

February 13, 2006  
Bank of Japan

**Monthly Report of  
Recent Economic and Financial Developments**  
February 2006

(English translation prepared by the Bank's staff based on the Japanese original  
released on February 10, 2006)

# Monthly Report of Recent Economic and Financial Developments<sup>1</sup>

February 2006

## The Bank's View<sup>2</sup>

Japan's economy continues to recover steadily.

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

Japan's economy is expected to continue to recover steadily.

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 in the second half of last year. The year-on-year rate of change in consumer prices (excluding fresh food) has been slightly positive.

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<sup>1</sup> This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on February 8 and 9, 2006.

<sup>2</sup> The text of "The Bank's View" was decided by the Policy Board at the Monetary Policy Meeting held on February 8 and 9, 2006.

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. As for the year-on-year rate of change in consumer prices, a positive trend is projected to be established, 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 decline in credit demand in the private sector is coming to a halt. Under these circumstances, the rate of increase in the amount outstanding of lending by private banks is accelerating, and the amount outstanding of CP and corporate bonds issued has been above the previous year's level. The year-on-year growth rate of the monetary base has been at the 1.0-2.0 percent level, and that of the money stock has been around 2.0 percent. As for developments in financial markets, money market conditions continue to be extremely easy, as the Bank of Japan continues to provide ample liquidity. In the foreign exchange and capital markets, long-term interest rates and stock prices have risen compared with last month, while the yen's exchange rate against the U.S. dollar has fallen compared with last month.

## **The Background**

### **1. Japan's Economy**

Public investment has been on a downtrend (Chart 4). The amount of public construction completed—which reflects the progress of public works—fell again in October-November, after the slight increase in the third quarter. The value of public works contracted—a measure that reflects public orders—also dropped in the fourth quarter, after having been almost flat in the third quarter. Public investment is expected to remain on a downtrend due to tight national and local fiscal conditions.

Real exports have continued to increase against the background of the expansion of overseas economies (Charts 5[1] and 6); exports rose 3.3 percent in the third quarter and 2.8 percent in the fourth quarter on a quarter-on-quarter basis.

As for real exports by region (Chart 6[1]), exports to the United States have continued to increase steadily, posting a sizeable gain in the fourth quarter, led by automobile-related goods. Meanwhile, exports to China—which had been lacking momentum until the middle of last year—posted a solid increase in the fourth quarter, particularly in IT-related goods and automobile-related goods, after having risen notably in the third quarter (Chart 9). Exports to the EU have also been trending up moderately. Exports to the NIEs have continued rising at a moderate pace on the whole, although exports to Taiwan have declined.<sup>3</sup> By goods (Chart 6[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 firm in the fourth quarter, following the third quarter. Exports of capital goods and parts (semiconductor manufacturing equipment) have also continued their solid increase (Charts 7[1] and 8[1]). Exports of automobile-related goods posted relatively strong growth in the fourth quarter after the marginal decline in the third quarter (Chart 7[3]), fueled by the depletion of goods waiting for shipment.

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<sup>3</sup> The decline in exports to Taiwan appears primarily to be the result of a peaking-out in construction related to Taiwan High Speed Rail, but it may also have been affected by the transfer of production to China by Taiwanese firms.

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 more or less flat (Charts 5[1] and 11). By goods, imports of aircrafts and foodstuffs, which tend to fluctuate widely, declined in the fourth quarter. Growth in imports of IT-related goods was only marginal in reaction to the sizeable increase in the third quarter. Meanwhile, imports of capital goods and parts (excluding aircrafts) have continued their uptrend and imports of consumer goods have trended up with some fluctuations.

The surplus of net exports in terms of the real trade balance has increased substantially in the fourth quarter, reflecting the above-mentioned developments in exports and imports (Chart 5[2]). The surplus of the nominal balance on goods and services has lately widened noticeably in light of the above-mentioned developments in the real trade balance, although it had been declining due to the rise in import prices of raw materials. Meanwhile, the current account balance has been relatively stronger as a trend compared to 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 10[2]). Looking at the environment surrounding exports, the U.S. economy has continued to expand at a steady pace as a trend, driven by domestic private demand, although the pace of growth moderated slightly in the fourth quarter. 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, high economic growth has continued on the whole, although the imbalance in the supply-demand conditions of some sectors has remained. Meanwhile, in the foreign exchange market, the yen has recently 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, reflecting the depreciation of the yen experienced last year (Chart 10[1]). These developments in the foreign exchange market are expected to support export growth.

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

Business fixed investment has continued to increase. Shipments of capital goods (excluding transport equipment)—a coincident indicator of machinery investment—maintained their uptrend despite some fluctuations, with some strength in semiconductor manufacturing equipment in the fourth quarter (Chart 12[1]). Meanwhile, machinery orders (private demand, excluding shipbuilding and orders from electric power companies)—a leading indicator of machinery investment—followed a steady uptrend (Chart 13[1]). Moreover, construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—fell markedly in the third quarter, but posted significant growth again in the fourth quarter, suggesting that they have generally remained on an uptrend despite some fluctuations (Chart 13[2]).

Business fixed investment is expected to continue increasing, since the expansion in domestic and external demand, and the high level of corporate profits are likely to be maintained.

Private consumption has been steady overall, although readings still varied among indicators. Looking at individual indicators on consumption (Charts 14 and 15), the number of new passenger-car registrations bounced back in January led by small passenger cars and mini-vehicles, after a period of weakness since the second half of the previous year, largely because of the insufficient number of new model automobiles being introduced which could have boosted demand. By contrast, sales of household electrical appliances have continued their steady increase. Sales at department stores have remained firm on average, particularly in apparel, accessories (such as handbags) and jewelry, though sales in December edged down, dampened partly by the effects of the snowfall. Supermarket sales advanced somewhat of late, mainly in apparel, although they had been generally weak.<sup>4</sup> Sales at convenience stores, however, posted consecutive declines in the third and fourth quarters, after the moderate uptrend until the first half of last year. As for services consumption, sales

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<sup>4</sup> The increase in December is partly attributable to the fact that the closing down of unprofitable stores by a major supermarket chain has pushed up those figures adjusted for changes in the number of stores.

in the food service industry have followed a steady increasing trend and, especially in the second half of last year, its pace accelerated somewhat, mainly in bars and restaurants. Outlays for travel, on the other hand, have been almost flat on average, although overseas travel moved up slightly in November.

Indices of aggregated sales (in real terms), which are comprised of major sales indicators of these goods and services,<sup>5</sup> were solid in the fourth quarter, supported by favorable sales in apparel (Chart 16). The aggregate supply of consumer goods—which comprehensively captures producers’ supply of goods—stepped up in the fourth quarter, led by digital home appliances and heating equipment, following the marginal decline in the third quarter, mainly in automobiles (Chart 17). 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 after the large drop registered in July, indicating that it remained solid with the fluctuations smoothed out (Chart 14).<sup>6</sup>

Indicators for consumer sentiment have been on an improving trend, against the background of the improvement in employment situation and higher stock prices (Chart 18).

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

As for housing investment, housing starts have shown some strength (Chart 19[1]), recording a fairly high level in the third and fourth quarters, chiefly in starts of housing for sale and housing for rent.<sup>7</sup> Active supply-side initiatives with favorable

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<sup>5</sup> The indices of aggregated sales are the weighted average of each sales indicator. Outlays for travel in December 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 December were at the same level as that in November.

<sup>6</sup> With regard to workers’ households, the December figures already released show that the index rose, particularly in winter clothing and heating equipment.

<sup>7</sup> In December, however, starts of housing for sale and housing for rent decreased rather distinctly. This is likely to be the result of the reaction to their strength shown previously, and of the effects of the snowfall. Moreover, it is also possible that, in the face of the falsified earthquake resistance data scandal, building confirmation has been taking more time than before.

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 on a firm trend, although uncertainties remain with regard to the effects of the falsified earthquake resistance data scandal.

Industrial production has continued to increase since early autumn, although it had repeatedly exhibited fluctuations due to statistical factors until mid-last year. Production rose for a fifth consecutive month in December, and production figures increased by a rather high 2.7 percent in the fourth quarter on a quarter-on-quarter basis (Chart 20). As for the fourth quarter figures by industry, production of electronic parts and devices posted brisk gains following the third quarter, and those of general machinery (semiconductor manufacturing equipment) and transport machinery (automobiles for export) also stepped up.

Shipments posted relatively high growth in the fourth quarter. By goods (Chart 21), the uptrend in shipments of producer goods has become well-defined, particularly in electronic parts and devices. Shipments of capital goods have generally increased further, although they have recently fluctuated widely. Meanwhile, shipments of consumer goods have recently stepped up markedly mainly in durable goods (automobiles for export, digital home appliances), after having been somewhat subdued during the summer.

Meanwhile, inventories overall have been more or less in balance with shipments, although inventories have been relatively high in some materials industries and in transport equipment. The inventory cycle (Chart 22) showed that, in the industrial sector as a whole, growth in inventories still has slightly exceeded that in shipments. When excluding transport equipment, which tends to fluctuate widely, however, the year-on-year rate of growth in inventories clearly fell below that in shipments, indicating that the inventory-shipment balance has been generally favorable. In detail, electronic parts and devices have evidently been in the recovery phase, with inventories decreasing while shipments have risen substantially. Meanwhile, inventories of producer goods, excluding electronic parts and devices, have been in a moderate adjustment phase on the whole, particularly in iron and steel, chemicals, and paper, although inventories of petroleum products have decreased,



essentially as a result of the rise in demand for kerosene due to lower temperatures. Among materials, however, high value-added products for IT-related goods and automobiles remain in favorable supply-demand conditions. Meanwhile, inventories of durable consumer goods have recently been quite high on a year-on-year basis, affected to a large extent by temporary factors such as the rise in inventories waiting for shipment and the low inventory level in the previous year, as well as by the decline in domestic passenger car sales.

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. According to anecdotal information, production in the first quarter is likely to increase further.<sup>8</sup>

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 23).

In the labor market, overtime hours worked remained at a high level, although they have been more or less flat (Chart 25[3]). The number of new job offers continued its increase on a year-on-year basis, although the pace of growth moderated slightly (Chart 24[3]). Under these circumstances, the ratio of job offers to applicants has trended up at a moderate pace, reaching 1.00 in December for the first time since September 1992. The unemployment rate declined slightly in December, after having edged higher in October-November due to the rise in those who quit their jobs voluntarily (Chart 24[1]).

In terms of employment, the number of employees in the *Labour Force Survey* has lately been showing a comparatively large increase on a year-on-year basis, lifted by a rather low reading in the same quarter last year. Growth in the number of regular employees in the *Monthly Labour Survey* continued at a steady pace of around 0.5 percent on a year-on-year basis (Chart 25[1]). In detail, not only part-time

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<sup>8</sup> Production in the first quarter, based on the production forecast index of January and February (on the assumption that the March figure is unchanged from the previous month), is calculated to post an increase of 1.3 percent on a quarter-on-quarter basis.

workers but full-time employees have also been increasing since last spring. Consequently, the change in the ratio of part-time workers on a year-on-year basis has been close to zero (Chart 25[2]).<sup>9</sup>

Regarding wages on a year-on-year basis, regular payments have been increasing quite gradually, driven by payments to full-time employees. Special payments of November-December, which comprise the majority of winter bonuses, recorded an increase of 1.8 percent on a year-on-year basis, close to the growth of summer and winter bonuses in the previous year.<sup>10</sup> In this light, nominal wages per worker have gradually increased further (Chart 23 [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.

## **2. Prices**

Import prices (on a yen basis, same hereafter, compared to levels three months before) have continued to climb against the background of the rise in international commodity prices and the depreciation of the yen in the second half of last year (Chart 27).

Domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter, compared to levels three months before)<sup>11</sup> have continued to increase, mainly reflecting the rise in international commodity

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<sup>9</sup> The ratio of part time workers in December is rather low, which is likely to be influenced by the fact that these December figures are preliminary. In the Monthly Labour Survey, the ratio of part time workers tends to come out low at the preliminary stage, and is often revised upward in the final figures released approximately two weeks later.

<sup>10</sup> Winter bonuses (aggregate of special payments in November-January) increased by 1.8 percent, and summer bonuses (aggregate of special payments in June-August) by 1.7 percent on a year-on-year basis.

<sup>11</sup> 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.

prices and the depreciation of the yen in the second half of last year (Chart 28). In detail, prices of nonferrous metals have soared and prices of petroleum and coal products rose further. Prices of other materials (chemicals) have risen with the gradual progress in 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 rose. Meanwhile, the rate of decline in machinery prices has been narrowing moderately. By stages of demand, intermediate goods prices have risen further, while final goods prices have stayed almost unchanged.

The year-on-year rate of decline in corporate services prices (excluding external factors, same hereafter) has stayed on a gradual diminishing trend (Chart 29).<sup>12</sup> The year-on-year rate of decline in the fourth quarter moderated compared to the third quarter, buoyed mainly by the slower decreases in prices of leasing and rental (equipment prices).

The year-on-year rate of change in consumer prices (excluding fresh food, same hereafter) has been slightly positive (Chart 30). In December, consumer prices rose by 0.1 percent on a year-on-year basis, the same as in the previous month.

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. As for the year-on-year rate of change in consumer prices, a positive trend is projected to be established, as supply-demand conditions continue improving gradually and the effects from the reduction in telephone charges dissipate.

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<sup>12</sup> “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.

### **3. Financial Developments**

#### **(1) Financial Markets**

The outstanding balance of current accounts at the Bank of Japan has been moving at around 31-35 trillion yen, as the Bank continues to provide ample liquidity (Chart 33).

As for interest rate developments in the money markets, the overnight call rate (uncollateralized; Chart 31[1]) has been moving at around zero percent. Interest rates on term instruments (Chart 32[1]) have been steady at low levels on the whole. Interest rates on Euroyen futures rose slightly, mainly in distant contracts (Chart 32[2]).

Yields on 10-year government bonds (newly issued 10-year JGB; Chart 31 [2]) have risen, reflecting the rise in U.S. interest rates and firm domestic economic indicators. They have recently been moving at the 1.55-1.60 percent level.

Yield spreads between private bonds (bank bonds and corporate bonds) and government bonds (Charts 36 and 37) have been more or less flat on the whole.

Stock prices (Chart 38) have risen, reflecting the earnings announcements by some firms and heightened expectations for an economic recovery in view of domestic economic indicators. The Nikkei 225 Stock Average is moving at around 16,500 yen.

In the foreign exchange market (Chart 39), the yen fell as the dollar was purchased by foreign investors in view of generally firm U.S. economic indicators. The yen is being traded in the range of 117-119 yen to the U.S. dollar.

#### **(2) Corporate Finance and Monetary Aggregates**

The decline in credit demand in the private sector is coming to a halt, since business outlays such as business fixed investment continue to increase, while the economy continues to recover steadily.

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 40).

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 41).

The rate of increase in the amount outstanding of lending by private banks (monthly average outstanding balance basis, after adjustment for extraordinary factors<sup>13</sup>) is accelerating. (The year-on-year change was 0.9 percent in November, 1.1 percent in December, and 1.3 percent in January; Chart 42.)

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 4.1 percent in November, 4.4 percent in December, and 4.5 percent in January; Chart 44.)

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

The year-on-year growth rate of banknotes in circulation is currently around 2.0 percent. The year-on-year growth rate of the monetary base (currency in circulation + current account balances at the Bank of Japan) has been at the 1.0-2.0 percent level. (The year-on-year change was 1.5 percent in November, 1.0 percent in December, and 1.4 percent in January; Chart 45.)

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 November, 1.9 percent in December, and 1.9 percent in January; Chart 46.)

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<sup>13</sup> The figures are adjusted for (1) fluctuations due to the liquidation of loans, (2) fluctuations in the yen value of foreign-currency-denominated loans due to changes in exchange rates, and (3) fluctuations due to loan write-offs.

The number of corporate bankruptcies increased by 3.6 percent year-on-year in December, to 1,149 cases (Chart 47).

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## Main Economic Indicators (1)

s.a., q/q (m/m) % chg.<sup>1</sup>

	2005/Q2	Q3	Q4	2005/Oct.	Nov.	Dec.	2006/Jan.
Index of living expenditure level (all households)	0.4	-1.7	n.a.	-0.3	-1.2	n.a.	n.a.
Sales at department stores	1.0	-0.7	p 0.8	-0.3	3.6	p -3.1	n.a.
Sales at supermarkets	-1.2	-1.2	p 0.8	-0.9	2.3	p 1.4	n.a.
New passenger-car registrations <sup>3</sup> <s.a., ann. 10,000 units>	<345>	<332>	<320>	<325>	<320>	<316>	<340>
Sales of household electrical appliances (real, Current Survey of Commerce)	-0.3	2.3	p 5.8	1.9	2.0	p 3.0	n.a.
Outlays for travel (50 major travel agencies)	0.8	-2.1	n.a.	-2.5	3.2	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	<120>	<128>	<125>	<128>	<130>	<117>	<n.a.>
Machinery orders (from private sector <sup>4</sup> )	0.8	2.1	n.a.	4.8	2.3	n.a.	n.a.
Manufacturing	7.5	0.4	n.a.	-5.4	11.7	n.a.	n.a.
Nonmanufacturing <sup>4</sup>	-1.9	1.0	n.a.	6.0	7.7	n.a.	n.a.
Construction Starts (private, nondwelling use)	-0.5	-10.3	10.2	25.1	-8.4	2.9	n.a.
Mining & manufacturing	27.8	-24.2	4.7	57.4	-27.5	9.2	n.a.
Nonmanufacturing <sup>5</sup>	-8.5	-3.9	10.5	14.3	-0.1	0.7	n.a.
Value of public works contracted	1.9	0.2	-3.1	-6.0	0.3	-5.5	n.a.
Real exports	1.5	3.3	2.8	0.7	-0.1	1.7	n.a.
Real imports	2.0	2.2	0.1	-2.0	0.9	3.1	n.a.
Industrial production	-0.4	-0.2	p 2.7	0.6	1.5	p 1.4	n.a.
Shipments	1.0	0.2	p 2.9	1.9	0.6	p 1.1	n.a.
Inventories	-0.1	2.5	p 0.1	-1.7	1.5	p 0.3	n.a.
Inventory Ratio <s.a., CY 2000=100>	<96.2>	<101.3>	<p 101.1>	<99.3>	<101.4>	<p 101.1>	<n.a.>
Real GDP	1.2	0.2	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.2	0.2	n.a.	0.9	0.3	n.a.	n.a.



## Main Economic Indicators (2)

	y/y % chg. <sup>1</sup>						
	2005/Q2	Q3	Q4	2005/Oct.	Nov.	Dec.	2006/Jan.
Ratio of job offers to applicants <s.a., times>	<0.94>	<0.97>	<0.99>	<0.98>	<0.99>	<1.00>	<n.a.>
Unemployment rate <s.a., %>	<4.3>	<4.3>	<4.5>	<4.5>	<4.6>	<4.4>	<n.a.>
Overtime working hours <sup>6</sup>	1.6	1.0	p 0.9	1.9	0.0	p 0.9	n.a.
Number of employees	0.7	0.9	1.2	1.8	0.9	1.0	n.a.
Number of regular employees <sup>6</sup>	0.5	0.5	p 0.5	0.6	0.5	p 0.5	n.a.
Nominal wages per person <sup>6</sup>	1.0	0.4	p 1.0	0.6	0.1	p 1.6	n.a.
Domestic corporate goods price index <sup>7</sup> <q/q % chg.> (3-month growth rate)	1.7 <0.8>	1.6 <0.5>	p 2.1 <p 0.8>	2.0 <0.9>	1.9 <0.7>	p 2.2 <p 0.7>	n.a. <n.a.>
Consumer price index <sup>8</sup>	-0.1	-0.1	0.1	0.0	0.1	0.1	n.a.
Corporate service price index	-0.4	-0.6	p -0.4	-0.6	-0.4	p -0.4	n.a.
Money Stock (M <sub>2</sub> +CDs) <average outstanding, y/y % chg.>	1.7	1.8	2.0	2.0	2.1	1.9	p 1.9
Number of corporate bankruptcies <cases>	<1,075>	<1,054>	<1,145>	<1,171>	<1,114>	<1,149>	<n.a.>

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

All figures in chart 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";

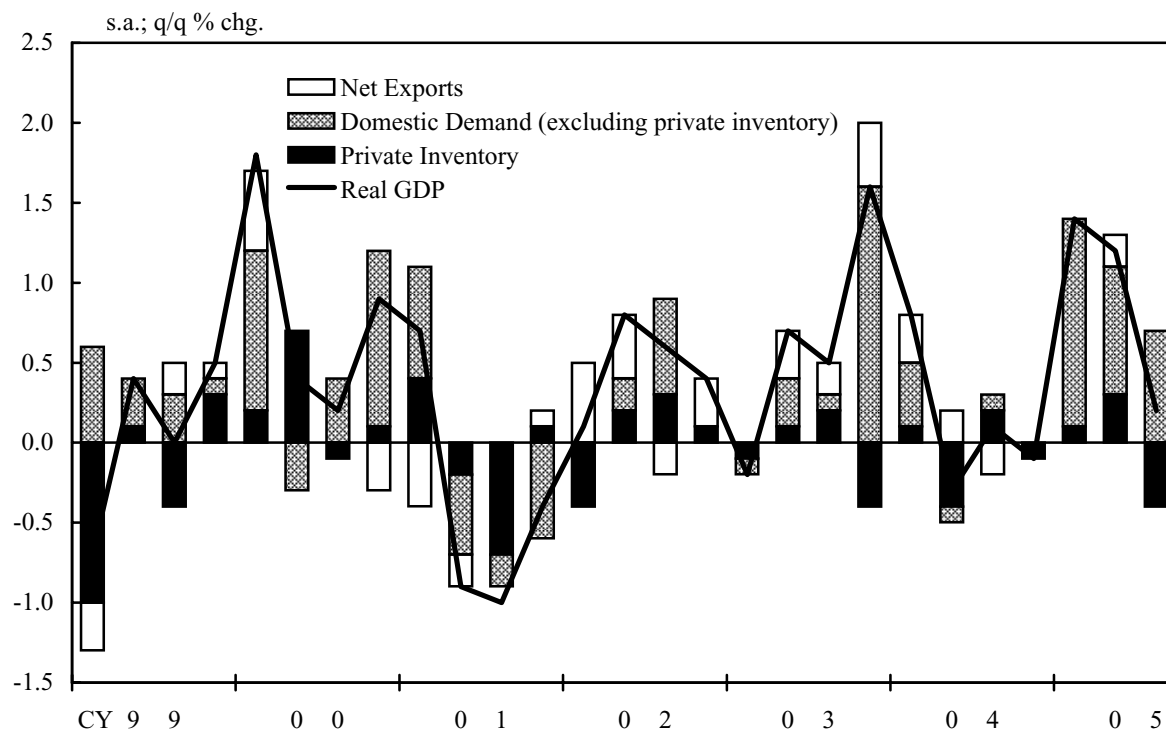
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey";

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.

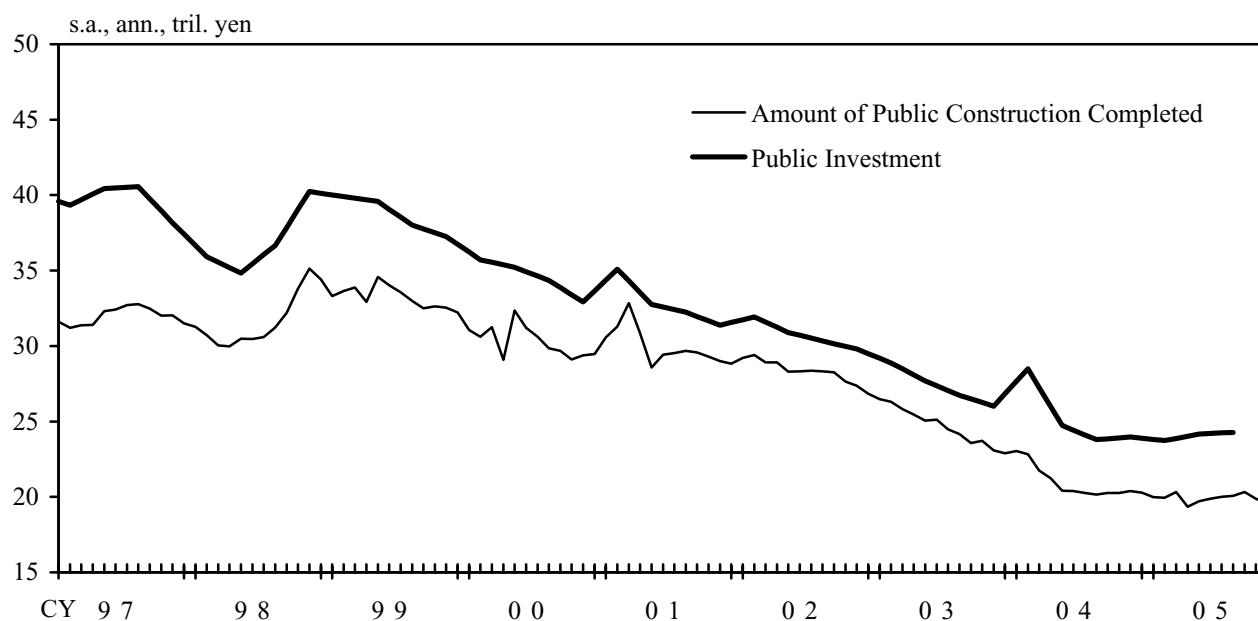
	2004		2005		
	Q3	Q4	Q1	Q2	Q3
Real GDP	0.1	-0.1	1.4	1.2	0.2
Domestic Demand	0.3	-0.1	1.4	1.1	0.3
Private Consumption	0.3	-0.3	1.2	0.7	0.4
Non-Resi. Investment	0.5	0.7	3.3	2.4	1.6
Residential Investment	0.1	0.5	-1.2	-2.1	1.6
Private Inventory	( 0.2)	(-0.1)	( 0.1)	( 0.3)	(-0.4)
Public Demand	-0.8	0.3	0.6	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

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

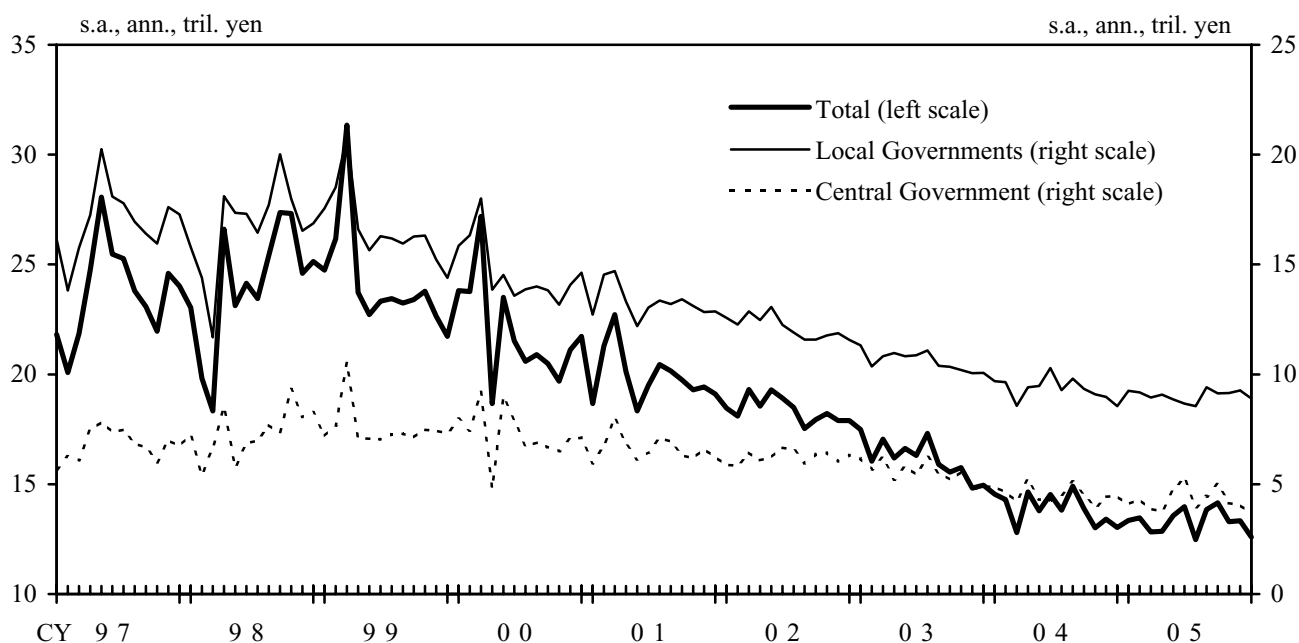
Source: Cabinet Office, "National Accounts."

## Public Investment

### (1) Amount of Public Construction Completed and Public Investment



### (2) Value of Public Works Contracted



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

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

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

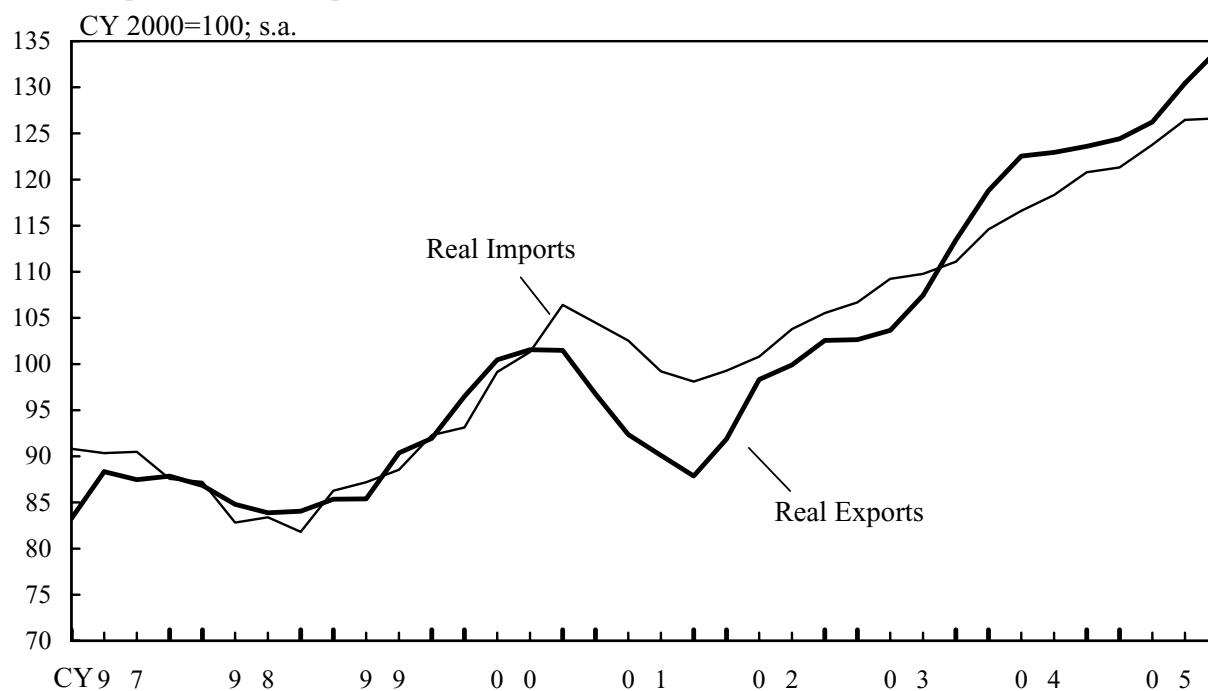
Sources: Cabinet Office, "National Accounts";

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

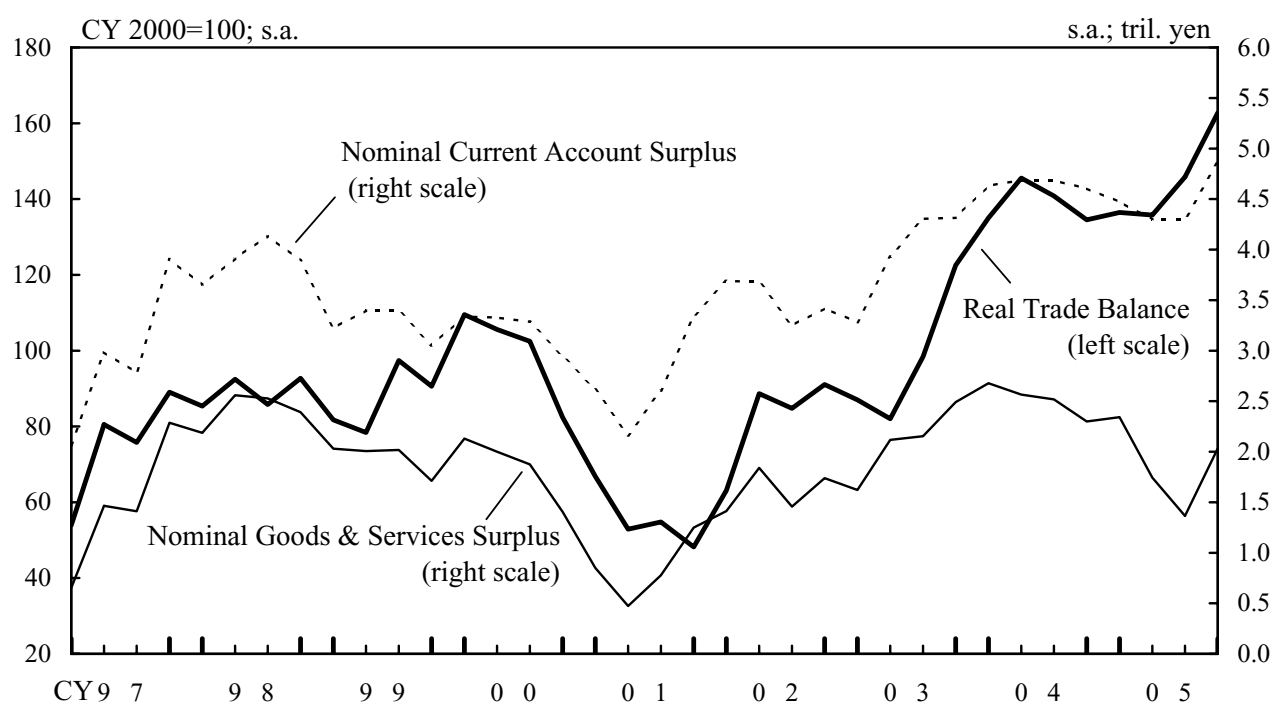
Ministry of Land, Infrastructure and Transport, "Integrated Statistics on Construction Works."

## External Balance

## (1) Real Exports and Real Imports



## (2) Real Trade Balance and Nominal Current Account Surplus



- Notes: 1. Real trade balance is defined as real exports minus real imports, indexed with base year of 2000. Real exports/imports are "The Value of Exports and Imports in Trade Statistics" deflated by the "Export and Import Price Index."  
 2. Real exports/imports and the real trade balance are seasonally adjusted by X-12-ARIMA.  
 3. 2005/Q4 figures for Nominal Current Account Surplus and Nominal Goods & Services Surplus are Oct.-Nov. averages converted into quarterly amount.

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

Real Exports <sup>1</sup>

## (1) Breakdown by region

	y/y % chg.	CY		s.a.; q/q % chg.					s.a.; m/m % chg.		
		2004	2005	2004	2005	Q2	Q3	Q4	2005	Oct.	Nov.
United States	<22.6>	6.8	7.3	2.3	2.0	1.3	1.0	5.6	5.8	-0.4	1.8
EU	<14.7>	18.7	3.3	2.0	-0.7	0.2	1.5	1.8	1.9	-3.7	3.9
East Asia	<46.7>	19.1	6.1	-0.5	3.2	-0.0	4.7	1.6	-1.4	0.8	-1.9
China	<13.5>	22.2	9.6	2.8	1.3	-1.6	11.8	4.0	-1.7	3.8	-3.7
NIEs	<24.3>	20.3	5.0	-2.8	4.4	0.6	3.3	0.2	-2.6	-1.6	-1.1
Korea	<7.8>	19.1	4.4	-6.9	7.9	-1.4	7.6	2.1	4.2	-5.5	-6.5
Taiwan	<7.3>	26.9	4.4	-1.7	3.2	3.1	-3.4	-5.2	-5.2	-7.7	7.1
ASEAN4 <sup>3</sup>	<9.0>	12.3	4.4	1.2	2.8	0.6	-1.0	1.6	2.5	2.7	-1.1
Thailand	<3.8>	16.8	11.0	5.6	5.2	-0.4	-0.9	1.4	2.1	-1.8	1.6
Real exports		14.5	5.4	0.5	0.7	1.5	3.3	2.8	0.7	-0.1	1.7

## (2) Breakdown by goods

	y/y % chg.	CY		s.a.; q/q % chg.					s.a.; m/m % chg.		
		2004	2005	2004	2005	Q2	Q3	Q4	2005	Oct.	Nov.
Intermediate goods	<17.3>	5.5	1.8	-0.0	1.4	0.9	2.5	1.4	-0.4	-2.4	2.1
Motor vehicles and their related goods	<22.7>	8.3	8.2	1.2	1.7	4.3	-0.5	4.7	6.0	-3.6	4.2
Consumer goods <sup>4</sup>	<5.6>	14.9	5.3	4.5	-2.0	3.0	5.4	3.0	2.0	-2.4	0.5
IT-related goods <sup>5</sup>	<12.5>	17.3	5.6	-0.6	2.2	0.4	3.9	3.5	2.9	0.9	-1.3
Capital goods and parts <sup>6</sup>	<29.5>	23.5	7.1	0.3	1.3	1.1	3.6	2.9	0.3	1.5	1.2
Real exports		14.5	5.4	0.5	0.7	1.5	3.3	2.8	0.7	-0.1	1.7

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

2. Shares of each region and goods in 2005 are shown in angle brackets.

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

4. Excludes motor vehicles.

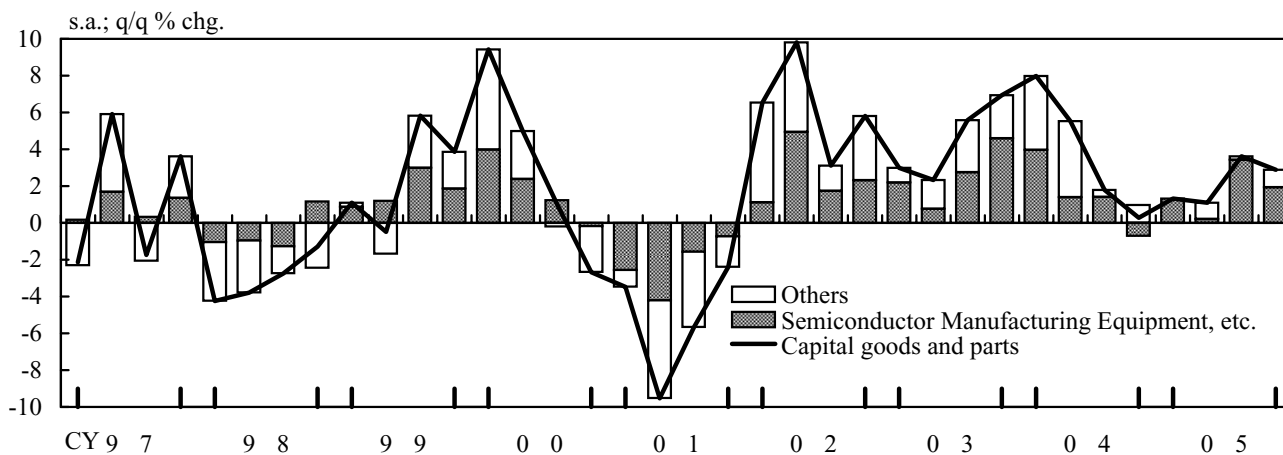
5. IT-related goods are composed of computers and units, telecommunication machinery, ICs and medical and optical instruments.

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

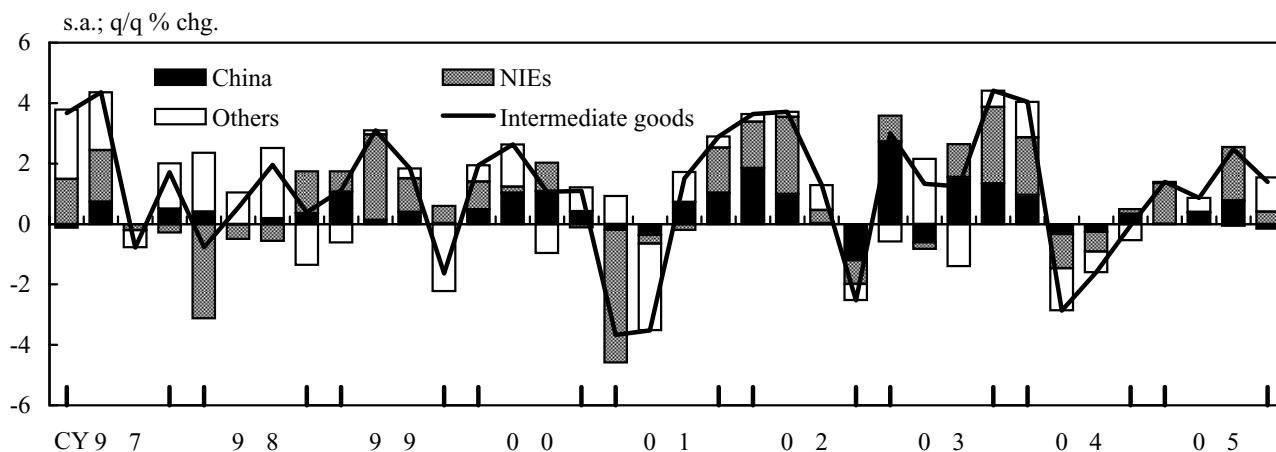
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Real Exports breakdown by goods

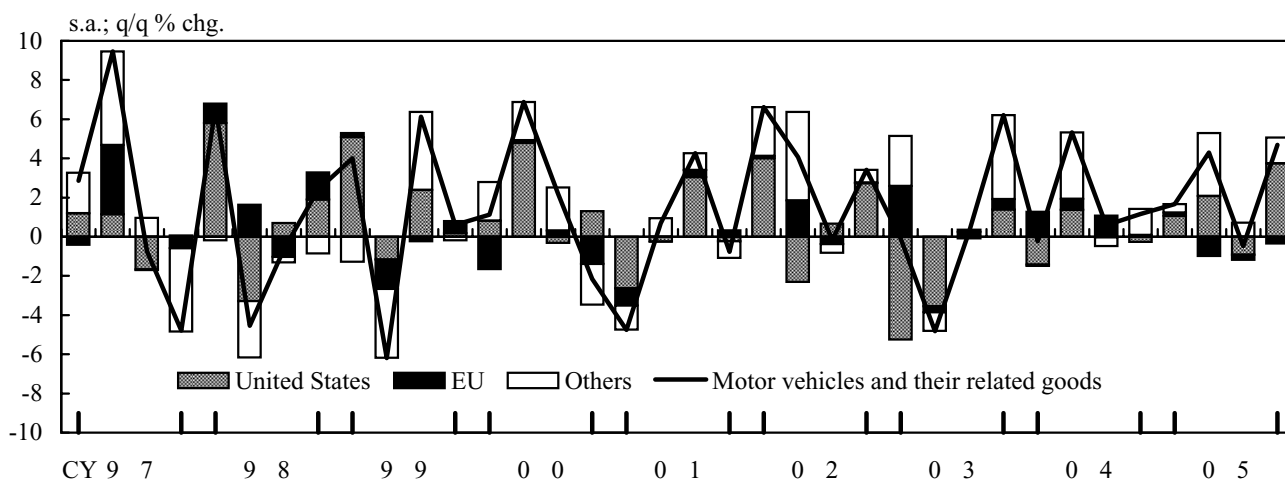
(1) Capital goods and parts (real, breakdown by goods)



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



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

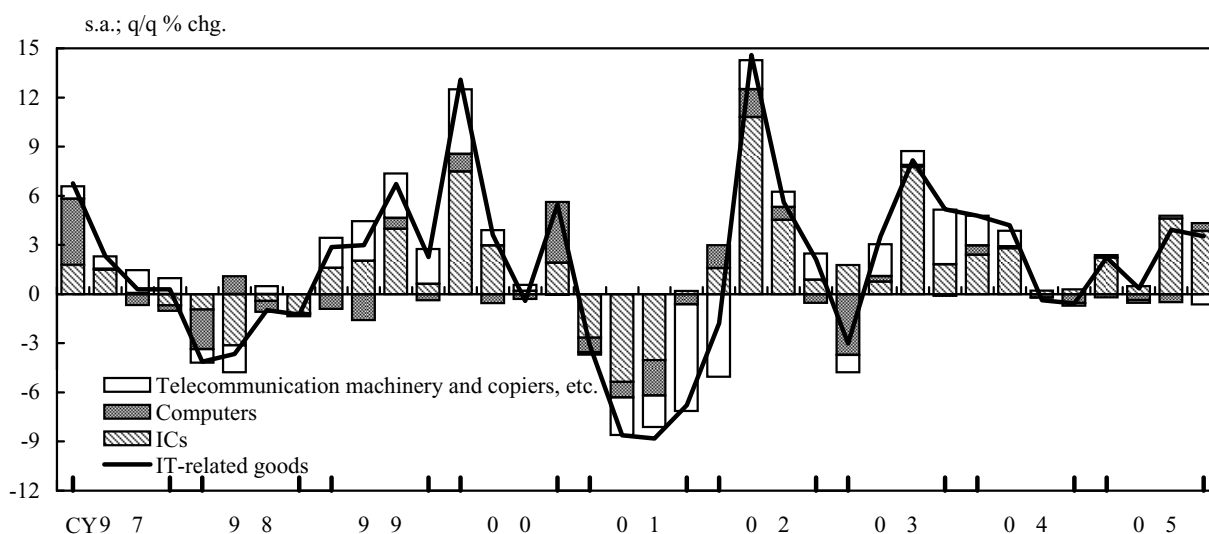


Note: Seasonally adjusted by X-12-ARIMA.

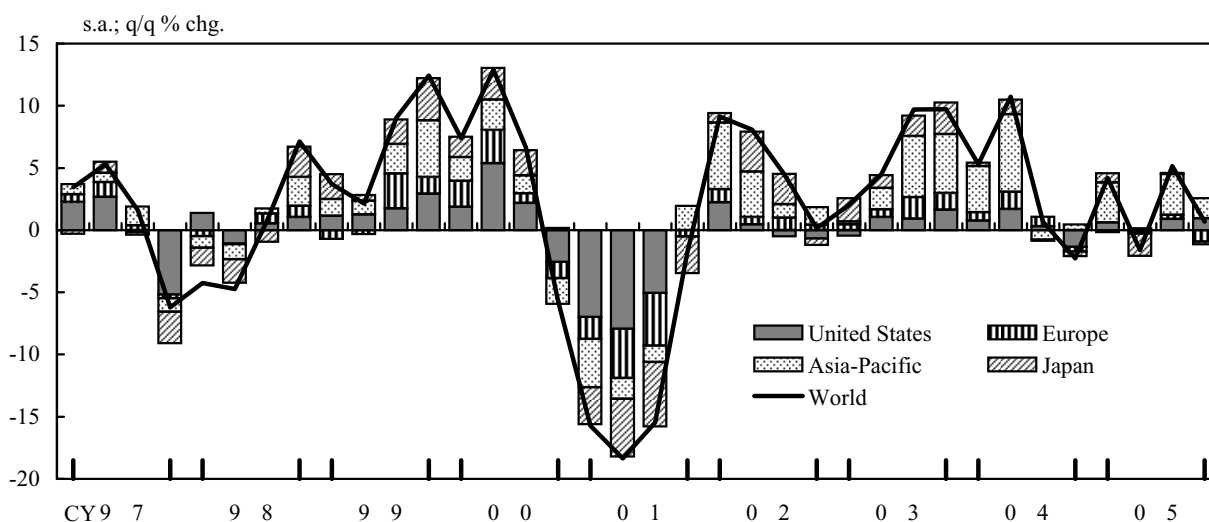
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Exports and Imports of IT-related goods

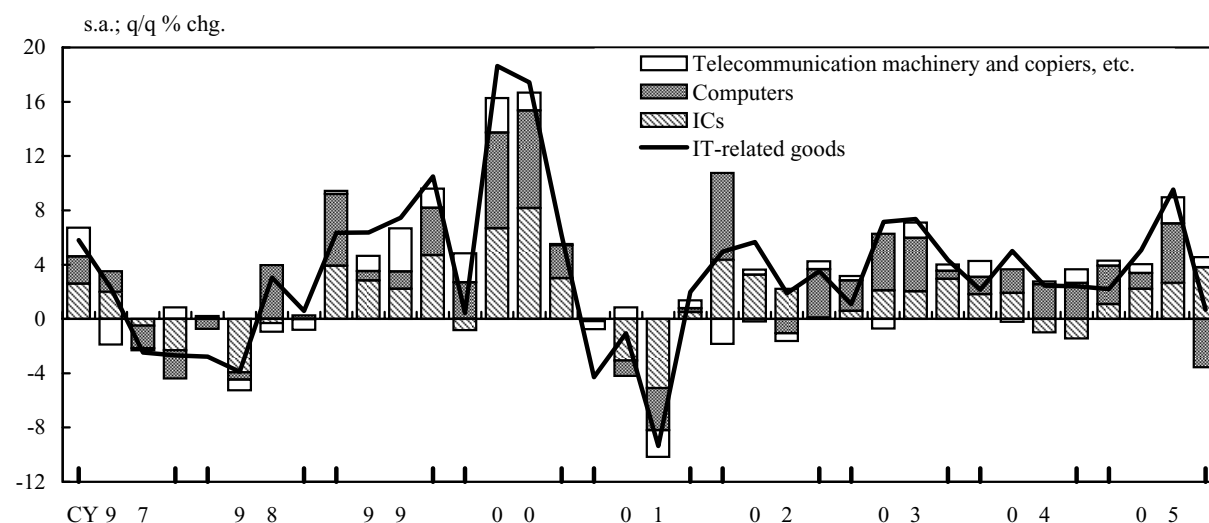
(1) Exports of IT-related goods (real, breakdown by goods)



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



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



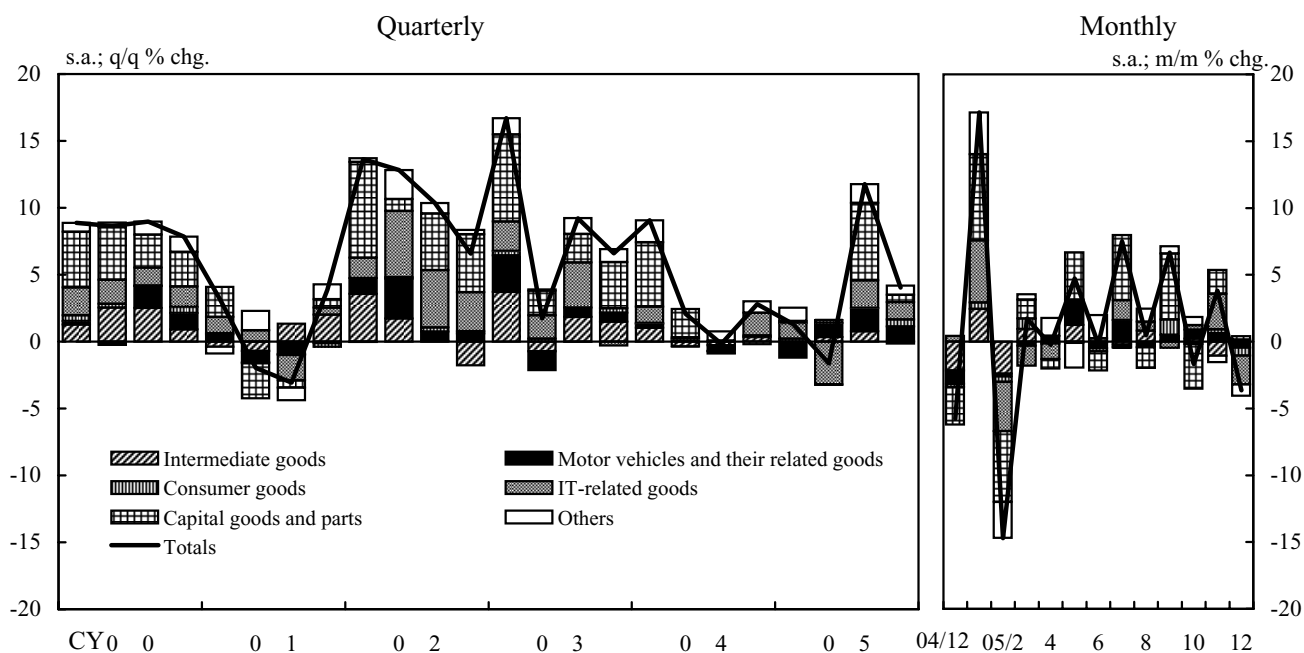
Notes: 1. Seasonally adjusted by X-12-ARIMA in (1) and (3).

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

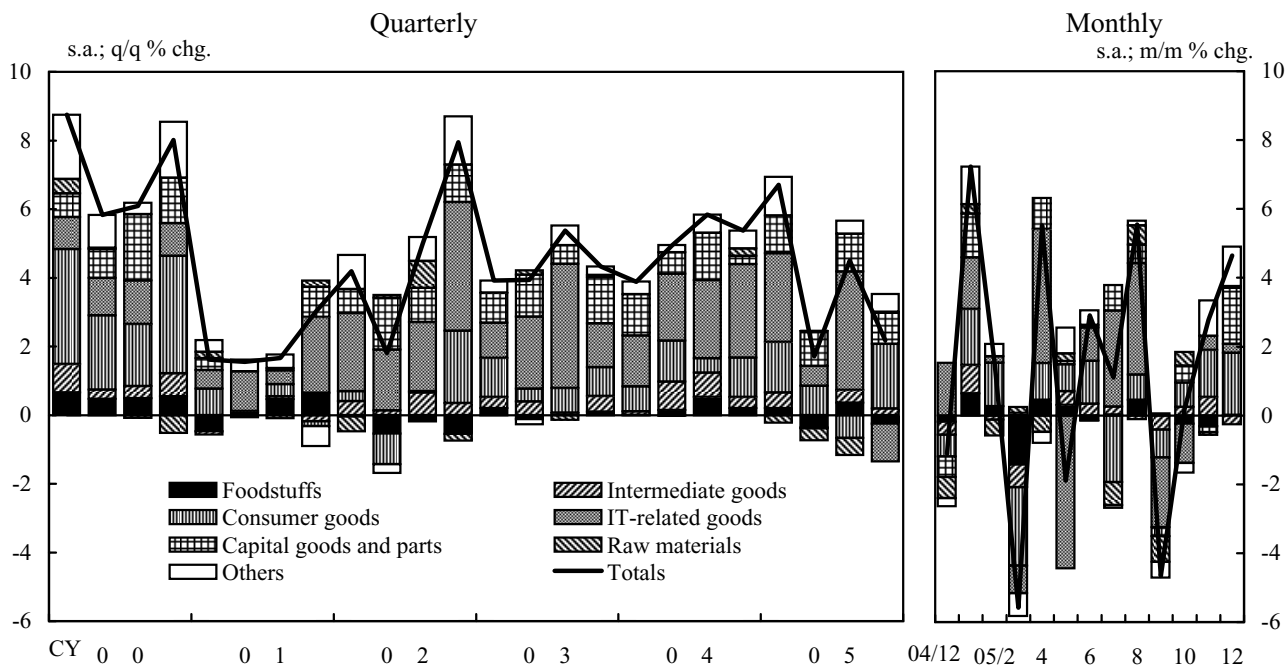
Sources: Ministry of Finance, "The Summary Report on Trade of Japan";  
Bank of Japan, "Corporate Goods Price Index"; WSTS (World Semiconductor Trade Statistics.)

Exports and Imports with China

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



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



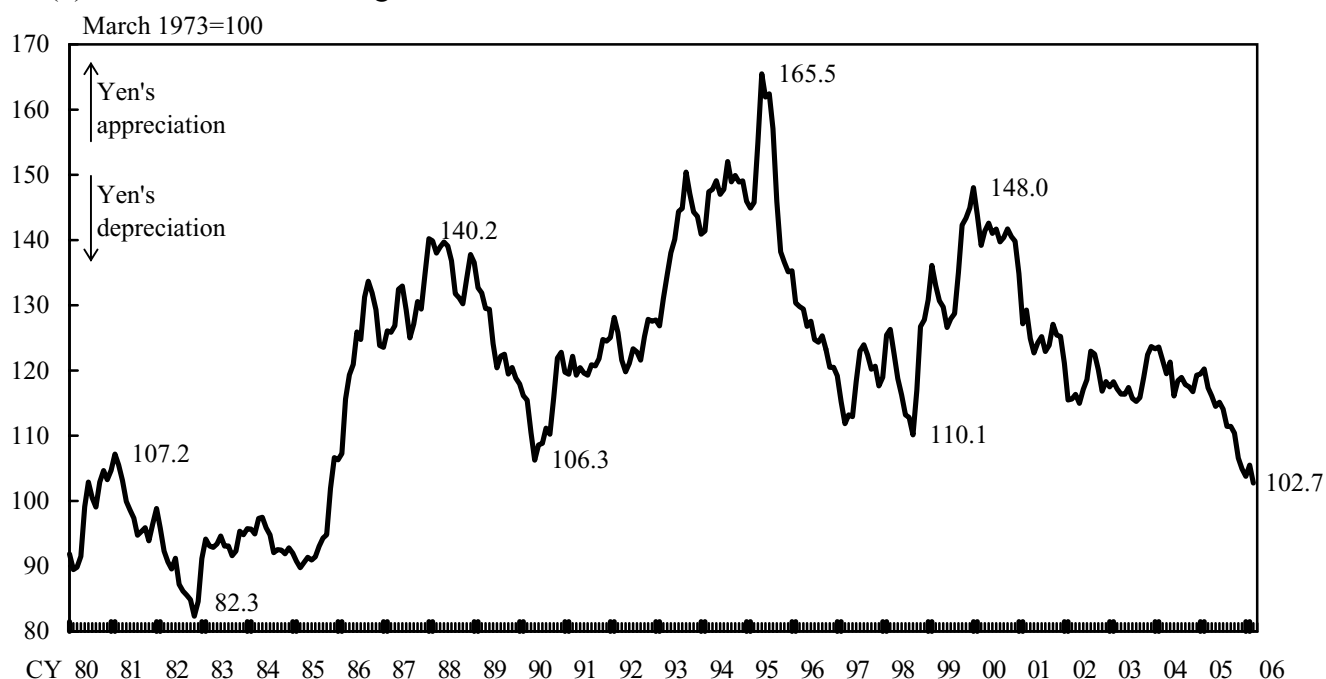
Notes: 1. Regarding classifications of each goods, see notes of chart 6 and 11.  
 2. Seasonally adjusted by X-12-ARIMA.

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



## Real Effective Exchange Rate and Overseas Economies

### (1) Real Effective Exchange Rate



Note: Calculated by the Bank of Japan. Monthly average. Figure for February 2006 is the average up to February 8.  
Figures are the index of weighted average of the yen's real exchange rates versus 15 major currencies (26 countries) which are calculated from nominal exchange rates and price indexes of the respective countries.

### (2) Real GDP Growth Rates in Overseas Economies

		CY2003	2004	2005	2005 Q1	Q2	Q3	Q4	
United States <sup>1</sup>		2.7	4.2	3.5	3.8	3.3	4.1	1.1	
European Union <sup>1</sup>		1.2	2.2	n.a.	1.4	1.9	2.6	n.a.	
	Germany	-0.2	1.6	0.9	2.4	0.9	2.5	n.a.	
	France	0.9	2.1	n.a.	1.3	0.5	2.8	n.a.	
	United Kingdom	2.5	3.2	1.8	0.9	1.9	1.7	2.6	
East Asia <sup>2</sup>	China	10.0	10.1	9.9	9.9	10.1	9.8	9.9	
	NIEs	Korea	3.1	4.6	4.0	2.7	3.3	4.5	5.2
		Taiwan	3.4	6.1	n.a.	2.5	3.0	4.4	n.a.
		Hong Kong	3.1	8.2	n.a.	6.2	7.3	8.2	n.a.
		Singapore	1.4	8.4	5.7	2.7	5.2	7.2	7.7
	ASEAN4	Thailand	7.0	6.2	n.a.	3.2	4.6	5.3	n.a.
		Indonesia	4.9	5.1	n.a.	6.1	5.8	5.3	n.a.
		Malaysia	5.4	7.1	n.a.	6.2	4.4	5.3	n.a.
Philippines		4.5	6.0	5.1	4.6	5.2	4.5	6.1	

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 <sup>1</sup>

## (1) Breakdown by region

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2004	2005	2004 Q4	2005 Q1	Q2	Q3	Q4	2005 Oct.	Nov.	Dec.
United States	<12.4>	0.4	3.6	2.0	-4.2	5.8	4.3	-0.2	-5.4	-3.6	17.0
EU	<11.4>	9.6	2.0	2.1	-1.3	5.3	-1.4	-2.1	-3.1	5.8	-5.5
East Asia	<42.3>	14.7	11.1	1.8	4.7	0.4	4.3	2.1	0.8	0.6	5.1
China	<21.0>	20.9	18.7	5.4	6.7	1.7	4.5	2.2	0.2	2.8	4.6
NIEs	<9.8>	12.8	9.4	-2.1	3.9	1.4	9.3	3.9	2.9	-1.5	3.7
Korea	<4.7>	14.5	8.3	-2.3	5.0	3.2	5.2	8.9	6.6	1.7	4.2
Taiwan	<3.5>	12.0	11.2	-1.2	2.6	0.8	14.8	-1.0	-2.0	-3.4	8.9
ASEAN4 <sup>3</sup>	<11.4>	7.1	0.1	-0.9	1.8	-3.0	-0.5	0.2	-0.2	-1.6	7.6
Thailand	<3.0>	14.3	12.8	3.9	5.1	0.0	2.4	2.9	-0.4	3.0	1.7
Real imports		8.1	5.3	2.1	0.4	2.0	2.2	0.1	-2.0	0.9	3.1

## (2) Breakdown by goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2004	2005	2004 Q4	2005 Q1	Q2	Q3	Q4	2005 Oct.	Nov.	Dec.
Raw materials <sup>4</sup>	<31.7>	1.3	-4.1	1.7	-3.4	-3.5	0.8	-0.6	-1.6	-4.4	2.1
Intermediate goods	<14.0>	8.7	4.6	0.1	2.4	1.9	0.1	0.3	0.3	0.7	-3.1
Foodstuffs	<9.8>	0.4	2.6	0.2	3.3	2.0	-0.8	-4.5	-2.4	-4.4	2.5
Consumer goods <sup>5</sup>	<9.9>	12.5	8.6	4.4	2.2	8.0	-6.7	4.6	5.1	2.7	4.6
IT-related goods <sup>6</sup>	<12.6>	17.6	15.4	2.4	2.2	5.1	9.5	0.7	-1.9	-2.9	7.5
Capital goods and parts <sup>7</sup>	<12.2>	17.4	13.6	5.6	-1.4	6.3	6.8	2.0	0.1	2.4	5.8
excluding aircraft	<11.2>	19.2	13.6	1.1	2.0	6.9	3.8	4.0	3.4	-3.4	8.8
Real imports		8.1	5.3	2.1	0.4	2.0	2.2	0.1	-2.0	0.9	3.1

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

2. Shares of each region and goods in 2005 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.

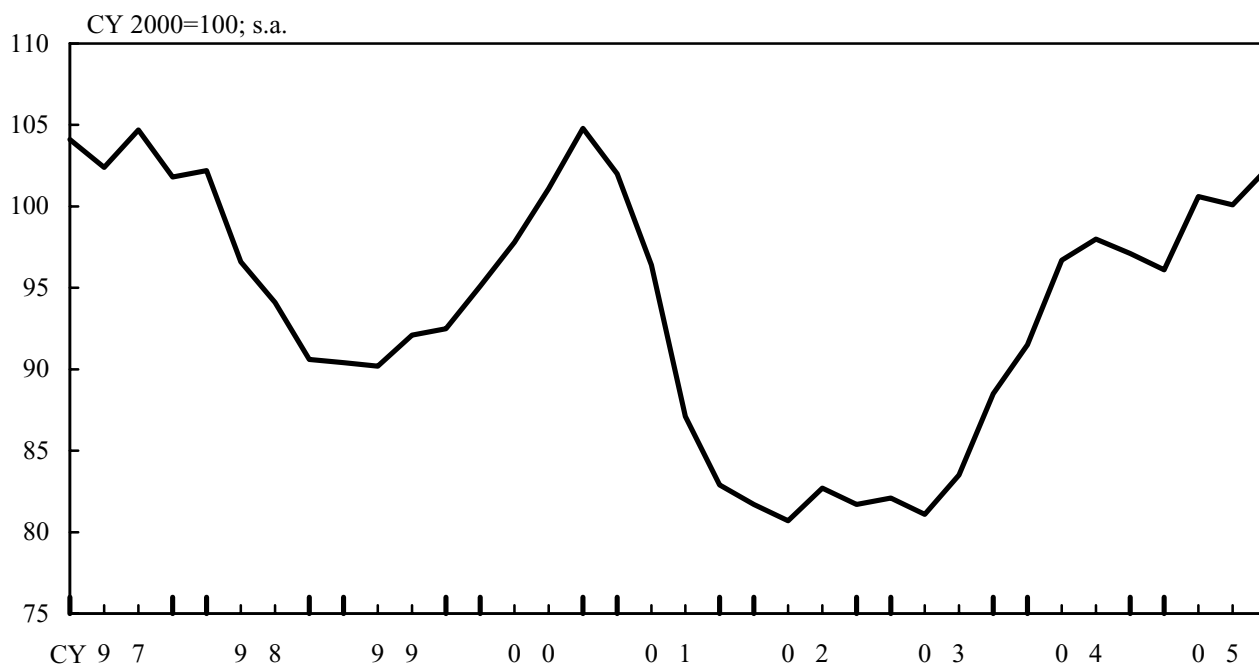
5. Excludes foodstuffs.

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

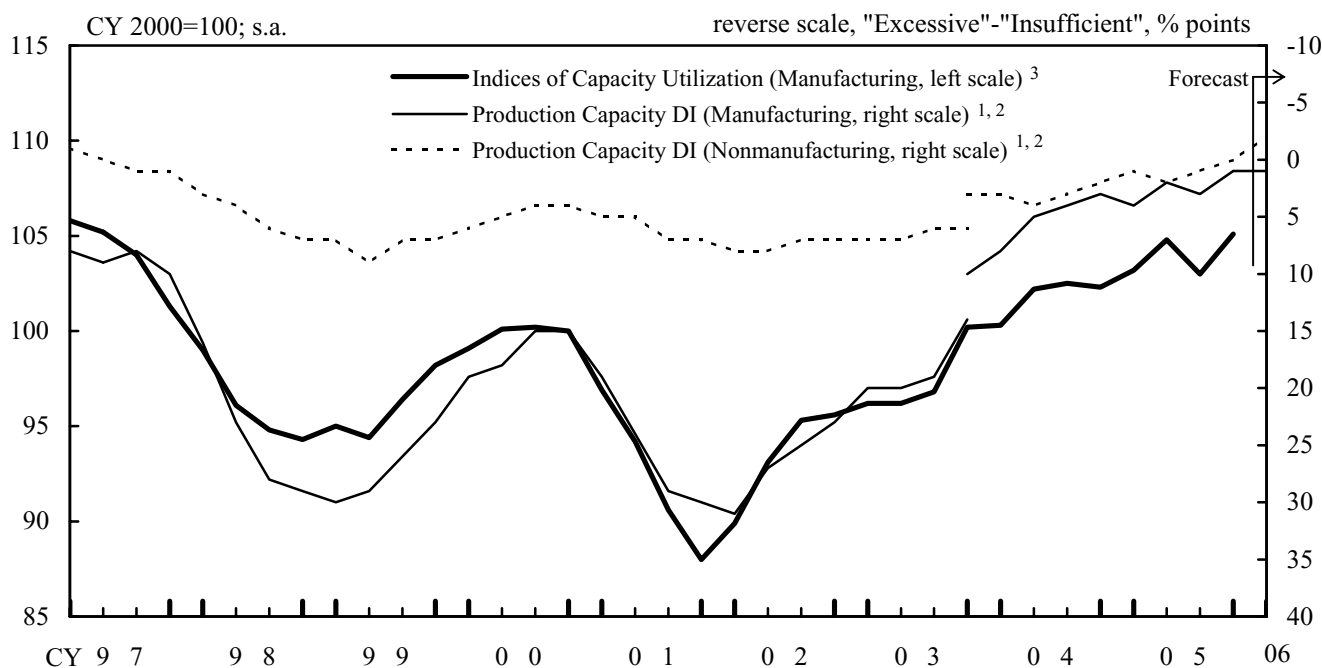
7. Excludes IT-related goods.

## Coincident Indicators for Business Fixed Investment

## (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.

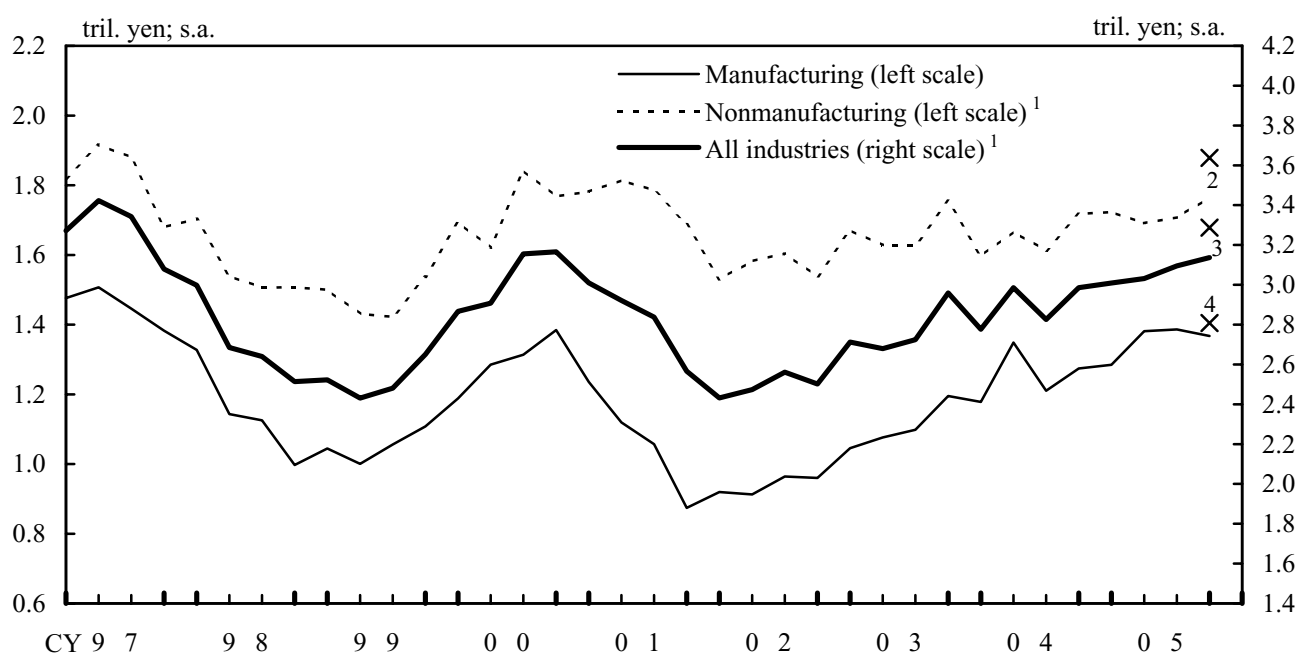
2. The *Tankan* has been revised from the March 2004 Survey. Figures up to the December 2003 Survey are based on the previous data sets. Figures from the December 2003 Survey are on a new basis.

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

Sources: Ministry of Economy, Trade and Industry, "Indices of Industrial Production";  
Bank of Japan, "*Tankan*, Short-term Economic Survey of Enterprises in Japan."

## Leading Indicators for Business Fixed Investment

### (1) Machinery Orders



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

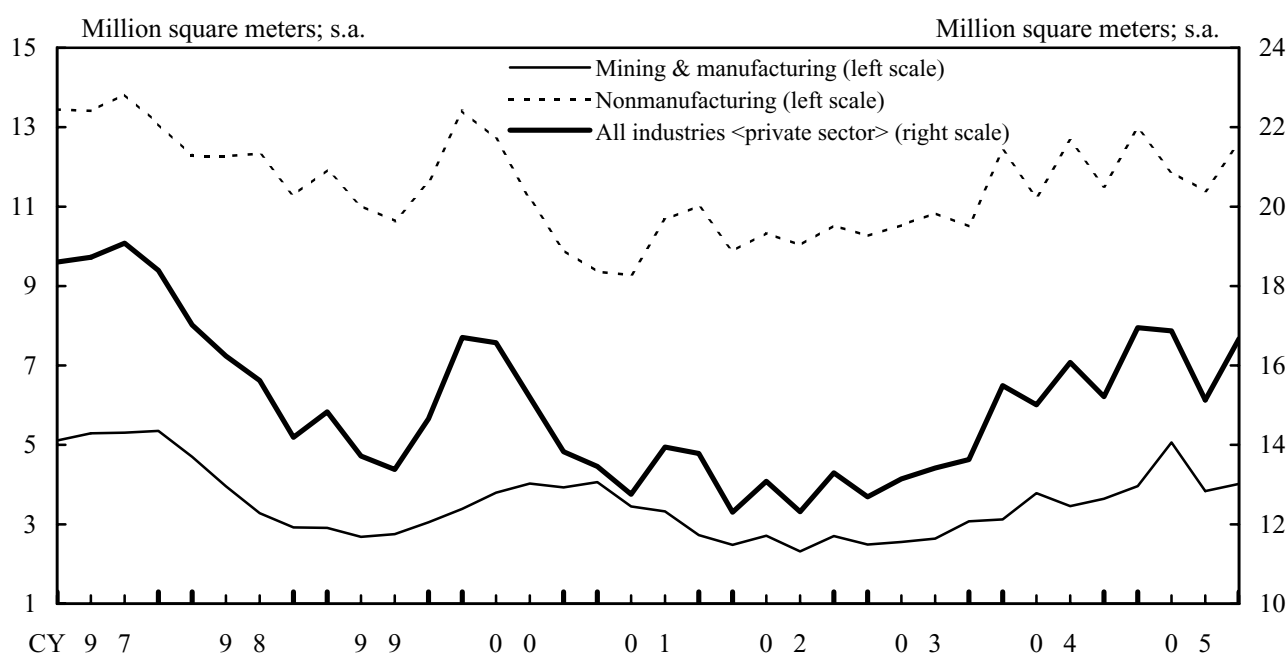
2. Forecast of nonmanufacturing industries for 2005/Q4.

3. Forecast of all industries for 2005/Q4.

4. Forecast of manufacturing industries for 2005/Q4.

5. Figures for 2005/Q4 are averages of October-November in terms of quarterly amount.

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



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

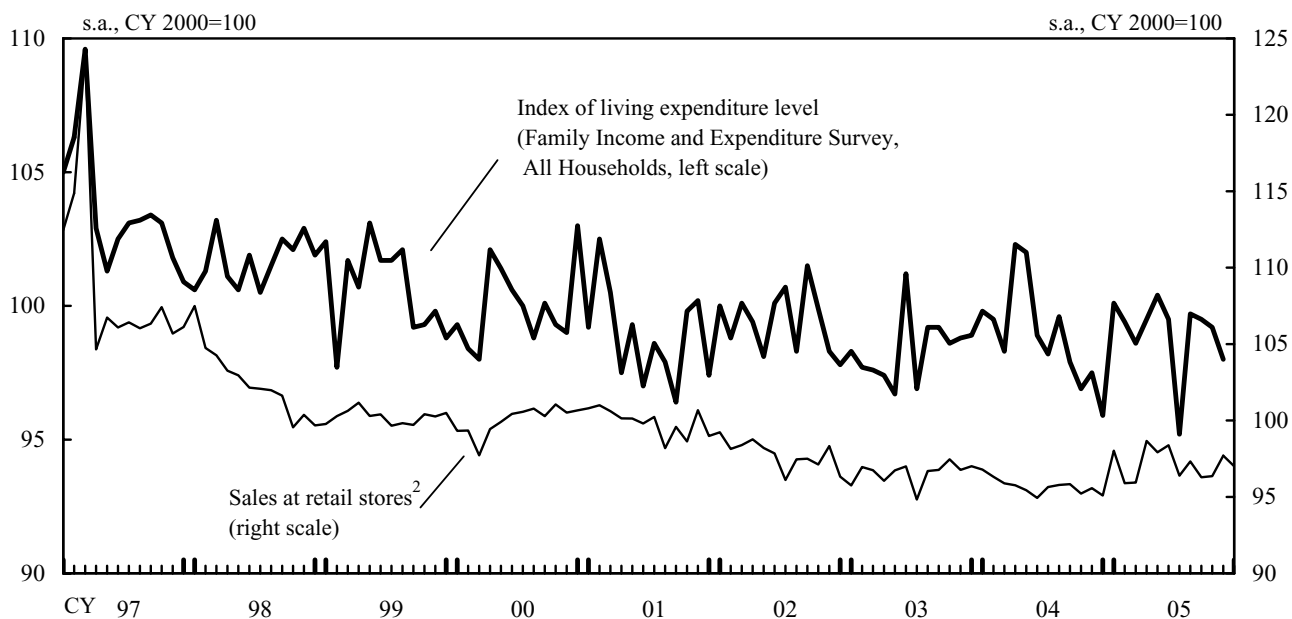
2. Because the Standard Industrial Classification for Japan was revised in March 2002, the industry classification for Newspaper Publishing and Publishing Business was changed from Mining and Manufacturing to Nonmanufacturing. Accordingly, the data up to fiscal year 2002 were adjusted by using a link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

Sources: Cabinet Office, "Machinery Orders Statistics";

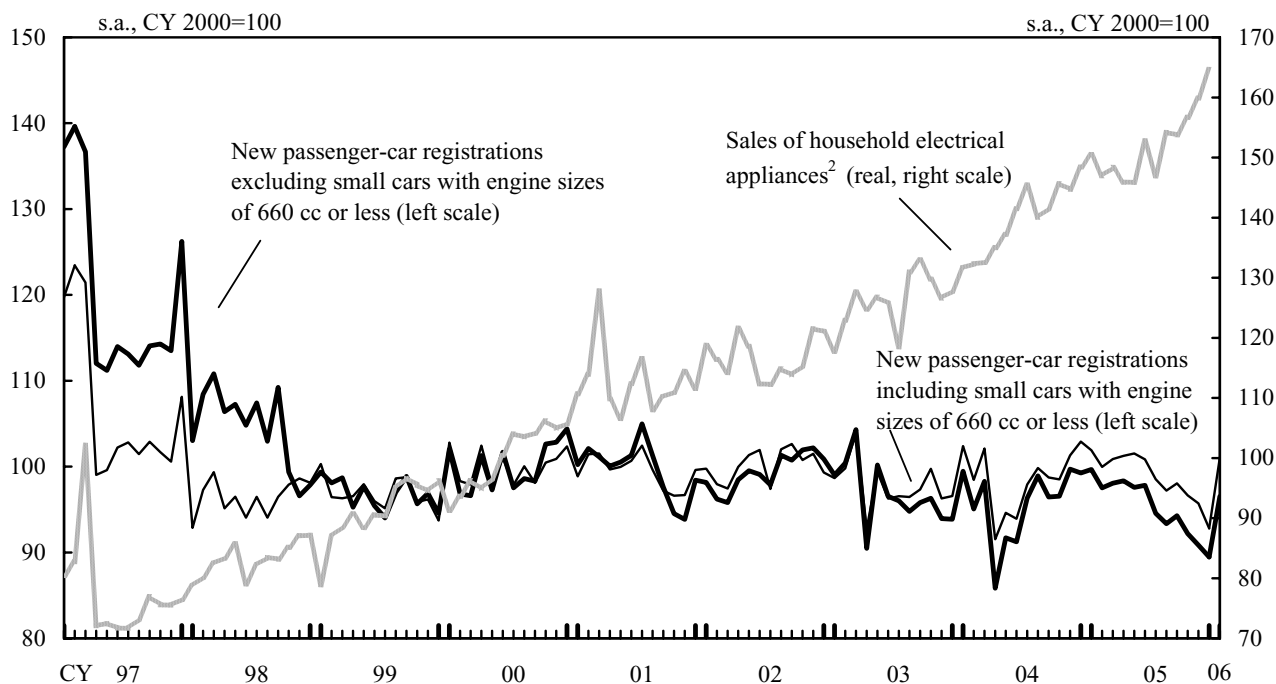
Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts."

## Indicators for Private Consumption<sup>1</sup> (1)

### (1) Household Spending (real)



### (2) Sales of Durable Goods



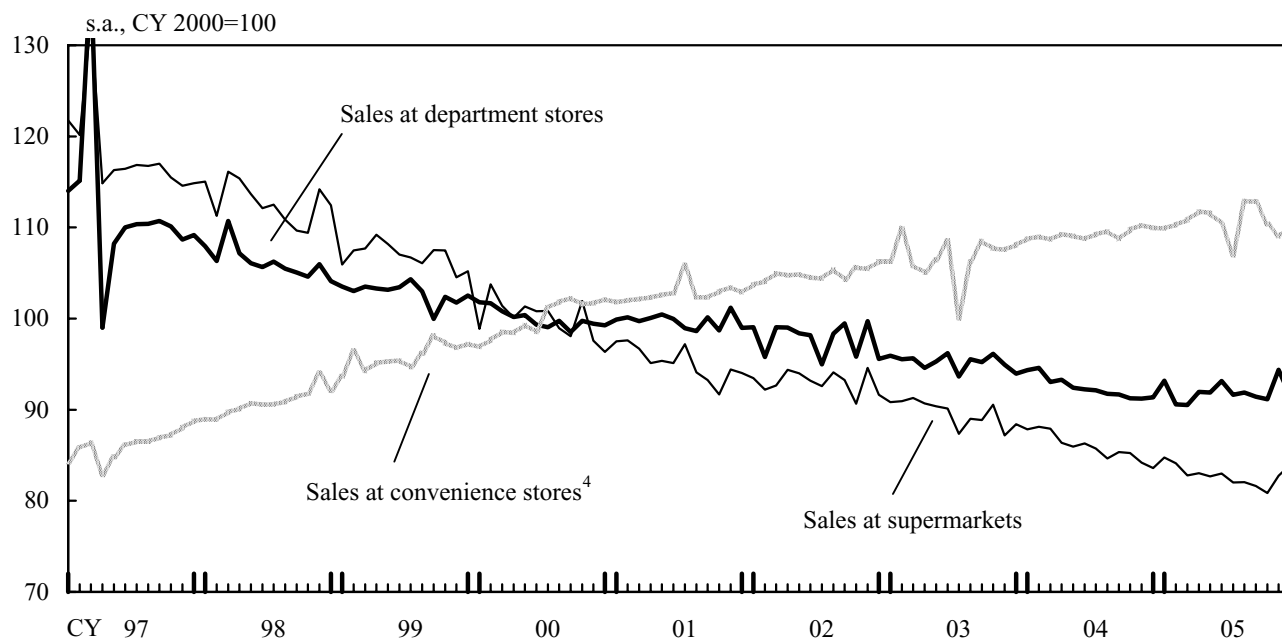
Notes: 1. Seasonally adjusted by X-12-ARIMA. Index of living expenditure level is seasonally adjusted by the Ministry of Internal Affairs and Communications.

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).

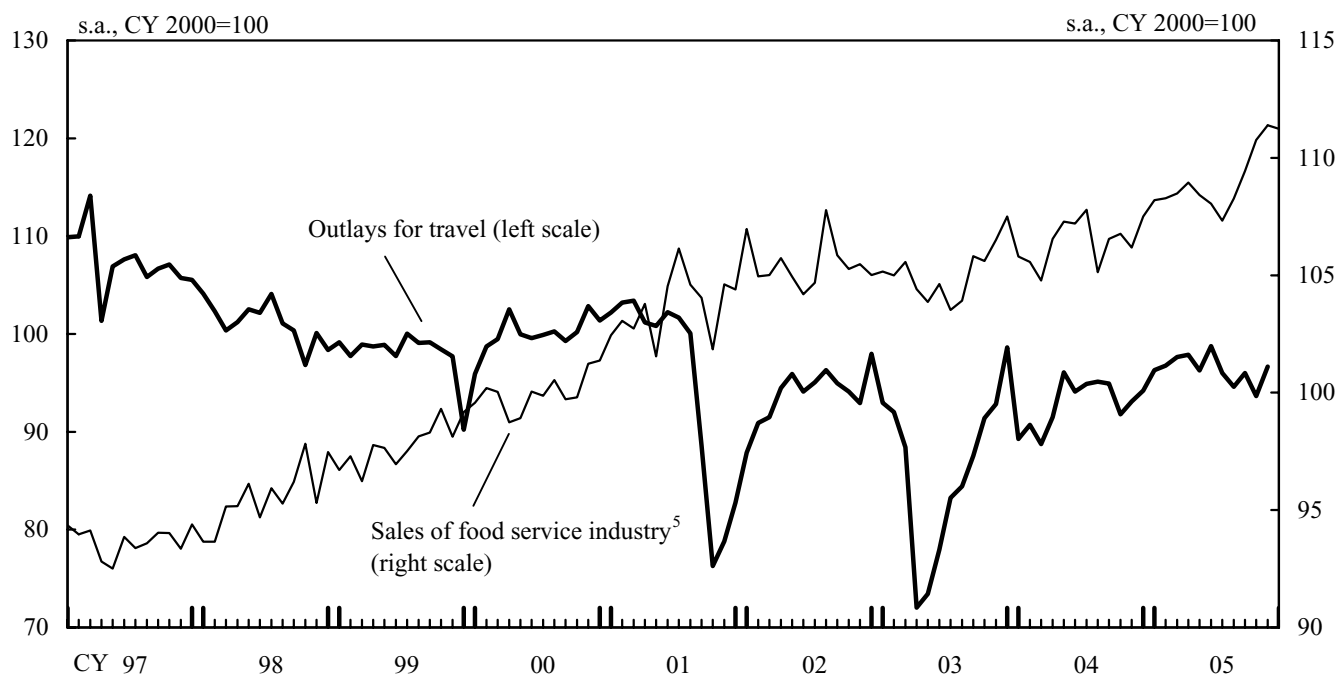
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index," "Monthly Report on the Family Income and Expenditure Survey";  
Ministry of Economy, Trade and Industry, "Current Survey of Commerce";  
Japan Automobile Dealers Association, "Domestic Sales of Automobiles";  
Japan Mini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

## Indicators for Private Consumption<sup>1, 2</sup> (2)

### (3) Sales at Retail Stores (nominal)<sup>3</sup>



### (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 rates of change 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.

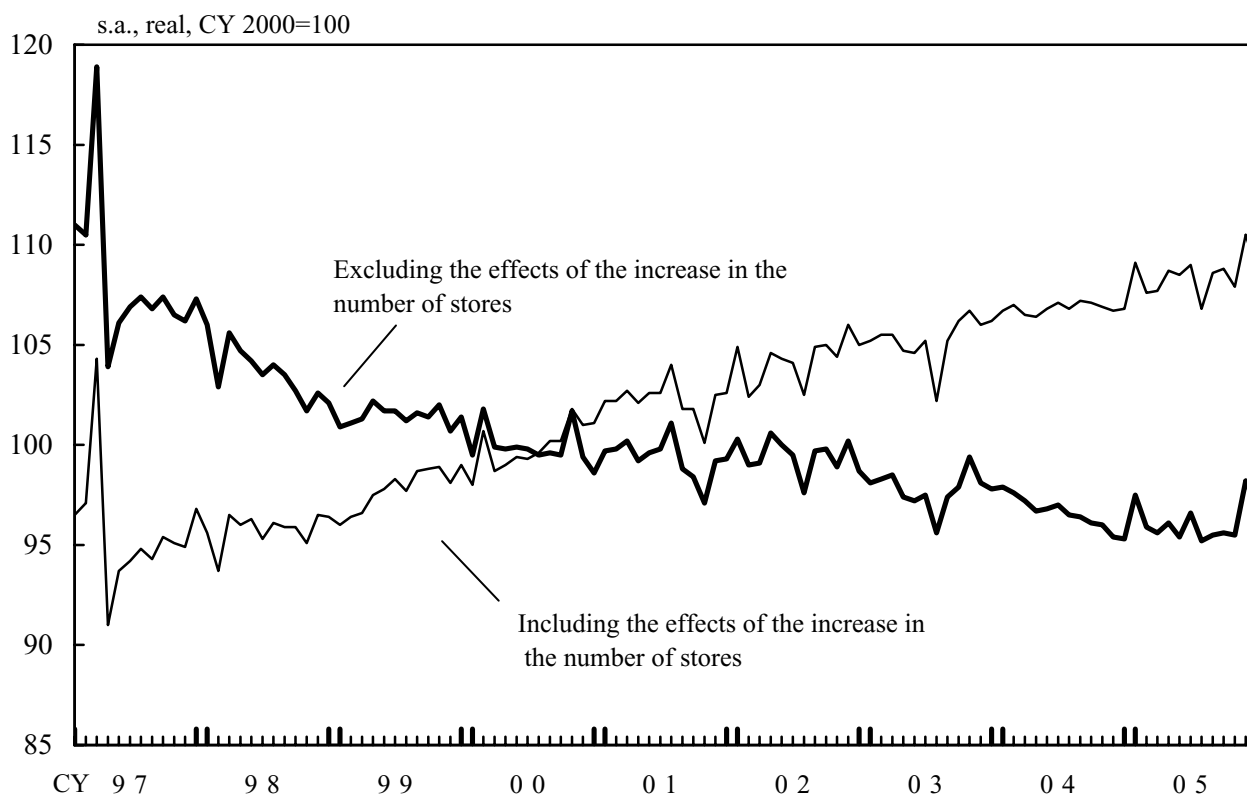
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce";

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)."

## Indices of Aggregated Sales

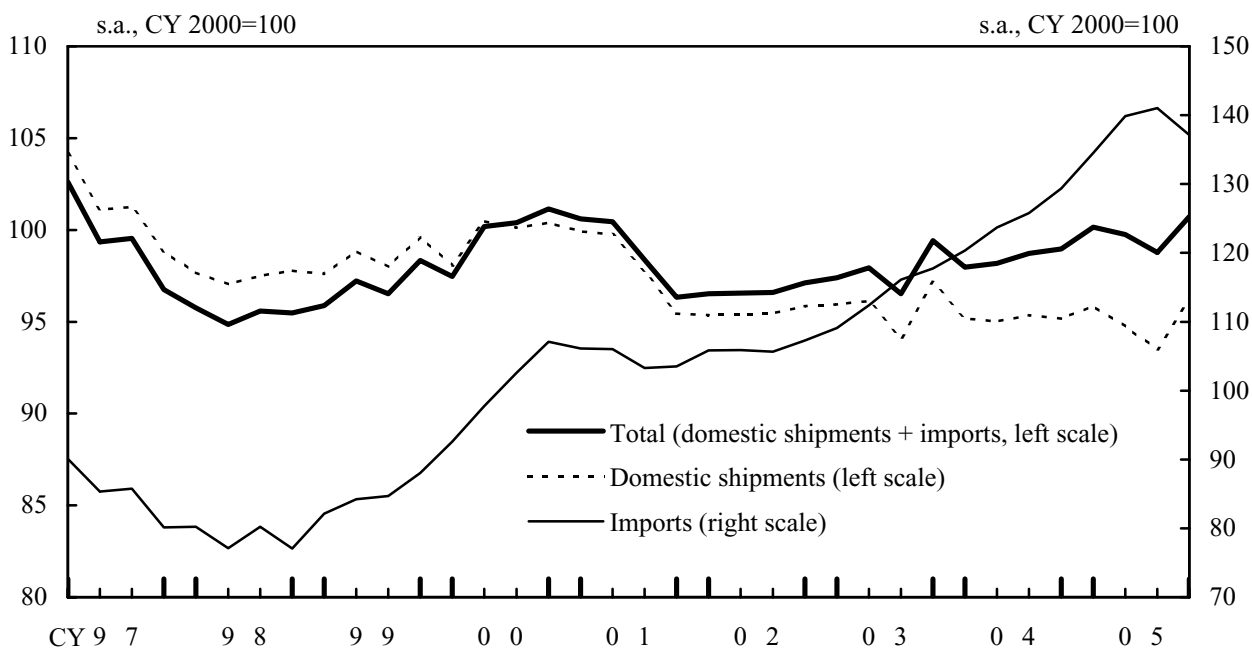


- Notes: 1. Indices of aggregated sales are the weighted sum of *Sales at department stores and supermarkets*; *New passenger-car registrations*; *Sales of household electrical appliances*; *Outlays for travel*; and *Sales of food service industry*, where the weights come from household expenditure in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

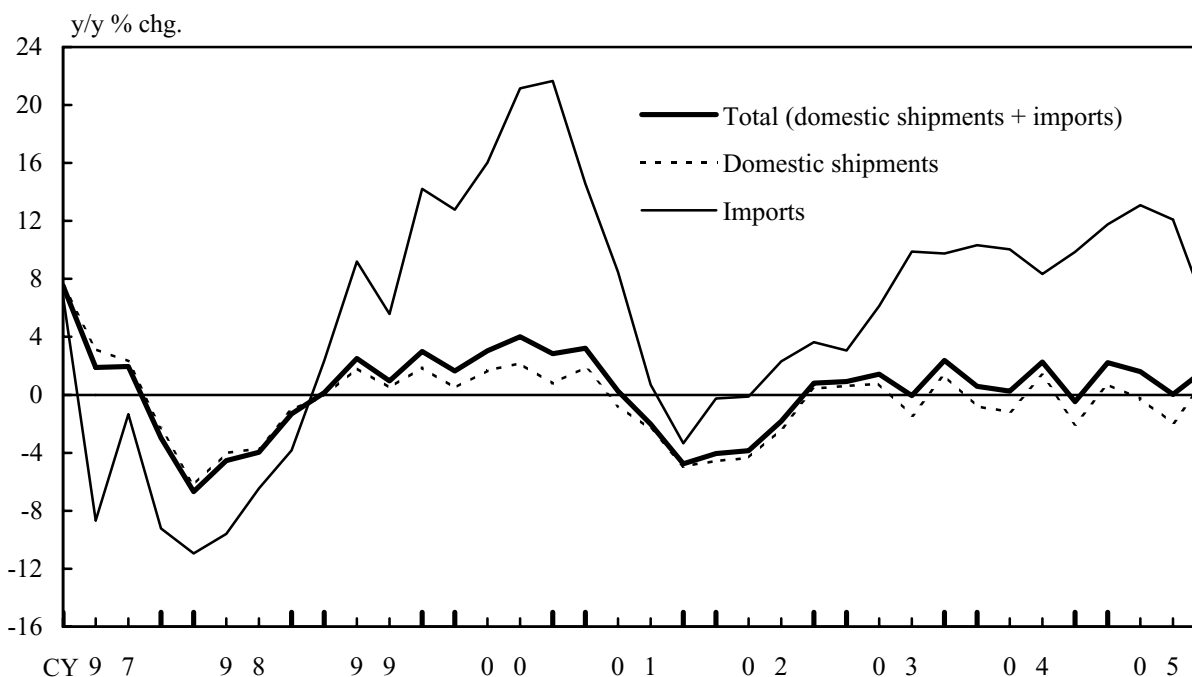
Source: Bank of Japan, "Indices of Aggregated Sales."

## 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.

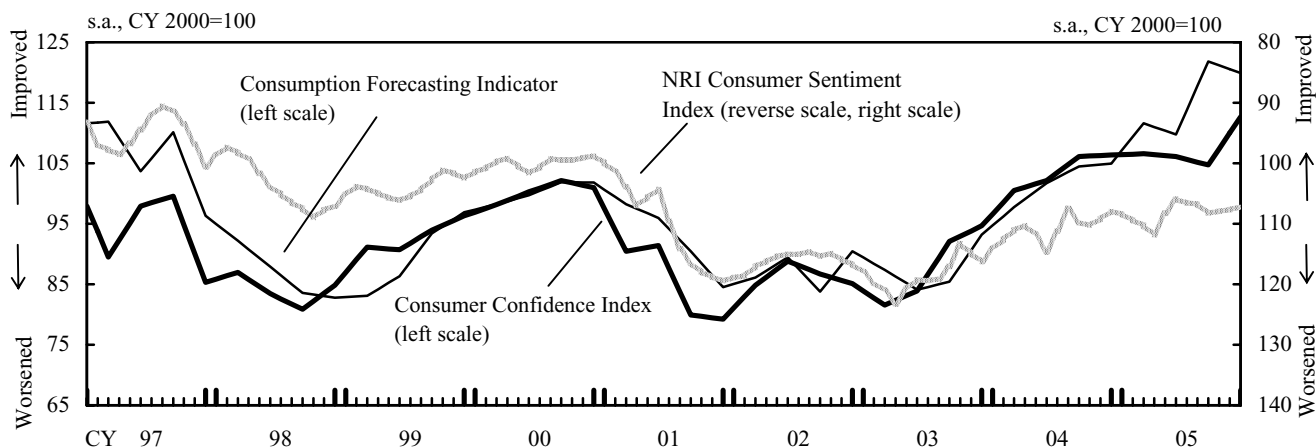
3. Year-on-year rates of change are calculated from seasonally adjusted series.

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



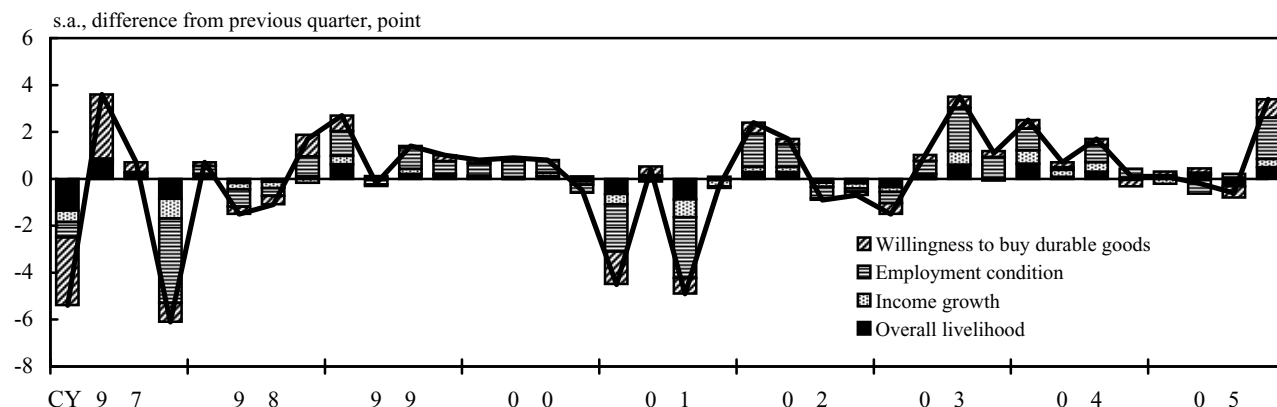
# Consumer Confidence

## (1) Surveys on Consumer Confidence

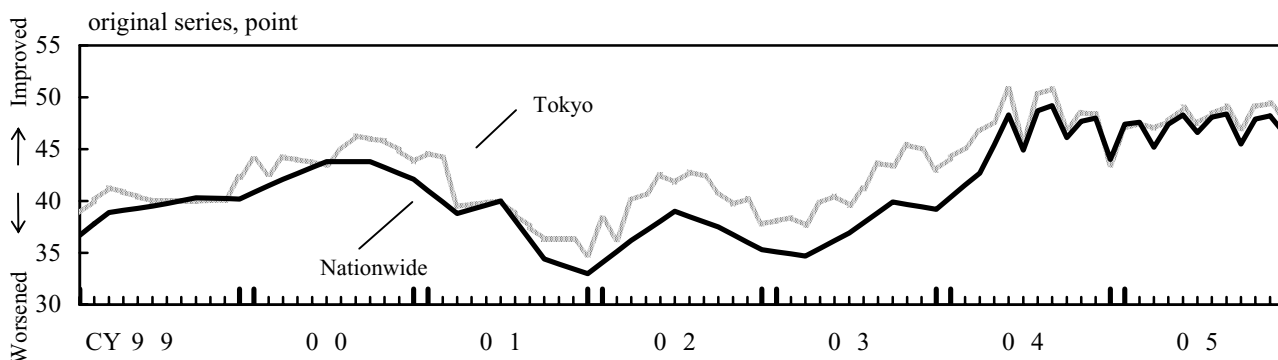


- Notes: 1. Seasonally adjusted by X-11. "Consumer Confidence Index" is seasonally adjusted by the Cabinet Office. "Consumption Forecasting Indicator" is seasonally adjusted using quarterly figures because the survey was quarterly until 2004.
2. Consumer Confidence Index (with 5,040 samples in a nationwide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

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



## (3) Consumer Confidence Index (Monthly)

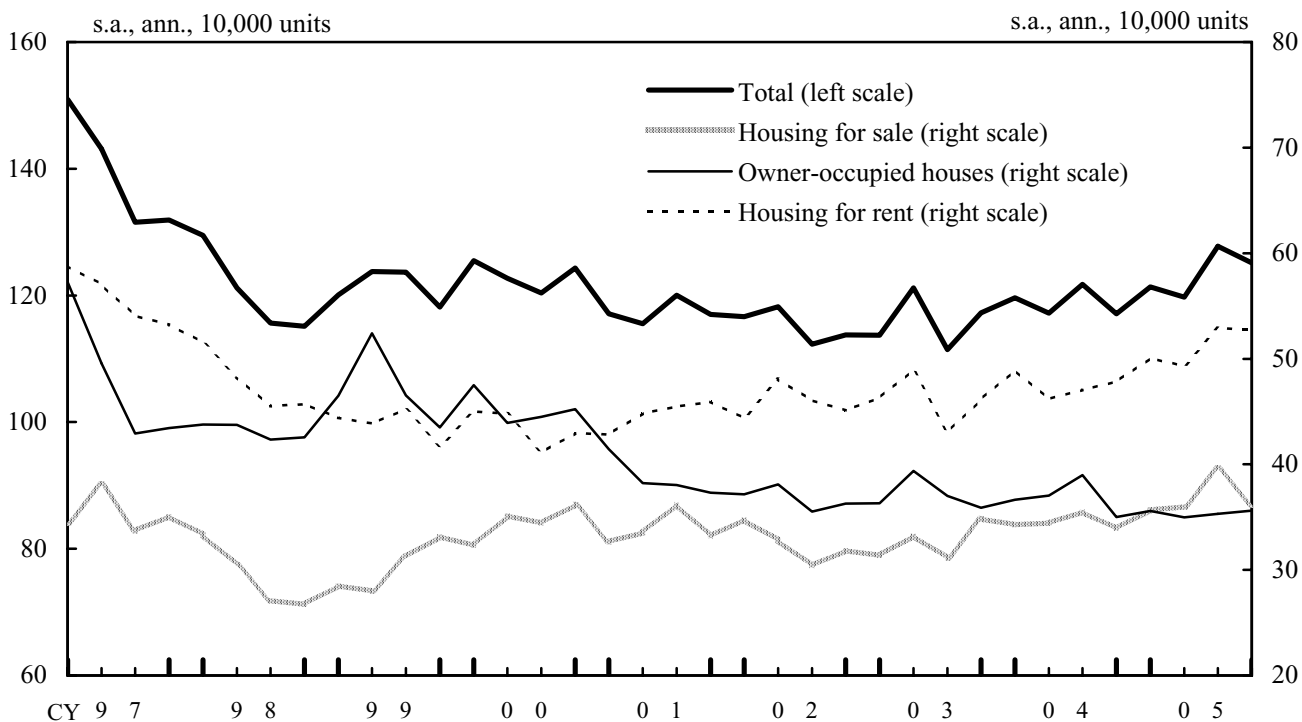


Note: Prior to 2001, figures of "Monthly Consumer Confidence Index (Tokyo)" when the survey was not conducted have been supplemented with linear interpolation. Figures of "Monthly Consumer Confidence Index (Nationwide)" have also been plotted at the surveyed months and supplemented with linear interpolation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

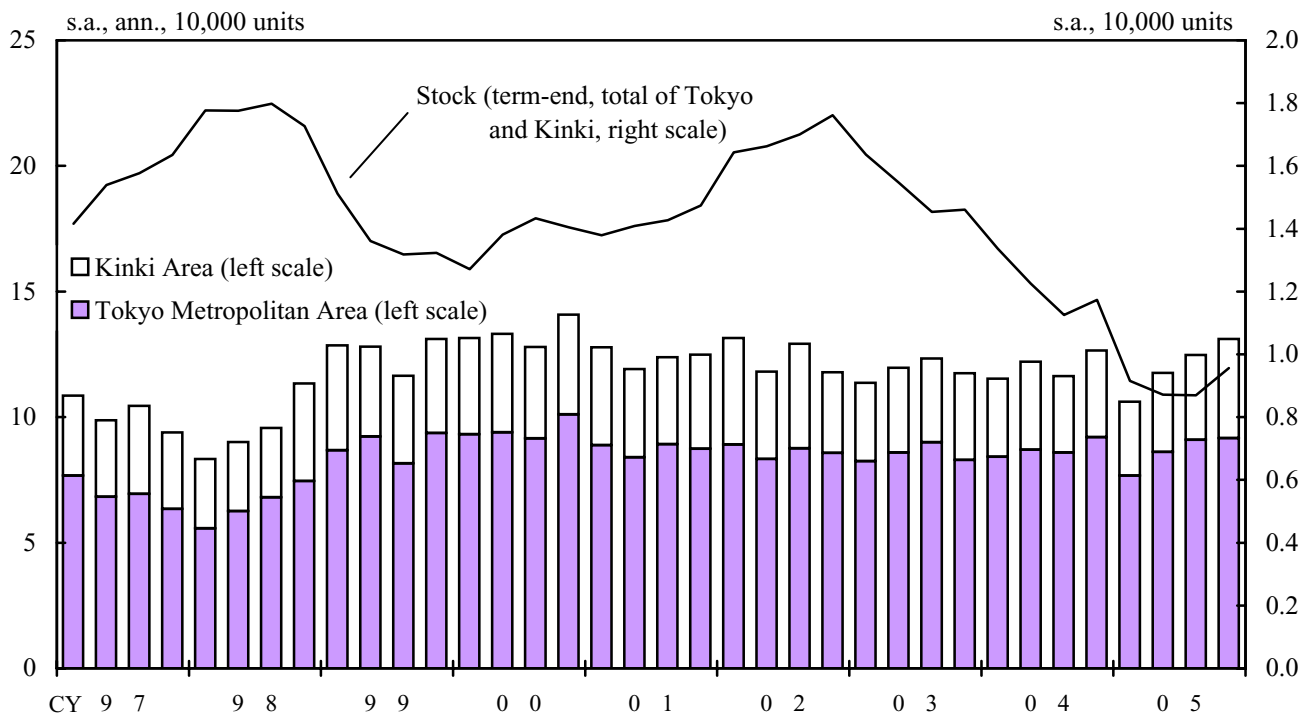
Sources: Cabinet Office, "Consumer Confidence Survey"; Nippon Research Institute (NRI), "Consumer Sentiment Survey"; Nikkei Research Institute of Industry and Markets (NIKKEI RIM), "Consumption Forecasting Indicator."

Indicators for Housing Investment

(1) Housing Starts



(2) Sales of Condominiums

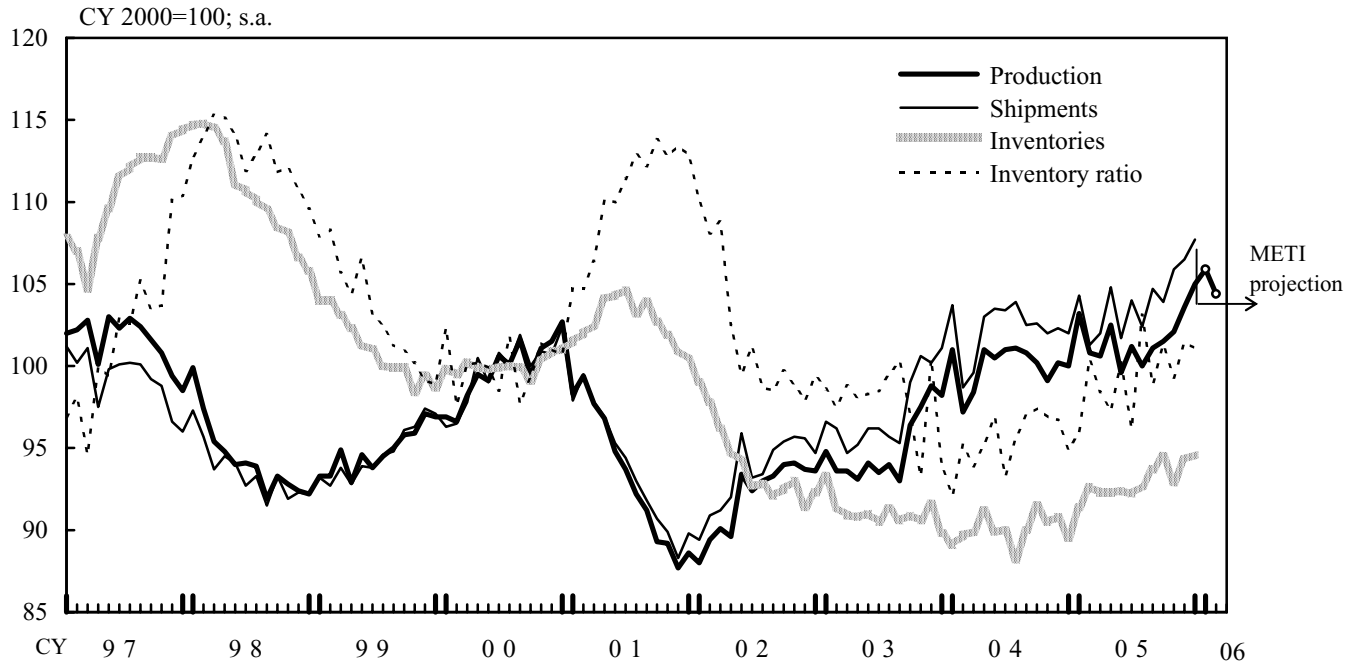


Note: Seasonally adjusted by X-12-ARIMA.

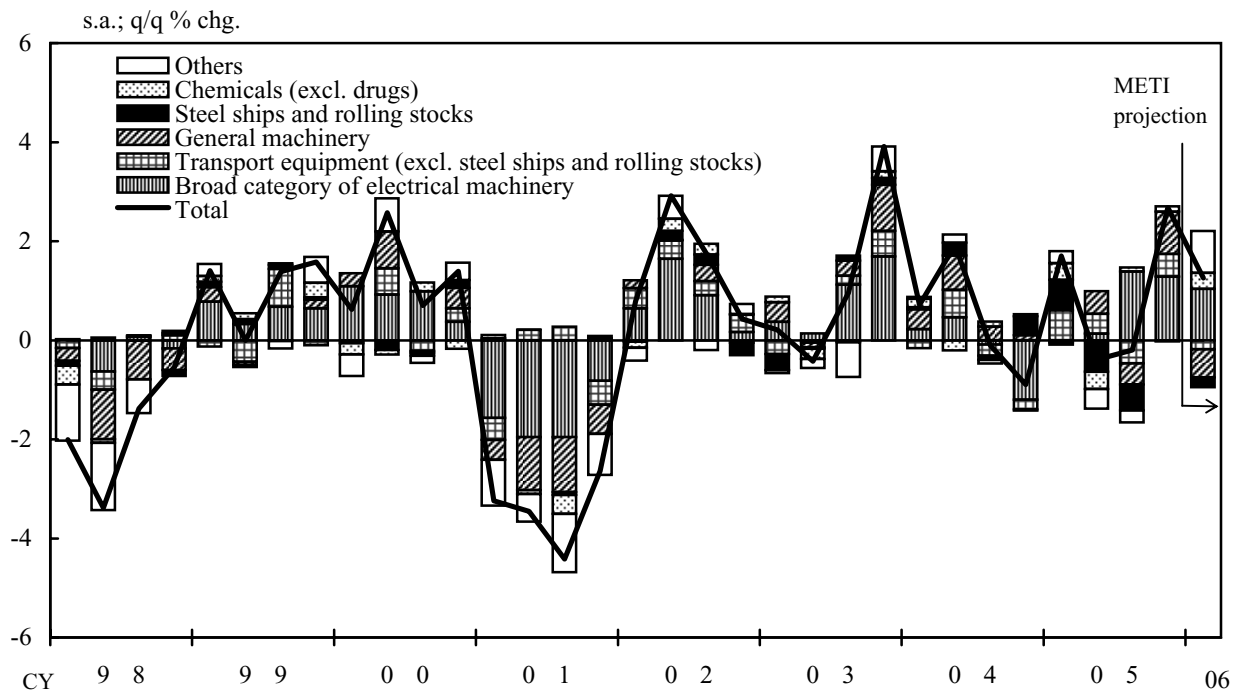
Sources: Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts," etc.

Production, Shipments and Inventories

(1) Production, Shipments and Inventories



(2) Production by Industries

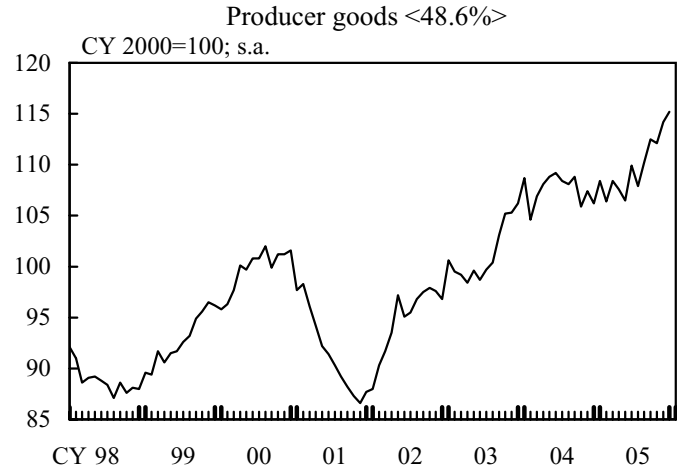
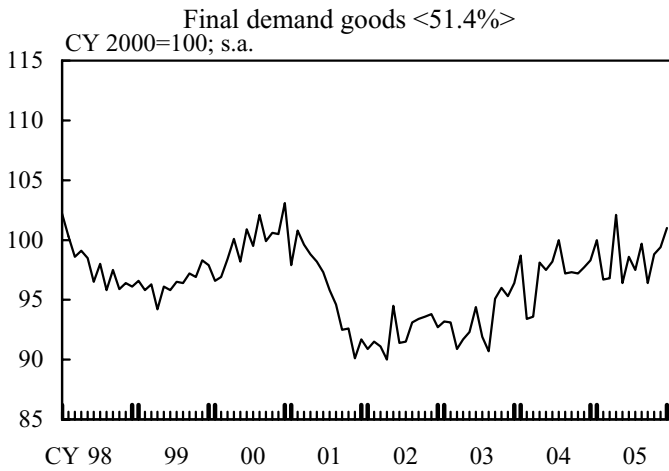


- Notes: 1. "Broad category of electrical machinery" is the weighted sum of "electrical machinery," "information and communication electronics equipment" and "electronic parts and devices."  
 2. 2006/Q1 figures are based on the assumption that production level in March is the same as that of Feb.

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

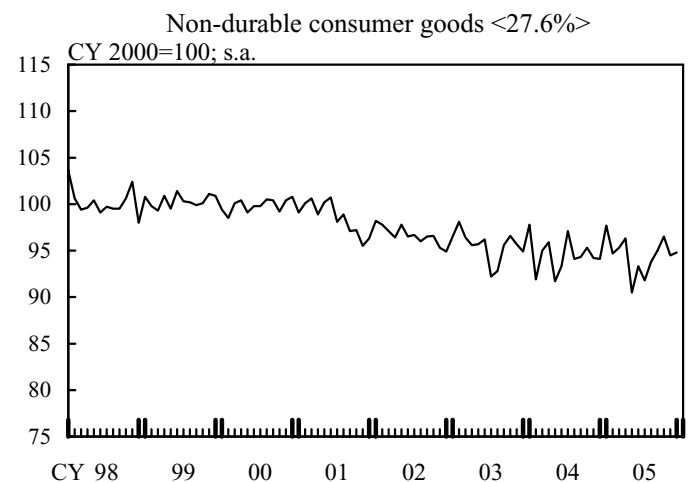
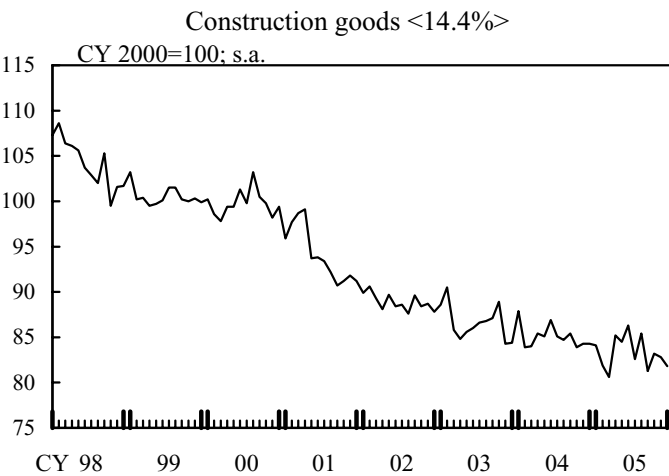
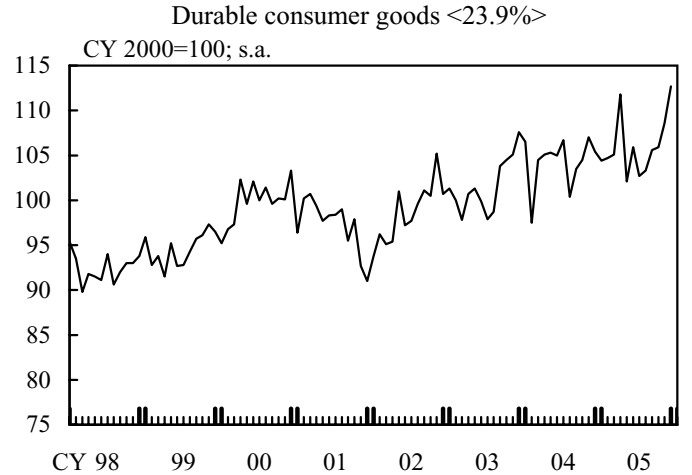
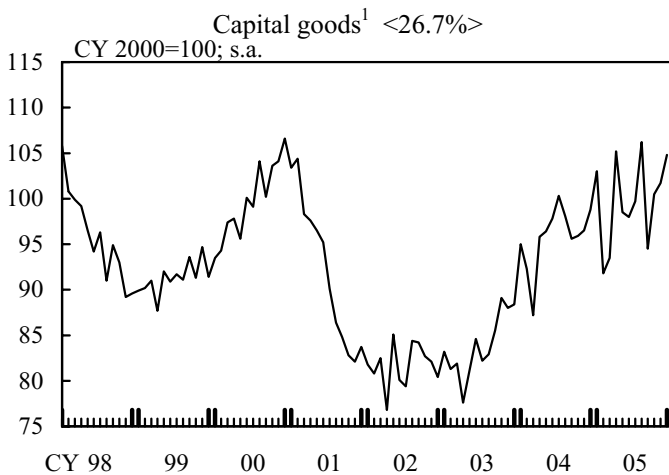
Shipments breakdown by type of goods

(1) Final demand goods and Producer goods



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

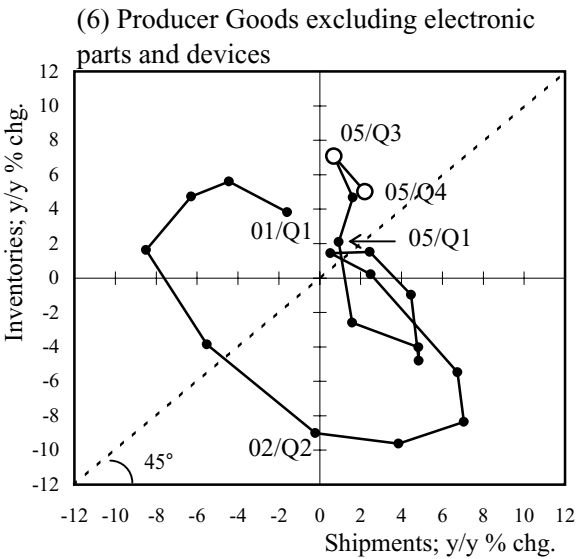
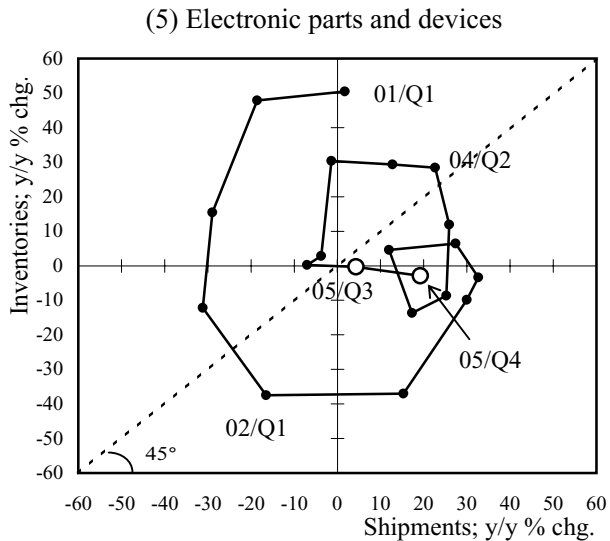
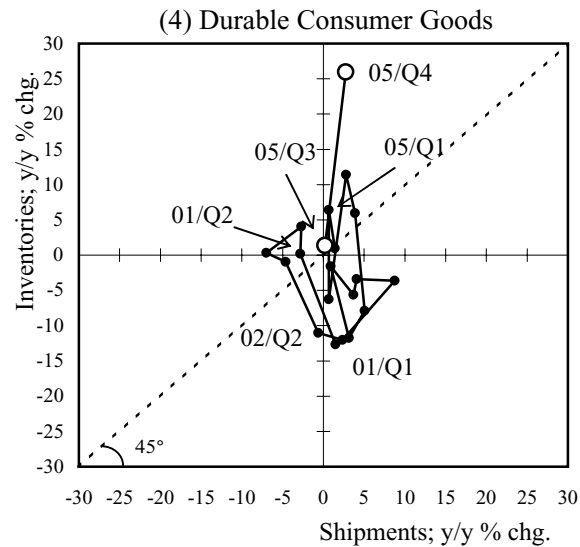
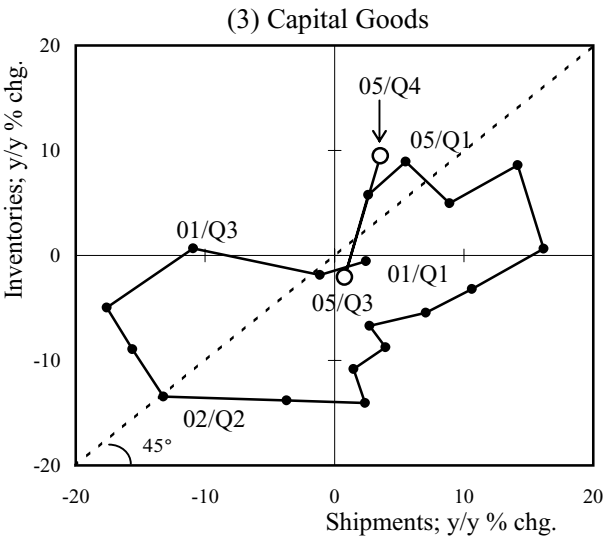
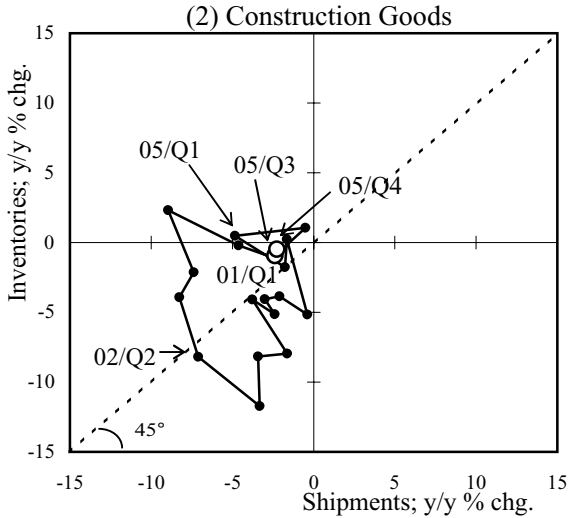
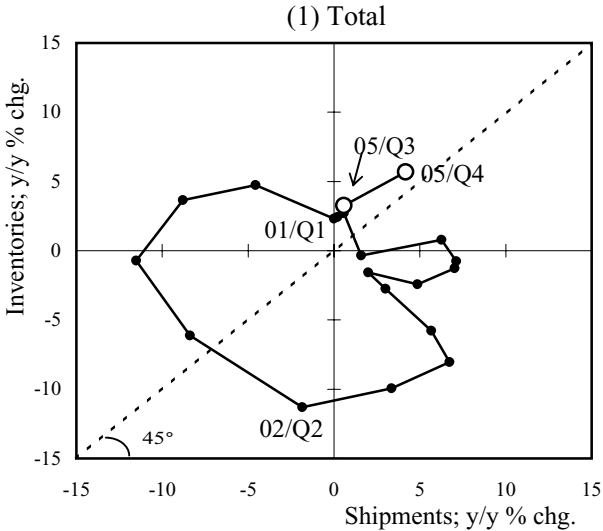
(2) Breakdown of final demand goods



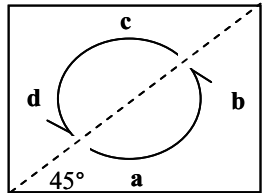
Notes: 1. Excluding transport equipment.  
2. Shares of shipments of final demand goods are shown in angle brackets.

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

Inventory Cycle



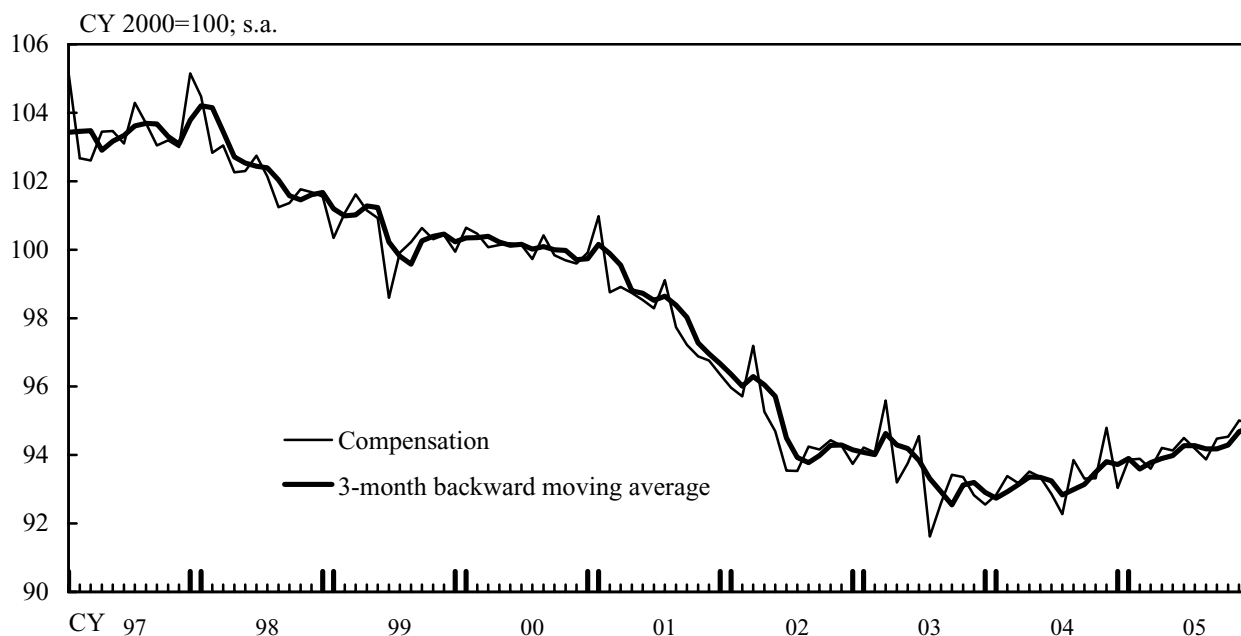
- a Shipment recovery phase
- b Intended inventory accumulation phase
- c Unintended inventory accumulation phase
- d Inventory adjustment phase



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

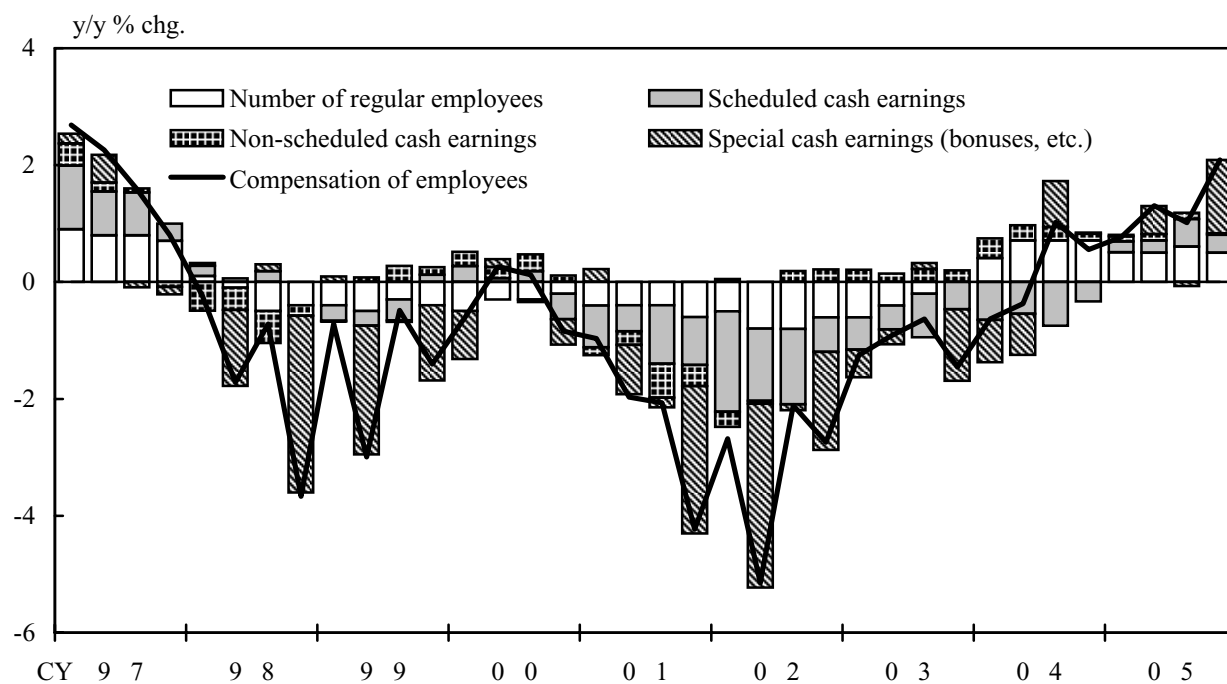
## Compensation of Employees

### (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

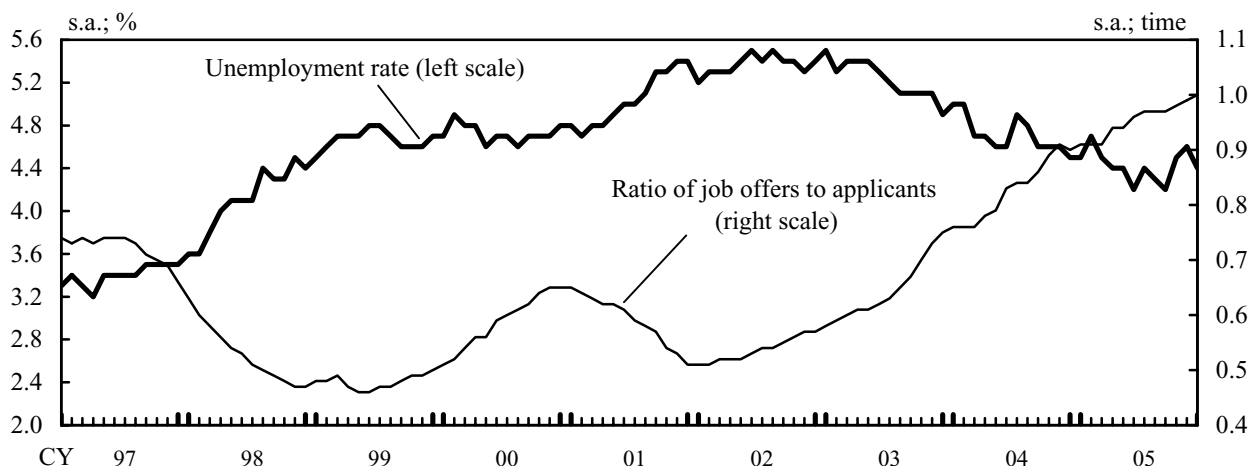


- Notes: 1. Data are for establishments with at least 5 employees.
2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.
3. Figures for 2005/Q4 are those of December.

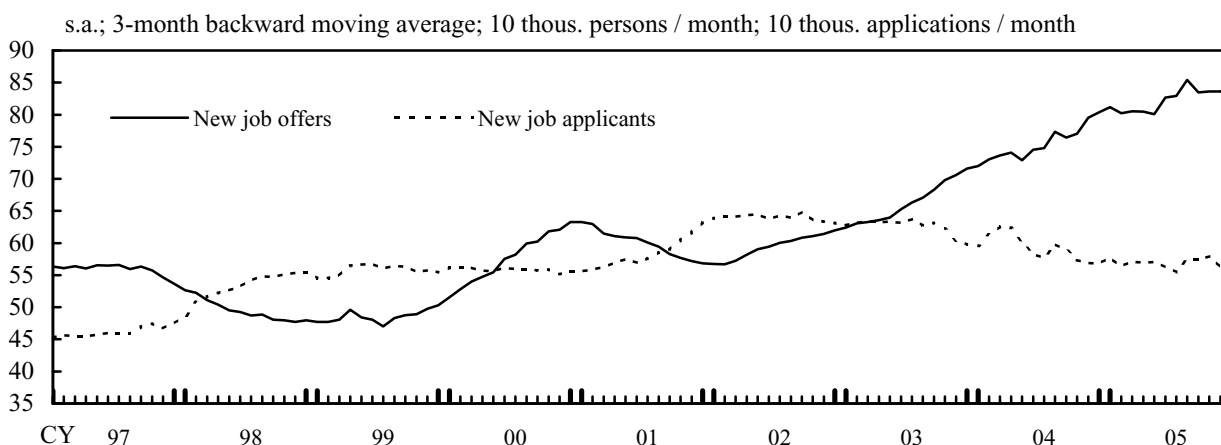
Source: Ministry of Health, Labour and Welfare, "Monthly Labour Survey."

Labor Market (1)

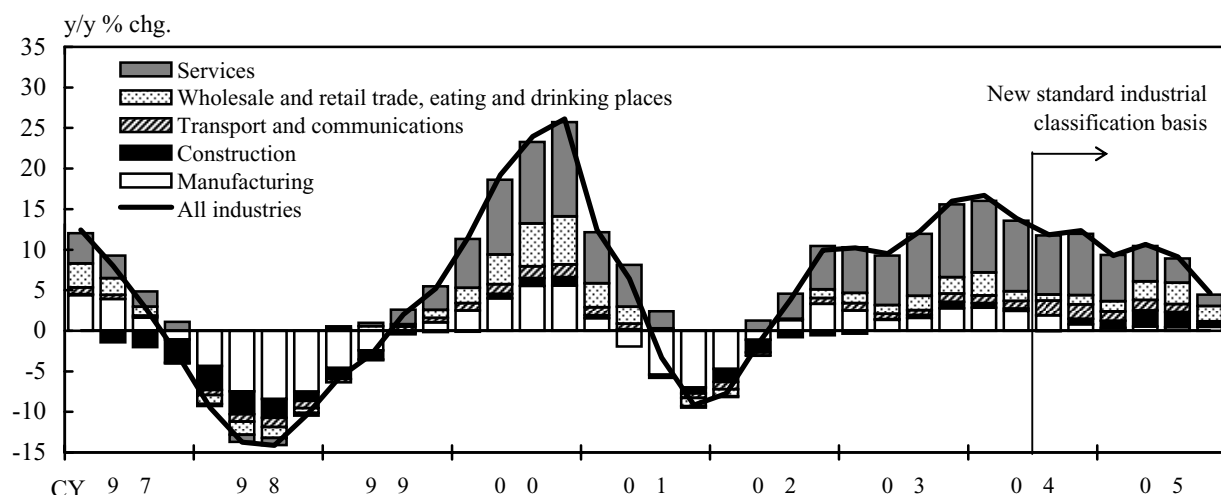
(1) Unemployment Rate and Ratio of Job Offers to Applicants



(2) New job offers and New job applicants<sup>1</sup>



(3) Breakdown of New job offers<sup>1,2</sup>

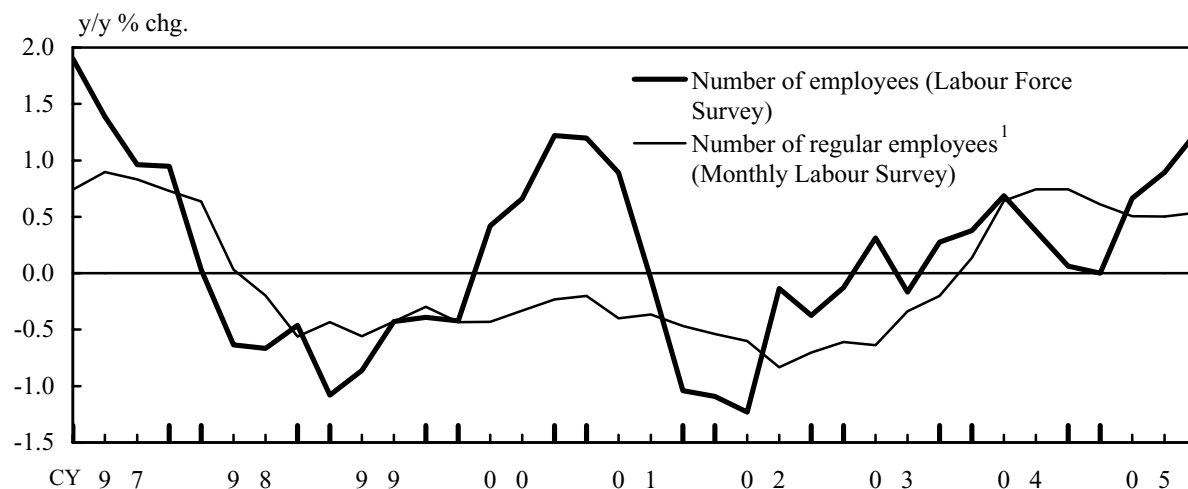


Notes: 1. Figures do not include jobs offered to new graduates, but include those offered to part-time workers.  
 2. Figures up to 2004/Q2 are based on the previous Standard Industrial Classification. Figures from 2004/Q3 are based on new Standard Industrial Classification. To keep the continuation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

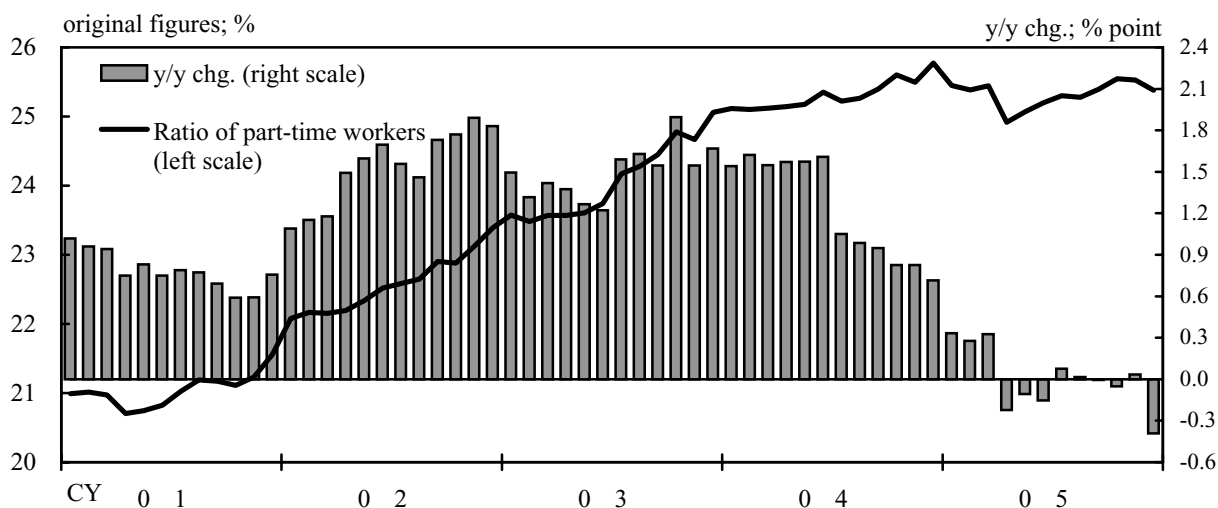
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service";  
 Ministry of Internal Affairs and Communications, "Labour Force Survey."

Labor Market (2)

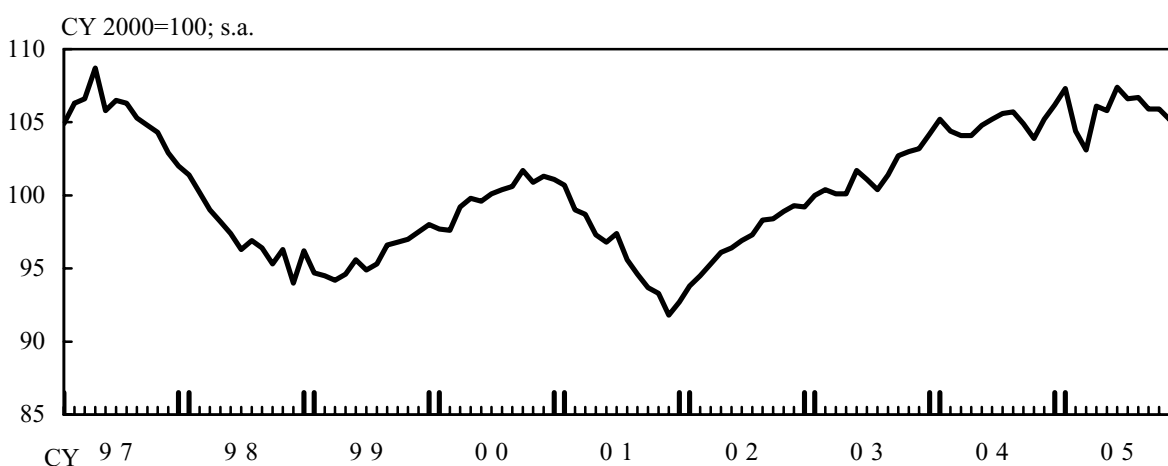
(1) Number of Employees



(2) Ratio of part-time workers<sup>1,2</sup> (Monthly Labour Survey)



(3) Non-scheduled Hours Worked<sup>1</sup> (Monthly Labour Survey)



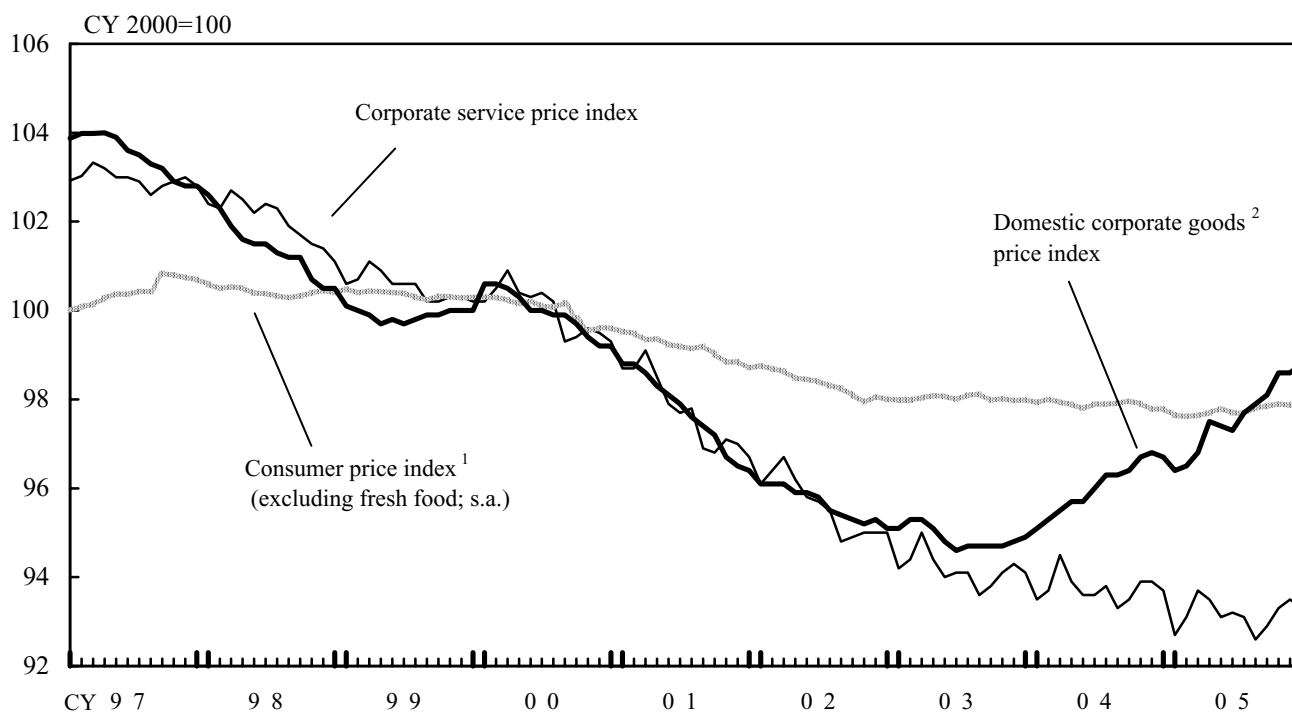
Notes: 1. Data are for establishments with at least 5 employees.  
 2. Ratio of part-time workers is calculated as number of part-time workers divided by number of regular employees times 100.

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

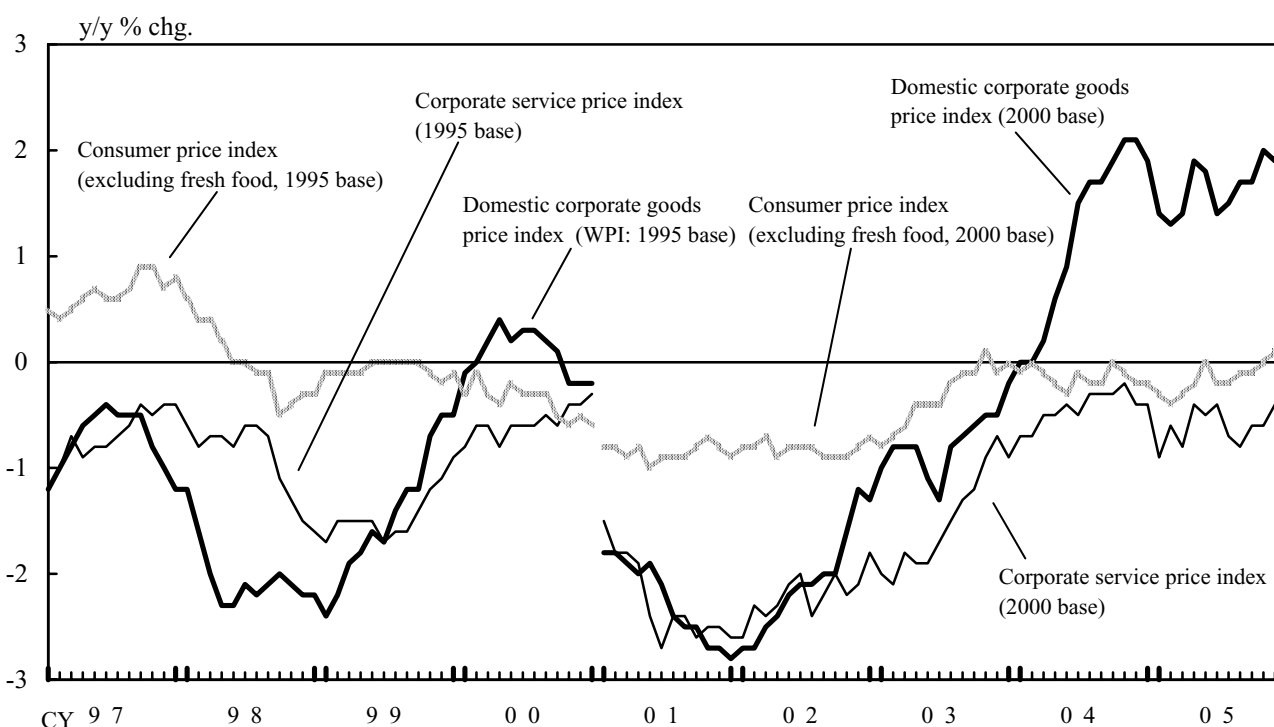


Prices<sup>3</sup>

(1) Level



(2) Changes from a year earlier



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

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

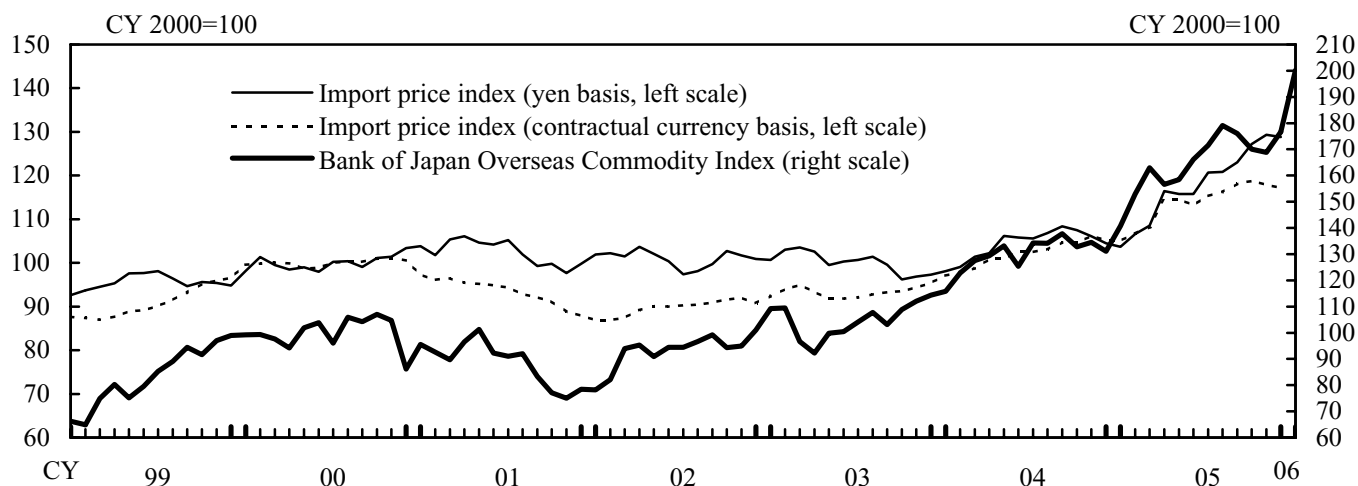
3. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

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

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

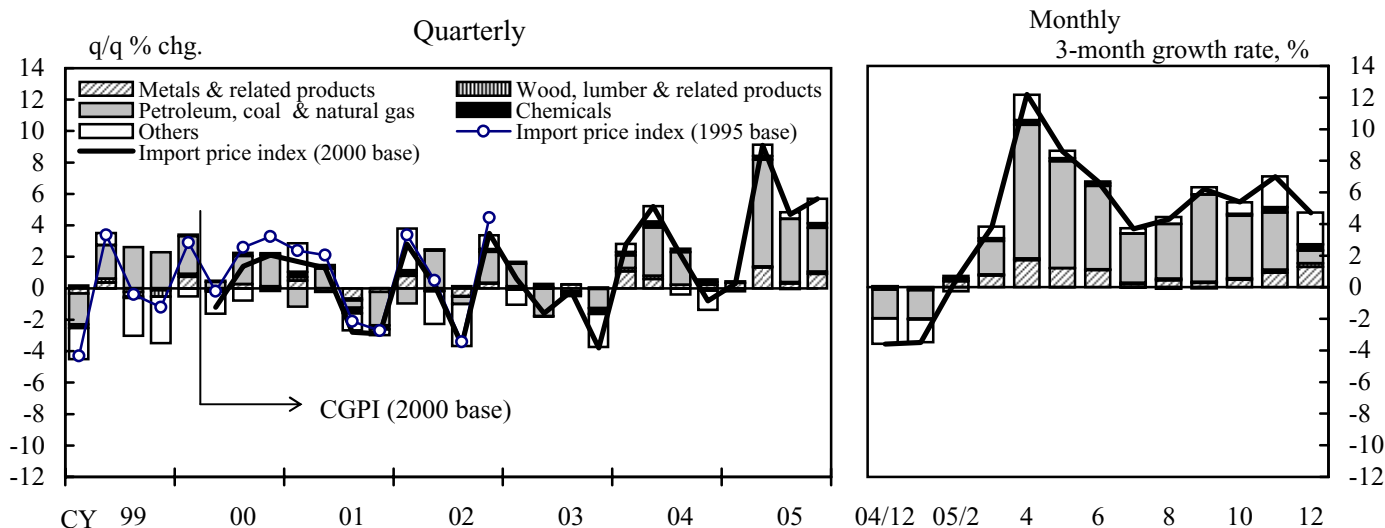
## Import Prices and International Commodity Prices

### (1) Import Price Index and Overseas Commodity Index



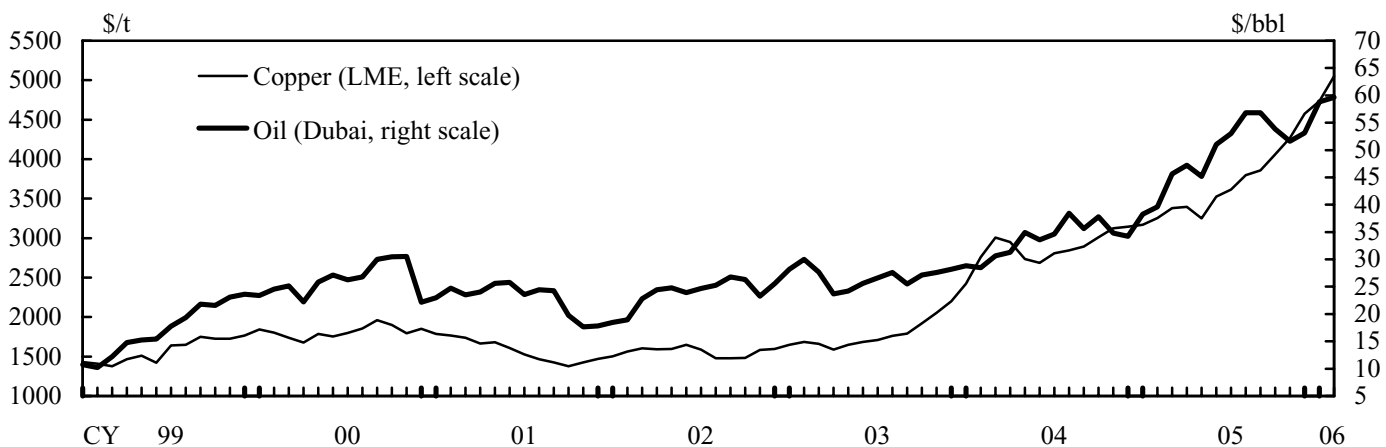
Note: Bank of Japan Overseas Commodity Index is the end of month figure.

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



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

### (3) Oil price and Copper price

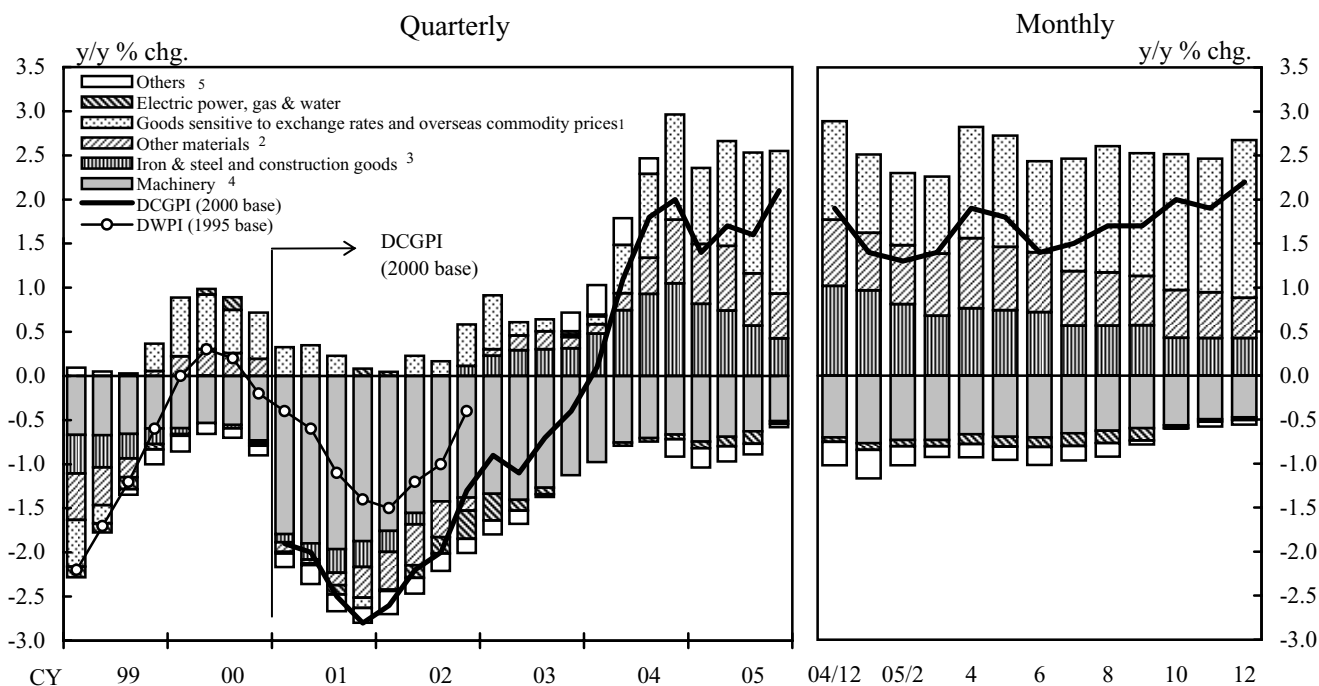
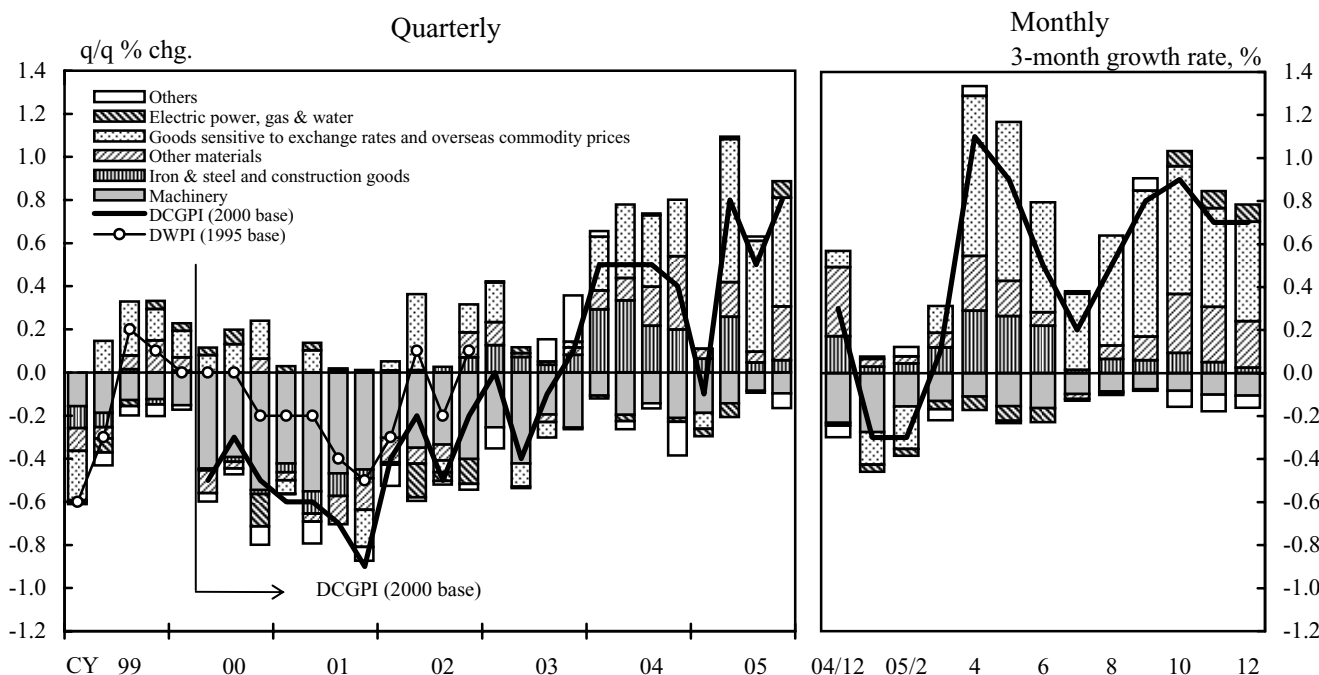


Note: Monthly averages. Figures for February 2006 are the averages up to February 8.

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

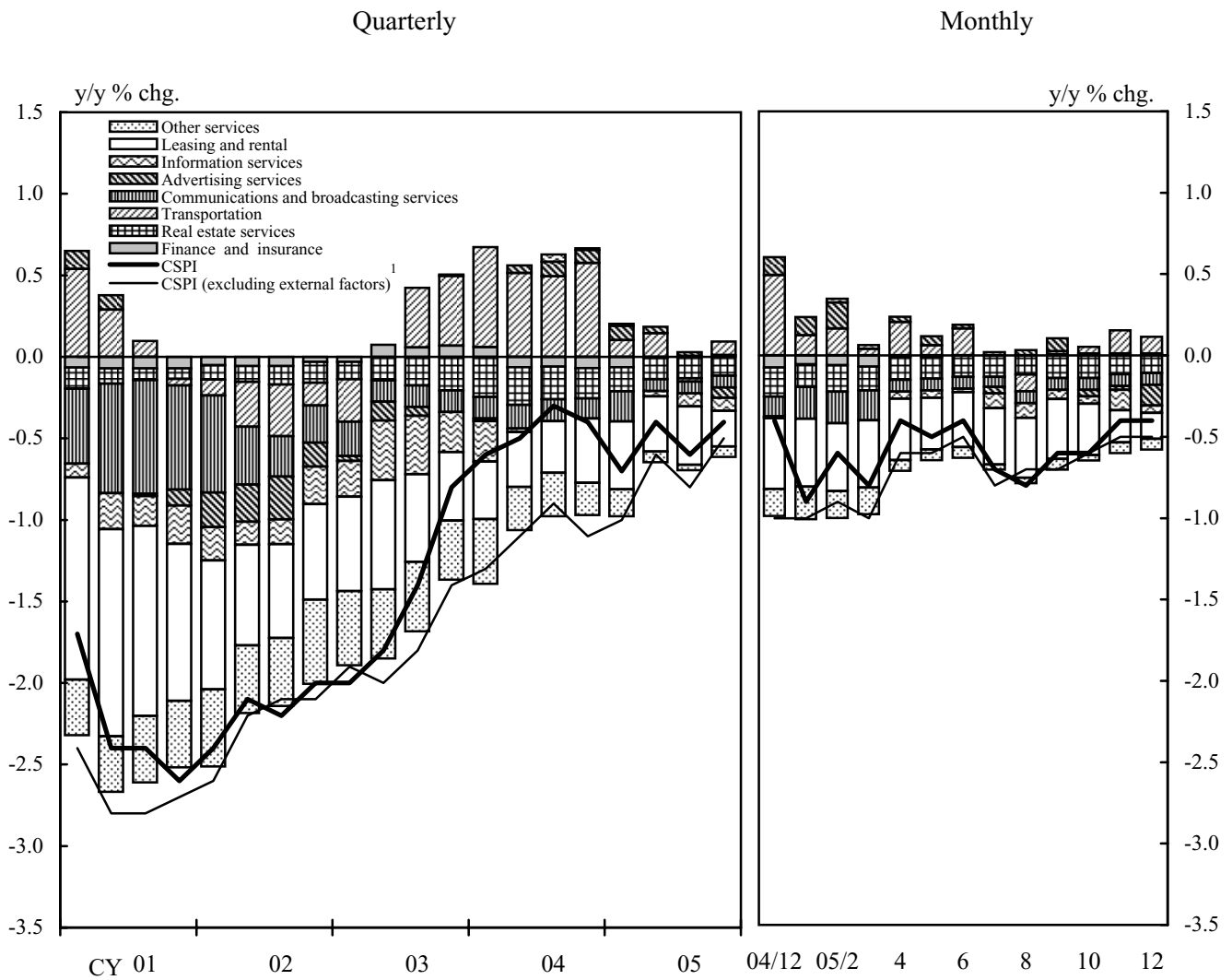
Domestic Corporate Goods Price Index<sup>7</sup>

## (1) Changes from a year earlier

(2) Changes from a quarter earlier and 3 months earlier<sup>6</sup>

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

Corporate Service Price Index

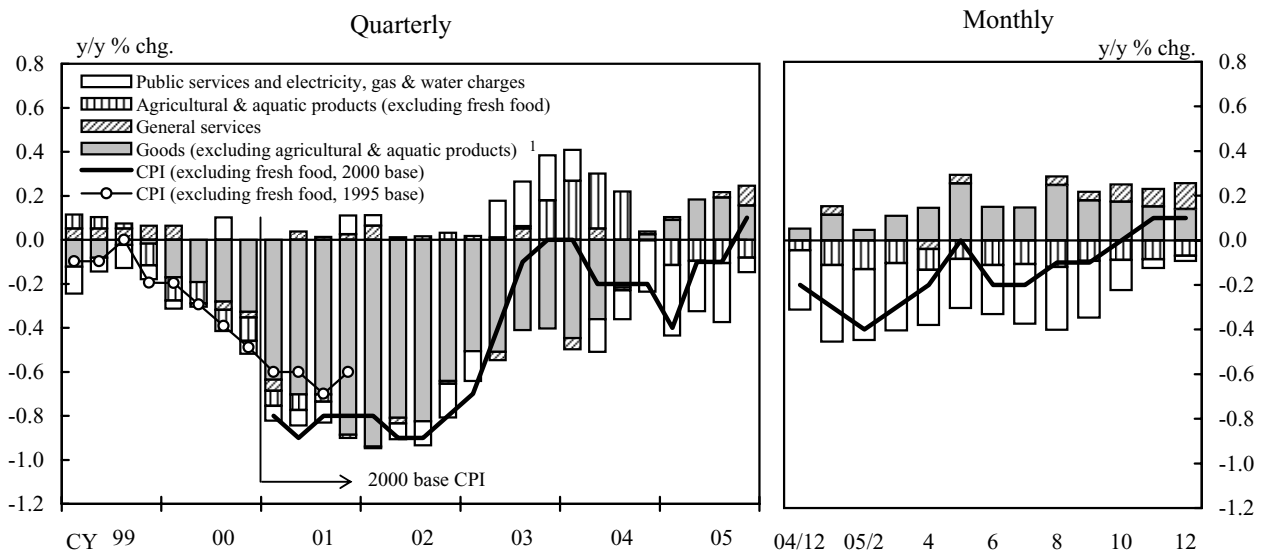


Note: 1. External factors: international air passenger transportation, ocean liner, ocean tramper, ocean tanker, oceangoing ship chartering services, and international air freight.

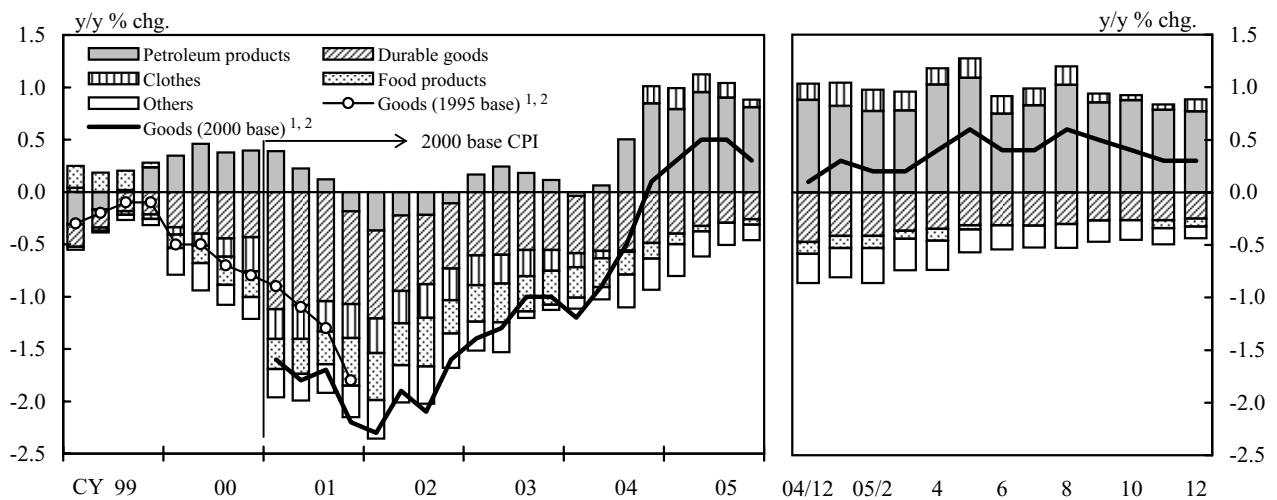
Source: Bank of Japan, "Corporate Service Price Index."

Consumer Price Index (excluding fresh food)

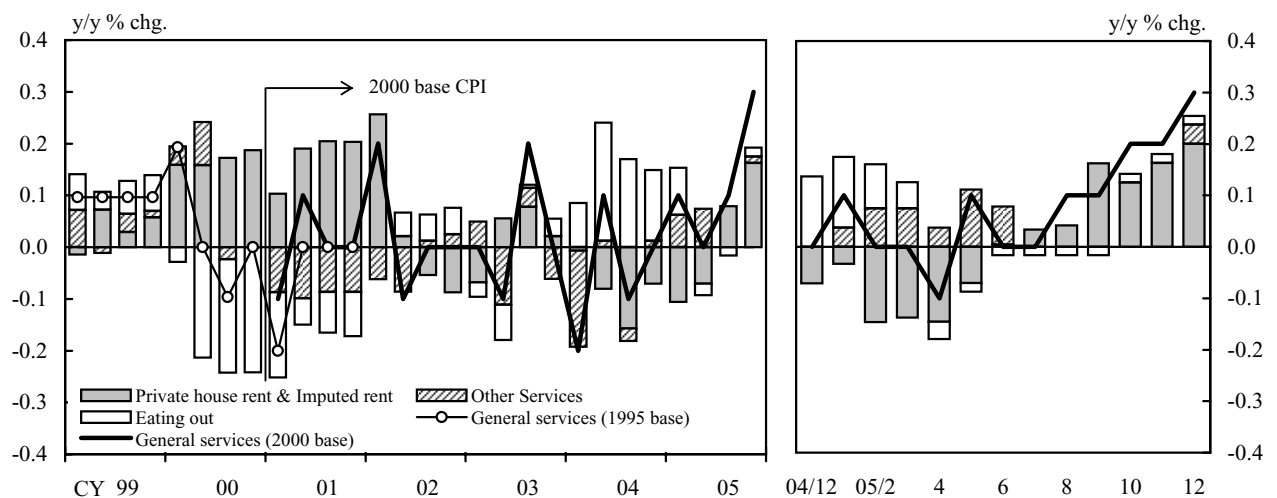
(1) Consumer price index (excluding fresh food)



(2) Goods (excluding agricultural & aquatic products)<sup>1</sup>



(3) General services

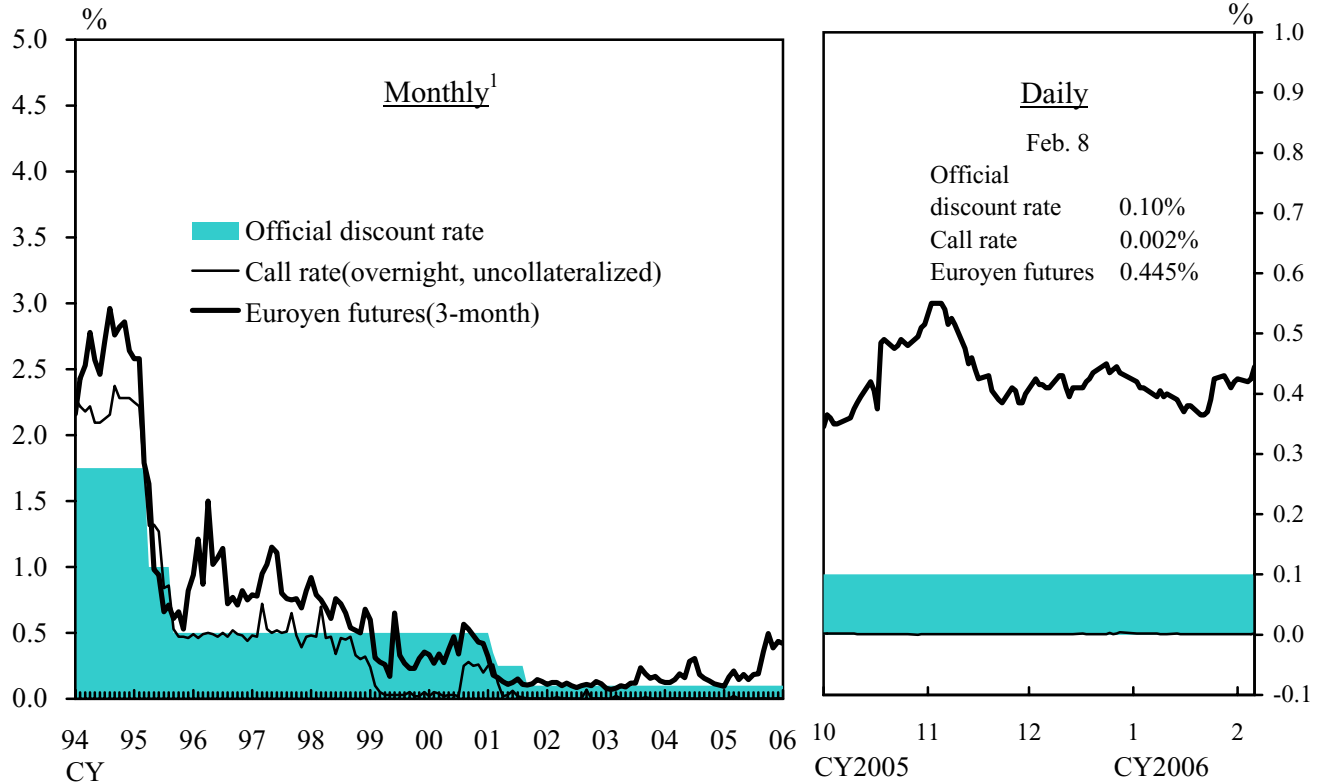


Notes: 1. The Items are basically the same as the definition published by the Ministry of Internal Affairs and Communications. However, electricity, gas & water charges is excluded from goods.  
 2. Excluding agricultural & aquatic products.

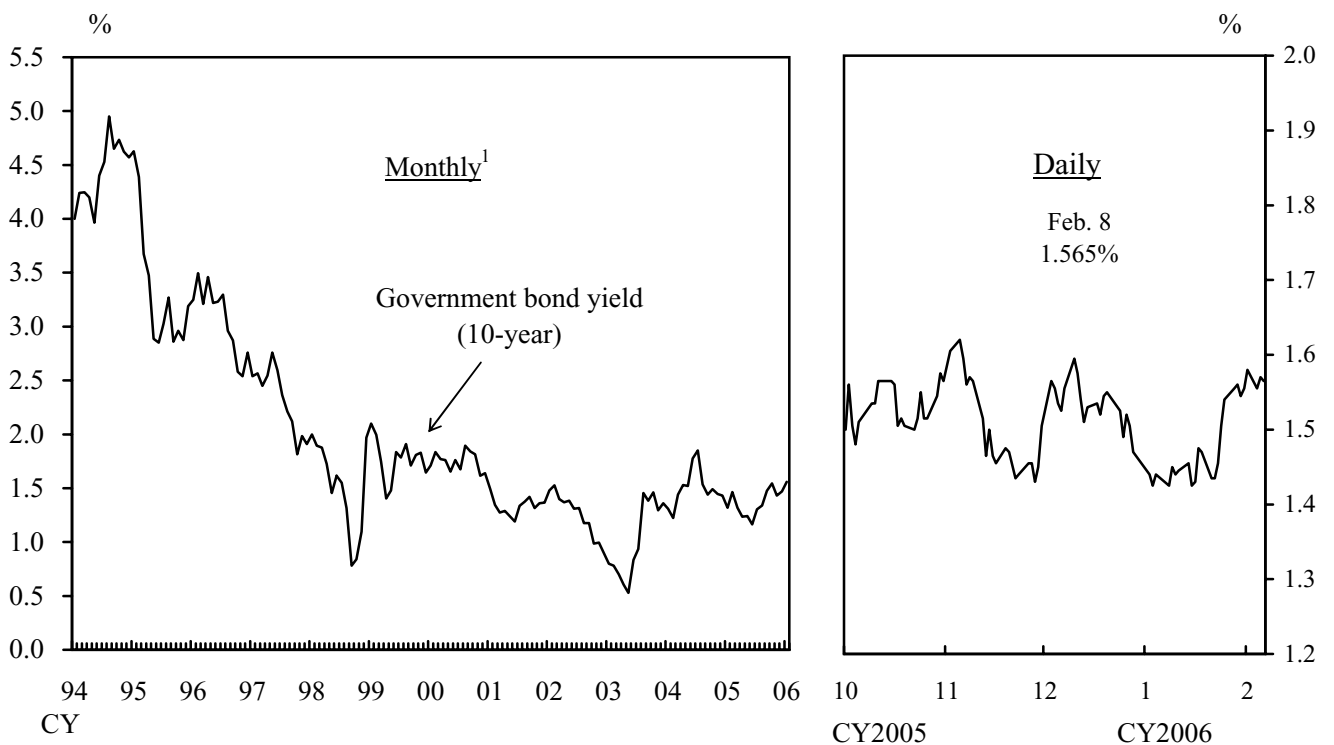
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Interest Rates

(1) Short-Term



(2) Long-Term

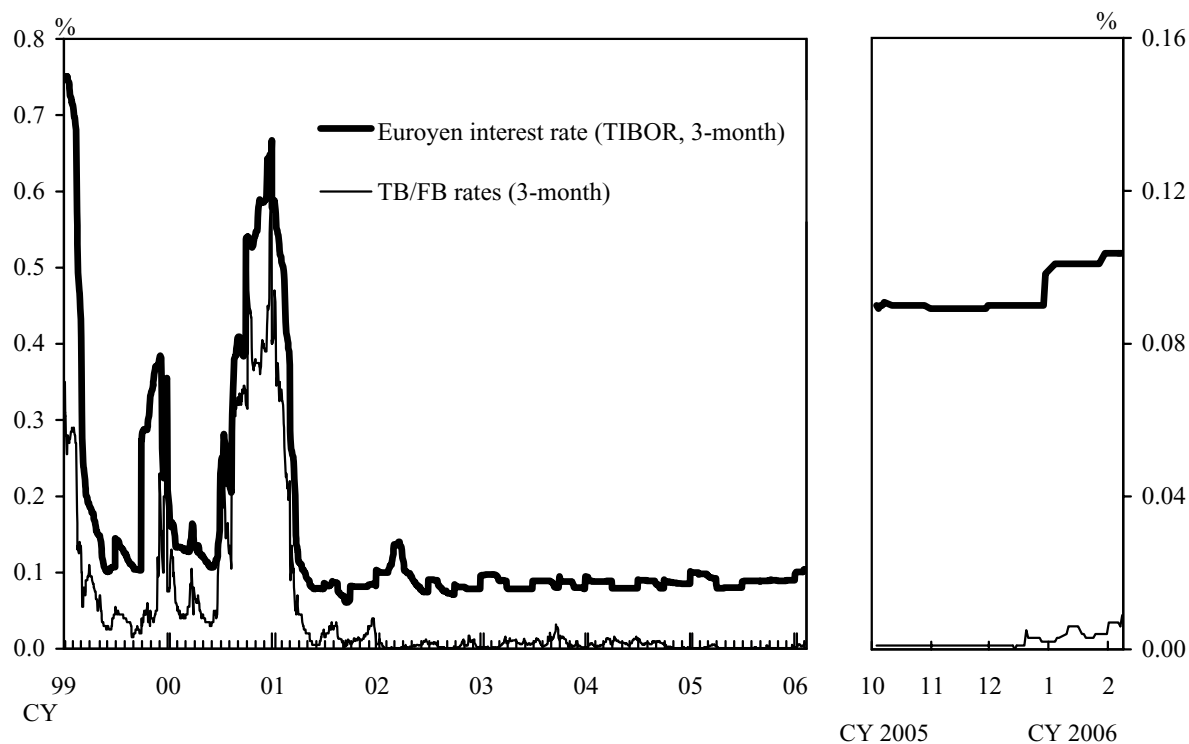


Note: 1. End of month.

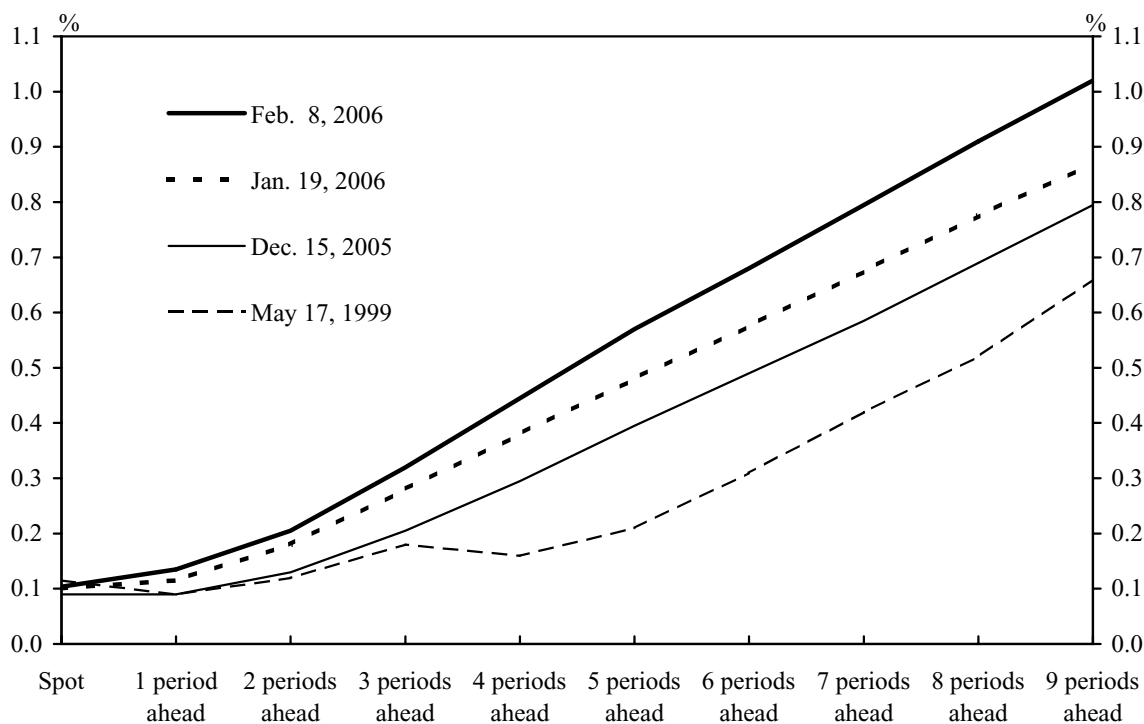
Sources: Bank of Japan; Tokyo Financial Exchange; Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments



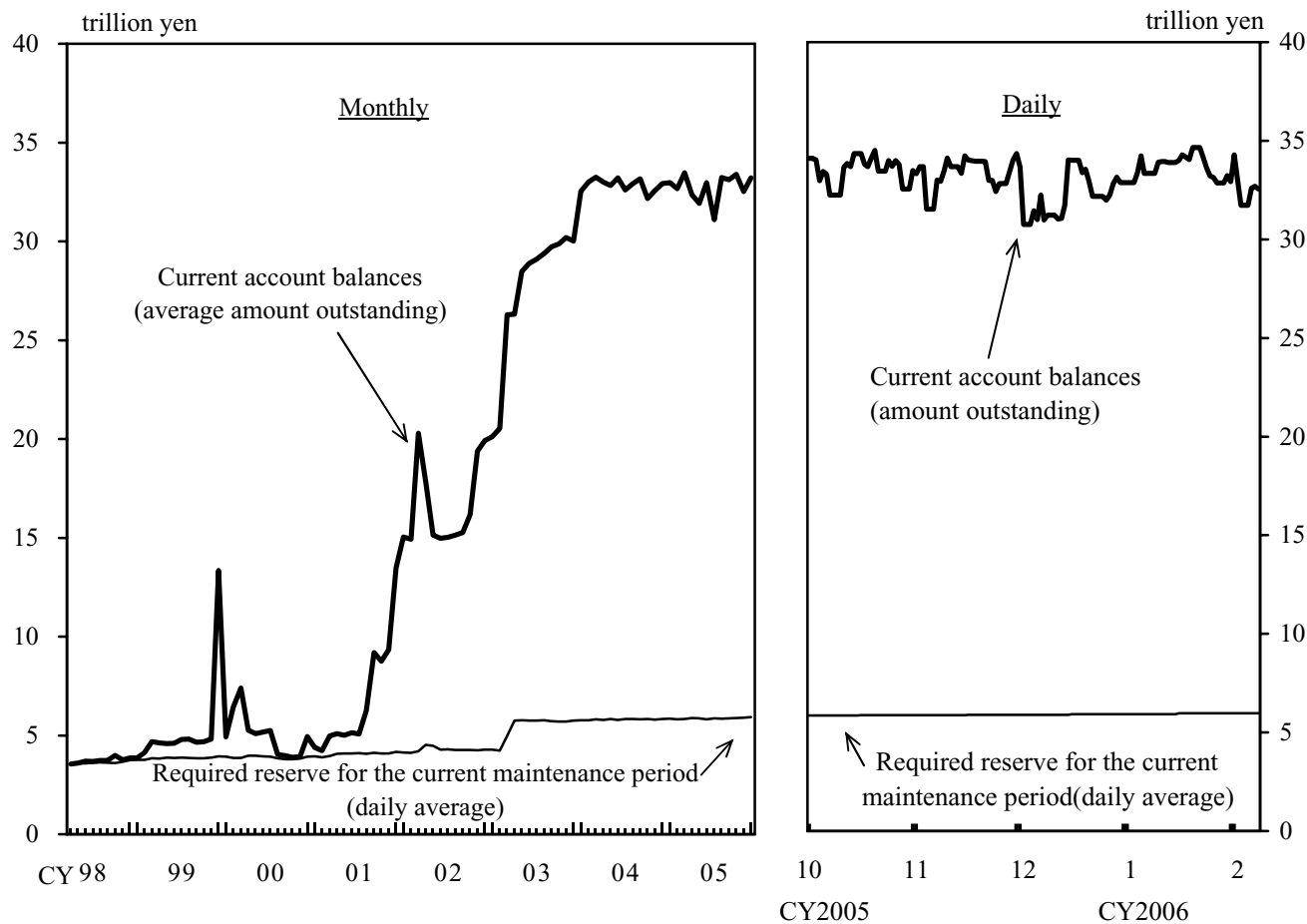
(2) Euroyen Interest Rates Futures (3-Month) <sup>1</sup>



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



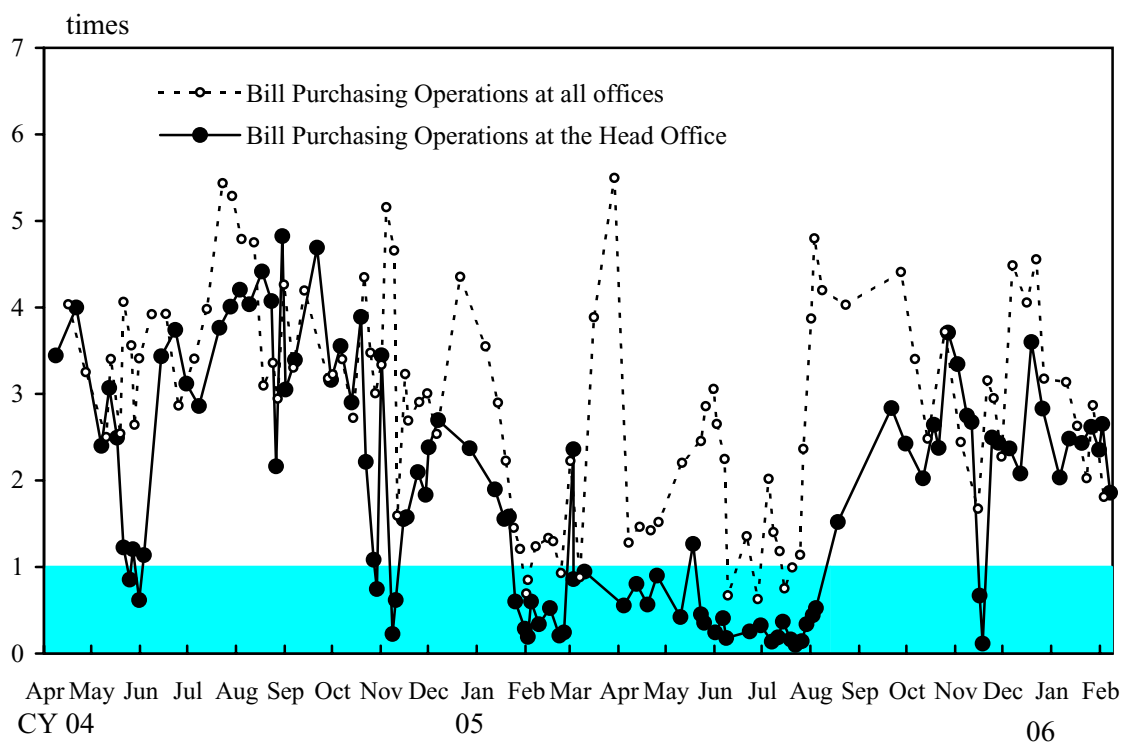
Note: From April 2003, the figures for current account balances and required reserve include the deposit of the Japan Post.

Source: Bank of Japan.



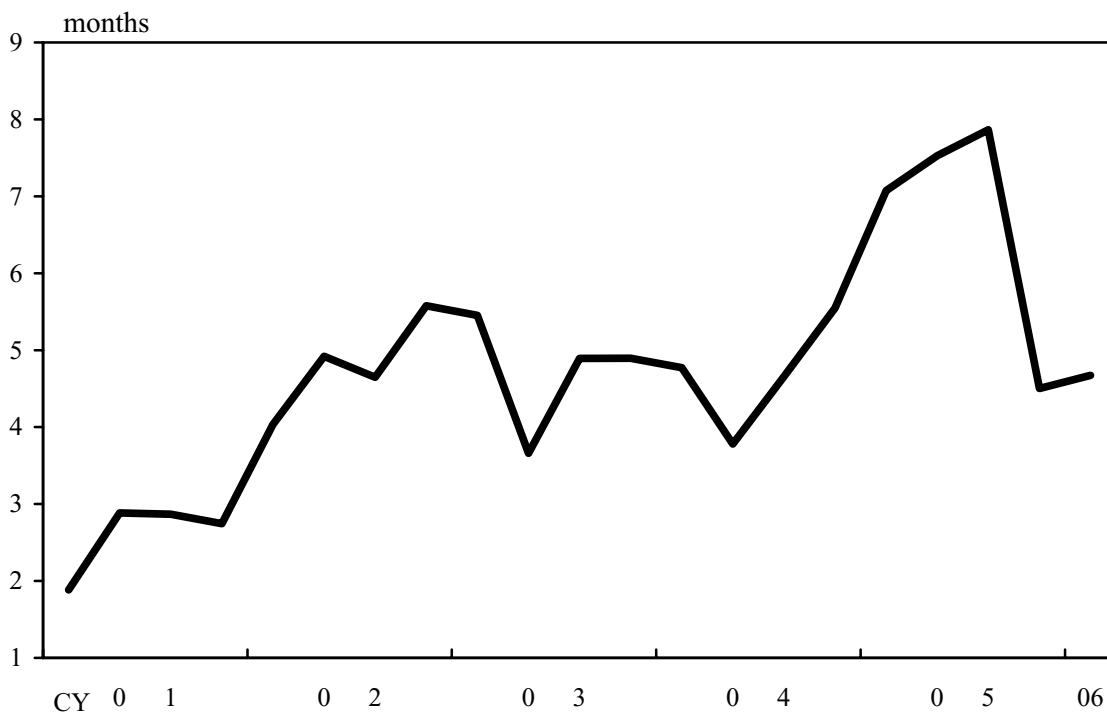
Funds-Supplying Operations

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



Note: Based on the dates of offers.

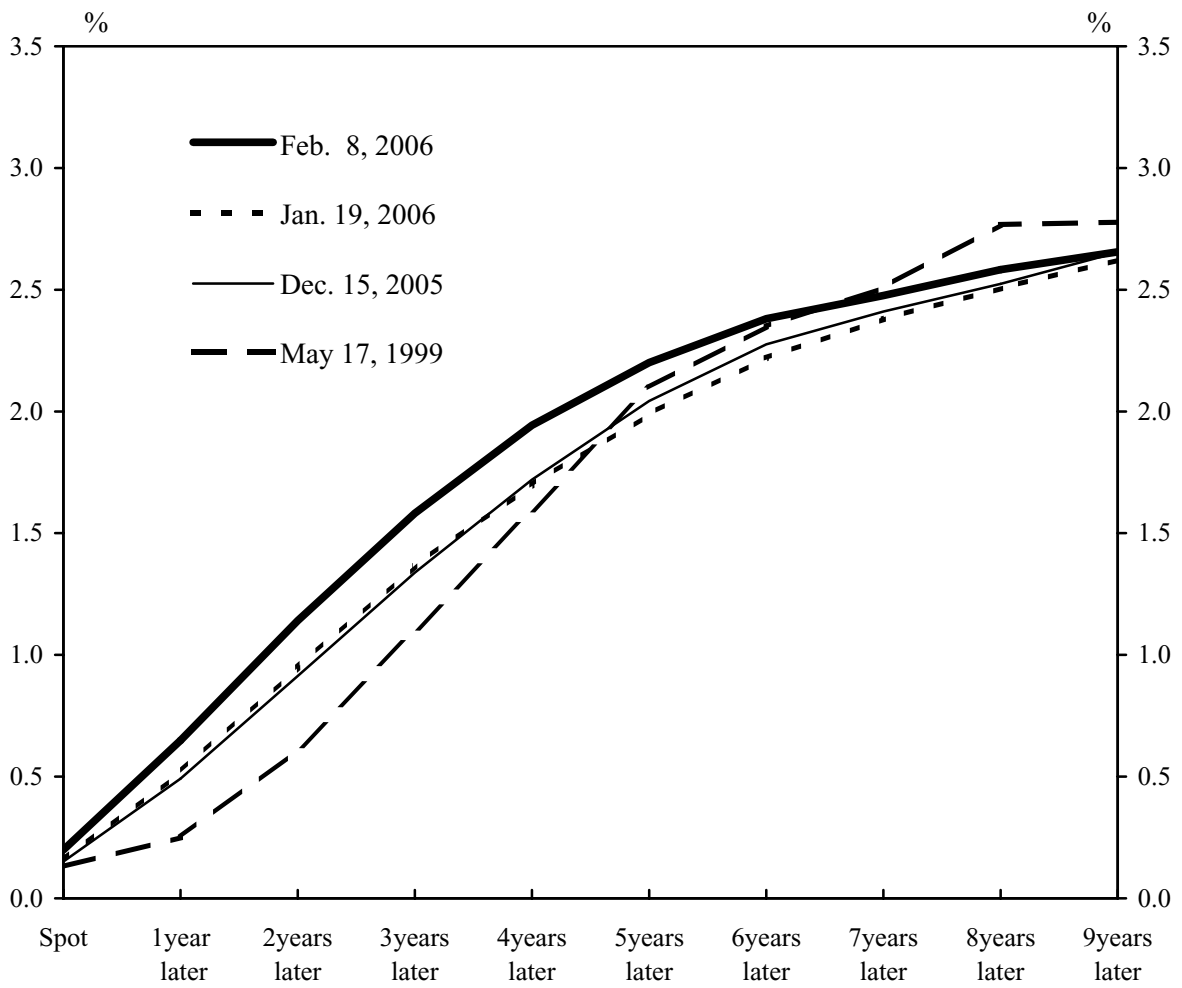
(2) Maturity of Bill-Purchasing Operations



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)

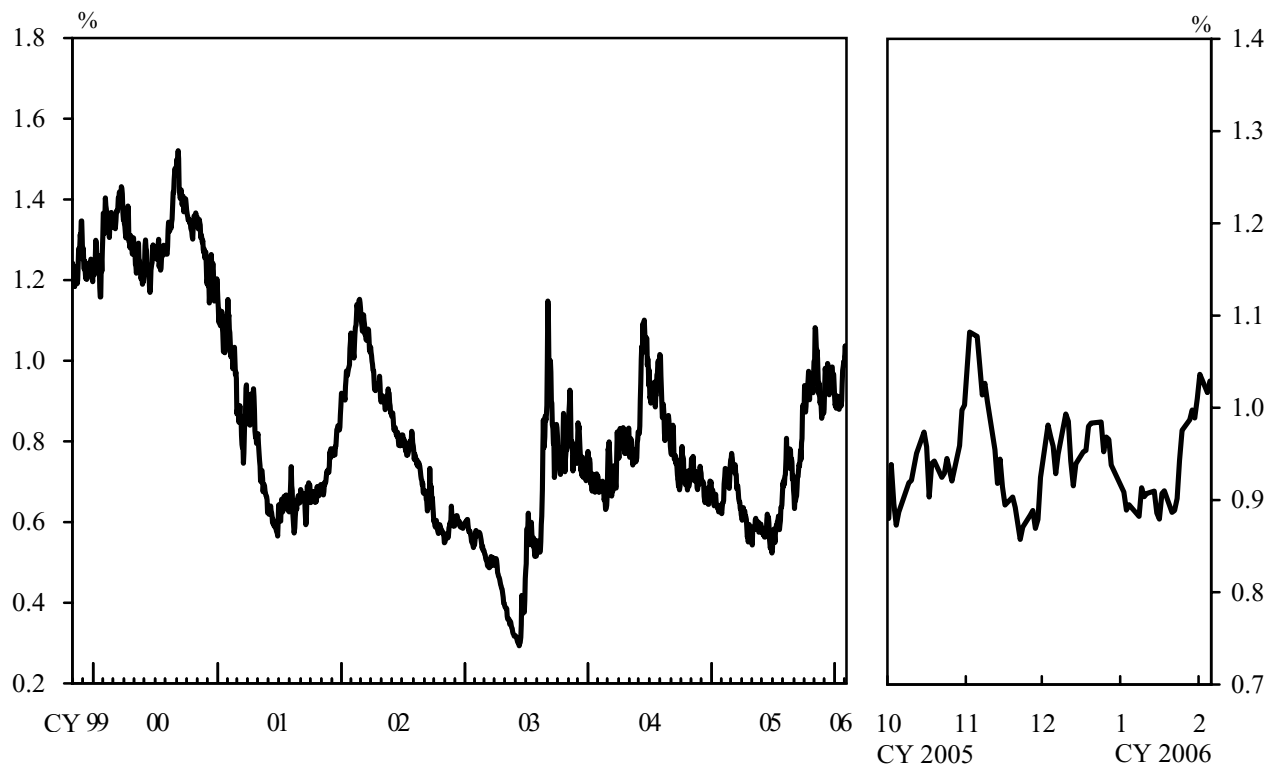


Note: Calculated from yen-yen swap rates.

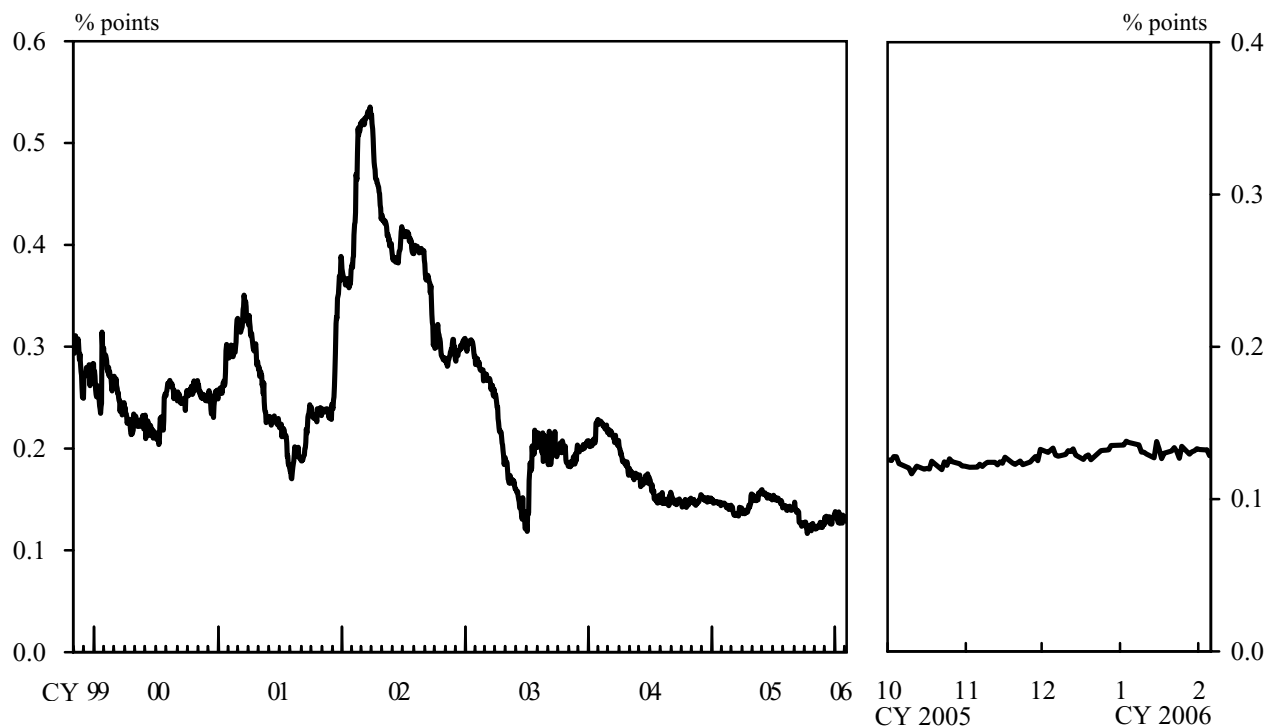
Source: Reuters.

Yields of Bank Bonds

(1) Average Bank Bond Yield



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



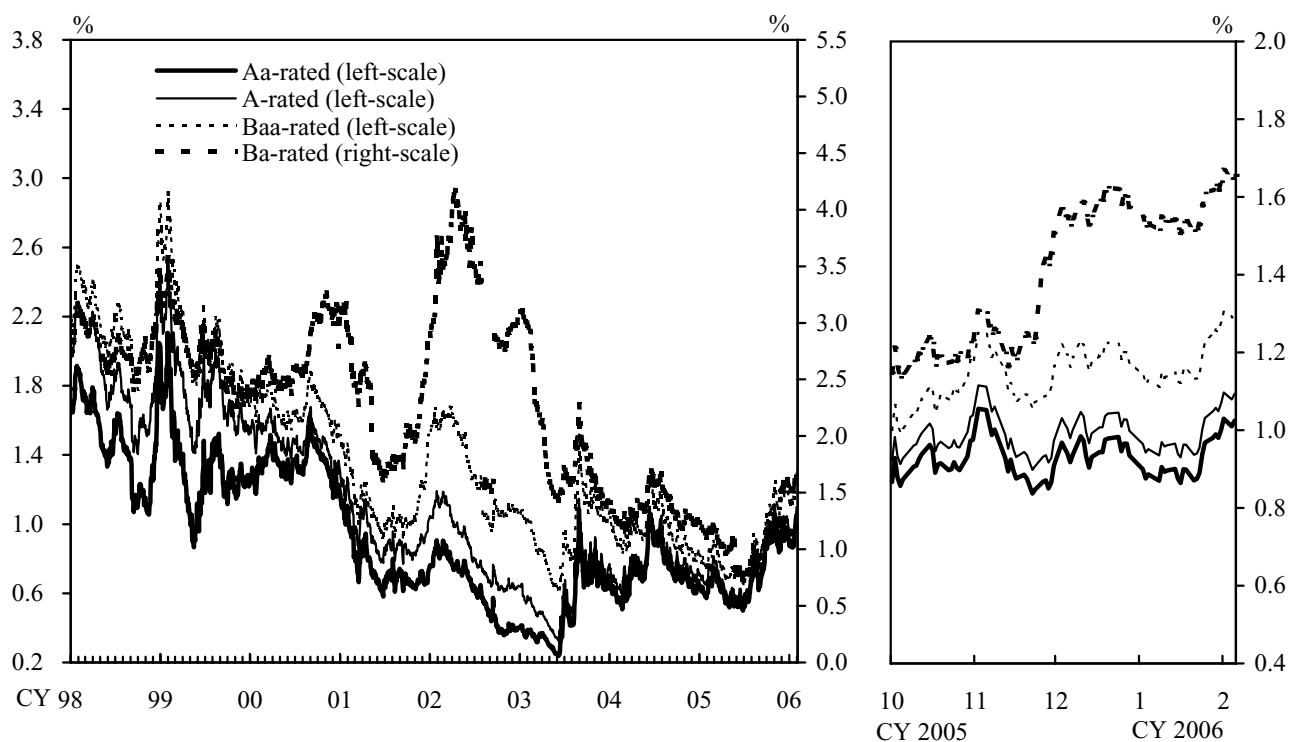
Notes: 1. Yields on bonds with 5-year maturity.

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

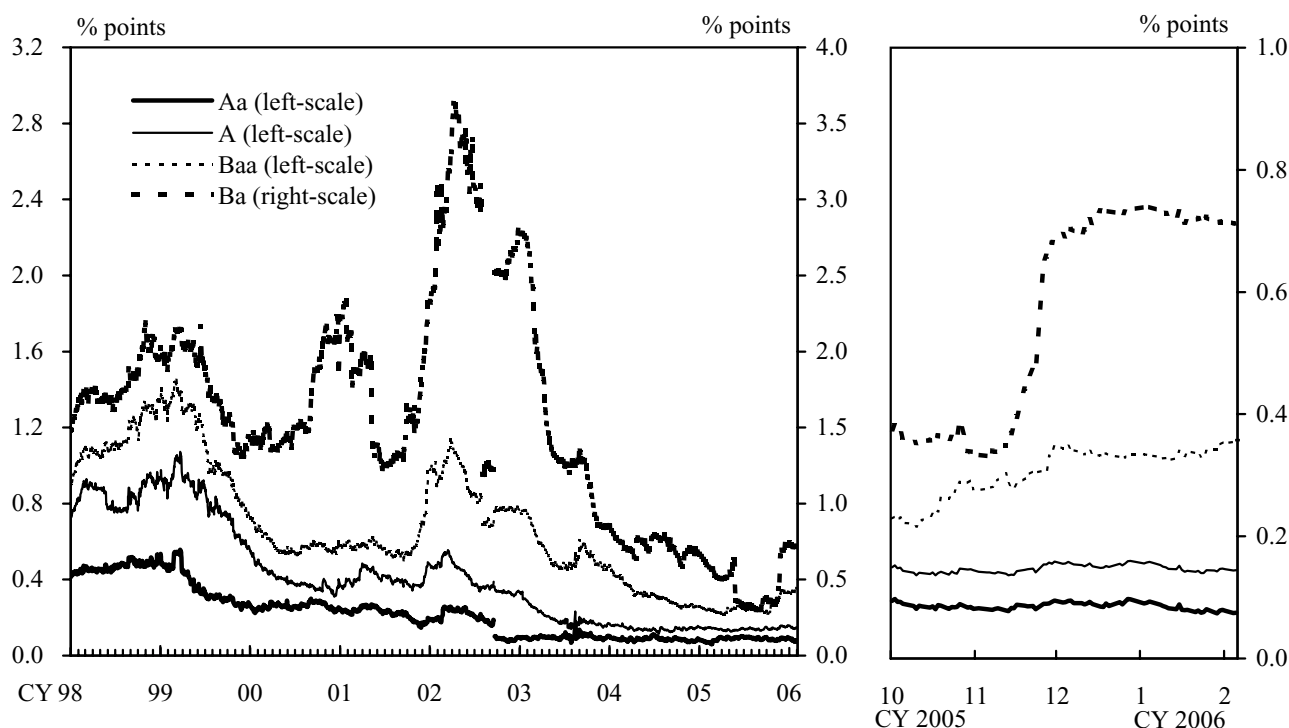
Sources: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."  
"Reference Price(Yields) Table for OTC Bond Transactions."

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.

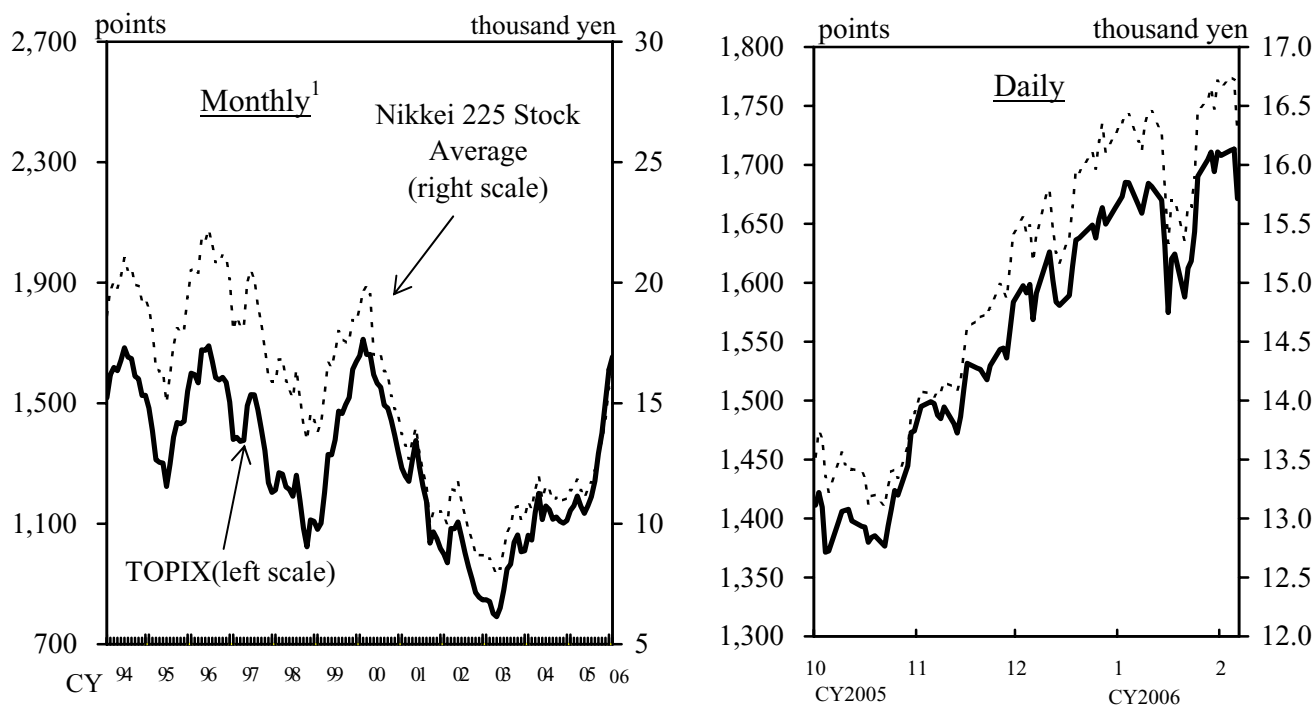
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of 4 to 6 years since Sep. 24, 2002.

2. The indicated ratings are of Moody's.

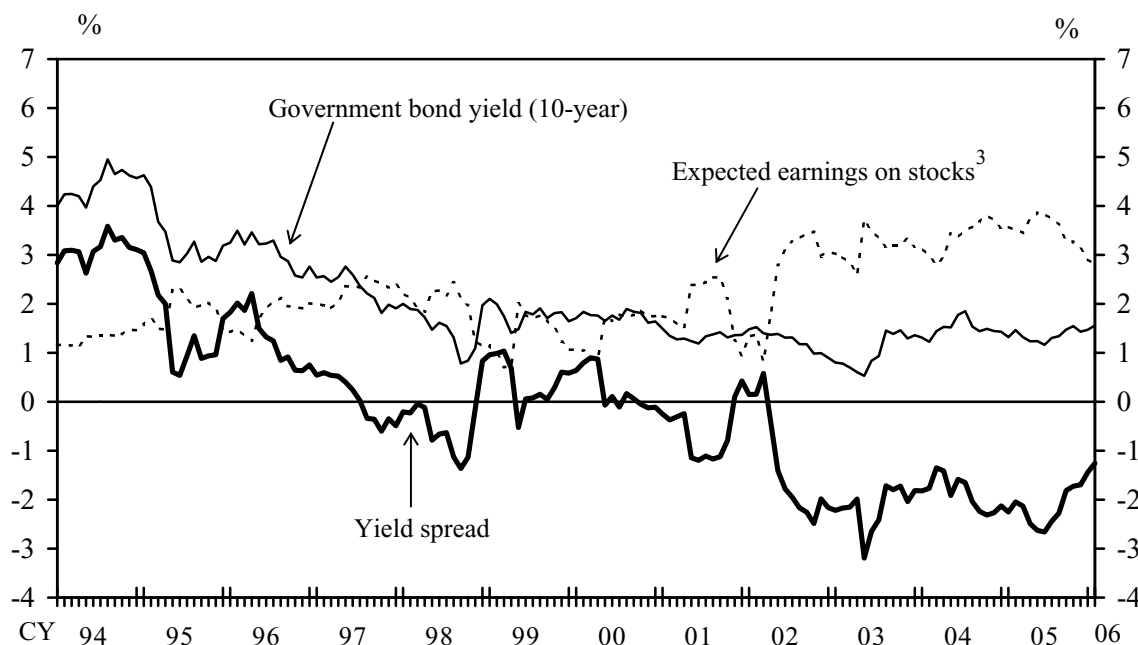
Sources: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations." "Reference Price(Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Stock Prices



(2) Yield Spread<sup>2</sup>



Notes: 1. Data are monthly averages.

2. Data are at end of period.

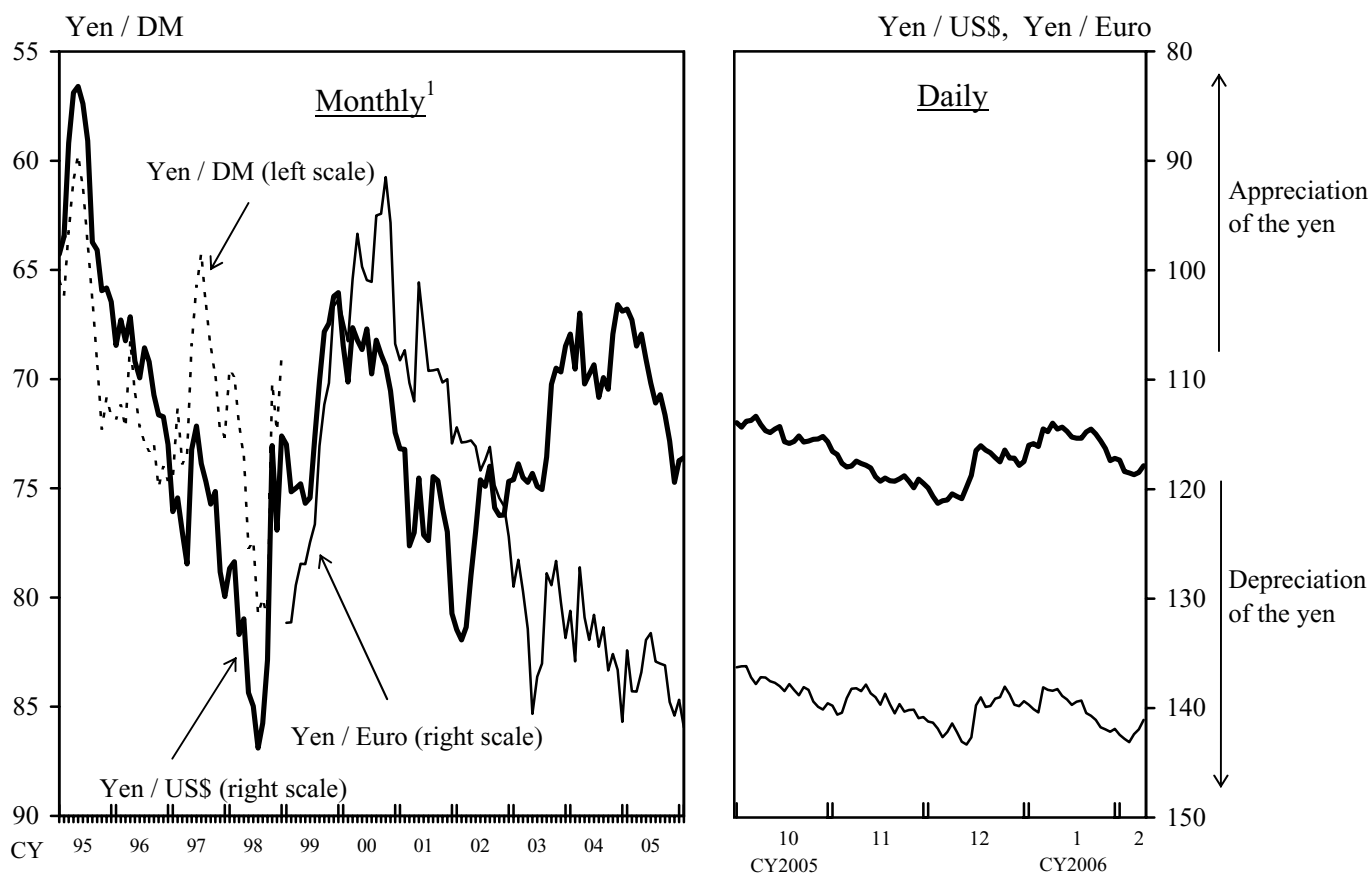
Yield spread = government bond yields - expected earnings on stocks,  
where expected earnings on stocks = 1/expected price earnings ratio.

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

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

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

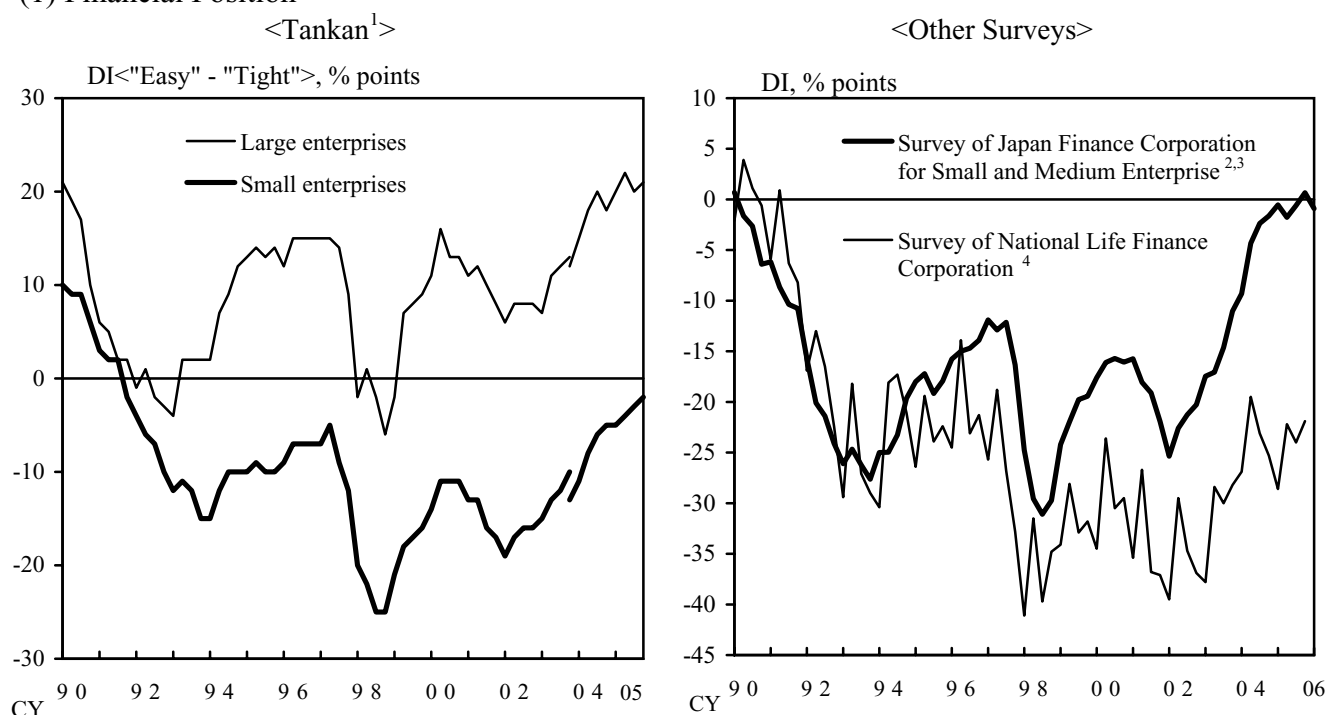
Exchange Rates



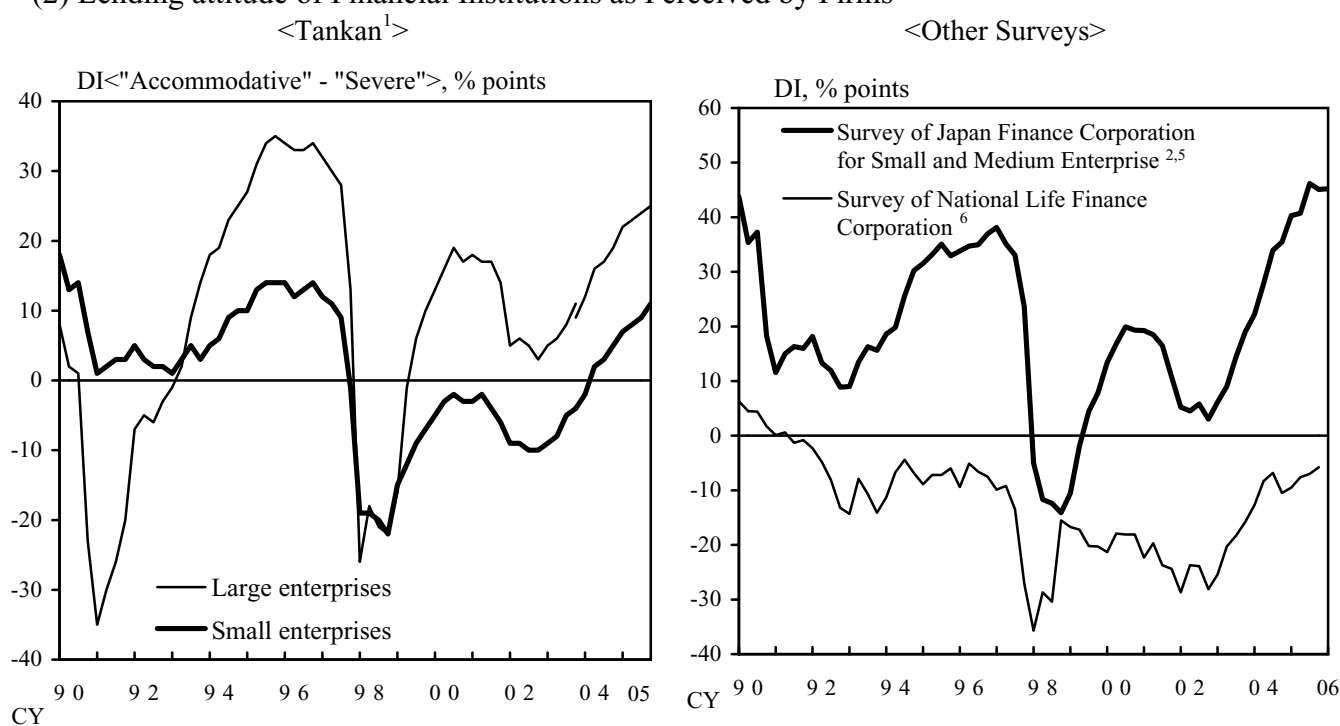
Note: 1. End of month.  
 Source: Bank of Japan.

Corporate Finance-Related Indicators

(1) Financial Position



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



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

2. Figures are quarterly averages of monthly data. Figures for 2006/Q1 are those of January.

3. DI of "Easy" - "Tight"

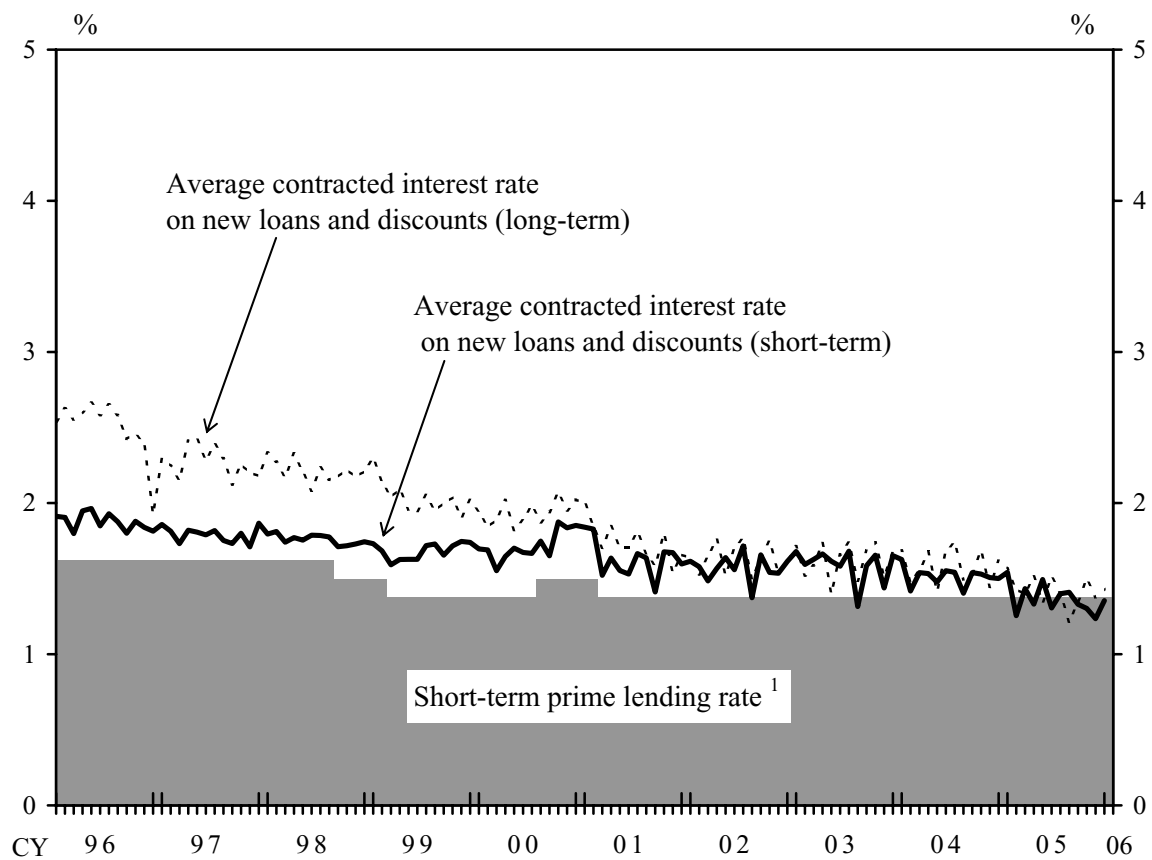
4. DI of "Easier" - "Tighter"

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."

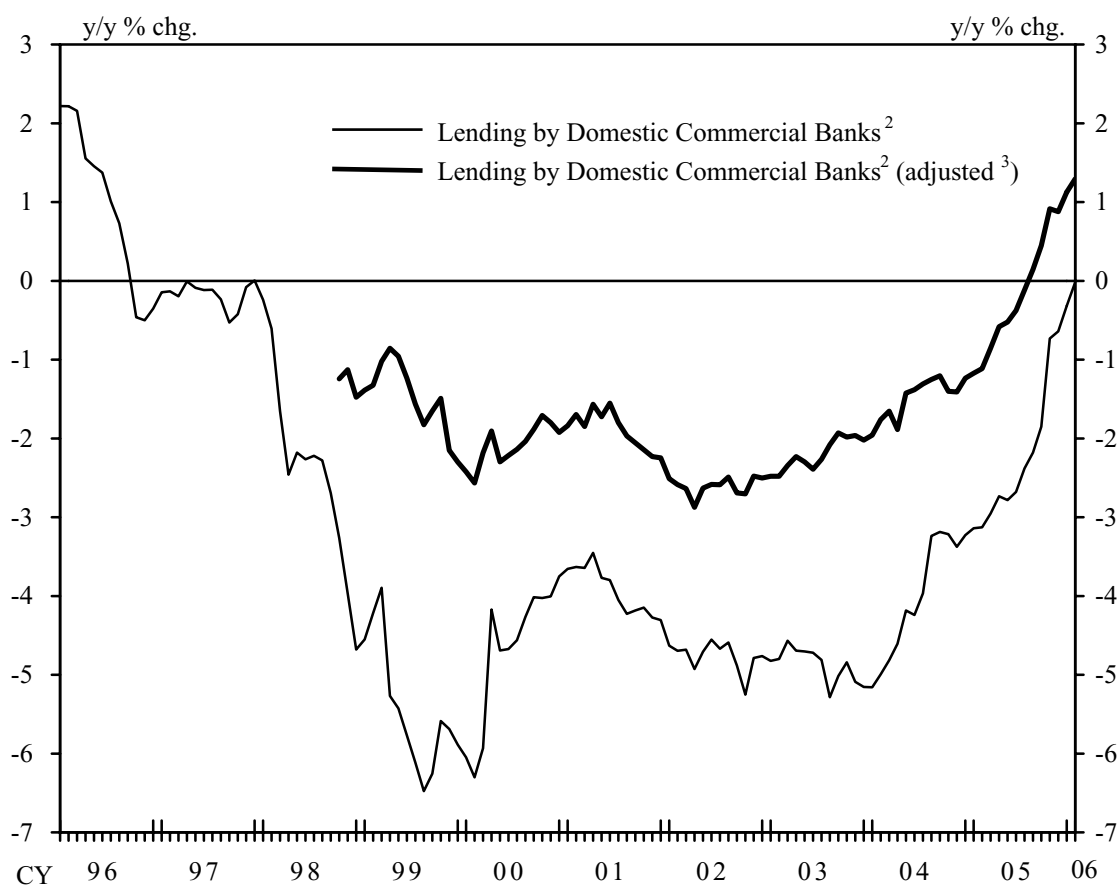
Lending Rates



Note: 1. Data are at end of period.

Source: Bank of Japan.



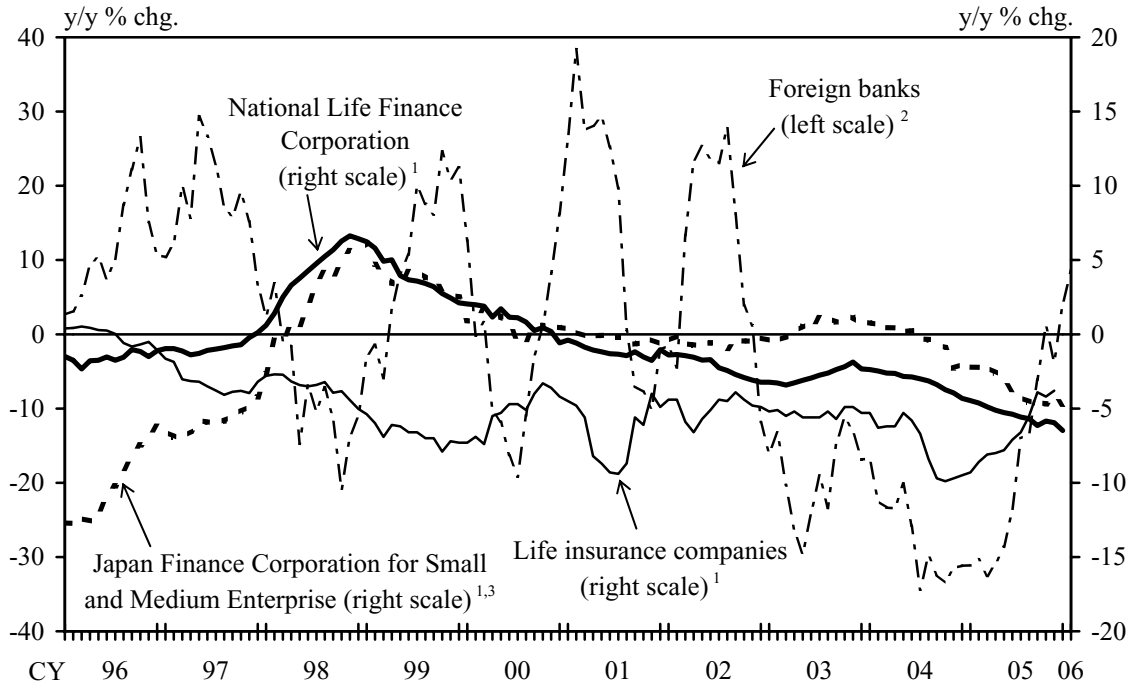
Lending by Domestic Commercial Banks <sup>1</sup>

- 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."

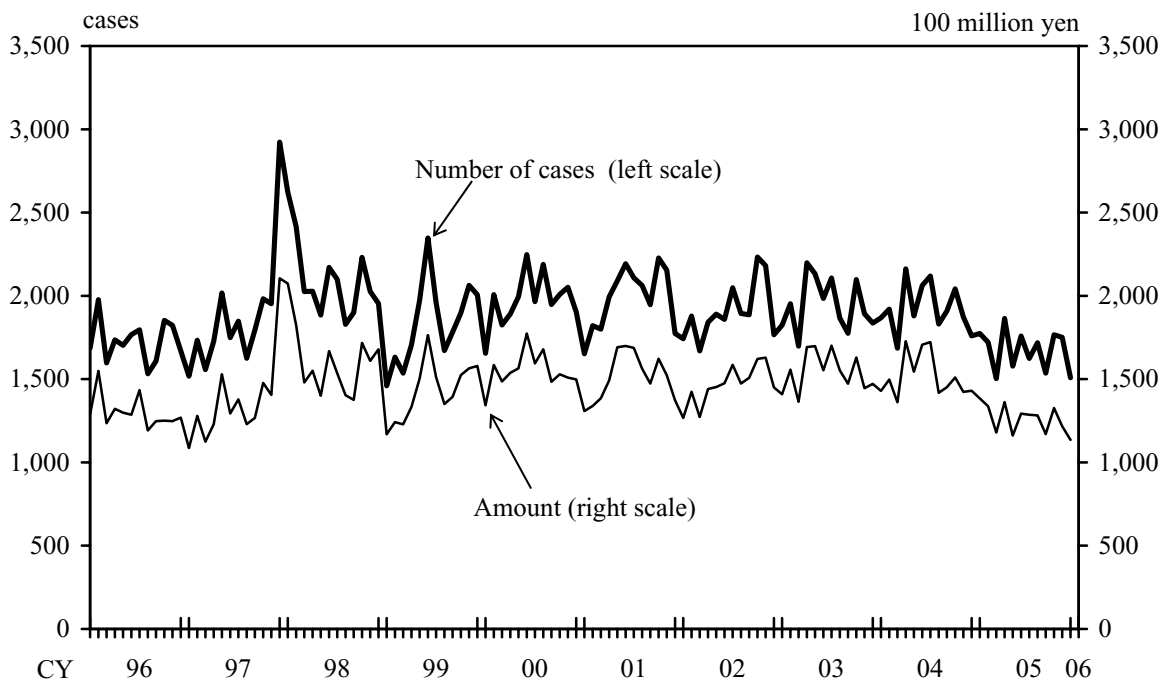
Lending by Other Financial Institutions

(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.

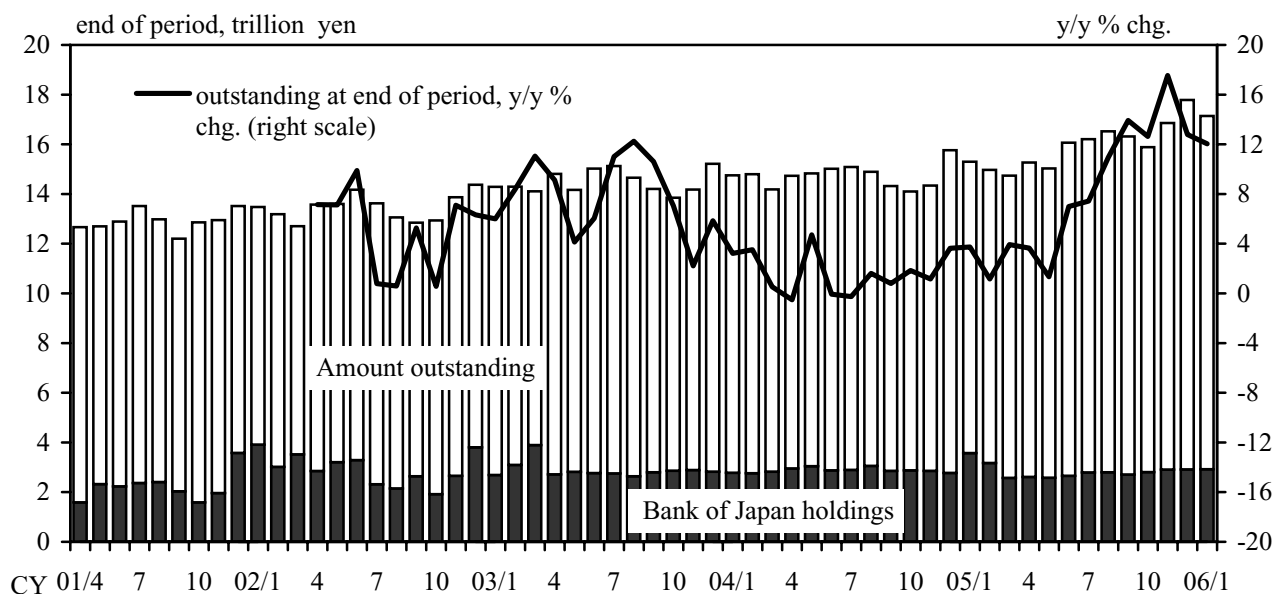
(2) Application for a Loan from Japan Finance Corporation for Small and Medium Enterprise



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

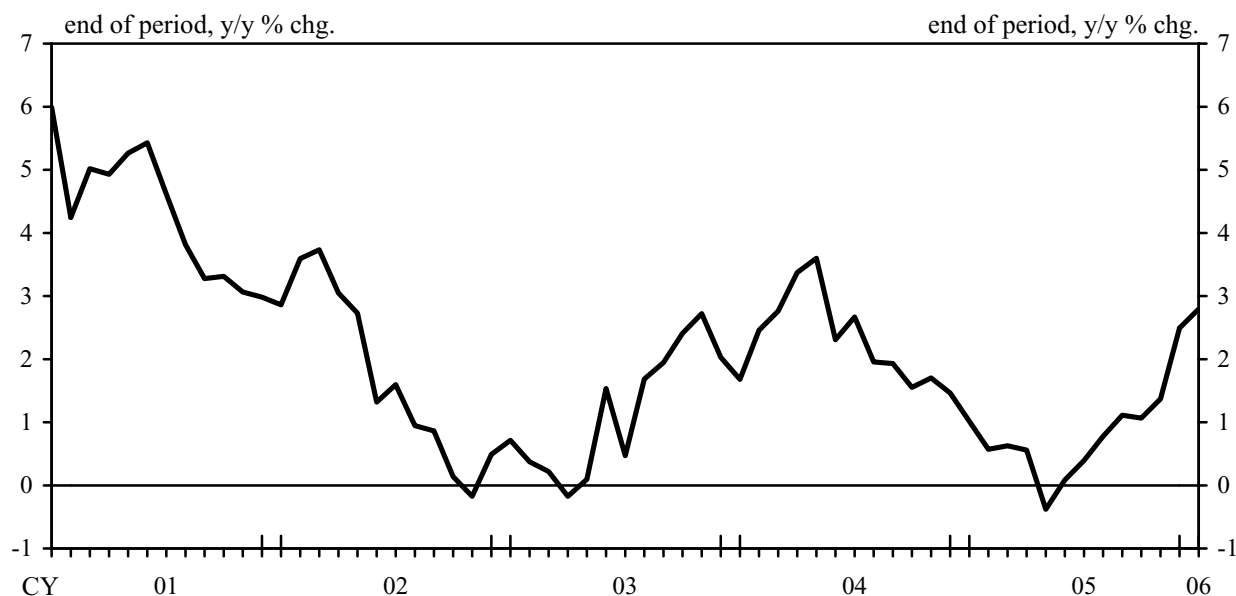
## Private-Sector Fund-Raising in the Capital Markets

## (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)



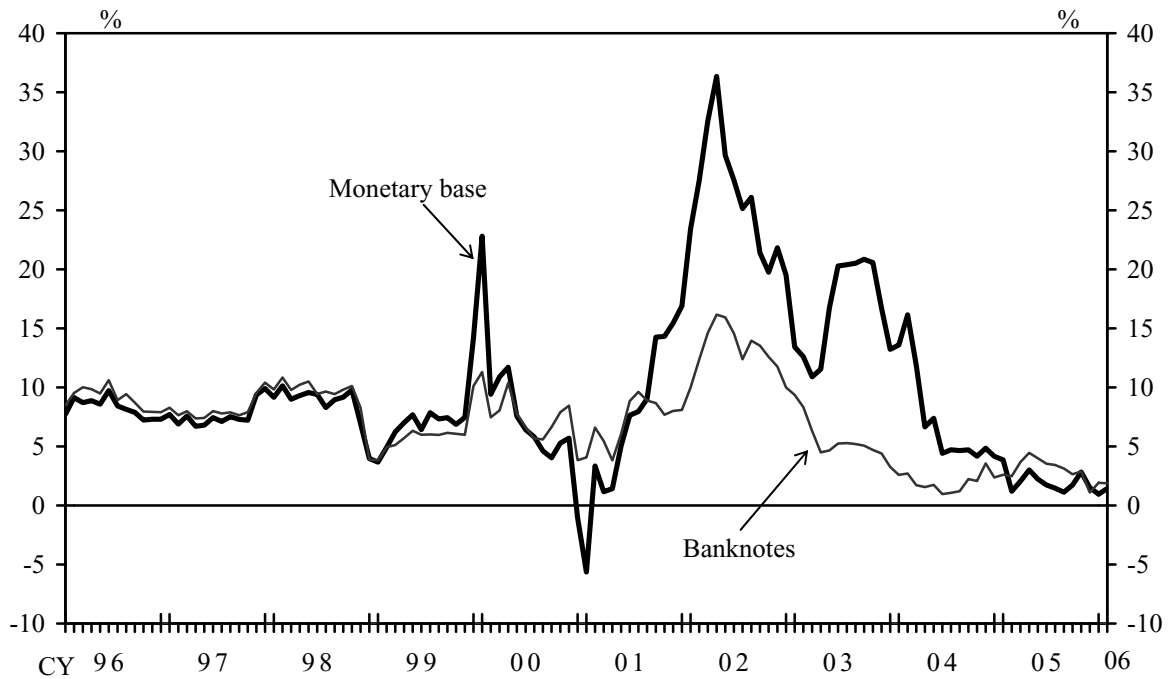
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are revised, aiming to further enhance their accuracy. They are calculated given the following:

- (1) The sum of straight bonds issued in both domestic and overseas markets is used.
- (2) Bonds issued by banks are included.
- (3) The figure as of the latest month is a preliminary one, using estimates for the amount of the domestically issued private placement bonds, etc.

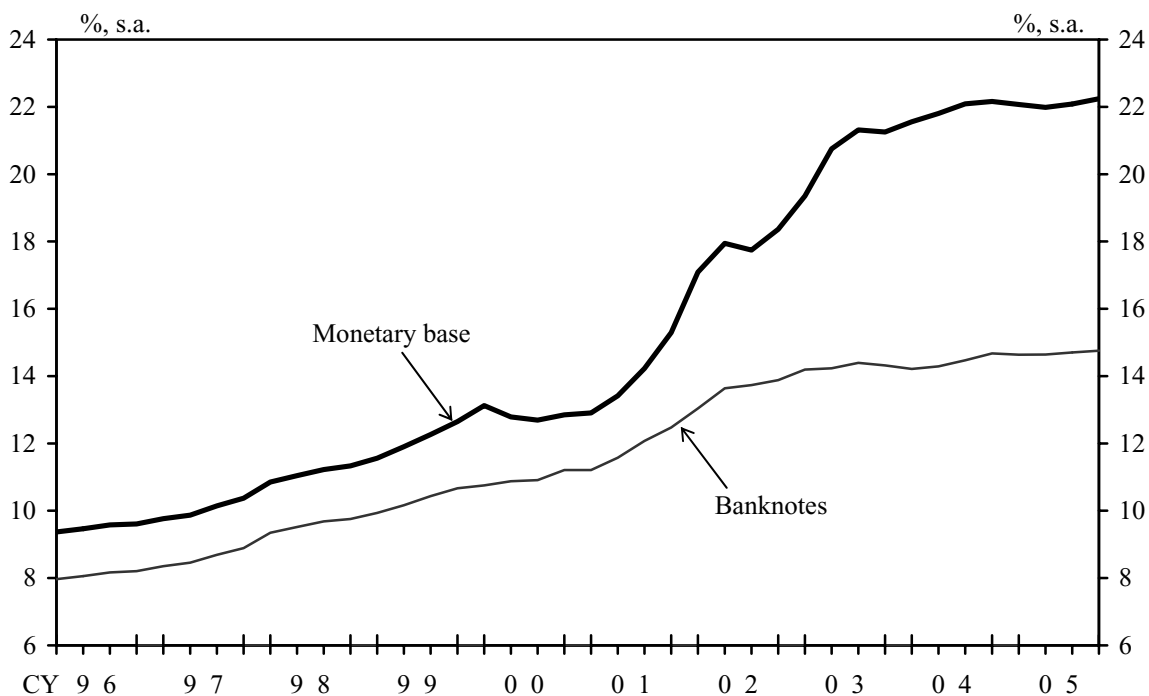
Sources: Bank of Japan, "Principal Figures of Financial Institutions"; Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts of Bonds," *Kisai-Jouhou* (Issuance Information); I-N Information Systems, "Funding Eye."

Monetary Base

(1) Changes from a Year Earlier



(2) Ratio of Monetary Base to Nominal GDP



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

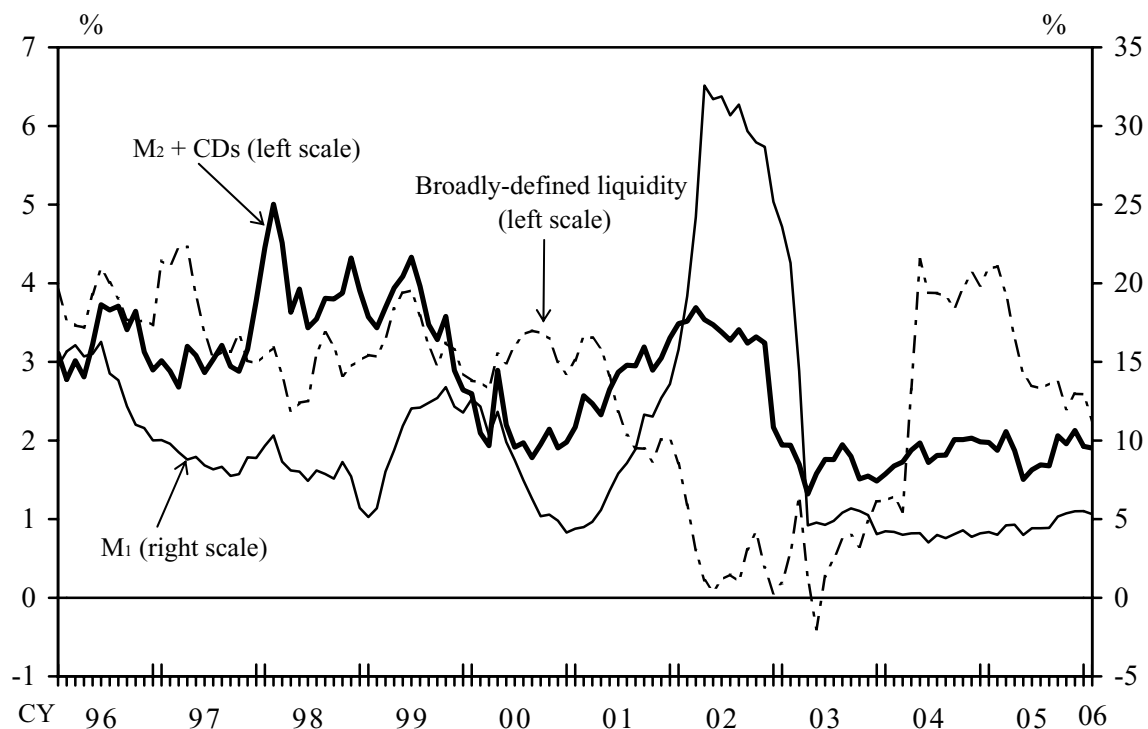
Data for currency in circulation include holdings of financial institutions.

2. Figure for the nominal GDP in 2005/Q4 is assumed to be unchanged from the previous quarter.

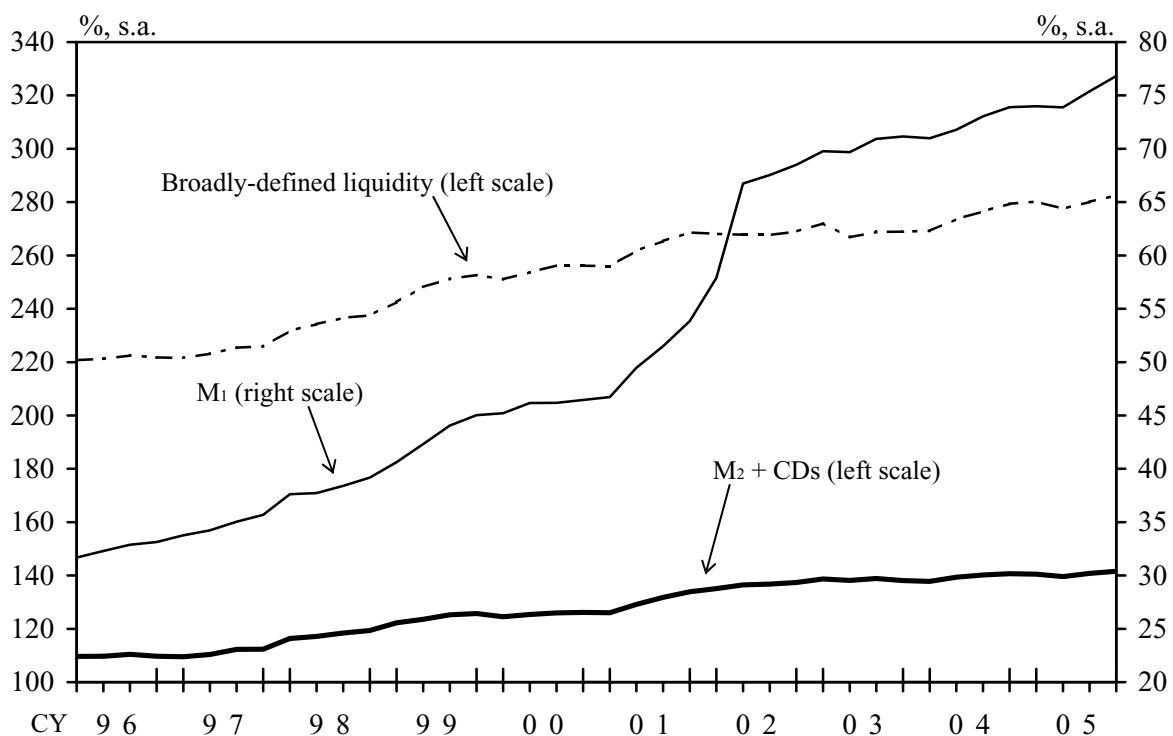
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

## Money Stock

## (1) Changes from a Year Earlier



## (2) Ratio of Money Stock to Nominal GDP

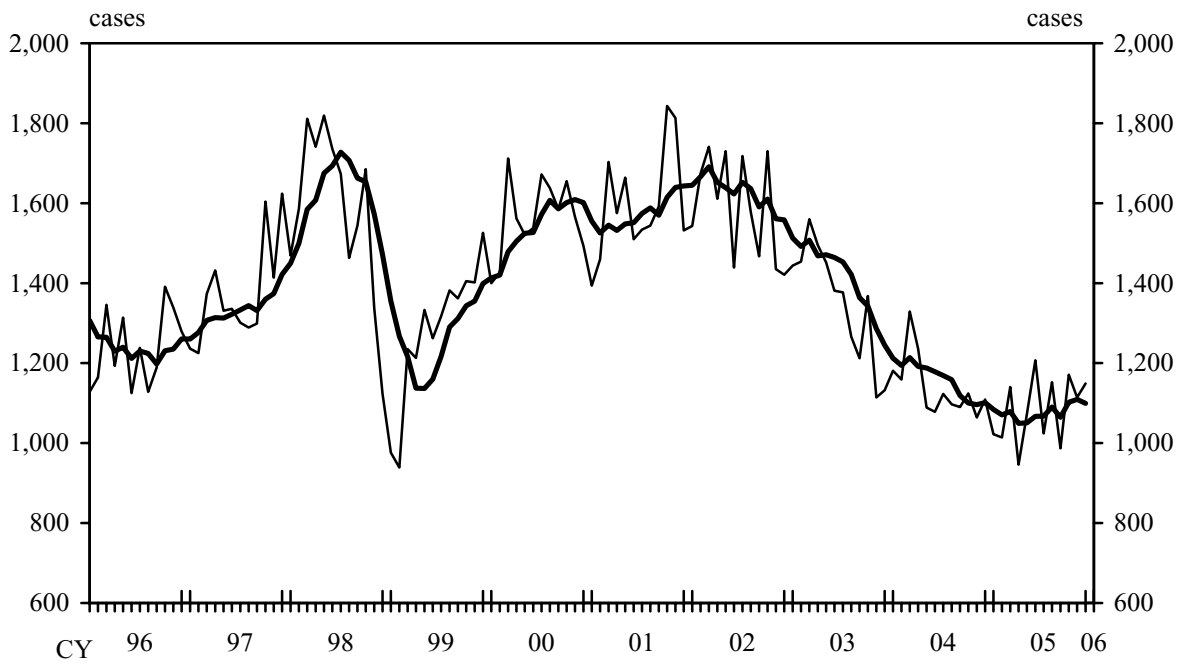


Note: Figure for the nominal GDP in 2005/Q4 is assumed to be unchanged from the previous quarter.

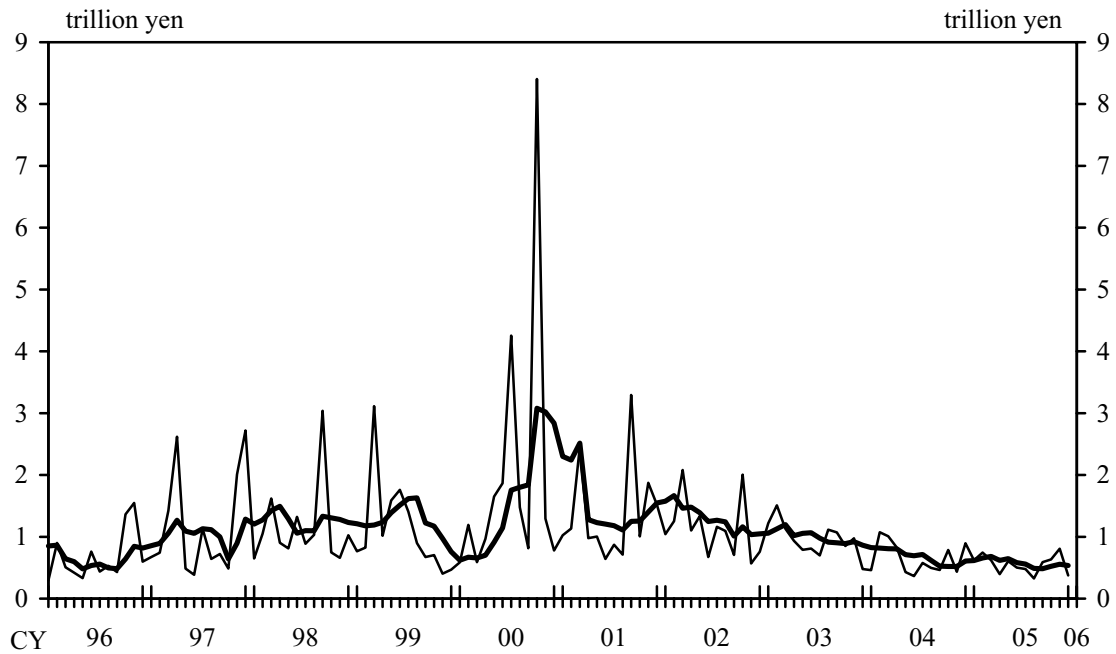
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities



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

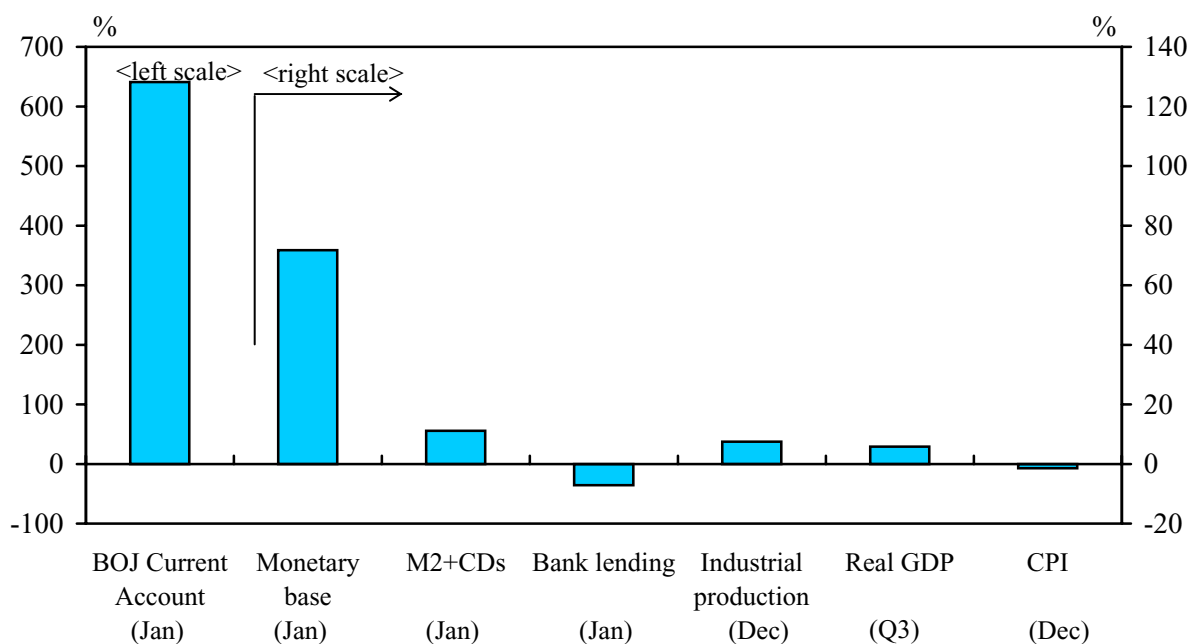
Source: Tokyo Shoko Research Ltd., "Tosan Geppo (Monthly Review of Corporate Bankruptcies)."

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 Monetary Indicators, Economic Activity and Price Development
 

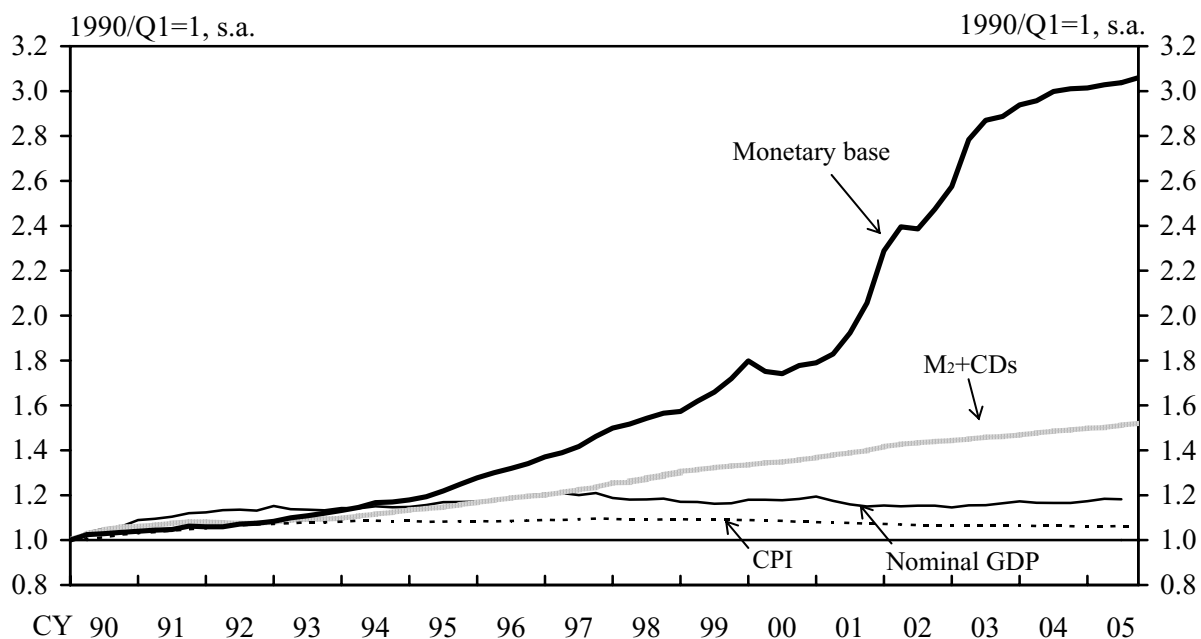
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## (1) Changes from March 2001



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

## (2) Developments since 1990



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

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