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Bank of Japan

**Monthly Report of
Recent Economic and Financial Developments**
March 2003

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Monthly Report of Recent Economic and Financial Developments¹

March 2003

The Bank's View²

Economic activity remains flat amid substantial uncertainty about the outlook for the economy.

With regard to final demand, while business fixed investment has been virtually level, private consumption continues to be weak. Moreover, housing investment remains sluggish and public investment is declining. While domestic demand has yet to show signs of recovery, both exports and imports are increasing at a very modest pace with net exports remaining virtually level.

Industrial production continues to be basically level in response to these developments in final demand. As for the employment situation, new job offers are on a gradual rising trend. In addition, the number of employees, which covers various types of employees including non-regular employees such as temporary workers, appears to be declining at a slower pace. However, firms are still maintaining their stance on reducing personnel expenses, and household income continues to decrease significantly due mainly to an ongoing decline in wages. Thus, the employment and income situation of households overall remains severe.

Turning to the economic outlook, a widely shared view of the prospect for overseas economies in 2003 is that, partly due to the continued firmness in Asian economies, they will follow a gradual recovery path. However, their recovery is likely to be anemic, at least for the time being, given the sluggish improvement in the U.S. economy and further weakness in European economies. In this situation, the increase in exports is expected to remain very modest, and industrial production is likely to be more or less unchanged for the immediate future.

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on March 4 and 5, 2003.

² The Bank's view of recent economic and financial developments, determined by the Policy Board at the Monetary Policy Meeting held on March 4 and 5, 2003 as the basis for monetary policy decisions.

With respect to domestic demand, public investment is projected to follow a declining trend, and private consumption is likely to remain weak for some time due to the severe employment and income situation. Business fixed investment is expected to be supported by the improvement in corporate profits to date, but is unlikely to recover clearly for the time being due mainly to substantial uncertainty regarding overseas economies.

Overall, assuming that overseas economies will recover in 2003, albeit only at a moderate pace, the increase in exports will accelerate and the uptrend in production will resume sooner or later, which in turn will initiate the momentum for a recovery. However, the economy is unlikely to show clear signs of recovery for some time, since production is expected to be virtually unchanged for the time being while downward pressures such as excessive labor input and debt persist. Furthermore, the downside risk to the economic outlook for overseas economies continues to require attention, given that there are some uncertain factors including geopolitical developments and their economic implications. On the domestic side, stock prices are weak. Hence, careful monitoring is required of progress in the resolution of the nonperforming-loan problem and its effects on stock prices, corporate finance, and the economy.

On the price front, import prices are on a rising trend with some fluctuations, reflecting developments in prices of overseas commodities such as crude oil. Domestic corporate goods prices have been declining gradually on the whole with the continued fall in machinery prices, despite the rise in import prices and the improved supply-demand balance in materials industries. Consumer prices and corporate services prices have also been declining gradually.

Looking at the conditions influencing price developments, import prices are projected to be firm for the time being due mainly to developments in crude oil prices. On the other hand, factors such as the ongoing technological innovations in machinery and the streamlining of distribution channels will continue to push prices downward. Meanwhile, the overall state of supply and demand is expected to continue exerting downward pressure on prices, with domestic demand continuing to be weak for a while. However, the low levels of inventories and the improvement in the supply-demand balance in materials industries will support prices in corporate transactions. Against

this background, the decline in domestic corporate goods prices is likely to be mitigated in the near term. The pace of year-on-year decline in consumer prices is expected to become somewhat slower, as medical costs are projected to rise from April due to public insurance reforms.

As for the financial environment, the outstanding balance of current accounts at the Bank of Japan is recently moving at around 20 trillion yen, as the Bank provides ample liquidity. Under these circumstances, in the money markets the overnight call rate continues to hover at very close to zero percent. Moreover, longer-term interest rates continue to be at low levels on the whole, and the markets remain steady to date as the fiscal year-end approaches.

Yields on long-term government bonds declined again to the range of 0.7-0.8 percent after moving in the range of 0.8-0.9 percent until mid-February. Yield spreads between private bonds (bank bonds and corporate bonds) and government bonds are contracting slightly.

Stock prices are weakening slightly reflecting the heightened uncertainty about geopolitical developments and uncertainty regarding the domestic economic outlook. The Nikkei 225 Stock Average is recently moving at the 8,000-8,500 yen level.

In the foreign exchange market, the yen is currently traded in the range of 117-119 yen to the U.S. dollar, as the dollar continues to be weak due mainly to greater tension in the Middle East.

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, particularly small ones, are severe. In the corporate bond and CP markets, the issuing environment for firms with high credit ratings is accommodative, but the environment for firms with low credit ratings is severe.

Credit demand in the private sector continues to follow a downtrend mainly because business fixed investment remains sluggish and firms are 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 amount outstanding of corporate bonds and CP issued is moving at around the previous year's level.

Meanwhile, according to business surveys, financial positions of firms, particularly those of small firms, remain severe.

The year-on-year growth rate of the monetary base is around 10 - 15 percent. The year-on-year growth rate of the money stock is around 2.0 percent.

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

Against the above background, the financial developments are summarized as follows. Money market conditions continue to be extremely easy. Long-term interest rates are declining slightly. The money stock and the monetary base maintain high growth rates relative to that of economic activity as a whole. However, stock prices remain weak. In corporate finance, the fund-raising environment of firms with low credit risks is accommodative on the whole, but with regard to firms with high credit risks, the stance of investors is severe and the lending attitudes of private banks continue to be cautious. Developments in the financial and capital markets, the behavior of financial institutions, and the situation of corporate finance continue to require close monitoring.

The Background

1. Japan's Economy

Public investment has been declining (Chart 3). The value of public works contracted—a metric that reflects public orders—remains sluggish owing to the decrease in the FY2002 budget. Moreover, the turnover in public construction, which reflects the actual progress of public works, continues to be at low levels. Public investment is projected to follow a declining trend hereafter.

Real exports continue a very modest uptrend (Charts 4[1] and 5). They decelerated to a quarterly growth of 0.7 percent in the third quarter of 2002, but increased by 2.4 percent in the fourth quarter and 0.6 percent in January 2003 from the fourth quarter. In January, by region, (Chart 5[1]), exports to East Asia continued high growth, especially to China. This was because domestic demand in this region was firm and because the international division of labor with Japan continued to progress.³ On the other hand, exports to the United States dropped in January, since the effects from restocking of automobiles in the fourth quarter dissipated. Meanwhile, exports to the EU increased in January due mainly to shipments of vessels, even though the region's economy is decelerating.

By goods (Charts 5[2], 6[1], and 7), intermediate goods (iron and steel, chemicals, etc.) picked up in January, mainly in exports to China, which had declined in the fourth quarter from the safeguard measures designed to protect its steel industry. Meanwhile, exports of IT-related goods have been declining, reflecting the delay of the recovery in business investment in the United States.⁴ However, the substantial decline in IT-related exports in January was partially a result of monthly fluctuations.

³ This year, the Lunar New Year holidays fell on the start of February for most of the East Asian countries. The increase in exports in January is likely to have been overstated, as shipments were front-loaded prior to this celebration. As the exact date of the Lunar New Year differs by year (for example, mid-February in 2002), seasonal adjustment cannot exclude these fluctuations in exports.

⁴ According to the *WSTS'* (World Semiconductor Trade Statistics) *Semiconductor Forecasts* (Chart 6[2]), global shipments of semiconductors recorded a high growth of 9.2 percent in the fourth quarter of 2002 on a quarter-on-quarter basis, but have decelerated thereafter, marking +4.4 percent in the third quarter, -0.1 percent in the fourth quarter, and +0.6 percent in January compared to the fourth quarter.

Real imports, similar to exports, continue a very modest uptrend (Charts 4[1] and 8). They increased by 3.4 percent in the third quarter of 2002 and continued to rise by 1.7 percent in the fourth quarter and 0.6 percent in January 2003 from the fourth quarter (on a quarter-on-quarter basis). By region (Chart 8[1]), imports from East Asia maintained steady growth in January, especially in IT-related goods. Also, those from the United States exhibited high growth in January in reaction to the slump in the fourth quarter caused by the west coast shipping disruption. In contrast, imports from the EU dropped in January in reaction to the upsurge during the second half of last year.

Net exports (real exports minus real imports), in terms of the real trade balance (Chart 4[2]),⁵ have been flat on average since the third quarter of 2002, as both real exports and imports are increasing at a very modest pace. The surplus of the nominal balance on goods and services was also virtually level, reflecting the developments in net exports.

Regarding the outlook for overseas economies, a widely shared prospect is that the economy will follow a gradual recovery path throughout this year. However, as for the current developments (Charts 9-1[2] and 9-2), although some East Asian economies, notably China and South Korea, continue to be firm, the recovery in the U.S. economy is slowing and the European economies appear to be weakening further. In addition, uncertainty about geopolitical developments and their effects on overseas economies are rising even further. Anecdotal information obtained from Japanese firms also indicates that many firms are uncertain about the outlook for future exports.

Assuming that overseas economies will recover moderately, exports are projected to increase again at some stage. However, the path to recovery is unclear at this present stage. For the time being, exports are expected to increase at the current slow pace and the likelihood and timing of a recovery is likely to remain uncertain. Moreover, since final demand and production are expected to stay more or less unchanged, imports are likely to increase very slowly for the time being, even taking

⁵ Strictly speaking, the real trade balance presented in Chart 4(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.)

into account the structural factor of an increase in imports from China. These prospects for exports and imports suggest that net exports will basically be level for the time being.

Business fixed investment has almost stopped declining against the background of the improvement in corporate profits. Shipments and aggregate supply of capital goods (excluding transport equipment),⁶ a coincident indicator of machinery investment, were more or less level, although they increased in January due mainly to intensive shipments of computers (Chart 10-1[1]). As for leading indicators, machinery orders (private demand, excluding shipbuilding and electric power equipment; Chart 10-2[1]) increased temporarily in the second quarter of 2002, but inched down in the third quarter and were basically level in the fourth quarter. Forecasts for machinery orders in the first quarter of 2003 showed an increase in manufacturing, but a decrease in nonmanufacturing. This implies a small likelihood of an early recovery in business fixed investment. Construction starts (private, nondwelling use; Chart 10-2[2]), another leading indicator, have been level on the whole.

In sum, as for the outlook for business fixed investment, the investment stances of firms are unlikely to become positive in the near future. This is because excess capacities will persist among firms, and substantial uncertainty regarding exports is likely to keep production more or less unchanged for the time being (Chart 10-1[2]).

Private consumption remains weak amid the severe employment and income situations of households. Many indicators for the developments in December 2002 declined somewhat substantially, but those for January picked up as a whole. On average, there is no distinct change in the underlying trend of private consumption.

In detail (Charts 11-1 and 11-2), the number of new passenger-car registrations has been steady again since January, supported by the introduction of new models, after the temporary drop in December 2002. Sales at department stores and supermarkets

⁶ 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*.

decreased in December due mainly to the effects from bad weather and in reaction to the front-loading of year-end gift-giving sales in November, but recovered to some extent in January, reflecting favorable results of clearance sales of winter apparel. Sales at convenience stores basically continued to follow their trend to date. The uptrend in sales of household electrical appliances (NEBA statistics; real basis) began to peak in the fourth quarter of 2002, but picked up in January with the effects from the introduction of spring PC models. As for services consumption, sales in the food services industry seem to have peaked since mid-2002, while outlays for travel during the end and start of the year seemed to have rebounded. The underlying trend of indices of aggregated sales (Chart 11-3)⁷—which are comprised of many sales indicators, including those mentioned above—was basically unchanged. Similarly, for aggregate supply of consumer goods (Chart 11-4), the underlying trend was also unchanged.

As for consumer sentiment, the number of somewhat weak indicators is increasing (Chart 12).

Reflecting the harsh employment and income situation, private consumption is likely to be lackluster for some time.

Housing investment remains sluggish (Chart 13) and is likely to remain stagnant, since no supporting factors in particular can be seen under the severe employment and income situations of households.

Industrial production (Chart 14[1]) increased in January by 0.6 percent compared to the fourth quarter of 2002 after it inched down by 1.0 percent in the fourth quarter on a quarter-on-quarter basis. Therefore, production is judged to remain virtually level.⁸

⁷ 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 the notes in Chart 11-3.

⁸ As for indices of industrial production, the base year is scheduled to change from 1995 to 2000 from April. In line with this switchover, figures of the statistics will also be revised retroactively.

Inventories (Charts 14 and 16) were at considerably low levels due mainly to the cautious stance of firms on production. These developments imply that production is unlikely to regain momentum. At the same time, this also indicates that the adjustment pressure on inventories has not been accumulated, and that the risks of a vicious spiral in the business cycle are small unless final demand falls into a slump.

As for the outlook for industrial production, it is hard to expect a self-sustaining recovery in domestic demand, but the low inventory levels can prevent the decline in production. Hence, changes in the current underlying trend of production seem to depend largely on exports. Assuming that overseas economies will recover in 2003, albeit only at a moderate pace, industrial production is expected to turn up at some stage. It will, however, remain virtually unchanged for the time being, since there is substantial uncertainty regarding this assumption at this present stage. Projection for the first quarter using production forecast indices of February and March shows that production will be virtually level, with an increase of 0.5 percent on a quarter-on-quarter basis. Anecdotal information obtained from Japanese firms also shows that production for the first quarter is basically level. Furthermore, firms took a cautious stance on production for the second quarter, projecting that it will remain virtually unchanged due mainly to substantial uncertainty about geopolitical developments.

As for the employment and income situation, the number of new job offers is on a gradual rising trend (Chart 18-1[2]). Moreover, the number of employees in the *Labour Force Survey*, which covers various types of employees including non-regular employees such as temporary workers, appears to be declining at a slower pace (Chart 18-2[1]). However, since firms are maintaining their stances on reducing personnel expenses, the number of regular employees published in the *Monthly Labour Survey*, in which regular employees have more share compared to the *Labour Force Survey*, kept declining, and the pace has not yet clearly slowed (Chart 18-2[2]). Moreover, wages continued to fall and household income was notably on the decline (Chart 17). In sum, the employment and income situations of households remain severe.

Looking at nominal wages per employee on a year-on-year basis (Chart 17[2]), special payments during November-January, which can generally be regarded as winter bonuses, registered another large decline of 5.3 percent on a year-on-year basis,

although the decline was not as significant as that of summer bonuses last year (-9.6 percent on a year-on-year basis for special payments from June to August). Regular payments continued to decline due to a restraint on the base-pay hike, but the year-on-year rate of decline has recently been contracting, assisted by the rise in the ratio of part-time workers coming to a halt.⁹ Meanwhile, overtime payments were above the previous year's level, but their contribution to overall wages was small. Household income is expected to continue decreasing markedly for some time.

Meanwhile, the unemployment rate (Chart 18-1[1]) remains high; it reached the historical high of 5.5 percent in January. In particular, the number of those involuntarily unemployed remained high.

2. Prices

Import prices on a yen basis are on a rising trend compared to levels three months ago, reflecting the developments in prices of overseas commodities such as crude oil, although they weakened temporarily in January (Chart 20).

Domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates)¹⁰ have been declining gradually compared to levels three months ago (Chart 21). In detail, although the uptrend in import prices, mainly in crude oil, and the improvement in the supply and demand balance in materials such as iron and steel, chemicals, and paper-pulp had been exerting upward pressure on prices, machinery prices continued to fall markedly.

⁹ In January 2002, the triennial sample change of the *Monthly Labour Survey* (establishments with 30 or more employees) caused the ratio of part-time workers to surge discontinuously. As the influence from this sample change disappeared, the increase in the ratio of part-time workers has become small on a year-on-year basis from January 2003.

¹⁰ The figures are adjusted to exclude a large seasonal fluctuation in electric power charges in order to observe the underlying changes in domestic corporate goods prices. Industrial and commercial electric power consumption charges are set relatively high during July-September, when consumption increases substantially.

Corporate services prices (domestic supply-demand factors; same hereafter) are declining slowly compared to three months ago (Chart 22). In detail, prices for advertising services (TV/radio advertising), which had been rising since November due to steady sales of TV commercials, seem to have begun to peak. Furthermore, prices of general services (security and temporary worker services) continued to decline because of firms' intentions to reduce business costs, and prices of leasing and rentals also dropped due to the decline in equipment prices. On a year-on-year basis, the rate of decrease in corporate services prices has recently dipped slightly below 1 percent.

Consumer prices (excluding fresh food; same hereafter) continue to decline slowly (Chart 23). In January, the rate of decline expanded marginally on a year-on-year basis due mainly to clearance sales of winter apparel; -0.7 percent in December and -0.8 percent in January. However, the developments in goods prices during the past year showed that the year-on-year rate of decline has been basically contracting, albeit very slowly. This trend is apparent in imported products and their substitutes, since imports of consumer goods seem to have peaked (Chart 24[1]). These movements may indicate that business strategies for lower pricing are becoming less notable compared to 2000-2001.

On the other hand, general services remained almost level, and public utility charges had been declining mainly due to the reduction in electricity charges in 2002.

Looking at the conditions influencing price developments, import prices are projected to be firm for the time being due mainly to developments in crude oil prices. On the other hand, factors such as the ongoing technological innovations in machinery and the streamlining of distribution channels will continue to push prices downward. Meanwhile, the overall state of supply and demand is expected to continue exerting downward pressure on prices, with domestic demand continuing to be weak for a while. However, the low levels of inventories and the improvement in the supply-demand balance in materials industries will support prices in corporate transactions. Against this background, the decline in domestic corporate goods prices is likely to be mitigated in the near term. The pace of year-on-year decline in consumer prices is expected to become somewhat slower, as medical costs are projected to rise from April due to public insurance reforms.

3. Financial Developments

(1) Financial Markets

The outstanding balance of the current accounts at the Bank of Japan is recently moving at around 20 trillion yen, as the Bank provides ample liquidity (Chart 27).

As for interest rate developments in the money markets, the overnight call rate (uncollateralized; Chart 25[1]) continues to hover at very close to zero percent. Moreover, longer-term interest rates (Chart 26) continue to be at low levels on the whole, and the money markets remain steady to date as the year-end approaches.

In the government bond market, yields on 10-year government bonds (newly issued 10-year JGB; Chart 25[2]) were mixed and moving in the range of 0.8-0.9 percent until mid-February due to anxiety over the 20-year JGB auctions. Thereafter, they dropped back to the 0.7-0.8 percent range, reflecting a decline in overseas interest rates and a weakening of domestic and foreign stock prices.

Yield spreads between private bonds (bank bonds and corporate bonds) and government bonds (Charts 29 and 30) have contracted slightly as demand of institutional investors for the bonds has increased. However, yield spreads between corporate bonds with low credit ratings and government bonds remain wide, as the market is still cautious about the credit risks involved.

Stock prices (Chart 31) are weakening slightly reflecting the heightened uncertainty about geopolitical developments and uncertainty regarding the domestic economic outlook. The Nikkei 225 Stock Average is recently moving at the 8,000-8,500 yen level.

In the foreign exchange market (Chart 32), the yen is currently traded in the range of 117-119 yen to the U.S. dollar, as the dollar continues to be weak due mainly to greater tension in the Middle East.

(2) Monetary Aggregates and Corporate Finance

The year-on-year growth of the monetary base (currency in circulation + current account balances at the Bank of Japan) is around 10 - 15 percent. (The year-on-year change was 19.5 percent in December, 13.4 percent in January, and 12.6 percent in February; Chart 33.)

The year-on-year growth rate of the money stock (M_2 + CDs) is around 2.0 percent. (The year-on-year change was 3.2 percent in November, 2.1 percent in December, and 2.0 percent in January; Chart 34.) M_1 continued its high growth reflecting the strong preference for liquid assets, but the growth rate is slowing somewhat. (The year-on-year change was 28.7 percent in November, 25.2 percent in December, and 23.6 percent in January.)

In terms of the ratio to nominal GDP, the monetary base remains at an extremely high level and the money stock is increasing.

Meanwhile, with regard to corporate finance, private banks remain cautious in extending loans to firms with high credit risks and are inclined to charge a high 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, particularly small ones, are severe. In the corporate bond and CP markets, the issuing environment for firms with high credit ratings is accommodative, but the environment for firms with low credit ratings is severe.

Credit demand in the private sector continues to follow a downtrend mainly because business fixed investment remains sluggish and firms are 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,

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.

continues to decline by about 2-3 percent on a year-on-year basis. (The year-on-year change was –2.4 percent in November, –2.4 percent in December, and –2.3 percent in January; Chart 35.) The amount outstanding of corporate bonds and CP issued is moving at around the previous year’s level (Chart 37).

Funding costs for firms continue to be at extremely low levels on the whole. The average contracted interest rates on new loans and discounts, with the monthly fluctuations averaged, are more or less unchanged (Chart 39). 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 high.

Meanwhile, according to business surveys, financial positions of firms, particularly those of small firms, remain severe.

The number of corporate bankruptcies is recently moving somewhat below the previous year’s level (Chart 40).

Against the above background, the financial developments are summarized as follows. Money market conditions continue to be extremely easy. Long-term interest rates are declining slightly. The money stock and the monetary base maintain high growth rates relative to that of economic activity as a whole. However, stock prices remain weak. In corporate finance, the fund-raising environment of firms with low credit risks is accommodative on the whole, but with regard to firms with high credit risks, the stance of investors is severe and the lending attitudes of private banks continue to be cautious. Developments in the financial and capital markets, the behavior of financial institutions, and the situation of corporate finance continue to require close monitoring.

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Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2002/Q2	Q3	Q4	2002/Nov.	Dec.	2003/Jan.	Feb.
Index of living expenditure level (all households)	-0.9	1.3	-2.6	-2.5	-4.2	n.a.	n.a.
Sales at department stores	-0.8	-0.6	-1.2	2.7	-3.8	2.7	n.a.
Sales at supermarkets	2.1	-1.3	-1.5	3.4	-5.5	1.7	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 314>	< 319>	< 329>	< 342>	< 307>	< 320>	< 331>
Sales of household electrical appliances (real, NEBA)	2.9	2.2	1.6	0.5	-2.6	6.1	n.a.
Outlays for travel (50 major travel agencies)	0.7	0.1	2.4	-2.3	7.9	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	< 118>	< 112>	< 114>	< 111>	< 112>	< 120>	<n.a.>
Machinery orders (from private sector ⁴)	7.1	-1.7	0.3	-0.2	5.2	n.a.	n.a.
Manufacturing	4.6	-0.6	3.9	-12.6	6.5	n.a.	n.a.
Nonmanufacturing ⁴	7.1	0.1	-4.3	8.5	4.7	n.a.	n.a.
Construction Starts (private, nonresidential use)	6.6	-6.7	8.4	-6.5	-14.3	13.8	n.a.
Mining & manufacturing	10.5	-15.4	18.7	4.2	9.6	-13.4	n.a.
Nonmanufacturing ⁵	5.6	-4.2	5.3	-9.6	-19.0	24.7	n.a.
Value of public works contracted	-0.6	-5.8	0.8	-3.8	3.2	-1.8	n.a.
Real exports	7.8	0.7	2.4	5.8	-2.9	0.8	n.a.
Real imports	2.6	3.4	1.7	7.9	1.1	-2.6	n.a.
Industrial production	3.8	2.2	-1.0	-1.6	-0.4	p 1.5	n.a.
Shipments	4.3	1.8	-0.3	-0.8	-2.2	p 2.6	n.a.
Inventories	-3.0	0.2	-0.7	-2.4	1.2	p 0.8	n.a.
Inventory Ratio <s.a., CY 1995=100>	<101.4>	<100.9>	<101.3>	<98.9>	<101.3>	<p 100.3>	<n.a.>
Real GDP	1.3	0.7	0.5	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.2	0.6	-1.0	-0.8	-0.6	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2002/Q2	Q3	Q4	2002/Oct.	Nov.	Dec.	2003/Jan.
Ratio of job offers to applicants <s.a., times>	<0.52>	<0.54>	<0.57>	<0.56>	<0.57>	<0.59>	<0.60>
Unemployment rate <s.a., %>	<5.4>	<5.4>	<5.4>	<5.5>	<5.3>	<5.3>	<5.5>
Overtime working hours ⁶	-2.2	2.7	5.9	4.7	6.5	6.4	p 5.6
Number of employees	-1.2	-0.1	-0.4	-0.5	-0.4	-0.2	-0.3
Number of regular employees ⁶	-0.5	-0.7	-0.8	-0.8	-0.8	-0.7	p -0.6
Nominal wages per person ⁶	-2.6	-3.5	-1.7	-0.5	-0.8	-2.7	p -1.4
Domestic corporate goods price index ⁷ <q/q % chg.> (3-month growth rate)	-2.2 <-0.2>	-1.9 <-0.4>	-1.2 <-0.2>	-1.4 <-0.3>	-1.2 <-0.2>	-1.2 <-0.2>	p -1.0 <p -0.2>
Consumer price index ⁸ <s.a., q/q % chg.> (3-month growth rate)	-0.9 <-0.3>	-0.9 <-0.2>	-0.8 <-0.1>	-0.9 <-0.3>	-0.8 <-0.1>	-0.7 <-0.0>	-0.8 <-0.1>
Corporate service price index ⁹ <s.a., q/q % chg.> (3-month growth rate)	-1.2 <-0.2>	-1.2 <-0.2>	-1.0 <-0.2>	-1.1 <-0.2>	-1.0 <-0.2>	-0.7 <-0.1>	-0.8 <-0.1>
Monetary aggregates (M2+CDs) <average outstanding, y/y % chg.>	3.5	3.3	2.9	3.3	3.2	2.1	2.0
Number of suspension of transactions with banks	-9.4	-7.7	-17.9	-19.5	-24.2	-8.8	-24.8

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.

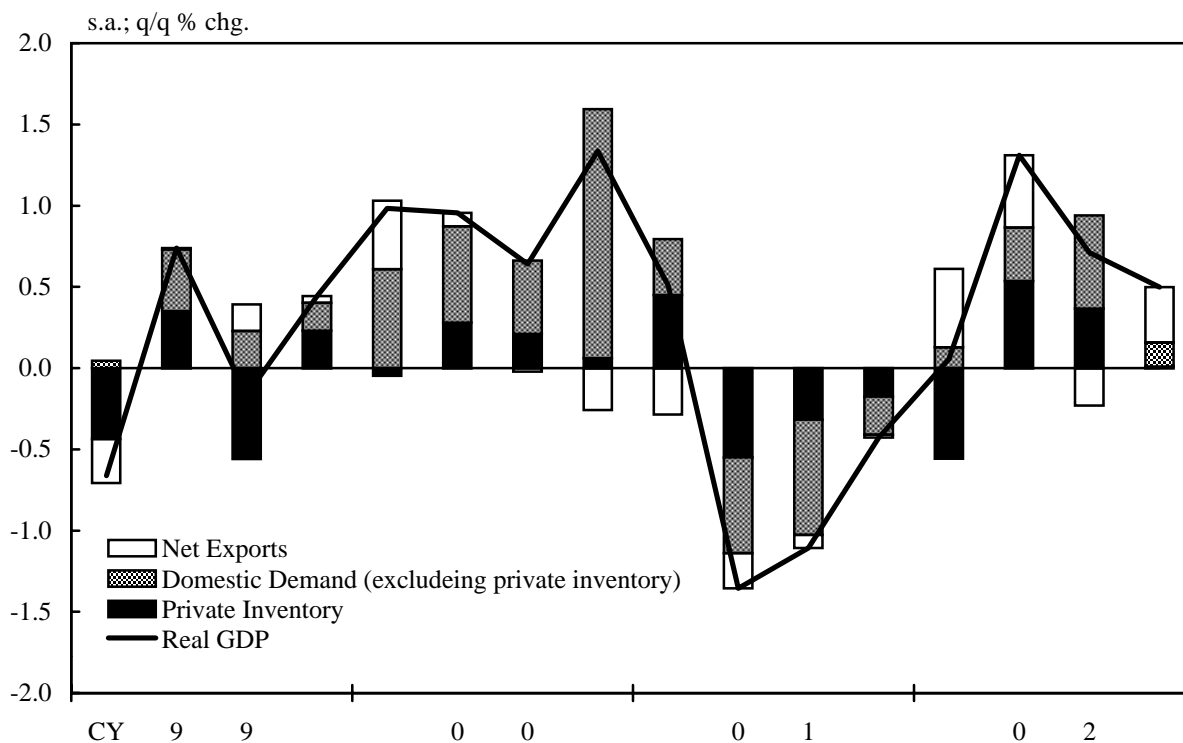
All figures in chart 1-2 except figures in angle brackets are year on year change. For details on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes of respective charts.

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, "Corporate Goods Price Index," "Wholesale Price Indexes," "Corporate Service Price Index," "Financial and Economic Statistics Monthly"; Japanese Bankers Associations, "Suspension of Transaction with Banks."

Real GDP

(1) Changes from the previous quarter (seasonally adjusted series)



Note: The figures include "reference series" for 1994/Q1-1999/Q4.

(2) Components

s.a.; q/q % chg.

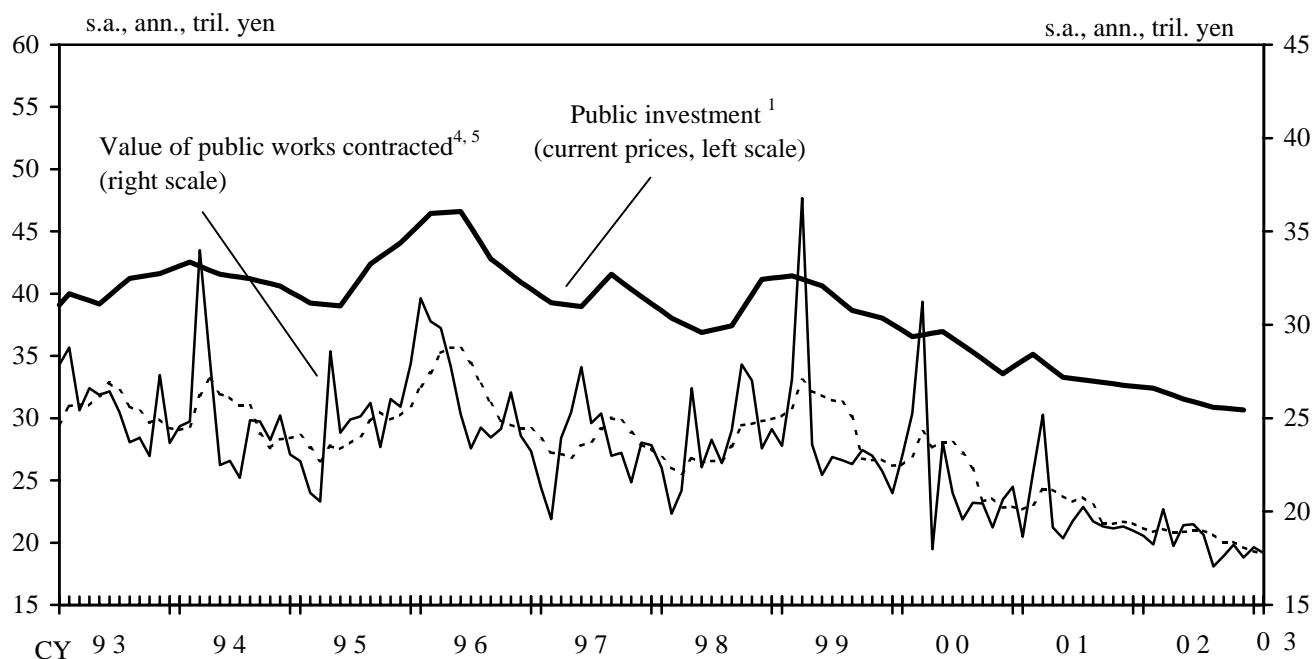
	2001	2002			
	Q4	Q1	Q2	Q3	Q4
Real GDP	-0.4	0.1	1.3	0.7	0.5
Domestic Demand	-0.4	-0.4	0.9	1.0	0.2
Private Consumption	0.6	0.4	0.4	0.8	0.1
Non-Resi. Investment	-4.7	-0.8	1.3	0.8	1.0
Residential Investment	0.2	-2.8	-0.3	0.3	-0.9
Private Inventory	(-0.2)	(-0.6)	(0.5)	(0.4)	(0.0)
Public Demand	0.9	0.5	-0.5	0.0	-0.2
Public Investment	-0.8	0.1	-2.1	-1.7	-0.5
Net Exports of goods and services	(-0.0)	(0.5)	(0.4)	(-0.2)	(0.3)
Exports	-1.6	5.4	6.9	0.1	4.5
Imports	-1.7	0.8	3.5	2.8	1.9

Note: Figures shown in parentheses indicate the contributions to changes in GDP.

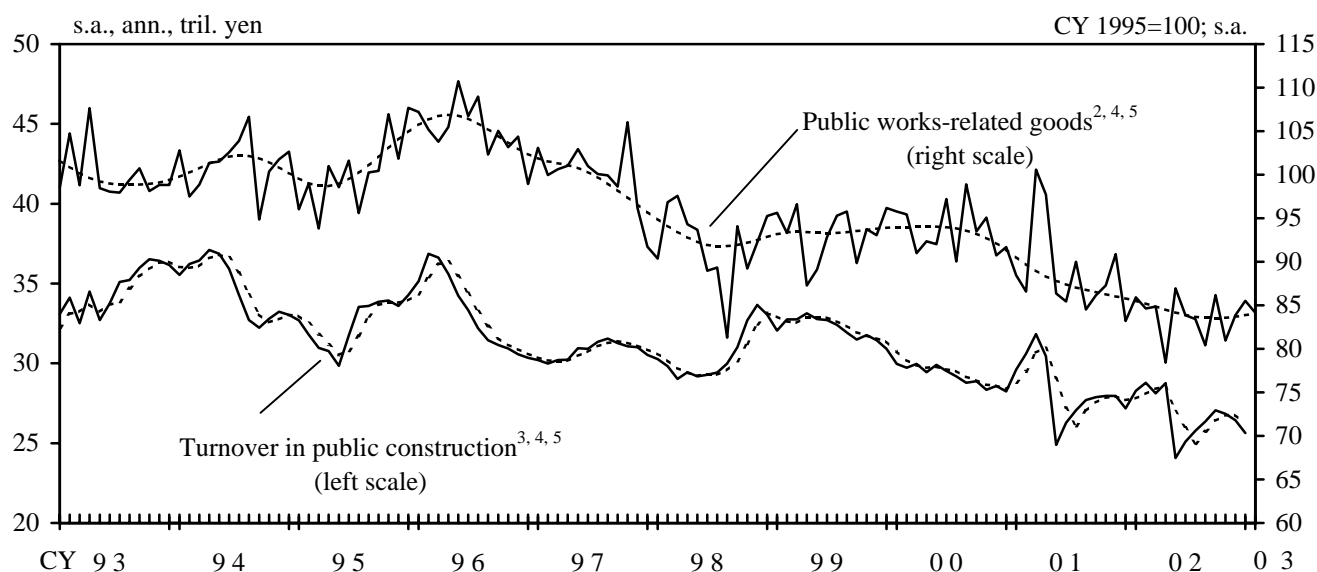
Source: Cabinet Office, "National Accounts."

Public Investment

(1) Value of Public Works Contracted and Public Investment



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



Notes: 1. Quarterly basis public investment is plotted at the middle month of each quarter. The figures include "reference series" for 1994/Q1-1999/Q4.

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 in 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 in 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 in public construction is the 3 months moving average.

Sources: Cabinet Office, "National Accounts";

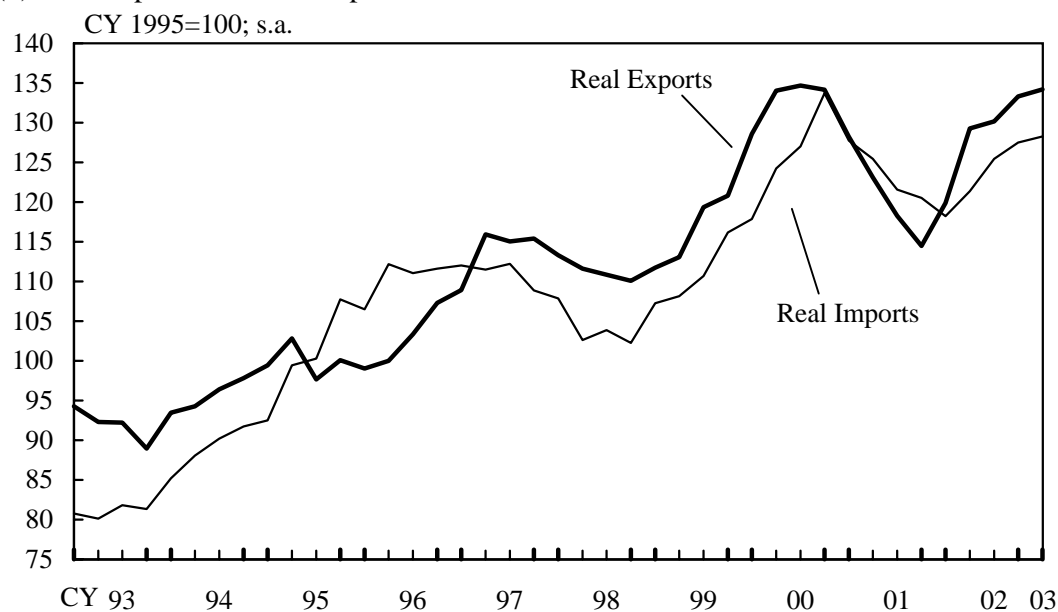
Surety Association for Construction Companies, "Public Works Prepayment Surety Statistics";

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

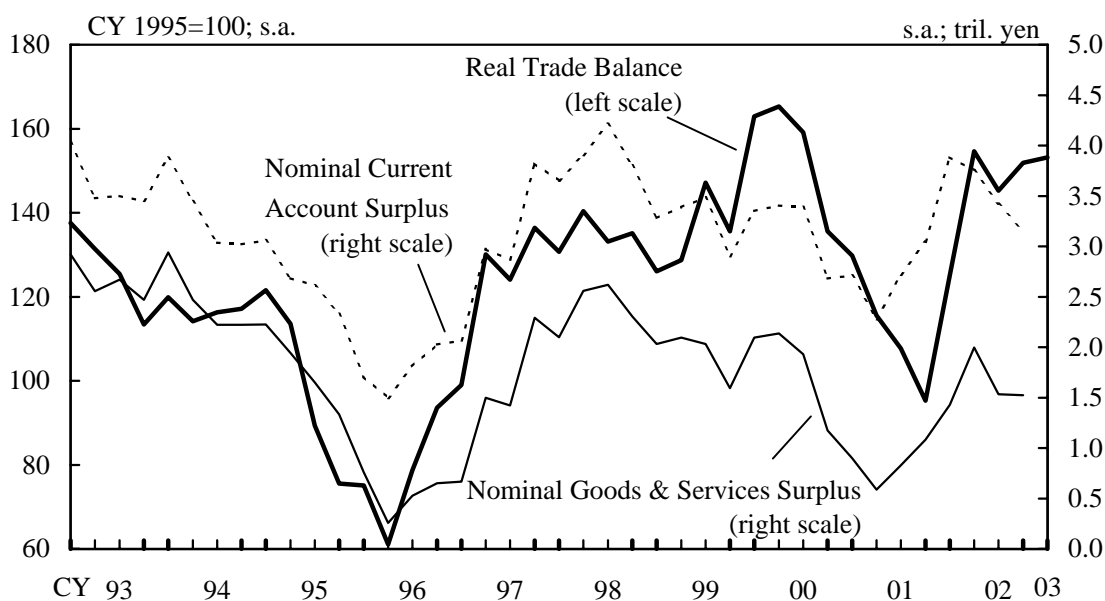
Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

 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, indexed with base year of 1995.

Real exports/imports are "The Value of Exports and Imports in Trade Statistics" deflated by the "Export and Import Price Index." On and after December 2002, deflators are calculated by extending the 1995 base WPI using monthly changes of the 2000 base CGPI. All the deflators are similarly calculated in the following figures.

2. Real exports/imports and the real trade balance are seasonally adjusted by X-12-ARIMA. 2003/Q1 figures are January figures converted into quarterly amount.
3. Balance of payments data up to 1995/Q4 are old basis.

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

Real Exports ¹

(1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 2001	2002	2002 Q1	Q2	Q3	Q4	2003 Q1	2002 Nov.	Dec.	2003 Jan.
United States	<28.5>	-8.5	-0.5	4.4	1.5	-0.6	2.5	-6.0	16.7	-8.2	-5.3
EU	<14.7>	-10.9	-2.5	-6.2	9.8	6.1	0.1	8.2	5.4	-5.6	10.5
East Asia	<41.6>	-9.7	16.3	7.5	12.1	4.3	2.3	8.3	0.5	-0.0	8.1
China	<9.6>	11.6	35.4	17.8	13.3	11.0	1.8	20.4	0.2	-4.8	24.3
NIEs	<22.7>	-15.8	13.3	5.8	12.1	2.9	3.5	4.5	3.1	1.1	2.6
Korea	<6.9>	-9.1	18.3	2.8	13.8	6.0	5.7	9.6	4.6	0.5	7.7
Taiwan	<6.3>	-25.7	13.9	6.7	12.4	2.2	0.5	4.1	4.0	2.5	1.1
ASEAN4 ³	<9.3>	-8.1	8.6	3.3	10.8	1.4	0.1	5.3	-5.1	2.0	5.8
Thailand	<3.2>	-4.0	15.8	-1.5	16.2	10.1	3.7	4.1	1.6	-1.0	4.2
Real exports		-9.1	6.1	4.7	7.8	0.7	2.4	0.6	5.8	-2.9	0.8

(2) Breakdown by goods

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 2001	2002	2002 Q1	Q2	Q3	Q4	2003 Q1	2002 Nov.	Dec.	2003 Jan.
Intermediate goods	<15.3>	-3.5	8.5	5.6	3.7	0.1	-3.2	7.2	6.7	-3.0	7.1
Motor vehicles and their related goods	<24.3>	-0.0	12.7	5.8	4.2	-0.5	4.6	2.6	13.3	-0.0	-1.4
Consumer goods ⁴	<7.1>	-6.3	8.9	4.5	8.6	2.2	7.5	-2.1	15.3	-16.4	5.5
IT-related goods ⁵	<14.8>	-12.0	-0.8	-5.9	17.0	8.6	0.9	-7.7	1.6	-3.9	-5.7
Capital goods and parts ⁶	<27.3>	-14.9	5.6	6.2	9.2	2.4	4.0	1.0	0.6	1.9	-0.4
Real exports		-9.1	6.1	4.7	7.8	0.7	2.4	0.6	5.8	-2.9	0.8

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2003/Q1 figures are January figures converted into quarterly amount.

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.

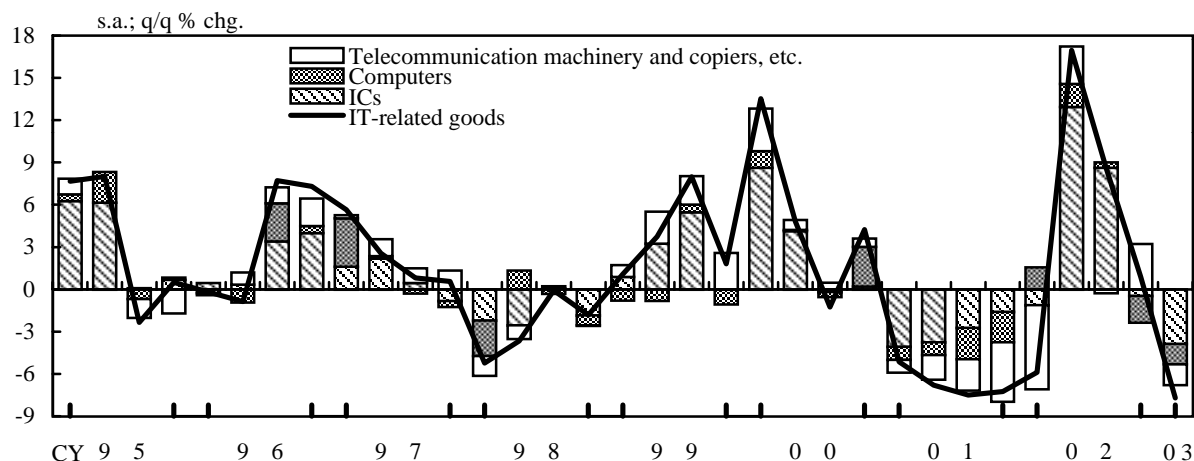
5. IT-related goods are composed of automatic data processing machinery, telecommunication machinery, ICs and medical and optical instruments.

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

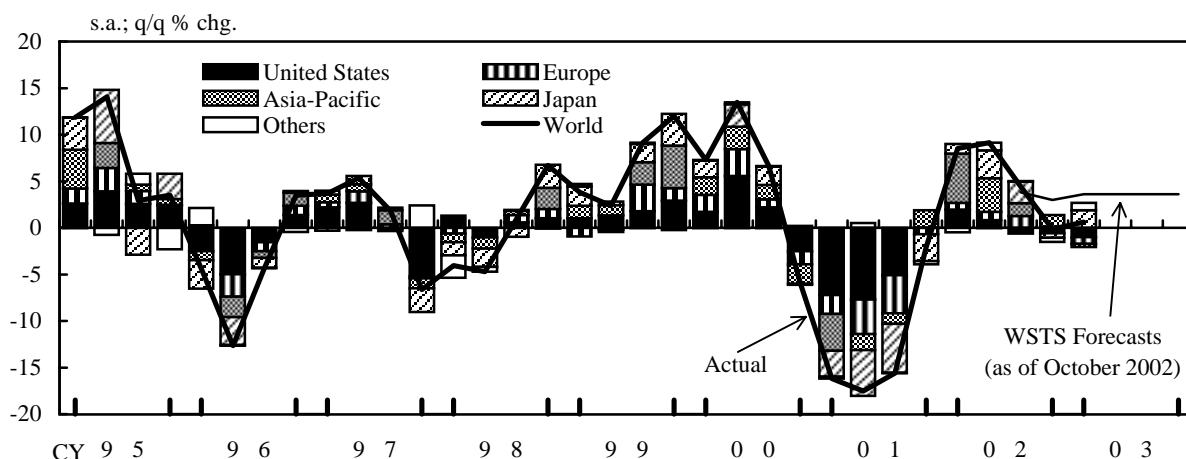
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Wholesale Price Indexes," "Corporate Goods Price Index."

Exports and Imports of IT-related goods

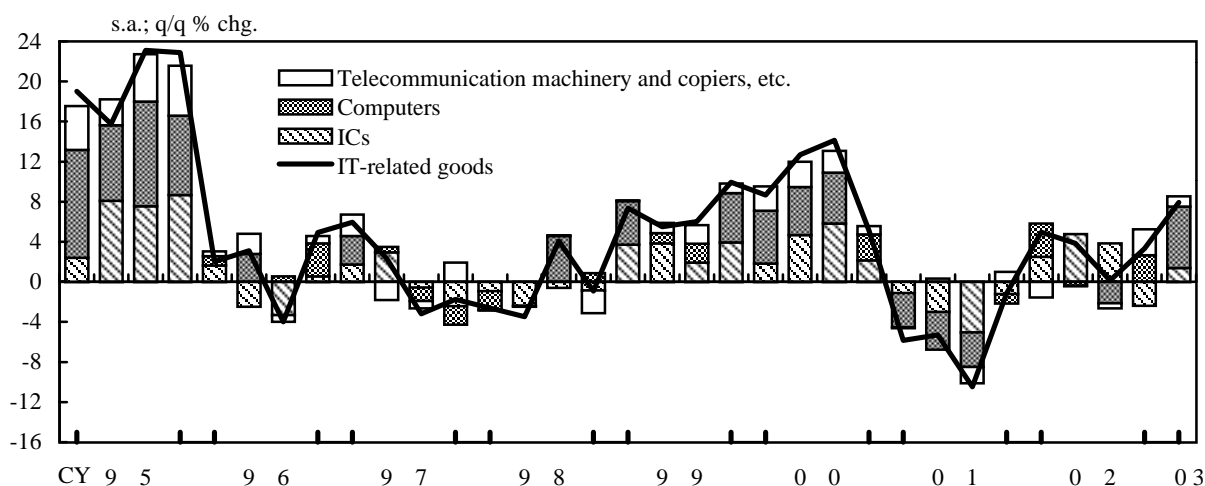
(1) Exports of IT-related goods (real, breakdown by goods)



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



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



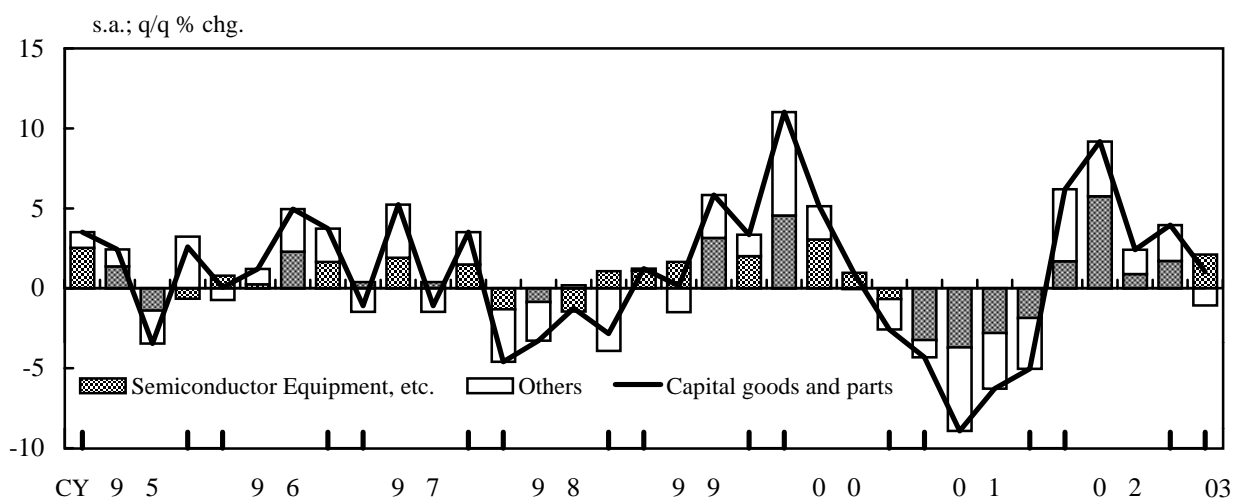
Notes: 1. Seasonally adjusted by X-12-ARIMA.

2. 2003/Q1 figures are January figures converted into quarterly amount.

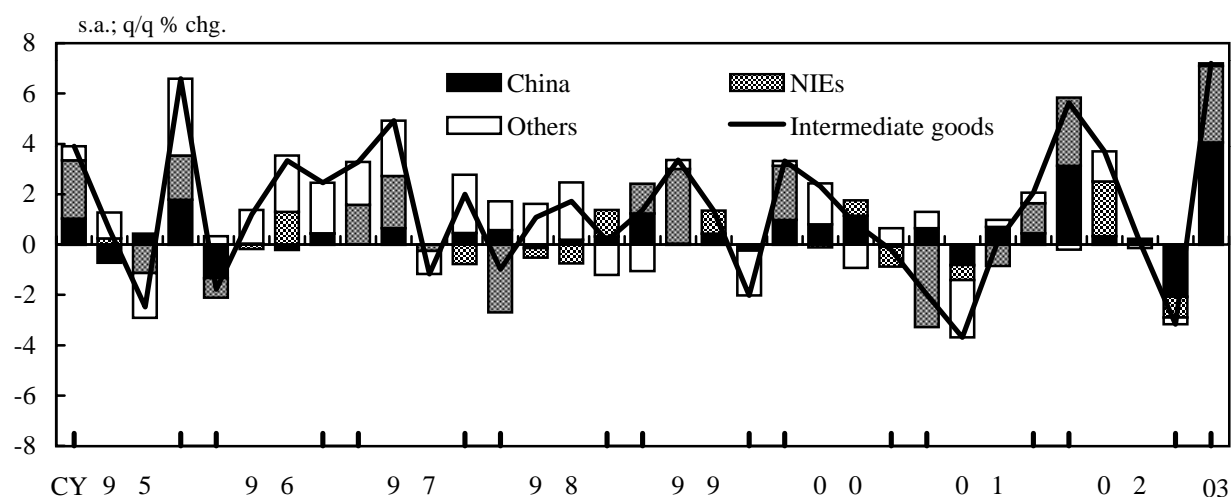
Sources: Ministry of Finance, "The Summary Report on Trade of Japan";
 Bank of Japan, "Wholesale Price Indexes," "Corporate Price Index";
 WSTS (World Semiconductor Trade Statistics), "Semiconductor Forecasts."

Real Exports breakdown by goods

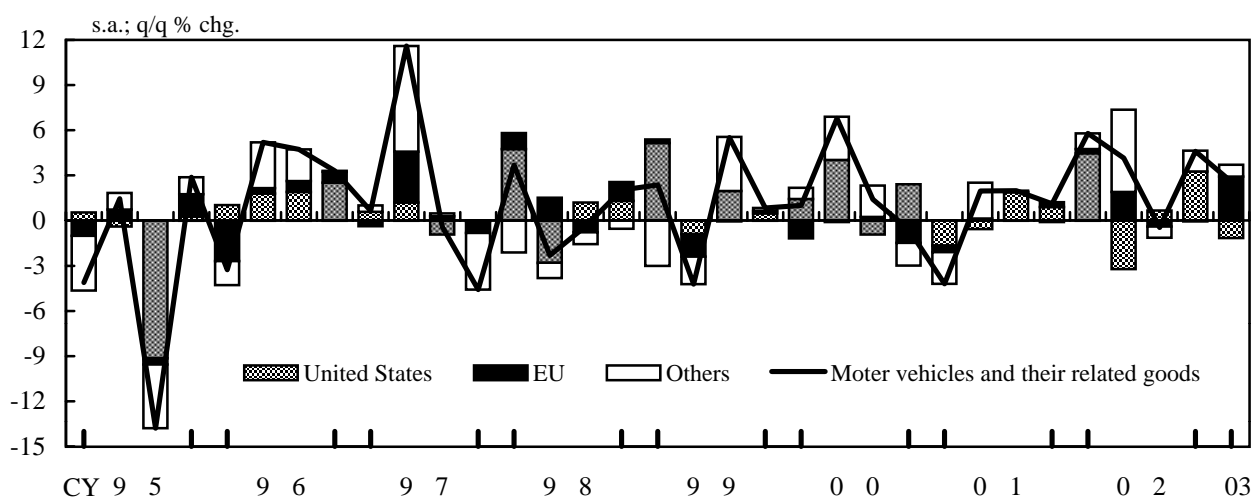
(1) Capital goods and parts



(2) Intermediate goods



(3) Motor vehicles and their related goods



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

2. 2003/Q1 figures are January figures converted into quarterly amount.

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

Real Imports ¹

(1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 2001	2002	2002 Q1	Q2	Q3	2003 Q4	2003 Q1	2002 Nov.	2002 Dec.	2003 Jan.
United States	<17.1>	-4.4	-6.4	-1.5	3.4	0.9	-5.5	7.8	19.5	-2.3	3.5
EU	<13.0>	3.5	-0.1	-6.4	2.8	6.2	2.4	-5.7	3.9	5.3	-10.0
East Asia	<41.4>	1.6	3.3	1.5	3.7	2.7	5.6	2.2	4.5	0.0	0.7
China	<18.3>	13.3	11.1	1.7	3.5	1.9	10.2	0.9	10.2	0.1	-2.3
NIEs	<10.5>	-9.6	-2.4	3.5	8.2	1.5	-0.0	6.1	0.2	-1.4	7.1
Korea	<4.6>	-7.8	-3.5	-1.6	10.8	3.2	1.4	9.2	-1.0	3.4	7.1
Taiwan	<4.0>	-13.0	-0.6	6.0	9.3	0.6	-2.8	5.7	0.1	-3.9	8.5
ASEAN4 ³	<12.6>	0.0	-1.0	-0.3	0.2	4.9	4.5	0.7	0.7	1.1	-0.3
Thailand	<3.1>	6.0	4.8	-0.3	4.7	3.2	5.2	-1.7	4.9	5.1	-6.3
Real imports		-1.1	-0.7	-1.9	2.6	3.4	1.7	0.6	7.9	1.1	-2.6

(2) Breakdown by goods

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 2001	2002	2002 Q1	Q2	Q3	2003 Q4	2003 Q1	2002 Nov.	2002 Dec.	2003 Jan.
Raw materials ⁴	<25.3>	-5.1	-3.2	-3.1	-2.2	9.2	3.1	0.4	6.4	5.6	-5.0
Intermediate goods	<13.0>	-0.2	0.0	-0.5	0.9	5.6	-0.5	2.8	7.6	-0.4	0.7
Foodstuffs	<12.5>	-1.5	-2.1	-4.6	0.2	0.5	-2.3	0.4	16.9	-1.6	-3.4
Consumer goods	<11.0>	5.8	-2.5	-7.3	4.9	0.2	5.8	-4.9	5.7	7.3	-10.8
IT-related goods ⁵	<14.4>	-2.4	0.4	5.0	3.8	0.1	3.3	7.9	6.8	-3.4	8.1
Capital goods and parts ⁶	<12.9>	3.2	7.4	0.5	13.2	5.6	-0.5	-0.5	2.4	4.2	-3.9
excluding aircraft	<11.8>	6.0	3.5	-2.5	10.6	2.7	4.7	0.3	12.3	-3.0	-1.5
Real imports		-1.1	-0.7	-1.9	2.6	3.4	1.7	0.6	7.9	1.1	-2.6

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2003/Q1 figures are January figures converted into quarterly amount.

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.

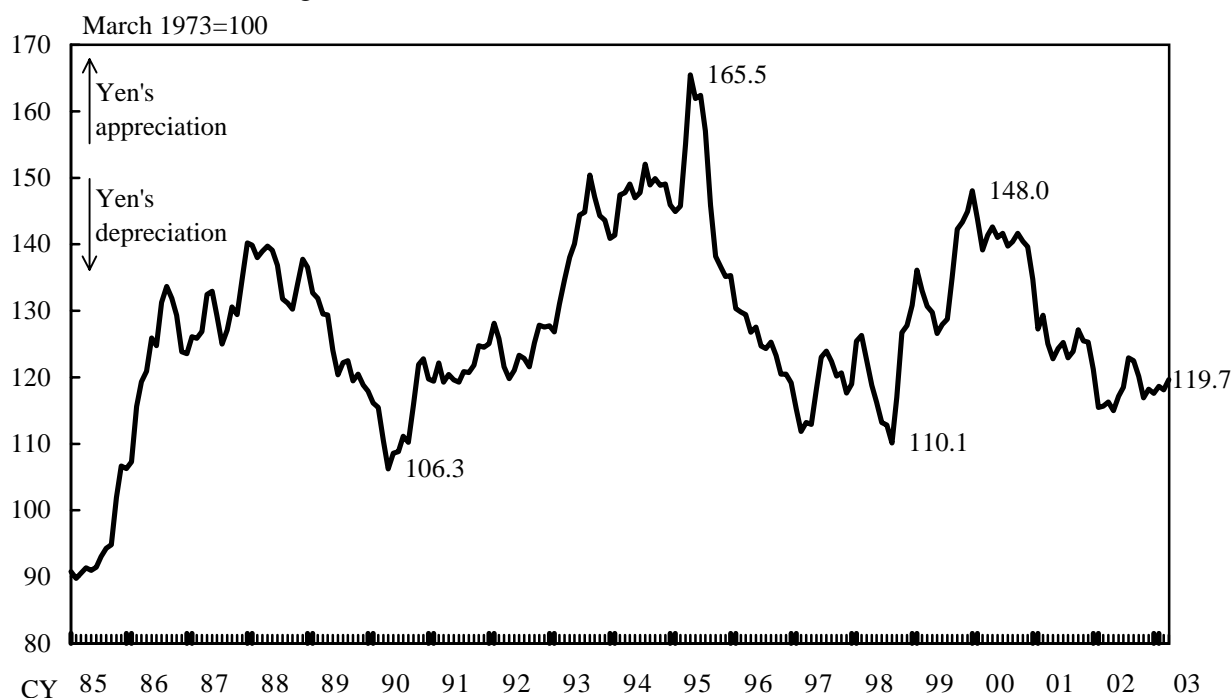
5. IT-related goods are composed of office machinery, telecommunication machinery, ICs, and medical and optical instruments.

6. Excludes IT-related goods.

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

Exporting Conditions (1)

(1) Real Effective Exchange Rate



Note: Calculated by the Bank of Japan. Monthly average. Figure for March 2003 is the average up to March 4.
 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

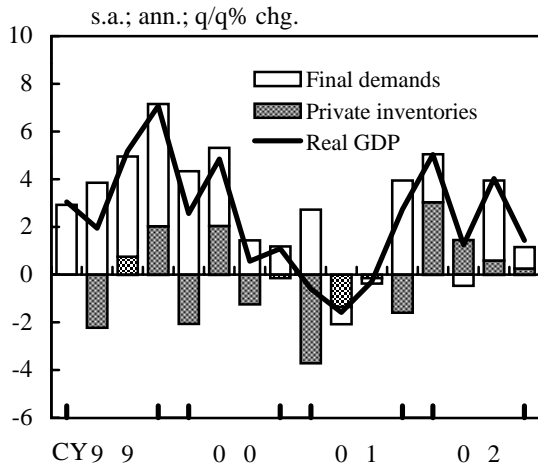
		CY2000	2001	2002	2002 Q1	Q2	Q3	Q4	
United States ¹		3.8	0.3	2.4	5.0	1.3	4.0	1.4	
European Union ¹		3.4	1.5	n.a.	1.5	1.7	1.5	n.a.	
	Germany	2.9	0.6	0.2	1.2	0.6	1.2	-0.1	
	France	4.2	1.8	1.2	2.8	1.8	1.2	0.9	
	United Kingdom	3.1	2.0	1.6	0.6	2.5	3.8	1.5	
East Asia ²	China	8.0	7.3	8.0	7.6	8.0	8.1	8.1	
	NIEs	Korea	9.3	3.0	n.a.	5.8	6.4	5.8	n.a.
		Taiwan	5.9	-2.2	3.5	1.2	4.0	4.8	4.2
		Hong Kong	10.2	0.6	n.a.	-0.5	0.8	3.3	n.a.
		Singapore	10.3	-2.4	2.2	-1.5	3.8	3.8	3.0
	ASEAN4	Thailand	4.6	1.9	n.a.	3.9	5.1	5.8	n.a.
		Indonesia	4.9	3.4	3.7	2.7	3.9	4.3	3.8
		Malaysia	8.3	0.4	4.2	1.3	4.1	5.8	5.6
Philippines		4.4	3.2	4.6	3.7	4.8	3.7	5.8	

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

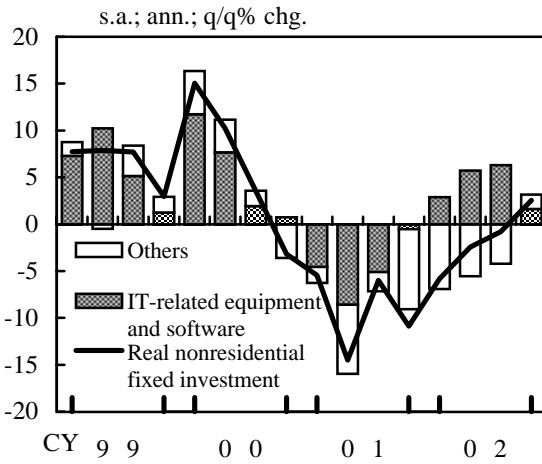
2. Quarterly data of East Asia are percent changes from a year earlier.

Exporting Conditions (2)

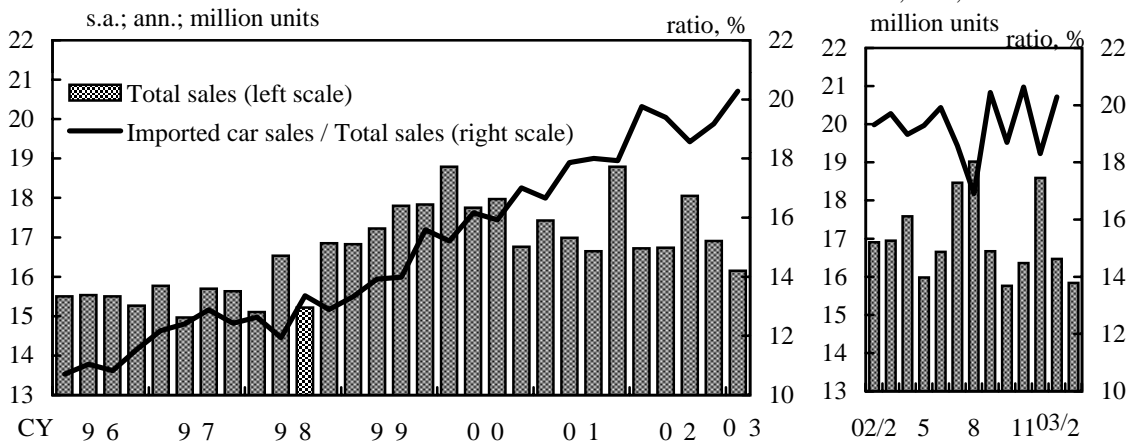
(1) U.S. Real GDP (breakdown by final demands and inventories)



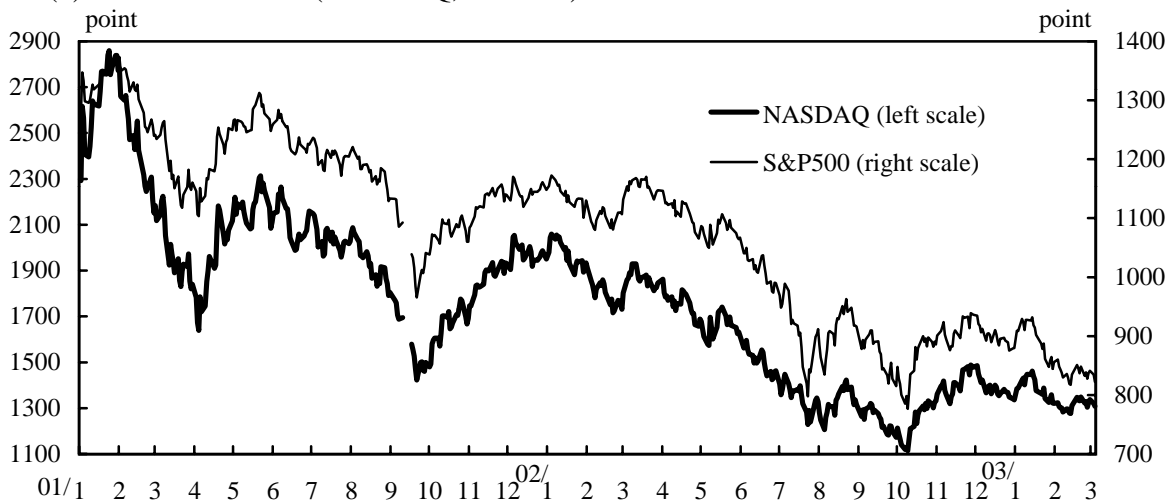
(2) U.S. Real Nonresidential Fixed Investment



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



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



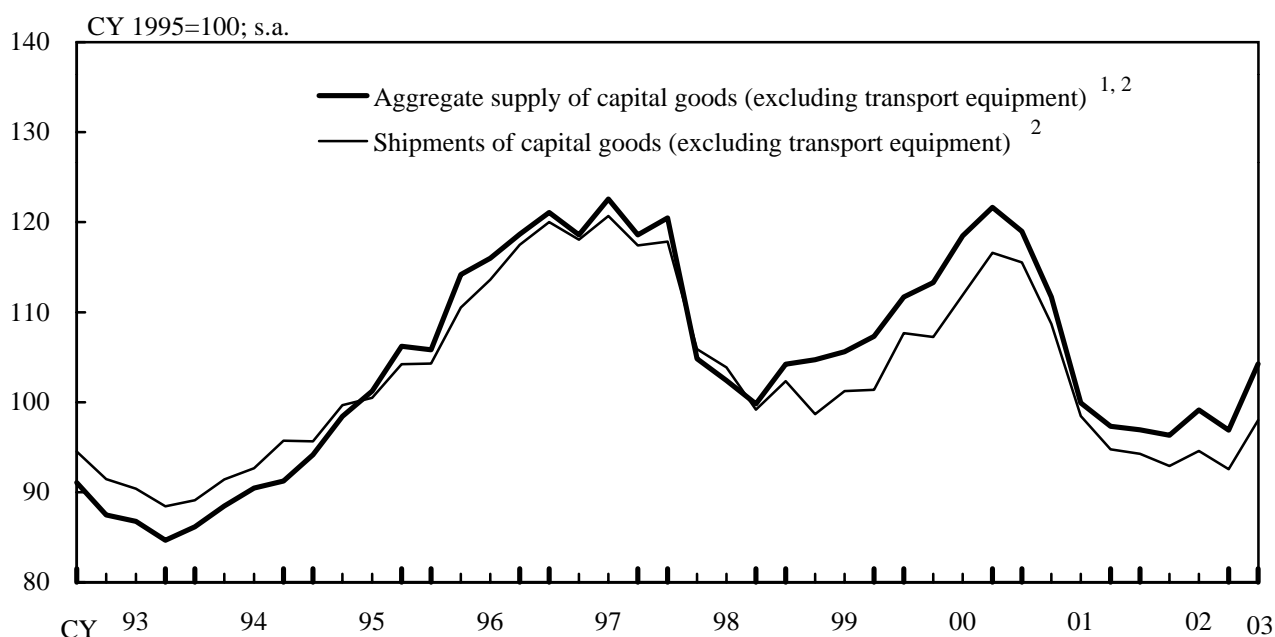
Notes: 1. "Imported car sales/ Total sales" in 2003/Q1 is based on Jan. figure in (3). "Total sales" of automobiles in 2003/Q1 is Jan.-Feb. average. February figures of Automobile Sales are calculated by adding average of heavy trucks in CY 2002 (0.4mil.) to preliminary figure released by an industry association (s.a., ann., 15.44 mil.) which does not include heavy trucks.

2. Figures of U.S. stock prices in (4) are up to March 4.

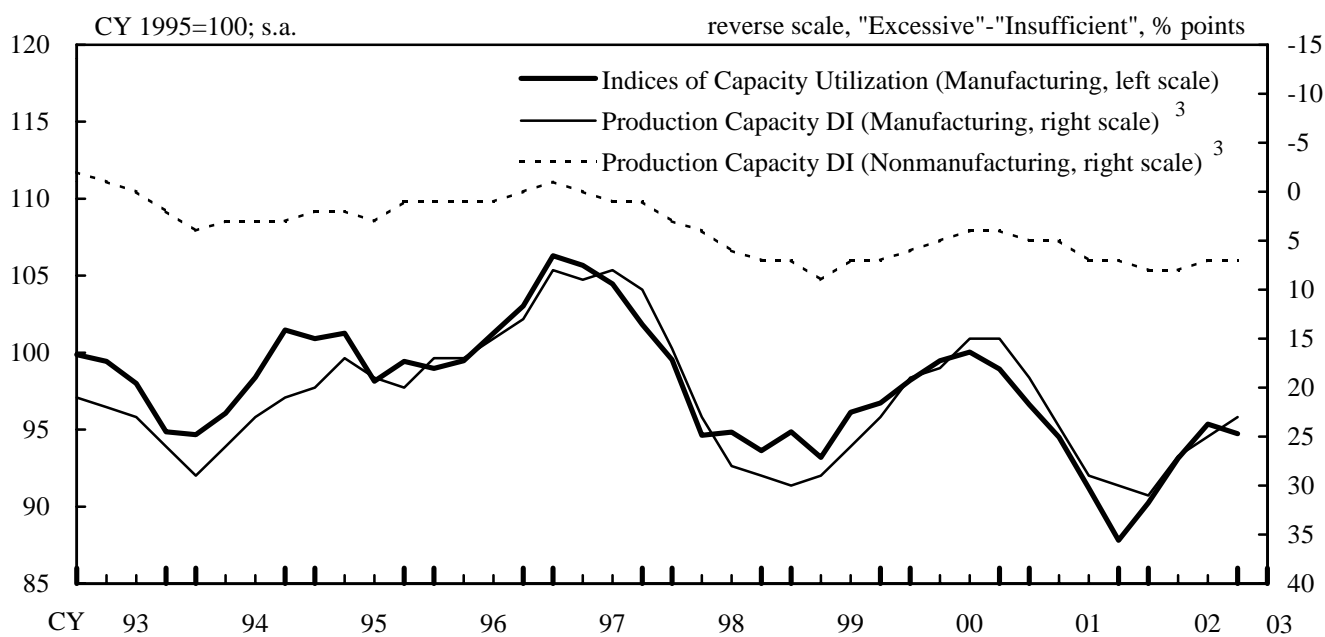
Sources: U.S. Department of Commerce, "National Income and Product Accounts," "Sales, production, imports, exports, and inventories, in units"; Reuters News Service; Bloomberg.

Indicators for Business Fixed Investment (1)

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



(2) Indices of Capacity Utilization and Production Capacity DI

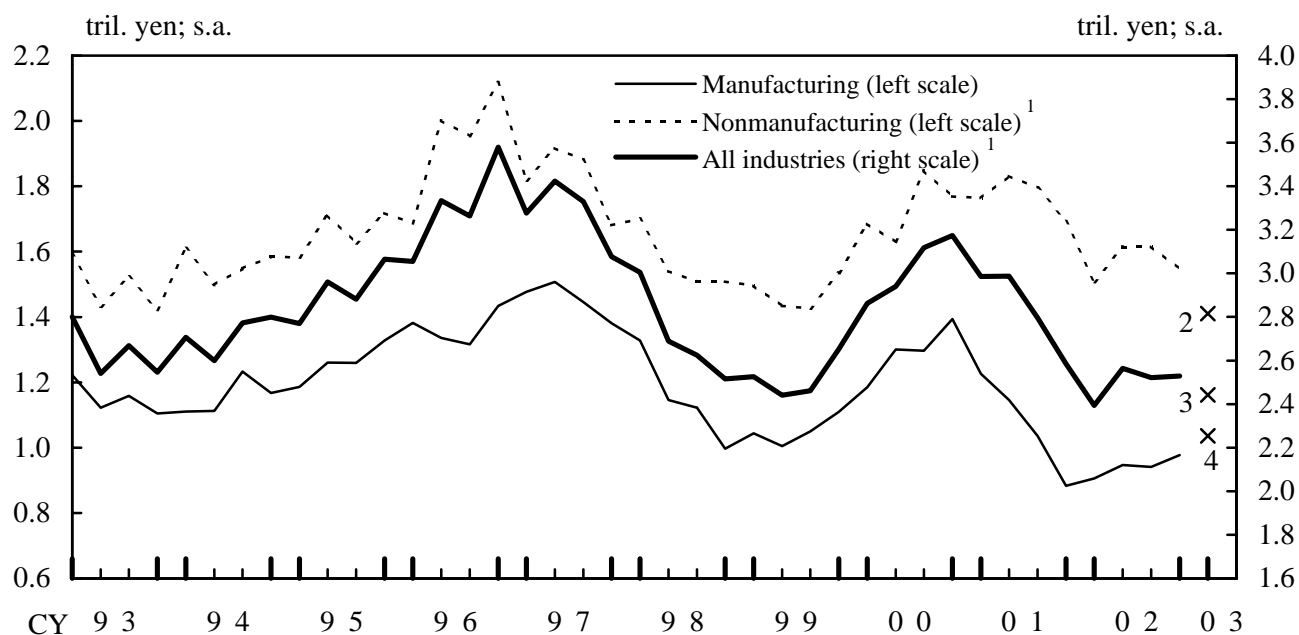


- Notes: 1. Aggregate supply of capital goods (excluding transport equipment) is obtained from *Indices of Industrial Domestic Shipments and Imports* released on a quarterly basis. Figures for 2002/Q4 and 2003/Q1 are calculated by the Bank of Japan using shipments of capital goods in *Indices of Industrial 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. Figures for 2003/Q1 are those of January.
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," "Corporate Goods Price Index," "Tankan Short-term Economic Survey of Enterprises in Japan."

Indicators for Business Fixed Investment (2)

(1) Machinery Orders



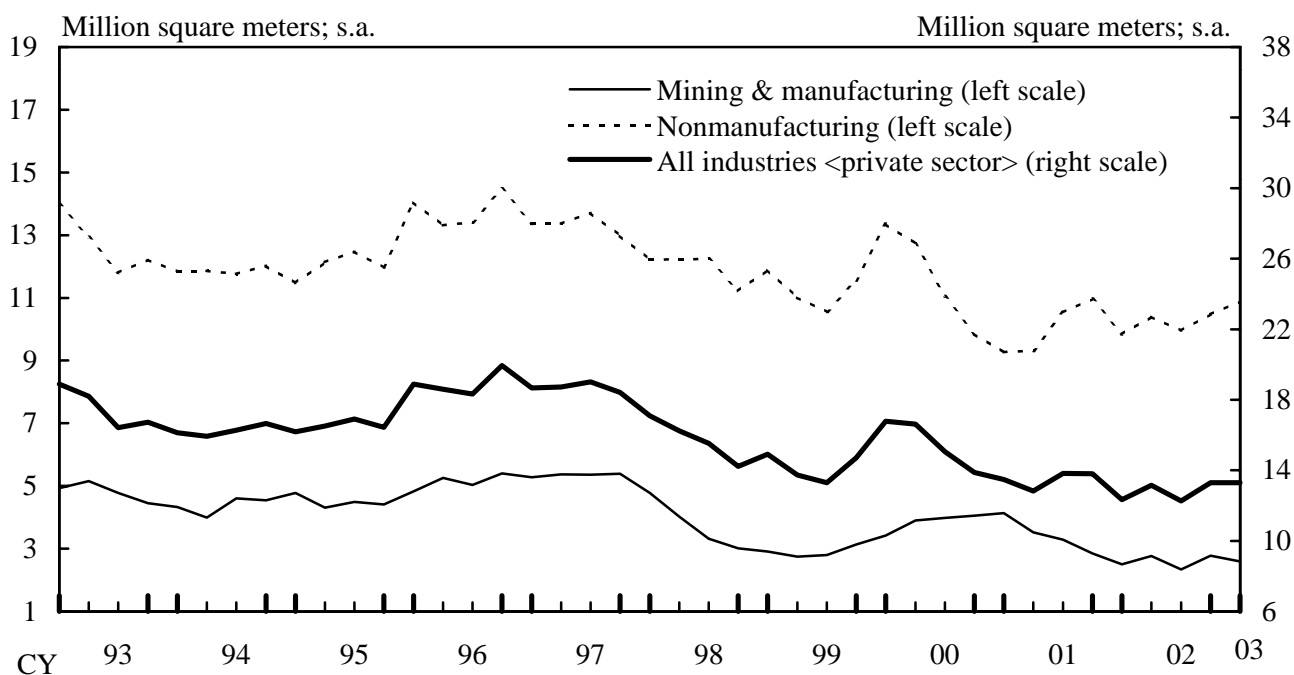
Notes: 1. Excludes orders of shipbuilding and orders from electric power companies.

2. Forecast of nonmanufacturing industries for 2003/Q1.

3. Forecast of all industries for 2003/Q1.

4. Forecast of manufacturing industries for 2003/Q1.

(2) Construction Starts (Nonresidential)



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

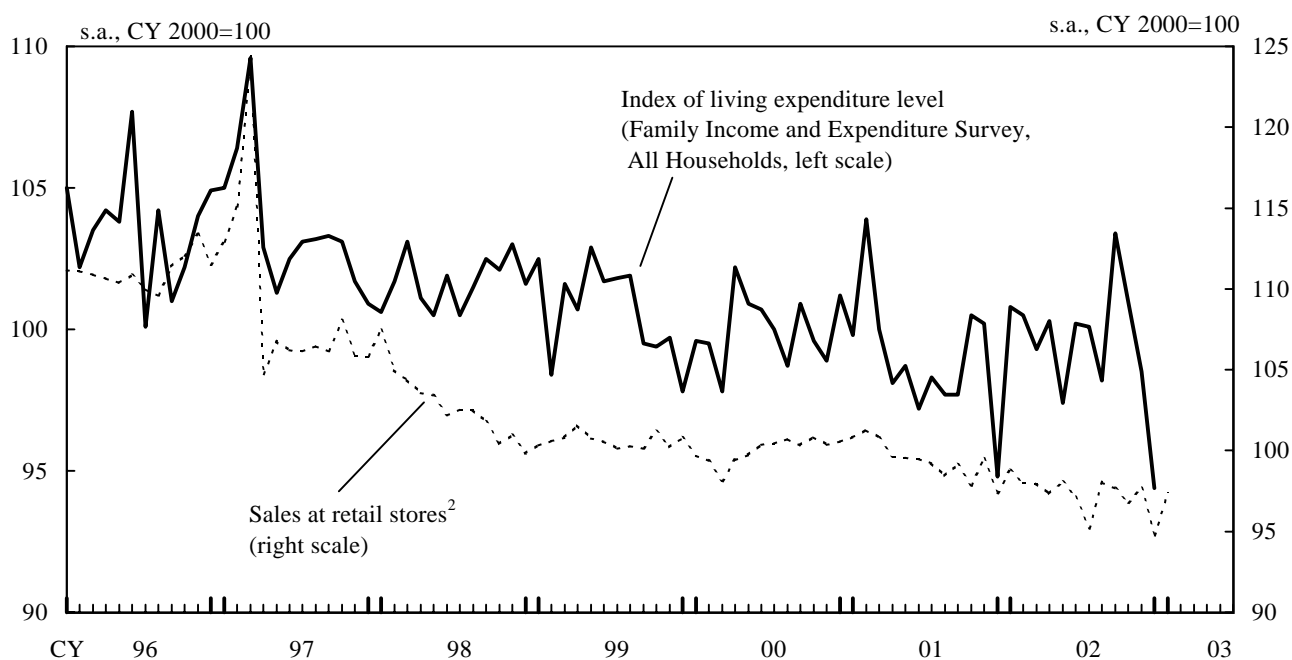
2. Figures for 2003/Q1 are those of January in terms of quarterly amount.

Sources: Cabinet Office, "Machinery Orders Statistics";

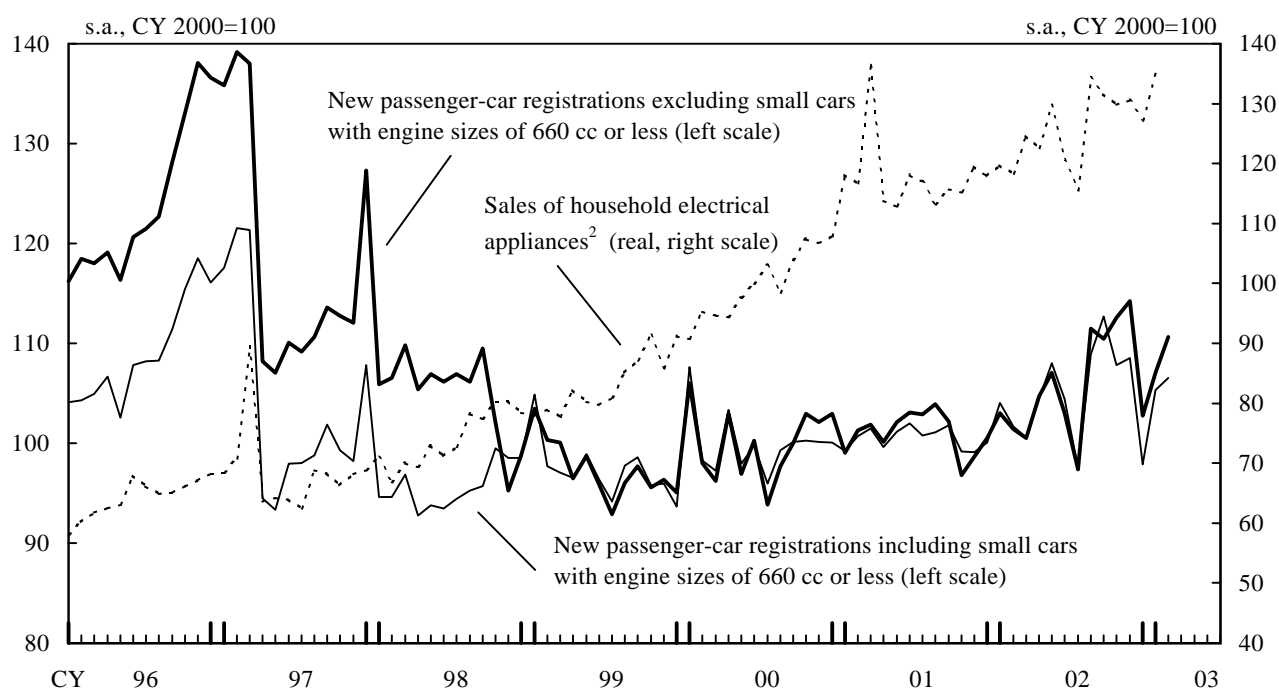
Ministry of Land, Infrastructure and Transport, "Statistics Building Construction Starts."

Indicators for Private Consumption¹ (1)

(1) Household Spending (real)



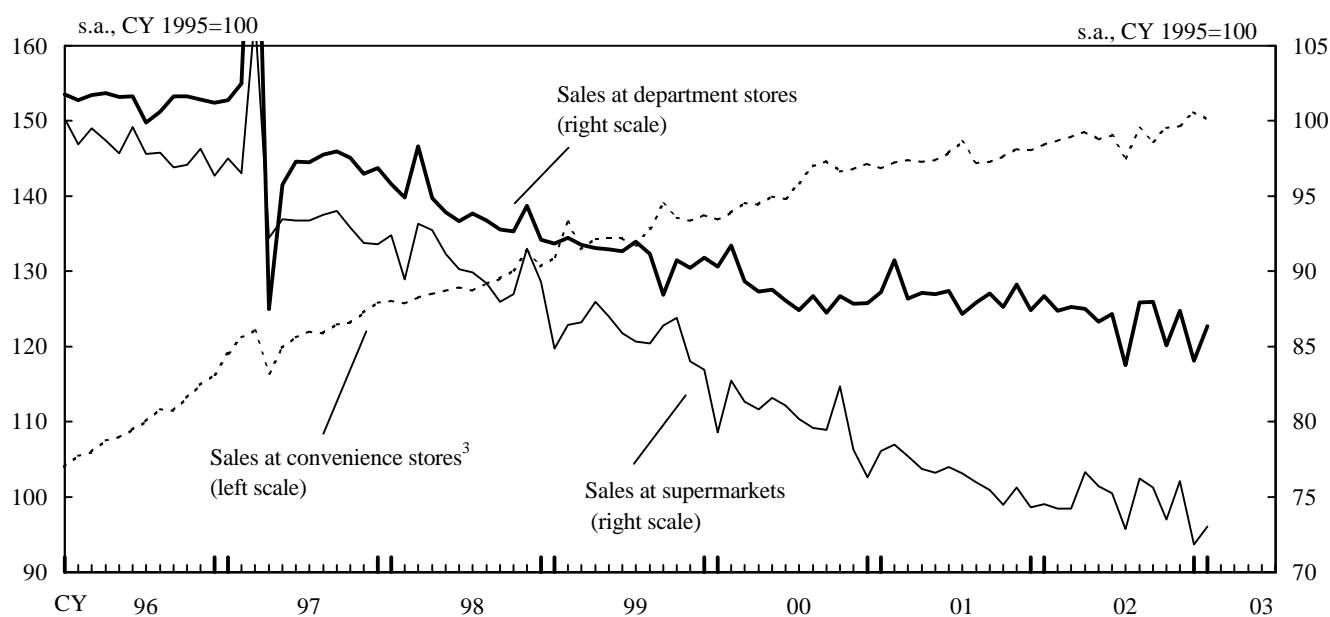
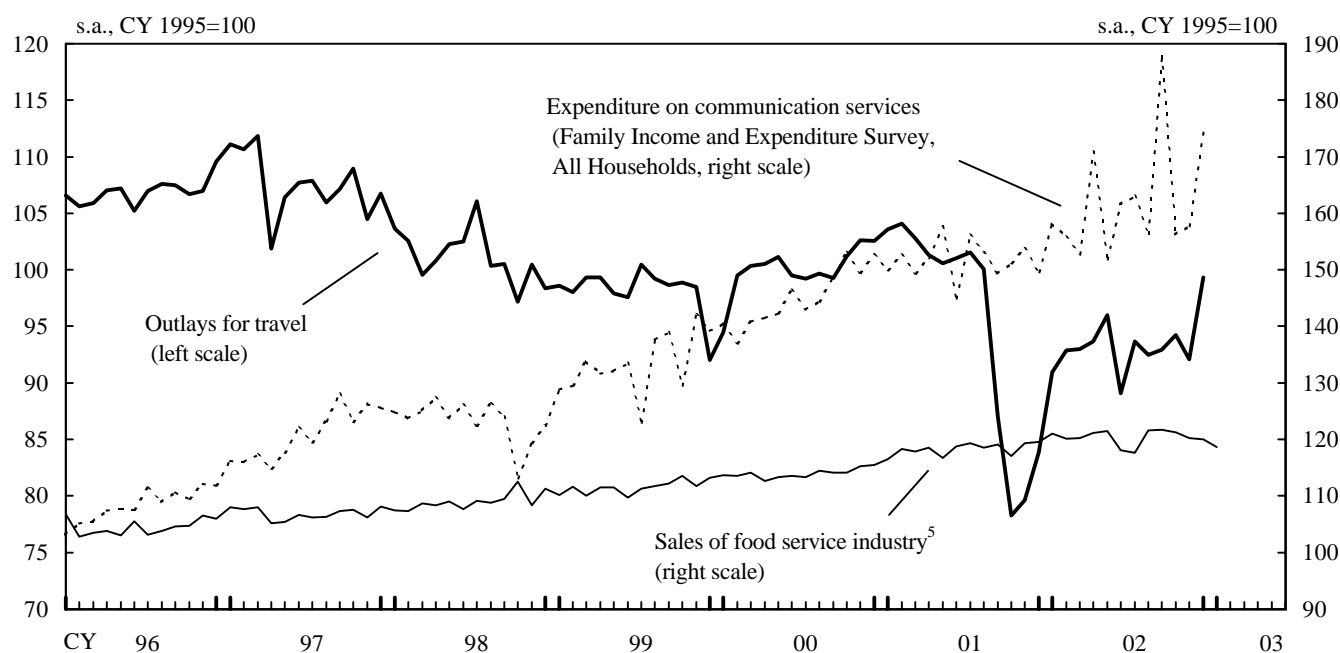
(2) Sales of Durable Goods



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.

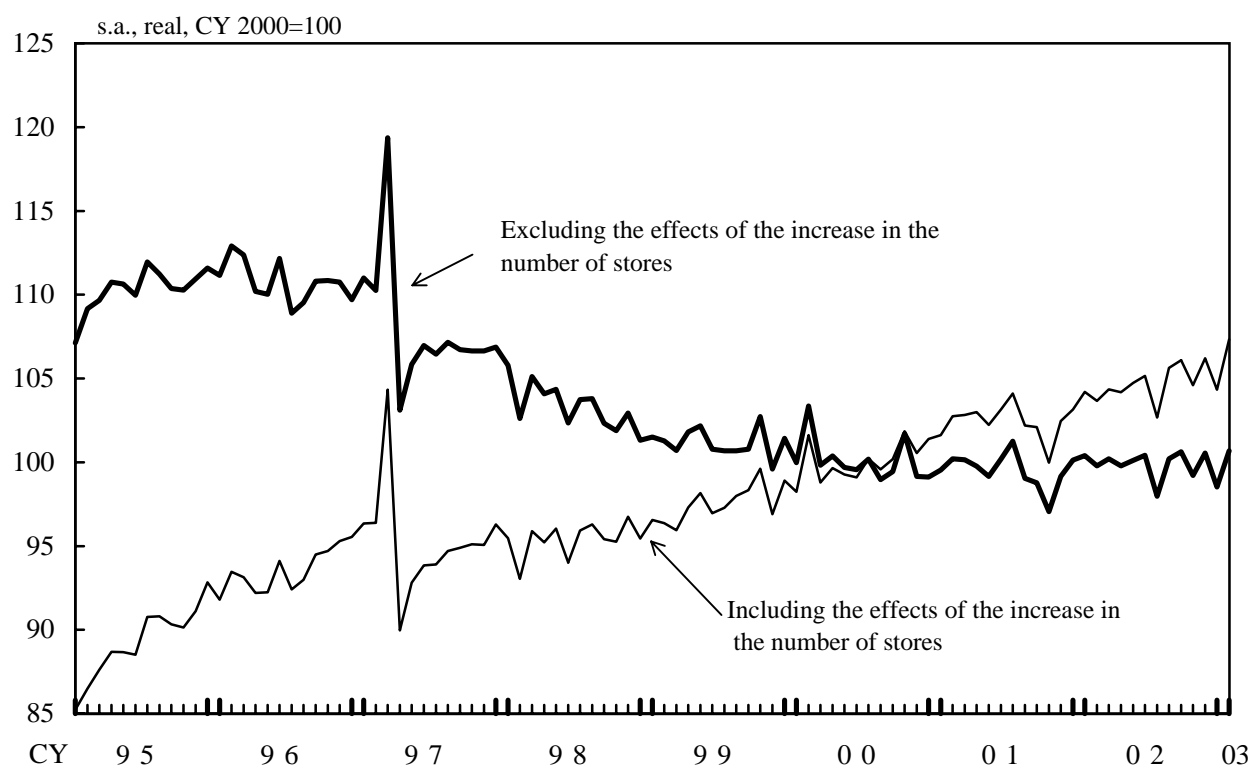
3. Sales at convenience stores until March 1997 are based on the survey conducted by the Bank of Japan. From April 1997 they are based on the data published by the Ministry of Economy, Trade and Industry.

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

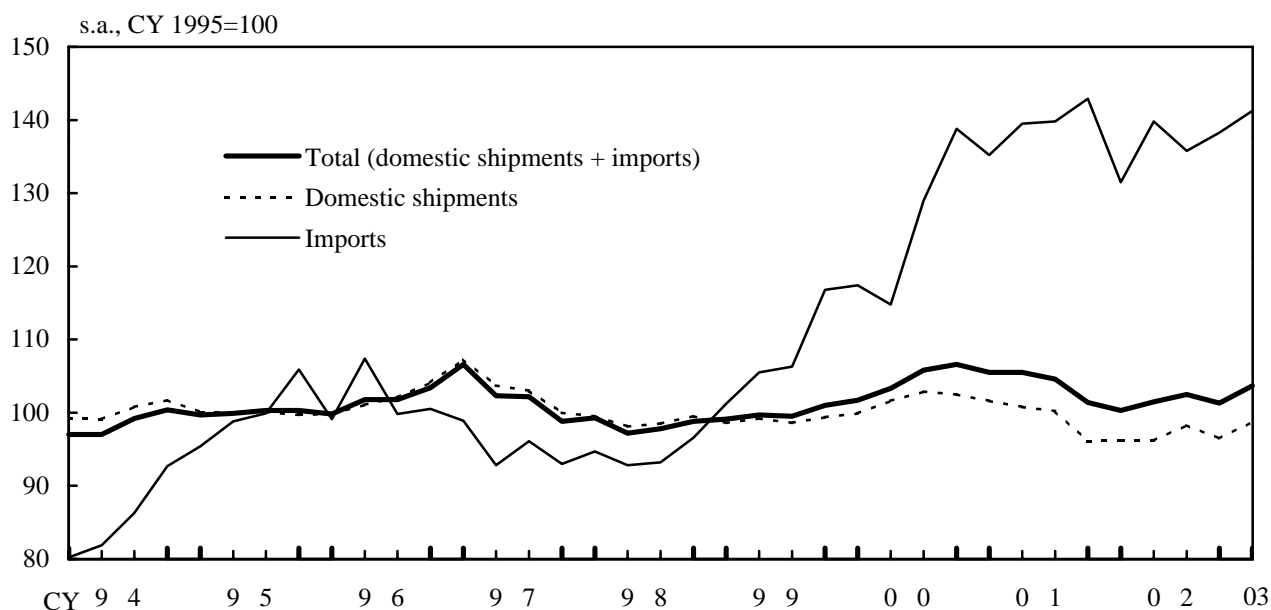


- Notes: 1. Indices of aggregated sales are the weighted sum of *Sales at department stores and supermarkets*; *New passenger-car registrations*; *Sales of household electrical appliances*; *Outlays for travel*; and *Sales of food service industry*, where the weights come from household expenditure in 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 price indices.
3. Seasonally adjusted by X-12-ARIMA.

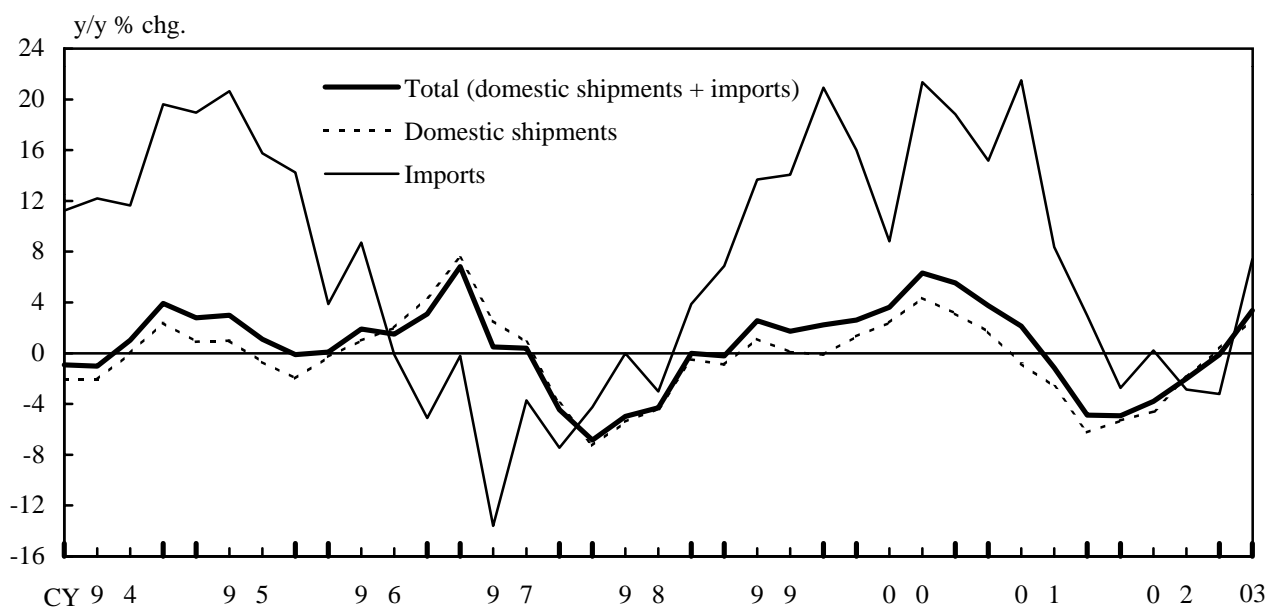
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce";
 Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index,"
 "Monthly Report on the Family Income and Expenditure Survey";
 Bank of Japan, "Wholesale Price Indexes";
 Japan Automobile 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/Q4 and 2003/Q1 of "Domestic shipments" are calculated from quarterly changes of *Indices of Industrial Production* (excluding the effects of exports).

3. Figures for 2002/Q4 and 2003/Q1 of "Imports" are calculated from quarterly changes of real imports for consumption. Real imports (consumer goods) are composed of motor vehicles, audio and visual apparatus, office machinery, foodstuffs, and textiles.

4. Figures for 2002/Q4 and 2003/Q1 of "Total (domestic shipments + imports)" are calculated from weighted average of the quarterly changes in "Domestic shipments" and "Imports."

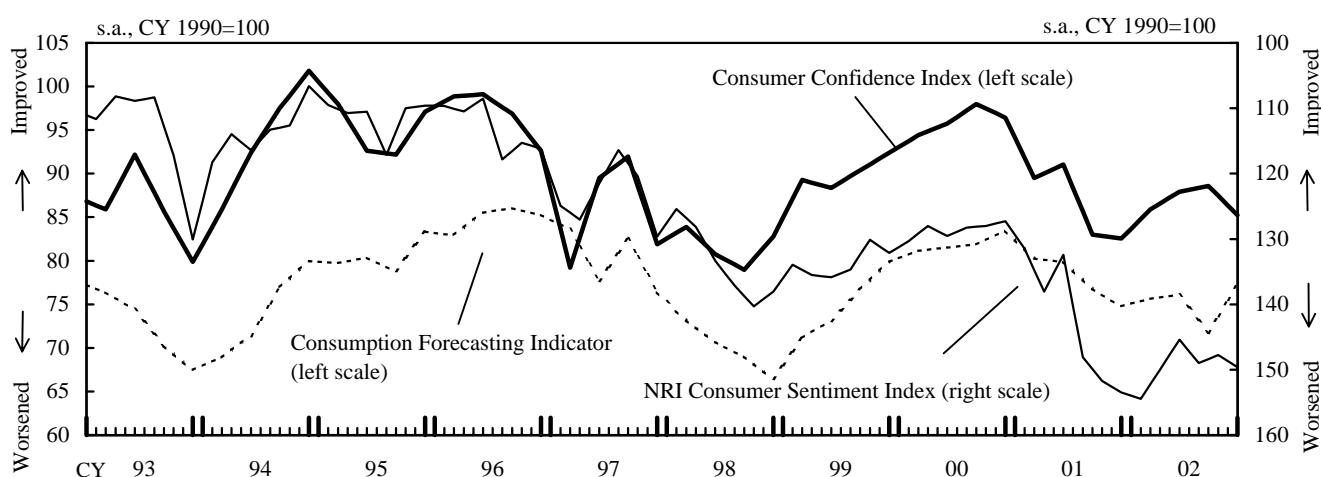
5. Year-on-year changes are calculated from seasonal adjusted series.

6. 2003/Q1 figures are those of January in terms of quarterly amount.

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

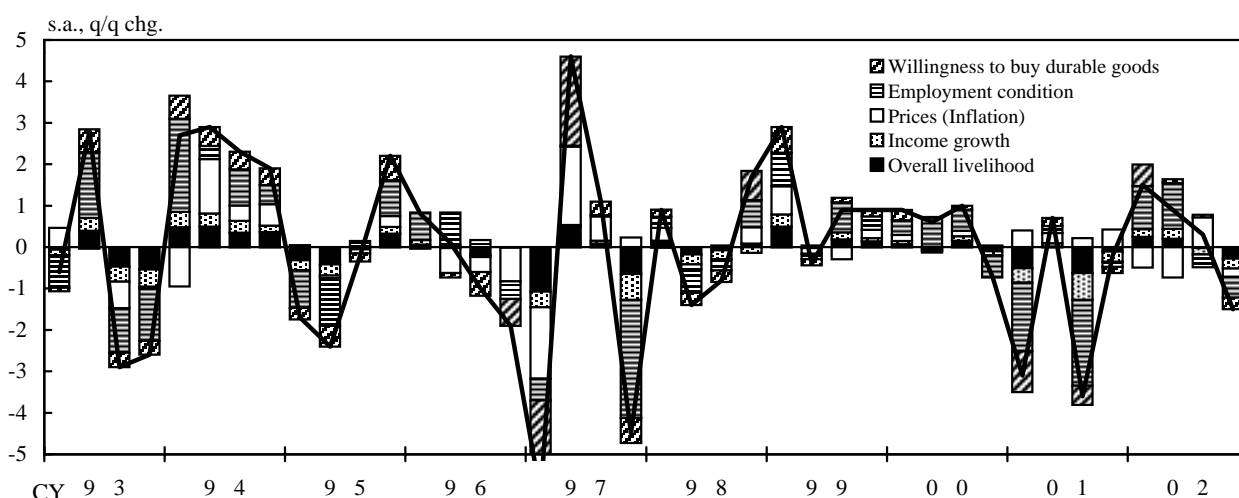
Consumer Confidence

(1) Surveys on Consumer Confidence

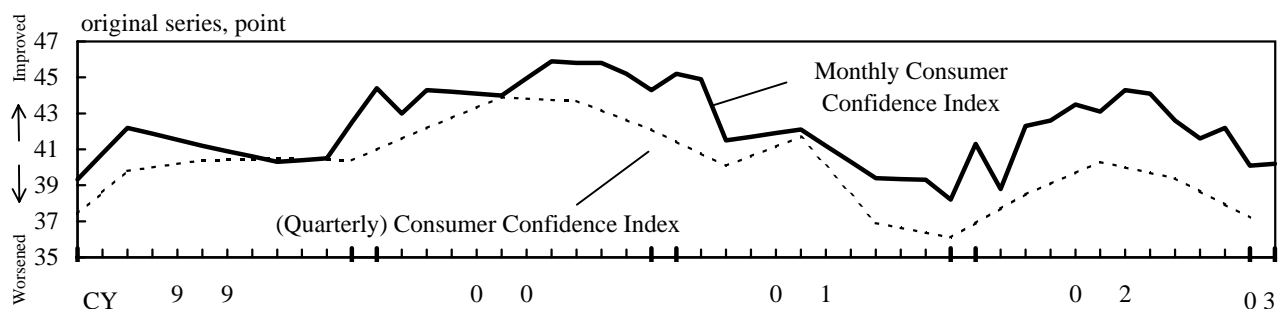


- Notes:
1. Seasonally adjusted by X-11. "Consumer Confidence Index" is seasonally adjusted by the Cabinet Office.
 2. Consumer Confidence Index (with 5,040 samples in a nationwide basis), Consumption Forecasting Indicator (with 1,500 samples in metropolitan area), and NRI Consumer Sentiment Index (with 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 Confidence Index" is surveyed by the Cabinet Office, "Consumption Forecasting Indicator" by NIKKEI RIM, and "NRI Consumer Sentiment Index" by NRI.

(2) Contribution of Each Item in the Consumer Confidence Index



(Reference) Monthly Consumer Confidence Survey (Tokyo)

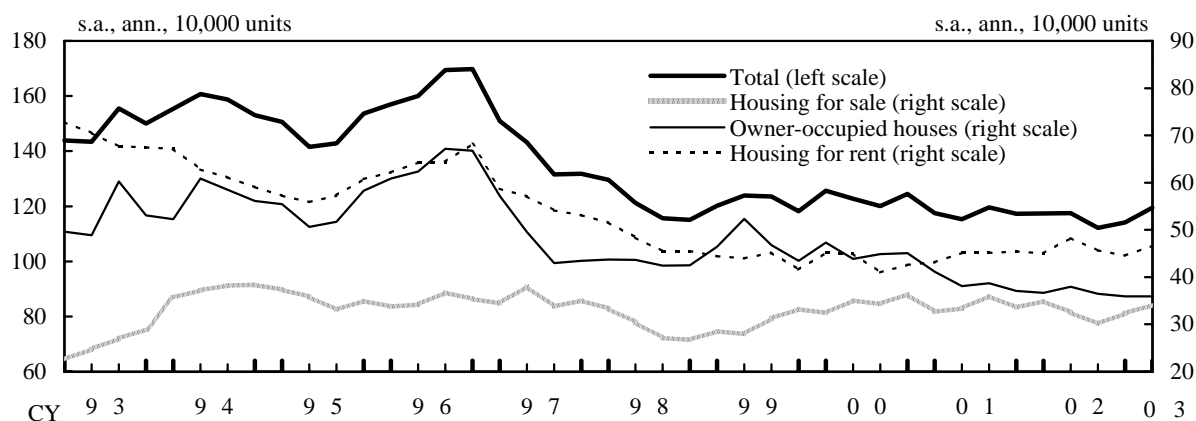


Note: *Monthly Consumer Confidence Survey* is conducted on a monthly basis for limited samples of the Tokyo district (435 households surveyed) in the quarterly Consumer Confidence Survey. The items in the monthly survey are parts of the quarterly survey. Prior to 2001, figures for the months when the survey was not conducted have been supplemented with linear interpolation.

Sources: Cabinet Office, "Consumer Confidence Survey," "Monthly Consumer Confidence Survey"; Nikkei Research Institute of Industry and Markets (NIKKEI RIM), "Consumption Forecasting Indicator"; Nippon Research Institute (NRI), "Consumer Sentiment Survey."

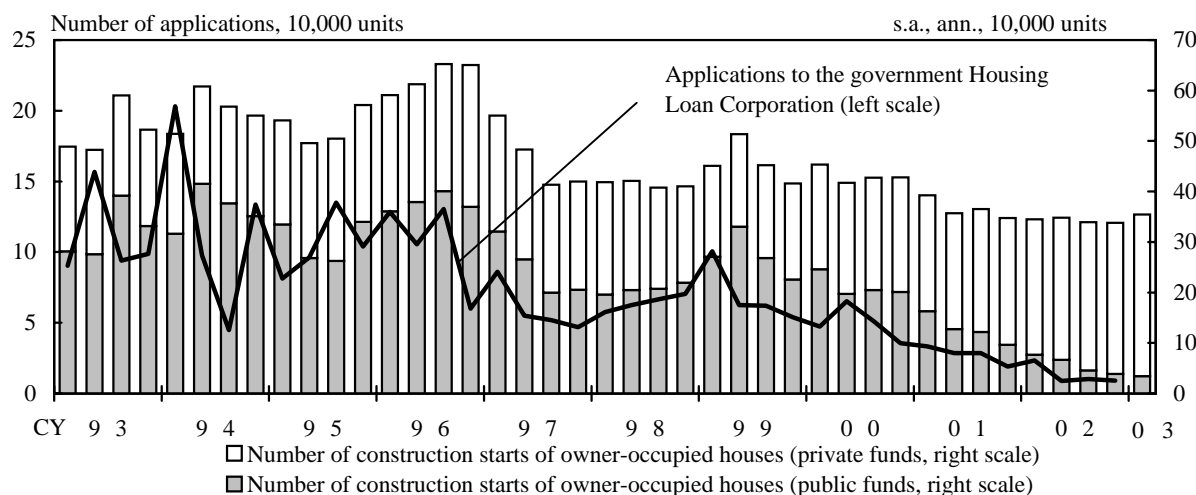
Indicators for Housing Investment

(1) Housing Starts



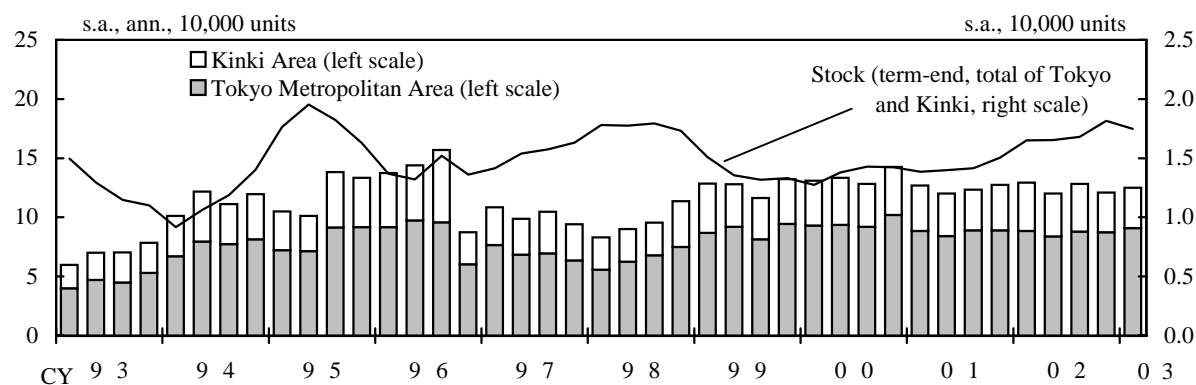
Note: Figures of 2003/Q1 are those of January.

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



- Notes: 1. The number of loan applications for the construction of private houses is allotted according to the number of days in the offering period of each quarter.
 2. The number of loan applications for 2003/Q1 is not calculated until the end of the 6th offering period in FY2002 and this is not shown on this graph.
 3. Figures for the number of construction starts of owner-occupied houses (private funds and public funds) for 2003/Q1 are those of January.

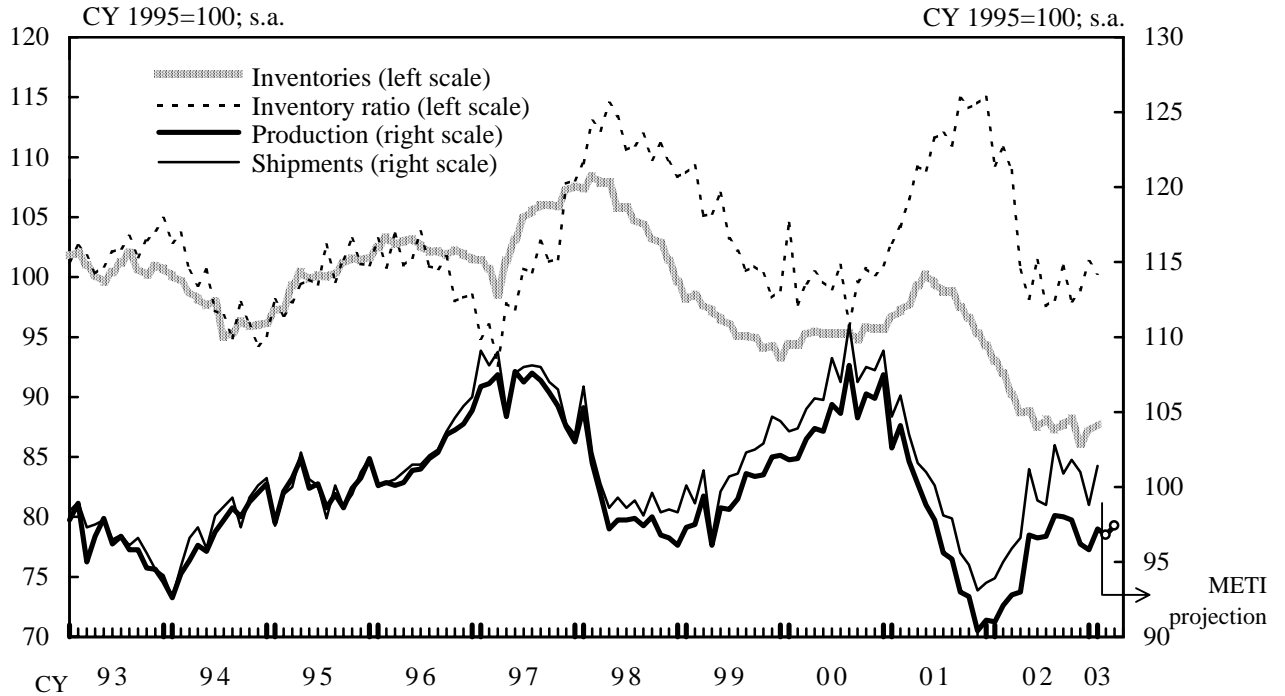
(3) Sales of Condominiums



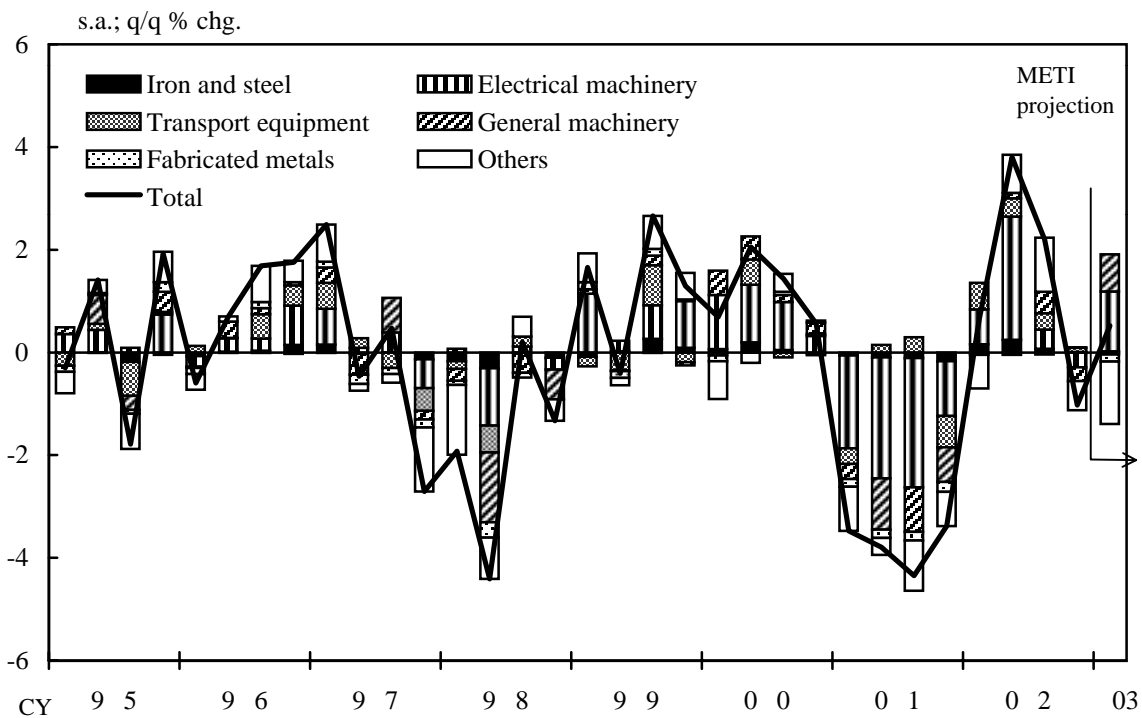
- Notes: 1. Seasonally adjusted by X-12-ARIMA.
 2. Figures of 2003/Q1 are those of January.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industries

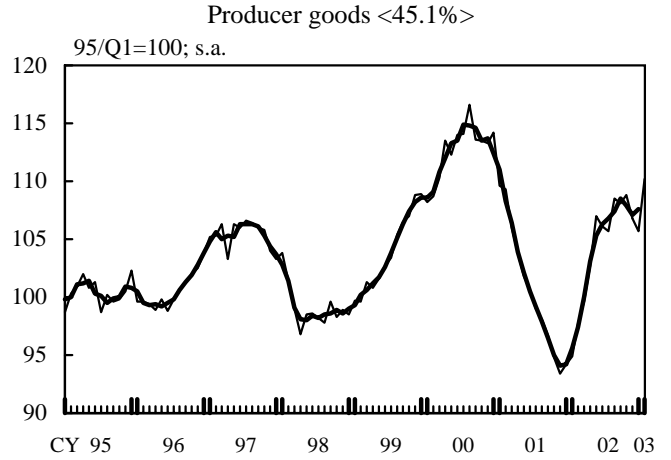
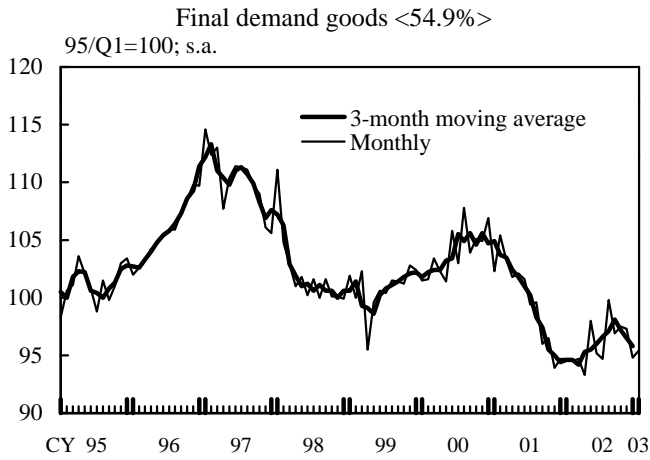


Note: Transport equipment excludes ships and rolling stock.

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

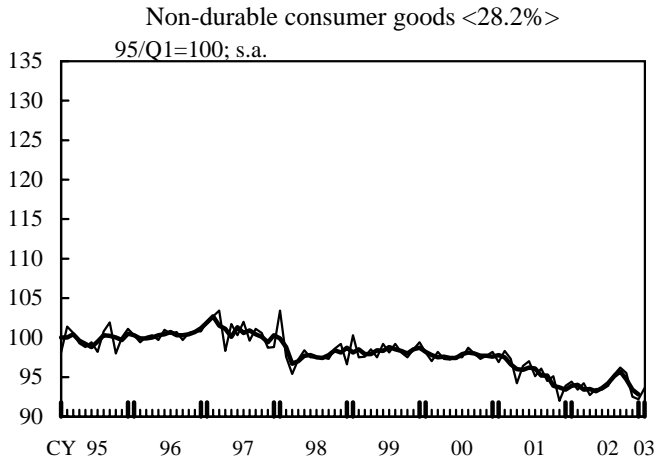
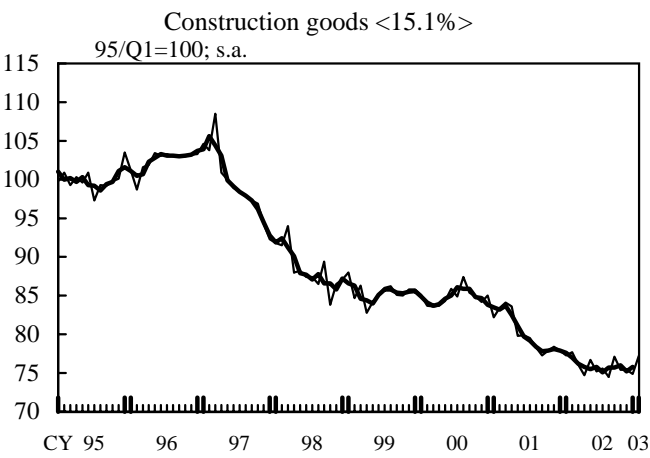
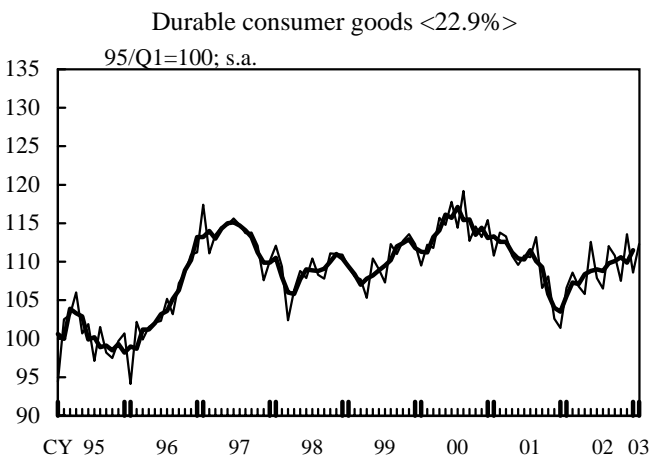
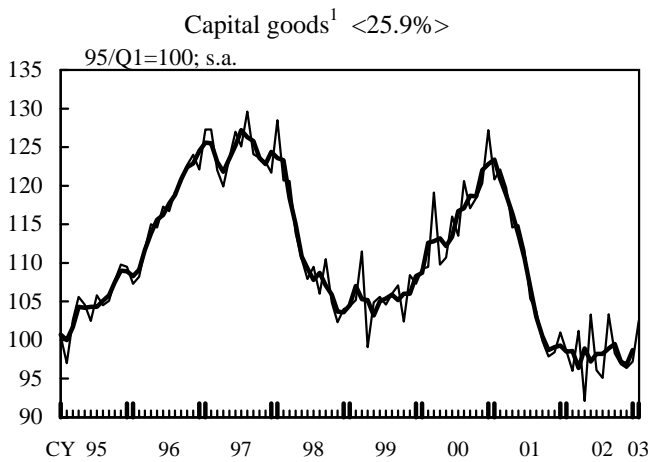
Shipments breakdown by type of goods

(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

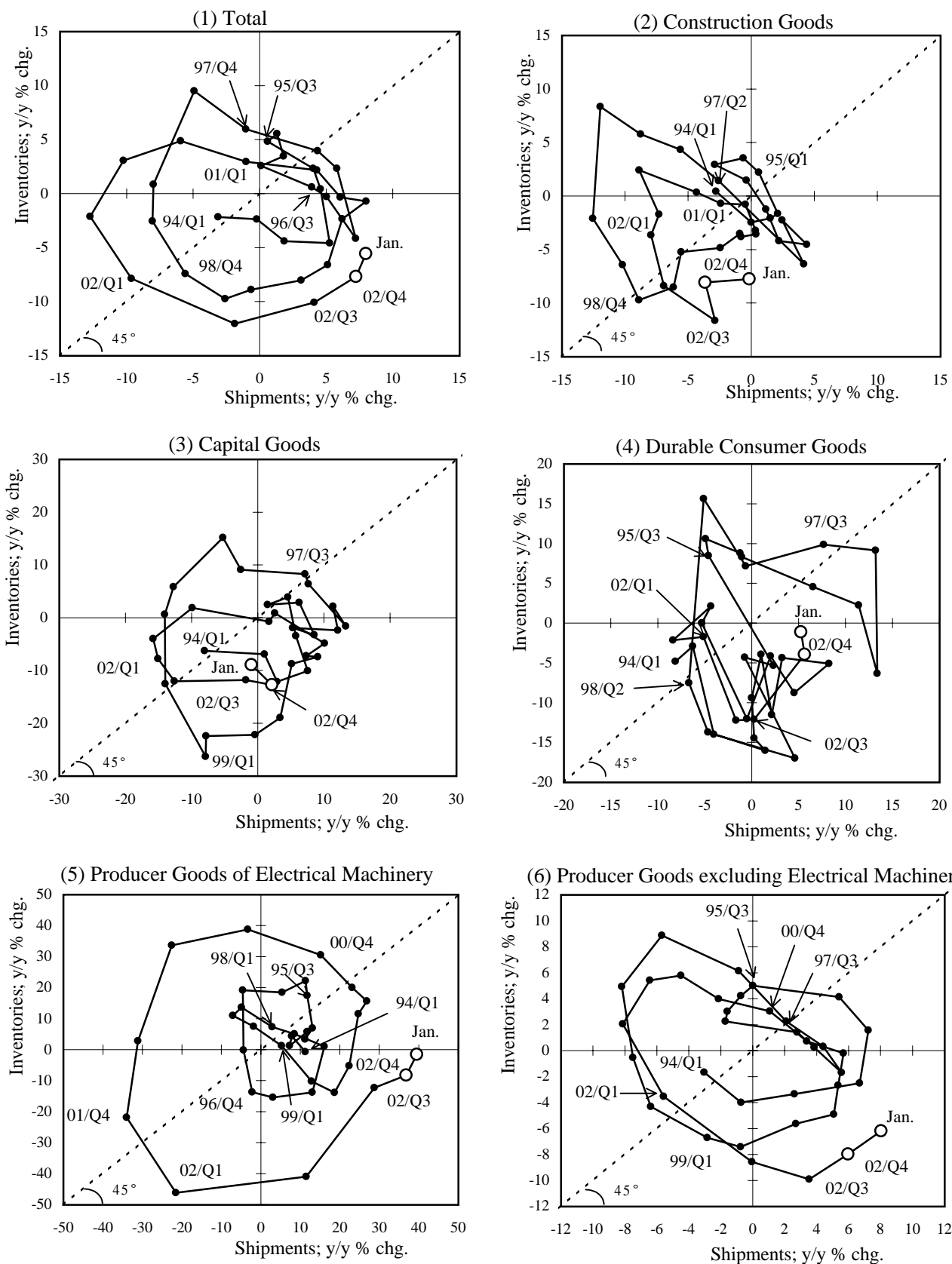


Notes: 1.Excluding transportation equipment.

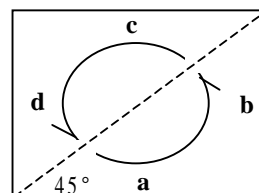
2.Shares of shipments of final demand goods are shown in angle brackets.

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

Inventory Cycle

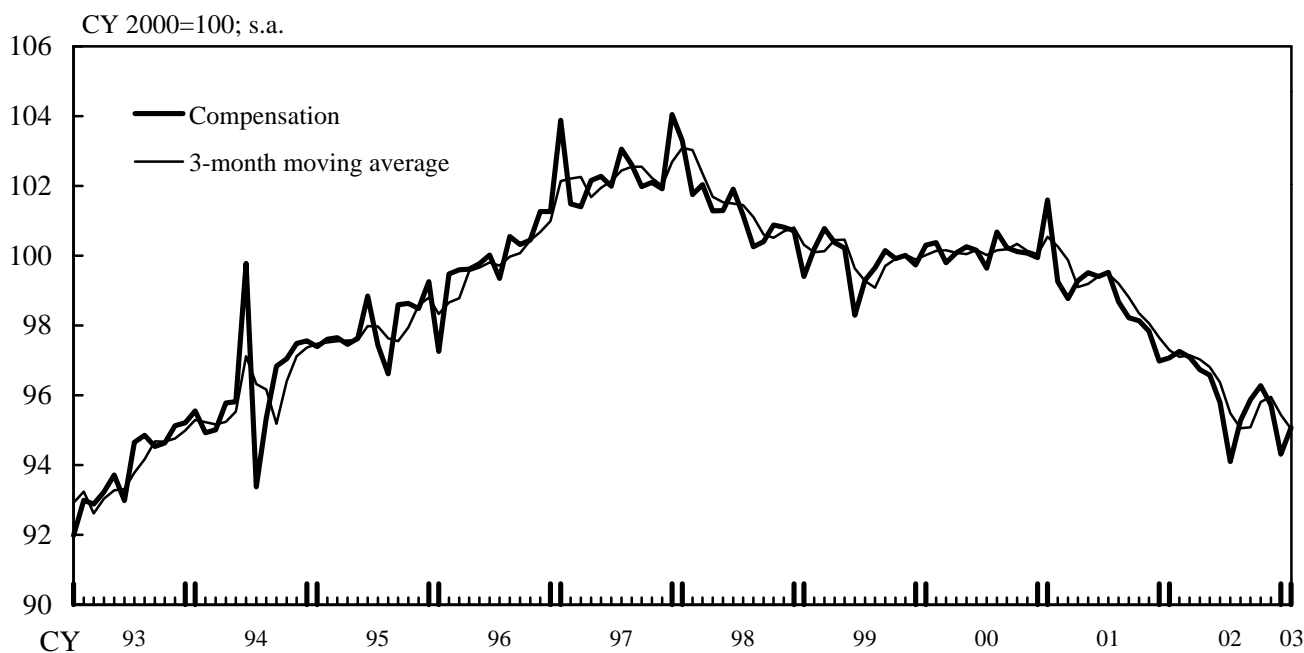


- a Shipment recovery phase
- b Intended inventory accumulation phase
- c Unintended inventory accumulation phase
- d Inventory adjustment phase



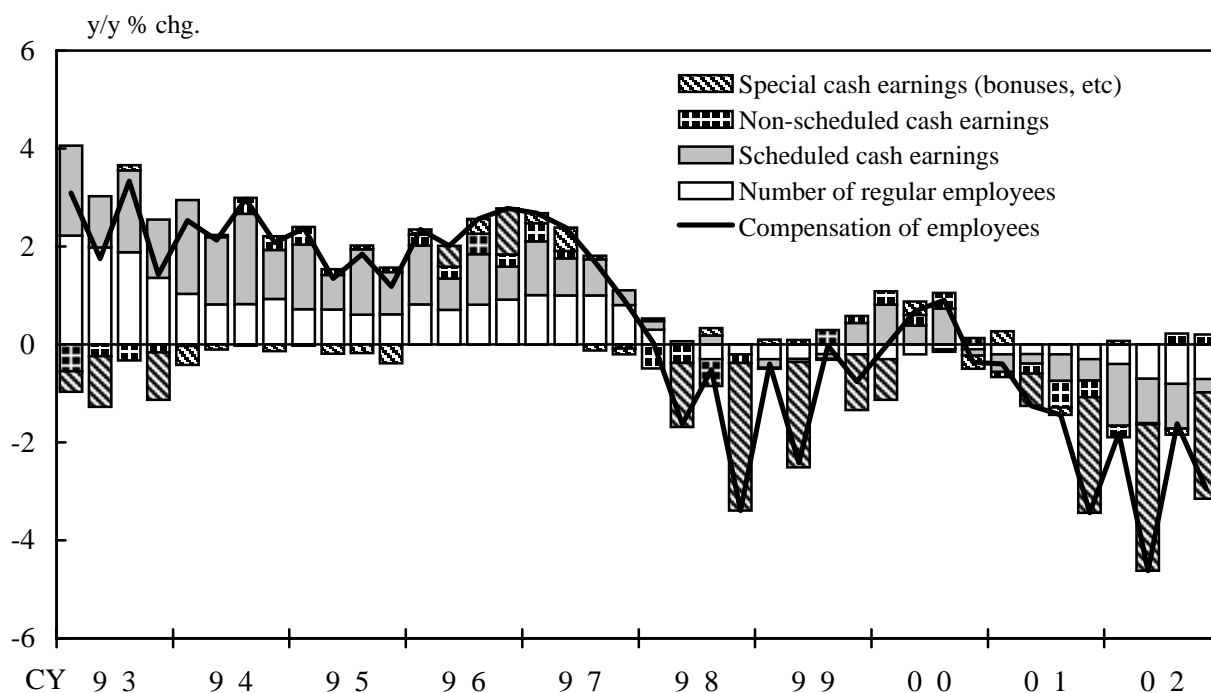
Compensation of Employees

(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 January 2003 are preliminary figures.

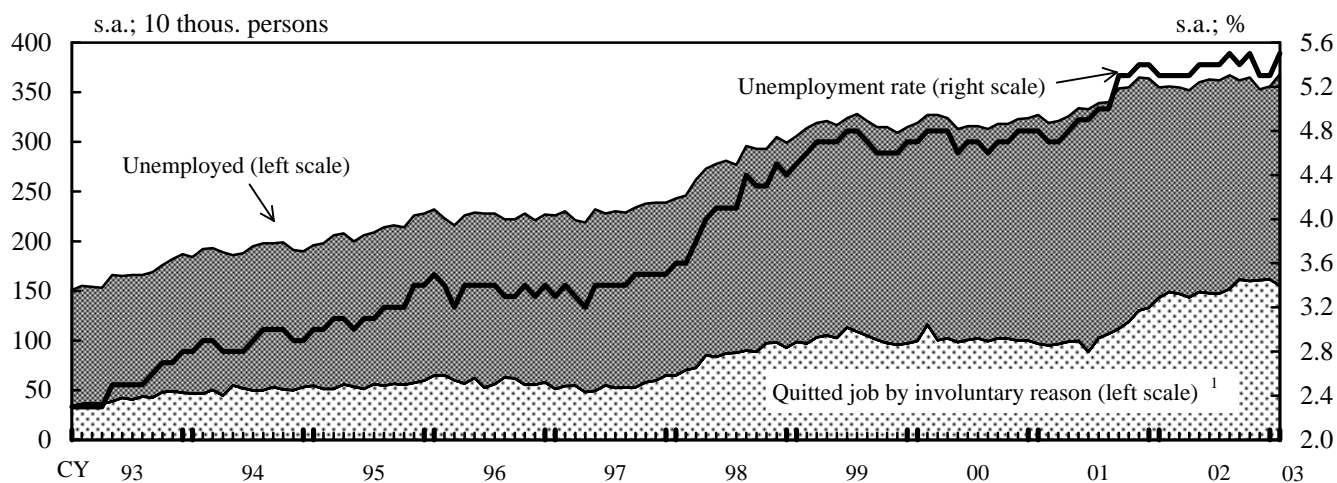
(2) Breakdown of Compensation



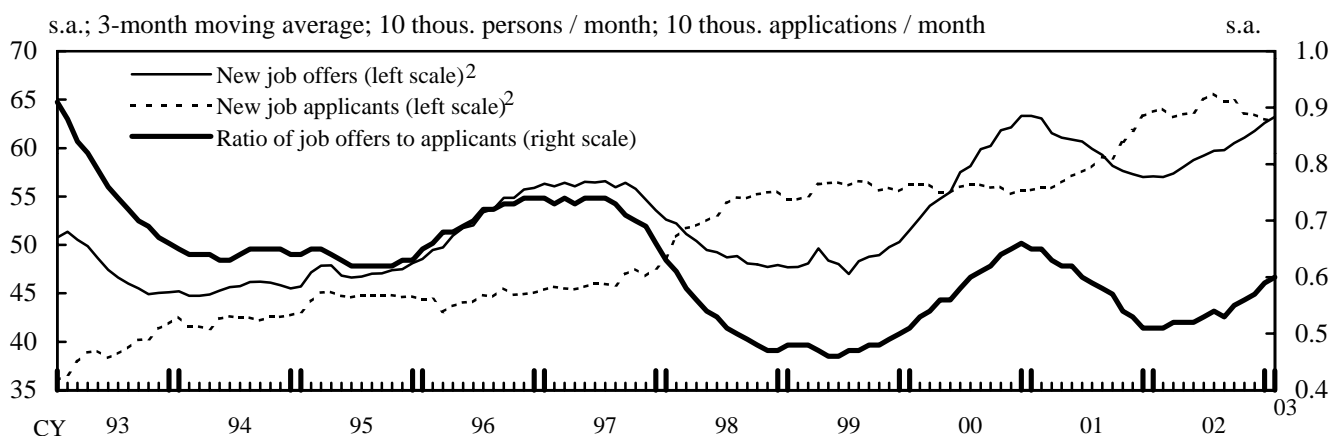
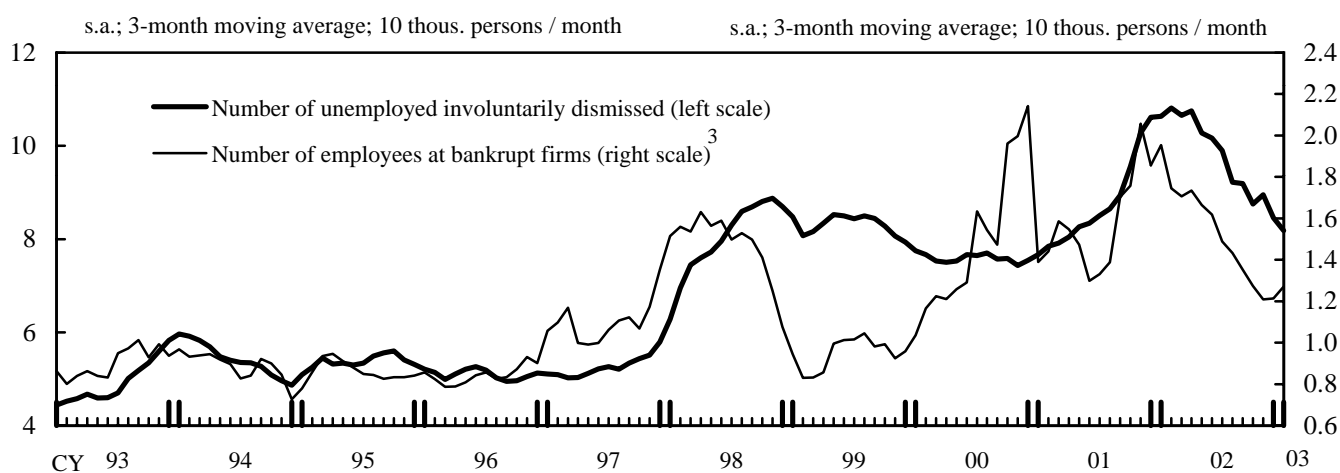
- Notes: 1. Data are for establishments with at least 5 employees.
2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.
3. Figures for 2002/Q4 are those of Dec. 2002 -Jan. 2003 average. Those for January 2003 are preliminary figures.

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.

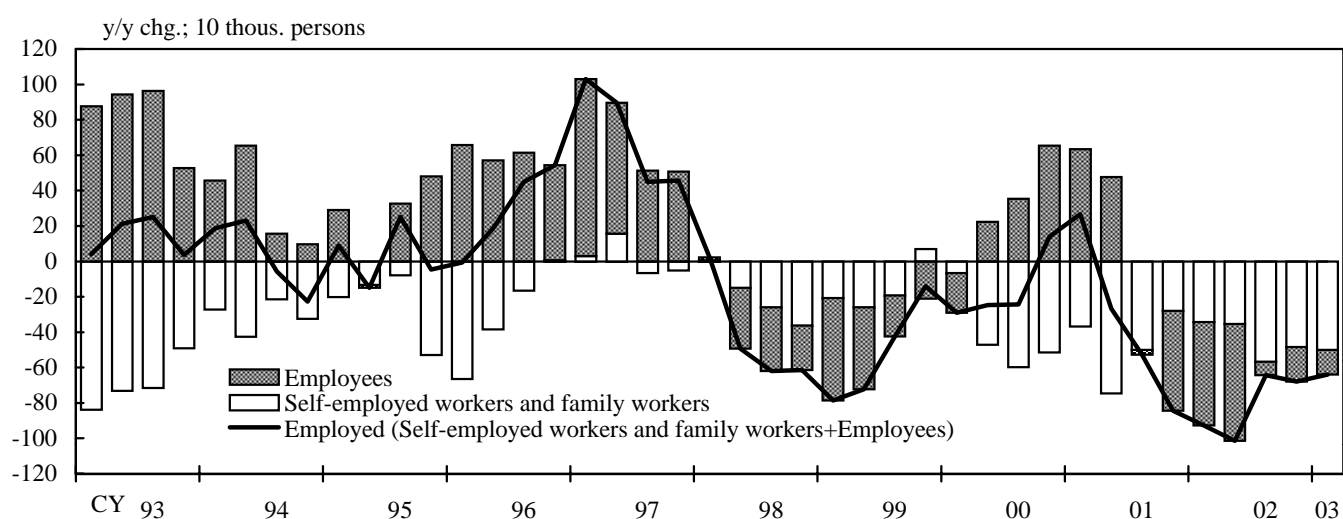
2. Not include jobs offered to new graduates, but to part-time workers.

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.

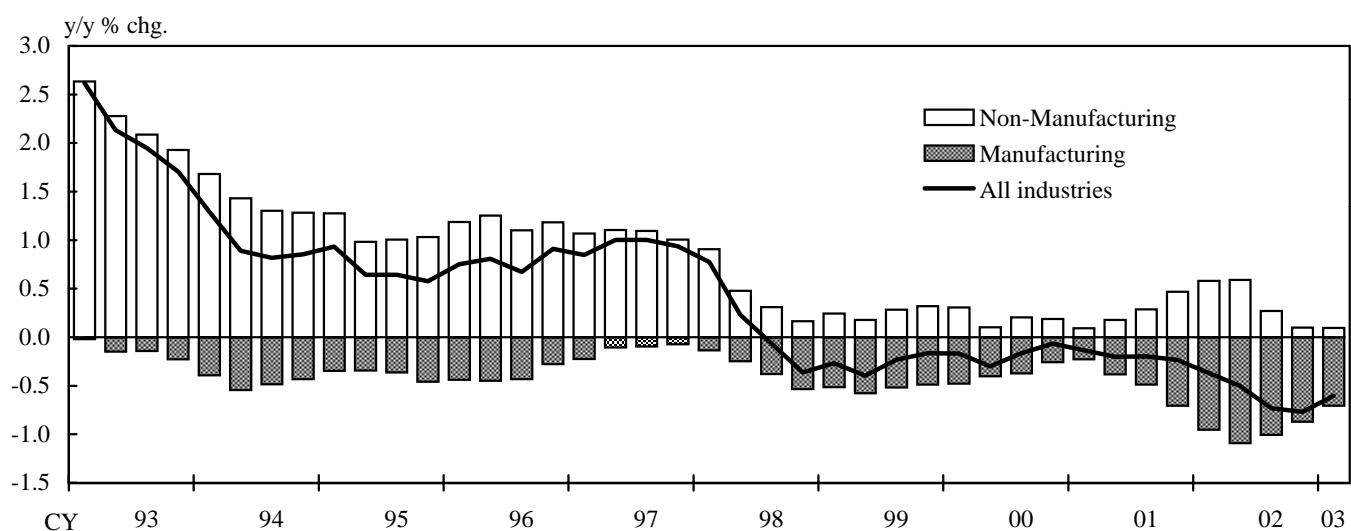
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service," "Report on Employment Insurance Service"; Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey"; Teikoku Databank Ltd., "Japan's Business Failure."

Labor Market (2)

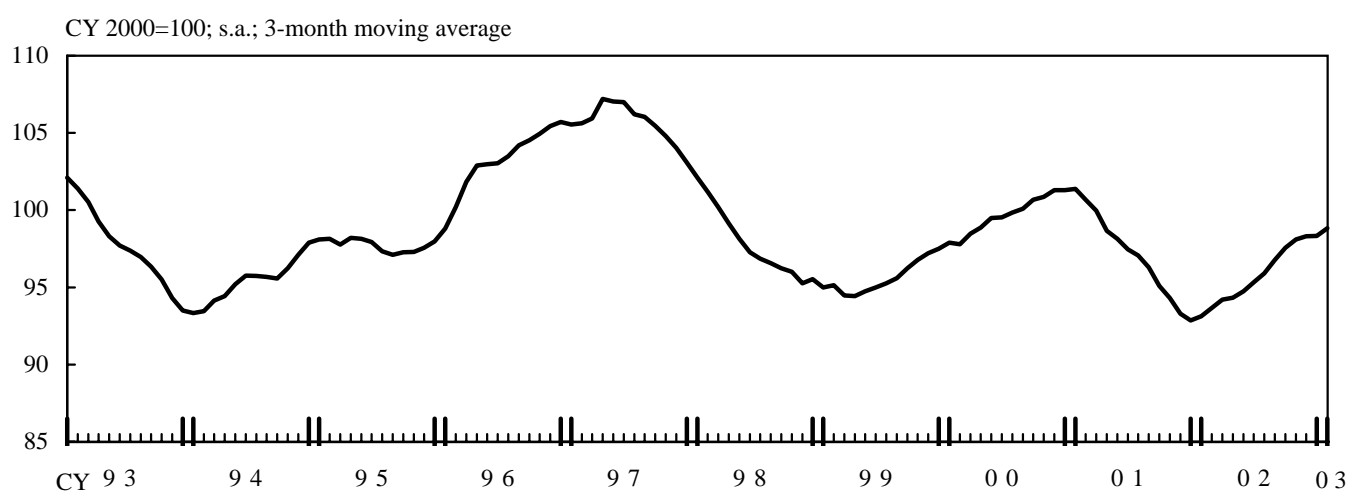
(1) The Employed (Labour Force Survey)



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



(3) Non-scheduled Hours Worked¹ (Monthly Labour Survey)



Note: 1. Data are for establishments with at least 5 employees. Those for January 2003 are preliminary figures.

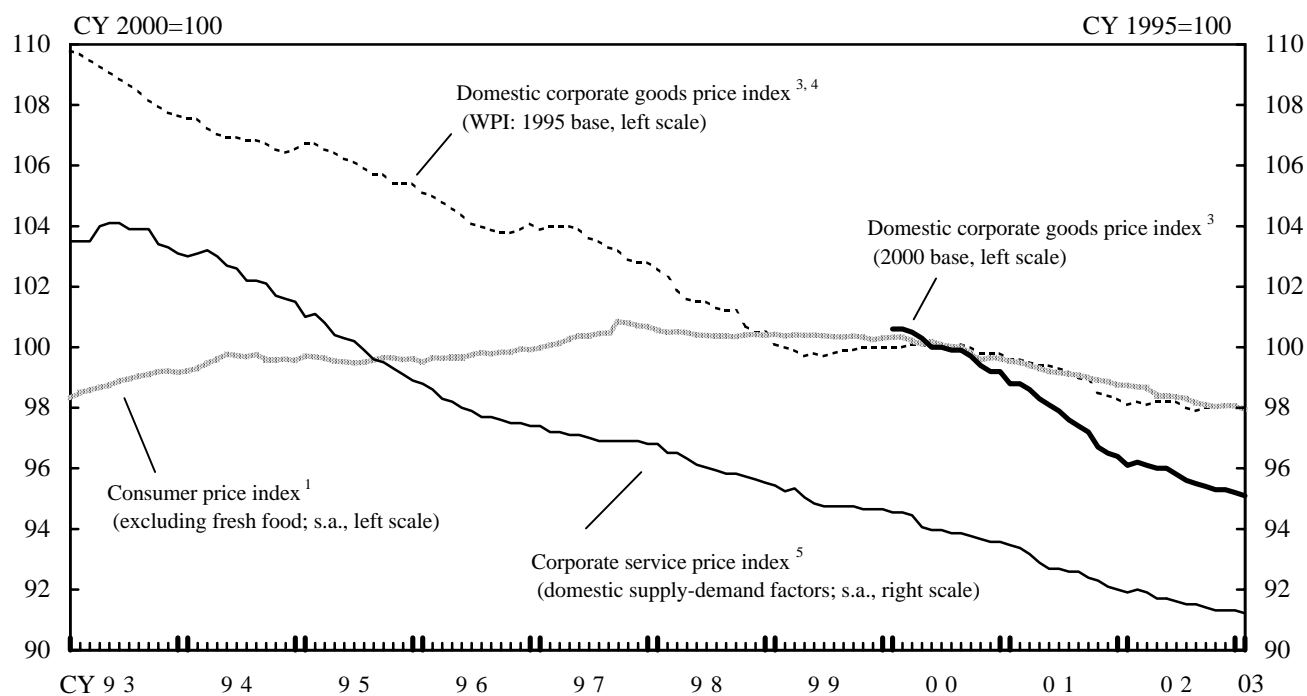
2. Figures for 2003/Q1 are those of January 2003.

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

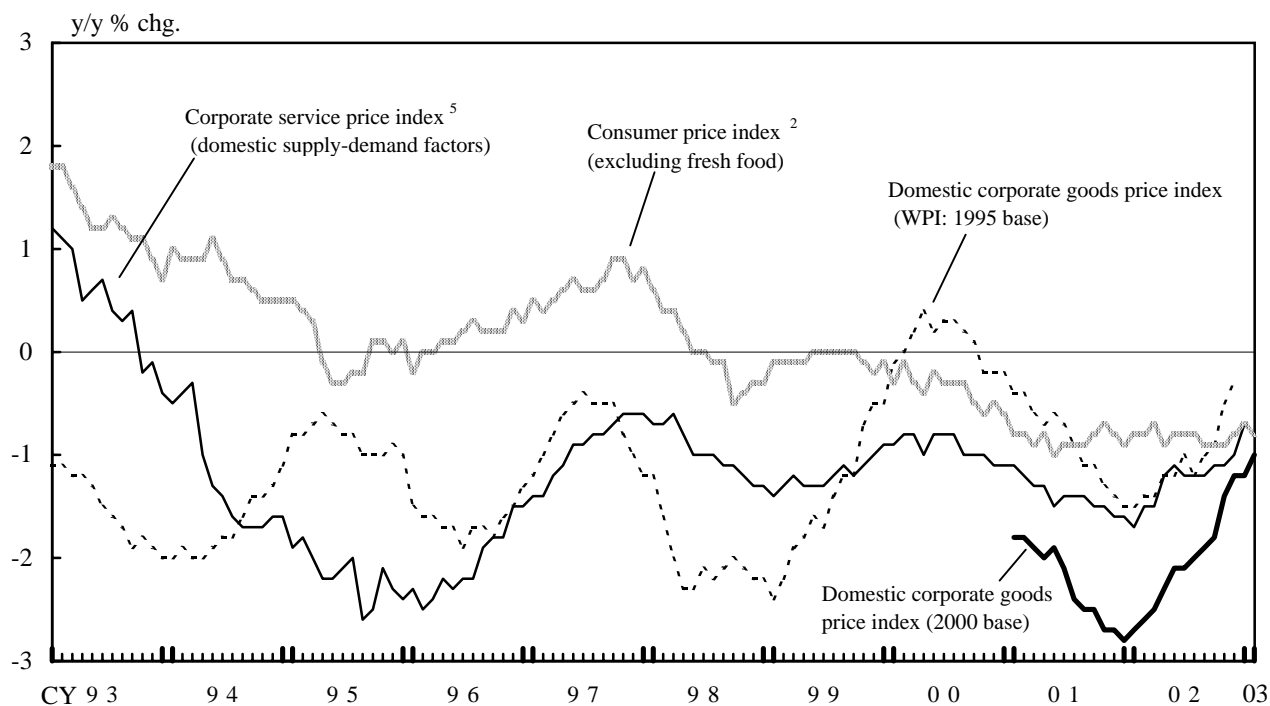
Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey."

Prices⁶

(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. Adjusted to exclude a hike of electric power charges in summer season.

4. The 1995 base WPI shown in the level graph has been adjusted so that its 2000 average may equal 100.

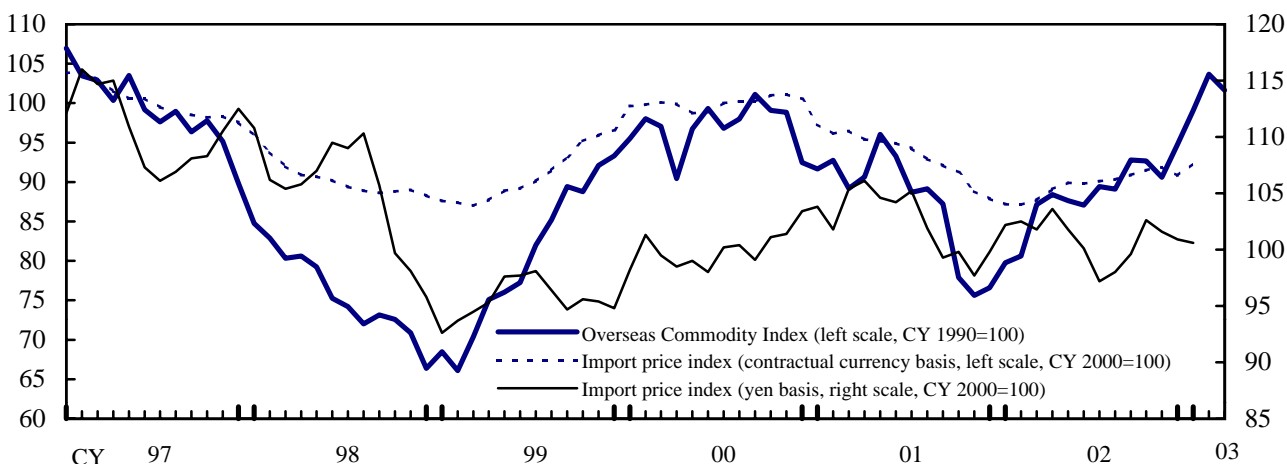
5. See footnote 1 in Chart 22, for definition of the Corporate Service Price Index (domestic supply-demand factors).

6. 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, "Corporate Goods Price Index," "Wholesale Price Indexes," "Corporate Service Price Index."

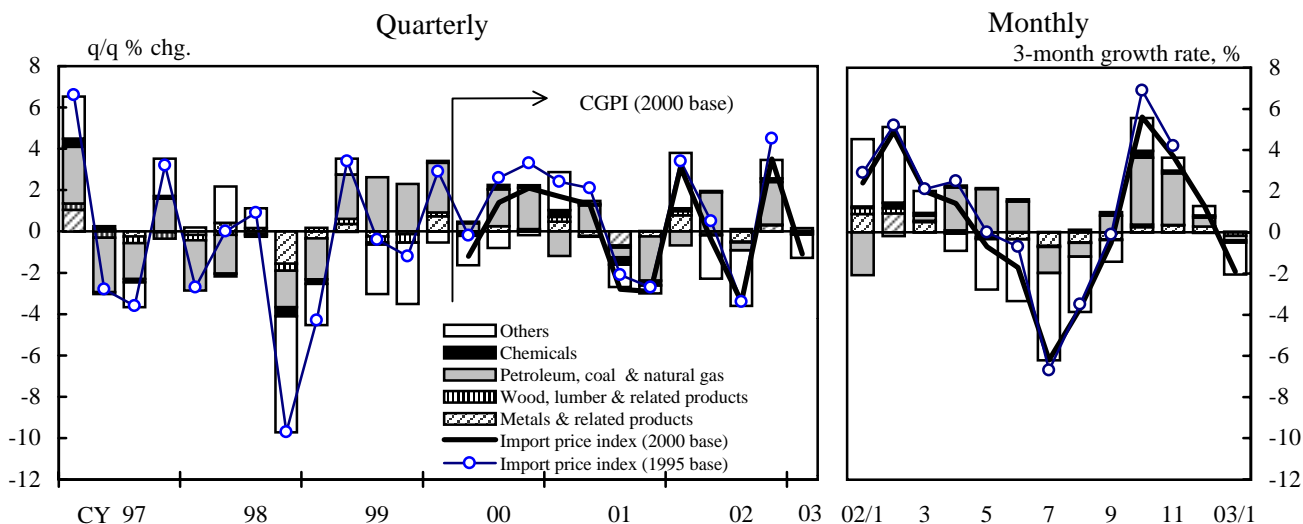
Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



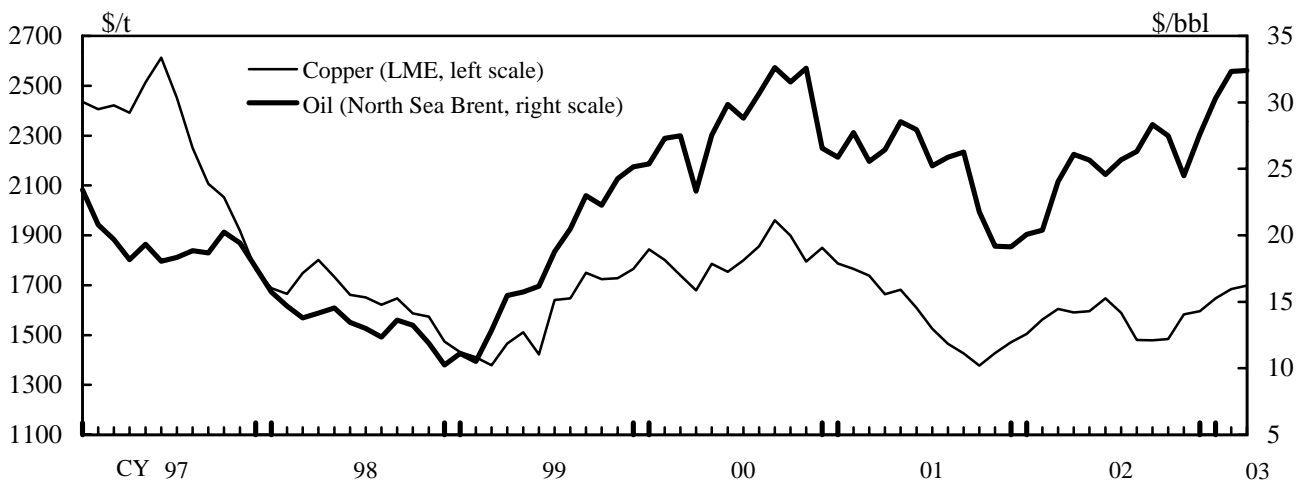
Note: Overseas Commodity Index, which is calculated by Bank of Japan, is a monthly average.
Figure for March 2003 is as of March 3.

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



Note: Figures for 2003/Q1 are those of January.
1995 base figures for 2002/Q4 are those of Oct.-Nov. averages.

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

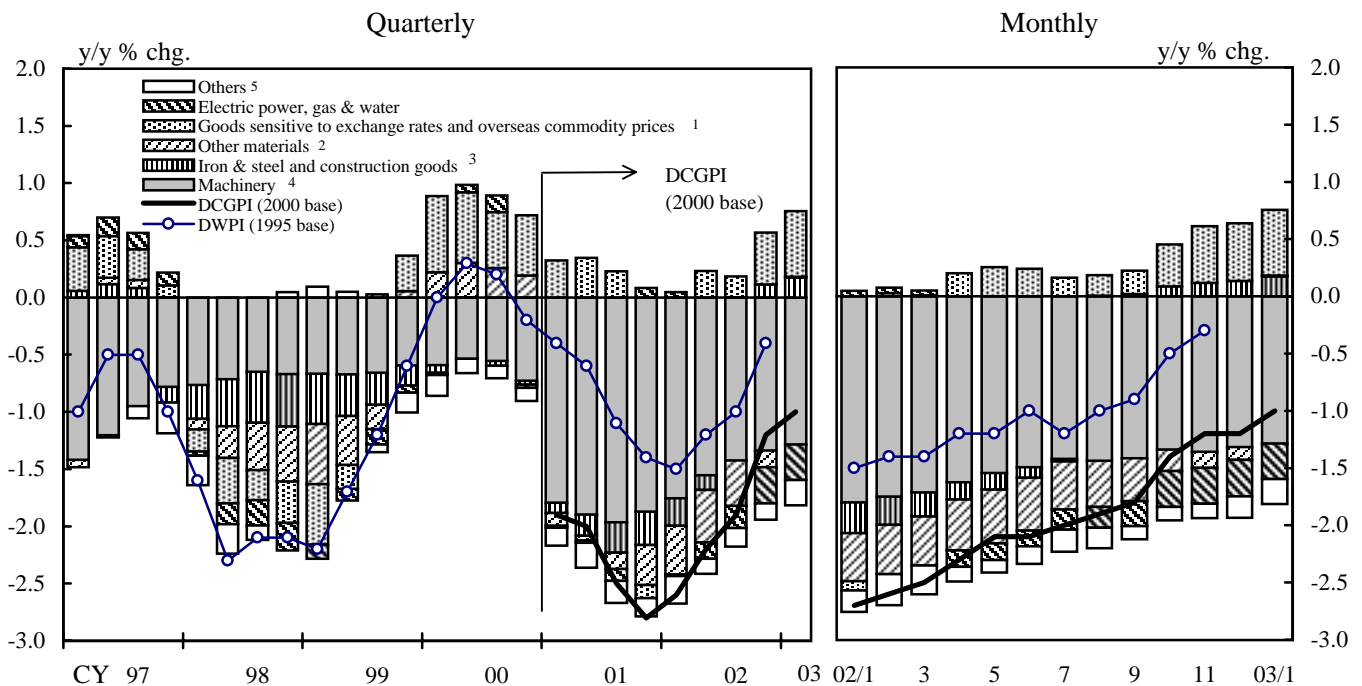
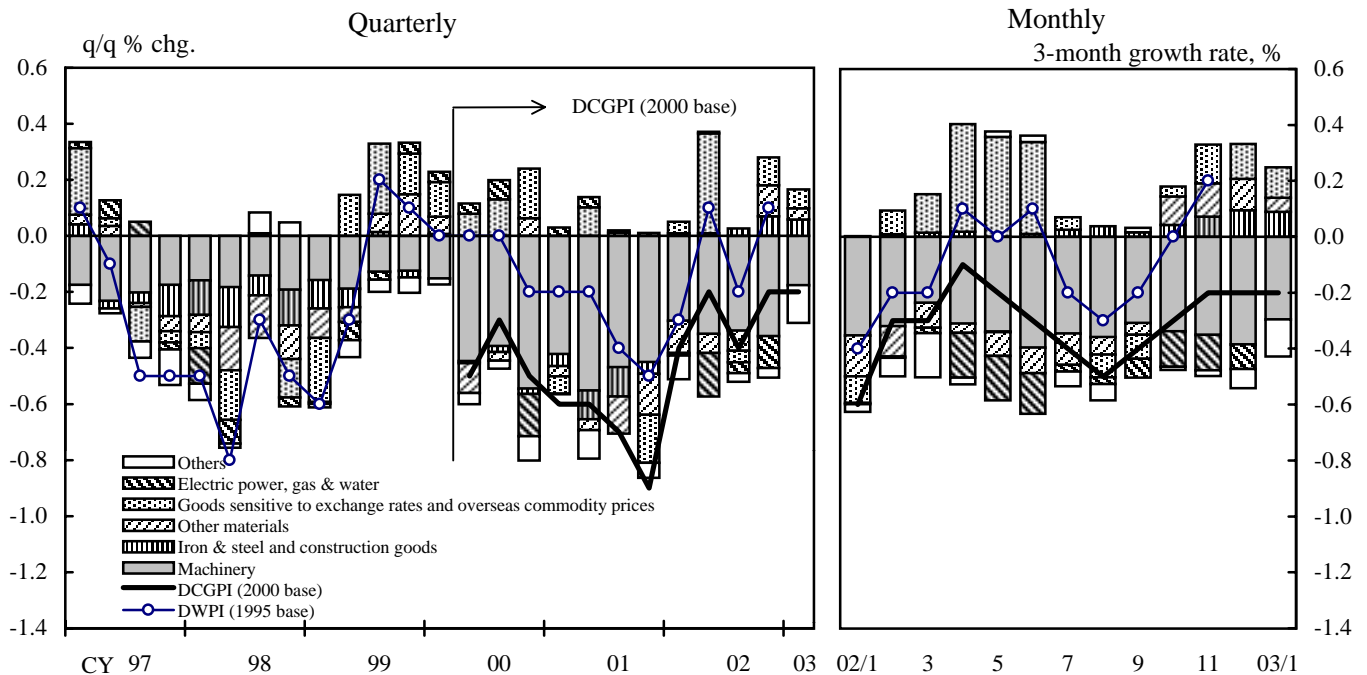


Note: Monthly averages. Figures for March 2003 are as of March 3.

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

Domestic Corporate Goods 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, agricultural, forestry & fishery products, mining products.

6. Adjusted to exclude a hike of electric power charges in summer season from July to September.

This effect makes the Domestic Corporate Goods 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.

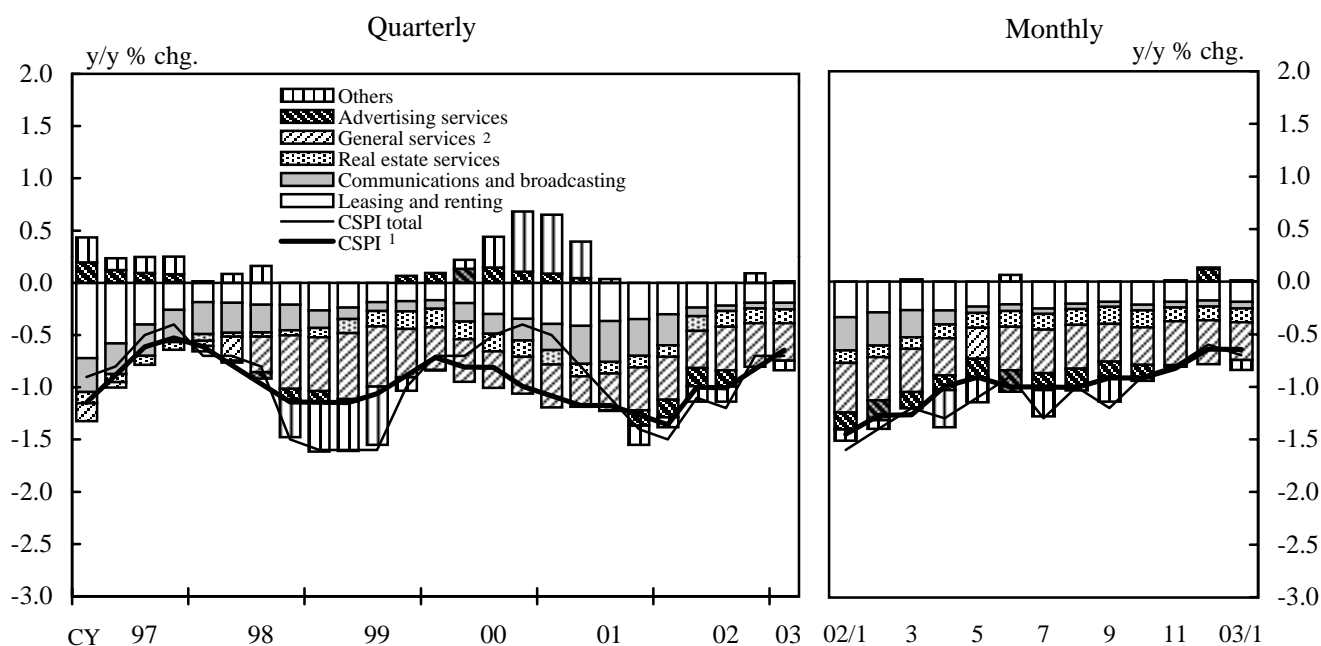
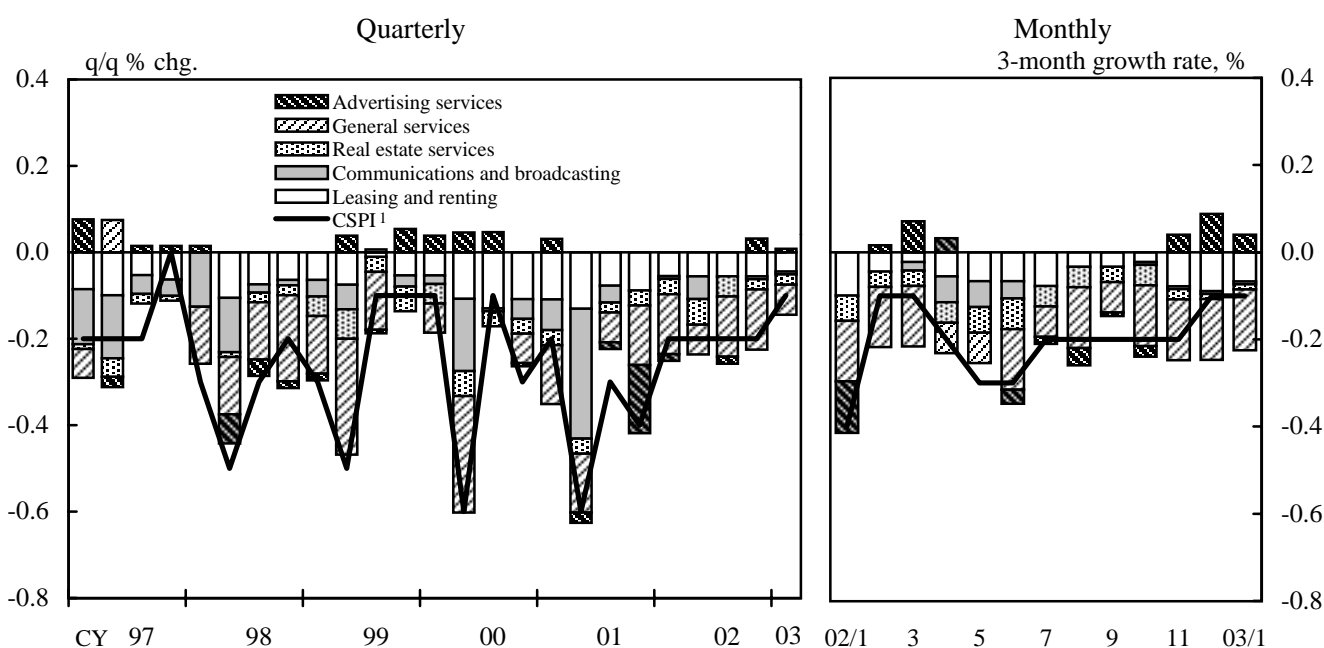
8. Figures for 2003/Q1 are those of January.

1995 base figures for 2002/Q4 are those of Oct.-Nov. averages.

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

Corporate Service Price Index⁴

(1) Changes from a year earlier

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

Notes: 1. CSPI (domestic supply-demand factors) includes all items except the following: (1) Regulated prices (Compulsory motor vehicle insurance, Railroad passenger transportation, Buses, Taxis, Domestic air passenger transportation, Toll roads, Postal services, Sewage disposal), (2) Overseas supply-demand factors (Ocean freight transportation, International air freight, International air passenger transportation), and (3) Securities issuance and related services (banks' procurement service for issuing debentures <excluding underwriting services>).

(3) is excluded due to its large monthly fluctuation. Thus, CSPI (domestic supply-demand factors) mainly reflects the supply and demand conditions in the domestic private sector.

2. General services include all services in Domestic supply-demand factors except Leasing and rental, Communications and broadcasting, Real estate services, and Advertising services.

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. As the seasonally adjusted figures are recalculated each month, the series are revised retroactively every month.

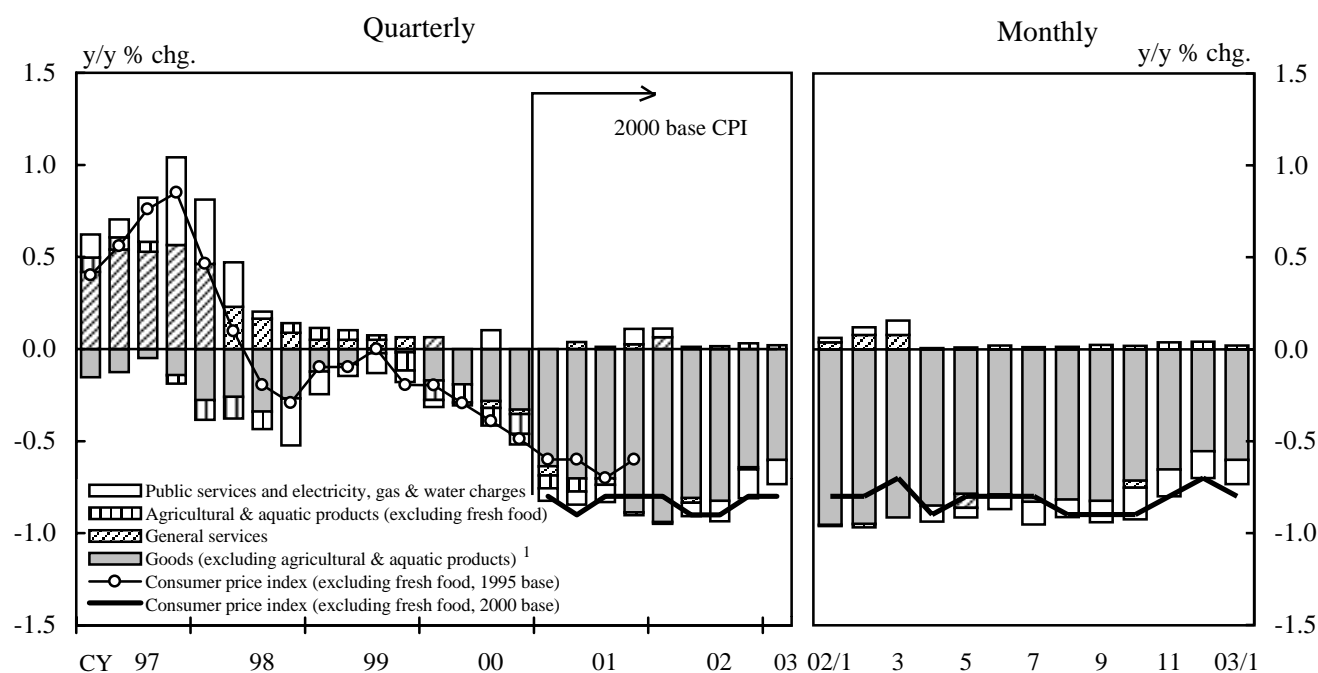
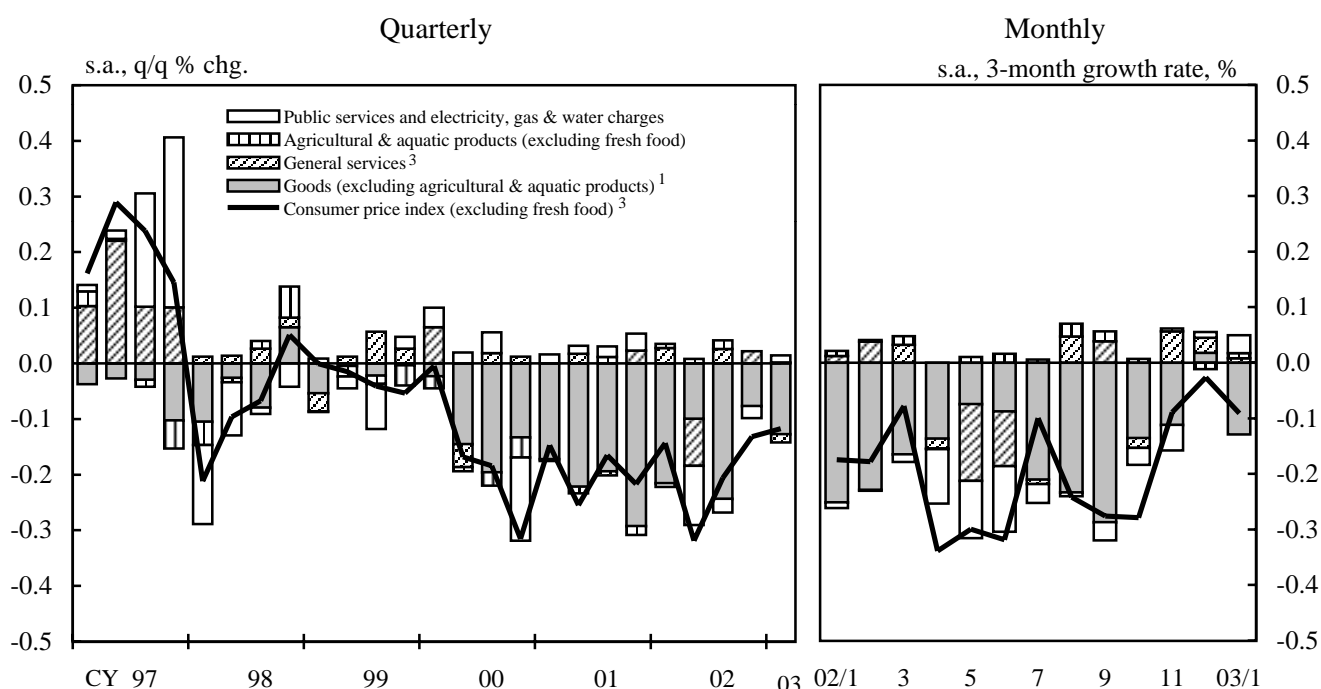
4. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

5. Figures for 2003/Q1 are those of January.

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

Consumer Price Index (excluding fresh food)⁴

(1) Changes from a year earlier

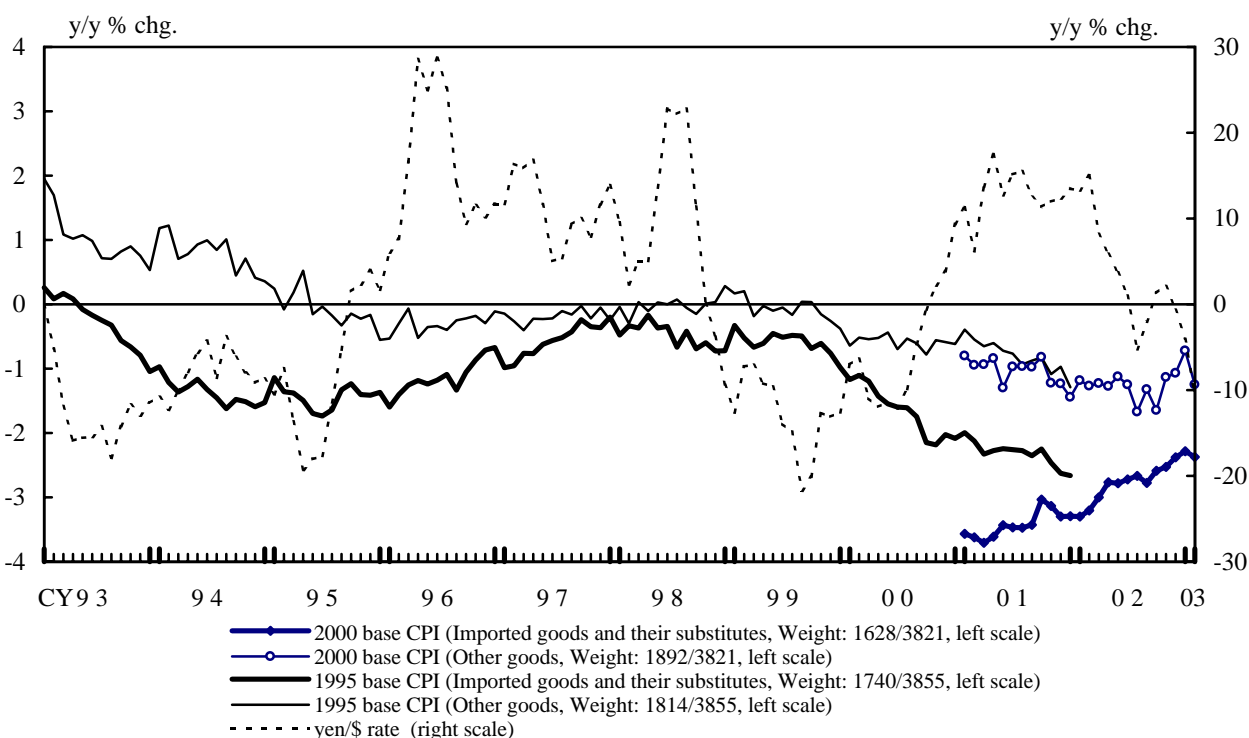
(2) Changes from a quarter earlier and 3 months earlier (2000 base CPI)²

- 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. Seasonally adjusted by X-12-ARIMA. Because of the seasonal adjustment error, there are discrepancies between the CPI and the sum of its components.
3. 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.
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.
5. Figures for 2003/Q1 are those of January.

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

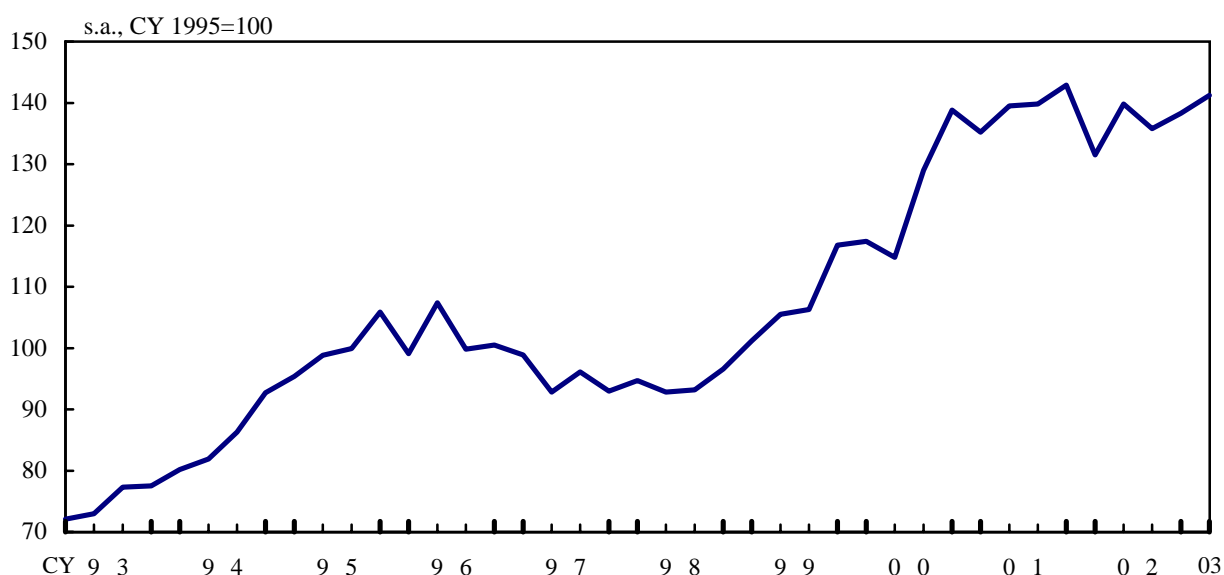
Consumer Price Index of imported goods and their substitutes

(1) Comparison of imported goods and other goods in terms of CPI



- Notes:
1. Goods covered here exclude petroleum products and agricultural & aquatic products.
 2. Imported goods 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).
 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.

(2) Consumer goods supply (Imports)

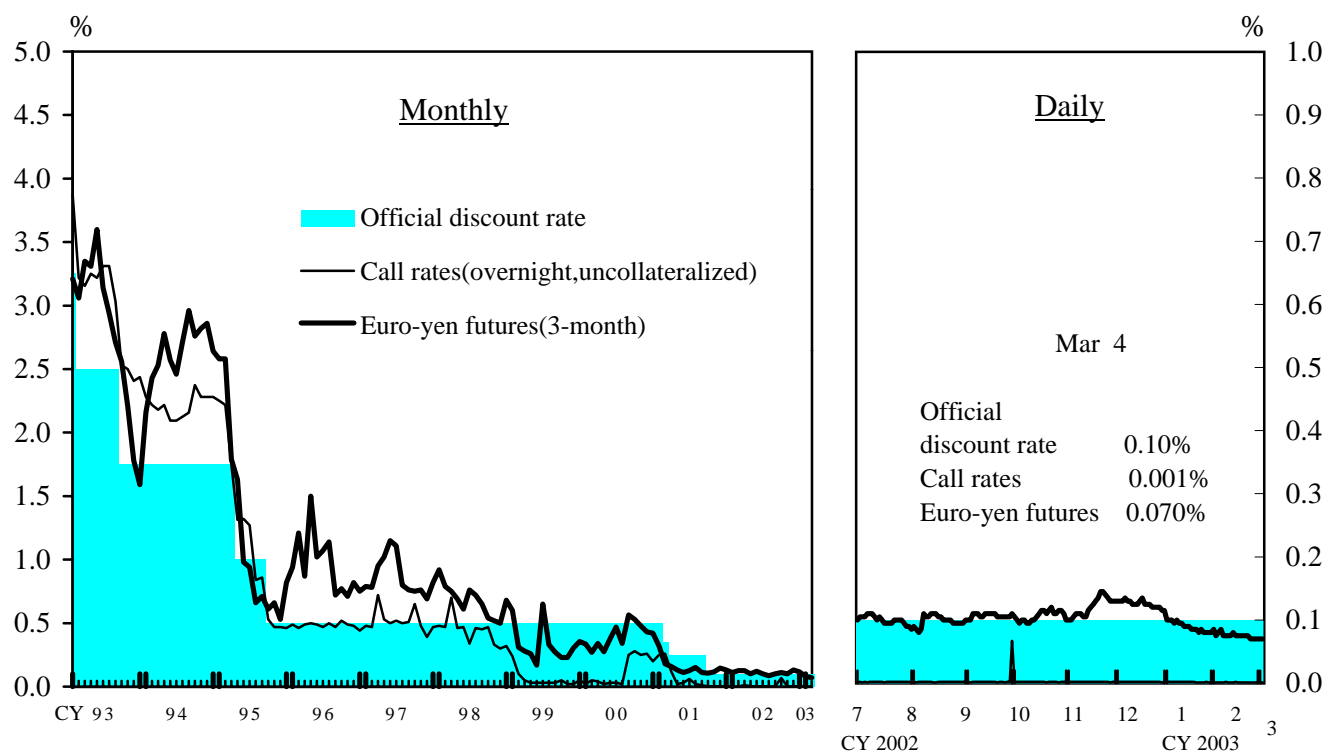


- Notes:
1. "Imports" are components of "consumer goods" in the *Indices of Industrial Domestic Shipments and Imports* (the definition for "consumer goods" is the same as that in the *Indices of Industrial Production*).
 2. Figures for 2002/Q4 and 2003/Q1 are calculated from quarterly changes of real imports for consumption. Real imports (consumer goods) are composed of motor vehicles, audio and visual apparatus, office machinery, foodstuffs and textiles.
 3. 2003/Q1 figures are those of January in terms of quarterly amount.

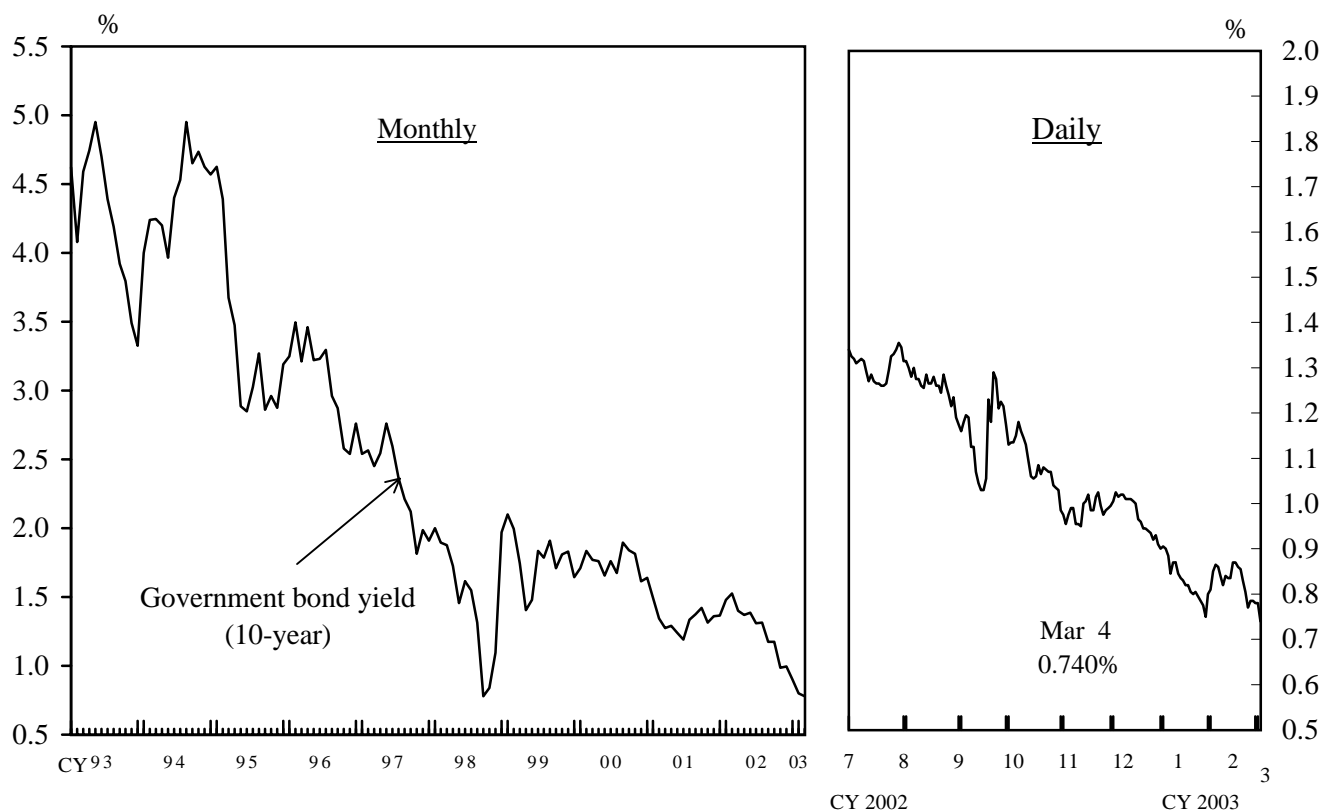
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index"; Ministry of Economy, Trade and Industry, "Indices of Industrial Domestic Shipments and Imports"; Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price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

Interest Rates

(1) Short-Term



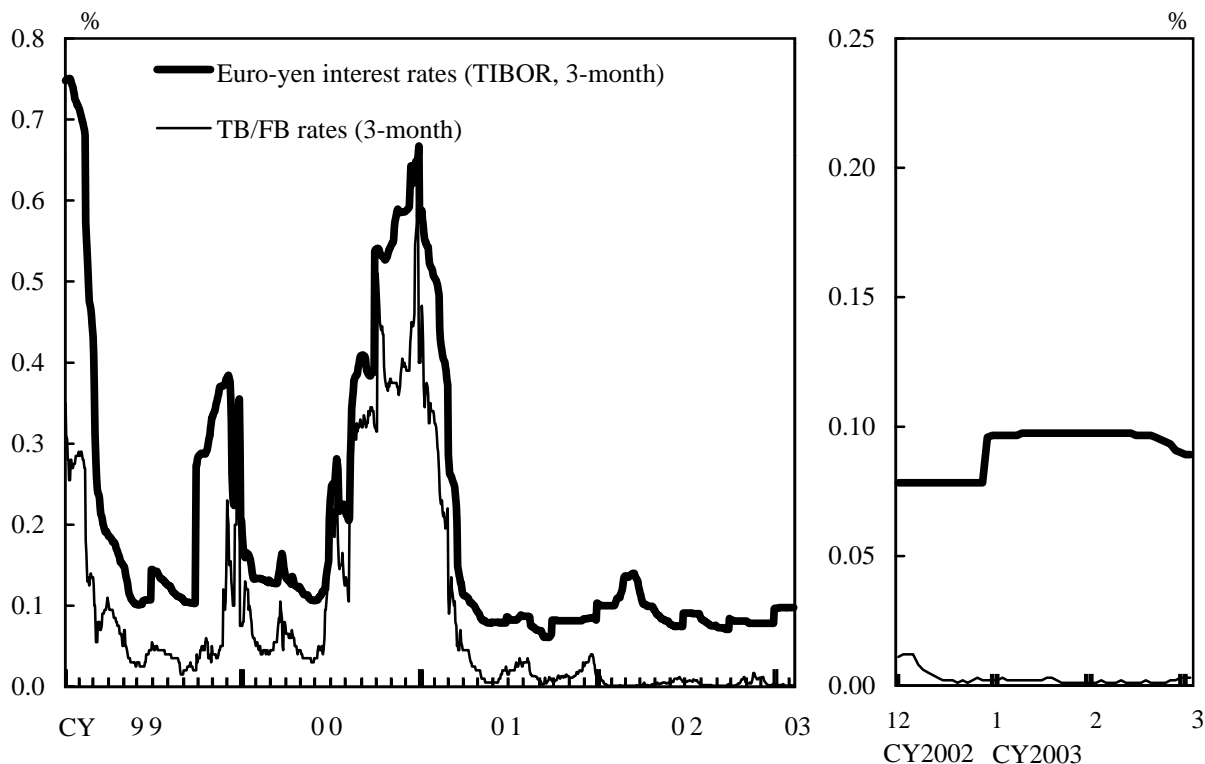
(2) Long-Term



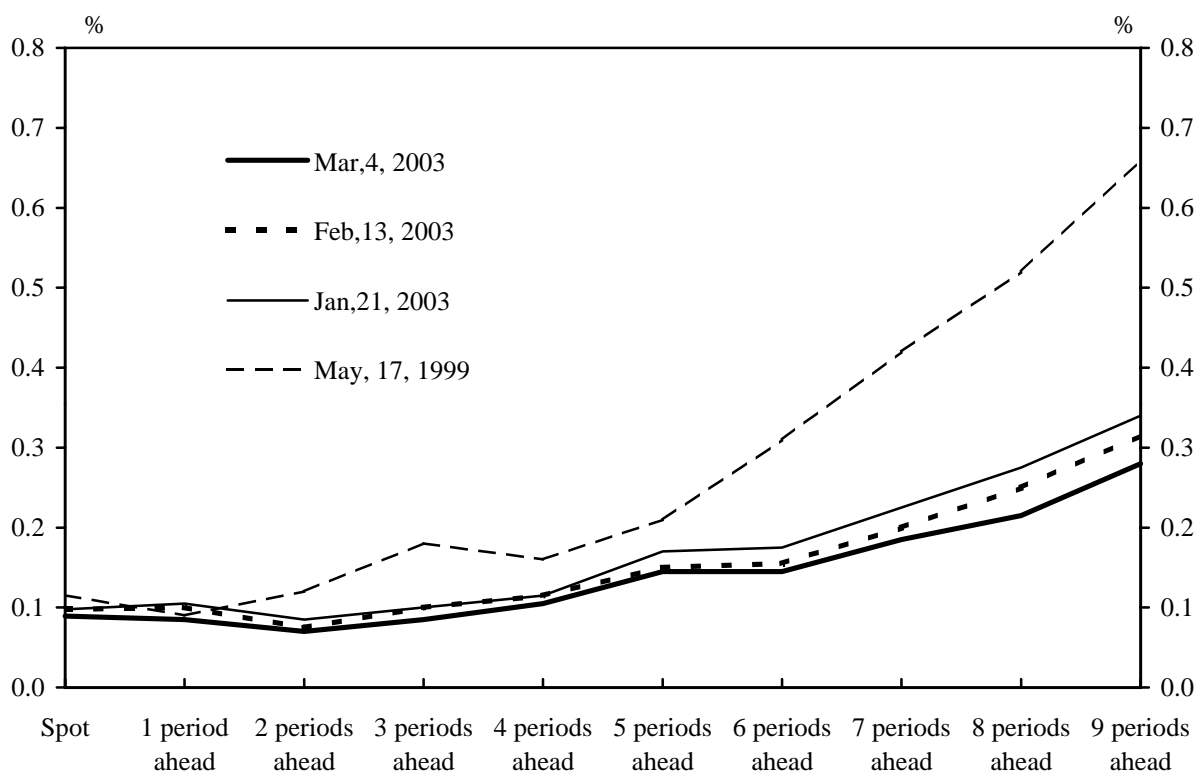
Sources: Bank of Japan; Tokyo International Financial Futures Exchange;
 Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments

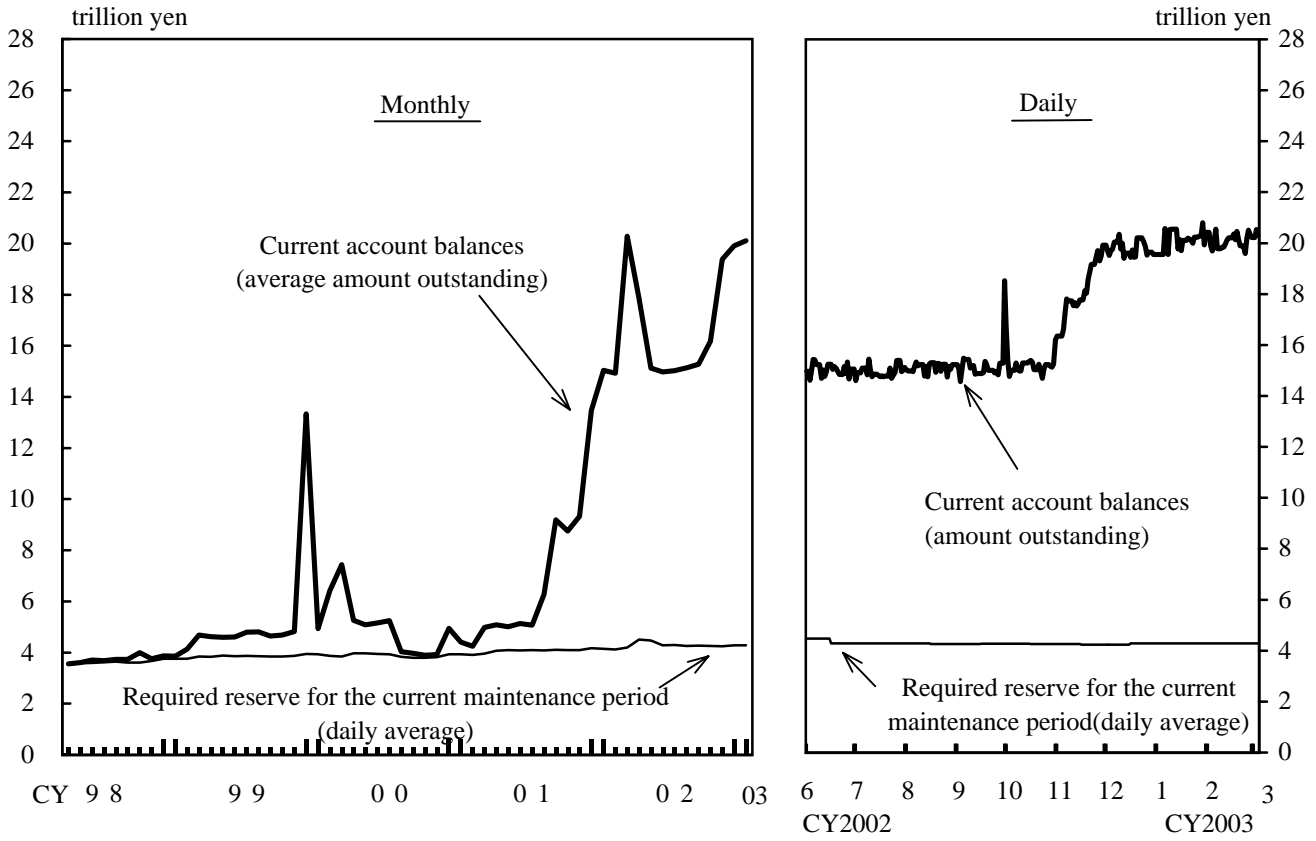


(2) Euro-Yen Interest Rates Futures (3-Month)



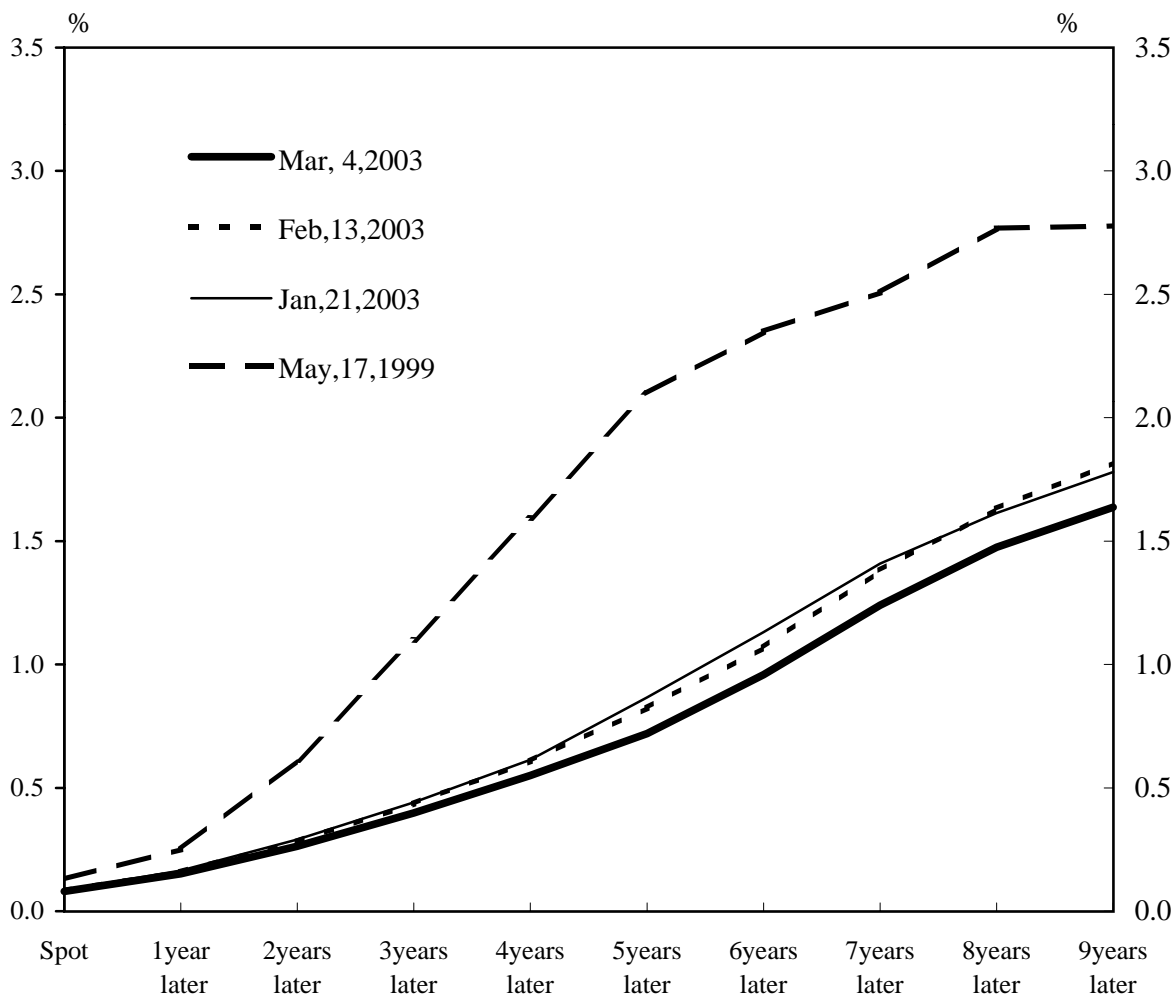
Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.;
Tokyo International Financial Futures Exchange.

Current Account Balances at the Bank of Japan



Source: Bank of Japan.

Implied Forward Rates (1-year)¹

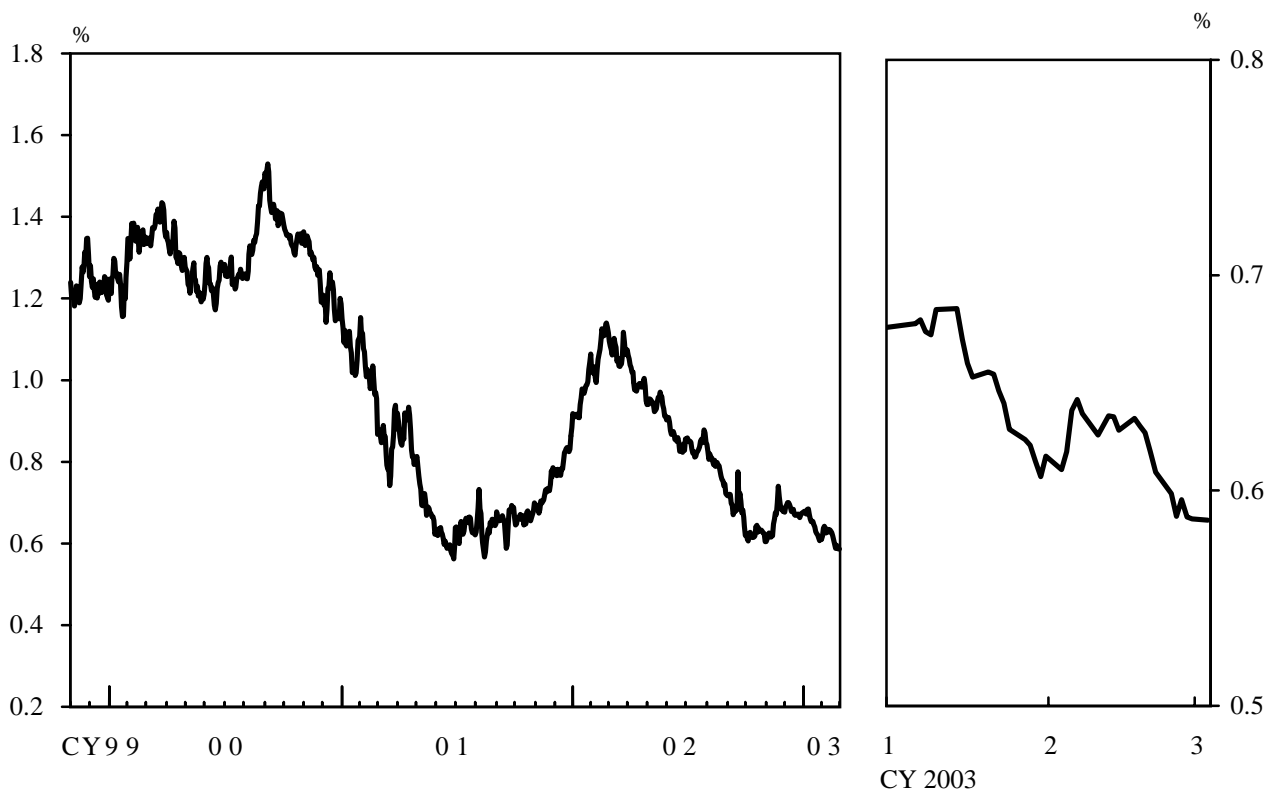


Note: 1. Calculated from yen-yen swap rates.

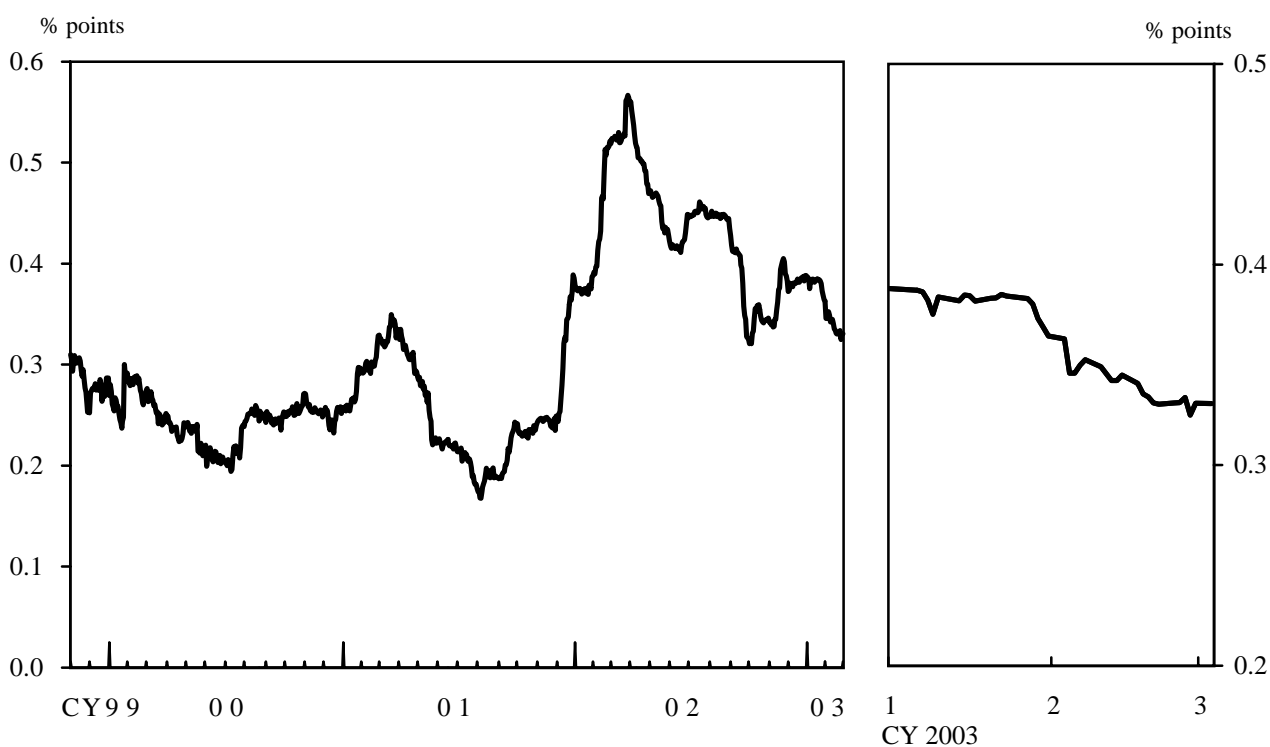
Source: Kyodo News.

Yields of Bank Bonds

(1) Average Bank Bond Yield



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



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

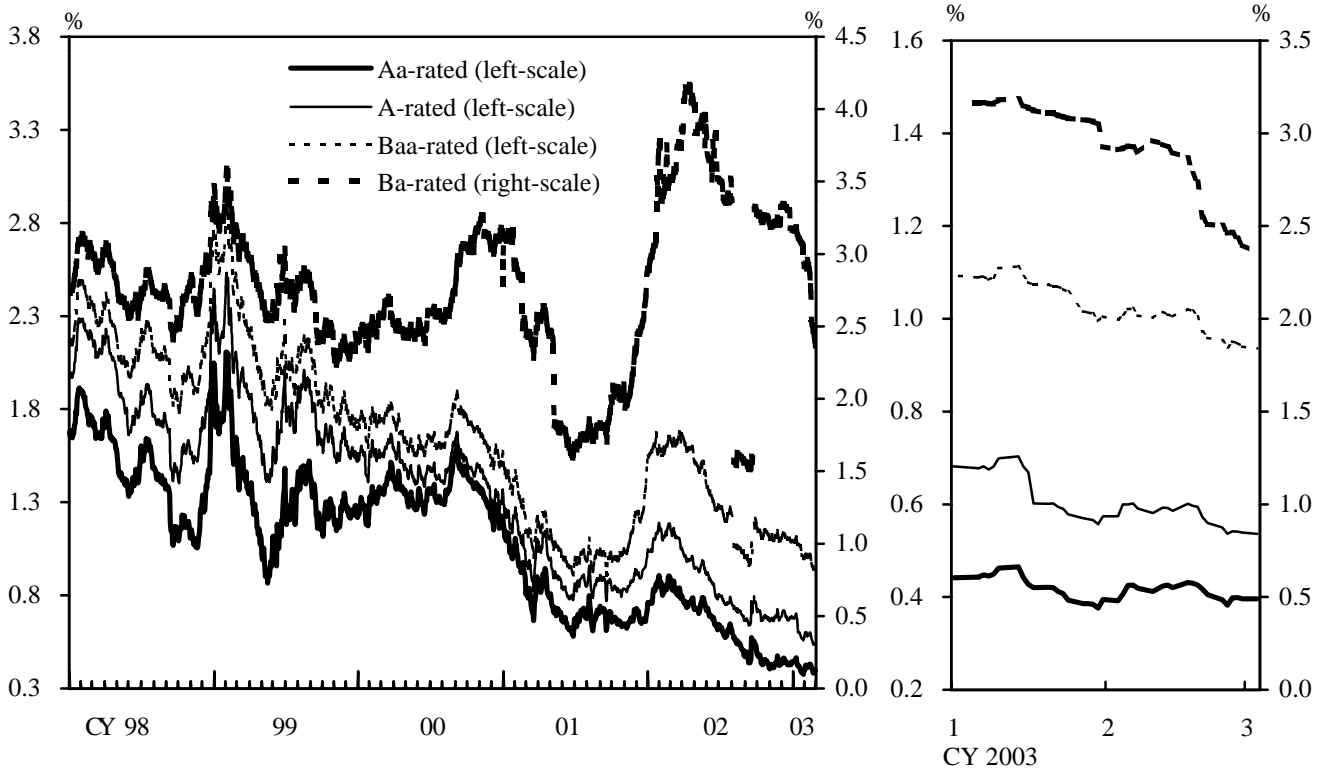
2. Average bank bond yield is the average of four bank bonds.

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

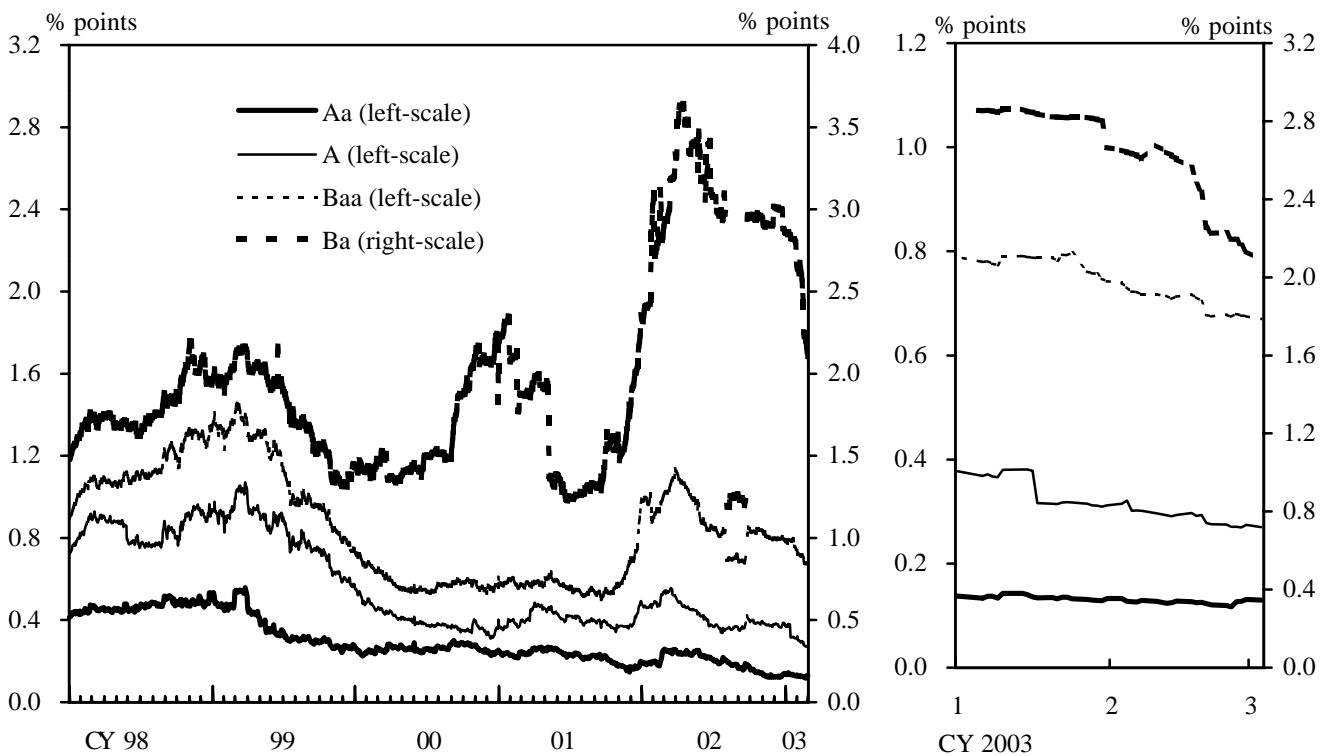
"Reference Price(Yields) Table for OTC Bond Transactions."

Yields of Corporate Bonds ¹

(1) Corporate Bond Yields



(2) Spread of Corporate Bond Yield and Government Bond Yield



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

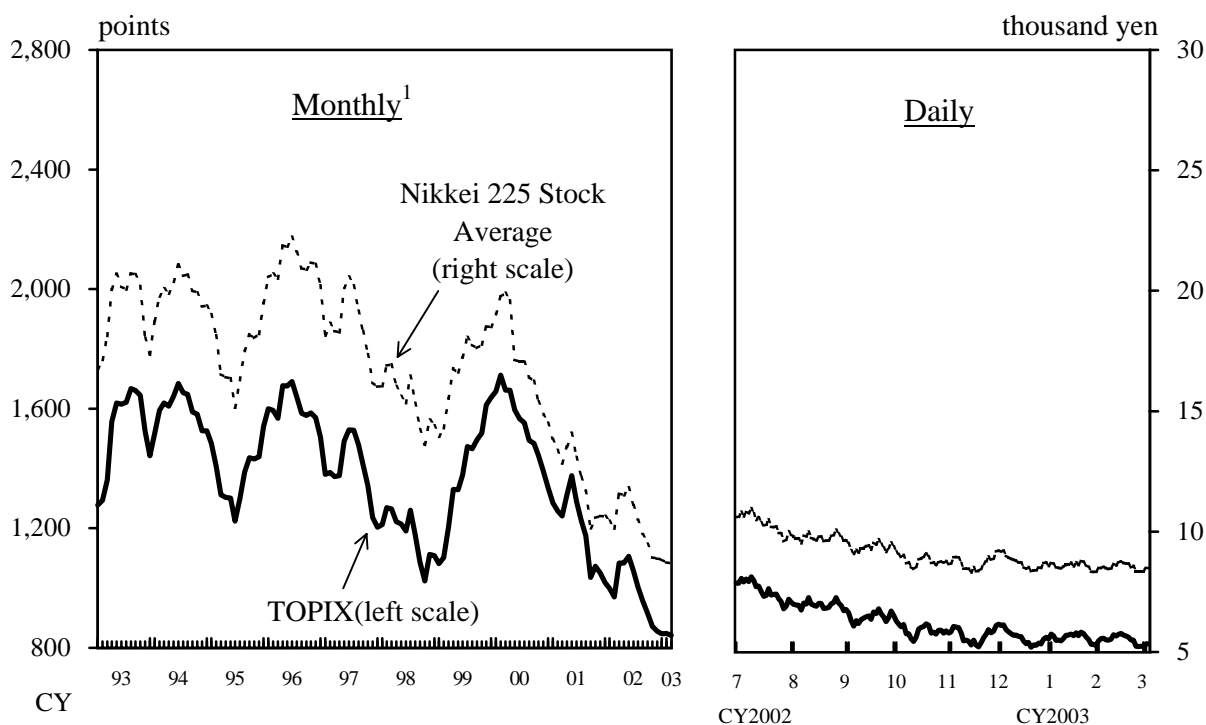
The indicated ratings are of Moody's.

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

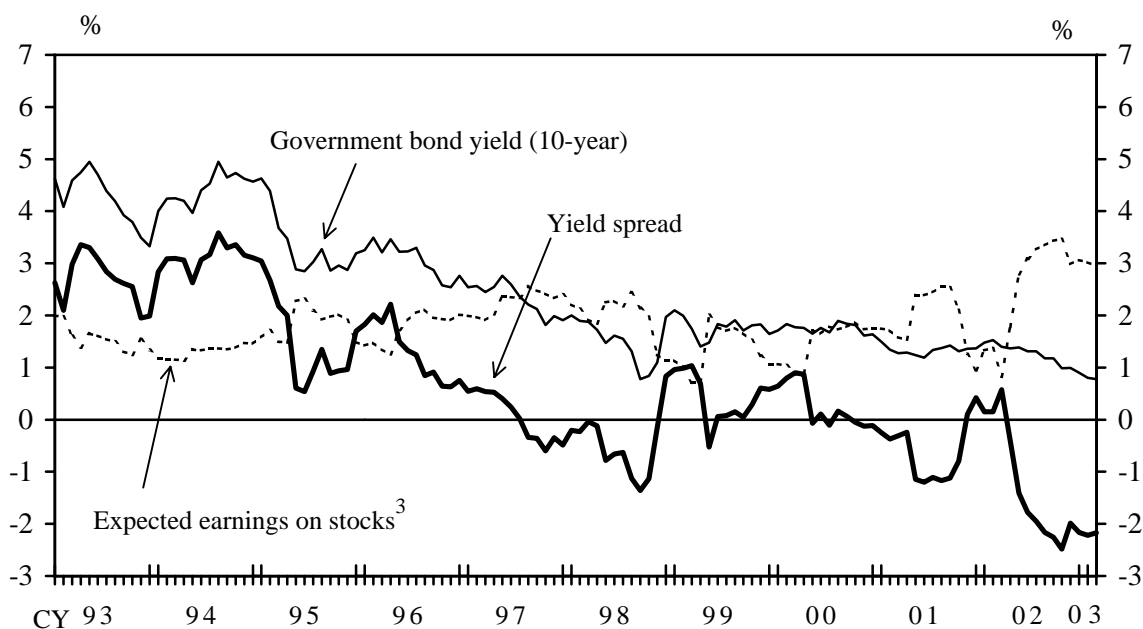
"Reference Price(Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Stock Prices



(2) Yield Spread²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

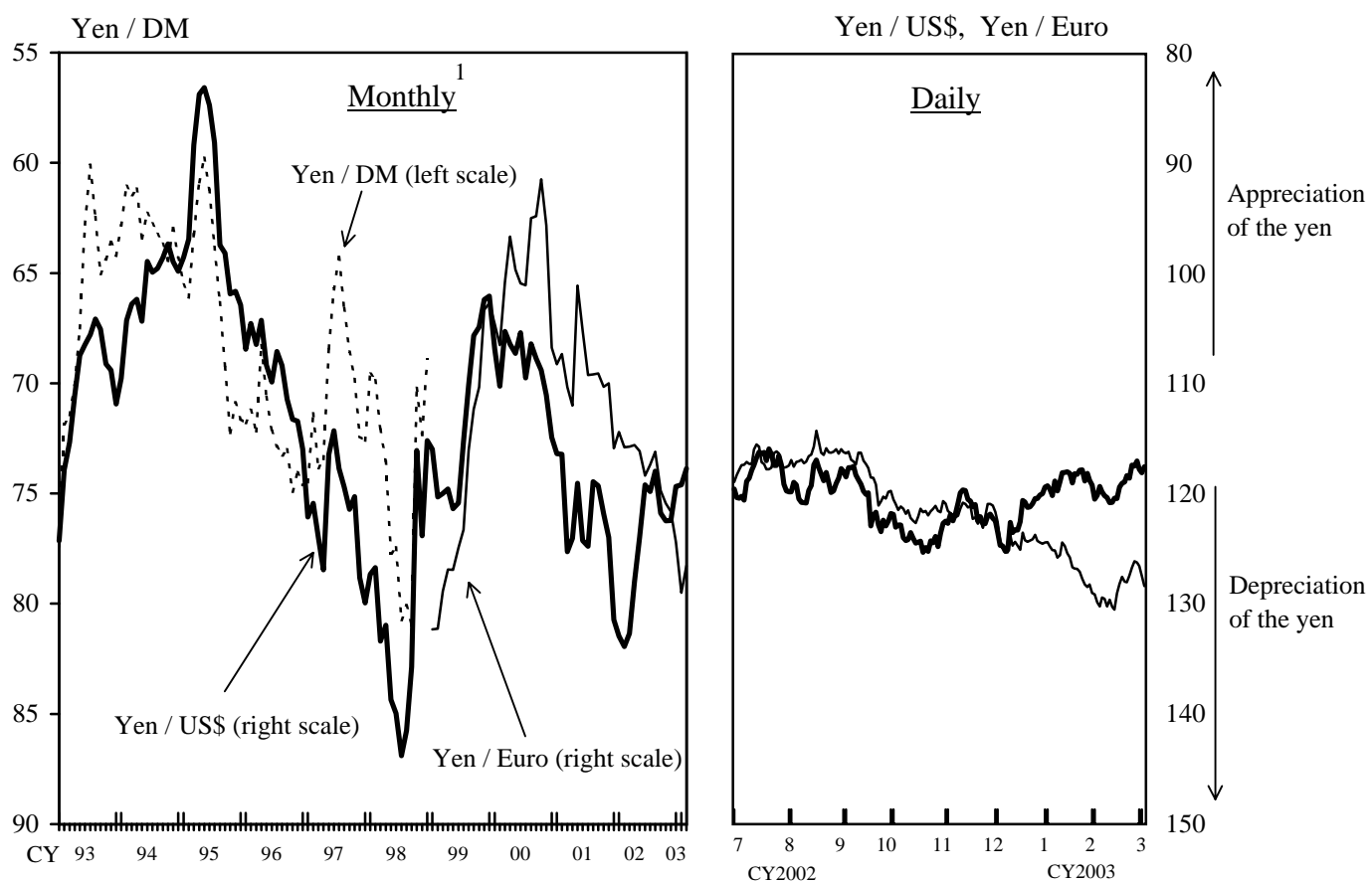
Yield spread = government bond yields - expected earnings on stocks, where expected earnings on stocks = 1/expected price earnings ratio.

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

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

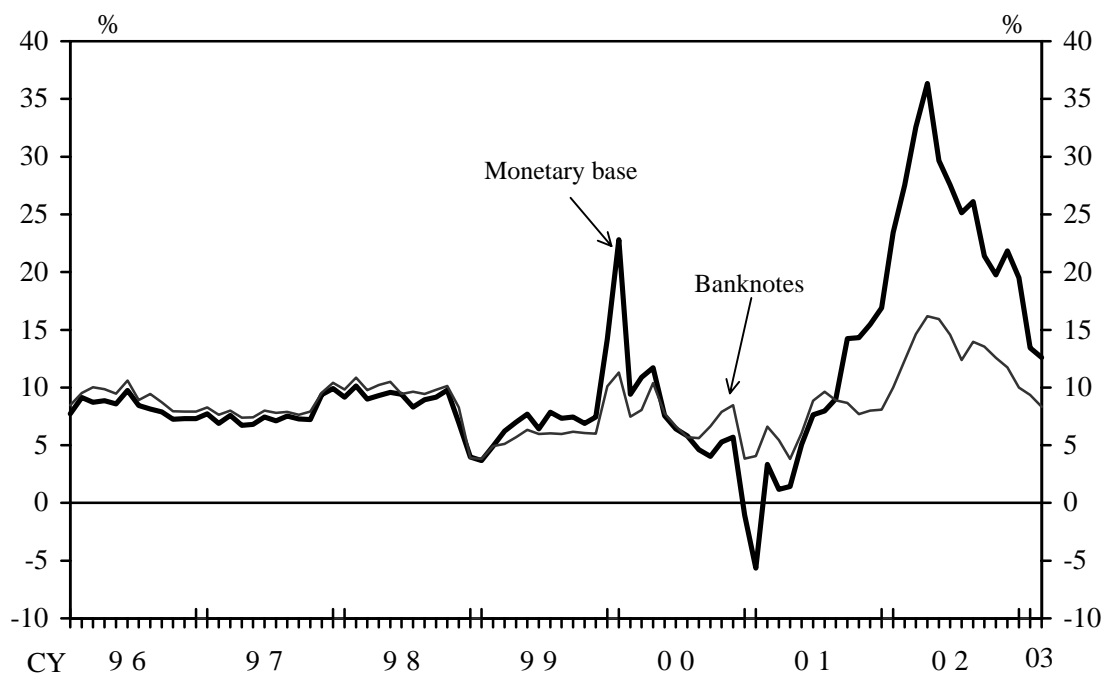
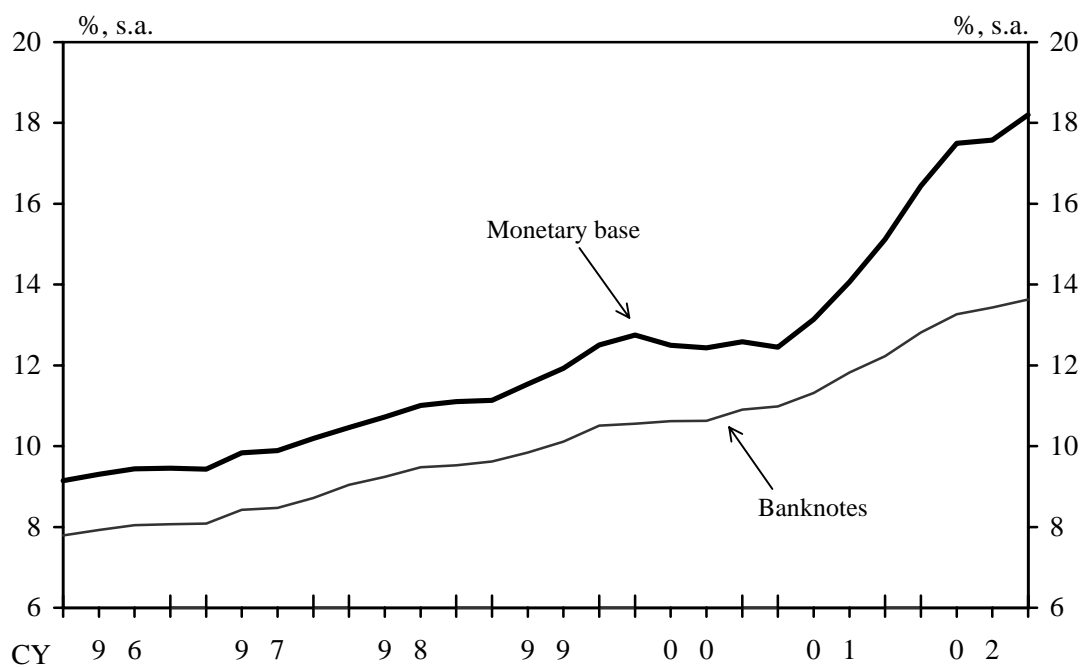
Sources: *The Nihon Keizai Shimbun* ; Daiwa Research Institute, "*Daiwa Toushi Shiryou* (Daiwa Investment Information)."

Exchange Rates



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

Monetary Base

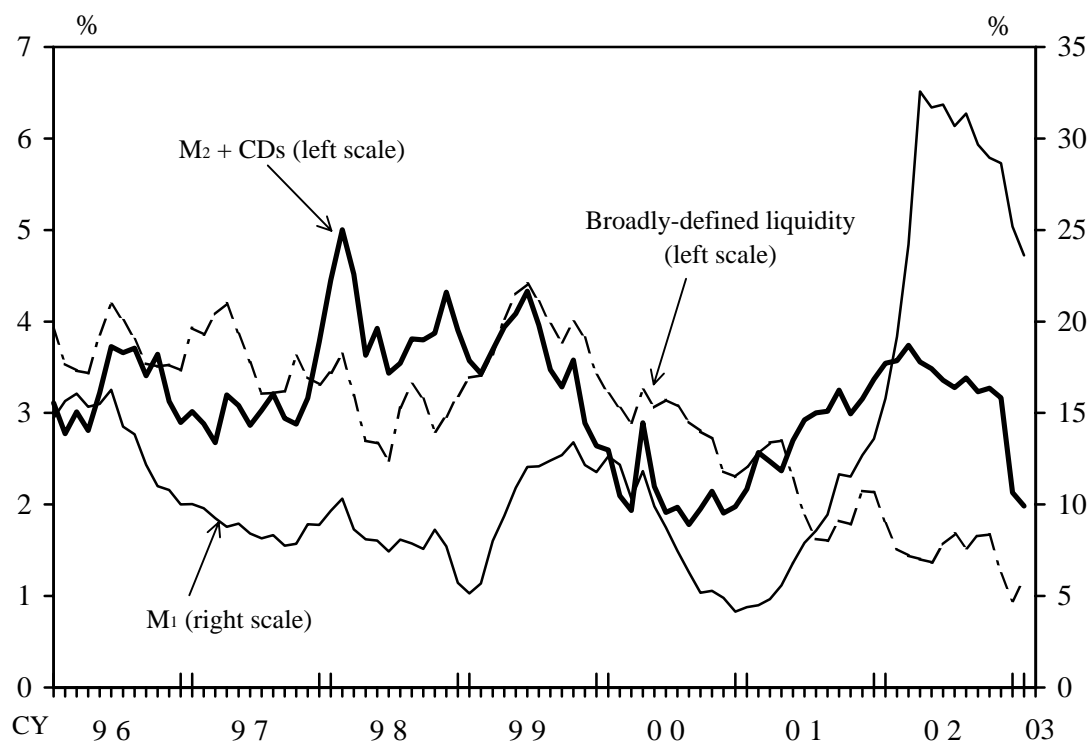
(1) Changes from a Year Earlier**(2) Ratio of Monetary Base to Nominal GDP**

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

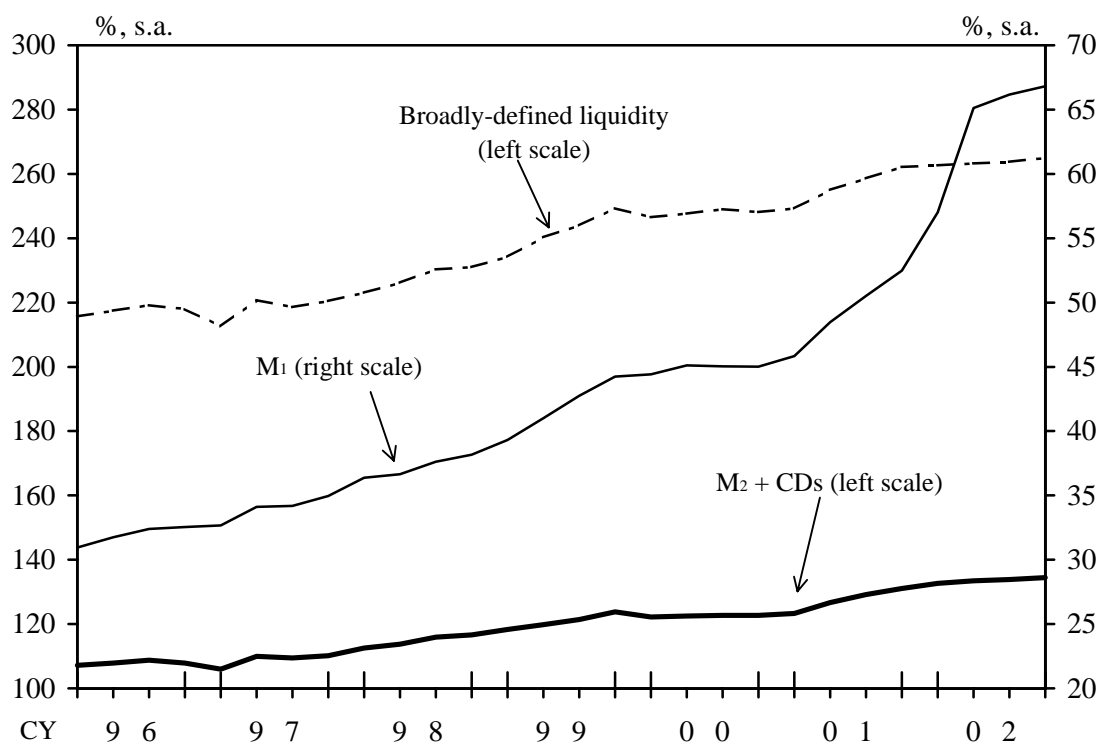
Data for currency in circulation include holdings of financial institutions.

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

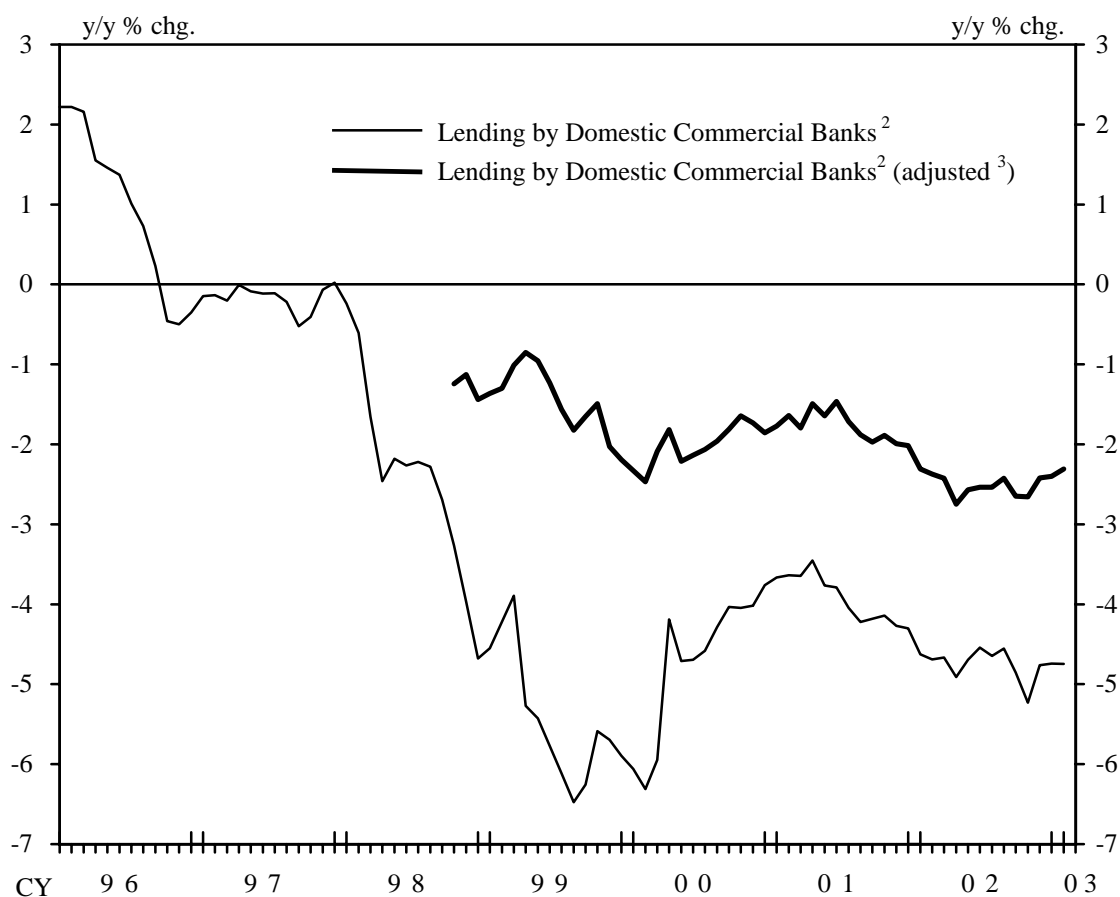
(1) Changes from a Year Earlier



(2) Ratio of Money Stock to Nominal GDP



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

Lending by Domestic Commercial Banks ¹

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

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

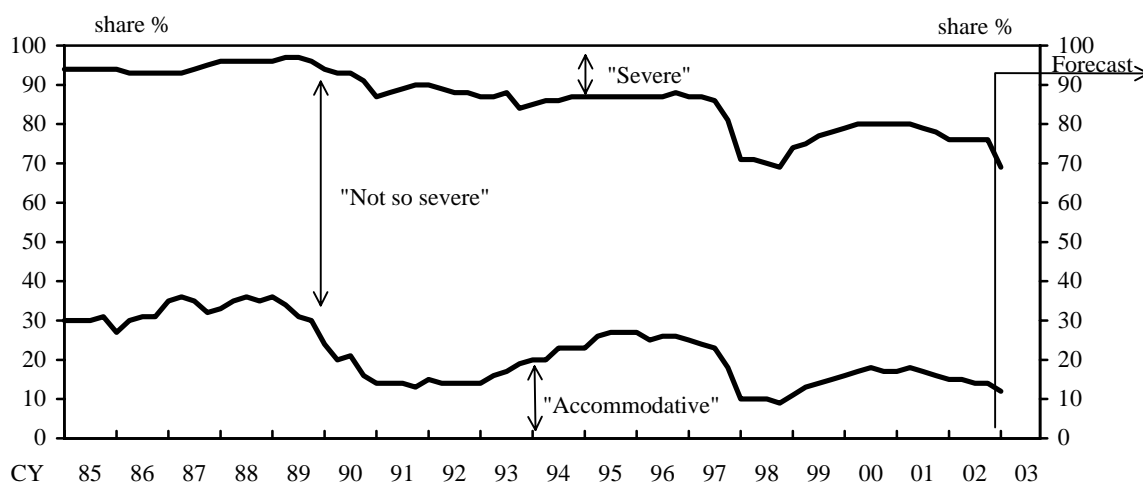
3. Adjusted to exclude

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

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

Lending Attitude of Financial Institutions as Perceived by Small Enterprises

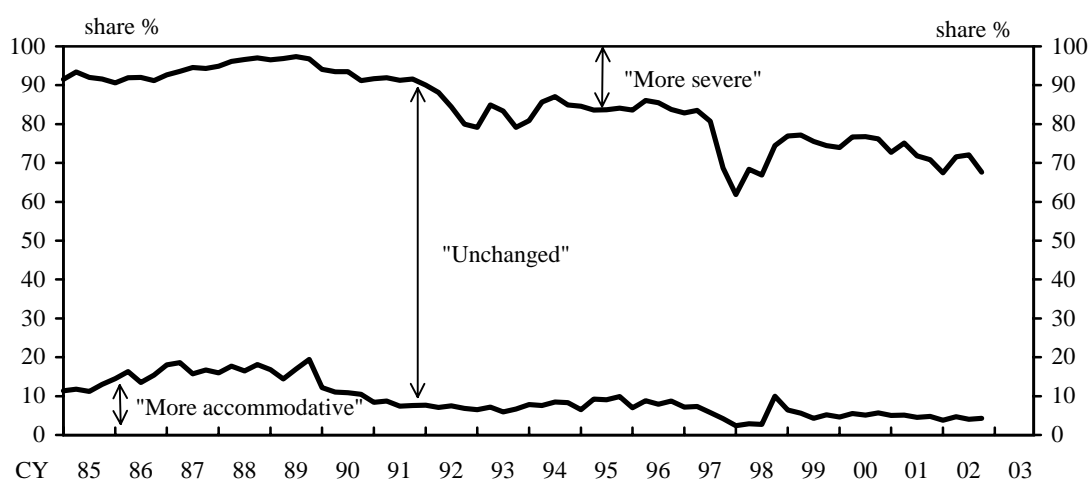
(1) "Tankan - Short-Term Economic Survey of Enterprises in Japan" (December, 2002)



(2) "Monthly Survey of Small Businesses in Japan" (Mid-February, 2003)

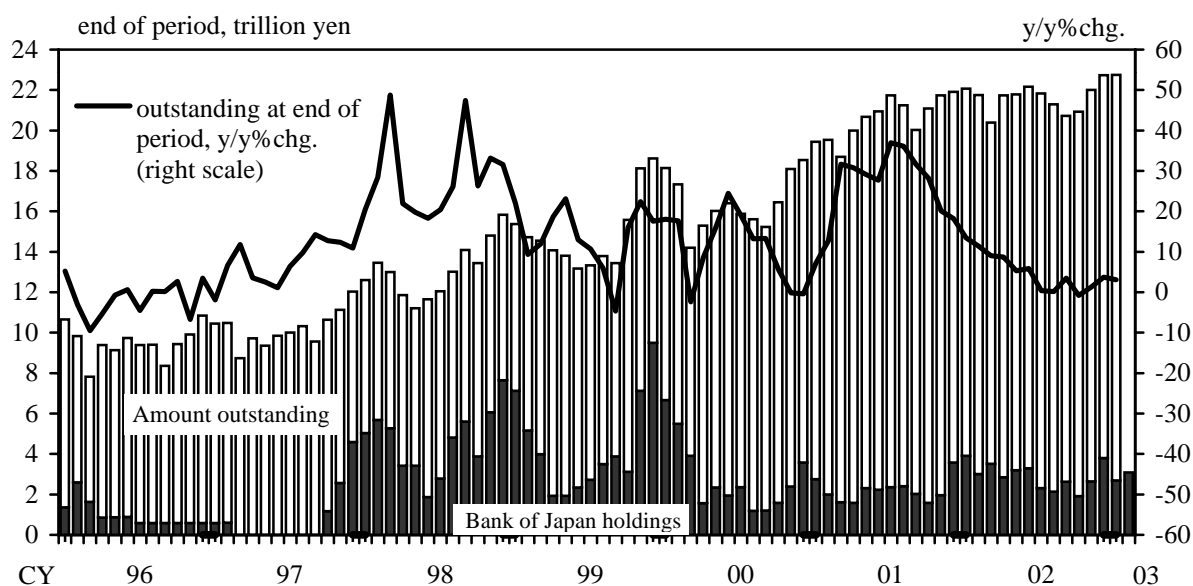


(3) "Quarterly Survey of Small Businesses in Japan" (Mid-December, 2002)



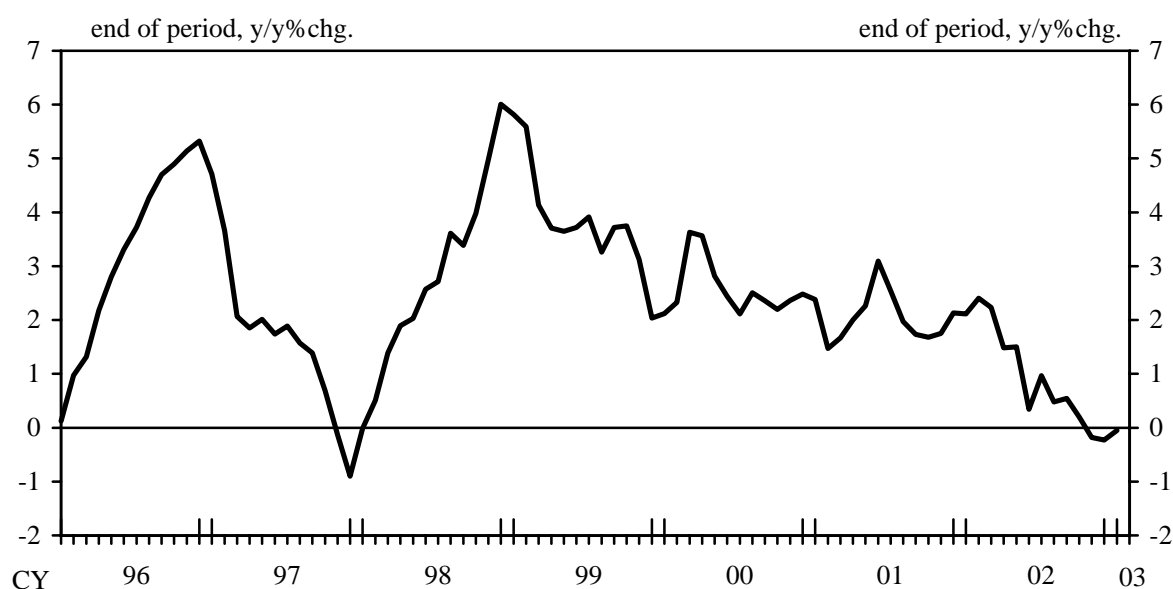
Sources: Bank of Japan, "Tankan - Short-Term Economic Survey of Enterprises in Japan" ;
 Japan Finance Corporation for Small Business, "Monthly Survey of Small Businesses in Japan";
 National Life Finance Corporation, "Quarterly Survey of Small Businesses in Japan."

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)

	2002/Q2	Q3	Q4	2002/Nov.	Dec.	2003/Jan.
Volume	27,604	28,502	28,700	7,997	14,671	5,054
(previous year)	(35,223)	(23,780)	(31,808)	(11,756)	(14,214)	(2,482)

(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.

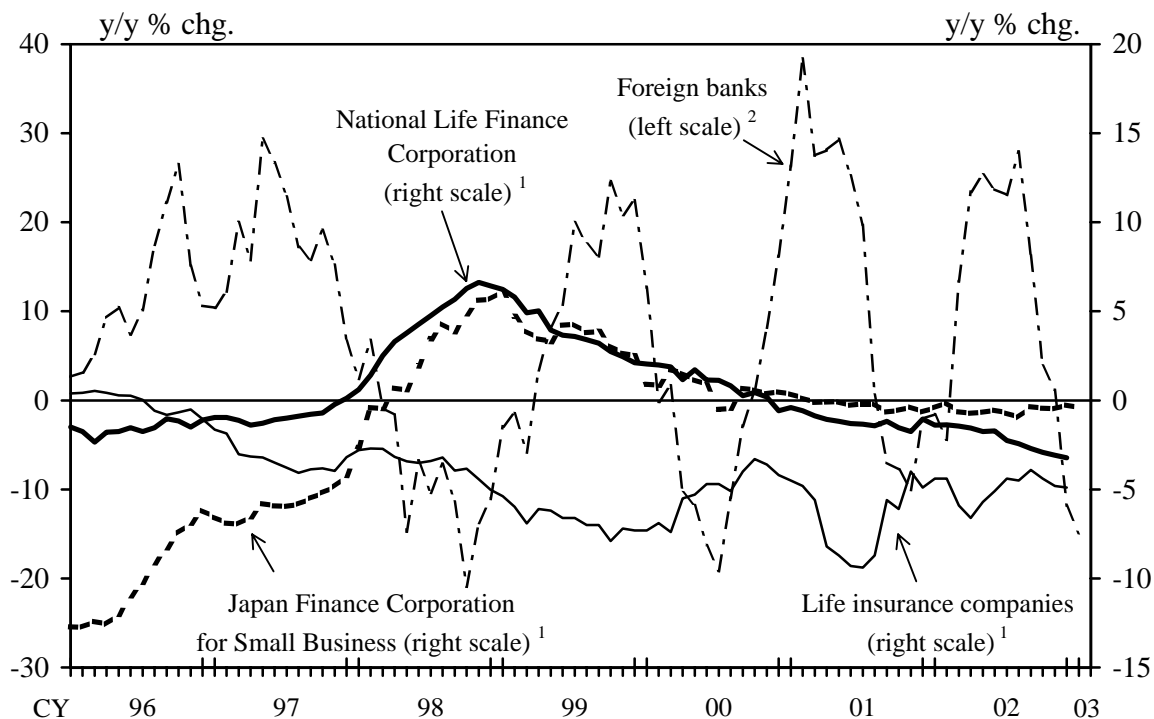
2. Includes straight bonds, convertible bonds, and bonds with warrants.

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."

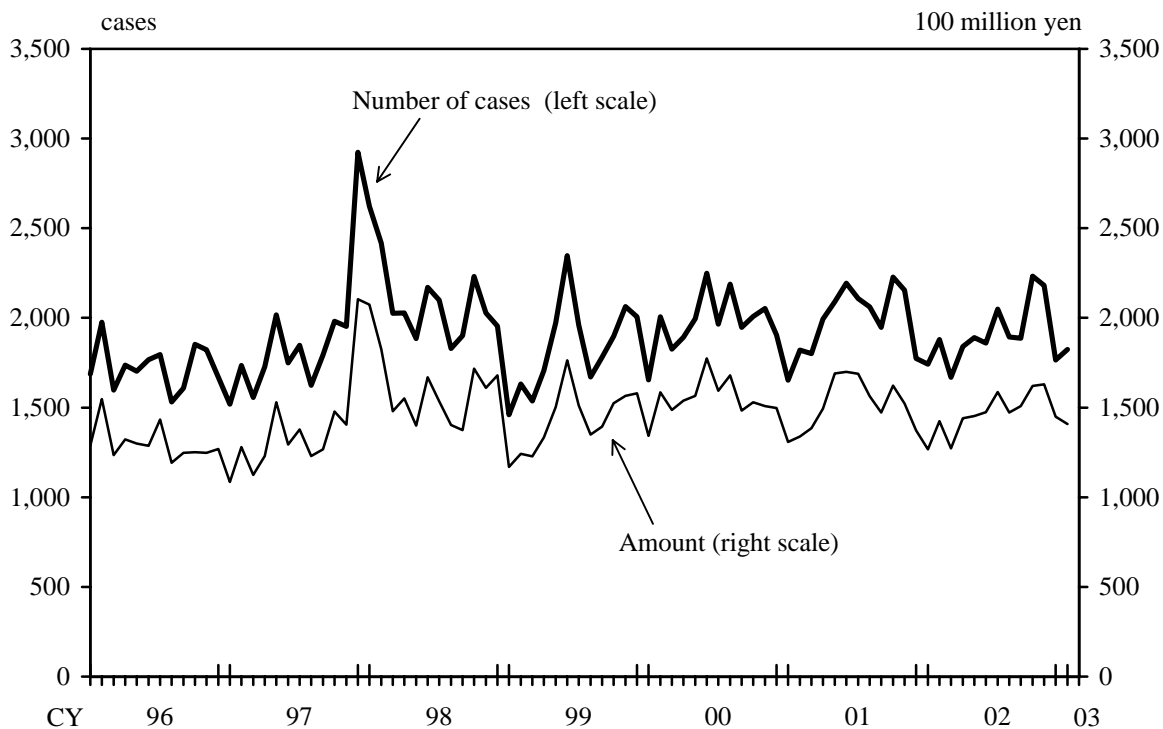
Lending by Other Financial Institutions

(1) Lending Outstanding



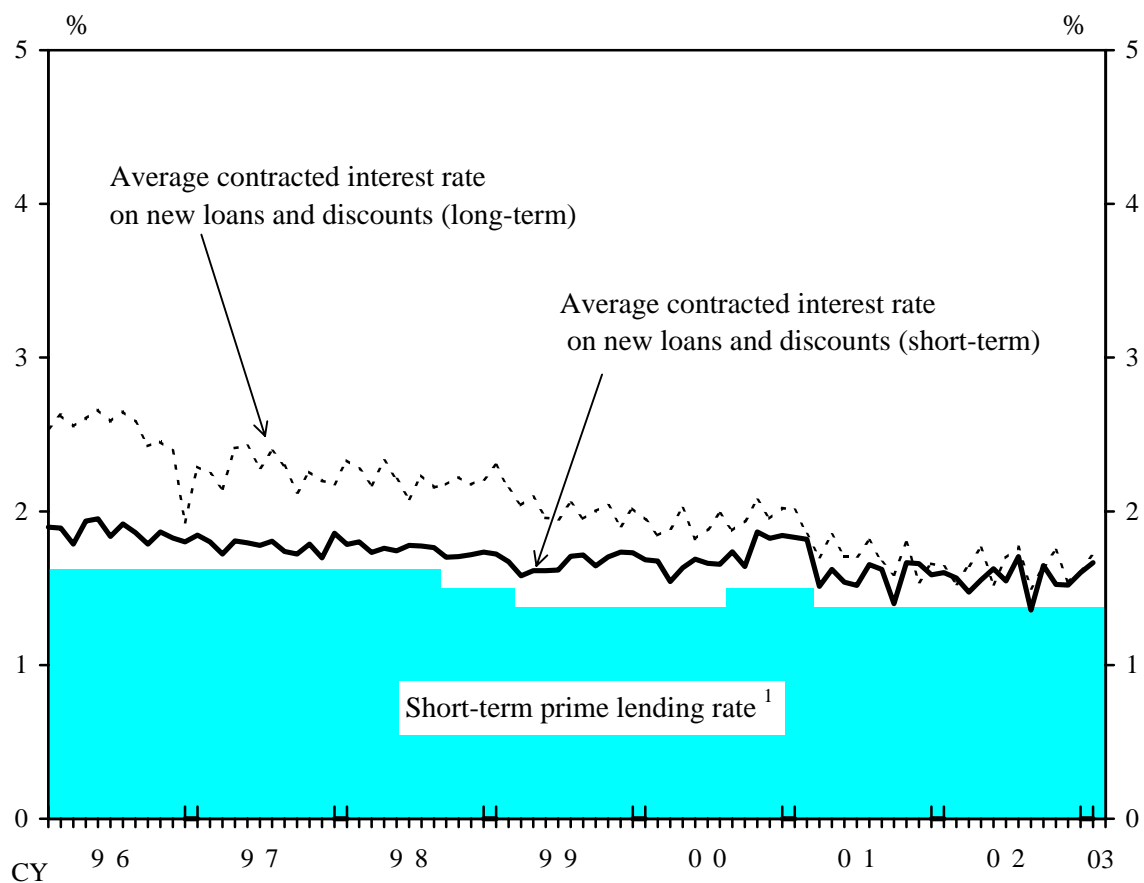
Notes: 1. Data are based on amounts outstanding at end of period.
 2. Data are based on average amounts outstanding.

(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

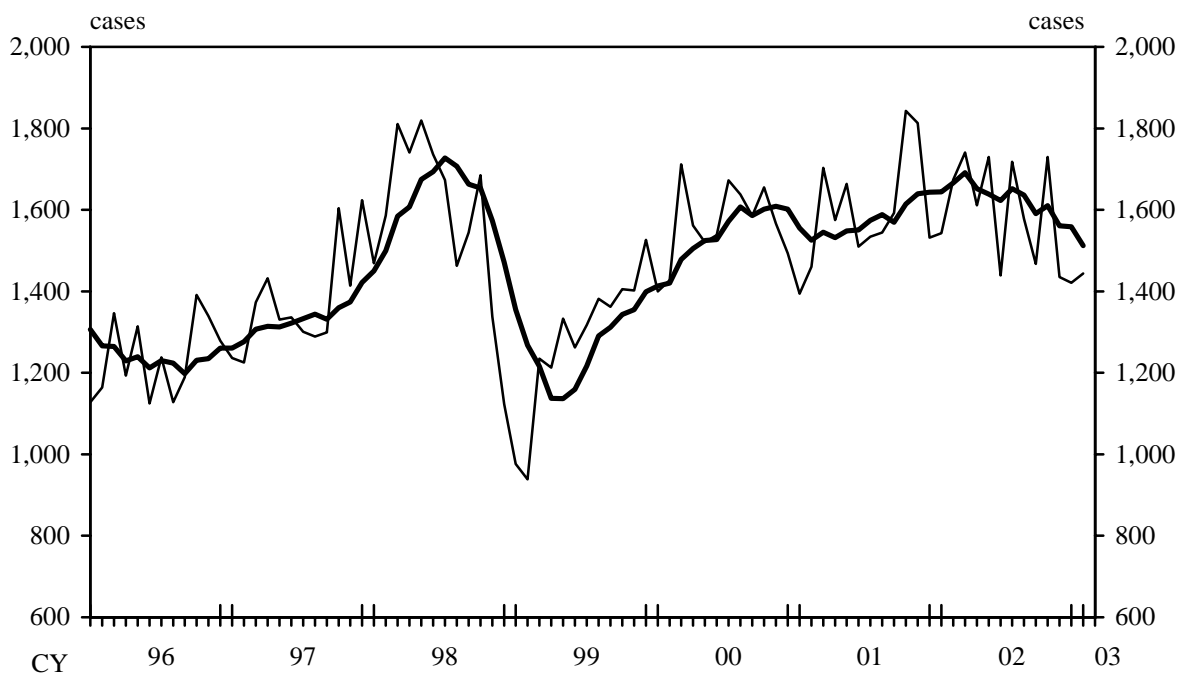


Note: 1. Data are at end of period.

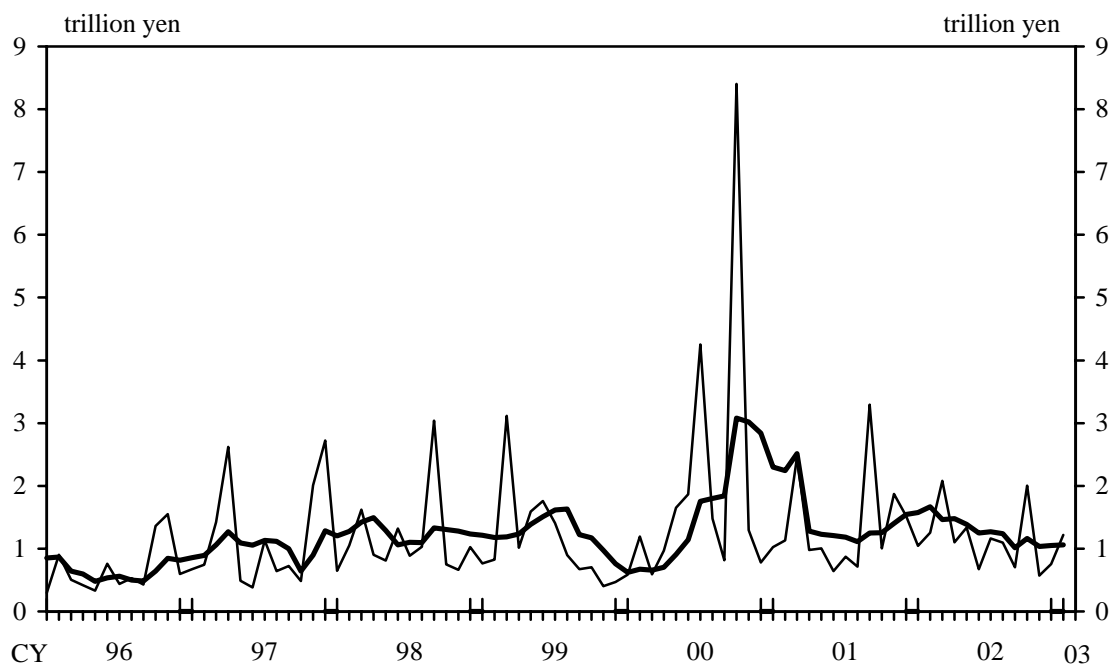
Source: Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities

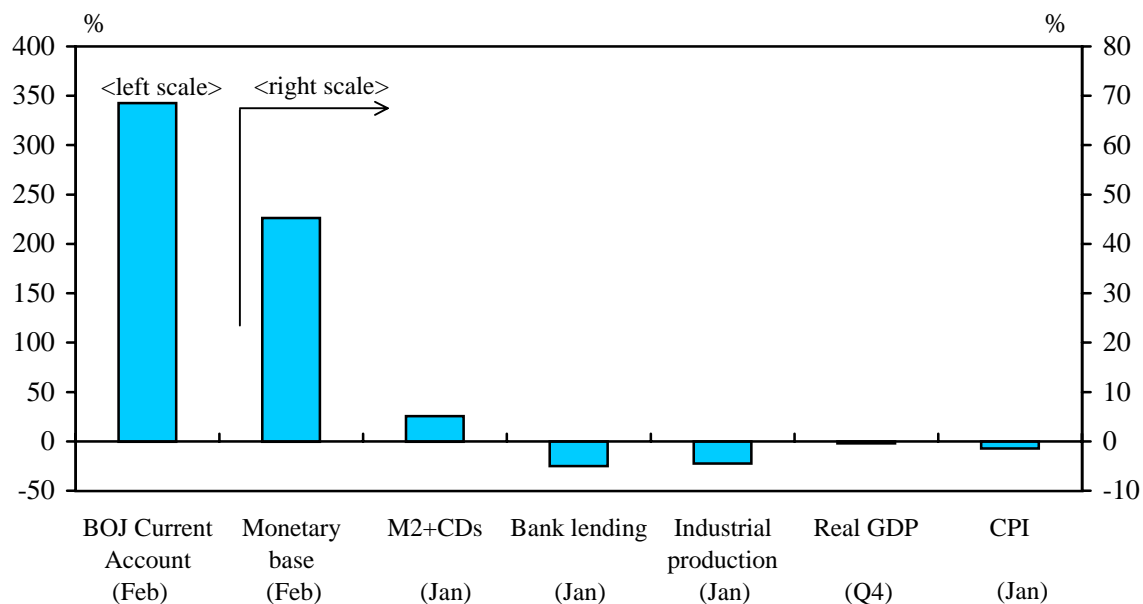


Note: The bold line is the six-month moving average.

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

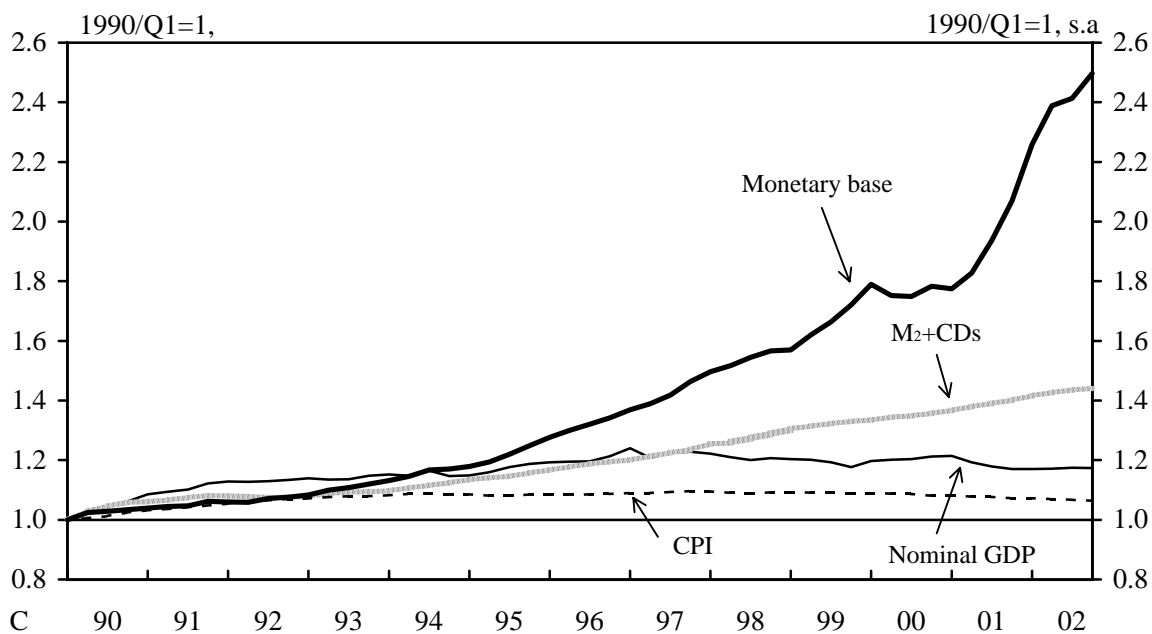
 Monetary Indicators, Economic Activity and Price Development

(1) Changes from March 2001



- Notes: 1. Figures, excluding BOJ current account balance and bank lending, are seasonally adjusted.
 2. Figure for the real GDP is compared to that in 2001/Q1.
 3. Figure for the bank lending is adjusted to exclude factors such as the liquidation of loans.
 4. Figure for the CPI excludes fresh food.

(2) Developments since 1990



- Notes: 1. Figures for monetary base are adjusted for changes in reserve requirement rates.
 2. Figures for CPI exclude fresh food and effects of the change in the consumption tax rate.

Sources: Cabinet Office, "National Accounts"; Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index"; Ministry of Economy, Trade and Industry, "Indices of Industrial Production"; Bank of Japan.