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Bank of Japan

Monthly Report of Recent Economic and Financial Developments

July 2002

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The Bank's View²

Japan's economy, despite continued weakness in domestic demand, has almost stabilized as a whole with an increasing upward impetus from exports and production, and an improvement in corporate profits and business sentiment.

With regard to final demand, business fixed investment continues to decrease and private consumption, despite some resilience, remains weak as a whole. Moreover, housing investment remains sluggish and public investment is on a downtrend. Meanwhile, net exports (real exports minus real imports) are increasing significantly due to the recovery in overseas economies and also to the effects of restocking abroad, mainly in IT-related goods.

Industrial production is picking up clearly in response to the increase in exports and adequate reduction of excess inventory stocks. Against this background, corporate profits appear to be turning up and business sentiment is improving. In addition, the rebound in production affects employment conditions, albeit marginally, with an increase in overtime hours worked and in new job offers mainly for part-time workers. However, firms are still maintaining their stance on reducing personnel expenses and as a consequence, household income continues to decrease noticeably. Thus, employment and income conditions of households overall remain severe.

Turning to the economic outlook, the upward trend in exports are expected to continue against the background of the gradual recovery in overseas economies, although the pace is likely to slow as the impetus from overseas restocking weakens. Thus, industrial production is expected to follow a gradual uptrend with some fluctuations in its pace.

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on July 15 and 16, 2002.

² The Bank's view of recent economic and financial developments, determined by the Policy Board at the Monetary Policy Meeting held on July 15 and 16 as the basis for monetary policy decisions.

On the other hand, with respect to domestic demand, public investment is projected to follow a declining trend and private demand is likely to remain weak for the immediate future. Yet, if the increase in exports and production mentioned above continues, the recovery in corporate profits will become distinct, and this will gradually bring a positive impact on domestic private demand. In fact, leading indicators of business fixed investment show some signs of stabilizing.

Overall, it can be envisaged that the stabilization of Japan's economy will become more secured as the increase in exports and production, through the improvement in corporate profits, will underpin domestic private demand. However, considering that forces restraining the economy, such as excessive employment and debt, are still persistently at work, momentum for a self-sustaining recovery will be subdued for some time. Furthermore, uncertainty regarding external conditions, particularly in the IT-related sector, is somewhat rising amid a fall in stock prices in the U.S. and worldwide as well as depreciation of the U.S. dollar. In these circumstances, it should be heeded that further destabilization in the foreign exchange and financial markets at home and abroad would easily exert a negative influence on the economy.

On the price front, import prices are turning down due to the U.S. dollar's depreciation against the yen since this spring. Domestic wholesale prices are leveling off since a decline in machinery prices and a reduction in electricity charges are offset by the effects of the increase in import prices until recently and the completion of inventory adjustment. Meanwhile, consumer prices stay on a gradual downtrend and corporate services prices continue to decline.

As for the conditions surrounding price developments, the balance between supply and demand is expected to still keep exerting downward pressure on prices for a while amid persistently weak domestic demand, although the completion of inventory adjustment will support prices to some degree. Moreover, factors such as the ongoing technological innovations in machinery, deregulation, and the streamlining of distribution channels will continue to restrain prices. With import prices beginning to turn down, the currently unchanged domestic wholesale prices are likely to edge down again as they are sensitive to import prices. Consumer prices are expected to stay on a declining trend for the time being at the current gradual pace. This is because while the

slower growth in imports of consumer goods is expected to alleviate the downward pressure on prices to some extent, the faster pace of decline in wages may possibly reinforce the ongoing decline in prices, especially for services prices.

As for the financial market, in the short-term money markets, the outstanding balance of the current accounts at the Bank of Japan is recently moving around 15 trillion yen as the Bank continues to provide ample liquidity to the money market.

In these circumstances, the overnight call rate continues to move around zero percent. Moreover, longer-term interest rates remain steady.

Yields on long-term government bonds inched down in response to a fall in stock prices and are mainly moving in the range of 1.2-1.3 percent recently. As for yield spreads between private bonds (bank bonds and corporate bonds) and government bonds, the downtrend from the start of this fiscal year has come to a halt since mid-June.

Stock prices fell through June in line with a decline in U.S. stock prices, but have edged up thereafter and are recently mixed, moving around 10,500 yen.

In the foreign exchange market, the yen continued to appreciate reflecting the overall downtrend in the U.S. dollar, and is currently traded around 115-117 yen to the U.S. dollar.

With regard to corporate finance, private banks are becoming 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 continue to be severe. In the corporate bonds and CP markets, the issuing environment for firms with low credit ratings remains severe, but the environment for firms with high credit ratings is on an improving trend.

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 by about 2-3 percent on a year-on-year basis. The year-on-year growth rate of the amount outstanding of corporate bonds issued is decreasing. The year-on-year growth rate of the amount outstanding of CP issued has slowed, although the amount is still above the previous year's level.

The monetary base increased substantially by around 20-30 percent from the previous year's level, although the growth rate slowed slightly. The year-on-year growth rate of the money stock remained around 3.5 percent.

Funding costs for firms continue to be at extremely low levels on the whole.

Overall, the recent financial environment remains extremely easy on the whole in terms of money market conditions. The deterioration in the financing situation of firms is coming to a halt. However, the stance of investors toward firms with high credit risks remains severe and the lending attitudes of private banks are becoming more cautious. Hence, the developments in the behavior of financial institutions and corporate financing continue to require close monitoring.

The Background

1. Japan's Economy

Public investment is on a downtrend. The value of public works contracted—a metric that reflects public orders—still remains sluggish, although the execution of the supplementary budget for FY2001 continues to underpin public investment (Chart 2). Moreover, various indicators on the implementation of those works also remain overall on a declining path. Judged from the large cutbacks in public investment expenditures in the budgets of both the central and local governments for FY2002, public investment is projected to follow a declining trend.

Real exports are increasing substantially due to the recovery in overseas economies and also to the effects of restocking abroad, mainly in IT-related goods. Exports increased further in April-May on a quarter-to-quarter basis after high growth in the first quarter (Chart 3[1]). With respect to the upsurge in April-May by goods (Charts 4 to 6), the noticeable surge in orders from abroad to restock inventories has pushed IT-related exports substantially upward, mainly in electronic parts such as semiconductors. In addition, exports of capital goods and parts extended their uptrend, particularly in semiconductor fabrication machines and equipment to Taiwan and South Korea. Intermediate goods (iron and steel, and chemicals) also continued to increase, mainly in exports to East Asia, although at a slower pace than in the first quarter. Moreover, exports of automobile-related goods continued to increase since these exports to regions other than the U.S. rose partly from the yen's depreciation until this early spring, while exports to the U.S. decreased after the substantial increase aimed at rebuilding up inventories in the first quarter.

Real imports are bottoming out with the recovery in exports and production in the IT industry, although domestic demand remains weak. Imports increased in April-May from the previous quarter for the first time since the fourth quarter of 2000 on a quarter-to-quarter basis (Chart 3[1]). By goods (Chart 7[2]), IT-industry imports continued to rise particularly in electronic parts such as semiconductors (Chart 5[3]). Imports of capital goods and parts increased mainly in parts related to semiconductor fabrication machines and equipment, such as those for grinding or removing metal. Imports of consumer goods, especially audiovisual equipment, also rose. In addition,

recent monthly developments suggest that materials and intermediate goods seemed to have stopped declining, although they still declined on a quarter-to-quarter basis.

Net exports (real exports minus real imports), in terms of the real trade balance,³ increased significantly since exports rose significantly, as noted above (Chart 3[2]). The surplus of the nominal balance on goods and services continued to expand from the third quarter of 2001, reflecting the developments in real exports and imports as above.

Regarding the future environment for foreign trade, overseas economies are expected to basically stay on a gradual recovery path, as indicated in the uptrend in major economic indicators of the U.S. (Chart 8-2[1], [2], and [3]). However, the outlook for overseas economies has turned slightly uncertain, as can be seen in a fall in stock prices in the U.S. and worldwide (Chart 8-2[4]). Moreover, the U.S. dollar has been depreciating against the yen since April.

These exporting conditions imply that the increase in exports will be slower, as the impetus from overseas restocking will weaken.⁴ Nevertheless, assuming the gradual recovery in overseas economies, exports are predicted to continue their upward trend. However, it is to be heeded that uncertainty surrounding overseas economies is now somewhat greater. On the other hand, imports are likely to stop declining, and to turn up through the upward trend in production, although this depends on the developments in exports, as mentioned above. The pace of recovery in imports, however, is projected to remain more modest than that of exports, since sluggish domestic demand is likely to restrain imports. Reflecting these developments in exports and imports, net exports are projected to follow a rising trend, although the pace will become more gradual than the present one.

³ 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.)

⁴ In fact, according to the *WSTS*' (World Semiconductor Trade Statistics) *Semiconductor Forecasts* published in late May, shipments of global semiconductors in the second quarter would grow at a relatively high pace following the sizable increase in the first quarter, but the pace was projected to slow in the second half of this year (Chart 5[2]).

Business fixed investment continues to decrease amid the persistently strong excess capacities of firms⁵ and the lack of confidence among firms regarding future developments in demand. First, the current investment in machinery, judged by the aggregate supply of capital goods (excluding transport equipment), showed that investment continued to fall, although the pace has been moderating (Chart 9-1[1]).⁶

Second, as for leading indicators, machinery orders (private demand, excluding shipbuilding and electric power equipment), which had been decreasing significantly, rose in April-May compared to the first quarter (Chart 9-2[1]). Manufacturing seemed to have almost stopped declining, judged from the two consecutive increases and from the obvious improvement in the environment surrounding fixed investment such as the increase in exports and production. On the other hand, it is not certain that nonmanufacturing has bottomed out even with the increase in April-May because for nonmanufacturing, a large fluctuation tends to be observed on a quarter-to-quarter basis. Moreover, it is also difficult to judge a change in the trend in construction starts for nonmanufacturing (private, nondwelling use; Chart 9-2[2]), because they tended to fluctuate considerably from large-scale construction starts. On the other hand, construction starts for mining and manufacturing seemed to have come to a halt.

With regard to corporate profits and business sentiment in the Bank of Japan's *Tankan—Short-term Economic Survey of Enterprises*—of June 2002 from the viewpoint of an indicator for the environment on fixed investment, firms estimated sharp increases in their current profits for FY 2002 and projections were revised slightly upward from the March *Tankan* (Chart 10). In detail, manufacturing forecasted a profit increase of over 30 percent for FY 2002 after the plunge of around 40 percent in FY 2001. Moreover, nonmanufacturing forecasted an upturn for FY 2002, although the increase was smaller than that of manufacturing. Business sentiment of firms (Chart

⁵ The June *Tankan*, as explained later in detail, showed that firms' excessiveness in production capacity remained quite strong, although it slightly moderated, mainly in manufacturing (Chart 9-1[2]).

⁶ In the *Indices of Industrial Domestic Shipments and Imports*, the aggregate supply by goods is shown by adding domestic shipments based on the *Indices of Industrial Production* and the import volume based on *Foreign Trade Statistics*. Charts 9-1(1) and 14-4 show the developments in aggregate supply of capital goods (excluding transport equipment) and consumer goods. The most recent figures (second quarter <April-May> of 2002) are calculated by the Bank of Japan using indices of industrial shipments and real imports and exports.

11) in manufacturing has improved precipitously in both the processing industry (especially for electrical machinery and precision machinery) and the materials industry (particularly in iron and steel, and chemicals) through the increase in exports and production. This improvement was expected to be maintained for the immediate future. In addition, business sentiment of the nonmanufacturing industries has also turned up, although it was not as large as that in manufacturing industries; it also differed by industry.⁷ With regard to corporate finance (Chart 12), the deterioration in firms' funding has come to a halt. The lending attitude of financial institutions perceived by firms has eased slightly, but the level has remained large overall. It has also showed a persisting large gap among the size of firms.

As for business fixed investment plans for FY 2002 reported in the June *Tankan* (Chart 13), large firms were so cautious toward investment that their plans were lower than past averages, even for manufacturing, in which the investment environment had been improving conspicuously, as mentioned above. In fact, plans were revised downward, albeit marginally, compared to the March *Tankan*. In contrast, the plans of small firms were well below the previous fiscal year's level, but they seem to be more moderate than past averages⁸ in the June *Tankan*, particularly in nonmanufacturing.

In sum, business fixed investment is likely to stop declining, particularly in manufacturing, if the increase in exports and production continues steadily and if the recovery in corporate profits becomes distinct.⁹

Private consumption, despite some resilience, remains weak on the whole amid the current severe employment and income conditions of households. With regard to

⁷ For example, business sentiment of wholesaling and transportation, which are closely associated with the developments in exports/imports and production, has improved conspicuously and that of large retailing firms, in particular, has also advanced. In contrast, business conditions of construction continued to deteriorate.

⁸ In the *Tankan*, fixed investment plans of small firms are compared at the time of each survey, since they tend to be revised upward through the fiscal year.

⁹ It may seem contradictory that the year-to-year change in investment plans of manufacturing was negative, despite signs of bottoming in leading indicators. This, however, is due to the fact that investment plans in FY 2001 declined largely in the second half of the year. Thus, the year-to-year change in investment plans for FY 2002 is expected to be negative, even though these plans bottom out during FY 2002 on a semiannual basis.

sales indicators (Charts 14-1 and 14-2), the number of passenger cars sold— especially small-sized cars, supported by the introduction of new models—tended to pick up. Sales of household electrical appliances in May registered a discernable increase due to sales of high-quality TVs in response to the FIFA World Cup games, although sales of personal computers have been low because of the rise in prices since mid-May. While department store sales continued to be somewhat slack, supermarket sales improved marginally in April-May, particularly in foodstuffs. Outlays for travel rebounded steadily for overseas travel, which was depressed due to the terrorist attacks, but those for domestic travel were recently in the doldrums. The indices of aggregated sales¹⁰— which are composed of many sales indicators including those above—remained weak, with the year-to-year change moving around zero (Chart 14-3). The level of aggregate supply of consumer goods was persistently lower than in the previous year (Chart 14-4). Meanwhile, consumers still remained cautious, although the marginal improvement in the employment condition mentioned later contributed to dispel the cautiousness partially (Chart 15[1]). Private consumption is likely to be lackluster as a whole, since employment and income conditions continue to be harsh, although it will be steady.

Housing investment remains sluggish (Chart 16). Construction starts were almost unchanged in April-May compared to the first quarter amid the increase in construction starts of housing for rent¹¹ and the slight decrease in built-for-sale. Housing investment is projected to remain stagnant as there seem to be no supporting factors in particular, since the severe employment and income conditions of households will continue.

Noticeable changes in the weakness in domestic demand were not observed, although the environment of domestic demand seemed to be improving, including signs of recovery in corporate profits. Nevertheless, industrial production is picking up clearly with the help of the significant increase in exports and adequate reduction of excess inventory stocks (Charts 17 and 18). Production has recently increased at a fast

¹⁰ 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 14-3.

¹¹ The substantial increase in housing for rent in May was largely due to the temporary surge in construction starts for those financed by public funding sources.

pace, mainly in electrical machinery along with the high pace of increase in exports, particularly in IT-related goods, as explained above. Moreover, transportation equipment (automobiles) has also followed a rising trend since the first quarter supported by the increase in exports and in domestic sales of some models. With respect to materials (iron and steel, and chemicals), the rebound in production seemed to have been widespread with the assistance of the rise in exports and the further moderation in inventory adjustment.

As for inventories, the appropriate balance between inventories and shipments seemed to have been reached (Chart 19). The inventory cycle of the mining and manufacturing industry was mainly created by producer goods for electrical machinery (electronic parts such as semiconductors) followed by other producer goods (mainly materials). Exports of both goods have been on the rise. Inventory adjustment of goods other than producer goods was also coming to an end. Particularly, the completion of inventory adjustment of durable consumer goods was partly attributable to the recovery in domestic demand. The June *Tankan* also showed a noticeable ease in the excess of inventories among firms.

Considering this completion of inventory adjustment and the outlook for an increase in exports noted above, industrial production is expected to follow a rising trend. The pace of increase is likely to be gradual on average, even though fluctuations are predicted in the foreseeable future in reaction to the upsurge in May.¹²

With respect to employment and income conditions, although the pick-up in production has a marginally positive effect on labor market demand, the employment and income conditions of households as a whole remain severe, with the faster pace of decline in the number of regular employees and the gradual acceleration in the wage decrease (Chart 20). Among labor-market-related indicators (Chart 21-1), the unemployment rate remained high.¹³ Among the unemployed, the number of those involuntarily unemployed in particular remained at a considerably high level after the

¹² According to the survey of production forecast index, production in June (0.0 percent on a month-to-month basis) and July (-0.3 percent) is projected to be virtually level.

¹³ The unemployment rate dropped momentarily from January through April, but this was largely because the number of discouraged workers, who give up job-searching, increased.

substantial increase in the latter half of last year. Meanwhile, the ratio of job offers to applicants recently moved up, although it was still low. In the manufacturing sector, new job offers as well as overtime hours worked have increased notably through the recovery in production. Also, the June *Tankan* indicated that the excessiveness of employment in manufacturing had receded (Chart 22). Yet, the increase in job offers was mainly for non-regular employees such as part-time and temporary/seasonal workers,¹⁴ and the number of regular employees has continued its declining trend. As for the number of employees in the *Labour Force Survey*, temporary workers increased but the decline in regular employees accelerated. This was confirmed in the *Monthly Labour Survey*, which showed that the number of regular employees decreased at a slightly faster pace (Chart 21-2[2]). These movements reflect firms' stances on reducing personnel expenses by switching from regular employees to non-regular employees. The strong intentions of firms to reduce personnel expenses from a longer-term perspective are unlikely to ease noticeably in the near future.

These stance on personnel expenses affects wage developments. In fact, the rate of decline in nominal wages per employee is accelerating gradually. In detail, while overtime payments were on a recovery as a result of the pick-up in production, regular payments declined faster due to both a rise in the ratio of part-time workers and to a restraint on the base-pay hike this spring. In addition, special payments (bonuses) are projected to fall significantly this summer following the marked decline in winter, as they are affected by the plunge in corporate profits for FY2001 with a lag. These developments in employment and wages suggest that household income is expected to continue a notable decrease for the time being.

2. Prices

Import prices on a yen basis had been rising since the end of last year, but inched down in June compared to levels three months earlier mainly due to the U.S. dollar's depreciation against the yen since April (Chart 24).

¹⁴ The ratio of job offers to applicants of part-time workers rose at a faster pace compared to that of all workers. (On a seasonally adjusted basis, it was 1.23 in December, 1.28 in March, and 1.32 in May.)

Domestic wholesale prices (adjusted to exclude the effects of seasonal changes in electricity rates)¹⁵ are leveling off recently compared to levels three months earlier (Chart 25). In detail, the reduction in electricity charges in April and the decline in machinery prices were offset by the increase in prices of petroleum products caused by the rise in crude oil prices and the yen's depreciation until around early spring. This caused prices to remain unchanged. Meanwhile, prices of iron and steel recently rose slightly further with the progress in inventory adjustment and the rise in scrap prices used for materials.

Corporate services prices continue to decline. In May, compared to those three months earlier, prices for real estate services continued to fall, as did those for building maintenance (building cleaning services and facility management such as elevator maintenance) because of firms' intentions to reduce business costs (Chart 26). On the other hand, the decrease in corporate services prices (domestic supply-demand factors) became mild on a year-to-year basis.¹⁶

Consumer prices continue to decline mildly (Chart 27). The overall year-to-year rate of change in May (excluding fresh food) basically followed a declining trend of slightly lower than 1 percent (the year-to-year change -0.7 percent in March, -0.9 percent in April, and -0.8 percent in May).¹⁷ With respect to goods (excluding agricultural and aquatic products; same later) and other services, the decline in goods continued to contract, reflecting the rise in prices of petroleum products (gasoline) and personal computers. On the other hand, prices of general services have recently turned down after a rise until around March, but this development was caused by irregular factors such as housing rent which tend to fluctuate from sample changes. In public

¹⁵ The figures are adjusted to exclude a large seasonal fluctuation in order to observe the underlying changes in domestic wholesale prices. Industrial and commercial electric power consumption charges are set relatively high during July-September, when consumption increases substantially.

¹⁶ This was attributable to the substantial decline in communications charges in line with the introduction of the presubscription system (so-called "my-line services") at around this time last year.

¹⁷ The rate of decline in consumer prices, including fresh food—which expanded last winter—continued to contract. (The year-to-year change was -1.2 percent in March, -1.1 percent in April, and -0.9 percent in May.)

utility charges, electricity charges and medical treatment fell. This also holds true for consumer prices (excluding fresh food) compared to three months earlier.

The rate of decline in goods of imported products and their substitutes tended to contract on a year-to-year basis, although the decline remained larger than other goods (Chart 28[1]). This may partly be attributable to the yen's depreciation over the last one to two years on balance, and to the decline in the prevalence of business strategies for lower pricing, which had accelerated previously. In fact, the increase in imports of consumer goods, which had been the result of these strategies, has slowed recently (Chart 28[2]).

As for domestic supply-demand conditions in terms of the June *Tankan* (Chart 29), firms continued to perceive that products and services were supplied excessively. However, the excess in manufacturing contracted clearly as orders increased, mainly in products and services for exports. Furthermore, the excess in nonmanufacturing also diminished marginally, mainly in retailing. The operating level of the domestic economy, measured by the weighted average of production capacity and of employment conditions among firms, extended its increase following the previous survey, although the level remained low. In these circumstances, the D.I. for the change in output prices has been showing excess "fall," but the rate of "fall" contracted in both manufacturing and nonmanufacturing. The rate of "fall" in retailing diminished rather noticeably¹⁸ partly due to the rise in gasoline prices, but this also possibly indicated the decline in the prevalence of business strategies for lower pricing mentioned above. The services industry perceived that output prices continued to fall significantly.¹⁹

As for the conditions surrounding price developments, the balance between supply and demand is expected to continue exerting downward pressure on prices for a while amid persistently weak domestic demand, although the completion of inventory

¹⁸ The decline in the D.I. for the change in output prices of retailing ("rise" minus "fall") continued to contract in the June *Tankan* following that of March. (The changes in all firms were: -34 in December, -30 in March, and -19 in June.)

¹⁹ The decline in D.I. for the change in output prices of services ("rise" minus "fall") has not diminished, unlike retailing indicated in footnote 18. (The changes in all firms were: -30 in December, -31 in March, and -31 in June.)

adjustment will support prices to some degree. Moreover, factors such as the ongoing technological innovations in machinery, deregulation, and the streamlining of distribution channels will continue to restrain prices. With import prices beginning to turn down, the currently unchanged domestic wholesale prices are likely to edge down again, as they are sensitive to import prices. Consumer prices are expected to stay on a declining trend for the time being at the current gradual pace. The reason is that while the slower growth in imports of consumer goods is expected to alleviate the downward pressure on prices to some extent, the faster pace of decline in wages may possibly reinforce the ongoing decline in prices, especially for services prices.

3. Financial Developments

(1) Financial Markets

In the short-term money markets, the outstanding balance of the current accounts at the Bank of Japan is recently moving at about 15 trillion yen, as the Bank continues to provide ample liquidity to the money market (Chart 32).

As for interest rate developments in the short-term money markets (Charts 30[1] and 31), in these circumstances the overnight call rate (uncollateralized; Chart 30[1]) is moving around zero percent. As for the developments in longer-term interest rates (Chart 31), three-month Euro-yen rates (TIBOR) remain steady.

Yields on ten-year government bonds (newly issued 10-year JGB; Chart 30[2]) inched down in response to a fall in stock prices, and are mainly moving in the range of 1.2-1.3 percent recently. As for yield spreads between private bonds (bank bonds and corporate bonds) and government bonds (Charts 36 and 37), the downtrend from the start of this fiscal year has come to a halt since mid-June, as some institutional investors have actively sold private bonds at a profit.

Stock prices (Chart 38) fell through June in line with a decline in U.S. stock prices, but have edged up thereafter, reflecting expectations for a recovery in the earnings of domestic firms. The Nikkei 225 Stock Average is recently mixed; it is currently hovering around 10,500 yen.

In the foreign exchange market (Chart 39), the yen continued to appreciate, reflecting the overall downtrend in the U.S. dollar against the background of the decline in U.S. stock prices. The yen is currently being traded around 115-117 yen to the U.S. dollar.

(2) Monetary Aggregates and Corporate Finance

The monetary base (currency in circulation + current account balances at the Bank of Japan; Chart 40) increased substantially by around 20-30 percent from the previous year's level, although the growth rate slowed slightly due partly to the abatement of the increased liquidity demand prompted by a system failure of a major bank group. (The year-on-year change was 36.3 percent in April, 29.7 percent in May, and 27.6 percent in June.)

The year-on-year growth rate of the money stock (M_2 + CDs; Chart 41) remained around 3.5 percent. (The year-on-year change was 3.6 percent in April, 3.5 percent in May, and 3.4 percent in June.) M_1 continued to increase substantially, by around 30 percent from the previous year's level, reflecting the strong preference for liquid assets. (The year-on-year change was 32.6 percent in April, 31.7 percent in May, and 32.1 percent in June.) As for the third quarter, the year-on-year growth rate is projected to be around 3-4 percent as the inflow from investment trusts and others is expected to continue, while credit demand of private firms remains sluggish.

Meanwhile, with regard to corporate finance, private banks are becoming cautious in extending loans to firms with high credit risks and are charging 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 continue to be severe. In the corporate bonds and CP markets, the issuing environment for firms with low credit ratings remains severe, but the environment for firms with high credit ratings is on an improving trend.

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;²⁰ Chart 42), consisting of city banks, long-term credit banks, trust banks, regional banks, and regional banks II, continues to decline by about 2-3 percent on a year-on-year basis. (The year-on-year change was -2.7 percent in April, -2.5 percent in May, and -2.5 percent in June.) The year-on-year growth rate of the amount outstanding of corporate bonds issued (Chart 44) is decreasing. The year-on-year growth rate of the amount outstanding of CP issued has slowed, although the amount is still above the previous year's level.

Funding costs for firms continue to be at extremely low levels on the whole. The average contracted interest rates on new loans and discounts (Chart 46) continued to be more or less unchanged. In the capital market, both corporate bond and CP issuance rates, mainly those of firms with high credit ratings, are declining. The spread between high and low credit ratings still continues to be at high levels.

The number of corporate bankruptcies (Chart 47) decreased by 4.7 percent from the previous year's level in June.

Overall, the recent financial environment remains extremely easy on the whole in terms of money market conditions. The deterioration in the financing situation of firms is coming to a halt. However, the stance of investors toward firms with high credit risks remains severe and the lending attitudes of private banks are becoming more cautious. Hence, the developments in the behavior of financial institutions and corporate financing continue to require close monitoring.

²⁰ 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.

Charts

Chart 1	Main Economic Indicators
Chart 2	Public Investment
Chart 3	External Balance
Chart 4	Real Exports
Chart 5	Exports and Imports of IT-related goods
Chart 6	Real Exports breakdown by goods / region
Chart 7	Real Imports
Chart 8	Exporting Conditions
Chart 9	Indicators for Business Fixed Investment
Chart 10	Recurring Profit
Chart 11	Business Conditions
Chart 12	Corporate Finance-Related Indicators
Chart 13	Business Fixed Investment Plans as Surveyed
Chart 14	Private Consumption
Chart 15	Consumer Confidence and Propensity to Consume
Chart 16	Indicators for Housing Investment
Chart 17	Production, Shipments, and Inventories
Chart 18	Shipments (breakdown by type of goods)
Chart 19	Inventory Cycle
Chart 20	Compensation of Employees
Chart 21	Labor Market
Chart 22	Employment Conditions
Chart 23	Prices
Chart 24	Import Prices and International Commodity Prices
Chart 25	Domestic Wholesale Price Index
Chart 26	Corporate Service Price Index
Chart 27	Consumer Price Index (excluding fresh food)
Chart 28	Consumer Price Index (imported goods and their substitutes)
Chart 29	Factors Contributing to the Change in Prices
Chart 30	Interest Rates
Chart 31	Short-Term Money Market Rates
Chart 32	Current Account Balances at the Bank of Japan
Chart 33	Euro-Yen Interest Rates Futures (3-Month)
Chart 34	Japan Premium in the Eurodollar Market
Chart 35	Implied Forward Rates (1-year)
Chart 36	Yields of Bank Bonds
Chart 37	Corporate Bond Yields
Chart 38	Stock Prices
Chart 39	Exchange Rates
Chart 40	Monetary Base
Chart 41	Money Stock (M1, M2+CDs, Broadly-Defined Liquidity)
Chart 42	Lending by Domestic Commercial Banks
Chart 43	Lending Attitude of Financial Institutions as Perceived by Small Enterprises
Chart 44	Private-Sector Fund-Raising in the Capital Markets
Chart 45	Lending by Other Financial Institutions
Chart 46	Lending Rates
Chart 47	Corporate Bankruptcies

Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2001/Q4	2002/Q1	Q2	2002/Mar.	Apr.	May	Jun.
Index of living expenditure level (all households)	0.6	1.7	n.a.	-1.2	1.0	-2.9	n.a.
Sales at department stores	0.2	-0.3	n.a.	0.3	-0.1	-1.0	n.a.
Sales at supermarkets	-1.6	-0.6	n.a.	0.0	3.3	-1.2	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 295>	< 304>	< 314>	< 301>	< 313>	< 320>	< 308>
Sales of household electrical appliances (real, NEBA)	1.9	2.8	n.a.	5.4	-1.7	5.8	n.a.
Outlays for travel (50 major travel agencies)	-16.0	13.5	n.a.	0.1	0.7	2.5	n.a.
Housing starts <s.a., ann. 10,000 units>	< 117>	< 118>	<n.a.>	< 111>	< 114>	< 127>	<n.a.>
Machinery orders (from private sector ⁴)	-7.5	-7.4	n.a.	-6.2	8.4	0.2	n.a.
Manufacturing	-14.7	2.6	n.a.	10.9	-2.5	-2.1	n.a.
Nonmanufacturing ⁴	-5.7	-11.0	n.a.	-14.8	13.3	2.0	n.a.
Construction Starts (private, nonresidential use)	-0.1	-10.6	n.a.	0.1	6.2	13.6	n.a.
Mining & manufacturing	-13.1	-12.2	n.a.	3.5	3.4	18.2	n.a.
Nonmanufacturing ⁵	4.0	-10.2	n.a.	-0.5	7.4	11.8	n.a.
Value of public works contracted	-2.8	-0.4	-0.6	10.4	-9.8	6.1	0.3
Real exports	-3.2	4.7	n.a.	4.4	0.5	5.9	n.a.
Real imports	-0.9	-1.9	n.a.	-1.9	-1.2	5.4	n.a.
Industrial production	-3.4	0.7	n.a.	0.8	0.2	4.1	n.a.
Shipments	-3.5	1.2	n.a.	0.9	0.7	4.8	n.a.
Inventories	-3.3	-4.3	n.a.	-2.0	-1.7	0.1	n.a.
Inventories/shipments <s.a., CY 1995=100>	<115.0>	<108.9>	<n.a.>	<108.9>	<100.6>	<98.2>	<n.a.>
Real GDP	-1.2	1.4	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	-0.9	0.6	n.a.	1.2	-1.3	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2001/Q4	2002/Q1	Q2	2002/Mar.	Apr.	May	Jun.
Ratio of job offers to applicants <s.a., times>	<0.53>	<0.51>	<n.a.>	<0.51>	<0.52>	<0.53>	<n.a.>
Unemployment rate <s.a., %>	<5.4>	<5.3>	<n.a.>	<5.2>	<5.2>	<5.4>	<n.a.>
Overtime working hours ⁷	-8.4	-5.7	n.a.	-5.3	-2.5	p -2.5	n.a.
Number of employees	-1.0	-1.1	n.a.	-0.9	-0.8	-1.7	n.a.
Number of regular employees ⁷	-0.2	-0.4	n.a.	-0.4	-0.4	p -0.5	n.a.
Nominal wages per person ⁷	-2.5	-1.9	n.a.	-0.7	-1.7	p -2.4	n.a.
Domestic wholesale price index <q/q % chg.> (3-month growth rate)	-1.4 <-0.5>	-1.4 <-0.2>	-1.2 <0.0>	-1.3 <-0.1>	-1.2 <0.1>	-1.2 <0.0>	-1.0 <0.0>
Consumer price index ⁸ <s.a., q/q % chg.> (3-month growth rate)	-0.8 <-0.2>	-0.8 <-0.1>	n.a. <n.a.>	-0.7 <-0.1>	-0.9 <-0.3>	-0.8 <-0.3>	n.a. <n.a.>
Corporate service price index ⁹ <s.a., q/q % chg.> (3-month growth rate)	-1.4 <-0.3>	-1.4 <-0.2>	n.a. <n.a.>	-1.3 <-0.1>	-1.2 <-0.2>	-1.1 <-0.4>	n.a. <n.a.>
Monetary aggregates (M2+CDs) <average outstanding, y/y % chg.>	3.2	3.6	3.5	3.7	3.6	3.5	3.4
Number of suspension of transactions with banks	5.9	3.5	n.a.	-9.8	-7.1	-7.4	n.a.

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

2. P indicates preliminary figures.

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

4. Excludes ships and demand from electric power companies.

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

6. Some figures of Export and Import price index are revised retroactively.

Also in line with this, those of real exports and imports are also revised retroactively.

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

8. Excludes fresh food.

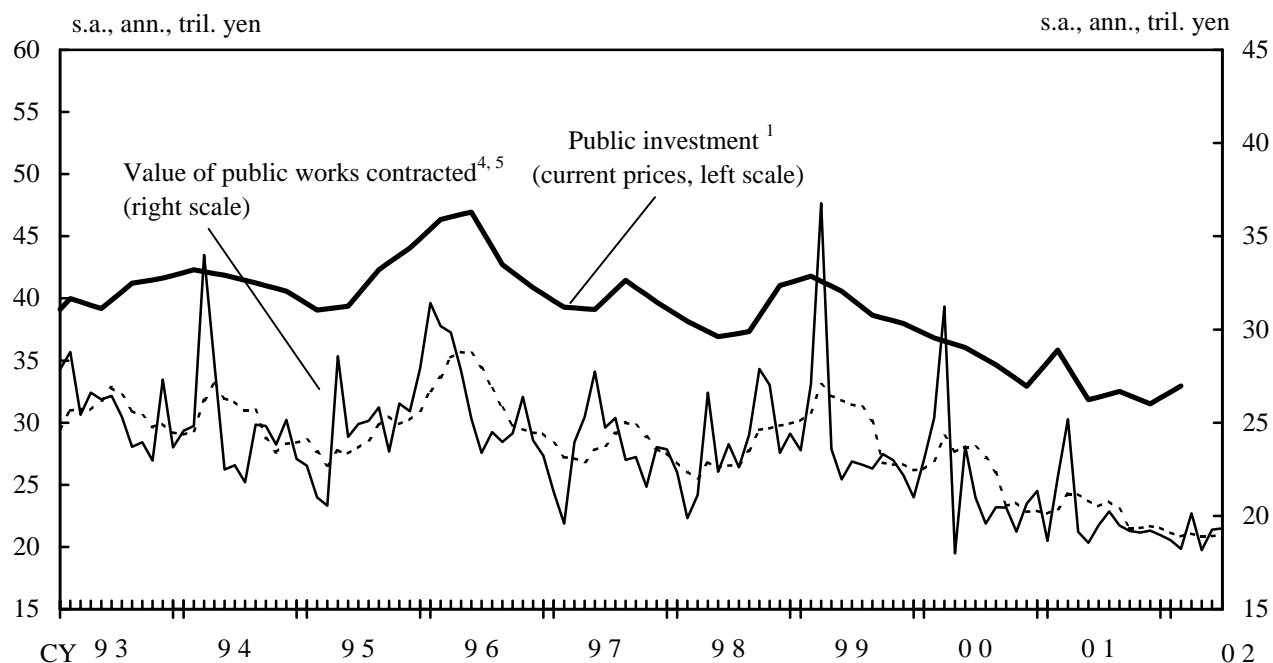
9. Domestic supply-demand factors.

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

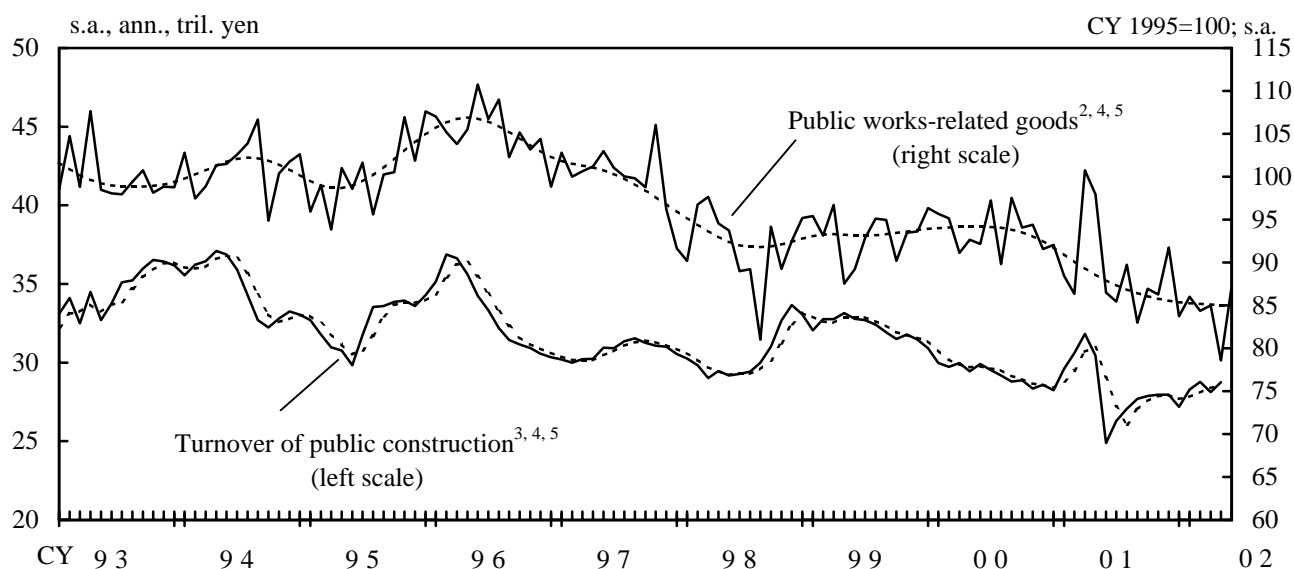
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey," "Monthly Report on the Family Income and Expenditure Survey," "Consumer Price Index"; Ministry of Economy, Trade and Industry, "Current Survey of Commerce," "Indices of Industrial Production," "Indices 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.

As the figures of public works-related goods are seasonally adjusted on a monthly basis, the data are retroactively revised each month.

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";

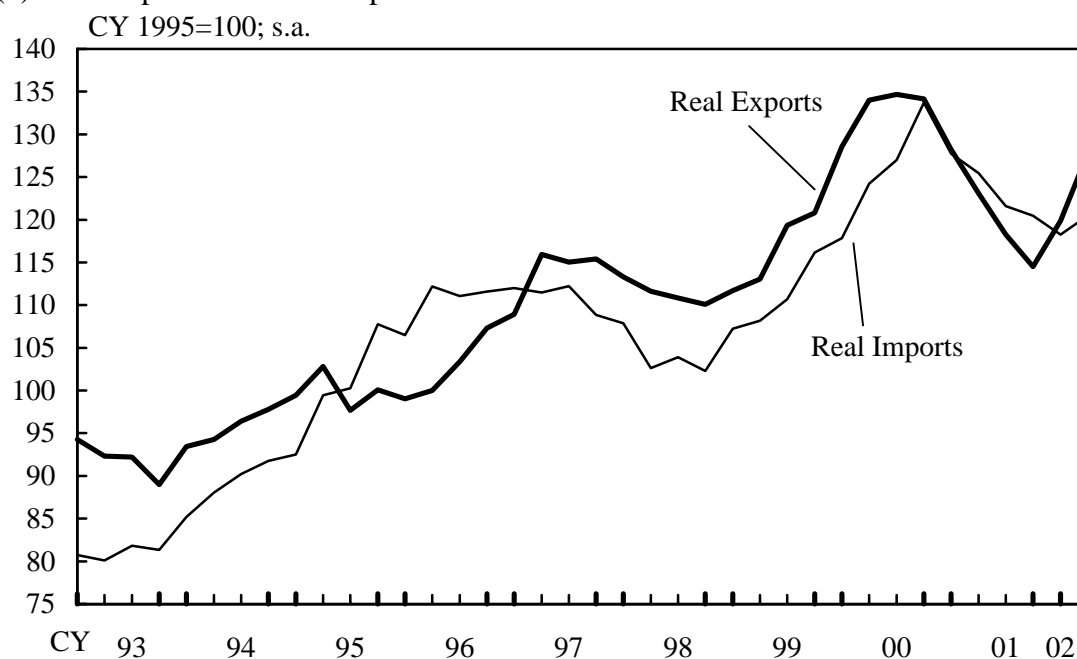
Surety Association for Construction Companies, "Public Works Prepayment Surety Statistics";

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

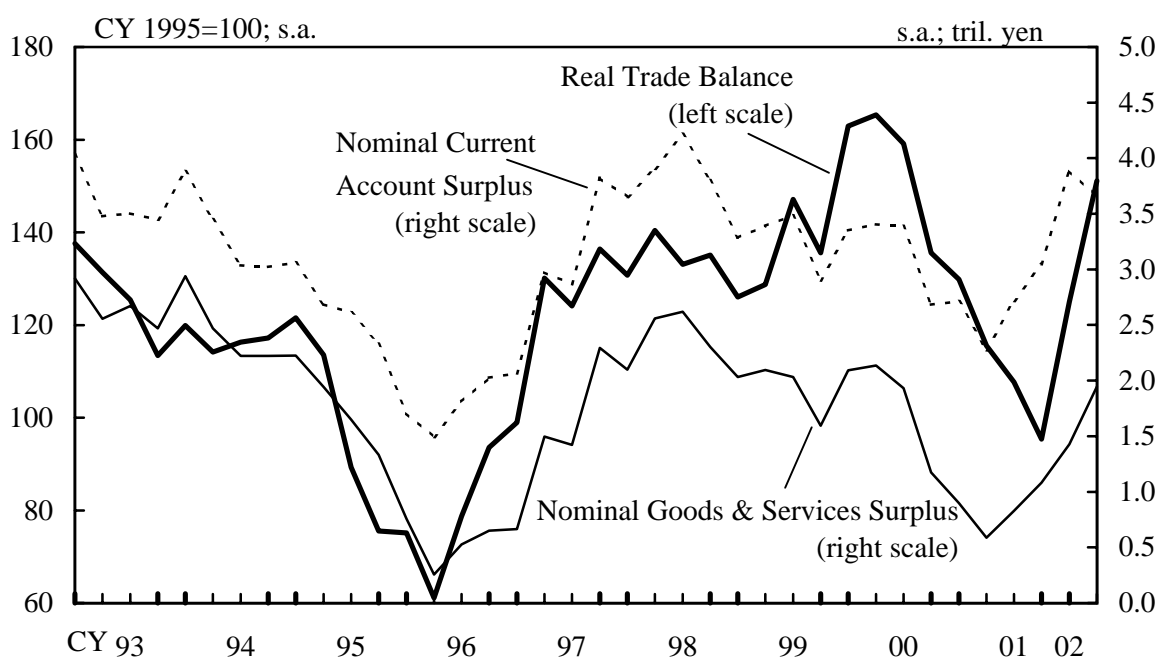
Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

 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-12-ARIMA.
 2. Balance of payments data up to 1995/Q4 are old basis.
 3. 2002/Q2 figures are Apr.-May averages 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) Breakdown by region

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 2000	2001	2001 Q2	Q3	Q4	2002 Q1	Q2	2002 Mar.	Apr.	May
United States	<30.0>	11.7	-8.5	-5.3	-3.8	-3.7	4.3	1.1	3.4	-5.7	7.1
EU	<15.9>	6.4	-10.9	-7.6	-6.4	-0.8	-6.3	6.8	3.3	3.0	2.2
East Asia	<38.7>	25.7	-9.7	-5.0	-3.7	-1.1	7.5	10.3	4.9	4.9	8.0
China	<7.7>	27.8	11.6	-1.2	-3.5	-0.5	17.8	11.4	5.4	5.3	16.5
NIEs	<21.7>	25.8	-15.8	-6.1	-3.4	-1.8	5.8	10.5	6.6	5.1	5.6
Korea	<6.3>	30.4	-9.1	-7.8	4.9	-1.5	2.7	9.5	1.4	2.7	8.2
Taiwan	<6.0>	22.5	-25.7	-4.1	-11.1	4.3	6.7	9.2	12.7	0.9	4.7
ASEAN4 ³	<9.3>	24.0	-8.1	-5.4	-4.6	-0.1	3.3	8.9	1.0	4.4	6.1
Thailand	<2.9>	19.0	-4.0	-3.5	-0.8	-0.3	-1.6	13.3	4.6	4.9	6.0
Real exports		14.1	-9.1	-4.0	-3.9	-3.2	4.7	6.6	4.4	0.5	5.9

(2) Breakdown by type of goods

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 2000	2001	2001 Q2	Q3	Q4	2002 Q1	Q2	2002 Mar.	Apr.	May
Intermediate goods	<14.7>	5.3	-3.5	-3.7	0.1	2.1	5.6	3.1	-1.1	3.3	3.8
Motor vehicles and their related goods	<22.1>	9.2	0.0	2.0	2.0	1.1	5.8	5.2	5.5	-3.2	4.8
Consumer goods ⁴	<7.3>	13.0	-6.3	-1.0	-1.6	-5.8	4.5	6.2	9.7	-2.3	5.3
IT-related goods ⁵	<17.3>	25.2	-12.0	-6.8	-7.5	-7.3	-5.9	13.9	1.8	7.7	9.0
Capital goods and parts ⁶	<27.5>	21.1	-14.9	-8.9	-6.3	-5.0	6.2	6.5	6.0	-1.3	7.2
Real exports		14.1	-9.1	-4.0	-3.9	-3.2	4.7	6.6	4.4	0.5	5.9

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2002/Q2 figures are Apr.-May averages 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.

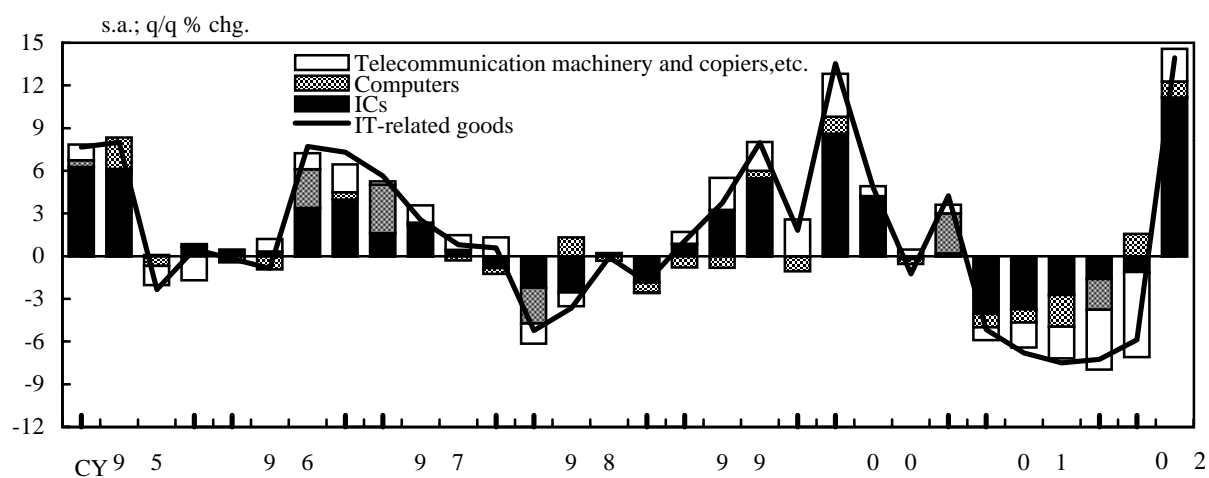
5. IT-related goods = automatic data processing machinery + telecommunication machinery + ICs + scientific, medical and optical instruments.

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

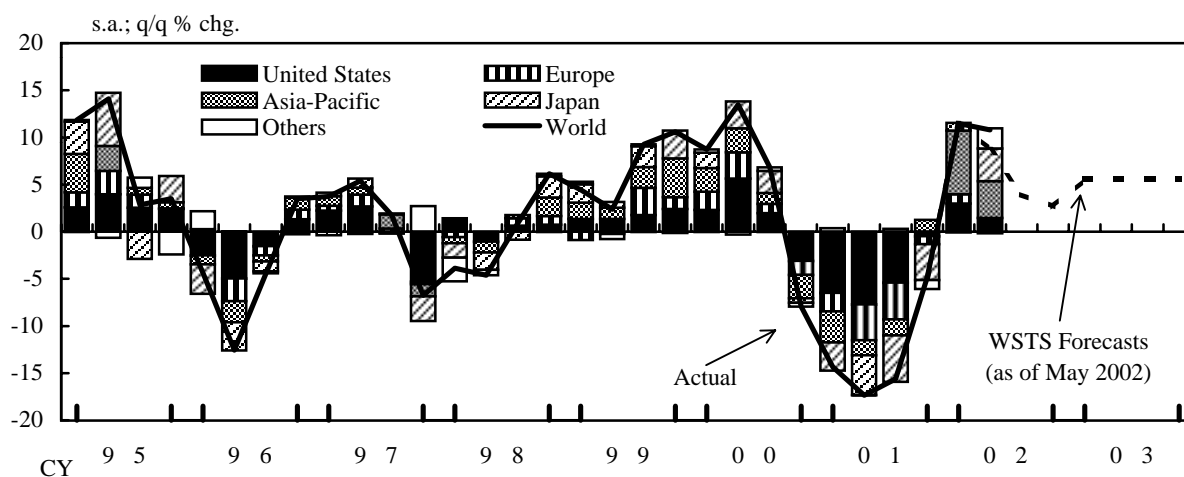
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Wholesale Price Indexes."

Exports and Imports of IT-related goods

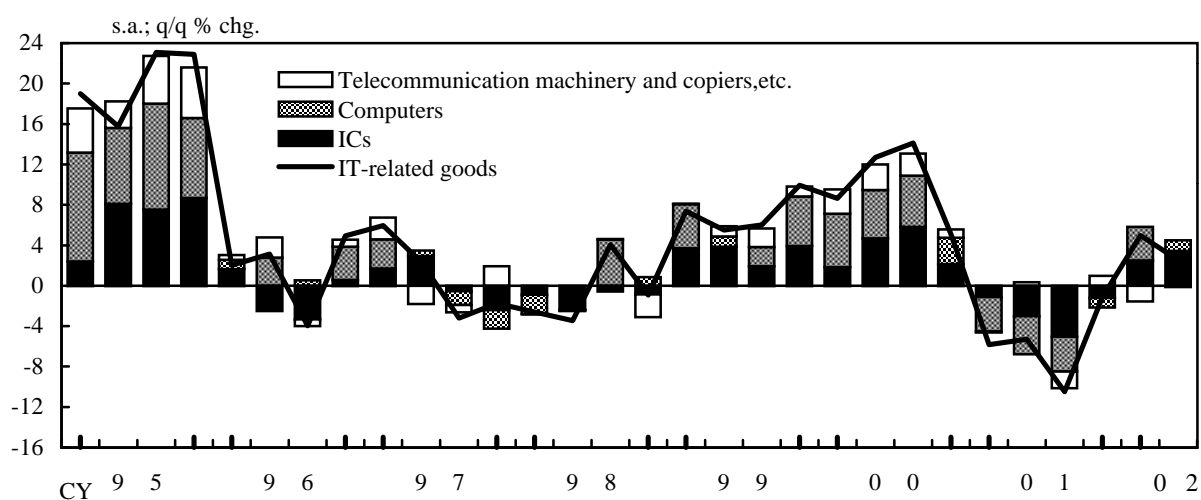
(1) Exports of IT-related goods (real, breakdown by goods)



(2) World Semiconductor Shipments (nominal, breakdown by region)



(3) Imports of IT-related goods (real, breakdown by goods)



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

2. 2002/Q2 figures are Apr.-May averages converted into quarterly amount.

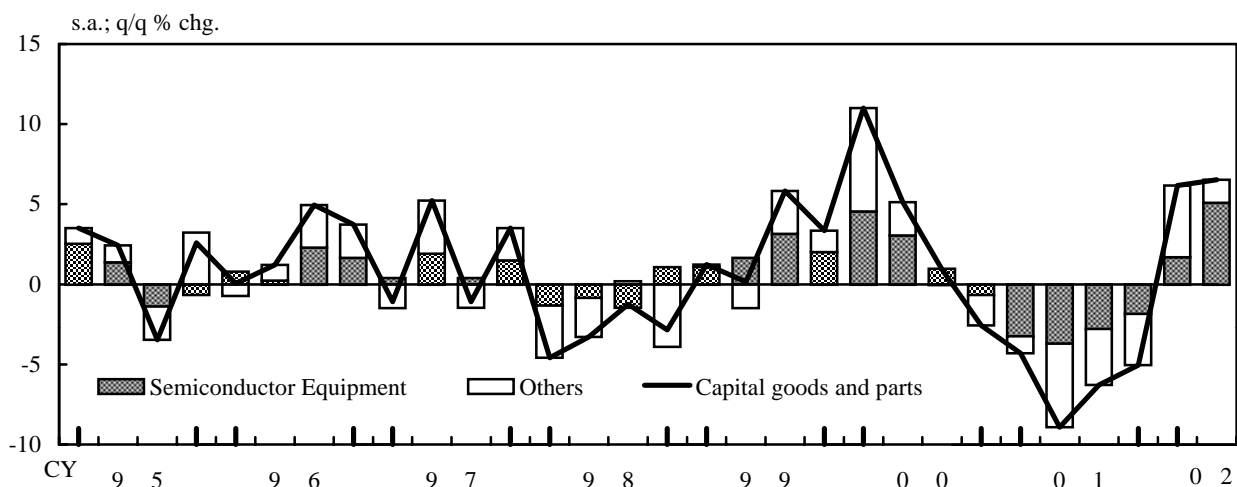
Sources: Ministry of Finance, "The Summary Report on Trade of Japan";

Bank of Japan, "Wholesale Price Indexes";

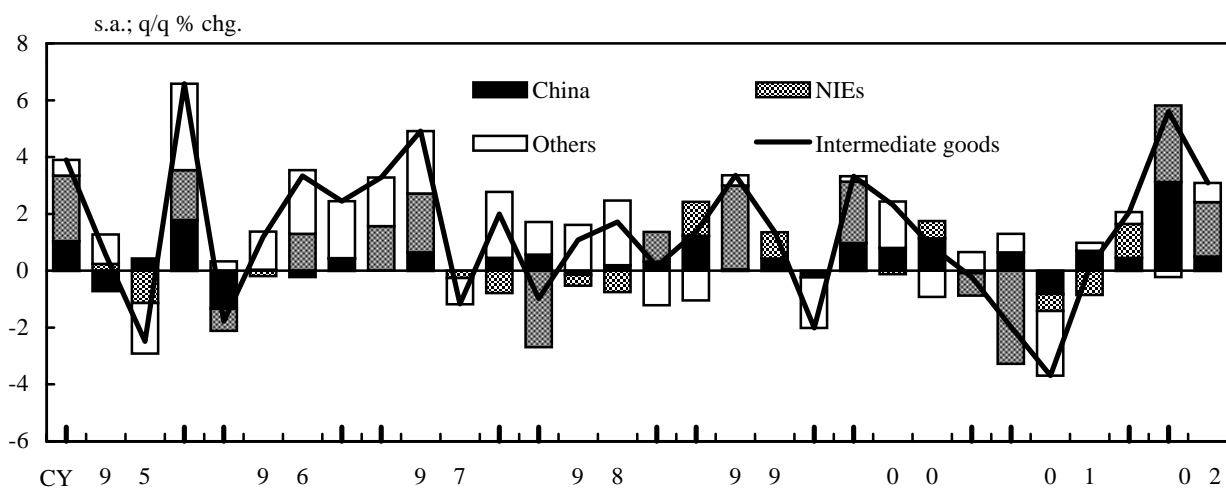
WSTS (World Semiconductor Trade Statistics), "Semiconductor Forecasts."

Real Exports breakdown by goods / region

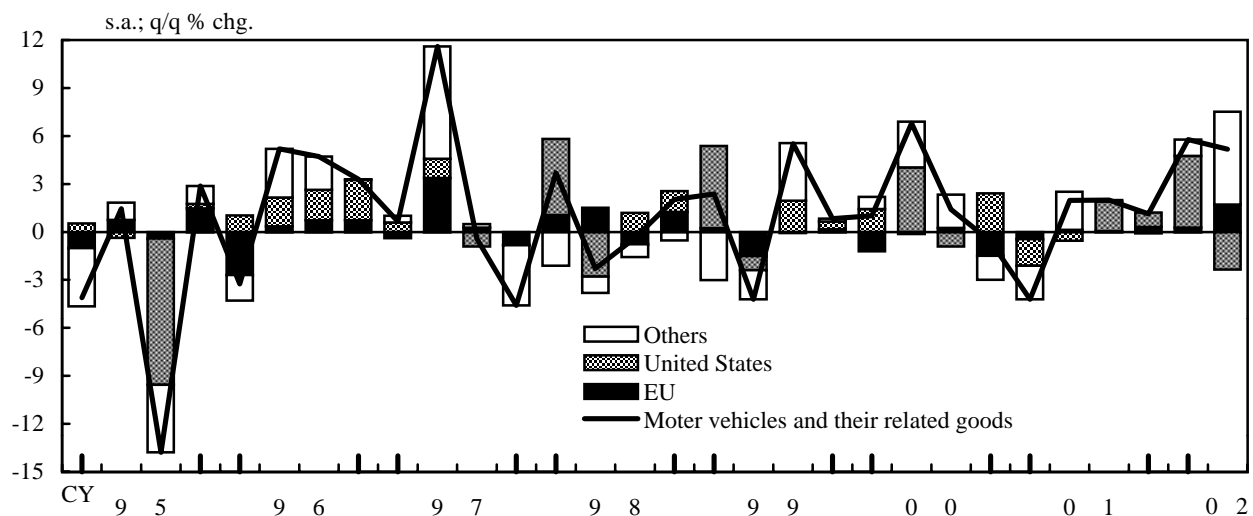
(1) Capital goods and parts (breakdown by goods)



(2) Intermediate goods by region



(3) Motor vehicles and their related goods by region



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

2. 2002/Q2 figures are Apr.-May averages 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 Q2	Q3	Q4	2002 Q1	Q2	2002 Mar.	Apr.	May
United States	<18.1>	7.9	-4.4	-1.6	-6.5	-3.0	-1.5	1.8	0.6	-4.4	8.4
EU	<12.8>	8.5	3.5	-3.0	-0.6	2.6	-6.4	2.9	2.9	1.6	0.1
East Asia	<40.3>	25.5	1.6	-2.2	-3.9	-1.0	1.5	2.0	-2.3	-2.0	4.8
China	<16.6>	28.1	13.2	2.9	-0.7	4.2	1.7	1.8	-2.3	-4.5	5.4
NIEs	<10.9>	28.4	-9.7	-8.8	-7.6	-7.1	3.5	6.1	-0.8	3.0	2.7
Korea	<4.9>	22.5	-7.8	-6.2	-7.7	-7.0	-1.6	8.2	1.0	3.2	2.9
Taiwan	<4.1>	43.6	-13.0	-11.4	-10.6	-3.9	6.0	7.3	-1.3	3.2	8.2
ASEAN4 ³	<12.7>	20.2	0.0	-1.6	-4.3	-2.1	-0.3	-1.1	-3.7	-2.9	6.1
Thailand	<3.0>	19.3	6.0	4.0	-2.9	-0.5	-0.3	3.5	4.9	-5.1	10.4
Real imports		13.3	-1.1	-1.8	-3.1	-0.9	-1.9	1.9	-1.9	-1.2	5.4

(2) Breakdown by type of goods

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 2000	2001	2001 Q2	Q3	Q4	2002 Q1	Q2	2002 Mar.	Apr.	May
Raw materials ⁴	<26.2>	1.7	-5.1	-2.5	-2.1	-2.6	-3.1	-1.6	-10.7	2.5	3.8
Intermediate goods	<12.9>	8.2	-0.2	-2.9	-3.0	-0.5	-0.5	-0.4	6.5	-7.7	10.5
Foodstuffs	<12.4>	5.3	-1.6	-0.4	-1.8	5.1	-4.5	0.7	-5.3	2.2	1.3
Consumer goods	<11.2>	21.4	5.8	4.0	-1.4	-0.2	-7.3	4.0	-5.0	3.2	1.1
IT-related goods ⁵	<14.8>	43.9	-2.4	-5.3	-10.5	-1.1	5.0	2.5	-0.2	-2.2	4.6
Capital goods and parts ⁶	<11.9>	12.4	3.2	-1.6	-3.6	-3.4	0.5	10.5	3.0	1.2	10.7
excluding aircraft	<11.4>	21.5	6.0	0.2	-6.1	-1.1	-2.5	9.3	3.2	2.3	3.7
Real imports		13.3	-1.1	-1.8	-3.1	-0.9	-1.9	1.9	-1.9	-1.2	5.4

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2002/Q2 figures are Apr.-May averages 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 July 2002 is the average of July 1-15. 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

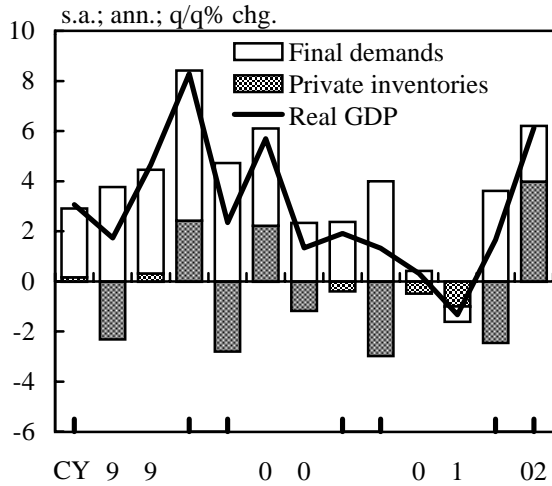
		CY99	2000	2001	2001 Q3	Q4	2002 Q1	Q2	
United States ¹		4.1	4.1	1.2	-1.3	1.7	6.1	n.a.	
European Union ¹		2.7	3.4	1.5	0.9	-0.7	1.2	n.a.	
	Germany	1.8	3.0	0.6	-0.7	-1.0	0.7	n.a.	
	France	3.2	4.2	1.8	1.8	-1.8	1.8	n.a.	
	United Kingdom	2.4	3.1	1.9	1.4	0.4	0.6	n.a.	
East Asia ²	China	7.1	8.0	7.3	7.0	6.6	7.6	8.0	
	NIEs	Korea	10.9	9.3	3.0	1.9	3.7	5.7	n.a.
		Taiwan	5.4	5.9	-1.9	-4.2	-1.9	0.9	n.a.
		Hong Kong	3.0	10.4	0.2	-0.4	-1.4	-0.9	n.a.
		Singapore	6.9	10.3	-2.0	-5.4	-6.6	-1.5	3.2
	ASEAN4	Thailand	4.4	4.6	1.8	1.6	2.1	3.9	n.a.
		Indonesia	0.8	4.9	3.3	3.1	1.6	2.5	n.a.
Malaysia		6.1	8.3	0.4	-0.9	-0.5	1.1	n.a.	
Philippines		3.4	4.4	3.2	3.0	3.9	3.8	n.a.	

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

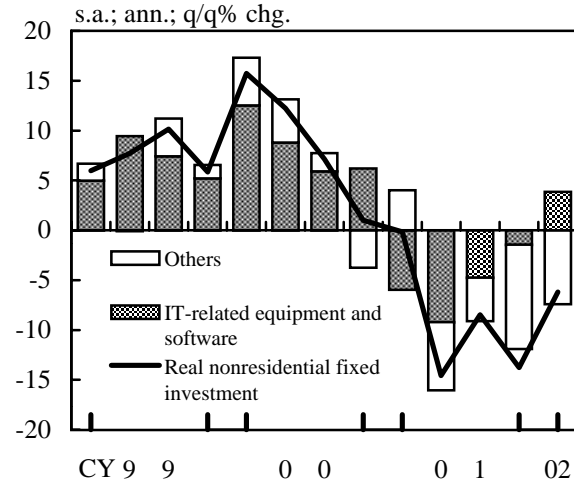
2. Quarterly data are percent changes from a year earlier.

Exporting Conditions (2)

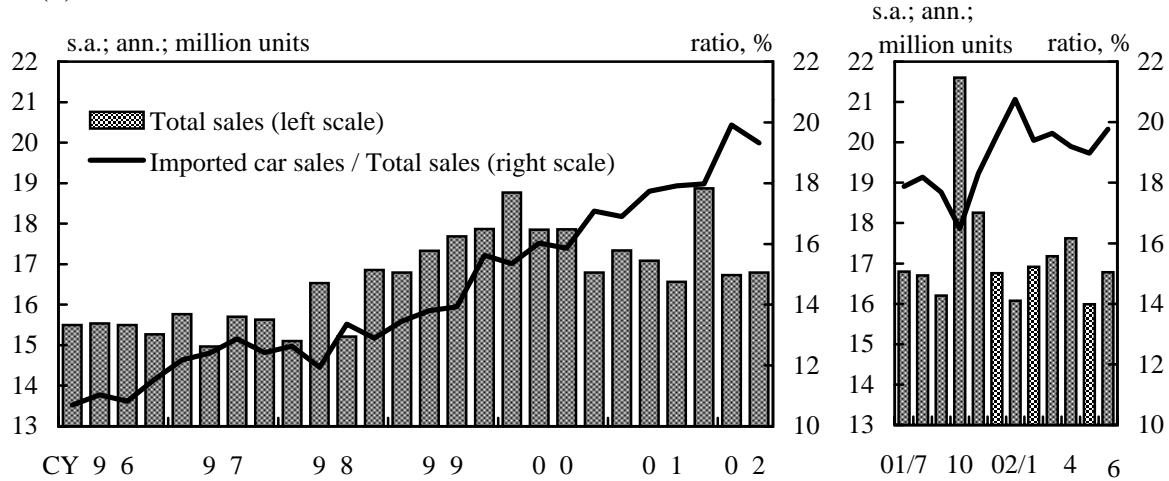
(1) U.S. Real GDP (breakdown by final demands and inventories)



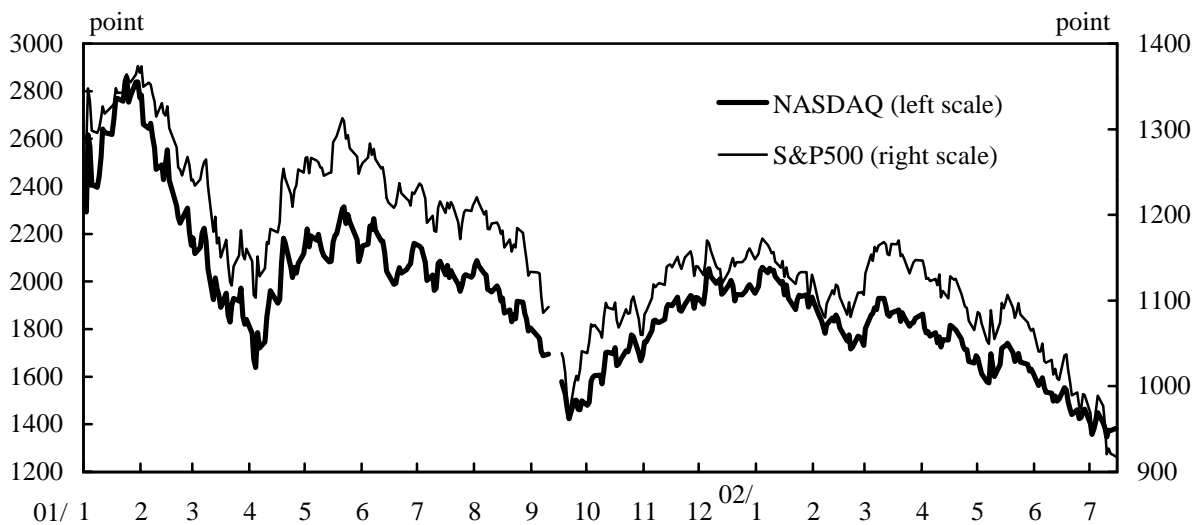
(2) U.S. Real Nonresidential Fixed Investment



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



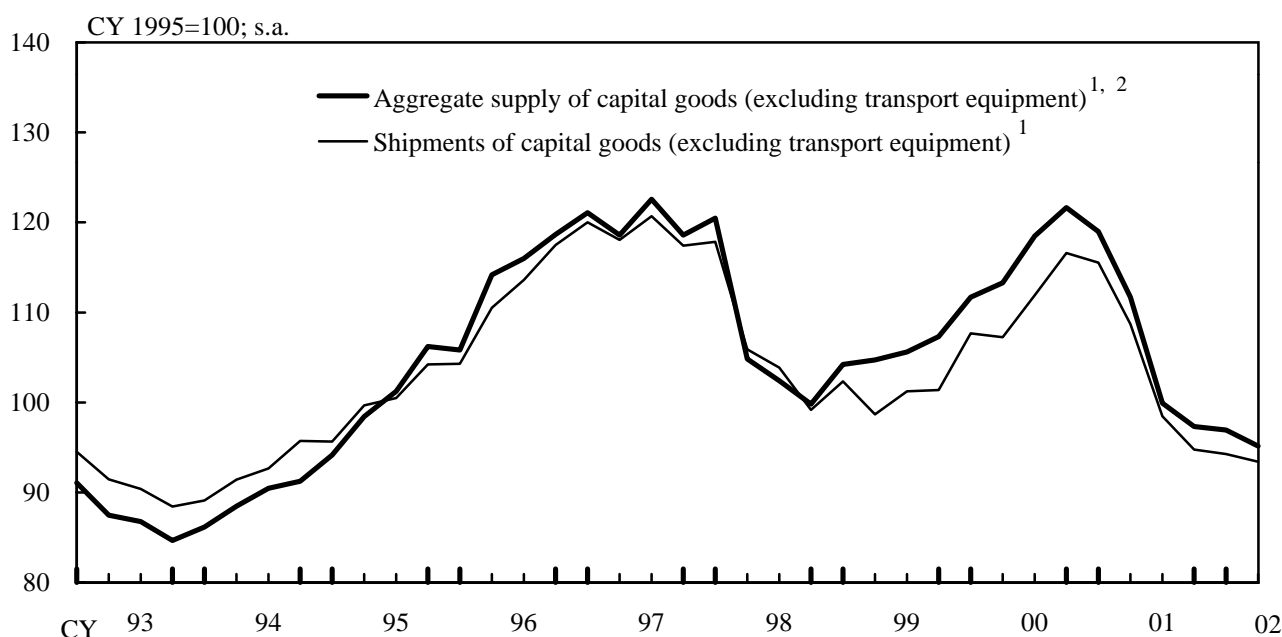
(4) U.S. Stock Prices (NASDAQ, S&P500)



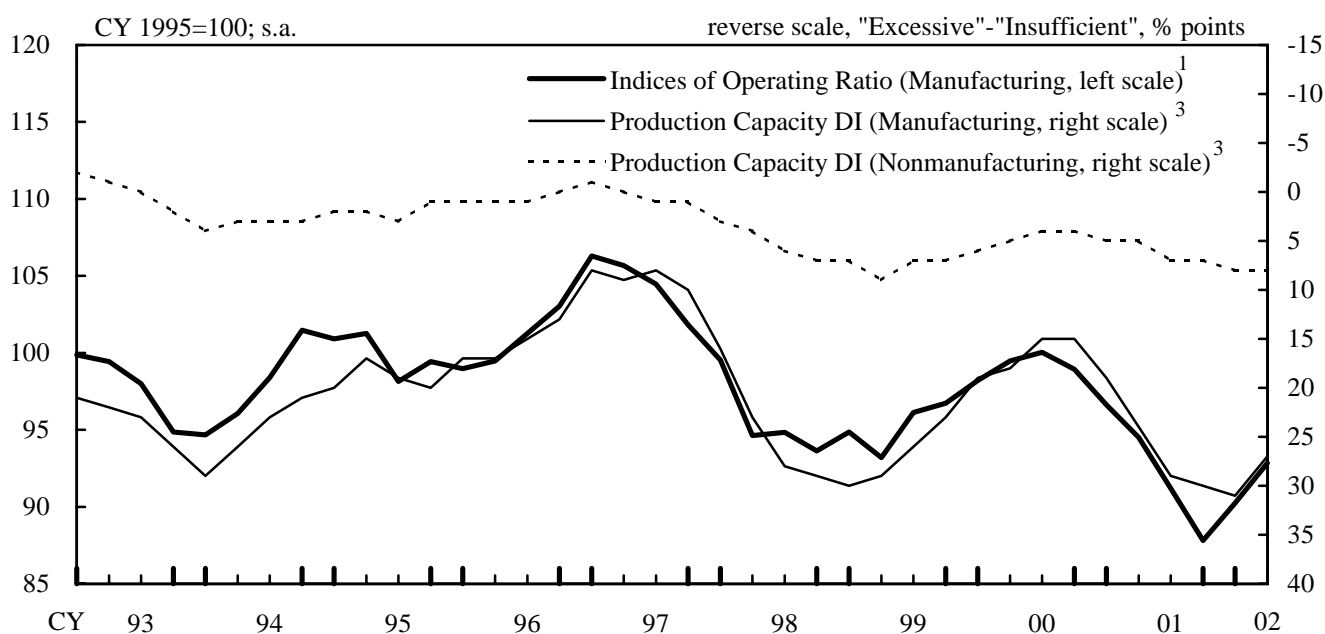
Note: Figures of U.S. stock prices in (4) are up to July 15.

Indicators for Business Fixed Investment (1)

(1) Aggregate supply of capital goods (excluding transport equipment)



(2) Indices of Operating Ratio and Production Capacity DI



Notes: 1. Figures for 2002/Q2 are average of Apr.-May averages.

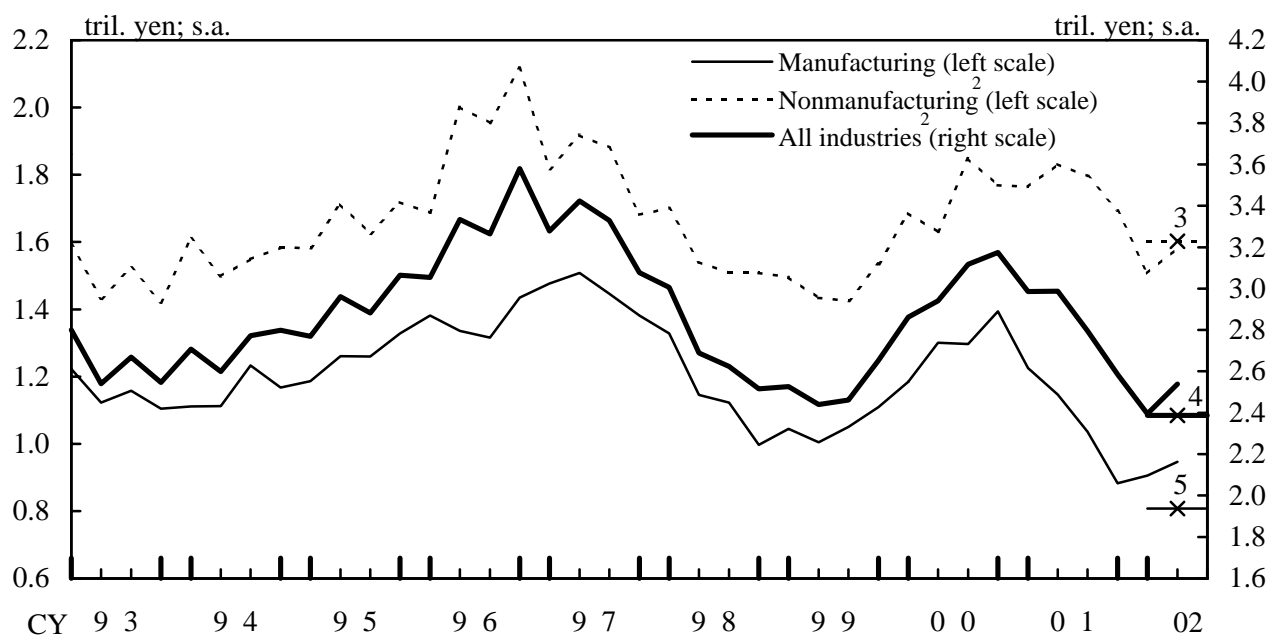
2. The figure for 2002/Q2 is calculated using *Indices of Industrial Production* and real exports and imports.

3. 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."

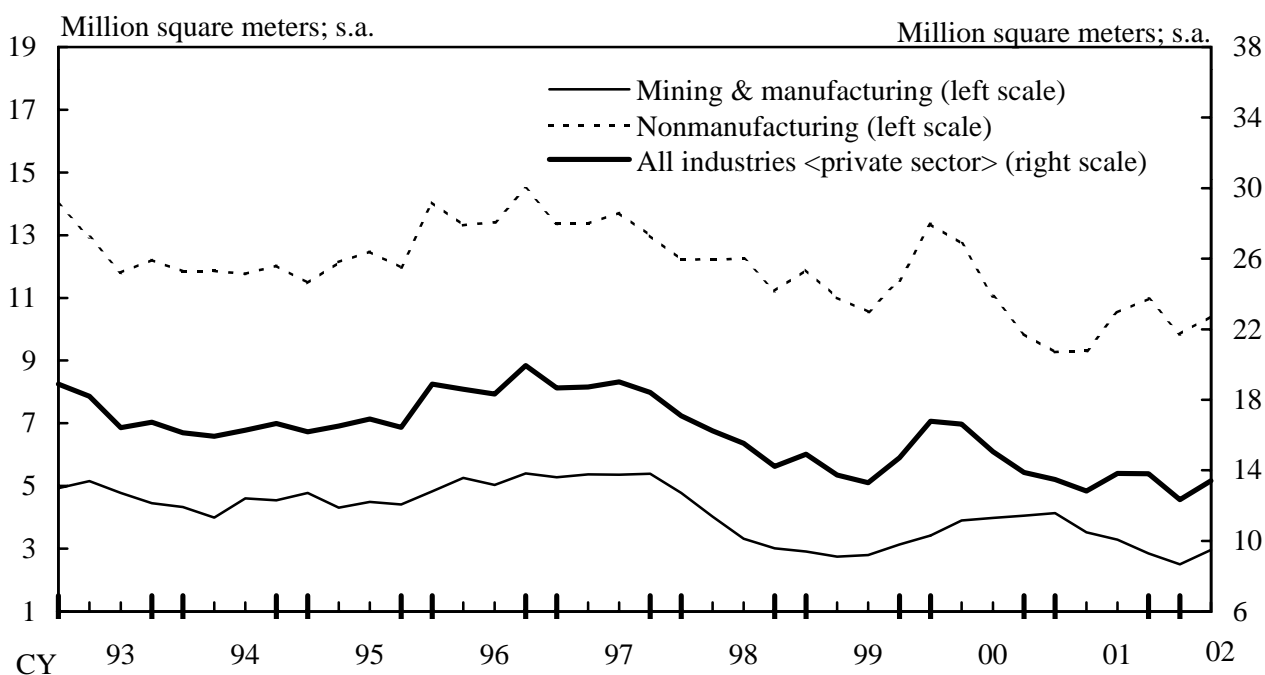
Indicators for Business Fixed Investment (2)

(1) Machinery Orders



- Notes: 1. Figures for 2002/Q2 are average of April and May in terms of quarterly amount.
 2. Excludes orders from electric power companies and shipbuilding orders.
 3. Forecast of nonmanufacturing industries for 2002/Q2.
 4. Forecast of all industries for 2002/Q2.
 5. Forecast of manufacturing industries for 2002/Q2.

(2) Construction Starts (Nonresidential)

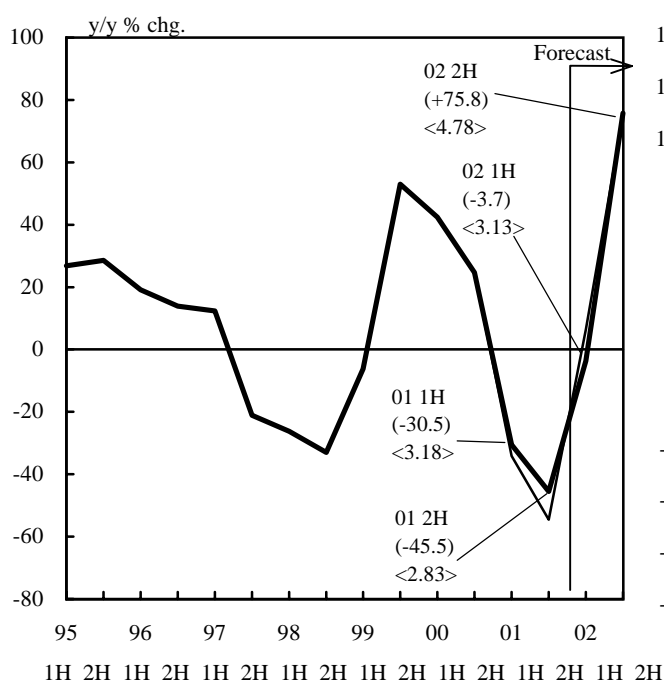


- Notes: 1. Seasonally adjusted by X-12-ARIMA.
 2. Figures for 2002/Q2 are average of April and May in terms of quarterly amount.

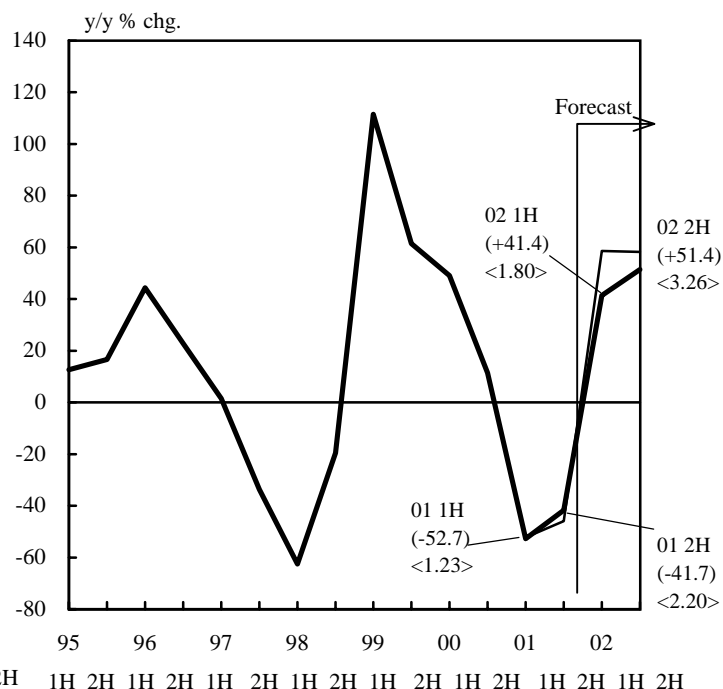
Sources: Cabinet Office, "Machinery Orders Statistics";
 Ministry of Land, Infrastructure and Transport, "Statistics Building Construction Starts."

Recurring Profit

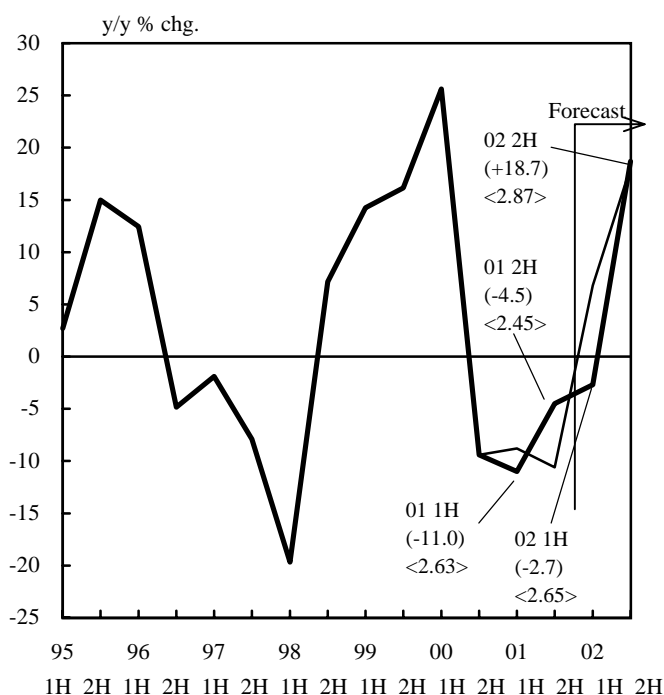
(1) Manufacturing / Large Enterprises



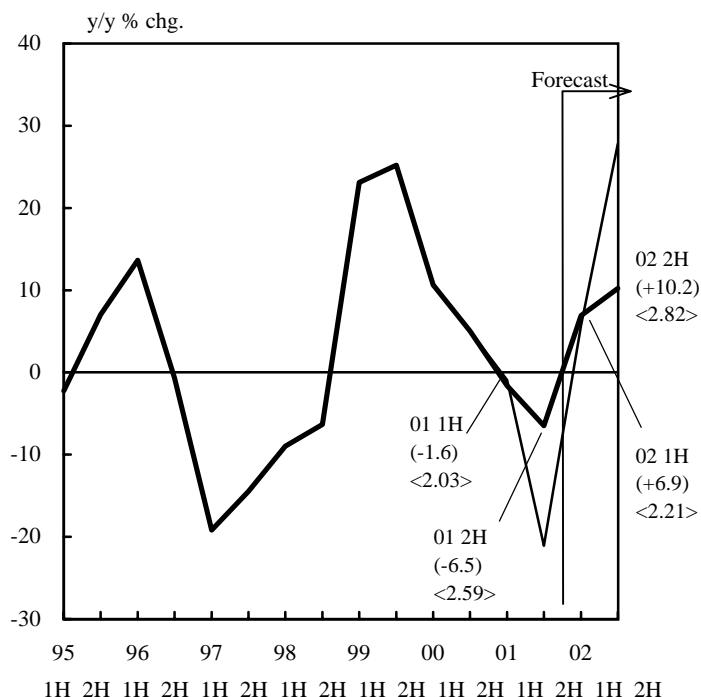
(2) Manufacturing / Small Enterprises



(3) Nonmanufacturing / Large Enterprises



(4) Nonmanufacturing / Small Enterprises



Notes: 1. The thin solid line shows the figures as of the March 2002 survey.

2. Large enterprises: 1,000 employees or more

Small enterprises: 50-299 employees (Manufacturing), 20-99 employees (Wholesaling),

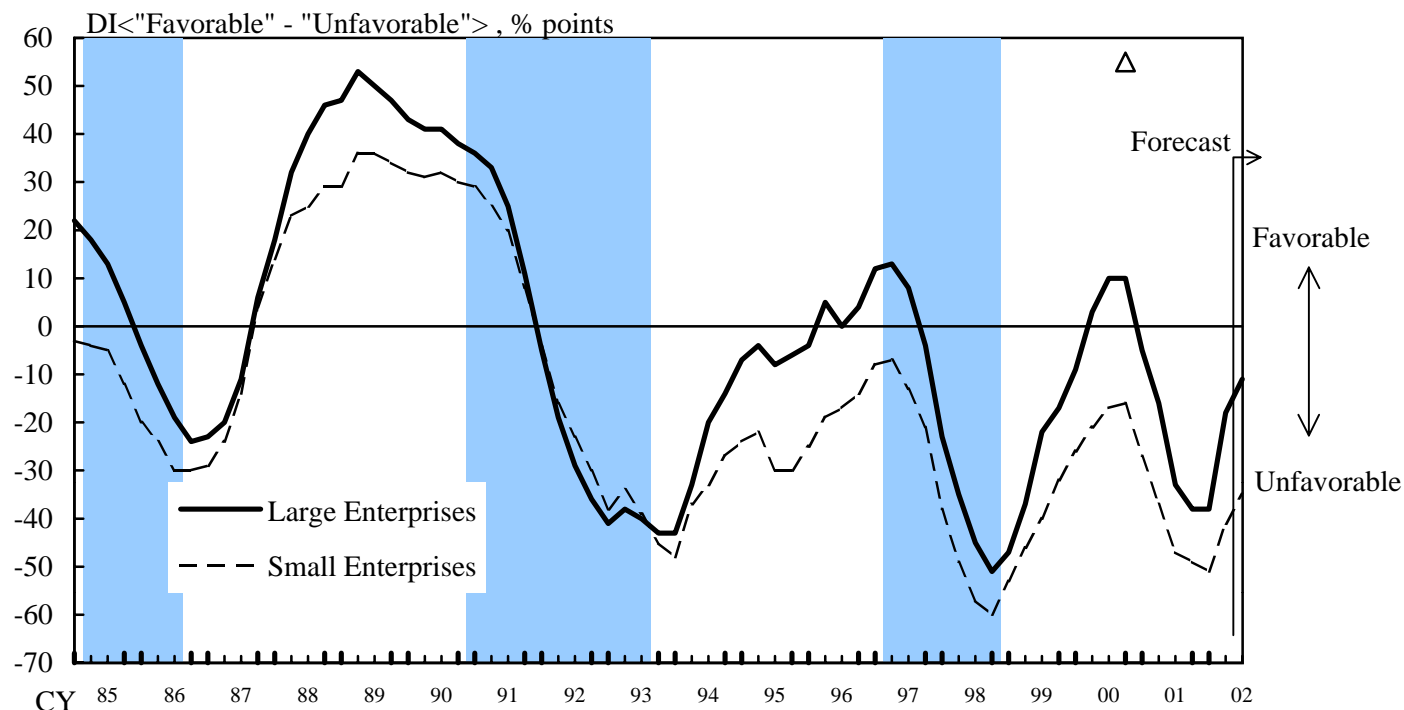
20-49 employees (Retailing, services, and leasing), 50-299 employees (Other industries)

3.(.): Recurring Profits (y/y % chg.), < >: Ratio of recurring profit to sales (%).

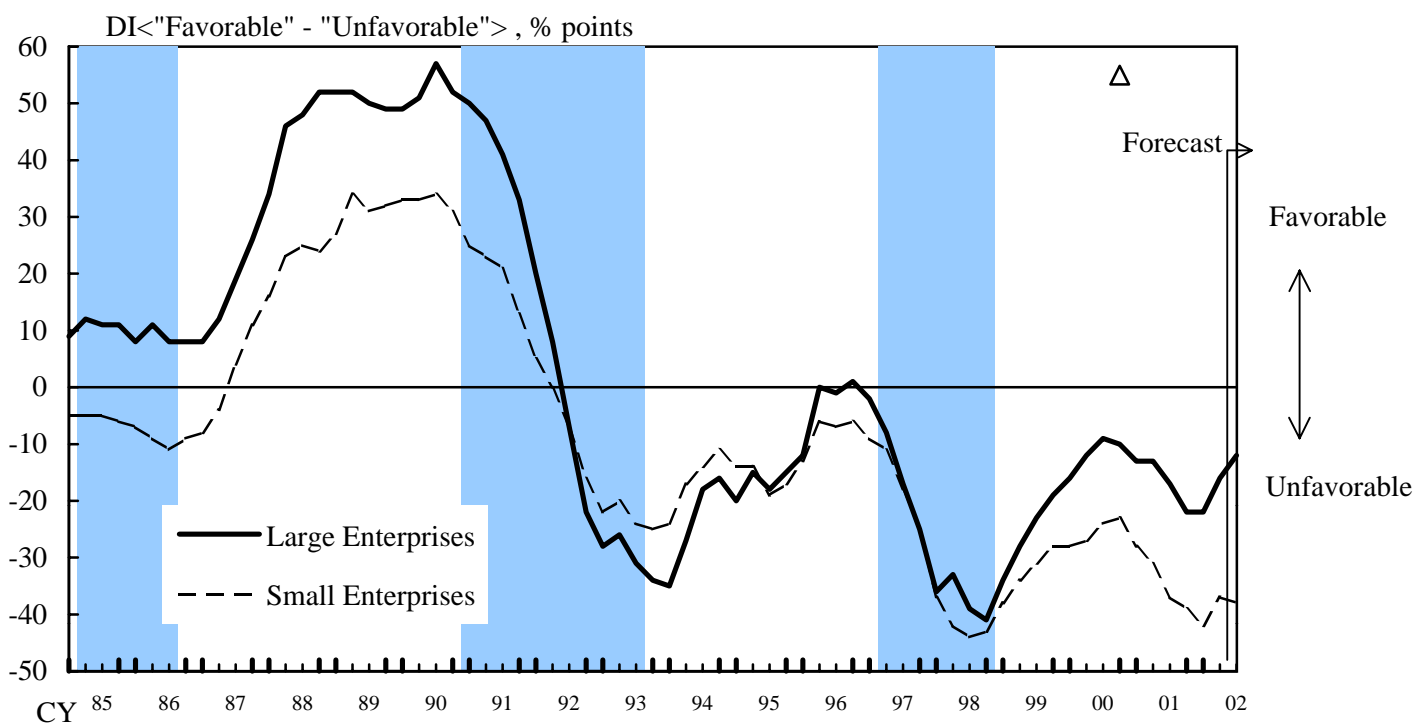
Source: Bank of Japan, "Tankan Short-term Economic Survey of Enterprises in Japan."

Business Conditions

(1) Manufacturing



(2) Nonmanufacturing



Notes: 1. Large enterprises: 1,000 employees or more

Small enterprises: 50-299 employees (Manufacturing), 20-99 employees (Wholesaling),

20-49 employees (Retailing, services, and leasing), 50-299 employees (Other industries)

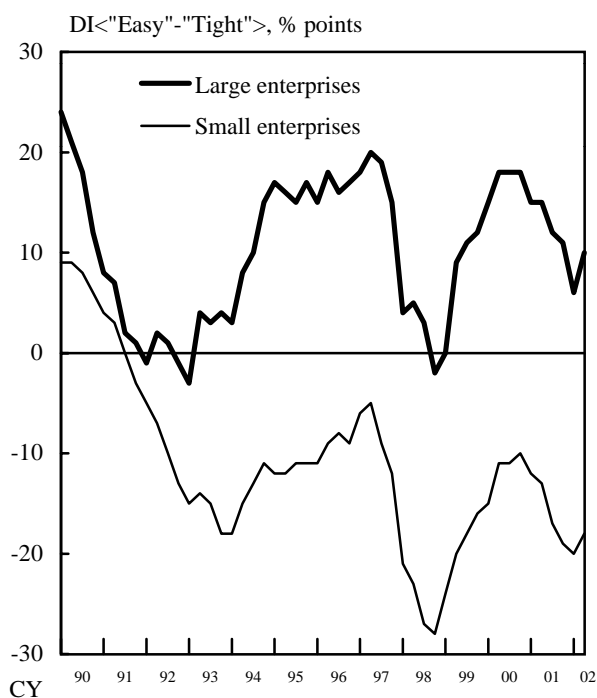
2. Shaded areas indicate recession. Triangles show the recent peaks.

Source: Bank of Japan, "Tankan Short-term Economic Survey of Enterprises in Japan."

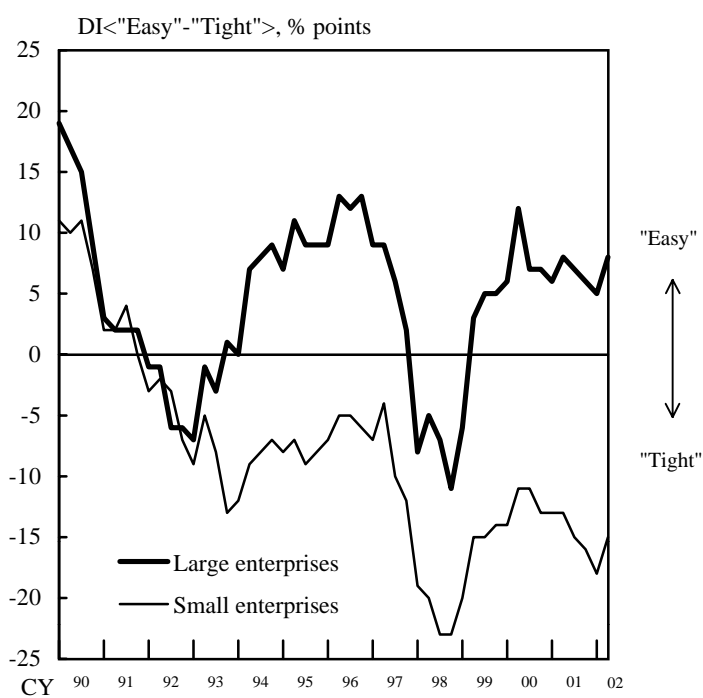
Corporate Finance-Related Indicators

(1) Financial Position

< Manufacturing >

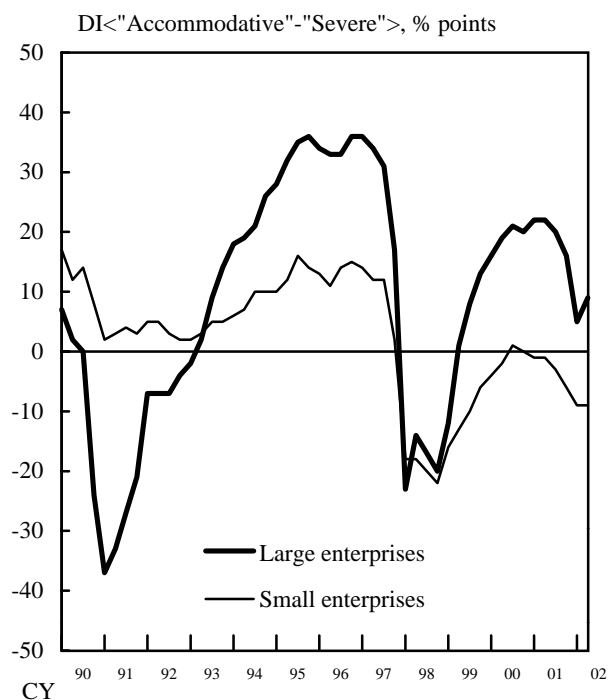


< Nonmanufacturing >

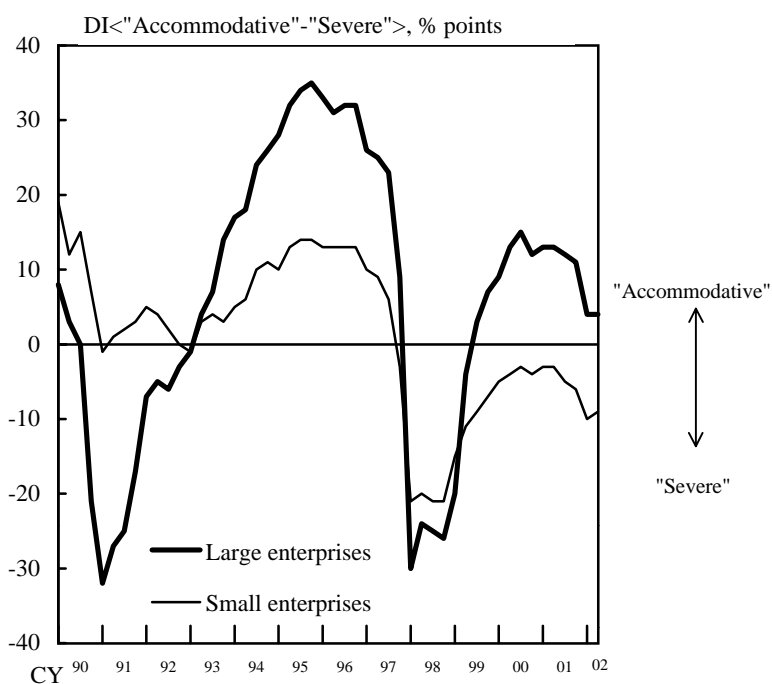


(2) Lending Attitude of Financial Institutions

< Manufacturing >



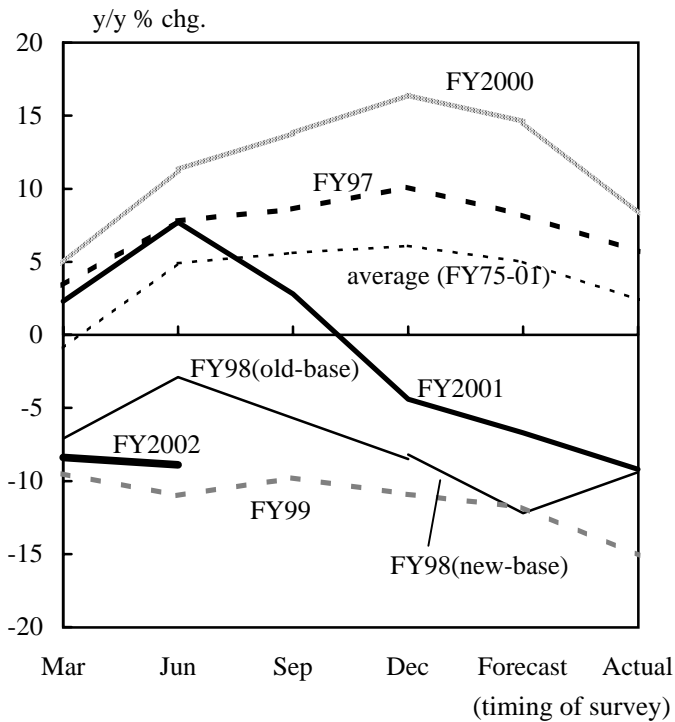
< Nonmanufacturing >



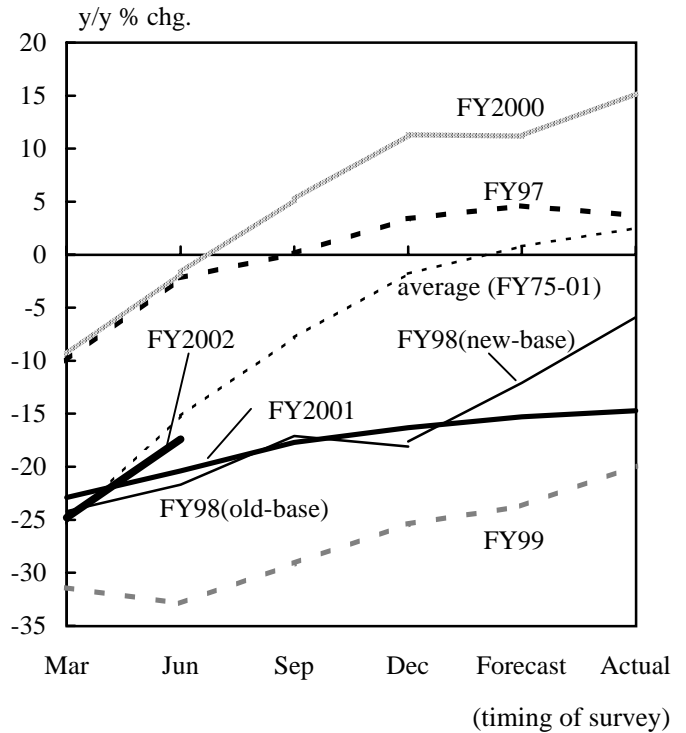
Source: Bank of Japan, "Tankan Short-term Economic Survey of Enterprises in Japan."

Business Fixed Investment Plans as Surveyed

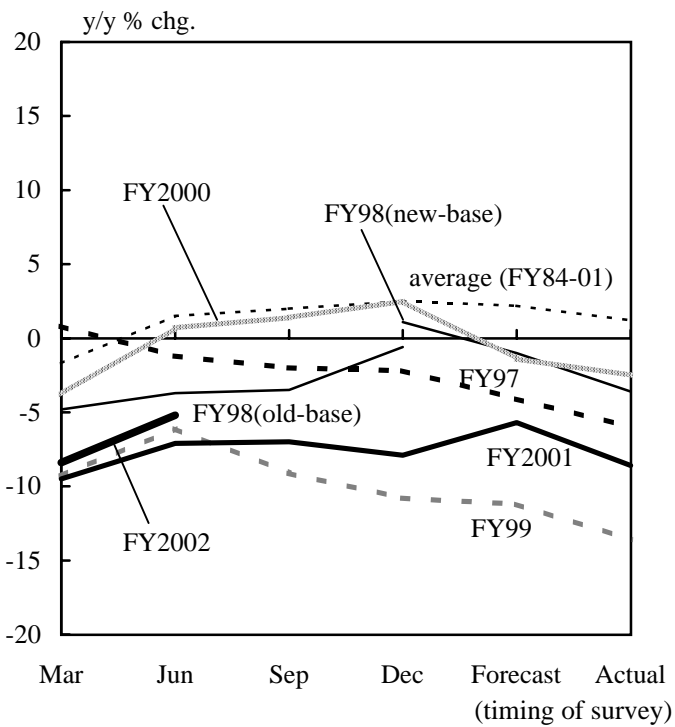
(1) Manufacturing / Large Enterprises



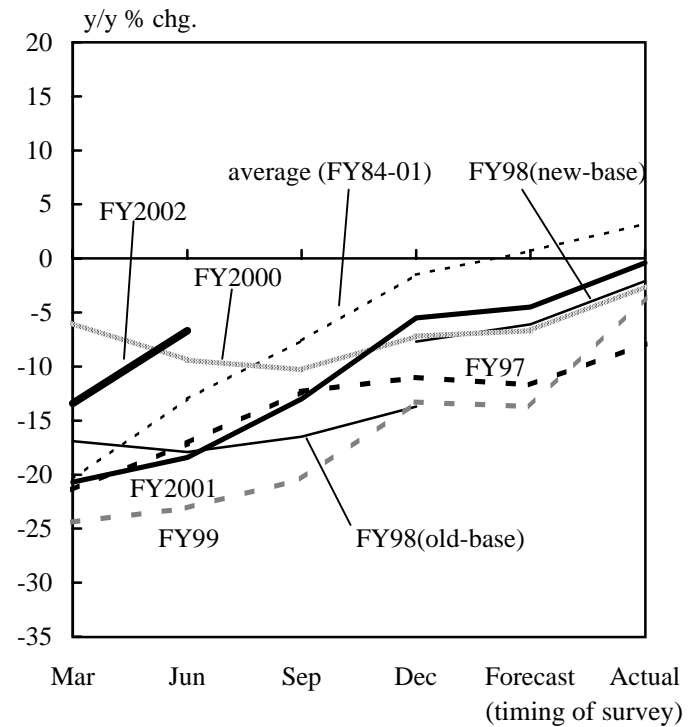
(2) Manufacturing / Small Enterprises



(3) Nonmanufacturing / Large Enterprises



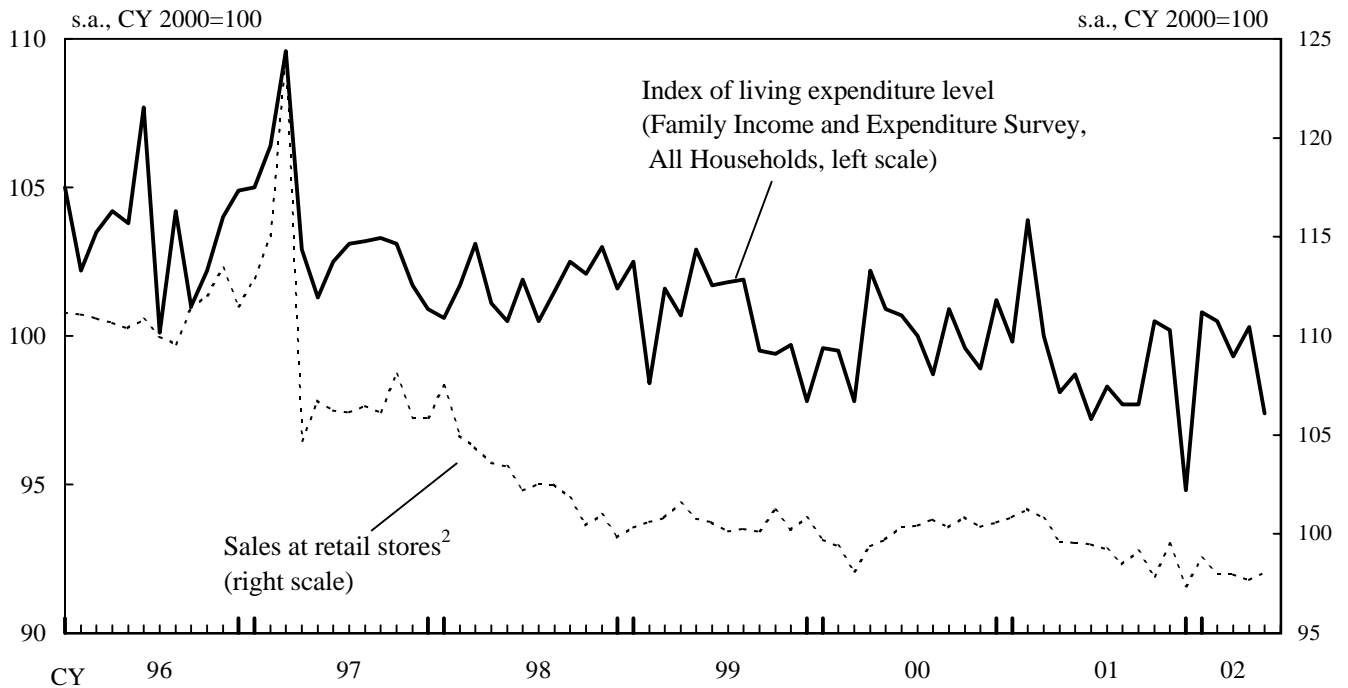
(4) Nonmanufacturing / Small Enterprises



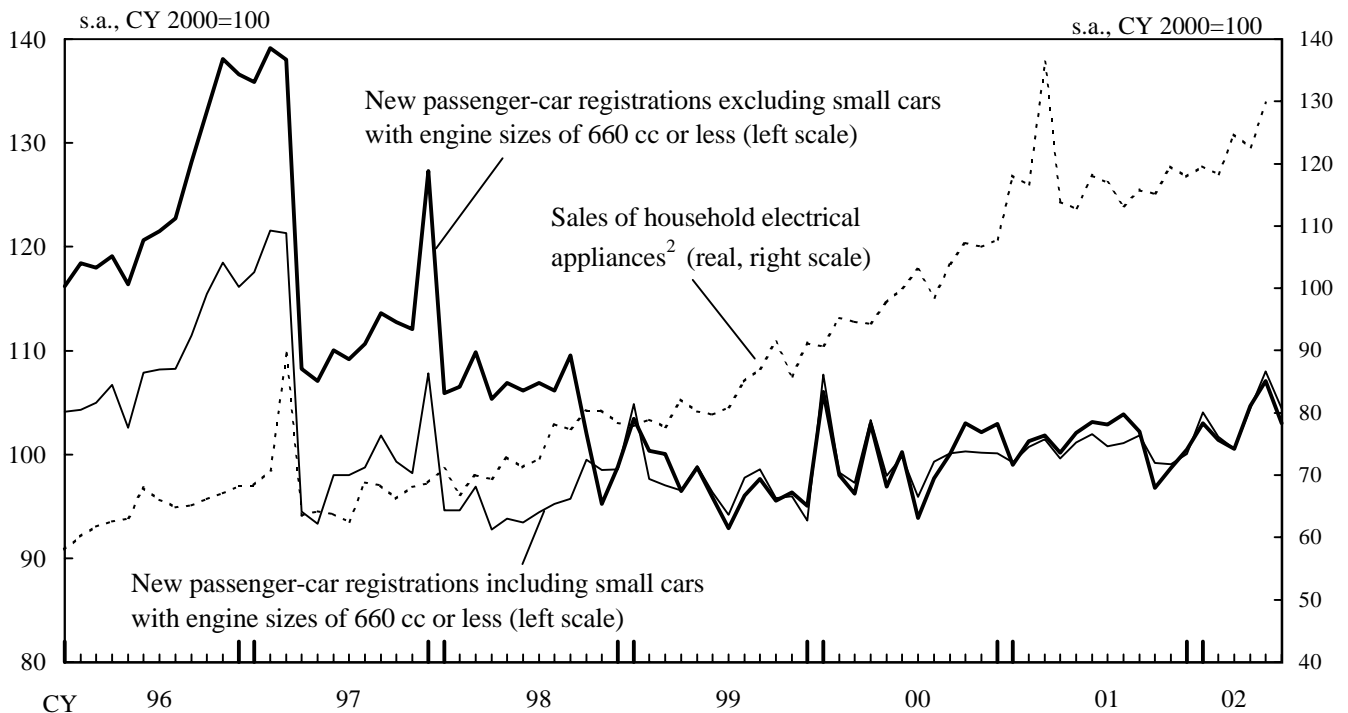
Source: Bank of Japan, "Tankan Short-term Economic Survey of Enterprises in Japan."

Private Consumption¹ (1)

(1) Household Spending



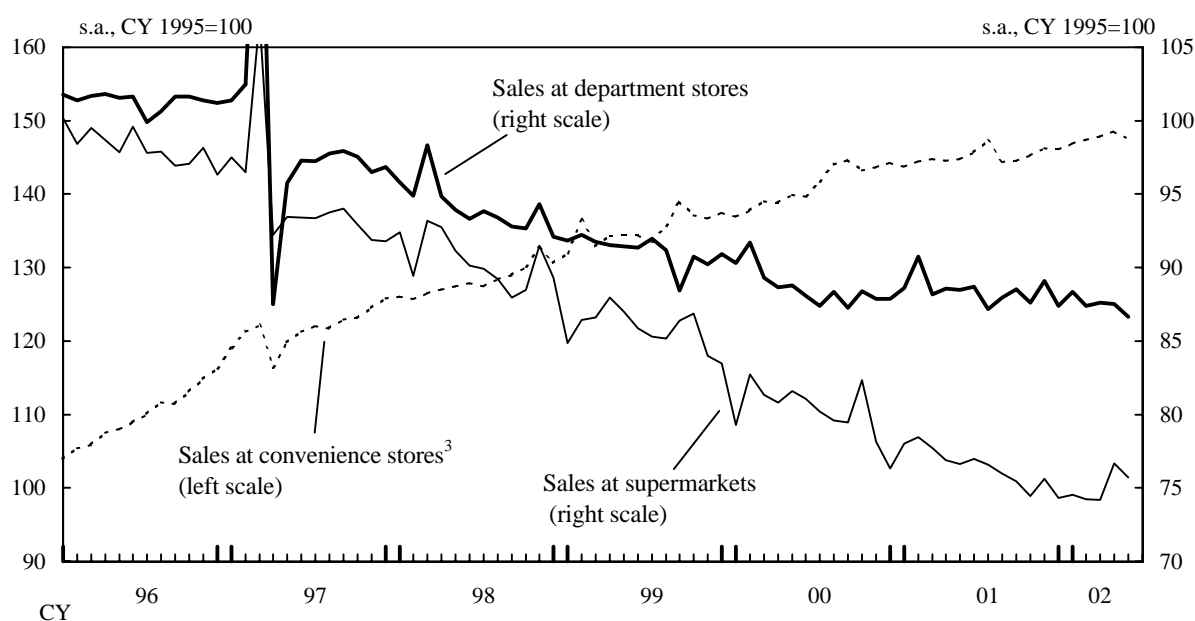
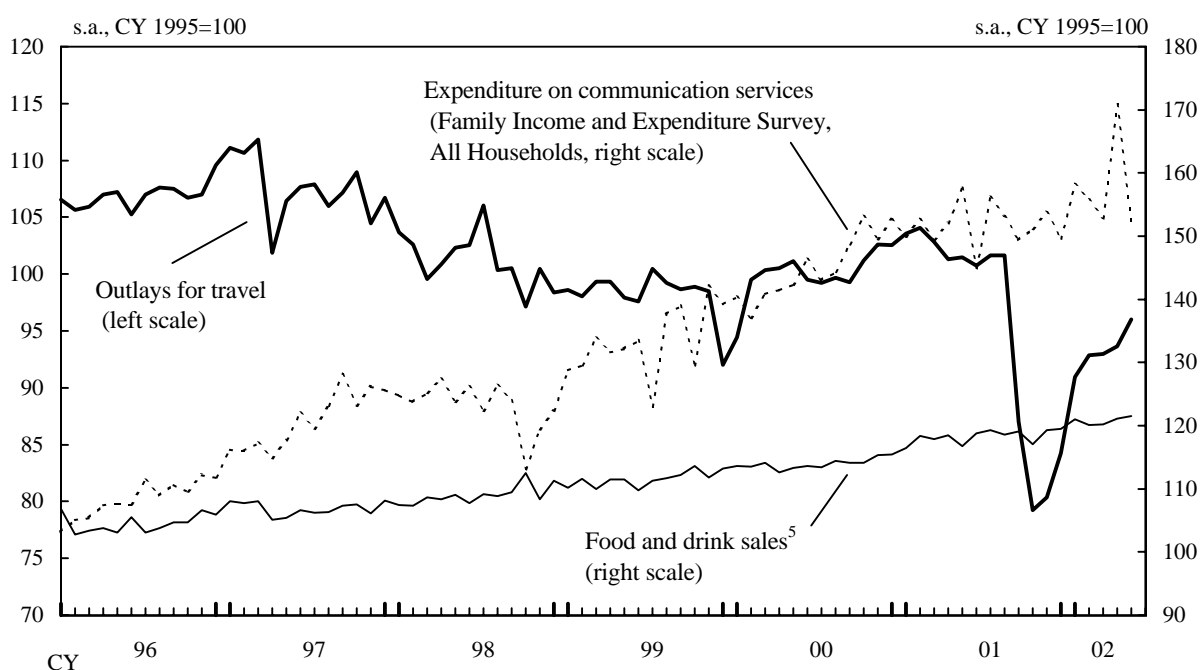
(2) Sales of Durable Goods



Notes: 1. Seasonally adjusted by X-12-ARIMA. Index of living expenditure level is seasonally adjusted by the Ministry of 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.

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.

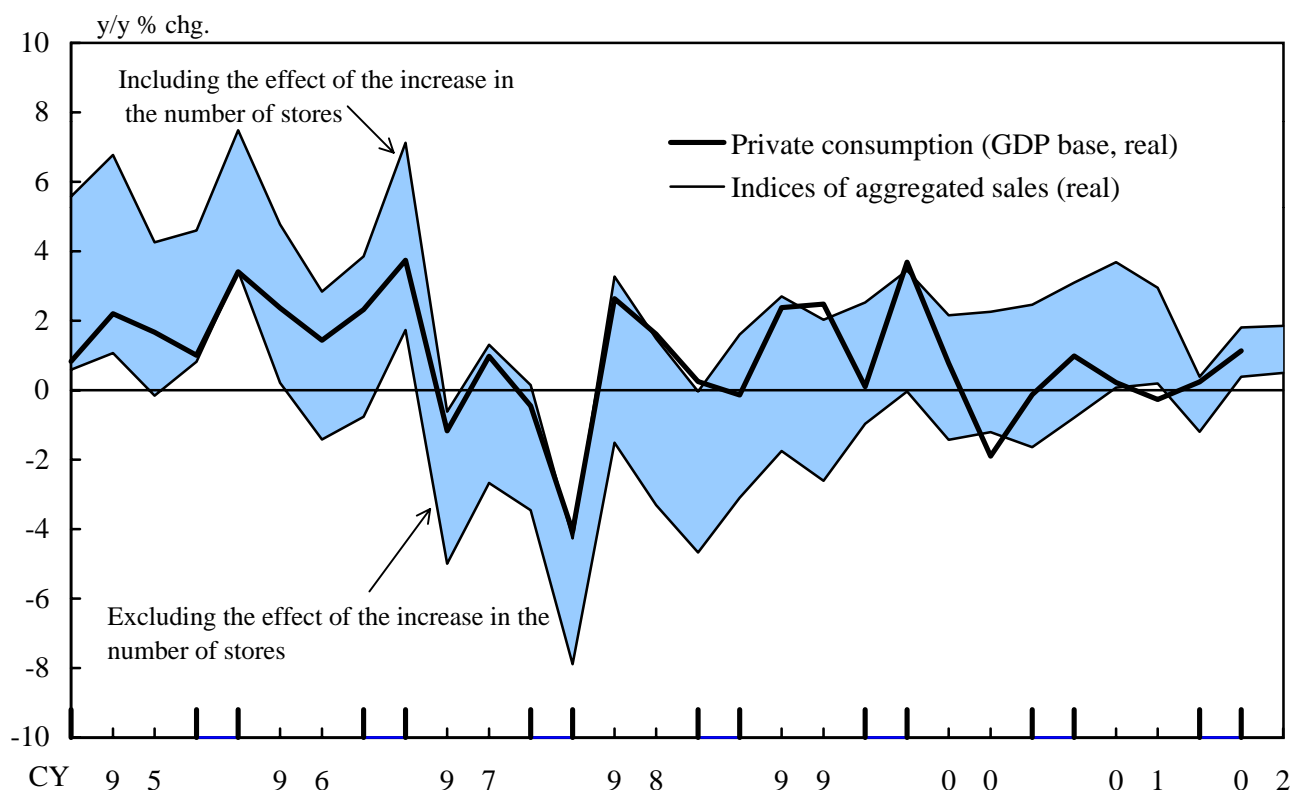
3. Sales at convenience stores until March 1997 are based on the survey conducted by the Bank of Japan. From April 1997 they are based on the data published by the Ministry of Economy, Trade and Industry.

4. Outlays for travel and food and drink sales 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 benchmark.

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) - Indices of aggregated sales

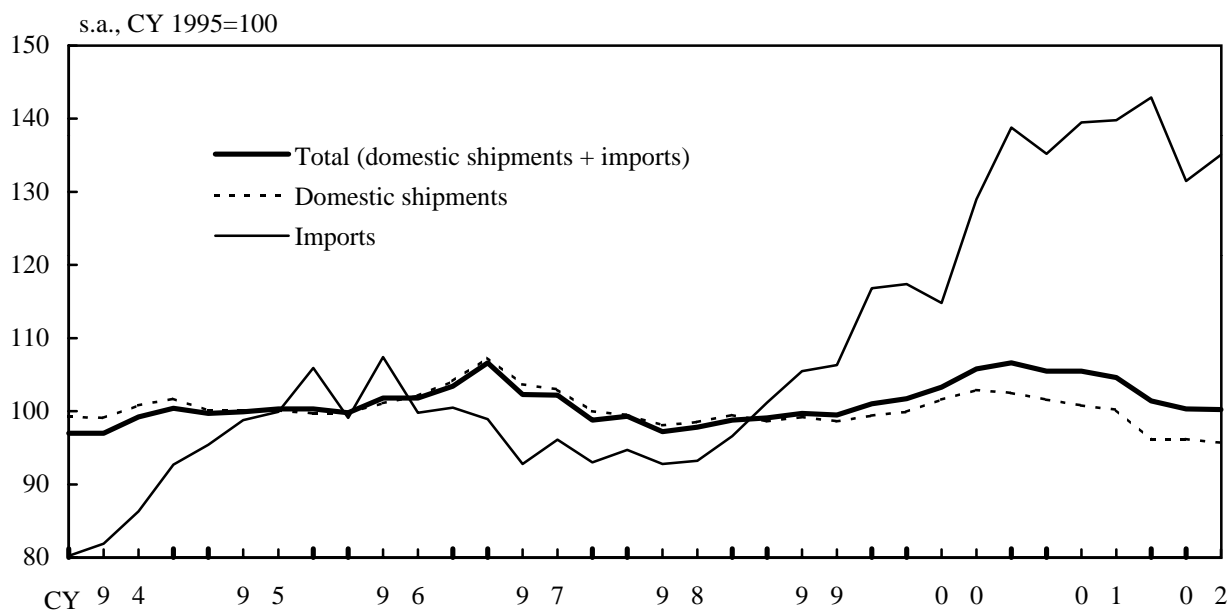


- Notes: 1. Indices of aggregated sales are the weighted sum of *Sales at department stores and supermarkets*; *New passenger-car registrations*; *Sales of household electrical appliances*; *Outlays for travel*; and *Food and drink sales*, where the weights come from the *Family Income and Expenditure Survey*. These indices of aggregated sales consist of the series including and excluding the effects of the increase in the number of stores. Indices "including the effects of the increase in the number of stores" reflect the fluctuations in sales due to changes in the number of stores caused by the opening and closing down of businesses. (Indices "including the effects of the increase in the number of stores" include sales at convenience stores.) On the other hand, those "excluding the effects of the increase in the number of stores" tend to capture consumption trends only from stores of which sales can be obtained continuously.
2. Sales indicators in nominal terms are deflated by the corresponding items of the consumer price index or the wholesale price index.
3. 2002/Q2 figures are those of Apr.-May converted to a quarterly basis.

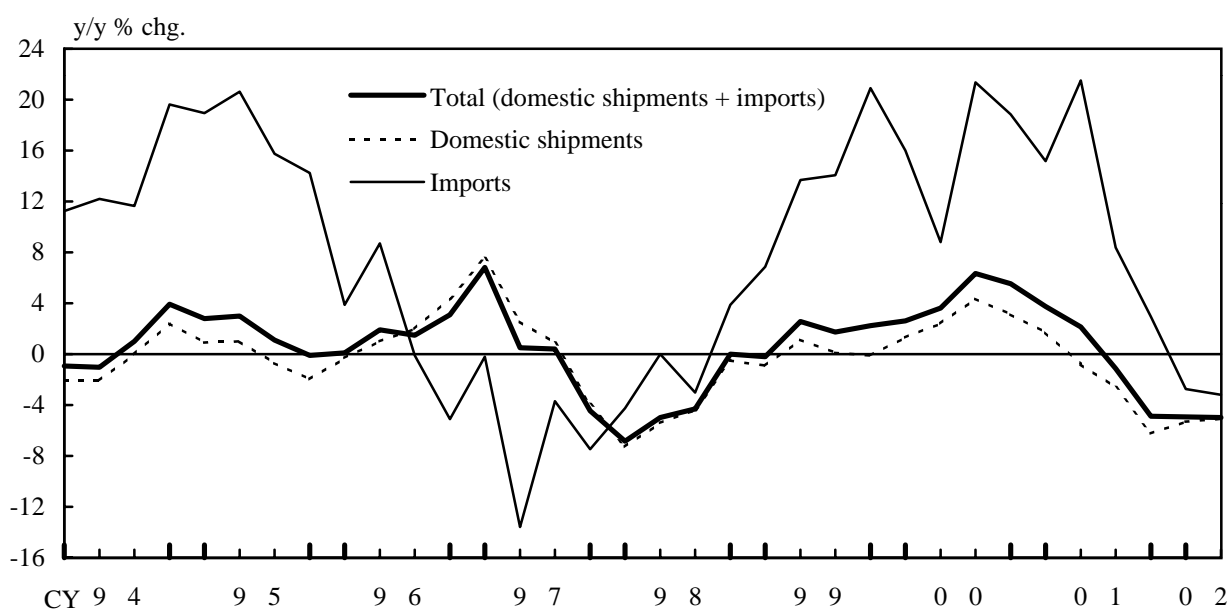
Sources: Cabinet Office, "National Accounts";
 Ministry of Economy, Trade and Industry, "Current Survey of Commerce";
 Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index," "Monthly Report on the Family Income and Expenditure Survey";
 Bank of Japan, "Wholesale 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) - Aggregate supply of consumer goods

(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/Q2 of "Domestic shipments" are calculated from quarterly changes of *Indices of Industrial Production* (excluding the effects of exports).

3. Figures for 2002/Q2 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/Q2 of "Total (domestic shipments + imports)" are calculated from weighted average of the quarterly changes in "Domestic shipments" and "Imports".

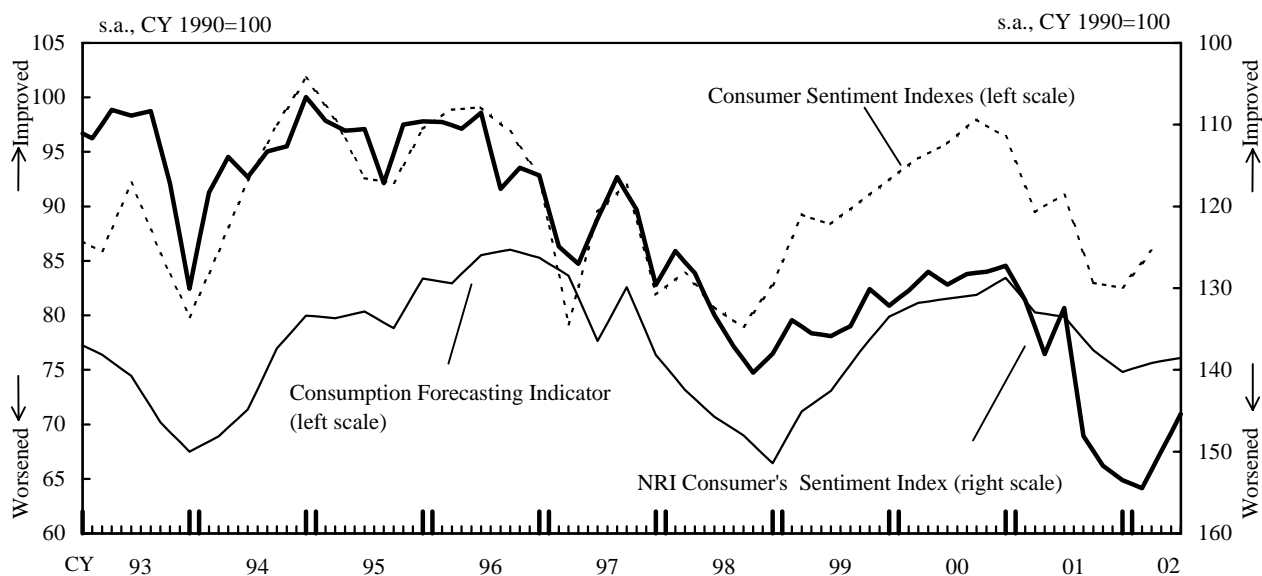
5. Year-on-year changes are calculated from seasonal adjusted series.

6. 2002/Q2 figures are those of Apr.-May averages 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."

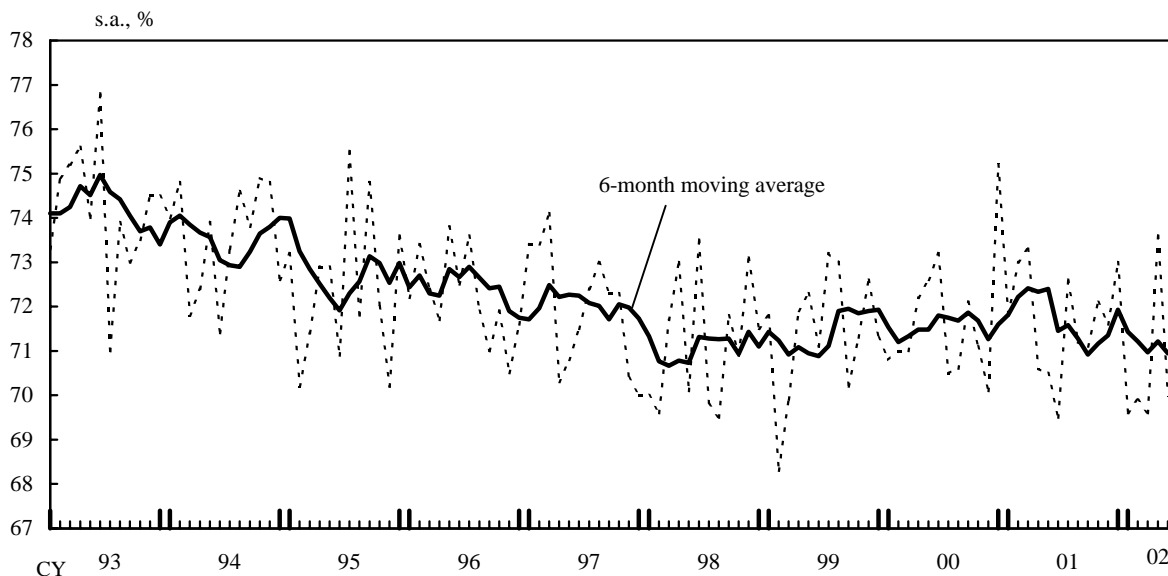
Consumer Confidence and Propensity to Consume

(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.

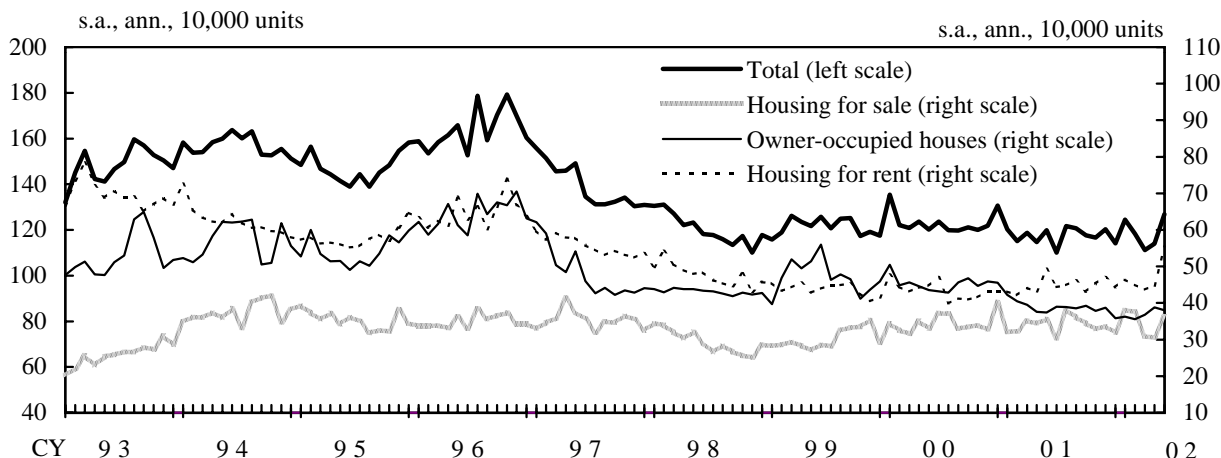
(2) Propensity to Consume (Family Income and Expenditure Survey, Workers' Households)



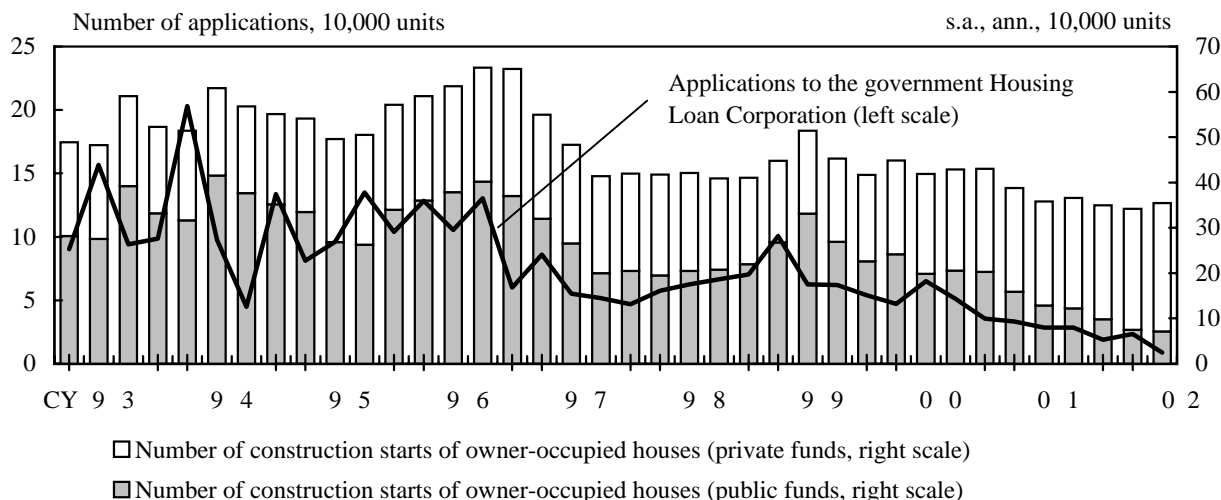
Sources: Cabinet Office, "Consumer Behavior Survey";
 Nikkei Research Institute of Industry and Markets (NIKKEI RIM), "Consumption Forecasting Indicator";
 Ministry of Public Management, Home Affairs, Posts and Telecommunications,
 "Monthly Report on the Family Income and Expenditure Survey";
 Nippon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

Indicators for Housing Investment

(1) Housing Starts

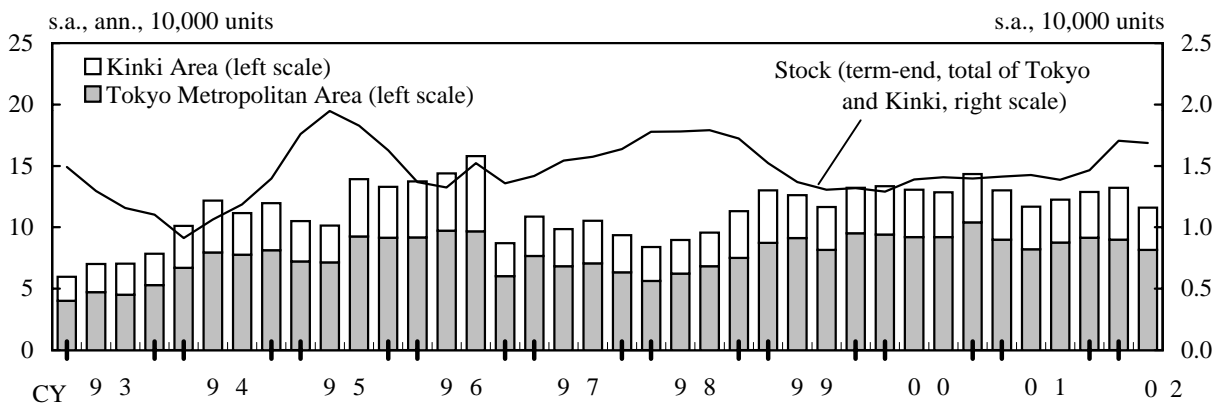


(2) Number of Applications to the Government Housing Loan Corporation
(for new owner-occupied houses)



- 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/Q2 are those of April-May averages.

(3) Sales of Condominiums

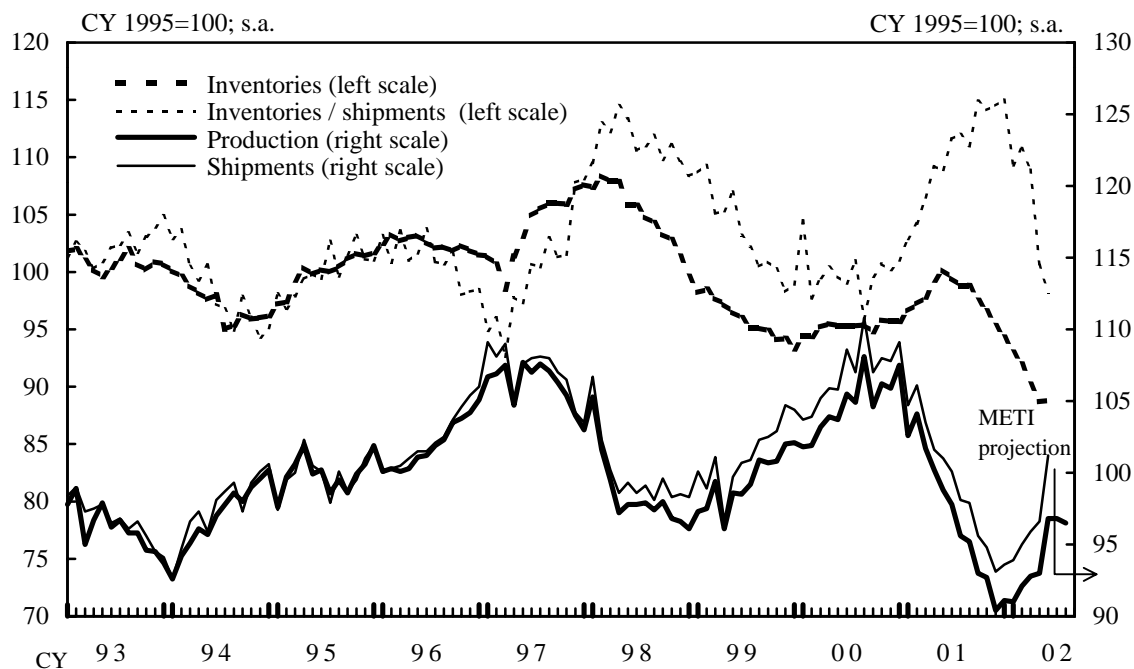


Note: Seasonally adjusted by X-12-ARIMA.

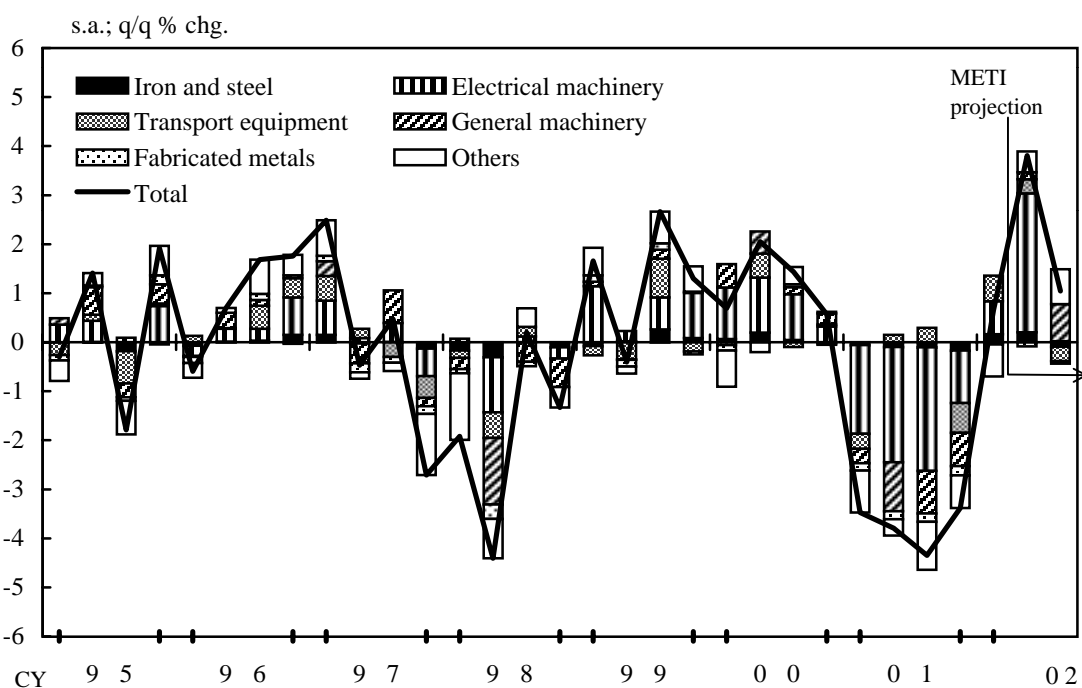
Sources: Ministry of Land, Infrastructure and Transport, "Monthly of Construction Statistics," etc.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industries



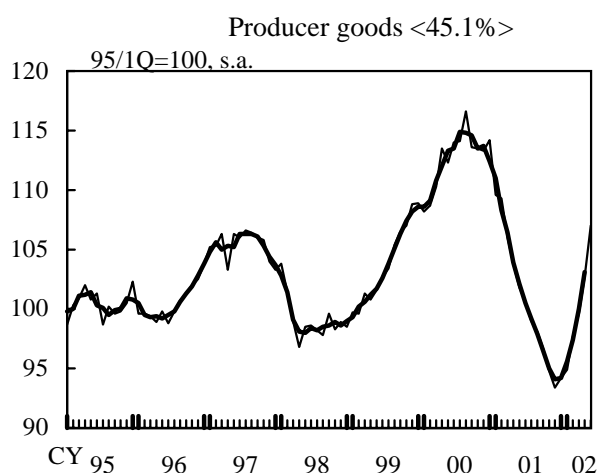
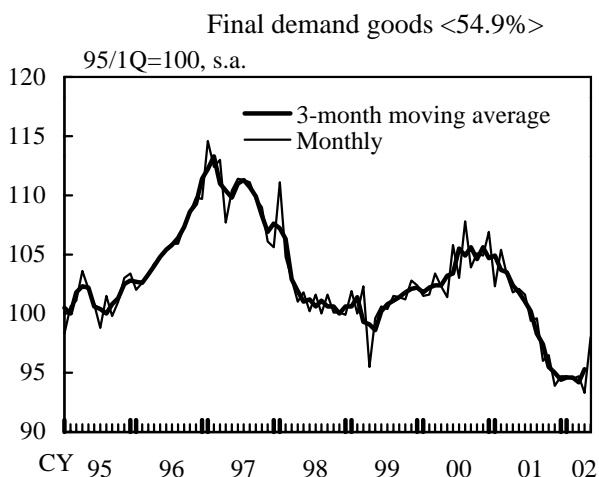
Notes: 1. Transport equipment excludes ships and rolling stock.

2. 2002/Q3 for METI projection is based on the assumption that production level in Aug. and Sept. is the same as that of July.

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

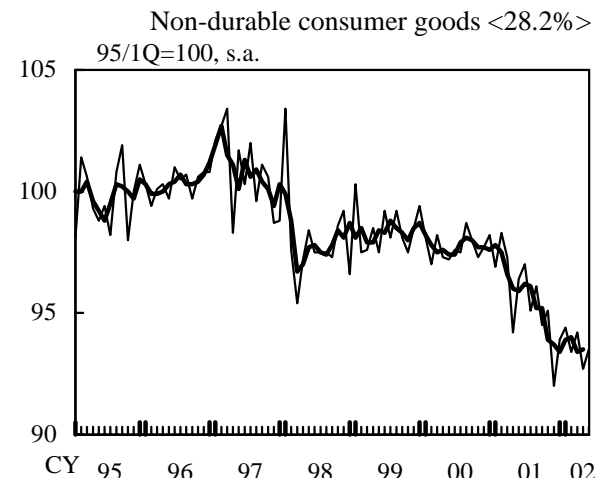
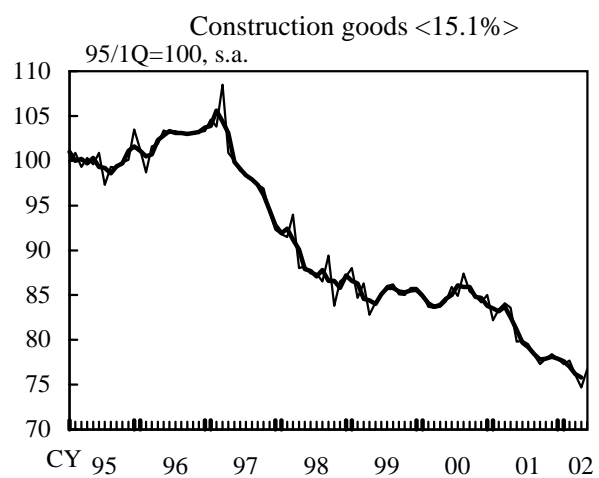
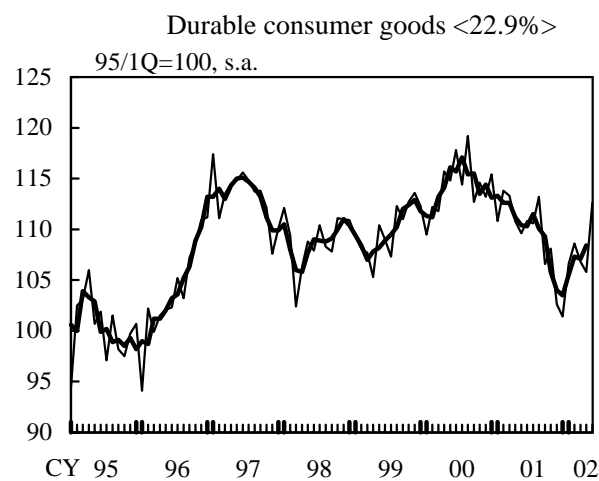
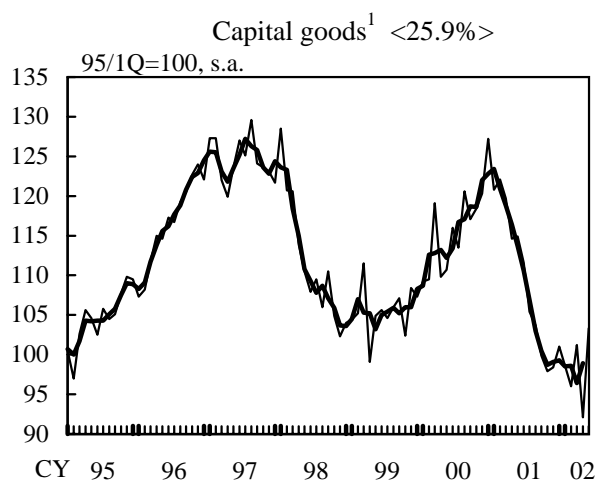
Shipments (breakdown by type of goods)

(1) Final demand goods and Producer goods



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

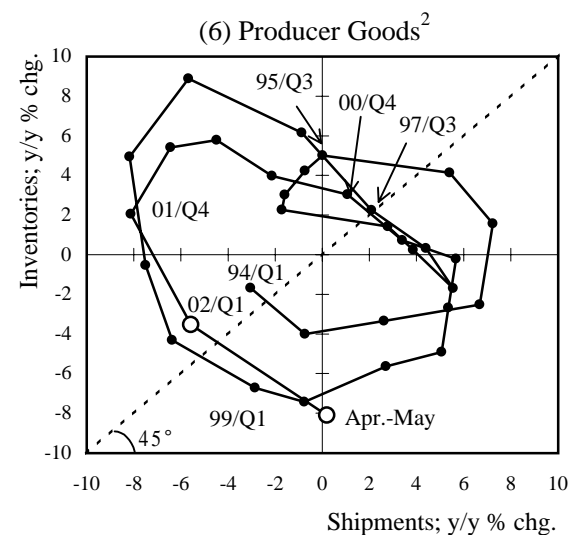
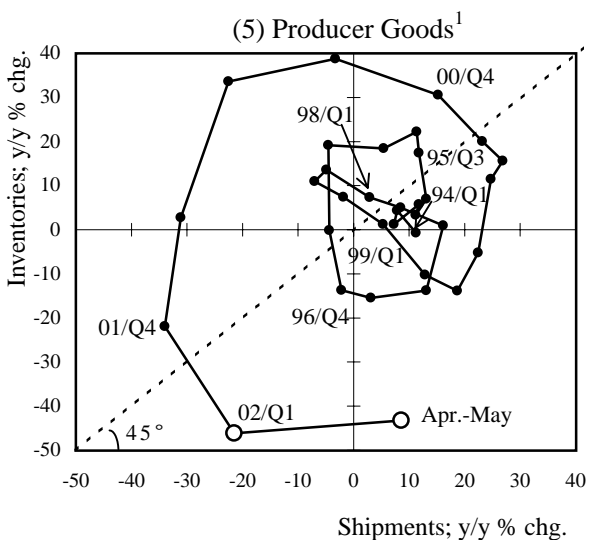
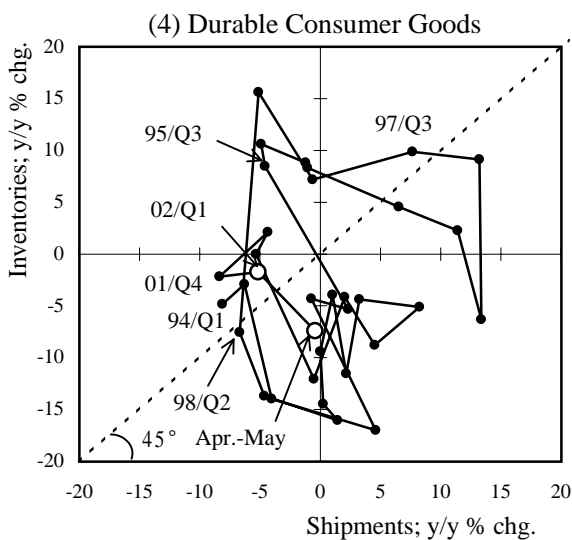
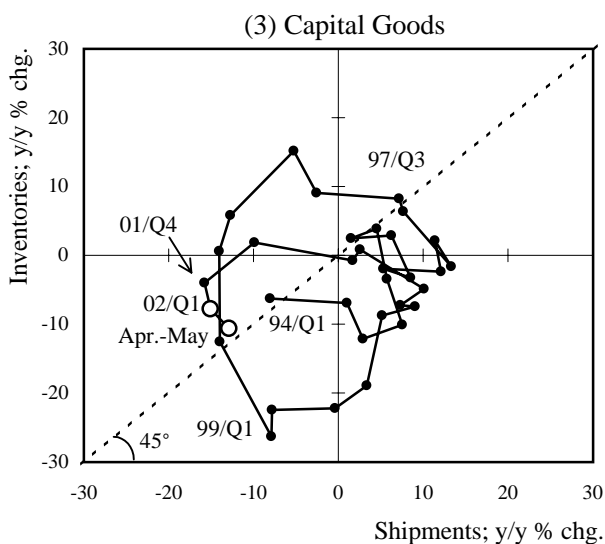
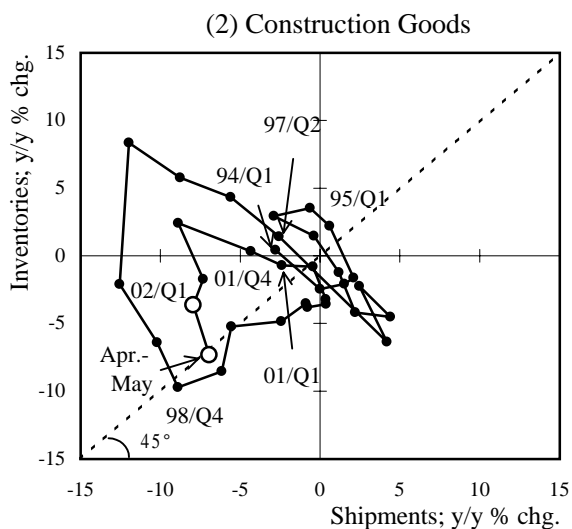
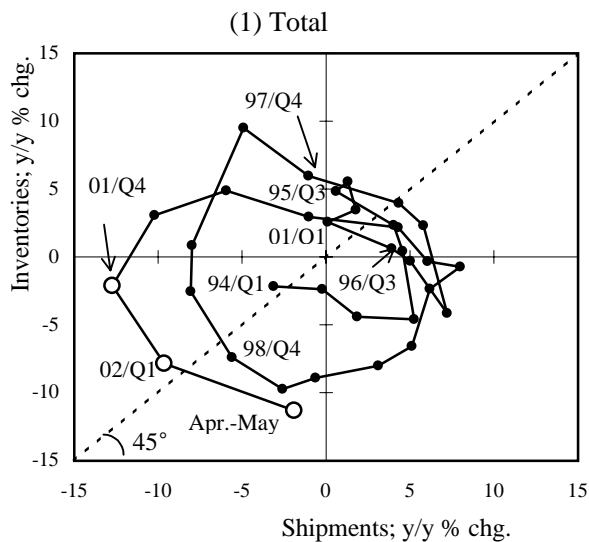
(2) Breakdown of final demand goods



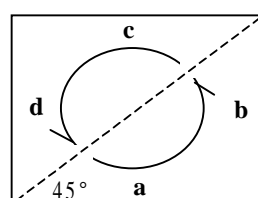
Notes: 1.Excluding transportation equipment.
2.Shares of shipments of final demand goods are shown in brackets.

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

Inventory Cycle



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



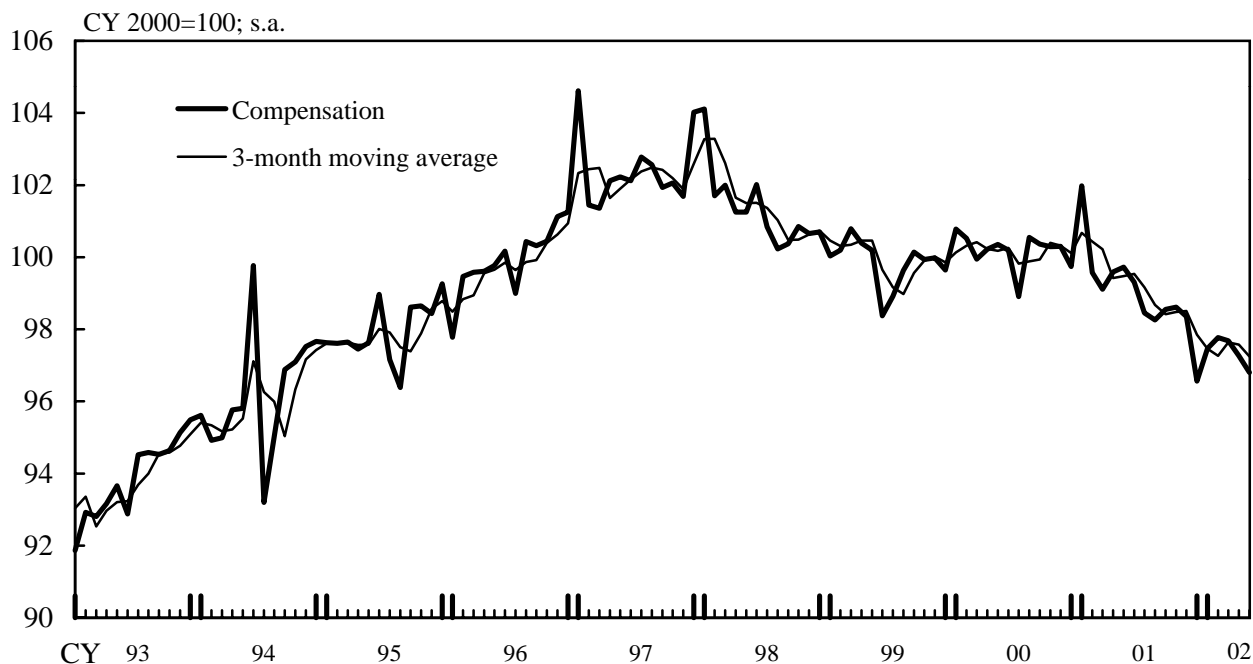
Notes: 1. Producer goods of electrical machinery.

2. Producer goods excluding electrical machinery.

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

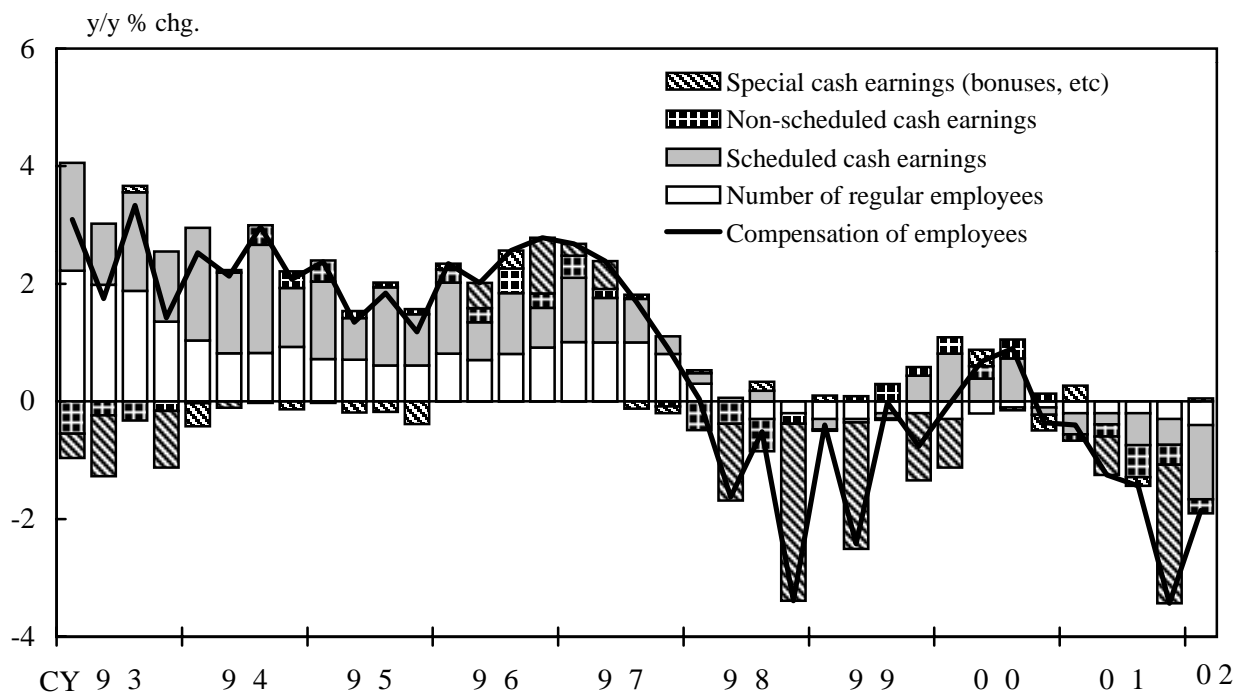
Compensation of Employees

(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.
 3. Data for establishments with at least 5 employees. The data for May 2002 are preliminary figures.

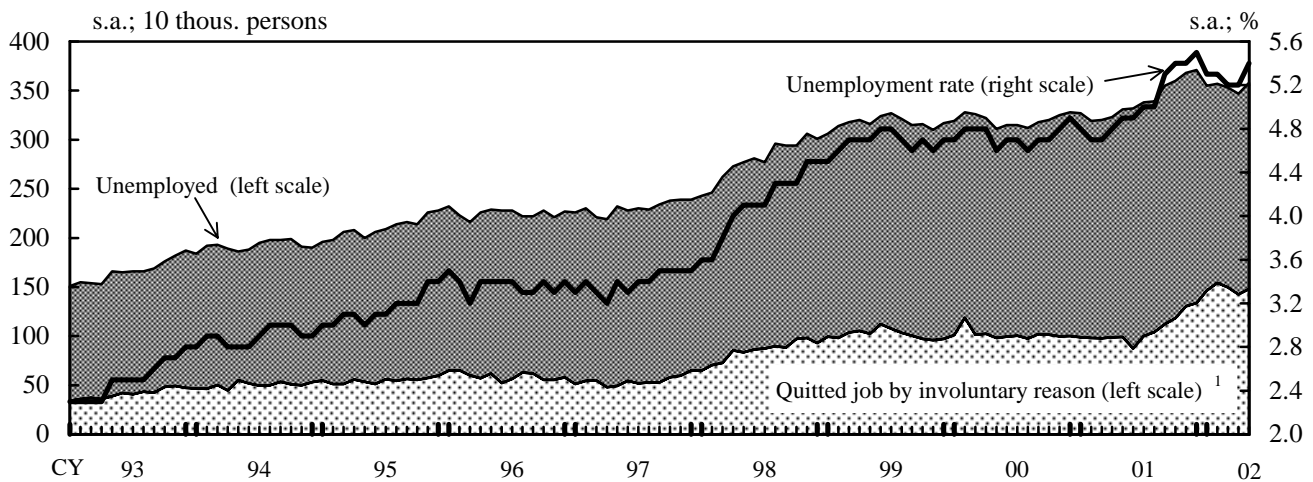
(2) Breakdown of Compensation



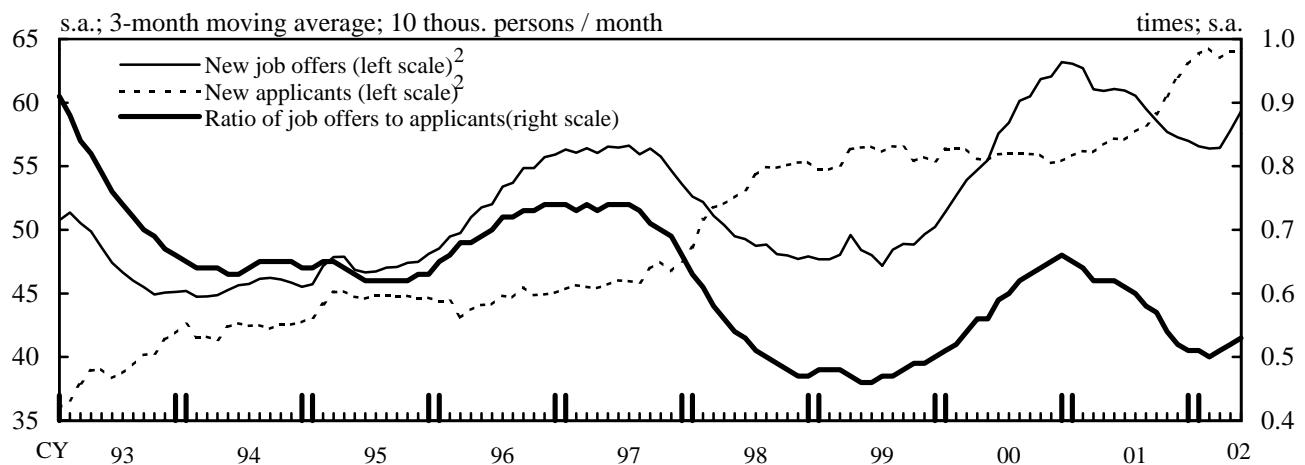
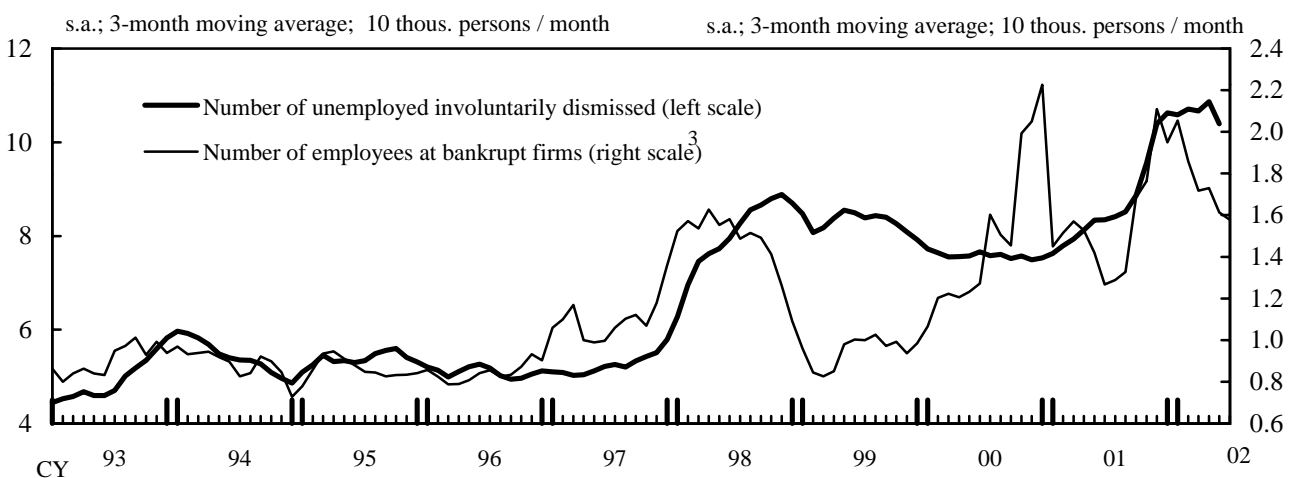
- Notes: 1. Data for establishments with at least 5 employees. The data for May 2002 are preliminary figures.
 2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.

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.

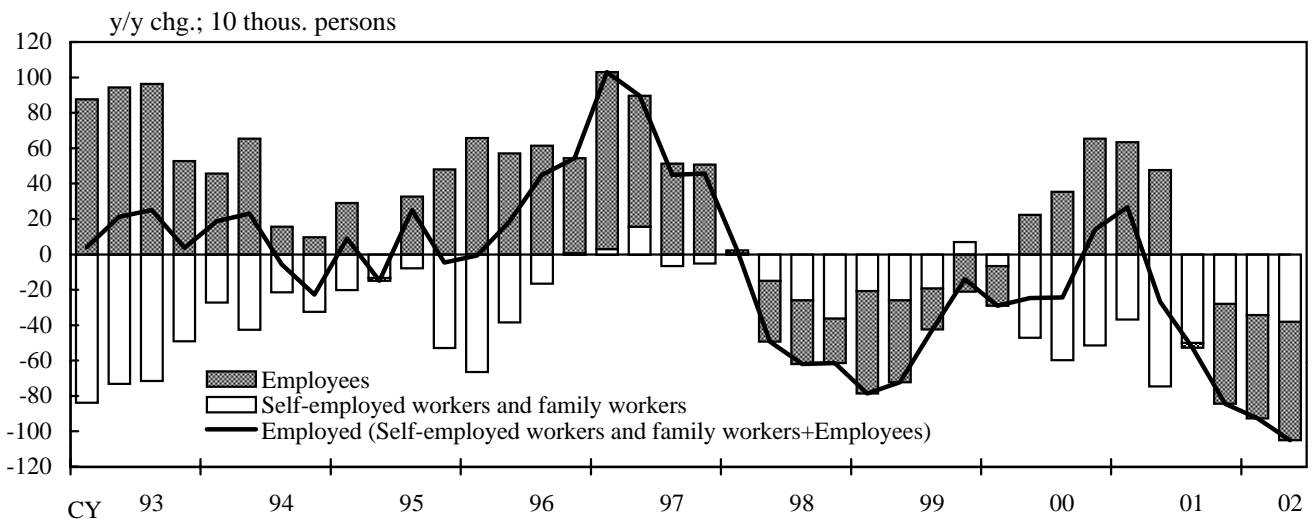
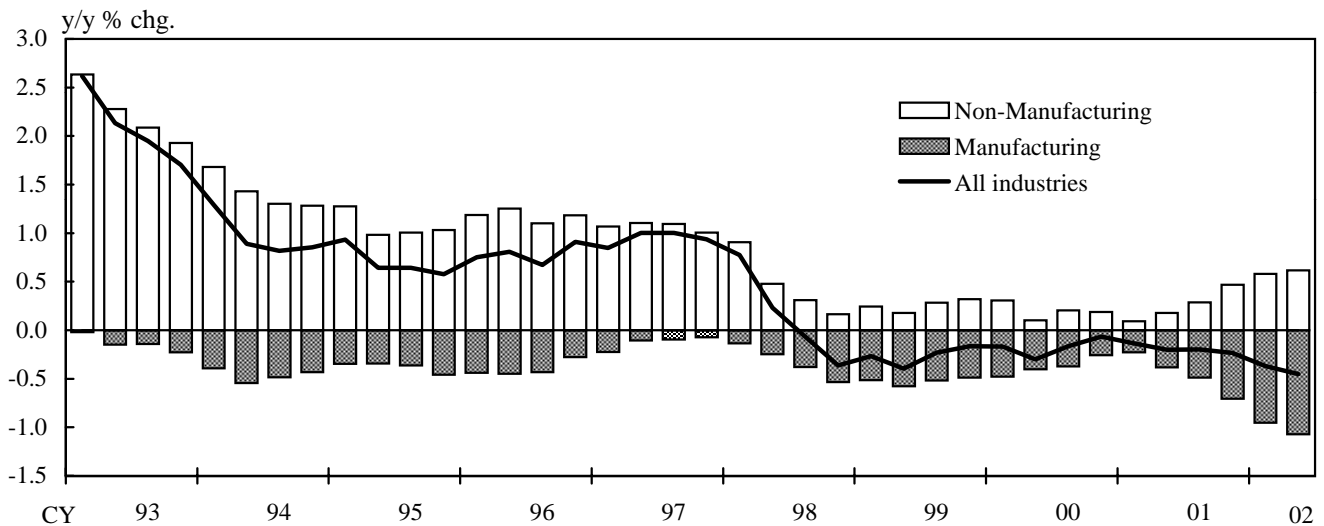
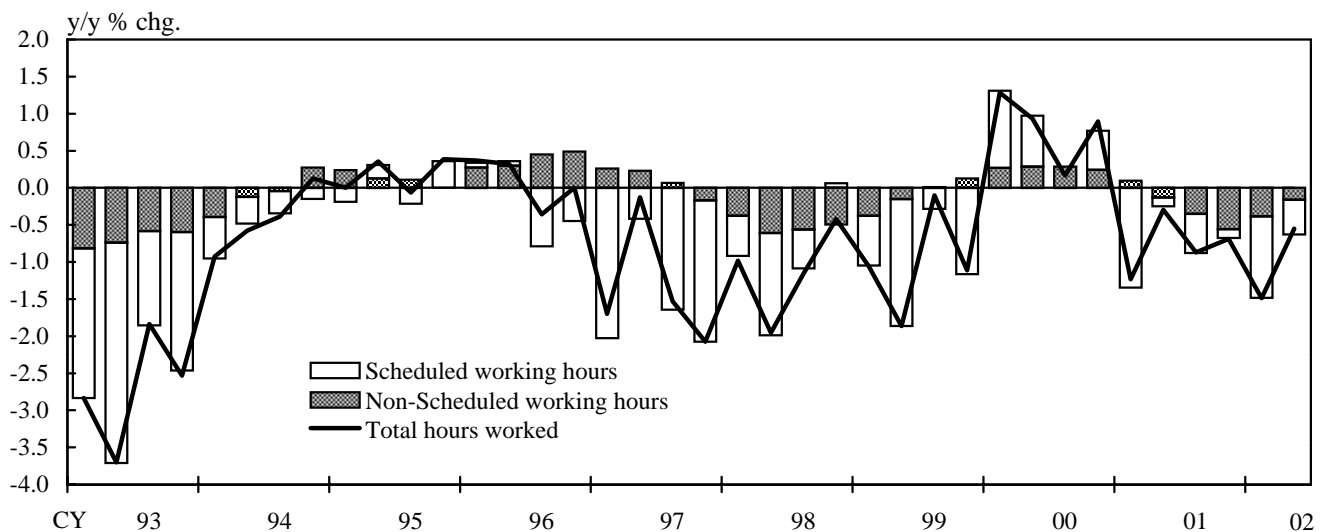
2. Exclude jobs offered to new graduates.

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

(1) The Employed (Labour Force Survey)

(2) Number of Regular Employees² (Monthly Labour Survey)(3) Actual Hours Worked² (Monthly Labour Survey)

Notes: 1. Figures for 2002/Q2 are those of the Apr.-May averages.

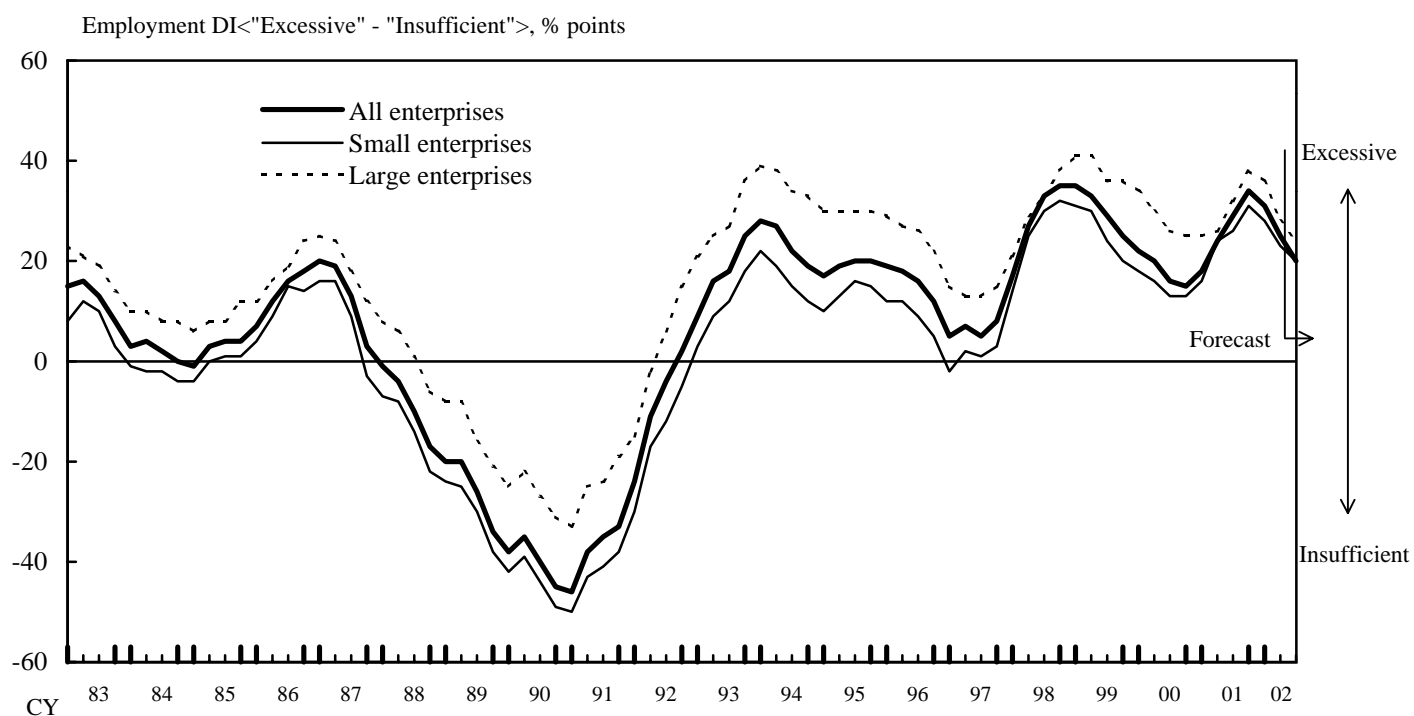
2. Data for establishments with at least 5 employees. The data for May 2002 are preliminary figures.

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

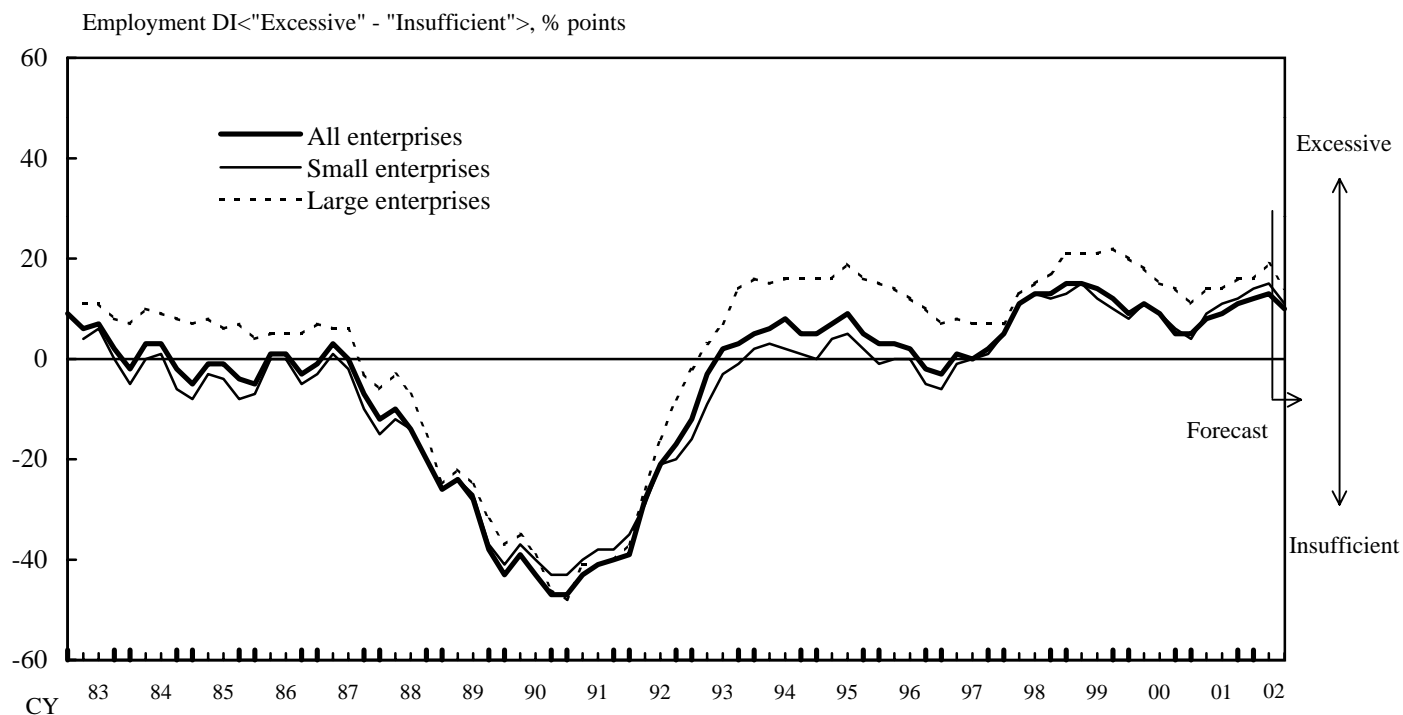
Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey."

Employment Conditions

(1) Manufacturing



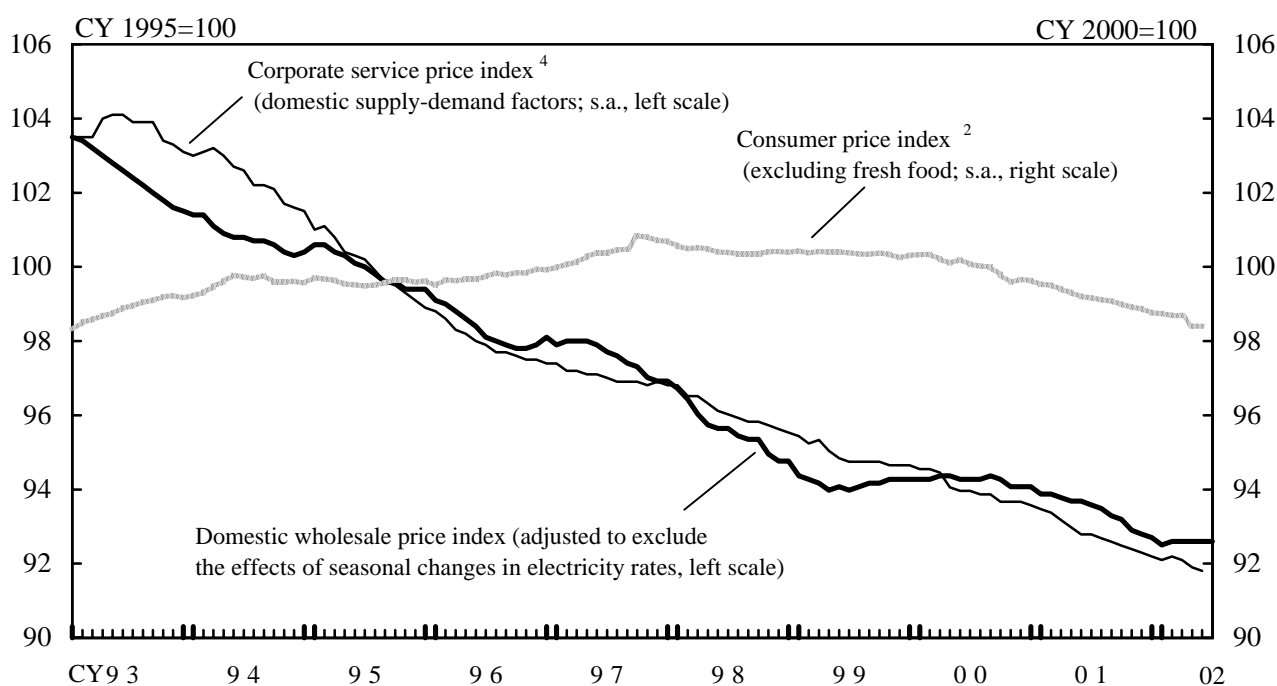
(2) Nonmanufacturing



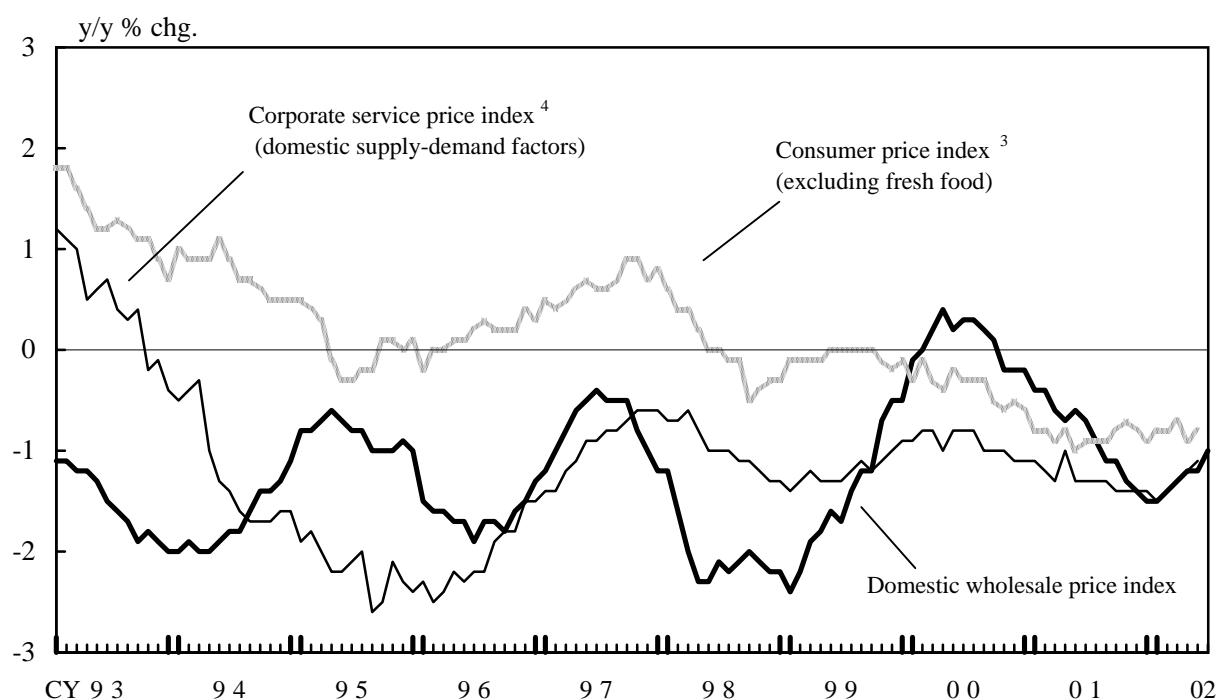
Source: Bank of Japan, "Tankan Short-term Economic Survey of Enterprises in Japan."

Prices¹

(1) Level



(2) Changes from a year earlier

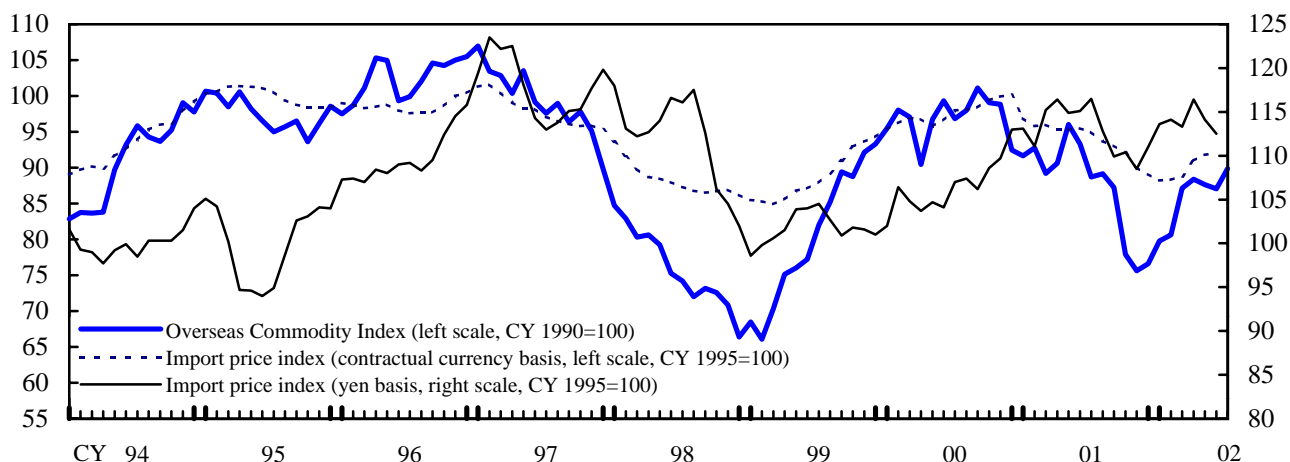


- Notes: 1. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.
2. Seasonally adjusted by X-12-ARIMA, based on the original series excluding "package tours to overseas" newly adopted from the 2000 base. This is because data for this item is insufficient to do seasonal adjustment, while large seasonal fluctuations are observed.
3. Data before Dec. 2000 are on the 1995 base CPI.
4. See footnote 4 in Chart 26, 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 International Commodity Prices

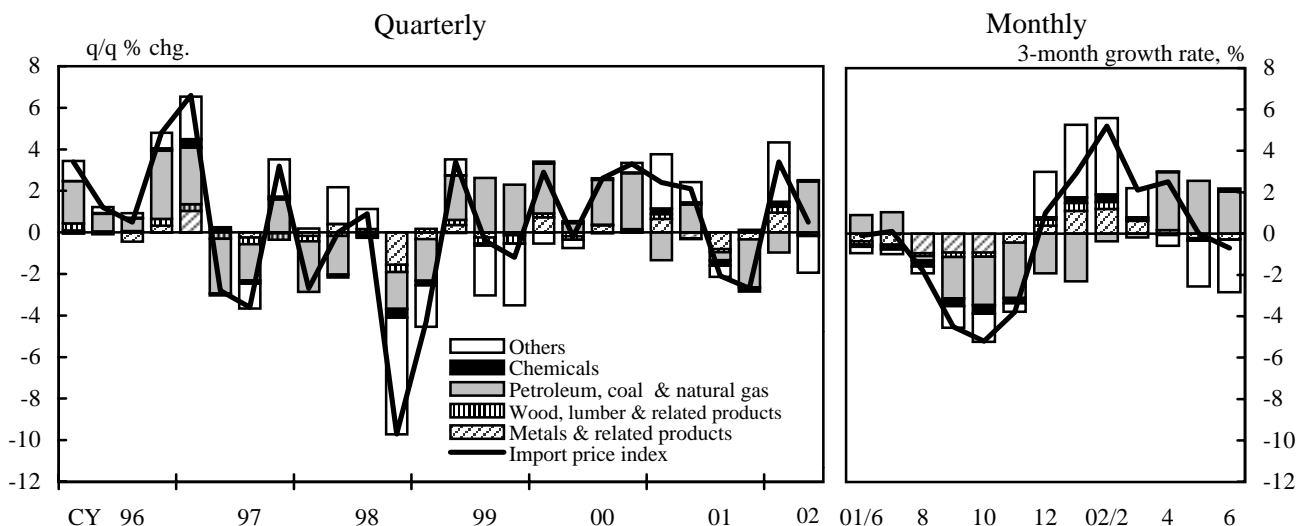
(1) Import Price Index and Overseas Commodity Index



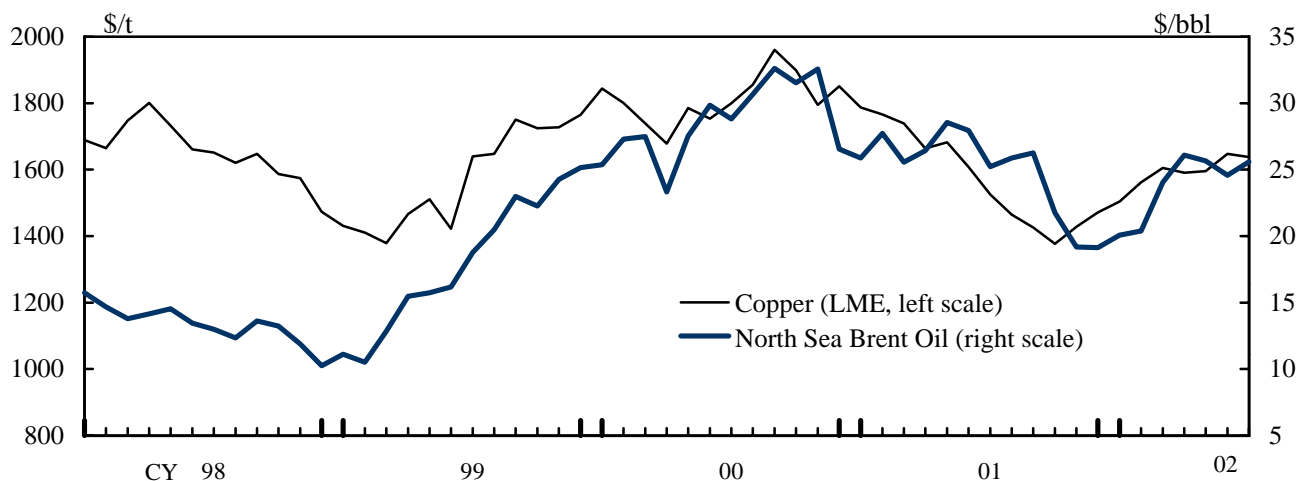
Note: Overseas Commodity Index, which is calculated by Bank of Japan, is a monthly average.

Figure for July 2002 is the average of July 1-12.

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



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

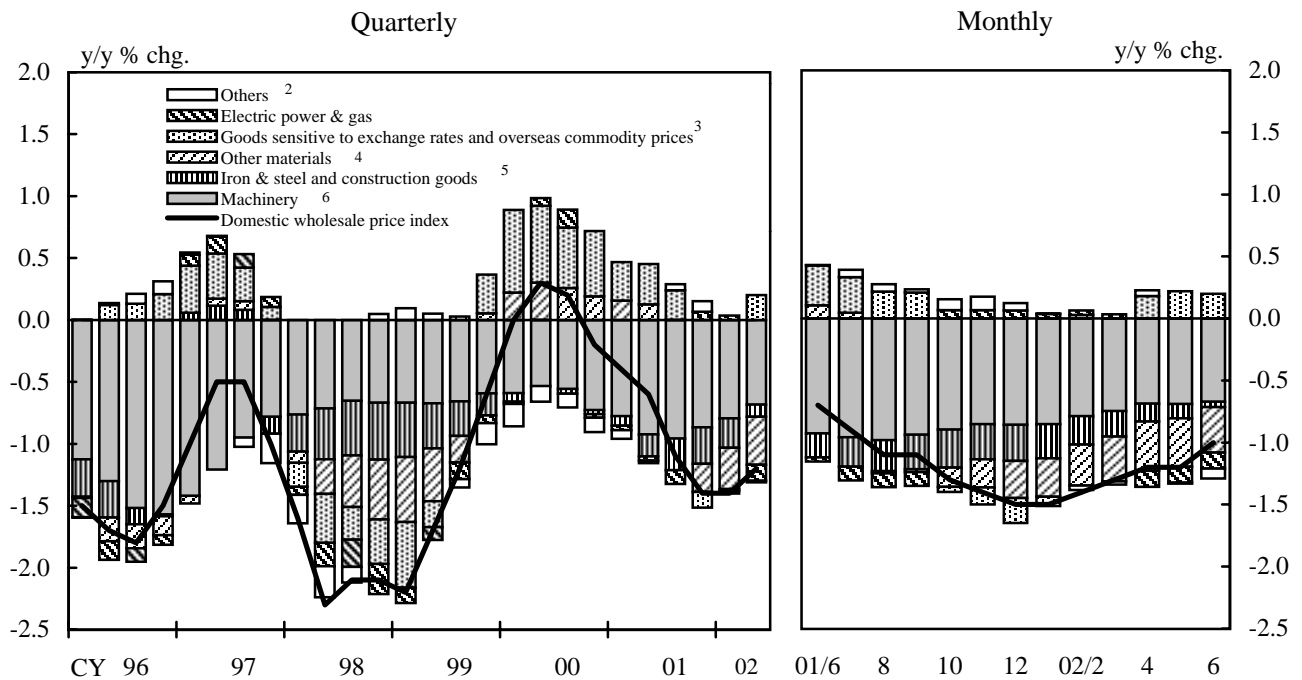
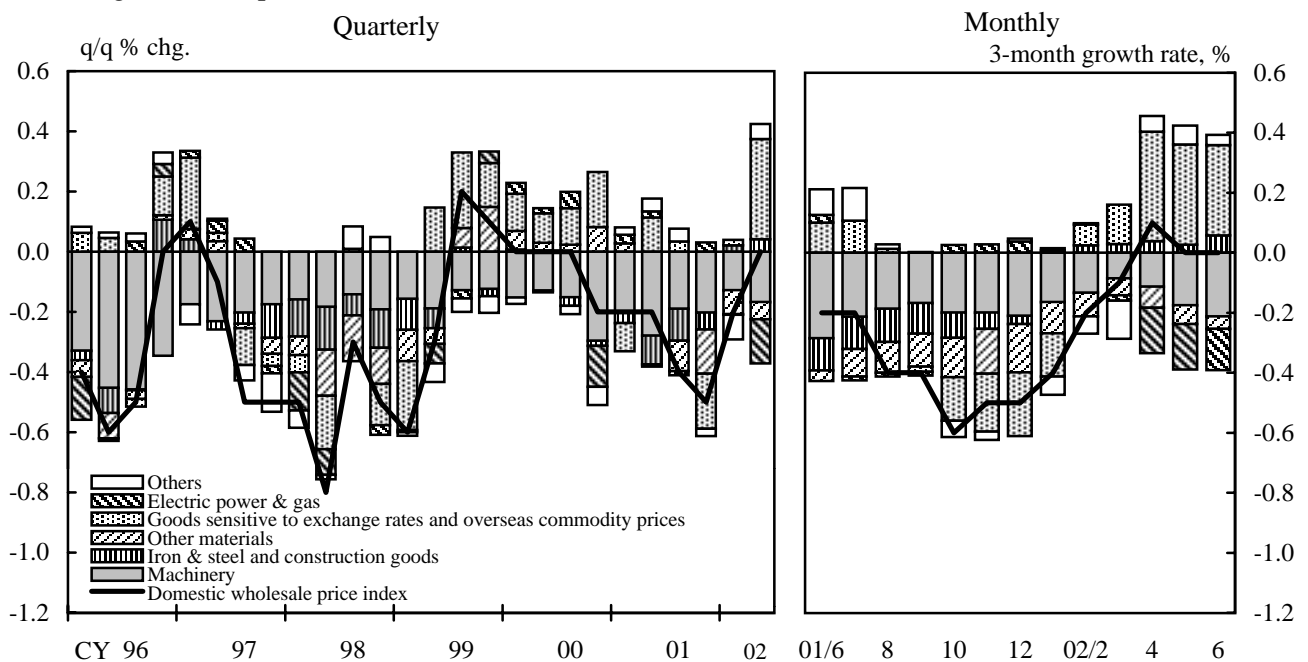


Note: Monthly averages. Figures for July 2002 are the averages of July 1-12.

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.

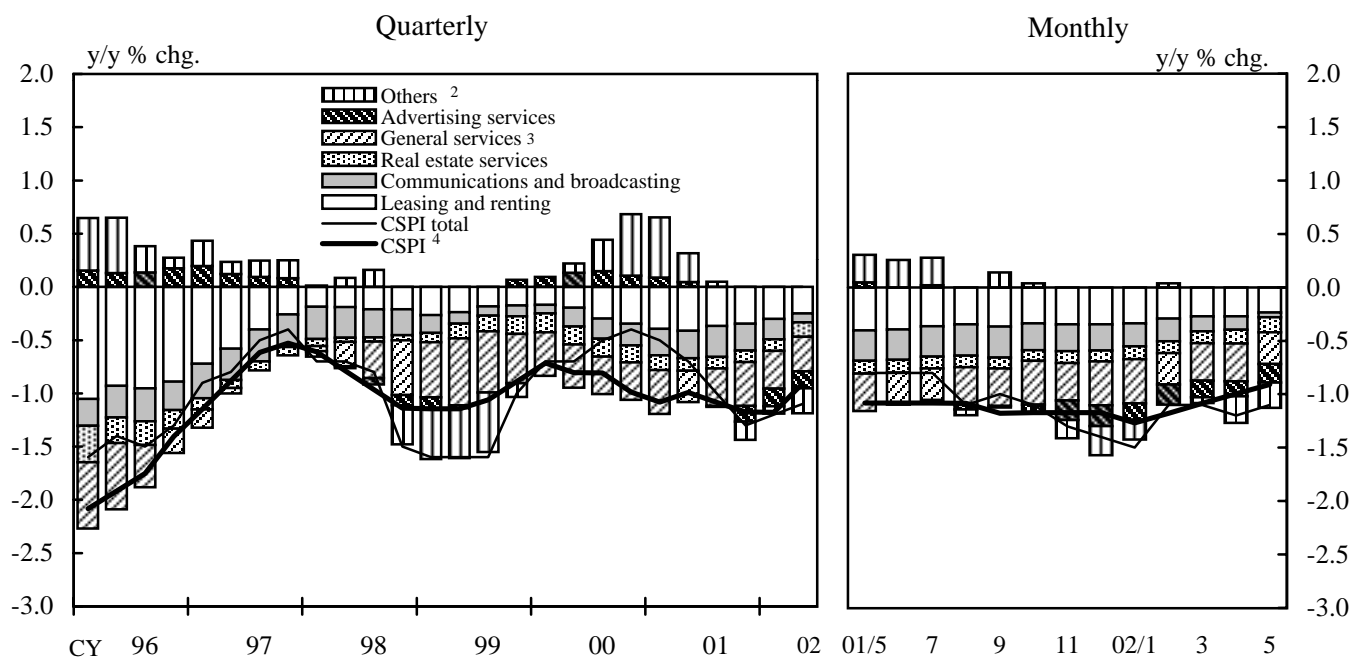
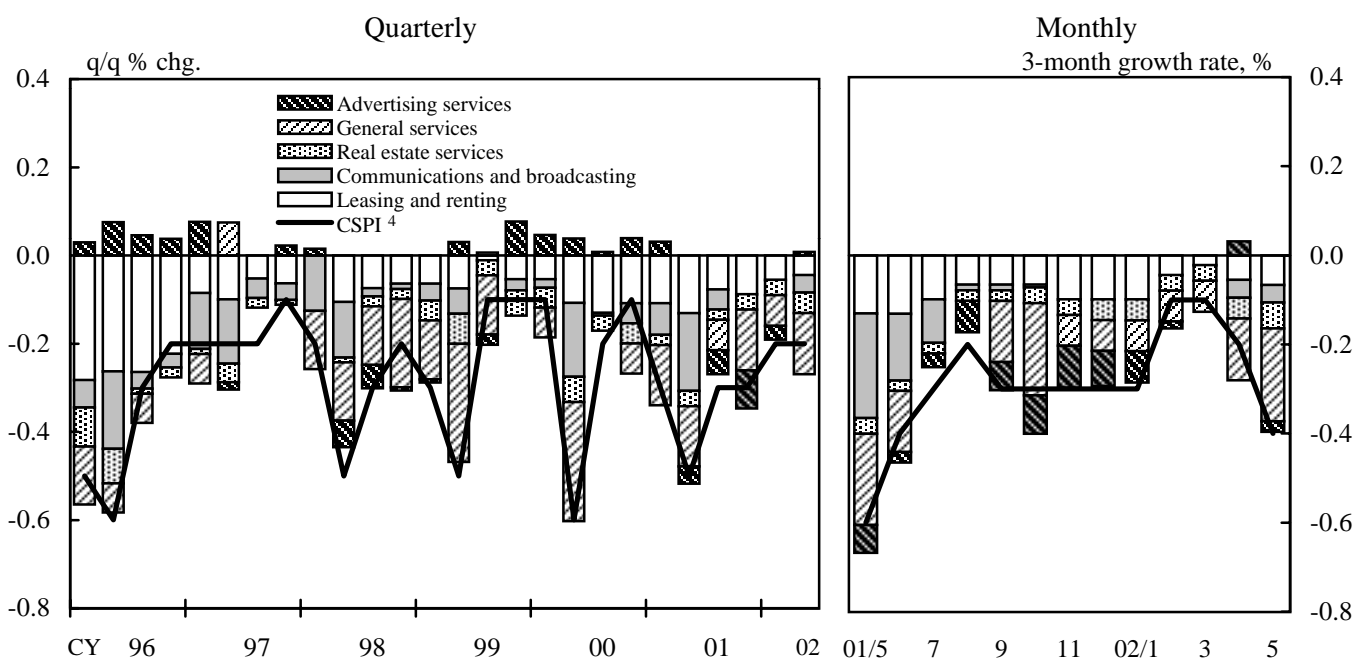
6. Machinery = electrical machinery + general machinery + transportation equipment + precision instruments.

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%.

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 road + 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 employment 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 General services are seasonally adjusted by X-12-ARIMA.

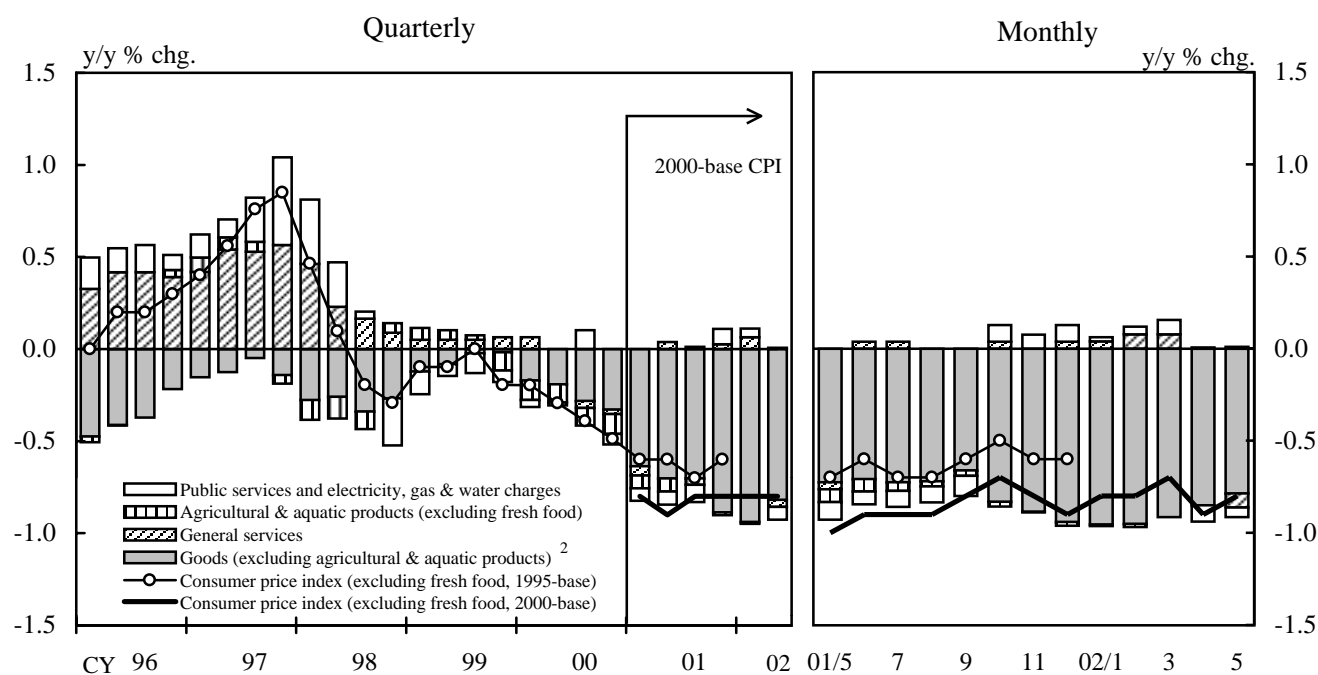
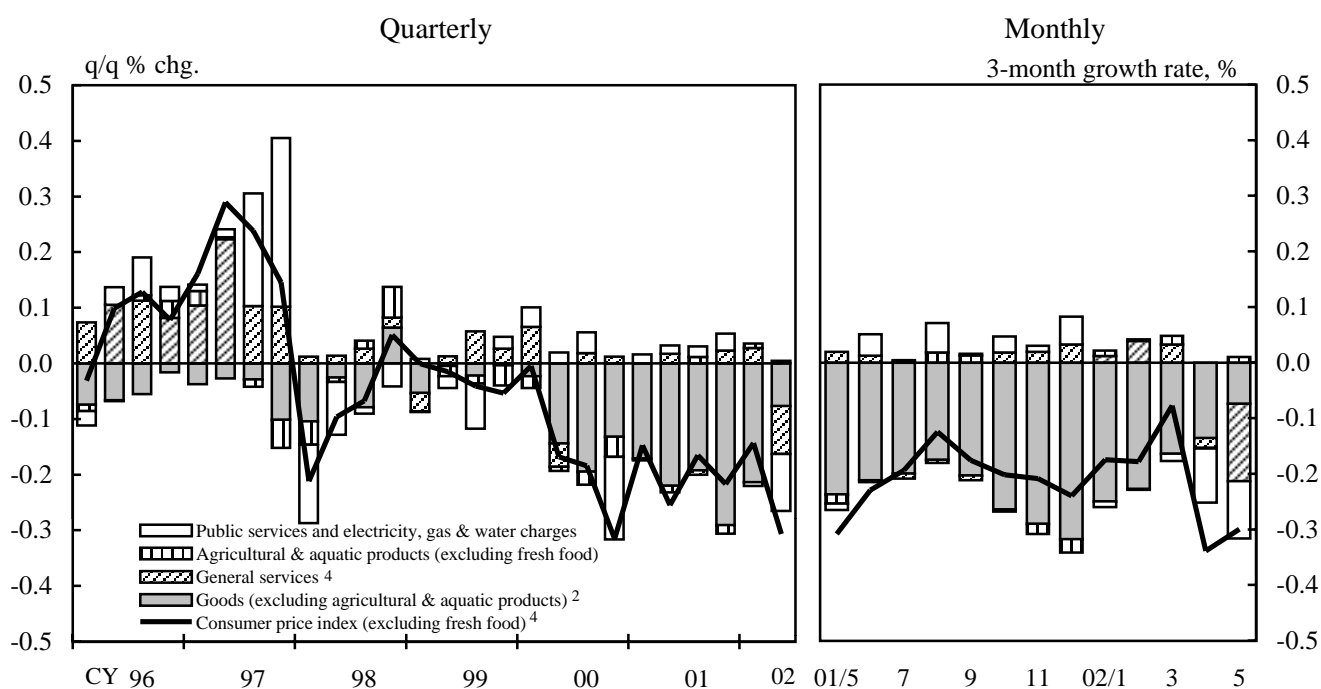
Due to seasonal adjustment every month, the series are revised retroactively every month.

6. Figures for 2002/Q2 are those of April-May averages.

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

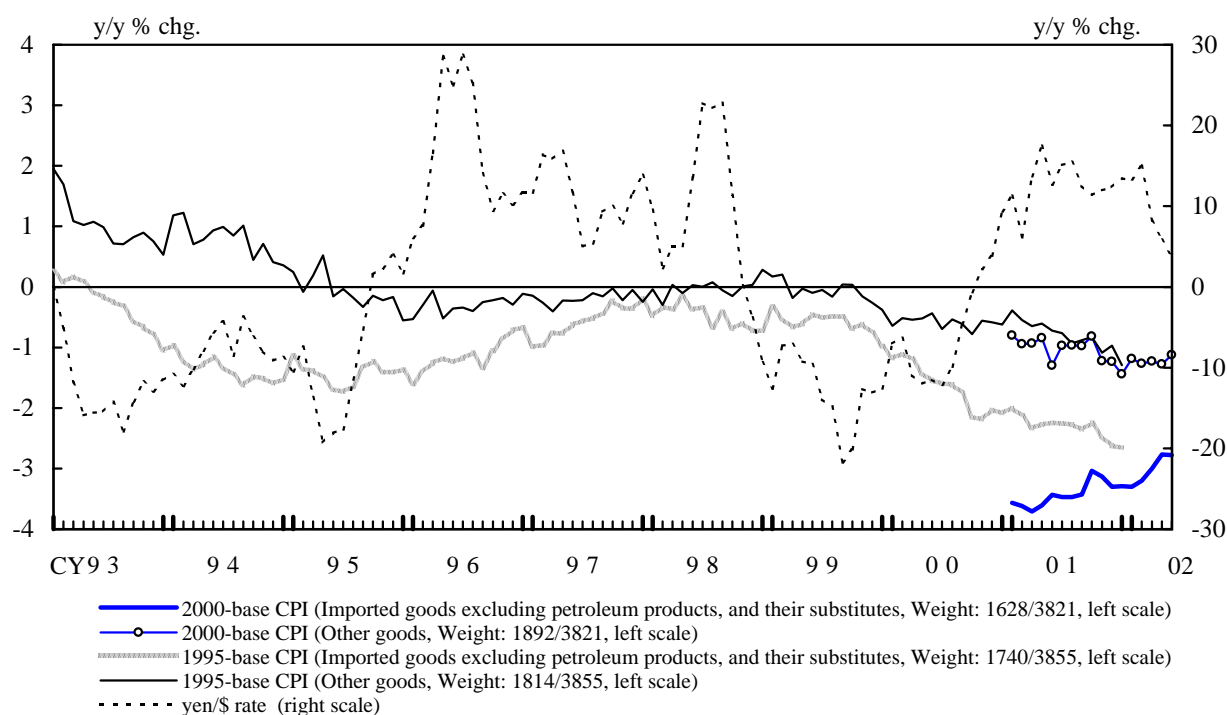
Consumer Price Index (excluding fresh food)¹

(1) Changes from a year earlier

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

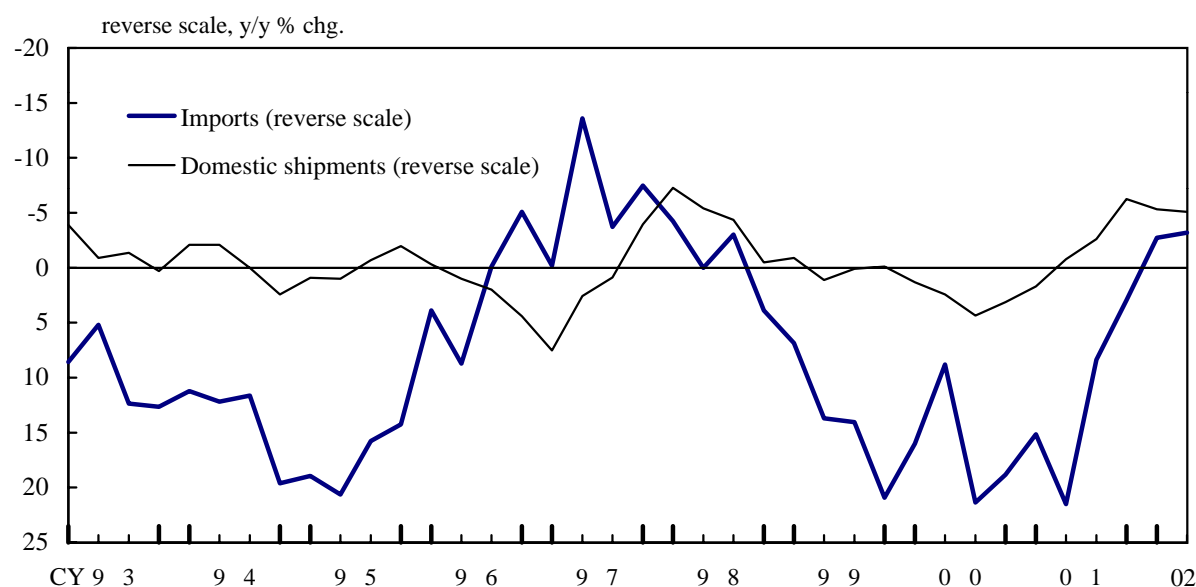
- Notes: 1. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.
2. The Items are basically the same as the definition published by the Ministry of Public Management, Home Affairs, Posts and Telecommunications, however electricity, gas & water charges is excluded from goods.
3. Seasonally adjusted by X-12-ARIMA. Because of the seasonal adjustment error, there are discrepancies between the CPI and the sum of its components.
4. Excluding "package tours to overseas" newly adopted from the 2000 base. This is because data for this item is insufficient to do seasonal adjustment, while large seasonal fluctuations are observed.
5. Figures for 2002/Q2 are those of April-May averages.

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 CPI²

- 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)

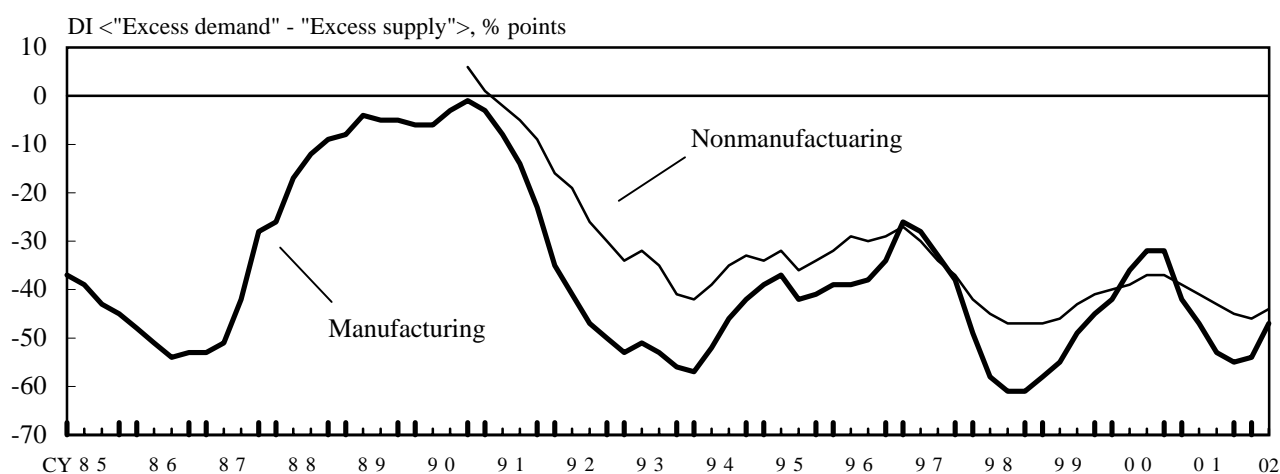
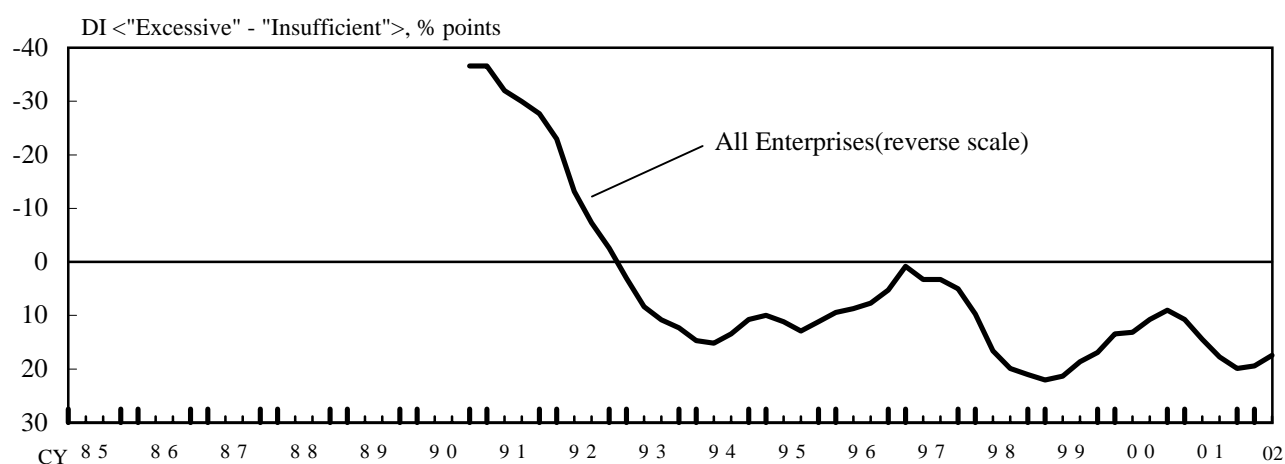


Note: See footnote Chart 14-4, for definition of the consumer goods supply.

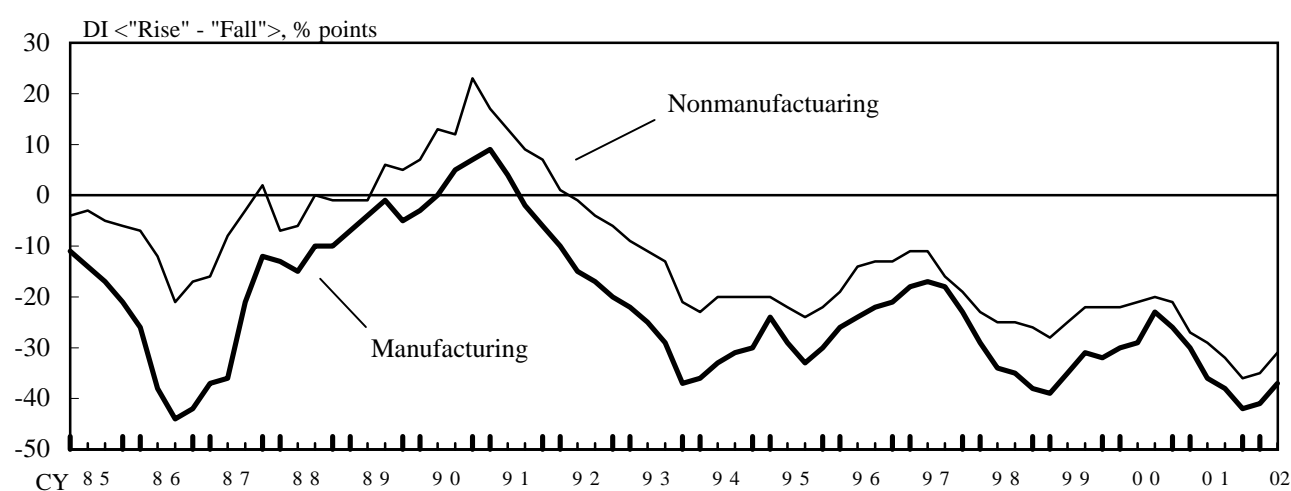
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index"; Ministry of Finance, "The Summary Report on Trade of Japan"; Ministry of Economy, Trade and Industry, "Indices of Industrial Production," "Indices of Industrial Domestic Shipments and Imports";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

Factors Contributing to the Change in Prices¹

(1) Supply and Demand Conditions for Products and Services (All Enterprises)

(2) Utilization of Capital and Labor²

(3) Change in Output Prices (All Enterprises)



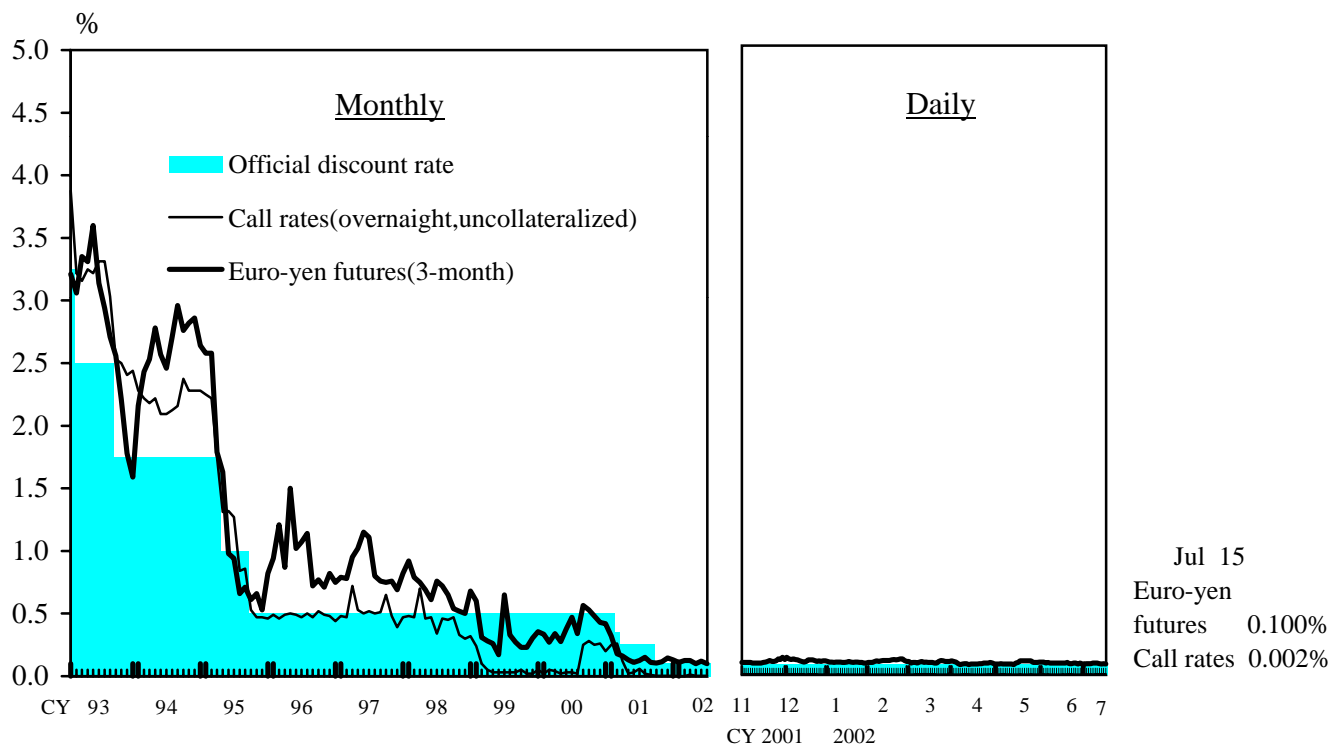
Notes: 1. Figures before December 1998 are based on the pre-revision *Tankan*, and those from March 1999 are based on the post-revision *Tankan*.

2. Figures are calculated by adding Production Capacity DI and Employment DI which are weighted by the relative share of capital and labor based on 1990-2000 average.
Production Capacity DI and Employment DI are calculated as "Excessive" minus "Insufficient".

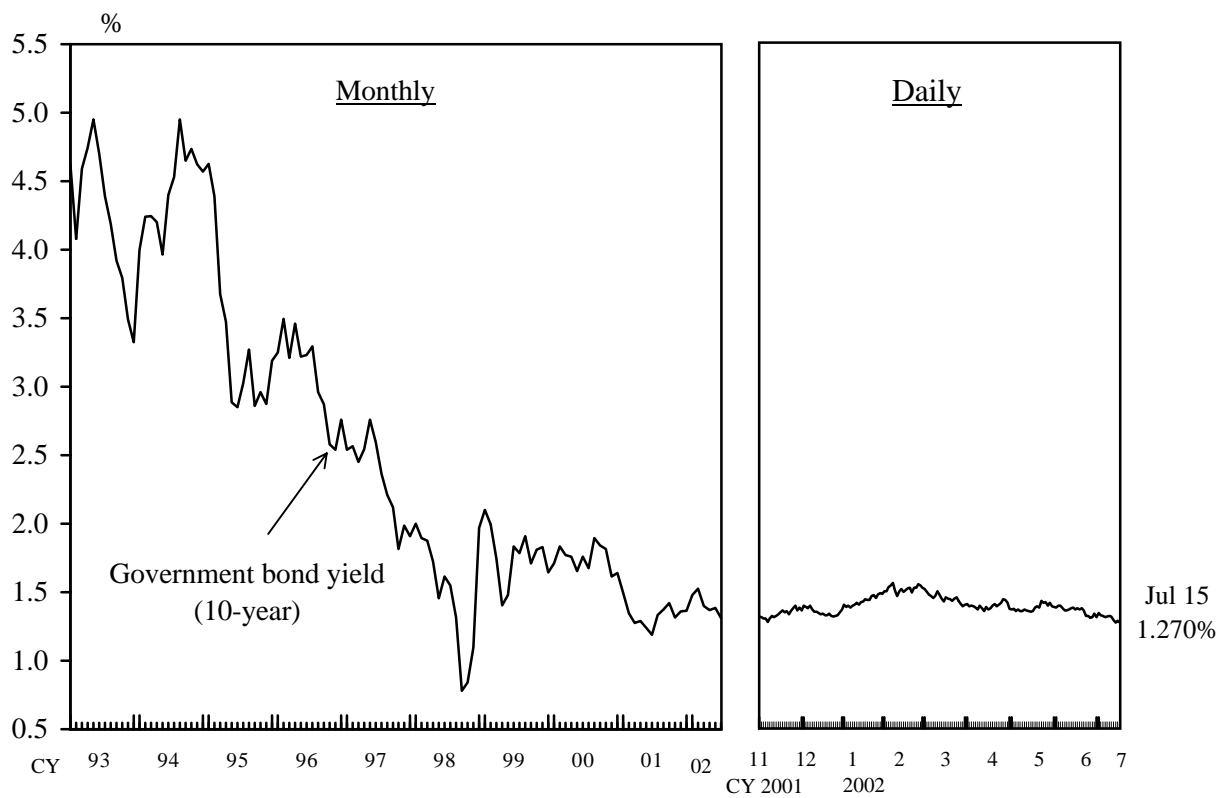
Sources: Cabinet Office, "National Accounts";
Bank of Japan, "*Tankan* Short-term Economic Survey of Enterprises in Japan."

Interest Rates

(1) Short-Term



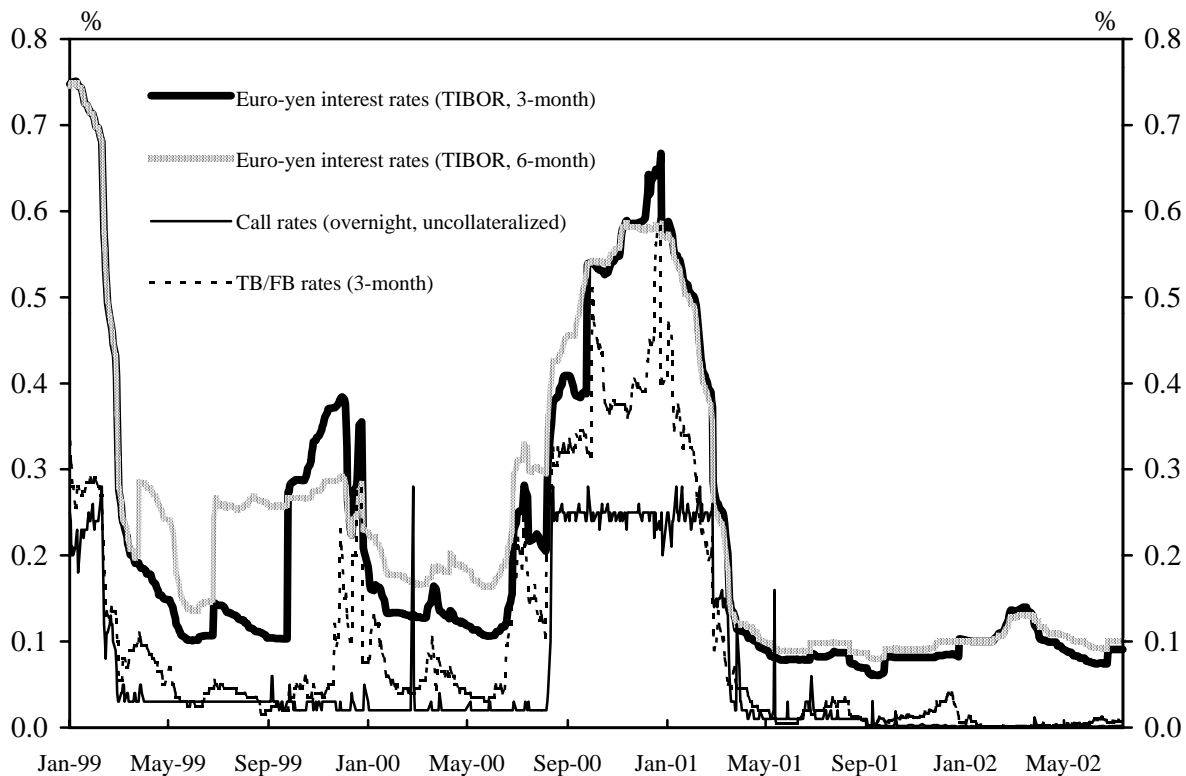
(2) Long-Term



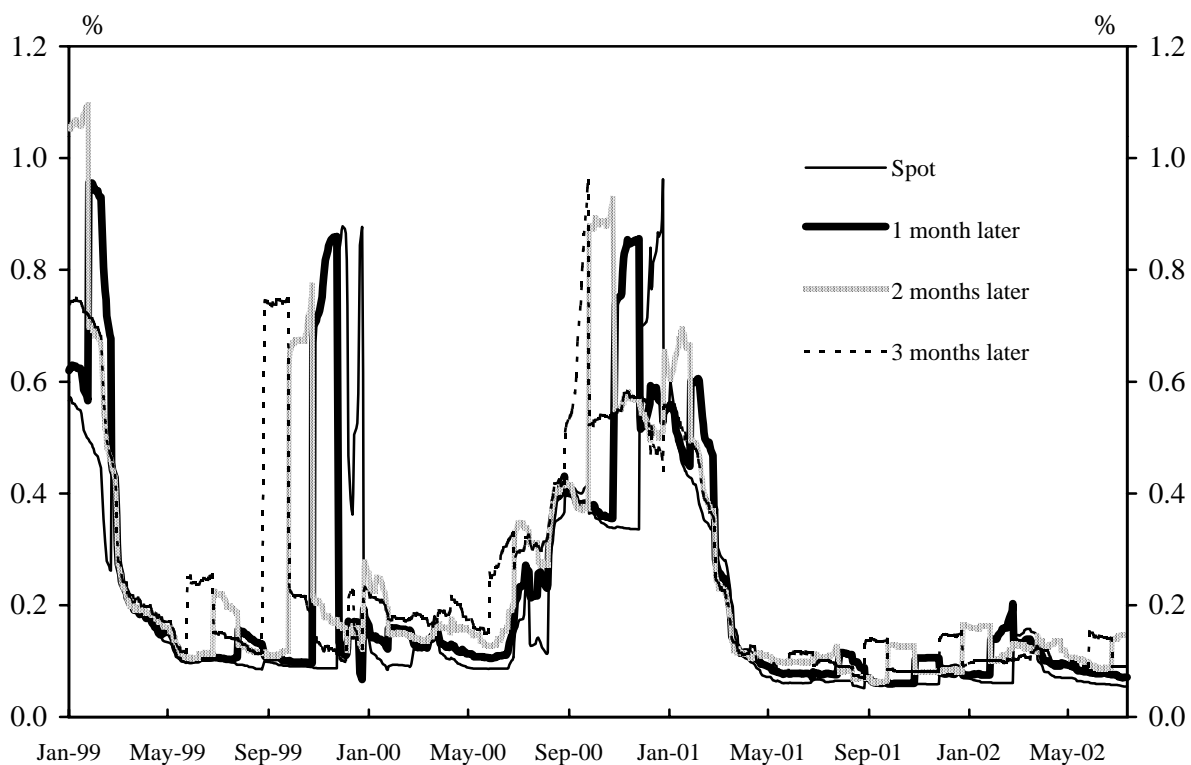
Sources: Bank of Japan; Tokyo International Financial Futures Exchange; Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments

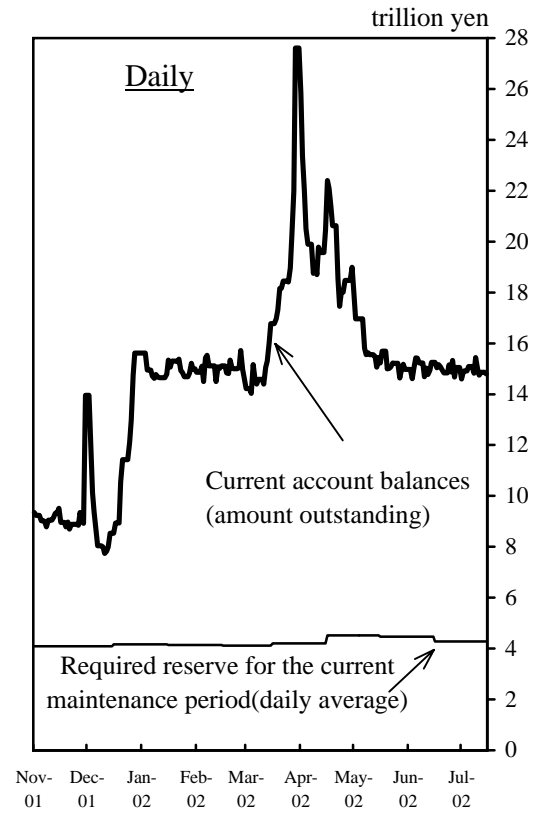
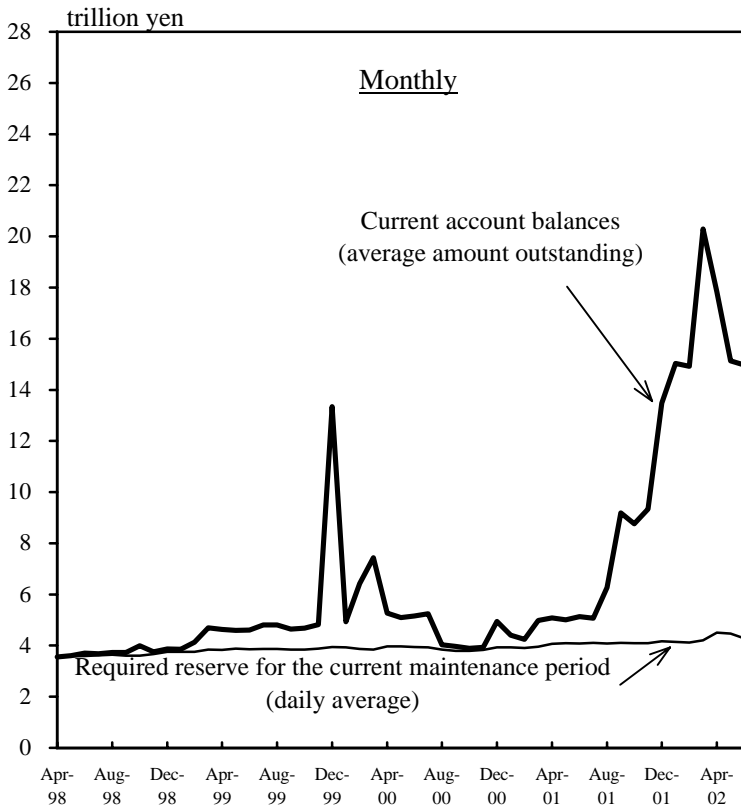


(2) Implied Forward Rate (1-Month Forward Rates Calculated from Euro-Yen Interest Rates)

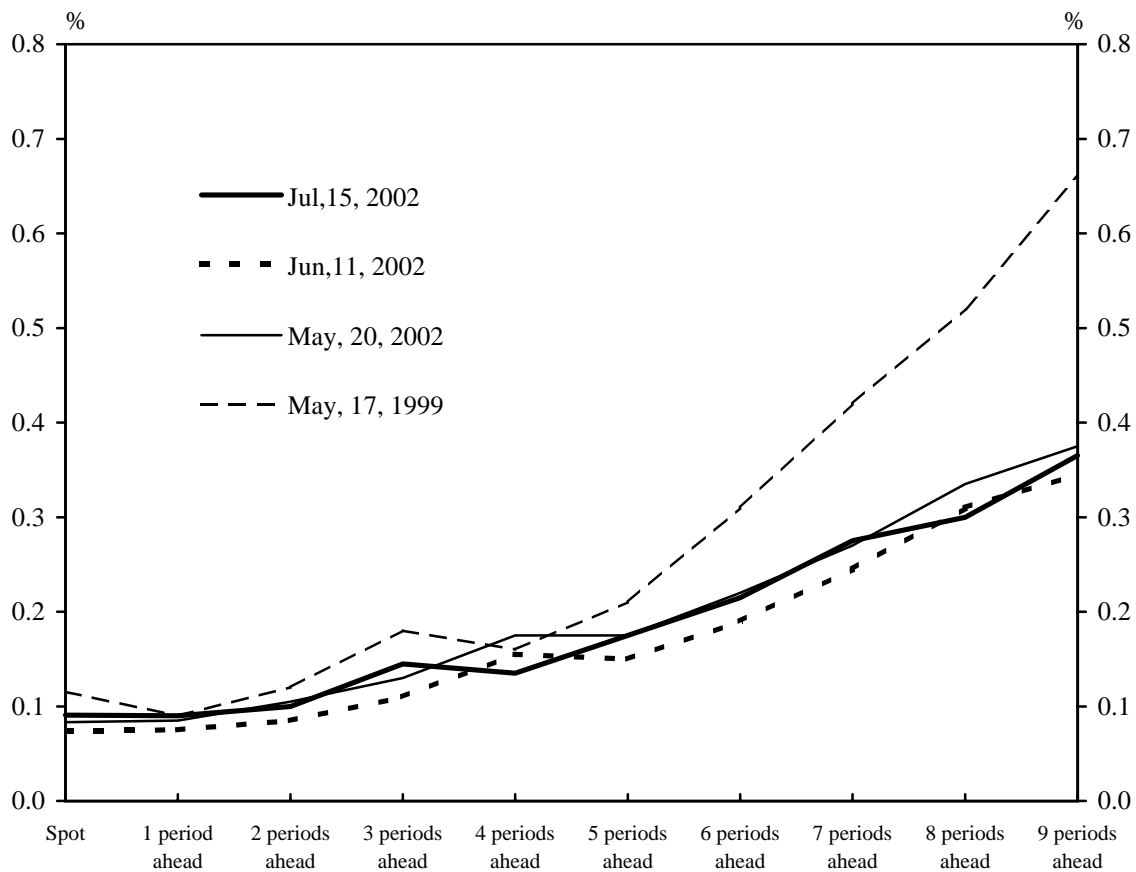


Sources: Bank of Japan; Japanese Bankers Association; Japan Bond Trading Co., Ltd.

Current Account Balances at the Bank of Japan

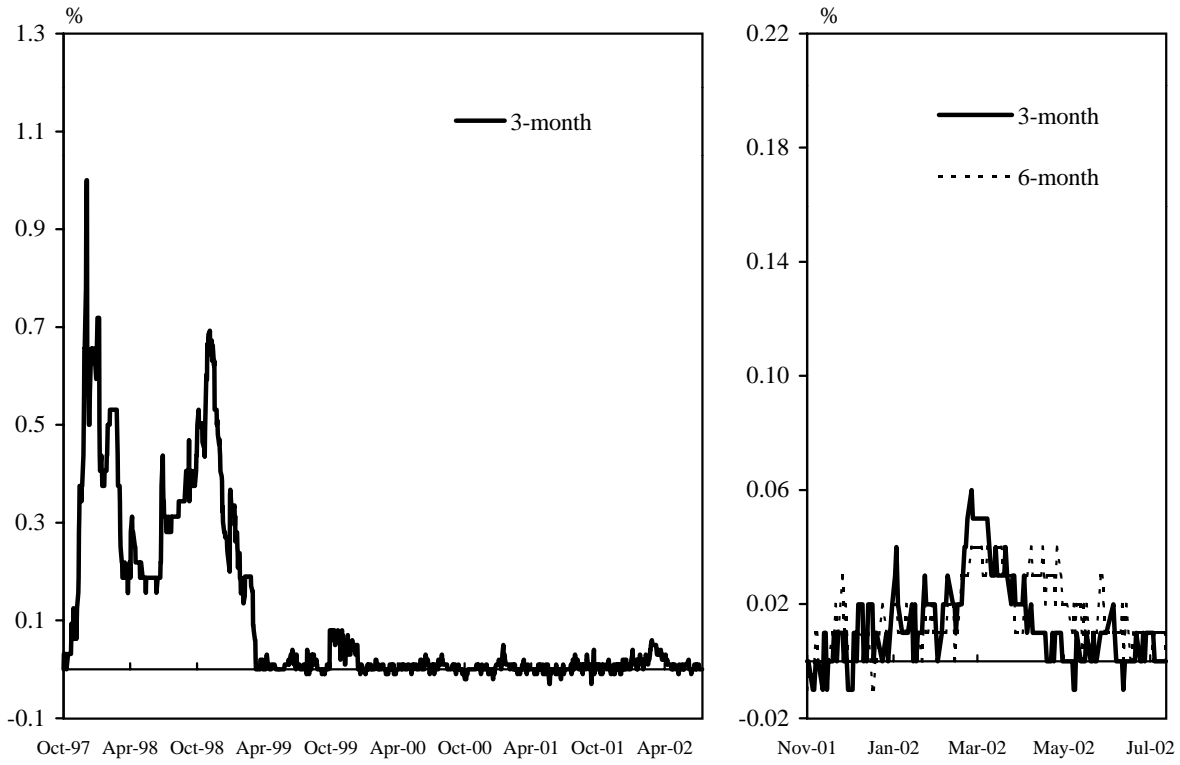


Euro-Yen Interest Rates Futures (3-Month)



Source: Tokyo International Financial Futures Exchange.

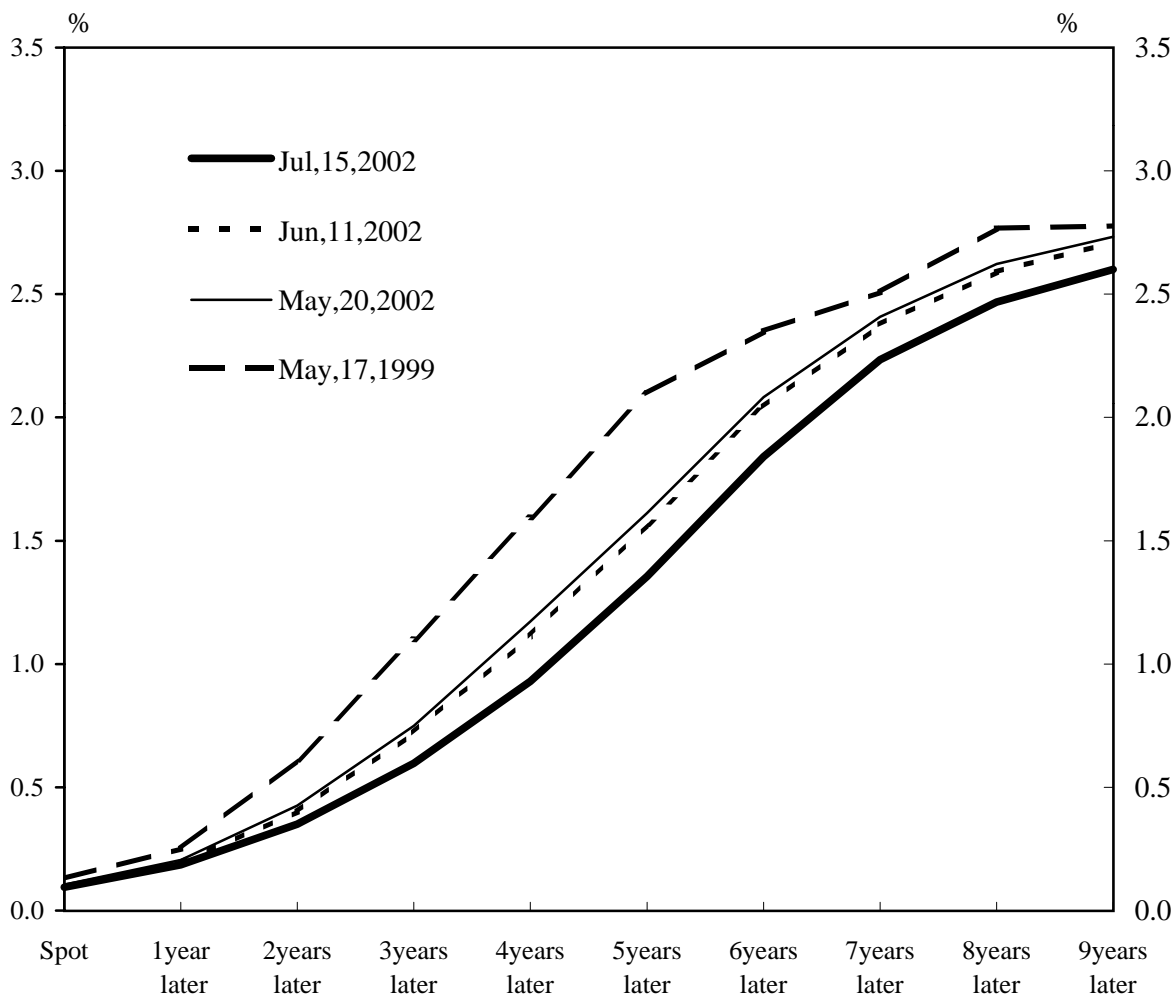
Japan Premium in the Eurodollar Market ¹



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

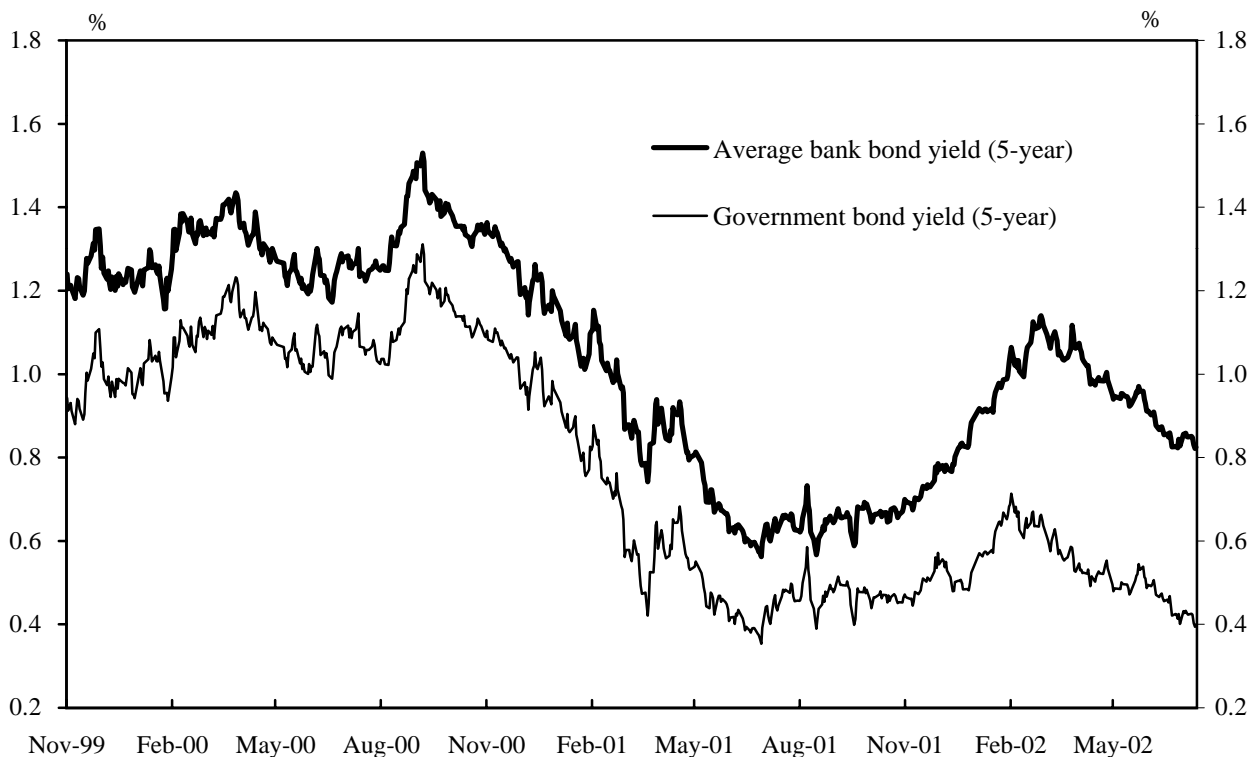


Note :Calculated from yen-yen swap rates.

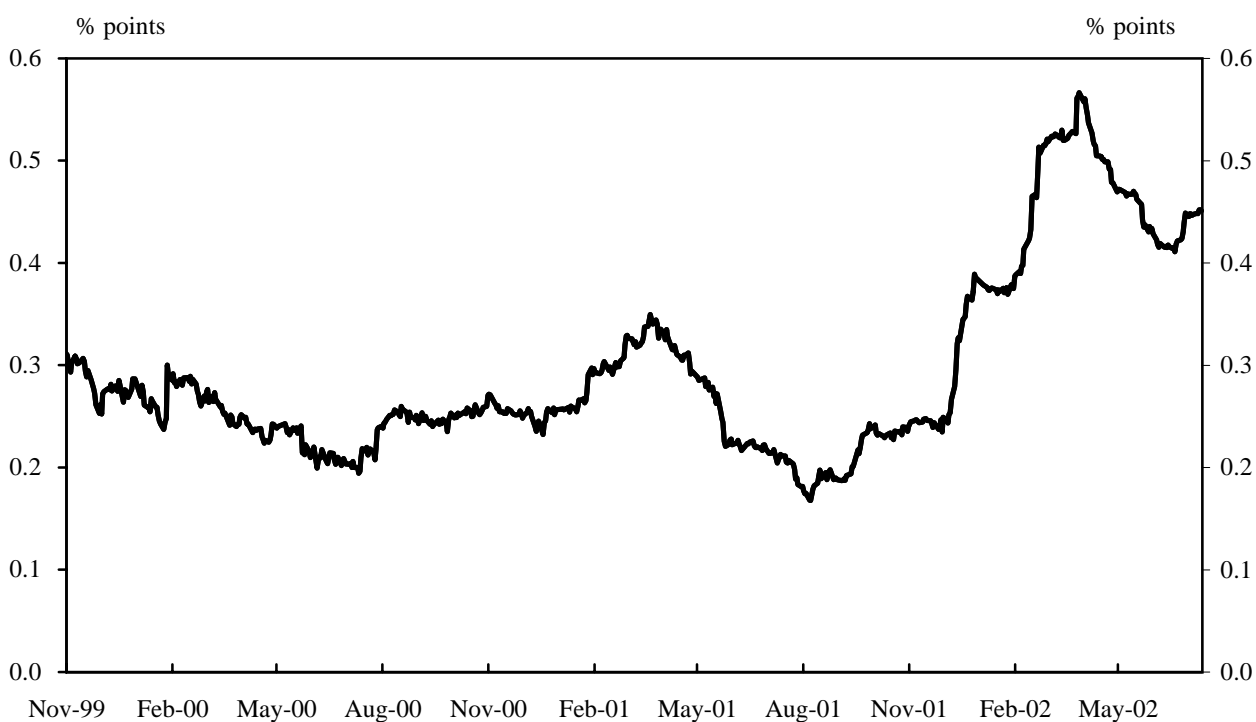
Source: Kyodo News.

Yields of Bank Bonds

(1) Bond Yields



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



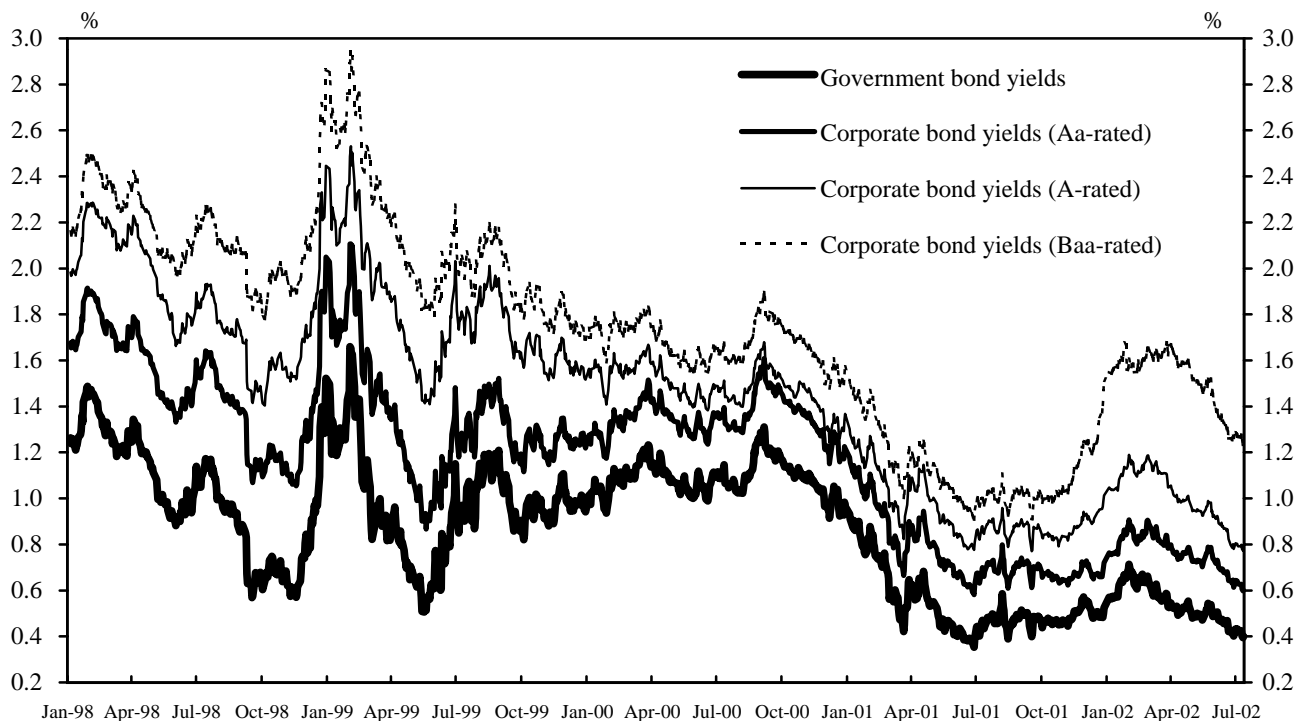
Note: 1. Yields on bonds with 5-year maturity.

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

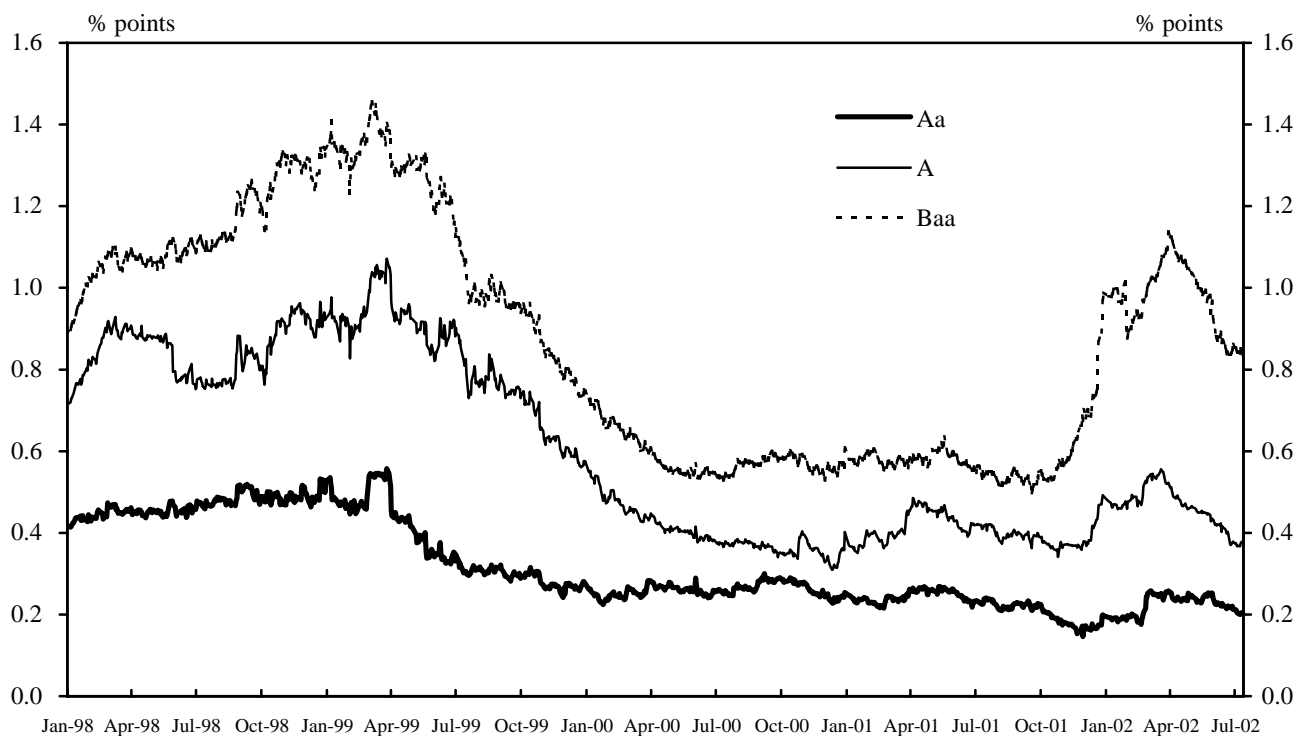
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Corporate Bond Yields ¹

(1) Yields of Government and Corporate Bonds by Rating



(2) Yield Spreads of Public and Corporate Bonds



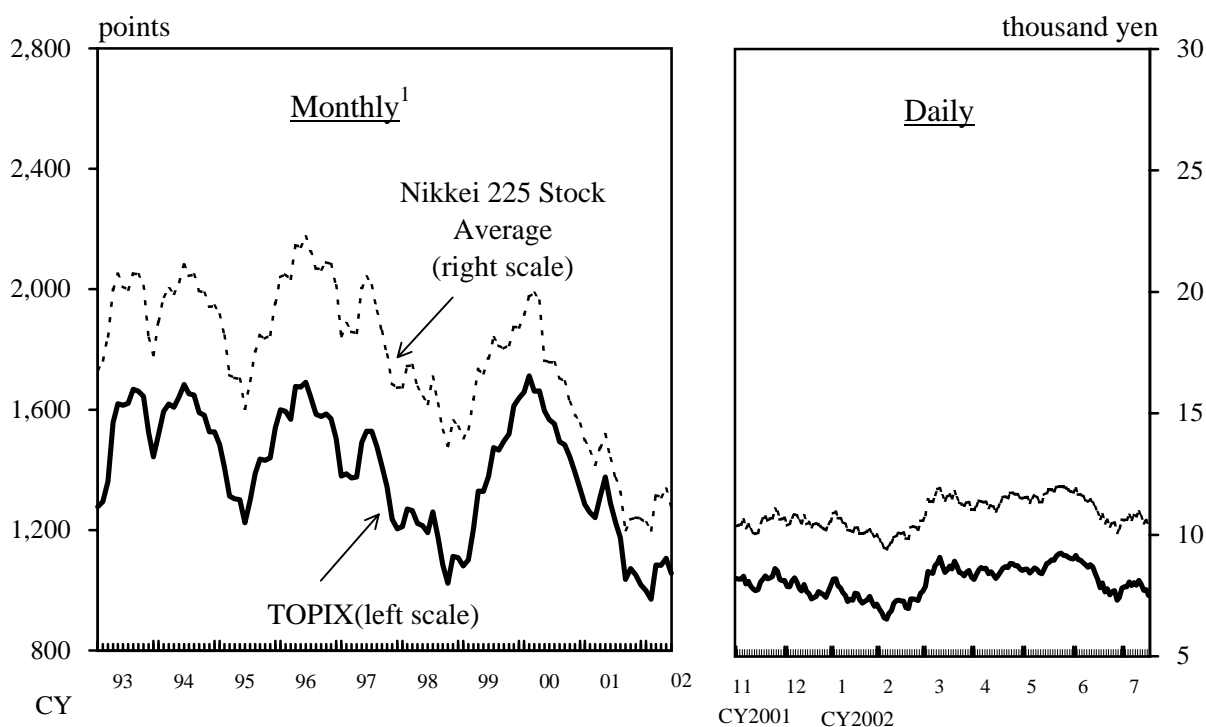
Note: 1. Yields on bonds with 5-year maturity.

The indicated ratings are of Moody's.

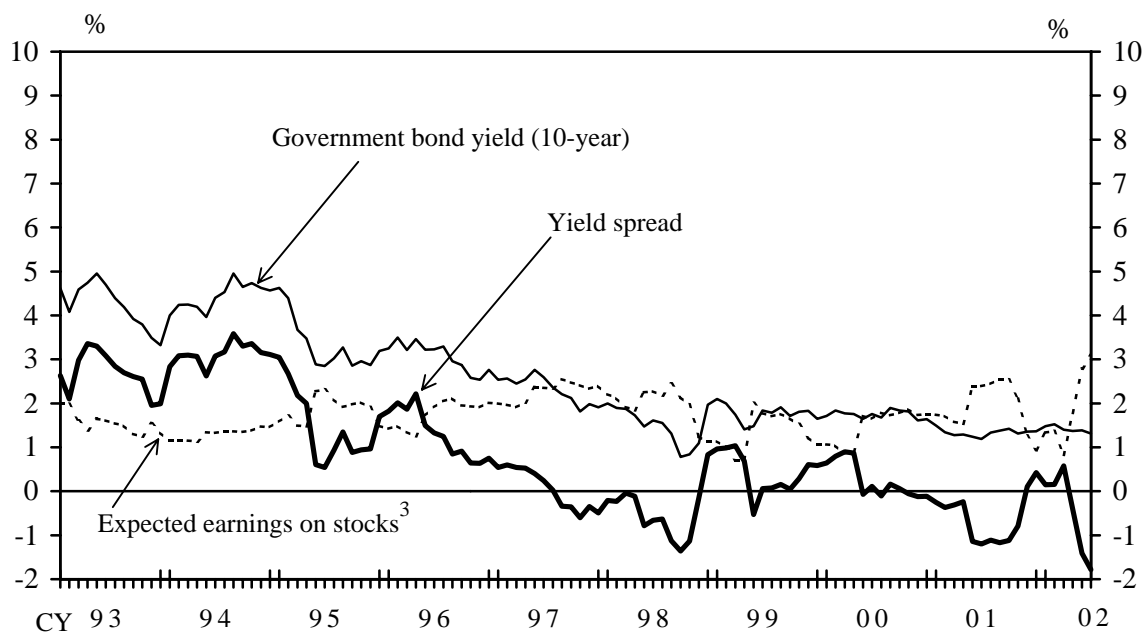
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Stock Prices

(1) Stock Prices



(2) Yield Spread²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

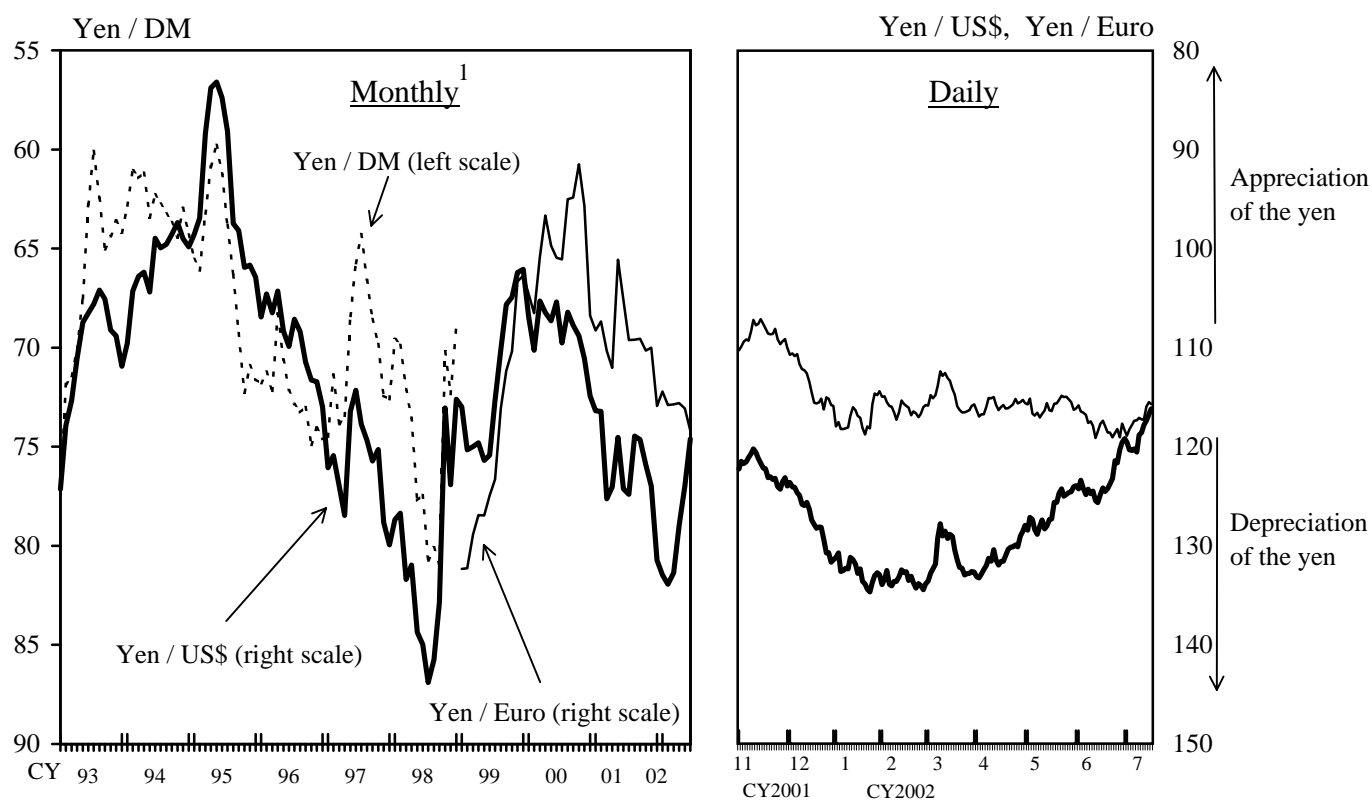
Yield spread = government bond yields - expected earnings on stocks, where expected earnings on stocks = 1/expected price earnings ratio.

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

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

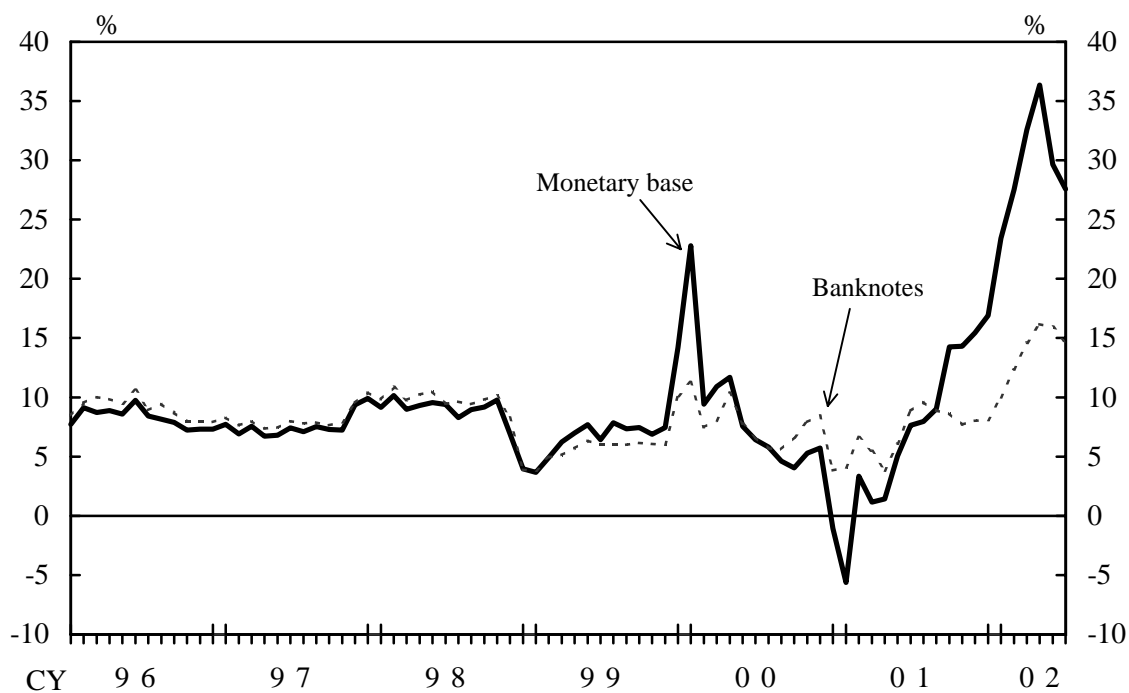
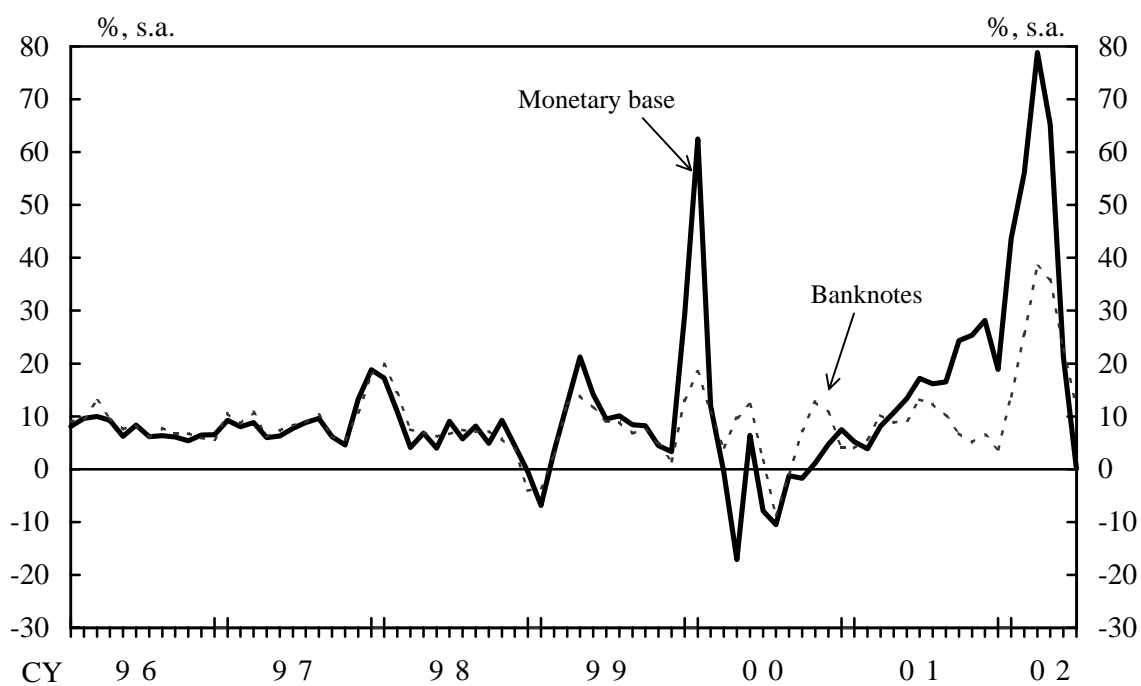
Sources: *The Nihon Keizai Shimbun* ; Daiwa Research Institute, "*Daiwa Toushi Shiryou* (Daiwa Investment Information)."

Exchange Rates



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

Monetary Base

(1) Changes from a Year Earlier**(2) Changes from Three Months Earlier (Annualized)**

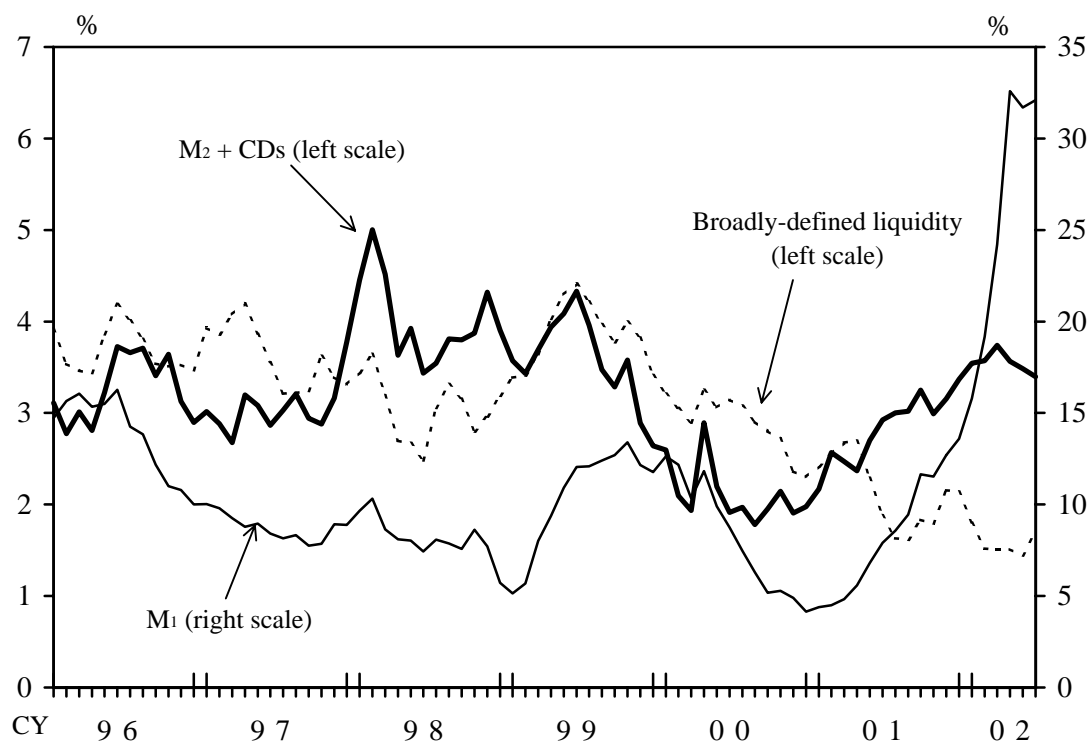
Note: Monetary base = currency in circulation (banknotes + coins) + current deposits at the Bank of Japan.

Data for currency in circulation include holdings of financial institutions.

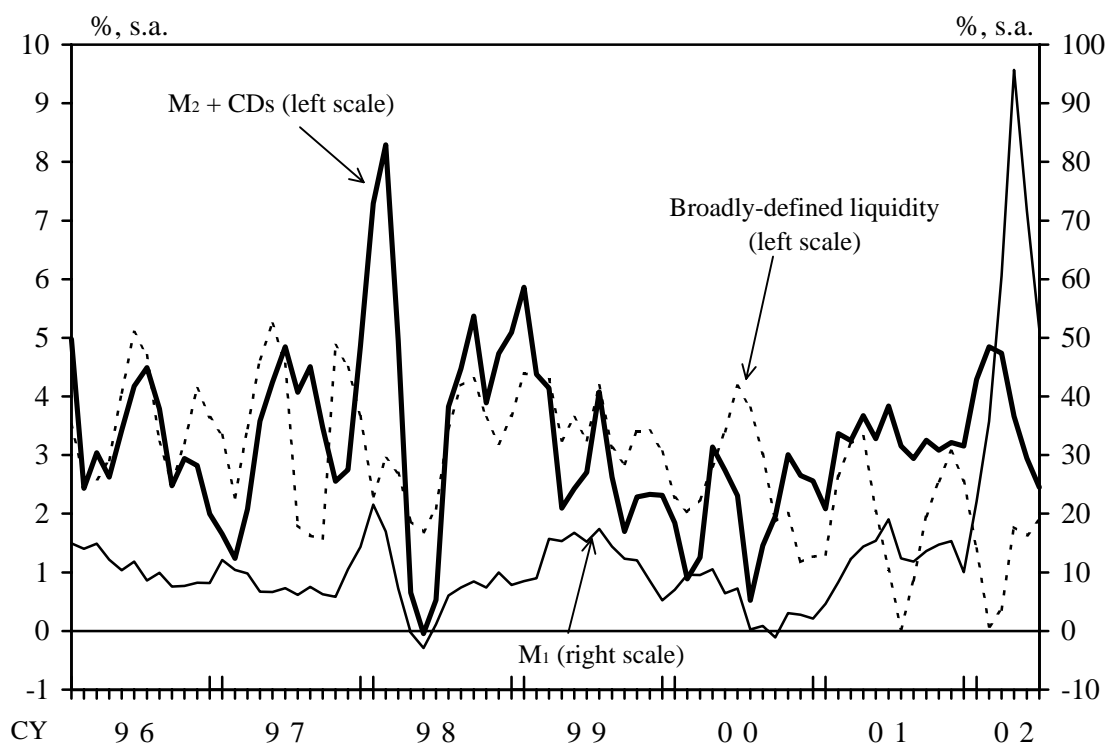
Source: Bank of Japan.

Money Stock (M₁, M₂+CDs, Broadly-Defined Liquidity)

(1) Changes from a Year Earlier

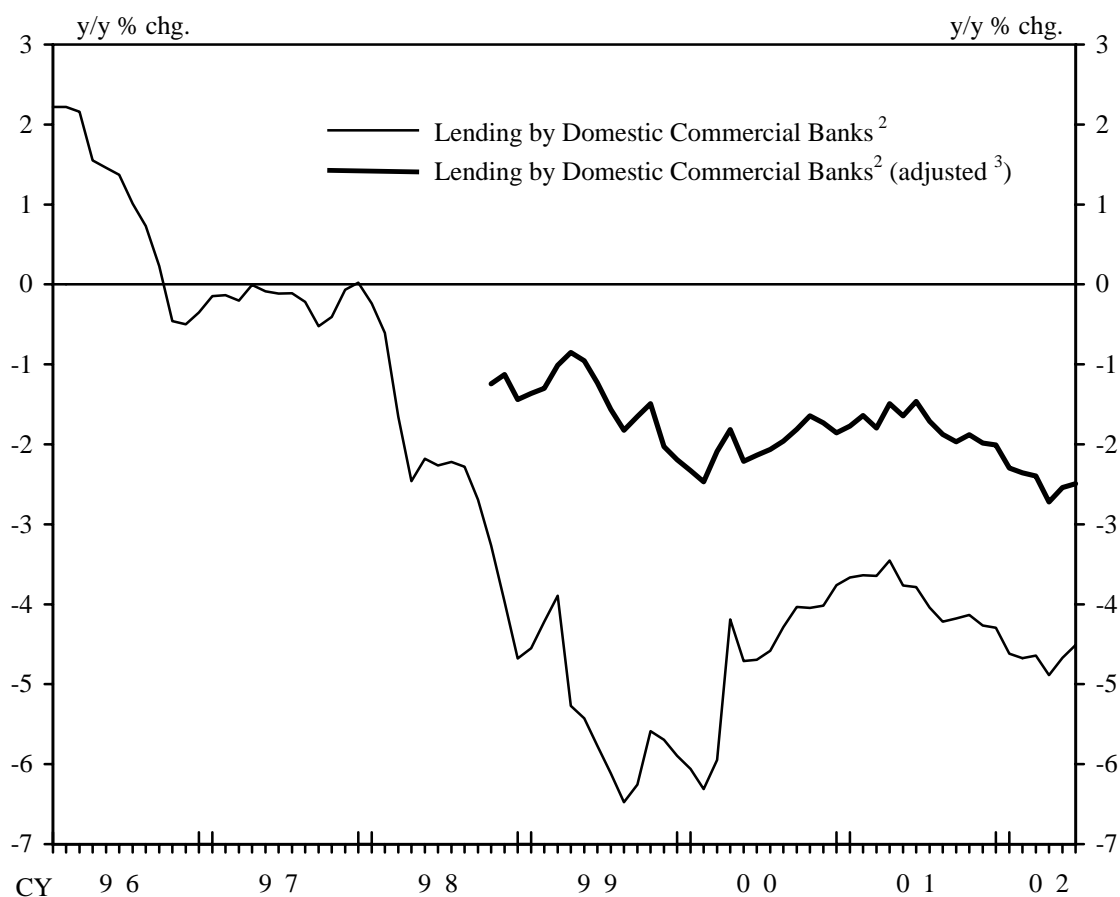


(2) Changes from Three Months Earlier (Annualized)



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).

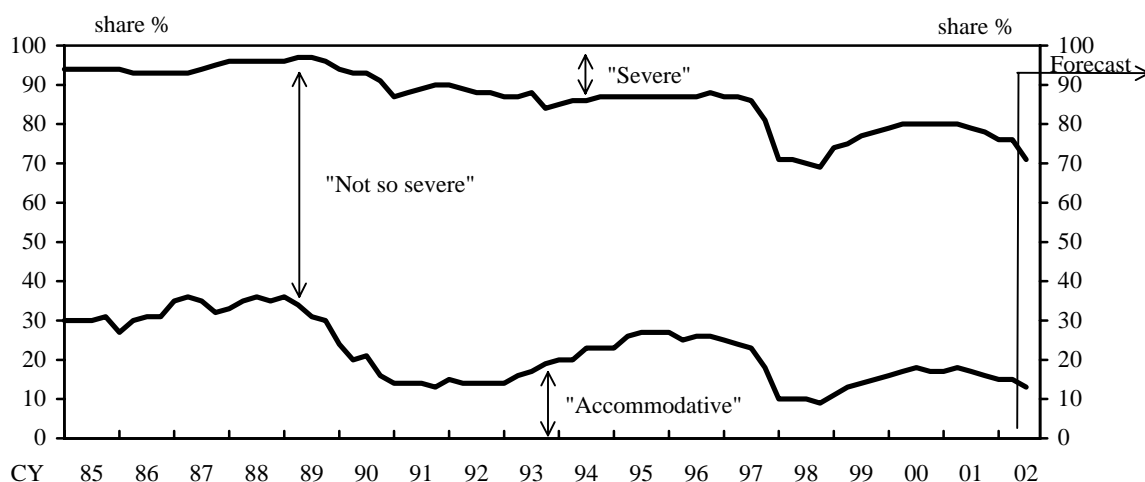
3. Adjusted to exclude

- (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.

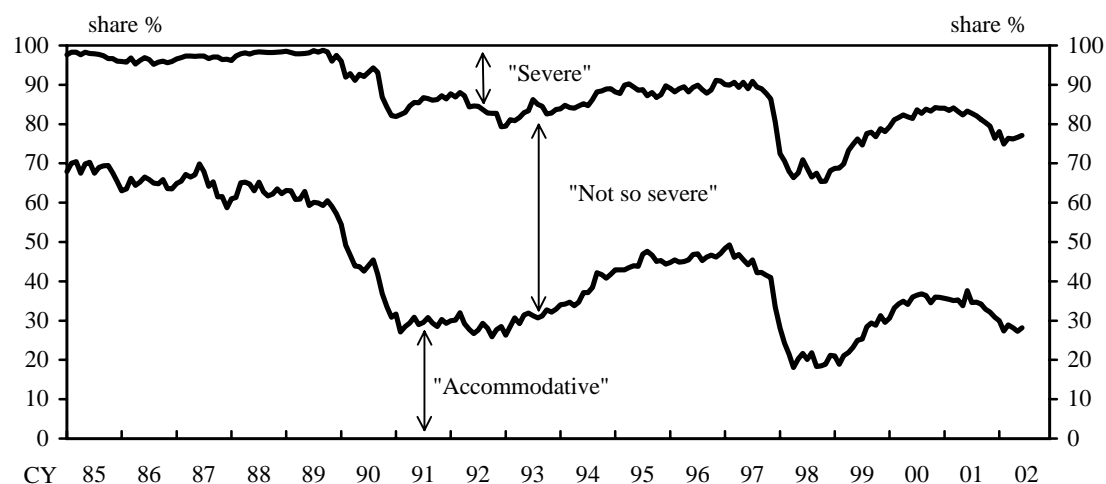
Source: Bank of Japan, "Principal Figures of Financial Institutions."

Lending Attitude of Financial Institutions as Perceived by Small Enterprises

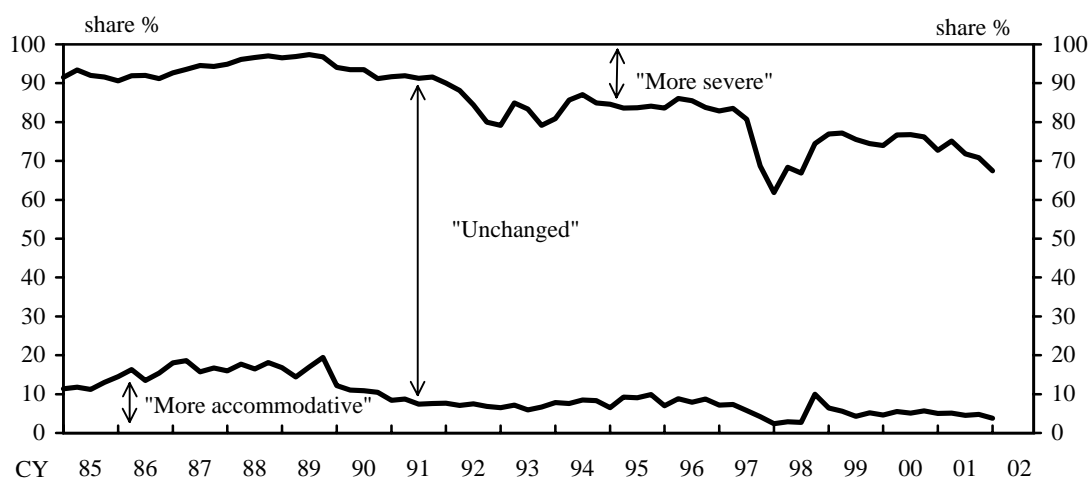
(1) "Tankan - Short-Term Economic Survey of Enterprises in Japan" (June, 2002)



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

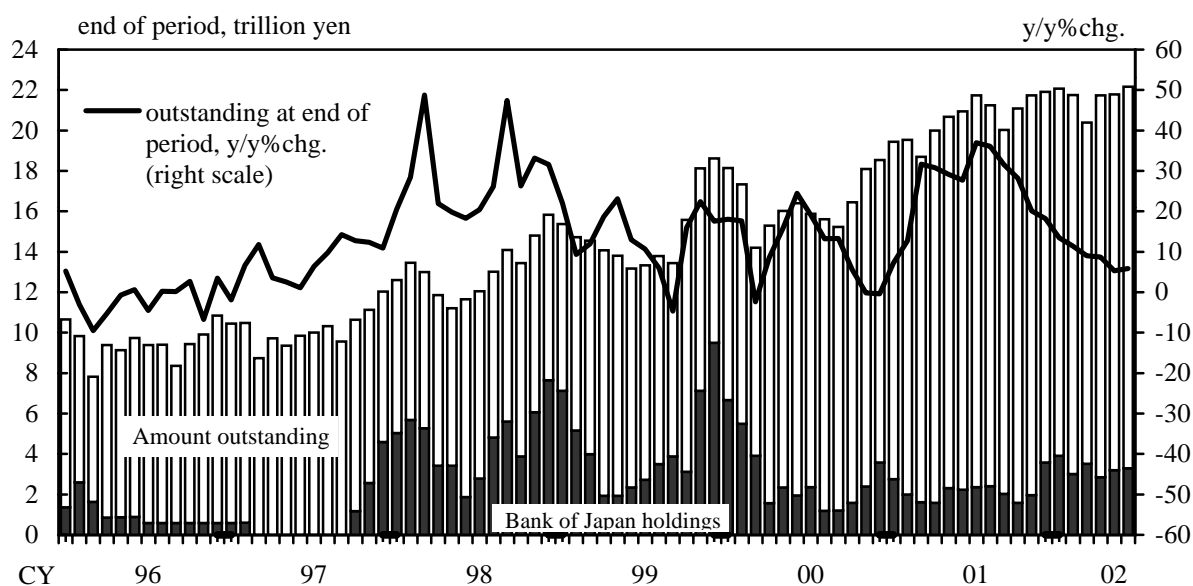


(3) "Quarterly Survey of Small Businesses in Japan" (Mid-March, 2002)



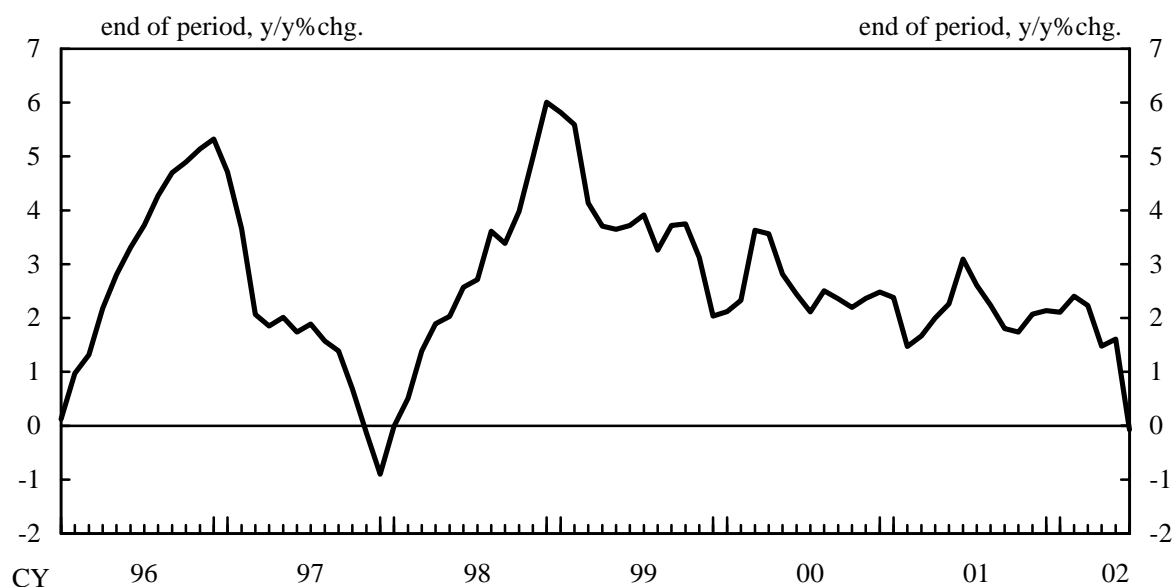
Sources: Bank of Japan, "Tankan - Short-Term Economic Survey of Enterprises in Japan" ;
 Japan Finance Corporation for Small Business, "Monthly Survey on Trends of Small Businesses";
 National Life Finance Corporation, "Quarterly Survey of Small Businesses in Japan."

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/Q4	2002/Q1	Q2	2002/Apr.	May	Jun.
Volume	31,808	27,157	24,633	5,367	11,978	7,288
(previous year)	(20,416)	(21,715)	(35,233)	(10,115)	(9,854)	(15,254)

(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.

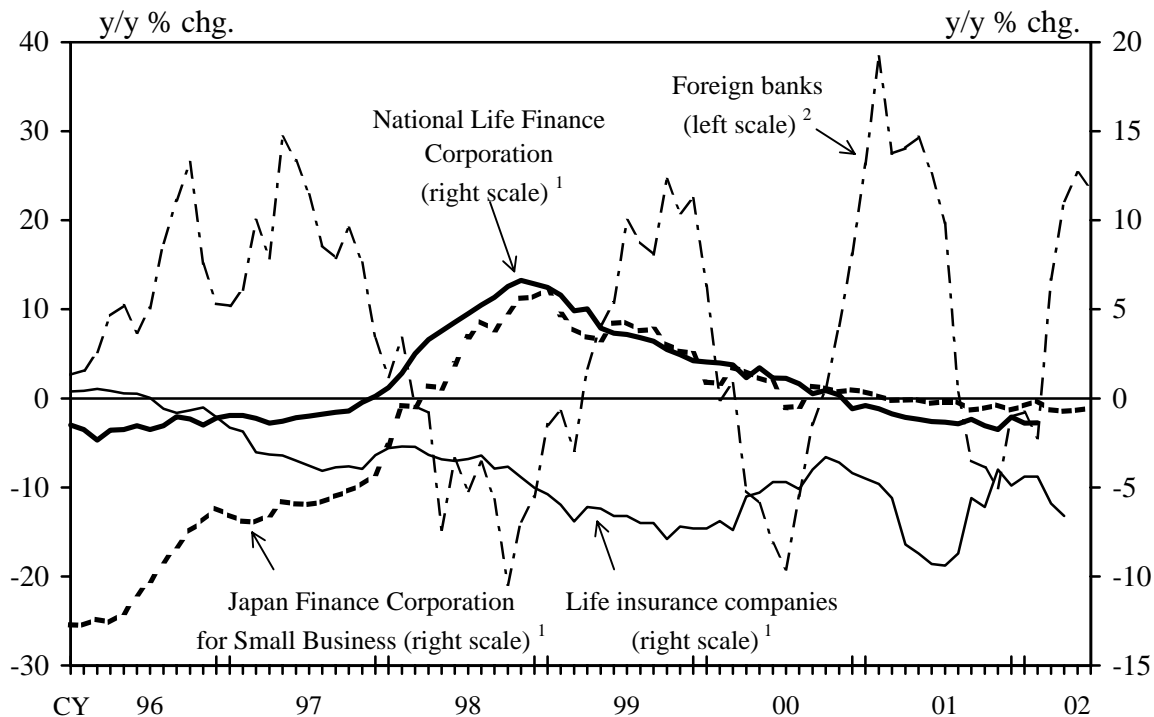
2. Includes straight bonds, convertible bonds, and bonds with warrants.

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."

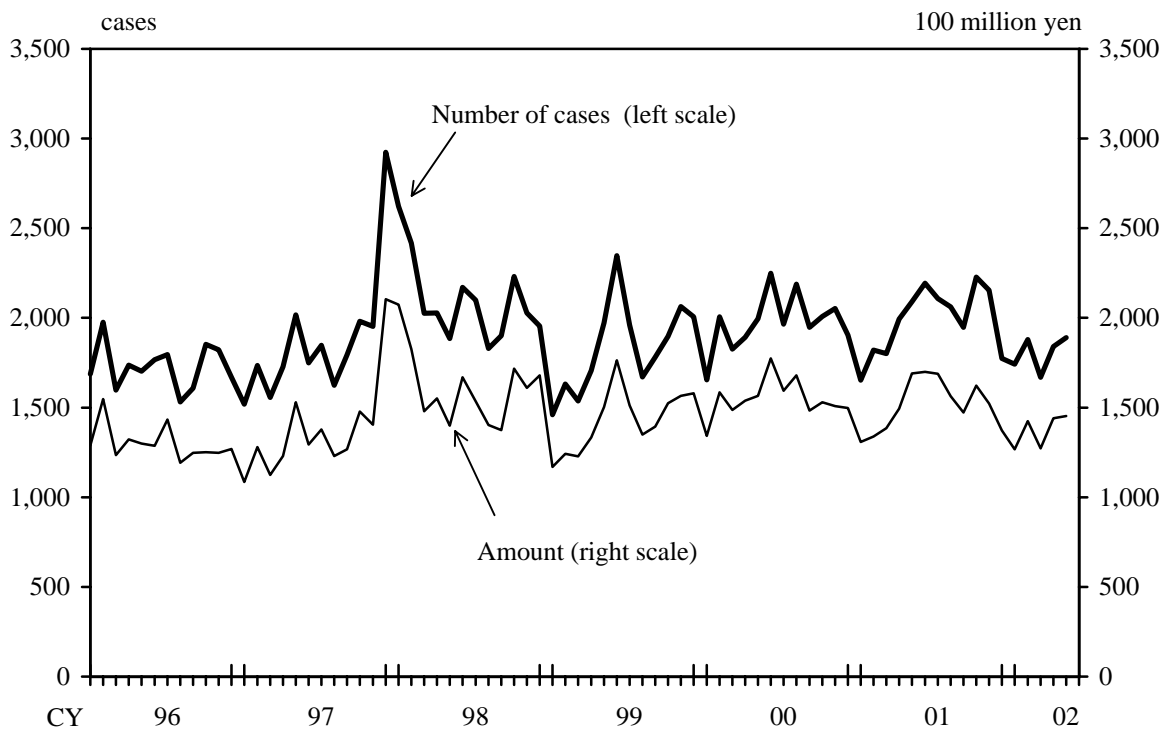
Lending by Other Financial Institutions

(1) Lending Outstanding



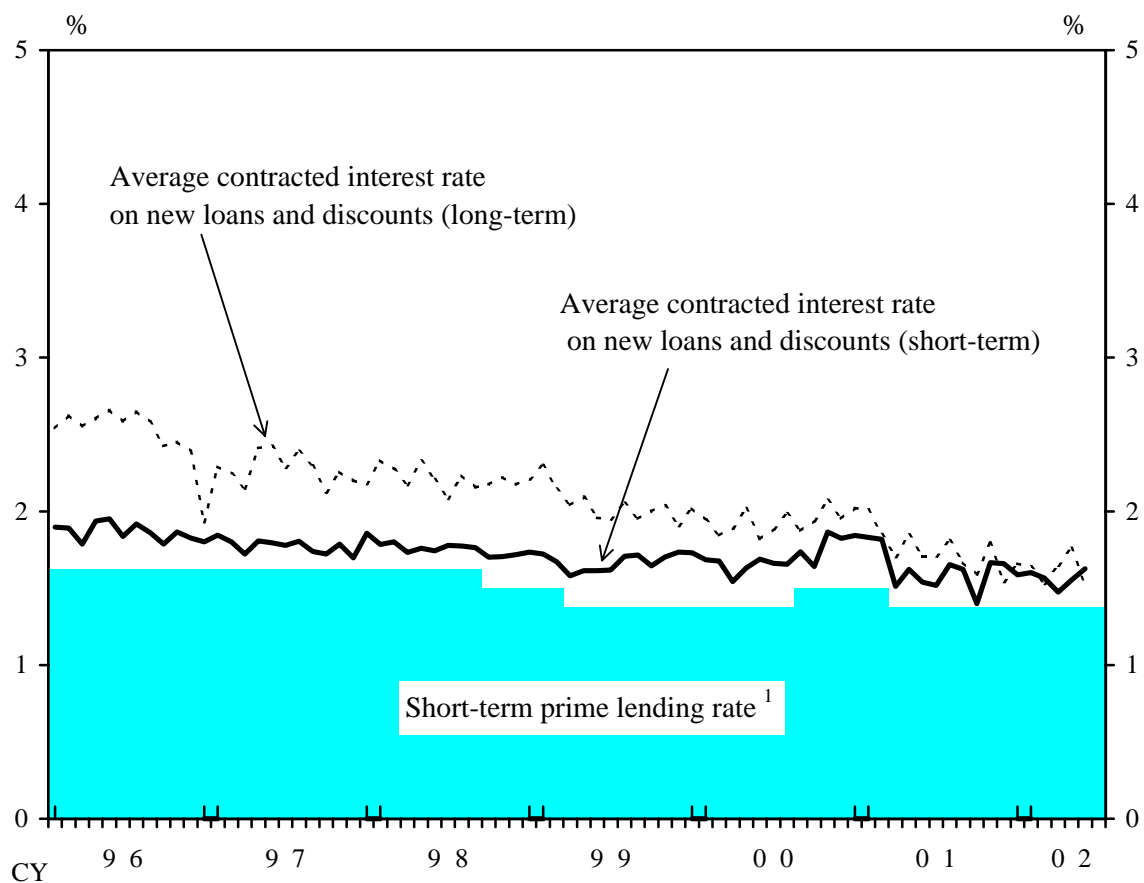
Notes: 1. Data are based on amounts outstanding at end of period.
 2. Data are based on average amounts outstanding.

(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

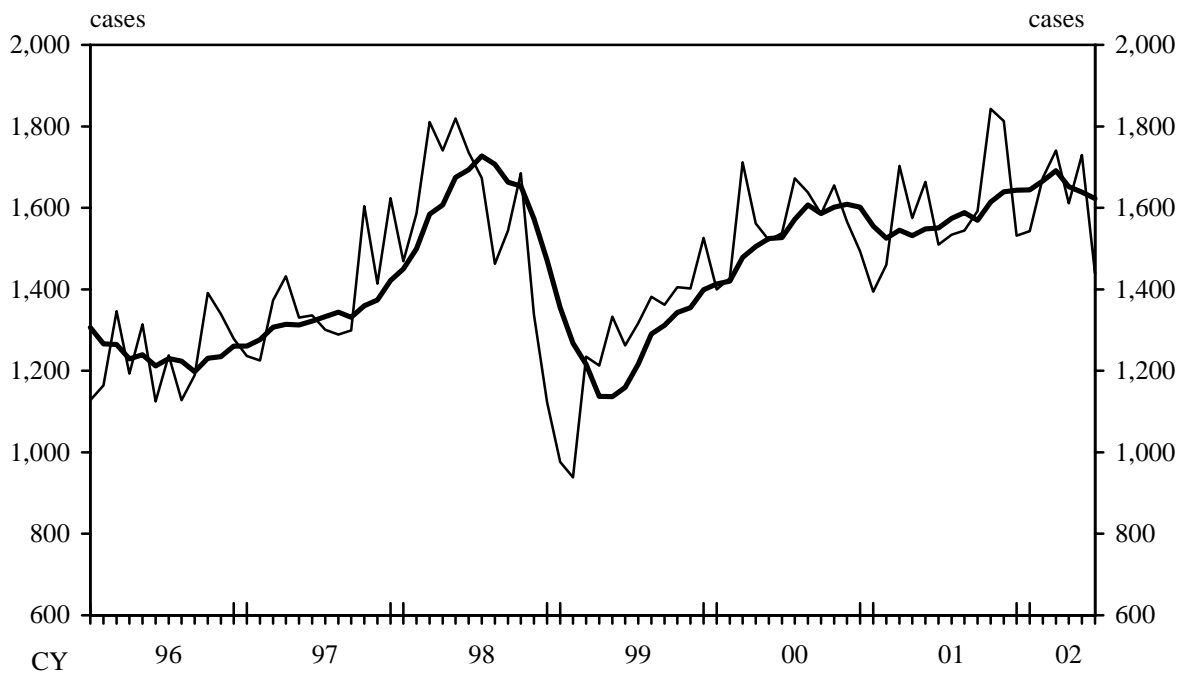


Note: 1. Data are at end of period.

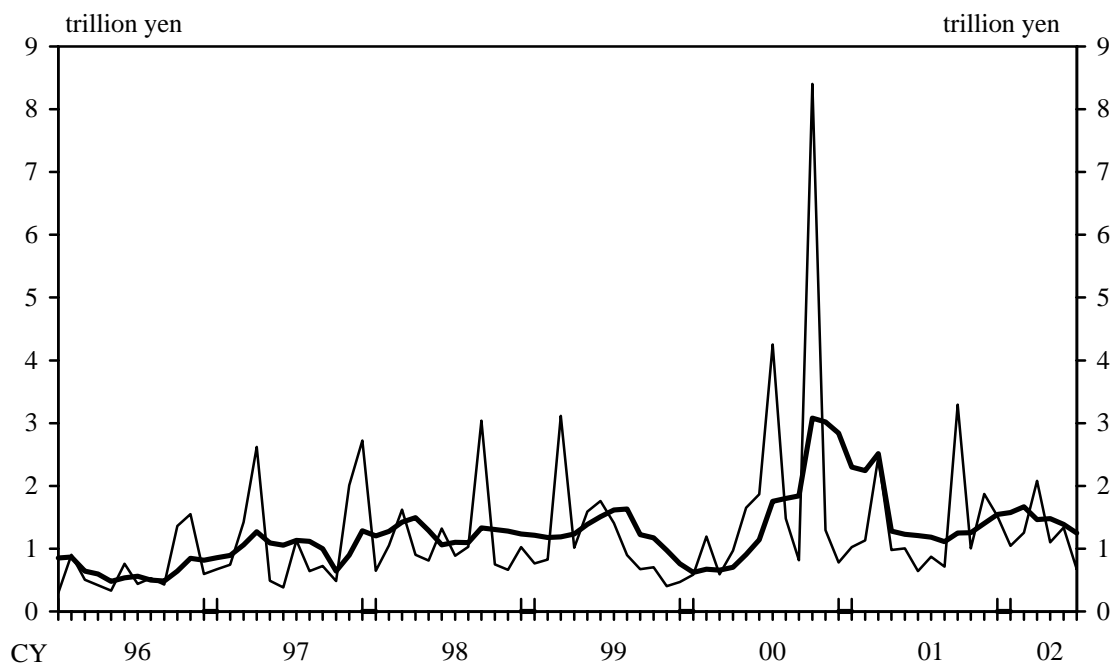
Source: Bank of Japan.

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)."