

March 25, 2002
Bank of Japan

**Monthly Report of
Recent Economic and Financial Developments**
March 2002

(English translation prepared by the Bank staff based on the Japanese original
released on March 22, 2002)

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March 2002

The Bank's View²

Japan's economy still continues to deteriorate as a whole, although the downward pressure from exports and inventories is gradually abating.

With regard to final demand, the decline in net exports (real exports minus real imports) has almost ceased amid the improvement in exporting conditions. Meanwhile, business fixed investment continues to decrease and private consumption remains weak. Moreover, housing investment remains sluggish and public investment is also declining.

To be sure, final demand overall is still weak, but exports—which have a relatively large impact on production—have recently stopped declining. Also, inventory adjustment is progressing further in many industries including electronic parts due to the continued production cutbacks to date. Reflecting these developments, the decline in industrial production is moderating further. However, firms maintain their stance on reducing personnel expenses under strong excessiveness in employment. Under this situation, the severity of employment and income conditions of households is rather intensifying, with unemployment being on a rising trend and the rate of decline in wages expanding.

Turning to the outlook, as for exporting conditions, the synchronized inventory adjustment in IT-related goods worldwide is nearing an end. Under this condition, the East Asian economies appear to have hit bottom. As for the U.S., the possibility is increasing that the economy will recover since household spending remains solid and inventory adjustment has almost finished, although there still remain uncertain factors. Furthermore, the yen is at low levels compared to last

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on March 19 and 20, 2002.

² The Bank's view of recent economic and financial developments, determined by the Policy Board at the Monetary Policy Meeting held on March 19 and 20 as the basis for monetary policy decisions.

autumn. Under these circumstances, exports are expected to turn up toward the middle of this year. Still, the pace of recovery in exports will be modest, while the anticipated expansion in overseas economies is only gradual and final demand for IT-related goods worldwide remains stagnant for the time being.

Meanwhile, with respect to domestic demand, business fixed investment is expected to follow a downtrend reflecting the fall in corporate profits. Private consumption is also likely to remain lackluster mainly due to worsening employment and income conditions. While domestic private demand generally weakens as mentioned above, government spending is basically projected to follow a downward trend. Consequently, it may take quite a while for economic activity as a whole to stop declining, even though the decrease in industrial production may come to an end against the background of the improvement in exporting conditions and completion of inventory adjustment.

Overall, the economic deterioration in Japan is projected to moderate steadily, as production stops declining due mainly to the recovery in exports. Still, while the economy continues to be in a fragile state, continuous attention should be paid to the risk of a negative impact on the economy from developments in foreign and domestic financial markets.

With regard to prices, import prices are increasing reflecting the depreciation of the yen since around the end of last year and the rise in international commodity prices. The decline in domestic wholesale prices is recently contracting somewhat against the background of the increase in import prices and the progress in inventory adjustment. Consumer prices continue to decline with the effects of the fall in crude oil prices in the latter half of last year persisting, while the prices of imported products and their substitutes keep on falling. Corporate service prices continue to decline.

As for the conditions surrounding price developments, the depreciation of the yen from around the end of last year and the rise in international commodity prices are regarded as factors to support prices for the time being. However, since domestic demand is projected to remain weak for a time, the balance between supply and demand is expected to keep exerting downward pressure on prices. Furthermore,

factors such as the ongoing technological innovations in machinery, deregulation, and the streamlining of distribution channels will restrain prices. In addition, the expansion in the rate of decline in wages may also work as a factor to push prices downward, mainly in services prices which are apt to be influenced by this factor. Overall, prices are expected to follow a gradual declining trend for the time being. Moreover, given the high degree of uncertainty regarding future economic developments, the possibility that weak demand will further intensify downward pressure on prices continuously warrants careful monitoring.

In the financial market, the overnight call rate continues to move around zero percent as the Bank of Japan provided ample liquidity to the money market by aiming at maintaining the outstanding balance of the current accounts at the Bank at around 10 to 15 trillion yen.

Interest rates on term instruments rose somewhat temporarily generated by the activation of fund-raising beyond the fiscal year-end since mid-February, but continue to be at low levels since this rise was constrained due to additional measures decided at the Monetary Policy Meeting on February 28.

Yields on long-term government bonds are mainly moving in the range of 1.4-1.5 percent recently. Yield spreads between private bonds (bank bonds and corporate bonds) and government bonds are expanding slightly.

Stock prices started to turn up due to tighter regulations on short-selling of stocks and the rise in U.S. stocks, and are subsequently increasing as domestic and foreign institutional investors bought back.

In the foreign exchange market, the yen surged temporarily in reaction to the rise in Japanese stock prices but is weakening once again thereafter.

With regard to corporate finance, private banks are becoming more cautious in extending loans to firms with high credit risks while they continue to be more active in extending loans to blue-chip companies. The lending attitudes of financial institutions as perceived by firms are becoming more severe. In corporate bonds and

CP markets, the fund-raising conditions are generally favorable particularly for firms with high credit ratings, but the issuing environment for those with low credit ratings continues to be severe on the whole.

Credit demand in the private sector continues to follow a downtrend mainly because firms are decreasing their business fixed investment while continuously reducing their debts.

Amid these developments, private banks' lending continues to decline at about 2 percent on a year-on-year basis. Meanwhile, the amount outstanding of corporate bonds issued is growing at around 2-3 percent on a year-on-year basis. The year-on-year growth rate of the amount outstanding of CP issued continues to decline, although the amount is still well above the previous year's level.

The year-on-year growth rate of the monetary base has increased further and is recording a substantial increase of somewhat less than 30 percent. The year-on-year growth rate of the money stock ($M_2 + \text{CDs}$) has increased slightly.

Funding costs for firms continue to be at extremely low levels on the whole, although market funding costs for some firms and the long-term prime lending rate are rising somewhat.

Overall, the recent financial environment remains extremely easy on the whole in terms of money market conditions. However, the fund-raising conditions of firms with high credit risks, especially of small firms, are gradually becoming more severe as private banks and investors continue to be more cautious in taking credit risks. Hence, the developments in the behavior of financial institutions and corporate financing continue to require closer monitoring.

The Background

1. Japan's Economy

Public investment is declining. The value of public works contracted—a metric that reflects orders—remains at low levels, and the actual implementation of those works is also decreasing (Chart 2). Public investment is basically expected to follow a declining trend.³

Real exports have almost stopped declining since the synchronized inventory adjustment of IT-related goods worldwide has mostly finished and overseas economies are showing signs of picking up. Real exports in January (Chart 3[1]) decreased only slightly vis-à-vis the level in the fourth quarter. By type of goods (Chart 4), intermediate goods (iron and steel, and chemicals) surged mainly to China and South Korea, and capital goods and parts also increased. Meanwhile, IT-related goods continued to fall, especially in finished goods (telecommunications machinery, optical fiber, etc.). However, the concurrent inventory adjustment worldwide is mostly completed, and exports of the NIEs—where IT-related goods have a large weight—have picked up. Judged from these situations, IT-related exports of Japan are likely to stop declining in the near future.

Real imports follow a declining trend, against the background of weak domestic demand. Real imports in January (Chart 3[1]) fell compared to the fourth quarter. By type of goods (Chart 5), capital goods and parts decreased considerably amid the decline in domestic business fixed investment. Moreover, consumer goods showed a sizable decline while private consumption remained lackluster, in reaction to the increase in textile products from China in the fourth quarter. On the other hand, IT-related goods edged up in January following the increase in the fourth quarter, reflecting the progress in inventory adjustment.

³ The materialization of the government's second supplementary budget (projections for total public works: about 4 trillion yen, of which 2.5 trillion yen is central government expenses), which passed the Diet in early February, is expected to underpin public investment. However, in the government's budget draft for fiscal 2002, public-investment-related expenditures are reduced by about 10 percent compared to the previous fiscal year. Also, local governments launched plans to decrease public investment, particularly for those funded by themselves. Judged from this available information at this stage, public investment is basically expected to follow a declining trend even though it may rise temporarily during some phases.

Net exports (real exports minus real imports), in terms of the real trade balance (Chart 3[2]),⁴ have stopped declining since imports continue to decrease and the decline in exports seems to have ceased. The surplus of the nominal balance on goods and services has been expanding since the third quarter of 2001. This is mainly due to the marked fall in the number of people leaving the country after the terrorist attacks and to the decline in crude oil prices.

Regarding the future environment for foreign trade (Chart 6), the synchronized inventory adjustment in IT-related goods worldwide since the start of last year is mostly completed. Under this condition, the East Asian economies appear to have hit bottom. Moreover, as for the U.S. economy, the dip in private consumption anticipated by many observers seems to have been averted at this stage,⁵ and inventory adjustment is almost completed. Thus, grounds for economic recovery are firming steadily. In addition, the real effective exchange rate of the yen is at low levels compared to last autumn. Hence, the environment surrounding exports is recently showing a steady upturn. Still, adjustment in business fixed investment is still ongoing in the United States, and future household demand has been more or less met in advance, mainly in automobiles. Judged from these developments, the pace of the expected U.S. economic recovery is likely to be modest for a time.

Overall, exports are projected to move for recovery, notwithstanding at a mild pace, toward the middle of this year, due to some extent to the effects from the yen's depreciation and to the recovery in activity abroad. Meanwhile, imports will be supported by the bottoming of production (as explained below), but are expected to

⁴ Strictly speaking, the real trade balance presented in Chart 3(2) differs from net exports on a GDP basis, but the changes in the real trade balance are broadly in line with those of net exports. (The real trade balance is on a customs-clearance basis and does not include trade in services, while net exports of GDP statistics are on an ownership-transfer basis and include trade in services.)

⁵ In the U.S., in spite of the concern that consumer confidence might have been depressed in line with the terrorist attacks, sales of automobiles in the U.S. increased conspicuously in October-November owing to the most aggressive promotion ever done by U.S. vehicle makers, such as the zero-percent financing (Chart 6-2[4]). Thereafter, a decrease in sales in reaction to the surge in sales remained relatively small. Furthermore, sales shares of imported automobiles including those from Japan started to rise again. Judged from these developments, such concern has gradually eased that future automobile-related exports from Japan to the U.S. may decline substantially.

follow a downtrend, albeit more slowly, amid ongoing weak domestic demand. Reflecting these developments in imports and exports, net exports are likely to follow a gradual uptrend.

Business fixed investment continues to decrease, amid the substantial fall in corporate profits and the low capacity utilization rate. According to the *Financial Statements Statistics of Corporations by Industry, Quarterly* (Chart 7[2]), the recent rate of return was at a significantly low level compared to the recent peak in the fourth quarter of 2000. Against this background, the *Financial Statements Statistics of Corporations by Industry, Quarterly* (Chart 7[1]) showed that the decrease in business fixed investment had continued since the first quarter of 2001 and that the rate of decline had expanded, particularly in the latter half of last year. In detail, the downtrend since the start of last year has been more evident in manufacturing, still the decline in nonmanufacturing also became noticeable from the latter half of last year (Chart 8). As for machinery investment in terms of aggregate supply of capital goods (excluding transport equipment), the investment continued to decline (Chart 9-1).⁶

Among leading indicators (Chart 9-2), machinery orders (private demand, excluding shipbuilding and electric power equipment) dropped in both the third and fourth quarters of 2001 and decreased again considerably in January vis-à-vis the level in the fourth quarter. Manufacturing continued to decline. Nonmanufacturing, which had been relatively steady until around last autumn, also fell noticeably in January. Meanwhile, construction starts (private, nondwelling use) remained almost flat after the rise in the third quarter. Construction starts for mining and manufacturing continued to decrease. In contrast, those for nonmanufacturing increased from the third quarter owing to the recovery in those related to retailing and to large-scale construction starts related to redevelopment projects as well as to public utilities (such as electricity and transportation).

⁶ In the *Indices of Industrial Domestic Shipments and Imports*, the aggregate supply by goods is shown by adding domestic shipments based on *Indices of Industrial Production* and the import volume based on *Foreign Trade Statistics*. Charts 9-1(1) and 10-4 show the developments in aggregate supply of capital goods (excluding transport equipment) and consumer goods. Figures for the first quarter (January) of 2002 are calculated by the Bank of Japan using indices of industrial shipments and real imports and exports.

Turning to the outlook, business fixed investment is expected to follow a downtrend while corporate profits continue to decrease, judged from investment plans and the weakness in leading indicators.

Private consumption continues to be weak, while the severity of employment and income conditions intensifies. With regard to sales indicators (Charts 10-1 and 10-2), both passenger car sales, owing to the introduction of new models, and department store sales, particularly for accessories and foodstuffs, remained firm. On the other hand, supermarket sales continued to be slack. Sales of household electrical appliances remained weak as a whole, although they were bolstered to some extent by the introduction of new PC products. Outlays for travel, to be sure, picked up steadily, but remained depressed compared to the level prior to the terrorist attacks in the U.S. According to the indices of aggregated sales—which are mainly composed of these indicators—(Chart 10-3),⁷ the year-to-year percent change in January edged up compared to that in the fourth quarter, but the trend basically remained sluggish. Moreover, the level of aggregate supply of consumer goods (Chart 10-4) continued to be below that of the previous year. Meanwhile, according to the latest consumer survey (Chart 11[1]), consumer confidence continued to ebb somewhat following the substantial decline in the second half of last year against the background of the harsh employment and income environment. Private consumption is likely to be lackluster, due to the severe employment and income conditions described below.

Housing investment remains sluggish (Chart 12). Construction starts increased in January compared to the fourth quarter due to the rise in built for sale, which has a tendency to fluctuate. However, the declining trend in housing investment seems to be unchanged. Housing investment overall is likely to remain stagnant for the time being amid the increasingly severe employment and income conditions of households, although construction starts of large condominiums mainly in the metropolitan area are expected to contribute as an underpinning factor.

⁷ While each sales indicator shows different movements, the indices of aggregated sales are compiled by adding the weights of various sales indicators (including a few indicators for services consumption) to grasp the consumption trend from the supply side. For the detailed calculation method, see notes in Chart 10-3.

All told, final demand overall is still weak, but industrial production is declining very slowly, reflecting the bottoming of exports—which have a relatively large impact on production—and the progress in inventory adjustment of IT-related goods and materials (Chart 13). By industry, general machinery kept falling in response to weak demand at home and abroad. Meanwhile, the rate of decline in electrical machinery and materials contracted substantially. As for inventories (Chart 14), the adjustment has progressed further as a whole owing to the bottoming of exports in addition to the ongoing production cutbacks. Particularly, inventory adjustment in producer goods for electrical machinery (electronic parts, etc.) has almost finished. Also, adjustment of other producer goods (mainly materials) has progressed significantly amid ongoing production cutbacks, especially for iron and steel, exports of which are increasing recently. Under these conditions, the decrease in industrial production is likely to cease by the middle of this year in line with the improvement in exporting conditions and the completion of inventory adjustment.⁸

With regard to employment and income conditions, household income is weakening further with the rate of decline in wages expanding, while the supply-demand condition in the labor market continues to ease (Chart 15). Among labor-market-related indicators (Chart 16), the unemployment rate inched down in January but is basically on an uptrend due mainly to the increase in the number of those involuntarily unemployed. Moreover, the ratio of job offers to applicants followed a downward trend since the number of job seekers continued to increase, while that of job offers kept declining. As for the number of regular employees (*Monthly Labour Survey* basis at establishments with five employees or more), the rate of decline tends to expand.

With respect to wages, nominal wages per employee declined somewhat faster, influenced by the sharp drop in winter bonuses, in addition to the continued decrease in hours worked and the rise in the ratio of part-time workers.

⁸ According to the survey of production forecast index (+4.7 percent in February and –0.9 percent in March on a month-to-month basis), production in the first quarter is estimated to show a clear upturn of 1.7 percent on a quarter-to-quarter basis. However, actual industrial production to date still tends to be below that of the production forecast index. In addition, taking various information from firms into account, the rate of increase indicated in the production forecast index for the first quarter is unlikely.

Compensation of employees is projected to continue a distinct decrease since firms are likely to maintain their stance on reducing personal expenses.

2. Prices

Import prices on a yen basis are rising compared to levels three months earlier due to the upturn in international commodity prices, such as those for nonferrous metals and crude oil, and to the depreciation of the yen from near the end of last year (Chart 18).

Domestic wholesale prices are declining somewhat slowly against the background of the rise in import prices described above and the progress in inventory adjustment. As for domestic wholesale prices (adjusted to exclude the effects of seasonal changes in electricity rates) in February vis-à-vis three months earlier,⁹ prices of nonferrous metals continued to rise and those of electronic parts and some materials (iron and steel etc.), where inventory adjustment has progressed steadily, have stopped declining. On the other hand, prices of machinery (electrical machinery <printed wiring boards>) continued to decrease, in addition to the continued fall in prices of chemical products reflecting sluggish final demand (Chart 19).

Corporate service prices continue to decrease. In January, corporate service prices (domestic supply-demand factors¹⁰) declined compared to levels three months earlier (Chart 20). The decrease was mainly because there were reductions in charges for certified social insurance and labor specialist services, security services, and motor vehicle maintenance, in addition to the decline in prices for advertising services influenced by sluggish demand.

⁹ Industrial and commercial electric power consumption charges are set relatively high during July-September, when the consumption volume increases substantially. To view the underlying changes in domestic wholesale prices, adjustments are made to exclude such factors that result in a large seasonal fluctuation.

¹⁰ “Domestic supply-demand factors” of corporate service prices includes items only whose monthly price changes primarily reflect changes in domestic private demand. Specifically, items with the following properties are removed from the overall CSPI: (1) regulated fees, (2) overseas factors, and (3) fees with a large monthly fluctuation that do not necessarily reflect short-term changes in supply-demand trends. For the detailed calculation, see the note in Chart 20.

Consumer prices continue to decline. In January, consumer prices (excluding fresh food) fell compared to levels three months earlier, mainly reflecting the ongoing price decline of petroleum products in addition to the decrease in clothes and durable consumer goods, which were influenced by the increases in imports of inexpensive consumer goods (Charts 21 and 22). The overall year-to-year rate of decline in January (excluding fresh food) remained almost unchanged. (The year-to-year change was -0.8 percent in November, -0.9 percent in December, and -0.8 percent in January.¹¹)

As for the conditions surrounding price developments, the depreciation of the yen from around the end of last year and the rise in international commodity prices are regarded as factors to support prices for the time being. However, since domestic demand is projected to remain weak for a time, the balance between supply and demand is expected to keep exerting downward pressure on prices. Furthermore, factors such as the ongoing technological innovations in machinery, deregulation, and the streamlining of distribution channels will restrain prices. In addition, the expansion in the rate of decline in wages may also work as a factor to push prices downward, mainly in services prices which are apt to be influenced by this factor. Overall, prices are expected to follow a gradual declining trend for the time being.

3. Financial Developments

(1) Financial Markets

As for interest rate developments in short-term money markets (Charts 23[1] and 24), the overnight call rate (uncollateralized) continues to move around zero percent as the Bank of Japan provided ample liquidity to the money market by aiming at maintaining the outstanding balance of the current accounts at the Bank at around 10 to 15 trillion yen (Chart 25).

¹¹ The rate of decline of consumer prices including fresh food was larger compared to that of prices excluding them since the prices of those decreased sharply compared to the previous year. (The year-to-year change -1.0 percent in November, -1.2 percent in December, and -1.4 percent in January.) The sizable drop in fresh food was influenced not only by the decrease in prices of vegetables and fruits throughout November and December, but also by the rise in fresh food prices around the same time in the preceding year.

As for the developments in interest rates on term instruments (Chart 24), three-month Euro-yen rates (TIBOR) rose somewhat temporarily generated by the activation of fund-raising beyond the fiscal year-end since mid-February, but continue to be at low levels since this rise was constrained due to additional measures decided at the Monetary Policy Meeting on February 28.

Yields on ten-year government bonds (newly issued 10-year JGB; Chart 23[2]) edged down as investors bought back reflecting the rise in stock prices, and are mainly moving in the range of 1.4-1.5 percent recently. Meanwhile, yield spreads between government bonds and private bonds (bank bonds and corporate bonds; Chart 29) are expanding slightly mainly due to profit-taking by investors as the fiscal year-end approaches, in addition to the continuous cautious views of investors toward taking credit risks of bonds with low credit ratings.

Stock prices (Chart 31[1]) started to turn up due to tighter regulations on short-selling of stocks and the rise in U.S. stocks. Furthermore, stock prices are increasing as domestic and foreign institutional investors bought back, taking these movements into consideration.

In the foreign exchange market (Chart 32), the yen once appreciated sharply to around 126-127 yen in early March as foreign investors bought back yen in reaction to the rise in Japanese stock prices. However, the yen is weakening again due to dollar buying reflecting improved prospects for the economic recovery in the U.S. The yen is currently being traded in the range of 131-133 yen to the U.S. dollar.

(2) Monetary Aggregates and Corporate Finance

The year-on-year growth rate of the monetary base (currency in circulation + current account balances at the Bank of Japan; Chart 33) has increased further and is recording a substantial increase of somewhat less than 30 percent, due to the large increase in the current account balances at the Bank of Japan and the continued higher growth of bank notes. (The year-on-year change was 16.9 percent in December, 23.4 percent in January, and 27.5 percent in February.)

The year-on-year growth rate of the money stock (M_2 + CDs; Chart 34) has increased slightly due mainly to the inflow from investment trusts. (The year-on-year change was 3.4 percent in December, 3.5 percent in January, and 3.7 percent in February.)

As for the lending attitudes of private financial institutions, financial institutions are becoming more cautious in extending loans to firms with high credit risks such as by setting a higher interest margin, while they continue to be more active in extending loans to blue-chip companies. The lending attitudes of financial institutions as perceived by firms are becoming more severe. In corporate bonds and CP markets, the fund-raising conditions are generally favorable particularly for firms with high credit ratings, but the issuing environment for those with low credit ratings continues to be severe on the whole.

Credit demand in the private sector continues to follow a downtrend mainly because firms are decreasing their business fixed investment while continuously reducing their debts.

Amid these developments, lending by private banks (monthly average outstanding balance basis; after adjustment for extraordinary factors;¹² Chart 35), consisting of city banks, long-term credit banks, trust banks, regional banks, and regional banks II, continues to decline at about 2 percent on a year-on-year basis. (The year-on-year change was -2.1 percent in December, -2.4 percent in January, and -2.2 percent in February.) Meanwhile, the amount outstanding of corporate bonds issued (Chart 37) is growing at around 2-3 percent on a year-on-year basis. The year-on-year growth rate of the amount outstanding of CP issued continues to decline, although the amount is still well above the previous year's level.

Funding costs for firms continue to be at extremely low levels on the whole, although market funding costs for some firms and the long-term prime lending rate are rising somewhat. The average contracted interest rates on new loans and

¹² The figures are adjusted for (1) fluctuations from the liquidation of loans, (2) fluctuations in the yen value of foreign currency-denominated loans due to changes in exchange rates, and (3) fluctuations from loan write-offs.

discounts (Chart 39) continue to be more or less unchanged. The long-term prime lending rate was raised by 0.1 percent to 2.3 percent on March 8. In the capital market, corporate bond issuance rates are recently rising slightly. The spread between CP issuance rates with high credit ratings and those with low credit ratings continues to widen.

The number of corporate bankruptcies (Chart 40) is recently above that of the previous year.

Overall, the recent financial environment remains extremely easy on the whole in terms of money market conditions. However, the fund-raising conditions of firms with high credit risks, especially of small firms, are gradually becoming more severe as private banks and investors continue to be more cautious in taking credit risks. Hence, the developments in the behavior of financial institutions and corporate financing continue to require closer monitoring.

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Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2001/Q2	Q3	Q4	2001/Nov.	Dec.	2002/Jan.	Feb.
Index of living expenditure level (all households)	-3.2	-0.1	0.6	-0.3	-5.4	6.3	n.a.
Sales at department stores	0.8	-1.2	0.1	3.7	-3.8	2.2	n.a.
Sales at supermarkets ³	-2.2	-0.5	-2.5	6.7	-2.2	0.6	n.a.
New passenger-car registrations ⁴ <s.a., ann. 10,000 units>	< 303>	< 317>	< 288>	< 283>	< 305>	< 319>	< 301>
Sales of household electrical appliances (real, NEBA)	-7.4	0.4	4.2	9.2	-2.8	-2.9	n.a.
Outlays for travel (50 major travel agencies)	-1.8	-3.1	-17.4	0.0	4.2	8.8	n.a.
Housing starts <s.a., ann. 10,000 units>	< 115>	< 120>	< 117>	< 120>	< 114>	< 125>	<n.a.>
Machinery orders (from private sector ⁵)	1.1	-5.7	-7.8	14.9	-0.5	-15.6	n.a.
Manufacturing	-6.6	-9.7	-13.6	12.9	-7.1	-5.5	n.a.
Nonmanufacturing ⁵	5.7	-1.4	-5.0	17.5	2.6	-20.3	n.a.
Construction Starts (private, nonresidential use)	-7.2	11.6	2.3	-4.1	-1.9	-0.1	n.a.
Mining & manufacturing	-18.5	-6.9	-16.1	-17.8	-9.6	-1.7	n.a.
Nonmanufacturing ⁶	-1.1	18.4	5.8	-2.0	-1.4	5.0	n.a.
Value of public works contracted	-20.1	3.7	-3.4	1.1	-1.0	-1.2	-3.0
Real exports	-4.9	-4.0	-1.7	0.7	-8.7	5.6	n.a.
Real imports	-1.5	-4.7	1.0	0.6	-6.3	-0.3	n.a.
Industrial production	-4.1	-4.3	-2.5	-1.7	1.5	-1.5	n.a.
Shipments	-3.9	-3.6	-2.8	-1.4	1.5	-1.3	n.a.
Inventories	2.4	-2.4	-4.1	-1.4	-1.4	-1.5	n.a.
Inventories/shipments <s.a., 1995=100>	<112.5>	<116.6>	<114.5>	<114.0>	<114.5>	<109.5>	<n.a.>
Real GDP	-1.2	-0.5	-1.2	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	-1.9	-1.7	-0.7	0.3	1.0	-0.9	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2001/Q2	Q3	Q4	2001/Nov.	Dec.	2002/Jan.	Feb.
Ratio of job offers to applicants <s.a., times>	<0.62>	<0.59>	<0.53>	<0.52>	<0.51>	<0.51>	<n.a.>
Unemployment rate <s.a., %>	<4.87>	<5.11>	<5.43>	<5.44>	<5.49>	<5.29>	<n.a.>
Overtime working hours ⁷	-2.8	-6.2	-9.1	-9.7	-9.6	p -7.4	n.a.
Number of employees	0.9	0.0	-1.0	-1.0	-0.9	-1.0	n.a.
Number of regular employees ⁷	-0.2	-0.2	-0.2	-0.3	-0.3	p -0.6	n.a.
Nominal wages per person ⁷	-0.4	-1.2	-2.5	-1.3	-3.7	p -2.3	n.a.
Domestic wholesale price index <q/q % chg.> (3-month growth rate)	-0.6 <-0.2>	-1.0 <-0.3>	-1.3 <-0.5>	-1.4 <-0.6>	-1.4 <-0.4>	-1.4 <-0.4>	-1.3 <-0.1>
Consumer price index ⁸ <s.a., q/q % chg.> (3-month growth rate)	-0.9 <-0.2>	-0.8 <-0.2>	-0.8 <-0.2>	-0.8 <-0.2>	-0.9 <-0.3>	-0.8 <-0.2>	n.a. <n.a.>
Corporate service price index ⁹ <s.a., q/q % chg.> (3-month growth rate)	-1.1 <-0.5>	-1.3 <-0.3>	-1.4 <-0.3>	-1.5 <-0.4>	-1.5 <-0.3>	-1.4 <-0.3>	n.a. <n.a.>
Monetary aggregates (M ₂ +CDs) <average outstanding, y/y % chg.>	2.7	3.1	3.2	3.2	3.4	3.5	3.7
Number of suspension of transactions with banks	-3.4	-8.5	5.9	1.8	-1.2	10.5	13.6

Notes: 1. Excludes the cases indicated inside angle brackets in the index section.

2. P indicates preliminary figures.

3. Sales at supermarkets compiled by Ministry of Economy, Trade and Industry are shown on this chart (the same applied to chart 10-2) on behalf of Sales at chain stores surveyed by Japan Chain Stores Association.

4. Excludes small cars with engine sizes of 660cc or less.

5. Excludes ships and demand from electric power companies.

6. Nonmanufacturing = commerce + services + agriculture & fisheries + public utilities industries, etc.

7. Data for establishments with at least five regular employees.

8. Excludes fresh food.

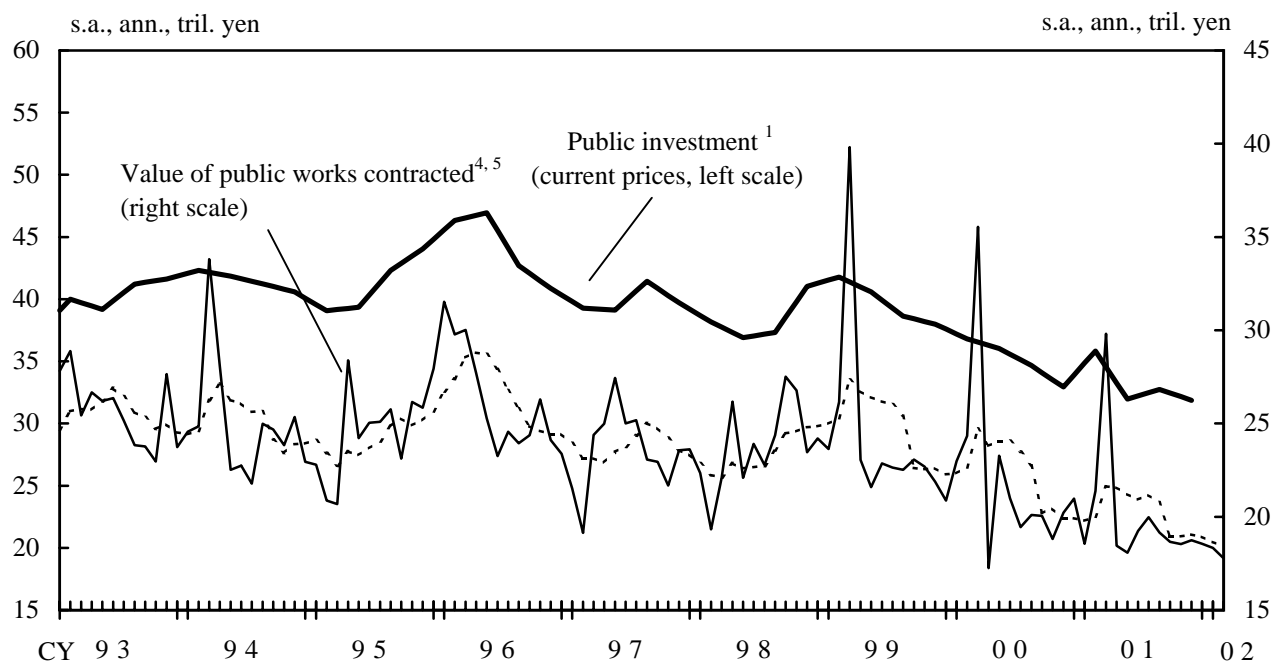
9. Domestic supply-demand factors.

10. For details on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes of respective charts.

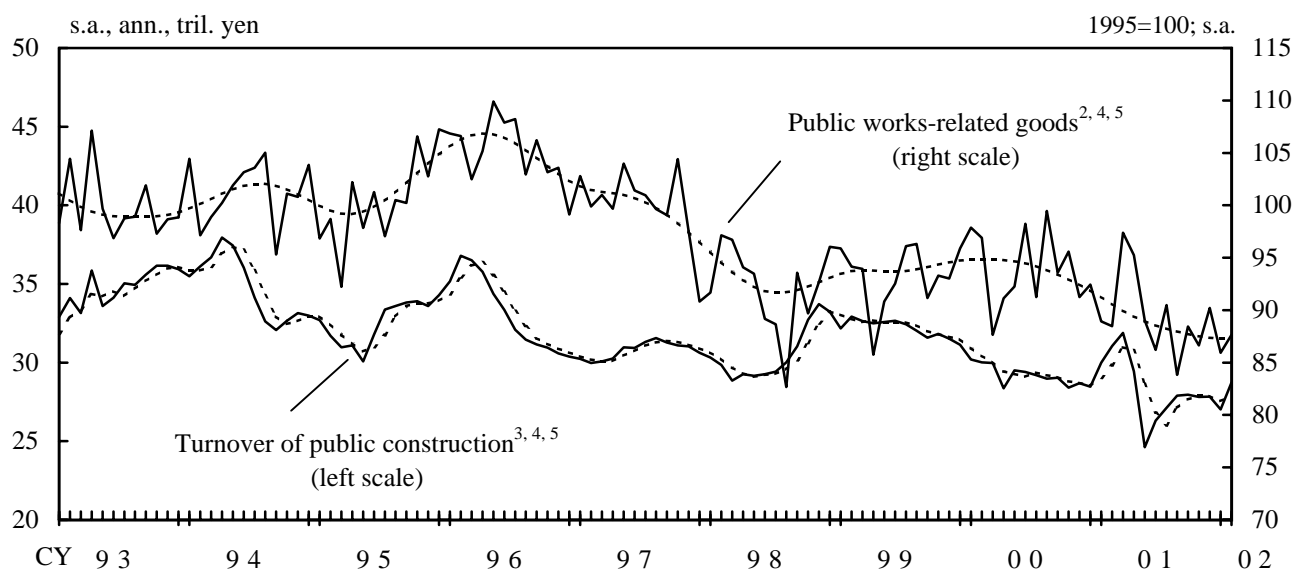
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey," "Monthly Report on the Family Income and Expenditure Survey," "Consumer Price Index"; Ministry of Economy, Trade and Industry, "Current Survey of Commerce," "Indices of Industrial Production," "Indices of Tertiary Industry Activity"; Japan Automobile Dealers Association, "Domestic Sales of Automobiles"; Nippon Electric Big-Stores Association (NEBA), "Sales of Electrical Appliances"; Ministry of Land, Infrastructure and Transport, "Major Travel Agents' Revenue," "Monthly of Construction Statistics"; Ministry of Finance, "The Summary Report on Trade of Japan"; Cabinet Office, "Machinery Orders Statistics," "National Accounts"; Surety Association for Construction Companies, "Public Works Prepayment Surety Statistics"; Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey"; Bank of Japan, "Wholesale Price Indexes," "Corporate Service Price Index," "Financial and Economic Statistics Monthly"; Japanese Bankers Associations, "Suspension of Transaction with Banks."

Public Investment

(1) Value of Public Works Contracted and Public Investment



(2) Shipments of Public Works-related Goods and Turnover of Public Construction



Notes: 1. Quarterly basis public investment is plotted at the middle month of each quarter.

2. Public works-related goods are weighted average of asphalt, concrete products for roads, bridges, and cement, where weights are based on 1995-basis IIP (shipment). Shipments of these goods also include those to the private sector.

3. Turnover of public construction is based on the public sector table in the "Integrated Statistics on Construction Works."

4. Value of public works contracted, public works-related goods, and turnover of public construction are seasonally adjusted by X-12-ARIMA (β version). As the figures of value of public works contracted and public works-related goods are seasonally adjusted on a monthly basis, the data are retroactively revised each month. Seasonal factors of turnover of public construction are calculated by using data until March 2001, and are fixed for FY2001.

5. Among the dotted lines, the line for value of public works contracted is the 6 months moving average, the line for public works-related goods is the trend cycle factor, and the line for turnover of public construction is the 3 months moving average.

Sources: Cabinet Office, "National Accounts";

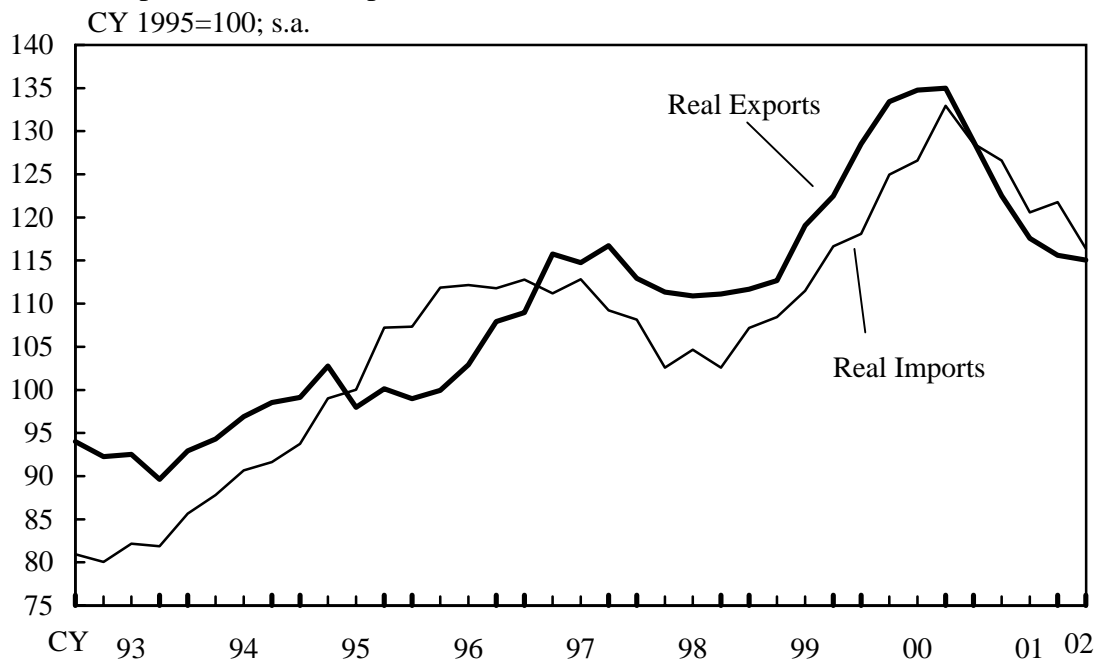
Surety Association for Construction Companies, "Public Works Prepayment Surety Statistics";

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

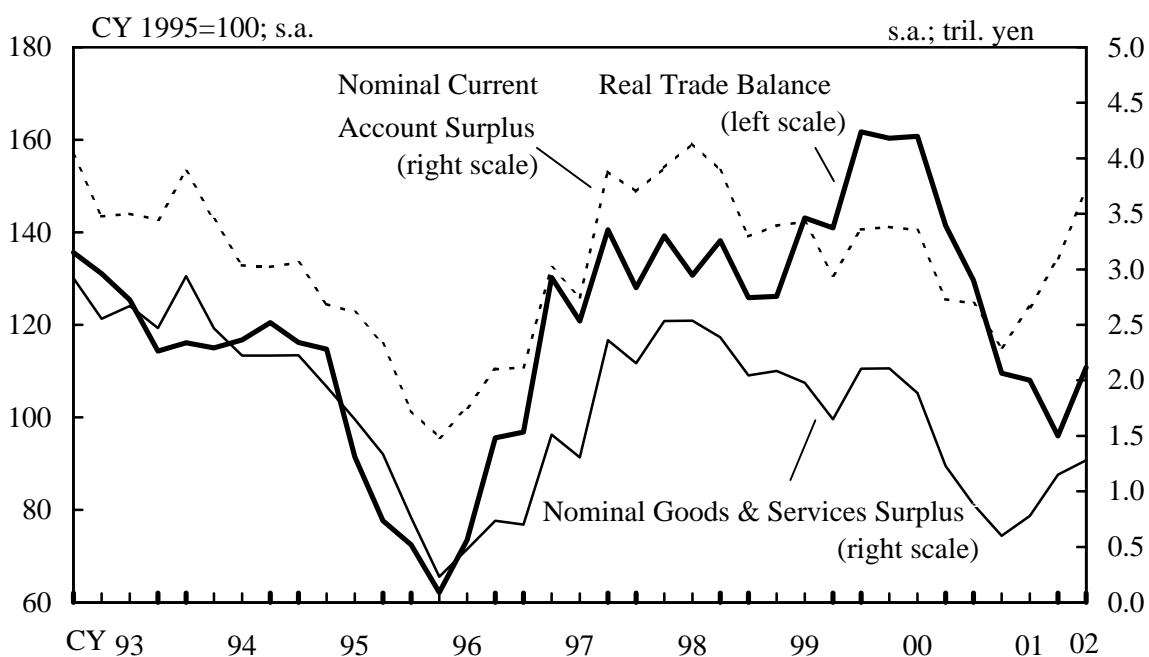
Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

 External Balance

(1) Real Exports and Real Imports



(2) Real Trade Balance and Nominal Current Account Surplus



Notes: 1. Real exports/imports and the real trade balance are seasonally adjusted by X-11.

2. Balance of payments data are revised as of January 2002. The data up to 1995/Q4 are old basis.

3. 2001/Q1 figures are January figures converted into quarterly amount.

Sources: Ministry of Finance, "The Summary Report on Trade of Japan";

Bank of Japan, "Balance of Payments Monthly," "Wholesale Price Indexes."

Real Exports (1) ¹

(1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 2000	2001	2001 Q1	Q2	Q3	2002 Q4	Q1	2001 Nov.	2002 Dec.	2002 Jan.
United States	<29.7>	11.7	-8.4	-6.6	-6.7	-3.0	-2.2	-1.9	0.9	-9.0	4.3
EU	<16.3>	6.4	-10.9	1.3	-10.1	-6.4	-0.3	-10.5	5.0	-13.1	-3.2
East Asia	<39.7>	25.7	-9.7	-4.3	-5.8	-4.1	-1.1	12.3	3.6	-6.5	16.1
China	<6.3>	27.8	11.6	10.2	-5.4	-2.0	-0.8	34.6	-1.6	-9.5	44.9
NIEs	<23.9>	25.8	-15.8	-9.4	-6.3	-3.5	-1.8	7.9	6.2	-8.2	12.0
Taiwan	<7.5>	22.5	-25.7	-16.5	-3.2	-12.1	4.6	6.9	6.6	-4.2	7.7
Korea	<6.4>	30.4	-9.1	-5.4	-8.3	7.1	-2.4	-4.0	5.1	-13.2	4.0
ASEAN4 ³	<9.5>	24.0	-8.1	-1.7	-5.0	-6.8	0.2	4.8	1.9	-0.4	4.5
Thailand	<2.8>	19.0	-4.0	-5.1	-4.7	-0.9	1.7	-8.4	0.9	-1.0	-8.0
Real exports		14.1	-9.1	-4.6	-4.9	-4.0	-1.7	-0.5	0.7	-8.7	5.6

(2) Breakdown by type of goods

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 2000	2001	2001 Q1	Q2	Q3	2002 Q4	Q1	2001 Nov.	2002 Dec.	2002 Jan.
Intermediate goods	<14.1>	5.3	-3.6	-1.8	-4.8	-0.8	3.9	10.8	-0.1	-4.6	14.4
Motor vehicles and their related goods	<20.2>	9.2	0.1	-7.8	3.5	5.2	0.1	-10.7	2.4	-10.7	-4.3
Consumer goods ⁴	<7.0>	13.0	-6.3	-6.0	-0.4	-2.7	-3.5	-1.1	7.7	-16.1	8.8
IT-related goods ⁵	<18.8>	25.2	-12.0	-5.7	-6.4	-9.5	-5.3	-7.3	6.5	-12.9	-0.4
Capital goods and parts ⁶	<29.7>	21.1	-15.0	-3.2	-10.2	-6.9	-4.1	2.0	5.2	-8.8	6.7
Real exports		14.1	-9.1	-4.6	-4.9	-4.0	-1.7	-0.5	0.7	-8.7	5.6

Notes: 1. Seasonally adjusted by X-11. 2002/Q1 figures are January figures converted into quarterly amount.

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

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

4. Excluding motor vehicles.

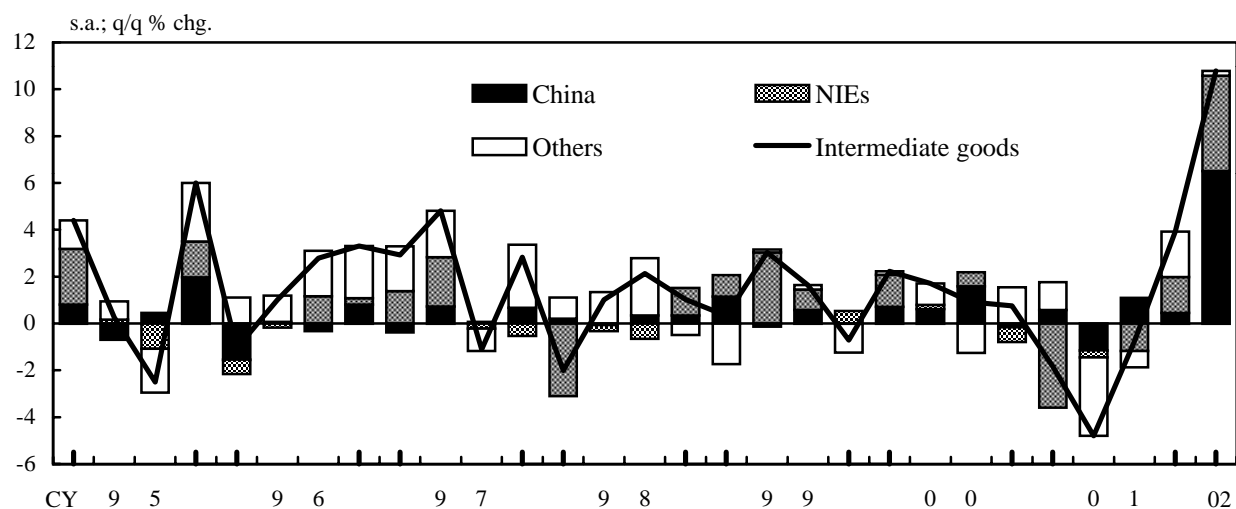
5. IT-related goods = automatic data processing machinery + telecommunication machinery + ICs + scientific, medical and optical instruments.

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

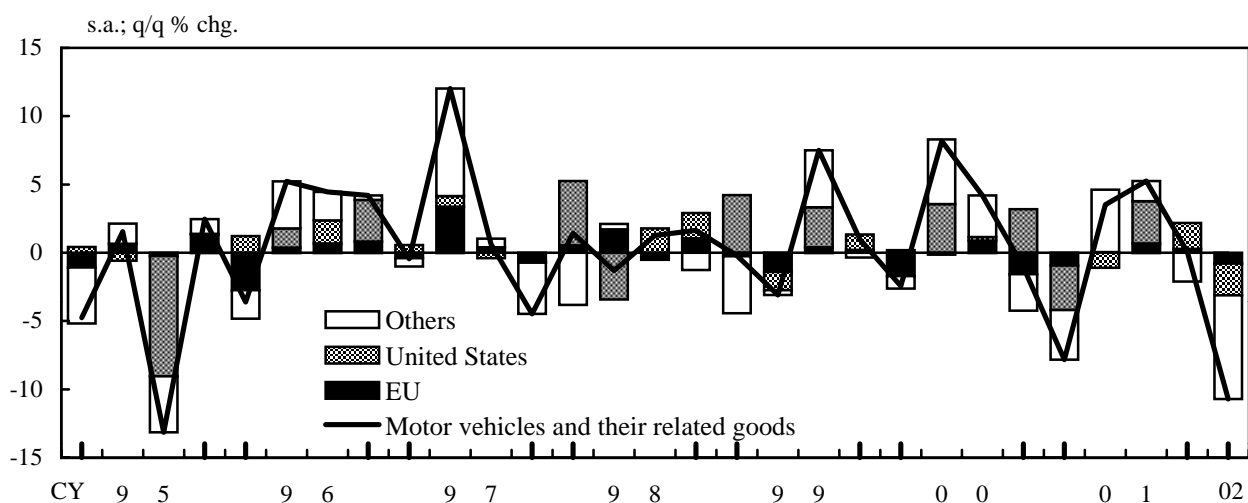
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Wholesale Price Indexes."

Real Exports (2)

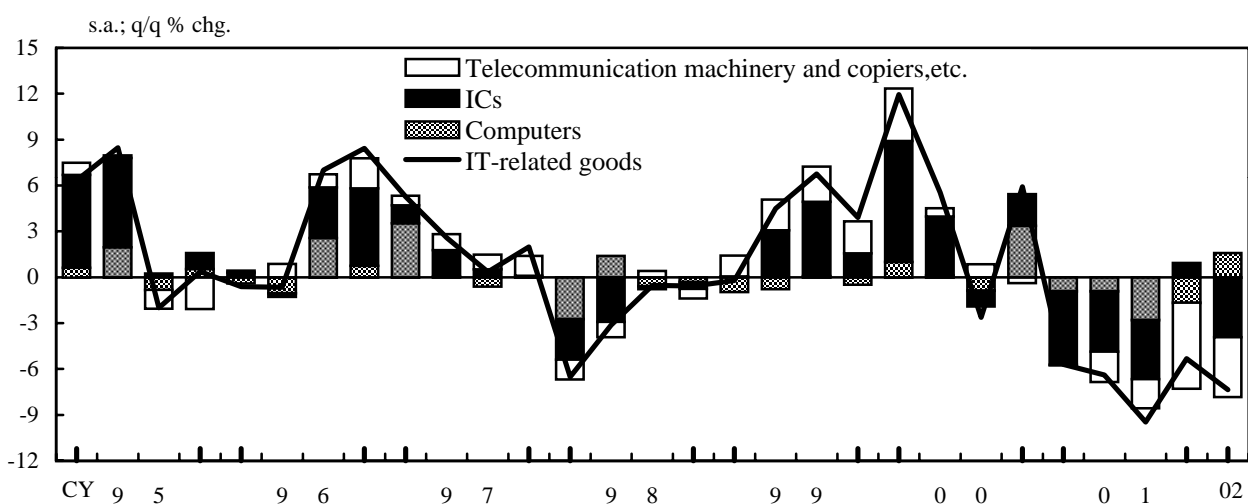
(1) Intermediate goods by region



(2) Motor vehicles and their related goods by region



(3) IT-related goods by type of goods



Note: Seasonally adjusted by X-11. 2002/Q1 figures are January figures converted into quarterly amount.
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Wholesale Price Indexes."

Real Imports ¹

(1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 2000	2001	2001 Q1	Q2	Q3	2002 Q4	Q1	2001 Nov.	2002 Dec.	2002 Jan.
United States	<19.0>	7.9	-4.5	-5.5	-0.3	-9.8	-0.8	-8.2	-6.4	0.1	-6.2
EU	<12.3>	8.5	3.5	2.2	-4.7	-1.3	4.0	-0.5	-1.9	-2.5	1.8
East Asia	<39.6>	25.5	1.5	-1.1	-3.9	-5.6	1.6	-2.8	0.1	-7.6	2.4
China	<14.5>	28.1	13.2	5.2	-1.2	-4.2	8.3	-3.9	5.2	-8.3	0.2
NIEs	<12.2>	28.4	-9.7	-5.2	-9.7	-7.5	-6.3	0.4	-3.6	-5.8	5.9
Taiwan	<4.7>	43.6	-13.1	-7.6	-12.7	-12.6	-1.4	5.8	-7.8	-2.1	10.3
Korea	<5.4>	22.5	-7.7	-2.6	-7.2	-7.3	-5.3	-7.7	-3.6	-7.7	-1.3
ASEAN4 ³	<12.8>	20.2	0.0	-3.8	-1.4	-5.5	0.3	-4.1	-3.1	-8.0	2.6
Thailand	<2.8>	19.3	5.9	-4.1	4.3	-6.0	3.5	-5.7	1.5	-4.1	-3.5
Real imports		13.3	-1.1	-3.3	-1.5	-4.7	1.0	-4.4	0.6	-6.3	-0.3

(2) Breakdown by type of goods

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 2000	2001	2001 Q1	Q2	Q3	2002 Q4	Q1	2001 Nov.	2002 Dec.	2002 Jan.
Raw materials ⁴	<26.8>	1.7	-4.9	-1.7	-2.1	-3.0	-2.1	-2.1	-0.3	-8.4	4.0
Intermediate goods	<13.0>	8.2	-0.3	0.3	-3.8	-3.9	-0.7	5.9	-2.5	-3.4	9.3
Foodstuffs	<12.1>	5.3	-1.7	-2.3	-1.1	-3.4	7.4	-4.2	3.5	-5.2	-1.8
Consumer goods	<10.5>	21.4	5.8	-2.7	1.3	-2.9	3.3	-11.1	-3.3	-7.2	-5.4
IT-related goods ⁵	<16.1>	43.9	-2.5	-5.0	-6.1	-13.0	3.4	0.6	4.7	-3.4	1.4
Capital goods and parts ⁶	<11.5>	12.4	3.2	-3.7	-0.3	-4.4	-1.9	-11.6	-3.4	-8.4	-5.1
excluding aircraft		21.5	6.0	0.5	-0.9	-7.2	-0.3	-5.4	-2.4	-5.6	-0.8
Real imports		13.3	-1.1	-3.3	-1.5	-4.7	1.0	-4.4	0.6	-6.3	-0.3

Notes: 1. Seasonally adjusted by X-11. 2002/Q1 figures are January figures converted into quarterly amount.

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

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

4. Raw materials = woods + ores + mineral fuel, etc.

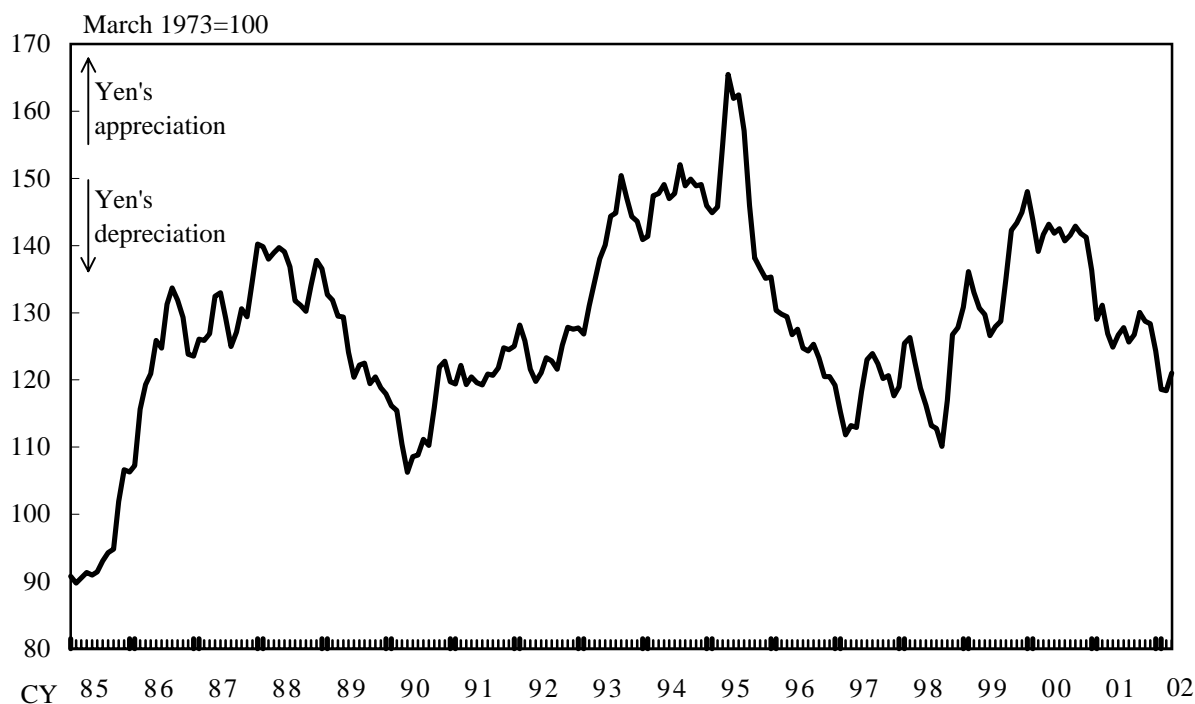
5. IT-related goods = office machinery + telecommunication machinery + ICs + scientific, medical and optical instruments.

6. Excluding IT-related goods.

Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Wholesale Price Indexes."

Exporting Conditions (1)

(1) Real Effective Exchange Rate



Note: Monthly average. Figure for March 2002 is the average of March 1-19. Calculated by the Bank of Japan.
 Figures are the index of weighted average of the yen's real exchange rates versus 15 major currencies (26 countries) which are calculated from exchange rates and price indexes of the respective countries.

(2) Real GDP Growth Rates in Overseas Economies

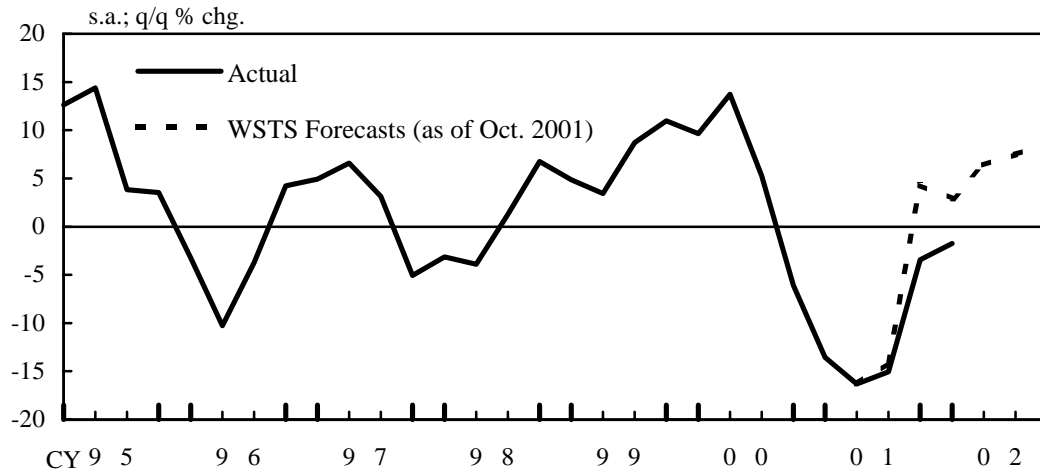
		CY99	2000	2001	2001 Q1	Q2	Q3	Q4	
United States ¹		4.1	4.1	1.2	1.3	0.3	-1.3	1.4	
European Union ¹		2.6	3.3	1.6	2.1	0.5	0.9	-0.5	
	Germany	1.8	3.0	0.6	1.6	0.2	-0.7	-1.0	
	France	3.0	3.6	2.0	1.6	0.8	1.8	-0.6	
	United Kingdom	2.1	3.0	2.4	3.0	1.8	1.9	0.1	
East Asia ²	China	7.1	8.0	7.3	8.1	(Jan-Jun) 7.9	(Jan-Sep) 7.6	(Jan-Dec) 7.3	
	NIEs	Korea	10.9	8.8	n.a.	3.7	2.7	1.8	n.a.
		Taiwan	5.4	5.9	-1.9	0.9	-2.4	-4.2	-1.9
		Hong Kong	3.0	10.5	0.1	2.2	0.8	-0.4	-1.6
		Singapore	6.9	10.3	-2.0	5.0	-0.5	-5.4	-6.6
	ASEAN4	Thailand	4.4	4.6	1.8	1.7	1.8	1.6	2.1
		Indonesia	0.8	4.9	3.3	4.8	3.8	3.1	1.6
Malaysia		6.1	8.3	0.4	3.1	0.5	-1.2	-0.5	
Philippines		3.4	4.0	3.4	3.2	3.2	3.3	3.8	

Notes: 1. Quarterly data are quarter-to-quarter percent changes at annual rate.

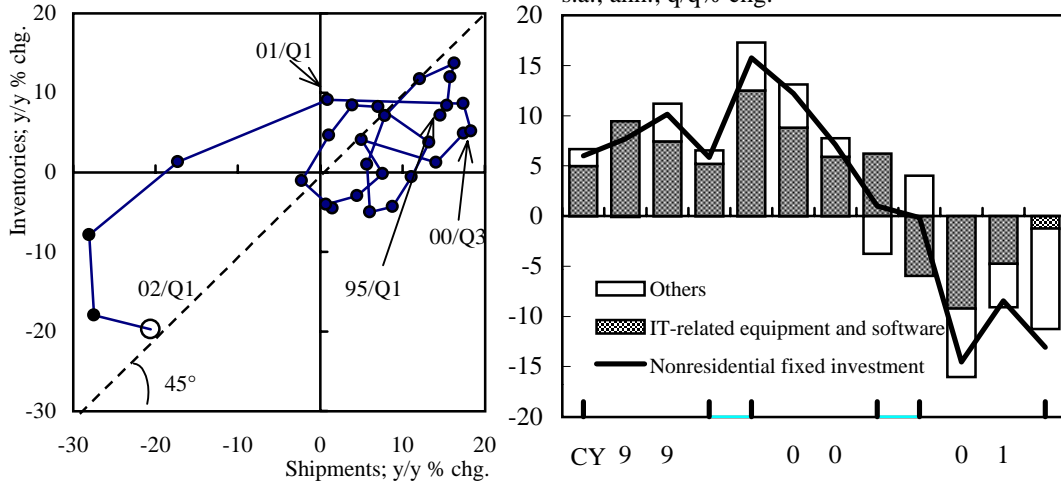
2. Quarterly data are percent changes from a year earlier.

Exporting Conditions (2)

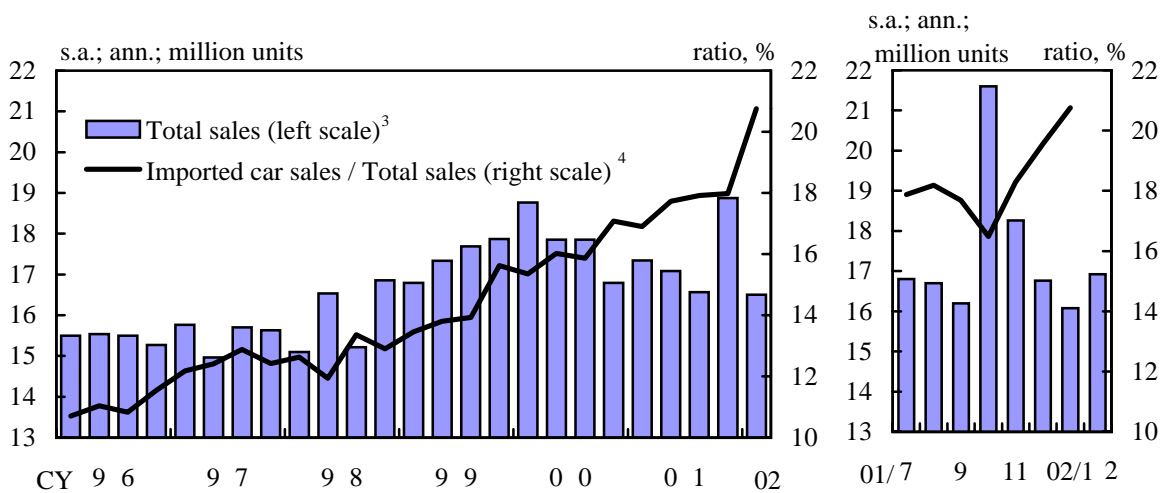
(1) World Semiconductor Shipments¹



(2) Inventory Cycle for U.S. Computers and Electronic Products² (3) U.S. Nonresidential Fixed Investment and Electronic Products²



(4) Sales of Automobiles in the U.S.

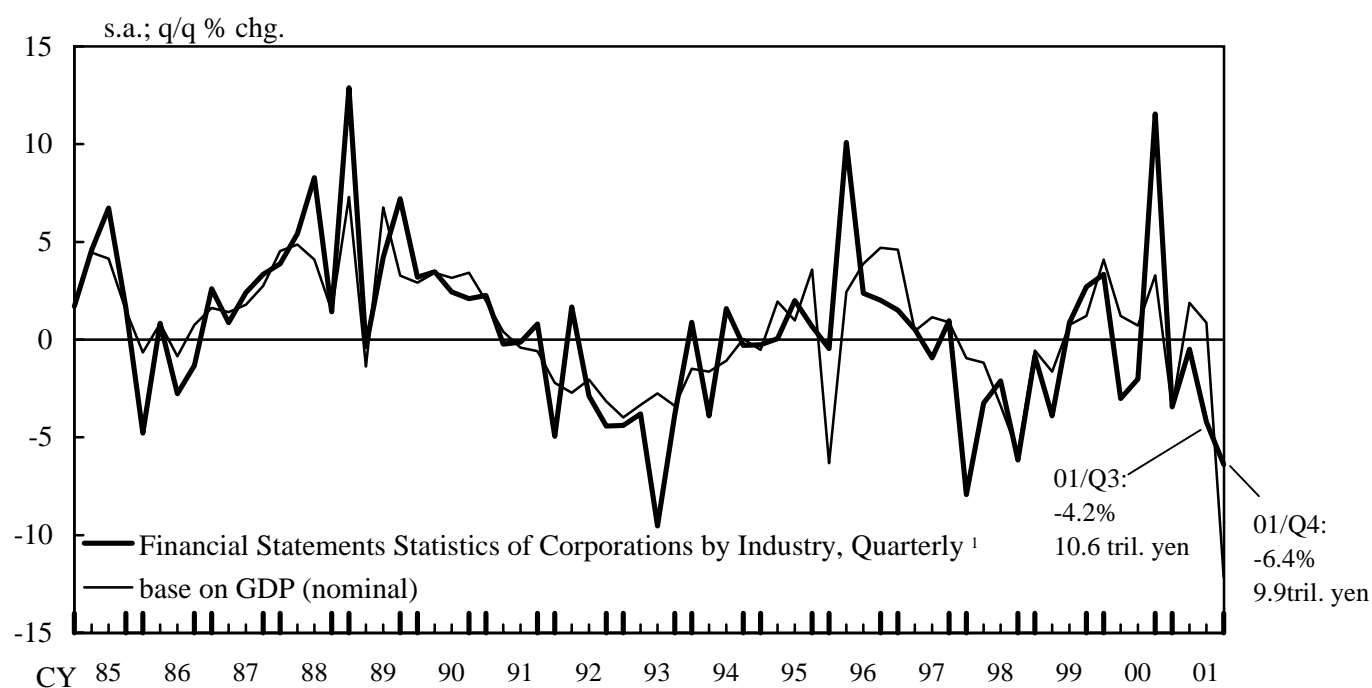


Notes: 1. Actual figures are on a real basis deflated by U.S. PPI electronic devices. Forecasts are on a nominal basis. Seasonally adjusted by X-11. 2002/Q1 figures are January figures converted into quarterly amount.
 2. A way of reading figure (2) is shown in Chart 14. 2002/Q1 figures are January figures.
 3. 2002/Q1 figures are Jan.-Feb. averages.
 4. 2002/Q1 figures are January figures.

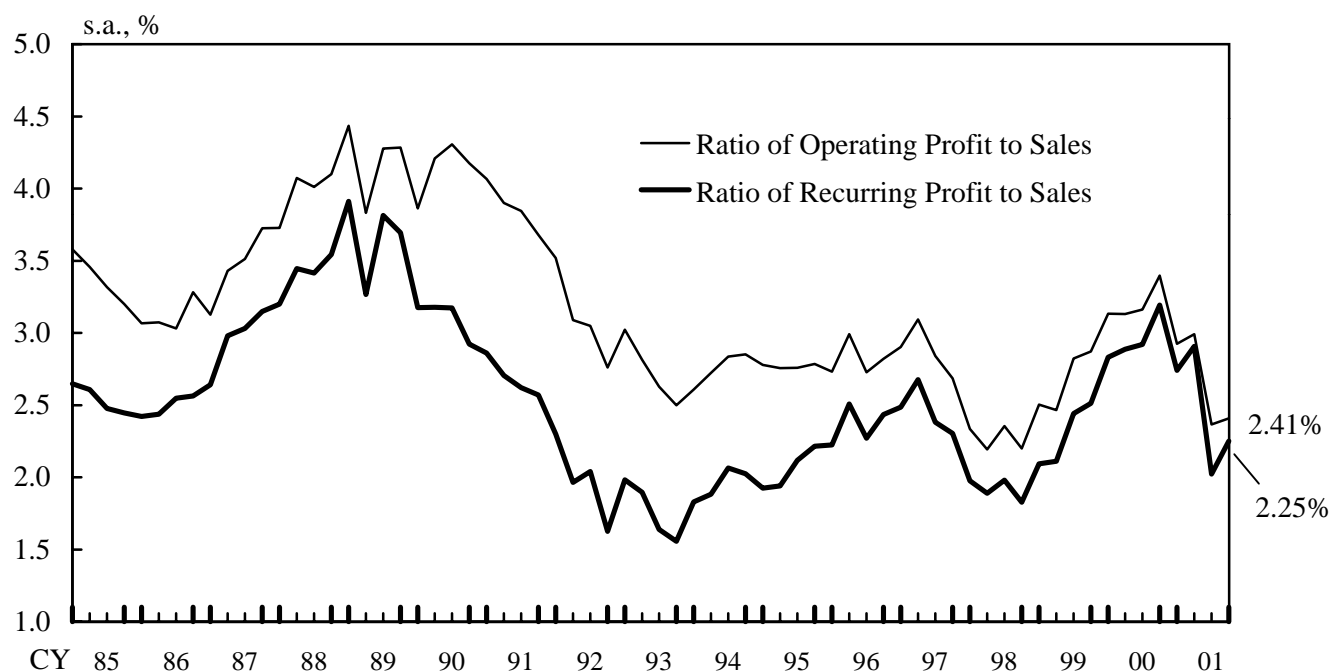
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Wholesale Price Indexes"; WSTS (World Semiconductor Trade Statistics), "Semiconductor Forecasts"; U.S. Department of Commerce, "National Income and Product Accounts"; CEIC Data Company.

Business Fixed Investment and Corporate Profits

(1) Fixed Investment



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



Notes: 1. All enterprises (i) excluding large enterprises of other services industry, and (ii) adjusting sample change which applied to chart 8.

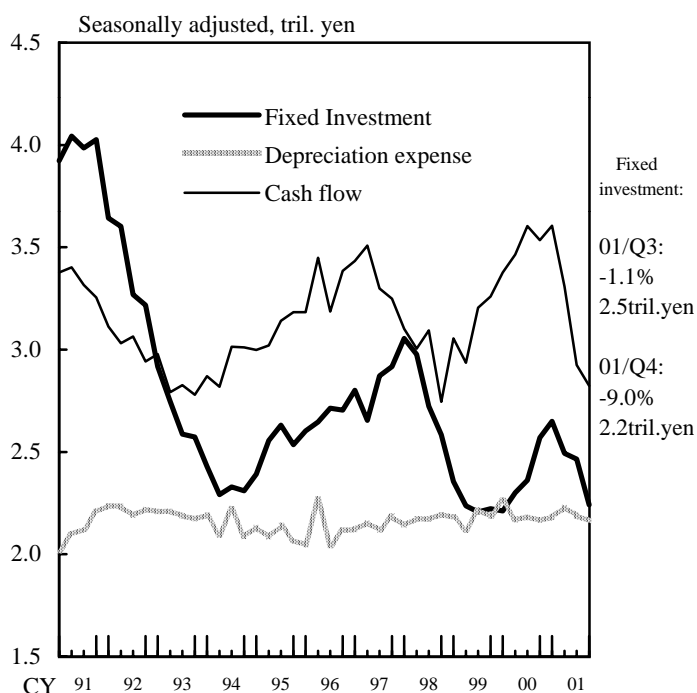
2. Financial Statements Statistics of Corporations by Industry, Quarterly basis.

Sources: Cabinet Office, "National Accounts";

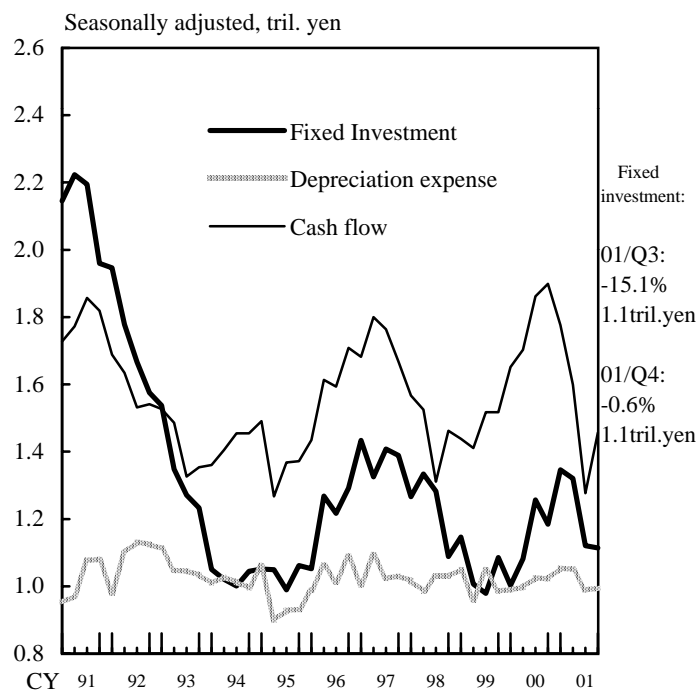
Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

Business Fixed Investment

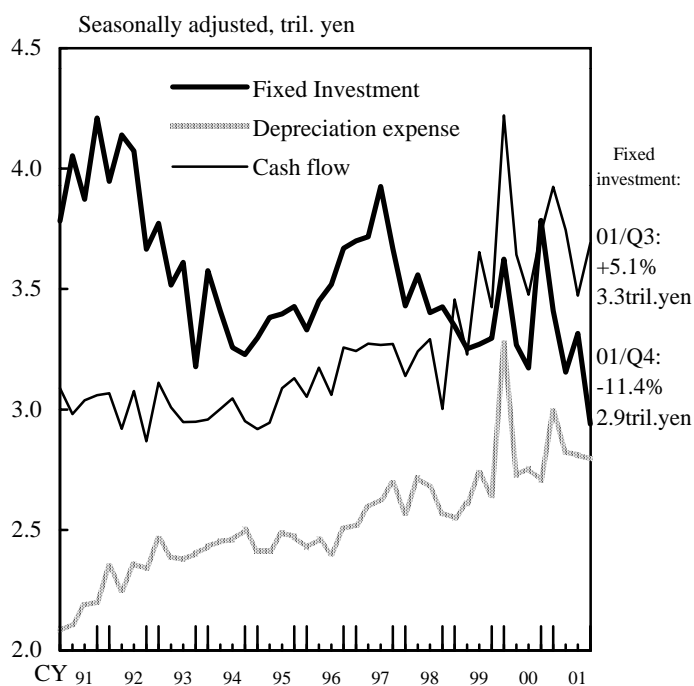
(1) Manufacturing large firms



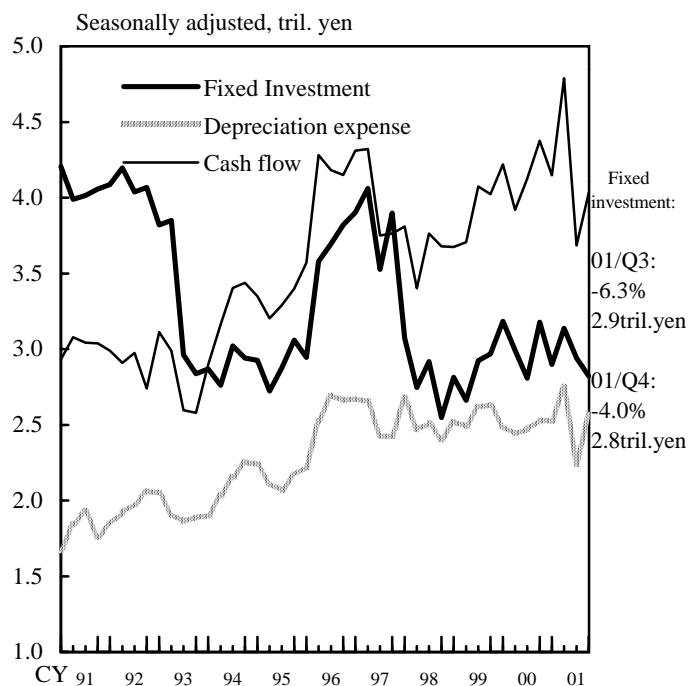
(2) Manufacturing medium and small firms



(3) Nonmanufacturing large firms



(4) Nonmanufacturing medium and small firms

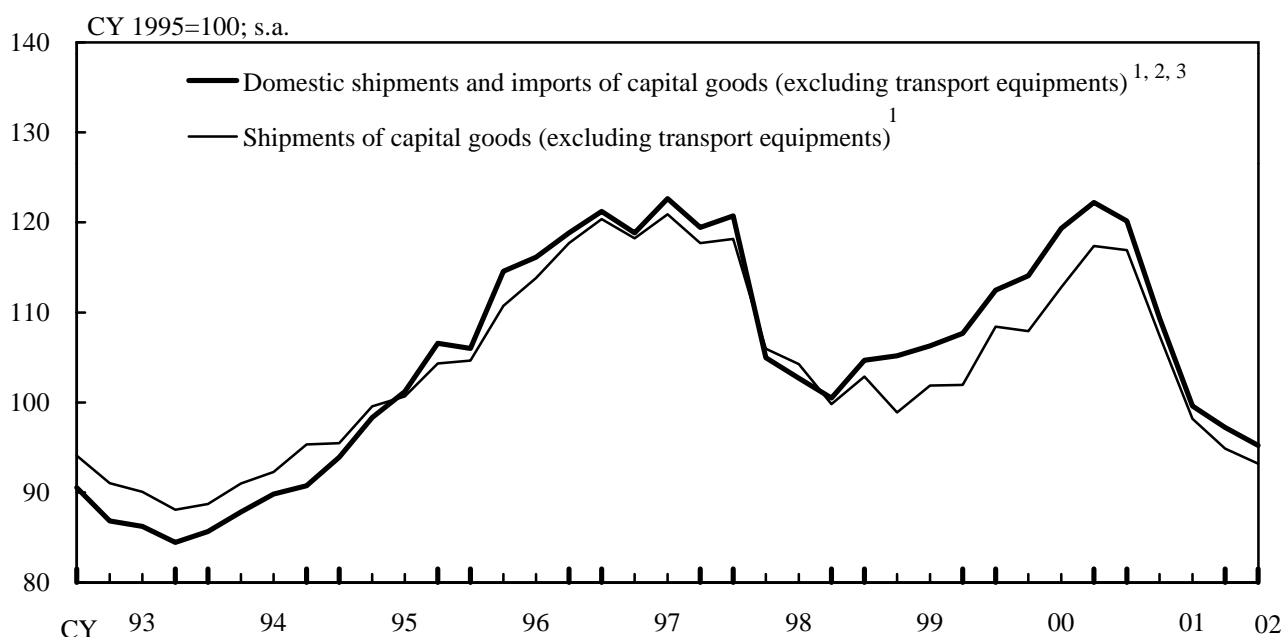


- Notes: 1. Electric, gas and other service industries are excluded from nonmanufacturing large firms.
2. "Large firms" refers to firms with stockholders' equity of 1 billion yen or more, and "medium and small firms" refers to firms with stockholders' equity of 10 million or more but less than 1 billion yen.
3. Cash Flow = Recurring profit ÷ 2 + Depreciation expense

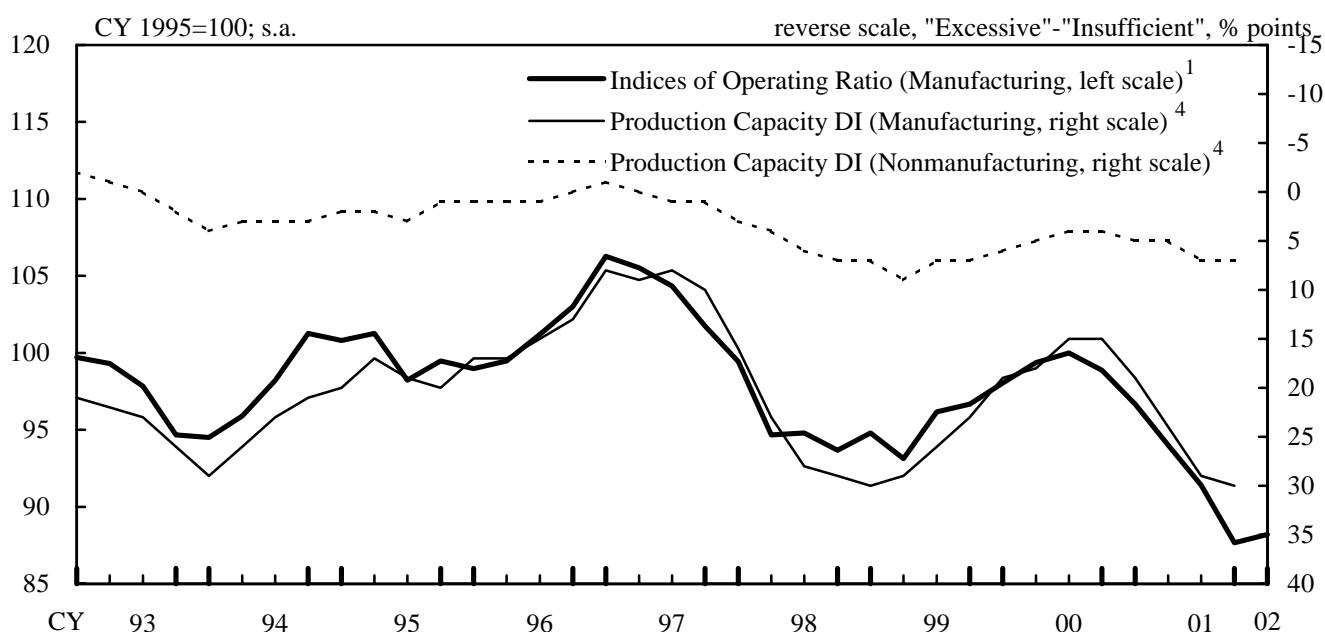
Source: Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

Indicators for Business Fixed Investment (1)

(1) Domestic shipments and imports of capital goods (excluding transport equipments)



(2) Indices of Operating Ratio and Production Capacity DI



Notes:1. Figures for 2002/Q1 are those of January.

2. The figure for 2002/Q1 of "Domestic shipments" is calculated using Indices of Industrial Production and real exports (see chart 4-1).

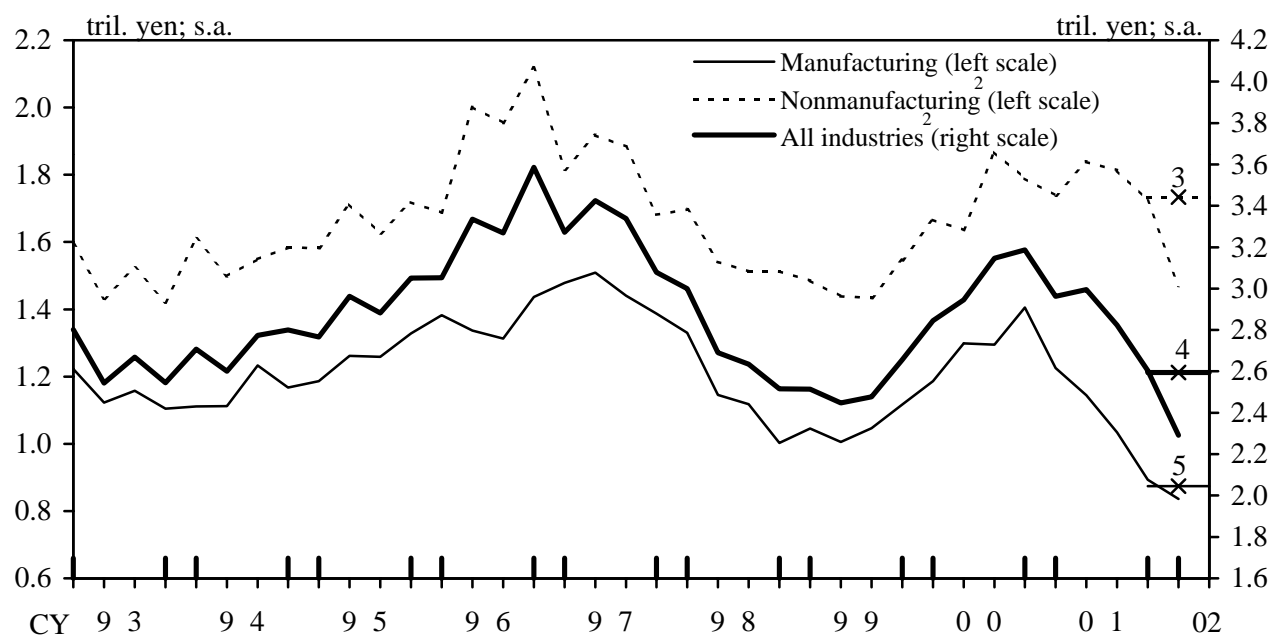
3. The figure for 2002/Q1 of "Domestic shipments and imports of capital goods (excluding transport equipments)" is calculated from the weighted average of the quarterly changes in "Imports" based on real imports and "Domestic shipments."

4. All enterprises.

Sources: Ministry of Economy, Trade and Industry, "Indices of Industrial Production," "Indices of Industrial Domestic Shipments and Imports"; Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Wholesale Price Indexes," "Tankan Short-term Economic Survey of Enterprises in Japan."

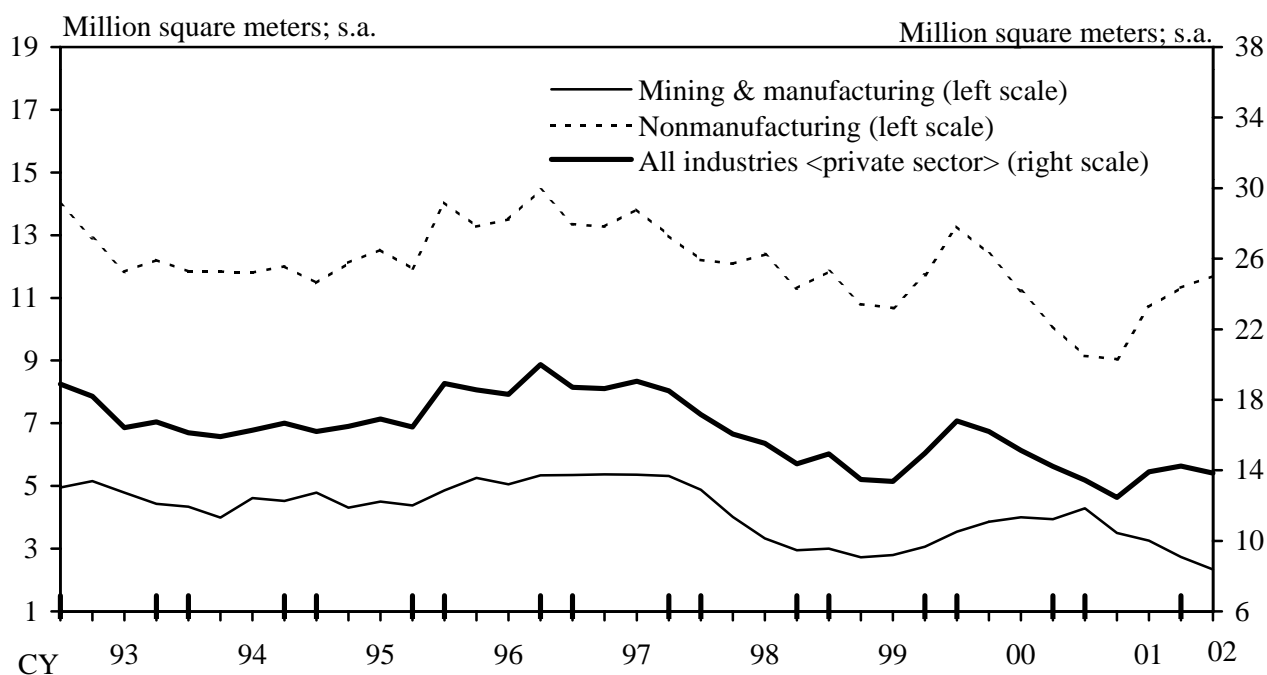
Indicators for Business Fixed Investment (2)

(1) Machinery Orders



- Notes: 1. Figures for 2002/Q1 are those of January in terms of quarterly amount.
 2. Excludes orders from electric power companies and shipbuilding orders.
 3. Forecast of nonmanufacturing industries for 2002/Q1.
 4. Forecast of all industries for 2002/Q1.
 5. Forecast of manufacturing industries for 2002/Q1.

(2) Construction Starts (Nonresidential)

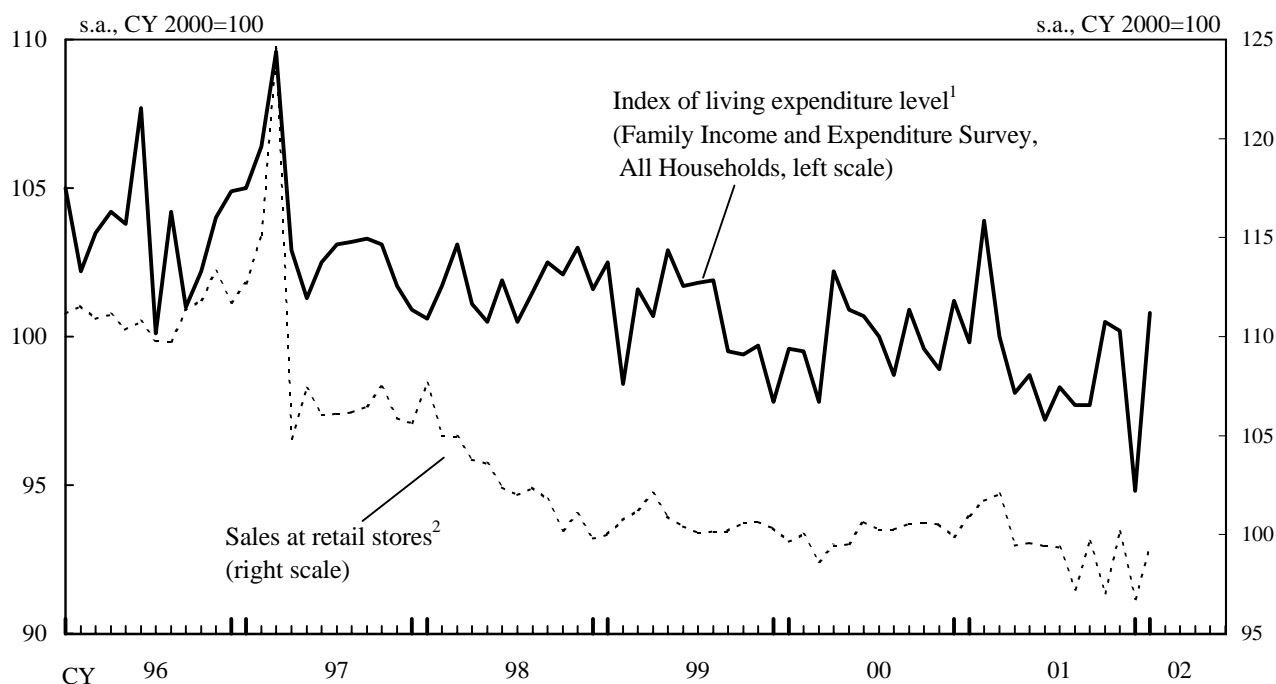


- Notes: 1. Seasonally adjusted by X-12-ARIMA (β version).
 2. Figures for 2002/Q1 are those of January in terms of quarterly amount.

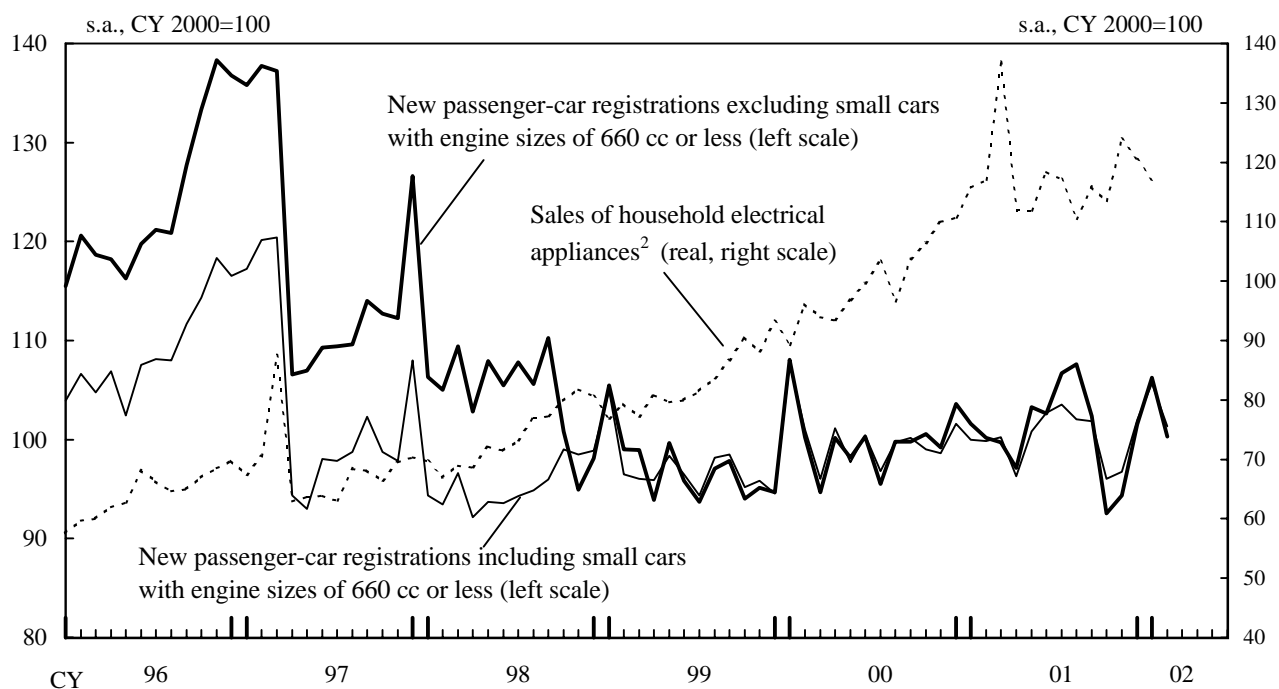
Sources: Cabinet Office, "Machinery Orders Statistics";
 Ministry of Land, Infrastructure and Transport, "Statistics Building Construction Starts."

Private Consumption¹ (1)

(1) Household Spending

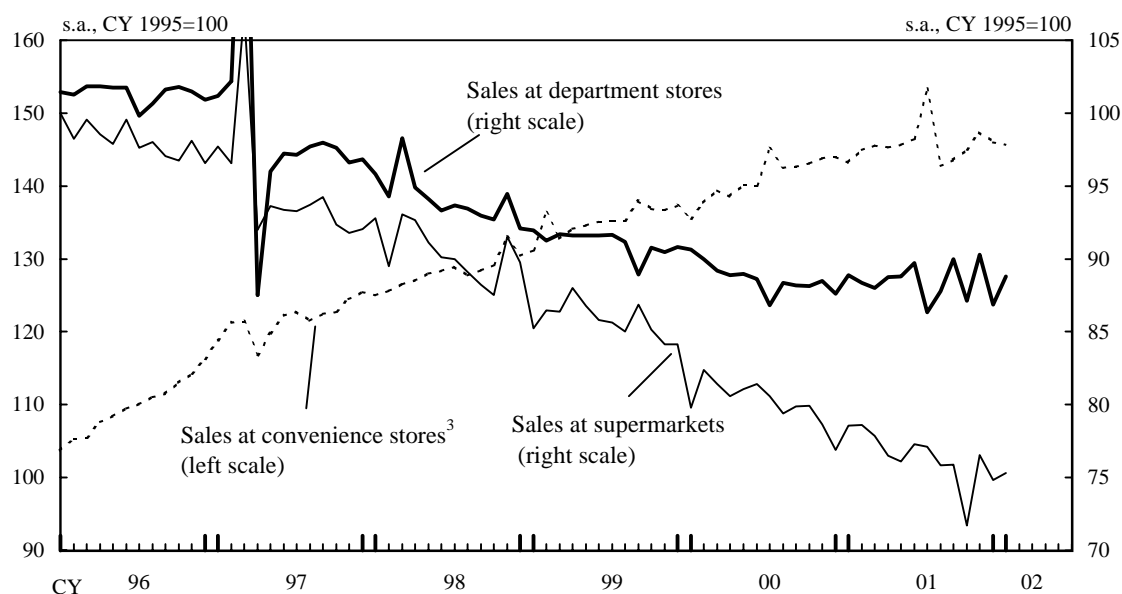
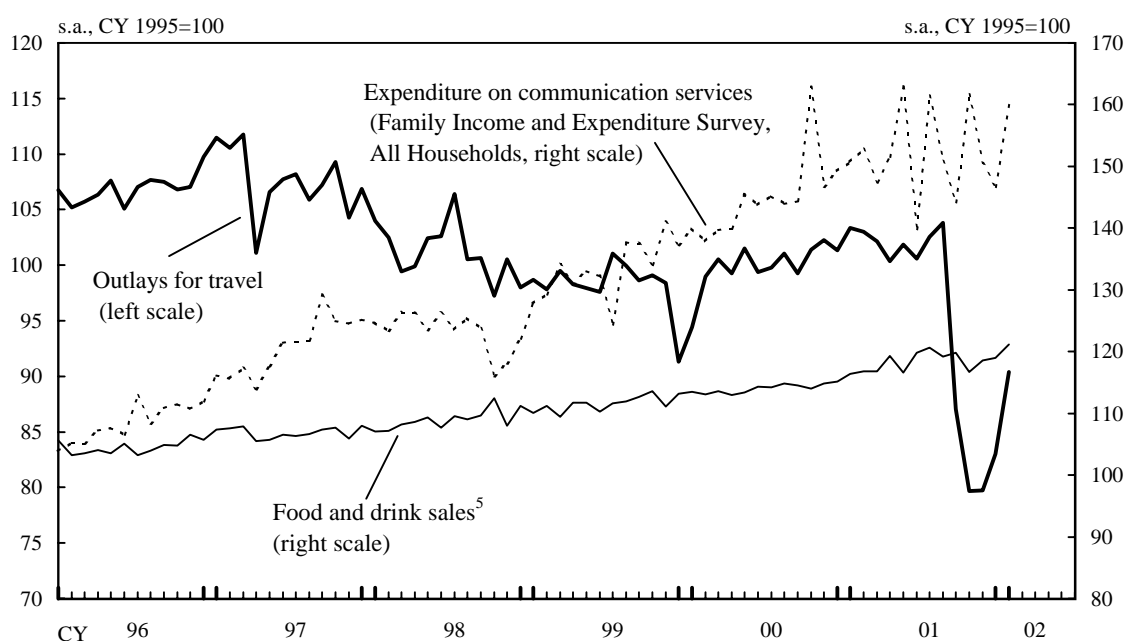


(2) Sales of Durable Goods



- Notes: 1. Seasonally adjusted by X-12-ARIMA (β version). Index of living expenditure level is seasonally adjusted by the Ministry of Public Management, Home Affairs, Posts and Telecommunications.
2. Sales at retail stores are deflated by the consumer price index for goods. Sales of household electrical appliances are the sum of its components deflated by the consumer price index (or the wholesale price index for personal computers before 1999).

Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Monthly Report on the Family Income and Expenditure Survey," "Consumer Price Index"; Ministry of Economy, Trade and Industry, "Current Survey of Commerce"; Japan Automobile Dealers Association, "Domestic Sales of Automobiles"; Japan Mini Vehicles Association, "Sales of Mini Vehicles"; Nippon Electric Big-Stores Association (NEBA), "Sales of Electrical Appliances"; Bank of Japan, "Wholesale Price Indexes."

Private Consumption¹ (2)(3) Sales of Retail Stores²(4) Consumption of Services⁴

Notes: 1. Seasonally adjusted by X-12-ARIMA (β version).

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

Sales at department stores, sales at supermarkets and sales at convenience stores are adjusted to exclude the effect of the rise in the consumption tax rate.

3. Sales at convenience stores until March 1997 are based on the survey conducted by the Bank of Japan.

From April 1997 they are based on the data published by the Ministry of Economy, Trade and Industry.

4. Outlays for travel and sales of food and drink are adjusted to exclude the effect of the rise in the consumption tax rate.

5. For food and drink sales, figures are calculated by the Bank of Japan using both the Japan Foodservice Association's y/y data and the 1993 data of the Foodservice Industry Survey & Research Center as a bench mark.

Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications,

"Monthly Report on the Family Income and Expenditure Survey,";

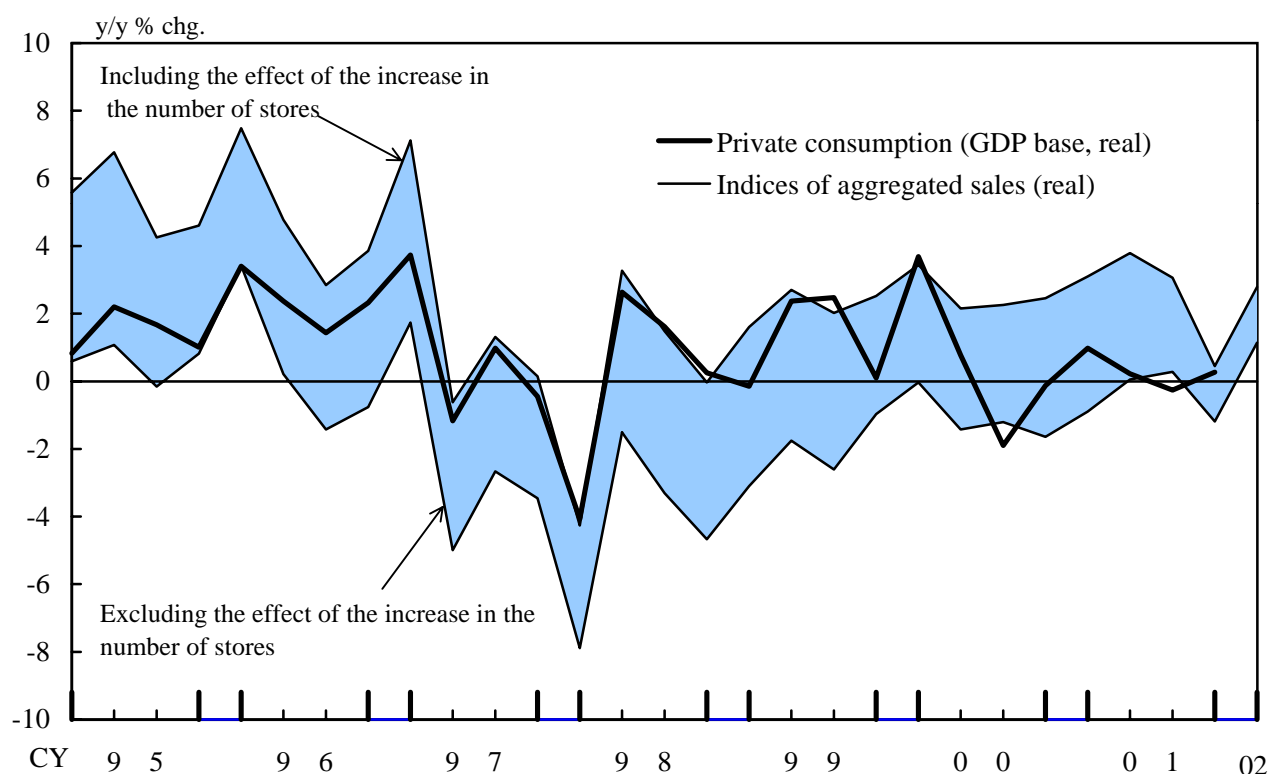
Ministry of Economy, Trade and Industry, "Current Survey of Commerce";

Ministry of Land, Infrastructure and Transport, "Major Travel Agents' Revenue";

Foodservice Industry Survey & Research Center, "Monthly Survey of Food and Drink Sales";

Japan Foodservice Association, "The Research of Food and Drink Markets."

Private Consumption (3)

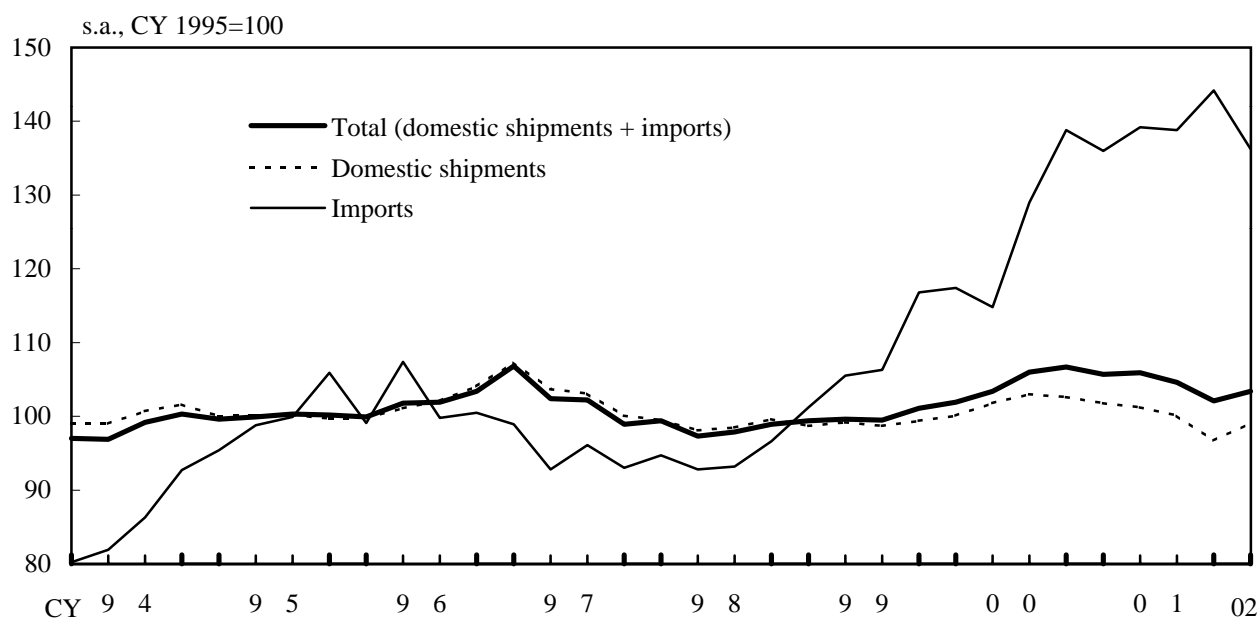


- Notes: 1. Indices of aggregated sales are the weighted sum of *Sales at department stores and supermarkets*; *New passenger-car registrations*; *Sales of household electrical appliances*; *Outlays for travel*; and *Food and drink sales*, where the weights come from the *Family Income and Expenditure Survey*. *Sales at supermarkets* compiled by Ministry of Economy, Trade and Industry, are shown on this chart (the same applied to chart10-2) on behalf of *Sales at chain stores* surveyed by Japan Chain Stores Association. *Sales at convenience stores* (until March 1997 surveyed by the Bank of Japan) are also taken into account for the index and include the effect of the increase in the number of stores. Sales indicators in nominal terms are deflated by the corresponding items of the consumer price index or the wholesale price index.
2. Indices of aggregated sales consist of the series including and excluding the effect of the increase in the number of stores. The former, which tries to cover development of private consumption to the widest extent possible, includes sales at newly opened stores, which may arise from the fresh demand they create or from demand shifted from existing stores. In contrast, the latter shows ongoing development of consumption at existing stores by excluding sales at new stores. It is supposed that the truth (i.e., actual development of consumption) is somewhere between the former wide-coverage series and the latter narrow-coverage series, which is shown by the shaded area between the two series.
3. 2002/Q1 figures are those of January converted to a quarterly basis.

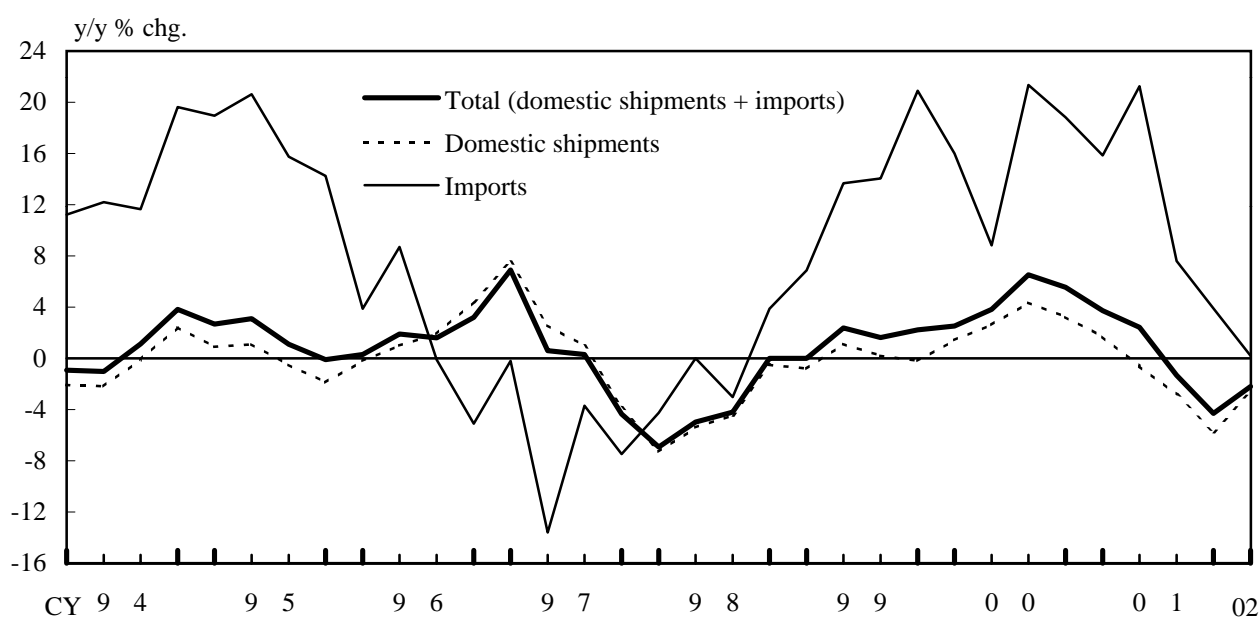
Sources: Cabinet Office, "National Accounts";
 Ministry of Economy, Trade and Industry, "Current Survey of Commerce";
 Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index,"
 "Monthly Report on the Family Income and Expenditure Survey";
 Bank of Japan, "Wholesale Price Indexes";
 Japan Automobile Dealers Association, "Domestic Sales of Automobiles";
 Japan Mini Vehicles Association, "Sales of Mini Vehicles";
 Nippon Electric Big-Stores Association (NEBA), "Sales of Electrical Appliances";
 Foodservice Industry Survey & Research Center, "Monthly Survey of Food and Drink Sales";
 Ministry of Land, Infrastructure and Transport, "Major Travel Agents' Revenue";
 Japan Foodservice Association, "The Research of Food and Drink Markets."

Private Consumption (4) - Estimation of consumer goods supply

(1) Level



(2) Changes from a year earlier



Notes: 1. "Domestic shipments" and "Imports" are components of "consumer goods" in the *Indices of Industrial Domestic Shipments and Imports*. (The definition for "consumer goods" is the same as that in the *Indices of Industrial Production*.)

2. Figures for 2002/Q1 of "Domestic shipments" are calculated from quarterly changes of *Indices of Industrial Production* (excluding the effects of exports).

3. Figures for 2002/Q1 of "Imports" are calculated from quarterly changes of real imports.
 Real imports (consumer goods) = motor vehicles + audio and visual apparatus + office machinery + foodstuffs + textiles.

4. Figures for 2002/Q1 of "Total (domestic shipments + imports)" are calculated from weighted average of the quarterly changes in "Domestic shipments" and "Imports".

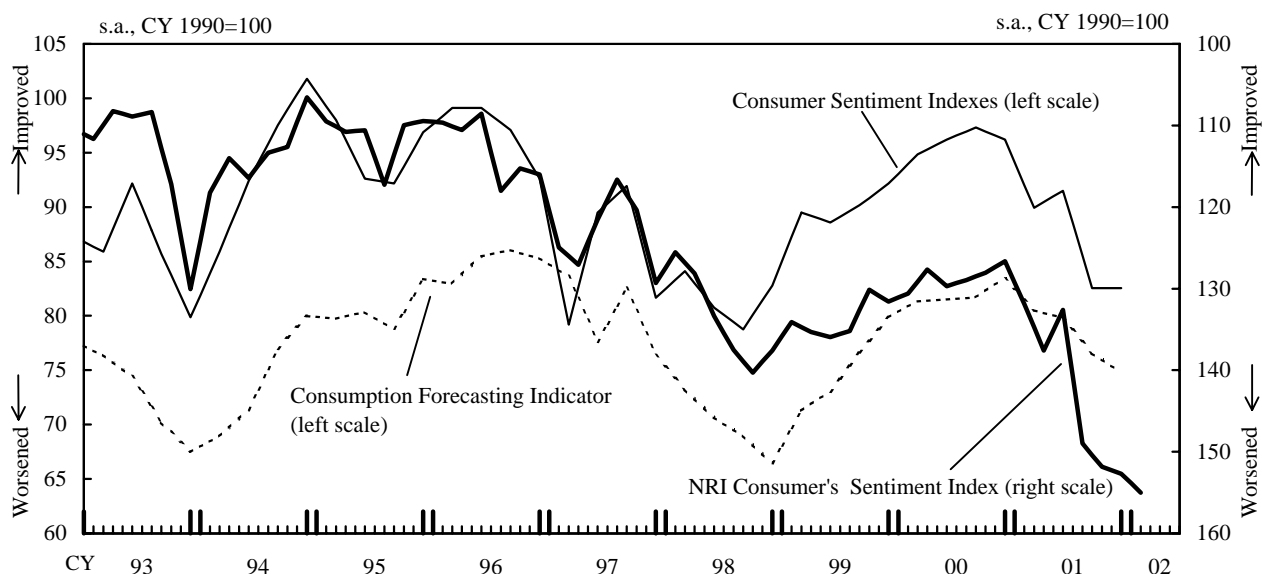
5. Year-on-year changes are calculated from seasonal adjusted series.

6. 2002/Q1 figures are those of January in terms of quarterly amount.

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

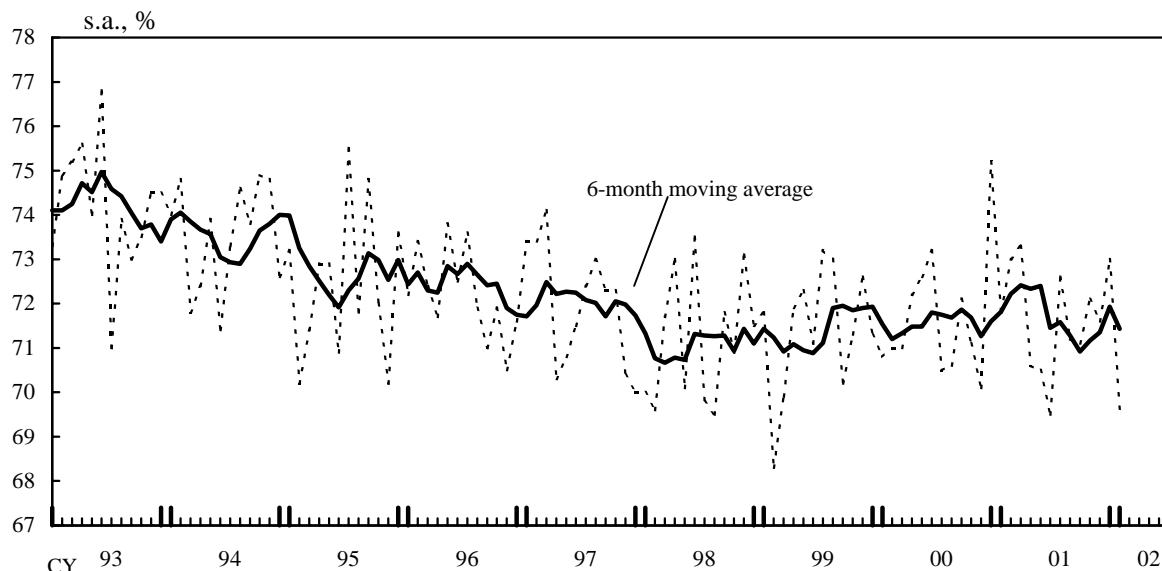
Consumer Confidence and Propensity to Consume

(1) Surveys on Consumer Confidence



- Notes: 1. Seasonally adjusted by X-11. "Consumer Sentiment Indexes" is seasonally adjusted by the Cabinet Office.
 2. Consumer Sentiment Indexes, Consumption Forecasting Indicator, and NRI Consumer's Sentiment Index are based on surveys on consumer confidence.
 3. Data are plotted at the months of each survey.
 4. "Consumer Sentiment Indexes" is surveyed by the Cabinet Office, "Consumption Forecasting Indicator" by NIKKEI RIM, and "NRI Consumer's Sentiment Index" by NRI.

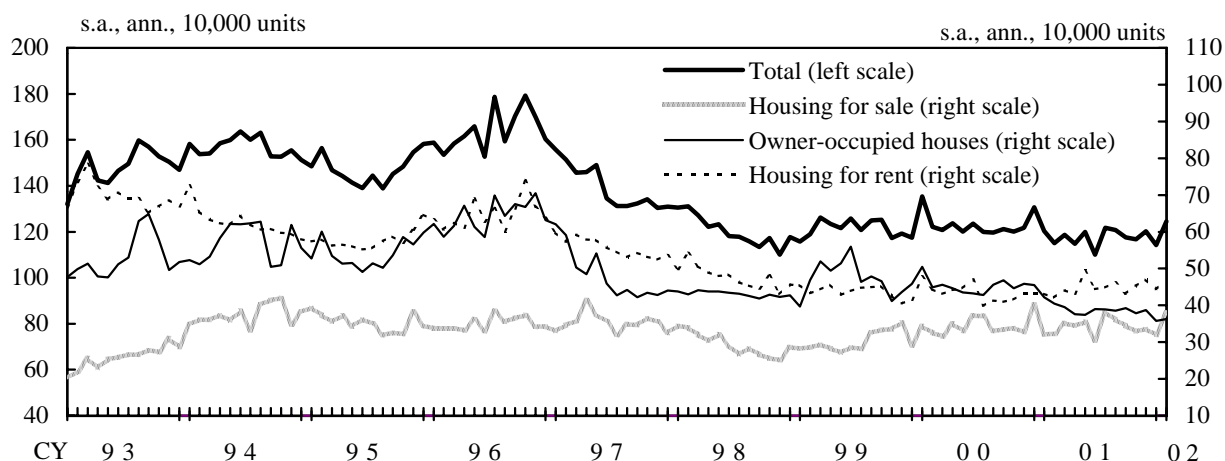
(2) Propensity to Consume (Family Income and Expenditure Survey, Workers' Households)



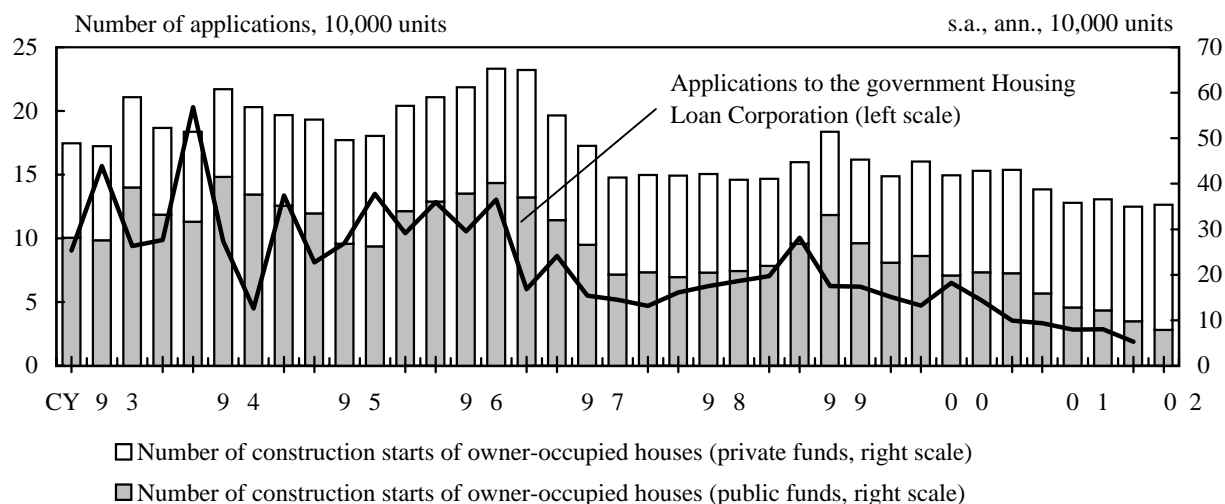
Sources: Cabinet Office, "Consumer Behavior Survey";
 Nikkei Research Institute of Industry and Markets (NIKKEI RIM), "Consumption Forecasting Indicator";
 Ministry of Public Management, Home Affairs, Posts and Telecommunications,
 "Monthly Report on the Family Income and Expenditure Survey";
 Nippon Research Institute (NRI), "Consumer's Sentiment Survey."

Indicators for Housing Investment

(1) Housing Starts

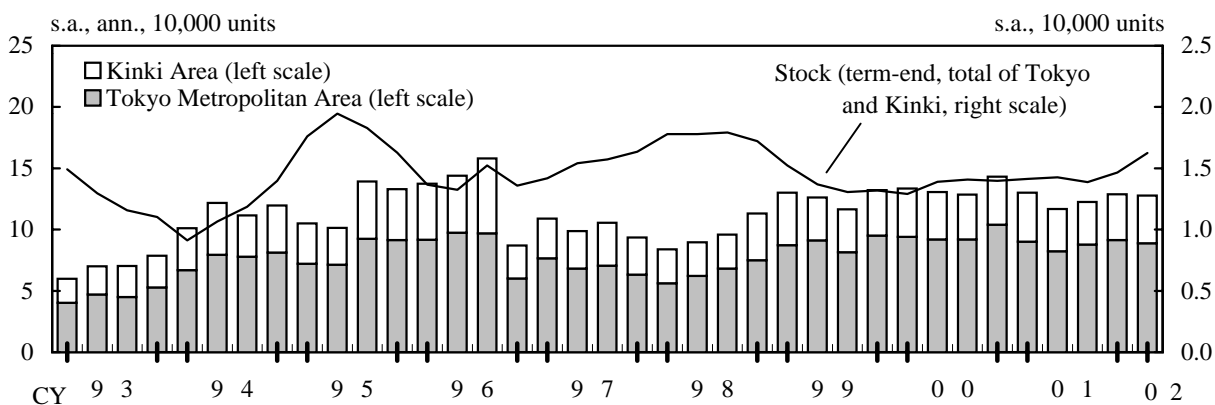


(2) Number of Applications to the Government Housing Loan Corporation
(for new owner-occupied houses)



Notes: 1. The number of loan applications for the construction of private houses is divided by the number of days in the application term of each quarter.
 2. Figures for the number of construction starts of owner-occupied houses (private funds and public funds) for CY2002/Q1 are those of January.

(3) Sales of Condominiums

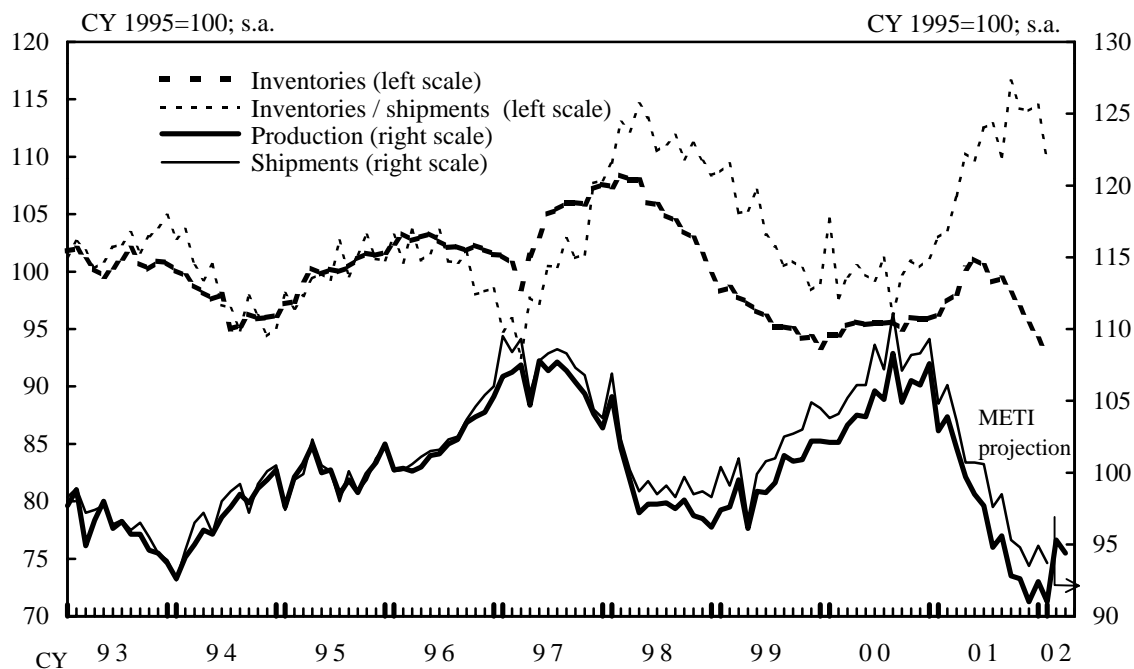


Note: Figures of total condominiums sales for CY2002/Q1 are those of January-February averages.
 Term-end stocks are those of February.

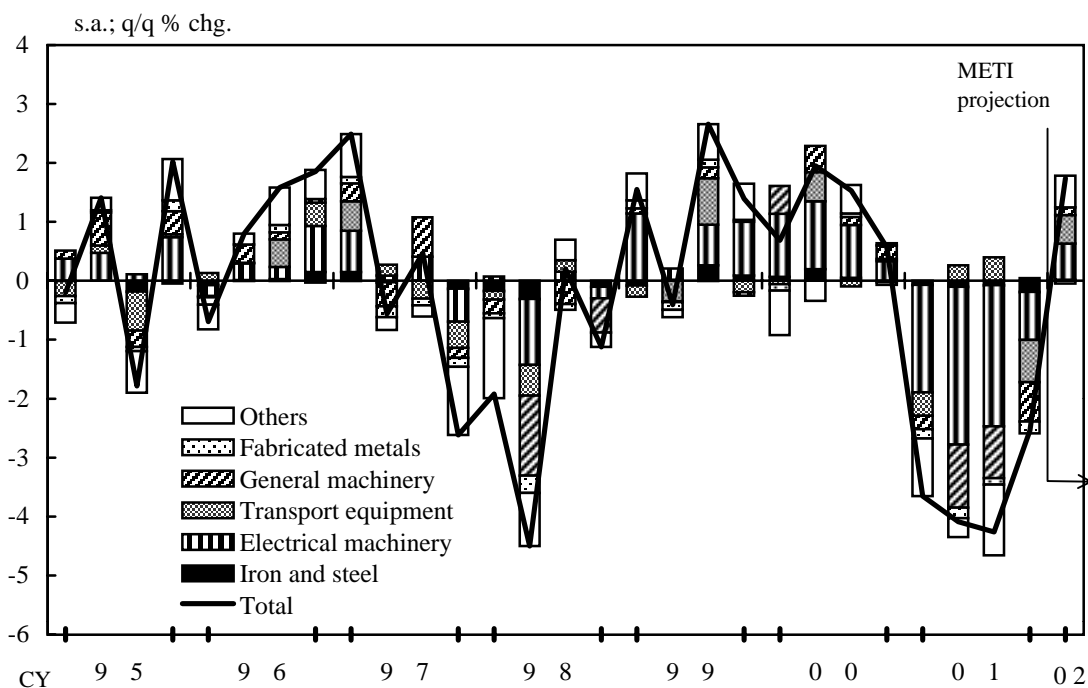
Sources: Ministry of Land, Infrastructure and Transport, "Monthly of Construction Statistics," etc.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



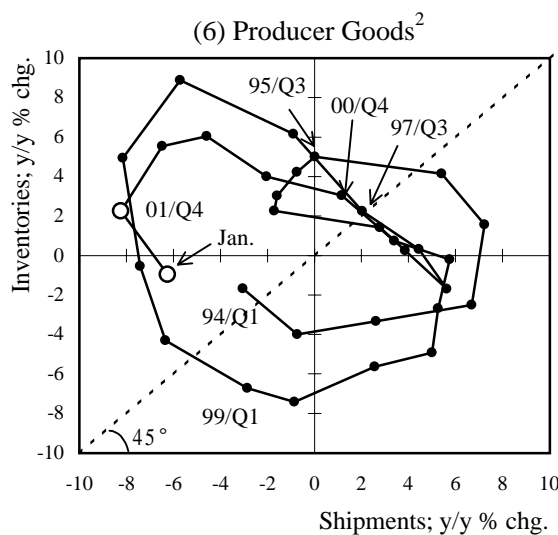
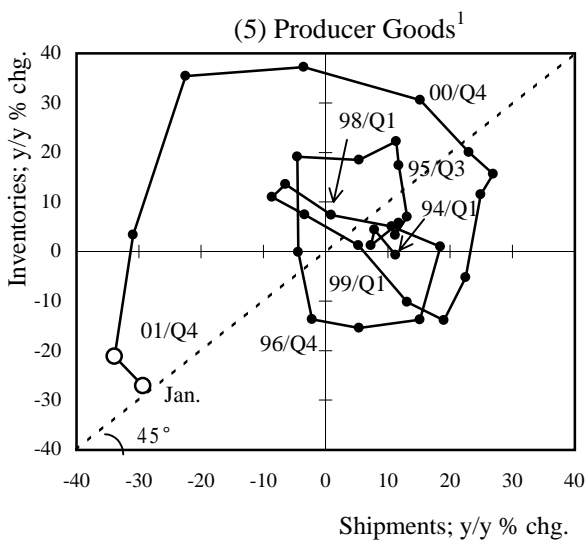
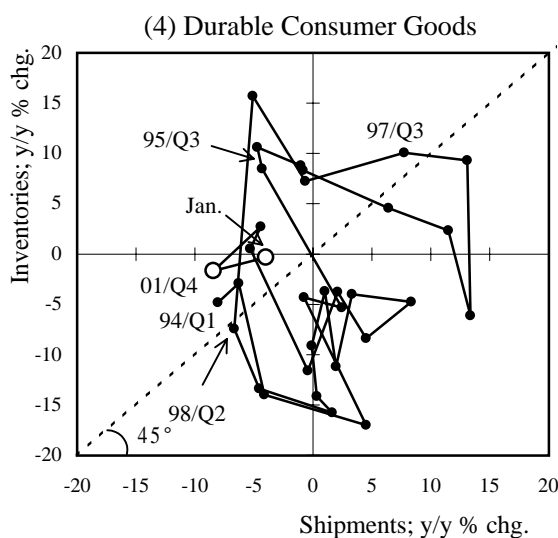
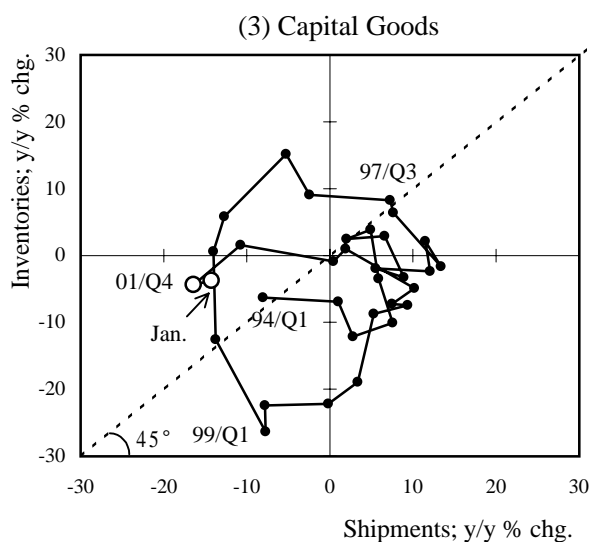
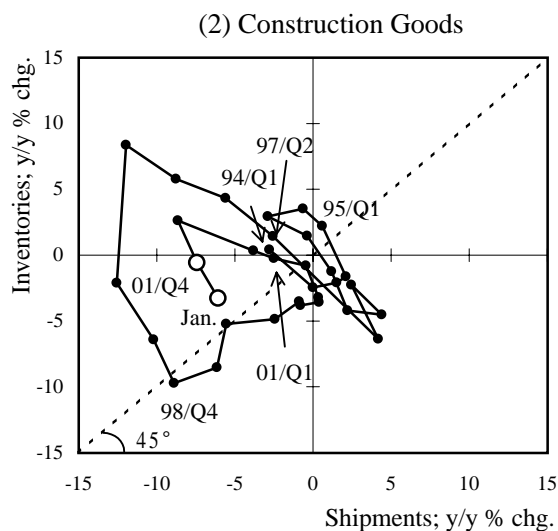
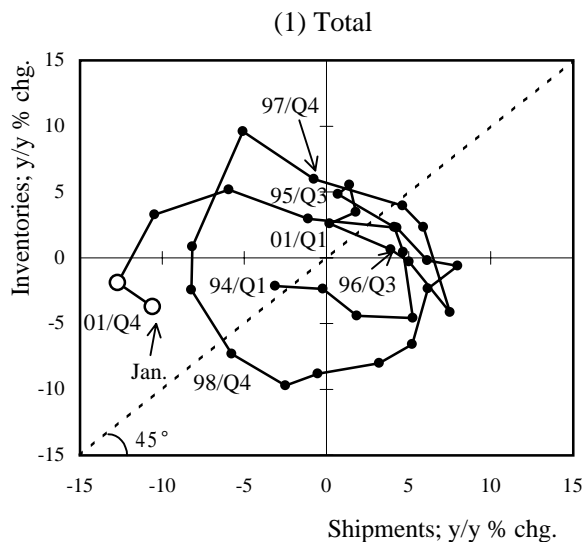
(2) Production by Industries



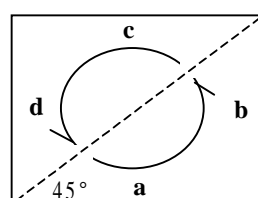
Note: Transport equipment excludes ships and rolling stock.

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

Inventory Cycle



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



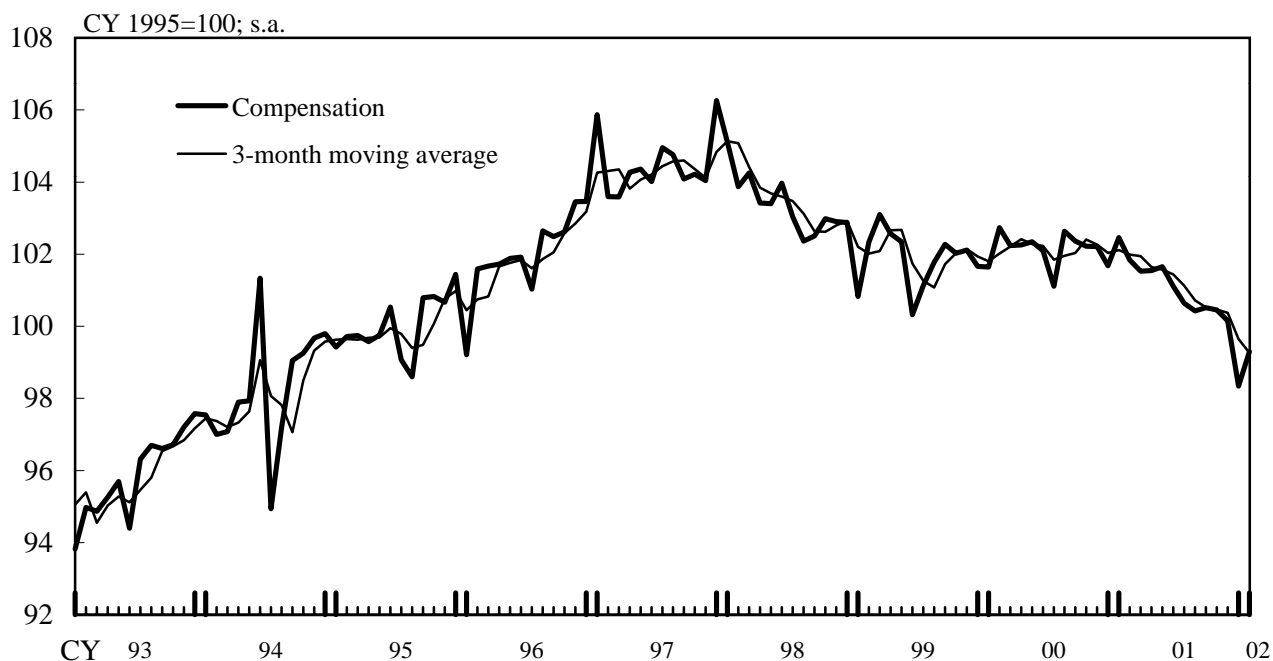
Notes: 1. Producer goods of electrical machinery.

2. Producer goods excluding electrical machinery.

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

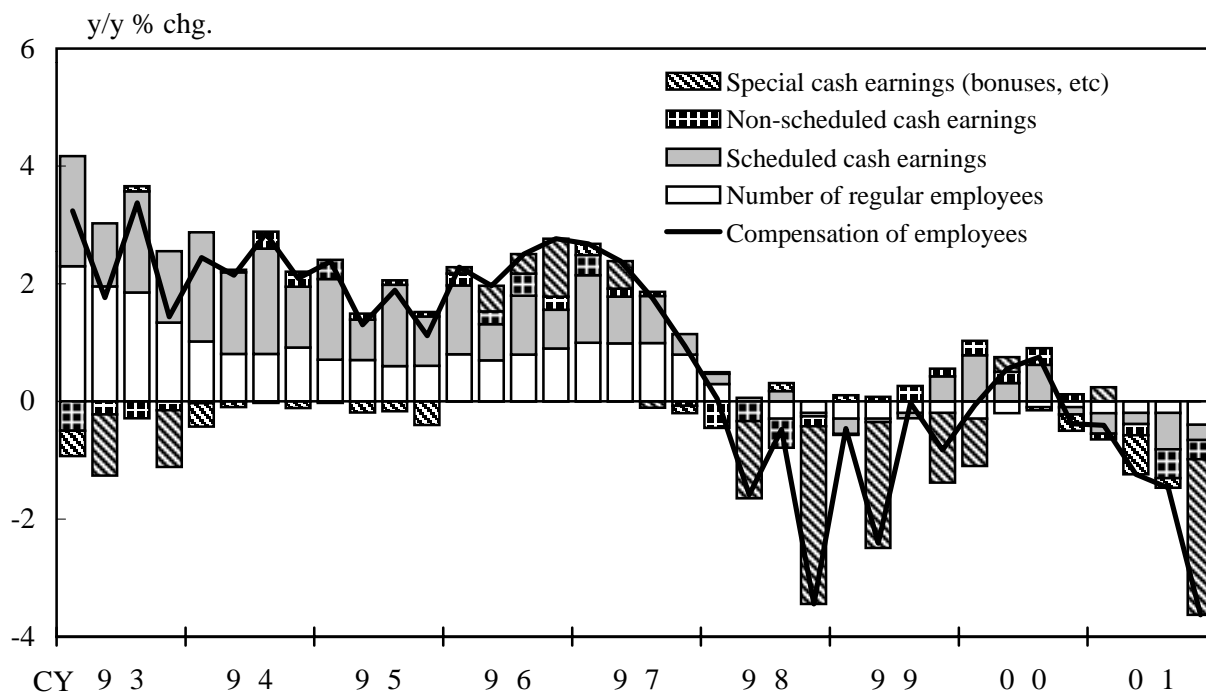
Compensation of Employees

(1) Compensation



- Notes: 1. Compensation = the index of total cash earnings \times the index of regular employees / 100 (calculated by the Bank of Japan).
 2. Seasonally adjusted by X-12-ARIMA (β version).
 3. Data for establishments with at least 5 employees. The data for Jan. 2002 are preliminary figures.

(2) Breakdown of Compensation

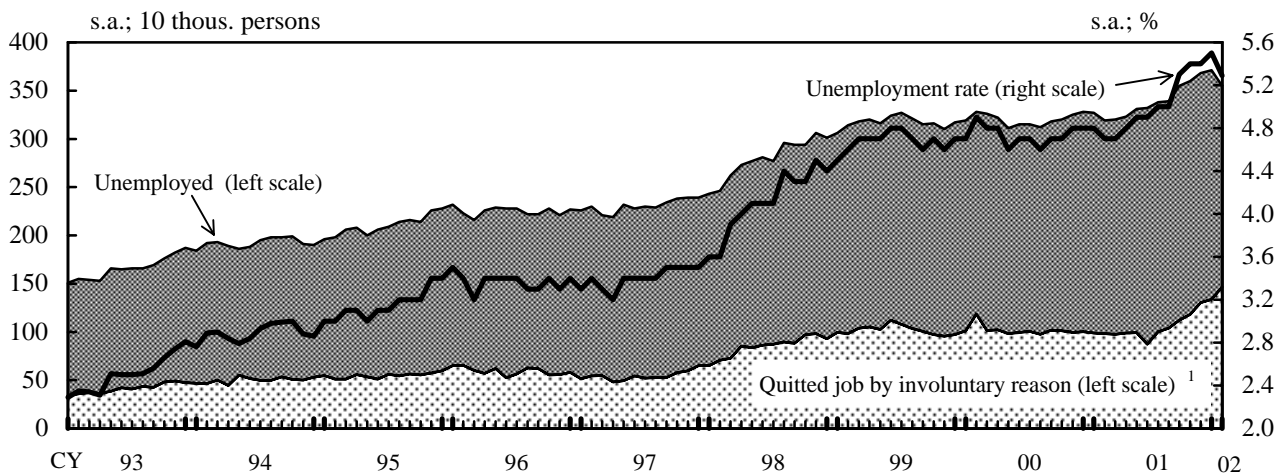


- Notes: 1. Data for establishments with at least 5 employees. The data for Jan. 2002 are preliminary figures.
 2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.
 3. Figures for 01/Q4 are those of the Dec.-Jan. averages.

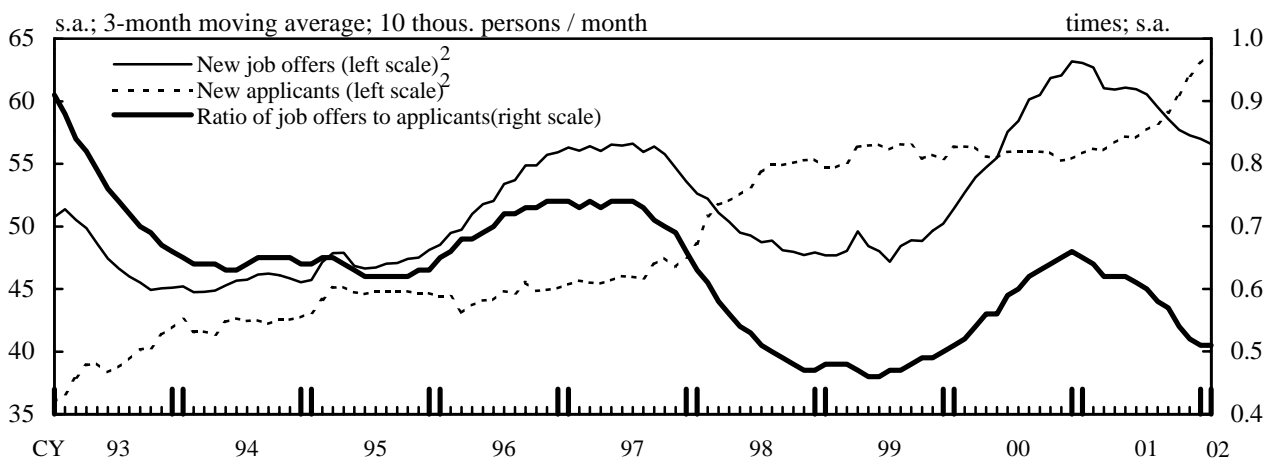
Source: Ministry of Health, Labour and Welfare, "Monthly Labour Survey."

Labor Market (1)

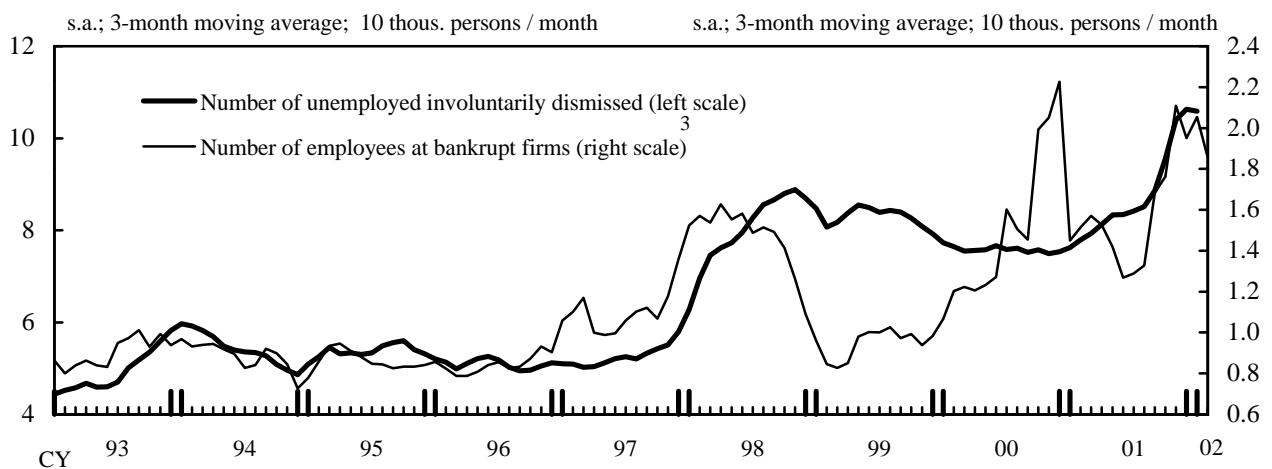
(1) The Unemployed and Unemployment Rate



(2) Ratio of Job Offers to Applicants



(3) Number of Unemployed Involuntarily Dismissed and Employees at Bankrupt Firms¹



Notes: 1. Seasonally adjusted by X-11.

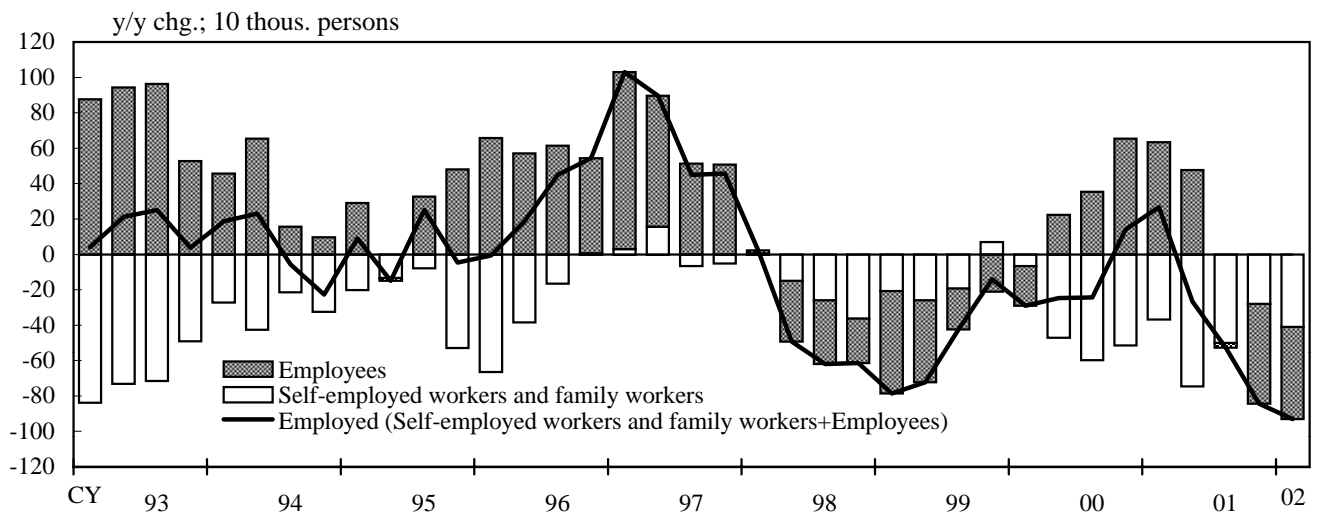
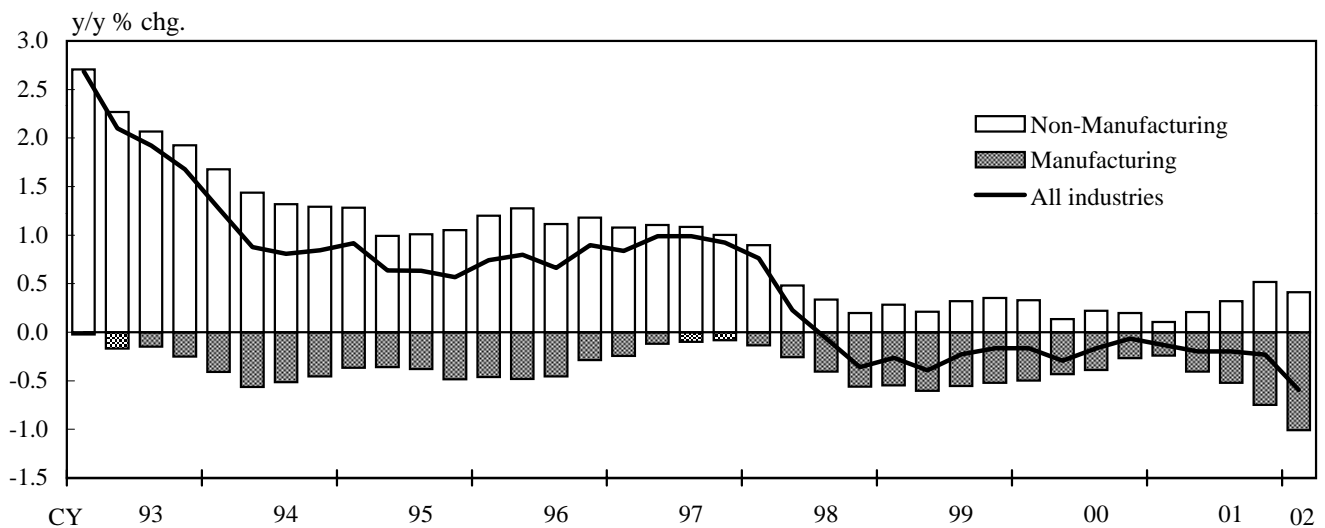
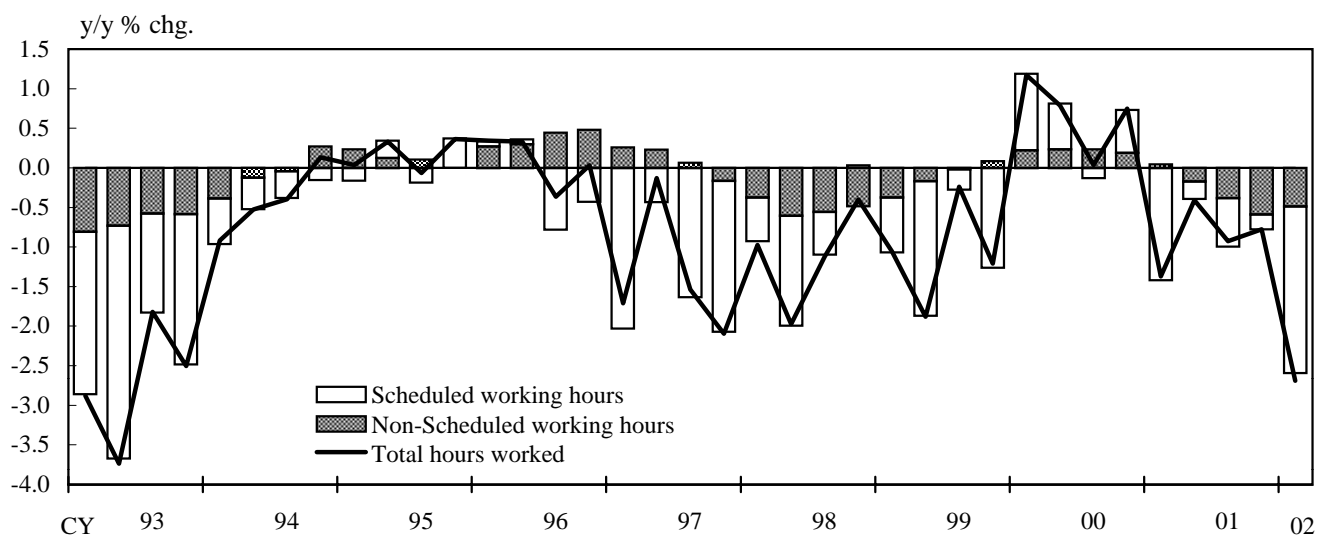
2. Exclude jobs offered to new graduates.

3. The data are based on a survey conducted by Teikoku Databank Ltd. Bankruptcies with liabilities of ten million yen or more.

Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service," "Report on Employment Insurance Service"; Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey"; Teikoku Databank Ltd., "Japan's Business Failure."

Labor Market (2)

(1) The Employed (Labour Force Survey)

(2) Number of Regular Employees¹ (Monthly Labour Survey)(3) Actual Hours Worked¹ (Monthly Labour Survey)

Notes: 1. Data for establishments with at least 5 employees. The data for Jan. 2002 are preliminary figures.

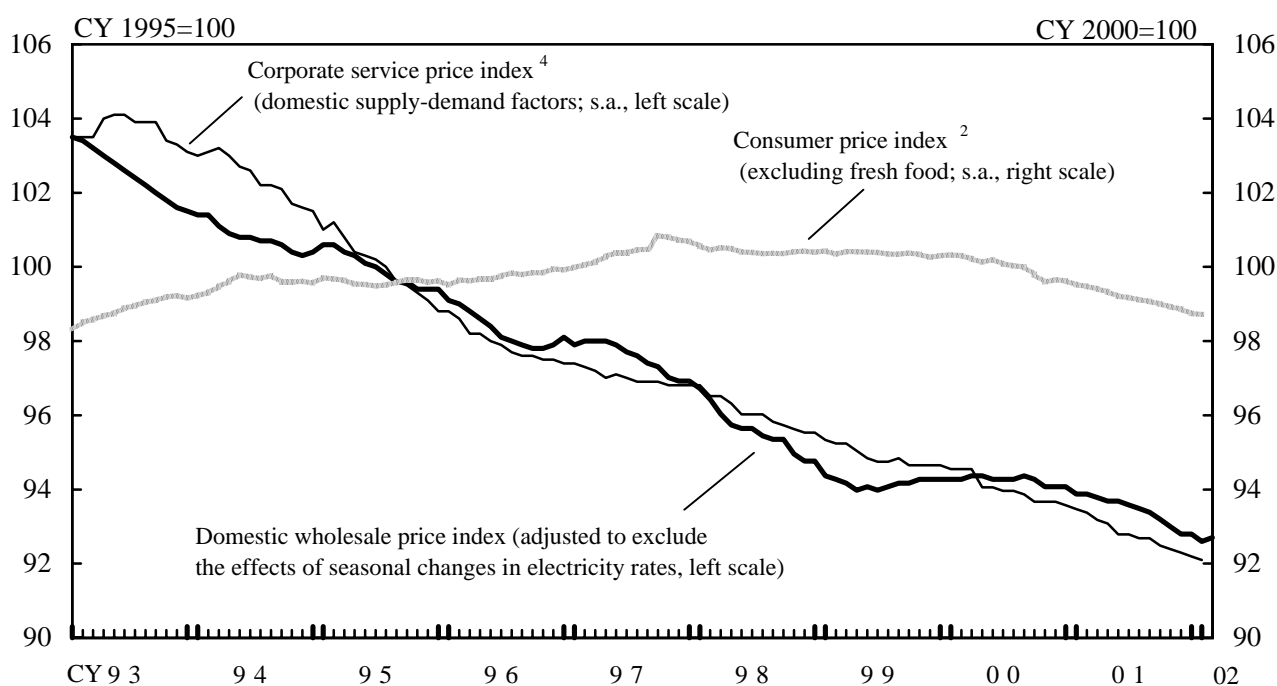
2. Figures for 02/Q1 are those of the January.

Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey" ;

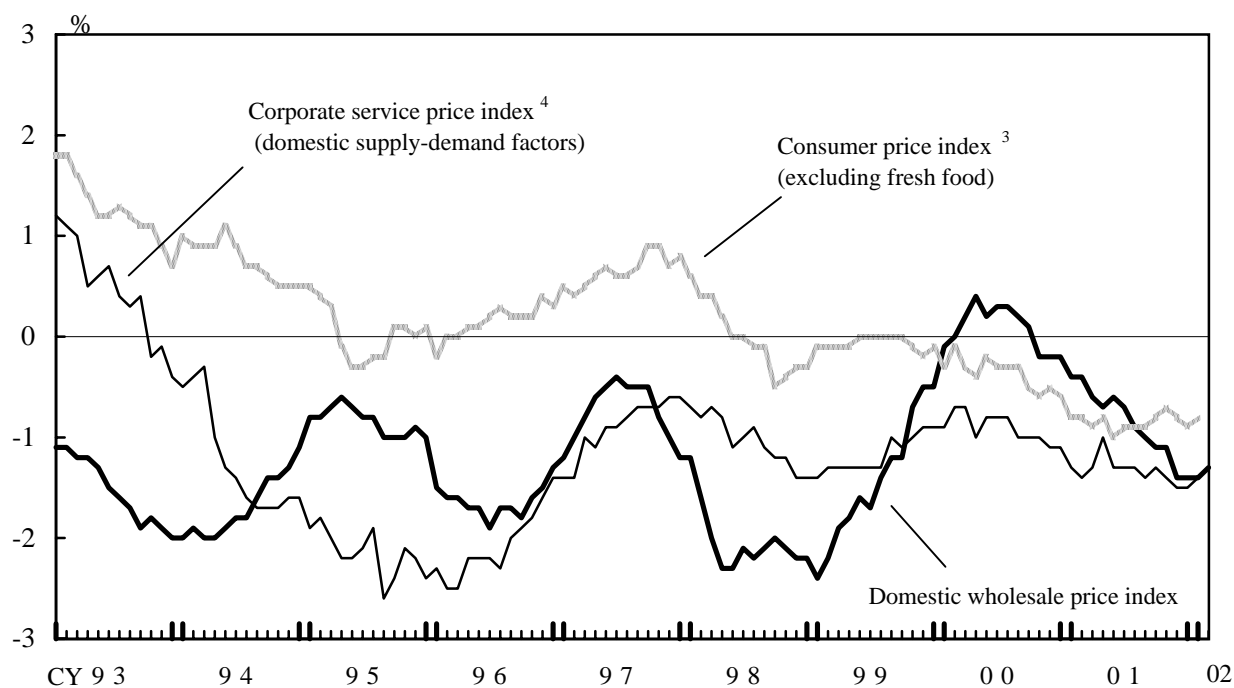
Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey."

Prices¹

(1) Level



(2) Changes from a year earlier

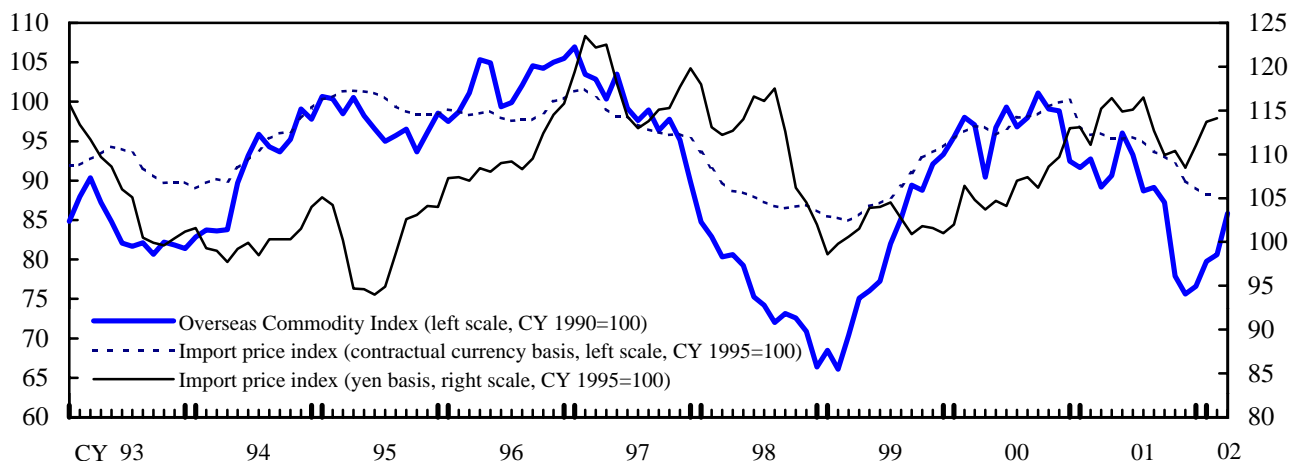


- Notes: 1. Excluding the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.
2. Seasonally adjusted by X-12-ARIMA (β version), based on the original series excluding package tours to overseas.
3. Data before Dec. 2000 are on the 1995 base CPI.
4. See footnote 4 in Chart 20, for definition of the Corporate service price index (domestic supply-demand factors).

Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications,
"Consumer Price Index";
Bank of Japan, "Wholesale Price Indexes," "Corporate Service Price Index."

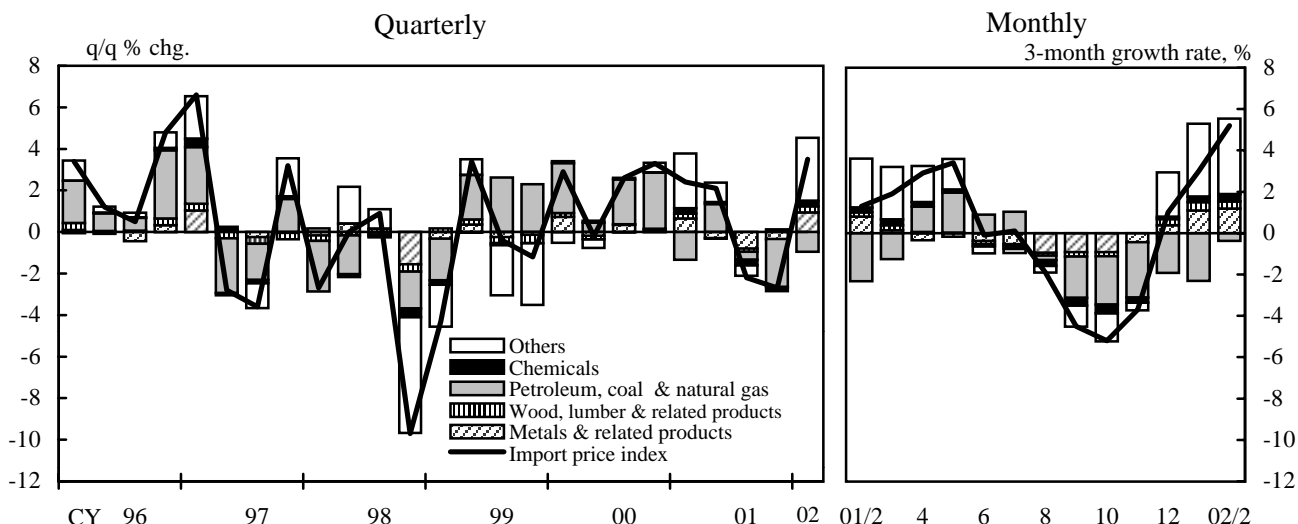
Import Prices and Overseas Prices

(1) Import Price Index and Overseas Commodity Index



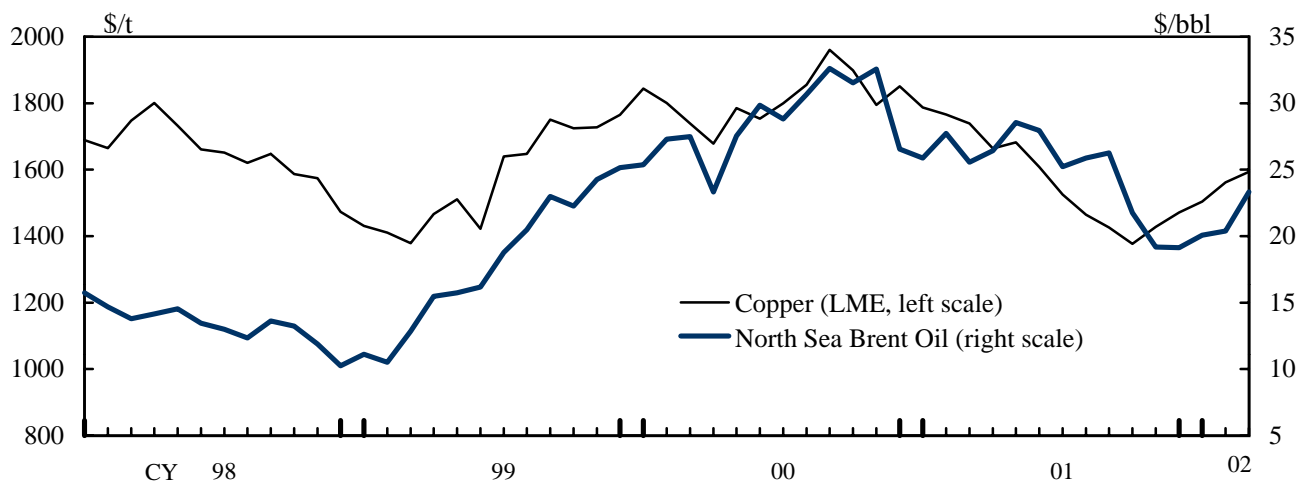
Note: Overseas Commodity Index, which is calculated by Bank of Japan, is a monthly average.
Figure for March 2002 is the average of March 1-18.

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



Note: Figures for 2002/Q1 are those of January-February averages.

(3) Oil price (spot) and Copper price (futures)

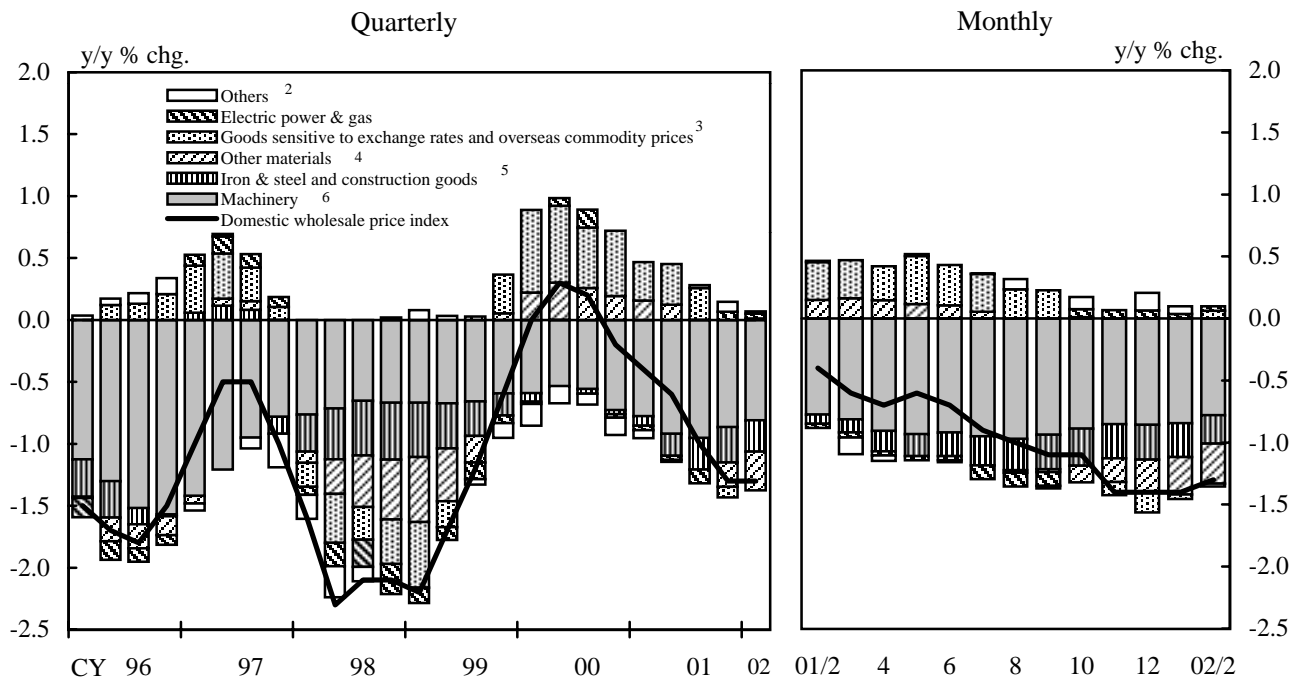
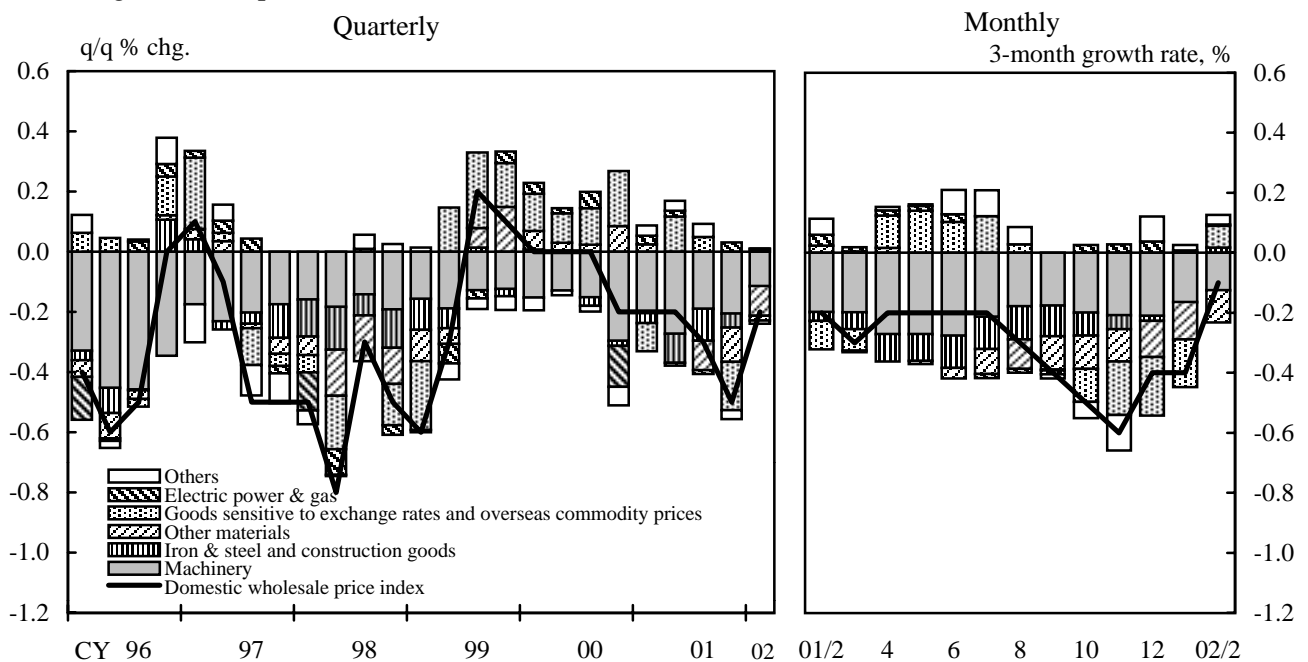


Note: Monthly averages. Figures for March 2002 are the averages of March 1-18.

Sources: Bank of Japan, "Wholesale Price Indexes," "Financial and Economic Statistics Monthly," etc.

Domestic Wholesale Price Index¹

(1) Changes from a year earlier

(2) Changes from a quarter earlier and 3 months earlier⁷

Notes: 1. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

2. Others = processed foodstuffs + other manufacturing industry products + edible agricultural, livestock & aquatic products + inedible agricultural & forestry products + mining products + water.

3. Goods sensitive to exchange rates and overseas commodity prices = petroleum & coal products + nonferrous metals.

4. Other materials = chemicals + plastic products + textile products + pulp, paper & related products.

5. Iron & steel and construction goods = iron & steel + metal products + ceramics, stone & clay products + lumber & wood products + scrap & waste.

6. Machinery = electrical machinery + general machinery + transportation equipment + precision instruments.

7. Adjusted to exclude the effects of the summer-time (from July to September) hike in electricity rates.

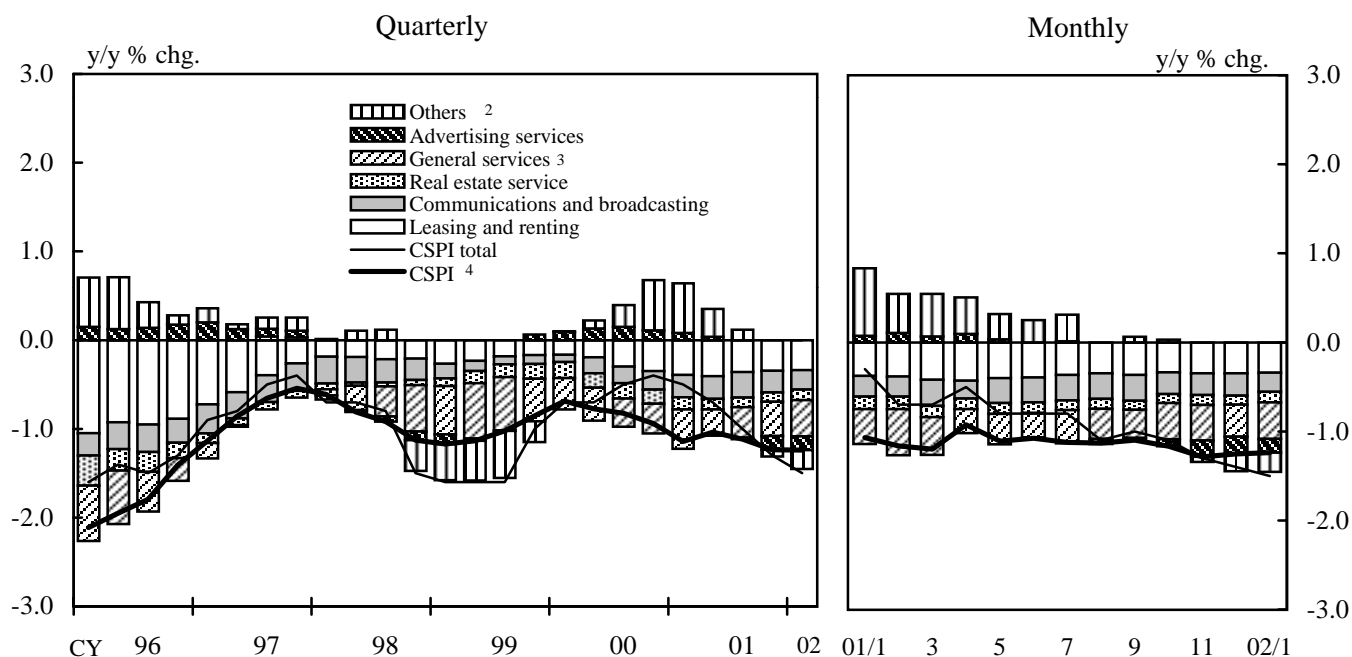
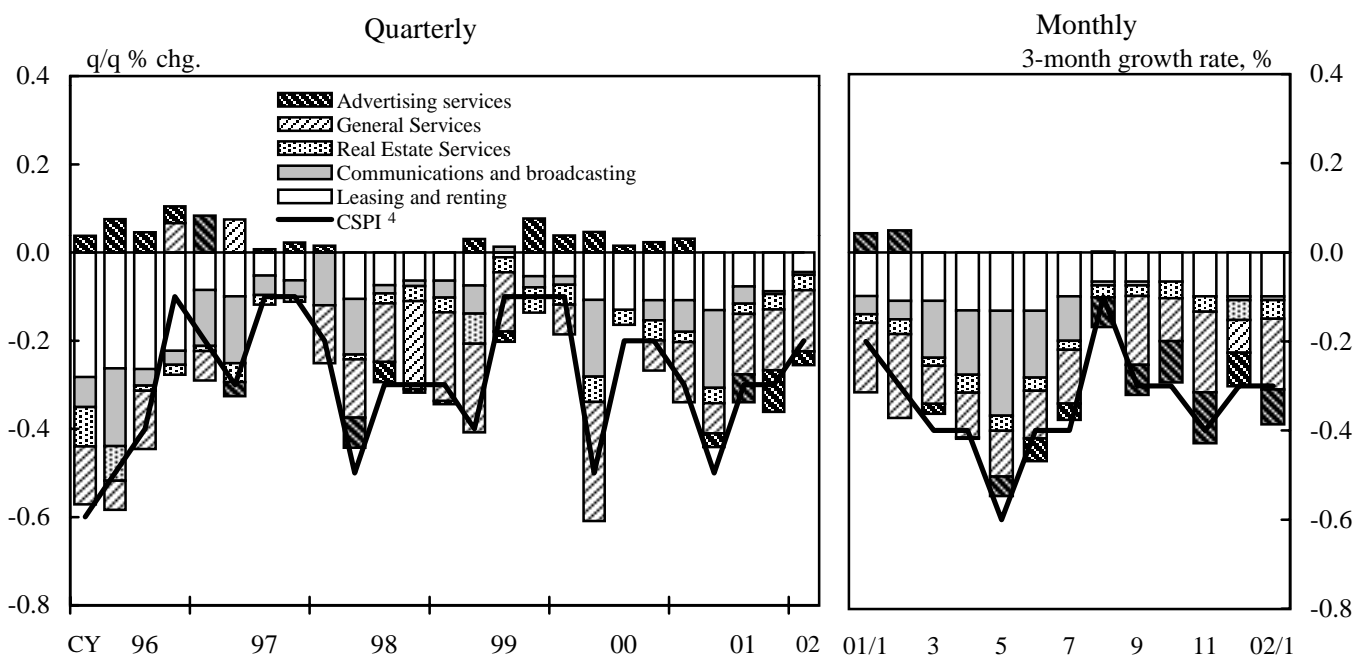
This effect causes the Domestic Wholesale Price Index to rise by about 0.2%.

8. Figures for 2002/Q1 are those of January-February averages.

Source: Bank of Japan, "Wholesale Price Indexes."

Corporate Service Price Index¹

(1) Changes from a year earlier

(2) Changes from a quarter earlier and 3 months earlier⁵

Notes: 1. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

2. Others = automobile insurance (compulsory) + railroad fares + bus fares + taxi fares + domestic air fares + tolls + postal services + sewerage disposal + ocean freight + international air freight + international air fares + securities issuance and related services (banks' procurator service for issuing debentures <excluding underwriting services>).

3. General services = finance & insurance + transportation + information services + building maintenance services + temporary worker services + machinery maintenance, etc. (excluding items in "others").

4. CSPI (domestic supply-demand factors) includes all items aside from "others" as defined above. This index mainly reflects the supply and demand conditions in the domestic private sector.

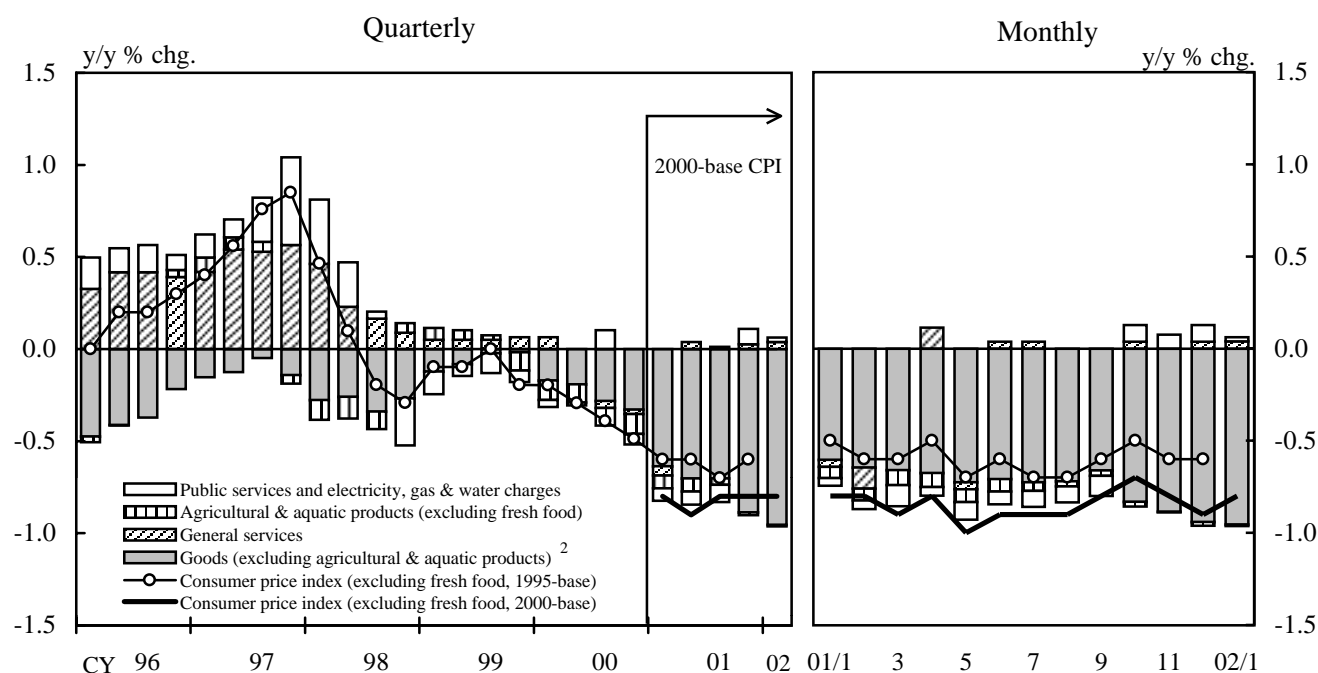
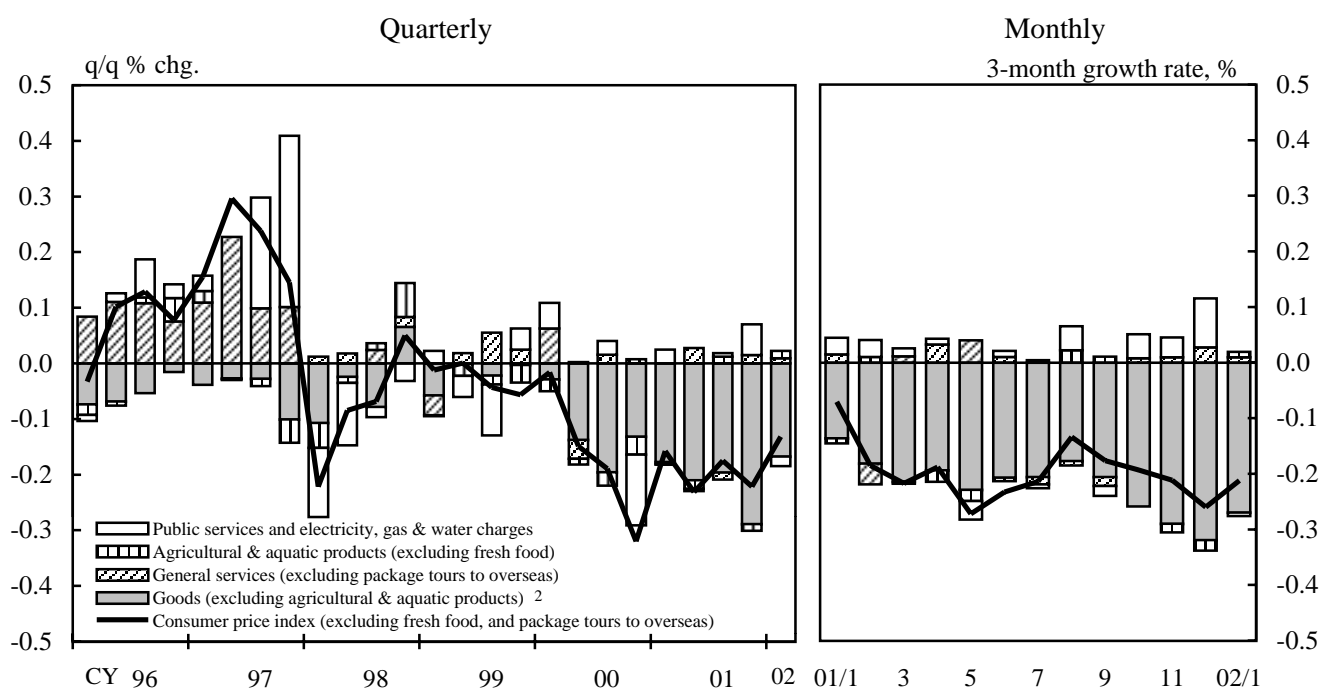
5. Television commercials in Advertising services, Sales space rental in Real estate services, and General warehousing and storage in Transportation are seasonally adjusted by X-12-ARIMA.

Due to seasonal adjustment every month, the series are revised retroactively every month.

6. Figures for 2002/Q1 are those of January.

Consumer Price Index (excluding fresh food)¹

(1) Changes from a year earlier

(2) Changes from a quarter earlier and 3 months earlier (2000-base CPI)³

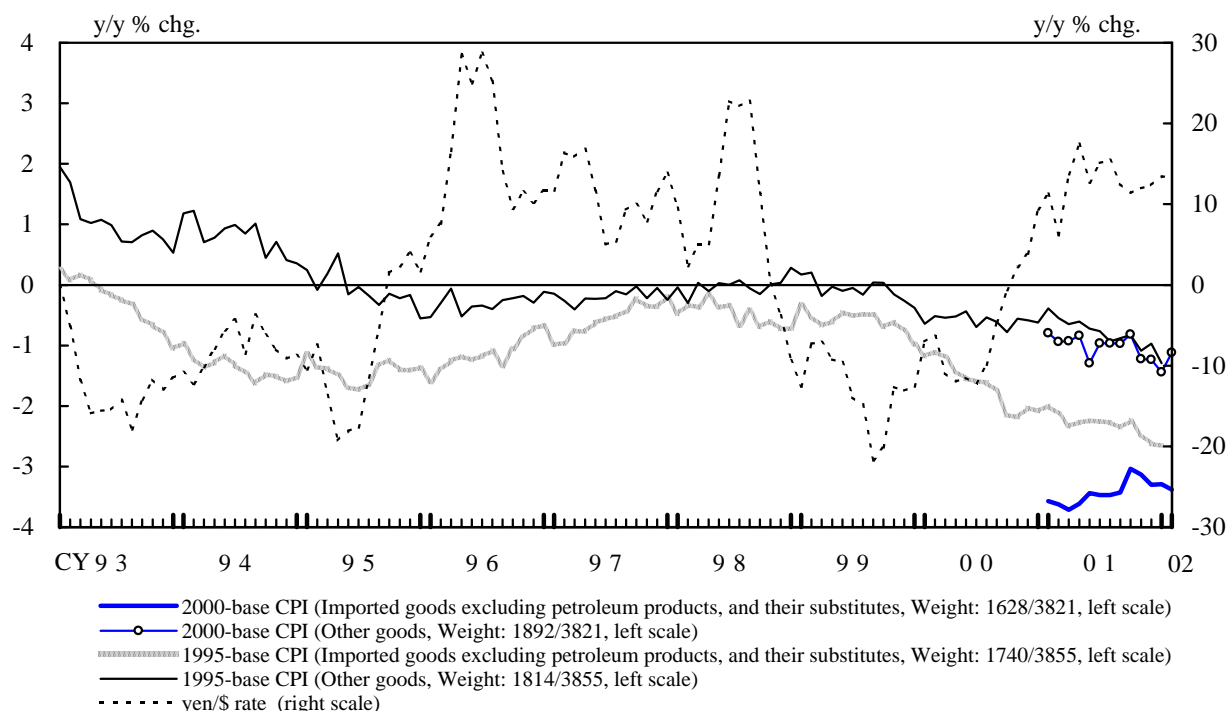
Notes: 1. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

2. The Items are basically the same as the definition published by the Ministry of Public Management, Home Affairs, Posts and Telecommunications, however electricity, gas & water charges is excluded from goods.

3. Seasonally adjusted by X-12-ARIMA (β version). Due to seasonal adjustment every month, the series are revised retroactively every month. Because of the seasonal adjustment error, there are discrepancies between the CPI and the sum of its components.

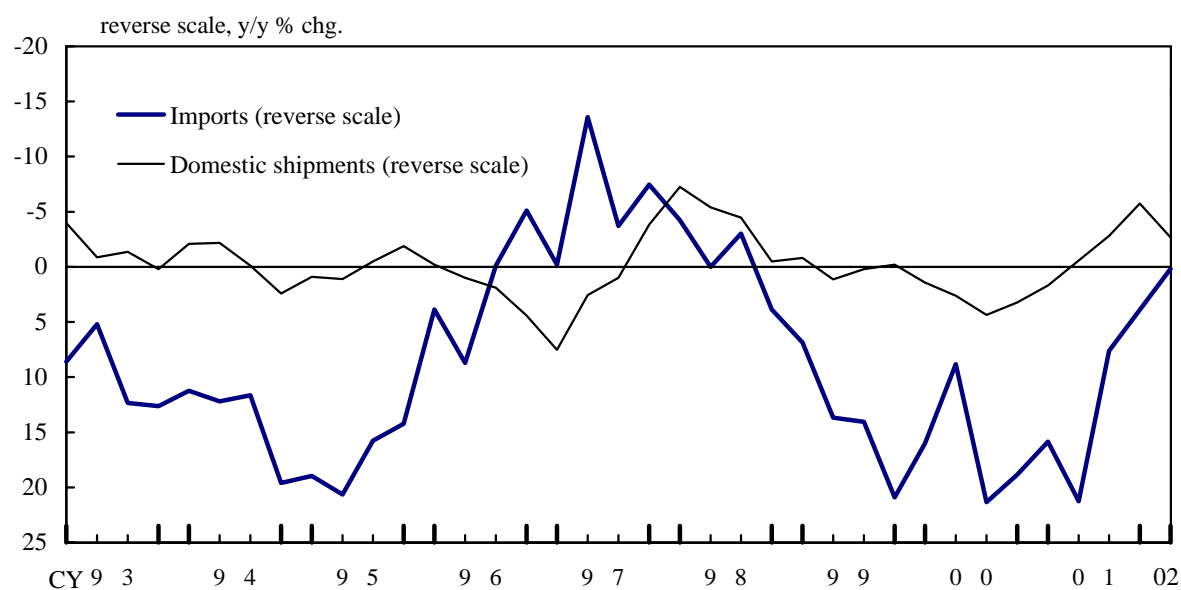
4. Figures for 2002/Q1 are those of January.

Source: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index."

Consumer Price Index (Imported goods and their substitutes)¹(1) Comparison of imported goods and other goods in terms of CPI ²

- Notes: 1. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.
2. Imported goods (excluding petroleum products) consist of items common to both the Import Price Index and the Consumer Price Index, and their substitutes consist of items considered to be substitutable for import products but not covered by the Import Price Index.
3. Adjusted to exclude the effects of the special tobacco tax introduced in December 1998, and biscuits, prices of which were heavily affected by changes in monitored brands. Weight is shares in Goods (excluding agricultural & aquatic products).

(2) Consumer goods supply (Imports and Domestic shipments)

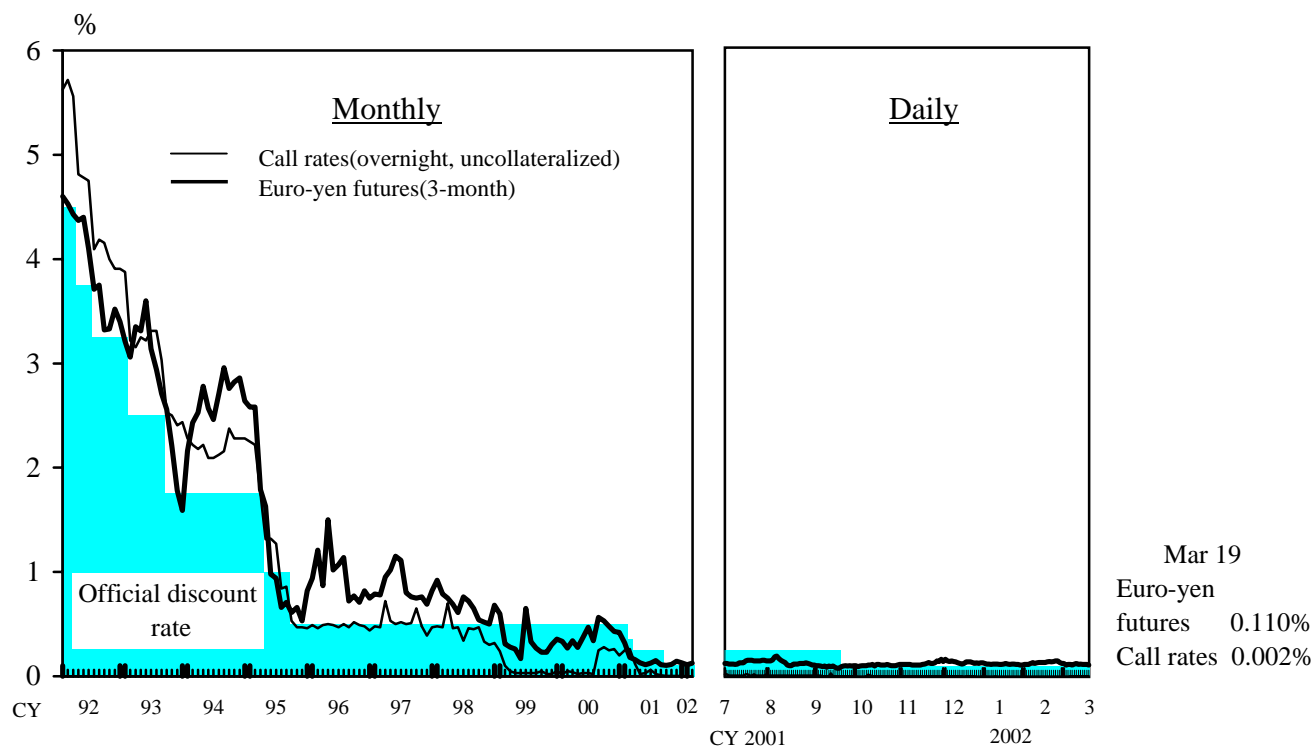


Note: See footnote Chart 10-4, for definition of the consumer goods supply.

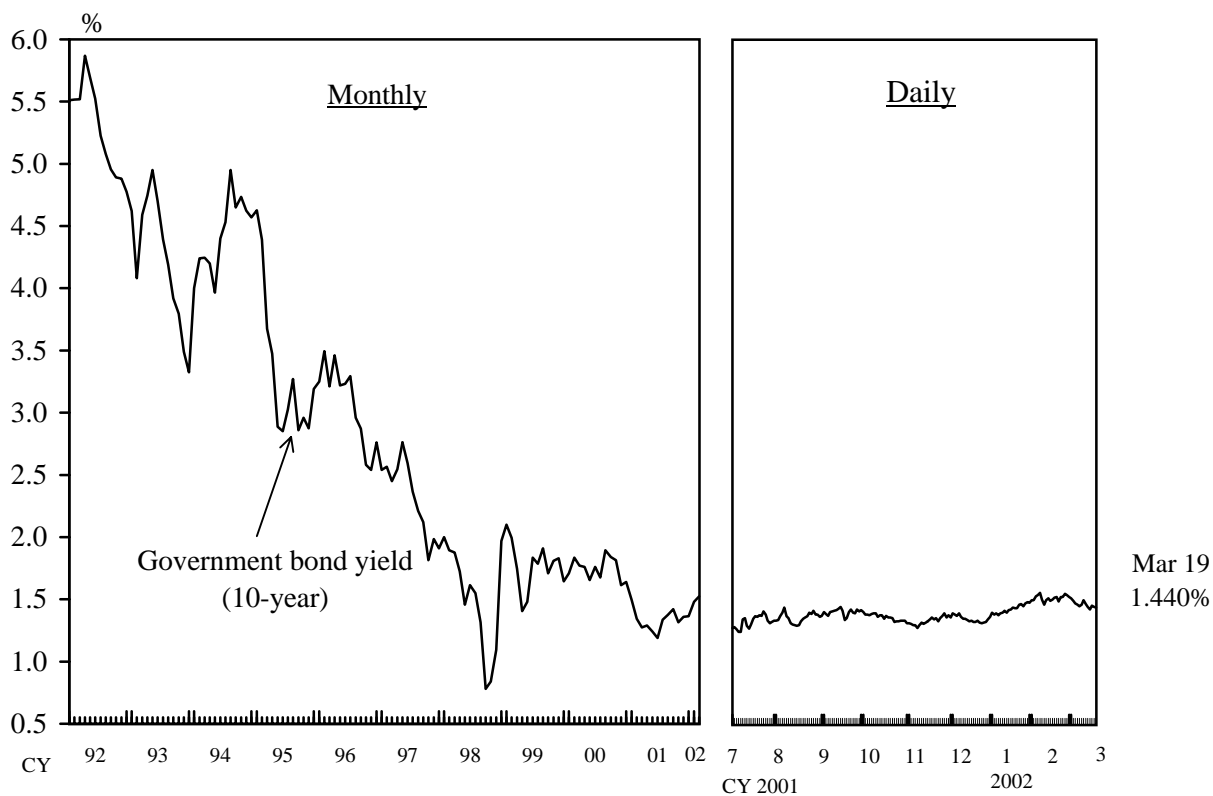
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index"; Ministry of Finance, "The Summary Report on Trade of Japan"; Ministry of Economy, Trade and Industry, "Indices of Industrial Production," "Indices of Industrial Domestic Shipments and Imports"; Bank of Japan, "Wholesale Price Indexes."

Interest Rates

(1) Short-Term



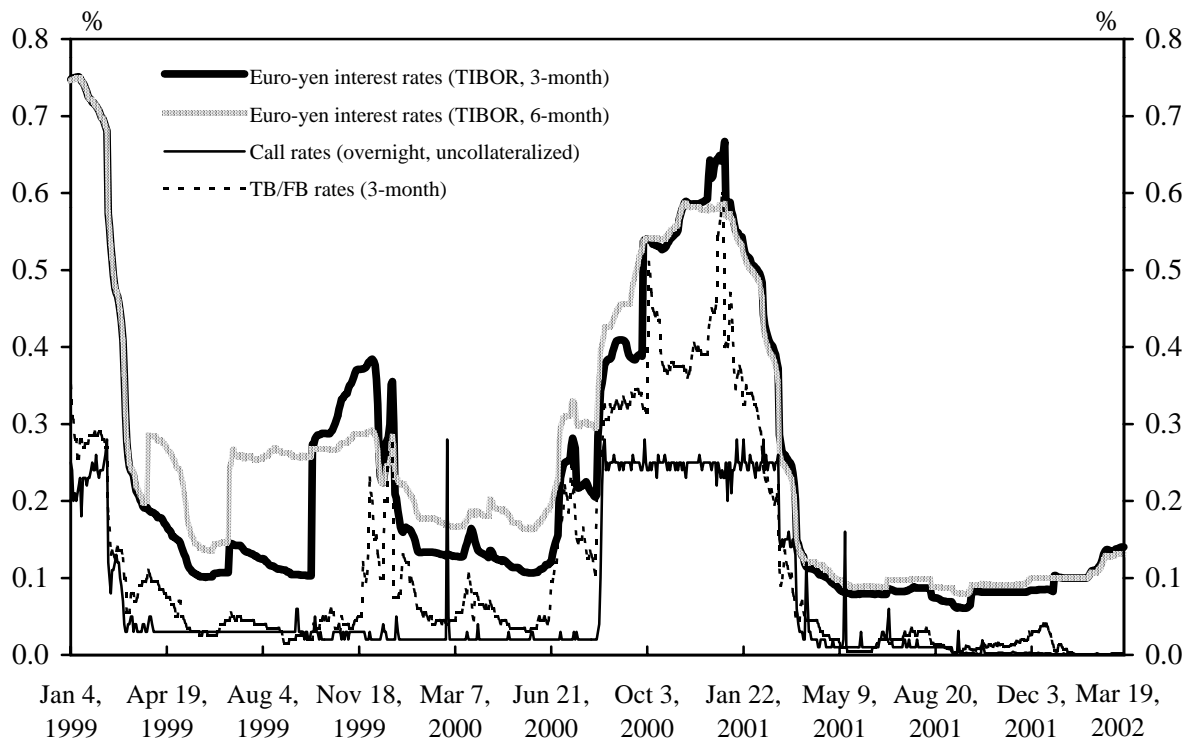
(2) Long-Term



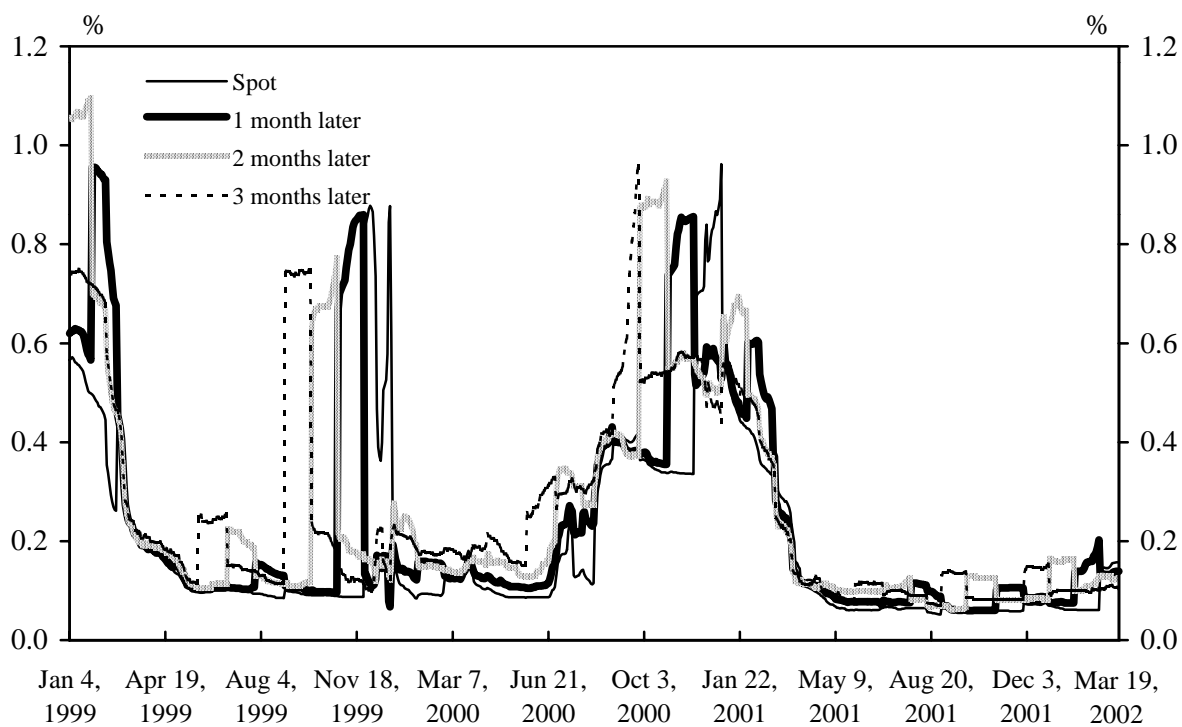
Sources: Bank of Japan; Tokyo International Financial Futures Exchange; Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments

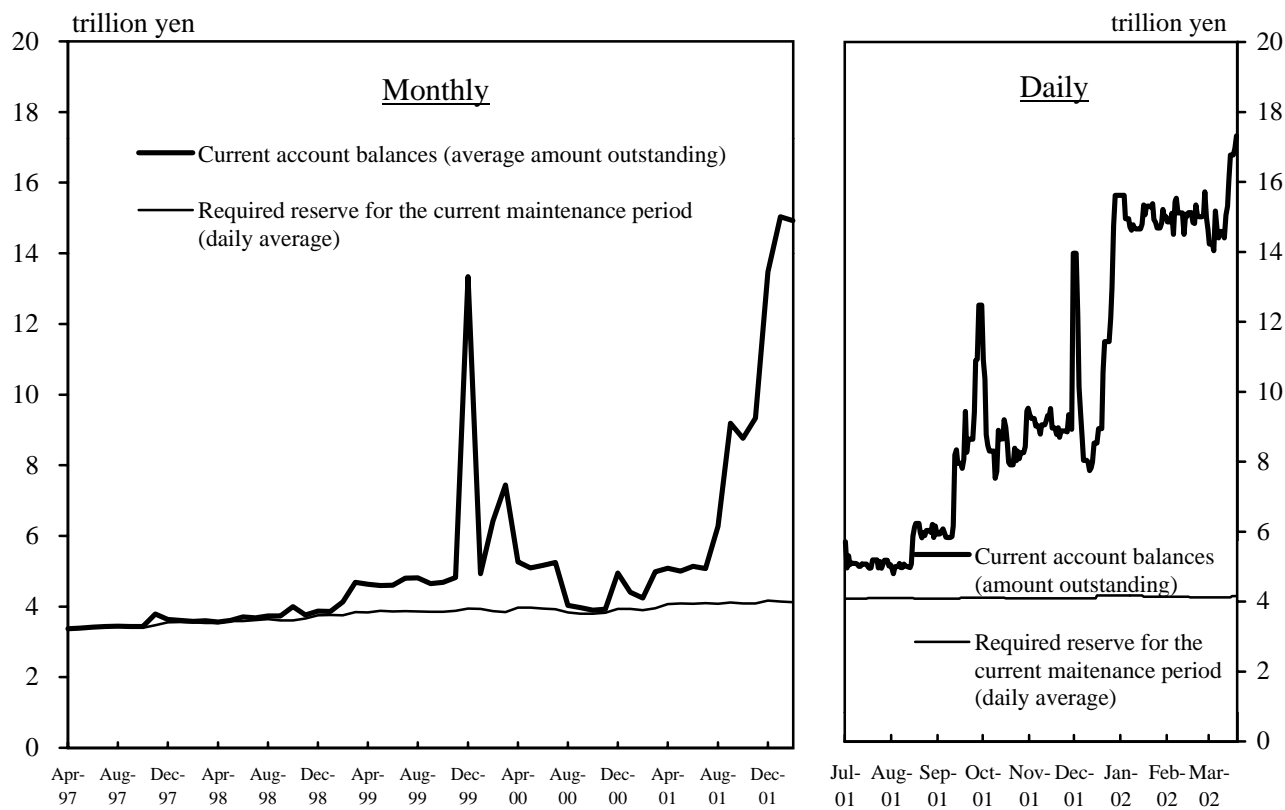


(2) Implied Forward Rate (1-Month Forward Rates Calculated from Euro-Yen Interest Rates)

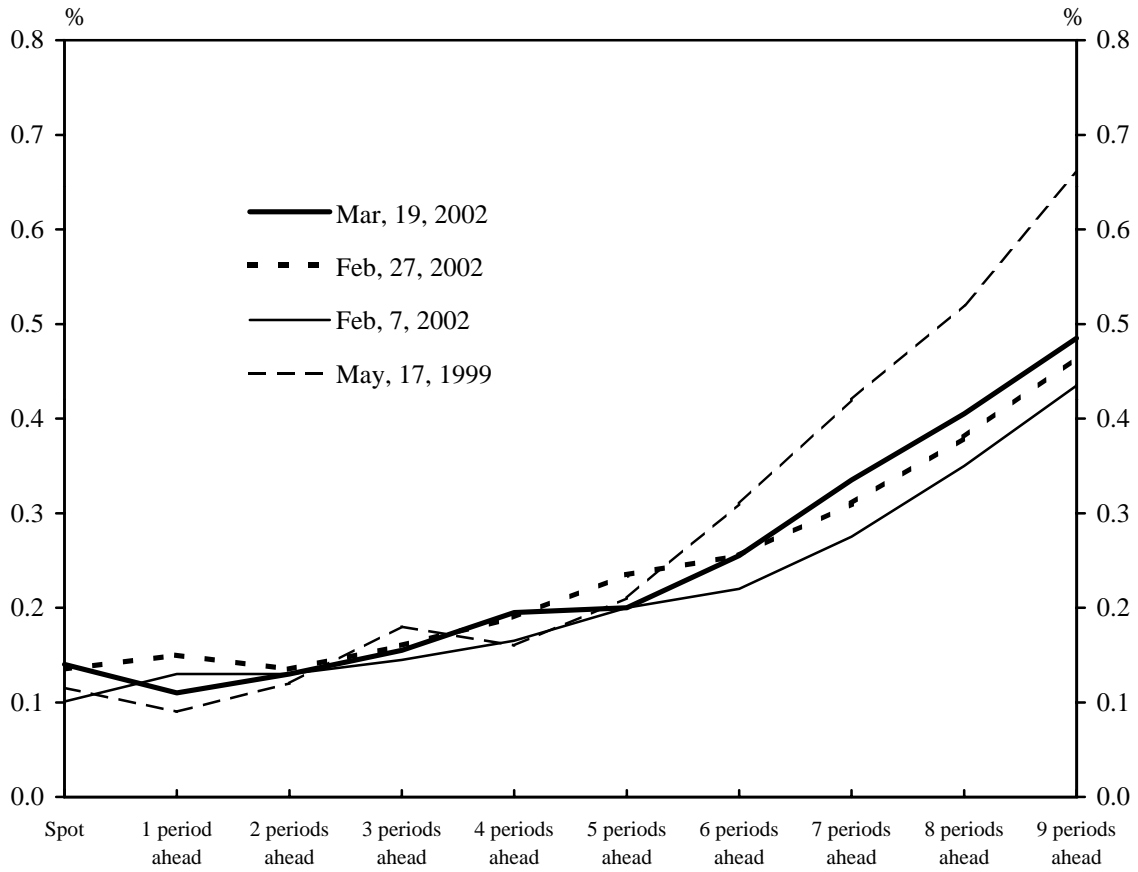


Sources: Bank of Japan; Japanese Bankers Association; Japan Bond Trading Co., Ltd.

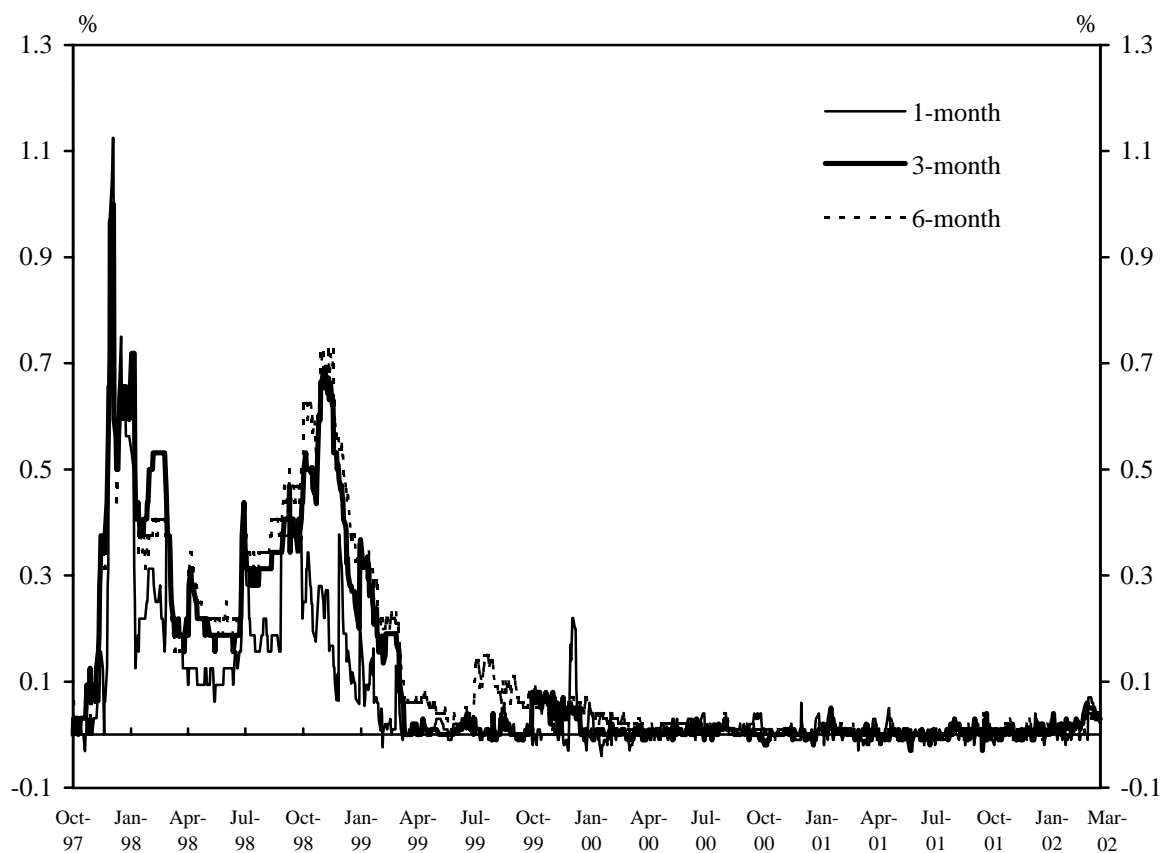
Current Account Balances at the Bank of Japan



Euro-Yen Interest Rates Futures (3-Month)



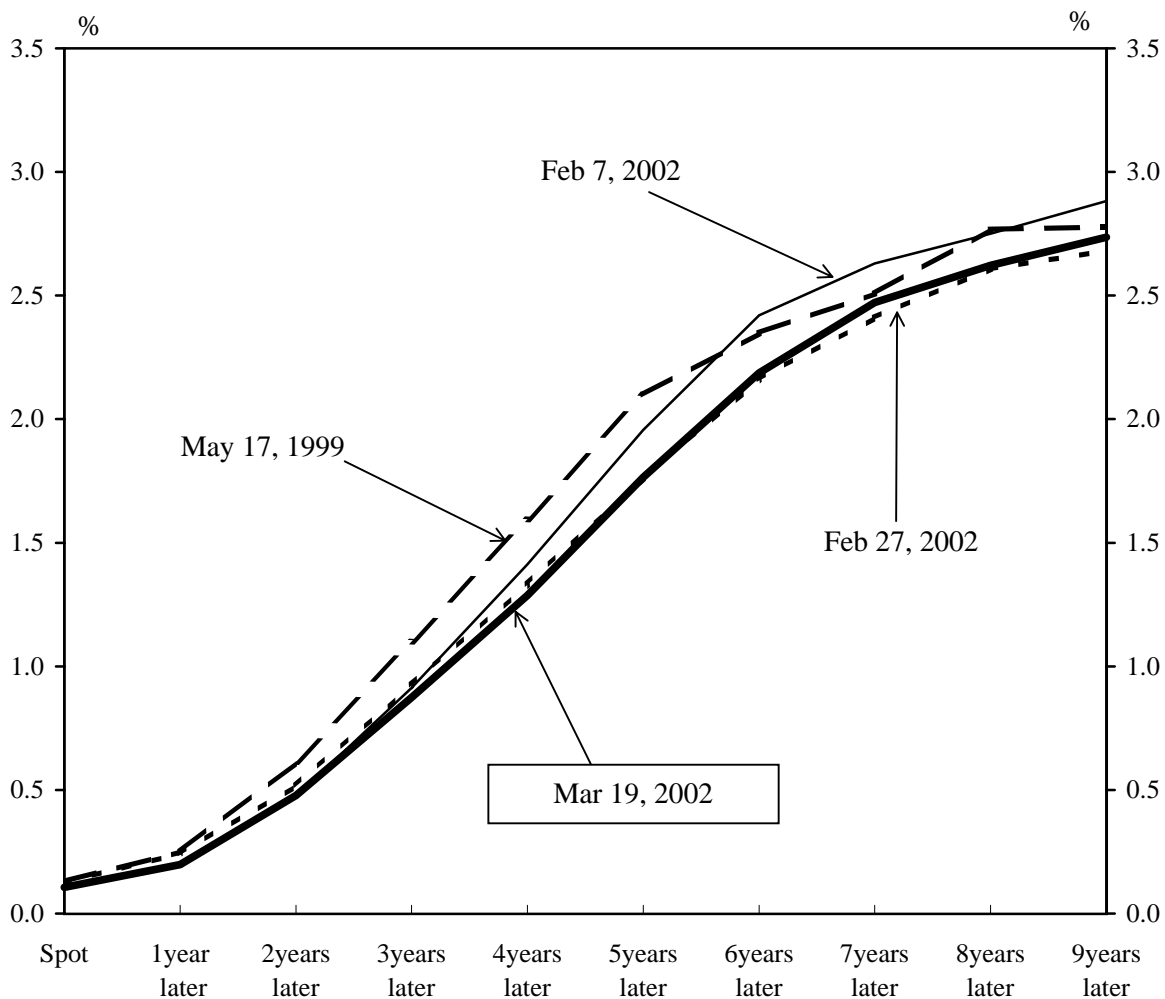
Source: Tokyo International Financial Futures Exchange.

Japan Premium in the Eurodollar Market ¹

Note: 1. Japan premium is an extra expense Japanese banks must pay for raising funds in overseas financial markets. Japan premium in this chart is calculated as follows:
Japan premium = interest rate quoted by Bank of Tokyo-Mitsubishi - interest rate quoted by Barclays Bank in the Eurodollar market (London).

Source: British Bankers' Association (BBA).

Implied Forward Rates (1-year)¹

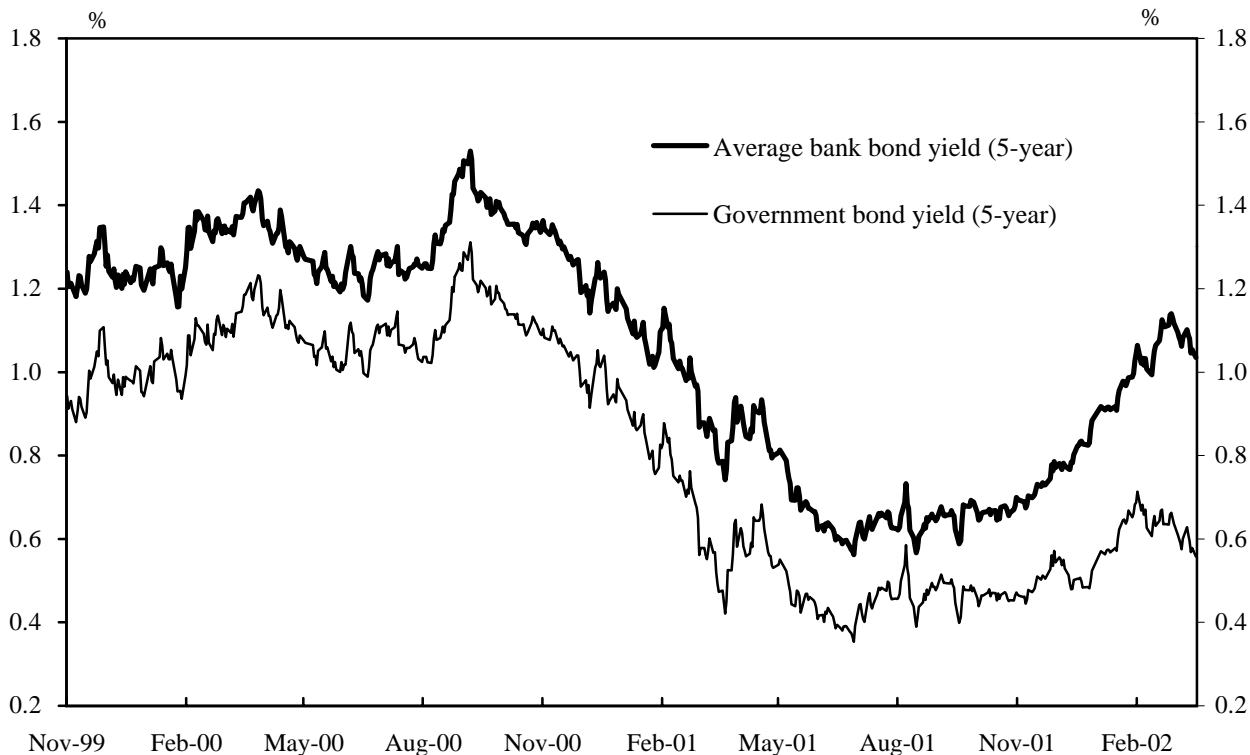


Note :Calculated from yen-yen swap rates.

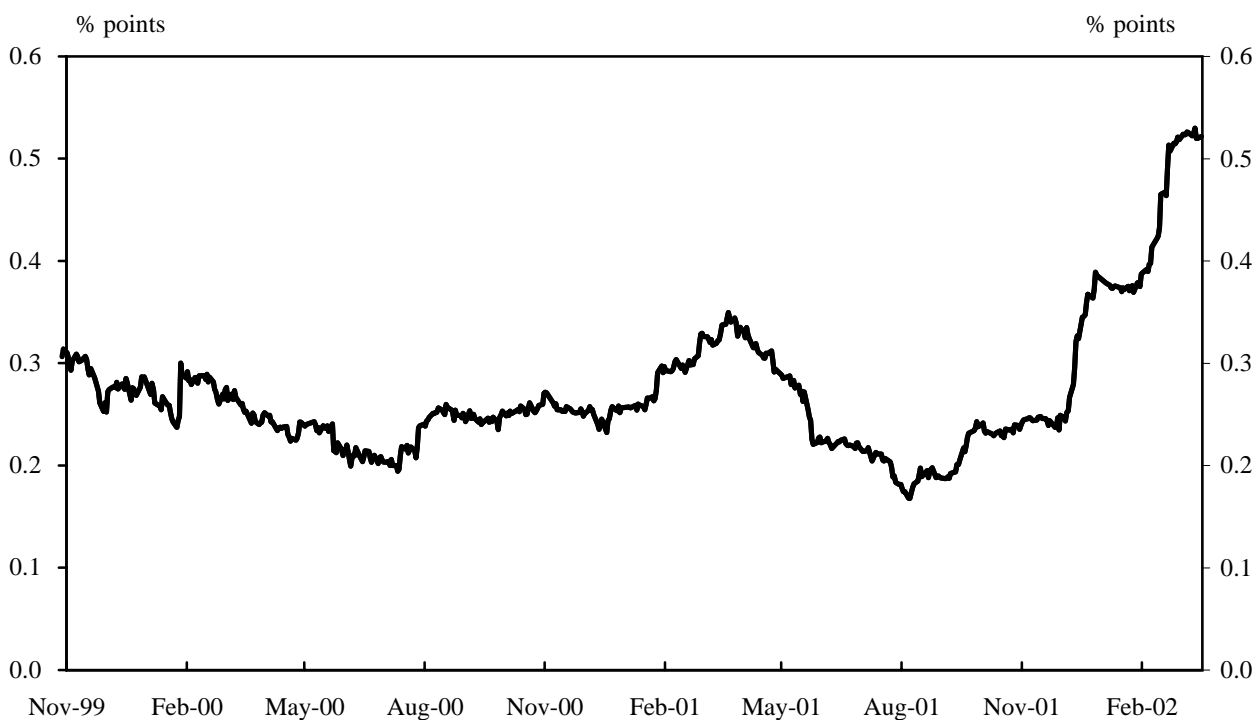
Source: Kyodo News.

Yields of Bank Bonds

(1) Bond Yields



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



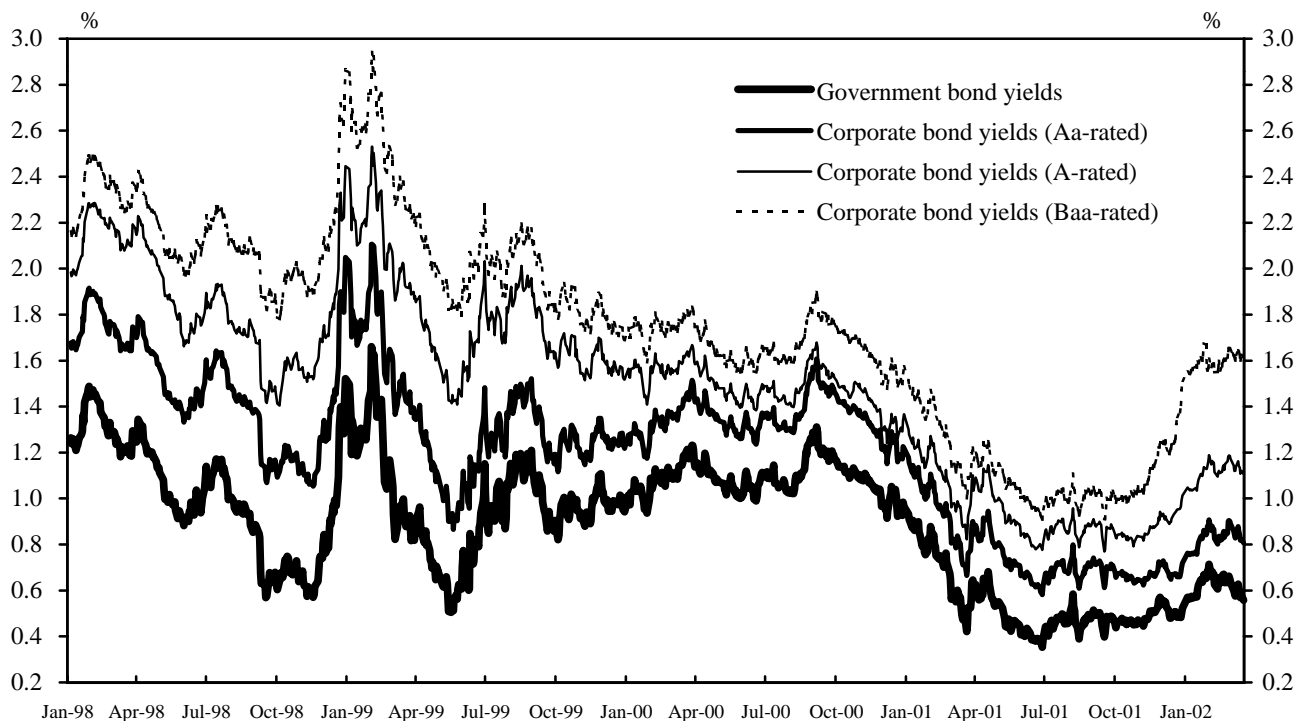
Note: 1. Yields on bonds with 5-year maturity.

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

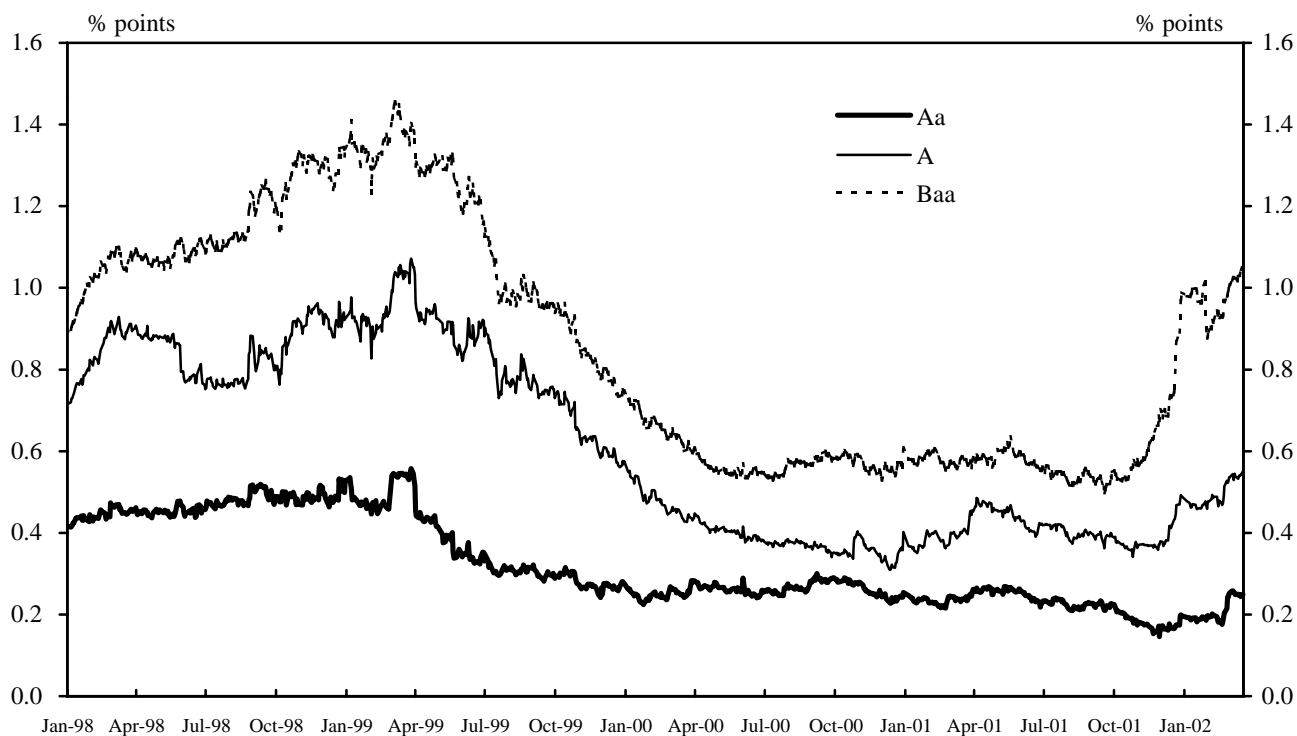
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Corporate Bond Yields ¹

(1) Yields of Government and Corporate Bonds by Rating



(2) Yield Spreads of Public and Corporate Bonds



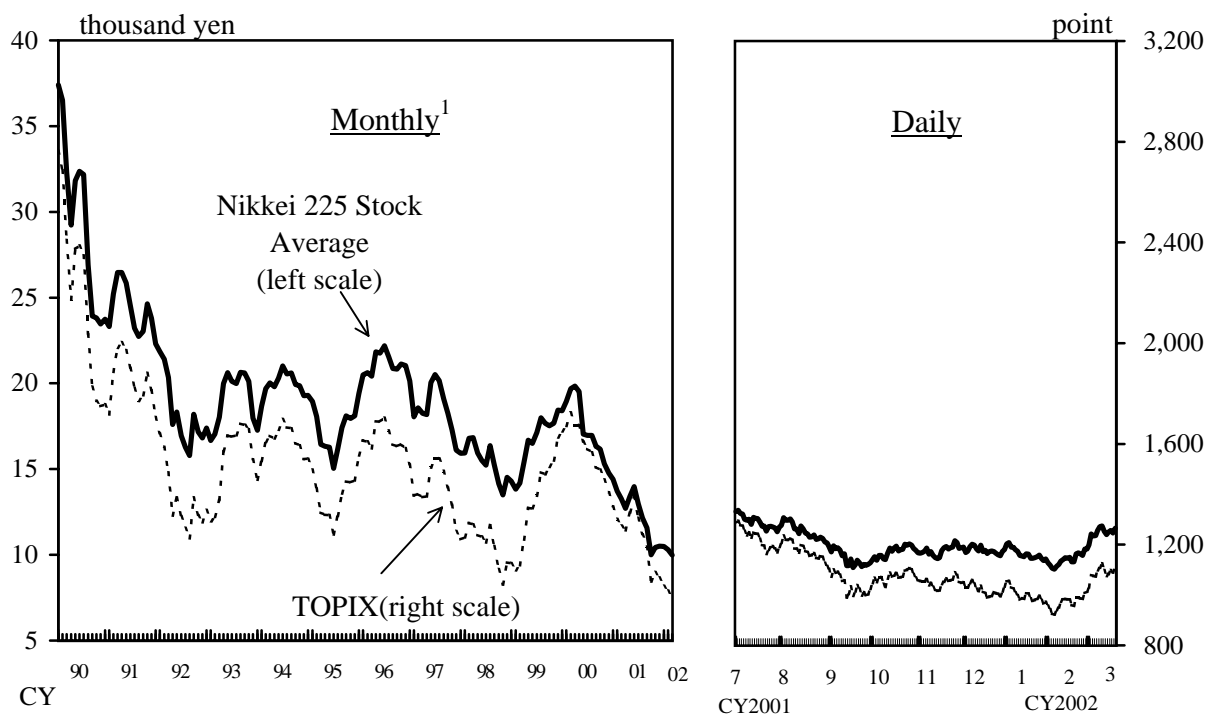
Note: 1. Yields on bonds with 5-year maturity.

The indicated ratings are of Moody's.

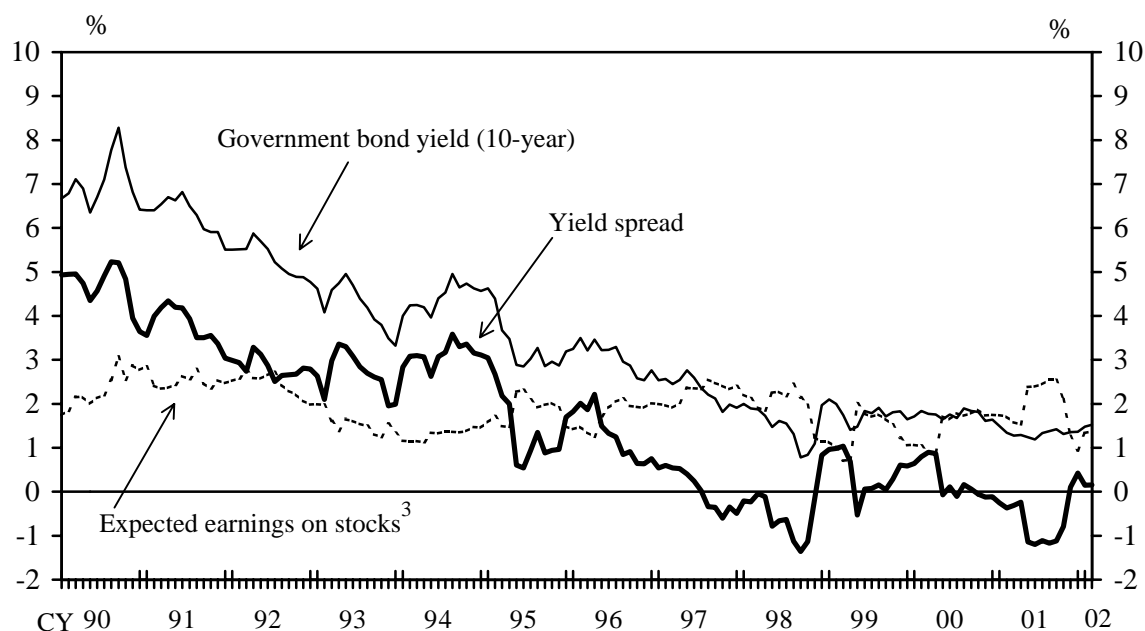
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Stock Prices

(1) Stock Prices



(2) Yield Spread²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

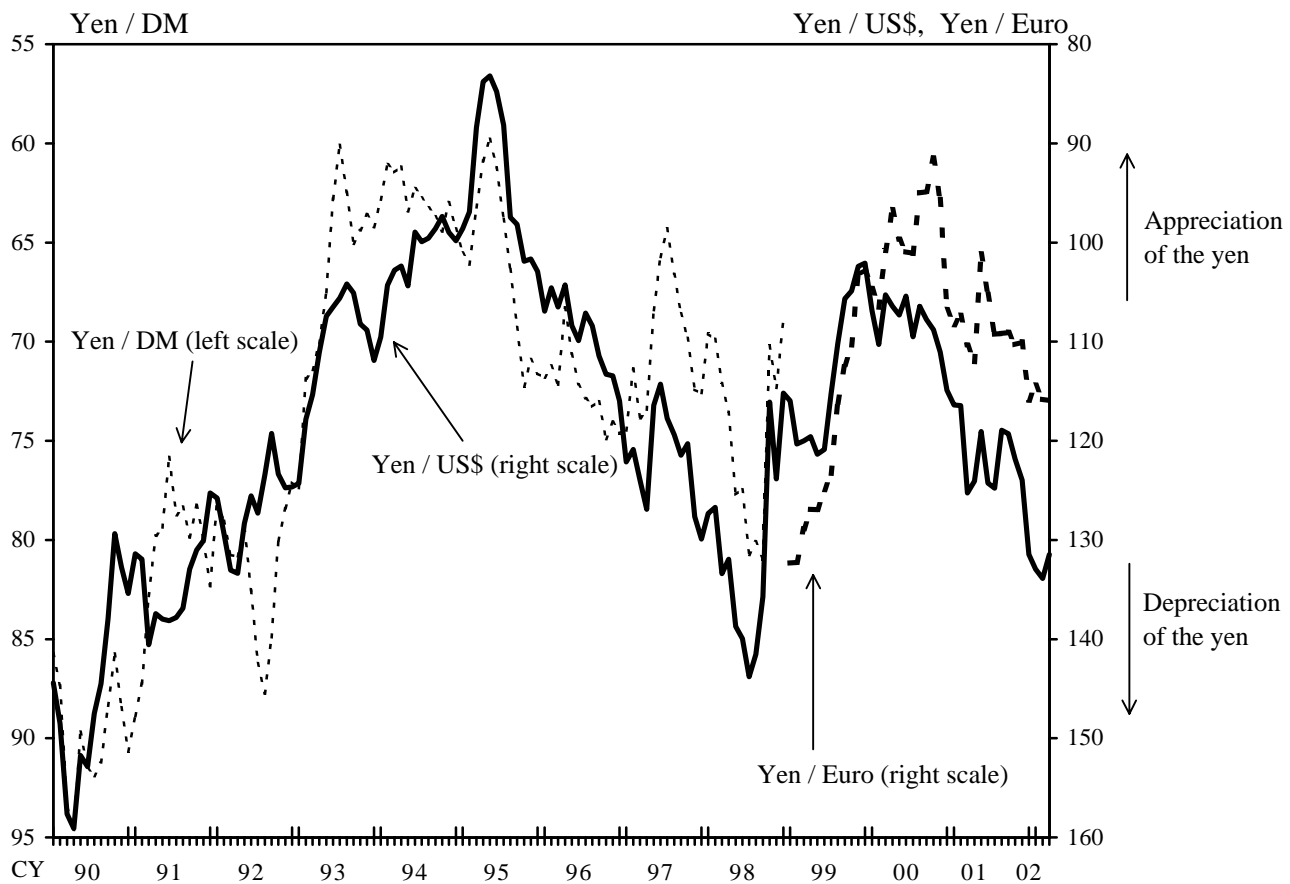
Yield spread = government bond yields - expected earnings on stocks,
 where expected earnings on stocks = 1/expected price earnings ratio.

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

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

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

Exchange Rates ¹

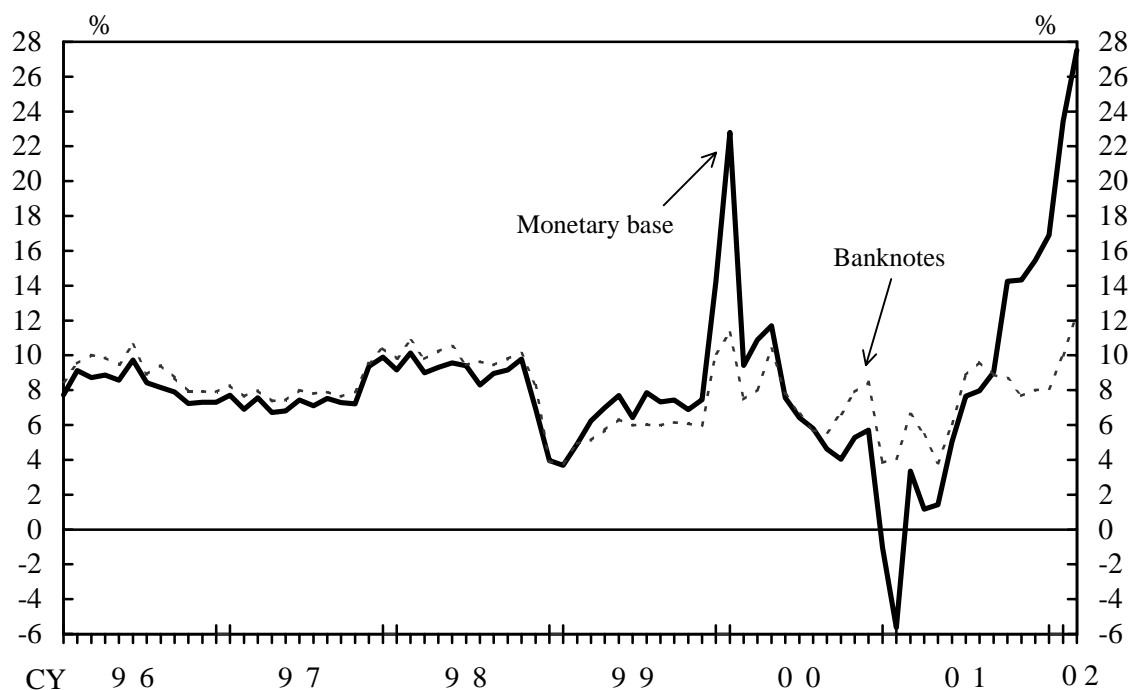


Note: 1. End of month. Data for March 2002 are as of March 19, 2002.

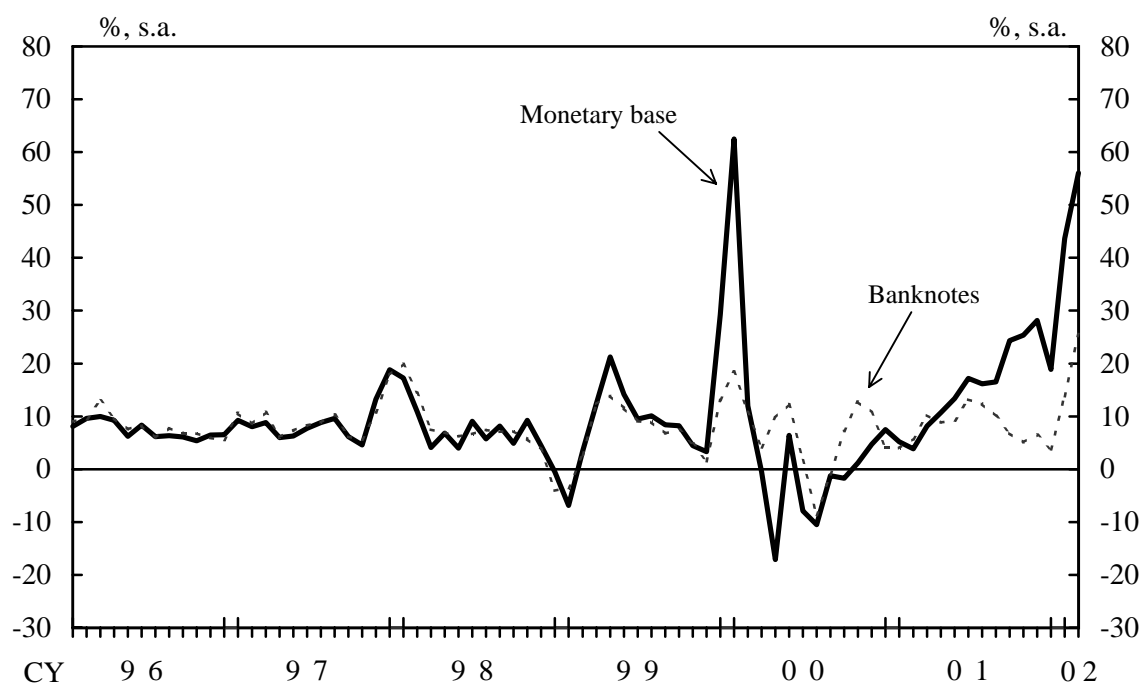
Source: Bank of Japan.

 Monetary Base

(1) Changes from a Year Earlier



(2) Changes from Three Months Earlier (Annualized)



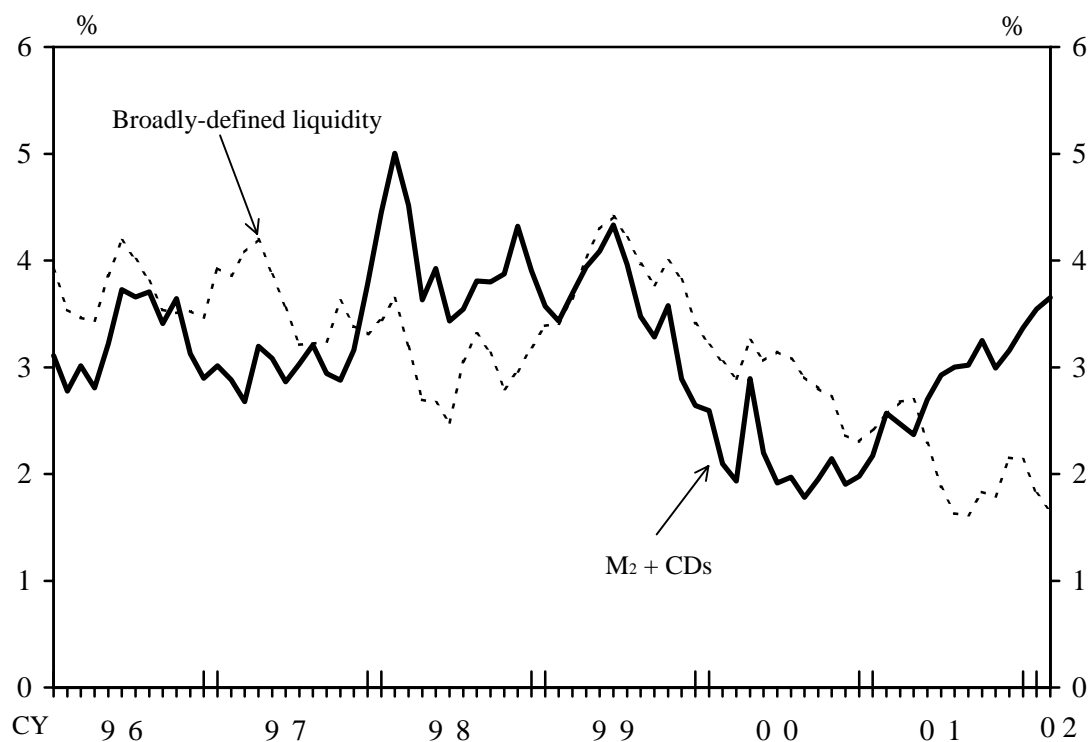
Note: Monetary base = currency in circulation (banknotes + coins) + current deposits at the Bank of Japan.

Data for currency in circulation include holdings of financial institutions.

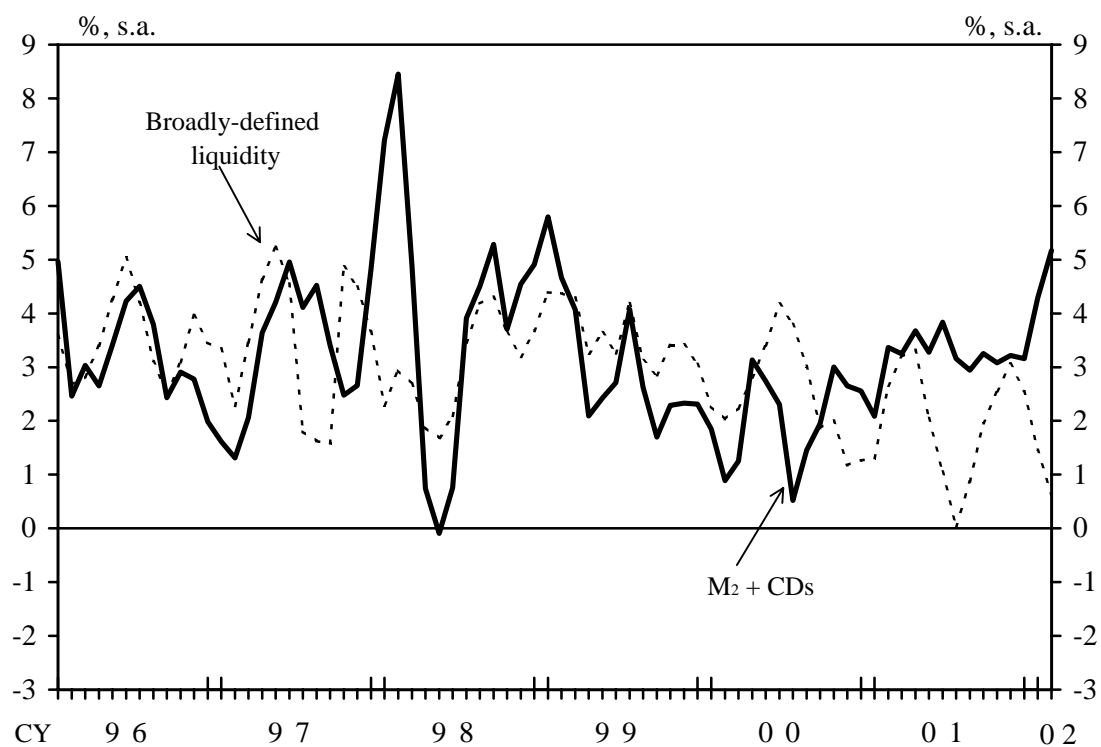
Source: Bank of Japan.

Money Stock (M₂+CDs, Broadly-Defined Liquidity)

(1) Changes from a Year Earlier

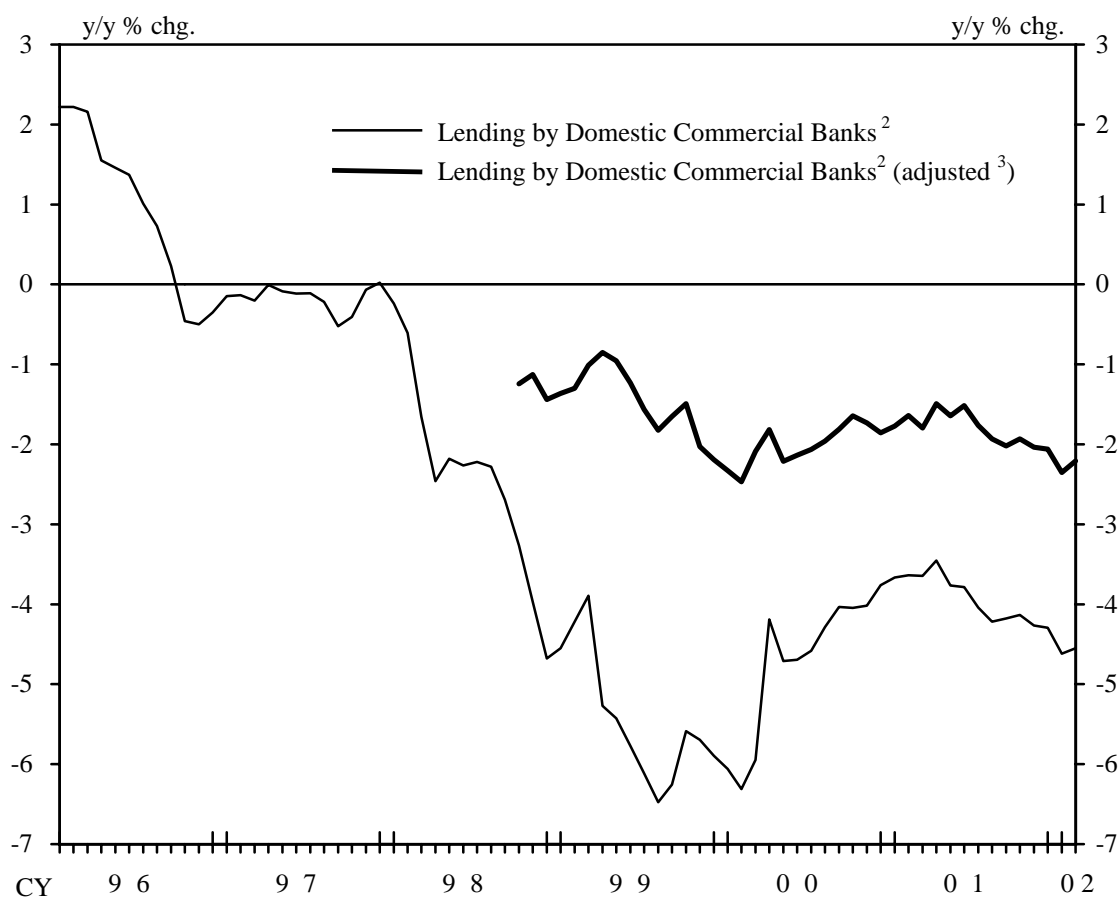


(2) Changes from Three Months Earlier (Annualized)



Note: Percent changes in average amounts outstanding.

Source: Bank of Japan.

Lending by Domestic Commercial Banks ¹

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

2. "Domestic commercial banks" refers to member banks of the Japanese Bankers Association, which consists of city banks, long-term credit banks, trust banks (excluding foreign-owned trust banks and trust banks that started business after October 1993), the member banks of the Regional Banks Association of Japan (regional banks) and the member banks of the Second Association of Regional Banks (regional banks II).

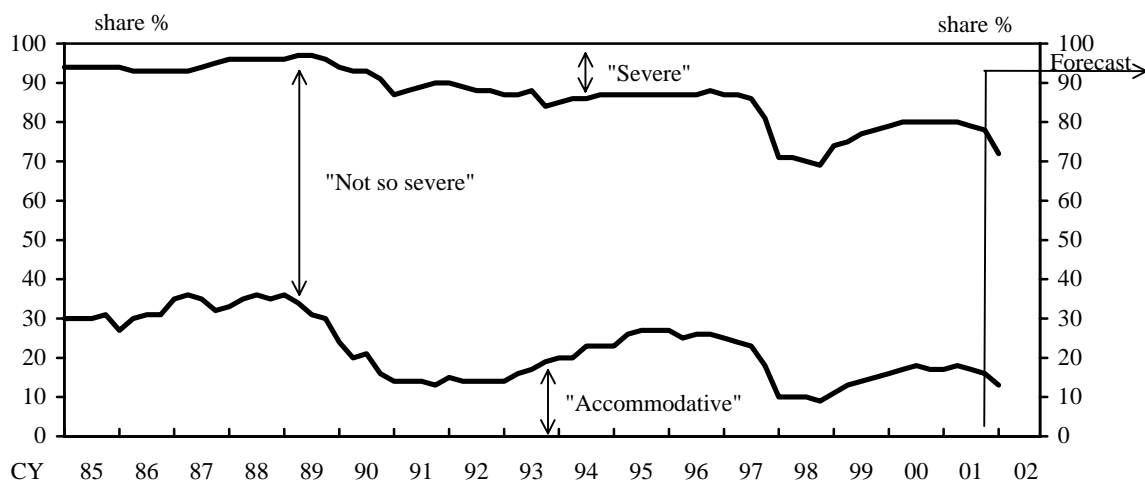
3. Adjusted to exclude

- (1) fluctuations from the liquidation of loans,
- (2) fluctuations in the yen value of foreign currency-denominated loans due to changes in exchange rates,
- (3) fluctuations from loan write-offs,
- (4) the transfer of loans to the former Japan National Railways Settlement Corporation to the General Account, and
- (5) the transfer of loans to the former Housing Loan Administration Corporation to the Resolution and Collection Corporation.

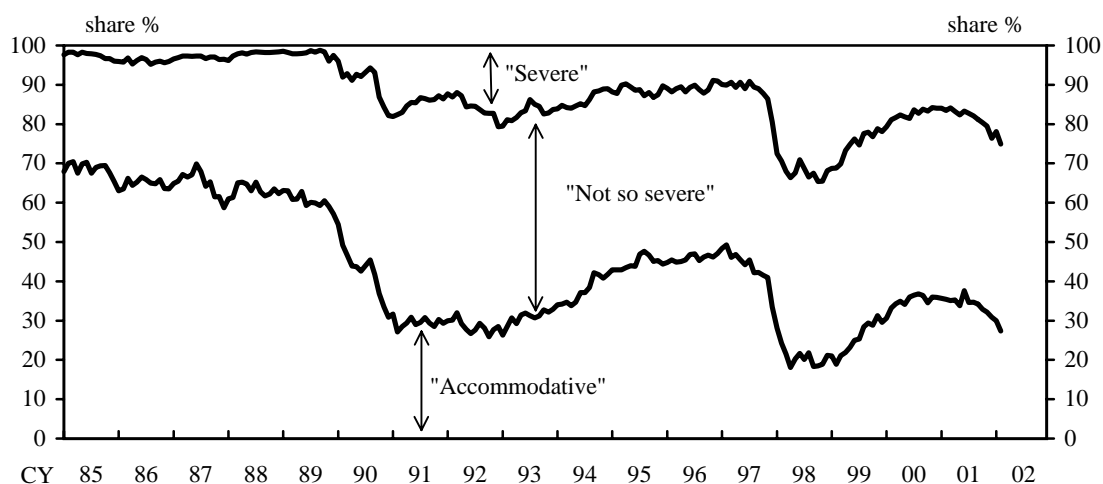
Source: Bank of Japan, "Principal Figures of Financial Institutions."

Lending Attitude of Financial Institutions as Perceived by Small Enterprises

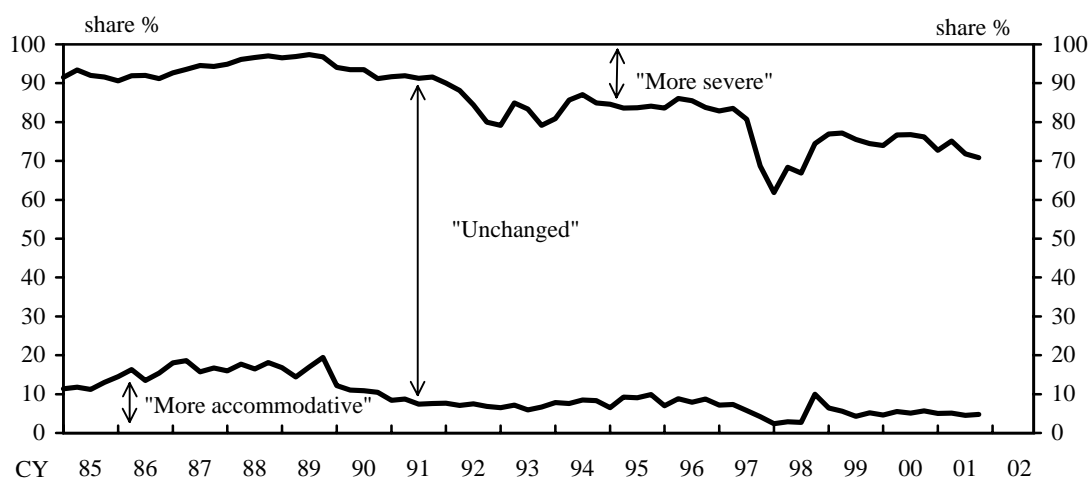
(1) "Tankan - Short-Term Economic Survey of Enterprises in Japan" (December, 2001)



(2) "Monthly Survey on Trends of Small Businesses" (Mid-February, 2002)

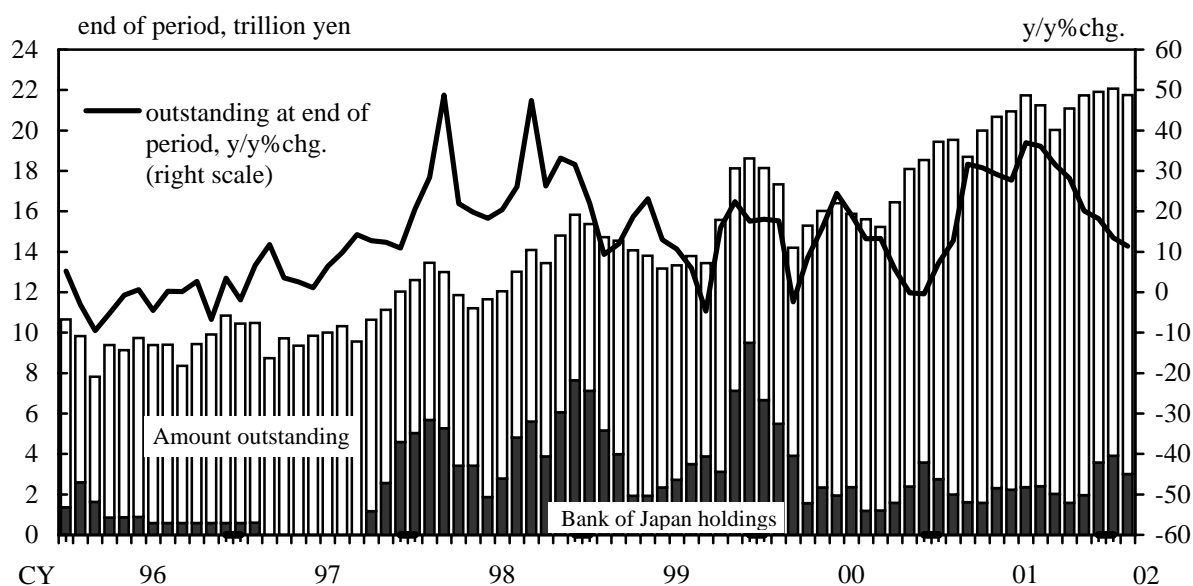


(3) "Quarterly Survey of Small Businesses in Japan" (Mid-December, 2001)



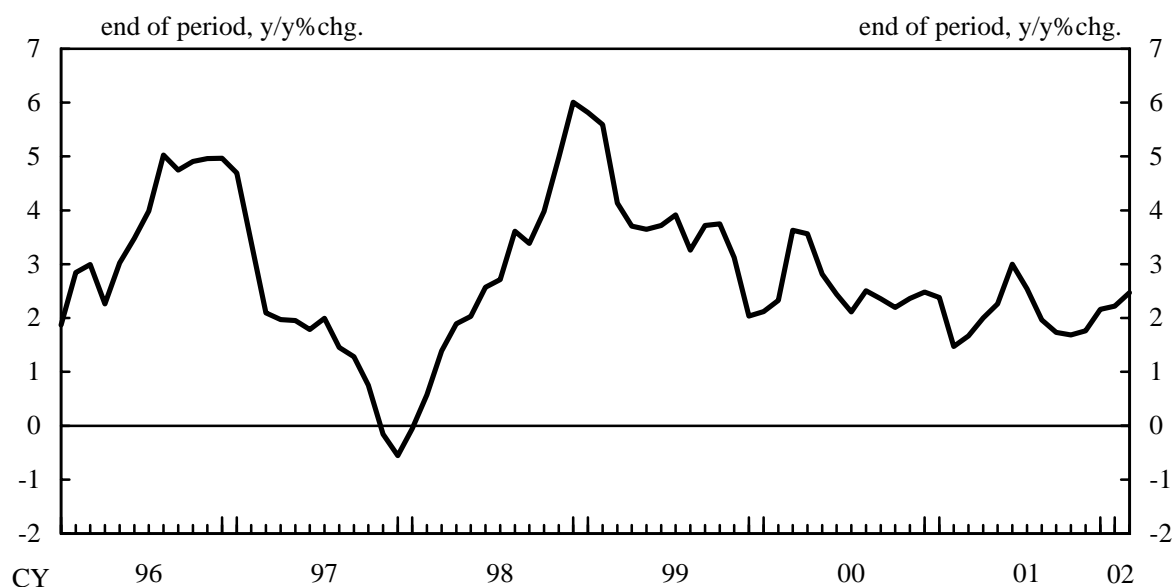
Sources: Bank of Japan, "Tankan - Short-Term Economic Survey of Enterprises in Japan" ;
 Japan Finance Corporation for Small Business, "Monthly Survey on Trends of Small Businesses";
 National Life Finance Corporation, "Quarterly Survey of Small Businesses in Japan."

Private-Sector Fund-Raising in the Capital Markets

(1) Amount Outstanding of Commercial Paper ¹(2) Issue Volume of Corporate Bonds ²

(100 million yen)

	2001/Q2	Q3	Q4	2001/Dec.	2002/Jan.	Feb.
Volume	35,223	23,779	31,733	14,139	2,721	10,724
(previous year)	(21,627)	(25,985)	(20,416)	(7,561)	(1,221)	(9,390)

(3) Amount Outstanding of Corporate Bonds (Changes from a Year Earlier) ^{2,3}

Notes: 1. Figures are those of the client financial institutions of the Bank of Japan.

Excludes those issued by banks.

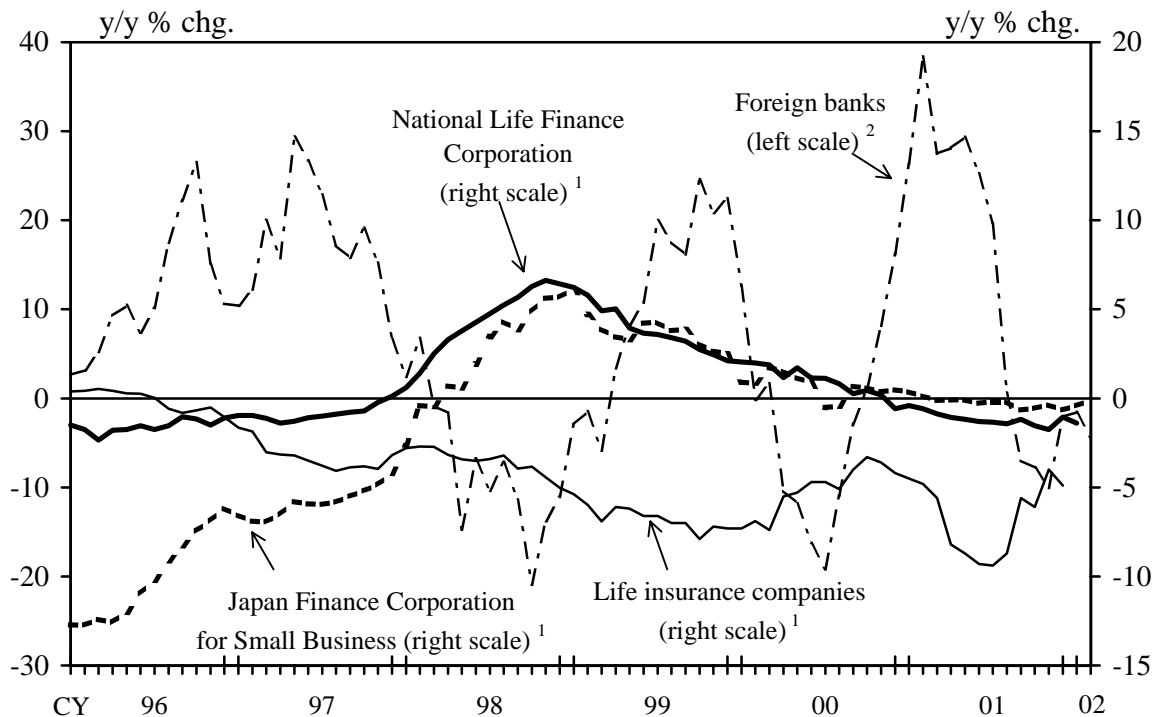
2. Includes straight bonds, convertible bonds, and bonds with warrants.

3. Estimated by the Bank of Japan.

Sources: Bank of Japan, "Principal Figures of Financial Institutions"; Japan Securities Dealers Association, "Bond Review"; IN Information Center, "Funding Eye."

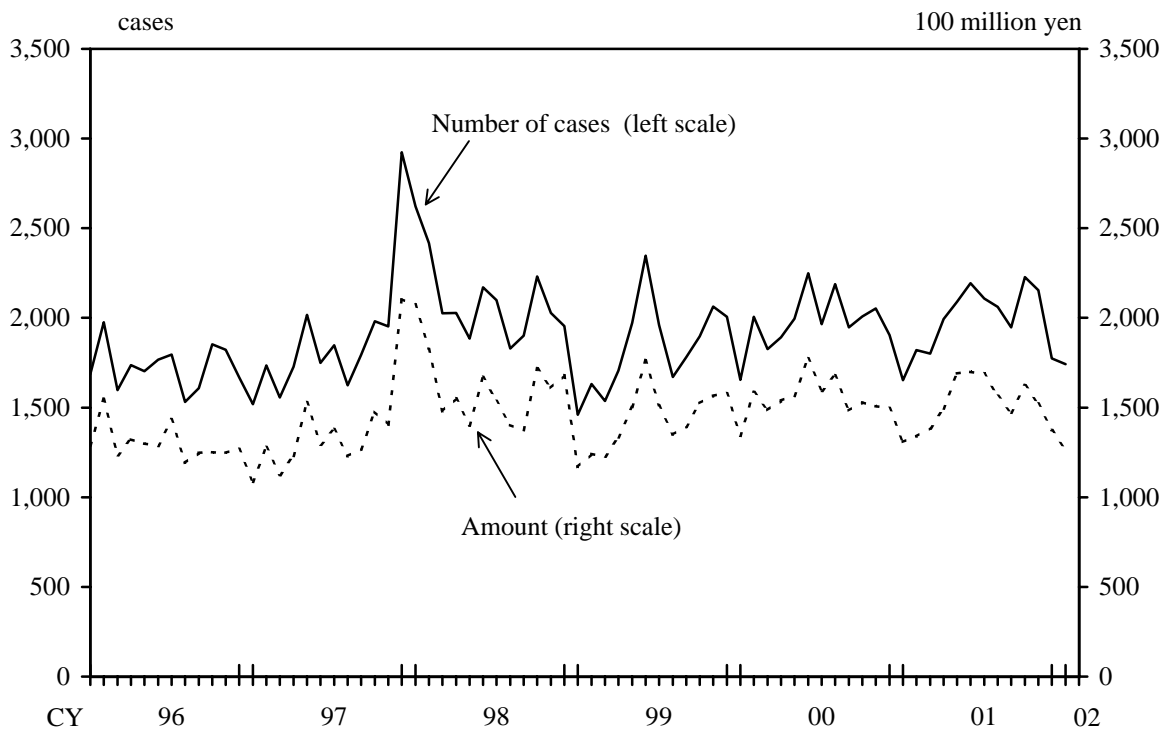
Lending by Other Financial Institutions

(1) Lending Outstanding



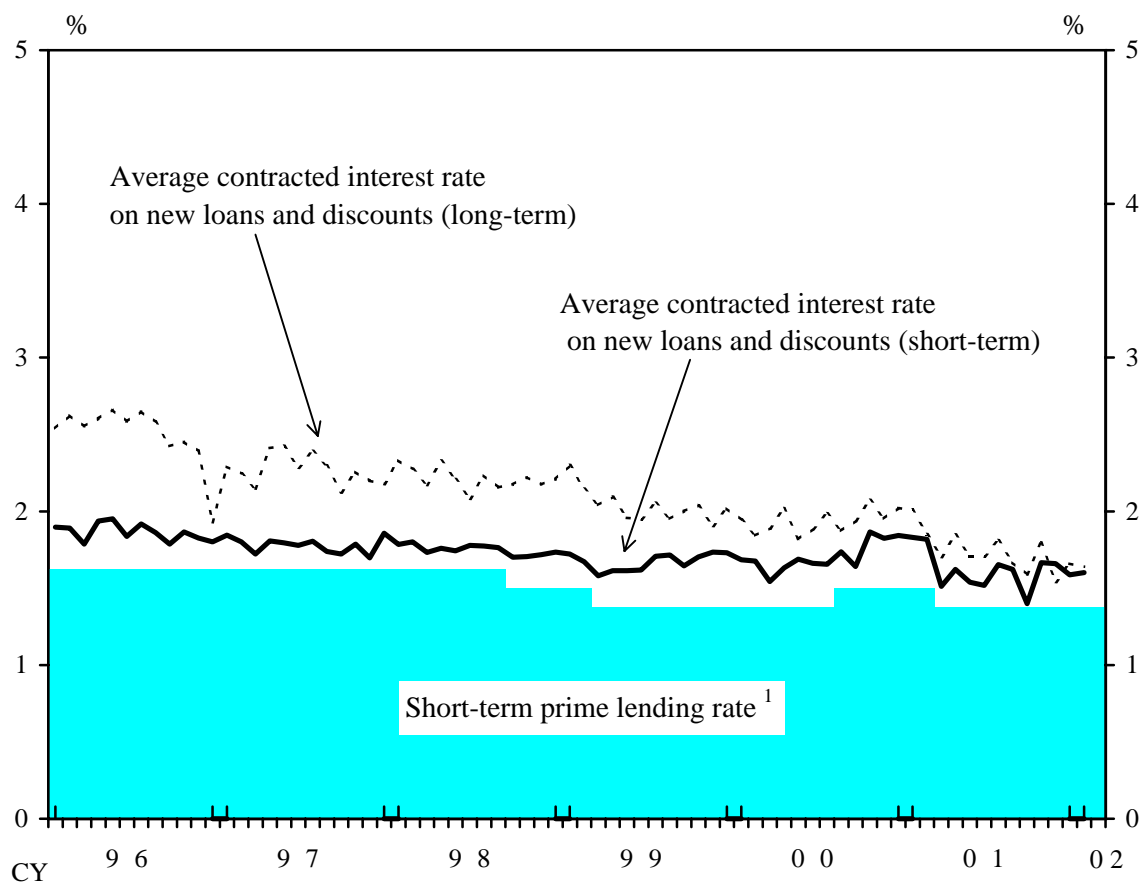
Notes: 1. Data are based on amounts outstanding at end of period.
 2. Data are based on average amounts outstanding.

(2) Application for a Loan from Japan Finance Corporation for Small Business



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

Lending Rates

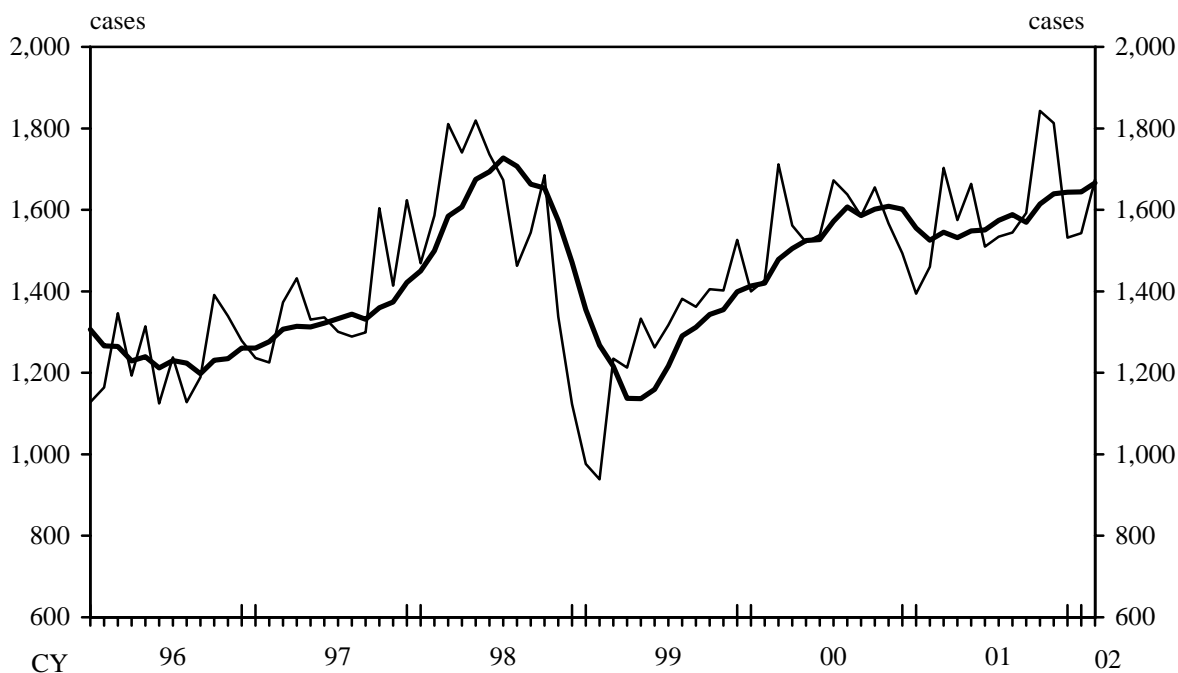


Note: 1. Data are at end of period.

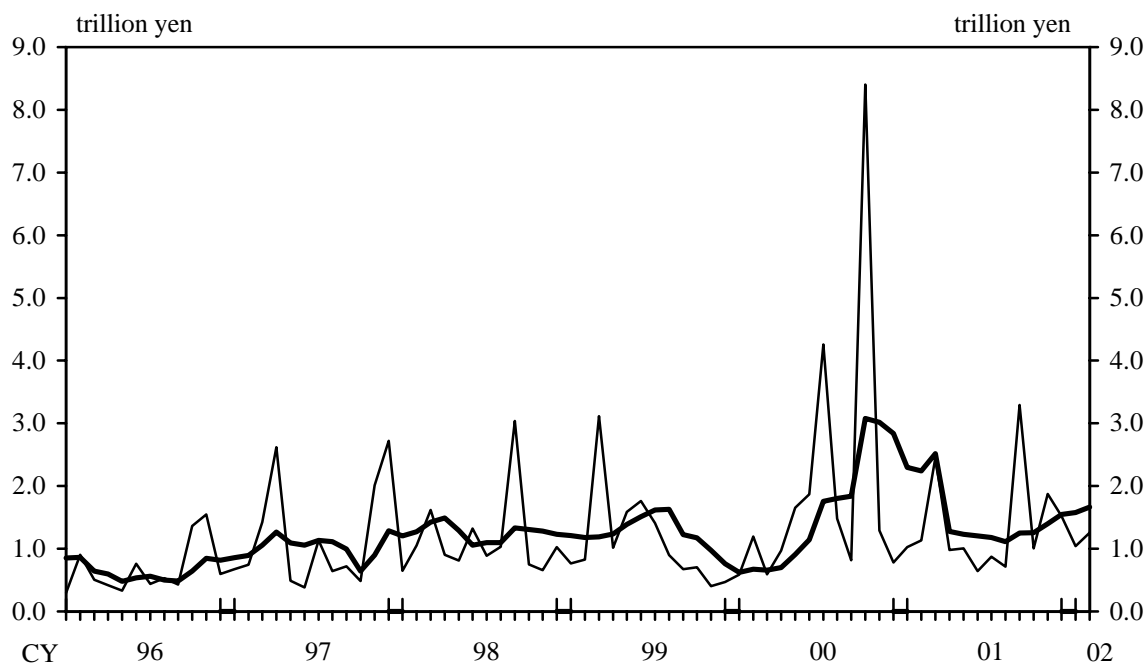
Source: Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities



Note: The bold line is the six-month moving average.

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