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Bank of Japan

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

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The Bank's View²

Japan's economy, despite persistent weakness in domestic demand and increasing uncertainty regarding the global economy, has almost stabilized as a whole with exports and production continuing to increase.

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 continues to decline. Meanwhile, net exports (real exports minus real imports) continue to increase 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 upsurge in exports and adequate reduction of excess inventory stocks. Against this background, corporate profits appear to have started to recover. In addition, the rebound in production is having effects on labor markets, 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 situation of households overall remains severe.

Turning to the economic outlook, the upward trend in exports is 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 August 8 and 9, 2002.

² The Bank's view of recent economic and financial developments, determined by the Policy Board at the Monetary Policy Meeting held on August 8 and 9 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, the decline in some leading indicators of business fixed investment has come to a halt.

Overall, it can be envisaged that the stabilization of Japan's economy will become more definite 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 labor input and debt, are still persistently at work, momentum for a self-sustaining recovery will be subdued for some time. Furthermore, stock prices in the U.S. and worldwide as well as the U.S. dollar remain volatile and firms' outlook for the global demand for IT-related goods has become rather cautious. Judging from these factors, uncertainty regarding external conditions seems to have increased somewhat further. In these circumstances, it should continue to be heeded that further destabilization in the foreign exchange and financial markets at home and abroad could easily exert a negative influence on the economy.

On the price front, import prices have started to decline mainly due to the U.S. dollar's depreciation against the yen since this spring. Domestic wholesale prices have weakened, partly because the effects of the increase in import prices until spring started to dissipate. Moreover, 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 keep exerting downward pressure on prices for a while amid persistently weak domestic demand, although the completion of inventory adjustment and the rise in capacity utilization rates 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 decline, domestic wholesale prices are projected to continue to be weak for a while, 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 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 at very close to zero percent. Also, longer-term interest rates remain steady.

Yields on long-term government bonds dropped to 1.26 percent in response to a further depreciation of the U.S. dollar against the yen and a decline in stock prices, and are recently mixed moving around 1.25-1.3 percent. Yield spreads between private bonds (bank bonds and corporate bonds) and government bonds are virtually level.

Stock prices declined from late July as foreign institutional investors sold stocks in line with a decline in U.S. and European stock prices, and are recently moving around 9,500-10,000 yen.

In the foreign exchange market, the yen rose to 115-116 yen in mid-July reflecting the overall downtrend in the U.S. dollar, and is currently fluctuating at around 120 yen to the U.S. dollar.

With regard to corporate finance, private banks remain 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 is still severe, but the environment for firms with high credit ratings is accommodative.

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 rates of the amount outstanding of corporate bonds and CP issued are on a downtrend.

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 has come to a halt. However, the stance of investors toward firms with high credit risks remains severe and the lending attitudes of private banks remain 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 has been declining. The value of public works contracted—a metric that reflects public orders—remains sluggish owing to the decrease in the FY 2002 budget, although the execution of the supplementary budget for FY2001 continues to underpin public investment (Chart 2). Moreover, the turnover of public construction, reflecting the actual progress of public works, plunged in May. Public investment is projected to continue declining due to the large cutbacks in public investment expenditures in the budgets of both the central and local governments for FY2002.

Real exports have been increasing substantially due to the recovery in overseas economies and to the effects of restocking abroad, mainly in IT-related goods. Exports elevated at an even faster pace in the second quarter than in the first quarter (Chart 3[1]). By region, favorable increases were especially conspicuous in exports to East Asia (Chart 4[1]). By goods (Charts 4[2], 5[1], and 6), a marked increase 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 exhibited high growth, particularly in semiconductor fabrication machines and equipment. Intermediate goods (iron and steel, and chemicals) also continued to increase, mainly in exports to East Asia. Exports of automobile-related goods also continued to increase, since these exports to regions other than the U.S. rose partly from the yen's depreciation until early this spring, while exports to the U.S. decreased after the substantial increase for rebuilding inventories in the first quarter.

Real imports have bottomed out with the recovery in exports and production in the IT industry, although domestic demand remains weak. Imports increased in the second 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-related imports continued to rise, particularly in electronic parts such as semiconductors (Chart 5[3]). Also, imports of capital goods and parts increased mainly in parts related to semiconductor fabrication machines and equipment; imports of consumer goods, especially audiovisual

equipment, rose. Intermediate goods seemed to have stopped declining, while materials were still on a downtrend.

Net exports (real exports minus real imports), in terms of the real trade balance,³ increased significantly since exports surged, as noted above (Chart 3[2]). The surplus of the nominal balance on goods and services has been expanding since 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 basically expected to stay on a gradual recovery path, with the U.S. economic condition more or less unchanged and final demand conditions in East Asia favorable (Chart 8-1[2], 8-2[1], [2], and [3]). However, stock prices in the U.S. and worldwide as well as the U.S. dollar remain volatile, although they have rebounded slightly from their recent lows (Chart 8-2[4]). The yen in terms of the real effective exchange rate appreciated somewhat compared to around the beginning of this year (Chart 8-1[1]). Moreover, while U.S. economic indicators show that a gradual recovery is in place, some weakness has been observed recently. Under these circumstances, anecdotal information obtained from Japanese firms indicates that their outlook for IT-related demand, which is largely supporting the current increase in exports, has become cautious. Therefore, uncertainty regarding external conditions seems to be slightly increasing compared to last month.

These external conditions imply that the increase in exports is projected to be slower, as the impetus from overseas restocking, mainly in the IT-related sector, will weaken.⁴ Nevertheless, assuming a gradual recovery in overseas economies, exports are predicted to continue their upward trend. However, it is to be heeded that uncertainty surrounding overseas economies, noted above, is increasing somewhat

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 in GDP statistics are on an ownership-transfer basis and include trade in services.)

⁴ According to the *WSTS' (World Semiconductor Trade Statistics) Semiconductor Forecasts*, shipments of global semiconductors in the second quarter grew at a higher 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]).

further. On the other hand, imports are likely to recover gradually due to the upward trend in production, although this depends on the developments in exports 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 continue restraining imports for the time being. Reflecting these developments in exports and imports, net exports are projected to follow a rising trend, although the pace will become more gradual than at present.

Business fixed investment continues to decrease amid the persistently strong excess capacities of firms (Chart 9-1[2]) and the lack of confidence among firms regarding future developments in demand. Nevertheless, the current investment in machinery, judging from the shipments and aggregate supply of capital goods (excluding transport equipment), showed that the pace of decline in investment had been moderating gradually (Chart 9-1[1]).⁵

As for leading indicators, machinery orders (private demand, excluding shipbuilding and electric power equipment), which had been decreasing significantly, rose in the second quarter (Chart 9-2[1]). Although a forecast survey in the statistics showed a slight drop in the third quarter, machinery orders appear to have stopped declining in conjunction with these developments. Moreover, the decline in construction starts for mining and manufacturing (Chart 9-2[2]) seemed to have come to a halt. On the other hand, it is still difficult to judge the trend in construction starts for nonmanufacturing (private, nondwelling use), because they often fluctuate considerably due to large-scale construction starts.

In sum, business fixed investment is likely to gradually stop declining, particularly in manufacturing, when the steady increase in production, assisted by the rise in exports and the completion of inventory adjustment, lead to a more distinct recovery in corporate profits.

⁵ Aggregate supply of capital goods indicates the domestic supply of capital goods by adding shipments of capital goods based on the *Indices of Industrial Production* and the import volume of the goods based on *Foreign Trade Statistics*.

Private consumption, despite some resilience, remains weak on the whole amid the current severe employment and income situation of households. With regard to sales indicators (Charts 10-1 and 10-2), the number of passenger cars sold—especially small-sized cars, supported by the introduction of new models—picked up around spring, but was somewhat low in July. Sales of household electrical appliances fell in the second quarter, as sales of high-quality TVs jumped in May in response to the FIFA World Cup games, but PC sales slumped in June due to a rise in prices. While department store sales continued to be somewhat slack, supermarket sales improved marginally in the second quarter, particularly in foodstuffs. As for outlays for travel, overseas travel had been rebounding steadily from its large fall after the terrorist attacks, but in June, those for both domestic and overseas travel dropped mainly due to the FIFA World Cup games. The indices of aggregated sales⁶—which are comprised of many sales indicators including those mentioned above—remained weak, with the year-on-year change moving near zero (Chart 10-3). The level of aggregate supply of consumer goods was persistently lower than in the previous year (Chart 10-4). Consumers remained cautious, although the marginal improvement in the employment situation to be mentioned later contributed toward partially dispelling the cautiousness (Chart 11). Reflecting the harsh employment and income situation, private consumption is likely to be lackluster as a whole, although some resilience can be seen.

Housing investment remains sluggish (Chart 12). Construction starts were almost unchanged in the second quarter on a quarter-to-quarter basis amid an increase in construction starts of housing for rent and a 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 situation of households is likely to continue.

Noticeable changes in the weakness in domestic demand were not observed, but industrial production is picking up clearly with the help of the significant increase in exports and adequate reduction of excess inventory stocks (Charts 13[1]). Particularly,

⁶ The indices of aggregated sales are compiled by the weighted average of various sales indicators (including a few indicators for services consumption). Since each sales indicator shows different movements, the indices of aggregated sales are used to evaluate the whole trend of these sales indicators. For the detailed calculation method, see notes in Chart 10-3.

production in the second quarter recorded a considerably high growth. By industry (Chart 13[2]), production of electrical machinery pushed the overall production upward reflecting the rapid increase in IT-related exports. In addition, production of iron and steel, chemicals, and transportation equipment (automobiles) has been rising mainly due to the increase in exports.

As for inventories, the appropriate balance between inventories and shipments seems to have been reached (Chart 15). By goods, exports of both producer goods for electrical machinery (electronic parts such as semiconductors) and of other producer goods (mainly materials) have been rising. This has facilitated the progress in inventory adjustment as a whole. In addition, inventory adjustment of other goods, including durable consumer goods, appears to have ended.

Considering this completion of inventory adjustment and the outlook for an increase in exports noted above, industrial production is also expected to follow a rising trend in the future. However, since exports are predicted to increase at a slower rate as previously mentioned, the pace of increase in production is likely to become moderate.⁷

The employment and income situation continues to improve marginally with an increase in overtime hours worked and in new job offers, mainly for part-time workers, assisted by the pick-up in production. However, the employment and income situation of households remains severe, with the faster pace of decline in the number of regular employees and the ongoing acceleration in the wage decrease (Chart 16).

With respect to various labor-market-related indicators, the unemployment rate remained high (Chart 17-1). Among the unemployed, the number of those involuntarily unemployed in particular remained at a high level after the substantial increase in the latter half of last year. Meanwhile, the ratio of job offers to applicants has recently been improving, although it was still low. In the manufacturing sector, new job offers and overtime hours worked increased notably through the recovery in

⁷ According to the survey of production forecast index, production in July (1.6 percent on a month-to-month basis) and August (1.8 percent) is projected to rise steadily. According to anecdotal information from Japanese firms, the stances of those firms on future production, mainly in IT-related goods, were cautious, and uncertainty was strong, especially from fall onwards.

production. Yet, the increase in job offers was mainly for non-regular employees such as part-time and temporary/seasonal workers,⁸ and the number of regular employees has continued its declining trend. The number of employees in the *Labour Force Survey* showed the same developments that temporary workers increased but regular employees declined even further. These movements reflect firms' stances on reducing personnel expenses. The strong intentions of firms to reduce personnel expenses from a longer-term perspective are unlikely to ease noticeably in the near future.

This stance on personnel expenses affects wage developments. In fact, the rate of decline in nominal wages per employee has been accelerating (Chart 16). In detail, while overtime payments were recovering as a result of the pick-up in production, regular payments declined faster both due to a rise in the ratio of part-time workers and to a restraint on the base-pay hike. In addition, special payments (bonuses), according to data already available for those paid until June, plunged this summer following the marked decline in winter bonuses. Such special payments are affected by corporate profits with some lags. These developments in employment and wages suggest that household income is expected to continue decreasing markedly for the time being.

2. Prices

Import prices on a yen basis had been rising since the end of last year until this spring, compared to levels three months ago. The prices have recently started to decline mainly due to the U.S. dollar's depreciation against the yen since spring (Chart 19).

Domestic wholesale prices (adjusted to exclude the effects of seasonal changes in electricity rates),⁹ which had been more or less flat, dropped slightly in July compared to levels three months ago, although they had been level (Chart 20). In detail, prices of some materials such as iron and steel rose due to the improvement in

⁸ 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 1.34 in June.)

⁹ The figures are adjusted to exclude a large seasonal fluctuation in electric power charges 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.

the supply and demand balance. However, the increase in petroleum product prices due to the appreciation of the yen and the rise in crude oil prices until early spring have recently become more moderate. Machinery prices also declined somewhat more in July than last month, reflecting the revision in prices of computers. On a year-on-year basis, the decrease in domestic wholesale prices has been slightly more than 1 percent.

Corporate services prices (domestic supply-demand factors; same hereafter) continue to decline (Chart 21). Compared to those three months ago, prices for building maintenance (building cleaning services and facility management such as elevator maintenance) dropped because of firms' intentions to reduce business costs; prices for advertising, real estate services, and leasing and rentals tended to fall. On a year-on-year basis, the decrease in corporate services prices has more or less been slightly more than 1 percent.

Consumer prices (excluding fresh food; same hereafter) continue to decline mildly (Chart 22). The overall year-on-year rate of change basically continued to stay at slightly less than 1 percent (the year-on-year change was -0.9 percent in April, -0.8 percent in May, and -0.8 percent in June).¹⁰ In detail, the decline in goods continued to contract slowly, reflecting the rise in prices of petroleum products (gasoline) and personal computers. On the other hand, the decline in prices of general services has recently been observed in some months after a rise until around March, but this development was caused by irregular factors such as housing rents, which tend to fluctuate from sample changes. In public utility charges, electricity charges and medical treatment had been falling since April. This also holds true for consumer prices compared to three months ago.

Imported products and their substitutes still decreased substantially on a year-on-year basis, although the rate of decline tended to contract from around the second half of last year (Chart 23[1]). This may be attributable to the yen's depreciation throughout 2000-2001 in conjunction with the decline in the prevalence of business strategies for lower pricing, compared to one or two years ago. In fact, the increase in

¹⁰ The rate of decline in consumer prices, including fresh food, continued to contract. (The year-on-year change was -1.1 percent in April, -0.9 percent in May, and -0.7 percent in June.)

imports of consumer goods, which had been the result of these strategies, has slowed (Chart 23[2]).

As for the conditions surrounding price developments, the balance between supply and demand is expected to keep exerting downward pressure on prices for a while amid persistently weak domestic demand, although the completion of inventory adjustment and the rise in capacity utilization rates 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 decline, domestic wholesale prices are projected to continue to be weak for a while, 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.

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 moving around 15 trillion yen, as the Bank continues to provide ample liquidity to the money market (Chart 26).

As for interest rate developments in the short-term money markets, in these circumstances the overnight call rate (uncollateralized; Chart 24[1]) is moving at very close to zero percent. As for the developments in longer-term interest rates (Chart 25), three-month Euro-yen rates (TIBOR) remain steady at low levels.

Yields on ten-year government bonds (newly issued 10-year JGB; Chart 24[1]) dropped to 1.26 percent in mid-July in response to a further depreciation of the U.S. dollar against the yen and a decline in stock prices. They are recently mixed and moving in the range of 1.25-1.3 percent with some domestic investors selling bonds at a profit and others increasing investment in bonds. Yield spreads between private bonds

(bank bonds and corporate bonds) and government bonds (Charts 30 and 31) are virtually level.

Stock prices (Chart 32) declined only slightly on the whole until mid-July, supported by expectations of a recovery in corporate profits of domestic firms, although U.S. and European stock prices continued to fall substantially. From late July, however, they declined at a faster pace as foreign institutional investors sold stocks in the wake of a further decline in U.S. and European stock prices. The Nikkei 225 Stock Average is currently moving in the range of 9,500-10,000 yen.

In the foreign exchange market (Chart 33), the yen rose to 115-116 yen in mid-July, reflecting the overall downtrend in the U.S. dollar against the background of the decline in U.S. stock prices. Nevertheless, the yen started to weaken from late-July as foreign institutional investors sold Japanese stocks. The yen is currently fluctuating at around 120 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) increased substantially —by around 20-30 percent— from the previous year's level, although the growth rate slowed slightly. (The year-on-year change was 29.7 percent in May, 27.6 percent in June, and 25.1 percent in July; Chart 34.)

The year-on-year growth rate of the money stock (M_2 + CDs) remained around 3.5 percent. (The year-on-year change was 3.5 percent in May, 3.4 percent in June, and 3.3 percent in July; Chart 35.) 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 31.7 percent in May, 31.9 percent in June, and 30.6 percent in July.)

Meanwhile, with regard to corporate finance, private banks remain 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 is still severe, but the environment for firms with high credit ratings is accommodative.

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 factors¹¹), 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 -2.5 percent in May, -2.5 percent in June, and -2.5 percent in July; Chart 36.) The year-on-year growth rates of the amount outstanding of corporate bonds and CP issued are on a downtrend (Chart 38).

Funding costs for firms continue to be at extremely low levels on the whole. The average contracted interest rates on new loans and discounts continue to be more or less unchanged (Chart 40). The long-term prime lending rate was lowered by 0.05 percent to 1.90 percent on August 9. In the capital market, both corporate bond and CP issuance rates are at low levels for firms with high credit ratings. The spread between high and low credit ratings continues to be at high levels.

The number of corporate bankruptcies decreased by 4.7 percent from the previous year's level in June (Chart 41).

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 has come to a halt. However, the stance of investors toward firms with high credit risks remains severe and the lending attitudes of private banks remain cautious. Hence, the developments in the behavior of financial institutions and corporate financing continue to require close monitoring.

¹¹ 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.

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Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2001/Q4	2002/Q1	Q2	2002/Apr.	May	Jun.	Jul.
Index of living expenditure level (all households)	0.6	1.7	-0.9	1.0	-2.9	2.9	n.a.
Sales at department stores	0.2	-0.3	-0.8	-0.1	-1.0	0.5	n.a.
Sales at supermarkets	-1.6	-0.6	2.1	3.3	-1.2	-0.6	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 295>	< 304>	< 314>	< 313>	< 320>	< 308>	< 291>
Sales of household electrical appliances (real, NEBA)	1.9	2.8	2.9	-1.7	5.8	-7.0	n.a.
Outlays for travel (50 major travel agencies)	-16.0	13.5	0.7	0.7	2.5	-7.2	n.a.
Housing starts <s.a., ann. 10,000 units>	< 117>	< 118>	< 117>	< 114>	< 127>	< 110>	<n.a.>
Machinery orders (from private sector ⁴)	-7.5	-7.4	7.1	8.4	0.2	2.9	n.a.
Manufacturing	-14.7	2.6	4.6	-2.5	-2.1	1.2	n.a.
Nonmanufacturing ⁴	-5.7	-11.0	7.1	13.3	2.0	4.8	n.a.
Construction Starts (private, nonresidential use)	-0.1	-10.6	6.6	6.2	13.6	-11.4	n.a.
Mining & manufacturing	-13.1	-12.2	10.5	3.4	18.2	-25.5	n.a.
Nonmanufacturing ⁵	4.0	-10.2	5.6	7.4	11.8	-6.0	n.a.
Value of public works contracted	-2.8	-0.4	-0.6	-9.8	6.1	0.3	n.a.
Real exports	-3.2	4.7	7.8	0.5	5.9	0.5	n.a.
Real imports	-0.9	-1.9	2.6	-1.2	5.4	-0.6	n.a.
Industrial production	-3.4	0.7	p 3.6	0.2	4.1	p -0.7	n.a.
Shipments	-3.5	1.2	p 4.2	0.7	4.8	p -2.2	n.a.
Inventories	-3.3	-4.3	p -3.2	-1.7	0.1	p -1.7	n.a.
Inventories/shipments <s.a., CY 1995=100>	<115.0>	<108.9>	<p 100.9>	<100.6>	<98.2>	<p 100.9>	<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.	-1.3	1.1	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2001/Q4	2002/Q1	Q2	2002/Apr.	May	Jun.	Jul.
Ratio of job offers to applicants <s.a., times>	<0.53>	<0.51>	<0.53>	<0.52>	<0.53>	<0.53>	<n.a.>
Unemployment rate <s.a., %>	<5.4>	<5.3>	<5.3>	<5.2>	<5.4>	<5.4>	<n.a.>
Overtime working hours ⁶	-8.4	-5.7	p -2.5	-2.5	-2.5	p -2.6	n.a.
Number of employees	-1.0	-1.1	-1.2	-0.8	-1.7	-1.2	n.a.
Number of regular employees ⁶	-0.2	-0.4	p -0.5	-0.4	-0.5	p -0.6	n.a.
Nominal wages per person ⁶	-2.5	-1.9	p -2.8	-1.7	-2.2	p -3.7	n.a.
Domestic wholesale price index ⁷ <q/q % chg.> (3-month growth rate)	-1.4 <-0.5>	-1.4 <-0.2>	-1.2 <0.0>	-1.2 <0.1>	-1.2 <0.0>	-1.0 <0.0>	-1.2 <-0.2>
Consumer price index ⁸ <s.a., q/q % chg.> (3-month growth rate)	-0.8 <-0.2>	-0.8 <-0.1>	-0.9 <-0.3>	-0.9 <-0.3>	-0.8 <-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>	-1.2 <-0.3>	-1.2 <-0.2>	-1.1 <-0.4>	-1.2 <-0.4>	n.a. <n.a.>
Monetary aggregates (M2+CDs) <average outstanding, y/y % chg.>	3.2	3.6	3.5	3.6	3.5	3.4	3.3
Number of suspension of transactions with banks	5.9	3.5	-9.4	-7.1	-7.4	-14.1	n.a.

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

All figures in chart 1-2 except figures in angle brackets are year on year change. For details on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes of respective charts.

2. Figure with "p" indicates preliminary one.

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

4. Excludes orders of shipbuilding and orders from electric power companies.

5. Nonmanufacturing is mainly composed of commerce, services, agriculture & fisheries and public utilities industries.

6. Data for establishments with at least 5 regular employees.

7. Adjusts to exclude a hike of electric power charges in summer season.

8. Excludes fresh food.

9. Domestic supply-demand factors.

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";

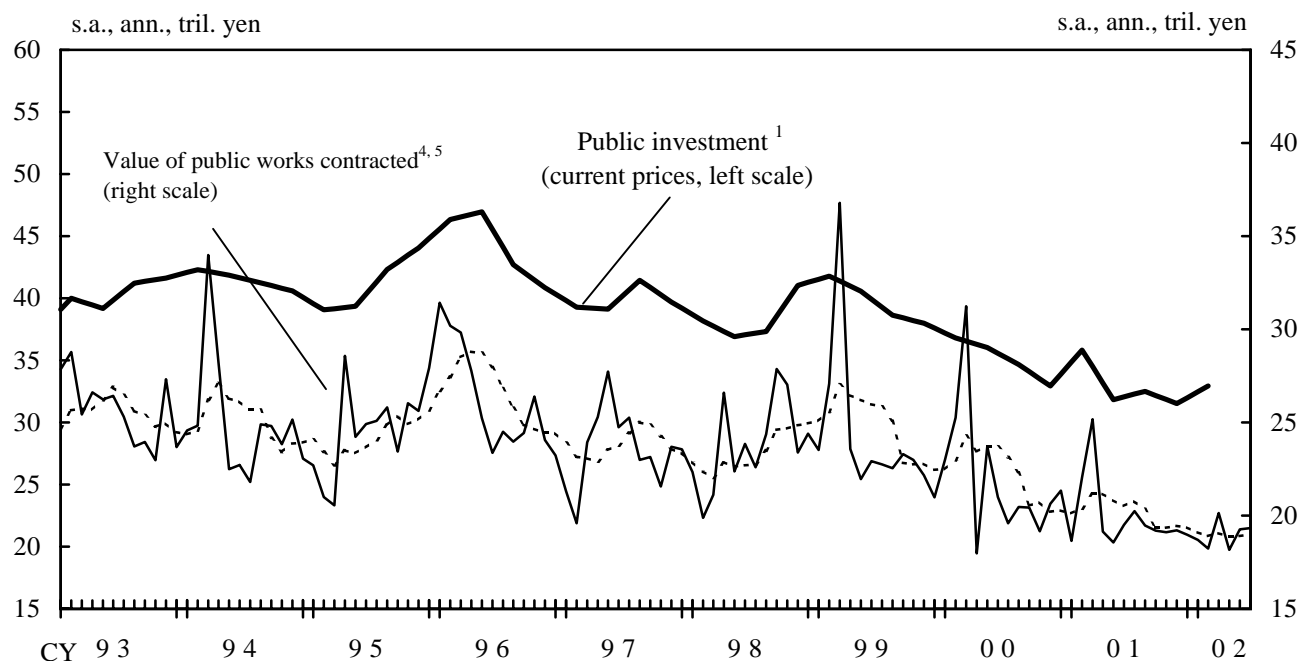
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey";

Bank of Japan, "Wholesale Price Indexes," "Corporate Service Price Index," "Financial and Economic Statistics Monthly";

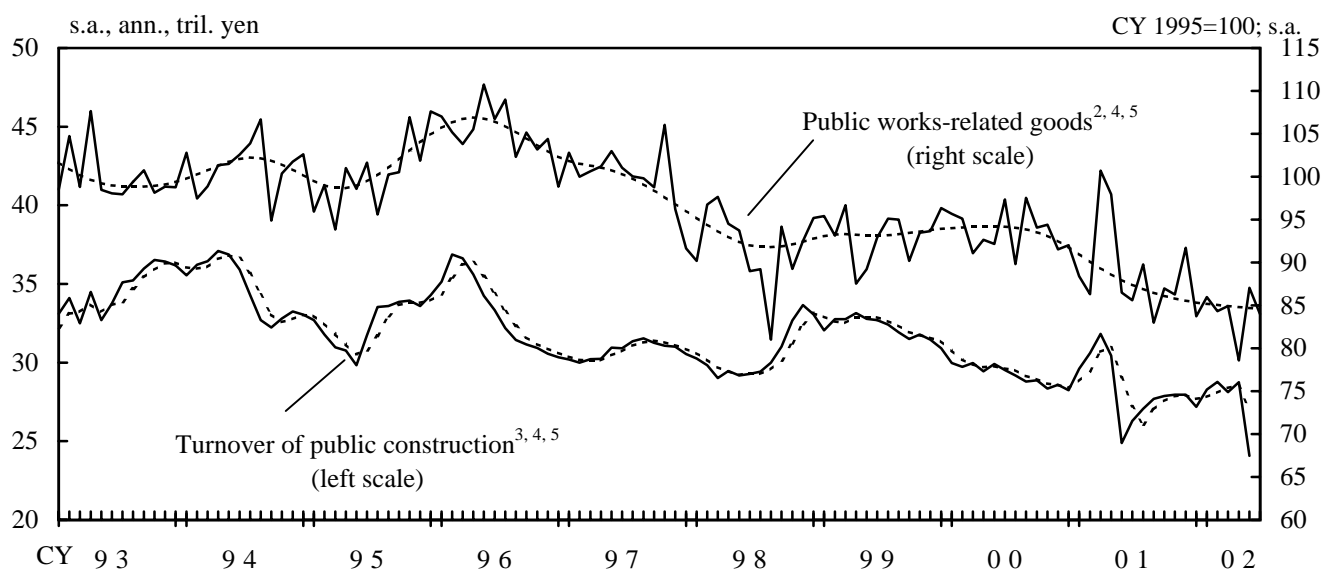
Japanese Bankers Associations, "Suspension of Transaction with Banks."

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.

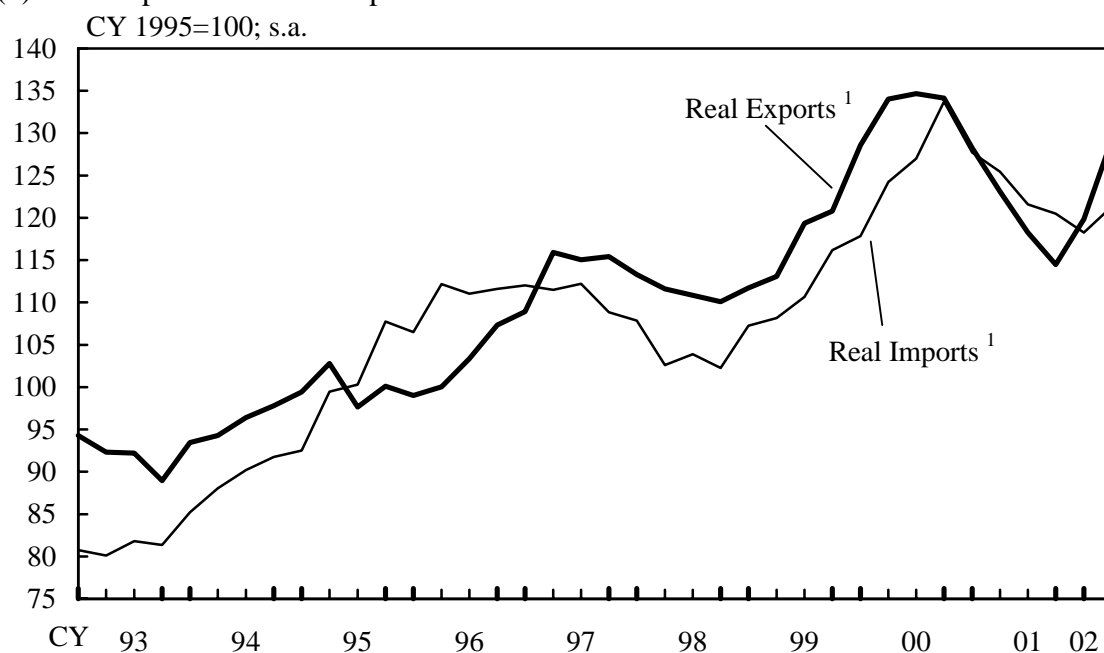
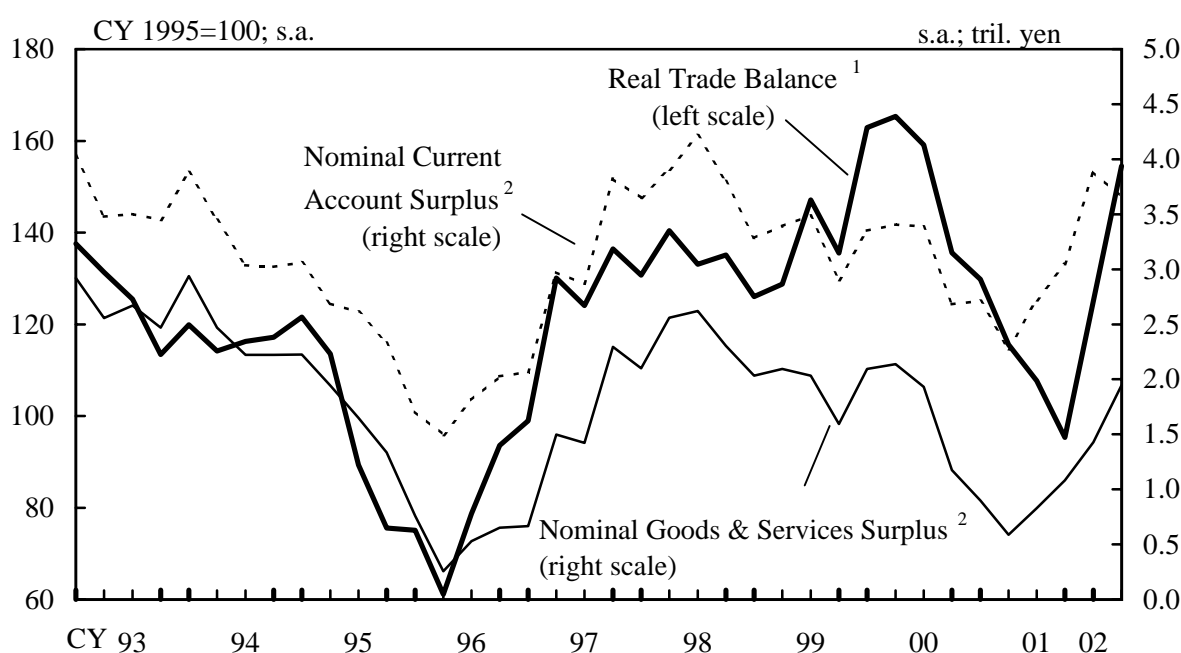
Sources: Cabinet Office, "National Accounts";

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 trade balance is defined as real exports minus real imports which are indexed with base year of 1995. Real exports/imports are "The Value of Exports and Imports in Trade Statistics" deflated by "Export and Import Price Indexes."
2. Real exports/imports and the real trade balance are seasonally adjusted by X-12-ARIMA.
3. Balance of payments data up to 1995/Q4 are old basis. 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 Apr.	May	Jun.
United States	<30.0>	11.7	-8.5	-5.3	-3.8	-3.7	4.3	1.5	-5.7	7.1	-2.2
EU	<15.9>	6.4	-10.9	-7.6	-6.4	-0.8	-6.3	9.7	3.0	2.2	7.2
East Asia	<38.7>	25.7	-9.7	-5.0	-3.7	-1.1	7.5	12.1	4.9	8.0	0.8
China	<7.7>	27.8	11.6	-1.2	-3.5	-0.5	17.8	13.3	5.3	16.5	-2.3
NIEs	<21.7>	25.8	-15.8	-6.1	-3.4	-1.8	5.8	12.1	5.1	5.6	1.5
Korea	<6.3>	30.4	-9.1	-7.8	4.9	-1.5	2.7	13.8	2.7	8.2	7.5
Taiwan	<6.0>	22.5	-25.7	-4.1	-11.1	4.3	6.7	12.4	0.9	4.7	6.3
ASEAN4 ³	<9.3>	24.0	-8.1	-5.4	-4.6	-0.1	3.3	10.8	4.4	6.1	2.3
Thailand	<2.9>	19.0	-4.0	-3.5	-0.8	-0.3	-1.6	16.2	4.9	6.0	4.8
Real exports		14.1	-9.1	-4.0	-3.9	-3.2	4.7	7.8	0.5	5.9	0.5

(2) Breakdown by 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 Apr.	May	Jun.
Intermediate goods	<14.7>	5.3	-3.5	-3.7	0.1	2.1	5.6	4.0	3.3	3.8	0.7
Motor vehicles and their related goods	<22.1>	9.2	0.0	2.0	2.0	1.1	5.8	4.2	-3.2	4.8	-5.1
Consumer goods ⁴	<7.3>	13.0	-6.3	-1.0	-1.6	-5.8	4.5	8.6	-2.3	5.3	4.2
IT-related goods ⁵	<17.3>	25.2	-12.0	-6.8	-7.5	-7.3	-5.9	16.8	7.7	9.0	3.0
Capital goods and parts ⁶	<27.5>	21.1	-14.9	-8.9	-6.3	-5.0	6.2	9.1	-1.3	7.2	3.6
Real exports		14.1	-9.1	-4.0	-3.9	-3.2	4.7	7.8	0.5	5.9	0.5

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

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

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

4. Excludes motor vehicles.

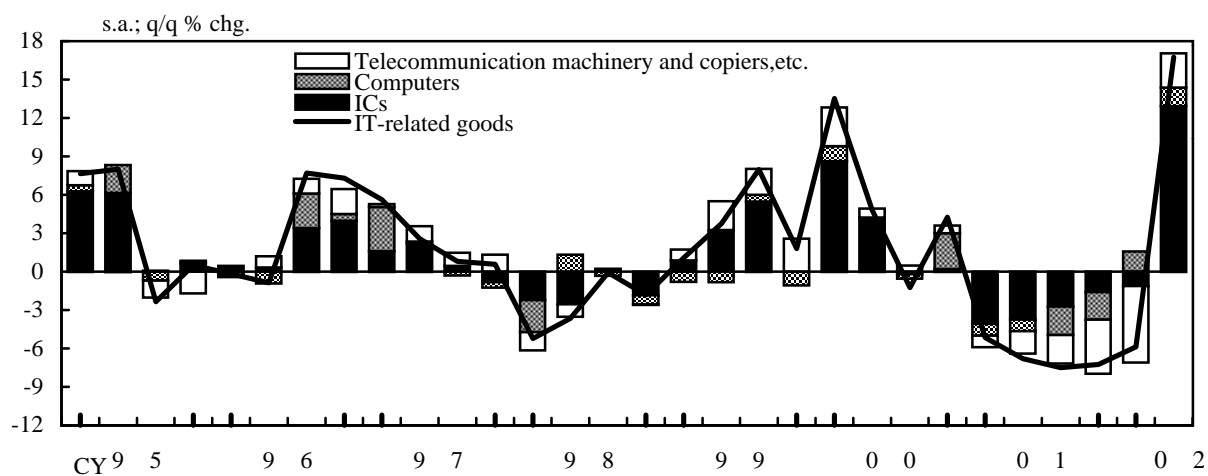
5. IT-related goods are composed of automatic data processing machinery, telecommunication machinery, ICs, and scientific, medical and optical instruments.

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

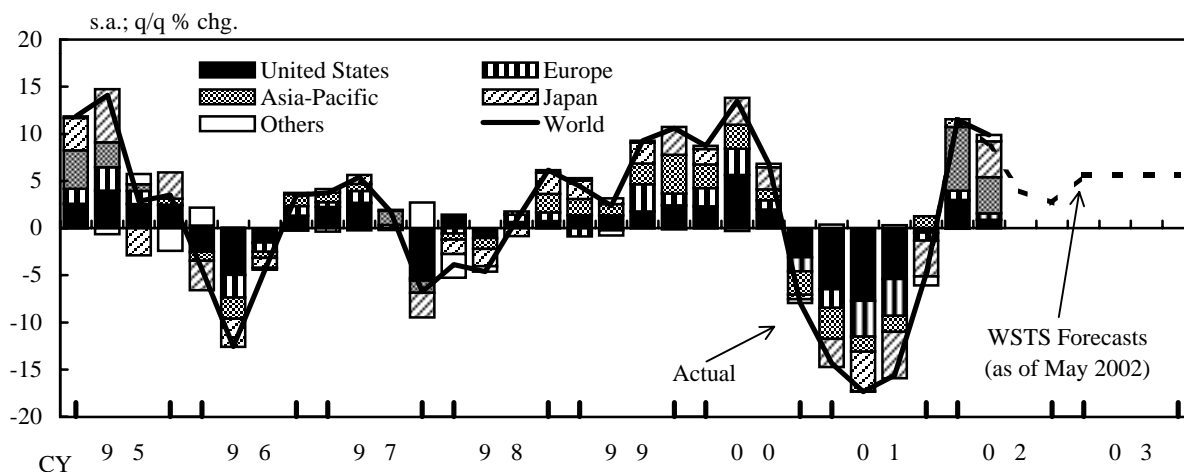
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Wholesale Price Indexes."

Exports and Imports of IT-related goods

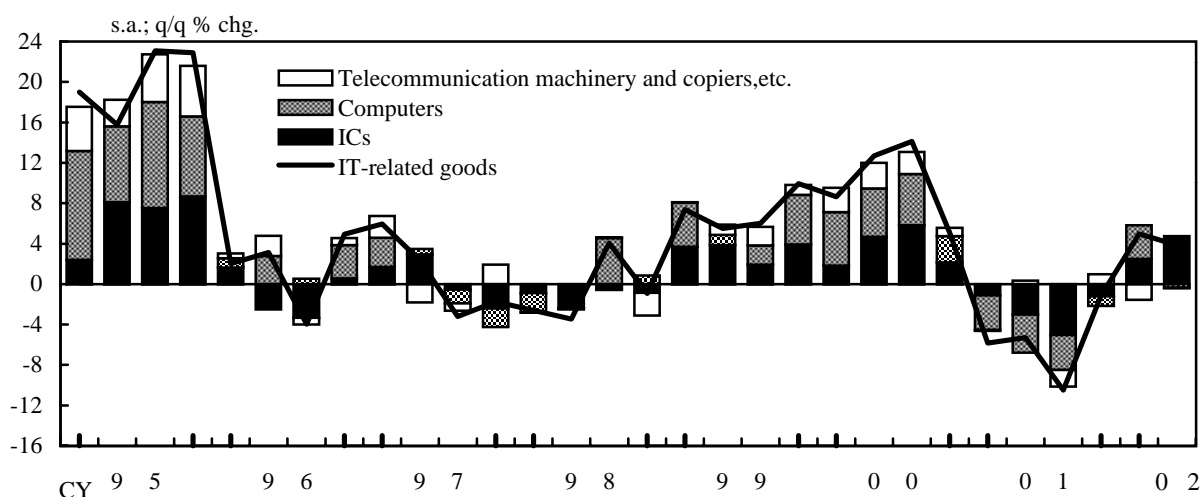
(1) Exports of IT-related goods (real, breakdown by goods)



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



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

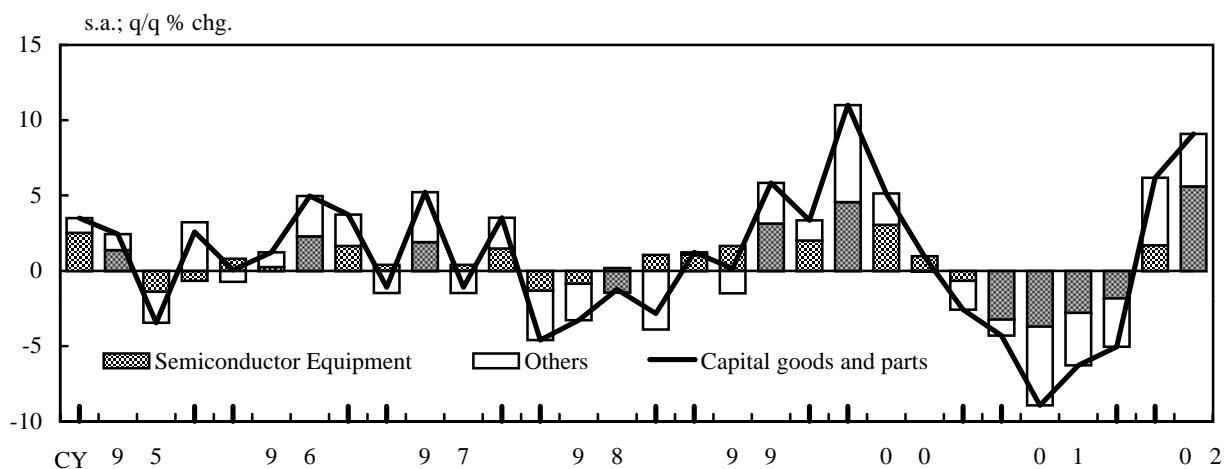


Note: Seasonally adjusted by X-12-ARIMA.

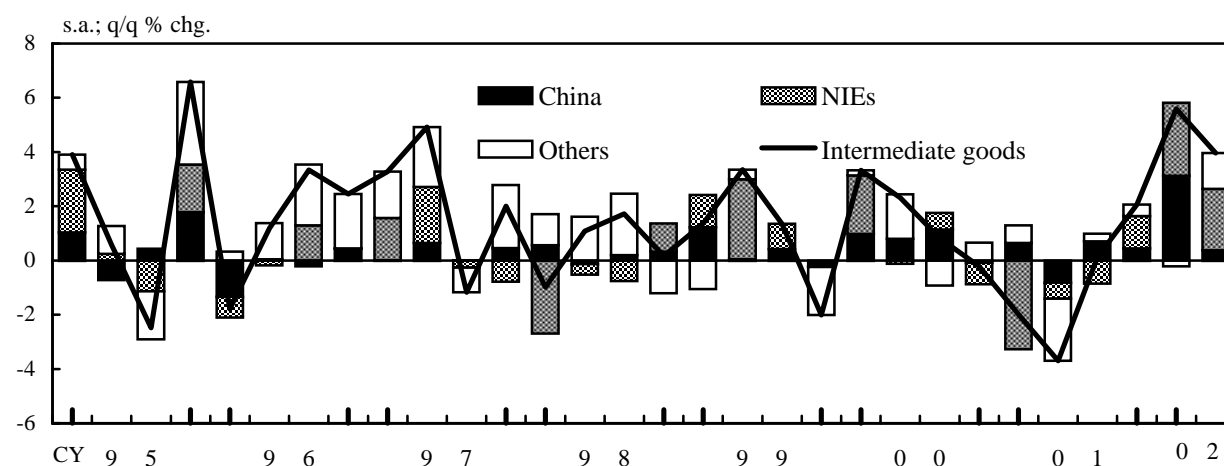
Sources: Ministry of Finance, "The Summary Report on Trade of Japan";
 Bank of Japan, "Wholesale Price Indexes";
 WSTS (World Semiconductor Trade Statistics), "Semiconductor Forecasts."

Real Exports breakdown by goods

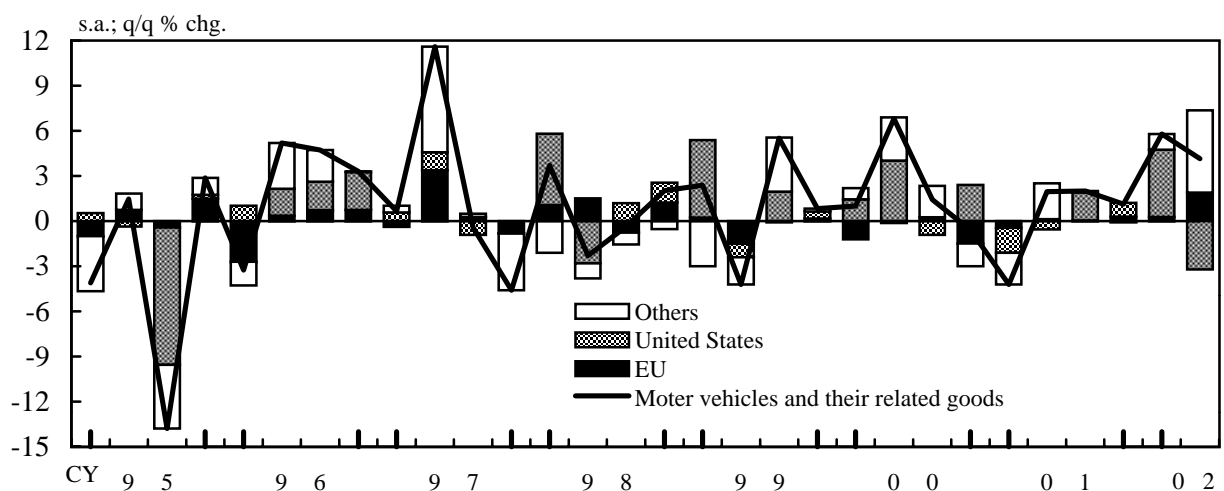
(1) Capital goods and parts



(2) Intermediate goods



(3) Motor vehicles and their related goods



Note: Seasonally adjusted by X-12-ARIMA.

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 Apr.	May	Jun.
United States	<18.1>	7.9	-4.4	-1.6	-6.5	-3.0	-1.5	3.4	-4.4	8.4	0.7
EU	<12.8>	8.5	3.5	-3.0	-0.6	2.6	-6.4	2.8	1.6	0.1	-0.3
East Asia	<40.3>	25.5	1.6	-2.2	-3.9	-1.0	1.5	3.7	-2.0	4.9	2.3
China	<16.6>	28.1	13.2	2.9	-0.7	4.2	1.7	3.4	-4.5	5.4	2.1
NIEs	<10.9>	28.4	-9.7	-8.8	-7.6	-7.1	3.5	8.1	3.0	2.7	4.2
Korea	<4.9>	22.5	-7.8	-6.2	-7.7	-7.0	-1.6	10.8	3.2	2.9	5.6
Taiwan	<4.1>	43.6	-13.0	-11.4	-10.6	-3.9	6.0	9.3	3.2	8.2	1.5
ASEAN4 ³	<12.7>	20.2	0.0	-1.6	-4.3	-2.1	-0.3	0.1	-2.9	6.1	0.8
Thailand	<3.0>	19.3	6.0	4.0	-2.9	-0.5	-0.3	4.6	-5.1	10.4	-1.8
Real imports		13.3	-1.1	-1.8	-3.1	-0.9	-1.9	2.6	-1.2	5.4	-0.6

(2) Breakdown by 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 Apr.	May	Jun.
Raw materials ⁴	<26.2>	1.7	-5.1	-2.5	-2.1	-2.6	-3.1	-2.2	2.5	3.9	-3.8
Intermediate goods	<12.9>	8.2	-0.2	-2.9	-3.0	-0.5	-0.5	0.9	-7.7	10.5	-0.9
Foodstuffs	<12.4>	5.3	-1.6	-0.4	-1.8	5.1	-4.5	0.2	2.2	1.3	-2.0
Consumer goods	<11.2>	21.4	5.8	4.0	-1.4	-0.2	-7.3	4.7	3.2	1.1	1.4
IT-related goods ⁵	<14.8>	43.9	-2.4	-5.3	-10.5	-1.1	5.0	3.8	-2.2	4.6	1.6
Capital goods and parts ⁶	<11.9>	12.4	3.2	-1.6	-3.6	-3.4	0.5	13.1	1.2	10.8	1.8
excluding aircraft	<11.4>	21.5	6.0	0.2	-6.1	-1.1	-2.5	10.5	2.3	3.7	1.6
Real imports		13.3	-1.1	-1.8	-3.1	-0.9	-1.9	2.6	-1.2	5.4	-0.6

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

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

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

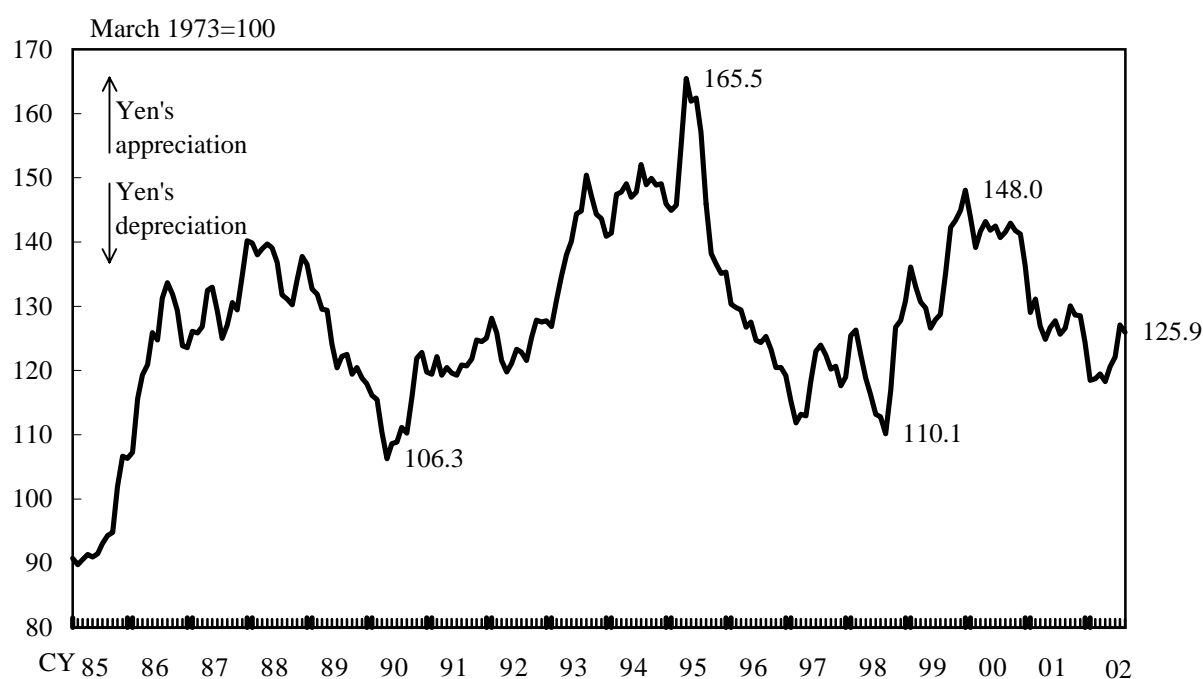
4. Raw materials are mainly composed of woods, ores and mineral fuel.

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

6. Excludes IT-related goods.

Exporting Conditions (1)

(1) Real Effective Exchange Rate



Note: Calculated by the Bank of Japan. Monthly average. Figure for August 2002 is the average up to August 8.
 Figures are the index of weighted average of the yen's real exchange rates versus 15 major currencies (26 countries) which are calculated from nominal exchange rates and price indexes of the respective countries.

(2) Real GDP Growth Rates in Overseas Economies

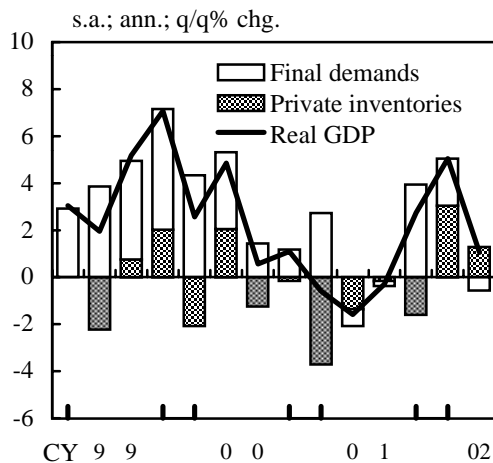
		CY99	2000	2001	2001 Q3	Q4	2002 Q1	Q2	
United States ¹		4.1	3.8	0.3	-0.3	2.7	5.0	1.1	
European Union ¹		2.7	3.5	1.5	0.8	-0.7	1.1	n.a.	
	Germany	1.8	3.0	0.6	-0.7	-1.0	0.7	n.a.	
	France	3.2	4.2	1.8	1.8	-1.8	1.8	n.a.	
	United Kingdom	2.4	3.1	1.9	1.4	0.4	0.6	3.8	
East Asia ²	China	7.1	8.0	7.3	7.0	6.6	7.6	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	3.4	10.2	0.6	-0.3	-0.9	-0.5	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 of U.S. and EU are quarter-to-quarter percent changes at annual rate.

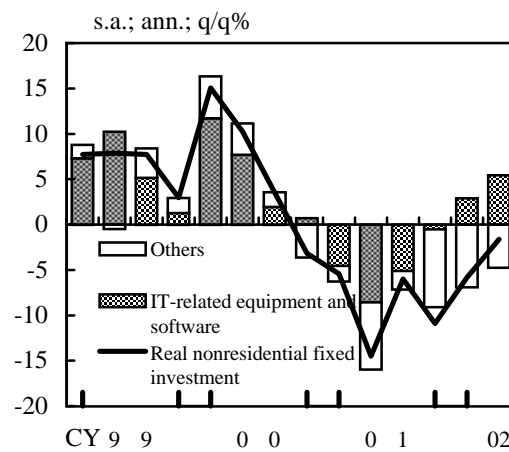
2. Quarterly data of East Asia are percent changes from a year earlier.

Exporting Conditions (2)

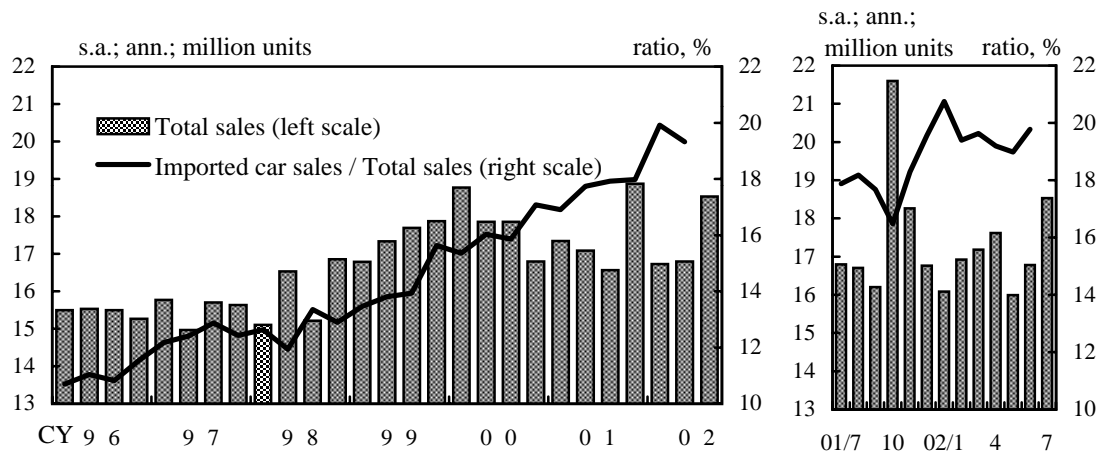
(1) U.S. Real GDP (breakdown by final demands and inventories)



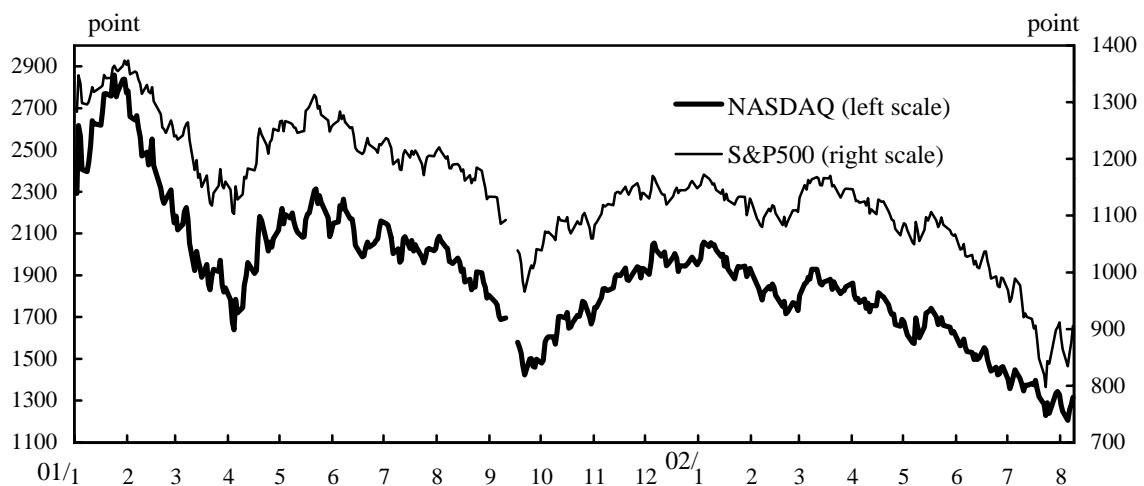
(2) U.S. Real Nonresidential Fixed Investment



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



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

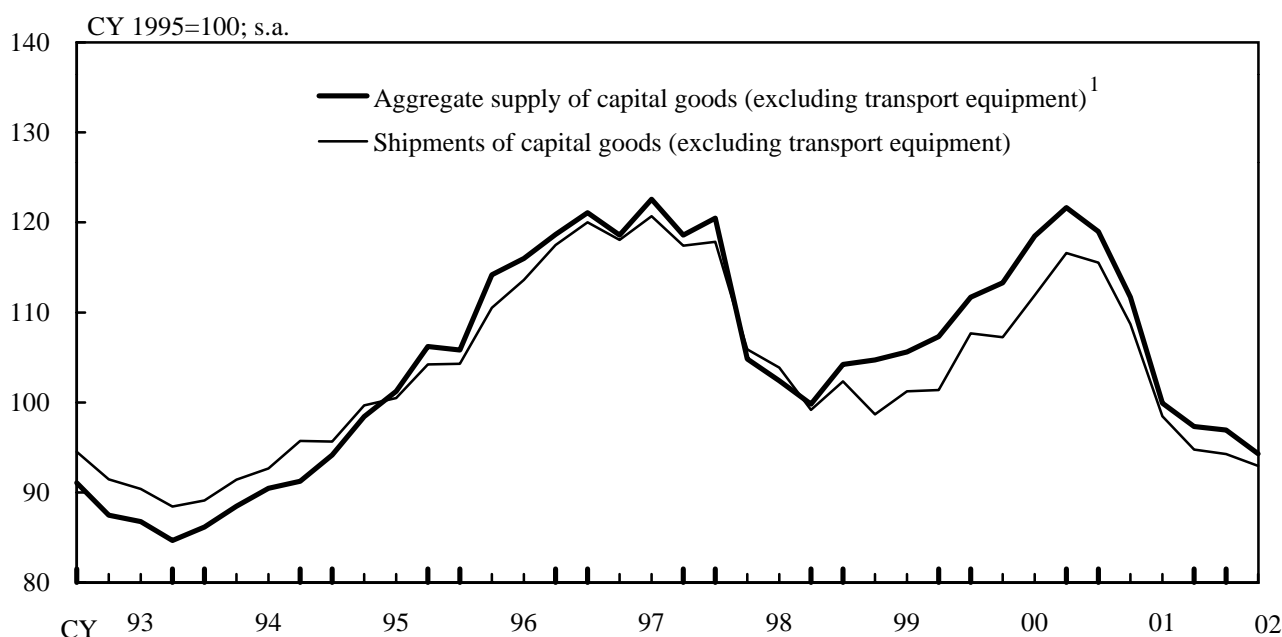


Notes: 1.Total sales of automobile in 2002/Q3 is based on one month sales in July.
July figures of Automobile Sales are calculated by adding average of heavy trucks in CY 2001 (0.44mil.) to preliminary figure released by an industry association (s.a., ann., 18.09 mil.) which does not include heavy trucks.
2. Figures of U.S. stock prices in (4) are up to August 8.

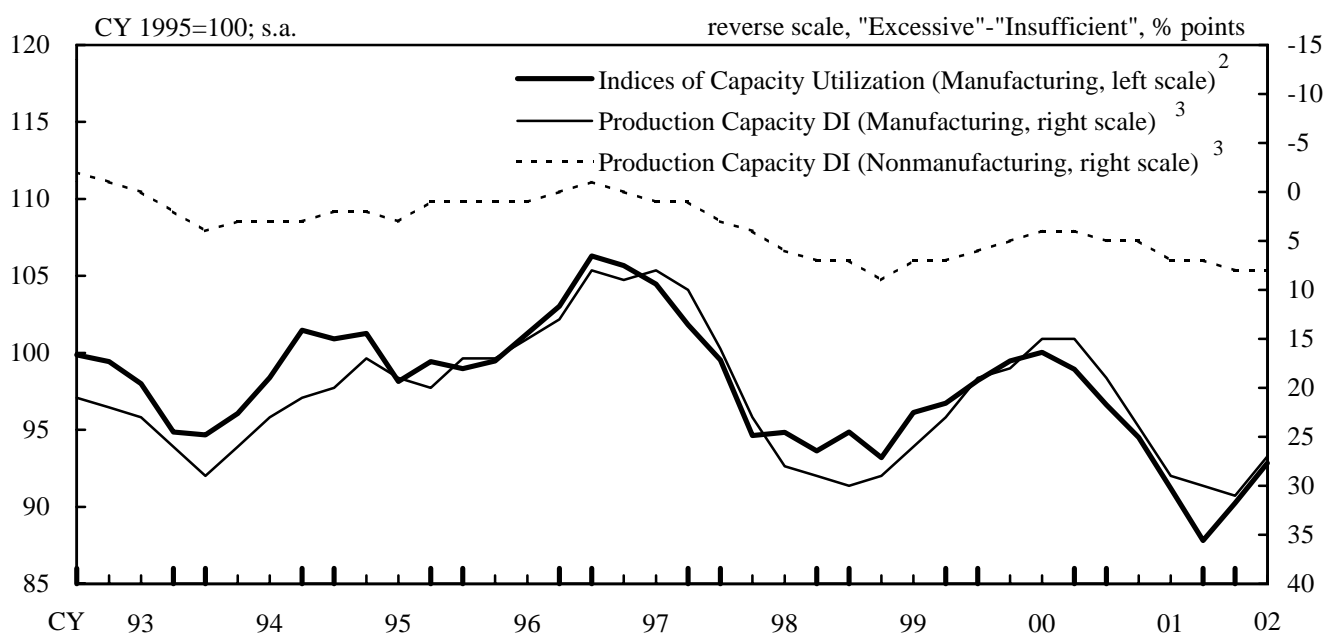
Sources: U.S. Department of Commerce, "National Income and Product Accounts"; CEIC Data Company; Bloomberg.

Indicators for Business Fixed Investment (1)

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



(2) Indices of Capacity Utilization and Production Capacity DI



Notes: 1. Aggregate supply of capital goods (excluding transport equipment) is obtained from *Indices of Industrial Domestic Shipments and Imports* released on a quarterly basis. The figure for 2002/Q2 is calculated by the Bank of Japan using shipments of capital goods in *Indices of Industrial Production* and real exports and imports of capital goods and parts (shipments of capital goods - real exports + real imports).

The weights used for calculation are those of *Indices of Industrial Domestic Shipments and Imports*.

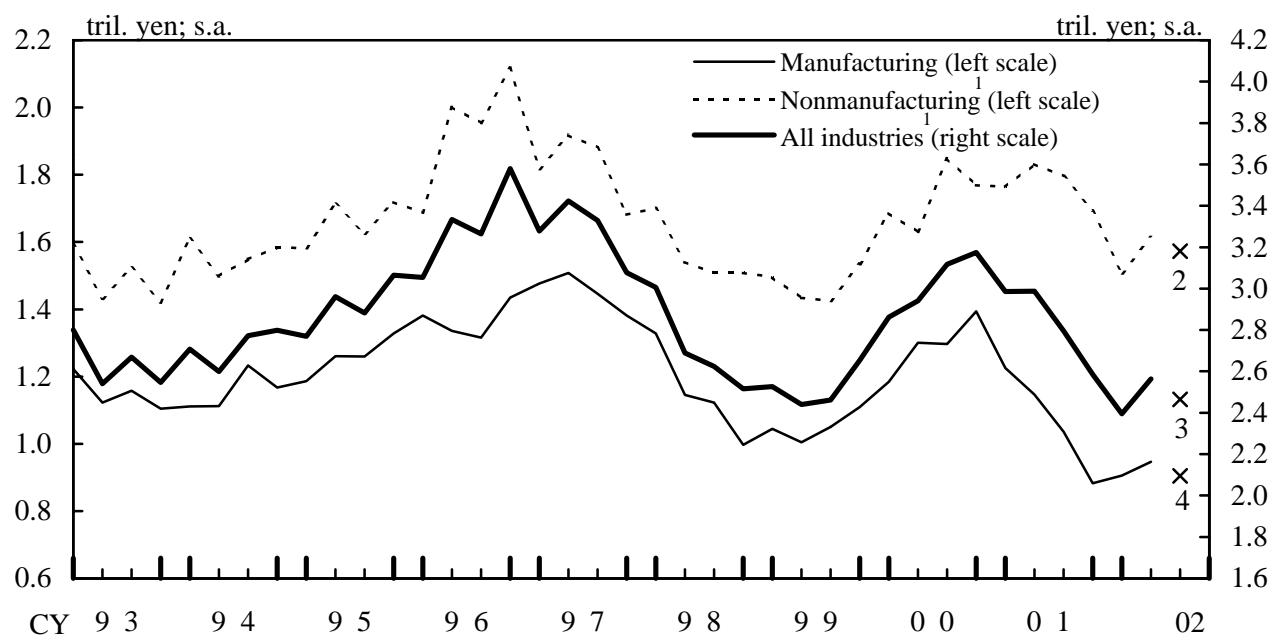
2. The figure for 2002/Q2 is the average of the April and May.

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."

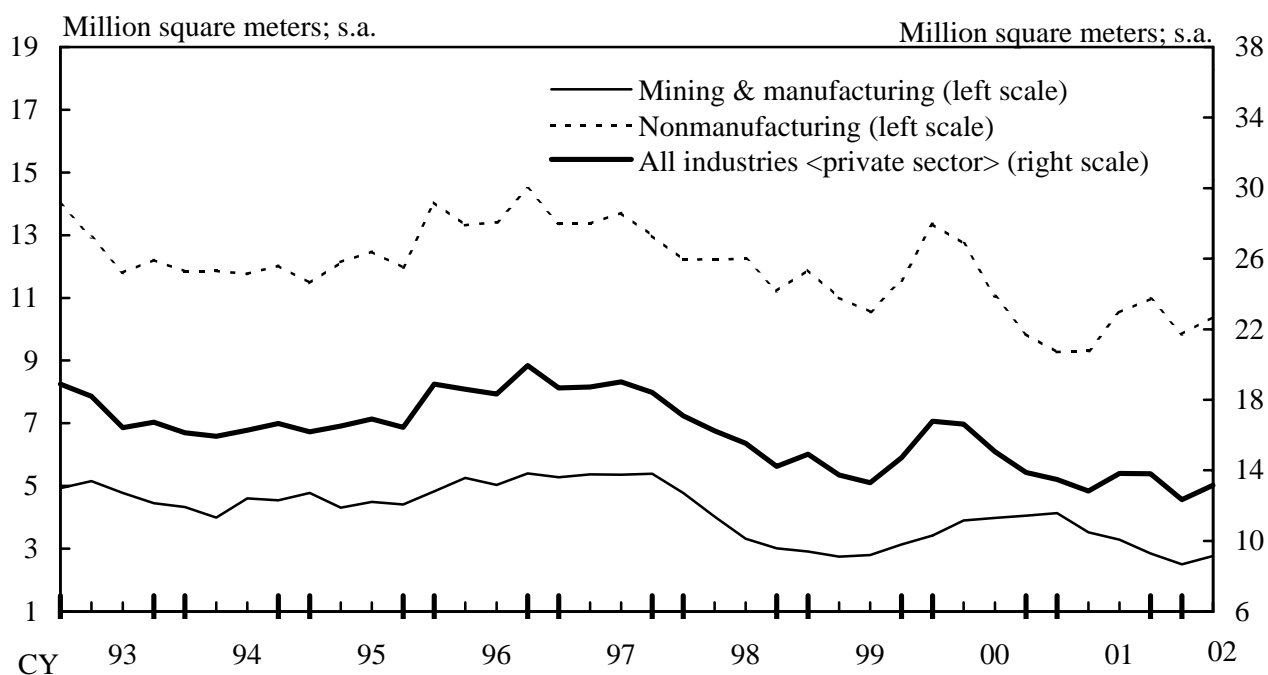
Indicators for Business Fixed Investment (2)

(1) Machinery Orders



- Notes: 1. Excludes orders of shipbuilding and orders from electric power companies.
 2. Forecast of nonmanufacturing industries for 2002/Q3.
 3. Forecast of all industries for 2002/Q3.
 4. Forecast of manufacturing industries for 2002/Q3.

(2) Construction Starts (Nonresidential)

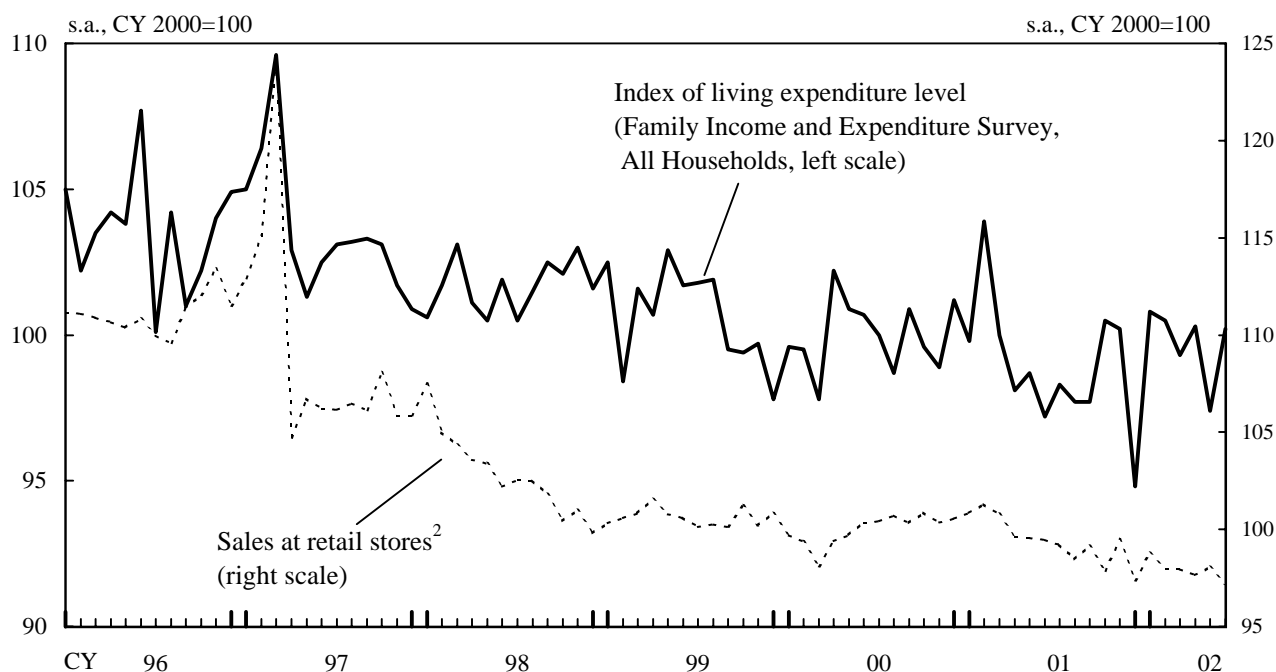


Note: Seasonally adjusted by X-12-ARIMA.

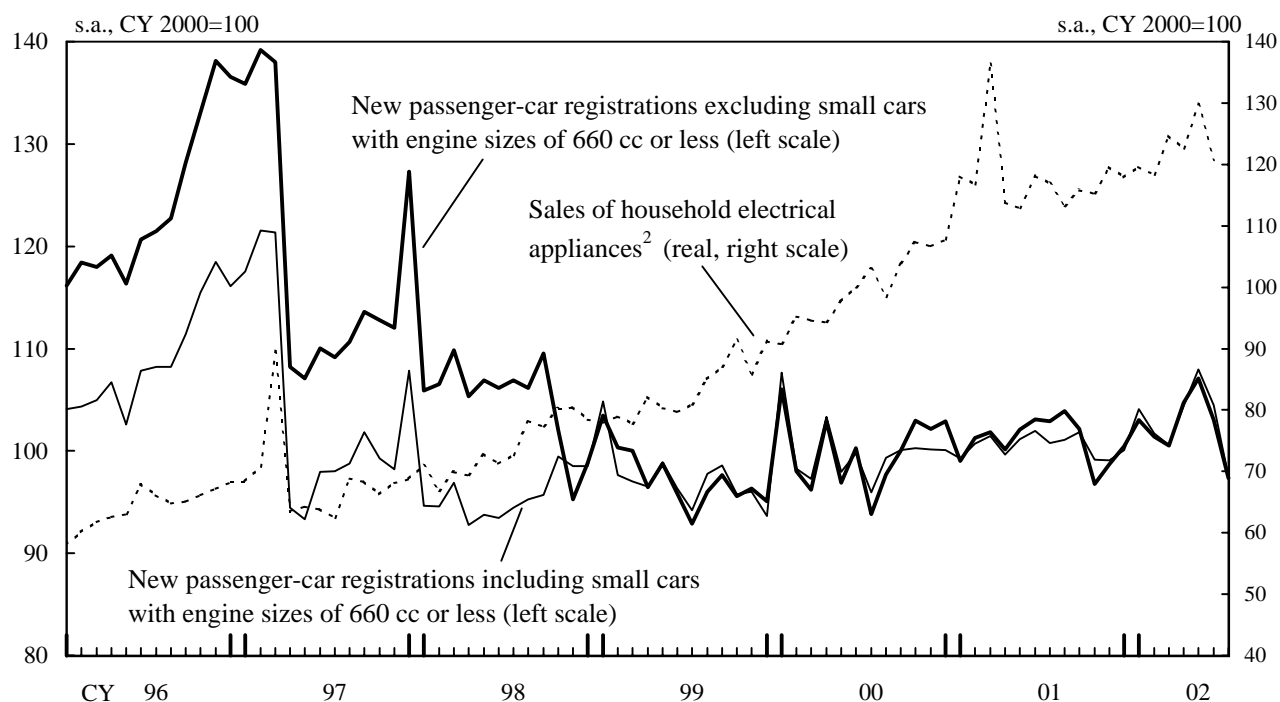
Sources: Cabinet Office, "Machinery Orders Statistics";
 Ministry of Land, Infrastructure and Transport, "Statistics Building Construction Starts."

Indicators for Private Consumption¹ (1)

(1) Household Spending (real)



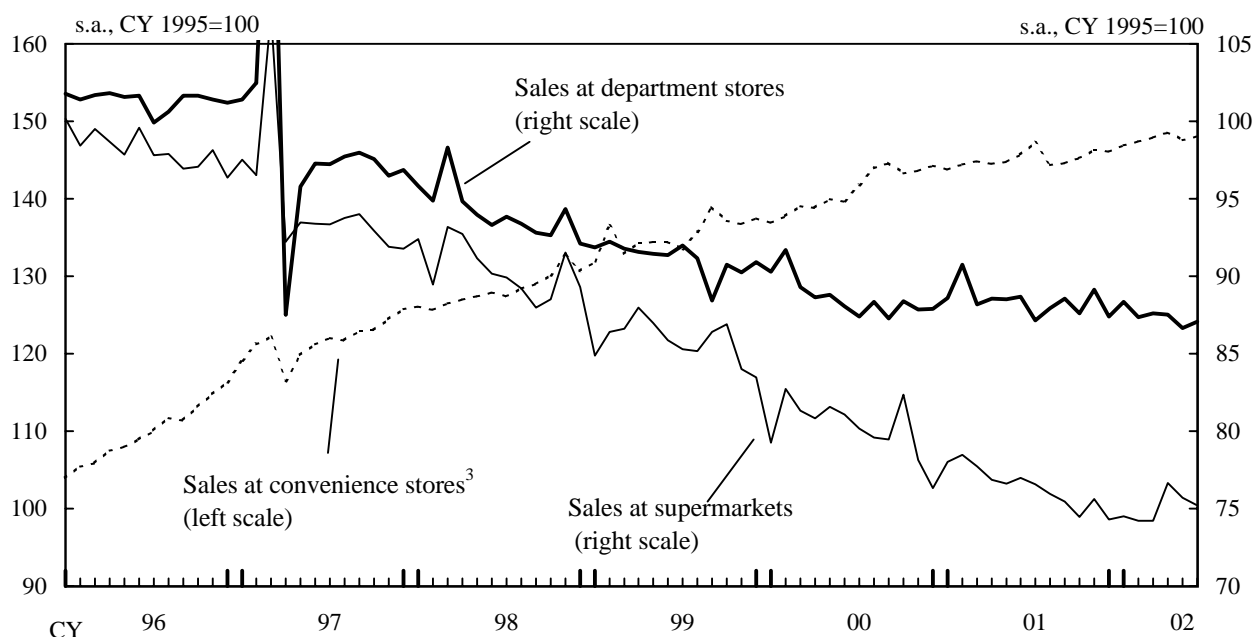
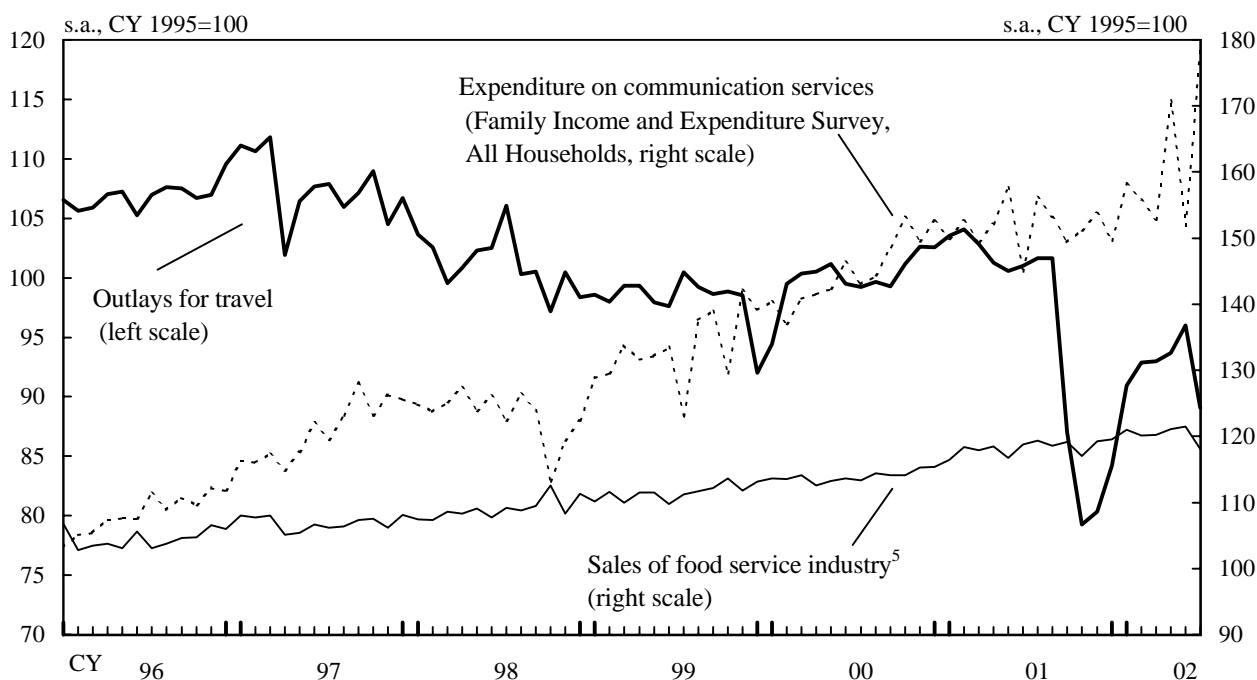
(2) Sales of Durable Goods



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 their 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."

Indicators for 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, supermarkets and convenience stores are adjusted to exclude the effect of the rise in the consumption tax rate.

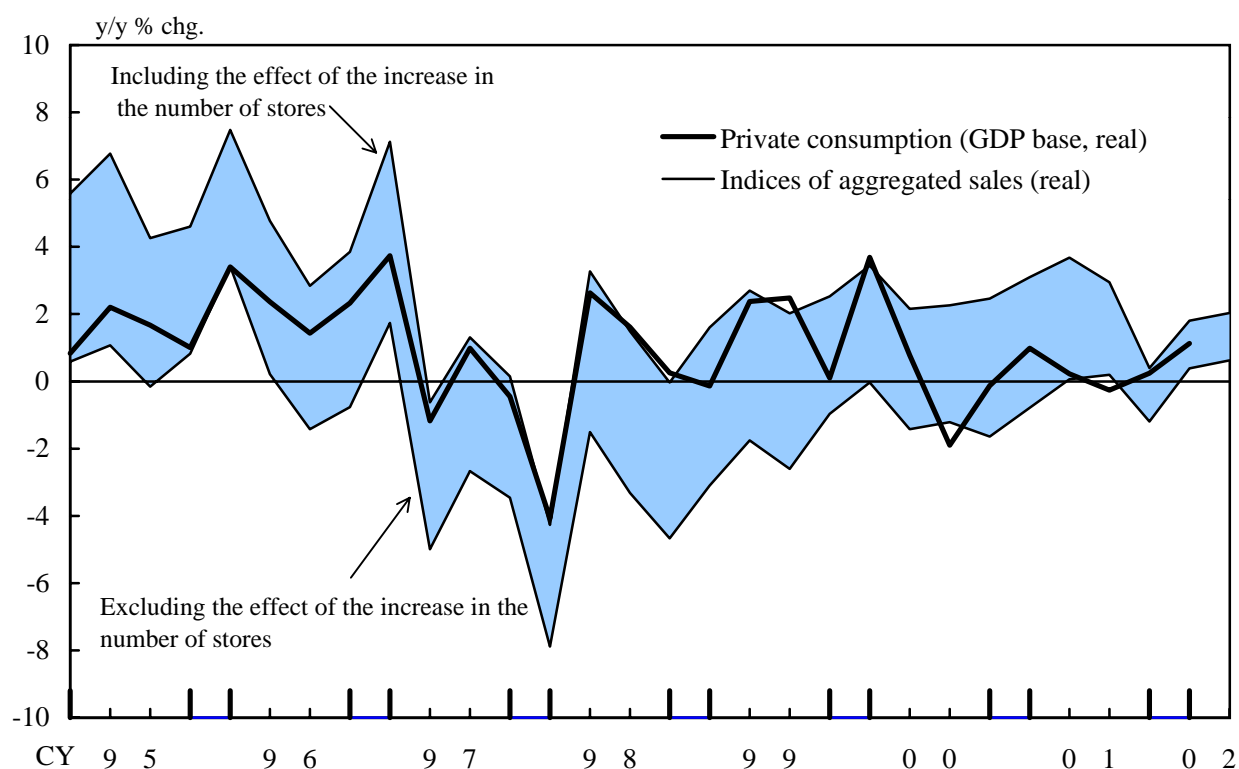
3. Sales at convenience stores until March 1997 are based on the survey conducted by the Bank of Japan. From April 1997 they are based on the data published by the Ministry of Economy, Trade and Industry.

4. Outlays for travel and Sales of food service industry are adjusted to exclude the effect of the rise in the consumption tax rate.

5. Sales of food service industry are calculated using the year to year change rates of every month released by the Food Service Industry Survey & Research Center based on monthly sales amounts in 1993 released by the Japan Food Service Association.

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"; Food Service Industry Survey & Research Center, "Getsuji Uriage Doukou Chousa (Monthly Survey of Food Service Sales)"; Japan Food Service Association, "Gaishoku Sangyou Shijou Doukou Chousa (The Research of Food Service Industry)."

Indicators for Private Consumption (3) - Indices of aggregated sales

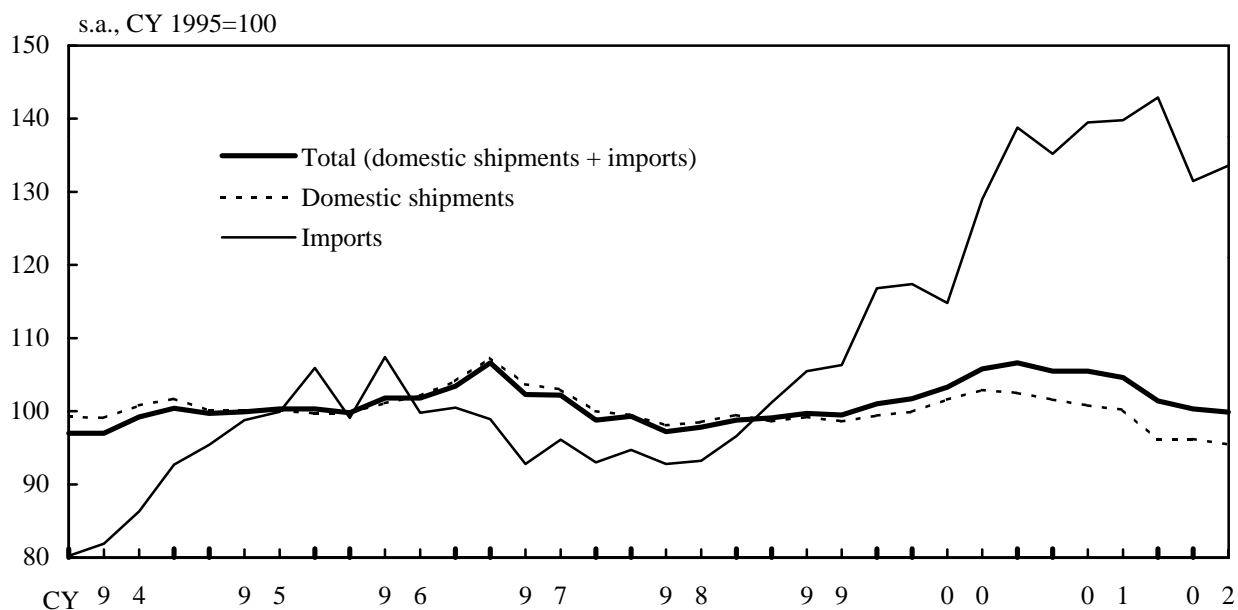


- Notes: 1. Indices of aggregated sales are the weighted sum of *Sales at department stores* and *supermarkets*; *New passenger-car registrations*; *Sales of household electrical appliances*; *Outlays for travel*; and *Sales of food service industry*, where the weights come from household expenditure in the *Family Income and Expenditure Survey*. These indices of aggregated sales consist of the series including and excluding the effects of the increase in the number of stores. Indices "including the effects of the increase in the number of stores" reflect the fluctuations in sales due to changes in the number of stores caused by the opening and closing down of businesses. (Indices "including the effects of the increase in the number of stores" include sales at convenience stores.) On the other hand, those "excluding the effects of the increase in the number of stores" aim to capture consumption trends only from stores of which sales data 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.

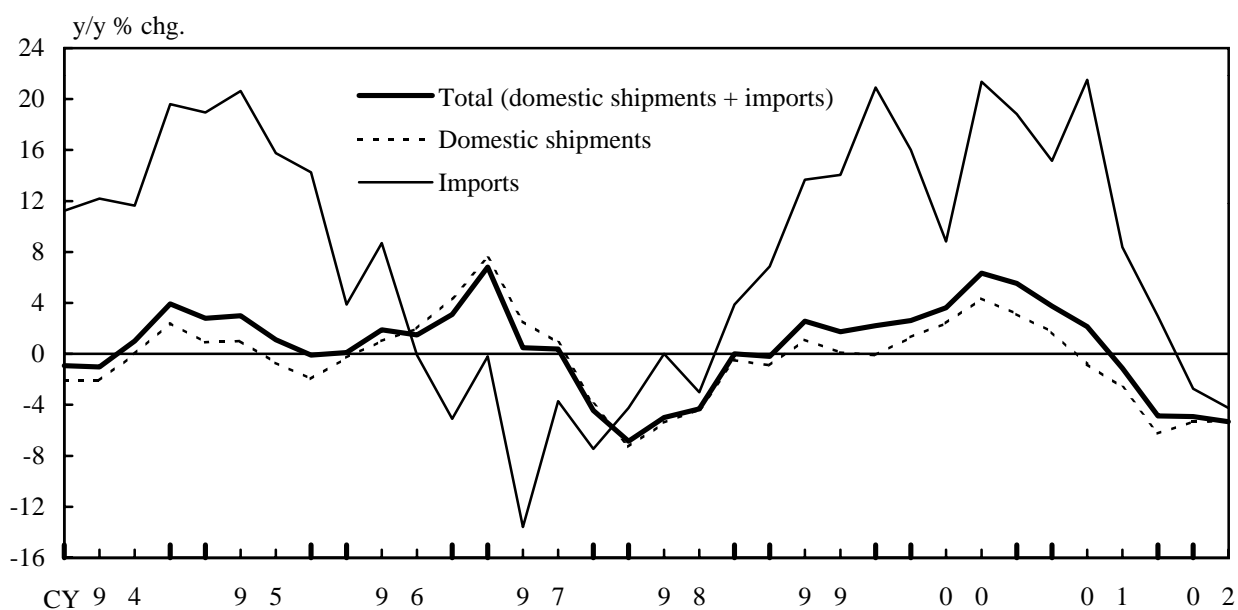
Sources: Cabinet Office, "National Accounts";
 Ministry of Economy, Trade and Industry, "Current Survey of Commerce";
 Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index,"
 "Monthly Report on the Family Income and Expenditure Survey";
 Bank of Japan, "Wholesale 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";
 Food Service Industry Survey & Research Center, "*Getsuji Uriage Doukou Chousa* (Monthly Survey of Food Service Sales)"; Japan Food Service Association, "*Gaishoku Sangyou Shijou Doukou Chousa* (The Research of Food Service Industry)";
 Ministry of Land, Infrastructure and Transport, "Major Travel Agents' Revenue."

Indicators for 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 for consumption. Real imports (consumer goods) is composed of motor vehicles, audio and visual apparatus, office machinery, foodstuffs and textiles.

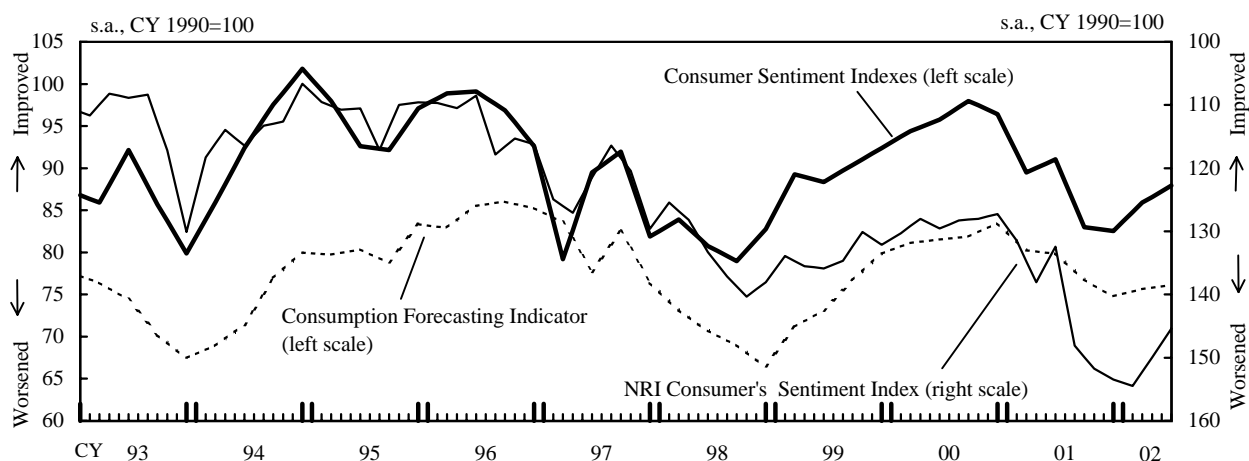
4. Figures for 2002/Q2 of "Total (domestic shipments + imports)" are calculated from weighted average of the quarterly changes in "Domestic shipments" and "Imports."

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

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."

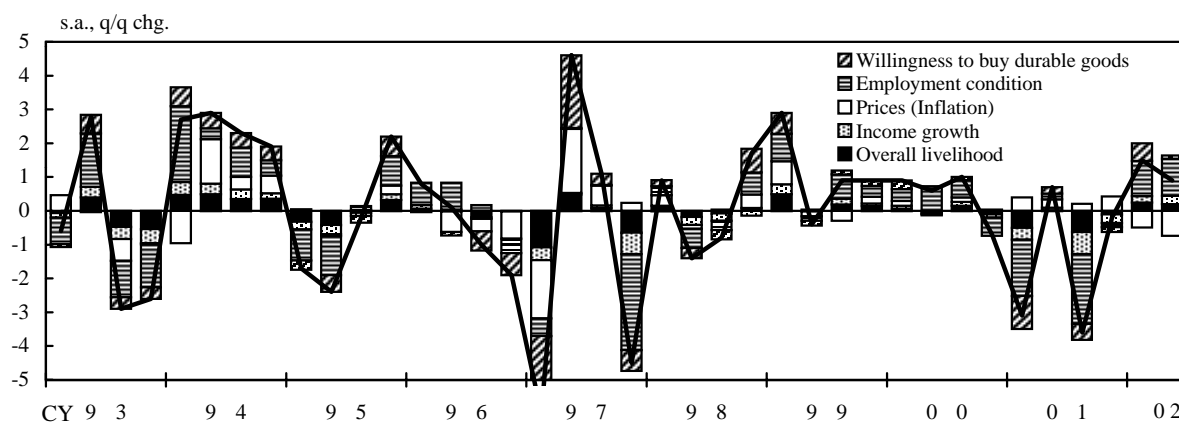
Consumer Confidence and Propensity to Consume

(1) Surveys on Consumer Confidence

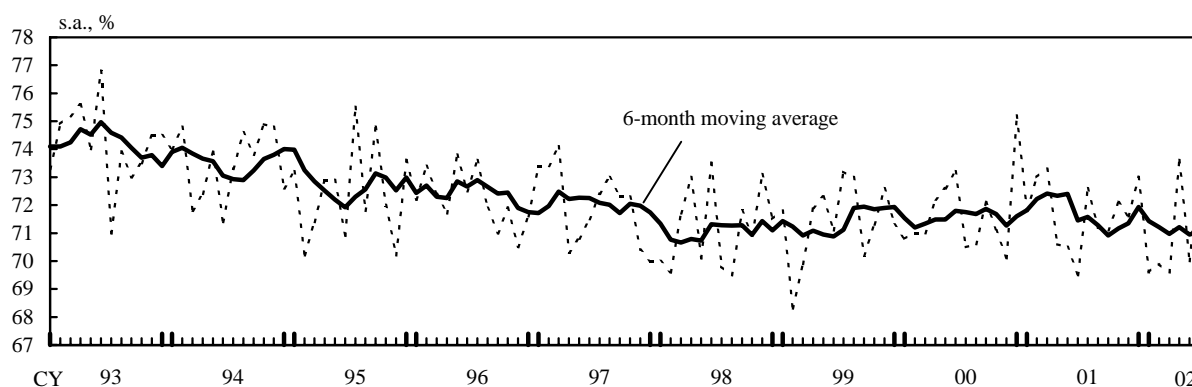


- Notes: 1. Seasonally adjusted by X-11. "Consumer Sentiment Indexes" is seasonally adjusted by the Cabinet Office.
 2. Consumer Sentiment Indexes (with 5,040 samples in a nationwide basis), Consumption Forecasting Indicator (with 1,500 samples in metropolitan area), and NRI Consumer's Sentiment Index (with 2,200 samples in a nationwide basis) 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) Contribution of Each Item in the Consumer Sentiment Indexes



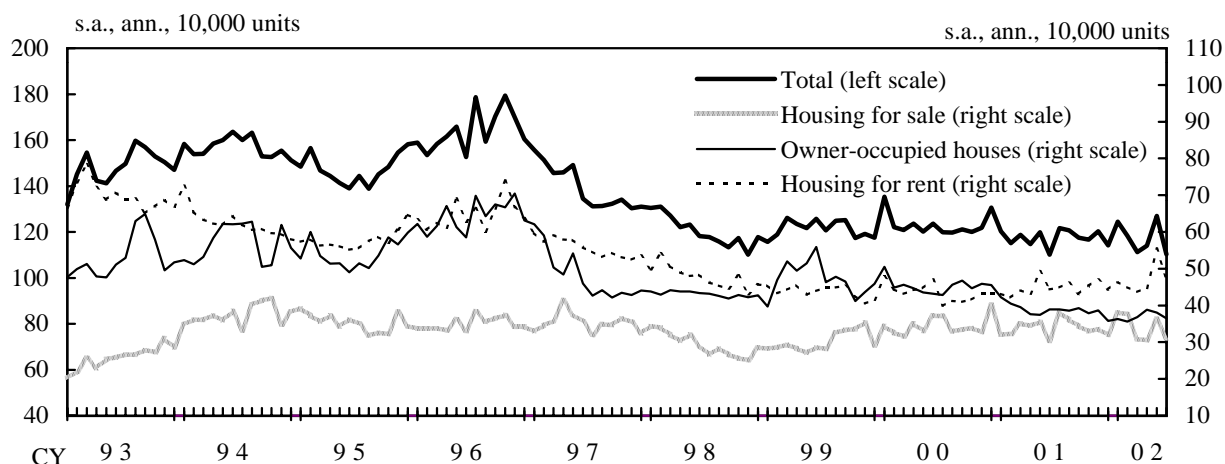
(3) Propensity to Consume (Family Income and Expenditure Survey, Workers' Households)



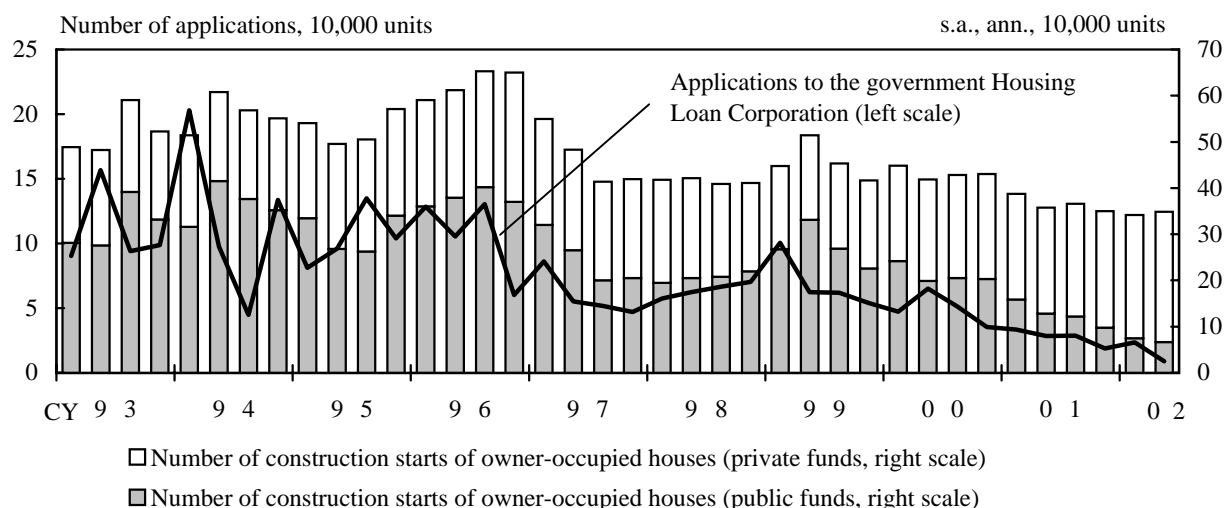
Sources: Cabinet Office, "Consumer Behavior Survey";
 Nikkei Research Institute of Industry and Markets (NIKKEI RIM), "Consumption Forecasting Indicator";
 Ministry of Public Management, Home Affairs, Posts and Telecommunications,
 "Monthly Report on the Family Income and Expenditure Survey";
 Nippon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

Indicators for Housing Investment

(1) Housing Starts

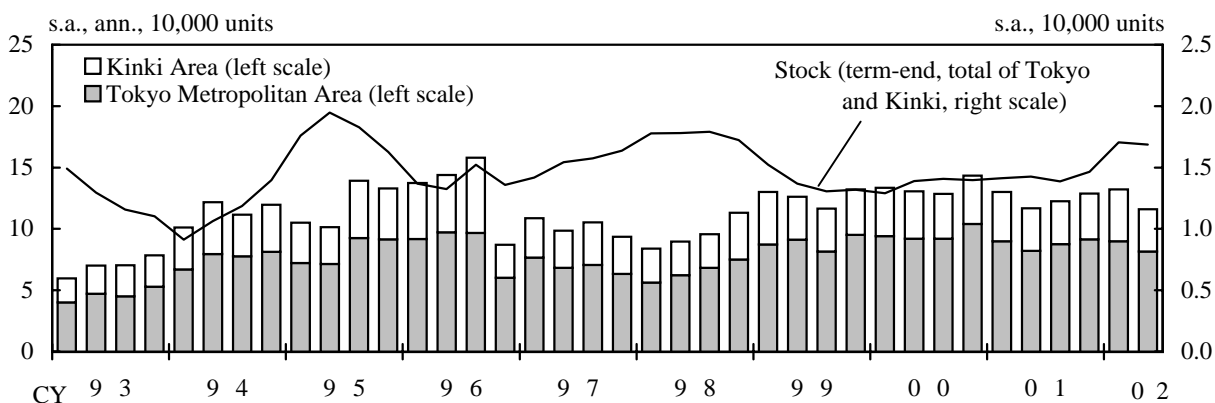


(2) Applications to the Government Housing Loan Corporation for new owner-occupied houses and Construction Starts of owner-occupied houses



Note: 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.

(3) Sales of Condominiums

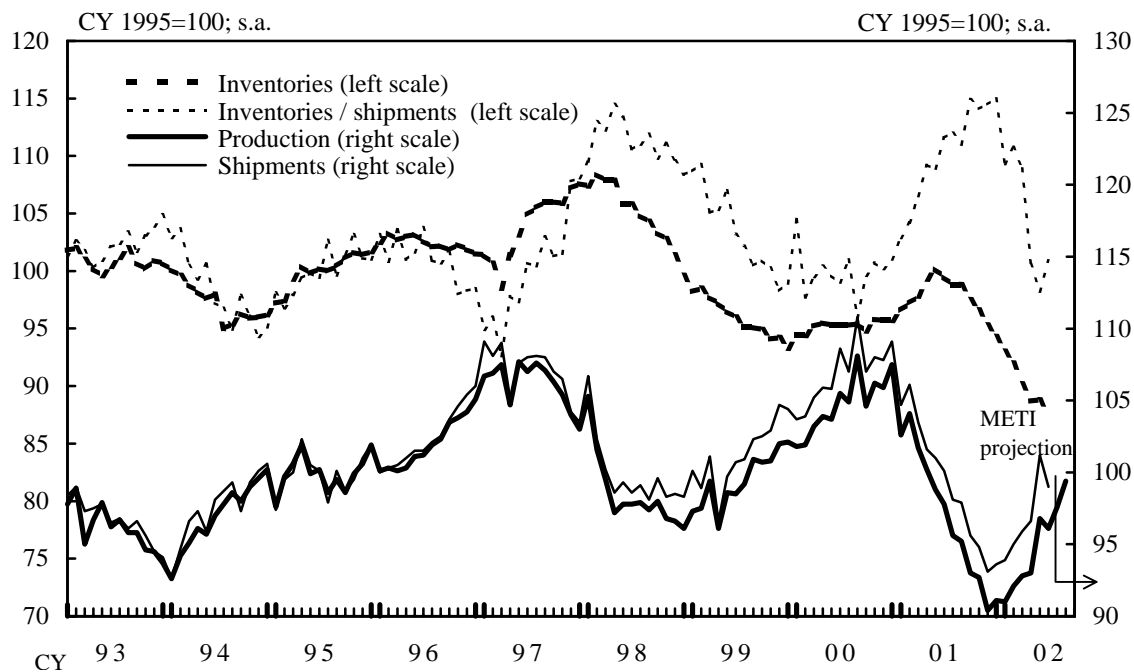


Note: Seasonally adjusted by X-12-ARIMA.

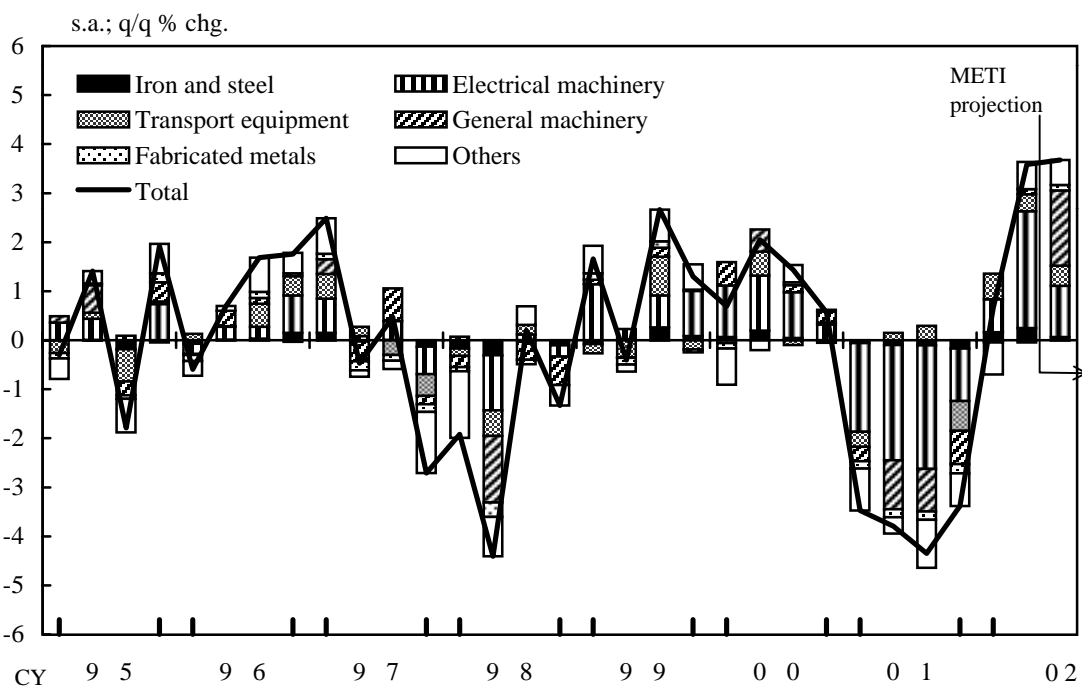
Sources: Ministry of Land, Infrastructure and Transport, "Monthly of Construction Statistics," etc.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industries



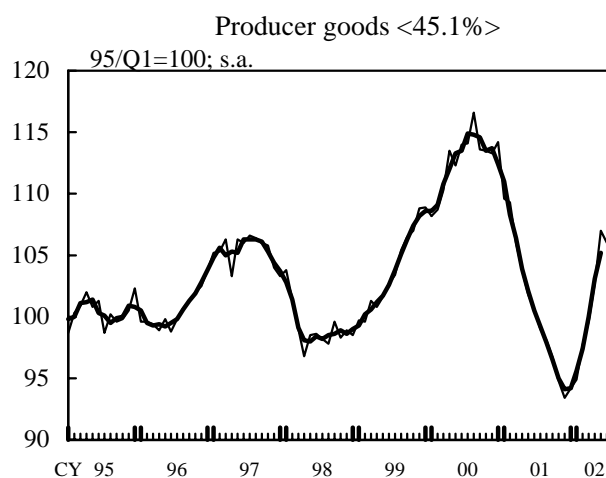
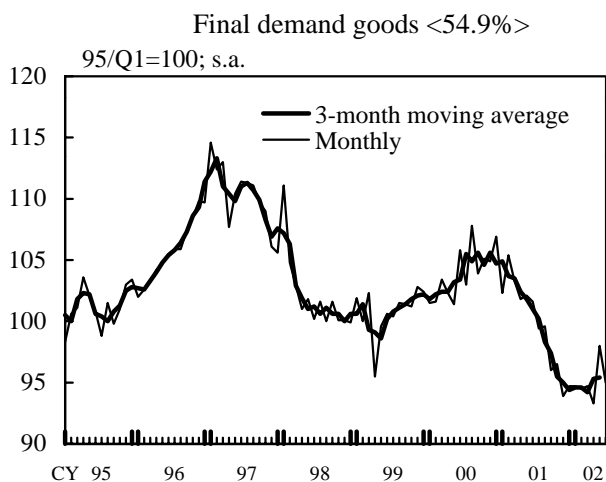
Notes:1. Transport equipment excludes ships and rolling stock.

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

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

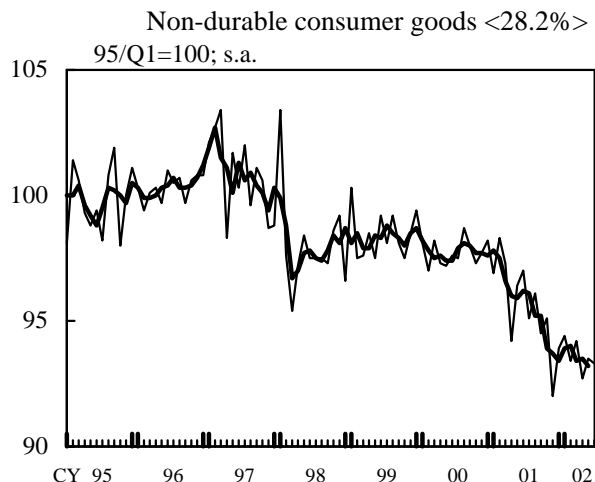
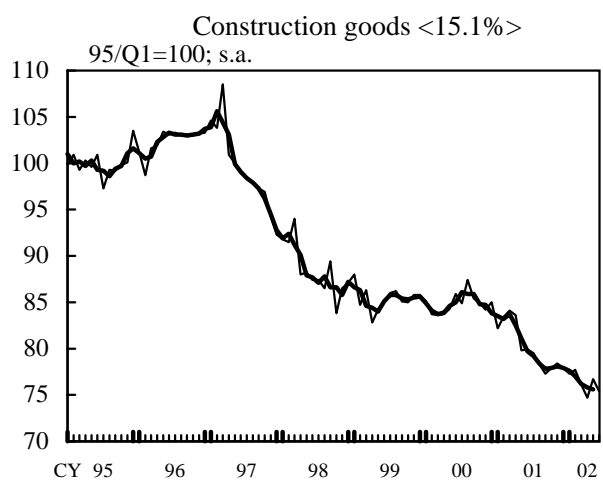
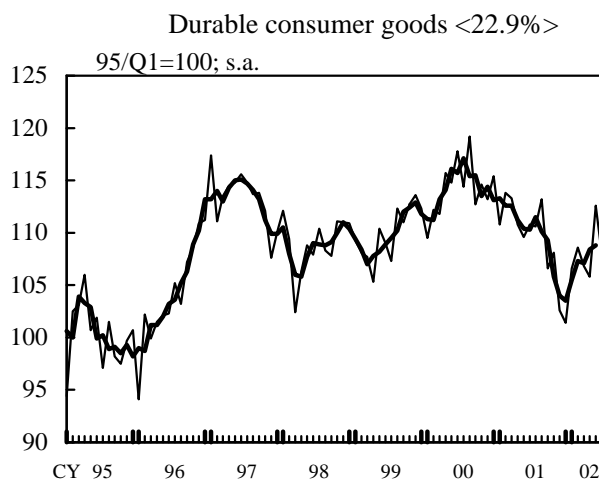
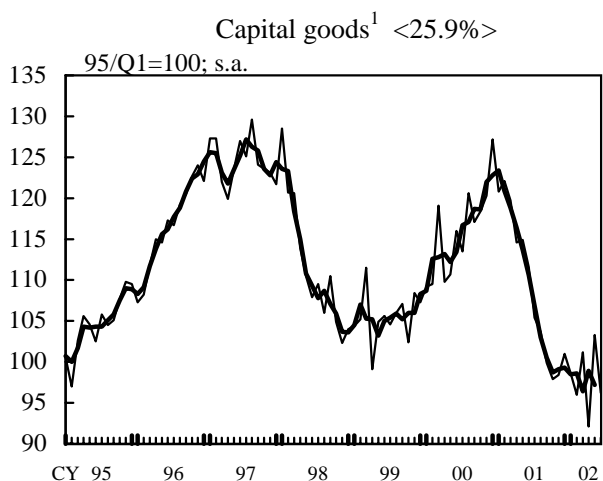
Shipments breakdown by type of goods

(1) Final demand goods and Producer goods



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

(2) Breakdown of final demand goods

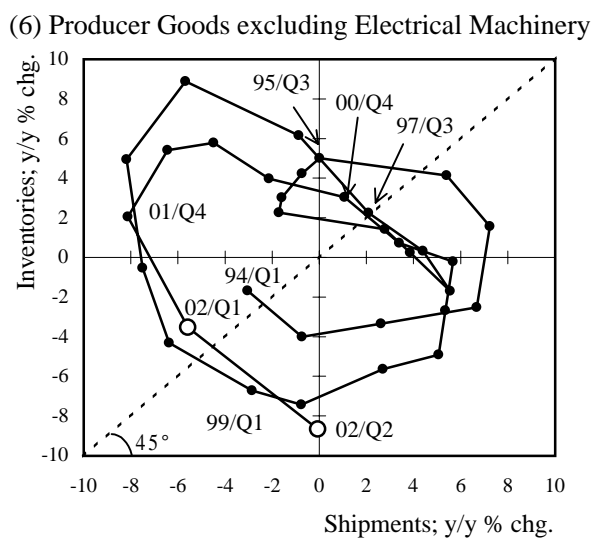
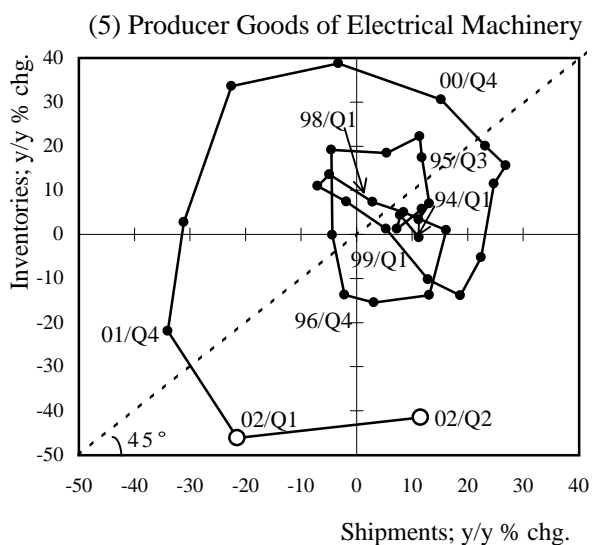
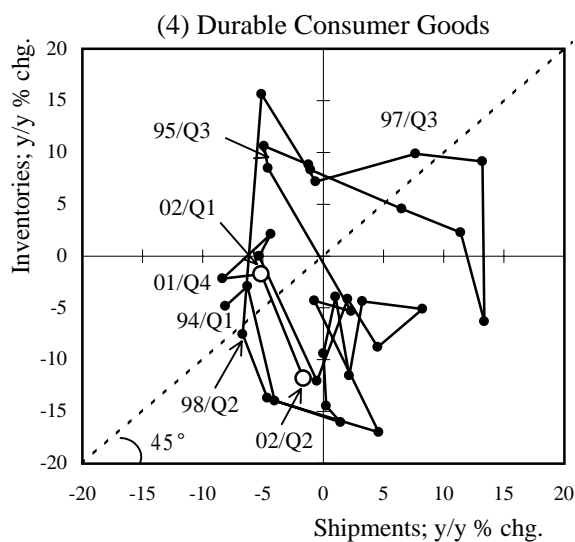
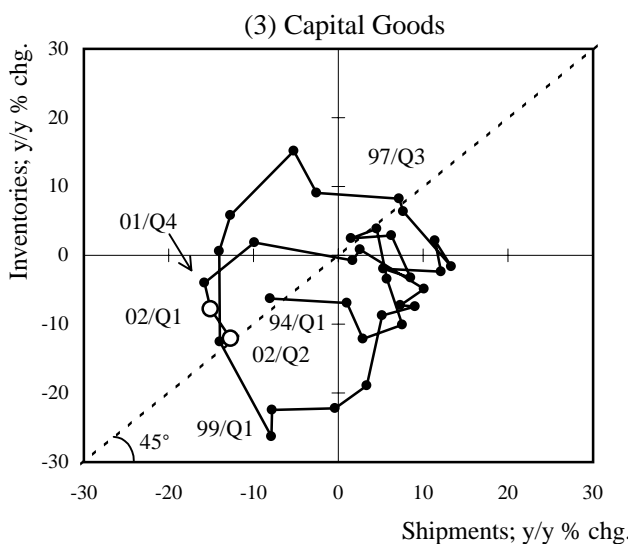
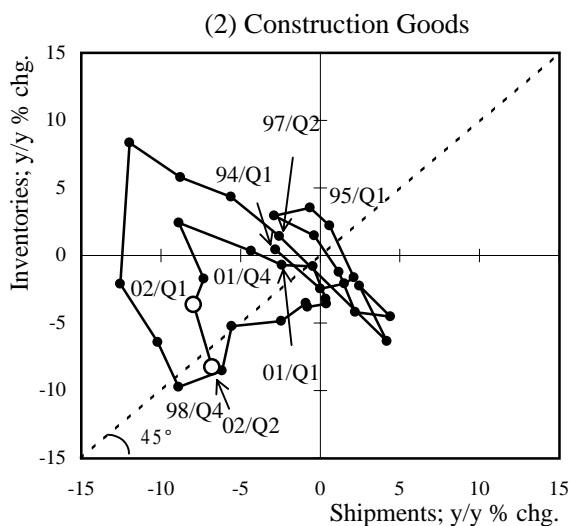
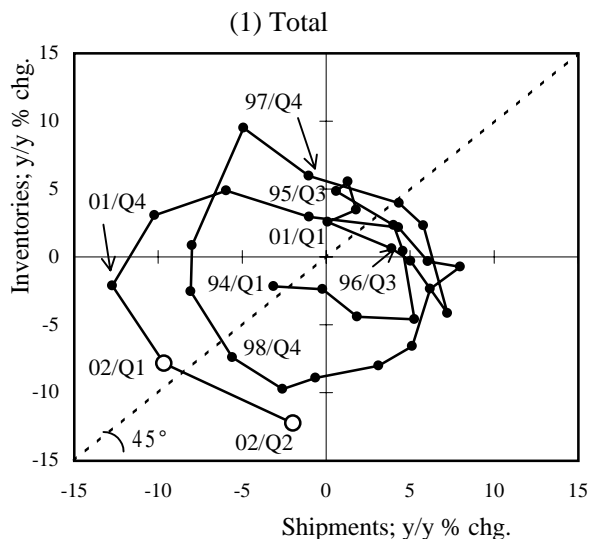


Notes: 1.Excluding transportation equipment.

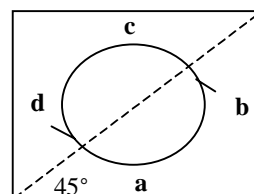
2.Shares of shipments of final demand goods are shown in angle brackets.

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

Inventory Cycle

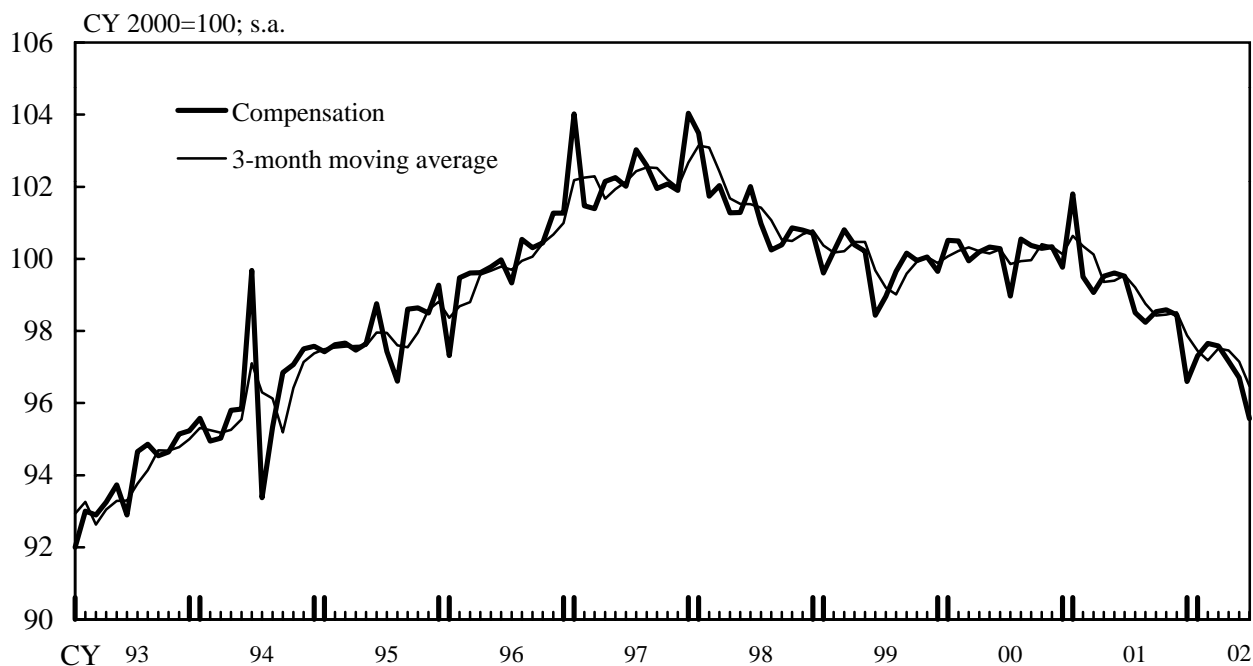


- a Shipment recovery phase
- b Intended inventory accumulation phase
- c Unintended inventory accumulation phase
- d Inventory adjustment phase



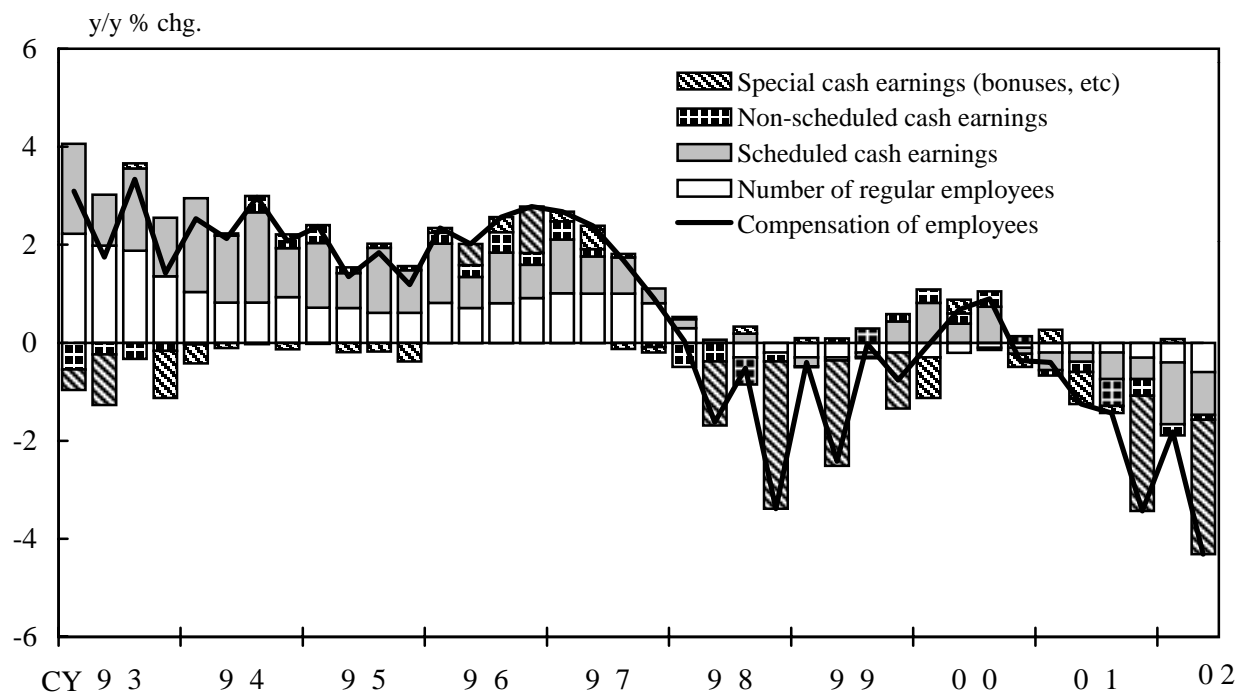
Compensation of Employees

(1) Compensation



- Notes: 1. Compensation figure is calculated by the Bank of Japan as the index of total cash earnings times the index of regular employees divided by 100.
2. Figures are seasonally adjusted by X-12-ARIMA on a monthly basis, and so those are retroactively revised each month.
3. Data are for establishments with at least 5 employees. Those for June 2002 are preliminary figures.

(2) Breakdown of Compensation

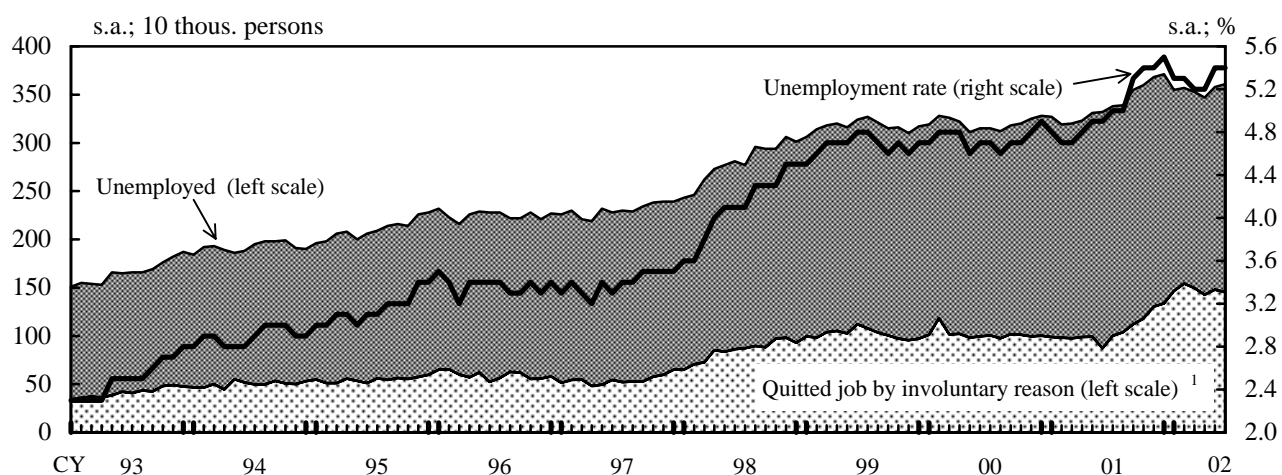


- Notes: 1. Data are for establishments with at least 5 employees. Those for June 2002 are preliminary figures.
2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.
3. Figures for 2002/Q2 are those of June 2002.

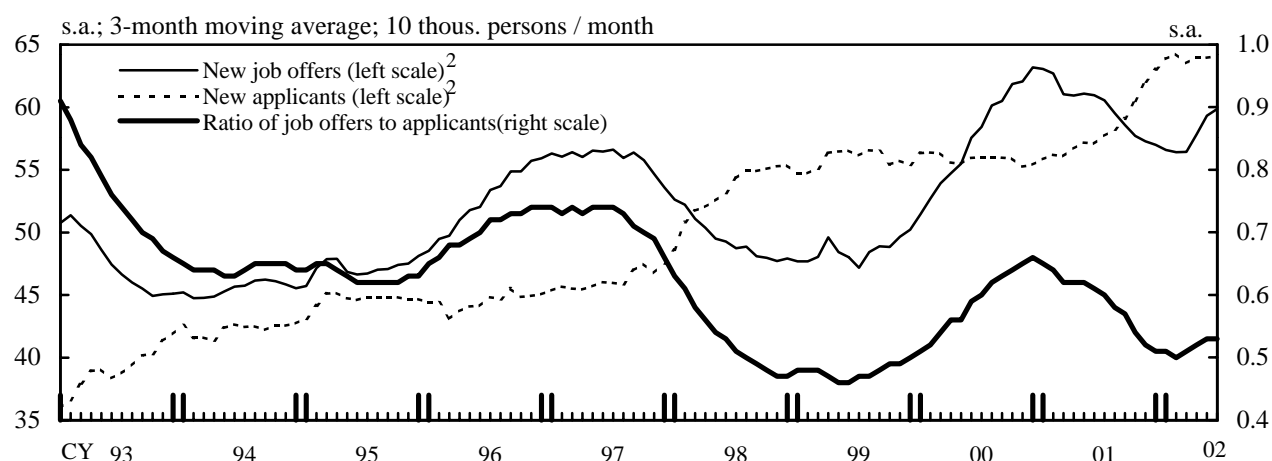
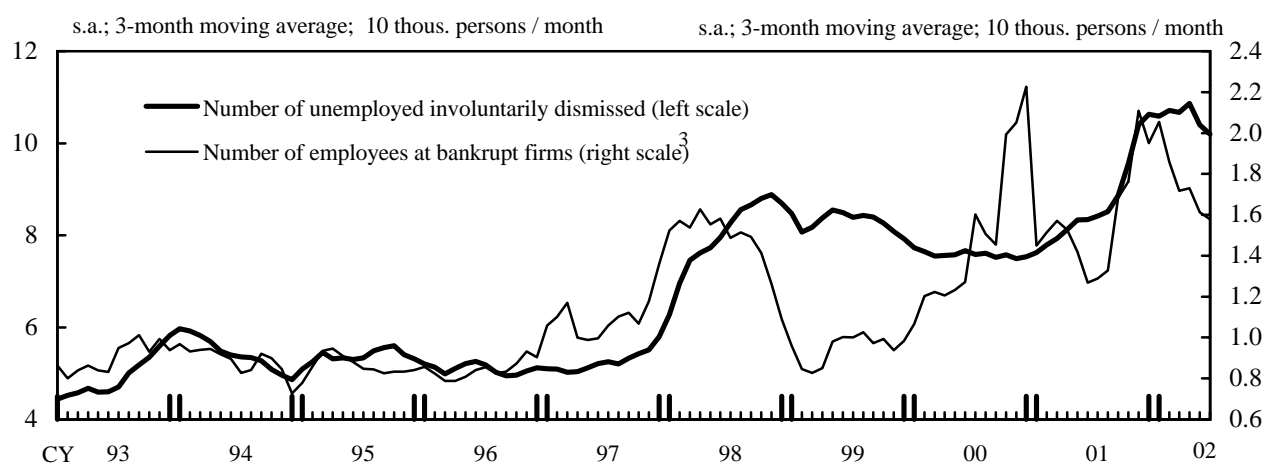
Source: Ministry of Health, Labour and Welfare, "Monthly Labour Survey."

Labor Market (1)

(1) The Unemployed and Unemployment Rate



(2) Ratio of Job Offers to Applicants

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

Notes: 1. Seasonally adjusted by X-11.

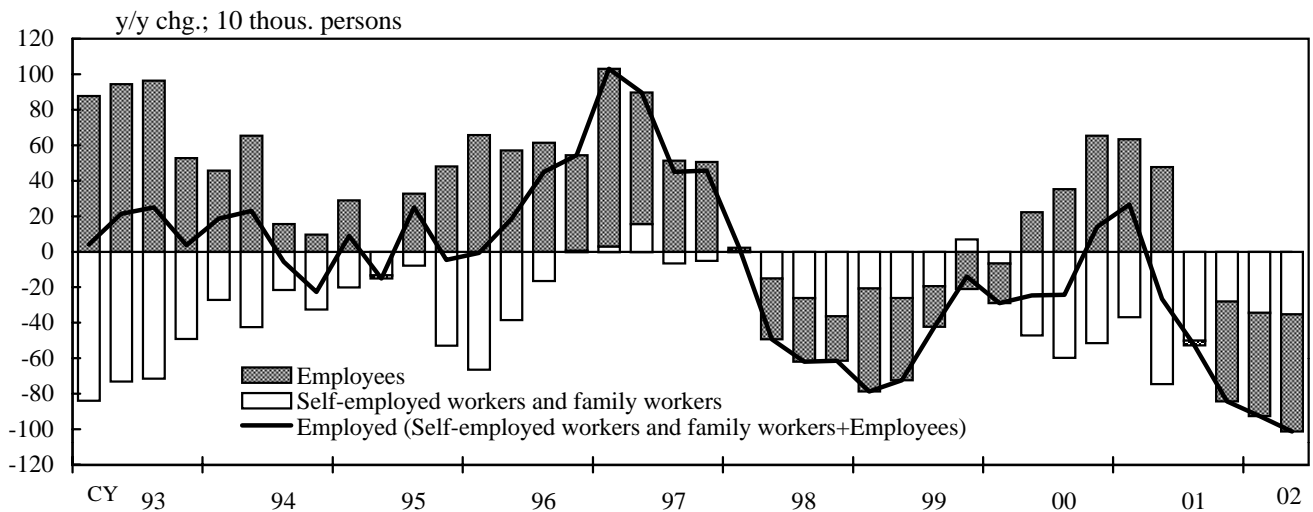
2. Not include jobs offered to new graduates, but to part-time work.

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

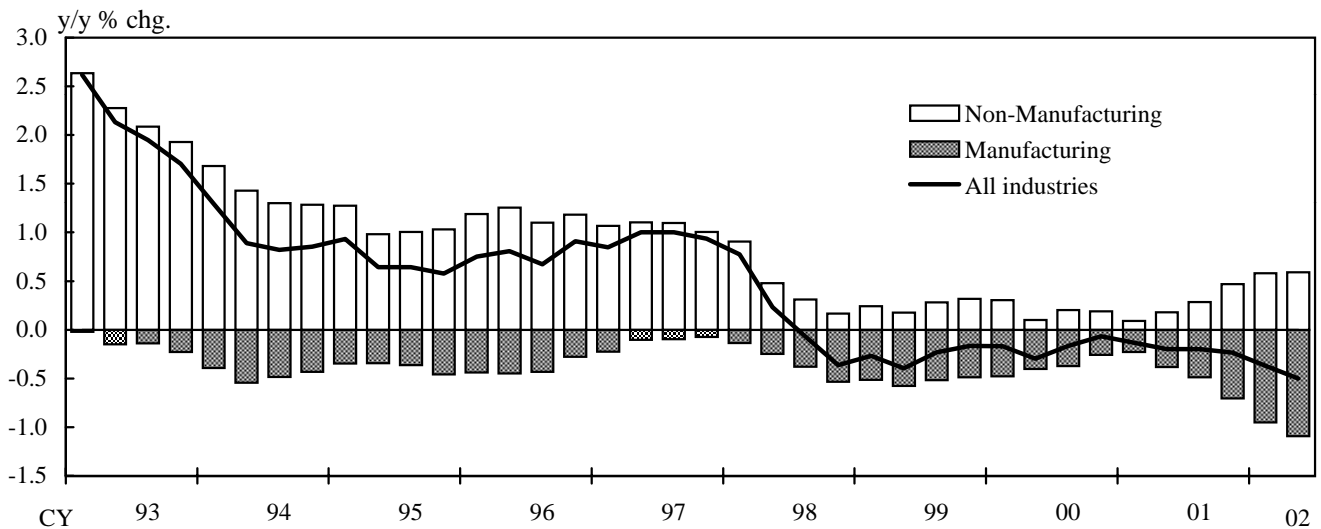
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service," "Report on Employment Insurance Service"; Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey"; Teikoku Databank Ltd., "Japan's Business Failure."

Labor Market (2)

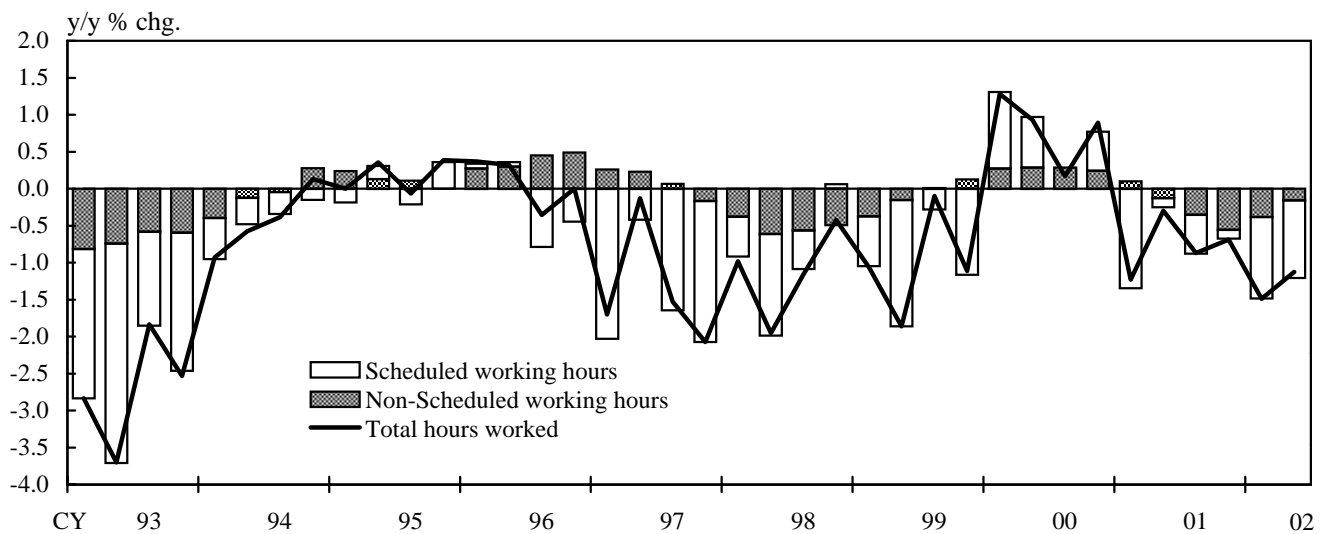
(1) The Employed (Labour Force Survey)



(2) Number of Regular Employees¹ (Monthly Labour Survey)



(3) Actual Hours Worked¹ (Monthly Labour Survey)

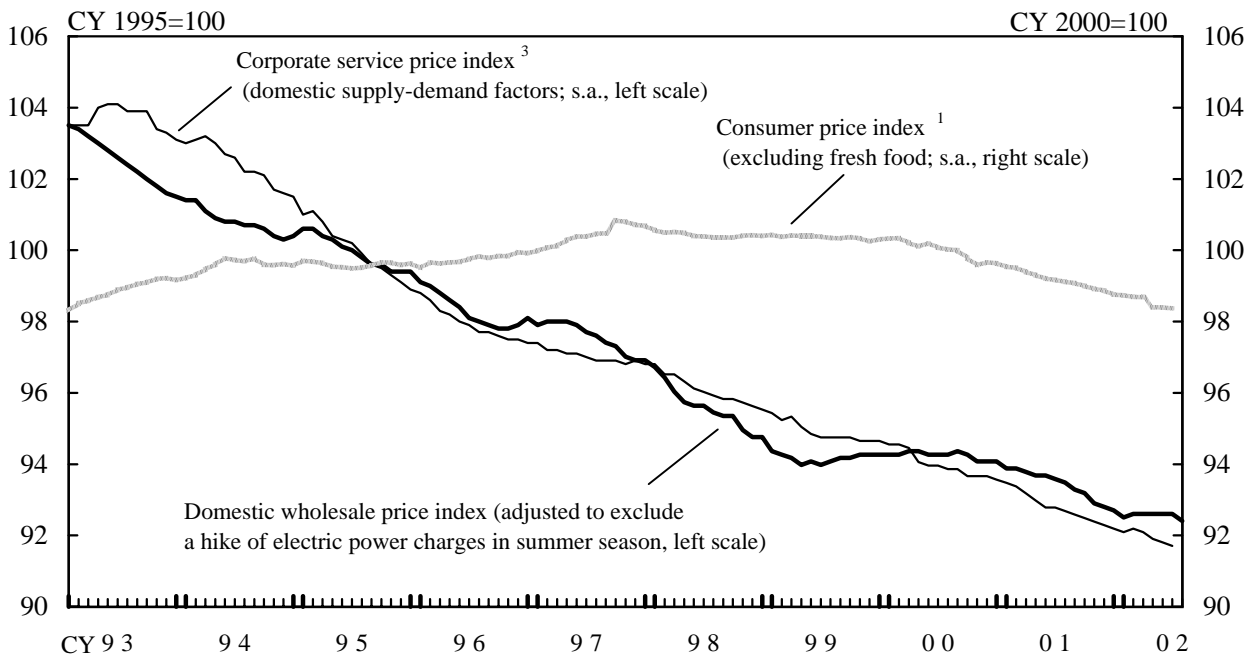


Note: 1. Data are for establishments with at least 5 employees. Those for June 2002 are preliminary figures.

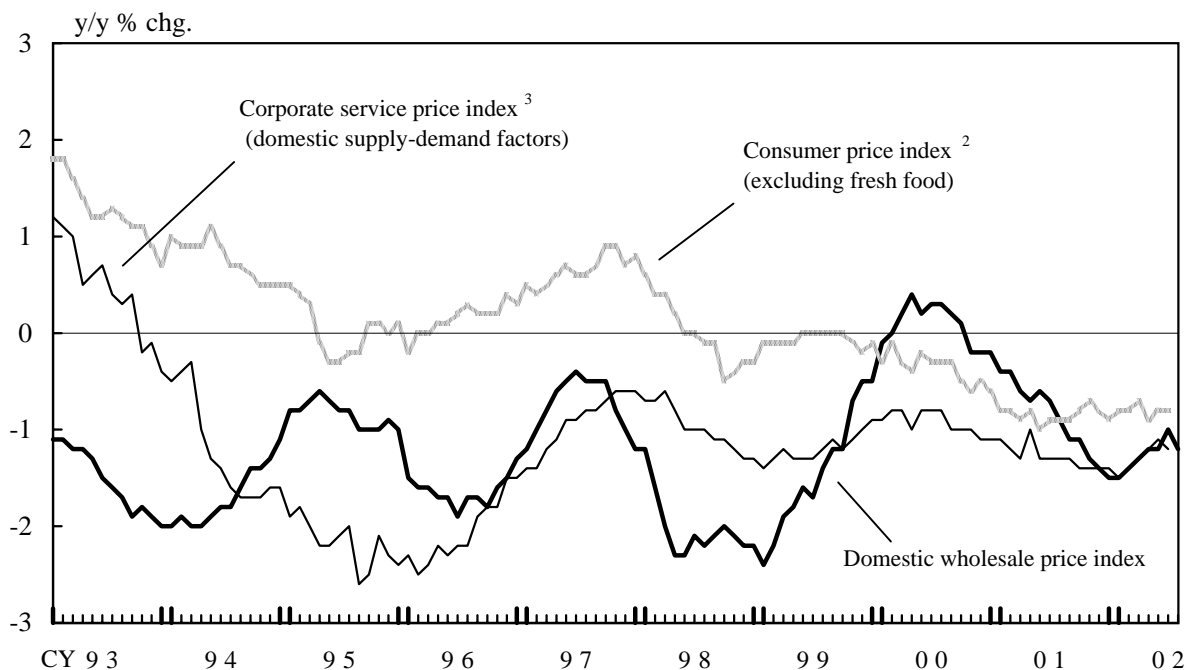
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey" ;
 Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey."

Prices⁴

(1) Level



(2) Changes from a year earlier



Notes: 1. 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 sample size of this item is insufficient for seasonal adjustment, though it has large seasonal fluctuations.

2. Data before Dec. 2000 are on the 1995 base CPI.

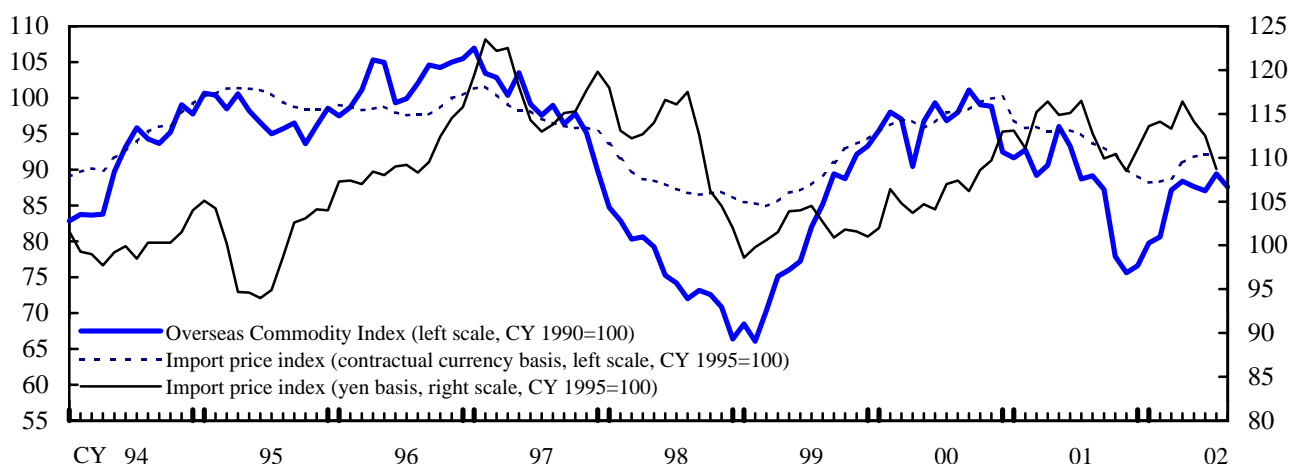
3. See footnote 2 in Chart 21, for definition of the Corporate Service Price Index (domestic supply-demand factors).

4. 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.

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

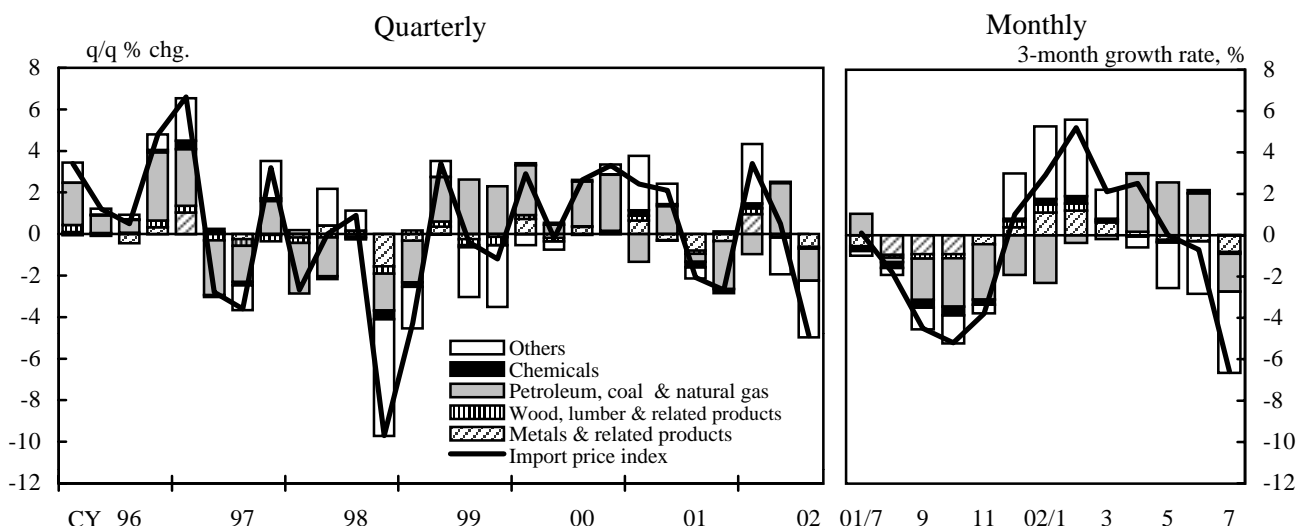
Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



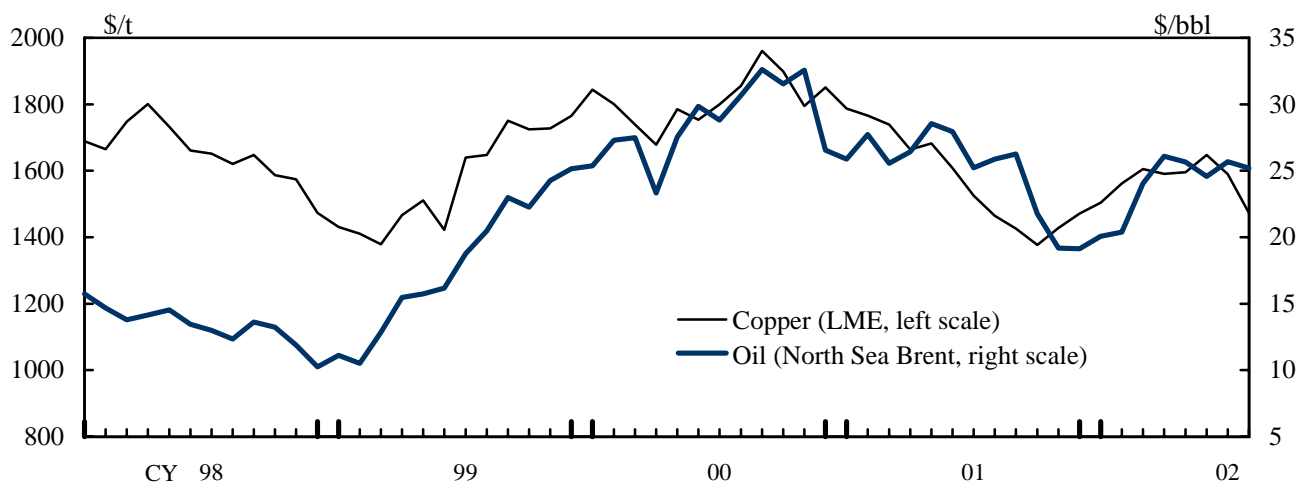
Note: Overseas Commodity Index, which is calculated by Bank of Japan, is a monthly average.
Figure for August 2002 is the average up to August 7.

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



Note: Figures for 2002/Q3 are those of July.

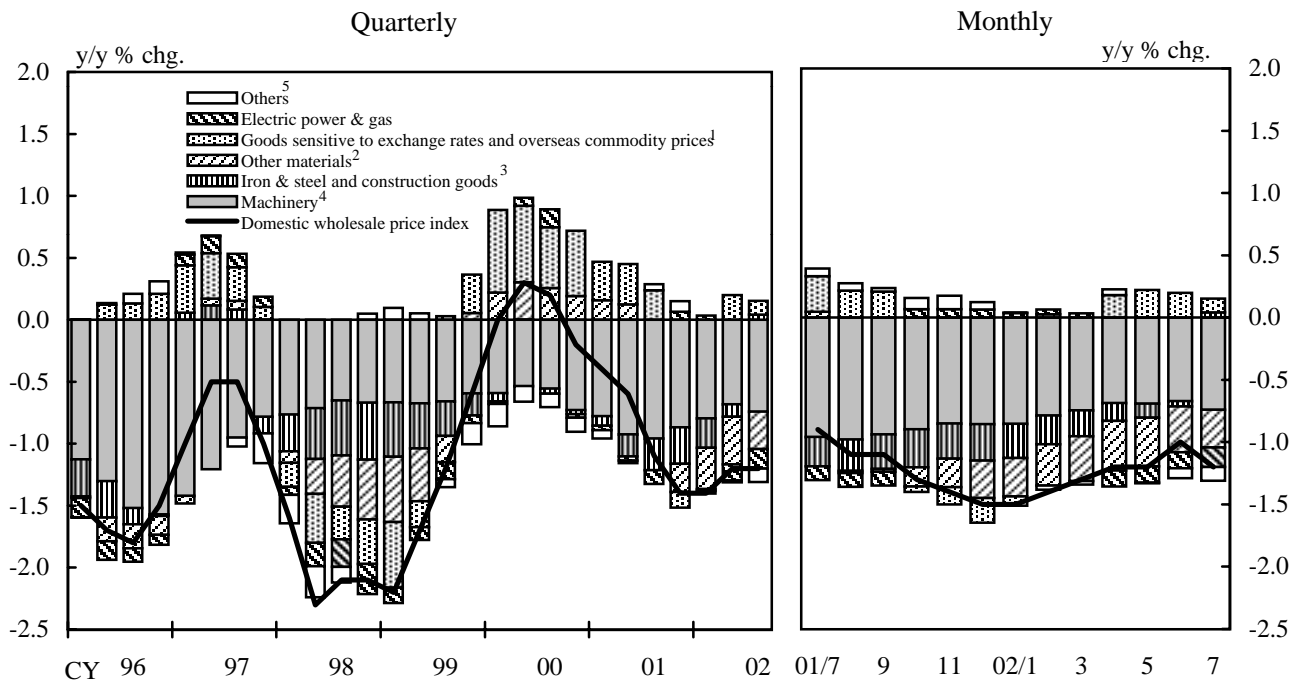
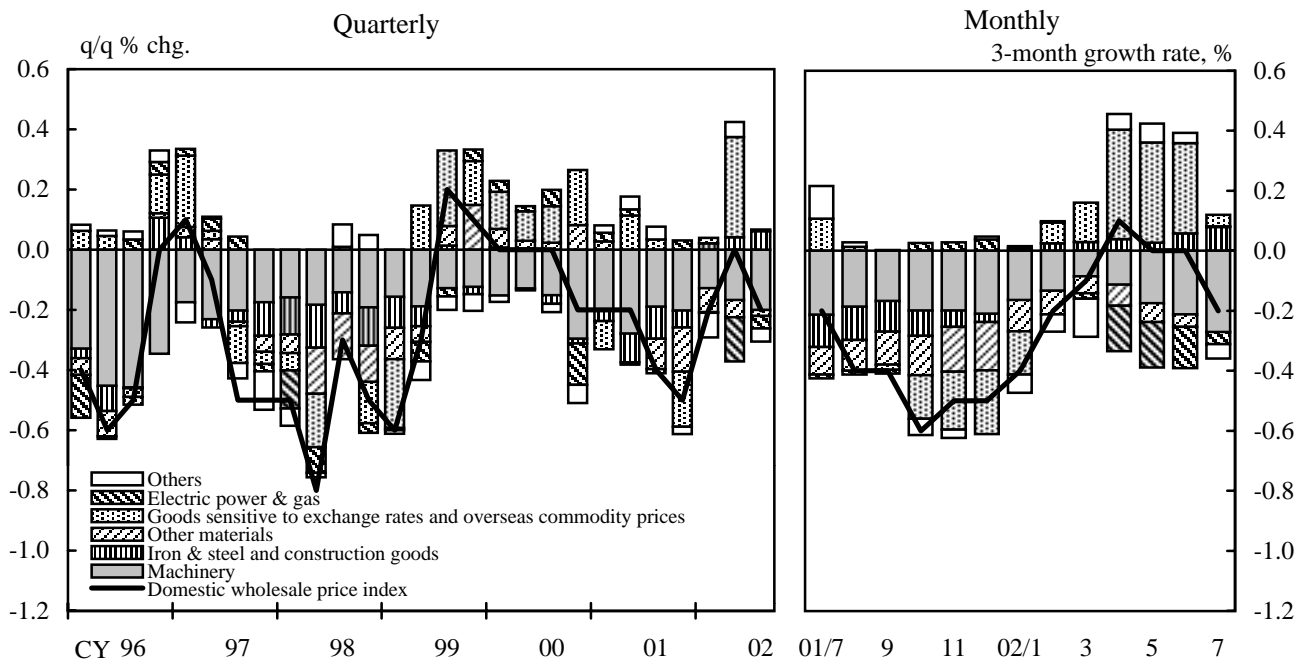
(3) Oil price (spot) and Copper price (futures)



Note: Monthly averages. Figures for August 2002 are the averages up to August 7.

Domestic Wholesale Price Index⁷

(1) Changes from a year earlier

(2) Changes from a quarter earlier and 3 months earlier⁶

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

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

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

4. Machinery; electrical machinery, general machinery, transportation equipment, precision instruments.

5. Others; processed foodstuffs, other manufacturing industry products, edible agricultural, livestock & aquatic products, inedible agricultural & forestry products, mining products, water.

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

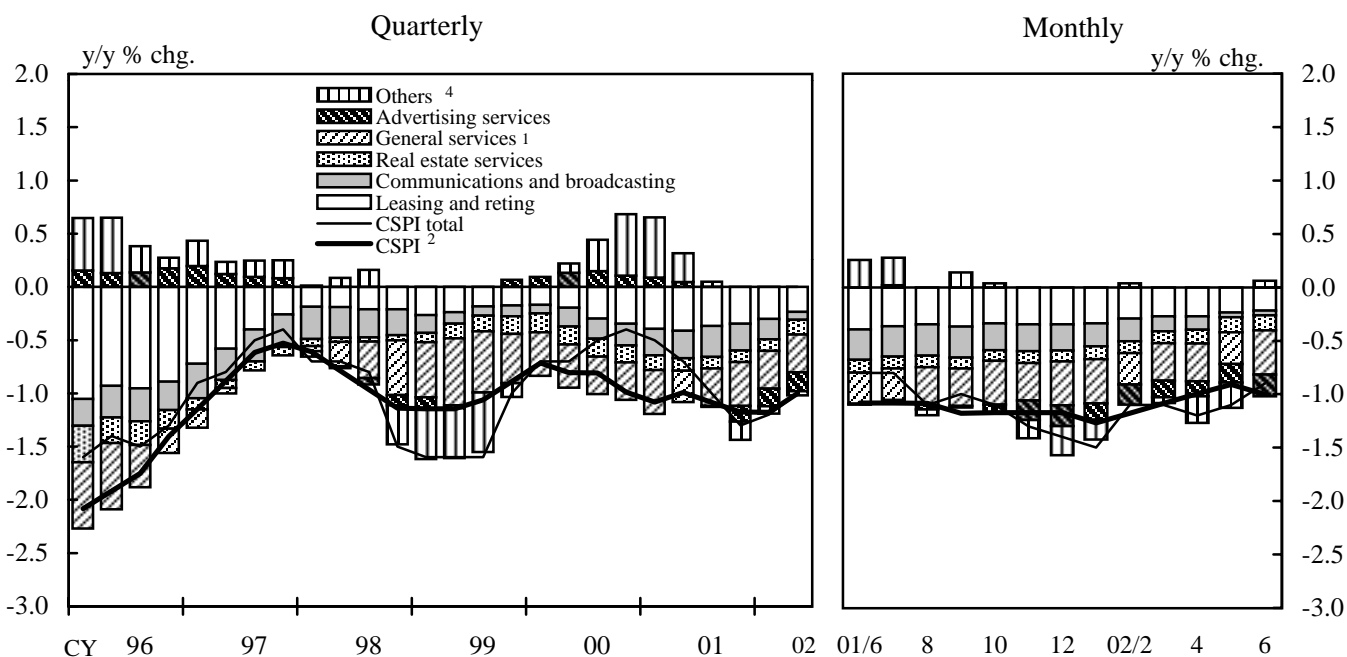
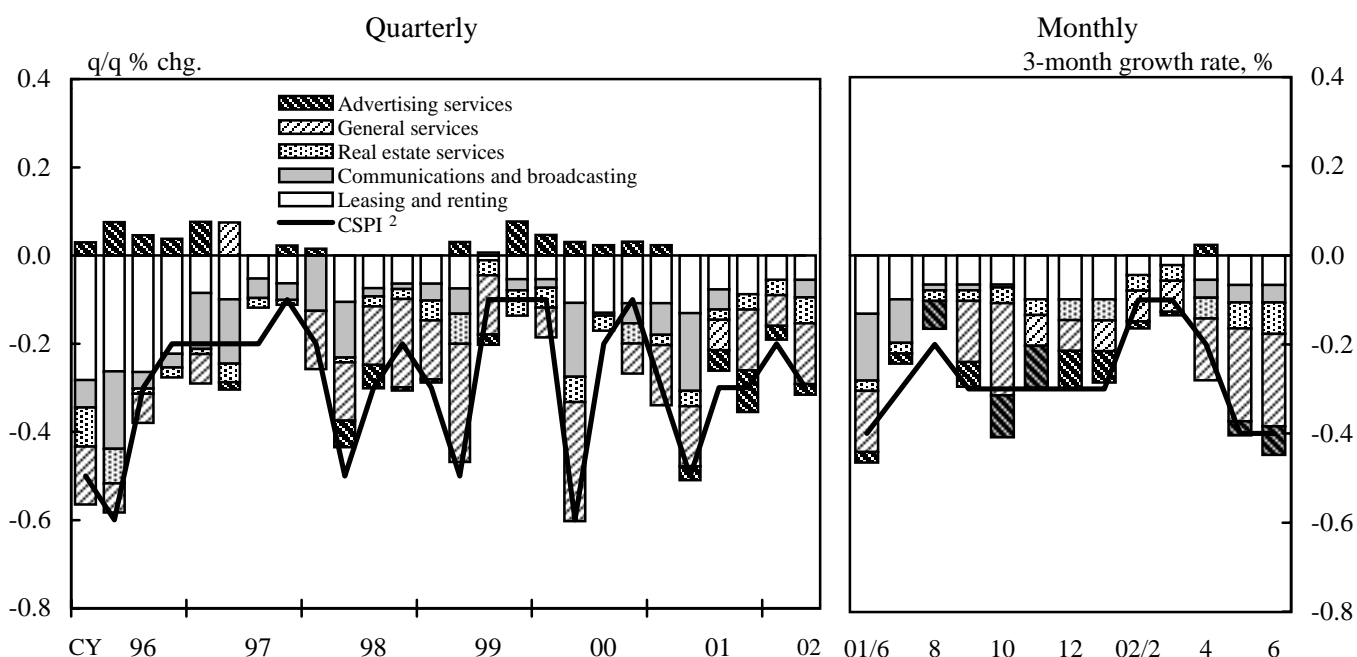
7. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

8. Figures for 2002/Q3 are those of July.

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

Corporate Service Price Index⁵

(1) Changes from a year earlier

(2) Changes from a quarter earlier and 3 months earlier³

Notes: 1. General services; finance & insurance, transportation, information services, building maintenance services, temporary employment services, machinery maintenance, and other items excluded in "Others" as defined below.

2. CSPI (domestic supply-demand factors) includes all items aside from "Others."

This index mainly reflects the supply and demand conditions in the domestic private sector.

3. 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.

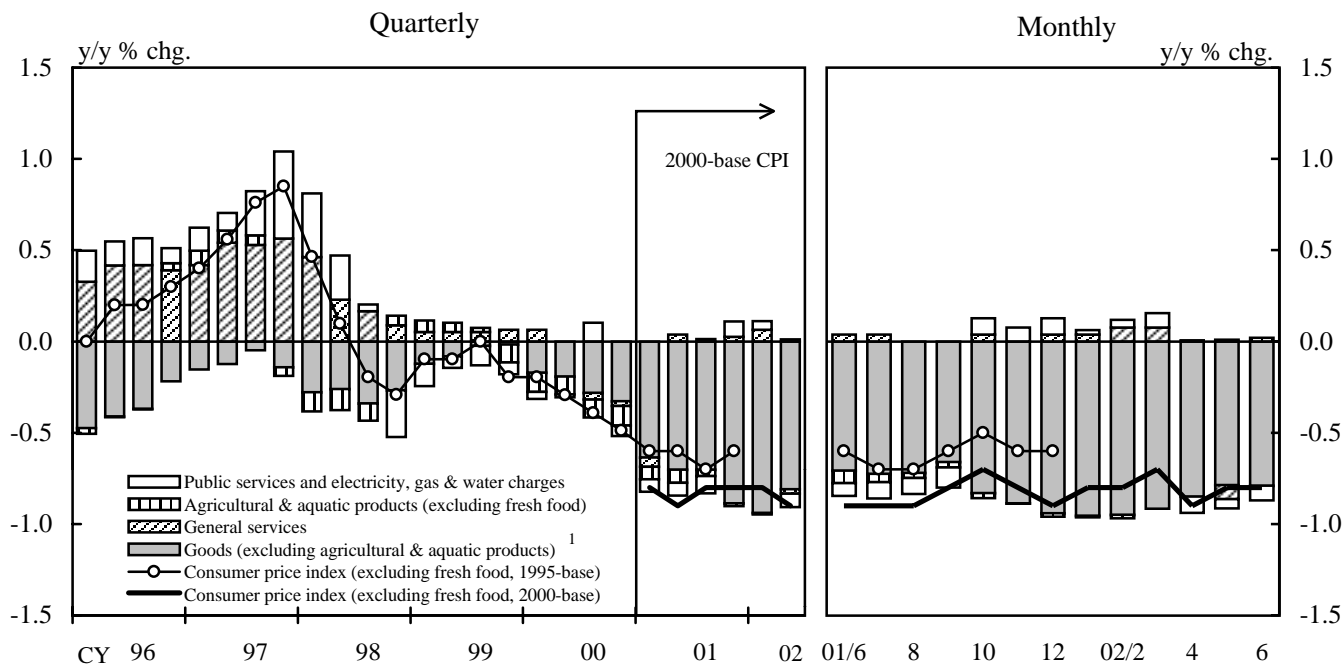
Due to seasonal adjustment every month, the series are revised retroactively every month.

4. 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' procurement service for issuing debentures <excluding underwriting services>).

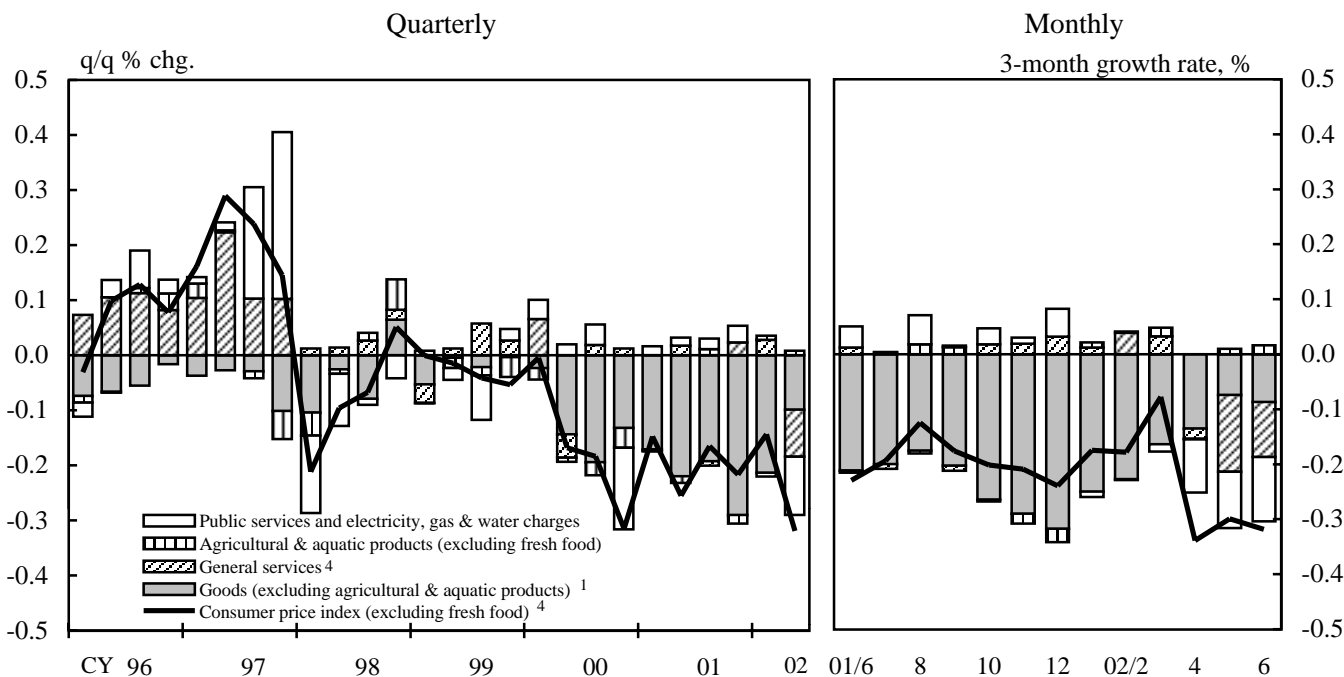
5. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

Consumer Price Index (excluding fresh food)²

(1) Changes from a year earlier

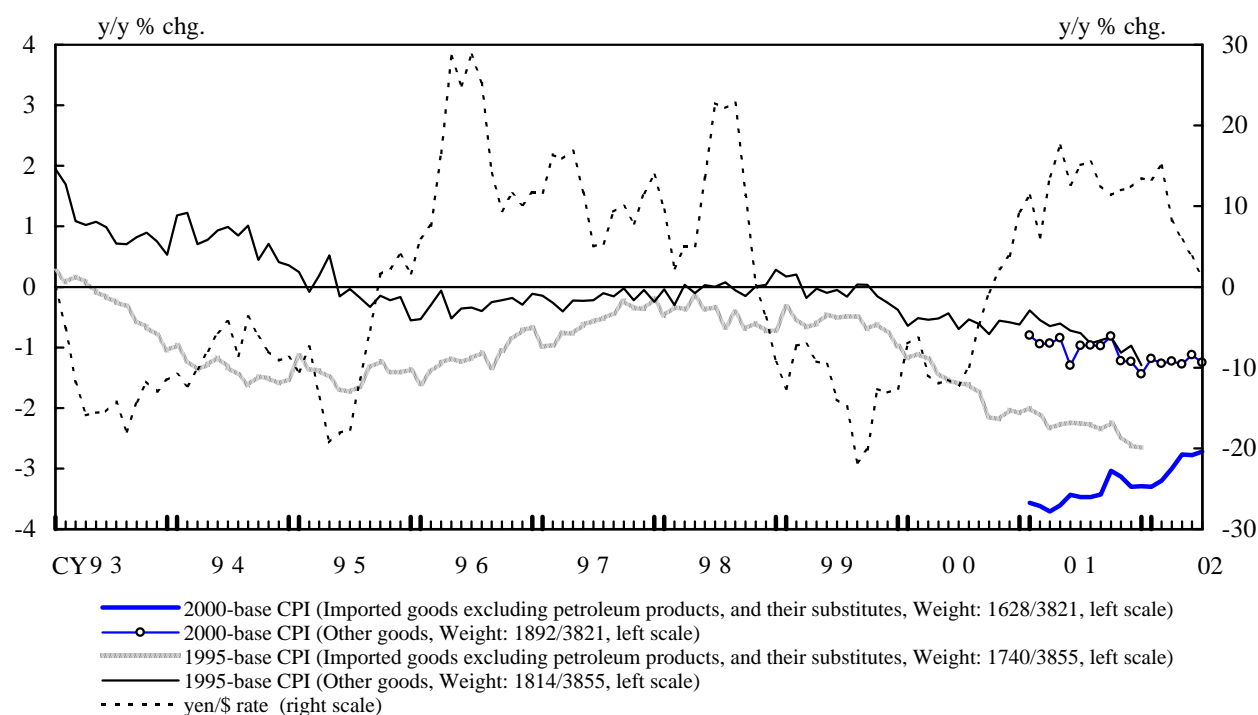


(2) Changes from a quarter earlier and 3 months earlier (2000-base CPI)³



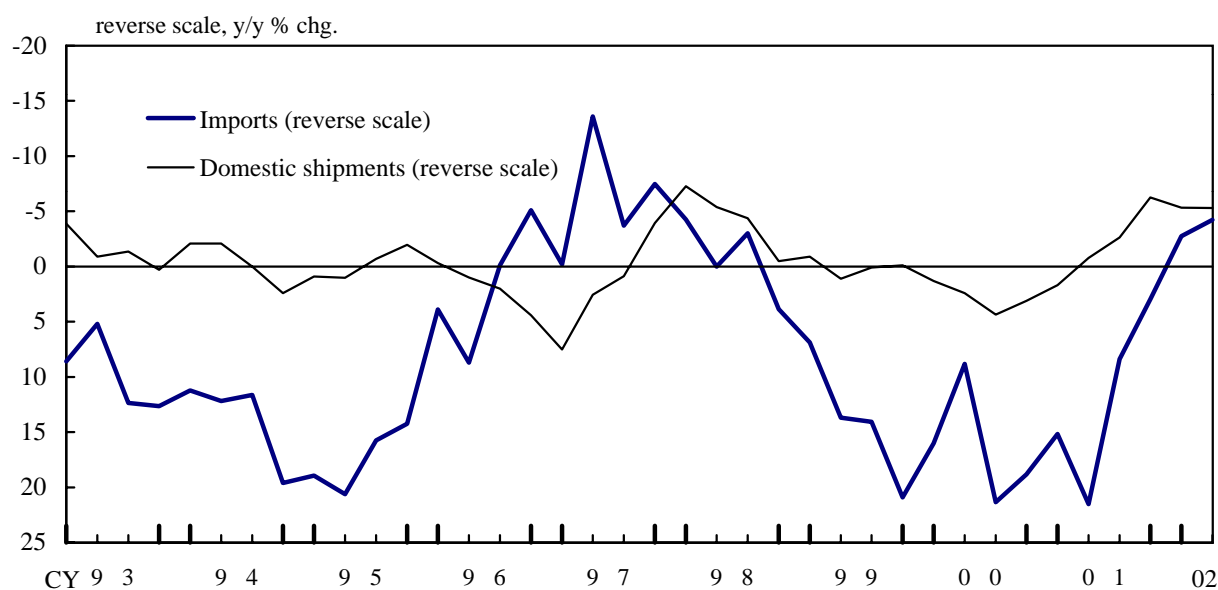
- Notes: 1. The Items are basically the same as the definition published by the Ministry of Public Management, Home Affairs, Posts and Telecommunications, however electricity, gas & water charges is excluded from goods.
 2. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.
 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 sample size of this item is insufficient for seasonal adjustment, though it has large seasonal fluctuations.

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

Consumer Price Index of imported goods and their substitutes³(1) Comparison of imported goods and other goods in terms of CPI¹

- Notes: 1. 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.
2. 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).
3. 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) Consumer goods supply (Imports and Domestic shipments)

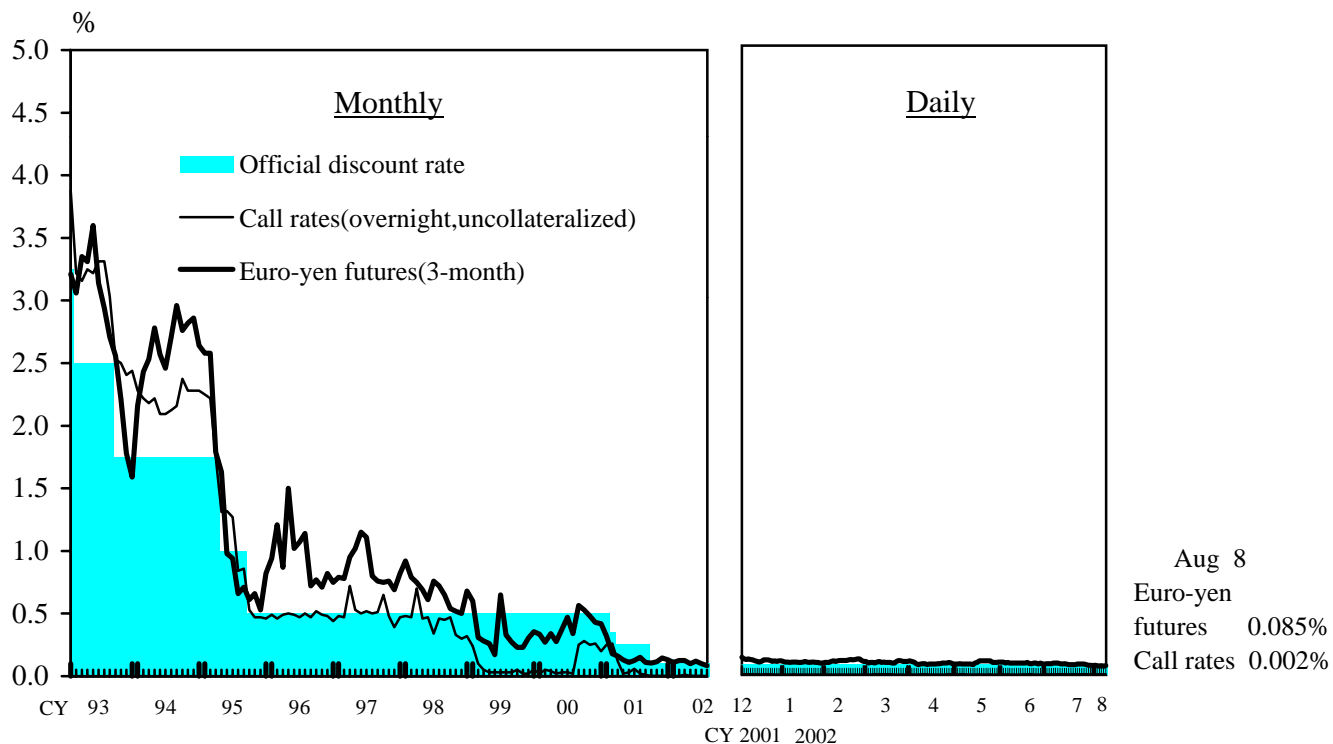


Note: See footnote Chart 10-4, for definition of the consumer goods supply.

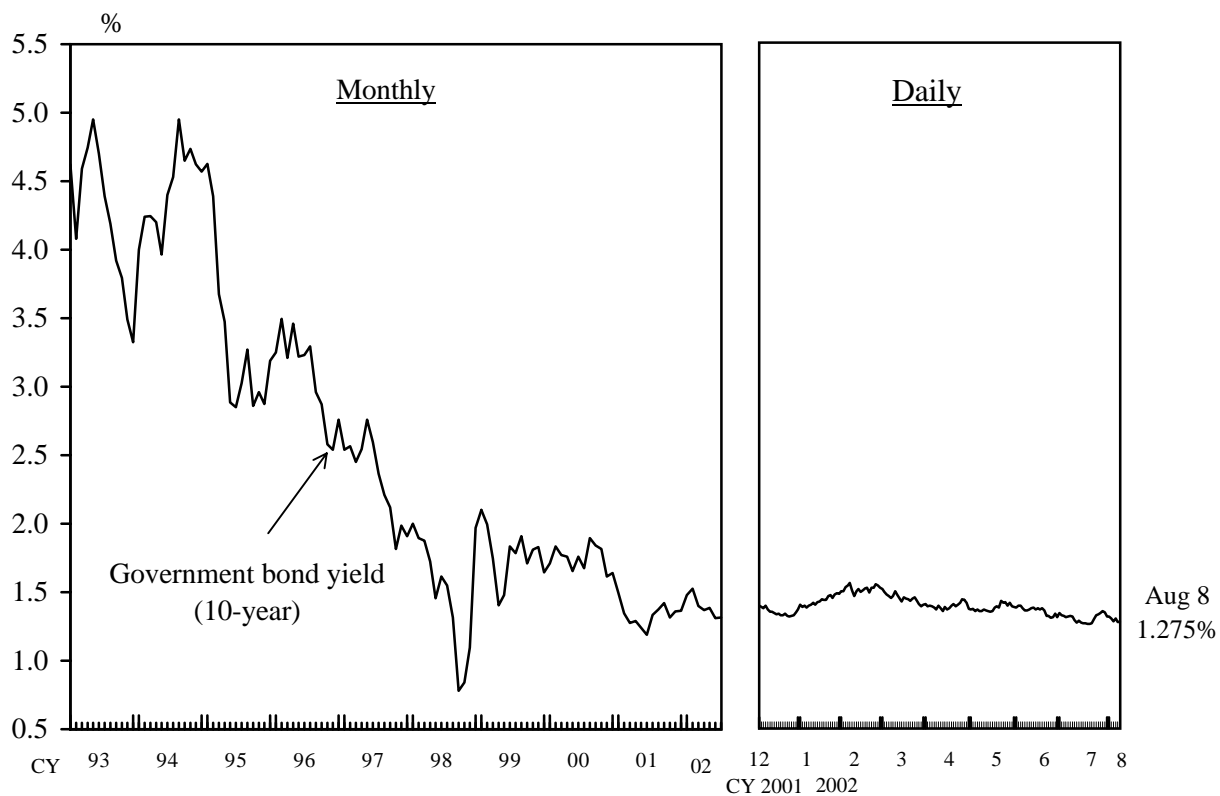
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index"; Ministry of Finance, "The Summary Report on Trade of Japan"; Ministry of Economy, Trade and Industry, "Indices of Industrial Production," "Indices of Industrial Domestic Shipments and Imports";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

Interest Rates

(1) Short-Term



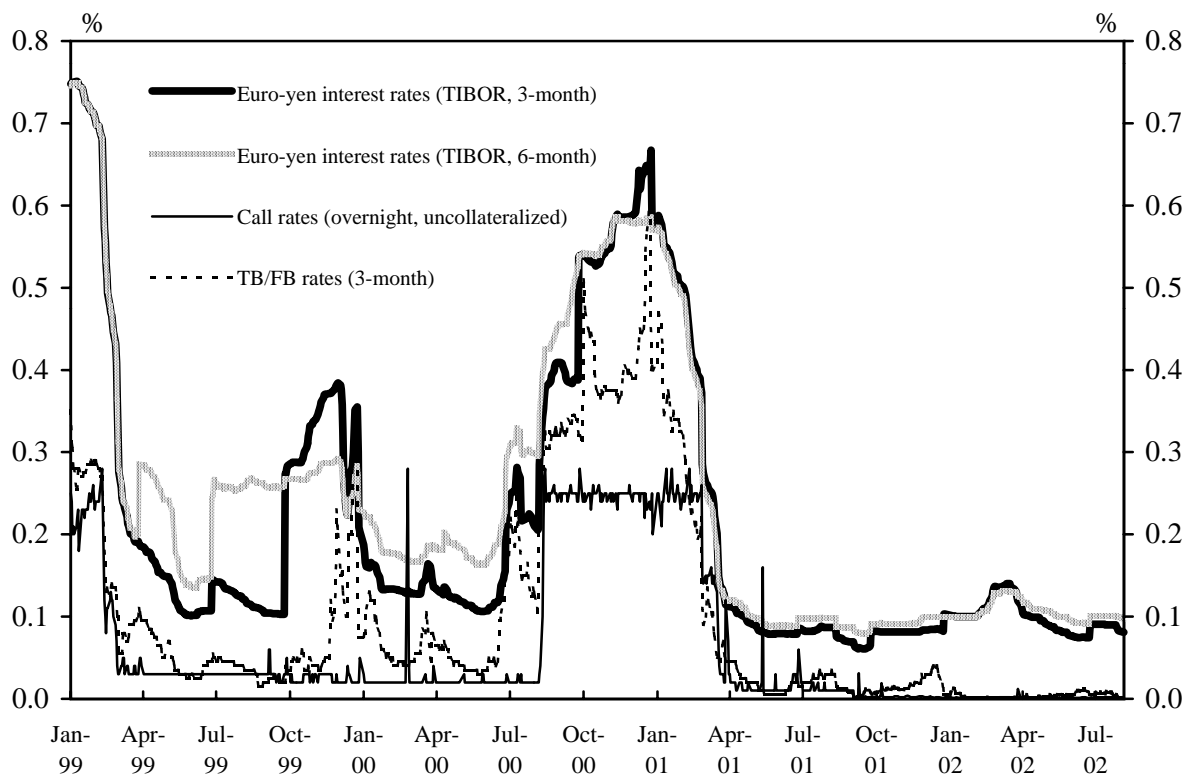
(2) Long-Term



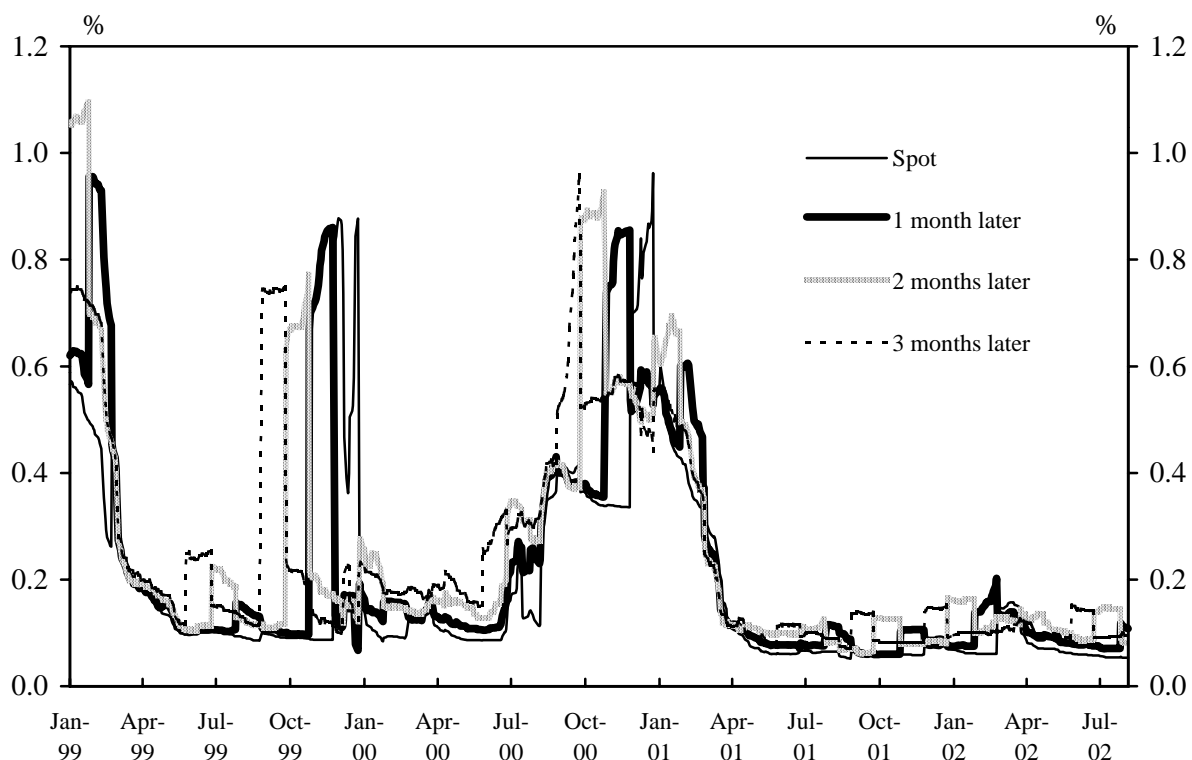
Sources: Bank of Japan; Tokyo International Financial Futures Exchange; Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments

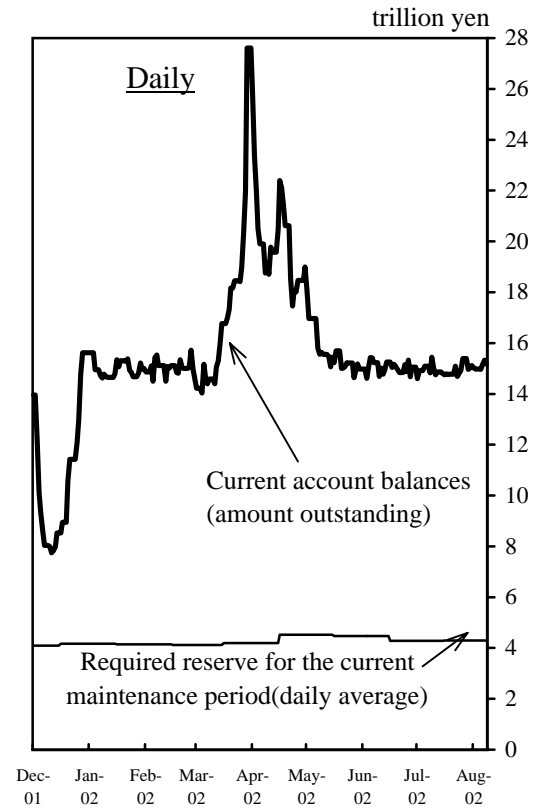
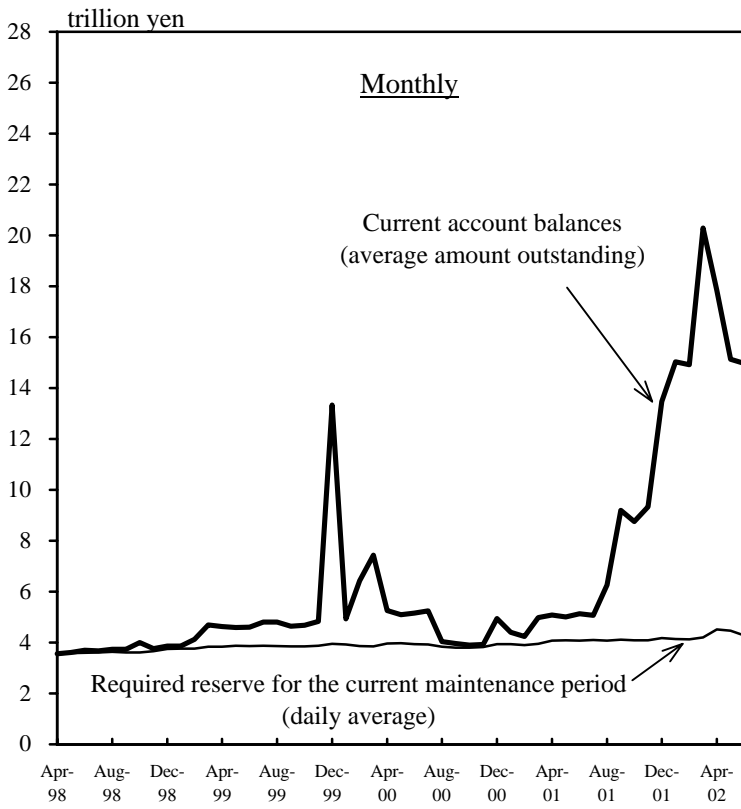


(2) Implied Forward Rate (1-Month Forward Rates Calculated from Euro-Yen Interest Rates)

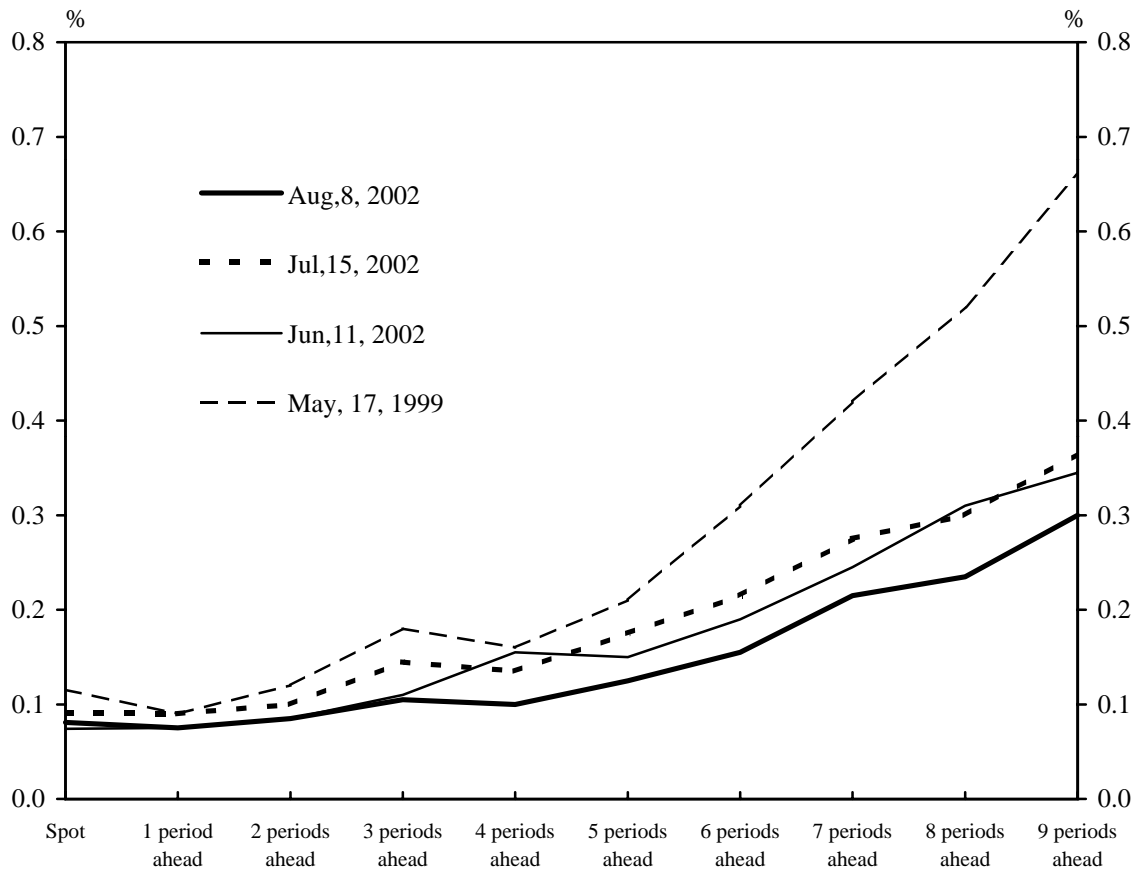


Sources: Bank of Japan; Japanese Bankers Association; Japan Bond Trading Co., Ltd.

Current Account Balances at the Bank of Japan

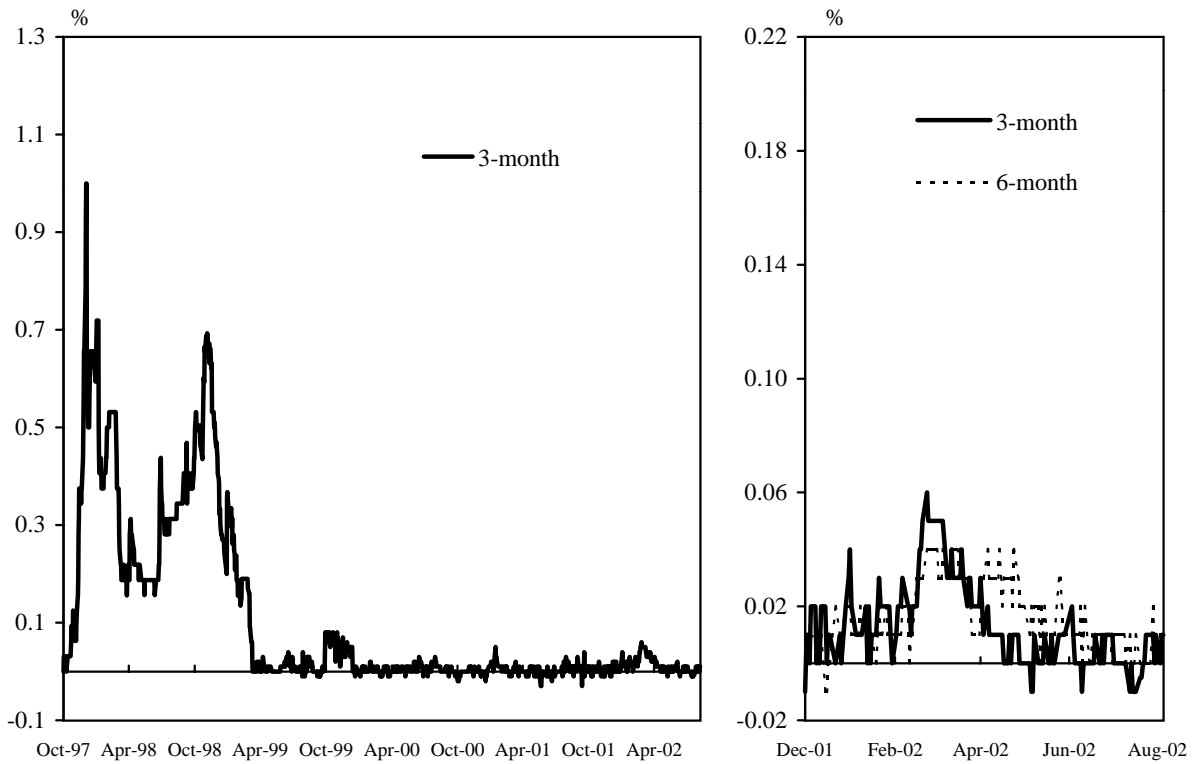


Euro-Yen Interest Rates Futures (3-Month)



Source: Tokyo International Financial Futures Exchange.

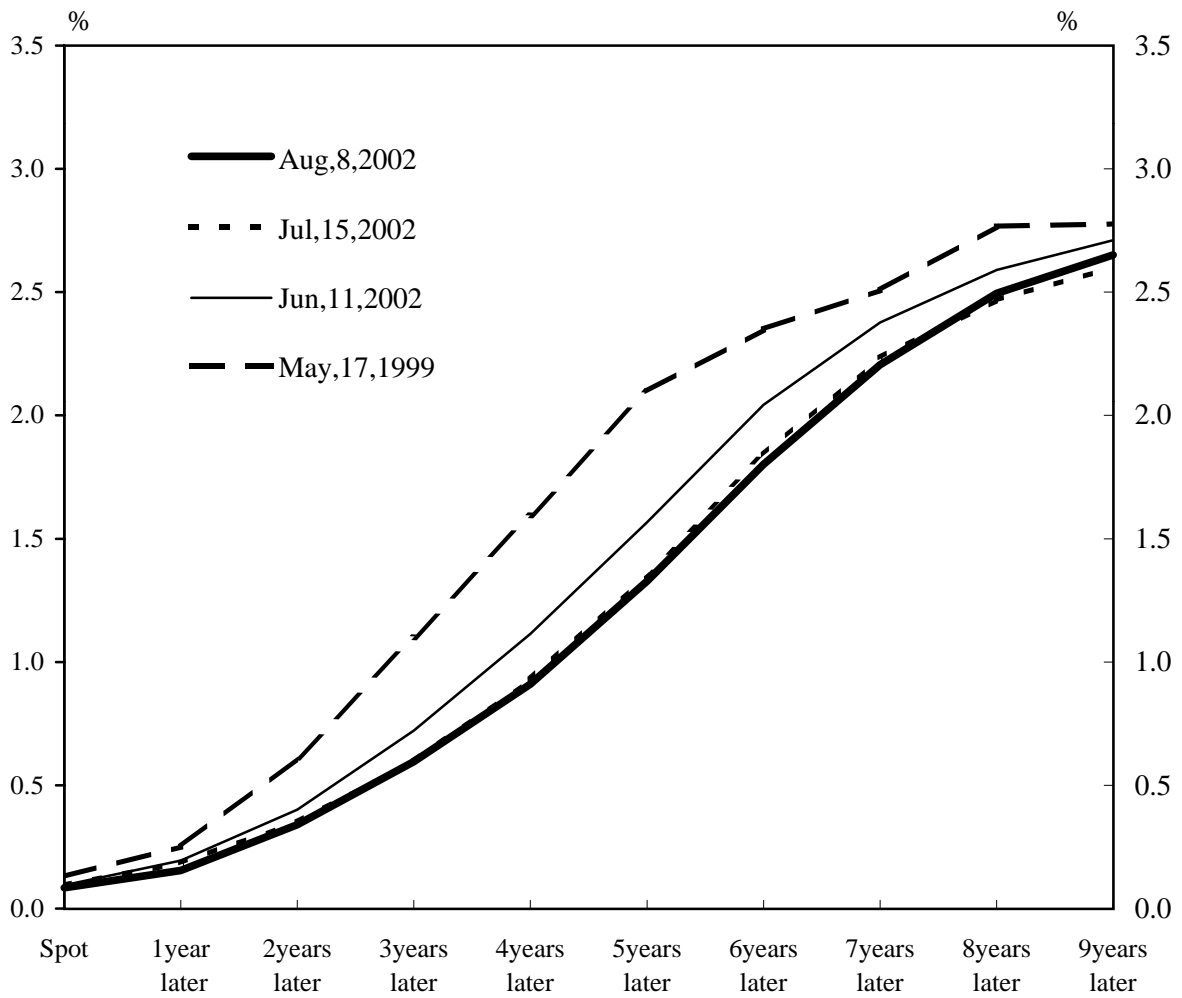
Japan Premium in the Eurodollar Market ¹



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

Source: British Bankers' Association (BBA).

Implied Forward Rates (1-year)¹

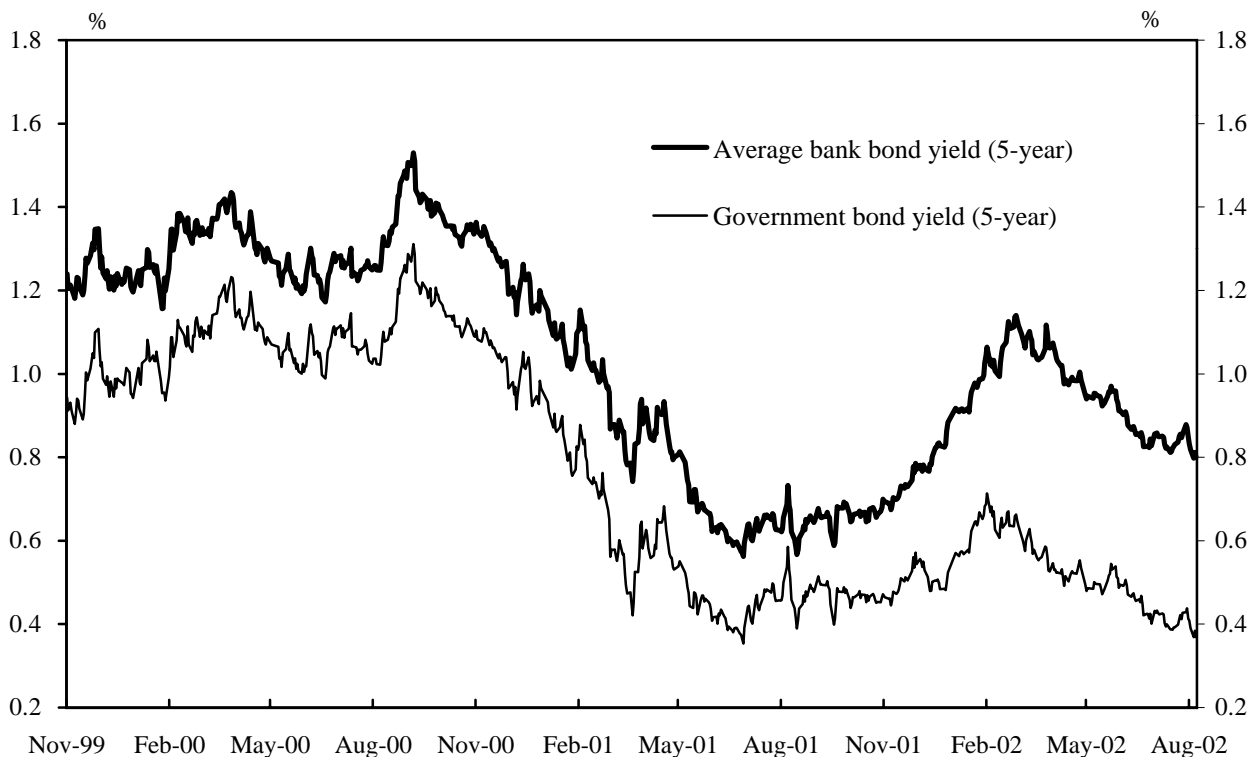


Note :Calculated from yen-yen swap rates.

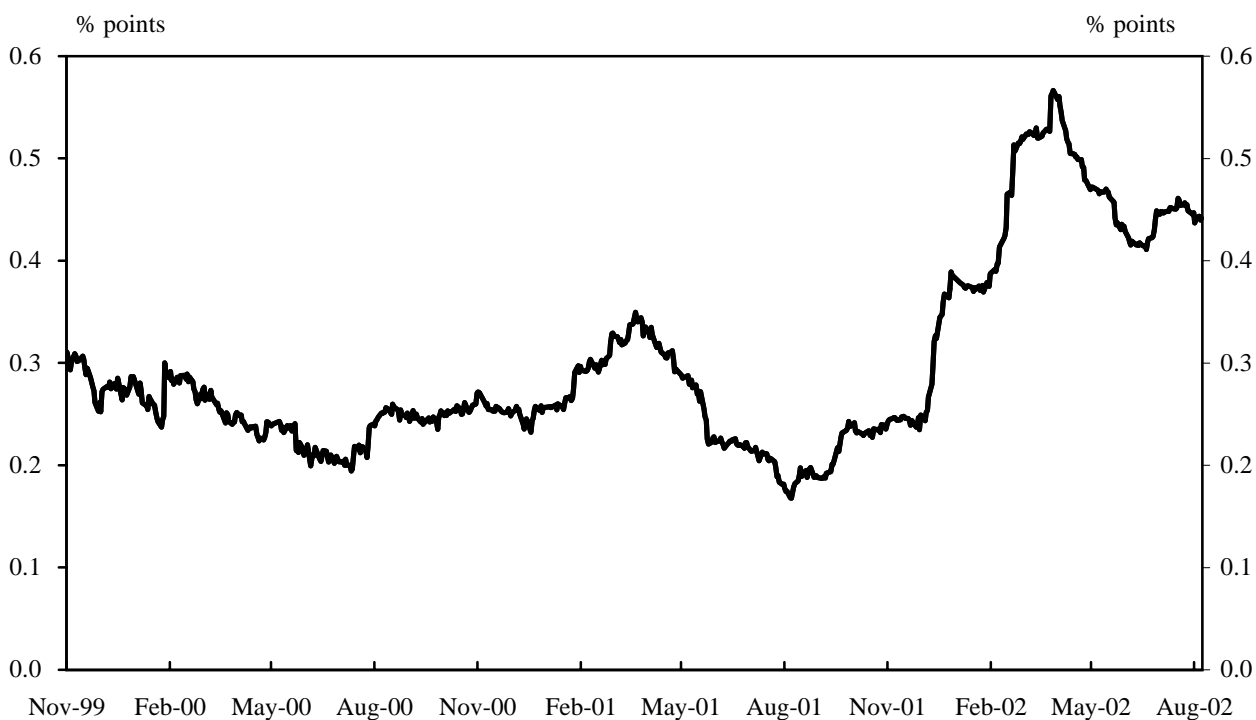
Source: Kyodo News.

Yields of Bank Bonds

(1) Bond Yields



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



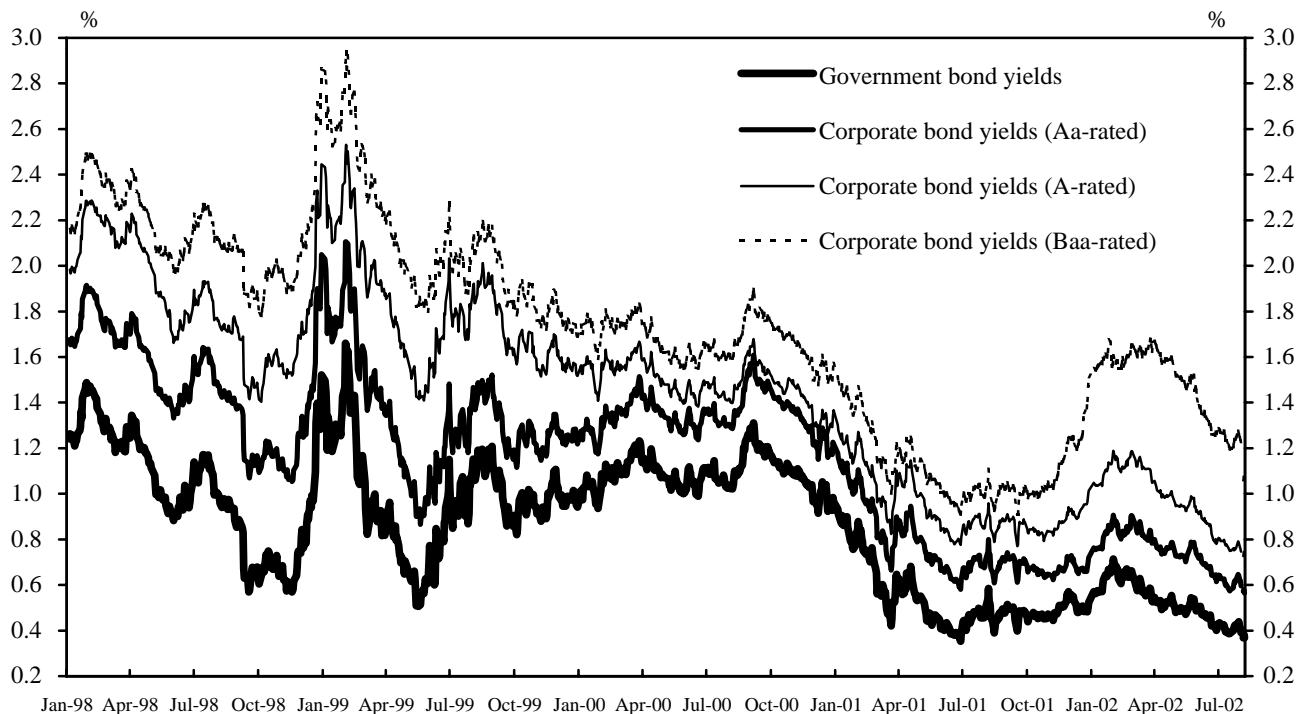
Note: 1. Yields on bonds with 5-year maturity.

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

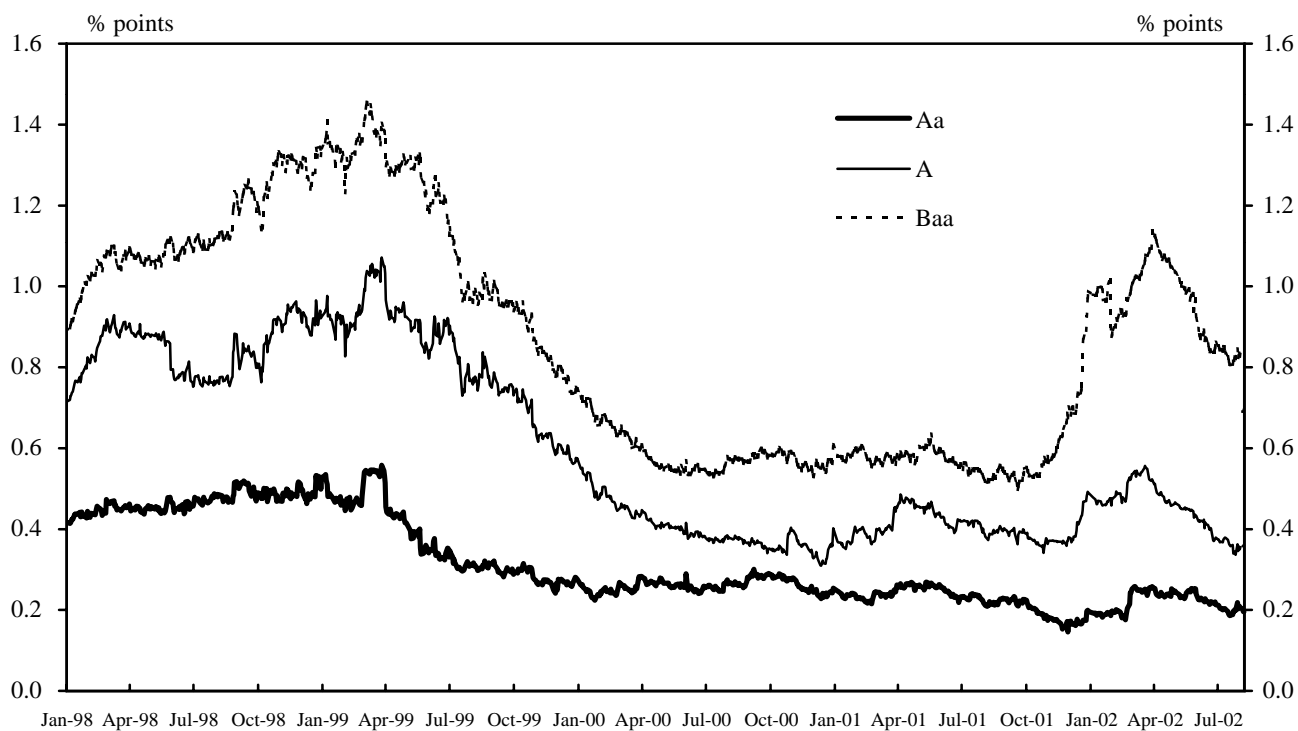
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations." "Reference Price(Yields) Table for OTC Bond Transactions."

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.

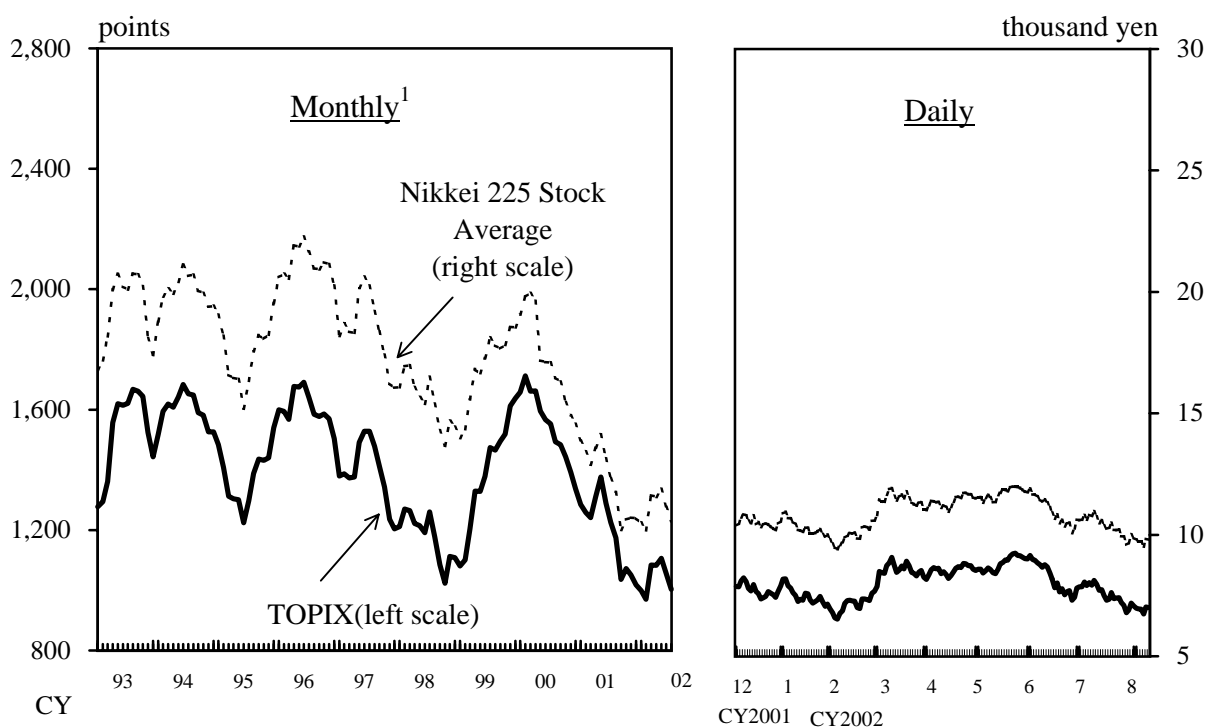
The indicated ratings are of Moody's.

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

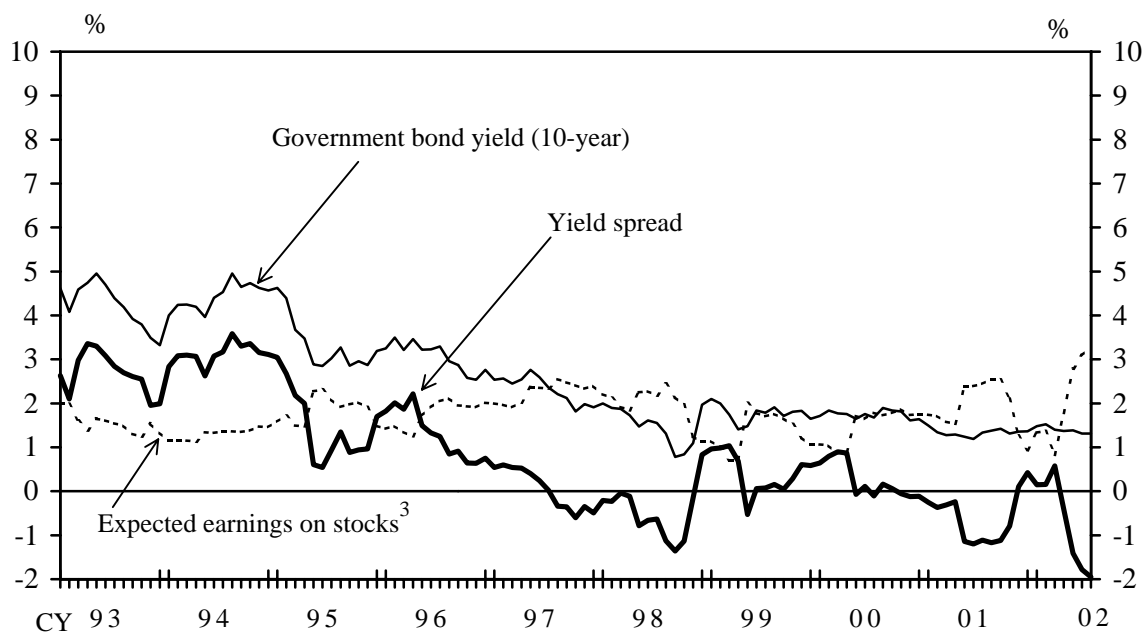
"Reference Price(Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Stock Prices



(2) Yield Spread²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

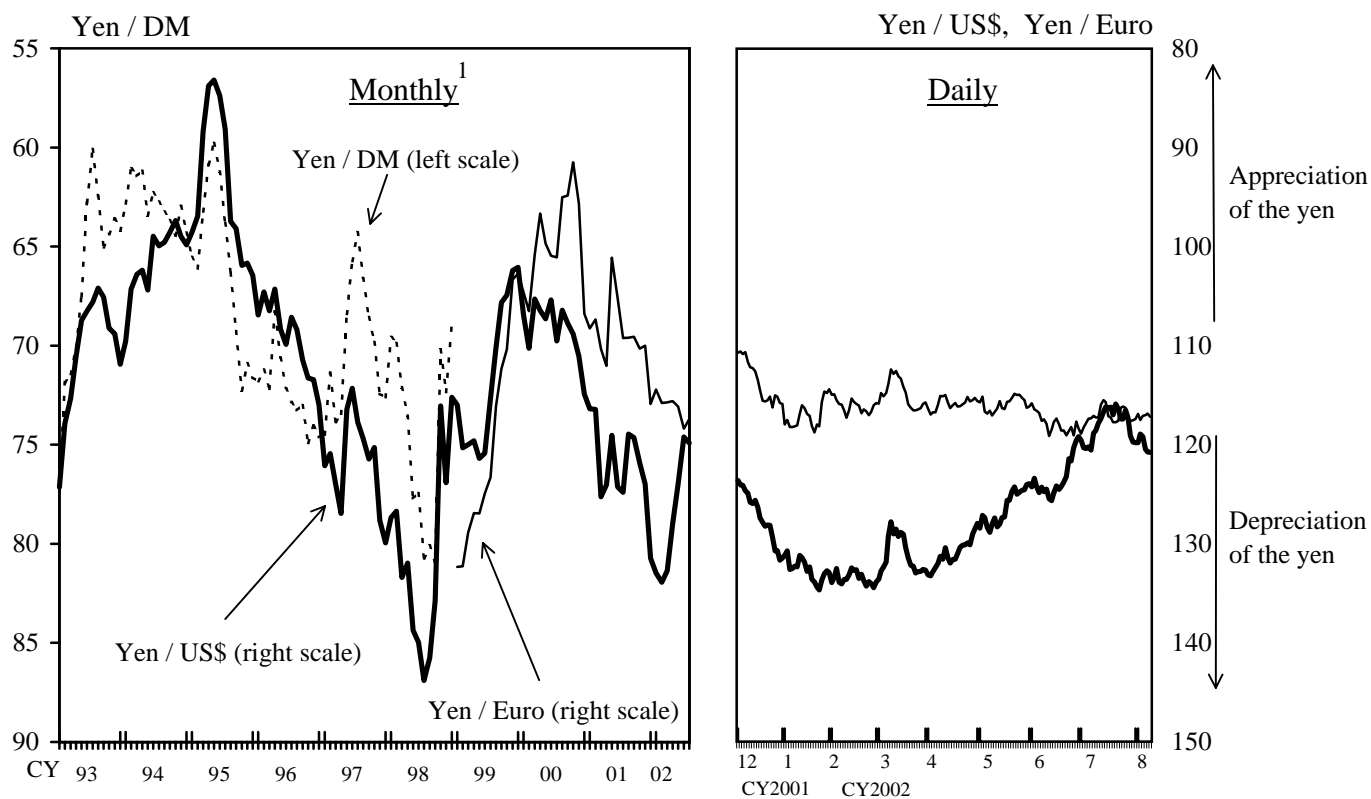
Yield spread = government bond yields - expected earnings on stocks,
 where expected earnings on stocks = 1/expected price earnings ratio.

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

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

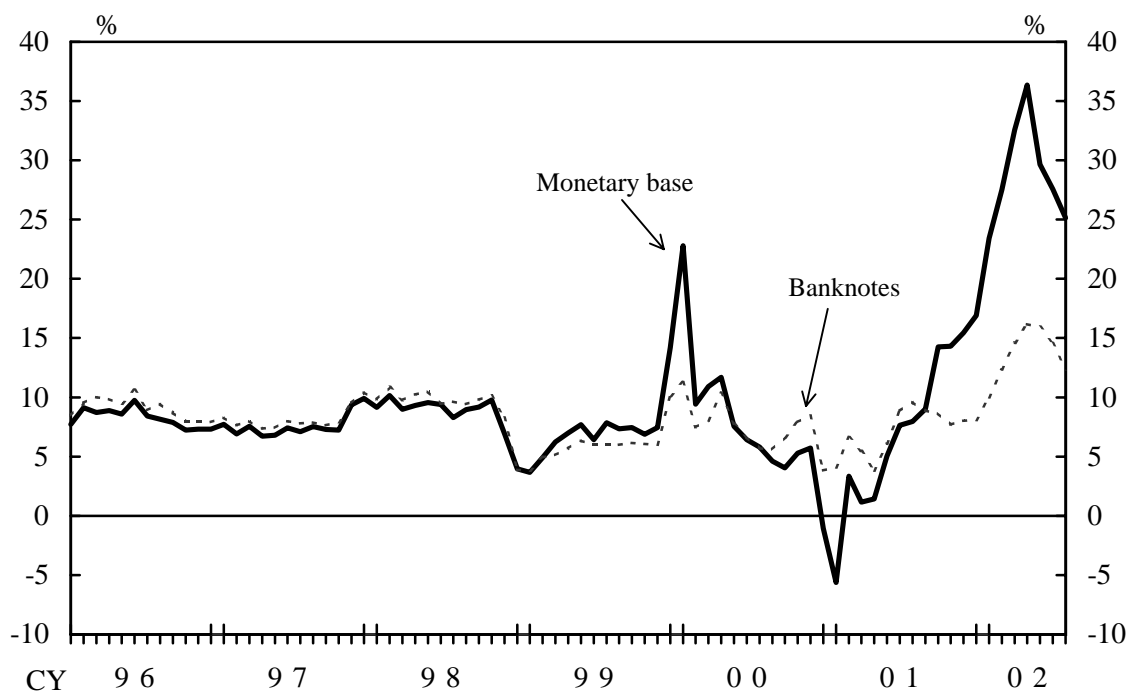
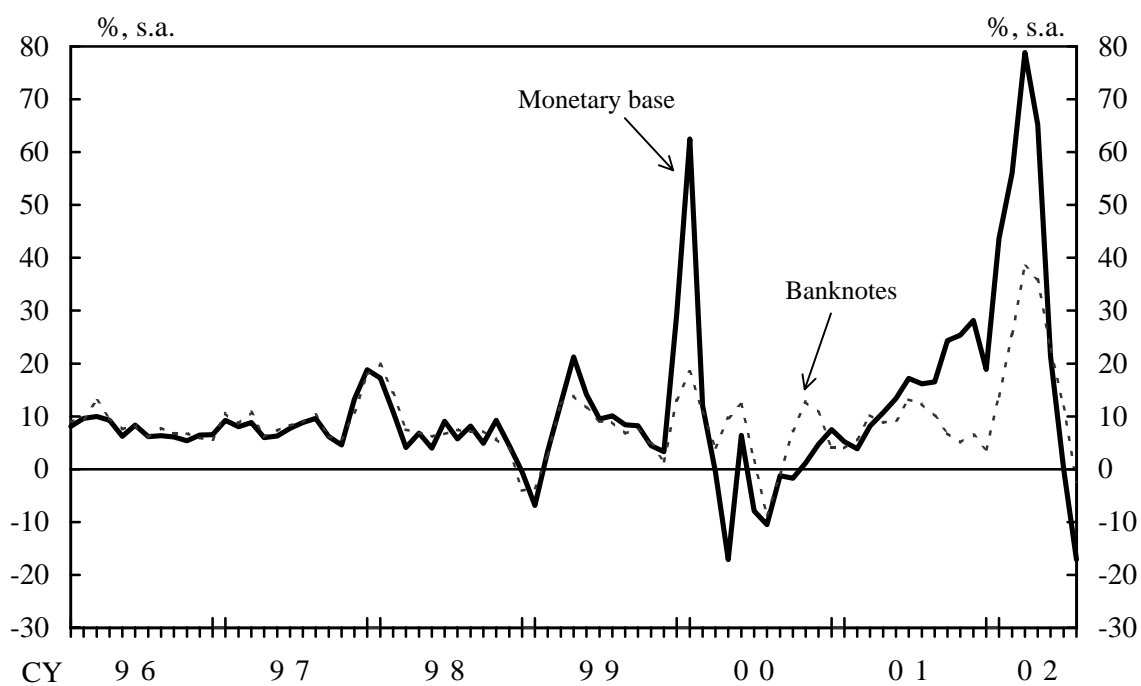
Sources: *The Nihon Keizai Shimbun* ; Daiwa Research Institute, "*Daiwa Toushi Shiryou* (Daiwa Investment Information)."

Exchange Rates



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

Monetary Base

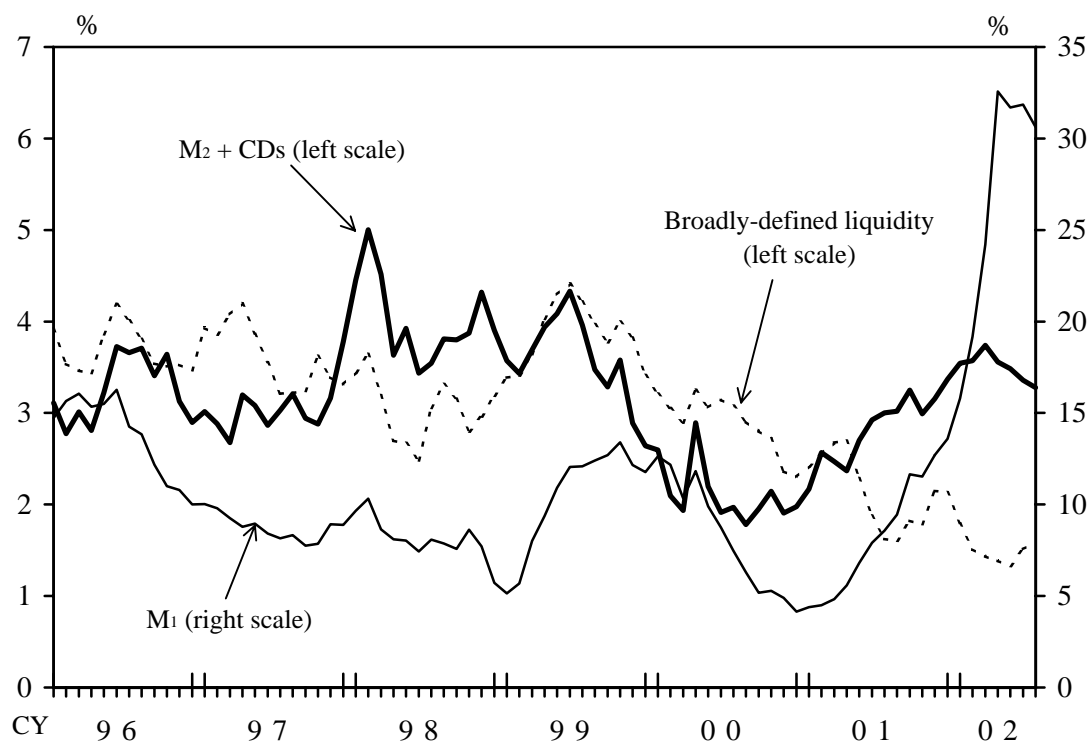
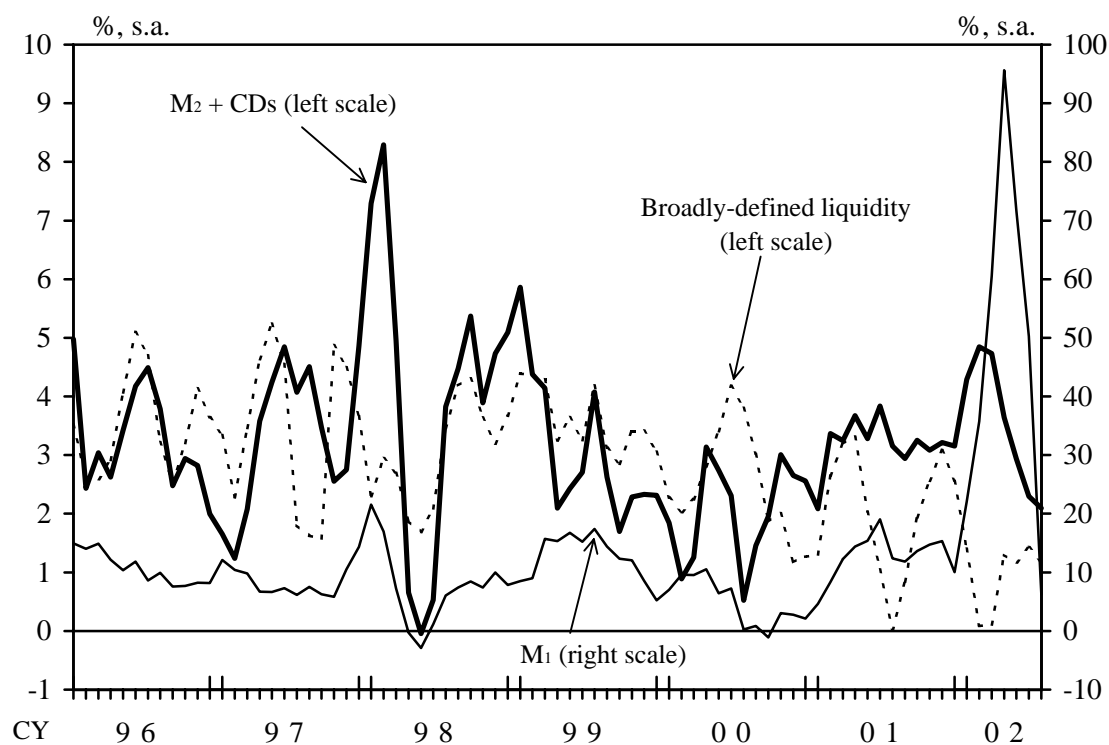
(1) Changes from a Year Earlier**(2) Changes from Three Months Earlier (Annualized)**

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.

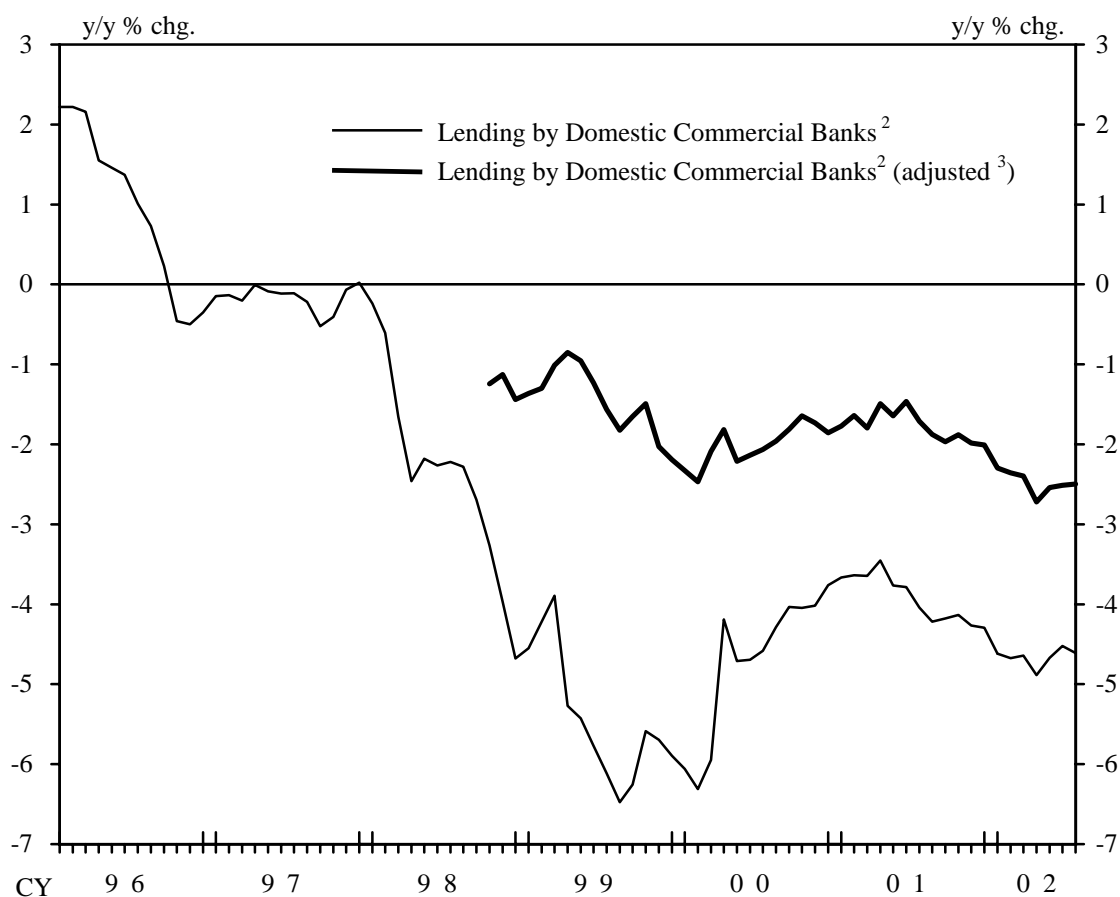
Source: Bank of Japan.

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.

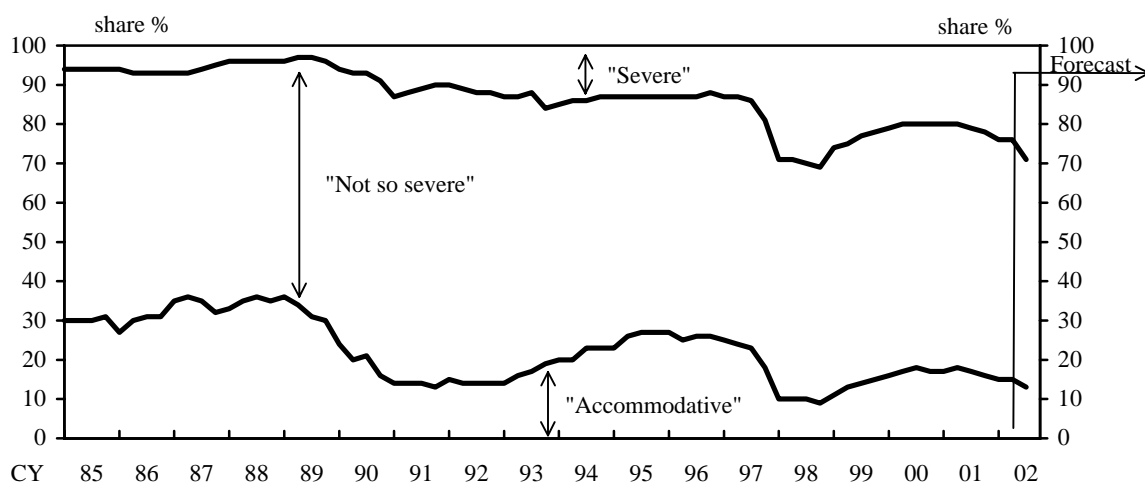
2. "Domestic commercial banks" refers to member banks of the Japanese Bankers Association, which consists of city banks, long-term credit banks, trust banks (excluding foreign-owned trust banks and trust banks that started business after October 1993), the member banks of the Regional Banks Association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

3. Adjusted to exclude

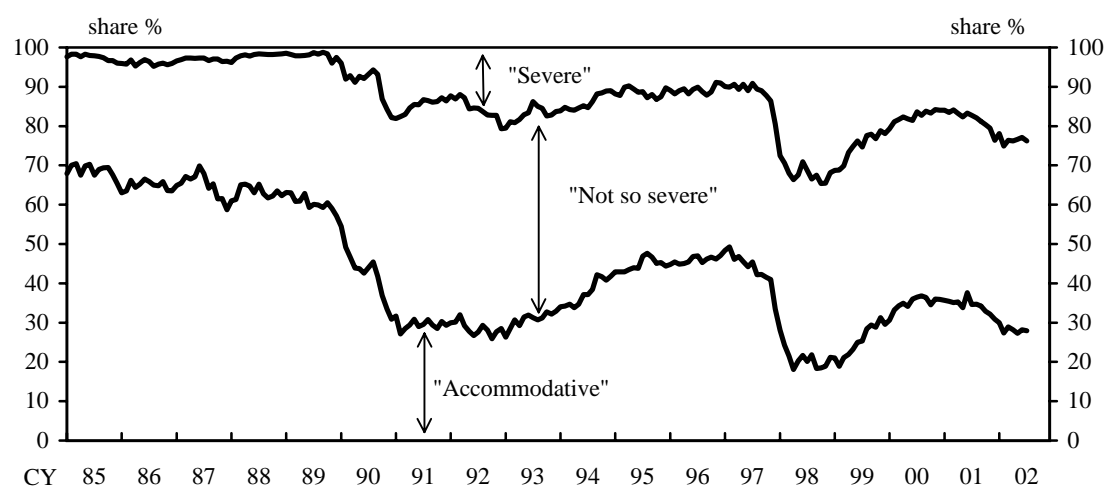
- (1) fluctuations from the liquidation of loans,
- (2) fluctuations in the yen value of foreign currency-denominated loans due to changes in exchange rates,
- (3) fluctuations from loan write-offs,
- (4) the transfer of loans to the former Japan National Railways Settlement Corporation to the General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

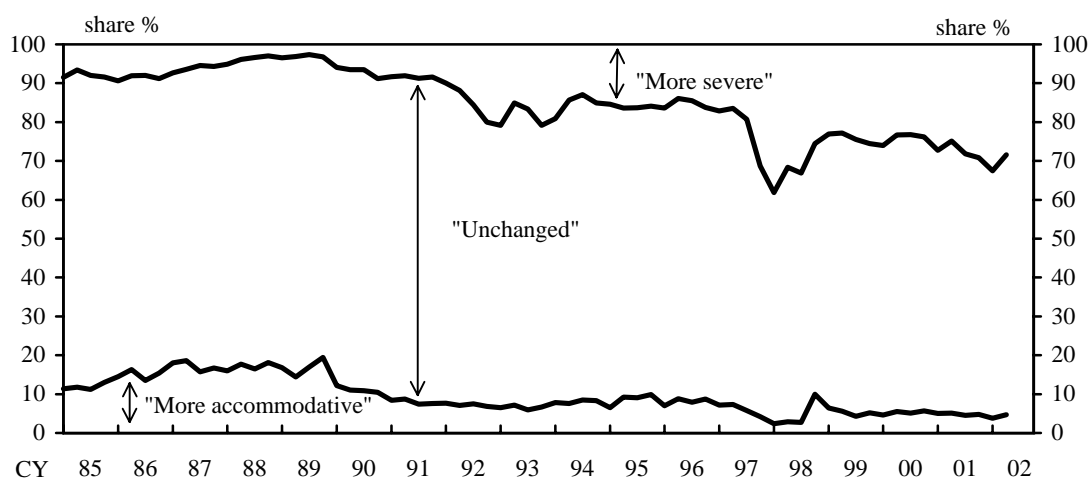
Lending Attitude of Financial Institutions as Perceived by Small Enterprises

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

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

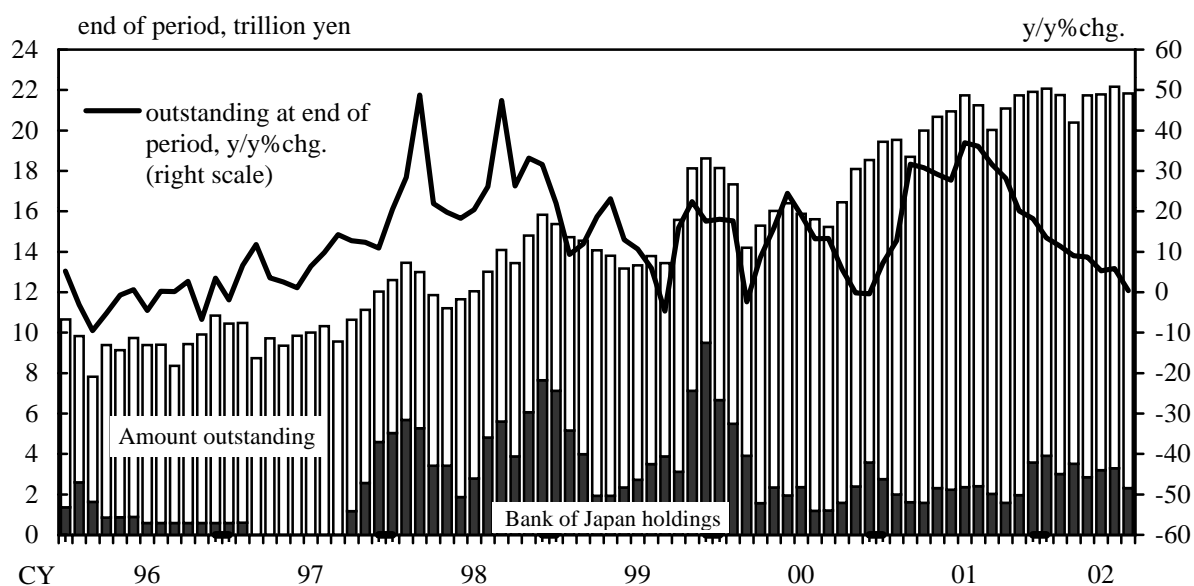


(3) "Quarterly Survey of Small Businesses in Japan" (Mid-June, 2002)



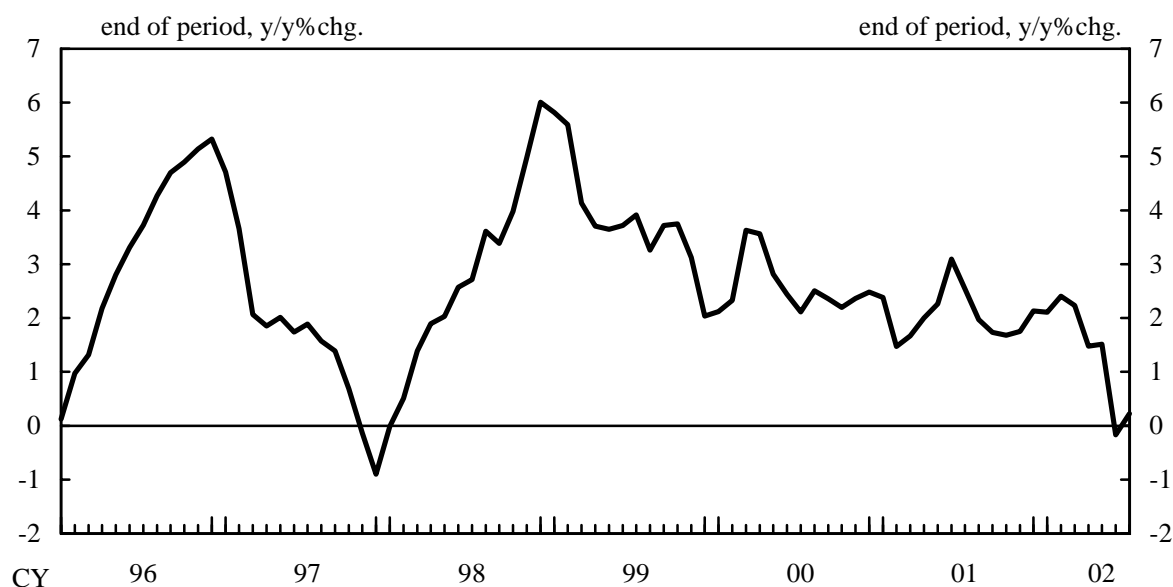
Sources: Bank of Japan, "*Tankan* - Short-Term Economic Survey of Enterprises in Japan";
 Japan Finance Corporation for Small Business, "Monthly Survey on Trends of Small Businesses";
 National Life Finance Corporation, "Quarterly Survey of Small Businesses in Japan."

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/May	Jun.	Jul.
Volume	31,808	27,157	22,730	10,074	7,288	7,355
(previous year)	(20,416)	(21,715)	(35,233)	(9,854)	(15,254)	(4,176)

(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.

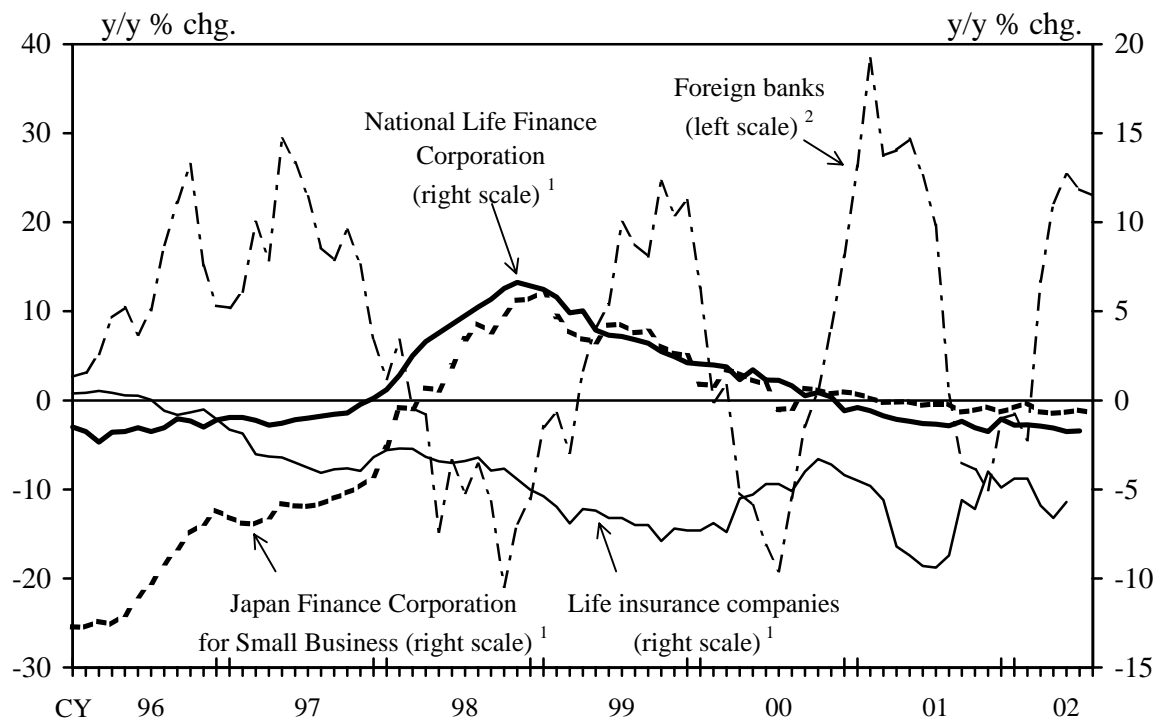
2. Includes straight bonds, convertible bonds, and bonds with warrants.

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."

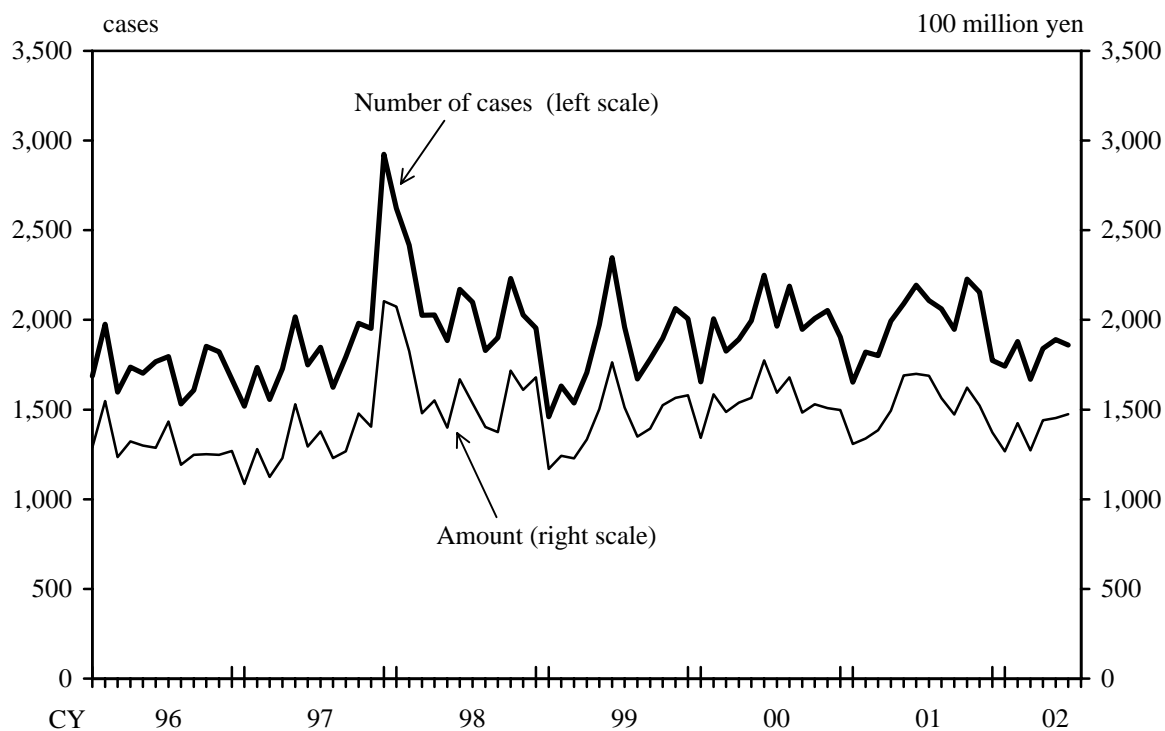
Lending by Other Financial Institutions

(1) Lending Outstanding



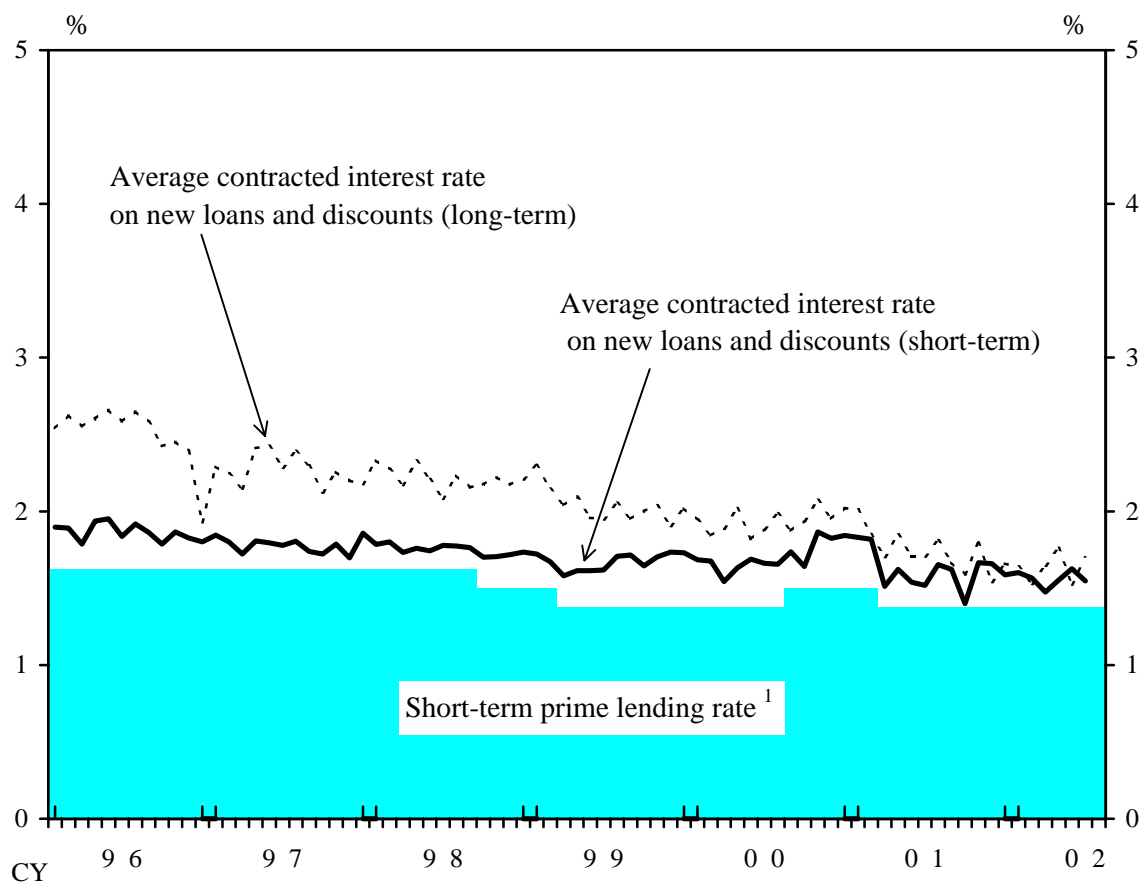
Notes: 1. Data are based on amounts outstanding at end of period.
 2. Data are based on average amounts outstanding.

(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

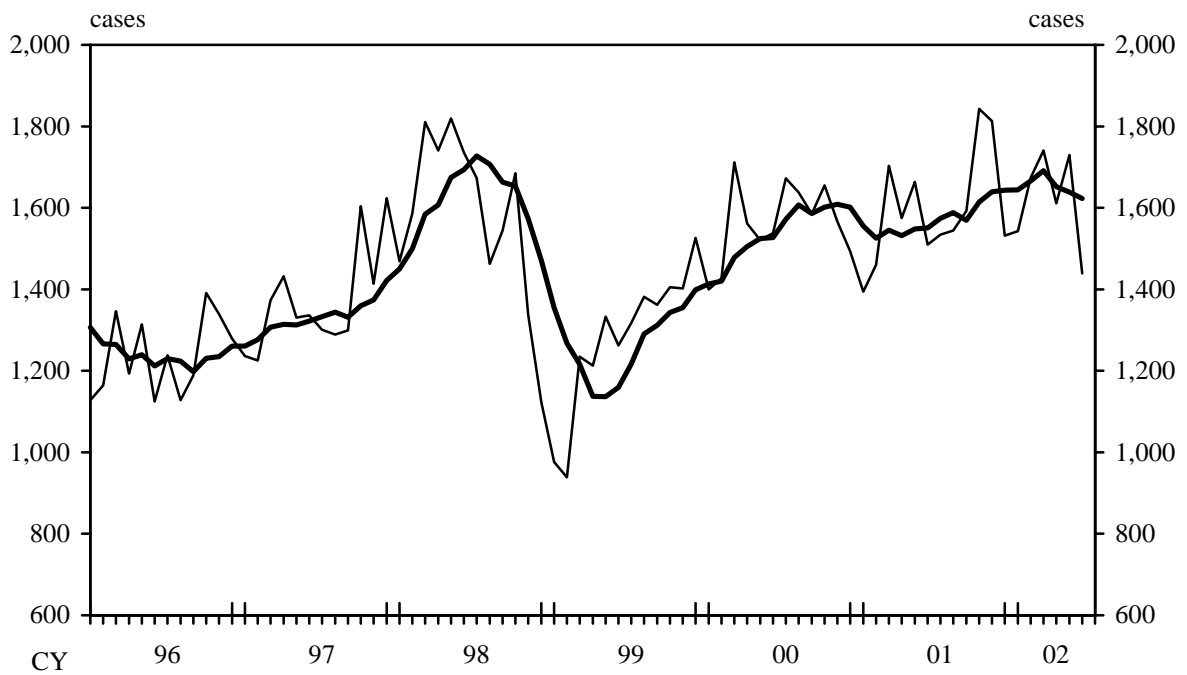


Note: 1. Data are at end of period.

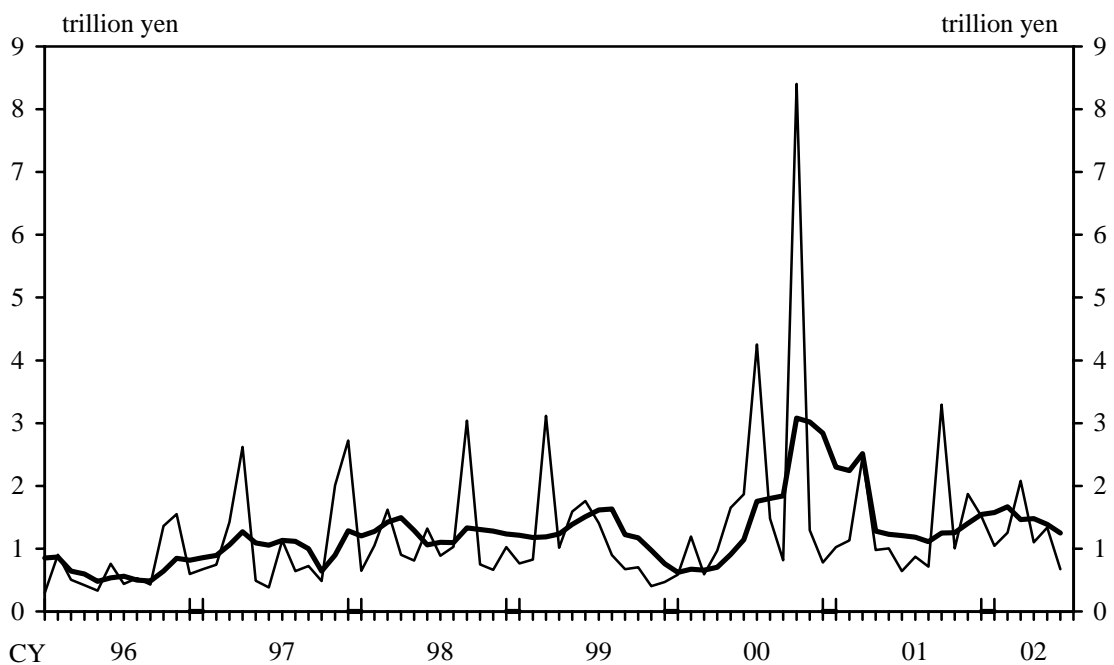
Source: Bank of Japan.

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)."