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Bank of Japan

**Monthly Report of
Recent Economic and Financial Developments**
December 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.

Exports have continued to increase, and industrial production has also been on an uptrend with some fluctuations. Business fixed investment has continued to increase, as corporate profits have been high and business sentiment has continued to improve. 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 continued to show 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, such as the excess 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. The year-on-year rate of change in consumer prices (excluding fresh food), which had been slightly negative thus far, was 0.0 percent in October.

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on December 15 and 16, 2005.

² The text of "The Bank's View" was decided by the Policy Board at the Monetary Policy Meeting held on December 15 and 16, 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. The year-on-year rate of change in consumer prices is projected to turn slightly positive, as supply-demand conditions continue improving gradually and the effects from the reduction in telephone charges dissipate.

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 at the 1.0-2.0 percent level, and that of the money stock has been around 2.0 percent. The year-on-year growth rate of banknotes in circulation has decreased in reaction to the increased growth rate in November last year due to the introduction of the new series of banknotes. As for developments in financial markets, money market conditions continue to be extremely easy, as the Bank of Japan continues to provide ample liquidity. In the foreign exchange and capital markets, the yen's exchange rate against the U.S. dollar, long-term interest rates and stock prices have risen compared with 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 strengthened somewhat, and the value of public works contracted—a measure that reflects public orders—has lately been more or less flat. With fluctuations smoothed out, however, they have followed a moderate downward path. 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 against the background of the expansion of overseas economies (Charts 4[1] and 5); exports rose 3.3 percent in the third quarter on a quarter-on-quarter basis and rose 2.3 percent in October relative to the third quarter.

As for real exports by region (Chart 5[1]), exports to the United States have continued to increase against the background of the U.S. economic expansion. In particular, exports in October posted a sizeable gain, fueled by the depletion of automobiles waiting to be shipped. Exports to the NIEs and ASEAN have also been increasing at a moderate pace, mainly in IT-related goods. Meanwhile, exports to China—which had been lacking momentum until mid-year—rose in October relative to the third quarter, after having posted a significant increase in the third quarter. Although the pace of recovery in exports to China in the past few months has possibly been accelerated temporarily by semiconductor manufacturing equipment, this momentum has spread among a wide range of goods, suggesting that this is an underlying recovery trend (Chart 8). Meanwhile, exports to the EU have lately strengthened noticeably. By goods (Chart 5[2]), exports of consumer goods have continued their solid increase, driven by digital home appliances. Growth in exports of IT-related goods (electronic parts, such as semiconductors) was relatively high in October following the third quarter (Chart 7[1]). Exports of capital goods and parts (such as semiconductor manufacturing equipment) have also continued to increase (Chart 6[1]). Exports of automobile-related goods posted strong gains in October after the marginal decline in the third quarter (Chart 6[3]), fueled by the depletion of goods waiting for shipment.

Real imports have generally continued to increase, boosted by the rise in domestic demand and by the progress in the international division of labor between Japan and China, although they have recently been weakening slightly (Charts 4[1] and 10). By goods, imports of aircrafts, which tend to fluctuate widely, declined sharply in October. However, imports of IT-related goods and those of capital goods and parts (excluding aircrafts) have continued their uptrend, and imports of raw materials, which dropped in the first half of the year, have lately increased at a moderate pace. Meanwhile, imports of consumer goods have trended up with some fluctuations.

The surplus of net exports in terms of the real trade balance has recently widened, reflecting the above-mentioned developments in exports and imports (Chart 4[2]). Against this background, the nominal balance on goods and services has improved somewhat lately. Meanwhile, the current account balance has been relatively stronger than the balance on goods and services, 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 expand further, particularly in the United States and East Asia (Chart 9[2]). Growth in exports of the IT-related sectors and exports towards China are also projected to persist, although they are unlikely to resume the high growth observed until the first half of last year. Looking at the environment surrounding exports, in the U.S. economy, the impact of the hurricanes on the economy seems to have been fairly limited, and holiday sales are reported to have had a solid start. Employment has also increased steadily. In this situation, the U.S. economy is expected to continue expanding at a pace close to its potential growth rate. As for the Chinese economy, adjustment pressures, such as the restraint on inventories, have been diminishing against the background of the ongoing high economic growth. However, the persistent excessive supply in some materials industries in China requires close attention. Meanwhile, in the foreign exchange market, the yen has been at its lowest level in the two decades since 1985 in terms of the real effective exchange rate, which incorporates differentials in the inflation rates between home and abroad (Chart 9[1]). These developments in the foreign exchange market are expected to exert some upward pressure on exports.

Imports are projected to continue their uptrend, as the recovery in the domestic economy is likely to be sustained.

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). Based on the *Financial Statements Statistics of Corporations by Industry, Quarterly*, business fixed investment in nominal terms continued to increase at a solid pace in the third quarter, following robust gains in the second quarter (Chart 11-1[1]). By industry and size (Chart 11-2), investment by large manufacturing firms has held its steady increase, and that by large nonmanufacturing firms has also followed a moderate uptrend. Small and medium-sized firms in manufacturing have largely stepped up their investment recently, especially in transport machinery. Meanwhile, investment by small and medium-sized firms in nonmanufacturing registered high growth in the second and third quarter, particularly in real estate, although it fluctuated widely. Looking at the monthly figures, shipments of capital goods (excluding transport equipment)—a coincident indicator of machinery investment—maintained its uptrend despite wide fluctuations (Chart 11-3[1]). Meanwhile, machinery orders (private demand, excluding shipbuilding and orders from electric power companies)—a leading indicator of machinery investment—followed a moderate uptrend (Chart 11-4[1]). Moreover, construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—dropped back in the third quarter, but posted strong growth in October. On average, they have continued their solid increase (Chart 11-4[2]).

Looking at the environment surrounding business fixed investment, corporate profits have been high. According to the *Financial Statements Statistics of Corporations by Industry, Quarterly* (Chart 11-1[2]), the ratio of current profits to sales has generally been high in both manufacturing and nonmanufacturing industries regardless of size. In the December *Takan* (Chart 12), current profits are projected to increase further in fiscal 2005 also in both manufacturing and nonmanufacturing industries regardless of size, after having increased substantially in fiscal 2004.³ In

³ With regard to large firms, while current profits in the first half of the year—an already established result—have been revised upward significantly, those in the second half have been

these circumstances, business sentiment has continued to improve on the whole (Chart 13).

Business fixed investment is expected to continue increasing, since the expansion in domestic and external demand, as well as the high level of corporate profits, are likely to be maintained. According to the December *Tankan* (Chart 14), business fixed investment plans for fiscal 2005 in large manufacturing firms have been revised slightly upward from the September *Tankan*, reporting strong plans, with an increase of 17 percent on a year-on-year basis.⁴ Investment plans of large nonmanufacturing firms have also increased by 7 percent on a year-on-year basis, recording the highest growth in recent years. Those of small firms both in manufacturing and nonmanufacturing have been steadily revised upward. As investment plans made at the current time, these exceeded the plans of the same period of last year, which had finally registered a rise of approximately 10 percent.

Private consumption has been steady. On a GDP basis, private consumption increased further in the third quarter, albeit marginally, following the high growth recorded in the first half of the year (Chart 2).⁵ Individual indicators on consumption (Charts 15-1 and 15-2) show that the number of new passenger-car registrations has been weak since July, after having posted a substantial gain in the second quarter, largely because of the insufficient number of new model automobiles being introduced which could boost demand.⁶ Meanwhile, the downtrend in sales at department stores has almost paused after the start of this year. In October, sales

revised slightly downward. Thus, the upward revision on current profits in fiscal 2005 as a whole was relatively small. However, considering that these revisions were made under the assumption that the yen's exchange rate in the latter half of fiscal 2005 would be around 108 yen to the U.S. dollar—quite a large appreciation compared to recent levels—the current projections are likely to be more cautious than the actual developments.

⁴ While plans for the first half of the fiscal year have been revised downward, those for the second half have been revised upward. This suggests, as in the case of last fiscal year, that actual investments have tended to lag behind plans.

⁵ In the third quarter, the rise in consumption of financial services, reflecting vigorous stock trading, seems to have contributed to increasing consumption on a GDP basis, while consumption of goods seems to have decreased slightly as a reaction to the increases in the first half of the year.

⁶ However, the number of registrations of mini vehicles with engine size of 660cc or less has remained steady, propelled by the shift in demand in view of elevated gasoline prices.

held steady, dropping only marginally despite high temperatures and the unfavorable weather on weekends. Supermarket sales remained relatively weak, particularly in foodstuffs. Convenience stores have generally enjoyed a moderate increase in sales, although sales fell in October mainly because of weather factors. Meanwhile, sales of household electrical appliances have continued a steady increase. As for services consumption, sales in the food service industry have followed a solid increasing trend. With regard to outlays for travel, by contrast, both overseas and domestic travel have been subdued recently; overseas travel due mainly to concerns about terrorism, and domestic travel due to the dissipation of the boost from the world exposition.

Indices of aggregated sales (in real terms), which are comprised of major sales indicators of these goods and services,⁷ remained more or less unchanged, reflecting various readings from each individual indicators (Chart 15-3). The aggregate supply of consumer goods—which comprehensively captures producers’ supply of goods—turned up in October, mainly in nondurable goods, following the marginal decline in the third quarter, mainly in automobiles (Chart 15-4). 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) bounced back following the large drop registered in July, indicating that it remained solid with the fluctuations smoothed out (Chart 15-1[1]).

Indicators for consumer sentiment continued to be favorable on the whole (Chart 16).

Private consumption is likely to continue recovering steadily, with the gradual increase in household income.

As for housing investment, housing starts have continued to show some strength (Chart 17[1]), recording a high level of just below 1.3 million units (annual rates) in the third quarter and in October, largely as a result of the gains in starts of housing for sale and housing for rent. Active supply-side initiatives with favorable

⁷ The indices of aggregated sales are the weighted average of each sales indicator. Outlays for travel in October 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 October were at the same level as that in September.

financial conditions seem to have stimulated potential housing demand, especially among second-generation baby boomers and senior citizens. In these circumstances, housing investment is likely to remain firm.⁸

Industrial production has been on an uptrend with some fluctuations (Chart 18). Looking at quarterly figures, production rose 1.2 percent in October relative to the third quarter, after having edged down in the second and third quarters. As for October figures by industry, while production of transport machinery remained subdued particularly due to the decline in domestic sales, that of electronic parts and devices posted brisk gains following the third quarter, and production of general machinery (semiconductor manufacturing equipment) also stepped up.

Shipments continued their moderate increase, albeit at an uneven pace. By goods (Chart 19), shipments of capital goods have trended up further, although they have recently fluctuated widely, and those of consumer goods, particularly nondurable goods such as cosmetics, have recently picked up. Shipments of producer goods have lately shown noticeable gains, mainly in electronic parts and devices, although shipments in the materials industry, such as iron and steel, and chemicals, have been almost flat.

Meanwhile, inventories have been relatively high in the materials industries (Chart 18[1]). The inventory cycle (Chart 20) shows that the inventory level of electronic parts and devices has evidently entered the recovery phase, with shipments posting a substantial rise. Supported by the decreased inventories of automobiles waiting for shipment, inventories of capital goods and durable consumer goods, which had accumulated before, have recently reached roughly the same level as or slightly below the previous year's level. However, inventories of producer goods, excluding electronic parts and devices, have clearly exceeded year-ago levels, particularly in iron and steel, chemicals, paper and petroleum products. Iron and steel, and chemicals seem to have been affected by the loosening of Asian markets for some products, and paper have been affected by the intensified competition among domestic manufacturers. As for petroleum products (gasoline), inventories have

⁸ The effects of the falsified earthquake resistance data scandal may surface in the upcoming months.

been pushed up by the pause in demand due to receding anticipation for price increases. 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, production is expected to follow an increasing trend, with continued growth in overseas economies and the solid foundation for a recovery in domestic demand, although inventory adjustments of materials are likely to dampen production somewhat. According to anecdotal information, production in the fourth quarter is likely to increase further.⁹

As for the employment and income situations, household income has continued rising moderately, supported by improvements in employment and wages, as various indicators for labor market conditions have been improving (Chart 21).

In the labor market, overtime hours worked remained at a high level, although they have been more or less flat (Chart 22-2[3]). The number of new job offers continued its increase on a year-on-year basis, although the pace of growth moderated slightly (Chart 22-1[3]). Under these circumstances, the ratio of job offers to applicants has trended up at a moderate pace, and the unemployment rate has followed a gradual downtrend with some fluctuations (Chart 22-1[1]). According to the December *Tankan*, the employment conditions DI in nonmanufacturing has become more insufficient, and the DI of small firms in manufacturing has also turned insufficient (Chart 23).

In terms of employment, the number of employees in the *Labour Force Survey* has followed an upward path on a year-on-year basis, despite some monthly

⁹ Production in the fourth quarter, based on the production forecast indexes of November and December, is calculated to post a significant increase of 4.5 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.

fluctuations.¹⁰ Growth in the number of regular employees in the *Monthly Labour Survey* also continued at a steady pace of around 0.5 percent on a year-on-year basis (Chart 22-2[1]). Looking at the measures of regular employees in more detail, the number of full-time employees has recorded positive figures on a year-on-year basis since the start of this year, while that of part-time employees has recently been close to the previous year's level. Consequently, the ratio of part-time workers has been almost flat (Chart 22-2[2]).¹¹

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 followed an uptrend, against the background of high corporate profits. A survey on winter bonuses conducted mainly in the large manufacturing firms shows that their growth is projected to exceed that of summer bonuses this year.¹² In this light, nominal wages per worker have increased moderately since the start of this year (Chart 21[2]).

Looking ahead, the gradual increase in household income is likely to continue, given that firms have begun to perceive their labor as insufficient, and corporate profits are expected to remain high.

¹⁰ The recent sharp rise in the number of employees appears largely to be a result of statistical fluctuations. However, even from a long-term perspective, it is becoming gradually evident that the labor force ratio has stopped declining. With marked improvements in the employment climate, including that of full-time employees, discouraged workers appear to have gained greater incentives to seek jobs.

¹¹ 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.

¹² For instance, according to the survey released by the *Nihon Keizai Shimbun*, Inc. (final results as of December 2; the number of responding firms was 622 in manufacturing and 216 in nonmanufacturing), winter bonuses were currently reported to have increased by 3.5 percent on a year-on-year basis (summer bonuses increased 3.3 percent). According to the survey results released by the Japan Business Federation (final results as of December 14; the number of responding firms was 167 in manufacturing and 39 in nonmanufacturing), winter bonuses of large firms were currently reported to have recorded an increase of 4.4 percent relative to the previous year's level, exceeding the increase of summer bonuses recorded this year (3.6 percent).

2. Prices

Import prices (on a yen basis, same hereafter, compared to levels three months before) have continued to climb against the background of high international commodity prices and the depreciation of the yen (Chart 25).

Domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter, compared to levels three months before)¹³ have continued to increase, mainly reflecting the rise in international commodity prices and the depreciation of the yen (Chart 26). In detail, prices of nonferrous metals have soared and prices of petroleum and coal products rose further, reflecting the elevated crude oil prices in the past. Prices of other materials (chemicals) have risen with the passing-on of high costs. Prices of iron and steel-related products and construction-related products have increased only marginally, because steel materials prices have stayed almost flat, while those of scrap edged higher. Meanwhile, the rate of decline in machinery prices has been narrowing moderately on the whole. By stages of demand, intermediate goods prices have continued to rise. Final goods prices have stayed almost unchanged, as prices of non-durable consumer goods (gasoline) rose slightly, while prices of 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 stayed on a gradual diminishing trend when seen from a somewhat long-term perspective (Chart 27).¹⁴ In light of this, the year-on-year decline in October moderated somewhat compared to the third quarter, buoyed by the slower decreases in prices of leasing and rental (reflecting the rise in leasing rates in line with higher long-term interest rates) and in prices of information services.

¹³ 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.

¹⁴ “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.

The year-on-year rate of change in consumer prices (excluding fresh food, same hereafter), which had been slightly negative thus far, was 0.0 percent in October (Chart 28). This is influenced by the slower declines in electricity charges and prices of rice, while increases in petroleum products prices have been as high as those in the previous month.

With regard to domestic supply and demand conditions (Chart 29), the operating level in the domestic economy—measured by the weighted average of the excessiveness in both production capacity and employment conditions as perceived by firms in the December *Tankan*—continued on a moderate upward path, reaching a level slightly above 0.0 points recently. The supply and demand conditions DI has also improved moderately in both manufacturing and nonmanufacturing firms.

In these circumstances, 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 turn slightly positive, as supply-demand conditions continue improving gradually and the effects from the reduction in telephone charges dissipate.

3. Financial Developments

(1) Financial Markets

The outstanding balance of current accounts at the Bank of Japan has been moving at around 30-35 trillion yen, as the Bank continues to provide ample liquidity (Chart 32).

As for interest rate developments in the money markets, the overnight call rate (uncollateralized; Chart 30[1]) has been moving at around zero percent. Interest rates on term instruments (Chart 31[1]) have been steady at low levels on the whole. Interest rates on Euroyen futures remain basically unchanged (Chart 31[2]).

Yields on 10-year government bonds (newly issued 10-year JGB; Chart 30 [2]) have decreased, reflecting the fall in U.S. interest rates. They later rose in

reaction to the stronger-than-forecasted domestic economic indicators and the rise in stock prices. They have recently been moving at the 1.50-1.55 percent level.

Yield spreads between private bonds (bank bonds and corporate bonds) and government bonds (Charts 35 and 36) have been more or less flat on the whole, excluding the widening of spreads for some firms with low credit ratings.

Stock prices (Chart 37) have risen, reflecting the earnings announcements by Japanese firms and the rise in U.S. stock prices. The Nikkei 225 Stock Average is moving in the range of 15,000-15,500 yen.

In the foreign exchange market (Chart 38), the yen has fallen reflecting stronger-than-forecasted U.S. economic indicators and the prospects of a wider interest rate differential between Japan and abroad. They later rose as some foreign investors bought back the yen. The yen is being traded in the range of 116-120 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 39).

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 40). The long-term prime lending rate was lowered by 0.05 percent on December 9 to 1.85 percent.

The amount outstanding of lending by private banks (monthly average outstanding balance basis, after adjustment for extraordinary factors¹⁵) has become above the previous year's level. (The year-on-year change was 0.4 percent in September, 0.9 percent in October, and 0.8 percent in November; Chart 41.)

In the corporate bond and CP markets, the issuing environment continues to be favorable. Corporate bond issuance rates have basically been flat, while issuance spreads remain stable at low levels. CP issuance rates continue to be at low levels. The amount outstanding of CP and corporate bonds issued has been above the previous year's level. (The year-on-year change was 4.4 percent in September, 4.1 percent in October, and 5.1 percent in November; Chart 43.)

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 has decreased in reaction to the increased growth rate in November last year due to the introduction of the new series of banknotes. The year-on-year growth rate of the monetary base (currency in circulation + current account balances at the Bank of Japan) declined; it is currently at the 1.0-2.0 percent level. (The year-on-year change was 1.7 percent in September, 2.8 percent in October, and 1.5 percent in November; Chart 44.)

The year-on-year growth rate of the money stock ($M_2 + \text{CDs}$) has been around 2.0 percent. (The year-on-year change was 2.1 percent in September, 2.0 percent in October, and 2.2 percent in November; Chart 45.)

The number of corporate bankruptcies increased by 4.7 percent year-on-year in November, to 1,114 cases (Chart 46).

¹⁵ The figures are adjusted for (1) fluctuations due to the liquidation of loans, (2) fluctuations in the yen value of foreign-currency-denominated loans due to changes in exchange rates, and (3) fluctuations due to loan write-offs.

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Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2005/Q1	Q2	Q3	2005/Aug.	Sep.	Oct.	Nov.
Index of living expenditure level (all households)	2.7	0.4	-1.7	4.7	-0.2	-0.3	n.a.
Sales at department stores	0.2	1.0	-0.7	0.3	-0.5	-0.3	n.a.
Sales at supermarkets	-0.5	-1.2	-1.2	0.1	-0.5	-0.9	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 342>	< 362>	< 330>	< 323>	< 338>	< 324>	< 313>
Sales of household electrical appliances (real, Current Survey of Commerce)	1.6	-0.3	2.3	4.9	-0.3	1.9	n.a.
Outlays for travel (50 major travel agencies)	4.0	0.8	-2.1	-1.5	1.5	-2.5	n.a.
Housing starts <s.a., ann. 10,000 units>	< 121>	< 119>	< 128>	< 127>	< 124>	< 129>	<n.a.>
Machinery orders (from private sector ⁴)	0.8	0.8	2.1	8.2	-10.0	4.8	n.a.
Manufacturing	0.8	7.5	0.4	9.5	-6.4	-5.4	n.a.
Nonmanufacturing ⁴	0.3	-1.9	1.0	7.6	-12.1	6.0	n.a.
Construction Starts (private, nondwelling use)	11.4	-0.5	-10.3	1.0	-11.4	25.1	n.a.
Mining & manufacturing	8.8	27.8	-24.2	19.4	-34.0	57.4	n.a.
Nonmanufacturing ⁵	12.6	-8.5	-3.9	-0.0	-5.0	14.3	n.a.
Value of public works contracted	0.5	1.9	0.2	11.0	2.1	-6.0	0.3
Real exports	0.7	1.5	3.3	3.3	0.7	0.7	n.a.
Real imports	0.4	2.0	2.2	4.5	-1.4	-2.0	n.a.
Industrial production	1.7	-0.4	-0.2	1.1	0.4	0.6	n.a.
Shipments	0.4	1.0	0.2	2.2	-0.8	1.9	n.a.
Inventories	3.1	-0.1	2.5	1.1	0.9	-1.7	n.a.
Inventory Ratio <s.a., CY 2000=100>	<98.4>	<96.2>	<101.3>	<98.9>	<101.3>	<99.3>	<n.a.>
Real GDP	1.4	1.2	0.2	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	1.4	0.2	0.3	1.2	-0.4	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2005/Q1	Q2	Q3	2005/Aug.	Sep.	Oct.	Nov.
Ratio of job offers to applicants <s.a., times>	<0.91>	<0.94>	<0.97>	<0.97>	<0.97>	<0.98>	<n.a.>
Unemployment rate <s.a., %>	<4.6>	<4.3>	<4.3>	<4.3>	<4.2>	<4.5>	<n.a.>
Overtime working hours ⁶	0.4	1.6	1.0	1.0	1.0	1.9	n.a.
Number of employees	0.0	0.7	0.9	0.3	1.9	1.8	n.a.
Number of regular employees ⁶	0.6	0.5	0.5	0.5	0.5	0.6	n.a.
Nominal wages per person ⁶	0.0	1.0	0.4	-1.1	0.8	0.6	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>	1.7 <0.5>	1.7 <0.8>	2.0 <0.9>	p 1.9 <p 0.7>
Consumer price index ⁸	-0.4	-0.1	-0.1	-0.1	-0.1	0.0	n.a.
Corporate service price index	-0.7	-0.4	-0.6	-0.8	-0.6	p -0.6	n.a.
Money Stock (M ₂ +CDs) <average outstanding, y/y % chg.>	2.0	1.7	1.8	1.7	2.1	2.0	p 2.2
Number of corporate bankruptcies <cases>	<1,059>	<1,075>	<1,054>	<1,152>	< 987>	<1,171>	<1,114>

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.

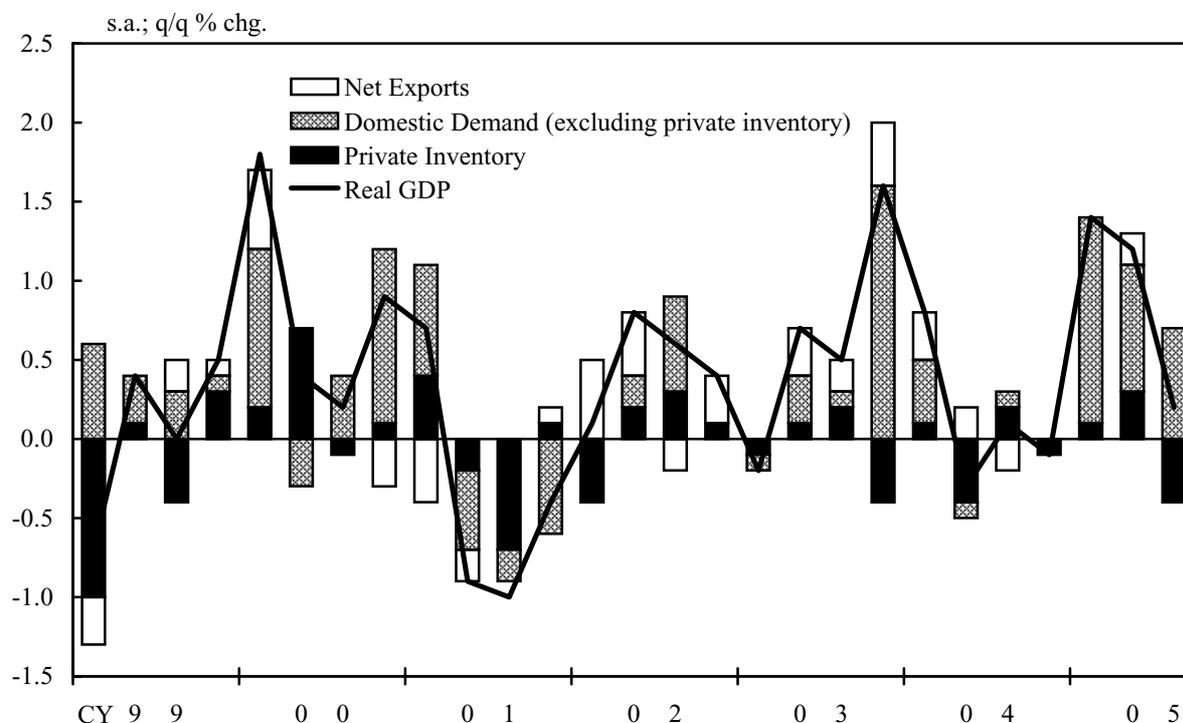
All figures in chart 1-2 except figures in angle brackets are year on year change. For details on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes of respective charts.

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.

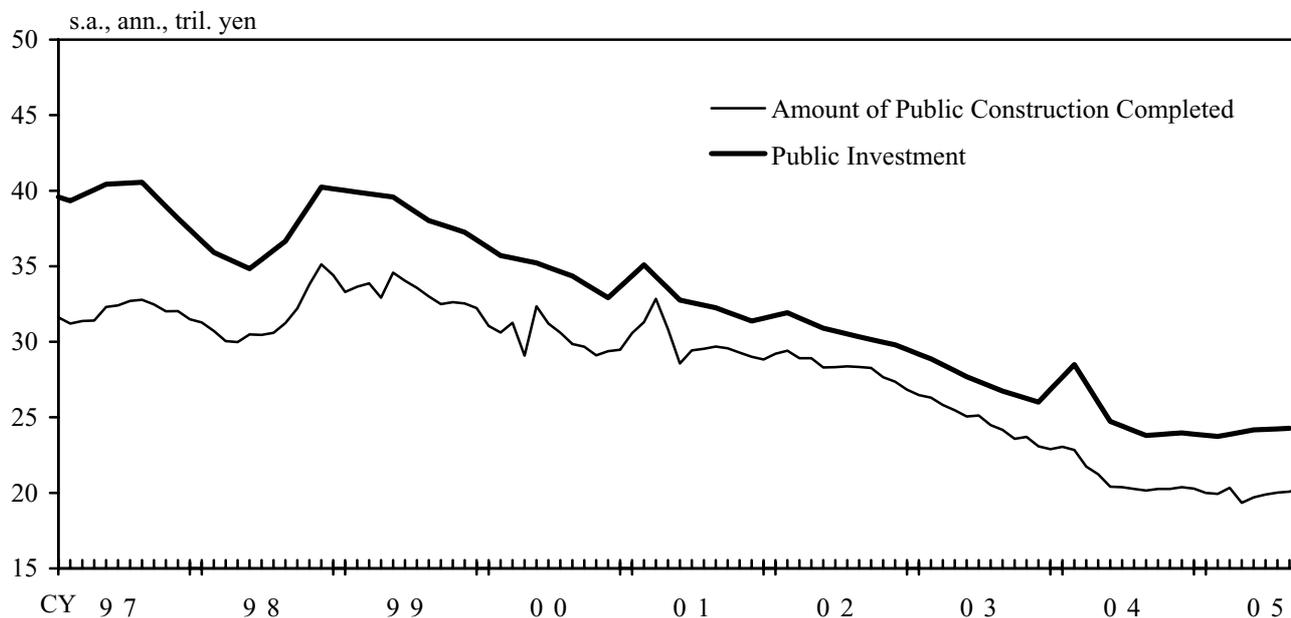
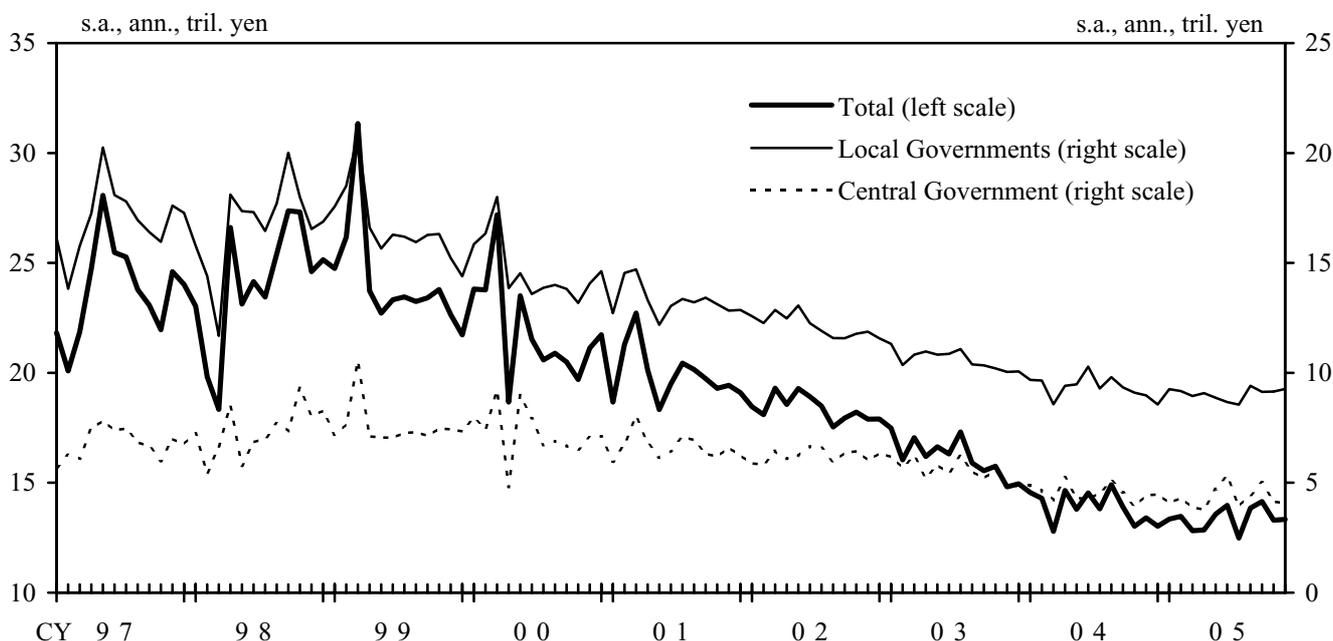
	2004		2005		
	Q3	Q4	Q1	Q2	Q3
Real GDP	0.1	-0.1	1.4	1.2	0.2
Domestic Demand	0.3	-0.1	1.4	1.1	0.3
Private Consumption	0.3	-0.3	1.2	0.7	0.4
Non-Resi. Investment	0.5	0.7	3.3	2.4	1.6
Residential Investment	0.1	0.5	-1.2	-2.1	1.6
Private Inventory	(0.2)	(-0.1)	(0.1)	(0.3)	(-0.4)
Public Demand	-0.8	0.3	0.6	0.4	0.5
Public Investment	-3.8	-0.1	-0.5	1.1	0.3
Net Exports of goods and services	(-0.2)	(-0.0)	(-0.0)	(0.2)	(-0.0)
Exports	0.3	1.6	-0.1	3.1	2.7
Imports	1.9	2.1	-0.0	2.2	3.3
Nominal GDP	-0.1	0.0	0.7	0.9	-0.2

Notes: 1. Figures shown in parentheses indicate the contributions to changes in GDP.

2. GDP data in all the charts have been revised to CY2000 base.

Source: Cabinet Office, "National Accounts."

Public Investment

(1) Amount of Public Construction Completed and Public Investment**(2) Value of Public Works Contracted**

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

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

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

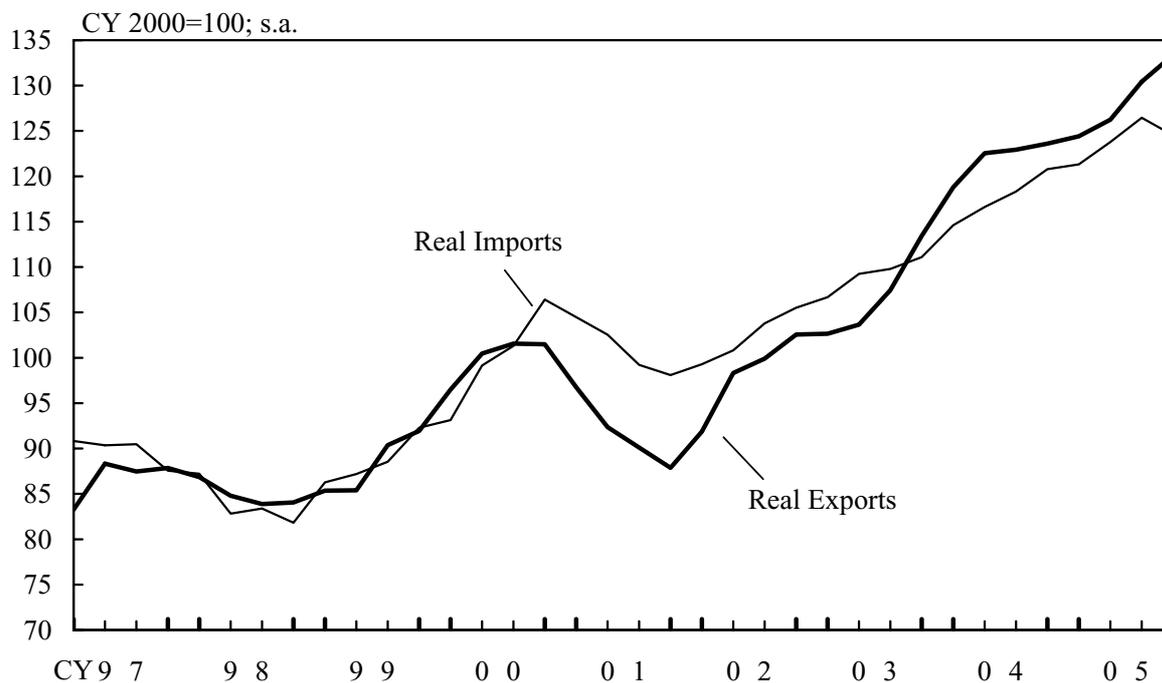
Sources: Cabinet Office, "National Accounts";

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

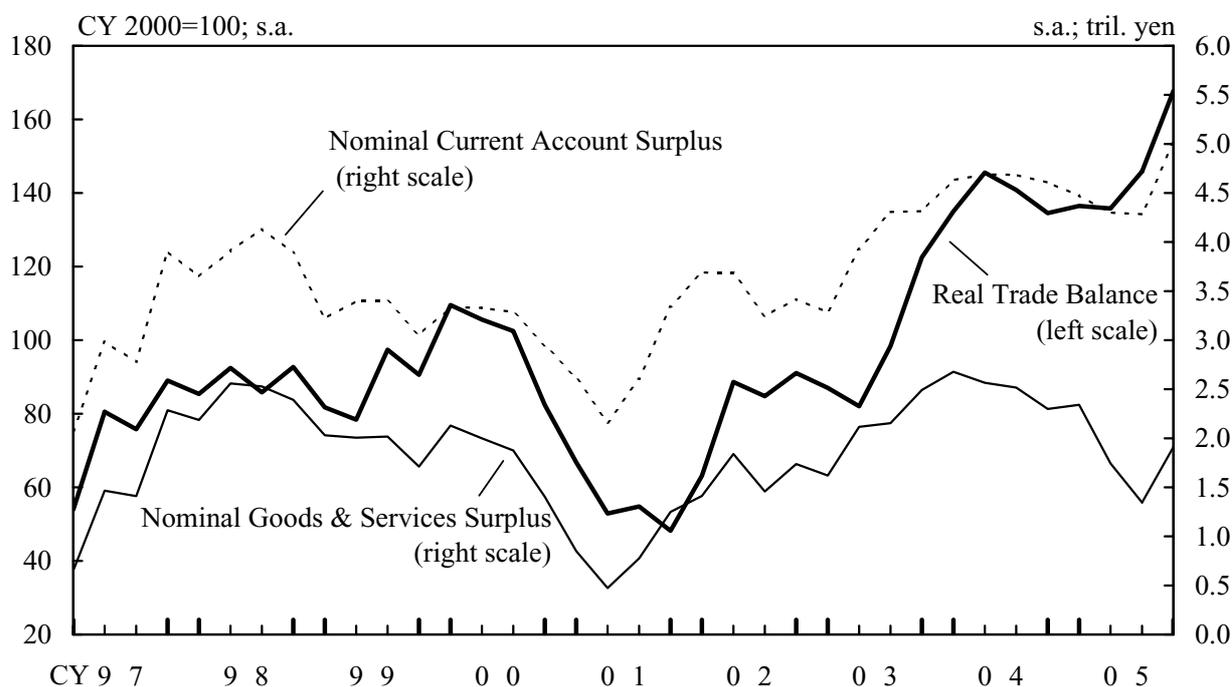
Ministry of Land, Infrastructure and Transport, "Integrated Statistics on Construction Works."

External Balance

(1) Real Exports and Real Imports



(2) Real Trade Balance and Nominal Current Account Surplus



- Notes: 1. Real trade balance is defined as real exports minus real imports, indexed with base year of 2000. Real exports/imports are "The Value of Exports and Imports in Trade Statistics" deflated by the "Export and Import Price Index."
 2. Real exports/imports and the real trade balance are seasonally adjusted by X-12-ARIMA. 2005/Q4 figures are Oct. figures converted into quarterly amount.
 3. 2005/Q4 figures for Nominal Current Account Surplus and Nominal Goods & Services Surplus are Oct. figures 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 Q4	2005 Q1	Q2	Q3	Q4	2005 Aug.	Sep.	Oct.
United States	<22.4>	-5.5	6.8	2.3	2.0	1.3	1.0	5.2	4.8	-3.0	5.8
EU	<15.5>	14.9	18.7	2.0	-0.7	0.2	1.5	3.0	2.4	0.4	1.9
East Asia	<46.9>	20.4	19.1	-0.5	3.2	-0.0	4.7	1.7	2.1	3.7	-1.4
China	<13.1>	42.0	22.2	2.8	1.3	-1.6	11.8	2.8	0.5	6.7	-1.7
NIEs	<24.7>	16.2	20.3	-2.8	4.4	0.6	3.3	1.6	5.3	4.0	-2.6
Korea	<7.8>	19.2	19.1	-6.9	7.9	-1.4	7.6	8.3	7.8	2.1	4.2
Taiwan	<7.4>	16.8	26.9	-1.7	3.2	3.1	-3.4	-2.3	1.2	4.0	-5.2
ASEAN4 ³	<9.1>	9.6	12.3	1.2	2.8	0.6	-1.0	0.2	-3.4	-1.6	2.5
Thailand	<3.6>	19.0	16.8	5.6	5.2	-0.4	-0.9	2.1	1.3	-0.7	2.2
Real exports		8.9	14.5	0.5	0.7	1.5	3.3	2.3	3.3	0.7	0.7

(2) Breakdown by goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2003	2004	2004 Q4	2005 Q1	Q2	Q3	Q4	2005 Aug.	Sep.	Oct.
Intermediate goods	<16.3>	5.6	5.5	-0.0	1.4	0.9	2.5	2.3	3.0	2.6	-0.4
Motor vehicles and their related goods	<22.4>	1.3	8.3	1.2	1.7	4.3	-0.5	6.0	5.3	-2.8	6.2
Consumer goods ⁴	<6.0>	16.2	14.9	4.5	-2.0	3.0	5.4	3.8	2.1	2.7	1.3
IT-related goods ⁵	<13.7>	13.2	17.3	-0.6	2.2	0.4	3.9	3.5	6.4	-2.3	2.9
Capital goods and parts ⁶	<30.0>	18.8	23.5	0.3	1.3	1.1	3.6	1.5	4.5	-0.4	0.3
Real exports		8.9	14.5	0.5	0.7	1.5	3.3	2.3	3.3	0.7	0.7

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2005/Q4 figures are Oct. figures converted into quarterly amount.

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

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

4. Excludes motor vehicles.

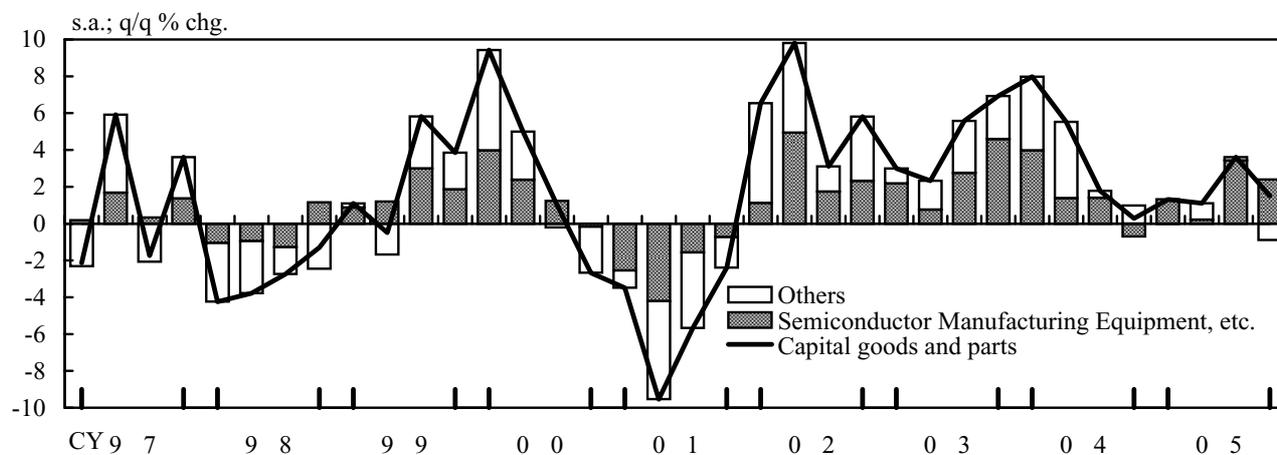
5. IT-related goods are composed of computers and units, telecommunication machinery, ICs and medical and optical instruments.

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

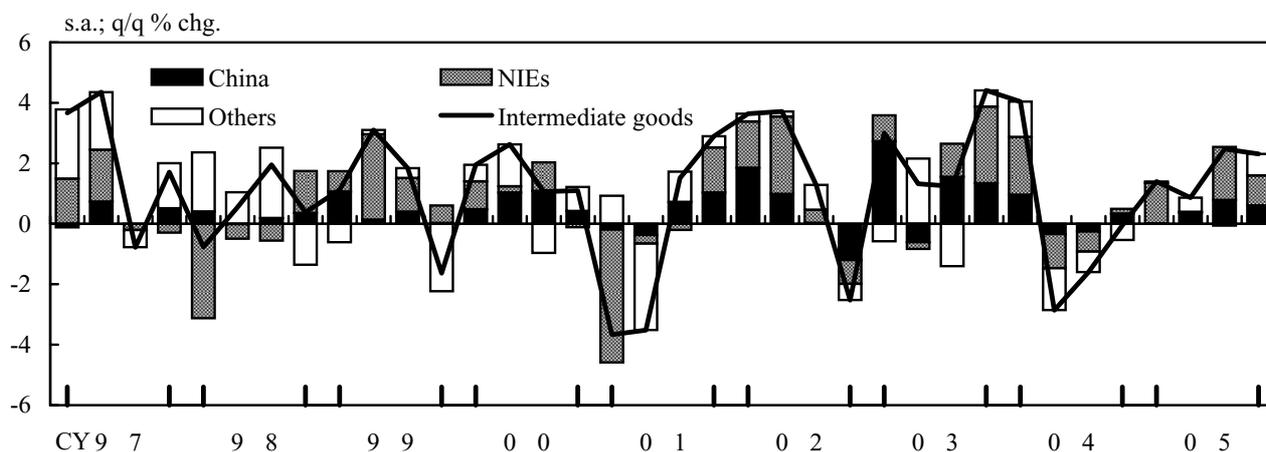
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Real Exports breakdown by goods

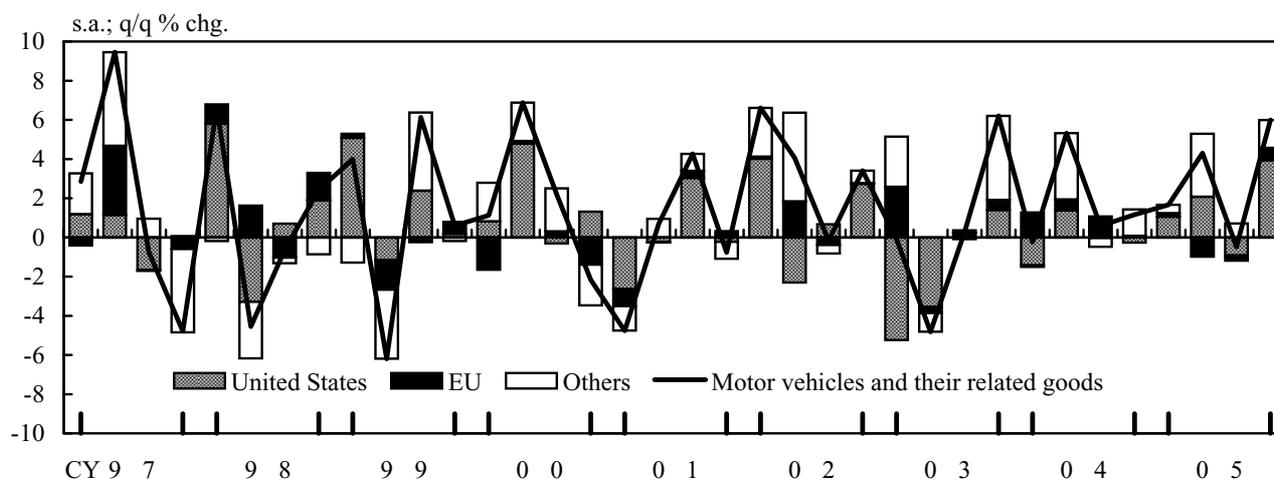
(1) Capital goods and parts (real, breakdown by goods)



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



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



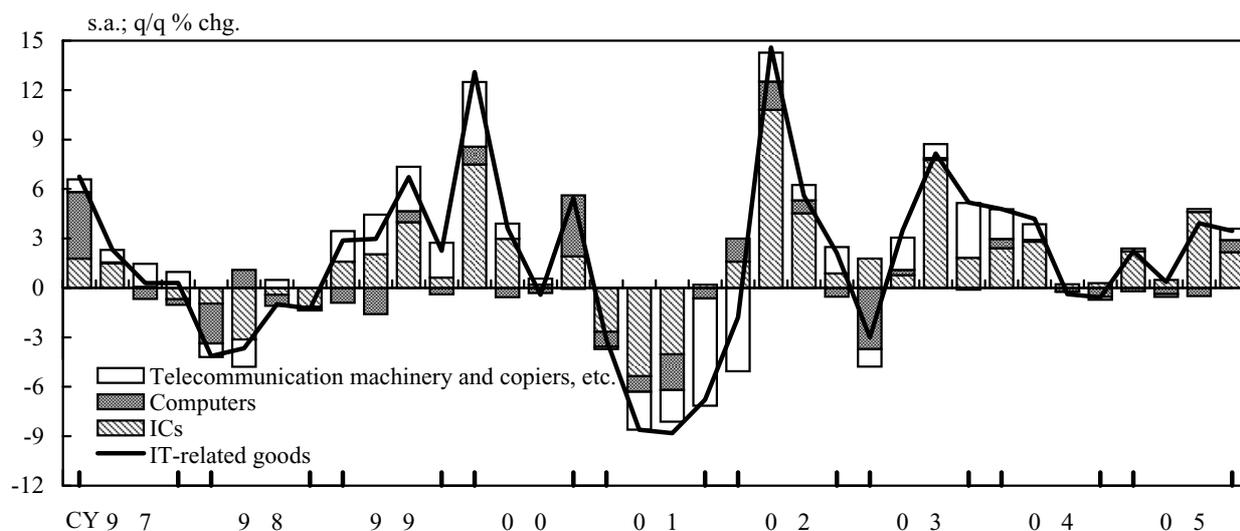
Notes: 1. Seasonally adjusted by X-12-ARIMA.

2. 2005/Q4 figures are Oct. figures converted into quarterly amount.

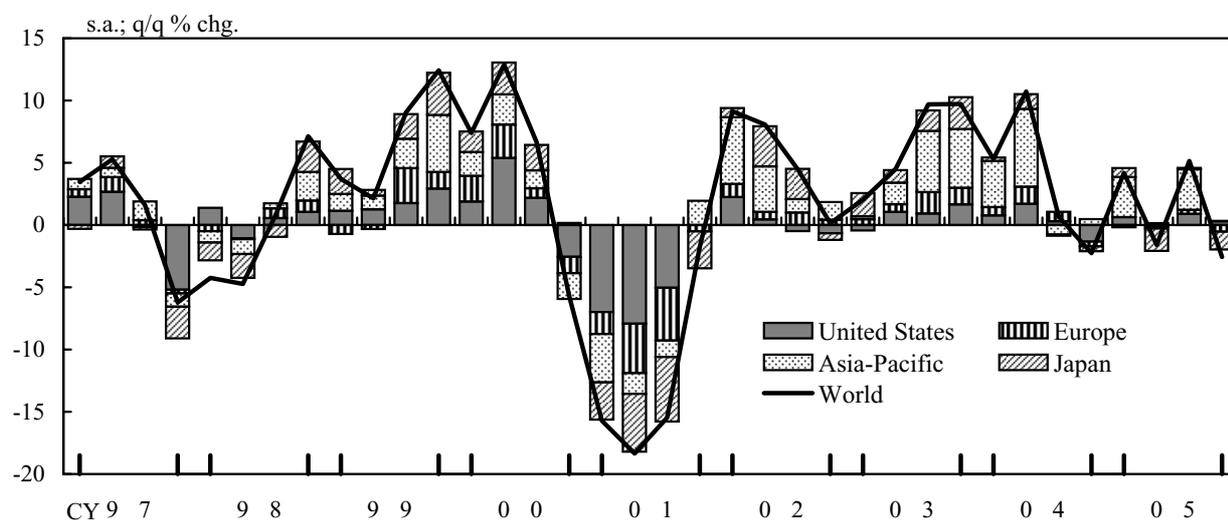
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Exports and Imports of IT-related goods

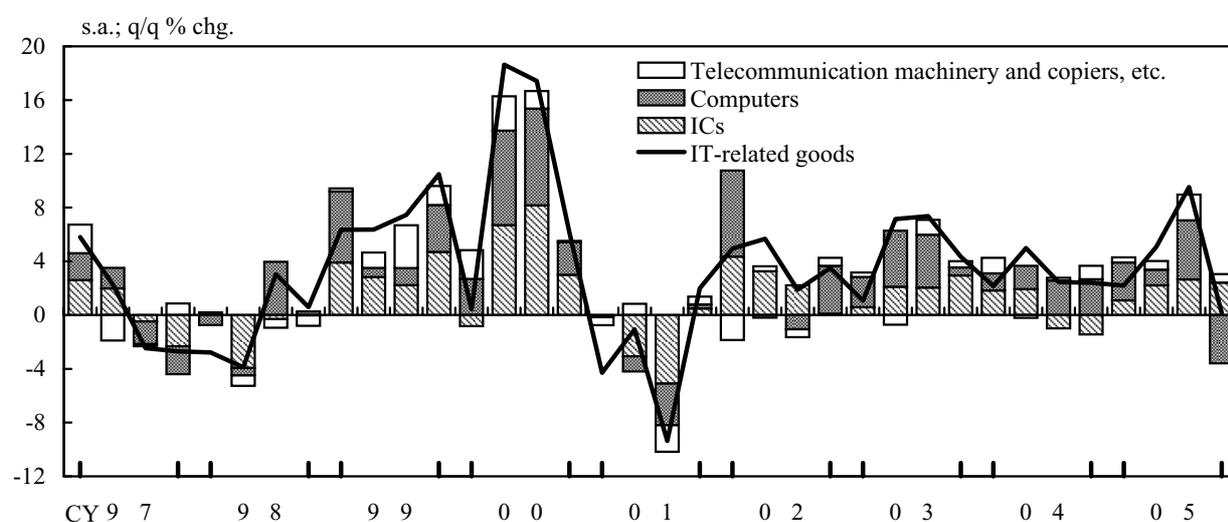
(1) Exports of IT-related goods (real, breakdown by goods)



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



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



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

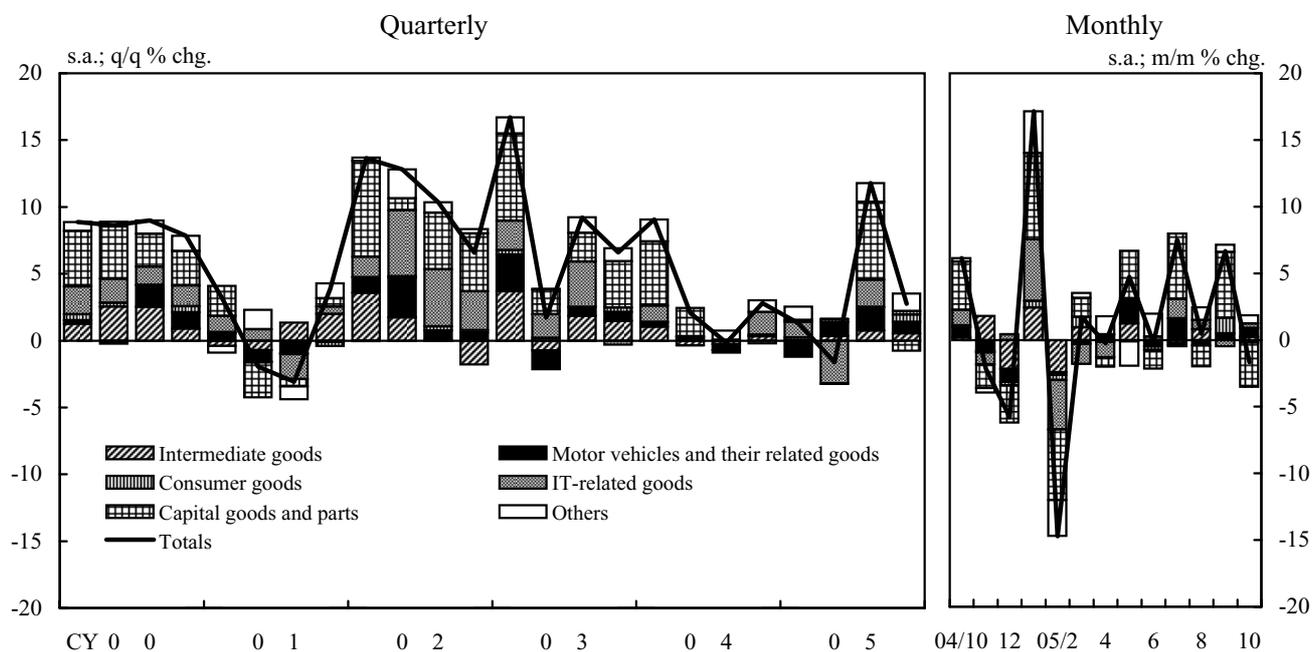
2. Seasonally adjusted by X-11 in (2).

3. 2005/Q4 figures are Oct. figures converted into quarterly amount.

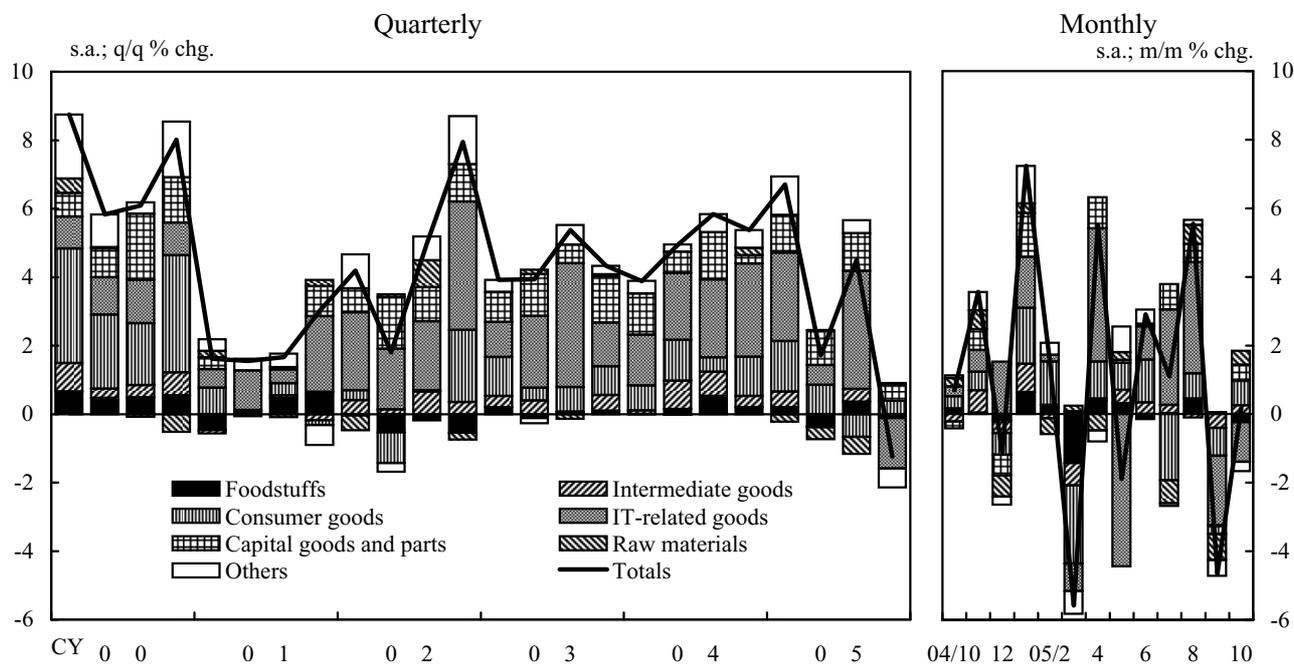
Sources: Ministry of Finance, "The Summary Report on Trade of Japan";
Bank of Japan, "Corporate Goods Price Index"; WSTS (World Semiconductor Trade Statistics.)

Exports and Imports with China

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



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

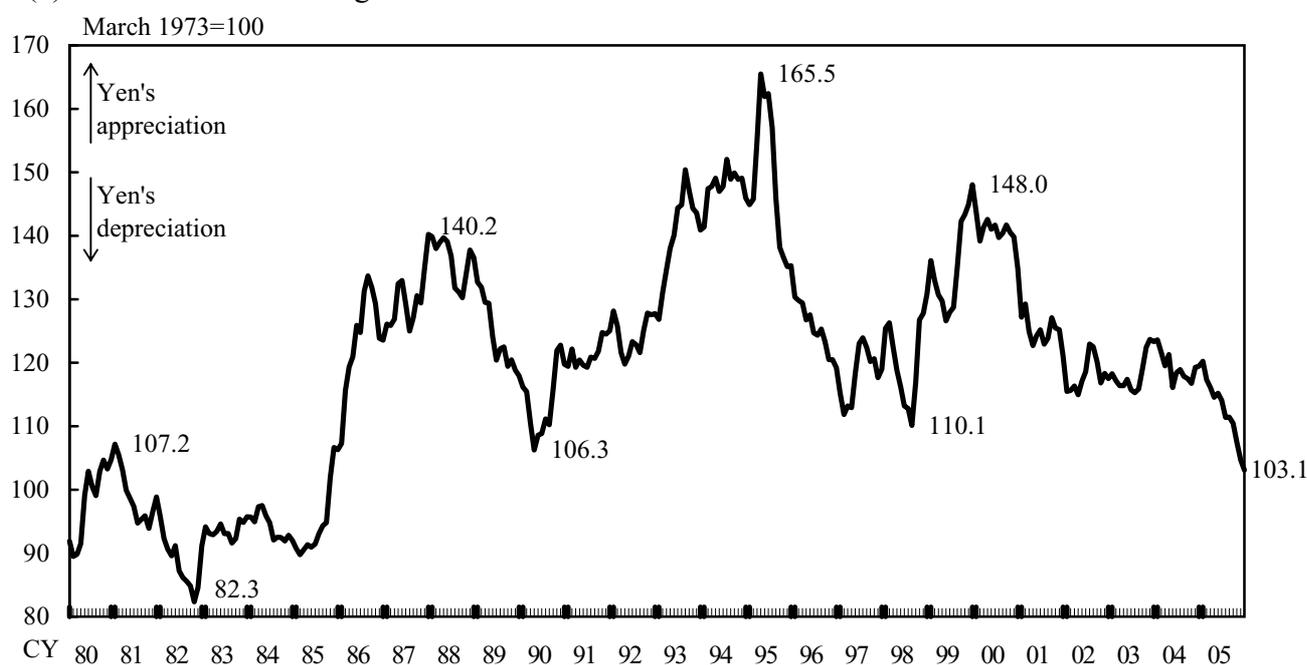


- Notes: 1. Regarding classifications of each goods, see notes of chart 5 and 10.
- 2. Seasonally adjusted by X-12-ARIMA.
- 3. 2005/Q4 figures are Oct. figures converted into quarterly amount.

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 December 2005 is the average up to December 15.
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	4.3
European Union ¹		1.2	1.2	2.2	1.1	1.4	1.8	2.3
Germany		0.1	-0.2	1.6	-0.3	2.4	0.9	2.5
France		1.3	0.9	2.1	2.7	1.3	0.4	2.7
United Kingdom		2.0	2.5	3.2	1.9	1.0	2.0	1.6
China		8.3	9.5	9.5	9.5	9.4	9.5	9.4
East Asia ²	Korea	7.0	3.1	4.6	3.3	2.7	3.3	4.5
	NIEs							
	Taiwan	4.2	3.4	6.1	2.5	2.5	3.0	4.4
	Hong Kong	1.8	3.1	8.2	7.2	6.2	7.3	8.2
	Singapore	3.2	1.4	8.4	6.5	2.7	5.4	7.0
	ASEAN4							
	Thailand	5.3	7.0	6.2	5.3	3.2	4.6	5.3
Indonesia	4.4	4.9	5.1	6.7	6.1	5.8	5.3	
Malaysia	4.4	5.4	7.1	5.8	6.2	4.4	5.3	
Philippines	4.4	4.5	6.0	5.3	4.6	5.2	4.1	

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 Q4	2005 Q1	Q2	Q3	Q4	2005 Aug.	Sep.	Oct.
United States	<13.7>	-2.4	0.4	2.0	-4.2	5.8	4.3	-3.2	0.7	3.2	-5.4
EU	<12.6>	5.6	9.6	2.1	-1.3	5.3	-1.4	-4.0	6.0	-4.1	-3.1
East Asia	<43.1>	14.2	14.7	1.8	4.7	0.4	4.3	-0.0	6.1	-4.0	0.7
China	<20.7>	21.3	20.9	5.4	6.7	1.7	4.5	-1.2	5.5	-4.7	0.2
NIEs	<10.2>	9.6	12.8	-2.1	3.9	1.4	9.3	3.7	10.2	-3.6	2.9
Korea	<4.8>	13.0	14.5	-2.3	5.0	3.2	5.2	6.2	15.8	-7.4	6.6
Taiwan	<3.7>	6.9	12.0	-1.2	2.6	0.8	14.8	-1.6	7.8	-3.1	-2.0
ASEAN4 ³	<12.1>	8.6	7.1	-0.9	1.8	-3.0	-0.5	-1.3	3.3	-3.1	-0.3
Thailand	<3.1>	11.0	14.3	3.9	5.1	0.0	2.4	0.2	2.7	-0.2	-0.5
Real imports		6.8	8.1	2.1	0.4	2.0	2.2	-1.5	4.5	-1.4	-2.0

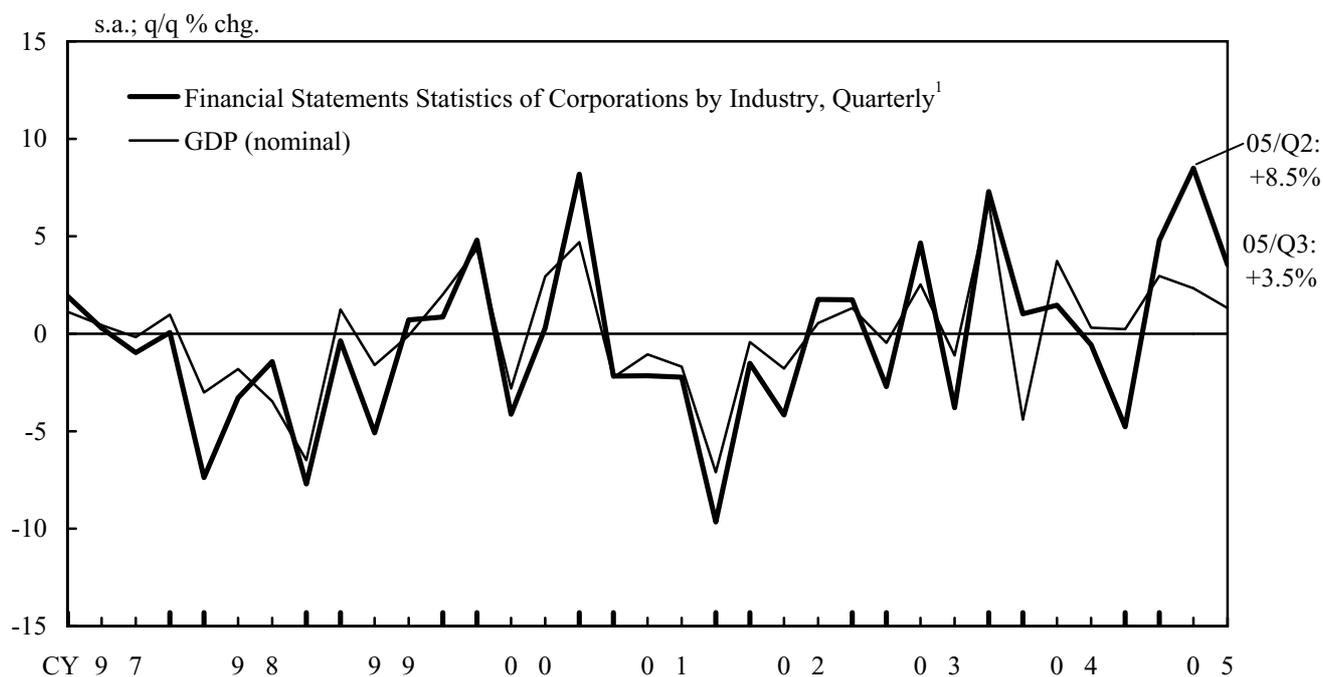
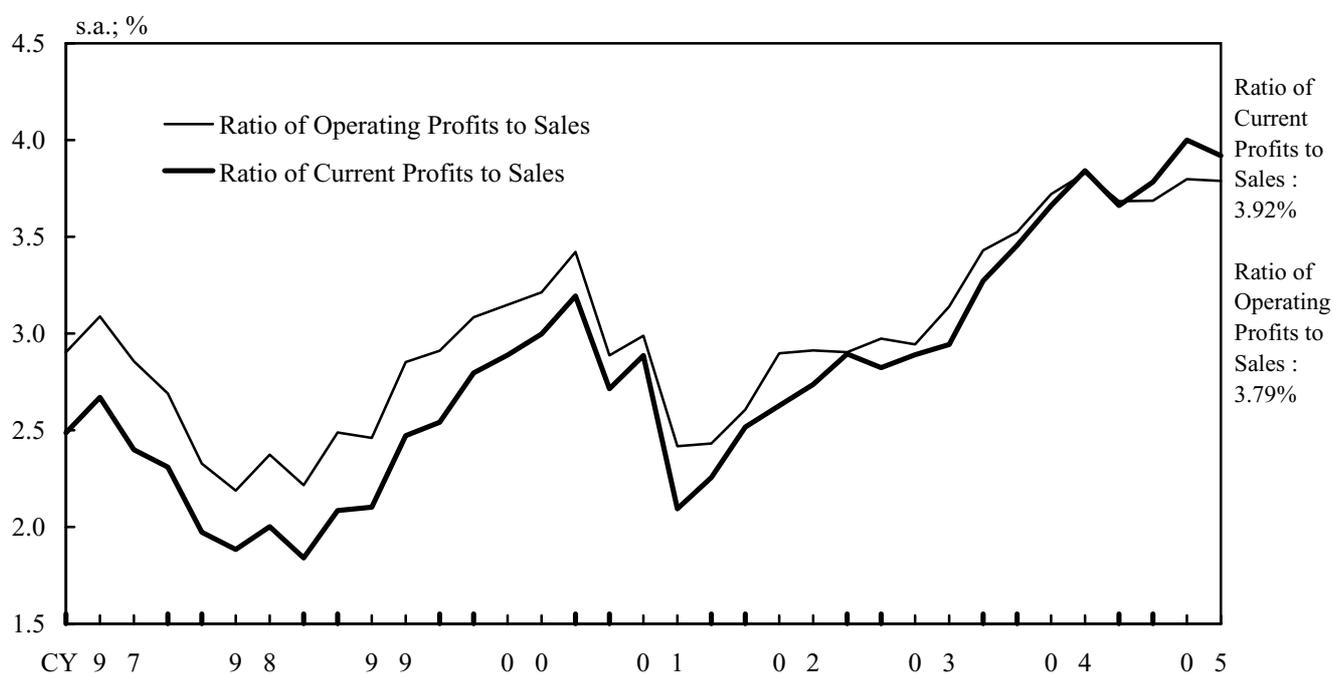
(2) Breakdown by goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2003	2004	2004 Q4	2005 Q1	Q2	Q3	Q4	2005 Aug.	Sep.	Oct.
Raw materials ⁴	<27.9>	5.9	1.3	1.7	-3.4	-3.5	0.8	1.6	4.5	2.8	-1.6
Intermediate goods	<14.1>	4.6	8.7	0.1	2.4	1.9	0.1	0.9	2.0	-0.0	0.3
Foodstuffs	<10.8>	-4.2	0.4	0.2	3.3	2.0	-0.8	-2.4	7.7	-3.6	-2.4
Consumer goods ⁵	<10.6>	8.0	12.5	4.4	2.2	8.0	-6.7	1.2	5.6	-7.9	5.1
IT-related goods ⁶	<13.6>	17.3	17.6	2.4	2.2	5.1	9.5	0.2	5.4	0.5	-1.9
Capital goods and parts ⁷	<12.6>	14.5	17.4	5.6	-1.4	6.3	6.8	-1.6	-6.4	0.9	0.0
excluding aircraft	<11.7>	14.6	19.2	1.1	2.0	6.9	3.8	3.4	-0.4	0.4	3.3
Real imports		6.8	8.1	2.1	0.4	2.0	2.2	-1.5	4.5	-1.4	-2.0

- Notes: 1. Seasonally adjusted by X-12-ARIMA. 2005/Q4 figures are Oct. figures converted into quarterly amount.
2. Shares of each region and goods in 2004 are shown in angle brackets.
3. Data for four members: Thailand, Malaysia, the Philippines, and Indonesia.
4. Raw materials are mainly composed of woods, ores and mineral fuel.
5. 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.

Indicators for Business Fixed Investment (1)

(1) Fixed Investment

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

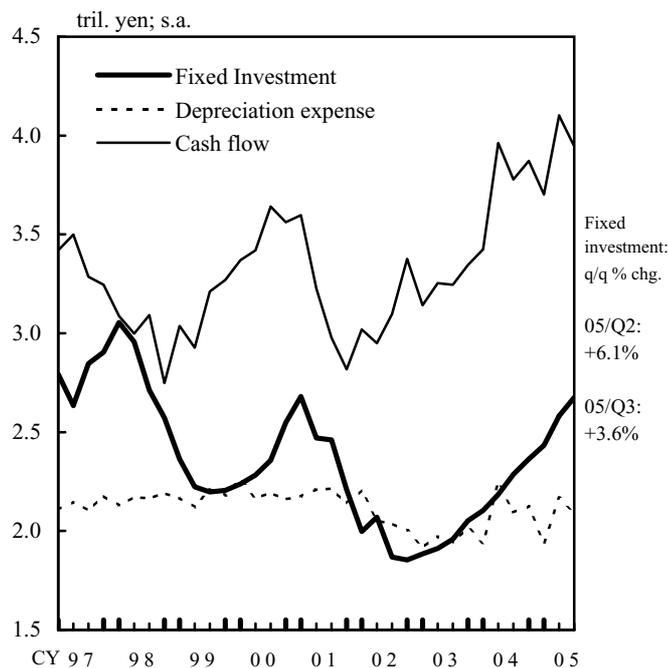
Notes: 1. All enterprises. Figures are adjusted for sample change, and seasonally adjusted by X-11. Adjustment for sample change aims to correct a bias in figures caused by sample change. The method is to adjust the figures proportionally to the shift in the aggregated capital stock and other references.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

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

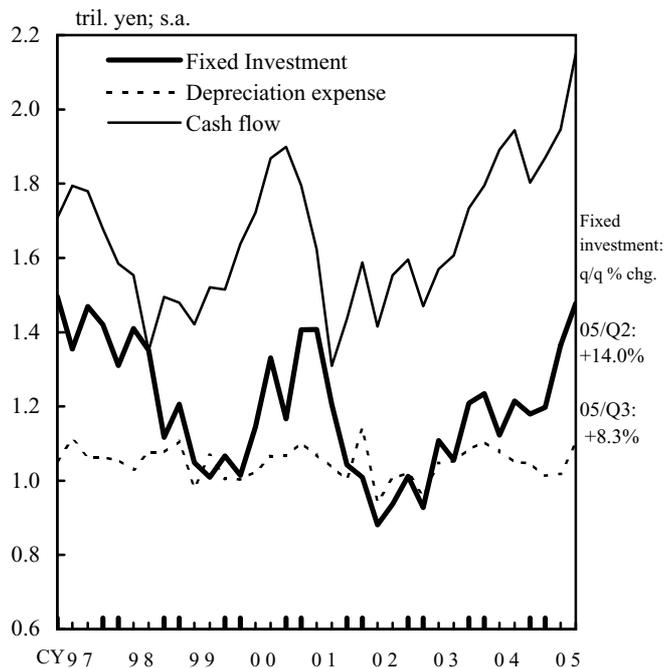
Sources: Cabinet Office, "National Accounts"; Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

Indicators for Business Fixed Investment (2)

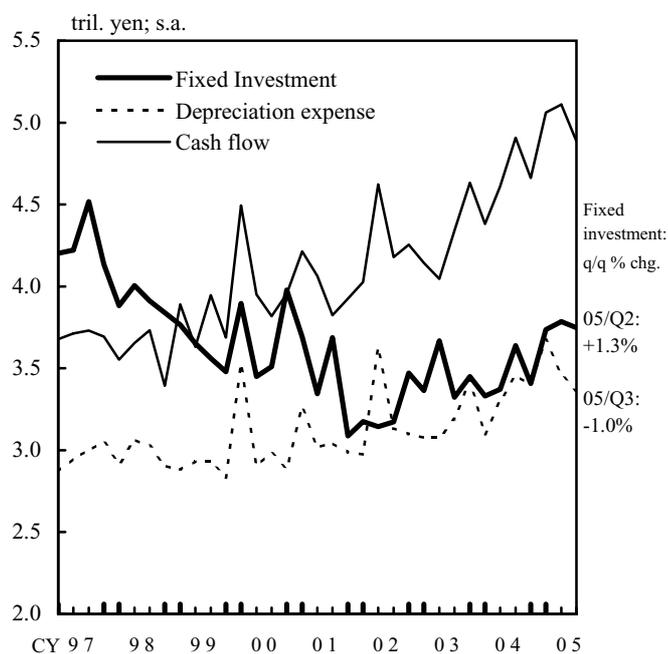
(1) Large manufacturing firms



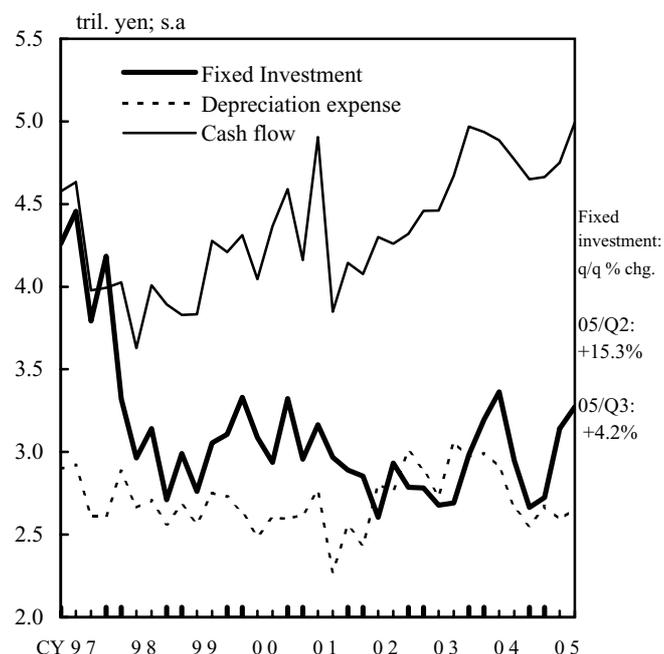
(2) Medium-sized and small manufacturing firms



(3) Large nonmanufacturing firms



(4) Medium-sized and small nonmanufacturing firms



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

2. Sample change adjusted (see in chart 11-1 Note 1).

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

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

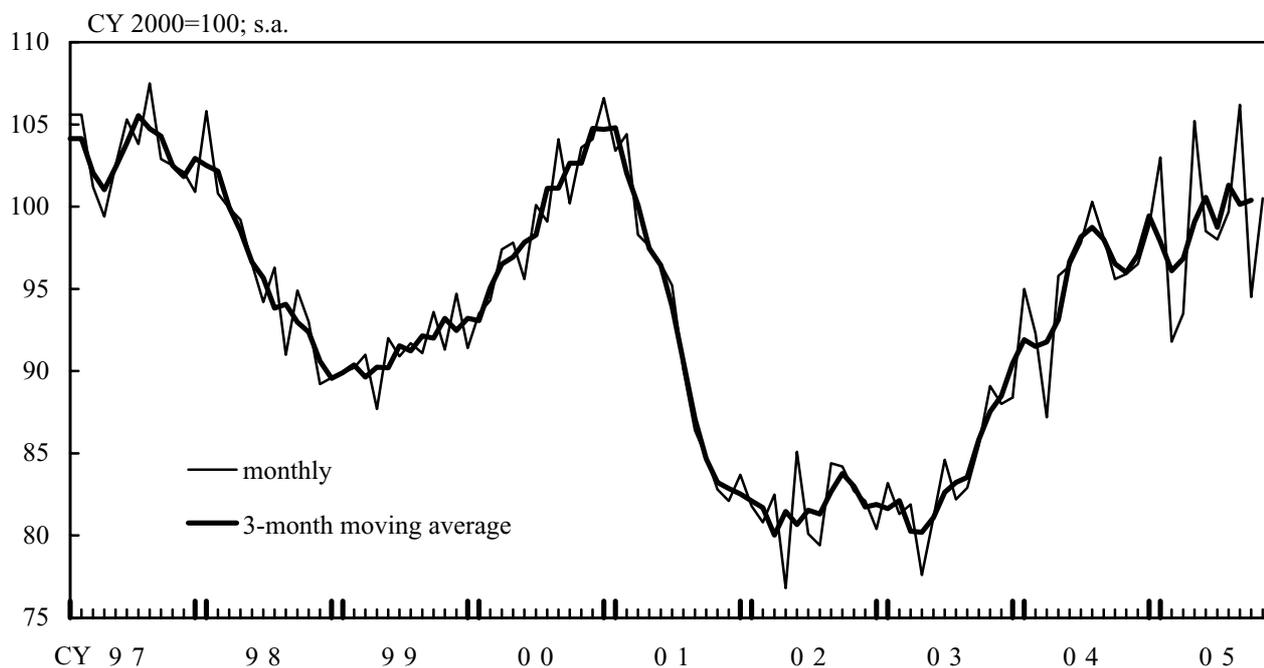
5. Cash Flow = Current profits / 2 + Depreciation expense

6. Seasonally adjusted by X-11.

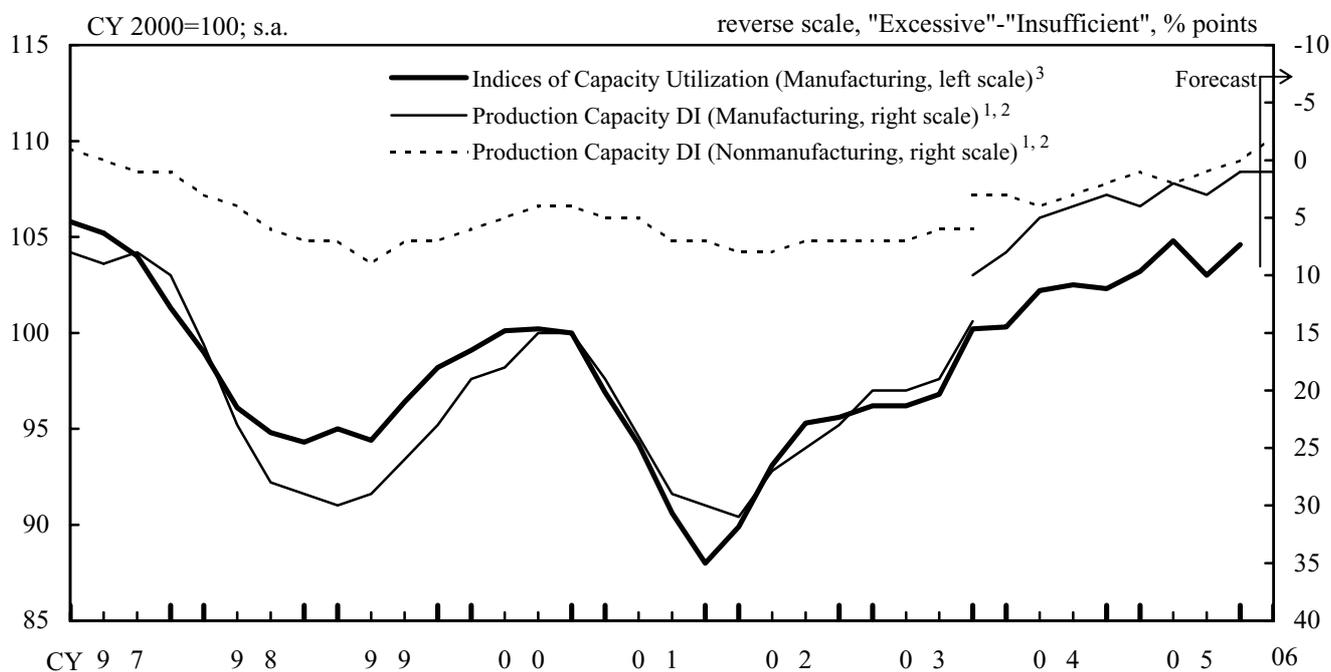
Source: Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

Indicators for Business Fixed Investment (3)

(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.

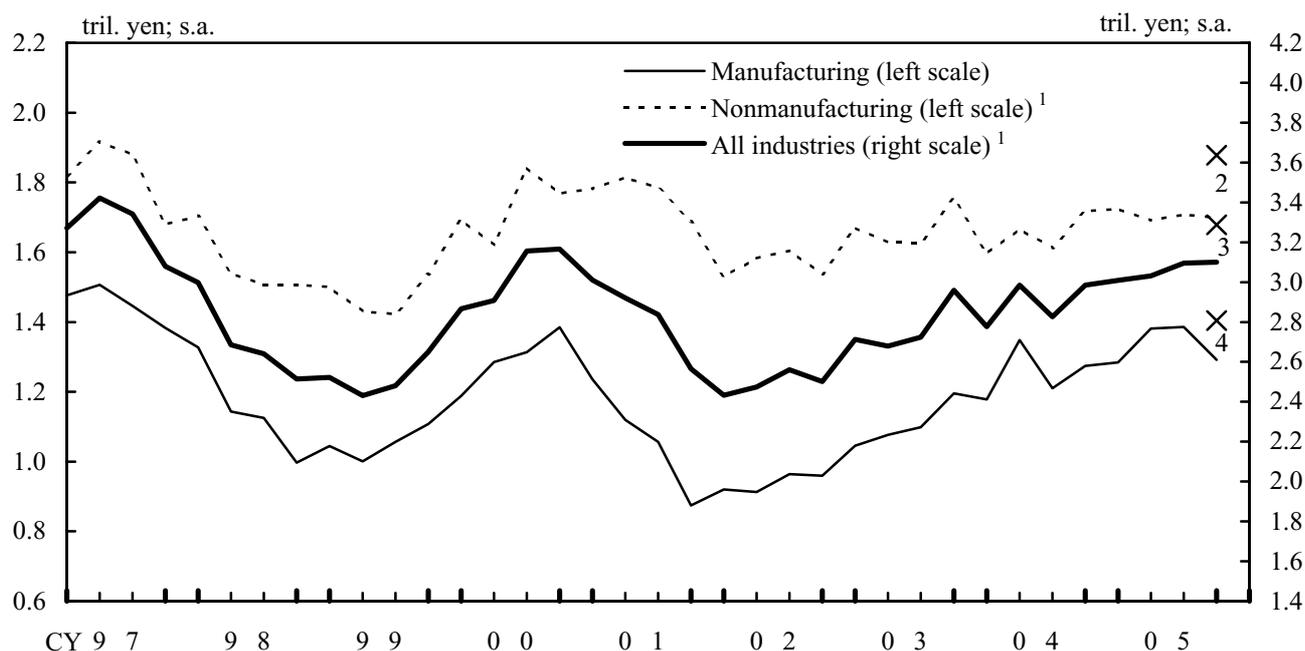
2. The *Tankan* has been revised from the March 2004 Survey. Figures up to the December 2003 Survey are based on the previous data sets. Figures from the December 2003 Survey are on a new basis.

3. The figure for 2005/Q4 is as of October.

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 (4)

(1) Machinery Orders



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

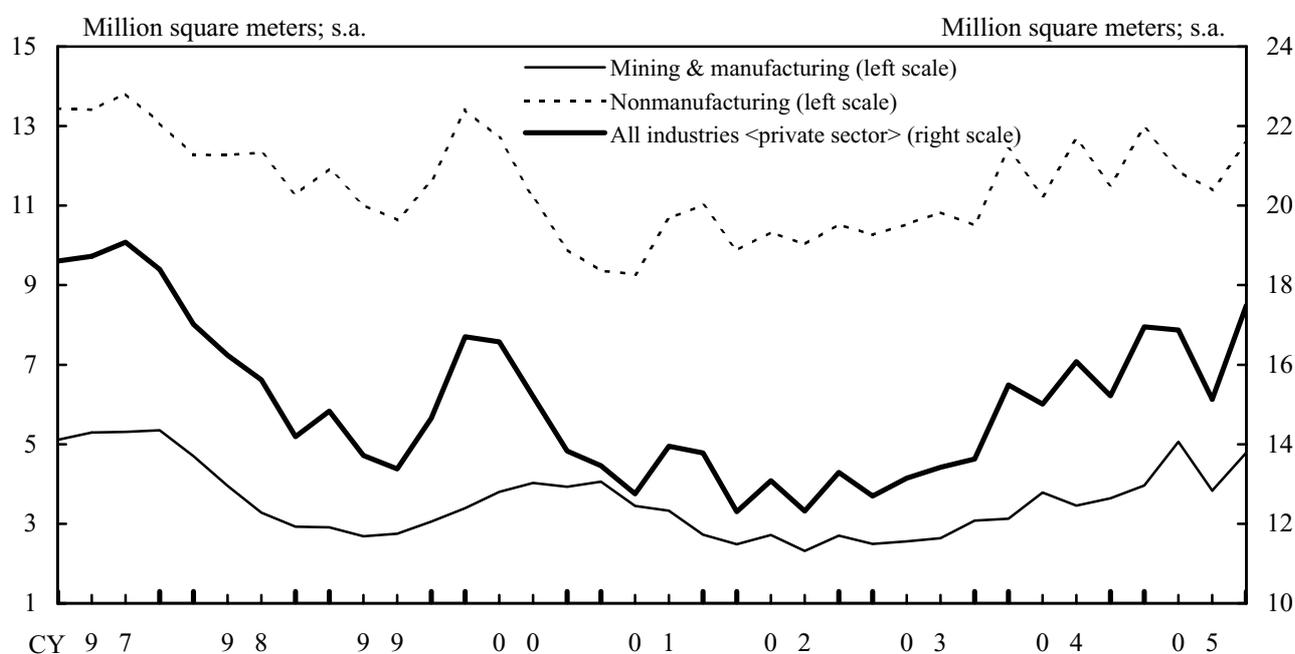
2. Forecast of nonmanufacturing industries for 2005/Q4.

3. Forecast of all industries for 2005/Q4.

4. Forecast of manufacturing industries for 2005/Q4.

5. Figures for 2005/Q4 are those of October in terms of quarterly amount.

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



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

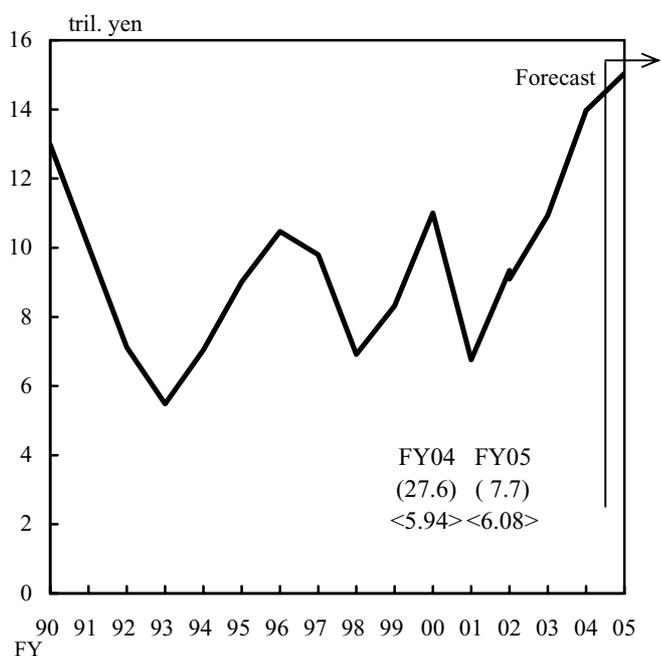
2. Because the Standard Industrial Classification for Japan was revised in March 2002, the industry classification for Newspaper Publishing and Publishing Business was changed from Mining and Manufacturing to Nonmanufacturing. Accordingly, the data up to fiscal year 2002 were adjusted by using a link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

3. Figures for 2005/Q4 are those of October in terms of quarterly amount.

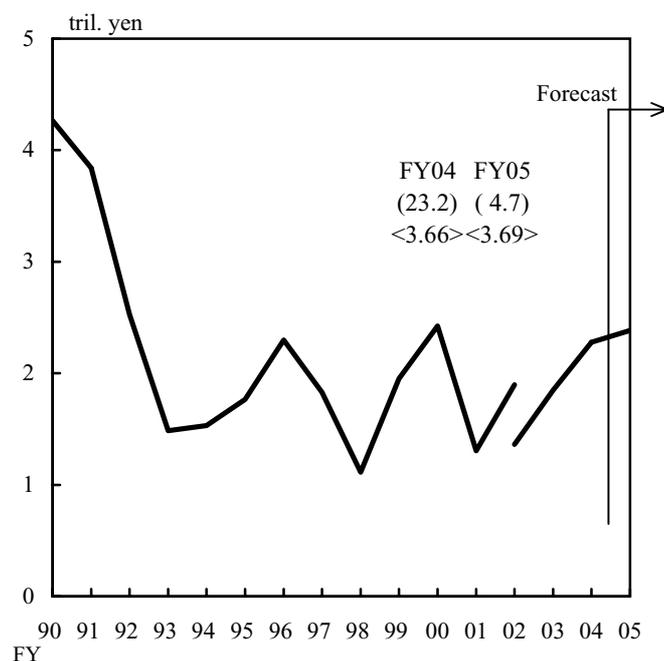
Sources: Cabinet Office, "Machinery Orders Statistics";
 Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts."

Current Profits

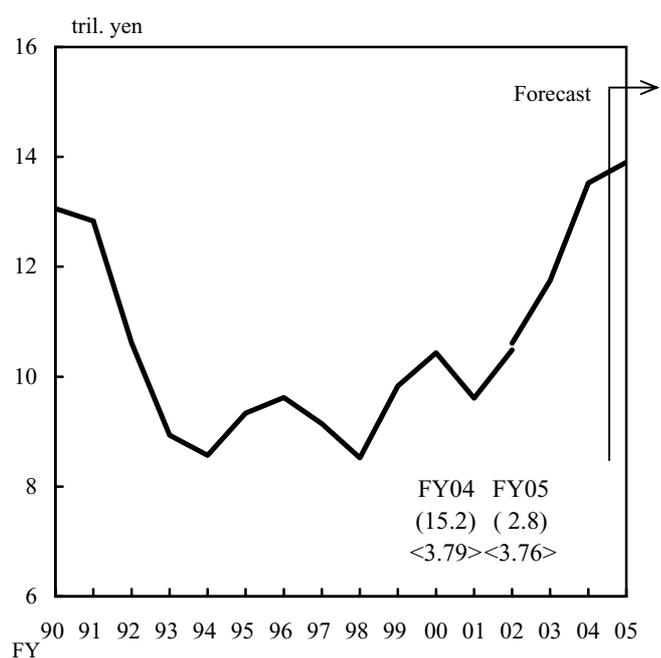
(1) Manufacturing Large Enterprises



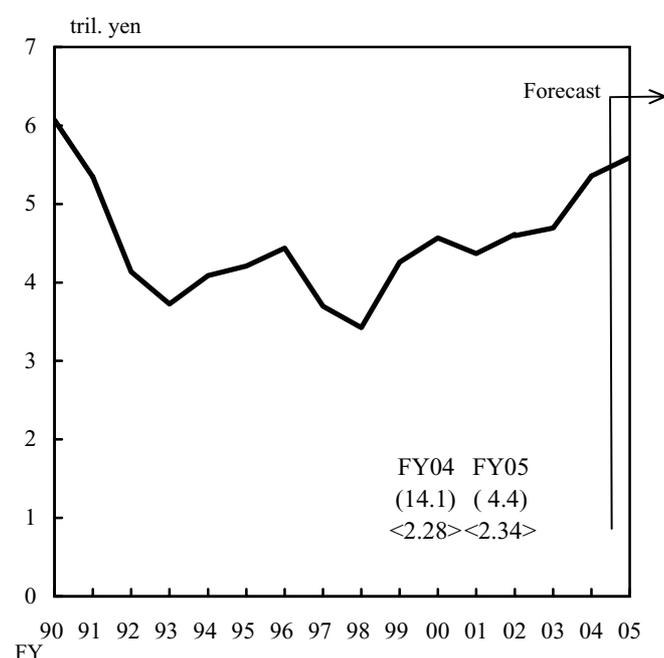
(2) Manufacturing Small Enterprises



(3) Nonmanufacturing Large Enterprises



(4) Nonmanufacturing Small Enterprises



Notes: 1. Large enterprises (pre-revision): 1,000 employees or more

Small enterprises (pre-revision): 50-299 employees (for Manufacturing), 20-99 employees (for Wholesaling),
20-49 employees (for Retailing, services, and leasing),
50-299 employees (for Other industries)

Large enterprises (post-revision): capital with 1 billion yen and more

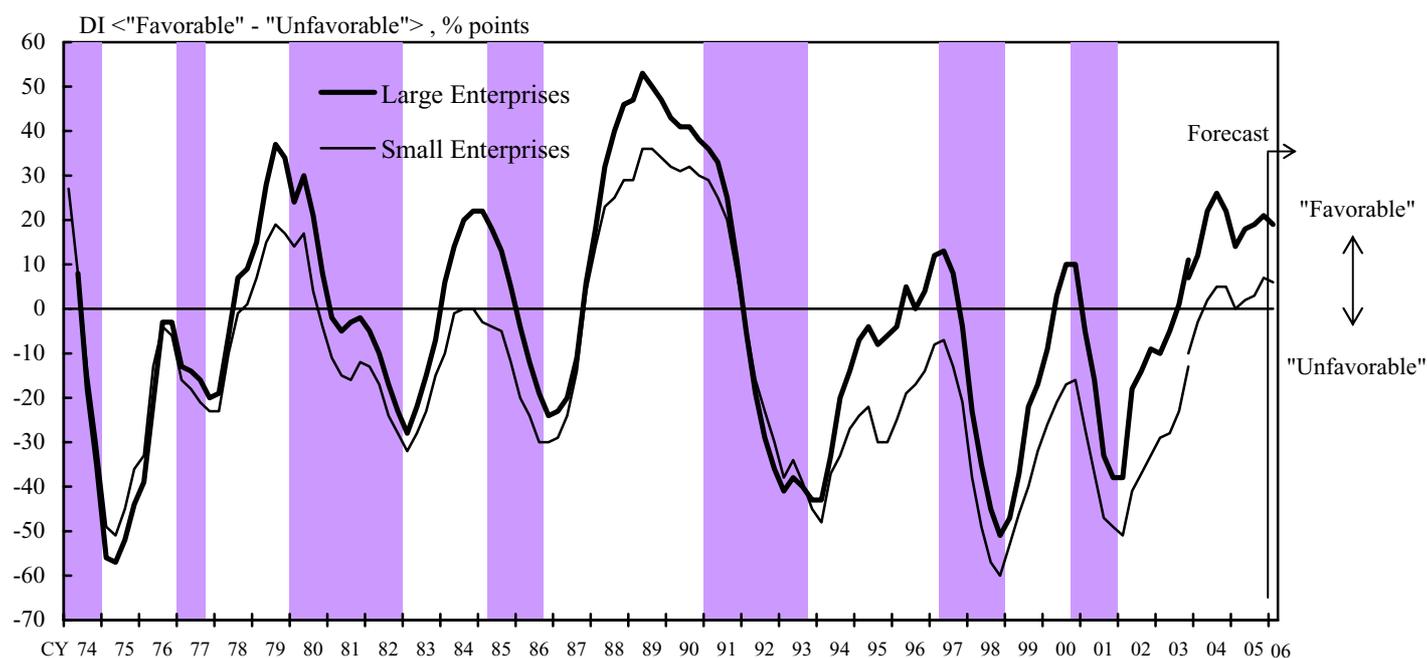
Small enterprises (post-revision): capital with 20 million yen to less than 100 million yen

2. (): Current Profits (y/y% chg.), < >: Ratio of current profit to sales (%).

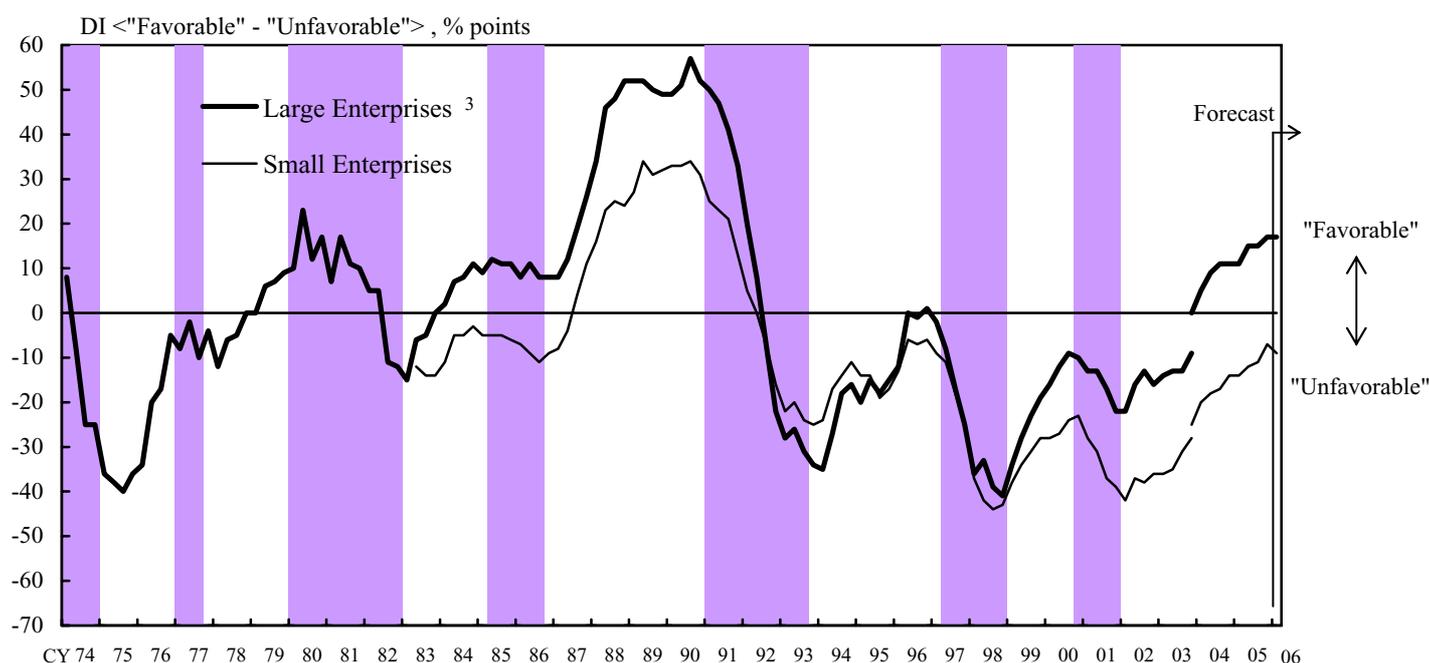
3. The *Tankan* has been revised from the March 2004 Survey. Figures up to FY2002 are based on the previous data sets. Figures from FY2002 are on a new basis.

Business Conditions

(1) Manufacturing



(2) Nonmanufacturing



Notes: 1. Large enterprises (pre-revision): 1,000 employees or more

Small enterprises (pre-revision): 50-299 employees (for Manufacturing), 20-99 employees (for Wholesaling),
20-49 employees (for Retailing, services, and leasing),
50-299 employees (for Other industries)

Large enterprises (post-revision): capital with 1 billion yen and more

Small enterprises (post-revision): capital with 20 million yen to less than 100 million yen

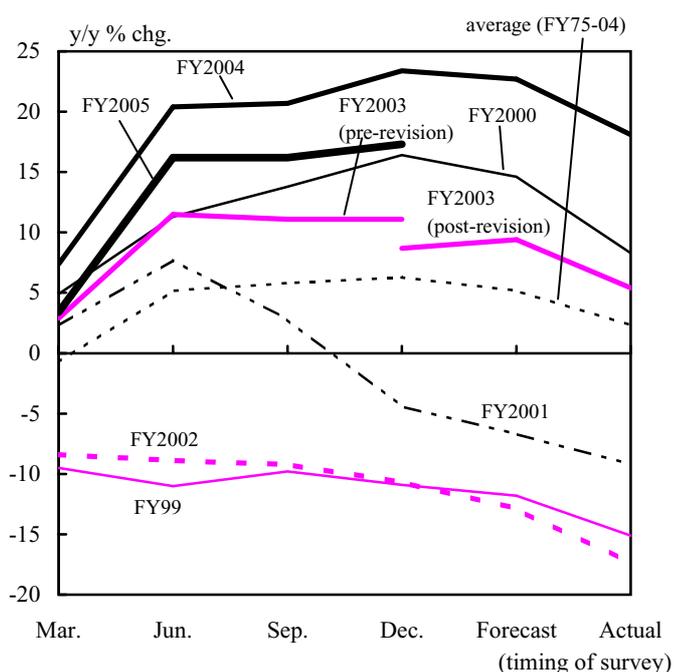
2. The *Tankan* has been revised from the March 2004 Survey. Figures up to the December 2003 Survey are based on the previous data sets. Figures from the December 2003 Survey are on a new basis.

3. Date prior to Feb. 1983 are those of Principal Enterprises.

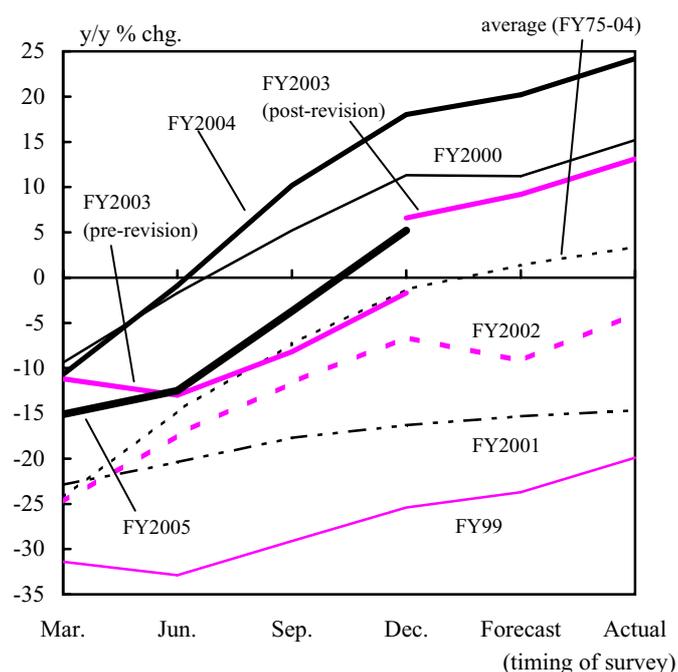
4. Shaded areas indicate recession periods.

Business Fixed Investment Plans as Surveyed

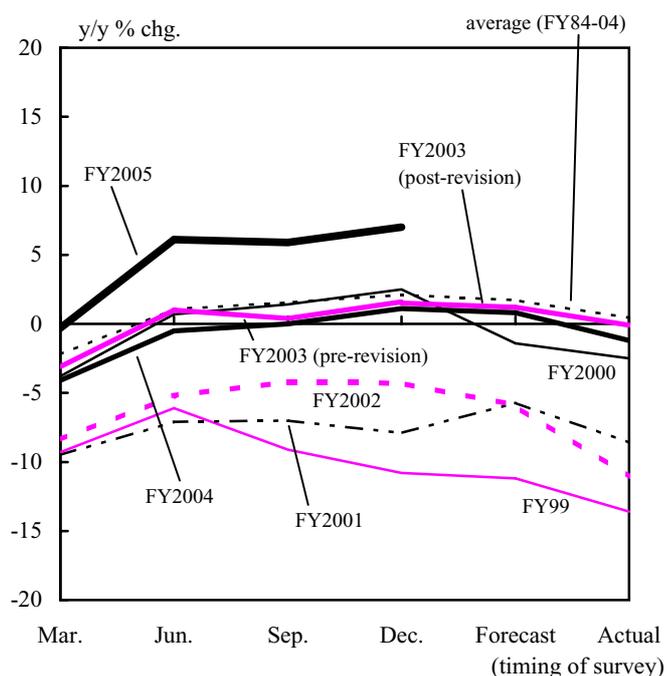
(1) Manufacturing Large Enterprises



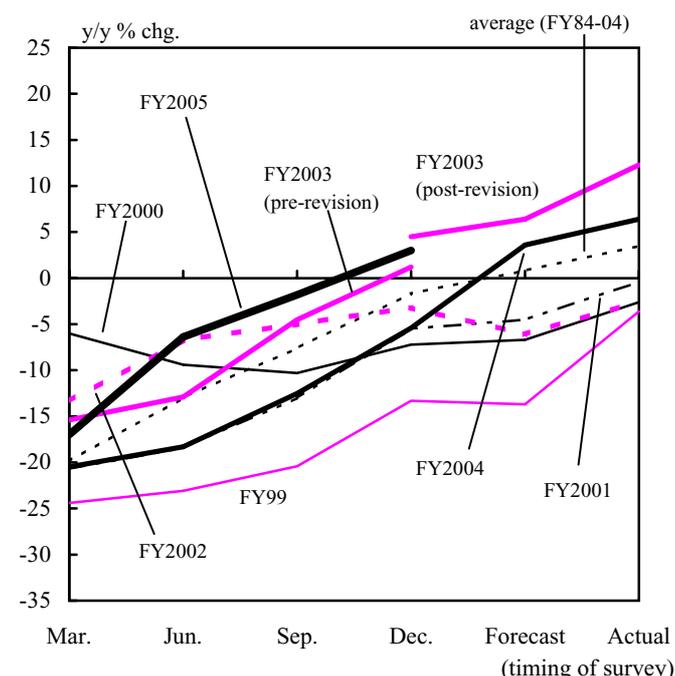
(2) Manufacturing Small Enterprises



(3) Nonmanufacturing Large Enterprises



(4) Nonmanufacturing Small Enterprises



Notes: 1. Large enterprises (pre-revision): 1,000 employees or more

Small enterprises (pre-revision): 50-299 employees (for Manufacturing), 20-99 employees (for Wholesaling), 20-49 employees (for Retailing, services, and leasing), 50-299 employees (for Other industries)

Large enterprises (post-revision): capital with 1 billion yen and more

Small enterprises (post-revision): capital with 20 million yen to less than 100 million yen

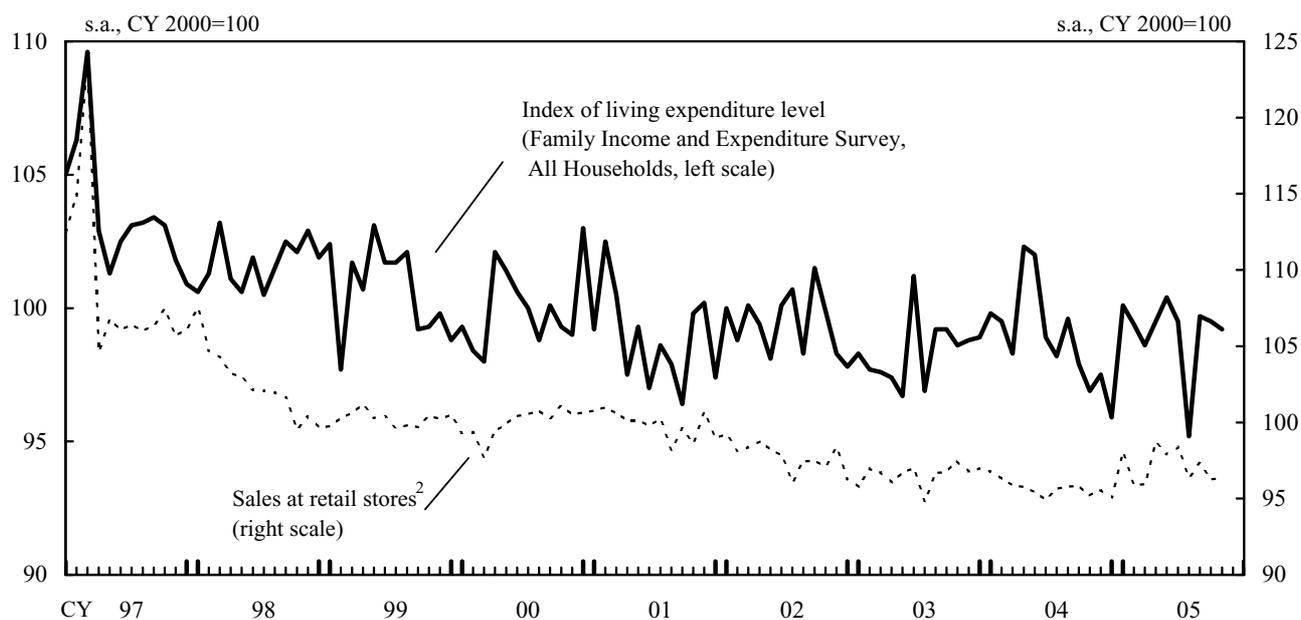
2. Includes land purchasing expenses and excludes software investment.

3. 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.

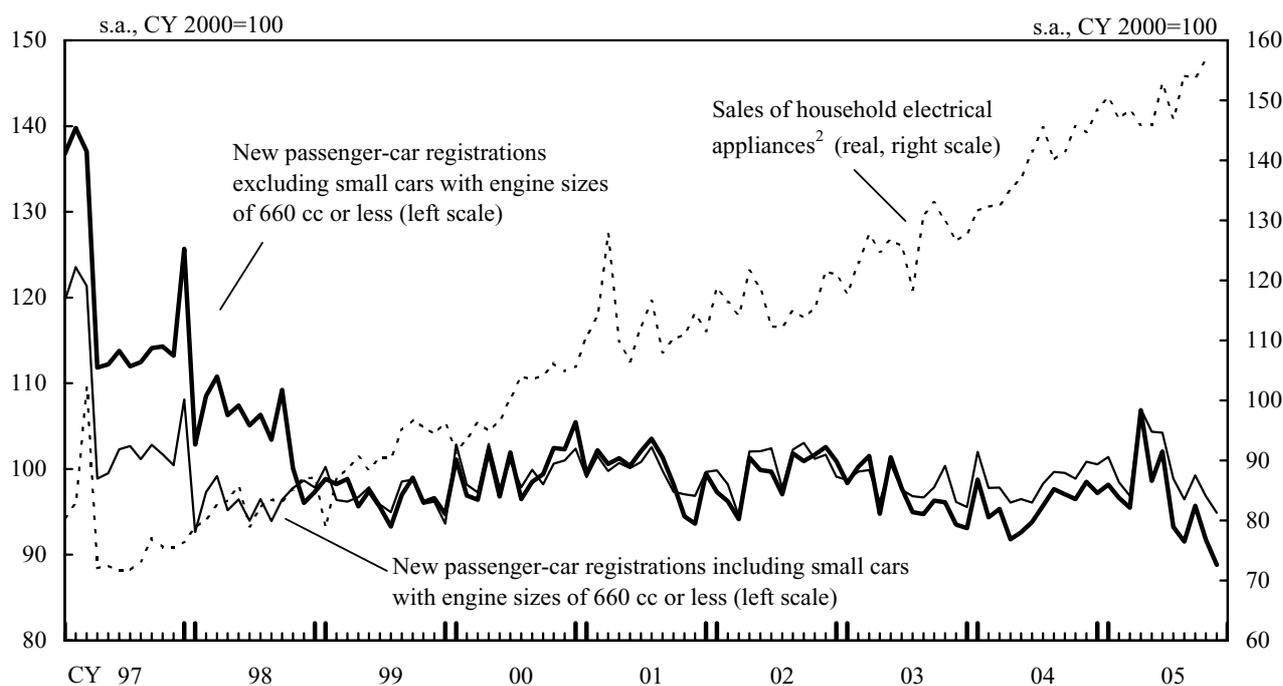
Source: Bank of Japan, "Tankan, Short-term Economic Survey of Enterprises in Japan."

Indicators for Private Consumption¹ (1)

(1) Household Spending (real)



(2) Sales of Durable Goods



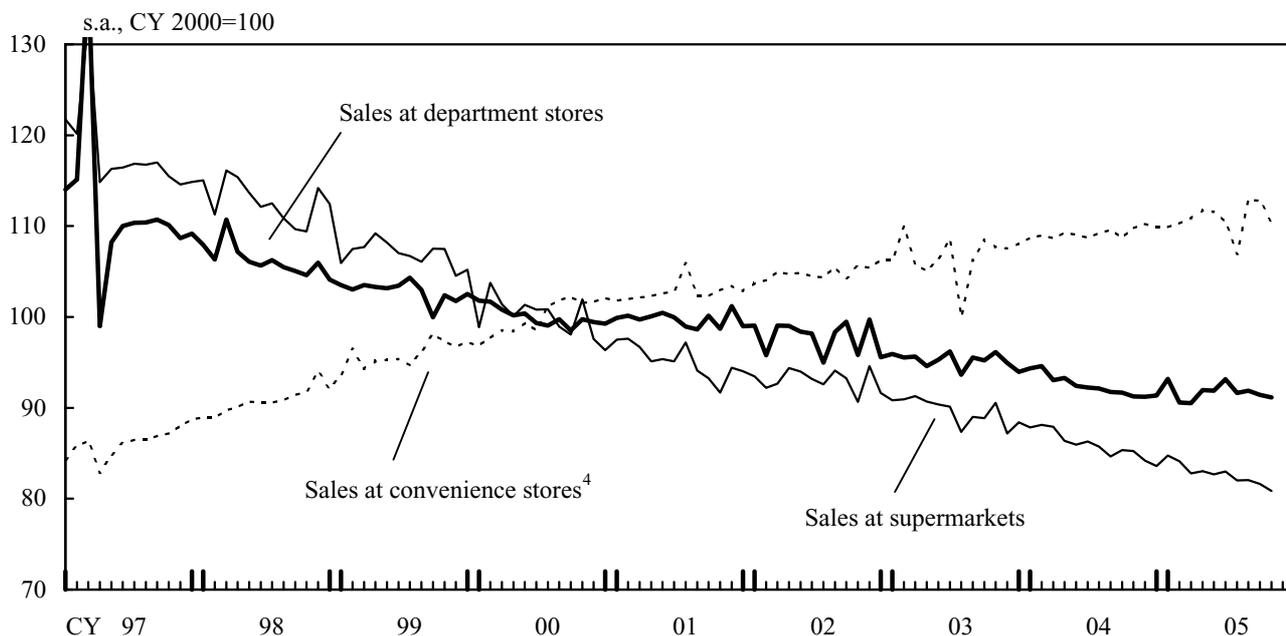
Notes: 1. Seasonally adjusted by X-12-ARIMA. Index of living expenditure level is seasonally adjusted by the Ministry of Internal Affairs and Communications.

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).

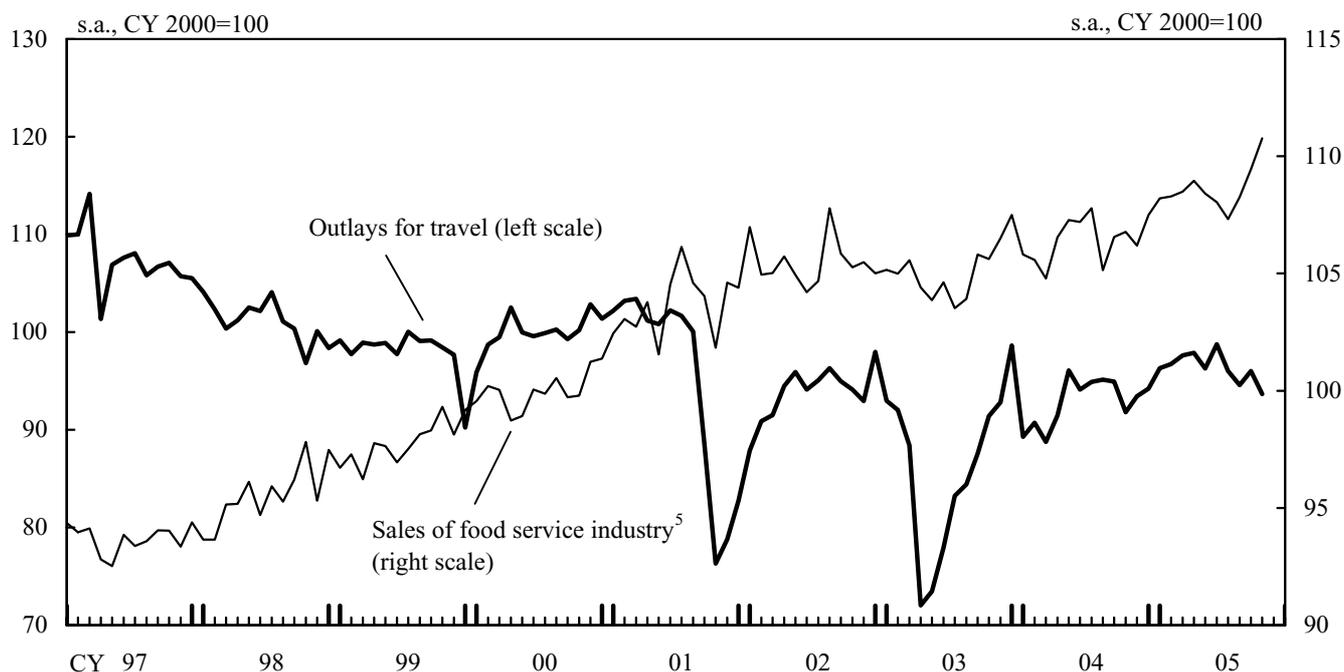
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index," "Monthly Report on the Family Income and Expenditure Survey"; Ministry of Economy, Trade and Industry, "Current Survey of Commerce"; Japan Automobile Dealers Association, "Domestic Sales of Automobiles"; Japan Mini Vehicles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

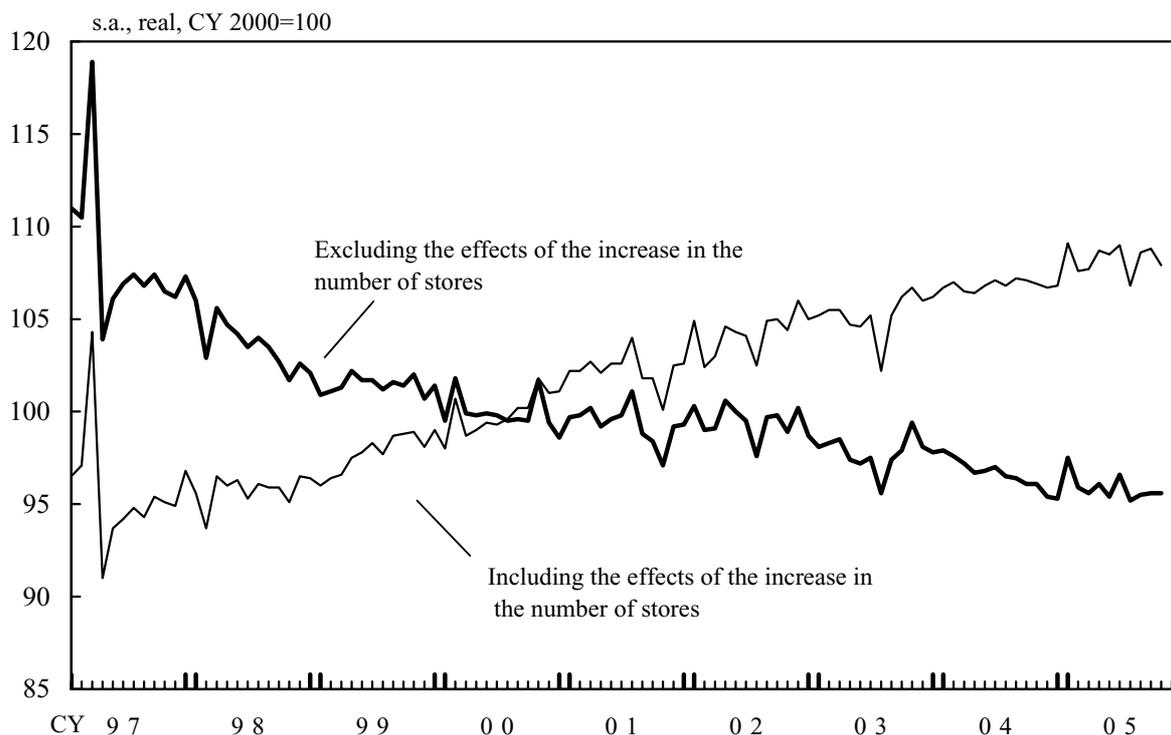
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce";

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

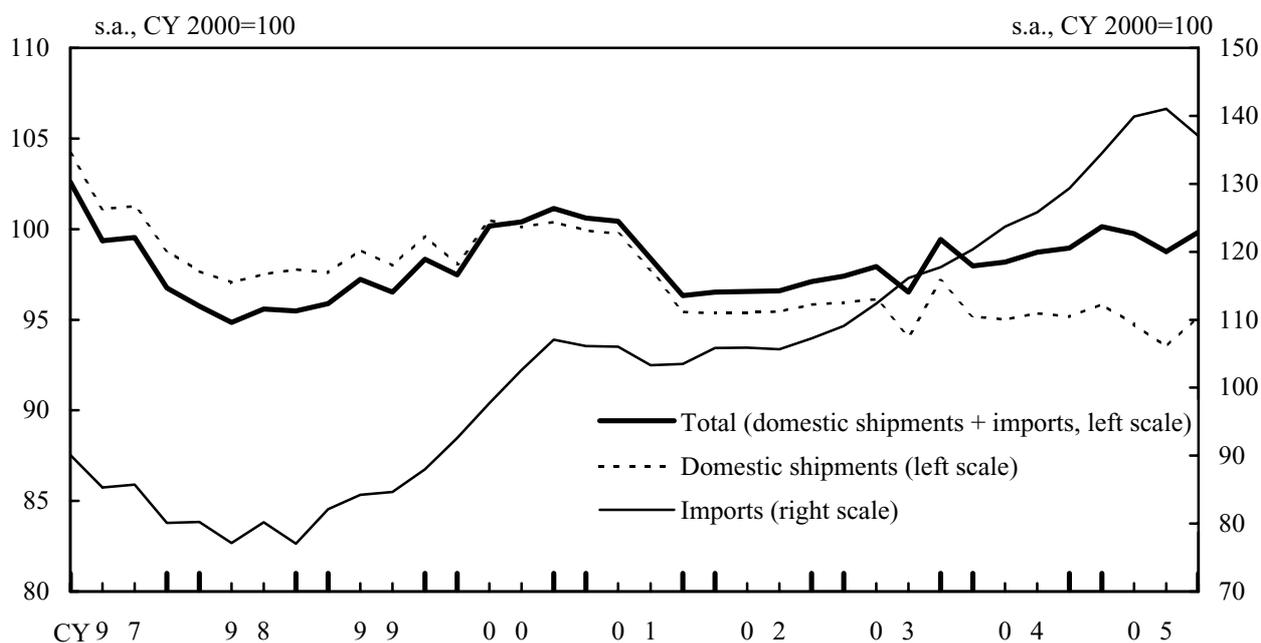


- Notes: 1. Indices of aggregated sales are the weighted sum of *Sales at department stores and supermarkets*; *New passenger-car registrations*; *Sales of household electrical appliances*; *Outlays for travel*; and *Sales of food service industry*, where the weights come from household expenditure in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

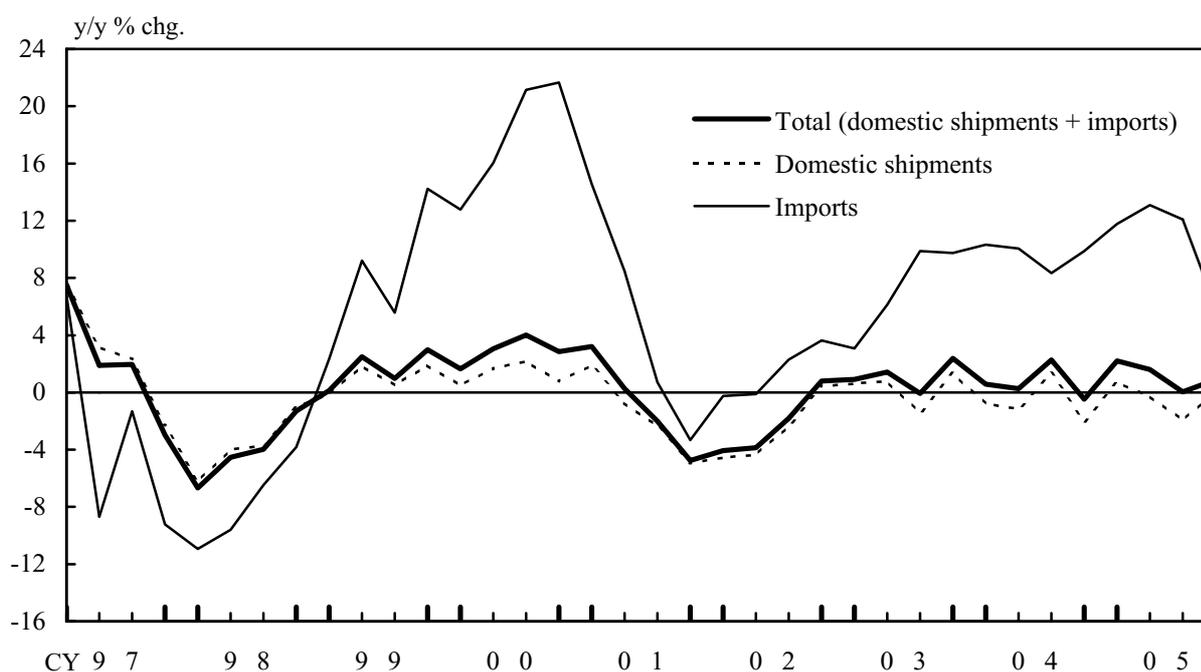
Source: Bank of Japan, "Indices of Aggregated Sales."

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.

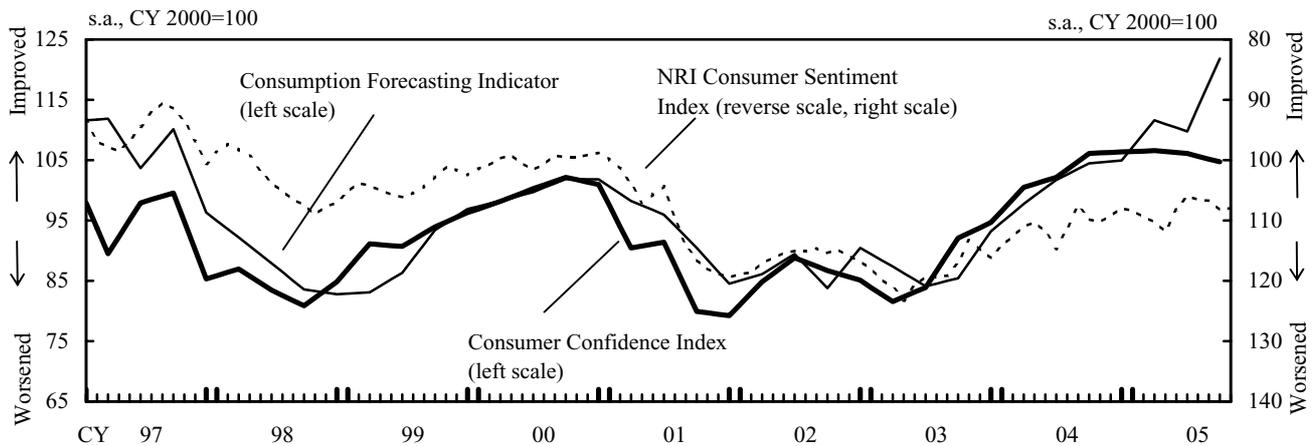
3. Year-on-year changes are calculated from seasonally adjusted series.

4. Data for 2005/Q4 figures are those of October in terms of quarterly amount.

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

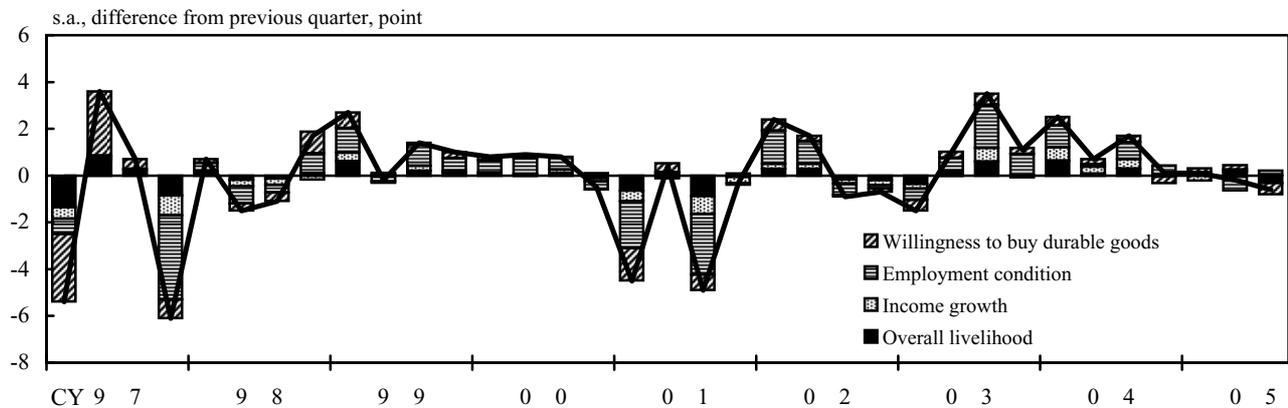
Consumer Confidence

(1) Surveys on Consumer Confidence

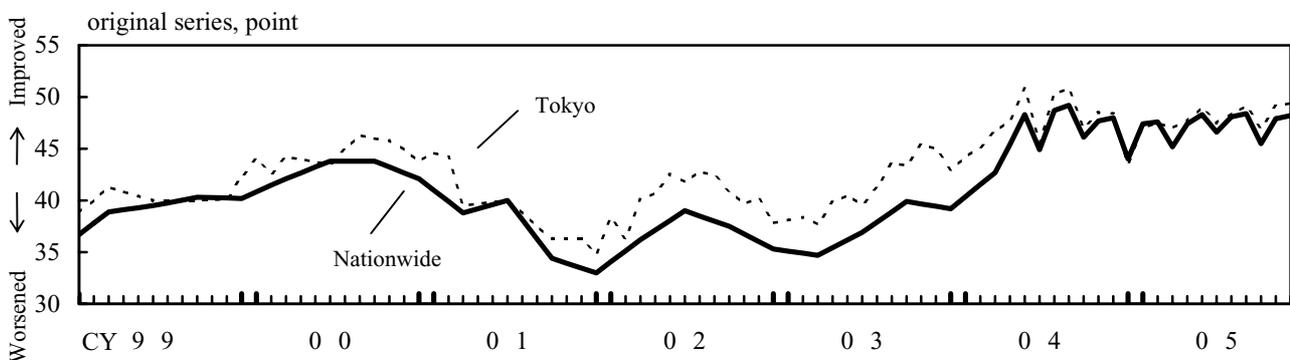


- Notes: 1. Seasonally adjusted by X-11. "Consumer Confidence Index" is seasonally adjusted by the Cabinet Office. "Consumption Forecasting Indicator" is seasonally adjusted using quarterly figures because the survey was quarterly until 2004.
2. Consumer Confidence Index (with 5,040 samples in a nationwide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

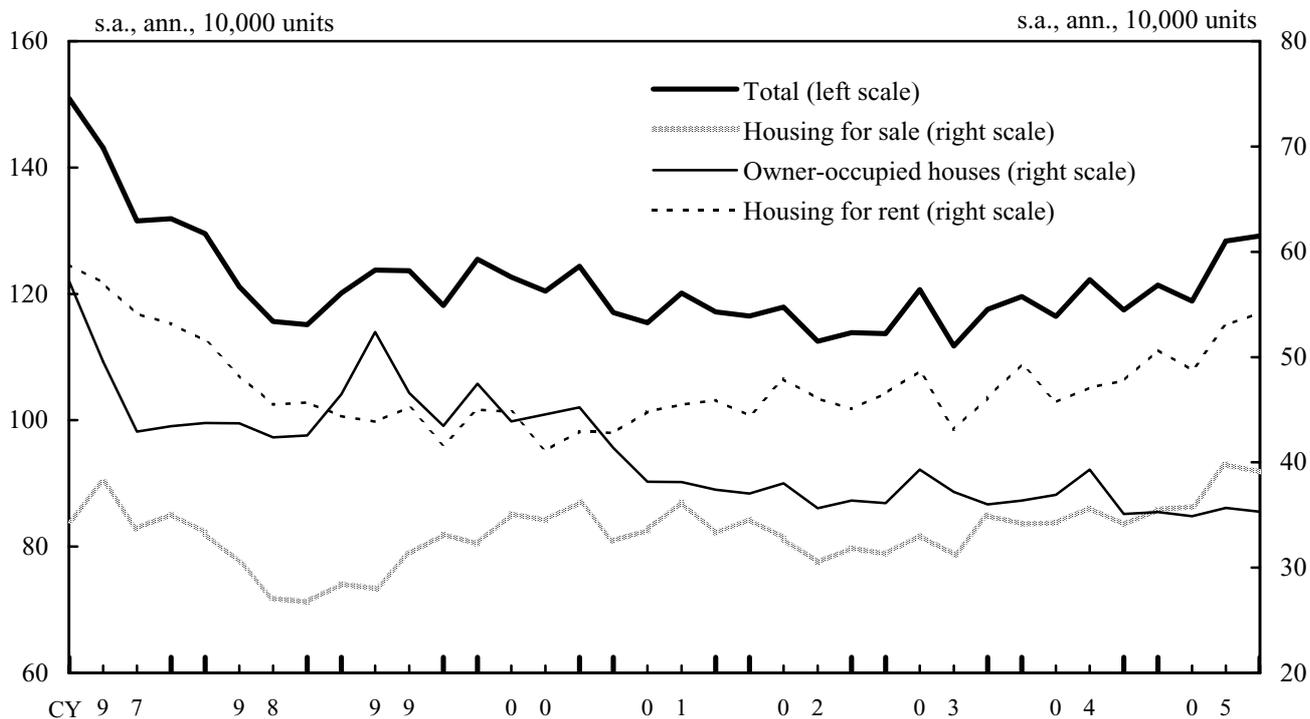


Note: Prior to 2001, figures of "Monthly Consumer Confidence Index of Tokyo" when the survey was not conducted have been supplemented with linear interpolation. Figures of "Monthly Consumer Confidence Index (Nationwide)" have also been plotted at the surveyed months and supplemented with linear interpolation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

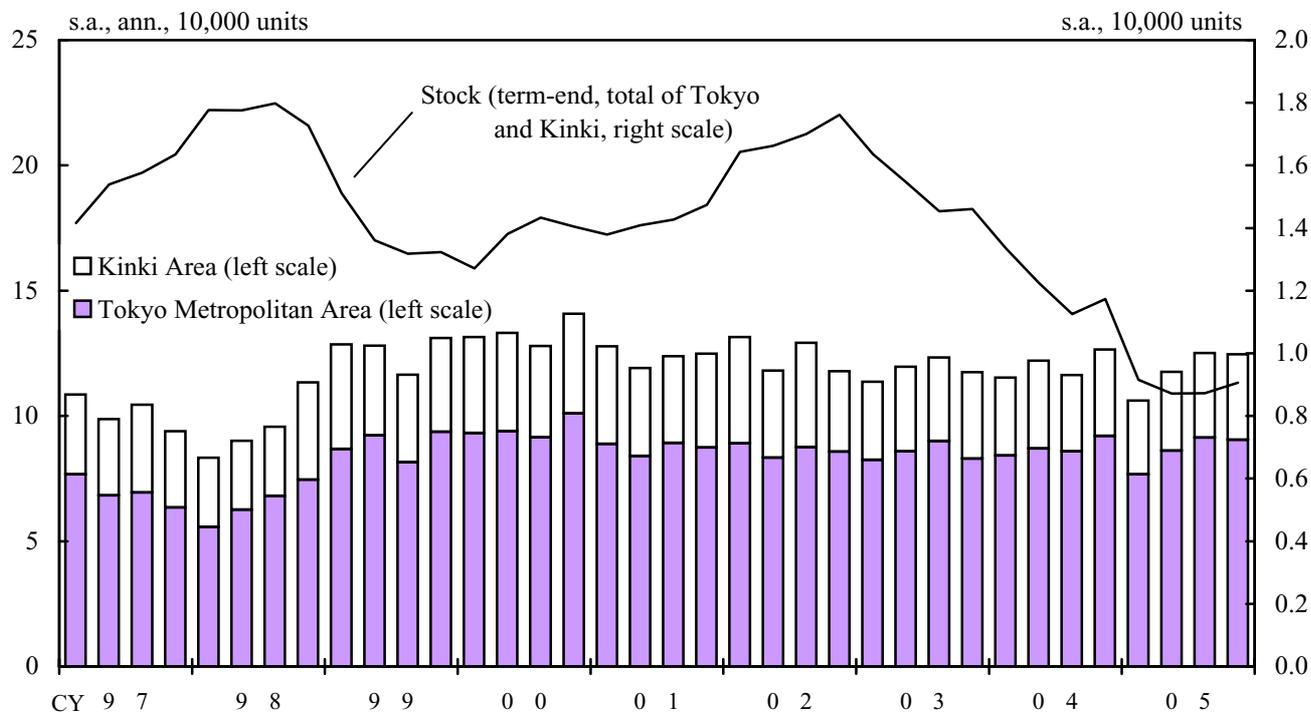
Indicators for Housing Investment

(1) Housing Starts



Note: Figures for 2005/Q4 are those of October.

(2) Sales of Condominiums



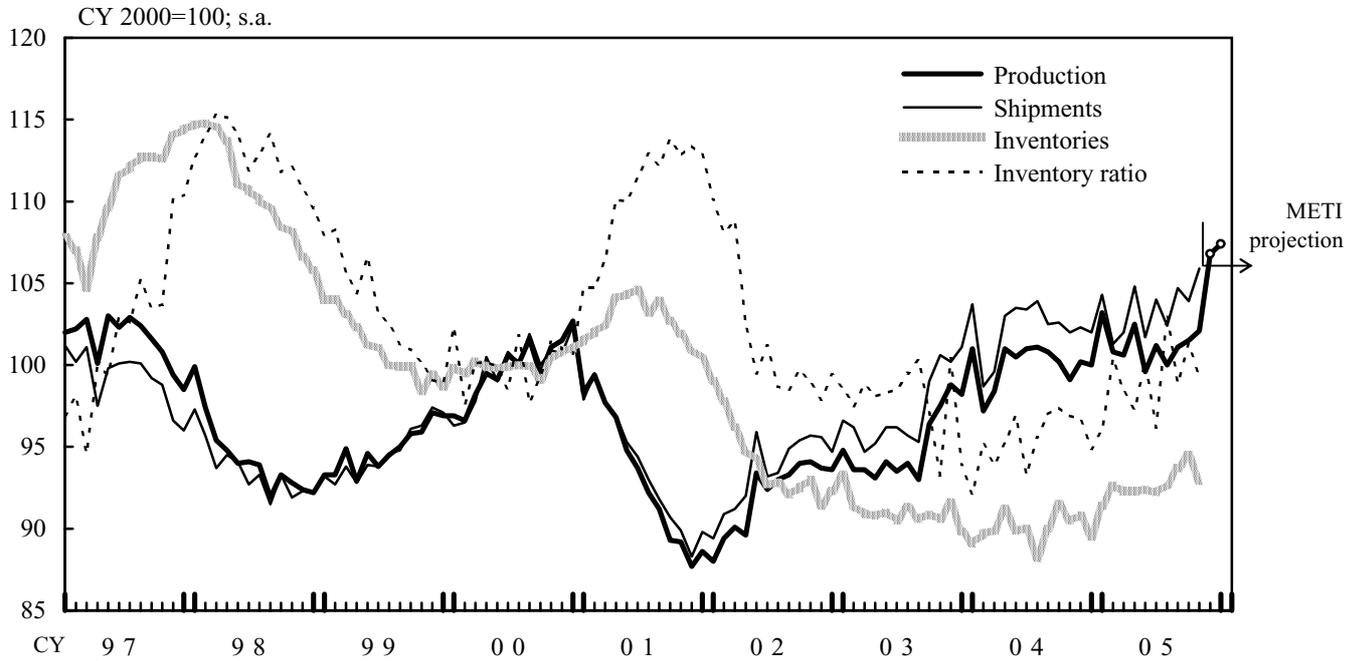
Notes: 1. Seasonally adjusted by X-12-ARIMA.

2. Figures of total condominiums sales for 2005/Q4 are those of October-November averages.
 Term-end stocks for 2005/Q4 are those of November.

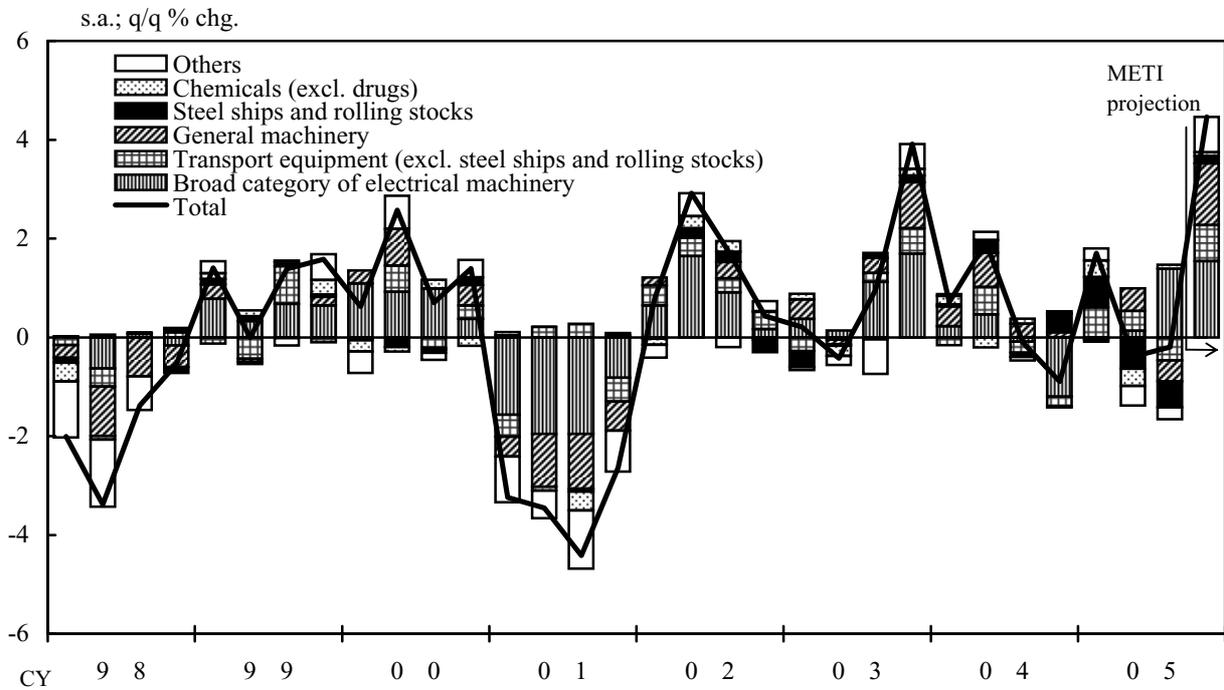
Sources: Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts," etc.

Production, Shipments and Inventories

(1) Production, Shipments and Inventories



(2) Production by Industries

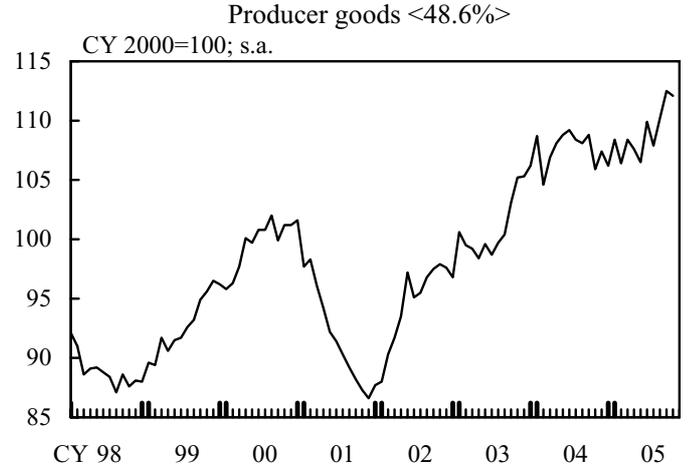
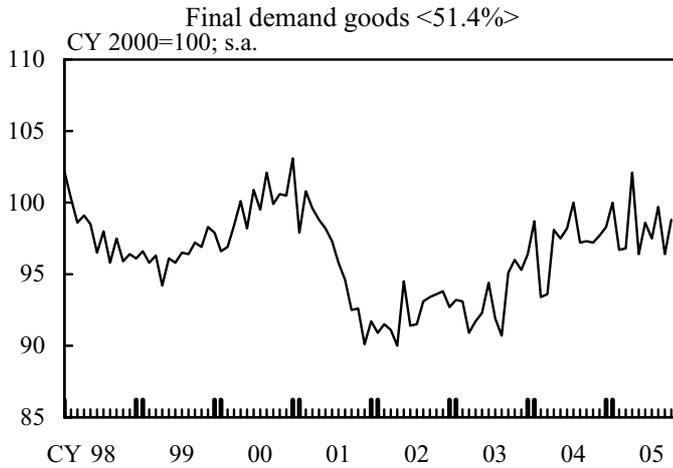


Note: "Broad category of electrical machinery" is the weighted sum of "electrical machinery," "information and communication electronics equipment" and "electronic parts and devices."

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

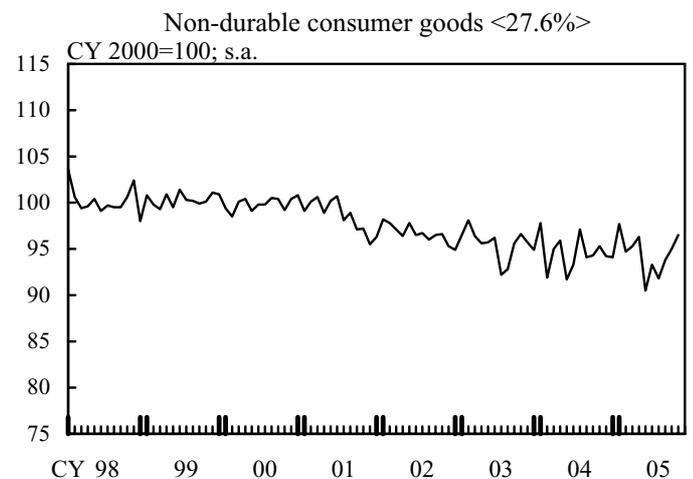
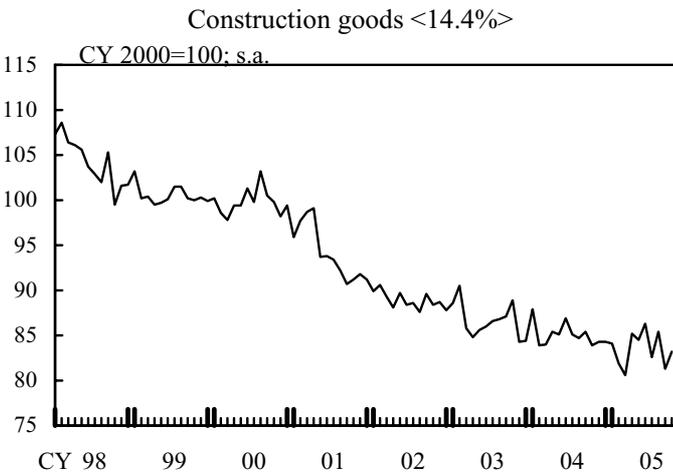
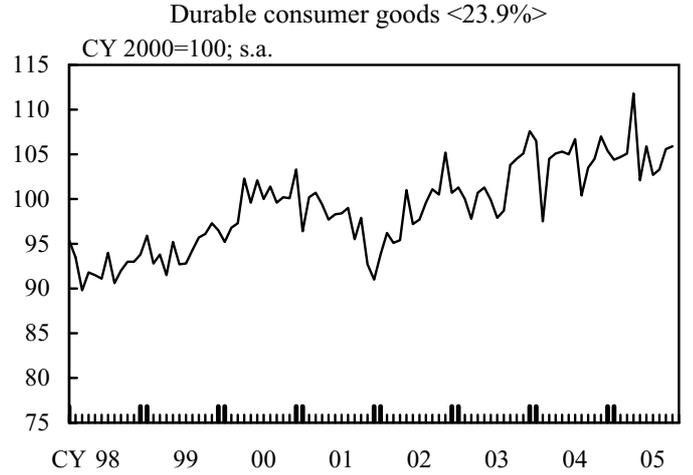
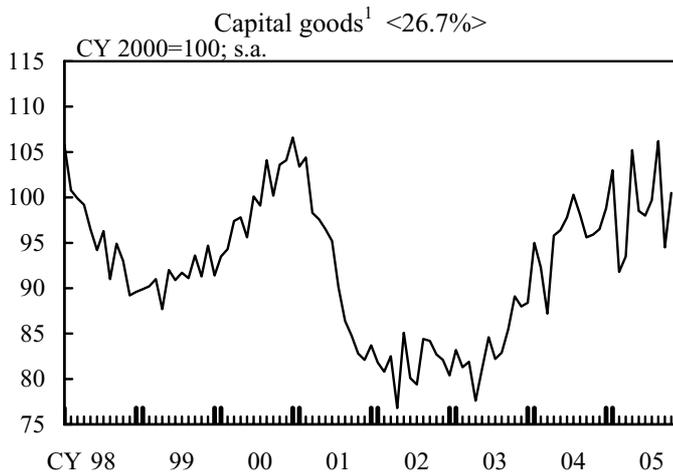
Shipments breakdown by type of goods

(1) Final demand goods and Producer goods



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

(2) Breakdown of final demand goods

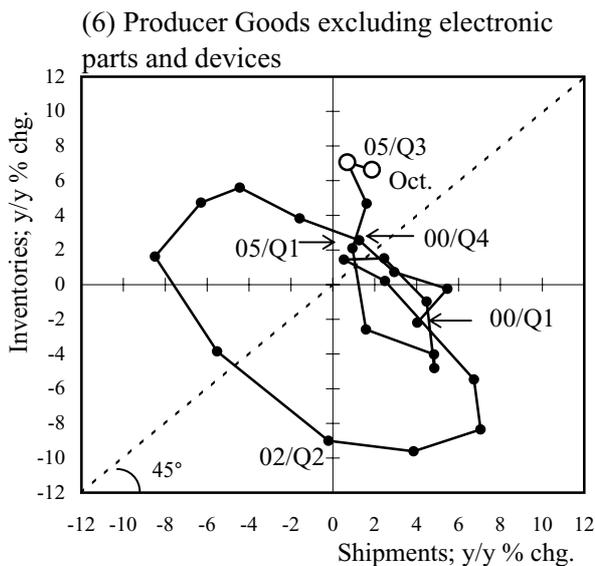
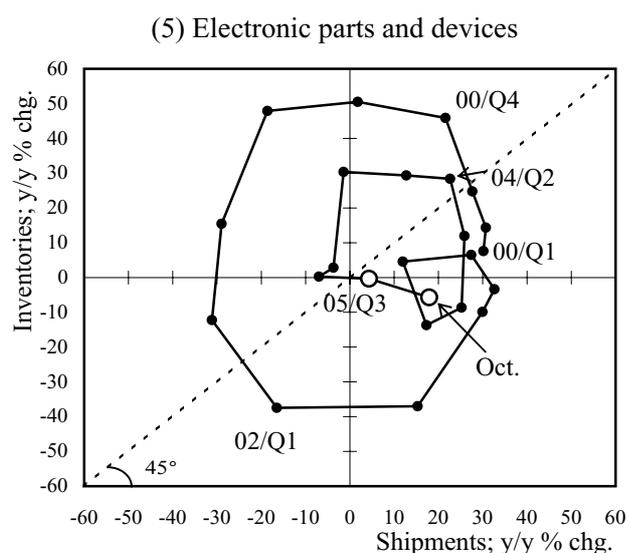
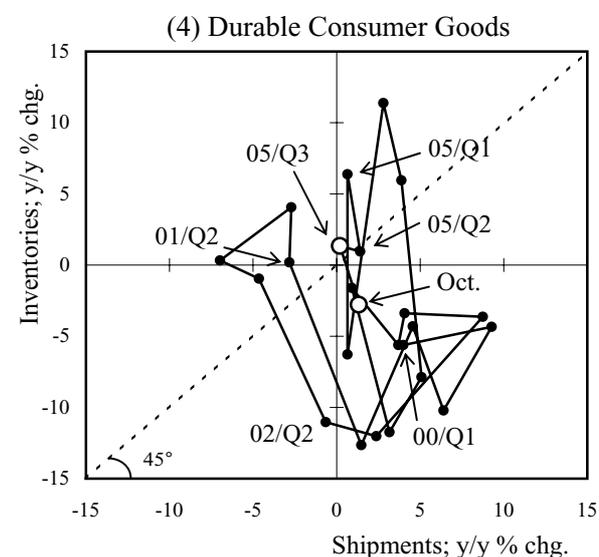
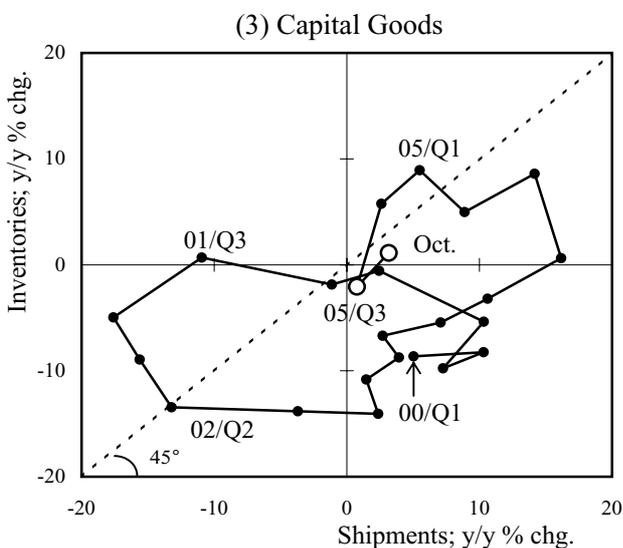
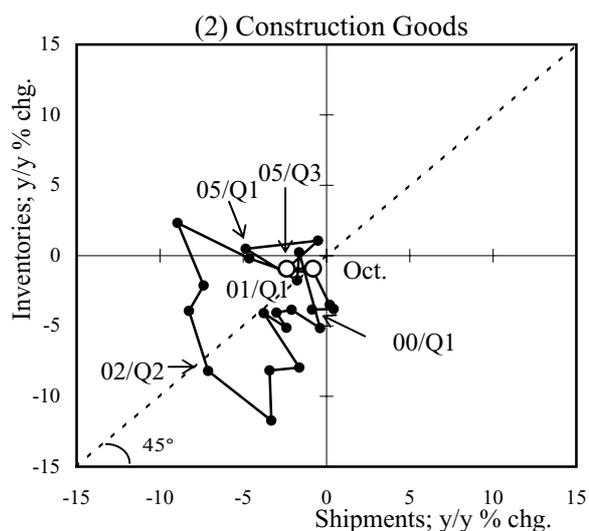
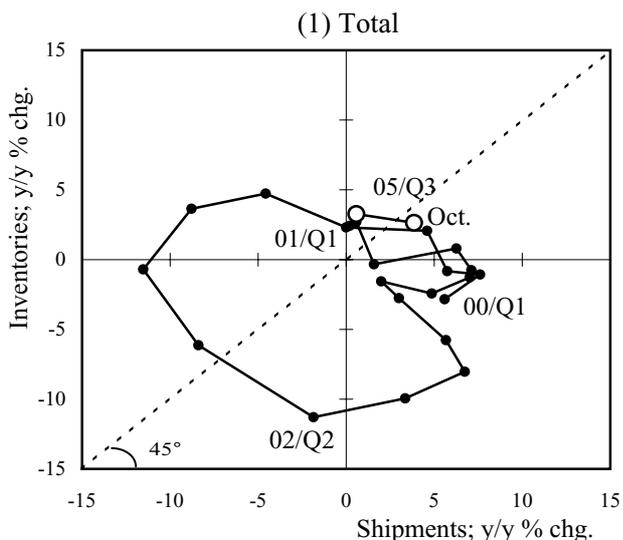


Notes: 1. Excluding transport equipment.

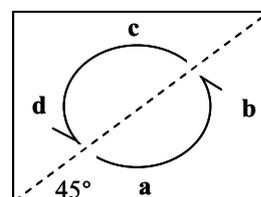
2. Shares of shipments of final demand goods are shown in angle brackets.

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

Inventory Cycle

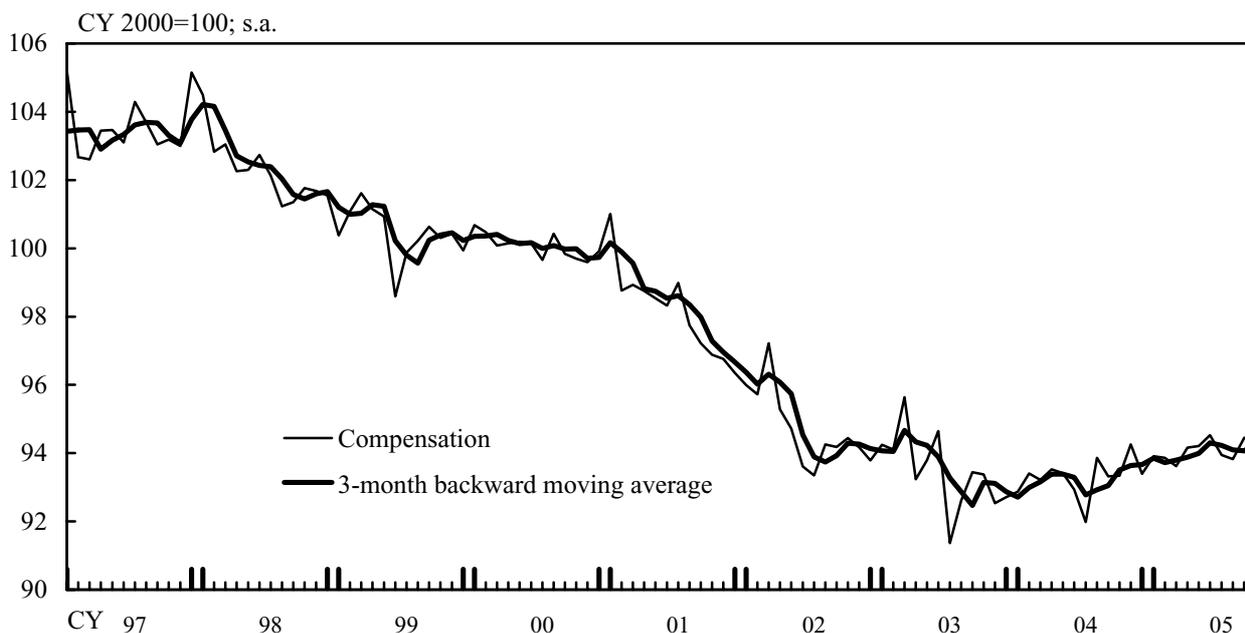


- a Shipment recovery phase
- b Intended inventory accumulation phase
- c Unintended inventory accumulation phase
- d Inventory adjustment phase



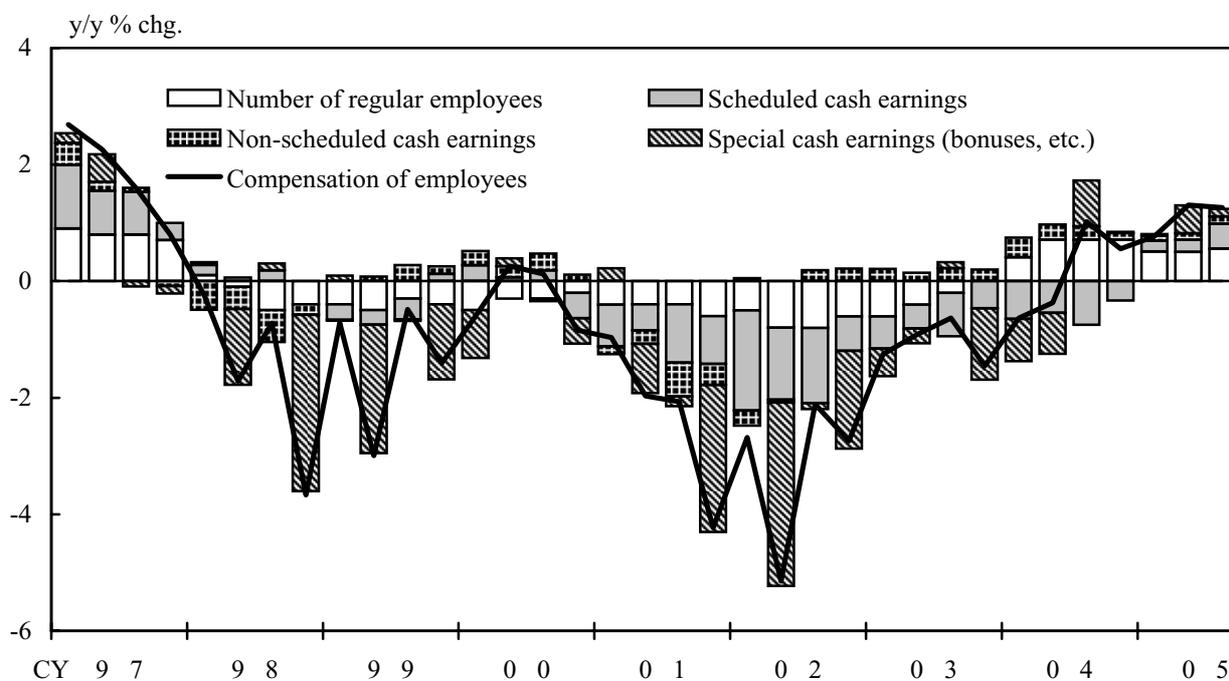
Compensation of Employees

(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.

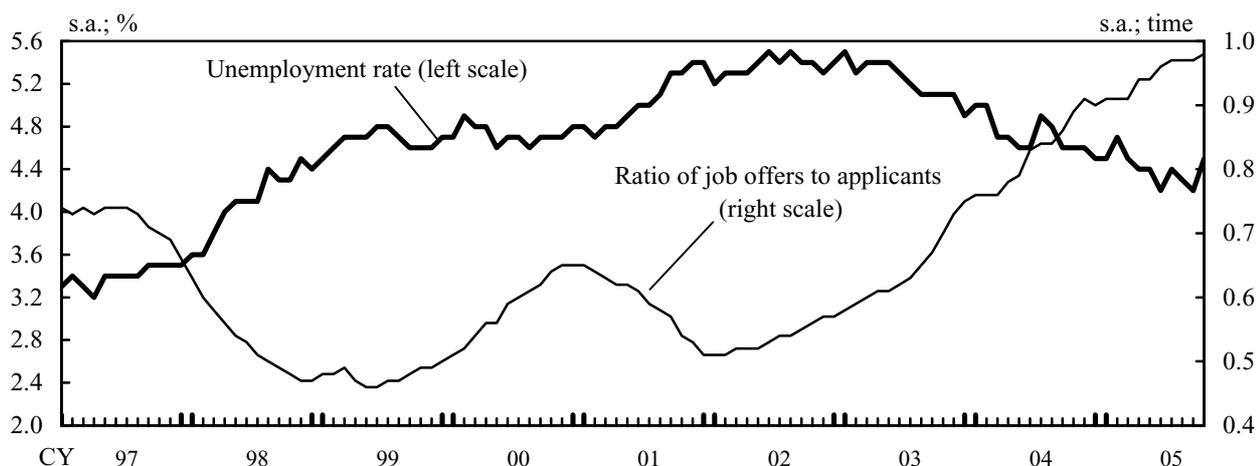
(2) Breakdown of Compensation



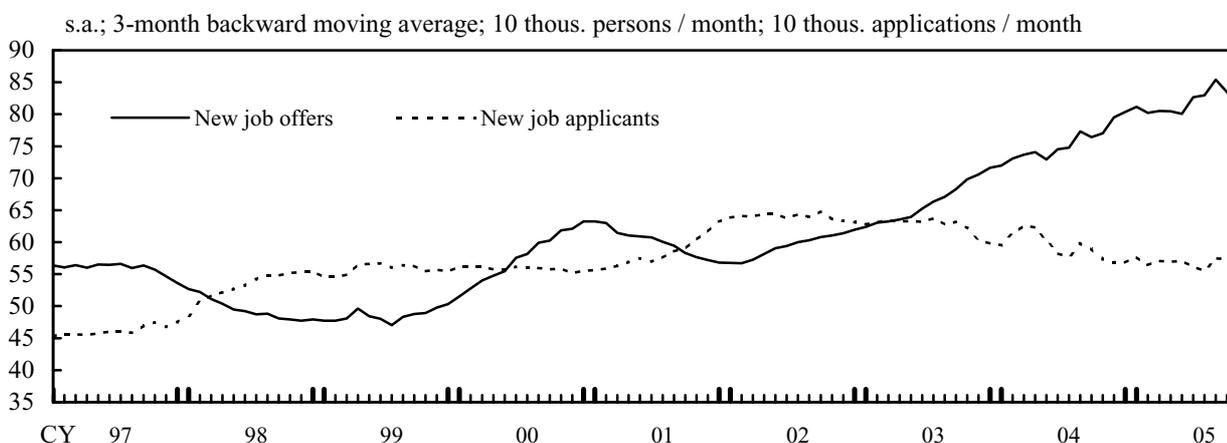
- Notes: 1. Data are for establishments with at least 5 employees.
 2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.
 3. Figures for 2005/Q3 are those of September-October averages.

Labor Market (1)

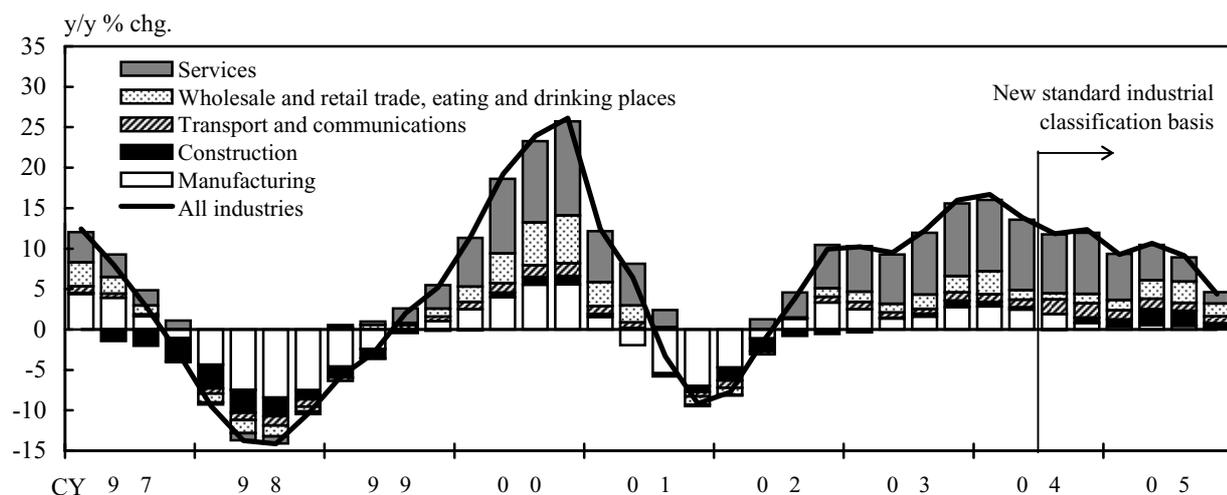
(1) Unemployment Rate and Ratio of Job Offers to Applicants



(2) New job offers and New job applicants¹



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

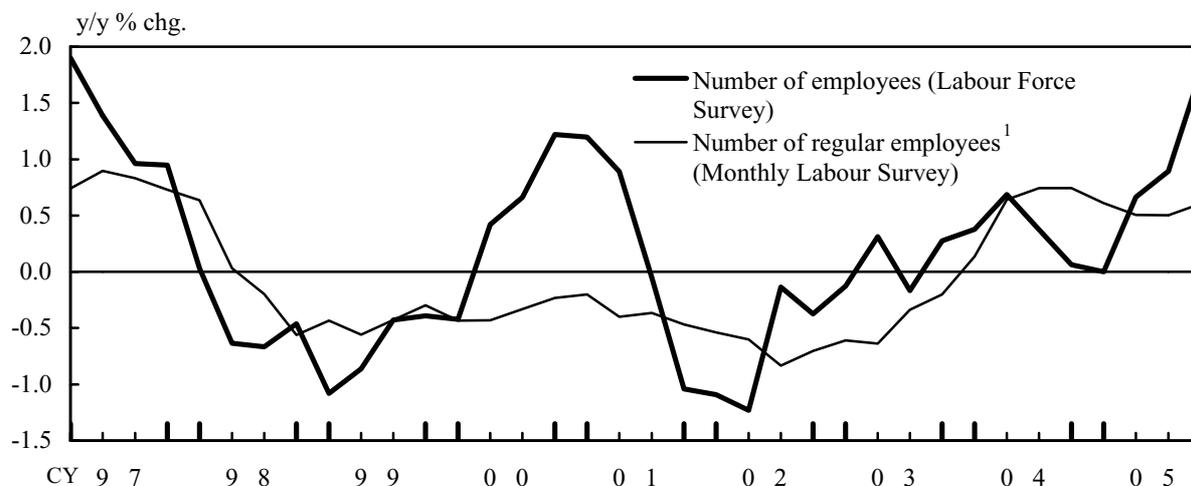


- Notes: 1. Figures do not include jobs offered to new graduates, but include those offered to part-time workers.
 2. Figures up to 2004/Q2 are based on the previous Standard Industrial Classification. Figures from 2004/Q3 are based on new Standard Industrial Classification. To keep the continuation 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)."
 3. Figures for 2005/Q4 are those of October.

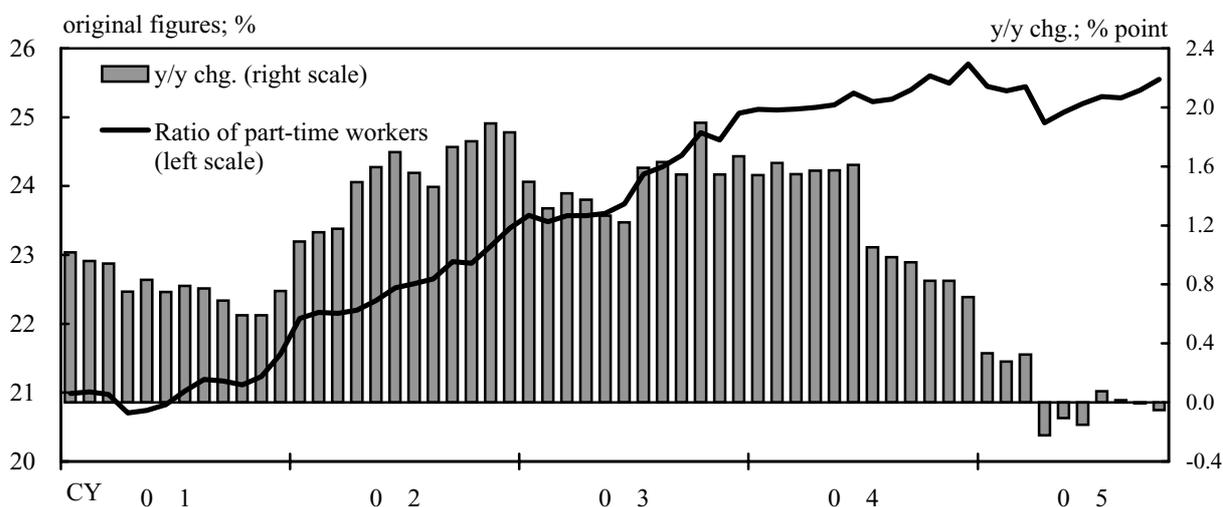
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service";
 Ministry of Internal Affairs and Communications, "Labour Force Survey."

Labor Market (2)

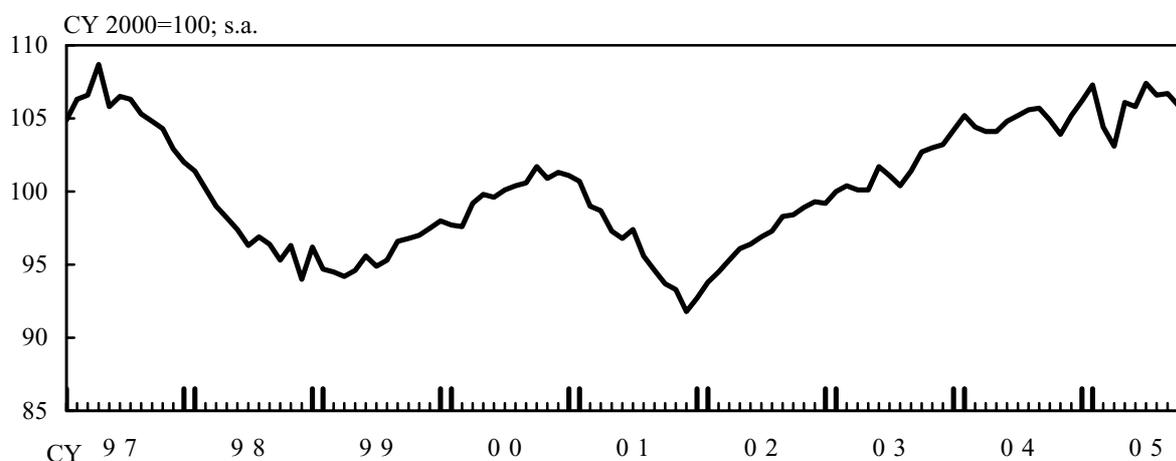
(1) Number of Employees³



(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.

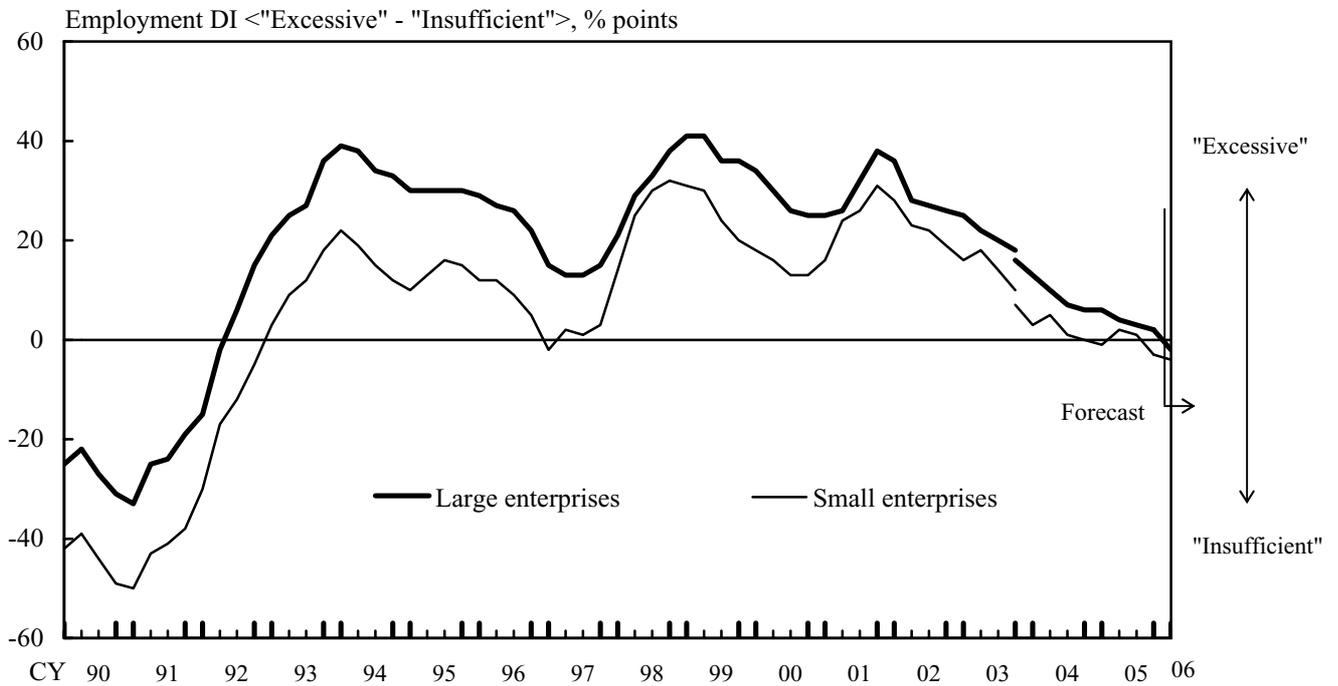
2. Ratio of part-time workers is calculated as number of part-time workers divided by number of regular employees times 100.

3. Figures for 2005/Q4 are those of October.

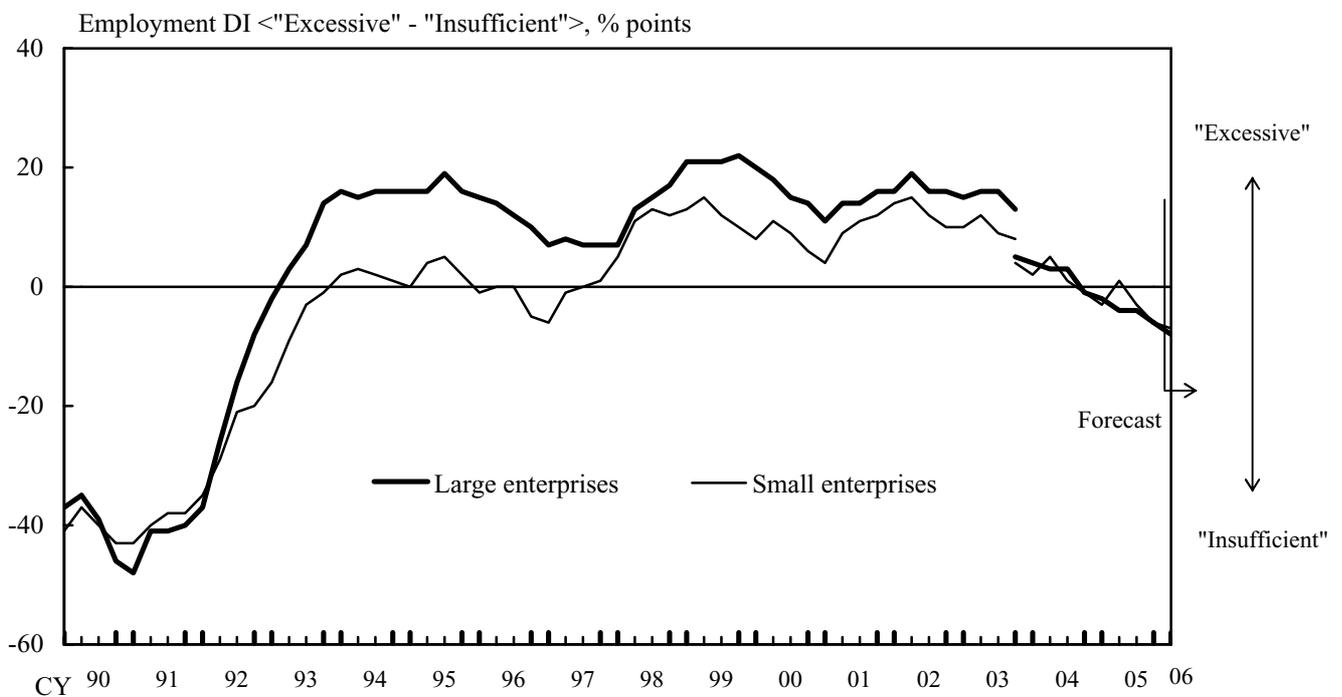
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
Ministry of Internal Affairs and Communications, "Labour Force Survey."

Employment Conditions

(1) Manufacturing



(2) Nonmanufacturing

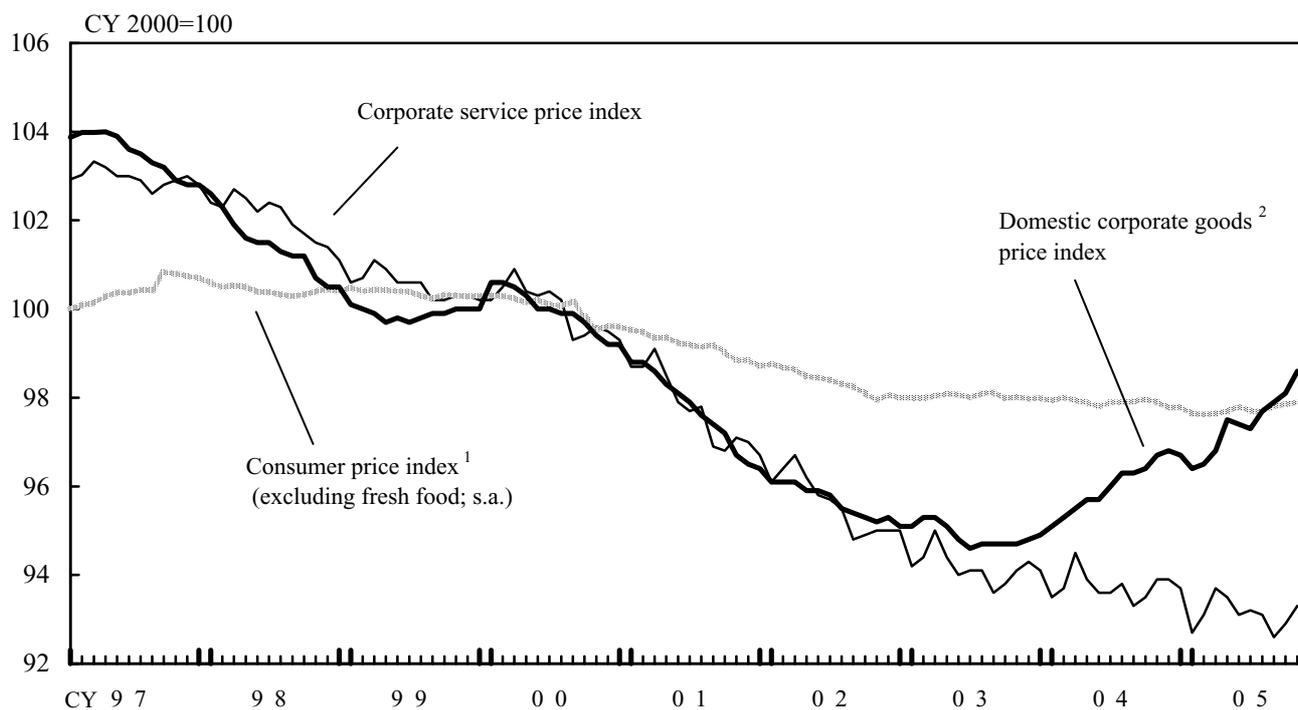


Note: The *Tankan* has been revised from the March 2004 Survey. Figures up to the December 2003 Survey are based on the previous data sets. Figures from the December 2003 Survey are on a new basis.

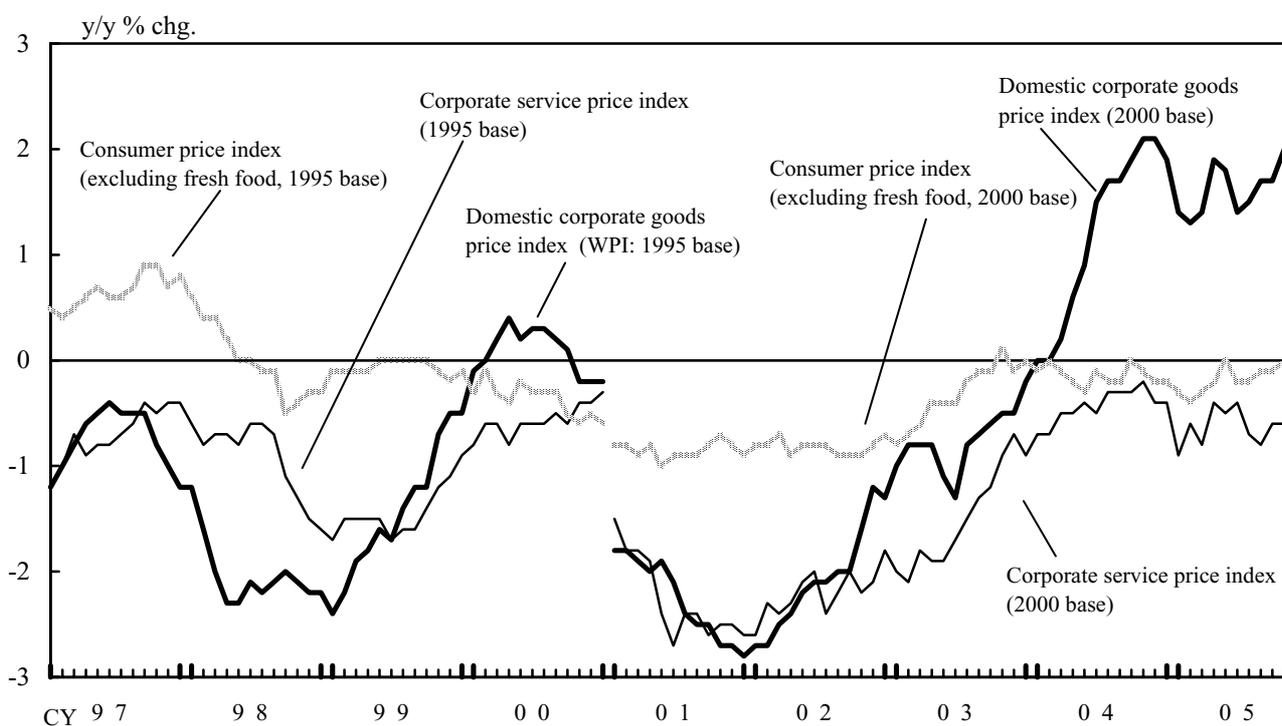
Source: Bank of Japan, "*Tankan* , Short-term Economic Survey of Enterprises in Japan."

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.

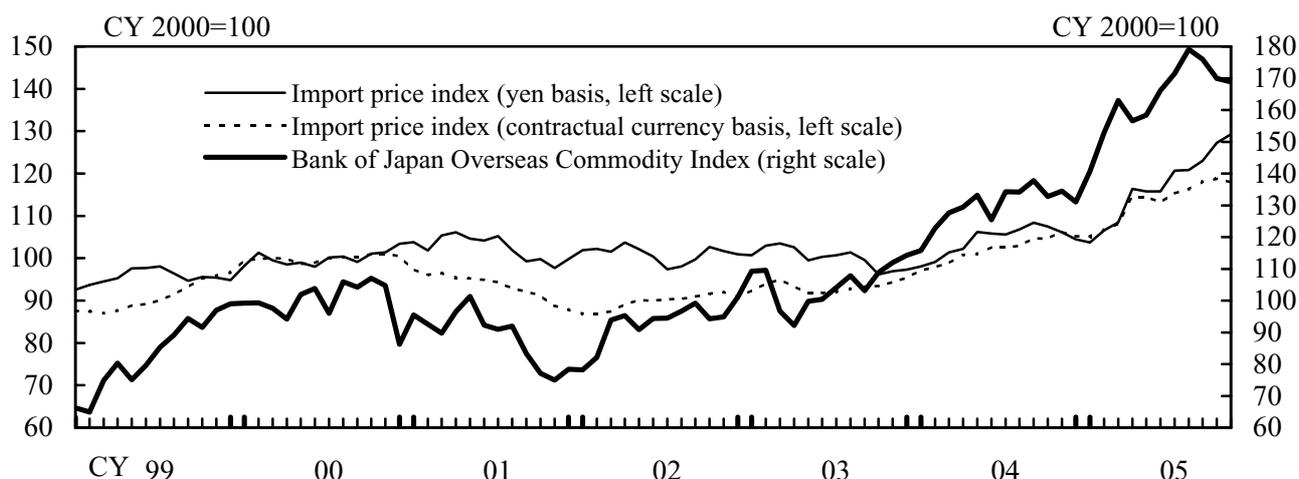
3. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

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

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

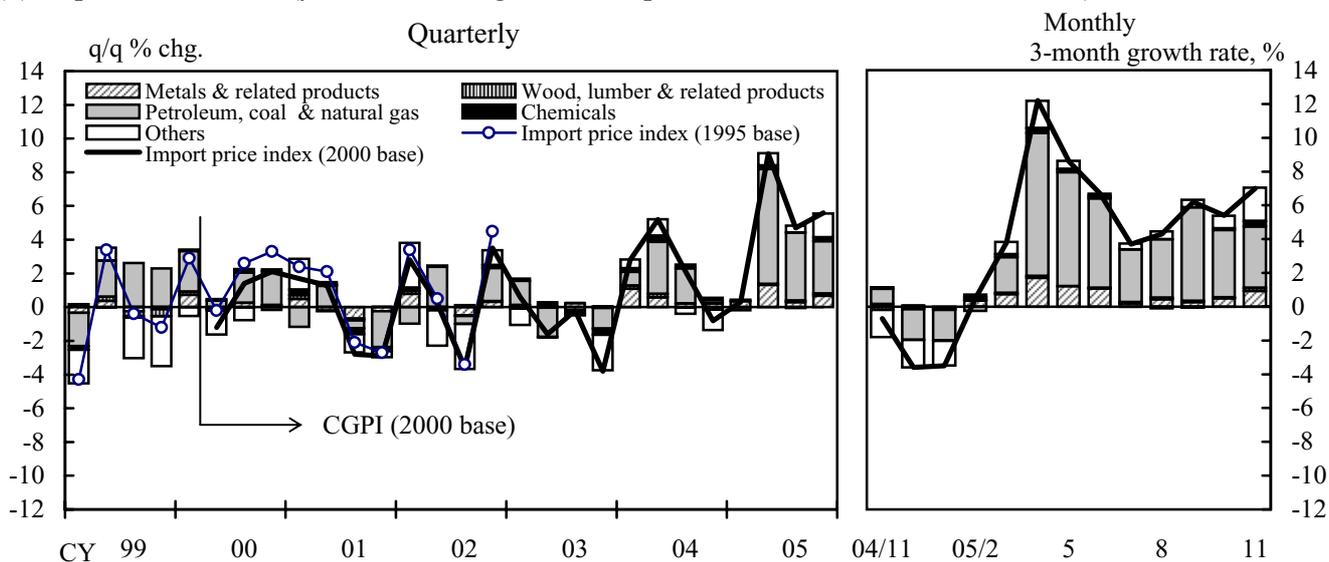
Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



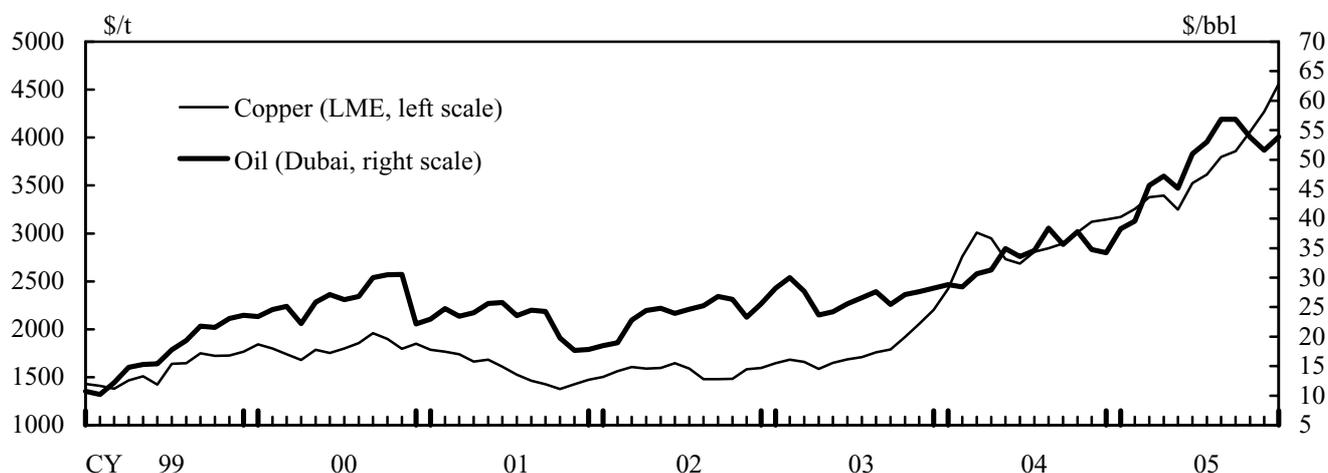
Note: Bank of Japan Overseas Commodity Index is the end of month figure. Data are revised to the 2000 base.

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



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

(3) Oil price and Copper price

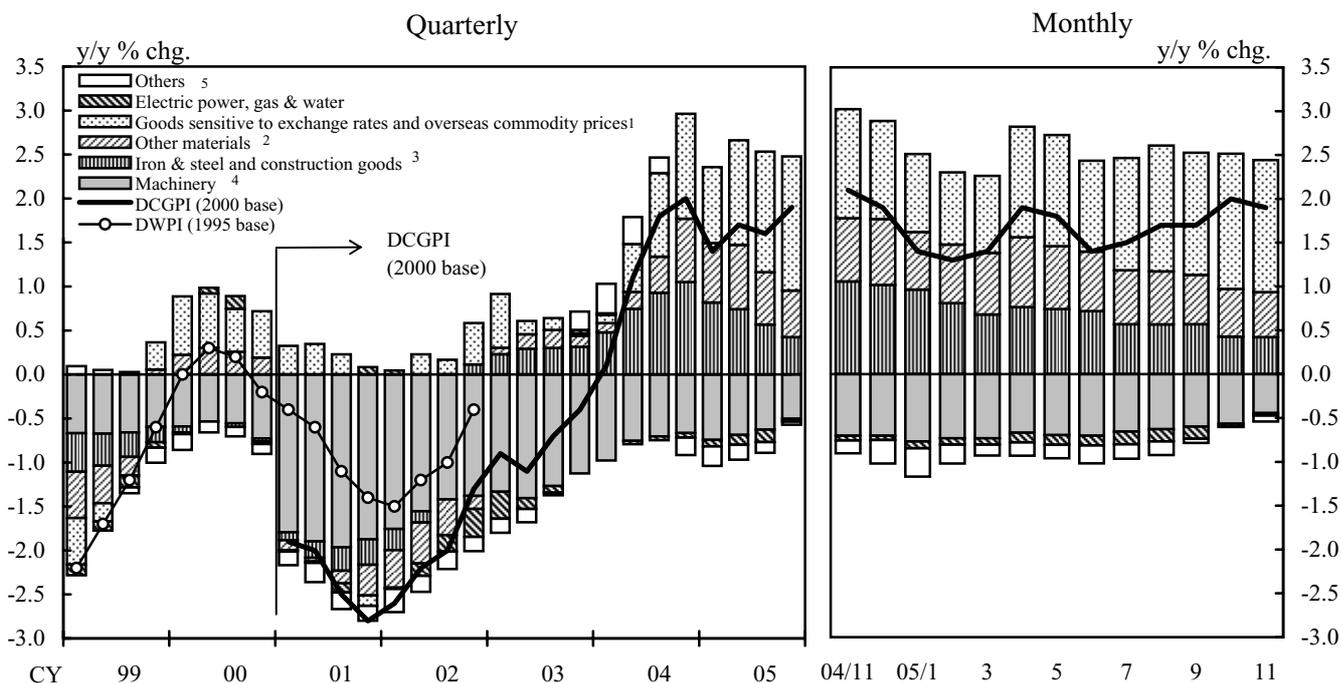


Note: Monthly averages. Figures for December 2005 are the averages up to December 15.

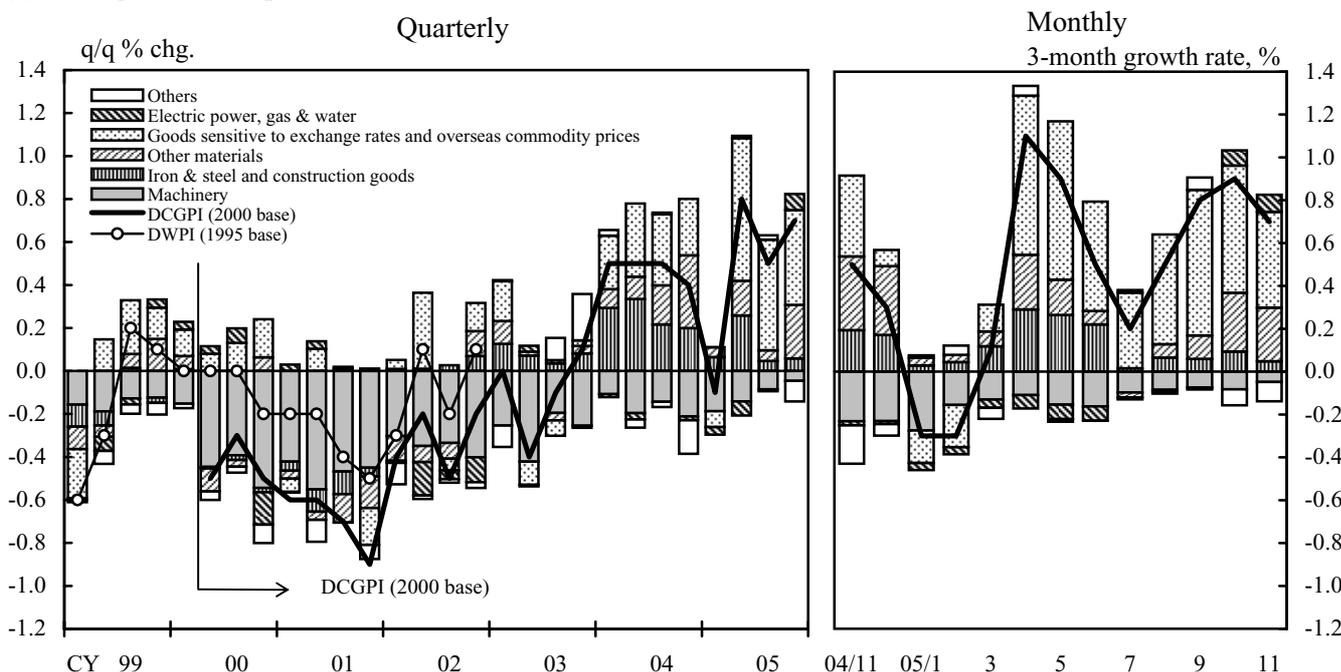
Sources: Bank of Japan, "Corporate Goods Price Index," "Wholesale Price Indexes,"
"Bank of Japan Overseas Commodity Index," etc.

Domestic Corporate Goods Price Index⁷

(1) Changes from a year earlier

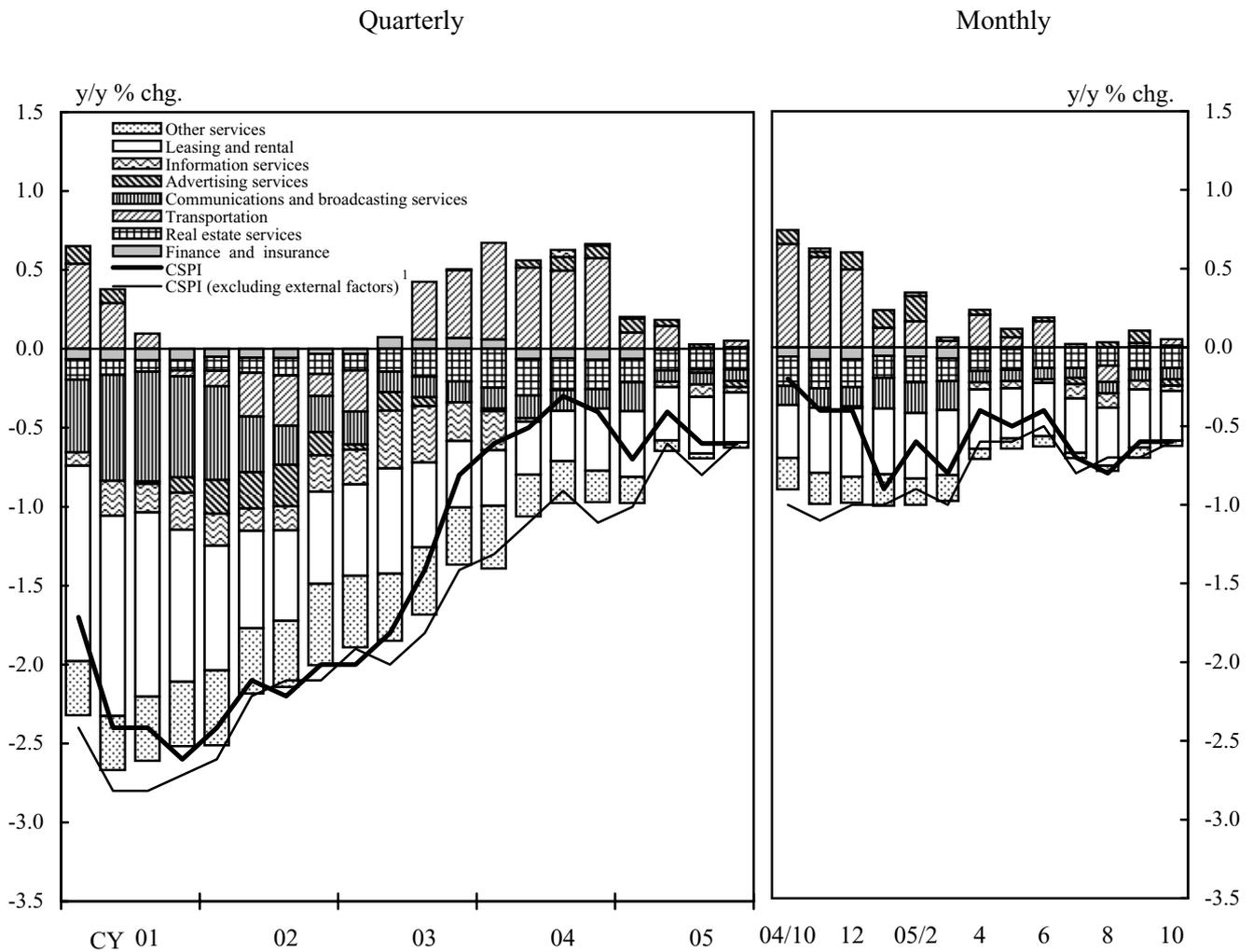


(2) Changes from a quarter earlier and 3 months earlier⁶



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

Corporate Service Price Index



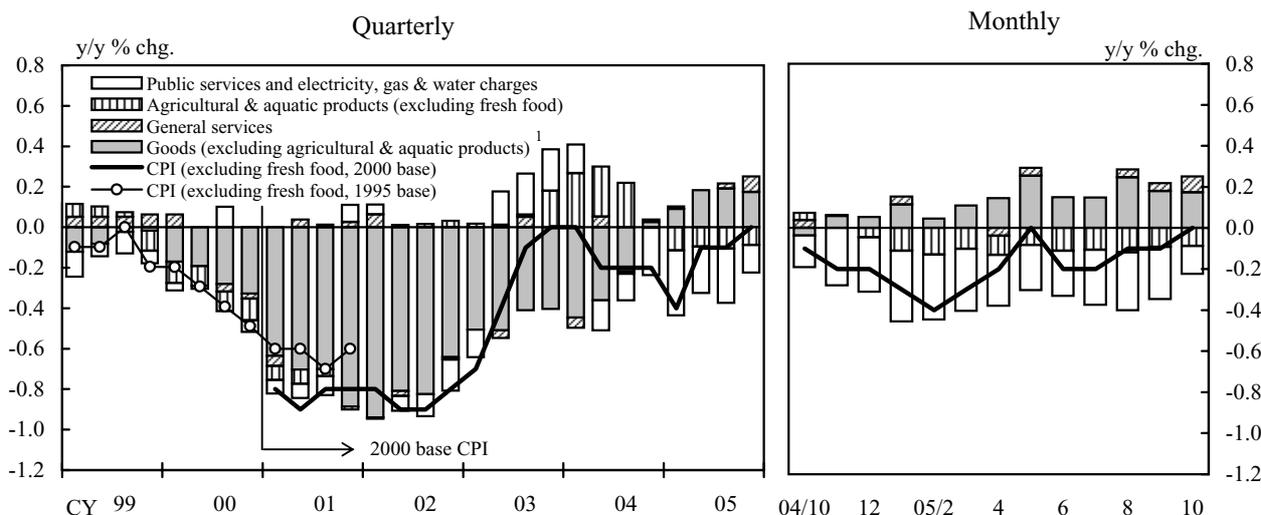
Notes: 1. External factors; international air passenger transportation, ocean liner, ocean tramper, ocean tanker, oceangoing ship chartering services, and international air freight.

2. Figures for 2005/Q4 are those of October.

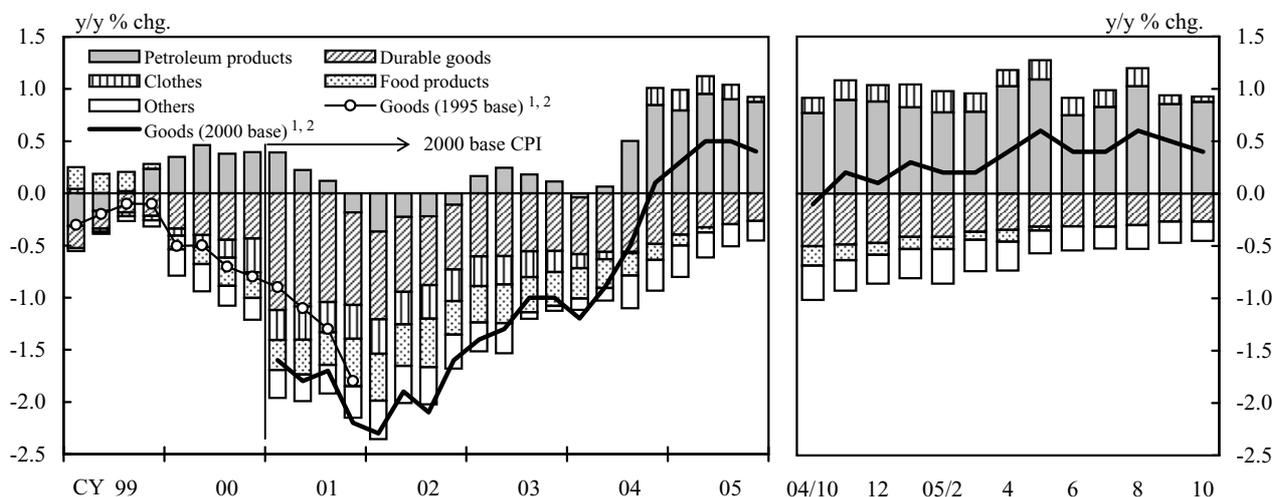
Source: Bank of Japan, "Corporate Service Price Index."

Consumer Price Index (excluding fresh food)

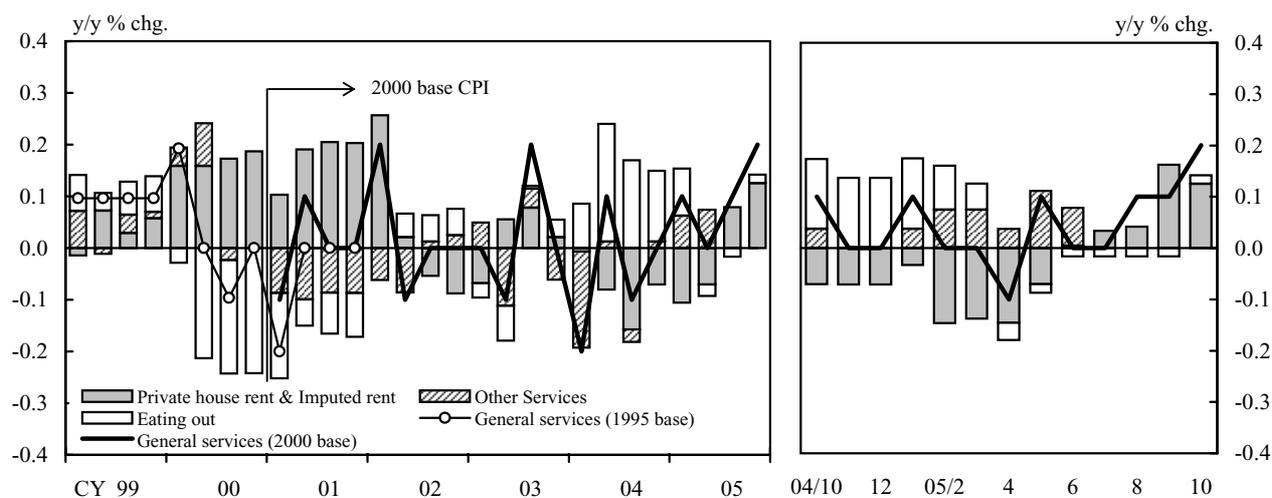
(1) Consumer price index (excluding fresh food)



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



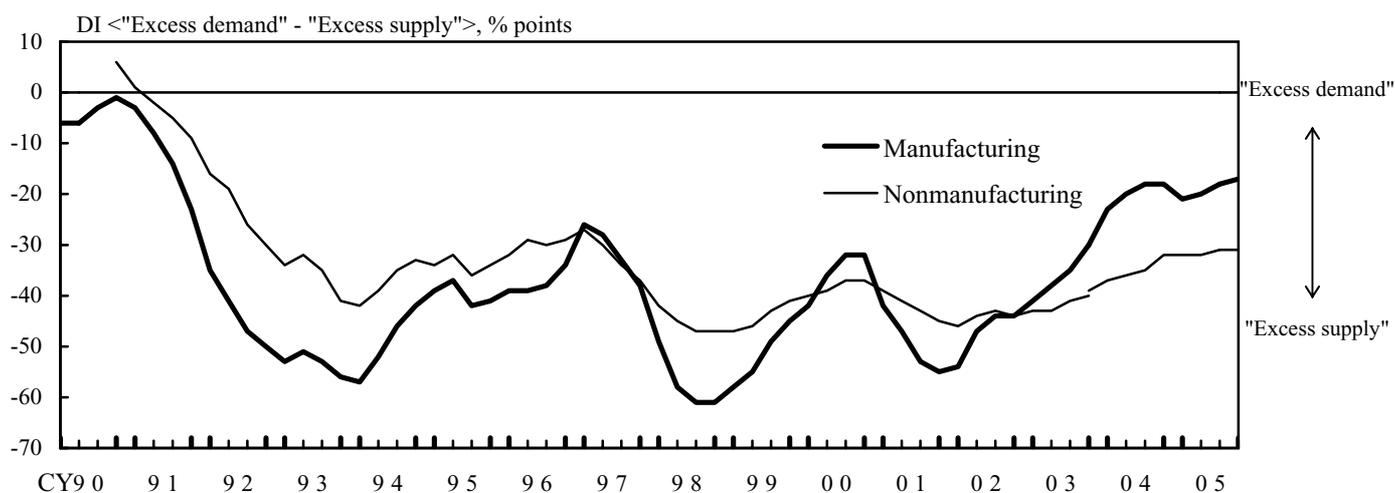
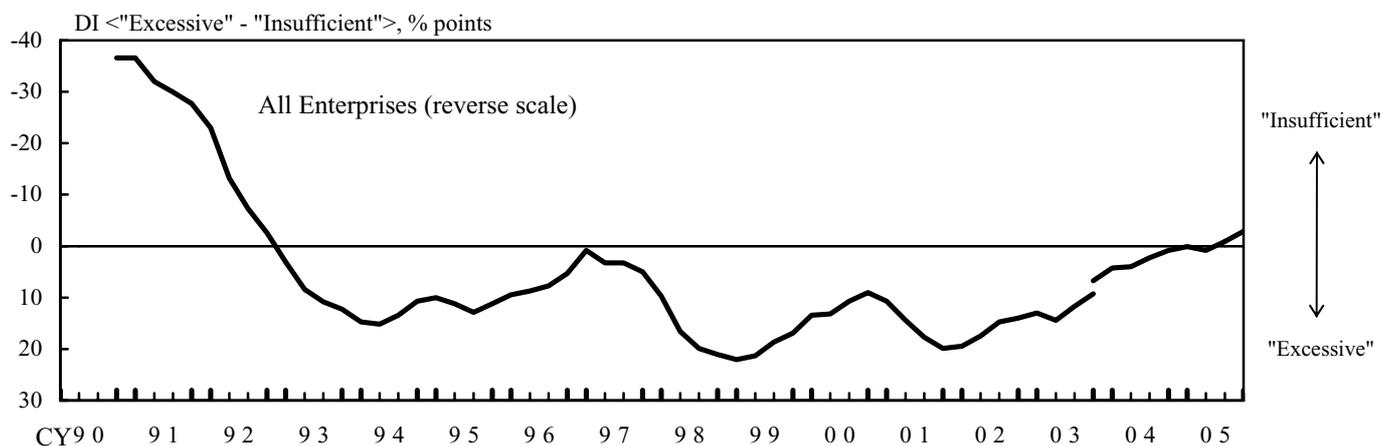
(3) General services



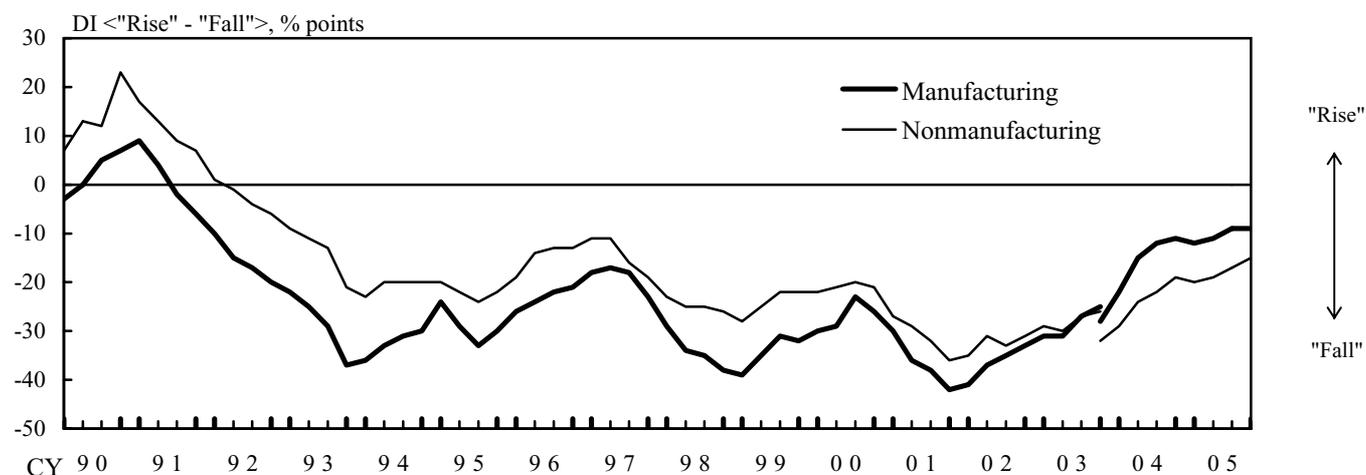
Notes: 1. The Items are basically the same as the definition published by the Ministry of Internal Affairs and Communications. However, electricity, gas & water charges is excluded from goods.
 2. Excluding agricultural & aquatic products.
 3. Figures for 2005/Q4 are those of October.

Domestic Supply and Demand Conditions¹

(1) Domestic Supply and Demand Conditions for Products and Services (All Enterprises)

(2) Utilization of Capital and Labor²

(3) Change in Output Prices (All Enterprises)



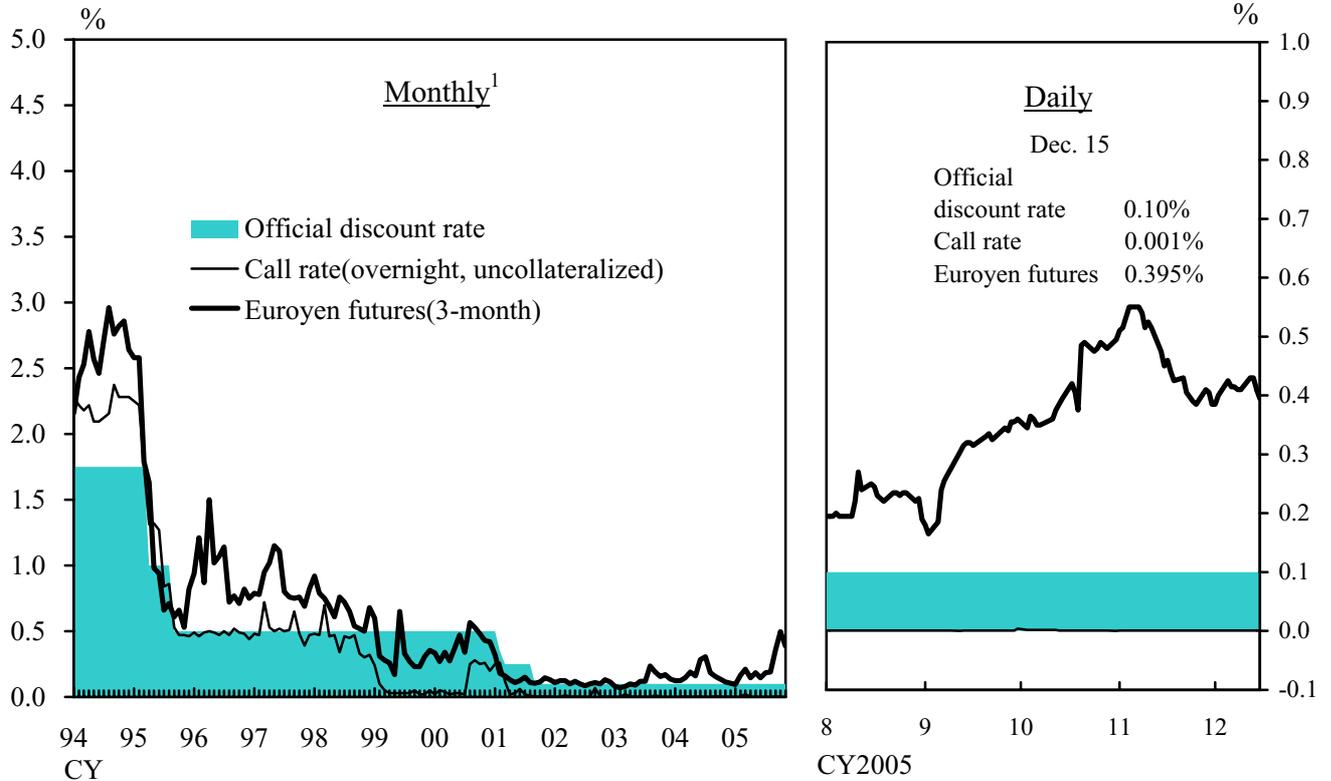
Notes: 1. The *Tankan* has been revised from the March 2004 Survey. Figures up to the December 2003 Survey are based on the previous data sets. Figures from the December 2003 Survey are on a new basis.

2. Figures are weighted averages of Production Capacity DI and Employment DI which show excessiveness. The FY 1990-2003 averages of capital and labor shares in national accounts are used as the weight.

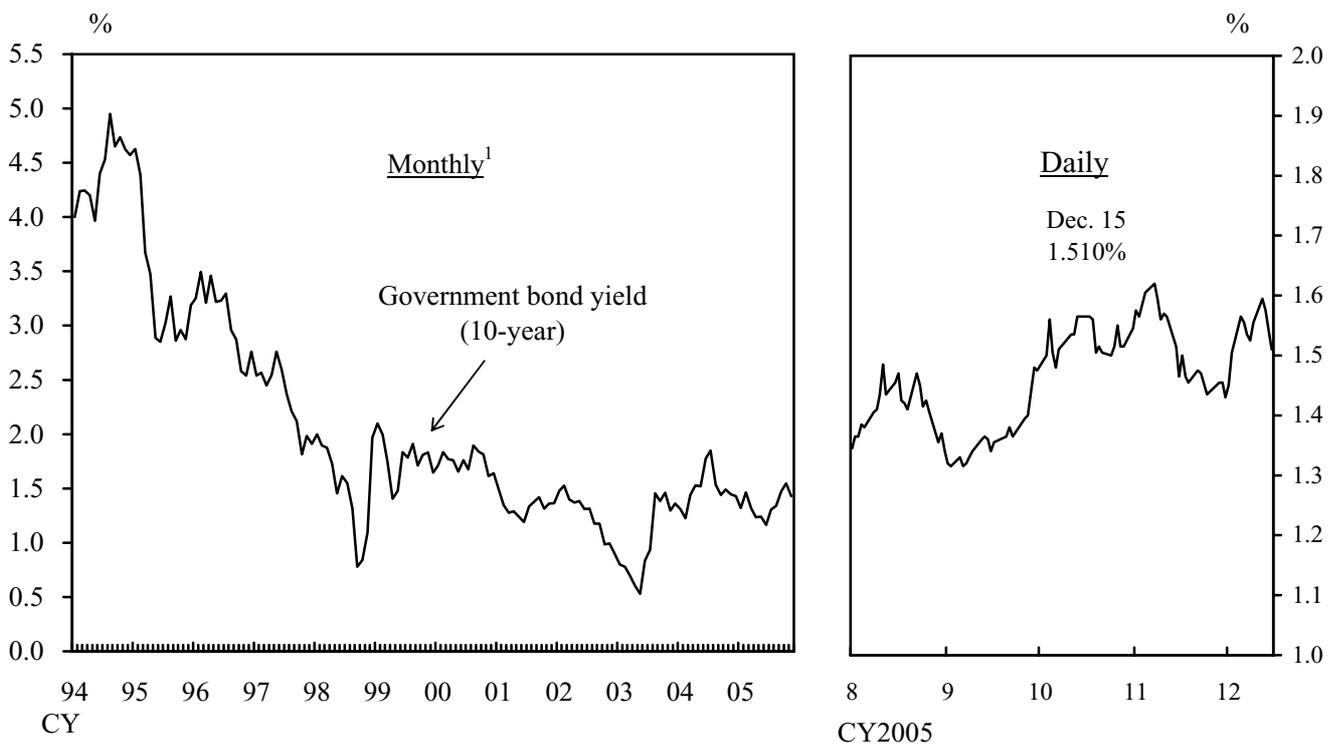
Sources: Cabinet Office, "National Accounts";
Bank of Japan, "*Tankan*, Short-term Economic Survey of Enterprises in Japan."

Interest Rates

(1) Short-Term



(2) Long-Term

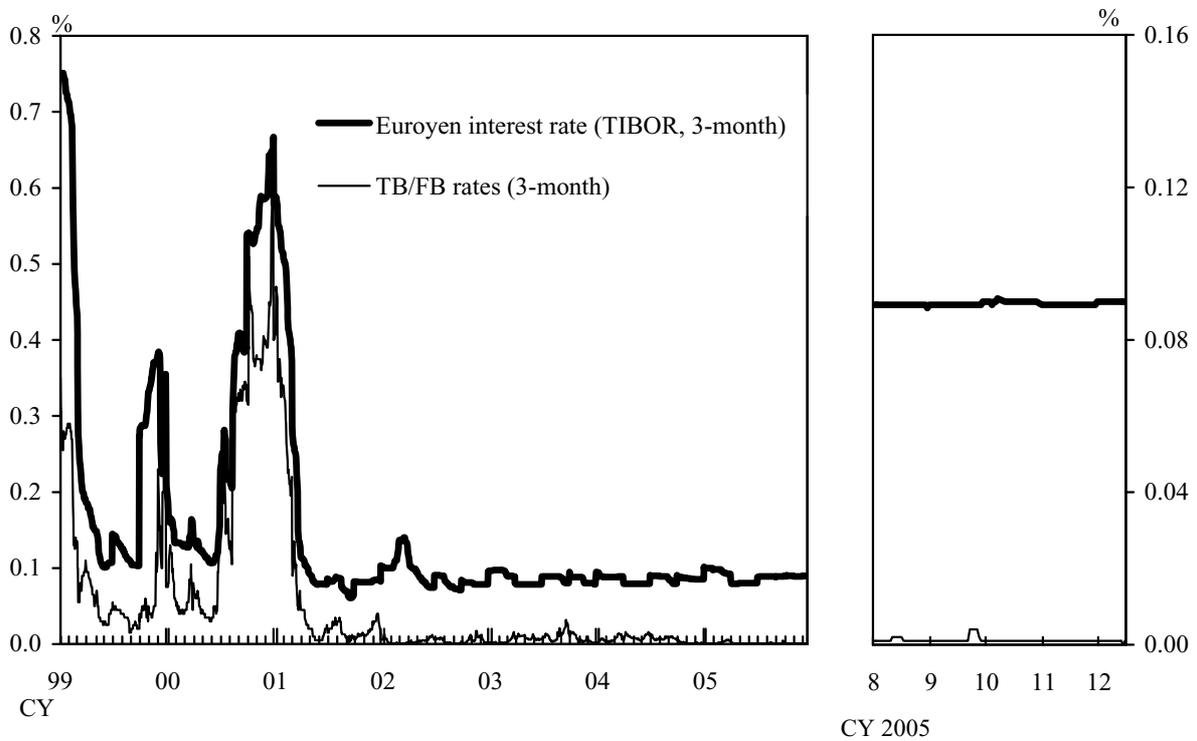


Note: 1. End of month.

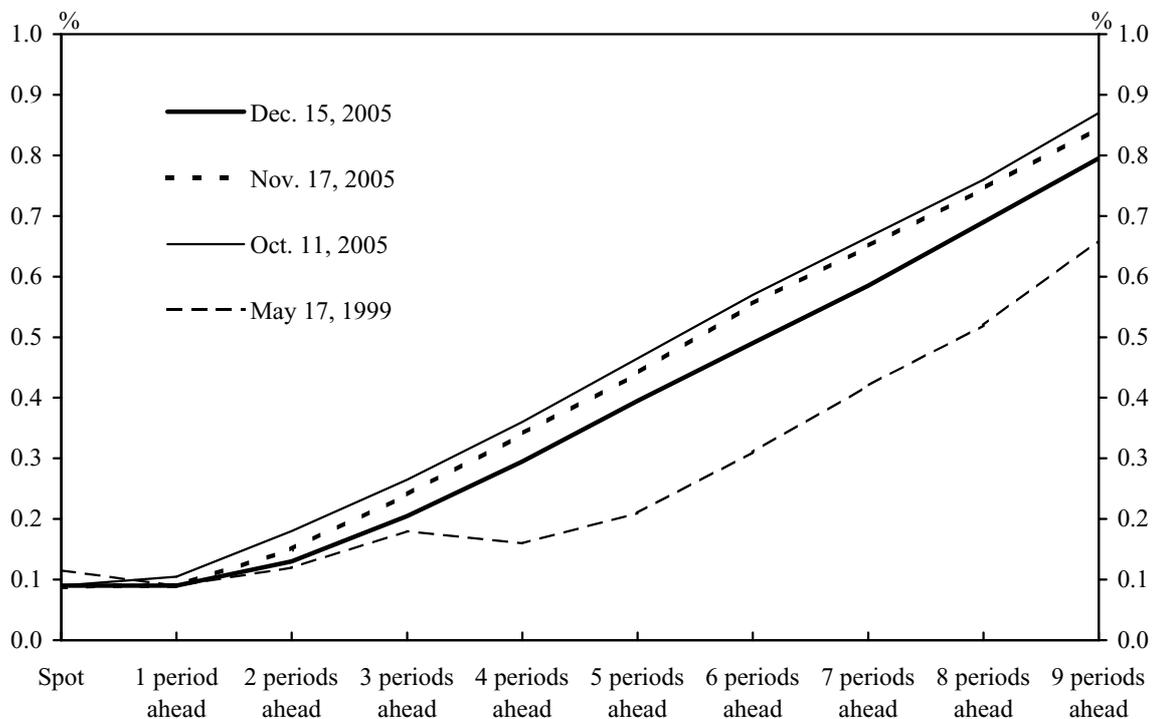
Sources: Bank of Japan; Tokyo Financial Exchange; Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments



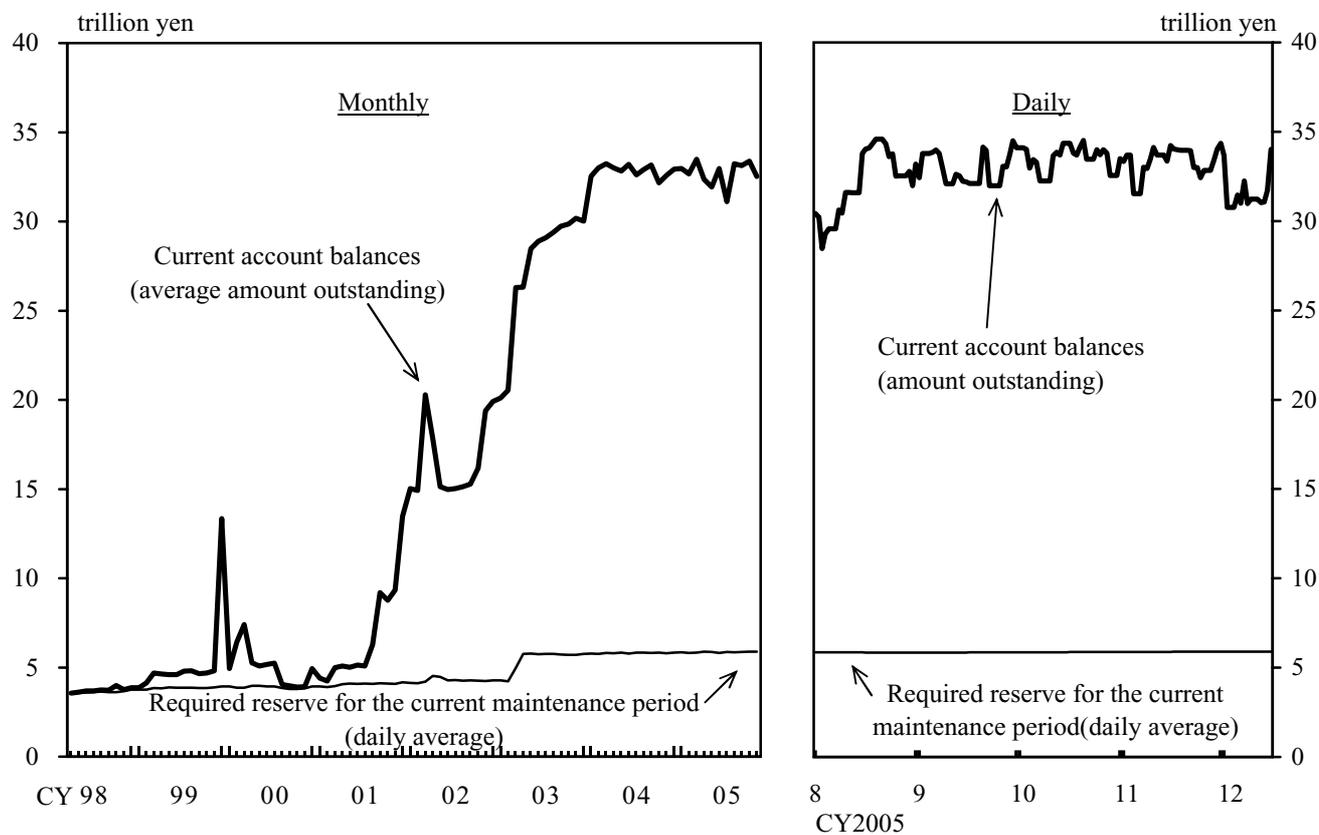
(2) Euroyen Interest Rates Futures (3-Month) ¹



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

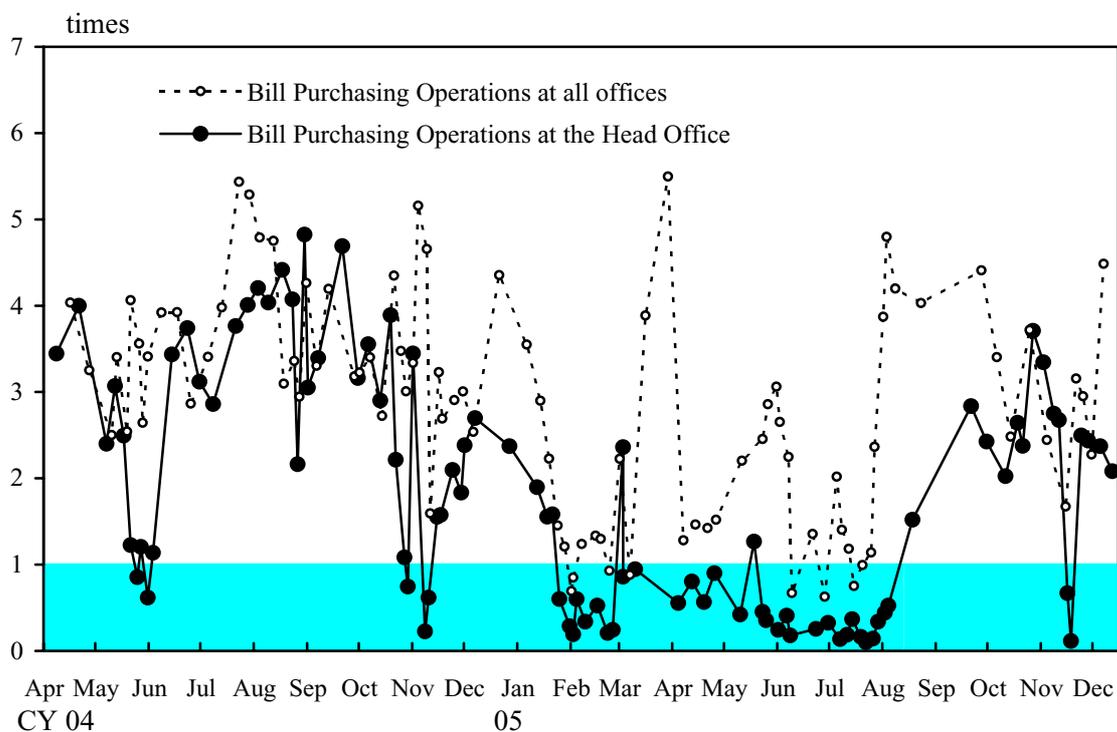


Note: From April 2003, the figures for current account balances and required reserve include the deposit of the Japan Post.

Source: Bank of Japan.

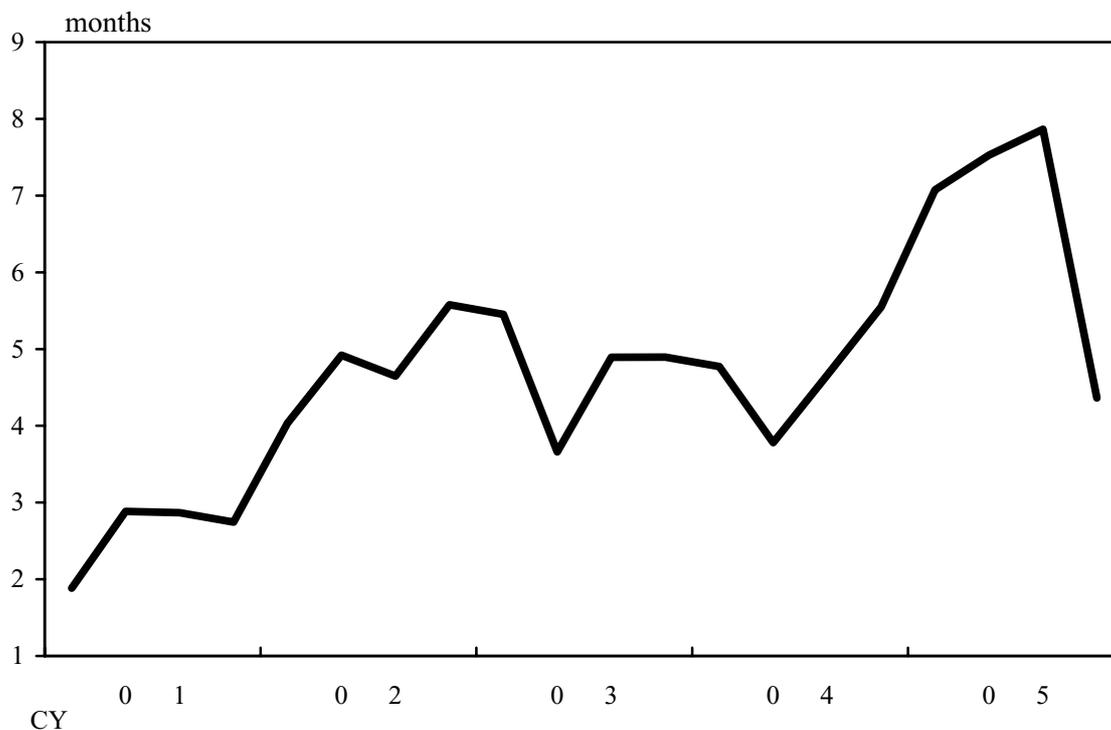
Funds-Supplying Operations

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



Note: Based on the dates of offers.

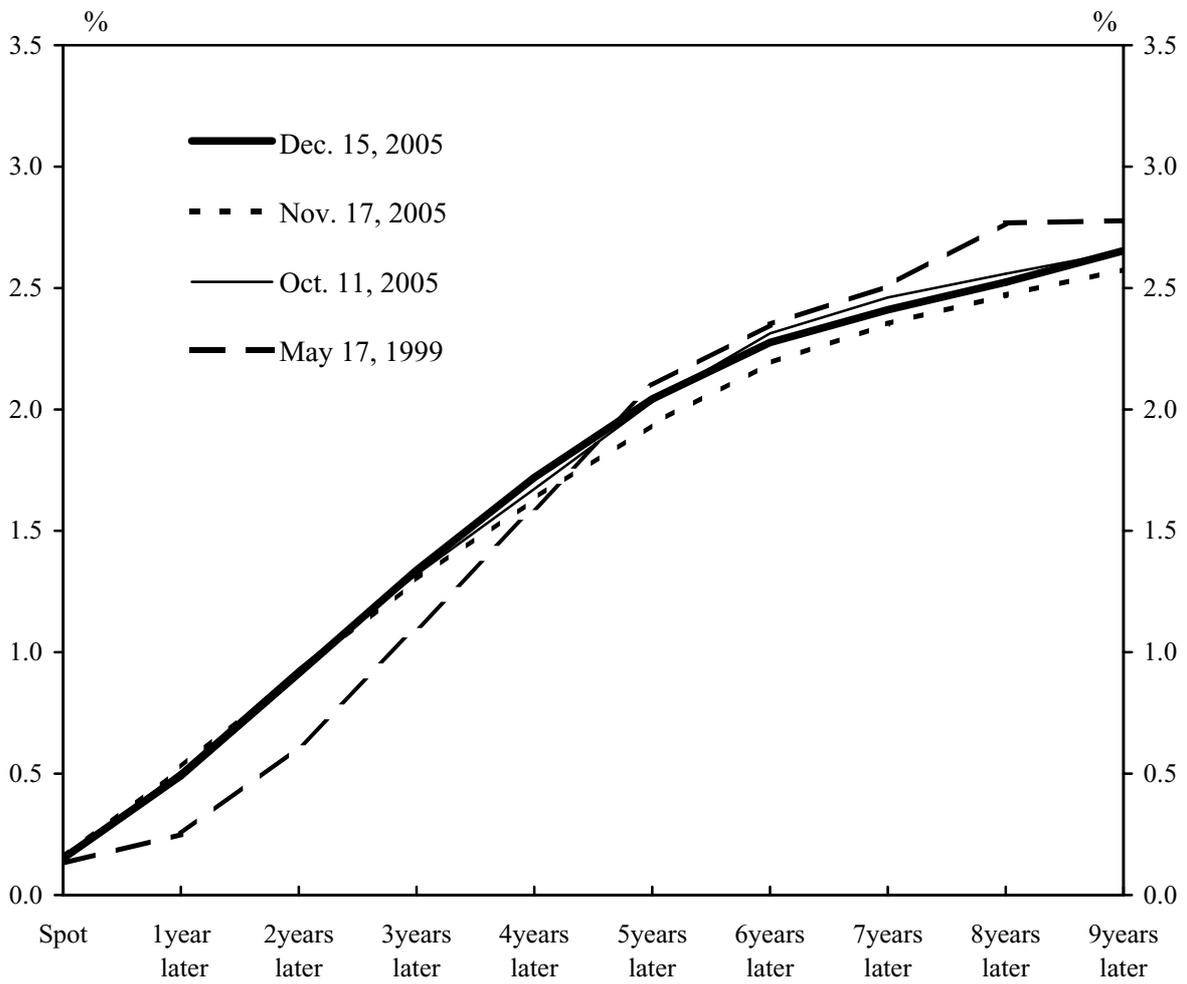
(2) Maturity of Bill-Purchasing Operations



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)

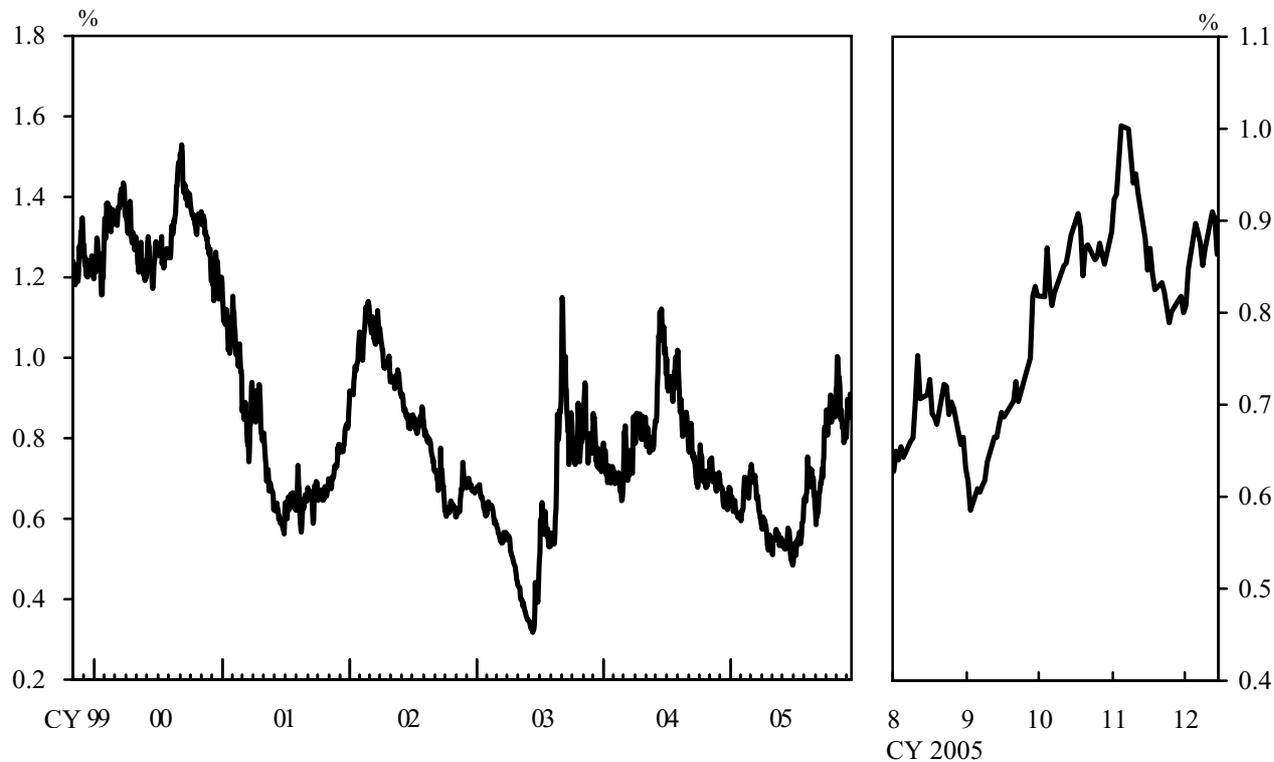


Note: Calculated from yen-yen swap rates.

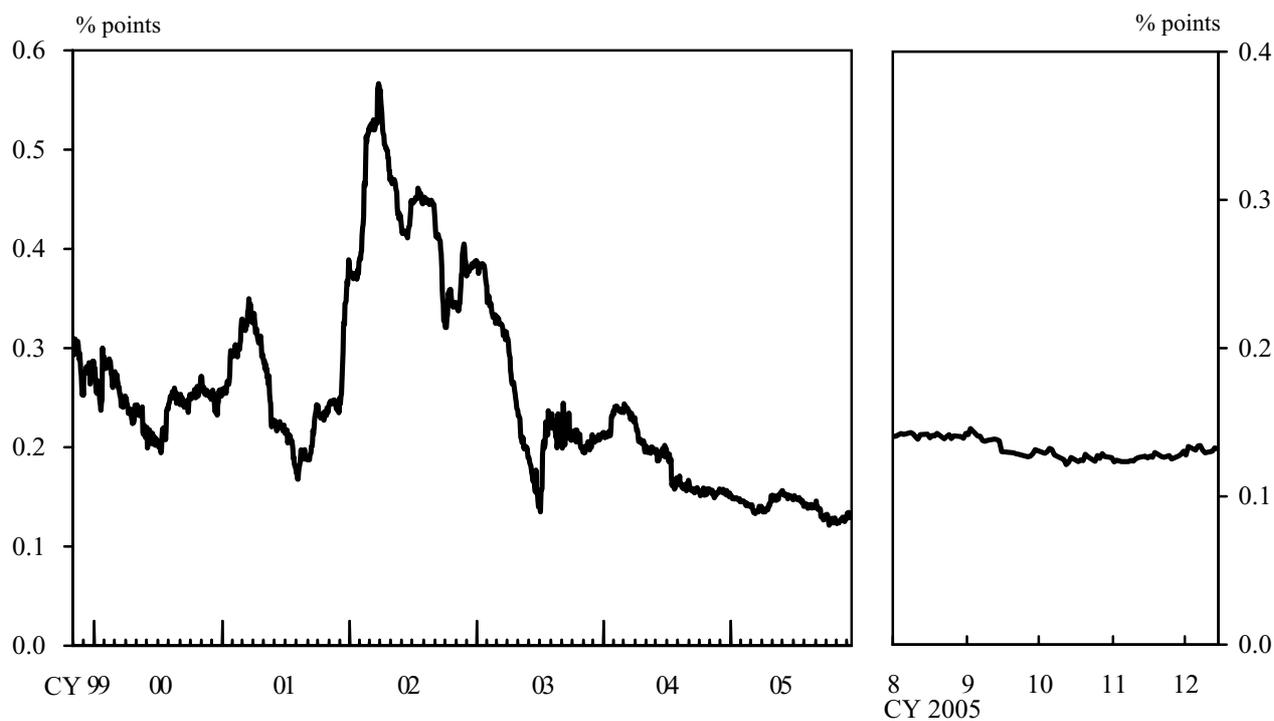
Source: Reuters.

Yields of Bank Bonds

(1) Average Bank Bond Yield



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



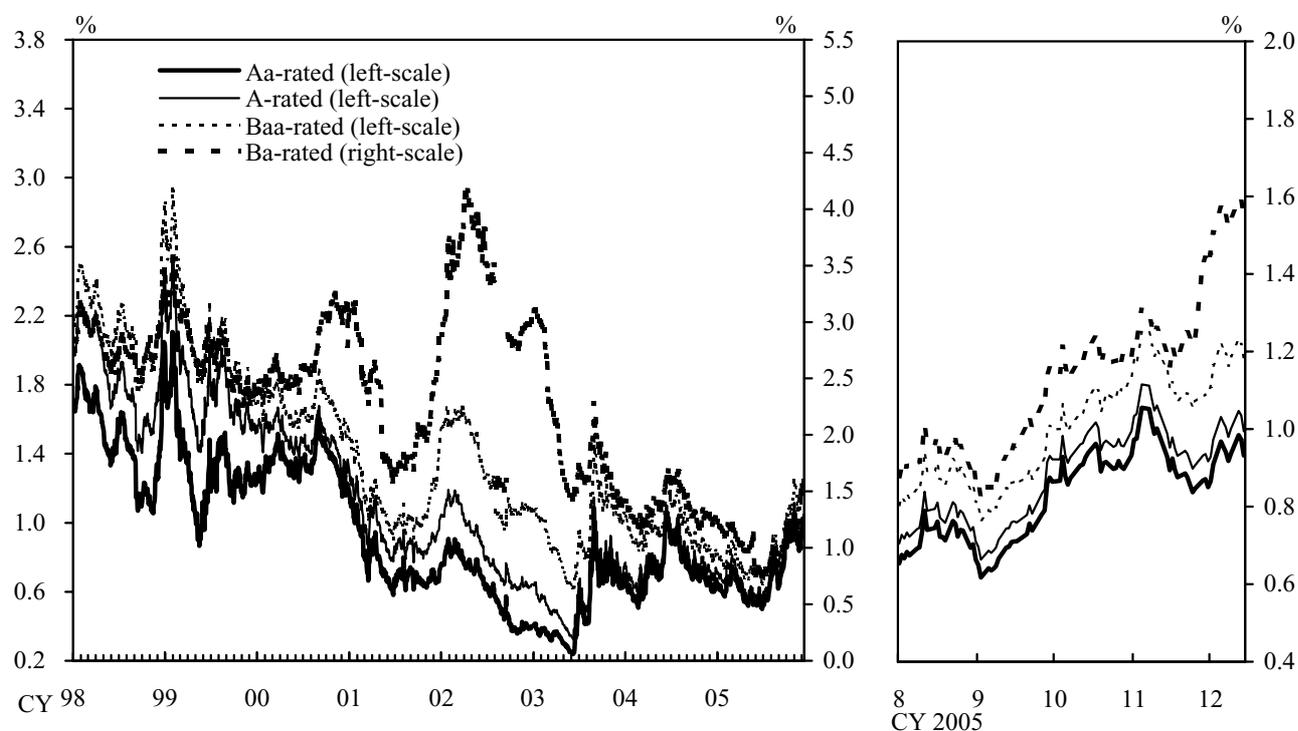
Notes: 1. Yields on bonds with 5-year maturity.

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

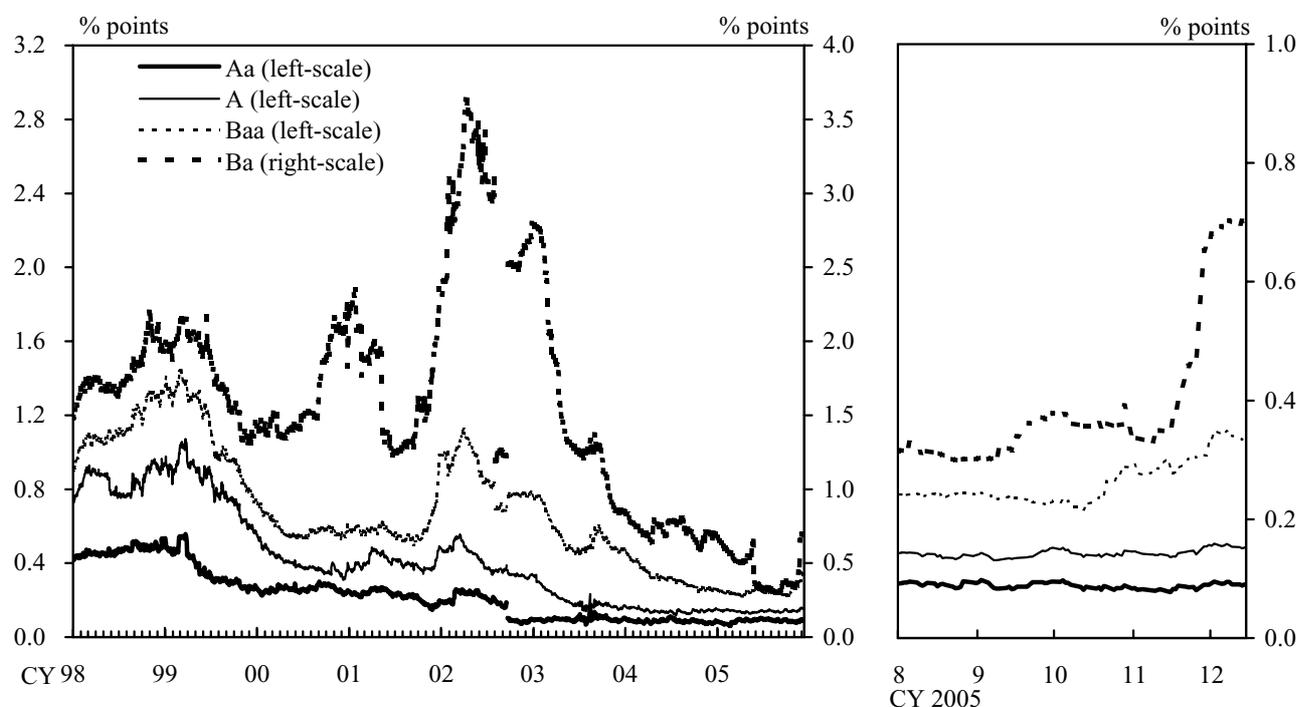
Sources: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."
 "Reference Price(Yields) Table for OTC Bond Transactions."

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.

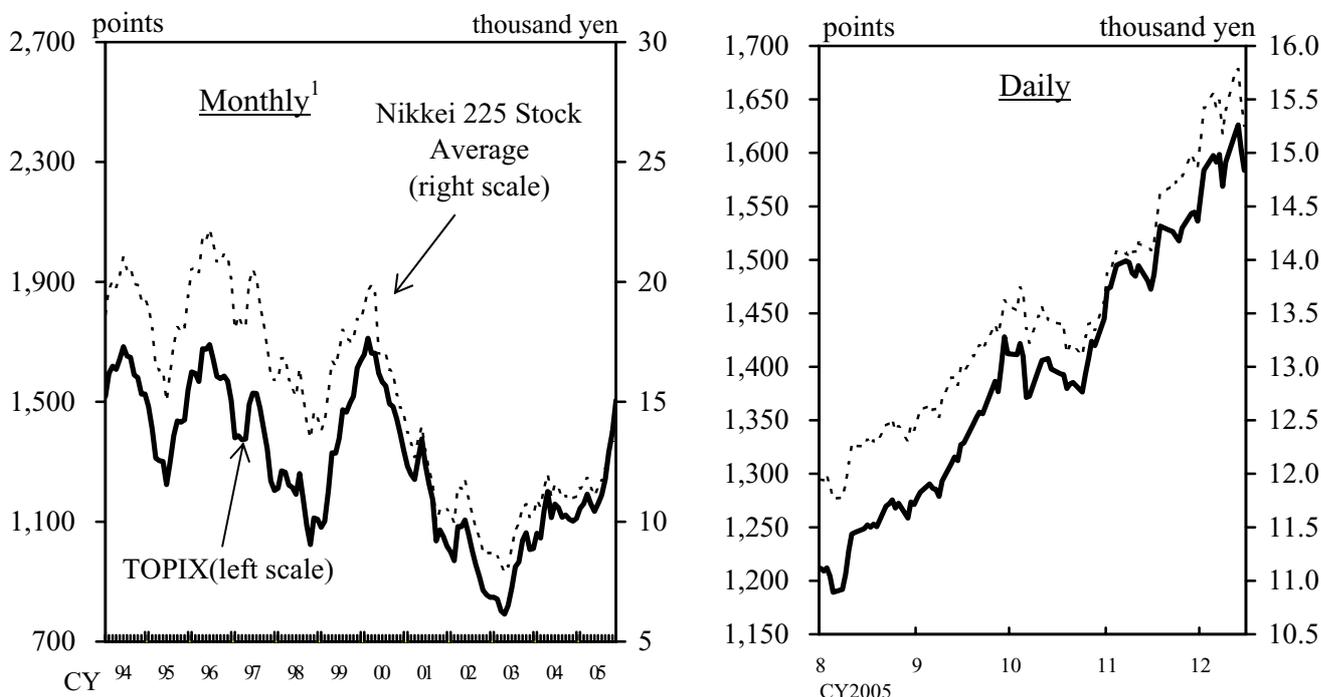
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of 4 to 6 years since Sep. 24, 2002.

2. The indicated ratings are of Moody's.

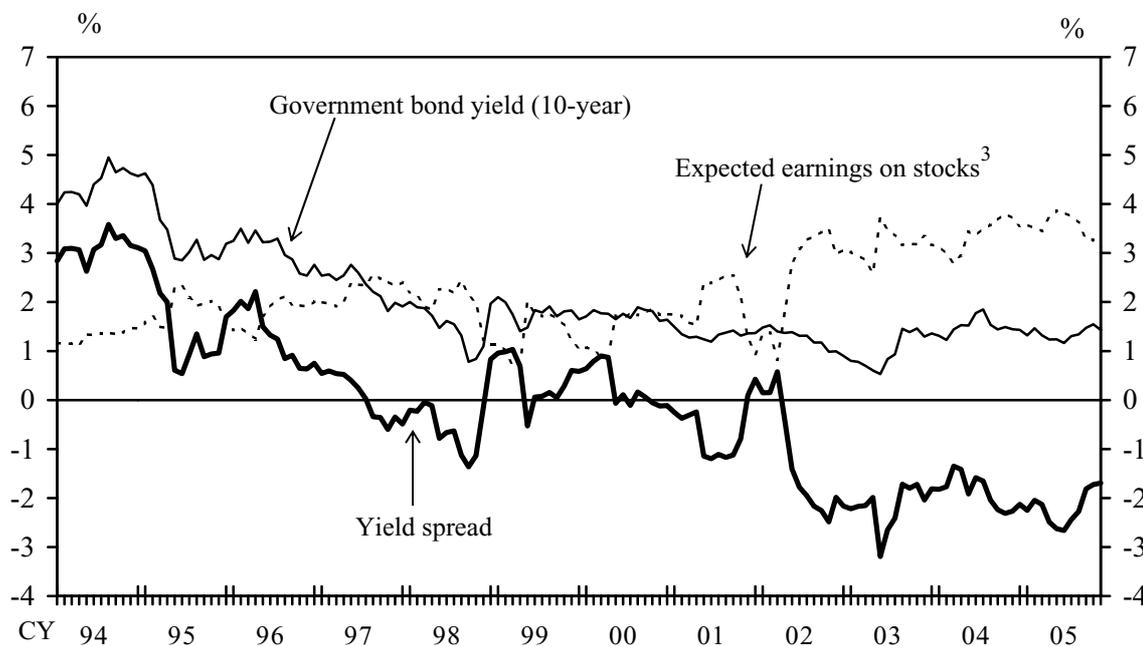
Sources: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations." "Reference Price(Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Stock Prices



(2) Yield Spread²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

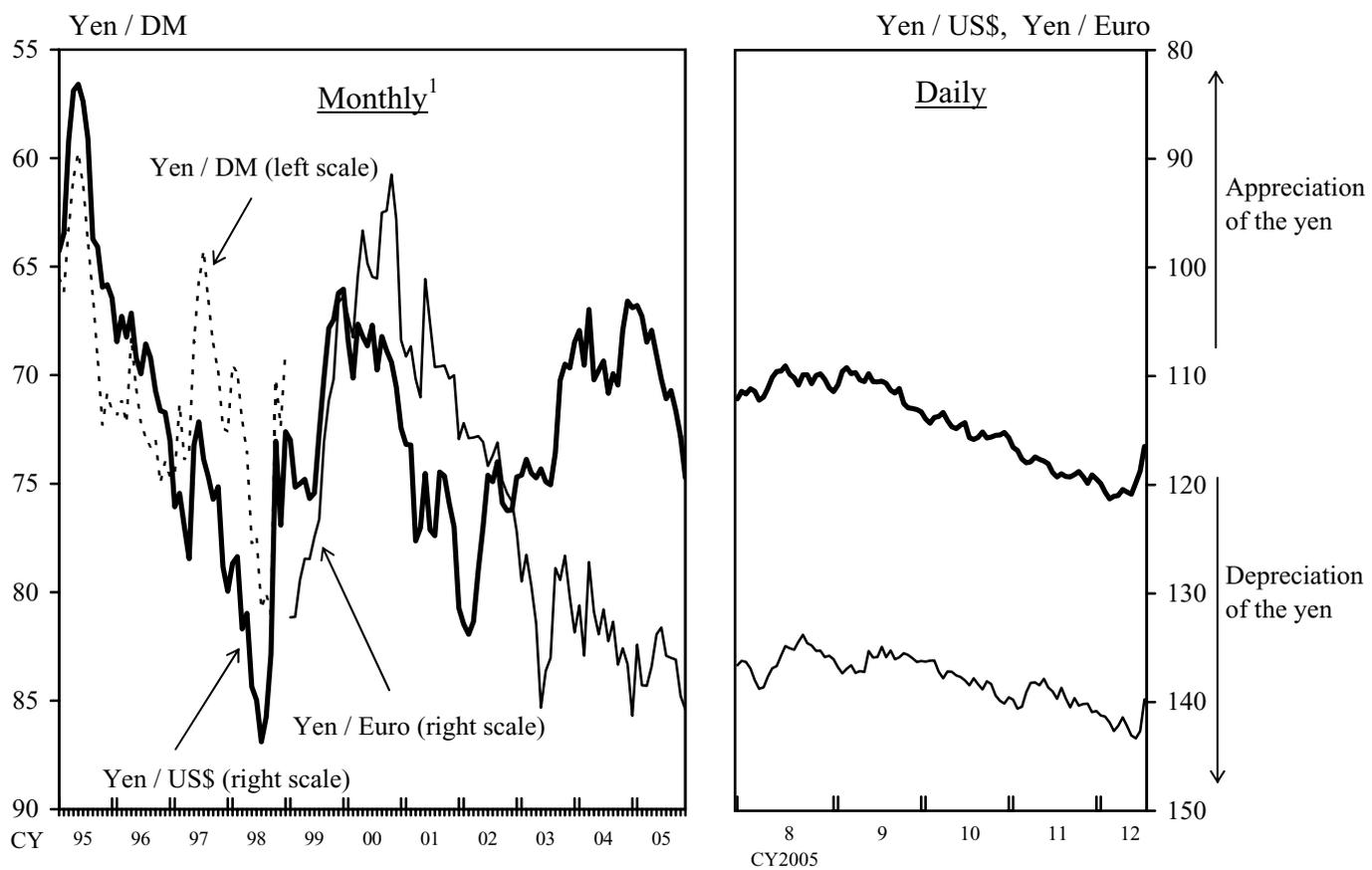
Yield spread = government bond yields - expected earnings on stocks, where expected earnings on stocks = 1/expected price earnings ratio.

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



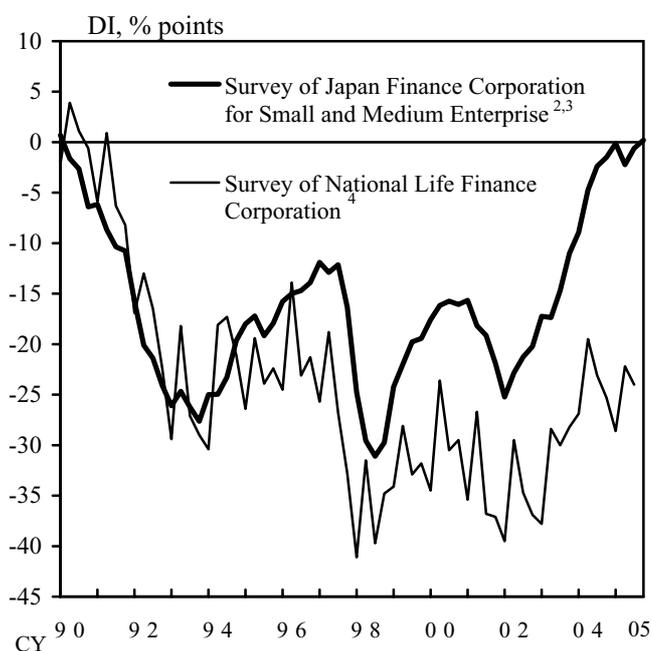
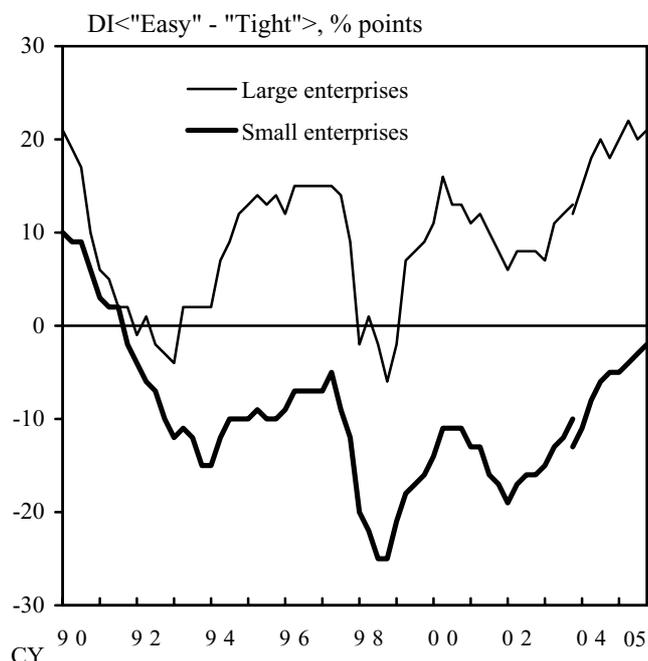
Note: 1. End of month.
 Source: Bank of Japan.

Corporate Finance-Related Indicators

(1) Financial Position

<Tankan¹>

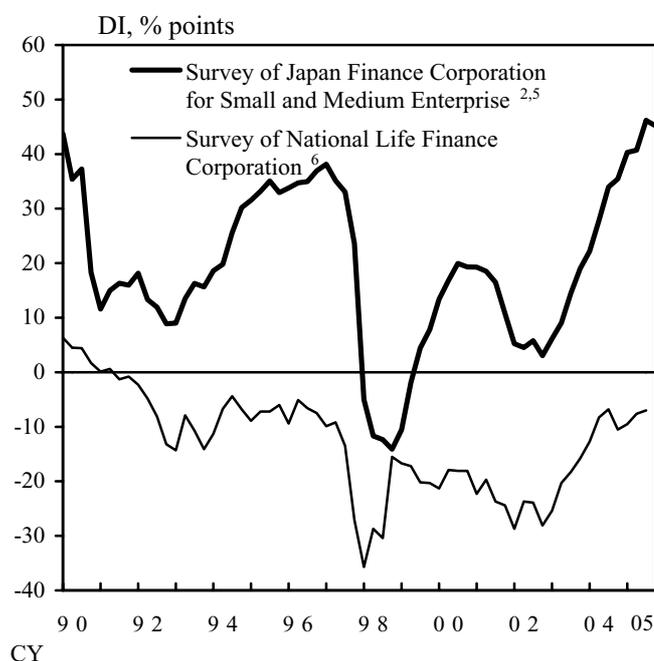
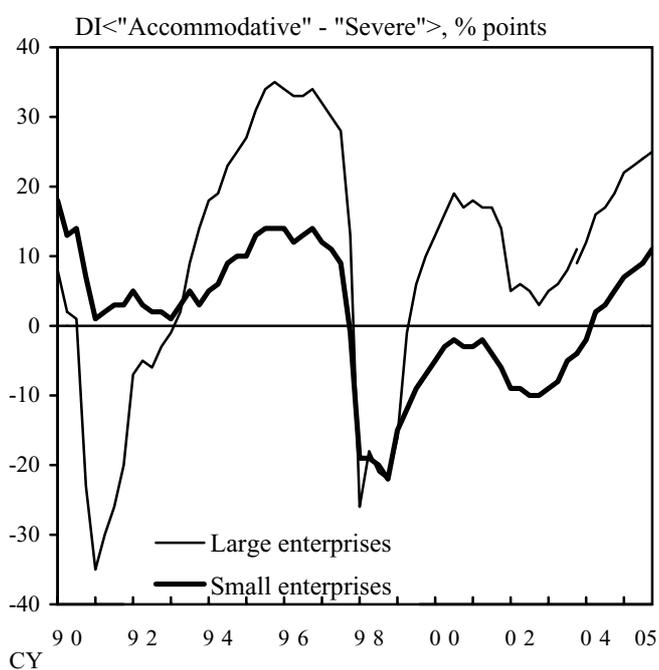
<Other Surveys>



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

<Tankan¹>

<Other Surveys>



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

2. Figures are quarterly averages of monthly data. Figures for 2005/Q4 are those of Oct.-Nov. averages .

3. DI of "Easy" - "Tight"

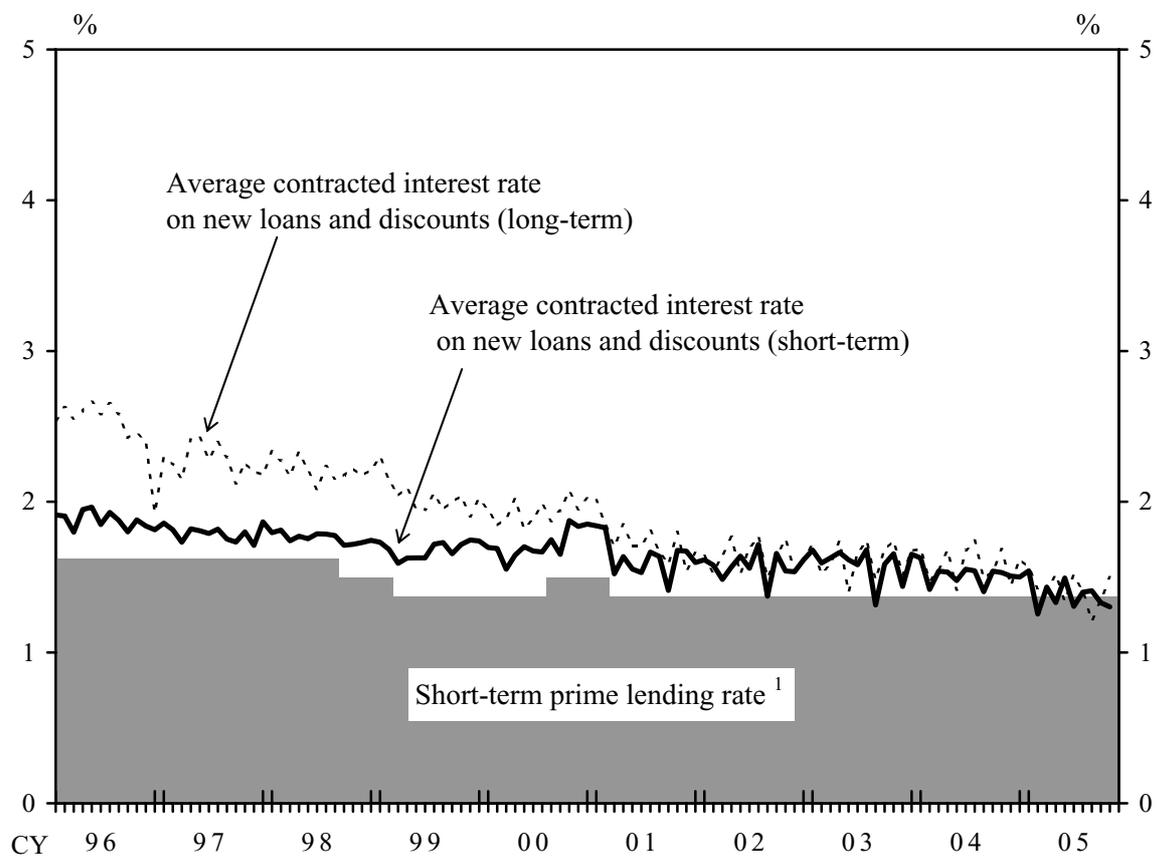
4. DI of "Easier" - "Tighter"

5. DI of "Accommodative" - "Severe"

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

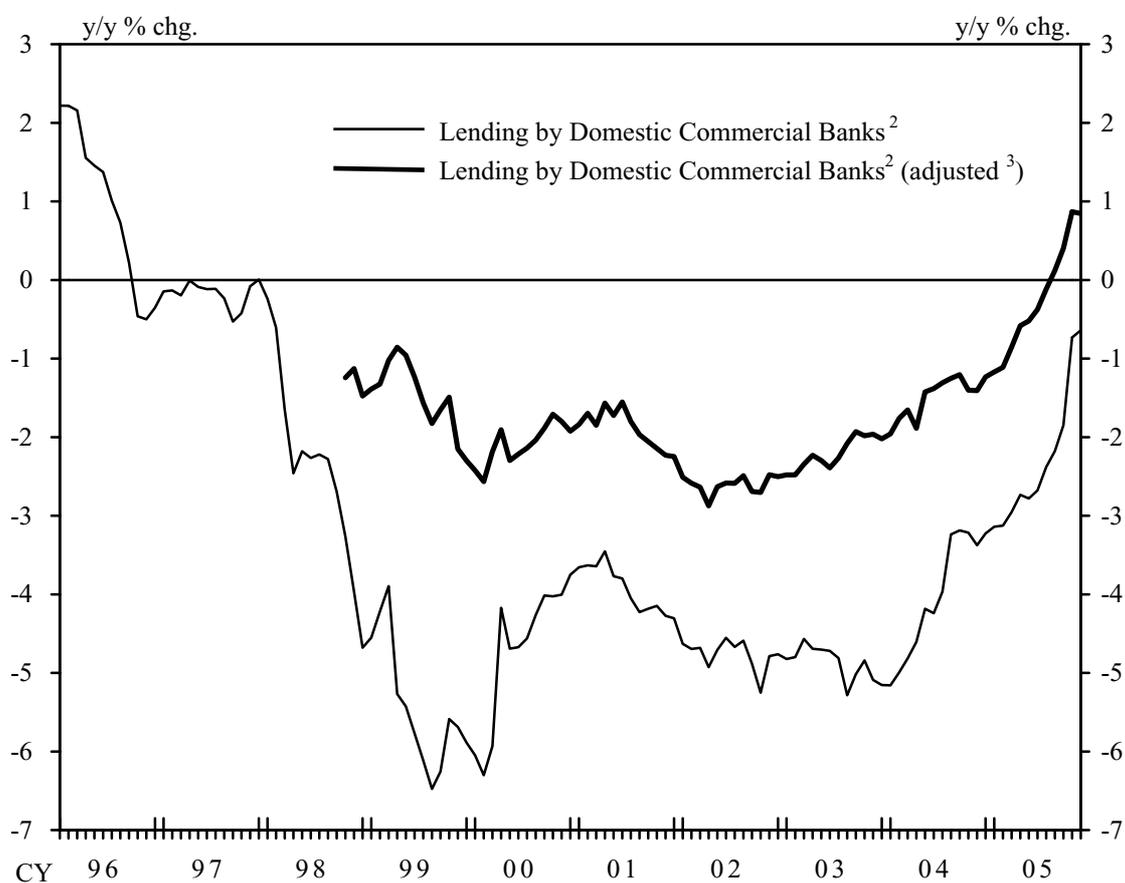
Sources: Bank of Japan, "*Tankan*, Short-term Economic Survey of Enterprises in Japan" ; Japan Finance Corporation for Small and Medium Enterprise, "Monthly Survey of Small Businesses in Japan" ; National Life Finance Corporation, "Quarterly Survey of Small Businesses in Japan."

Lending Rates



Note: 1. Data are at end of period.

Source: Bank of Japan.

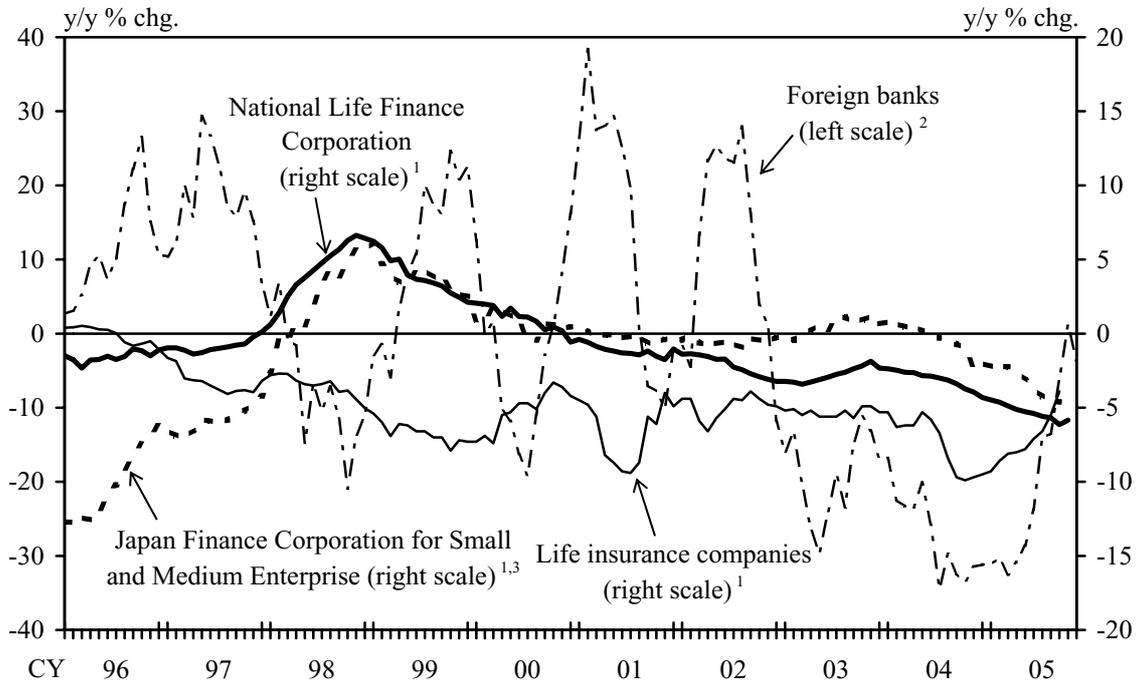
Lending by Domestic Commercial Banks ¹

- 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."

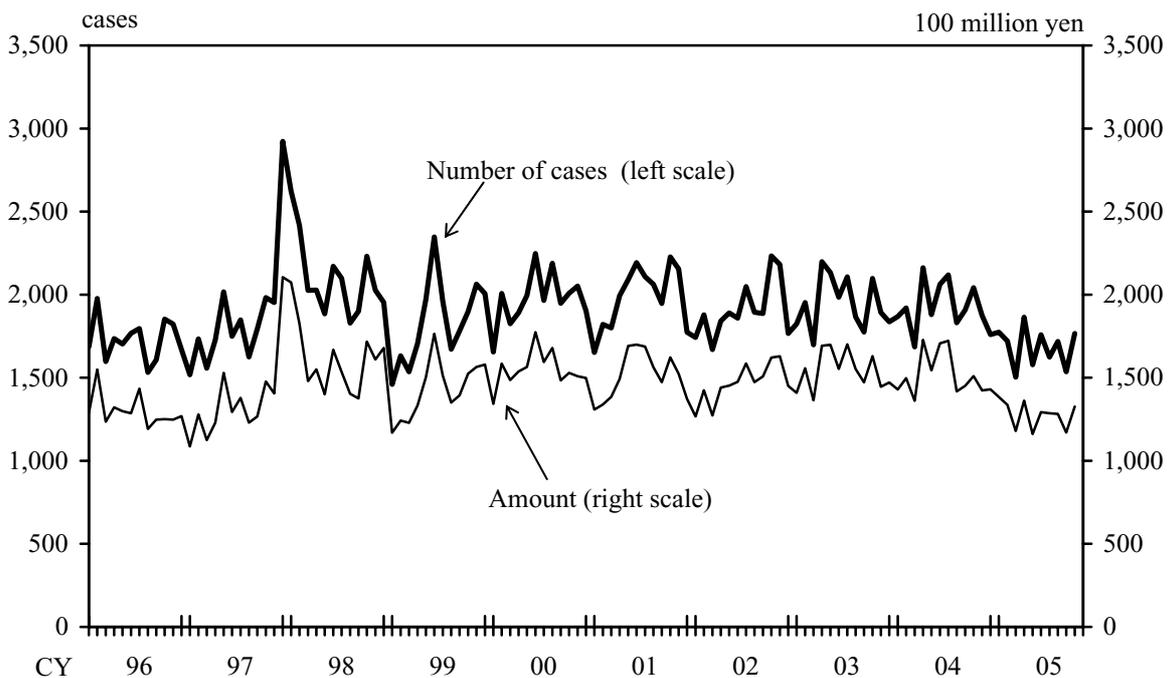
Lending by Other Financial Institutions

(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.

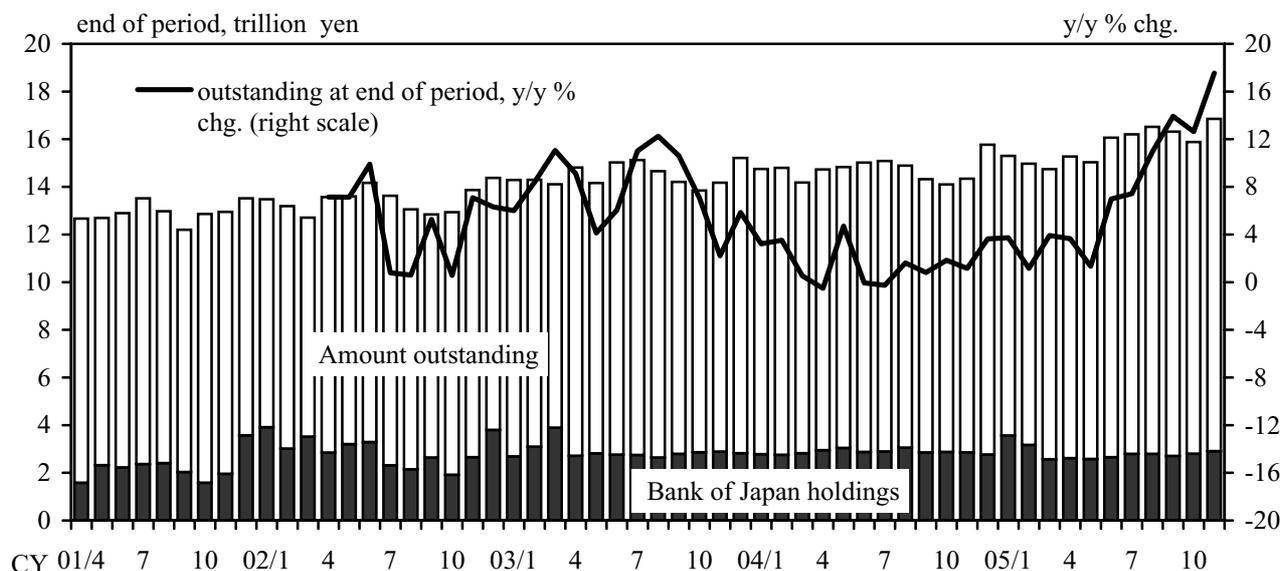
(2) Application for a Loan from Japan Finance Corporation for Small and Medium Enterprise



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

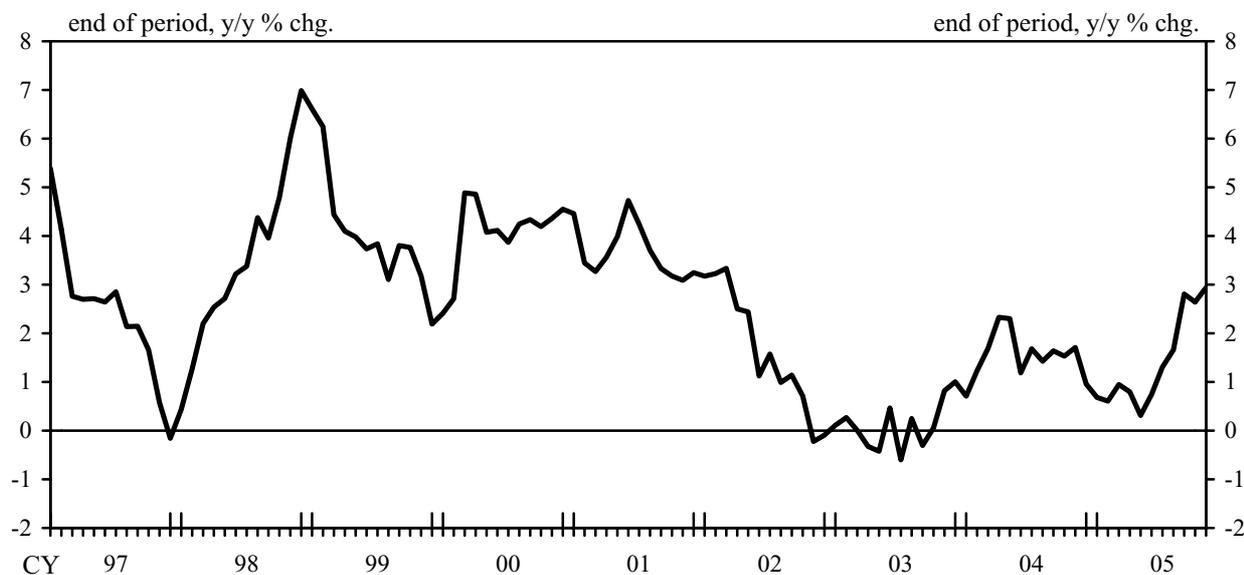
Private-Sector Fund-Raising in the Capital Markets

(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)



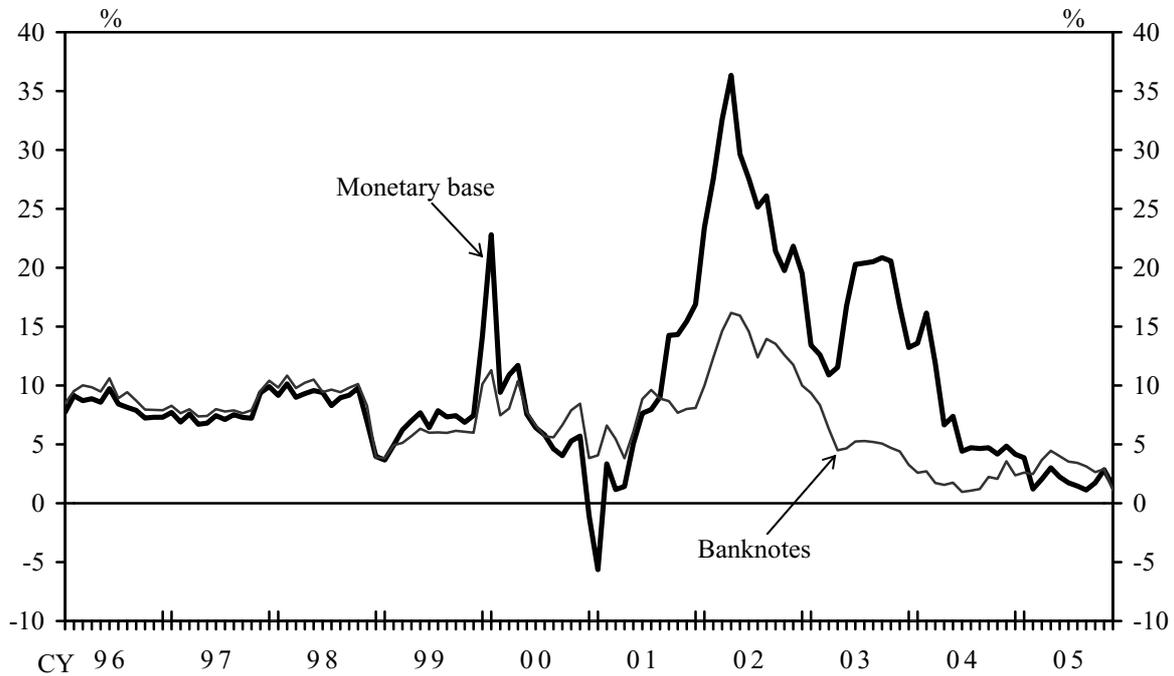
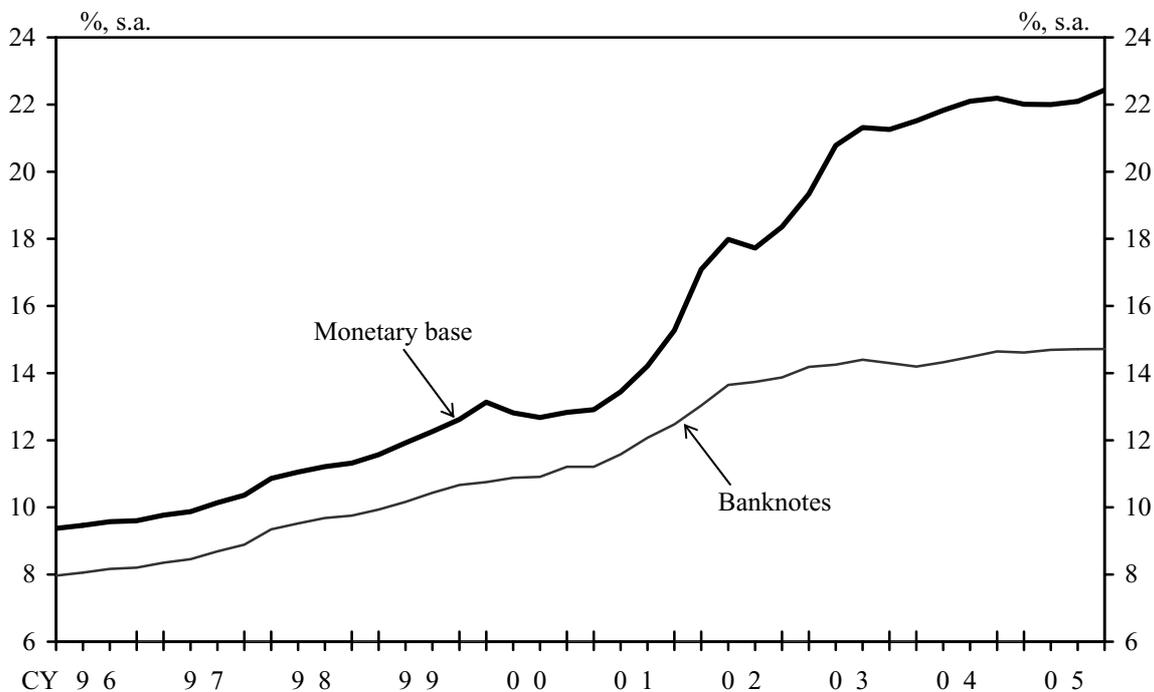
Note: Percentage changes from the previous year of the amount outstanding of corporate bonds are estimated figures. Procedures of the estimation are summarized as follows:

- (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**

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

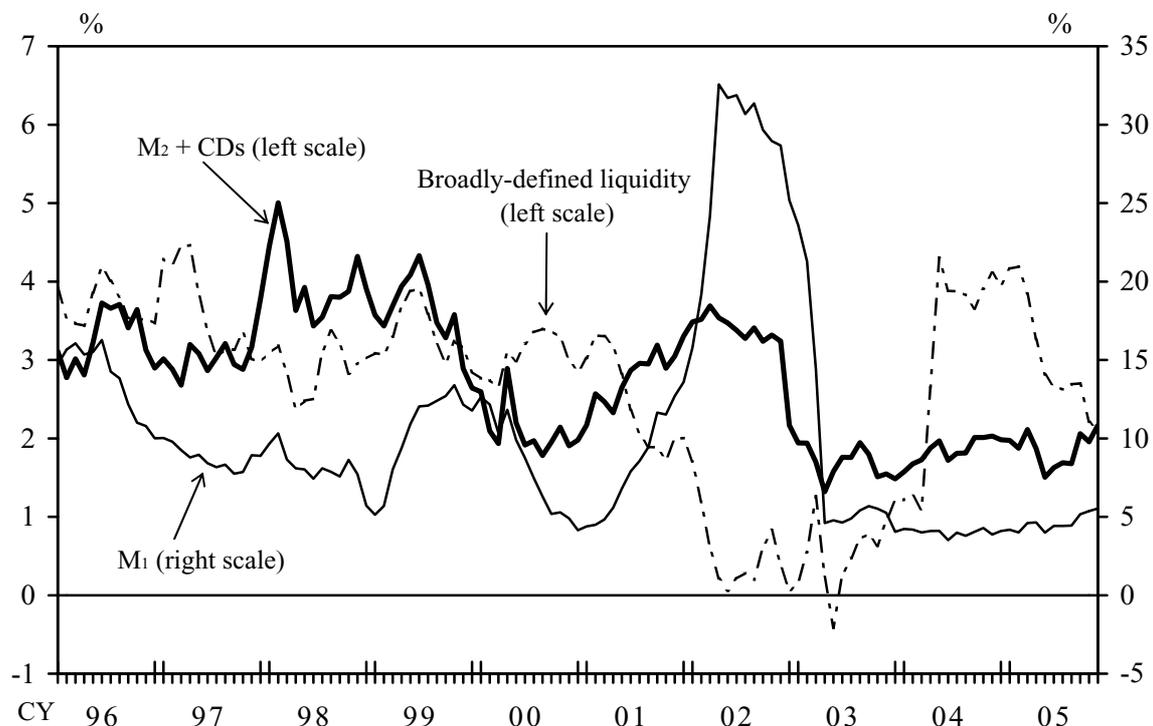
Data for currency in circulation include holdings of financial institutions.

2. Figures for the monetary base and banknotes in 2005/Q4 are those of Oct.-Nov. averages, and the nominal GDP in 2005/Q4 is assumed to be unchanged from the previous quarter.

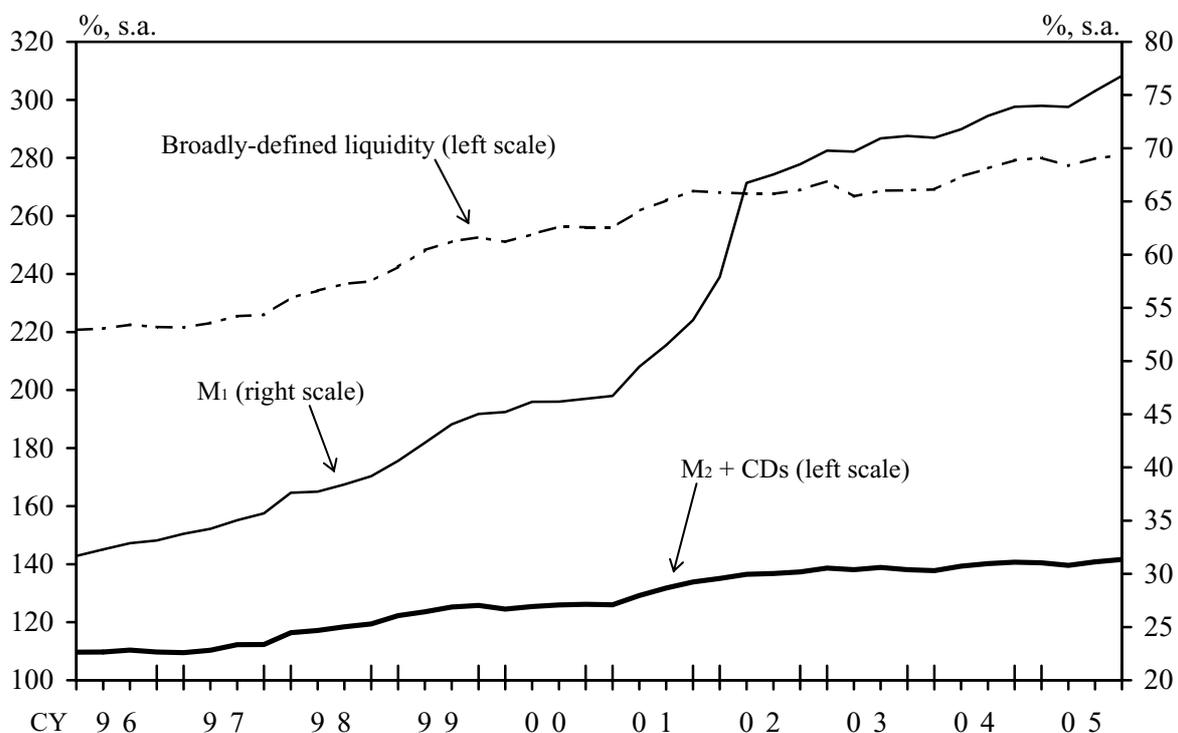
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

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

(1) Changes from a Year Earlier



(2) Ratio of Money Stock to Nominal GDP

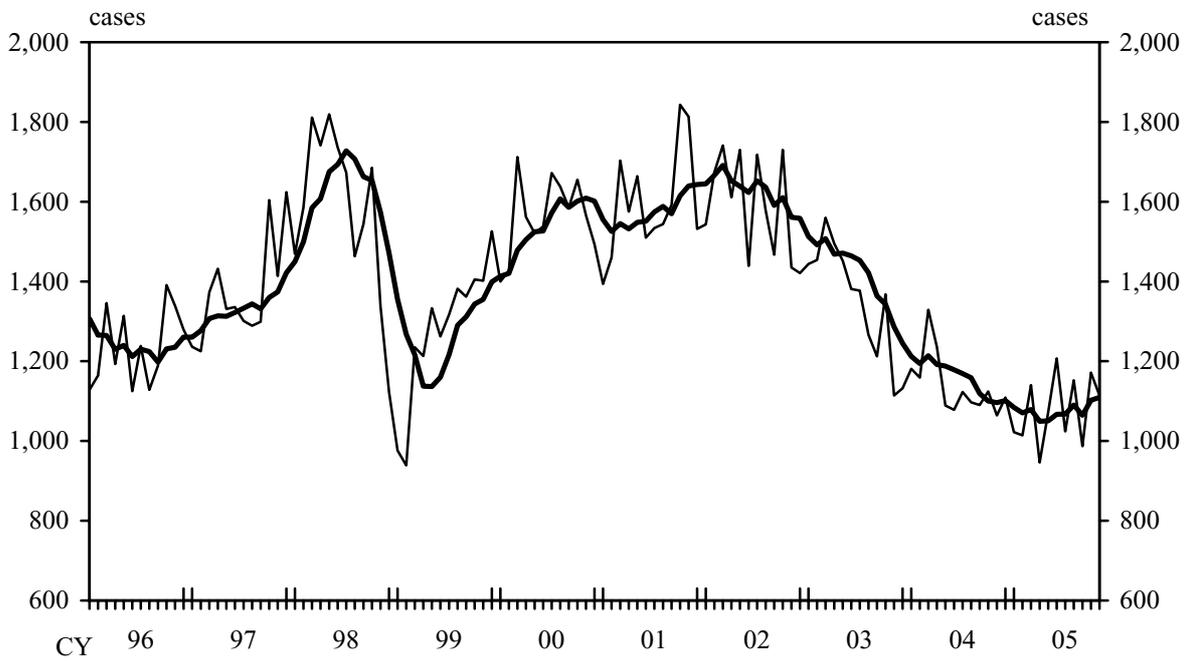


Note: Figures for money stock in 2005/Q4 are those of Oct.-Nov. averages, and the nominal GDP in 2005/Q4 is assumed to be unchanged from the previous quarter.

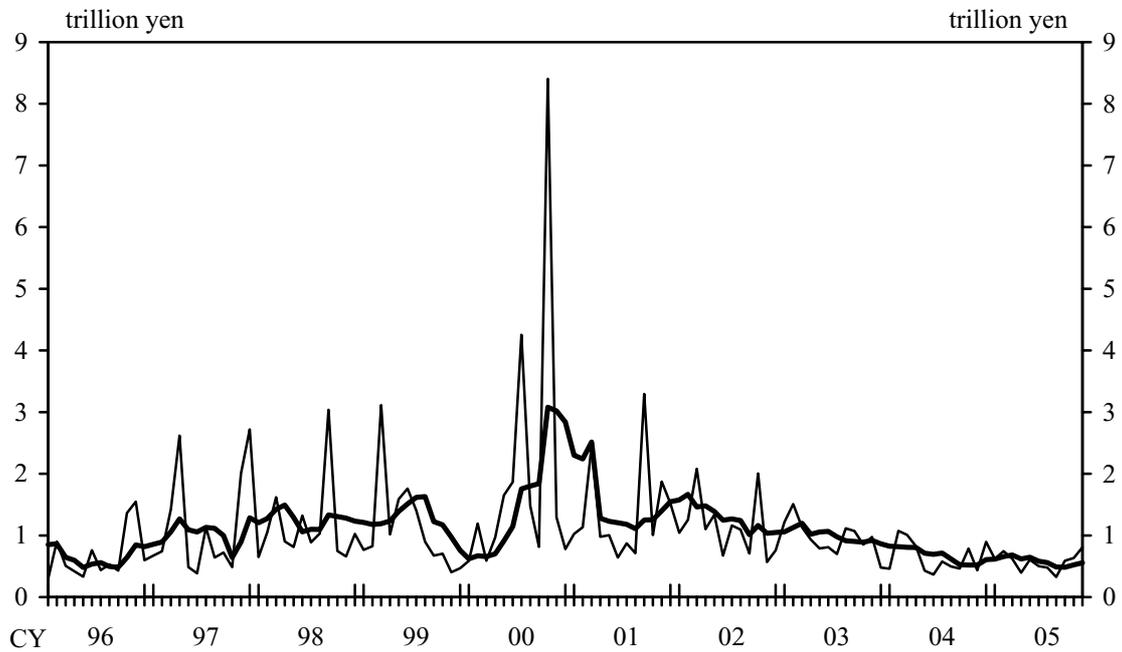
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities

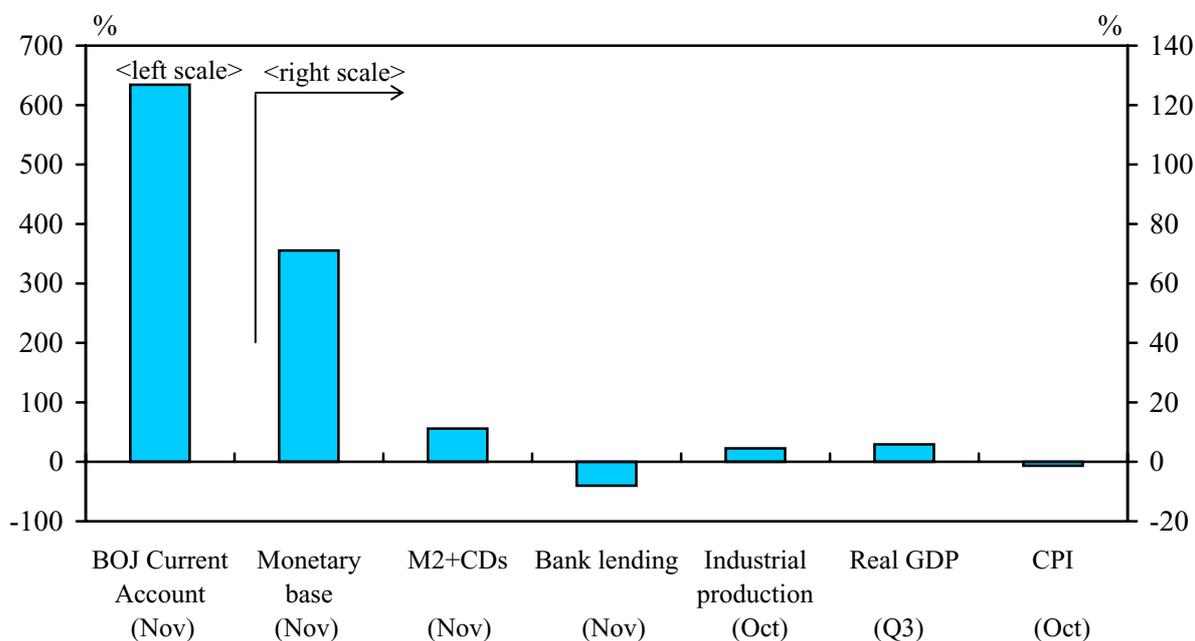


Note: Bold lines are the six-month moving average.

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

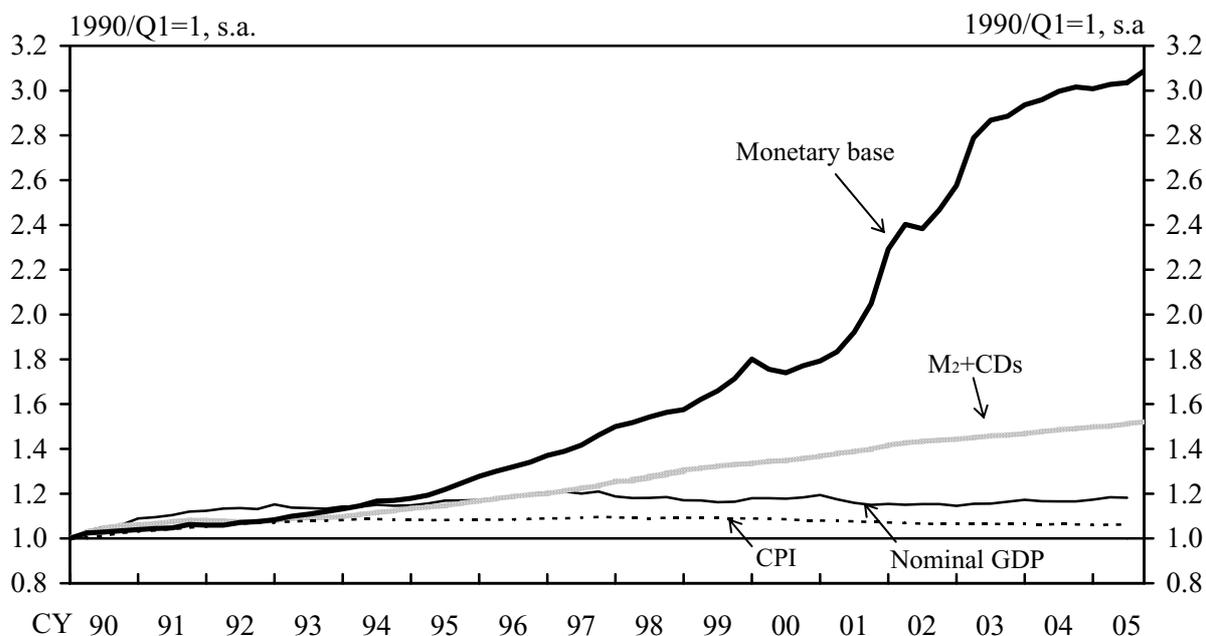
 Monetary Indicators, Economic Activity and Price Development

(1) Changes from March 2001



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

(2) Developments since 1990



- Notes: 1. Figures for monetary base are adjusted for changes in reserve requirement rates.
 2. Figures for CPI exclude fresh food and effects of the change in the consumption tax rate.
 3. Figures for Monetary base and M2+CDs in 2005/Q4 are those of Oct.-Nov. averages.

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