

June 19, 2006
Bank of Japan

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

(English translation prepared by the Bank's staff based on the Japanese original
released on June 16, 2006)

Monthly Report of Recent Economic and Financial Developments¹

June 2006

The Bank's View²

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 on an increasing trend. Housing investment has increased moderately. Meanwhile, public investment has been on a downtrend.

Japan's economy is expected to expand moderately.

The conditions of persistent excess supply have been dispersed, and the output gap now seems to be close to zero. Furthermore, in the period ahead, 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. 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. The year-on-year rate of change in consumer prices (excluding fresh food) has been on a positive trend.

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on June 14 and 15, 2006.

² The text of "The Bank's View" was decided by the Policy Board at the Monetary Policy Meeting held on June 14 and 15, 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. The year-on-year rate of change in consumer prices is projected to continue to follow a positive trend, as the output gap is likely to gradually become positive.

As for the financial environment, the environment for corporate finance is accommodative. The issuing environment for CP and corporate bonds is favorable. Also, the lending attitude of private banks has continued to be accommodative. The decline in credit demand in the private sector has come 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. Funding costs for firms have risen slightly. Meanwhile, the year-on-year growth rate of the money stock has been at the 1.0-2.0 percent level. As for developments in financial markets, in the money markets, the overnight call rate has been effectively zero percent under the Bank of Japan's guideline for money market operations. Interest rates on term instruments have risen compared with last month. In the foreign exchange and capital markets, the yen's exchange rate against the U.S. dollar, stock prices, and long-term interest rates have fallen compared with last month.

The Background

1. Economic Developments

Public investment has been on a downtrend (Chart 4). The amount of public construction completed—which reflects the progress of public works—stayed almost flat in the first quarter, after having decreased in the fourth quarter. On the other hand, the value of public works contracted—a measure that reflects public orders—dropped further in April compared to the first quarter, following noticeable declines in the fourth and first quarters. 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 stayed essentially flat in April compared to the first quarter (declining by 0.1 percent), but this appears to be a temporary swing amid an upward trend.

As for real exports by destination (Chart 6[1]), exports to the United States have continued their firm increase, primarily in those of automobile-related goods, capital goods and parts, and IT-related goods such as personal computers. Exports to the EU have also advanced at a moderate pace. As for exports to East Asia, those to China have continued a solid uptrend across a wide range of categories (Chart 9), and exports to the NIEs and ASEAN have generally maintained their increasing trend, although there has been some weakness, such as exports for Indonesia.³ By goods (Chart 6[2]), exports of automobile-related goods have remained on a solid upward trend, bolstered by the favorable overseas demand (Chart 7[1]). Exports of capital goods and parts continued to increase firmly on average, especially in semiconductor manufacturing equipment and construction machinery, although these recorded a marginal dip in April due to a decline in exports of ships which tend to fluctuate widely (Chart 7[2]). Exports of IT-related goods have been on a rising trend, led by personal computers and electronic parts (Chart 8[1]). Meanwhile, those of consumer goods stayed virtually unchanged in April relative to the first quarter, after having edged lower in the first quarter, mainly in motorcycles.

³ Regarding exports to Indonesia in more detail, those of automobile-related goods showed some weakness, apparently as a result of a slowdown in domestic demand in Indonesia, dampened by high crude oil prices.

Real imports have trended up against the background of the rise in domestic demand (Charts 5[1] and 11). By goods, imports of capital goods and parts (excluding aircraft) have continued their solid increases, and those of IT-related goods have recently posted sizeable growth, fueled by a marked rise in imports of personal computers from China. Imports of consumer goods have been on an upward trend, boosted particularly by apparel from China. Meanwhile, imports of raw materials, which had remained roughly unchanged, advanced notably in April, chiefly in crude oil.

The surplus of net exports in terms of the real trade balance has continued to increase as a trend since the second half of last year, although it fell slightly in April (Chart 5[2]). On the other hand, the surplus of the nominal balance on goods and services has been on a downward trend, dampened largely by higher 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.

Exports are expected to continue to rise, 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 is expected to continue expanding at a pace roughly close to its potential growth rate, although the pace of growth is likely to moderate somewhat, due mainly to the effects of raising interest rates thus far. As for the East Asian economies, the Chinese economy has maintained its high economic growth, and the NIEs and ASEAN economies have been expanding at a moderate pace on the whole, although some negative effects of high crude oil prices have been observed. Meanwhile, in the foreign exchange market, the yen has remained at significantly low levels in terms of the real effective exchange rate, which incorporates differentials in the inflation rates between home and abroad (Chart 10[1]).

Imports are projected to continue their uptrend, fueled by the increase in domestic demand.

Business fixed investment has continued to increase. On a GDP basis, real fixed investment posted a fairly high growth again in the first quarter, after having temporarily been almost flat in the fourth quarter (Chart 3). Based on the *Financial Statements Statistics of Corporations by Industry, Quarterly*, business fixed investment in nominal terms rebounded briskly in the first quarter, following the drop in the fourth quarter (Chart 12[1]). In detail (Chart 13), investment of large firms has followed a steady uptrend both in manufacturing and nonmanufacturing. Recently, while investment of large manufacturing firms has been losing steam slightly compared to the rapid pace of increase recorded thus far, growth in investment of large nonmanufacturing firms has gathered pace. Also, investment by small and medium-sized firms in the manufacturing sector has continued its solid increasing trend, although the steep rise in the first quarter may have been a temporary swing. Investment in nonmanufacturing firms has also generally been solid with some fluctuations. Looking at monthly indicators, shipments of capital goods (excluding transport equipment)—a coincident indicator of machinery investment—jumped in April, fueled by a surge in large-scale shipments including those of computer-related goods and electric power generation equipment (boilers and turbines), after having declined temporarily in the first quarter (Chart 14[1]). Machinery orders (private demand, excluding shipbuilding and orders from electric power companies)—a leading indicator of machinery investment—continued their steady uptrend on average (Chart 15[1])⁴; they were almost flat in the first quarter, but advanced appreciably in April both in manufacturing and nonmanufacturing. Construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—have stayed on an upward trend, with some fluctuations (Chart 15[2]).

Looking at the environment surrounding business fixed investment, corporate profits have been high. Profits of listed firms in fiscal 2005 appear to have resulted in a fourth consecutive increase, although the pace of growth has moderated compared to fiscal 2004 when profits recorded notable increases. According to the *Financial Statements Statistics of Corporations by Industry, Quarterly* (Chart 12[2]), the ratio of

⁴ Forecasts for the second quarter show that orders are projected to edge down, particularly in manufacturing. In the past few years, however, actual results of the second quarter tended to deviate upward from projections.

current profits to sales has been high on the whole, although it has quite recently edged lower in the small and medium-sized firms, largely dampened by the rise in the cost of raw materials.⁵

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.⁶

Private consumption has been on an increasing trend. On a GDP basis, real private consumption continued its steady increase (Chart 3). Looking at individual indicators on consumption (Charts 16 and 17), sales at department stores have remained firm as a trend, although they dropped in April, chiefly in apparel, dampened by the unfavorable weather nationwide. By contrast, supermarket sales have been somewhat weak as a trend compared to those at department stores, although they stayed almost unchanged in April. Meanwhile, sales at convenience stores have been essentially flat as a trend, despite the drop in April due to the unfavorable weather, as in the case of department stores. Sales of household electrical appliances ebbed slightly in April, but continued their steady uptrend on average, largely in digital home appliances and white goods. Meanwhile, the number of new passenger-car registrations, excluding mini-vehicles, has recently been significantly weak again, after having picked up temporarily at the start of the year, supported by the introduction of new model automobiles.⁷ As for services consumption, sales in the food service industry have been on a steady uptrend, particularly in bars and restaurants. On the other hand, outlays for travel edged up

⁵ Although the ratio of current profits to sales is approaching its peak, current profit figures still maintained an increase; they registered a 4.0 percent rise on a year-on-year basis in terms of all industries and sizes in the first quarter, with an increase in overall sales.

⁶ According to the fixed investment survey by the *Nihon Keizai Shimbun*, Inc., business investment plans of large firms in fiscal 2006 stepped up by 14.5 percent year-on-year, marking a third consecutive double-digit increase for the first time since the bubble period.

⁷ The number of registrations of mini-vehicles has continued to be firm, boosted by their high cost-performance and fuel efficiency.

somewhat in April, particularly in domestic travel, following a pickup in March, mainly in graduation-related overseas travel.⁸

Indices of aggregated sales (in real terms), which are comprised of major sales indicators of these goods and services,⁹ remained firm on average, although they showed a slight weakness in April due to the aforementioned unfavorable weather (Chart 18). The aggregate supply of consumer goods—which comprehensively captures producers’ supply of goods—continued its solid increase, led largely by durable goods such as personal computers and mobile phones (Chart 19). 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) dropped marginally in April, after having recorded a rather large decline in the first quarter (Chart 16). However, in the recent *Family Income and Expenditure Survey*, household income has been weak as a result of sample fluctuations, suggesting that the private consumption figures in this survey have been pushed lower than the actual figures.

Indicators for consumer sentiment have been on an improving trend, against the background of the improvement in the employment situation (Chart 20).

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

As for housing investment, housing starts have increased moderately (Chart 21[1]); they have exceeded 1.25 million units (annual rates) since the second half of last year and, in April, they rose to 1.34 million units (annual rates), even though this may be a monthly swing. In detail, while starts of owner-occupied housing have been almost flat, starts of housing for rent have been on an increasing trend. Starts of housing for sale, which had lost momentum temporarily, rose sharply in April,

⁸ Outlays for travel apparently have been solid also in May, mainly during the Golden Week holiday period.

⁹ The indices of aggregated sales are the weighted average of each sales indicator. Outlays for travel in April were not released at the time when these indices were compiled, and hence were incorporated into the indices under the assumption that the seasonally adjusted figures for April were at the same level as that in March.

boosted by a number of large scale starts in the greater Tokyo metropolitan area. Housing investment is likely to remain on a moderate increasing trend, against the background of the rise in employment income, favorable financial conditions, and the growing awareness that land prices have bottomed.

Industrial production has continued to increase against the background of the growth in domestic and external demand. Production rose firmly again in April, posting a 1.1 percent increase compared to the first quarter, following a rather modest growth of 0.6 percent in the first quarter on a quarter-on-quarter basis (Chart 22). As for recent developments by industry, production of electronic parts and devices continued its uptrend, and that of transport equipment (automobiles) has recently registered fairly sizeable growth, supported by favorable exports. Production of general machinery maintained an upward trend on average; it recorded notable growth in April, following a decline in the first quarter.

Shipments have also continued their solid increasing trend. By goods (Chart 23), shipments of producer goods have been on an upward trend, particularly in electronic parts and devices. Those of capital goods have been on an increasing trend with large fluctuations. Shipments of consumer goods have recently shown strength, driven mainly by durable goods, including automobiles for exports and digital home appliances.

Inventories have been more or less in balance with shipments. The inventory cycle (Chart 24) showed that, in the industrial sector as a whole, the year-on-year growth in inventories fell slightly below that in shipments. In detail, inventories of producer goods excluding electronic parts and devices (such as iron and steel, and chemicals), which had been temporarily in excess, have recently almost recovered balance with shipments, due to the progress of inventory adjustments in general-purpose products. As for electronic parts and devices, an accumulation of inventories has still been avoided; the year-on-year growth rate of inventories moderated somewhat in April, with the acceleration in growth of shipments, after having accelerated in the first quarter on a year-on-year basis.

As for the outlook, production is expected to follow an increasing trend, with continued growth in overseas economies and a solid foundation for a recovery in domestic demand. Anecdotal information suggests that production in the second quarter is likely to increase further.¹⁰

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 25).

In the labor market, overtime hours worked have remained on a moderate upward trend at a high level (Chart 27[3]). The number of new job offers continued its year-on-year increase, albeit at a somewhat slower pace (Chart 26[3]). Under these circumstances, the ratio of job offers to applicants has trended up at a moderate pace, and has recently stayed slightly above 1.00 (Chart 26[1]). The unemployment rate was temporarily almost flat in the second half of last year, reflecting the rise in those who quit their jobs voluntarily, but it has stayed at 4.1 percent for three consecutive months from February to April, the lowest level recorded since July 1998 (Chart 26[1]).

In terms of employment (Chart 27[1]), the number of employees in the *Labour Force Survey* has continued to show a solid increase, despite a year-on-year decline in April in reaction to the large growth in the first quarter, which reflected sample factors. On the other hand, growth in the number of regular employees (preliminary figures) in the *Monthly Labour Survey*, which is more stable, gathered pace from around 0.5 percent on a year-on-year basis to just below 1.0 percent in April. The year-on-year growth in full-time employees has accelerated, supported by an increase in hiring of new graduates. As a result, the ratio of part-time workers declined slightly in April compared to that recorded until March (Chart 27[2]).

¹⁰ Production in the second quarter, based on the production forecast index of May and June, is calculated to post a growth of 1.6 percent on a quarter-on-quarter basis, driven especially by general machinery and transport machinery.

Regarding wages on a year-on-year basis, regular payments have been rising gradually as a trend,¹¹ although they have recently been somewhat subdued, possibly by sample factors. Special payments have maintained an increasing trend supported by favorable corporate profits.¹² In this light, nominal wages per worker have gradually increased further (Chart 25 [2]).

Looking ahead, the gradual increase in household income is likely to continue, because firms are more aware of the shortage of labor, 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 been on a rising trend, due to the rise in international commodity prices, but they were almost unchanged in May, reflecting the appreciation of the yen (Chart 29).

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 (Chart 30).¹⁴ In detail, prices of nonferrous metals have soared, and prices of petroleum and coal products have continued to climb, boosted by the rise in crude oil

¹¹ In the *Monthly Labour Survey*, one-third of the total survey samples of small establishments (5 to 29 employees) are changed every January and July. Since January this year, some discontinuous declines have been observed in the regular payments of small establishments, suggesting some possible effects of sample factors.

¹² According to survey results released by the *Nihon Keizai Shimbun*, Inc. (interim results as of April 27: 245 firms) and survey results released by the Japan Business Federation (interim results as of May 25: 113 firms), summer bonuses this year are expected to rise again on a year-on-year basis, although at a slower pace compared to the bonuses of last summer and winter, which rose by 0.7 percent and 1.9 percent, respectively.

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 On a year-on-year basis, they recorded 3.3 percent in May, the largest increase since March 1981.

prices. Meanwhile, prices of iron and steel-related products and construction-related products have increased moderately, mainly in scrap and copper products. On the other hand, prices of other materials (including chemical products) have been essentially flat overall, because prices of prescription drugs declined, while those of plastic products rose with higher crude oil prices. Meanwhile, machinery prices have been declining marginally. By stages of demand, prices of raw materials and intermediate goods have risen further, but final goods prices have stayed almost unchanged overall, since prices of prescription drugs fell while those of gasoline increased.

The year-on-year rate of decline in corporate services prices (excluding external factors, same hereafter) has remained on a gradual diminishing trend (Chart 31).¹⁵ Looking at recent developments in more detail, the year-on-years rates of change in prices of leasing and rental (reflecting the rise in leasing rates in line with higher long-term interest rates), communications and broadcasting services (fixed telephone charges), and information services (software development) have shown smaller declines or modest rises. In April, however, when various prices are typically revised, the year-on-year rate of decline remained unchanged from the first quarter (declining by 0.3 percent), mainly because prices of other services did not show notable changes.

The year-on-year rate of change in consumer prices (excluding fresh food, same hereafter) has been on a positive trend (Chart 32). Consumer prices in April rose by 0.5 percent on a year-on-year basis, remaining at the same rate since January. Looking at April in more detail, the increase in prices of goods narrowed, mainly because gasoline prices rose in the same month last year. The rise in public utility charges also diminished, chiefly as a result of the reduction in medical fees. On the other hand, the year-on-year rise in service prices expanded, reflecting higher prices of overseas package tours and tutorial fees, together with smaller declines in charges for playing golf.

¹⁵ “Excluding external factors” means that international air passenger transportation, ocean liner, ocean tramper, ocean tanker, oceangoing ship chartering services, and international air freight transportation are excluded from all items.

Domestic corporate goods prices are expected to continue increasing for the time being, mainly due to the effects of the rise in international commodity prices. The year-on-year rate of change in consumer prices is projected to continue to follow a positive trend, as the output gap is likely to gradually become positive.

Regarding developments in land prices (in terms of the Urban Land Price Index; Chart 33), the rate of growth compared to six months ago accelerated in both commercial and residential land prices in the six large city areas. Meanwhile, land prices in areas other than the six large city areas have continued to fall, albeit at a slower pace.

3. Financial Developments

(1) Financial Markets

As for interest rate developments in the money markets, the overnight call rate (uncollateralized; Chart 34[1]) has been at around zero percent, although it temporarily edged somewhat higher. Regarding interest rates on term instruments (Chart 35[1]), FB rates (3-month) and the Euroyen interest rate (TIBOR, 3-month) have risen, against the background of higher yields on funding, reflecting the movements mainly in the call rate (uncollateralized). Under these circumstances, interest rates on Euroyen futures fell, mainly in distant contracts (Chart 35[2]).

Yields on 10-year government bonds (newly issued 10-year JGB; Chart 34 [2]) have decreased, mainly reflecting the decline in Japanese stock prices. They have recently been moving at around 1.80 percent.

Yield spreads between private bonds (bank bonds and corporate bonds) and government bonds (Charts 38 and 39) have been more or less flat on the whole, excluding the narrowing of spreads for some firms with low credit ratings.

Stock prices (Chart 40) have fallen, mainly due to profit-taking sales by some investors. The Nikkei 225 Stock Average is moving in the range of 14,000-14,500 yen.

In the foreign exchange market (Chart 41), the yen fell as some foreign investors bought back the yen, and due to the prospects of U.S. monetary policy. The yen is being traded in the range of 114-115 yen to the U.S. dollar.

(2) Corporate Finance and Monetary Aggregates

The decline in credit demand in the private sector has come 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 has continued to be accommodative. The lending attitude of financial institutions as perceived by firms, including small firms, has been improving (Chart 42).

Lending rates have been moving at extremely low levels on the whole. The average contracted interest rates on new loans and discounts, with the monthly fluctuations averaged, have been more or less flat (Chart 43). The long-term prime lending rate was lowered by 0.05 percent on June 9 to 2.45 percent.

The rate of increase in the amount outstanding of lending by private banks (monthly average outstanding balance basis, after adjustment for extraordinary factors¹⁶) is accelerating. (The year-on-year change was 1.4 percent in March, 2.0 percent in April, and 2.0 percent in May; Chart 44.)

In the corporate bond and CP markets, the issuing environment continues to be favorable. Corporate bond issuance rates have recently risen somewhat, reflecting the developments in long-term interest rates. Meanwhile, issuance spreads remain at low levels, although they have risen somewhat. 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 February, 1.6 percent in March, and 1.5 percent in April; Chart 45.)

¹⁶ The figures are adjusted for (1) fluctuations due to the liquidation of loans, (2) fluctuations in the yen value of foreign-currency-denominated loans due to changes in exchange rates, and (3) fluctuations due to loan write-offs.

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

The year-on-year growth rate of the money stock ($M_2 + \text{CDs}$) has been at the 1.0-2.0 percent level. (The year-on-year change was 1.4 percent in March, 1.7 percent in April, and 1.4 percent in May; Chart 46.)

The number of corporate bankruptcies increased by 1.0 percent year-on-year in May, to 1,083 cases (Chart 47).

Charts

Chart 1	Main Economic Indicators (1)	Chart 28	Prices
Chart 2	Main Economic Indicators (2)	Chart 29	Import Prices and International Commodity Prices
Chart 3	Real GDP	Chart 30	Domestic Corporate Goods Price Index
Chart 4	Public Investment	Chart 31	Corporate Service Price Index
Chart 5	External Balance	Chart 32	Consumer Price Index (excluding fresh food)
Chart 6	Real Exports	Chart 33	Urban Land Price Index
Chart 7	Real Exports breakdown by goods	Chart 34	Interest Rates
Chart 8	Exports and Imports of IT-related goods	Chart 35	Short-Term Money Market Rates
Chart 9	Exports and Imports with China	Chart 36	Current Account Balances at the Bank of Japan
Chart 10	Real Effective Exchange Rate and Overseas Economies	Chart 37	Implied Forward Rates (1-Year)
Chart 11	Real Imports	Chart 38	Yields of Bank Bonds
Chart 12	Business Fixed Investment and Corporate Profits	Chart 39	Yields of Corporate Bonds
Chart 13	Business Fixed Investment by industry and size	Chart 40	Stock Prices
Chart 14	Coincident Indicators for Business Fixed Investment	Chart 41	Exchange Rates
Chart 15	Leading Indicators for Business Fixed Investment	Chart 42	Corporate Finance-Related Indicators
Chart 16	Indicators for Private Consumption (1)	Chart 43	Lending Rates
Chart 17	Indicators for Private Consumption (2)	Chart 44	Lending by Financial Institutions
Chart 18	Indices of Aggregated Sales	Chart 45	Private-Sector Fund-Raising in the Capital Markets
Chart 19	Aggregate Supply of Consumer Goods	Chart 46	Money Stock
Chart 20	Consumer Confidence	Chart 47	Corporate Bankruptcies
Chart 21	Indicators for Housing Investment		
Chart 22	Production, Shipments, and Inventories		
Chart 23	Shipments breakdown by type of goods		
Chart 24	Inventory Cycle		
Chart 25	Compensation of Employees		
Chart 26	Labor Market (1)		
Chart 27	Labor Market (2)		

Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2005/Q3	Q4	2006/Q1	2006/Feb.	Mar.	Apr.	May
Index of living expenditure level (all households)	-0.8	0.5	-1.5	1.3	-1.2	-0.1	n.a.
Sales at department stores	-0.1	0.4	0.2	-0.6	0.4	-1.9	n.a.
Sales at supermarkets	-0.9	0.2	-1.4	-0.6	-0.0	0.1	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 332>	< 320>	< 336>	< 336>	< 332>	< 321>	< 302>
Sales of household electrical appliances (real, Current Survey of Commerce)	2.7	4.3	1.9	-0.4	2.2	-4.3	n.a.
Outlays for travel (50 major travel agencies)	-1.9	0.9	0.6	-0.1	2.3	0.7	n.a.
Housing starts <s.a., ann. 10,000 units>	< 128>	< 125>	< 127>	< 133>	< 122>	< 134>	<n.a.>
Machinery orders (from private sector ⁴)	3.2	2.8	-0.4	1.5	-5.2	10.8	n.a.
Manufacturing	4.3	0.6	0.9	1.8	-5.9	8.0	n.a.
Nonmanufacturing ⁴	1.9	4.5	-1.8	2.7	-4.6	13.8	n.a.
Construction Starts (private, nondwelling use)	-8.6	9.3	0.9	-3.6	-0.1	5.1	n.a.
Mining & manufacturing	-23.8	5.1	6.0	1.6	0.3	15.8	n.a.
Nonmanufacturing ⁵	-3.6	8.2	0.5	-6.6	1.0	7.5	n.a.
Value of public works contracted	-0.5	-4.5	-6.2	0.6	-8.7	3.9	n.a.
Real exports	3.3	2.9	3.4	2.3	-0.5	-0.5	n.a.
Real imports	2.0	0.2	2.4	-0.8	0.3	3.0	n.a.
Industrial production	-0.5	2.8	0.6	-1.2	0.2	1.4	n.a.
Shipments	0.6	2.3	0.1	-2.0	0.9	2.6	n.a.
Inventories	2.0	0.2	0.7	0.2	0.2	-0.2	n.a.
Inventory Ratio <s.a., CY 2000 = 100>	<100.2>	<101.4>	<100.6>	<101.0>	<100.6>	<100.1>	<n.a.>
Real GDP	0.3	1.1	0.8	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.2	1.1	0.6	-0.8	-0.4	n.a.	n.a.

Main Economic Indicators (2)

y/y % chg.¹

	2005/Q3	Q4	2006/Q1	2006/Feb.	Mar.	Apr.	May
Ratio of job offers to applicants <s.a., times>	<0.97>	<1.00>	<1.03>	<1.04>	<1.01>	<1.04>	<n.a.>
Unemployment rate <s.a., %>	<4.3>	<4.5>	<4.2>	<4.1>	<4.1>	<4.1>	<n.a.>
Overtime working hours ⁶	1.0	1.6	2.2	1.9	2.8	p 2.8	n.a.
Number of employees	0.9	1.2	2.1	2.4	2.1	1.3	n.a.
Number of regular employees ⁶	0.5	0.5	0.5	0.5	0.7	p 0.9	n.a.
Nominal wages per person ⁶	0.4	1.1	0.3	0.4	0.4	p 0.3	n.a.
Domestic corporate goods price index ⁷ <q/q % chg.> (3-month growth rate)	1.7 <0.6>	2.2 <0.8>	2.8 <0.5>	3.0 <0.7>	2.7 <0.5>	2.5 <0.9>	p 3.3 <p 1.2>
Consumer price index ⁸	-0.1	0.1	0.5	0.5	0.5	0.5	n.a.
Corporate service price index	-0.7	-0.4	-0.1	-0.1	-0.1	p -0.3	n.a.
Money Stock (M ₂ +CDs) <average outstanding, y/y % chg.>	1.8	2.0	1.6	1.8	1.4	1.7	p 1.4
Number of corporate bankruptcies <cases>	<1,054>	<1,145>	<1,116>	<1,044>	<1,255>	<1,087>	<1,083>

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

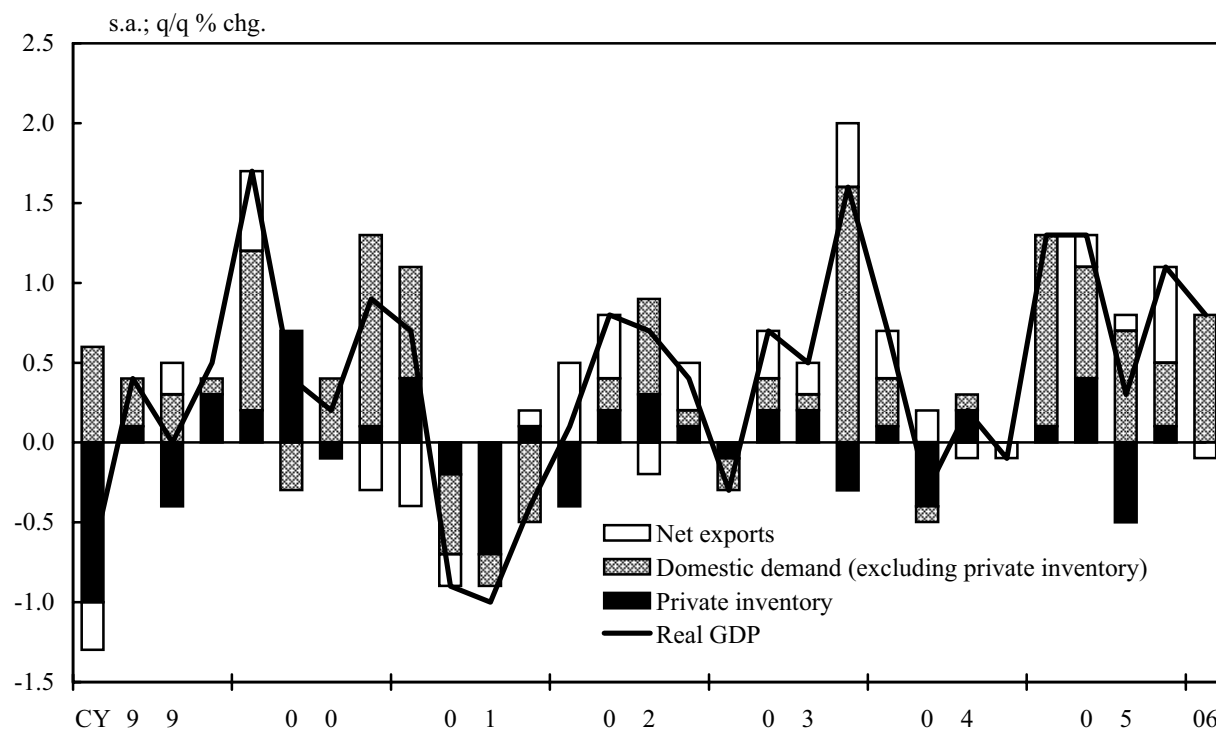
All figures in Chart 2 except figures in angle brackets are year-on-year change. For details on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes to the respective charts.

2. Figure with "p" indicates preliminary data.
3. Excludes small cars with engine sizes of 660 cc 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 five 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.

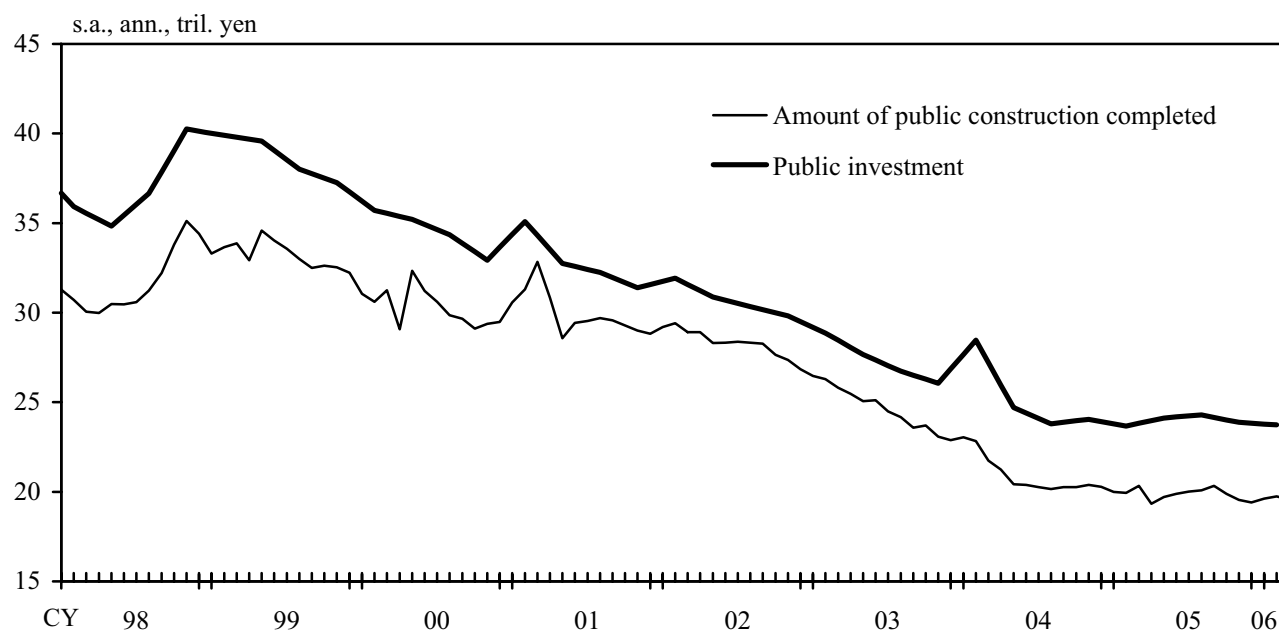
	2005				2006
	Q1	Q2	Q3	Q4	Q1
Real GDP	1.3	1.3	0.3	1.1	0.8
Domestic demand	1.3	1.2	0.2	0.5	0.8
Private consumption	1.4	0.8	0.5	0.6	0.5
Non-Resi. investment	2.5	2.4	1.5	0.2	3.1
Residential investment	-1.3	-1.9	1.6	2.1	1.1
Private inventory	(0.1)	(0.4)	(-0.5)	(0.1)	(0.0)
Public demand	0.5	0.2	0.5	-0.5	-0.1
Public investment	-1.0	1.1	0.6	-2.5	-0.6
Net exports of goods and services	(-0.0)	(0.2)	(0.1)	(0.6)	(-0.1)
Exports	-0.2	3.5	3.1	3.8	2.7
Imports	-0.1	2.2	3.1	-0.6	3.5
Nominal GDP	0.5	1.1	-0.1	0.8	0.4

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

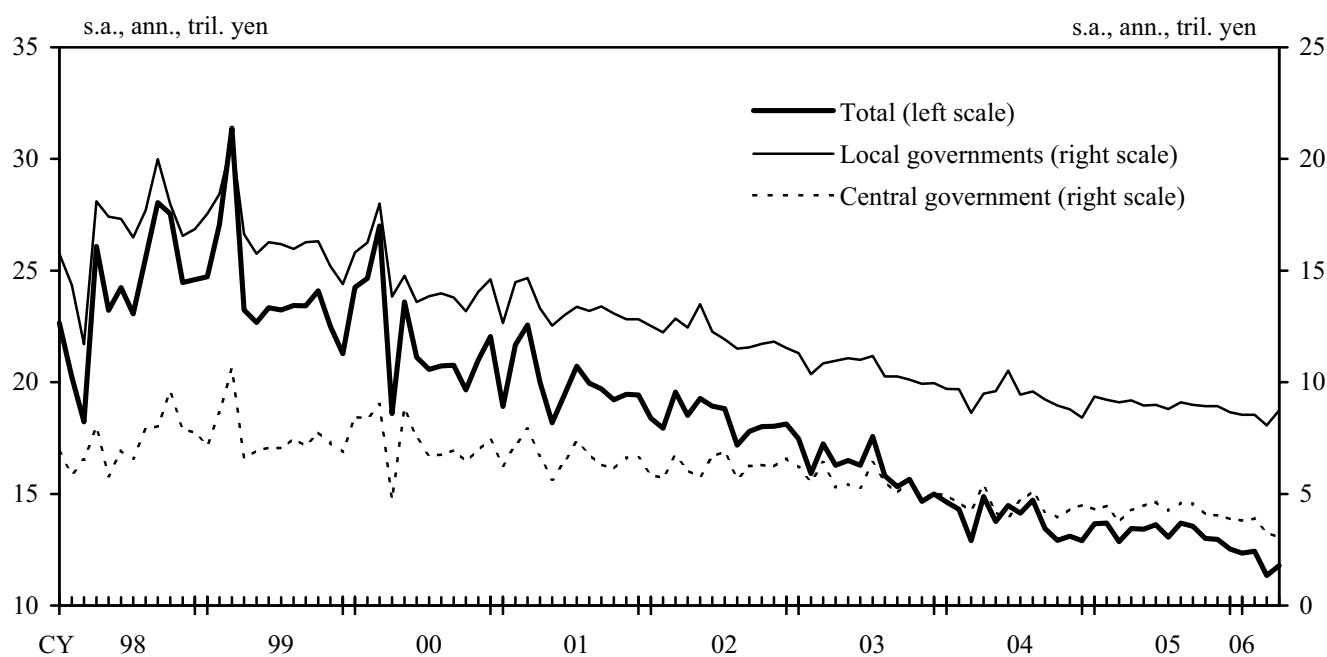
Source: Cabinet Office, "National Accounts."

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.

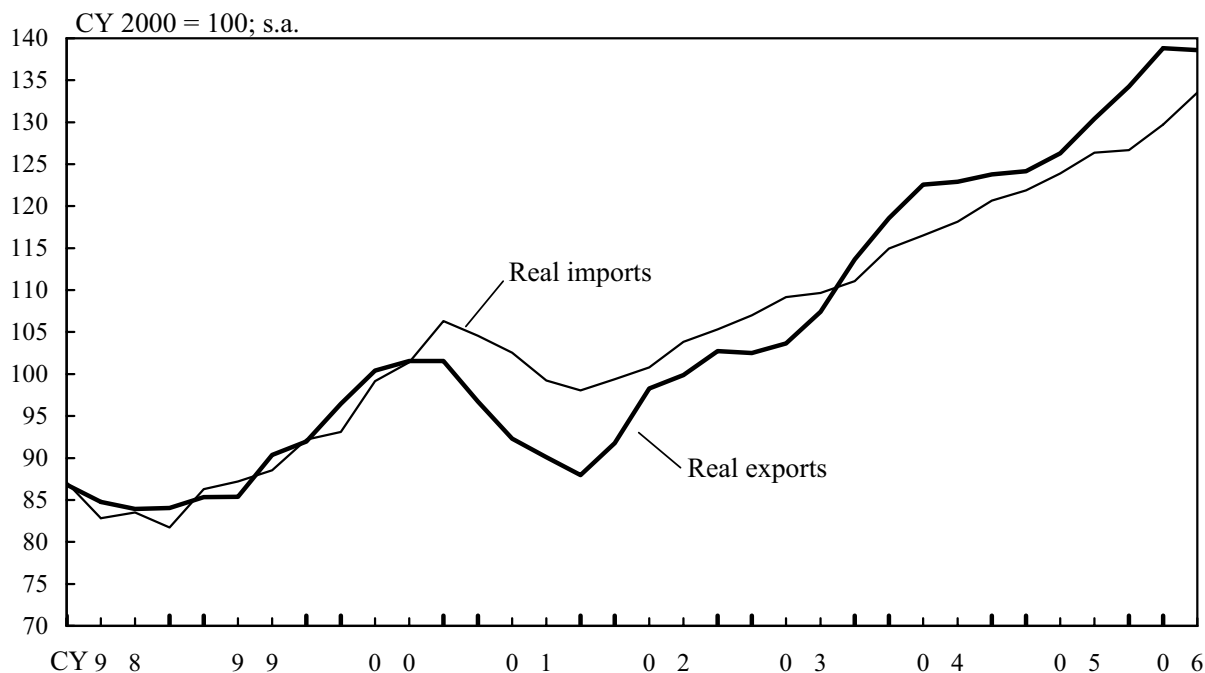
Sources: Cabinet Office, "National Accounts";

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

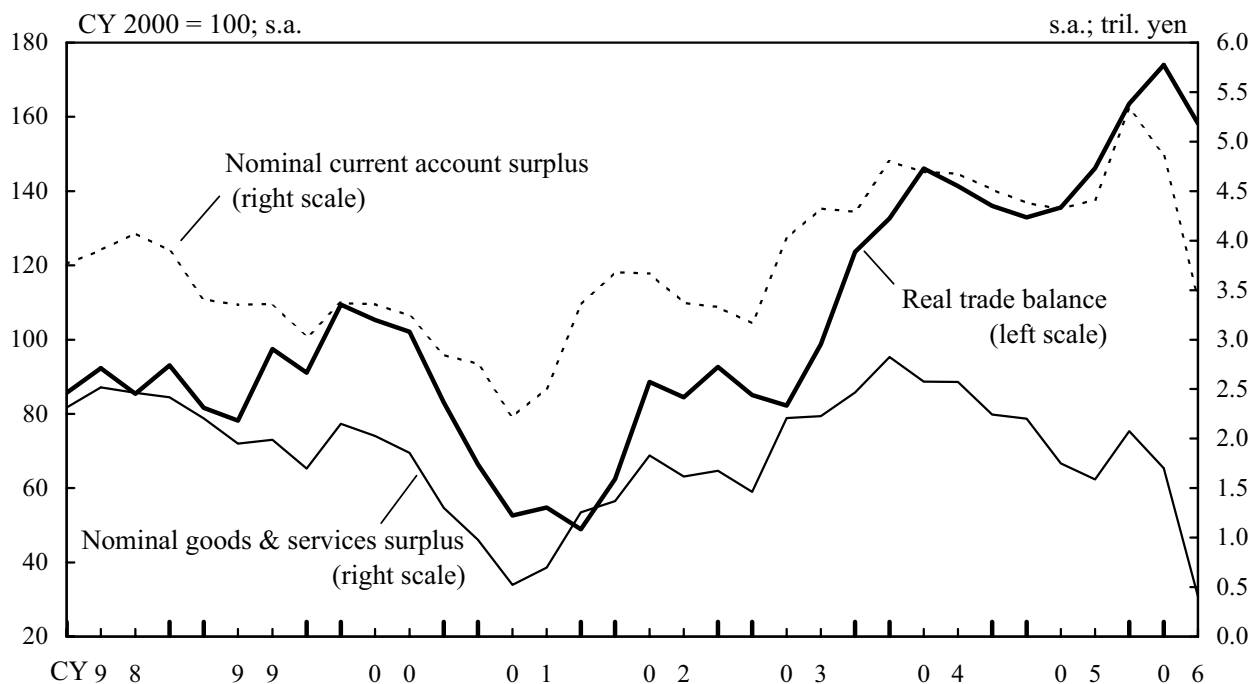
Ministry of Land, Infrastructure and Transport, "Integrated Statistics on Construction Works."

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. 2006/Q2 figures are April figures converted into quarterly amount.
3. 2006/Q2 figures for Nominal Current Account Surplus and Nominal Goods & Services Surplus are April figures converted into quarterly amount.

Sources: Ministry of Finance, "The Summary Report on Trade of Japan";
Bank of Japan, "Corporate Goods Price Index," "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 2004	2005	2005 Q2	Q3	Q4	2006 Q1	Q2	2006 Feb.	Mar.	Apr.
United States	<22.5>	6.8	7.3	2.0	0.8	4.4	3.4	2.6	0.1	-1.8	3.8
EU	<14.7>	18.7	3.4	1.2	2.2	2.5	1.2	2.6	-1.8	-3.6	5.8
East Asia	<46.7>	19.1	6.2	0.7	4.4	1.8	3.5	-1.3	5.2	-0.7	-2.5
China	<13.5>	22.2	9.7	0.4	10.1	4.7	4.7	1.1	8.7	2.6	-3.3
NIEs	<24.3>	20.3	5.0	0.7	3.4	0.6	3.4	-1.2	4.6	-2.1	-1.3
Korea	<7.8>	19.1	4.5	1.0	5.7	3.1	1.4	2.9	-3.2	6.5	-0.2
Taiwan	<7.3>	26.9	4.4	2.6	-2.2	-3.3	9.5	-3.3	9.6	-8.3	-0.5
ASEAN4 ³	<9.0>	12.3	4.4	0.8	-0.4	1.0	1.9	-5.2	1.4	-2.1	-4.3
Thailand	<3.8>	18.7	10.0	0.3	0.9	1.3	2.1	0.2	1.4	-2.4	1.3
Others	<16.0>	14.4	11.6	4.6	5.6	4.7	7.7	-1.5	1.0	4.6	-4.7
Real exports		14.5	5.4	1.7	3.3	2.9	3.4	-0.1	2.3	-0.5	-0.5

(2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.				s.a.; m/m % chg.			
		CY 2004	2005	2005 Q2	Q3	Q4	2006 Q1	Q2	2006 Feb.	Mar.	Apr.
Intermediate goods	<17.3>	5.5	1.8	1.7	2.6	1.9	4.7	-1.6	2.5	-0.4	-2.2
Motor vehicles and their related goods	<22.7>	8.3	8.2	4.3	0.8	4.1	5.4	-0.3	1.7	1.1	-1.6
Consumer goods ⁴	<5.6>	14.9	5.5	2.4	4.7	2.6	-2.3	-0.1	1.9	-9.7	6.4
IT-related goods ⁵	<12.5>	17.3	5.4	-0.1	3.8	3.4	1.2	0.1	2.1	-4.6	2.6
Capital goods and parts ⁶	<29.5>	23.5	7.2	1.8	3.4	3.1	4.7	-1.3	2.5	1.3	-2.9
Real exports		14.5	5.4	1.7	3.3	2.9	3.4	-0.1	2.3	-0.5	-0.5

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2006/Q2 figures are April figures converted into quarterly amount.

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.

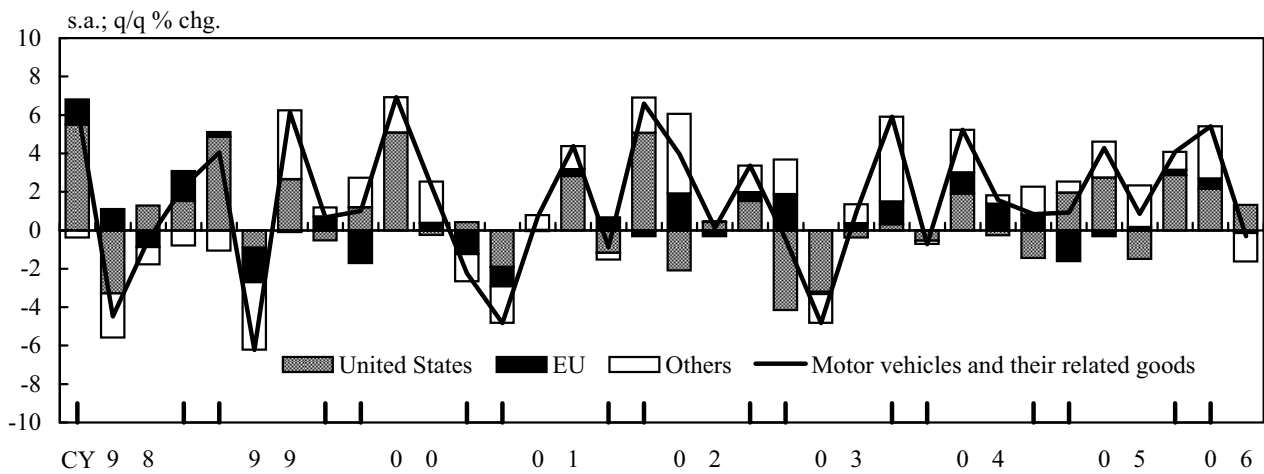
5. IT-related goods are composed of computers and units, telecommunication machinery, ICs and medical and optical instruments.

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

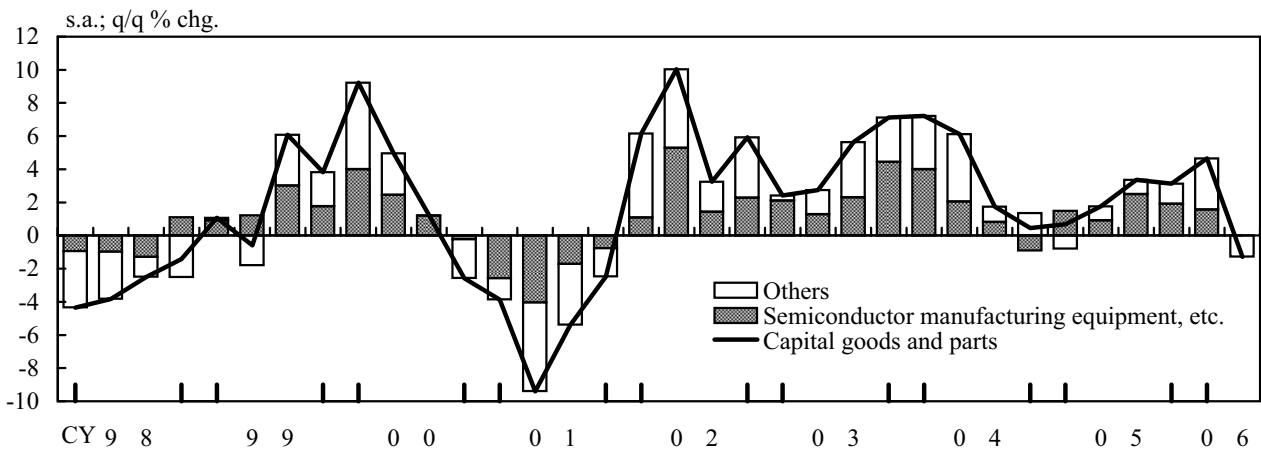
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Real Exports Breakdown by Goods

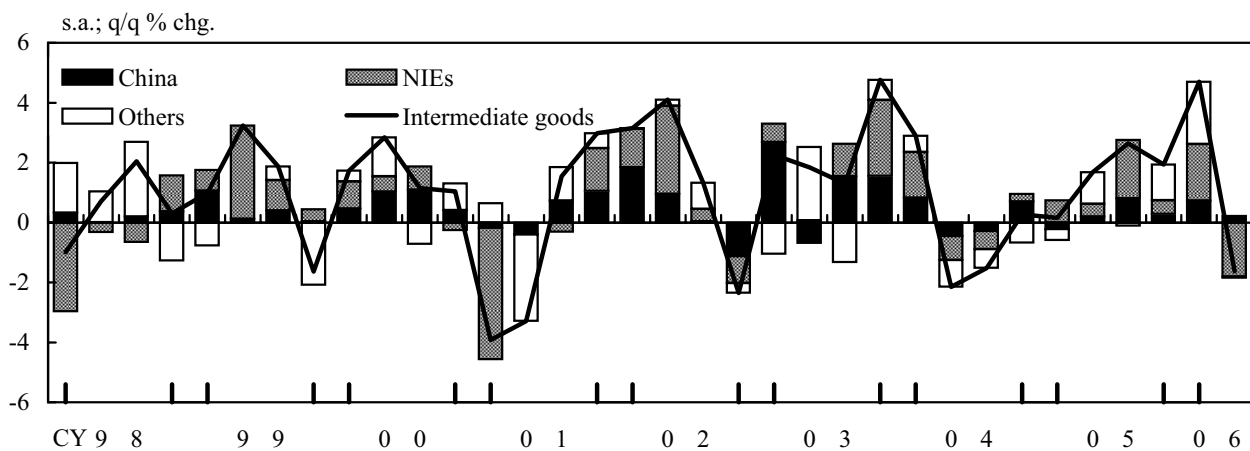
(1) Motor Vehicles and Their Related Goods (Real, Breakdown by Region)



(2) Capital Goods and Parts (Real, Breakdown by Goods)



(3) Intermediate Goods (Real, Breakdown by Region)

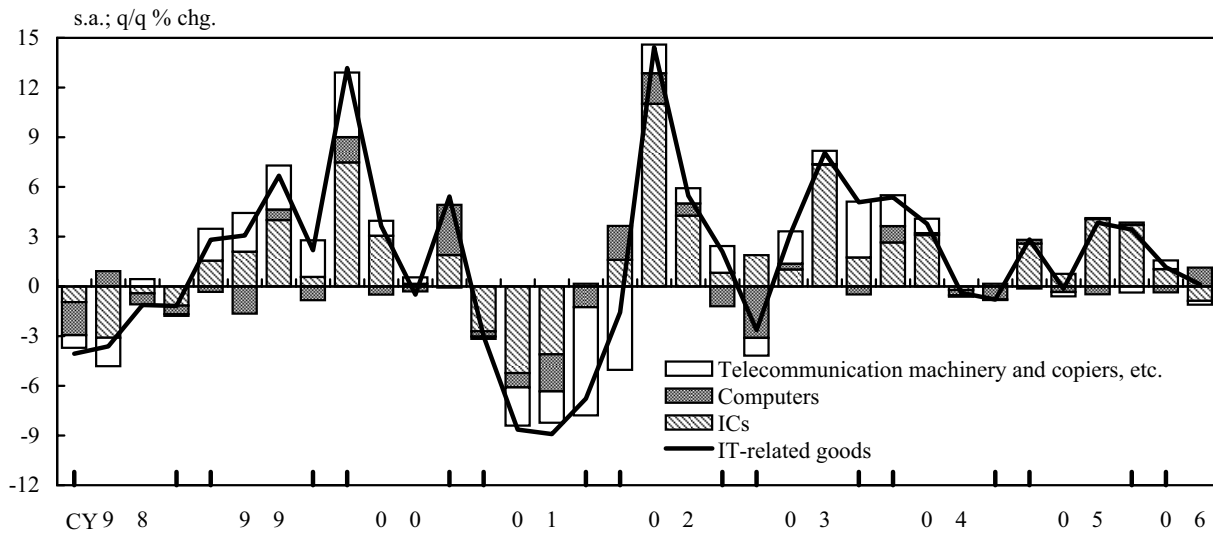


Note: Seasonally adjusted by X-12-ARIMA. 2006/Q2 figures are April figures converted into quarterly amount.

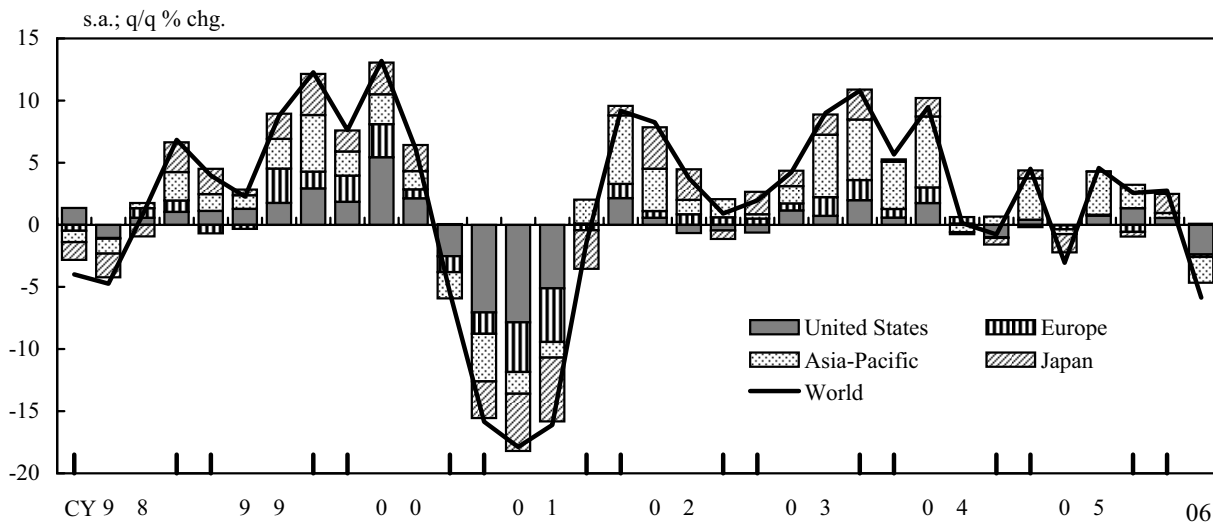
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Exports and Imports of IT-Related Goods

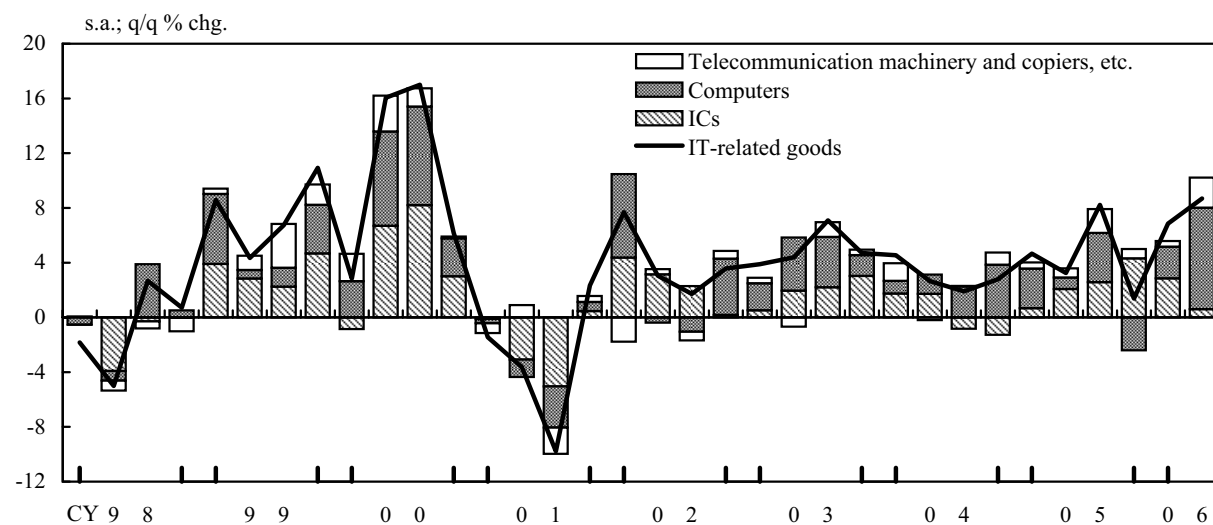
(1) Exports of IT-Related Goods (Real, Breakdown by Goods)



(2) World Semiconductor Shipments (Nominal, Breakdown by Region)



(3) Imports of IT-Related Goods (Real, Breakdown by Goods)

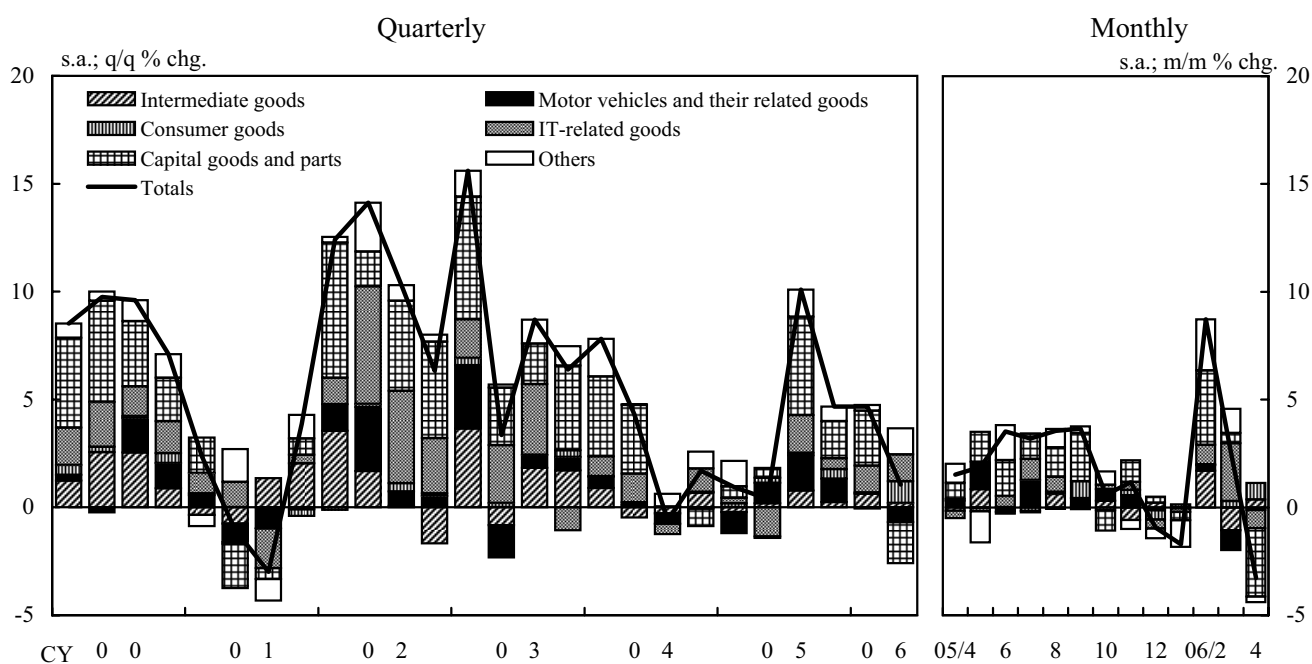


Note: Seasonally adjusted by X-12-ARIMA. 2006/Q2 figures are April figures converted into quarterly amount.

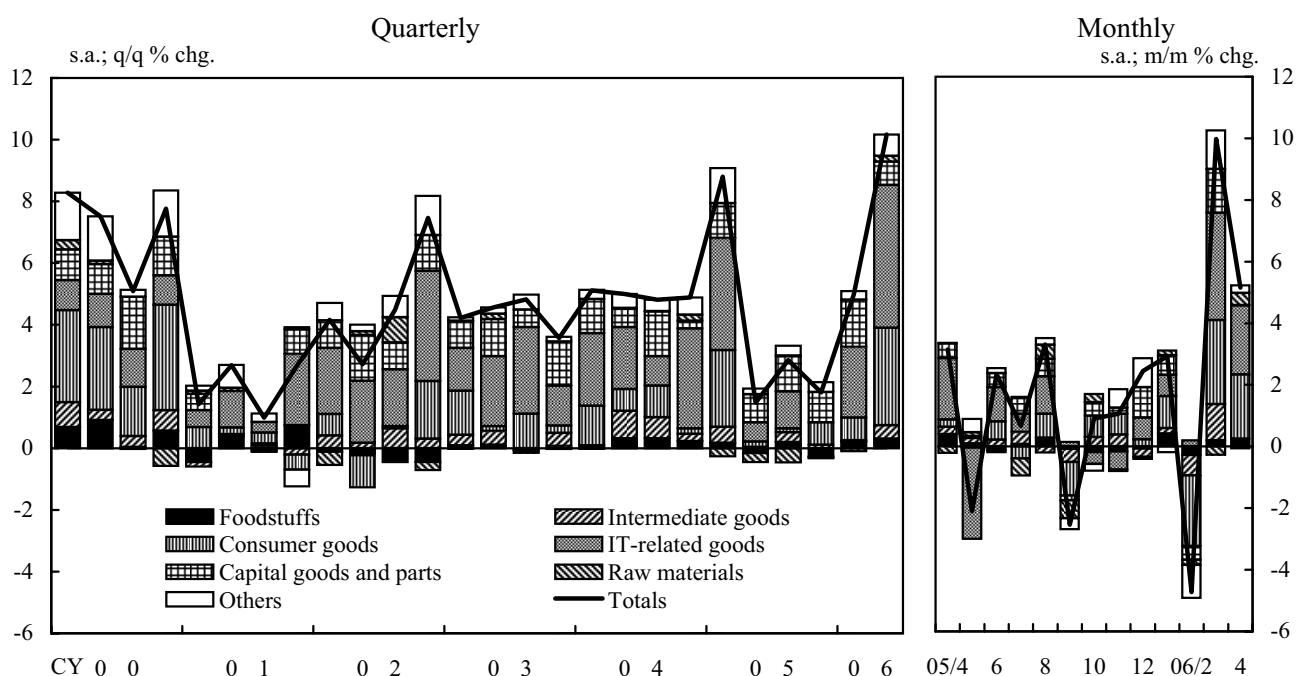
Sources: Ministry of Finance, "The Summary Report on Trade of Japan";
Bank of Japan, "Corporate Goods Price Index"; WSTS (World Semiconductor Trade Statistics).

Exports and Imports with China

(1) Exports to China (Real, Breakdown by Goods)



(2) Imports from China (Real, Breakdown by Goods)



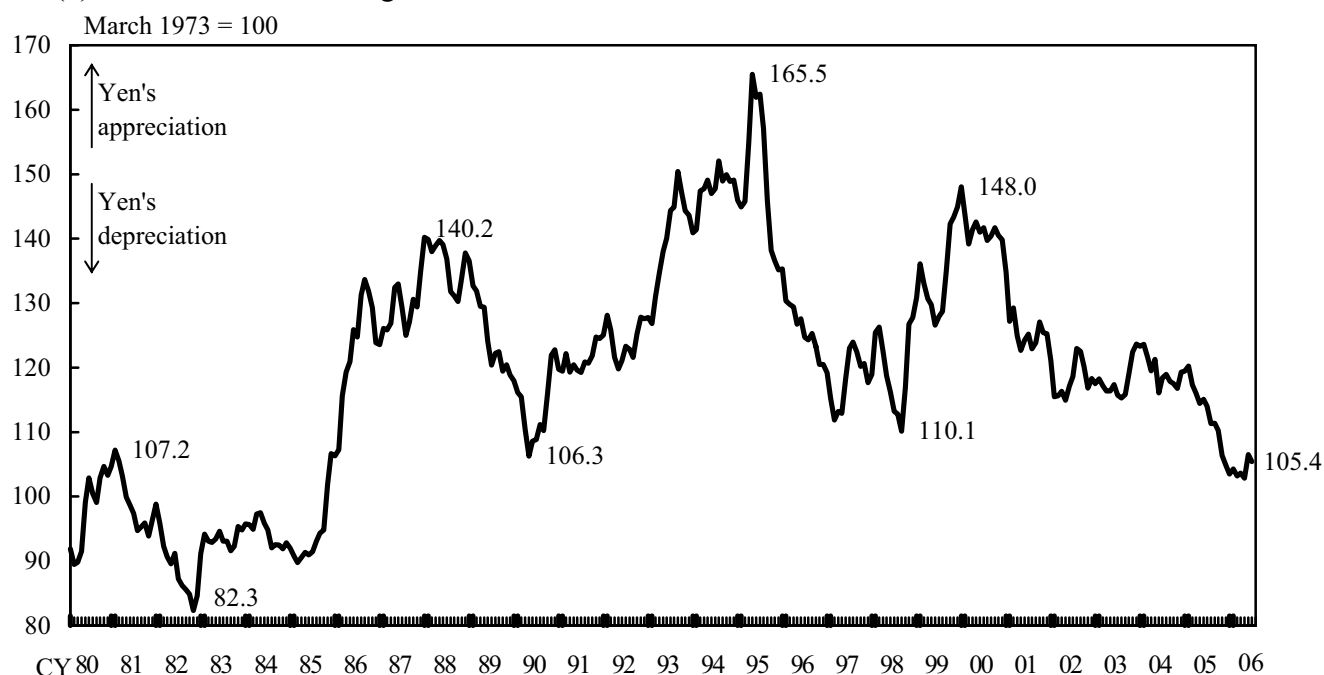
Notes: 1. Regarding classifications of each goods, see notes to charts 6 and 11.

2. Seasonally adjusted by X-12-ARIMA. 2006/Q2 figures are April figures converted into quarterly amount.

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

Real Effective Exchange Rate and Overseas Economies

(1) Real Effective Exchange Rate



Note: Calculated by the Bank of Japan. Monthly average. Figure for June 2006 is the average up to June 14.

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

(2) Real GDP Growth Rates in Overseas Economies

		CY2003	2004	2005	2005 Q2	Q3	Q4	2006 Q1	
United States ¹		2.7	4.2	3.5	3.3	4.1	1.7	5.3	
European Union ¹		1.2	2.2	1.7	2.0	2.7	1.6	2.6	
	Germany	-0.2	1.6	1.0	1.7	2.5	0.0	1.5	
	France	1.1	2.0	1.2	0.2	2.5	1.1	2.2	
	United Kingdom	2.5	3.1	1.8	2.1	2.1	2.3	2.3	
East Asia ²	China	10.0	10.1	9.9	10.1	9.8	9.9	10.3	
	NIEs	Korea	3.1	4.7	4.0	3.2	4.5	5.3	6.1
		Taiwan	3.4	6.1	4.1	3.0	4.4	6.4	4.9
		Hong Kong	3.2	8.6	7.3	7.2	8.2	7.5	8.2
		Singapore	2.9	8.7	6.4	5.7	7.6	8.7	10.6
	ASEAN4	Thailand	7.0	6.2	4.5	4.6	5.4	4.7	6.0
		Indonesia	4.8	5.1	5.6	5.6	5.6	4.9	4.6
		Malaysia	5.5	7.2	5.2	4.1	5.3	5.2	5.3
Philippines		4.9	6.2	5.0	5.4	4.8	5.3	5.5	

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 2004	2005	2005 Q2	Q3	Q4	2006 Q1	Q2	2006 Feb.	Mar.	Apr.
United States	<12.4>	0.4	3.6	4.4	4.7	-0.1	4.2	-5.5	-0.6	-1.3	-4.5
EU	<11.4>	9.6	2.1	3.8	-1.1	-0.7	1.7	0.5	2.9	-1.6	0.6
East Asia	<42.3>	14.7	11.2	0.8	3.0	1.8	4.2	7.3	-2.6	5.2	4.7
China	<21.0>	20.9	18.8	1.5	2.9	1.8	5.0	10.2	-4.7	10.0	5.2
NIEs	<9.8>	12.8	9.3	2.8	7.1	4.1	4.0	3.2	-1.8	-0.2	3.9
Korea	<4.7>	14.5	8.3	4.6	5.9	7.5	-1.2	3.7	-6.2	-0.3	6.2
Taiwan	<3.5>	12.0	11.0	1.9	12.4	0.4	8.3	4.6	-0.6	-1.0	5.5
ASEAN4 ³	<11.4>	7.1	0.2	-2.3	-0.5	-0.4	2.7	5.6	1.1	1.1	4.4
Thailand	<3.0>	14.3	12.8	0.3	2.0	2.0	1.2	6.4	1.9	-1.2	6.6
Others	<34.0>	4.7	1.8	1.6	1.2	2.1	-2.0	10.4	-0.9	1.2	9.9
Real imports		8.1	5.4	1.6	2.0	0.2	2.4	2.9	-0.8	0.3	3.0

(2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2004	2005	2005 Q2	Q3	Q4	2006 Q1	Q2	2006 Feb.	Mar.	Apr.
Raw materials ⁴	<31.7>	1.3	-3.9	-3.5	1.4	-0.6	0.5	11.8	3.3	-5.8	15.1
Intermediate goods	<14.0>	8.7	4.6	1.0	0.3	0.6	0.4	3.2	0.2	-0.0	3.2
Foodstuffs	<9.8>	0.4	2.6	1.1	-0.9	-3.1	2.5	-1.9	-2.2	1.6	-2.2
Consumer goods ⁵	<9.9>	12.5	8.7	4.6	-3.0	3.0	1.4	3.7	-6.2	4.3	3.0
IT-related goods ⁶	<12.5>	17.6	15.4	3.2	8.2	1.4	6.9	8.7	0.4	3.2	6.3
Capital goods and parts ⁷	<12.1>	17.4	13.6	4.6	7.2	2.0	7.3	-3.4	1.8	-2.5	-2.3
Excluding aircraft	<11.2>	19.2	13.7	5.4	5.0	3.8	5.7	6.7	2.5	0.6	5.5
Real imports		8.1	5.4	1.6	2.0	0.2	2.4	2.9	-0.8	0.3	3.0

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2006/Q2 figures are April figures converted into quarterly amount.

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.

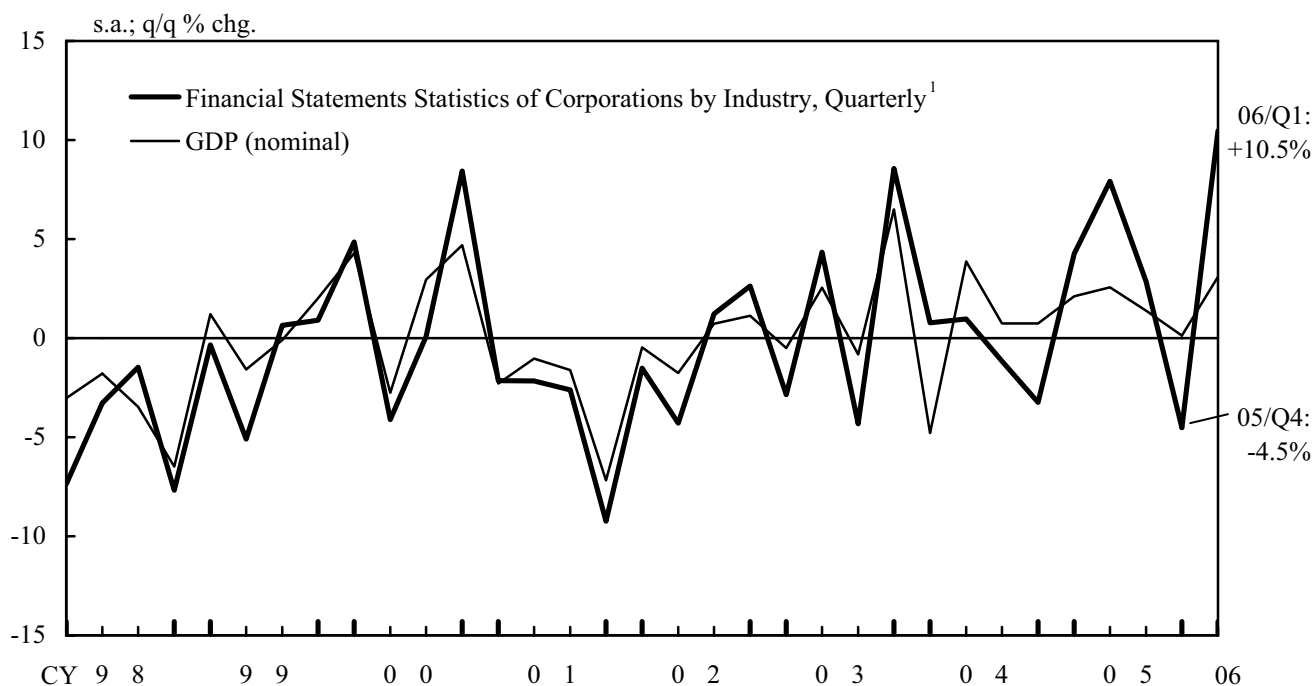
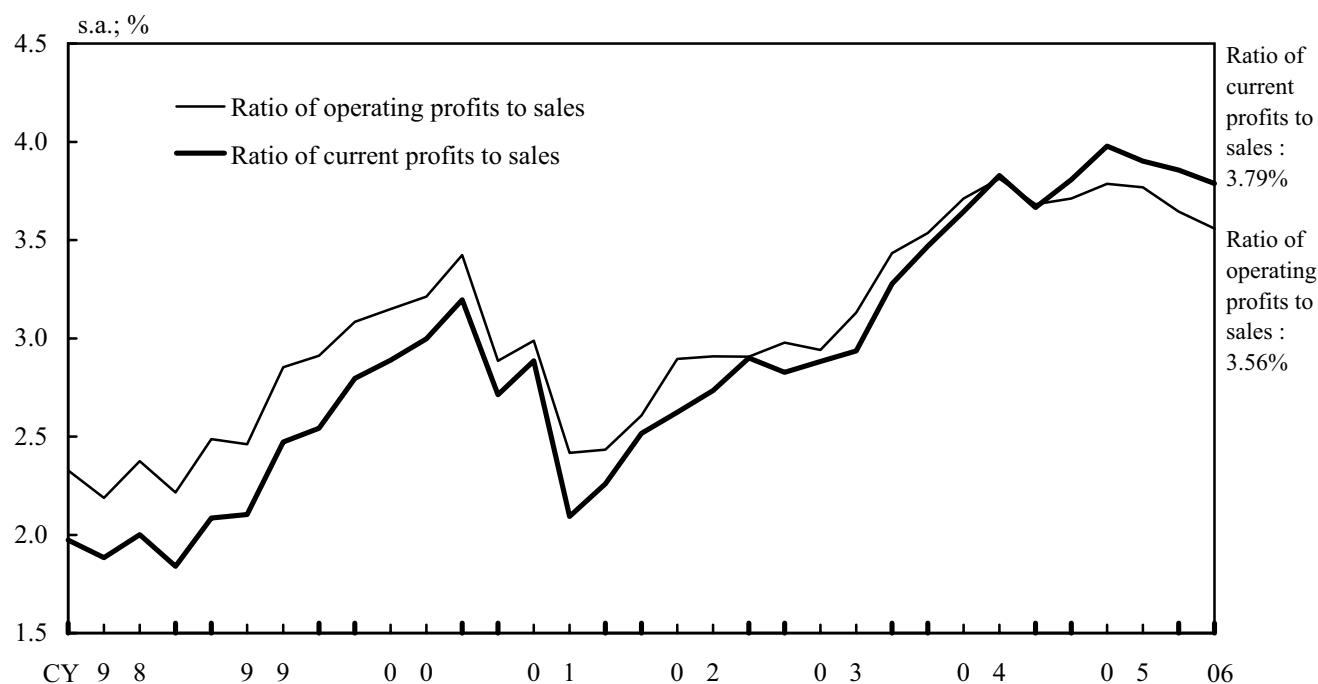
5. Excludes foodstuffs.

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.

Business Fixed Investment and Corporate Profits

(1) Fixed Investment

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

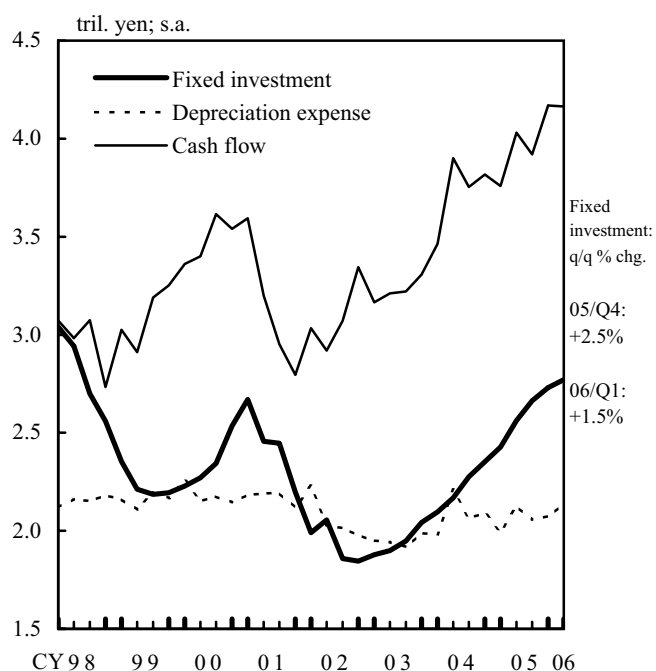
Notes: 1. All enterprises. Figures are adjusted for sample change, and seasonally adjusted by X-11. Adjustment for sample change aims to correct a bias in figures caused by sample change. The method is to adjust the figures proportionally to the shift in the aggregated capital stock and other references.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

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

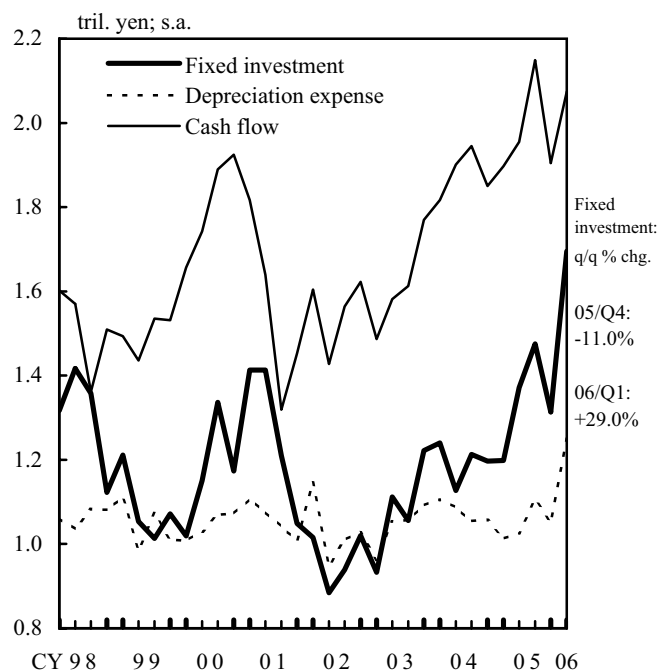
Sources: Cabinet Office, "National Accounts"; Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

Business Fixed Investment by Industry and Size

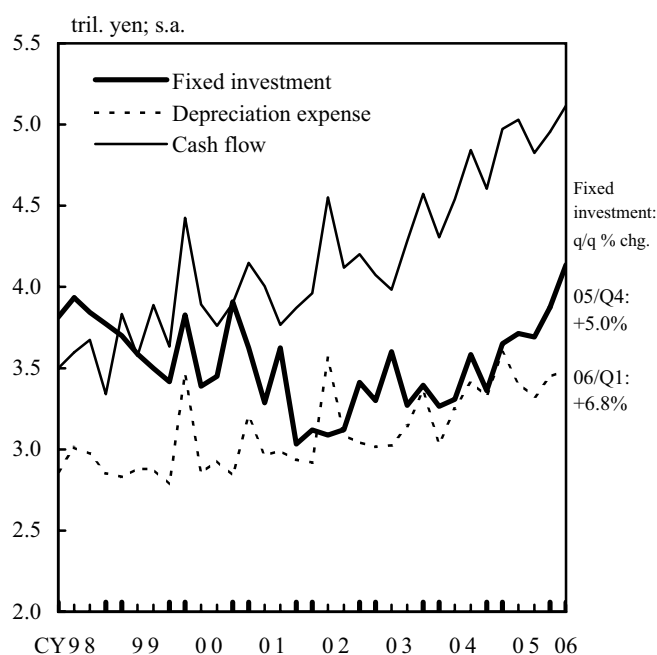
(1) Large Manufacturing Firms



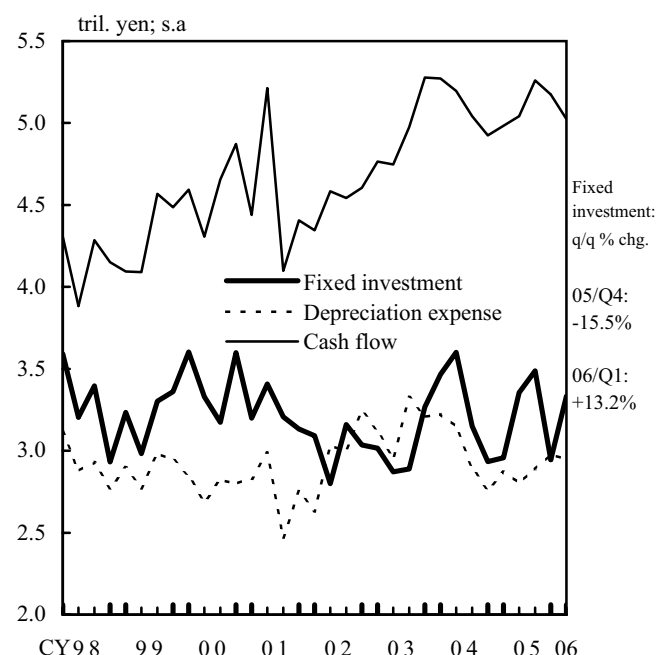
(2) Medium-Sized and Small Manufacturing Firms



(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 note of Chart 12).

3. Electric and gas are excluded from large nonmanufacturing 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.

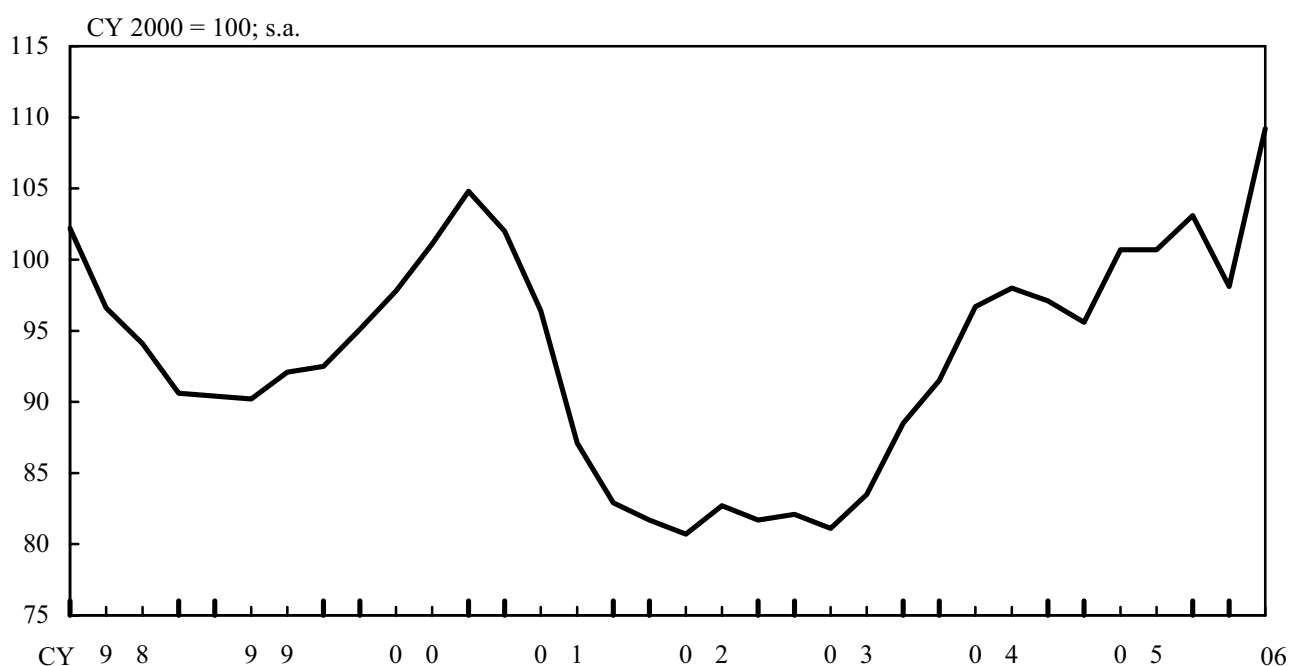
5. Cash flow = current profits / 2 + depreciation expense.

6. Seasonally adjusted by X-11.

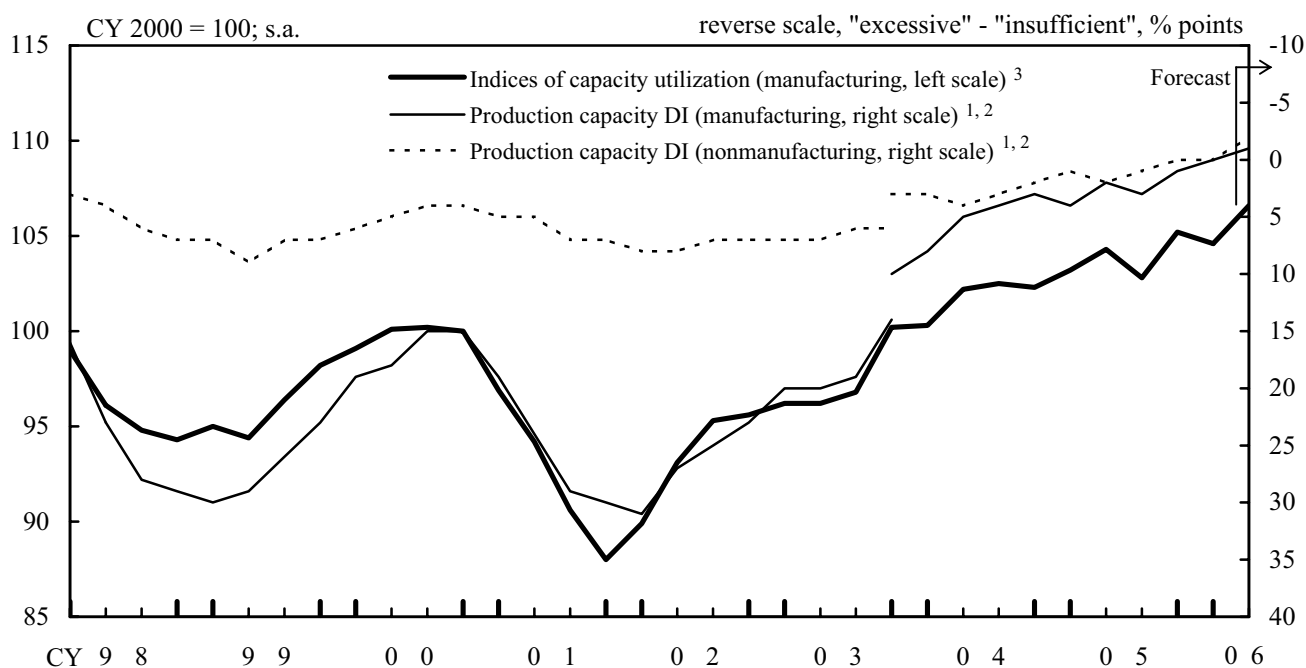
Source: Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

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.

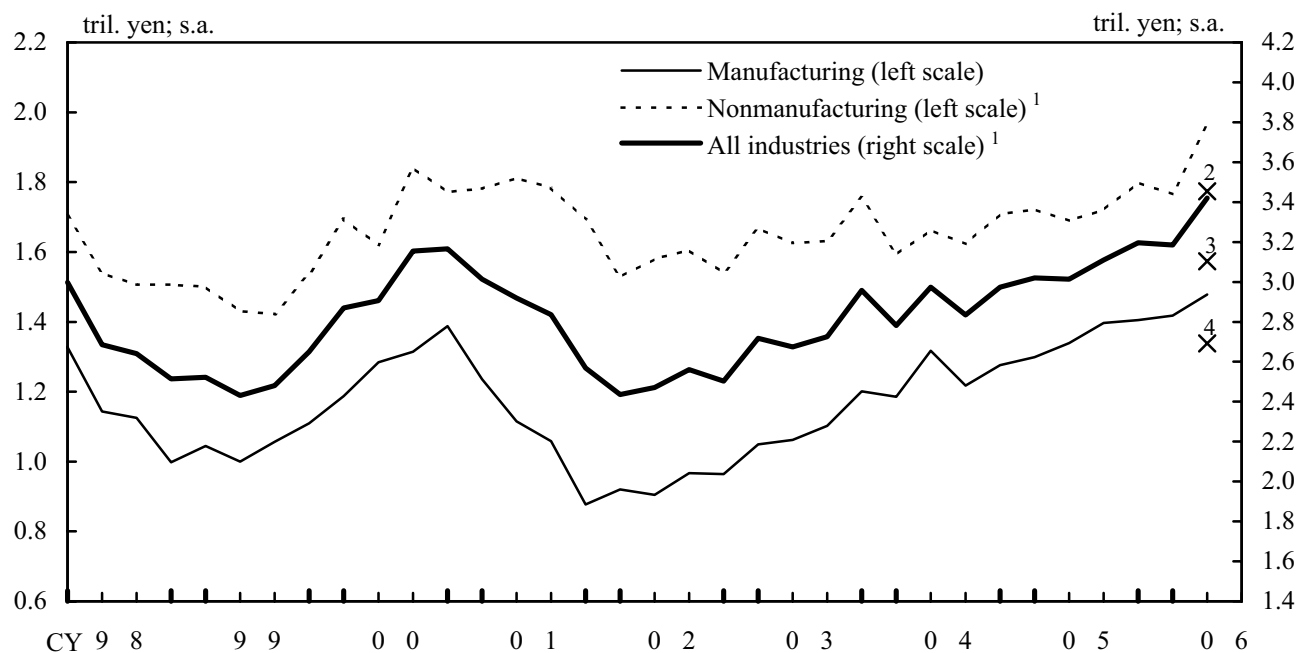
2. The *Tankan* has been revised from the March 2004 survey. Figures up to the December 2003 survey are based on the previous data sets. Figures from the December 2003 survey are on a new basis.

3. The figure for 2006/Q2 is as of April.

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

Leading Indicators for Business Fixed Investment

(1) Machinery Orders



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

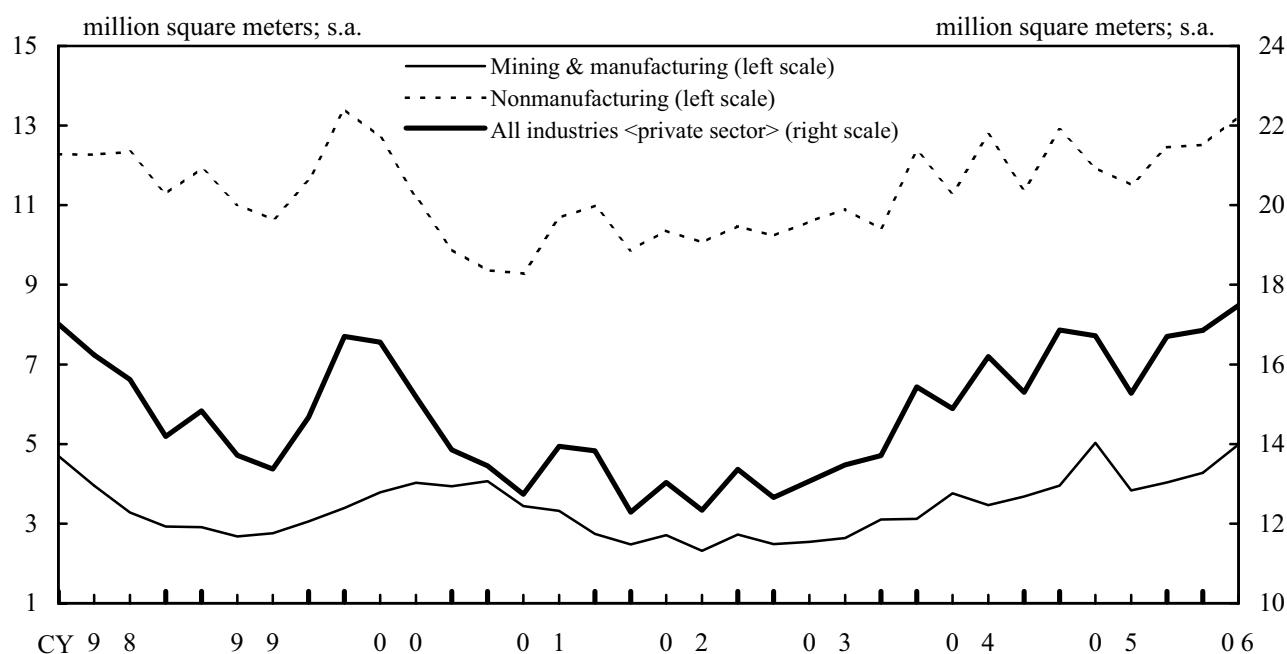
2. Forecast of nonmanufacturing industries for 2006/Q2.

3. Forecast of all industries for 2006/Q2.

4. Forecast of manufacturing industries for 2006/Q2.

5. Figures for 2006/Q2 are those of April in terms of quarterly amount.

(2) Construction Starts (Floor Area, Private, Nondwelling Use)



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

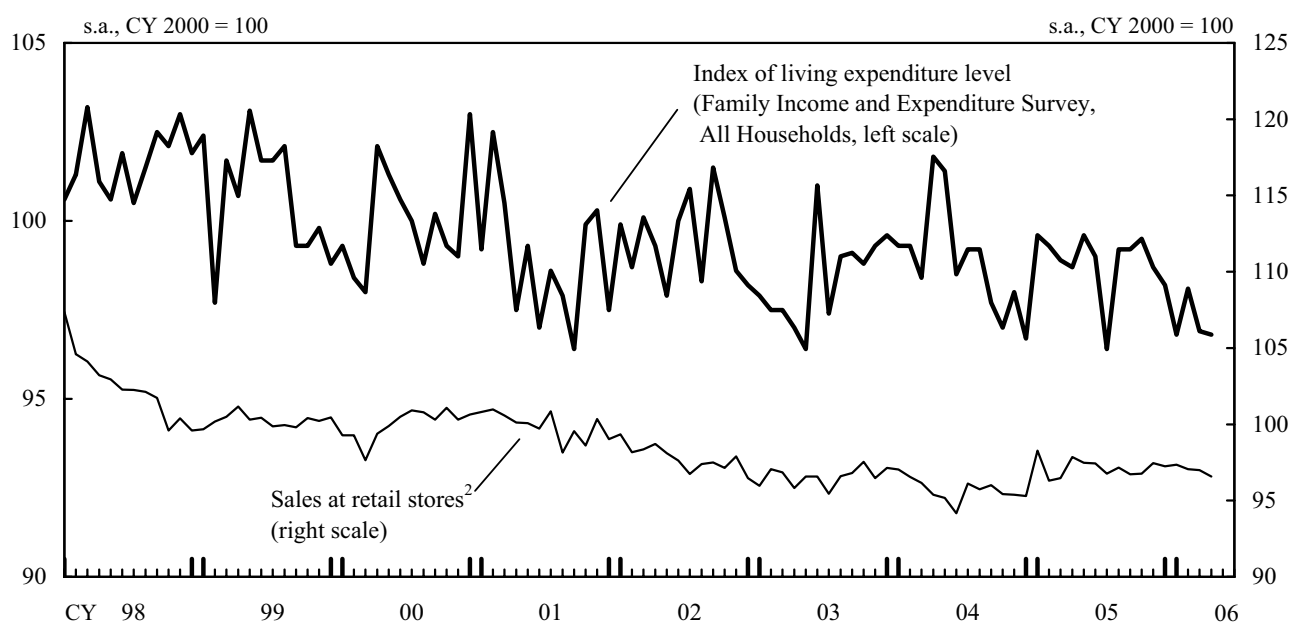
2. Because the Standard Industrial Classification for Japan was revised in March 2002, the industry classification for newspaper publishing and publishing business was changed from mining and manufacturing to nonmanufacturing. Accordingly, the data up to FY 2002 were adjusted by using a link coefficient.

3. Figures for 2006/Q2 are those of April in terms of quarterly amount.

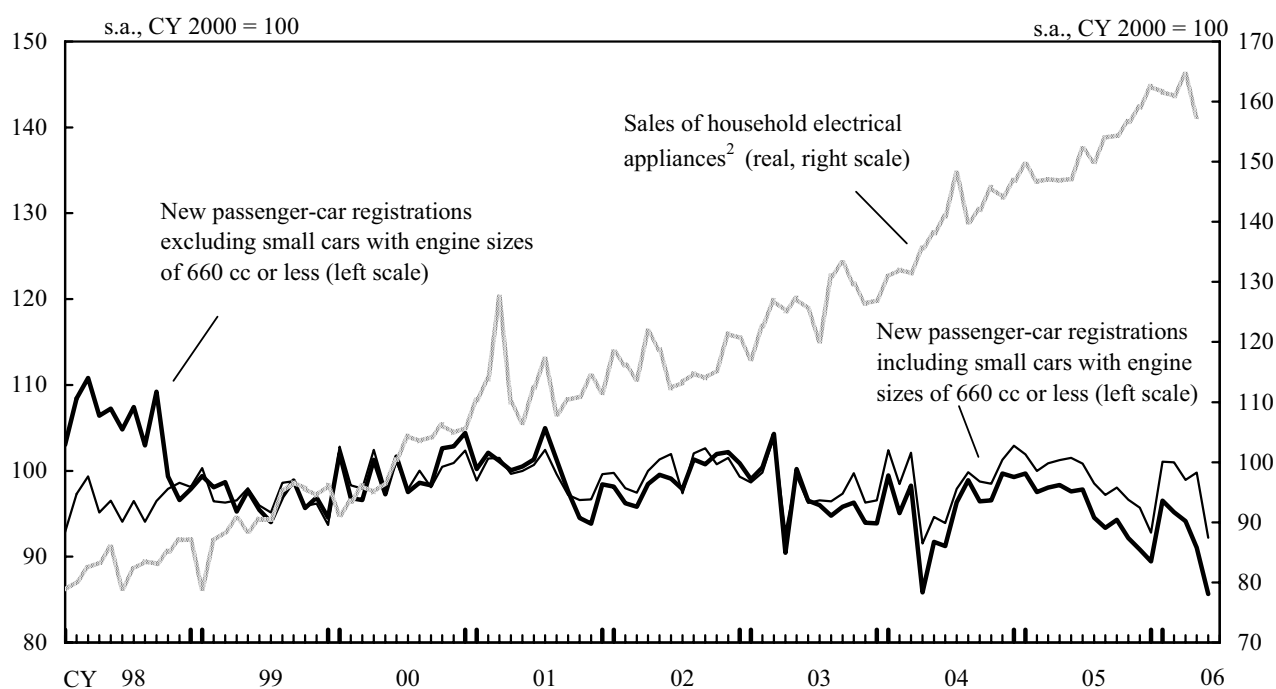
Sources: Cabinet Office, "Machinery Orders Statistics";
 Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts."

Indicators for Private Consumption¹ (1)

(1) Household Spending (Real)



(2) Sales of Durable Goods

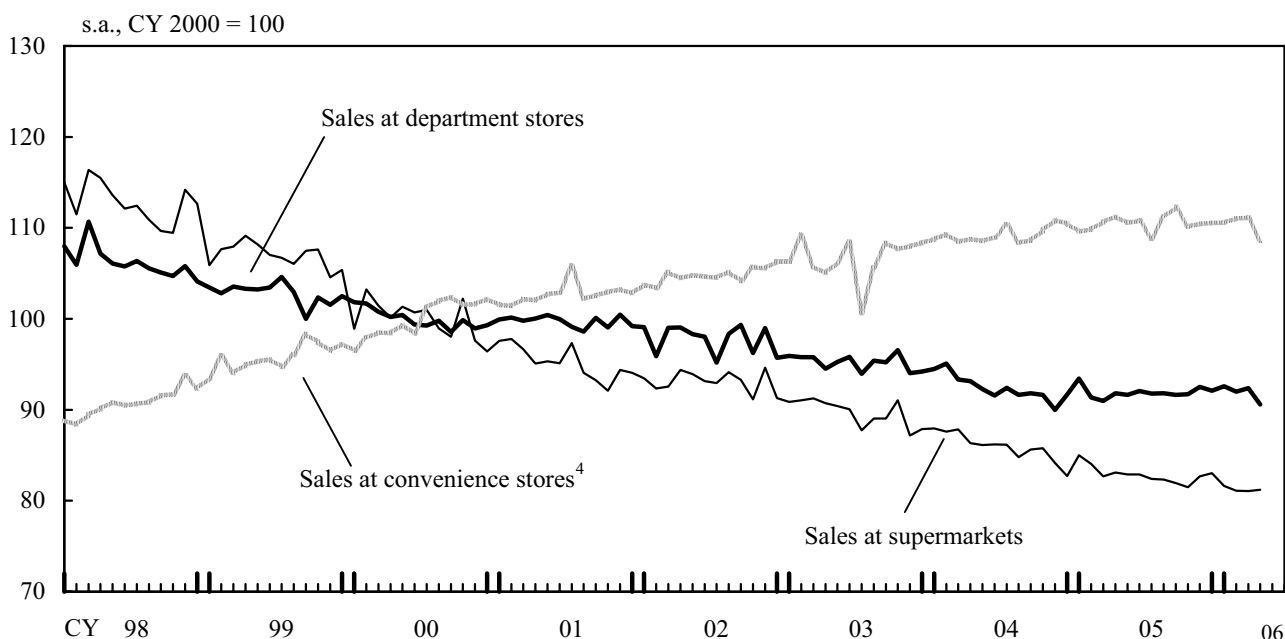


- Notes: 1. Seasonally adjusted by X-12-ARIMA. Index of living expenditure level is seasonally adjusted by the Ministry of Internal Affairs and Communications.
2. Sales at retail stores are deflated by the consumer price index for goods (excluding electricity, gas & water charges). Sales of household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

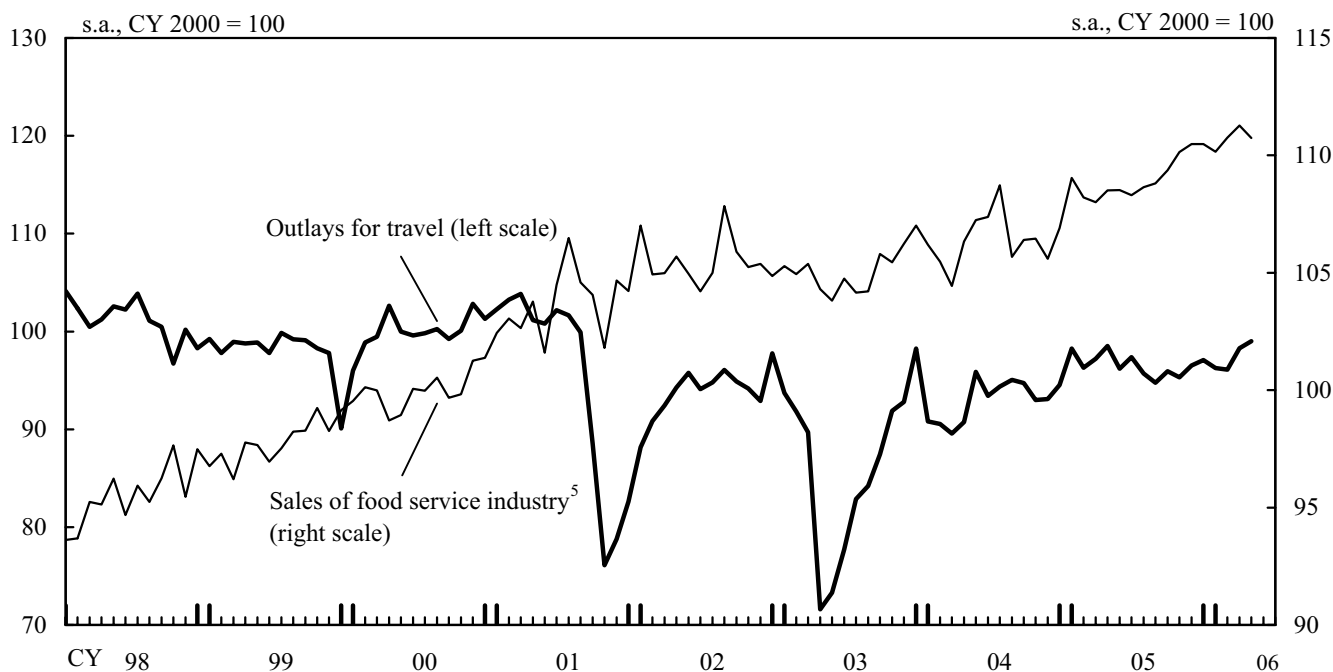
Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index," "Monthly Report on the Family Income and Expenditure Survey"; Ministry of Economy, Trade and Industry, "Current Survey of Commerce"; Japan Automobile Dealers Association, "Domestic Sales of Automobiles"; Japan Mini Vehicles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

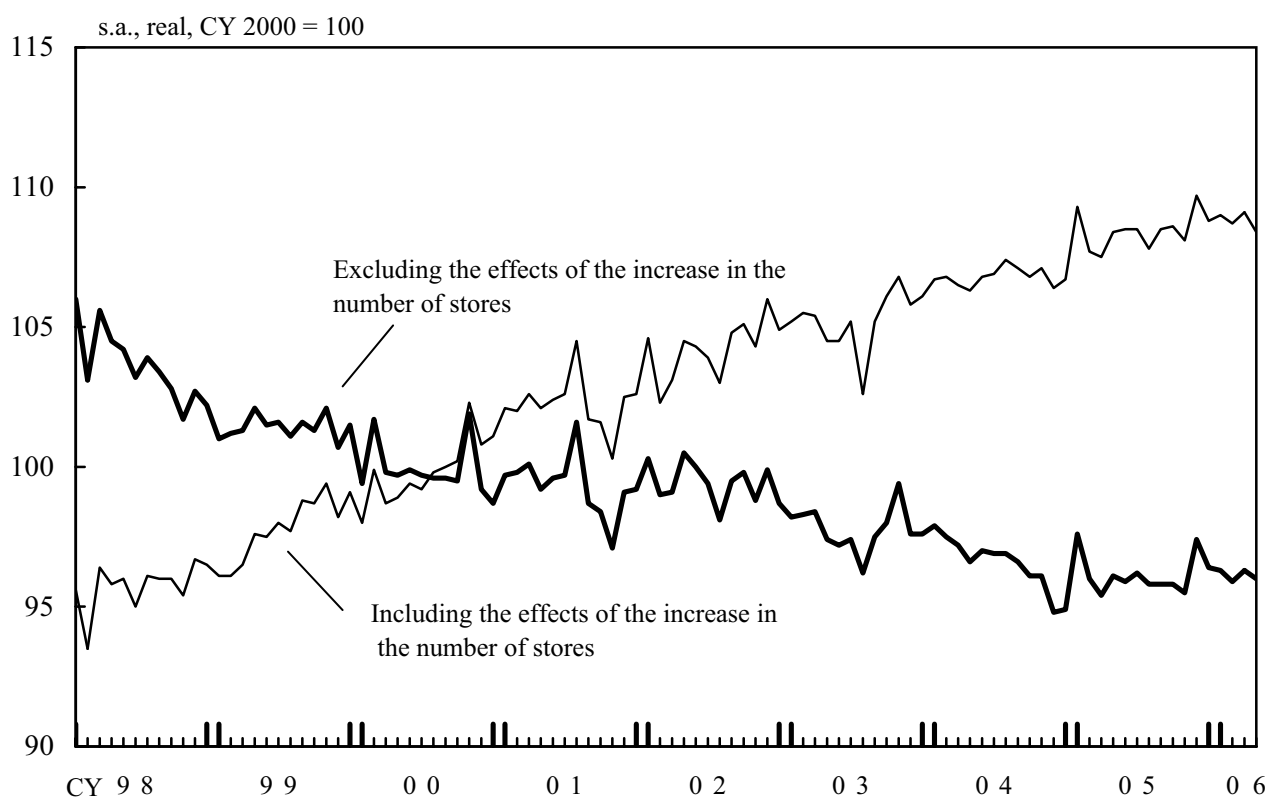
5. Sales of food service industry are calculated using the year-on-year rates of change of every month released by the Japan Food Service Association based on monthly sales amounts in 1993 released by the Food Service Industry Survey & Research Center.

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

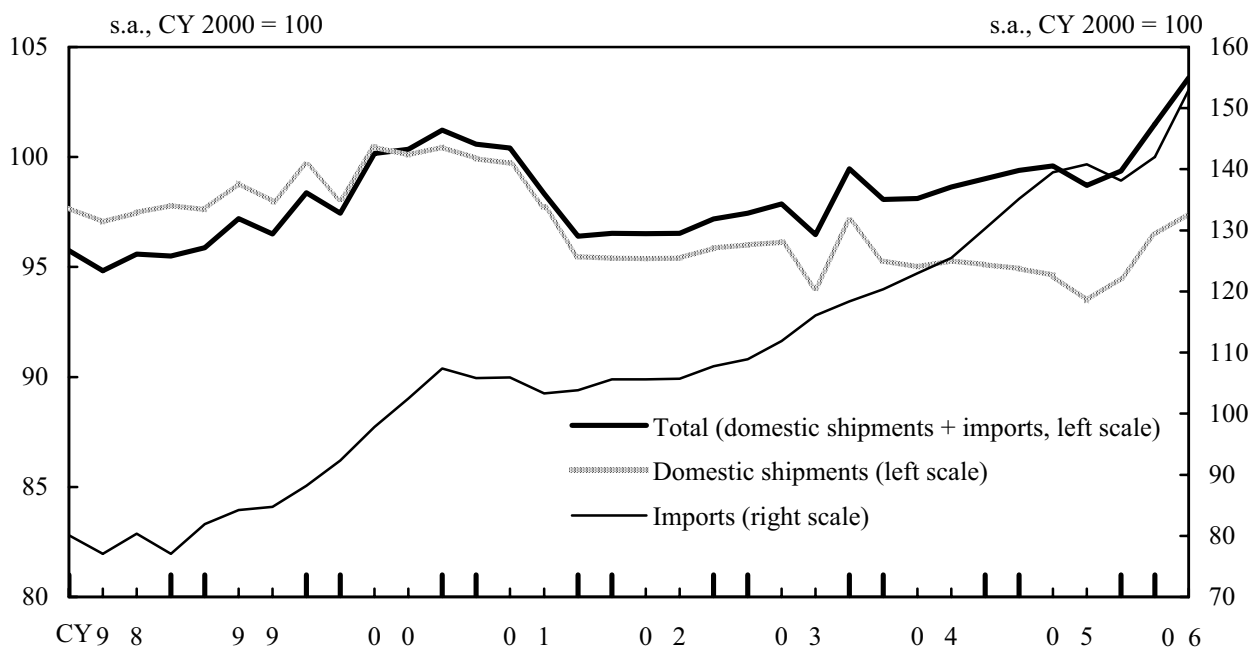


- Notes: 1. Indices of aggregated sales are the weighted sum of "sales at department stores and supermarkets," "new passenger-car registrations," "sales of household electrical appliances," "outlays for travel," and "sales of food service industry," where the weights come from household expenditure in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

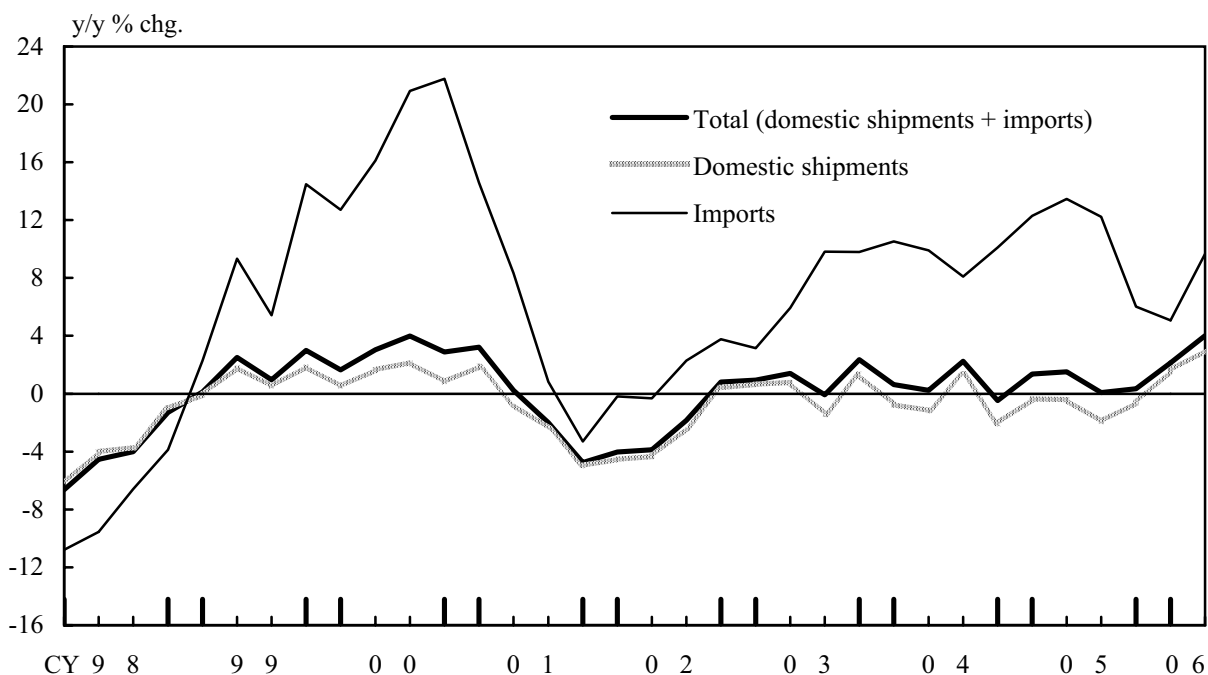
Source: Bank of Japan, "Indices of Aggregated Sales."

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 accessories.

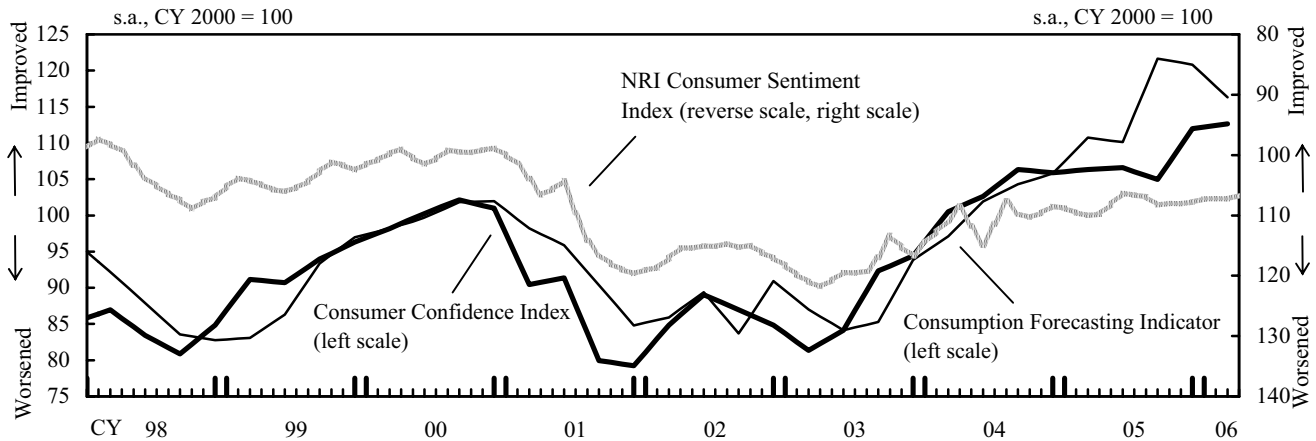
3. Year-on-year rates of change are calculated from seasonally adjusted series.

4. Data for 2006/Q2 figures are those of April in terms of quarterly amount.

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

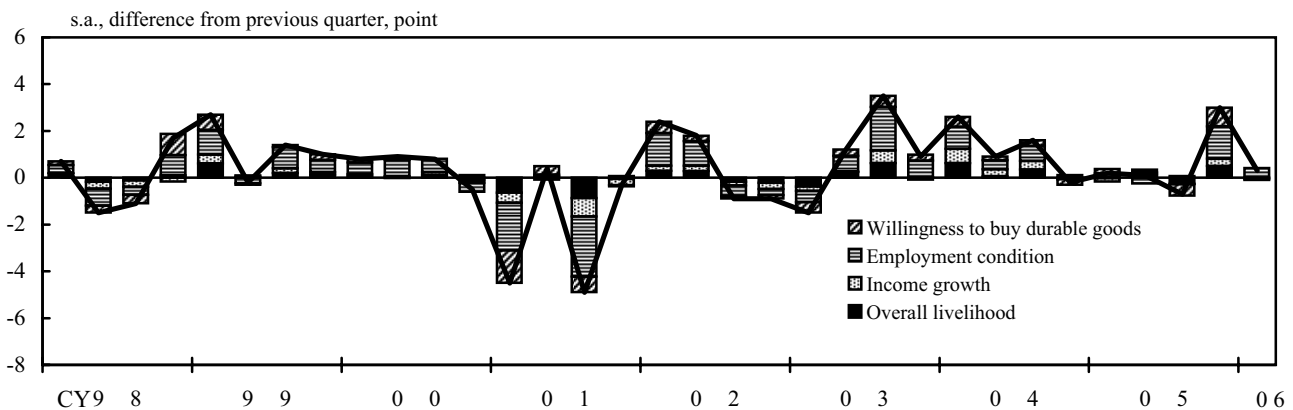
Consumer Confidence

(1) Surveys on Consumer Confidence

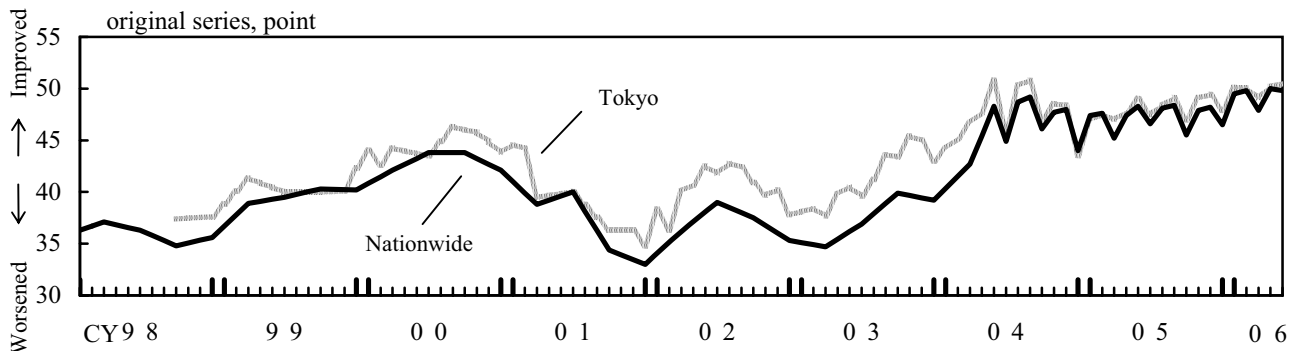


- Notes: 1. Seasonally adjusted by X-11. "Consumer Confidence Index" is seasonally adjusted by the Cabinet Office. "Consumption Forecasting Indicator" is seasonally adjusted using quarterly figures because the survey was quarterly until 2004.
2. Consumer Confidence Index (with 5,040 samples in a nationwide basis), Consumption Forecasting Indicator (with 600 samples in the metropolitan area [until September 2004: 1,500 samples, December 2004: 880 samples]), and NRI Consumer Sentiment Index (with 2,400 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)

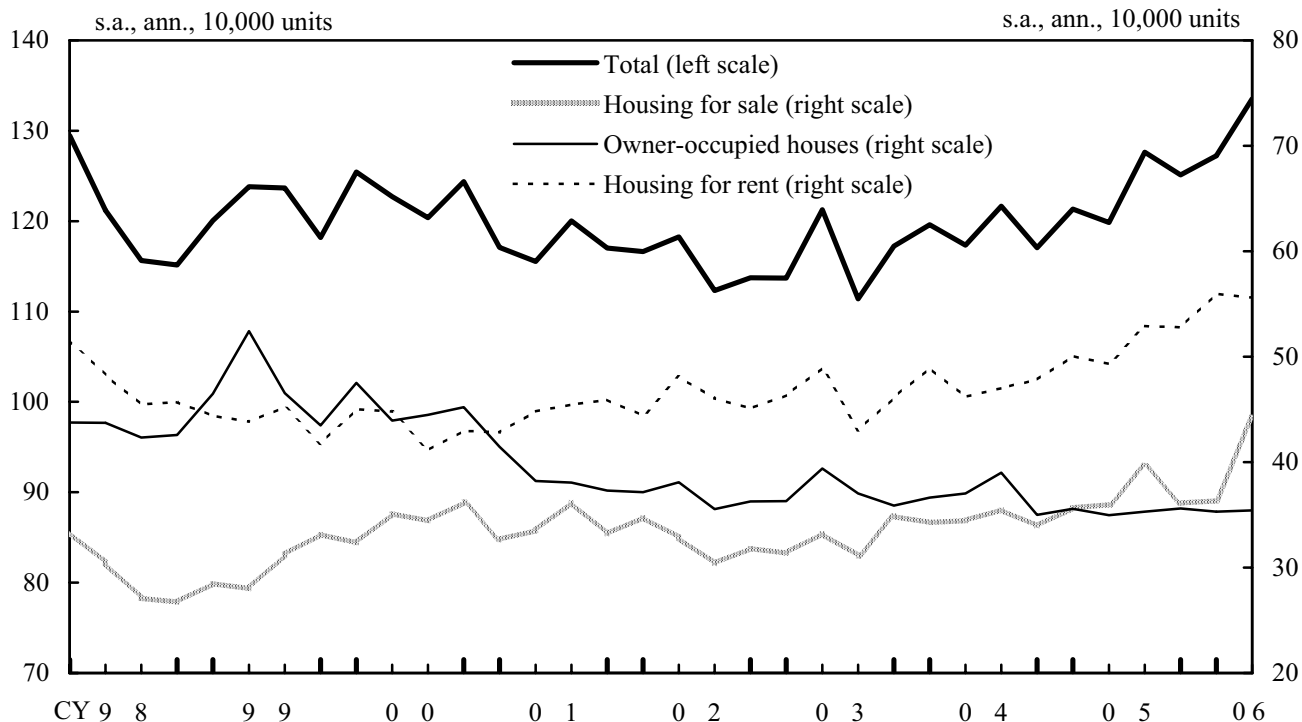


Note: From September 1998 to October 2001, figures of "Monthly Consumer Confidence Index (Tokyo)" when the survey was not conducted were supplemented with linear interpolation. Figures of "Monthly Consumer Confidence Index (Nationwide)" were also plotted at the surveyed months and supplemented with linear 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."

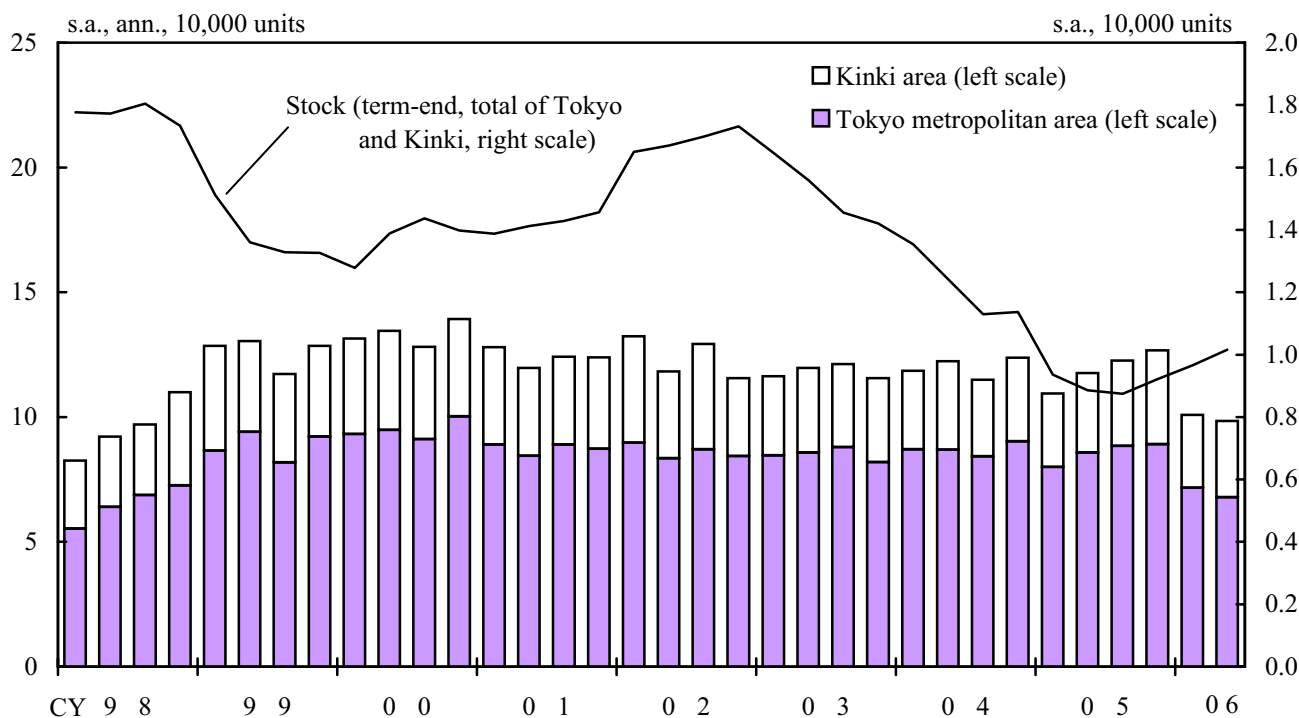
Indicators for Housing Investment

(1) Housing Starts



Note: Figures for 2006/Q2 are those of April.

(2) Sales of Apartments



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

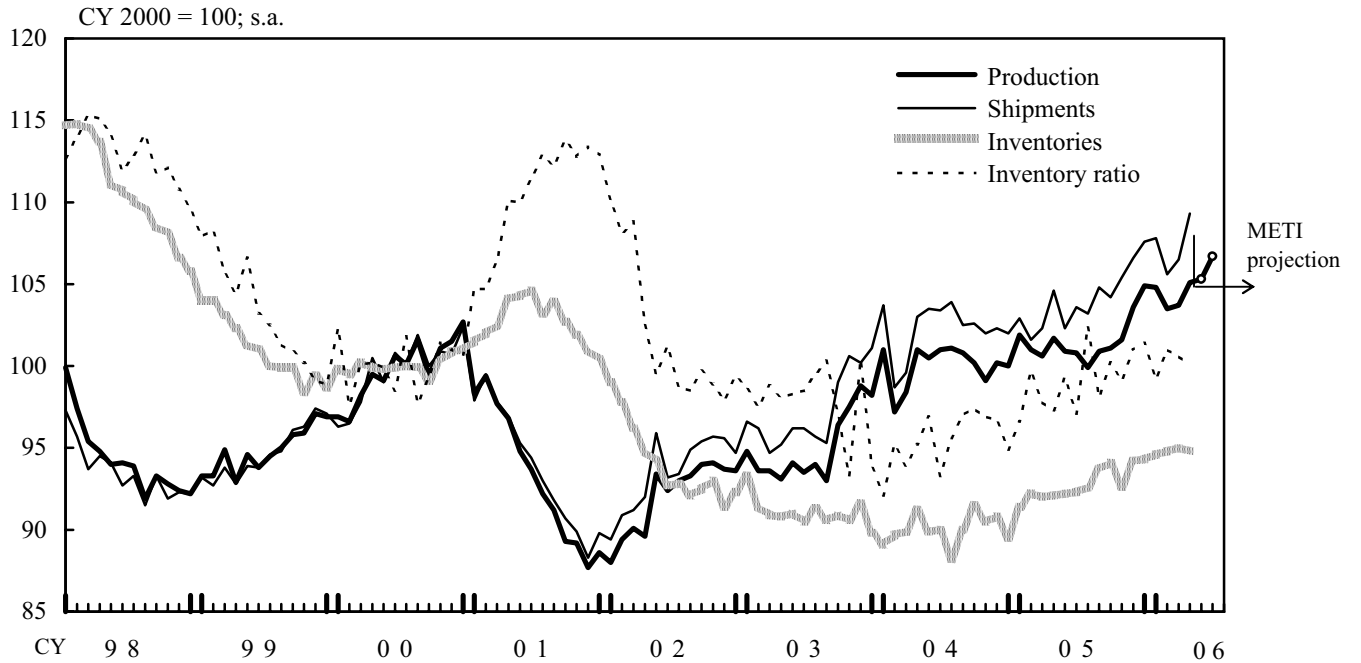
2. Figures of total apartments sales for 2006/Q2 are those of April-May averages.

Term-end stocks for 2006/Q2 are those of May.

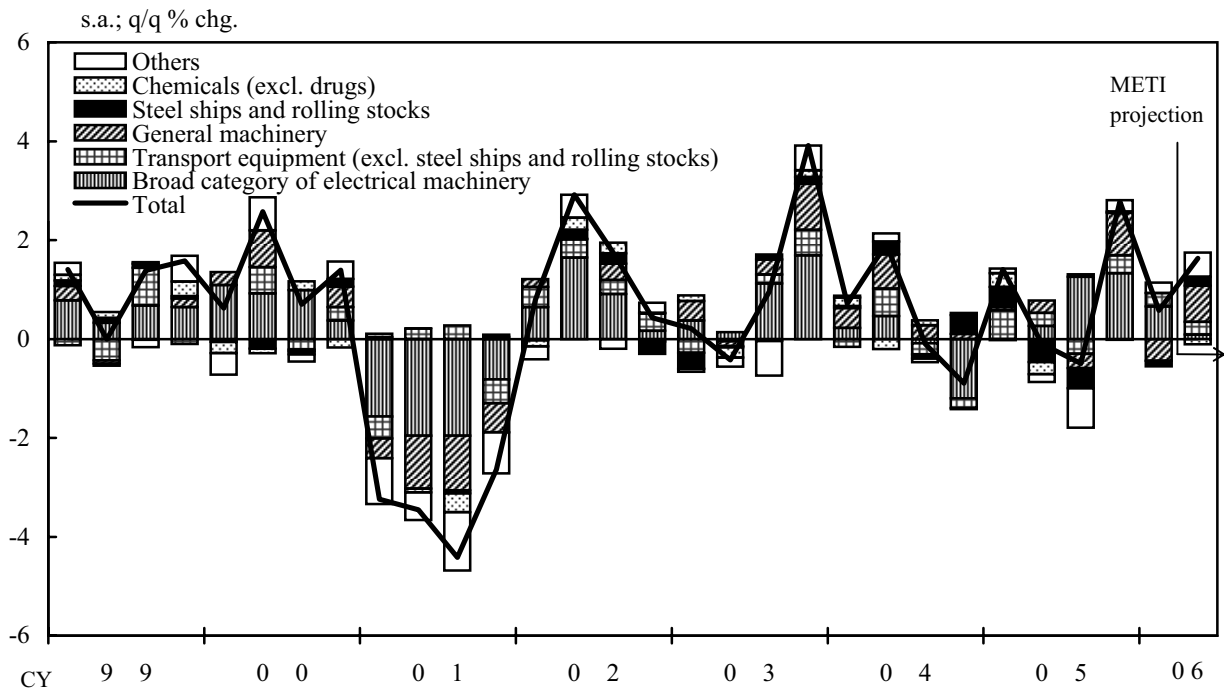
Source: Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts," etc.

Production, Shipments and Inventories

(1) Production, Shipments and Inventories



(2) Production by Industries

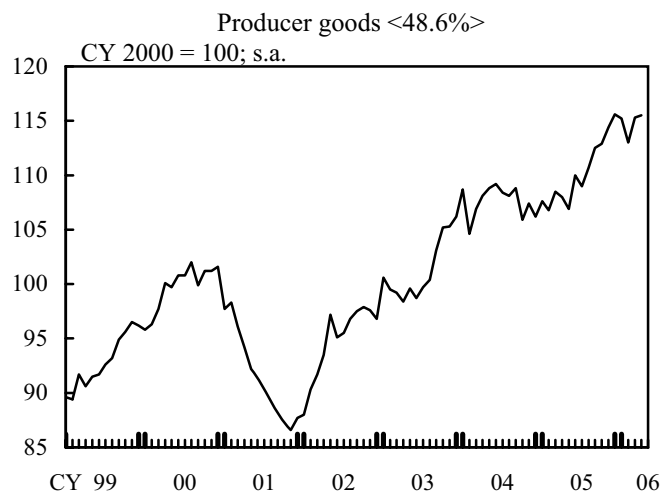
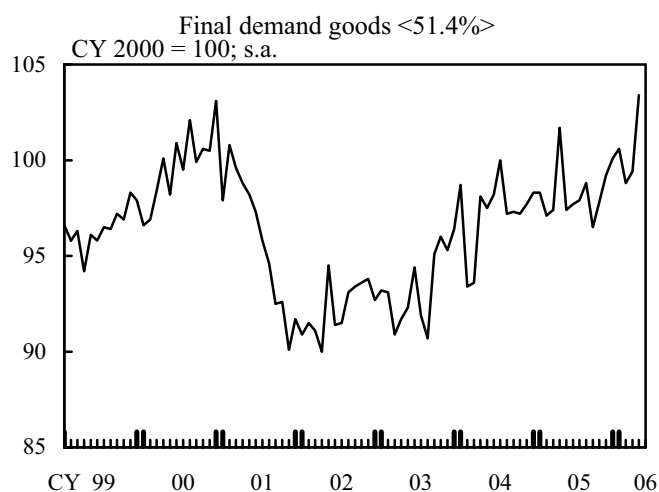


Note: "Broad category of electrical machinery" is the weighted sum of "electrical machinery," "information and communication electronics equipment" and "electronic parts and devices."

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

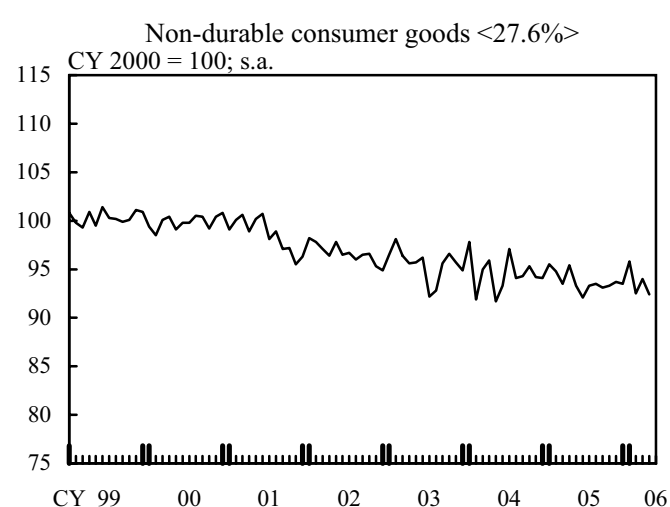
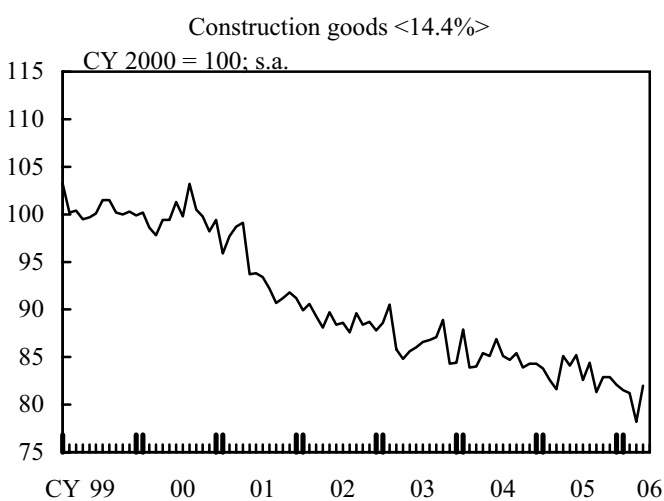
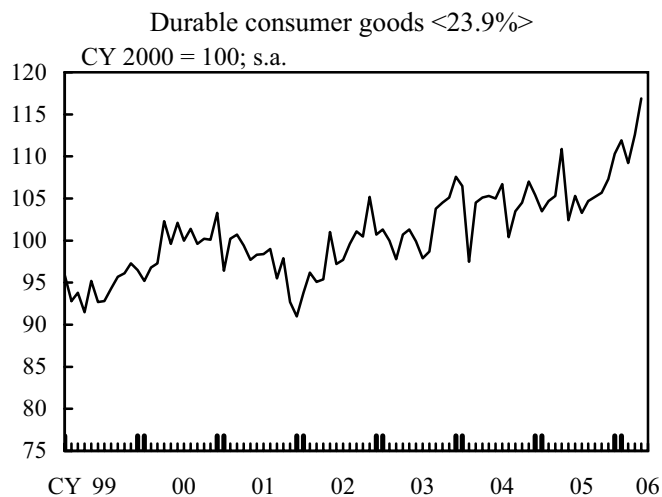
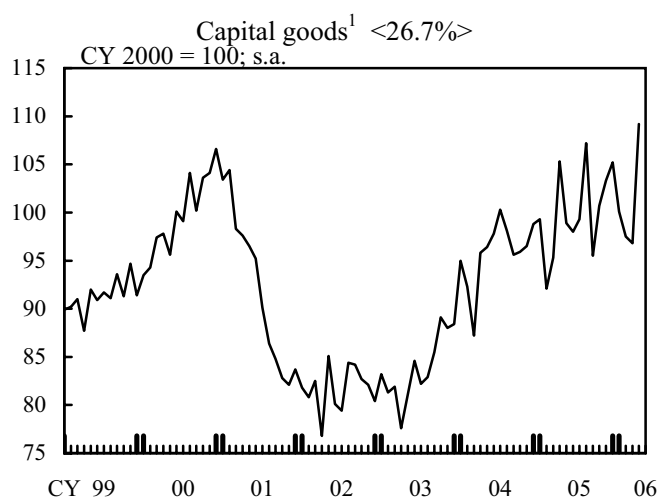
Shipments Breakdown by Type of Goods

(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

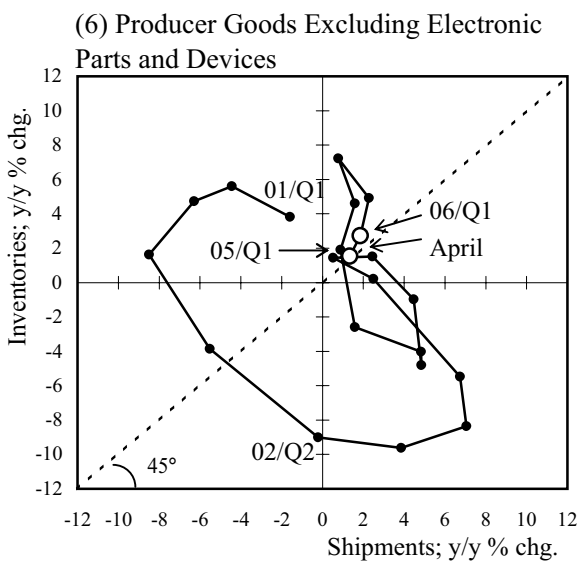
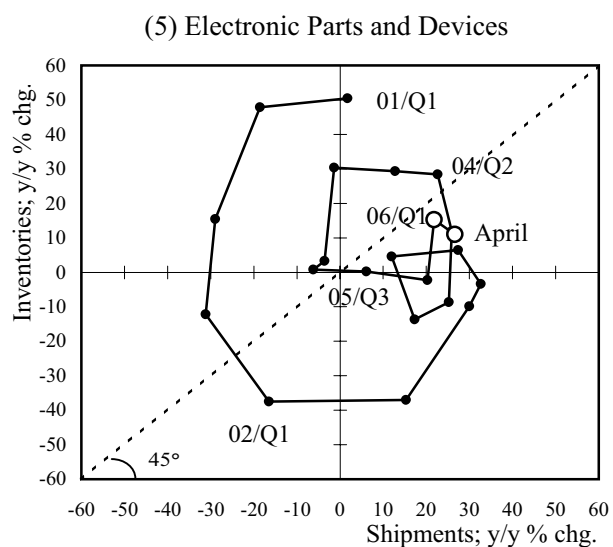
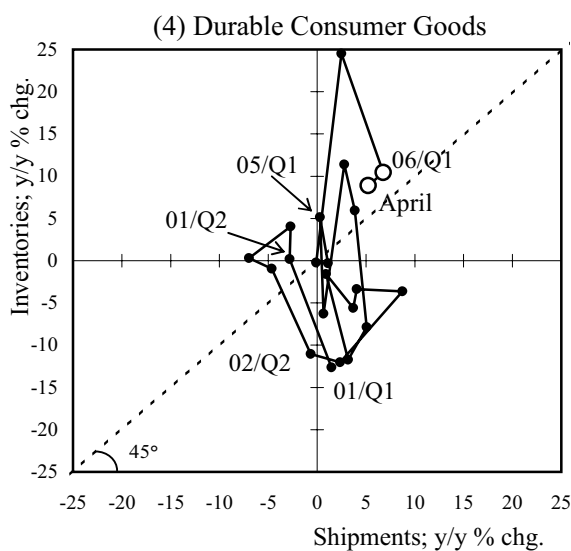
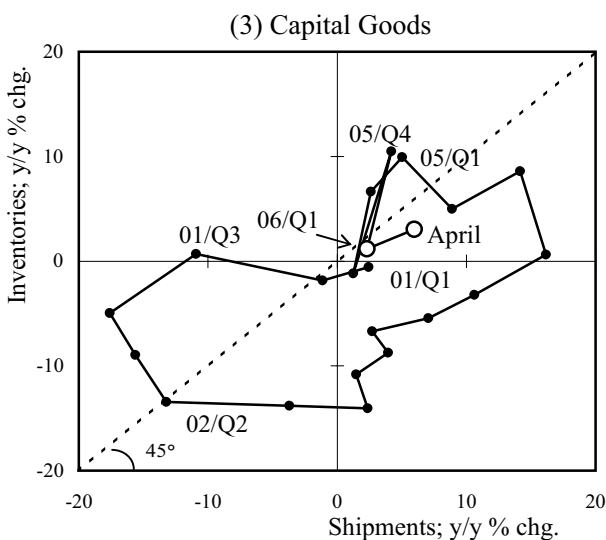
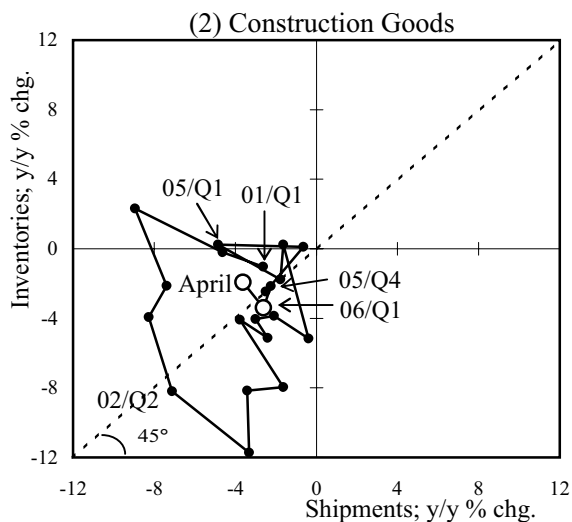
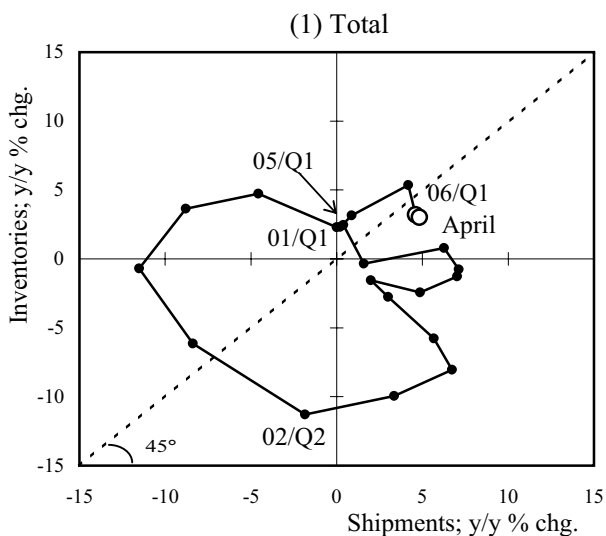


Notes: 1. Excluding transport equipment.

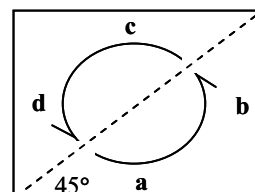
2. Shares of shipments of final demand goods are shown in angle brackets.

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

Inventory Cycle

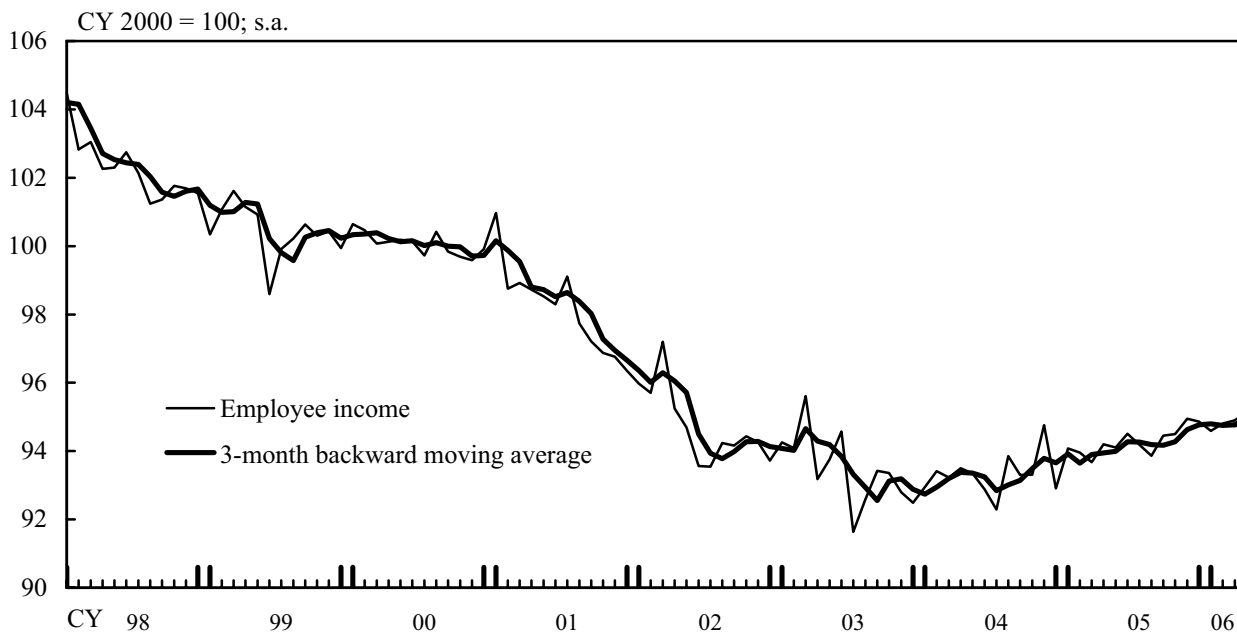


- a Shipment recovery phase
- b Intended inventory accumulation phase
- c Unintended inventory accumulation phase
- d Inventory adjustment phase



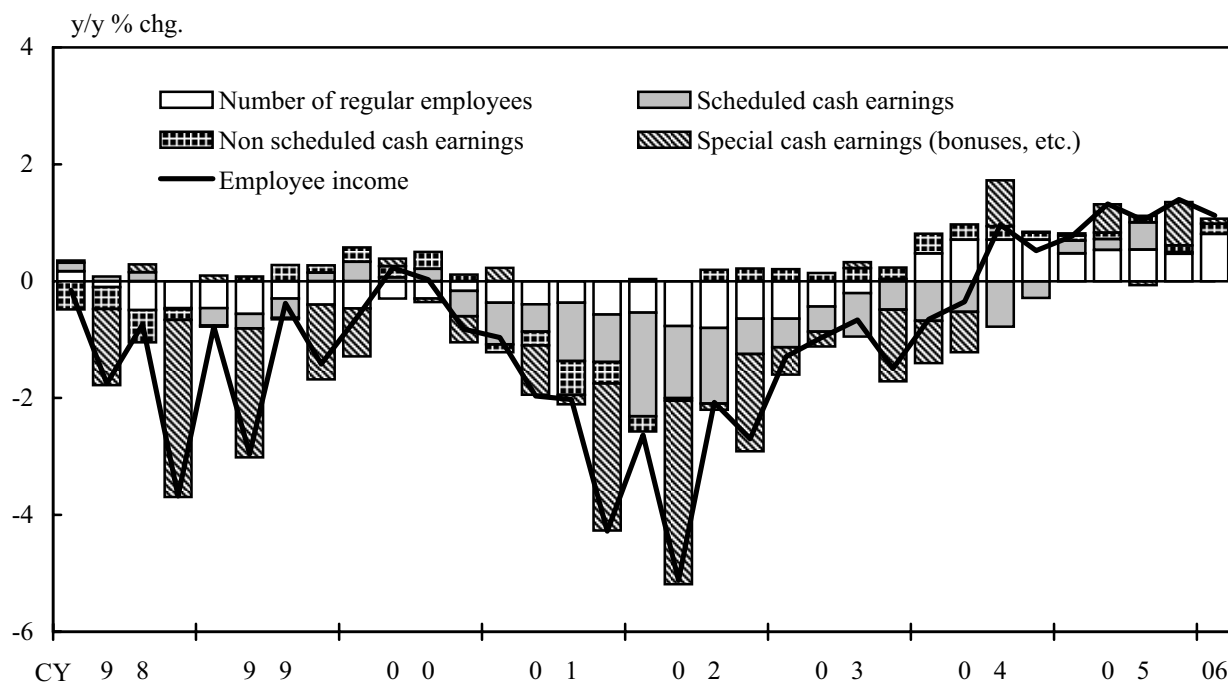
Employee Income

(1) Employee Income



- Notes: 1. Employee income's 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 five employees.

(2) Breakdown of Employee Income

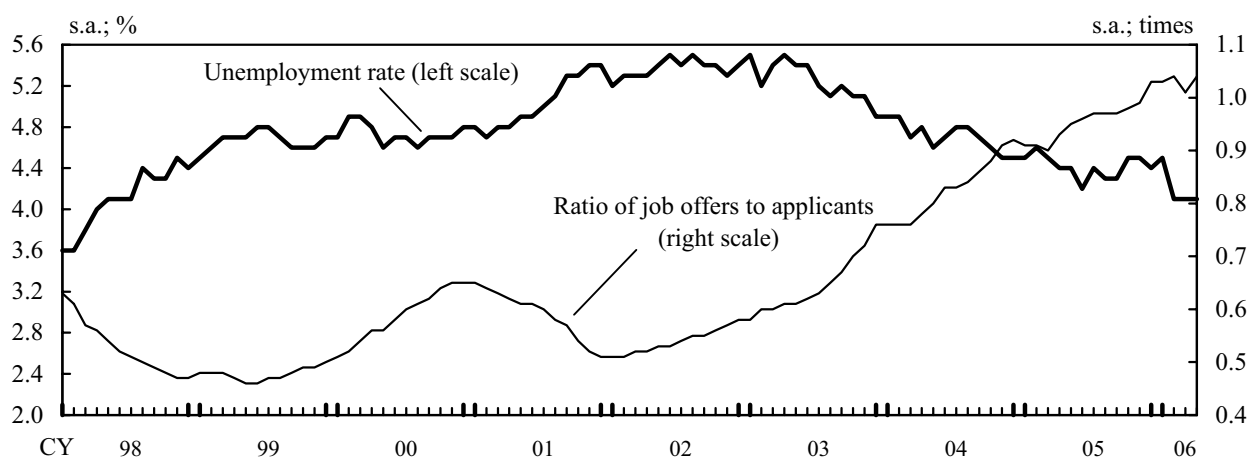
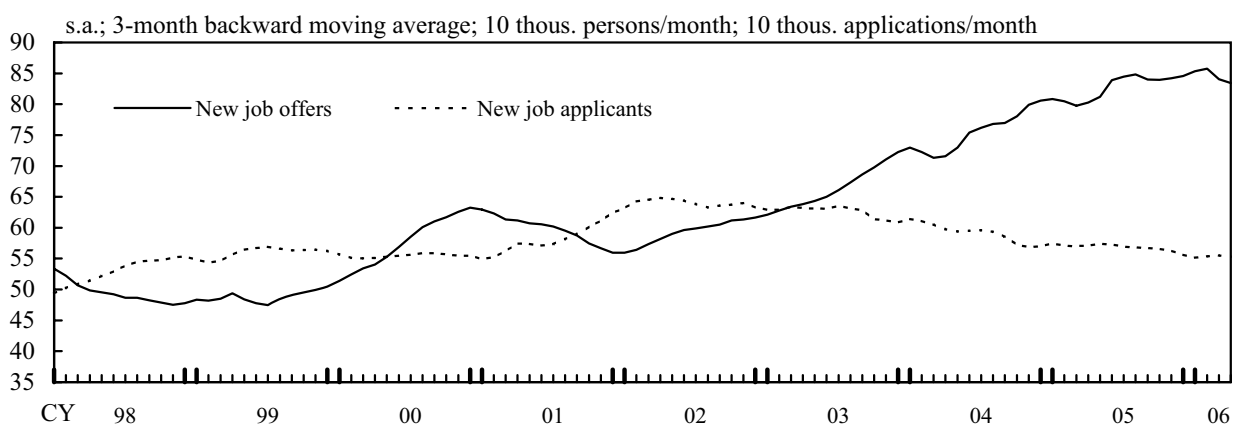
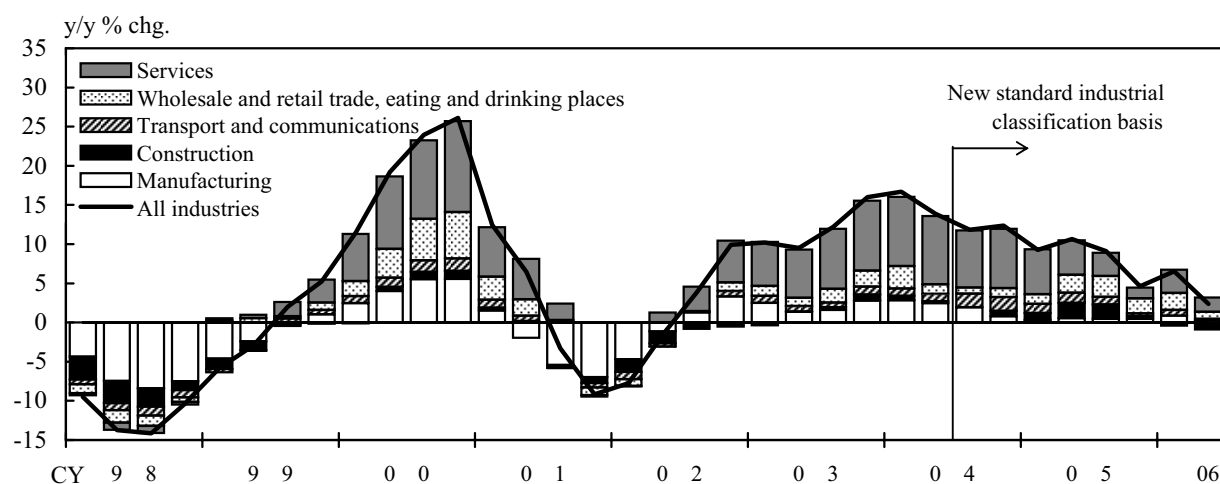


- Notes: 1. Data are for establishments with at least five employees.
2. Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.
3. Figures for 2006/Q1 are those of March - April averages.

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

Labor Market (1)

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

(2) New Job Offers and New Job Applicants¹(3) Breakdown of New Job Offers^{1,2,3}

Notes: 1. Figures do not include jobs offered to new graduates, but include those offered to part-time workers.

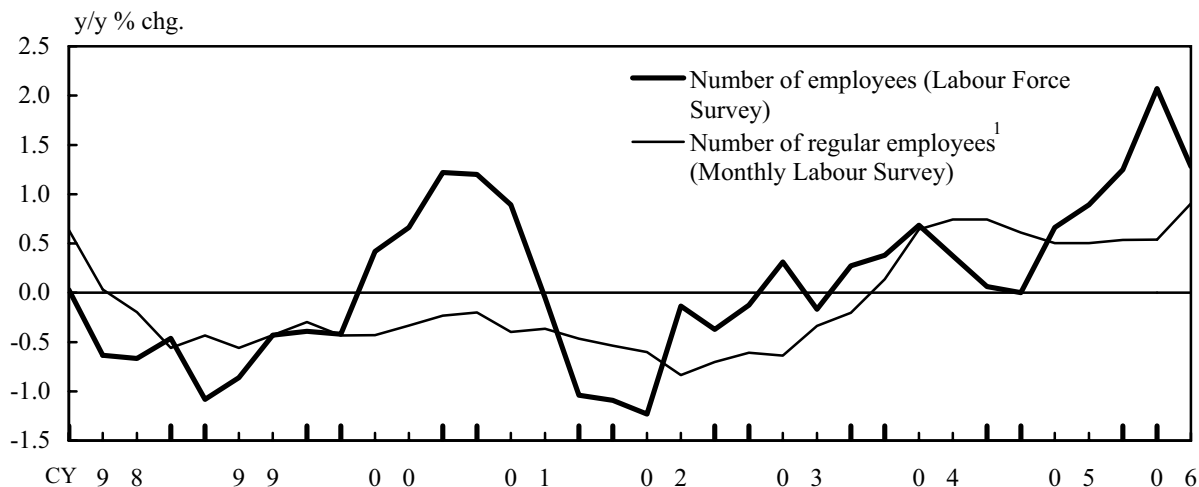
2. Figures up to 2004/Q2 are based on the previous Standard Industrial Classification. Figures from 2004/Q3 are based on the new Standard Industrial Classification. To keep the continuation of the data, some industries from 2004/Q3 are rearranged as follows. "Transport and communications" are the sum 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 2006/Q2 are those of April.

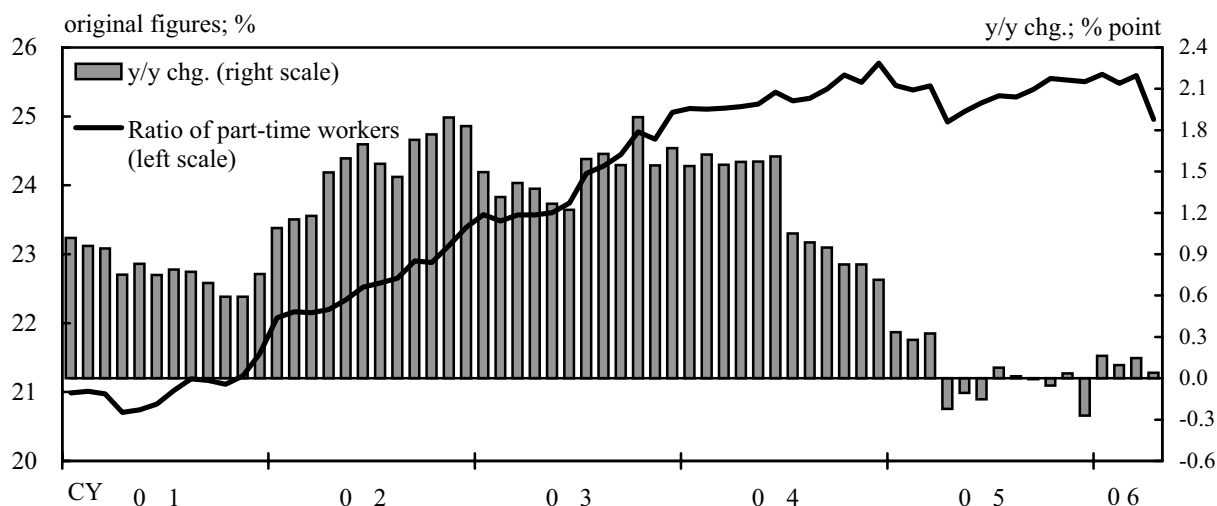
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service";
Ministry of Internal Affairs and Communications, "Labour Force Survey."

Labor Market (2)

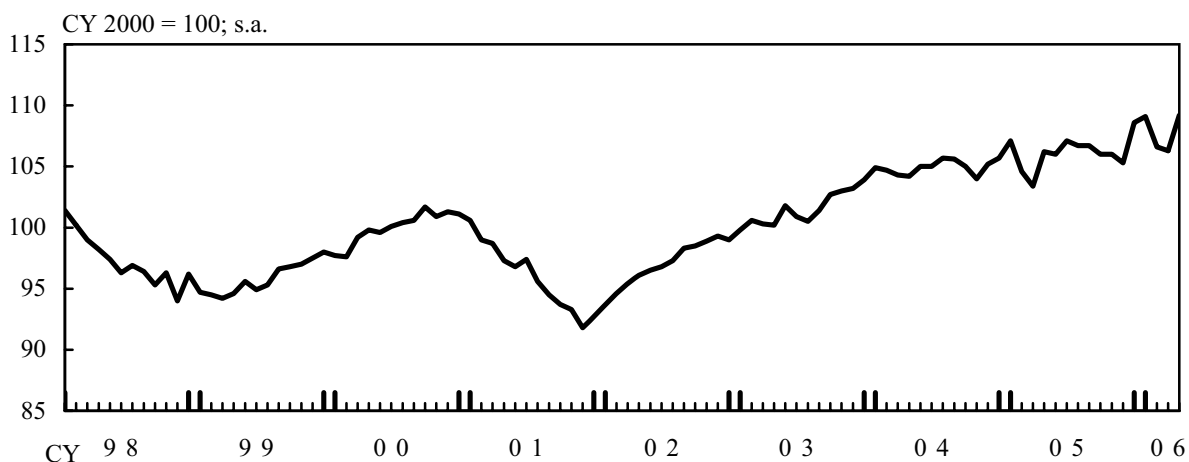
(1) Number of Employees³



(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 five employees.

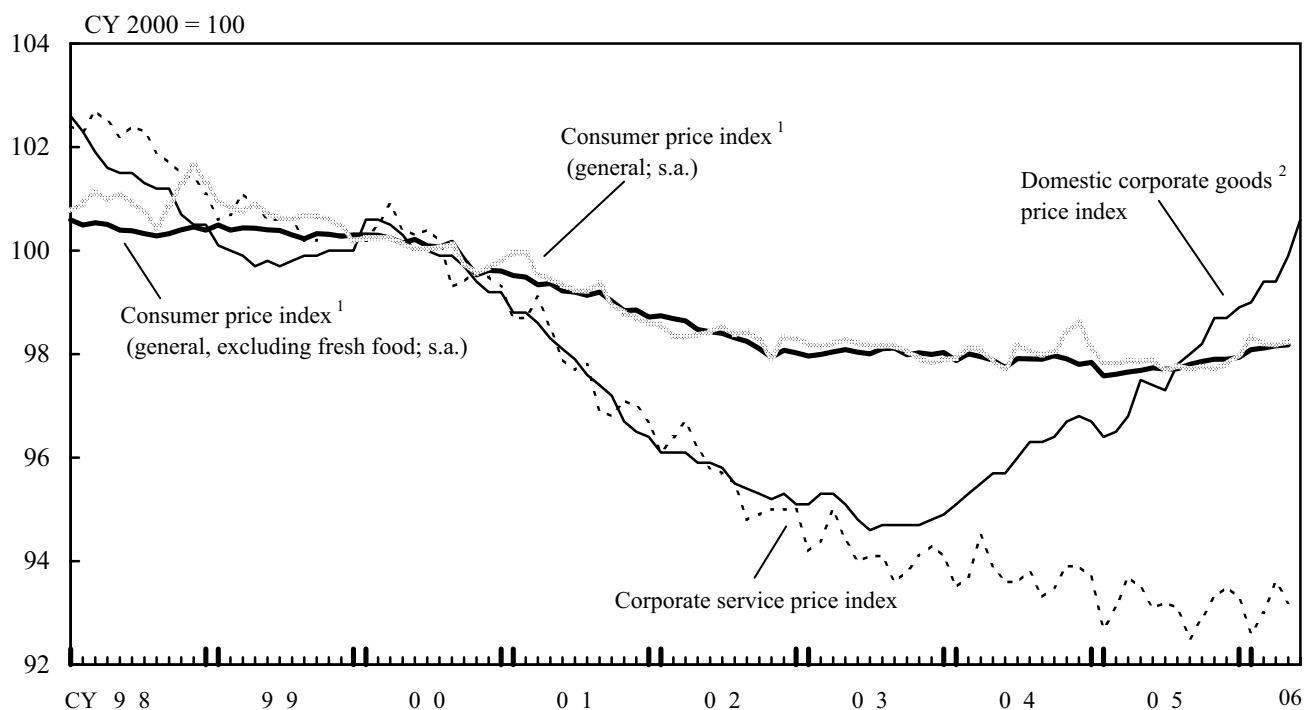
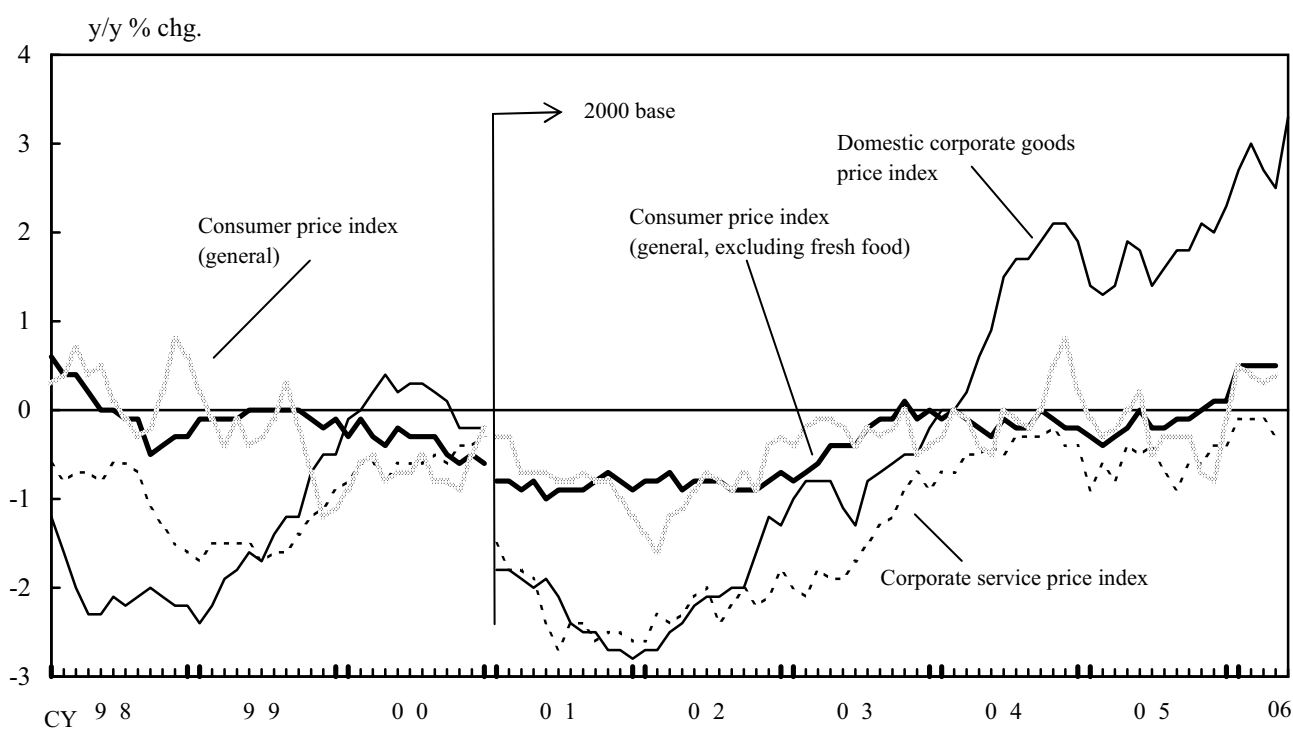
2. Ratio of part-time workers is calculated as number of part-time workers divided by number of regular employees times 100.

3. Figures for 2006/Q2 are those of April.

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

Prices³

(1) Level

(2) Changes from a Year Earlier³

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

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

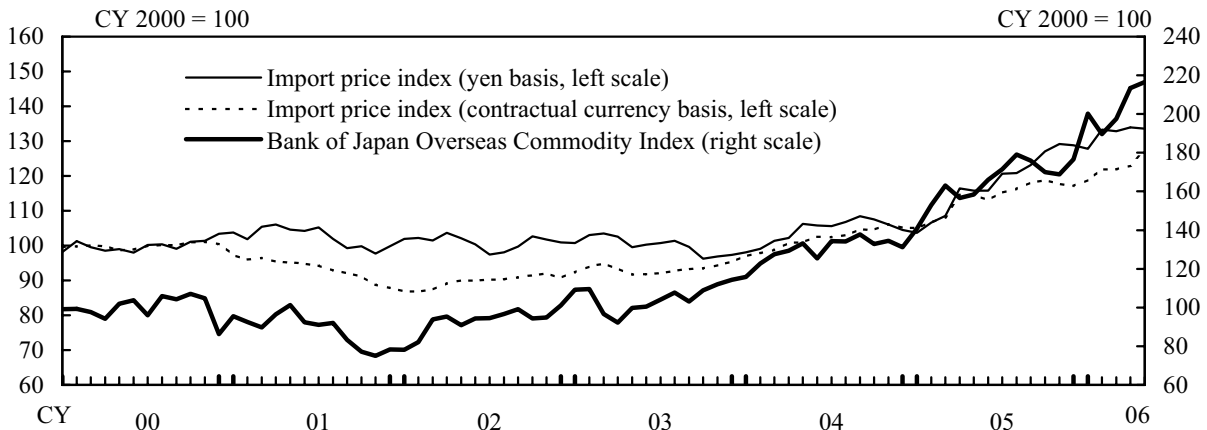
3. Figures until CY 2000 are on the 1995 base. Adjusted to exclude the effects of the consumption tax hike on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

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

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

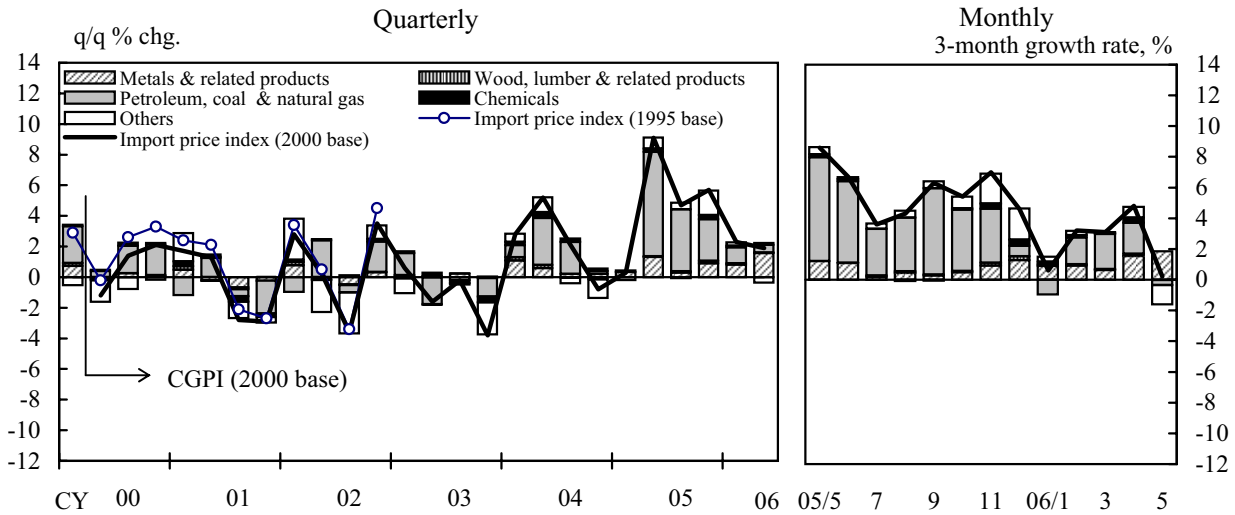
Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



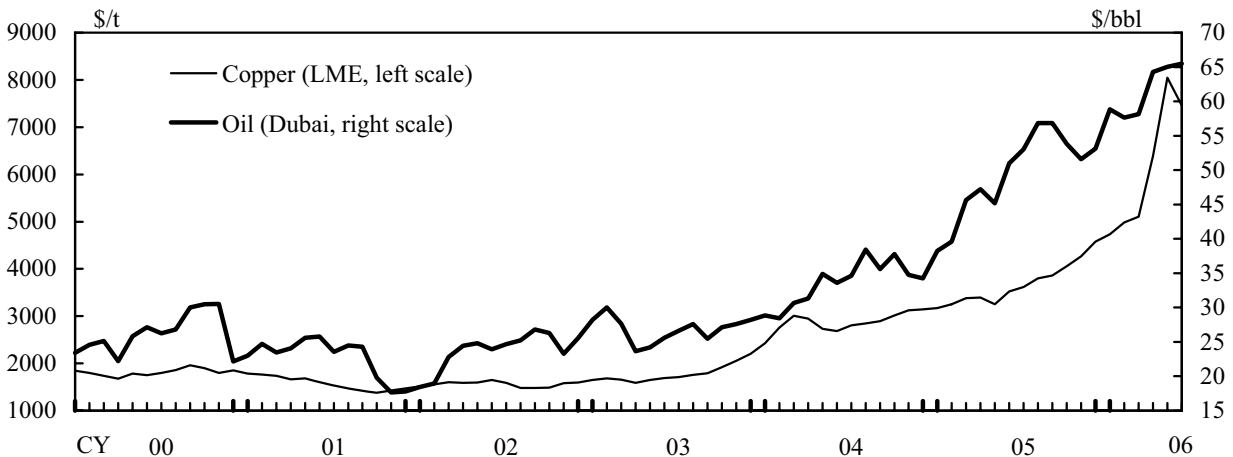
Note: Bank of Japan Overseas Commodity Index is the end-of-month figure.

(2) Import Price Index (Yen Basis, Changes from a Quarter Earlier and 3 Months Earlier)



Note: Figures for 2006/Q2 are April-May averages.
1995 base figure for 2002/Q4 is October-November average.

(3) Oil Price and Copper Price

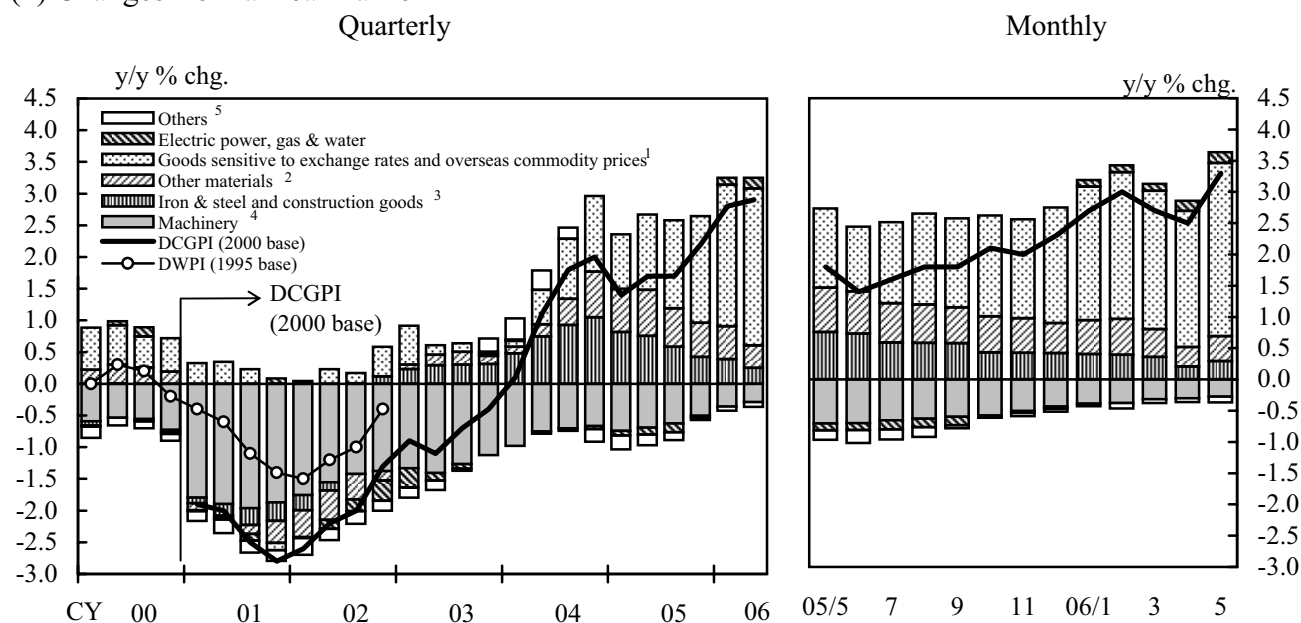
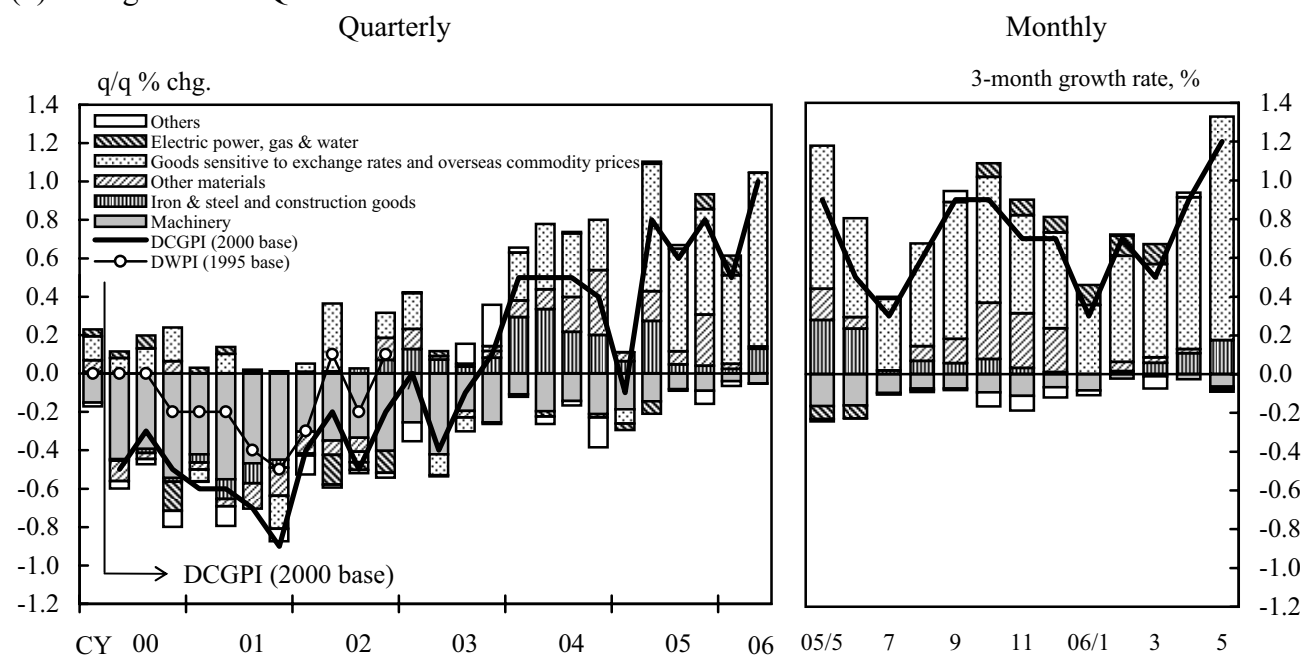


Note: Monthly averages. Figures for June 2006 are the averages up to June 14.

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

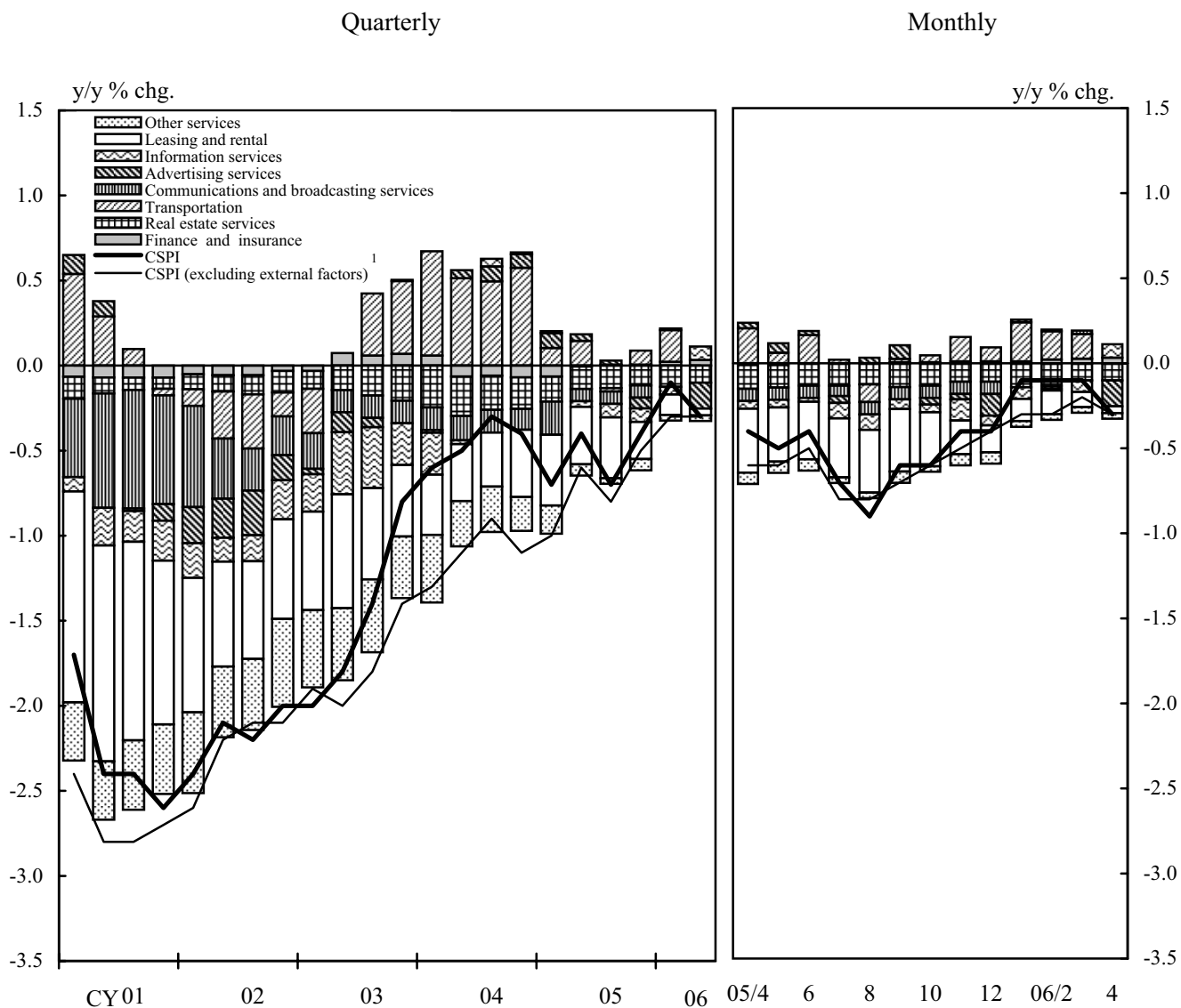
Domestic Corporate Goods Price Index⁷

(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 2006/Q2 are April-May averages. 1995 base figures for 2002/Q4 are October-November averages.

Corporate Service Price Index



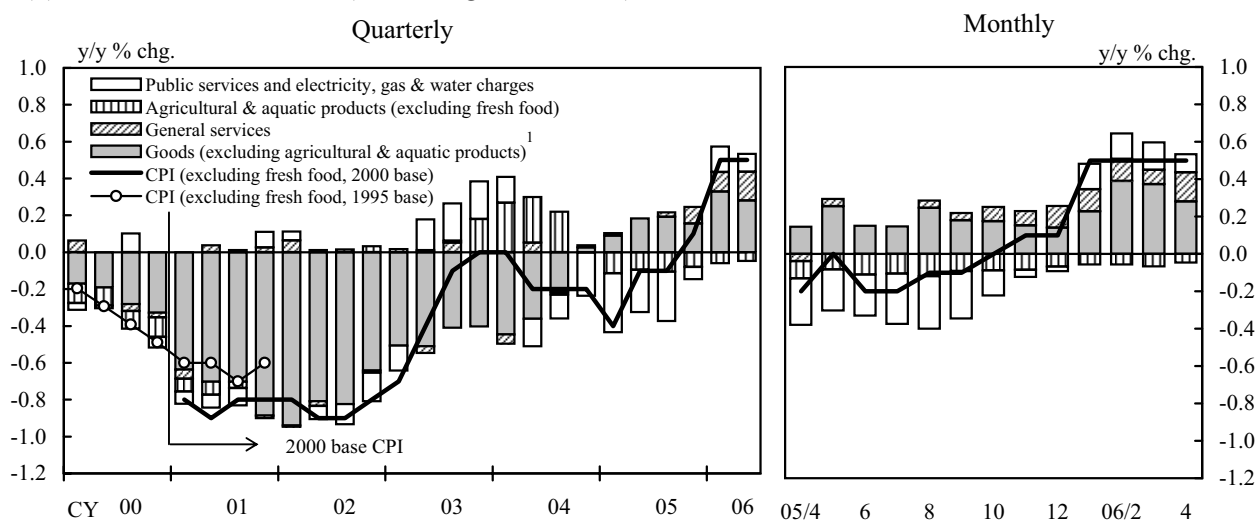
Notes: 1. External factors; international air passenger transportation, ocean liner, ocean tramper, ocean tanker, oceangoing ship chartering services, and international air freight.

2. Figures for 2006/Q2 are those of April.

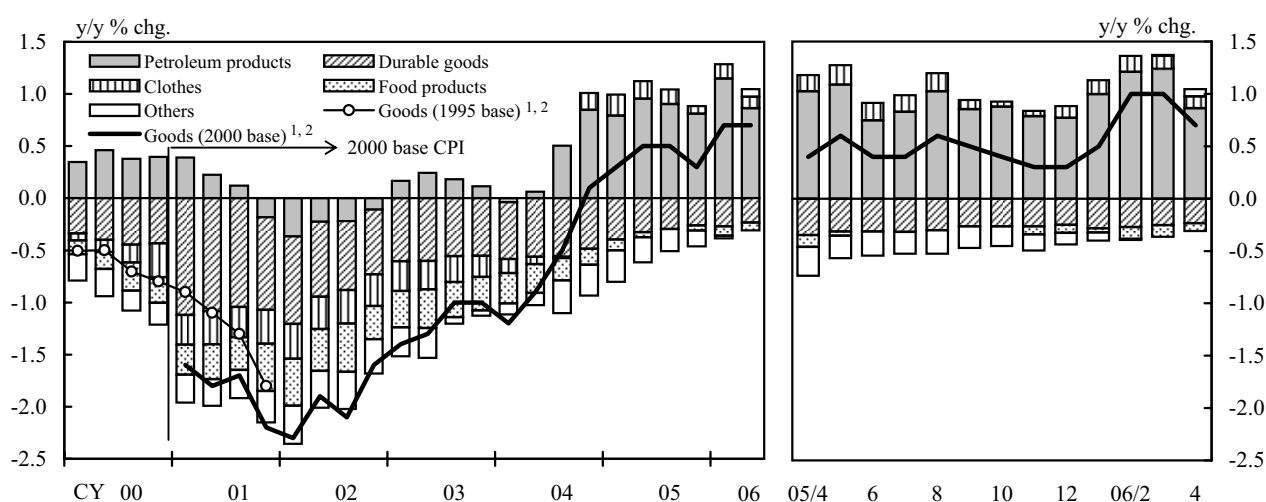
Source: Bank of Japan, "Corporate Service Price Index."

Consumer Price Index (Excluding Fresh Food)

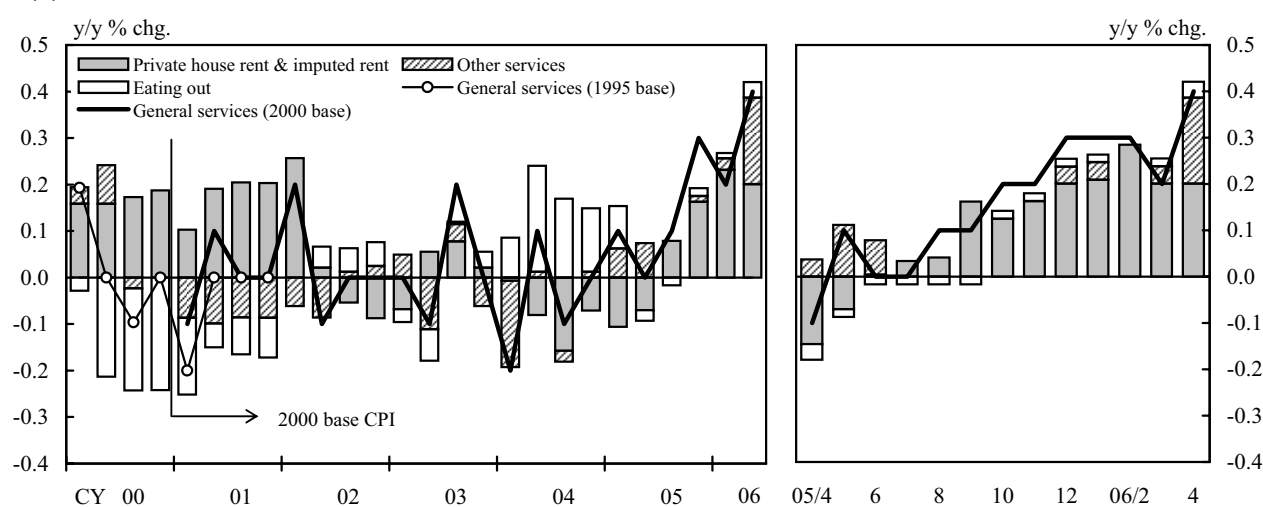
(1) Consumer Price Index (Excluding Fresh Food)



(2) Goods (Excluding Agricultural & Aquatic Products)¹



(3) General Services

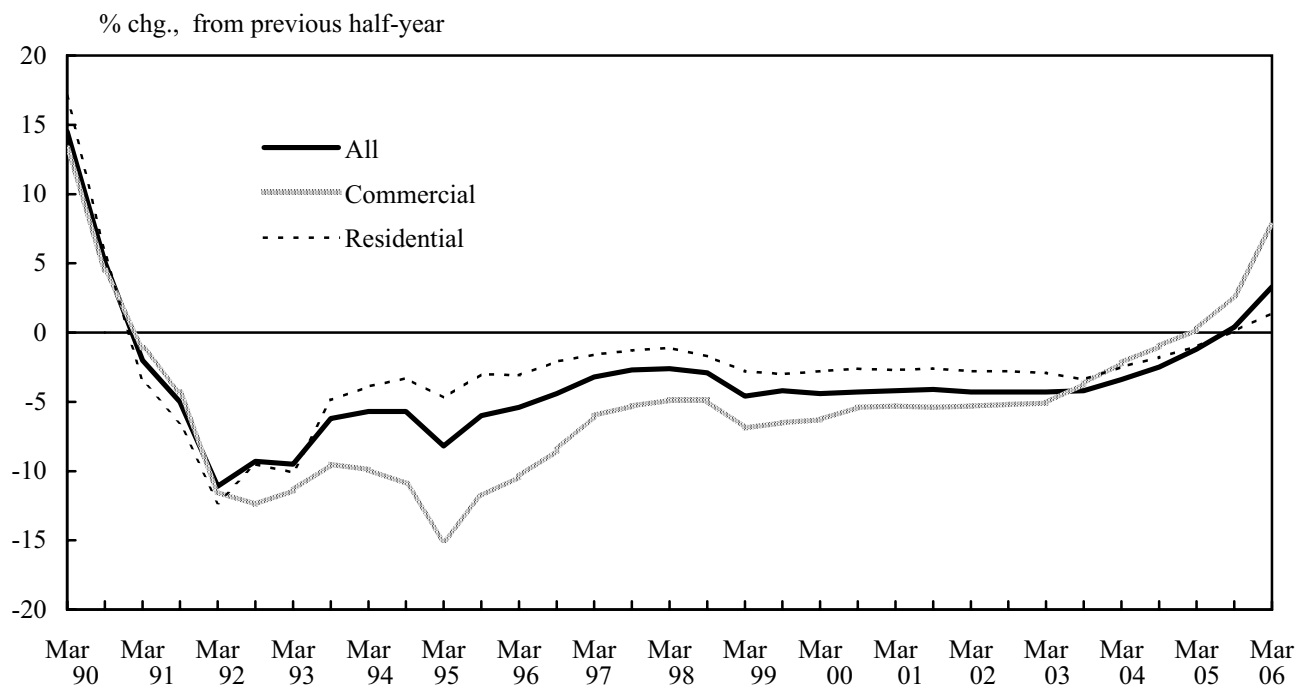


Notes: 1. The items are basically the same as the definition published by the Ministry of Internal Affairs and Communications. However, electricity, gas & water charges are excluded from goods.
 2. Excluding agricultural & aquatic products.
 3. Figures for 2006/Q2 are those of April.

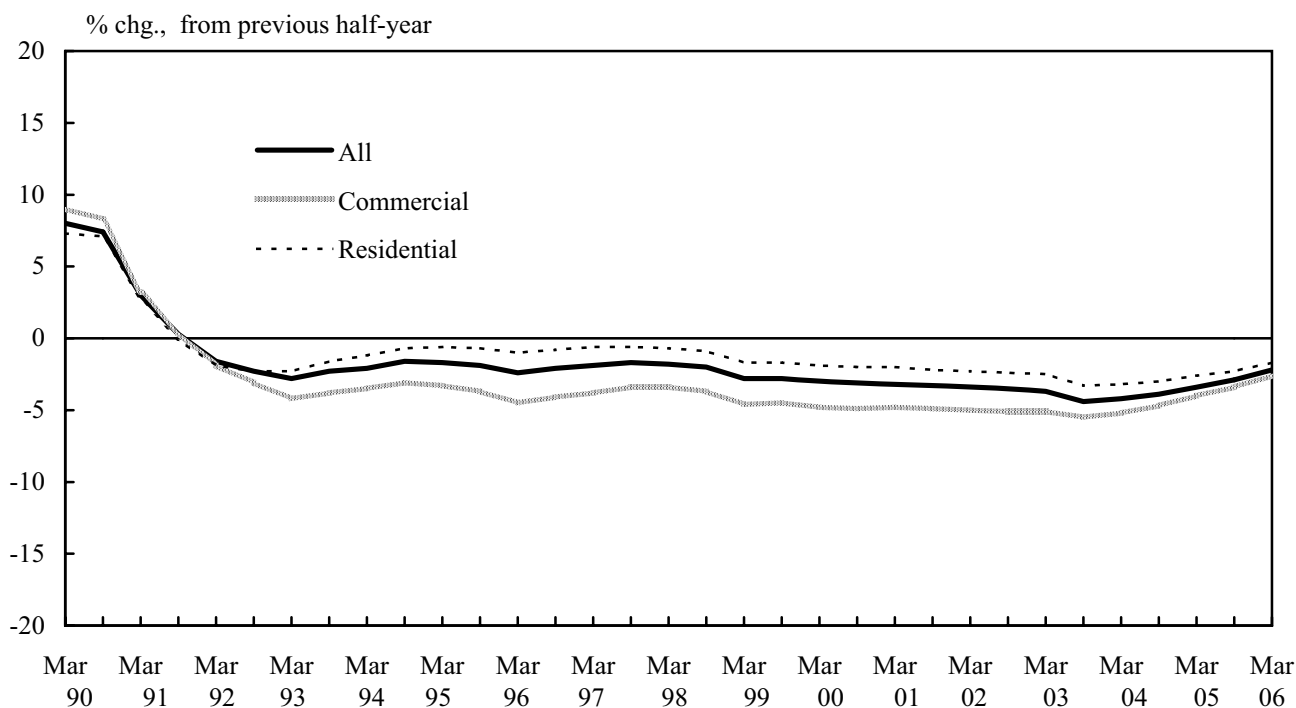
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Urban Land Price Index

(1) Six Large City Areas



(2) Excluding Six Large City Areas



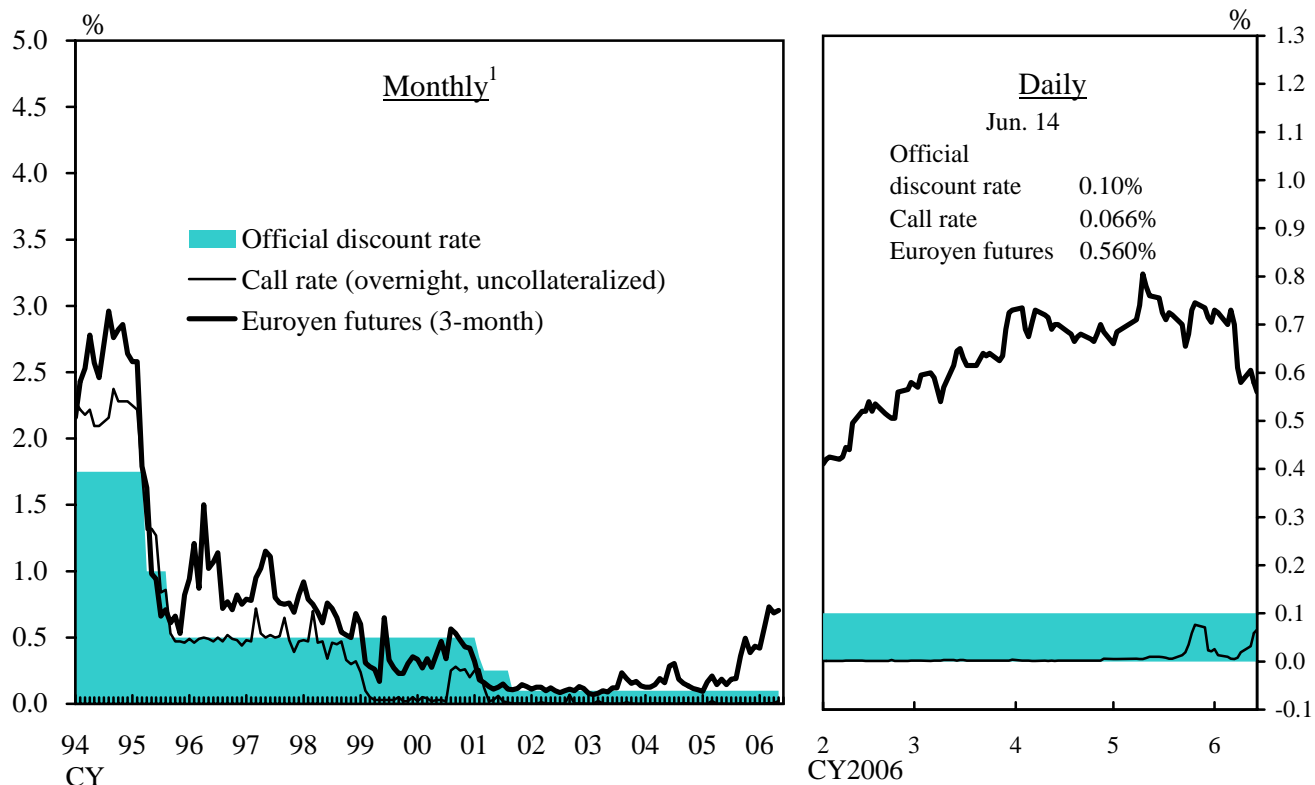
Notes: 1. The Urban Land Price Index is based on surveys conducted at the end of March and September each year.

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

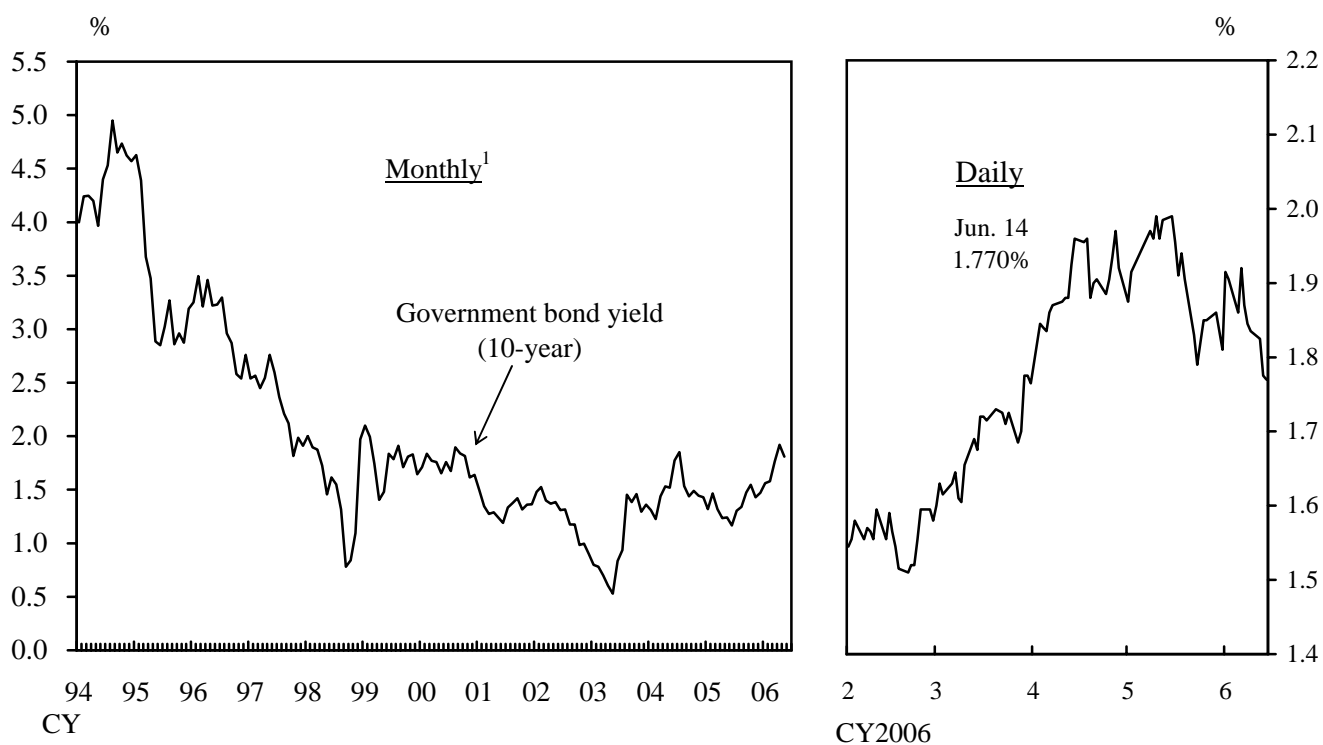
Source: Japan Real Estate Institute, "Urban Land Price Index."

Interest Rates

(1) Short-Term



(2) Long-Term

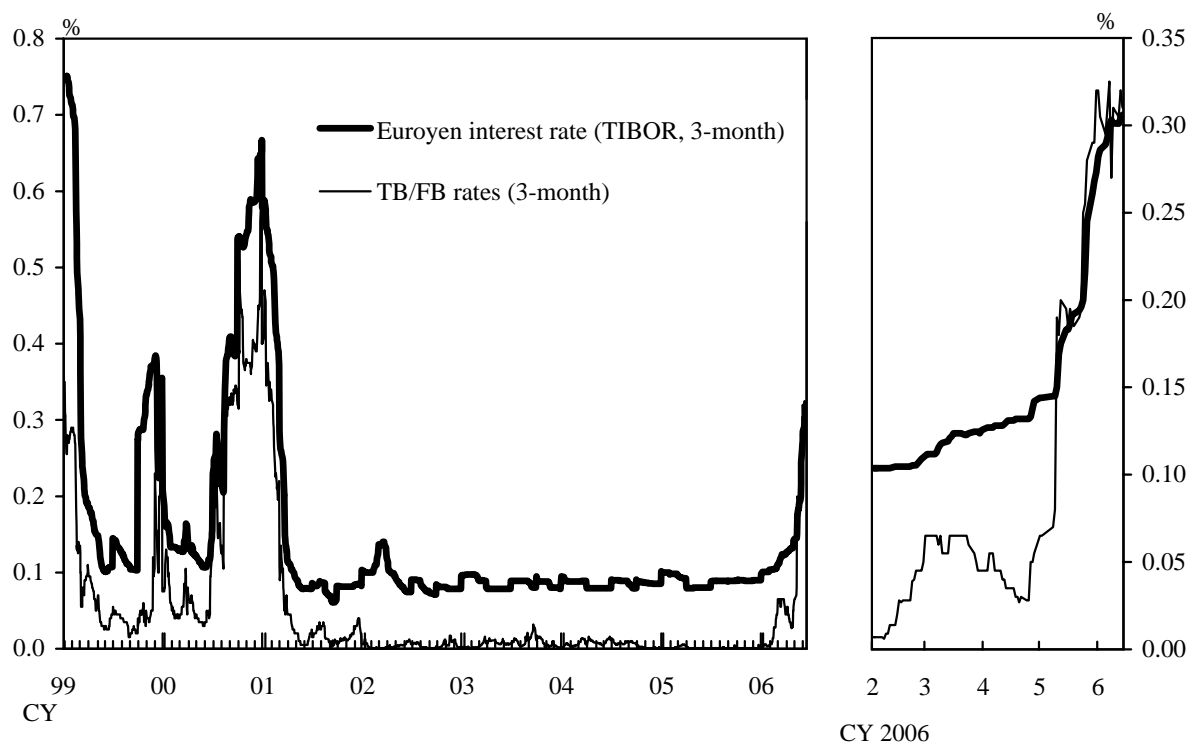


Note: 1. End of month.

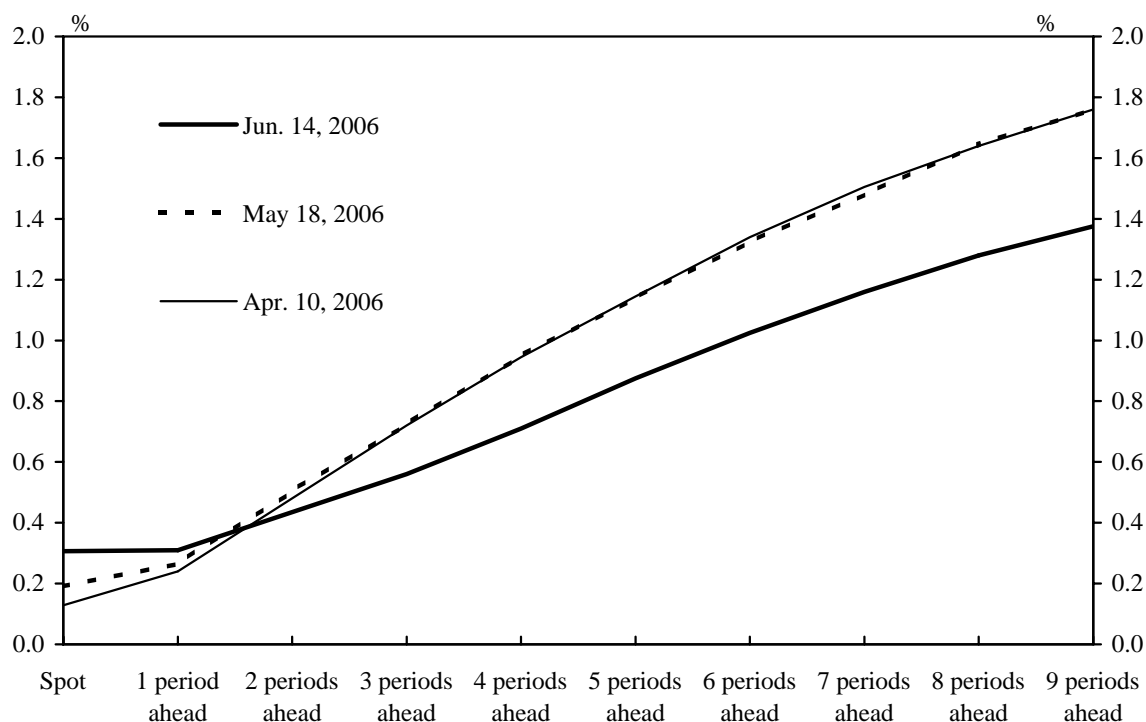
Sources: Bank of Japan; Tokyo Financial Exchange; Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments



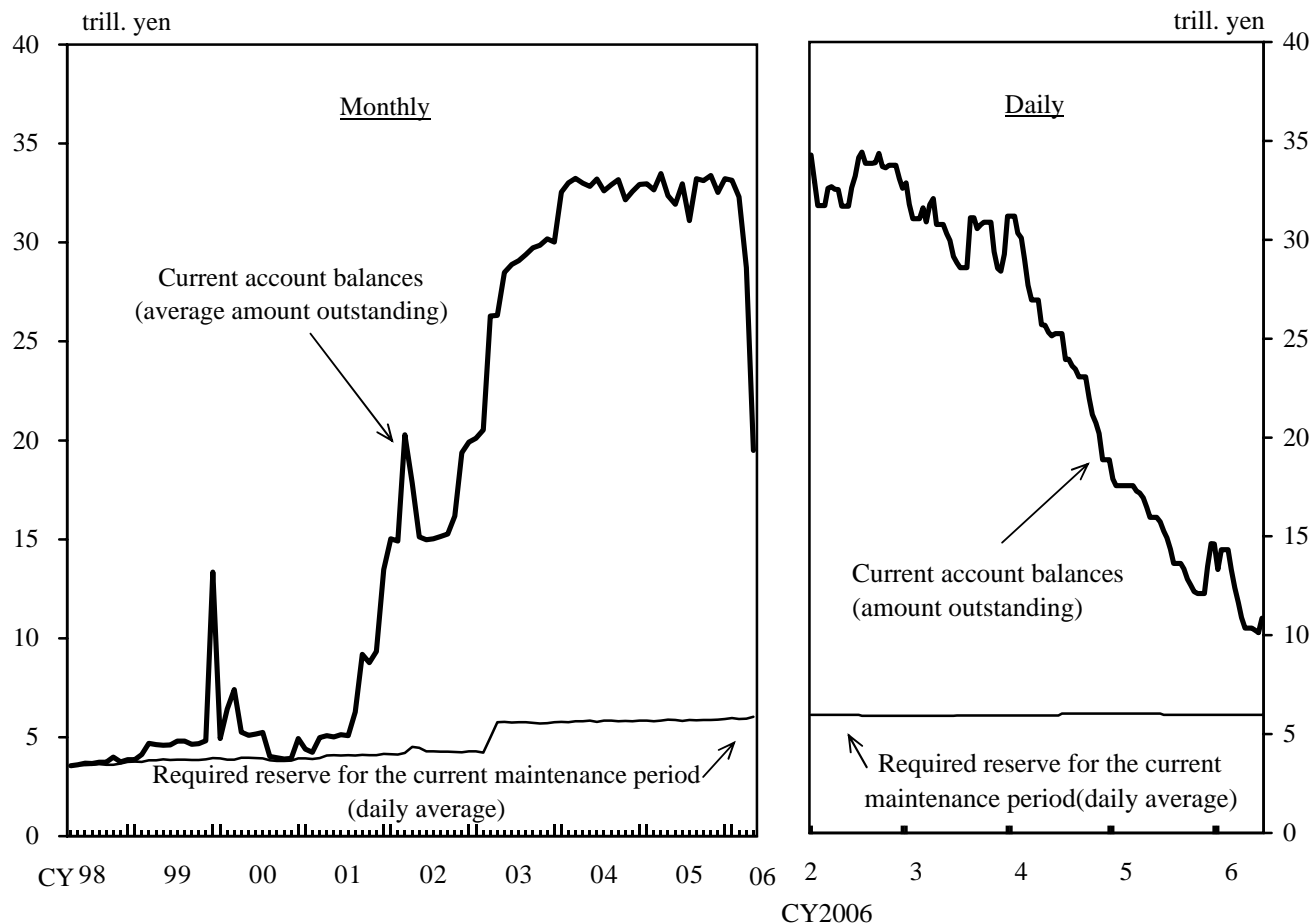
(2) Euroyen Interest Rates Futures (3-Month) ¹



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.

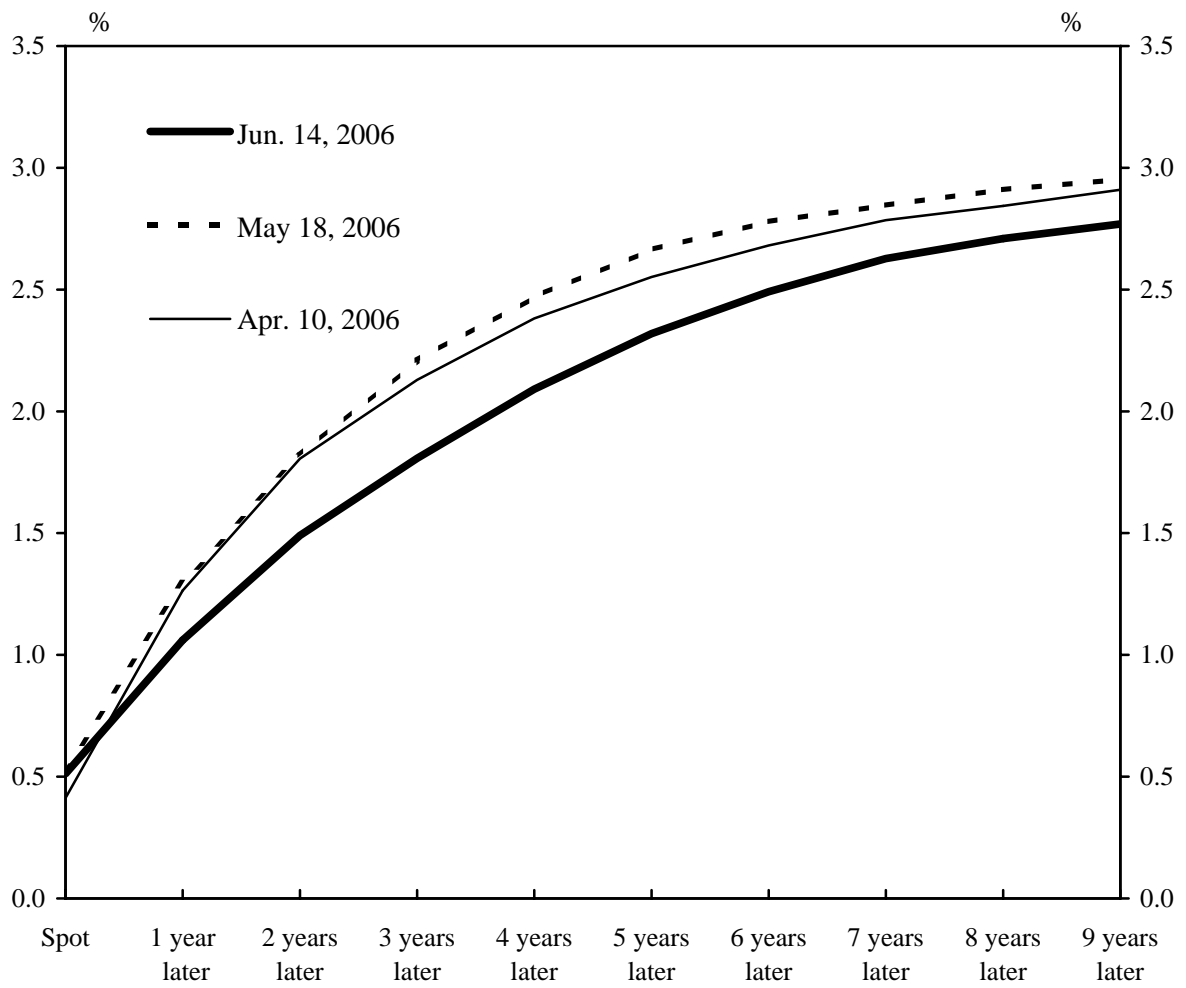
Current Account Balances at the Bank of Japan



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

Source: Bank of Japan.

Implied Forward Rates (1-Year)

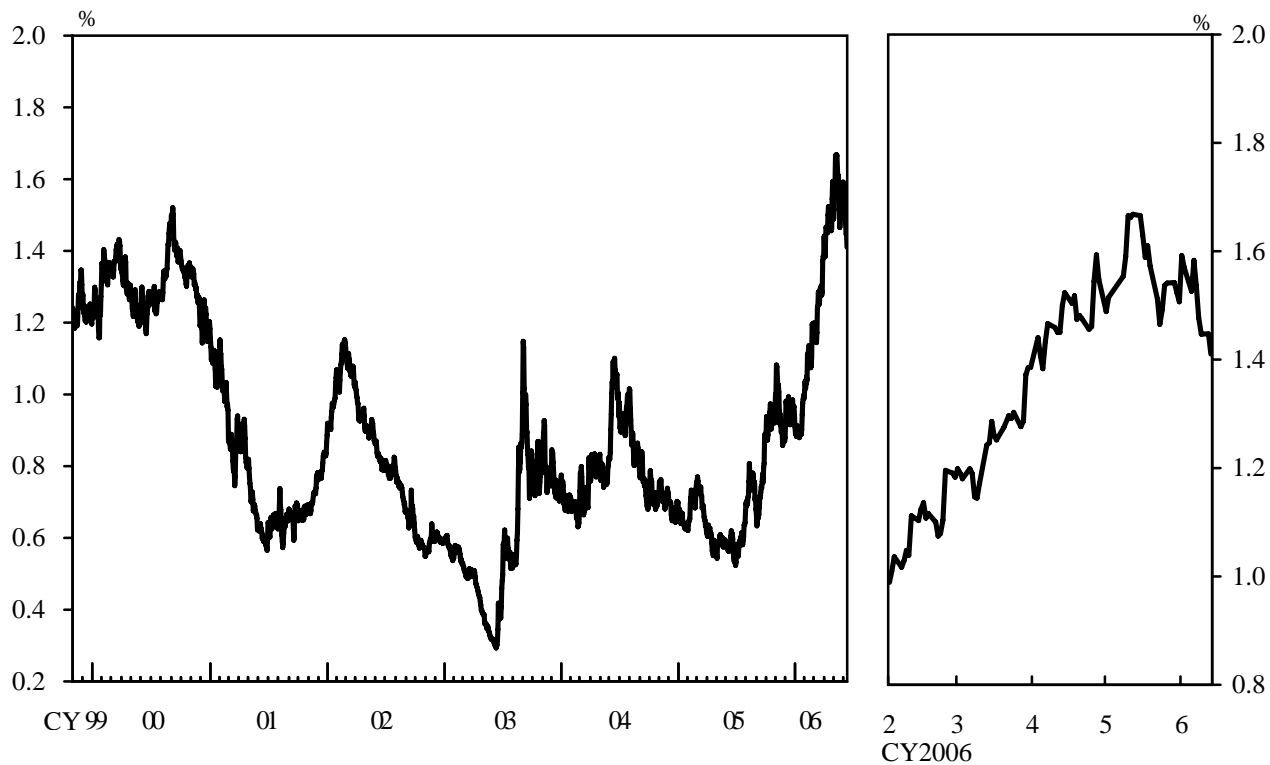


Note: Calculated from yen-yen swap rates.

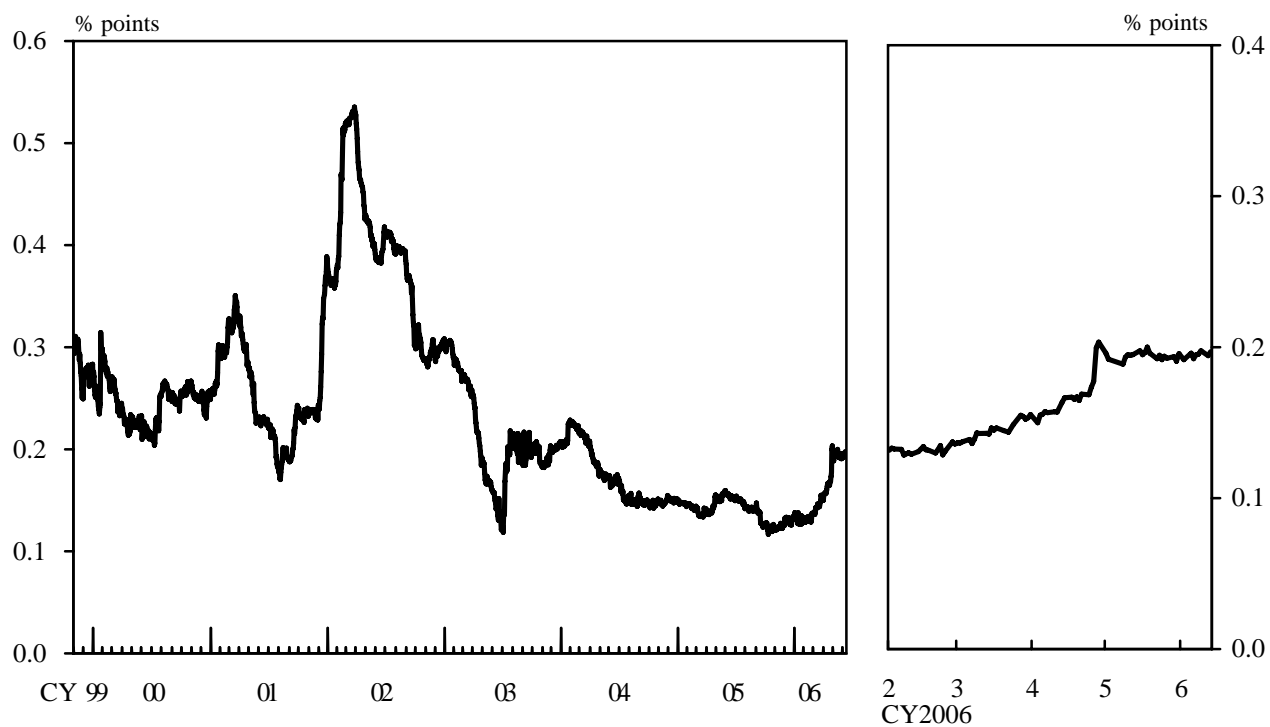
Source: Reuters.

Yields of Bank Bonds

(1) Average Bank Bond Yield



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



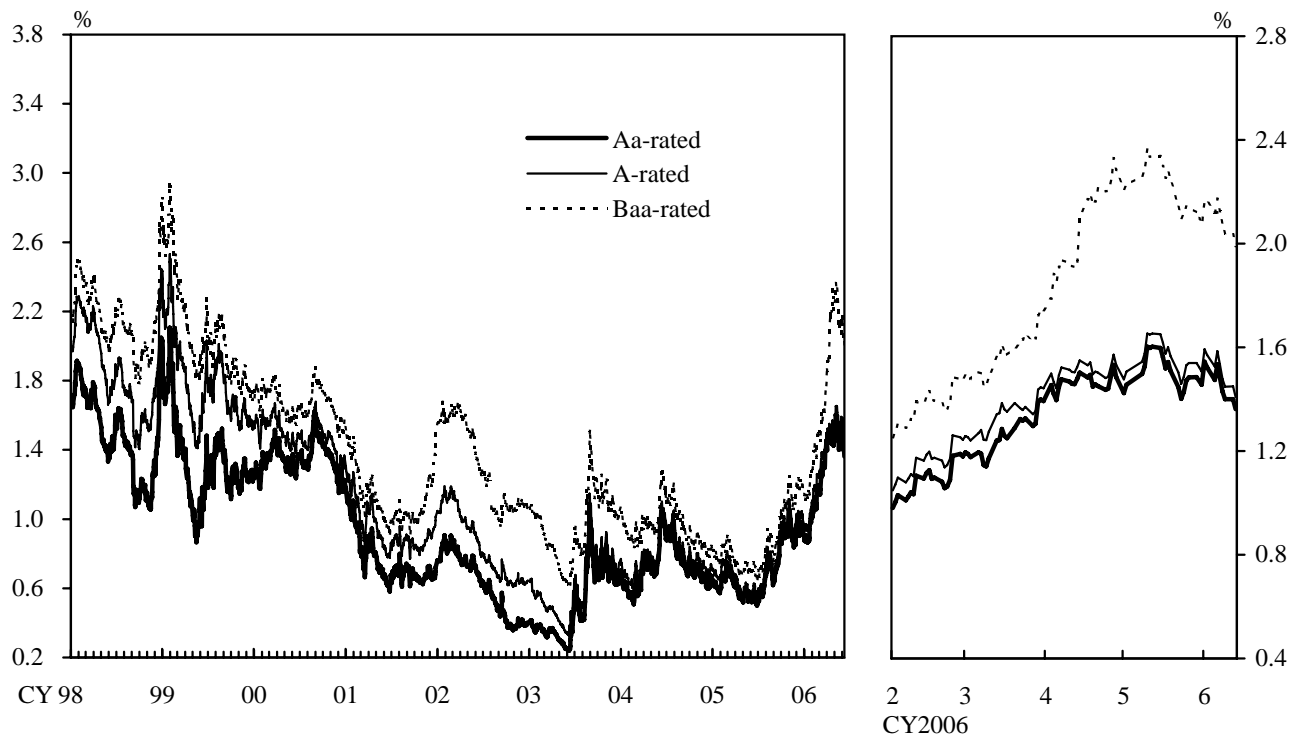
Notes: 1. Yields on bonds with 5-year maturity.

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

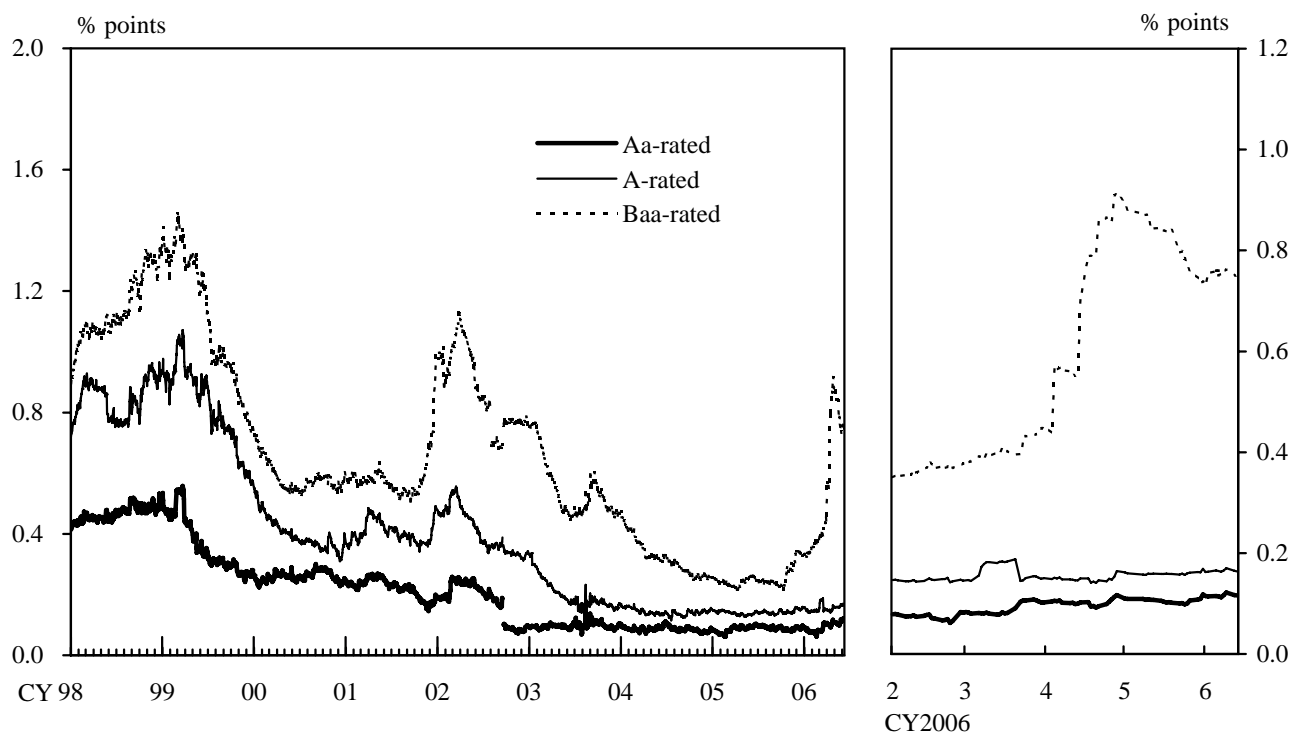
Sources: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."
 "Reference Price (Yields) Table for OTC Bond Transactions."

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.

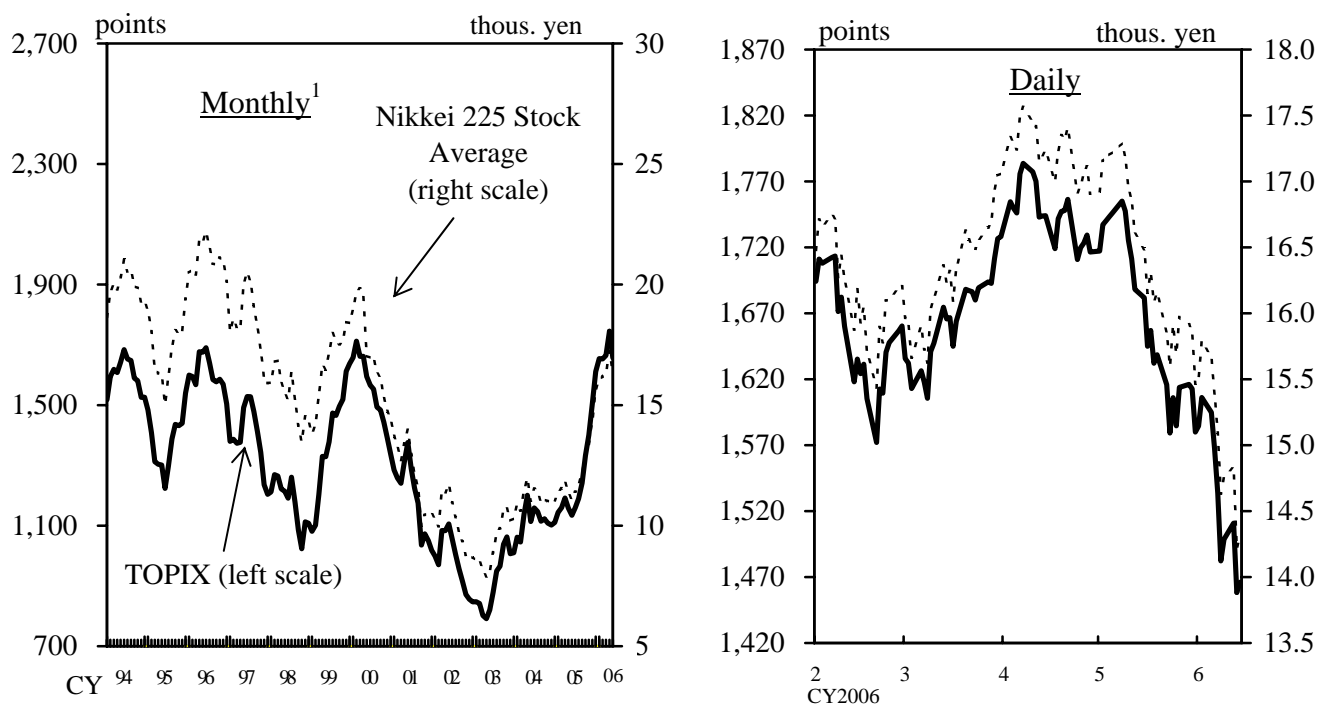
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of four to six years since Sep. 24, 2002.

2. The indicated ratings are of Moody's.

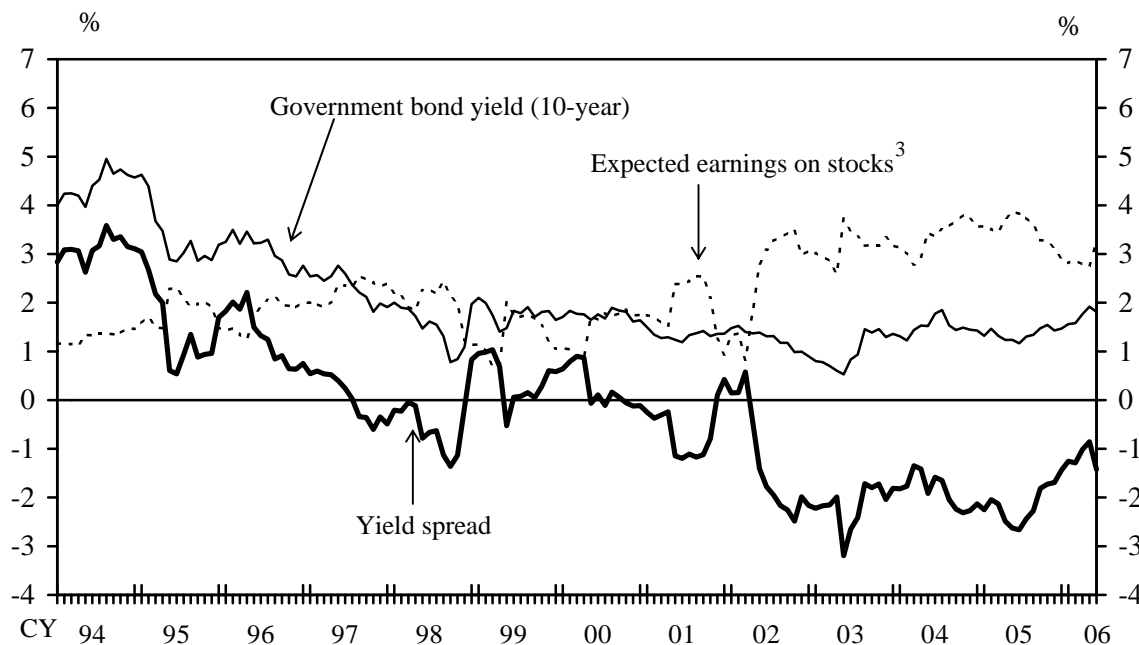
Sources: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations." "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Stock Prices



(2) Yield Spread²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

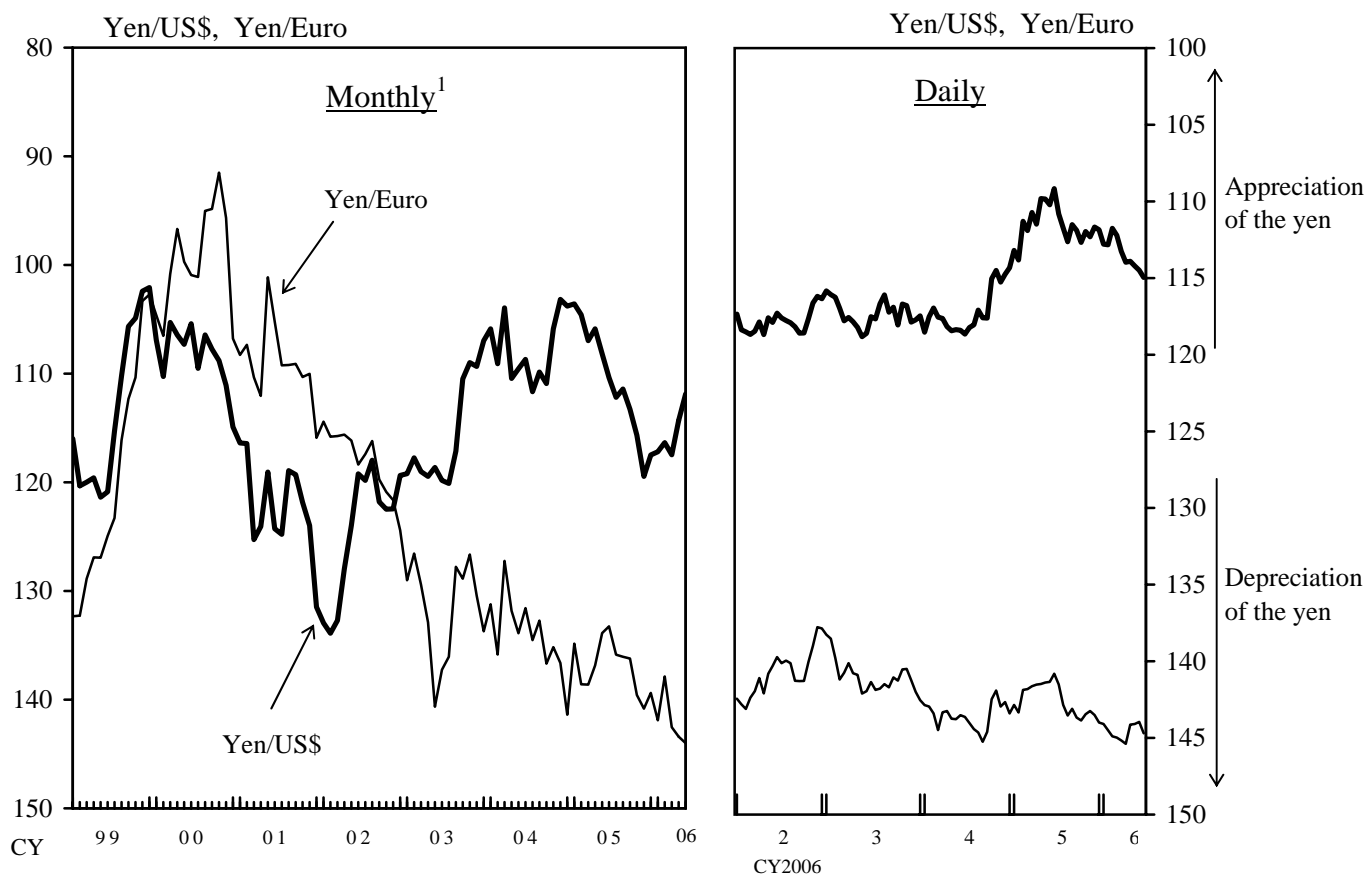
Yield spread = government bond yields - expected earnings on stocks,
where expected earnings on stocks = 1/expected price earnings ratio.

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

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

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

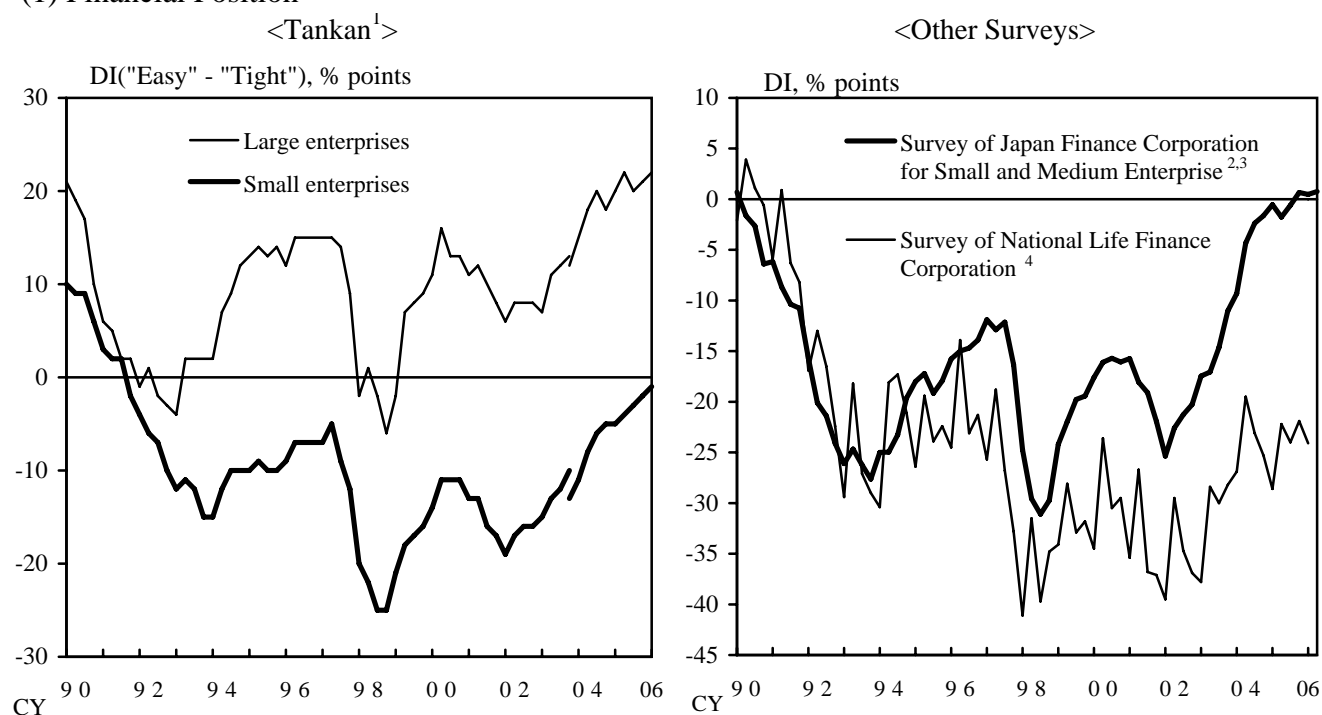
Exchange Rates



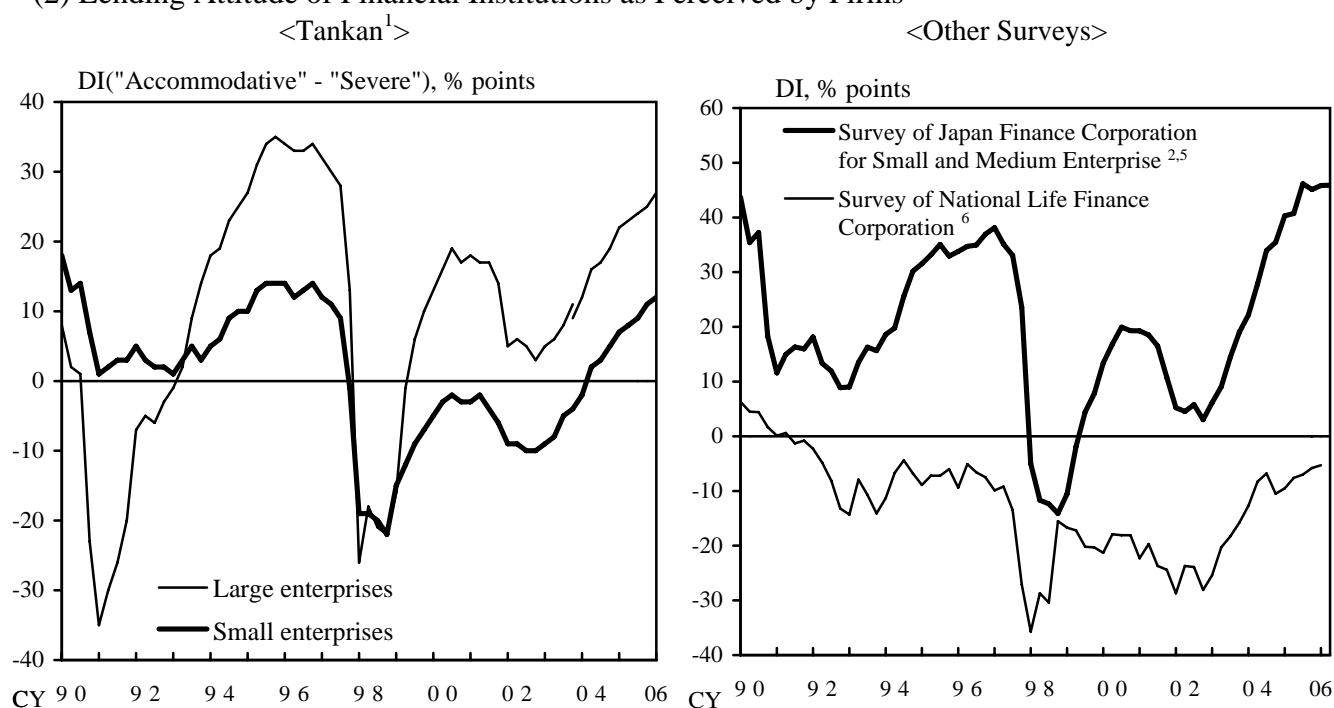
Note: 1. End of month.
 Source: Bank of Japan.

Corporate Finance-Related Indicators

(1) Financial Position



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



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

2. Figures are quarterly averages of monthly data. Figures for 2006/Q2 are those of Apr.-May averages.

3. DI of "Easy" - "Tight."

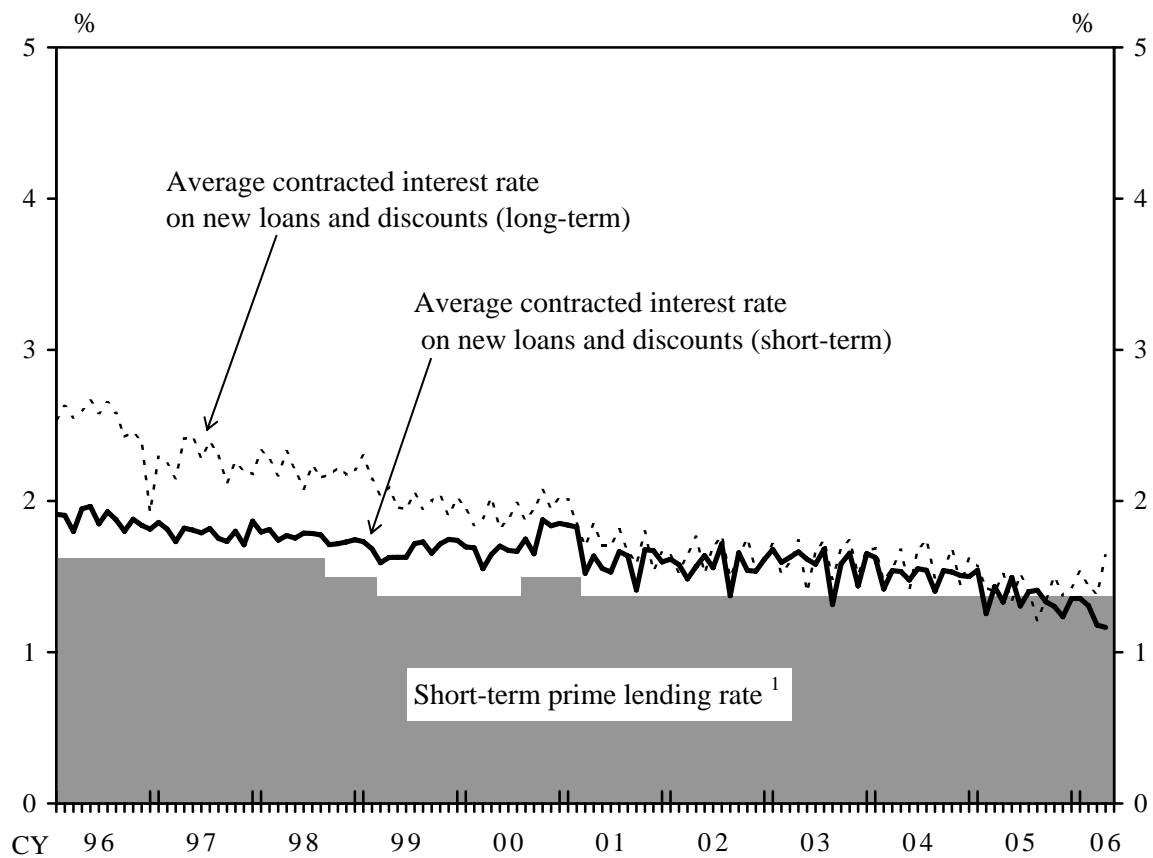
4. DI of "Easier" - "Tighter."

5. DI of "Accommodative" - "Severe."

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

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

Lending Rates

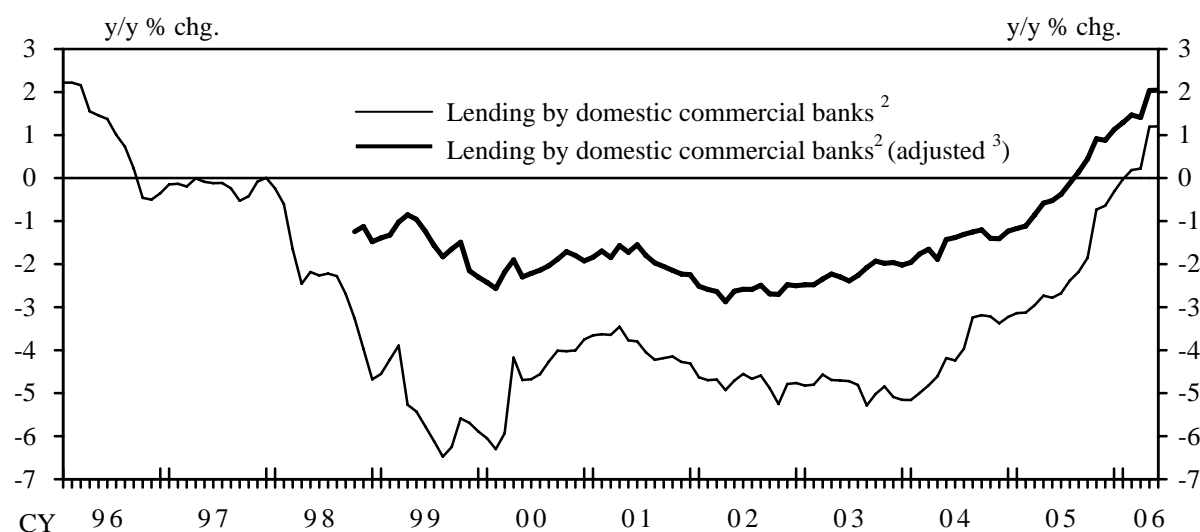


Note: 1. Data are at end of period.

Source: Bank of Japan.

Lending by Financial Institutions

(1) Lending by Domestic Commercial Banks¹



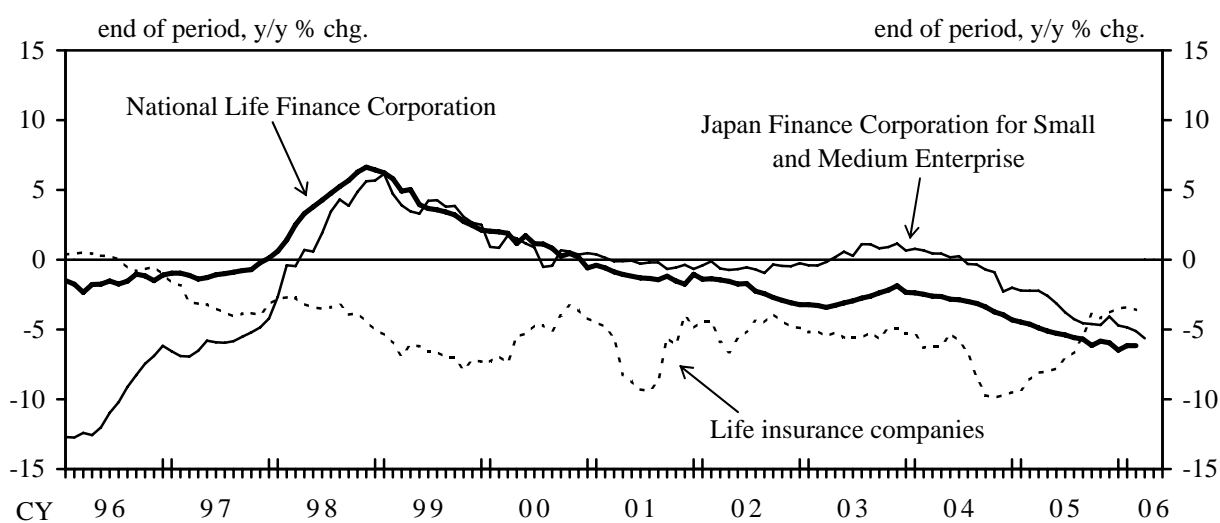
Notes: 1. Percent changes in average amounts outstanding from a year earlier.

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

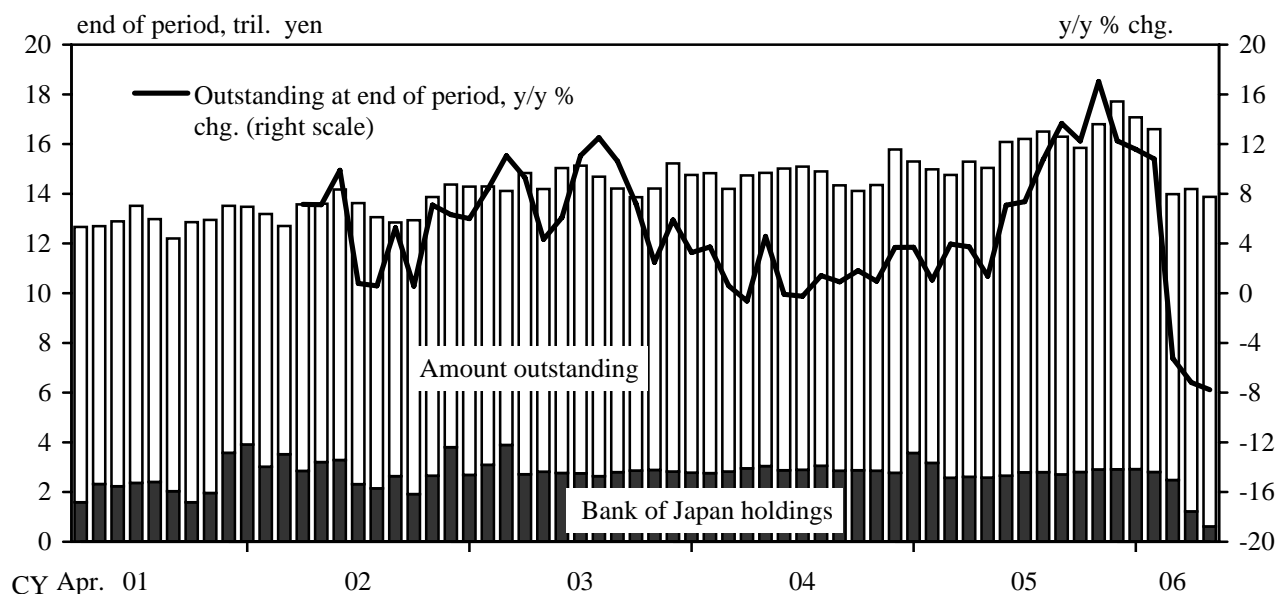
(2) Lending by Other Financial Institutions



Sources: Bank of Japan, "Principal Figures of Financial Institutions," "Financial and Economic Statistics Monthly."

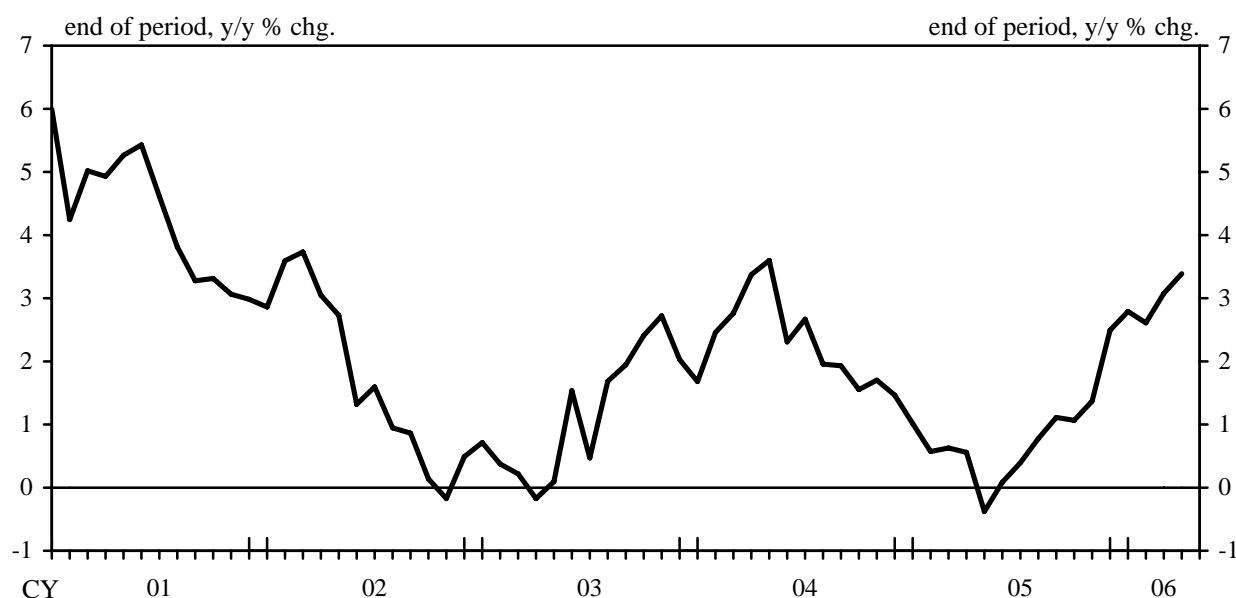
Private-Sector Fund-Raising in the Capital Markets

(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)



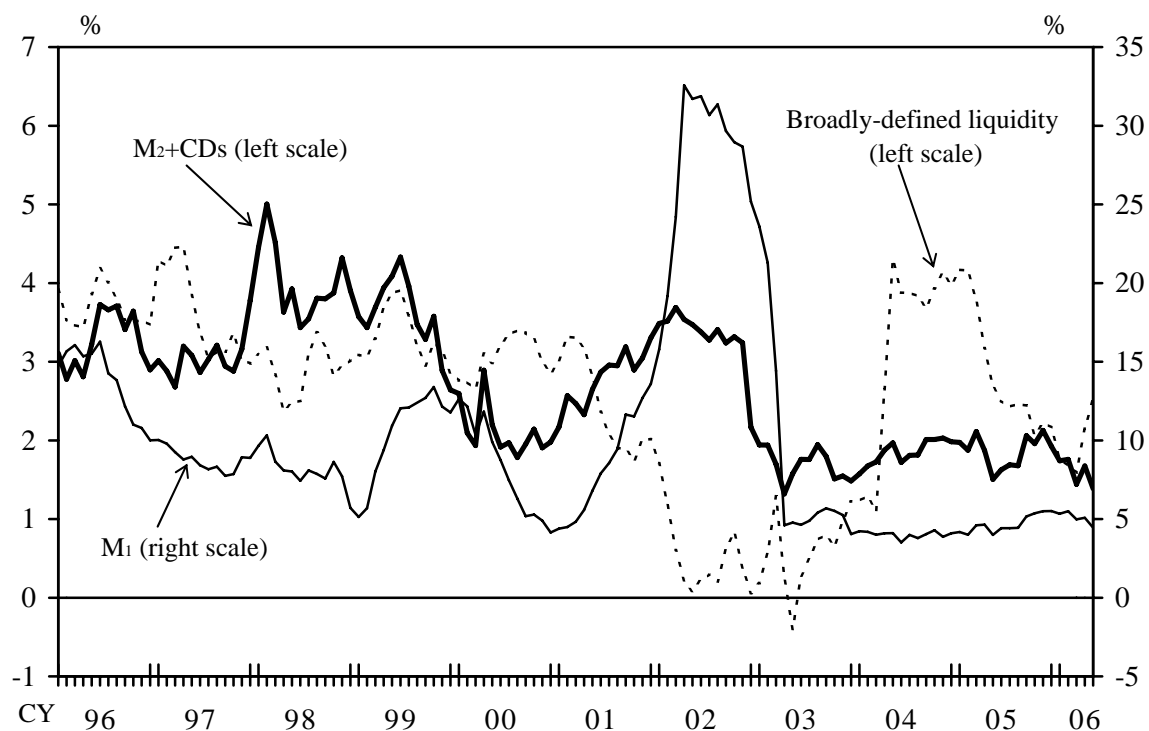
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

- (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.

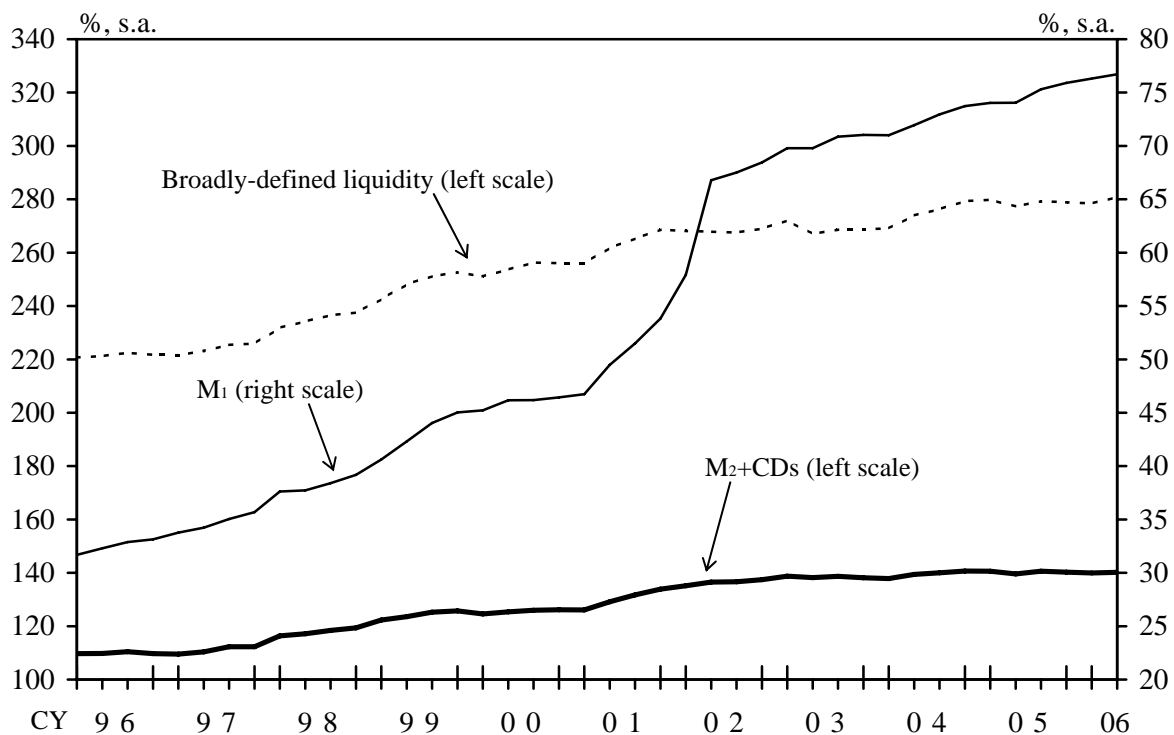
Sources: Bank of Japan, "Principal Figures of Financial Institutions"; Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts of Bonds," *Kisai-Jouhou* (Issuance Information); I-N Information Systems, "Funding Eye."

Money Stock

(1) Changes from a Year Earlier



(2) Ratio of Money Stock to Nominal GDP

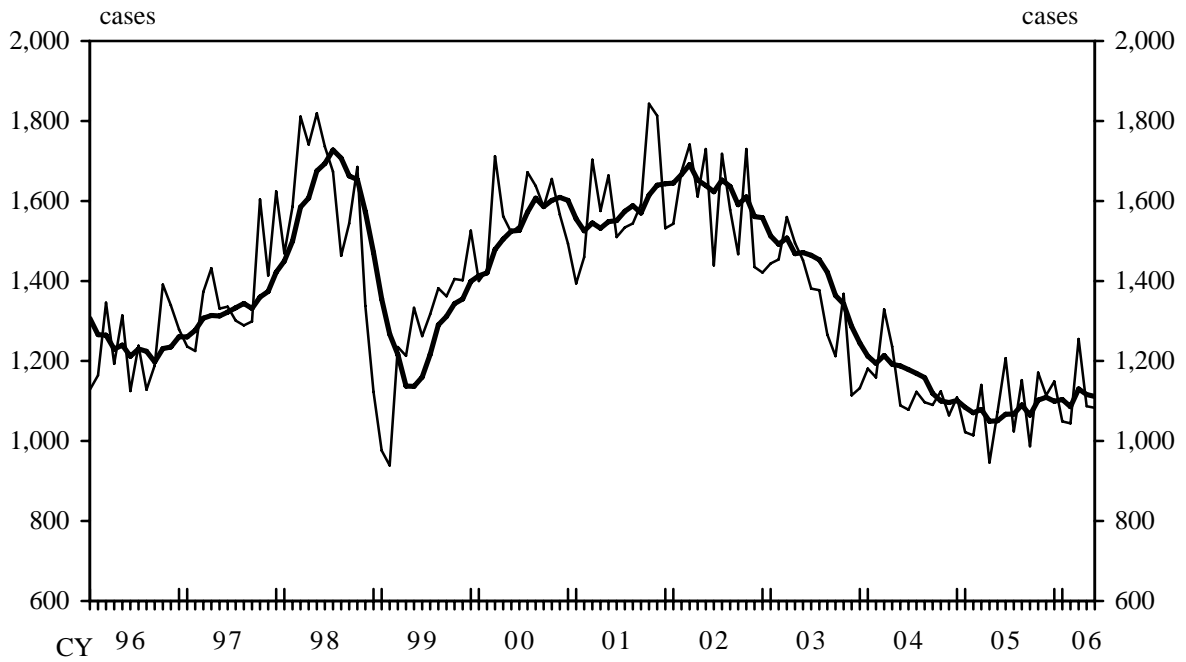


Note: Figures for money stock in 2006/Q2 are those of Apr.-May averages, and the nominal GDP in 2006/Q2 is assumed to be unchanged from the previous quarter.

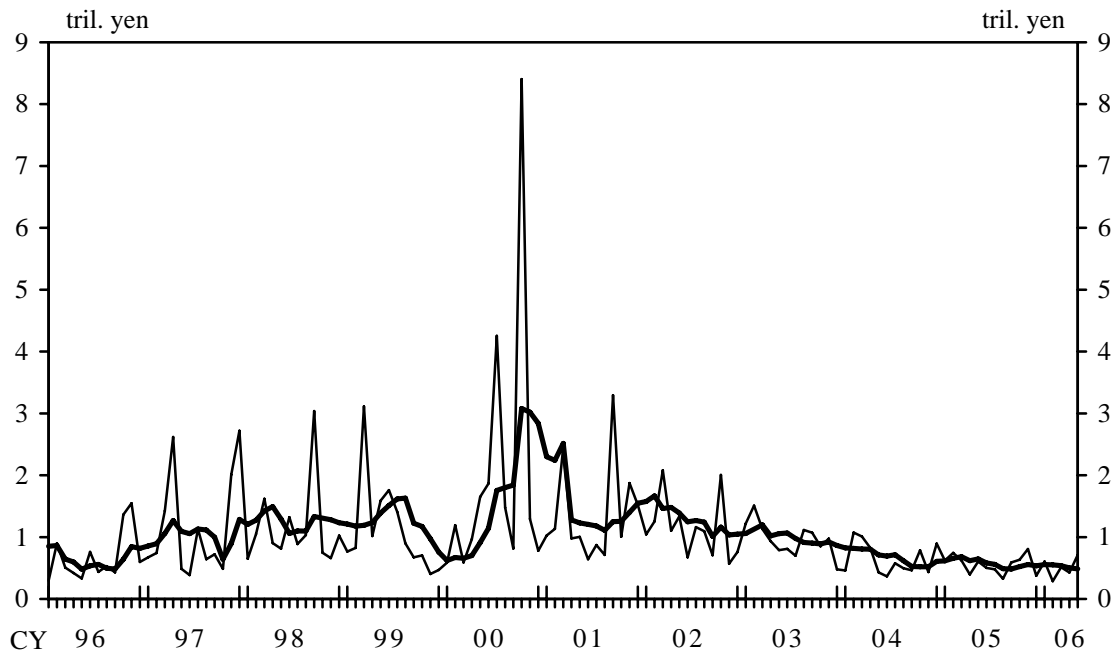
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities



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

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