

March 18, 2004  
Bank of Japan

**Monthly Report of  
Recent Economic and Financial Developments**  
March 2004

(English translation prepared by the Bank's staff based on the Japanese original  
released on March 17, 2004)

# Monthly Report of Recent Economic and Financial Developments<sup>1</sup>

March 2004

## The Bank's View<sup>2</sup>

Japan's economy is recovering gradually.

Exports have recently increased substantially, and business fixed investment continues its path of recovery. Reflecting these developments, industrial production has also been increasing. The decline in household income is gradually coming to a halt, and private consumption is currently showing some positive movements. Meanwhile, housing investment remains sluggish and public investment has been declining.

As for the outlook, Japan's economy is anticipated to continue recovering moderately.

Overseas economies are projected to continue growing relatively fast. Based on this projection, it is likely that final demand, particularly exports and business fixed investment, will continue recovering, and that production will also continue increasing. However, excessive debt in the corporate sector and other structural factors still persist, although their impact has been waning. The employment and income situations are unlikely to improve markedly for the time being, as firms are determined to continue restraining their labor costs. Public investment, meanwhile, is projected to be on a downtrend.

On the price front, domestic corporate goods prices have been rising, due mainly to the strengthening of overseas and domestic commodity prices. The year-on-year rate of change in consumer prices (excluding fresh food) has been close to zero, while temporary factors such as the rise in rice prices have exerted upward pressure on prices.

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<sup>1</sup> This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on March 15 and 16, 2004.

<sup>2</sup> The Bank's view was determined by the Policy Board at the Monetary Policy Meeting held on March 15 and 16, 2004.

Turning to the outlook, domestic corporate goods prices are expected to continue increasing for some time. As for consumer prices, the year-on-year rate of change is likely to be around zero for the time being due partly to the rise in rice prices. However, they are basically projected to continue falling slightly, since the imbalance between supply and demand still remains considerable despite a gradual improvement in it.

As for the financial environment, the environment for corporate finance is becoming somewhat more accommodative on the whole, although it remains severe for firms with high credit risks. The issuing environment for CP and corporate bonds is favorable on the whole, especially for firms with high credit ratings. Also, the lending attitude of private banks has been slightly more accommodative. The pace of decline in credit demand in the private sector is becoming somewhat moderate. Under these circumstances, the amount outstanding of CP and corporate bonds issued continues to be above the previous year's level, and the rate of decline in lending by private banks is diminishing slightly. As growth of banknotes in circulation is on a downtrend due mainly to decreasing anxieties about the financial system, the year-on-year growth rate of the monetary base is moving around 15 percent. The year-on-year growth rate of the money stock is at the 1.0-2.0 percent level. As for developments in financial markets, money market conditions continue to be extremely easy, as the Bank of Japan continues to provide ample liquidity. In the foreign exchange and capital markets, while the yen's exchange rate against the U.S. dollar has fallen from the previous month, stock prices have risen. Long-term interest rates are around the same level as last month.

## The Background

### 1. Japan's Economy

Public investment has been declining (Chart 3). The value of public works contracted—a measure that reflects public orders—is on a downtrend. The amount of public construction completed, which reflects the actual progress of public works, is also trending downward. Public investment is projected to continue declining, since the initial budget for fiscal 2004 is expected to be reduced considerably.

Real exports have recently increased substantially, reflecting the recovery in overseas economies, particularly in the United States and East Asia (Charts 4[1] and 5). By region (Chart 5[1]), exports to the United States in January fell in reaction to the rise in the fourth quarter, but those to East Asia continued to increase sharply. Exports to the EU also exhibited high growth. Among exports to East Asia, those to China recorded very high growth, reflecting the lowering of tariffs there.<sup>3</sup> Exports to NIEs continued to increase steadily, although they decelerated somewhat compared to the fourth quarter. Furthermore, exports to ASEAN surged, with an increase in spot exports of ships (included in “capital goods and parts”). By goods (Chart 5[2]), exports of capital goods and parts, including semiconductor fabrication machines and equipment, and those of IT-related goods continuously increased, mainly those to East Asia (Charts 6[1] and 7). Also, exports of intermediate goods (chemicals and iron and steel) registered high growth in January (Chart 6[2]). On the other hand, consumer goods (digital home appliances) dropped in January in reaction to the upsurge in the fourth quarter spurred by seasonal demand for goods during the Christmas shopping period in the United States and Europe.<sup>4</sup> Exports of automobile-related goods also declined in January, following the rise in the fourth quarter (Chart 6[3]).

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<sup>3</sup> Exports to China tend to exhibit high growth at the start of the year. This is because China is in the process of step-by-step tariff reductions after its accession to the WTO at the end of 2001, and each stage of reduction occurs at the beginning of the year.

<sup>4</sup> An apparent spike in demand was perceived for digital home appliances, including high-priced goods such as flat-panel TVs, during the Christmas shopping period. This seasonality is more obvious for these appliances compared to that for traditional home appliances. The same pattern was also observed in the fourth quarter of 2002.

Real imports continued to increase with the recovery in the domestic economy (Charts 4[1] and 8). By goods (Chart 8[2]), imports of IT-related goods and those of capital goods and parts (excluding aircraft) increased steadily, reflecting the increase in production and further progress in the international division of labor within the East Asian region. Imports of materials such as crude oil, which had been decreasing until last fall, have been increasing thereafter.

Given these developments in exports and imports, net exports have been increasing substantially in terms of the real trade balance (Chart 4[2]). The surplus of the nominal balance on goods and services also continued to rise. Its pace of increase, however, has been moderate compared to that of the real trade balance, since deficits in travel and transportation have been expanding reflecting the recovery in overseas travel.

As for the outlook, exports are expected to continue increasing, since overseas economies are projected to continue growing relatively fast, particularly in the United States and East Asia (Chart 9-1[2]). As for the U.S. economy, private consumption remains solid, and a recovery in business fixed investment is becoming more visible, mainly in IT-related sectors (Chart 9-2[2]). The East Asian economies are also expected to continue growing, led by China's economy. The pace of increase in exports, however, is expected to decelerate somewhat, since the upsurge observed in the past few months seems to have been partly attributable to temporary factors.

With the projection that the domestic economy will continue recovering, imports are expected to trend upward, mainly in IT-related goods, capital goods and parts, and consumer goods. In all of these fields, further progress is likely to continue in the international division of labor between Japan and East Asia.

Business fixed investment continued its path of recovery. Fixed investment on a real GDP basis was flat in the third quarter, but registered high growth in the fourth quarter (Chart 2). Investment in nominal terms also increased in the fourth quarter, following a decrease in the third quarter (Chart 10).<sup>5</sup> By industry and size of

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<sup>5</sup> Based on the *Financial Statements Statistics of Corporations by Industry, Quarterly*.

firms (Chart 11), the increase was especially noticeable in small and medium-sized manufacturing firms. Among large manufacturing firms, investment seems to be accelerating in some industries such as electrical machinery. As a whole, however, the recovery in large manufacturing firms remains gradual compared to the annual projections observed in the *Tankan* survey.<sup>6</sup> On the other hand, a clear recovery trend has not been observed for nonmanufacturing firms.

With regard to monthly indicators, shipments of capital goods (excluding transport equipment) have been increasing substantially, particularly in semiconductor fabrication machines and equipment and in computer-related goods (Chart 12-1[1]). Machinery orders (private demand, excluding shipbuilding and orders from electric power companies)—a leading indicator of business fixed investment—continued to increase on average, although they have shown large short-term fluctuations by rising substantially in the fourth quarter and then falling sharply in January (Chart 12-2[1]). Meanwhile, construction starts (floor area, private, nondwelling use)—another leading indicator—have been on a gradual recovery trend (Chart 12-2[2]). In January alone, they increased considerably, due mainly to the start of a large-scale project.

Looking at developments in corporate profits as part of the environment surrounding business fixed investment,<sup>7</sup> the ratio of current profits to sales has been on a steady uptrend (Chart 10[2]). The recovery in profits has been spreading to nonmanufacturing and small firms.

Regarding the outlook for business fixed investment, the recovery is expected to continue, given that domestic as well as external demand and corporate profits are projected to increase. Firms, however, perceive excess capacities as persisting, although this view is lessening steadily, mainly among manufacturing firms (Chart 12-1[2]). Structural factors such as excessive debt, low expected growth rates, and weakness in the financial system still restrain investment, although their impact has been waning. In these circumstances, firms are likely to maintain their cautious investment stances relative to their cash flow.

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<sup>6</sup> *Short-term Economic Survey of Enterprises.*

<sup>7</sup> Based on the *Financial Statements Statistics of Corporations by Industry, Quarterly.*

Private consumption is currently showing some positive movements. With regard to individual indicators (Charts 13-1 and 13-2), the number of new passenger-car registrations has been relatively high. This was due to the following factors: (1) solid sales of new models; (2) replacement demand prior to the mandatory automobile inspection;<sup>8</sup> and (3) a demand rush ahead of the reduction in tax credits for low-pollution vehicles in April. Sales of household electrical appliances (NEBA statistics; in real terms) continued to be solid, particularly in digital home appliances (flat panel TVs, DVD recorders, and digital cameras). Sales at department stores and supermarkets were steady in January, due partly to clearance sales, after they inched up in the fourth quarter. Sales at convenience stores seem to have been on a very gradual uptrend. Sales in the food services industry maintained high levels as a whole, although some adverse influences stemming from the BSE problem were visible in some areas. Outlays for travel have almost recovered to levels prior to the slump caused by the war in Iraq and by the SARS epidemic.

Indices of aggregated sales (in real terms), which are comprised of major sales indicators of these goods and services (Chart 13-3),<sup>9</sup> have recently been steady. Aggregate supply of consumer goods (Chart 13-4), which comprehensively captures producers' supply of goods, increased in the fourth quarter and also in January.

Indicators for consumer sentiment have been nearly flat, after having improved through last fall (Chart 14).

Regarding the outlook for private consumption, household income is unlikely to improve markedly for the time being, as firms are determined to continue restraining their labor costs. Therefore, it is expected that private consumption will still take some time to show a clear recovery trend.

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<sup>8</sup> There was a rush of demand for automobiles in the first quarter of 1997 prior to the consumption tax hike. Automobile inspections seven years after the purchase must be conducted for these automobiles.

<sup>9</sup> The indices of aggregated sales are the weighted average of major sales indicators, with the weights based on the consumption spending of households. Each sales indicator is deflated by consumer prices. The indices are convenient in the sense that the trend of these sales indicators can be observed in a single series. However, the coverage of services consumption is narrow, and the indices do not necessarily incorporate all sales channels of goods.

The underlying trend of housing investment continued to be sluggish, despite some recent positive movements, particularly in housing for rent and for sale in the Tokyo metropolitan area (Chart 15[1]). Housing investment is expected to remain stagnant, since no particular supporting factors, such as improvements in the employment and income situations of households, can be seen.

Industrial production increased substantially in the fourth quarter and also in January (Chart 16[1]). As for shipments by goods (Chart 17), producer goods and durable consumer goods have recently been increasing at a rapid pace, reflecting the upsurge in exports and solid sales of digital home appliances. Shipments of capital goods, as already mentioned, have also advanced sharply, reflecting the recovery in business fixed investment.

As for the outlook, production is expected to continue increasing, due partly to the rise in exports, and also supported by the recovery in business fixed investment and by favorable sales of durable consumer goods. The pace of increase, however, is likely to decelerate compared to the high growth observed in the past few months.<sup>10</sup> Based on anecdotal information, many firms also expect that production will continue to increase, but that its pace will decelerate.

Meanwhile, inventories have been flat or slightly down (Chart 16[1]). The chart of the inventory cycle indicates that production is likely to grow continuously, as inventories are still in the declining phase, with the rate of increase in shipments accelerating (Chart 18).

Turning to the employment and income situations, job offers have been improving markedly, reflecting the labor market conditions. Under this situation, the decline in household income is gradually coming to a halt (Chart 19[1]).

In the labor market, the number of new job offers continued to increase, particularly in the services industry, and the ratio of job offers to applicants advanced

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<sup>10</sup> It is likely that strong seasonal demand related to digital home appliances in domestic and overseas markets has contributed to the above-trend increase in production in the past few months. By simply using the released forecast indices for February and March, total production for the first quarter is projected to increase marginally (by 0.5 percent) from the previous quarter.



noticeably (Chart 20-1[2]). Also, overtime hours worked continued to increase (Chart 20-2[3]). Meanwhile, the unemployment rate is on a gradual downtrend on average, although it still remains high (Chart 20-1[1]).

As for the employment situation, the number of employees in the *Labour Force Survey* has recently been slightly above the previous year's level (Chart 20-2[1]). The rate of year-on-year decline in the number of regular employees in the *Monthly Labour Survey* has been diminishing gradually (Chart 20-2[2]).

The decline in wages is gradually coming to a halt (Chart 19[2]). In December-January, however, the year-on-year rate of decline became marginally larger, since special cash earnings—mainly winter bonuses—dropped particularly among nonmanufacturing firms.

Given that production will increase and corporate profits will continue to recover, this in turn is expected to have positive effects on employment and income. However, firms are determined to continue restraining their labor costs through further employment of part-time workers and outsourcing. Thus, household income is unlikely to improve markedly for the time being.

## **2. Prices**

Import prices (on a yen basis; same hereafter) have recently been increasing compared to levels three months before (Chart 22). This is because international commodity prices, such as those of nonferrous metals, have been rising sharply, and because the appreciation of the yen is coming to a halt.

Domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates; same hereafter)<sup>11</sup> have been rising compared to levels three months before (Chart 23). In detail, the rate of decline in machinery prices has

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<sup>11</sup> 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.

recently been narrowing slightly, and the rises in prices of iron and steel and of nonferrous metals have become noticeable, reflecting the strengthening of overseas and domestic commodity prices. Meanwhile, the rate of increase in rice prices has diminished, and the influences on meat prices from the BSE problem and the outbreak of the avian influenza have only been minor to date.<sup>12</sup>

Corporate services prices (domestic supply-demand factors; same hereafter) continued their year-on-year decline of slightly more than 1 percent, mainly in leasing and renting, real estate services, and general services such as car maintenance and building maintenance (Chart 24).

The year-on-year rate of change in consumer prices (excluding fresh food; same hereafter) has been close to zero, while temporary factors such as the rise in rice prices have exerted upward pressure on prices (Chart 25). The year-on-year rate of change dropped 0.1 percent in January, after marking 0.0 percent in December.

Import prices are projected to continue increasing for the immediate future, reflecting the rise in international commodity prices. Domestic corporate goods prices are likely to continue increasing for the time being.

With respect to the outlook for consumer prices, the imbalance between supply and demand in the macroeconomy is expected to improve, although the pace will be very gradual. Moreover, firms have been restraining their labor costs, and influences from the rise in international commodity prices on prices for final goods are likely to be relatively limited. Under these circumstances, consumer prices are basically projected to continue falling slightly, although their year-on-year rate of change is likely to be around zero for the time being, due partly to the rise in rice prices.

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<sup>12</sup> Rice and meat are categorized as “Others” in Chart 23.

### **3. Financial Developments**

#### **(1) Financial Markets**

The outstanding balance of current accounts at the Bank of Japan has been moving in the range of 30-35 trillion yen, as the Bank continues to provide ample liquidity (Chart 29).

As for interest rate developments in the money markets, the overnight call rate (uncollateralized; Chart 27[1]) has been moving at around zero percent. Interest rates on term instruments (Chart 28[1]) have been steady at low levels on the whole. Under these circumstances, interest rates on Euroyen futures (Chart 28[2]) are declining after a rise, mainly in distant contracts, toward the beginning of March.

In the government bond market, yields on 10-year government bonds (newly issued 10-year JGB; Chart 27[2]) dropped to around 1.2 percent toward mid-February. They rose to around 1.4 percent toward the beginning of March, as the yen's exchange rate against the U.S. dollar had fallen, and as stock prices had risen to their highest level since last year. They have been declining, however, to 1.25-1.3 percent, which is almost the same level as that of the previous month.

Yield spreads between private bonds (bank bonds and corporate bonds) and government bonds (Charts 31 and 32) remain essentially unchanged on the whole.

Stock prices (Chart 33) have been rising, as expectations for the economic recovery increased reflecting improvements in various economic indicators, and as the yen's exchange rate against the U.S. dollar fell significantly. The Nikkei 225 Stock Average is moving in the range of 11,000-11,500 yen.

In the foreign exchange market (Chart 34), the yen had been traded at around 105-107 yen toward mid-February, as the U.S. dollar remained under downward pressure, reflecting concerns over the U.S. current account deficit. Thereafter, sensitivity to market intervention increased among market participants, and the yen fell sharply as domestic and foreign investors bought back the dollar. The yen is being traded in the range of 110-113 yen to the U.S. dollar.

## (2) Corporate Finance and Monetary Aggregates

As for credit demand in the private sector, the pace of decline is becoming somewhat moderate, since corporate activity has started to recover, as seen in the increase in business fixed investment, while firms continue to reduce their debts.

Regarding credit supply, the lending attitude of private banks has been slightly more accommodative on the whole, although they remain cautious about extending loans to firms with high credit risks. The lending attitude of financial institutions as perceived by firms is in general improving somewhat, although small firms continue to perceive them as severe (Chart 35).

Lending rates 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 36). The long-term prime lending rate was raised by 0.05 percent to 1.65 percent on March 10.

The rate of decline in lending by private banks (monthly average outstanding balance basis; after adjustment for extraordinary factors<sup>13</sup>), consisting of city banks, long-term credit banks, trust banks, regional banks, and regional banks II, is diminishing slightly. (The year-on-year change was -1.9 percent in December, -1.9 percent in January, and -1.7 percent in February; Chart 37.)

In the corporate bond and CP markets, the issuing environment continues to be favorable on the whole, especially for firms with high credit ratings. Corporate bond issuance rates have been virtually flat, and the issuance spreads remain steady. CP issuance rates continue to be at low levels. The amount outstanding of CP issued and the amount outstanding of corporate bonds issued are above the previous year's levels (Chart 39).

According to business surveys, the financial positions of firms in general are improving slightly, although those of small firms remain severe.

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<sup>13</sup> The figures are adjusted for (1) fluctuations due to the liquidation of loans, (2) fluctuations in the yen value of foreign-currency-denominated loans due to changes in exchange rates, and (3) fluctuations due to loan write-offs.

The growth of banknotes in circulation is on a downtrend, due mainly to decreasing anxieties about the financial system. The year-on-year growth rate of the monetary base (currency in circulation + current account balances at the Bank of Japan) has been moving around 15 percent. (The year-on-year change was 13.2 percent in December, 13.6 percent in January, and 16.2 percent in February; Chart 40.) The ratio of the monetary base to nominal GDP continues to increase, and is currently at an extremely high level.

The year-on-year growth rate of the money stock ( $M_2$  + CDs) has been moving around 1.5 percent. (The year-on-year change was 1.5 percent in December, 1.6 percent in January, and 1.7 percent in February; Chart 41.)

The number of corporate bankruptcies continues its downtrend; it declined by 20.3 percent year-on-year in February, to 1,159 cases (Chart 42).

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## Main Economic Indicators (1)

s.a., q/q (m/m) % chg.<sup>1</sup>

	2003/Q2	Q3	Q4	2003/Nov.	Dec.	2004/Jan.	Feb.
Index of living expenditure level (all households)	1.0	-0.1	-0.1	0.4	-0.8	2.0	n.a.
Sales at department stores	-1.6	-0.6	0.5	-5.5	2.2	1.6	n.a.
Sales at supermarkets	-1.4	-2.4	0.7	-6.8	2.5	0.7	n.a.
New passenger-car registrations <sup>3</sup> <s.a., ann. 10,000 units>	<341>	<338>	<332>	<332>	<327>	<365>	<346>
Sales of household electrical appliances (real, NEBA)	3.7	5.4	2.7	-4.8	2.0	6.2	n.a.
Outlays for travel (50 major travel agencies)	-18.5	14.2	10.4	-1.4	6.0	-5.3	n.a.
Housing starts <s.a., ann. 10,000 units>	<120>	<112>	<117>	<113>	<122>	<125>	<n.a.>
Machinery orders (from private sector <sup>4</sup> )	3.4	-2.9	11.3	-7.8	8.1	-12.2	n.a.
Manufacturing	8.6	-3.4	12.8	-5.3	4.5	-5.5	n.a.
Nonmanufacturing <sup>4</sup>	1.3	-2.4	9.5	-7.6	11.2	-17.4	n.a.
Construction Starts (private, nondwelling use)	4.0	1.7	-1.6	-11.8	20.3	1.7	n.a.
Mining & manufacturing	0.3	2.8	14.9	14.5	20.3	-13.4	n.a.
Nonmanufacturing <sup>5</sup>	3.0	2.0	-5.6	-18.9	17.6	10.8	n.a.
Value of public works contracted	-5.6	2.0	-11.2	-7.7	5.4	-0.8	2.6
Real exports	-0.1	3.8	7.9	0.1	4.3	1.8	n.a.
Real imports	2.0	1.3	1.8	3.1	-1.1	3.6	n.a.
Industrial production	-0.7	1.3	3.7	1.0	-0.8	3.3	n.a.
Shipments	0.2	0.8	3.9	-1.9	1.9	2.6	n.a.
Inventories	-0.6	0.9	-0.9	1.0	-1.5	-1.2	n.a.
Inventory Ratio <s.a., CY 2000=100>	<98.1>	<97.1>	<94.7>	<100.9>	<94.7>	<92.8>	<n.a.>
Real GDP	0.9	0.6	1.6	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.1	0.0	1.2	-1.3	-0.4	n.a.	n.a.

## Main Economic Indicators (2)

	y/y % chg. <sup>1</sup>						
	2003/Q2	Q3	Q4	2003/Nov.	Dec.	2004/Jan.	Feb.
Ratio of job offers to applicants <s.a., times>	<0.61>	<0.64>	<0.73>	<0.73>	<0.77>	<0.77>	<n.a.>
Unemployment rate <s.a., %>	<5.4>	<5.2>	<5.1>	<5.1>	<4.9>	<5.0>	<n.a.>
Overtime working hours <sup>6</sup>	4.7	3.6	4.7	4.0	5.0	p 4.2	n.a.
Number of employees	0.3	-0.2	0.3	0.2	0.7	0.4	n.a.
Number of regular employees <sup>6</sup>	-0.6	-0.5	-0.3	-0.3	-0.4	p -0.2	n.a.
Nominal wages per person <sup>6</sup>	1.1	-1.2	-0.8	0.0	-1.5	p -0.8	n.a.
Domestic corporate goods price index <sup>7</sup> <q/q % chg.> (3-month growth rate)	-1.0 <-0.3>	-0.7 <-0.2>	-0.4 <0.1>	-0.5 <0.1>	-0.1 <0.2>	0.0 <0.4>	p 0.0 <p 0.5>
Consumer price index <sup>8</sup> <s.a., q/q % chg.> (3-month growth rate)	-0.4 <0.1>	-0.1 <0.1>	0.0 <-0.0>	-0.1 <-0.1>	0.0 <-0.0>	-0.1 <-0.3>	n.a. <n.a.>
Corporate service price index <sup>9</sup> <s.a., q/q % chg.> (3-month growth rate)	-1.2 <-0.5>	-1.2 <-0.2>	-1.2 <-0.2>	-1.1 <-0.2>	-1.3 <-0.3>	-1.2 <-0.2>	n.a. <n.a.>
Money Stock (M <sub>2</sub> +CDs) <average outstanding, y/y % chg.>	1.6	1.8	1.5	1.6	1.5	1.6	1.7
Number of suspension of transactions with banks	-15.4	-28.9	-52.4	-29.6	-28.5	-15.3	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.

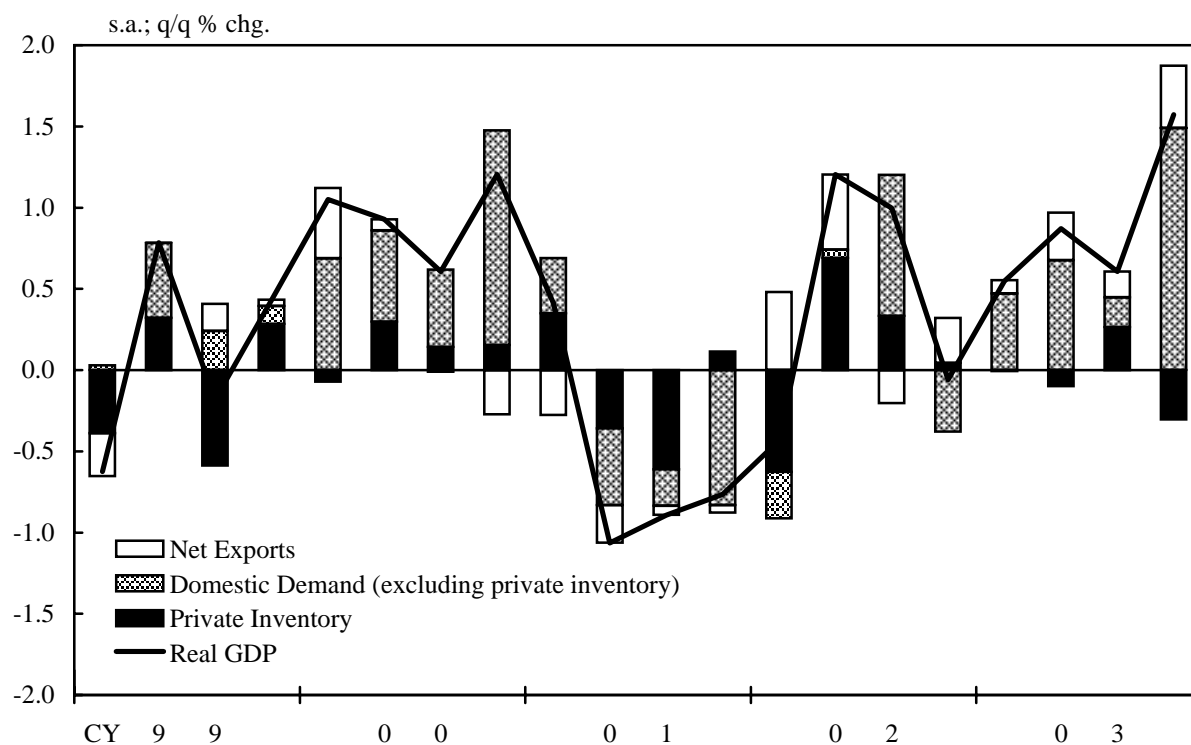
2. Figure with "p" indicates preliminary one.
3. Excludes small cars with engine sizes of 660cc or less.
4. Excludes orders of shipbuilding and orders from electric power companies.
5. Nonmanufacturing is mainly composed of commerce, services, agriculture & fisheries and public utilities industries.
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," "Statistics on Building Construction Starts"; Ministry of Finance, "The Summary Report on Trade of Japan"; Cabinet Office, "Machinery Orders Statistics," "National Accounts"; East Japan Construction Surety etc., "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," "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)



## (2) Components

s.a.; q/q % chg.

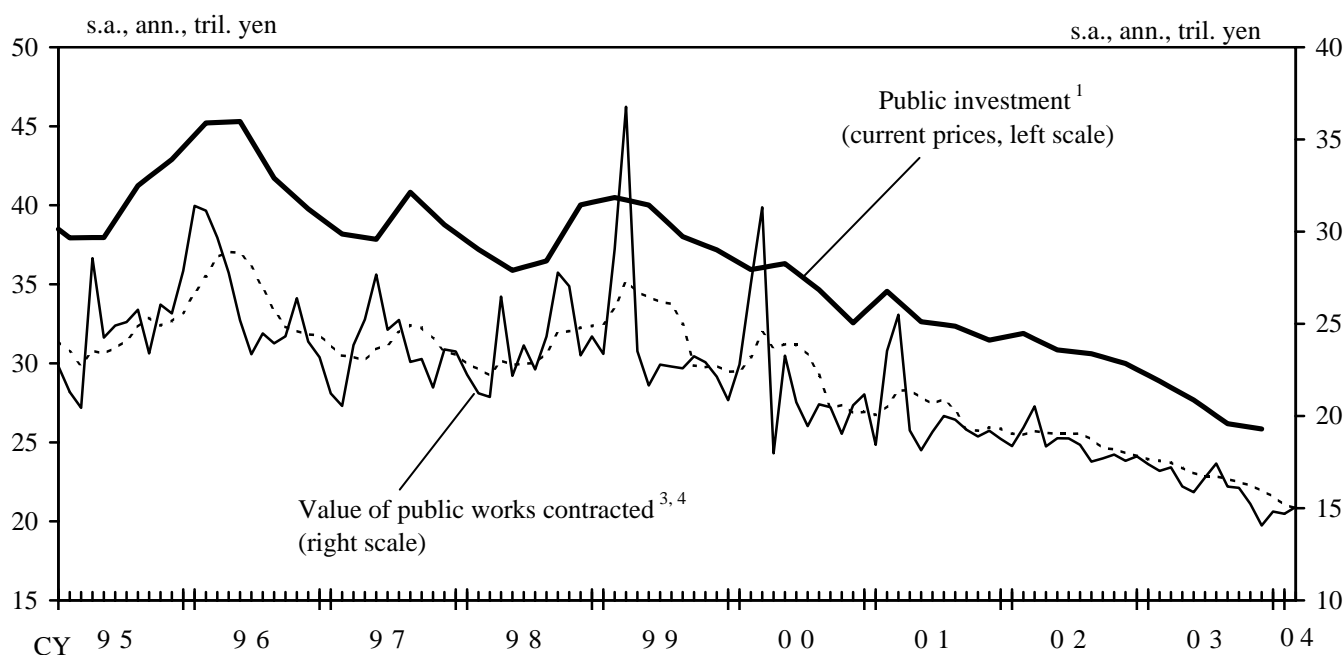
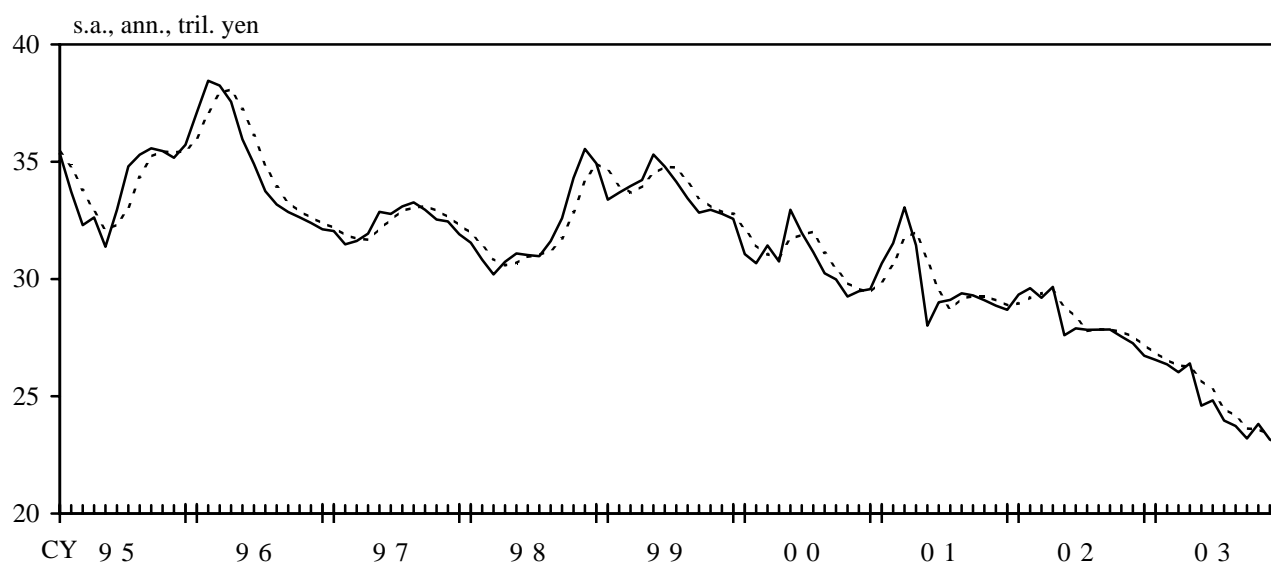
	2002	2003			
	Q4	Q1	Q2	Q3	Q4
Real GDP	-0.1	0.5	0.9	0.6	1.6
Domestic Demand	-0.3	0.5	0.6	0.5	1.2
Private Consumption	-1.1	0.4	0.3	0.5	0.9
Non-Resi. Investment	2.2	2.4	4.6	0.0	6.3
Residential Investment	-0.7	-0.9	-0.1	2.9	-1.0
Private Inventory	( 0.0)	(-0.0)	(-0.1)	( 0.3)	(-0.3)
Public Demand	-0.5	-0.5	-1.0	-0.9	0.0
Public Investment	-1.7	-3.1	-3.7	-5.2	-0.7
Net Exports of goods and services	( 0.3)	( 0.1)	( 0.3)	( 0.2)	( 0.4)
Exports	3.4	1.3	1.6	3.3	4.6
Imports	1.3	0.8	-1.1	2.6	1.9
Nominal GDP	-0.6	-0.4	0.6	0.2	0.4

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) Amount of Public Construction Completed<sup>2,3,4</sup>

Notes: 1. Quarterly figures of public investment are plotted at the middle month of each quarter.

2. Amount of public construction completed is based on the general tables in the "Integrated Statistics on Construction Works." The figures until March 2002 are retroactively calculated with year-to-year growth rates on the former basis.

3. The figures of value of public works contracted and amount of public construction completed are seasonally adjusted by X-12-ARIMA.

4. The dotted line for value of public works contracted is the 6-month moving average, and the dotted line for amount of public construction completed is the 3-month moving average.

Sources: Cabinet Office, "National Accounts";

East Japan Construction Surety etc., "Public Works Prepayment Surety Statistics";

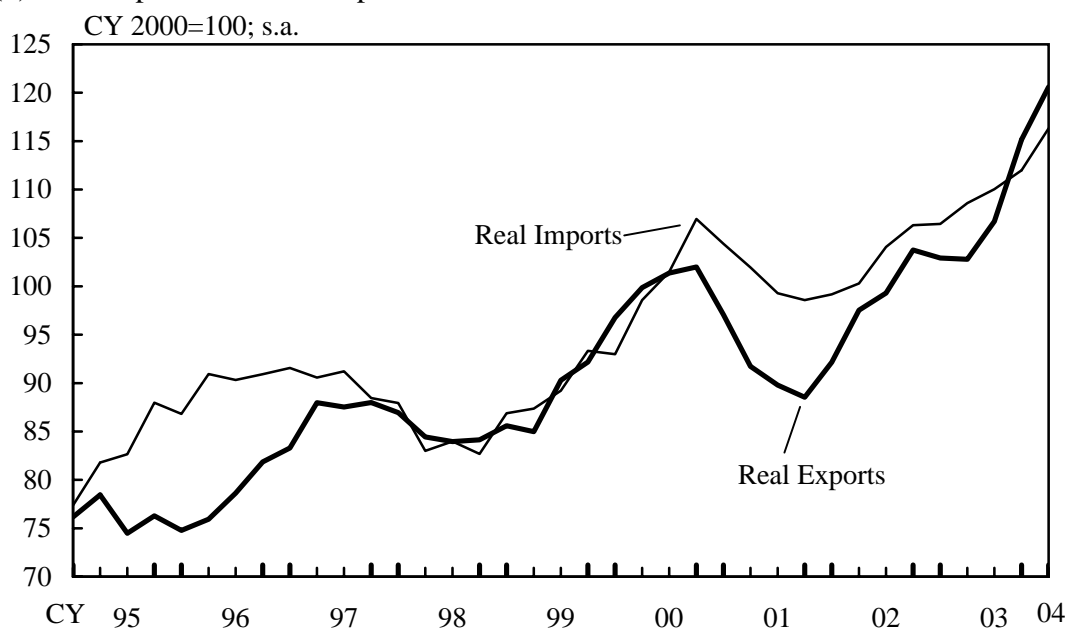
Ministry of Land, Infrastructure and Transport, "Integrated Statistics on Construction Works."

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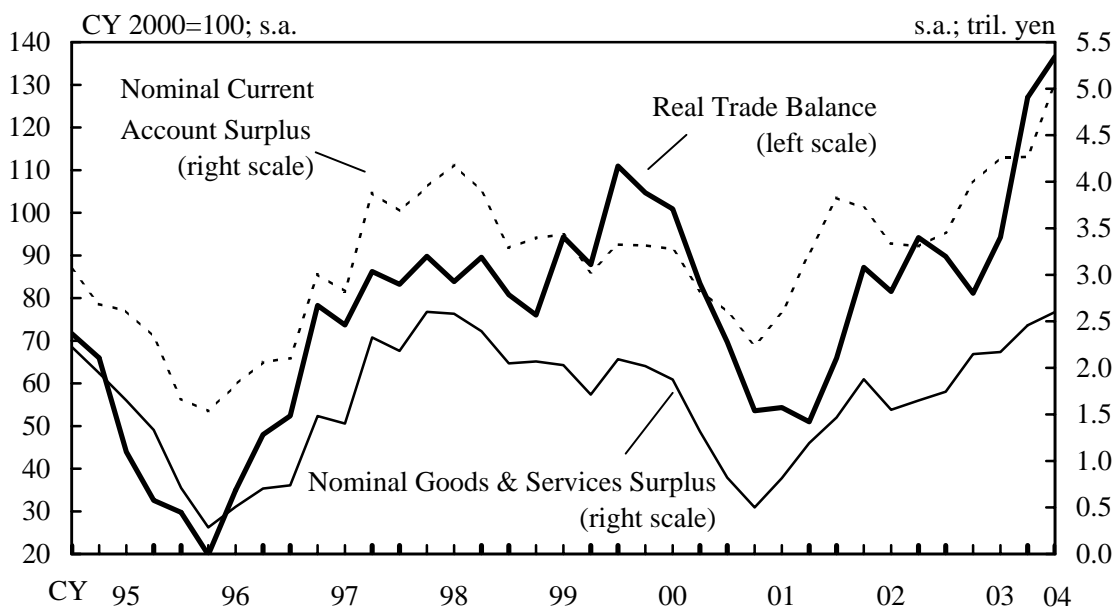
 External Balance
 

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## (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 2000. Real exports/imports are "The Value of Exports and Imports in Trade Statistics" deflated by the "Export and Import Price Index."

2. Real exports/imports and the real trade balance are seasonally adjusted by X-12-ARIMA. 2004/Q1 figures are January figures converted into quarterly amount.

3. Balance of payments data up to 1995/Q4 are from old basis. 2004/Q1 figures are January figures converted into quarterly amount.

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

Bank of Japan, "Balance of Payments Monthly," "Corporate Goods Price Index."

Real Exports <sup>1</sup>

## (1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 2002	2003	2003 Q1	Q2	Q3	Q4	2004 Q1	2003 Nov.	2004 Dec.	2004 Jan.
United States	<24.6>	1.4	-6.2	-9.9	0.9	-1.5	5.3	-1.9	-4.2	6.8	-4.7
EU	<15.3>	-0.0	13.9	6.3	0.2	1.2	4.1	12.1	0.5	5.0	8.4
East Asia	<44.9>	17.5	19.9	7.9	-2.5	7.1	9.2	13.0	-0.3	0.4	12.8
China	<12.2>	35.5	41.2	21.7	0.7	8.3	3.4	23.3	-4.5	0.2	25.1
NIEs	<23.5>	14.4	15.8	4.5	-5.2	7.8	14.5	7.0	1.2	1.3	5.7
Korea	<7.4>	19.1	19.2	7.7	-8.1	9.3	10.6	12.9	0.3	7.5	7.5
Taiwan	<6.6>	14.6	16.1	4.9	-6.2	9.1	21.7	2.3	4.7	-4.2	3.7
ASEAN4 <sup>3</sup>	<9.2>	10.2	9.1	2.1	0.2	4.1	4.1	15.8	1.4	-1.7	16.6
Thailand	<3.4>	16.5	18.3	0.2	2.6	7.4	6.0	11.6	10.0	-9.3	15.6
Real exports		7.2	9.0	-0.8	-0.1	3.8	7.9	4.7	0.1	4.3	1.8

## (2) Breakdown by goods

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 2002	2003	2003 Q1	Q2	Q3	Q4	2004 Q1	2003 Nov.	2004 Dec.	2004 Jan.
Intermediate goods	<15.6>	8.8	5.7	4.3	0.4	0.4	4.9	15.9	-2.6	2.8	14.7
Motor vehicles and their related goods	<23.7>	12.7	1.3	-1.3	-5.3	0.1	8.7	-1.0	0.7	11.0	-7.8
Consumer goods <sup>4</sup>	<7.0>	7.9	15.0	0.4	0.9	-2.6	20.5	-0.3	5.0	-5.8	2.1
IT-related goods <sup>5</sup>	<14.1>	0.3	12.9	-3.9	3.0	8.9	5.4	4.6	2.2	5.0	0.6
Capital goods and parts <sup>6</sup>	<28.6>	7.8	17.1	1.9	1.6	6.9	6.8	6.3	1.1	3.3	3.6
Real exports		7.2	9.0	-0.8	-0.1	3.8	7.9	4.7	0.1	4.3	1.8

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2004/Q1 figures are January figures converted into quarterly amount.

2. Shares of each region and goods in 2003 are shown in angle brackets.

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

4. Excludes motor vehicles.

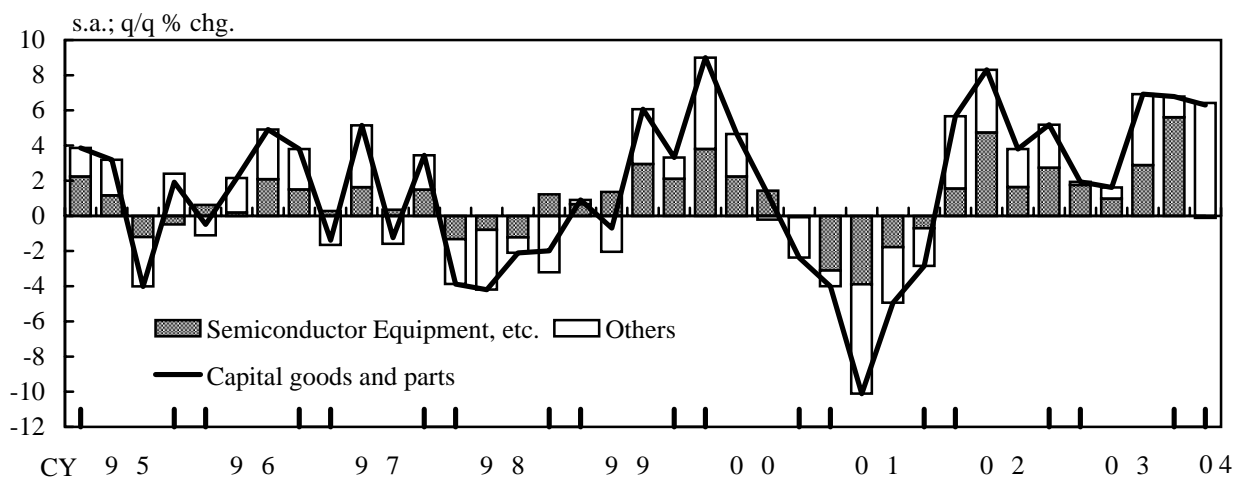
5. IT-related goods are composed of automatic data processing machinery, telecommunication machinery, ICs and medical and optical instruments.

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

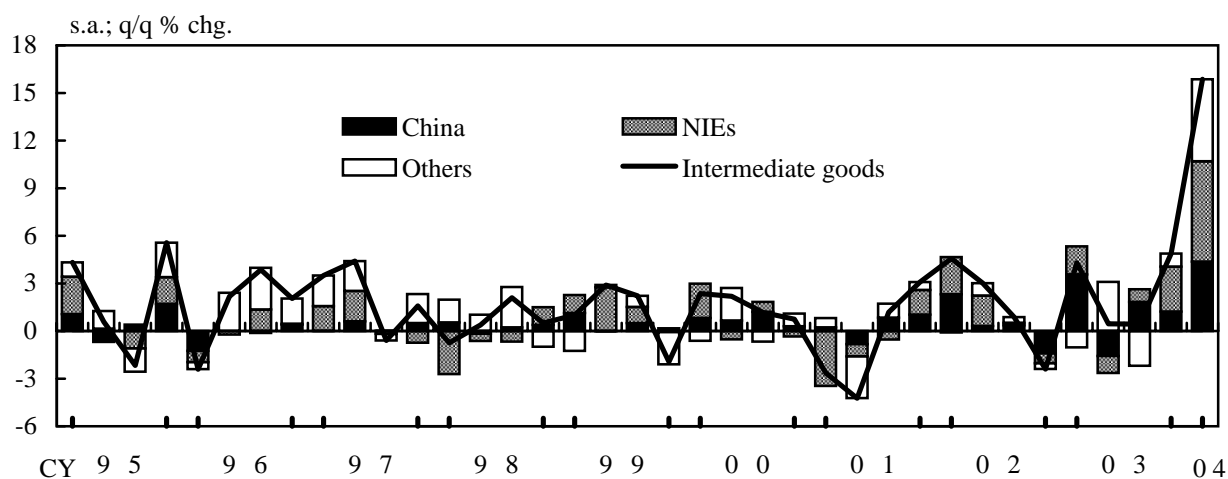
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

## Real Exports breakdown by goods

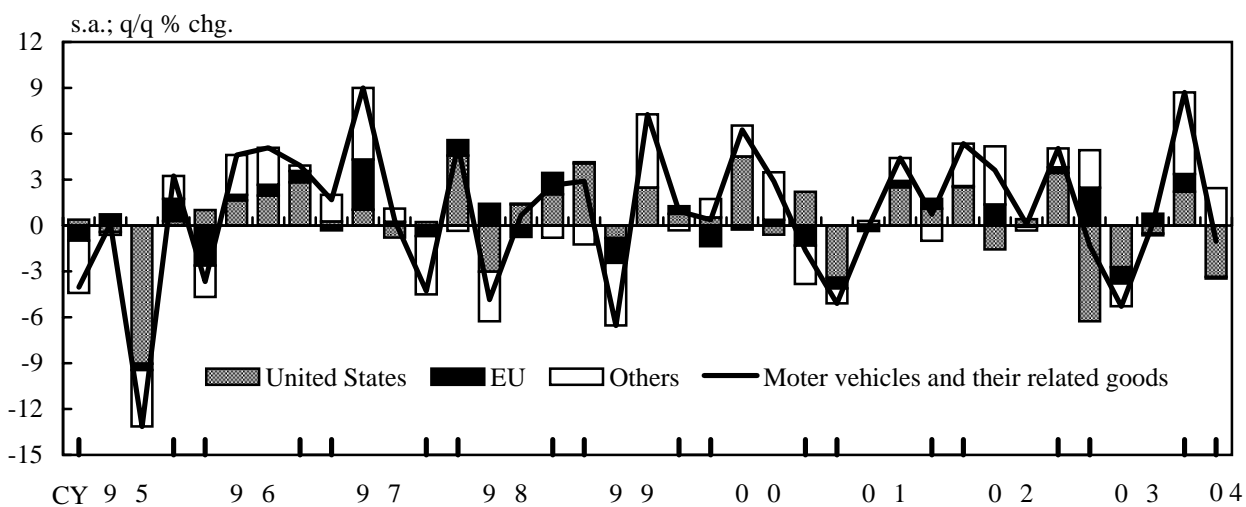
### (1) Capital goods and parts (real, breakdown by goods)



### (2) Intermediate goods (real, breakdown by region)



### (3) Motor vehicles and their related goods (real, breakdown by region)



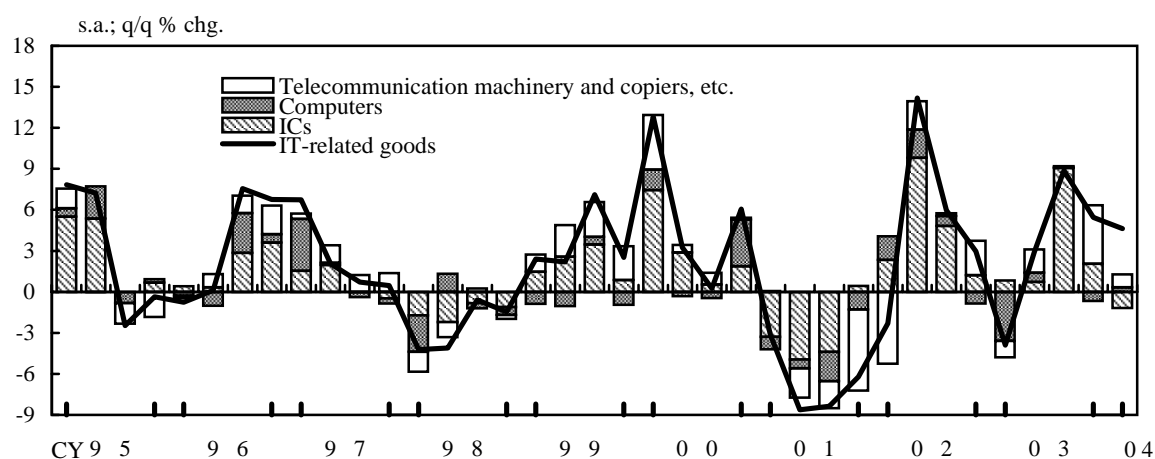
Notes: 1. Seasonally adjusted by X-12-ARIMA.

2. 2004/Q1 figures are January figures converted into quarterly amount.

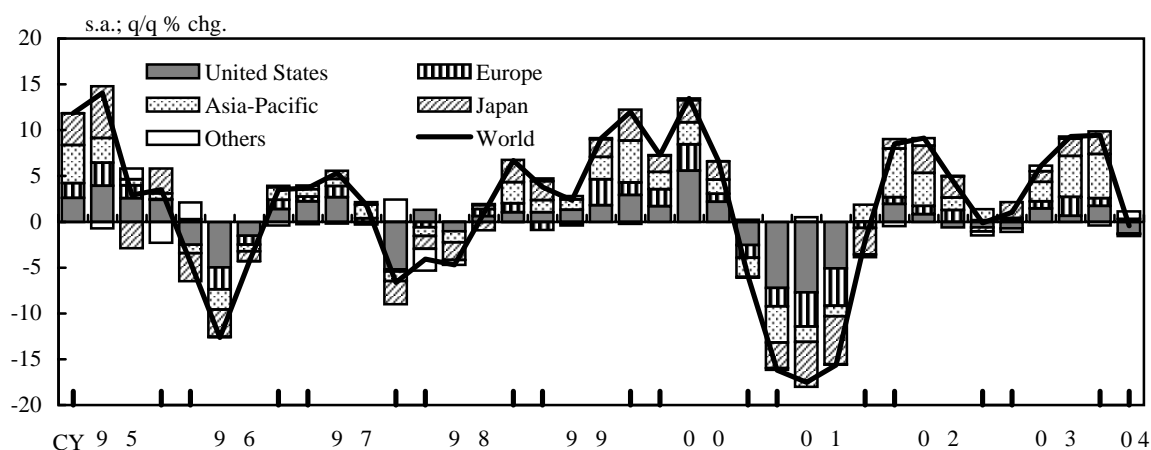
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

## Exports and Imports of IT-related goods

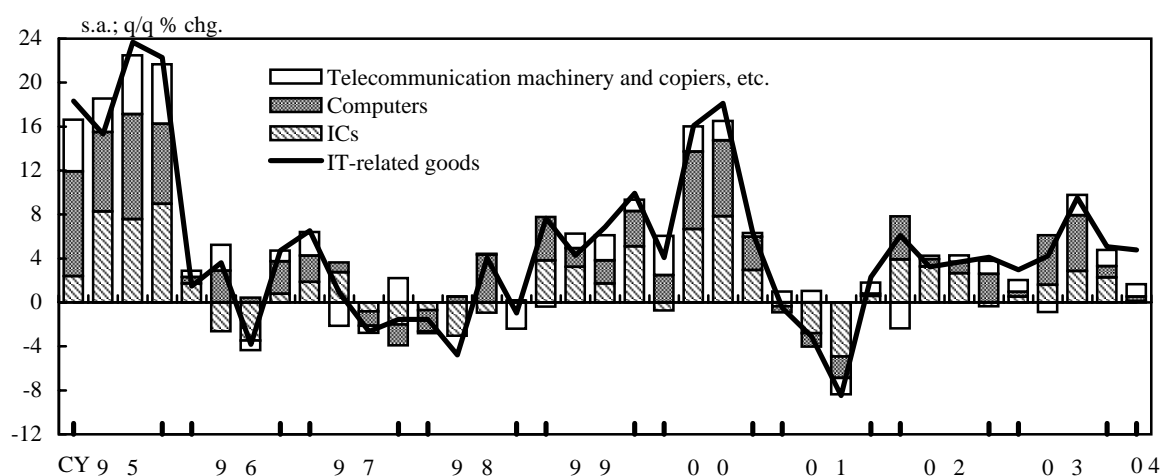
## (1) Exports of IT-related goods (real, breakdown by goods)



## (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. 2004/Q1 figures are January figures converted into quarterly amount.

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

Bank of Japan, "Corporate Goods Price Index"; WSTS (World Semiconductor Trade Statistics.)

Real Imports <sup>1</sup>

## (1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 2002	2003	2003 Q1	Q2	Q3	Q4	2004 Q1	2003 Nov.	2004 Dec.	2004 Jan.
United States	<15.4>	-3.9	-1.6	-2.9	5.2	-0.9	1.4	-6.2	0.6	-3.3	-4.2
EU	<12.8>	2.3	6.3	-1.6	2.6	1.7	3.5	3.2	7.7	-3.8	3.4
East Asia	<42.4>	6.4	14.6	0.6	4.4	4.4	3.9	0.4	1.9	-1.3	0.7
China	<19.7>	13.9	22.1	3.9	5.3	4.8	3.8	1.8	1.7	2.3	-0.3
NIEs	<10.2>	1.8	9.8	-2.1	2.4	7.7	6.5	-2.8	-0.9	0.5	-2.8
Korea	<4.7>	-1.5	13.2	-0.1	4.0	2.7	9.6	-2.4	-3.2	-0.8	-0.8
Taiwan	<3.7>	5.5	6.7	-2.8	0.6	12.4	2.5	0.9	-6.0	0.3	2.9
ASEAN4 <sup>3</sup>	<12.5>	1.5	8.9	-1.5	4.7	1.2	1.9	1.2	4.7	-8.0	5.4
Thailand	<3.1>	7.6	11.6	-1.6	2.5	5.5	4.0	-1.5	1.0	-7.5	3.5
Real imports		1.2	6.8	0.1	2.0	1.3	1.8	3.9	3.1	-1.1	3.6

## (2) Breakdown by goods

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 2002	2003	2003 Q1	Q2	Q3	Q4	2004 Q1	2003 Nov.	2004 Dec.	2004 Jan.
Raw materials <sup>4</sup>	<27.1>	-2.7	5.8	3.7	-0.3	-3.8	-3.7	7.4	1.4	3.5	4.5
Intermediate goods	<13.4>	1.4	4.5	1.0	-0.4	2.2	1.4	3.3	-2.4	1.7	3.0
Foodstuffs	<11.5>	-2.5	-4.3	-1.0	-1.4	-0.1	0.2	-0.4	-5.0	1.3	0.5
Consumer goods	<10.8>	-0.9	7.9	-3.8	3.5	3.6	7.1	1.4	6.9	-4.1	1.9
IT-related goods <sup>5</sup>	<14.0>	7.8	19.1	3.0	4.2	9.5	5.1	4.8	-1.5	-1.8	6.6
Capital goods and parts <sup>6</sup>	<13.0>	11.5	14.2	-2.2	12.2	-2.4	6.8	2.3	8.6	-8.5	5.7
excluding aircraft	<11.9>	8.3	14.3	0.3	5.1	-0.5	7.8	7.8	3.7	-7.0	11.8
Real imports		1.2	6.8	0.1	2.0	1.3	1.8	3.9	3.1	-1.1	3.6

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2004/Q1 figures are January figures converted into quarterly amount.

2. Shares of each region and goods in 2003 are shown in angle brackets.

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

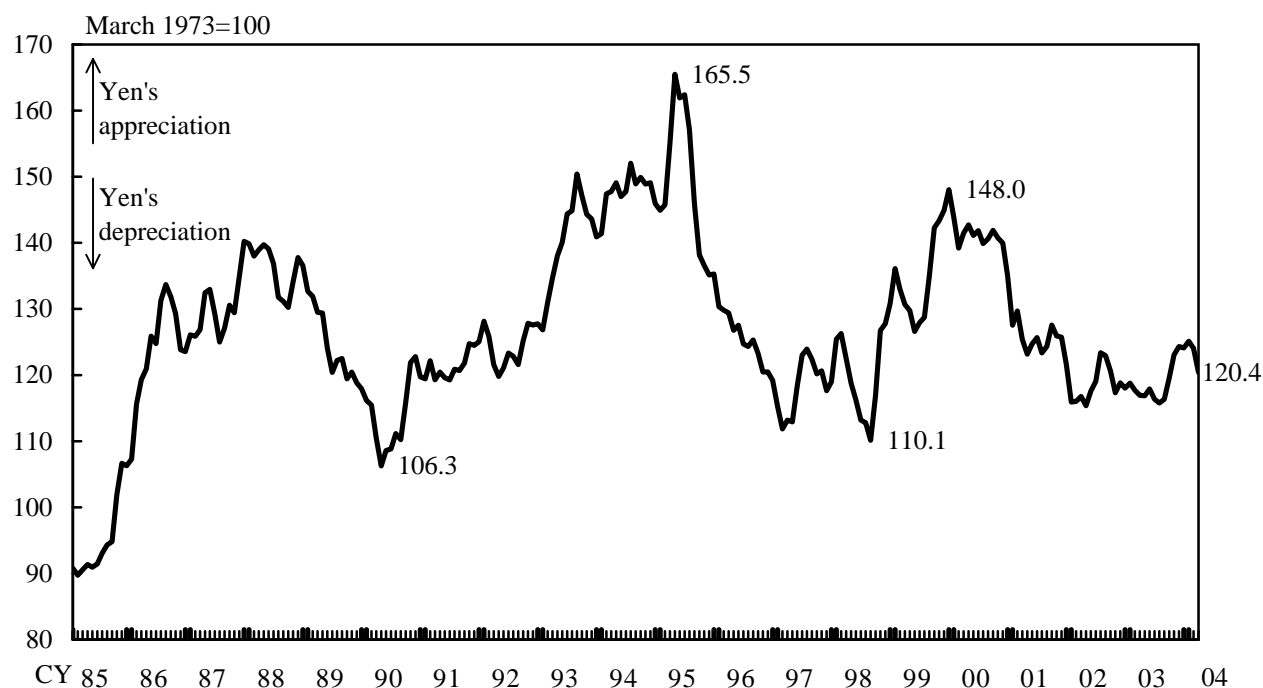
4. Raw materials are mainly composed of woods, ores and mineral fuel.

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

6. Excludes IT-related goods.

## Environment for Exports (1)

## (1) Real Effective Exchange Rate



Note: Calculated by the Bank of Japan. Monthly average. Figure for March 2004 is the average up to March 15.

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

		CY2001	2002	2003	2003 Q1	Q2	Q3	Q4	
United States <sup>1</sup>		0.5	2.2	3.1	2.0	3.1	8.2	4.1	
European Union <sup>1</sup>		1.6	1.0	0.7	0.2	0.1	1.8	1.6	
	Germany	0.8	0.2	-0.1	-1.0	-0.6	0.8	0.9	
	France	2.1	1.2	0.2	0.2	-1.5	1.7	1.8	
	United Kingdom	2.1	1.7	2.3	1.2	2.6	3.4	3.8	
East Asia <sup>2</sup>	China	7.3	8.0	9.1	9.9	6.7	9.6	9.9	
	NIEs	Korea	3.1	6.3	n.a.	3.7	1.9	2.3	n.a.
		Taiwan	-2.2	3.6	3.2	3.5	-0.1	4.2	5.2
		Hong Kong	0.5	2.3	3.3	4.5	-0.5	4.0	5.0
		Singapore	-1.9	2.2	1.1	1.7	-3.9	1.7	4.9
	ASEAN4	Thailand	2.1	5.4	6.7	6.7	5.8	6.6	7.8
		Indonesia	3.5	3.7	4.1	4.4	3.6	4.0	4.4
		Malaysia	0.3	4.1	5.2	4.6	4.5	5.2	6.4
Philippines		3.0	4.4	4.5	4.5	4.0	5.1	4.5	

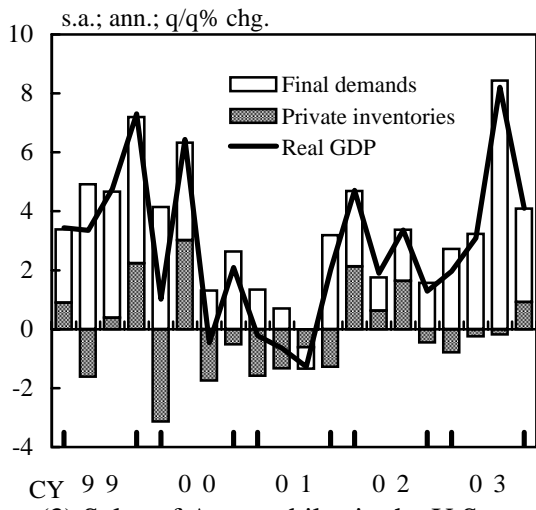
Notes: 1. Quarterly data of U.S. and EU are quarter-to-quarter percent changes at annual rate.

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

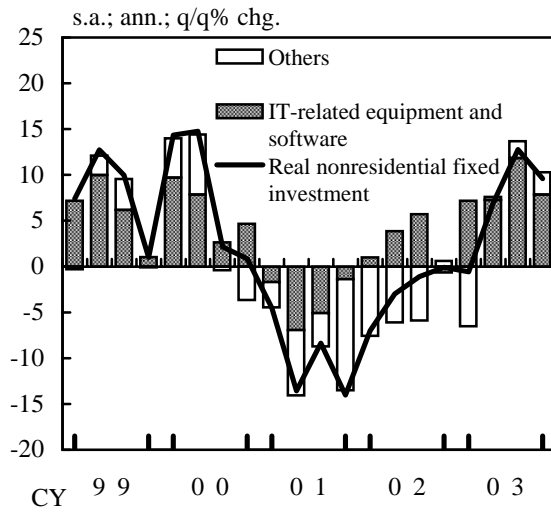


Environment for Exports (2)

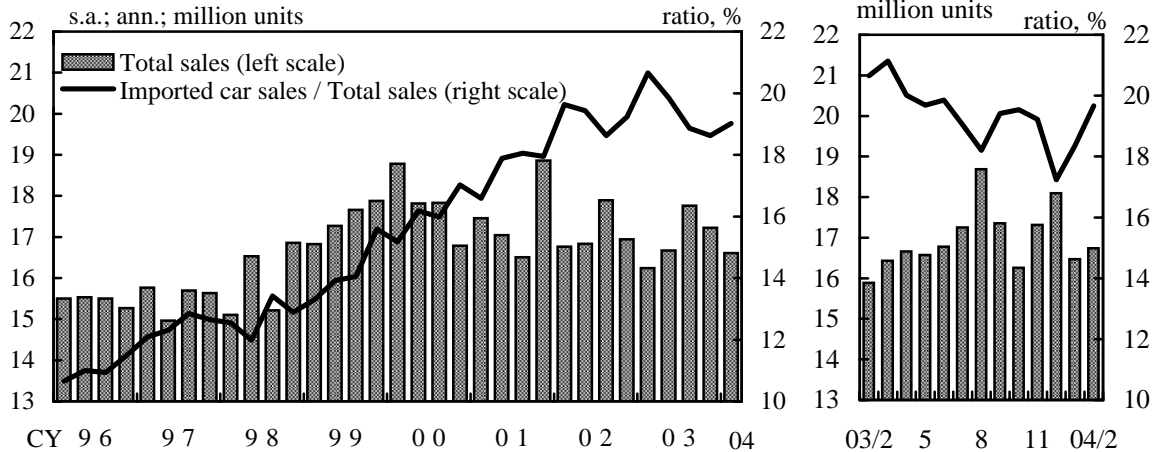
(1) U.S. Real GDP (breakdown by final demands and inventories)



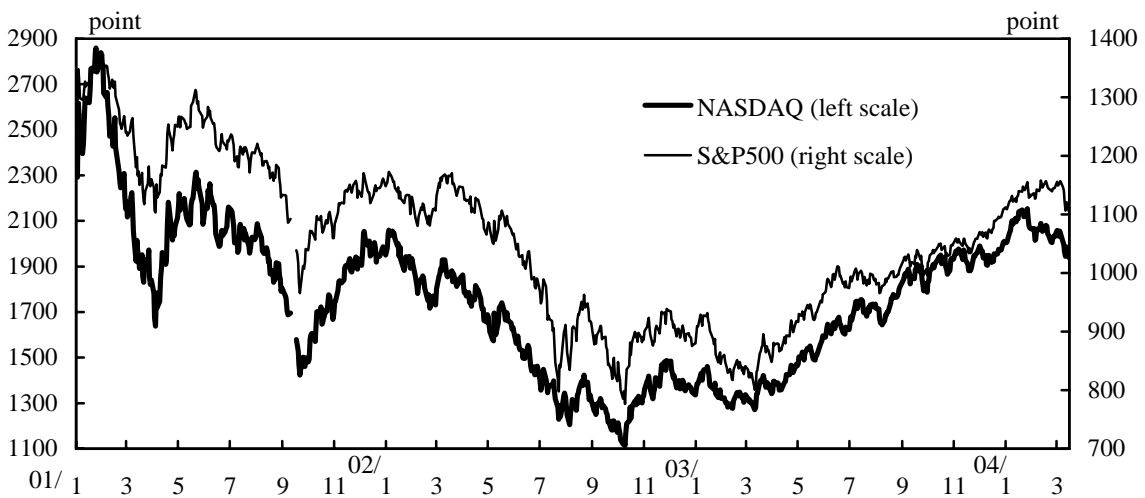
(2) U.S. Real Nonresidential Fixed Investment



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



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



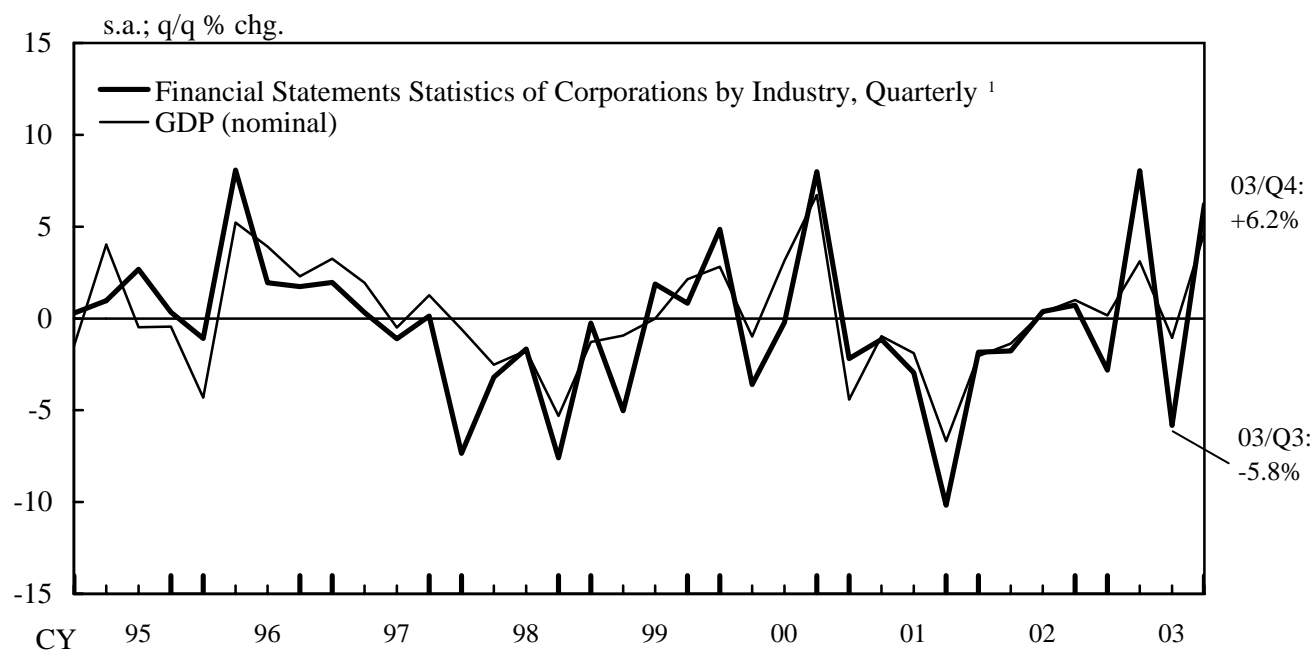
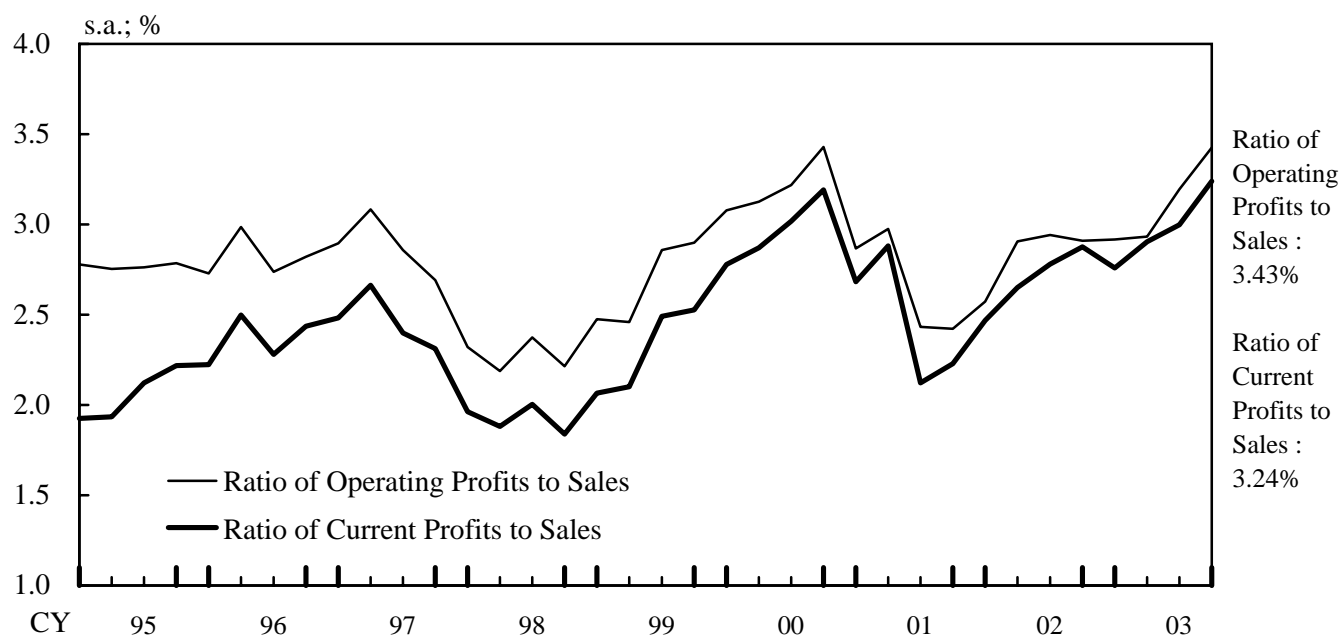
Notes: 1. "Total sales" of automobile and "Imported car sales / Total sales of automobile" in 2004/Q1 are based on Jan.-Feb. averages in (3).

2. Figures of U.S. stock prices in (4) are up to March 15.

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

## Business Fixed Investment and Corporate Profits

## (1) Fixed Investment

(2) Corporate Profits (Ratio of Profits to Sales)<sup>1,2</sup>

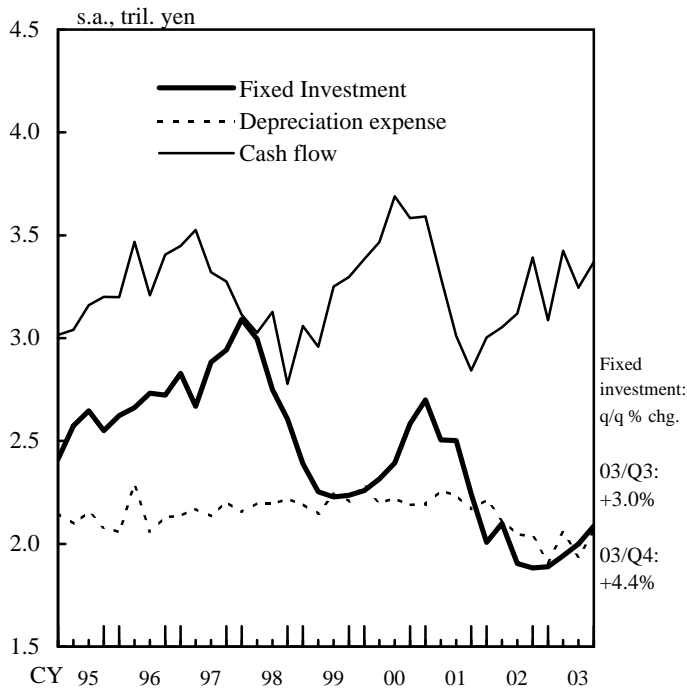
Notes: 1. All enterprises excluding large enterprises of other services industry. Figures are adjusted for sample change, and seasonally adjusted by X-11. Adjustment for sample change aims to correct a bias in figures caused by sample change. The method is to adjust the figures proportionally to the shift in the aggregated capital stock and other references. The sample change comes due to (i) a change in sampling firm in each the second quarter survey, and (ii) changes in the respondent firms in every quarter.

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

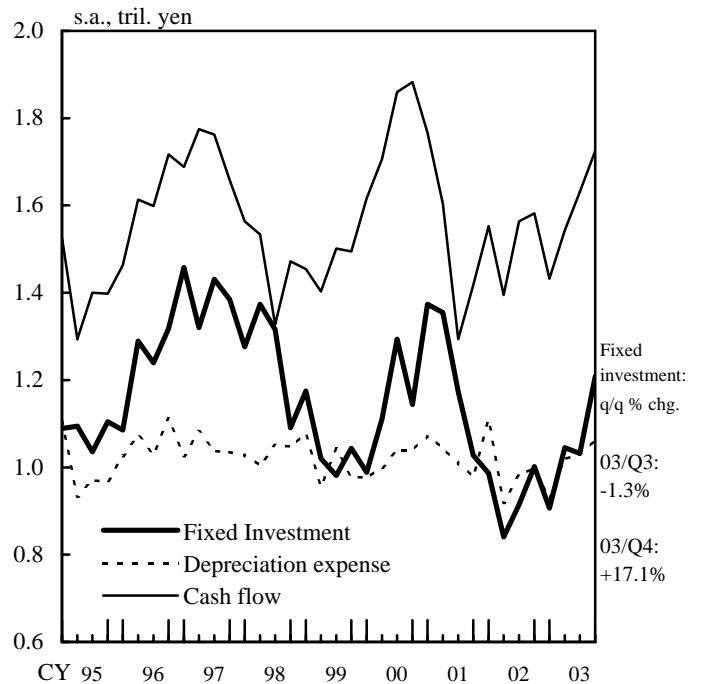
Sources: Cabinet Office, "National Accounts"; Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

## Business Fixed Investment

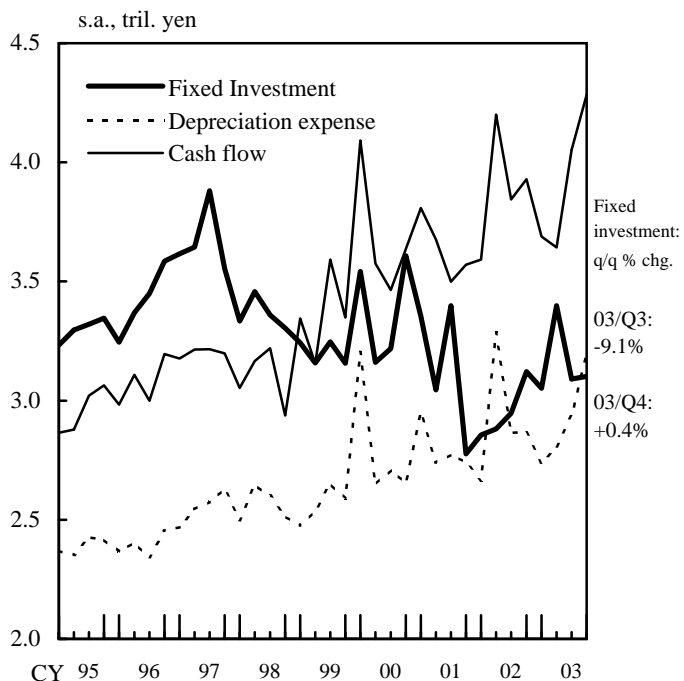
(1) Large manufacturing firms



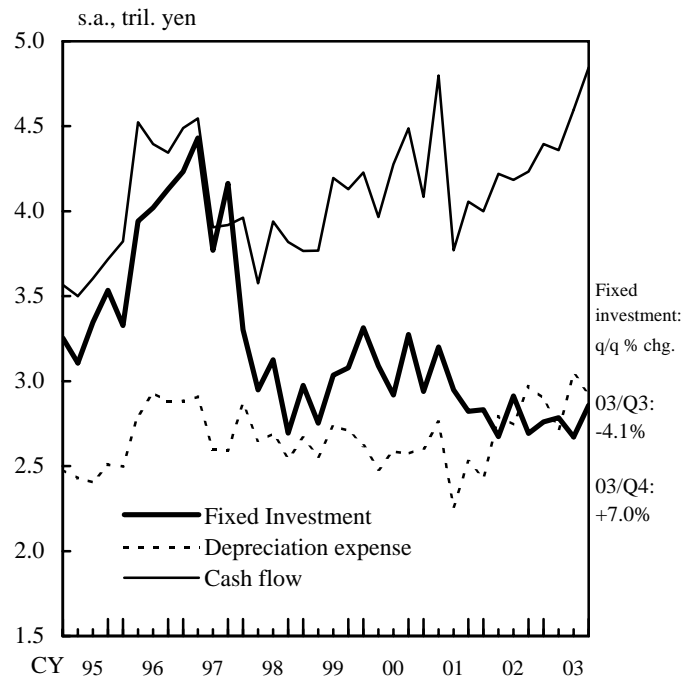
(2) Medium-sized and small manufacturing firms



(3) Large nonmanufacturing firms



(4) Medium-sized and small nonmanufacturing firms



Notes: 1. Financial Statements Statistics of Corporations by Industry, Quarterly basis.

2. Sample change adjusted.

3. Electric, gas and other service industries are excluded from nonmanufacturing large firms.

4. "Large firms" refers to firms with capital stock of 1 billion yen or more, and "medium and small firms" refers to firms with capital stock of 10 million or more but less than 1 billion yen.

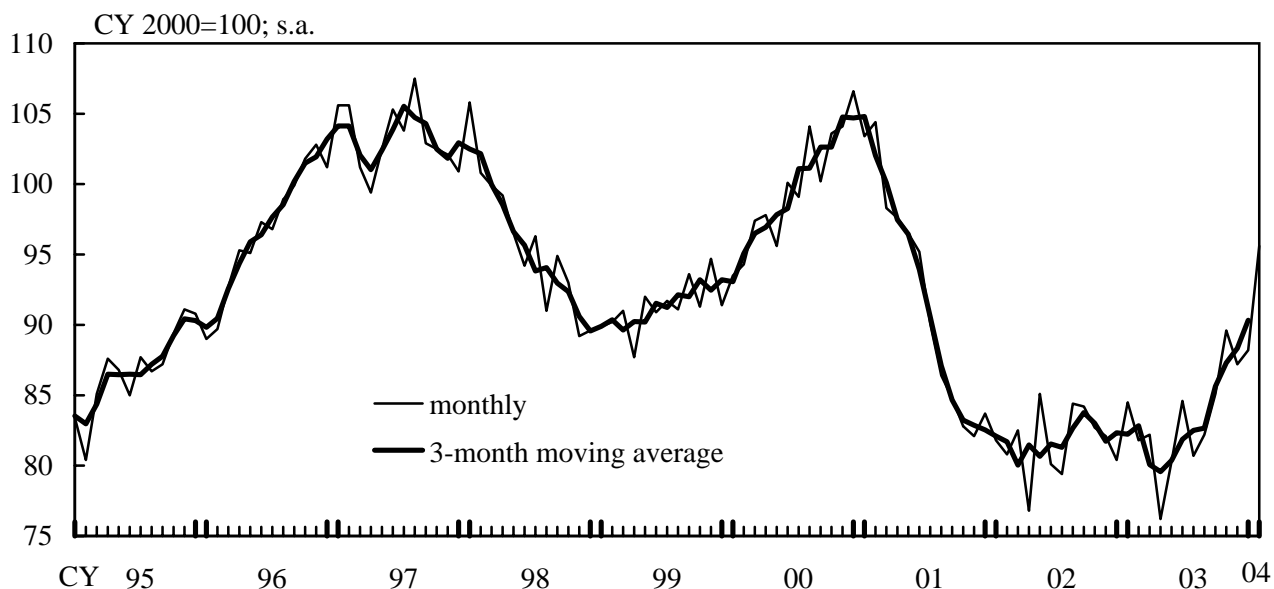
5. Cash Flow = Current profits / 2 + Depreciation expense

6. Seasonally adjusted by X-11.

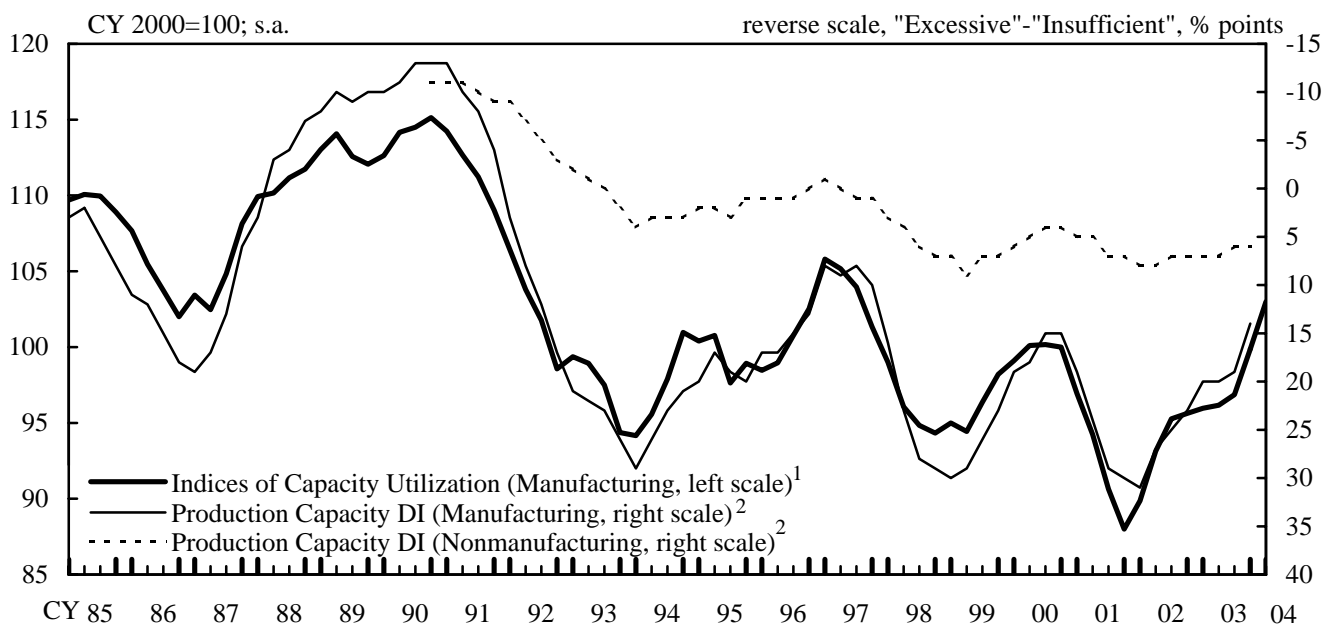
Source: Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

## Indicators for Business Fixed Investment (1)

### (1) Shipments of capital goods (excluding transport equipment)



### (2) Indices of Capacity Utilization and Production Capacity DI



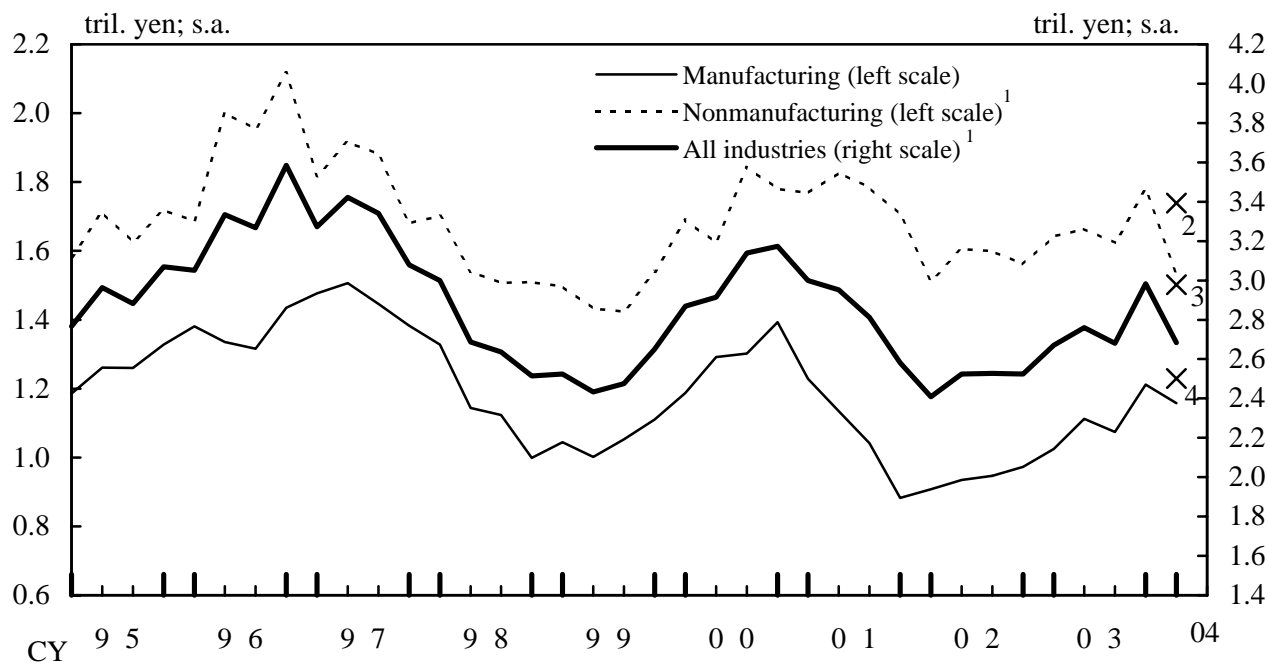
Notes: 1. The figure for 2004/Q1 is as of January.

2. Production Capacity DIs are those of all enterprises.

Sources: Ministry of Economy, Trade and Industry, "Indices of Industrial Production";  
Bank of Japan, "*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.

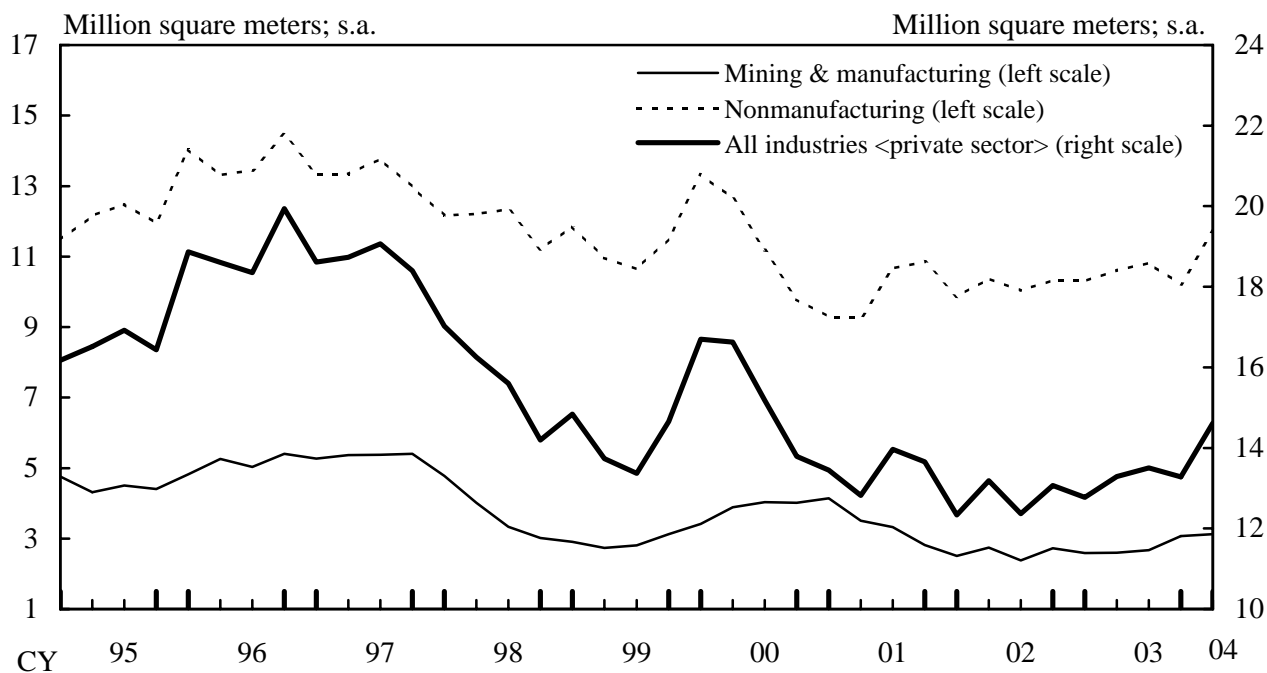
2. Forecast of nonmanufacturing industries for 2004/Q1.

3. Forecast of all industries for 2004/Q1.

4. Forecast of manufacturing industries for 2004/Q1.

5. Figures for 2004/Q1 are those of January in terms of quarterly amount.

## (2) Construction Starts (floor area, private, nondwelling use)



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

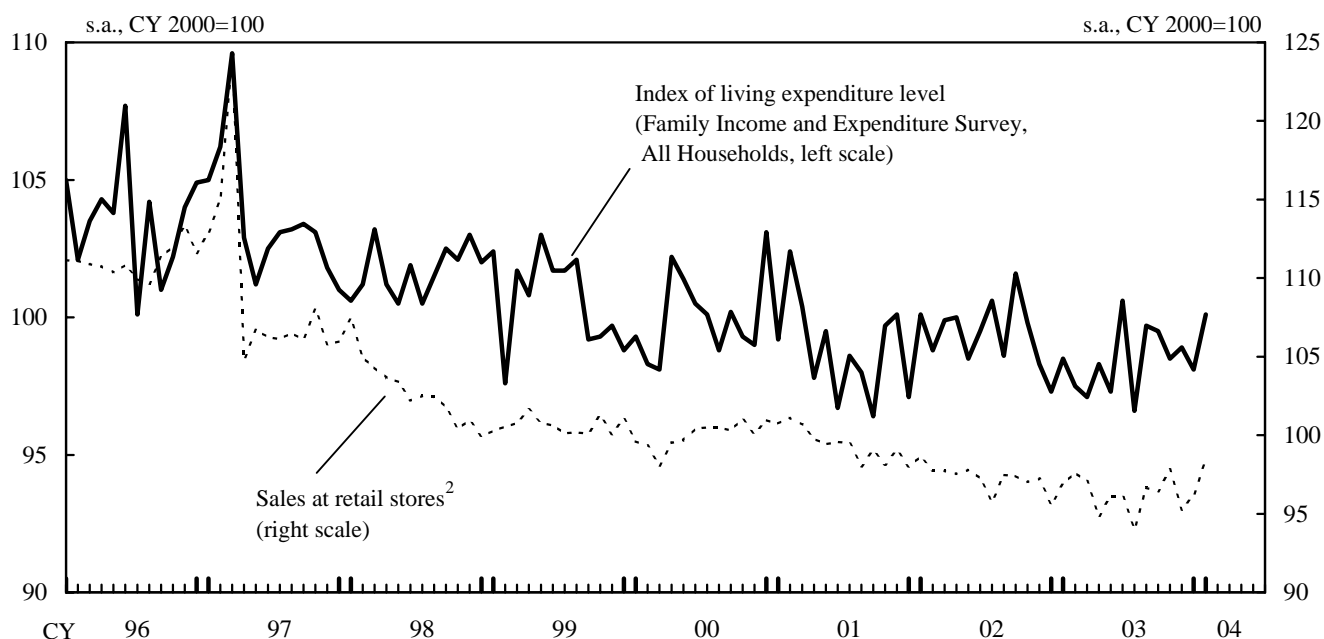
2. Figures for 2004/Q1 are those of January in terms of quarterly amount.

Sources: Cabinet Office, "Machinery Orders Statistics";

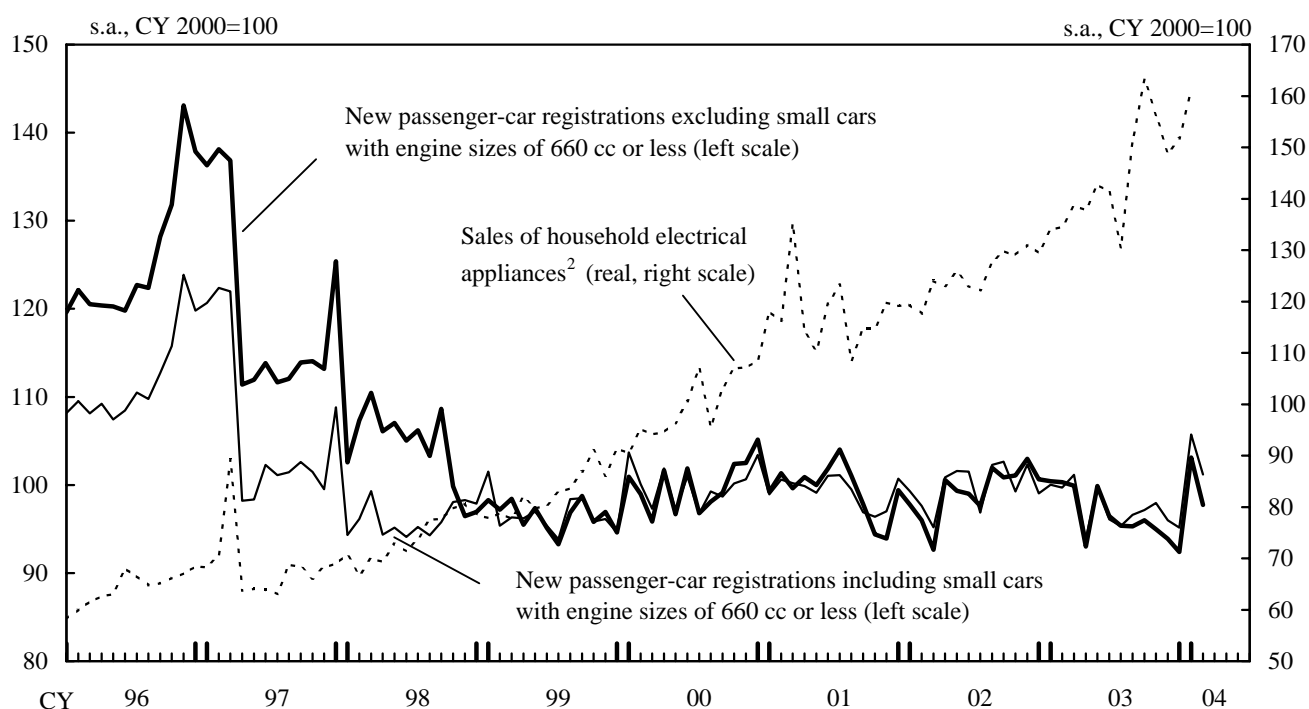
Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts."

# Indicators for Private Consumption<sup>1</sup> (1)

## (1) Household Spending (real)



## (2) Sales of Durable Goods



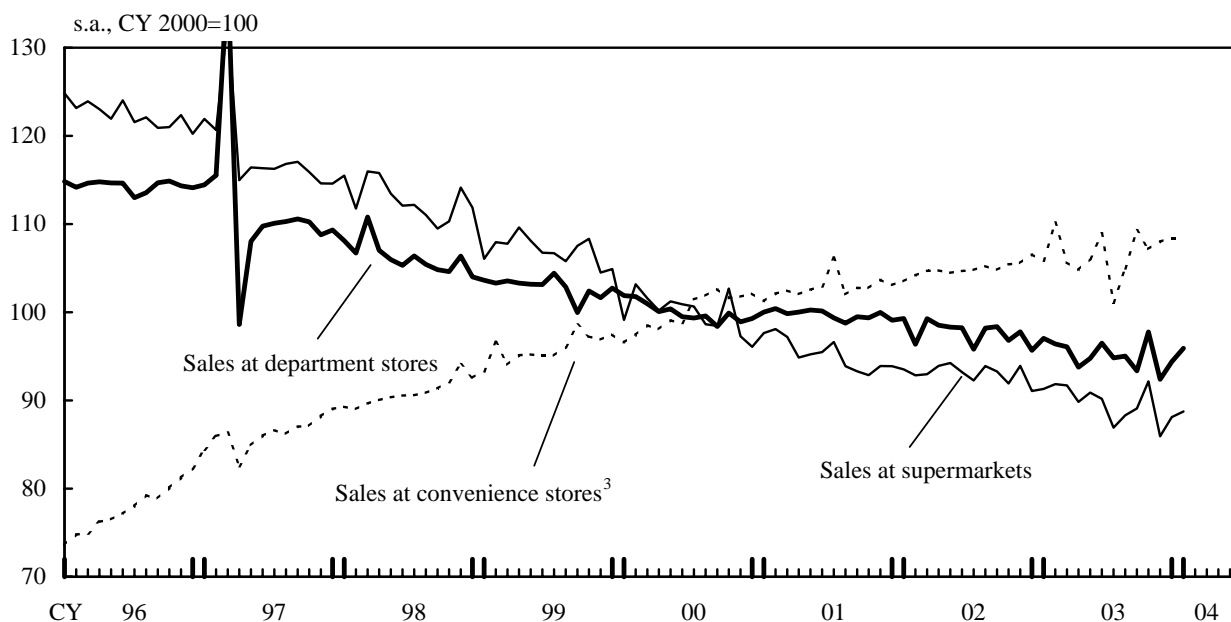
Notes: 1. Seasonally adjusted by X-12-ARIMA. Index of living expenditure level is seasonally adjusted by the Ministry of Public Management, Home Affairs, Posts and Telecommunications.

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).

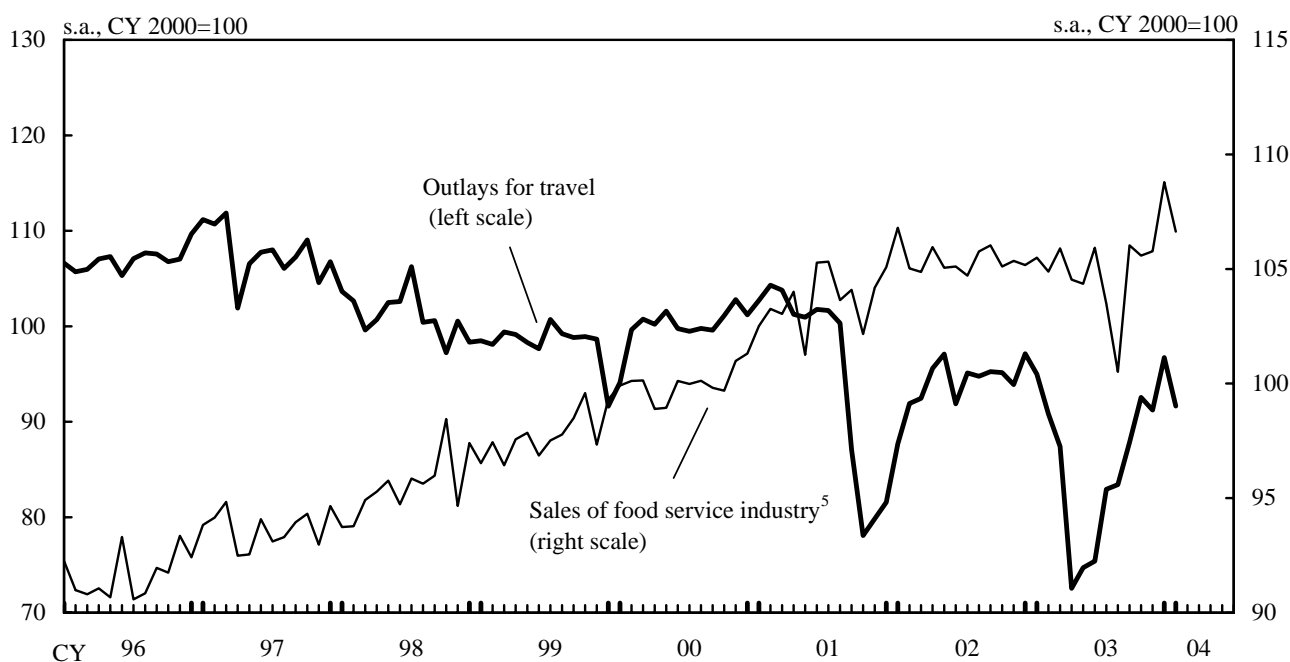
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Monthly Report on the Family Income and Expenditure Survey," "Consumer Price Index"; Ministry of Economy, Trade and Industry, "Current Survey of Commerce"; Japan Automobile Dealers Association, "Domestic Sales of Automobiles"; 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 Consumption<sup>1</sup> (2)

### (3) Sales at Retail Stores (nominal)<sup>2</sup>



### (4) Consumption of Services (nominal)<sup>4</sup>



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.

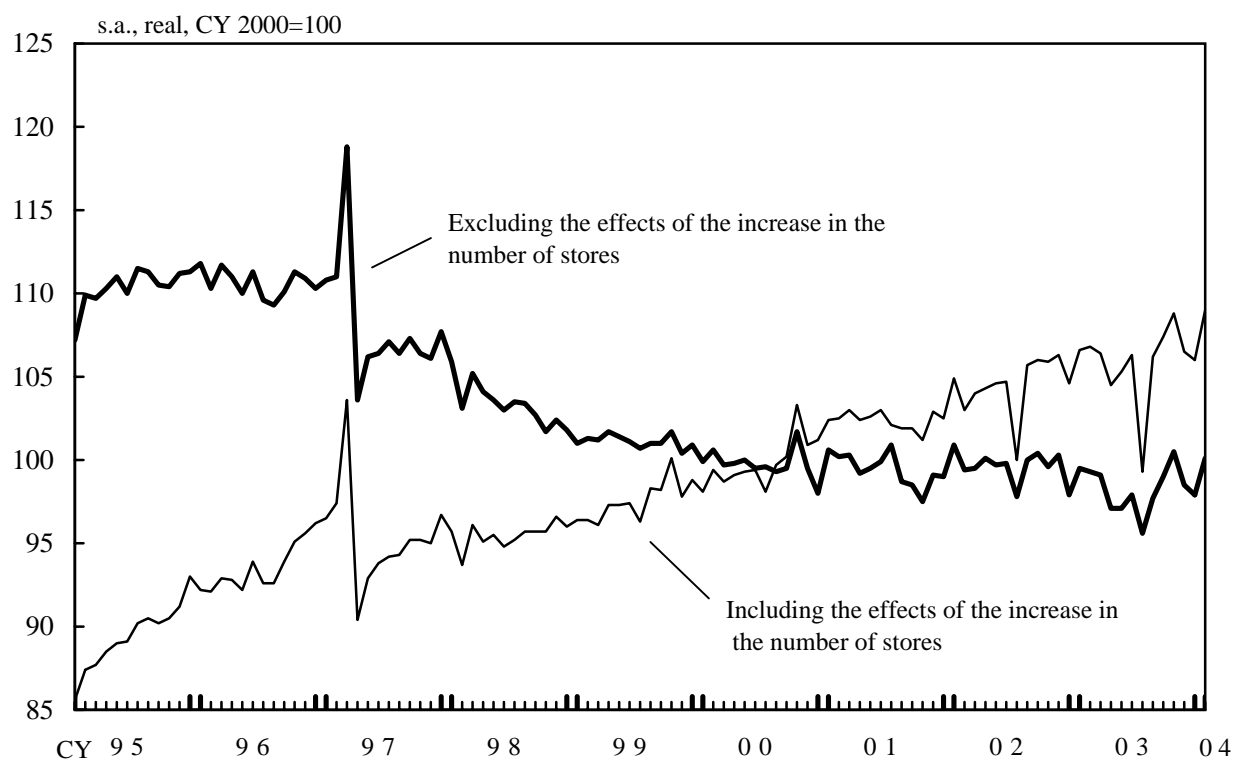
3. Sales at convenience stores until March 1997 are based on the survey conducted by the Bank of Japan. From April 1997 they are based on the data published by the Ministry of Economy, Trade and Industry.

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 Japan Food Service Association based on monthly sales amounts in 1993 released by the Food Service Industry Survey & Research Center.

Sources: 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



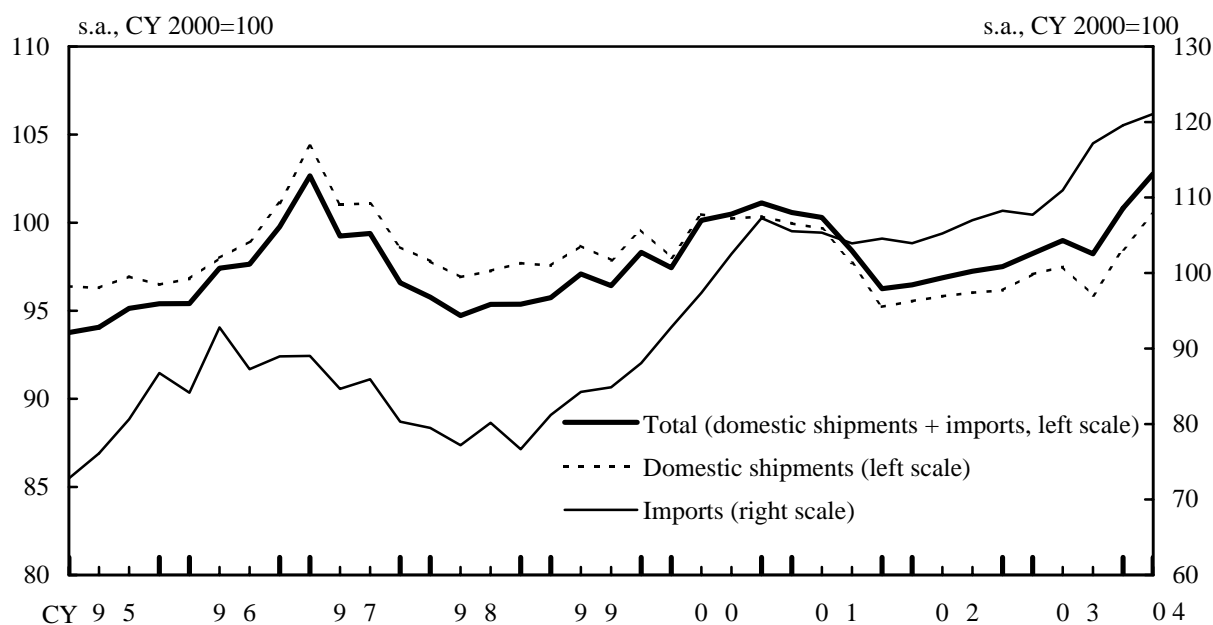
- Notes: 1. Indices of aggregated sales are the weighted sum of *Sales at department stores and supermarkets*; *New passenger-car registrations*; *Sales of household electrical appliances*; *Outlays for travel*; and *Sales of food service industry*, where the weights come from household expenditure in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

Source: Bank of Japan, "Indices of Aggregated Sales."

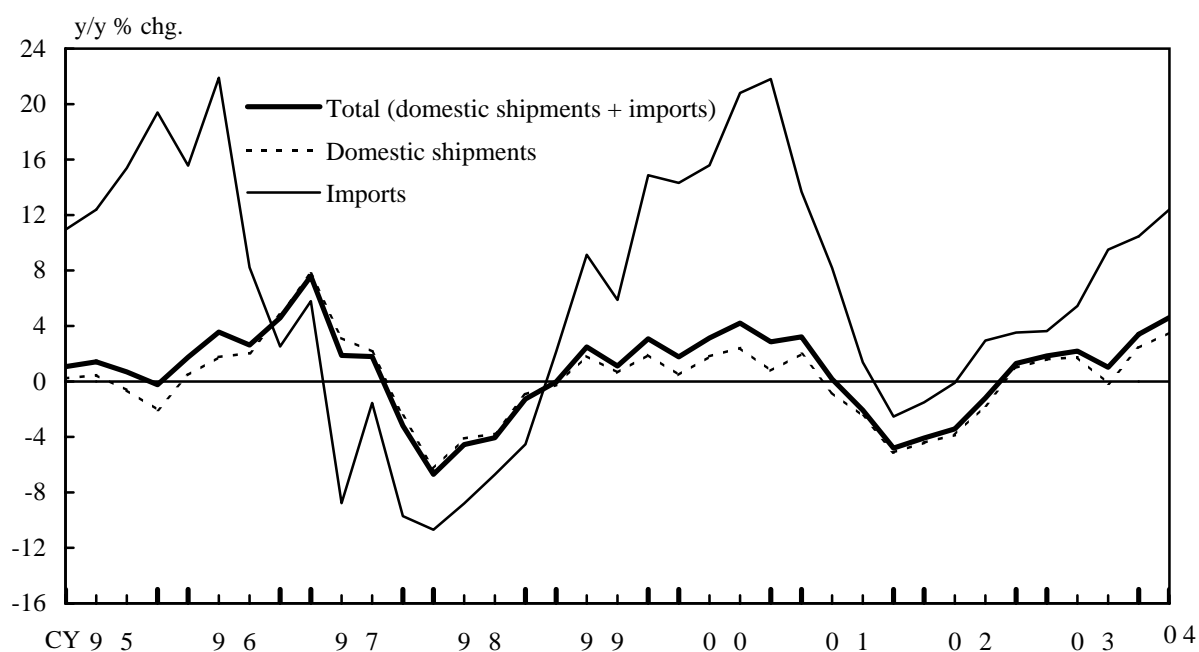


## Indicators for Private Consumption (4) - Aggregate supply of consumer goods

## (1) Level



## (2) Changes from a year earlier



Notes: 1. Aggregate supply of consumer goods is calculated by the Bank of Japan using shipments of consumer goods in *Indices of Industrial Production* and real exports and imports of consumer goods. The weights used for calculation are those of *Indices of Industrial Domestic Shipments and Imports*.

2. Figures of "Imports" are calculated from real imports of consumer goods. Real imports (consumer goods) are composed of motor vehicles, audio and visual apparatus, office machinery, foodstuffs and textiles.

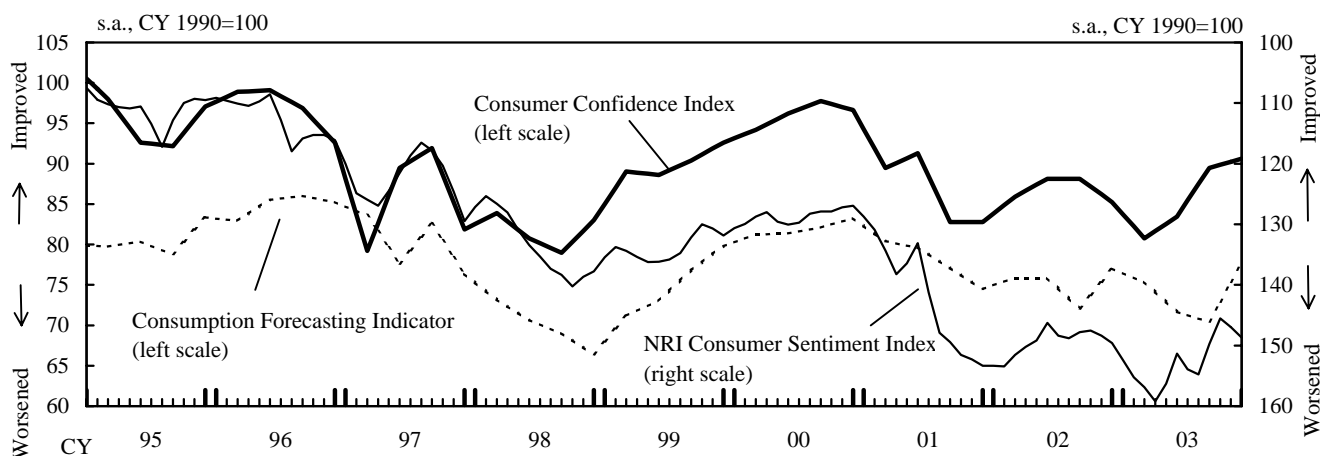
3. Year-on-year changes are calculated from seasonally adjusted series.

4. 2004/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, "Corporate Goods Price Index."

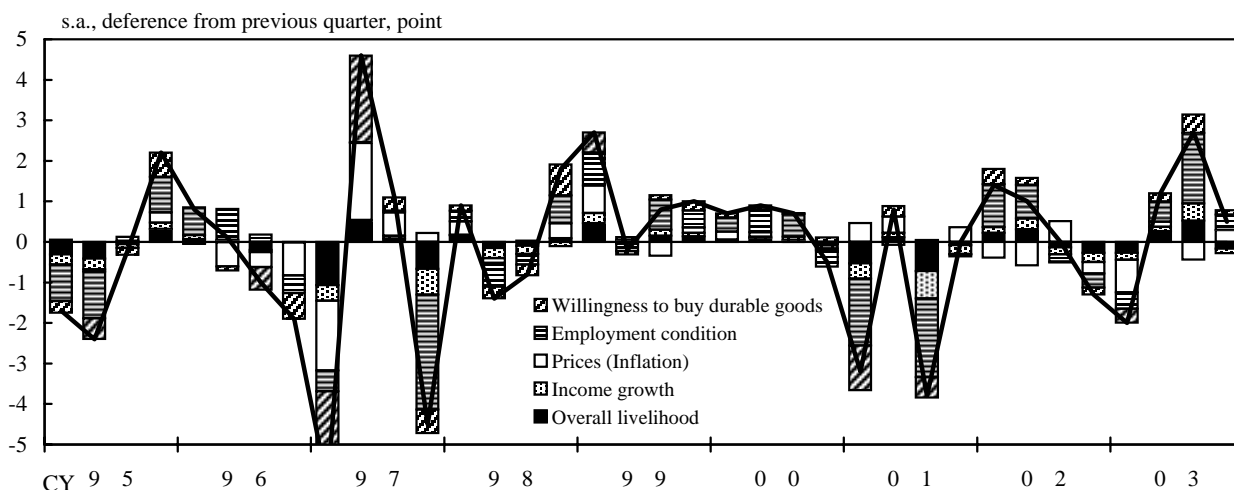
# Consumer Confidence

## (1) Surveys on Consumer Confidence

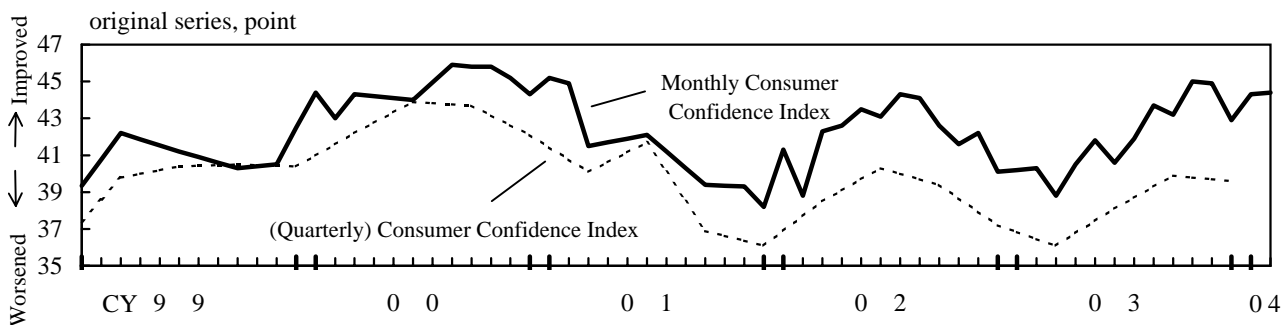


- Notes: 1. Seasonally adjusted by X-11. "Consumer Confidence Index" is seasonally adjusted by the Cabinet Office.  
 2. Consumer Confidence Index (with 5,040 samples in a nationwide basis), Consumption Forecasting Indicator (with 1,500 samples in metropolitan area), and NRI Consumer Sentiment Index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

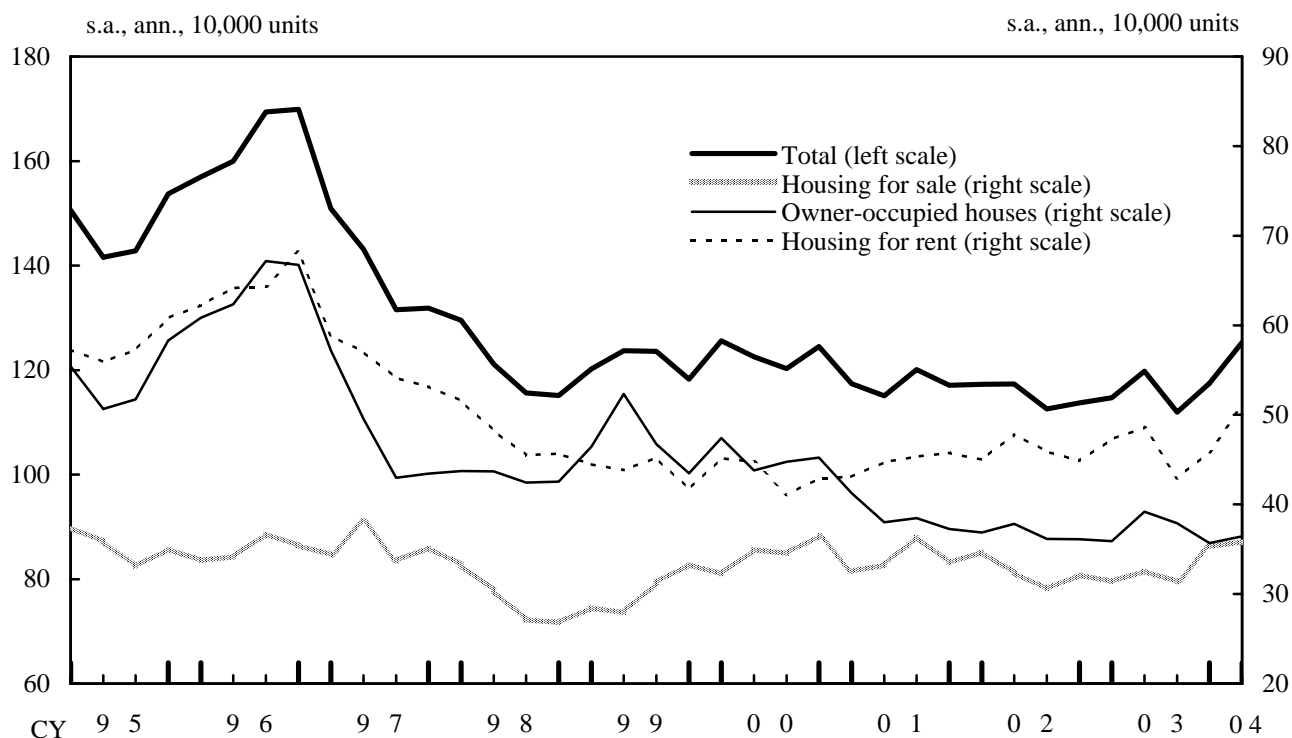


Note: *Monthly Consumer Confidence Survey* is conducted on a monthly basis for limited samples of the Tokyo district (435 households surveyed) in the quarterly Consumer Confidence Survey. The items in the monthly survey are parts of the quarterly survey. Prior to 2001, figures for the months when the 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."

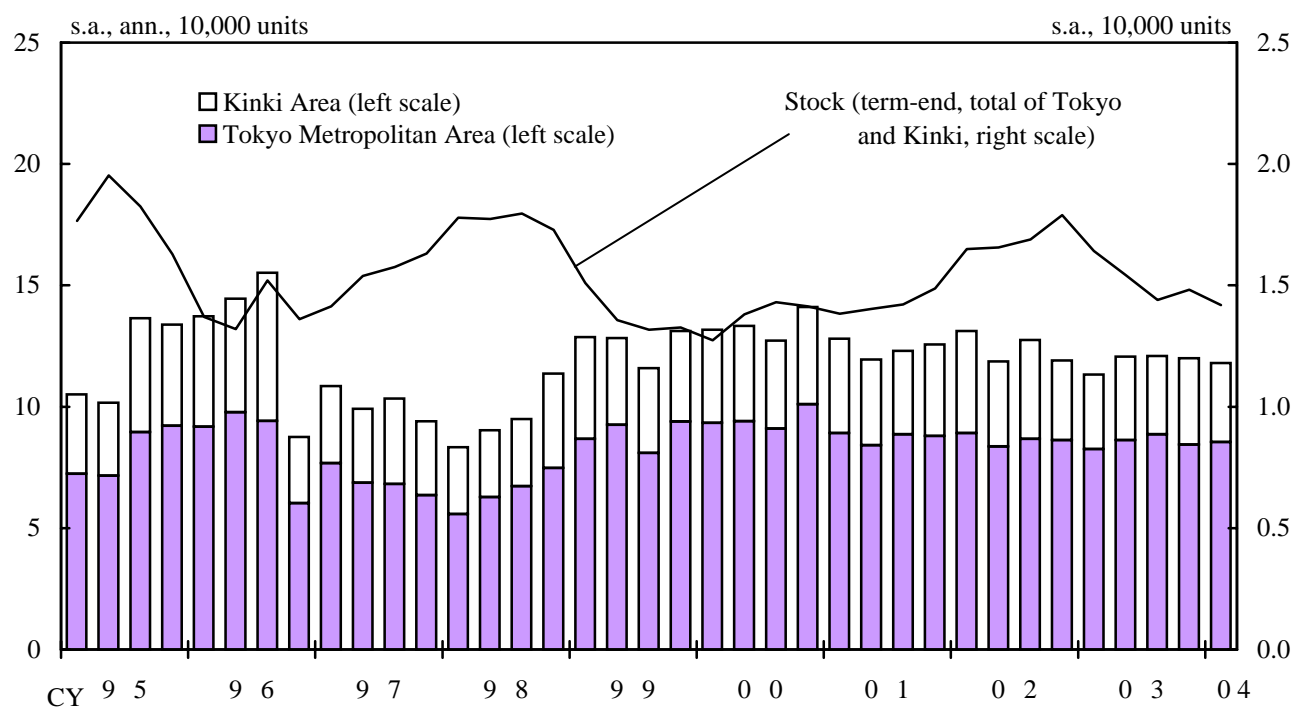
## Indicators for Housing Investment

## (1) Housing Starts



Note: Figures for 2004/Q1 are those of January.

## (2) Sales of Condominiums



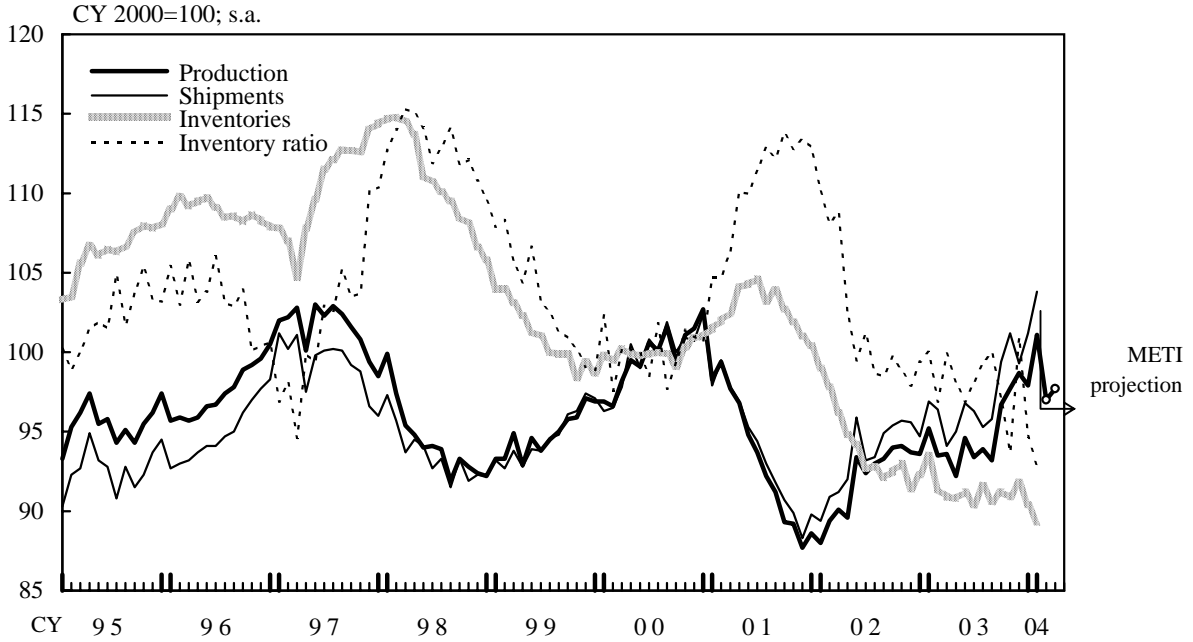
Notes: 1. Seasonally adjusted by X-12-ARIMA.

2. Figures of total condominiums sales for 2004/Q1 are those of January-February averages.  
 Term-end stocks for 2004/Q1 are those of February.

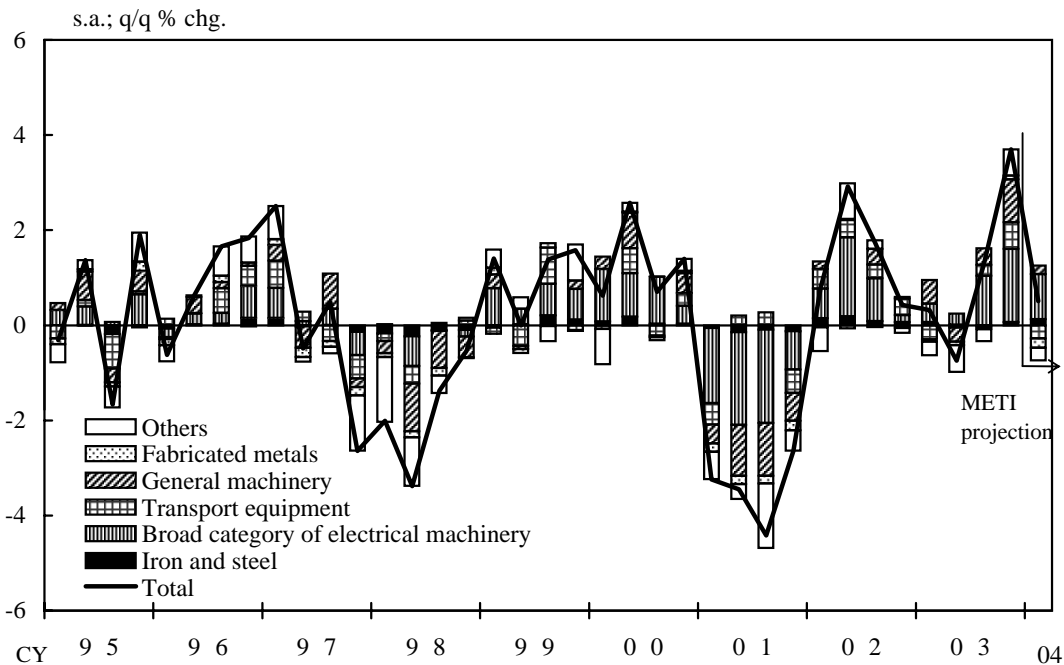
Sources: Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts," etc.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industries

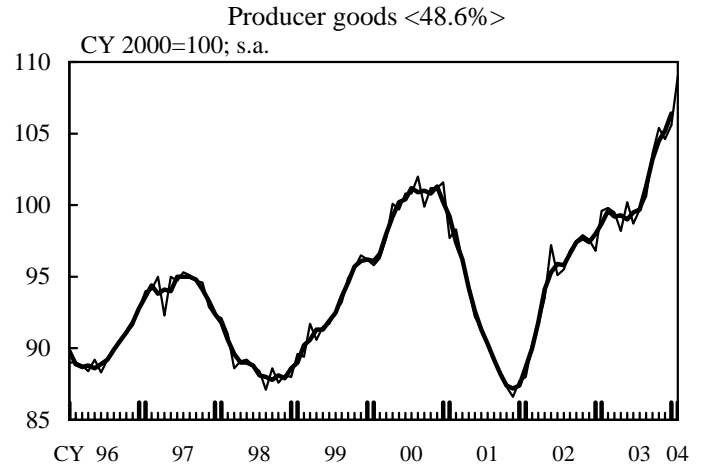
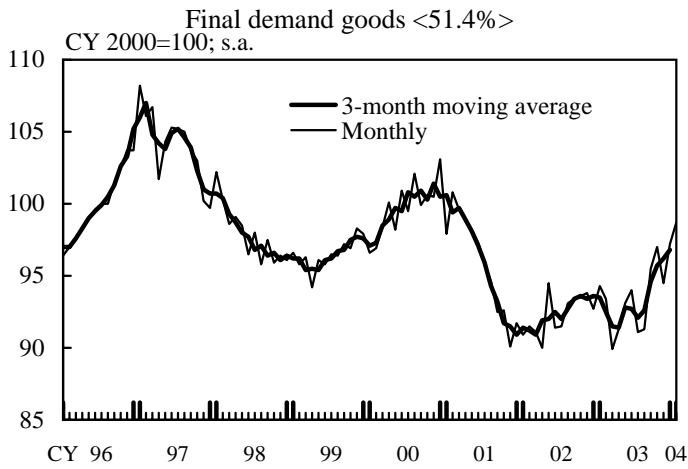


Note: Transport equipment excludes ships and rolling stock.

"Broad category of electrical machinery" is the weighted sum of "electrical machinery", "information and communication electronics equipment" and "electronic parts and devices."

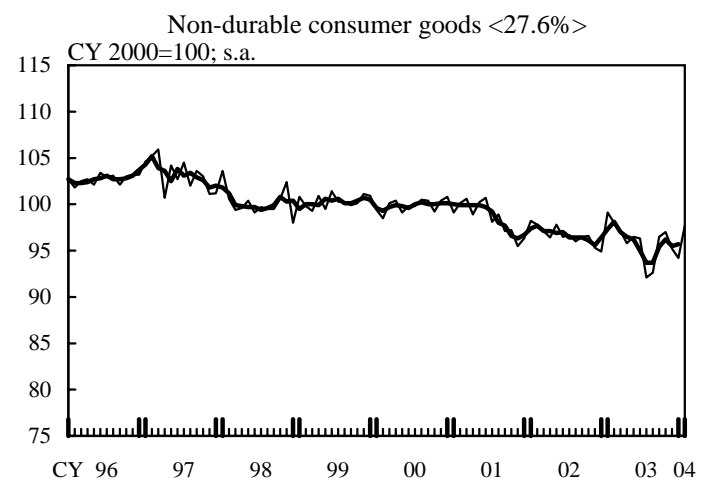
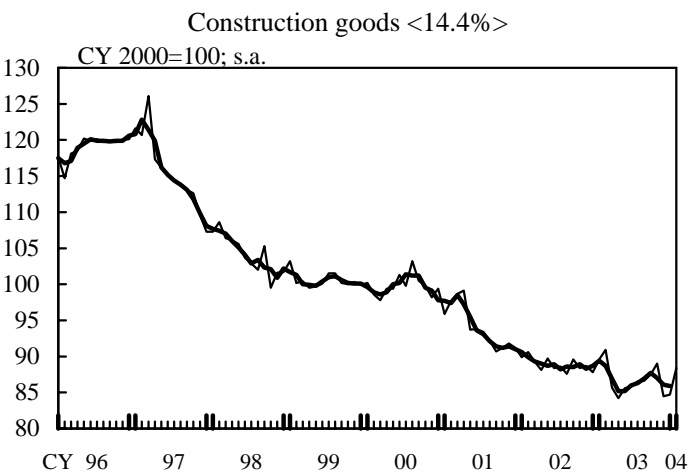
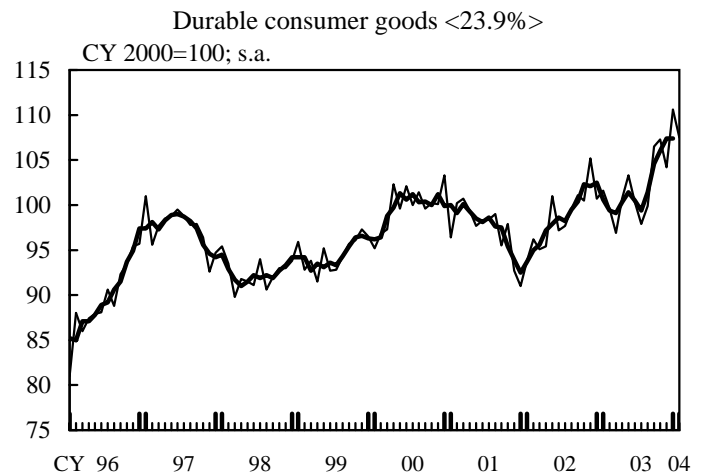
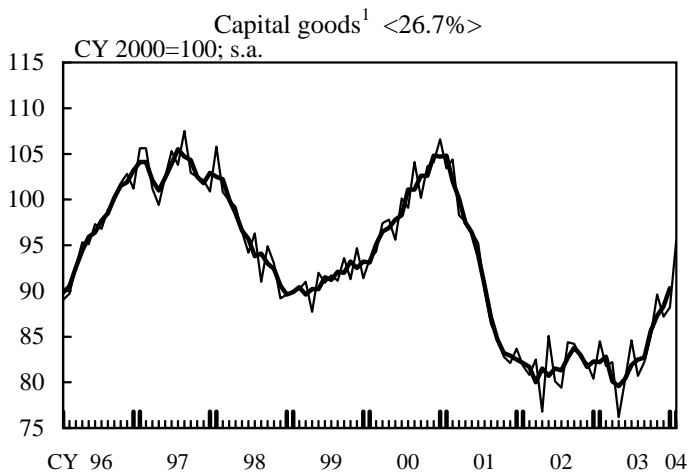
Shipments breakdown by type of goods

(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

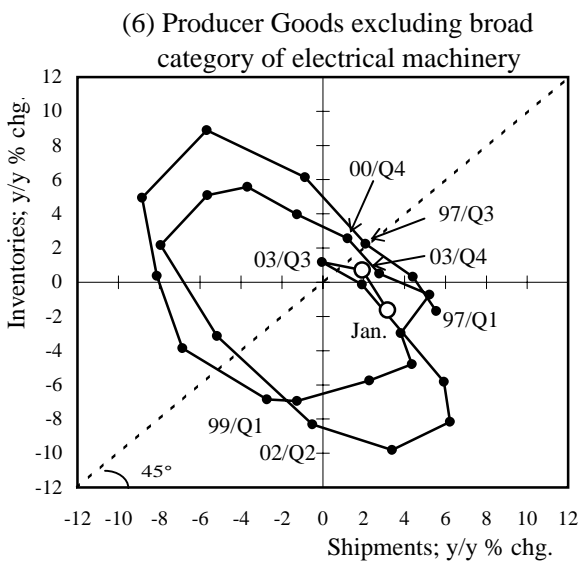
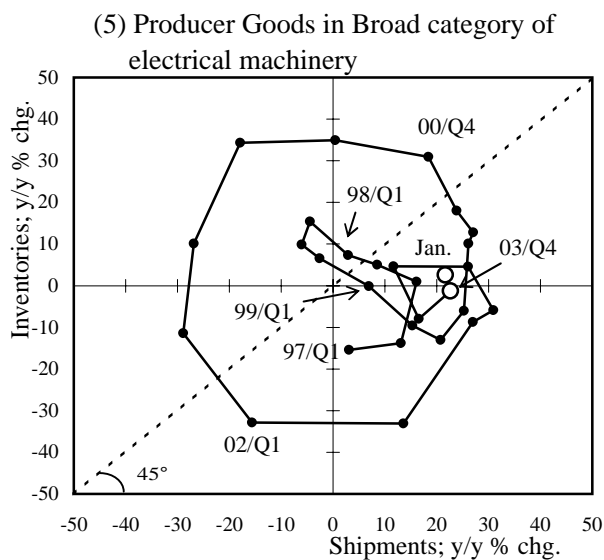
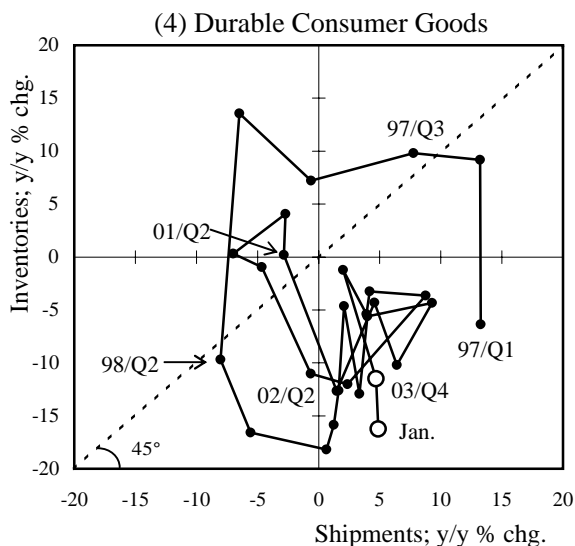
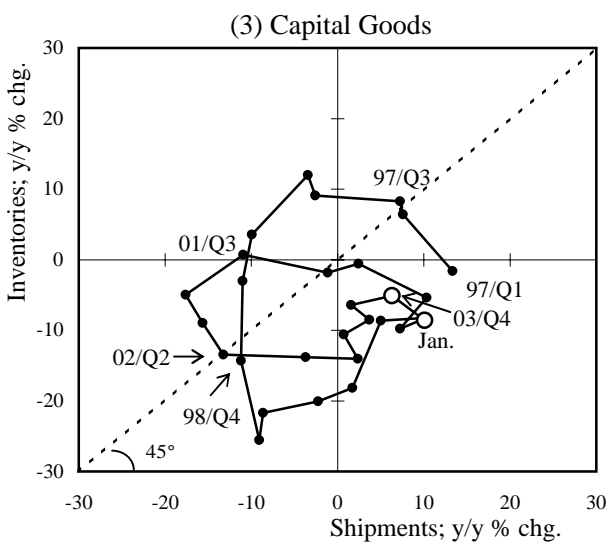
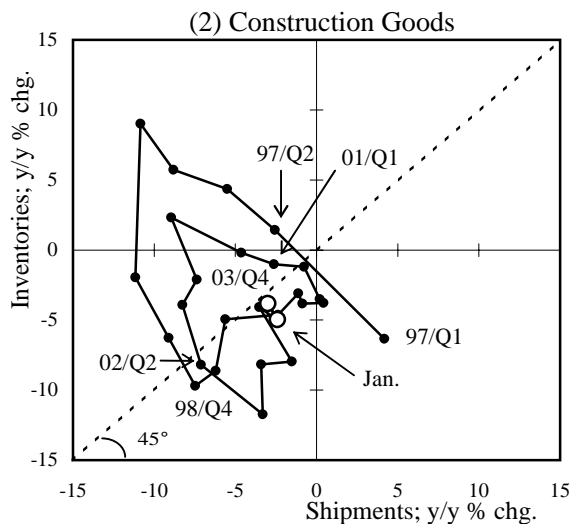
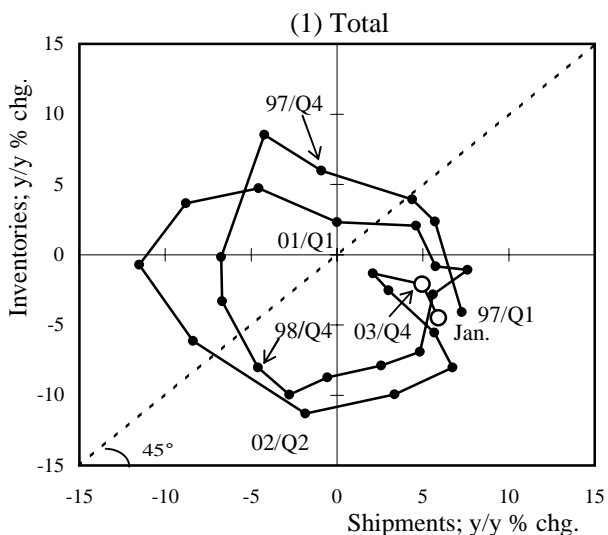


Notes: 1. Excluding transportation equipment.

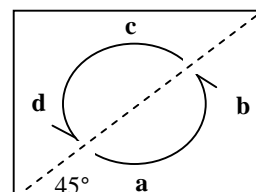
2. Shares of shipments of final demand goods are shown in angle brackets.

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

# Inventory Cycle

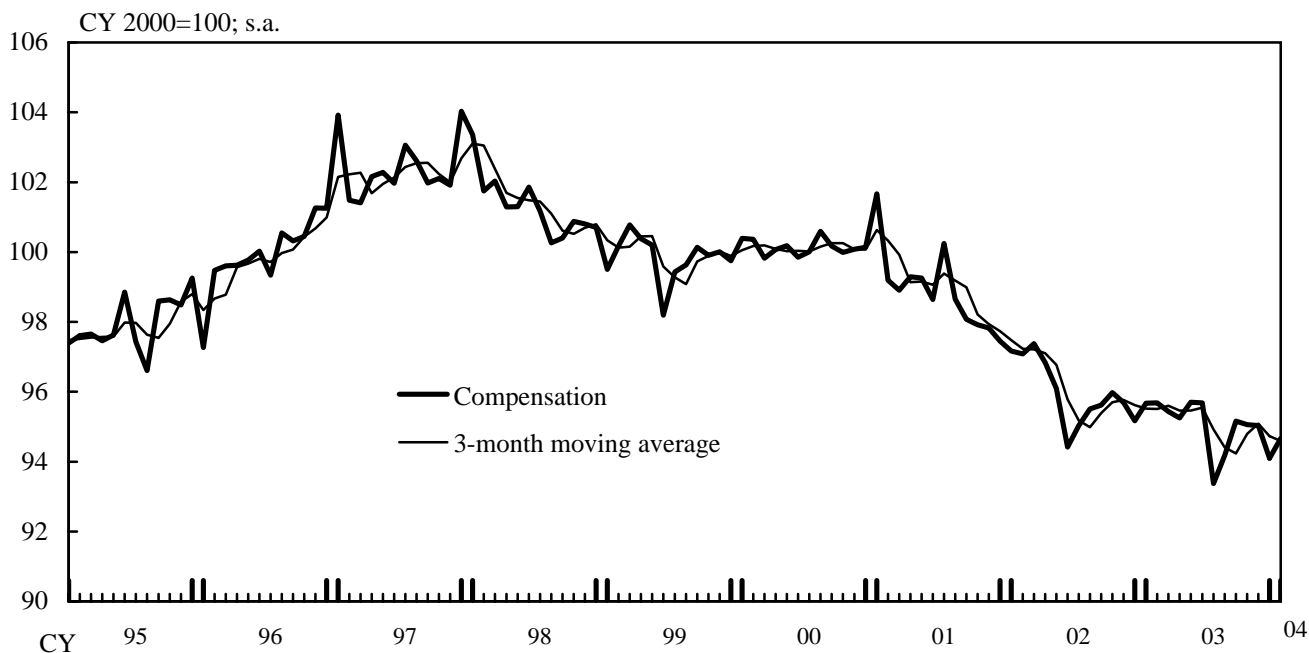


- a Shipment recovery phase
- b Intended inventory accumulation phase
- c Unintended inventory accumulation phase
- d Inventory adjustment phase



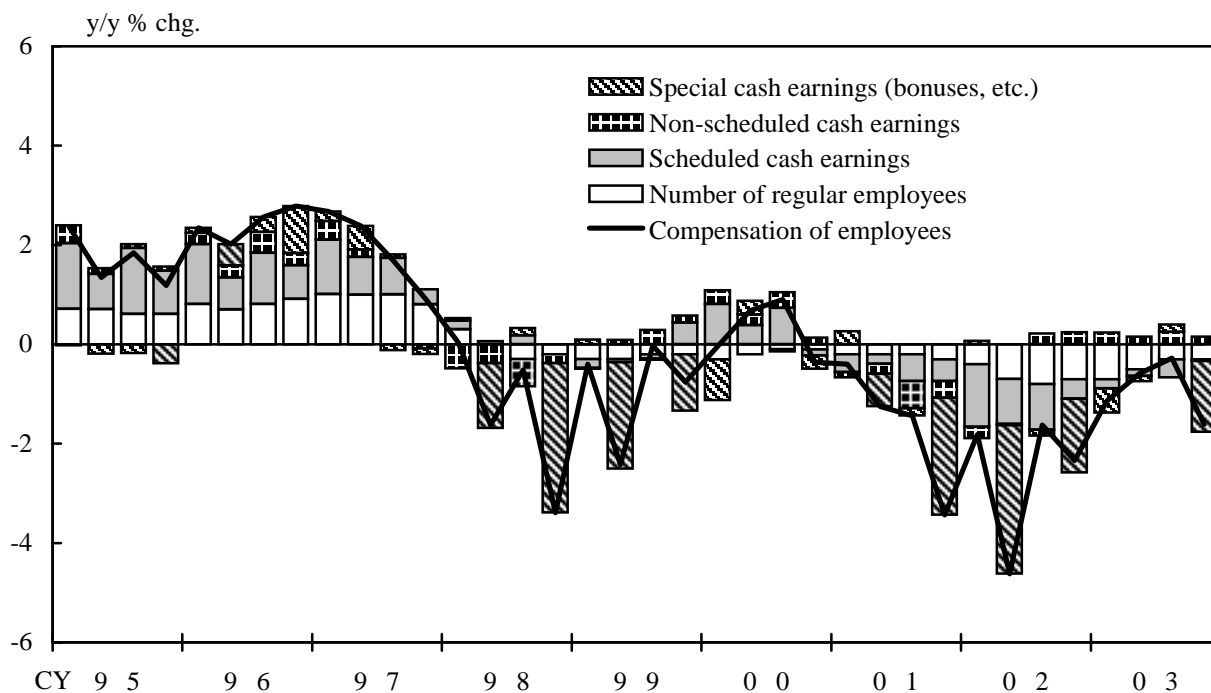
## Compensation of Employees

### (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 2004 are preliminary figures.

### (2) Breakdown of Compensation

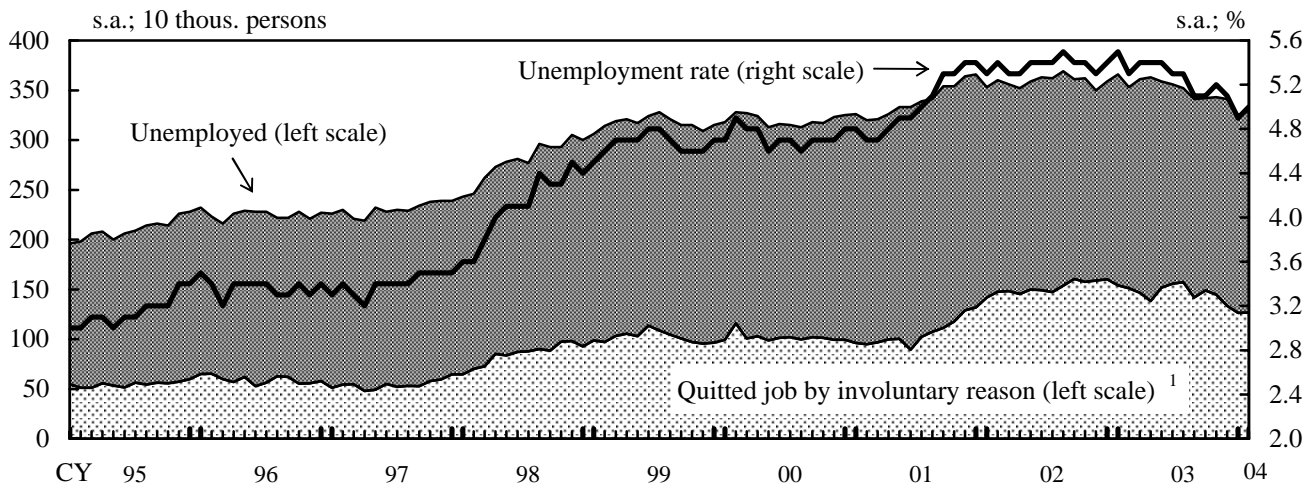


- Notes: 1. Data are for establishments with at least 5 employees. Those for January 2004 are preliminary figures.
2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.
3. Figures for 2003/Q4 are those of the Dec. 2003 - Jan. 2004 averages.

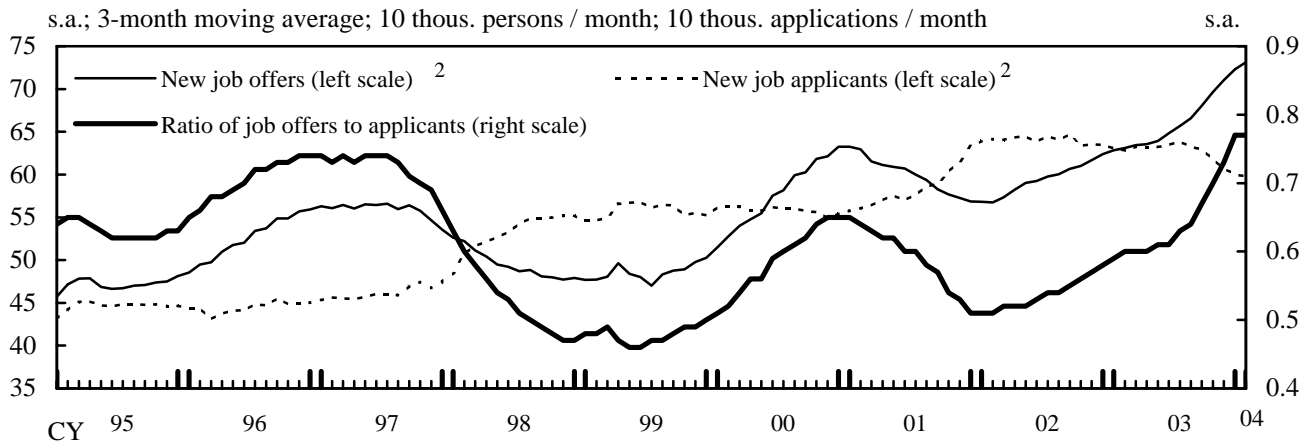
Source: Ministry of Health, Labour and Welfare, "Monthly Labour Survey."

Labor Market (1)

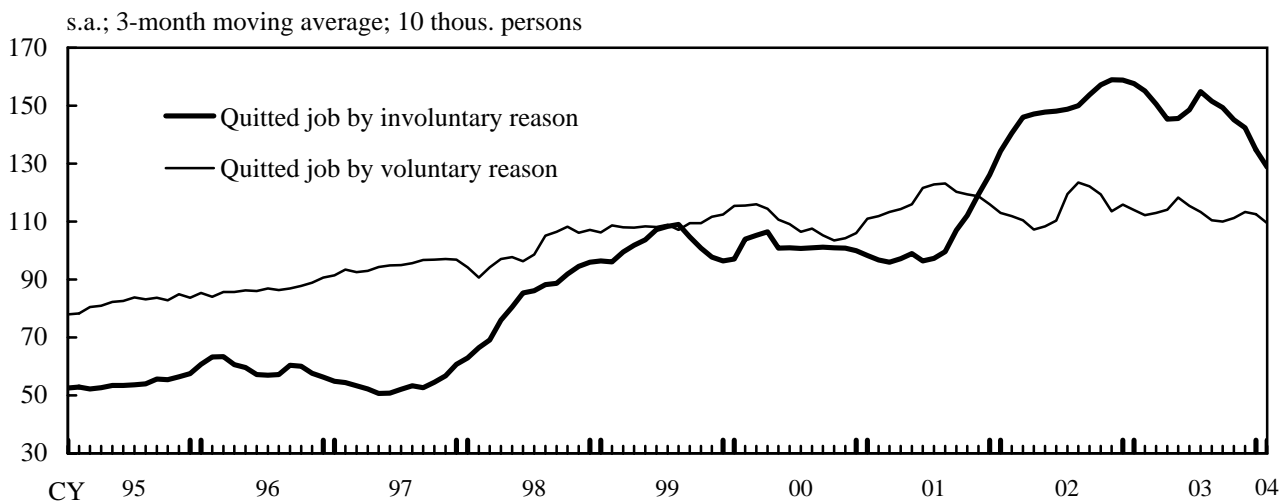
(1) The Unemployed and Unemployment Rate



(2) Ratio of Job Offers to Applicants



(3) Breakdown of the Unemployed<sup>1</sup>



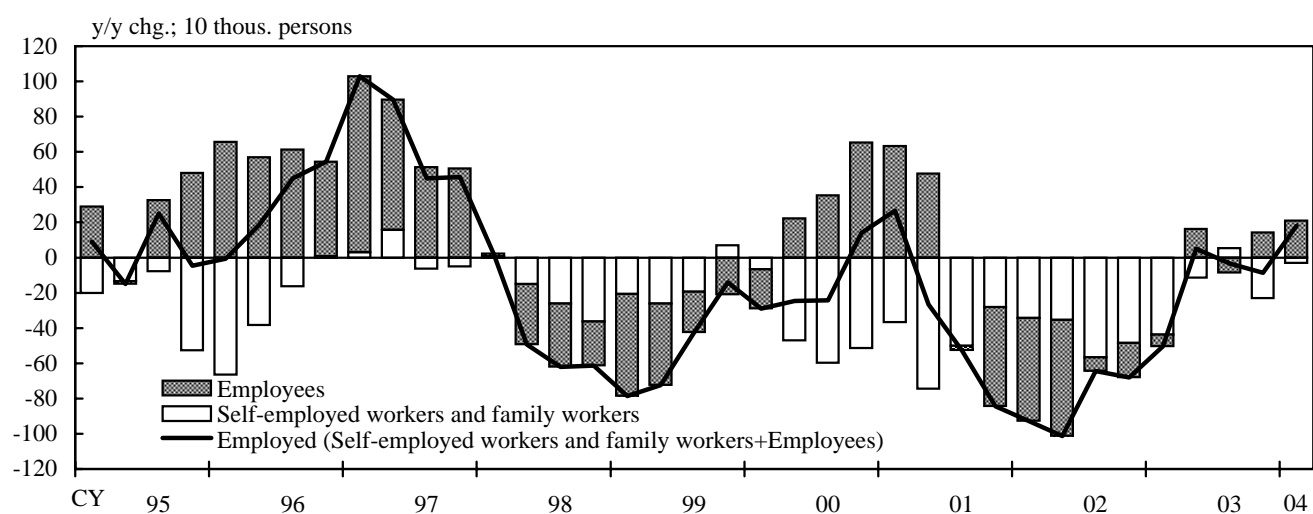
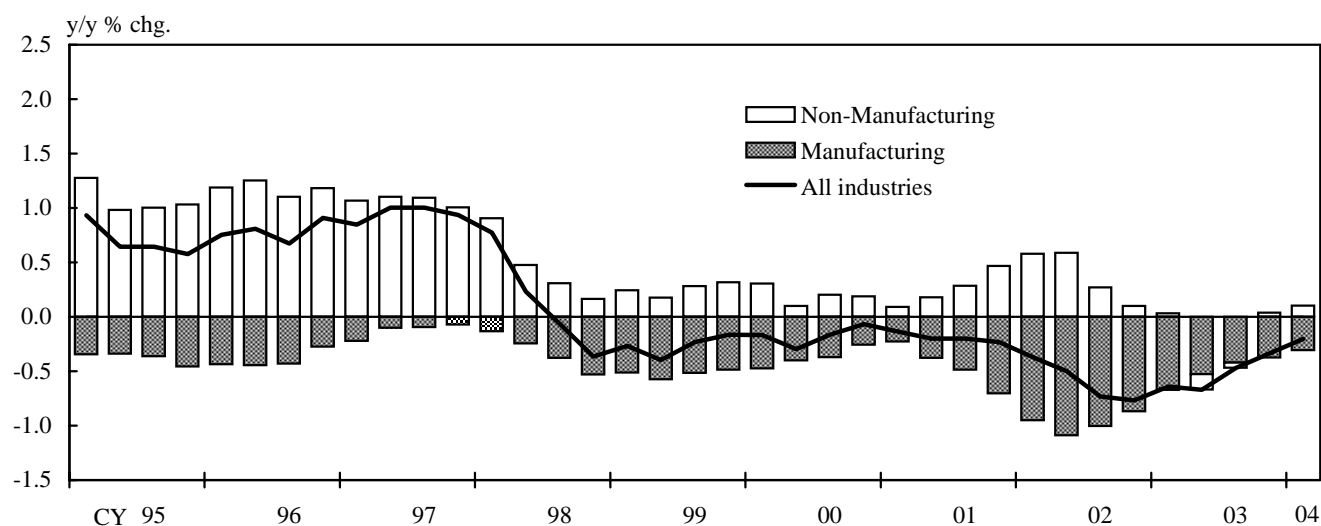
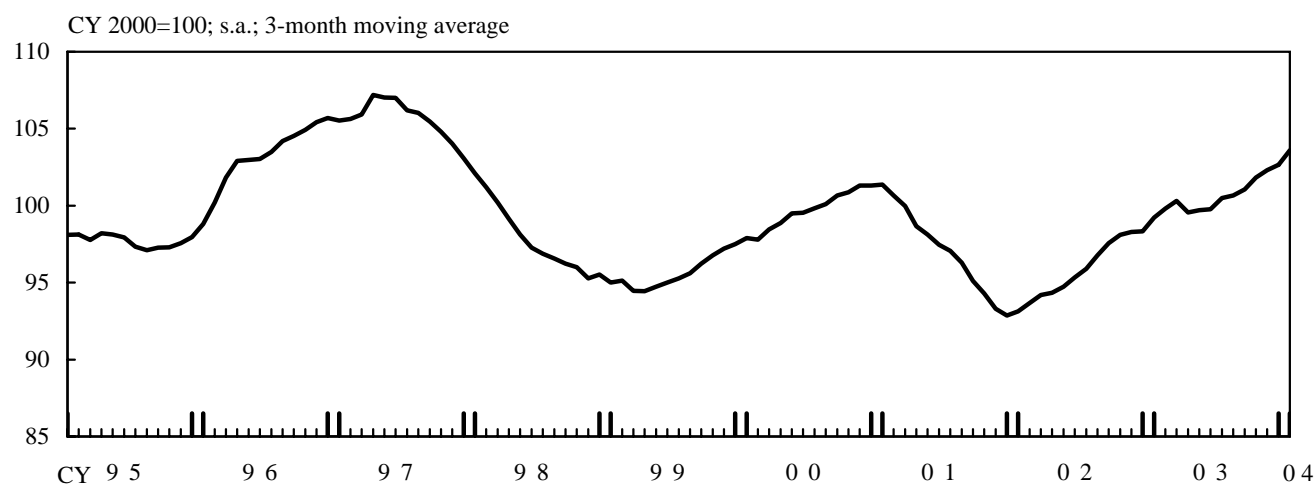
Notes: 1. Seasonally adjusted by X-11.

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

Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service,"  
 Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey."



## Labor Market (2)

(1) The Employed<sup>1</sup> (Labour Force Survey)(2) Number of Regular Employees<sup>1,2</sup> (Monthly Labour Survey)(3) Non-scheduled Hours Worked<sup>2</sup> (Monthly Labour Survey)

Notes: 1. Figures for 2004/Q1 are those of January 2004.

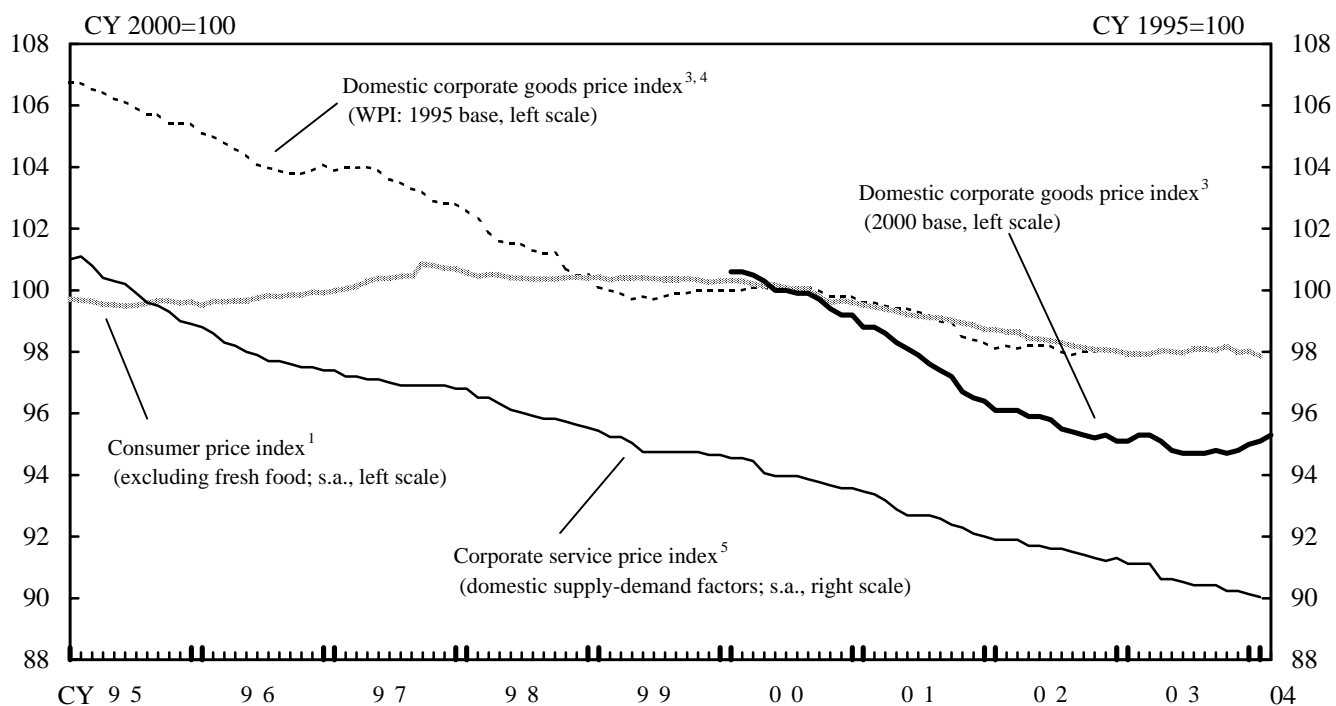
2. Data are for establishments with at least 5 employees. Those for January 2004 are preliminary figures.

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

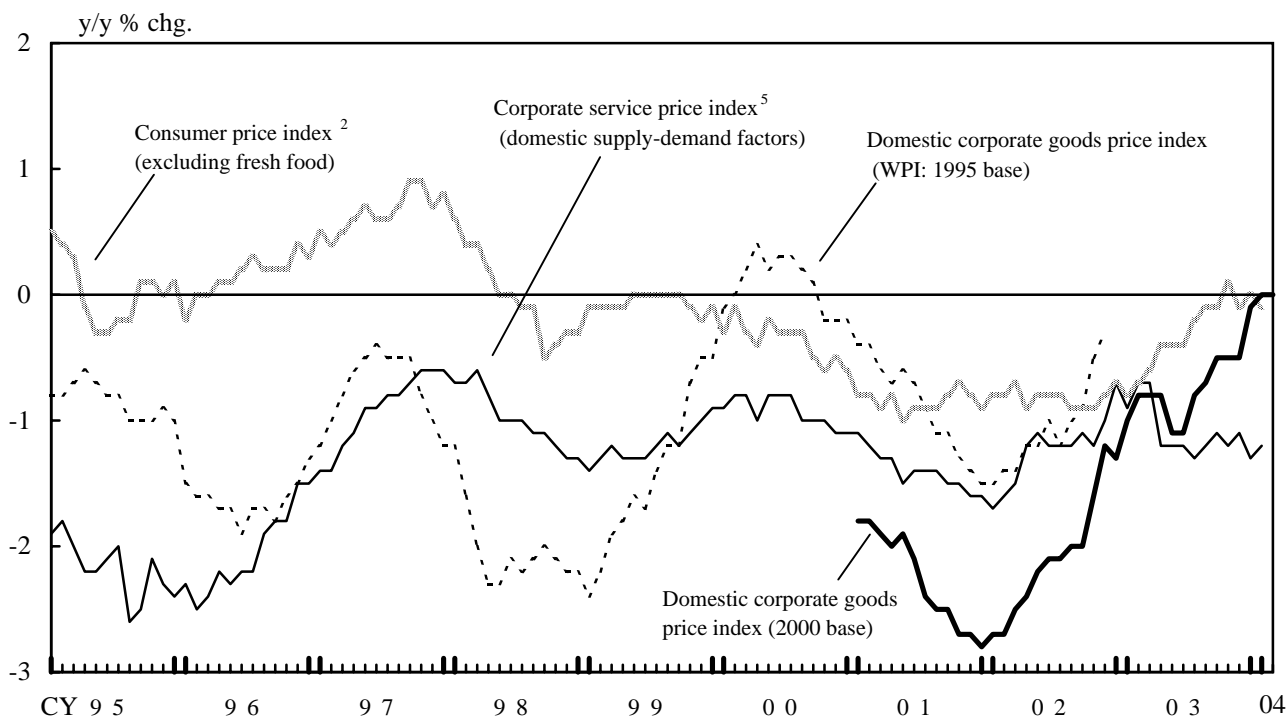
Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey."

Prices<sup>6</sup>

## (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 up to 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.

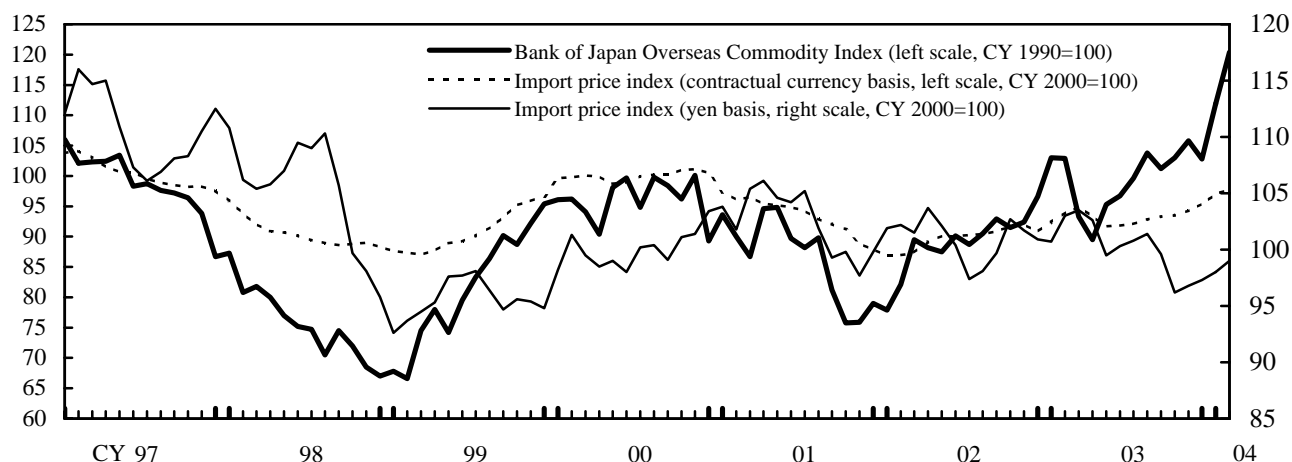
5. See footnote 1 in Chart 24, for definition of the Corporate Service Price Index (domestic supply-demand factors).

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."

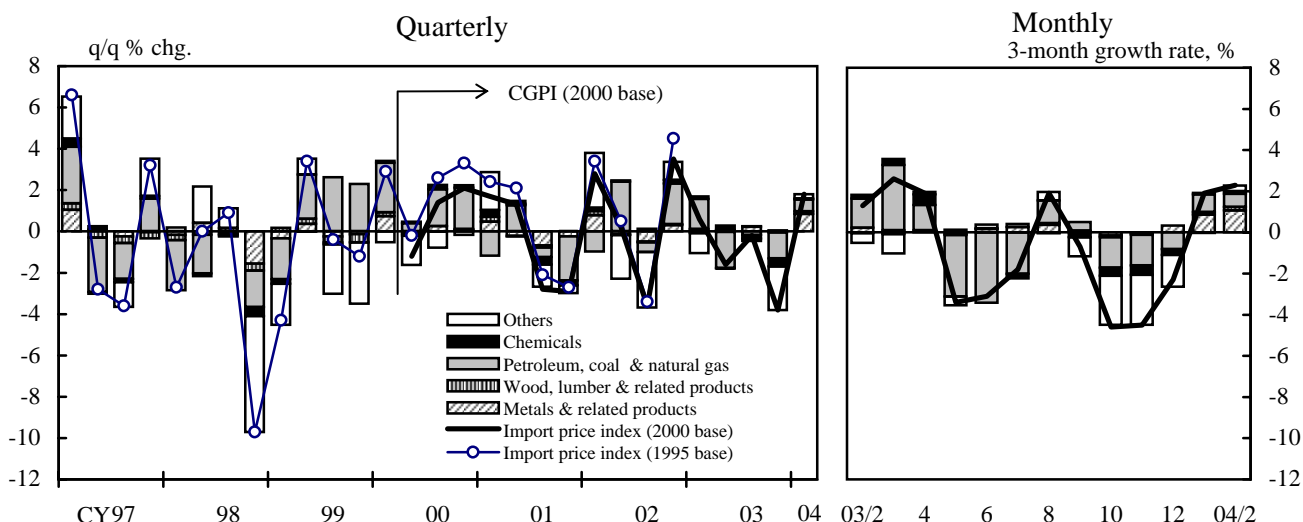
## Import Prices and International Commodity Prices

### (1) Import Price Index and Overseas Commodity Index



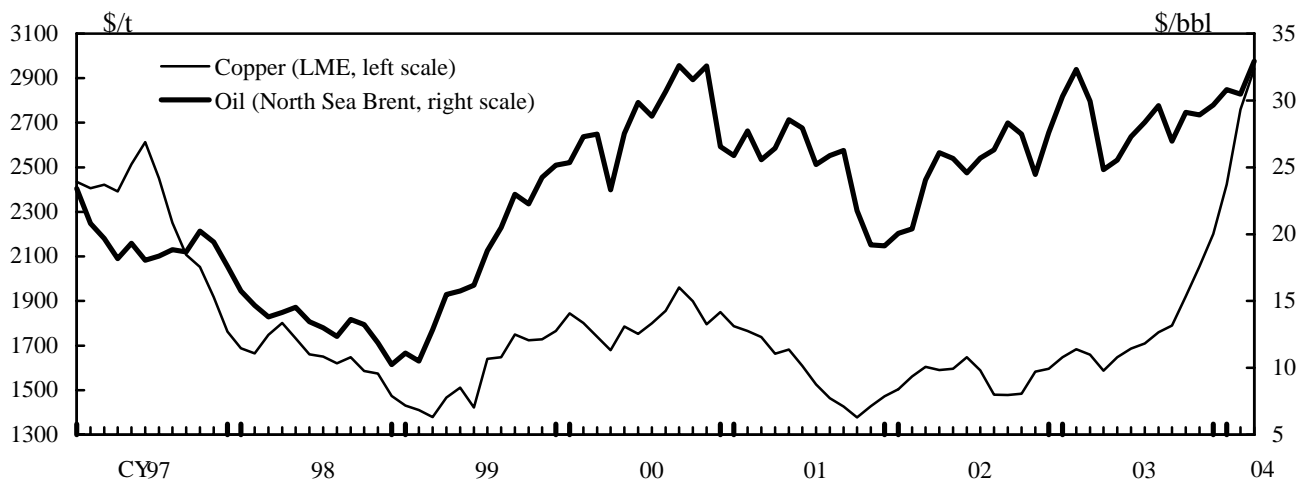
Note: Bank of Japan Overseas Commodity Index is the end of month figure.

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



Note: Figures for 2004/Q1 are those of Jan.-Feb. averages.  
1995 base figure for 2002/Q4 is Oct.-Nov. average.

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

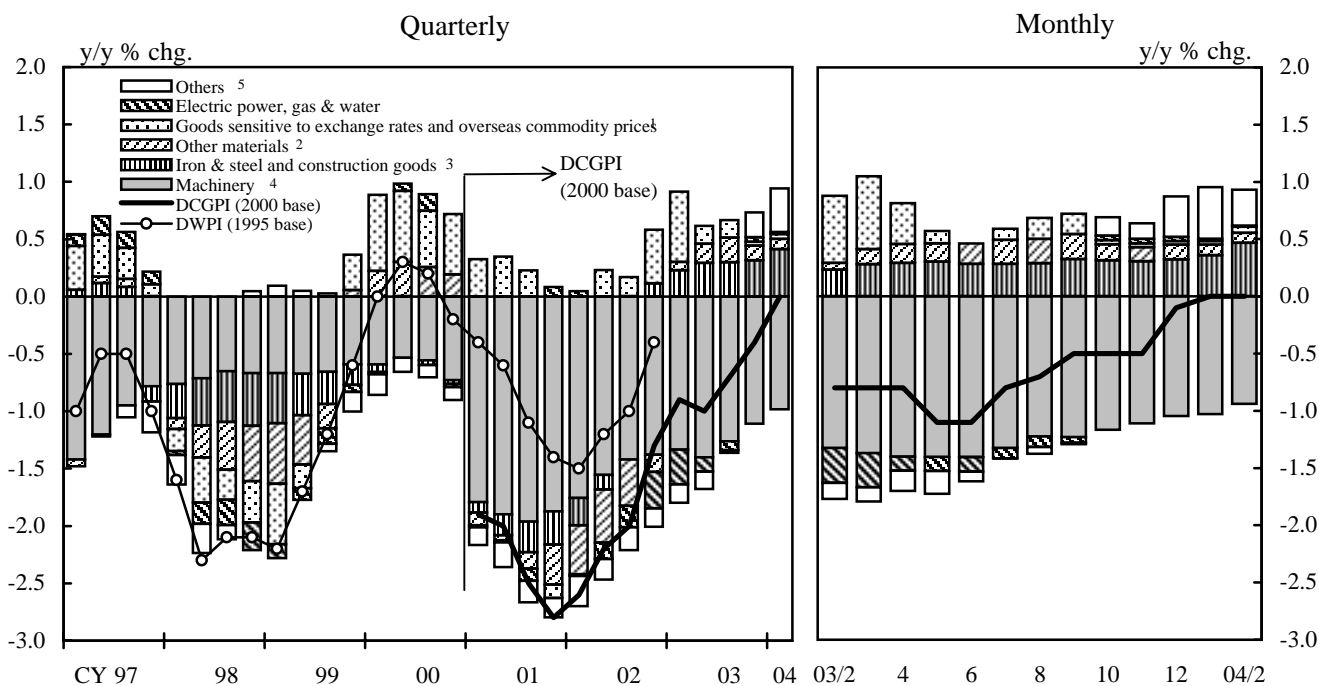
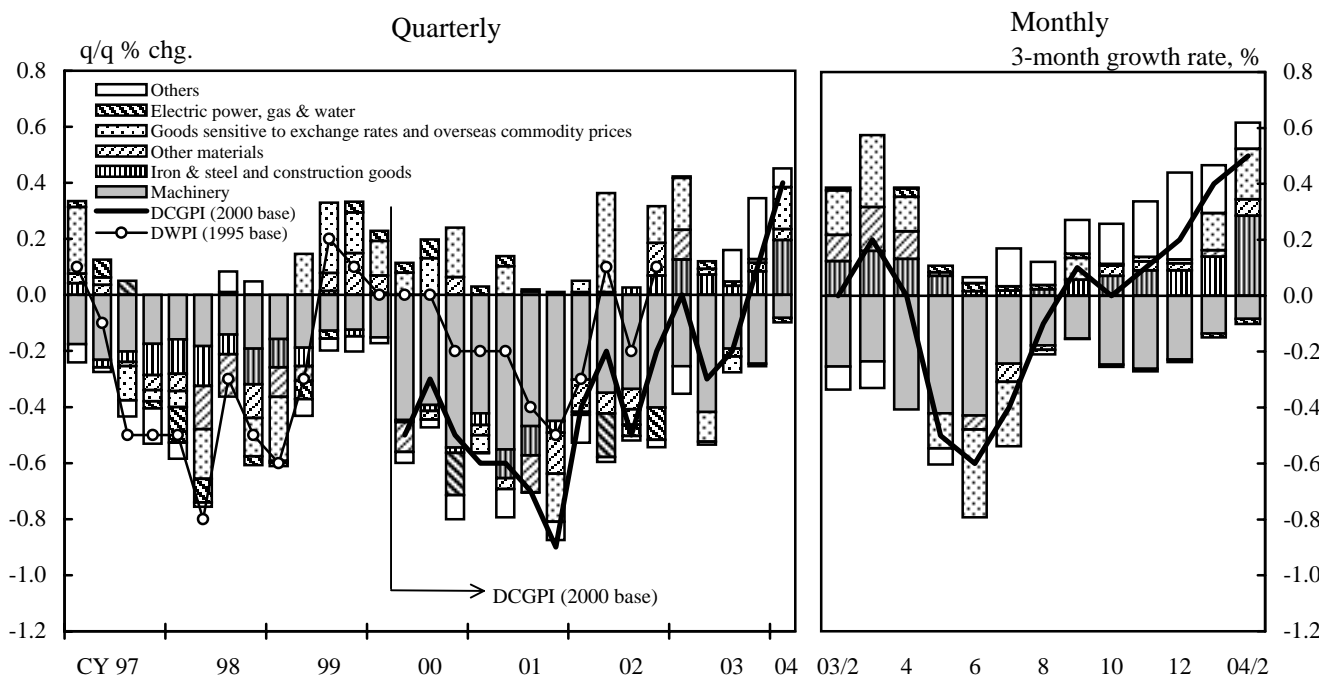


Note: Monthly averages. Figures for March 2004 are the averages up to March 12.

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

Domestic Corporate Goods Price Index<sup>7</sup>

## (1) Changes from a year earlier

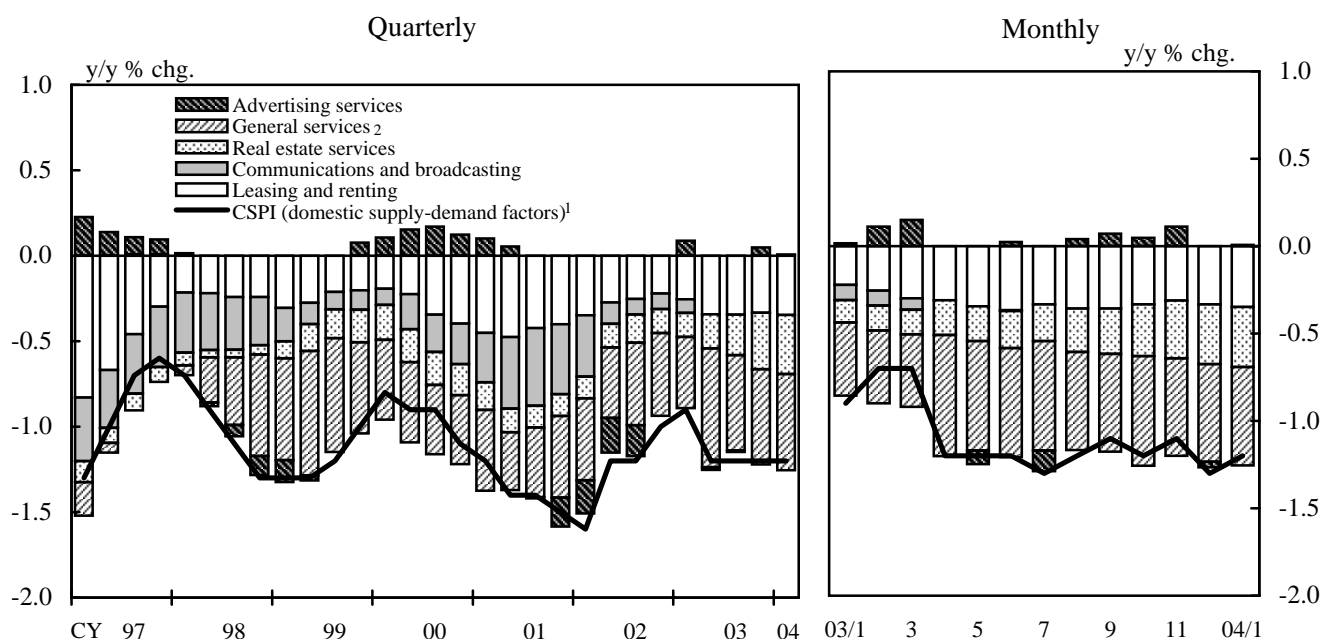
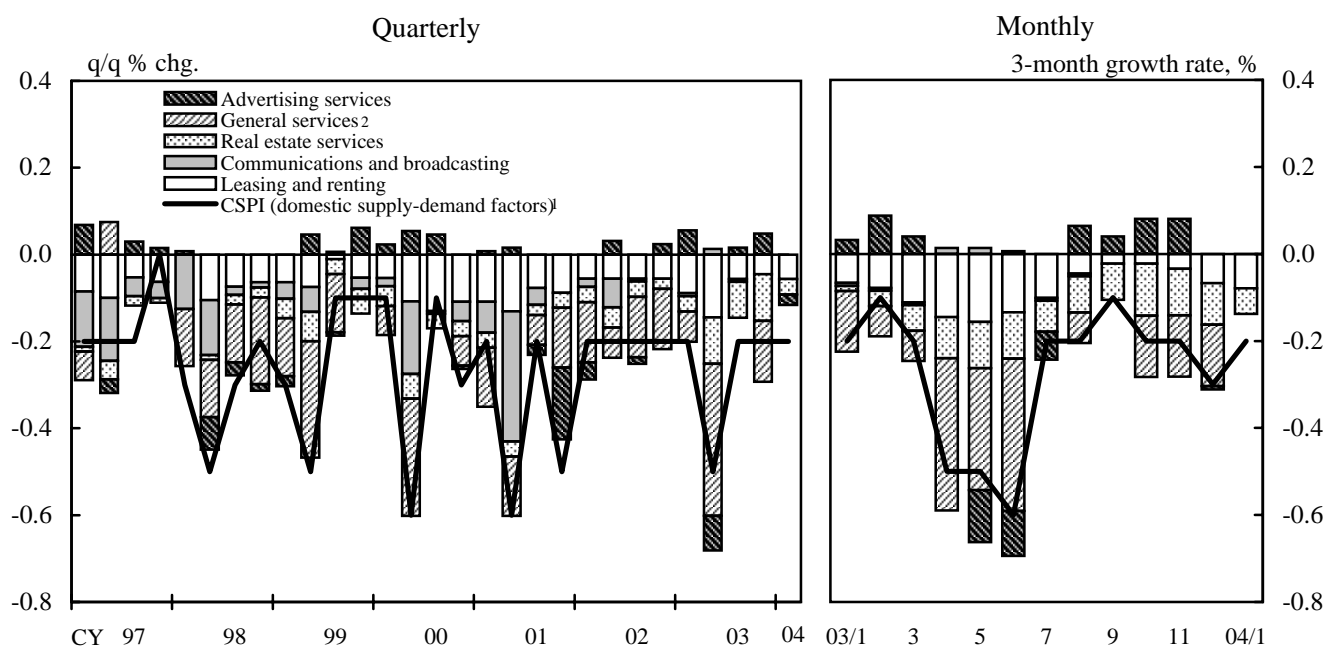
(2) Changes from a quarter earlier and 3 months earlier<sup>6</sup>

- 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 2004/Q1 are those of Jan.-Feb. averages.  
 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 Index<sup>4</sup>

## (1) Changes from a year earlier

(2) Changes from a quarter earlier and 3 months earlier<sup>3</sup>

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.

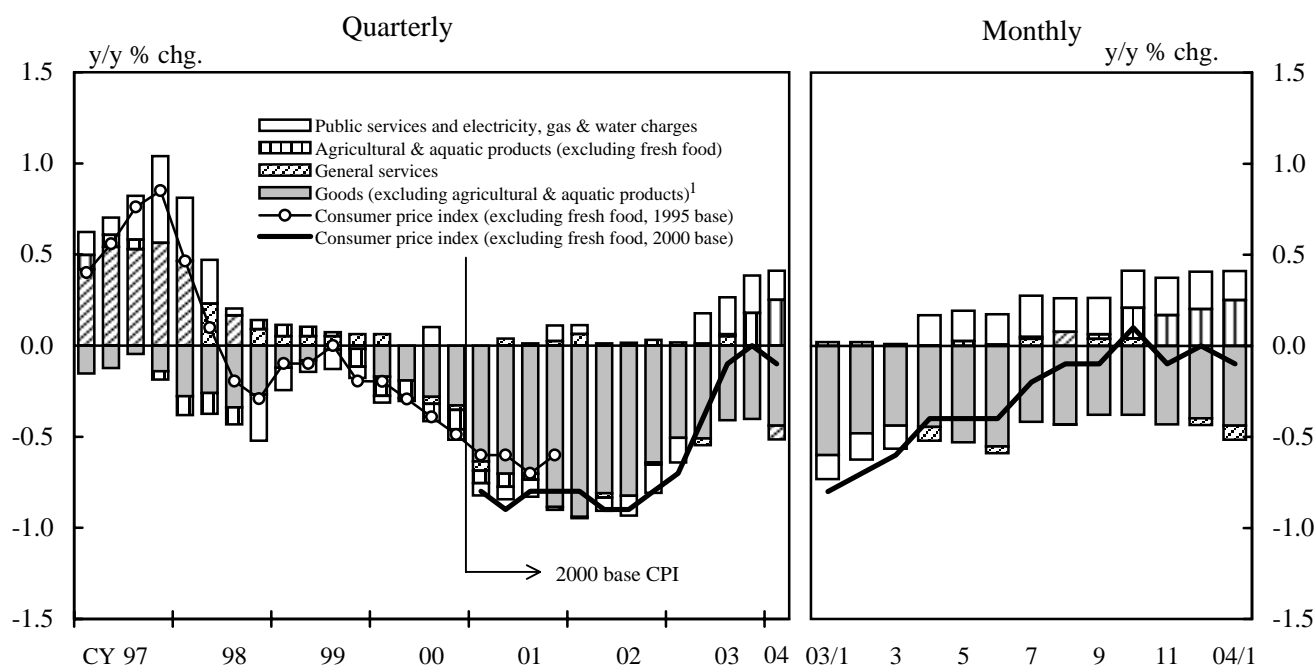
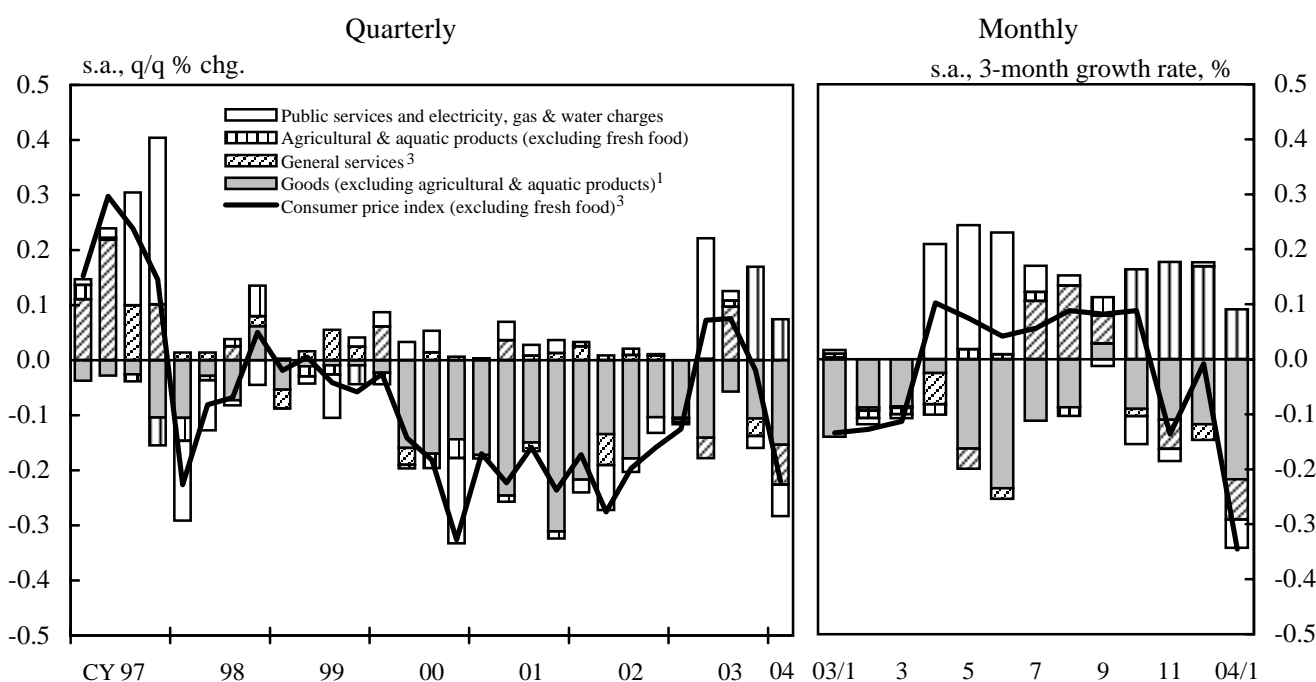
3. Television commercials in Advertising services, Sales space rental in Real estate services, and General warehousing and storage in General services are seasonally adjusted by X-12-ARIMA. As the seasonally adjusted figures are recalculated each month, the series are revised retroactively every month.

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 2004/Q1 are those of January.

Consumer Price Index (excluding fresh food)<sup>4</sup>

## (1) Changes from a year earlier

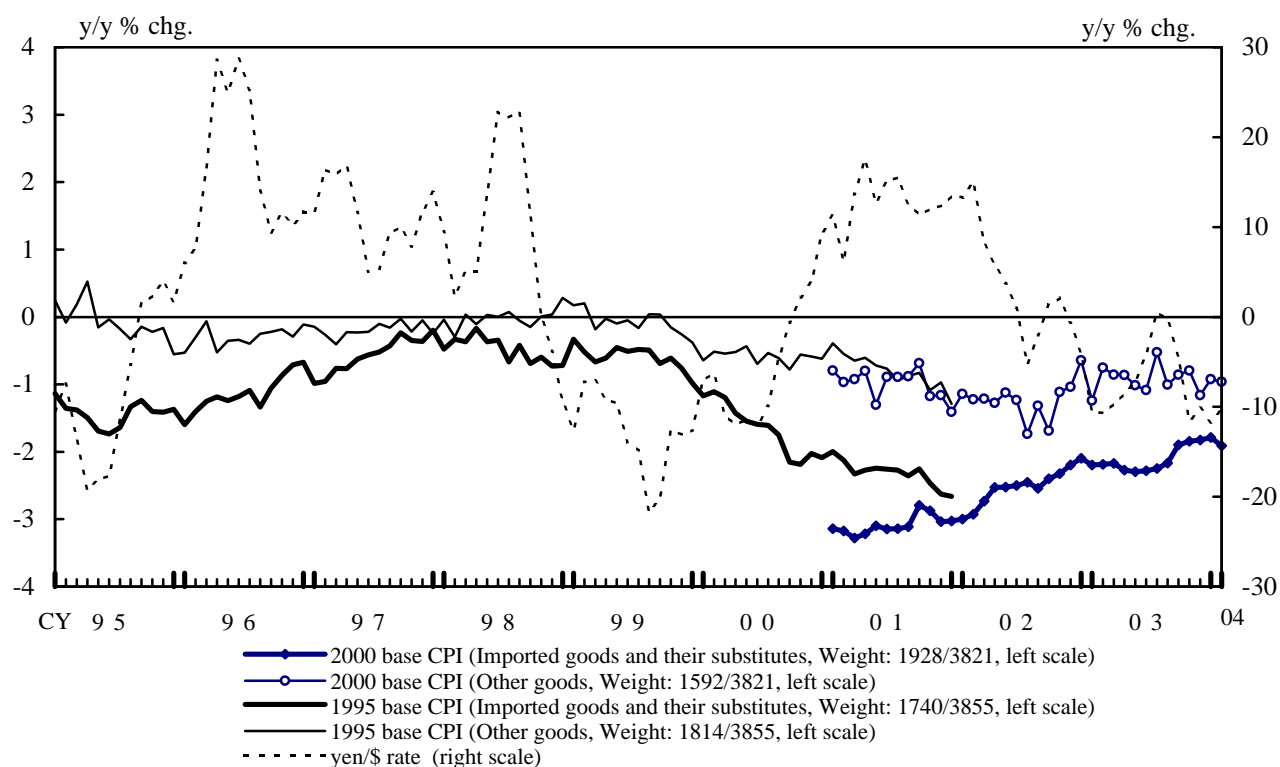
(2) Changes from a quarter earlier and 3 months earlier (2000 base CPI)<sup>2</sup>

- 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 2004/Q1 are those of January.

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

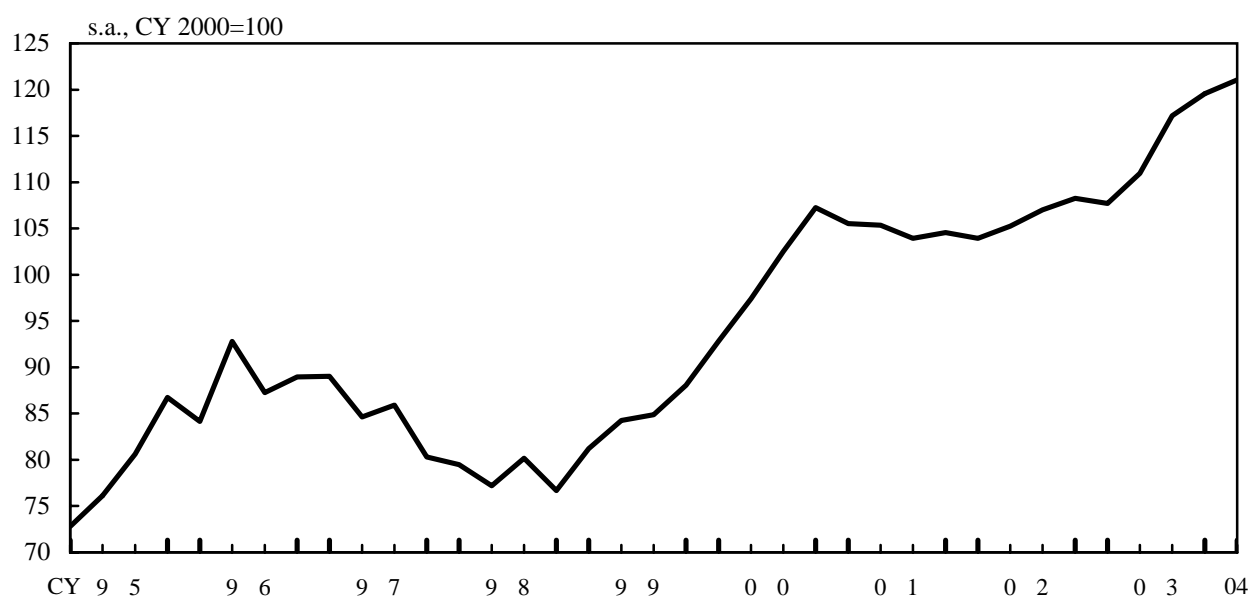
## Consumer Prices of imported goods and their substitutes

### (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 tobacco tax increases in Dec. 1998 and Jul. 2003, 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) Real imports (consumer goods)

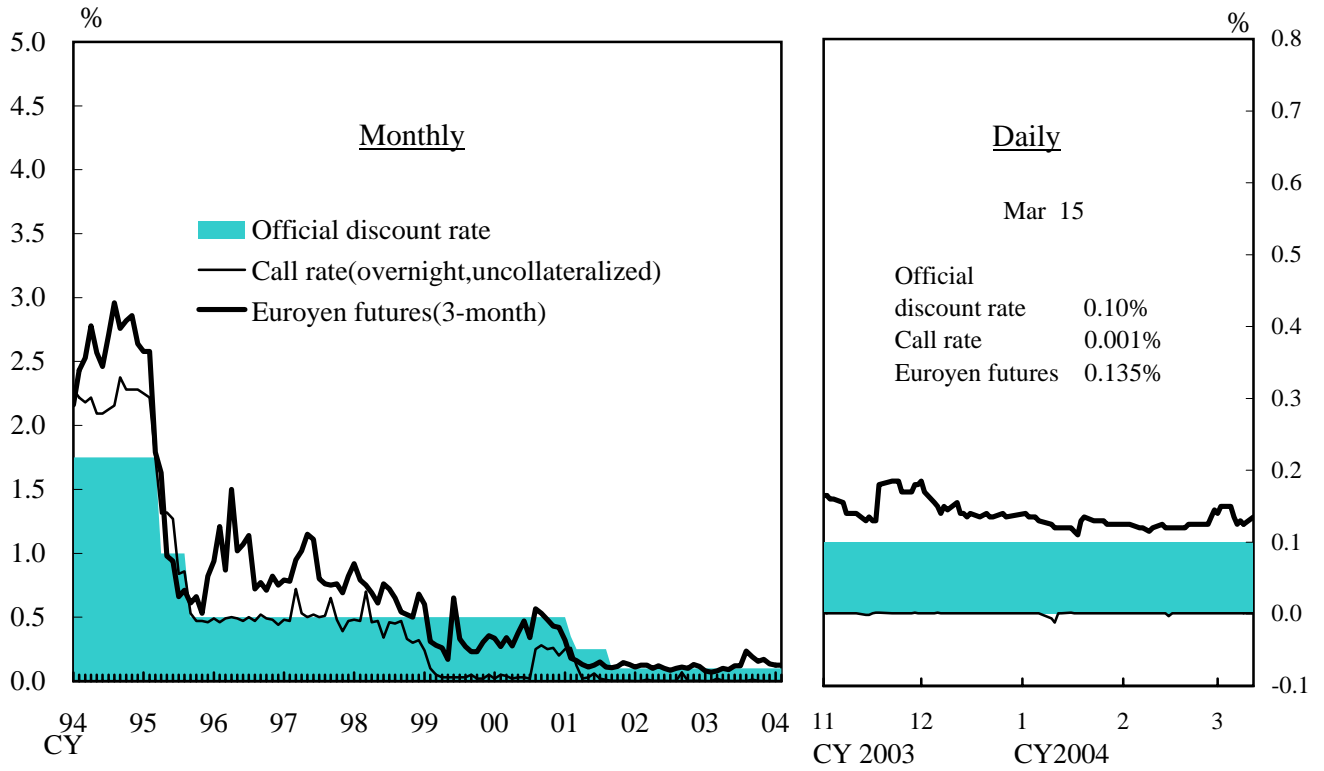


- Notes:
1. Real imports (consumer goods), which are composed of motor vehicles, audio and visual apparatus, office machinery, foodstuffs and textiles, are calculated from the Trade Statistics as an index with the 2000 average equal to 100.
  2. 2004/Q1 figure is January at a quarterly rate.

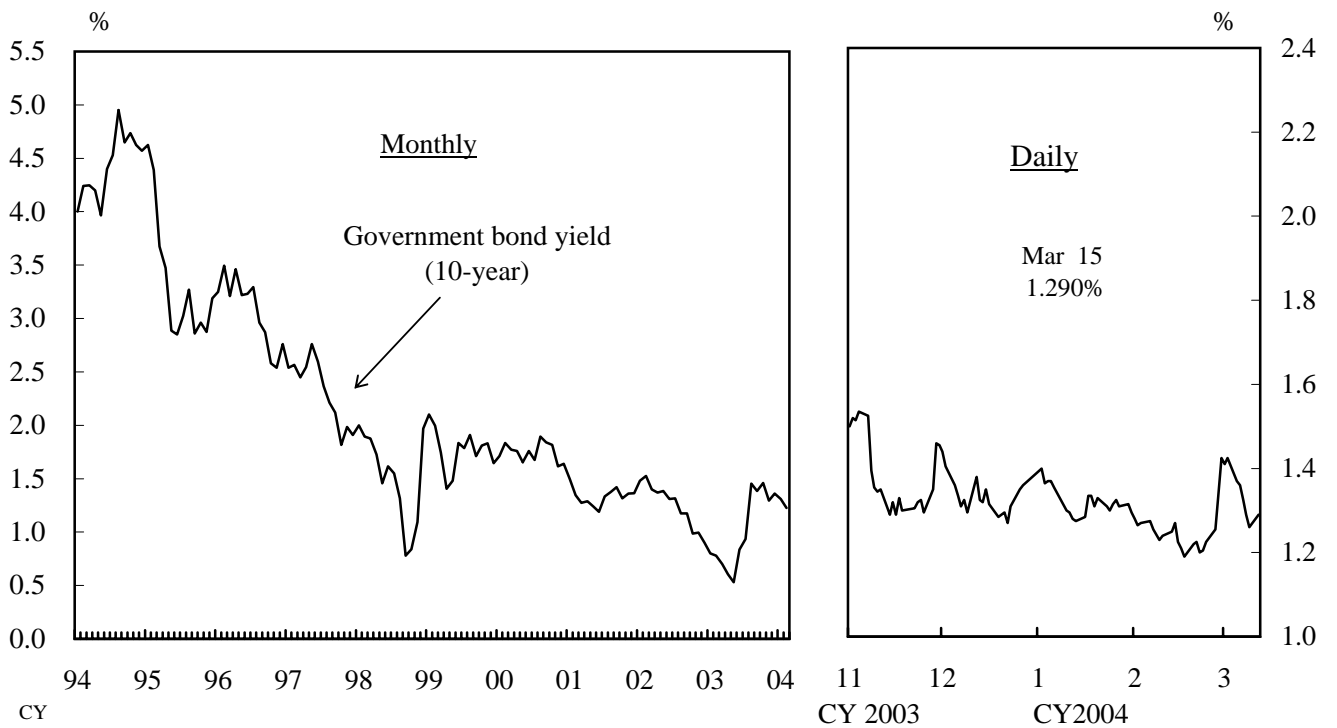
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index"; Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Interest Rates

(1) Short-Term



(2) Long-Term

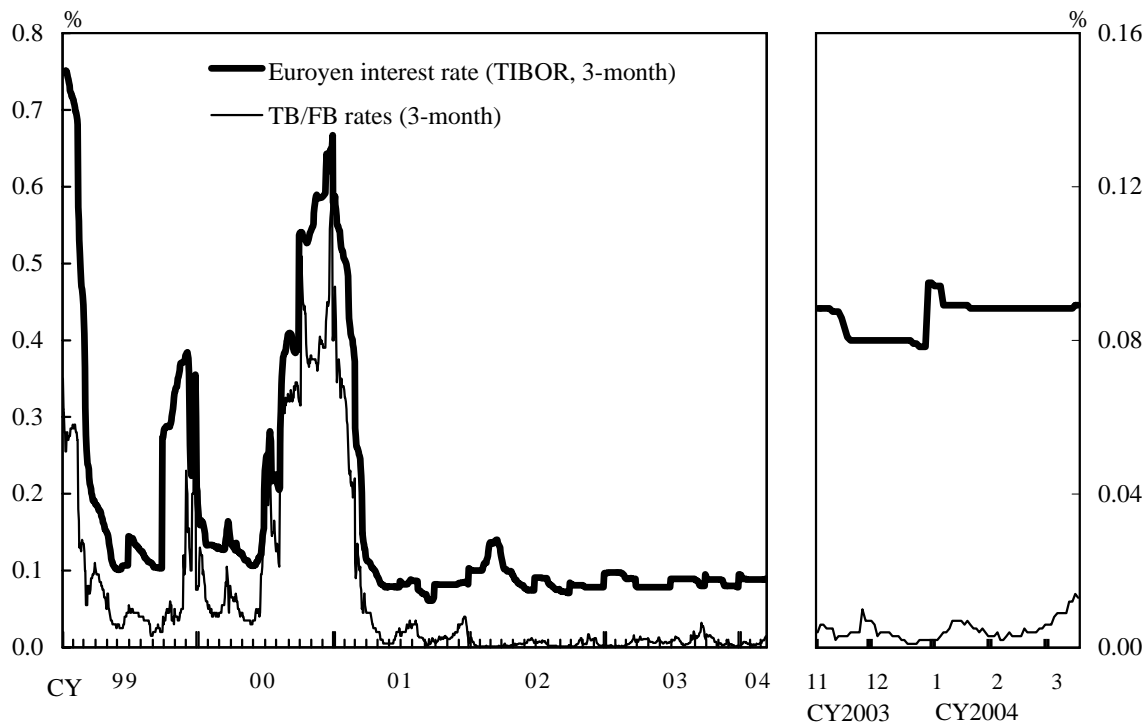


Sources: Bank of Japan; Tokyo International Financial Futures Exchange;  
 Japan Bond Trading Co., Ltd.

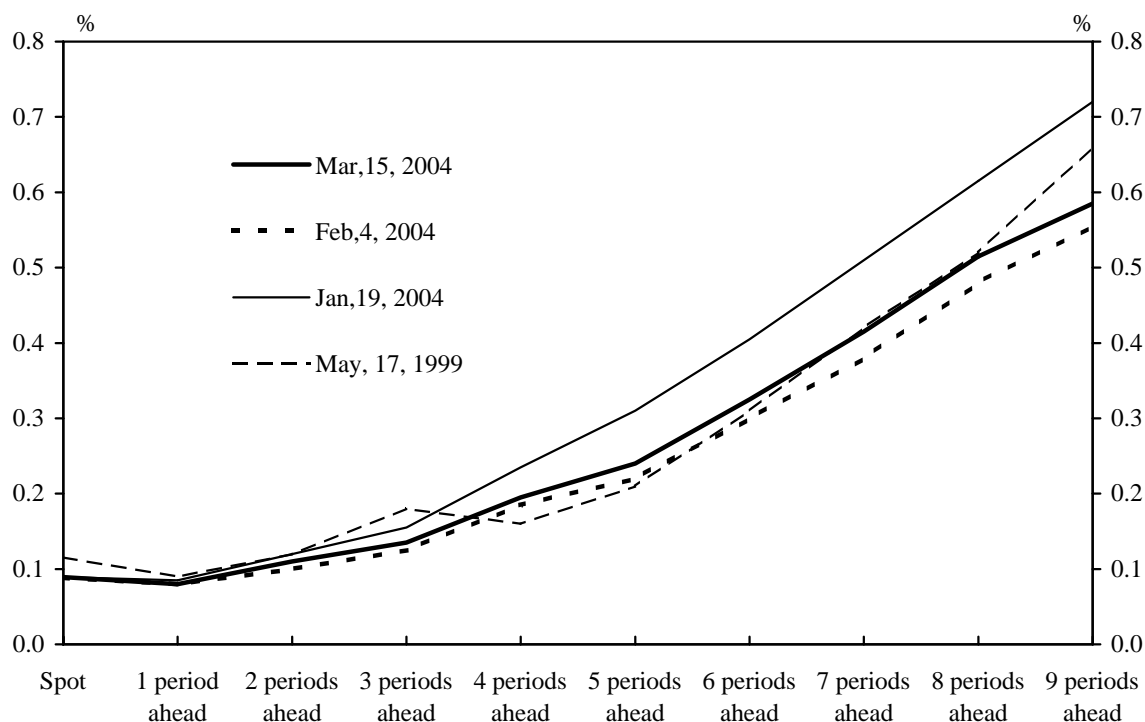


Short-Term Money Market Rates

(1) Interest Rates on Term Instruments



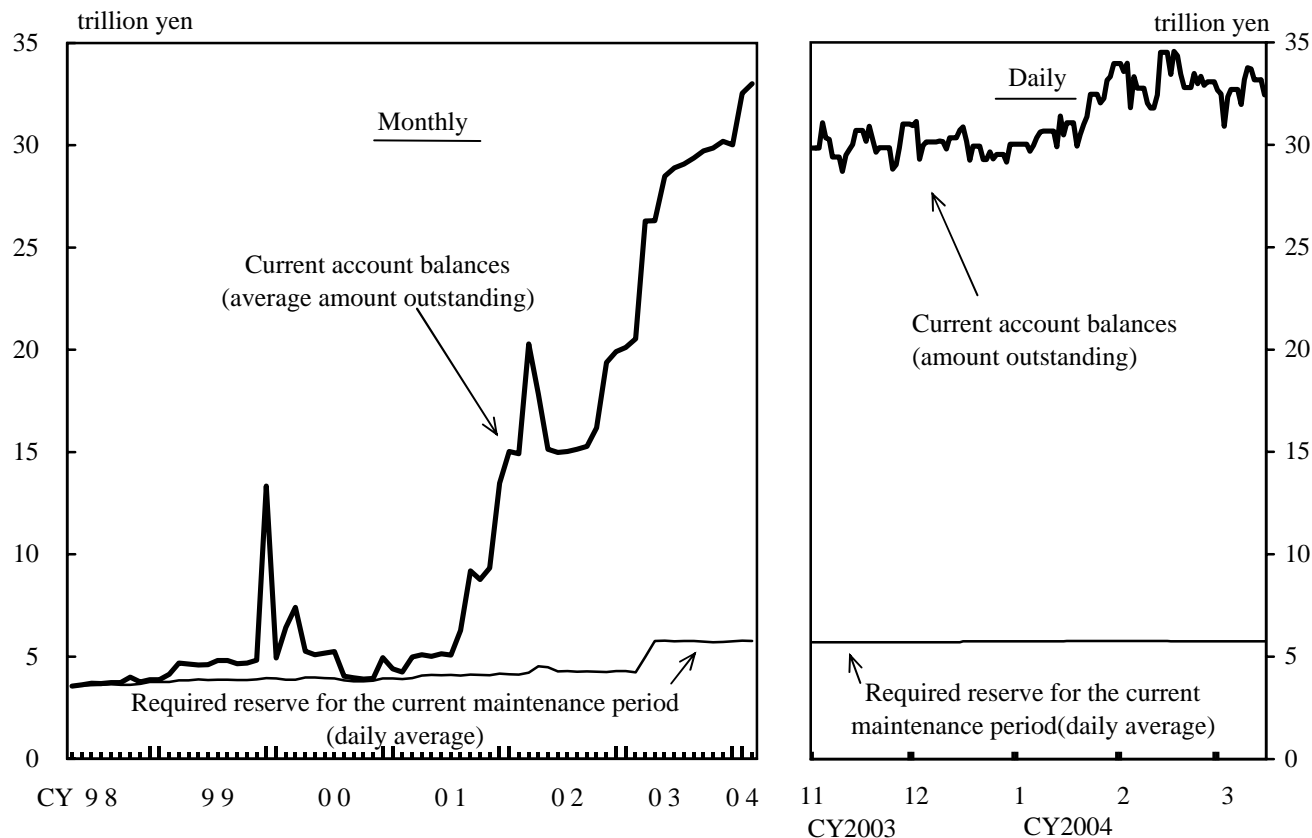
(2) Euroyen Interest Rates Futures (3-Month) <sup>1</sup>



Note: 1. Contract months in the figure (2) exclude "serial months," the months other than March, June, September and December.

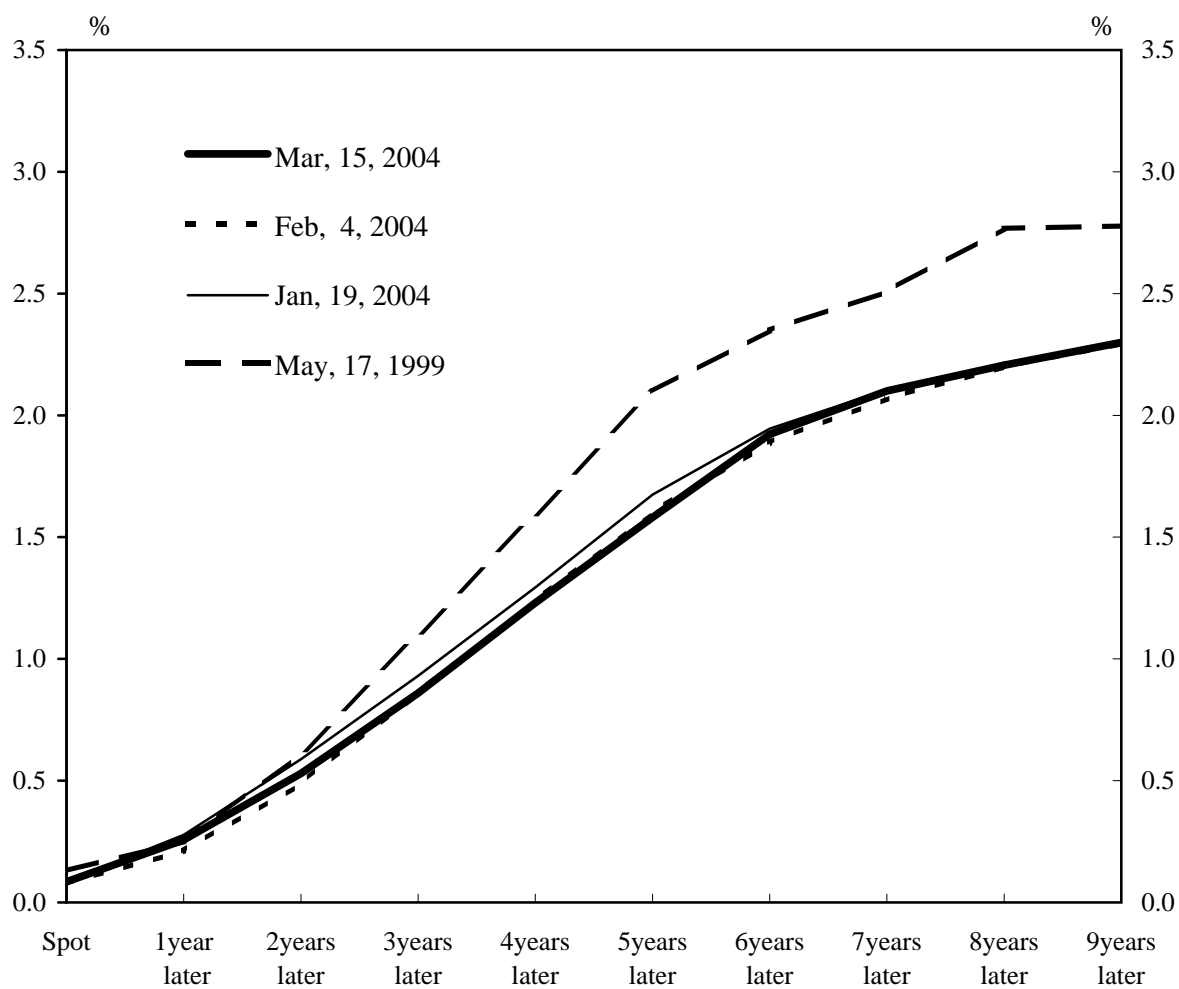
Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.; Tokyo International Financial Futures Exchange.

Current Account Balances at the Bank of Japan <sup>1</sup>



Note: 1. From April 2003, the figures for current account balances and required reserve include the deposit of the Japan Post.

Source: Bank of Japan.

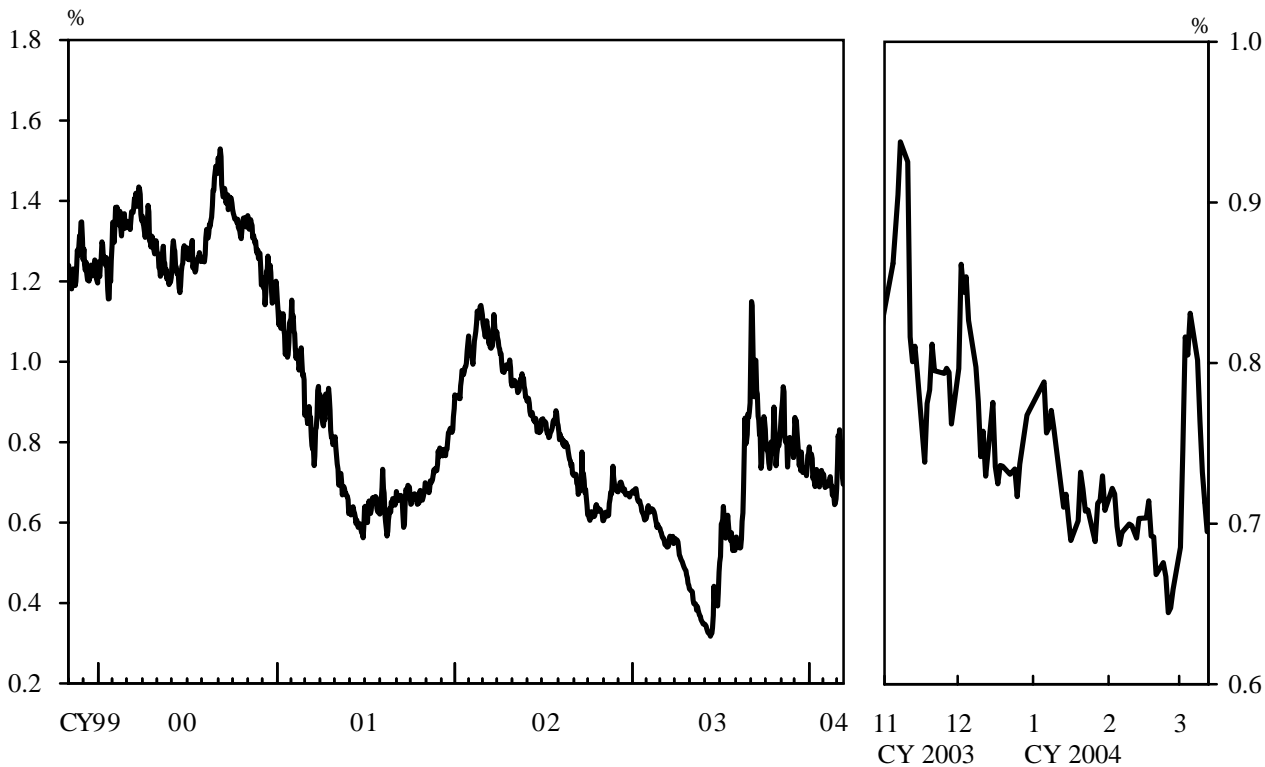
Implied Forward Rates (1-year)<sup>1</sup>

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

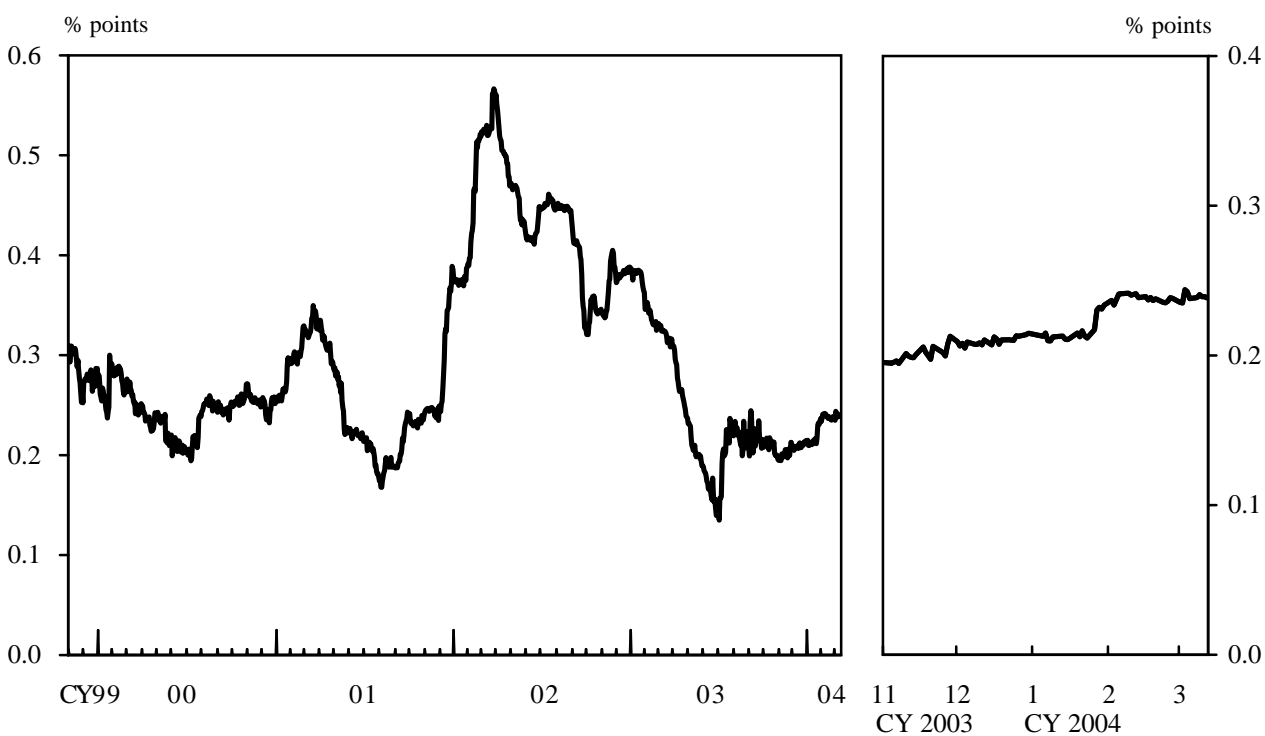
Source: Kyodo News.

Yields of Bank Bonds

(1) Average Bank Bond Yield



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



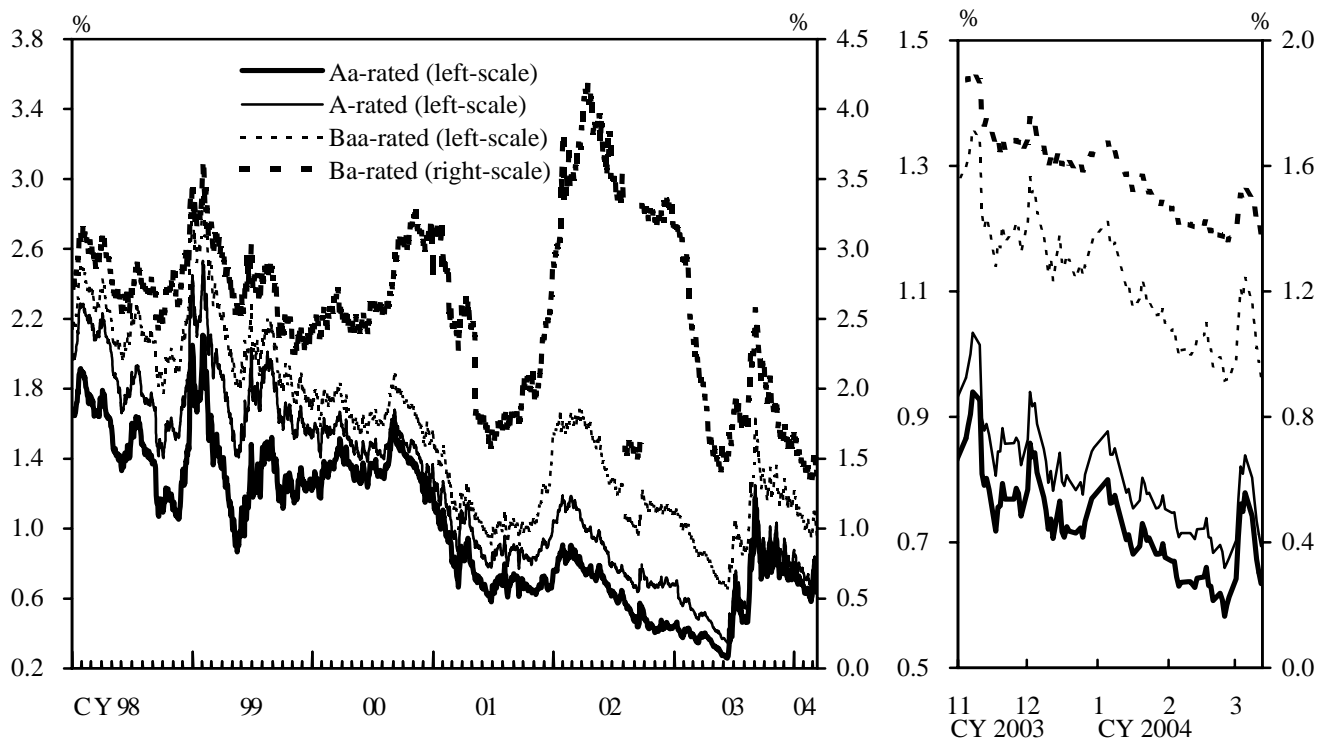
Notes: 1. Yields on bonds with 5-year maturity.

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

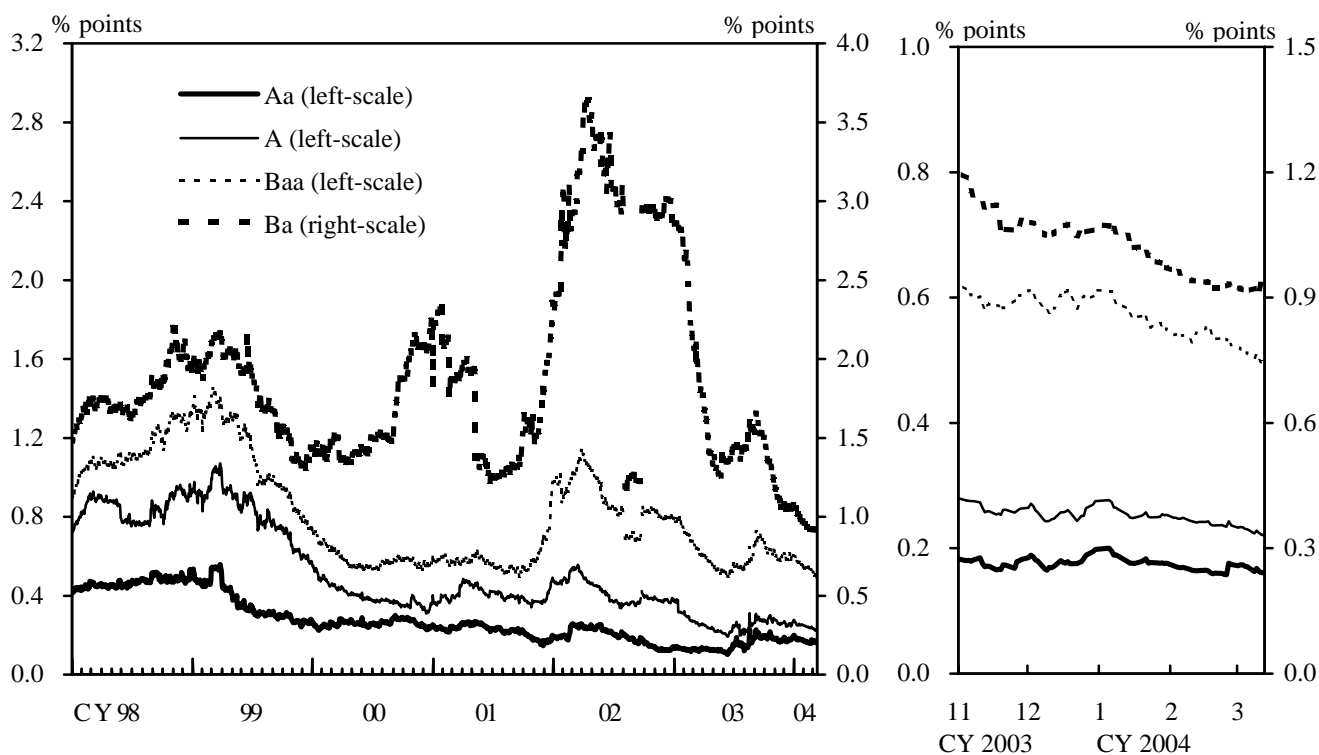
Sources: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."  
 "Reference Price(Yields) Table for OTC Bond Transactions."

Yields of Corporate Bonds <sup>1</sup>

(1) Corporate Bond Yields



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



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

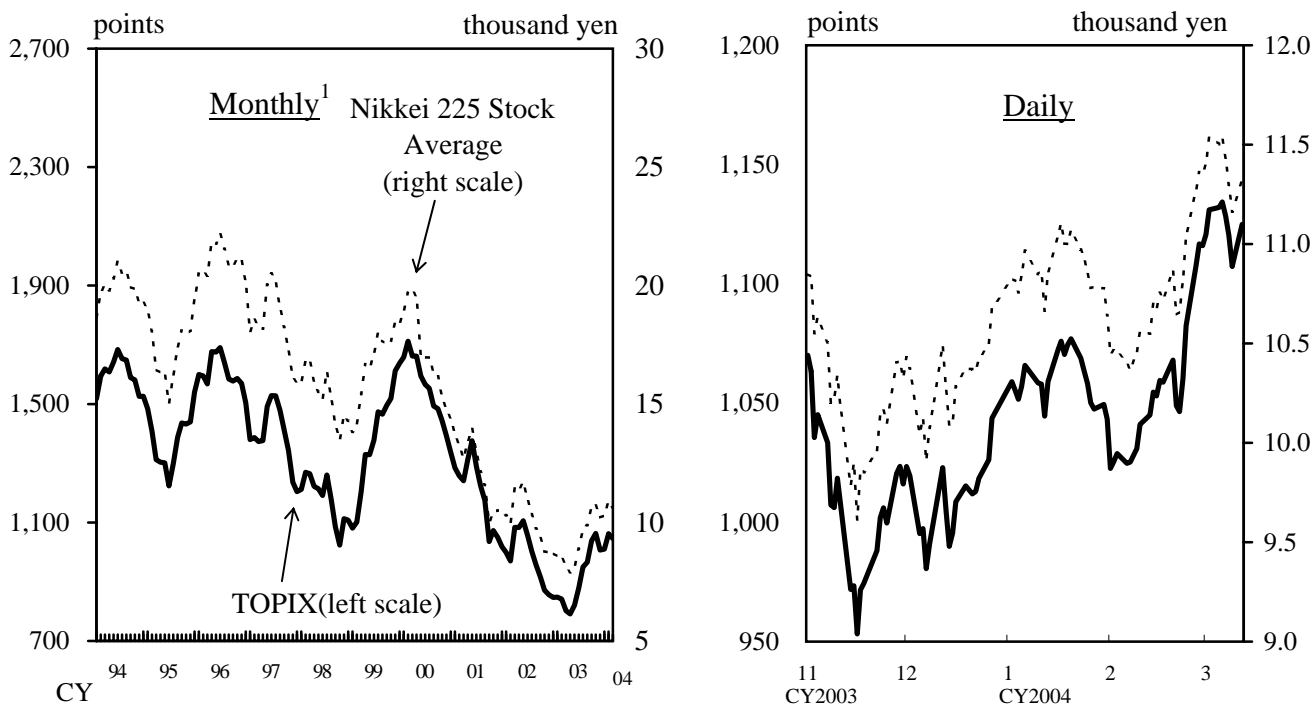
2. The indicated ratings are of Moody's.

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

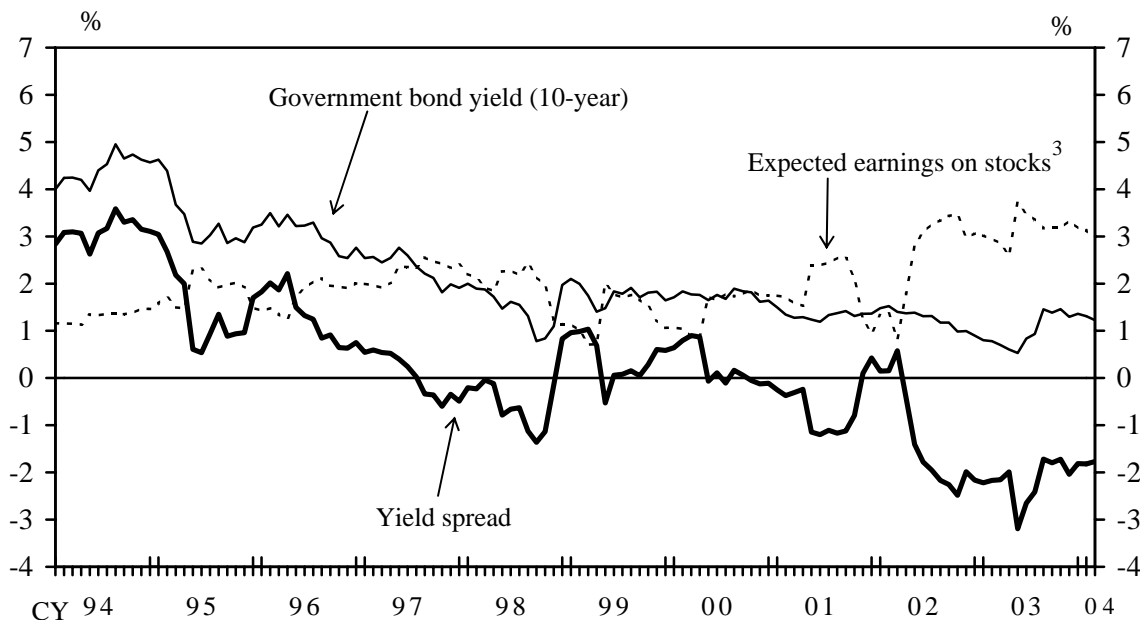
"Reference Price(Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Stock Prices



(2) Yield Spread<sup>2</sup>



Notes: 1. Data are monthly averages.

2. Data are at end of period.

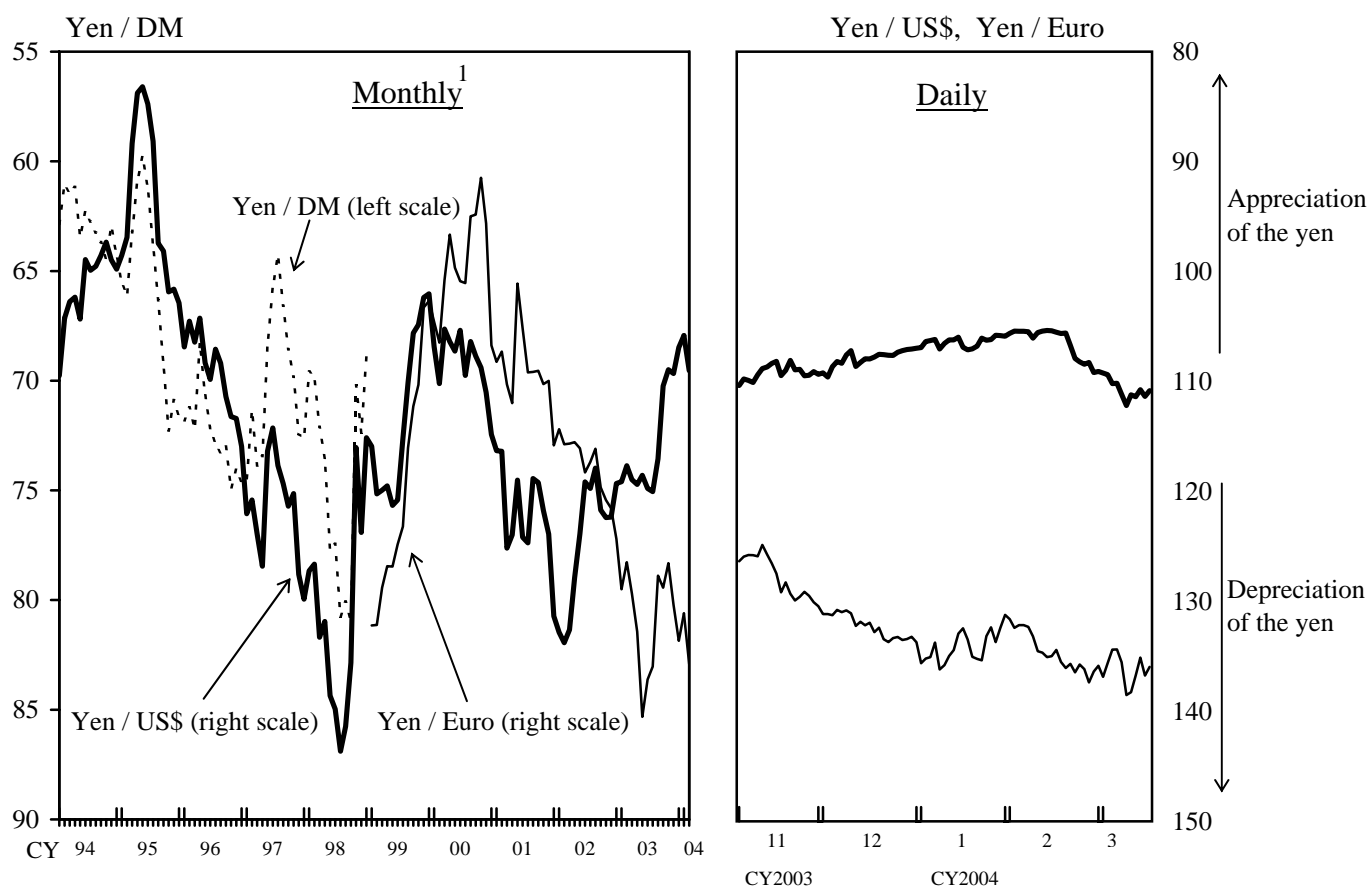
Yield spread = government bond yields - expected earnings on stocks, where expected earnings on stocks = 1/expected price earnings ratio.

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)."

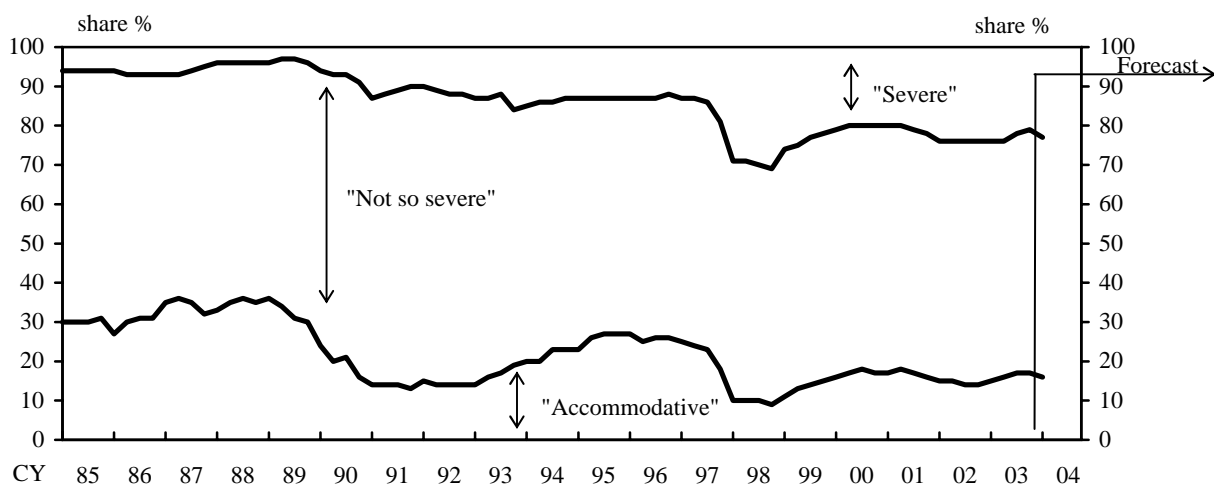
Exchange Rates



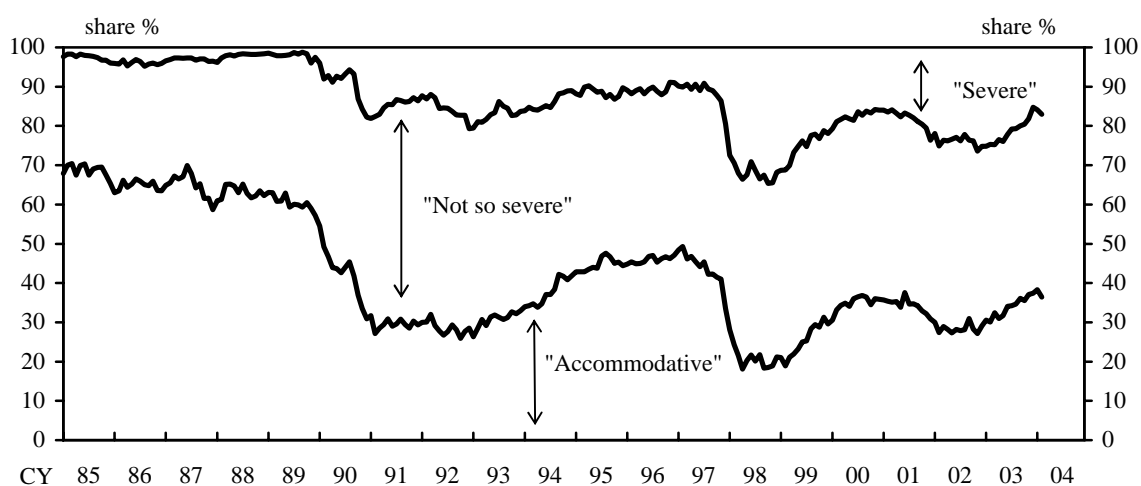
Note: 1. End of month.  
 Source: Bank of Japan.

## Lending Attitude of Financial Institutions as Perceived by Small Enterprises

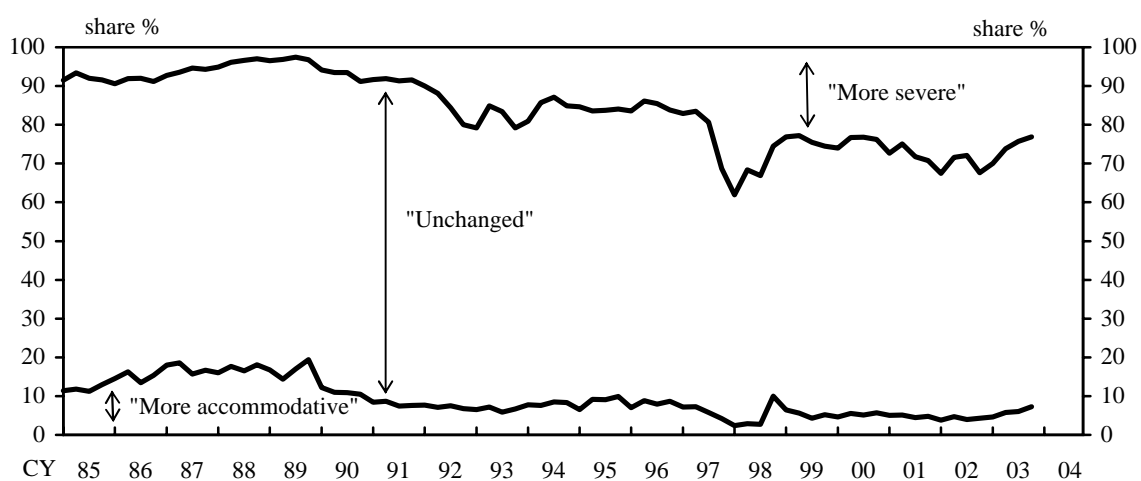
(1) "Tankan - Short-Term Economic Survey of Enterprises in Japan" (December, 2003)



(2) "Monthly Survey of Small Businesses in Japan" (Mid-February, 2004)



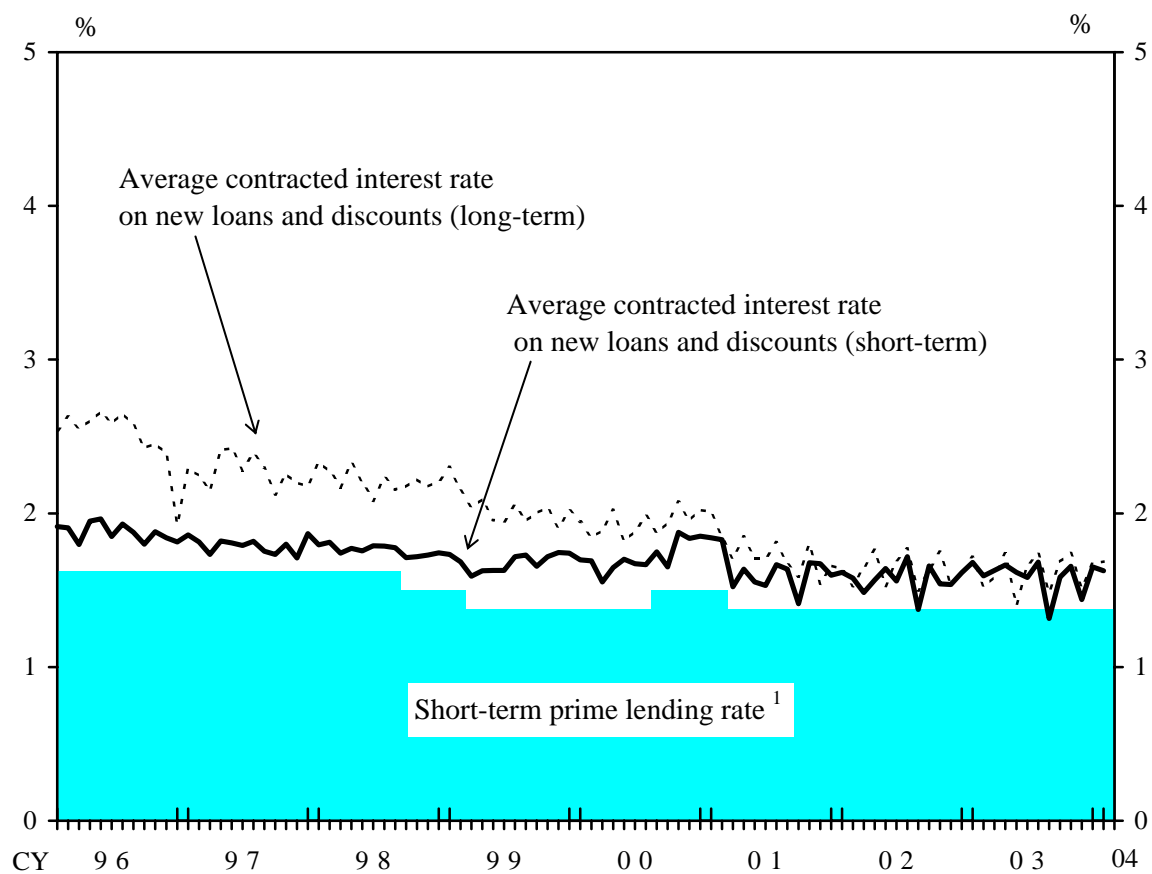
(3) "Quarterly Survey of Small Businesses in Japan" (December 10, 2003)



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."

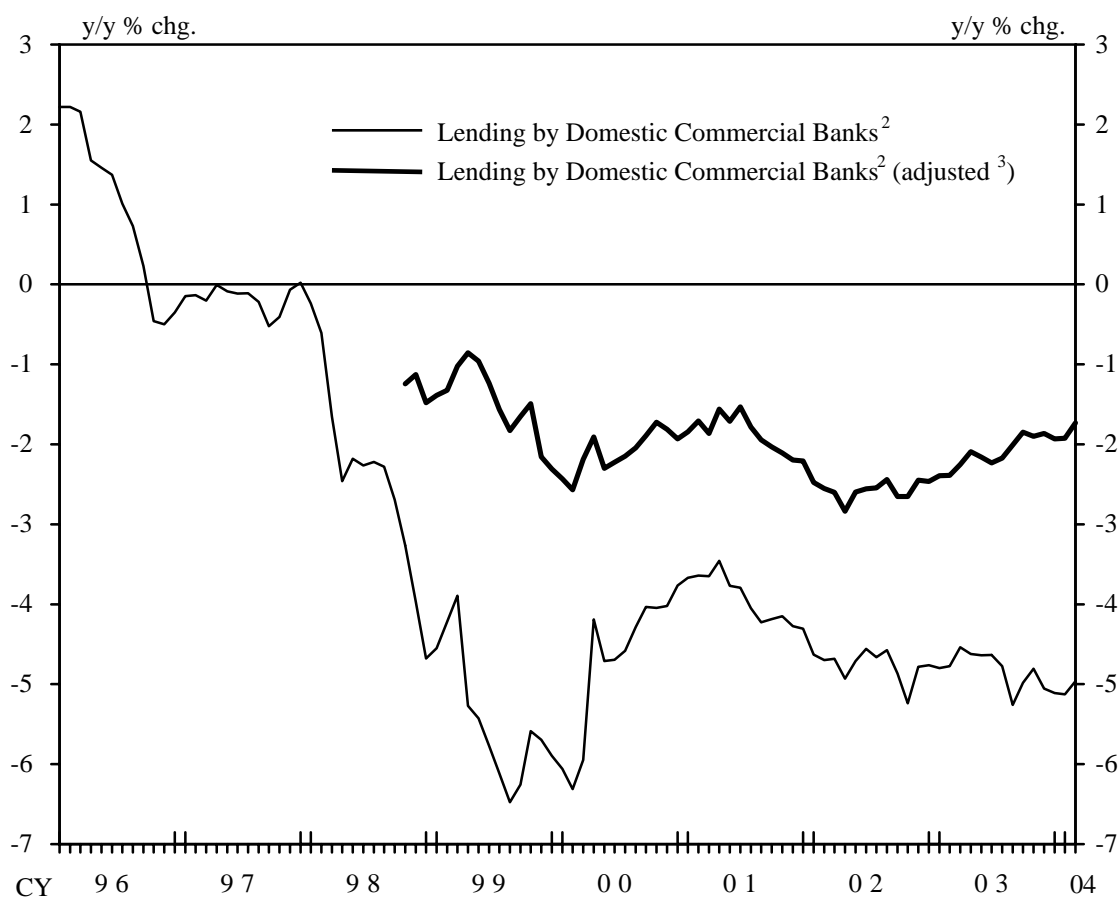


## Lending Rates



Note: 1. Data are at end of period.

Source: Bank of Japan.

Lending by Domestic Commercial Banks <sup>1</sup>

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).

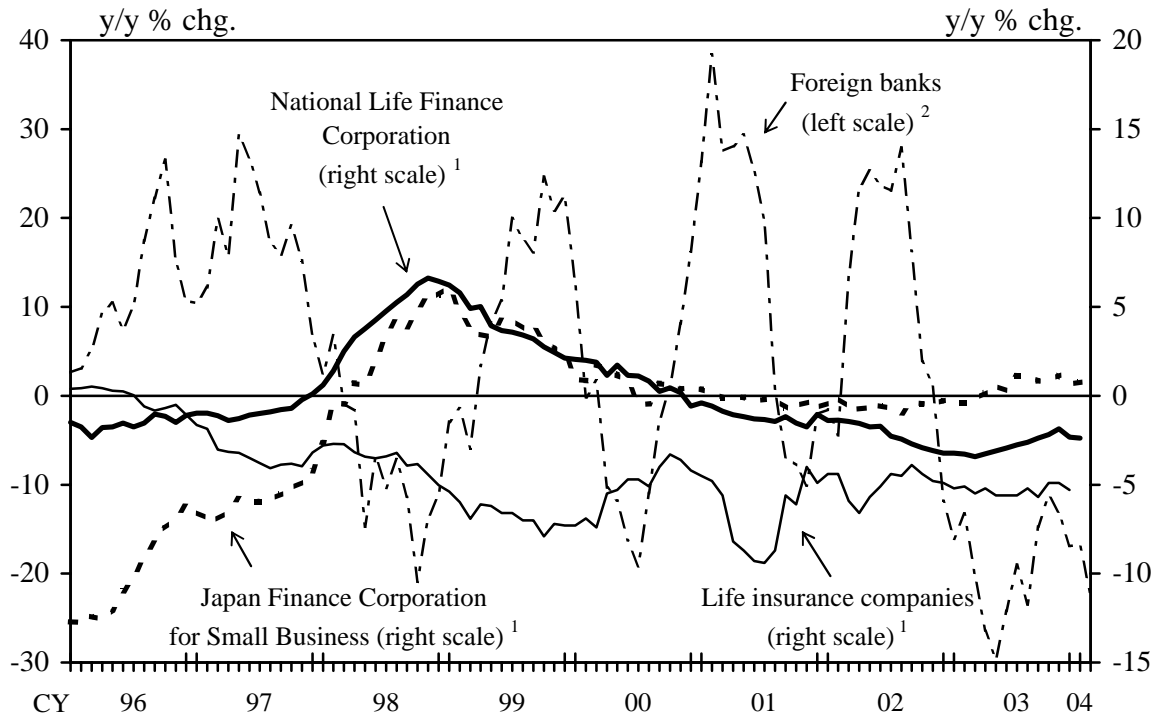
3. Adjusted to exclude

- (1) fluctuations due to the liquidation of loans,
- (2) fluctuations in the yen value of foreign currency-denominated loans due to changes in exchange rates,
- (3) fluctuations due to 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."

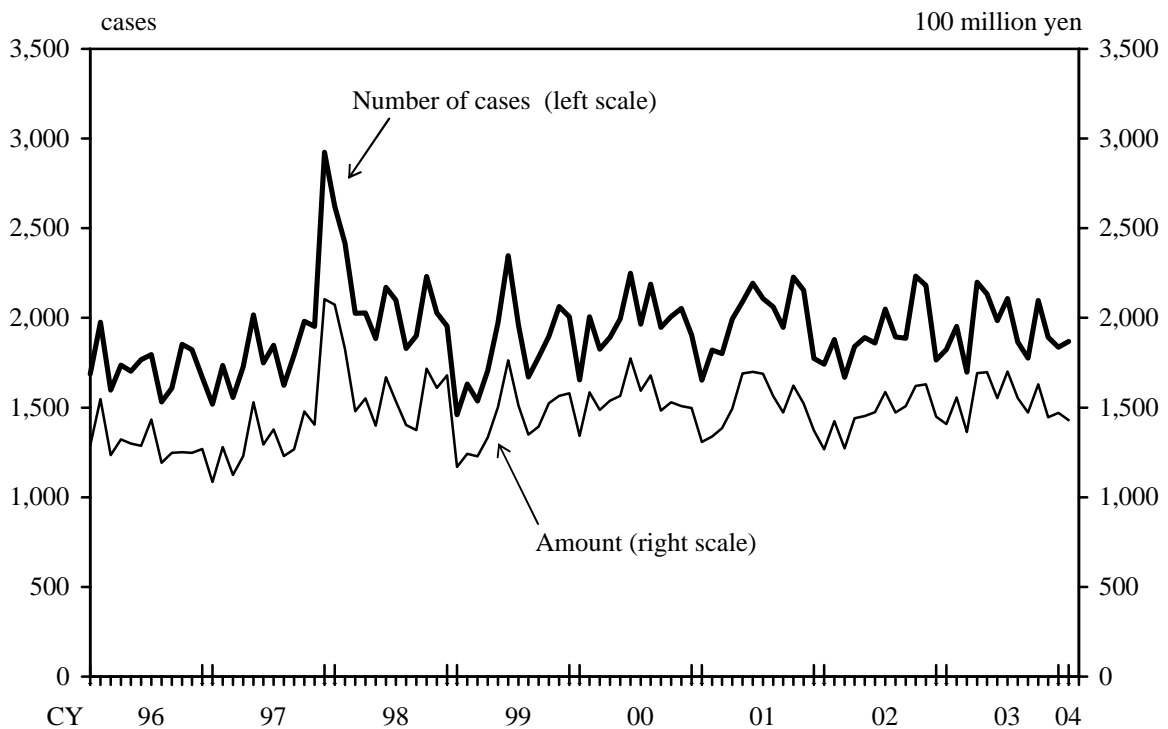
Lending by Other Financial Institutions

(1) Lending Outstanding



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

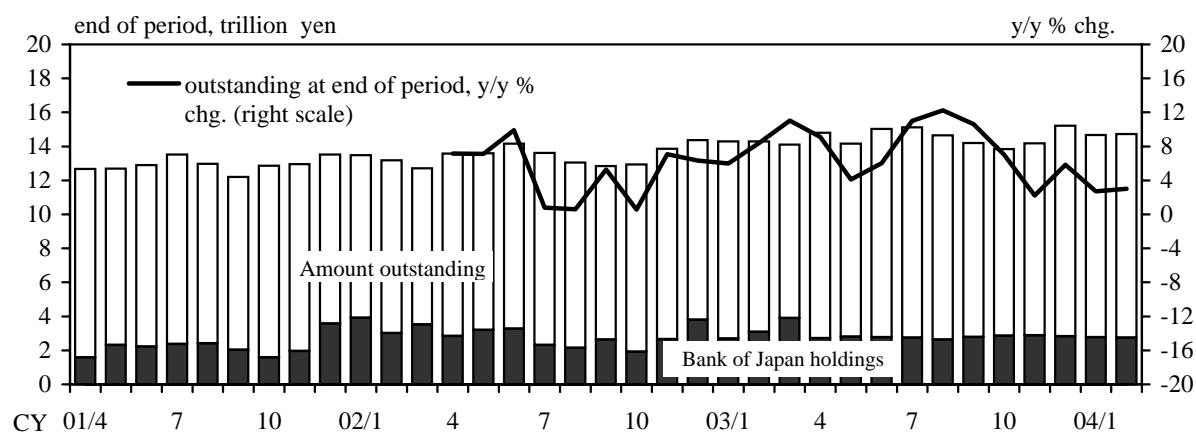
(2) Application for a Loan from Japan Finance Corporation for Small Business



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

## Private-Sector Fund-Raising in the Capital Markets

## (1) Amount Outstanding of Commercial Paper



- Notes: 1. Figures are those of the client financial institutions of the Bank of Japan.  
2. Excludes those issued by banks.

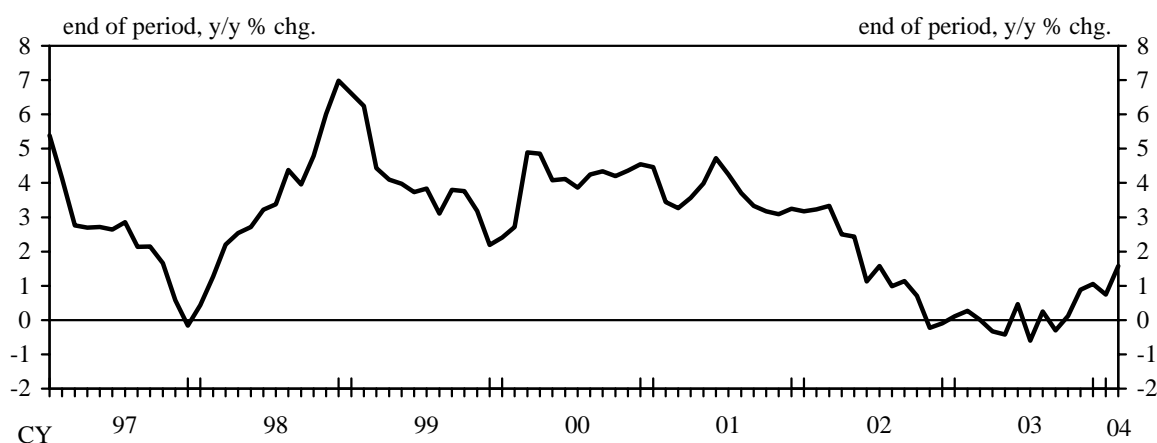
## (2) Issue Volume of Corporate Bonds

(100 million yen)

	2003/Q2	Q3	Q4	2003/Dec.	2004/Jan.	Feb.
Volume	33,304	29,385	29,062	13,459	3,118	9,549
(previous year)	(27,604)	(28,505)	(27,520)	(14,113)	(4,395)	(11,296)

- Notes: 1. Corporate bonds are defined as the sum of the following categories: straight bonds, convertible bonds, and bonds with warrants issued in domestic and overseas markets, as well as ABSs issued in the domestic market.  
2. Straight bonds issued by banks are excluded from domestically issued straight bonds.  
3. The figure as of the latest month is a preliminary one, using an estimate for the amount outstanding of the domestically issued private placement bonds.

## (3) Amount Outstanding of Corporate Bonds (Changes from a Year Earlier)



Note: Percentage changes from the previous year of the amount outstanding of corporate bonds are estimated figures. Procedures of the estimation are summarized as follows:

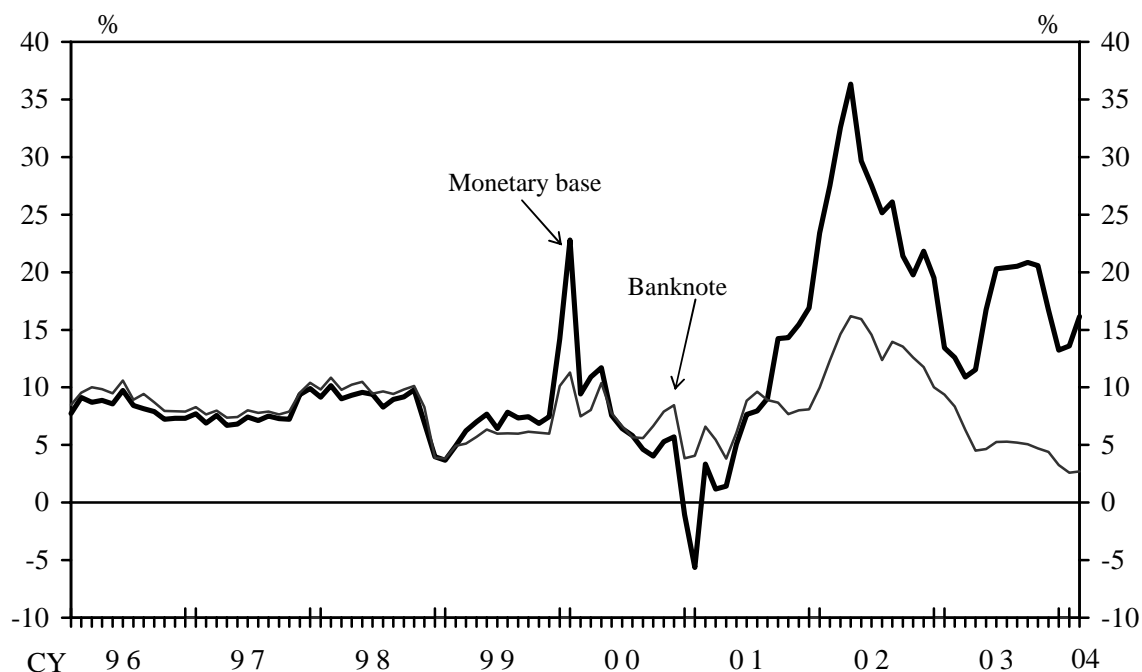
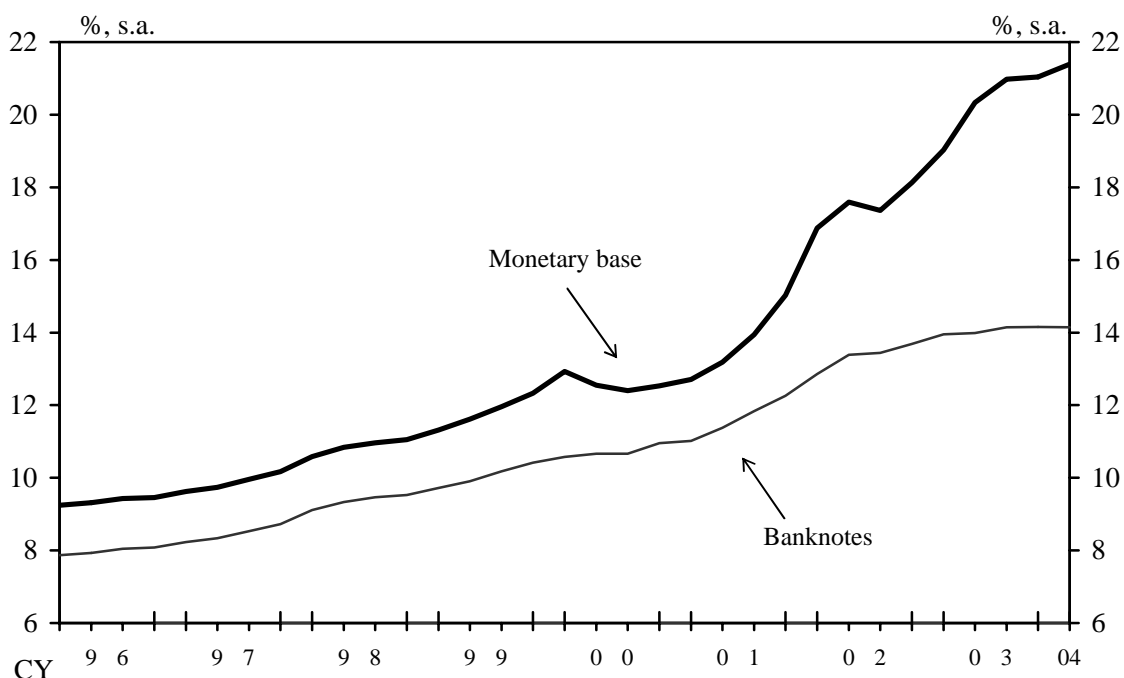
- (1) The sum of straight bonds, convertible bonds, bonds with warrants, and ABSs issued in both domestic and overseas markets is used.
- (2) Bonds issued by banks are included.
- (3) In calculating the percentage changes from the previous year of the amount outstanding of corporate bonds, the following adjustment is made for the treatment of convertible bonds that have been converted into shares.  
Percentage changes from the previous year of the amount outstanding of corporate bonds  
= (The amount outstanding of corporate bonds as of this month + The sum of conversion amount over the last 12 months) / The amount outstanding of corporate bonds as of the same month in the previous year
- (4) The figure as of the latest month is a preliminary one, using estimates for the amount of the domestically issued private placement bonds, etc.

Sources: Bank of Japan, "Principal Figures of Financial Institutions," "Balance of Payments Monthly"; Japan Securities Dealers Association, "New Issue Volume- Redemption of Bonds," "Bond Issuance Abroad by Japanese," "Kisai-Jouhou (Issuance Information)"; IN Information Center, "Funding Eye."

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**Monetary Base**


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

Notes: 1. Monetary base = currency in circulation (banknotes + coins) + current deposits at the Bank of Japan.

Data for currency in circulation include holdings of financial institutions.

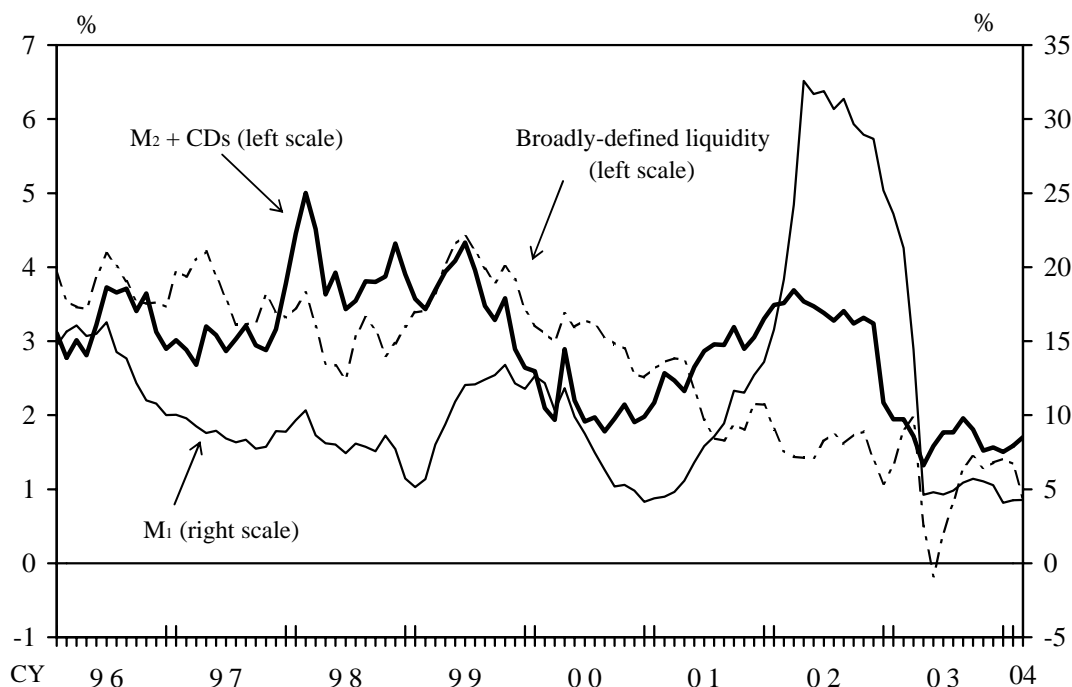
2. Figures for the monetary base and banknotes in 2004/Q1 are those of Jan.-Feb. averages, and the nominal GDP in 2004/Q1 is assumed to be unchanged from the previous quarter.

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

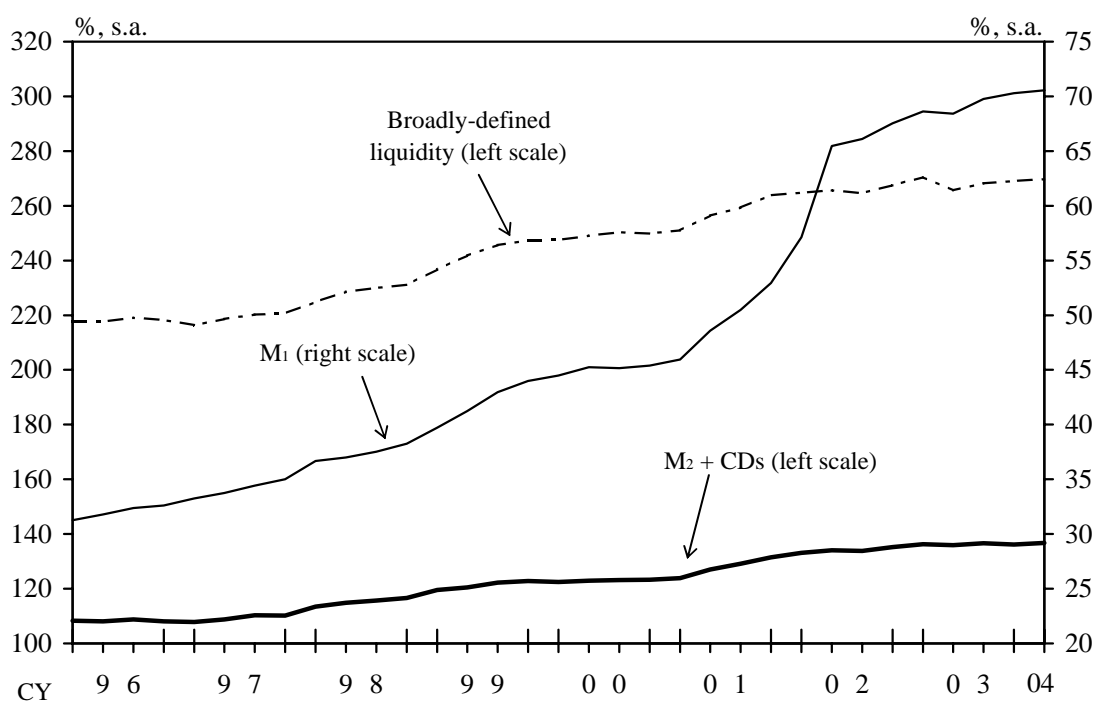
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**Money Stock (M1, M2+CDs, Broadly-Defined Liquidity)**


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**(1) Changes from a Year Earlier**

Note: In April 2003, the Postal Life Welfare Corporation was dissolved and its assets were transferred to the Japan Post. Accordingly, its financial assets were excluded from the Money Stock. Changes of the Broadly-defined Liquidity from a year earlier adjusted for the exclusion is 3.0% in February 2004.

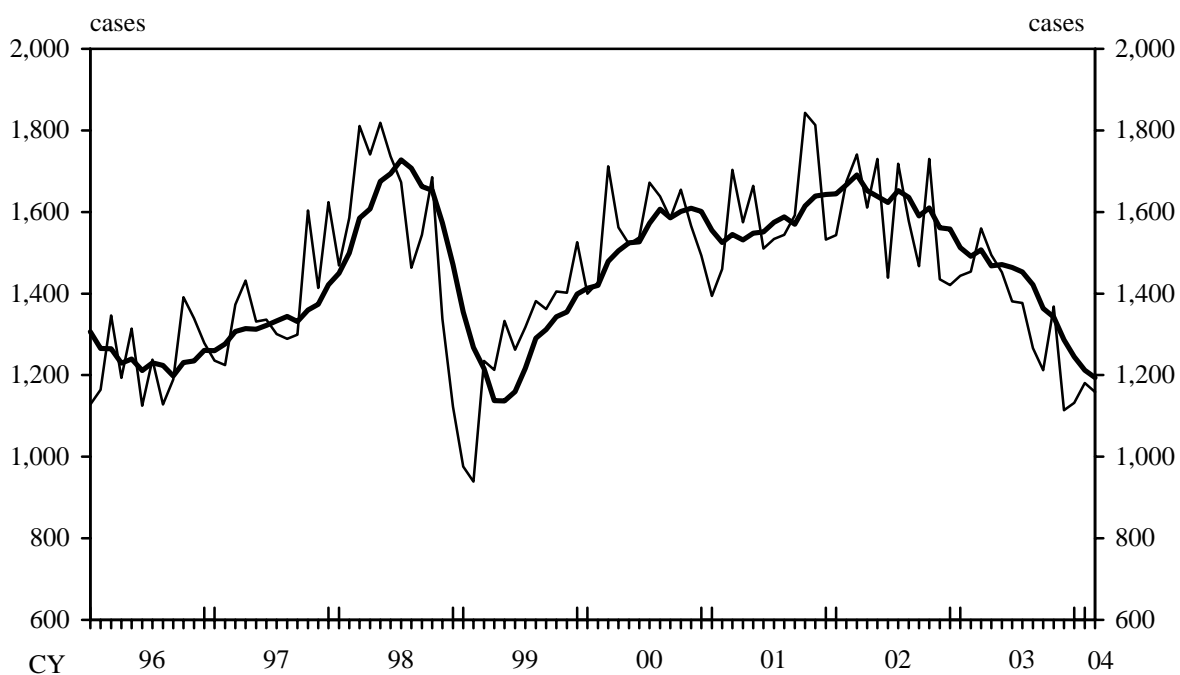
**(2) Ratio of Money Stock to Nominal GDP**

Note: Figures for money stock in 2004/Q1 are those of Jan.-Feb. averages, and the nominal GDP in 2004/Q1 is assumed to be unchanged from the previous quarter.

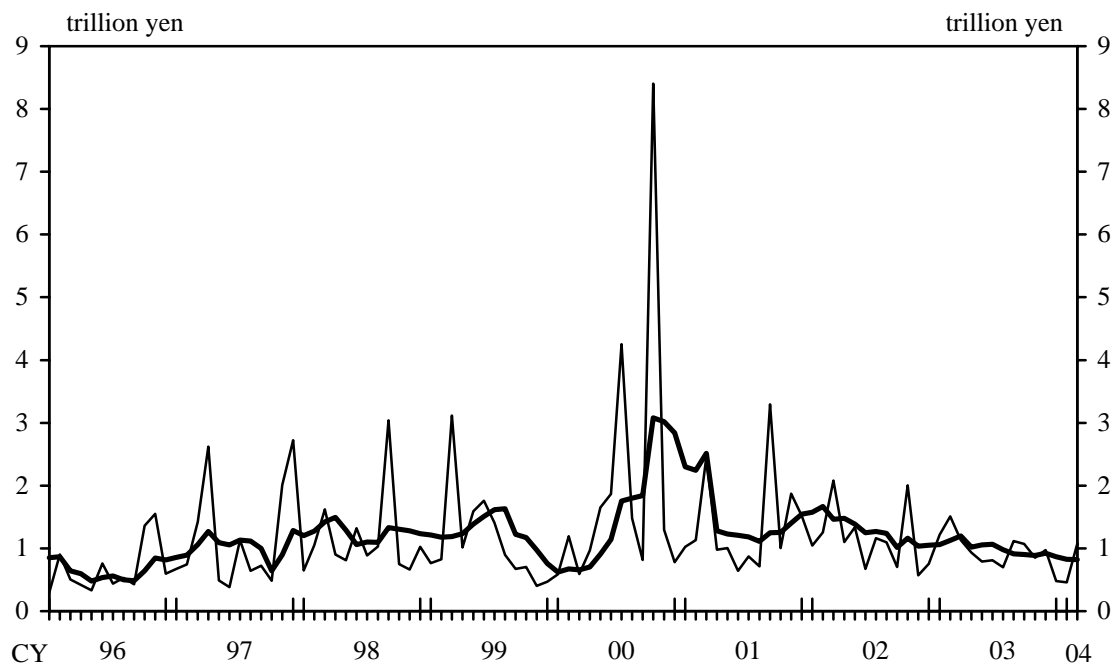
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities



Note: Bold lines are the six-month moving average.

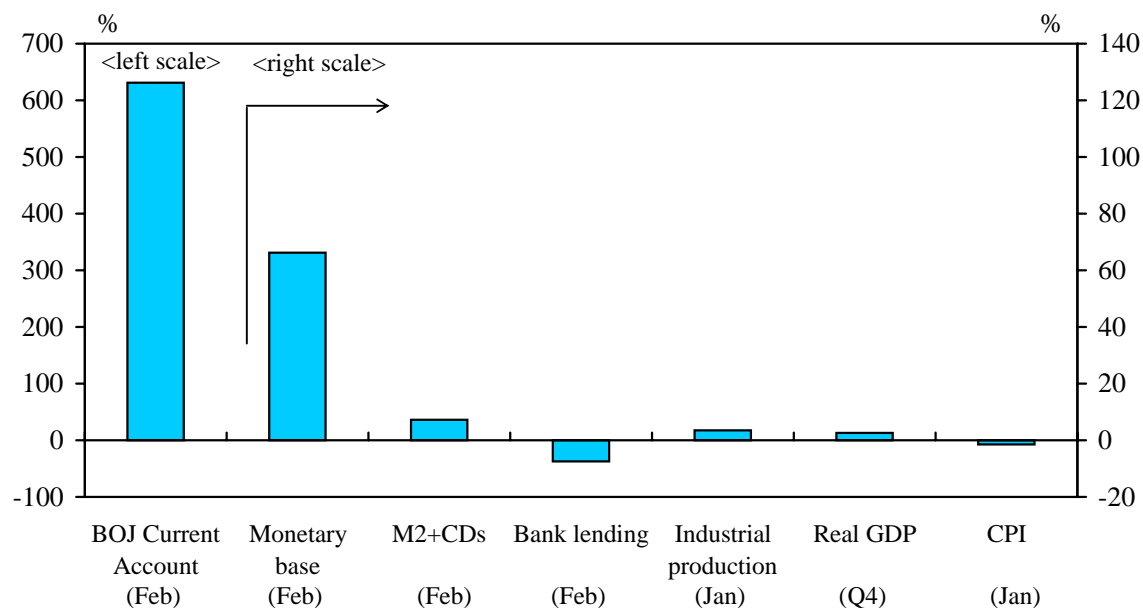
Source: Tokyo Shoko Research Ltd., "Tosan Geppo (Monthly Review of Corporate Bankruptcies)."

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 Monetary Indicators, Economic Activity and Price Development
 

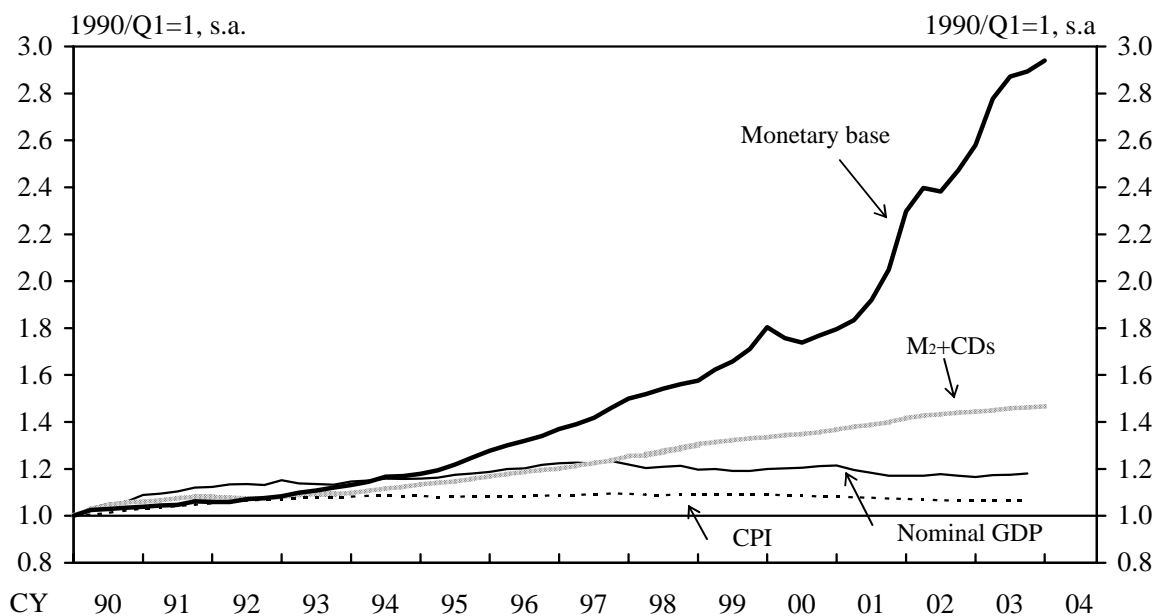
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## (1) Changes from March 2001



- 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.  
 3. Figures for Monetary base and M2+CDs in 2004/Q1 are those of Jan.-Feb. averages.

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.