

**Final Draft on the Revision of the Money Stock Statistics**  
**<Opinions on the June 2007 Revision Proposal and BOJ Responses>**

The Bank of Japan published a proposal for revising the Money Stock Statistics (MSS) in June 2007.<sup>1</sup> In response, we received valuable opinions from numerous parties including scholars and private-sector economists. We would like to formally thank them, here, for their helpful contributions. (See Appendix for a list of the individuals who submitted opinions).

This paper presents the final draft for the revision of the MSS following reconsiderations based on the opinions submitted, and then provides those opinions along with the Bank of Japan's understanding.

The Bank of Japan will now proceed with preparatory works in line with this final draft, and plans to switch over to the new statistics from the June 2008 announcement (preliminary May 2008 statistics).

**1. Contents of the Final Draft**

(System of Indices)

Following this revision, the statistics will comprise the four indices M1, M2, M3, and L. The financial assets and money issuers covered by each index are as follows (Charts 1 and 2).

M1 = Cash Currency in Circulation + Deposit Money deposited at Depository  
Institutions

M2 = Cash Currency in Circulation + Deposits deposited at Domestic Banks etc.

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<sup>1</sup> The proposal was published as Research and Statistics Department, "*Money Stock Statistics Revision Policy – Request for Opinions*", June 22, 2007 (in Japanese).

$M3 = \text{Cash Currency in Circulation} + \text{Deposits deposited at Depository Institutions}$

$L = M3 + \text{pecuniary trusts} + \text{investment trusts} + \text{bank debentures} + \text{straight bonds issued by banks} + \text{commercial paper issued by financial institutions} + \text{government bonds} + \text{foreign bonds}$

The ranges of the above-specified financial assets are as follows.

Cash Currency in Circulation = banknotes in circulation + coins in circulation

Deposit Money = Demand deposits (current deposits, ordinary deposits, saving deposits, deposits at notice, special deposits, and deposits for tax payments) – checks and notes held by financial institutions

Deposits = Deposit Money, Quasi-money (the time and savings deposits i.e. time deposits, deferred savings and installment savings plus foreign currency deposits), and negotiable certificates of deposit

The range of the money issuers of the above-specified financial assets are as follows.

Domestic Banks, etc.: The Bank of Japan and domestically licensed banks (excluding Japan Post Bank), foreign banks in Japan, *Shinkin* banks, *Shinkin* Central Bank, *Norinchukin* Bank, and *Shoko Chukin* Bank

("Domestic Banks, Etc." indicates the same range of financial institutions formerly stipulated as "M2+CDs depository institutions")

Depository Institutions: "Domestic Banks, etc." and all other depository institutions including Japan Post Bank, credit cooperatives, *Shinkumi* Federation Bank, labour banks, *Rokinren* Bank, agricultural cooperatives, credit federations of agricultural cooperatives, fishery cooperatives, and credit federations of fishery cooperatives

(Range of Money Holders)

Money holders are resident non-financial corporations, households, and local governments (including municipal enterprises). The range of non-financial corporations is as follows (Chart 3).

Non-financial corporations: Corporations other than depository institutions, insurance companies, bank and insurance company holding companies, government-affiliated financial institutions, securities companies, and *tanshi* companies (call loan dealers).

(Starting Date for Retrospective Data)

Retrospective data will be announced back to April 2003 (Chart 4).

## **2. Changes from the Existing Statistics**

In this section, we explain changes from the current Money Stock Statistics.

(Range of Money Holders)

This revision removes securities companies, *tanshi* companies and non-residents from the range of money holders.

(Ranges of the Indices)

In addition to the above-specified changes in the range of money holders, this revision will also change the range of money issuers and the range of financial products for in each index. The details are as follows.

- M1

While the present M1 only covers demand deposits at M2+CDs financial institutions, the new M1 covers demand deposits at all depository institutions including Japan Post Bank, agricultural cooperatives, credit cooperatives, etc.

- M2

The new M2 excludes deposits by nonresidents in line with the changes in the range of money holders. All the other financial products are the same as those of the present M2+CDs.

- M3

The new M3 excludes deposits by nonresidents in line with the changes in the range of money holders. All the other financial products are the same as the present M3+CDs after excluding monetary trusts.

- L

The L adds privately placed investment trusts (introduced in Dec. 1998) to investment trusts, adds straight bonds issued by banks (introduced Dec. 1999), and removes "repurchase agreements and securities lending with cash collateral" from the present Broadly-defined Liquidity.

(Modification of Statistics)

This revision modifies figures by excluding the cash holdings of Japan Post Bank as well as the unpaid interest for the deposits at Japan Post Bank, both of which are presently included in, the statistics, etc.

(Index Name)

"Broadly-defined Liquidity" will be renamed "L."

(Publication Format)

The materials released each month and the items presented on "*Bank of Japan Statistics*" as well as on the BOJ website each month will be changed as shown in Charts 5 and 6.

**<Box> Differences between the New and the Present Time-Series Data**

At present, the balances of the new indices are all provisional because the new primary data has not been collected, and because the estimation may be changed further. The following comparisons of the new and the present indices are based on the current estimates (Reference Chart 1).

With regard to the balances, "M1" is projected to expand by about 100 trillion yen from the present time series because of the addition of demand deposits at Japan Post Bank, agricultural cooperatives, credit cooperatives, etc. The new "M2" and the new "M3" is projected to decrease by a few a few trillion yen compared to the present "M2+CDs" and the present "M3 + CDs – money trusts" due to the removal of deposits by nonresidents, changes in money holders, changes in figures relating to Japan Post Bank, etc. The balance of "L" (or "Broadly-defined Liquidity") is projected to decrease by tens of trillions yen because of changes in the range of financial products.

The year-on-year ratios for the new "M1", "M2" and "M3" will generally show the similar movement to the present series over the past few years. Meanwhile, the year-on-year ratio for the new "L" will change slightly from the present "Broadly-defined Liquidity."

### **3. Opinions Regarding the Revisions, and the Understanding of the Bank of Japan**

Overall, most of the opinions received were in agreement with June 2007 proposals, and there were few disagreements.

Following, major issues for the revisions and the understanding of the Bank of Japan are explained along with the opinions submitted.

#### **3.1 Status of Deposits at Japan Post Bank**

(Contents of the June 2007 Proposal)

Under the June 2007 proposal, deposits at Japan Post Bank will be combined with M2 + CDs deposits because the systematic need to separate deposits at Japan Post Bank from M2 + CDs deposits no longer exists since Japan Post Bank became categorized as a domestically licensed bank along with the beginning of the privatization of Japan Post in October 2007, and because the need to distinguish deposits at Japan Post Bank from bank deposits for statistical precision has also declined since with the systems changes under this revision it will become possible to obtain data on cash holdings, checks and notes outstanding, and unpaid interest outstanding that could not be grasped during the Japan Post era.

(Opinions Received)

Many of the opinions received were in agreement with this proposed change, with some calling it "timely amid the great changes taking place in Japan's money flow." Others said that while they were not opposed to the statistics change itself, they did have some reservations regarding the reasoning presented because the checkability and liquidity of postal savings did not substantially change with the systems switch from Japan Post to Japan Post Bank.

(Understanding of the Bank of Japan)

After reconsideration based on the above opinions, the Bank of Japan has decided to combine deposits at Japan Post Bank with deposits under M2 + CDs, as under the original proposal.

As noted in opinions received, functions of checkability and liquidity of deposits at Japan Post Bank did not greatly change with the launch of the privatization of Japan Post. To date, the Bank of Japan has maintained that essentially there is no problem with categorizing "Deposits of Post Offices and other financial institutions (*Shinkumi* Banks, *Shinkumi* Federation Bank, Labour Banks, The *Rokinren* Bank, Agricultural Cooperatives, Prefectural Credit Federations of Agricultural Cooperatives, Fishery Cooperatives and Prefectural Credit Federations of Fishery Cooperatives)" under M2+CDs, but these have been categorized under M3+CDs because of limitations of the primary data and for statistics continuity.<sup>2</sup> The Bank of Japan has decided to combine deposits at Japan Post Bank with deposits under M2 + CDs this time because new primary data can now be obtained.

### 3.2 Status of Deposits at "Other Financial Institutions" and Money Trusts

(Contents of the June 2007 Proposal)

The limitations of the primary data for deposits at "other financial institutions" such as credit cooperatives and agricultural cooperatives, which are presently included in M3+CDs, still exists whereby monthly average balances are not available and preliminary statistics cannot be obtained. However, under the June 2007 proposal deposits at other financial institutions will be combined with M2+CDs, along with deposits at Japan Post Bank, because there is little need to display deposits at other financial institutions (about 100 trillion yen) separately from other deposits (about 900 trillion yen), and because the difference between the preliminary and the final figures accounts for less than 0.1 percentage points in terms of the year-on-year changes in M2+CDs.

The proposal does not combine money trusts with M2+CDs because although a high percentage of money trusts (known as "Big" and "Hit") closely approximated deposits with

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<sup>2</sup> "Guide to Japan's Money Stock Statistics", Bank of Japan Research and Statistics Department, June 2004.

high liquidity and joint management, in recent years the balance of such products has declined while the proportion of trust assets subjected to individual management is rising.

(Understanding of the Bank of Japan)

As no opinions were received regarding these changes, the Bank of Japan has decided to combine deposits at other financial institutions with deposits under M2 + CDs as M3, and not to include money trusts in M3, as under the original proposal.

### 3.3. Changes in Broadly-defined Liquidity

(Contents of the June 2007 Proposal)

The proposal calls for the following changes concerning broadly-defined liquidity and reference figures in response to the diversification of financial products.

1. To combine "money trusts" with "pecuniary trusts other than money trusts" as "pecuniary trusts," considering the product similarity.
2. To add "privately placed investment trusts" to "publicly offered investment trusts" in "investment trusts", considering the increase in such private placements.
3. To add straight bonds issued by banks.
4. To remove "repurchase agreements and securities lending with cash collateral" as a factor which causes disturbances in broadly-defined liquidity.
5. To cease the publication of "pension trusts" and "foreign bonds (dollar equivalent basis)", which had been provided as reference figures.

(Opinions Received)

Many of the opinions received were in agreement with the proposed changes. One said the changes were “desirable because the large changes in repurchase agreements and securities lending with cash collateral have become a disturbance factor amid the developments in broadly-defined liquidity, and the revision eliminates such problems.” No opinions were presented in opposition. However, the following opinions and requests were submitted as additional comments regarding the method of displaying broadly-defined liquidity, etc.

First, several opinions, including the following, were received asking the Bank of Japan to

publish figures for MMFs, MRFs separately from investment trusts.

"I think MRFs have higher liquidity than time deposits and are closer to core money, so I think one idea would be to separate MRFs from investment trusts."

"I think this is a highly polished proposal, but it would be still more perfect if MRFs and MMFs were included in M3. That is because under a rising interest rate environment, shifts from M3 to MMFs could have a large impact."

"Rather than focusing on systems (business formats) as under the current proposal, classification emphasizing the similarity among financial products would be desirable to establish indices that are not swayed by changes in the financial environment. While there is little difference between ordinary deposits and MRFs and MMFs under a low interest rate environment as at present, funds are expected to shift from ordinary deposits to MRFs and MMFs when interest rates eventually rise, and that will pose questions regarding the correctness of categorizing deposits as M3 and MMFs and MRFs as broadly-defined liquidity."

One opinion regarding the removal of "foreign bonds (dollar equivalent basis)" which have been provided as reference figures, stated "There are some users who focus on the net changes in foreign bonds excluding foreign-exchange fluctuation factors, so please devise some measures."

An opinion regarding investment trusts stated "You should inform users that ETFs (exchange traded funds) are included in the present investment trust figures. ETFs are similar to stocks, and users may have the misunderstanding that ETFs are not included in broadly-defined liquidity."

Regarding bank debentures and straight bonds issued by banks, one opinion stated "As it starts to be privatized from October 2008 the Development Bank of Japan will be able to issue bank debentures and straight bonds, so their handling will have to be clarified in the future."



(Understanding of the Bank of Japan)

First, after examining the points in the opinions received, the Bank of Japan has decided to institute the changes as under the original proposal.

Second, the Bank of Japan has decided neither to include MMFs and MRFs in M3 nor to release MMFs and MRFs separately from investment trusts.

The Bank of Japan shares the understanding that MMFs and MRFs have high liquidity and they are included in M2 (in the U.S.) and M3 (in the Euro zone). However, the new M3 has been established based on deposits at depository institutions like the present M2+CDs by excluding money trusts from M3. Also, Broadly-defined Liquidity, which is not released in the above mentioned country and region, is compiled to capture shifts in and shift out of M3 in Japan. Considering these points, we ultimately decided not to include MMFs and MRFs in M3.

Meanwhile, we judged that we could meet the needs of a wide range of users by publishing separate data on MMFs and MRFs, apart from investment trusts. However, we finally decided not to release MMFs and MRFs separately from investment trusts because we determined that estimating the amount of MMFs and MRFs owned by money holders would be difficult due to the limitations of the primary data<sup>3</sup>.

Third, we ultimately decided not to publish the balance of foreign bonds excluding foreign exchange rate fluctuation factors or of the changes in that balance because there are alternative statistics available. The net changes in the balance of foreign bonds excluding foreign-exchange rate fluctuation factors can be estimated using the Balance of Payments "Outward Portfolio Investment by Types of Investors."<sup>4</sup> Those figures are used in the MSS for estimating the balance of foreign bonds held by money holders as below.

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<sup>3</sup> The amounts of MMFs and MRFs are published by the Investment Trusts Association, Japan every month. Those figures include MMFs and MRFs held by entities other than money holders.

<sup>4</sup>See <http://www.boj.or.jp/type/stat/dlog/bop/fuhyo02/bp021pi2.txt> or <http://www.mof.go.jp/bpoffice/bppi.htm> for details.

Net changes in foreign bonds owned by money holders = net flows of portfolio investment abroad in "Bonds and notes" and "Money market instruments" by resident "securities companies"<sup>5</sup> and "others" sectors.

Finally, the commentary for ETFs will be stated explicitly in the guide, and the statistical treatment for the Development Bank of Japan will be determined when it will release the policy for issuing bank debentures etc.

### 3.4 Changes in Money Holders

(Contents of the June 2007 Proposal)

First, because active trading of government bonds and of "repurchase agreements and securities lending with cash collateral at securities companies" by securities firms has made it difficult to assess the conditions of broadly-defined liquidity, the Bank of Japan proposed to narrow the range of money holders. As a result, the proposal calls for removing all financial institutions (including insurance companies) from money holders, in principle. Given the limitations of the primary data in the actual statistics and considering the reporting burden for data aggregation, however, the proposal specifically calls for removing securities companies and *tanshi* companies additionally, where the balances of currency and deposits can be determined from data the Bank of Japan already obtains, from the range of money holders.

Next, money held by nonresidents has been included in Quasi-money not necessarily because nonresidents (non-financial corporations, households, and local governments) have been given the same status as residents to date, but because the amount of deposits held by nonresidents is small at approximately two trillion yen, with little practical influence on the MSS. However, considering the fact that the financial assets of nonresidents that are categorized in broadly-defined liquidity (government bonds etc.) are even less likely than their deposits to influence domestic economic activities, the proposal calls for removing nonresidents from the range of money holders.

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<sup>5</sup> Although securities companies are not money holders, it is assumed that they sell bonds and notes or money market instruments to money holders as soon as they buy those financial products.

(Understanding of the Bank of Japan)

As no opinions were submitted in opposition to these proposed changes, the Bank of Japan has decided to remove securities companies, *tanshi* companies and nonresidents from the range of money holders, as under the original proposal.

### 3.5 Changes in the Names of Indices

(Contents of the June 2007 Proposal)

The proposal calls for naming the indices M1, M2, M3 and Broadly-defined Liquidity.

(Opinions Received)

Several writers were in agreement with changing the names of the indices, saying that "The expression '+CDs' is difficult to understand when making explanations to foreigners and scholars, so removing '+CDs' from M2+CDs and M3+CDs is desirable." One opinion said "The name of the new base money statistics should be different from the name of the present base money statistics if possible. That would prevent misunderstanding among users." Another opinion said "The proposed name M1 is fine for an index which includes liquid deposits, but the index including time and savings deposits and other deposits should be M2, not M3. Moreover, instead of M2 the successor index to the present M2+CDs should be named 'M2 (Excluding Deposits at Japan Post Bank and Others)'".

Regarding "broadly-defined liquidity," one writer proposed "What about using 'L' for 'broadly-defined liquidity.' The English term 'broadly-defined liquidity' is difficult to explain to overseas investors."

(Understanding of the Bank of Japan)

Regarding the name of the indices, the Bank of Japan came to the conclusion that the original proposal was the least likely to be misunderstood by parties who will connect and use the present and new series because the new M2 is basically the same as the present M2+CDs and the new M3 is basically the same as the present M3+CDs other than money trusts.

Meanwhile, looking at the naming of indices overseas, the nomenclature is not consistent.

While M1 has essentially the same definition in each country, various definitions are used for M2, M3, M4 and other indices, reflecting the conditions in each country (Reference Chart 2).

Next, considering the opinions submitted the Bank of Japan has decided to adopt "L" as the English name for "broadly-defined liquidity," so the English names of the indices will be M1, M2, M3, and L.

### 3.6 Retrospective Data

(Contents of the June 2007 Proposal)

The June proposal stated that retrospective data running back to April 2002 would be prepared for the new indices, using some estimates,

(Opinions Received)

Numbers of opinions were received concerning the issue of retrospective data. Specific opinions included the following.

"I would like the Bank of Japan to prepare long-term retrospective data running back to the second half of the 1970s if possible, or at least back to 1980. The Bank of Japan should publish balance figures itself because when estimating retrospective data using the year-on-year ratios of similar prior series, the figures may differ depending on the individual analyst."

"Japanese statistics tend to overemphasize accuracy to the point that they easily become discontinuous, with little time-series data overall. I would like publication covering about 30 years, and I do not mind if these are published as reference figures."

"Figures running back to the latter 1980s are necessary for the new M3 and the new broadly-defined liquidity."

Other opinions included the following.

"Please make it clear how to link the old and new data for each index."

"I want the Bank of Japan to continue providing the prior-base indices on its homepage, in a way that users clearly understand that these are previous statistics, just as the Cabinet Office clearly stipulates the differences between SNA68 and SNA93."

(Understanding of the Bank of Japan)

### 3.6.1 Preparation of Long-term Retrospective Data

The Bank of Japan fully recognizes the importance of long-term time series data for economic statistics analysis. Time series data of a certain duration are indispensable for comparisons with past economic phases and for clarifying relations with real economic indices.

On the other hand, for statistics which aggregate balances, like the MSS, the data inevitably become discontinuous whenever the range of aggregation is changed. The MSS balance figures are already slightly discontinuous because in the past deposits at the Japanese branches of foreign banks, foreign-affiliated trust banks, and at the central organs of cooperative financial institutions (*Shinkin* Central Bank, *Shinkumi* Federation Bank, *Rokinren* Bank, credit federations of agricultural cooperatives, and credit federations of fishery cooperatives) were added to the aggregation of deposits in April 1998. Because the present revision changes the range of money holders and the range of financial products, and makes estimations more detailed, the balances of the new M1, M2, M3, and L indices are all discontinuous with the balances of the present indices.

After reconsideration based on the opinions submitted, the Bank of Japan reached the conclusion that from the perspective of statistical accuracy it is not appropriate to prepare long-term retrospective data linking the new and present balance figures, which have different definitions, using a connected index etc.

The Bank of Japan will continue to present all prior series (from the time the MSS were initially compiled through March 1999) and present series (from April 1998 tentatively through April 2008) balance figures on its homepage. We will also provide ample

information regarding discontinuity from changes in definitions and in the range of aggregation on the homepage and in statistics explanations, to ensure the convenience of statistics users. This will make it possible to conduct analyses running back to 1967 for the most frequently used long-term time series, the new M2, making use of the prior and present series M2+CDs. Also, the new M3 can be used for analyses running back to 1996 when the Bank of Japan began publishing figures on the balance of money trusts in the breakdown of broadly-defined liquidity.

### 3.6.2 New Series Retrospective Data

With this revision, the Bank of Japan will not only publish new basis figures from when the revision is implemented in June 2008, but will also prepare retrospective data covering the past few years using some estimates, so that the year-on-year changes can be understood. While the original proposal called for preparing retrospective data running back to April 2002, the Bank of Japan ultimately decided to prepare data running back to April 2003. That decision was reached because average balance data on postal savings are only available since the launch of Japan Post (April 2003), and because the period over which figures on newly excluded items could be retrospectively compiled turned out to be shorter than initially anticipated, among other reasons.

### 3.7 Position of the Money Stock Statistics in Monetary Policy

#### (Opinions Submitted)

The comments submitted included opinions regarding possible future changes in the position of the Money Stock Statistics for the Bank of Japan's monetary policy. One opinion stated "While there is some difference in the attention given to money stock statistics in different countries, they are always important statistics for analysts' judgments of monetary policy. Given this fact, even though the revision proposal is being presented as a technical change in the MSS, analysts and investors, especially foreigners, may tend to view revisions of the MSS together with the position of the MSS in the Bank of Japan's monetary policy. ... [omitted] ...I think that before changing over to the new statistics, it is important to announce the position of the MSS in the Bank of Japan's monetary policy (including the fact that this position is not being changed)."

Another opinion stated "Since the latter 1990s the linkage between M2+CDs and the real economy has been weakening, so the role and utility of M2+CDs has been declining. Prior to that time, M2+CDs were highly significant as a variable for predicting the real economy. The reasons for this change include the close linkage between loans and deposits (especially time deposits)... [omitted] ... The inclusion of 200 trillion yen of deposits and savings that are not linked to loans in the money stock naturally weakens the linkage with the real economy. I hope the Bank of Japan will continue to public M2 along with M3 in the future."

(Understanding of the Bank of Japan)

The Bank of Japan views this revision solely as a statistical change implemented in response to such developments that deposits at Japan Post Bank and other financial institutions can be combined with deposits in M2+CDs after the elimination of data constraints owing to the beginning of the privatization of Japan Post.

Also, the Bank of Japan will public new M2, the successor index to the present M2+CDs, along with new M3, which combines the present M2+CDs with deposits at Japan Post Bank and other financial institutions. We understand that the present M2+CDs has been used for a great deal of empirical research, and its utility as a money index with a long-term time series cannot be ignored considering the convenience of statistics users.

The Bank of Japan will continue to monitor carefully the developments of each index in Money Stock Statistics.

### 3.8 Revision of the Monetary Survey Statistics

(Contents of the June 2007 Proposal)

The proposal stated that along with the revision of the MSS the range of financial institutions for the Monetary Survey Statistics should be expanded from M2+CDs depository institutions to all depository institutions.

(Understanding of the Bank of Japan)

As no particular opinions were submitted regarding this item, the Bank of Japan will change

the Monetary Survey Statistics to cover the balance sheets of all depository institutions, as under the original proposal.

The Bank of Japan will also prepare retrospective data of Monetary Survey Statistics running back to April 2003. This retrospective data will be released in June 2008.



## Appendix

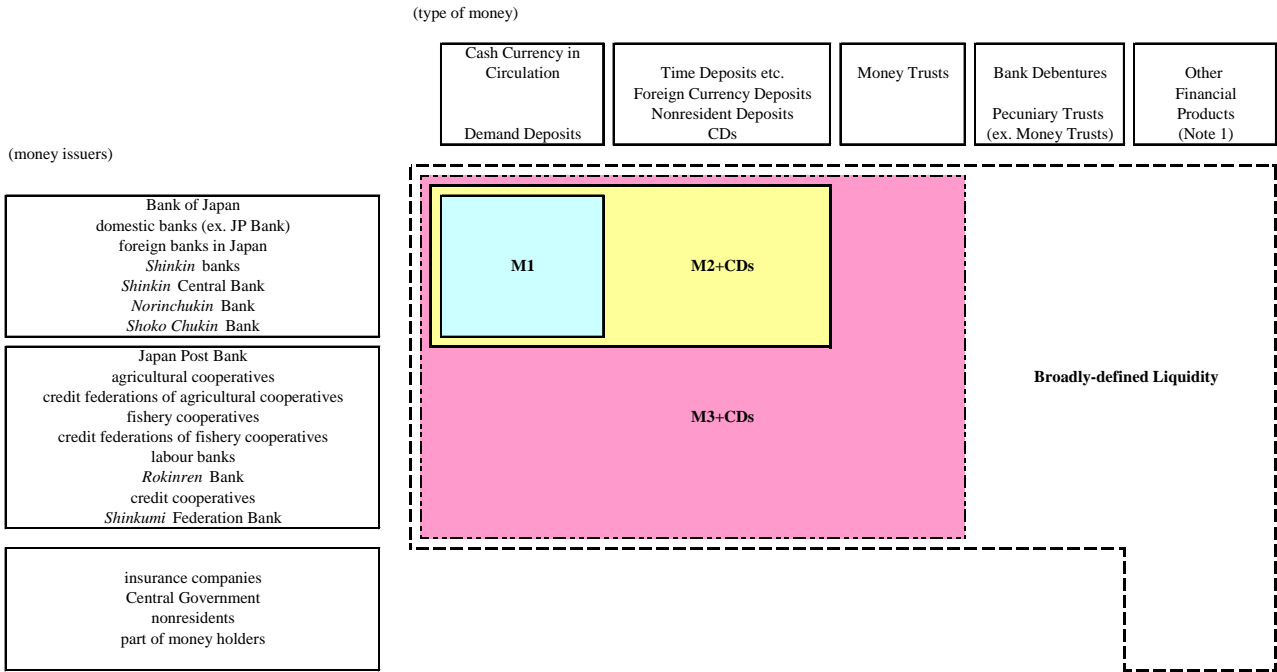
### List of Individuals who Submitted Opinions on the June 2007 Money Stock Statistics Revision Proposal

<In Japanese alphabetical order; honorifics omitted>

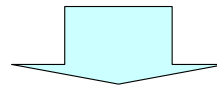
Masamichi Adachi	(Vice President, Economic & Rates Research, JP Morgan Securities Japan)
Kikuo Iwata	(Professor, Department of Economics, Gakushuin University)
Kazuo Ueda	(Dean, Graduate School of Economics and Faculty of Economics, The University of Tokyo)
Masaaki Kanno	(Managing Director, Economic & Rates Research, JP Morgan Securities Japan)
Hideo Kumano	(Chief Economist, Dai-Ichi Life Research Institute Inc.)
Iwao Kuroda	(Professor, Faculty of Commerce, Chuo University)
Ryutaro Kono	(Chief Economist, BNP Paribas Securities Japan)
Hiromichi Shirakawa	(Chief Economist, Credit Suisse Securities Japan)
Koichi Haji	(Chief Economist, Economic Research Group, NLI Research Institute)
Yutaka Harada	(Chief Economist, Daiwa Institute of Research)
Hideaki Hirata	(Associate Professor, Faculty of Business Administration, Hosei University; Associate Senior Economist, Japan Center for Economic Research)
Mitsuhiro Fukao	(Professor, Faculty of Business and Commerce, Keio University; President, Japan Center for Economic Research)
Fumio Funaoka	(Professor, Faculty of Economics, Shinshu University)
Yoshimasa Maruyama	(Economist, BNP Paribas Securities Japan)
Ryuzo Miyao	(Professor, Research Institute for Economics and Business Administration, Kobe University)
Yasuhide Yajima	(Senior Economist, NLI Research Institute)
Yasuto Yoshizoe	(Professor, College of Economics, Aoyama Gakuin University)

Revision of Money Stock Indices (1)

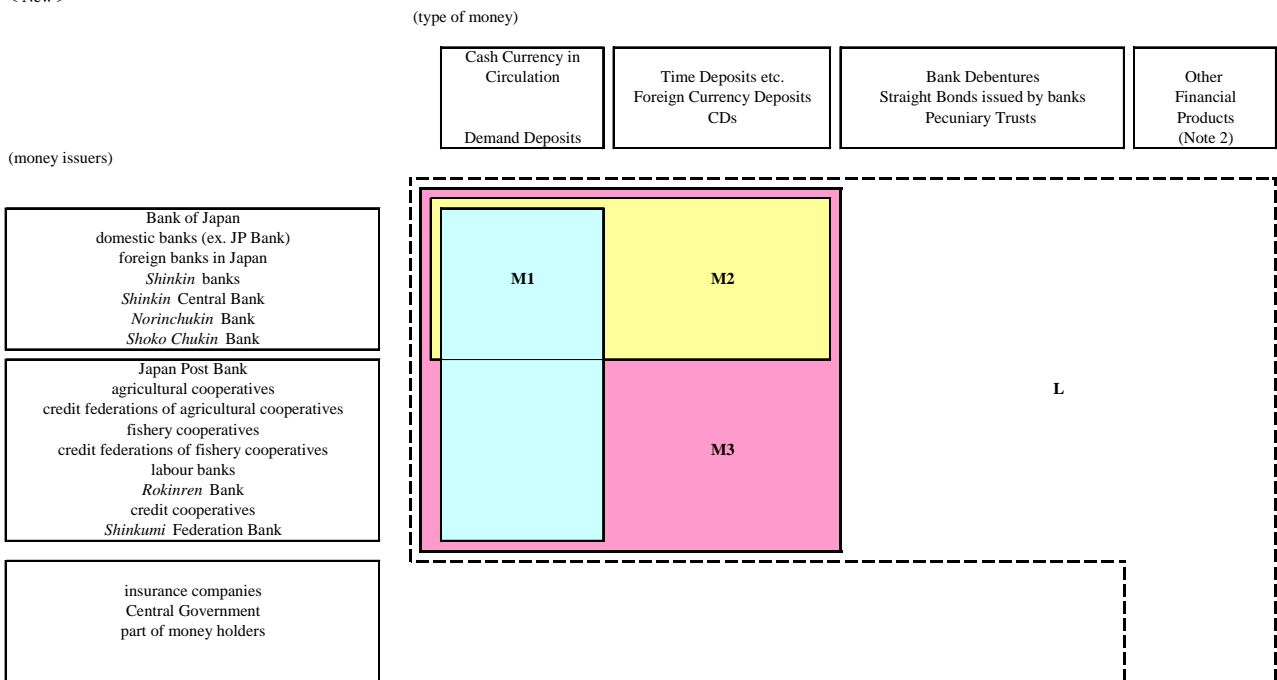
< Present >



Note 1: Commercial Paper issued by Financial Institutions, Investment Trusts(Publicly Offered), Repurchase Agreements and Securities Lendings with Cash Collateral, Government Bonds, Foreign Bonds



< New >



Note 2: Commercial Paper issued by Financial Institutions, Investment Trusts(Publicly Offered and Privately Placed), Government Bonds, Foreign Bonds

## Revision of Money Stock Indices (2)



&lt; Present &gt;

&lt; New &gt;

Indices	Financial Instruments	(Tril. Yen)		
	Cash Currency in Circulation	71		Cash Currency in Circulation
	Demand Deposits	311		Demand Deposits of which, at Domestic Banks, Etc.
M1		383		M1
	Quasi-money, CDs	340		Quasi-money, CDs of which, at Domestic Banks, Etc.
M2+CDs		724		M2
	Deposits at Japan Post Bank and other depository institutions	305		M3
	Money Trusts	176		
M3+CDs		1,206		
	Pecuniary Trusts other than Money Trusts	7		Pecuniary Trusts
	Investment Trusts (Publicly Offered)	49		Investment Trusts (Publicly Offered and Privately Placed)
	Bank Debentures	8		Bank Debentures
	Commercial Paper issued by Financial Institutions	0.9		Straight Bonds issued by Banks
	Repurchase Agreements and Securities Lending with Cash Collateral	70		Commercial Paper issued by Financial Institutions
	Government Bonds	97		Government Bonds
	Foreign Bonds	57		Foreign Bonds
Broadly-defined Liquidity		1,496		L

Note: Balances are at September 2007 (monthly average).

### Revision of Money Holders

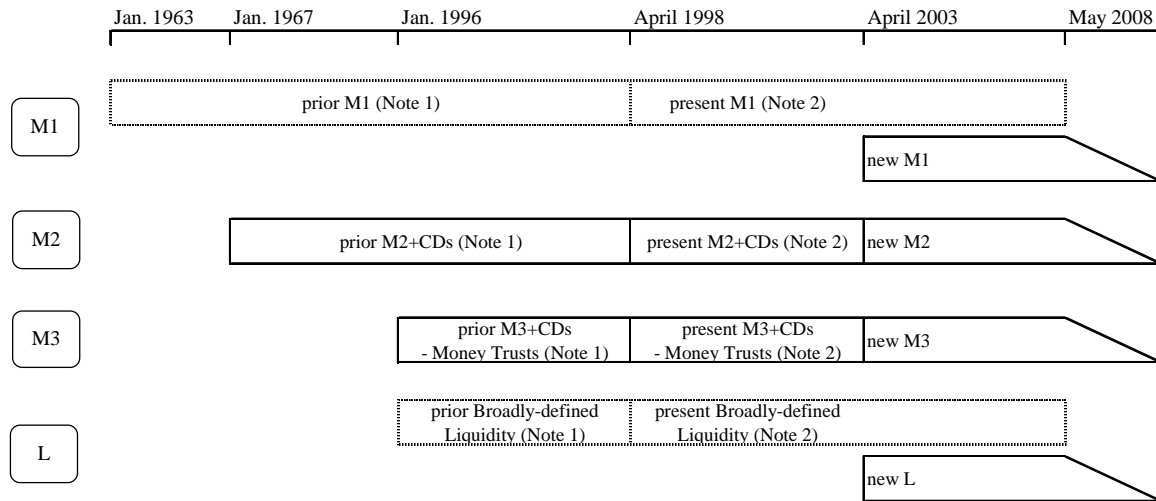
(  Entities newly excluded from money holders  
 Money holders after the revision )

Entities \ Residence	Residents	Nonresidents
Central Government Central Bank Depository Institutions and their Holding Companies Insurance Companies and their Holding Companies Government-affiliated Financial Institutions		
Securities Companies and <i>Tanshi</i> Companies		
Non-financial Corporations  Households  Local Governments (including Municipal Enterprises)		

Note: Money holders differ from the above categories in case of data constraints.

(Chart 4)

## Linkage of the Prior, the Present, and the New Indices



Notes: 1. Prior indices were made up to March 1999.  
2. Present indices will be made up to April 2008.

(Chart 5-1)

Research and Statistics Department  
Bank of Japan

FOR RELEASE: 8:50 A.M.  
June xx, 2008

**Money Stock (Preliminary figures for May 2008)**

Percentage change from a year earlier in average amounts outstanding

Year, Quarter, Month	M3		M1			Quasi- money	CDs	M2		L	
	(a)	(a)	Currency in Circulation	Deposit Money	(a)			(a)	(a)	(a)	
2006											
2007											
2006 / 10-12											
2007 / 1-3											
4-6											
7-9											
10-12											
2008 / 1-3											
2007 / 4											
5											
6											
7											
8											
9											
10											
11											
12											
2008 / 1											
2											
3											
4											
5											
Average amounts outstanding, trillion of yen											
2008 / 4											
5											

Notes: 1. Figures (a) are seasonally adjusted percent changes at an annualized rate from the previous period.

(Chart 5-2)

**Components of L**

Percentage change from a year earlier in average amounts outstanding

Year, Quarter, Month	L	M3	(Note 2) Pecuniary Trusts	Investment Trusts	Bank Debentures	(Note 3) Straight Bonds issued by Banks	(Note 4) Commercial Paper issued by FI	(Note 5) Government Bonds	Foreign Bonds
2006									
2007									
2006 / 10-12									
2007 / 1-3									
4-6									
7-9									
10-12									
2008 / 1-3									
2007 / 4									
5									
6									
7									
8									
9									
10									
11									
12									
2008 / 1									
2									
3									
4									
5									
Average amounts outstanding, trillion of yen									
2008 / 4									
5									

Notes: 2. Pecuniary Trusts does not include Pension Trusts and Investment Trusts.  
3. Straight Bonds does not include Subordinated Bonds.

4. Commercial Paper includes dematerialized commercial paper.  
5. Government Bonds include Treasury Bills, FILP Bonds and Financing Bills.

Money Stock published on "Bank of Japan Statistics" and the Website

< Present >

< New >

(1) Average Amounts Outstanding

M2+CDs		
M1		
Currency in Circulation		
Deposit Money		
Corporations		
Individuals		
Quasi-money		
Corporations		
Individuals		
Certificates of Deposits		
Corporations		
Individuals		
M3+CDs		
Broadly-defined Liquidity		
Deposits at JP Bank and others		
Money Trusts		
Pecuniary Trusts other than Money Trusts		
Investment Trusts		
Bank Debentures		
Commercial Paper issued by FI		
Repurchase Agreements and securities lending with cash collateral		
Government Bonds		
Foreign Bonds		
<Reference>		
Pension Trusts		
Foreign Bonds (US dollar)		

(Seasonally Adjusted)

Broadly-defined Liquidity		
M2+CDs		
M1		
Currency in Circulation		
Deposit Money		
Quasi-money		

(2) Amounts Outstanding at End of the Period

M2+CDs		
M1		
Currency in Circulation		
Deposit Money		
Corporations		
Individuals		
Quasi-money		
Corporations		
Individuals		
Certificates of Deposits		
Corporations		
Individuals		
M3+CDs		
Deposits at JP Bank and others		
Money Trusts		

(Seasonally Adjusted)

M2+CDs		
M1		

(1) Average Amounts Outstanding

M3		
M1		
Currency in Circulation		
Deposit Money		
Corporations		
Individuals		
Quasi-money		
Corporations		
Individuals		
Certificates of Deposits		
Corporations		
Individuals		
M2		
L		
Pecuniary Trusts		
Investment Trusts		
Bank Debentures		
Straight Bonds issued by Banks		
Commercial Paper issued by FI		
Government Bonds		
Foreign Bonds		

(Seasonally Adjusted)

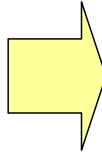
L		
M3		
M1		
Currency in Circulation		
Deposit Money		
Quasi-money		
M2		

(2) Amounts Outstanding at End of the Period

M3		
M1		
Currency in Circulation		
Deposit Money		
Corporations		
Individuals		
Quasi-money		
Corporations		
Individuals		
Certificates of Deposits		
Corporations		
Individuals		

(Seasonally Adjusted)

M3		
M1		

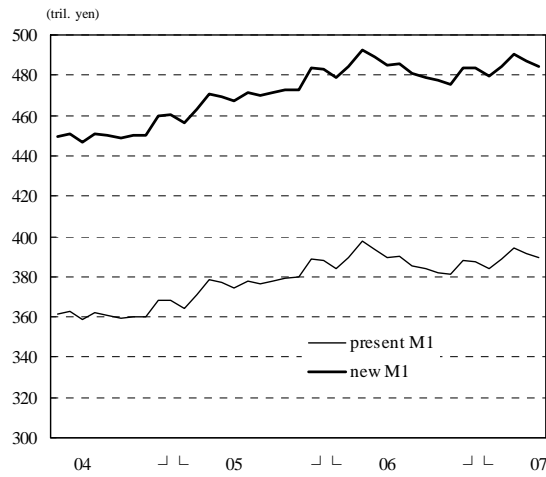




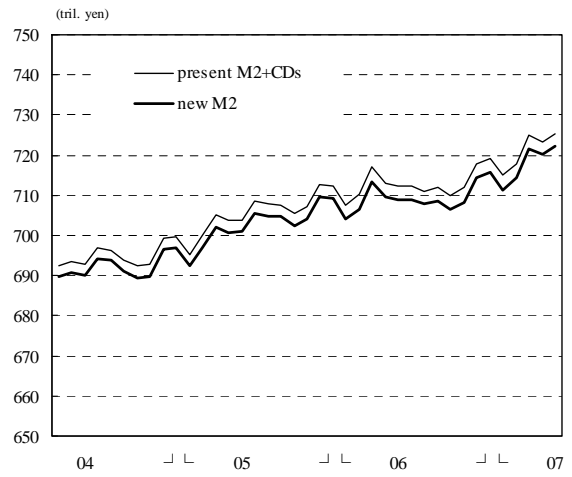
(Reference Chart 1-1)

Money Stock Indices (amounts outstanding)

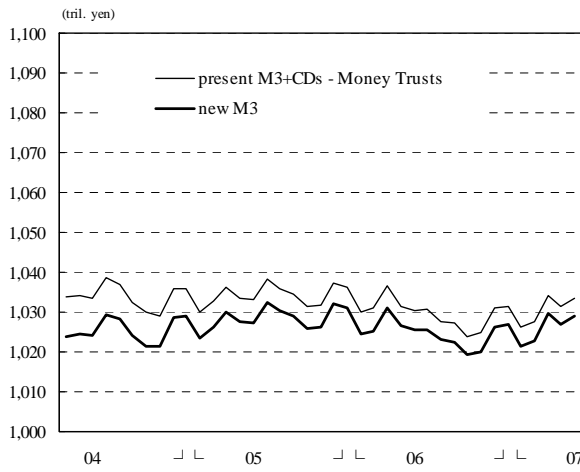
(1) M1



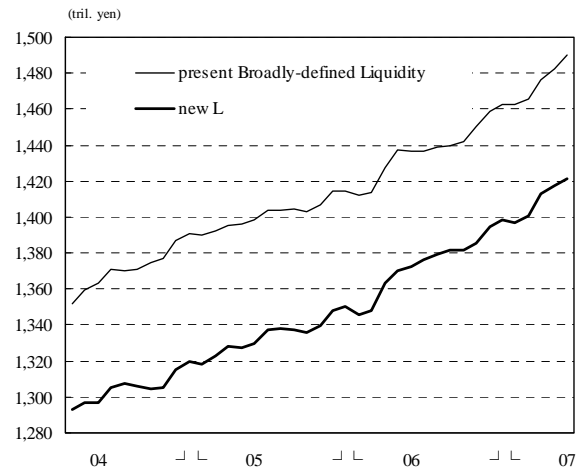
(2) M2



(3) M3



(4) L

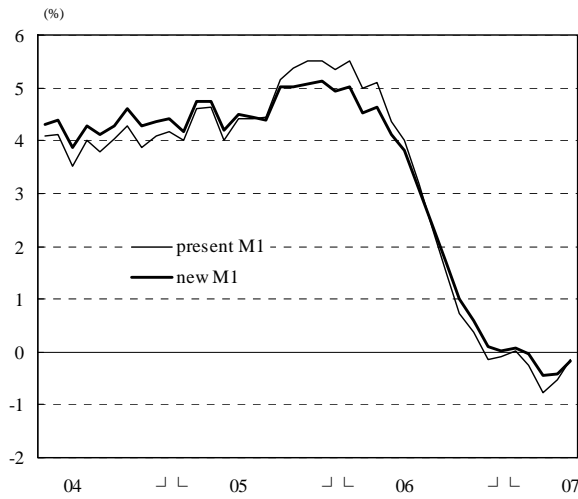


Note: At present, the balances of the new indices are all provisional because the new primary data has not been collected, and because the estimation may be changed further.

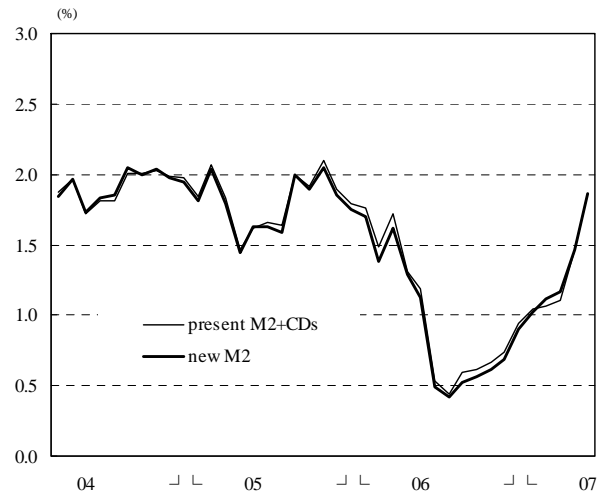
(Reference Chart 1-2)

Money Stock Indices (year-on-year changes)

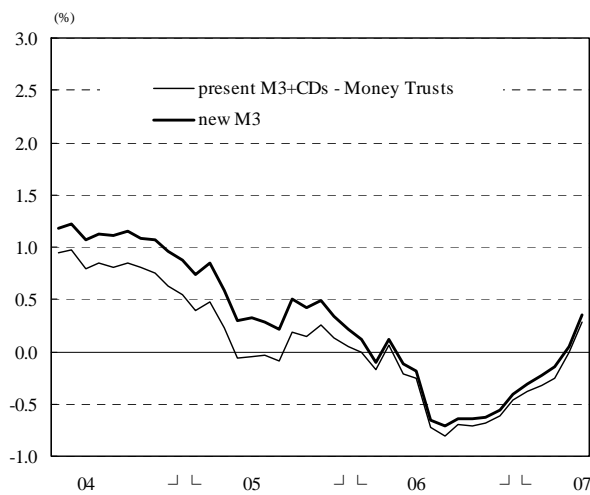
(1) M1



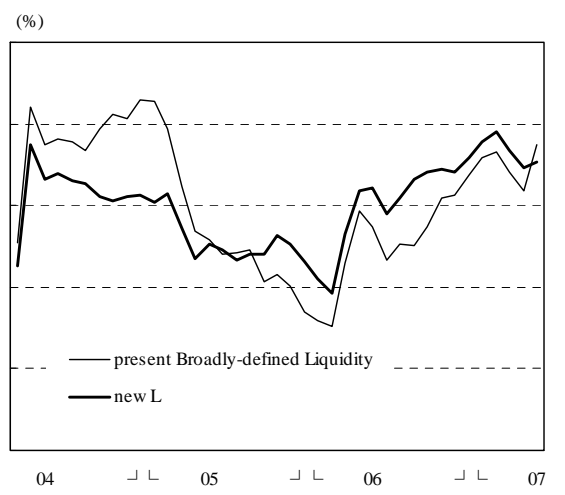
(2) M2



(3) M3



(4) L



Note: At present, the balances of the new indices are all provisional because the new primary data has not been collected, and because the estimation may be changed further.

(Reference Chart 2)

## The Money Stock Statistics in the US, the Euro Area, and the UK

	Japan	US <sup>1</sup>	Euro Area <sup>9</sup>	UK <sup>11</sup>
Indices	M1 Cash Currency in Circulation Deposit Money  M3 M1 Quasi-money Certificates of Deposit  M2 Cash Currency in Circulation Demand Deposits Quasi-money Certificates of Deposit deposited at Domestic Banks etc.  L Pecuniary Trusts Investment Trusts Bank Debentures Straight Bonds issued by banks Commercial Paper issued by financial institutions Government bonds Foreign bonds	M1 Currency Travelers check Demand deposits <sup>2</sup> of which, commercial banks and US branches and agencies of foreign banks of which, other financial institutions <sup>3</sup>  M2 M1 Saving deposit <sup>4</sup> of which, commercial banks and US branches and agencies of foreign banks of which, other financial financial institutions Small-denomination time deposit <sup>5</sup> of which, commercial banks and US branches and agencies of foreign banks of which, other financial financial institutions MMMF held by non-institutional investors	M1 Currency in Circulation Overnight deposits <sup>10</sup>  M2 M1 Deposits with an agreed maturity up to 2 years Deposits redeemable at a period of notice up to 3 months  M3 M2 Repurchase agreements MMF shares/units <sup>11</sup> Debt securities up to 2 years	M4 Sterling notes and coin Commercial paper, bonds, FRNs and other instruments of up to and including five years' original maturity Claims on UK MFIs arising from repos Estimated holdings of sterling bank bills 95% of the domestic sterling interbank difference from end-1986  Divisia money  M3 (Estimate of EMU aggregate)  Liquid assets outside M4 Sterling deposits at Channel Islands and Isle of Man Sterling deposits at banks in BIS area Foreign currency deposits Non-resident' sterling deposits Sterling treasury bills Local government temporary debt Certificate of tax deposit Gilts National savings Sterling commercial paper Sterling programme bonds Gilts maturing within 1 year Gilts maturing within 1 to 5 years Sterling unused credit facilities
Range of Money Holders	Excluding Central government Depository institutions Insurance companies Government-affiliated financial institutions Securities companies <i>Tanshi</i> companies	Excluding US government US and foreign depository institutions Foreign official institutions MMMFs	Excluding Central government MFIs	Excluding Central government MFIs Public corporations Local government
Nonresidents	Excluded from Money Holders	Included in Money Holders	Excluded from Money Holders	Excluded from Money Holders

## Notes:

1. M3 (M2 plus MMMSs held by institutional investors, Large-denomination time deposit<sup>6</sup>, Repo<sup>7</sup>, Eurodollars<sup>8</sup>) had been published until March 2006.
2. Includes Negotiable Order of Withdrawal Account and Automatic Transfer Services balances.
3. Includes Share Draft Balance in credit unions that provides interests commonly used for transaction purposes.
4. Includes Money market Deposit Accounts. The interest rate of the deposit synchronizes with that of MMMF. The MMD account is used for the transaction purpose as in the case of the NOW account.
5. Indicates the deposit of less than \$100,000. Also included are retail Repos held by non-institutional investors.
6. Large-denomination deposits are those issued in amounts of \$100,000 or more.
7. Indicates repos of \$100,000 or more.
8. Indicates those issued to US addresses by foreign branches of US banks worldwide and by all banking offices in the United Kingdom and Canada, excluding those held by depository institutions and money funds.
9. Category indicates liabilities of the money-issuing sector and central government liabilities with a money character held by the money holding sector.
10. Indicates the item that can be immediately converted into currency or used for cashless payments.
11. Money market paper includes CDs, transferred bonds, floating debt securities, central bank certificates, and etc..

(Reference Chart 3)

## Chronology of Money Stock Statistics

until the late 1940's	Only cash including coins in circulation is included in the statistics.	
1949	Current deposits were included.	"The Cash and Deposit Currency"
1955	Entire demand deposits were included.	"The Factor for Money Supply"
1967	Time and savings deposits (Quasi-money) were included. (M1, M2)	"The Money Supply and Related Data"
1971	Average amounts outstanding were published.	
1977	M3 was compiled and published.	
1979	CDs was established and M2+CDs, M3+CDs were compiled and published.	
1989	Broadly-defined Liquidity was published.	
1998	All the depository institutions were included in the Money Issuers. Foreign banks in Japan, foreign trust banks, <i>Shinkin</i> Central Bank, <i>Shinkumi</i> Federation Bank, <i>Roukinren</i> Bank, Credit Federations of Agricultural Cooperatives, Federations of Fishery Cooperatives were added.	
1999	Commercial Paper issued by financial institutions was included in Broadly-defined Liquidity.	
2000	The component figures of Broadly-defined Liquidity were released.	
2004	Estimates of Broadly-defined Liquidity are revised every three years, in principle.	
2008	New indices (M1, M2, M3, L) will be compiled and published (from June 2008).	