

May 22, 2008  
Bank of Japan

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

May 2008

(English translation prepared by the Bank's staff based on the Japanese original released on May 21, 2008)

Please contact the Bank of Japan at the address below in advance to request permission when reproducing or copying the content of this document for commercial purposes.

Secretariat of the Policy Board, Bank of Japan  
P.O. Box 30, Nihonbashi, Tokyo 103-8660, Japan

Please credit the source when quoting, reproducing, or copying the content of this document.

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

May 2008

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

Japan's economic growth is slowing, mainly due to the effects of high energy and materials prices.

Exports have continued to increase. Corporate profits have been leveling off, albeit at a high level, and the pace of increase in business fixed investment has become slower. Private consumption has been firm in a situation where household income has continued rising moderately. On the other hand, public investment has been sluggish. Meanwhile, housing investment has been recovering moderately. With these developments in demand both at home and abroad, production has been more or less flat.

Japan's economy is expected to grow at a slower pace for the time being and follow a moderate growth path thereafter.

Exports are expected to continue rising, as overseas economies are likely to expand although at a slower pace. Business fixed investment and private consumption are likely to remain firm against the background of generally high, but slightly reduced, corporate profits and the moderate rise in household income. Housing investment is expected to be on a recovery trend, although the pace of recovery is likely to be modest. In light of these developments in demand both at home and abroad, production is expected to increase, after being more or less flat in the short run. Public investment, meanwhile, is projected to be on a downtrend. Due attention should continue to be paid to factors such as uncertainties regarding future developments in overseas economies and global financial markets, as well as the effects of high energy and materials prices.

---

<sup>1</sup> This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on May 19 and 20, 2008.

<sup>2</sup> The text of "The Bank's View" was decided by the Policy Board at the Monetary Policy Meeting held on May 19 and 20, 2008.

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 increase in consumer prices (excluding fresh food) has been rising since around the end of last year, due to the increase in prices of petroleum products and food products, and it has been around 1 percent lately.

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 projected to continue to be positive due to the rise in prices of petroleum products and food products in a situation where overall supply and demand in the economy are more or less balanced.

As for the financial environment, the environment for corporate finance is accommodative. Credit demand in the private sector has been more or less flat. The issuing environment for CP and corporate bonds has been favorable as a whole, although issuance spreads on those issued by firms with low credit ratings have expanded. Lending attitudes of private banks have continued to be generally 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 been more or less unchanged. The financial positions of firms have continued to be favorable as a whole, although those of small and medium firms have somewhat deteriorated. 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, long-term interest rates and stock prices have risen compared with last month, while the yen has depreciated against the U.S. dollar compared with last month.

## **The Background**

### **1. Economic Developments**

Public investment has been sluggish (Chart 4). On a GDP basis (first preliminary figures), real public investment has continued to be at low levels, although it inched up in the second half of fiscal 2007 after having dropped in the first half (Chart 3). Looking at monthly indicators, the amount of public construction completed—which reflects the progress of public works—has followed a moderate downtrend. The value of public works contracted—a measure that reflects public orders—has been sluggish. 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 rose steadily, by 3.3 percent, in the first quarter compared with the fourth quarter, after having exhibited high growth throughout the second half of last year.

As for real exports by destination (Chart 6[1]), exports to the United States have remained relatively weak since around the end of 2006; they dropped marginally in the first quarter following the quarter-on-quarter decline in the fourth quarter. By contrast, exports to the EU and East Asia rose in the fourth quarter and continued to increase steadily in the first quarter. Exports to other regions (such as the Middle East, Latin America, and Russia) have remained high, mainly in automobile-related goods.

By goods (Chart 6[2]), exports of IT-related goods inched down in the first quarter, after having registered relatively high growth throughout the second half of last year (Chart 7[1]). Exports of consumer goods were flat in the fourth quarter, but resumed their increase in the first quarter, notably in digital home appliances. Meanwhile, exports of capital goods and parts have continued to increase to a wide range of regions. Exports of automobile-related goods have been on the rise as a whole, due to the high growth in exports to other regions, even though those to the United States have dropped. Exports of intermediate goods have been on an uptrend, mainly in high value-added goods used for IT-related goods and automobiles.

Real imports have been more or less flat (Charts 5[1] and 9). On a quarter-on-quarter basis, they decreased by 0.6 percent in the fourth quarter, and then increased by 0.8 percent in the first quarter.

The recent trend by goods (Chart 9[2]) shows that imports of capital goods and parts (excluding aircraft) have continued to be on an increasing trend, although the pace of increase has moderated lately. Imports of IT-related goods have been trending upward since around the middle of last year, when domestic inventory adjustments were completed (Chart 7[3]). Imports of raw materials and intermediate goods have been relatively weak, due to firms' ongoing cutbacks in imports of materials in response to the trend of rising import prices and due also to the effects of sluggish industrial production. Imports of foodstuffs and consumer goods have been on a declining trend, mainly due to the rise in import prices.

Net exports in terms of the real trade balance have continued to increase substantially, reflecting the aforementioned movements in imports and exports (Chart 5[2]). However, the surplus of the nominal balance on goods and services has diminished since around the end of last year, mainly due to the rise in crude oil prices.

Exports are expected to continue rising, as overseas economies are likely to expand although at a slower pace (Chart 8[2]). Attention, however, should be paid to developments in exports for the time being to see whether signs of deceleration will appear from the slowdown in the U.S. economy and from the yen's appreciation.

As for the environment surrounding exports, in the United States, the economy has recently lost its momentum, as adjustments in the housing market have intensified and the financial environment has deteriorated sharply. In the EU, the economy has also slowed down mildly. In China and other regions, however, the economies are likely to maintain high growth as a whole. The NIEs and ASEAN economies are also expected to continue expanding moderately, although the pace of growth is likely to slow. Regarding the environment surrounding exports of IT-related goods, global demand for finished products such as that for digital home appliances seems to have continued to expand. However, although market prices of electronic parts and devices such as memories—which had been soft—have finally started to show signs

of bottoming out, the overall supply and demand conditions are yet to show a marked improvement. Meanwhile, in the foreign exchange market, the yen has appreciated by around 10 percent compared to the middle of last year, 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 8[1]).

Imports are expected to be somewhat sluggish for the time being and follow a moderate uptrend thereafter, reflecting developments in the domestic economy.

The pace of increase in business fixed investment has become slower. On a GDP basis (first preliminary figures), real business fixed investment rose for two consecutive quarters (the third and fourth quarters), and then dropped in the first quarter (Chart 3). Looking at monthly indicators, the aggregate supply of capital goods (both including and excluding transport equipment)—a coincident indicator of machinery investment—has shown large fluctuations lately; it rose in the fourth quarter, and then dropped somewhat substantially in the first quarter. On average, however, it has been essentially flat at high levels (Chart 10[1]). Machinery orders (private demand, excluding orders of shipbuilding and orders from electric power companies)—a leading indicator of machinery investment—have been more or less flat at high levels (Chart 11[1]).<sup>3</sup> Meanwhile, construction starts (floor area, private, nondwelling use)—a leading indicator of construction investment—fell sharply in the third quarter due to the enforcement of the revised Building Standard Law,<sup>4</sup> but then picked up in the fourth quarter, supported by large-scale construction starts in the manufacturing and retailing sectors. Thereafter, they were more or less flat in the first quarter (Chart 11[2]).

---

<sup>3</sup> Forecasts for the second quarter show that orders are projected to drop significantly (the quarter-on-quarter decline stands at 10.3 percent for private demand, excluding orders of shipbuilding and orders from electric power companies). However, the above figure should be discounted to a certain degree since the actual result for the second quarter tends to turn out to be considerably higher than the forecast.

<sup>4</sup> According to the revised Building Standard Law—which took effect on June 20, 2007—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.

Business fixed investment is projected to remain firm against the background of generally high, but slightly reduced, corporate profits.

Private consumption has been firm. On a GDP basis (first preliminary figures), real private consumption showed an increase in the first quarter for the sixth consecutive quarter (Chart 3). Looking at individual indicators on consumption (Charts 12 and 13), sales at department stores have been slightly weak lately, notably in apparel and general merchandise. Sales at supermarkets and convenience stores—which consist mainly of foodstuffs—have been more or less flat. Sales of household electrical appliances have continued to climb steadily, assisted by strong sales of digital home appliances such as flat panel TVs. The number of new passenger-car registrations has been essentially level, with the fluctuations smoothed out, after having picked up in the second half of last year supported mainly by the introduction of new models. As for services consumption, outlays for travel have remained firm. On the other hand, sales in the food service industry have been leveling off since the second half of last year.

The *Indices of Aggregated Sales* (in real terms)—which are comprised of major sales indicators of goods and services mentioned above<sup>5</sup>—have been firm (Chart 14[1]). The aggregate supply of consumer goods—which comprehensively captures producers' supply of goods—has been trending up mildly, mainly due to favorable conditions for durable consumer goods (Chart 14[2]). Looking at private consumption from the demand side, the index of consumption expenditure level (two-or-more-person households, in real terms) in the *Family Income and Expenditure Survey* increased in the fourth quarter, but then dropped marginally in the first quarter (Chart 12[1]).<sup>6</sup> Total expenditure in the *Survey of Household Economy*

---

<sup>5</sup> The *Indices of Aggregated Sales* are the weighted average of individual sales indicators. Outlays for travel in March 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 March were at the same level as those for February.

<sup>6</sup> However, when looking at the index on an "excluding housing, etc." basis—which basically consists of the same items as those used for estimating the GDP—it registered relatively high growth of 0.9 percent in the first quarter on a quarter-on-quarter basis.



(two-or-more-person households, in real terms) rose in the first quarter, after having inched down in the fourth quarter (Chart 12[1]).<sup>7</sup>

Consumer sentiment has been cautious as a whole, due mainly to the rise in prices of petroleum products and food as well as to the weakness in stock prices (Chart 15).

Private consumption is expected to remain firm, with the gradual increase in household income.

Housing investment has been recovering moderately. On a GDP basis (first preliminary figures), real housing investment turned upward in the first quarter after having plunged in the third and fourth quarters (Chart 3). Meanwhile, the number of housing starts (Chart 16[1])—a leading indicator of housing investment—fell toward September last year from the effects of the enforcement of the revised Building Standard Law. It then continued to pick up until January this year, but the recovery has since paused. Looking at the number of housing starts in detail according to the type of housing, owner-occupied housing—consisting mostly of small-scale properties—has been more or less flat, since the effects from the revised Law have faded faster. The pace of recovery in housing for sale and housing for rent has slowed due to the softness in sales of condominiums and to further increases in prices of steel products. Looking ahead, housing investment is expected to be on a recovery trend, although the pace of recovery is likely to be modest.

Industrial production has been more or less flat. Production rose for two quarters in a row by marking an increase of 1.7 percent and 0.9 percent in the third and fourth quarters respectively on a quarter-on-quarter basis, and then dropped by 0.7 percent in the first quarter compared with the fourth quarter (Chart 17). As for developments in the first quarter by industry, production of iron and steel increased, but production of electronic parts and devices, as well as general machinery mainly in semiconductor products machinery, dropped markedly, and that of transport equipment remained more or less flat.

---

<sup>7</sup> 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.

Shipments rose by 1.3 percent in the third quarter and by 1.4 percent in the fourth quarter on a quarter-on-quarter basis, and then fell by 0.5 percent in the first quarter. Looking at the trend by goods (Chart 18), shipments of capital goods rose toward the end of last year, but they have been relatively weak lately due to the drop in semiconductor products machinery. Shipments of consumer goods have fluctuated sharply. On average, however, shipments of durable consumer goods have been on an uptrend, chiefly in digital home appliances, whereas those of nondurable consumer goods have been essentially level. Shipments of construction goods plunged in the second half of last year, affected mainly by the revised Building Standard Law, but seem to have picked up thereafter. Meanwhile, shipments of producer goods had been increasing until around the end of last year, but they have been relatively weak lately due to the decline in shipments of electronic parts and devices.

Inventories have been essentially in balance with shipments. The inventory cycle (Chart 19) 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 have continued to rise. In durable consumer goods, inventories have been in balance with shipments. On the other hand, in capital goods (excluding transport equipment), inventories have remained at relatively high levels, whereas shipments have been somewhat sluggish. As for construction goods, inventory adjustment pressures have continued to be strong. Meanwhile, in electronic parts and devices, the year-on-year rate of increase in shipments has fallen somewhat lately, but inventories have been essentially in balance with shipments.

As for the outlook, production is expected to increase, after being more or less flat in the short run, in light of developments in demand both at home and abroad. Anecdotal information suggests that production in the second quarter is likely to be essentially flat.<sup>8</sup>

---

<sup>8</sup> Production in the second quarter—based on the production forecast index for April and May (on the assumption that the June figure will be unchanged from the previous month)—is calculated to increase by 0.2 percent on a quarter-on-quarter basis.

As for the employment and income situations, household income has continued rising moderately, while the labor shortage continues to exist (Chart 20[3]).<sup>9</sup>

In the labor market, overtime hours worked have been virtually flat at high levels (Chart 22[3]). The unemployment rate has been marking a level slightly below 4 percent on average (Chart 21[1]). Meanwhile, the ratio of job offers to applicants has recently inched downward (Chart 21[1]). The decrease in the number of new job offers has continued to be affected by the moves of Labour Bureaus across Japan to promote appropriate posting by deterring overstatements in the number of job offers.<sup>10</sup> Attention, however, should be paid to the possibility of a slight decline in labor demand among small firms as a result of the economic slowdown.

In terms of employment (Chart 22[1]), the year-on-year growth rate in the number of employees in the *Labour Force Survey* has been slowing as a trend; it has been moving around zero percent lately due partly to fluctuations caused by sampling factors. On the other hand, as for the number of regular employees in the *Monthly Labour Survey*—whose coverage of small business establishments is limited—the year-on-year growth rate has been moving at around 2 percent.<sup>11</sup> Looking at the number of regular employees in the *Monthly Labour Survey* in detail, full-time employees have grown at a faster pace, whereas part-time employees have slowed

---

<sup>9</sup> Household income based on the *Monthly Labour Survey* has grown at a somewhat faster pace, partly due to solid increases in the number of regular employees. On the other hand, when using the number of employees in the *Labour Force Survey*, household income has increased at a modest pace. The main differences between the number of employees in the *Labour Force Survey* and the number of regular employees in the *Monthly Labour Survey* are: (1) the former survey is conducted on individuals and half of its samples are rearranged every month, whereas the latter survey is conducted on the same business establishments for a fairly long period; and (2) the former covers small business establishments with four persons or fewer, while these establishments are not included in the latter. Although monthly data of the *Labour Force Survey* are rather erratic, the survey, when fluctuations are smoothed out, appears to better reflect overall developments in the supply-demand conditions including those of very small firms.

<sup>10</sup> The number of job advertisements listed in the media of the private sector has been increasing steadily (Chart 21[3]).

<sup>11</sup> When looking at the two surveys by size of business establishment or firm, the number of regular employees in the *Monthly Labour Survey* has continued to rise in establishments with 5-29 employees and in those with 30 employees or more, whereas the number of employees in the *Labour Force Survey* has dropped markedly for small firms with 1-29 persons since the second half of last year, showing that the number of those employed at establishments with four persons or fewer has fallen.

their pace of increase. Hence, the year-on-year difference in the ratio of part-time employees, which had been positive, has recently turned negative (Chart 22[2]).<sup>12</sup>

Nominal wages per employee have been positive lately compared with the previous year (Chart 20[1]). In detail, the year-on-year rate of change in regular payments has been positive lately. This has been due mainly to the following three factors: (1) the prolonged labor shortage has gradually exerted upward pressure on wages; (2) the increase in the number of retiring baby-boomers has come to a halt, and this has consequently eased the downward pressure on regular payments; and (3) the number of part-time workers switching to regular employment has increased. Meanwhile, overtime payments have increased mildly. On the other hand, special payments have been relatively weak as a trend, since corporate profits have been leveling off.<sup>13</sup>

Looking ahead, the gradual increase in household income is likely to continue against the background of the persisting labor shortage and the generally high, but slightly reduced, corporate profits.

## 2. Prices

Import prices (on a yen basis; the three-month rate of change) have increased, due to the rise in international commodity prices (Chart 24). Looking at recent developments in international commodity prices in more detail, crude oil prices have recorded historical highs. Prices of nonferrous metals have continued to be generally

---

<sup>12</sup> The ratio of part-time workers has declined mainly since (1) the number of retiring baby-boomers—who are rehired as part-time workers in many cases—has almost peaked out, and (2) part-time workers have switched to regular employment as a result of firms' measures to impede the outflow of human resources and the enforcement of the revised Part-time Work Law (effective in April 2008).

<sup>13</sup> According to surveys on large firms released by (1) the *Nihon Keizai Shimbun*, Inc. (interim results as of April 24, 234 firms) and (2) The Institute of Labor Administration (results as of April 14, 175 firms), the year-on-year rate of increase in summer bonuses for this fiscal year is projected to be lower than that of winter bonuses last fiscal year; (1) shows year-on-year increases of 0.7 percent for winter bonuses last fiscal year and 0.2 percent for summer bonuses this fiscal year, and (2) shows 2.2 percent for last winter and 0.9 percent for this summer. The decrease in the growth rate is possibly due to the fact that corporate profits have been leveling off caused mainly by high materials prices.

high. Prices of crops have been high on the whole, although they have shown mixed movements, with wheat prices having fallen back while corn prices have been on the rise. Meanwhile, domestic commodity prices have risen, mainly reflecting developments in international commodity prices.

The three-month rate of change in domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates, same hereafter)<sup>14</sup> has been positive, mainly due to the rise in international commodity prices (Chart 25). In April, domestic corporate goods prices rose substantially as a whole, driven by the rise in materials prices, although prices of petroleum products dropped due to the expiration of the provisional extra taxes and those of pharmaceutical products fell since drug prices were reduced. In detail, prices of "iron and steel and construction goods" have recently increased at a faster pace, mainly since prices of scrap and waste have risen and since the increase in materials prices—including those of scrap and waste—has been passed on. Prices of "goods sensitive to exchange rates and overseas commodity prices" were level in April due to the effects of the expiration of the provisional extra taxes on prices of petroleum products, but they have continued to rise as a trend. Prices of "others" have increased at a faster pace, chiefly in prices of processed foodstuffs. Prices of "other materials" and "electric power, gas and water" have continued to increase mildly, mainly as a result of high fuel and material costs to date.<sup>15</sup> Meanwhile, prices of "machinery" have been flat lately. Looking at domestic demand products as a whole, including imports, prices of raw materials have increased due to the rise in international commodity prices. Prices of intermediate goods have increased, mainly in products related to iron and steel and construction goods. Final goods prices have recently dropped marginally, since prices of imports have fallen in response to the yen's appreciation, and also since prices of domestic products have decreased due to the decline in prices of petroleum products and pharmaceutical products.

---

<sup>14</sup> The figures are adjusted to exclude large seasonal fluctuations 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.

<sup>15</sup> Prices of chemicals and related products, which are classified as prices of "other materials," have been trending upward, mainly due to high materials prices thus far. In April, however, they were flat from the decline in pharmaceutical products.

The year-on-year rate of change in corporate services prices (excluding external factors)<sup>16</sup> has been moving around zero percent recently (Chart 26).<sup>17</sup> Looking at recent developments by category, the year-on-year changes in prices of "other services" have been positive since spring last year, reflecting improvements in supply-demand conditions as well as increases in costs such as labor costs. Moreover, prices of real estate services have continued to move up, assisted by the rise in office space rental against the background of improved supply-demand conditions of office spaces in the Tokyo metropolitan area. Prices of information services have continued to increase as a trend, albeit with some fluctuations, due to tightening supply-demand conditions as a result of active software investment by firms. On the other hand, prices of advertising services have been somewhat weak, since firms have been cautious about increasing advertisement placements. Meanwhile, prices of communications and broadcasting services have continued to fall, due to the reduction in cellular phone services charges. Prices of leasing and rental have also been declining, affected by the drop in prices of office automation equipment leasing.

The year-on-year rate of increase in consumer prices (excluding fresh food, same hereafter) has been rising since around the end of last year, due to the increase in prices of petroleum products and food products, and it has been around 1 percent lately (Chart 27).<sup>18</sup> Looking at recent developments in more detail, prices of goods have increased at a faster pace on a year-on-year basis, chiefly in petroleum products and food products. As for services prices, the pace of increase has accelerated moderately, partly since the negative contributions from mobile telephone charges have diminished, and also since prices of "eating out" have risen at a moderately

---

<sup>16</sup> "Excluding external factors" means that international air passenger transportation, ocean liner, ocean tramper, ocean tanker, oceangoing ship chartering services, and international air freight transportation are excluded from all items.

<sup>17</sup> All items, including external factors, had continued to increase at a pace slightly faster than 1 percent on a year-on-year basis since April last year, but the growth rate has slowed since the start of this year. This is largely attributable to the rapid decline in the growth rate of ocean freight transportation (such as ocean tramper) and oceangoing ship chartering services (1) in reaction to the upsurge caused by the rapid tightening of supply-demand conditions in shipping capacity last year and (2) due to the effects of the yen's appreciation.

<sup>18</sup> In March, prices rose by 1.2 percent on a year-on-year basis; they registered the largest increase since March 1998 (an increase of 1.8 percent) when the effects of the rise in the consumption tax were observed. Disregarding the effects of the rise in the consumption tax, it was the largest increase since August 1993 (an increase of 1.2 percent).

faster pace. Public utility charges have increased marginally, mainly in electricity charges.

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 projected to continue to be positive due to the rise in prices of petroleum products and food products in a situation where overall supply and demand in the economy are more or less balanced.

### **3. Financial Developments**

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

As for interest rate developments in the money markets, the overnight call rate (uncollateralized) has been at around 0.5 percent (Chart 28[1]). Regarding interest rates on term instruments, the Euroyen interest rate (TIBOR, 3-month) and FB rate (3-month) have been more or less flat on the whole (Chart 29[1]). Interest rates on Euroyen futures have risen, mainly in distant contracts, in response to reduced expectations for an interest rate cut and also to expectations that interest rates on term instruments will remain high for the time being (Chart 29[2]).

Yields on 10-year government bonds (newly issued 10-year JGB) surged toward the end of April,<sup>19</sup> due to developments in long-term interest rates in the United States and Europe and to position adjustments by some financial institutions. They have recently been moving in the range of 1.60-1.70 percent (Chart 28[2]).

Yield spreads between corporate bonds and government bonds have been more or less flat on the whole, although spreads for those with high credit ratings seem to have been narrowing moderately since the start of the new fiscal year (Chart 31).

---

<sup>19</sup> On April 25, trading of long-term government bond futures halted for 15 minutes at the Tokyo Stock Exchange in response to the circuit breaker mechanism that was triggered since the decline in the leading contract was more than two yen.

Stock prices have continued to move in line with U.S. and European stock prices. The Nikkei 225 Stock Average has continued to climb with some fluctuations since mid-March, and is moving in the range of 14,000-14,500 yen of late (Chart 32).

In the foreign exchange market, the yen has depreciated following the revision of the exceedingly pessimistic view on the U.S. economy. The yen temporarily appreciated thereafter but is currently being traded in the range of 104-105 yen to the U.S. dollar (Chart 33).

## **(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.

Regarding credit supply, private banks have remained generally accommodative in their loan provision. Related DIs of business surveys indicate that firms have perceived the lending attitudes of financial institutions as becoming a little less accommodative, notably in those of small and medium enterprises. Nevertheless, they have remained considerably accommodative compared to past levels (Chart 34).

Lending rates have been at extremely low levels on the whole. The average contracted interest rates on new loans and discounts, with the monthly fluctuations smoothed out, have been more or less unchanged (Chart 35).

The amount outstanding of lending by private banks has continued to increase at a moderate pace. Its monthly average outstanding, after adjustment,<sup>20</sup> grew by 1.7 percent in April on a year-on-year basis, compared to 1.7 percent in March and 1.4 percent in February (Chart 36).

---

<sup>20</sup> The figures are adjusted for (1) fluctuations due to the liquidation of loans, (2) fluctuations in the yen value of foreign-currency-denominated loans due to changes in exchange rates, and (3) fluctuations due to loan write-offs.



In the corporate bond and CP markets, the issuing environment continues to be favorable as a whole. Issuance spreads on corporate bonds and CP have expanded, chiefly for those issued by firms with low credit ratings, while they have remained tight for firms with high credit ratings. The amount outstanding of CP and corporate bonds issued has been above the previous year's level. It increased by 1.6 percent in April on a year-on-year basis, compared to 0.9 percent March and 3.0 percent in February (Chart 37).

According to business surveys, the financial positions of firms have continued to be favorable as a whole, although those of small and medium enterprises have shown some deterioration (Chart 34).

The money stock ( $M_2 + \text{CDs}$ ) has increased by around 2 percent annually. Its April reading was 1.9 percent on a year-on-year basis, following 2.3 percent in the previous two months (Chart 38).

The number of corporate bankruptcies was up by 8.4 percent in April compared to the year-ago level, to 1,215 cases (Chart 39).

## Charts

Chart 1	Main Economic Indicators (1)	Chart 23	Prices
Chart 2	Main Economic Indicators (2)	Chart 24	Import Prices and International Commodity Prices
Chart 3	Real GDP and Indexes of Business Conditions	Chart 25	Domestic Corporate Goods Price Index
Chart 4	Public Investment	Chart 26	Corporate Service Price Index
Chart 5	External Balance	Chart 27	Consumer Price Index (Excluding Fresh Food)
Chart 6	Real Exports	Chart 28	Interest Rates
Chart 7	Exports and Imports of IT-Related Goods	Chart 29	Short-Term Money Market Rates
Chart 8	Real Effective Exchange Rate and Overseas Economies	Chart 30	Implied Forward Rates (1-Year)
Chart 9	Real Imports	Chart 31	Yields of Corporate Bonds
Chart 10	Coincident Indicators for Business Fixed Investment	Chart 32	Stock Prices
Chart 11	Leading Indicators for Business Fixed Investment	Chart 33	Exchange Rates
Chart 12	Indicators for Private Consumption (1)	Chart 34	Corporate Finance-Related Indicators
Chart 13	Indicators for Private Consumption (2)	Chart 35	Lending Rates
Chart 14	Indicators for Private Consumption (3)	Chart 36	Lending by Financial Institutions
Chart 15	Consumer Confidence	Chart 37	Private-Sector Fund-Raising in the Capital Markets
Chart 16	Indicators for Housing Investment	Chart 38	Money Stock
Chart 17	Production, Shipments, and Inventories	Chart 39	Corporate Bankruptcies
Chart 18	Shipments Breakdown by Type of Goods		
Chart 19	Inventory Cycle		
Chart 20	Employee Income		
Chart 21	Labor Market (1)		
Chart 22	Labor Market (2)		

## Main Economic Indicators (1)

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

	2007/Q3	Q4	2008/Q1	2008/Jan.	Feb.	Mar.	Apr.
Index of consumption expenditure level (two-or-more-person households)	-0.6	0.7	-0.4	2.8	-6.0	0.7	n.a.
Sales at department stores	-1.3	0.3	-0.7	0.5	-0.3	-1.1	n.a.
Sales at supermarkets	-0.5	0.5	0.2	-0.8	1.6	0.7	n.a.
New passenger-car registrations <sup>3</sup> <s.a., ann. 10,000 units>	< 295>	< 300>	< 301>	< 317>	< 289>	< 297>	< 317>
Sales of household electrical appliances (real, Current Survey of Commerce)	4.1	1.8	5.7	1.5	0.6	4.8	n.a.
Outlays for travel	1.5	0.7	n.a.	-0.2	-3.9	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	< 81>	< 95>	< 114>	< 119>	< 115>	< 109>	<n.a.>
Machinery orders (from private sector <sup>4</sup> )	1.4	0.6	2.2	17.3	-12.3	-8.3	n.a.
Manufacturing	1.8	6.1	-5.9	8.0	-9.2	-7.0	n.a.
Nonmanufacturing <sup>4</sup>	1.0	-1.1	6.5	22.8	-13.6	-9.5	n.a.
Construction Starts (private, nondwelling use)	-48.0	39.1	0.2	-16.0	-15.3	29.9	n.a.
Mining & manufacturing	-49.8	44.1	-4.5	-23.5	10.4	24.7	n.a.
Nonmanufacturing <sup>5</sup>	-47.4	34.3	2.1	-12.4	-23.4	33.7	n.a.
Value of public works contracted	-1.5	1.4	-0.5	-4.4	3.9	-3.5	-7.4
Real exports	5.1	1.9	3.3	4.5	-4.9	4.6	n.a.
Real imports	1.7	-0.6	0.8	0.9	-3.1	5.8	n.a.
Industrial production <sup>9</sup>	1.7	0.9	-0.7	-0.5	1.6	-3.4	n.a.
Shipments <sup>9</sup>	1.3	1.4	-0.5	-0.5	1.2	-3.9	n.a.
Inventories <sup>9</sup>	1.1	1.2	0.0	-0.2	0.1	0.1	n.a.
Inventory Ratio <sup>9</sup> <s.a., CY 2005 = 100>	< 103.4>	< 101.3>	< 105.3>	< 99.7>	< 98.3>	< 105.3>	<n.a.>
Real GDP	0.3	0.6	0.8	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.1	-0.1	n.a.	0.0	-1.4	n.a.	n.a.

## Main Economic Indicators (2)

	y/y % chg. <sup>1</sup>						
	2007/Q3	Q4	2008/Q1	2008/Jan.	Feb.	Mar.	Apr.
Ratio of job offers to applicants <s.a., times>	< 1.05>	< 1.00>	< 0.97>	< 0.98>	< 0.97>	< 0.95>	<n.a.>
Unemployment rate <s.a., %>	< 3.8>	< 3.8>	< 3.9>	< 3.8>	< 3.9>	< 3.8>	<n.a.>
Overtime working hours <sup>6</sup>	0.4	0.2	0.7	-0.9	1.8	0.9	n.a.
Number of employees	0.8	0.9	0.0	0.5	-0.3	-0.1	n.a.
Number of regular employees <sup>6</sup>	1.7	2.0	1.9	1.9	2.0	1.9	n.a.
Nominal wages per person <sup>6</sup>	-0.6	-0.9	1.6	1.6	1.5	1.5	n.a.
Domestic corporate goods price index <q/q % chg., 3-month rate of change> <sup>7</sup>	1.6 < 0.7>	2.4 < 0.7>	3.4 < 1.0>	3.0 < 0.8>	3.5 < 1.0>	3.9 < 1.2>	p 3.7 <p 1.6>
Consumer price index <sup>8</sup>	-0.1	0.5	1.0	0.8	1.0	1.2	n.a.
Corporate service price index	1.3	1.4	p 0.5	0.6	0.7	p 0.4	n.a.
Money Stock (M <sub>2</sub> +CDs) <average outstanding, y/y % chg.>	1.9	2.0	2.2	2.1	2.3	2.3	p 1.9
Number of corporate bankruptcies <cases>	<1,155>	<1,190>	<1,238>	<1,174>	<1,194>	<1,347>	<1,215>

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

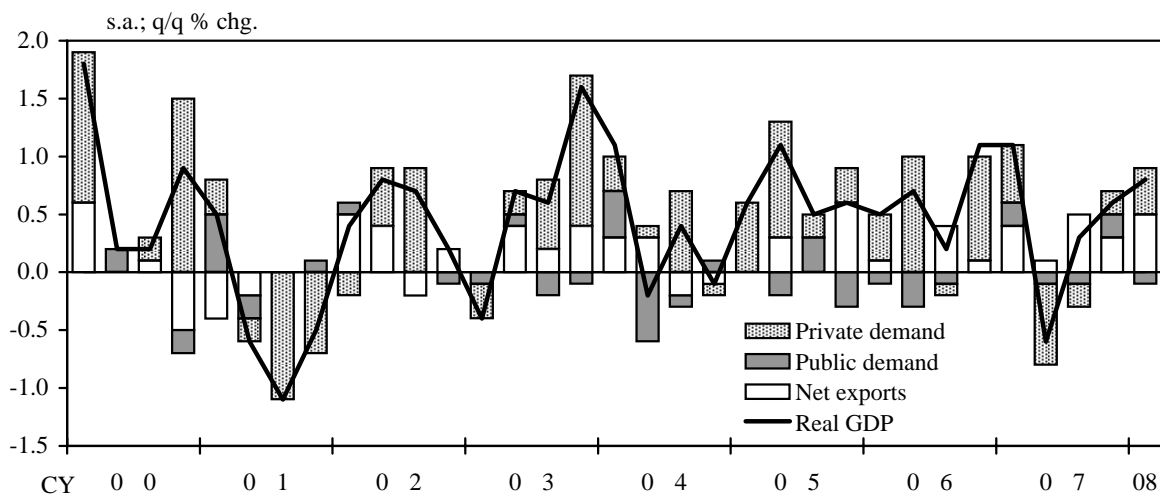
All figures in Chart 2 except figures in angle brackets are year-on-year changes. For details on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes of the respective charts.

2. Figures with "p" indicate 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. Adjusted to exclude a hike in electric power charges during the summer season.
8. Excludes fresh food.
9. Data have been revised to the 2005 base.

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 and Indexes of Business Conditions

## (1) Real GDP



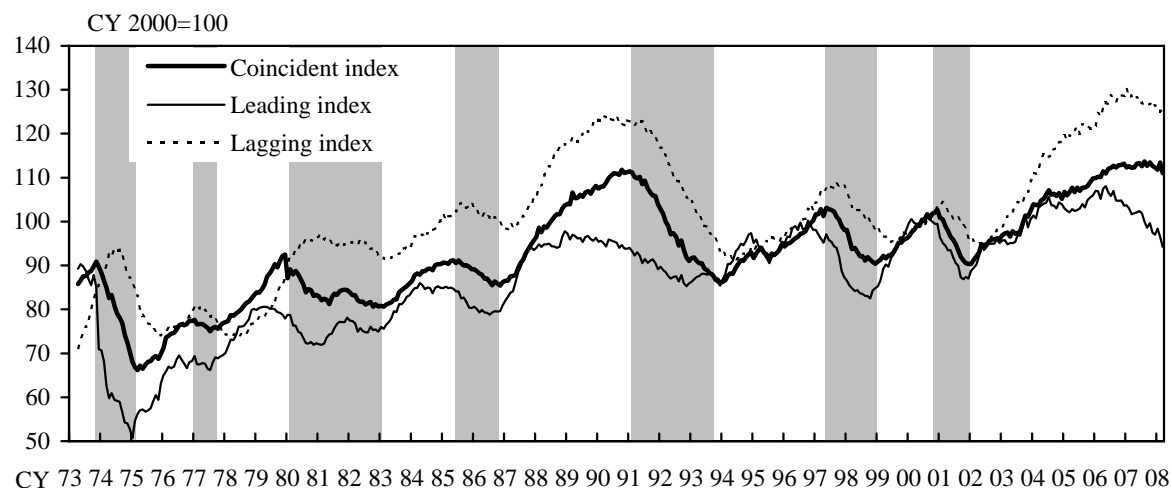
## (2) Components

s.a.; q/q % chg.

	2007				2008
	Q1	Q2	Q3	Q4	Q1
Real GDP	1.1	-0.6	0.3	0.6	0.8
Domestic demand	0.7	-0.7	-0.2	0.3	0.3
Private demand	0.5	-0.7	-0.2	0.2	0.4
Private consumption	0.3	0.1	0.0	0.2	0.5
Non-Resi. investment	0.2	-0.5	0.1	0.1	-0.1
Residential investment	-0.1	-0.2	-0.3	-0.3	0.1
Private inventory	0.1	-0.1	-0.1	0.1	-0.1
Public demand	0.2	-0.1	-0.1	0.2	-0.1
Public investment	0.1	-0.2	-0.1	0.0	0.1
Net exports of goods and services	0.4	0.1	0.5	0.3	0.5
Exports	0.5	0.2	0.5	0.4	0.8
Imports	-0.1	-0.1	0.0	-0.1	-0.3
Nominal GDP	0.8	-0.8	0.1	-0.1	0.4

Note: Figures of components in real GDP indicate contributions to changes in GDP.

## (3) Indexes of Business Conditions (Composite Indexes)

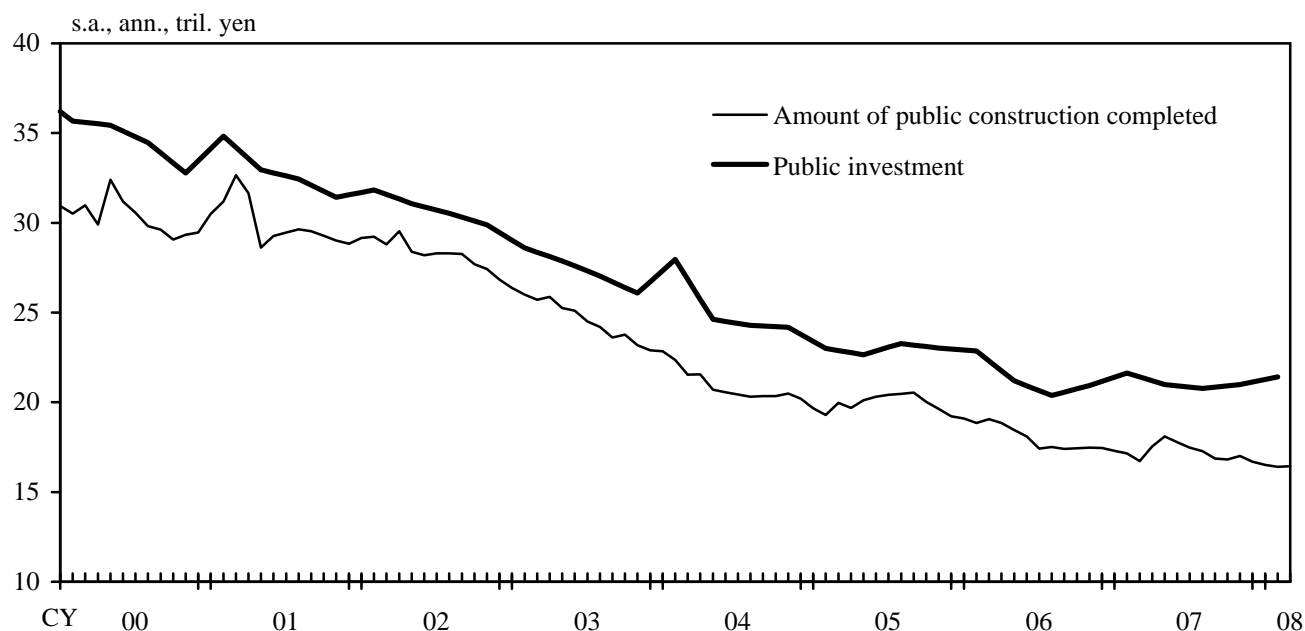


Note: Shaded areas indicate recession periods.

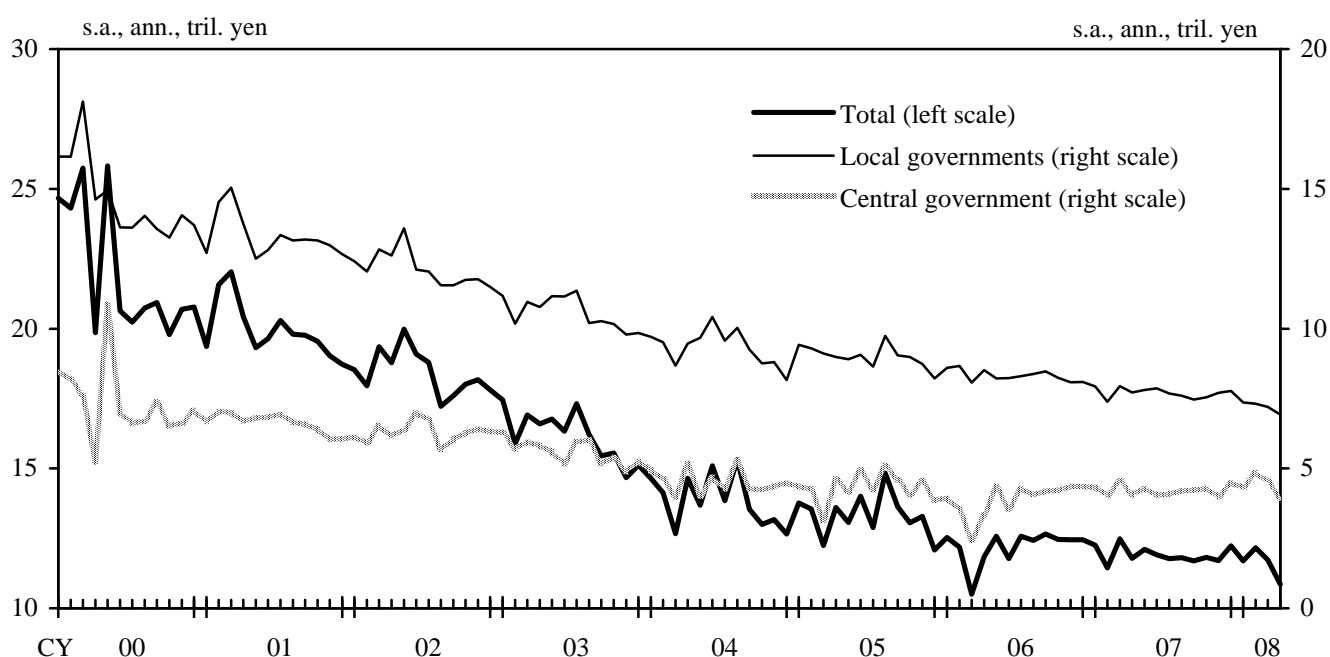
Source: Cabinet Office, "National Accounts," "Indexes of Business Conditions."

## 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 the value of public works contracted and amount of public construction completed are seasonally adjusted by X-12-ARIMA.

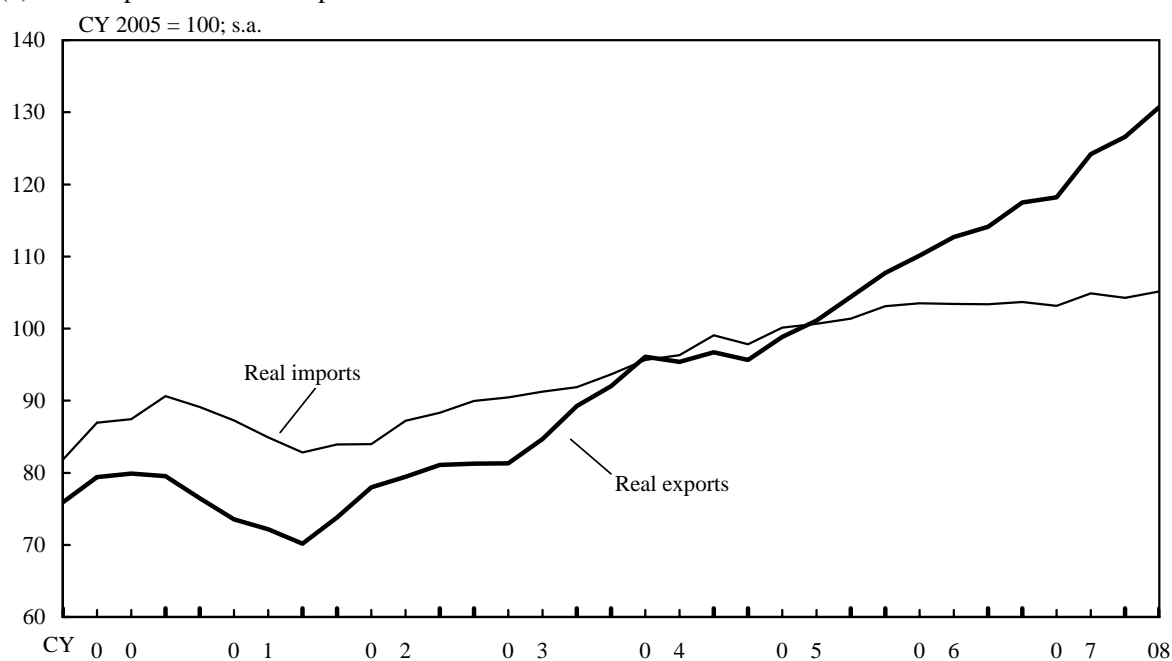
Sources: Cabinet Office, "National Accounts";

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

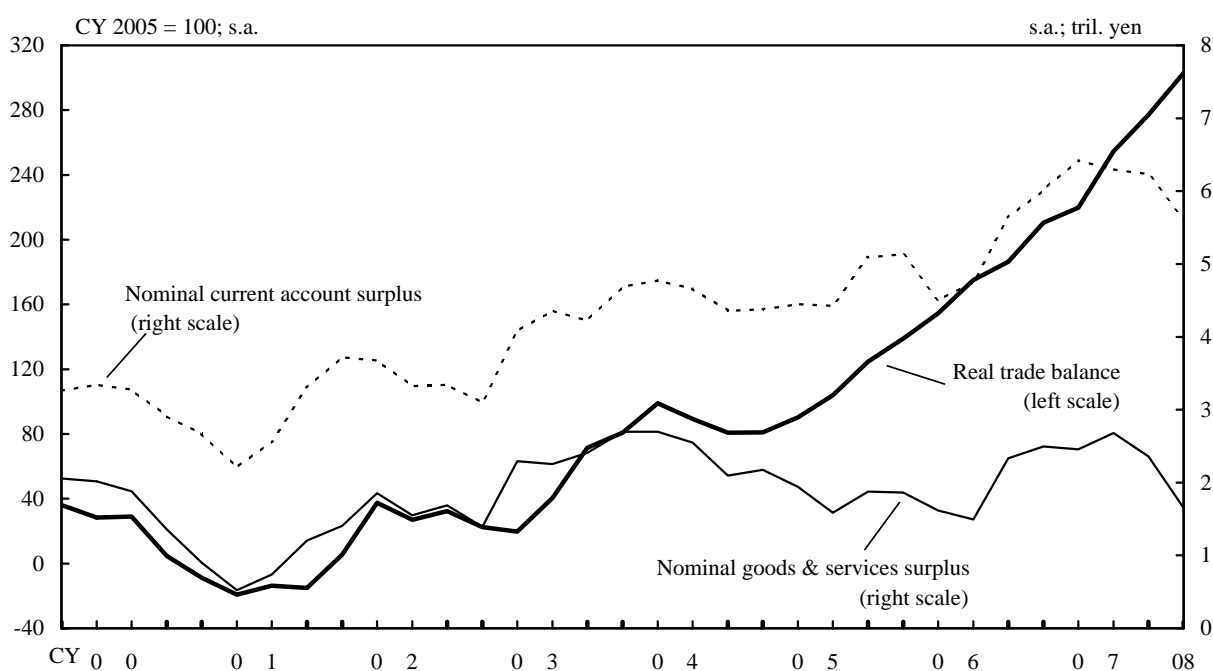
Ministry of Land, Infrastructure and Transport, "Integrated Statistics on Construction Works."

## 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 2005. 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 <sup>1</sup>

## (1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.				s.a.; m/m % chg.			
		CY 2006	2007	2007 Q1	Q2	Q3	Q4	2008 Q1	2008 Jan.	Feb.	Mar.
United States	<20.1>	11.7	-1.2	-1.3	-3.0	4.4	-1.3	-0.2	-0.2	-4.8	4.5
EU	<14.8>	11.1	13.0	4.4	2.0	5.3	2.6	4.2	6.5	-4.1	8.1
East Asia	<46.0>	8.9	10.3	4.8	-0.1	4.4	2.8	4.9	7.3	-4.0	-0.5
China	<15.3>	18.8	16.8	6.9	-1.0	6.7	1.9	5.2	12.7	-7.0	-0.9
NIEs	<22.4>	6.3	5.2	3.5	-0.8	3.1	2.0	5.3	7.2	-3.8	-0.0
Korea	<7.6>	9.6	5.3	5.1	-1.8	0.8	4.7	3.6	5.7	-2.1	2.9
Taiwan	<6.3>	2.7	0.0	-0.2	2.8	4.8	-3.8	8.8	15.3	-15.3	2.7
ASEAN <sup>4</sup>	<8.3>	1.8	13.2	4.6	3.5	4.0	6.3	3.6	-0.6	0.8	-0.8
Thailand	<3.6>	4.1	9.8	4.1	1.4	4.9	2.1	5.1	6.4	-5.6	4.2
Others	<19.1>	20.2	19.9	5.0	5.1	5.6	9.2	4.8	5.7	-6.3	11.2
Real exports		11.2	9.1	3.0	0.6	5.1	1.9	3.3	4.5	-4.9	4.6

## (2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.				s.a.; m/m % chg.			
		CY 2006	2007	2007 Q1	Q2	Q3	Q4	2008 Q1	2008 Jan.	Feb.	Mar.
Intermediate goods	<18.4>	6.9	5.3	2.0	0.6	4.9	1.6	2.2	0.3	-0.3	4.7
Motor vehicles and their related goods	<24.1>	14.2	13.2	3.0	1.8	5.9	6.6	3.0	3.1	-7.4	9.5
Consumer goods <sup>4</sup>	<4.5>	9.8	6.4	-0.9	4.5	3.4	-0.2	4.3	3.7	-1.8	9.9
IT-related goods <sup>5</sup>	<11.0>	7.5	12.1	6.5	-1.8	4.2	2.3	-1.3	0.2	-5.6	4.1
Capital goods and parts <sup>6</sup>	<28.4>	13.3	8.0	3.0	1.7	3.2	2.8	4.2	4.0	-2.8	3.0
Real exports		11.2	9.1	3.0	0.6	5.1	1.9	3.3	4.5	-4.9	4.6

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

2. Shares of each region and goods in 2007 are shown in angle brackets.

3. Data of 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.

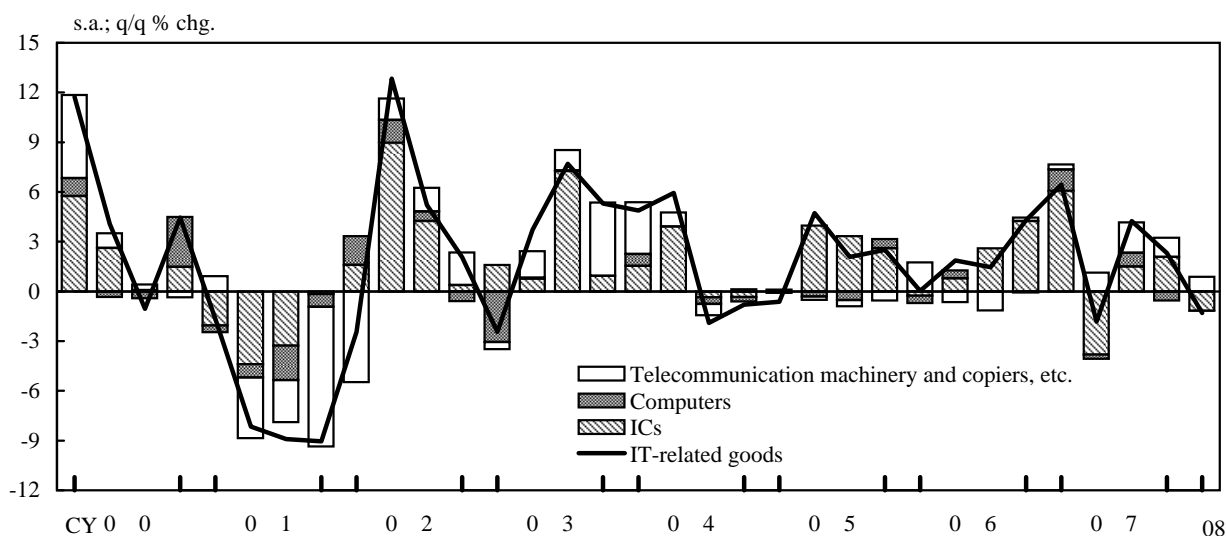
6. Excludes IT-related goods, power generating machinery and parts of motor vehicles.

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

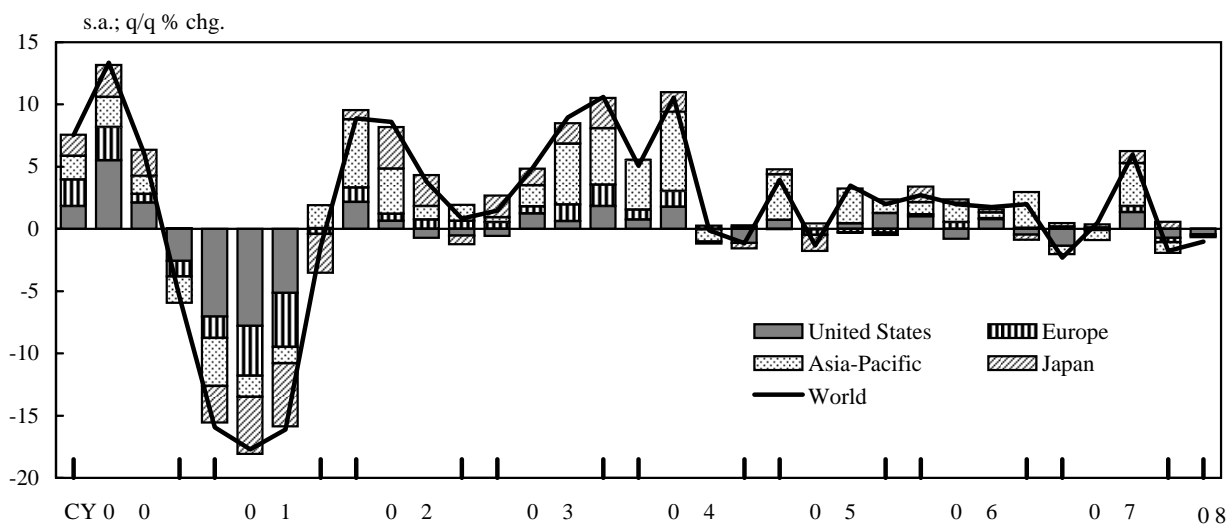


Exports and Imports of IT-Related Goods

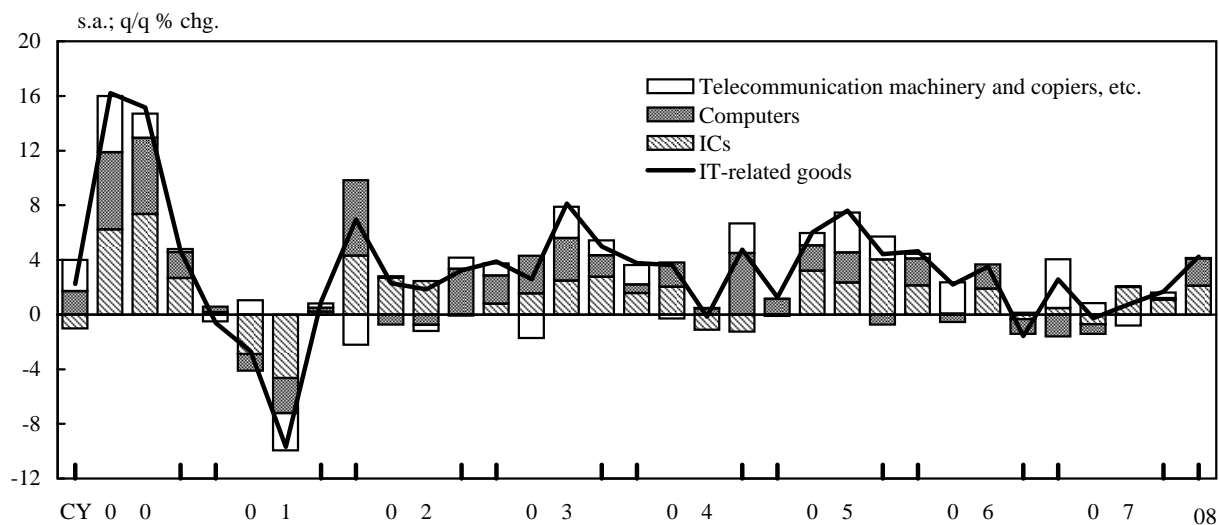
(1) Exports of IT-Related Goods (Real, Breakdown by Goods)



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



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

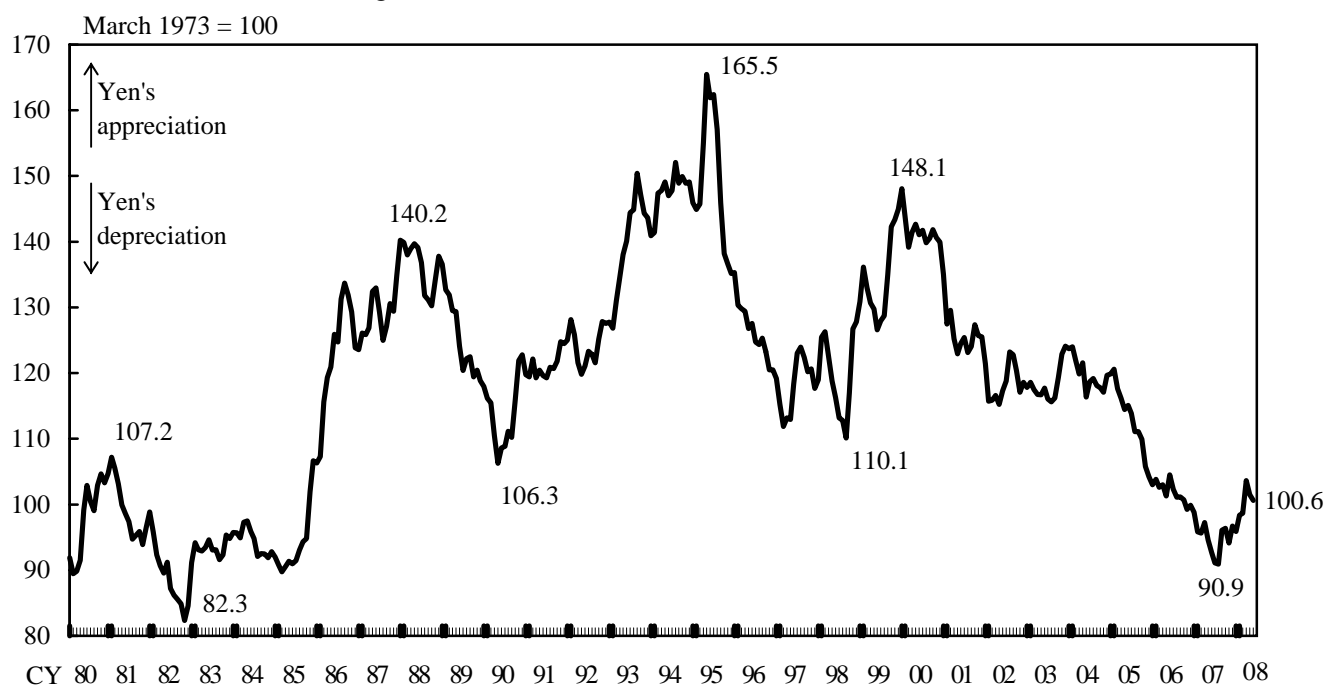


Notes: Seasonally adjusted by X-12-ARIMA.

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

## Real Effective Exchange Rate and Overseas Economies

### (1) Real Effective Exchange Rate



Note: Calculated by the Bank of Japan. Monthly average. Figure for May 2008 is the average up to May 19.

Figures are the index of weighted average of the yen's real exchange rates versus 15 major currencies (29 countries) which are calculated from nominal exchange rates and price indexes of the respective countries.

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

		CY2005	2006	2007	2007 Q2	Q3	Q4	2008 Q1	
United States <sup>1</sup>		3.1	2.9	2.2	3.8	4.9	0.6	0.6	
European Union <sup>1</sup>		1.9	3.1	2.9	1.9	3.1	2.0	2.7	
	Germany	1.0	3.1	2.6	0.7	2.7	1.1	6.3	
	France	1.9	2.4	2.1	2.3	2.8	1.4	2.6	
	United Kingdom	1.8	2.9	3.0	3.4	2.6	2.5	1.6	
East Asia <sup>2</sup>	China	10.4	11.6	11.9	11.9	11.5	11.2	10.6	
	NIEs	Korea	4.2	5.1	5.0	4.9	5.1	5.7	5.7
		Taiwan	4.2	4.9	5.7	5.2	6.9	6.4	n.a.
		Hong Kong	7.1	7.0	6.4	6.2	6.8	6.9	7.1
		Singapore	7.3	8.2	7.7	9.1	9.5	5.4	7.2
	ASEAN4	Thailand	4.5	5.1	4.8	4.3	4.8	5.7	n.a.
		Indonesia	5.7	5.5	6.3	6.4	6.5	6.3	6.3
		Malaysia	5.0	5.9	6.3	5.8	6.6	7.3	n.a.
Philippines		4.9	5.4	7.3	7.5	7.4	7.4	n.a.	

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

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

Real Imports <sup>1</sup>

## (1) Breakdown by Region

		y/y % chg.		s.a.; q/q % chg.				s.a.; m/m % chg.			
		CY 2006	2007	2007 Q1	Q2	Q3	Q4	2008 Q1	2008 Jan.	Feb.	Mar.
United States	<11.4>	5.3	-1.5	-0.6	-1.1	-2.0	3.2	-1.0	6.2	-4.7	-1.4
EU	<10.5>	0.8	4.0	0.2	3.1	2.7	-3.3	-1.0	-0.5	-5.7	14.2
East Asia	<40.9>	8.8	3.2	0.4	-0.9	1.4	0.0	2.2	-1.0	0.3	4.0
China	<20.6>	10.9	5.7	2.1	-0.3	1.3	-0.1	0.8	-1.4	-0.2	2.2
NIEs	<8.9>	12.3	-3.9	-2.8	-3.0	1.1	0.4	3.1	1.0	0.8	1.9
Korea	<4.4>	10.7	-3.5	-2.6	0.7	-1.1	0.4	3.4	4.6	-1.0	-3.4
Taiwan	<3.2>	15.6	-3.1	-2.4	-7.4	4.4	-1.8	4.3	-3.1	3.8	5.6
ASEAN4 <sup>3</sup>	<11.4>	2.7	4.6	-0.1	-0.1	1.8	-0.0	4.1	-1.7	0.6	8.6
Thailand	<2.9>	8.7	4.3	0.0	-0.1	3.3	-0.5	1.2	-3.1	0.4	0.3
Others	<37.2>	2.9	-0.5	1.2	-1.1	2.7	-0.4	0.9	-1.7	-1.8	6.9
Real imports		3.6	0.6	0.3	-0.5	1.7	-0.6	0.8	0.9	-3.1	5.8

## (2) Breakdown by Goods

		y/y % chg.		s.a.; q/q % chg.				s.a.; m/m % chg.			
		CY 2006	2007	2007 Q1	Q2	Q3	Q4	2008 Q1	2008 Jan.	Feb.	Mar.
Raw materials <sup>4</sup>	<35.4>	1.2	0.2	0.9	-0.5	3.7	-0.4	1.5	-3.3	1.2	9.9
Intermediate goods	<14.8>	3.1	2.0	0.5	-0.3	2.2	-1.9	-1.8	-2.8	-2.3	5.7
Foodstuffs	<8.3>	-4.0	-9.6	-2.0	-6.0	-2.0	-6.2	-0.9	-2.7	-0.6	3.2
Consumer goods <sup>5</sup>	<8.1>	4.3	-0.1	-4.3	6.1	-1.2	-2.8	0.6	-1.0	1.3	7.2
IT-related goods <sup>6</sup>	<11.3>	17.2	4.2	2.6	-0.3	0.7	1.7	4.2	4.4	-6.6	4.4
Capital goods and parts <sup>7</sup>	<12.8>	16.8	8.4	2.3	1.0	1.1	4.5	1.2	7.7	-9.5	0.1
Excluding aircraft	<11.8>	17.7	7.8	0.0	2.7	3.3	1.8	0.1	-0.1	-6.9	8.8
Real imports		3.6	0.6	0.3	-0.5	1.7	-0.6	0.8	0.9	-3.1	5.8

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

2. Shares of each region and goods in 2007 are shown in angle brackets.

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

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

5. Excludes foodstuffs.

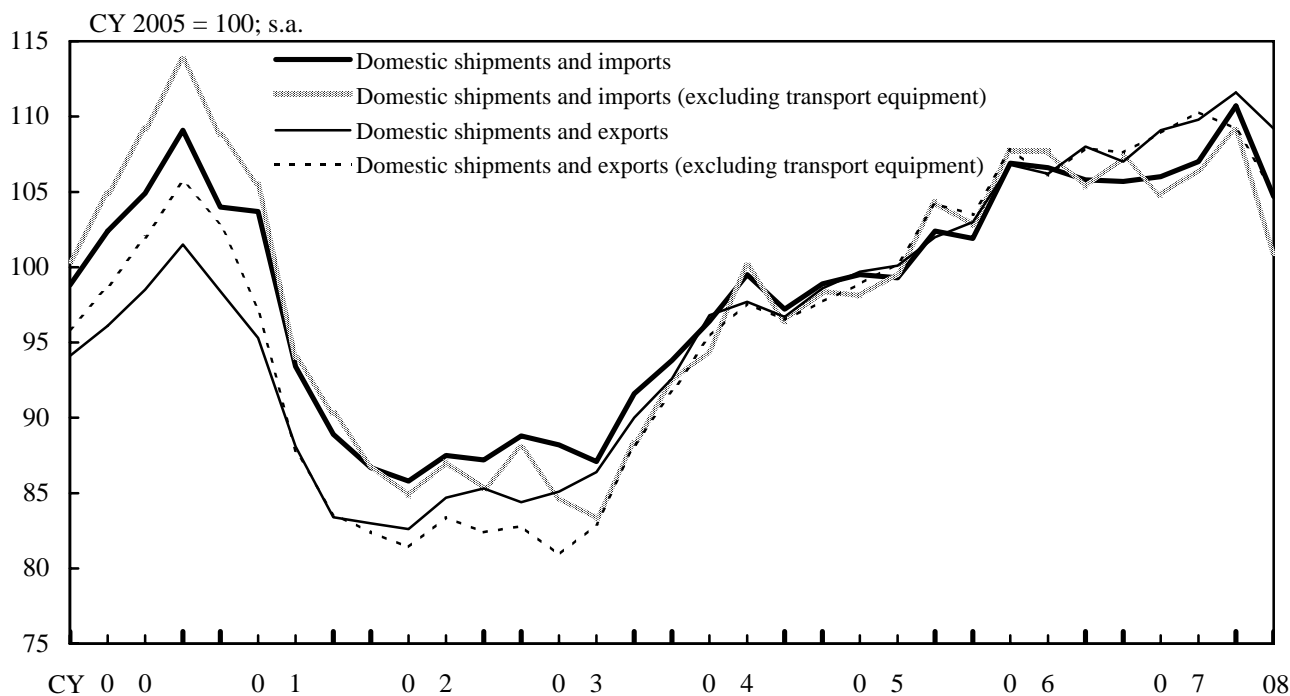
6. IT-related goods are composed of computers and units, parts of computer, telecommunication machinery, ICs, and medical and optical instruments.

7. Excludes IT-related goods.

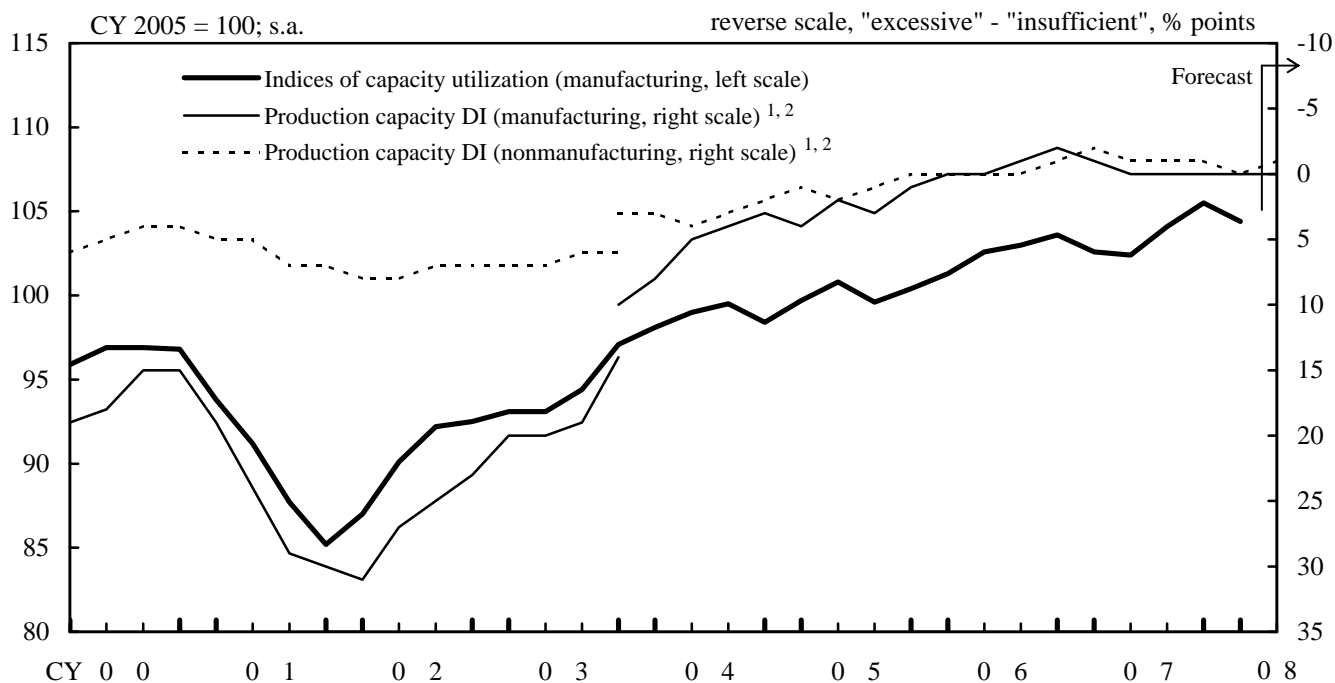
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

## Coincident Indicators for Business Fixed Investment

## (1) Aggregate Supply and Shipments of Capital Goods



## (2) Indices of Capacity Utilization and Production Capacity DI



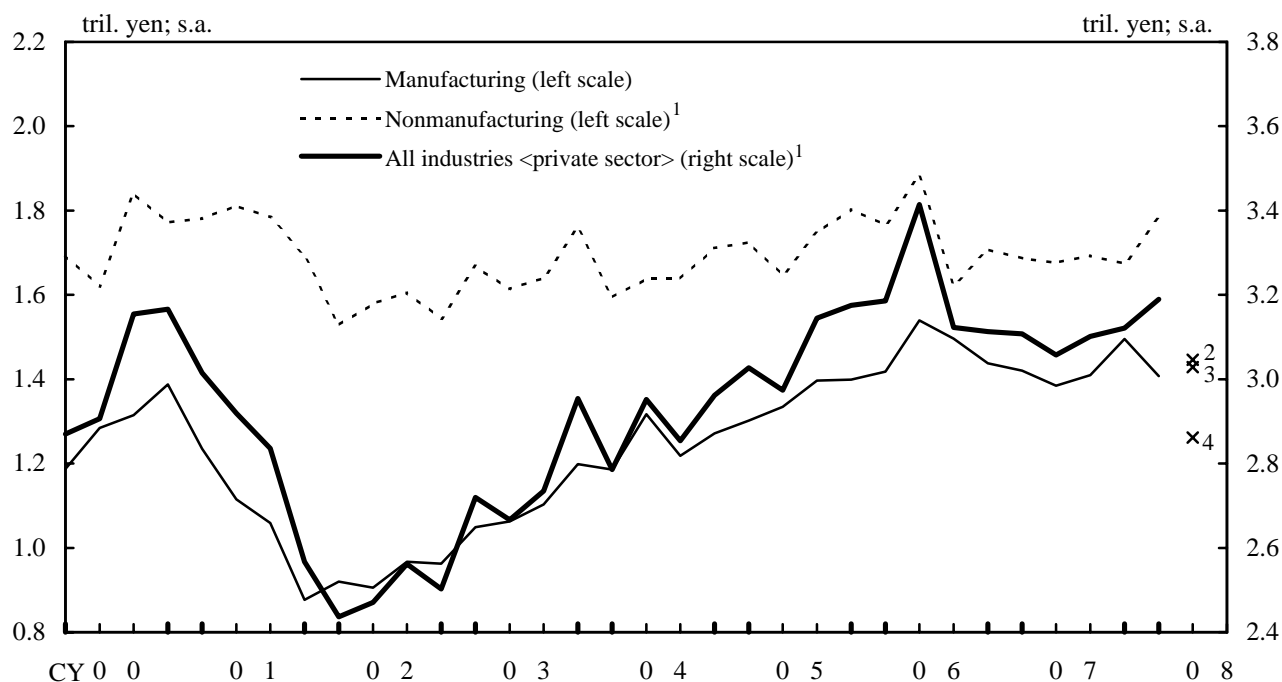
Notes: 1. Production capacity DIs are those of all enterprises.

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,"  
 "Indices of Industrial Domestic Shipments and Imports";  
 Bank of Japan, "*Tankan*, Short-term Economic Survey of Enterprises in Japan."

## Leading Indicators for Business Fixed Investment

### (1) Machinery Orders



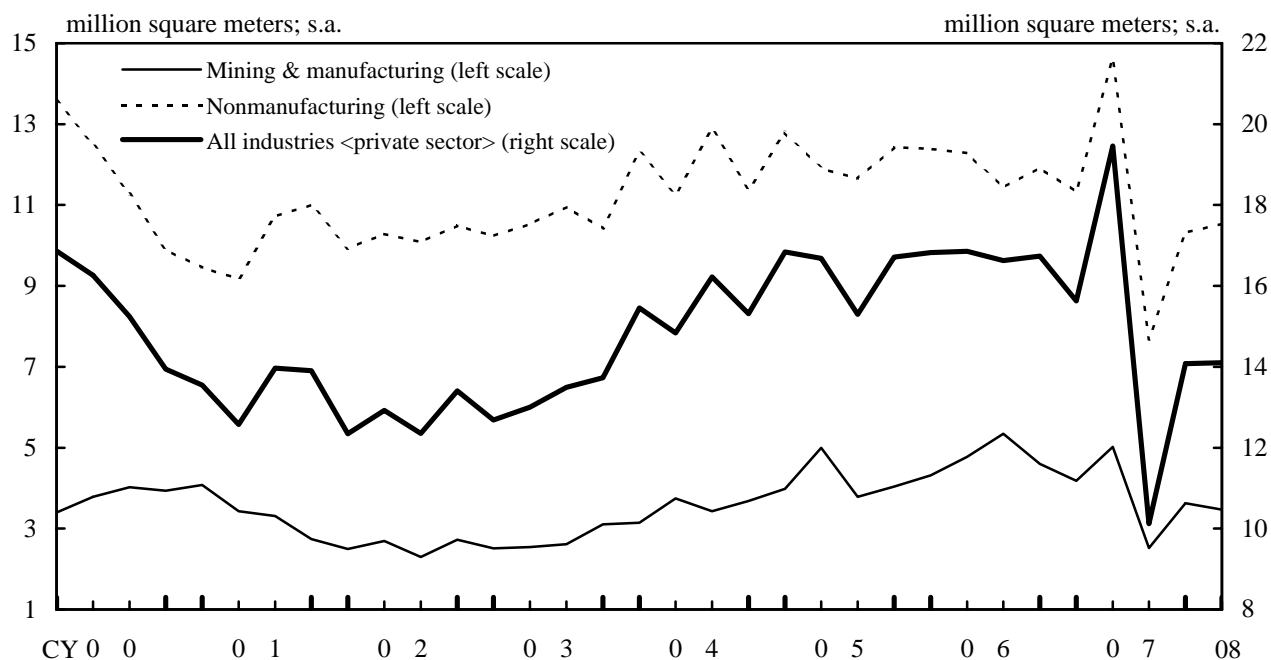
Notes: 1. Excludes orders of shipbuilding and orders from electric power companies.

2. Forecast of nonmanufacturing industries for 2008/Q2.

3. Forecast of manufacturing industries for 2008/Q2.

4. Forecast of all industries <private sector> for 2008/Q2.

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



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

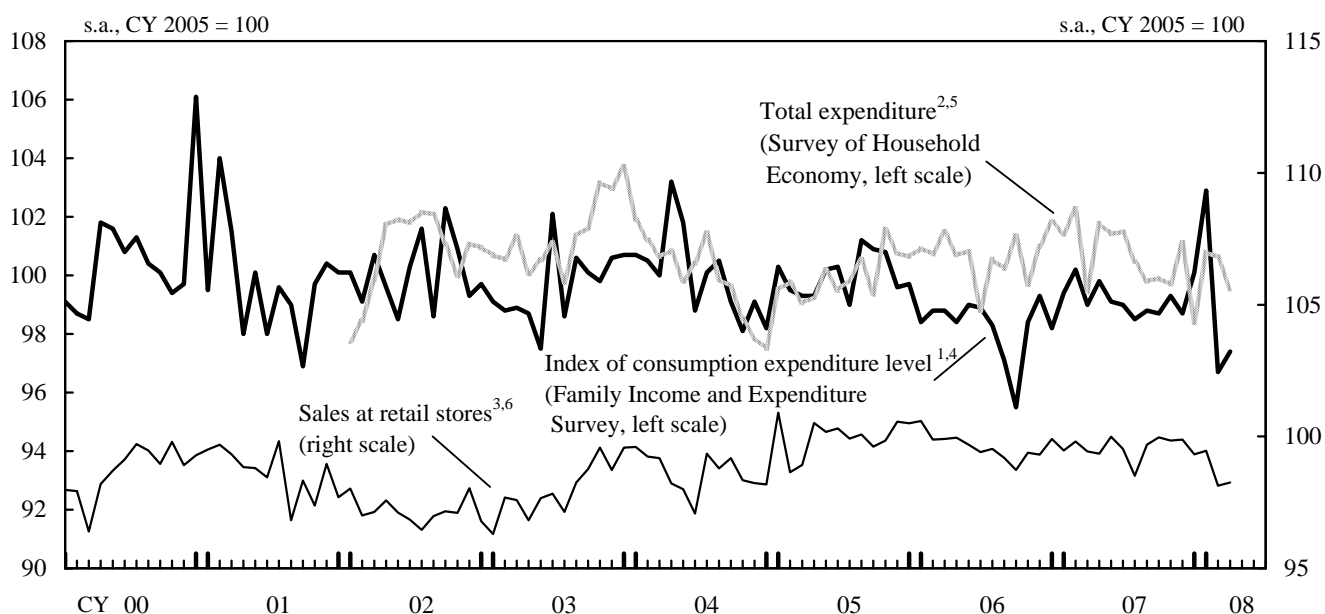
2. Because the Standard Industrial Classification for Japan was revised in March 2002, the industry classification for newspaper publishing and publishing business was changed from mining and manufacturing to nonmanufacturing. Accordingly, the data up to FY 2002 were adjusted by using a link coefficient.

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

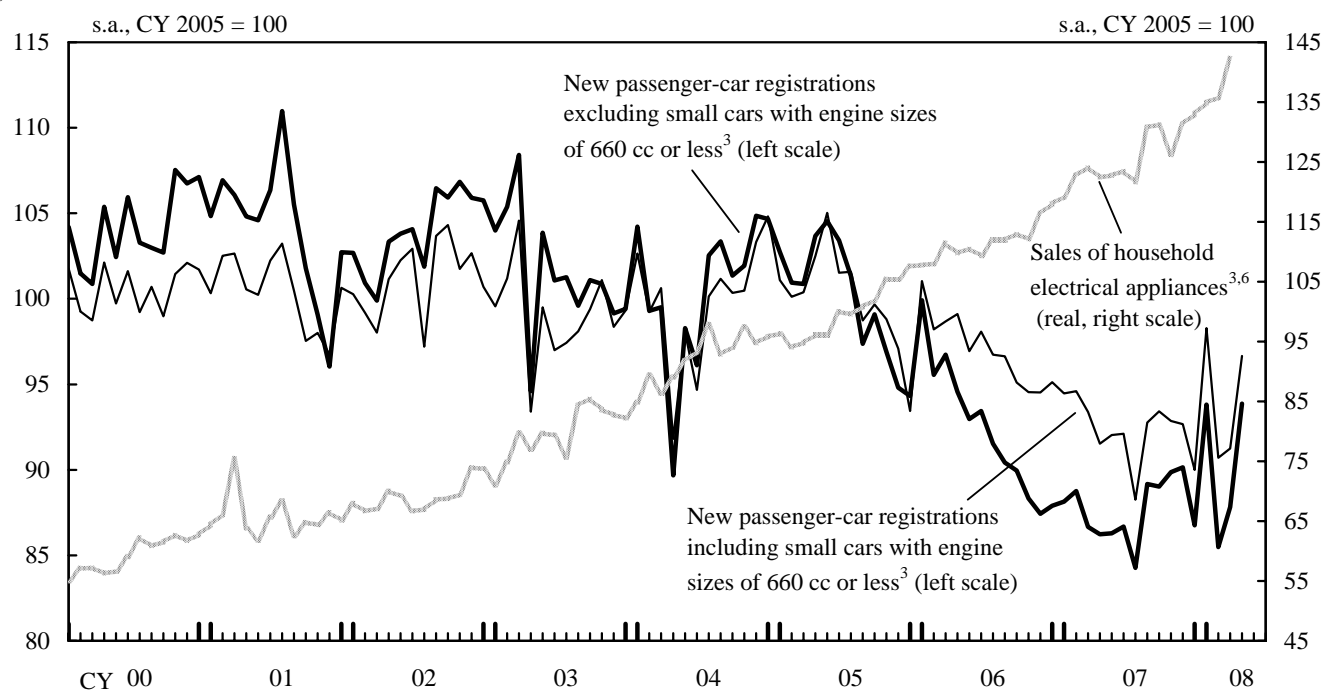
Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts."

## Indicators for Private Consumption (1)

## (1) Household Spending (Real)

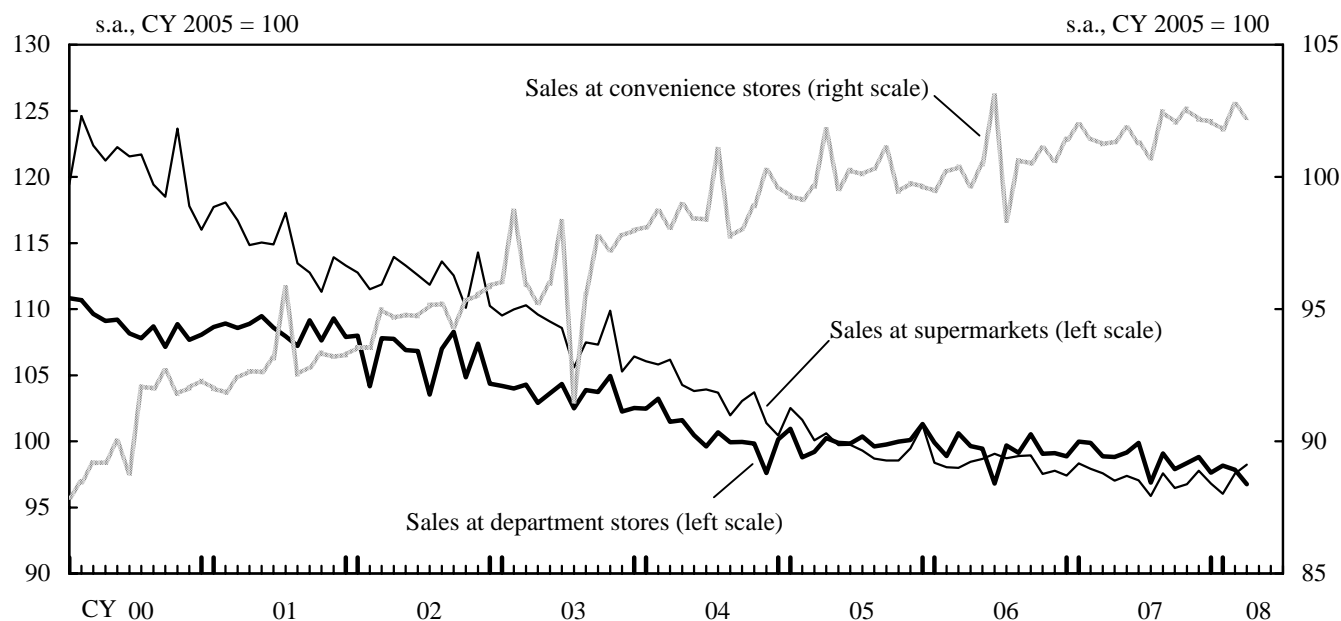


## (2) Sales of Durable Goods

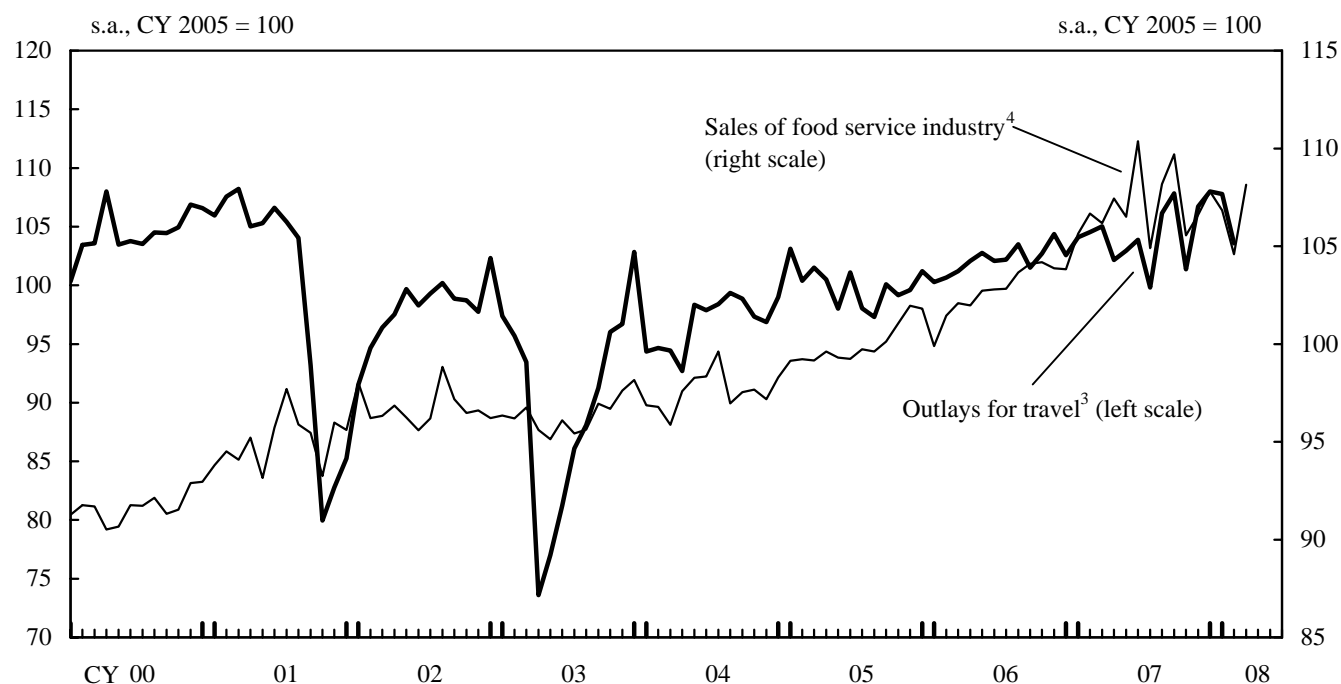


- Notes: 1. Index of consumption expenditure level is seasonally adjusted by the Ministry of Internal Affairs and Communications.  
 2. Total expenditure is seasonally adjusted by X-11.  
 3. All the other indicators are seasonally adjusted by X-12-ARIMA.  
 4. Index of consumption expenditure level is based on two-or-more-person households, and is adjusted by the distribution of household by number of household members and age group of household head.  
 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: indices of retail sales of machinery and equipment in the Current Survey of Commerce are deflated by the geometric means of the corresponding consumer price indexes (or by the corporate goods price index for 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, "Corporate Goods Price Index";  
 Japan Automobile Dealers Association, "Domestic Sales of Automobiles";  
 Japan Mini Vehicles Association, "Sales of Mini Vehicles."

Indicators for Private Consumption<sup>1</sup> (2)(1) Sales at Retail Stores (Nominal)<sup>2</sup>

## (2) Consumption of Services (Nominal)



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

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

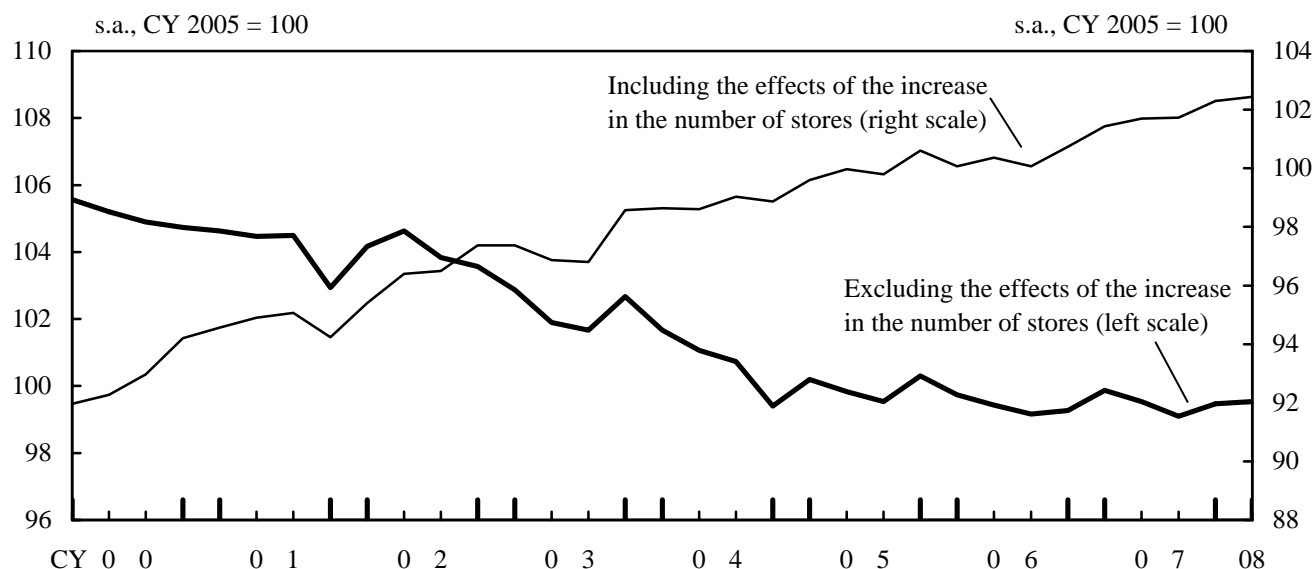
3. As for "outlays for travel," there is a discontinuity in the underlying data as of April 2007 due to changes in the sample. Data from April 2007 and onward are calculated using the year-on-year rate of changes on the new basis.

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 (Research on the Food Service Industry)."

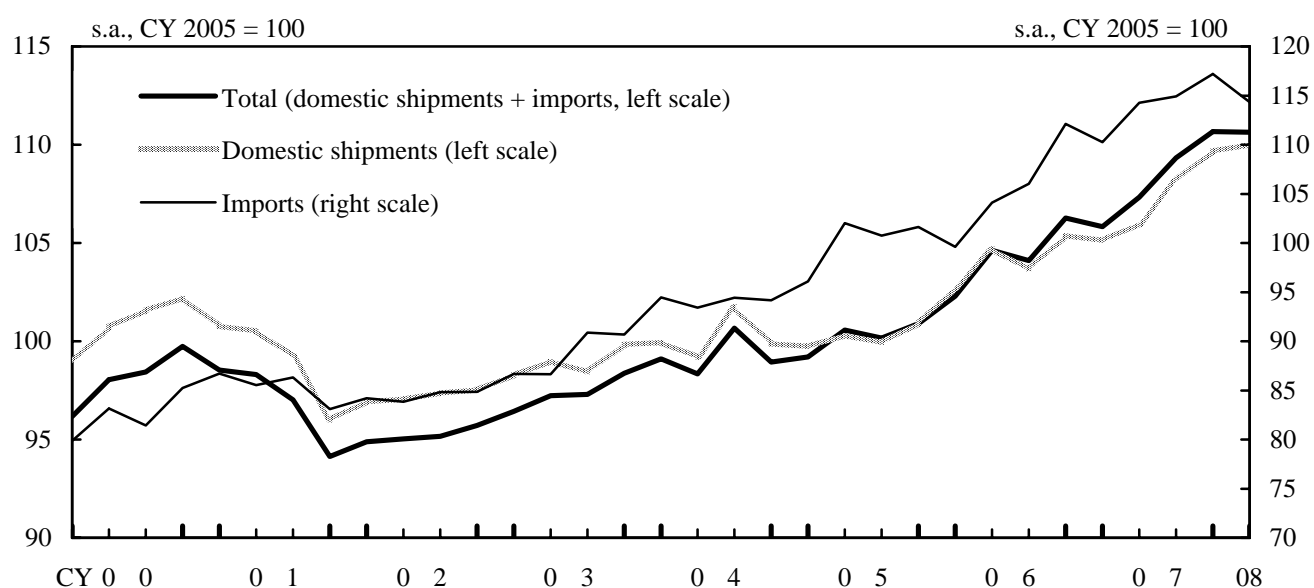
## Indicators for Private Consumption (3)

## (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

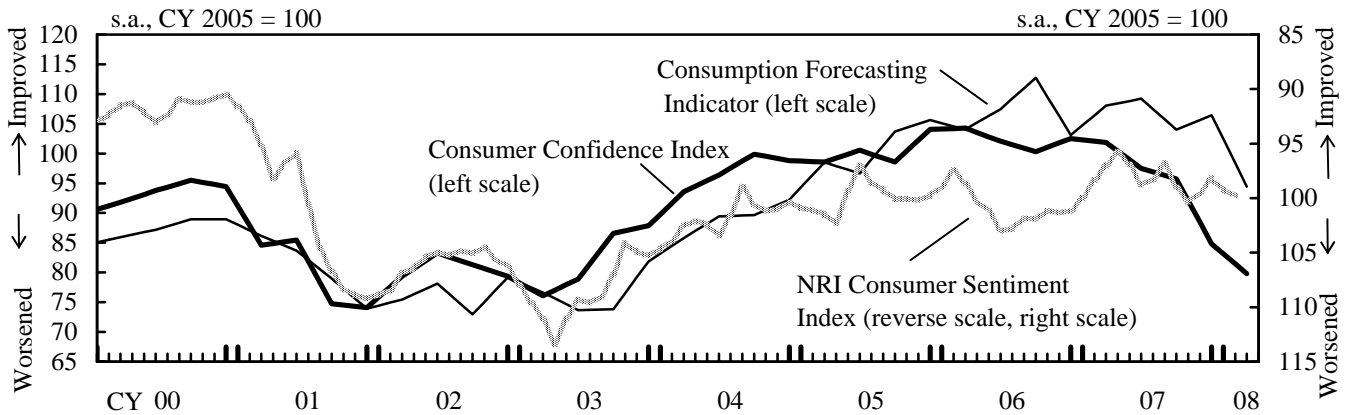


Sources: Bank of Japan, "Indices of Aggregated Sales";  
Ministry of Economy, Trade and Industry, "Indices of Industrial Domestic Shipments and Imports."

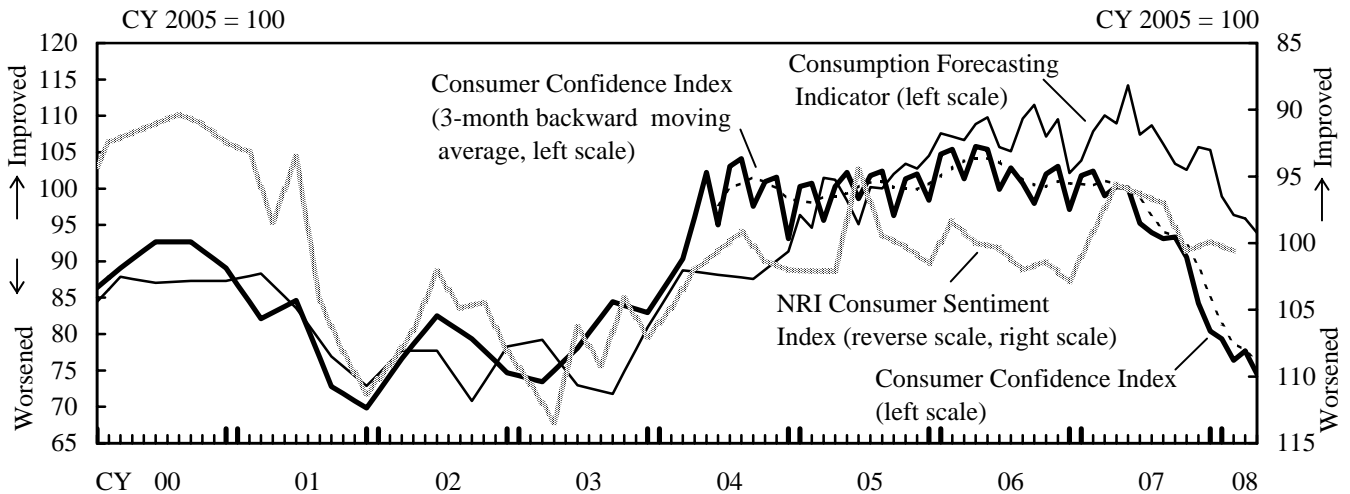


Consumer Confidence

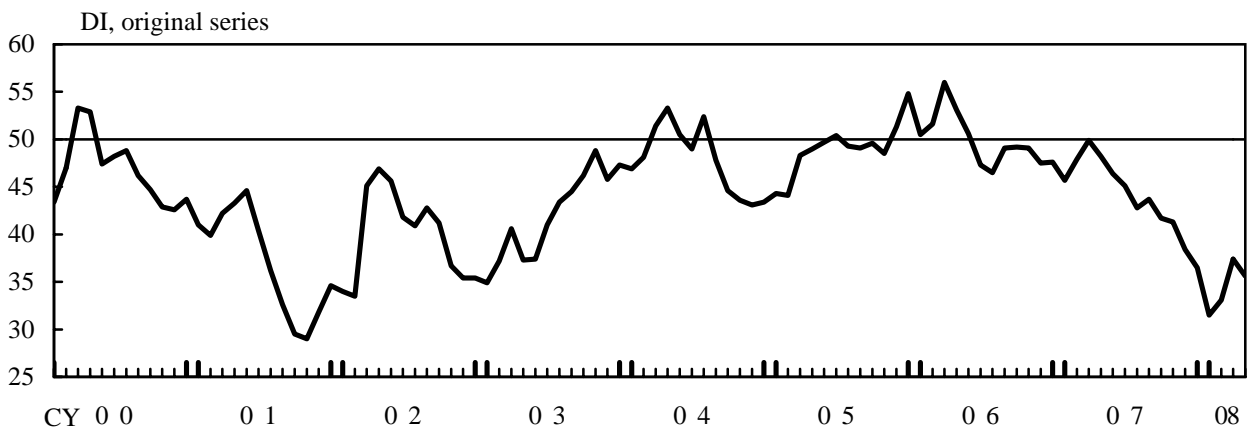
(1) Seasonally Adjusted Series



(2) Original Series



Reference: Economy Watchers Survey (Household Activity, Current Conditions)

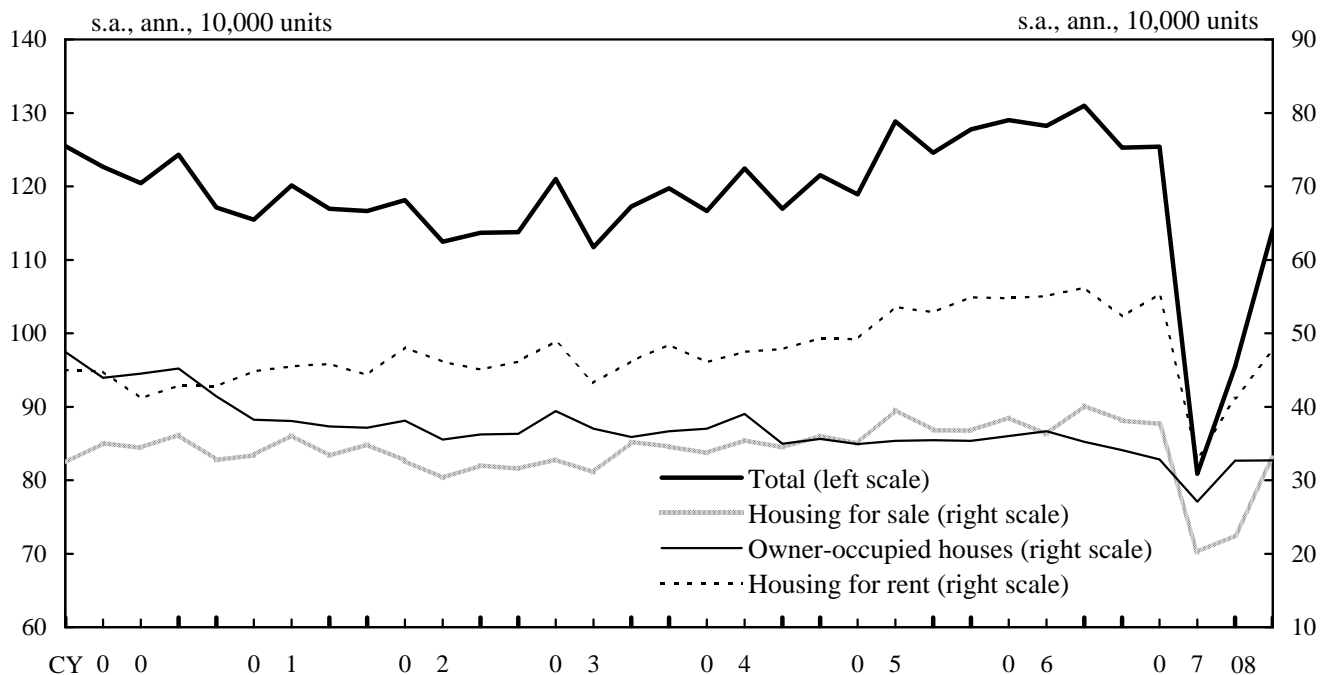


- Notes: 1. The Consumer Confidence Index (with about 5,000 samples on a nationwide basis), Consumption Forecasting Indicator (with 600 samples in the metropolitan area), and NRI Consumer Sentiment Index (with 1,200 samples on a nationwide basis) are based on surveys on consumer confidence.
- 2. Figures are plotted for each surveyed months and the data for intervening months are linearly interpolated.
- 3. (1) is 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.

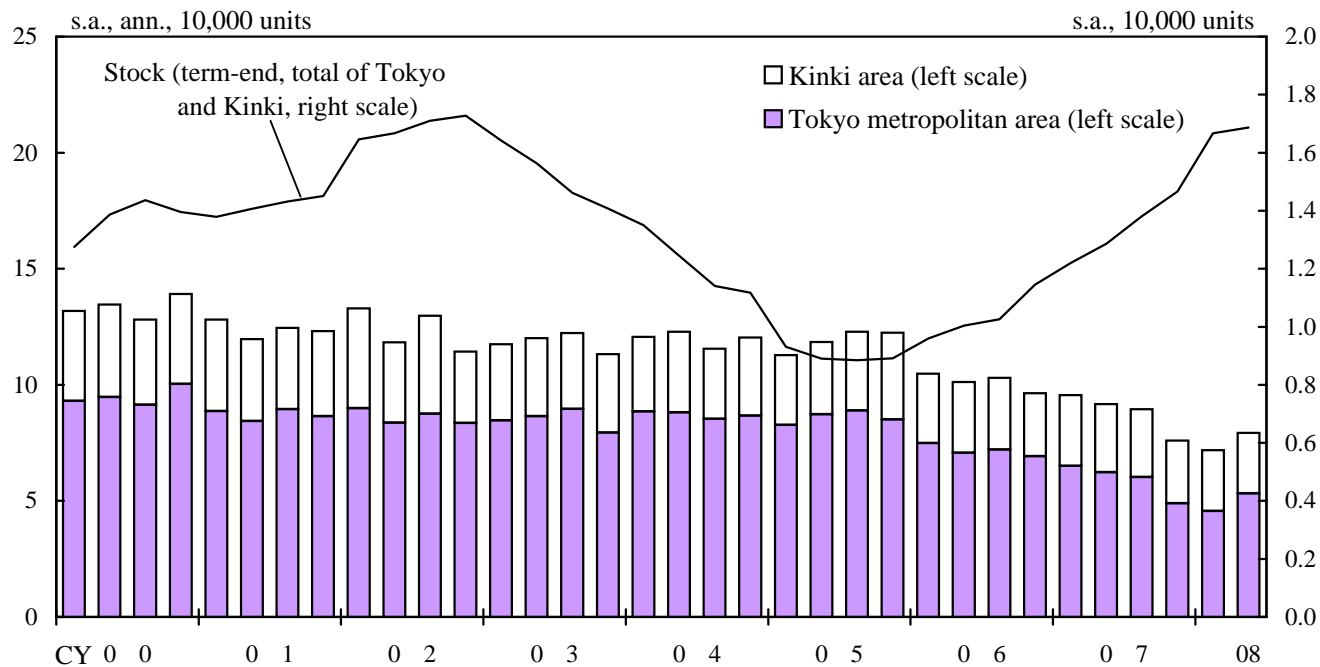
Sources: Cabinet Office, "Consumer Confidence Survey," "Economy Watchers Survey";  
Nikkei inc., "Consumption Forecasting Indicator"; Nippon Research Institute (NRI), "Consumer Sentiment Survey."

Indicators for Housing Investment

(1) Housing Starts



(2) Sales of Apartments

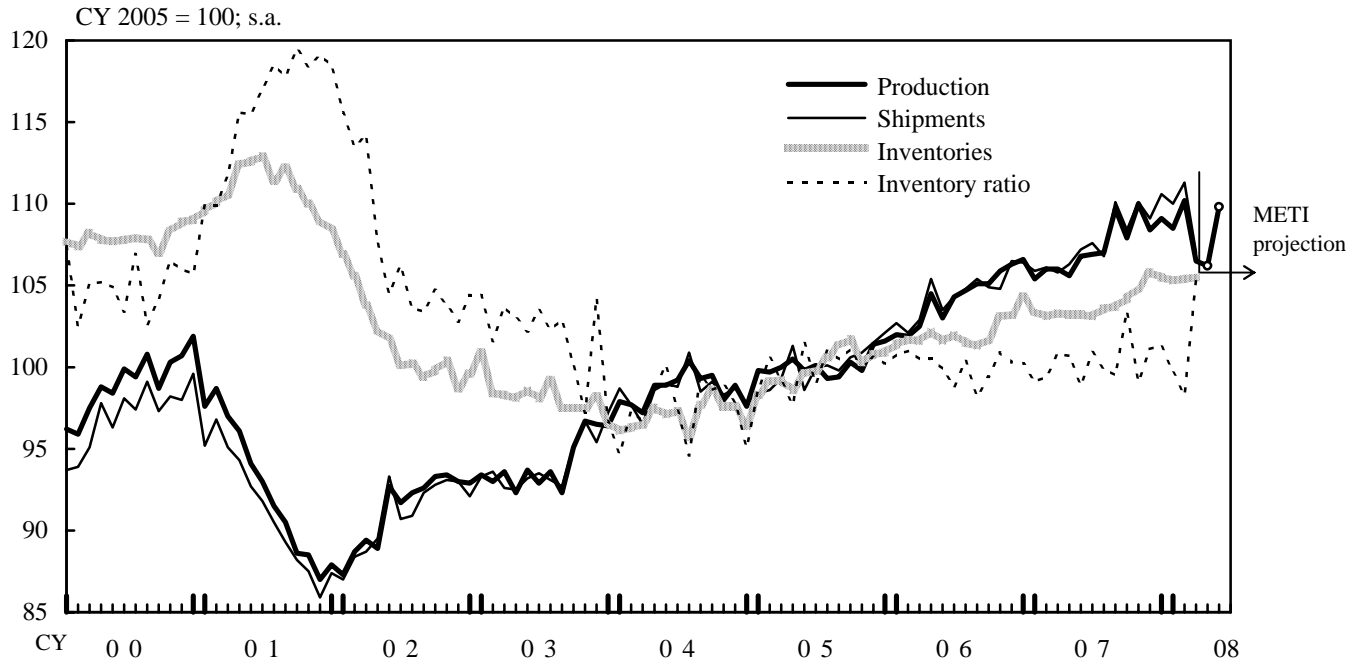


Notes: 1. Seasonally adjusted by X-12-ARIMA.  
 2. Figures for 2008/Q2 are those of April.

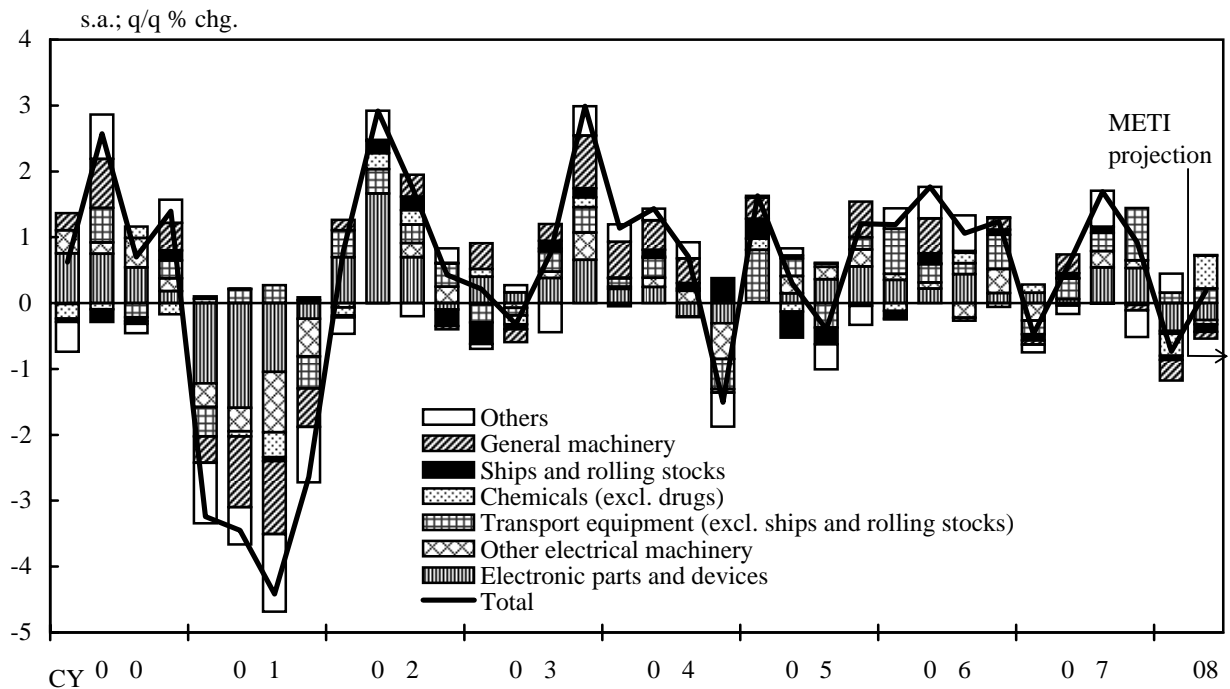
Source: Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts," etc.

Production, Shipments and Inventories

(1) Production, Shipments and Inventories



(2) Production by Industry

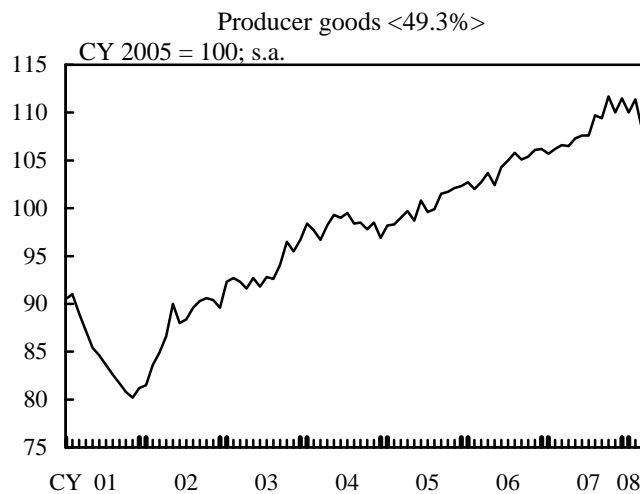
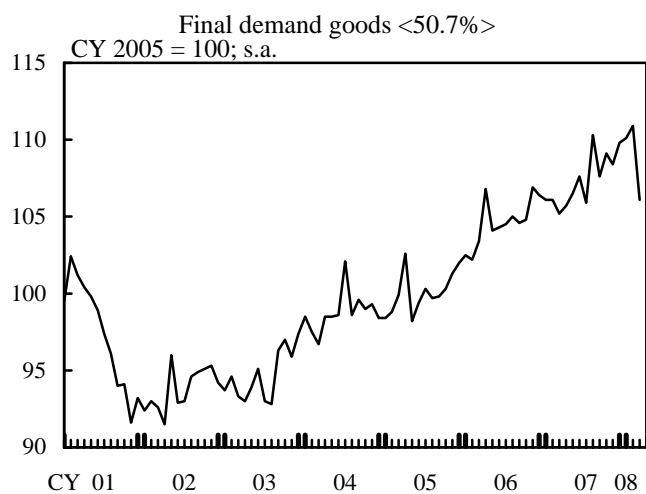


- Notes: 1. "Other electrical machinery" is the weighted sum of "electrical machinery" and "information and communication electronics equipment."  
 2. 2008/Q2 figures are based on the assumption that production level in June is the same as that of May.  
 3. Figures up to 2003/Q1 are on the 2000 base.

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

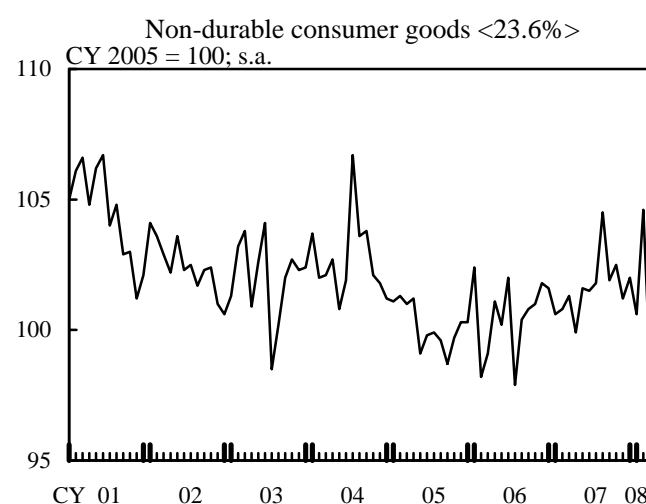
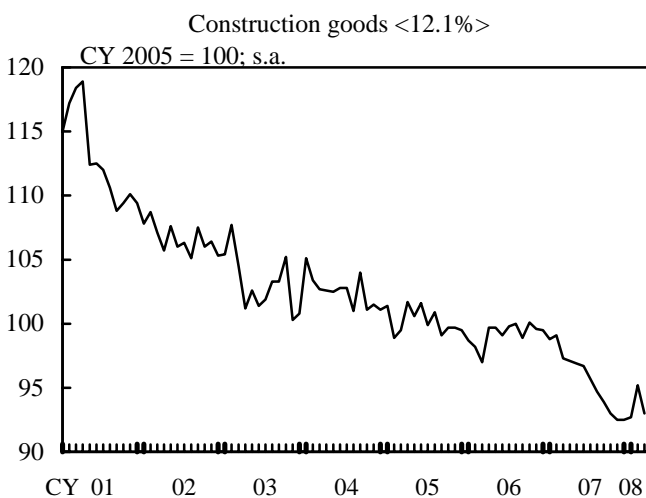
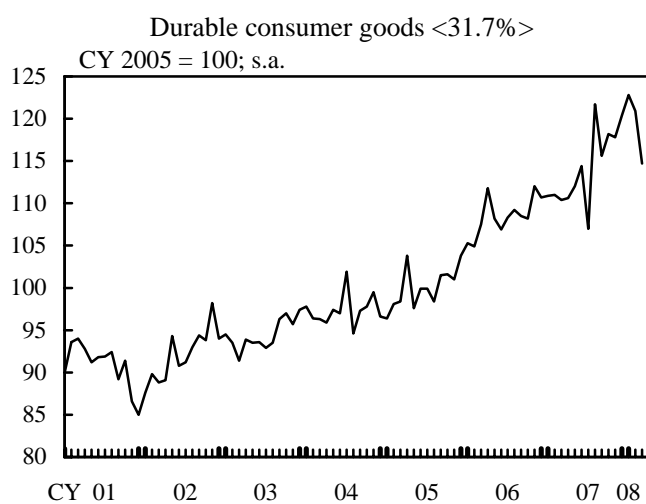
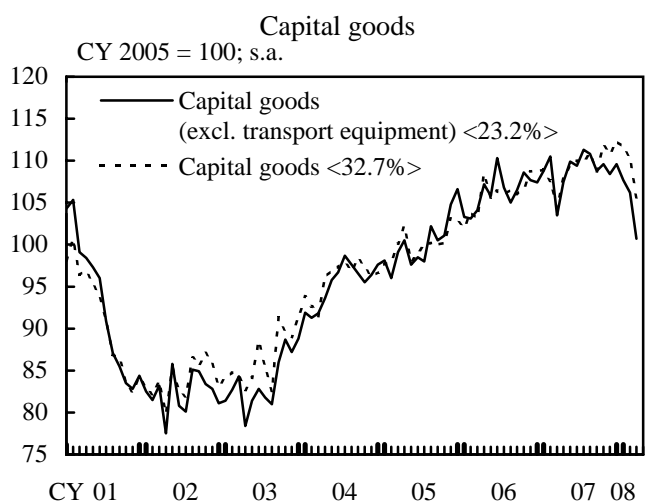
## Shipments Breakdown by Type of Goods

### (1) Final Demand Goods and Producer Goods



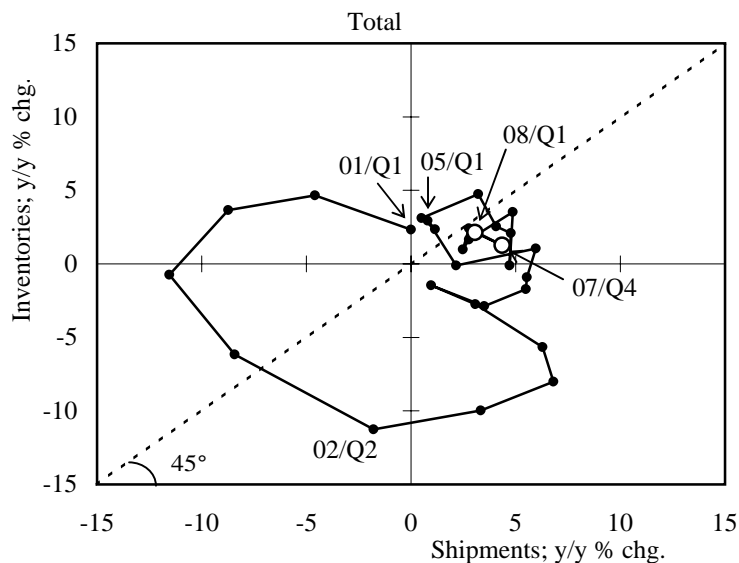
Note: Shares of shipments of mining and manufacturing are shown in angle brackets.

### (2) Breakdown of Final Demand Goods

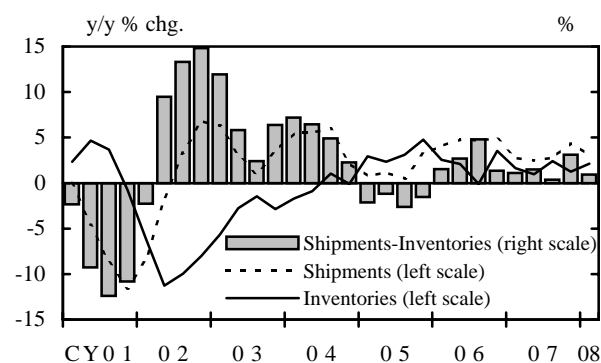


Note: Shares of shipments of final demand goods are shown in angle brackets.

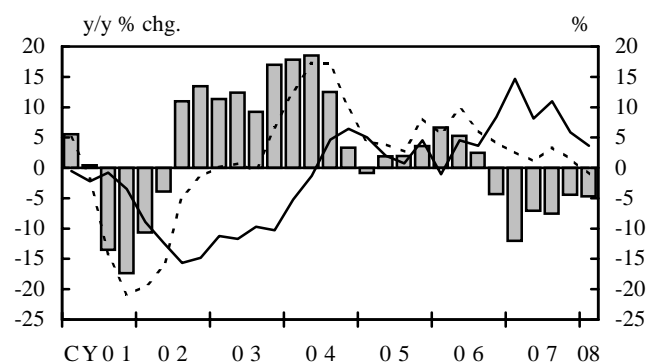
Inventory Cycle



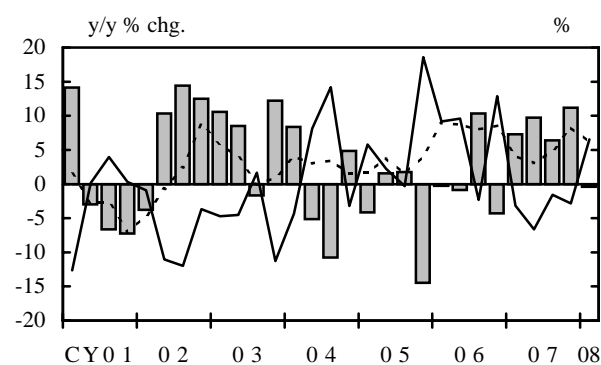
(1) Total



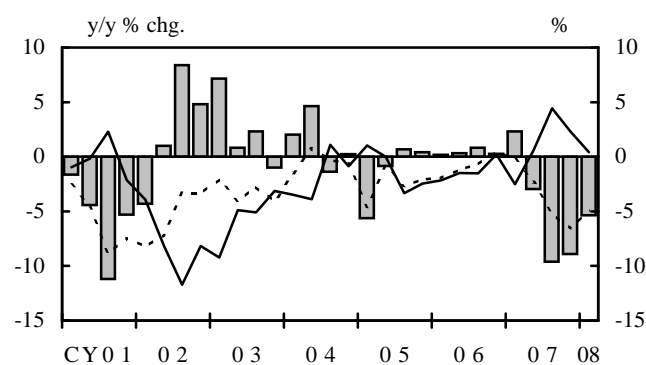
(2) Capital Goods (Excluding Transport Equipment)



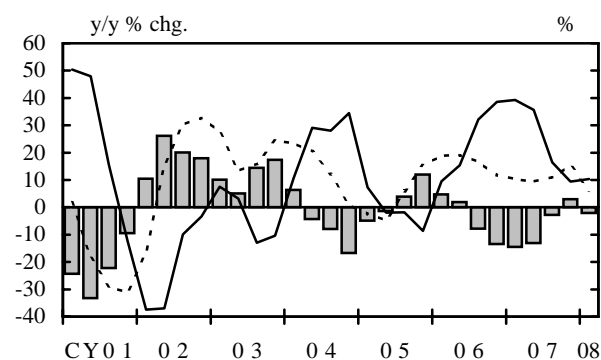
(3) Durable Consumer Goods



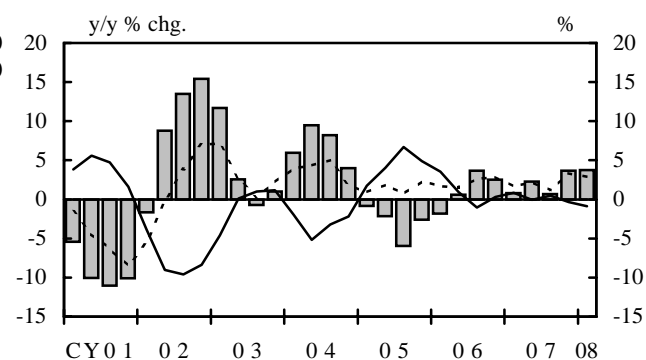
(4) Construction Goods



(5) Electronic Parts and Devices



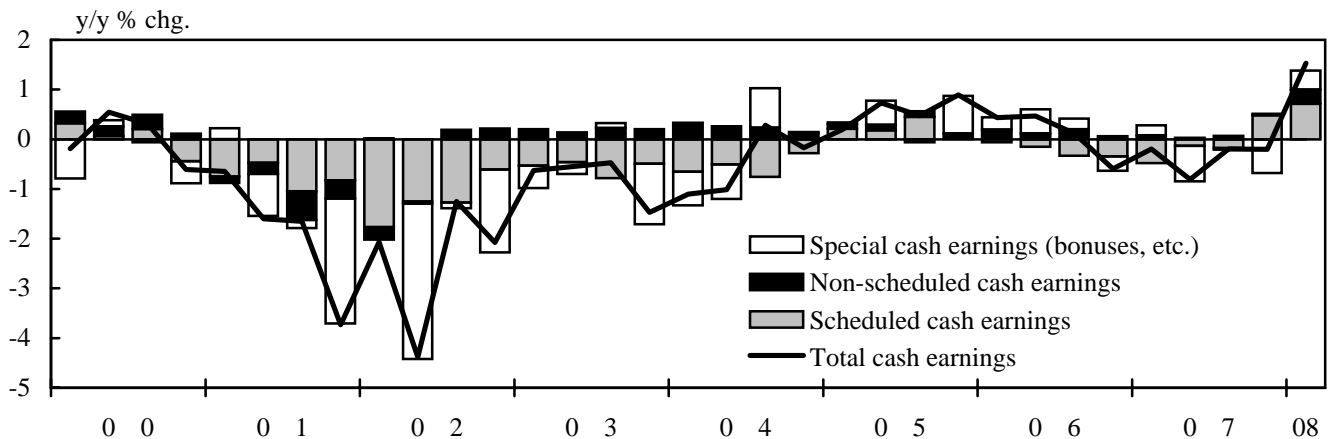
(6) Producer Goods Excluding Electronic Parts and Devices



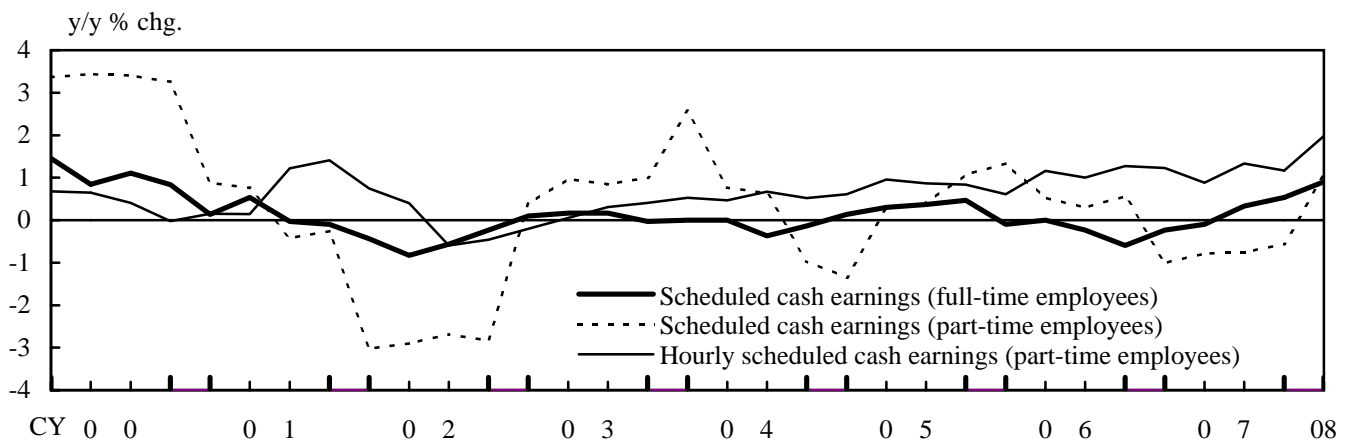
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Employee Income

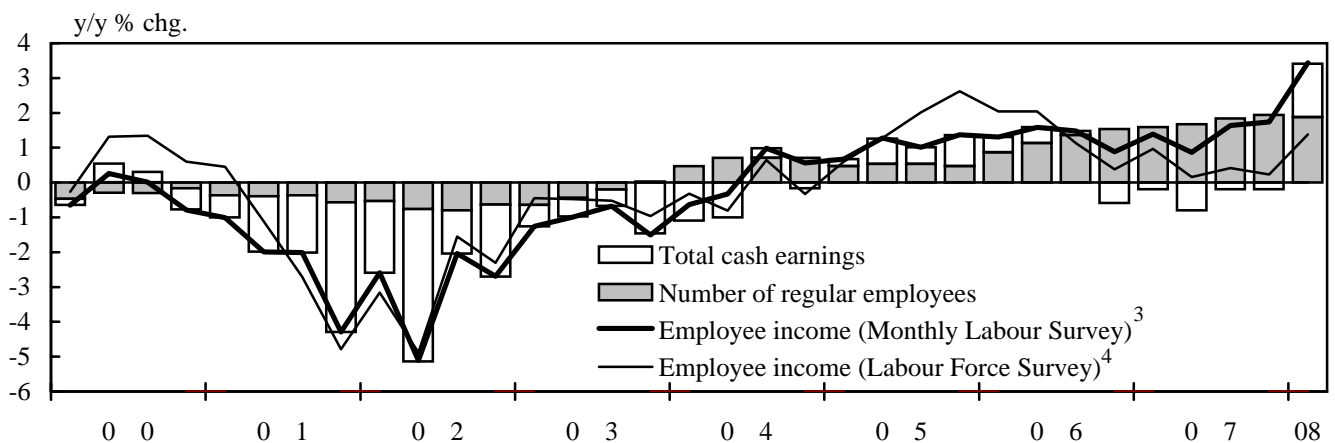
(1) Breakdown of Total Cash Earnings<sup>1,2,5</sup>



(2) Scheduled Cash Earnings<sup>1</sup>



(3) Breakdown of Employee Income<sup>1,2,5</sup>



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. Calculated as the number of regular employees (Monthly Labour Survey) times total cash earnings (Monthly Labour Survey).

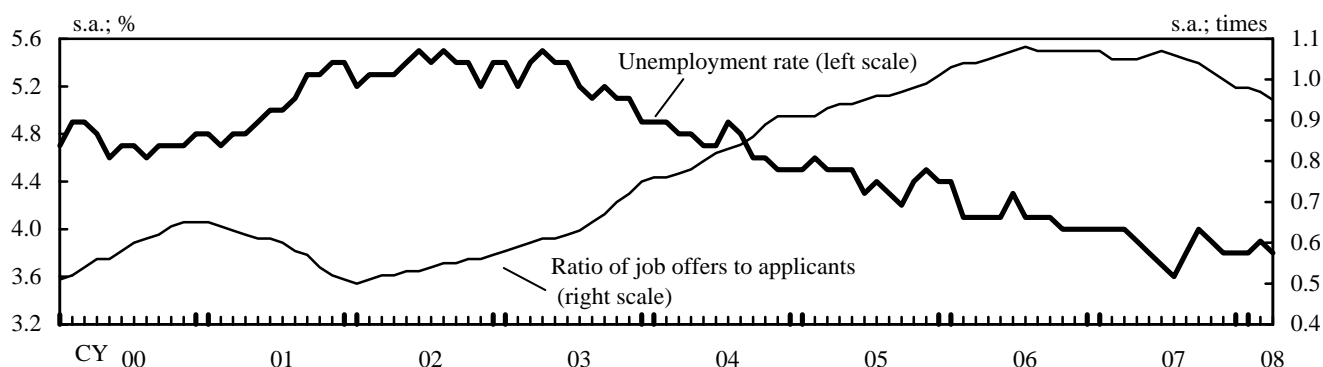
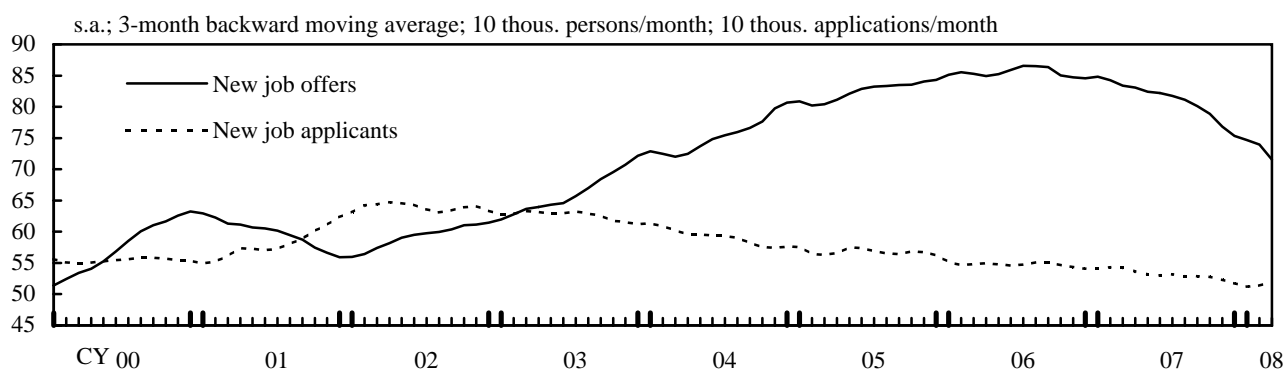
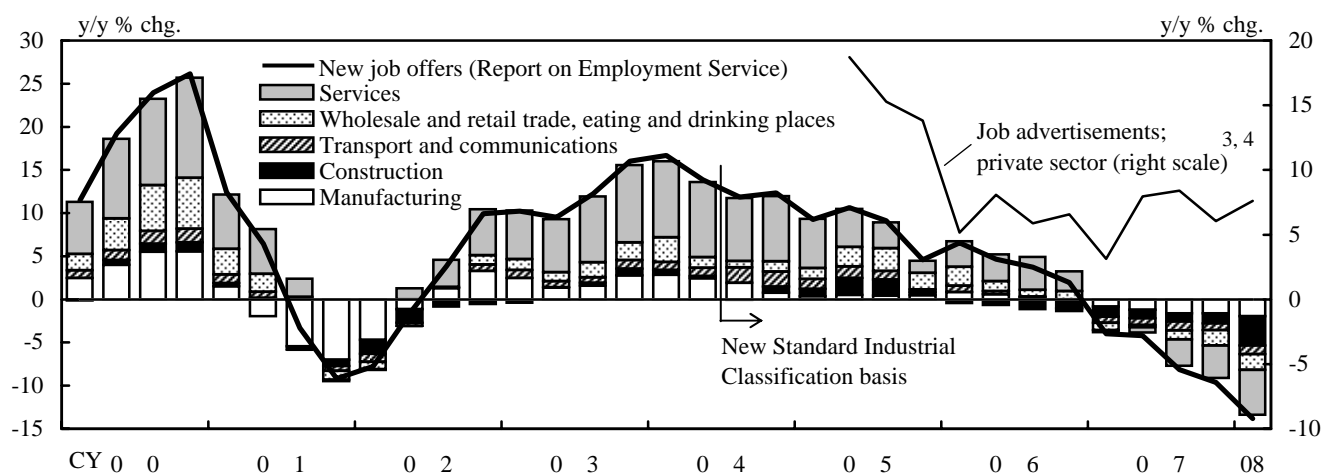
4. Calculated as the number of employees (Labour Force Survey) times total cash earnings (Monthly Labour Survey).

5. Figures for 2008/Q1 are those of March.

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

## Labor Market (1)

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

(2) New Job Offers and New Job Applicants<sup>1</sup>(3) Breakdown of Job Offers<sup>1,2</sup>

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

2. Figures up to 2004/Q2 are based on the previous Standard Industrial Classification. Figures from 2004/Q3 are based on 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 y/y % changes in job advertisements for 2005/Q2-2006/Q1, 2006/Q2-2007/Q1 and 2007/Q2-2008/Q1 are calculated on the basis of 45, 64 and 66 companies, respectively.

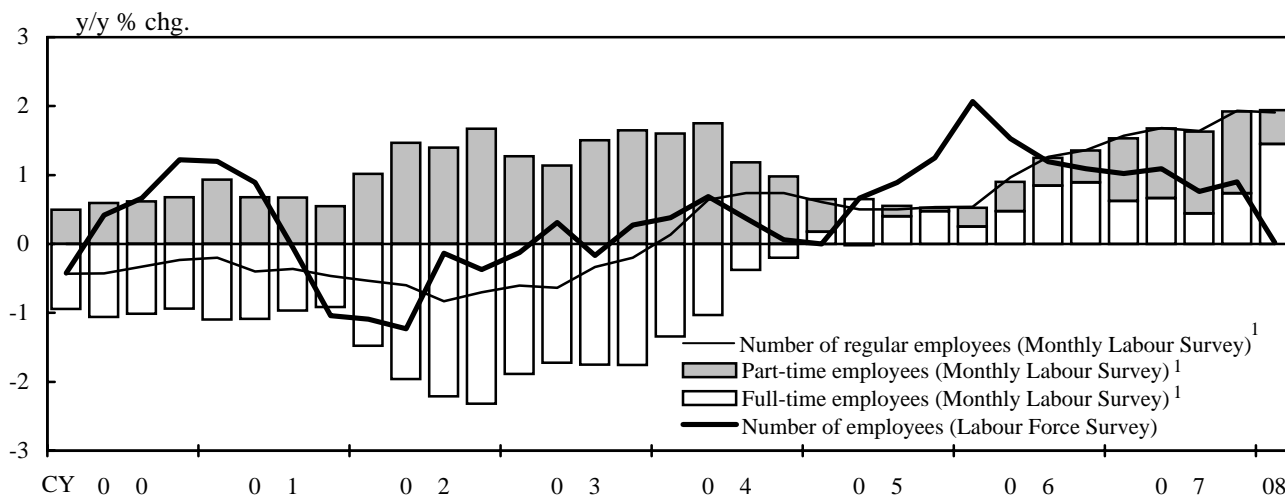
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service";

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

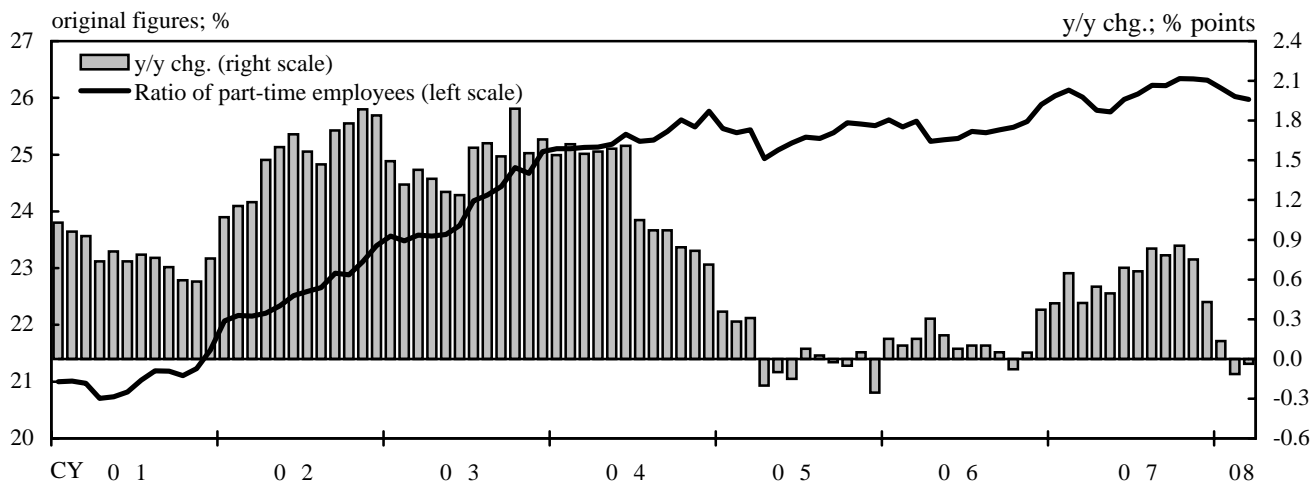
Association of Job Information of Japan, "Kyujin Koukoku Keisaiensu (Survey of Job Advertisements)."

Labor Market (2)

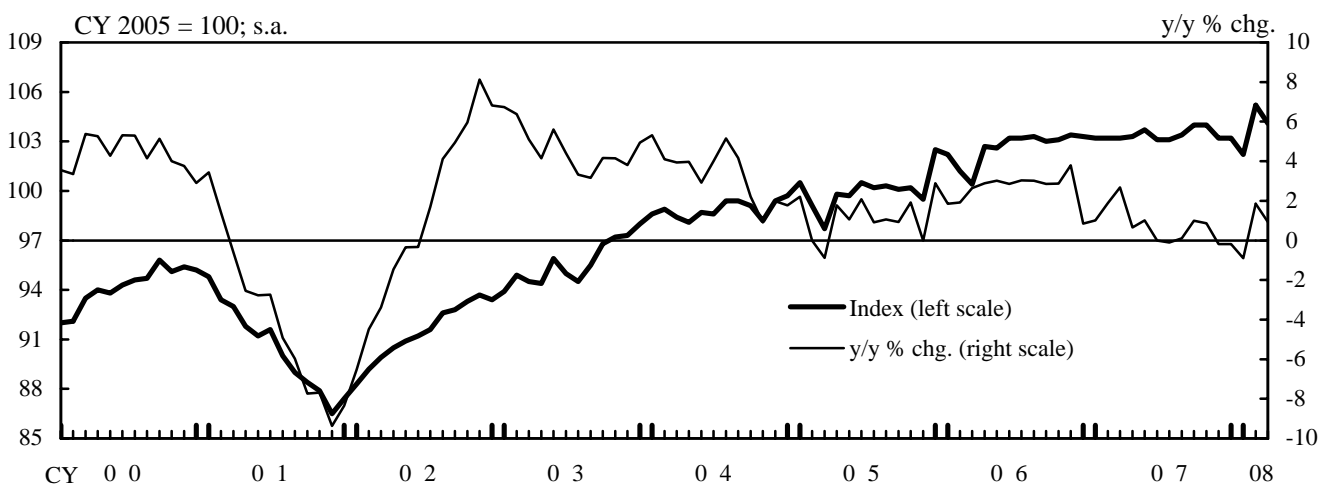
(1) Number of Employees



(2) Ratio of Part-Time Employees (Monthly Labour Survey)<sup>1,2</sup>



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



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

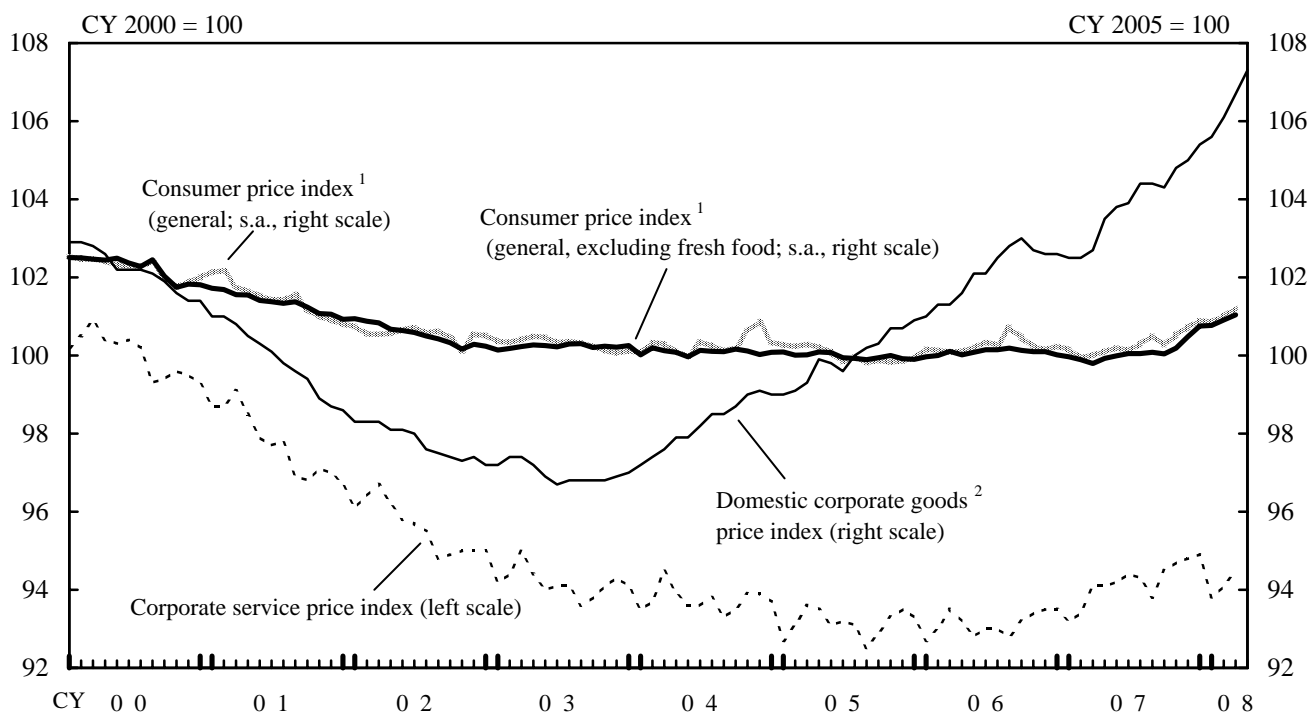
2. The ratio of part-time employees is calculated as the number of part-time employees divided by the number of regular employees times 100.

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

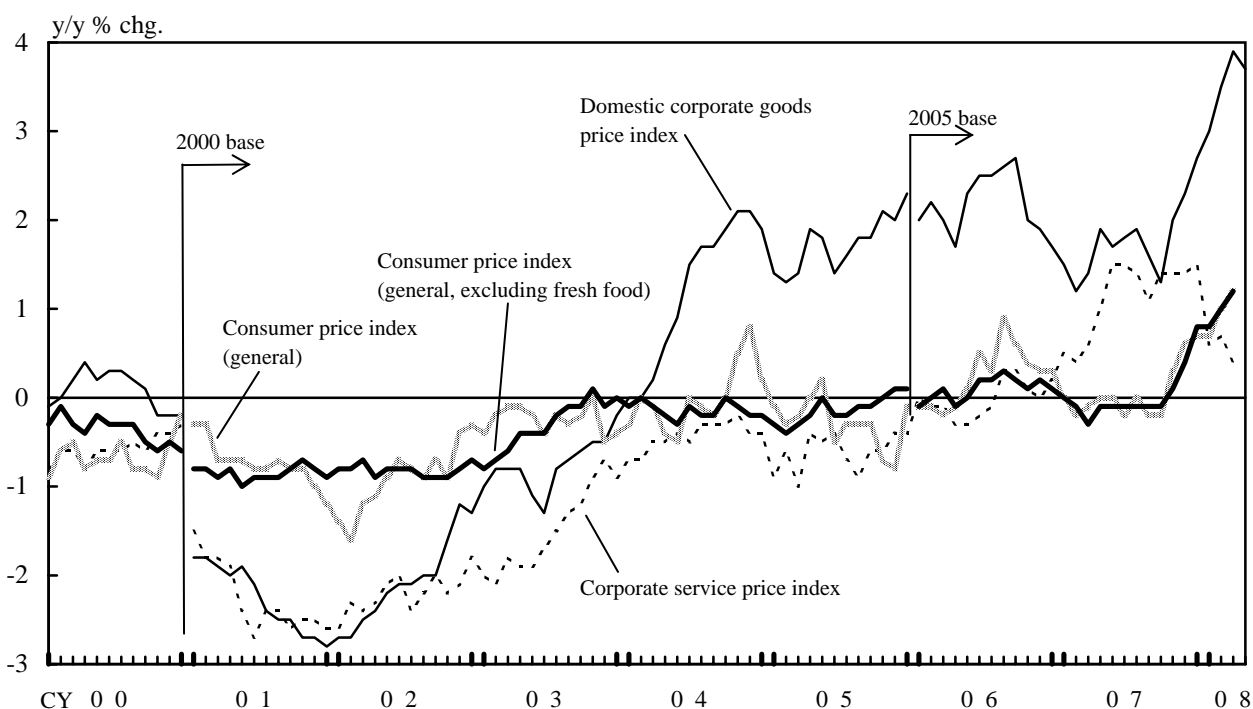


Prices<sup>3</sup>

(1) Level



(2) Changes from a Year Earlier<sup>3</sup>



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

2. Adjusted to exclude a hike in electric power charges during the summer season from July to September.

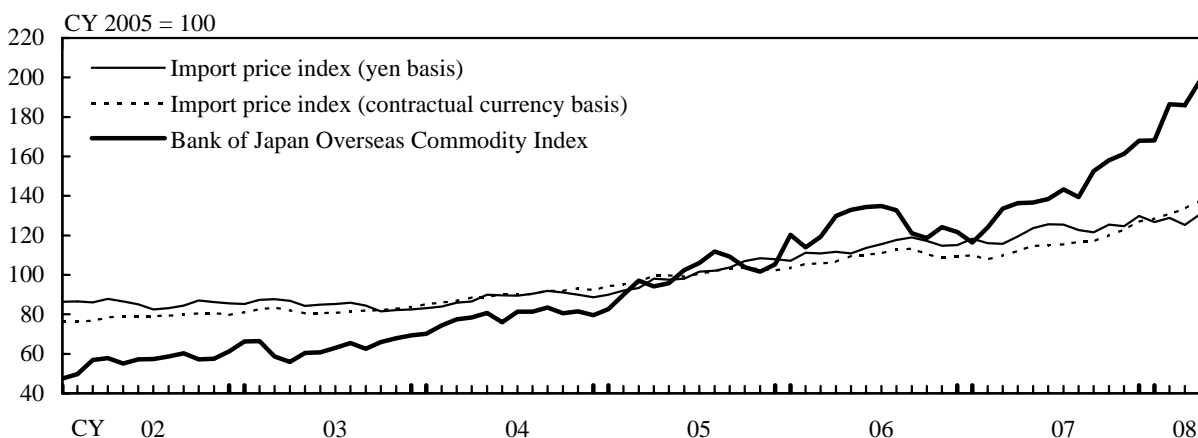
3. Figures up to CY 2000 are on the 1995 base. From CY2001 up to CY 2005, CGPI and CPI are calculated on the 2000 base.

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

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

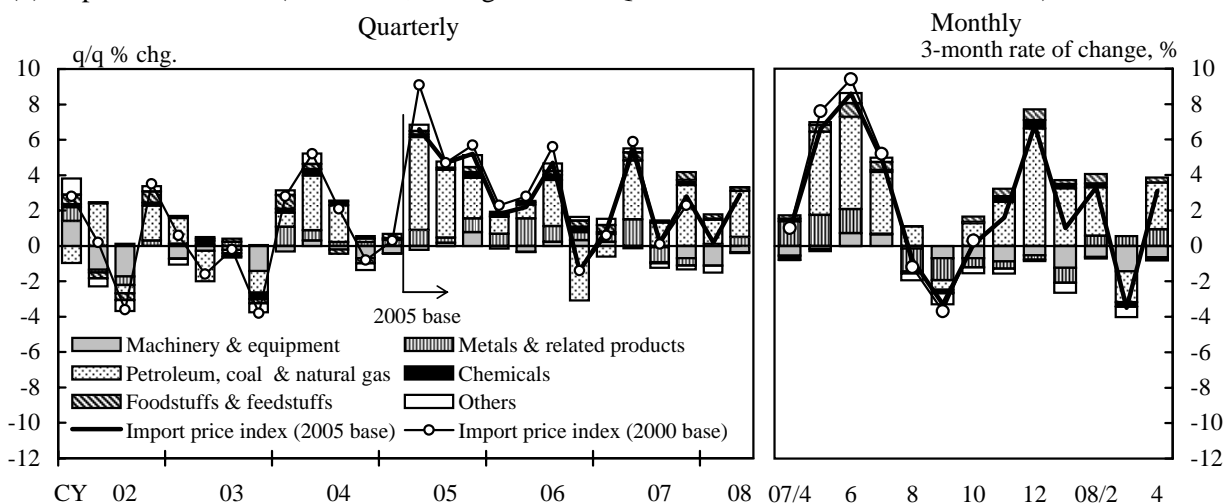
## Import Prices and International Commodity Prices

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



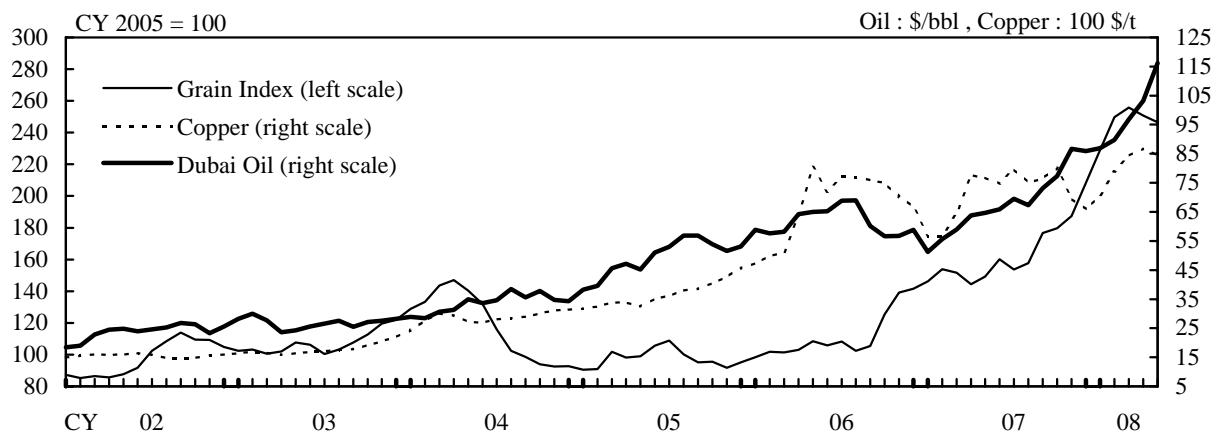
Note: Bank of Japan Overseas Commodity Index is the end-of-month figure.

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



Notes: 1. Machinery & equipment: general machinery, electric & electronic products, transportation equipment, precision instruments  
 2. Figures for 2008/Q2 are those of April. Figures for 2007/Q4 on the 2000 base are those of October.

### (3) International Commodity Prices

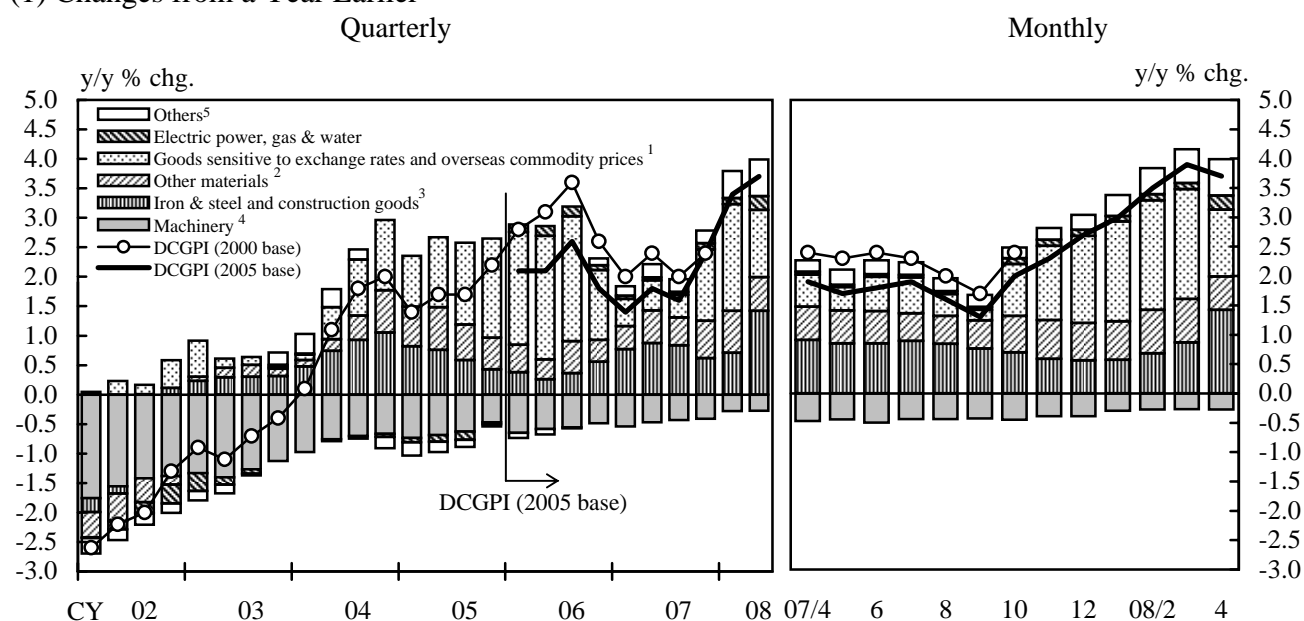
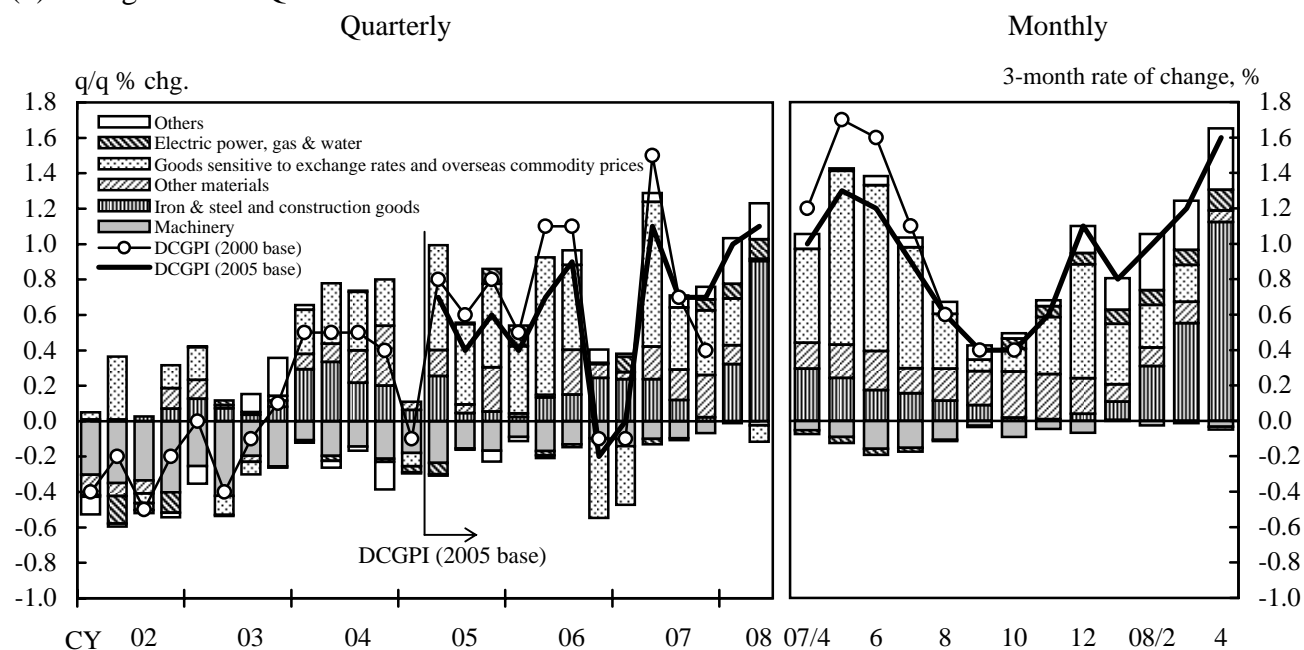


Notes: 1. The Grain Index is the weighted average of prices of three selected items (wheat, soybeans, corn) in overseas commodity markets. The weights are based on the Value of Imports in the Trade Statistics of Japan.  
 2. Monthly averages. Figures for May 2008 are the averages up to May 19.

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

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

## (1) Changes from a Year Earlier

(2) Changes from a Quarter Earlier and 3 Months Earlier<sup>6</sup>

Notes: 1. Goods sensitive to exchange rates and overseas commodity prices: petroleum & coal products, nonferrous metals.

2. Other materials: chemicals, plastic products, textile products, pulp, paper & related products.

3. Iron & steel and construction goods: iron & steel, metal products, ceramics, stone & clay products, lumber & wood products, scrap & waste.

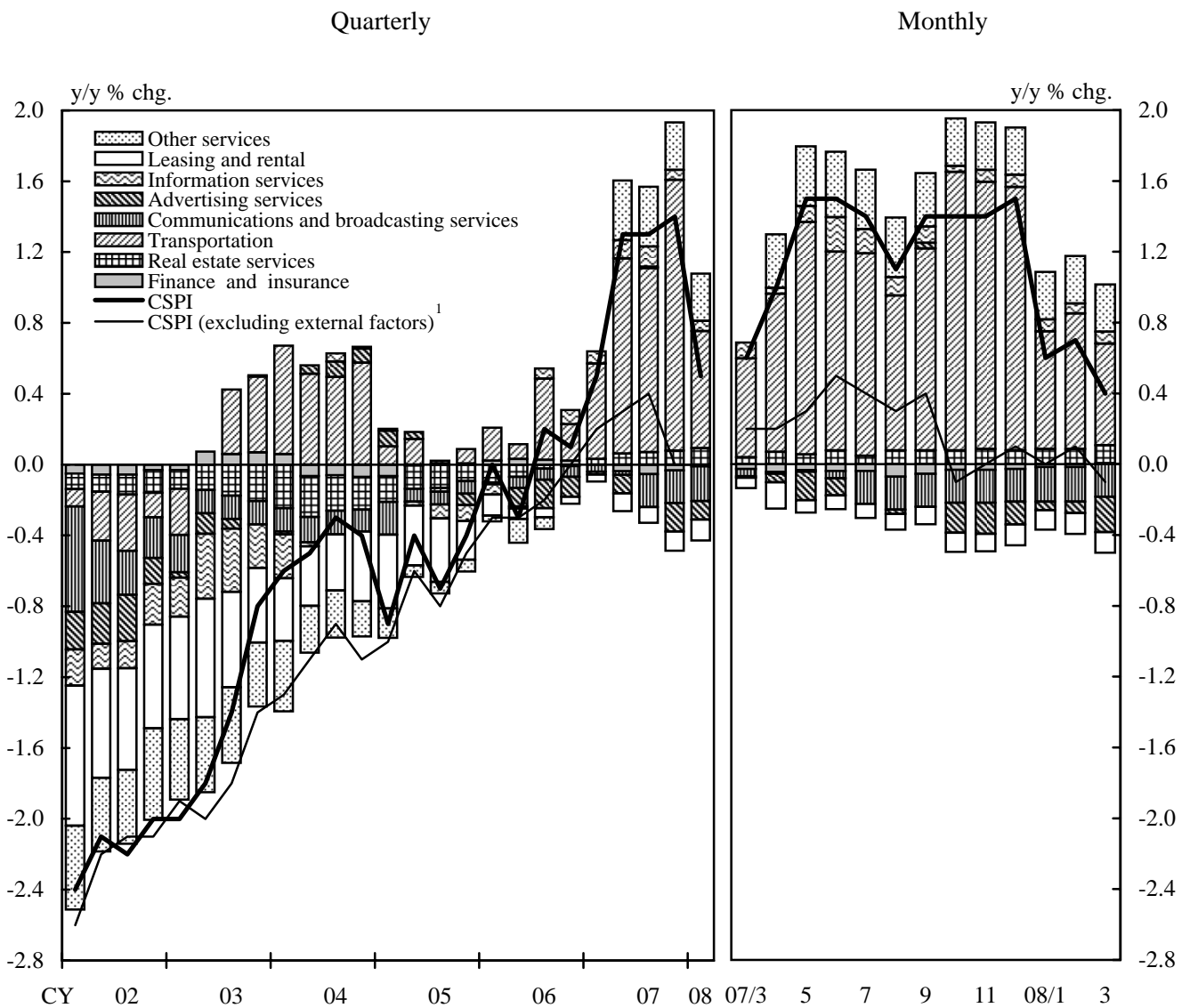
4. Machinery: electrical machinery, information & communications equipment, electronic components & devices, general machinery, transportation equipment, precision instruments.

5. Others: processed foodstuffs, other manufacturing industry products, agricultural, forestry & fishery products, mining products.

6. Adjusted to exclude a hike in electric power charges during the summer season from July to September. This effect makes the Domestic Corporate Goods Price Index rise by about 0.2%.

7. Figures for 2008/Q2 are those of April. Figures for 2007/Q4 on the 2000 base are those of October.

Corporate Service Price Index

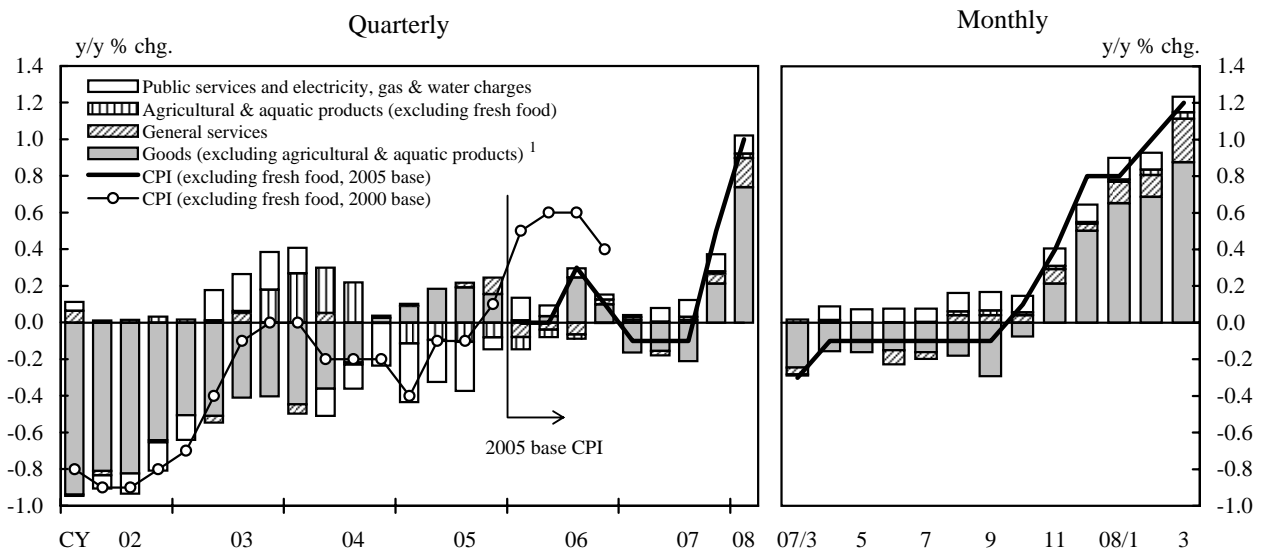


Note: 1. External factors: international air passenger transportation, ocean liner, ocean tramper, ocean tanker, oceangoing ship chartering services, and international air freight.

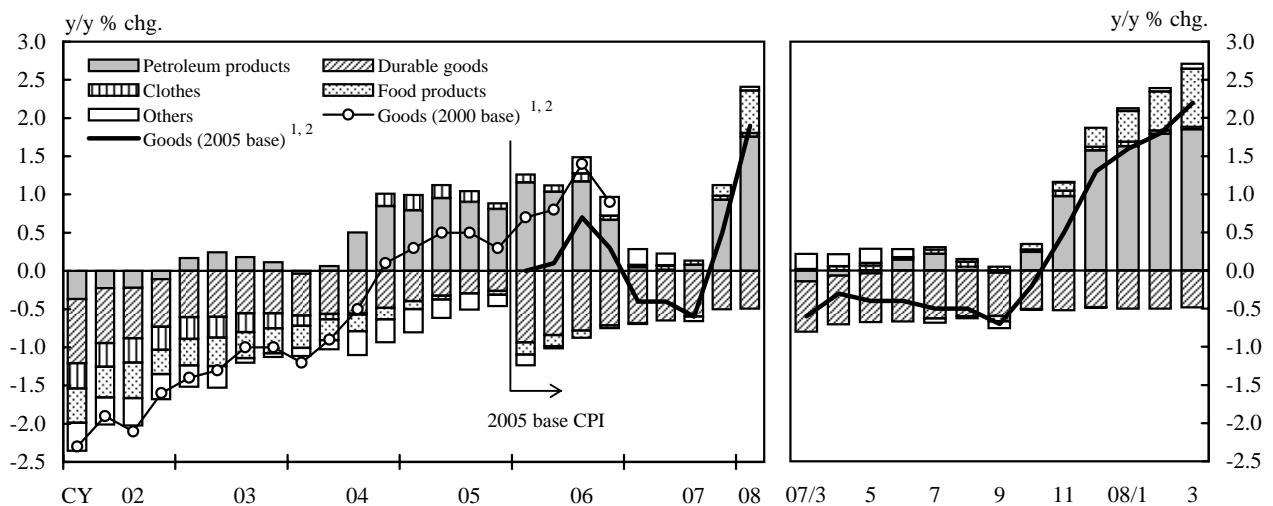
Source: Bank of Japan, "Corporate Service Price Index."

# Consumer Price Index (Excluding Fresh Food)

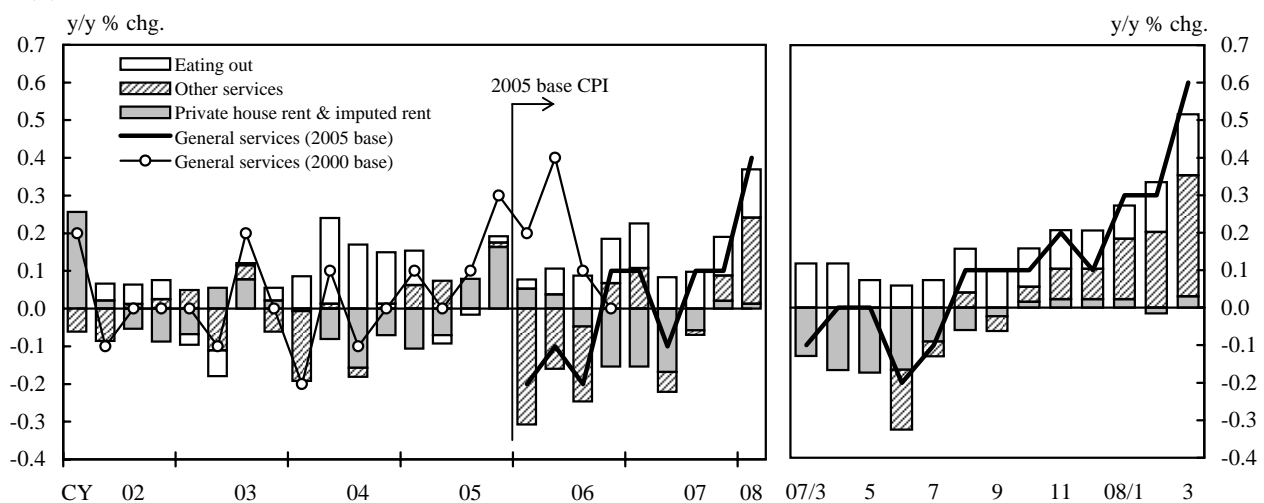
## (1) Consumer Price Index (Excluding Fresh Food)



## (2) Goods (Excluding Agricultural & Aquatic Products)<sup>1</sup>



## (3) General Services

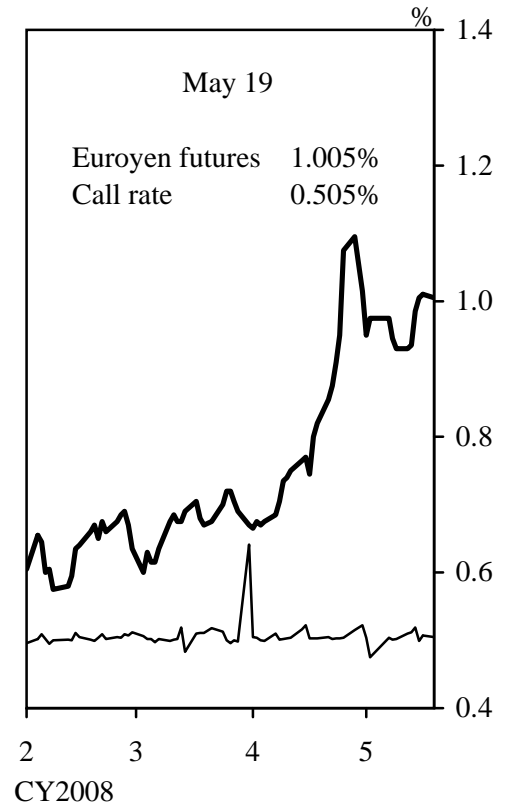
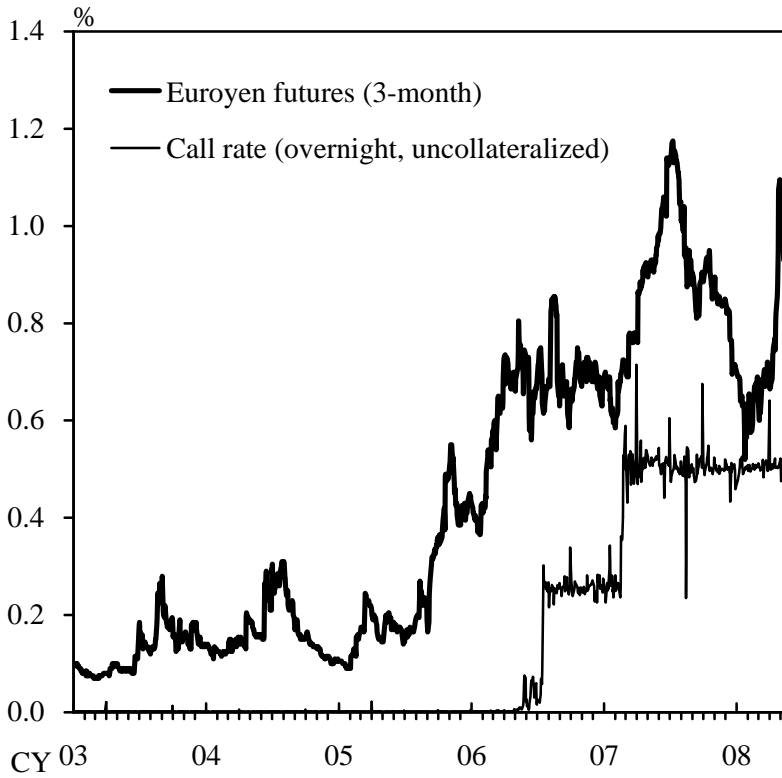


Notes: 1. The items are basically the same as the definition published by the Ministry of Internal Affairs and Communications. However, electricity, gas & water charges are excluded from goods.  
 2. Excluding agricultural & aquatic products.

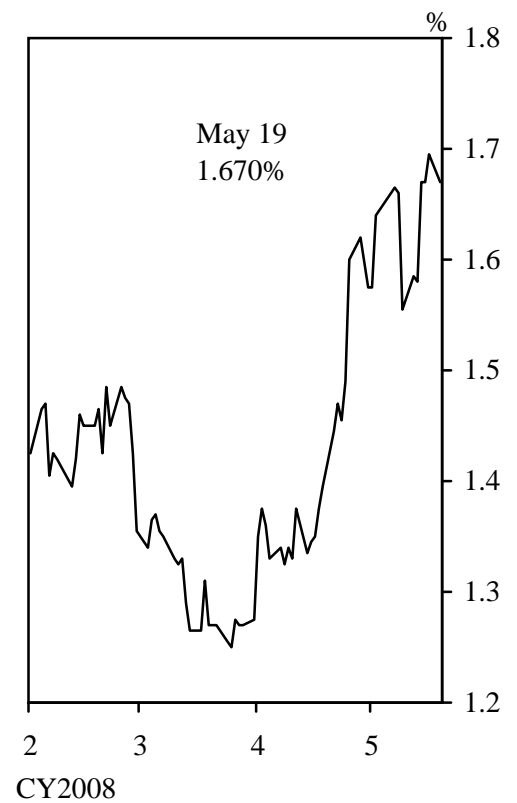
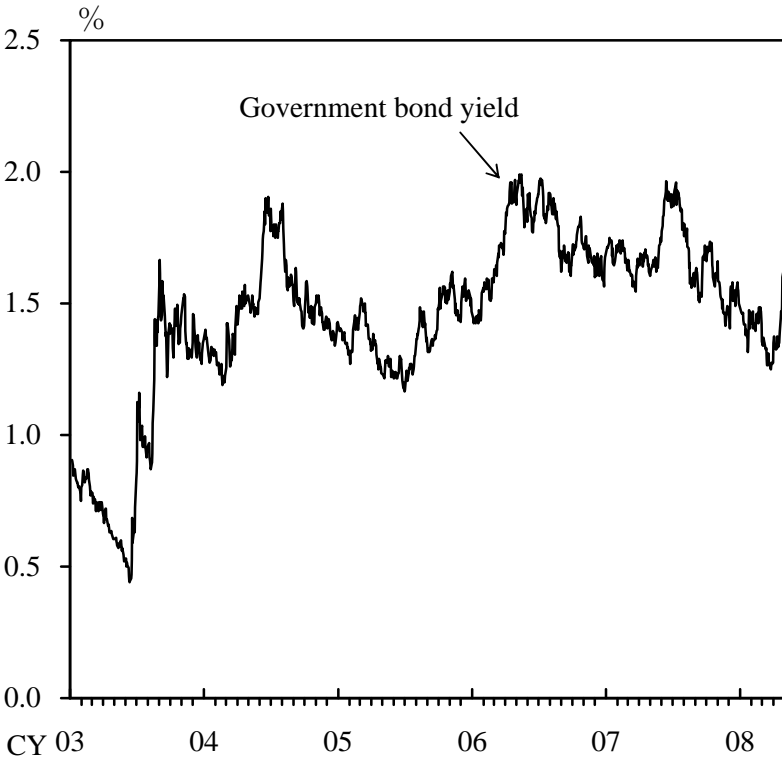
Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Interest Rates

(1) Short-Term



(2) Long-Term<sup>1</sup>

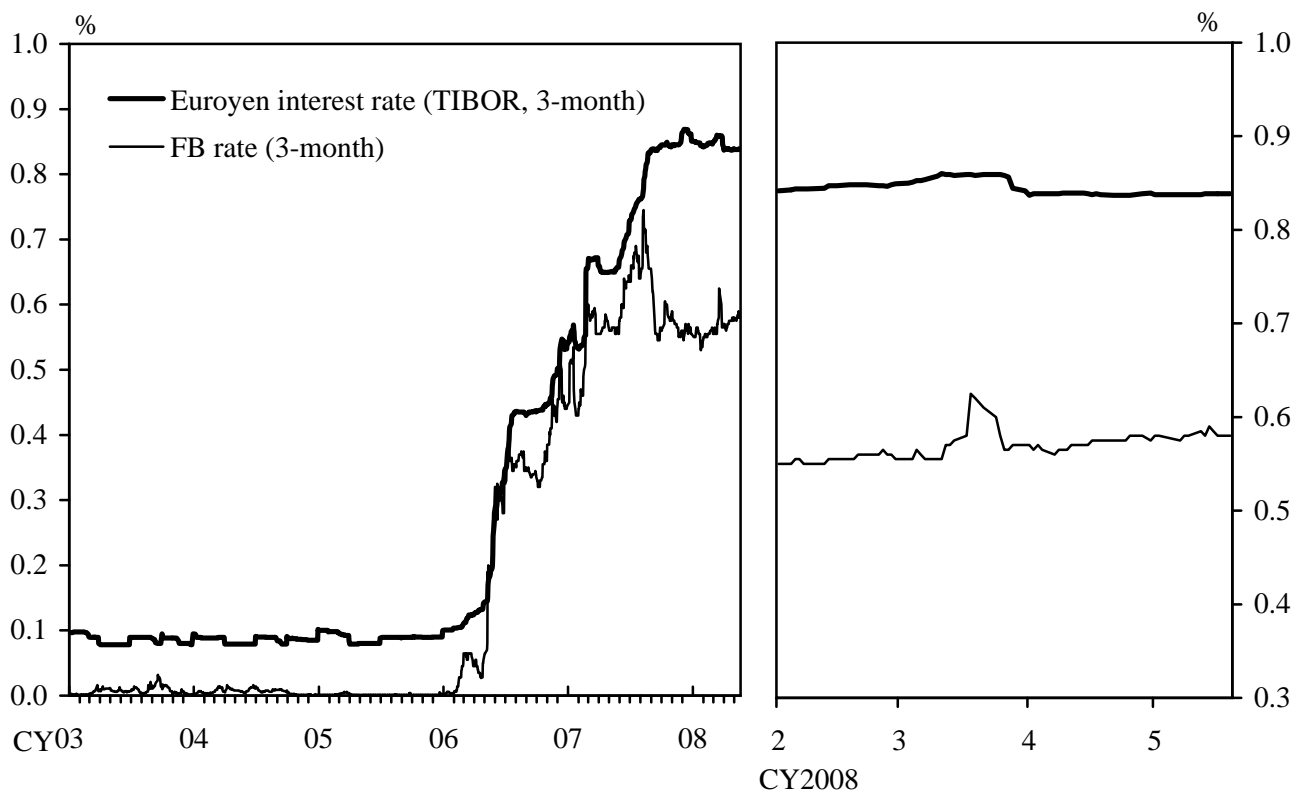


Note: 1. Yields on newly issued bonds with 10-year maturity.

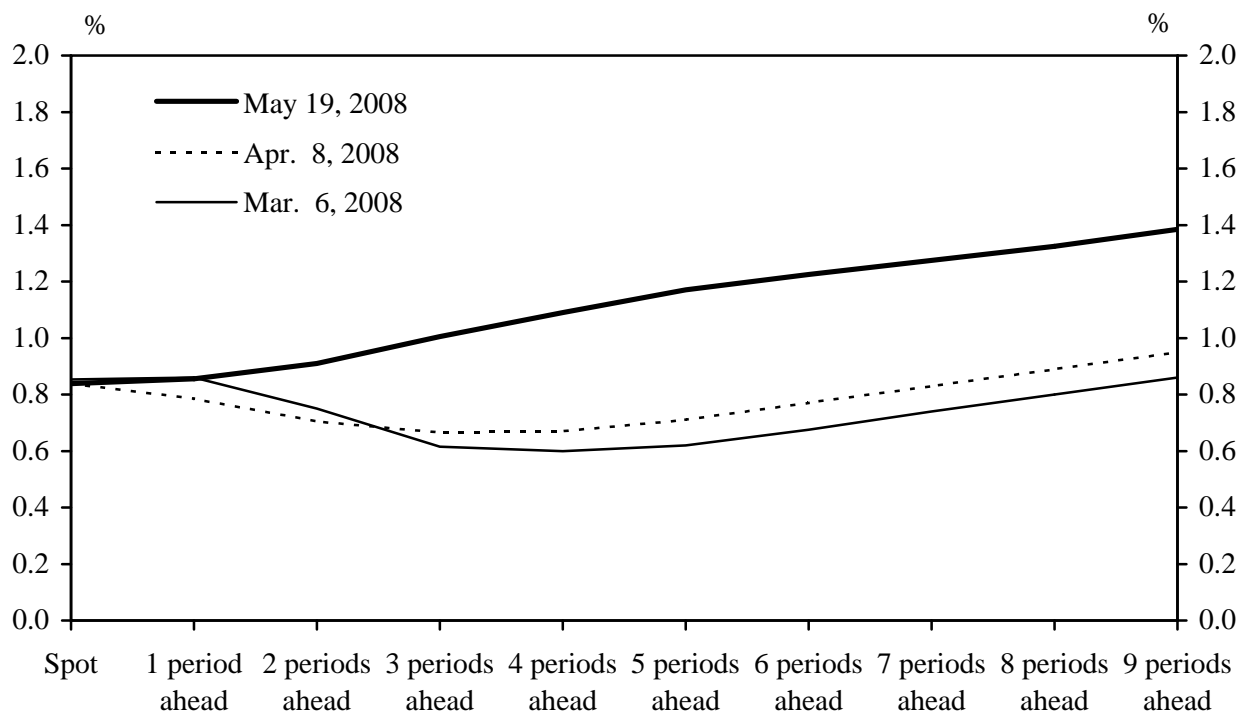
Sources: Bank of Japan; Tokyo Financial Exchange; Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments



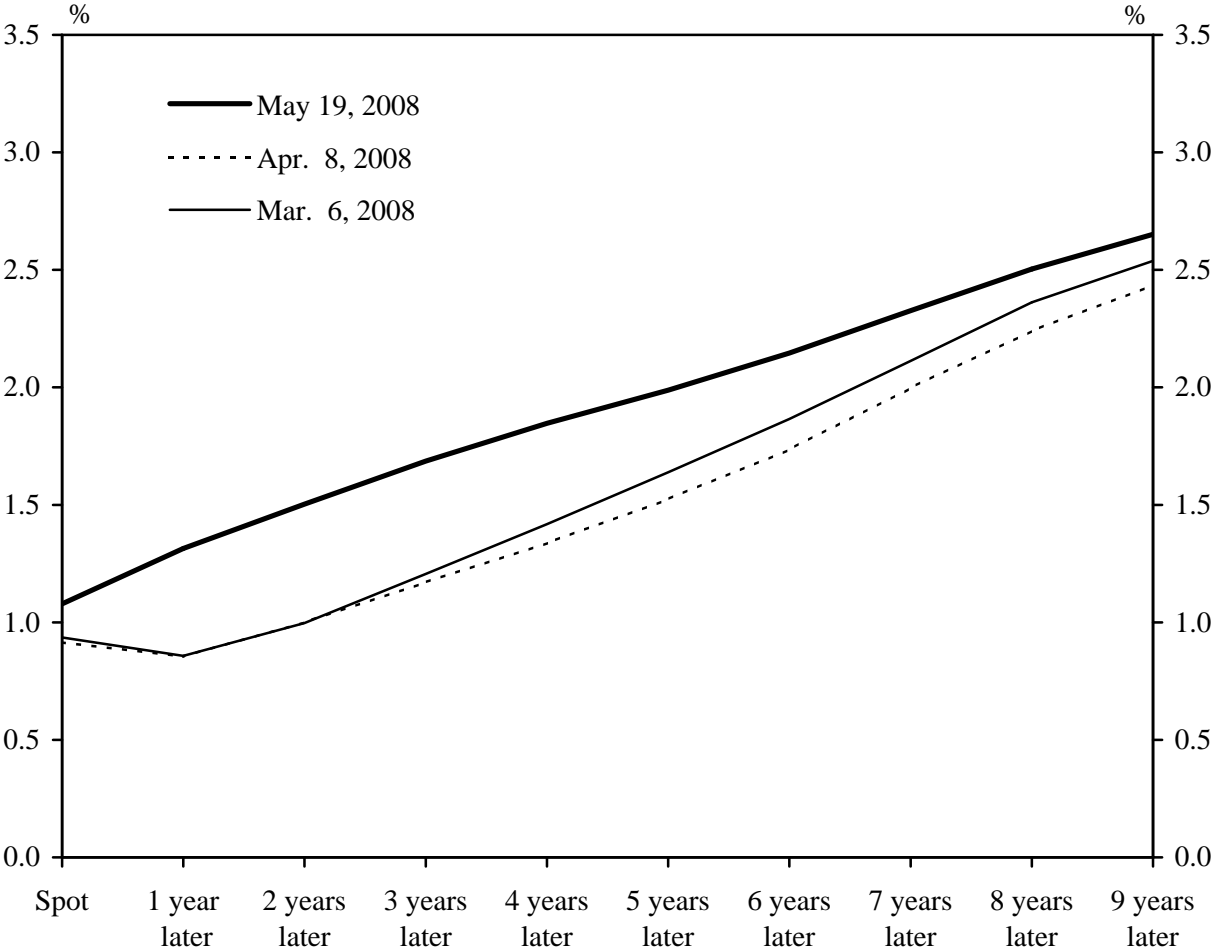
(2) Euroyen Interest Rates Futures (3-Month)<sup>1</sup>



Note: 1. Contract months in the figure (2) exclude "serial months," the months other than March, June, September and December.

Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.; Tokyo Financial Exchange.

Implied Forward Rates (1-Year)

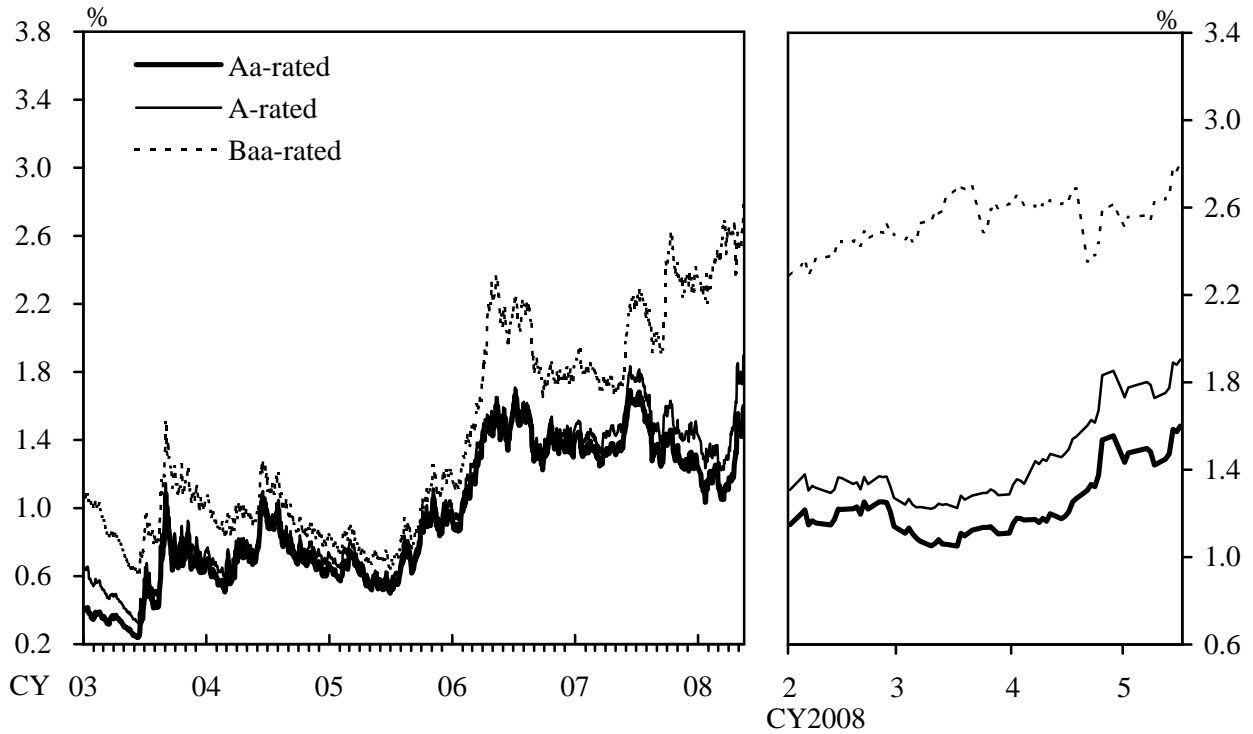


Note: Calculated from yen-yen swap rates.  
Source: Reuters.

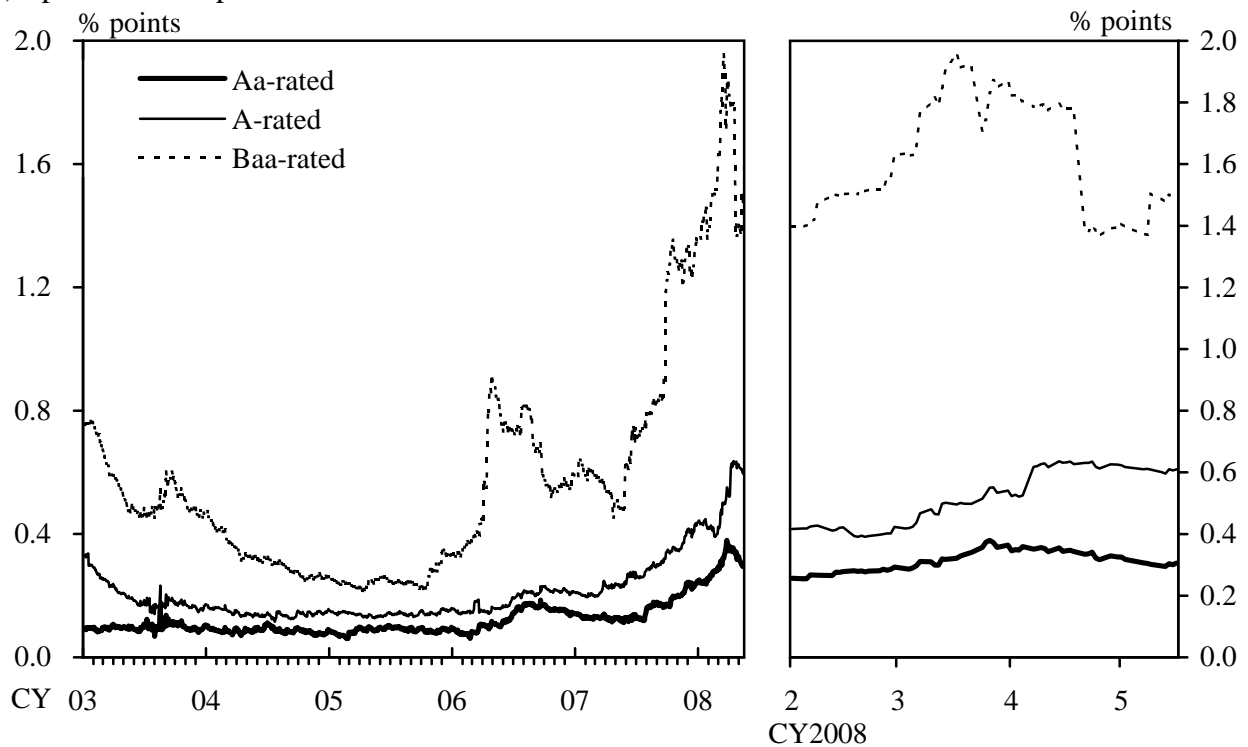


Yields of Corporate Bonds

(1) Corporate Bond Yields<sup>1,2</sup>



(2) Spreads of Corporate Bond Yields over Government Bond Yields<sup>1,2</sup>



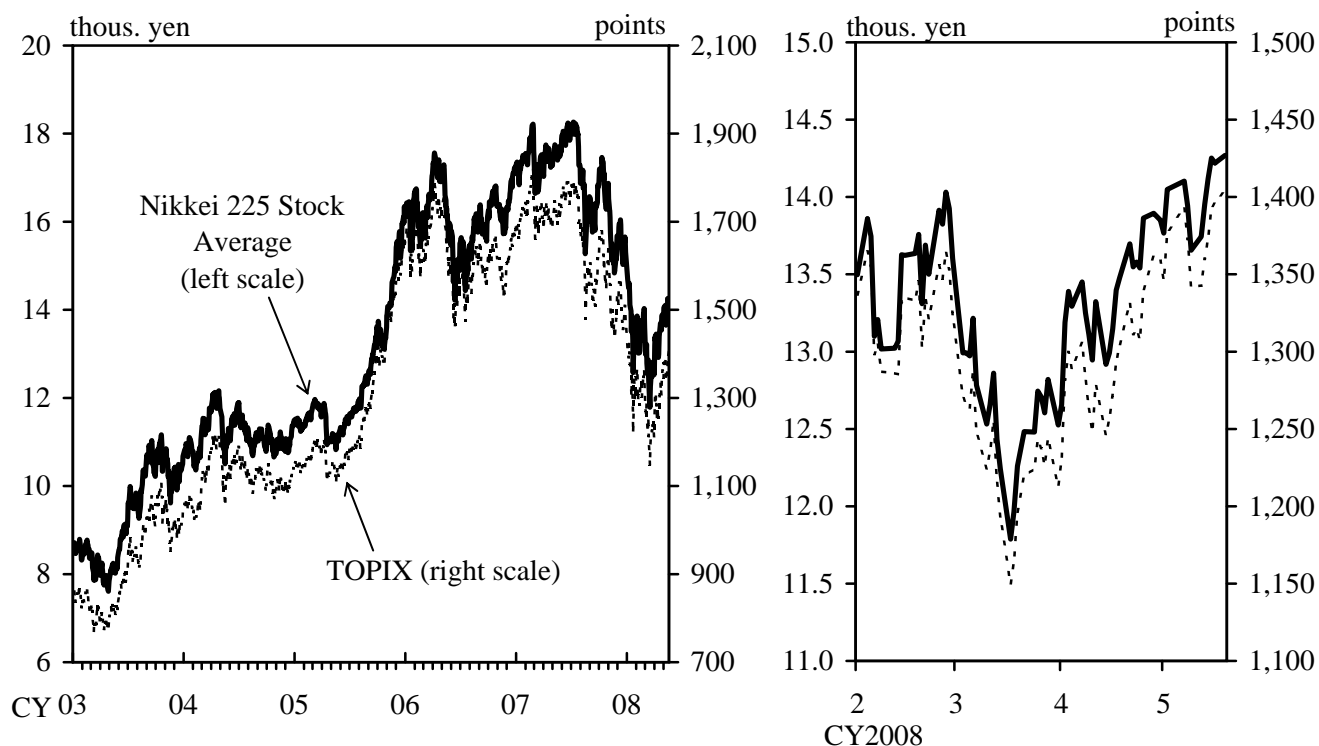
Notes: 1. Yields on bonds with 5-year maturity.  
 Yields on corporate bonds have been calculated on the expanded pool of issues with maturity of four to six years.

2. The indicated ratings are of Moody's.

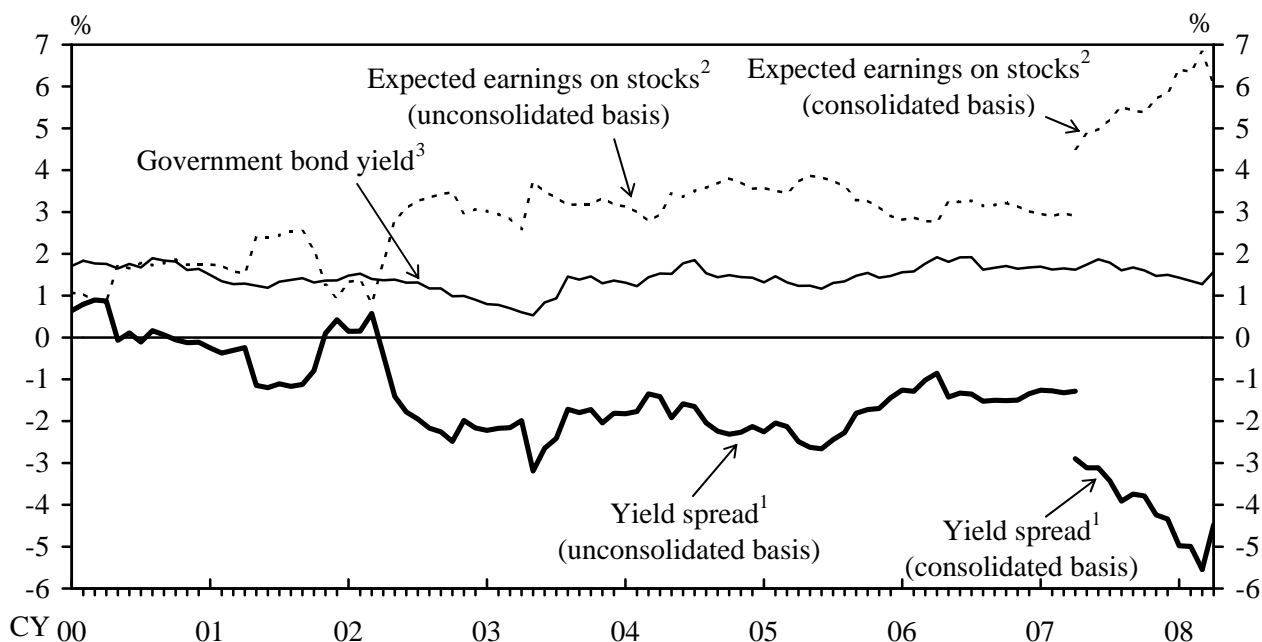
Sources: Japan Securities Dealers Association, "Reference Price (Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Stock Prices



(2) Yield Spread



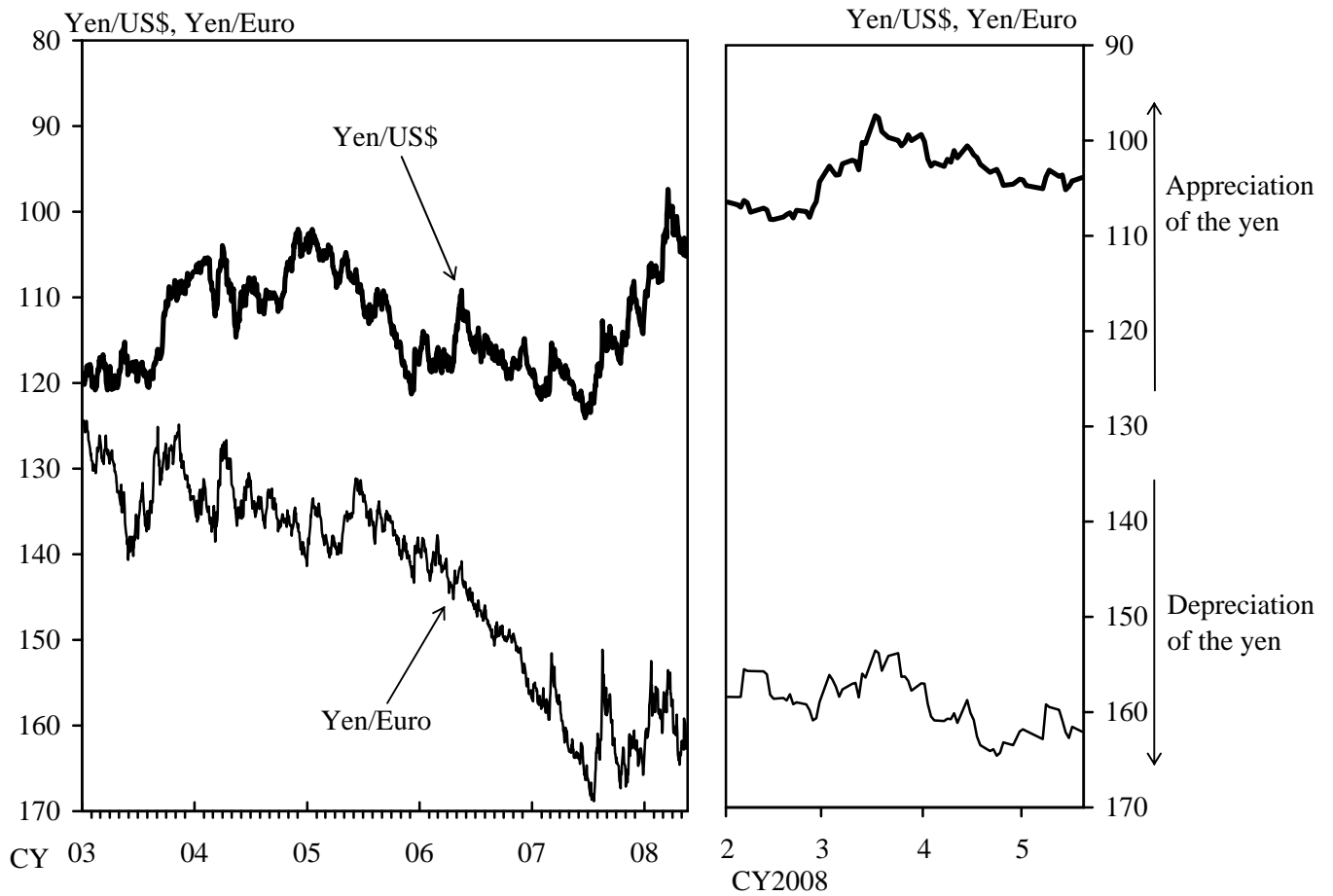
Notes: 1. Yield spread = government bond yield - expected earnings on stocks, where expected earnings on stocks = 1/expected price earnings ratio.

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

3. Yields on newly issued bonds with 10-year maturity.

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

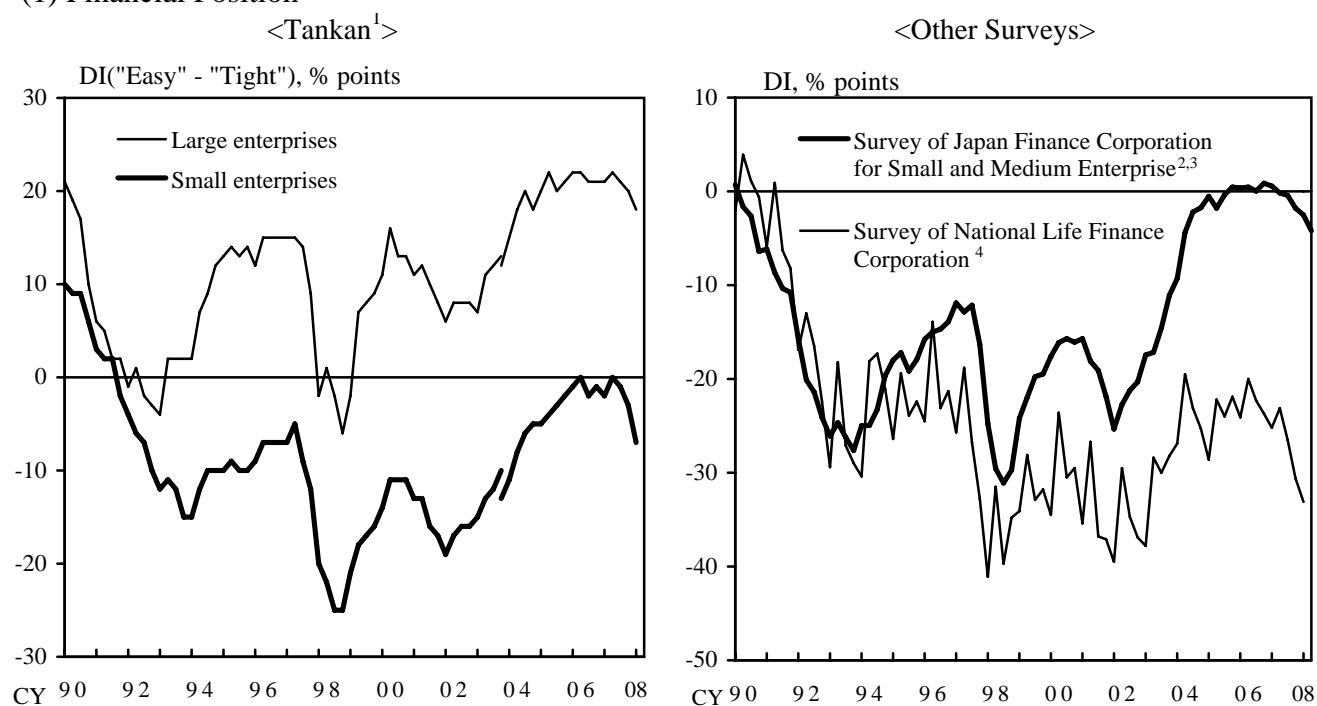
Exchange Rates



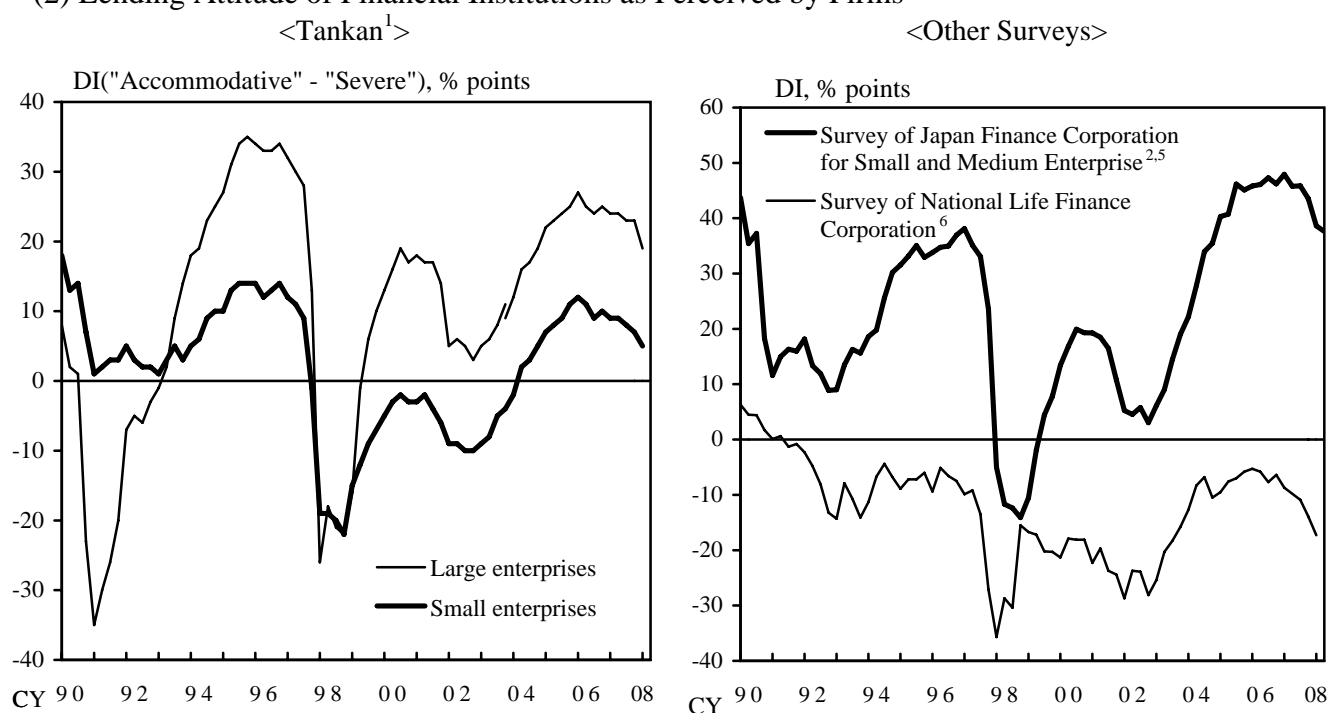
Source: Bank of Japan.

## 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 2008/Q2 are those of April.

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

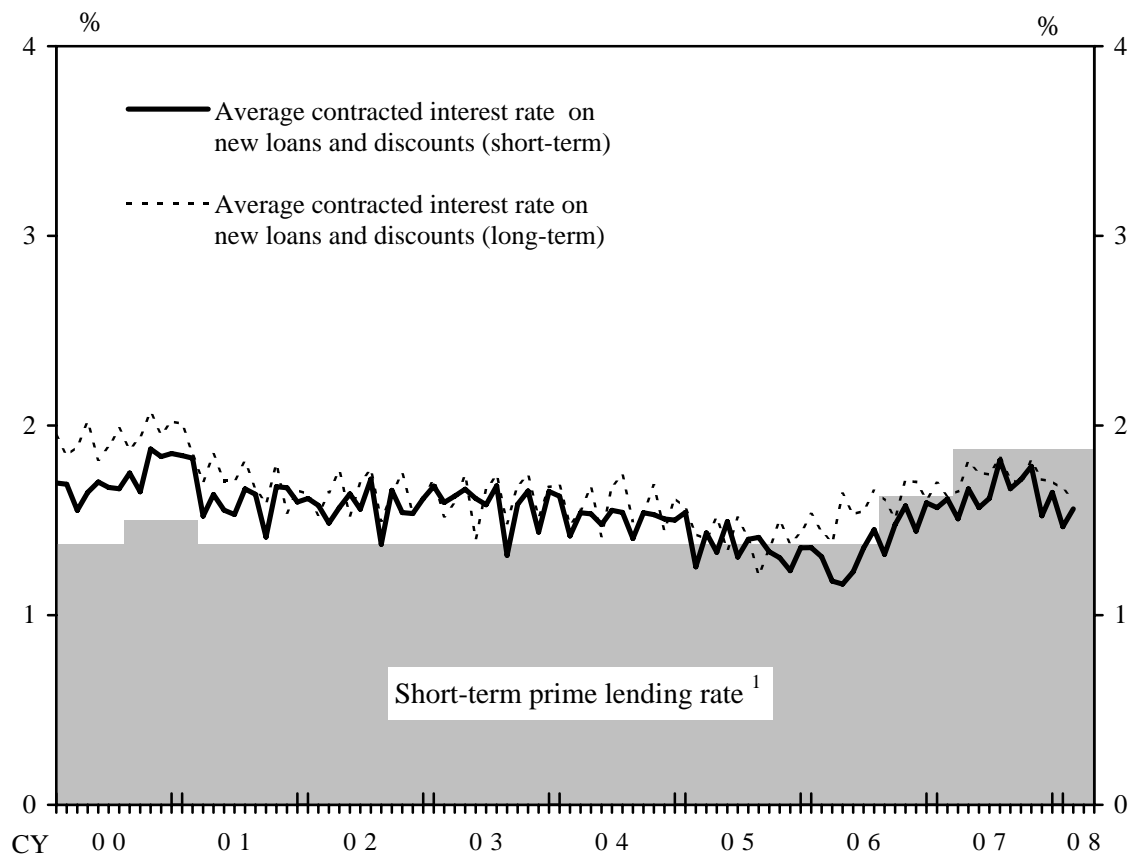
4. DI of "Easier" - "Tighter."

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."

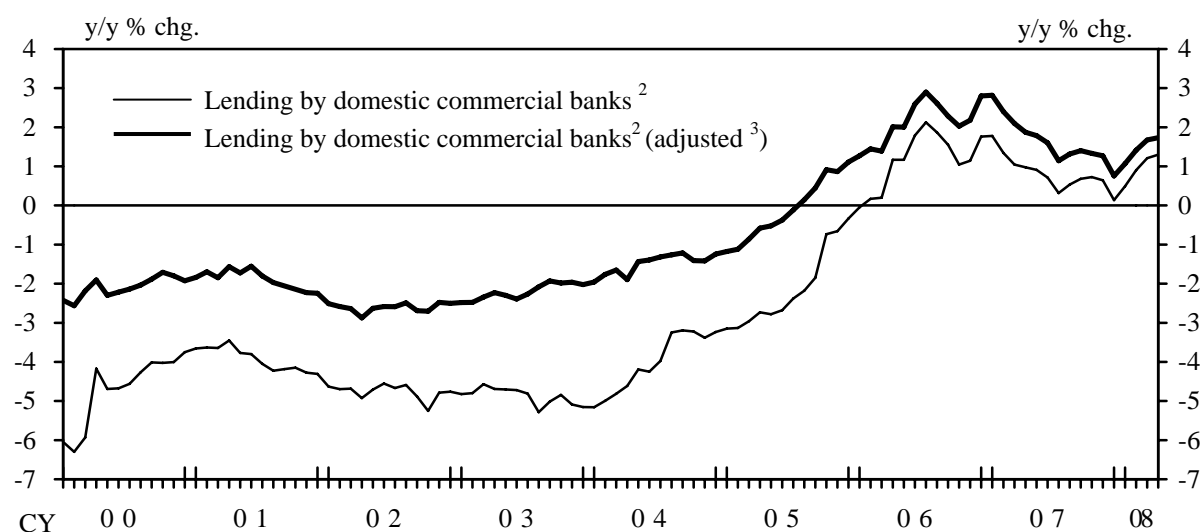
Lending Rates



Note: 1. Data are at end of period.

Source: Bank of Japan.

## Lending by Financial Institutions

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

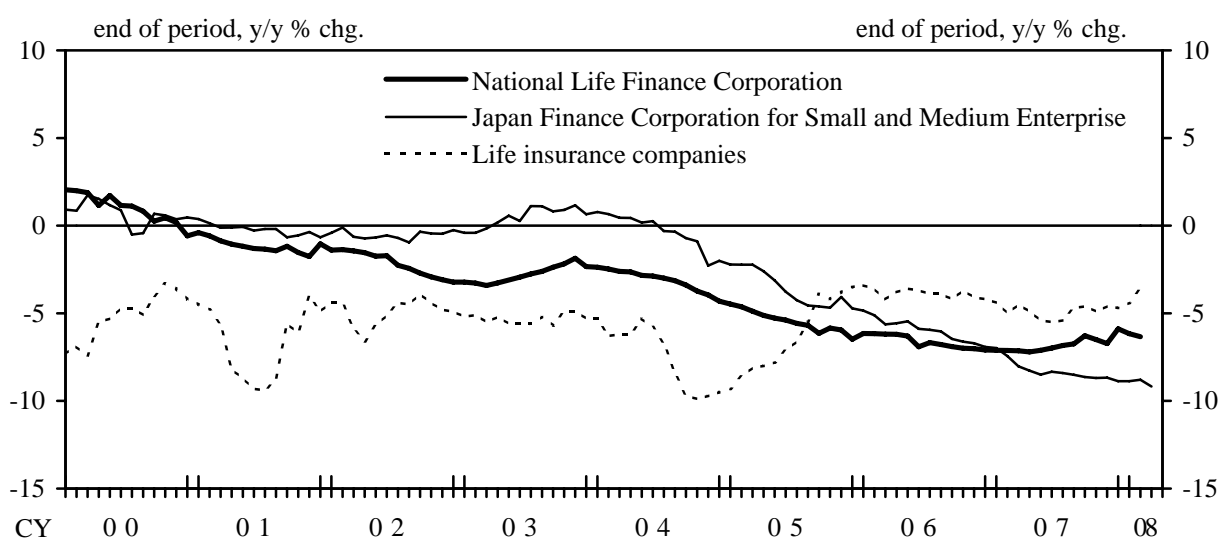
Notes: 1. Percent changes in average amounts outstanding from a year earlier.

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

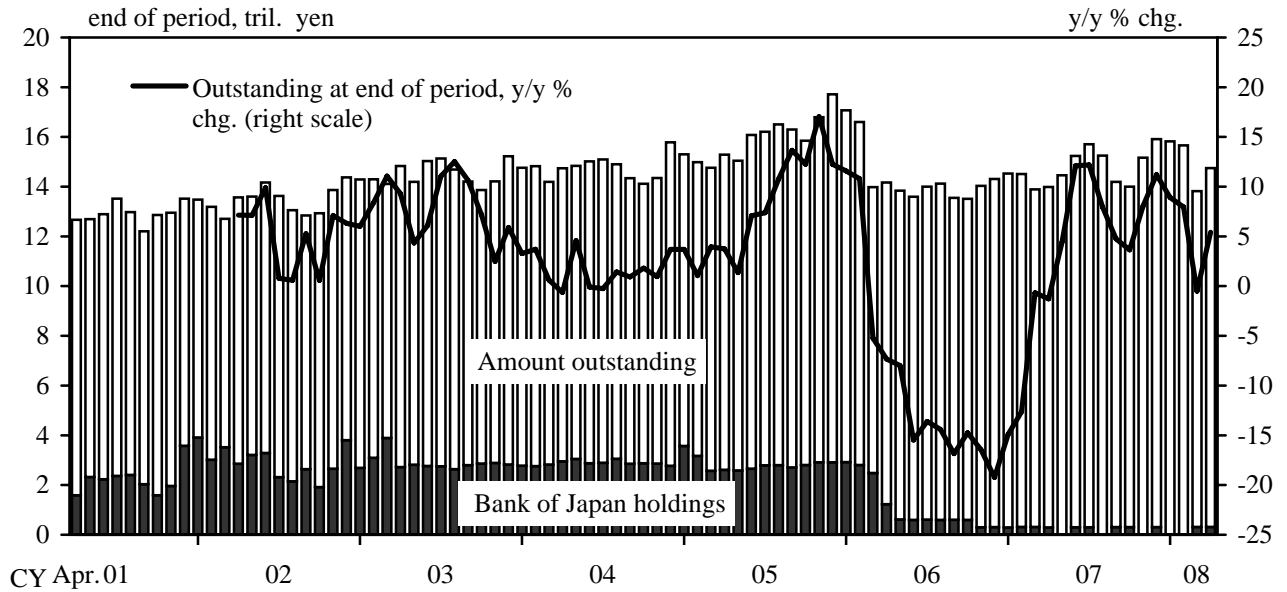
## (2) Lending by Other Financial Institutions



Source: Bank of Japan.

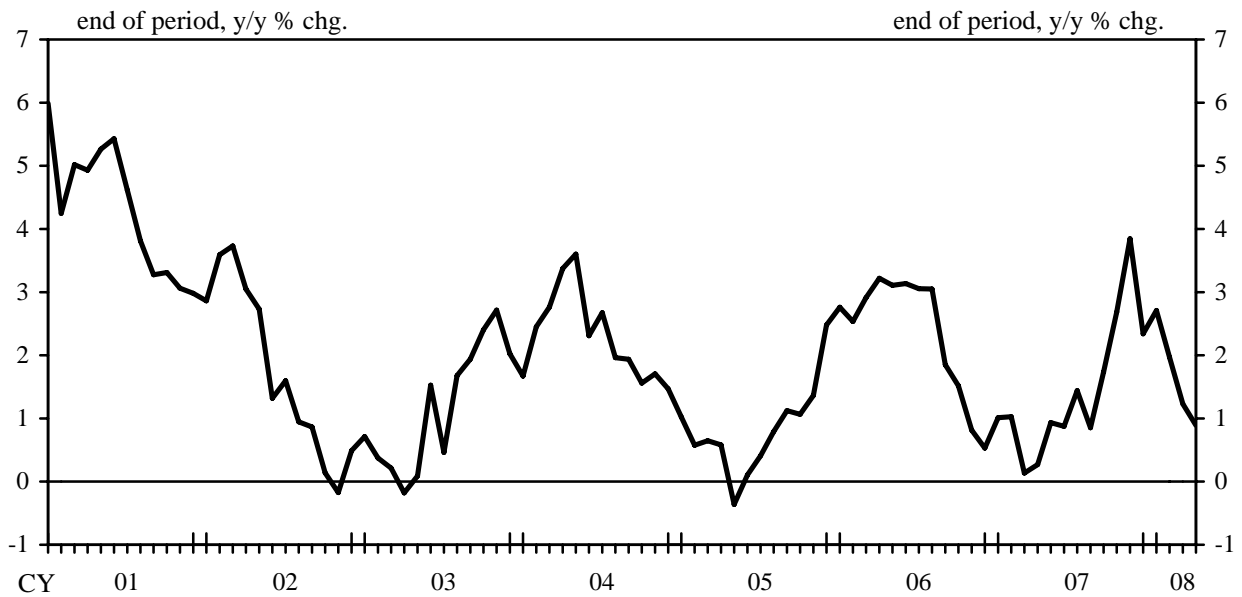
Private-Sector Fund-Raising in the Capital Markets

(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)



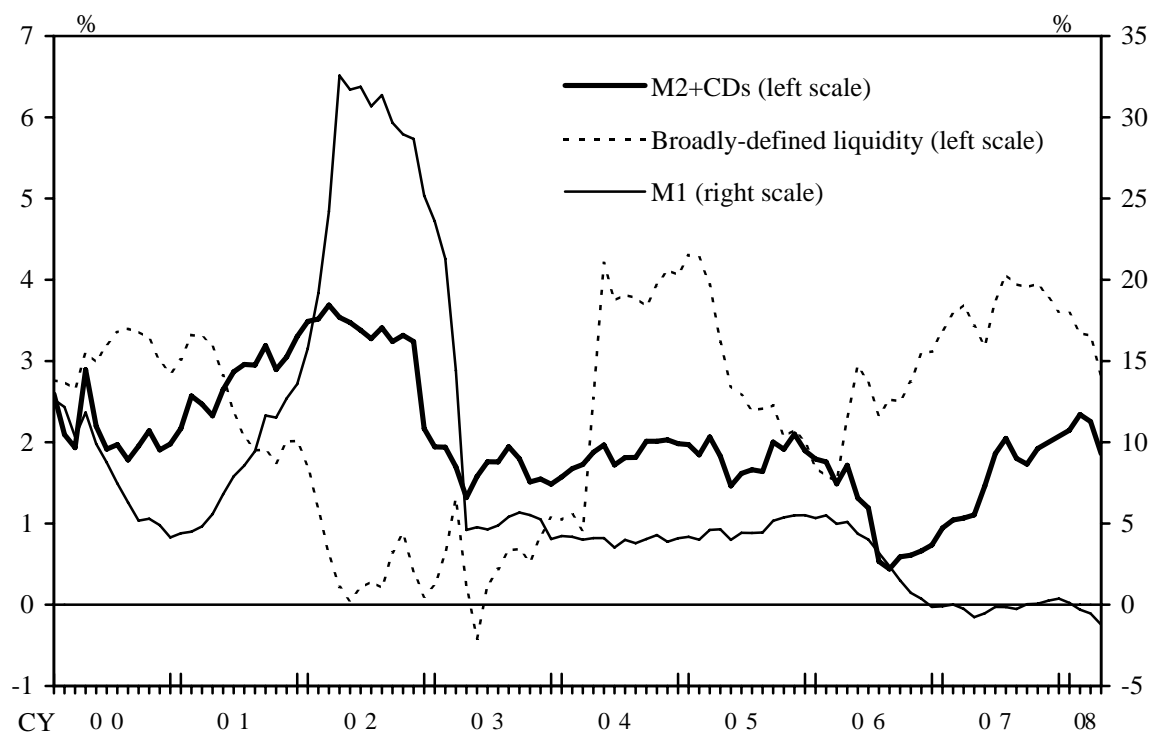
Note: The figures of percentage changes from the previous year of the amount outstanding of corporate bonds are calculated given the following:

- (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.

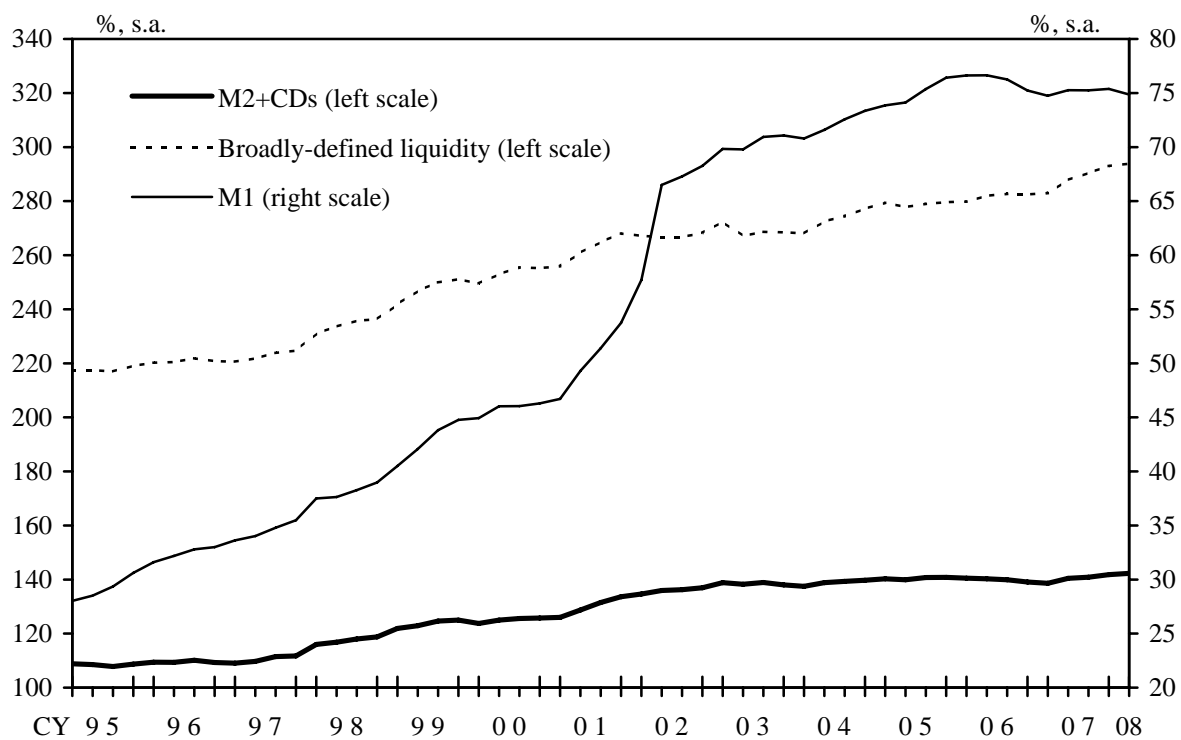
Sources: Bank of Japan, "Principal Figures of Financial Institutions"; Japan Securities Dealers Association, "Issuing, Redemption and Outstanding Amounts of Bonds," "Kisai-Jouhou (Issuance Information)"; I-N Information Systems, "Funding Eye."

## Money Stock

## (1) Changes from a Year Earlier



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

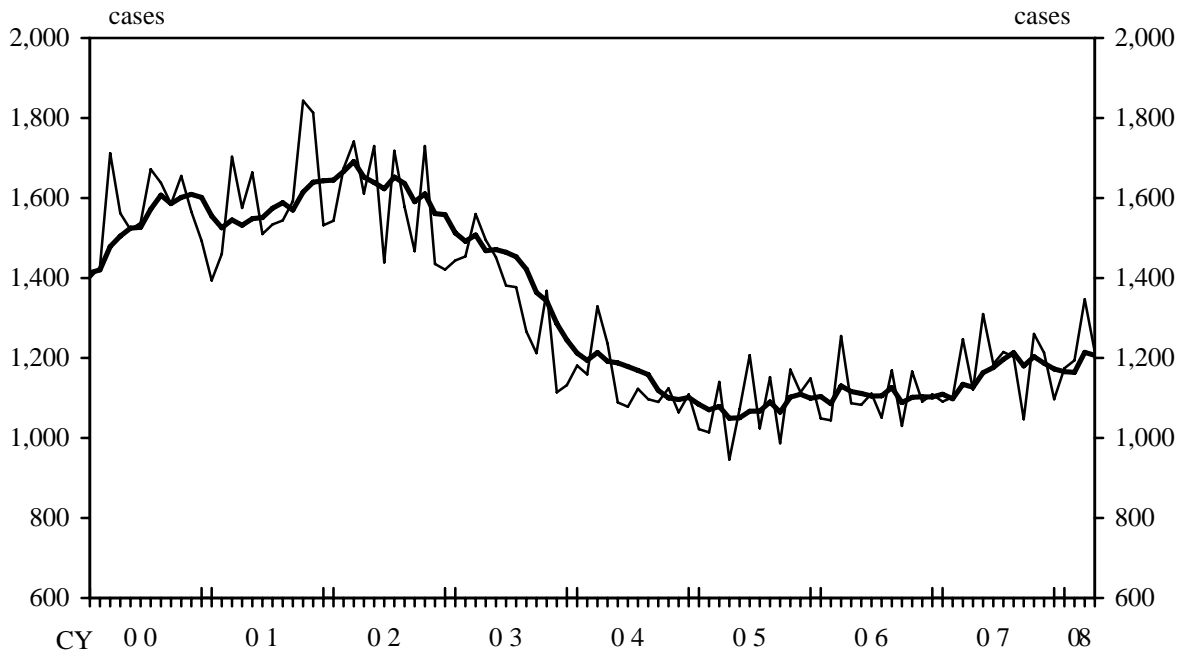


Sources: Cabinet Office, "National Accounts"; Bank of Japan.

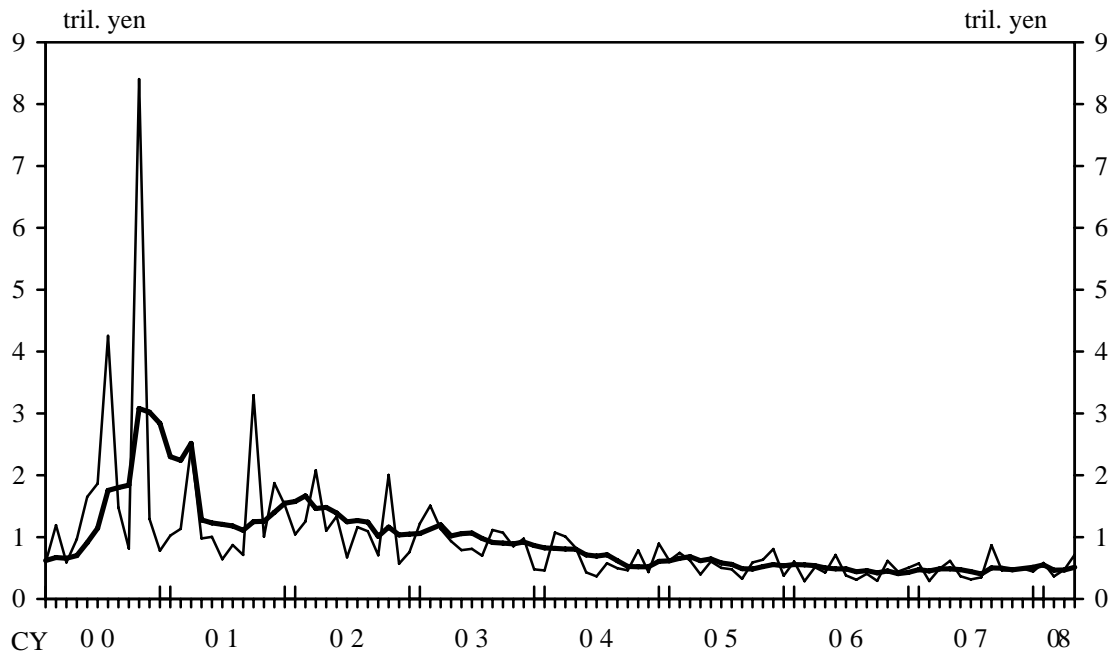


Corporate Bankruptcies

(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)."