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Bank of Japan

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

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The Bank's View²

Japan's economy continues to deteriorate.

With regard to final demand, net exports (real exports minus real imports) tend to decrease at a slower pace since the decline in exports is moderating. Meanwhile, business fixed investment continues to decrease and private consumption is also weakening. Moreover, housing investment remains sluggish and public investment is on a downward trend.

Amid this weak final demand, inventory adjustment is progressing in many industries including electronic parts as a result of the large production cutbacks to date. Reflecting this development, the rate of decline in industrial production is contracting. However, firms maintain their stance on reducing personnel expenses under strong excessiveness in employment. Hence, the severity of employment and income conditions of households is rather intensifying, with unemployment continuing to rise and winter bonuses having decreased distinctly.

Turning to the outlook, with regard to exporting conditions, the synchronized inventory adjustment in IT-related goods worldwide is coming to an end. As a consequence, there seem to be signs that exports and production of the East Asian economies have stopped declining. Moreover, the yen has been depreciating recently. Under these conditions, exports are expected to stop decreasing and to turn up toward the middle of this year. However, exports will recover only modestly, while the recovery in overseas economies is weak and final demand for IT-related goods worldwide remains stagnant for the time being. As regards the U.S. economy, there are increasing number of indicators suggesting that the economy will hit the

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on February 7 and 8, 2002.

² The Bank's view of recent economic and financial developments, determined by the Policy Board at the Monetary Policy Meeting held on February 7 and 8 as the basis for monetary policy decisions.

bottom, but there still remain many uncertain factors. Therefore, including this aspect, developments in overseas economies continue to require close scrutiny.

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

Overall, Japan's economy will continue to deteriorate, but the pace is expected to moderate gradually with the downward pressure from exports and inventories abating. Still, while the economy continues to be in a fragile state, continuous attention should be paid to the risk of a negative impact on the economy from developments in foreign and domestic financial markets.

With regard to prices, import prices are rising as the decline in international commodity prices has stopped and the yen has been weakening. Domestic wholesale prices continue to decline as a whole mainly in machinery and chemical products, although the decrease in the prices such as of electronic parts seems to have ceased. Consumer prices are declining somewhat faster from the effects of the past decline in crude oil prices, while the prices of imported products and their substitutes continue to decrease. Corporate service prices continue to decline.

As for the conditions surrounding price developments, the effects of the past decline in crude oil prices are likely to continue for a time. On the other hand, the recent yen's depreciation is regarded as a factor to support prices in the period ahead. However, as the economy continues to deteriorate, the balance between supply and demand in the domestic market will keep exerting downward pressure on prices. Furthermore, in addition to the declining trend of machinery prices caused by technological innovations, the decreases in the prices of goods and services reflecting

deregulation, and the streamlining of distribution channels will continue to restrain price developments. Overall, prices are expected to follow a gradual declining trend for the time being. Moreover, given the high degree of uncertainty regarding future economic developments, the possibility that weak demand will further intensify downward pressure on prices warrants careful monitoring.

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

Interest rates on term instruments are declining on the whole.

Yields on long-term government bonds rose slightly and are mainly moving in the range of 1.5-1.6 percent recently. Yield spreads between private bonds (bank debentures and corporate bonds) and government bonds remain mostly unchanged as a whole.

Stock prices continue to weaken.

In the foreign exchange market, the yen dropped slightly against the U.S. dollar mainly due to the widening gap between the U.S. and Japanese economic outlook.

With regard to corporate finance, private banks are becoming more cautious in extending loans to firms with high credit risks while they continue to be more active in extending loans to blue-chip companies. The lending attitudes of financial institutions as perceived by firms are gradually becoming more severe. In corporate bonds and CP markets, the fund-raising conditions are generally favorable particularly for firms with high credit ratings as seen in a slight decline in CP issuance rates, but the issuing environment for those with low credit ratings continues to be severe on the whole.

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

Amid these developments, private banks' lending continues to decline at about 2 percent on a year-on-year basis. As for the amount outstanding of corporate bonds issued, the year-on-year growth rate has been slowing since the issuance of corporate bonds with low credit ratings is sluggish. The year-on-year growth rate of the amount outstanding of CP issued is declining, although the amount is still well above the previous year's level.

The year-on-year growth rate of monetary base has increased further. The year-on-year growth rate of money stock ($M_2 + \text{CDs}$) continues to be around three to four percent.

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

Overall, the recent financial environment remains extremely easy on the whole in terms of money market conditions and interest rate levels. However, the fund-raising conditions of firms with high credit risks, especially of small firms, are becoming severe as private banks and investors are becoming more cautious in taking credit risks against the background of a growing number of corporate bankruptcies. Hence, the developments in the behavior of financial institutions and corporate financing need closer monitoring.

The Background

1. Japan's Economy

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

Real exports continue to decline, but the pace is slowing in line with the progress in inventory adjustment of IT-related goods worldwide (Chart 3[1]). Real exports in the fourth quarter (Chart 4) decreased as a whole due to the decline in IT-related finished goods (computers, and telecommunications machinery and photocopiers) and in capital goods and parts. However, the rate of decline was smaller compared to that of the third quarter as a result of the increase, although slight, in exports of IT-related parts for the first time in four quarters and of the rise in intermediate goods (iron and steel, and chemicals) mainly exported to China and South Korea.

Real imports are on a declining trend, albeit with monthly fluctuations, while exports and production are basically decreasing (Charts 3[1] and 5). Real imports in the fourth quarter increased somewhat mainly in reaction to the substantial decline in the third quarter. By type of goods, consumer goods, such as textile products imported from China, rose and foodstuffs (pork, vegetables, etc.) also increased considerably in the fourth quarter. Moreover, imports of IT-related goods such as PCs and electronic parts, which dropped in the third quarter, edged up, although they were still at low levels.

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

Net exports (real exports minus real imports), in terms of the real trade balance,⁴ tend to decrease at a slower pace since the decline in exports is moderating⁵ (Chart 3[2]).

Regarding the future environment for foreign trade (Chart 6), the synchronized inventory adjustment in IT-related goods worldwide since the start of last year is coming to an end. Reflecting this progress in inventory adjustment, there seem to be signs that exports and production of the East Asian economies have stopped declining. Moreover, the real effective exchange rate of the yen has been depreciating since around last December. However, the recovery in overseas economies will be weak for the time being and uncertainty about the U.S. economy still remains in terms of private consumption and business fixed investment. It is true that U.S. private consumption has been relatively firm since the terrorist attacks despite worsening employment conditions, but sales of automobiles are expected to fall in reaction to the upsurge in sales owing to the zero-percent financing campaigns.⁶ Furthermore, a concern still exists that the current adjustment in business fixed investment in the U.S. will be prolonged, while the decline in corporate profits continues.

Under this environment, exports are projected to stop declining and to turn up towards the middle of this year, due not only to the completion in inventory adjustment of IT-related goods worldwide but also to the yen's recent depreciation. Still, the pace of recovery is likely to be only modest. With respect to imports, in

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

⁵ The surplus of the nominal balance on goods and services (Chart 3[2]), which had been on a declining trend since the start of 2000, is recently expanding, due not only to the remarkable decrease in the number of people leaving for overseas since the terrorist attacks, but also to the fall in crude oil prices.

⁶ Sales of automobiles in the U.S. (Chart 6-2[4]) increased conspicuously in October-November owing to the most aggressive promotion ever done by U.S. vehicle makers, including the zero-percent financing offered after the terrorist attacks. However, there is a concern that upcoming sales may drop. In fact, actual sales since December slowed, although they remained high, with smaller-scale campaigns. Still, as new incentives are launched by some companies from mid-January following the termination of the initial campaign, the size of the anticipated drop and furthermore the impact on Japanese exports are still unclear.

line with the projections for exports and production, the pace of decline is expected to slow mainly in IT-related goods, but the downtrend is projected to continue for a while reflecting weak domestic demand. Net exports are expected to edge up as imports are on a downward trend, and exports are projected to stop declining and start recovering gradually afterwards.

Business fixed investment continues to decrease, particularly in manufacturing, while corporate profits worsen and the capacity utilization rate keeps on declining. As for investment-related indicators (Chart 7), aggregate supply of capital goods⁷ (excluding transport equipment)—which basically moves simultaneously with machinery investment—continued to decline. Among leading indicators, machinery orders (private demand, excluding shipbuilding and electric power equipment) dropped in October-November compared to the third quarter. By industry, nonmanufacturing, which had been relatively steady, decreased in October-November in addition to the continuous substantial decline in manufacturing. Meanwhile, construction starts (nonresidential) have recently increased, owing mainly to large-scale construction starts related to redevelopment projects and to public utilities (such as electricity and transportation) in nonmanufacturing since the third quarter, although those in mining and manufacturing were depressed.

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

Private consumption is weakening, while the severity of employment and income conditions intensifies (Chart 8). With regard to sales indicators, passenger car sales, which had been weak since early last autumn, increased in January following the previous month owing to the introduction of new models. Department store sales remained firm, particularly for accessories and foodstuffs, although sales of

⁷ In the *Indices of Industrial Domestic Shipments and Imports*, the aggregate supply by goods is shown by adding domestic shipments based on *Indices of Industrial Production* and the import volume based on *Foreign Trade Statistics*. Charts 7-1(1) and 8-4 show the developments in aggregate supply of capital goods (excluding transport equipment) and consumer goods. Figures for the fourth quarter of 2001 are calculated by the Bank of Japan using indices of industrial shipments and real imports and exports.

apparel were weak. On the other hand, chain store sales continued to be sluggish. Sales of household electrical appliances remained weak as a whole, although they were bolstered by the introduction of new PC products to some extent. In addition, outlays for travel remained depressed, with individuals still continuing to refrain from travelling overseas after the terrorist attacks in the U.S., although their concerns appear to have eased somewhat. Reflecting the developments in those indicators, indices of aggregated sales⁸ were recently below last year's level. Moreover, the level of aggregate supply of consumer goods remained below that of the previous year since domestic shipment was stagnant in addition to the modest increase in imports. Meanwhile, according to the latest consumer survey (Chart 9[1]), consumer confidence continued to ebb somewhat following the substantial decline toward last autumn against the background of the deterioration in the employment and income environment. Private consumption is likely to be lackluster, mainly reflecting the worsening of employment and income conditions.

Housing investment remains sluggish (Chart 10). Construction starts fell slightly in the fourth quarter compared to the third quarter due to the drop in construction starts of built for sale, which has a tendency to fluctuate, while those of owner-occupied houses remained low. Housing investment is likely to remain sluggish for the time being amid the increasingly severe employment and income conditions of households, although construction starts of large condominiums are expected to contribute to some extent as an underpinning factor.⁹

Reflecting these developments in final demand, industrial production is declining slowly in line with the progress in inventory adjustment of IT-related goods and materials (Chart 11). By industry, general machinery kept falling due to weak demand at home and abroad, and transport equipment decreased in the fourth quarter reflecting sluggish domestic sales. Meanwhile, the rate of decline in electrical machinery contracted sharply and the decrease in materials moderated gradually. As

⁸ While various sales indicators show different movements, the indices of aggregated sales are compiled by adding the weights of various sales indicators (including a few indicators for services consumption) to grasp the consumption trend from the supply side. For the detailed calculation method, see notes in Chart 8-3.

⁹ Construction starts of built for sale are underpinned by the relatively high-level sales of large-scale high-rise buildings, especially in the Tokyo metropolitan area (Chart 10[3]).

for inventories, the adjustment has progressed as a whole (Chart 12). Particularly, inventory adjustment in electronic parts among producer goods seemed to be coming to an end, with the stock drawn down further. Moreover, inventories of other producer goods such as iron and steel moved toward a decline as a result of ongoing production cutbacks. Under this situation, the decrease in industrial production is expected to cease, reflecting the improvement in exporting conditions and progress in inventory adjustment of IT-related goods and materials.¹⁰

As for employment and income conditions, household income is weakening more evidently with the downtrend in wages, while the supply-demand condition in the labor market continues to ease against the background of economic deterioration (Chart 13). Among labor-market-related indicators (Chart 14), the unemployment rate rose considerably due mainly to the increase in the number of those involuntarily unemployed. Moreover, the ratio of job offers to applicants continued to decline since the number of job seekers was on a rising trend, while that of job offers followed a downtrend, mainly in manufacturing. Regarding the number of regular employees (*Monthly Labour Survey* basis at establishments with five employees or more), the rate of decline has recently expanded slightly, mainly in manufacturing, but the decline remained modest compared to that of employees in the *Labor Force Survey*.¹¹

With respect to wages, nominal wages per employee recently declined somewhat faster, influenced by the drop in winter bonuses across industries, in

¹⁰ According to the survey of production forecast index, production in both January and February are projected to continue rising (+1.4 percent in January and +0.6 percent in February on a month-to-month basis). This, in turn, will result in a noticeable increase by 2.6 percent in the first quarter on a quarter-to-quarter basis (based on the assumption that the production level in March is the same as that of February). However, actual industrial production to date still tends to be below that of the production forecast index. In addition, taking various information from firms into account, the large increase indicated in the production forecast index for the first quarter is unlikely.

¹¹ With respect to the developments in the *Labor Force Survey* (Chart 14-2[1]), the number of employees, which had been rising until mid-2001, has recently started a noticeable decrease. In this survey, “employees” include those excluded from the *Monthly Labour Survey* such as workers on short-term contracts (for example, registered temporary workers, so-called “arbeit” workers, etc.). Hence, the recent employment adjustment by firms is apparently conducted mainly among workers on short-term contracts.

addition to the continued decrease in hours worked. Compensation of employees is projected to continue a distinct decrease while the economy keeps on deteriorating.

2. Prices

Import prices on a yen basis are rising compared to levels three months earlier due to the increase in prices, for example, nonferrous metals, against the background of the end of the decline in international commodity prices and the weakening of the yen (Chart 16).

Domestic wholesale prices continue to decline. As for domestic wholesale prices (adjusted to exclude the effects of seasonal changes in electricity rates¹²) in January vis-à-vis three months earlier, prices of nonferrous metals rose. Moreover, the decline in prices of electronic parts and some materials (iron and steel) seemed to have stopped owing to the progress in inventory adjustment. On the other hand, in addition to the ongoing fall in prices of petroleum and chemical products reflecting the past decline in crude oil prices, prices of machinery (electrical machinery <input-output devices> and transport equipment) continued to decrease (Chart 17).

Corporate service prices continue to decrease. In December, corporate service prices (domestic supply-demand factors¹³) declined compared to levels three months earlier (Chart 18). The decrease was mainly because prices for advertising services continued to decline influenced by sluggish demand, in addition to the reduction in charges for leasing reflecting the price decline in IT-related equipment.

Consumer prices are declining somewhat faster due mainly to the effects of the prior decline in crude oil prices. In December, consumer prices (excluding fresh

¹² Industrial and commercial electric power consumption charges are set relatively high during July-September, when the consumption volume increases substantially. To view the underlying changes in domestic wholesale prices, adjustments are made to exclude such factors that result in a large seasonal fluctuation.

¹³ Corporate service prices (domestic supply-demand factors) only include items whose monthly price changes primarily reflect changes in domestic private demand. Specifically, items with the following properties are removed from the overall CSPI: (1) regulated fees, (2) overseas factors, and (3) fees with a large monthly fluctuation that do not necessarily reflect short-term changes in supply-demand trends. For the detailed calculation, see the note in Chart 18.

food) declined somewhat faster compared to levels three months earlier, reflecting the enlargement in the rate of decline such as of petroleum products while prices of clothes and durable consumer goods, which were influenced by the increases in imports of inexpensive consumer goods, continued to decrease (Charts 19 and 20). Also, the overall year-to-year rate of decline in December (excluding fresh food) expanded slightly compared to the previous month. (The year-to-year change was -0.7 percent in October, -0.8 percent in November, and -0.9 percent in December.¹⁴)

Regarding the conditions surrounding price developments, the effects of the past decline in crude oil prices are likely to continue for a time. On the other hand, the yen's recent depreciation is regarded as a factor to support prices in the period ahead. However, as the economy continues to deteriorate, the balance between supply and demand in the domestic market will keep exerting downward pressure on prices. Furthermore, in addition to the declining trend of machinery prices caused by technological innovations, the decreases in prices of goods and services reflecting deregulation and the streamlining of distribution channels will continue to restrain price developments. Overall, prices are expected to follow a gradual declining trend for the time being.

3. Financial Developments

(1) Financial Markets

As for interest rate developments in short-term money markets (Charts 21[1] and 22), the overnight call rate (uncollateralized) continues to move around zero percent as the Bank of Japan provided ample liquidity to the money market by aiming at maintaining the outstanding balance of the current accounts at the Bank at around 10 to 15 trillion yen (Chart 23).

Interest rates on term instruments are declining on the whole (Chart 22). TB and FB rates dropped to around zero percent, and three-month Euro-yen rates (TIBOR) are also moving at extremely low levels.

¹⁴ The rate of decline of consumer prices including fresh food in December expanded further as fresh food prices of both vegetables and fruit dropped again following November. (The year-to-

Yields on ten-year government bonds (newly issued; Chart 21[2]) rose slightly and are mainly moving in the range of 1.5-1.6 percent recently, reflecting anxieties toward the depreciation of the yen and the increase in fiscal spending. Meanwhile, yield spreads between government and private bonds (bank debentures and corporate bonds; Charts 27 and 28) remain mostly unchanged as a whole.

Stock prices (Chart 29[1]) continue to be weak due to the decline in U.S. stocks toward mid-to-end of January and the emerging uncertainty about the progress in Japan's structural reform.

In the foreign exchange market (Chart 30), the yen dropped slightly against the U.S. dollar mainly due to the widening gap between the U.S. and Japanese economic outlooks. The yen is currently being traded in the range of 133-135 yen to the U.S. dollar.

(2) Monetary Aggregates and Corporate Finance

The year-on-year growth rate of monetary base (currency in circulation + current account balances at the Bank of Japan; Chart 31) has increased further due to the rise in the growth of bank notes in addition to the large increase in the current account balances at the Bank of Japan. (The year-on-year change was 15.5 percent in November, 16.9 percent in December, and 23.4 percent in January.)

The year-on-year growth rate of money stock (M_2 + CDs; Chart 32) continues to be around three to four percent. (The year-on-year change was 3.2 percent in November, 3.4 percent in December, and 3.6 percent in January.) The growth rate in January increased slightly from the previous month.

As for the lending attitudes of private financial institutions, financial institutions are becoming more cautious in extending loans to firms with high credit risks such as by setting a higher interest margin, while they continue to be more active in extending loans to blue-chip companies. The lending attitudes of financial institutions as perceived by firms are gradually becoming more severe. In corporate

year change was -0.8 percent in October, -1.0 percent in November, and -1.2 percent in December.)

bonds and CP markets, the fund-raising conditions are generally favorable particularly for firms with high credit ratings as seen in a slight decline in CP issuance rates, but the issuing environment for those with low credit ratings continues to be severe on the whole.

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

Amid these developments, lending by private banks (monthly average outstanding balance basis; after adjustment for extraordinary factors;¹⁵ Chart 33), consisting of city banks, long-term credit banks, trust banks, regional banks, and regional banks II, continues to decline at about 2 percent on a year-on-year basis. (The year-on-year change was -2.0 percent in November, -2.1 percent in December, and -2.3 percent in January.) As for the amount outstanding of corporate bonds issued (Chart 35), the year-on-year growth rate has been slowing since the issuance of corporate bonds with low credit ratings is sluggish. The year-on-year growth rate of the amount outstanding of CP issued is declining, although the amount is still well above the previous year's level.

Funding costs for firms continue to be at extremely low levels on the whole, although market funding costs for some firms and the long-term prime lending rate are rising somewhat. The average contracted interest rates on new loans and discounts (Chart 37) continue to be more or less unchanged. The long-term prime lending rate was raised by 0.2 percent to 2.2 percent on February 8. In the capital market, corporate bond issuance rates are recently rising slightly. The spread between CP issuance rates with high credit ratings and those with low credit ratings is expanding somewhat.

The number of corporate bankruptcies (Chart 38) is recently above that of the previous year.

¹⁵ 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.

Overall, the recent financial environment remains extremely easy on the whole in terms of money market conditions and interest rate levels. However, the fund-raising conditions of firms with high credit risks, especially of small firms, are becoming severe as private banks and investors are becoming more cautious in taking credit risks against the background of a growing number of corporate bankruptcies. Hence, the developments in the behavior of financial institutions and corporate financing need closer monitoring.

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Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2001/Q2	Q3	Q4	2001/October	November	December	2002/January
Index of living expenditure level (all households)	-3.2	-0.7	n.a.	4.1	-0.2	n.a.	n.a.
Sales at department stores	0.8	-1.2	0.1	-3.2	3.7	-3.7	n.a.
Sales at chain stores	-2.6	-1.1	-2.4	-3.4	4.7	-2.6	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 303>	< 317>	< 288>	< 278>	< 283>	< 305>	< 319>
Sales of household electrical appliances (real, NEBA)	-7.4	0.4	4.2	-2.0	9.2	-2.8	n.a.
Outlays for travel (50 major travel agencies)	-1.2	-3.1	-17.4	-8.5	0.0	4.2	n.a.
Housing starts <s.a., ann. 10,000 units>	< 115>	< 120>	< 117>	< 117>	< 120>	< 114>	<n.a.>
Machinery orders (from private sector ⁴)	1.1	-5.7	n.a.	-10.1	14.9	n.a.	n.a.
Manufacturing	-6.6	-9.7	n.a.	-8.7	12.9	n.a.	n.a.
Nonmanufacturing ⁴	5.7	-1.4	n.a.	-9.4	17.5	n.a.	n.a.
Construction Starts (private, nonresidential use)	-7.2	11.6	2.3	5.4	-4.1	-1.9	n.a.
Mining & manufacturing	-18.5	-6.9	-16.1	4.1	-17.8	-9.6	n.a.
Nonmanufacturing ⁵	-1.1	18.4	5.8	7.9	-2.0	-1.4	n.a.
Value of public works contracted	-17.8	5.2	-1.8	-0.6	1.3	0.9	n.a.
Real exports	-4.9	-4.0	-1.7	1.7	0.7	-8.7	n.a.
Real imports	-1.5	-4.7	1.0	8.2	0.6	-6.3	n.a.
Industrial production	-4.1	-4.3	p -2.3	-0.2	-1.7	p 2.1	n.a.
Shipments	-3.9	-3.6	p -2.7	-0.5	-1.4	p 1.8	n.a.
Inventories	2.4	-2.4	p -3.8	-1.3	-1.4	p -1.0	n.a.
Inventories/shipments <s.a., 1995=100>	<112.5>	<116.6>	<p 114.7>	<114.2>	<114.0>	<p 114.7>	<n.a.>
Real GDP	-1.2	-0.5	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	-1.9	-1.7	n.a.	-0.5	0.4	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2001/Q2	Q3	Q4	2001/October	November	December	2002/January
Ratio of job offers to applicants <s.a., times>	<0.61>	<0.59>	<0.53>	<0.55>	<0.53>	<0.51>	<n.a.>
Unemployment rate <s.a., %>	<4.87>	<5.09>	<5.46>	<5.36>	<5.45>	<5.56>	<n.a.>
Overtime working hours ⁶	-2.8	-6.2	p -9.1	-8.1	-9.7	p -9.6	n.a.
Number of employees	0.9	0.0	-1.0	-1.2	-1.0	-0.9	n.a.
Number of regular employees ⁶	-0.2	-0.2	p -0.2	-0.1	-0.3	p -0.3	n.a.
Nominal wages per person ⁶	-0.4	-1.2	p -2.5	-1.2	-1.3	p -3.7	n.a.
Domestic wholesale price index <q/q % chg.> (3-month growth rate)	-0.6 <-0.2>	-1.0 <-0.3>	-1.3 <-0.5>	-1.1 <-0.5>	-1.4 <-0.6>	-1.4 <-0.4>	-1.4 <-0.4>
Consumer price index ⁷ <s.a., q/q % chg.> (3-month growth rate)	-0.9 <-0.2>	-0.8 <-0.2>	-0.8 <-0.2>	-0.7 <-0.2>	-0.8 <-0.2>	-0.9 <-0.3>	n.a. <n.a.>
Corporate service price index ⁸ <s.a., q/q % chg.> (3-month growth rate)	-1.1 <-0.5>	-1.3 <-0.3>	-1.4 <-0.3>	-1.4 <-0.3>	-1.5 <-0.4>	-1.5 <-0.3>	n.a. <n.a.>
Monetary aggregates (M ₂ +CDs) <average outstanding, y/y % chg.>	2.7	3.1	3.2	3.0	3.2	3.4	3.6
Number of suspension of transactions with banks	-3.4	-8.5	5.9	16.7	1.8	-1.2	n.a.

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

2. P indicates preliminary figures.

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

4. Excludes ships and demand from electric power companies.

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

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

7. Excludes fresh food.

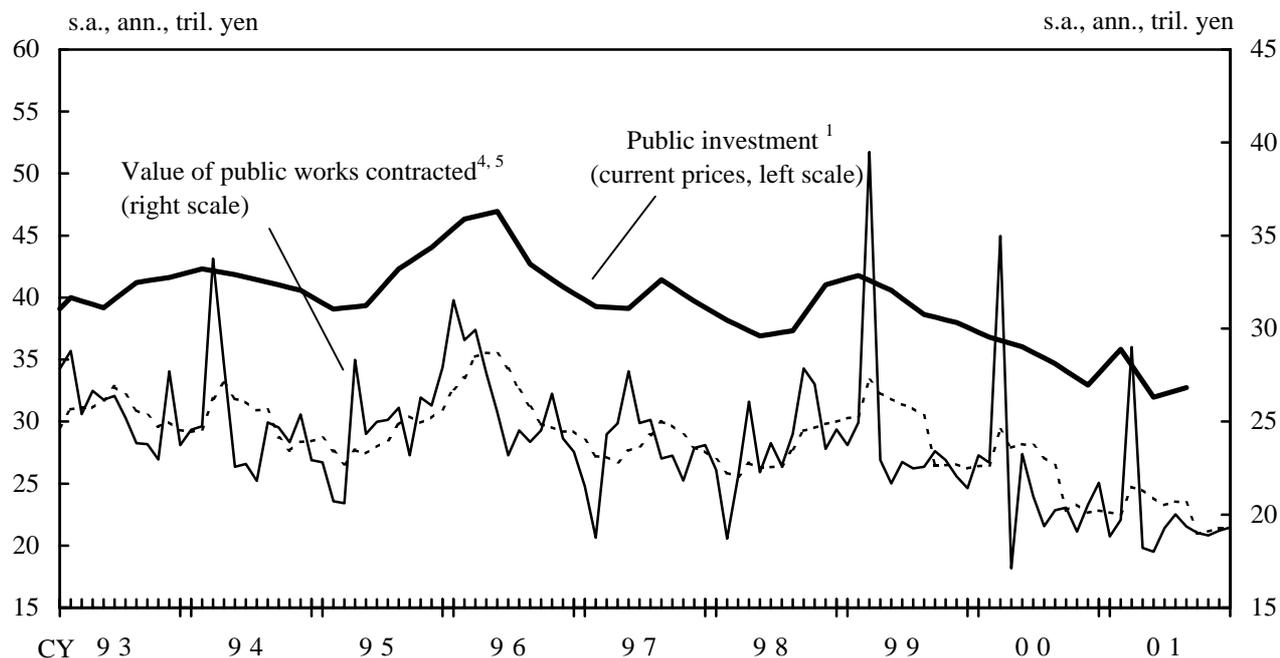
8. Domestic supply-demand factors.

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

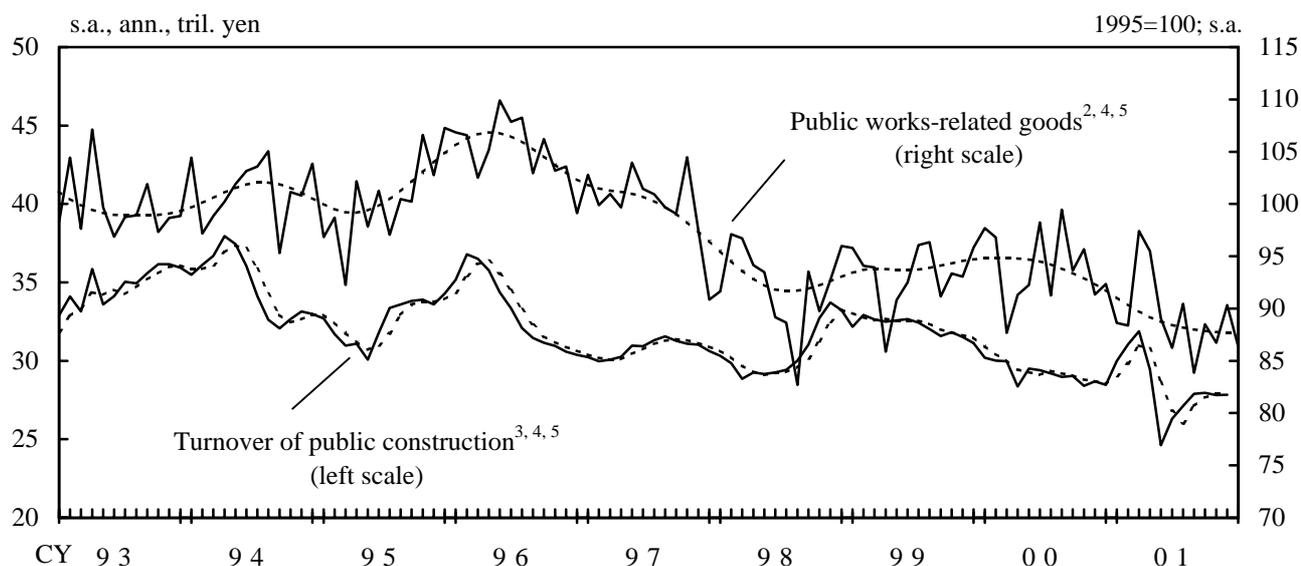
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey," "Monthly Report on the Family Income and Expenditure Survey," "Consumer Price Index"; Ministry of Economy, Trade and Industry, "Current Survey of Commerce," "Indices of Industrial Production," "Indices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

Public Investment

(1) Value of Public Works Contracted and Public Investment



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



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

2. Public works-related goods are weighted average of asphalt, concrete products for roads, bridges, and cement, where weights are based on 1995-basis IIP (shipment). Shipments of these goods also include those to the private sector. The data for December 2001 are preliminary.

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

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

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

Sources: Cabinet Office, "National Accounts";

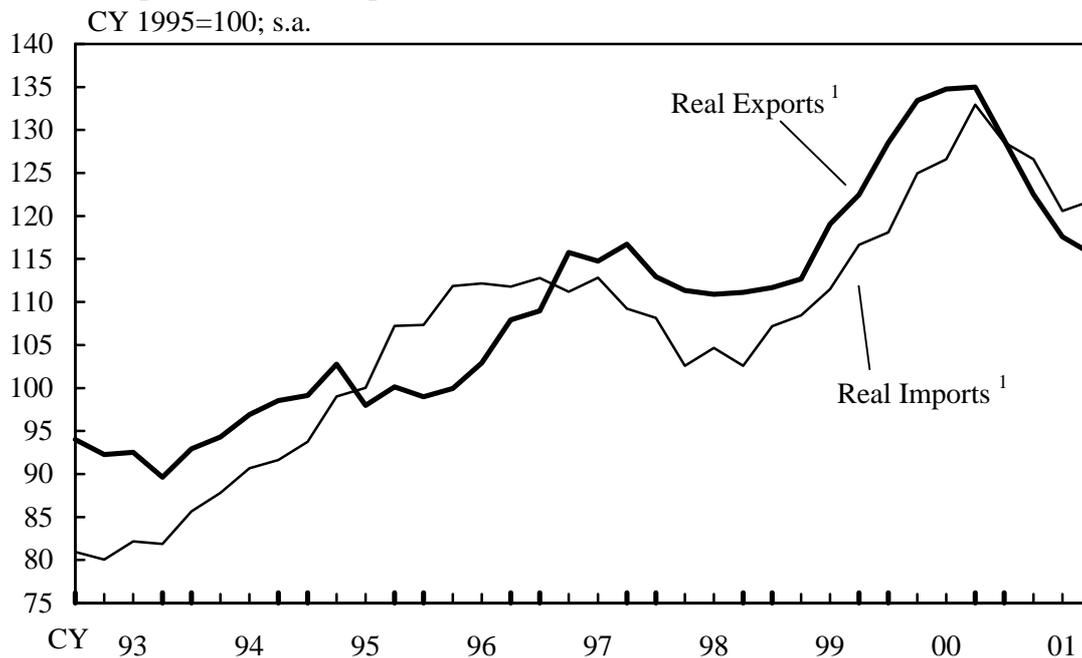
Surety Association for Construction Companies, "Public Works Prepayment Surety Statistics";

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

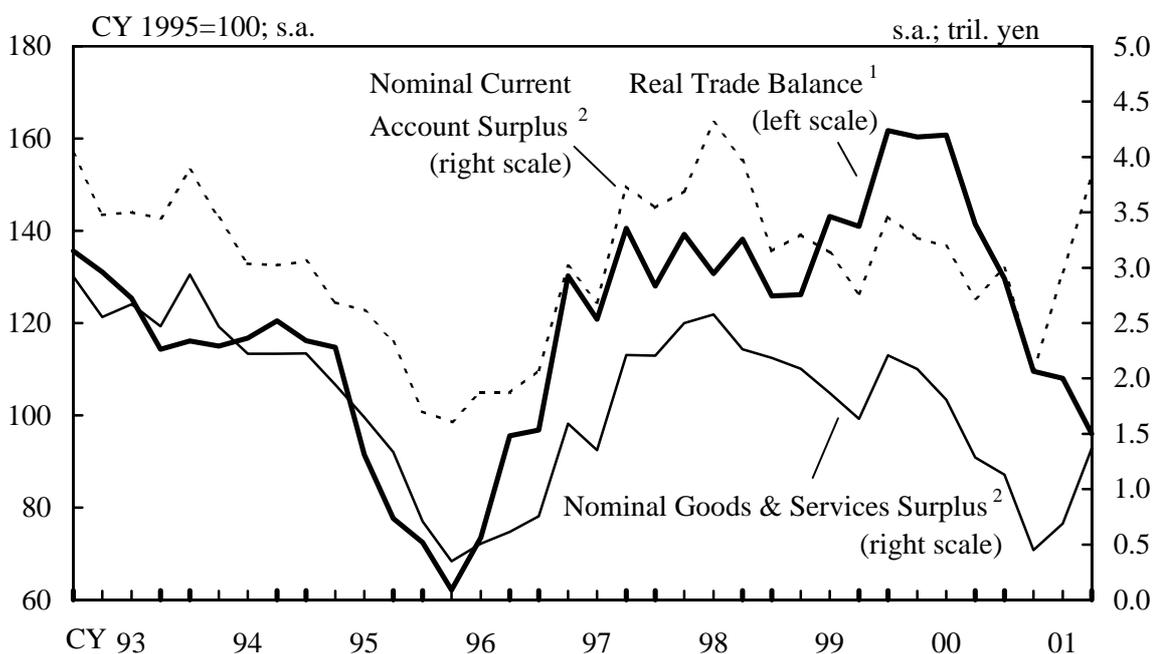
Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

External Balance

(1) Real Exports and Real Imports



(2) Real Trade Balance and Nominal Current Account Surplus



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

2. 2001/Q4 figures are Oct.-Nov. averages converted into quarterly amount.

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

Real Exports (1) ¹

(1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2000	2001	2000 Q4	2001 Q1	Q2	Q3	Q4	2001 Oct.	Nov.	Dec.
United States	<29.7>	11.7	-8.4	6.0	-6.6	-6.7	-3.0	-2.2	5.4	0.9	-9.0
EU	<16.3>	6.4	-10.9	-2.2	1.3	-10.1	-6.4	-0.3	-1.3	5.0	-13.1
East Asia	<39.7>	25.7	-9.7	-1.7	-4.3	-5.8	-4.1	-1.1	-0.7	3.6	-6.5
China	<6.3>	27.8	11.6	1.3	10.2	-5.4	-2.0	-0.8	8.8	-1.6	-9.5
NIEs	<23.9>	25.8	-15.8	-2.3	-9.4	-6.3	-3.5	-1.8	-3.8	6.2	-8.2
Taiwan	<7.5>	22.5	-25.7	-9.2	-16.5	-3.2	-12.1	4.6	-1.9	6.6	-4.2
Korea	<6.4>	30.4	-9.1	-0.8	-5.4	-8.3	7.1	-2.4	-4.2	5.1	-13.2
ASEAN4 ³	<9.5>	24.0	-8.1	-2.3	-1.7	-5.0	-6.8	0.2	-0.6	1.9	-0.4
Thailand	<2.8>	19.0	-4.0	1.6	-5.1	-4.7	-0.9	1.7	-0.2	0.9	-1.0
Real exports		14.1	-9.1	0.2	-4.6	-4.9	-4.0	-1.7	1.7	0.7	-8.7

(2) Breakdown by type of goods

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2000	2001	2000 Q4	2001 Q1	Q2	Q3	Q4	2001 Oct.	Nov.	Dec.
Intermediate goods	<14.1>	5.3	-3.6	0.8	-1.8	-4.8	-0.8	3.9	3.5	-0.1	-4.6
Motor vehicles and their related goods	<20.2>	9.2	0.1	-1.1	-7.8	3.5	5.2	0.1	4.5	2.4	-10.7
Consumer goods ⁴	<7.0>	13.0	-6.3	2.6	-6.0	-0.4	-2.7	-3.5	-6.1	7.7	-16.1
IT-related goods ⁵	<18.8>	25.2	-12.0	5.9	-5.7	-6.4	-9.5	-5.3	-3.7	6.5	-12.9
Capital goods and parts ⁶	<29.7>	21.1	-15.0	-3.3	-3.2	-10.2	-6.9	-4.1	-4.3	5.2	-8.8
Real exports		14.1	-9.1	0.2	-4.6	-4.9	-4.0	-1.7	1.7	0.7	-8.7

Notes: 1. Seasonally adjusted by X-11.

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

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

4. Excluding motor vehicles.

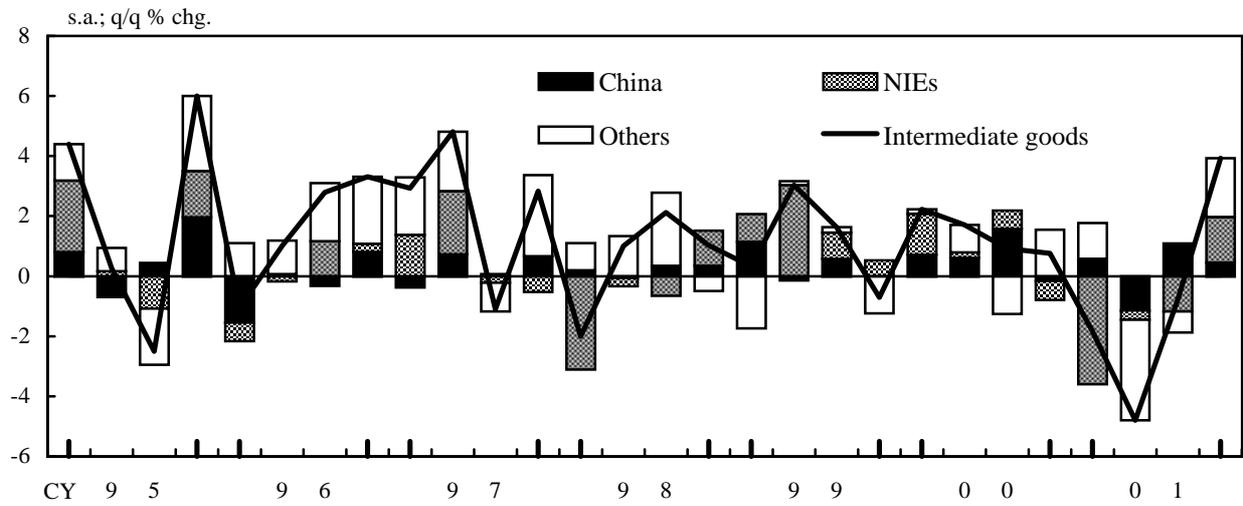
5. IT-related goods = automatic data processing machinery + telecommunication machinery + ICs + scientific, medical and optical instruments.

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

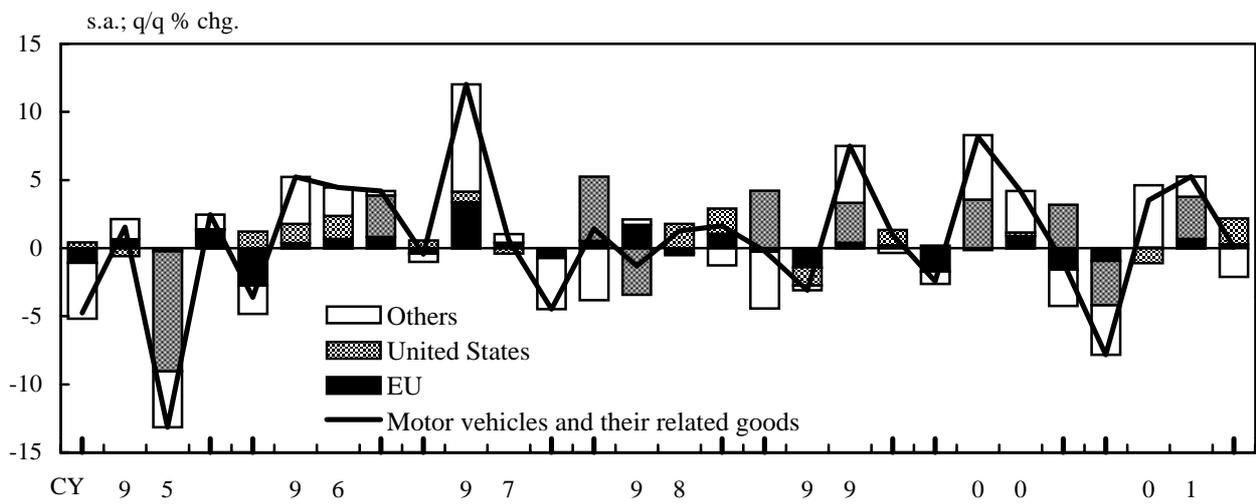
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Wholesale Price Indexes."

Real Exports (2)

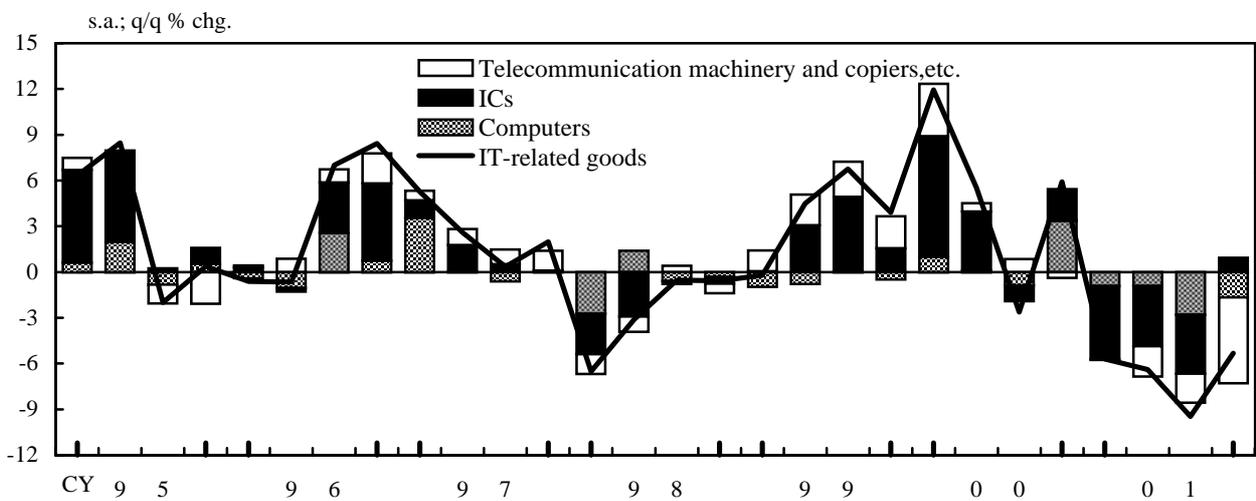
(1) Intermediate goods by region



(2) Motor vehicles and their related goods by region



(3) IT-related goods by type of goods



Note: Seasonally adjusted by X-11.

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

Real Imports ¹

(1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2000	2001	2000 Q4	2001 Q1	Q2	Q3	Q4	2001 Oct.	Nov.	Dec.
United States	<19.0>	7.9	-4.5	4.8	-5.5	-0.3	-9.8	-0.8	8.5	-6.4	0.1
EU	<12.3>	8.5	3.5	4.4	2.2	-4.7	-1.3	4.0	8.5	-1.9	-2.5
East Asia	<39.6>	25.5	1.5	6.6	-1.1	-3.9	-5.6	1.6	11.9	0.1	-7.6
China	<14.5>	28.1	13.2	10.1	5.2	-1.2	-4.2	8.3	13.3	5.2	-8.3
NIEs	<12.2>	28.4	-9.7	4.4	-5.2	-9.7	-7.5	-6.3	9.2	-3.6	-5.8
Taiwan	<4.7>	43.6	-13.1	8.1	-7.6	-12.7	-12.6	-1.4	17.5	-7.8	-2.1
Korea	<5.4>	22.5	-7.7	2.4	-2.6	-7.2	-7.3	-5.3	7.8	-3.6	-7.7
ASEAN4 ³	<12.8>	20.2	0.0	5.0	-3.8	-1.4	-5.5	0.3	12.4	-3.1	-8.0
Thailand	<2.8>	19.3	5.9	8.9	-4.1	4.3	-6.0	3.5	8.7	1.5	-4.1
Real imports		13.3	-1.1	5.0	-3.3	-1.5	-4.7	1.0	8.2	0.6	-6.3

(2) Breakdown by type of goods

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2000	2001	2000 Q4	2001 Q1	Q2	Q3	Q4	2001 Oct.	Nov.	Dec.
Raw materials ⁴	<26.8>	1.7	-4.9	0.6	-1.7	-2.1	-3.0	-2.1	6.6	-0.3	-8.4
Intermediate goods	<13.0>	8.2	-0.3	5.7	0.3	-3.8	-3.9	-0.7	7.8	-2.5	-3.4
Foodstuffs	<12.1>	5.3	-1.7	2.4	-2.3	-1.1	-3.4	7.4	9.7	3.5	-5.2
Consumer goods	<10.5>	21.4	5.8	9.3	-2.7	1.3	-2.9	3.3	11.7	-3.3	-7.2
IT-related goods ⁵	<16.1>	43.9	-2.5	7.3	-5.0	-6.1	-13.0	3.4	7.5	4.7	-3.4
Capital goods and parts ⁶	<11.5>	12.4	3.2	7.6	-3.7	-0.3	-4.4	-1.9	8.4	-3.4	-8.4
excluding aircraft		21.5	6.0	8.9	0.5	-0.9	-7.2	-0.3	13.7	-2.4	-5.6
Real imports		13.3	-1.1	5.0	-3.3	-1.5	-4.7	1.0	8.2	0.6	-6.3

Notes: 1. Seasonally adjusted by X-11.

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

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

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

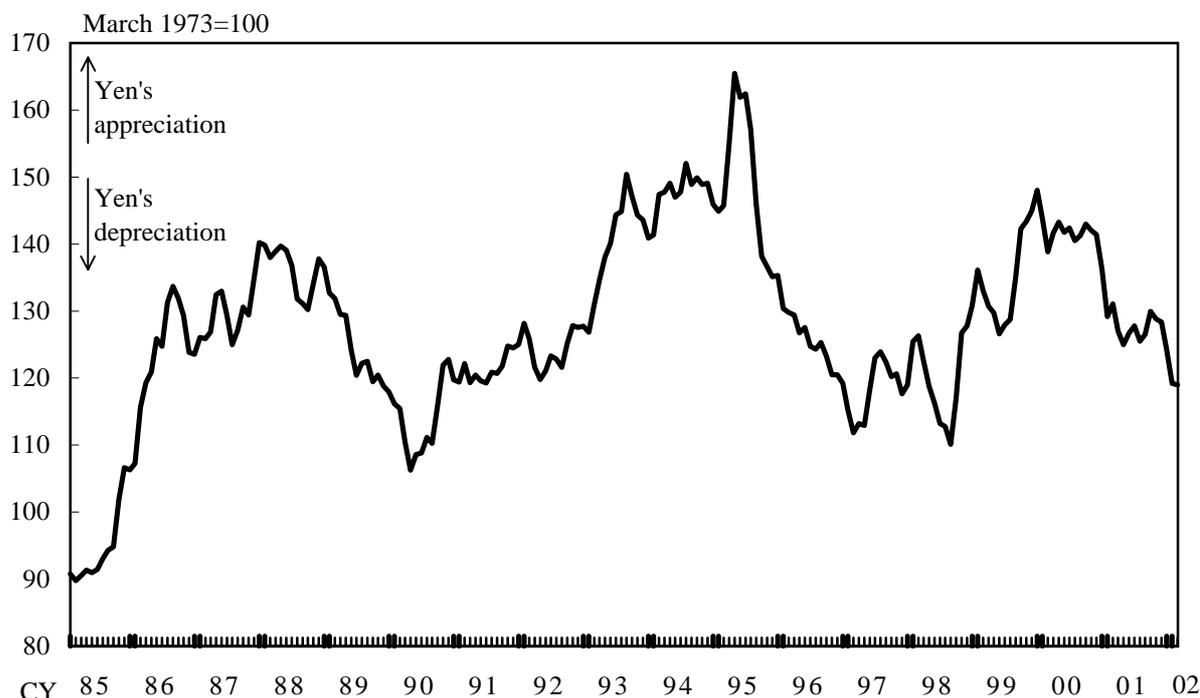
5. IT-related goods = office machinery + telecommunication machinery + ICs + scientific, medical and optical instruments.

6. Excluding IT-related goods.

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

Exporting Conditions (1)

(1) Real Effective Exchange Rate



Notes: 1. Monthly average. Figure for February 2002 is the average of February 1-7. Calculated by the Bank of Japan.

Figures are the index of weighted average of the yen's real exchange rates versus 15 major currencies (26 countries) which are calculated from exchange rates and price indexes of the respective countries.

2. The Bank of Japan has changed the calculation method of the real effective exchange rate (for a detailed explanation see; <http://www.boj.or.jp/en/siryoy/exp/exrate.htm>).

(2) Real GDP Growth Rates in Overseas Economies

		CY99	2000	2001	2001 Q1	Q2	Q3	Q4	
United States ¹		4.1	4.1	1.1	1.3	0.3	-1.3	0.2	
European Union ¹		2.6	3.3	n.a.	2.2	0.5	0.7	n.a.	
Germany ³		1.8	3.0	0.6	1.6	-0.1	-0.6	n.a.	
France		3.0	3.5	n.a.	1.7	0.8	1.8	n.a.	
United Kingdom		2.1	3.0	2.4	2.9	2.0	1.8	1.0	
East Asia ²	China	7.1	8.0	7.3	8.1	(Jan-Jun) 7.9	(Jan-Sep) 7.6	(Jan-Dec) 7.3	
	NIEs	Korea	10.9	8.8	n.a.	3.7	2.7	1.8	n.a.
		Taiwan	5.4	5.9	n.a.	0.9	-2.4	-4.2	n.a.
		Hong Kong	3.0	10.5	n.a.	2.2	0.8	-0.3	n.a.
		Singapore	5.9	9.9	-2.2	4.8	-0.4	-5.5	-7.0
	ASEAN ⁴	Thailand	4.2	4.4	n.a.	1.8	1.9	1.5	n.a.
		Indonesia	0.8	4.8	n.a.	3.1	3.3	3.5	n.a.
Malaysia		6.1	8.3	n.a.	3.1	0.5	-1.3	n.a.	
Philippines		3.4	4.0	3.4	3.2	3.2	3.3	3.8	

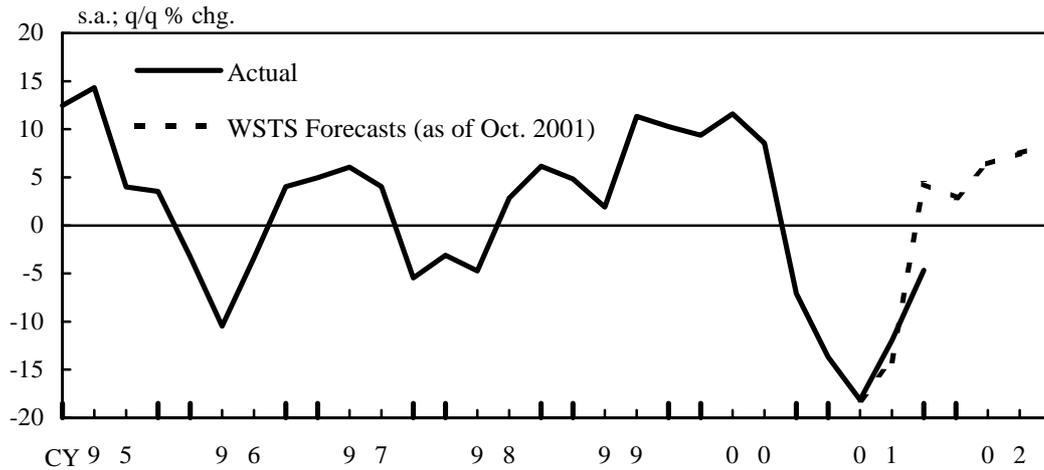
Notes: 1. Quarterly data are quarter-to-quarter percent changes at annual rate.

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

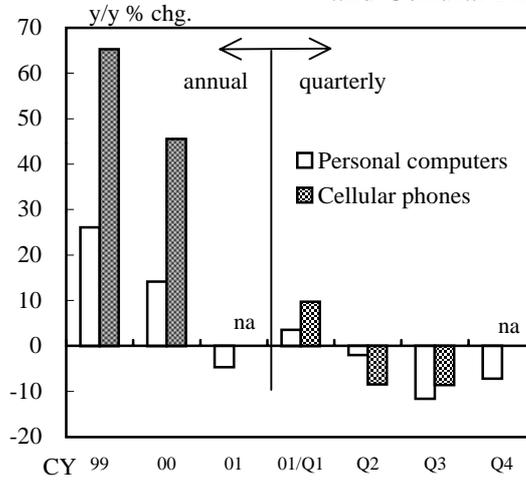
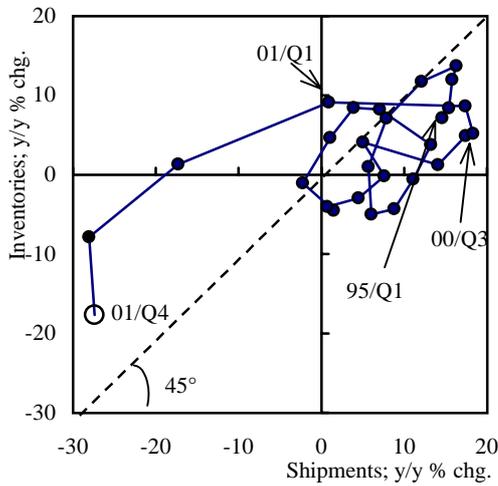
3. Figure for CY 2001 is preliminary estimate.

Exporting Conditions (2)

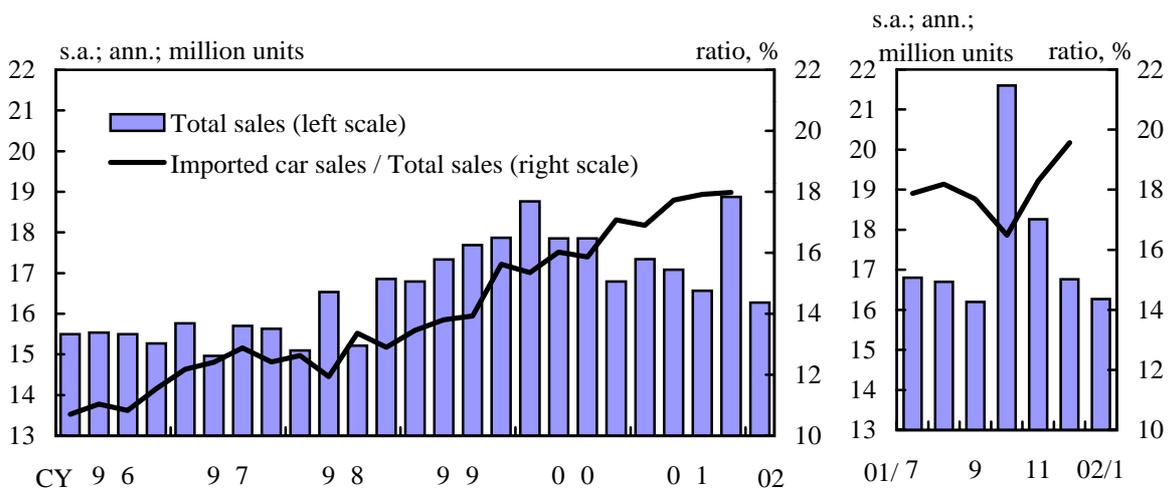
(1) World Semiconductor Shipments ¹



(2) Inventory Cycle for U.S. Computers and Electronic Products ² (3) World Shipments of Personal Computers and Cellular Phones



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



Notes: 1. Actual figures are on a real basis deflated by U.S. PPI electronic devices. Forecasts are on a nominal basis. Seasonally adjusted by X-11.

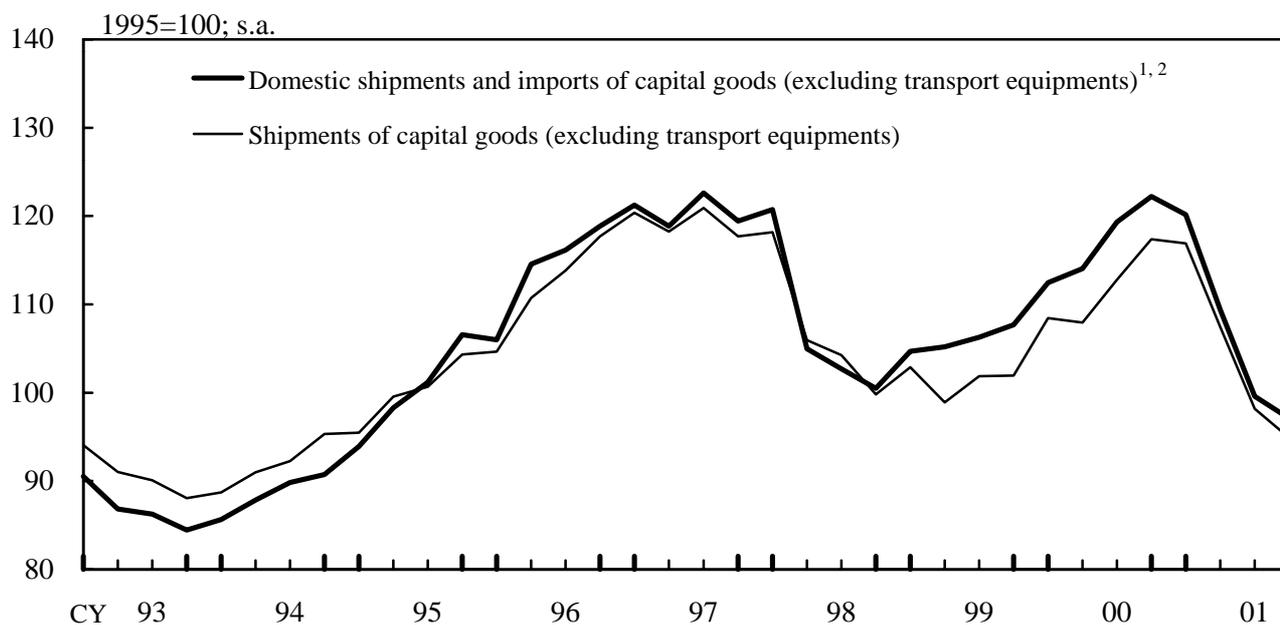
2. A way of reading figure (2) is shown in Chart 12.

3. 2002/Q1 figures are January figures, which are calculated by adding Heavy Trucks (CY 2001 average 0.45 mil.) to preliminary estimates of New Car Sales (SAAR 15.82 mil.).

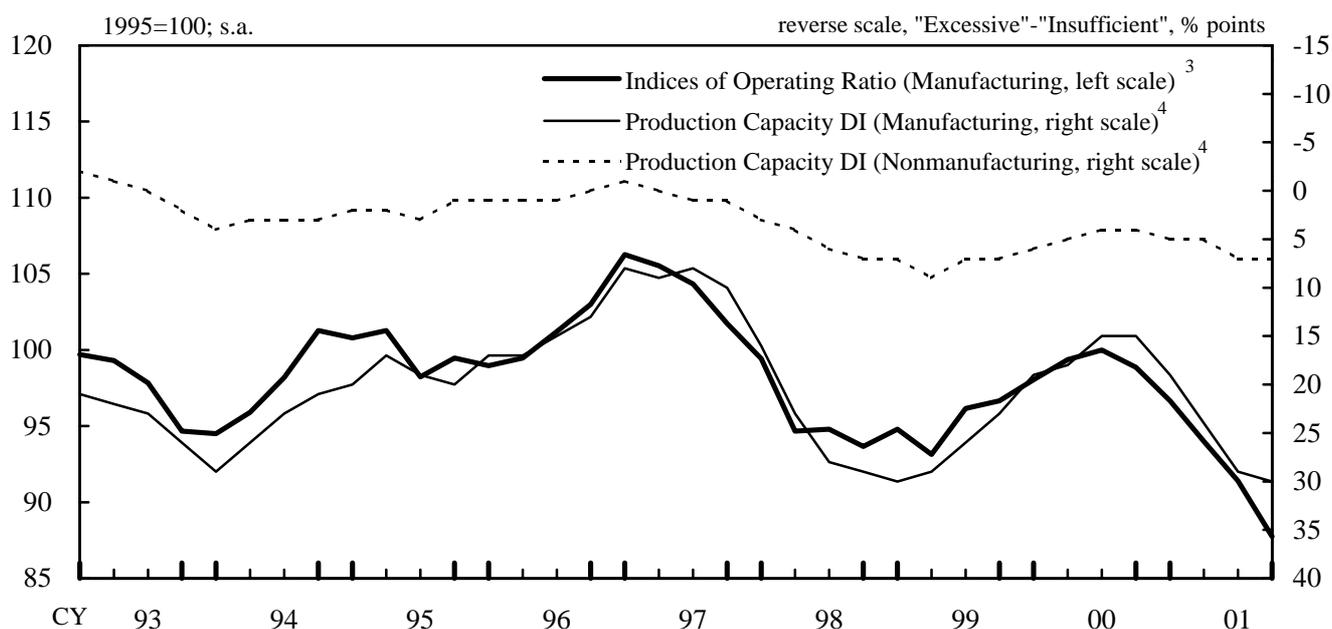
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Wholesale Price Indexes"; WSTS (World Semiconductor Trade Statistics), "Semiconductor Forecasts"; Gartner Group Press Releases; IDC Press Releases; CEIC Data Company.

Indicators for Business Fixed Investment (1)

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



(2) Indices of Operating Ratio and Production Capacity DI



Notes: 1. The figure for 2001/Q4 of "Domestic shipments" is calculated using Indices of Industrial Production and real exports (see chart 4).

2. The figure for 2001/Q4 of "Domestic shipments and imports of capital goods (excluding transport equipments)" is calculated from the weighted average of the quarterly changes in "Imports" based on real imports and "Domestic shipments."

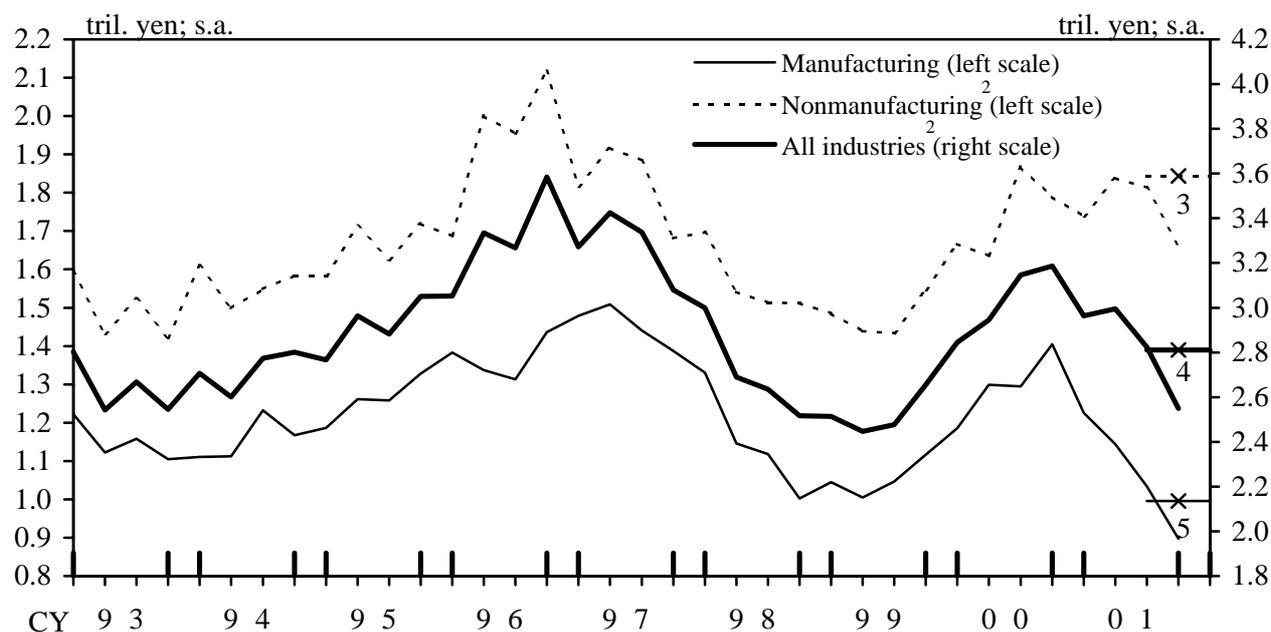
3. The figure for 2001/Q4 is that of Oct.-Nov. average.

4. All enterprises.

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

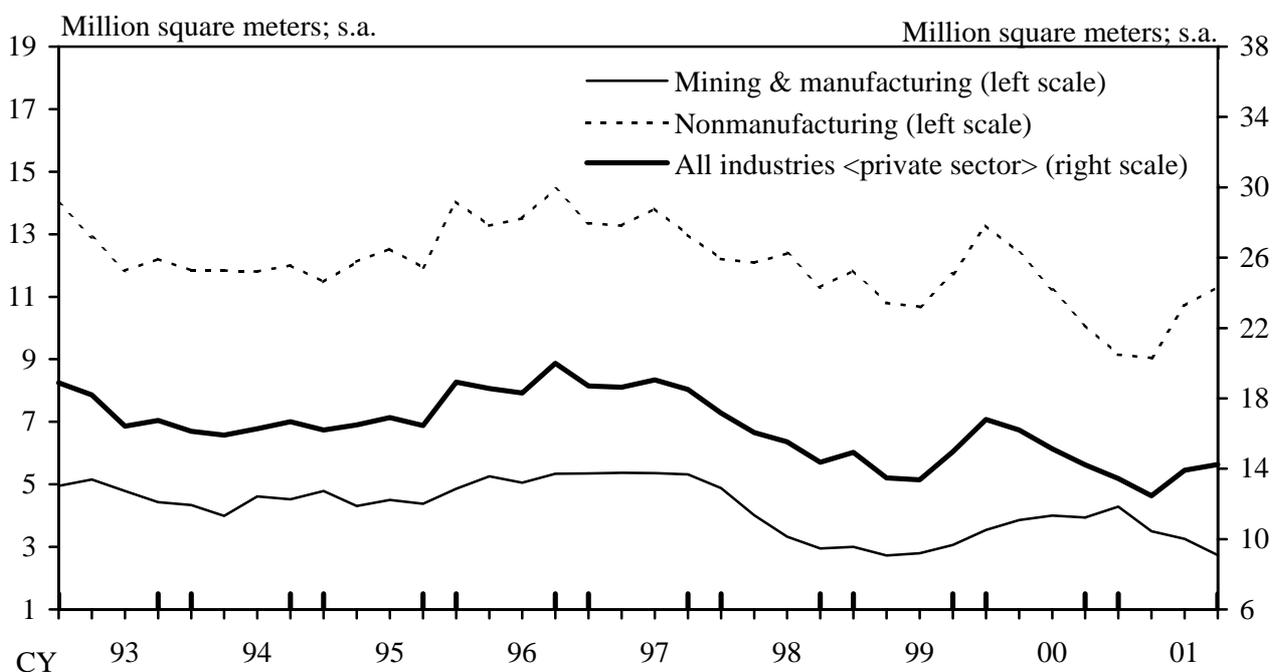
Indicators for Business Fixed Investment (2)

(1) Machinery Orders



- Notes: 1. Figures for 2001/Q4 are averages of October and November in terms of quarterly amount.
 2. Excludes orders from electric power companies and shipbuilding orders.
 3. Forecast of nonmanufacturing industries for 2001/Q4.
 4. Forecast of all industries for 2001/Q4.
 5. Forecast of manufacturing industries for 2001/Q4.

(2) Construction Starts (Nonresidential)

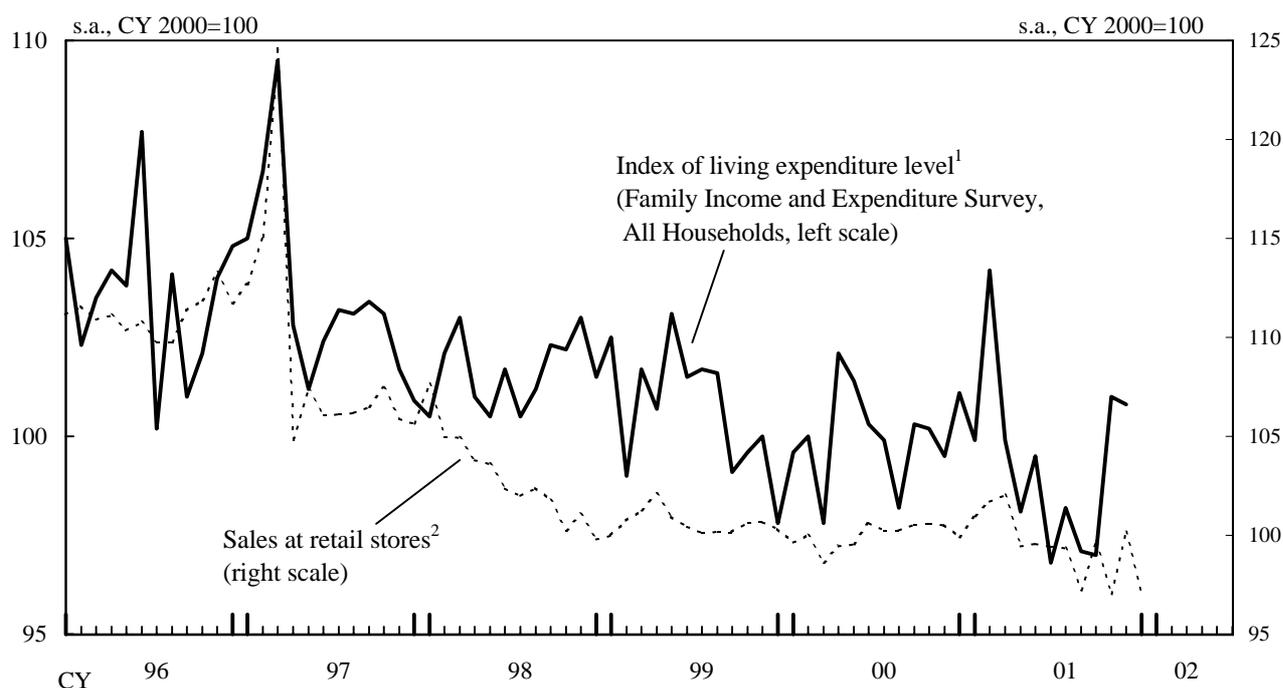


Note: Seasonally adjusted by X-12-ARIMA (β version).

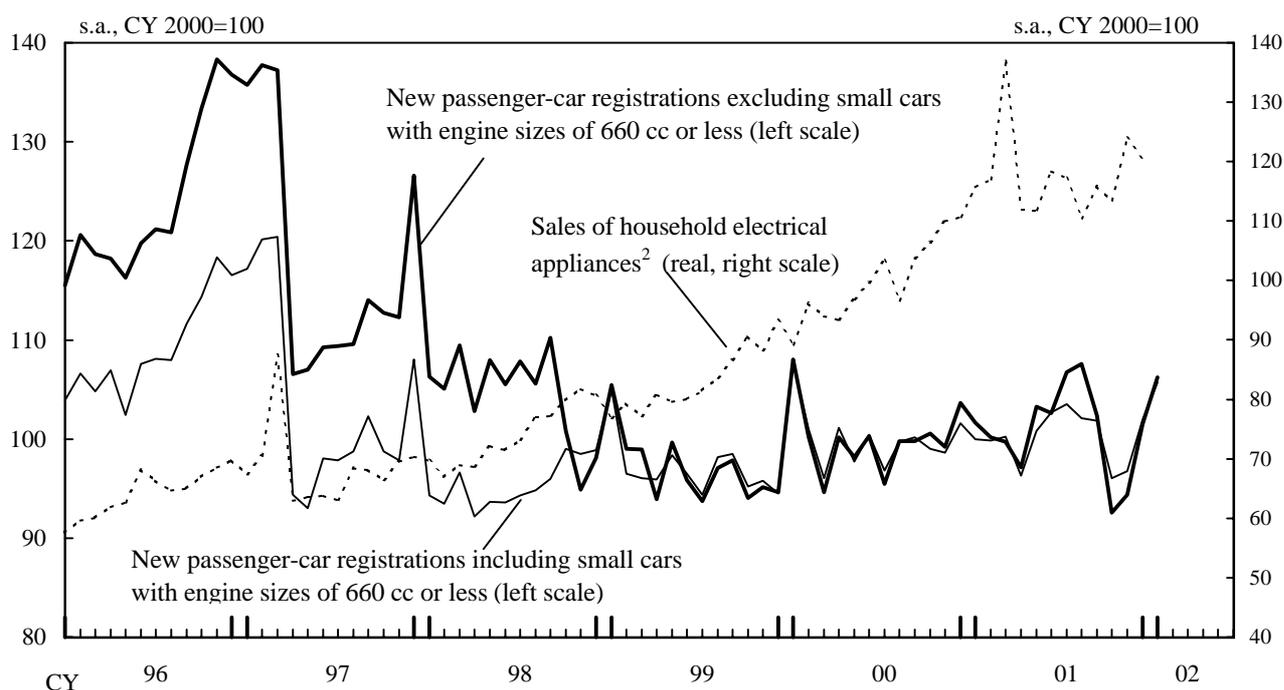
Sources: Cabinet Office, "Machinery Orders Statistics";
 Ministry of Land, Infrastructure and Transport, "Statistics Building Construction Starts."

Private Consumption¹ (1)

(1) Household Spending

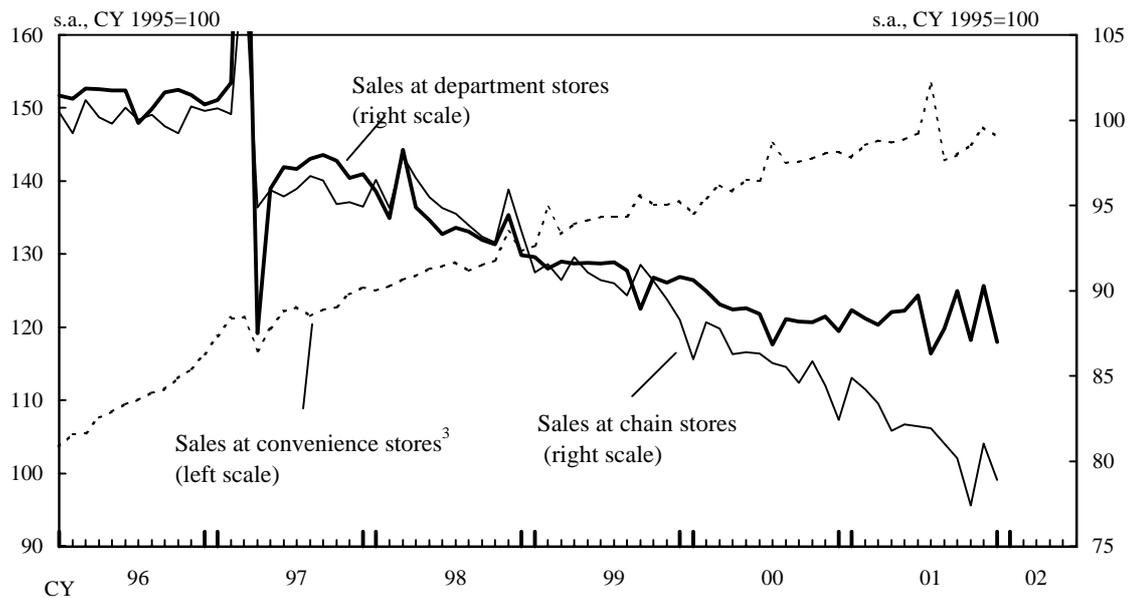
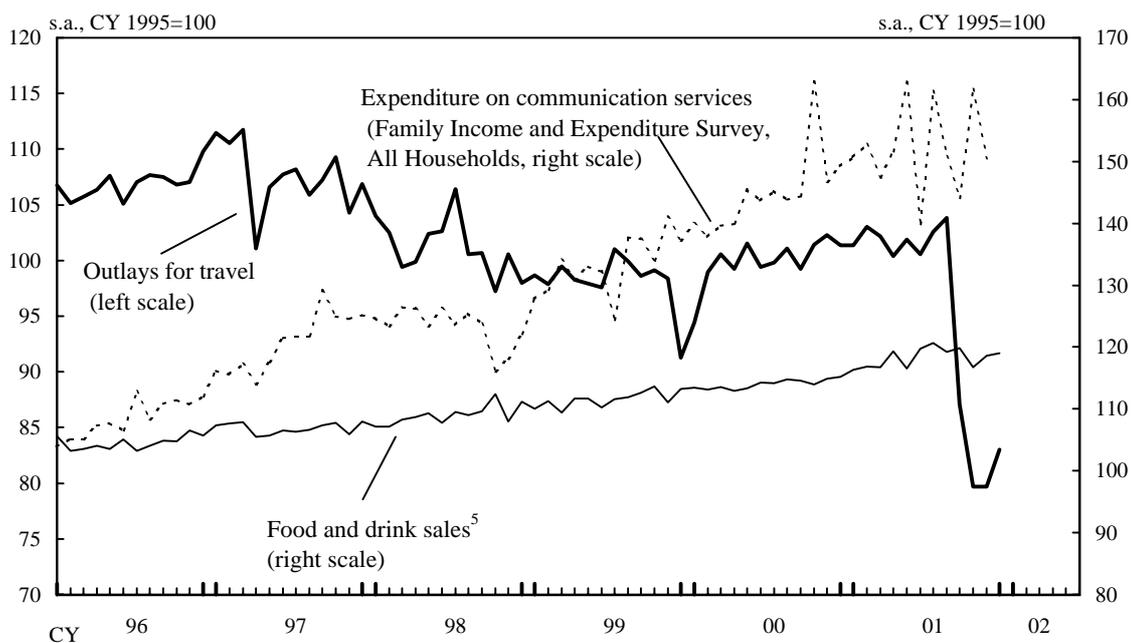


(2) Sales of Durable Goods



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

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

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

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

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

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

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

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

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

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

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

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

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

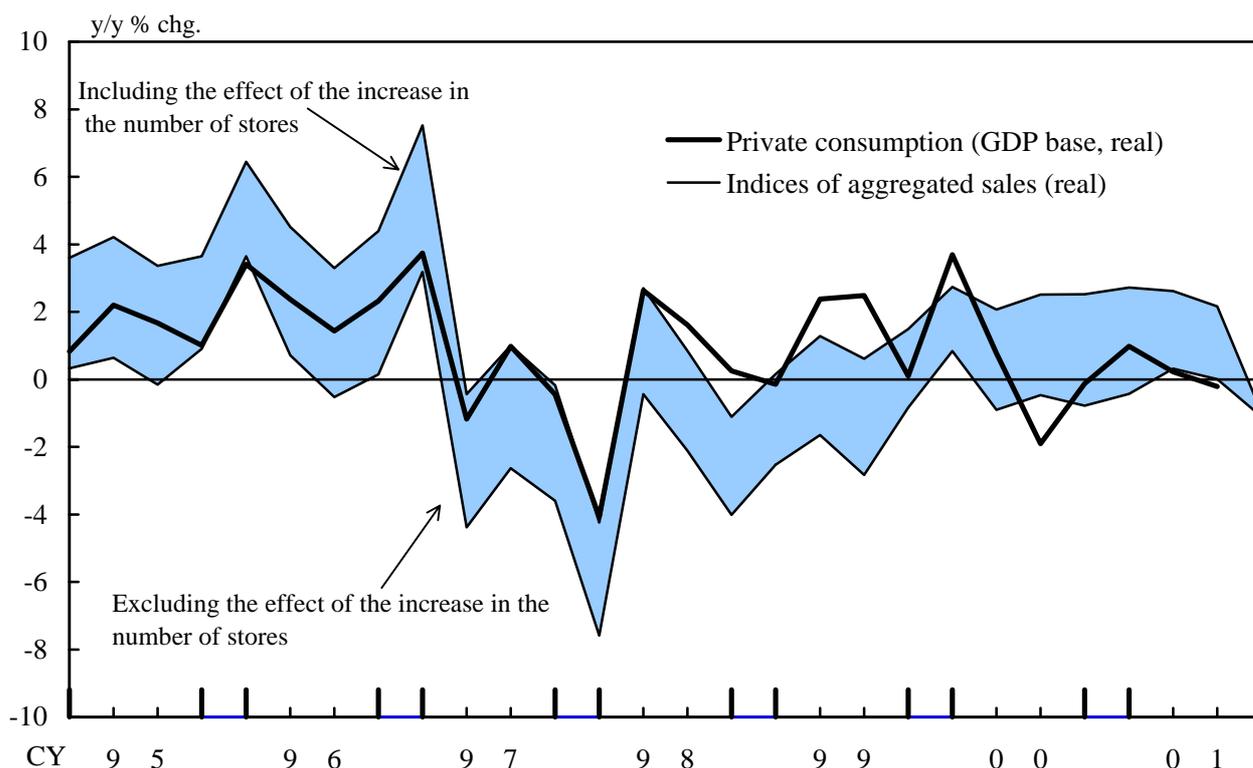
Japan Chain Stores Association, "Sales at Chain Stores";

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

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

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

Private Consumption (3)

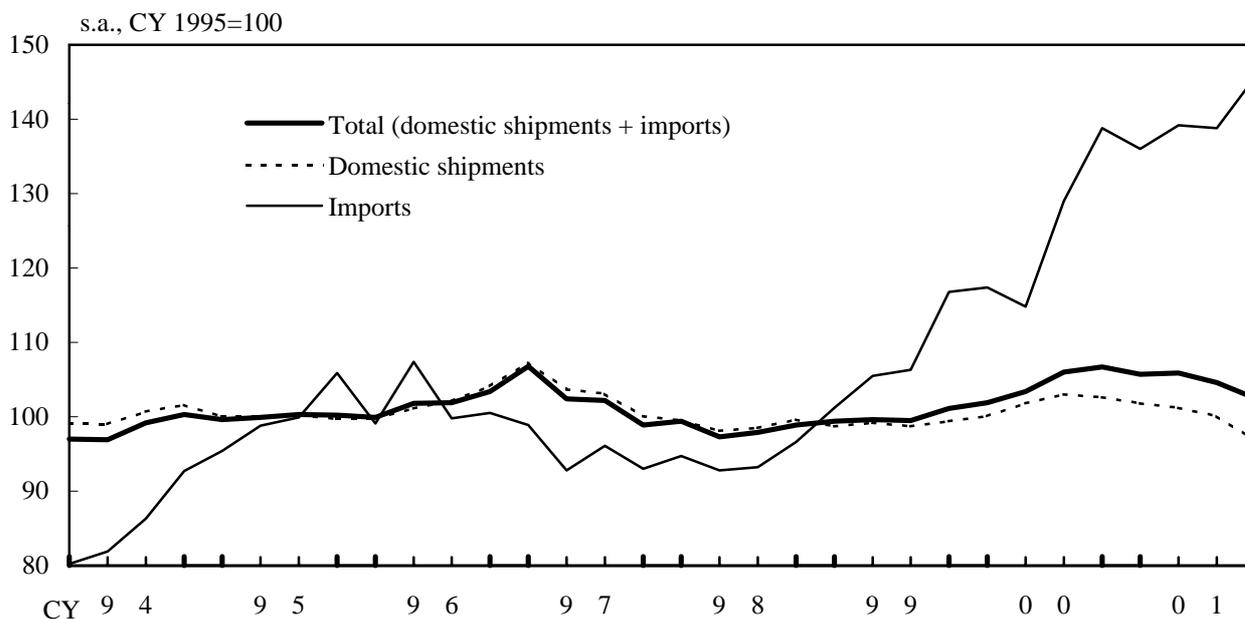


- Notes: 1. Indices of aggregated sales are the weighted sum of *Sales at department stores and supermarkets*; *Sales at chain stores*; *New passenger-car registrations*; *Sales of household electrical appliances*; *Outlays for travel*; and *Food and drink sales*, where the weights come from the *Family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

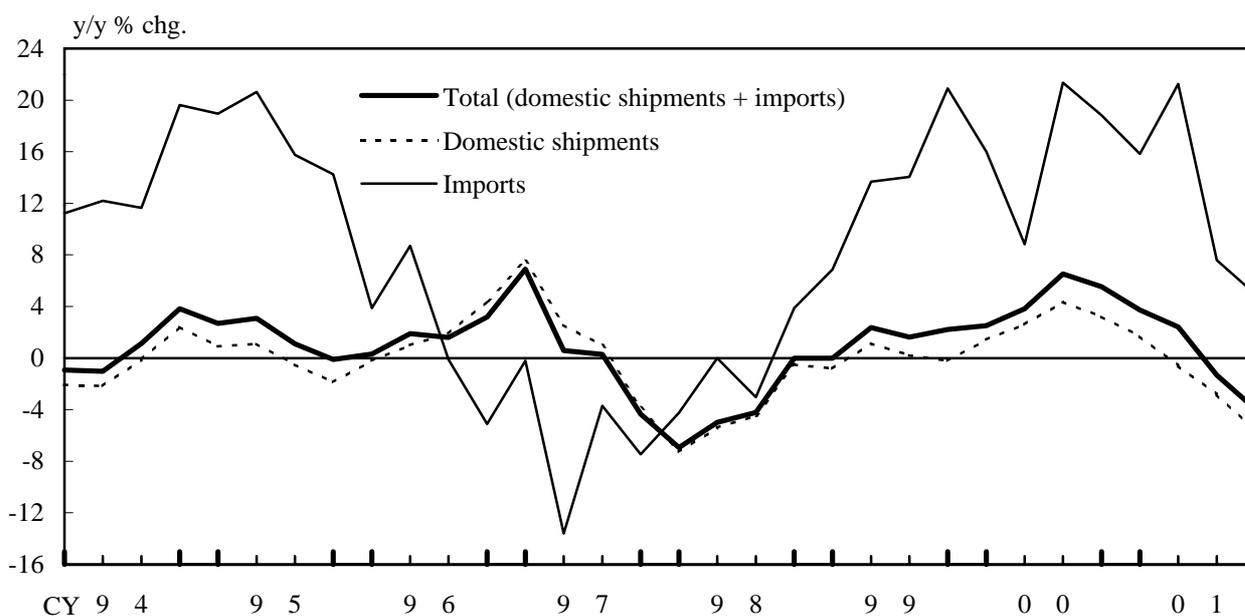
Sources: Cabinet Office, "National Accounts";
 Ministry of Economy, Trade and Industry, "Current Survey of Commerce";
 Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index,"
 "Monthly Report on the Family Income and Expenditure Survey";
 Bank of Japan, "Wholesale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

Private Consumption (4) - Estimation of consumer goods supply

(1) Level



(2) Changes from a year earlier

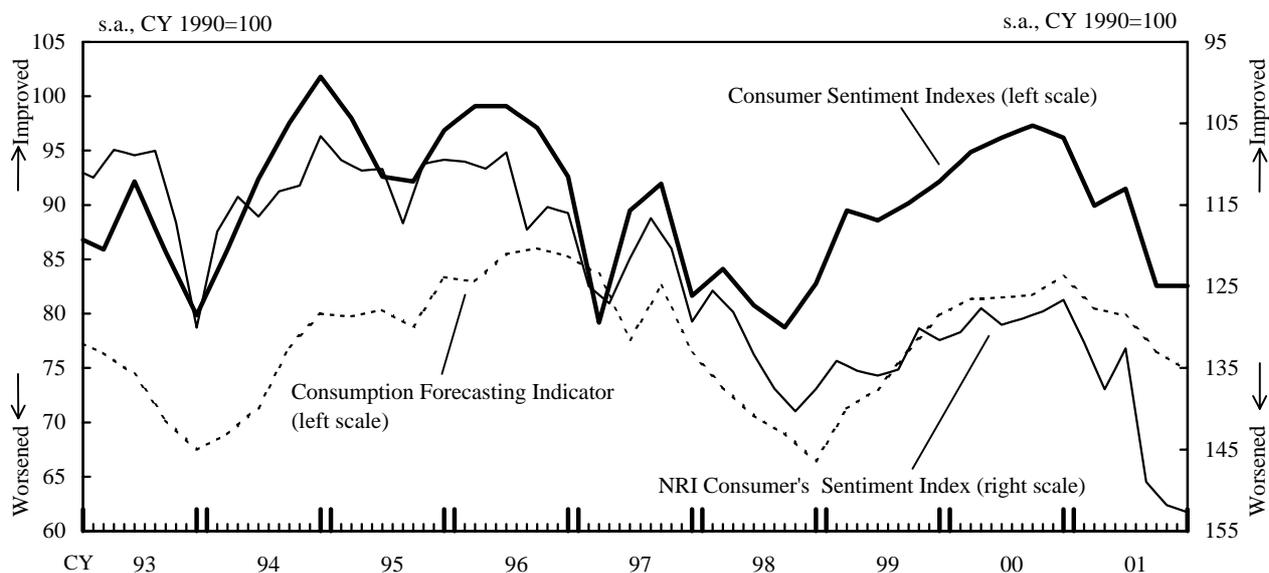


- Notes: 1. "Domestic shipments" and "Imports" are components of "consumer goods" in the *Indices of Industrial Domestic Shipments and Imports*. (The definition for "consumer goods" is the same as that in the *Indices of Industrial Production*.)
2. Figures for 2001/Q4 of "Domestic shipments" are calculated from quarterly changes of *Indices of Industrial Production* (excluding the effects of exports).
3. Figures for 2001/Q4 of "Imports" are calculated from quarterly changes of real imports.
Real imports (consumer goods) = motor vehicles + audio and visual apparatus + office machinery + foodstuffs + textiles.
4. Figures for 2001/Q4 of "Total (domestic shipments + imports)" are calculated from weighted average of the quarterly changes in "Domestic shipments" and "Imports".
5. Year-on-year changes are calculated from seasonal adjusted series.

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

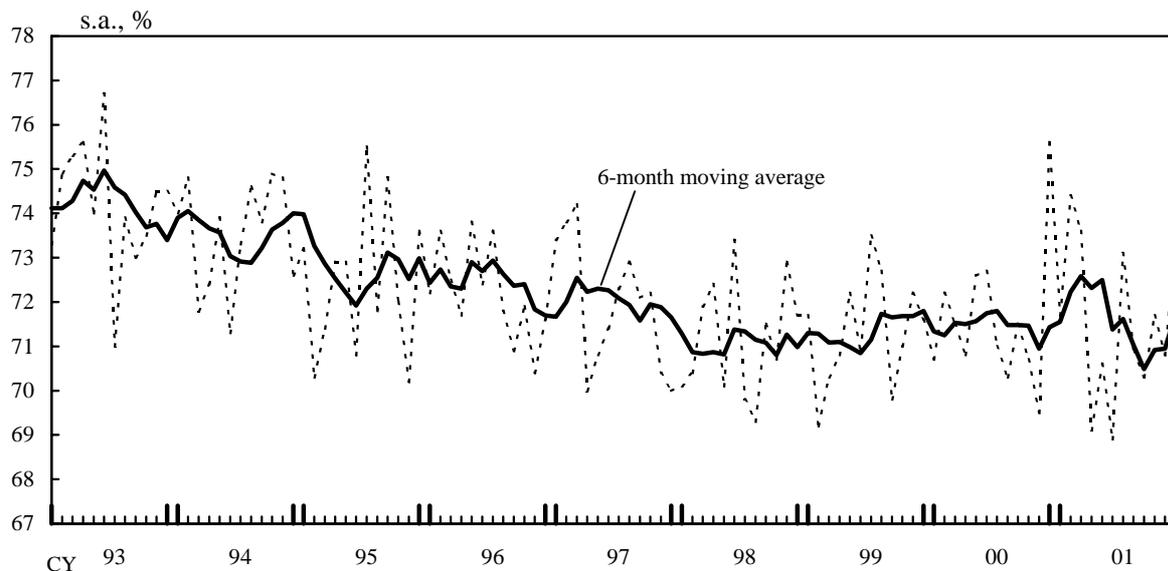
Consumer Confidence and Propensity to Consume

(1) Surveys on Consumer Confidence



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

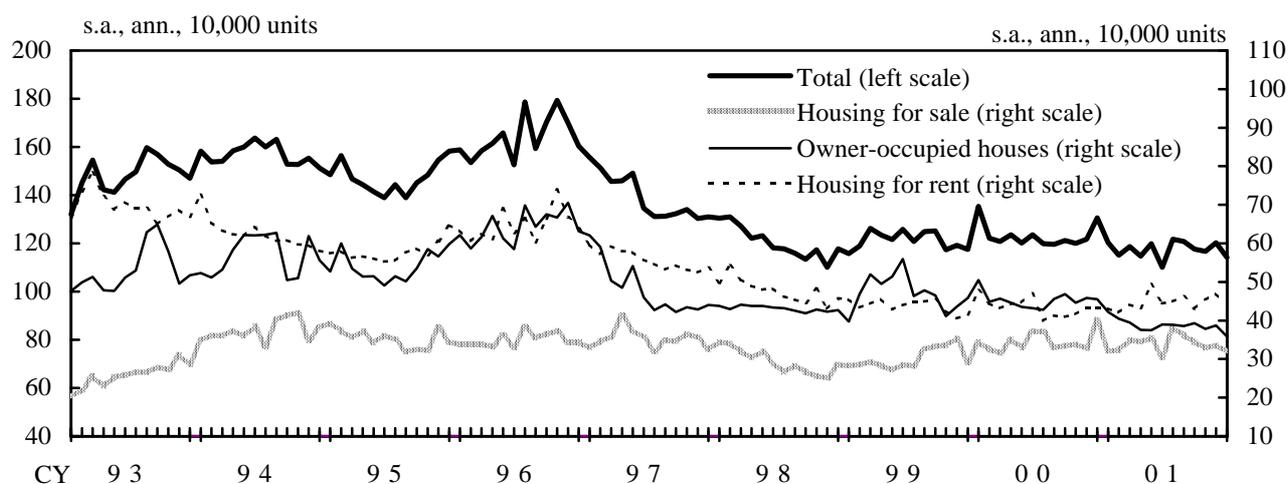
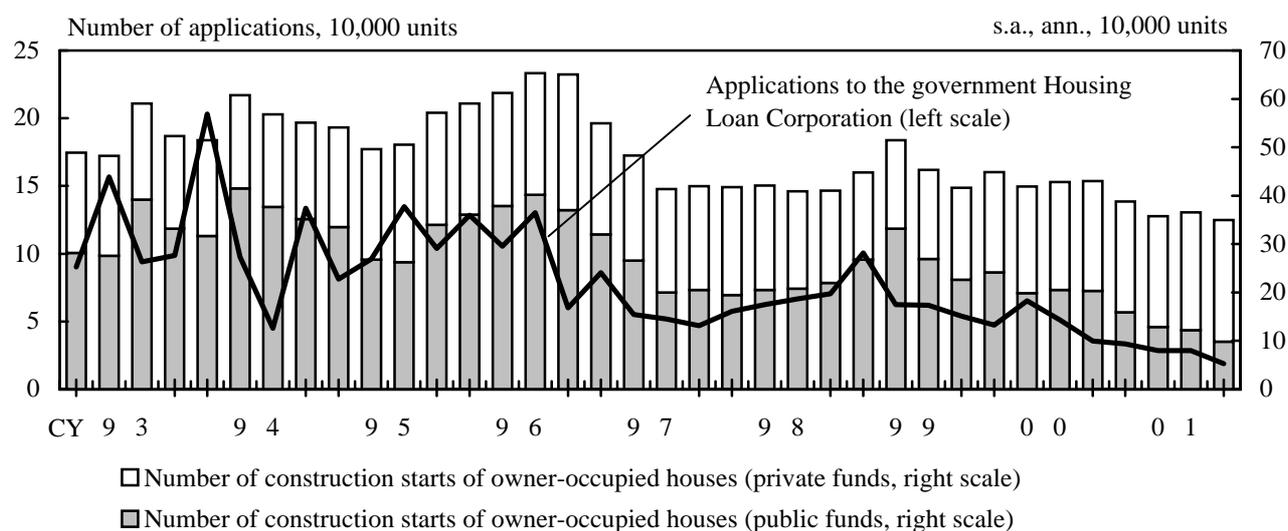
(2) Propensity to Consume (Family Income and Expenditure Survey, Workers' Households)



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

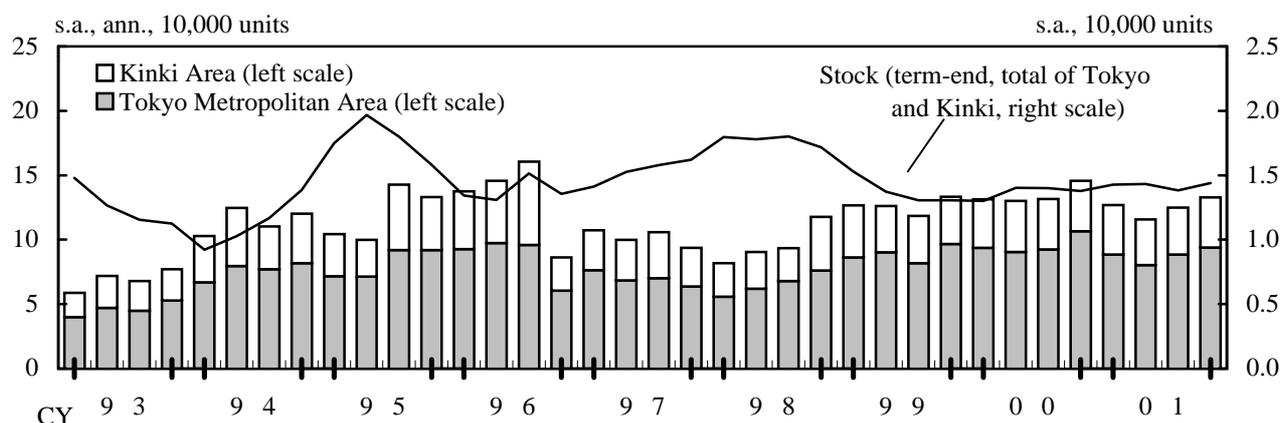
Indicators for Housing Investment

(1) Housing Starts

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

Note: The number of loan applications for the construction of private houses is divided by the number of days in the application term of each quarter.

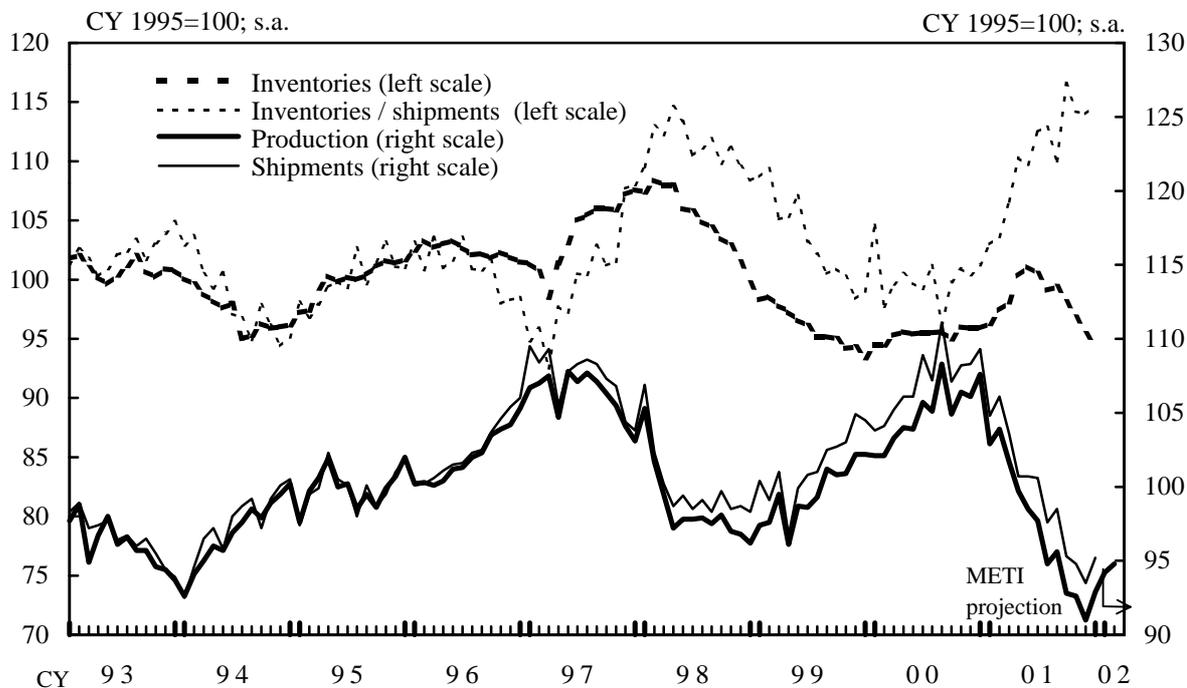
(3) Sales of Condominiums



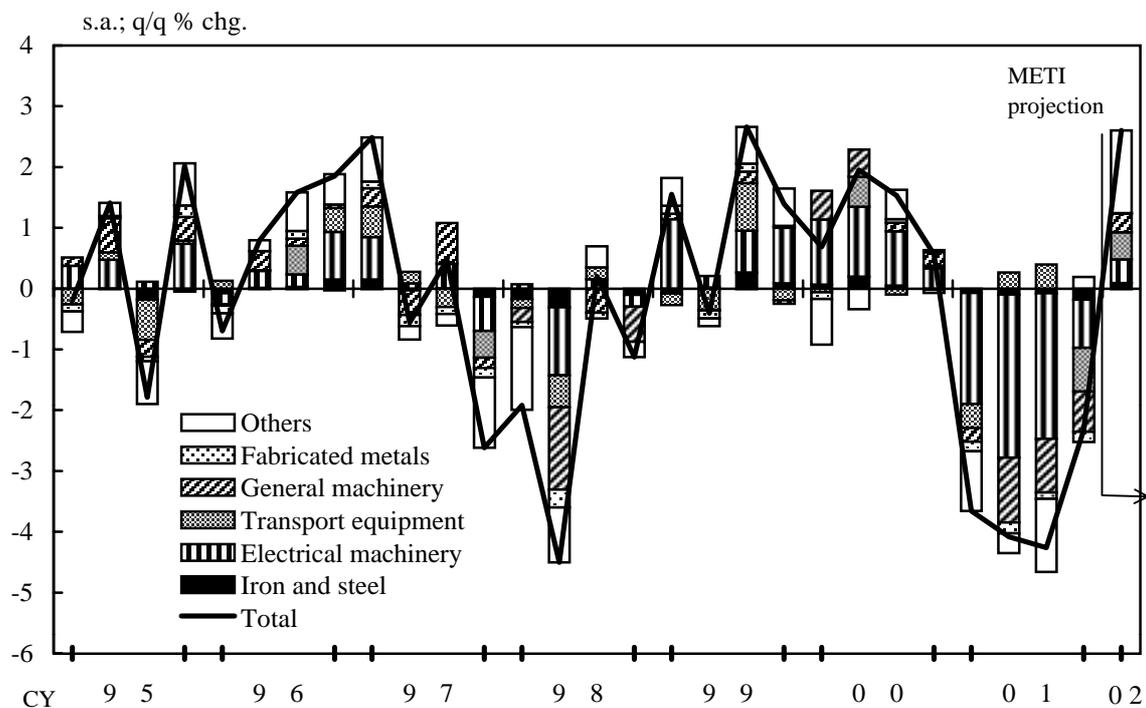
Sources: Ministry of Land, Infrastructure and Transport, "Monthly of Construction Statistics," etc.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industries

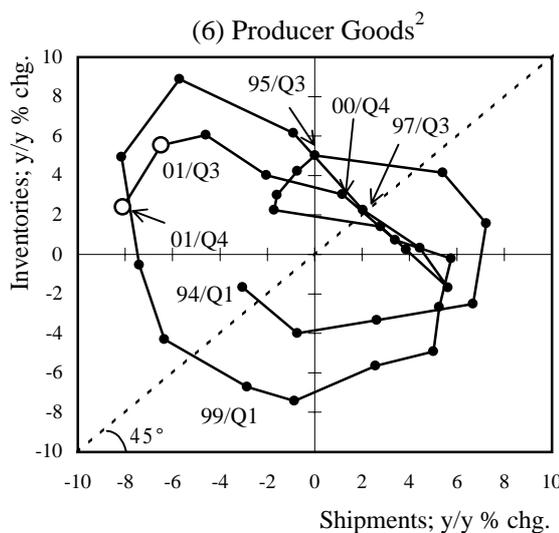
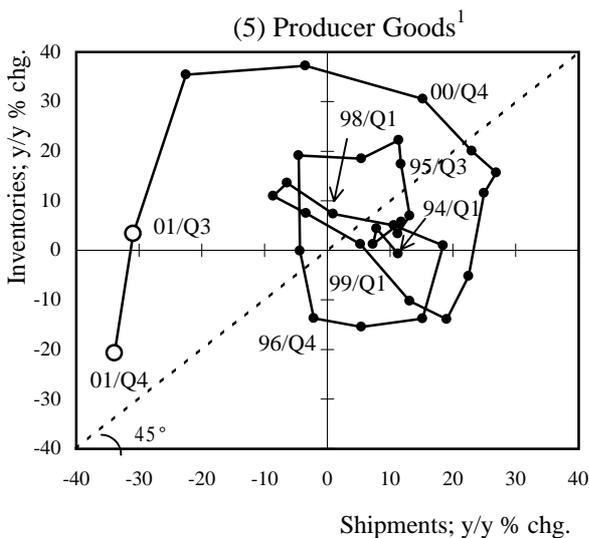
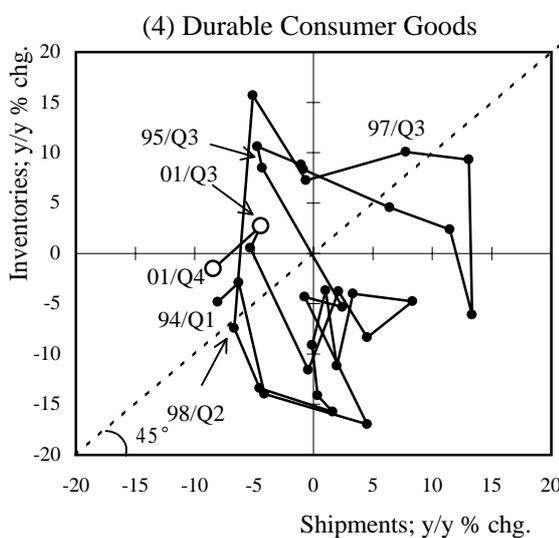
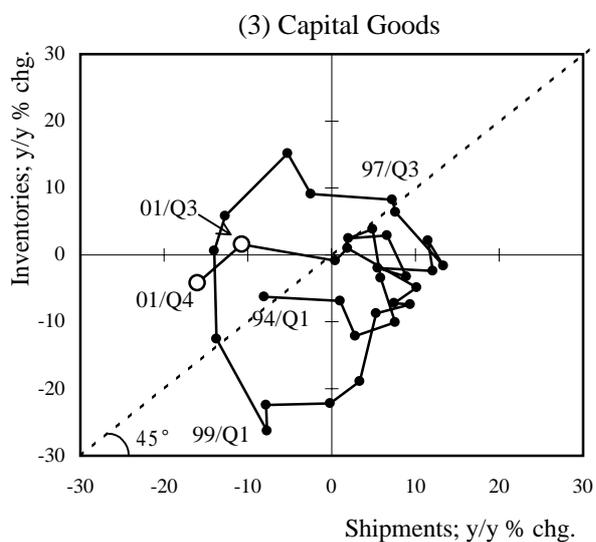
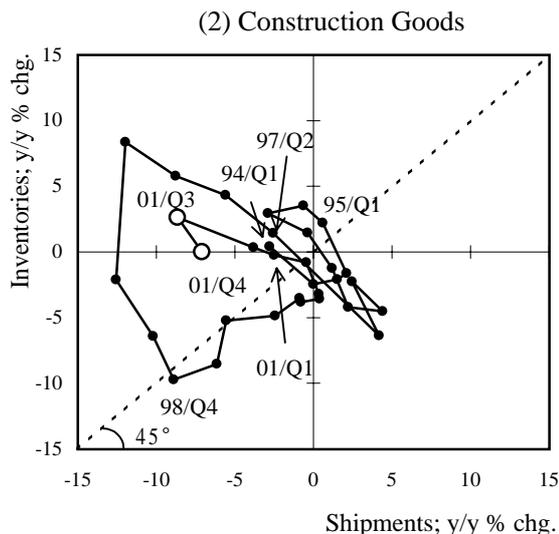
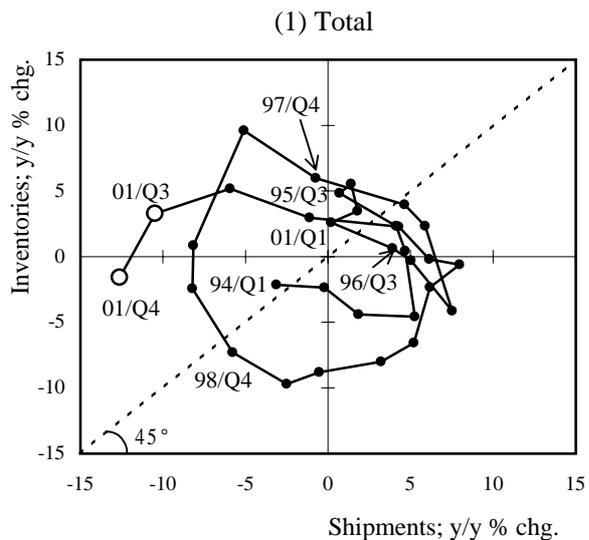


Notes: 1. Transport equipment excludes ships and rolling stock.

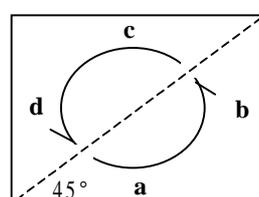
2. 2002/Q1 for METI projection is based on the assumption that production level in March is the same as that of February.

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

Inventory Cycle



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



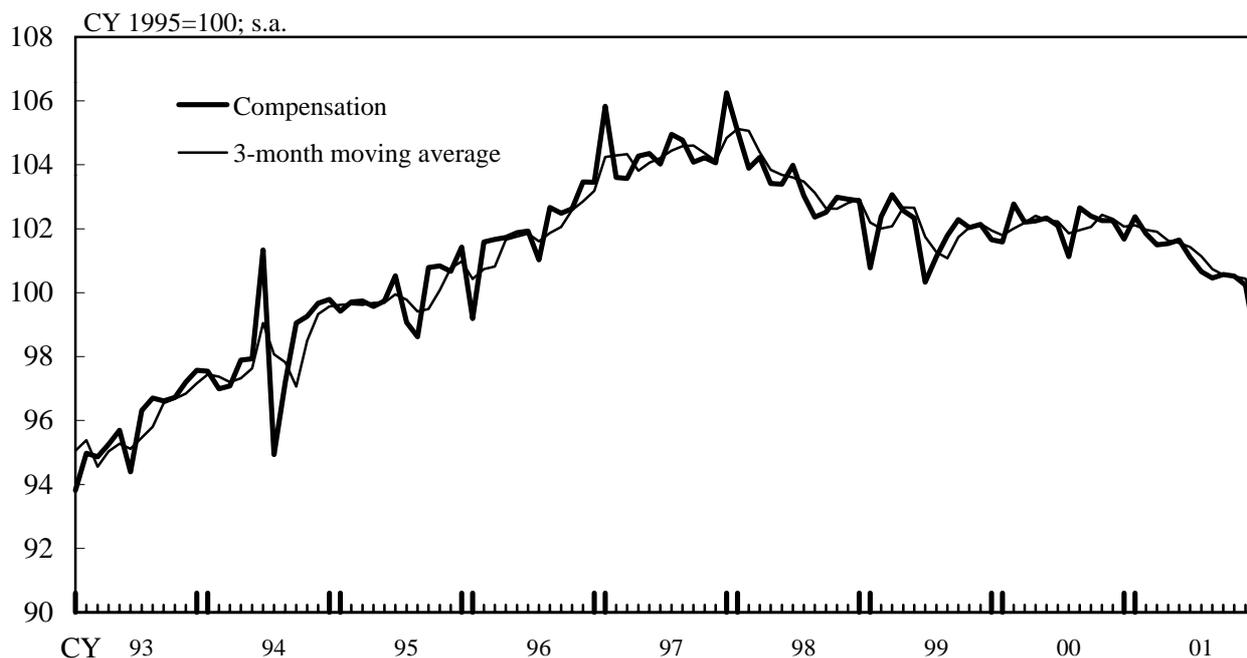
Notes: 1. Producer goods of electrical machinery.

2. Producer goods excluding electrical machinery.

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

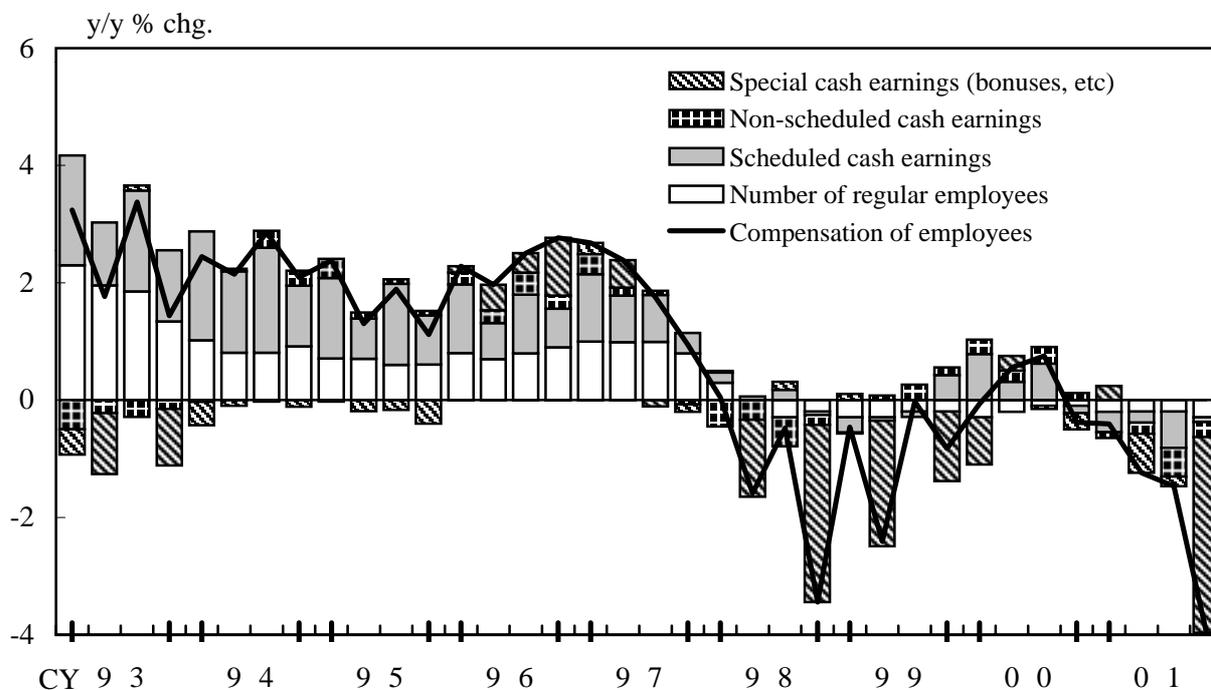
Compensation of Employees

(1) Compensation



- Notes: 1. Compensation = the index of total cash earnings \times the index of regular employees / 100 (calculated by the Bank of Japan).
 2. Seasonally adjusted by X-12-ARIMA (β version).
 3. Data for establishments with at least 5 employees. The data for Dec. 2001 are preliminary figures.

(2) Breakdown of Compensation

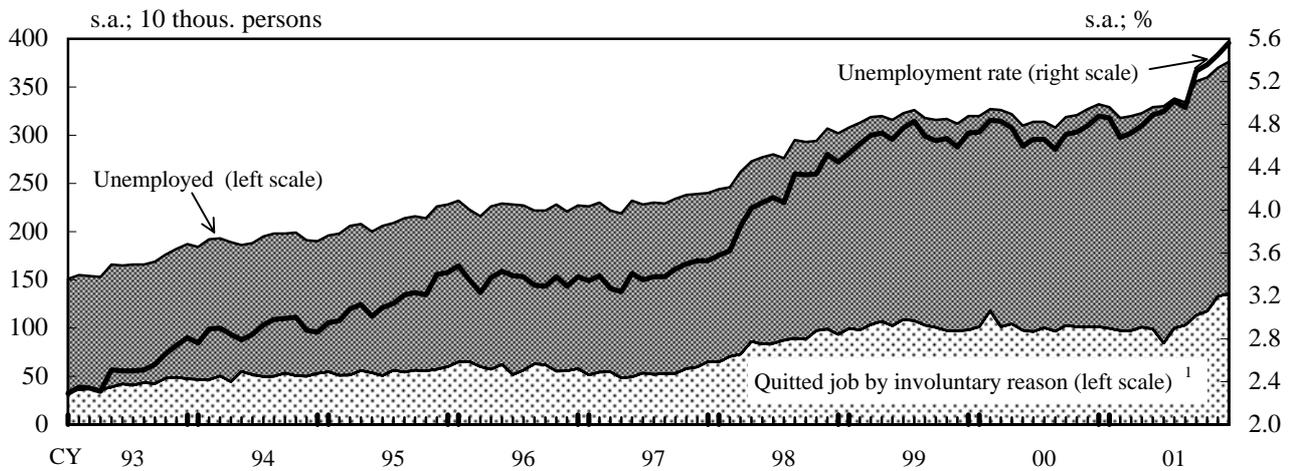


- Notes: 1. Data for establishments with at least 5 employees. The data for Dec. 2001 are preliminary figures.
 2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.
 3. Figures for 2001/Q4 are those of the Dec. 2001.

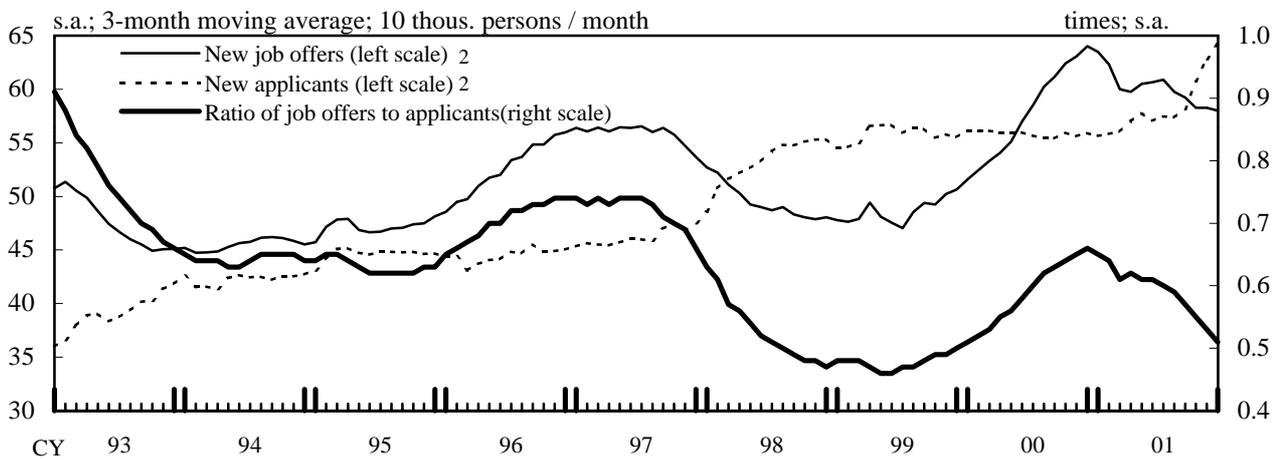
Source: Ministry of Health, Labour and Welfare, "Monthly Labour Survey."

Labor Market (1)

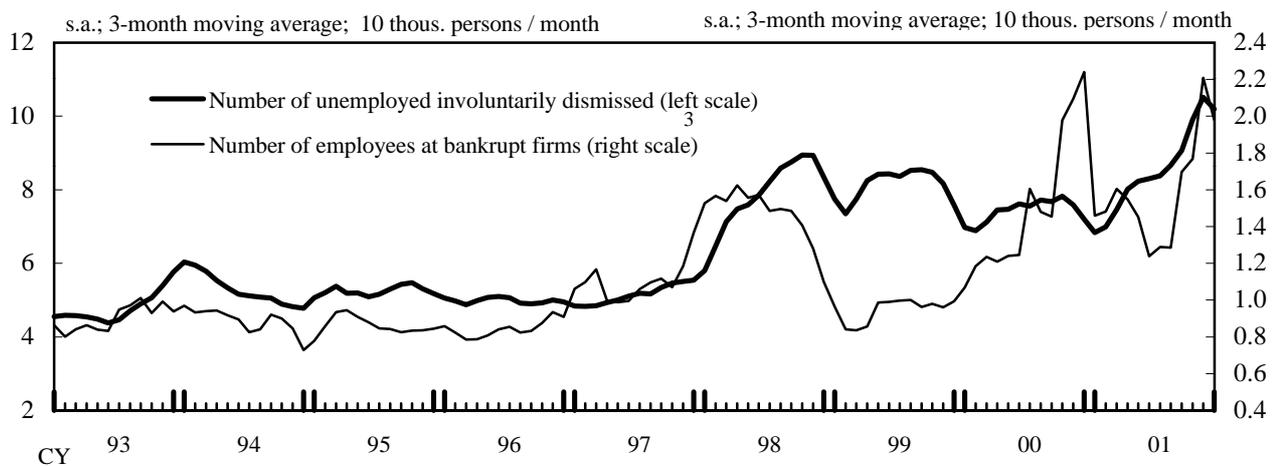
(1) The Unemployed and Unemployment Rate



(2) Ratio of Job Offers to Applicants



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



Notes: 1. Seasonally adjusted by X-11.

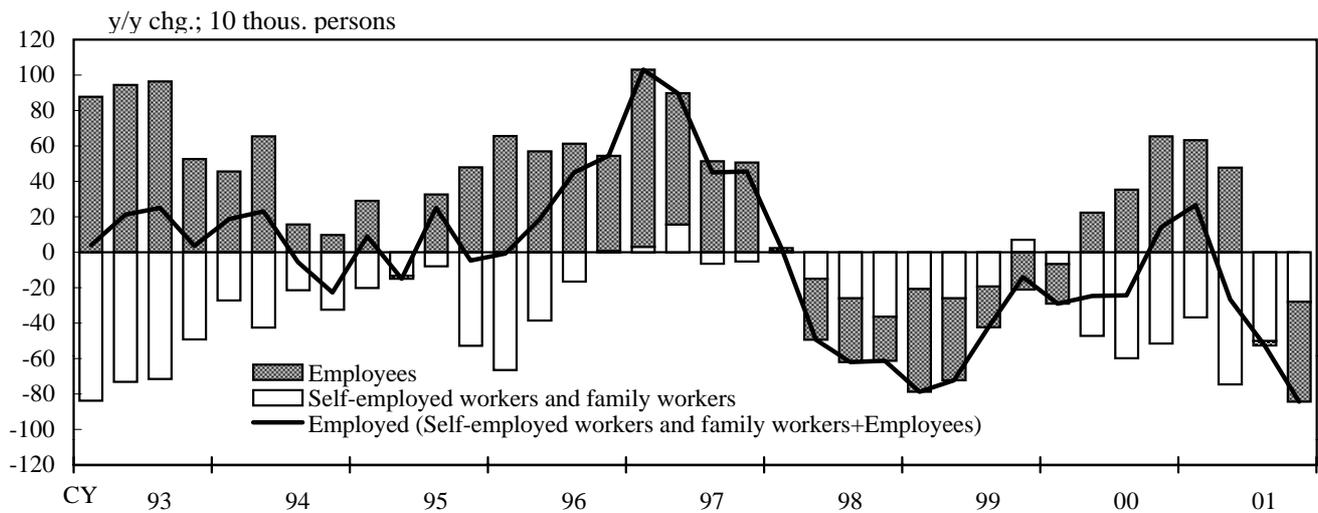
2. Exclude jobs offered to new graduates.

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

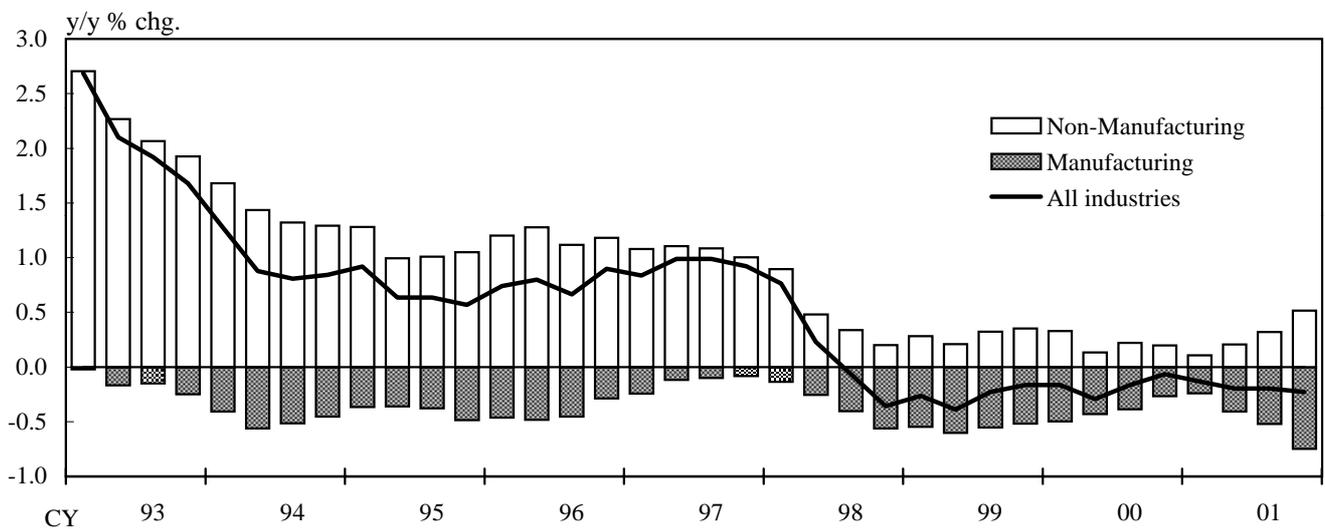
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service," "Report on Employment Insurance Service"; Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey"; Teikoku Databank Ltd., "Japan's Business Failure."

Labor Market (2)

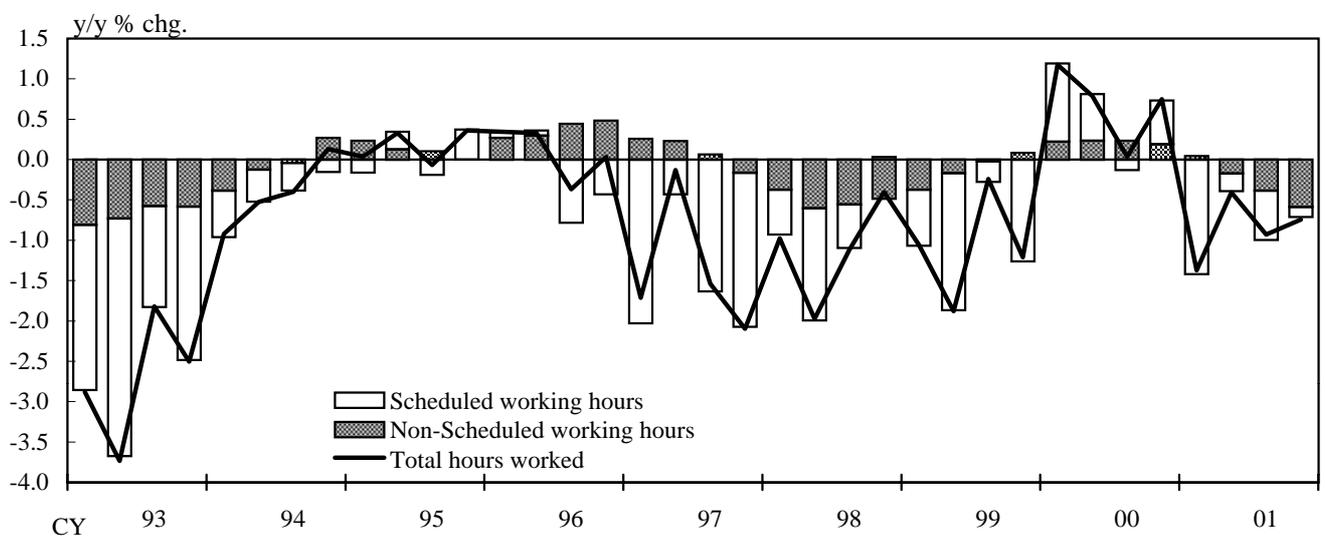
(1) The Employed (Labour Force Survey)



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



(3) Actual Hours Worked¹ (Monthly Labour Survey)

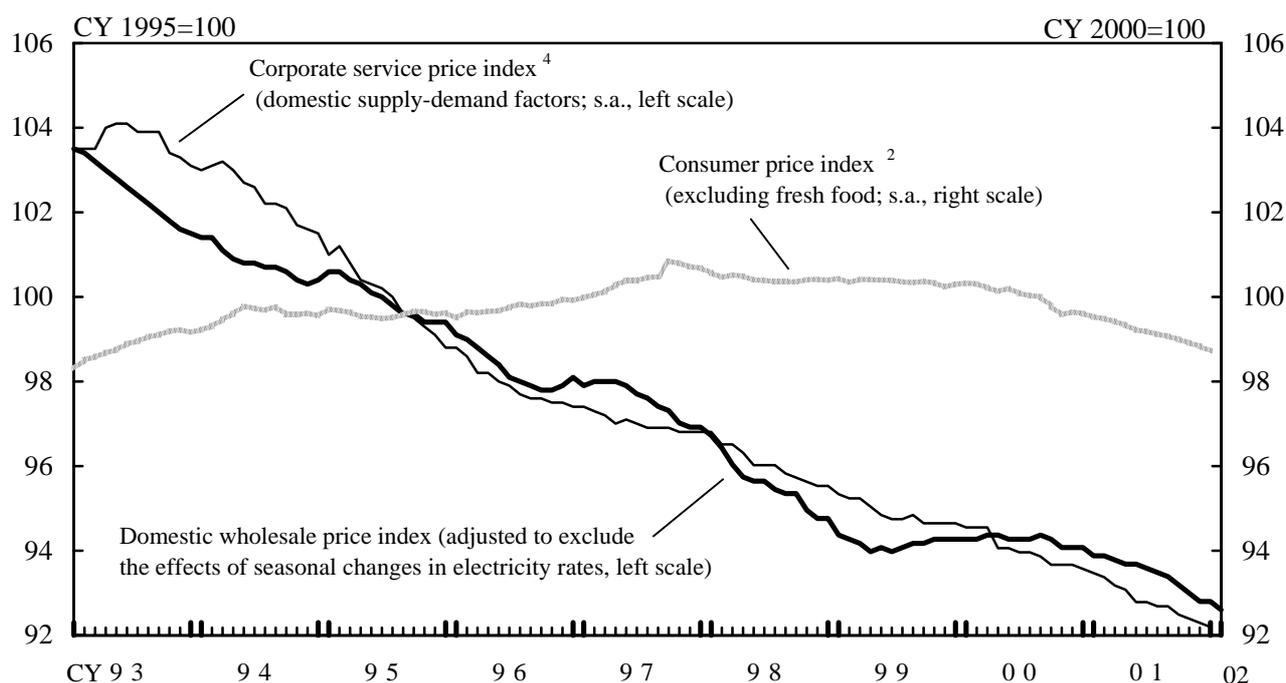


Note: 1. Data for establishments with at least 5 employees. The data for Dec. 2001 are preliminary figures.

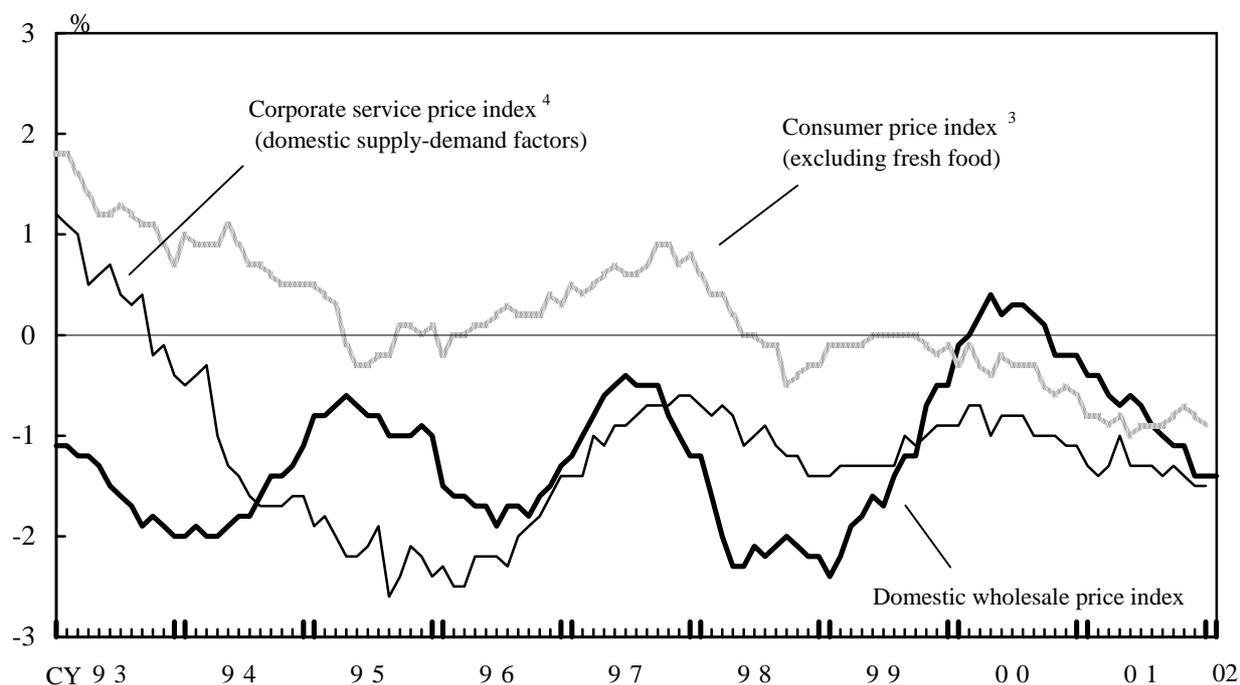
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
 Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey."

Prices¹

(1) Level



(2) Changes from a year earlier

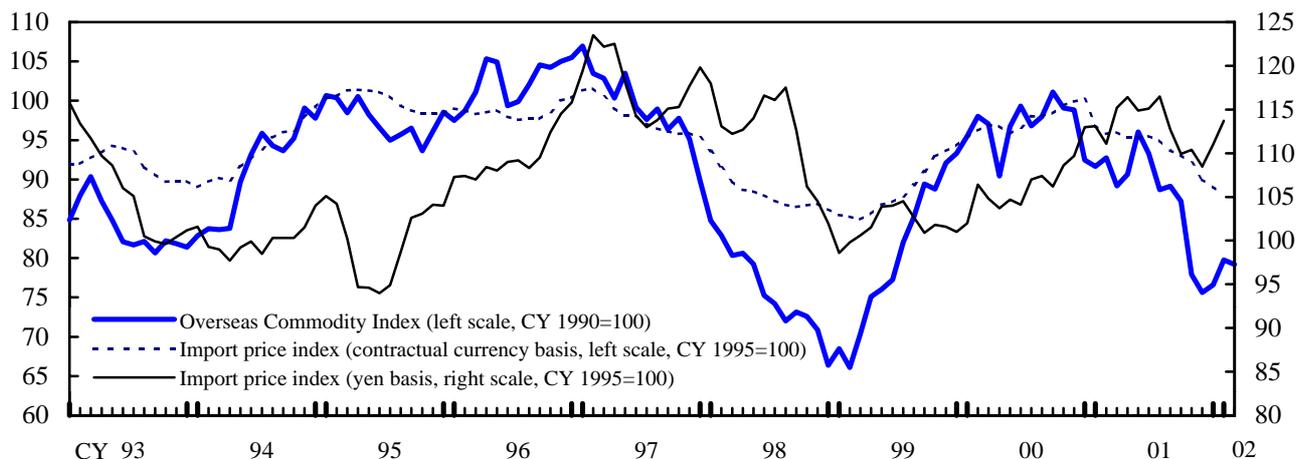


- Notes: 1. Excluding the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.
2. Seasonally adjusted by X-12-ARIMA (β version), based on the original series excluding package tours to overseas.
3. Data before Dec. 2000 are on the 1995 base CPI.
4. See footnote 4 in Chart 18, for definition of the Corporate service price index (domestic supply-demand factors).

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

Import Prices and Overseas Prices

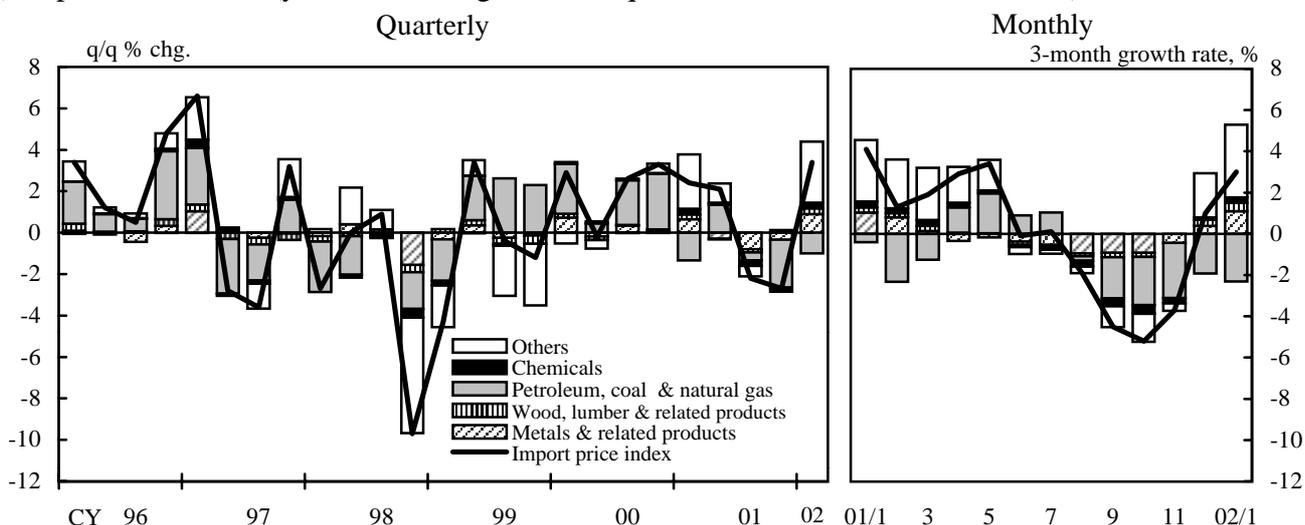
(1) Import Price Index and Overseas Commodity Index



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

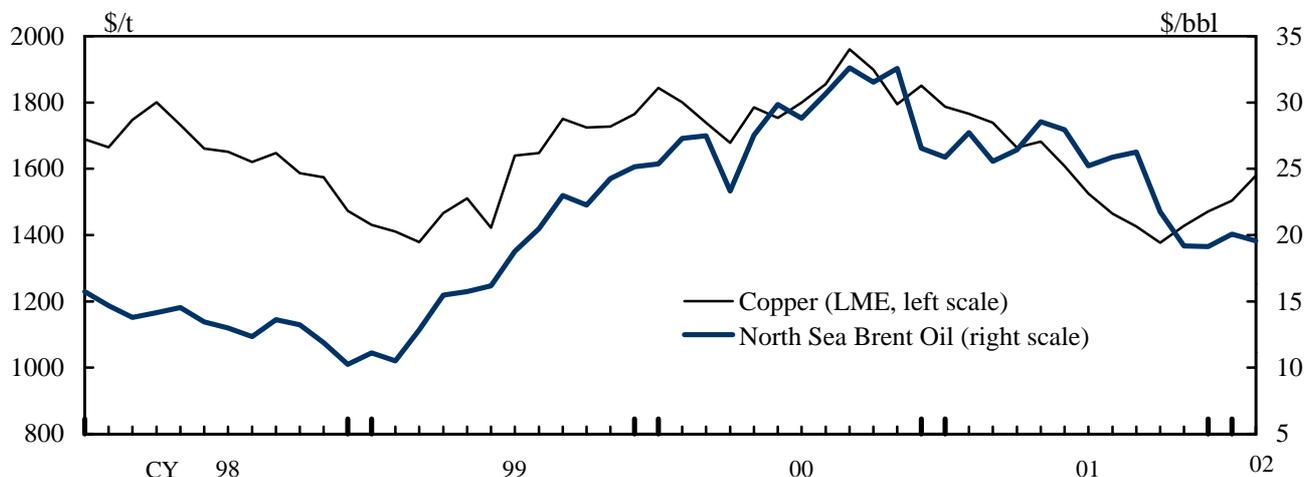
Figure for February 2002 is the average of February 1-6.

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



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

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

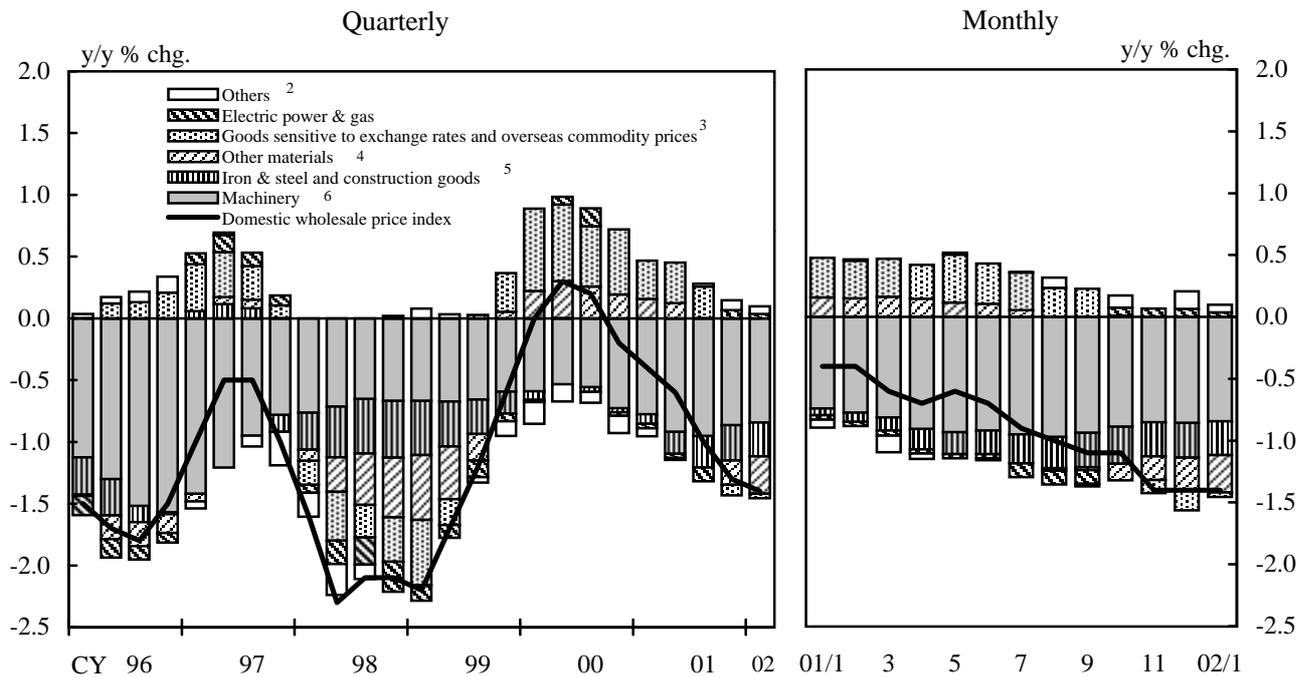
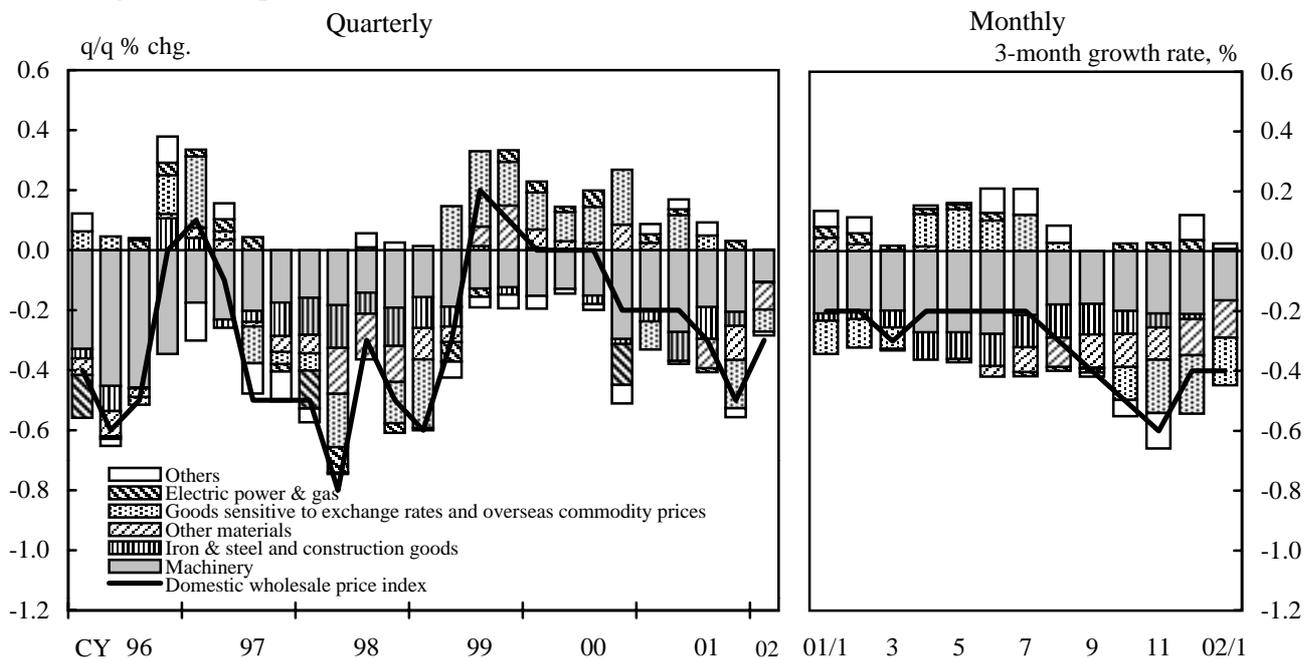


Note: Monthly averages. Figures for February 2002 are the averages of February 1-6.

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

Domestic Wholesale Price Index¹

(1) Changes from a year earlier

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

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

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

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

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

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

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

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

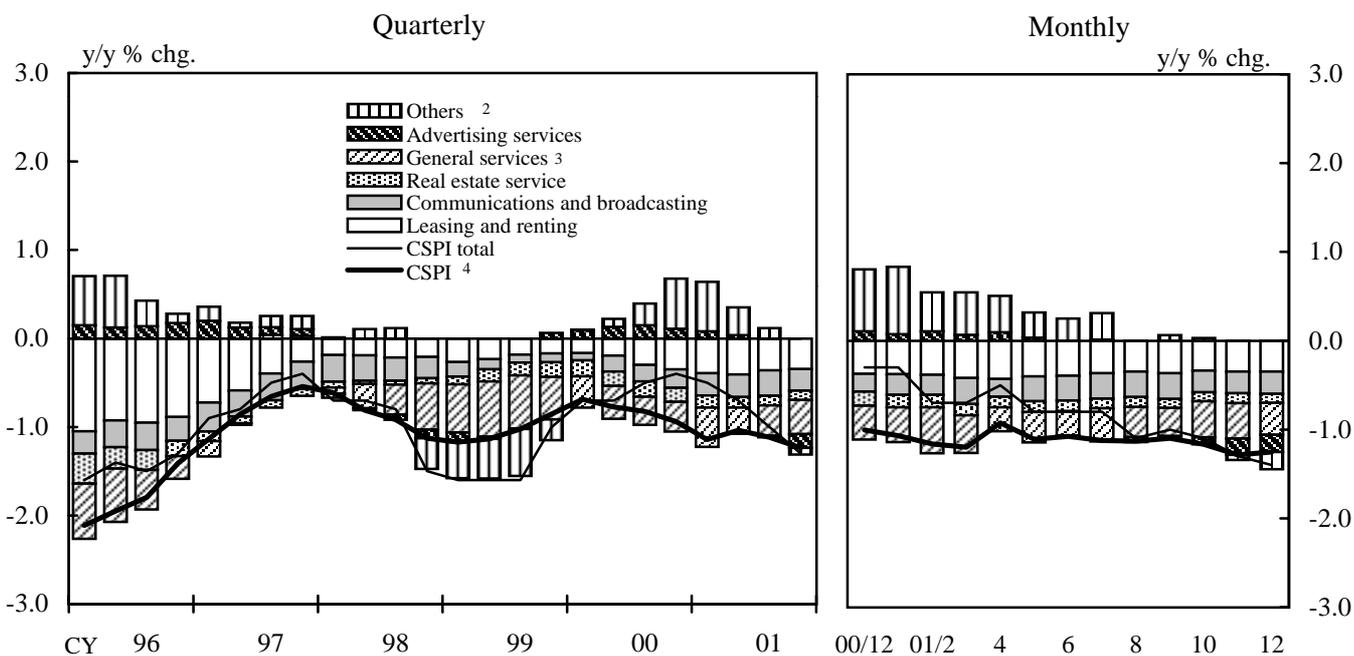
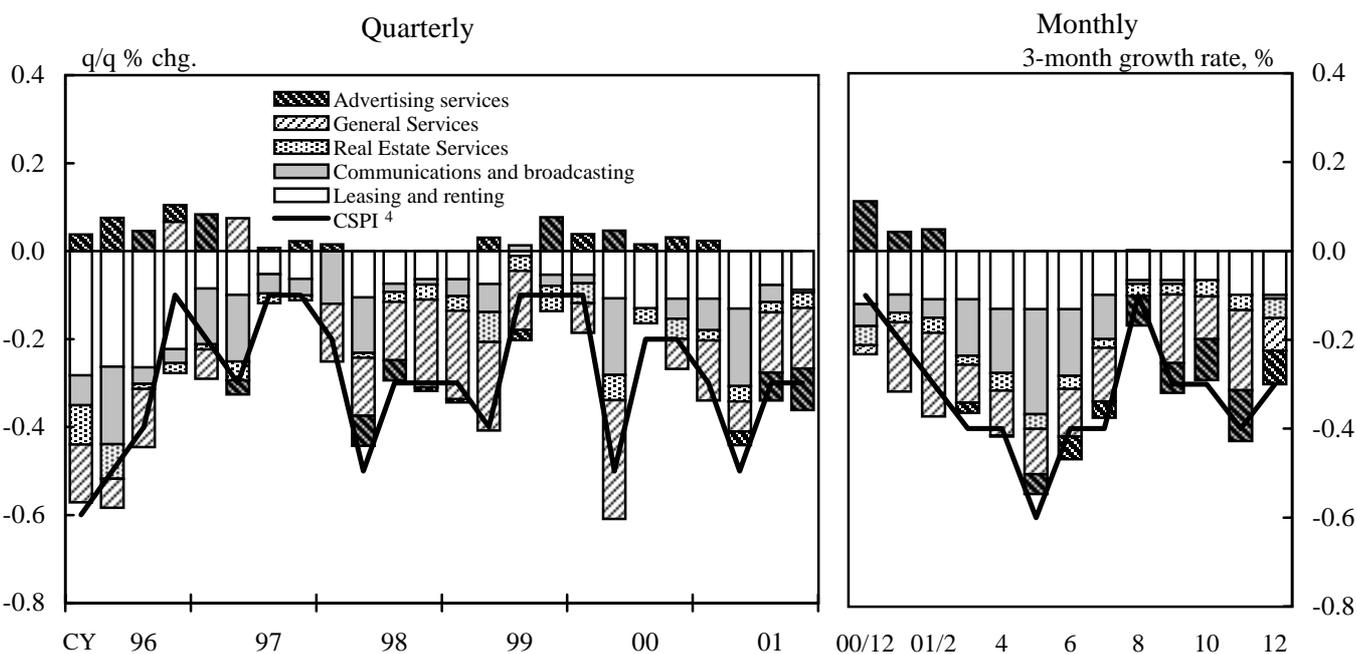
This effect causes the Domestic Wholesale Price Index to rise by about 0.2%.

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

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

Corporate Service Price Index¹

(1) Changes from a year earlier

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

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

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

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

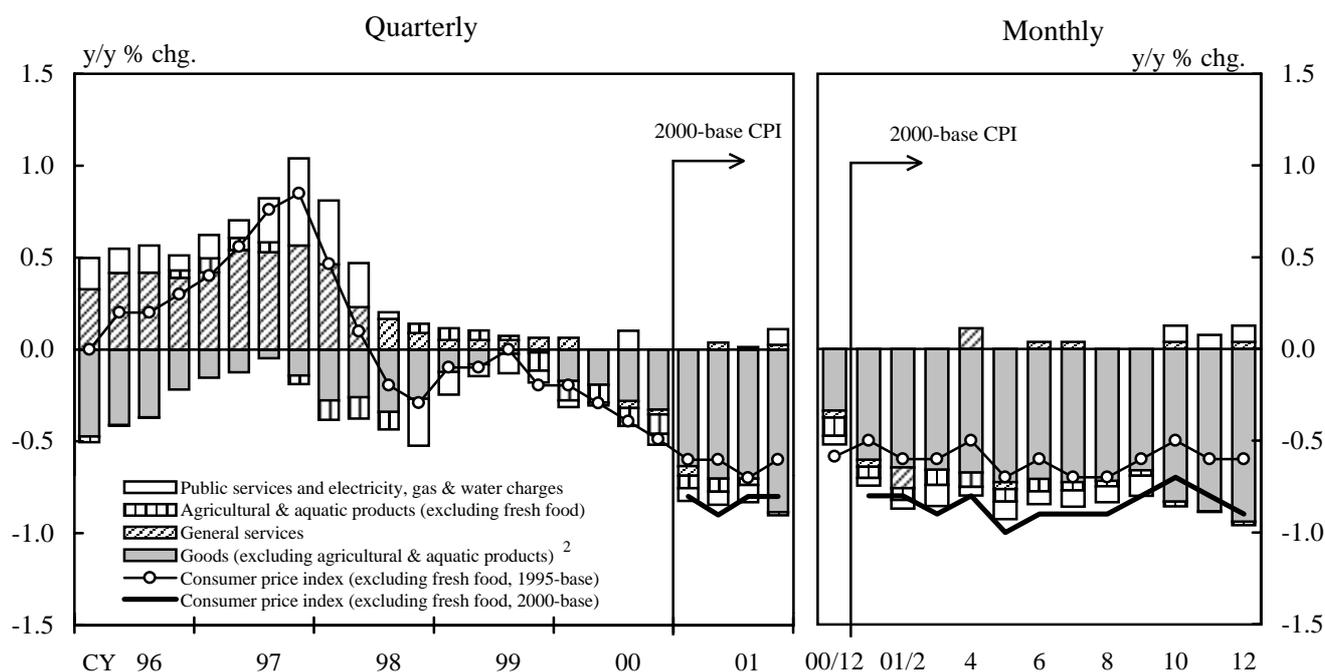
4. CSPI (domestic supply-demand factors) includes all items aside from "others" as defined above. This index mainly reflects the supply and demand conditions in the domestic private sector.

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

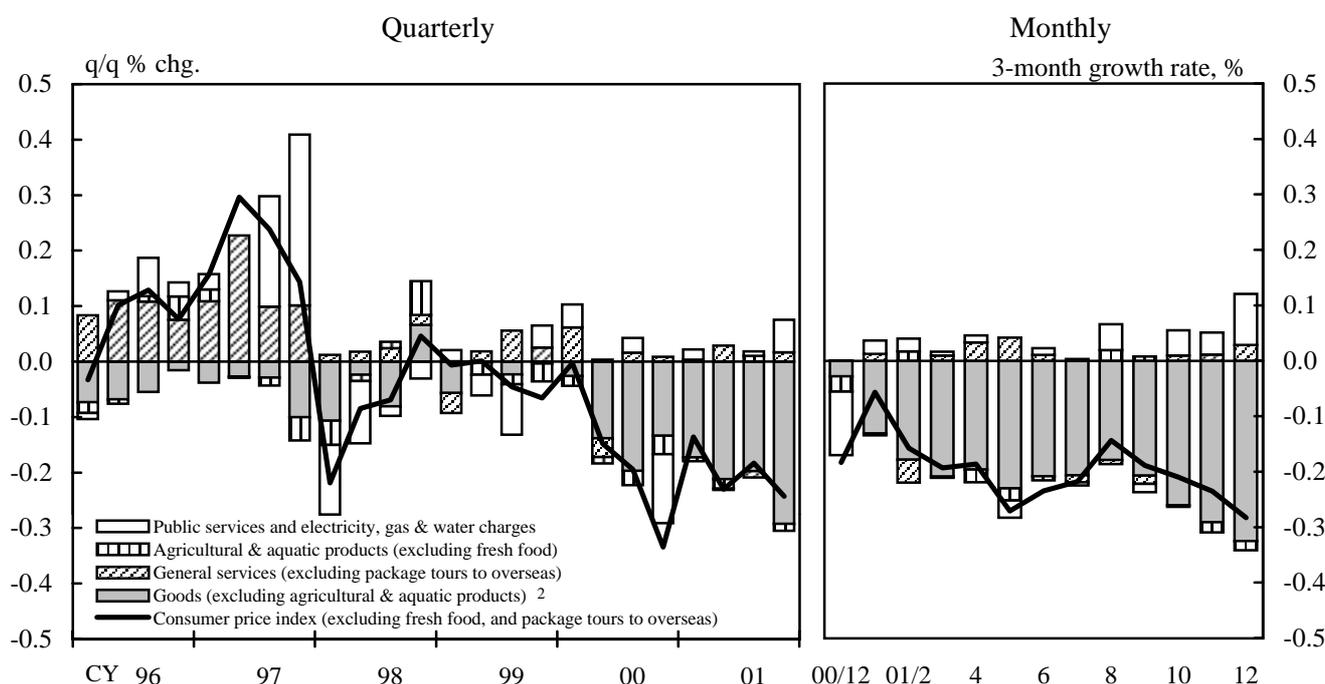
Due to seasonal adjustment every month, the series are revised retroactively every month.

Consumer Price Index (excluding fresh food)¹

(1) Changes from a year earlier

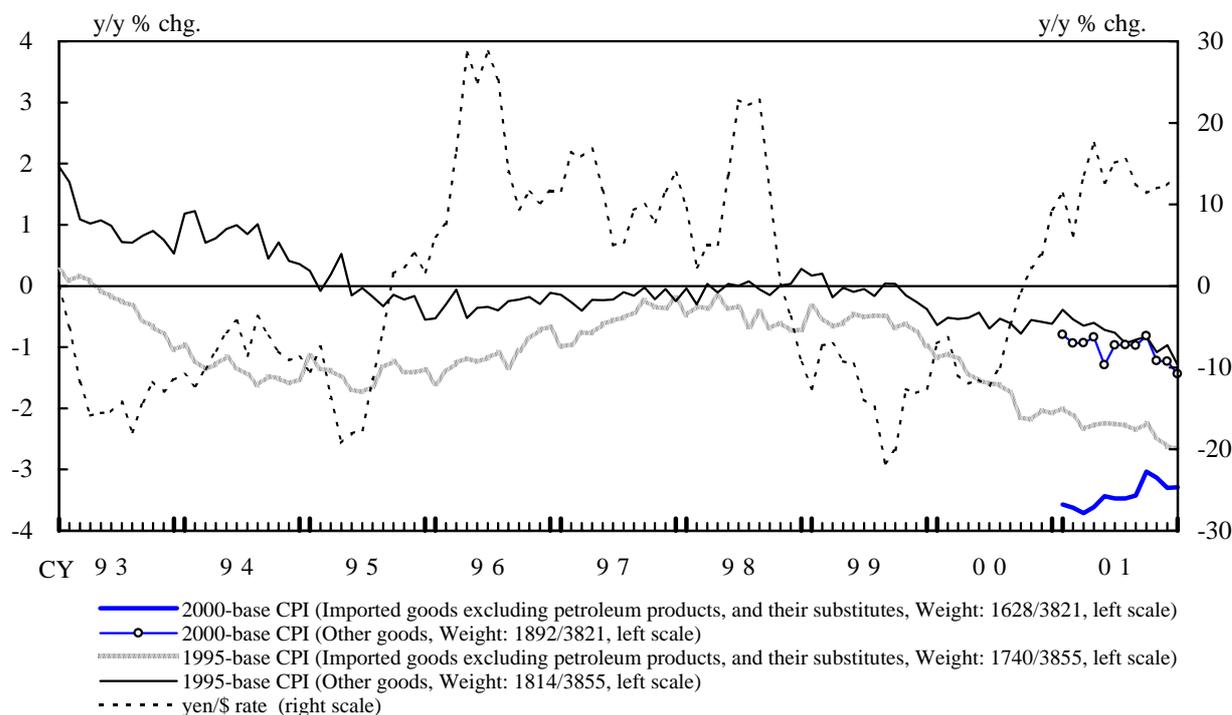


(2) Changes from a quarter earlier and 3 months earlier (2000-base CPI)³



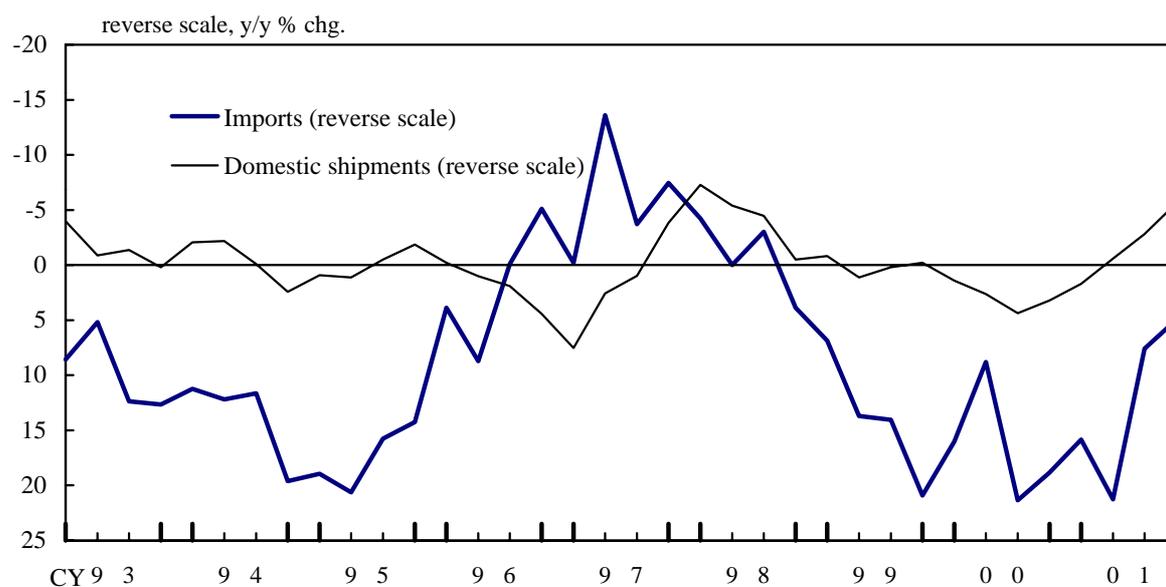
- Notes: 1. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.
2. The Items are basically the same as the definition published by the Ministry of Public Management, Home Affairs, Posts and Telecommunications, however electricity, gas & water charges is excluded from goods.
3. Seasonally adjusted by X-12-ARIMA (β version). Due to seasonal adjustment every month, the series are revised retroactively every month. Because of the seasonal adjustment error, there are discrepancies between the CPI and the sum of its components.

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

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

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

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

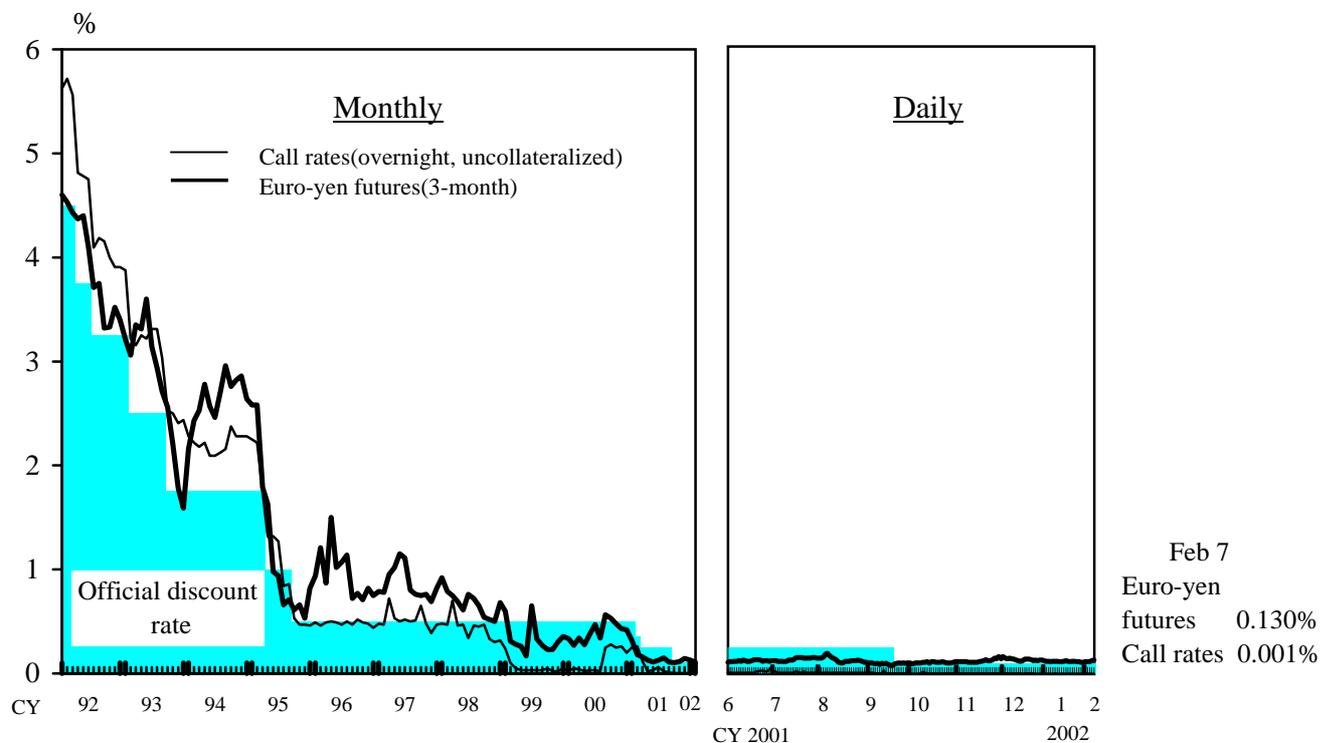


Note: See footnote Chart 8-4, for definition of the consumer goods supply.

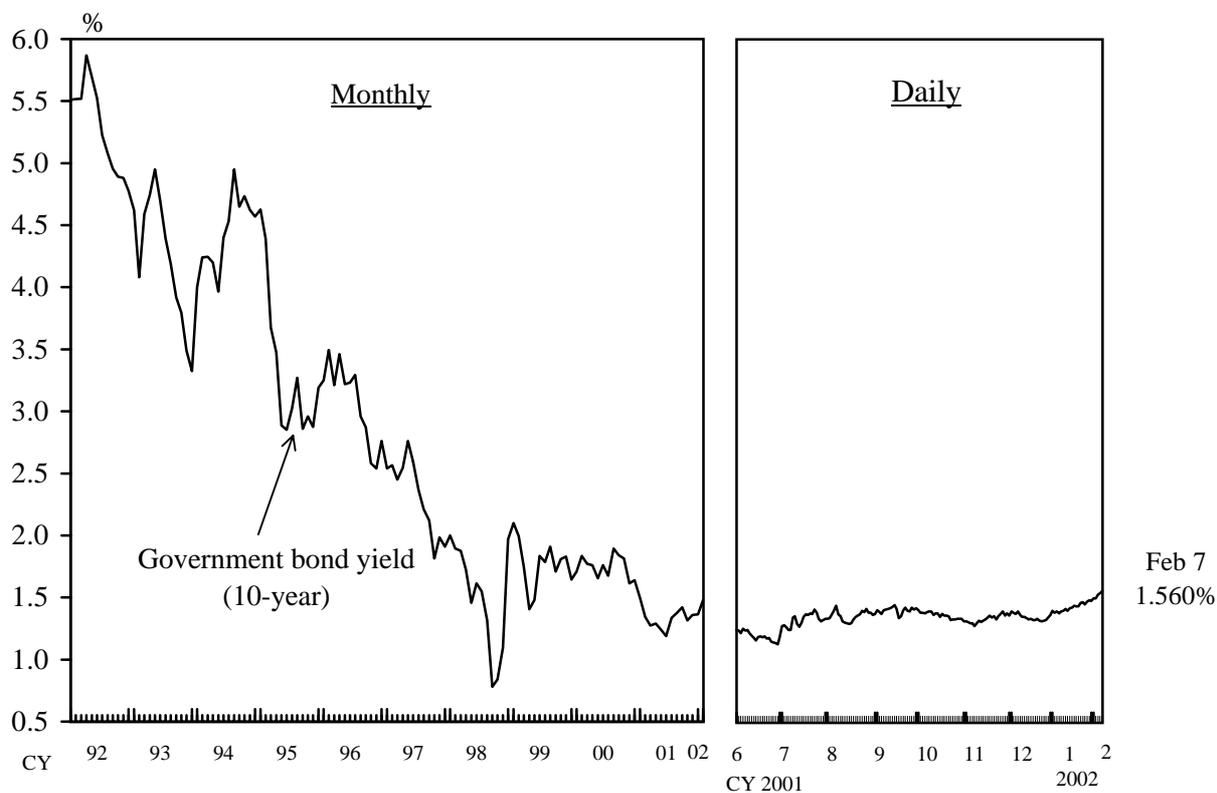
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index"; Ministry of Finance, "The Summary Report on Trade of Japan"; Ministry of Economy, Trade and Industry, "Indices of Industrial Production," "Indices of Industrial Domestic Shipments and Imports";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

Interest Rates

(1) Short-Term



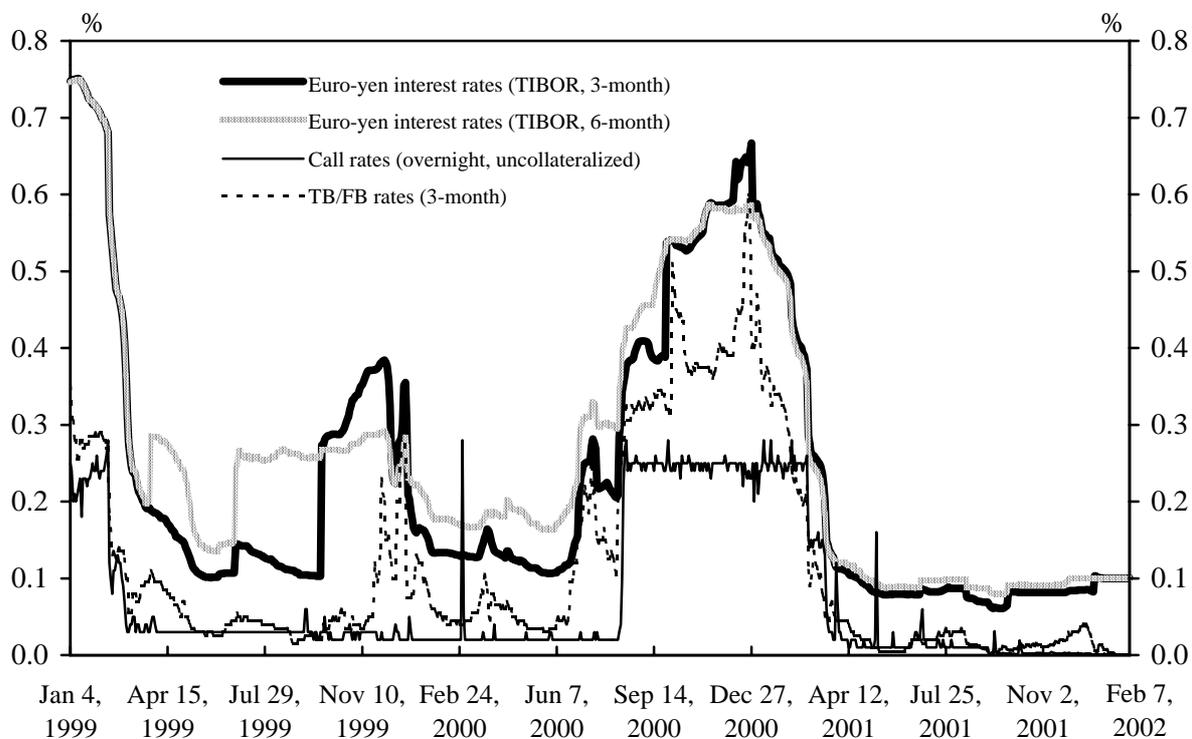
(2) Long-Term



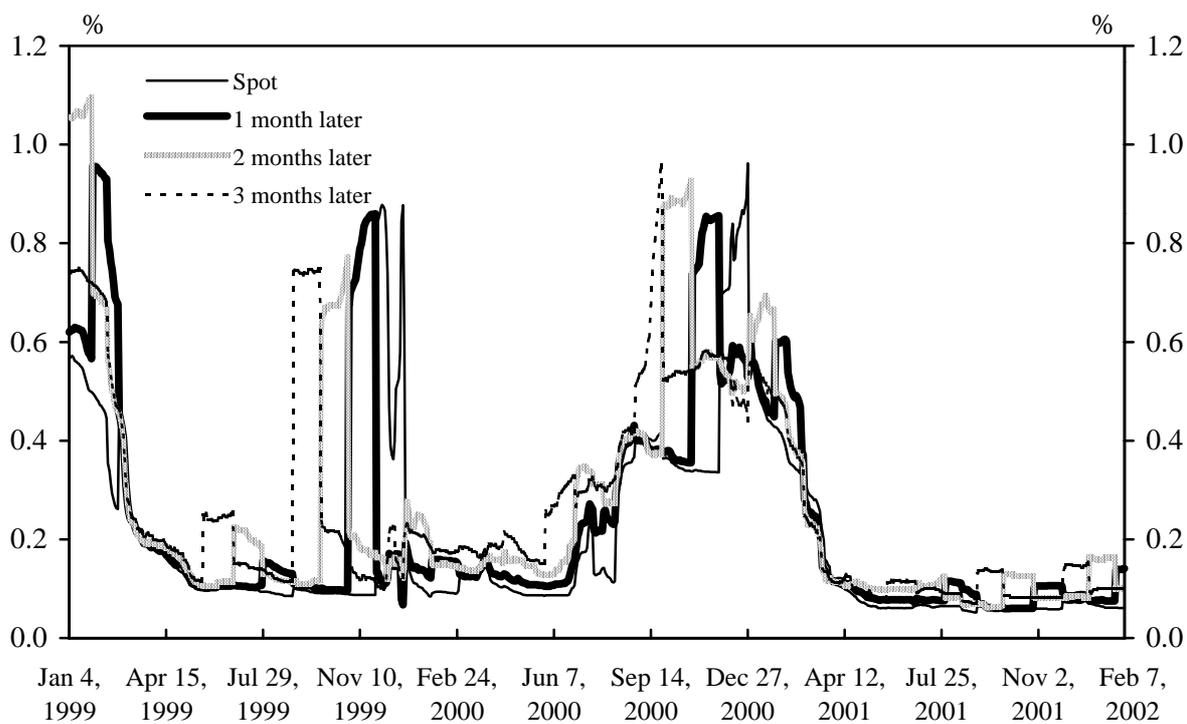
Sources: Bank of Japan; Tokyo International Financial Futures Exchange; Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments

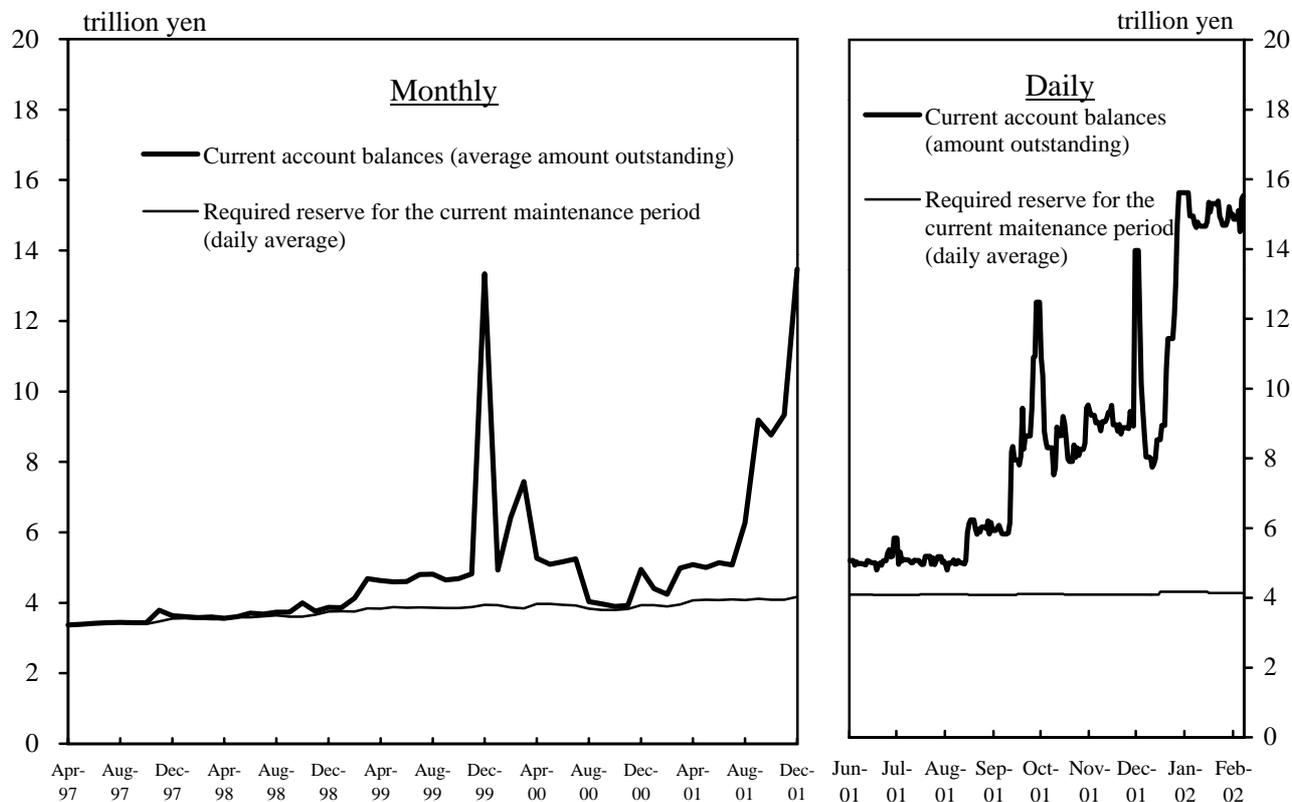


(2) Implied Forward Rate (1-Month Forward Rates Calculated from Euro-Yen Interest Rates)

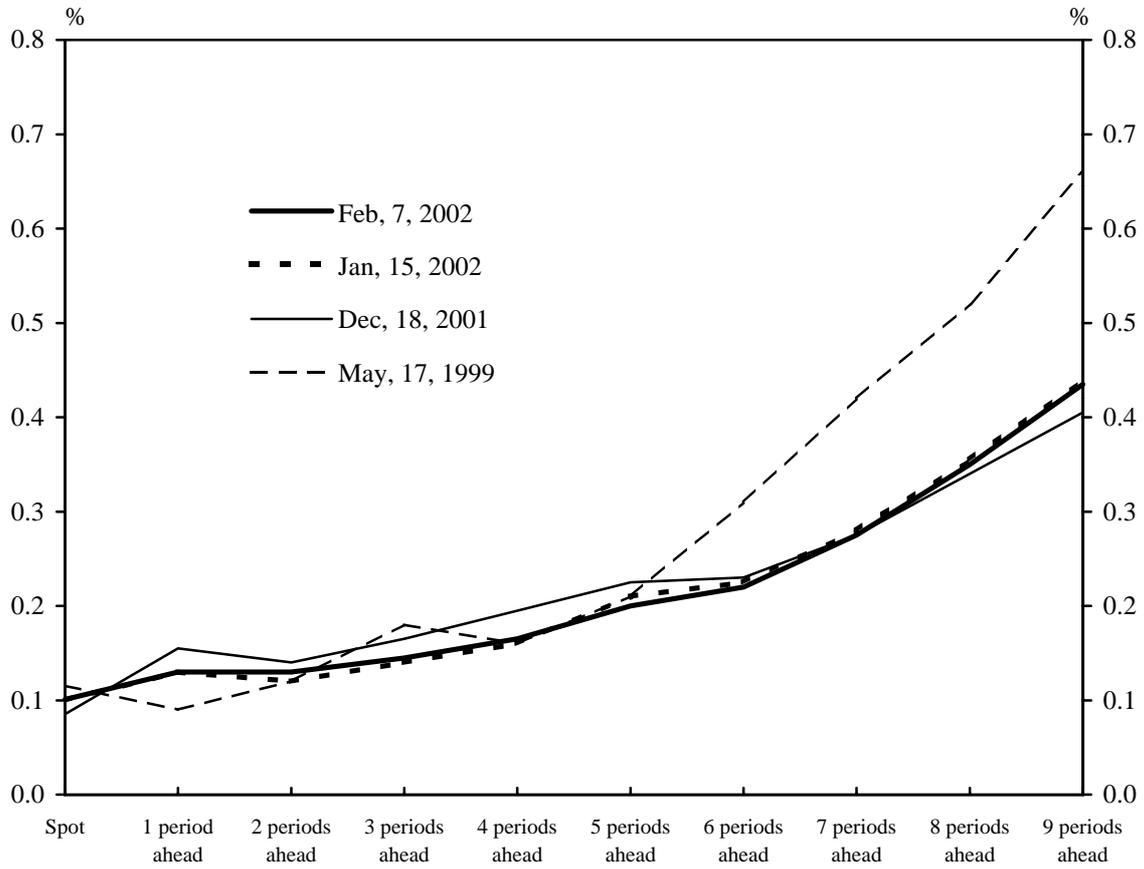


Sources: Bank of Japan; Japanese Bankers Association; Japan Bond Trading Co., Ltd.

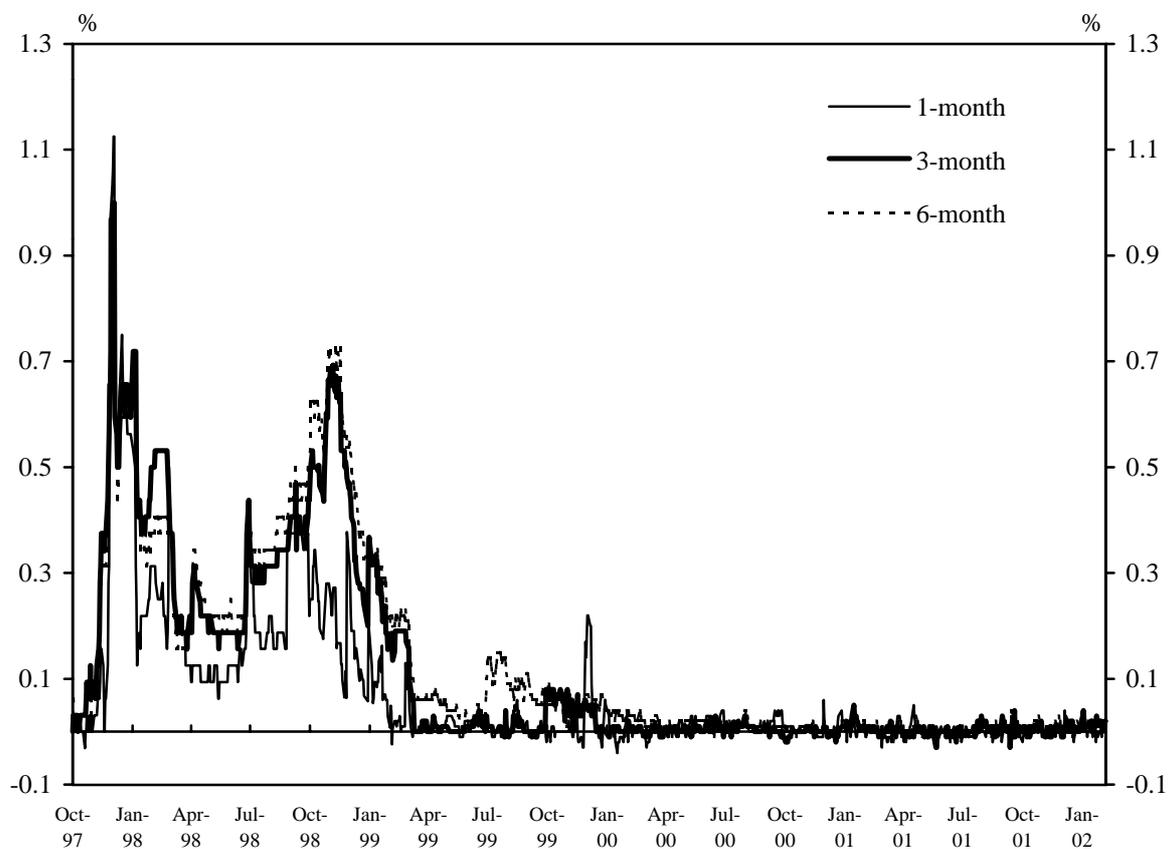
Current Account Balances at the Bank of Japan



Euro-Yen Interest Rates Futures (3-Month)



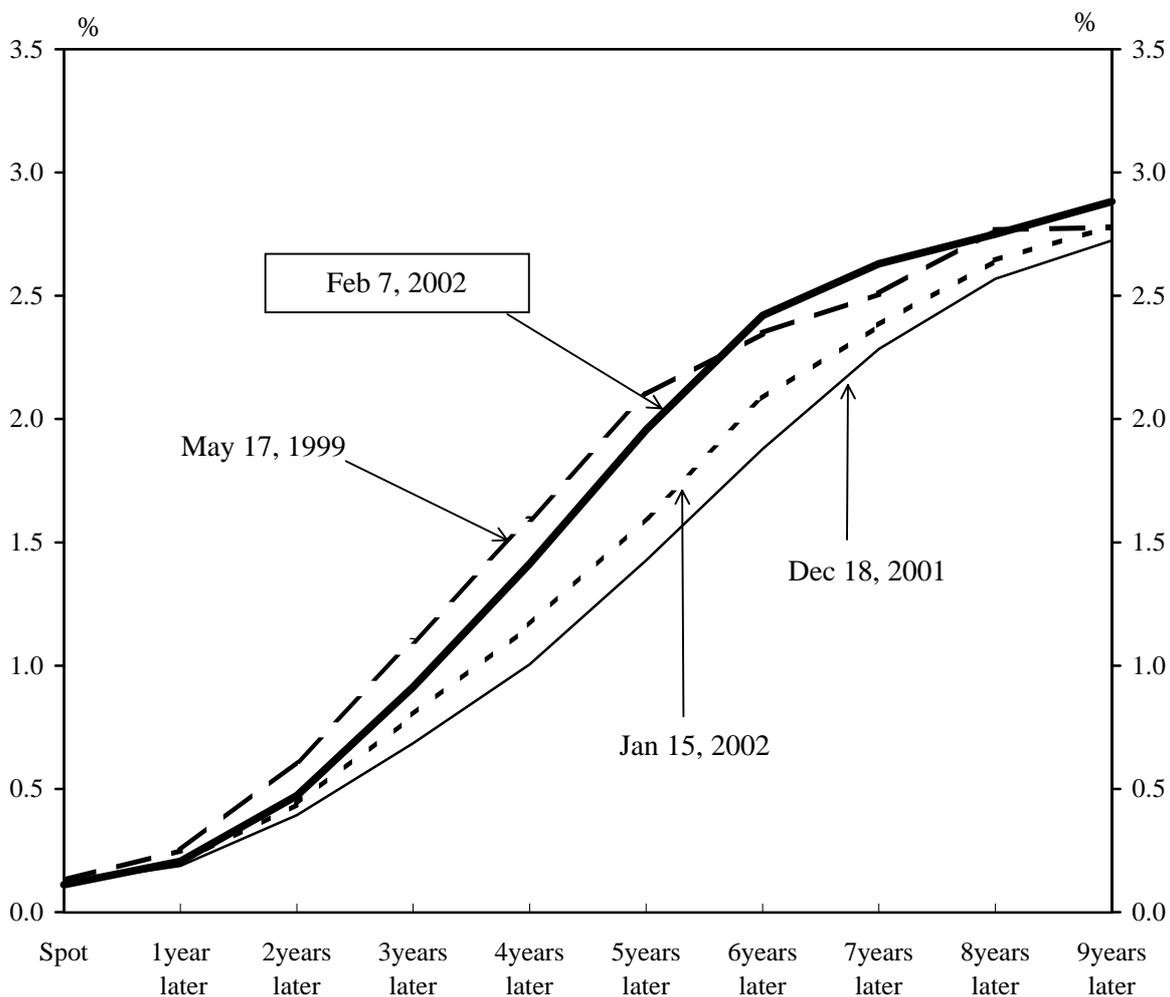
Source: Tokyo International Financial Futures Exchange.

Japan Premium in the Eurodollar Market ¹

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

Source: British Bankers' Association (BBA).

Implied Forward Rates (1-year)¹

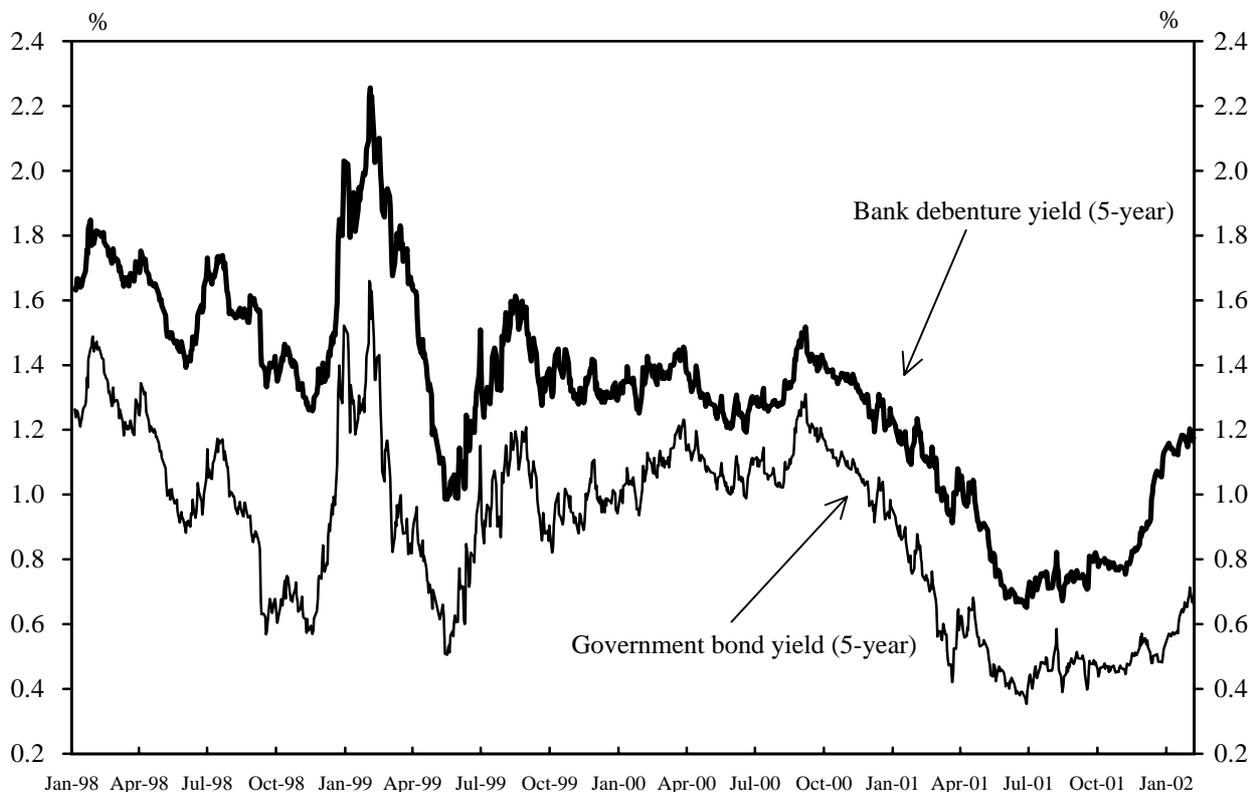


Note :Calculated from yen-yen swap rates.

Source: Kyodo News.

Yields of Bank Debentures

(1) Bond Yields



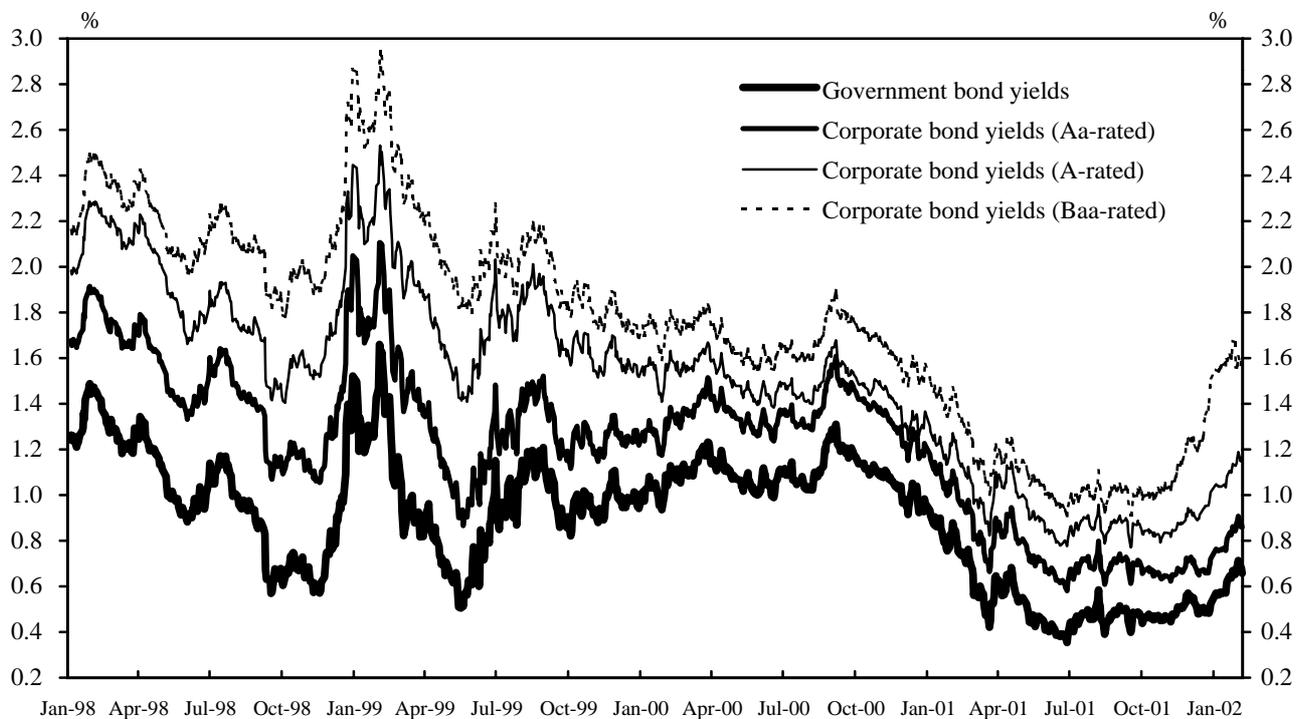
(2) Spread of Bank Debenture and Government Bond Yield



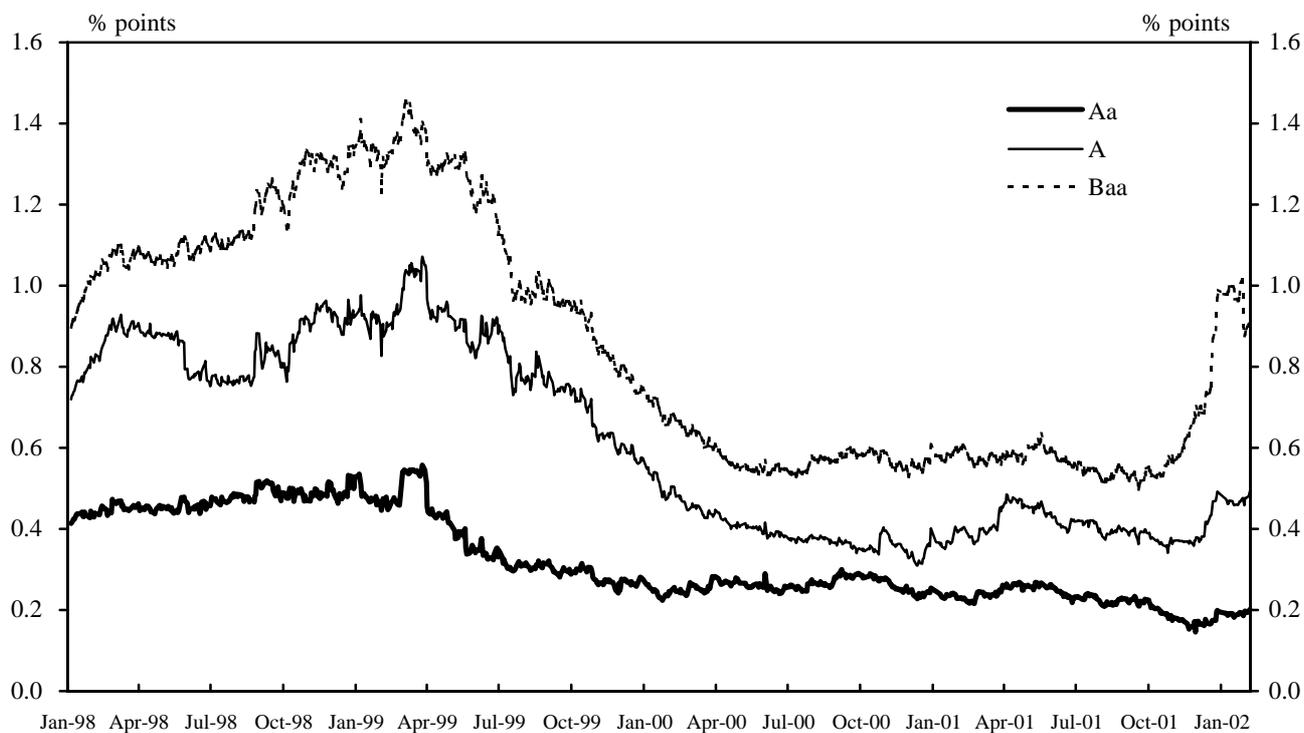
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Corporate Bond Yields ¹

(1) Yields of Government and Corporate Bonds by Rating



(2) Yield Spreads of Public and Corporate Bonds



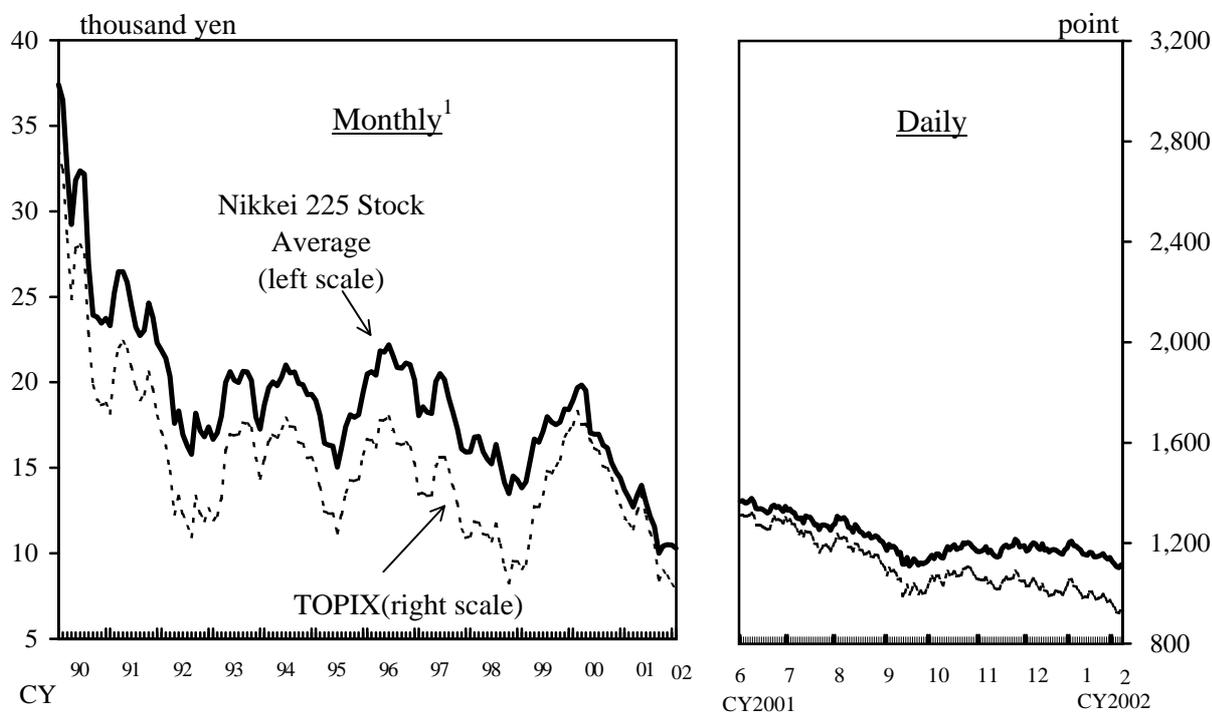
Note: 1. Yields on bonds with 5-year maturity.

The indicated ratings are of Moody's.

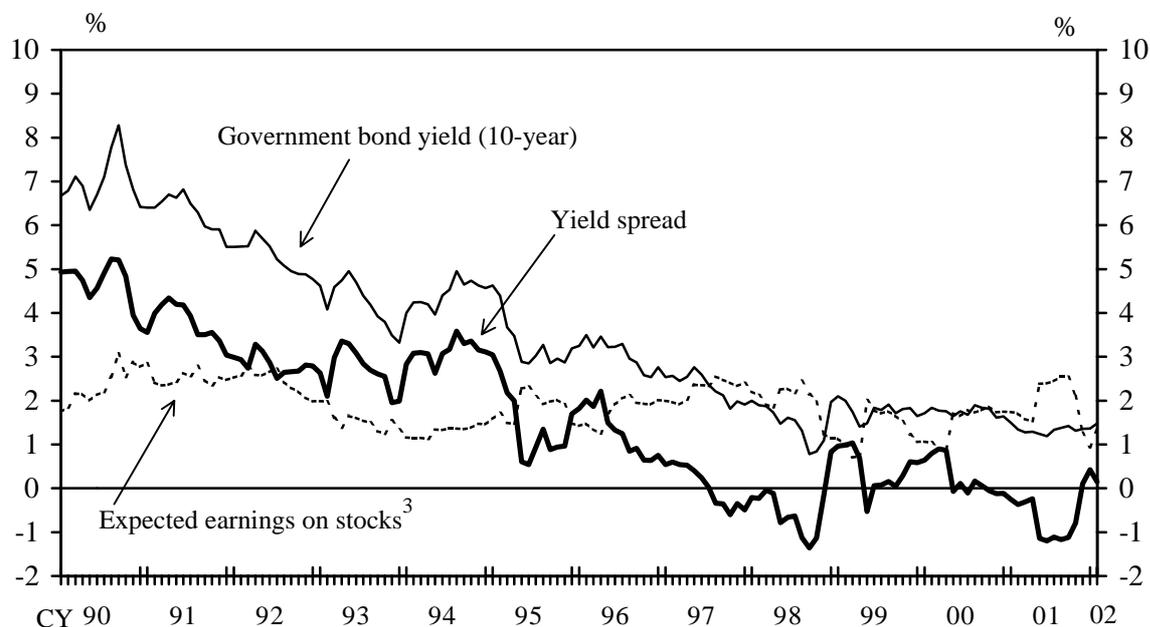
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Stock Prices

(1) Stock Prices



(2) Yield Spread²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

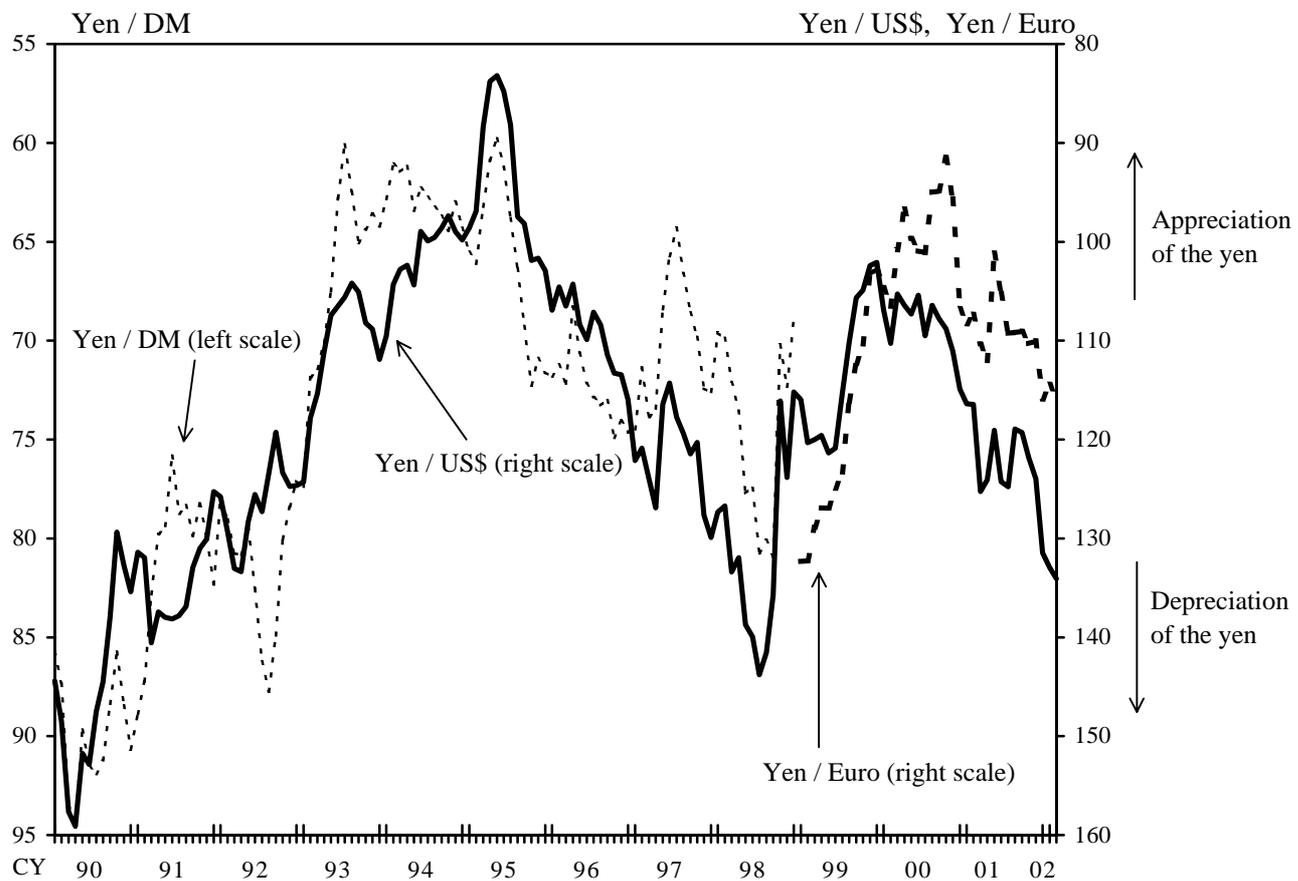
Yield spread = government bond yields - expected earnings on stocks,
 where expected earnings on stocks = 1/expected price earnings ratio.

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

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

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

Exchange Rates ¹

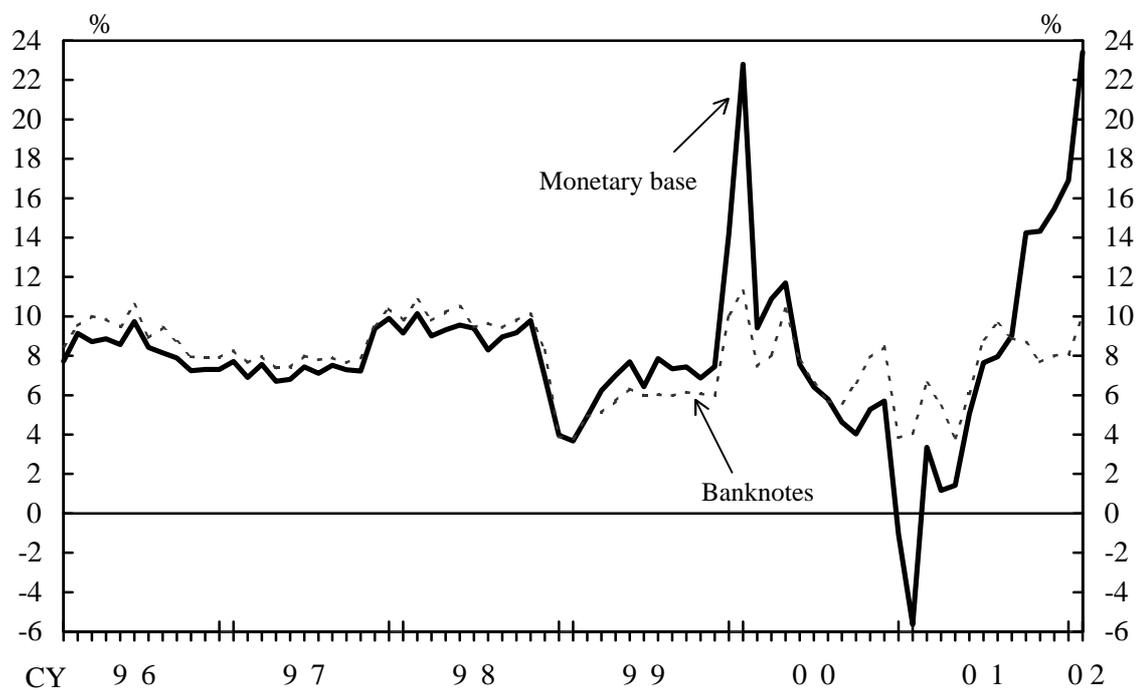


Note: 1. End of month. Data for February 2002 are as of February 7, 2002.

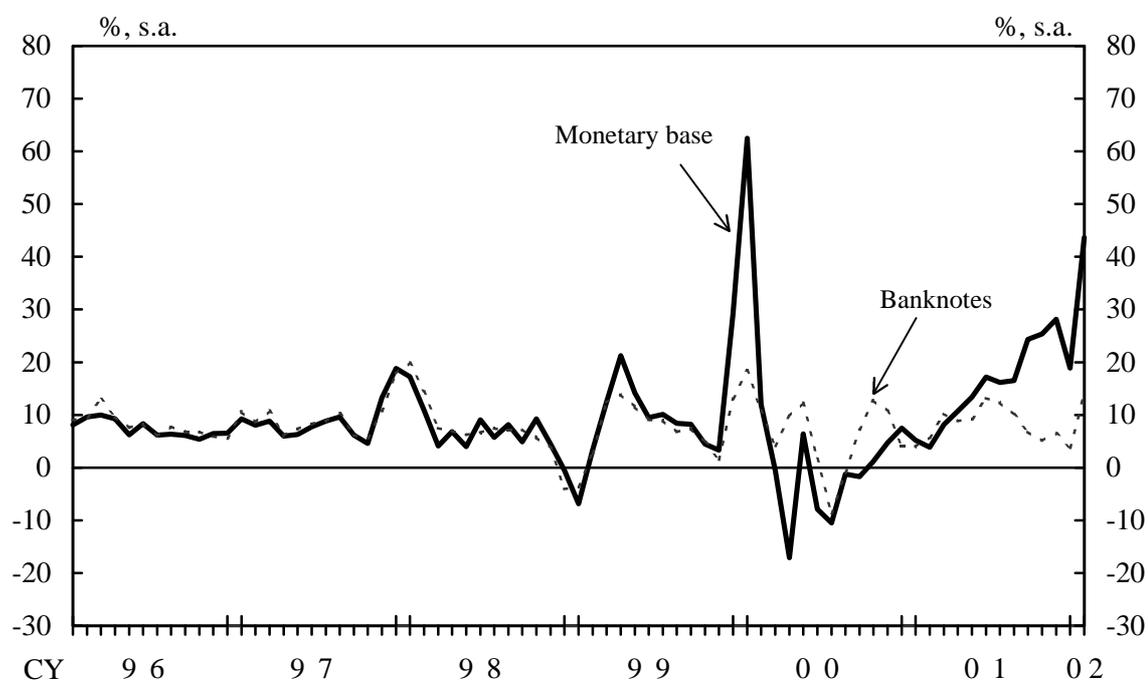
Source: Bank of Japan.

 Monetary Base

(1) Changes from a Year Earlier



(2) Changes from Three Months Earlier (Annualized)



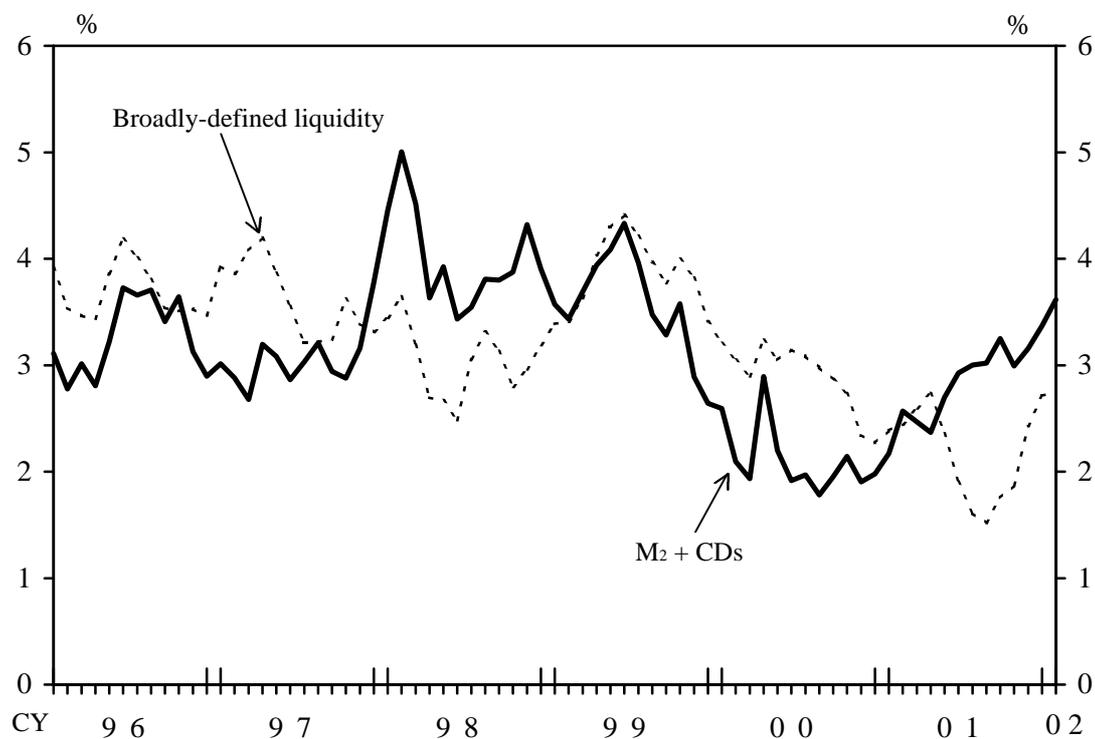
Note: Monetary base = currency in circulation (banknotes + coins) + current deposits at the Bank of Japan.

Data for currency in circulation include holdings of financial institutions.

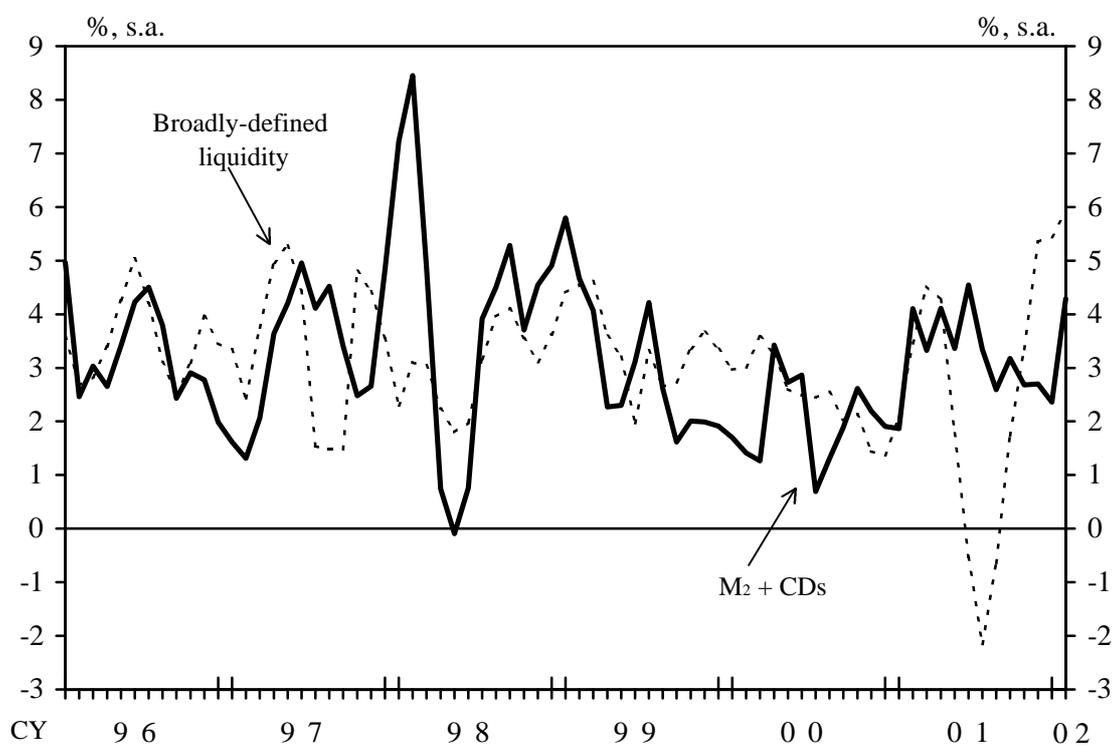
Source: Bank of Japan.

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

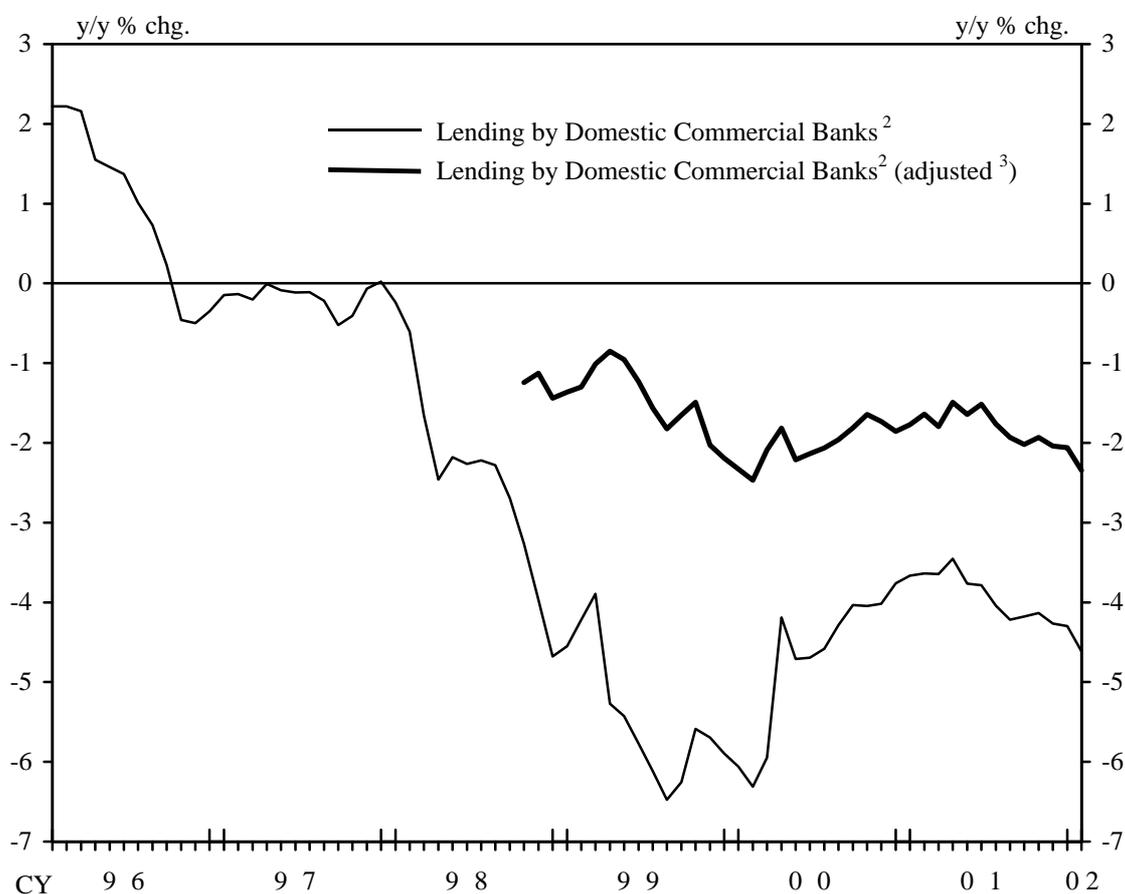
(1) Changes from a Year Earlier



(2) Changes from Three Months Earlier (Annualized)



Note: Percent changes in average amounts outstanding.
 Source: Bank of Japan.

Lending by Domestic Commercial Banks ¹

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

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

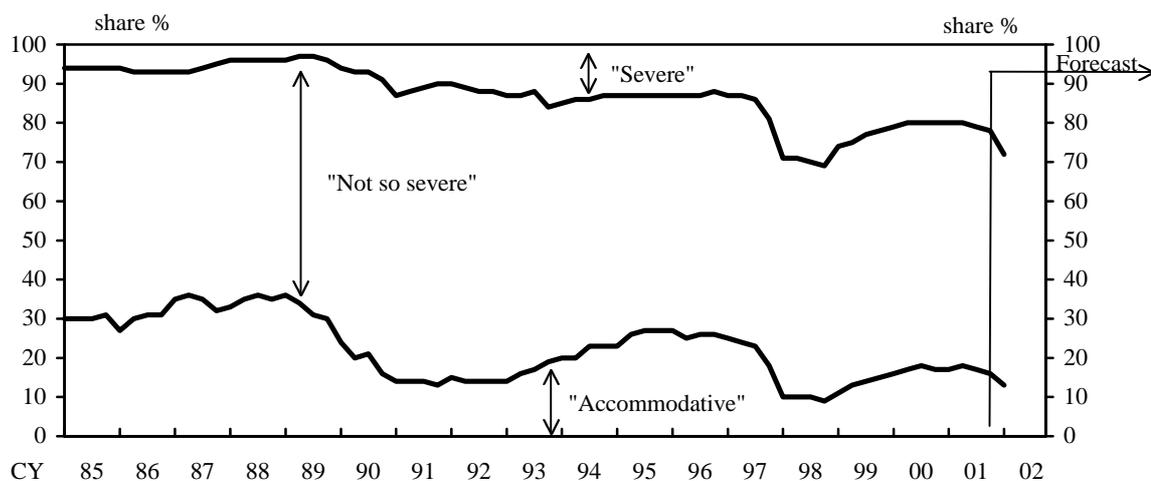
3. Adjusted to exclude

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

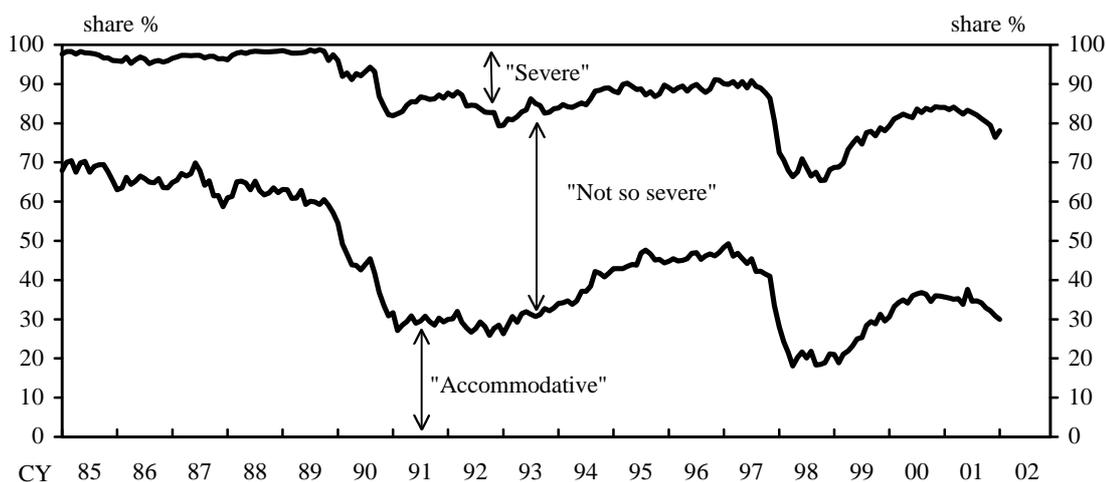
Source: Bank of Japan, "Principal Figures of Financial Institutions."

Lending Attitude of Financial Institutions as Perceived by Small Enterprises

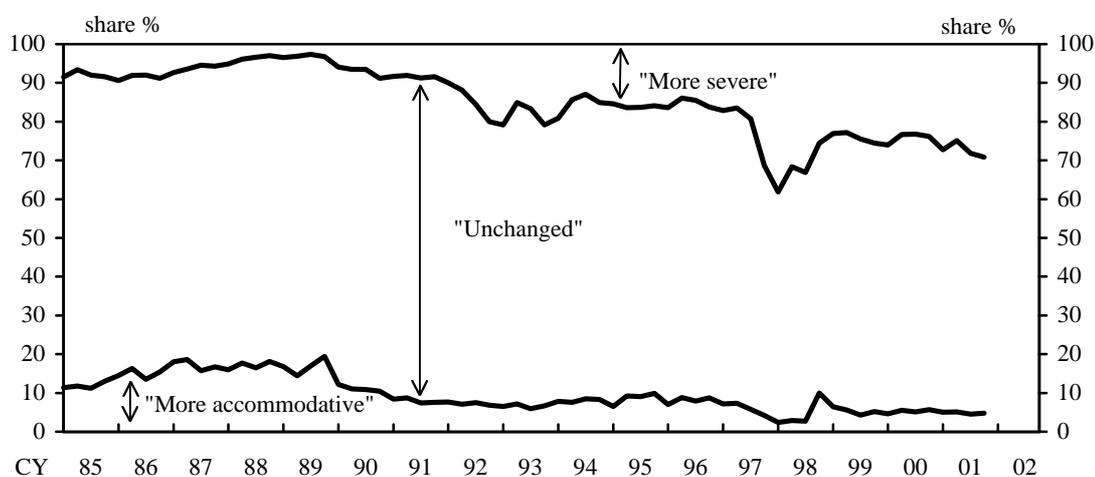
(1) "Tankan - Short-Term Economic Survey of Enterprises in Japan" (December, 2001)



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

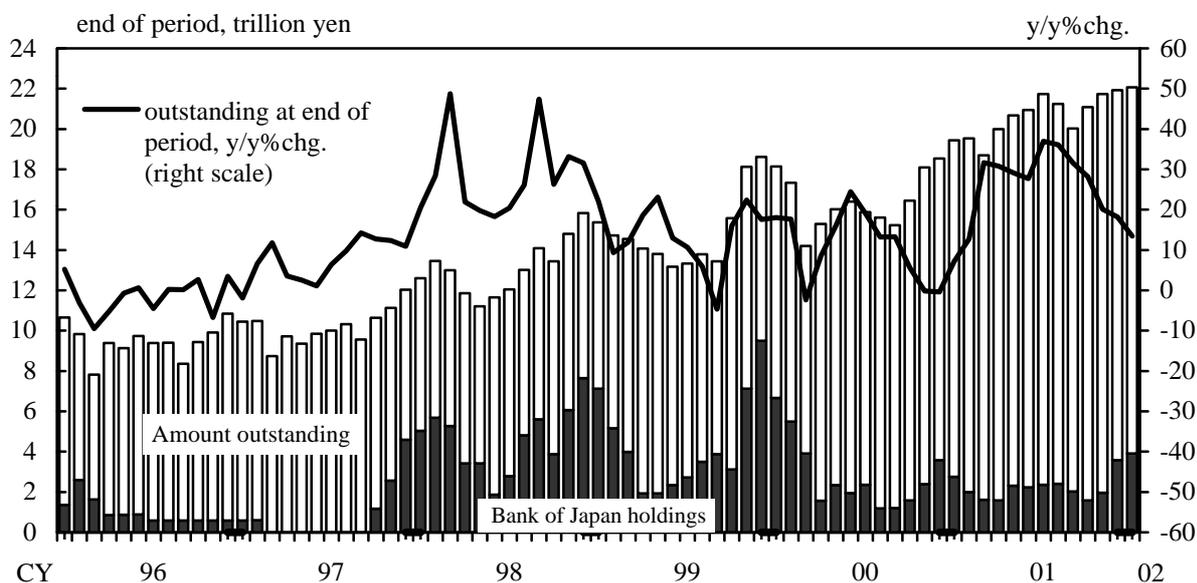


(3) "Quarterly Survey of Small Businesses in Japan" (Mid-December, 2001)



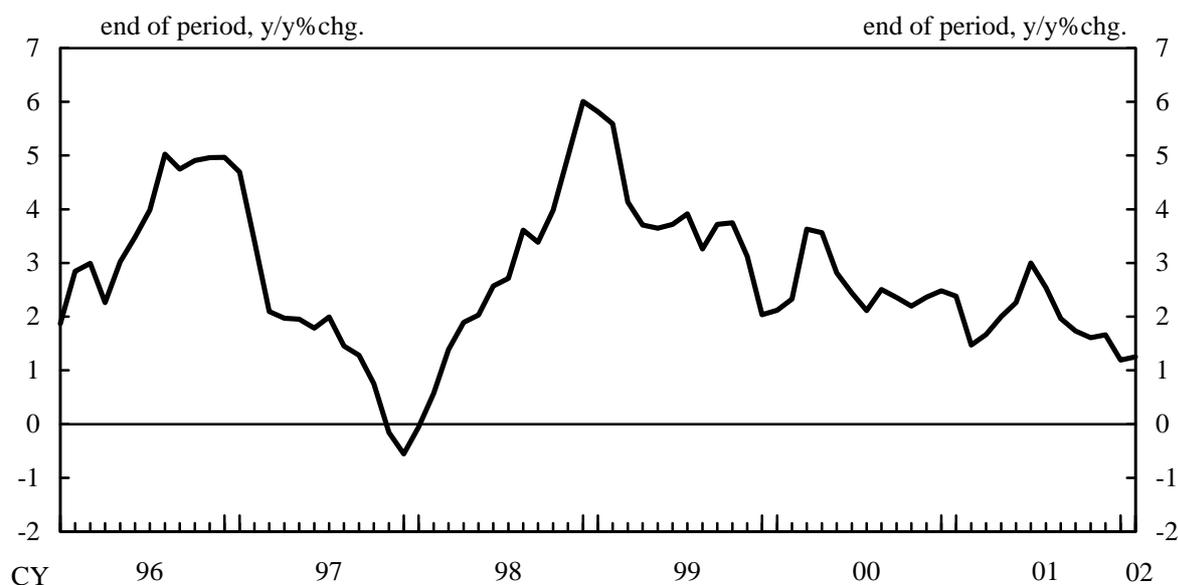
Sources: Bank of Japan, "Tankan - Short-Term Economic Survey of Enterprises in Japan" ;
 Japan Finance Corporation for Small Business, "Monthly Survey on Trends of Small Businesses";
 National Life Finance Corporation, "Quarterly Survey of Small Businesses in Japan."

Private-Sector Fund-Raising in the Capital Markets

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

(100 million yen)

	2001/Q2	Q3	Q4	2001/Nov.	Dec.	2002/Jan.
Volume	35,223	23,779	22,070	11,480	5,653	2,692
(previous year)	(21,627)	(25,985)	(20,416)	(6,793)	(7,561)	(1,221)

(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.

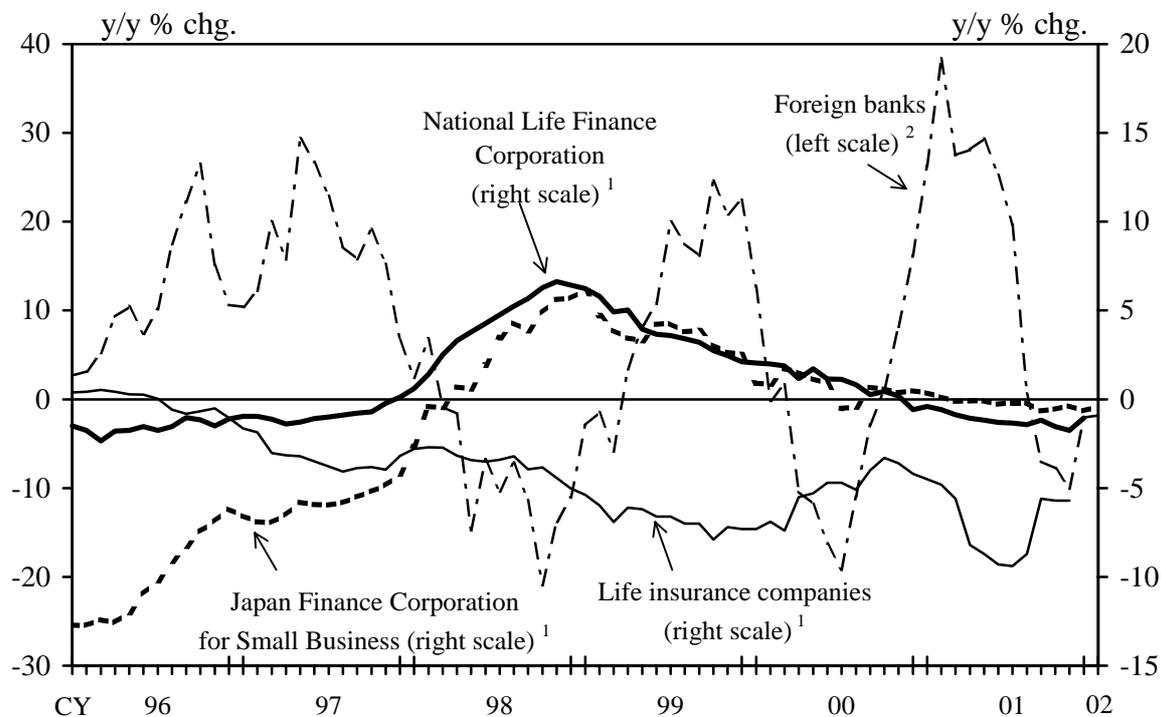
2. Includes straight bonds, convertible bonds, and bonds with warrants.

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."

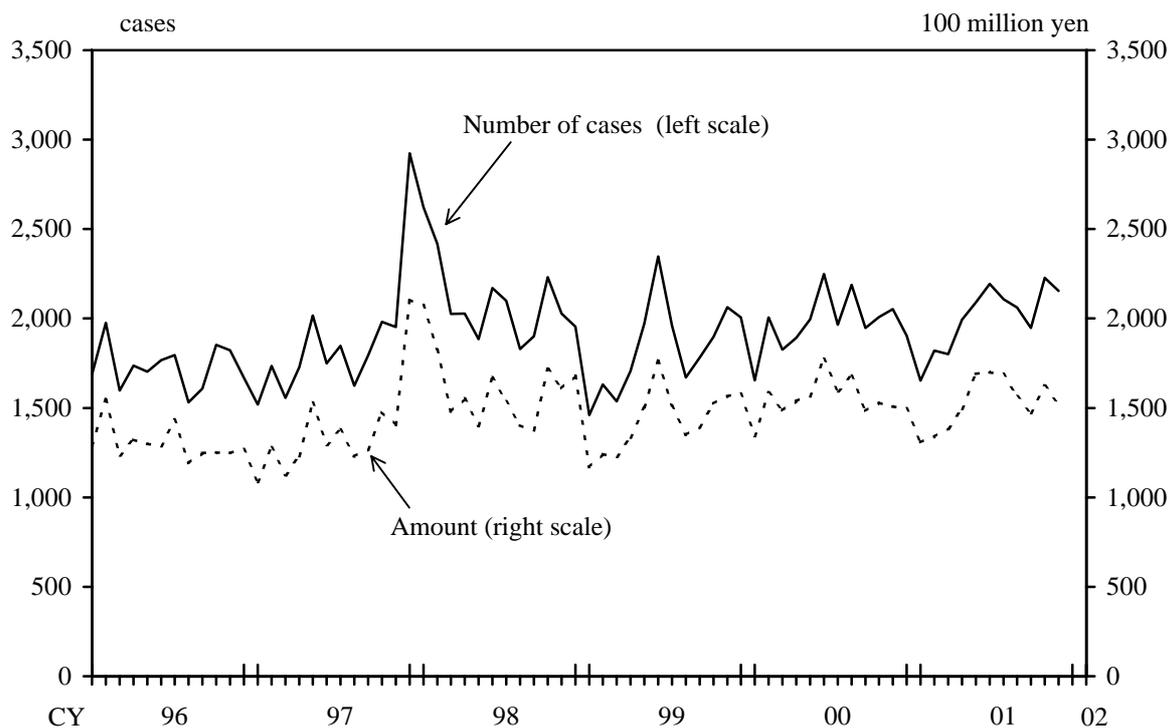
Lending by Other Financial Institutions

(1) Lending Outstanding



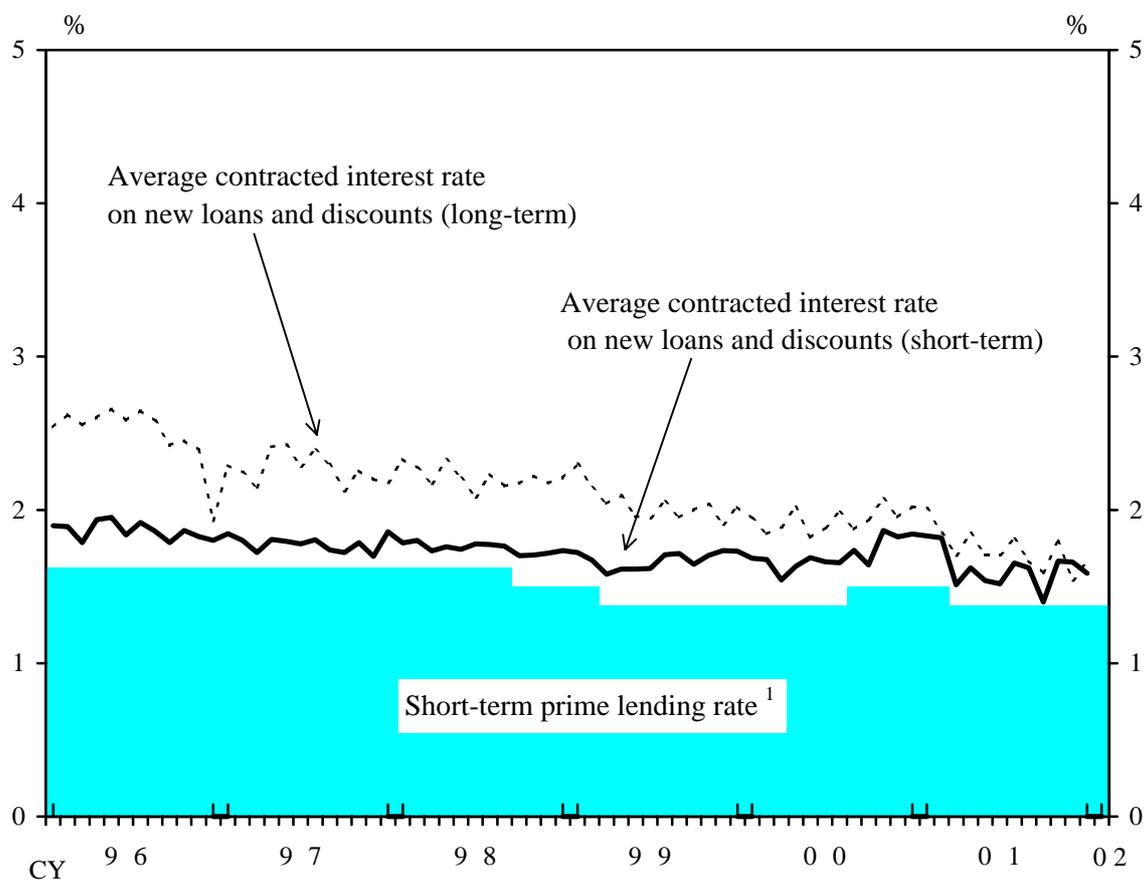
Notes: 1. Data are based on amounts outstanding at end of period.
 2. Data are based on average amounts outstanding.

(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

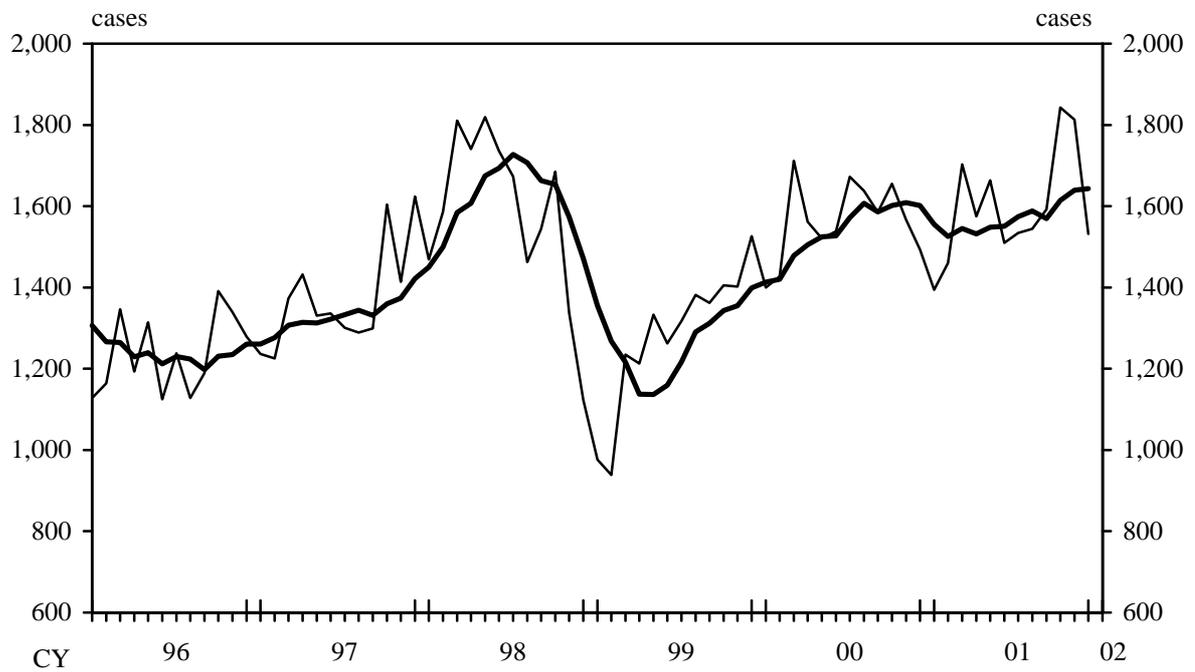


Note: 1. Data are at end of period.

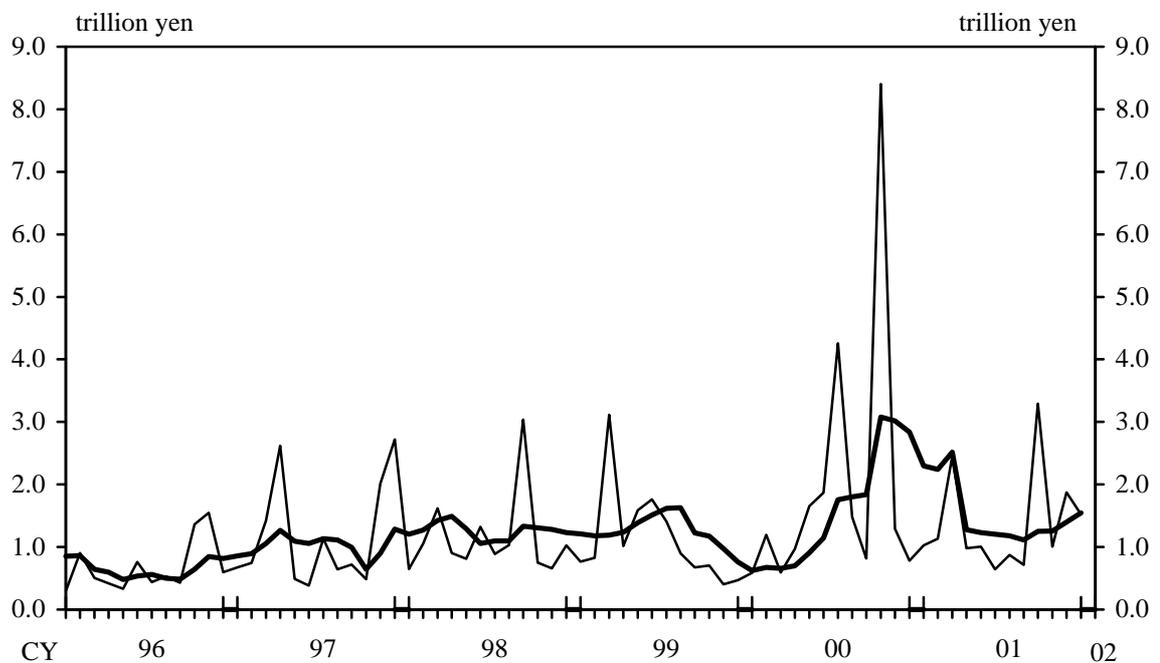
Source: Bank of Japan.

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)."