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Bank of Japan

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

November 2007

(English translation prepared by the Bank's staff based on the Japanese original released on November 14, 2007)

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Secretariat of the Policy Board, Bank of Japan
C.P.O. Box 203, Tokyo 100-8630, Japan

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November 2007

The Bank's View²

Japan's economy is expanding moderately.

Public investment has been sluggish. Meanwhile, exports have continued to increase, and business fixed investment has also continued to trend upward against the background of high corporate profits. Housing investment has fallen lately. Private consumption, however, has been firm in a situation where household income has continued rising moderately. With the rise in demand both at home and abroad, production has continued to be on an increasing trend.

Japan's economy is expected to continue expanding moderately.

Exports are expected to continue rising against the background of the expansion of overseas economies as a whole. 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 be on a downtrend.

On the price front, the three-month rate of change in domestic corporate goods prices has been positive, mainly due to the rise in international commodity prices. The year-on-year rate of change in consumer prices (excluding fresh food) has been around zero percent.

Domestic corporate goods prices are likely to continue increasing for the time being, primarily reflecting the rise in international commodity prices. The year-on-year rate of change in consumer prices is expected to be around zero percent

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on November 12 and 13, 2007.

² The text of "The Bank's View" was decided by the Policy Board at the Monetary Policy Meeting held on November 12 and 13, 2007.

in the short run. From a longer-term perspective, however, it is projected to continue to follow a positive trend, as the output gap continues to be positive.

As for the financial environment, the environment for corporate finance is accommodative. Credit demand in the private sector has been more or less flat. However, the issuing environment for CP and corporate bonds has been favorable, and the lending attitudes of private banks have continued to be accommodative. Under these circumstances, the amount outstanding of lending by private banks has been increasing moderately, 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 rate of change in the money stock is around 2 percent. As for developments in financial markets, in the money markets, the overnight call rate has been at around 0.5 percent, and interest rates on term instruments have been around the same level as last month. In the foreign exchange and capital markets, the yen has appreciated against the U.S. dollar compared with last month, while long-term interest rates and stock prices have fallen compared with last month.

The Background

1. Economic Developments

Public investment has been sluggish (Chart 4). Looking at monthly indicators, the amount of public construction completed—which reflects the progress of public works—has been more or less flat, at low levels, since around the middle of fiscal 2006. The value of public works contracted—a measure that reflects public orders—had been more or less flat through the middle of this year, but has recently dropped somewhat sharply. On a GDP basis (first preliminary figures), real public investment has continued to decrease since the start of this year, after having risen temporarily in the fourth quarter last year (Chart 3). Public investment is projected to be 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). They remained more or less flat in the second quarter, but rose substantially in the third quarter on a quarter-on-quarter basis—by 6.0 percent—partly in reaction to the second quarter.

As for real exports by destination (Chart 6[1]), exports to the United States had remained somewhat weak since the end of last year, primarily in automobile-related goods, but rose in the third quarter in many goods. Exports to East Asia fell back slightly in the second quarter from the first quarter, when they registered high growth, but have been steadily trending upward on average since they surged again in the third quarter, mainly to China (Chart 9). Exports to the EU and to other regions (such as the Middle East, Mexico, and Russia) have continued their solid increases.

By goods (Chart 6[2]), exports of automobile-related goods have continued their solid increases, supported mainly by the high growth in exports to other regions, despite some fluctuations in those to the United States (Chart 7[1]). Exports of IT-related goods dropped considerably in the second quarter, in reaction to their upsurge, mainly to China, in the latter half of last fiscal year, but rose noticeably again in the third quarter, assisted by steady global IT-related demand (Charts 8[1] and 9[2]). Exports of capital goods and parts have continued to increase to a wide range of regions (Chart 7[2]); those of intermediate goods have also been on an uptrend,

mainly in high value-added goods used for IT-related goods and automobiles (Chart 7[3]). Exports of consumer goods have also followed an uptrend, mainly in digital home appliances.

Real imports have been on a gradual uptrend, assisted by the rise in domestic demand and production, despite downward pressure from the increase in import prices (Charts 5[1] and 11). Real imports had been more or less flat through the first half of this year, mainly due to the rise in import prices and the weakness in IT-related imports, but they increased, by 1.8 percent, in the third quarter on a quarter-on-quarter basis, assisted by the upswing in IT-related imports.

The recent trend by goods shows that imports of capital goods and parts (excluding aircraft) have continued their increasing trend, reflecting the uptrend in domestic business fixed investment. Imports of IT-related goods had been somewhat weak since the end of last year, but they turned upward in the third quarter in response to the improvement in the domestic shipment-inventory balance (Chart 8[3]). Imports of consumer goods, chiefly in audio and visual apparatus, have been steady as a trend, albeit with large fluctuations. On the other hand, imports of foodstuffs have dropped lately, mainly due to the rise in import prices. Imports of raw materials and intermediate goods rose relatively noticeably in the third quarter, but as a trend they have remained almost flat or have edged up only slightly, since firms have cut back on imports of raw materials in response to the trend of rising import prices.

The surplus of net exports in terms of the real trade balance has continued its upward trend, which reflects the aforementioned movements in imports and exports (Chart 5[2]). The surplus of the nominal balance on goods and services expanded considerably in the second half of last fiscal year, but has been more or less flat thereafter, affected by the rise in crude oil prices.

Exports are expected to continue to rise, due to the expansion of overseas economies as a whole and in part to the yen's depreciation from a somewhat longer-term perspective (Chart 10[2]).

As for the environment surrounding exports, in the United States the downside risks stemming from the subprime mortgage problem have increased as adjustments in the housing market deepen. At this stage, however, even though the economic deceleration may continue for some time, the economy is most likely to manage a gradual soft landing, avoiding a downturn. In the EU, the economy is expected to continue expanding moderately, albeit with some deceleration. As for East Asia, the Chinese economy is expected to maintain its high growth, and the NIEs and ASEAN economies are also projected to continue to expand at a moderate pace on the whole. Other regions are also expected to continue their economic expansion. Regarding the environment surrounding exports of IT-related goods, global demand for products—particularly for digital home appliances—has continued to expand, and global semiconductor shipments have also turned up recently (Chart 8[2]). Meanwhile, in the foreign exchange market, the yen has appreciated slightly since the summer, but from a long-term perspective it 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 expected to follow a moderate uptrend, assisted by the expansion of the domestic economy.

Business fixed investment has continued to trend upward. On a GDP basis (first preliminary figures), real business fixed investment has been on an uptrend on average, albeit with some fluctuations; it rose in the third quarter after having dropped in the second quarter (Chart 3). Looking at monthly indicators, shipments of capital goods (excluding transport equipment)—a coincident indicator of machinery investment—continued to increase in the third quarter following the increase in the second quarter (Chart 12[1]). Machinery orders (private demand, excluding orders of shipbuilding and orders from electric power companies)—a leading indicator of machinery investment—rose in the third quarter, after having marked a quarter-on-quarter decline in the second quarter. With these fluctuations smoothed out, they have been more or less flat, at high levels (Chart 13[1]).³ Construction

³ Forecasts for the fourth quarter show that orders are projected to increase somewhat following the increase in the third quarter for both manufacturing and nonmanufacturing firms (the quarter-on-quarter increase stands at 3.1 percent for private demand, excluding orders of shipbuilding and orders from electric power companies).

starts (floor area, private, nondwelling use)—a leading indicator of construction investment—had remained essentially flat at high levels; however, they rose substantially in the second quarter from a rush in demand just before the revised Building Standard Law took effect, but fell back sharply in the third quarter (Chart 13[2]).⁴

Business fixed investment is projected to trend upward, since the expansion in domestic and external demand and the high levels of corporate profits are likely to be maintained.

Private consumption has been firm. On a GDP basis (first preliminary figures), real private consumption rose for four consecutive quarters through the third quarter (Chart 3). Looking at individual indicators on consumption (Charts 14 and 15), sales at department stores and supermarkets have recently been essentially level on average, despite fluctuations caused by weather factors.⁵ Sales at convenience stores have also been more or less flat on average, although they have been fluctuating sharply due to weather factors. As for sales of household electrical appliances, sales of digital home appliances such as flat panel TVs and of game consoles have continued to be strong. Those of cellular phones have also been on an increasing trend with the introduction of new models in progress. Meanwhile, the number of new passenger-car registrations—which had continued to trend downward—has picked up since August, supported mainly by strong sales of new models. As for services consumption, sales in the food service industry have continued to trend upward, albeit with large fluctuations caused by weather factors. Outlays for travel have also been firm on average.

⁴ According to the revised Building Standard Law—which took effect on June 20—a more stringent review of applications for building permits has been introduced, and the procedure has also changed significantly. It has been pointed out that construction starts—including housing starts, mentioned below—were delayed since those related to the construction business were not fully prepared for these changes to the system.

⁵ Sales jumped in June, especially in summer apparel, aided by favorable weather conditions and by the early start of clearance sales. The gains were reversed in July, however, in reaction to these sales coupled with the adverse weather including the typhoon during the three-day weekend. They then picked up in August thanks to favorable weather conditions, but were sluggish in September, mainly because the lingering heat dampened sales of autumn apparel.

The *Indices of Aggregated Sales* (in real terms)—which are comprised of major sales indicators of goods and services mentioned above⁶—have been firm as a trend, although they were somewhat weak in the third quarter (Chart 16[1]). The aggregate supply of consumer goods—which comprehensively captures producers' supply of goods—has been trending up mildly, mainly in durable consumer goods, albeit with some fluctuations (Chart 16[2]). Meanwhile, both the index of living expenditure level (two-or-more-person households, in real terms) in the *Family Income and Expenditure Survey*—which captures private consumption from the demand side—and total expenditure in the *Survey of Household Economy* (two-or-more-person households, in real terms)—which covers more households than the *Family Income and Expenditure Survey* does—declined in the third quarter (Chart 14[1]).⁷

Consumer sentiment has generally been at favorable levels, although some indicators have shown slight deterioration most recently (Chart 17).

Private consumption is expected to follow a gradual uptrend, with the gradual increase in household income.

As for housing investment, housing starts have recently dropped sharply, affected by the enforcement of the revised Building Standard Law (Chart 18[1]). On a GDP basis (first preliminary figures), real housing investment also decreased significantly in the third quarter (Chart 3). Looking at housing starts in detail, starts of housing for rent, housing for sale, and owner-occupied housing have all plunged. On a monthly basis, however, owner-occupied housing has started to show signs of recovery. Looking ahead, housing investment is expected to be sluggish, since the effects from the revised Building Standard Law will persist for the time being. From a somewhat longer-term perspective, however, it will regain its firmness, against the background of the rise in household income and favorable financial conditions.

⁶ The *Indices of Aggregated Sales* are the weighted average of individual sales indicators. Outlays for travel in September were not released at the time these indices were compiled, and hence were incorporated into the indices under the assumption that the seasonally adjusted figures for September were at the same level as those for August.

⁷ In the *Family Income and Expenditure Survey*, the number of samples is about 8,000 households, while that of the *Survey of Household Economy* is about 30,000.

Industrial production has continued to be on an increasing trend against the background of the growth in domestic and external demand. Production, on a quarter-on-quarter basis, dropped by 1.3 percent in the first quarter, and remained flat in the second quarter with an increase of 0.2 percent, but then rose, by 2.2 percent, in the third quarter (Chart 19). As for recent developments by industry, production of general machinery has followed an uptrend on average, although it has recently dropped slightly. Production of information and communication electronics equipment has increased, primarily in new cellular phones and new digital home appliances. That of transport equipment has increased, supported by the pickup in domestic sales and by favorable exports. Meanwhile, production of electronic parts and devices—which had remained essentially level during the first half of this year—has resumed its solid increase, as both domestic and external demand have regained firmness and as domestic inventory adjustment has almost come to an end.

Shipments have also continued their uptrend. By goods (Chart 20), shipments of capital goods have been on an uptrend in light of steady demand at home and abroad. As for consumer goods, shipments of nondurable goods have recently picked up slightly; those of durable goods have also increased, chiefly in digital home appliances and automobiles for exports. In response to these movements in final demand goods, even though shipments of producer goods had risen moderately over the first half of this year, they have recently gained momentum, especially in electronic parts and devices. Meanwhile, shipments of construction goods have registered a marked decline lately, affected partly by the decrease in housing starts, while public investment continues to be sluggish.

Inventories have been essentially in balance with shipments. The inventory cycle (Chart 21) shows that, in the industrial sector as a whole, the shipment-inventory balance (the year-on-year rate of change in shipments minus that in inventories) has been more or less favorable. By goods, inventories of producer goods excluding electronic parts and devices (such as iron and steel) have remained relatively low, while shipments rose persistently. Inventories of capital goods (excluding transport equipment) had risen, chiefly in construction machinery, but the shipment-inventory balance has improved, assisted by generally solid exports. On the other hand, in electronic parts and devices, while final goods manufacturers

continue to introduce new products at a good pace, shipments have registered a slight year-on-year increase, and inventories have marked a noticeable year-on-year decline. As a result, inventories have become essentially in balance with shipments. However, because the pace of increase in the supply capacity tends to be rapid for this sector and because some weakness has been observed in some market prices of semiconductors, future developments—including those in global supply-demand conditions—continue to require close monitoring.

As for the outlook, production is expected to follow an increasing trend, reflecting the rise in domestic and external demand, with inventories being essentially in balance with shipments. Anecdotal information also suggests that production will continue to increase in the fourth quarter.⁸

As for the employment and income situations, household income has continued rising moderately, supported by the increase in the number of employees, since labor market conditions have continued their tightening trend (Charts 22[2] and [3]).

In the labor market, overtime hours worked have been at high levels (Chart 24[3]). The ratio of job offers to applicants has been at a high level, above 1;⁹ the unemployment rate has inched up lately, but has followed a moderate downtrend from a somewhat longer-term perspective (Chart 23).

In terms of employment (Chart 24[1]), the number of employees in the *Labour Force Survey*—which tends to show relatively large monthly fluctuations—had marked an increase of around 1.0 percent on a year-on-year basis thus far, but has

⁸ Production in the fourth quarter, based on the production forecast index for October and November (on the assumption that the December figure will be unchanged from the previous month), is calculated to increase by 3.5 percent on a quarter-on-quarter basis. When the differences in the coverage of the original series and the forecast index are taken into account, however, considerable latitude should be allowed for this calculation.

⁹ New job offers have been declining at a modest pace since last autumn, due to the moves by Labour Bureaus across Japan to promote appropriate posting by deterring overstatements in the number of job offers. Nevertheless, demand for labor among firms is considered to remain solid since the number of job advertisements listed in the media of the private sector has been on the rise (Chart 23[3]).

dropped to a year-on-year increase of 0.2 percent in September. On the other hand, the number of regular employees in the *Monthly Labour Survey* has continued to increase steadily, at around 1.5 percent on a year-on-year basis until September. Looking at the number of regular employees in the *Monthly Labour Survey* in detail, while full-time employees have continued to increase at around 1.0 percent, the growth in part-time employees has accelerated since around the end of last year, resulting in a year-on-year rise in the ratio of part-time employees (Charts 24[1] and [2]).

Nominal wages per employee have recently been somewhat lackluster (Chart 22[1]). Regular payments have been somewhat weak, since firms have persisted in labor cost restraints; they have been held down by the retirement of the high-wage earning baby-boomers and by an increase in hiring of relatively low-wage earning new graduates.¹⁰ In contrast, overtime payments have continued to trend up mildly. Special payments seem to be moving up as a trend, supported by favorable corporate profits, although summer bonuses this year were relatively weak.¹¹

¹⁰ The retirement of baby-boomers started to increase in the second half of last year. To compensate for the loss of the labor force, an increasing number of new graduates has been hired, and some workers of the baby-boom generation themselves have been rehired at lower compensation. A combination of these factors seems to have exerted downward pressure on year-on-year changes in wages.

Both the rise in the ratio of part-time workers—whose wage levels are low—and the increasing number of part-timers working only short hours have pushed wages per person downward. These movements are possibly attributable to: (1) the aforementioned rehiring of baby-boomers with reduced working hours and days, and (2) the hiring of the elderly and women through various forms of employment aimed at easing the labor shortage. In fact, the labor force participation rates of men age 55-64—including the baby-boom generation—and a wide range of women seem to have trended upward.

Furthermore, by industry, "education and learning support"—which comprises many local government employees—had a significant impact on the weakness in overall wages.

¹¹ Special payments in June-August in the *Monthly Labour Survey* registered a year-on-year decline of 2.4 percent. This was mainly because: (1) the average was pushed downward largely by factors such as the retirement of the baby-boom generation and the rise in the ratio of part-time workers. It was also possibly affected by: (2) industry-specific movements such as "Medical, Health Care and Welfare" and "Transport" working as large contributors to the decline, and "Finance and Insurance"—which grew somewhat sharply last year—peaking out. At the same time, from a somewhat longer-term perspective, it is likely that (3) bonuses within small and medium-sized firms have continued to be restrained, since these firms are relatively susceptible to effects such as globalization, fiscal reform, and the rise in prices of raw materials.

According to survey results covering large firms released by the Japan Business Federation (interim results as of October 24; 127 firms) and The Institute of Labor Administration (final results as of September 5; 267 firms), winter bonuses this year are projected to continue rising, although the growth rate has dropped depending on the survey (the year-on-year increases are 3.0

Looking ahead, the gradual increase in household income is likely to continue because firms are becoming more aware of the shortage of labor and because corporate profits are expected to remain high.

2. Prices

Import prices (on a yen basis, same hereafter; the three-month rate of change) dropped temporarily during the summer, due mainly to the yen's appreciation, but they have recently stopped declining, mainly due to the rise in international commodity prices (Chart 26). Looking at recent developments in international commodity prices in more detail, crude oil prices—notwithstanding a temporary drop during the summer—have recorded historic highs, mainly in response to the tightening supply-demand conditions and increased geopolitical risks, as well as to the influx of speculative funds. Prices of nonferrous metals have remained high on the whole, albeit with some fluctuations.¹²

The three-month rate of change in domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter)¹³ has been positive, mainly due to the rise in international commodity prices (Chart 27). In detail, prices of petroleum and coal products have increased at a slower pace, and those of nonferrous metals have dropped marginally (both are categorized as "goods sensitive to exchange rates and overseas commodity prices" in the chart); both have been affected by the yen's appreciation and by the temporary weakening of international commodity prices during the summer. Prices of chemical products, plastic products, and pulp, paper and related products (all categorized as "other materials" in the chart) have continued to increase mildly, mainly as a result of high material costs to date. Those of "iron and steel and construction goods" had

percent for summer bonuses this year and 0.7 percent for winter bonuses this year for the former survey, and 2.2 percent for summer and 2.2 percent for winter for the latter survey).

¹² Domestic commodity prices have also been high, reflecting developments in international commodity prices and the tightening of supply-demand conditions.

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.

continued to rise, but they have recently been almost level. Machinery prices, meanwhile, have been weakening. Looking at domestic demand products as a whole including imports, prices of raw materials and of intermediate goods have recently turned up marginally; final goods prices have been marking a slight negative.

The year-on-year rate of change in corporate services prices (excluding external factors, same hereafter) has been on a positive trend (Chart 28).¹⁴ The year-on-year changes in prices, excluding external factors, stood at 0.3 percent in the second quarter and 0.4 percent in the third quarter.¹⁵ Looking at recent developments by category, the year-on-year changes in prices of "other services" have been positive since the start of this fiscal year, reflecting improvements in supply-demand conditions as well as increases in costs such as labor costs. Moreover, both the prices of real estate services—assisted by the rise in office space rental against the background of improved supply-demand conditions of office spaces in the Tokyo metropolitan area—and of information services—due to tightening supply-demand conditions as a result of active software investment by firms—have continued to move up. On the other hand, prices of advertising services have been somewhat weak as a trend, since firms have been cautious about increasing advertisement placements.

The year-on-year rate of change in consumer prices (excluding fresh food, same hereafter) has been around zero percent (Chart 29). Looking at developments in the past few months in more detail, the year-on-year changes in prices of goods overall have been posting a slight negative: petroleum products (such as gasoline) have been moving around zero percent, and durable consumer goods have continued to fall. In the meantime, services prices have been moving around zero percent overall, partly since mobile telephone charges have been falling (categorized as "other services" in the chart), although prices of "eating out" have continued to increase moderately.

¹⁴ "Excluding external factors" means that international air passenger transportation, ocean liner, ocean tramper, ocean tanker, oceangoing ship chartering services, and international air freight transportation are excluded from all items.

¹⁵ All items, including external factors, have continued to increase at around 1 percent on a year-on-year basis or at a slightly faster pace, since oceangoing ship chartering services surged in response to increased cargo movements around the world.

Domestic corporate goods prices are likely to continue increasing for the time being, primarily reflecting the rise in international commodity prices. The year-on-year rate of change in consumer prices is expected to be around zero percent in the short run. From a longer-term perspective, however, it is projected to continue to follow a positive trend, as the output gap continues to be positive.

3. Financial Developments

(1) Financial Markets

As for interest rate developments in the money markets, the overnight call rate (uncollateralized; Chart 30[1]) has been at around 0.5 percent. Regarding interest rates on term instruments (Chart 31[1]), the Euroyen interest rate (TIBOR, 3-month) and FB rate (3-month) have been more or less flat on the whole. Interest rates on Euroyen futures have fallen, mainly in distant contracts (Chart 31[2]).

Yields on 10-year government bonds (newly issued 10-year JGB; Chart 30 [2]) have declined, mainly in response to long-term interest rate movements in the United States and Europe. They have recently been moving at around 1.50 percent.

Yield spreads between corporate bonds and government bonds (Chart 33) have been more or less flat on the whole.

Stock prices (Chart 34) have dropped along with U.S. stock prices. The Nikkei 225 Stock Average is moving in the range of 15,000-15,500 yen.

In the foreign exchange market (Chart 35), the yen has appreciated against the U.S. dollar, triggered mainly by the financial statements of some U.S. financial institutions. The yen is being traded in the range of 109-111 yen to the U.S. dollar.

(2) Corporate Finance and Monetary Aggregates

Credit demand in the private sector has been more or less flat. Ample cash flow has slowed the increase in corporate demand for external funds. Some weakness has been observed in, for example, consumer finance companies.

Regarding credit supply, private banks have remained accommodative in their loan provision. Including small and medium enterprises, firms have perceived the lending attitudes of financial institutions as accommodative (Chart 36).

Lending rates have been at extremely low levels on the whole, although the average contracted interest rates on new loans and discounts, with the monthly fluctuations smoothed out, have risen gradually (Chart 37).

The amount outstanding of lending by private banks has continued to increase at a moderate pace. Its monthly average outstanding, after adjustment,¹⁶ grew by 1.4 percent in October on a year-on-year basis, compared to 1.4 percent in September and 1.3 percent in August (Chart 38).

In the corporate bond and CP markets, the issuing environment continues to be favorable. Both the issuance rates and issuance spreads of corporate bonds have been around the same levels as last month. CP issuance rates have fallen compared with last month, since issuance spreads have narrowed slightly. The amount outstanding of CP and corporate bonds issued has been above the previous year's level. It increased by 3.1 percent in October, on a year-on-year basis, after 2.5 percent in September and 2.1 percent in August (Chart 39).

According to business surveys, the financial positions of firms have continued to be favorable (Chart 36).

The money stock ($M_2 + \text{CDs}$) has increased by around 2 percent annually. Its October reading was 1.9 percent on a year-on-year basis, following 1.7 percent in September and 1.8 percent in August (Chart 40).

The number of corporate bankruptcies was up by 8.1 percent in October compared to the year-ago level, to 1,260 cases (Chart 41).

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.

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Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2007/Q1	Q2	Q3	2007/Jul.	Aug.	Sep.	Oct.
Index of living expenditure level (two-or-more-person households)	0.5	-0.4	-1.2	-0.8	0.3	-0.7	n.a.
Sales at department stores	0.2	1.0	p -3.0	-7.7	5.0	p -4.0	n.a.
Sales at supermarkets	-0.0	-0.7	p -0.8	-1.6	2.7	p -2.1	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 291>	< 288>	< 297>	< 280>	< 308>	< 302>	< 315>
Sales of household electrical appliances (real, Current Survey of Commerce)	6.6	-0.7	p 4.3	-1.1	8.9	p -1.8	n.a.
Outlays for travel	1.3	-1.5	n.a.	-3.9	6.3	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	< 125>	< 127>	< 80>	< 95>	< 73>	< 72>	<n.a.>
Machinery orders (from private sector ⁴)	-0.7	-2.4	2.5	17.0	-7.7	-7.6	n.a.
Manufacturing	-1.4	-4.0	2.7	10.8	-8.6	5.7	n.a.
Nonmanufacturing ⁴	-1.1	0.1	1.6	19.4	-7.6	-17.1	n.a.
Construction Starts (private, nondwelling use)	-6.6	24.5	-48.0	-43.7	-24.8	-23.7	n.a.
Mining & manufacturing	-9.1	20.0	-49.8	-38.4	-26.8	-47.4	n.a.
Nonmanufacturing ⁵	-5.0	29.0	-47.4	-45.4	-22.7	-16.3	n.a.
Value of public works contracted	-2.2	-0.7	-4.8	-1.1	-0.5	-1.6	n.a.
Real exports	3.0	-0.4	6.0	1.2	7.0	-3.4	n.a.
Real imports	0.4	0.5	1.8	1.5	-2.5	-0.7	n.a.
Industrial production	-1.3	0.2	2.2	-0.4	3.5	-1.4	n.a.
Shipments	-0.5	0.7	2.1	-1.2	4.9	-2.0	n.a.
Inventories	-2.0	-0.3	1.3	-0.1	0.2	1.1	n.a.
Inventory Ratio <s.a., CY 2000 = 100>	< 101.0>	< 100.5>	< 103.8>	< 99.1>	< 98.2>	< 103.8>	<n.a.>
Real GDP	0.7	-0.4	0.6	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	-0.1	0.6	n.a.	-0.2	1.0	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2007/Q1	Q2	Q3	2007/Jul.	Aug.	Sep.	Oct.
Ratio of job offers to applicants <s.a., times>	< 1.05>	< 1.06>	< 1.06>	< 1.07>	< 1.06>	< 1.05>	<n.a.>
Unemployment rate <s.a., %>	< 4.0>	< 3.8>	< 3.8>	< 3.6>	< 3.8>	< 4.0>	<n.a.>
Overtime working hours ⁶	1.9	0.6	p 0.7	-0.1	0.1	p 1.9	n.a.
Number of employees	1.0	1.1	0.8	1.0	1.1	0.2	n.a.
Number of regular employees ⁶	1.6	1.7	p 1.6	1.7	1.6	p 1.6	n.a.
Nominal wages per person ⁶	-0.7	-0.6	p -0.6	-1.7	0.6	p -0.5	n.a.
Domestic corporate goods price index ⁷ <q/q % chg., 3-month rate of change>	2.0	2.4	2.0	2.3	2.0	1.7	p 2.4
	<-0.1>	< 1.5>	< 0.7>	< 1.1>	< 0.6>	< 0.4>	<p 0.4>
Consumer price index ⁸	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	n.a.
Corporate service price index	0.5	1.3	p 1.3	1.4	1.1	p 1.4	n.a.
Money Stock (M ₂ +CDs) <average outstanding, y/y % chg.>	1.0	1.5	1.9	2.0	1.8	1.7	p 1.9
Number of corporate bankruptcies <cases>	<1,147>	<1,205>	<1,155>	<1,215>	<1,203>	<1,047>	<1,260>

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

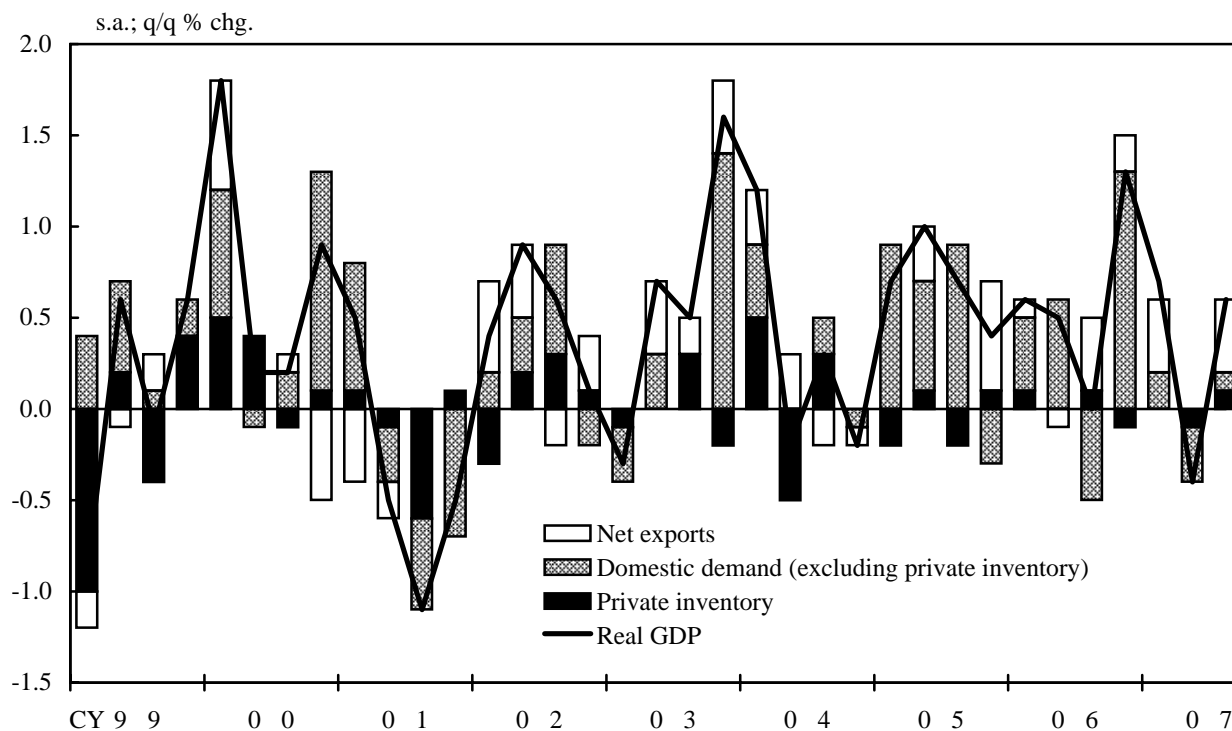
All figures in Chart 2 except figures in angle brackets are year-on-year change. For details on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes to the respective charts.

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 All 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, "Orders Received for Machinery," "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.

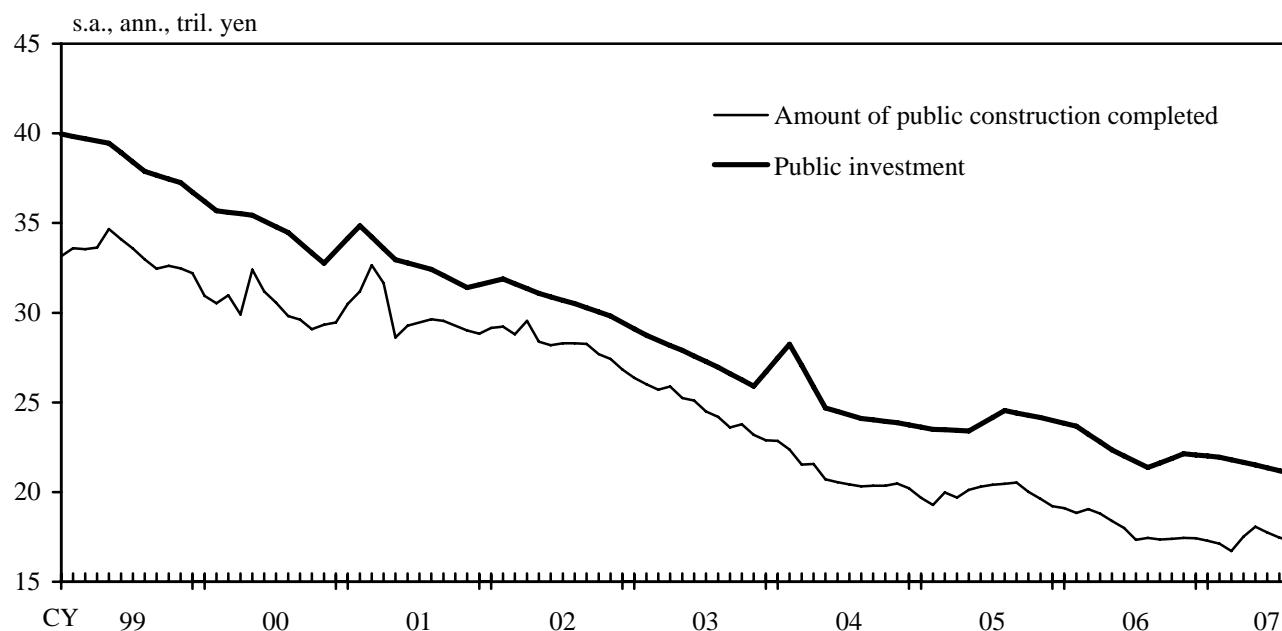
	2006		2007		
	Q3	Q4	Q1	Q2	Q3
Real GDP	-0.0	1.3	0.7	-0.4	0.6
Domestic demand	-0.4	1.2	0.2	-0.5	0.2
Private consumption	-1.0	1.1	0.8	0.2	0.3
Non-Resi. investment	0.9	2.3	-0.3	-2.1	1.7
Residential investment	0.8	2.2	-1.4	-4.1	-7.8
Private inventory	(0.1)	(-0.1)	(-0.0)	(-0.1)	(0.1)
Public demand	-0.5	0.7	-0.4	-0.2	-0.3
Public investment	-4.9	3.7	-1.1	-2.7	-2.6
Net exports of goods and services	(0.4)	(0.2)	(0.4)	(0.0)	(0.4)
Exports	2.3	1.0	3.4	0.9	2.9
Imports	-0.2	-0.2	0.9	0.8	0.5
Nominal GDP	-0.2	1.4	0.3	-0.3	0.3

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

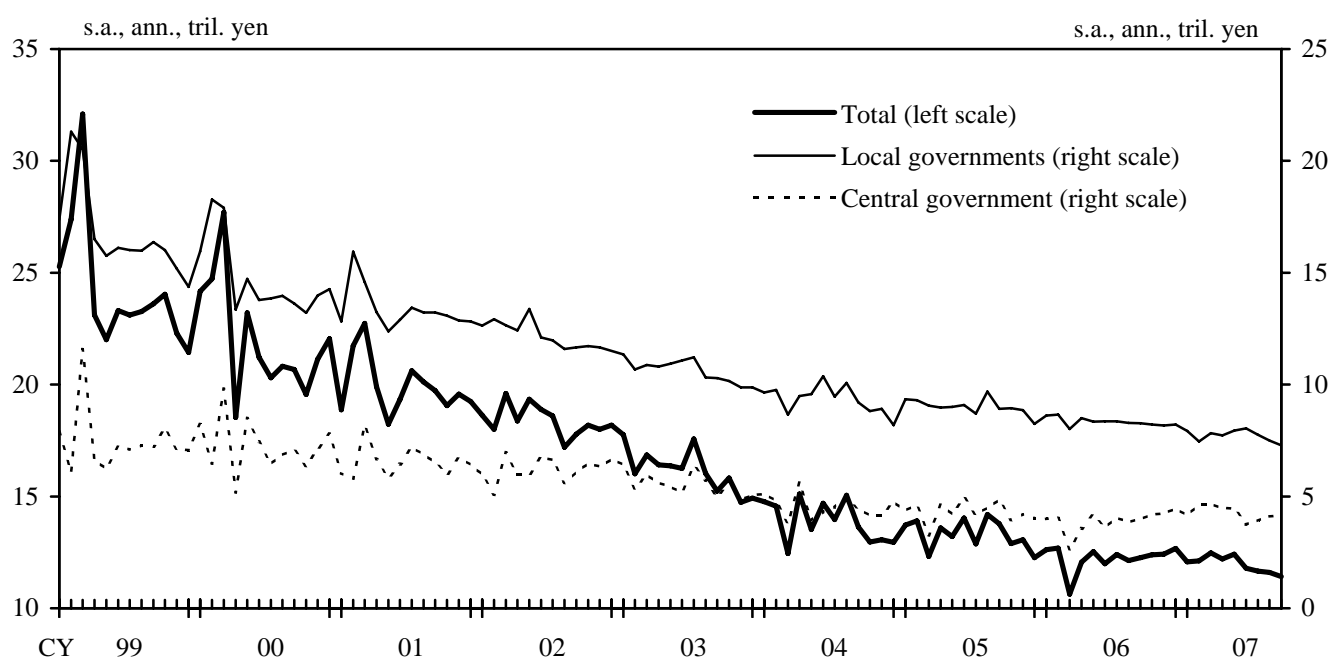
Source: Cabinet Office, "National Accounts."

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.

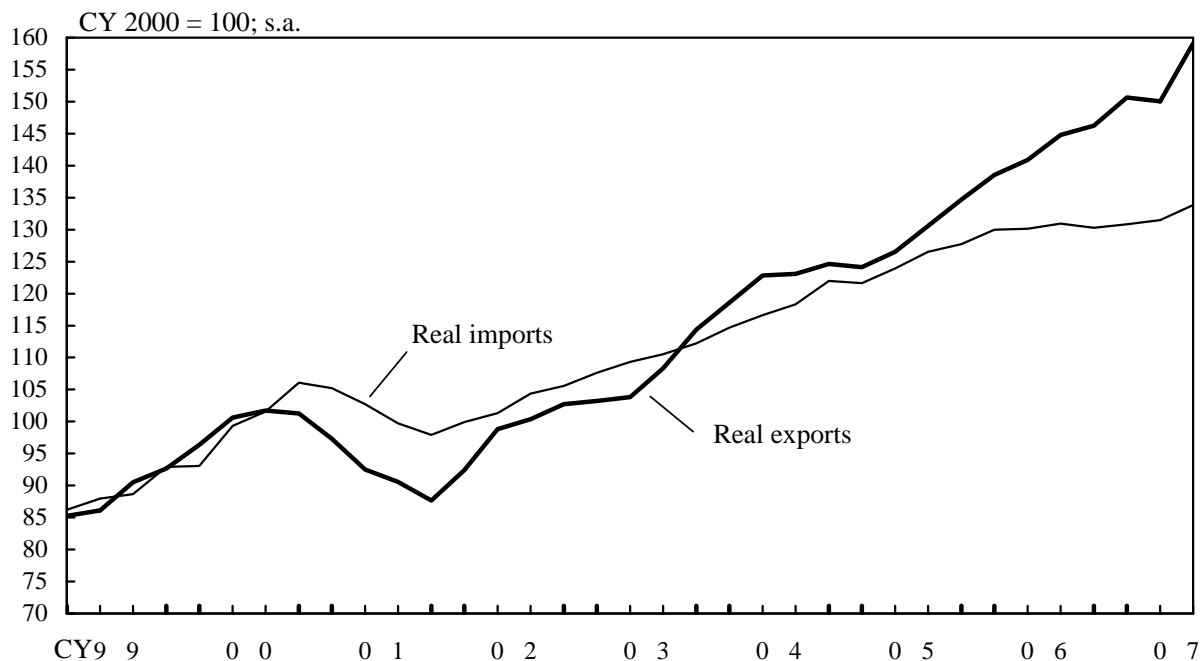
Sources: Cabinet Office, "National Accounts";

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

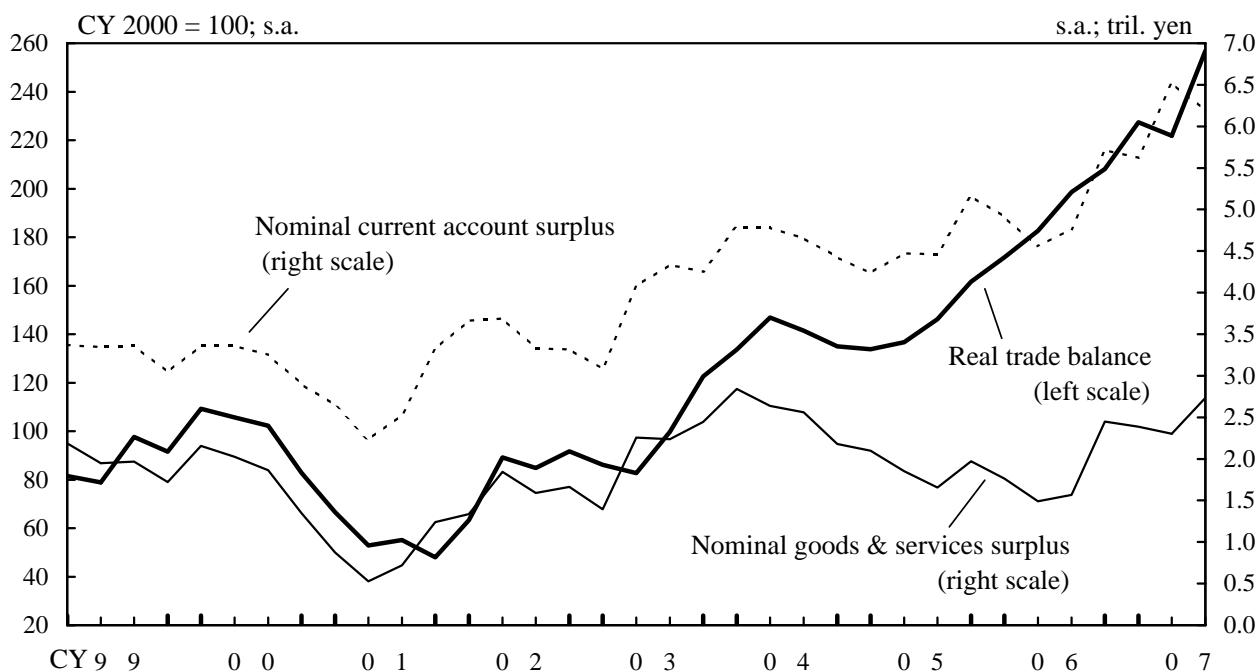
Ministry of Land, Infrastructure and Transport, "Integrated Statistics on Construction Works."

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. Figures are seasonally adjusted by X-12-ARIMA.

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

Real Exports ¹

(1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2005	2006	2006 Q3	2006 Q4	2007 Q1	2007 Q2	2007 Q3	2007 Jul.	2007 Aug.	2007 Sep.
United States	<22.5>	7.3	10.3	2.1	-0.7	-0.9	-3.7	5.4	1.1	7.6	-7.2
EU	<14.5>	3.3	10.3	2.1	0.9	3.7	2.3	6.8	2.1	3.8	2.1
East Asia	<45.7>	6.1	9.1	2.7	2.3	4.3	-1.4	5.6	0.4	7.4	-2.3
China	<14.3>	9.6	20.1	5.1	6.6	5.5	-3.0	10.1	-0.7	11.0	0.3
NIEs	<23.2>	5.0	5.7	0.5	0.2	3.9	-1.6	2.9	1.4	6.0	-4.8
Korea	<7.8>	4.5	7.7	-1.7	1.2	5.1	-2.5	0.2	0.1	6.0	-2.0
Taiwan	<6.8>	4.4	3.7	-1.1	-3.5	0.1	1.6	5.8	1.3	6.4	-3.6
ASEAN ⁴	<8.1>	4.4	2.8	4.9	0.9	3.6	2.1	4.7	-0.3	5.2	-0.6
Thailand	<3.5>	10.0	5.2	4.4	0.5	3.8	0.8	5.1	1.4	6.1	2.3
Others	<17.3>	11.5	19.5	4.2	2.4	4.4	4.1	6.3	0.6	8.9	-6.2
Real exports		5.3	10.5	2.8	1.0	3.0	-0.4	6.0	1.2	7.0	-3.4

(2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2005	2006	2006 Q3	2006 Q4	2007 Q1	2007 Q2	2007 Q3	2007 Jul.	2007 Aug.	2007 Sep.
Intermediate goods	<17.9>	1.8	6.4	0.4	0.5	1.9	-0.1	6.3	3.0	5.0	-0.4
Motor vehicles and their related goods	<23.4>	8.2	13.6	1.3	4.1	2.7	1.0	5.8	-2.4	13.1	-8.1
Consumer goods ⁴	<5.0>	5.2	7.1	0.4	0.4	-3.0	5.4	5.1	0.1	3.1	7.4
IT-related goods ⁵	<11.5>	5.4	7.7	2.5	5.1	5.5	-4.0	6.2	5.0	3.3	1.1
Capital goods and parts ⁶	<29.4>	7.1	12.4	4.0	-1.1	2.9	0.2	3.7	-1.1	3.8	-3.8
Real exports		5.3	10.5	2.8	1.0	3.0	-0.4	6.0	1.2	7.0	-3.4

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

2. Shares of each region and goods in 2006 are shown in angle brackets.

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

4. Excludes motor vehicles.

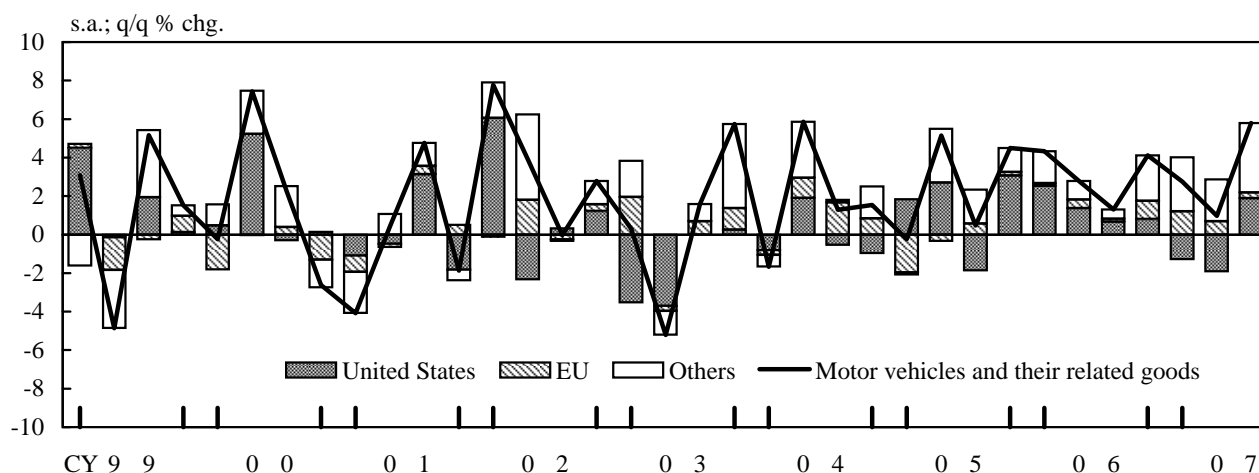
5. IT-related goods are composed of computers and units, telecommunication machinery, ICs and medical and optical instruments.

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

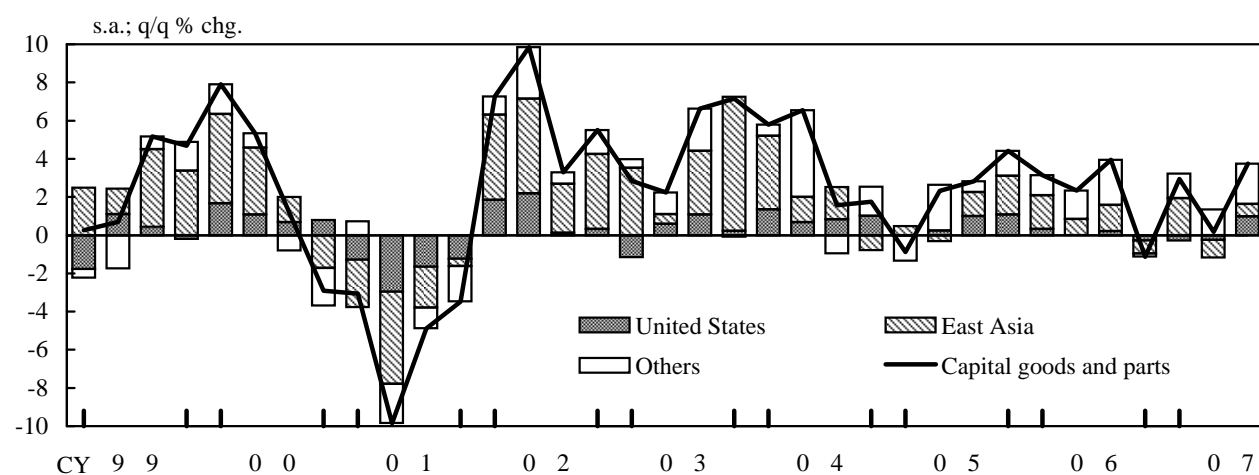
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Real Exports Breakdown by Goods

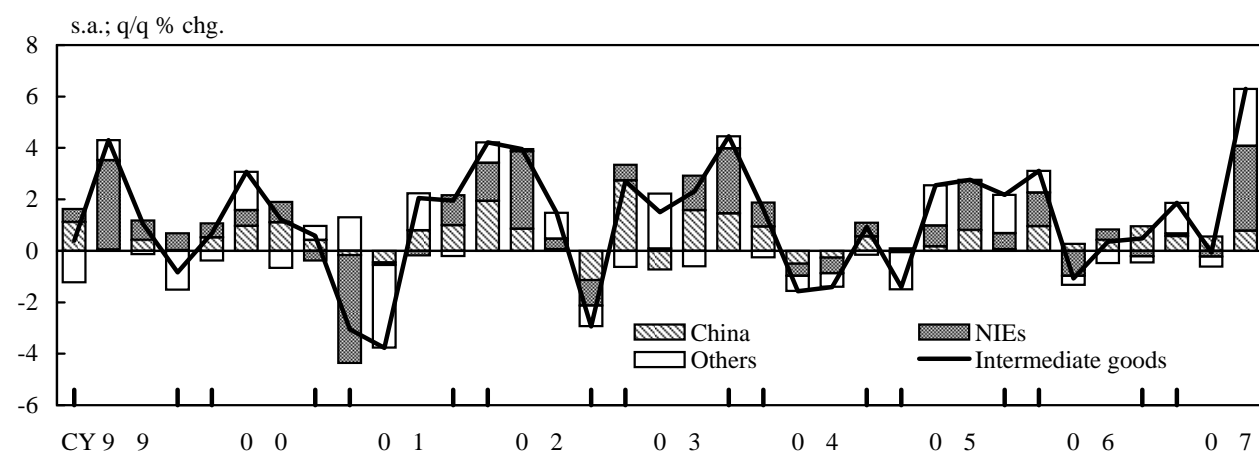
(1) Motor Vehicles and Their Related Goods (Real, Breakdown by Region)



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



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

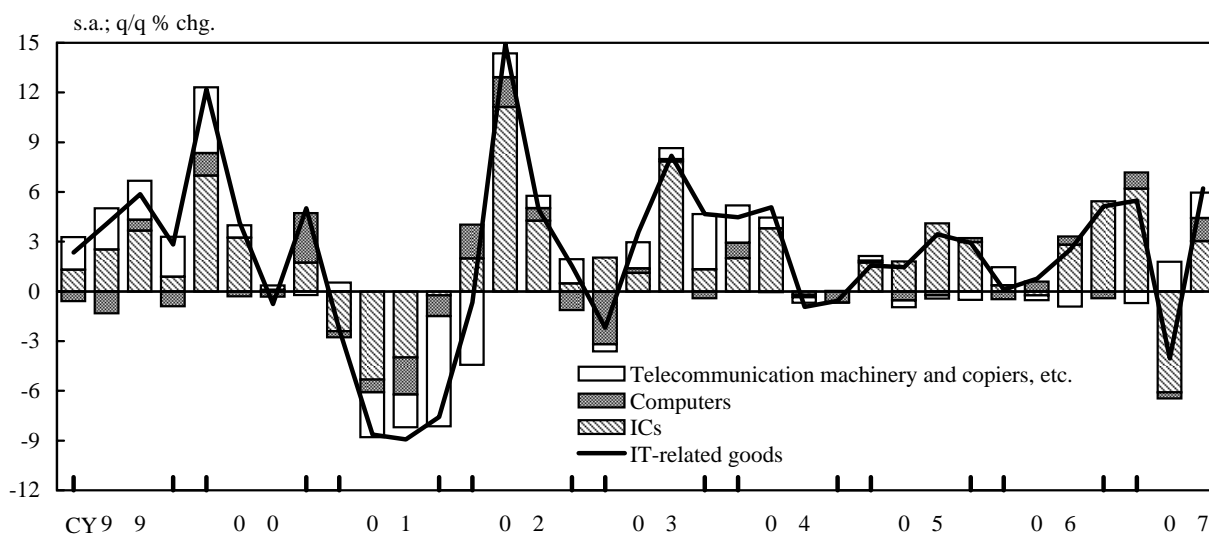


Note: Seasonally adjusted by X-12-ARIMA.

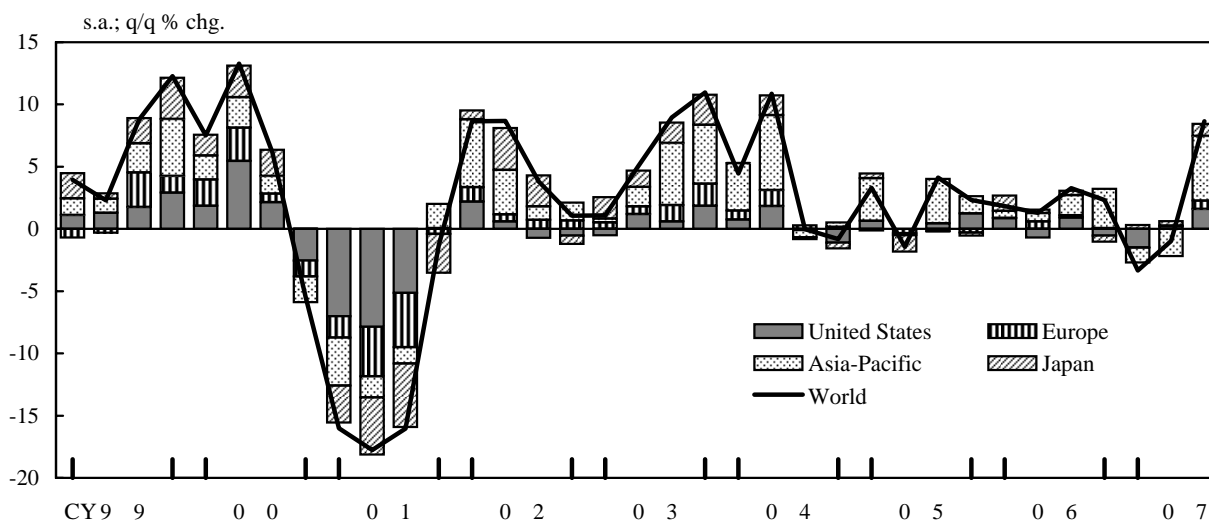
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Exports and Imports of IT-Related Goods

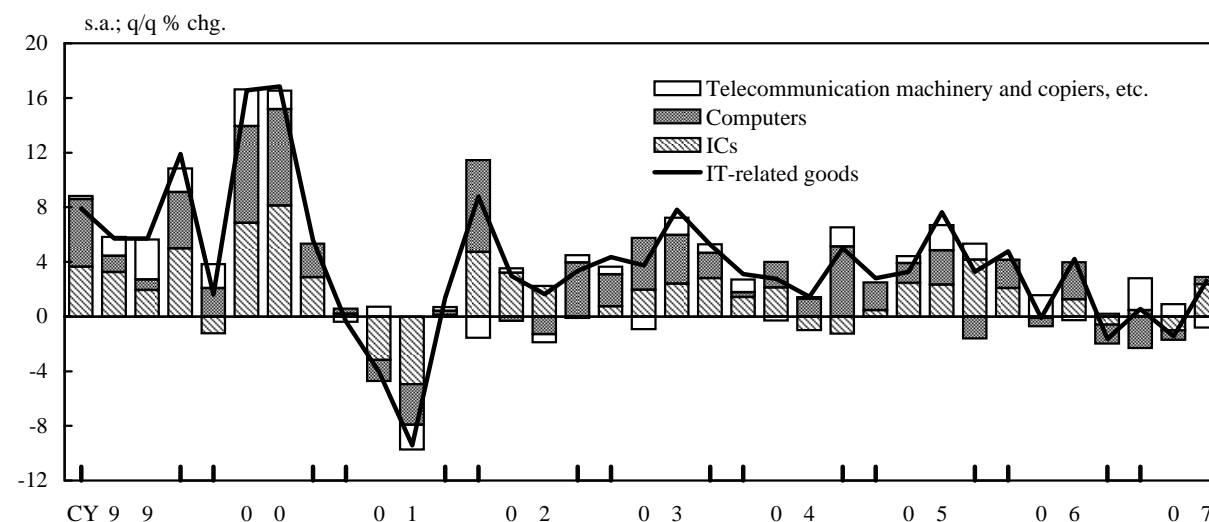
(1) Exports of IT-Related Goods (Real, Breakdown by Goods)



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



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

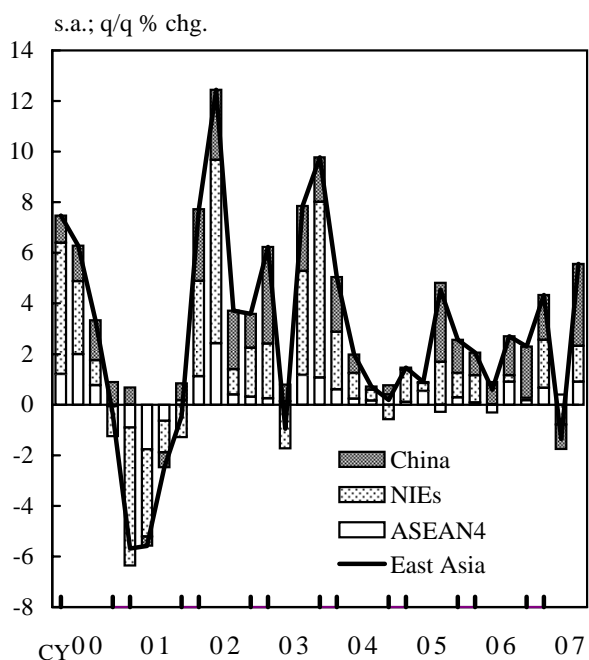


Note: Seasonally adjusted by X-12-ARIMA.

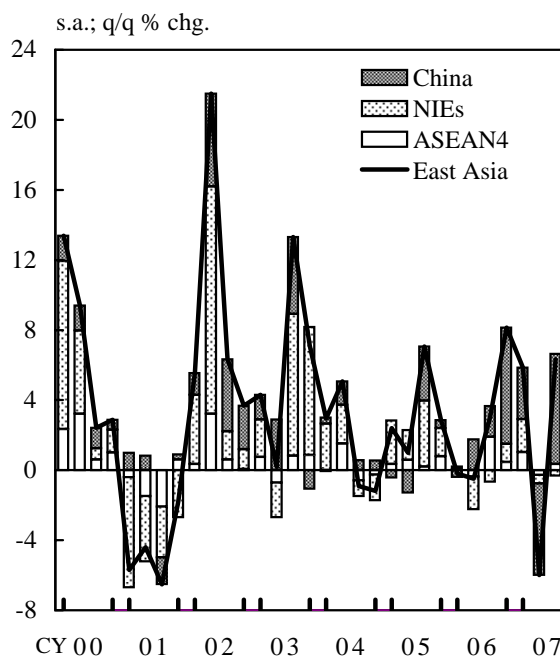
Sources: Ministry of Finance, "The Summary Report on Trade of Japan";
 Bank of Japan, "Corporate Goods Price Index"; WSTS (World Semiconductor Trade Statistics).

Real Exports to East Asia

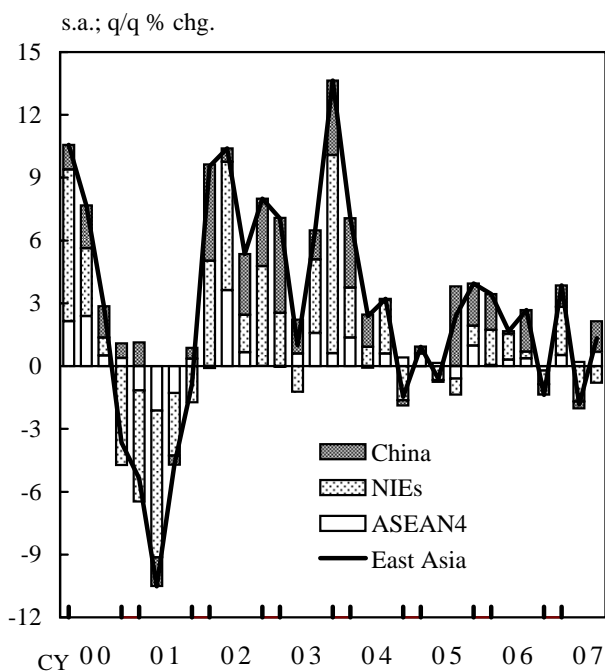
(1) All Goods (Real, Breakdown by Region)



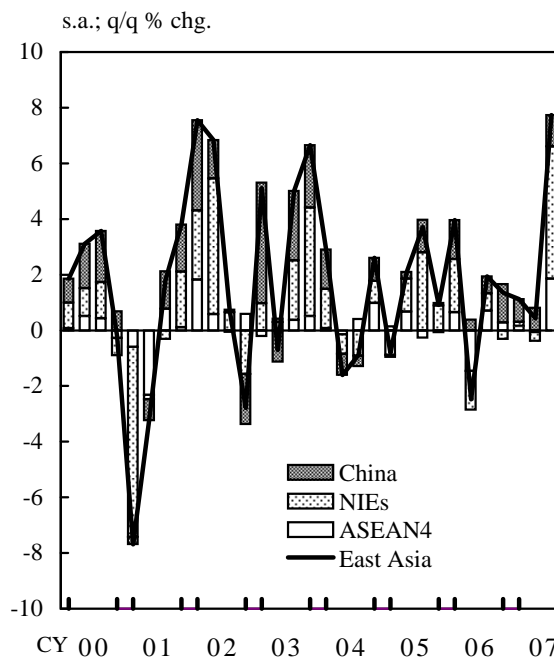
(2) IT-Related Goods (Real, Breakdown by Region)



(3) Capital Goods and Parts (Including Semiconductor Manufacturing Equipment, Real, Breakdown by Region)



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

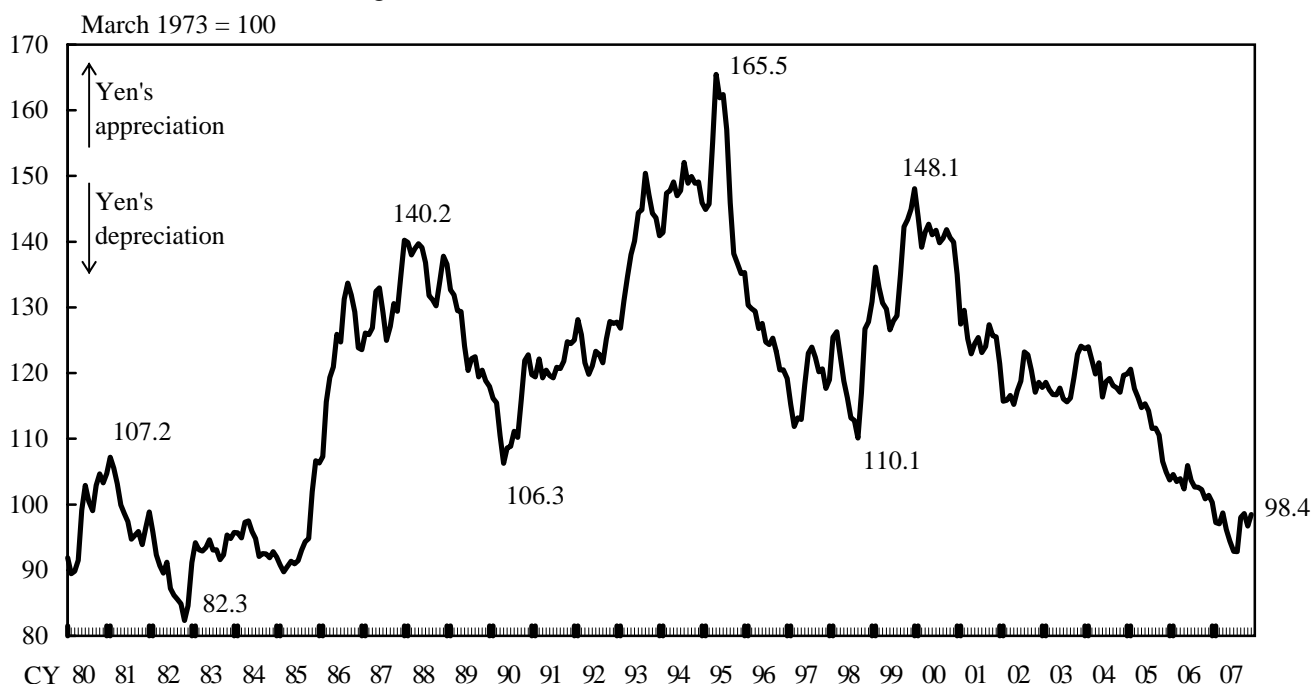


Note: Seasonally adjusted by X-12-ARIMA.

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

Real Effective Exchange Rate and Overseas Economies

(1) Real Effective Exchange Rate



Note: Calculated by the Bank of Japan. Monthly average. Figure for November 2007 is the average up to November 12.

Figures are the index of weighted average of the yen's real exchange rates versus 15 major currencies (27 countries) which are calculated from nominal exchange rates and price indexes of the respective countries.

(2) Real GDP Growth Rates in Overseas Economies

		CY2004	2005	2006	2006 Q4	2007 Q1	Q2	Q3	
United States ¹		3.6	3.1	2.9	2.1	0.6	3.8	3.9	
European Union ¹		2.3	1.9	3.1	3.4	3.2	1.9	n.a.	
	Germany	0.6	1.0	3.1	4.0	2.2	1.0	n.a.	
	France	2.3	1.7	2.2	1.6	2.3	1.2	n.a.	
	United Kingdom	3.3	1.8	2.8	3.3	3.2	3.3	3.2	
East Asia ²	China	10.1	10.4	11.1	10.4	11.1	11.9	11.5	
	NIEs	Korea	4.7	4.2	5.0	4.0	4.0	5.0	5.2
		Taiwan	6.2	4.1	4.7	4.0	4.2	5.1	n.a.
		Hong Kong	8.6	7.5	6.9	7.3	5.7	6.9	n.a.
		Singapore	8.8	6.6	7.9	6.6	6.5	8.7	9.4
	ASEAN4	Thailand	6.3	4.5	5.0	4.3	4.2	4.4	n.a.
		Indonesia	5.0	5.7	5.5	6.1	6.0	6.3	n.a.
		Malaysia	6.8	5.0	5.9	5.7	5.5	5.7	n.a.
Philippines		6.4	4.9	5.4	5.5	7.1	7.5	n.a.	

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

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

Real Imports ¹

(1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2005	2006	2006 Q3	2006 Q4	2007 Q1	2007 Q2	2007 Q3	2007 Jul.	2007 Aug.	2007 Sep.
United States	<11.7>	3.6	6.6	4.5	-2.4	-2.2	1.7	-2.3	1.5	-0.4	-0.5
EU	<10.3>	2.1	1.4	-0.4	-0.2	1.6	3.7	4.1	3.2	-1.4	-2.8
East Asia	<41.4>	11.2	9.5	2.3	1.8	0.1	-0.8	2.1	1.4	-2.2	-0.7
China	<20.5>	18.8	11.2	3.1	2.2	1.4	0.6	1.5	-0.5	-1.1	-0.5
NIEs	<9.8>	9.3	12.7	1.5	-0.2	-1.6	-4.5	3.6	1.2	1.7	-4.0
Korea	<4.7>	8.3	11.4	1.3	-1.6	-1.7	1.3	2.2	-2.1	-0.4	-7.3
Taiwan	<3.5>	11.0	16.9	4.2	2.3	-3.3	-10.3	7.9	3.0	4.5	1.4
ASEAN4 ³	<11.1>	0.2	3.4	1.5	3.1	-0.9	-0.0	1.8	5.8	-8.2	2.4
Thailand	<2.9>	12.8	7.1	0.7	2.0	1.7	-1.6	2.3	4.3	-1.5	-2.6
Others	<36.5>	1.8	2.5	-1.7	-2.3	1.4	-1.2	3.5	-0.7	0.7	-4.5
Real imports		5.4	4.4	0.6	-0.5	0.4	0.5	1.8	1.5	-2.5	-0.7

(2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.					s.a.; m/m % chg.		
		CY 2005	2006	2006 Q3	2006 Q4	2007 Q1	2007 Q2	2007 Q3	2007 Jul.	2007 Aug.	2007 Sep.
Raw materials ⁴	<34.7>	-3.9	1.0	-2.2	-2.0	1.0	-0.5	3.5	0.5	-2.5	-0.1
Intermediate goods	<14.0>	4.6	2.3	-0.4	-1.4	0.4	1.9	3.7	0.1	0.4	-1.4
Foodstuffs	<8.5>	2.6	-3.3	-2.3	1.7	0.5	-4.4	-0.8	-4.3	5.4	-5.7
Consumer goods ⁵	<8.8>	8.6	2.6	0.1	1.9	-5.1	5.5	-0.1	1.9	-0.3	-3.9
IT-related goods ⁶	<12.0>	15.4	14.1	4.2	-1.6	0.6	-1.4	2.6	4.5	0.9	-6.5
Capital goods and parts ⁷	<12.4>	13.6	16.9	4.9	1.3	1.8	1.7	2.9	5.3	-5.5	5.3
Excluding aircraft	<11.5>	13.7	18.0	2.9	1.8	0.4	3.1	4.4	6.1	-2.5	-0.8
Real imports		5.4	4.4	0.6	-0.5	0.4	0.5	1.8	1.5	-2.5	-0.7

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

2. Shares of each region and goods in 2006 are shown in angle brackets.

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

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

5. Excludes foodstuffs.

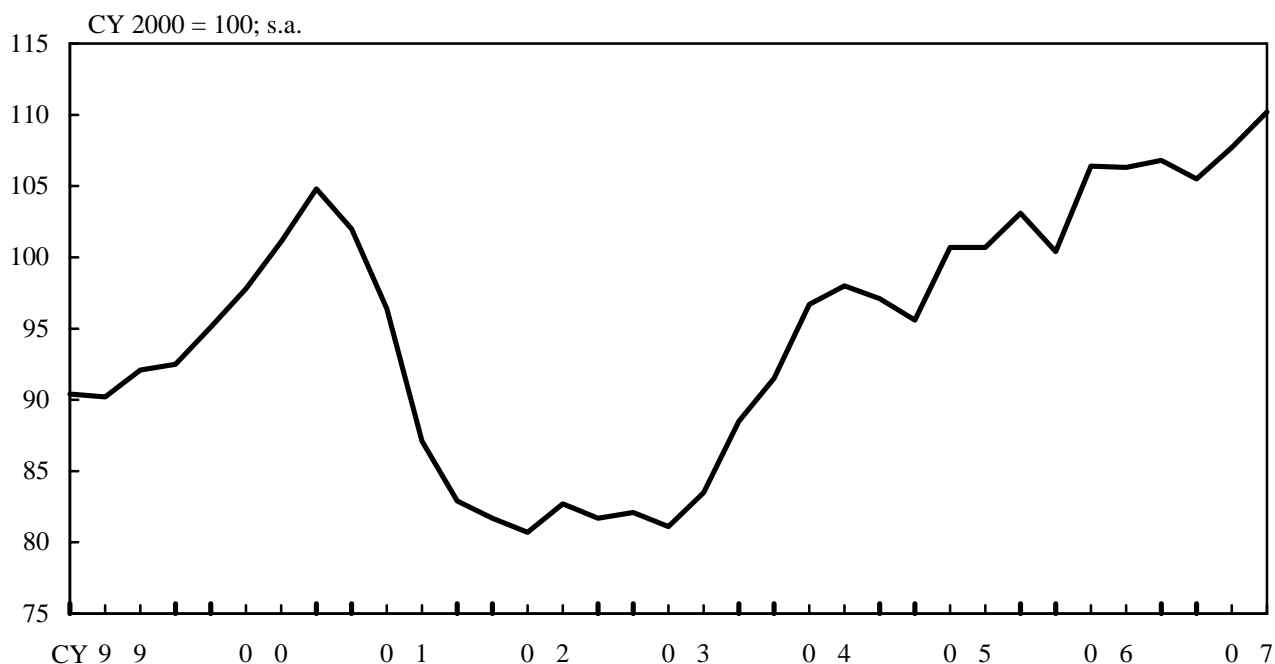
6. IT-related goods are composed of computers and units, parts of computer, telecommunication machinery, ICs, and medical and optical instruments.

7. Excludes IT-related goods.

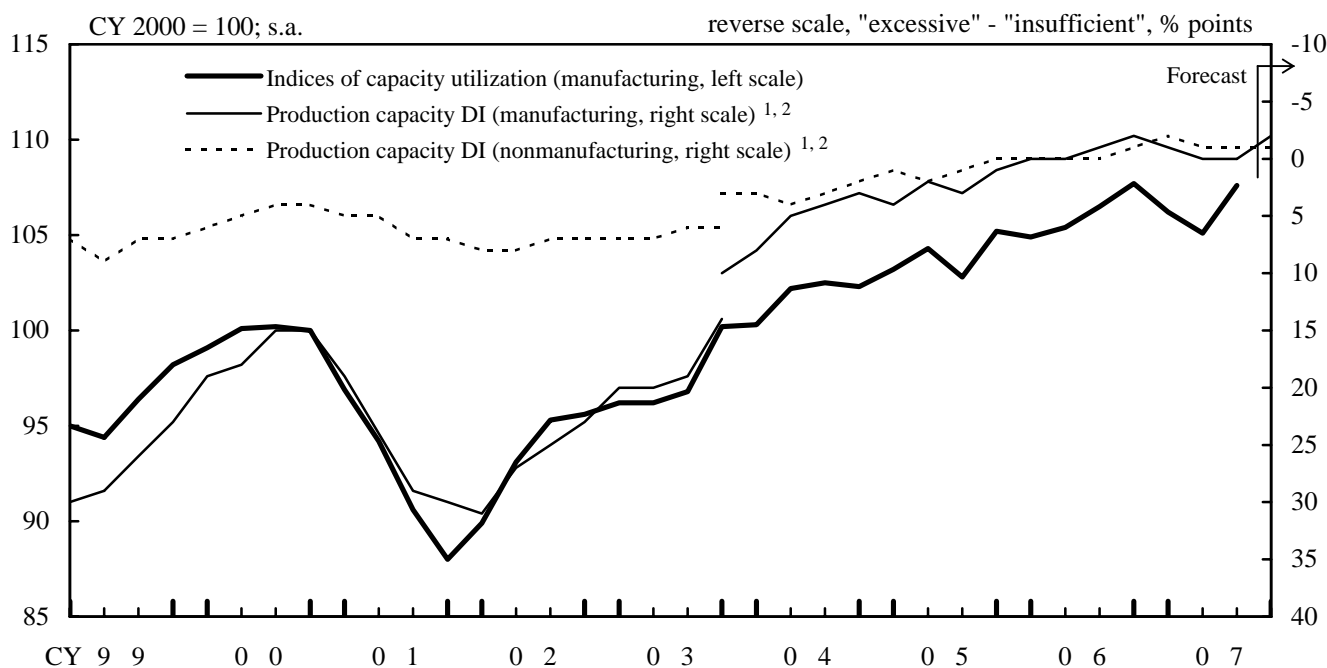
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Coincident Indicators for Business Fixed Investment

(1) Shipments of Capital Goods (Excluding Transport Equipment)



(2) Indices of Capacity Utilization and Production Capacity DI



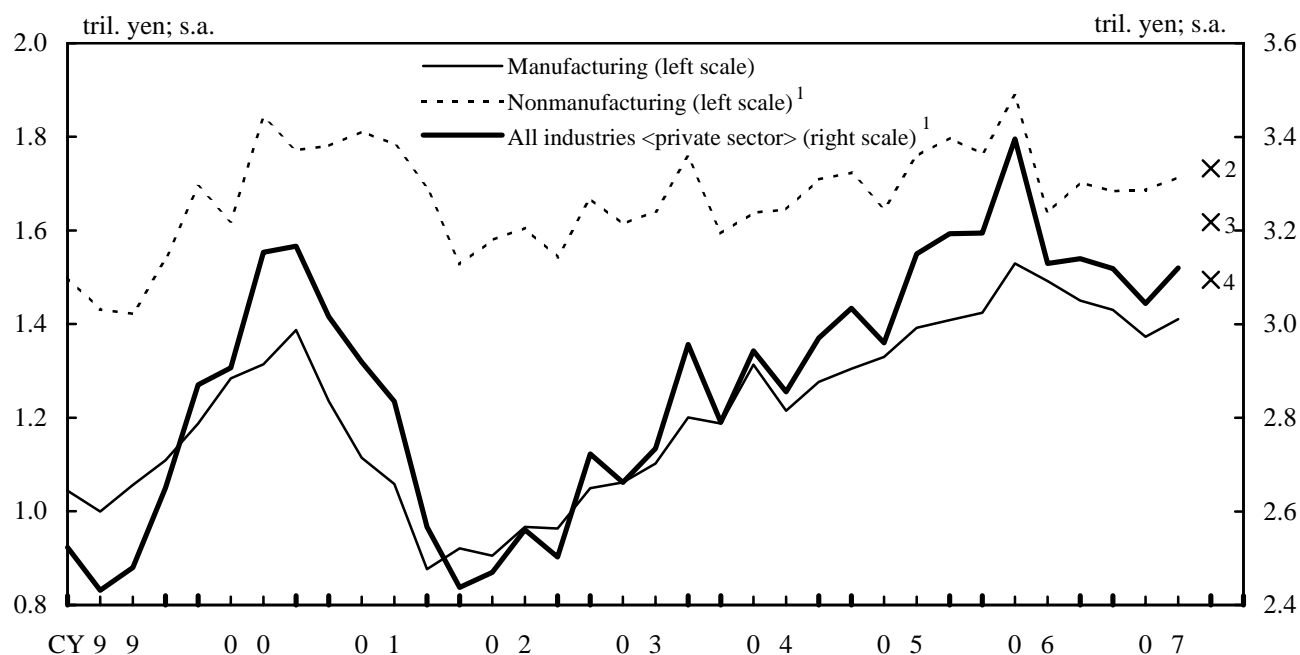
Notes: 1. Production capacity DIs are those of all enterprises.

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.

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



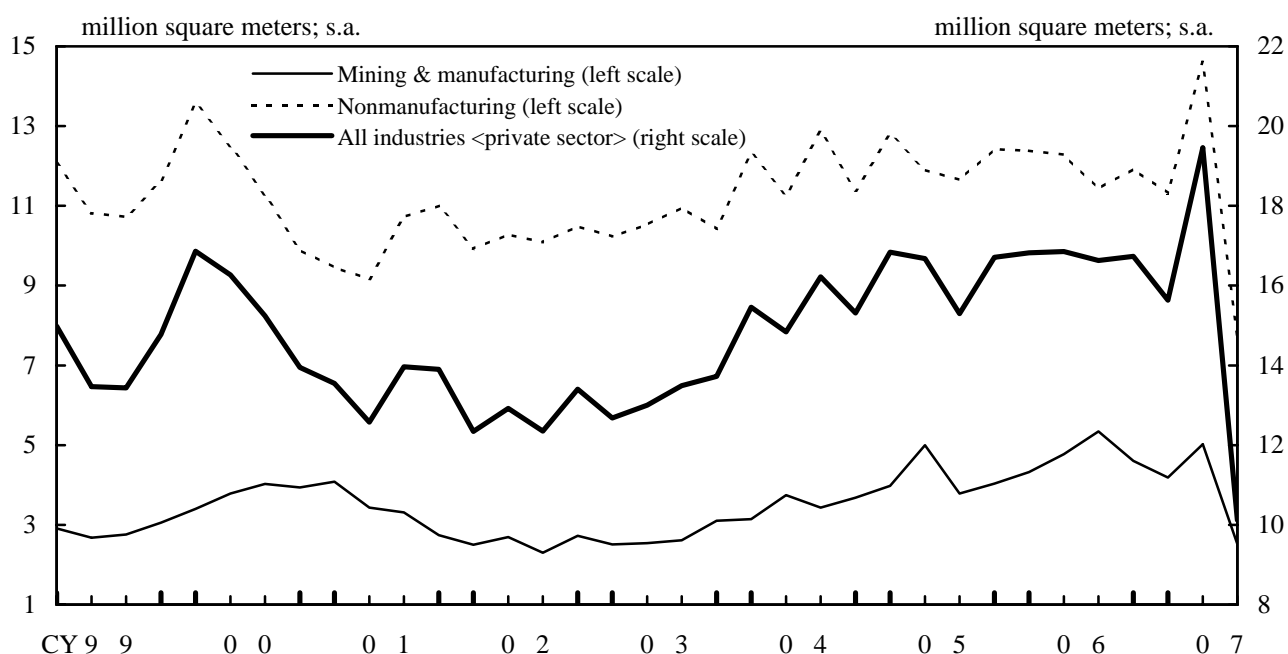
Notes: 1. Excludes orders of shipbuilding and orders from electric power companies.

2. Forecast of nonmanufacturing industries for 2007/Q4.

3. Forecast of all industries <private sector> for 2007/Q4.

4. Forecast of manufacturing industries for 2007/Q4.

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



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

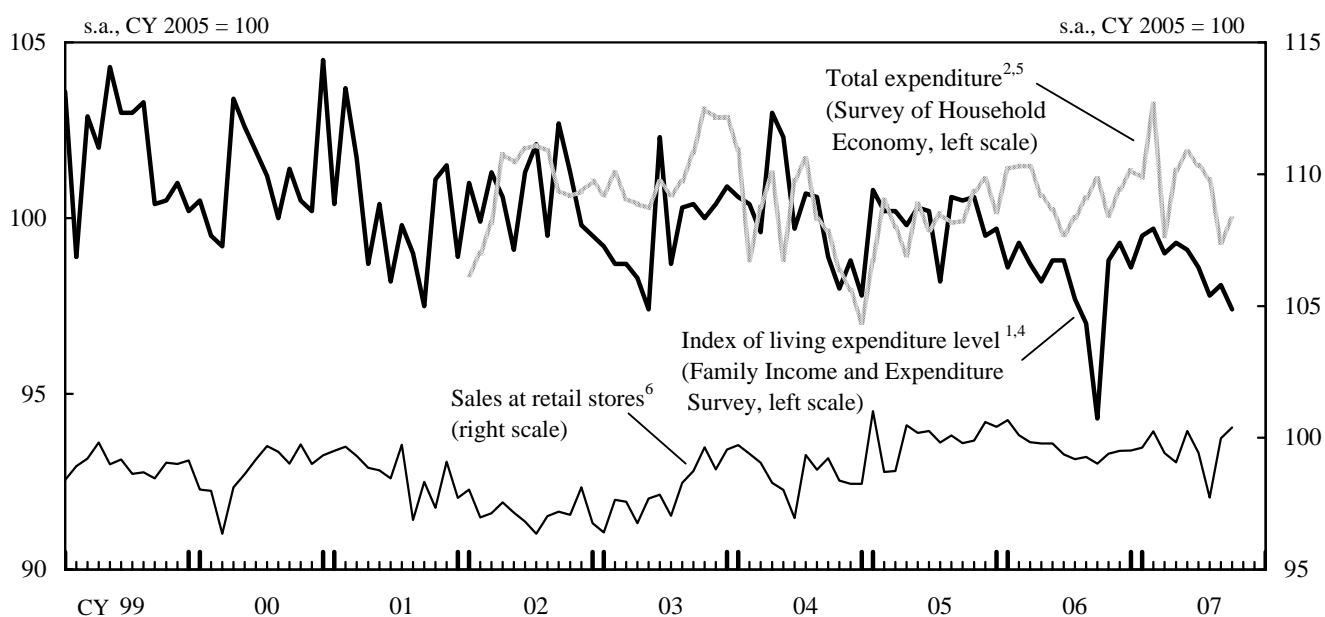
2. Because the Standard Industrial Classification for Japan was revised in March 2002, the industry classification for newspaper publishing and publishing business was changed from mining and manufacturing to nonmanufacturing. Accordingly, the data up to FY 2002 were adjusted by using a link coefficient.

Sources: Cabinet Office, "Orders Received for Machinery";

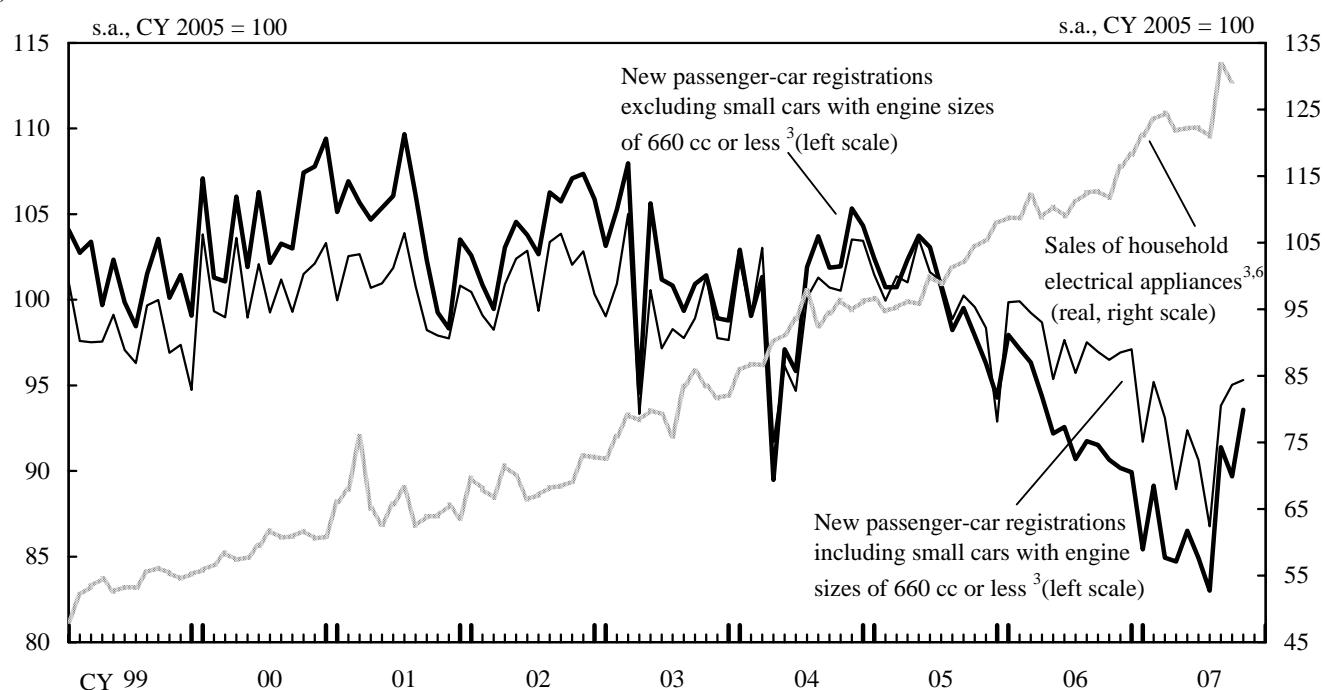
Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts."

Indicators for Private Consumption (1)

(1) Household Spending (Real)



(2) Sales of Durable Goods



Notes: 1. Index of living expenditure level is seasonally adjusted by the Ministry of Internal Affairs and Communications.

2. Total expenditure is seasonally adjusted by X-11.

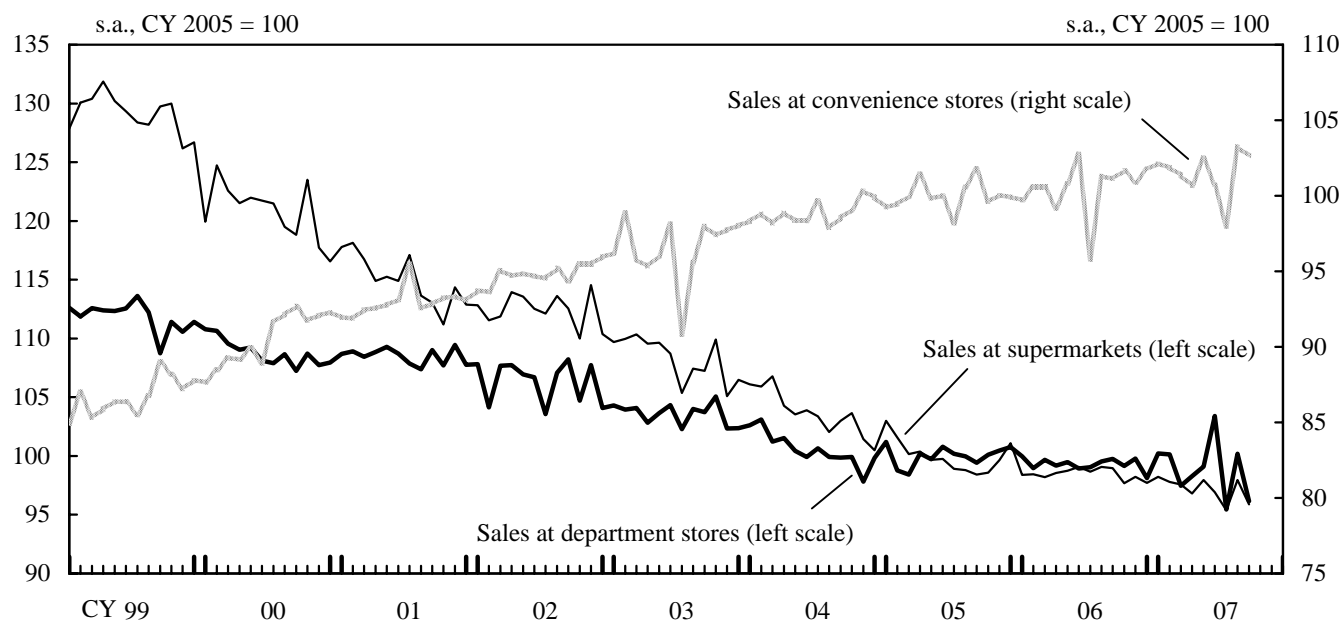
3. All the other indicators are seasonally adjusted by X-12-ARIMA.

4. Index of living expenditure level is based on two-or-more-person households excluding agricultural, forestry, and fisheries households.

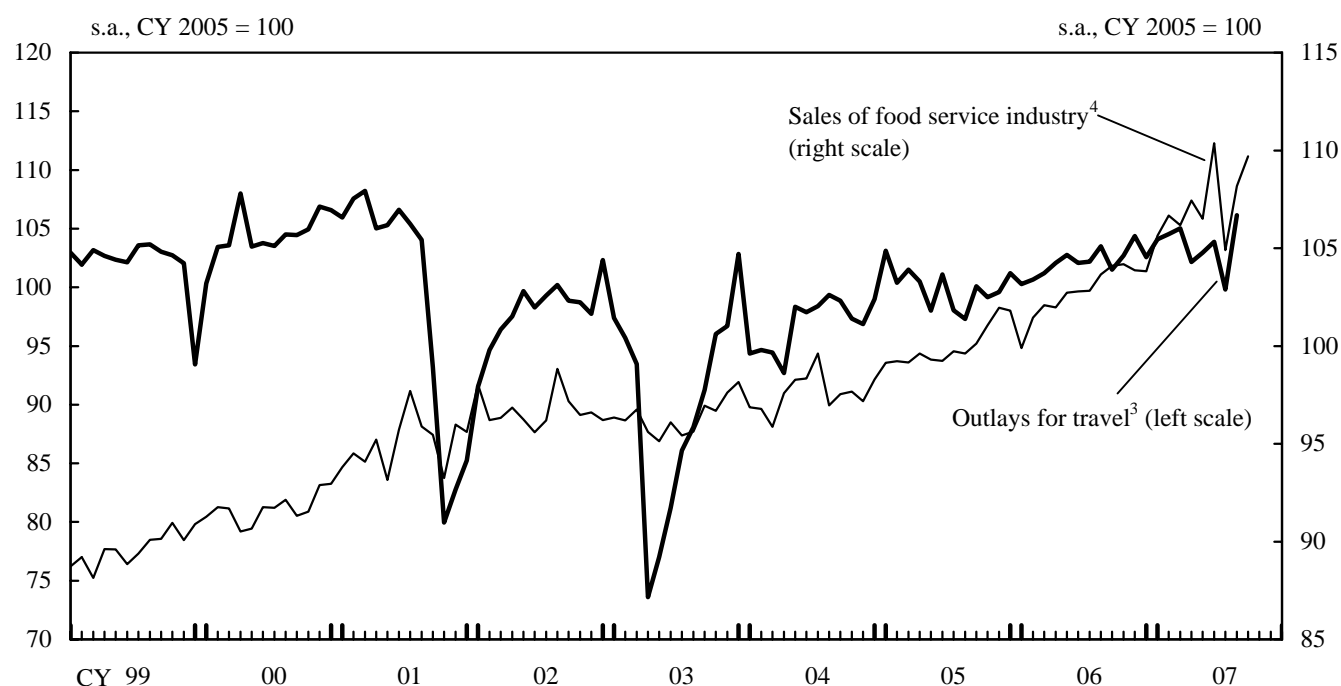
5. Total expenditure is based on two-or-more-person households, and is deflated by the consumer price index excluding imputed rent.

6. 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 and the corporate goods price index for personal computers before 1999 and PC printers before 2002).

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

Indicators for Private Consumption¹ (2)(3) Sales at Retail Stores (Nominal)²

(4) Consumption of Services (Nominal)



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

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

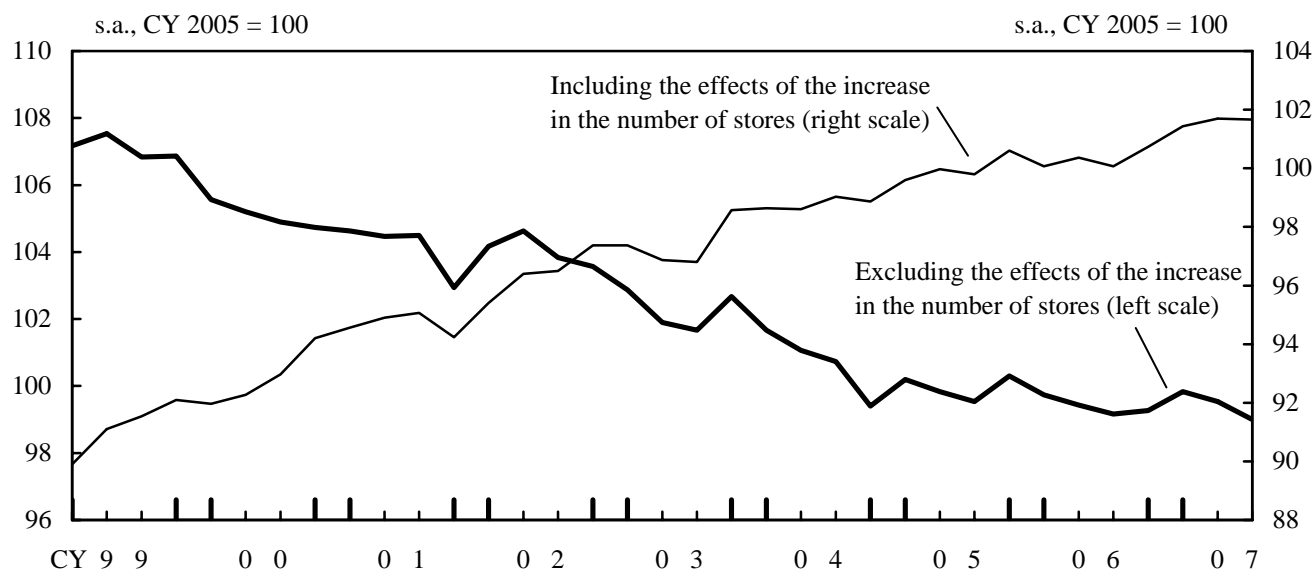
3. As for "outlays for travel", there is a discontinuity in the underlying data as of April 2007 due to changes in the sample. Data from April 2007 and onward are calculated using the year-on-year rate of changes on the new basis.

4. 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)."

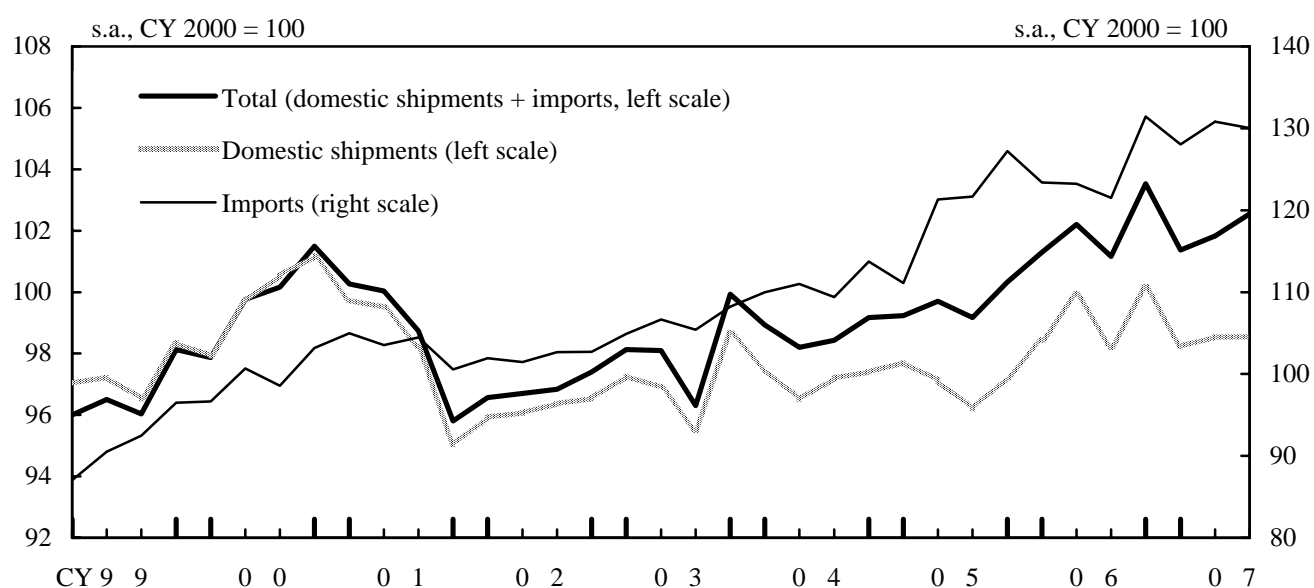
Indicators for Private Consumption (3)

(1) Indices of Aggregated Sales (Real)



- Notes: 1. The 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.

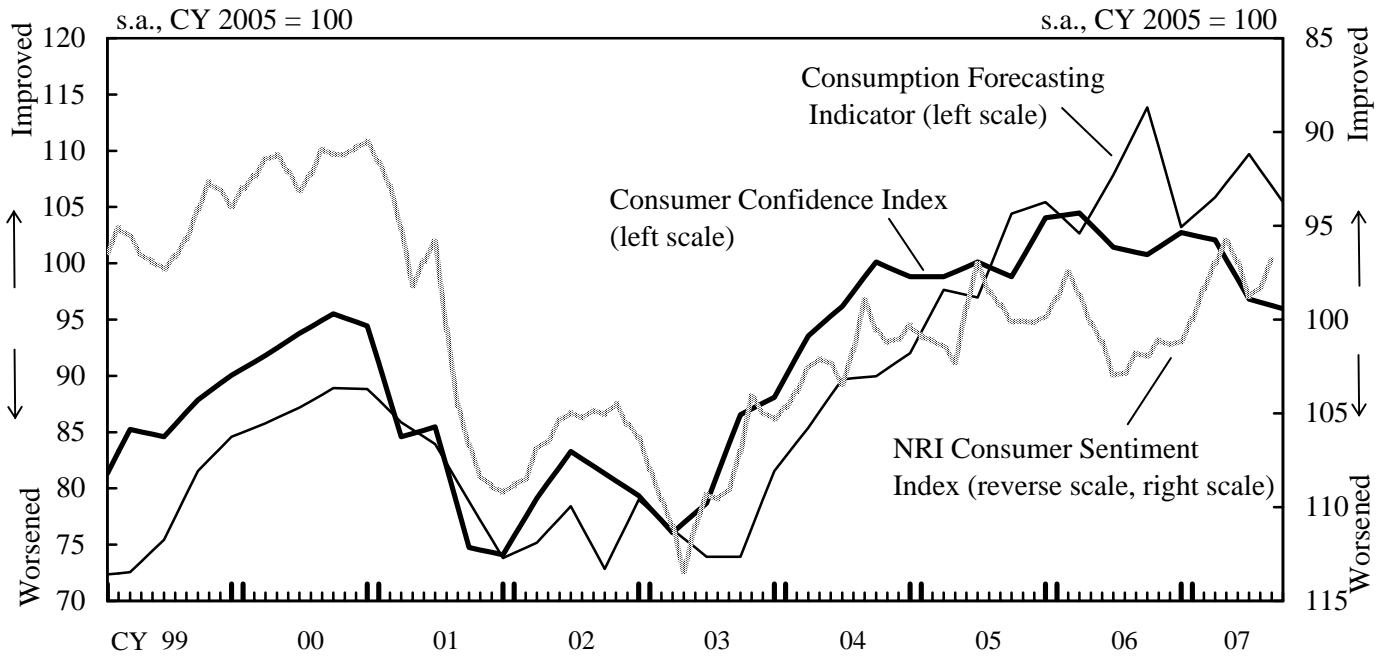
(2) Aggregate Supply of Consumer Goods



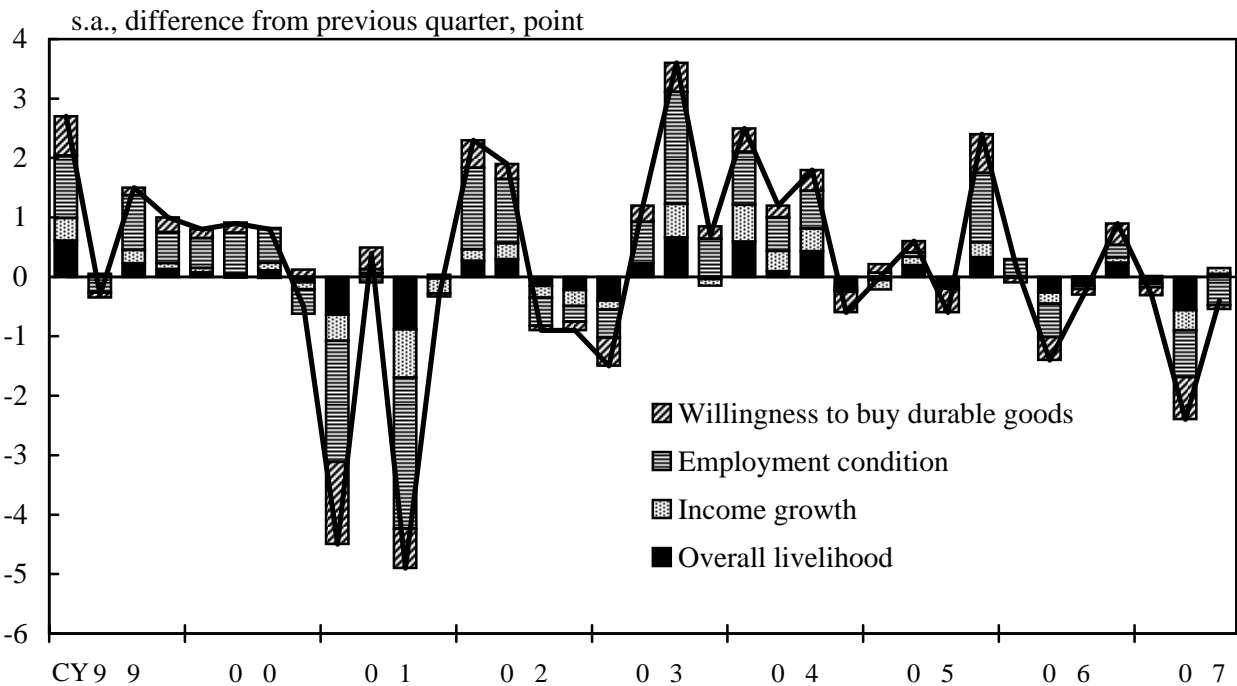
Sources: Bank of Japan, "Indices of Aggregated Sales";
Ministry of Economy, Trade and Industry, "Indices of Industrial Domestic Shipments and Imports."

Consumer Confidence

(1) Surveys on Consumer Confidence



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



Notes: 1. Seasonally adjusted by X-11. The Consumer Confidence Index is seasonally adjusted by the Cabinet Office. The Consumption Forecasting Indicator is seasonally adjusted using quarterly figures because the survey was quarterly until 2004.

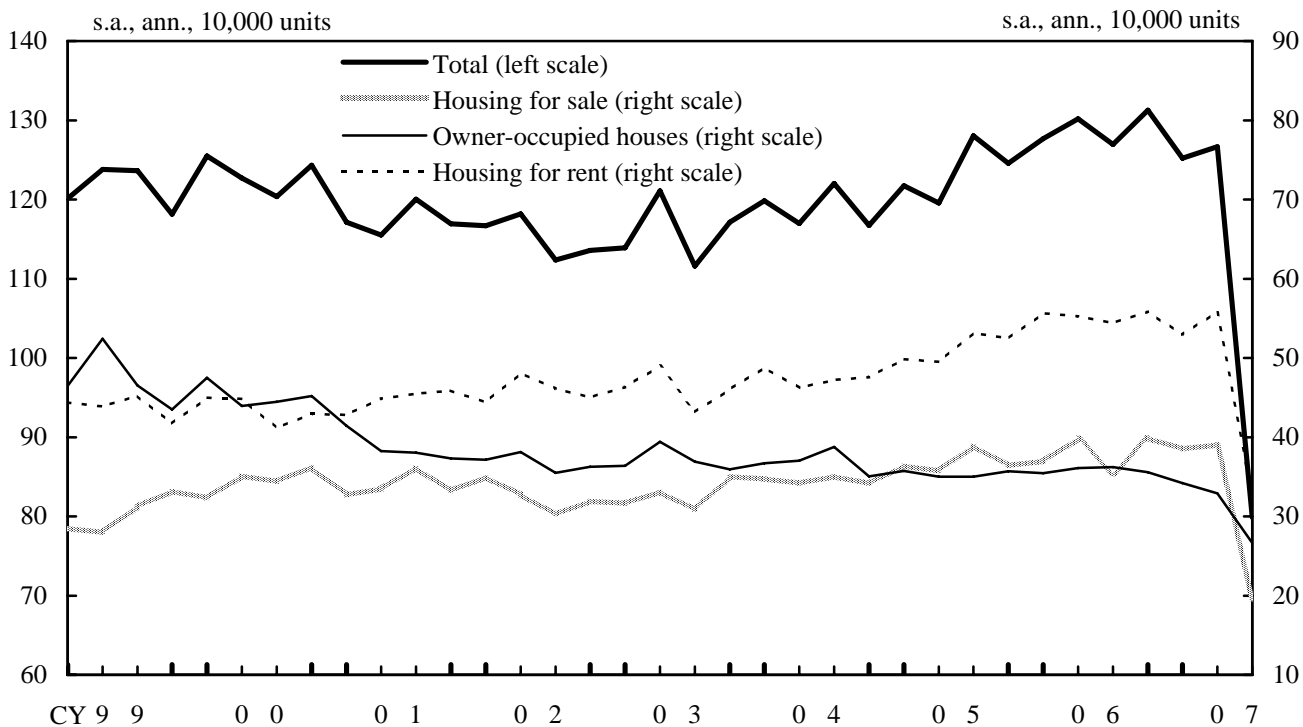
2. The Consumer Confidence Index (with about 5,000 samples on a nationwide basis), Consumption Forecasting Indicator (with 600 samples in the metropolitan area), and NRI Consumer Sentiment Index (with 1,200 samples on a nationwide basis) are based on surveys on consumer confidence.

3. Data are plotted at the months of each survey.

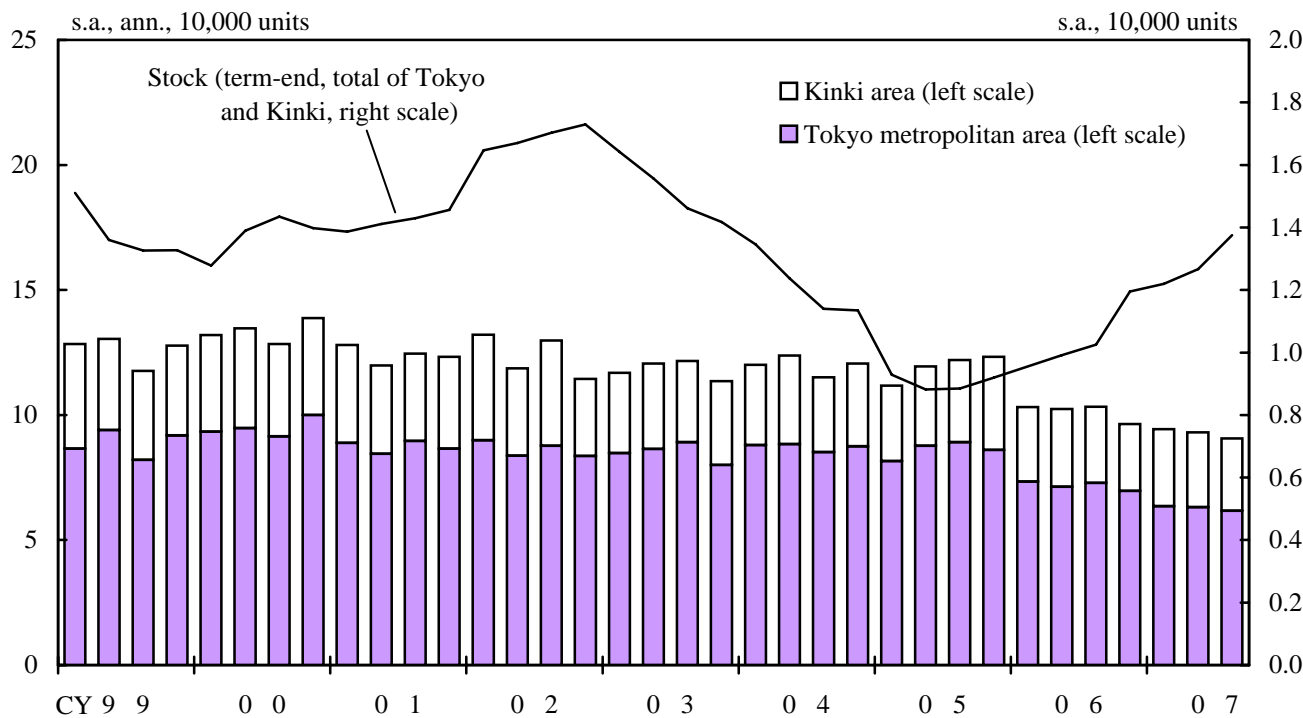
Sources: Cabinet Office, "Consumer Confidence Survey"; Nikkei inc., "Consumption Forecasting Indicator"; Nippon Research Institute (NRI), "Consumer Sentiment Survey."

Indicators for Housing Investment

(1) Housing Starts



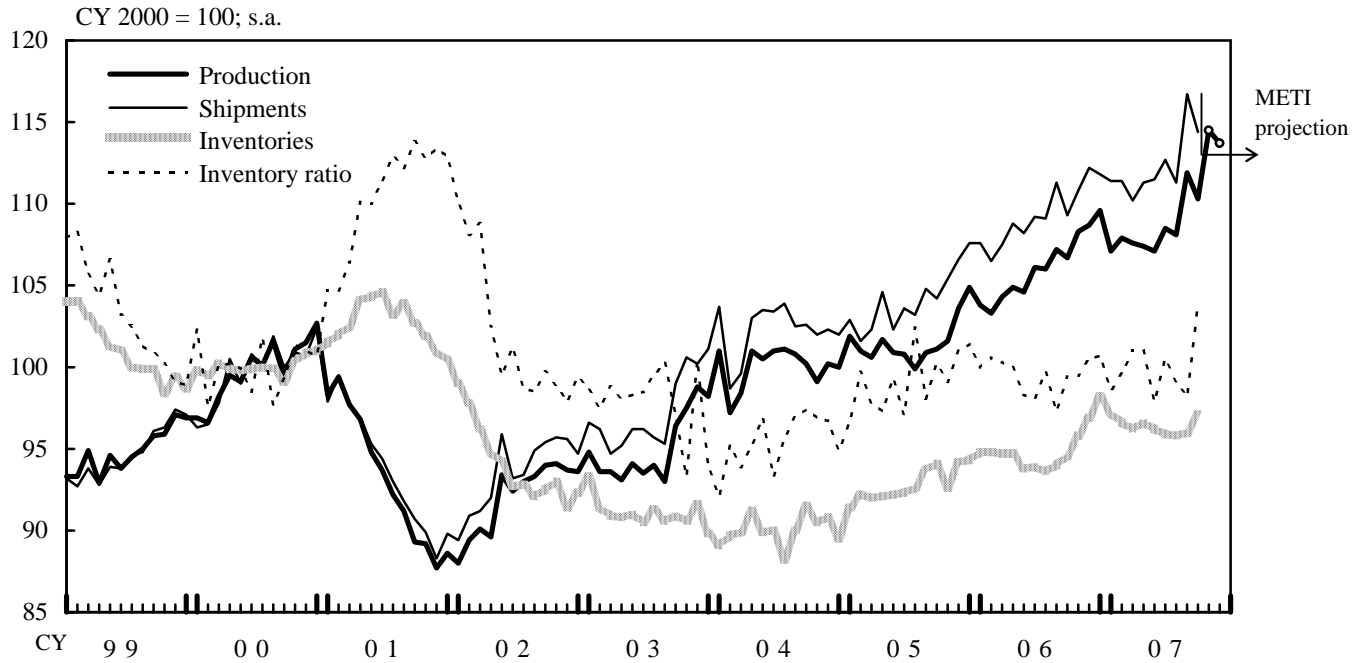
(2) Sales of Apartments



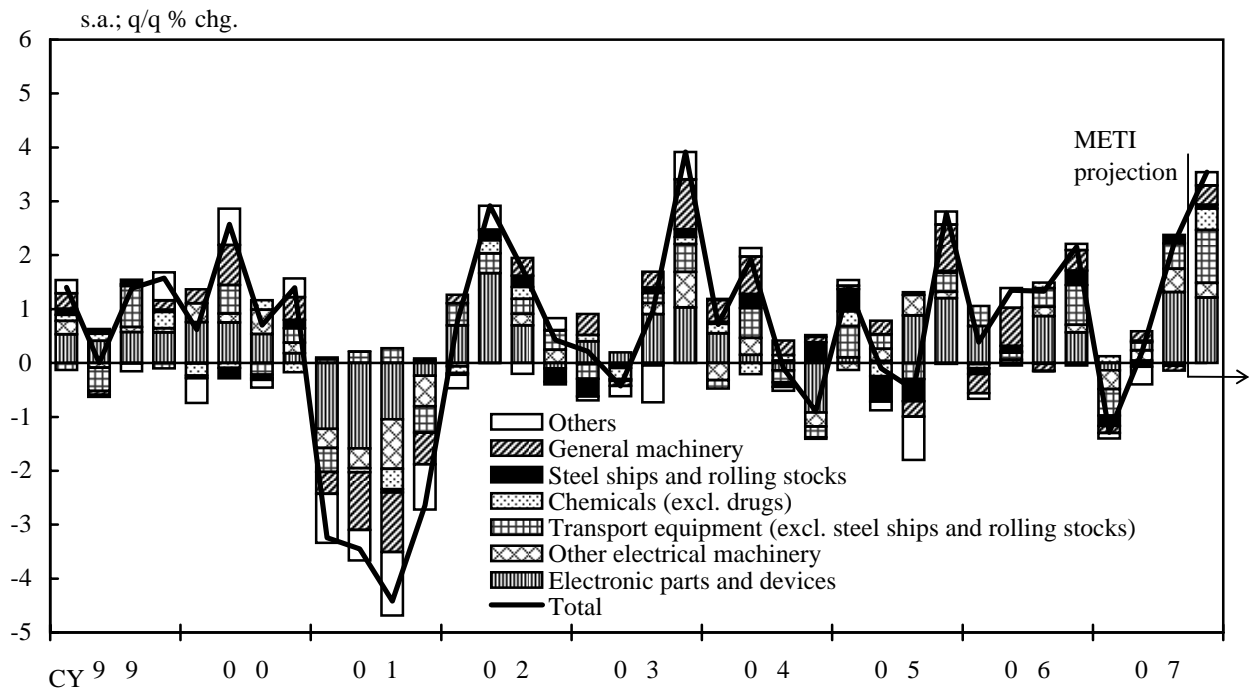
Note: Seasonally adjusted by X-12-ARIMA.

Production, Shipments and Inventories

(1) Production, Shipments and Inventories



(2) Production by Industries

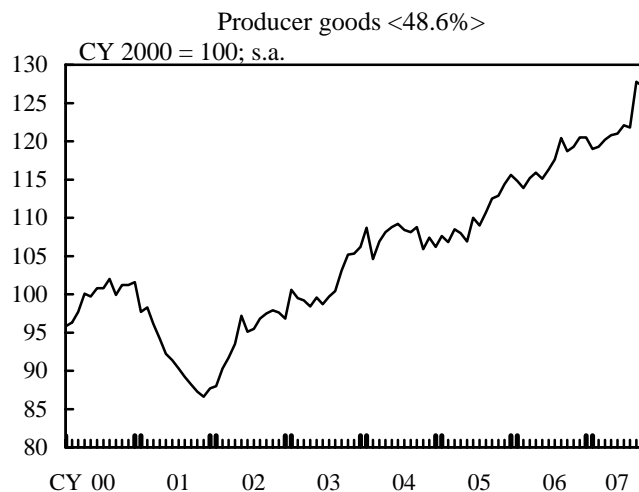
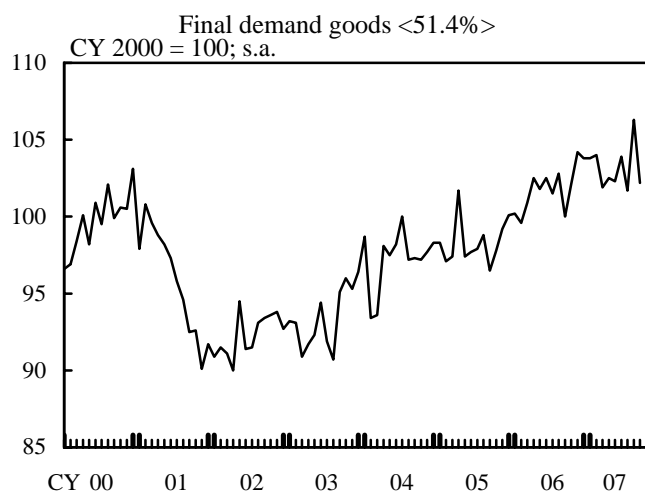


- Notes: 1. "Other electrical machinery" is the weighted sum of "electrical machinery" and "information and communication electronics equipment."
 2. 2007/Q4 figures are based on the assumption that production level in December is the same as that of November.

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

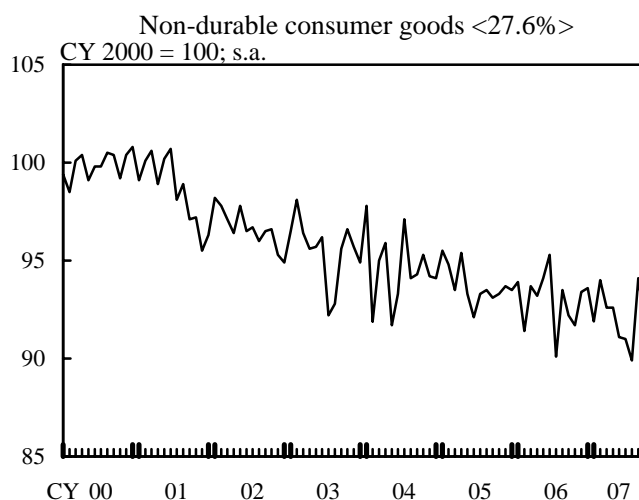
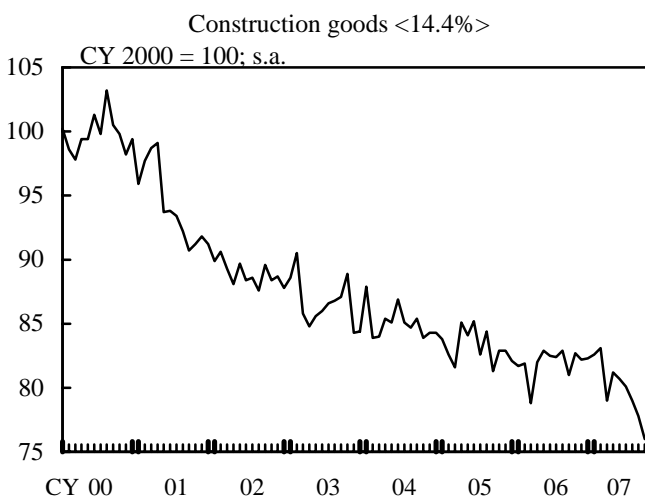
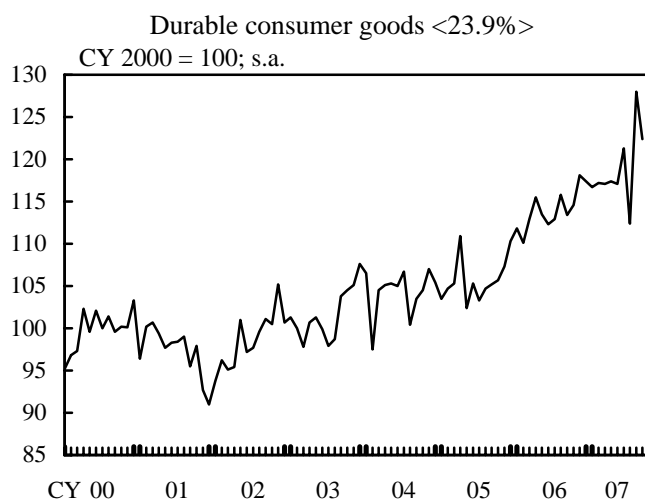
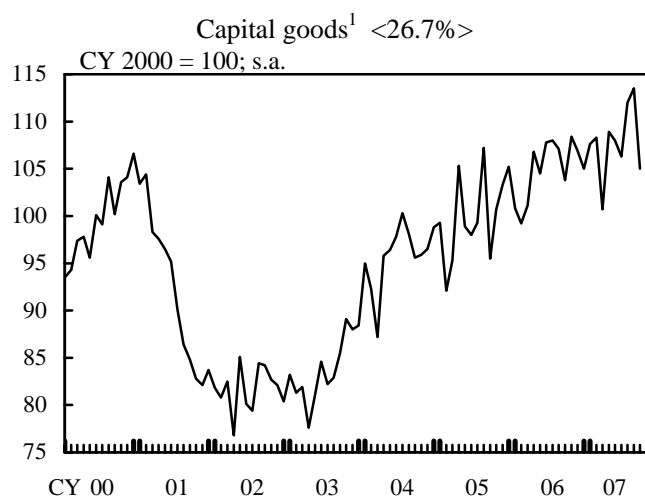
Shipments Breakdown by Type of Goods

(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



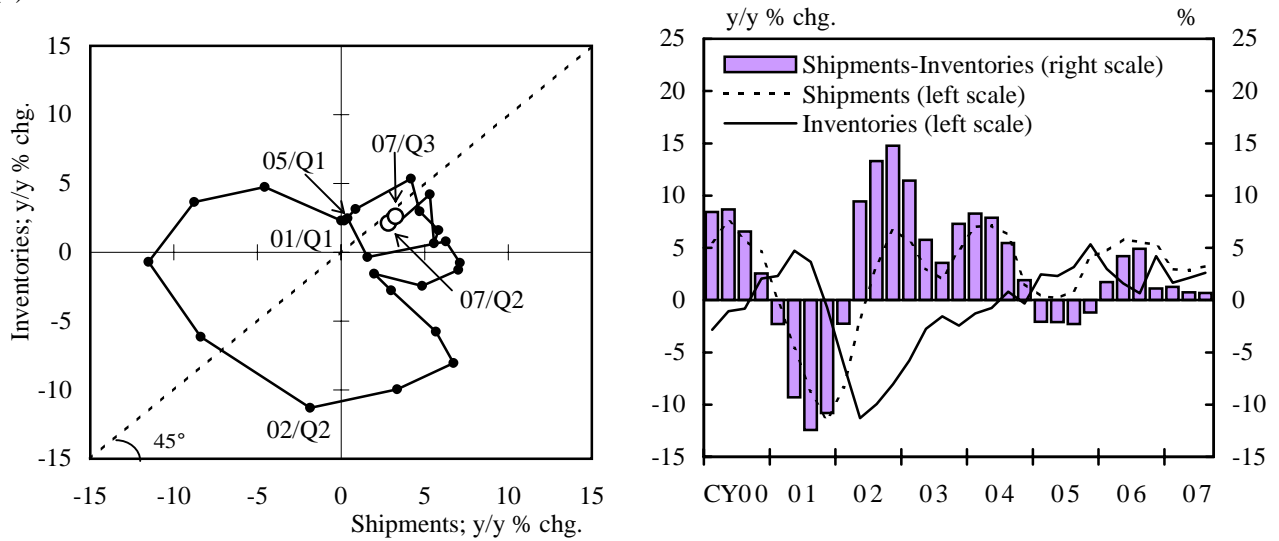
Notes: 1. Excluding transport equipment.

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

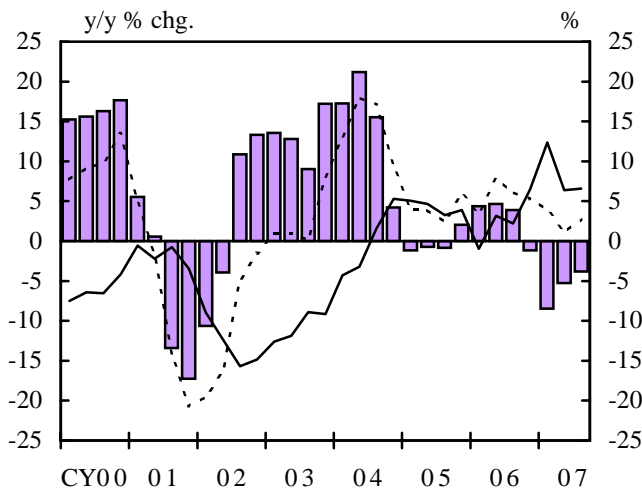
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Inventory Cycle

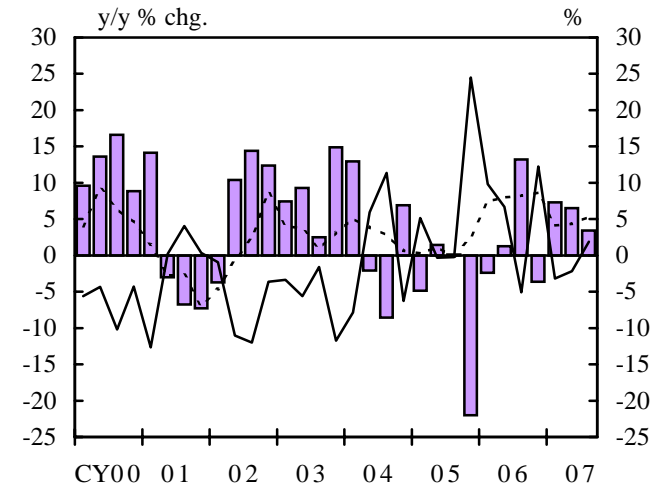
(1) Total



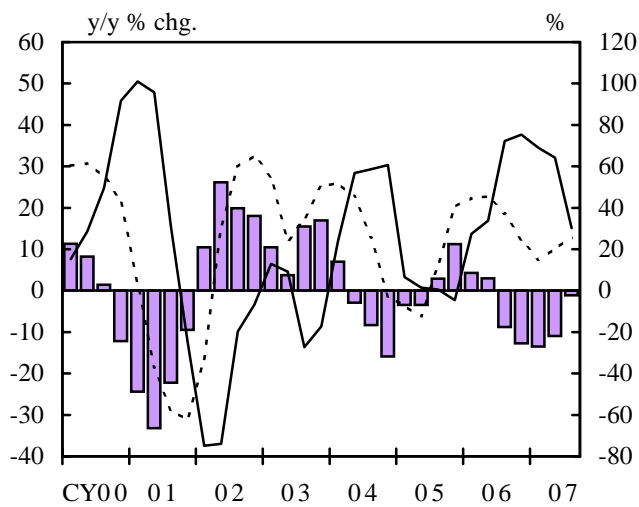
(2) Capital Goods (Excluding Transport Equipment)



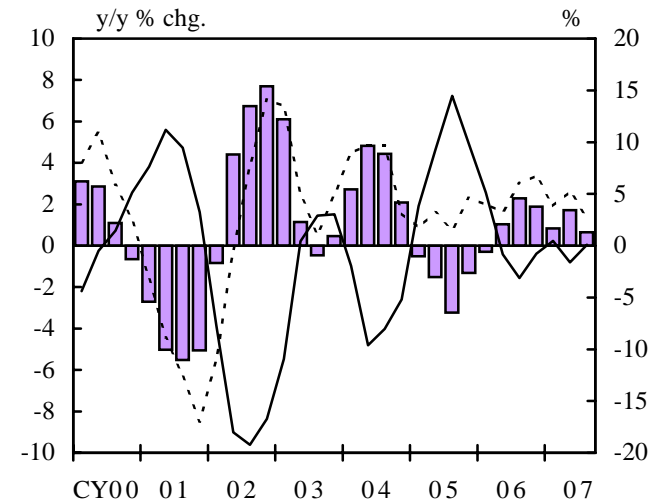
(3) Durable Consumer Goods



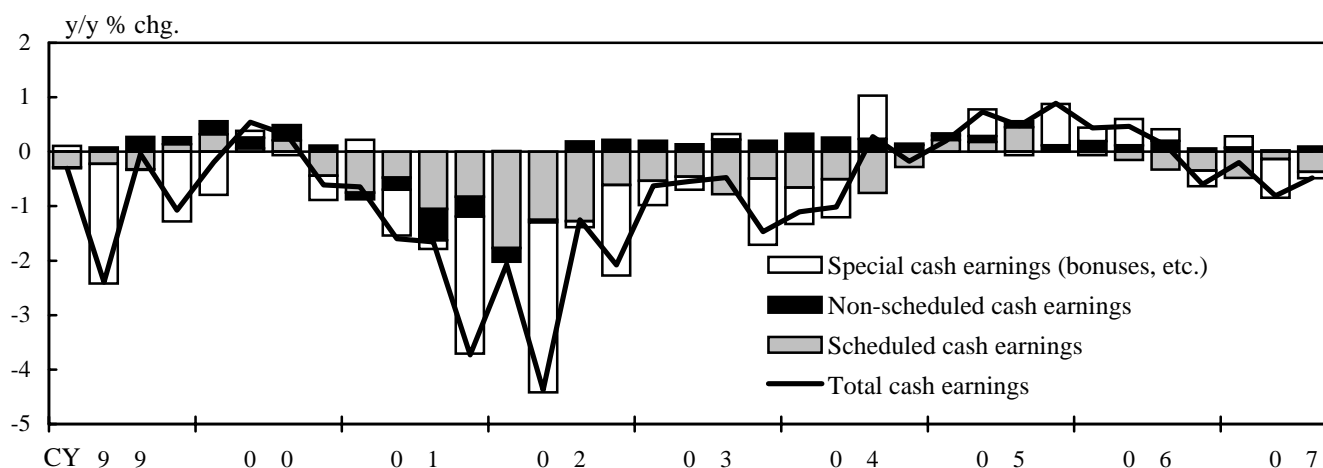
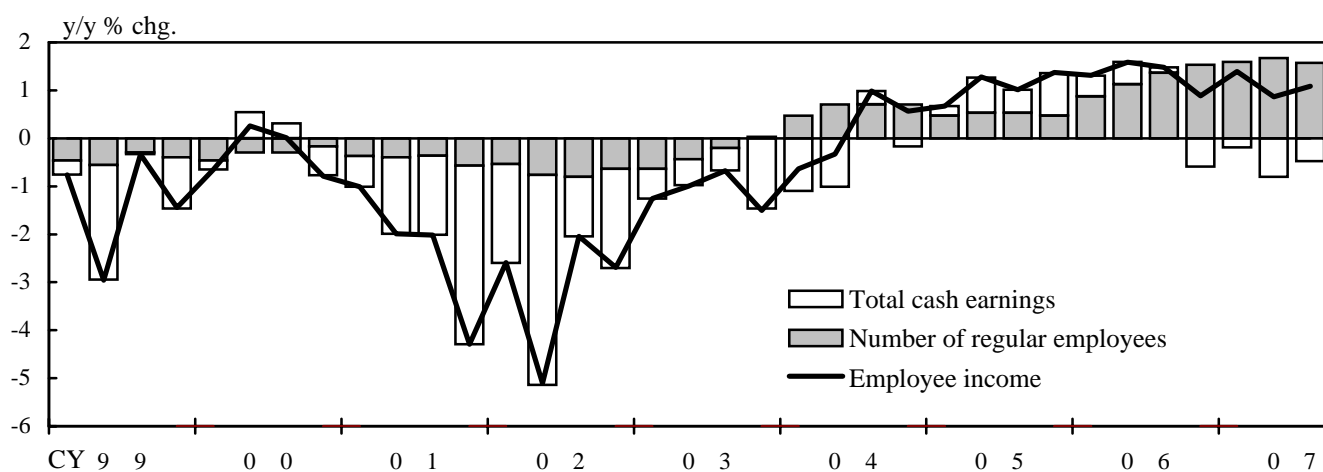
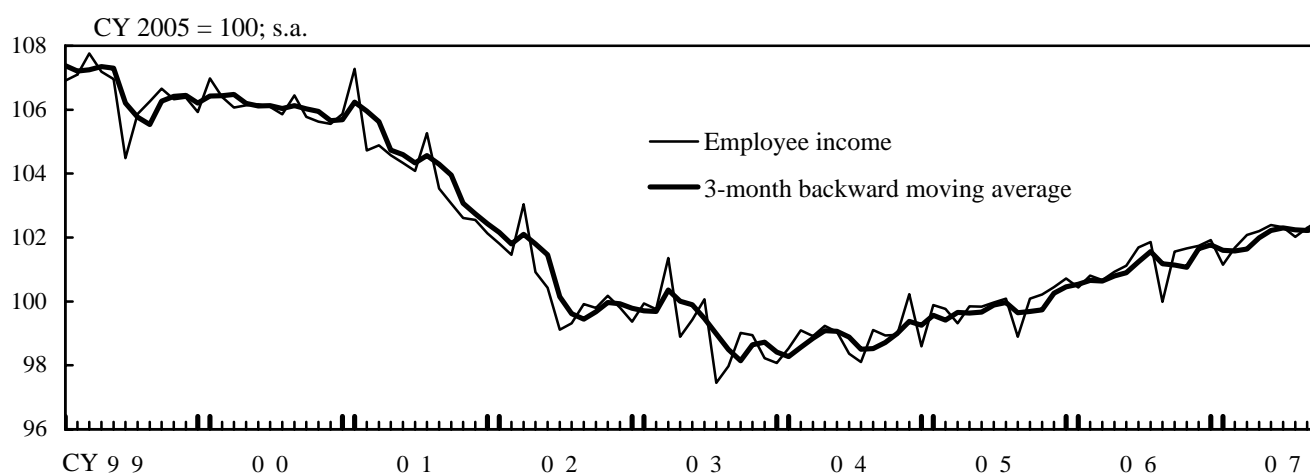
(4) Electronic Parts and Devices



(5) Producer Goods Excluding Electronic Parts and Devices



Employee Income

(1) Breakdown of Total Cash Earnings^{1,2,5}(2) Breakdown of Employee Income^{1,2,5}(3) Employee Income^{1,3,4}

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. 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.

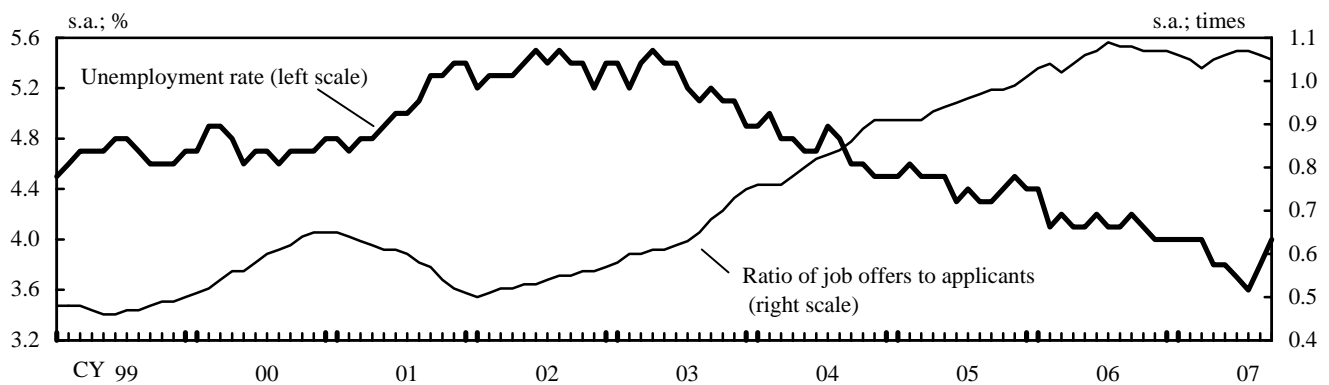
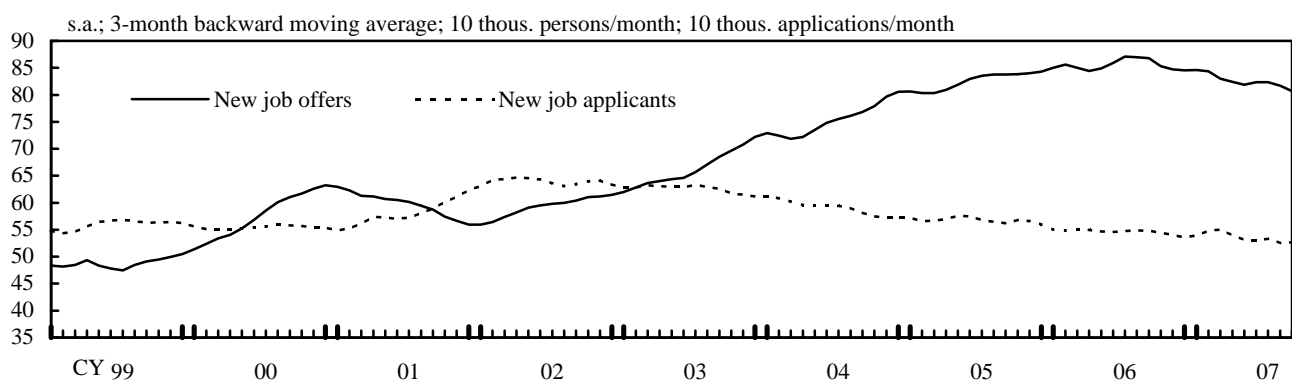
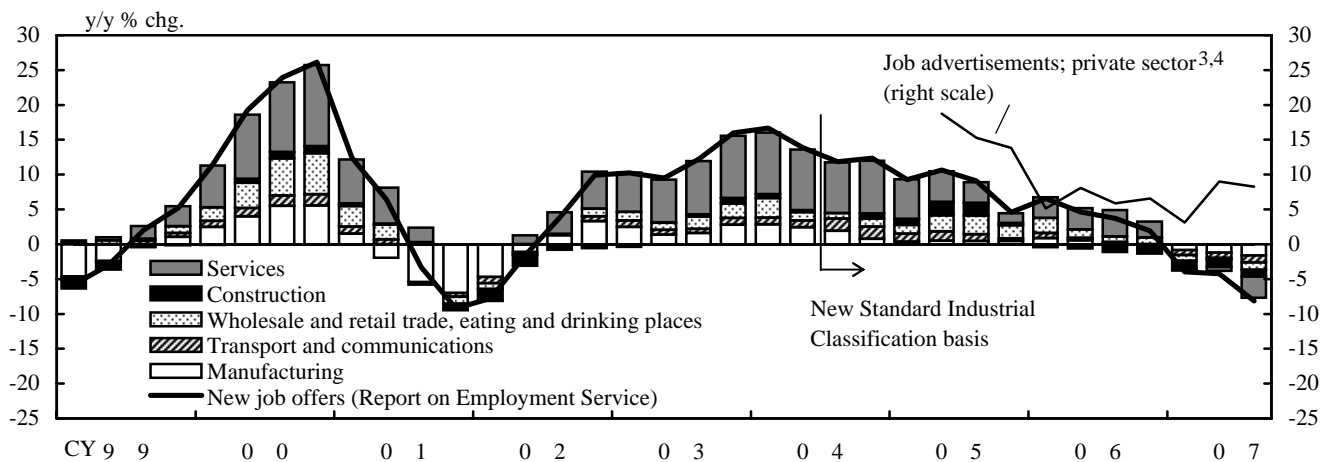
4. Figures are seasonally adjusted by X-12-ARIMA on a monthly basis, and so those are retroactively revised each month.

5. Figures for 2007/Q3 are those of September.

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

Labor Market (1)

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

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

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

2. Figures up to 2004/Q2 are based on the previous Standard Industrial Classification. Figures from 2004/Q3 are based on 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 are the sum of job advertisements listed in free/paid job information magazines, newspaper inserts and job information websites provided by member companies of the Association.

4. The number of job advertisements for 2005/Q2-2006/Q1, 2006/Q2-2007/Q1 and 2007/Q2-2007/Q3 is the aggregated figures based on 45, 64 and 67 companies, respectively.

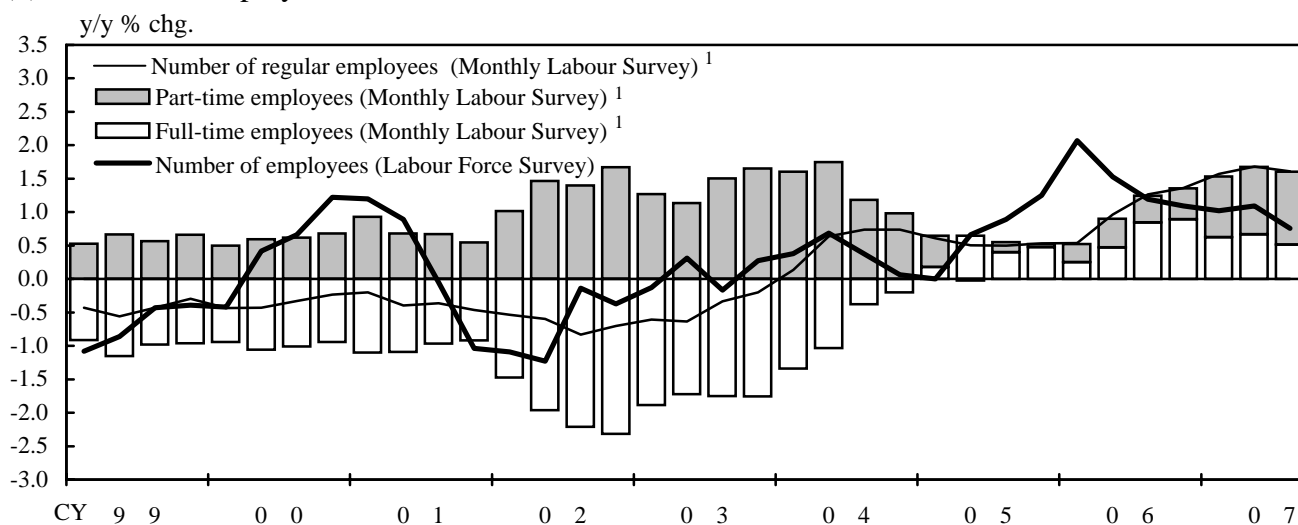
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service";

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

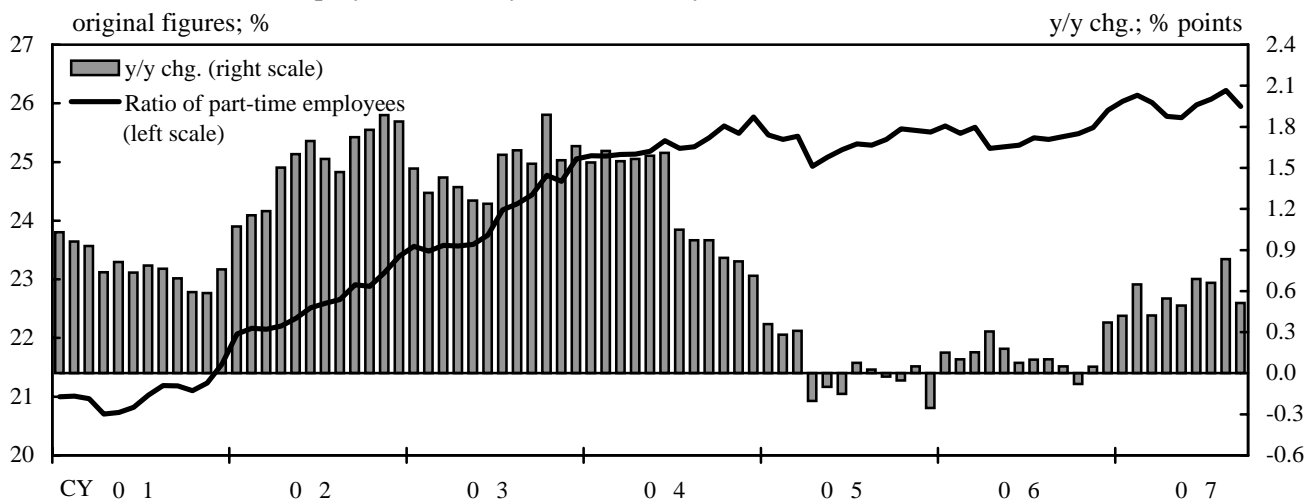
Association of Job Information of Japan, "Kyujin Koukoku Keisaikensu (Survey of Job Advertisements)."

Labor Market (2)

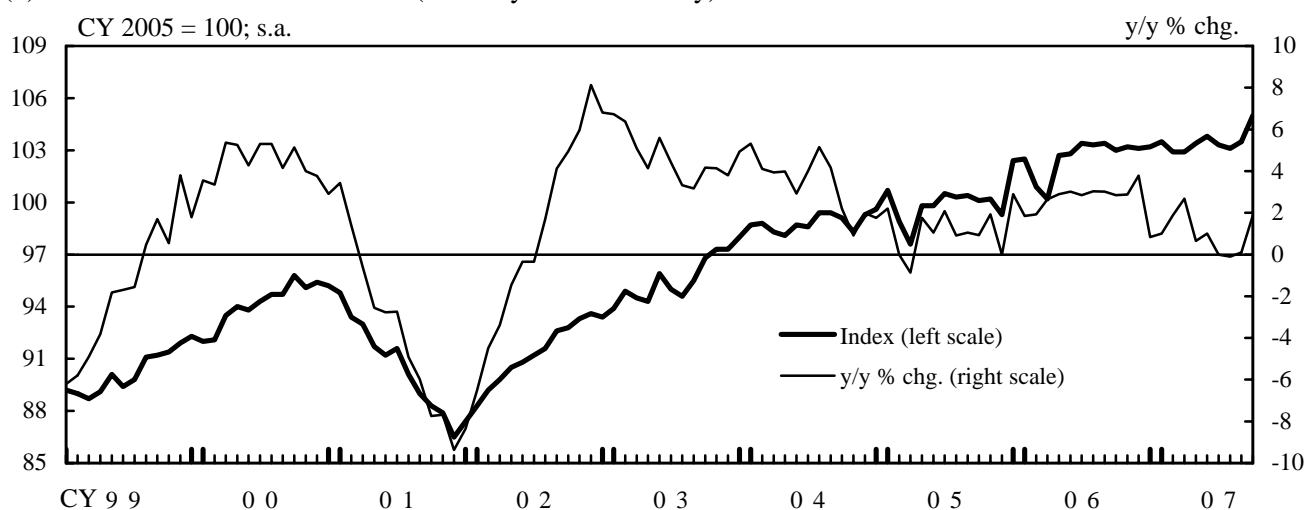
(1) Number of Employees



(2) Ratio of Part-Time Employees (Monthly Labour Survey)^{1,2}



(3) Non Scheduled Hours Worked (Monthly Labour Survey)¹



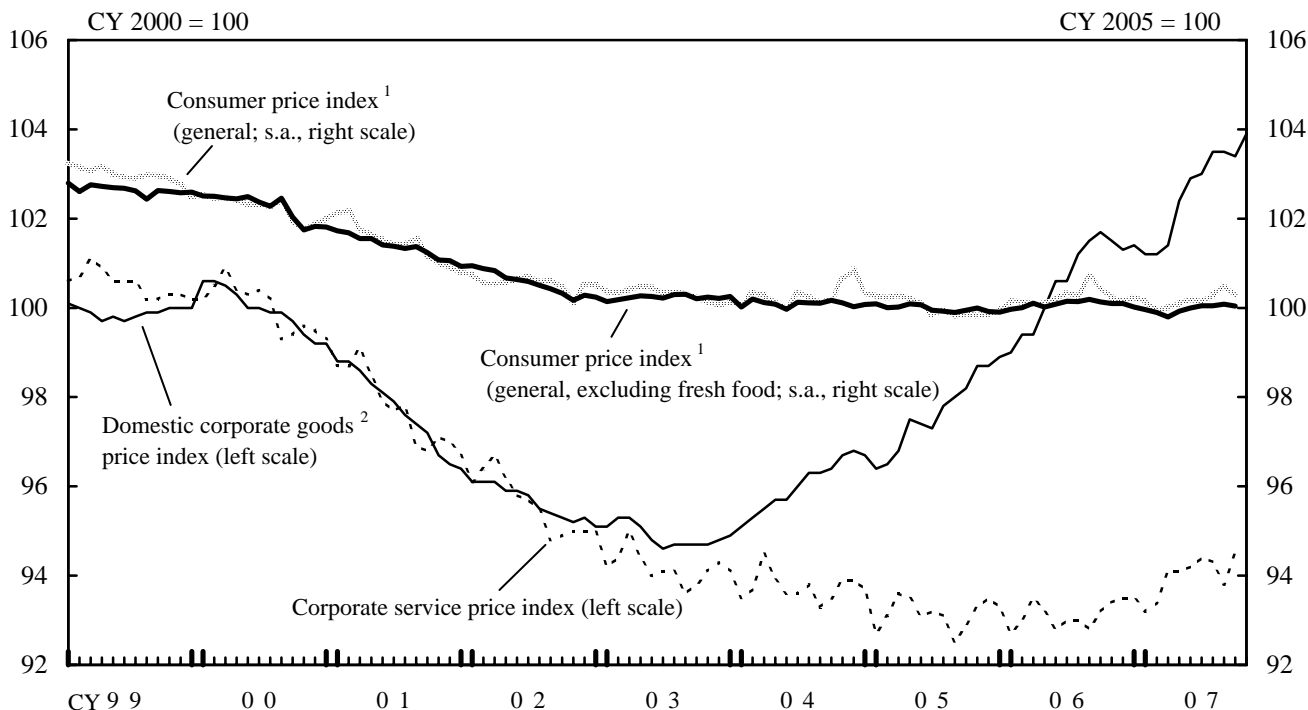
Notes: 1. Data are for establishments with at least five employees.

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

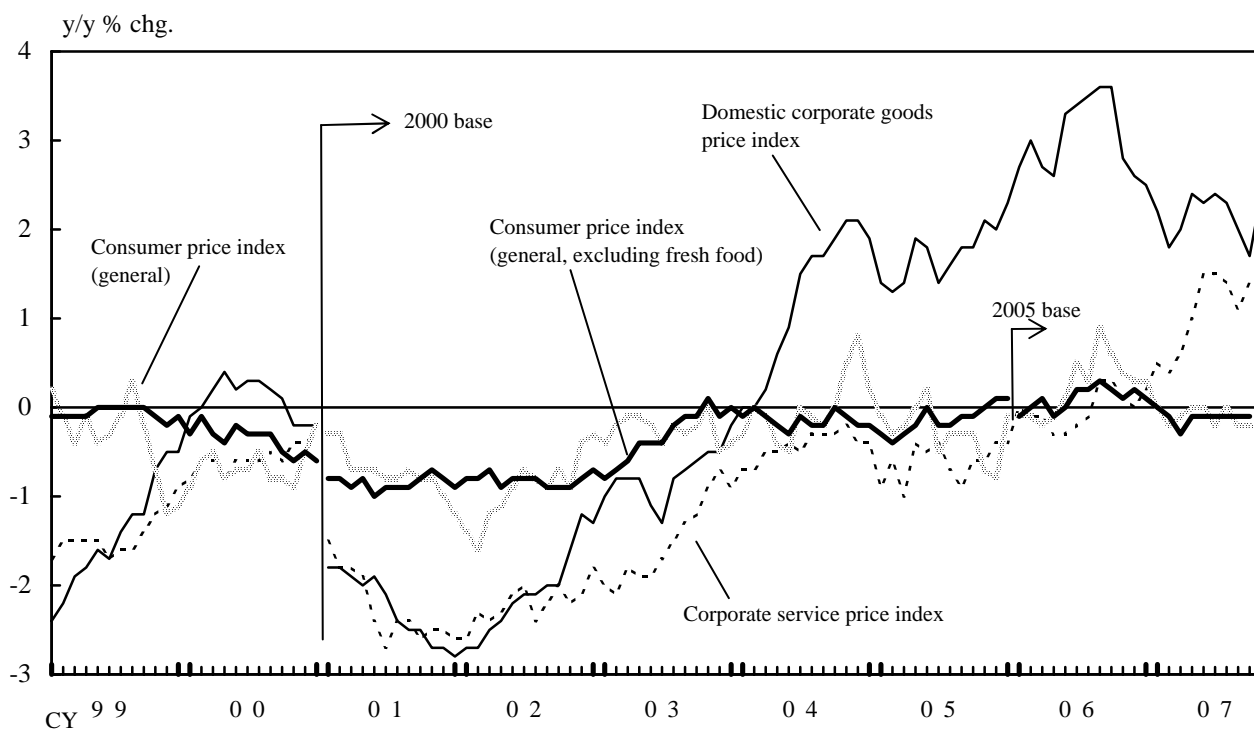
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
 Ministry of Internal Affairs and Communications, "Labour Force Survey."

Prices³

(1) Level



(2) Changes from a Year Earlier³



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

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

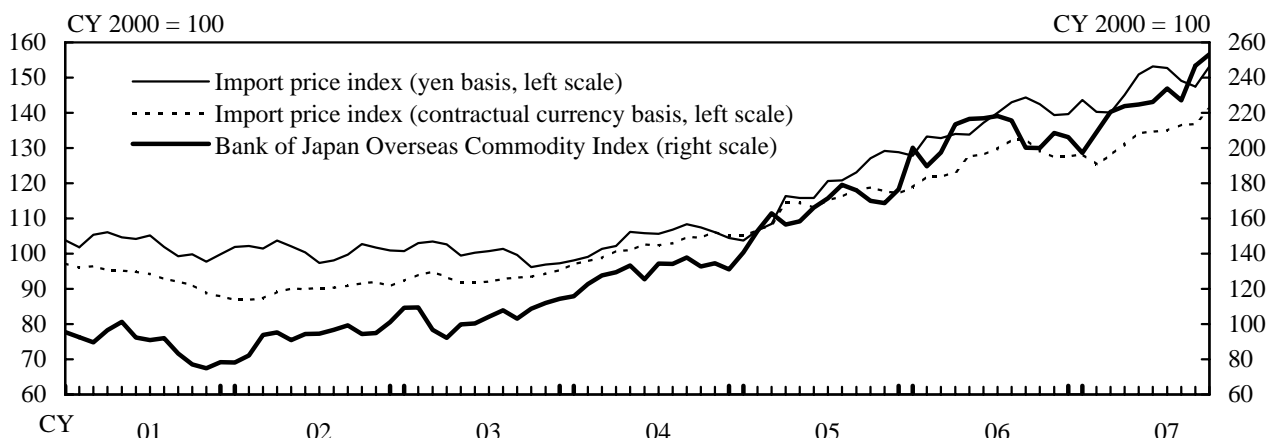
3. Figures up to CY 2000 are on the 1995 base. From CY2001 up to CY 2005, CPI have been calculated on the 2000 base.

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

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

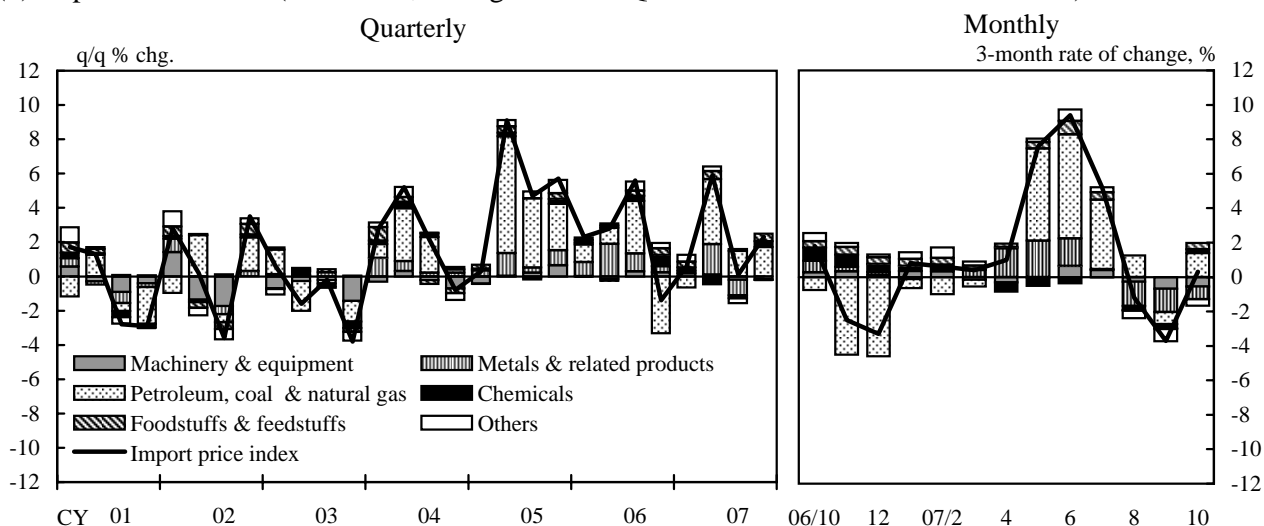
Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



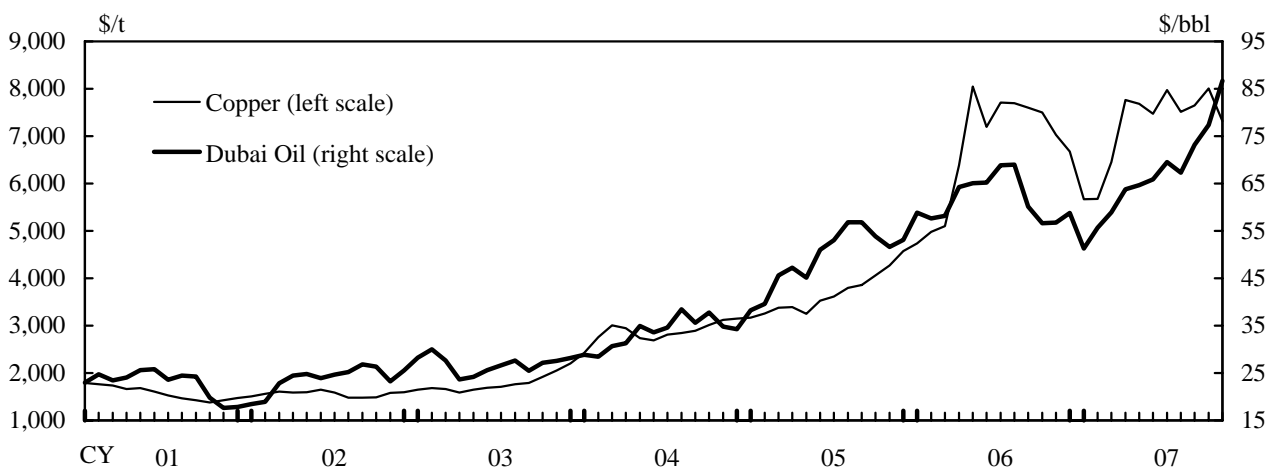
Note: Bank of Japan Overseas Commodity Index is the end-of-month figure.

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



Note: Figures for 2007/Q4 are those of October.

(3) Oil Price and Copper Price

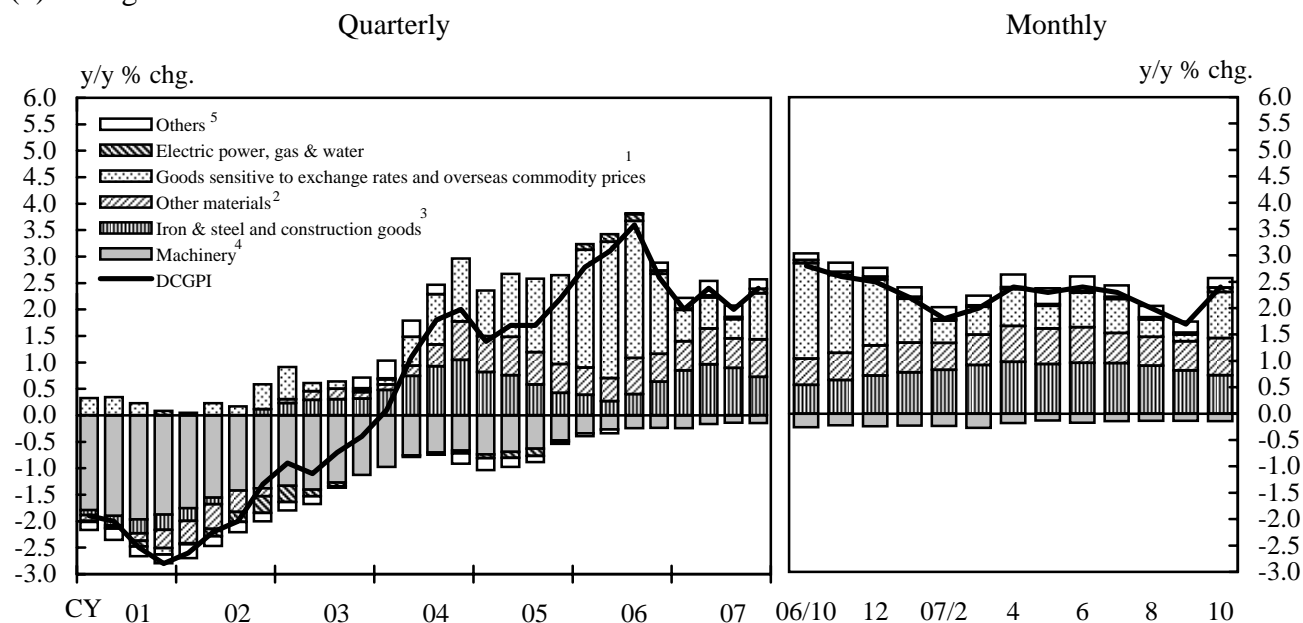
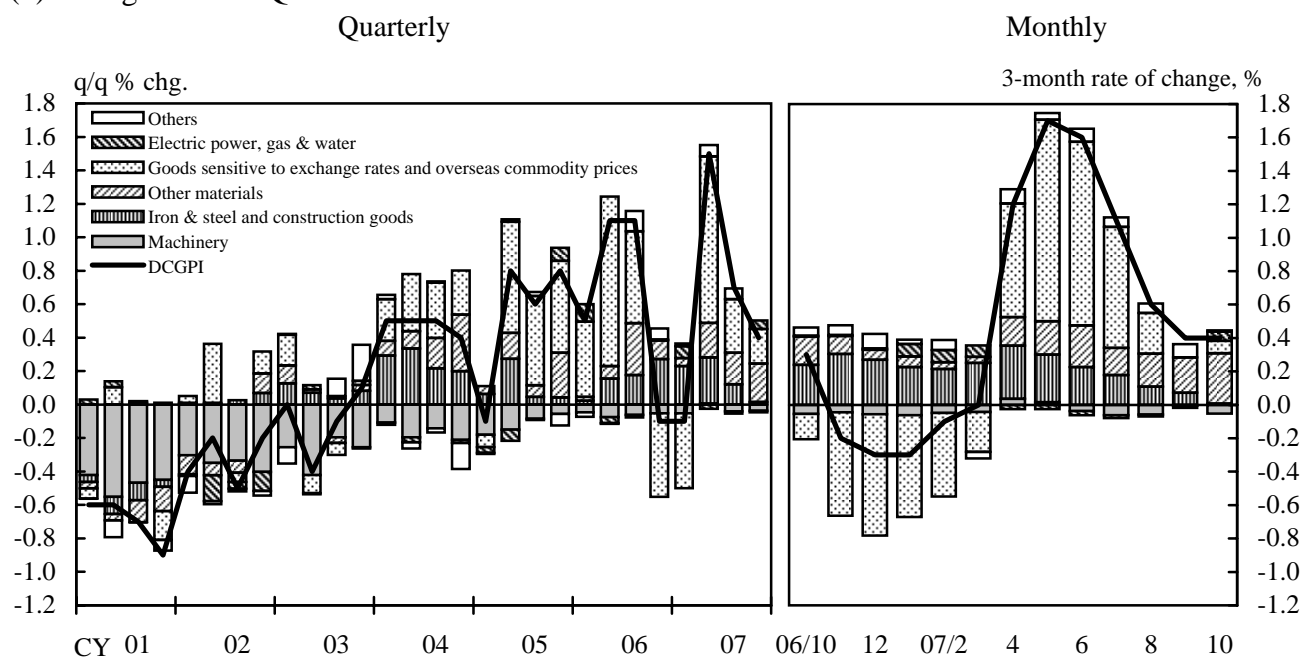


Note: Monthly averages. Figures for November 2007 are the averages up to November 12.

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

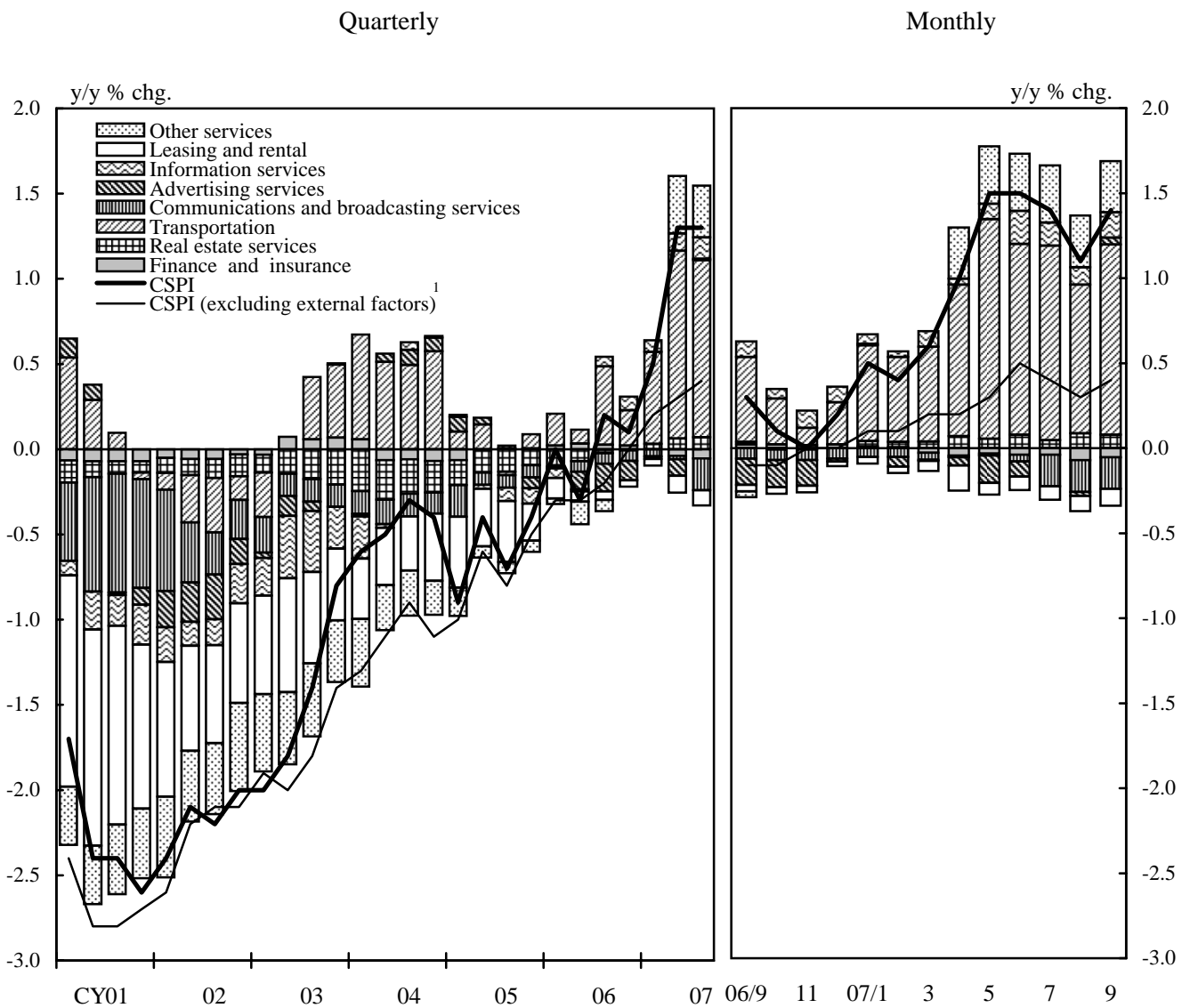
Domestic Corporate Goods Price Index⁷

(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 2007/Q4 are those of October.

Corporate Service Price Index

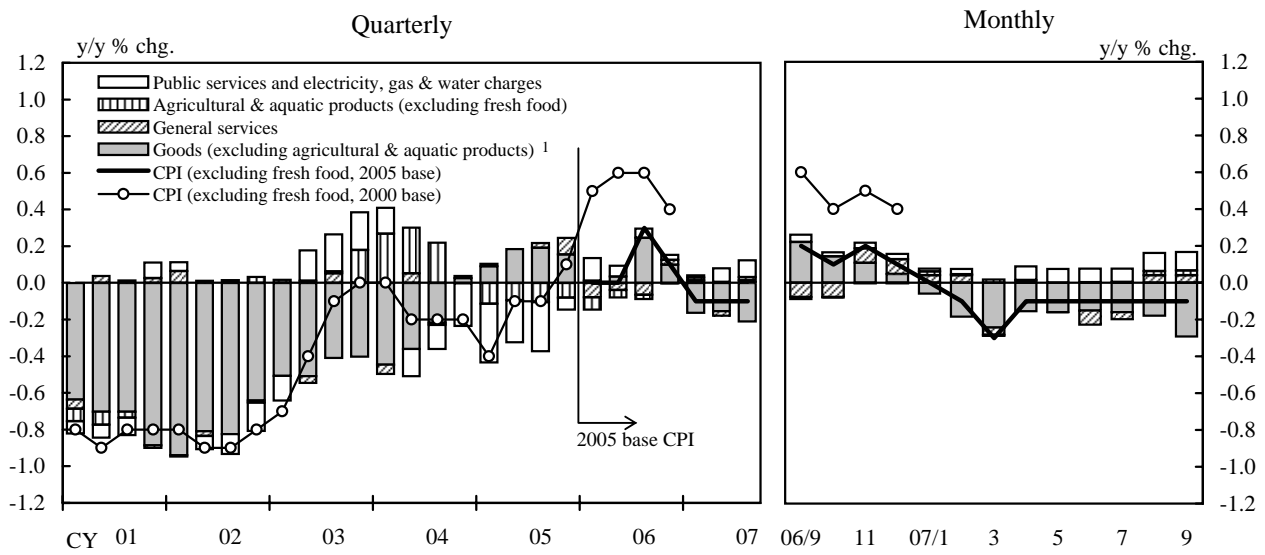


Note: 1. External factors; international air passenger transportation, ocean liner, ocean tramper, ocean tanker, oceangoing ship chartering services, and international air freight.

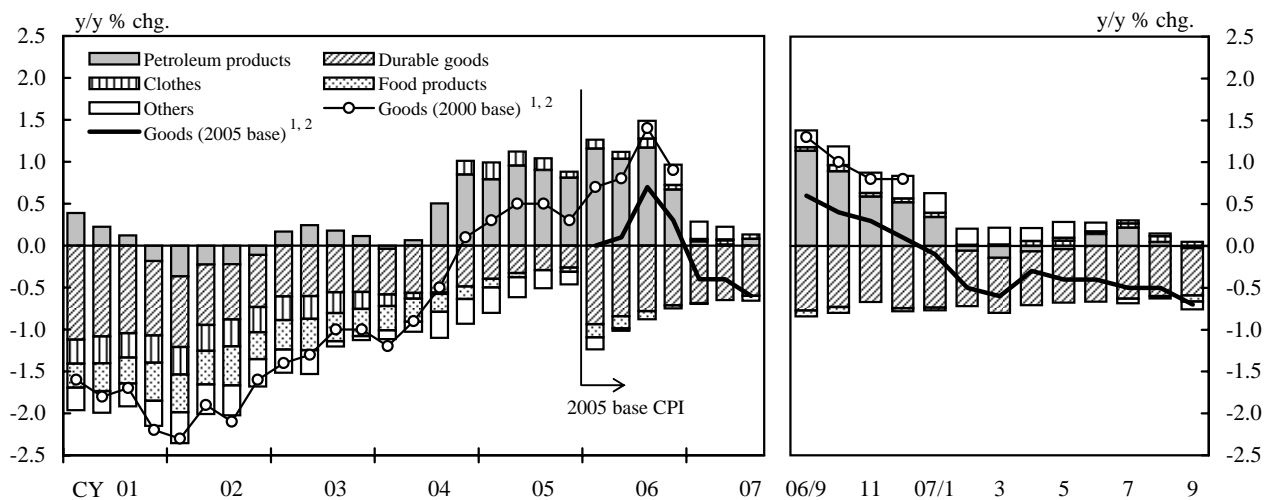
Source: Bank of Japan, "Corporate Service Price Index."

Consumer Price Index (Excluding Fresh Food)

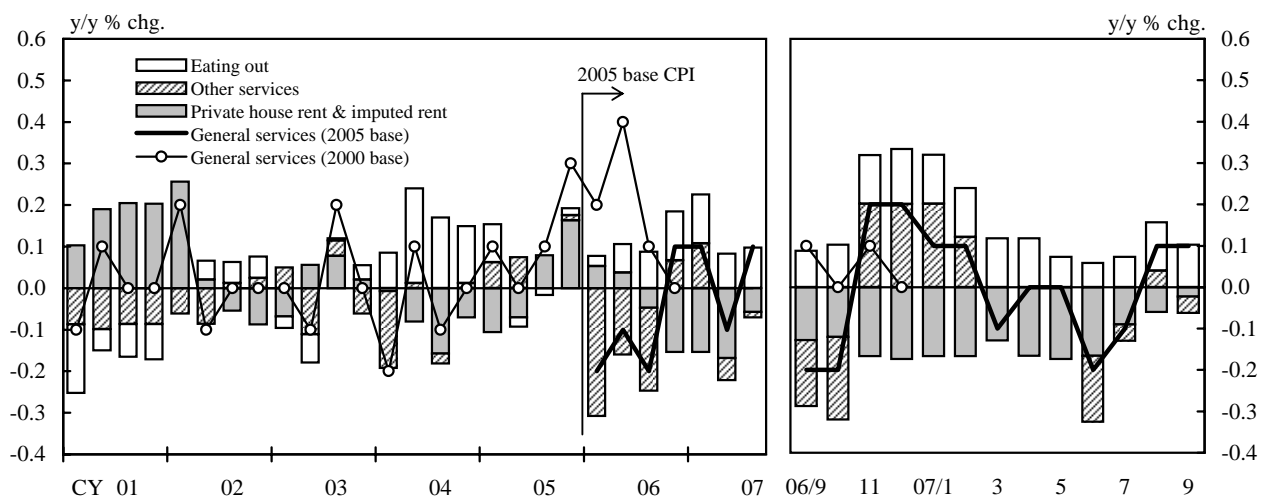
(1) Consumer Price Index (Excluding Fresh Food)



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



(3) General Services

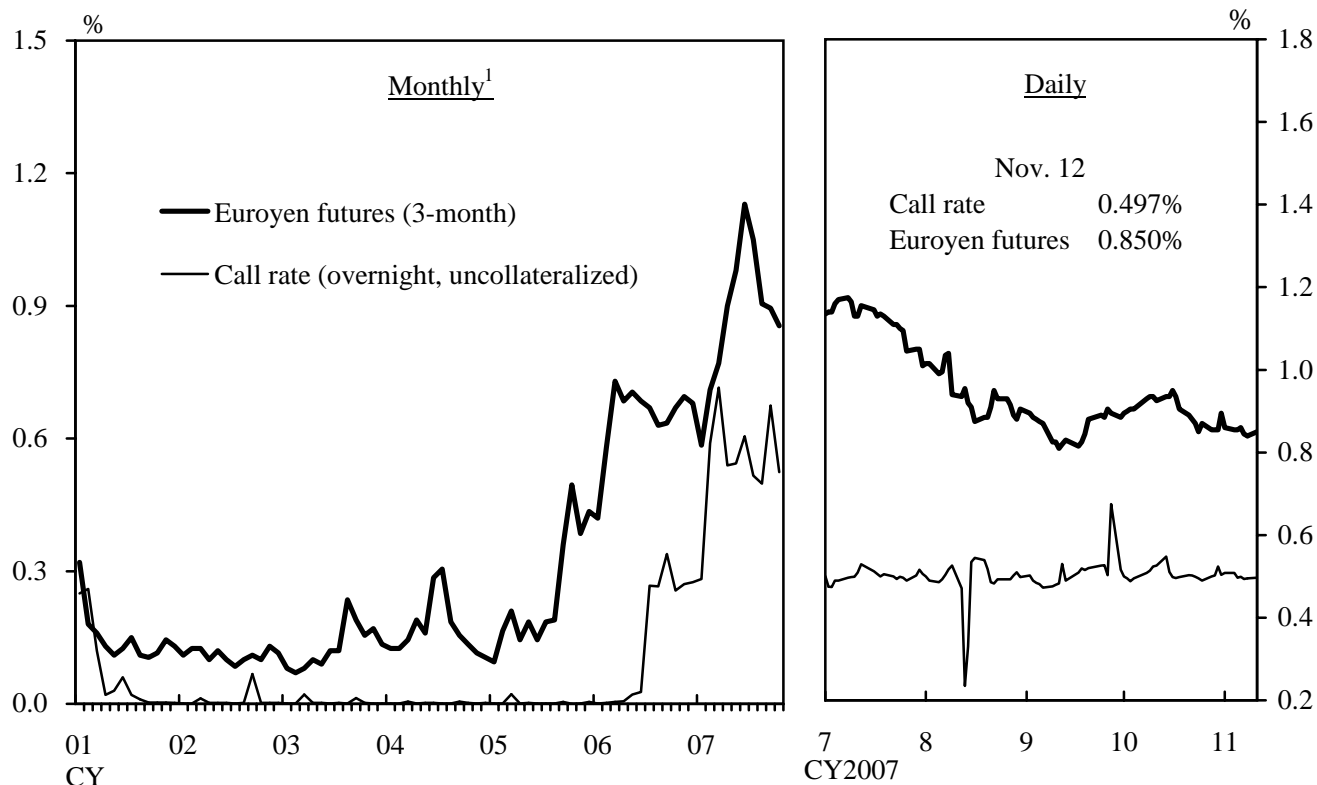


Notes: 1. The items are basically the same as the definition published by the Ministry of Internal Affairs and Communications. However, electricity, gas & water charges are excluded from goods.
 2. Excluding agricultural & aquatic products.

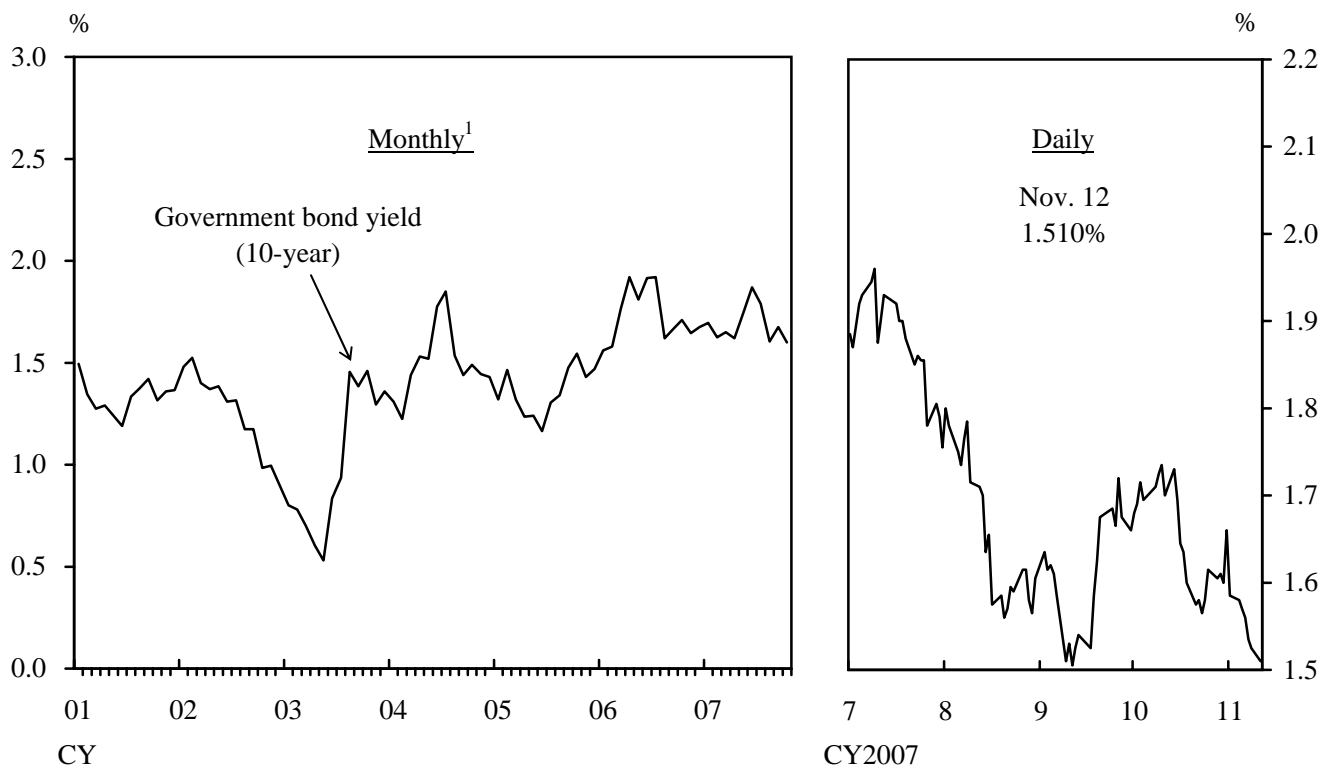
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Interest Rates

(1) Short-Term



(2) Long-Term

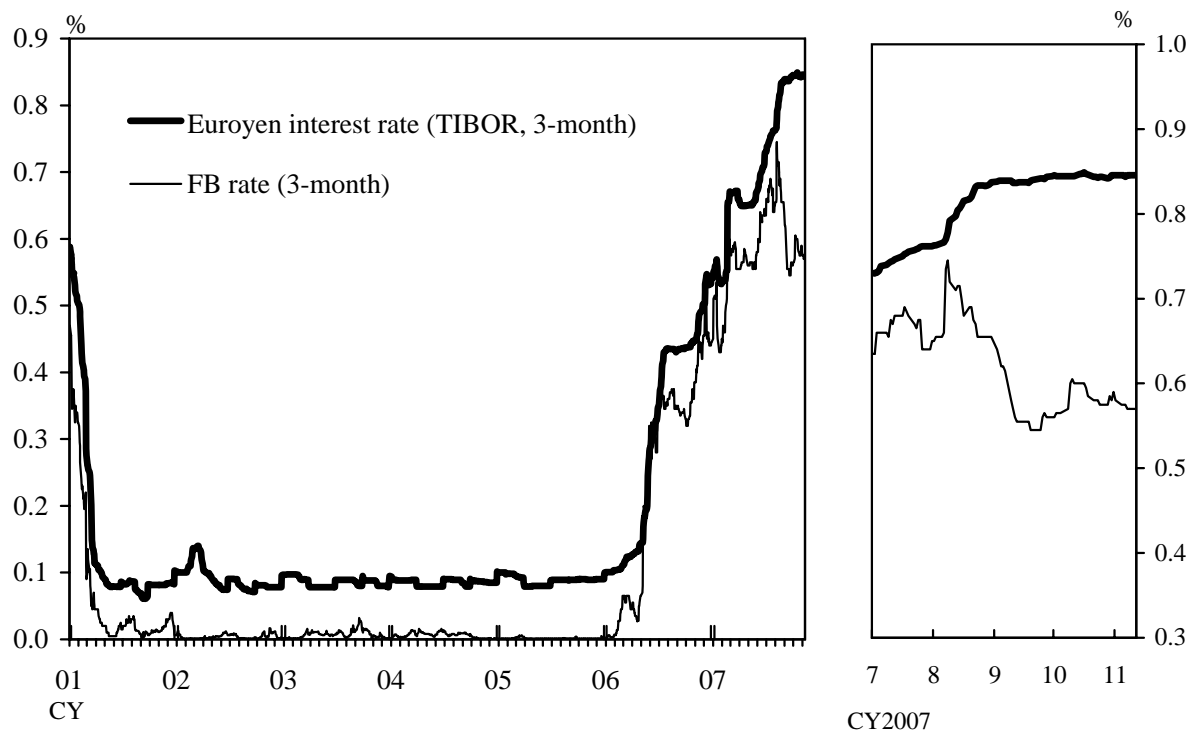


Note: 1. End of month.

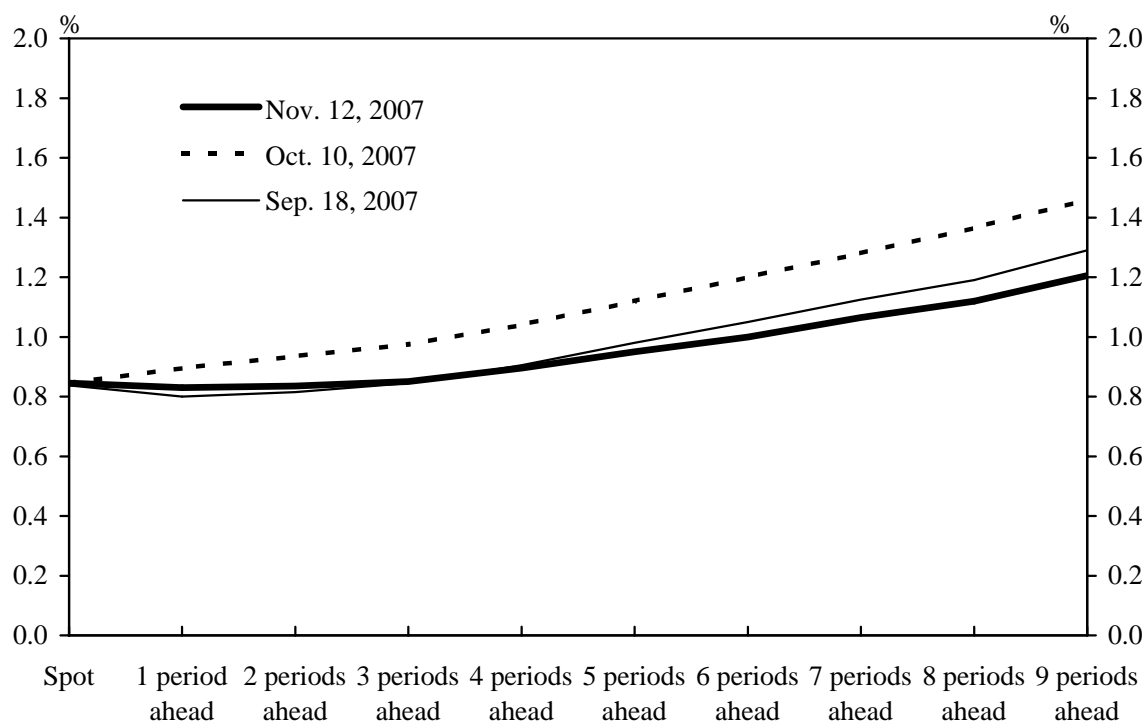
Sources: Bank of Japan; Tokyo Financial Exchange; Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments



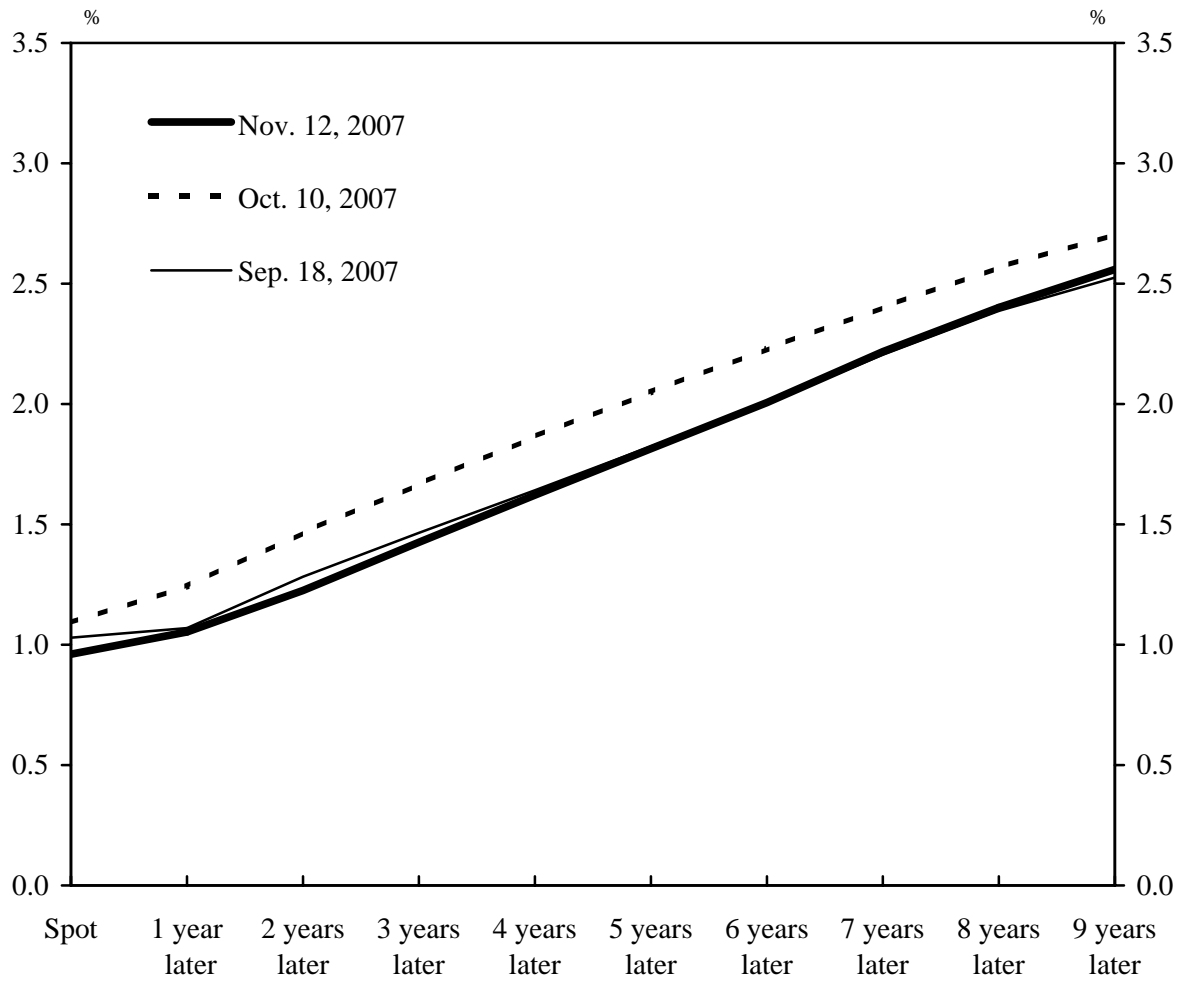
(2) Euroyen Interest Rates Futures (3-Month) ¹



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.

Implied Forward Rates (1-Year)

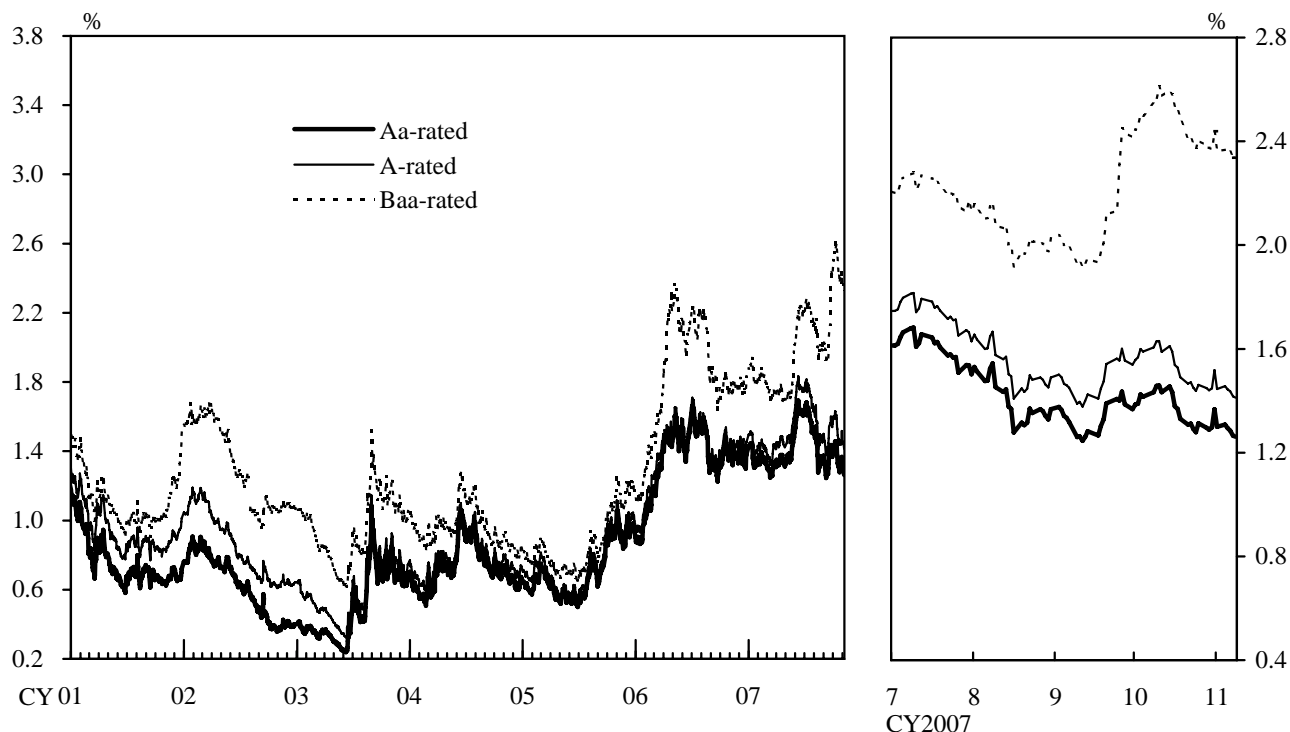


Note: Calculated from yen-yen swap rates.

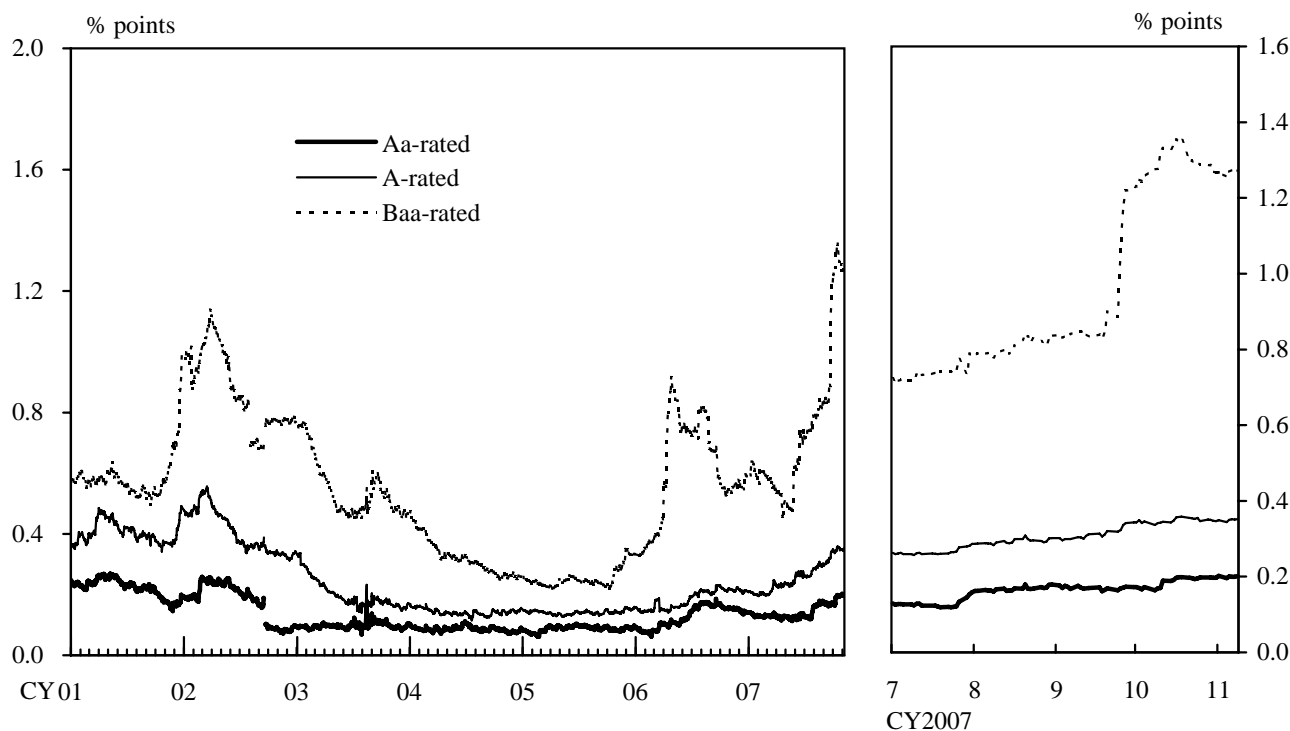
Source: Reuters.

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.

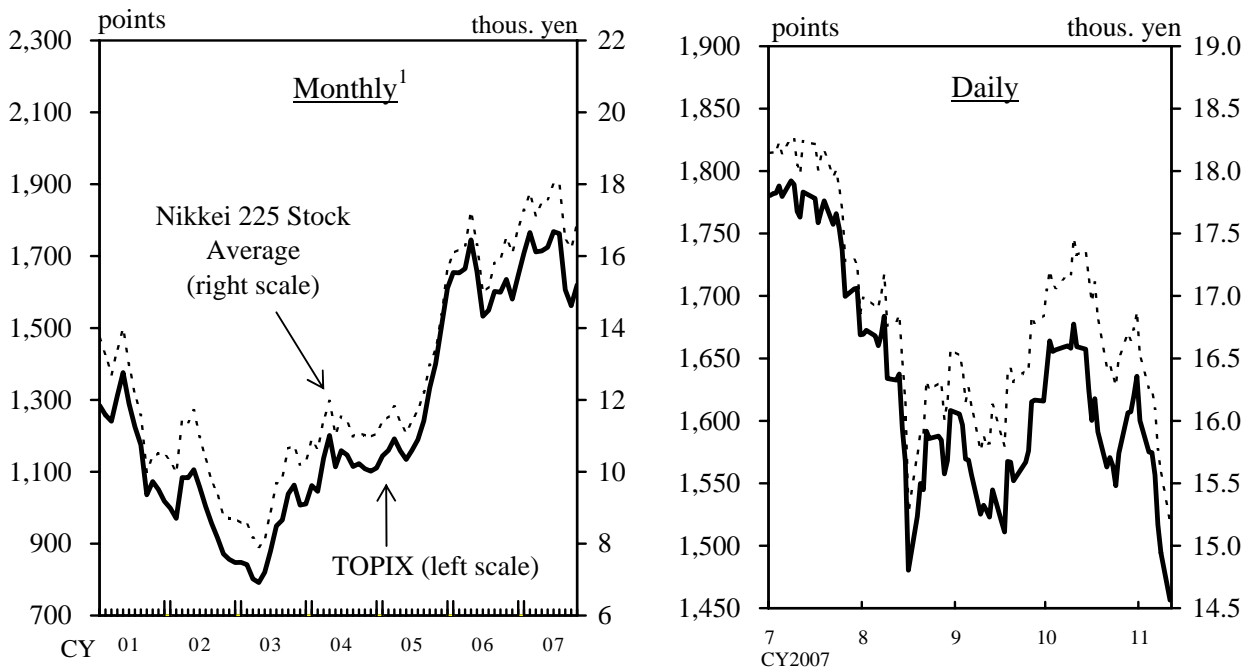
Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of four to six years since Sep. 24, 2002.

2. The indicated ratings are of Moody's.

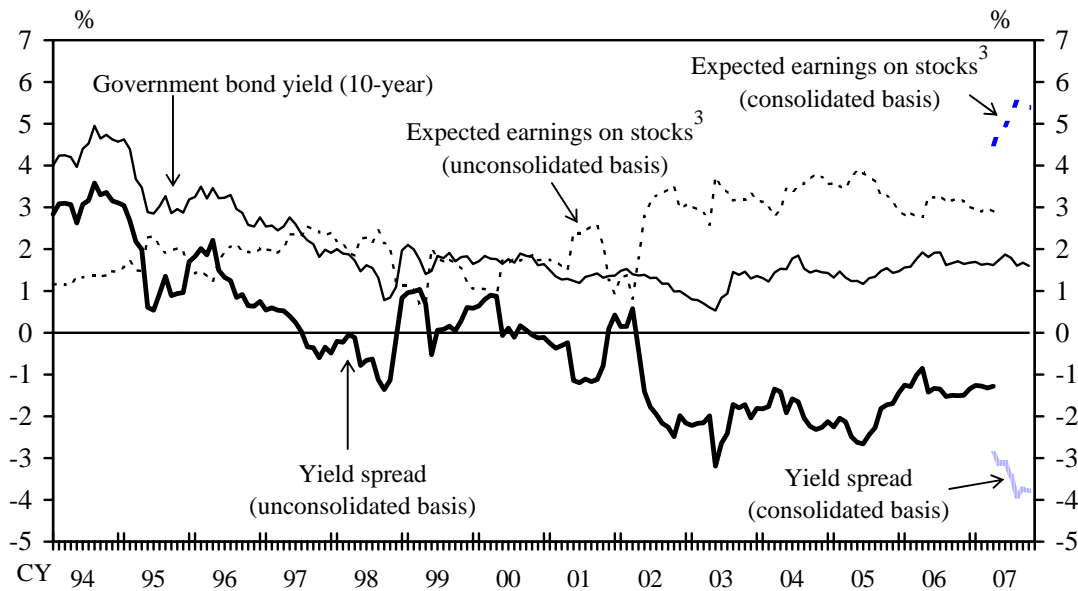
Sources: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations." "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Stock Prices



(2) Yield Spread ^{2,4}



Notes: 1. Data are monthly averages.

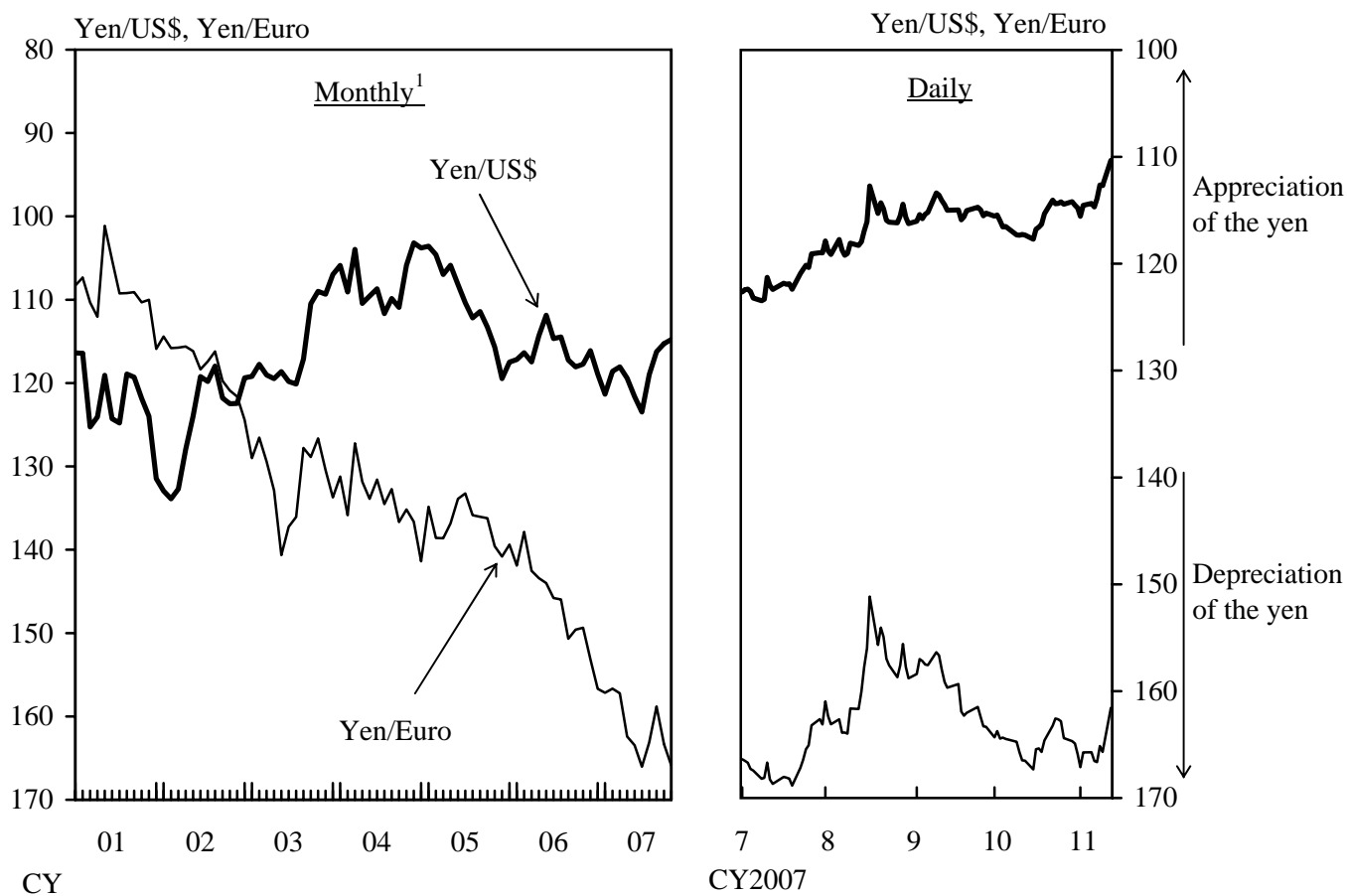
2. Yield spread = government bond yields - expected earnings on stocks, where expected earnings on stocks = 1/expected price earnings ratio.

3. Based on stocks listed on the TSE First Section. Excludes bank stocks. Data are calculated by Daiwa Institute of Research.

4. Data are at end of period. Figures except for the government bond yield are on an unconsolidated basis up to April 2007, and on a consolidated basis from April 2007.

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

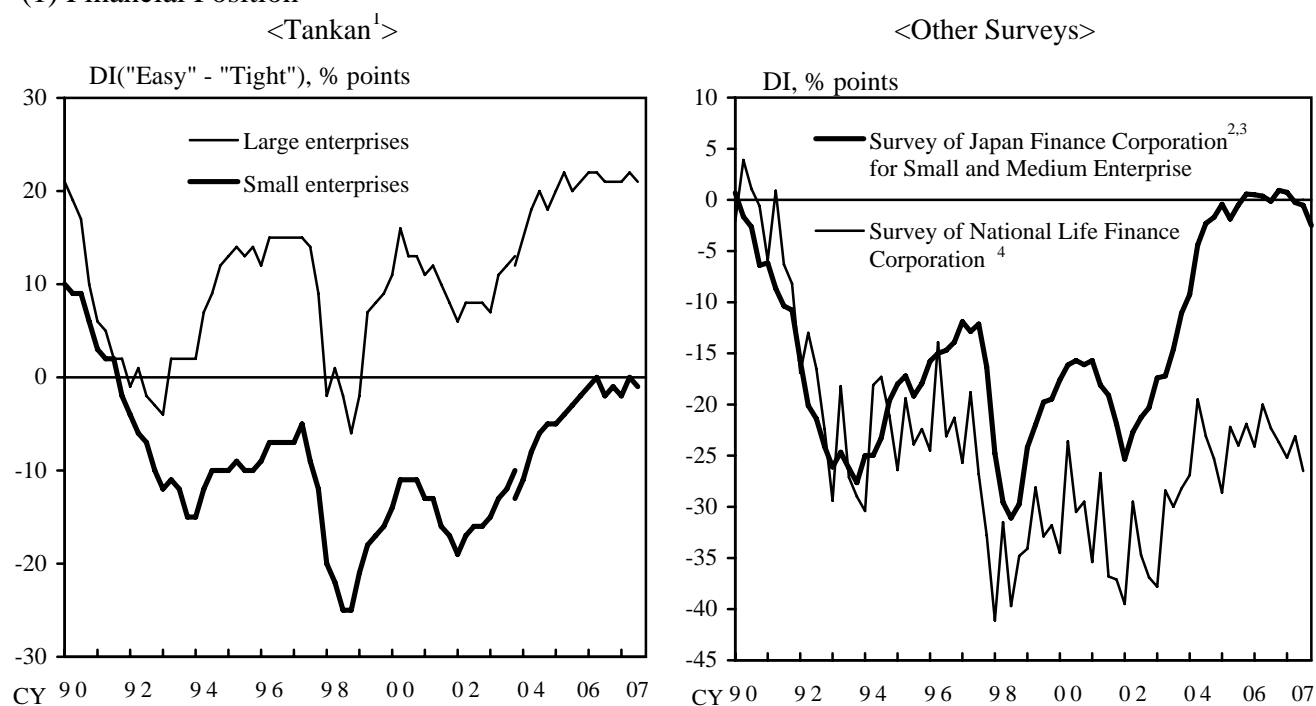
Exchange Rates



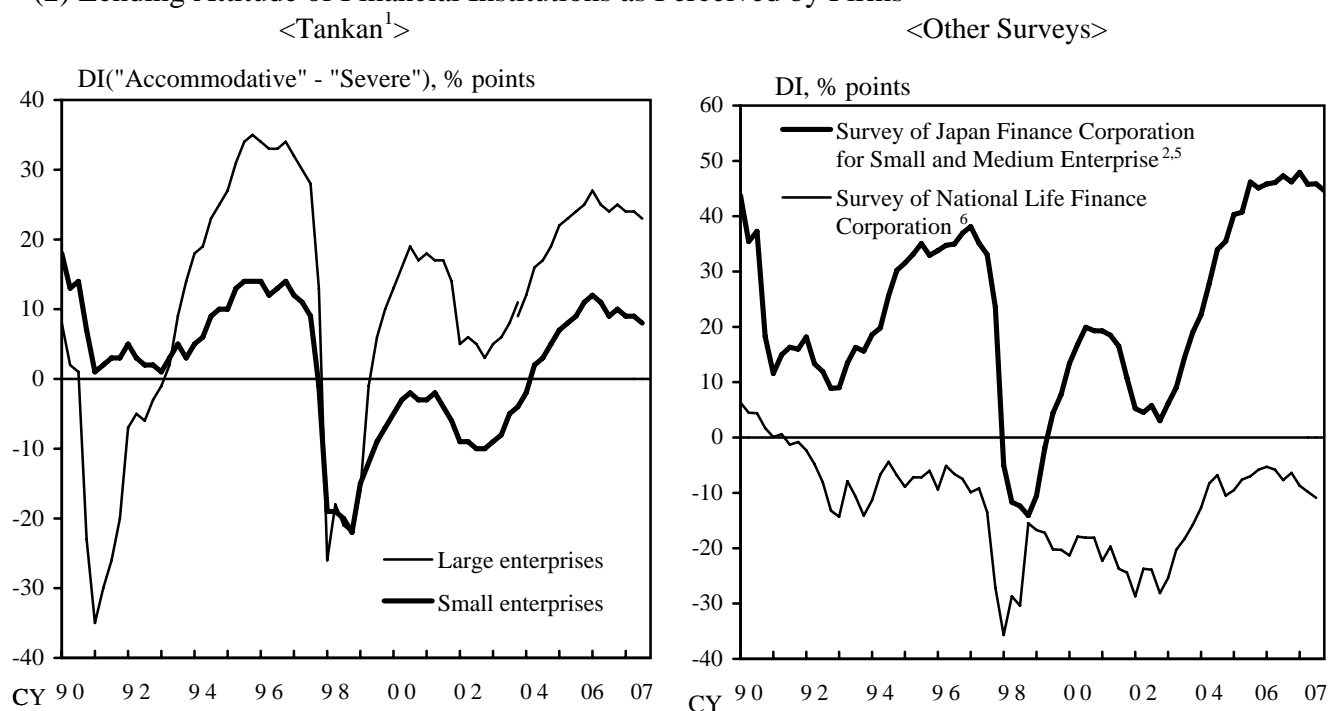
Note: 1. End of month.
 Source: Bank of Japan.

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 2007/Q4 are those of October.

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

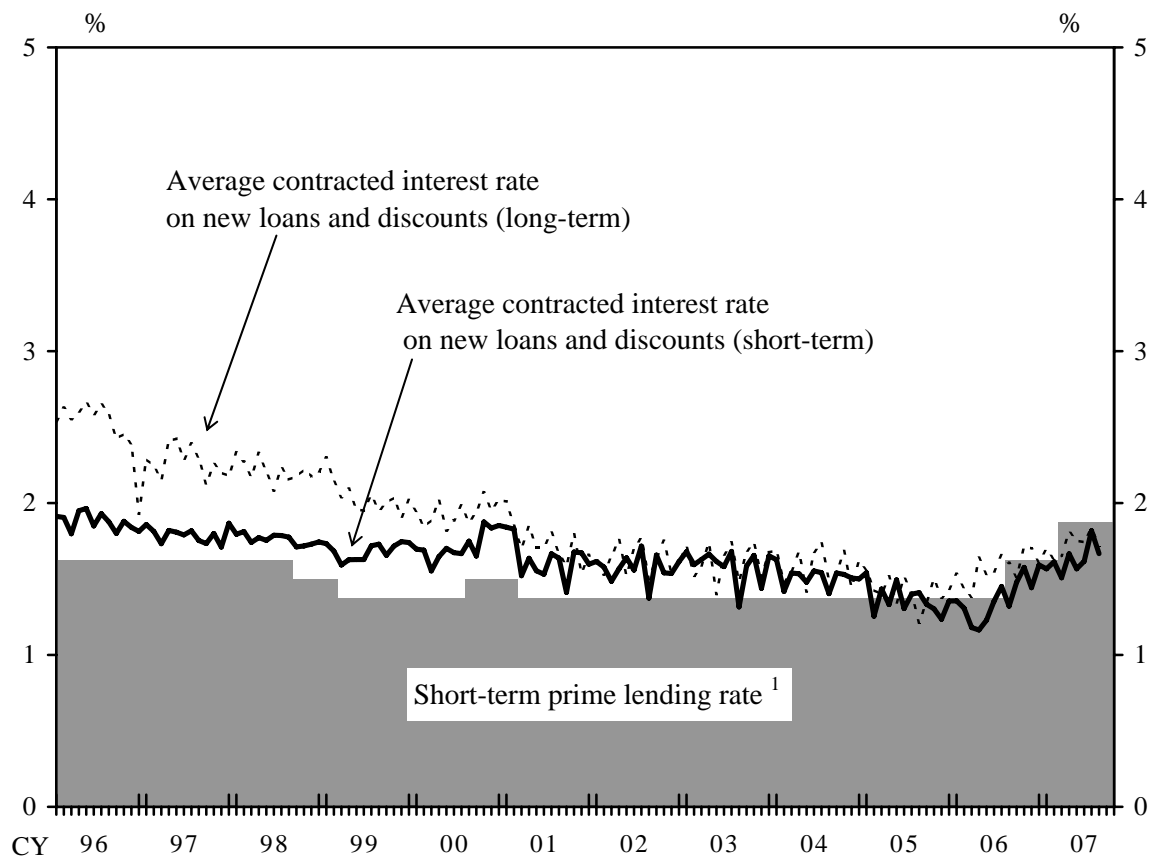
4. DI of "Easier" - "Tighter."

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

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

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

Lending Rates

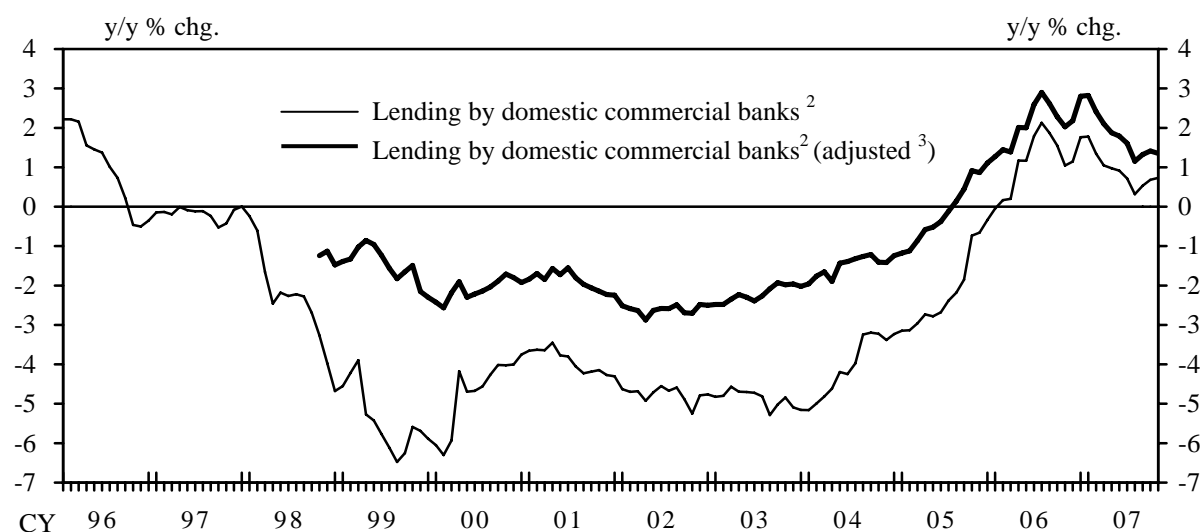


Note: 1. Data are at end of period.

Source: Bank of Japan.

Lending by Financial Institutions

(1) Lending by Domestic Commercial Banks¹



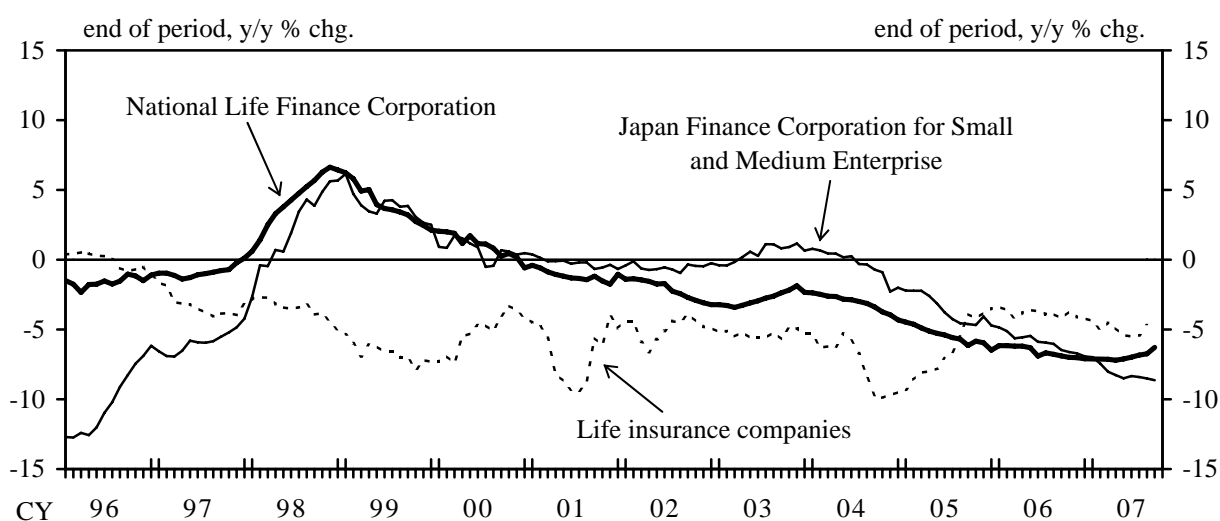
Notes: 1. Percent changes in average amounts outstanding from a year earlier.

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.

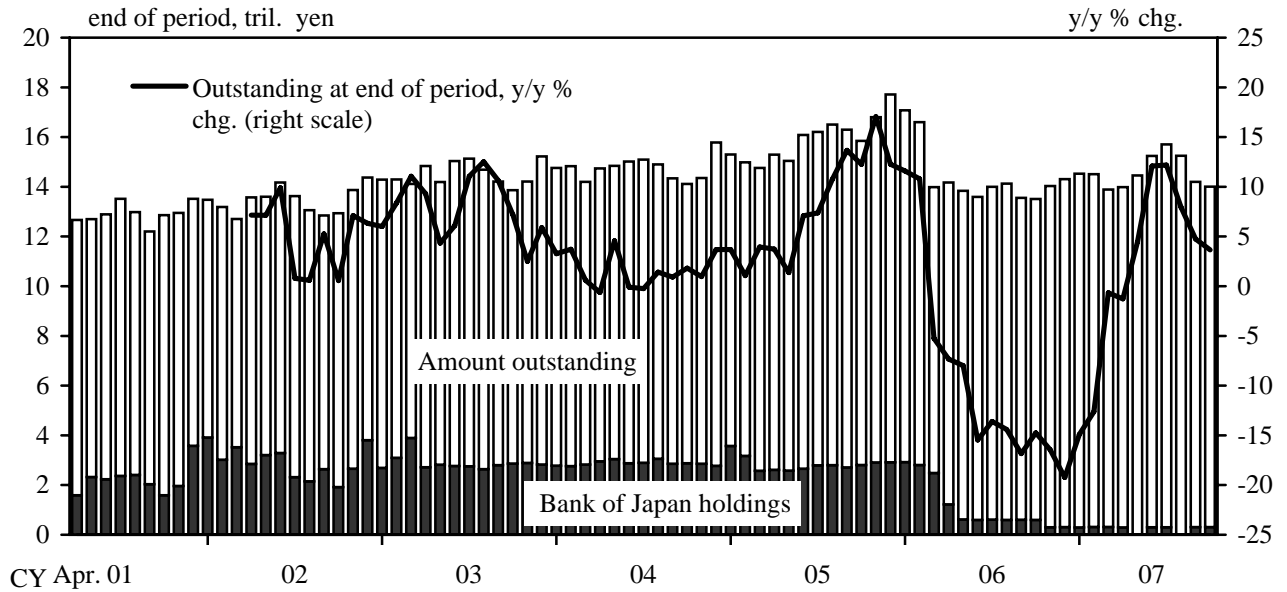
(2) Lending by Other Financial Institutions



Source: Bank of Japan.

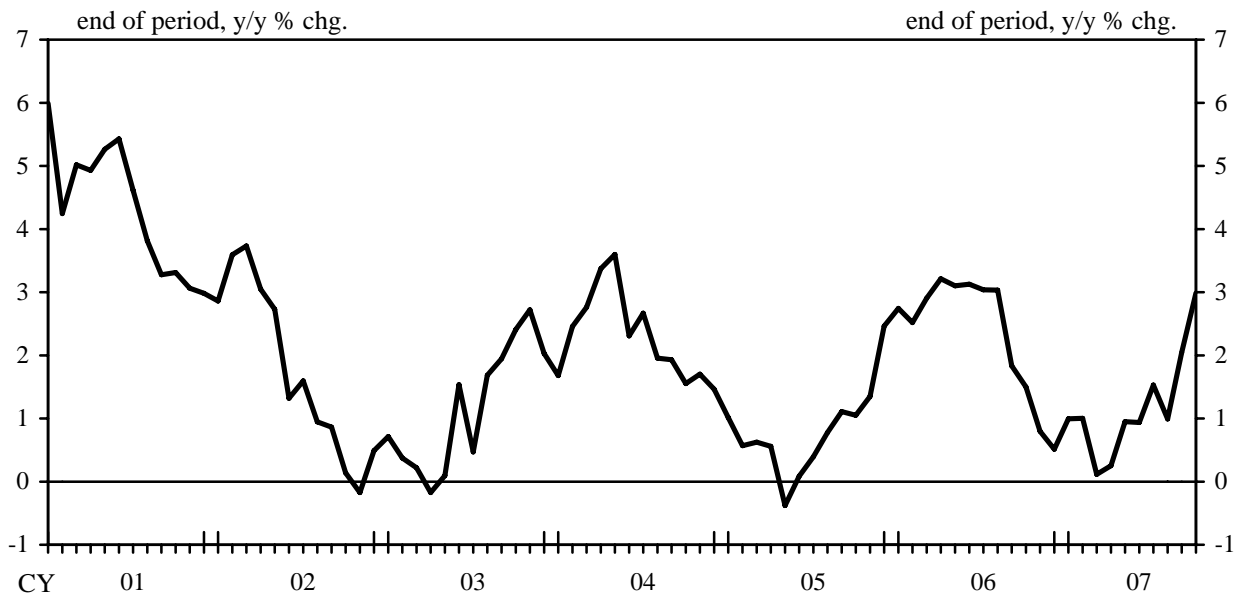
Private-Sector Fund-Raising in the Capital Markets

(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)

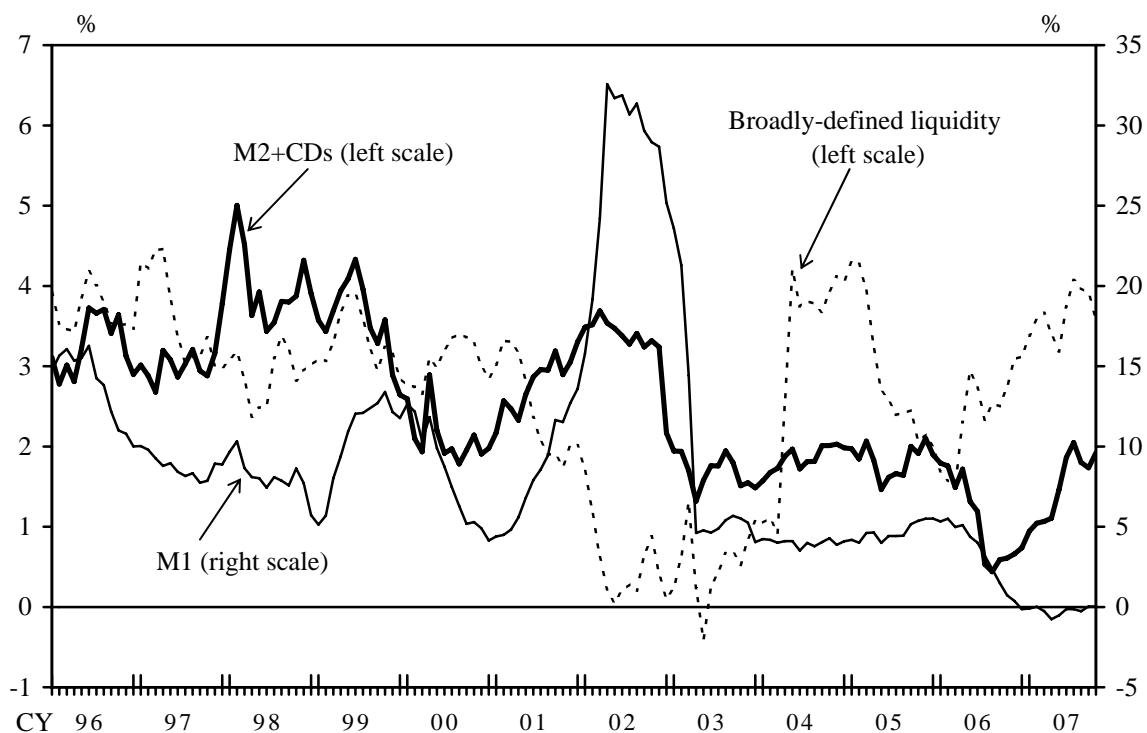


Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:
 (1) The sum of straight bonds issued in both domestic and overseas markets is used.
 (2) Bonds issued by banks are included.
 (3) The figure as of the latest month is a preliminary one, using estimates for the amount of the domestically issued private placement bonds, etc.

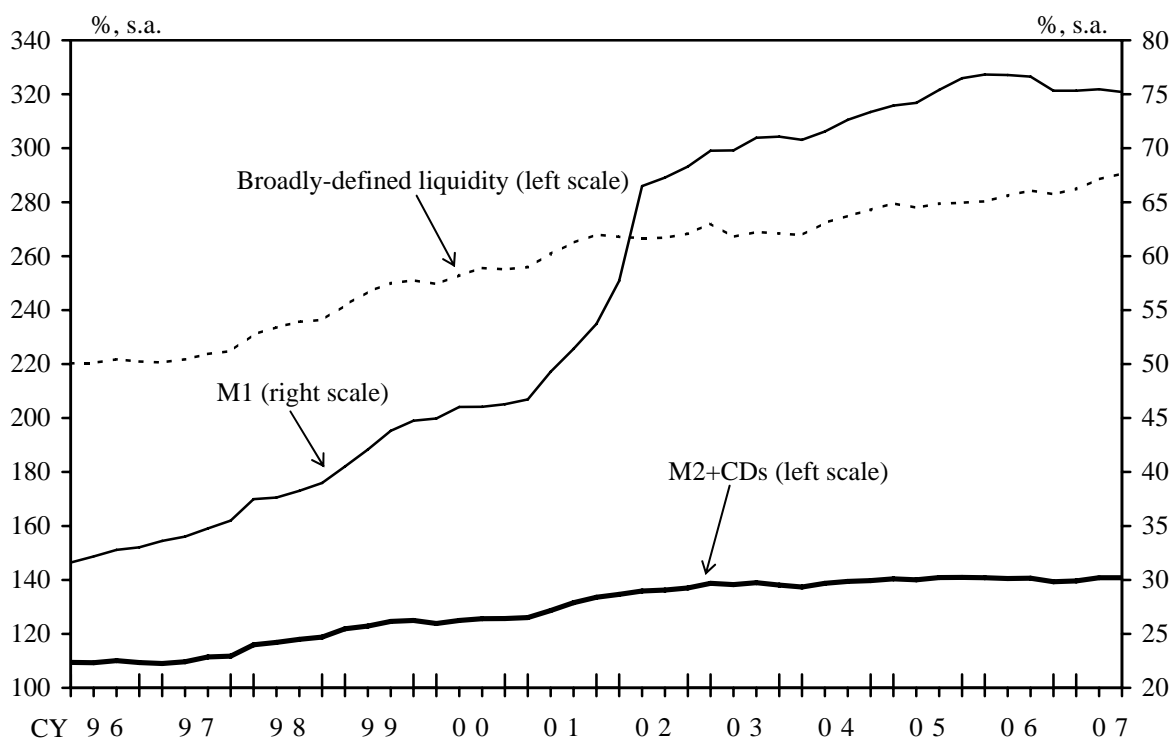
Sources: Bank of Japan, "Principal Figures of Financial Institutions"; Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts of Bonds," "Kisai-Jouhou (Issuance Information)"; I-N Information Systems, "Funding Eye."

Money Stock

(1) Changes from a Year Earlier



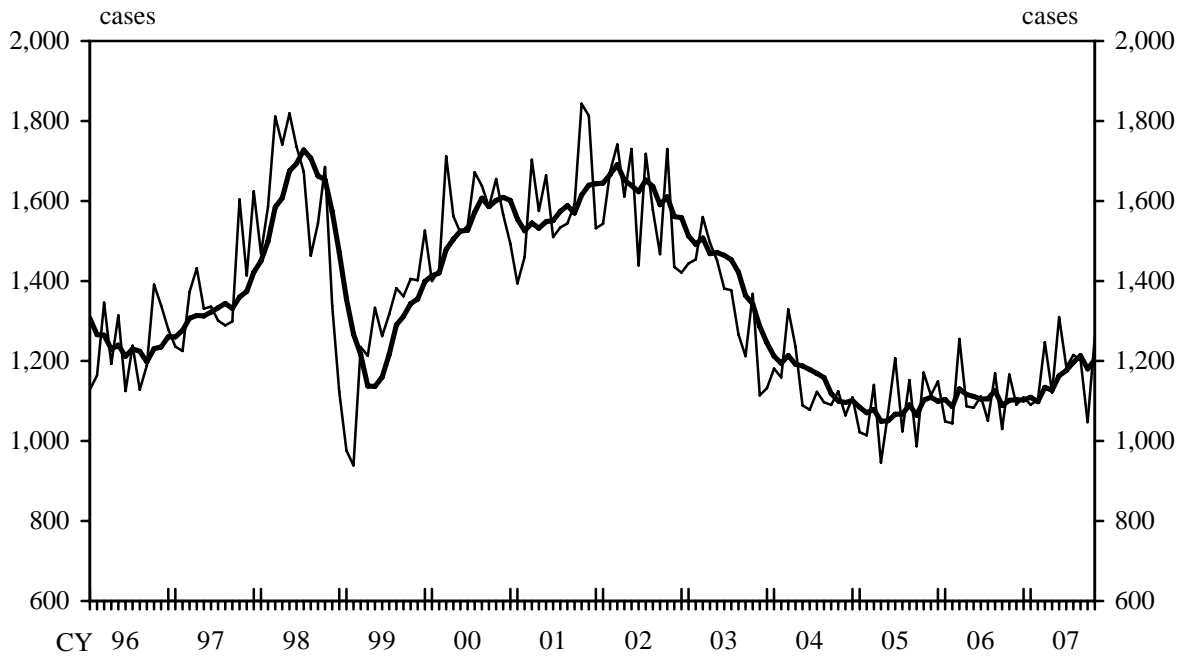
(2) Ratio of Money Stock to Nominal GDP



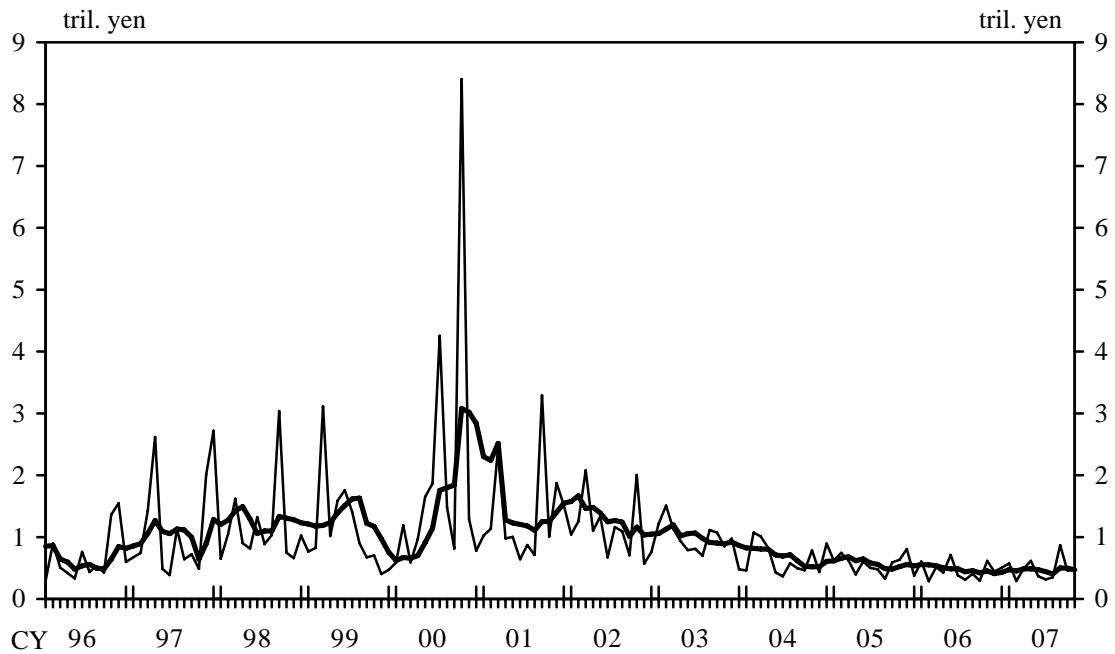
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

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)."