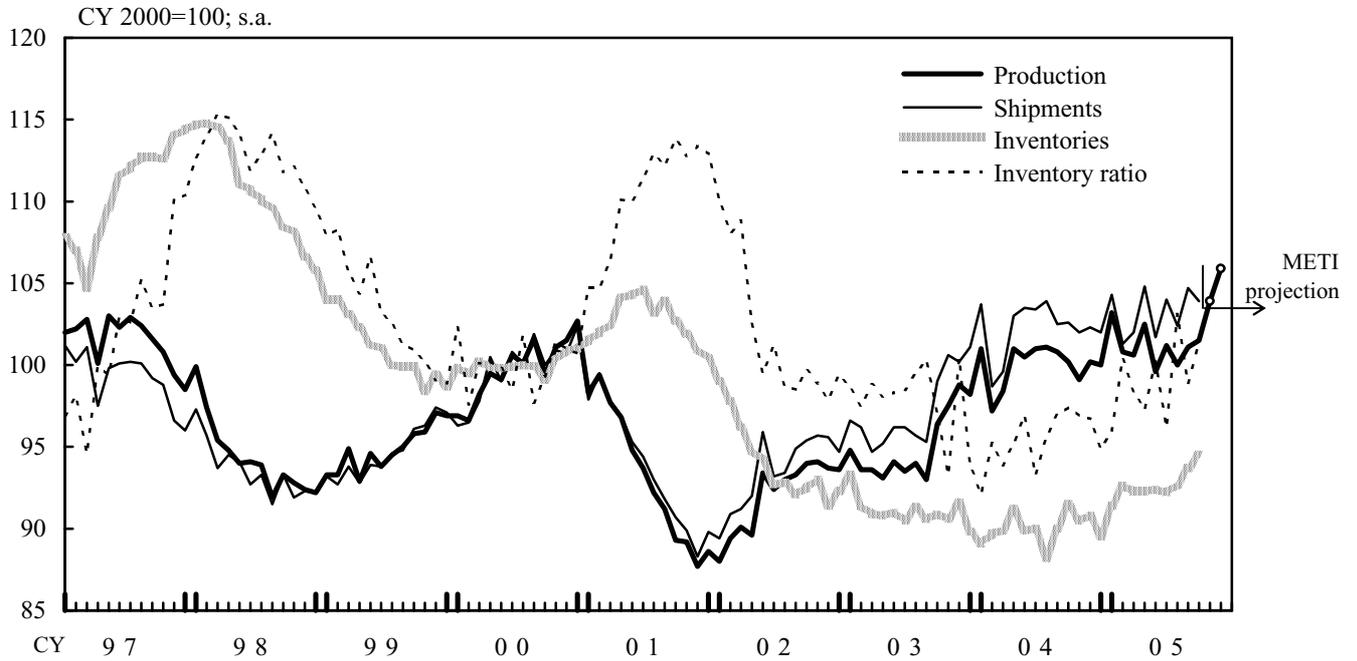


Notes: 1. Seasonally adjusted by X-12-ARIMA.
 2. Figures for 2005/Q4 are those of October.

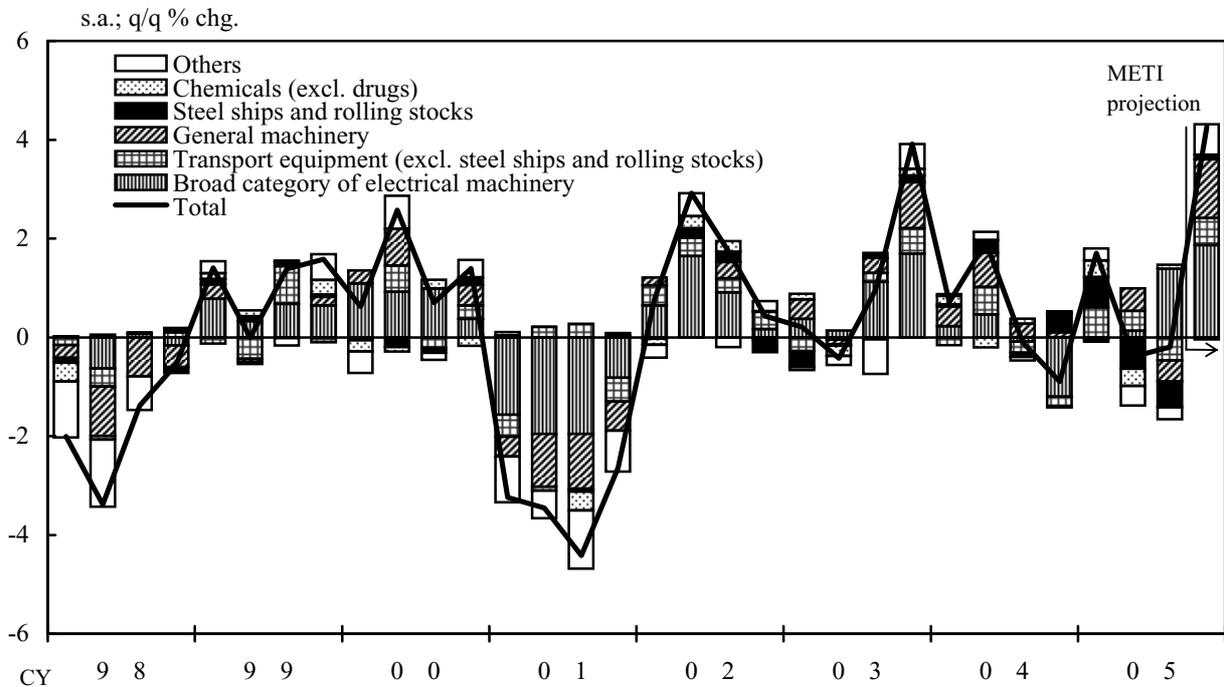
Sources: Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts," etc.

Production, Shipments and Inventories

(1) Production, Shipments and Inventories



(2) Production by Industries

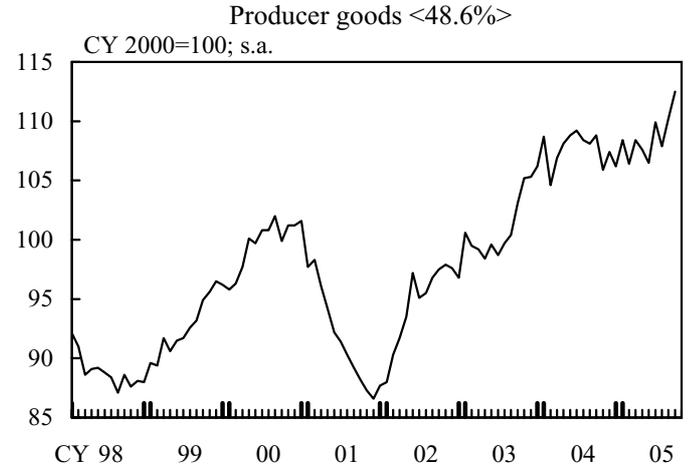
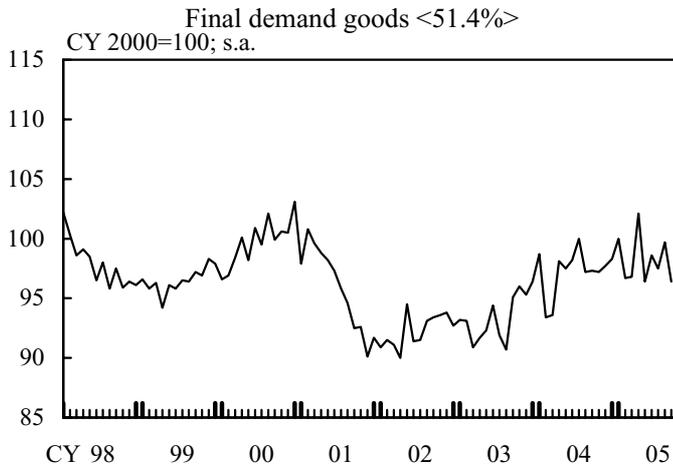


- Notes: 1. "Broad category of electrical machinery" is the weighted sum of "electrical machinery," "information and communication electronics equipment" and "electronic parts and devices."
 2. 2005/Q4 for METI projection is based on the assumption that production level in Dec. is the same as that of Nov..

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

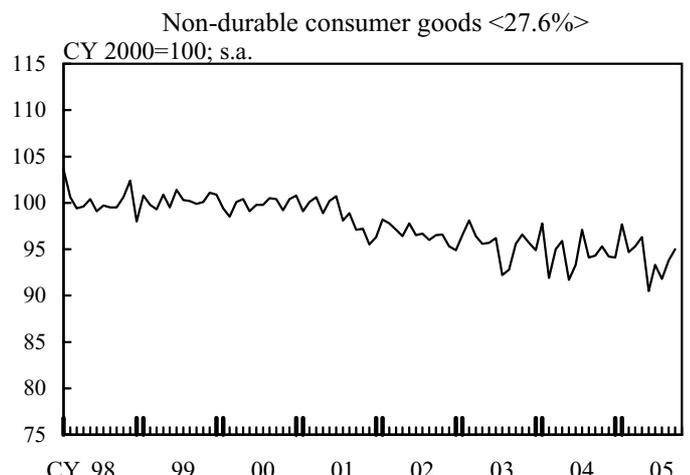
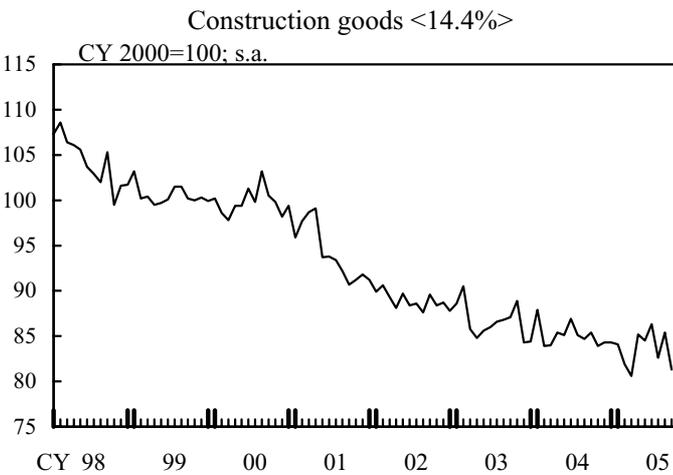
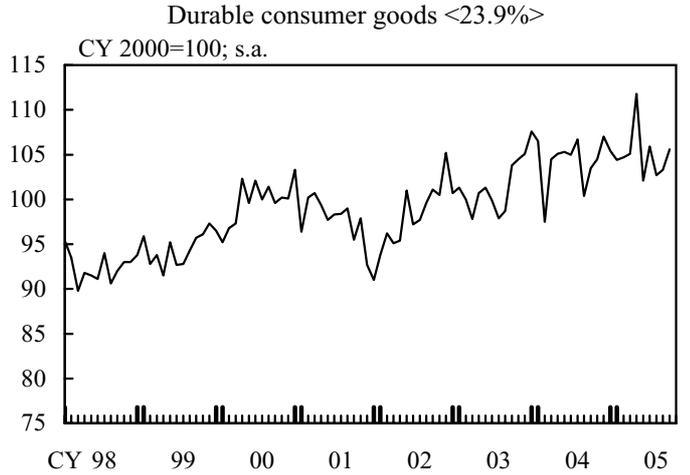
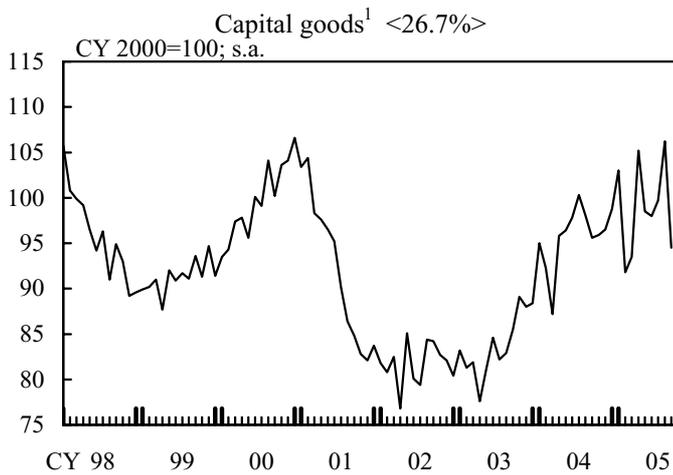
Shipments breakdown by type of goods

(1) Final demand goods and Producer goods



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

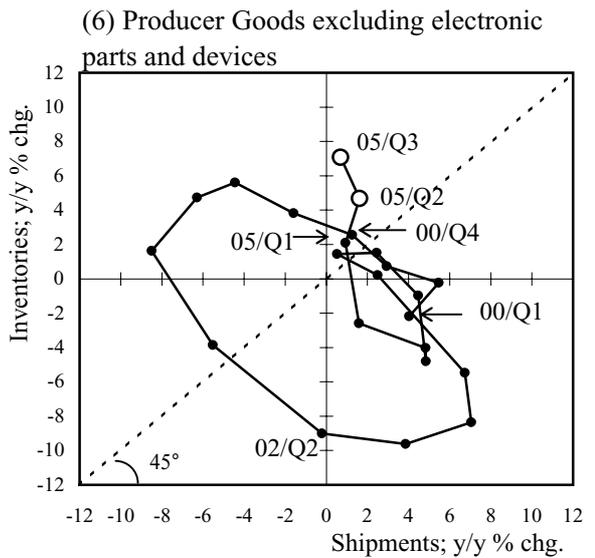
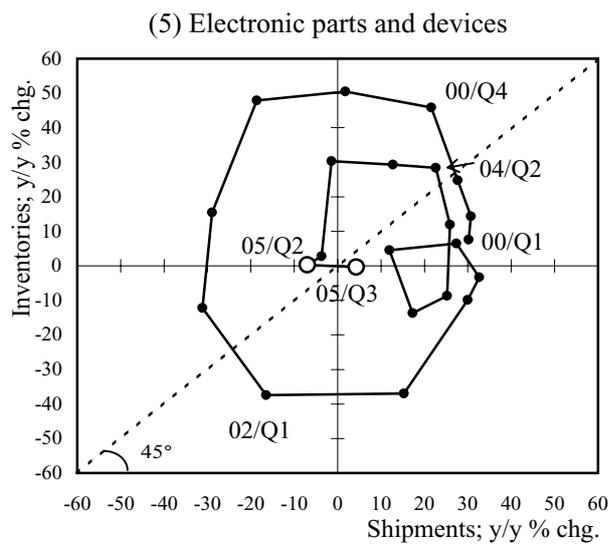
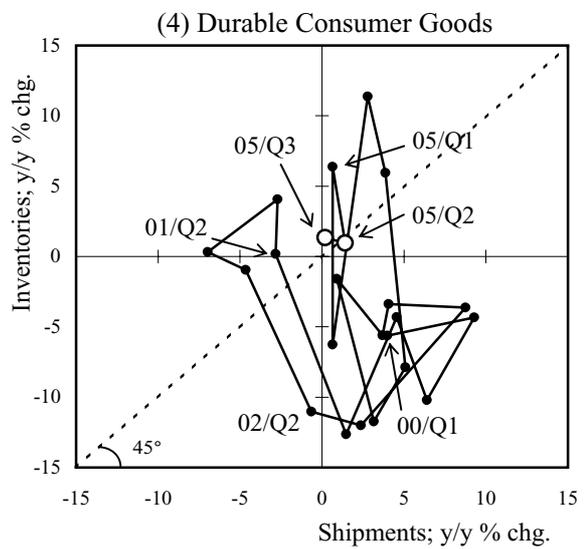
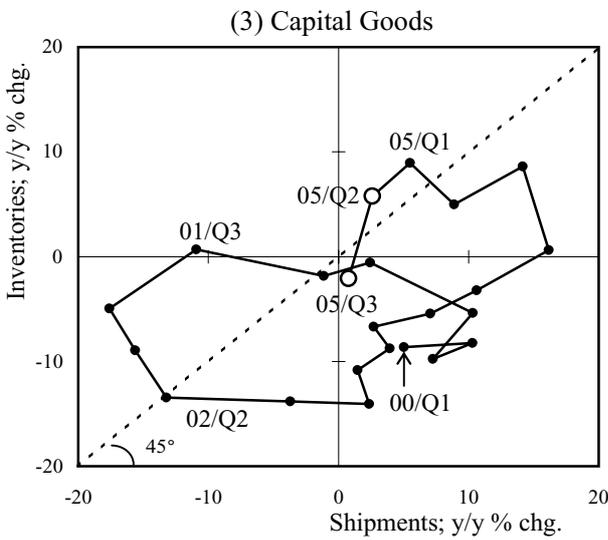
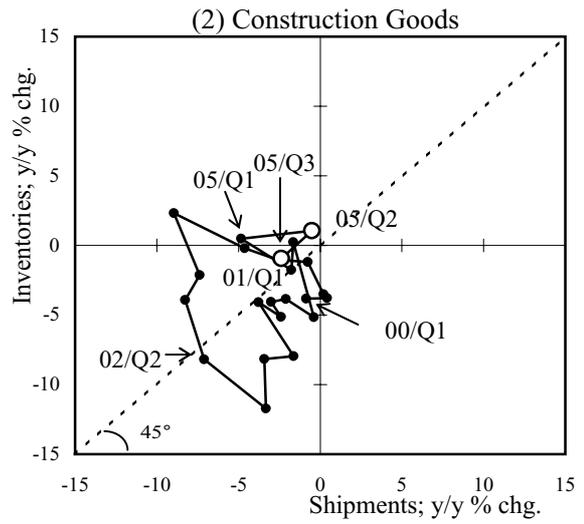
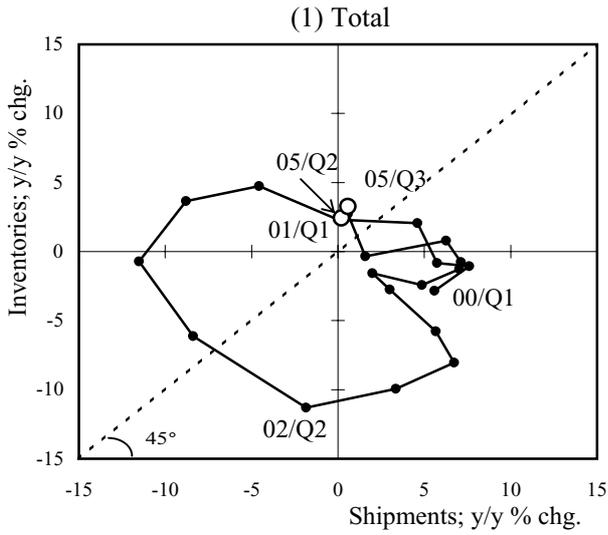
(2) Breakdown of final demand goods



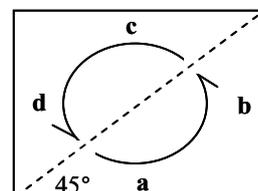
Notes: 1. Excluding transport equipment.
2. Shares of shipments of final demand goods are shown in angle brackets.

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

Inventory Cycle

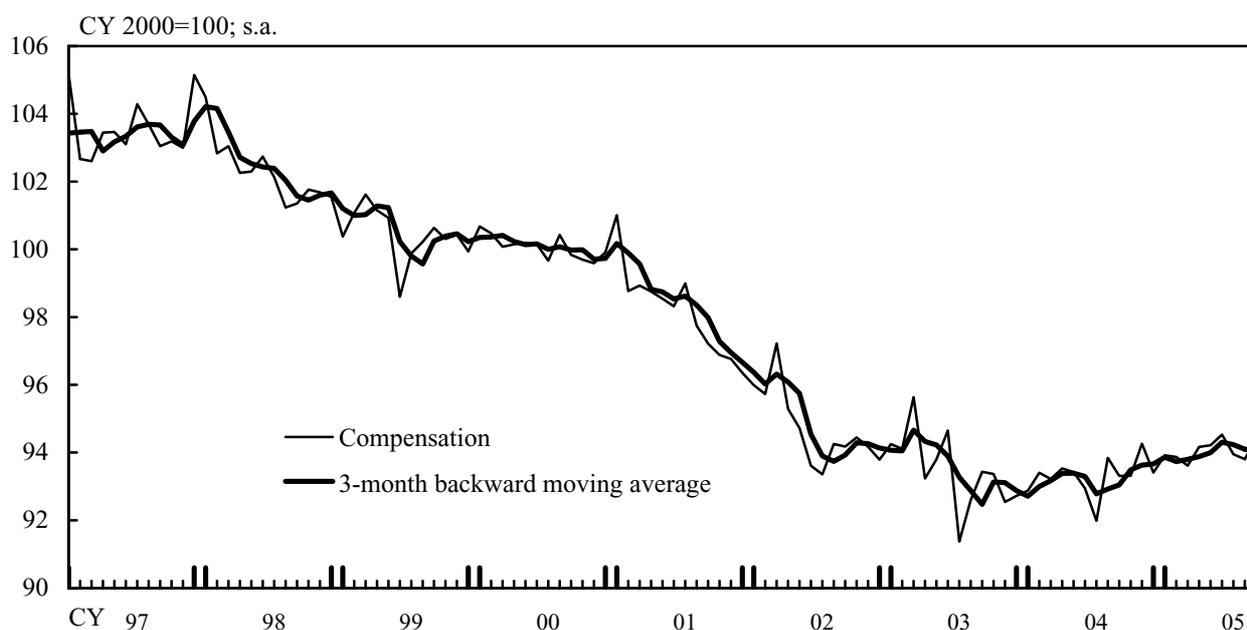


- a Shipment recovery phase
- b Intended inventory accumulation phase
- c Unintended inventory accumulation phase
- d Inventory adjustment phase



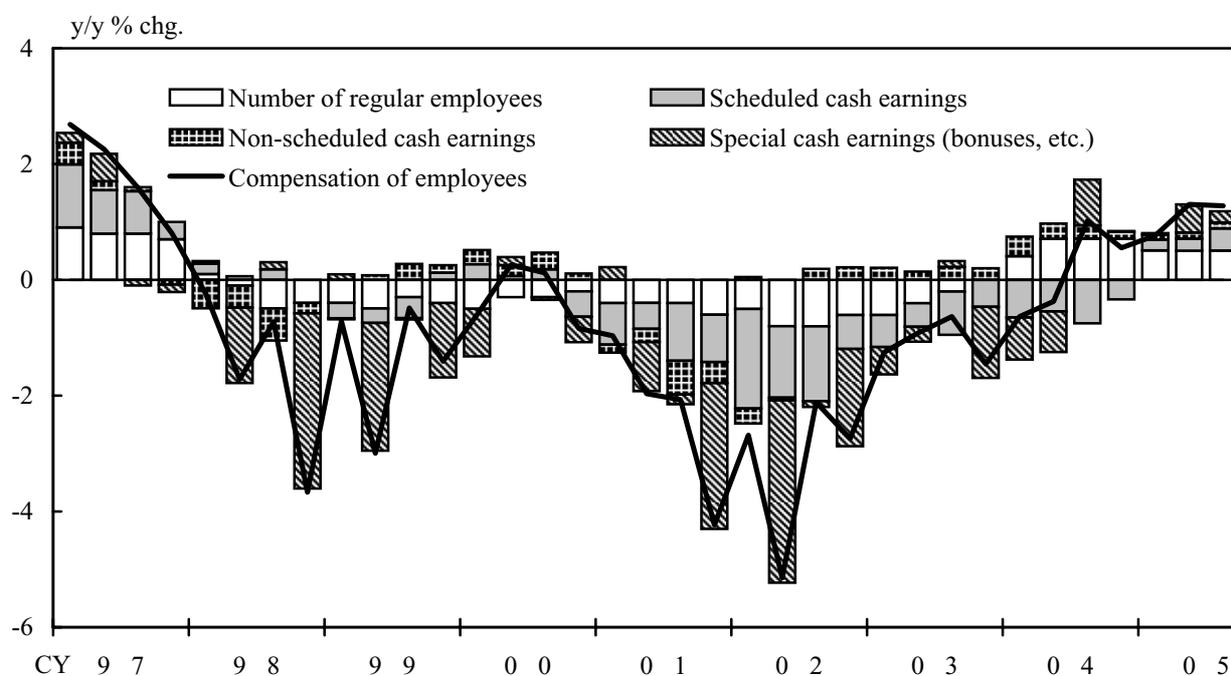
Compensation of Employees

(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

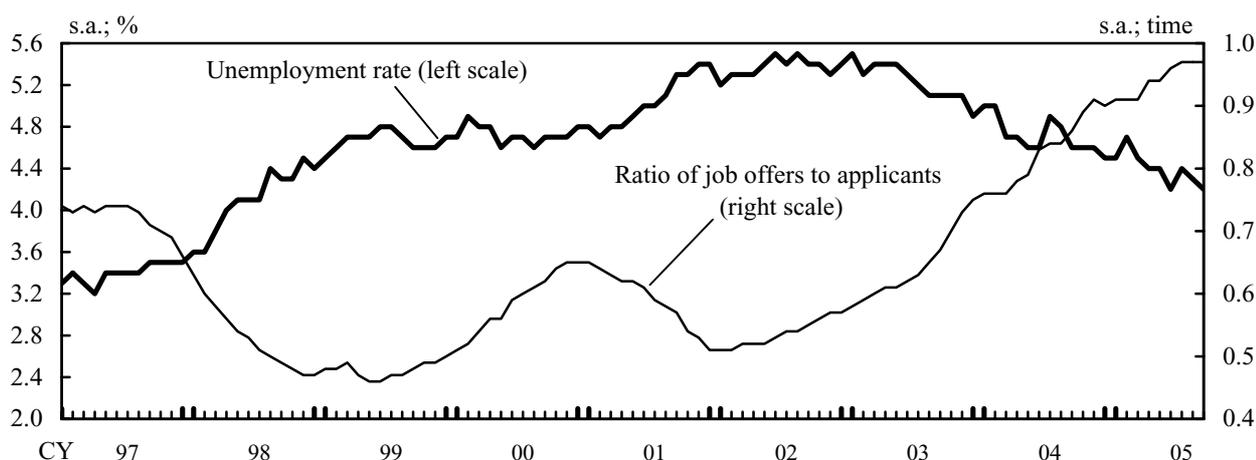


- Notes: 1. Data are for establishments with at least 5 employees.
2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.
3. Figures for 2005/Q3 are those of September.

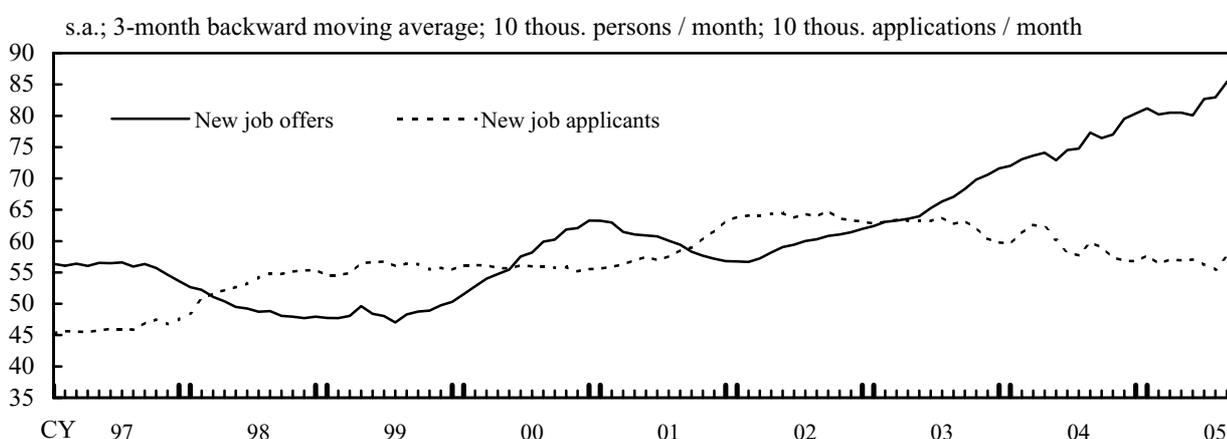
Source: Ministry of Health, Labour and Welfare, "Monthly Labour Survey."

Labor Market (1)

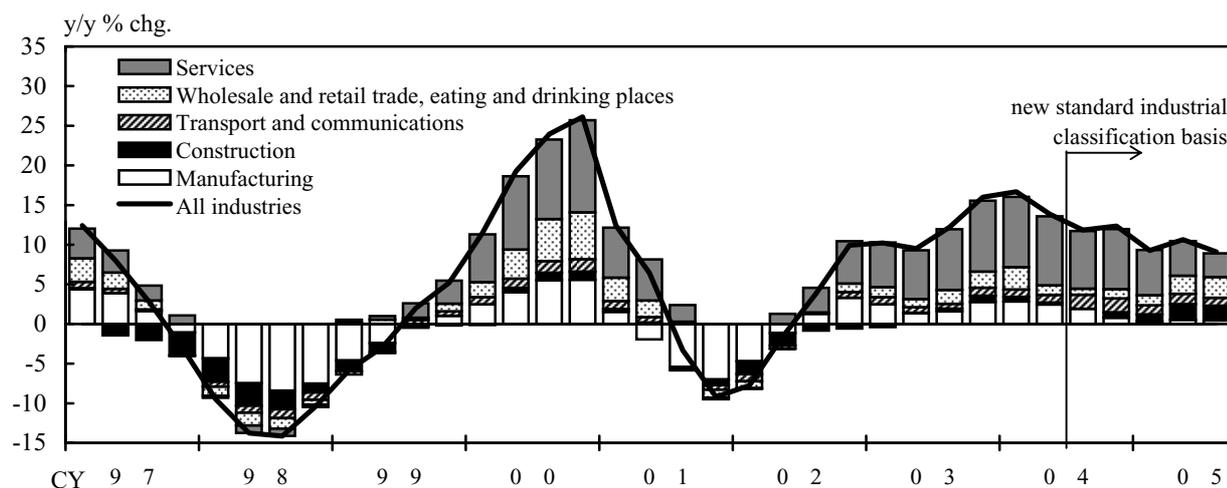
(1) Unemployment Rate and Ratio of Job Offers to Applicants



(2) New job offers and New job applicants¹



(3) Breakdown of New job offers^{1,2}

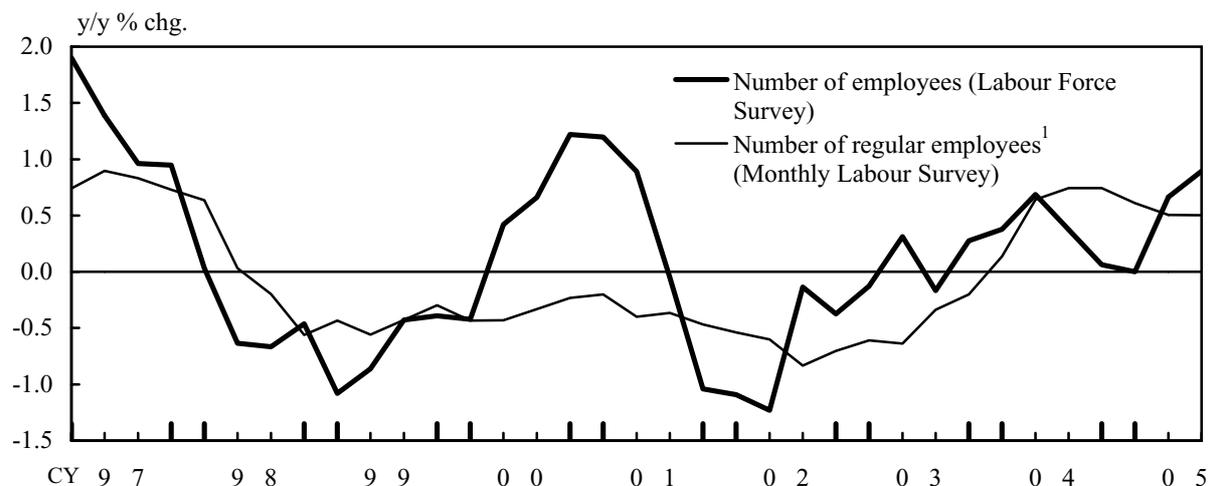


Notes: 1. Figures do not include jobs offered to new graduates, but include those offered to part-time workers.
 2. Figures up to 2004/Q2 are based on the previous Standard Industrial Classification. Figures from 2004/Q3 are based on new Standard Industrial Classification. To keep the continuation of 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)."

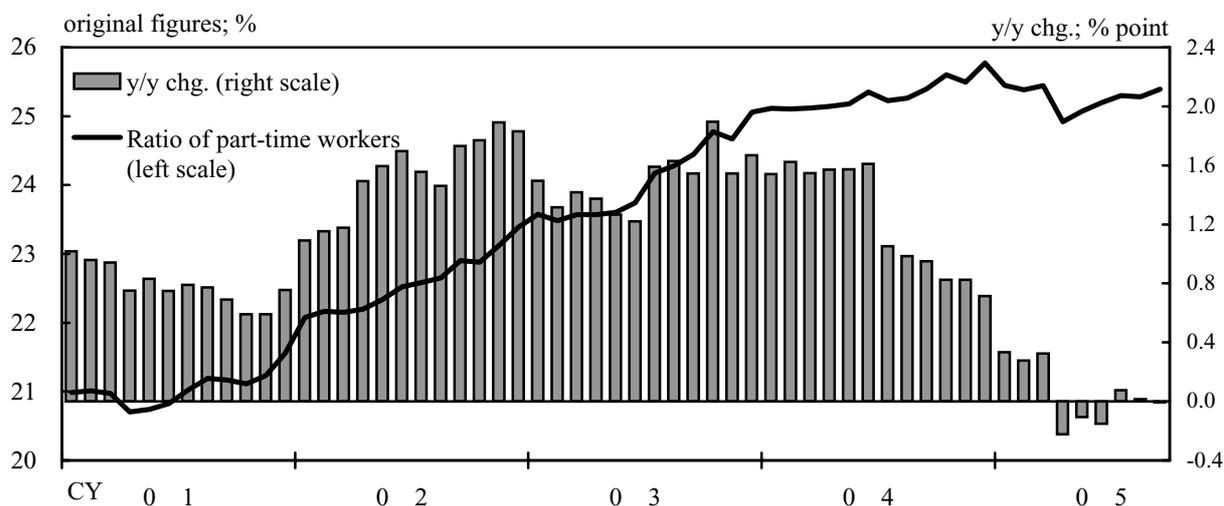
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service";
 Ministry of Internal Affairs and Communications, "Labour Force Survey."

Labor Market (2)

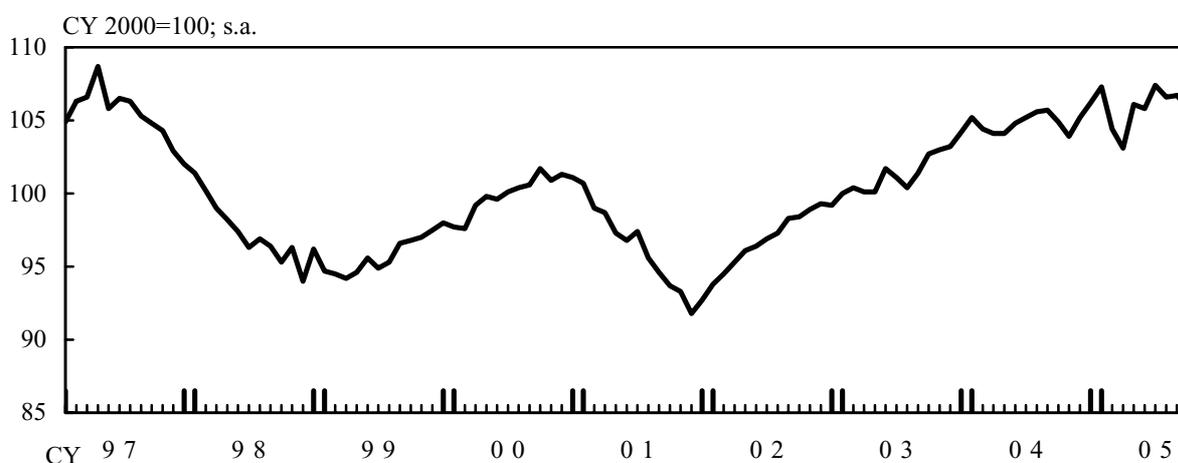
(1) Number of Employees



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



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

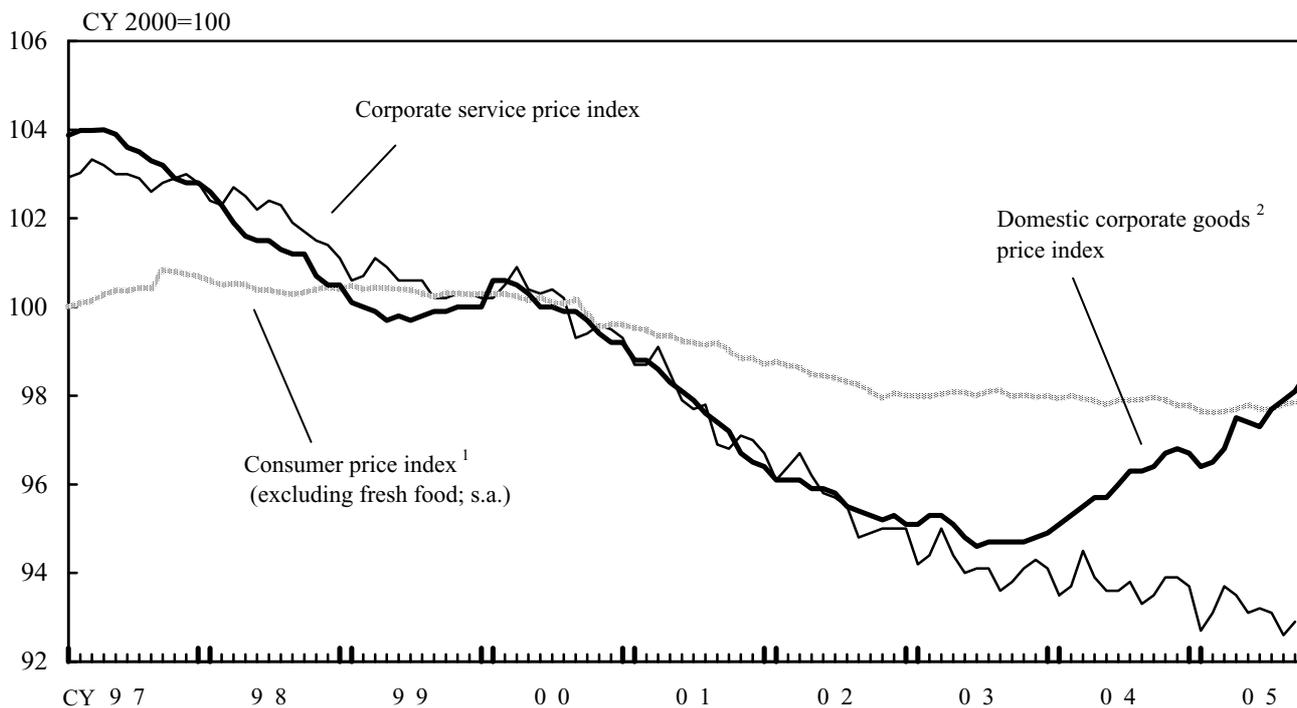


Notes: 1. Data are for establishments with at least 5 employees.
 2. Ratio of part-time workers is calculated as number of part-time workers divided by number of regular employees times 100.

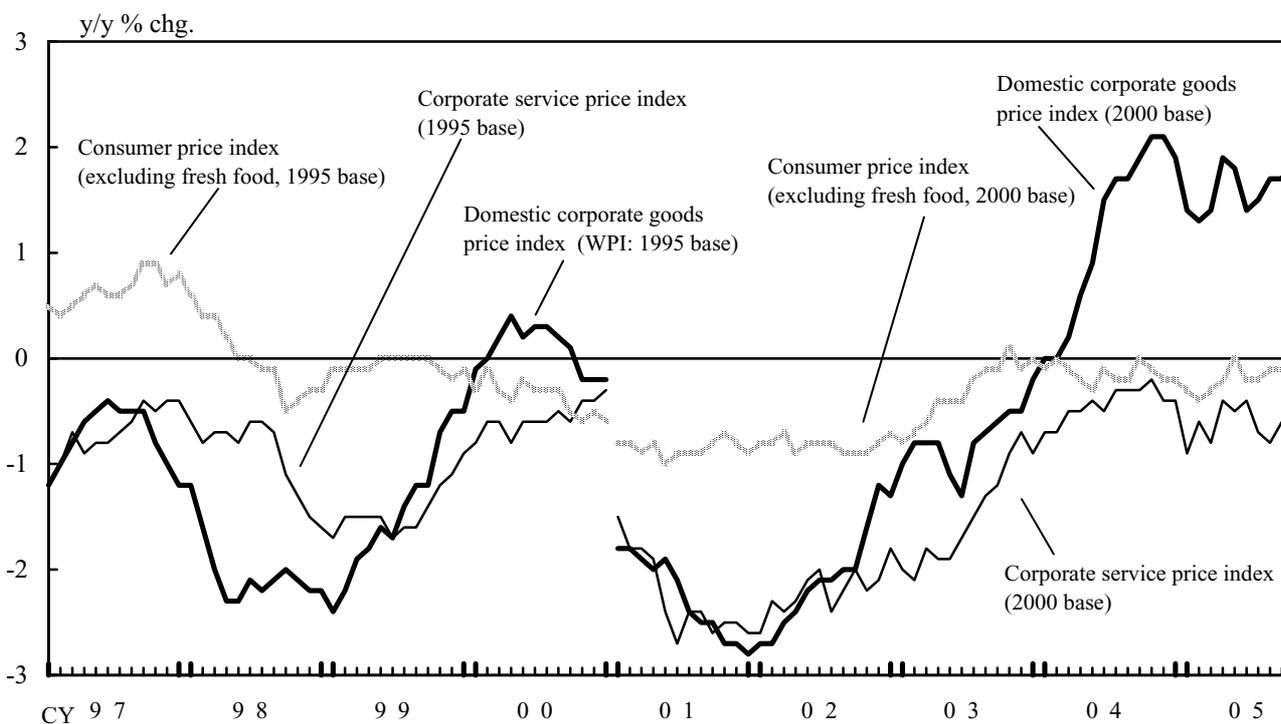
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
 Ministry of Internal Affairs and Communications, "Labour Force Survey."

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.

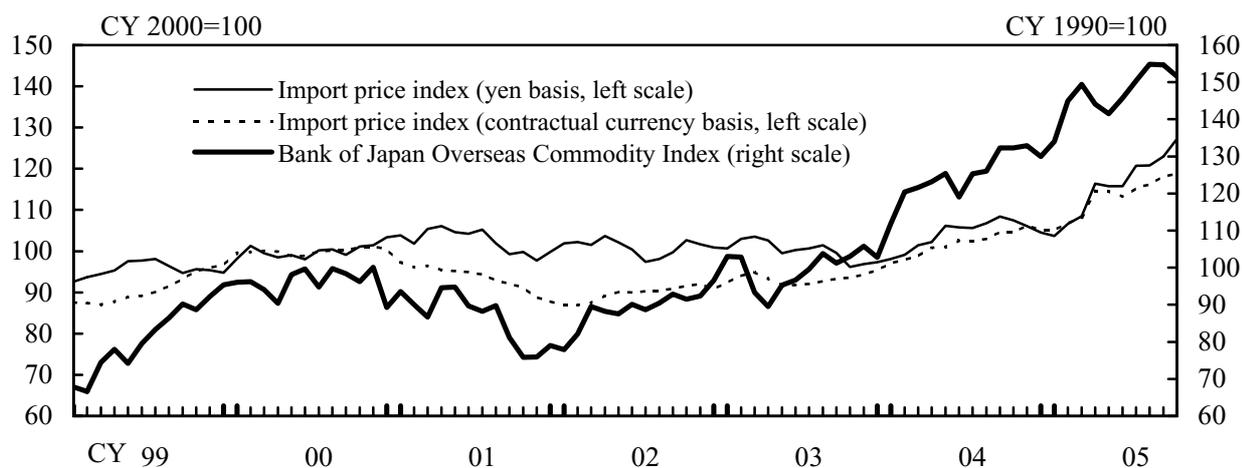
3. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

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

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

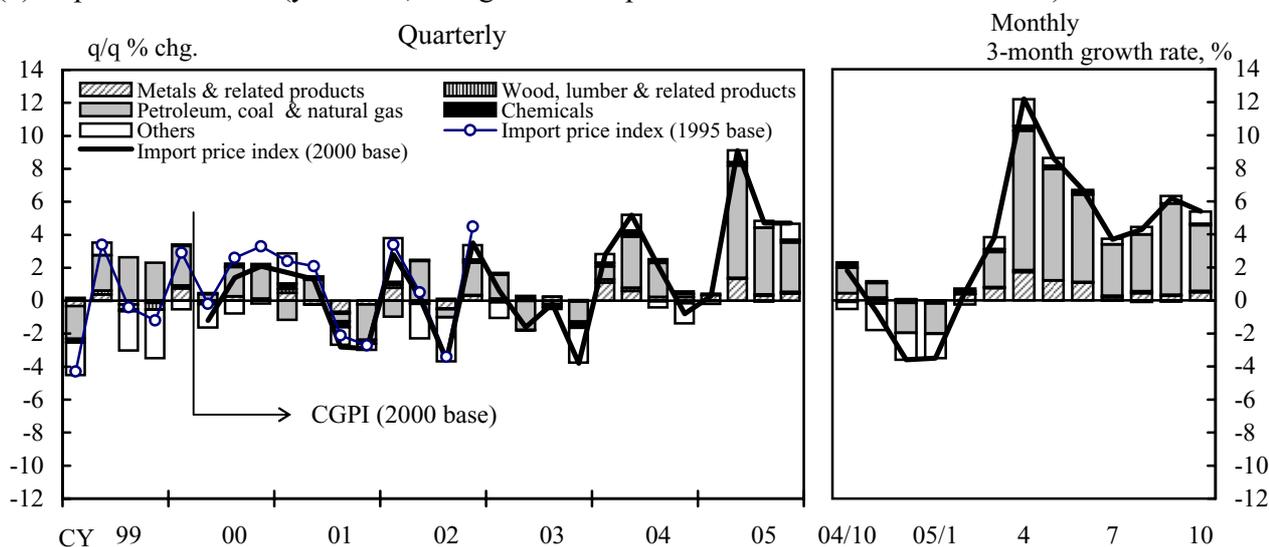
Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



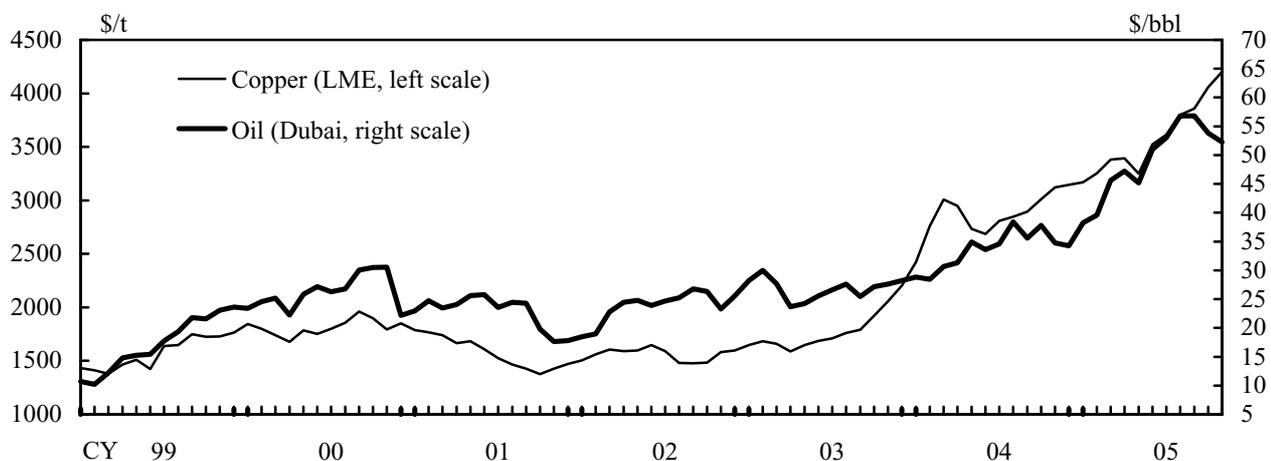
Note: Bank of Japan Overseas Commodity Index is the end of month figure

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



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

(3) Oil price and Copper price

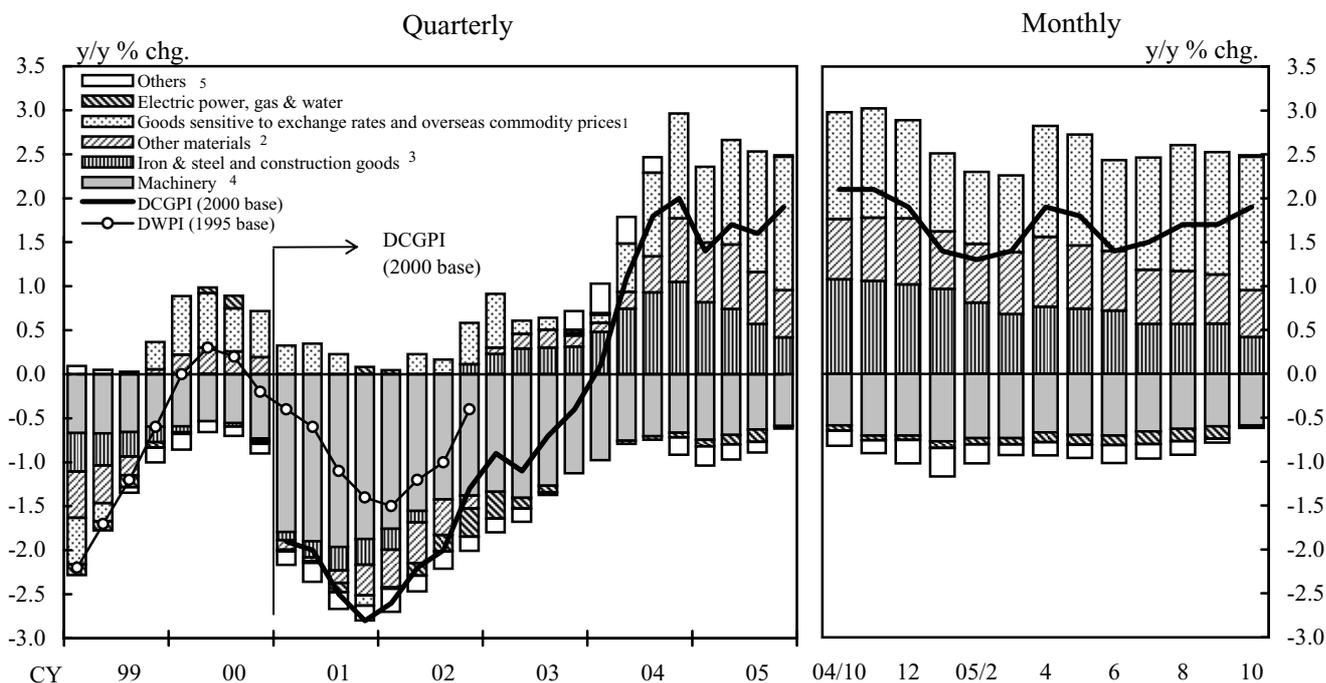
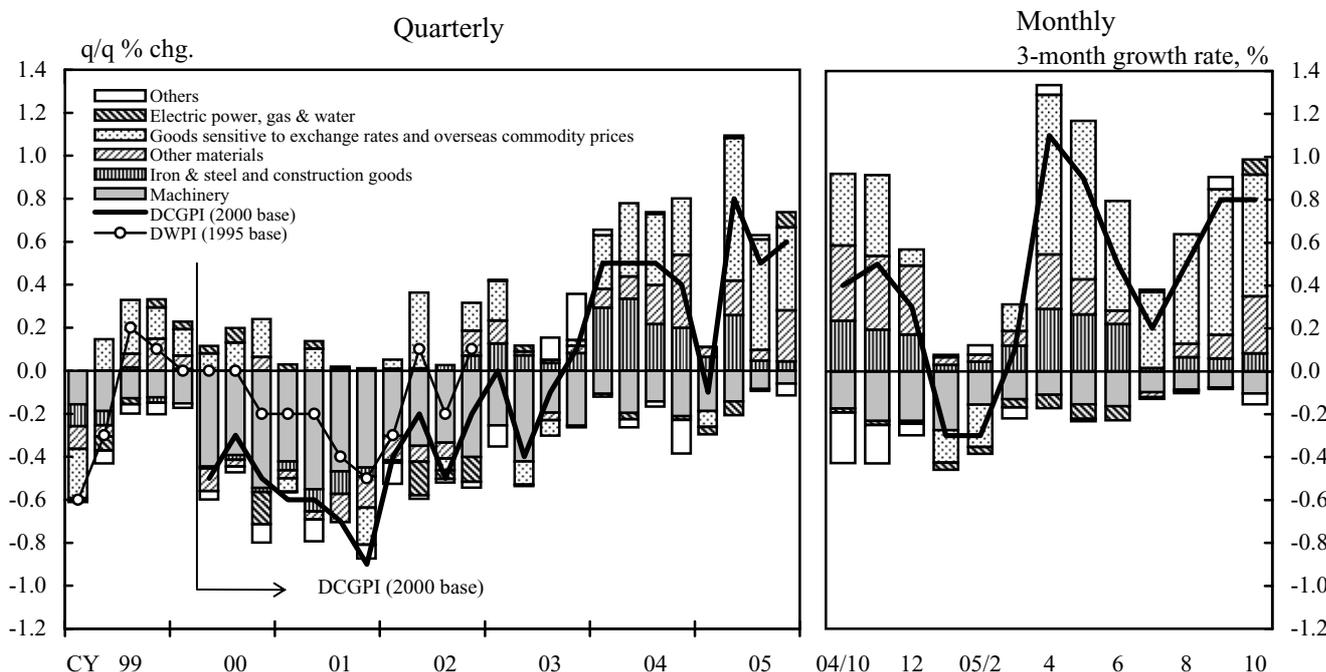


Note: Monthly averages. Figures for November 2005 are the averages up to November 17.

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

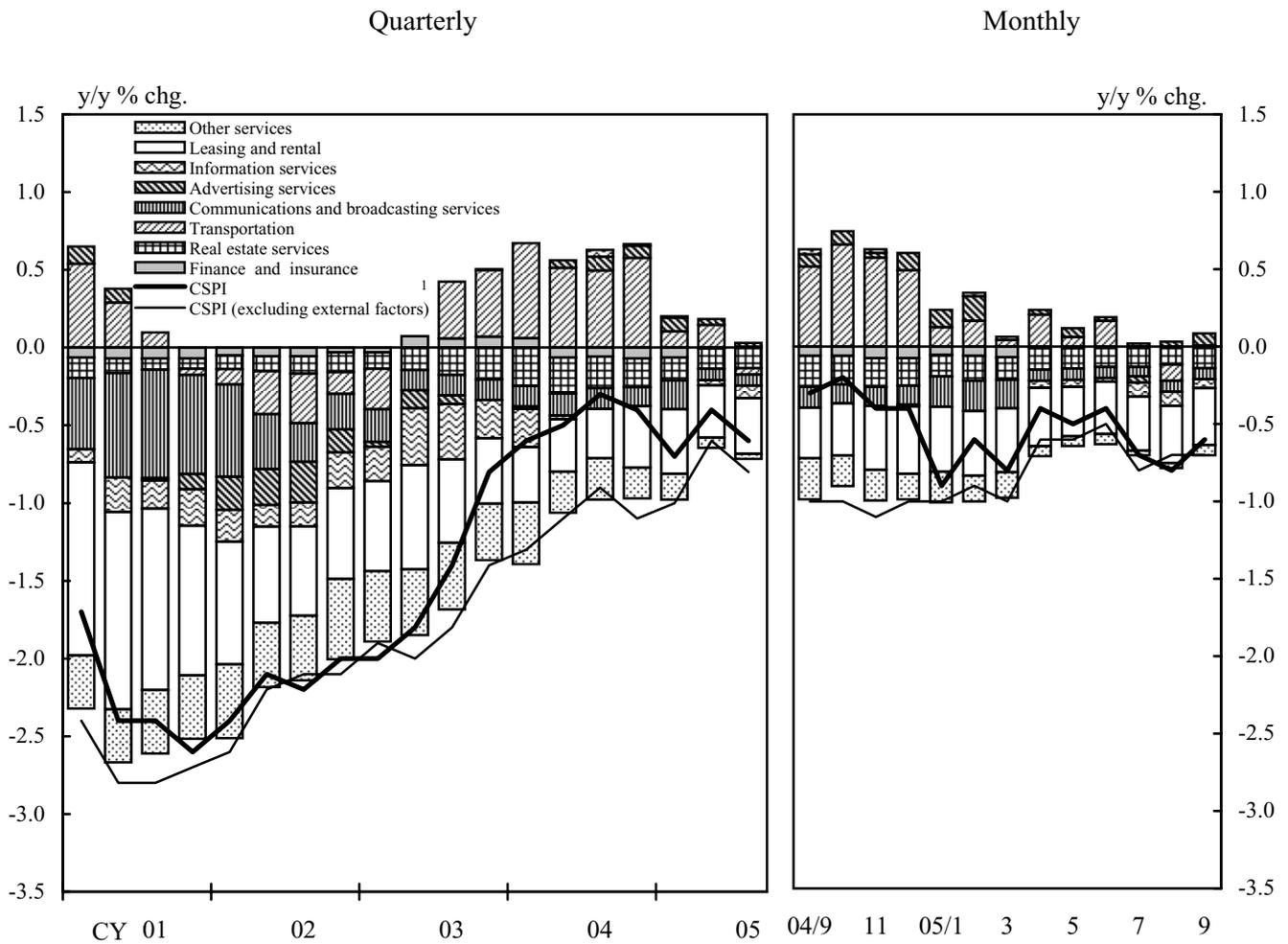
Domestic Corporate Goods Price Index⁷

(1) Changes from a year earlier

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

- Notes: 1. Goods sensitive to exchange rates and overseas commodity prices: petroleum & coal products, nonferrous metals.
 2. Other materials: chemicals, plastic products, textile products, pulp, paper & related products.
 3. Iron & steel and construction goods: iron & steel, metal products, ceramics, stone & clay products, lumber & wood products, scrap & waste.
 4. Machinery: electrical machinery, general machinery, transportation equipment, precision instruments.
 5. Others: processed foodstuffs, other manufacturing industry products, agricultural, forestry & fishery products, mining products.
 6. Adjusted to exclude a hike of electric power charges in summer season from July to September.
 This effect makes the Domestic Corporate Goods Price Index rise by about 0.2%.
 7. Figures for 2005/Q4 are those of October. 1995 base figures for 2002/Q4 are Oct.-Nov. averages.

Corporate Service Price Index

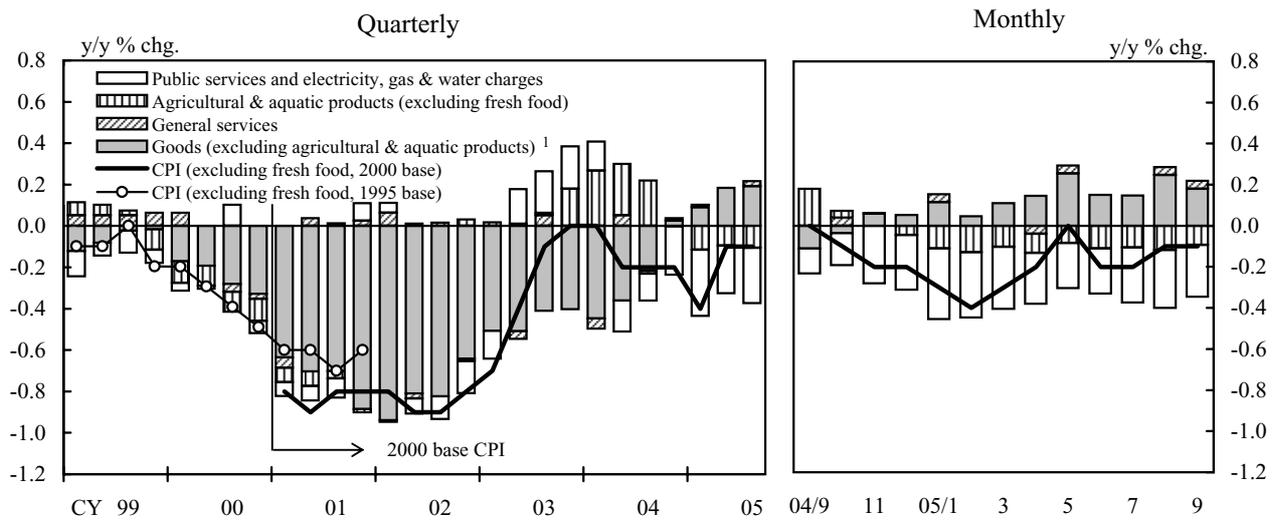


Note: 1. External factors: international air passenger transportation, ocean liner, ocean tramper, ocean tanker, oceangoing ship chartering services, and international air freight.

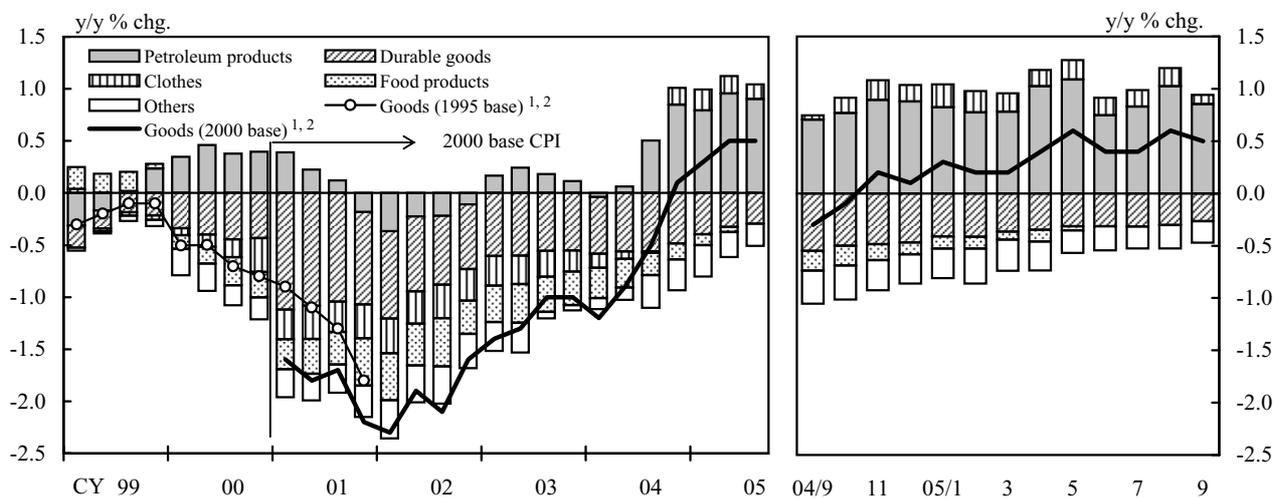
Source: Bank of Japan, "Corporate Service Price Index."

Consumer Price Index (excluding fresh food)

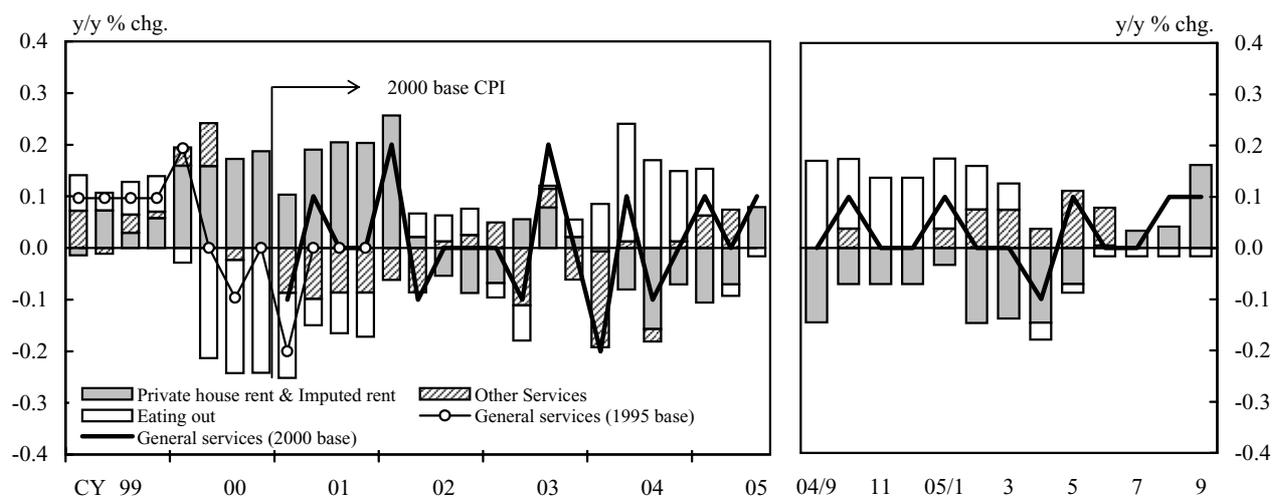
(1) Consumer price index (excluding fresh food)



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



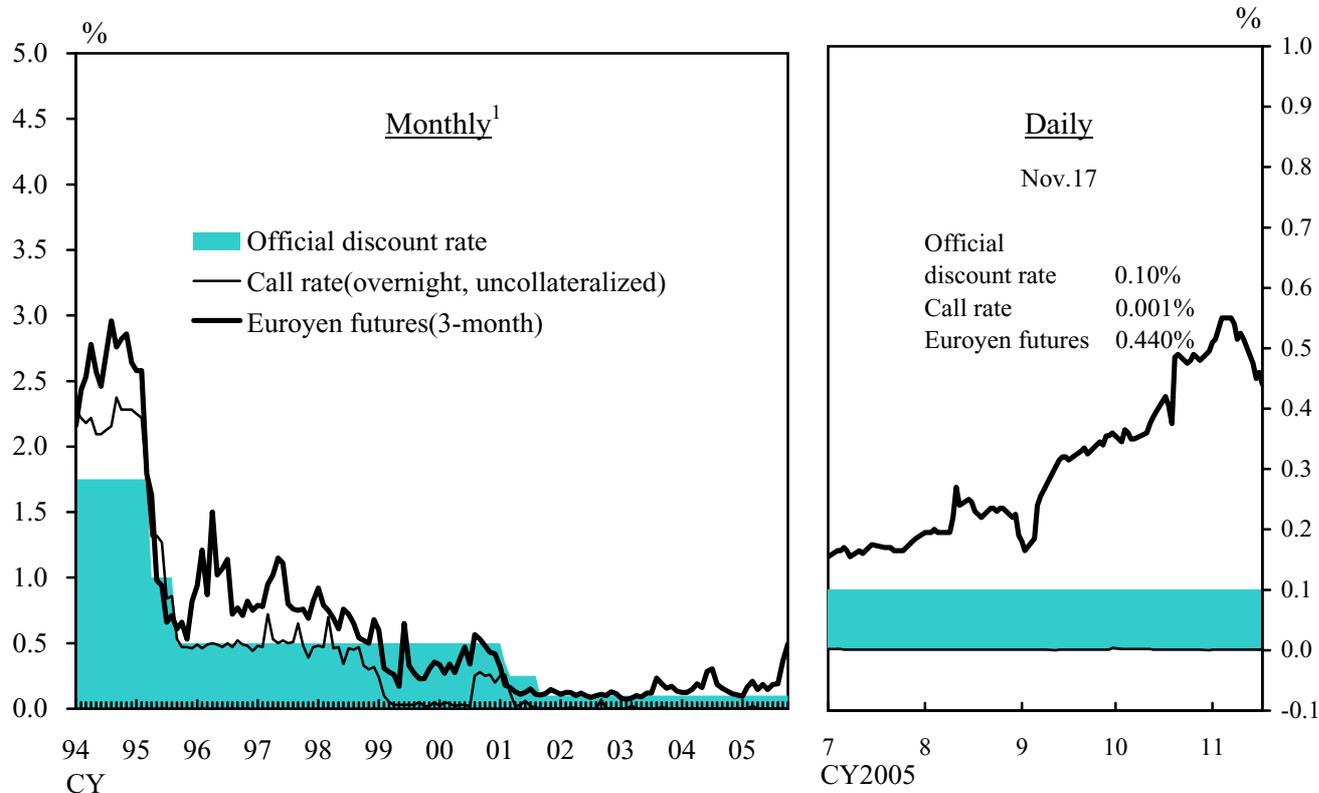
(3) General services



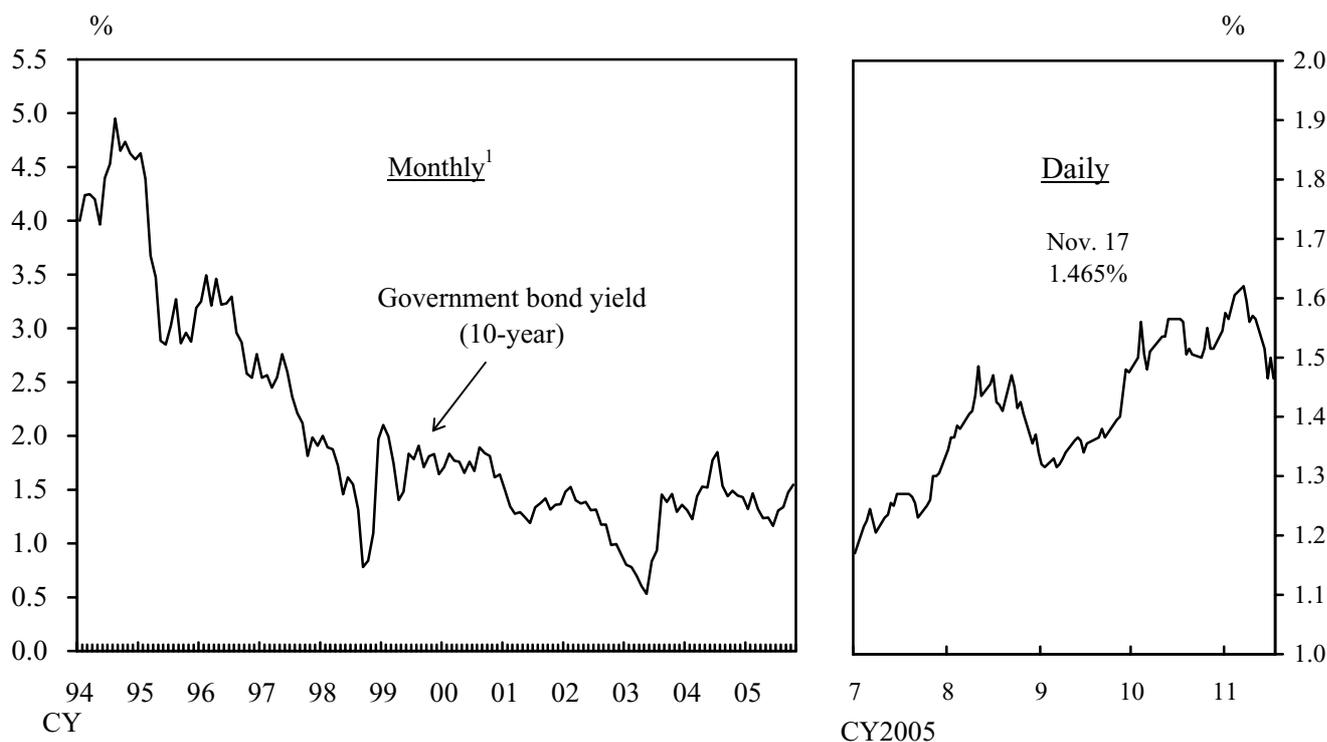
Notes: 1. The Items are basically the same as the definition published by the Ministry of Internal Affairs and Communications. However, electricity, gas & water charges is excluded from goods.
 2. Excluding agricultural & aquatic products.

Interest Rates

(1) Short-Term



(2) Long-Term

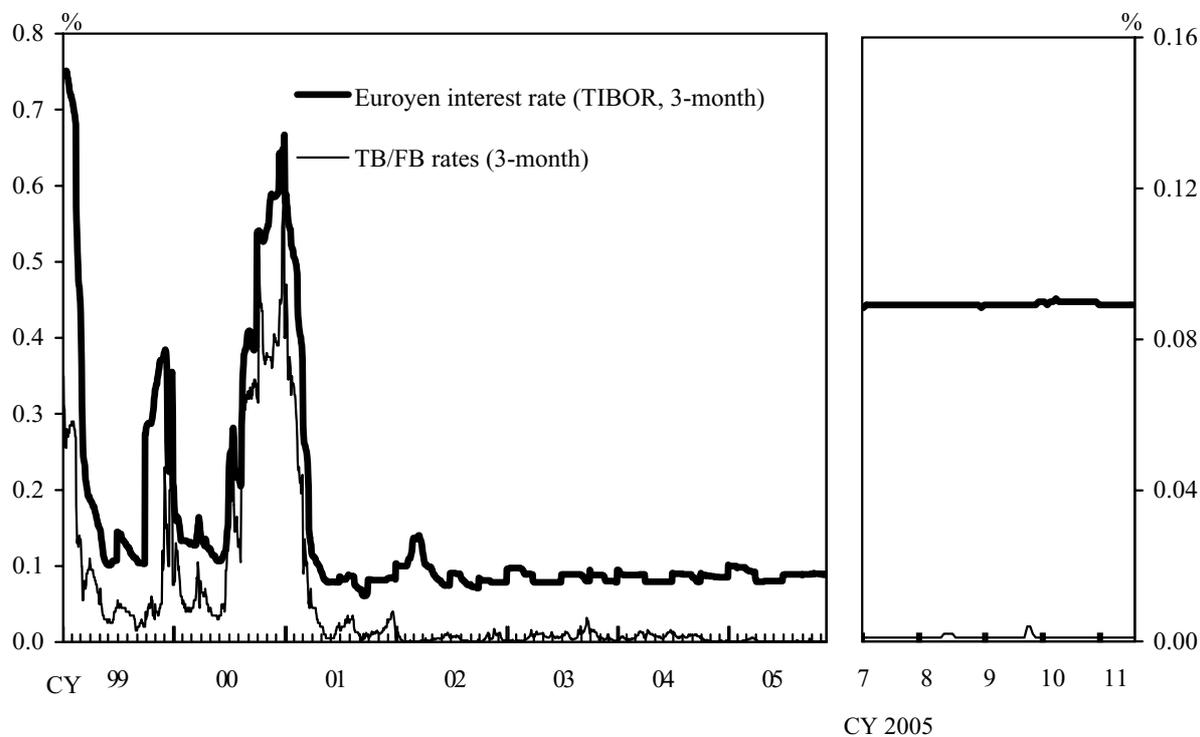


Note: 1. End of month.

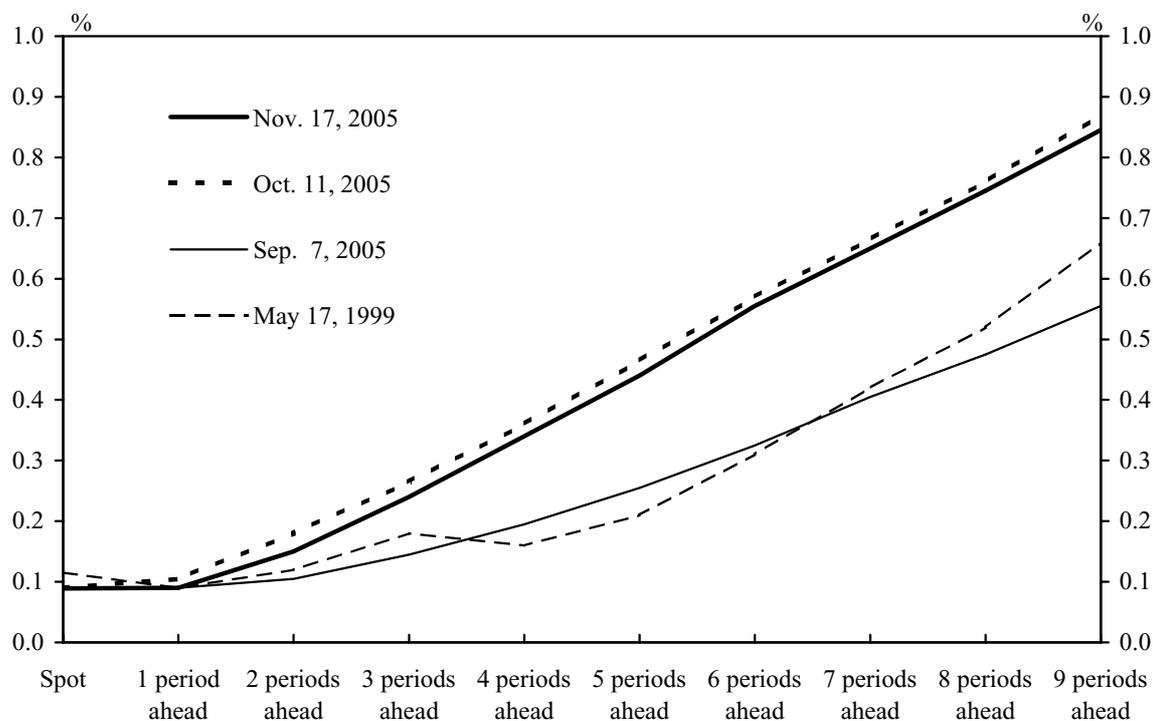
Sources: Bank of Japan; Tokyo Financial Exchange; Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments



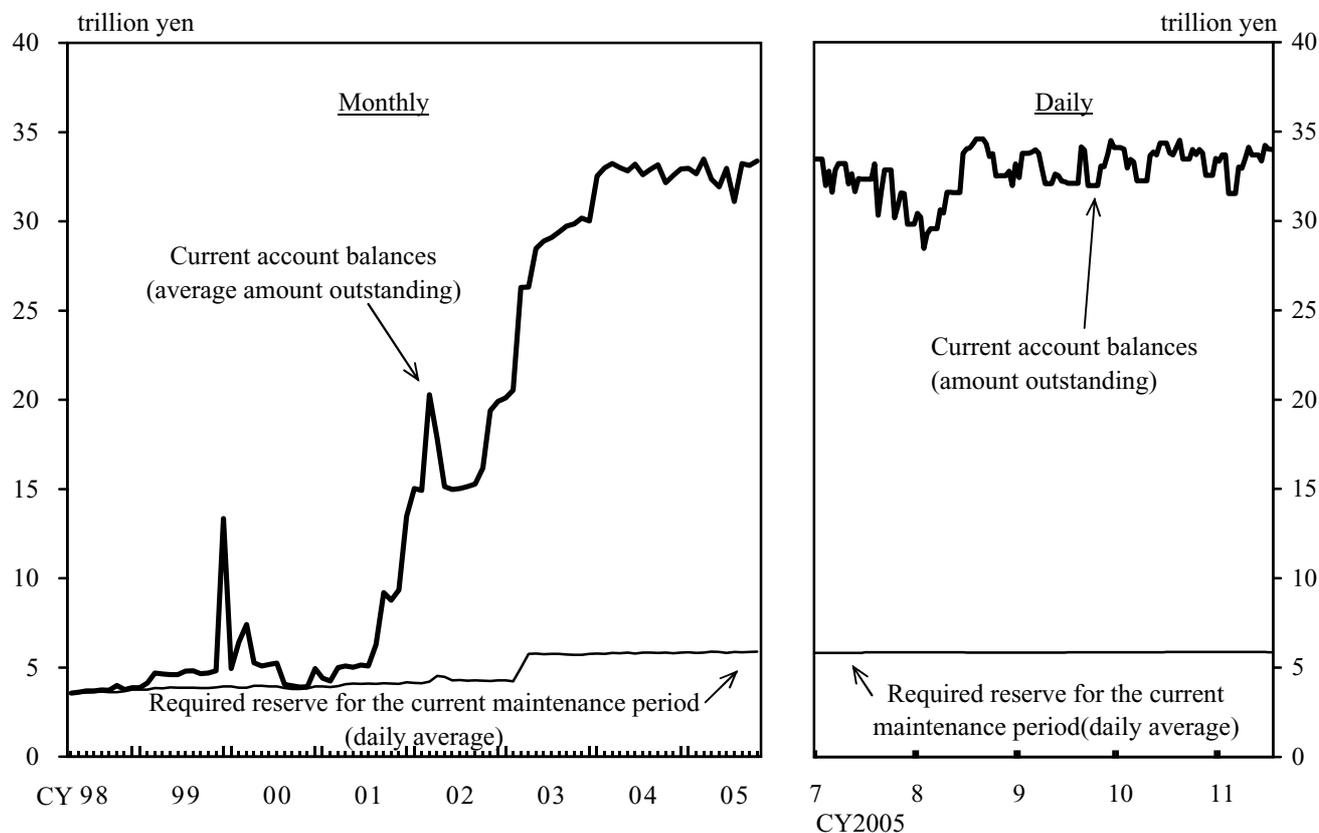
(2) Euroyen Interest Rates Futures (3-Month) ¹



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

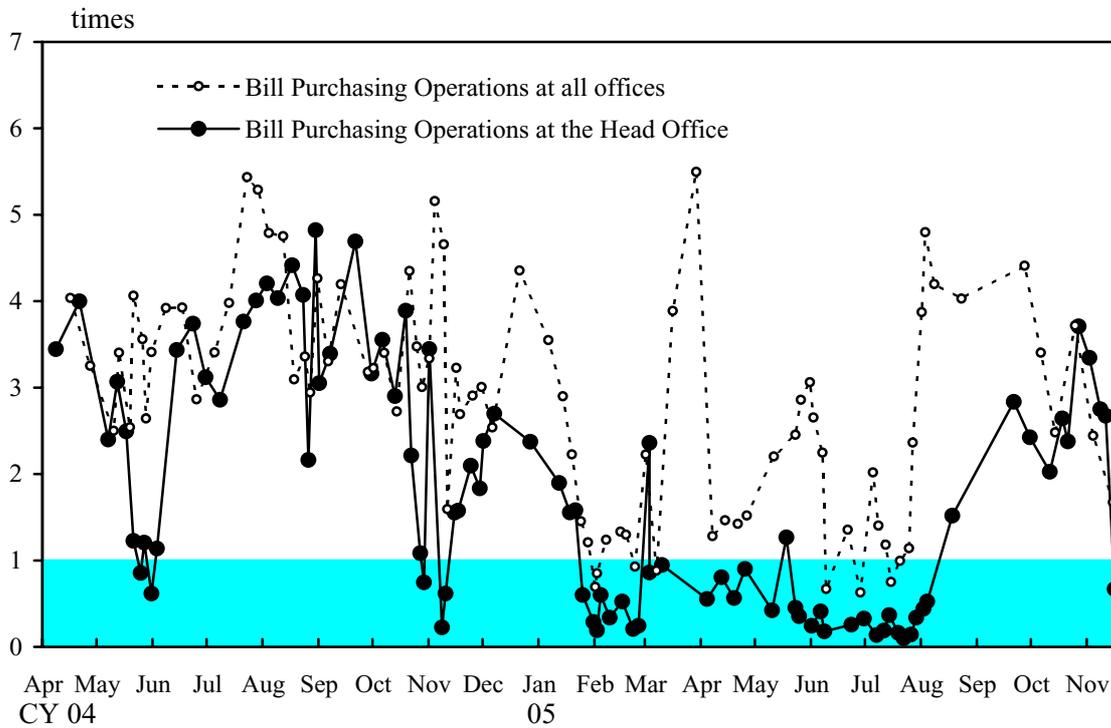


Note: From April 2003, the figures for current account balances and required reserve include the deposit of the Japan Post.

Source: Bank of Japan.

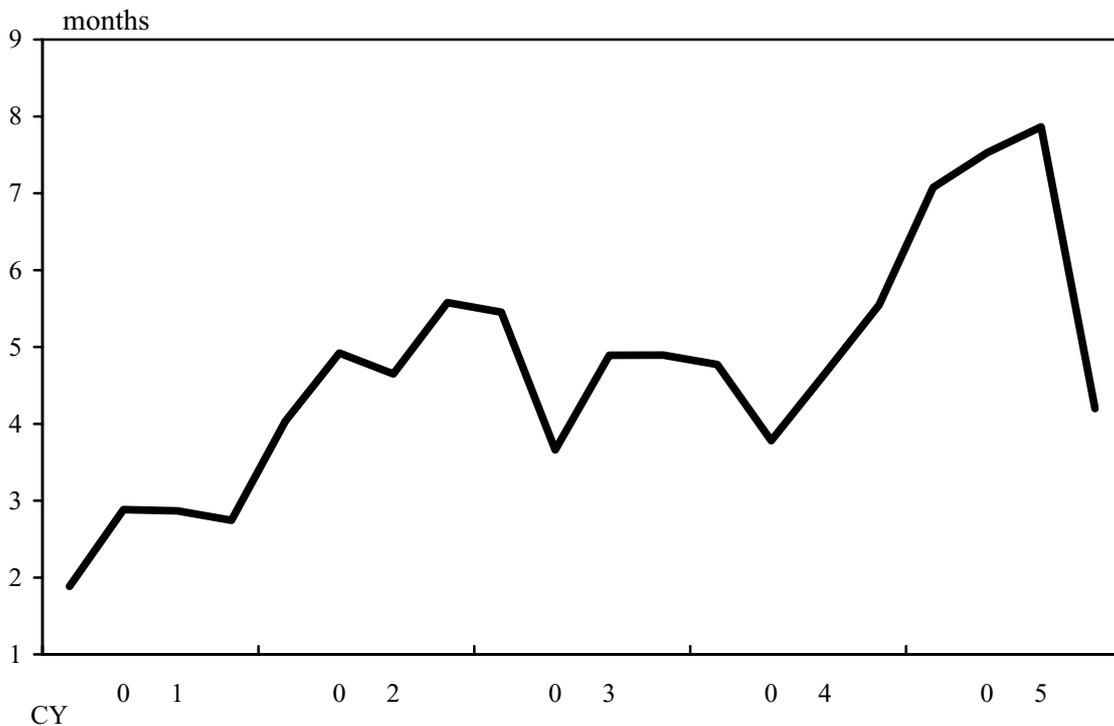
Funds-Supplying Operations

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



Note: Based on the dates of offers.

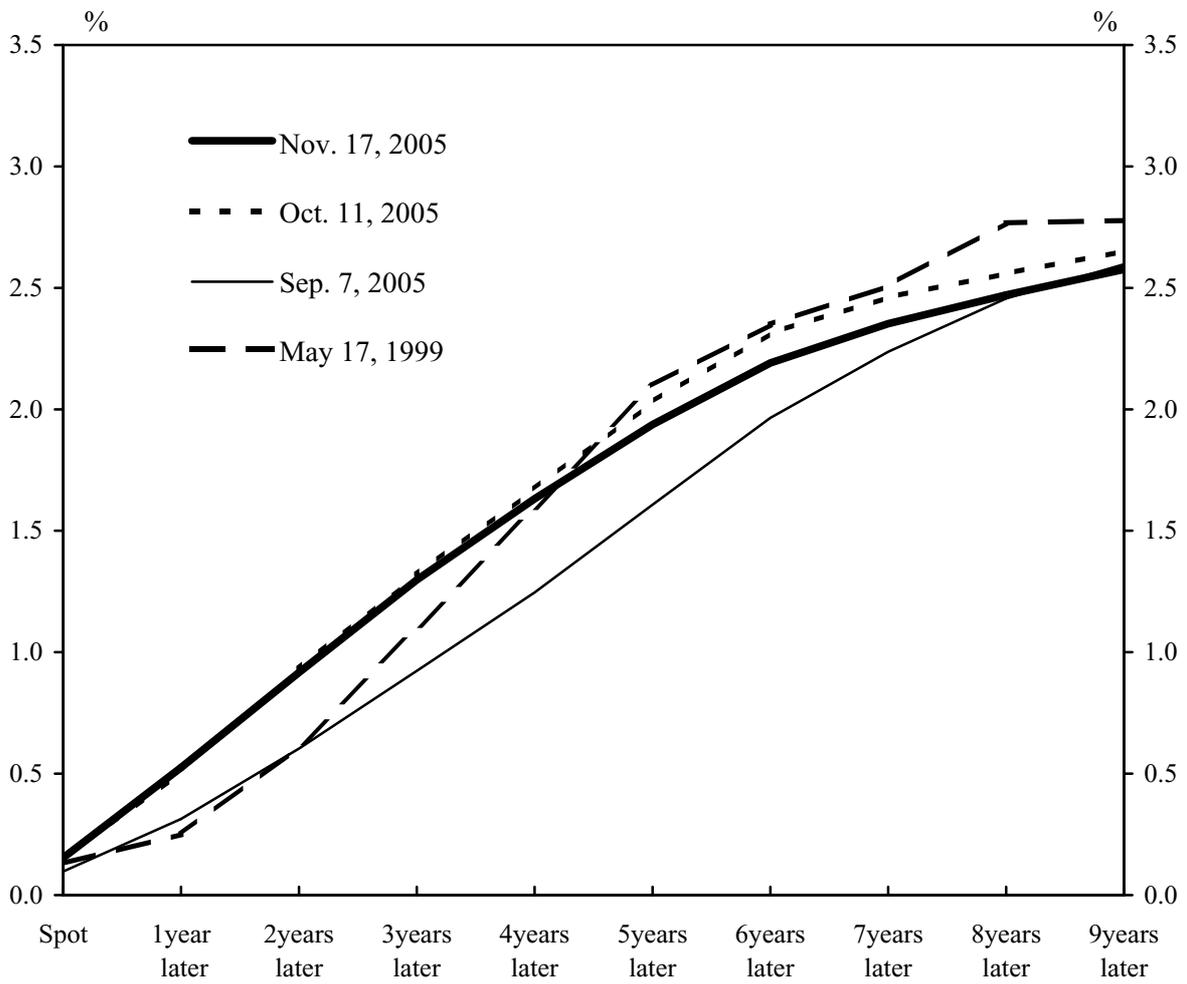
(2) Maturity of Bill-Purchasing Operations



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)

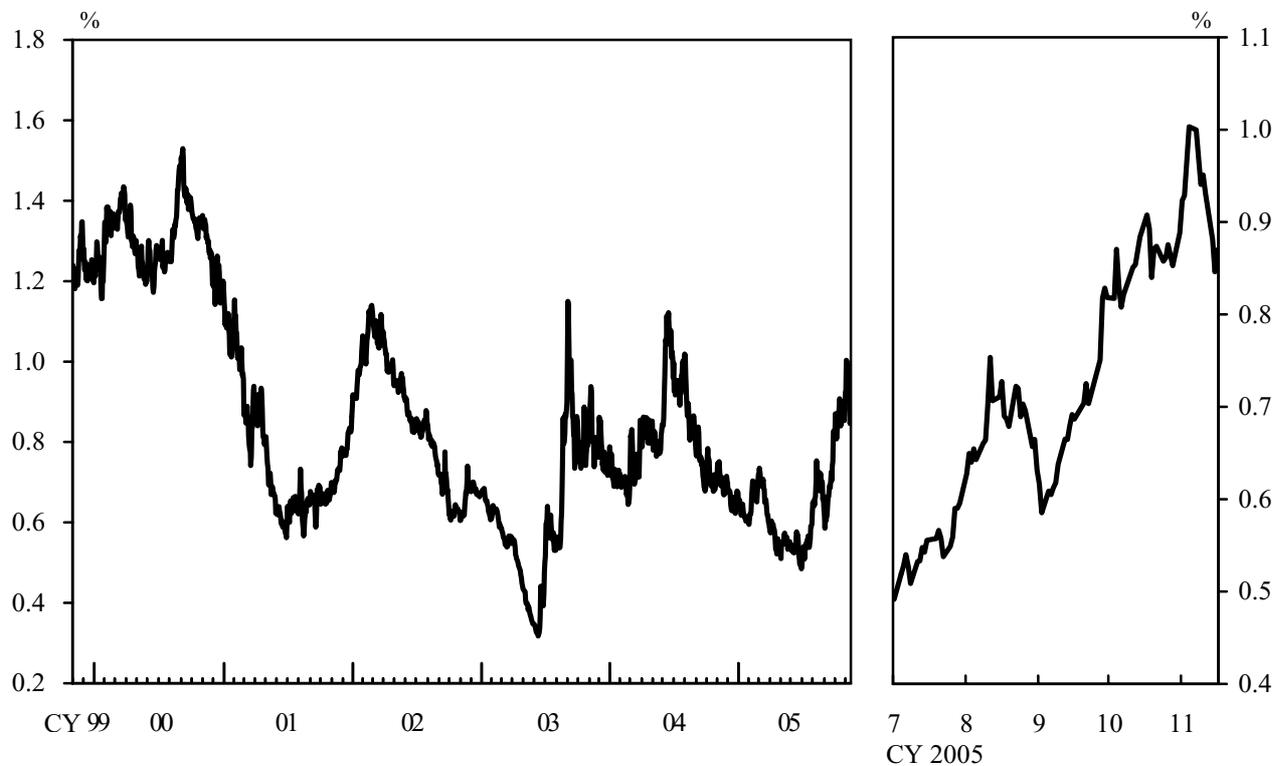


Note: Calculated from yen-yen swap rates.

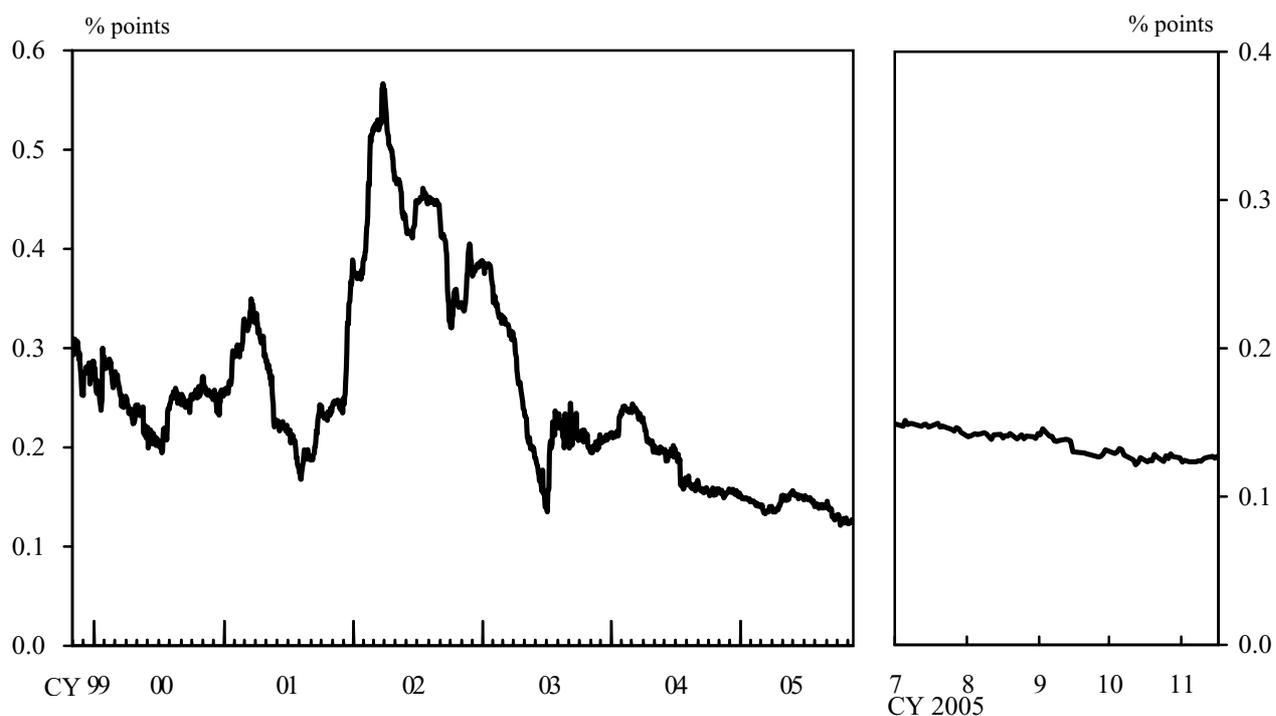
Source: Reuters.

Yields of Bank Bonds

(1) Average Bank Bond Yield



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



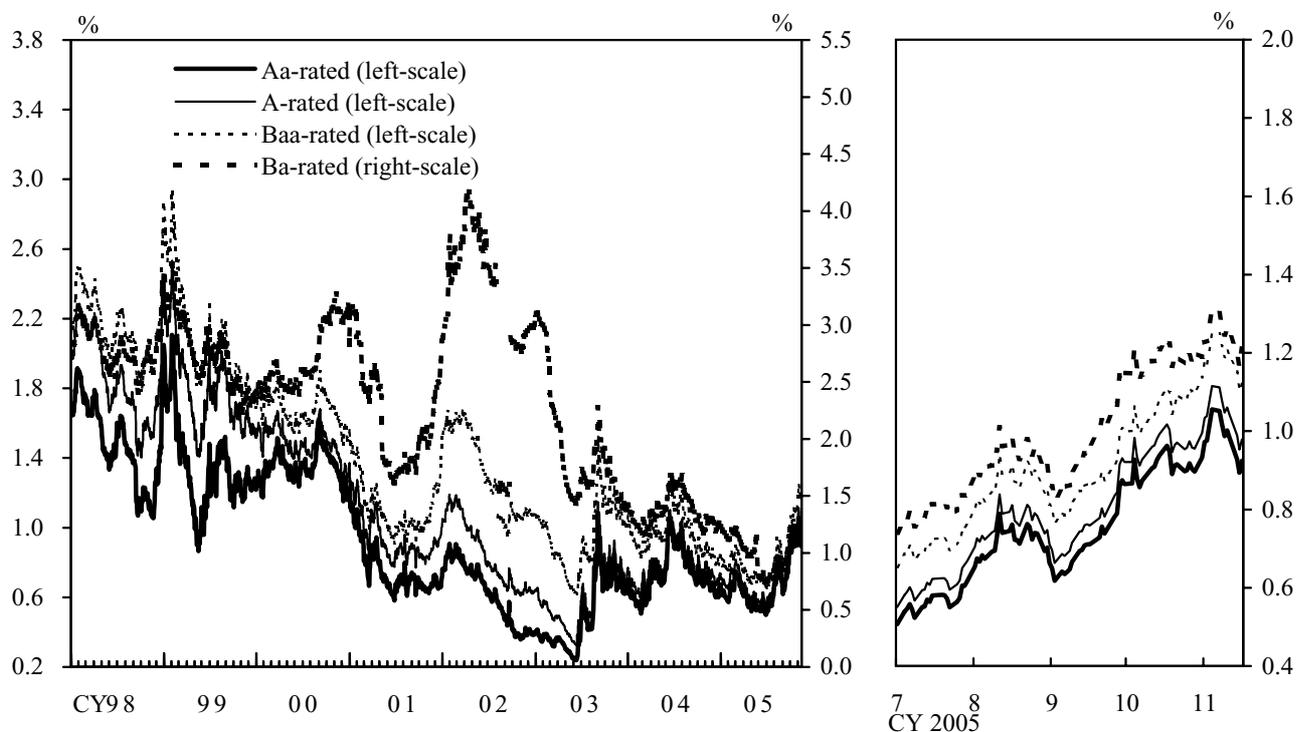
Notes: 1. Yields on bonds with 5-year maturity.

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

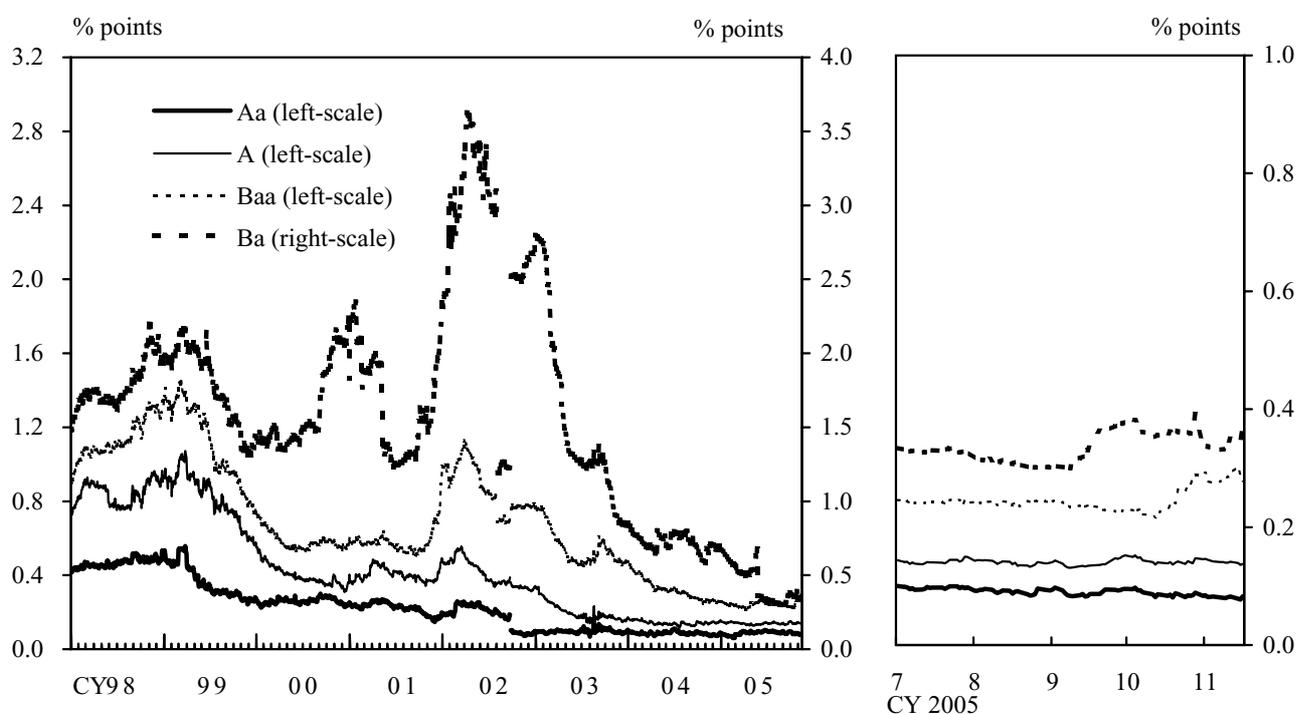
Sources: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."
 "Reference Price(Yields) Table for OTC Bond Transactions."

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.

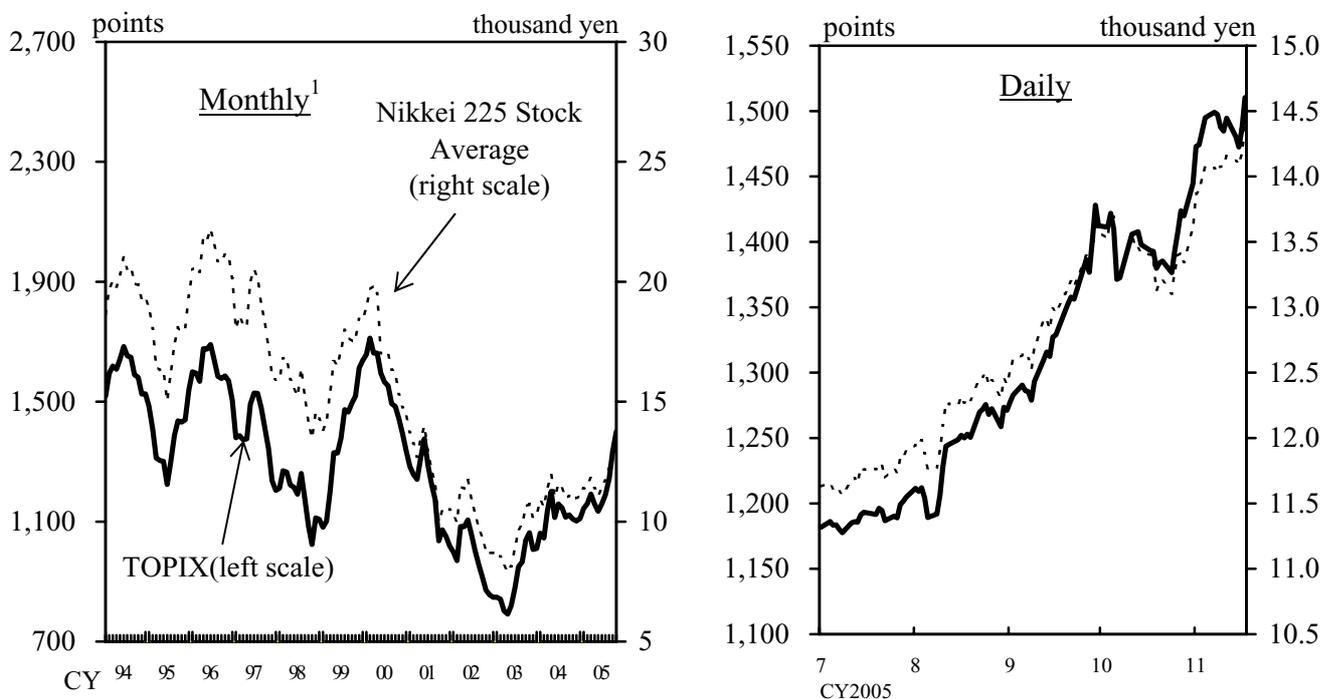
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of 4 to 6 years since Sep. 24, 2002.

2. The indicated ratings are of Moody's.

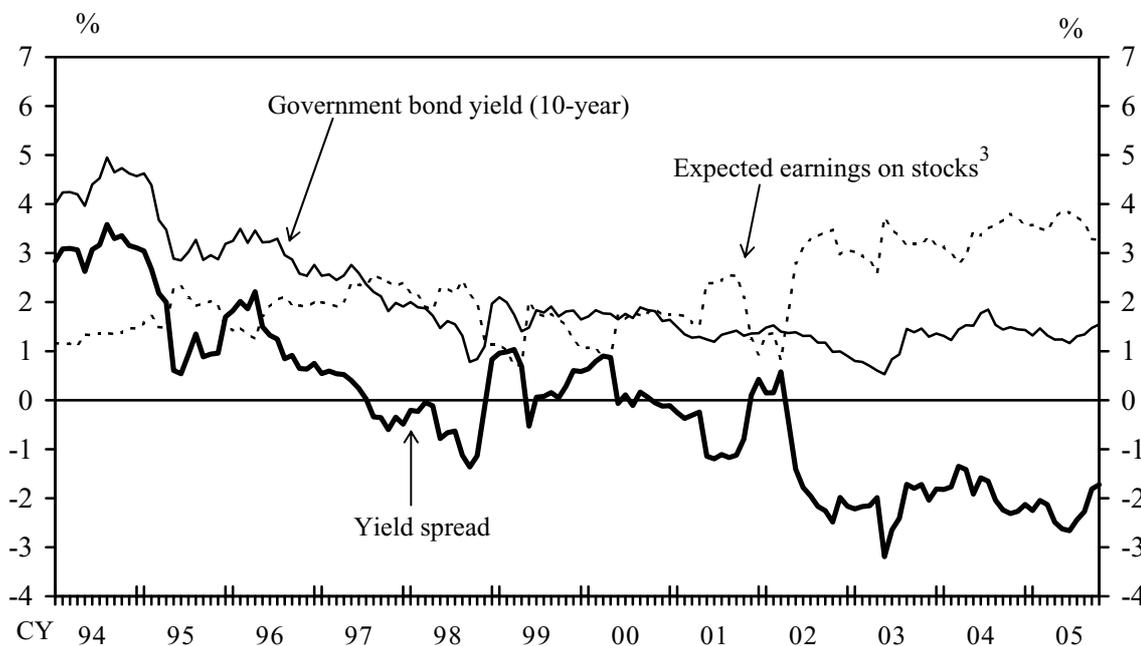
Sources: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations." "Reference Price(Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Stock Prices



(2) Yield Spread²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

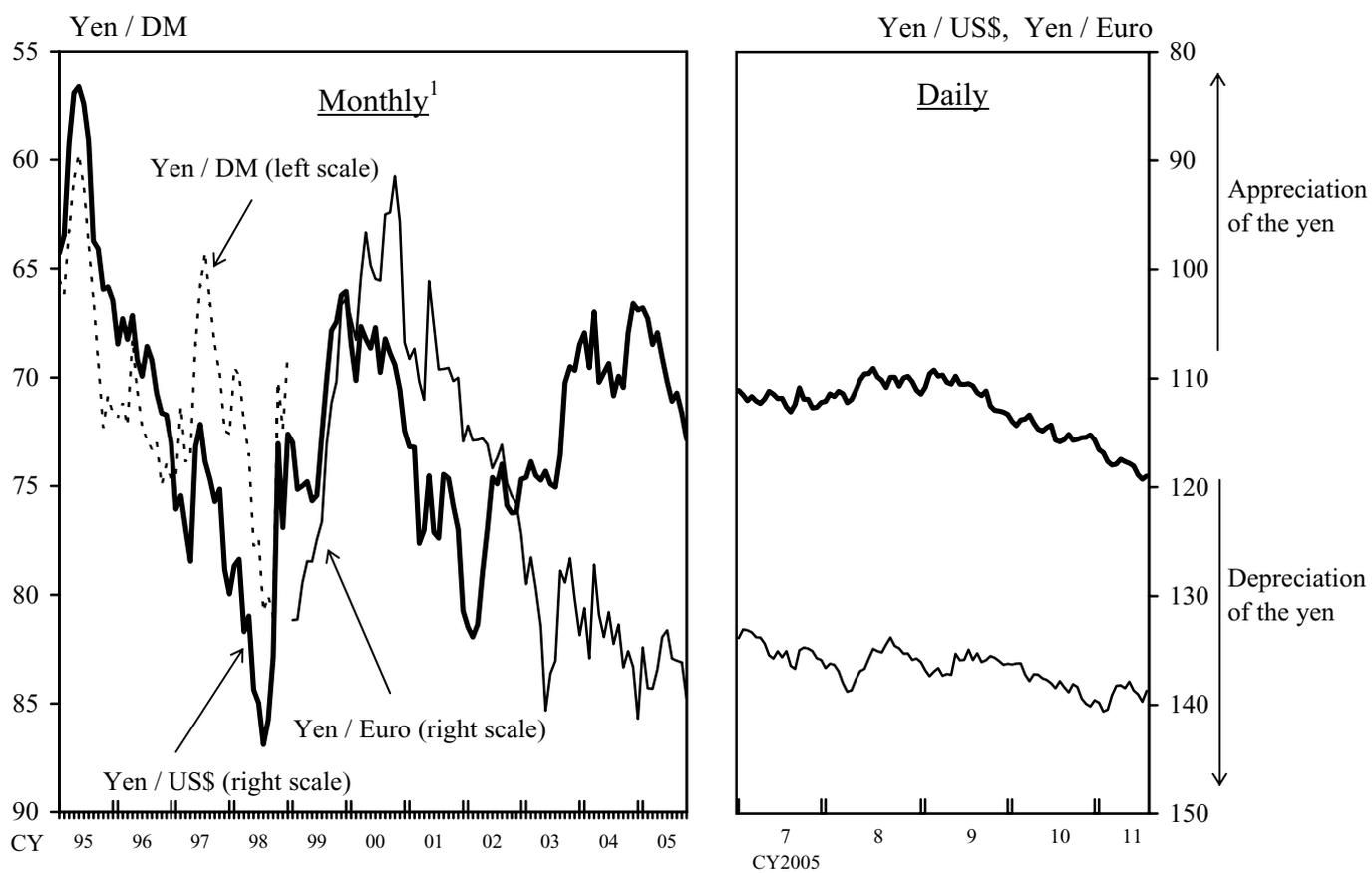
Yield spread = government bond yields - expected earnings on stocks, where expected earnings on stocks = 1/expected price earnings ratio.

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

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

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

Exchange Rates

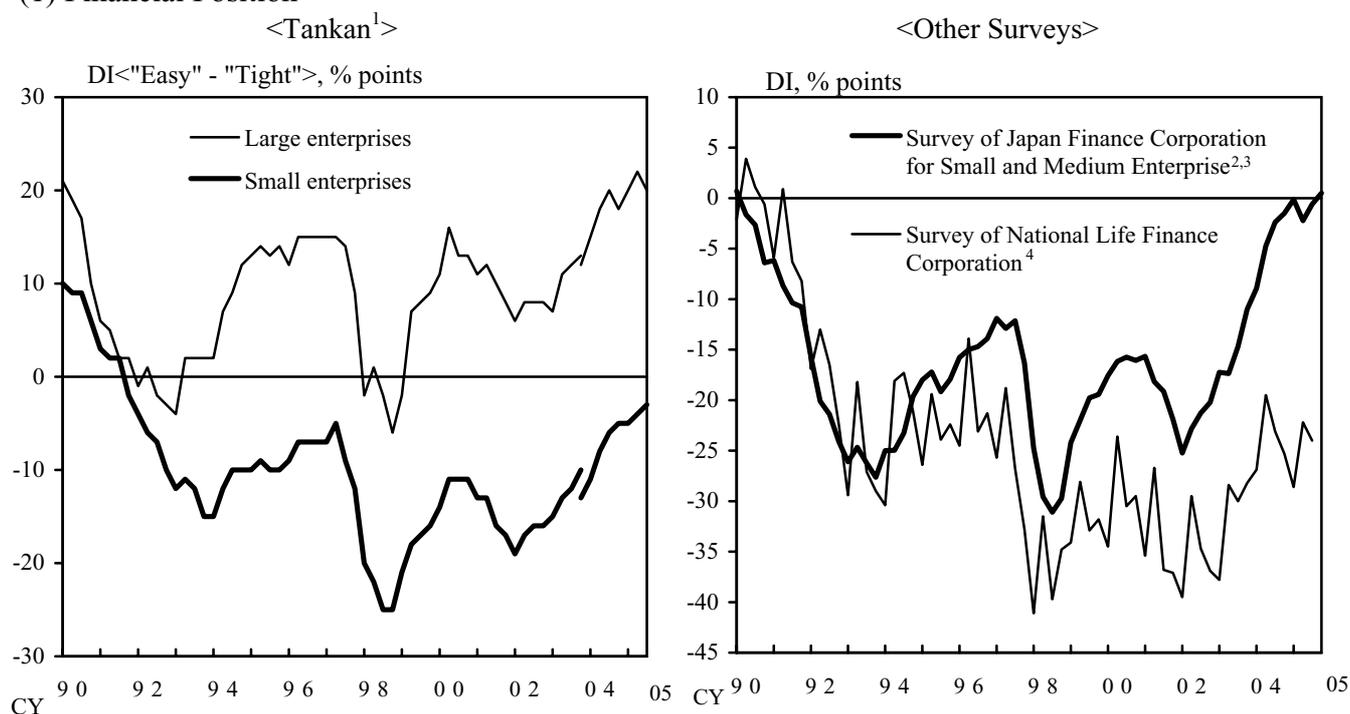


Note: 1. End of month.

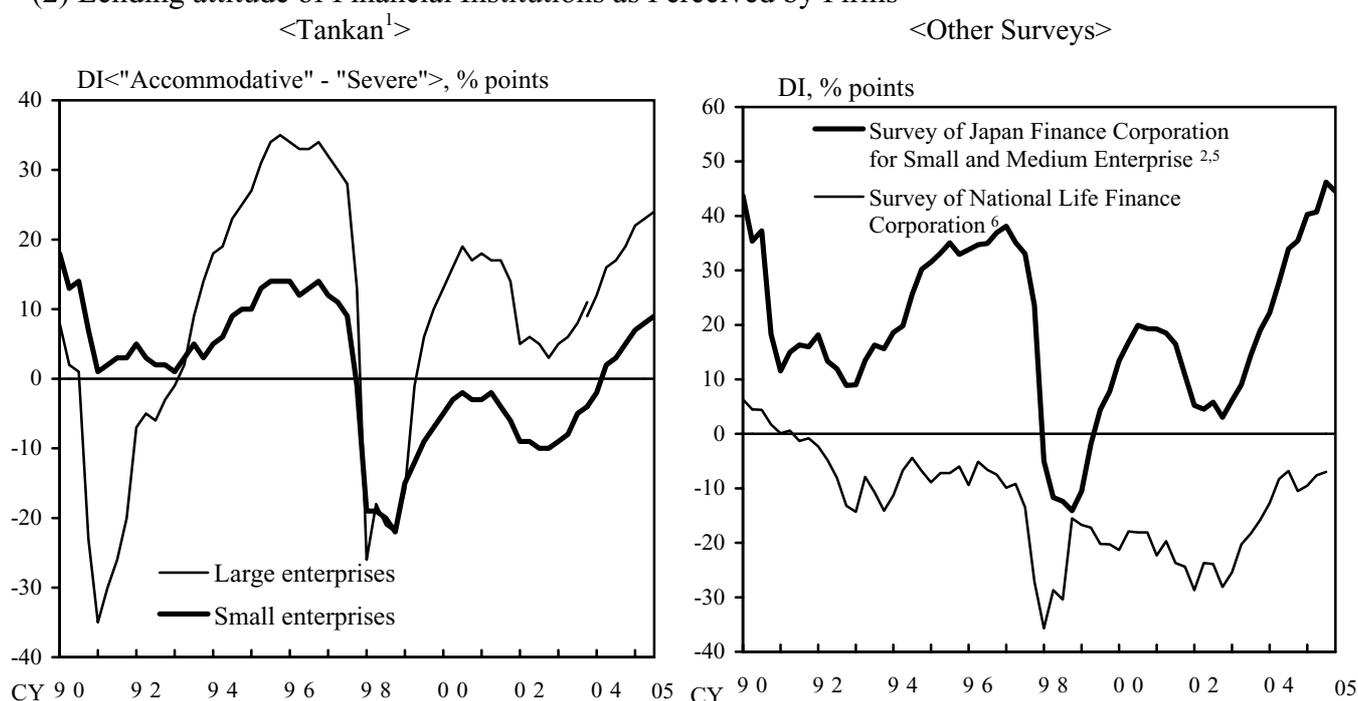
Source: Bank of Japan.

Corporate Finance-Related Indicators

(1) Financial Position



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



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

2. Figures are quarterly averages of monthly data. Figures for 2005/Q4 are those of October.

3. DI of "Easy" - "Tight"

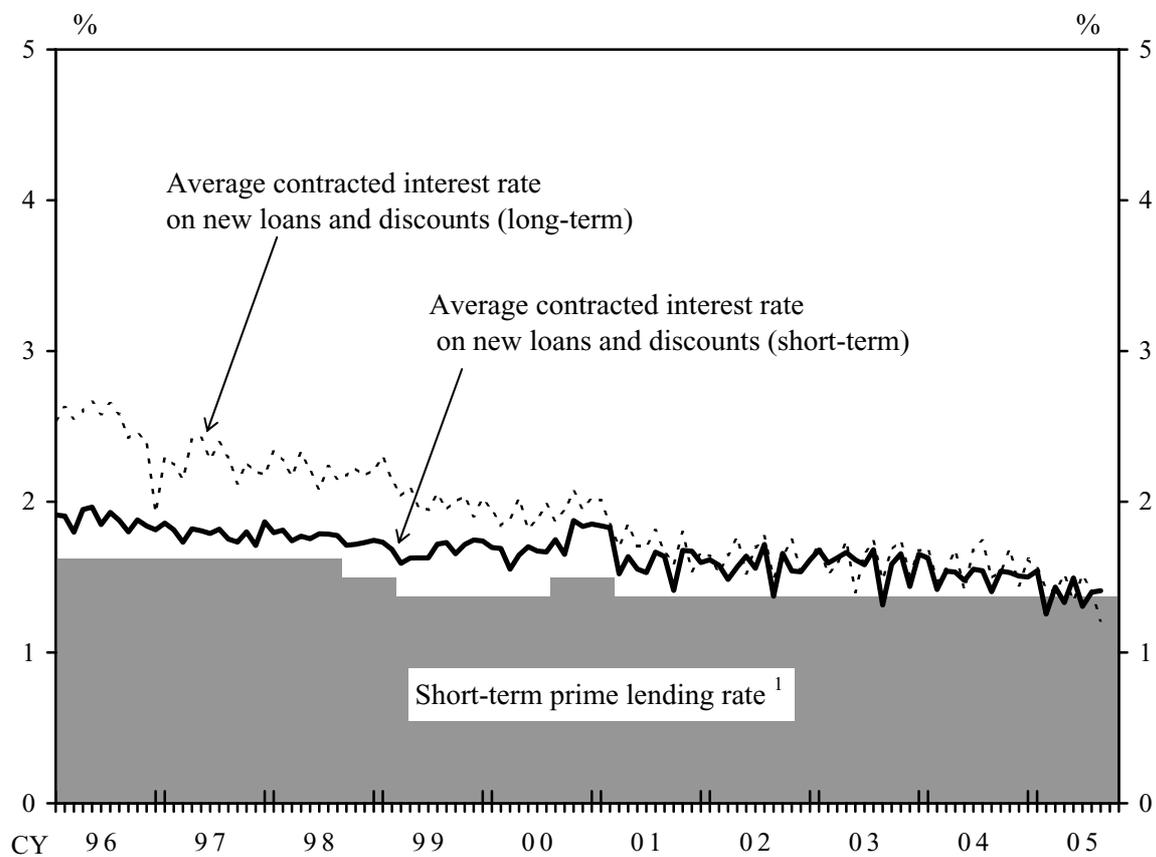
4. DI of "Easier" - "Tighter"

5. DI of "Accommodative" - "Severe"

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

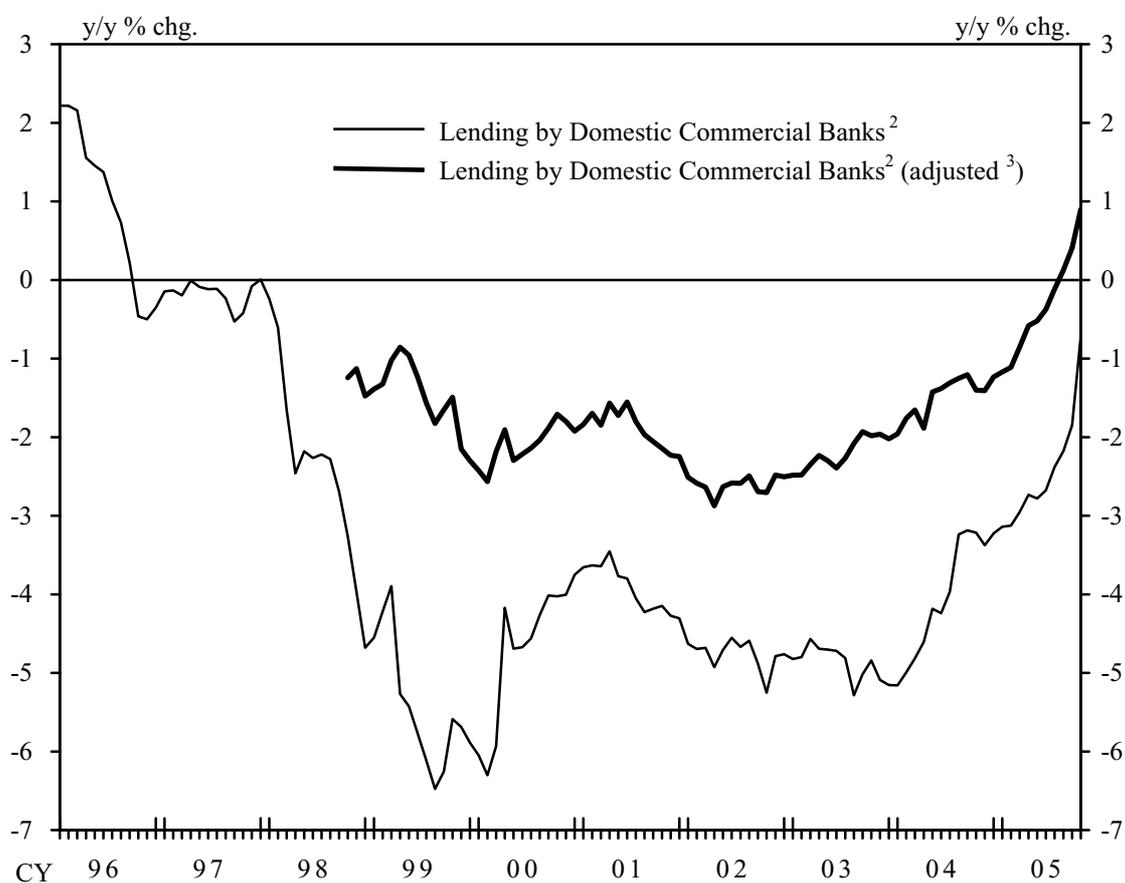
Sources: Bank of Japan, "*Tankan*, Short-term Economic Survey of Enterprises in Japan"; Japan Finance Corporation for Small and Medium Enterprise, "Monthly Survey of Small Businesses in Japan"; National Life Finance Corporation, "Quarterly Survey of Small Businesses in Japan."

Lending Rates



Note: 1. Data are at end of period.

Source: Bank of Japan.

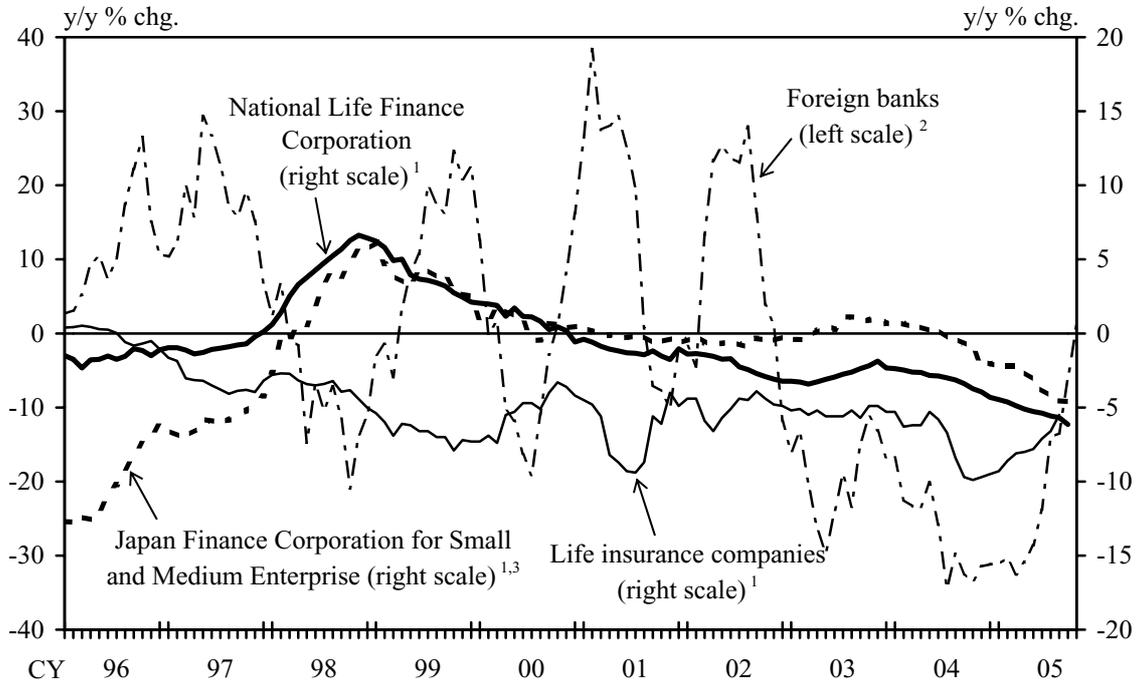
Lending by Domestic Commercial Banks ¹

- Notes: 1. Percent changes in average amounts outstanding from a year earlier.
 2. "Domestic commercial banks" refers to city banks, regional banks, regional banks II.
 3. Adjusted to exclude
- (1) fluctuations due to the liquidation of loans,
 - (2) fluctuations in the yen value of foreign currency-denominated loans due to changes in exchange rates,
 - (3) fluctuations due to loan write-offs,
 - (4) the transfer of loans to the former Japan National Railways Settlement Corporation to the General Account, and
 - (5) the transfer of loans to the former Housing Loan Administration Corporation to the Resolution and Collection Corporation.

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

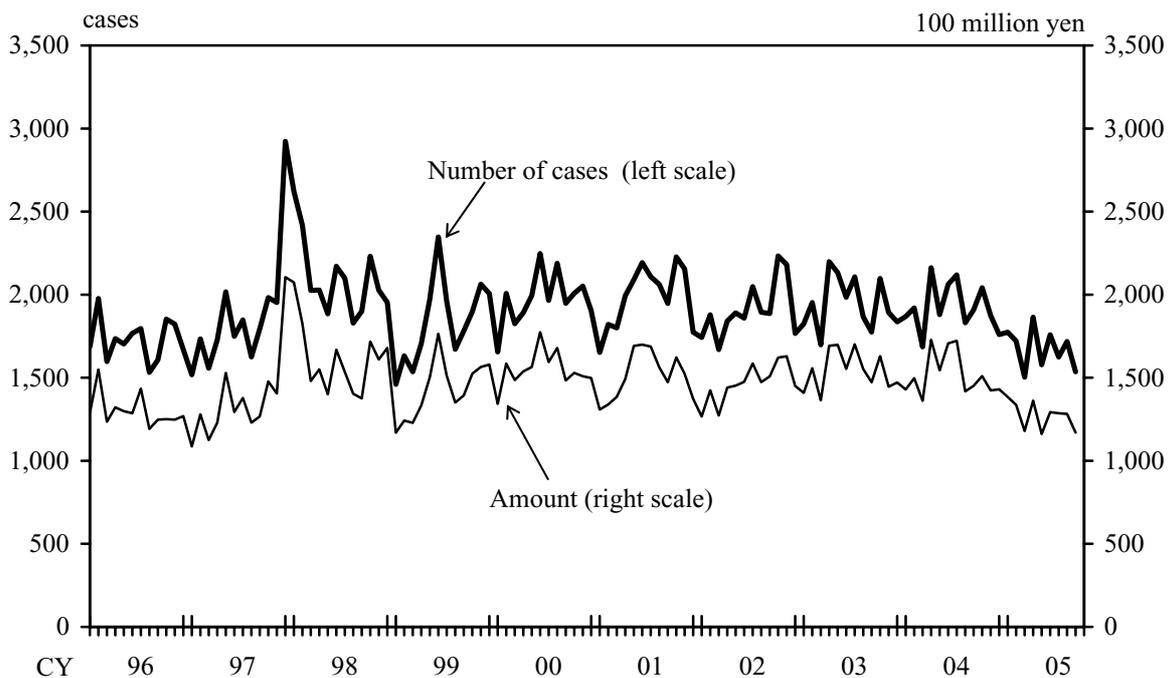
Lending by Other Financial Institutions

(1) Lending Outstanding



- Notes: 1. Data are based on amounts outstanding at end of period.
- 2. Data are based on average amounts outstanding.
- 3. Figures from July 2004 to June 2005 are adjusted to exclude the effects from the succession of the credit insurance accounts of the former Japan Small and Medium Enterprise Corporation.

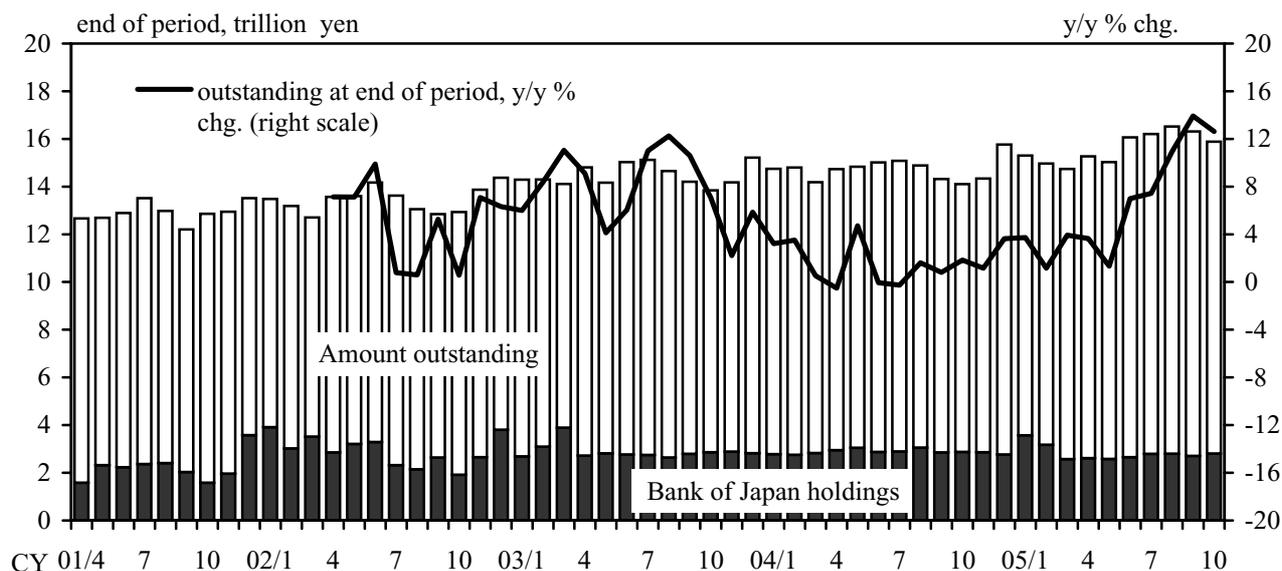
(2) Application for a Loan from Japan Finance Corporation for Small and Medium Enterprise



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

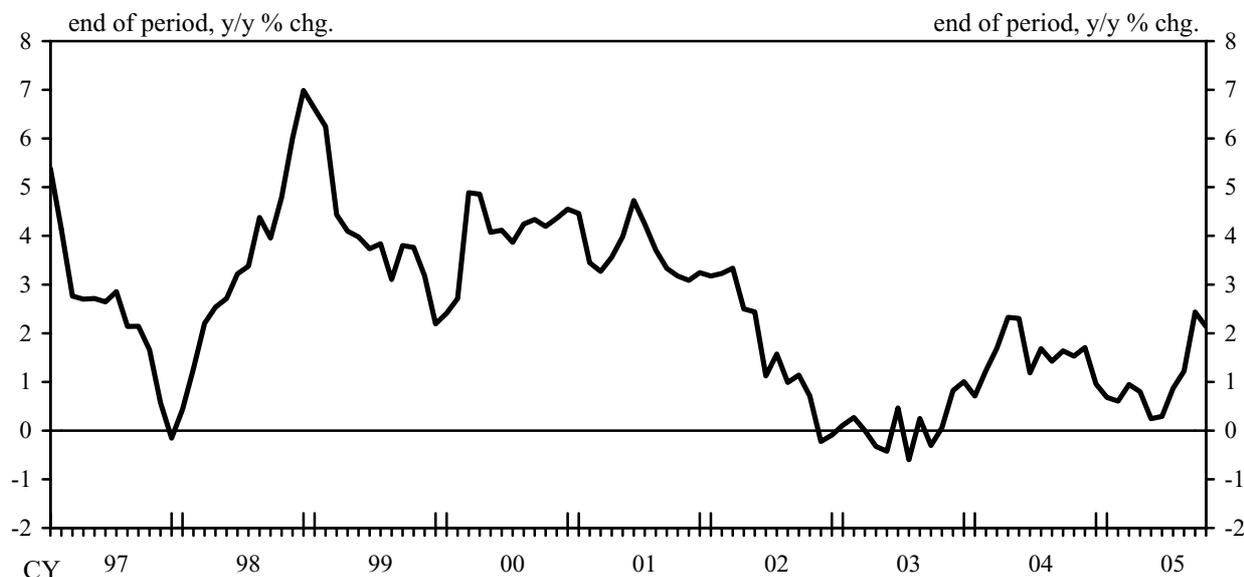
Private-Sector Fund-Raising in the Capital Markets

(1) Amount Outstanding of Commercial Paper



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

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



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

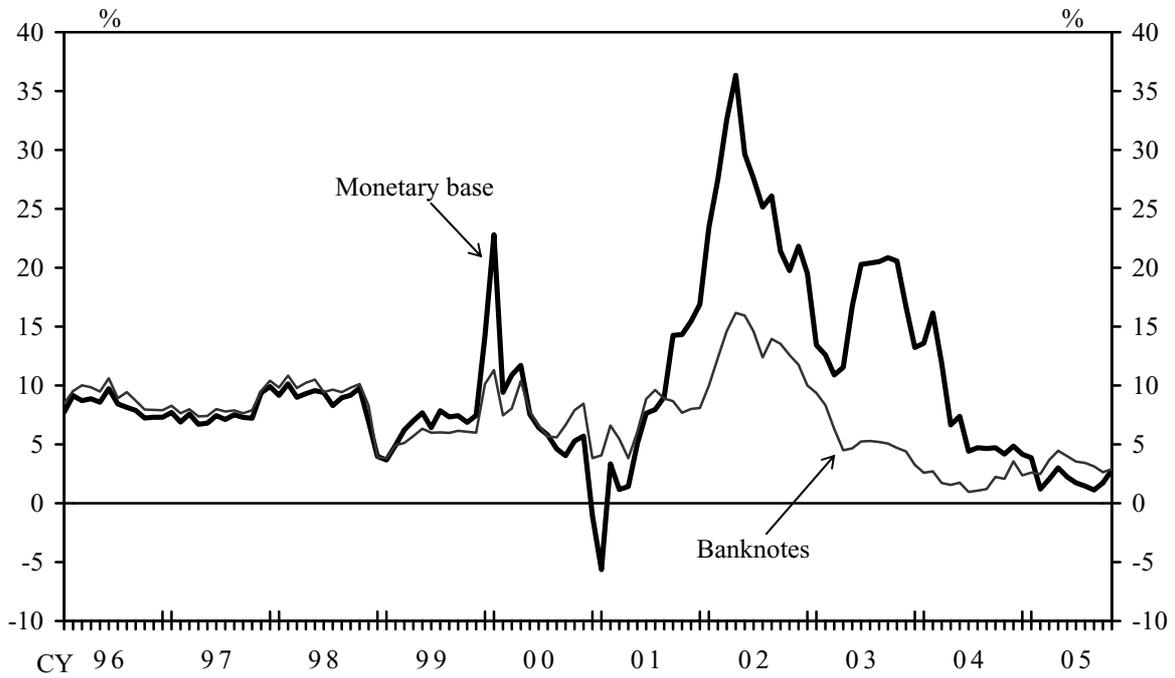
- (1) The sum of straight bonds, convertible bonds, bonds with warrants, and ABSs issued in both domestic and overseas markets is used.
- (2) Bonds issued by banks are included.
- (3) In calculating the percentage changes from the previous year of the amount outstanding of corporate bonds, the following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

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

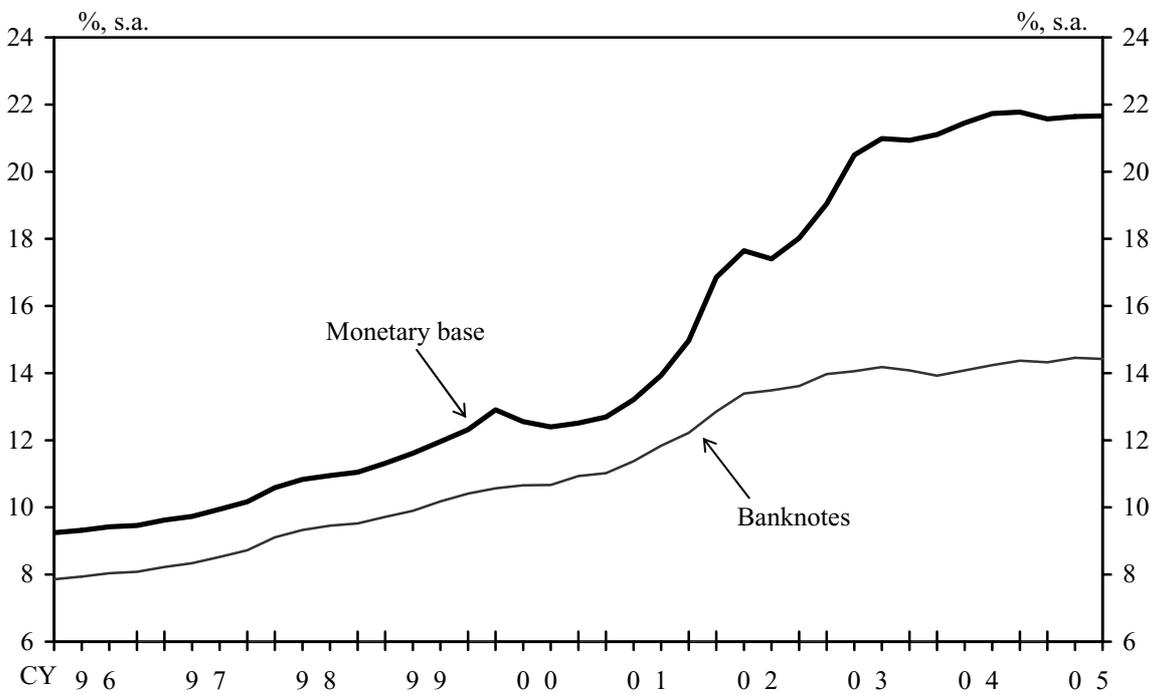
Sources: Bank of Japan, "Principal Figures of Financial Institutions," "Balance of Payments Monthly"; Japan Securities Dealers Association, "New Issue Volume- Redemption of Bonds," "Kisai-Jouhou (Issuance Information)"; I-N Information Systems, "Funding Eye."

Monetary Base

(1) Changes from a Year Earlier



(2) Ratio of Monetary Base to Nominal GDP



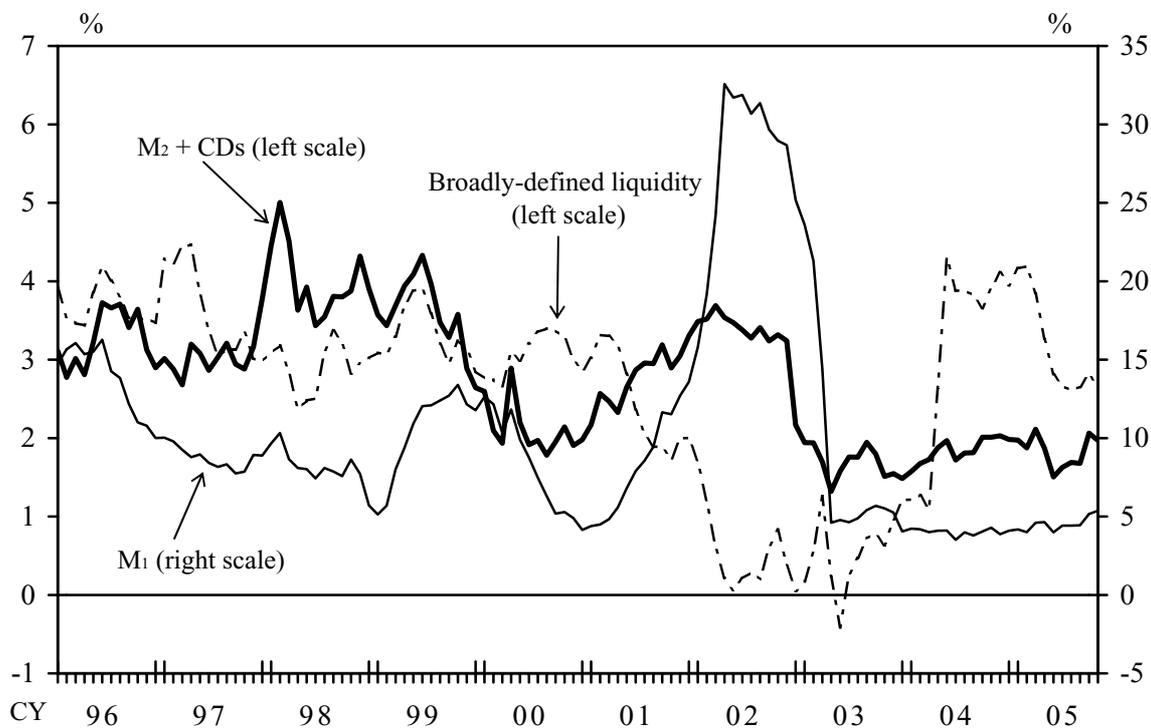
Note: Monetary base = currency in circulation (banknotes + coins) + current deposits at the Bank of Japan.

Data for currency in circulation include holdings of financial institutions.

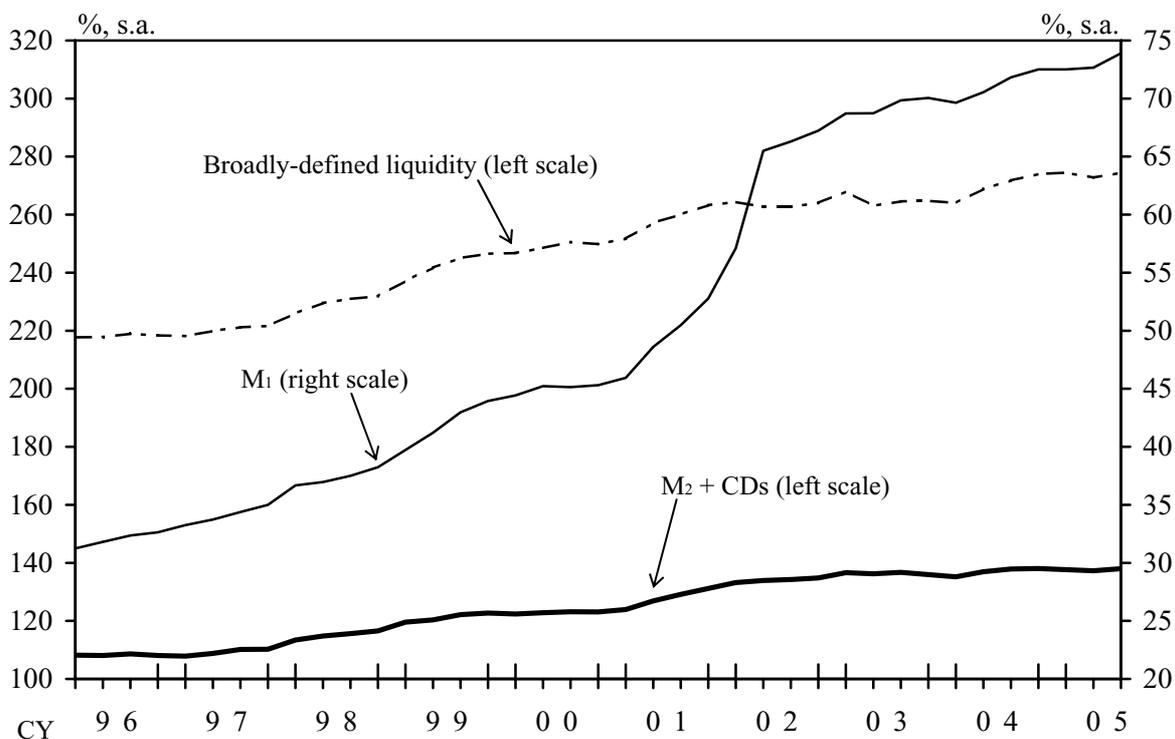
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

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

(1) Changes from a Year Earlier



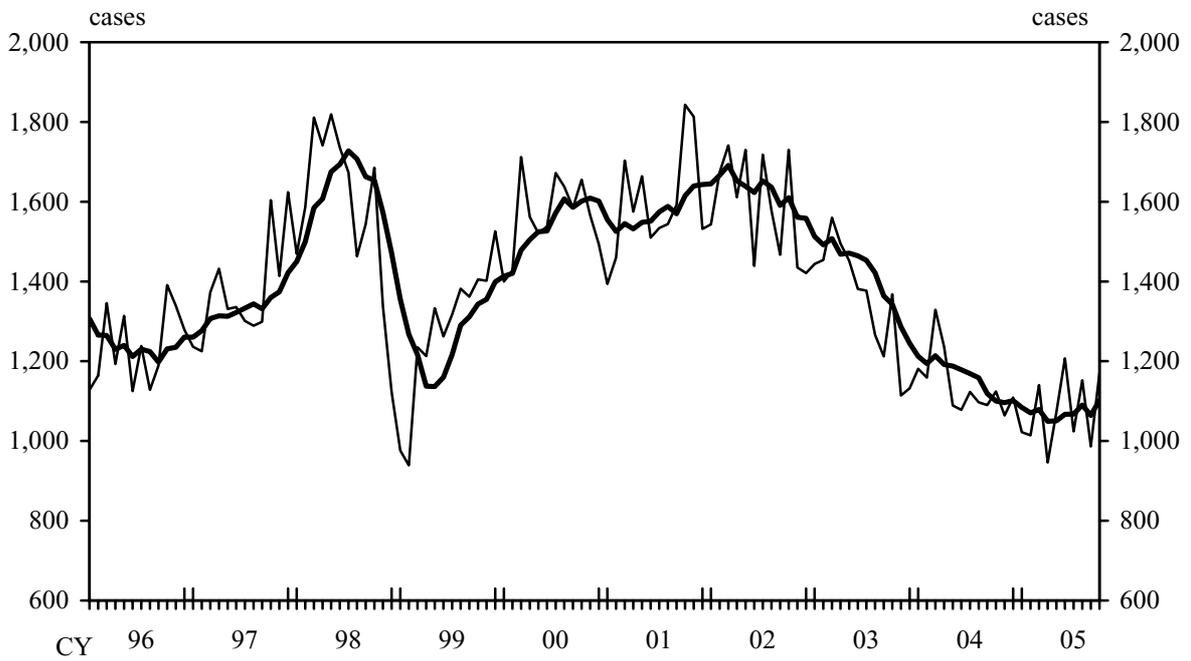
(2) Ratio of Money Stock to Nominal GDP



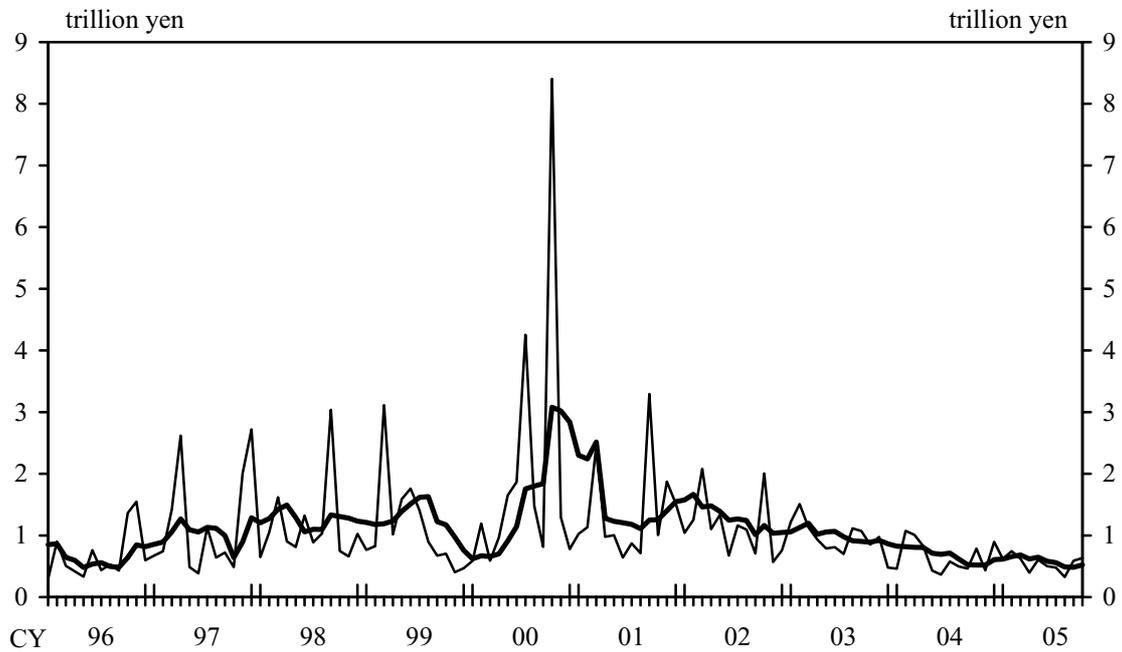
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities

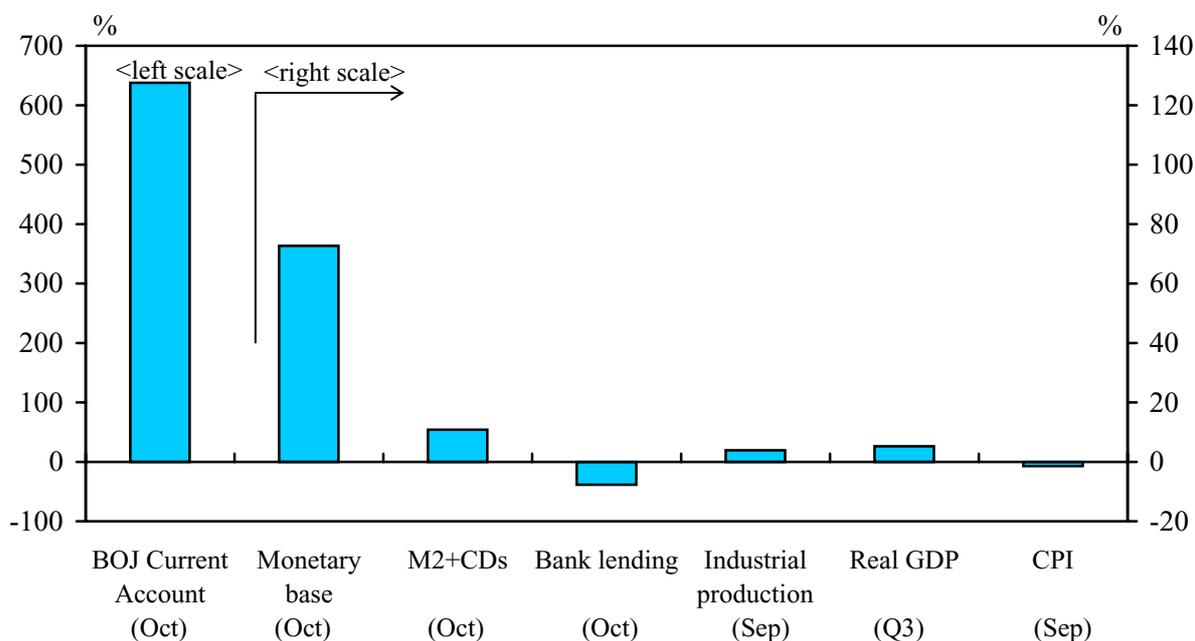


Note: Bold lines are the six-month moving average.

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

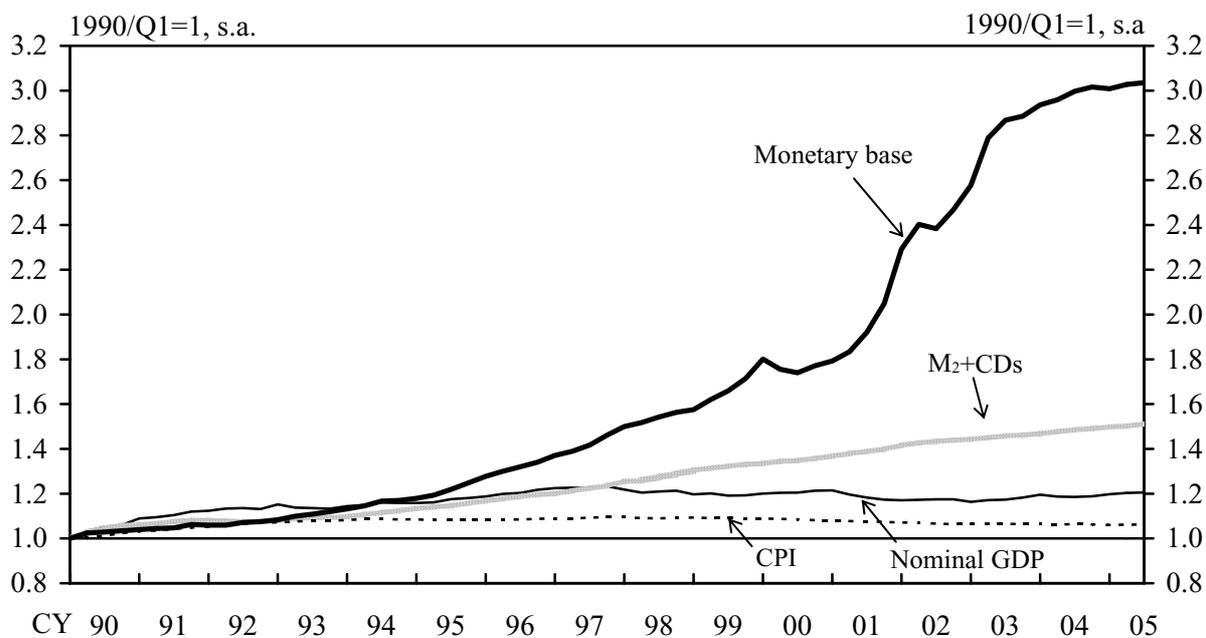
 Monetary Indicators, Economic Activity and Price Development

(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.